Earnings Conference Call
1st Quarter 2015

April 29, 2015

Exelon

SI-SSA-0015-00001

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company and Exelon Generation Company, LLC (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2014 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; (2) Exelon's First Quarter 2015 Quarterly Report on Form 10-Q (to be filed on April 29, 2015) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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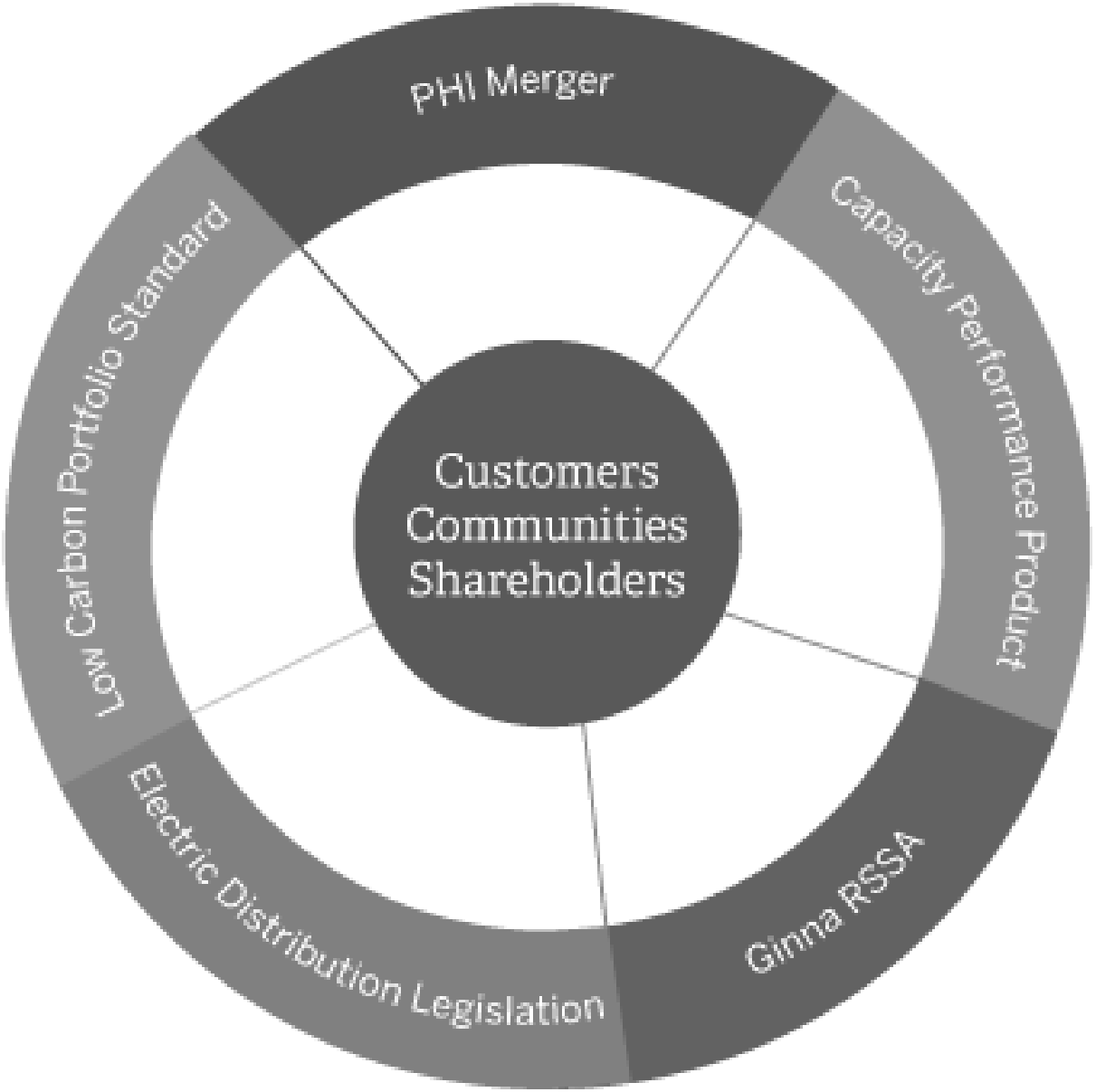
Policy and Business Priorities



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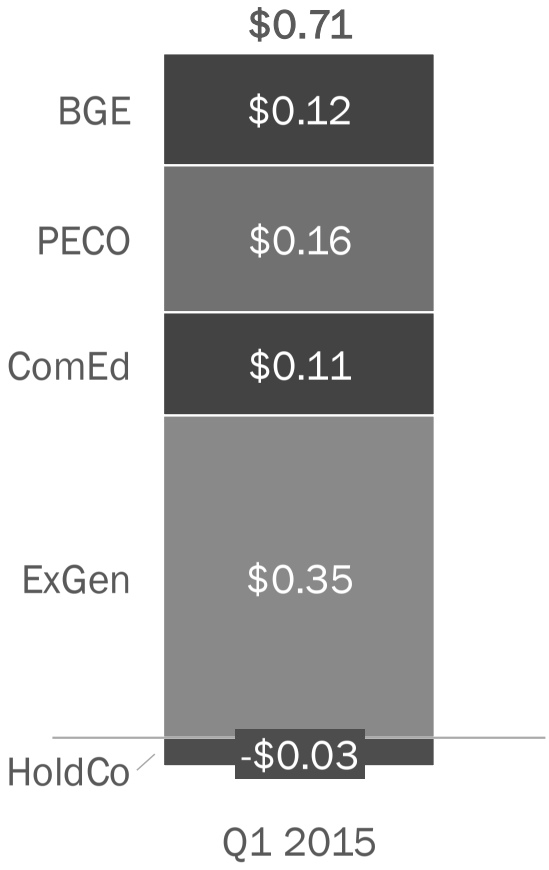
Key Financial Messages

- Delivered adjusted (non-GAAP) operating earnings in Q1 of $0.71/share exceeding our guidance range of $0.60-$0.70/share

- Utilities
  - ⬆ Colder than normal winter
  - ⬆ No severe storms
  - ⬆ Increased distribution revenues

- ExGen
  - ⬆ Benefits of generation to load match
  - ⬆ Higher load serving margins
  - ⬆ Strong portfolio management
  - ⬇ Impacts of unplanned nuclear outages

Adjusted Operating EPS Results (1,2)



Expect Q2 2015 earnings of $0.45 - $0.55/share and re-affirm full-year guidance range of $2.25 - $2.55/share(3,4)

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.
(2) Amounts may not add due to rounding.
(3) ComEd ROE based on 30 Year average Treasury yield of 2.58% as of 3/31/15. 25 basis point move in 30 Year Treasury Rate equates to +/-$0.01 impact to EPS.
(4) 2015 earnings guidance based on expected average outstanding shares of ~866M. Refer to Appendix for a reconciliation of adjusted non-GAAP operating EPS guidance to GAAP EPS.

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Exelon Generation: Gross Margin Update

	March 31, 2015			Change from Dec 31, 2014		
Gross Margin Category ($M) [1]	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$5,600	$5,900	$6,050	$(100)	$50	$(50)
Mark-to-Market of Hedges[3,4]	$1,300	$600	$350	$250	$50	-
Power New Business / To Go	$250	$500	$800	$(100)	$(50)	-
Non-Power Margins Executed	$300	$150	$50	$100	$50	-
Non-Power New Business / To Go	$150	$300	$400	$(100)	$(50)	-
Total Gross Margin[2]	**$7,600**	**$7,450**	**$7,650**	**$50**	**$50**	**$(50)**

Recent Developments

- Load serving business had a strong quarter driven by our generation to load matching strategy
- Natural gas declined, power prices were relatively flat, and heat rates expanded during the quarter
- Significantly behind ratable in the Midwest reflecting the fundamental upside we see in power prices in 2016 and 2017

1) Gross margin categories rounded to nearest $50M.
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 27 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages.

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2015 Projected Sources and Uses of Cash

Projected Sources & Uses[1]

($ in millions) [1]	BGE	ComEd	PECO	ExGen	Exelon[3] 2015E	As of 4Q14	Variance
Beginning Cash Balance[2]					**3,575**	**3,575**	**--**
Adjusted Cash Flow from Operations[4]	600	2,200	625	3,350	6,700	6,775	(75)
CapEx (excluding other items below):	(675)	(2,025)	(500)	(1,925)	(5,225)	(5,100)	(125)
Nuclear Fuel	n/a	n/a	n/a	(1,125)	(1,125)	(1,125)	–
Dividend[5]					(1,075)	(1,075)	–
Nuclear Uprates	n/a	n/a	n/a	(100)	(100)	(100)	–
Wind	n/a	n/a	n/a	(100)	(100)	(100)	–
Solar	n/a	n/a	n/a	(125)	(125)	(125)	–
Upstream	n/a	n/a	n/a	(25)	(25)	(25)	–
Utility Smart Grid/Smart Meter	(25)	(400)	(50)	n/a	(475)	(400)	(75)
Net Financing (excluding Dividend):							
Debt Issuances	250	750	350	750	2,100	2,050	50
Debt Retirements	(75)	(250)	0	(550)	(1,675)	(1,675)	–
Project Finance	n/a	n/a	n/a	75	75	200	(125)
Other Financing[6]	50	(25)	0	1,100	1,300	1,250	50
Ending Cash Balance[2]					**3,825**	**4,125**	**(300)**

(1) All amounts rounded to the nearest $25M.
(2) Does not include collateral.
(3) Includes cash flow activity from Holding Company and other corporate entities.
(4) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures at ownership.
(5) Dividends are subject to declaration by the Board of Directors.
(6) "Other Financing" primarily includes expected changes in short-term debt and tax-exempt bond issuance at ExGen.

Key Messages[1]

- **Cash from Operations is projected to be $6,700M vs. 4Q14E of $6,775M for a ($75M) variance. This variance is driven by:**

– ($75M) MTM pre-issuance interest rate hedges

– ($50M) Income taxes and settlements

– $25M Working capital favorability

– $25M Higher net income at PECO primarily due to favorable weather and volume

- **Cash from Investing activities is projected to be ($7,175M) vs. 4Q14E of ($6,975M) for a ($200M) variance. This variance is driven by:**

– ($200M) Grid reliability investments at ComEd

- **Cash from Financing activities is projected to be $725M vs. 4Q14E of $750M for a ($25M) variance. This variance is driven by:**

– ($125M) Lower project financing at ExGen

– $50M Increased ComEd LTD requirements

– $25M Higher commercial paper requirements at ExGen

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Exelon Generation Disclosures

March 31, 2015

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Portfolio Management Strategy

Strategic Policy Alignment

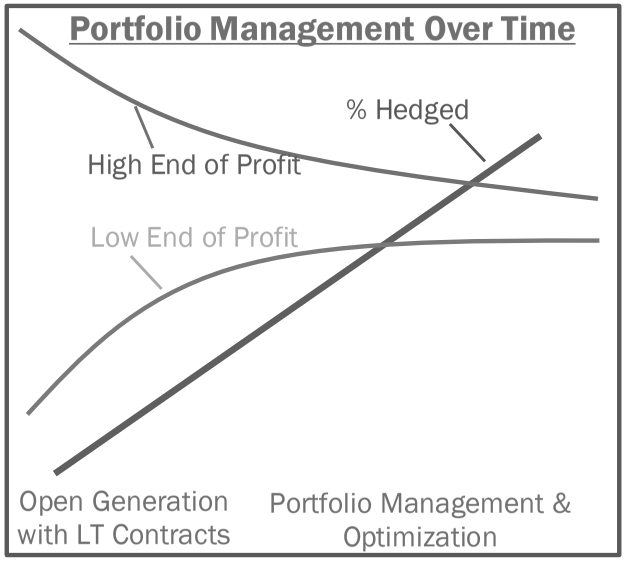
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

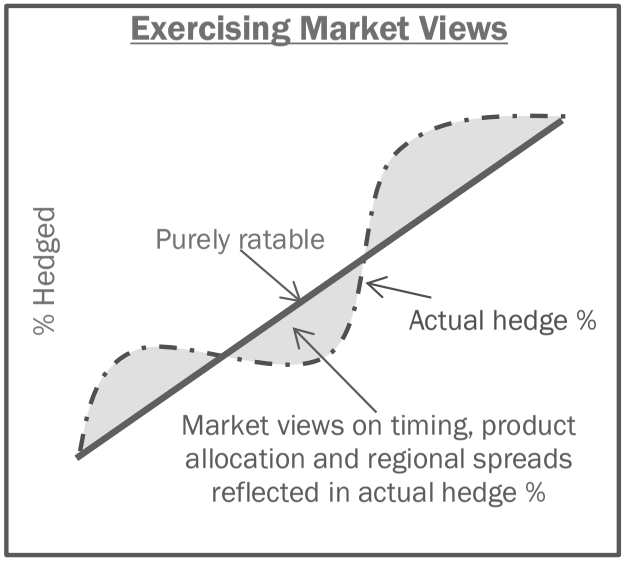
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Exploration and Production(4)
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada(1))

MtM of Hedges(2)

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Load Response
- Energy Efficiency(4)
- BGE Home(4)
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Load Response
- Energy Efficiency(4)
- BGE Home(4)
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading(3)

Margins move from new business to MtM of hedges over the course of the year as sales are executed(5)

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2015	2016	2017
Open Gross Margin (including South, West & Canada hedged GM)[3]	$5,600	$5,900	$6,050
Mark-to-Market of Hedges[3,4]	$1,300	$600	$350
Power New Business / To Go	$250	$500	$800
Non-Power Margins Executed	$300	$150	$50
Non-Power New Business / To Go	$150	$300	$400
Total Gross Margin[2]	**$7,600**	**$7,450**	**$7,650**

Reference Prices[5]	2015	2016	2017
Henry Hub Natural Gas ($/MMbtu)	$2.83	$3.11	$3.35
Midwest: NiHub ATC prices ($/MWh)	$30.74	$31.06	$31.23
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$39.25	$38.73	$38.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.90	$4.84	$4.97
New York: NY Zone A ($/MWh)	$35.63	$36.54	$35.95
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$7.54	$9.36	$10.47

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 27 for a Non-GAAP to GAAP reconciliation of Total Gross Margin
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(5) Based on March 31, 2015 market conditions

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ExGen Disclosures

Generation and Hedges	2015	2016	2017
Exp. Gen (GWh) (1)	**193,000**	**200,500**	**205,100**
Midwest	96,400	97,400	95,900
Mid-Atlantic (2)	61,900	63,200	61,100
ERCOT	15,300	17,400	26,100
New York (2)	9,200	9,300	9,300
New England	10,200	13,200	12,700
% of Expected Generation Hedged (3)	**94%-97%**	**67%-70%**	**37%-40%**
Midwest	93%-96%	64%-67%	30%-33%
Mid-Atlantic (2)	99%-102%	75%-78%	47%-50%
ERCOT	98%-101%	83%-86%	53%-56%
New York (2)	82%-85%	57%-60%	35%-38%
New England	77%-80%	37%-40%	16%-19%
Effective Realized Energy Price ($/MWh) (4)			
Midwest	$35.00	$34.00	$35.00
Mid-Atlantic (2)	$47.50	$44.00	$45.00
ERCOT(5)	$14.00	$9.50	$8.00
New York (2)	$47.00	$44.50	$40.50
New England (5)	$32.50	$17.00	$12.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2015, 12 in 2016, and 15 in 2017 at Exelon-operated nuclear plants, and Salem. Expected generation assumes capacity factors of 93.0%, 94.1% and 93.4% in 2015 , 2016 and 2017 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2016 and 2017 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years. (2) Excludes EDF's equity ownership share of CENG Joint Venture. (3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps. (4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges. (5) Spark spreads shown for ERCOT and New England.

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ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2015	2016	2017
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$(40)	$240	$580
- $1/Mmbtu	$75	$(225)	$(570)
NiHub ATC Energy Price			
+ $5/MWh	$20	$170	$335
- $5/MWh	$(15)	$(170)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	$(15)	$70	$175
- $5/MWh	$15	$(65)	$(170)
NYPP Zone A ATC Energy Price			
+ $5/MWh	$5	$10	$25
- $5/MWh	$(10)	$(15)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $35	+/- $45	+/- $45

(1) Based on March 31, 2015 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture

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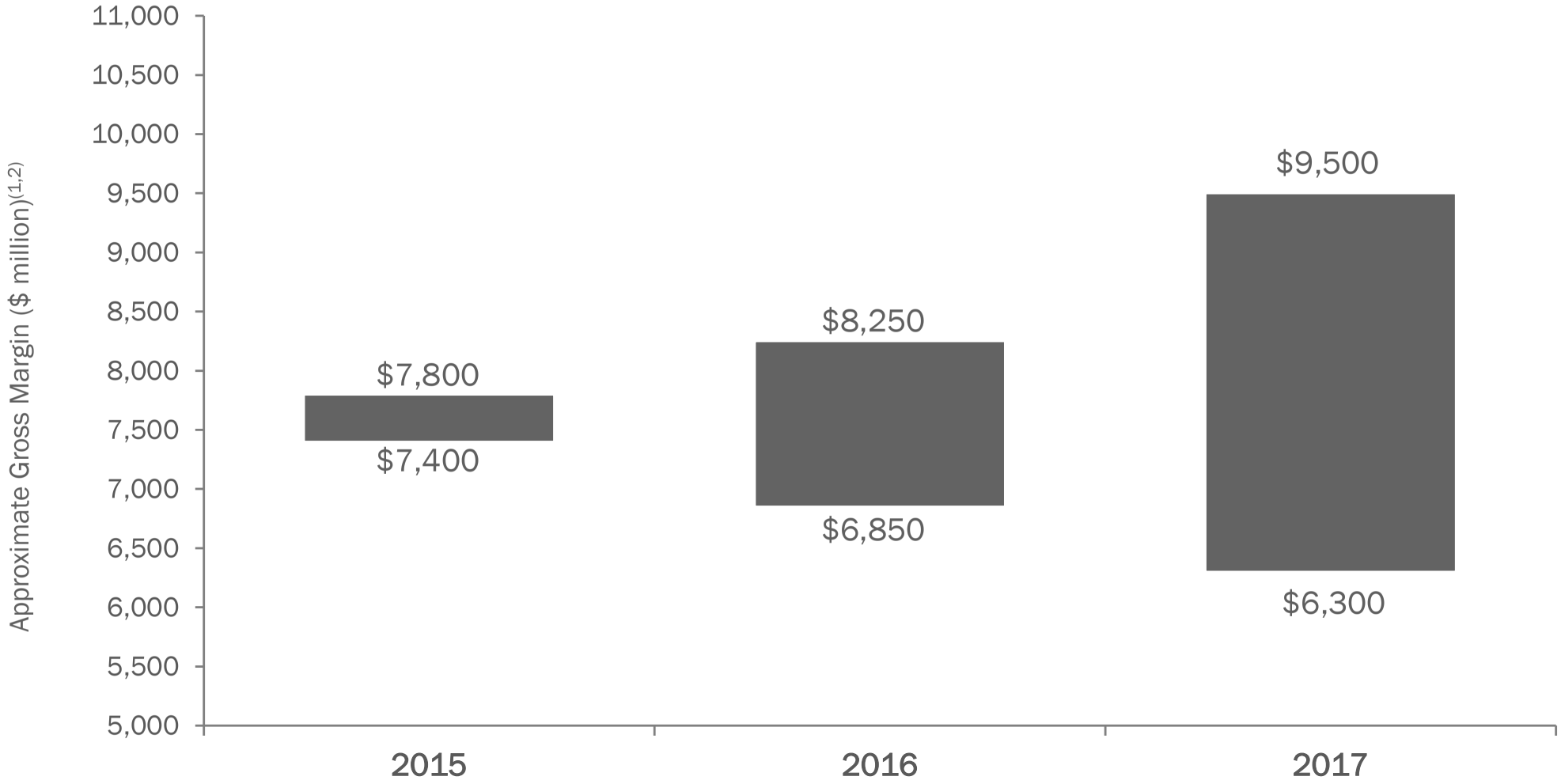
ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2016 and 2017 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2015

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 27 for a Non-GAAP to GAAP reconciliation of Total Gross Margin Excludes EDF's equity ownership share of the CENG Joint Venture

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Illustrative Example of Modeling Exelon Generation 2016 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.90 billion →					
(B)	Expected Generation (TWh)	97.4	63.2	17.4	9.3	13.2	
(C)	Hedge % (assuming mid-point of range)	65.5%	76.5%	84.5%	58.5%	38.5%	
(D=B*C)	Hedged Volume (TWh)	63.8	48.3	14.7	5.4	5.1	
(E)	Effective Realized Energy Price ($/MWh)	34.00	44.00	9.50	44.50	17.00	
(F)	Reference Price ($/MWh)	31.06	38.73	4.84	36.54	9.36	
(G=E-F)	Difference ($/MWh)	2.94	5.27	4.66	7.96	7.64	
(H=D*G)	Mark-to-market value of hedges ($ million) (1)	185	255	70	45	40	
(I=A+H)	Hedged Gross Margin ($ million)	$6,500					
(J)	Power New Business / To Go ($ million)	$500					
(K)	Non-Power Margins Executed ($ million)	$150					
(L)	Non-Power New Business / To Go ($ million)	$300					
(N=I+J+K+L)	Total Gross Margin(2)	$7,450 million					

(1) Mark-to-market rounded to the nearest $5 million

(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 27 for a Non-GAAP to GAAP reconciliation of Total Gross Margin

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Additional Disclosures

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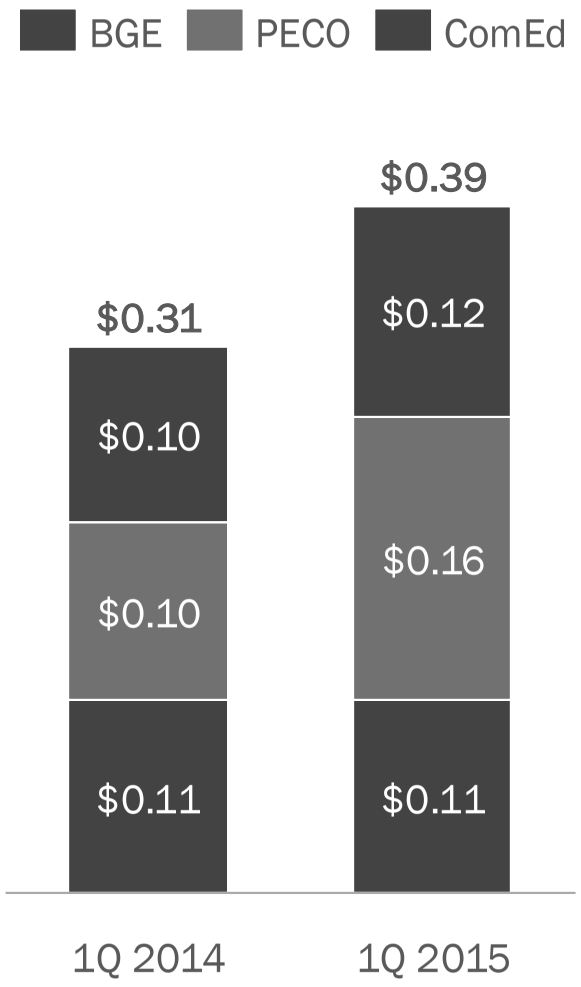
Exelon Utilities Adjusted Operating EPS Contribution[1]



Key Drivers – 1Q15 vs. 1Q14:

BGE (+0.02):

- Increased distribution revenue due to rate case: $0.02

PECO (+0.06):

- Decreased storm costs: $0.05
- Favorable weather and volume: $0.01

ComEd (0.00):

- Unfavorable weather and volume[2]: $(0.01)
- Decreased distribution[2] earnings due to lower return on common equity: $(0.01)
- Increased distribution[2] earnings due to increased capital investments: $0.01

Numbers may not add due to rounding.

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) Due to the distribution formula rate, changes in ComEd's earnings are driven primarily by changes in 30-year U.S. Treasury rates (inclusive of ROE), rate base and capital structure in addition to weather, load and changes in customer mix.

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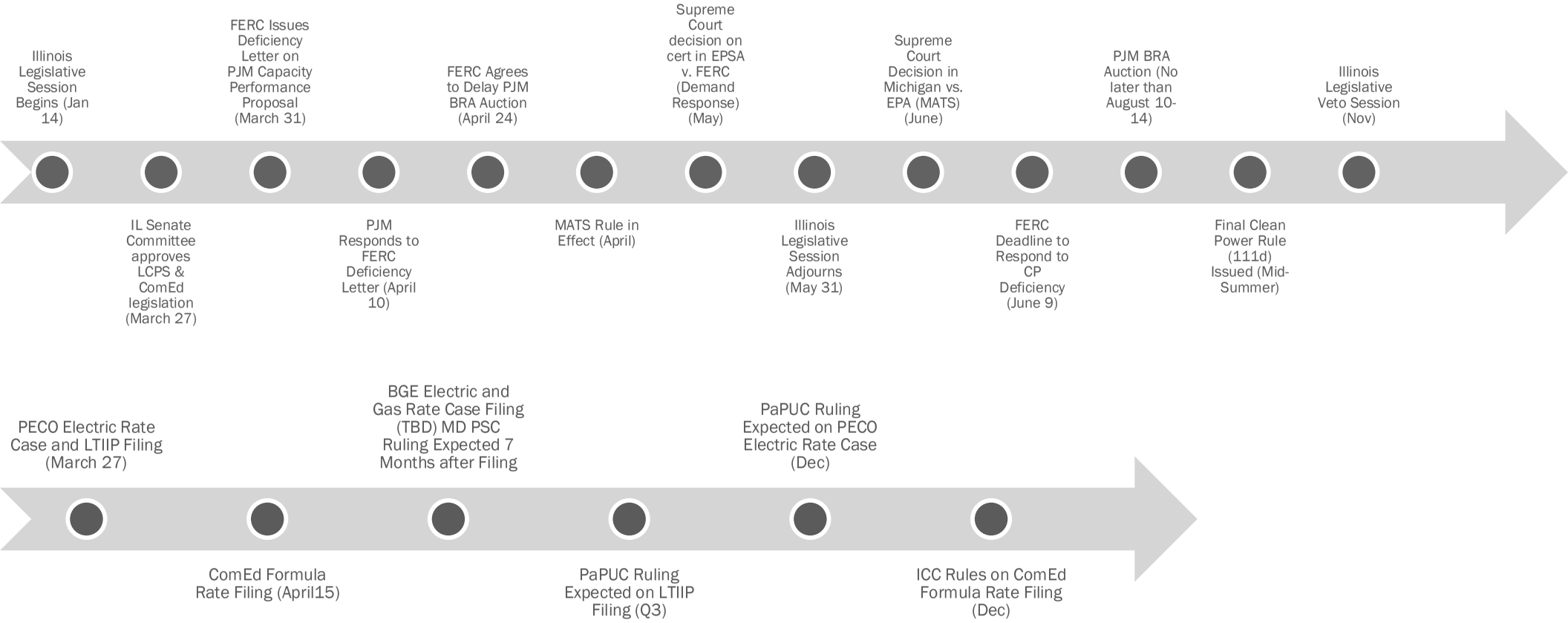
2015 Regulatory and Legislative Timelines



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Proposed Low Carbon Portfolio Standard Legislation (HB 3293 / SB1585)

What is the purpose of the legislation?	Beginning January 1, 2016, the Illinois Power Agency (IPA) must include in electric utilities' procurement plans the procurement of cost-effective low carbon energy credits from low carbon energy resources for all retail customers. This procurement process follows the existing renewable energy resources procurement process.
What is a low carbon energy credit?	A tradable credit that represents the environmental attributes of 1 MW of energy produced from a low carbon energy resource. Low carbon energy credits are created every day that low carbon energy resources are generating power.
What is a low carbon energy, or "LCE", resource?	Energy from a generating unit that does not emit any air pollution, such as sulfur dioxide, nitrogen oxide, or carbon dioxide, including technology fueled by new and existing solar photovoltaic, solar thermal, wind, hydro, nuclear, tidal energy, wave energy or clean coal.
What quantity of LCE resources is being procured?	A maximum of 70% of retail sales per year. Like the renewable energy resources procurement, the LCE procurement is limited by a separate 2.015% rate increase cap and cannot exceed the IPA's benchmarks for renewable energy resources.
Who is purchasing the LCE credits?	Similar to the renewable portfolio standard, electric utilities would purchase the LCE credits. While the renewables procurement includes only eligible retail customers, the LCE procurement covers all retail customers.
How will the utility recover its costs to purchase LCE credits?	Utilities will recover all costs associated with purchasing LCE credits through a rider that adds a charge to each retail customer's bill (consistent with the 2.015% rate cap). Like the renewable portfolio standard, this charge will remain fixed for the duration of the LCPS.
What is the procurement process?	The LCE procurement process relies on the same process the IPA uses to procure renewable energy resources. The key difference is the need to conduct a mid-year procurement. Because the legislation probably will not become law until after the start of the 2015/2016 procurement year on June 1, 2015, the IPA will conduct and complete an initial procurement before January 1, 2016 that will procure the LCE credits needed for the period January 1, 2016 through May 31, 2021, by entering into contracts of 1 to 5 years in length. The IPA may also conduct later procurement processes if it needs to do so.
How long will the new LCE procurement requirements be in effect?	The new LCE procurement requirements will sunset on December 31, 2021, so long as the State has adopted and implemented a plan under Section 111(d) of the federal Clean Air Act. If the State has not completed these actions by that date, then the new requirements will sunset on December 31 of the year in which the State adopts and implements that plan.

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Proposed Energy Plan for Illinois' Future Legislation (HB 3328 / SB 1879)

Legislative Change	Description	Customer Benefits
Expand Energy Efficiency	Allows utilities to invest in voltage optimization to meet energy efficiency goals; spreads costs to customers over 5 years minimizing initial customer impact; shifts all energy efficiency program management to the utilities	• More energy efficiency • More customer cost savings for most customers regardless of program participation
Solar Power for the Community	Changes existing net metering law to enable community solar and other meter aggregation programs; provides access to Renewable Energy Resources Fund (RERF) to support development of community and rooftop solar	• More customer access to sustainable generation for customers at all income levels and dwelling types (rentals, condos, homes with rooftop limitations, etc.)
Equitable Cost Allocation Through Rate Design Modifications	Implements kilowatt-based rates for all retail customers; breaks-out capacity and transmission charges as separate bill line items; eliminates the requirement that a residential customer who elects real-time pricing remain on that rate for a minimum of a year	• Allocates costs of grid more fairly and aligns residential rate design with long-standing C&I rate design • Unbundling charges facilitates comparisons of energy offerings • Adjustment to real-time pricing provides more pricing choices to customers
Additional Financial Assistance for those in need -- 2021	Extends access to ComEd shareholder-funded customer assistance dollars for low-income customers, including senior citizens, veterans, small businesses, and community organizations	• Provides $50M in customer assistance benefits
Microgrids for Security and Resiliency	Pilot program to demonstrate how microgrid technology can provide security and resiliency to critical infrastructure	• Increased security, resiliency, and reliability for critical infrastructure
Electric Vehicle Charging Stations	Initiates a program to increase the number and accessibility of electric vehicle charging	• Supports electrification of transportation sector
Demand Response Facilitation Service	Enables utility to aggregate demand response procurement for retail energy providers in service territory; easing the administrative burden on retail energy providers	• Ensures viability of demand response participation in Illinois
Renewable Portfolio Standards Enhancements	Improves access to RERF money which is limited under the current legislation and streamlines administration	• Allows for more competitive service for large C&I customers • Increases RECs purchase

SI-SSA-0015-00019

ComEd April 2015 Distribution Formula Rate

The 2015 distribution formula rate filing establishes the net revenue requirement used to set the rates that will take effect in January 2016 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on prior year costs (2014) and current year (2015) projected plant additions.
- Annual Reconciliation: For the prior calendar year (2014), this amount reconciles the revenue requirement reflected in rates during the prior year (2014) in effect to the actual costs for that year. The annual reconciliation impacts cash flow in the following year (2016) but the earnings impact has been recorded in the prior year (2014) as a regulatory asset.

Docket #	15-0287
Filing Year	**2014 Calendar Year Actual Costs and 2015 Projected Net Plant Additions** are used to set the rates for calendar year 2016. Rates currently in effect (docket 14-0312) for calendar year 2015 were based on 2013 actual costs and 2014 projected net plant additions
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2014 to 2014 Actual Costs Incurred.** Revenue requirement for 2014 is based on docket 13-0318 (2012 actual costs and 2013 projected net plant additions) approved in December 2013 and reflects the impacts of PA 98-0015 (SB9)
Common Equity Ratio	**~ 46%** for both the filing and reconciliation year
ROE	**9.14%** for the filing year (2014 30-yr Treasury Yield of 3.34% + 580 basis point risk premium) and **9.09%** for the reconciliation year (2014 30-yr Treasury Yield of 3.34% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2015 and 2016, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~ 7%** for both the filing and reconciliation years
Rate Base	**$8,286 million**– Filing year (represents projected year-end rate base using 2014 actual plus 2015 projected capital additions). 2015 and 2016 earnings will reflect 2015 and 2016 year-end rate base respectively. $7,095 million - Reconciliation year (represents year-end rate base for 2014)
Revenue Requirement Decrease	**$50M decrease** ($142M decrease due to the 2014 reconciliation offset by a $92M increase related to the filing year). The 2014 reconciliation impact on net income was recorded in 2014 as a regulatory asset.
Timeline	• 04/15/15 Filing Date • 240 Day Proceeding • ICC order expected to be issued by mid-December 2015

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

Note: Disallowance of any items in the 2015 distribution formula rate filing could impact 2015 earnings in the form of a regulatory asset adjustment.

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SI-SSA-0015-00020

PECO Electric Distribution Rate Case

Docket #	R-2015-2468981
Fully Projected Future Test Year	2016
Common Equity Ratio	53%
Requested Return on Equity	10.95%
Overall Rate of Return	8.2%
Proposed Rate Base	$4.1B
Revenue Requirement Increase Ask	$190M
System Average Increase as % of overall bill	4.4%
Timeline	• 3/27/15 – PECO filed electric distribution rate case with PaPUC • 9 month Proceeding • Increased rates effective on January 1, 2016
Basis for Rate Case	• Since last rate case (2010): – Electric Distribution Rate base increased by one third (approximately $1B) – Sales declined by 0.6% – Operating expenses were essentially flat (less than 1% annually) • Proposed investment maintains strong reliability performance with targeted investment to address pockets with reliability issues

First Electric Distribution Rate Case since 2010

SI-SSA-0015-00021

Exelon.

PECO Electric LTIIP - System 2020

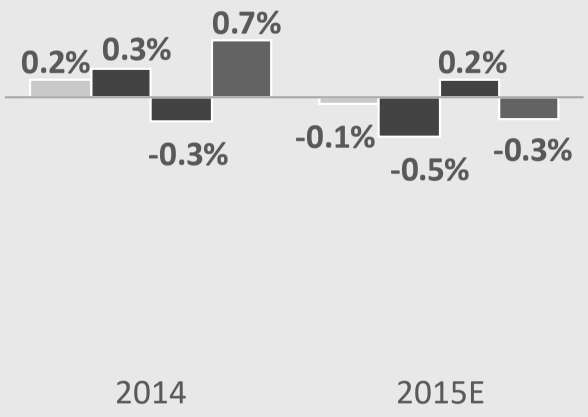
- PECO filed its Electric Long Term Infrastructure Improvement Plan ("LTIIP") along with its associated recovery mechanism the Distribution System Improvement Charge ("DSIC") on March 27, 2015 (with Electric Distribution Rate Case)
  - LTIIP includes $275 million in incremental capital spending from 2016-2020 focusing on the following areas:
    - Cable Replacement
    - Storm Hardening Programs
    - Substation replacement and upgrades
  - DSIC mechanism will allow recovery of eligible LTIIP spend between rate cases if the electric distribution ROE falls below the DSIC ROE established by PaPUC. The current Electric DSIC ROE is 10.1%.
  - Expected approval in 3Q15
- PECO also proposed the concept of constructing one or more pilot microgrid projects as part of a future LTIIP update ($50-$100M). The objective is to evaluate and test emerging microgrid technologies that could enhance reliability and resiliency by replacing obsolete infrastructure as an alternative to traditional solutions.

SI-SSA-0015-00022

Exelon Utilities Load

All Customers | Residential | Small C&I | Large C&I

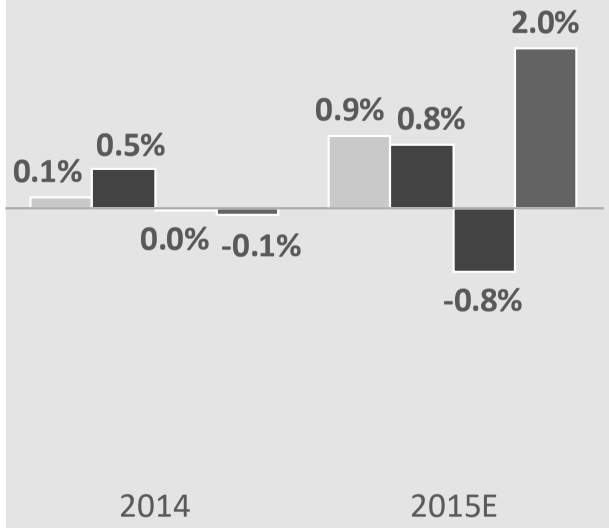
ComEd



Chicago GMP	2.4%
Chicago Unemployment	6.1%

2015 load growth is similar to 2014 reflecting slowly improving economy being offset by energy efficiency

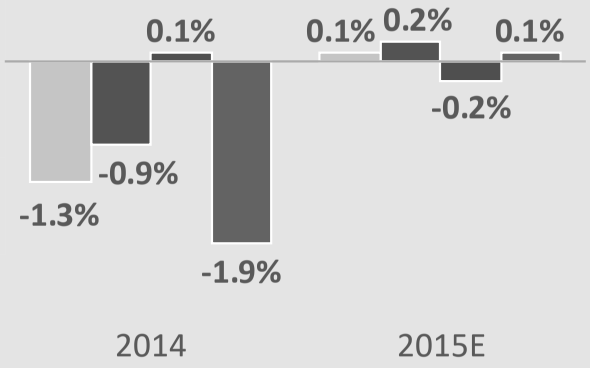
PECO



Philadelphia GMP	2.0%
Philadelphia Unemployment	6.6%

2015 load growth is driven by modest economic growth coupled with increased shale gas transportation and NGL production, partially offset by energy efficiency.

BGE



Baltimore GMP	1.6%
Baltimore Unemployment	5.8%

2015 load growth is greater than 2014, attributable to slowly improving economic conditions and moderate customer growth, partially offset by energy efficiency

Notes: Data is not adjusted for leap year. Source of economic outlook data is IHS (February 2015) and Bureau of Economic Analysis. Assumes 2015 GDP of 3.0% and U.S. unemployment of 5.5%. ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. BGE amounts have been adjusted for unbilled / true-up load from prior quarters

Exelon

SI-SSA-0015-00023

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00024

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1Q GAAP EPS Reconciliation

Three Months Ended March 31, 2014	ExGen	ComEd	PECO	BGE	Other	Exelon
2014 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.30**	**$0.11**	**$0.10**	**$0.10**	**$-**	**$0.62**
Mark-to-market impact of economic hedging activities	(0.52)	-	-	-	-	(0.52)
Unrealized gains related to NDT fund investments	0.01	-	-	-	-	0.01
Merger and integration costs	(0.01)	-	-	-	-	(0.01)
Amortization of commodity contract intangibles	(0.04)	-	-	-	-	(0.04)
Tax settlements	0.04	-	-	-	-	0.04
1Q 2014 GAAP Earnings (Loss) Per Share	**$(0.22)**	**$0.11**	**$0.10**	**$0.10**	**$-**	**$0.10**

Three Months Ended March 31, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.35**	**$0.11**	**$0.16**	**$0.12**	**$(0.03)**	**$0.71**
Mark-to-market impact of economic hedging activities	0.11	-	-	-	-	0.11
Unrealized gains related to NDT fund investments	0.03	-	-	-	-	0.03
Merger and integration costs	(0.01)	-	-	-	(0.01)	(0.02)
Mark-to-market impact of PHI merger related interest rate swaps	-	-	-	-	(0.06)	(0.06)
Amortization of commodity contract intangibles	0.03	-	-	-	-	0.03
Midwest Generation bankruptcy recoveries	0.01	-	-	-	-	0.01
CENG Non-Controlling Interest	(0.01)	-	-	-	-	(0.01)
1Q 2015 GAAP Earnings (Loss) Per Share	**$0.51**	**$0.11**	**$0.16**	**$0.12**	**$(0.10)**	**$0.80**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-00025

GAAP to Operating Adjustments

- **Exelon's 2015 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain costs incurred associated with the Integrys and pending Pepco Holdings, Inc. acquisitions
  - Mark-to-market adjustments from forward-starting interest rate swaps related to anticipated financing for the pending PHI acquisition
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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SI-SSA-0015-00026

ExGen Total Gross Margin Reconciliation to GAAP

Total Gross Margin Reconciliation (in $M)[4]	2015	2016	2017
Revenue Net of Purchased Power and Fuel Expense[1][5]	**$8,150**	**$8,050**	**$8,350**
Other Revenues[2]	$(250)	$(250)	$(250)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[3]	$(300)	$(350)	$(450)
Total Gross Margin (Non-GAAP, as shown on slide 5)	**$7,600**	**$7,450**	**$7,650**

(1) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense . ExGen does not forecast the GAAP components of RNF separately. RNF also includes the RNF of our proportionate ownership share of CENG.

(2) Reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues.

(3) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation.

(4) All amounts rounded to the nearest $50M.

(5) Excludes the impact of the operating exclusion for mark-to-market due to the volatility and unpredictability of the future changes to power prices.

SI-SSA-0015-00027

EEI Financial Conference

November 2017

Exelon®

SI-SSA-0015-00028

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00029

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-00030

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 45 of this presentation.

SI-SSA-0015-00031

Exelon: An Industry Leader

$20B
Being invested in utilities through 2020

$46M
In 2016, Exelon gave approx. $46 million to charitable and community causes

#1
zero-carbon energy provider in America

205 TWh
Customer load served

32,700
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,400
employees

$31.4B
Operating revenue in 2016

FORTUNE 100
Exelon is a FORTUNE 100 company and was named to Fortune Magazine's list of "World's Most Admired Companies"

2.2M+
Exelon's Constellation business serves residential, public sector and business customers

11,430
transmission line miles for utilities

8.5M
Smart meters installed

Note: All numbers reflect year-end 2016; revenue accounts for PHI as of the merger effective date of March 24, 2016 through December 31, 2016.

Exelon.

SI-SSA-0015-00032

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00033

Exelon Utilities Overview

19,700
Employees

$31.7B
2016 Rate Base

$15.1B
In Revenue

24.9
Thousand mi^2
Combined Service Territory

10 M
Customers

8.5 M
Smart Meters Installed

11,430
Transmission line miles (circuit)

Note: All numbers reflect year-end 2016; revenue number accounts for PHI revenue as of March 24, 2016 merger date.

SI-SSA-0015-00034

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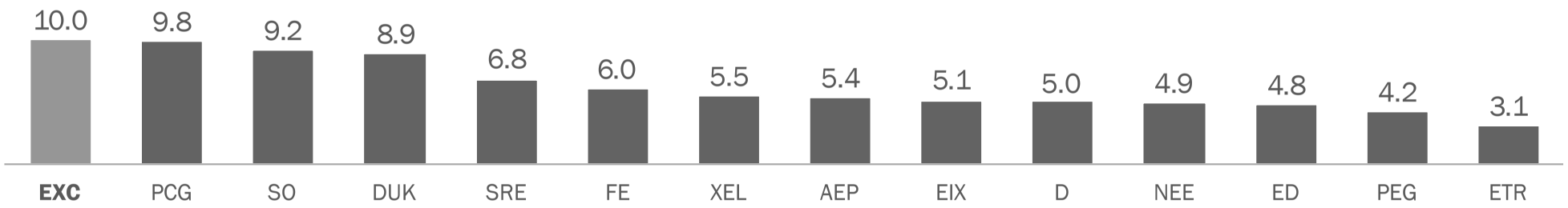
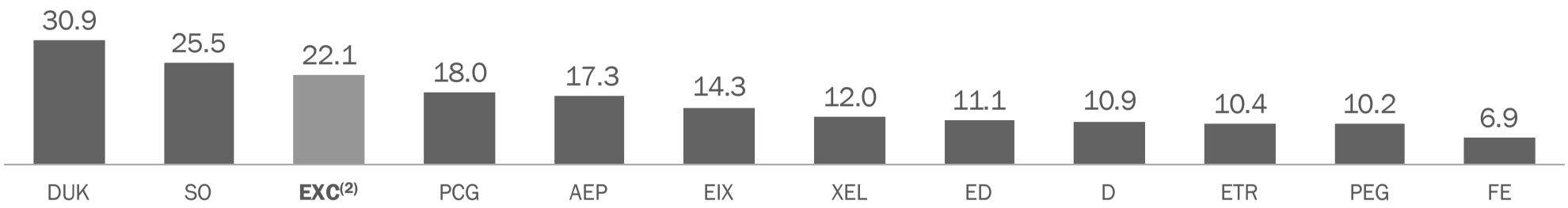
Exelon Utilities are an Industry Leader

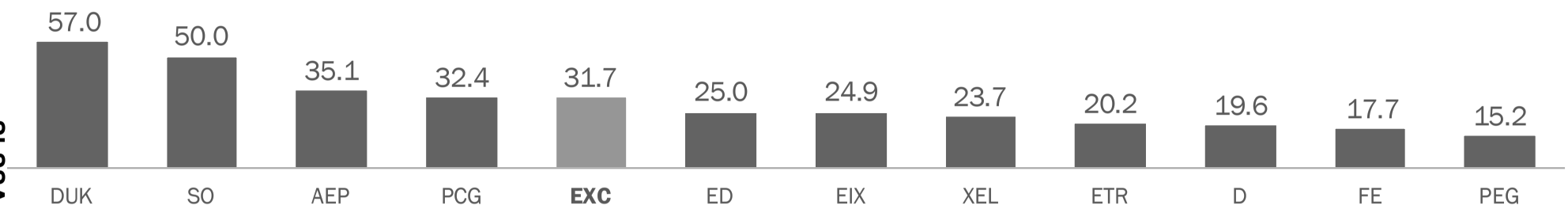
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



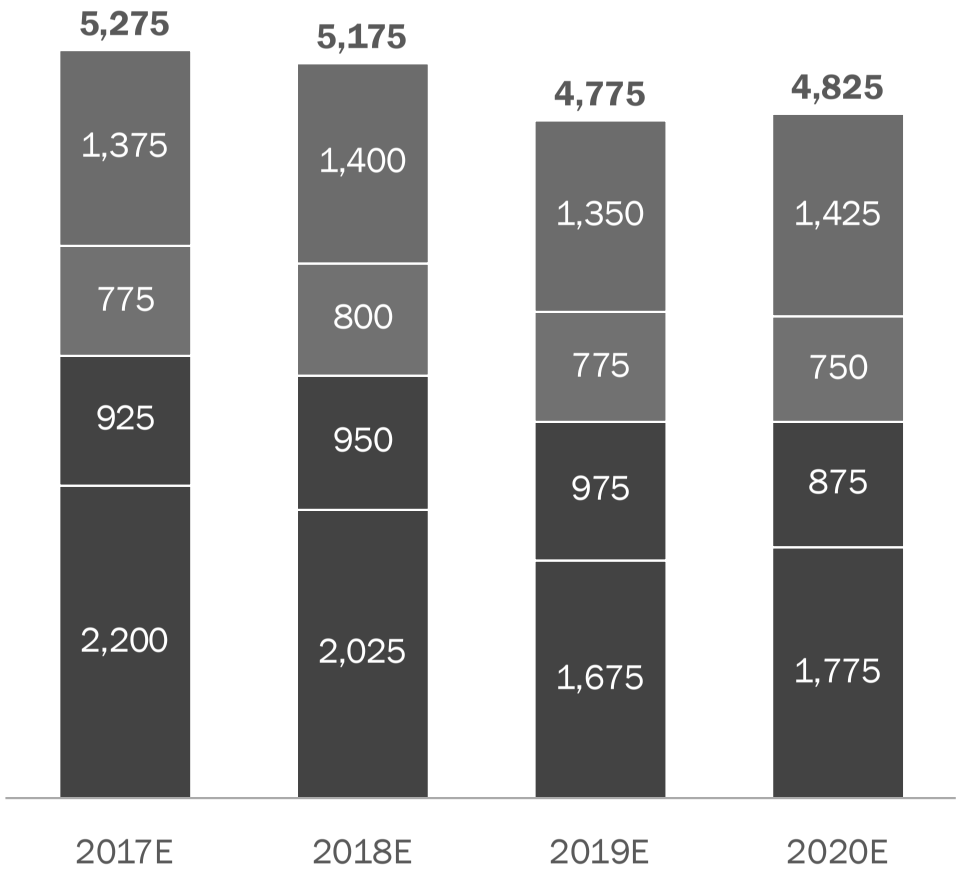
Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

SI-SSA-0015-00035

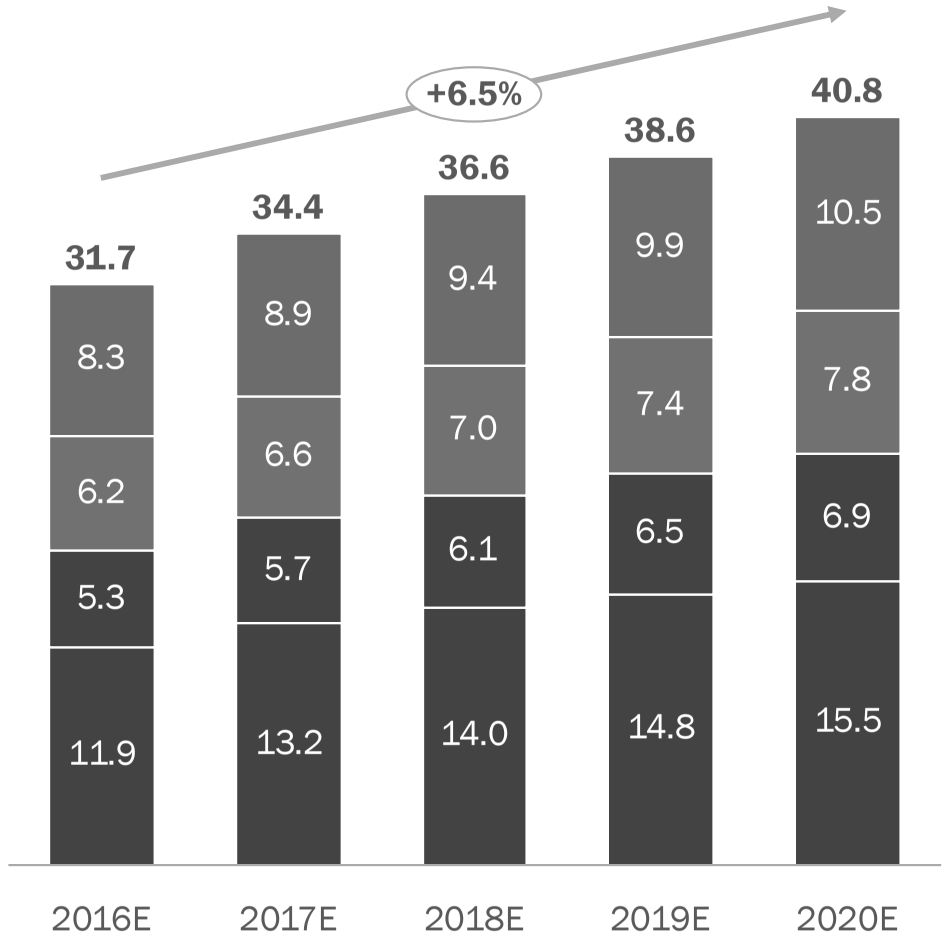
Exelon.

Our Capital Plan Drives Stable Earnings Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

Over $20B of capital is being invested at utilities from 2017-2020 to improve reliability

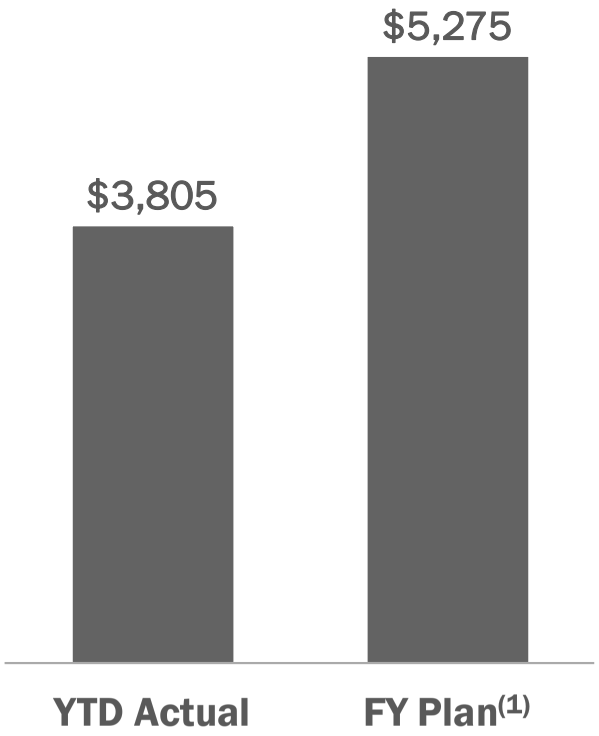
Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

SI-SSA-0015-00036

Exelon.

Utility CapEx Update

2017 Exelon Utilities CapEx Spend ($M)



Notable Projects

- **Pepco's Waterfront Substation**
  - $182 million invested to date. Expected completion by end of 2017
  - Part of "Capital Grid" project
  - Replaces aging infrastructure and improves substation performance
  - Will support existing customers and planned development in the Capitol Riverfront and Southwest Waterfront areas
- **ComEd's Grand Prairie Gateway transmission line**
  - $203 million investment
  - 60-mile, 345kV line through four northern Illinois counties
  - Energized April 2017
  - Estimated customer savings of $121 to $325 million, net of construct costs, within the first 15 years
  - Reduces carbon emissions by nearly 500,000 tons within the first 15 years

Exelon Utilities on track to meet their 2017 capital investment commitments to the benefit of customers

(1) FY Plan rounded to the nearest $25M

Exelon.

SI-SSA-0015-00037

Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q3 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

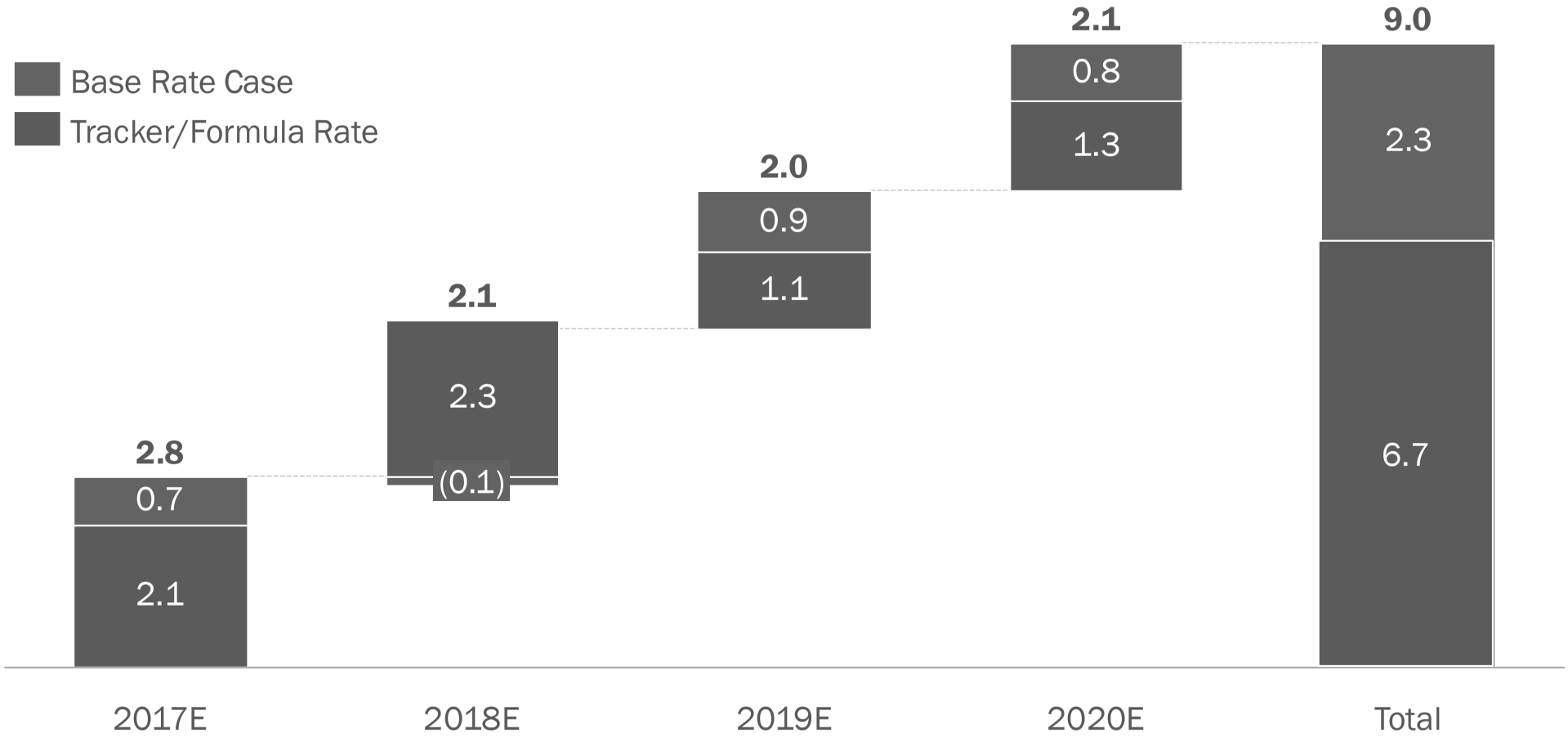
(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

SI-SSA-0015-00038

Exelon

Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2017-2020 ($B)[1]



Of the approximately $9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding
(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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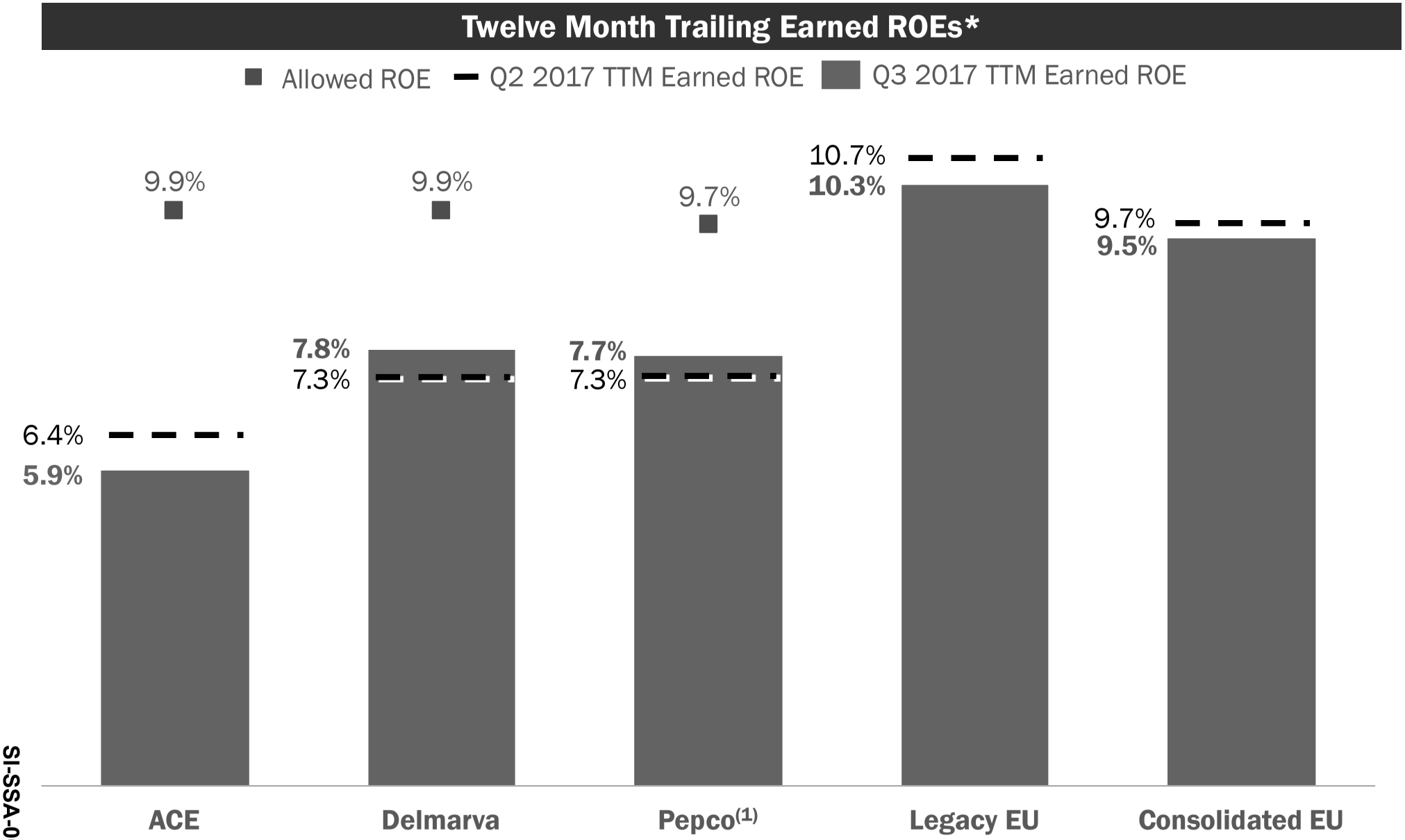
SI-SSA-0015-00039

Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 10/1/2016 to 9/30/2017. ROEs represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

(1) Pepco MD Distribution allowed ROE is based on authorized ROE of 9.55% for the rates that were in effect during the trailing twelve month period. The order issued on 10/20/17 authorized an ROE of 9.50%.

SI-SSA-0015-00040

Exelon.

Exelon Utilities' Distribution Rate Case Updates

Pepco DC Order	
Authorized Revenue Requirement Increase[1]	$36.9M
Authorized ROE	9.50%
Common Equity Ratio	49.14%
Order Received	7/25/17

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Requested Revenue Requirement Increase[1]	$95.6M[2]
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$21.6M[4]
Requested ROE	10.10%
Requested Common Equity Ratio	50.68%
Order Expected	2/14/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,3]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

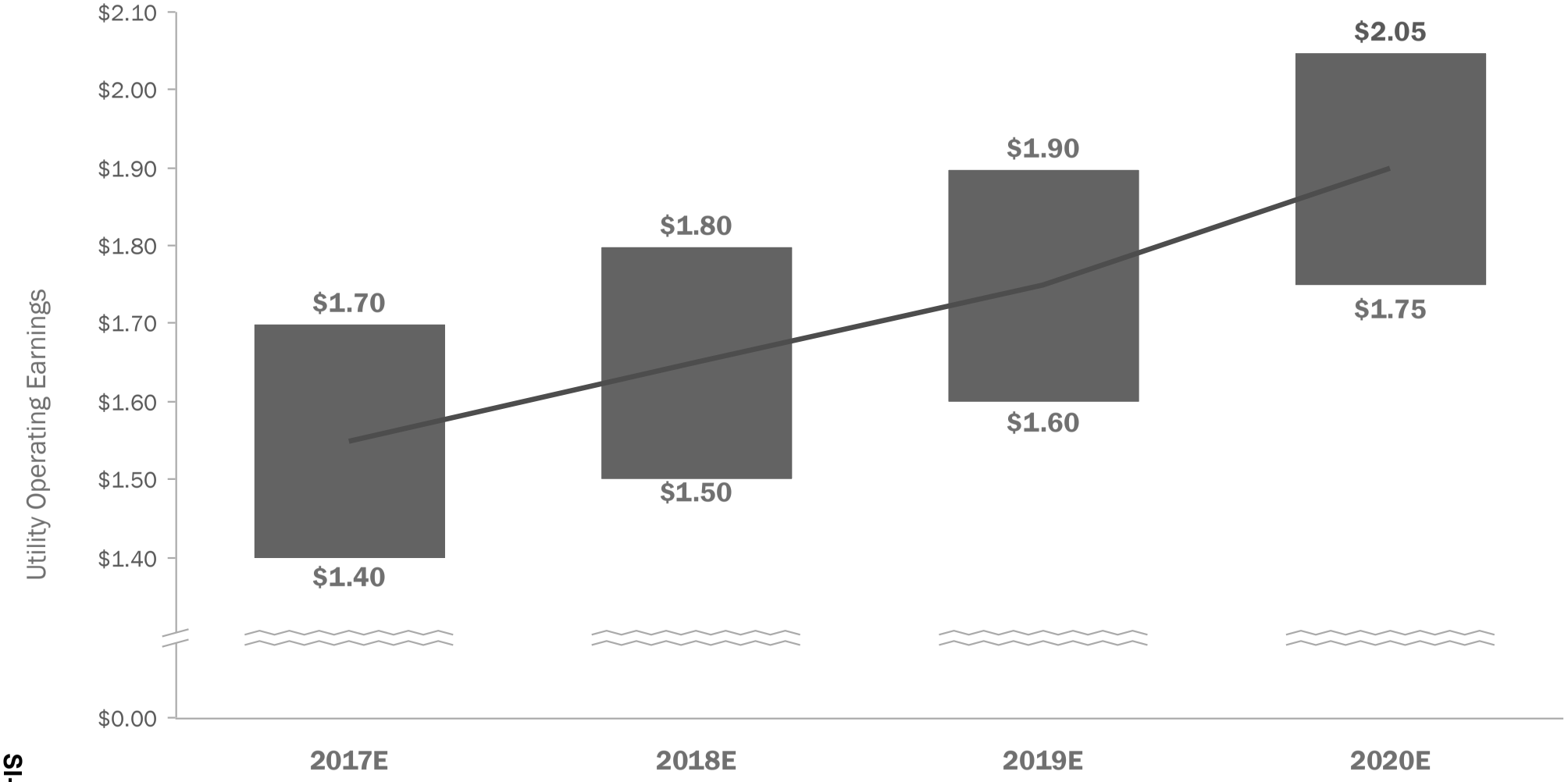
Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,3]	$12.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017
(3) As permitted by Delaware law, Delmarva Power will implement interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(4) Amount represents adjusted requested revenue requirement filed on September 28, 2017

SI-SSA-0015-00041

Exelon Utilities EPS Growth of 6-8% to 2020

Exelon Utilities Operating Earnings 2017-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.

SI-SSA-0015-00042

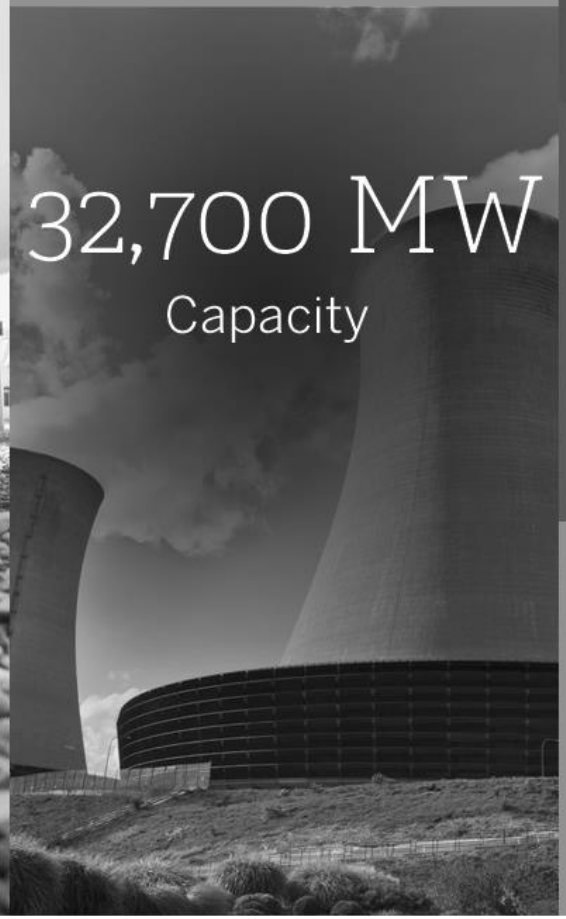
Exelon

Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

205 TWh
Customer Load Served



94.6%
Nuclear Capacity Factor in 2016

97.2%
Gas and Hydro Dispatch Match in 2016

8th
largest gas provider

203 TWh
Generation Output

Note: All numbers reflect year-end 2016

SI-SSA-0015-00043

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Constellation Overview

2,200
Employees

2.2 M+
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.6 TCF
Gas Delivered

In 2016, procured
2.9 million
RECs for customers, enabling them to avoid approximately
1.51 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

27,000
Volunteer Hours

205 TWH
Customer Load Served

Note: All numbers reflect year-end 2016
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-2015-00044

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Exelon Generation: Gross Margin Update

	September 30, 2017			Change from June 30, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,600	$3,900	$3,700	$(150)	$(100)	$(100)
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000	$(150)	$100	$(50)
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450	$250	$100	$50
Power New Business / To Go	$100	$700	$850	$(100)	$(150)	$(100)
Non-Power Margins Executed	$350	$200	$100	$50	$50	-
Non-Power New Business / To Go	$100	$300	$400	$(50)	$(50)	-
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**	**$(150)**	**$(50)**	**$(200)**

Recent Developments

- Delay in recognition of Illinois ZEC revenues lowers the Capacity and ZEC Revenues line in 2017 by $150M and increases the 2018 line by $150M – see slide 19 for details
- Excluding impact of Illinois ZEC timing:
  - In 2017, $50M reduction in Power New Business targets
  - In both 2018 and 2019, $100M reduction due to lower power and capacity prices and $100M reduction to Power New Business Targets
- Behind ratable hedging position reflects the upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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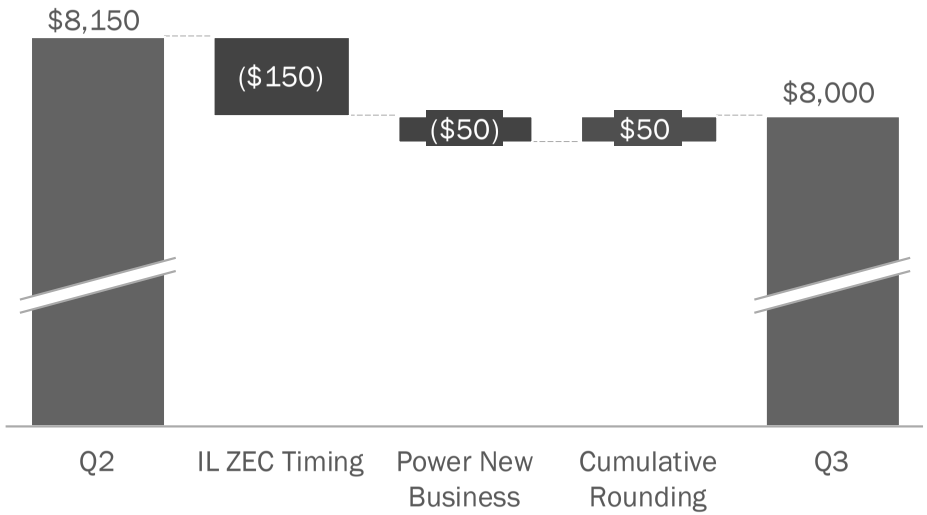
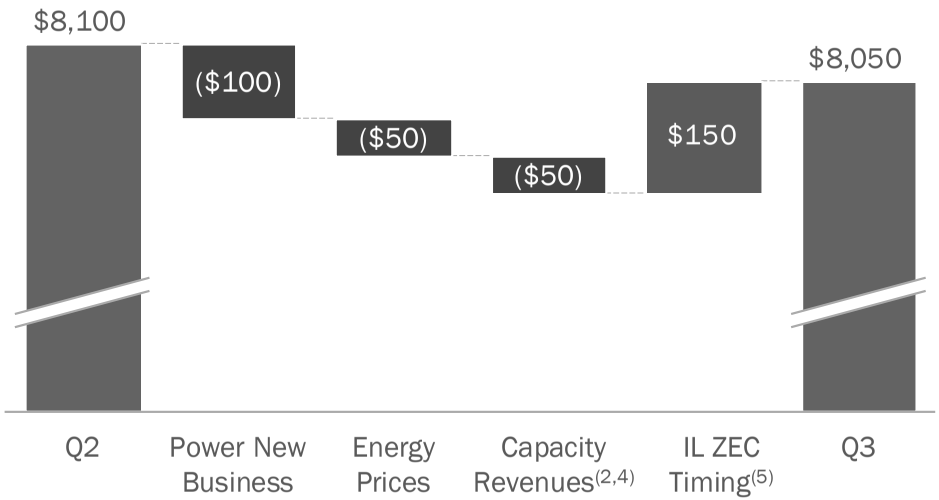
ExGen Forward Total Gross Margin* Walk: Q3 2017 vs. Q2 2017

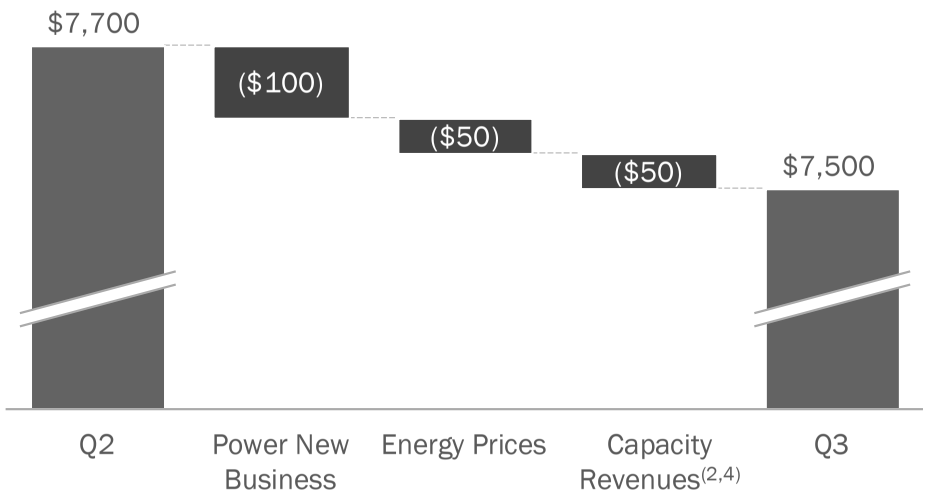
FY 2017 ($M)[1,3,4]



FY 2018 ($M)[1,3,4]



FY 2019 ($M)[1,3,4]



Key Takeaways

- Change in timing of Illinois ZEC contract finalization results in 2017 reduction of $150M on a rounded basis and 2018 increase of $150M
- Aggressive bidding by market participants in a low volatility period is pressuring Wholesale margins and limiting C&I Retail growth; reduce Power New Business To Go by $100M in 2018 and 2019 to reflect continuation of current, low discipline market bidding behavior
- Lower energy prices reduce Open Gross Margin by $50M in 2018 and 2019; October price recovery offsets 2019 declines
- Lower observed capacity prices in NY and MISO reduce Capacity Revenues by $50M on a rounded basis in 2018 and 2019

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on September 30, 2017, market conditions
(4) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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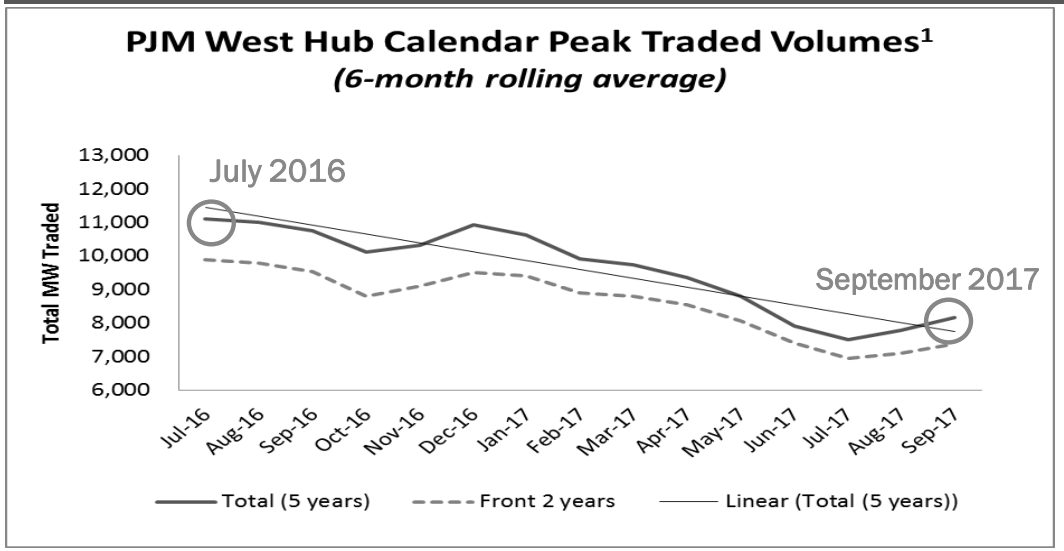
Forward Market Liquidity

Overall liquidity is declining



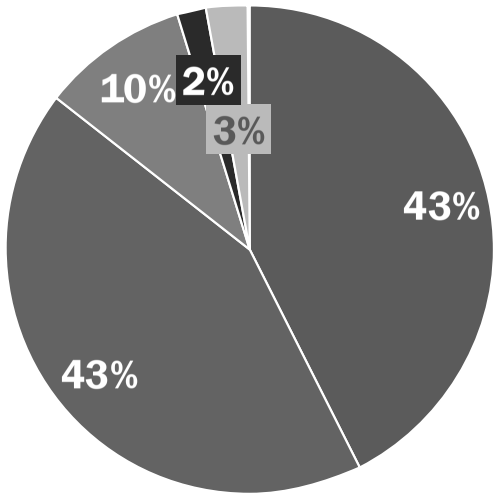
Total calendar peak traded volumes for the rolling 5-year window have been trending lower over the past year

Calendar peak traded volumes beyond prompt year +1 account for less than 10% of total traded volumes

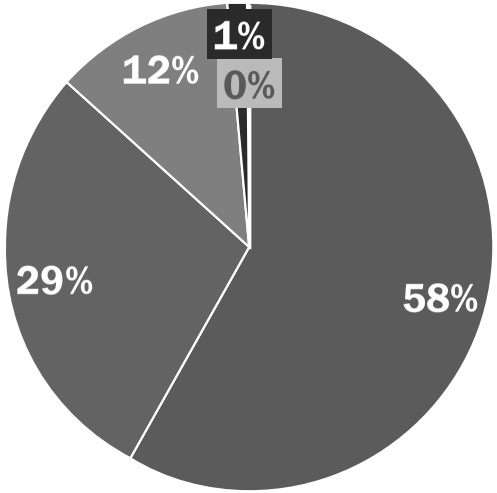
** Please note that hedging strategy utilizes various price points (i.e. NIHUB, ERCOT), channels to market (i.e. Origination, Mid-Marketing, Retail, OTC), products (i.e. calendar, seasonal), and other exchanges*

Limited liquidity in the outer years

September 2016 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



September 2017 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



(1) Total monthly traded volumes for rolling prompt year + 4 years on ICE and NASDAQ Exchanges only

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SI-SSA-0015-00047

Exelon's Policy Priorities

SI-SSA-0015-00048

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is prepared to implement its reforms allowing all resources to set LMP by mid-2018
- "FERC should expedite its efforts with states, RTO/ISOs, and other stakeholders to improve energy price formation in centrally-organized wholesale electricity markets." – DOE Staff Report, August 2017
- The Commission should focus "first and foremost on the optimization of price formation in the energy and ancillary service markets." Ill. Commerce Comm'n Comments at 7
- "PJM staff is proposing to reform the existing pricing model in order to ensure that the cost of serving load is reflected in LMP to the fullest extent possible… This follows the principles of sound market design." - William W. Hogan, October 23, 2017

Resiliency

- "Accurately valuing resilience is not a zero-sum game. Compensating base-load generation does not equate to destruction of markets. On the contrary, I think it's a step toward accurately pricing contributions of all market participants." – FERC Chairman Neil Chatterjee, October 13, 2017
- "The unknowns are what we're going to have to deal with: if there was a physical attack, if you had [an explosion like the one on the Spectra pipeline that wasn't] fixed in a timely manner heading into the winter heating season, central Pennsylvania would have had potential issues. . . So now the conversation's gotten broader around these cascading events, and then how do you price resiliency? That conversation needs to take place." FERC Commissioner Rob Powelson, October 27, 2017
- "We used to talk about equipment failure and outages caused by storms. Now, the threat profile has changed, the considerations are broader. There could be intentional attacks – cyber or physical. Those concerns lead us beyond reliability and into resilience." PJM CEO and President Andrew L. Ott, September 20, 2017

Exelon recommends that FERC:

1. Immediately require PJM to submit its energy price formation proposal
2. Require the affected RTOs to submit detailed information on the grid's vulnerabilities to enable the development of a design basis threat analysis that can inform cost-effective market reforms, and
3. State that it will not interfere with state programs that value resilient resources like nuclear plants

SI-SSA-0015-00049

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy."
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
    - Plaintiff-Appellant Opening Brief filed October 13
    - Reply Briefs due December 1
    - Oral arguments will then follow

State Case:

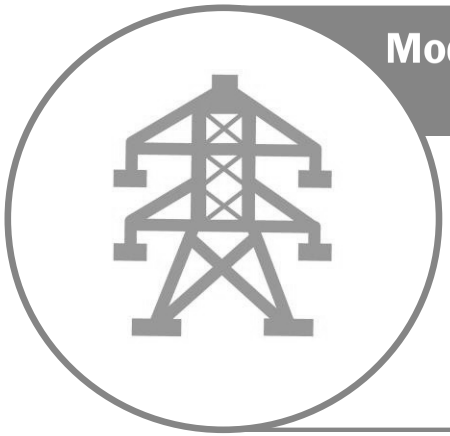
- Motions to dismiss procedural challenges filed in NY State court were briefed in 1Q17
- The court heard oral arguments on June 19
- Currently awaiting decision; next step determined by outcome

IL ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act."
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
    - Plaintiff-Appellant Opening Brief filed August 28
    - Reply Briefs due December 12
    - Oral arguments will then follow

SI-SSA-0015-00050

Exelon Policy Priorities

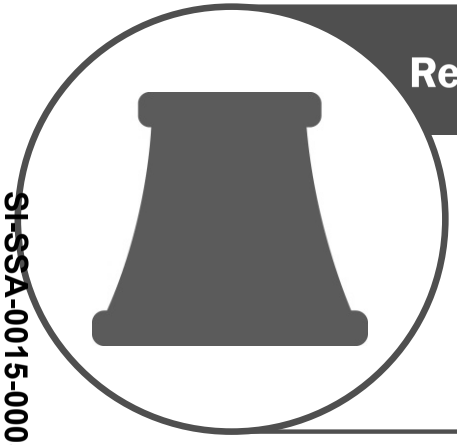


Modernize Utility Ratemaking to Ensure Appropriate Recovery

- Invest in infrastructure that provides customer benefit through grid resiliency and efficiency
- Ensure fair rate structures to support new technologies

Secure Proper Policies to Enable Innovative Technologies

- Providing new technologies to respond to customer needs
- Open adjacent customer facing markets to sales and services



Recognize the Value of Zero-Carbon Electricity

- Create support for current challenged plants through federal and state initiatives
- Support the ultimate pricing of carbon in the market on a regional or national level

Regulatory and policy structure that supports clean, affordable and reliable options for all customers

SI-SSA-0015-00051

Our Carbon Policy Principles

- **Exelon believes in our nation's ability to transition the generation fleet to a zero-carbon future while maintaining affordable and reliable electric service for consumers**
- For the foreseeable future, the most cost-effective carbon solution for our customers will be the continued operation of our nation's nuclear fleet
- Exelon believes competitive markets produce superior results for consumers and drive innovation. However, those markets do not currently incorporate appropriate pricing for environmental attributes.
- **Exelon is pursuing a two-part strategy for moving toward a more competitive treatment of CO_2 emissions:**
  - **First, we must maintain nuclear units that provide a cost-effective form of CO_2 abatement.** The New York ZEC program demonstrates that as long as the clean energy payment required to maintain operations at existing nuclear units is lower than the social cost of CO_2 emissions and the cost of CO_2 abatement being paid to other zero carbon resources, maintaining nuclear capacity should be selected as the most competitive source of CO_2 abatement.
  - **Second, we must continue to work toward a technology neutral price of CO_2 abatement.** Exelon is pursuing approaches to reflect a uniform price on CO_2 in wholesale markets as an eventual substitute for technology-specific subsidies. As these approaches are phased in, the ZEC programs have been designed to automatically reduce ZEC payments in response to higher energy prices.

SI-SSA-0015-00052

Financial Overview

SI-SSA-0015-00053

Strong Third Quarter Results

Q3 2017 EPS Results

- GAAP earnings were $0.85/share in Q3 2017 vs. $0.53/share in Q3 2016
- Adjusted operating earnings* were $0.85/share in Q3 2017 vs. $0.91/share in Q3 2016, at the mid-point of our guidance range of $0.80-$0.90/share

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

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Narrowing 2017 Adjusted Operating Earnings* Guidance Range

(1) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.
(2) Revised guidance reflects delay in Illinois ZEC revenue recognition for 2017 until 2018, shifting $0.09 of EPS

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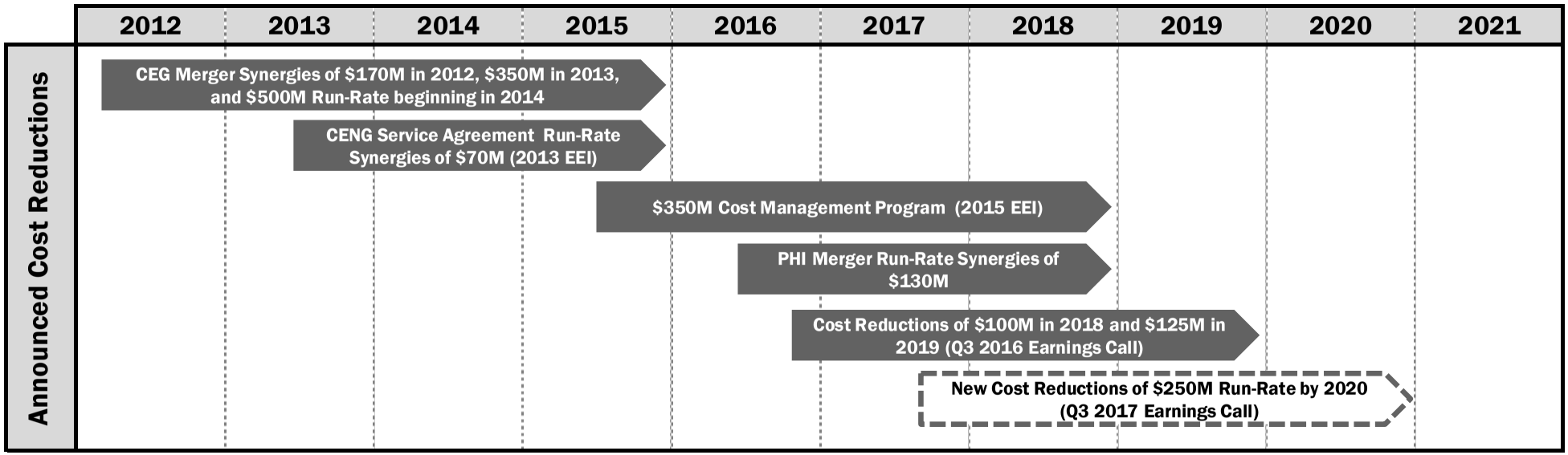
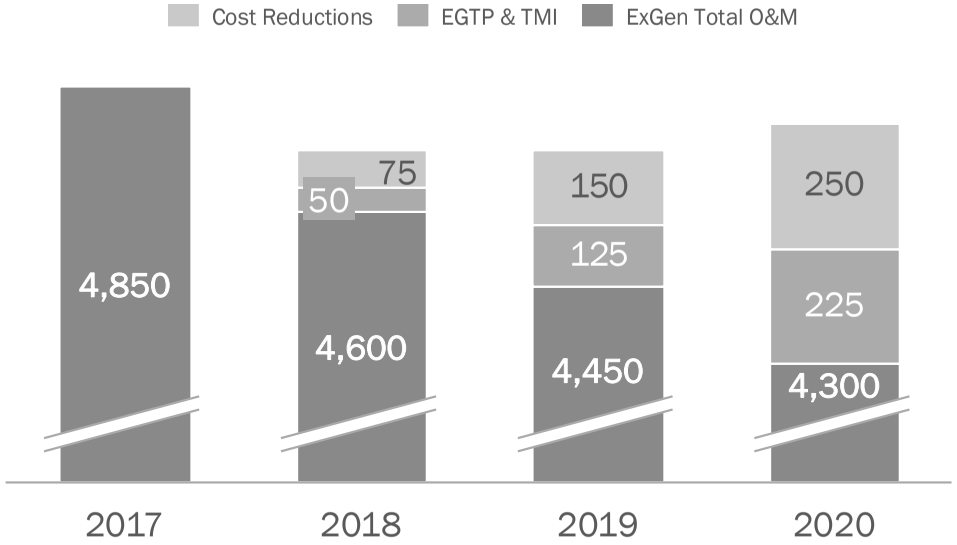
Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2017 ($M)[1]



ExGen Forecast O&M*: Q3 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($50)	($125)	($225)	-
Q4 '16 O&M, Net of EGTP & TMI	**$4,850**	**$4,675**	**$4,600**	**$4,550**	**-2.1%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q3 2017 O&M	**$4,850**	**$4,600**	**$4,450**	**$4,300**	**-3.9%**

(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

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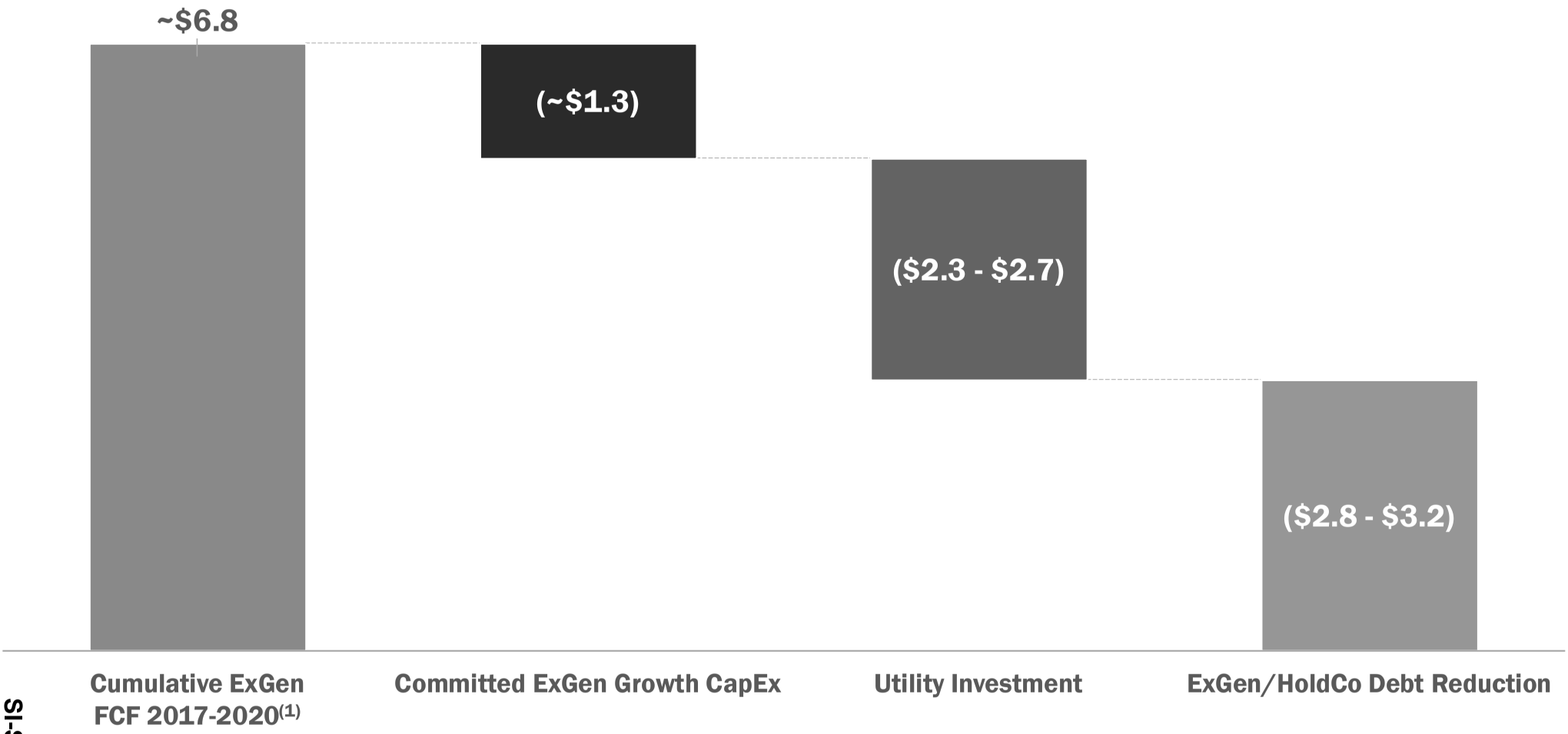
Exelon.

ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow* and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures

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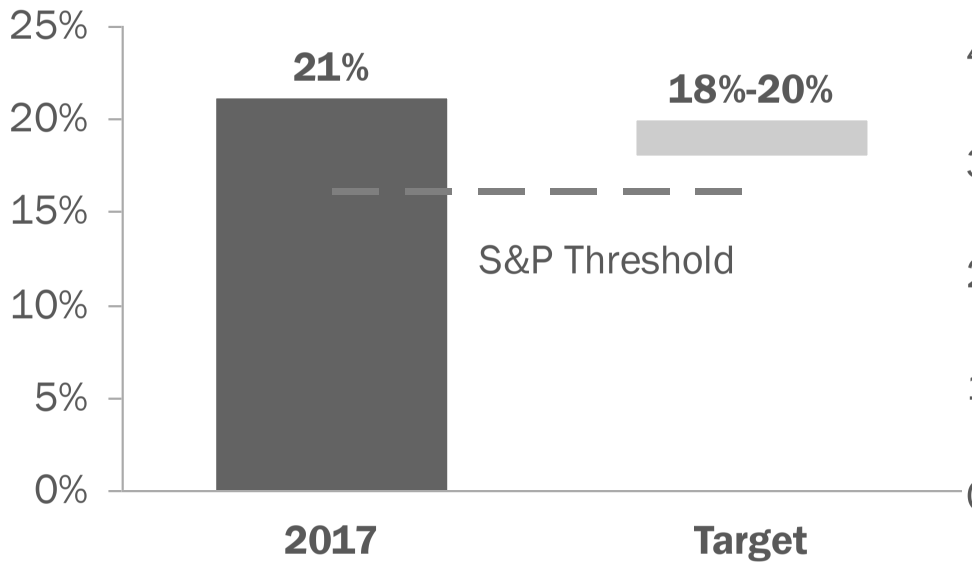
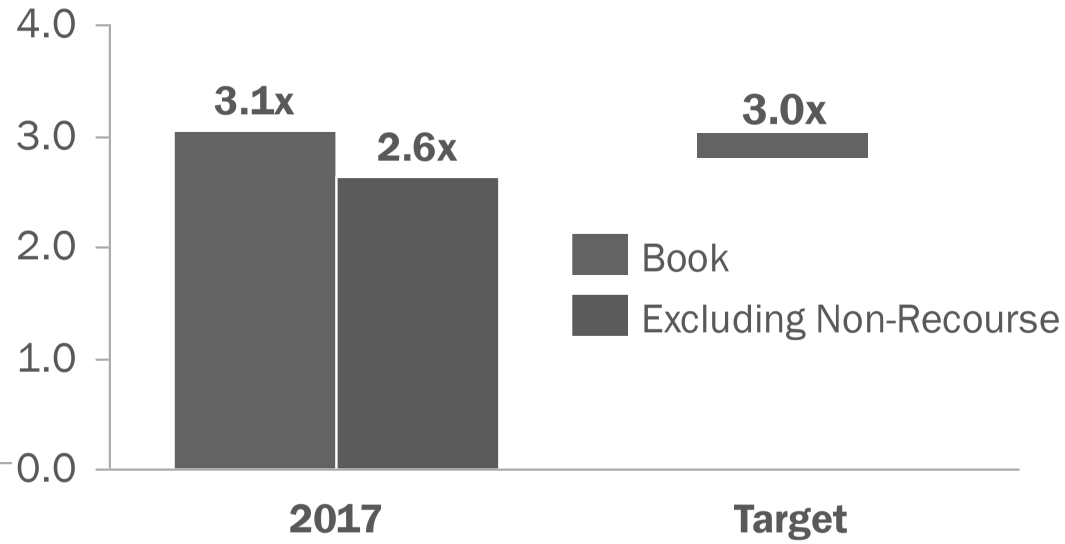
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6,7)



ExGen Debt/EBITDA Ratio*(5,6,7)



Credit Ratings by Operating Company

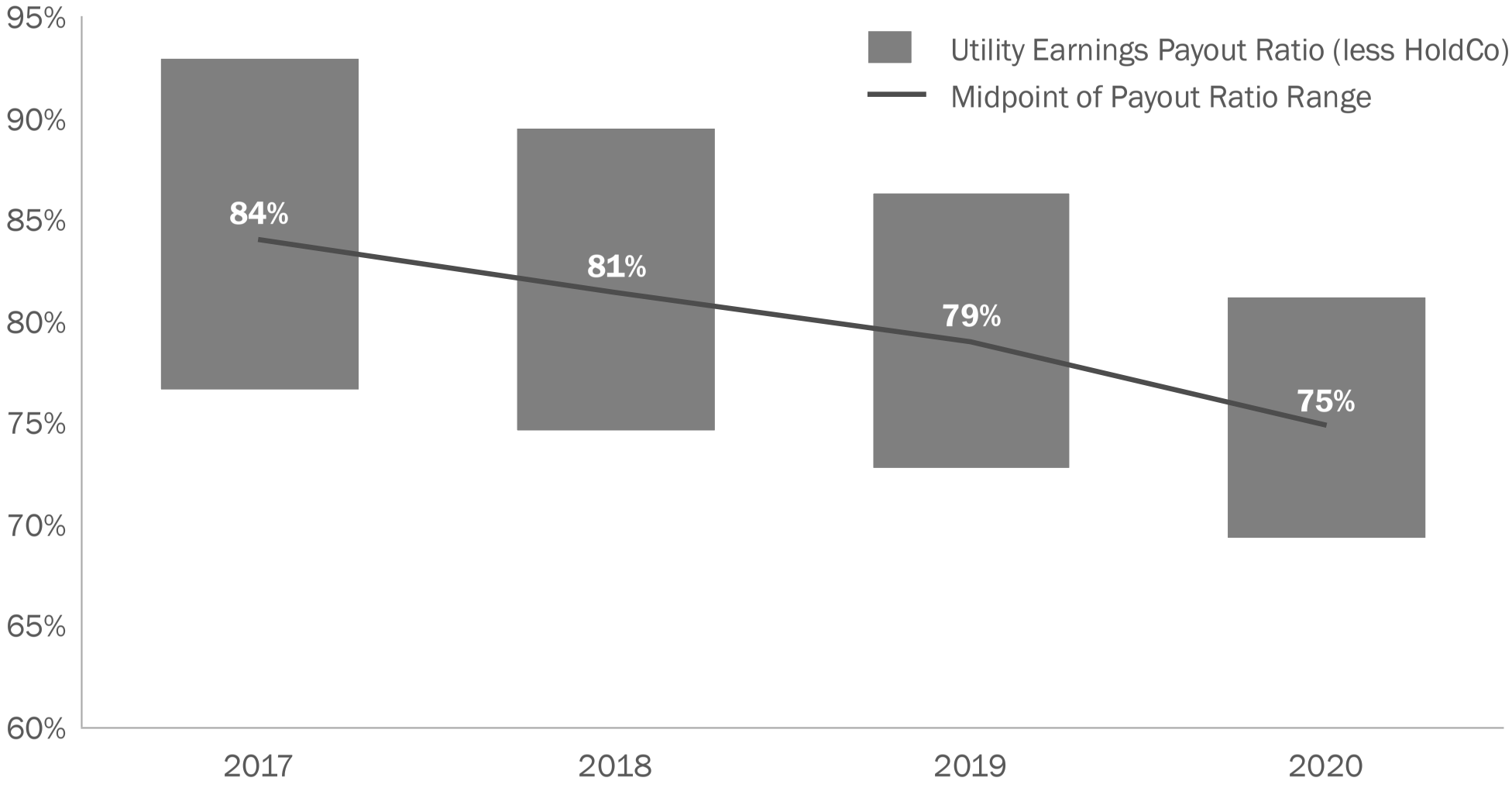
Current Ratings(2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of October 24, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP
(7) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

Exelon.

SI-SSA-0015-00058

Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year through 2020, although the board has not yet established dividend policy for periods after 2018. Quarterly dividends are subject to declaration by the board of directors.

SI-SSA-0015-00059

Recognition for Stewardship and Employee Engagement

Supplier Diversity: Exelon is the only utility and energy company to be inducted into the Billion Dollar Roundtable, which recognizes corporations that have achieved spending of $1 billion with minority and women-owned suppliers; our 2016 spend was nearly $2B

Civic 50: Points of Light named Exelon utility sector leader in its annual ranking of the nation's most community-minded public and private companies

Top 50 Companies for Diversity: National recognition from DiversityInc, first year in Top 50 after being named a DiversityInc "Top Utility" in 2015 and 2016

Best Places to Work in 2017: Ranked No. 18 on Indeed.com survey of Fortune 500 companies based on employee reviews

CEO Action for Diversity & Inclusion™: Joined 150 leading companies in the largest CEO-driven business commitment to advance diversity and inclusion

Top 50 Most Energy-Efficient Utilities: American Council for an Energy-Efficient Economy ranks BGE and ComEd in the top 10 with PECO also making the list

Lowest Carbon Emissions: 2017 Air Emissions Benchmarking Report notes Exelon's generation fleet had the lowest carbon dioxide emissions of the top 20 privately held and investor-owned energy producers

HeForShe: In continuing its commitment to gender equality, Exelon joined the United Nations HeForShe campaign, which provides a platform on which men can engage and become change agents for gender equality

SI-SSA-0015-00060

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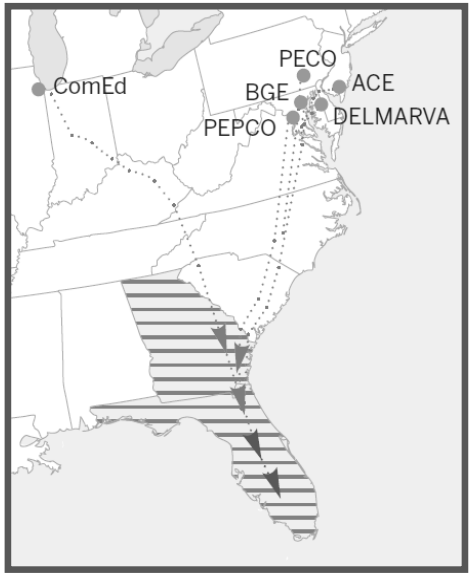
Hurricane Support

- More than 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma
  - Exelon teams shared our experience with severe weather restoration efforts and industry-leading best practices to lead one of the largest contingents of support nationally
  - Crews deployed for more than two weeks helping to restore power to nearly eight million customers in Florida and Georgia
- Approximately 250 Exelon employee volunteers logged over 1,300 hours for disaster relief activities
- Exelon and its employees contributed approximately $820,000 in disaster relief



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Appendix

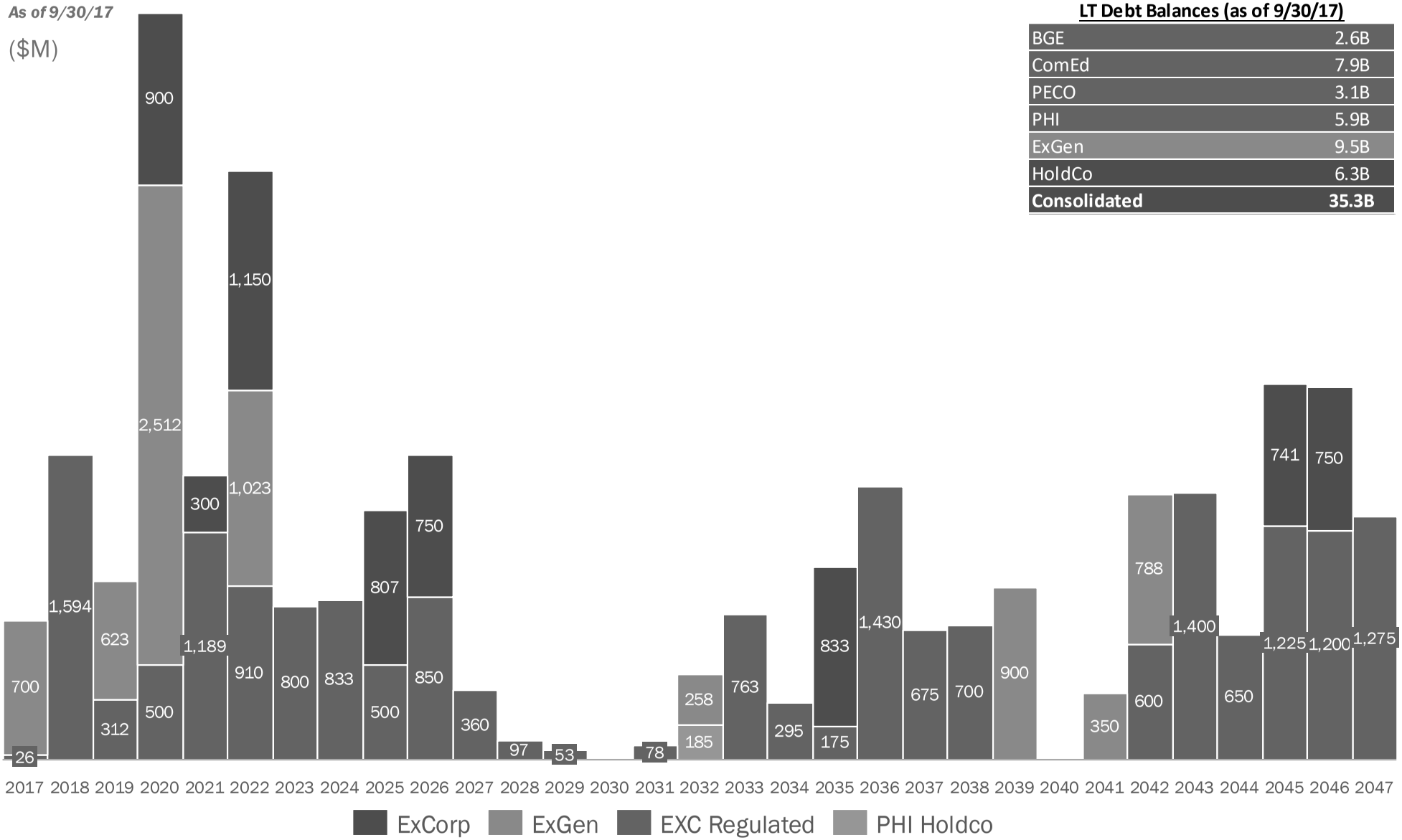
SI-SSA-0015-00062

Exelon Debt Maturity Profile[1]

As of 9/30/17

($M)

LT Debt Balances (as of 9/30/17)	
BGE	2.6B
ComEd	7.9B
PECO	3.1B
PHI	5.9B
ExGen	9.5B
HoldCo	6.3B
Consolidated	**35.3B**



Exelon's weighted average LTD maturity is approximately 14 years

(1) ExGen debt includes legacy CEG debt; Excludes securitized debt and non-recourse debt

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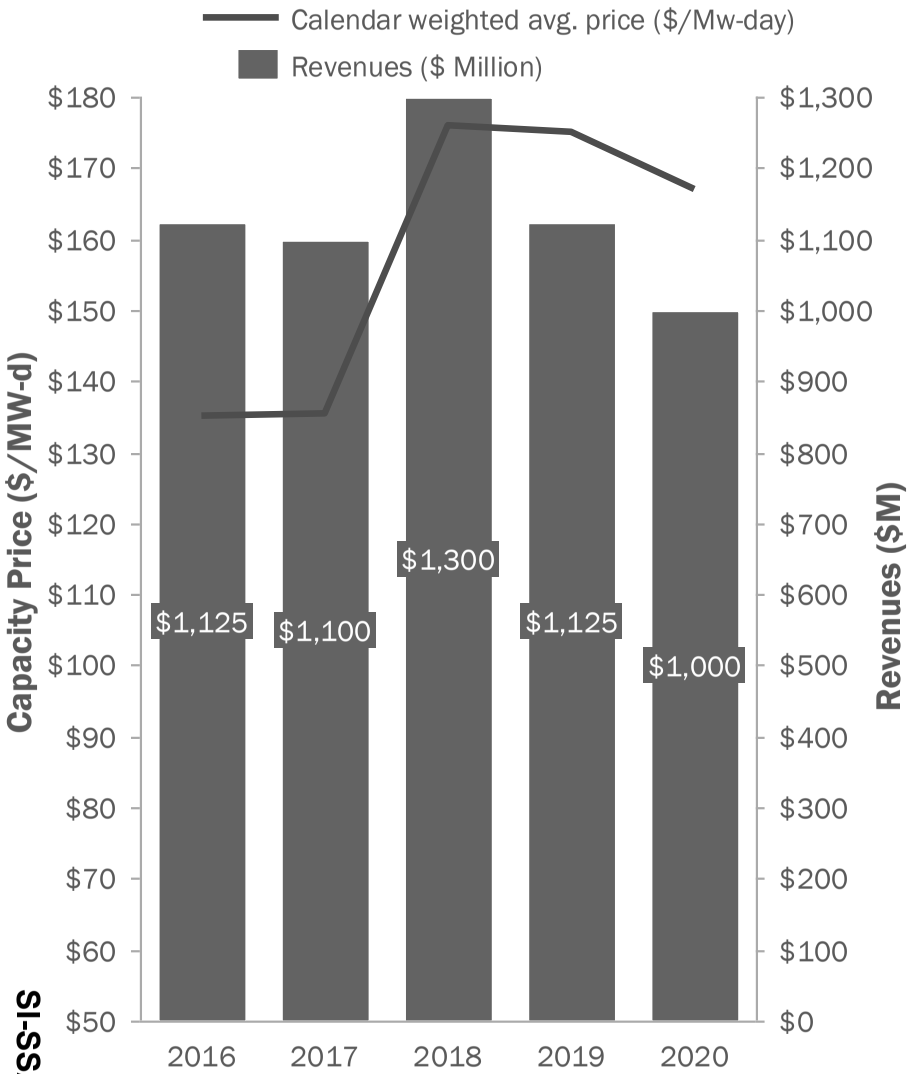
Capacity Market: PJM

PJM Capacity Revenues(1,2,3)



Cleared Volumes (MW)(4)	2019/2020				2020/2021	
	CP	Price	Base	Price	CP	Price
Comed						
Nuclear	6,925	$203	-	$183	8,075	$188
Fossil/Other	-	$203	50	$183	-	$188
Subtotal	**6,925**		**50**		**8,075**	
EMAAC						
Nuclear	4,375	$120	-	$100	4,350	$188
Fossil/Other	1,525	$120	1,675	$100	2,325	$188
Subtotal	**5,900**		**1,675**		**6,675**	
SWMAAC						
Nuclear	850	$100	-	$80	850	$86
Fossil/Other	-	$100	-	$80	-	$86
Subtotal	**850**		**-**		**850**	
MAAC						
Nuclear	-		-		-	$86
Fossil/Other	-		-		225	$86
Subtotal	**-**		**-**		**225**	
BGE						
Nuclear	-	$100	-	$80	-	$86
Fossil/Other	375	$100	225	$80	375	$86
Subtotal	**375**		**225**		**375**	
Rest of RTO						
Nuclear	-	$100	-	$80	-	$77
Fossil/Other	275	$100	75	$80	-	$77
Subtotal	**275**		**75**		**-**	
PJM Total						
Nuclear	12,150		-		13,275	
Fossil/Other	2,175		2,025		2,925	
Grand Total	**14,325**		**2,025**		**16,200**	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

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Portfolio Management Strategy

Strategic Policy Alignment

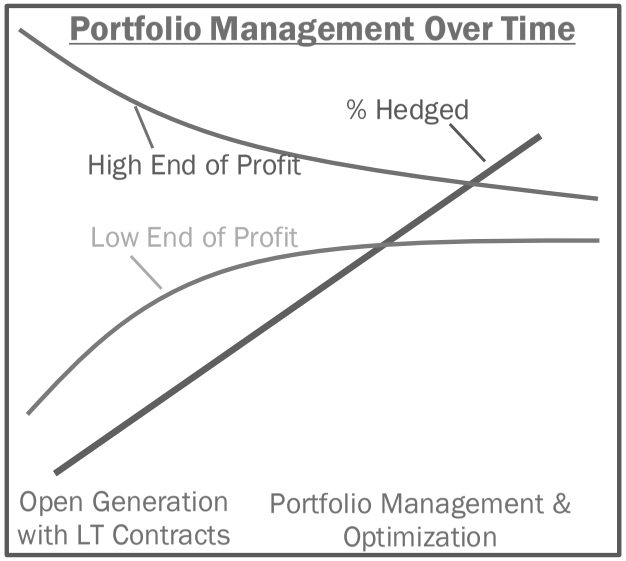
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

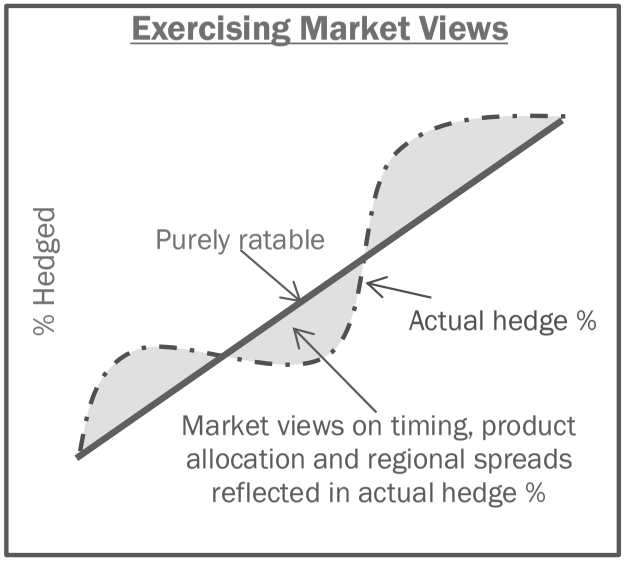
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00066

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,600	$3,900	$3,700
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450
Power New Business / To Go	$100	$700	$850
Non-Power Margins Executed	$350	$200	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)	$3.14	$3.05	$2.89
Midwest: NiHub ATC prices ($/MWh)	$26.52	$27.45	$26.36
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.81	$30.77	$29.22
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	($0.78)	$1.22	$2.65
New York: NY Zone A ($/MWh)	$24.38	$27.29	$26.67
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.36	$3.99	$4.24

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00067

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**200,200**	**199,300**	**202,000**
Midwest	95,900	95,800	97,000
Mid-Atlantic[2,6]	60,700	60,500	59,000
ERCOT	17,800	19,500	20,800
New York[2,6]	14,700	15,500	16,600
New England	11,100	8,000	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**79%-82%**	**45%-48%**
Midwest	97%-100%	74%-77%	41%-44%
Mid-Atlantic[2,6]	98%-101%	90%-93%	51%-54%
ERCOT	97%-100%	77%-80%	44%-47%
New York[2,6]	99%-102%	71%-74%	43%-46%
New England	103%-106%	86%-89%	52%-55%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$44.00	$37.00	$39.00
ERCOT[5]	$11.00	$3.50	$3.50
New York[2,6]	$41.50	$37.50	$32.00
New England[5]	$20.00	$2.50	$3.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.2% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-00068

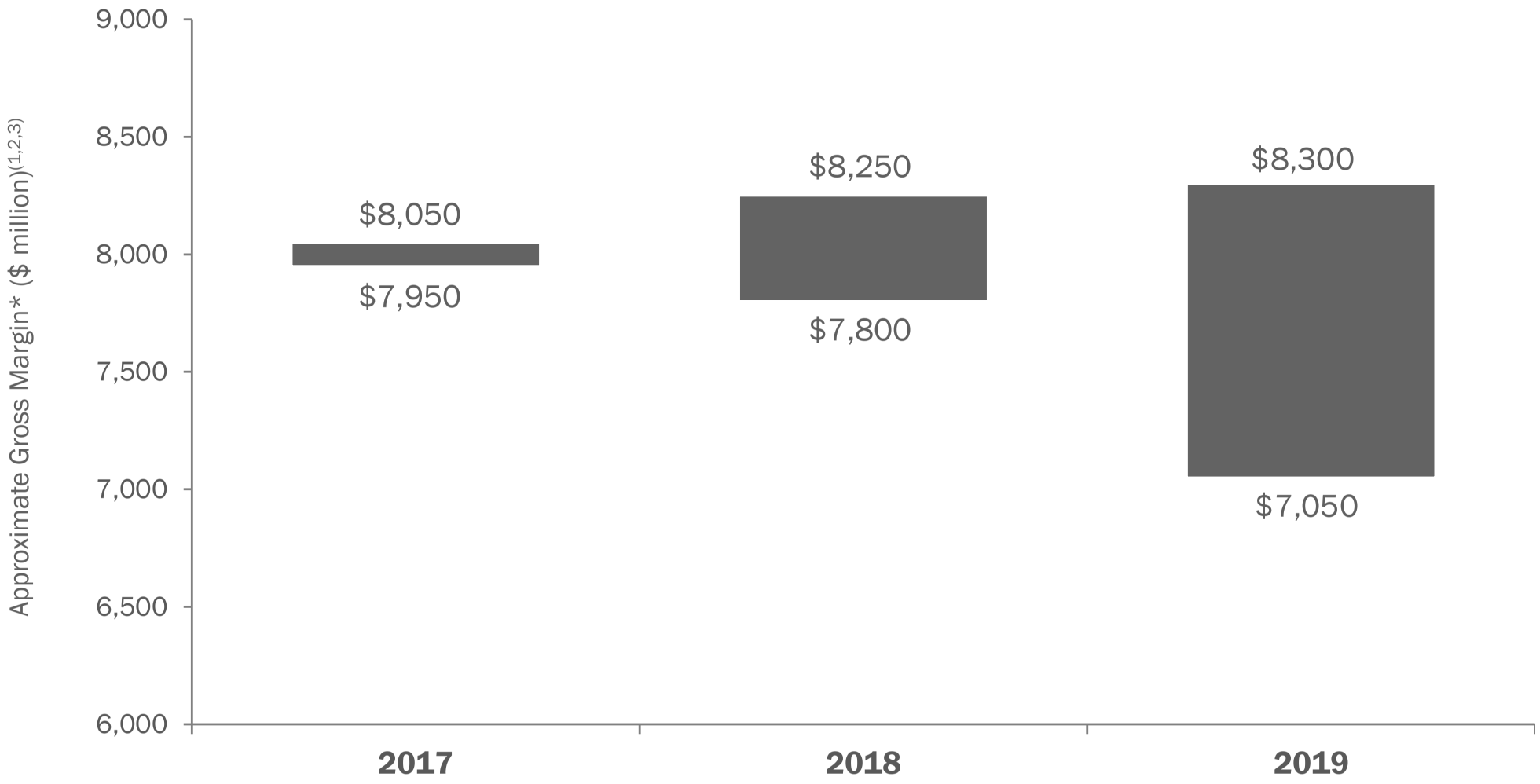
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(20)	$140	$515
- $1/MMBtu	$(10)	$(210)	$(500)
NiHub ATC Energy Price			
+ $5/MWh	-	$120	$265
- $5/MWh	-	$(115)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	-	$10	$150
- $5/MWh	$5	$(40)	$(145)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$25	$40
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $35

(1) Based on September 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-00069

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-00070

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2.3 billion →					
(C)	Expected Generation (TWh)	95.8	60.5	19.5	15.5	8.0	
(D)	Hedge % (assuming mid-point of range)	75.5%	91.5%	78.5%	72.5%	87.5%	
(E=C*D)	Hedged Volume (TWh)	72.3	55.4	15.3	11.2	7.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.50	$37.50	$2.50	
(G)	Reference Price ($/MWh)	$27.45	$30.77	$1.22	$27.29	$3.99	
(H=F-G)	Difference ($/MWh)	$2.05	$6.23	$2.28	$10.21	($1.49)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$150	$345	$35	$115	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,850					
(K)	Power New Business / To Go ($ million)	$700					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	Total Gross Margin*	$8,050 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-00071

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,575**	**$8,575**	**$8,025**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(200)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(475)	$(325)	$(325)
Total Gross Margin* (Non-GAAP)	**$8,000**	**$8,050**	**$7,500**

Key ExGen Modeling Inputs (in $M)[1,5]	2017
Other[6]	$175
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[7]	$(400)
Depreciation & Amortization[8]	$(1,075)
Interest Expense[9]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) Excludes P&L neutral decommissioning depreciation
(9) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

SI-SSA-0015-00072

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00073

Q3 2016 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.25**	**$0.04**	**$0.13**	**$0.06**	**$0.18**	**($0.13)**	**$0.53**
Mark-to-market impact of economic hedging activities	(0.06)	-	-	-	-	-	(0.06)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.01
Merger commitments	-	-	-	-	(0.04)	0.05	0.01
Long-Lived asset impairments	0.01	-	-	-	-	-	0.01
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Cost management program	0.01	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG noncontrolling interest	0.03	-	-	-	-	-	0.03
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.41**	**$0.20**	**$0.13**	**$0.06**	**$0.14**	**$(0.03)**	**$0.91**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00074

Q3 2017 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share	**$0.32**	**$0.20**	**$0.12**	**$0.06**	**$0.16**	**($0.00)**	**$0.85**
Mark-to-market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	(0.01)	-	-
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.08	-	-	-	-	-	0.08
Cost management program	0.01	-	-	-	-	-	0.01
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.04)	(0.02)
Bargain purchase gain	(0.01)	-	-	-	-	-	(0.01)
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.19**	**$0.12**	**$0.07**	**$0.15**	**($0.04)**	**$0.85**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00075

Q3 2016 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.58**	**$0.32**	**$0.37**	**$0.20**	**($0.10)**	**$(0.37)**	**$1.00**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	-	0.07
Unrealized gains related to NDT fund investments	(0.13)	-	-	-	-	-	(0.13)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.10
Merger commitments	-	-	-	-	0.26	0.17	0.43
Long-lived asset impairments	0.11	-	-	-	-	-	0.11
Plant retirements and divestitures	0.37	-	-	-	-	-	0.37
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.03
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG noncontrolling interest	0.04	-	-	-	-	-	0.04
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.10**	**$0.48**	**$0.37**	**$0.20**	**$0.20**	**$(0.11)**	**$2.24**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00076

Q3 2017 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$0.51**	**$0.47**	**$0.35**	**$0.24**	**$0.38**	**$0.06**	**$2.01**
Mark-to-market impact of economic hedging activities	0.10	-	-	-	-	-	0.10
Unrealized gains related to NDT fund investments	(0.22)	-	-	-	-	-	(0.22)
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.31	-	-	-	-	-	0.31
Plant retirements and divestitures	0.15	-	-	-	-	-	0.15
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.06)	(0.04)
Cost management program	0.02	-	-	-	-	-	0.03
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Asset retirement obligation	-	-	-	-	-	-	-
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
CENG noncontrolling interest	0.08	-	-	-	-	-	0.08
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.76**	**$0.50**	**$0.35**	**$0.25**	**$0.31**	**($0.12)**	**$2.05**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00077

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GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to changes in statutory tax rates and changes in forecasted apportionment
  - Costs incurred related to a cost management program
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Non-cash benefit pursuant to the annual update of the Generation nuclear decommissioning obligation related to the non-regulatory units
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's noncontrolling interest, primarily related to CENG exclusion items

SI-SSA-0015-00078

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2,10,11]	
GAAP Operating Income	$3,500
Depreciation & Amortization	$3,350
EBITDA	$6,850
+/- Non-operating activities and nonrecurring items[3]	$450
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$325
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$350
= FFO (a)	**$7,600**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2,10]	
Long-Term Debt (including current maturities)	$32,050
Short-Term Debt	$1,125
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$4,100
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($600)
+/- Other S&P Adjustments[4]	($650)
= Adjusted Debt (b)	**$35,525**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD
(10) Reflects removal of EGTP
(11) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,825**

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,925)
= Net Debt (a)	**$6,900**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
= Operating EBITDA (b)	**$2,875**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,625**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.1x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.6x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA
(3) Reflects removal of EGTP
(4) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-00080

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GAAP to Non-GAAP Reconciliations

Q3 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$85	$114	$210	$1,281	$1,690
Operating Exclusions	($23)	($12)	($25)	$34	($25)
Adjusted Operating Earnings[1]	$63	$103	$185	$1,315	$1,665
Average Equity	$1,061	$1,323	$2,419	$12,750	$17,554
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.9%**	**7.8%**	**7.7%**	**10.3%**	**9.5%**

Q2 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$6,325**	**$5,300**	**$5,150**	**$5,025**
Decommissioning[2]	25	50	50	50
TMI Retirement	(75)	-	-	-
EGTP Impairment	(450)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	(325)	(325)	(325)
O&M for managed plants that are partially owned	(425)	(425)	(400)	(425)
Other	(125)	(25)	(25)	(25)
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,600**	**$4,450**	**$4,300**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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Credit Suisse 23rd Annual Energy Summit

February 13, 2018

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 42 of this presentation.

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Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities(1)	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Best on record SAIFI and CAIDI performance for BGE, ComEd and PHI
- Best on record Customer Satisfaction performance for BGE, ComEd and PECO
- BGE, ComEd and PECO achieved 1st decile performance in SAIFI
- BGE and ComEd achieved 1st decile performance in CAIDI
- For the 5th consecutive year, BGE and PECO achieved top decile performance in Gas Odor Response. PHI improved by moving from 1st quartile in 2016 to top decile in 2017.

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

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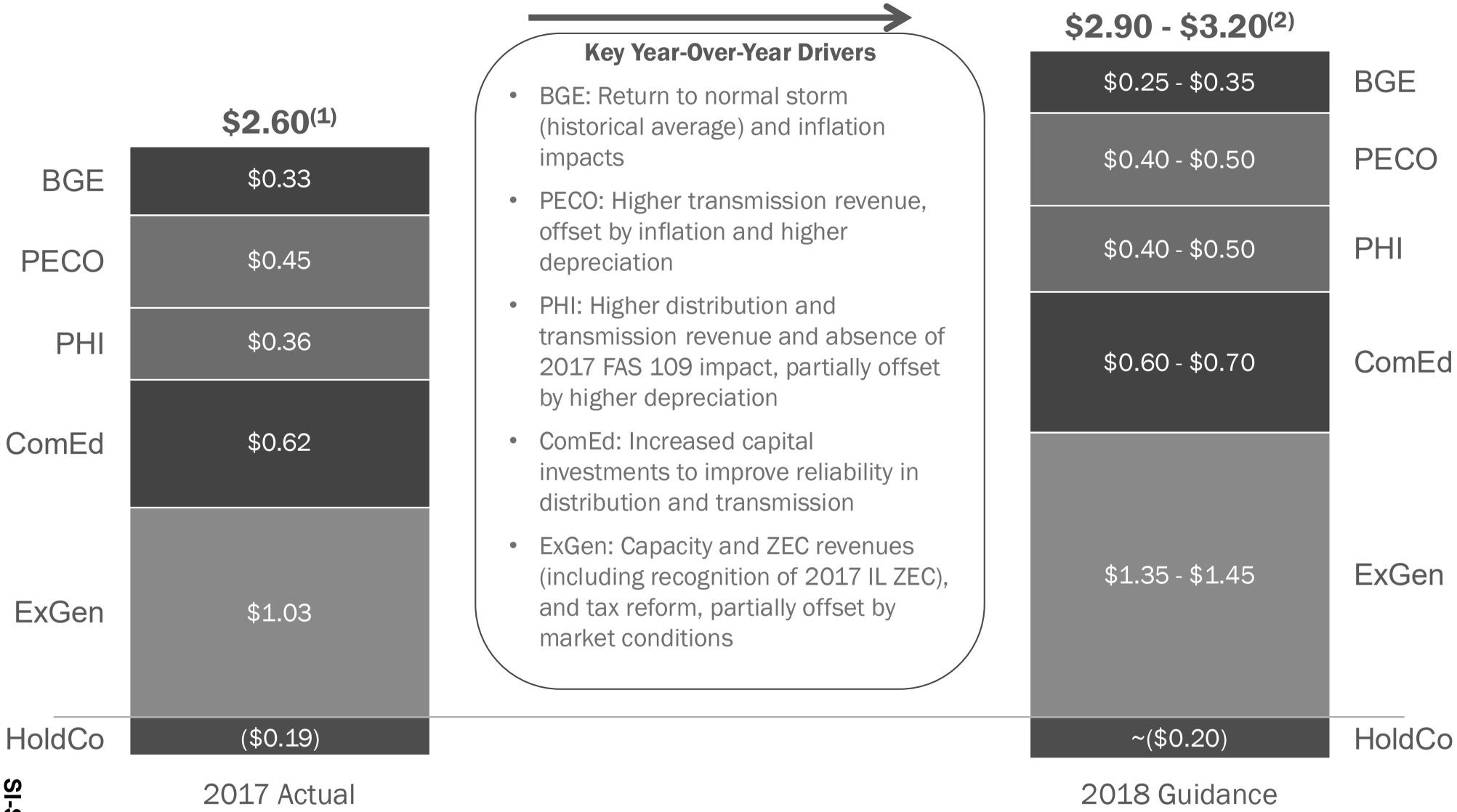
2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

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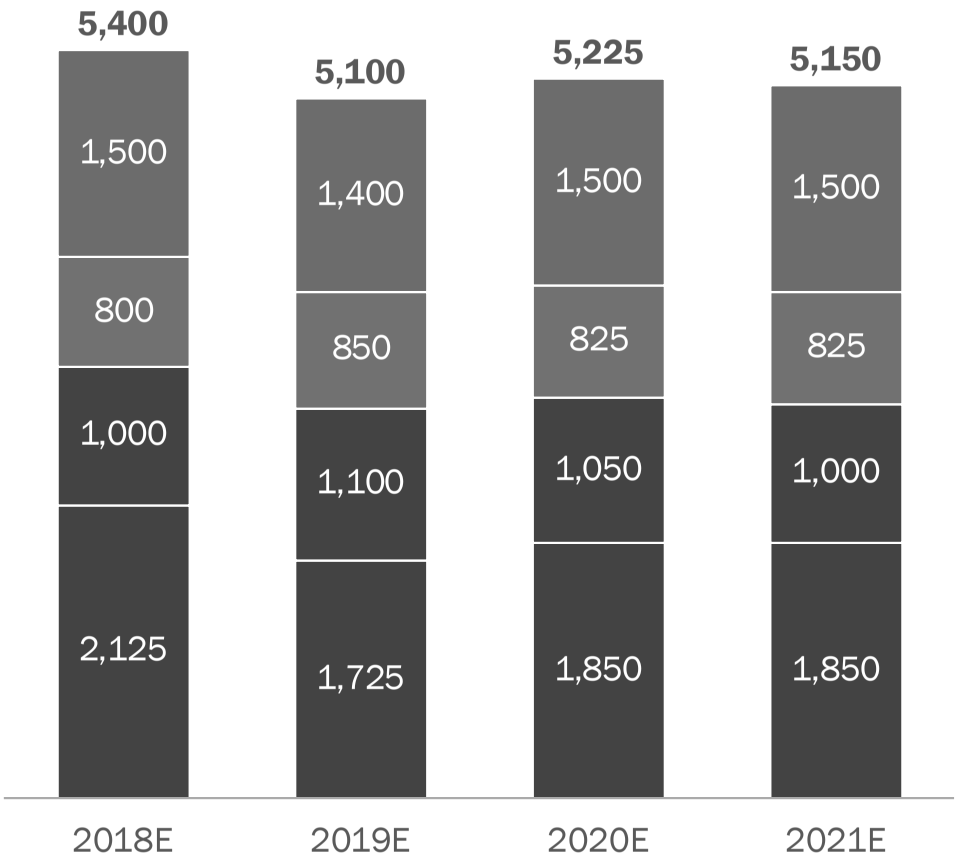
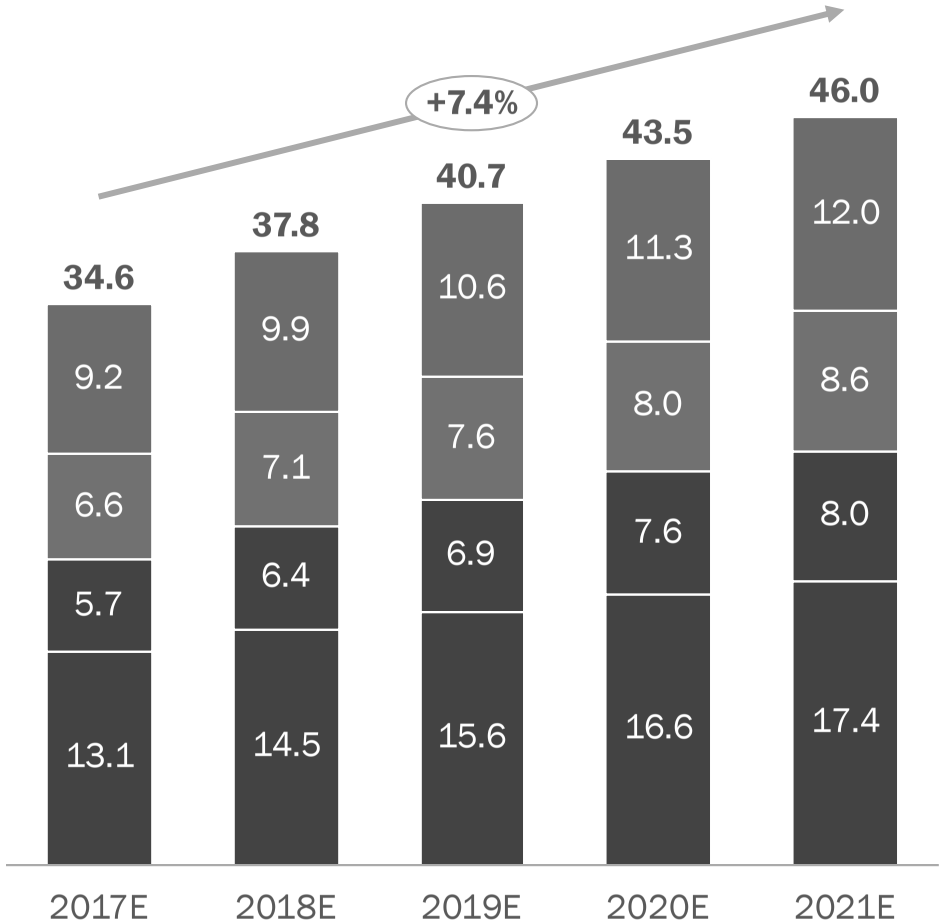
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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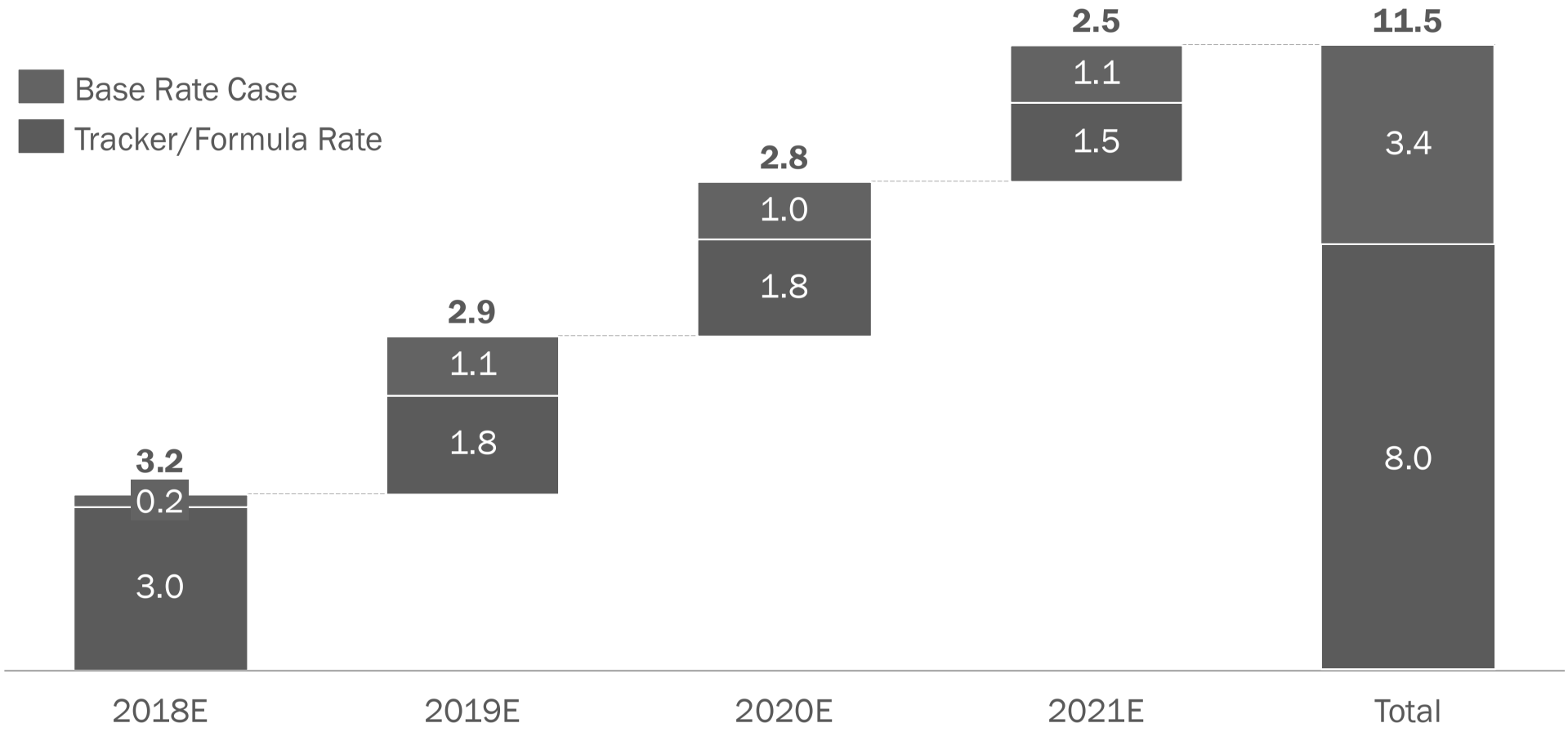
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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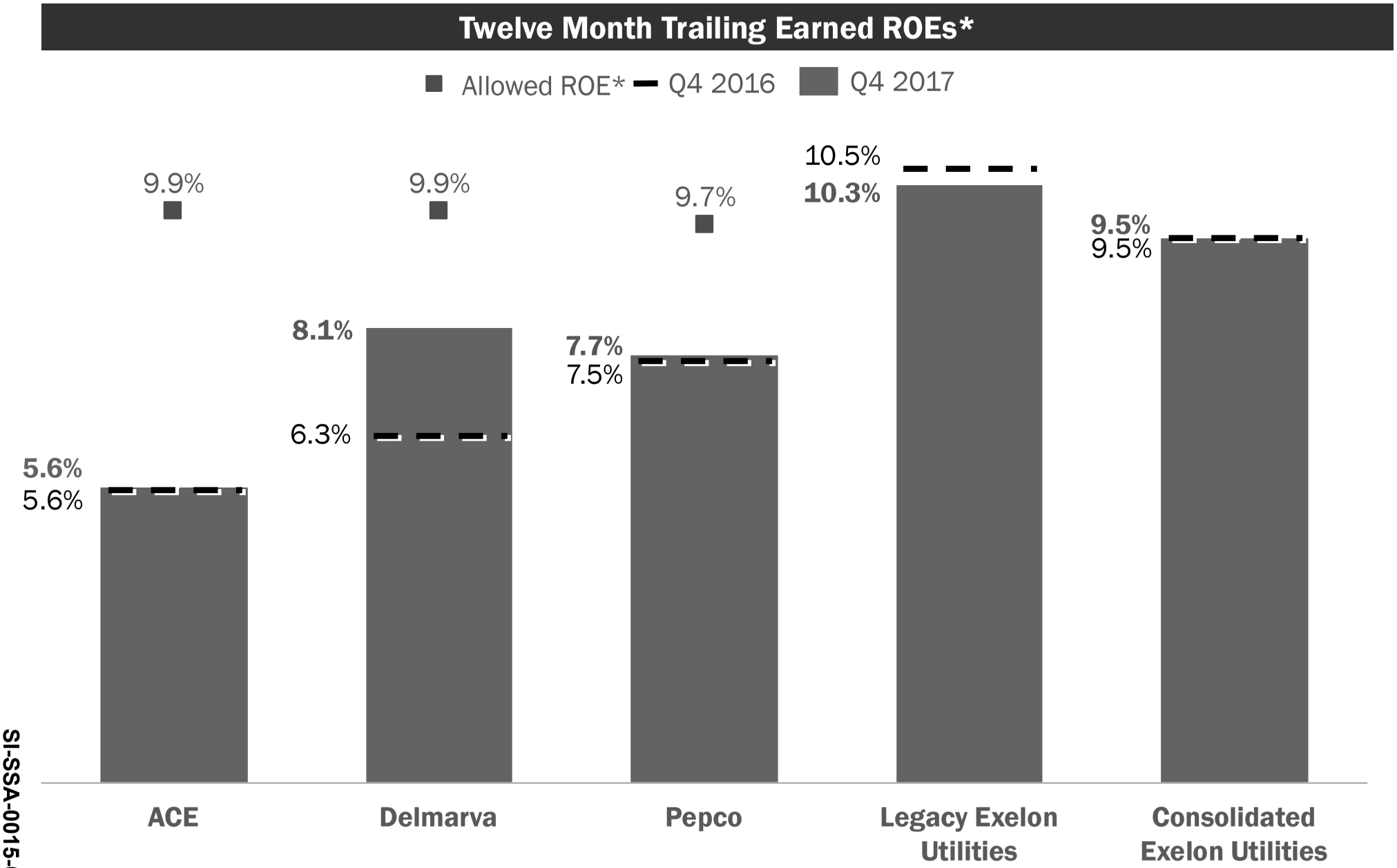
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Per Settlement Revenue Requirement Increase[1]	$13.4M
Per Settlement ROE	9.50%[3]
Per Settlement Common Equity Ratio	N/A
Order Expected	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$11.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$66.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1,4]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(4) On February 5, 2018, Pepco filed with the MDPSC an update to its current distribution rate case to reflect approximately $30.7 million in annual tax savings resulting from the enactment of the TCJA

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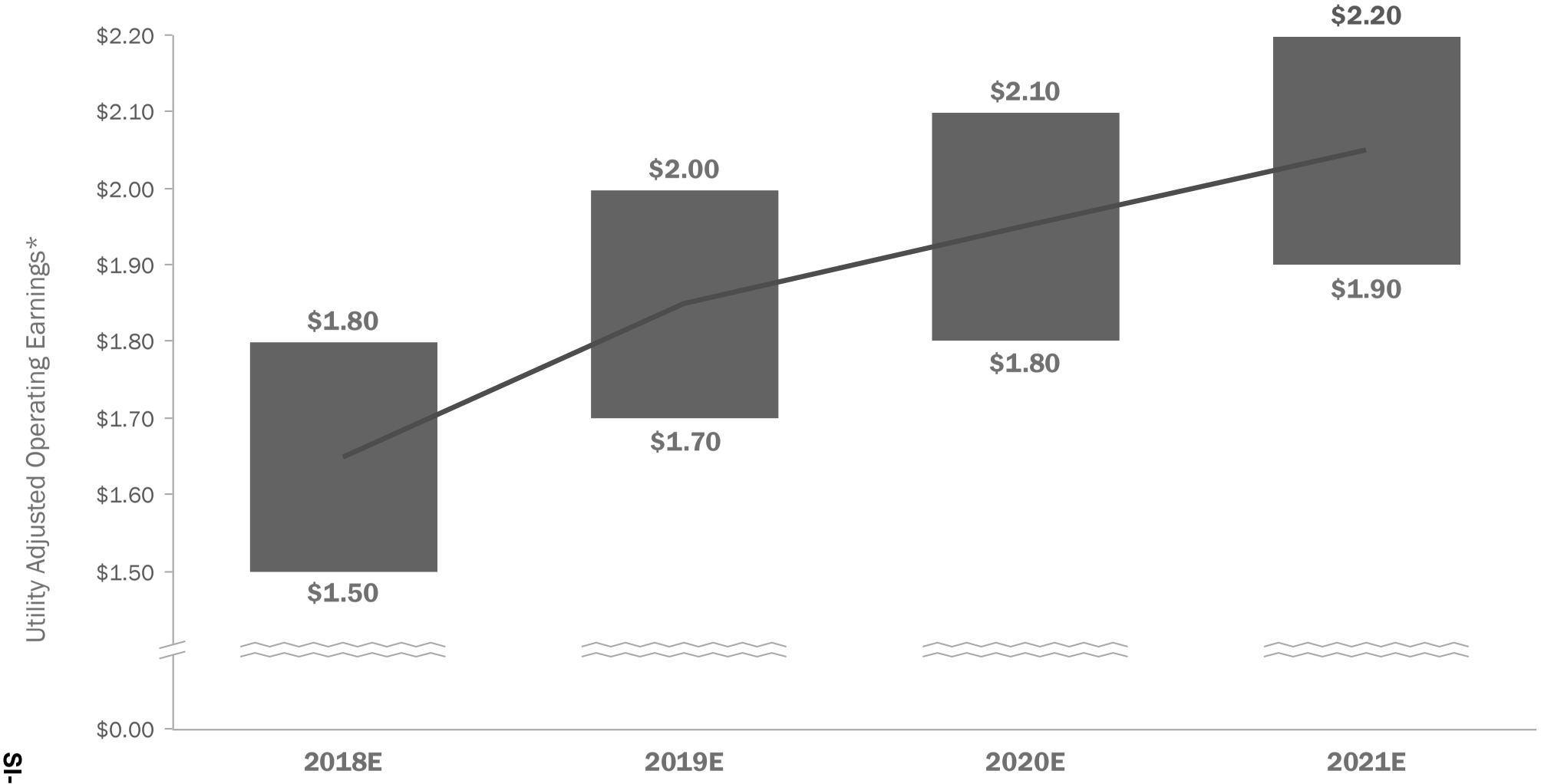
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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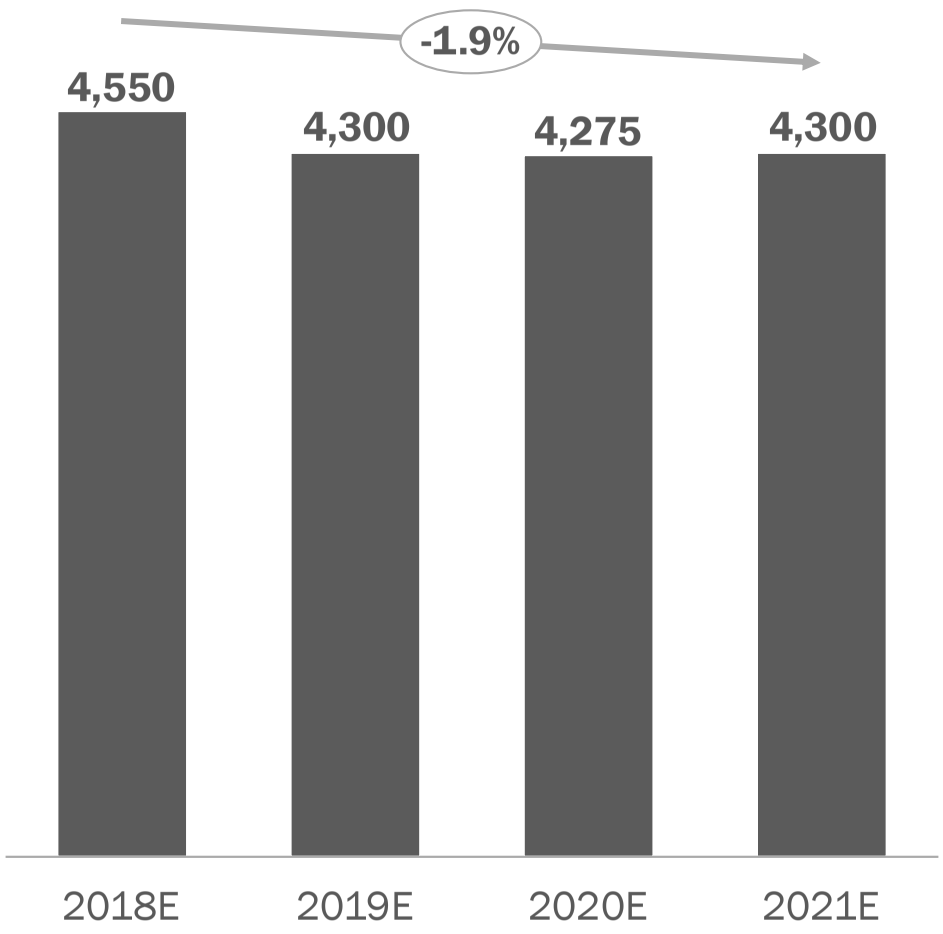
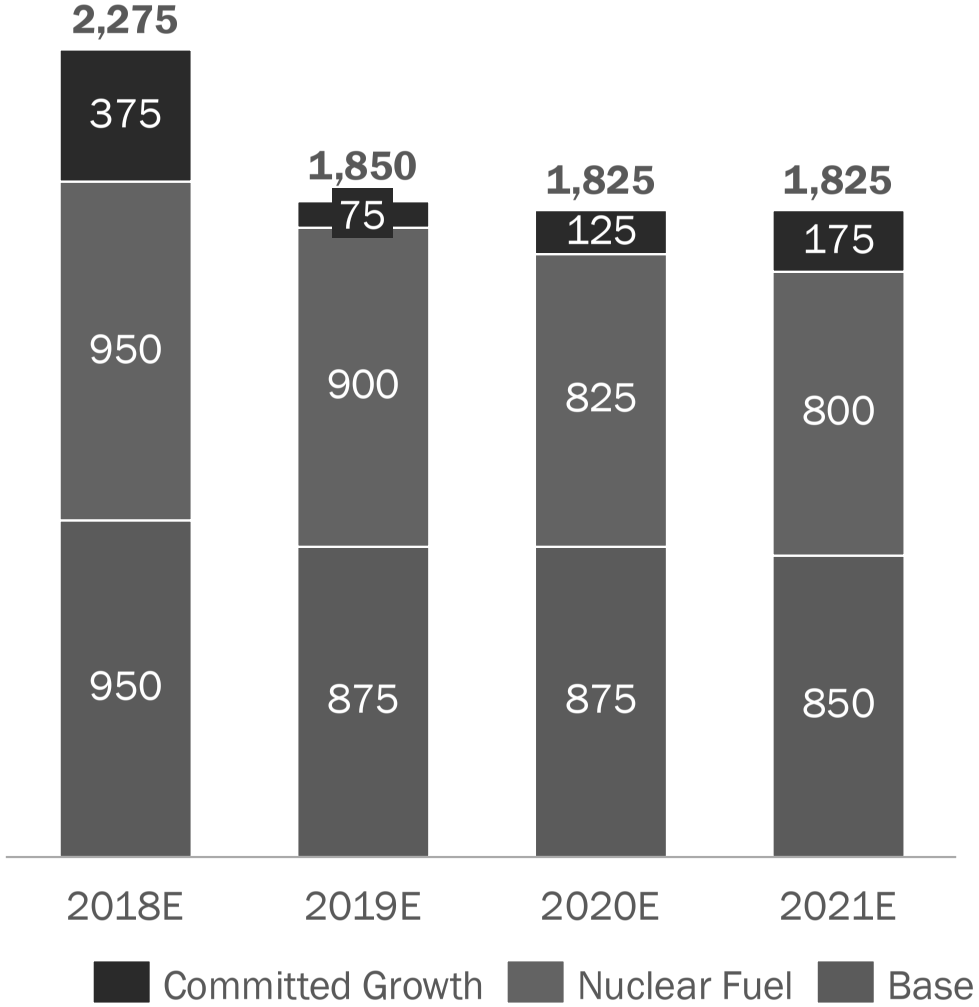
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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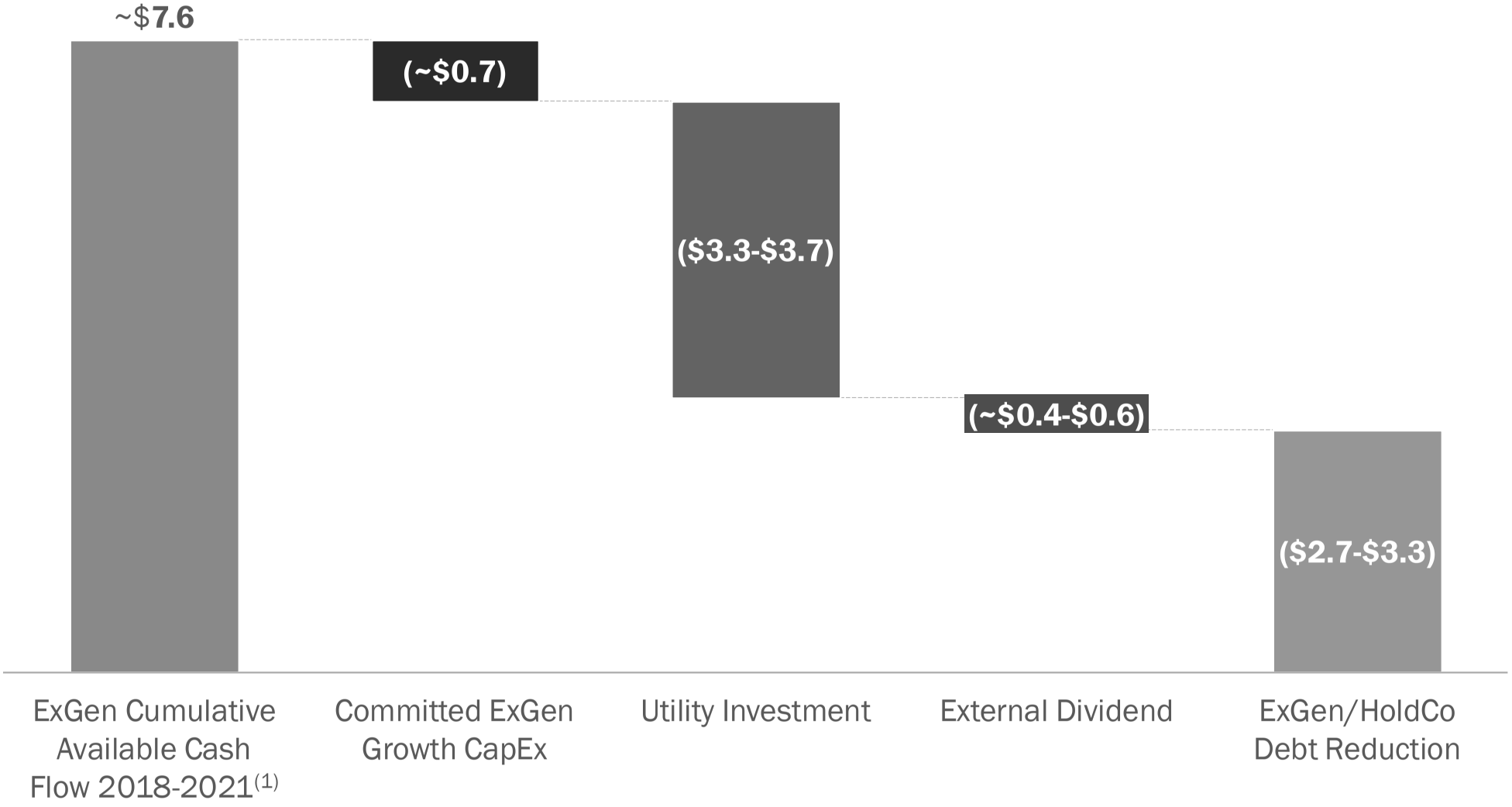
ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

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Impacts from Tax Reform

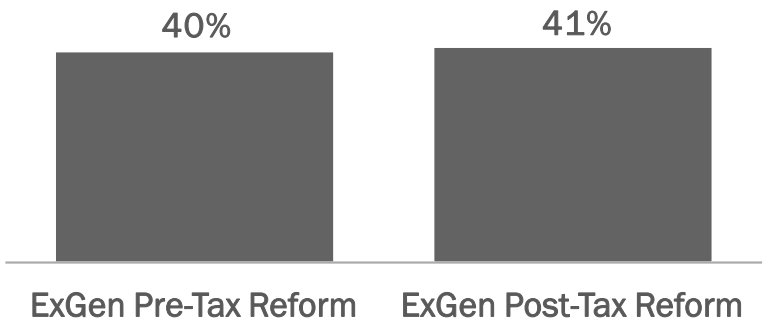
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

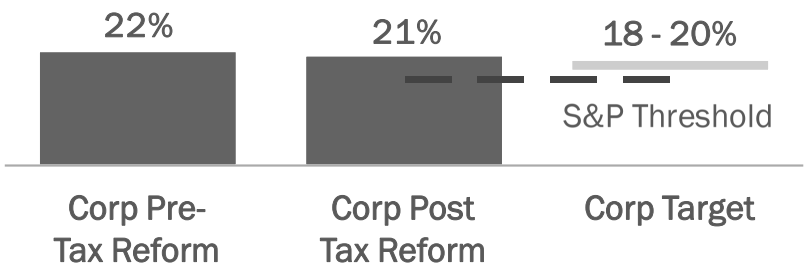
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

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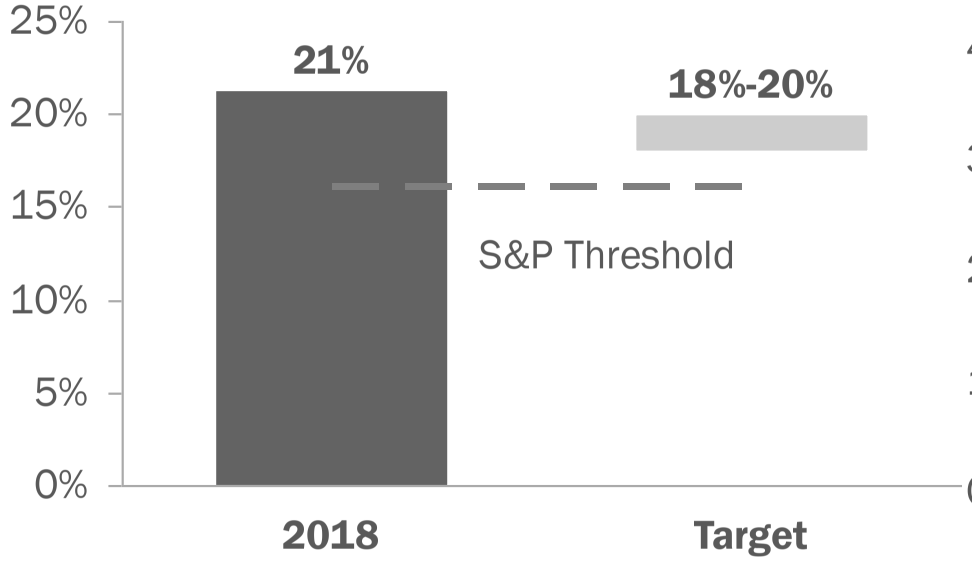
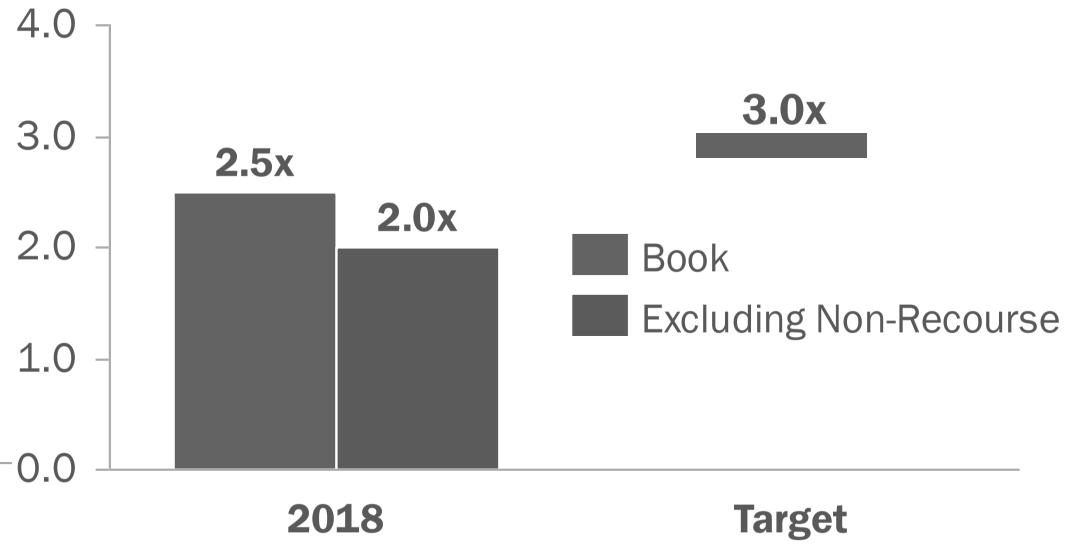
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

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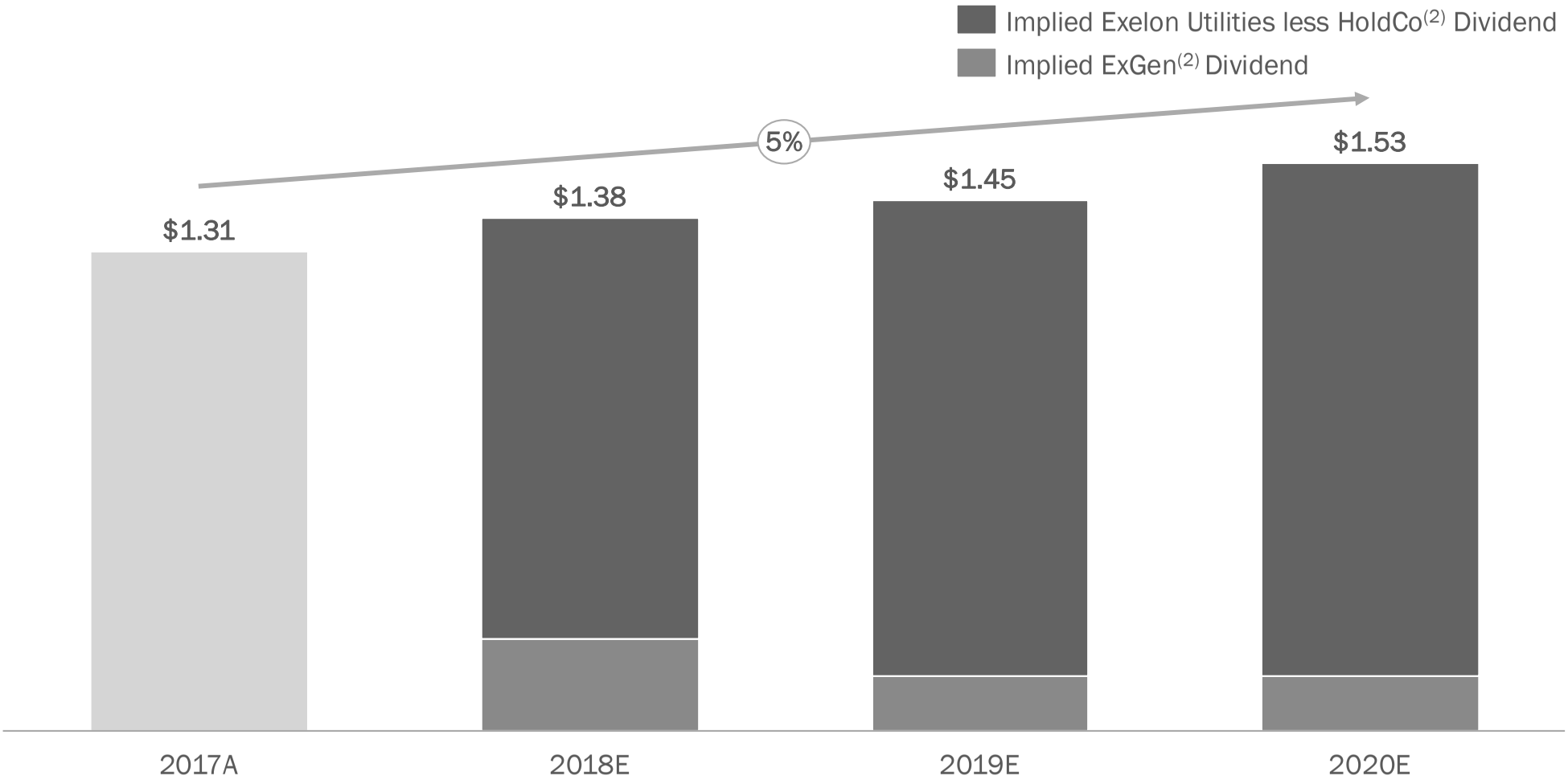
Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00101

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-00102

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-00103

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00104

2018 Business Priorities and Commitments

Maintain industry leading operational excellence

Effectively deploy $5.4B of 2018 utility capex

Advance PJM power price formation changes in 2018

Prevail on legal challenges to the NY and IL ZEC programs

Seek fair compensation for at-risk plants in NJ and PA

Grow dividend at 5% rate

Continued commitment to corporate responsibility

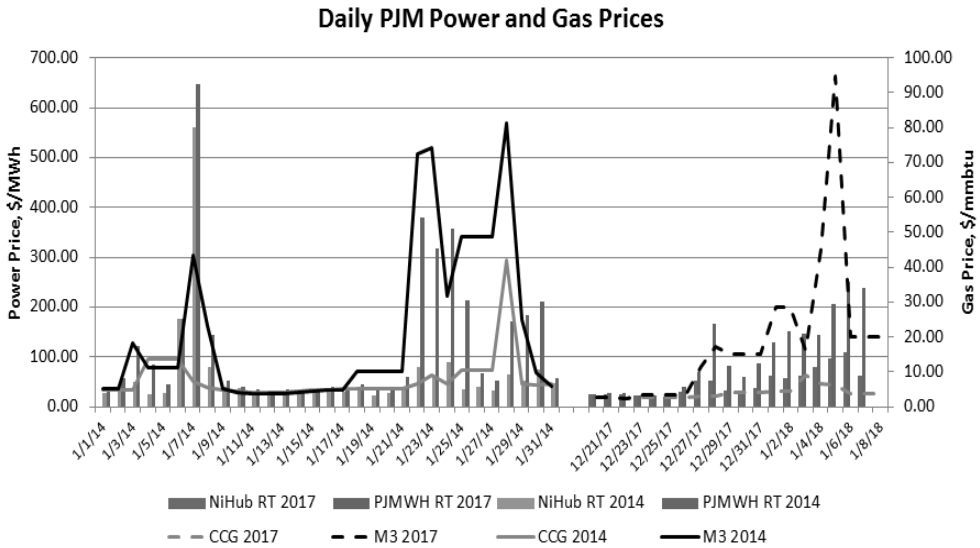
SI-SSA-0015-00105

Additional Disclosures

SI-SSA-0015-00106

Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

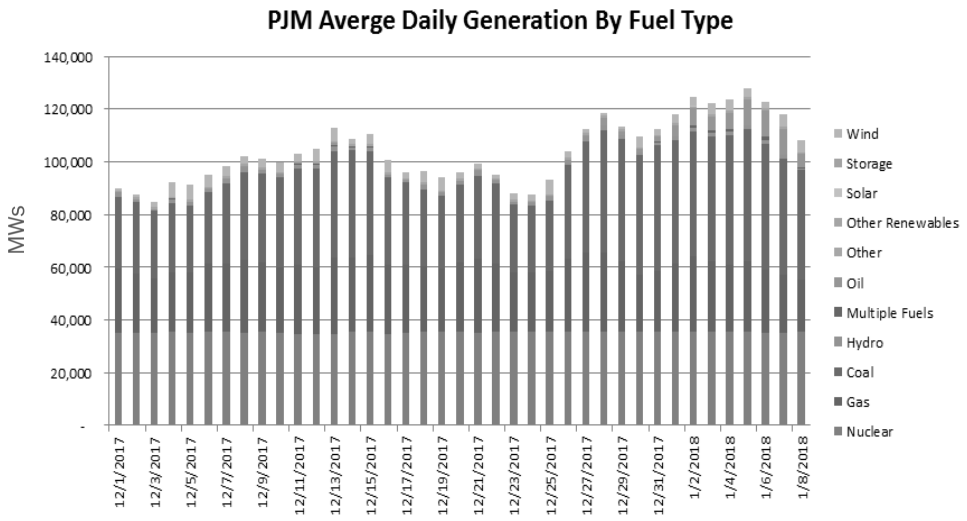


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

SI-SSA-0015-00107

Exelon

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

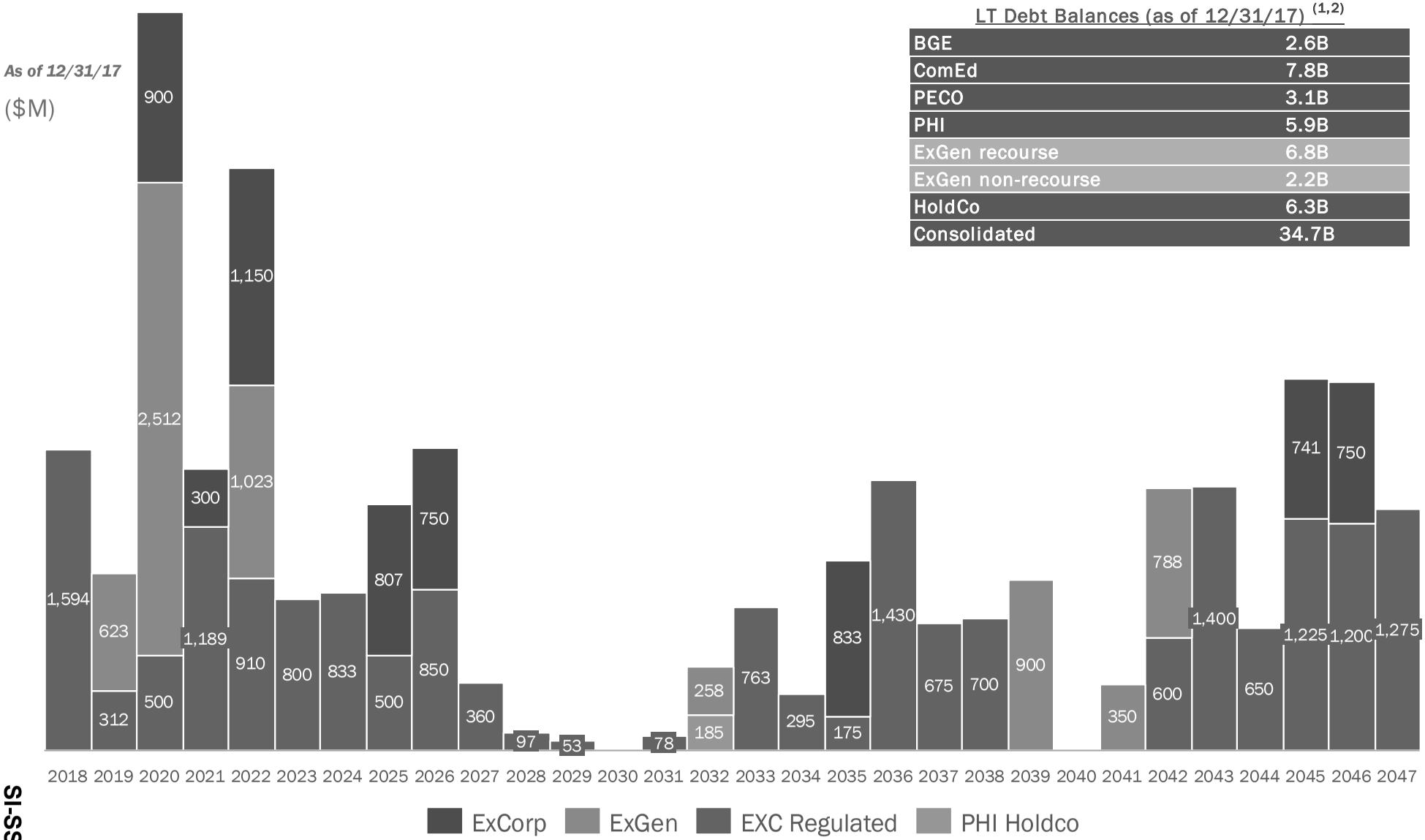
Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

SI-SSA-0015-00108

Exelon

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

Exelon.

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EPS Sensitivities

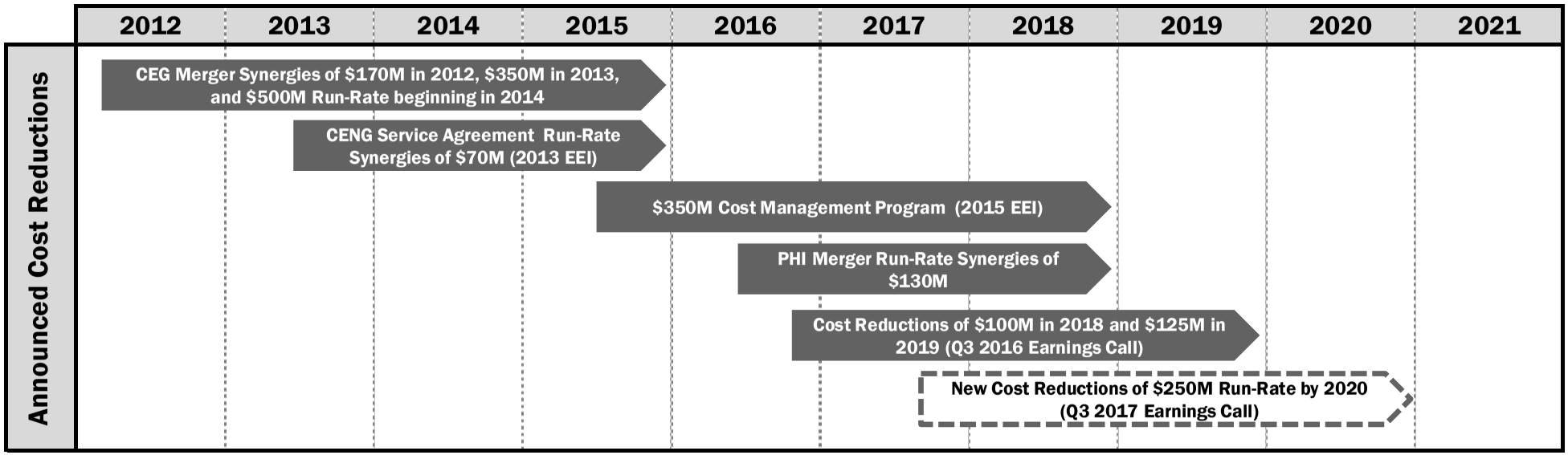
		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

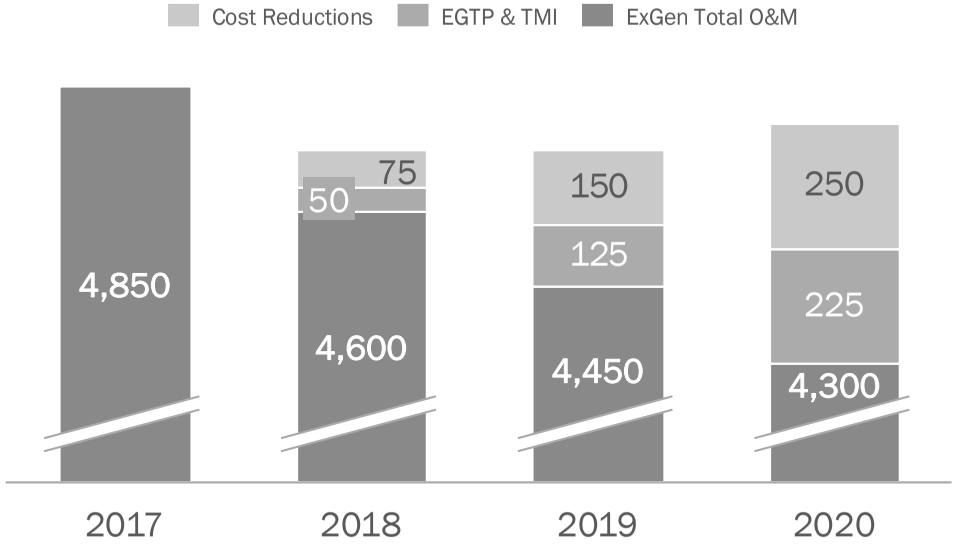
SI-SSA-0015-00110

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2017 ($M)[1]



ExGen Forecast O&M*: Q3 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($50)	($125)	($225)	-
Q4 '16 O&M, Net of EGTP & TMI	**$4,850**	**$4,675**	**$4,600**	**$4,550**	**-2.1%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q3 2017 O&M	**$4,850**	**$4,600**	**$4,450**	**$4,300**	**-3.9%**

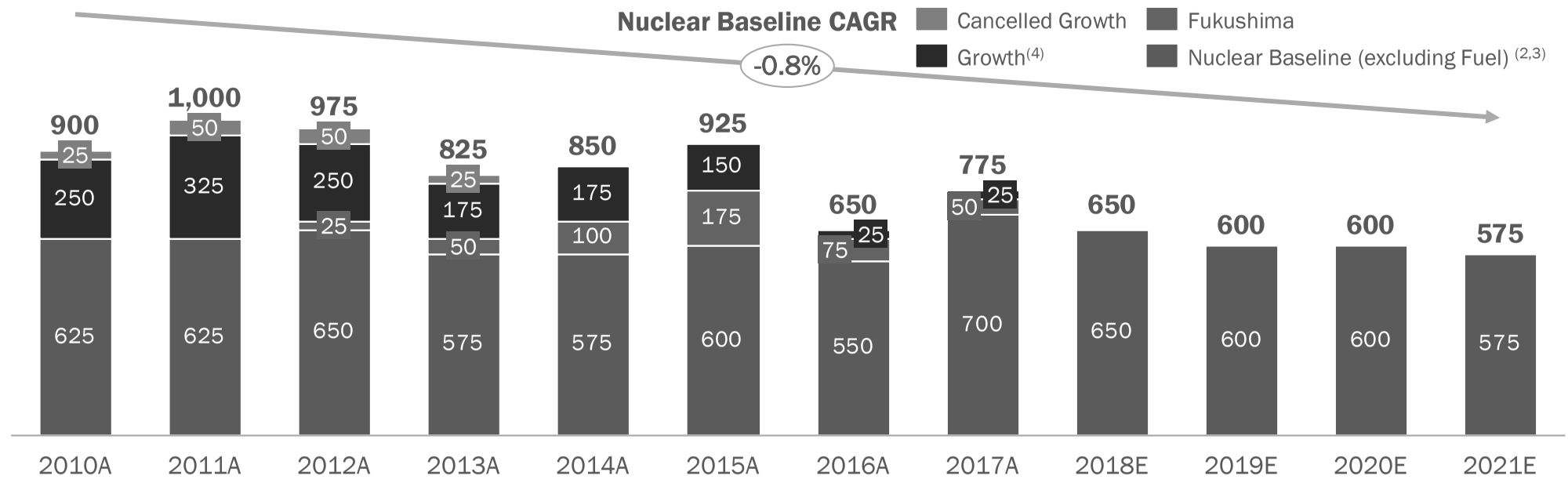
(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

SI-SSA-0015-00111

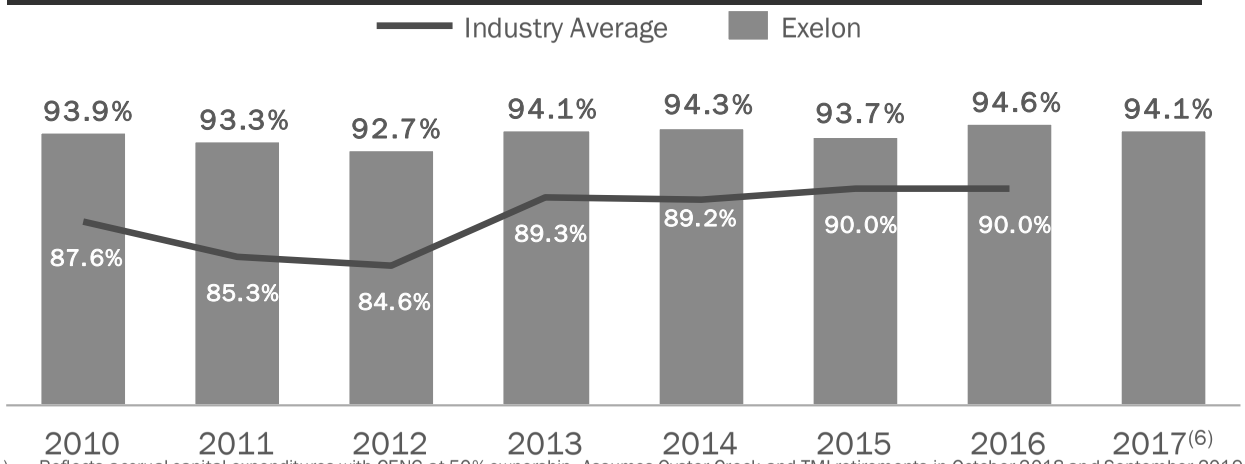
Exelon.

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

SI-SSA-0015-00112

Exelon Utilities' Distribution Rate Case Schedule

	12/17	1/18	2/18	3/18	4/18	5/18	6/18
ComEd Electric Distribution Formula Rate	Commission Order Received Dec 6				2018 Formula Rate Update Filing April		
Delmarva – MD Electric Distribution Rates	Settlement Filed Dec 18		Commission Order Expected Feb 9				
Delmarva – DE Electric Distribution Rates			Intervenor Direct Testimony Feb 21		Rebuttal Testimony Apr 6	Evidentiary Hearings May 15-17	Initial Briefs June 20 Reply Briefs June 29
Delmarva – DE Gas Distribution Rates				Intervenor Direct Testimony Mar 13		Rebuttal Testimony May 8	
Pepco Electric Distribution Rates - DC	Case Filed Dec 19						
Pepco Electric Distribution Rates - MD		Case Filed Jan 2			Intervenor Direct Testimony Apr 13	Rebuttal Testimony May 11	Evidentiary Hearings June 4-13

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, and Delaware Public Service Commission and are subject to change

Exelon

SI-SSA-0015-00113

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-00114

Exelon

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018
and are not being updated at this time

SI-SSA-0015-00115

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

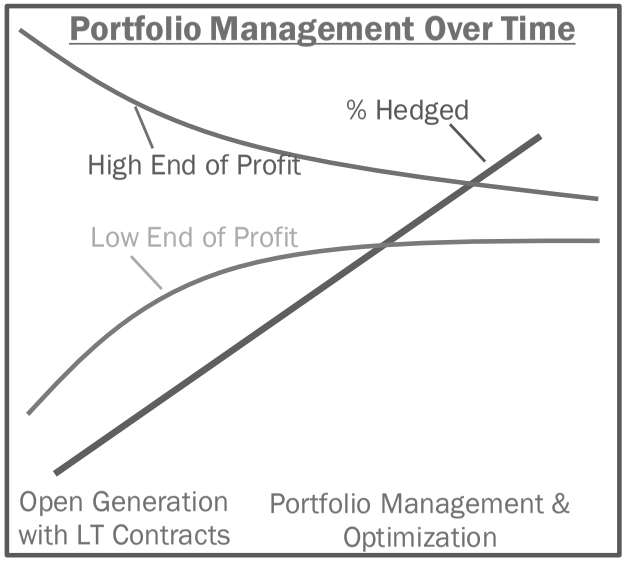
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

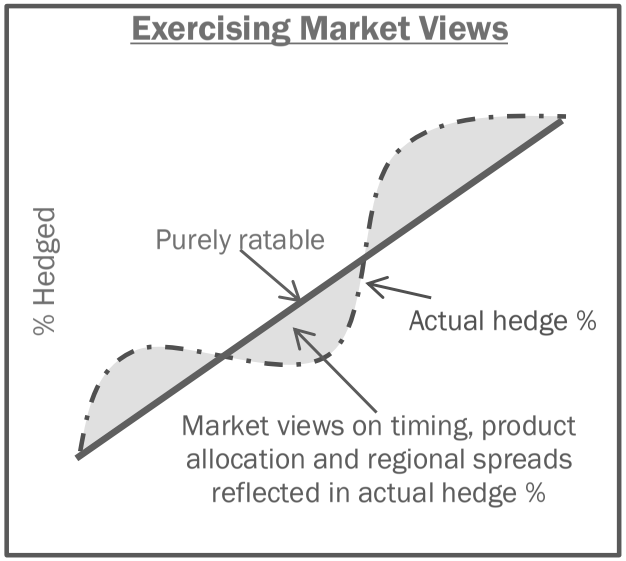
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00116

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00117

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00118

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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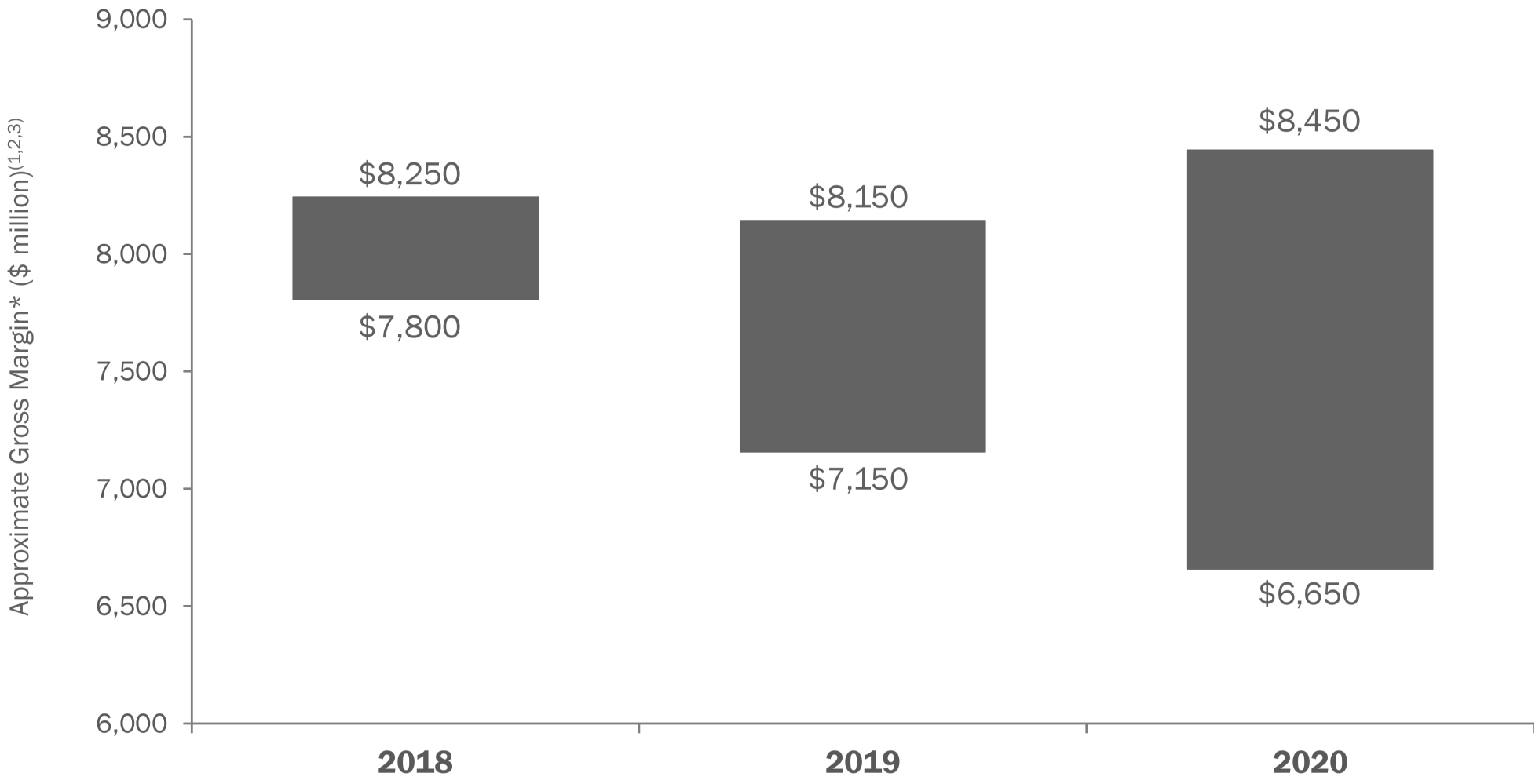
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

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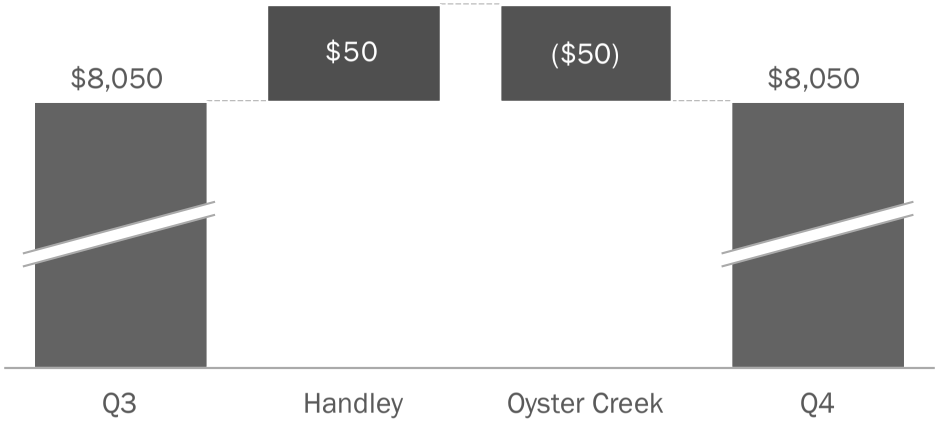
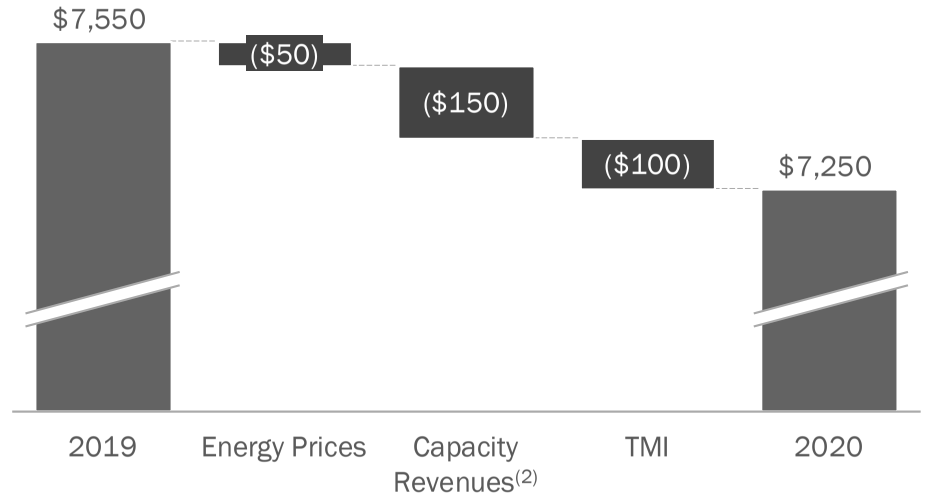
ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]



Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-00124

Appendix

Reconciliation of Non-GAAP Measures

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2017 GAAP EPS Reconciliation

Twelve Months Ended December 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$2.84**	**$0.60**	**$0.46**	**$0.32**	**$0.38**	**($0.63)**	**$3.97**
Mark-to-market impact of economic hedging activities	0.11	-	-	-	-	-	0.11
Unrealized gains related to NDT fund investments	(0.34)	-	-	-	-	-	(0.34)
Amortization of commodity contract intangibles	0.04	-	-	-	-	-	0.04
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.14)
Long-lived asset impairments	0.32	-	-	-	0.02	-	0.34
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Reassessment of state deferred income taxes	(1.96)	-	(0.01)	0.01	0.04	0.56	(1.37)
Cost management program	0.03	-	-	0.01	-	-	0.04
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
Gain on deconsolidation of business	(0.14)	-	-	-	-	-	(0.14)
Vacation policy change	(0.03)	-	-	-	(0.01)	-	(0.03)
Change in Environmental Remediation Liabilities	0.03	-	-	-	-	-	0.03
Noncontrolling interests	0.12	-	-	-	-	-	0.12
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.03**	**$0.62**	**$0.45**	**$0.33**	**$0.36**	**($0.19)**	**$2.60**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-00127

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-00128

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-00129

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$950
Depreciation & Amortization	$1,700
EBITDA	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$950
Depreciation & Amortization	$1,700
EBITDA	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-00132

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-00133

Fall/Winter 2018 Investor Meetings

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Third Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00135

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-00136

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 42 of this presentation.

SI-SSA-0015-00137

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00139

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-00140

Key Updates

Cost Reductions

Committing to $200M in additional cost reductions with a targeted run-rate date of 2021:

- $100M at ExGen
- $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen

Savings due to our focus on improving efficiencies, eliminating redundancies, and leveraging innovation and technologies

More than $900M in announced savings between 2015 – 2021 relative to original plan

ZECS

Seventh and Second Circuit Court of Appeals Uphold ZEC Programs:

- On September 13, the Seventh Circuit Court of Appeals affirmed the dismissal of the Illinois ZEC complaint, upholding the legality of the program
- On September 27, the Second Circuit affirmed dismissal of New York ZEC complaint
- On October 9, the Seventh Circuit denied the petitioners' request for rehearing

New Jersey:

- Board of Public Utilities completed meetings and hearings on implementation of ZEC program
- On September 20, utilities filed tariff changes to recover ZEC related charges
- ZEC applications are due on December 19

Market Reforms

FERC Capacity Market Proceeding:

- On October 2, stakeholders filed comments in response to FERC's request in its June order
- Exelon joined a coalition proposal supported by rate payer advocates, attorneys general, environmental organizations, renewable advocates and other nuclear generators
- Reply comments submitted on November 6
- PJM requests FERC action in January 2019 to provide adequate time for the August 2019 PJM capacity auction

Fast Start:

- PJM fast start pricing has been fully briefed; awaiting decision from FERC

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6K mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

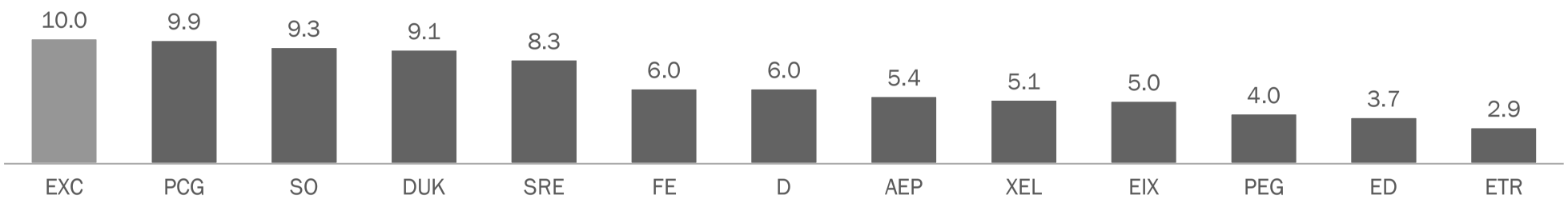
Note: All numbers reflect year-end 2017

SI-SSA-0015-00142

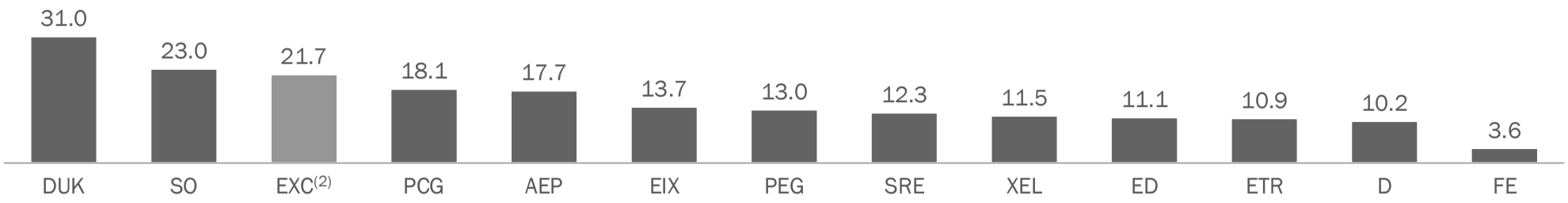
Exelon.

Exelon Utilities are an Industry Leader

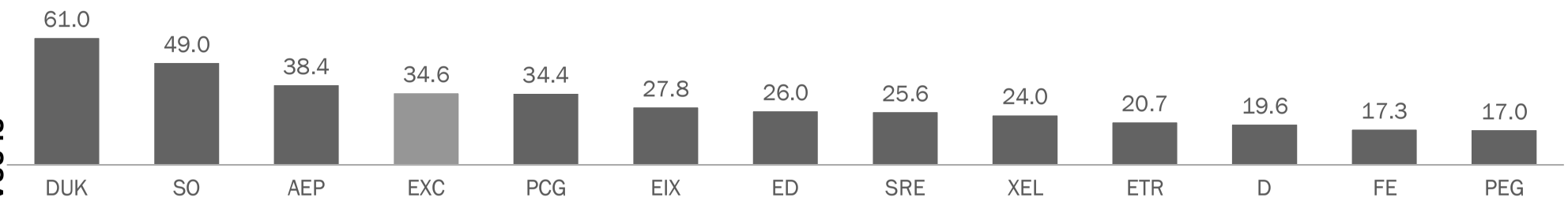
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

Exelon.

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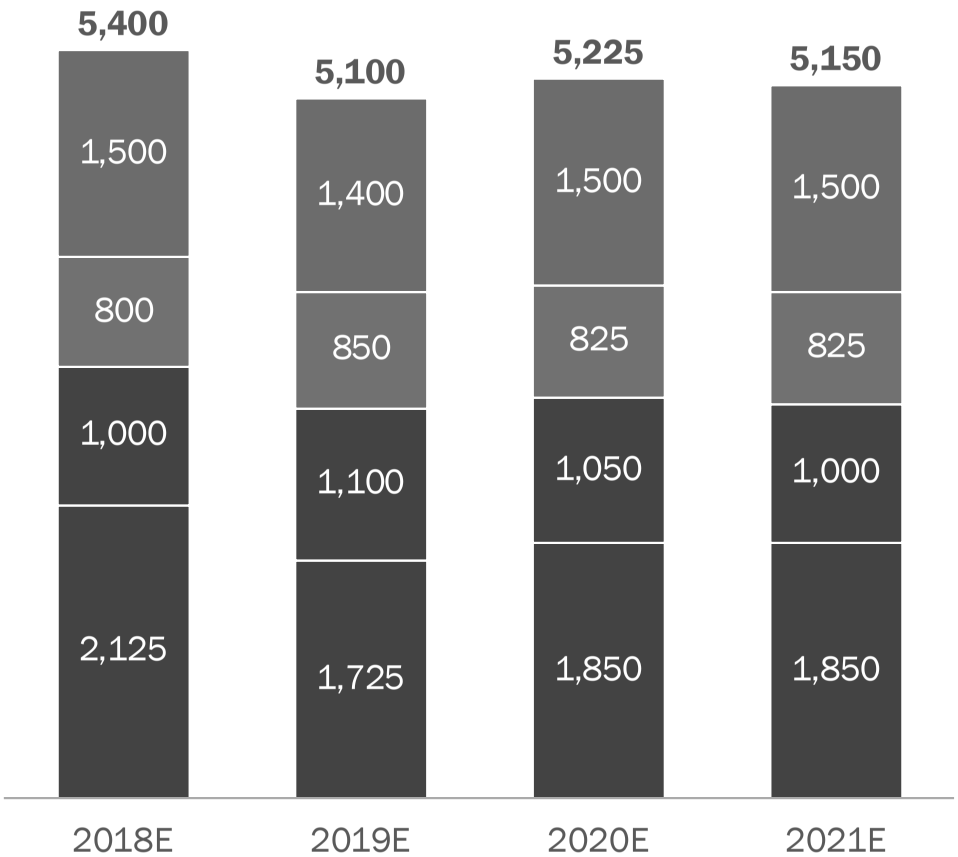
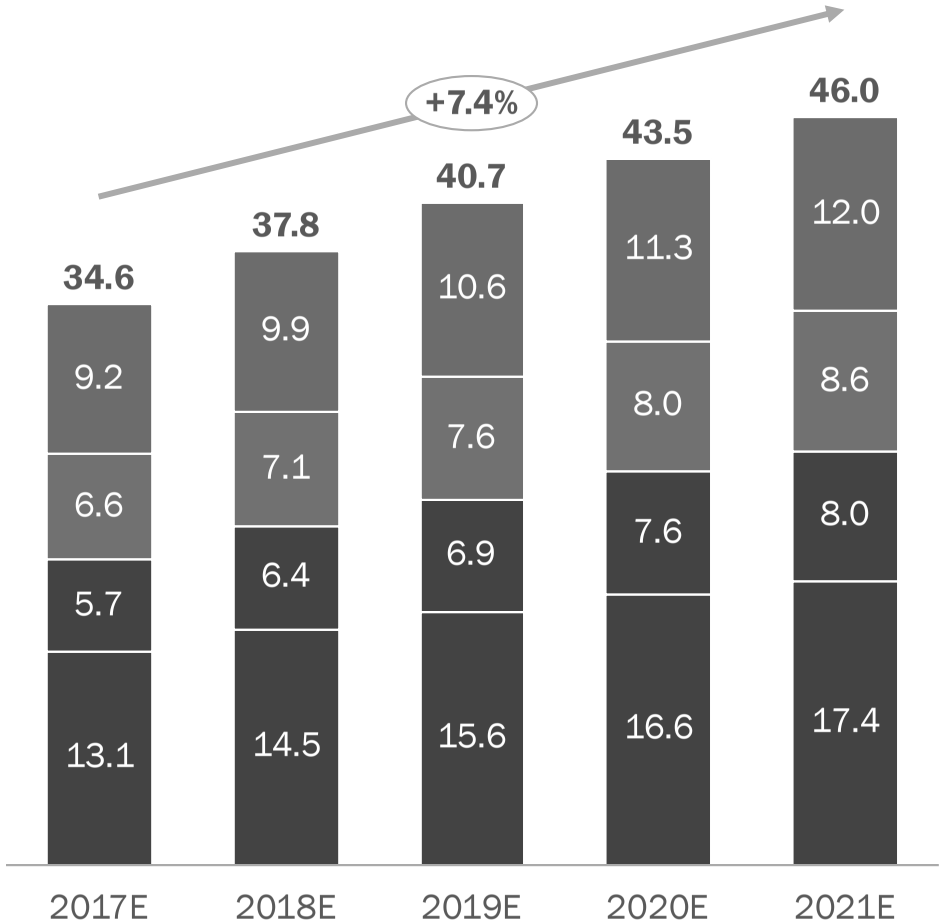
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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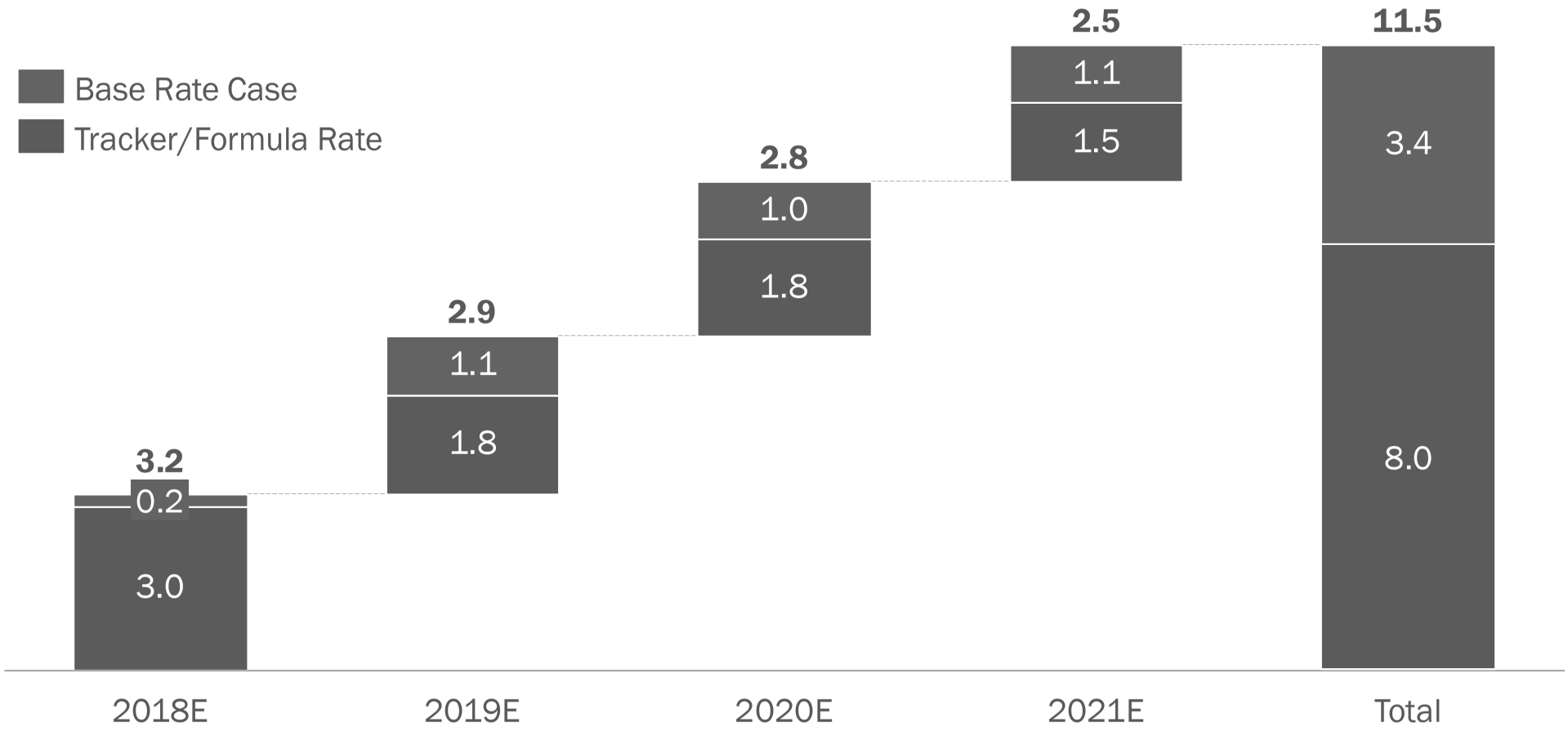
Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

Exelon.

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				N/A
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th

Q3 2018			
BGE	ComEd	PECO	PHI
	No Gas Operations		

Performance Quartiles	
Q1	Q2
Q3	Q4

- Reliability performance remains strong in CAIDI and SAIFI across the utilities, while safety performance continues to improve
- Gas odor response remains strong in top decile across the utilities
- Customer operation metrics are strong across all utilities with BGE and ComEd performing in top decile for Customer Satisfaction and PHI in top decile for Service Level

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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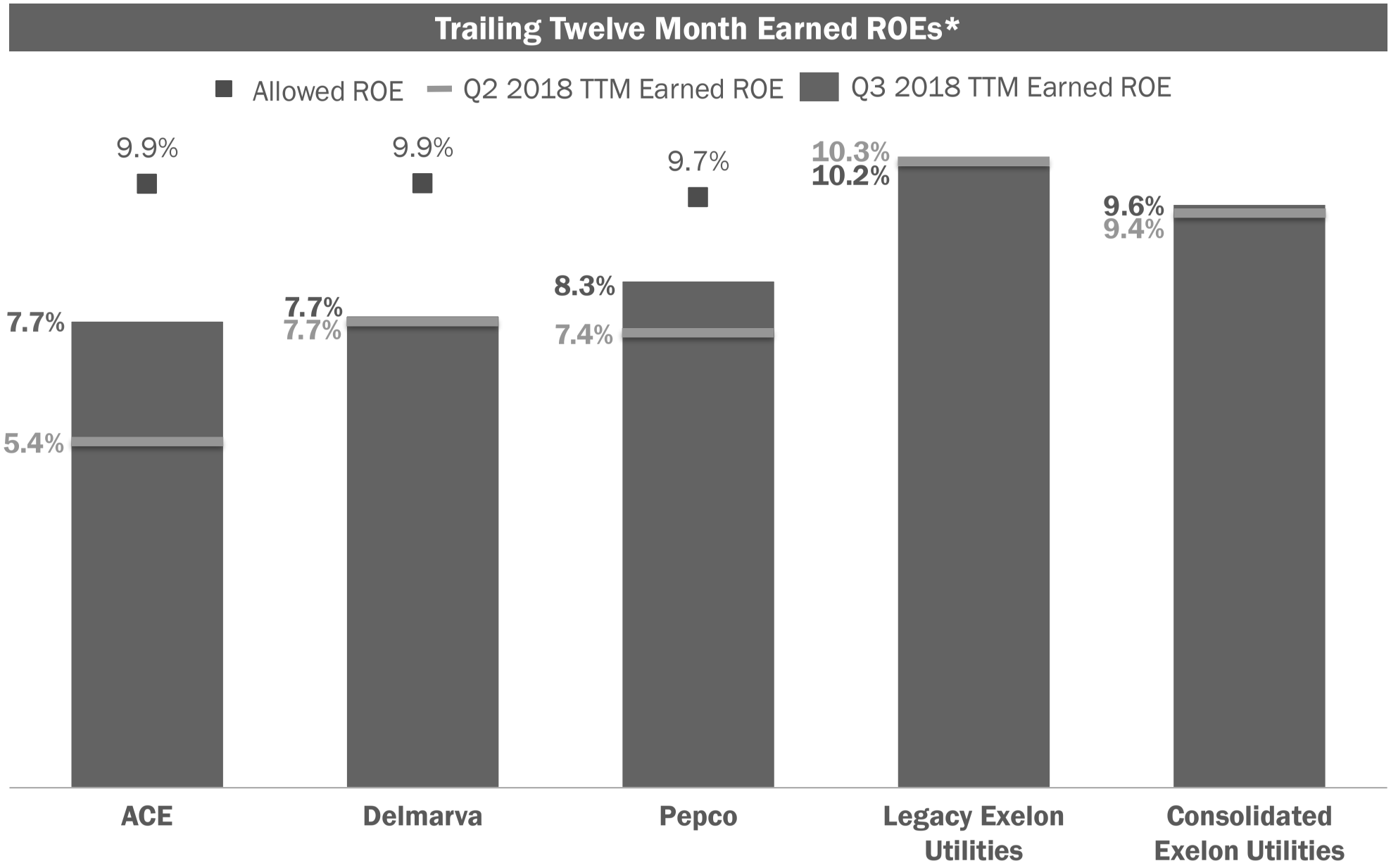
Trailing Twelve Month Earned ROEs* vs Allowed ROE



Note: Represents the twelve-month periods ending June 30, 2018 and September 30, 2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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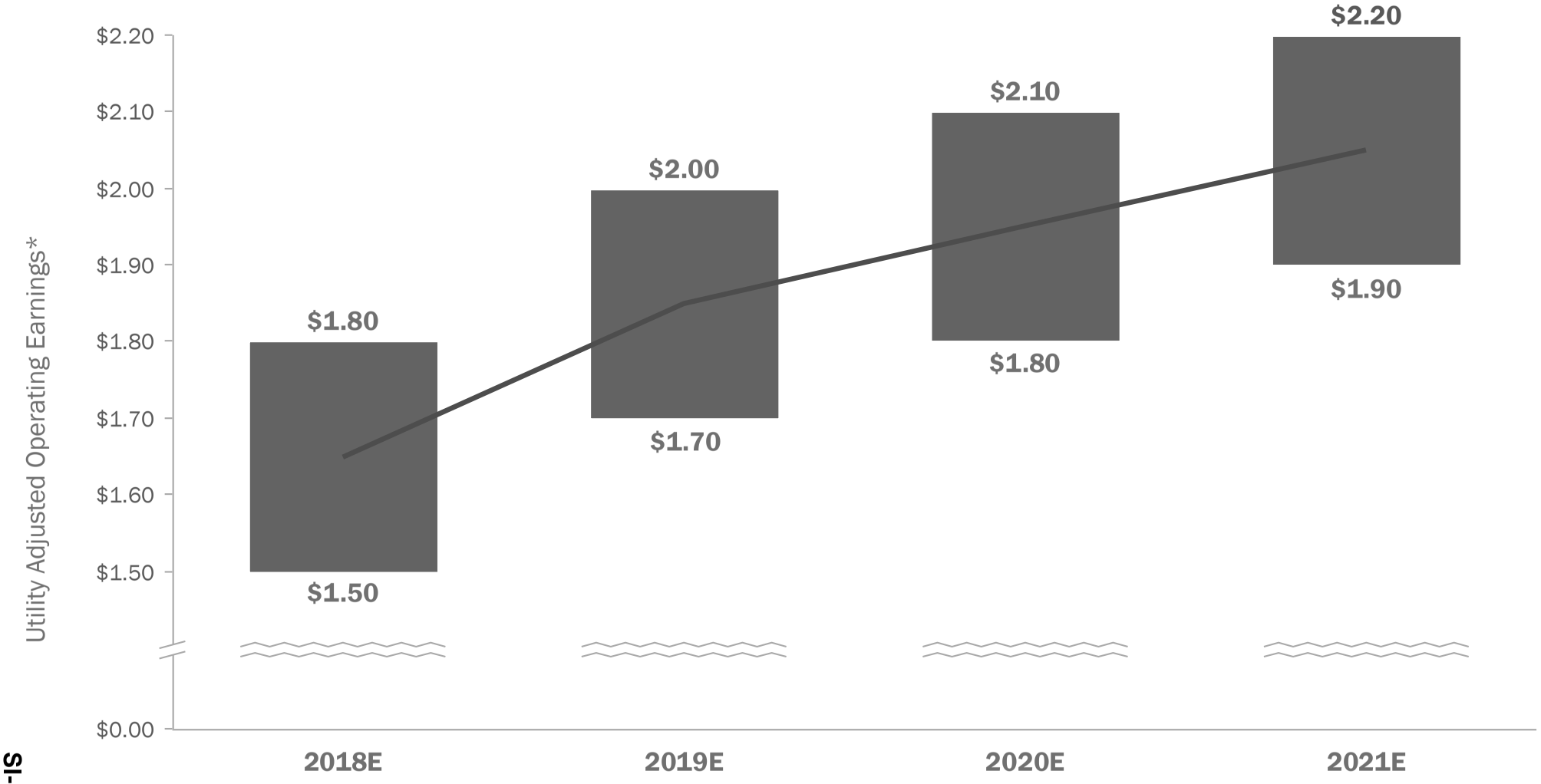
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon.

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($24.1M)[1,8]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH SA			FO							($3.5M)[1,4]	9.70% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,10]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$25M[1,5,9]	N/A	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$82.4M[6]	10.5% / 52.85%[6]	Jan 2019
ACE[7]		CF			IT	RT		EH	IB RB				$109.3M[1]	10.10% / 50.22%	Q3 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(5) On October 18, 2018, the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2018.
(6) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(7) Procedural schedule as proposed by the Company. ACE plans to put interim rates in effect nine months after the filing date, subject to refund, as allowed by the regulations.
(8) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.
(9) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit
(10) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

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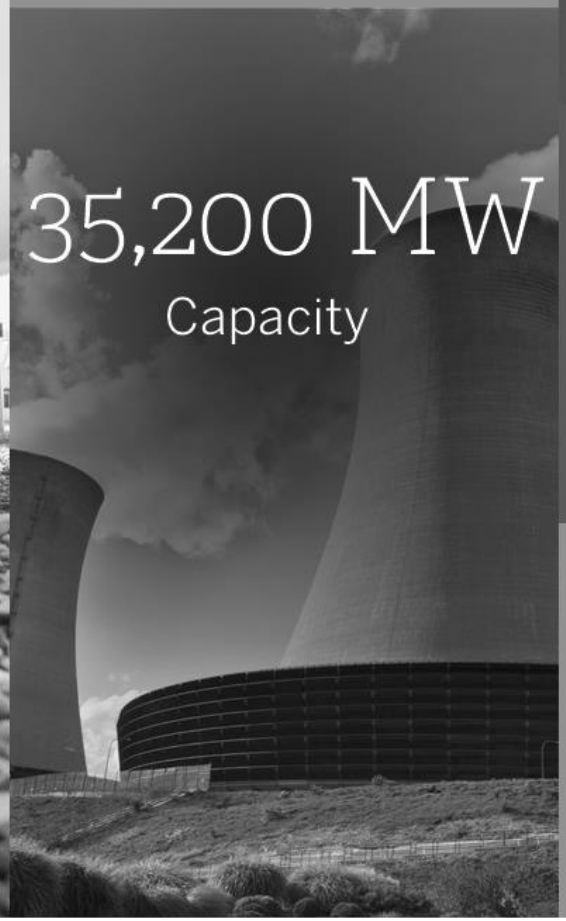
Exelon

Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

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Exelon.

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-00152

Exelon Generation: Gross Margin Update

	September 30, 2018			Change from June 30, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,800	$4,300	$3,900	$100	$250	$100
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	-	-
Mark-to-Market of Hedges[2,3]	$350	$250	$250	$(50)	$(150)	$(50)
Power New Business / To Go	$100	$550	$800	$(50)	$(50)	-
Non-Power Margins Executed	$400	$200	$150	$50	$50	$50
Non-Power New Business / To Go	$100	$300	$350	$(50)	$(50)	$(50)
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**	**-**	**$50**	**$50**

Recent Developments

- Open Gross Margin ("OGM") is up in 2018 due to higher NiHub, West Hub, and NY Zone A prices, partly offset by weaker ERCOT spark spreads
- 2019 and 2020 OGM is up due to stronger ERCOT spark spreads and higher West Hub prices; 2019 OGM is also up on higher NiHub and New York Zone A prices
- Mark-to-Market of Hedges is down in all years on higher prices, offset by the execution of Power New Business in 2018/2019
- Executed $50M of Non-Power New Business in all years
- Behind ratable hedging position reflects the upside we see in power prices
  - ~9-12% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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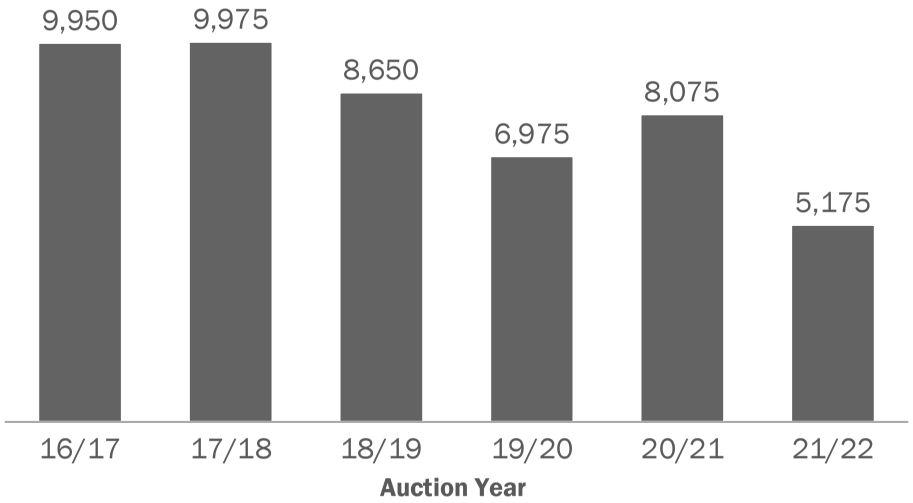
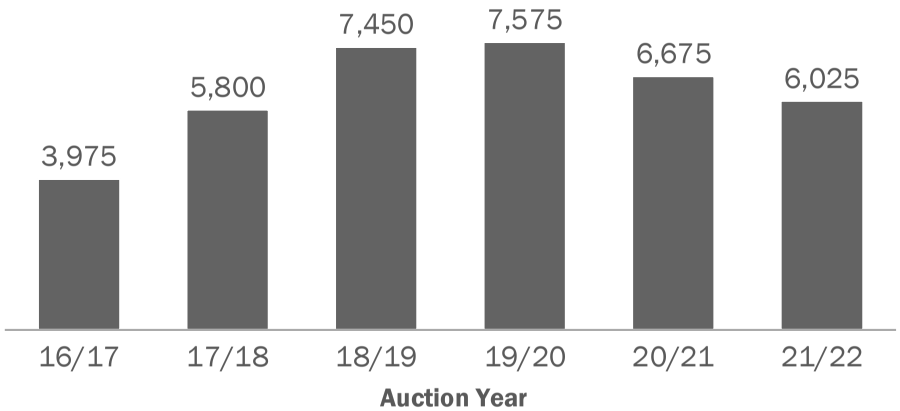
Capacity Market: PJM

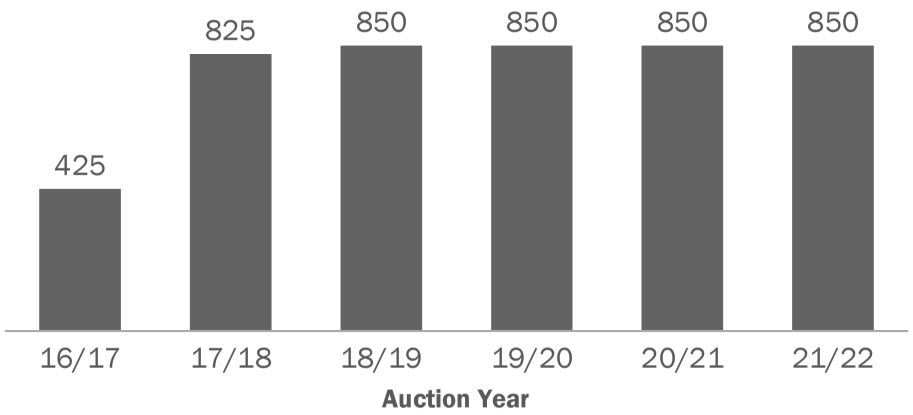
ComEd Cleared Volumes (MW)



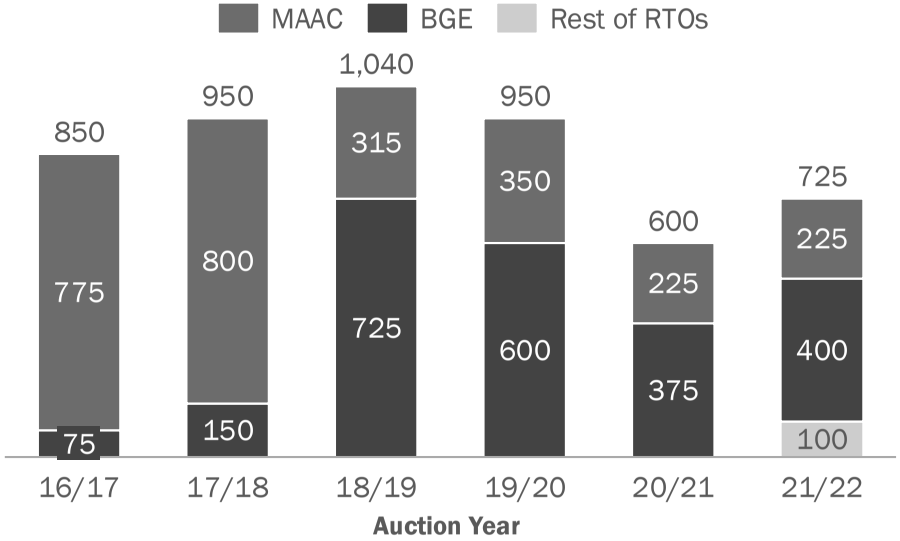
EMAAC Cleared Volumes (MW)



SWMAAC Cleared Volumes (MW)



MAAC, BGE, and Rest of RTO Cleared Volumes (MW)



Note: Reflects 50.01% ownership at CENG and volumes at ownership are rounded. 16/17 and 17/18 are volumes cleared in the capacity performance transition auctions.

Exelon.

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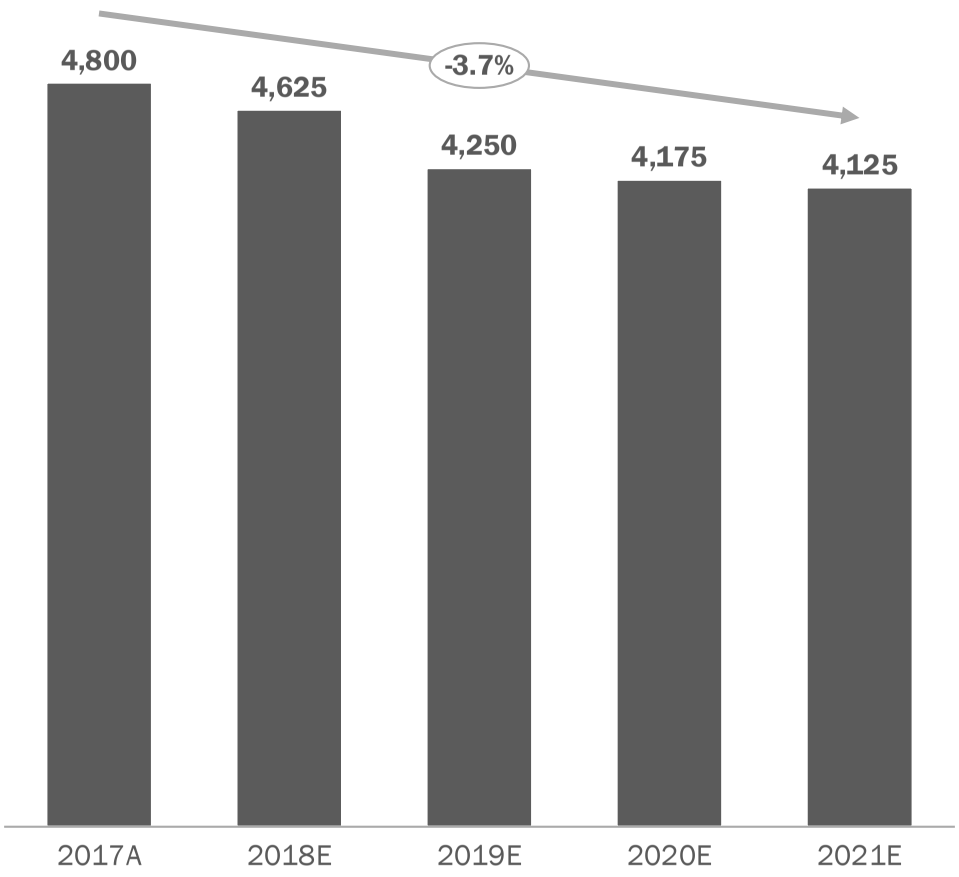
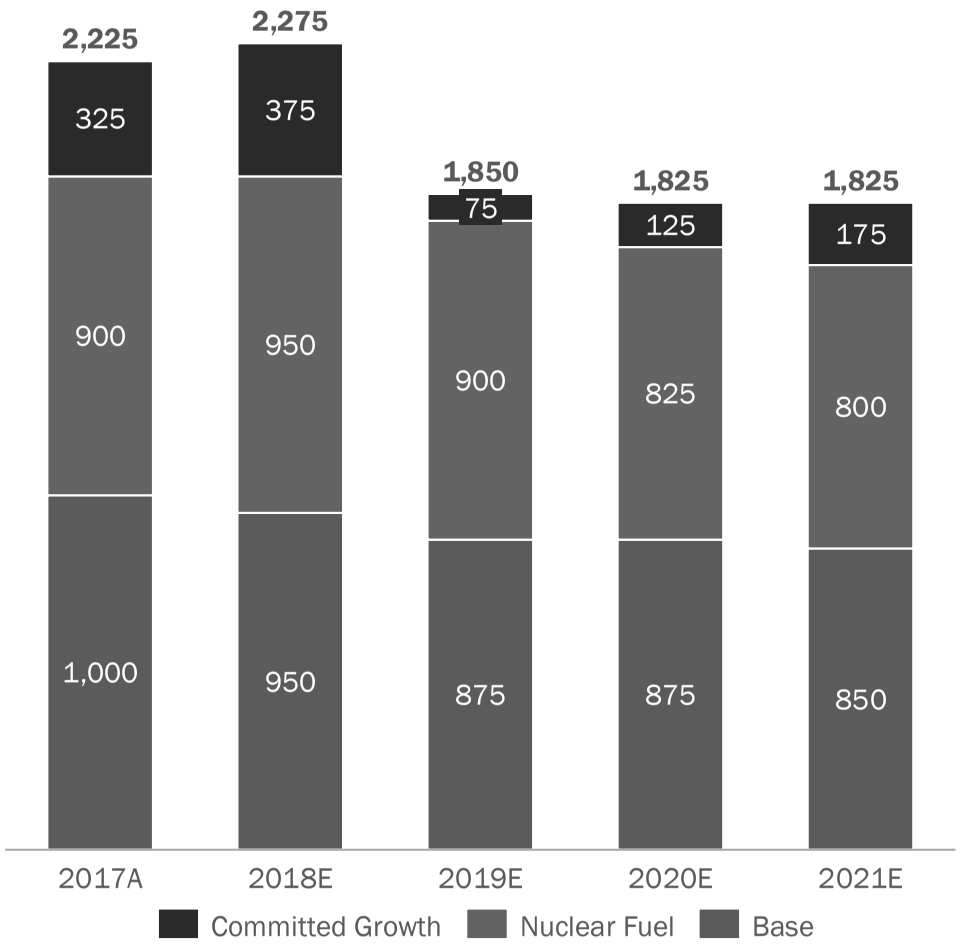
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

Exelon.

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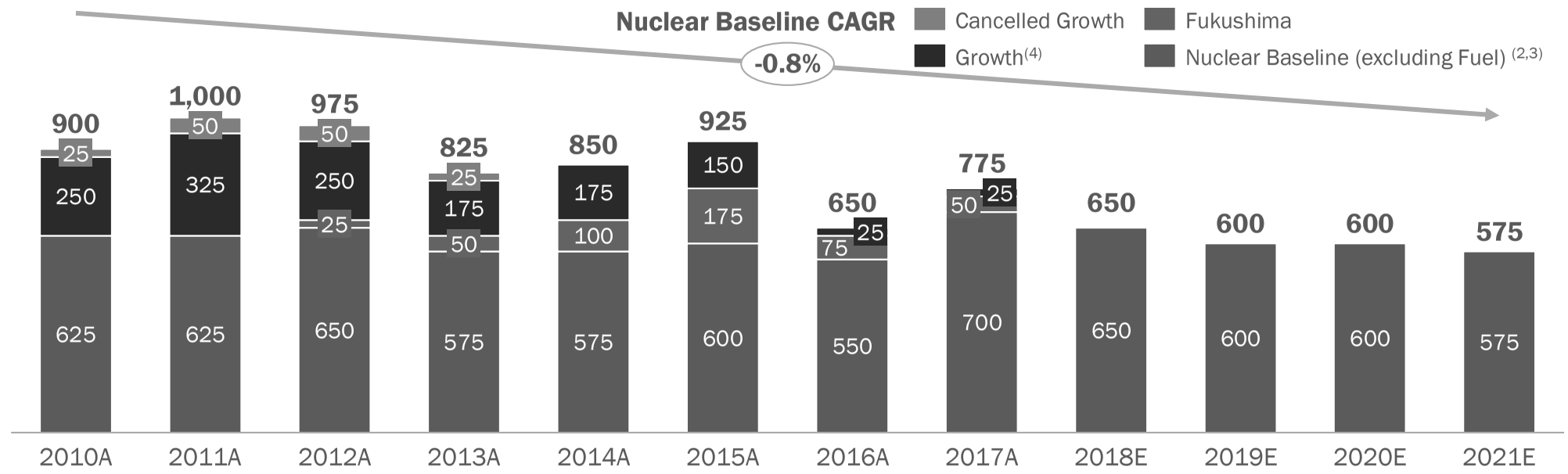
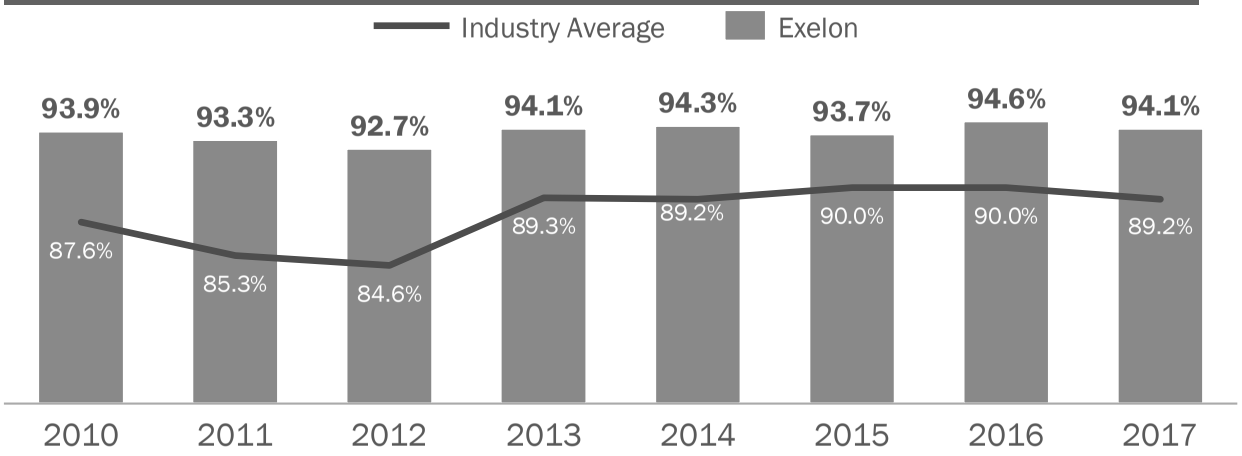
Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5,6]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) Industry average is for major operators excluding Exelon and includes 3 months of Fitzpatrick prior to Exelon acquisition

Exelon.

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Financial Overview

SI-SSA-0015-00157

Raising Lower End of 2018 Guidance Range

Note: Amounts may not sum due to rounding

(1) 2018 Adjusted Operating Earnings* guidance based on expected average outstanding shares of 969M

Exelon.

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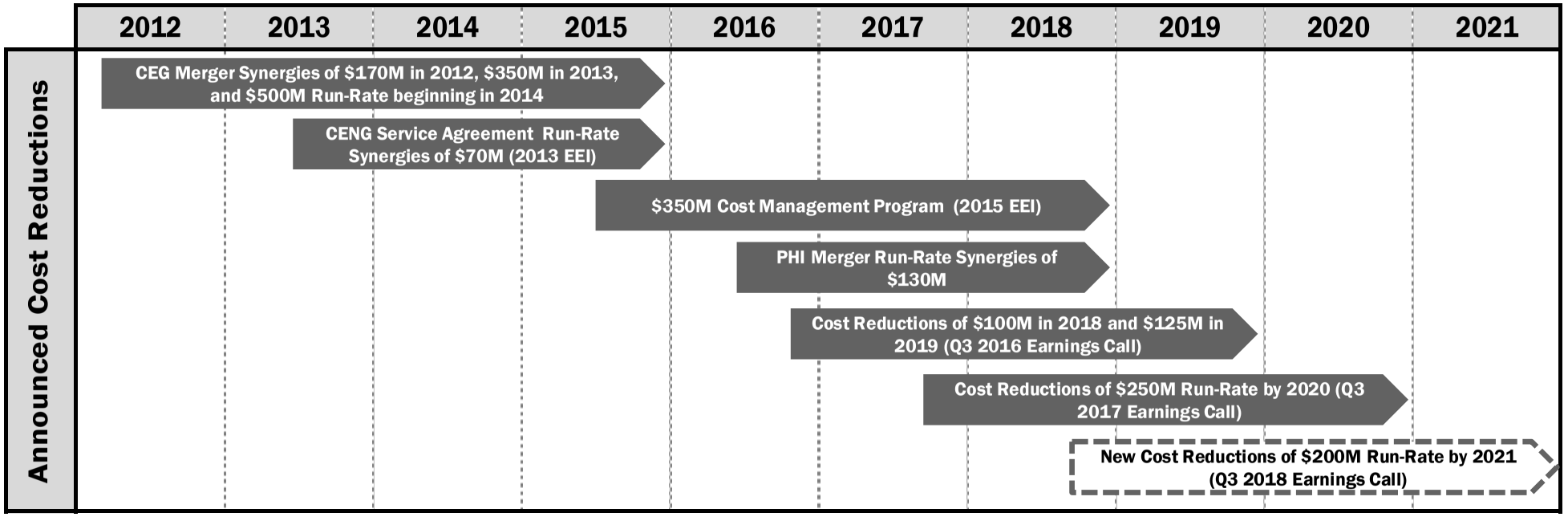
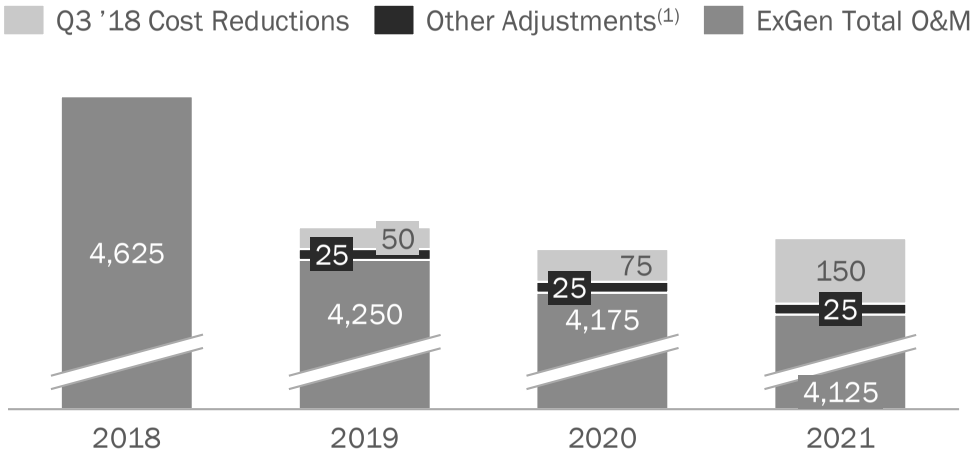
Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2018 ($M)



(1) Primarily pension updates due to higher interest rates

Key Commentary

- Committing to $200M in additional cost reductions
  - $100M at ExGen
  - $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen
- **Since 2015, Exelon has announced more than $900M of cost reductions**

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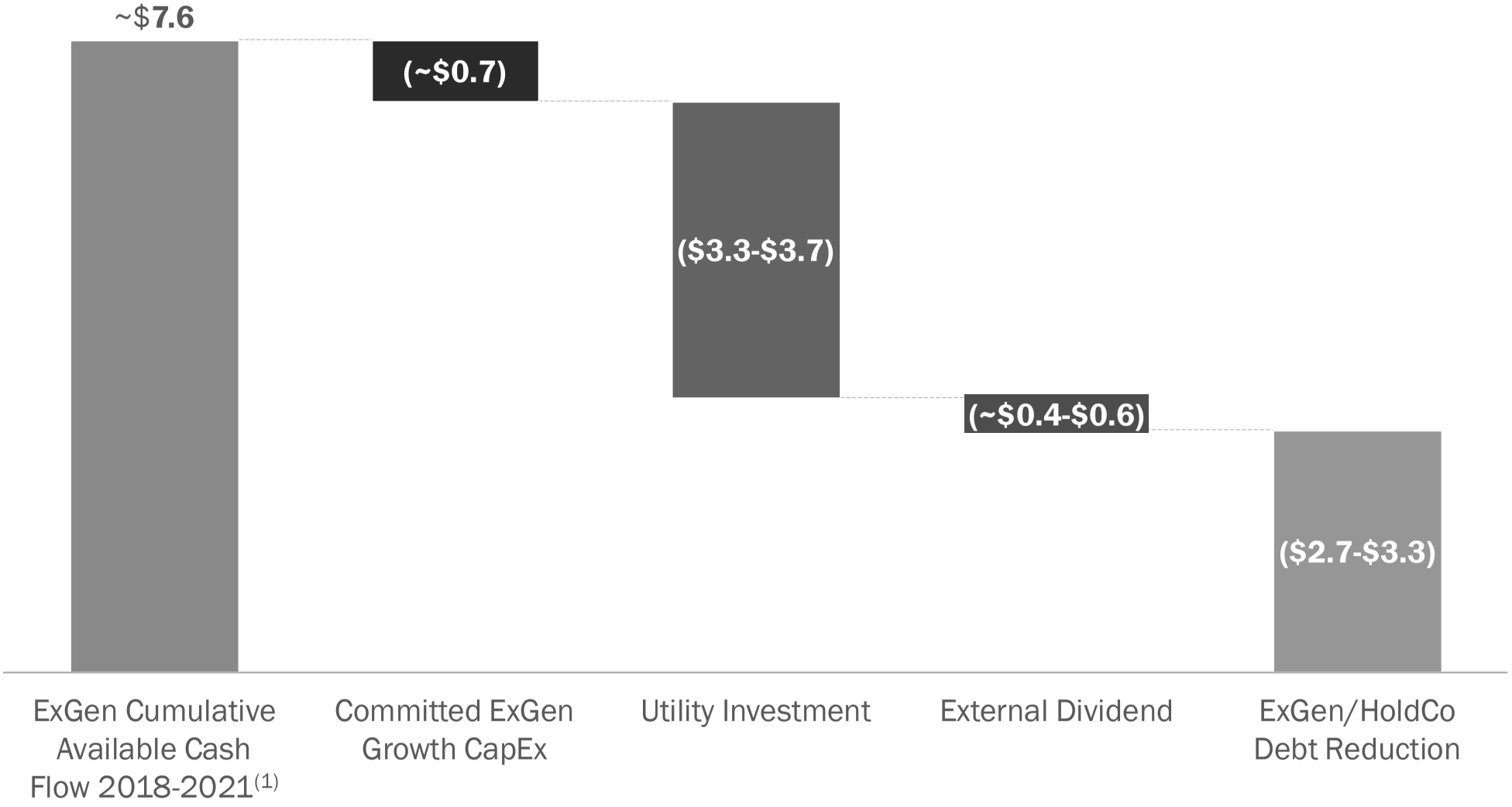
Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

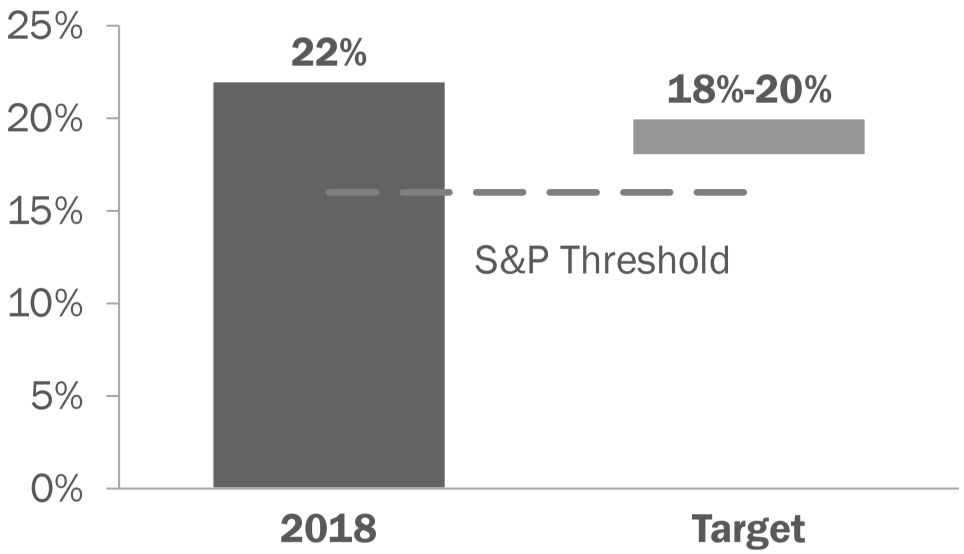
(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-00160

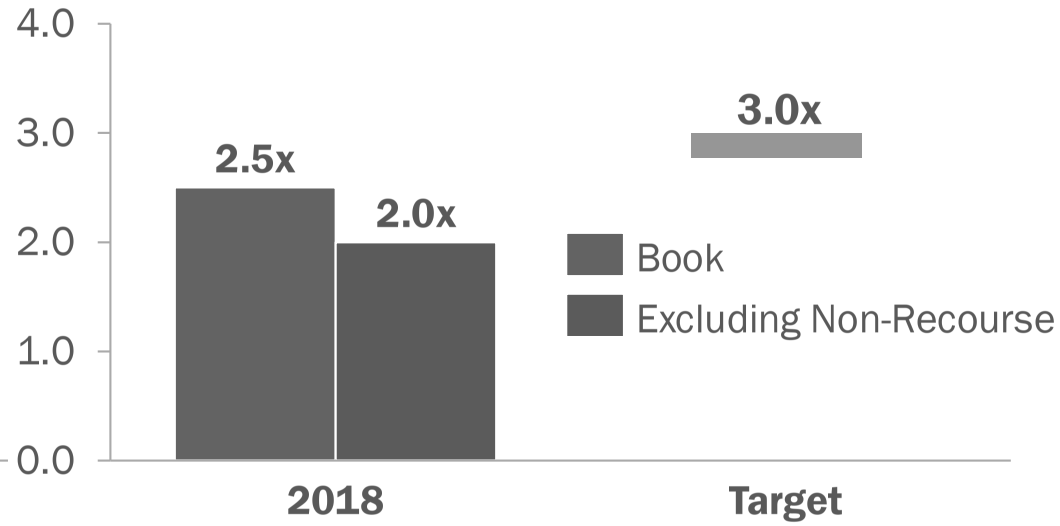
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-[3]	BBB[3]	A-[3]	A-[3]	A-[3]	A[3]	A[3]	A[3]
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

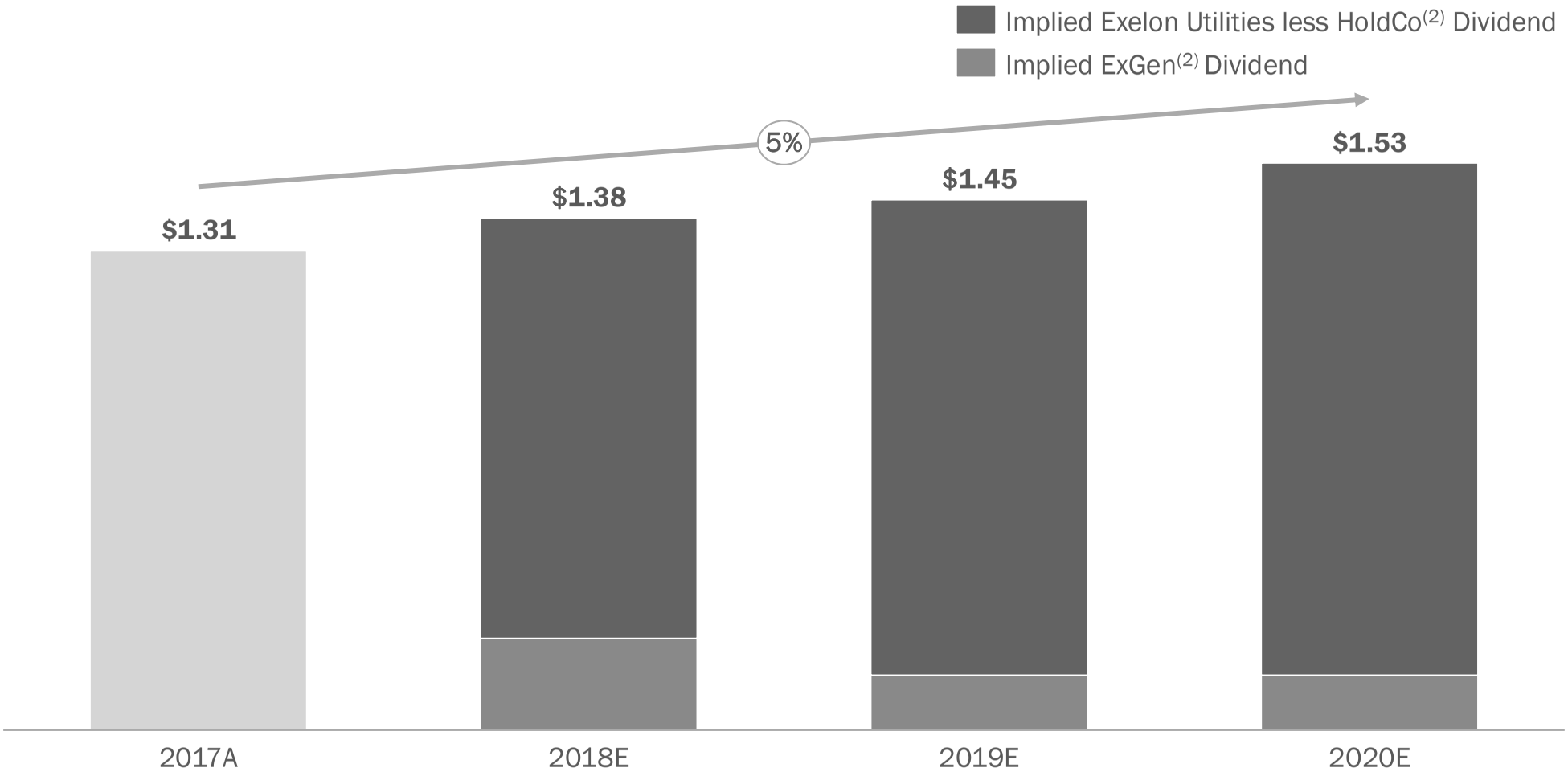
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of November 1, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon Corp and all subsidiaries are on "Positive" outlook at S&P; Exelon Corp, PECO, and and BGE are on "Positive" outlook at Fitch; ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-00161

Exelon.

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00162

Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 13th consecutive year.

Newsweek Magazine's Green Rankings
The Newsweek Green Rankings evaluate corporate sustainability and environmental performance. Exelon ranked in the top three among utilities, No. 12 on the U.S. 500 and No. 24 on the Global 500 list among the world's largest publicly traded companies.

Land for People Award 2017
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation.

Diversity and Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improve the retention of women at Exelon by 2020.

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses.

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected.

Community Engagement

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours.

Points of Light, "The Civic 50" 2017
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service.

2017 Laurie D. Zelon Pro Bono Award
Exelon's legal department was honored by the Pro Bono Institute (PBI) with the 2017 Laurie D. Zelon Pro Bono Award.

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America.

Workforce

DiversityInc Top 50 Companies 2018
Exelon ranked No. 32 on DiversityInc's list of Top 50 companies for diversity and 4th for the top 18 companies in hiring for veterans.

Indeed.com "50 Best Places to Work" 2017
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" 2011-2018
Exelon earned the designation of "Best Place to Work" on HRC's Corporate Equality Index for a seventh consecutive year in 2018, receiving a perfect score of 100.

The Military Times Best for Vets 2013-2018
For the sixth year in a row, Exelon received this recognition for its commitment to providing opportunities to America's veterans.

Historically Black Engineering Schools 2013-2017
Exelon was recognized as a top corporate supporter of the nation's historically black engineering programs.

SI-SSA-0015-00163

Climate Leadership Council - Founding Members

Exelon is a founding member of the Climate Leadership Council (CLC) – an effort to promote a carbon fee-and-dividend program.

Corporate Founding Members

AECOM, Allianz, bp, Exelon, ExxonMobil, GM, Johnson & Johnson, MetLife, P&G, PEPSICO, Santander, Schneider Electric, Shell, TOTAL, Unilever

NGO Founding Members

CONSERVATION INTERNATIONAL, The Nature Conservancy

The Four Pillars of a Carbon Dividends Plan:

- **Gradually Increasing Carbon Tax**: Fee would be applied at the point where fossil fuels enter the economy (i.e. wellhead, mine, refinery or port), start at $40/ton and increase 5% a year (the increase could be 10% for years when emissions fail to fall aggressively enough)
- **Carbon Dividends**: Americans would receive a monthly dividend check -- ~$2,000/year to begin, gradually increasing over time as revenue increases; 70% of Americans would be net beneficiaries
- **Border Carbon Adjustments:** Imports and exports would be subject to a border adjustment
- **Significant Regulatory Rollback:** Much of EPA's regulatory authority over greenhouse gases would be phased out. Carbon emitters would be protected against federal and state tort liability suit to the extent emissions are covered (e.g., carbon but not methane)

SI-SSA-0015-00164

Appendix

SI-SSA-0015-00165

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	750	1,650	650	1,100	4,175	3,800	175	8,150	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(50)	(2,025)	
Free Cash Flow*	**750**	**1,650**	**650**	**1,100**	**4,175**	**1,825**	**125**	**6,125**	
Debt Issuances	300	1,350	700	750	3,100	0	0	3,100	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	500	50	350	1,000	0	(1,000)	0	
Other Financing[4]	50	0	50	(125)	(25)	50	(50)	(25)	
Financing*[5]	**475**	**1,000**	**300**	**700**	**2,475**	**(50)**	**(1,050)**	**1,375**	
Total Free Cash Flow and Financing	**1,225**	**2,650**	**950**	**1,800**	**6,625**	**1,775**	**(925)**	**7,475**	
Utility Investment	(1,000)	(2,125)	(850)	(1,500)	(5,475)	0	0	(5,475)	
ExGen Growth[3,6]	0	0	0	0	0	(350)	0	(350)	
Acquisitions and Divestitures	0	0	0	0	0	(25)	0	(25)	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,500)**	**(5,475)**	**(400)**	**(1,325)**	**(7,225)**	
Total Cash Flow	**225**	**525**	**100**	**275**	**1,150**	**1,375**	**(2,250)**	**275**	
Ending Cash Balance*[2]									**1,725**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes commercial paper, expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.8B at ExGen and $4.2B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.5B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

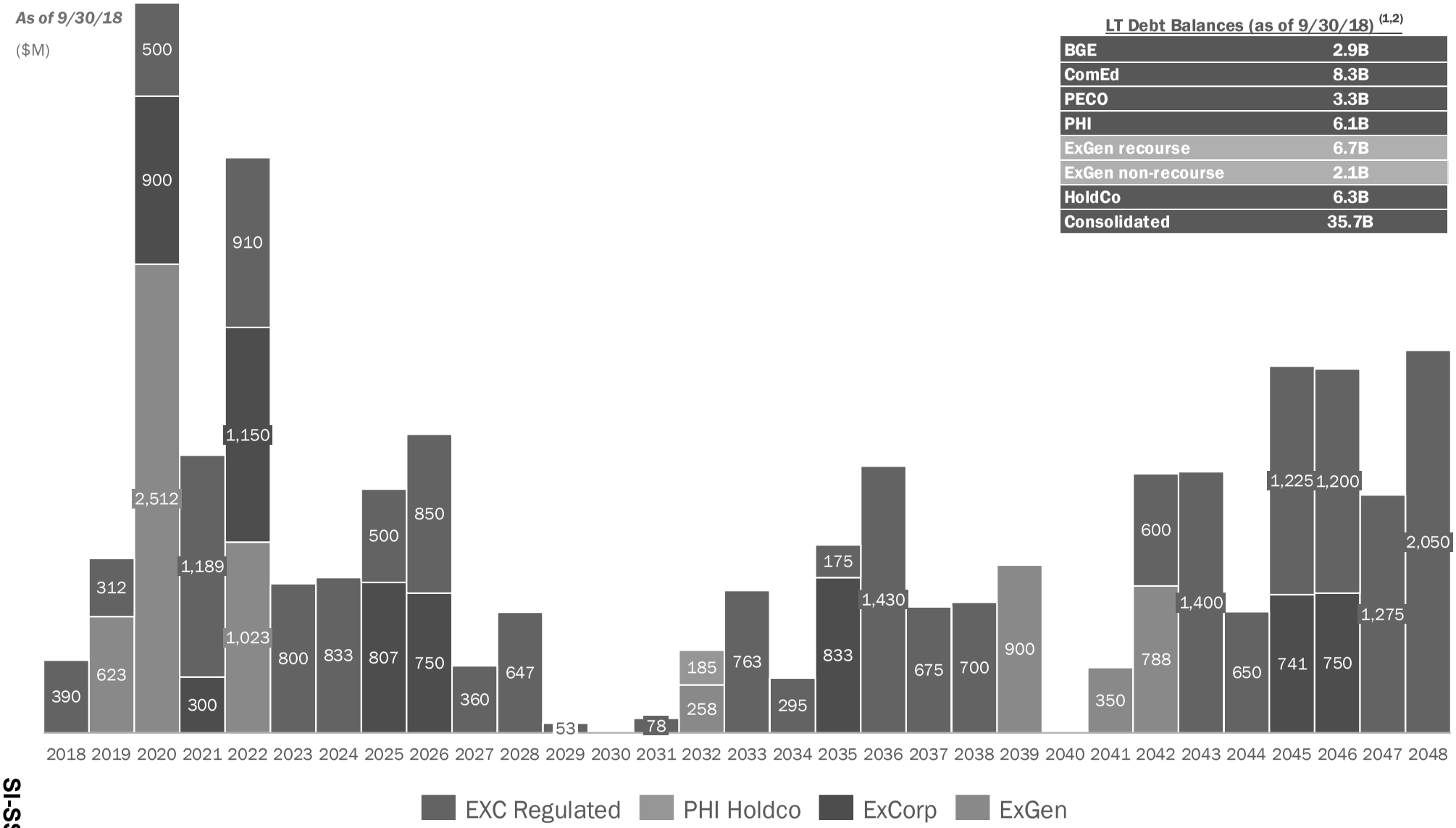
Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

SI-SSA-0015-00166

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 9/30/18) [1,2]	
BGE	2.9B
ComEd	8.3B
PECO	3.3B
PHI	6.1B
ExGen recourse	6.7B
ExGen non-recourse	2.1B
HoldCo	6.3B
Consolidated	35.7B

Exelon's weighted average LTD maturity is approximately 15 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q3 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-00167

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Exelon

EPS Sensitivities

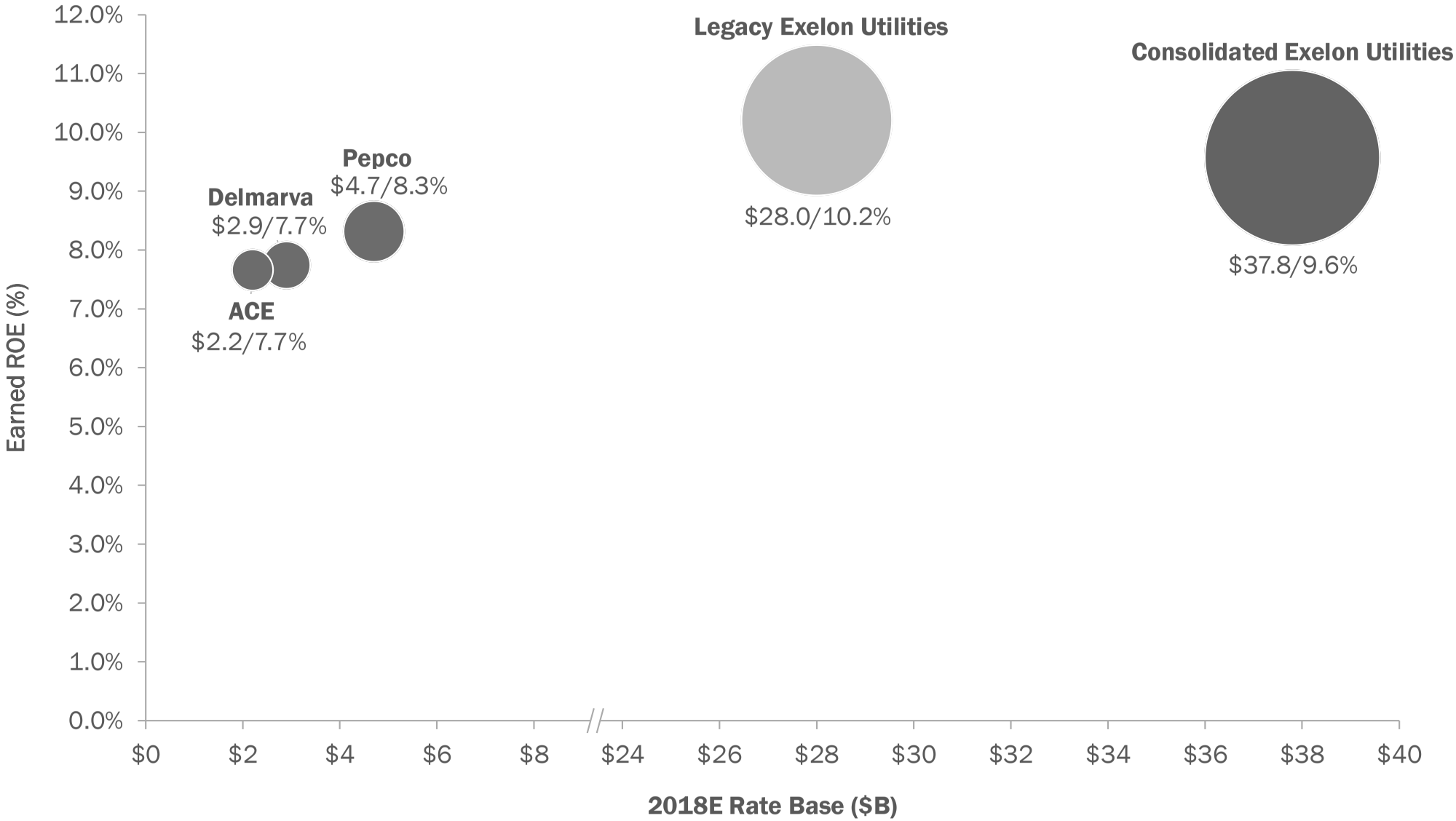
		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	($0.01)	$0.15	$0.34
	- $1/MMBtu	$0.02	($0.11)	($0.30)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.00	$0.08	$0.20
	- $5/MWh	$0.00	($0.08)	($0.20)
	PJM-W ATC Energy Price			
	+ $5/MWh	($0.00)	$0.02	$0.07
	- $5/MWh	$0.00	$0.00	($0.07)
Interest Rate Sensitivity to +50	ComEd ROE	$0.02	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on September 30, 2018, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-00168

Exelon Utilities Trailing Twelve Month Earned ROEs*

Q3 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the twelve-month period ending September 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

Exelon.

SI-SSA-0015-00169

Exelon Generation Disclosures

Data as of September 30, 2018
These disclosures were presented on November 1, 2018, and are not being updated at this time

SI-SSA-0015-00170

Portfolio Management Strategy

Strategic Policy Alignment

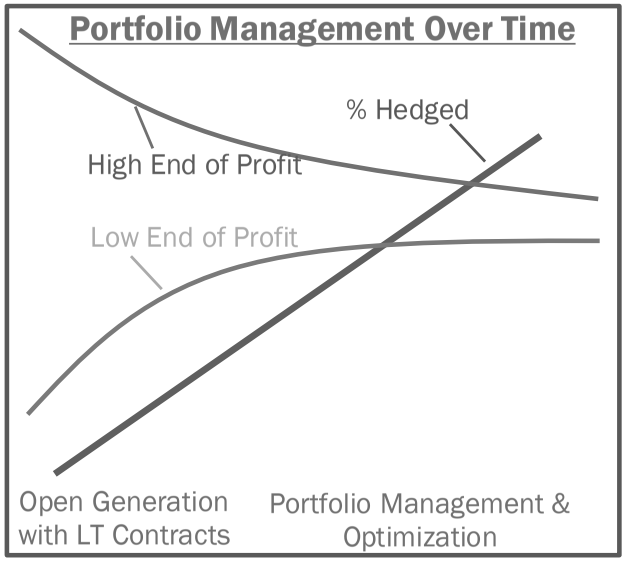
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

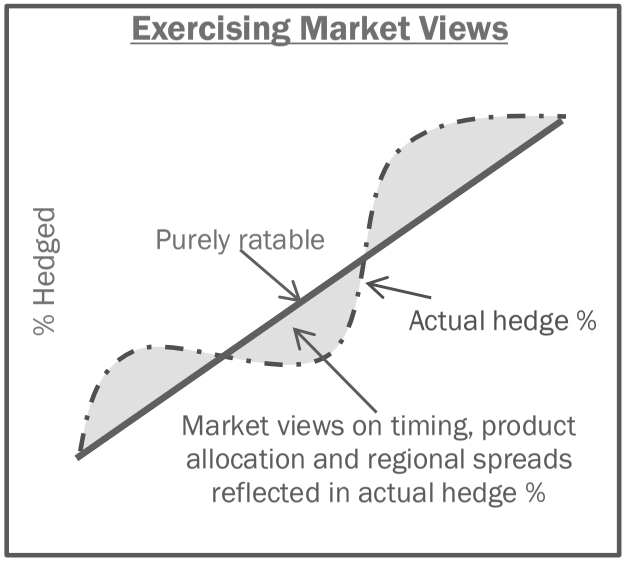
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00171

Exelon.

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,800	$4,300	$3,900
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$350	$250	$250
Power New Business / To Go	$100	$550	$800
Non-Power Margins Executed	$400	$200	$150
Non-Power New Business / To Go	$100	$300	$350
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.94	$2.78	$2.65
Midwest: NiHub ATC prices ($/MWh)	$27.62	$26.24	$24.92
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$36.54	$33.53	$31.59
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.06	$11.50	$10.30
New York: NY Zone A ($/MWh)	$31.86	$29.49	$27.89
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$6.80	$6.88	$6.27

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

SI-SSA-0015-00172

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**196,300**	**201,900**	**192,900**
Midwest	96,600	97,000	96,500
Mid-Atlantic[2,6]	60,300	54,000	48,500
ERCOT	16,900	25,500	23,700
New York[2,6]	16,200	16,600	15,600
New England	6,300	8,800	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**82%-85%**	**48%-51%**
Midwest	98%-101%	79%-82%	44%-47%
Mid-Atlantic[2,6]	100%-103%	94%-97%	61%-64%
ERCOT	98%-101%	78%-81%	49%-52%
New York[2,6]	98%-101%	93%-96%	57%-60%
New England	78%-81%	23%-26%	13%-16%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$28.50	$28.00
Mid-Atlantic[2,6]	$39.00	$37.50	$37.00
ERCOT[5]	($2.00)	$2.00	$1.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$7.00	$6.00	$25.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.3%, 94.6% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

SI-SSA-0015-00173

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(10)	$190	$445
- $1/MMBtu	$20	$(145)	$(395)
NiHub ATC Energy Price			
+ $5/MWh	-	$100	$265
- $5/MWh	-	$(100)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$20	$95
- $5/MWh	$5	-	$(90)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	-	$30
- $5/MWh	-	$(5)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $30

(1) Based on September 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

Exelon.

SI-SSA-0015-00174

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,125**	**$7,800**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,650**	**$7,350**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	22.0%

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-00175

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00176

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Non-cash impacts pursuant to the annual update of asset retirement obligations
  - Adjustment to the remeasurement of deferred income taxes as a result of the Tax Cuts and Jobs Act (TCJA) and changes in forecasted apportionment
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-00177

GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

SI-SSA-0015-00178

GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

Exelon.

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$750	$1,650	$650	$1,100	$4,250	$175	$8,600
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	($175)	-	($175)
Adjusted Cash Flow from Operations	**$750**	**$1,650**	**$650**	**$1,100**	**$3,800**	**$175**	**$8,150**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$275	$550	$0	$375	($1,050)	($100)	$50
Dividends paid on common stock	$200	$450	$300	$325	$1,000	($950)	$1,325
Financing Cash Flow	**$475**	**$1,000**	**$300**	**$700**	**($50)**	**($1,050)**	**$1,375**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$275
Adjusted Ending Cash Balance[3]	$1,725
Adjustment for Cash Collateral Posted	($375)
GAAP Ending Cash Balance	**$1,350**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

Q3 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$103	$191	$1,407	$1,778
Operating Exclusions	$5	$8	$24	$2	$40
Adjusted Operating Earnings	$82	$111	$215	$1,409	$1,817
Average Equity	$1,065	$1,434	$2,590	$13,808	$18,898
Operating ROE (Adjusted Operating Earnings/Average Equity)	**7.7%**	**7.7%**	**8.3%**	**10.2%**	**9.6%**

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Note: Items may not sum due to rounding

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020	2021
GAAP O&M	**$6,350**	**$5,475**	**$4,925**	**$4,825**	**$4,750**
Decommissioning[2]	25	50	50	50	50
TMI Retirement	(100)	-	-	-	-
EGTP Impairment	(450)	-	-	-	-
Oyster Creek Retirement[5]	-	(100)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(450)	(275)	(275)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(400)	(425)	(425)
Other	(150)	(125)	(50)	(25)	-
Adjusted O&M (Non-GAAP)	**$4,800**	**$4,625**	**$4,250**	**$4,175**	**$4,125**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[6]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments
(5) 2018 Decommissioning costs include $75M of asset retirement obligations for Oyster Creek retirement acceleration
(6) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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Evercore ISI Utility CEO Retreat

January 11-12, 2018

Exelon®

SI-SSA-0015-00183

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 43 of this presentation.

SI-SSA-0015-00186

Exelon: An Industry Leader

$20B
Being invested in utilities through 2020

$46M
In 2016, Exelon gave approx. $46 million to charitable and community causes

#1
zero-carbon energy provider in America

205 TWh
Customer load served

32,700
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,400
employees

FORTUNE 100
Exelon is a FORTUNE 100 company and was named to Fortune Magazine's list of "World's Most Admired Companies"

2.2M+
Exelon's Constellation business serves residential, public sector and business customers

11,430
transmission line miles for utilities

$31.4B
Operating revenue in 2016

8.5M
Smart meters installed

Note: All numbers reflect year-end 2016; revenue accounts for PHI as of the merger effective date of March 24, 2016 through December 31, 2016.

Exelon.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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Exelon Utilities Overview

16,400
Employees

$31.7B
2016 Rate Base

$15.1B
In Revenue

24.9
Thousand mi^2
Combined Service Territory

10 M
Customers

8.5 M
Smart Meters Installed

11,430
Transmission line miles (circuit)

Note: All numbers reflect year-end 2016; revenue number accounts for PHI revenue as of March 24, 2016 merger date.

Exelon.

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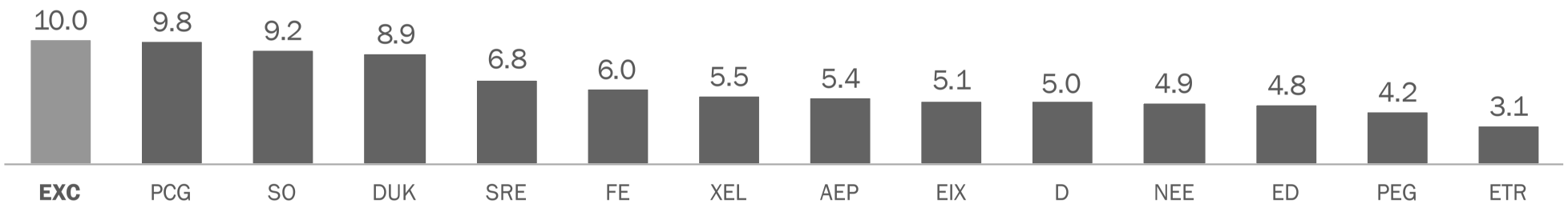
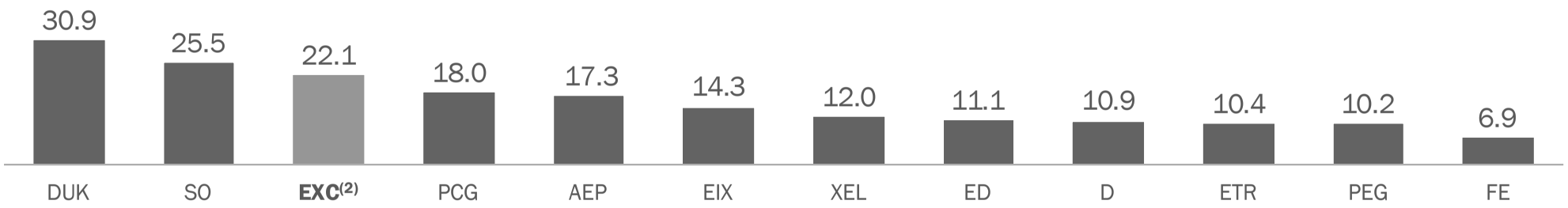
Exelon Utilities are an Industry Leader

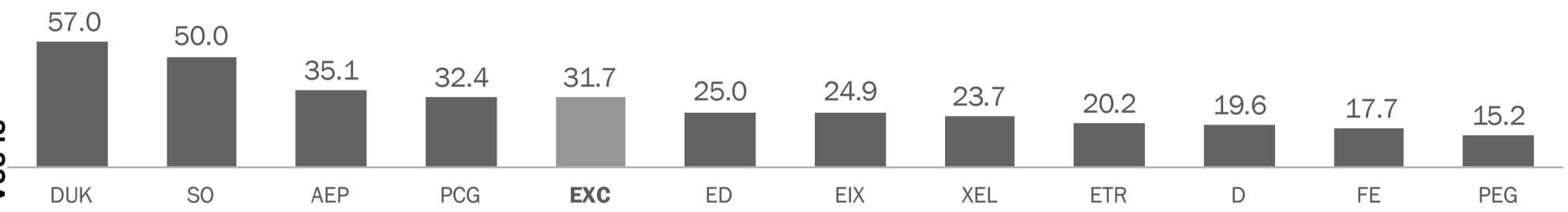
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

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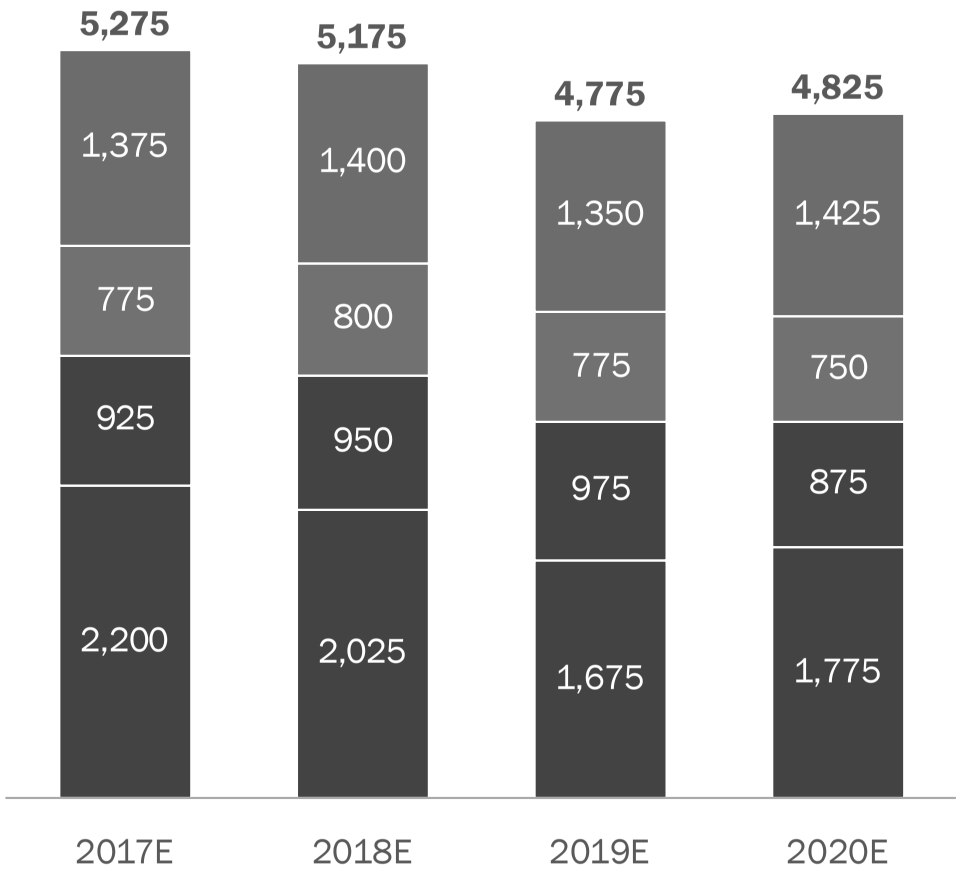
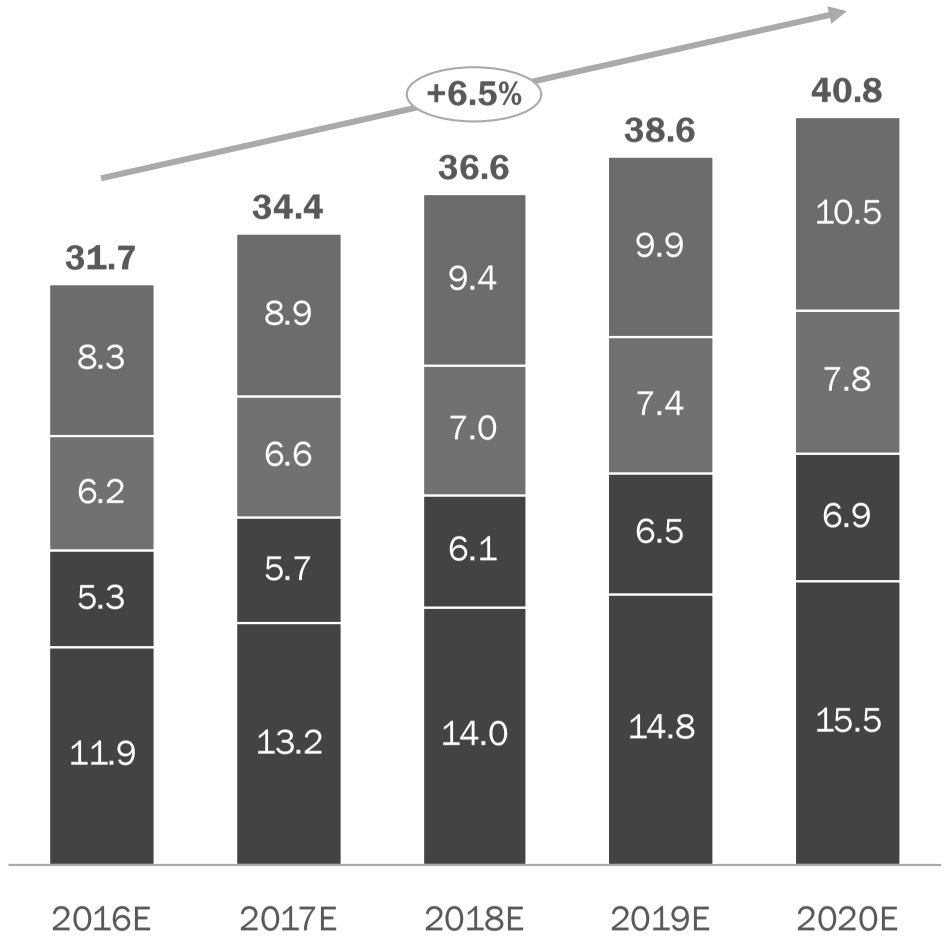
Our Capital Plan Drives Stable Earnings Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

Over $20B of capital is being invested at utilities from 2017-2020 to improve reliability

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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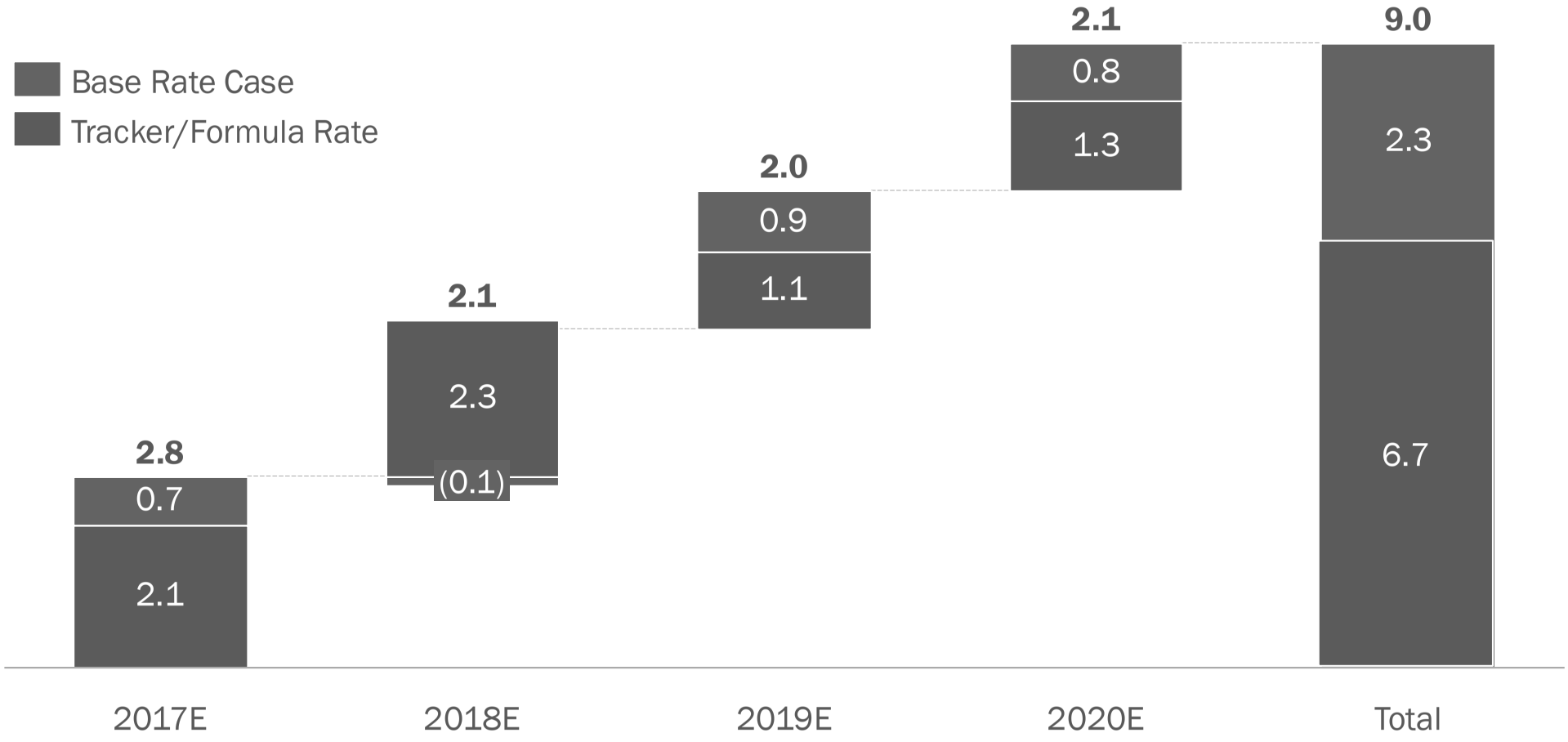
Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2017-2020 ($B)[1]



Of the approximately $9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding
(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q3 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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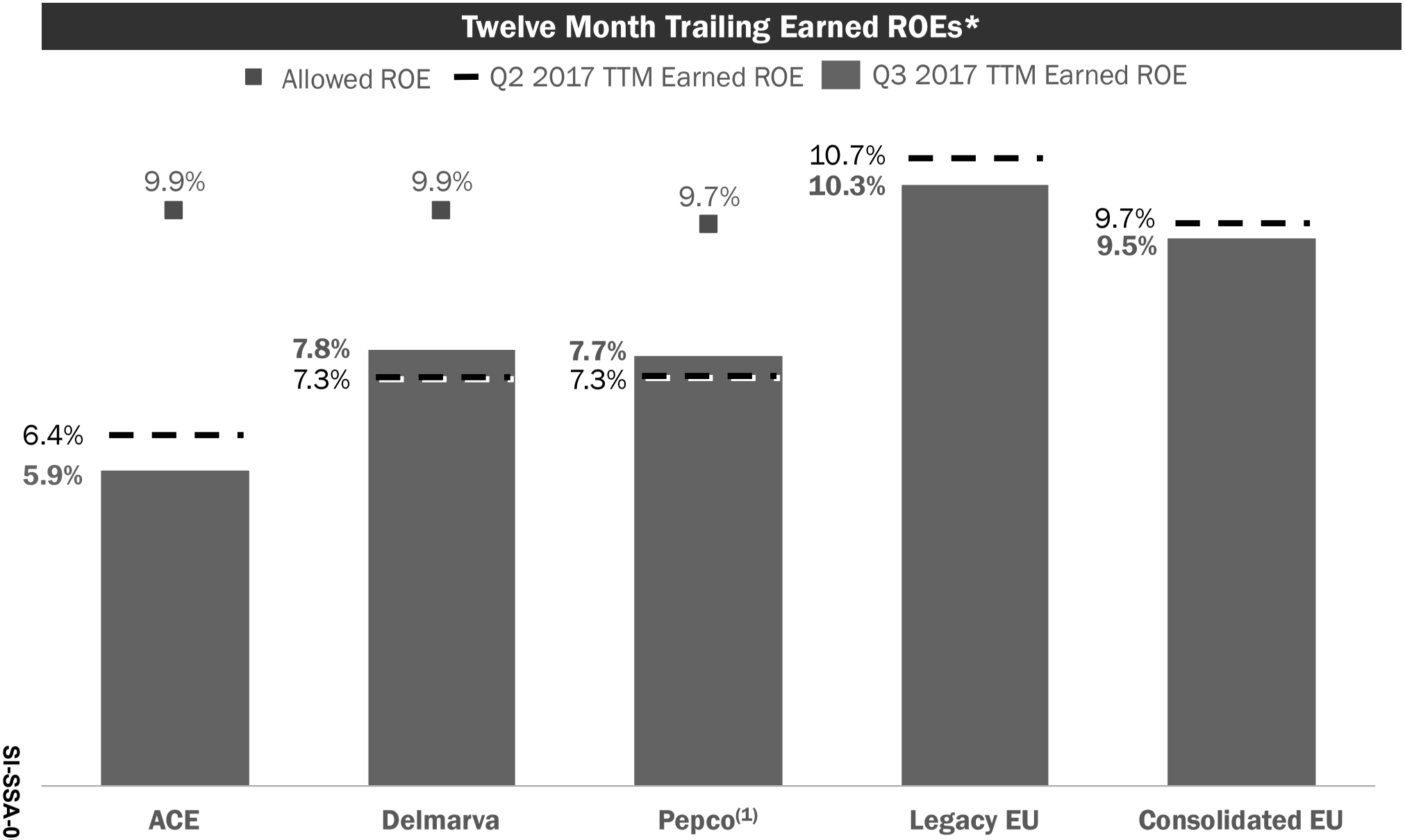
Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 10/1/2016 to 9/30/2017. ROEs represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

(1) Pepco MD Distribution allowed ROE is based on authorized ROE of 9.55% for the rates that were in effect during the trailing twelve month period. The order issued on 10/20/17 authorized an ROE of 9.50%.

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/7/17

Delmarva MD Filing	
Per Settlement Revenue Requirement Increase[1]	$13.4M
Per Settlement ROE	9.50%[3]
Per Settlement Common Equity Ratio	N/A
Order Expected	2/14/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$11.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$66.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	Q4 2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$41.4M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	Q3 2018

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power will implement interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

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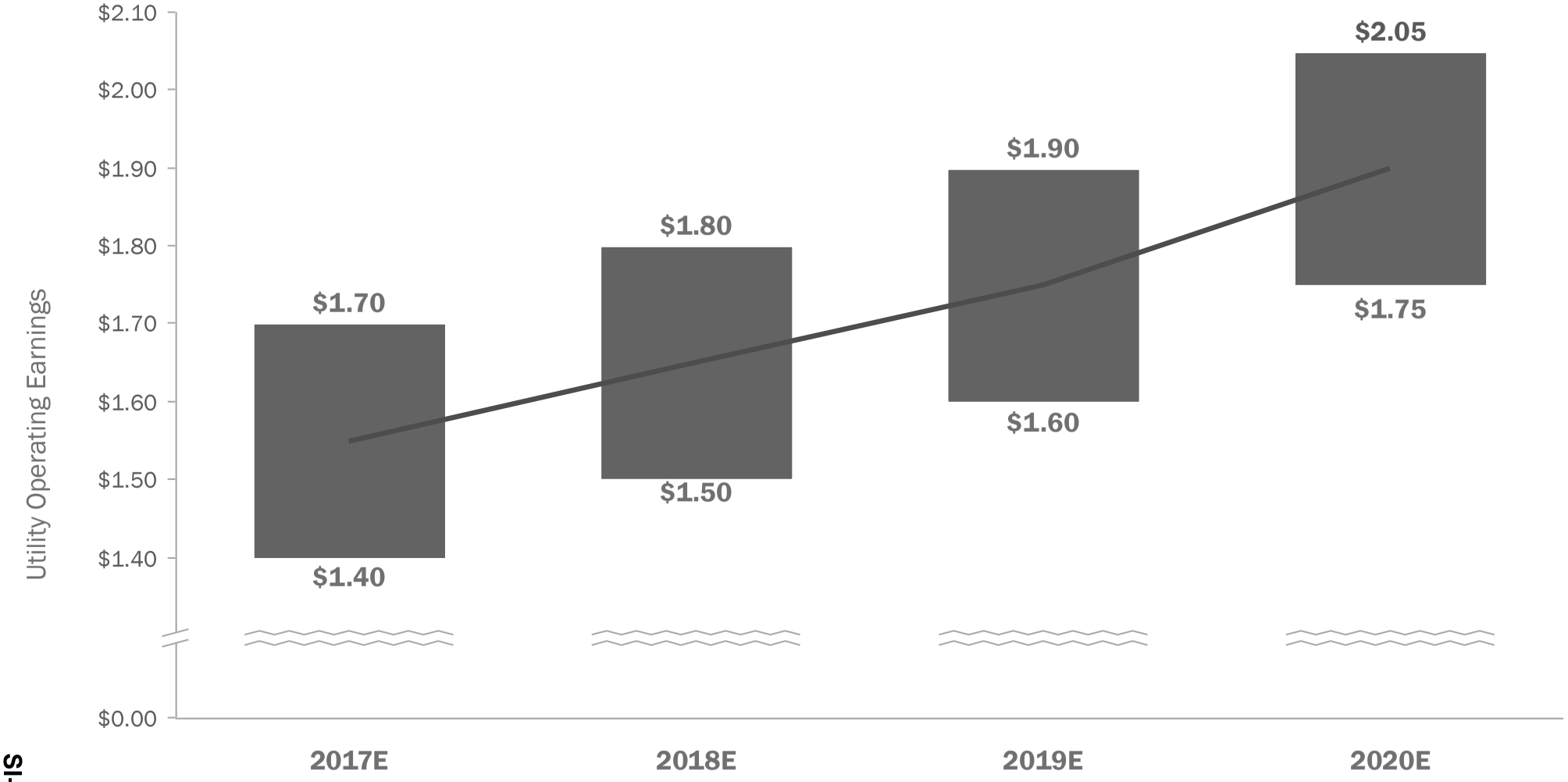
Exelon Utilities EPS Growth of 6-8% to 2020

Exelon Utilities Operating Earnings 2017-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.

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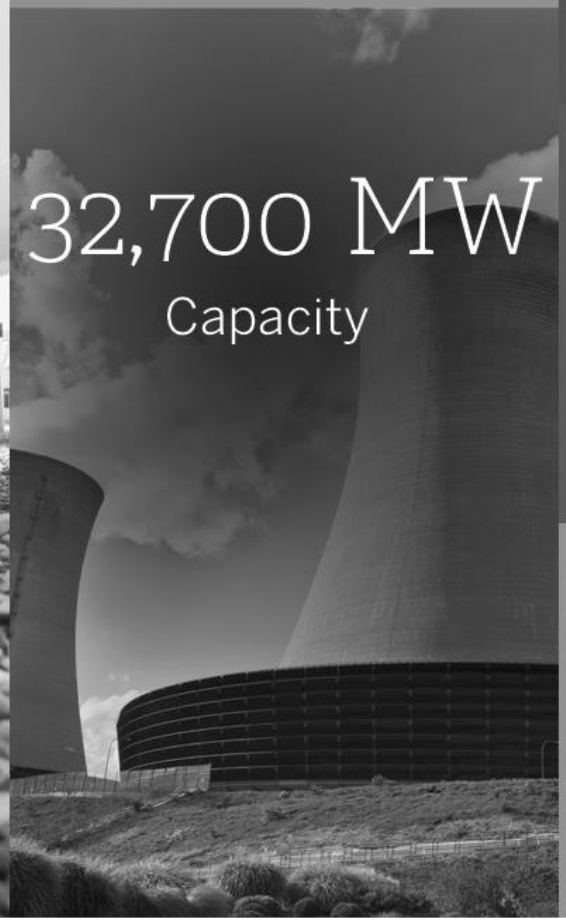
Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

205 TWh
Customer Load Served



94.6%
Nuclear Capacity Factor in 2016

97.2%
Gas and Hydro Dispatch Match in 2016

8th
largest gas provider

203 TWh
Generation Output

Note: All numbers reflect year-end 2016

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Constellation Overview

2,200
Employees

2.2 M+
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.6 TCF
Gas Delivered

In 2016, procured
2.9 million
RECs for customers, enabling them to avoid approximately
1.51 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

27,000
Volunteer Hours

205 TWH
Customer Load Served

Note: All numbers reflect year-end 2016
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon Generation: Gross Margin Update as of Sept. 30, 2017

	September 30, 2017			Change from June 30, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,600	$3,900	$3,700	$(150)	$(100)	$(100)
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000	$(150)	$100	$(50)
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450	$250	$100	$50
Power New Business / To Go	$100	$700	$850	$(100)	$(150)	$(100)
Non-Power Margins Executed	$350	$200	$100	$50	$50	-
Non-Power New Business / To Go	$100	$300	$400	$(50)	$(50)	-
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**	**$(150)**	**$(50)**	**$(200)**

Recent Developments

- Delay in recognition of Illinois ZEC revenues lowers the Capacity and ZEC Revenues line in 2017 by $150M and increases the 2018 line by $150M – see slide 18 for details
- Excluding impact of Illinois ZEC timing:
  - In 2017, $50M reduction in Power New Business targets
  - In both 2018 and 2019, $100M reduction due to lower power and capacity prices and $100M reduction to Power New Business Targets
- Behind ratable hedging position reflects the upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M; data as of September 30, 2017 and is not being updated at this time
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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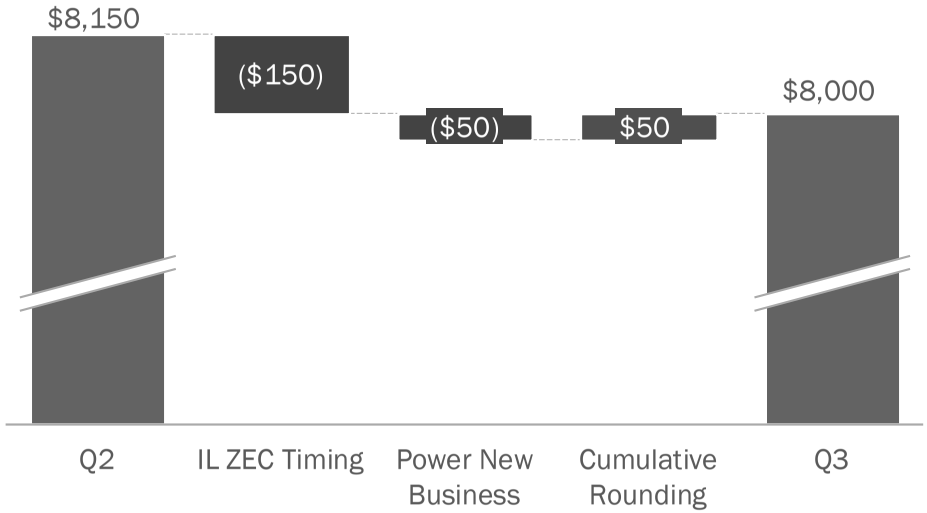
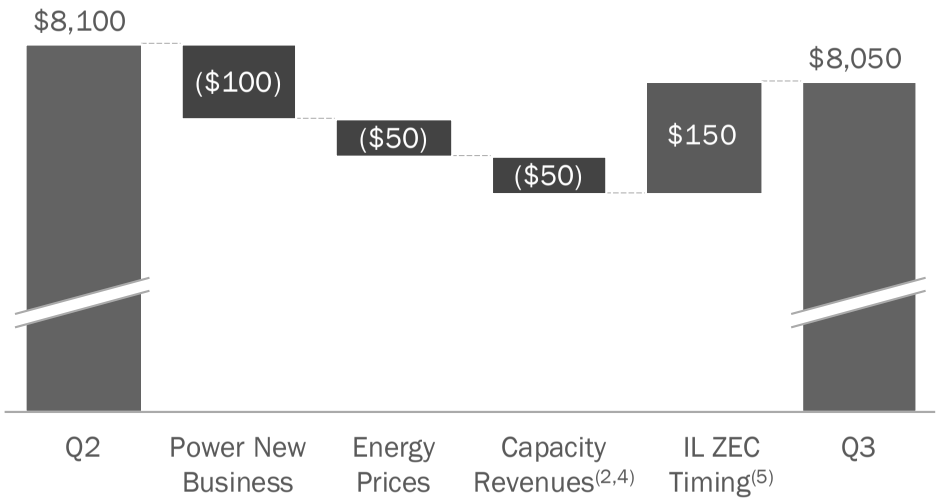
ExGen Forward Total Gross Margin* Walk: Q3 2017 vs. Q2 2017

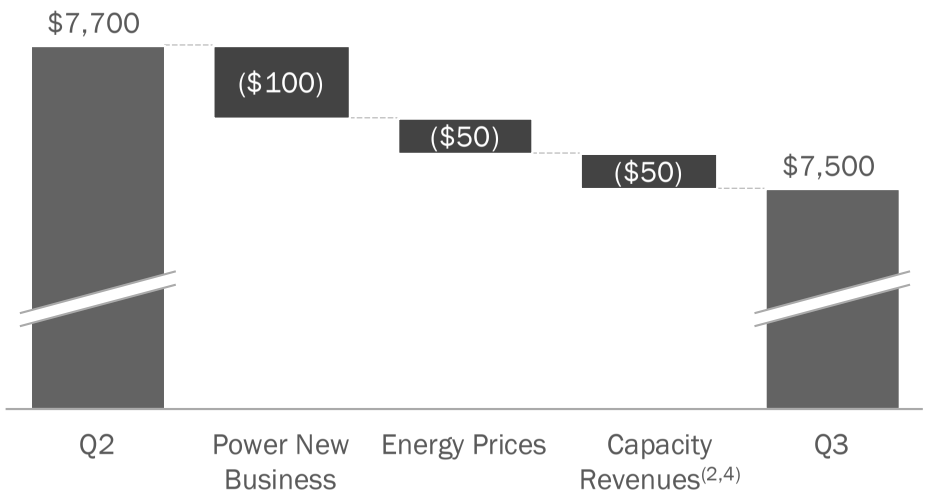
FY 2017 ($M)[1,3,4]



FY 2018 ($M)[1,3,4]



FY 2019 ($M)[1,3,4]



Key Takeaways

- Change in timing of Illinois ZEC contract finalization results in 2017 reduction of $150M on a rounded basis and 2018 increase of $150M
- Aggressive bidding by market participants in a low volatility period is pressuring Wholesale margins and limiting C&I Retail growth; reduce Power New Business To Go by $100M in 2018 and 2019 to reflect continuation of current, low discipline market bidding behavior
- Lower energy prices reduce Open Gross Margin by $50M in 2018 and 2019; October price recovery offsets 2019 declines
- Lower observed capacity prices in NY and MISO reduce Capacity Revenues by $50M on a rounded basis in 2018 and 2019

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on September 30, 2017, market conditions
(4) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

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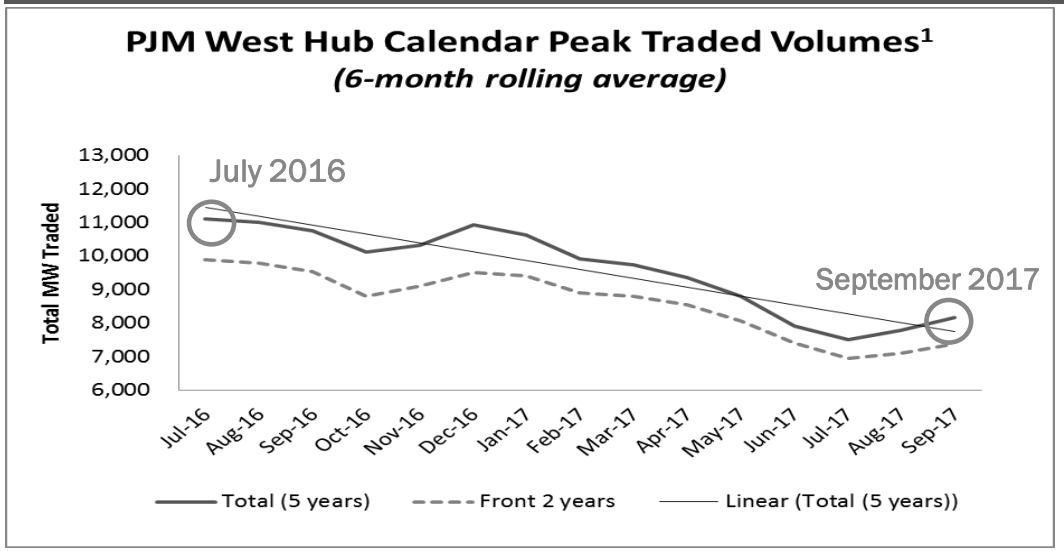
Forward Market Liquidity

Overall liquidity is declining



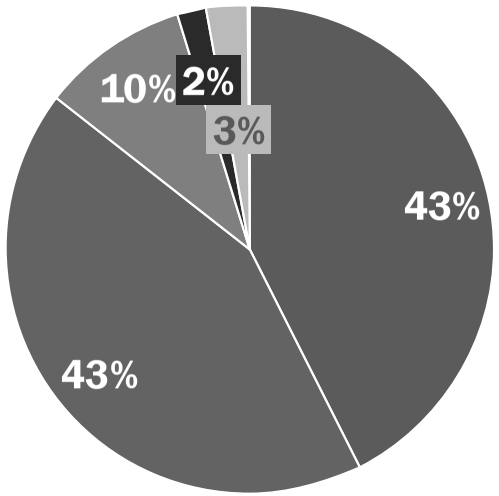
Total calendar peak traded volumes for the rolling 5-year window have been trending lower over the past year

Calendar peak traded volumes beyond prompt year +1 account for less than 10% of total traded volumes

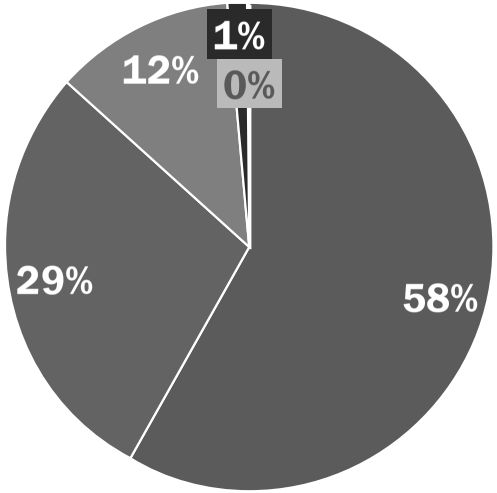
** Please note that hedging strategy utilizes various price points (i.e. NIHUB, ERCOT), channels to market (i.e. Origination, Mid-Marketing, Retail, OTC), products (i.e. calendar, seasonal), and other exchanges*

Limited liquidity in the outer years

September 2016 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



September 2017 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



(1) Total monthly traded volumes for rolling prompt year + 4 years on ICE and NASDAQ Exchanges only

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SI-SSA-0015-00201

Exelon's Policy Priorities

SI-SSA-0015-00202

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy."
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
    - Plaintiff-Appellant Opening Brief filed October 13
    - Reply Briefs filed on December 1
    - Oral arguments expected early 2018

State Case:

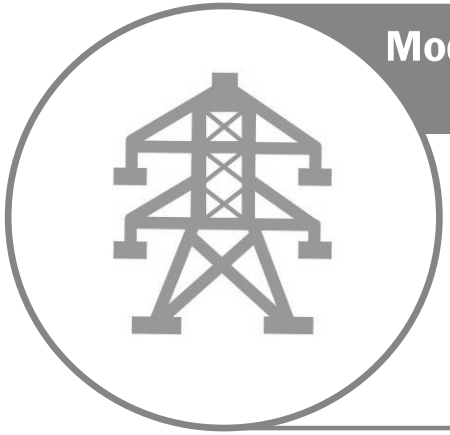
- Motions to dismiss procedural challenges filed in NY State court were briefed in 1Q17
- The court heard oral arguments on June 19
- Currently awaiting decision; next step determined by outcome

IL ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act."
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
    - Plaintiff-Appellant Opening Brief filed August 28
    - Reply Briefs filed on December 12
    - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days

SI-SSA-0015-00203

Exelon Policy Priorities

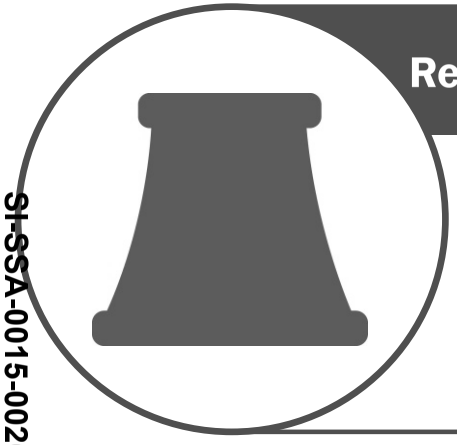


Modernize Utility Ratemaking to Ensure Appropriate Recovery

- Invest in infrastructure that provides customer benefit through grid resiliency and efficiency
- Ensure fair rate structures to support new technologies

Secure Proper Policies to Enable Innovative Technologies

- Providing new technologies to respond to customer needs
- Open adjacent customer facing markets to sales and services



Recognize the Value of Zero-Carbon Electricity

- Create support for current challenged plants through federal and state initiatives
- Support the ultimate pricing of carbon in the market on a regional or national level

Regulatory and policy structure that supports clean, affordable and reliable options for all customers

SI-SSA-0015-00204

Our Carbon Policy Principles

- **Exelon believes in our nation's ability to transition the generation fleet to a zero-carbon future while maintaining affordable and reliable electric service for consumers**
- For the foreseeable future, the most cost-effective carbon solution for our customers will be the continued operation of our nation's nuclear fleet
- Exelon believes competitive markets produce superior results for consumers and drive innovation. However, those markets do not currently incorporate appropriate pricing for environmental attributes.
- **Exelon is pursuing a two-part strategy for moving toward a more competitive treatment of CO_2 emissions:**
  - **First, we must maintain nuclear units that provide a cost-effective form of CO_2 abatement.** The New York ZEC program demonstrates that as long as the clean energy payment required to maintain operations at existing nuclear units is lower than the social cost of CO_2 emissions and the cost of CO_2 abatement being paid to other zero carbon resources, maintaining nuclear capacity should be selected as the most competitive source of CO_2 abatement.
  - **Second, we must continue to work toward a technology neutral price of CO_2 abatement.** Exelon is pursuing approaches to reflect a uniform price on CO_2 in wholesale markets as an eventual substitute for technology-specific subsidies. As these approaches are phased in, the ZEC programs have been designed to automatically reduce ZEC payments in response to higher energy prices.

SI-SSA-0015-00205

Financial Overview

SI-SSA-0015-00206

Narrowed 2017 Guidance Range on November 2, 2017

Adjusted Operating Earnings* Guidance Range is Not Being Updated at This Time

(1) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.
(2) Revised guidance reflects delay in Illinois ZEC revenue recognition for 2017 until 2018, shifting $0.09 of EPS

Exelon.

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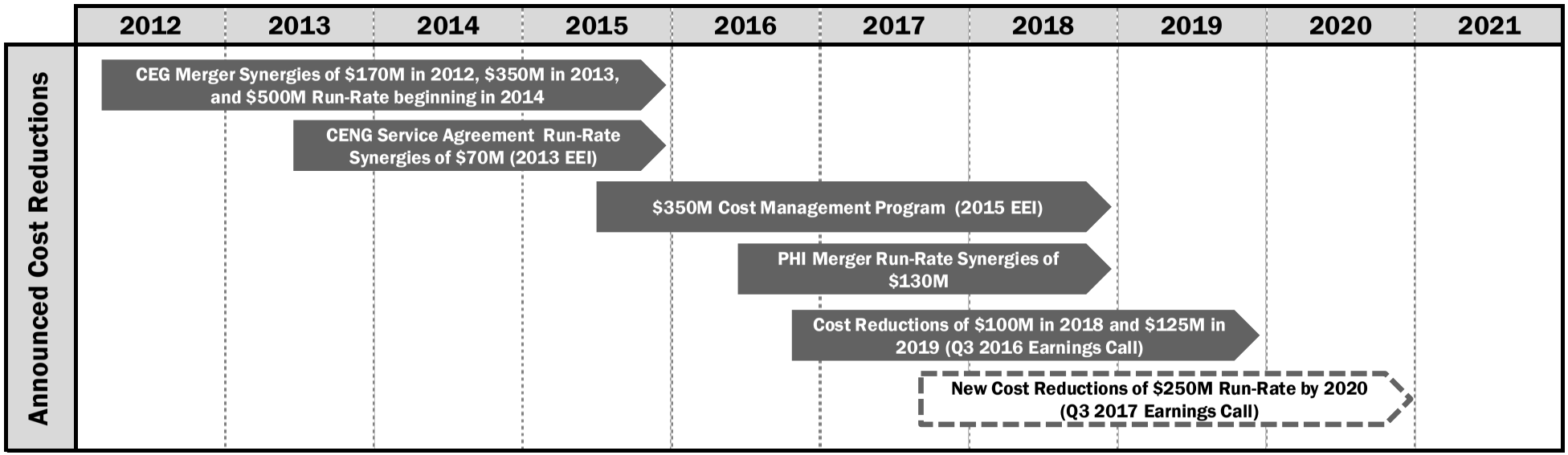
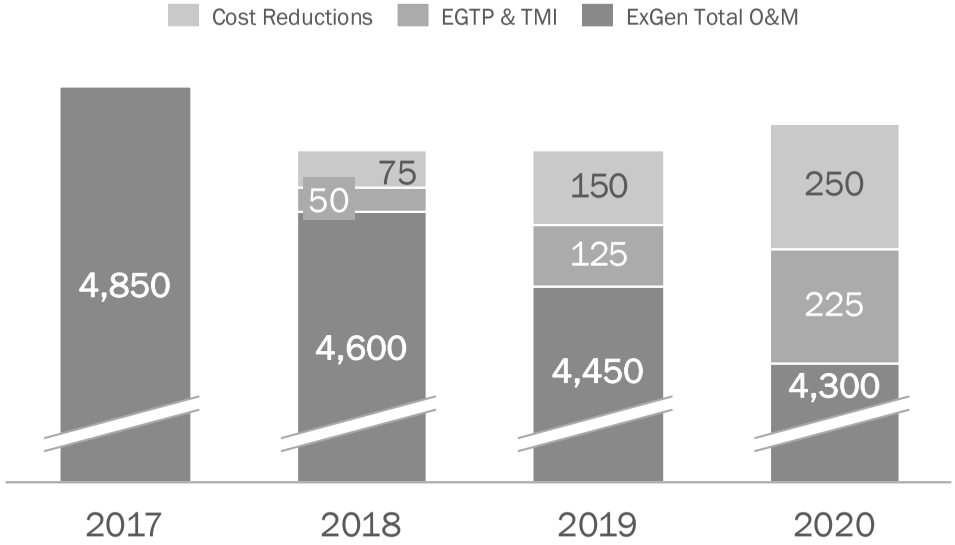
Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2017 ($M)[1]



(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

ExGen Forecast O&M*: Q3 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($50)	($125)	($225)	-
Q4 '16 O&M, Net of EGTP & TMI	**$4,850**	**$4,675**	**$4,600**	**$4,550**	**-2.1%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q3 2017 O&M	**$4,850**	**$4,600**	**$4,450**	**$4,300**	**-3.9%**

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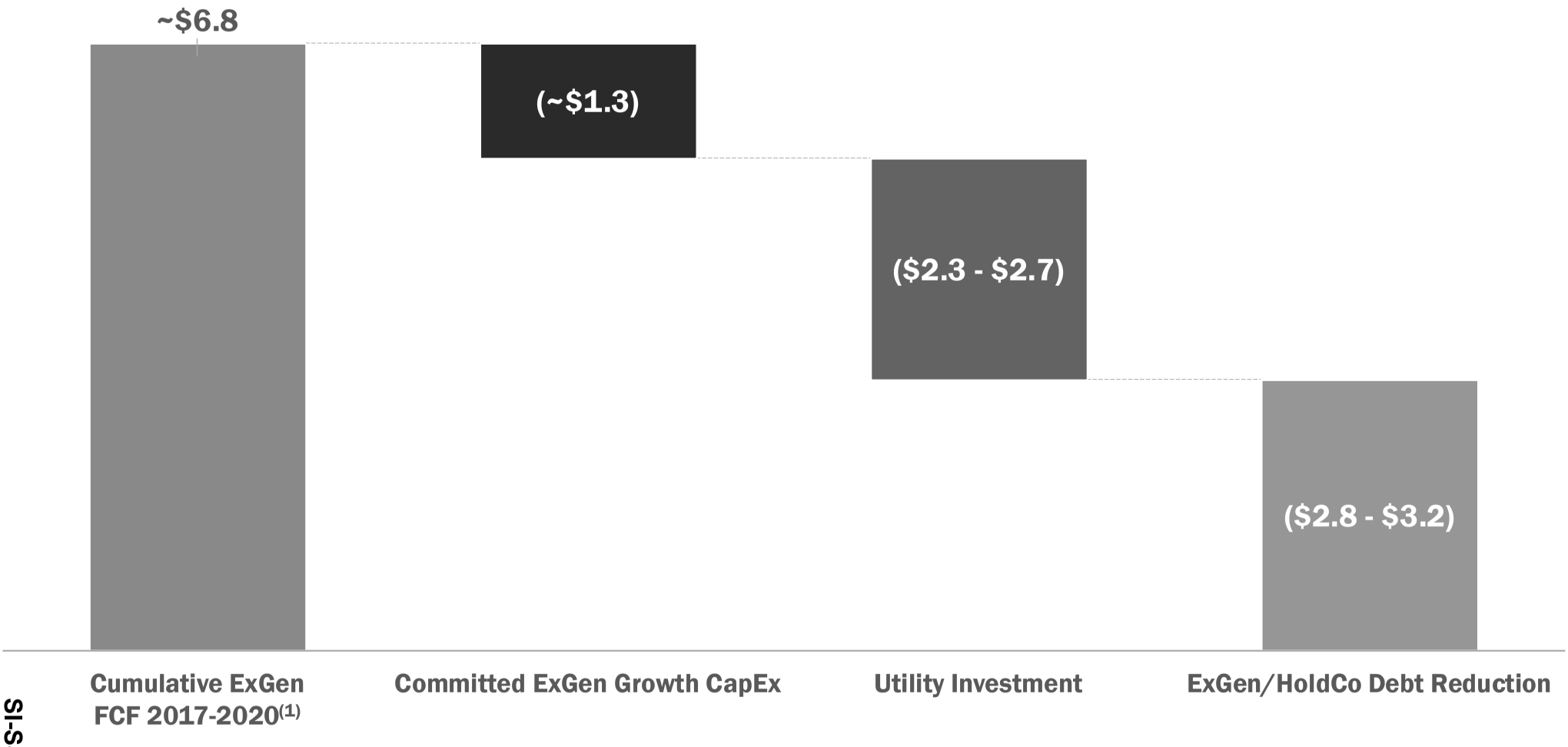
ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow* and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures

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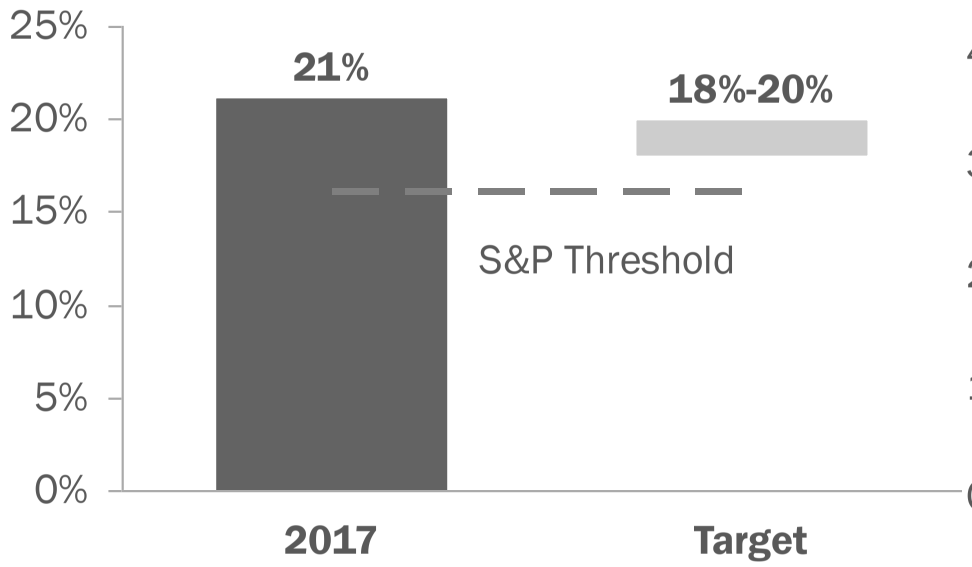
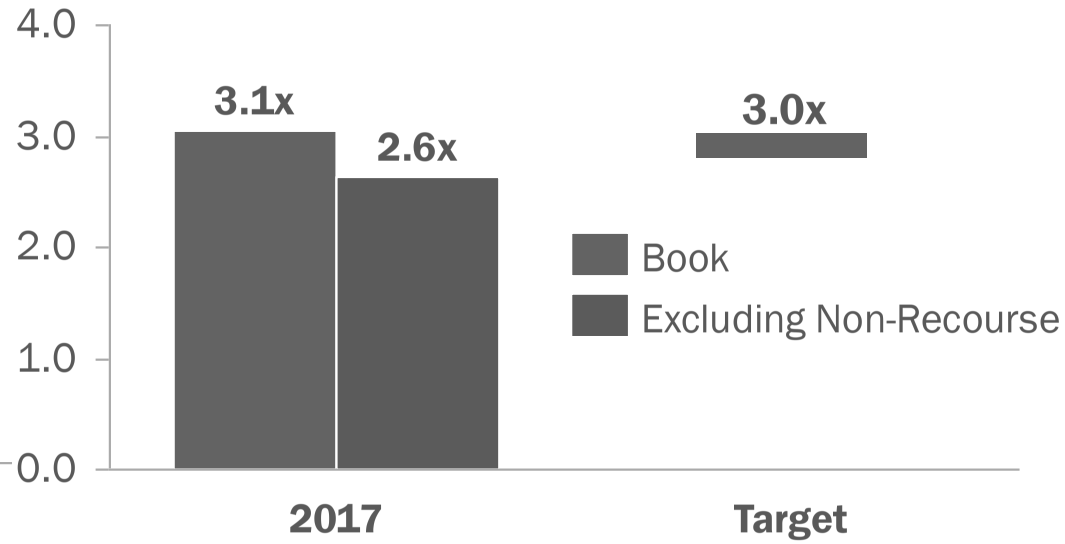
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6,7)



ExGen Debt/EBITDA Ratio*(5,6,7)



Credit Ratings by Operating Company

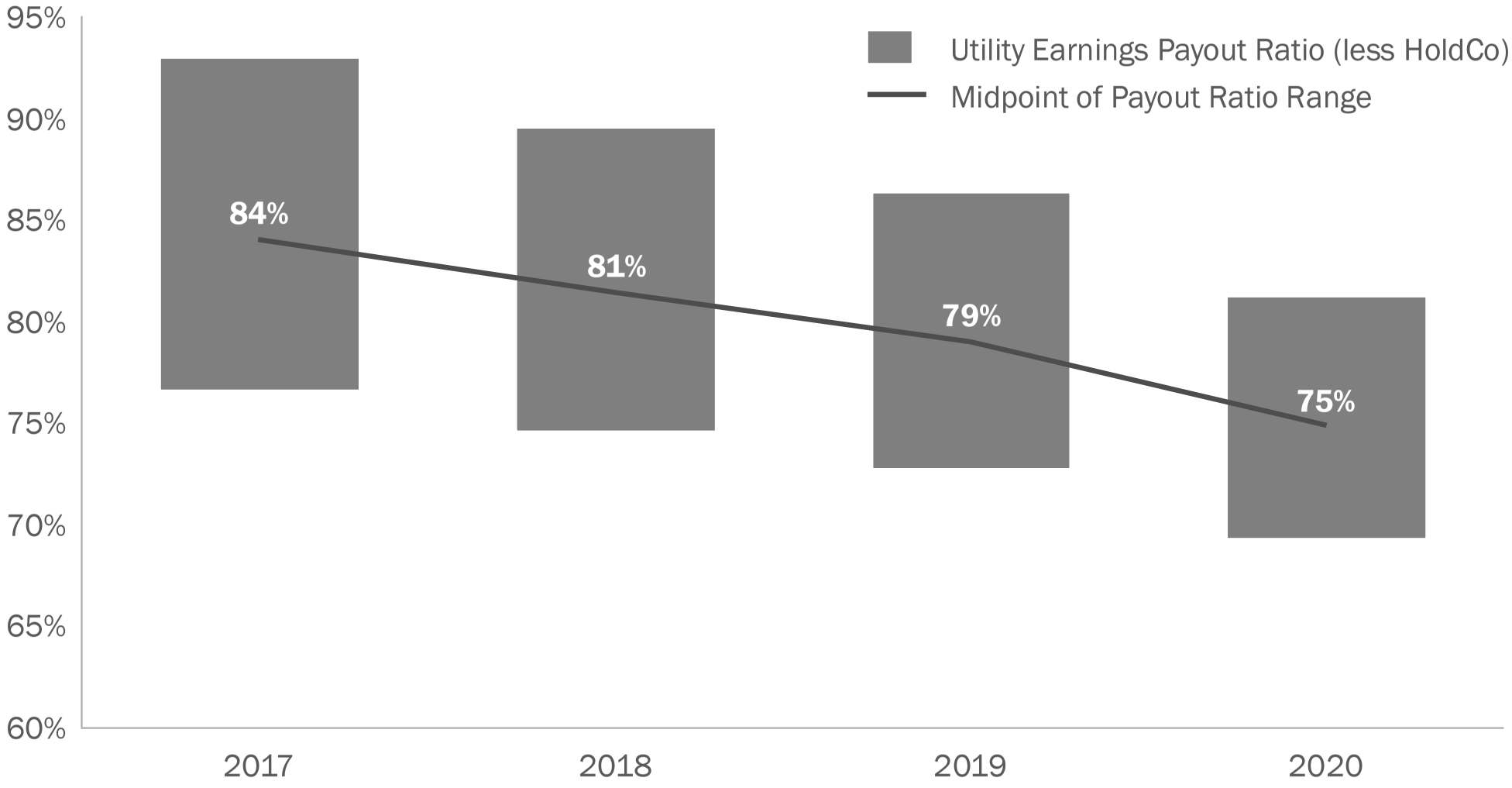
Current Ratings(2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of October 24, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP
(7) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-00210

Exelon.

Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year through 2020, although the board has not yet established dividend policy for periods after 2018. Quarterly dividends are subject to declaration by the board of directors.

SI-SSA-0015-00211

Tax Reform Impact

Updated Tax Rate Expectations

	2018	2019	2020
ExGen Projected Tax Rate[1]	22%	22%	22%
Incremental Rate Base from Tax Policy Changes	$1.6B by 2020		

Previous Tax Rate Expectations[1]

	2018	2019	2020
ExGen Tax Rate	33%	28%	27%
Consolidated Tax Rate	34%	33%	34%
Consol. Cash Tax Rate	1%	6%	28%

Updated Key Highlights

- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.6B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018, 2019, and 2020

Previous Key Highlights

- ExGen's effective tax rate was projected to decline primarily with realization of manufacturing tax deduction (DPAD) credits
- Exelon's consolidated tax rate was projected to remain reasonably constant as growing earnings from the Utilities at a higher effective tax rate offset the declining tax rate at ExGen

(1) Rounded to the nearest 1%

SI-SSA-0015-00212

Recognition for Stewardship and Employee Engagement

Supplier Diversity: Exelon is the only utility and energy company to be inducted into the Billion Dollar Roundtable, which recognizes corporations that have achieved spending of $1 billion with minority and women-owned suppliers; our 2016 spend was nearly $2B

Civic 50: Points of Light named Exelon utility sector leader in its annual ranking of the nation's most community-minded public and private companies

Top 50 Companies for Diversity: National recognition from DiversityInc, first year in Top 50 after being named a DiversityInc "Top Utility" in 2015 and 2016

Best Places to Work in 2017: Ranked No. 18 on Indeed.com survey of Fortune 500 companies based on employee reviews

CEO Action for Diversity & Inclusion™: Joined 150 leading companies in the largest CEO-driven business commitment to advance diversity and inclusion

Top 50 Most Energy-Efficient Utilities: American Council for an Energy-Efficient Economy ranks BGE and ComEd in the top 10 with PECO also making the list

Lowest Carbon Emissions: 2017 Air Emissions Benchmarking Report notes Exelon's generation fleet had the lowest carbon dioxide emissions of the top 20 privately held and investor-owned energy producers

HeForShe: In continuing its commitment to gender equality, Exelon joined the United Nations HeForShe campaign, which provides a platform on which men can engage and become change agents for gender equality

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Appendix

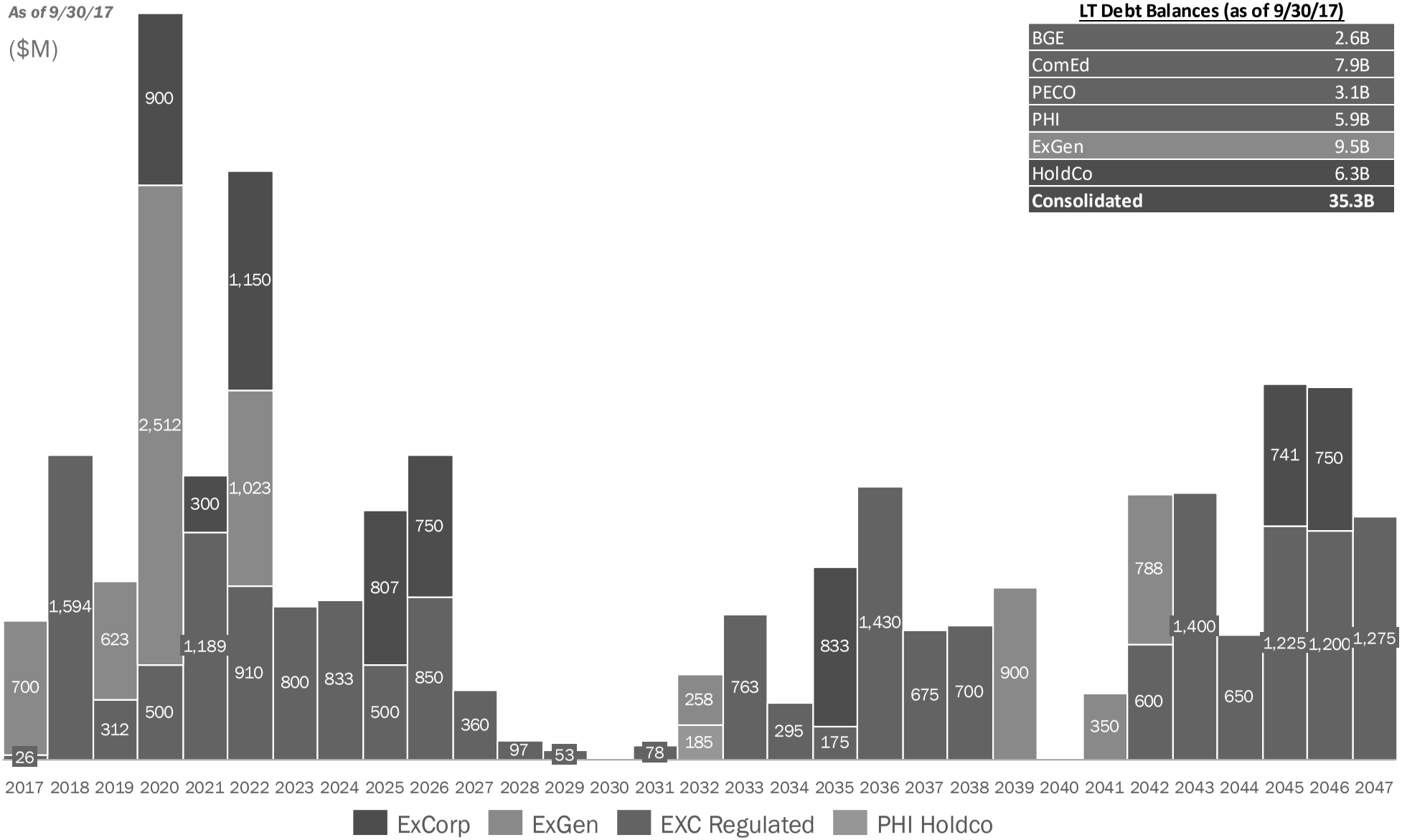
SI-SSA-0015-00214

Exelon Debt Maturity Profile[1]

As of 9/30/17

($M)

LT Debt Balances (as of 9/30/17)	
BGE	2.6B
ComEd	7.9B
PECO	3.1B
PHI	5.9B
ExGen	9.5B
HoldCo	6.3B
Consolidated	**35.3B**



Exelon's weighted average LTD maturity is approximately 14 years

(1) ExGen debt includes legacy CEG debt; Excludes securitized debt and non-recourse debt

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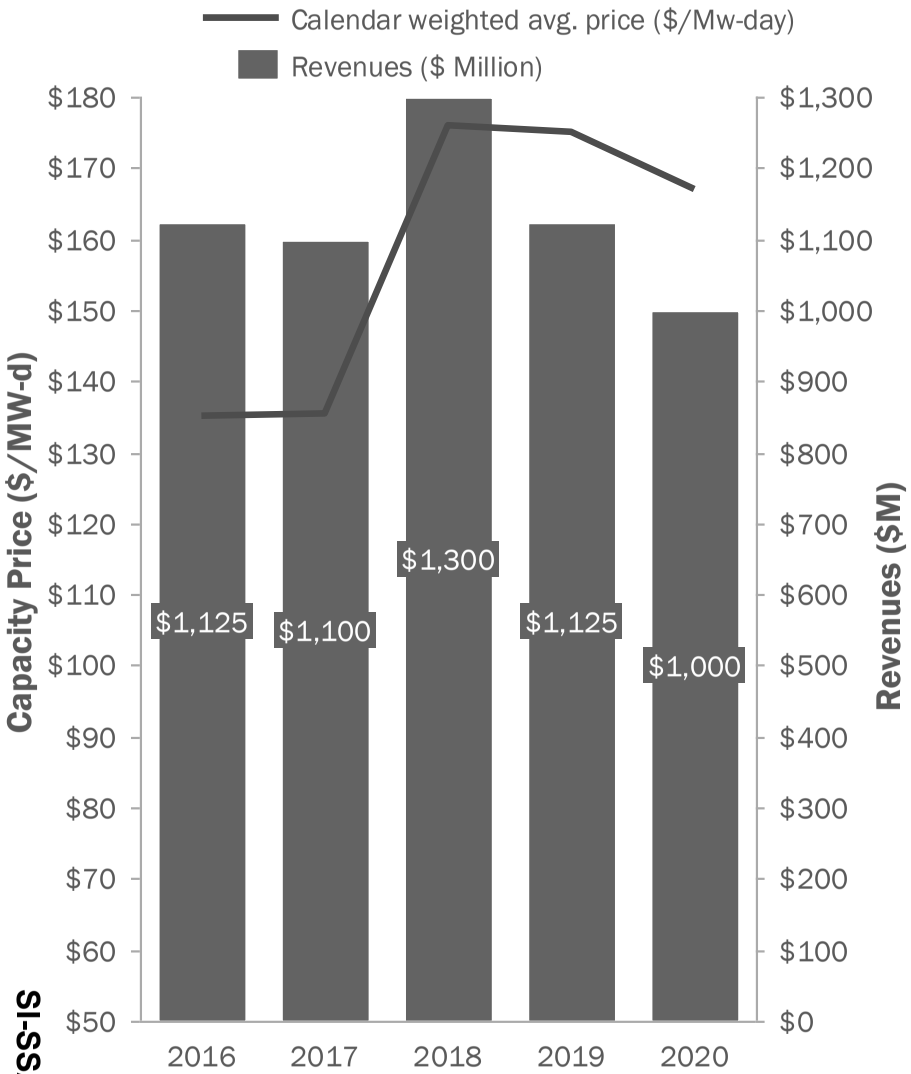
SI-SSA-0015-00215

Capacity Market: PJM

PJM Capacity Revenues(1,2,3)



Cleared Volumes (MW)(4)	2019/2020				2020/2021	
	CP	Price	Base	Price	CP	Price
Comed						
Nuclear	6,925	$203	-	$183	8,075	$188
Fossil/Other	-	$203	50	$183	-	$188
Subtotal	**6,925**		**50**		**8,075**	
EMAAC						
Nuclear	4,375	$120	-	$100	4,350	$188
Fossil/Other	1,525	$120	1,675	$100	2,325	$188
Subtotal	**5,900**		**1,675**		**6,675**	
SWMAAC						
Nuclear	850	$100	-	$80	850	$86
Fossil/Other	-	$100	-	$80	-	$86
Subtotal	**850**		**-**		**850**	
MAAC						
Nuclear	-		-		-	$86
Fossil/Other	-		-		225	$86
Subtotal	**-**		**-**		**225**	
BGE						
Nuclear	-	$100	-	$80	-	$86
Fossil/Other	375	$100	225	$80	375	$86
Subtotal	**375**		**225**		**375**	
Rest of RTO						
Nuclear	-	$100	-	$80	-	$77
Fossil/Other	275	$100	75	$80	-	$77
Subtotal	**275**		**75**		**-**	
PJM Total						
Nuclear	12,150		-		13,275	
Fossil/Other	2,175		2,025		2,925	
Grand Total	**14,325**		**2,025**		**16,200**	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

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Exelon Generation Disclosures

Data as of September 30, 2017
Data not being updated at this time

SI-SSA-0015-00217

Portfolio Management Strategy

Strategic Policy Alignment

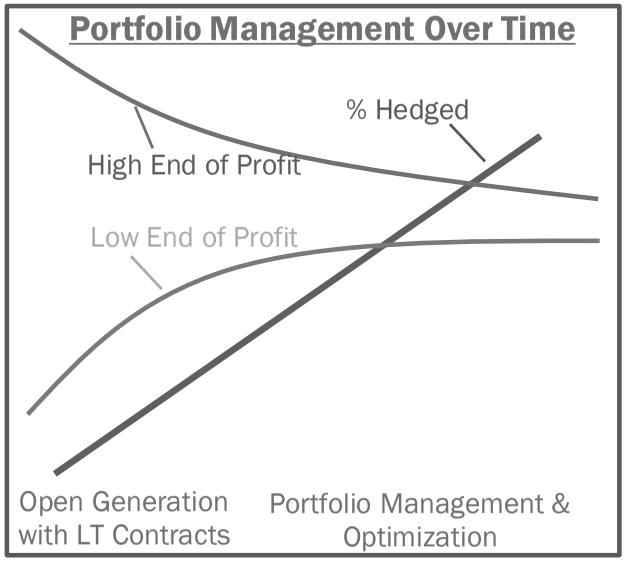
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

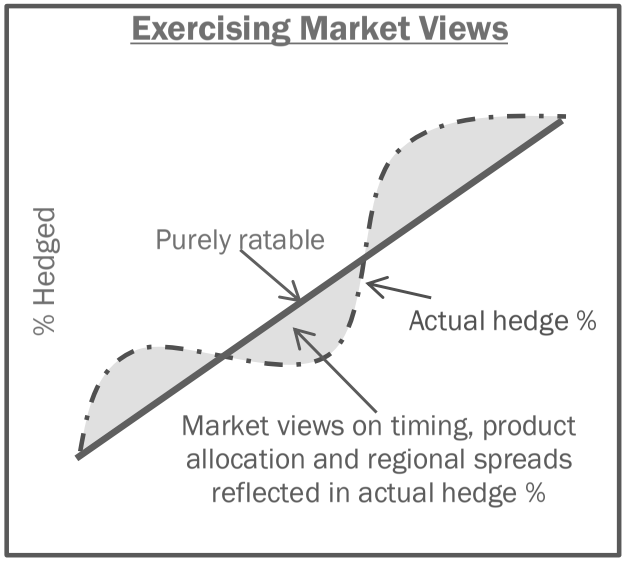
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00218

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00219

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,600	$3,900	$3,700
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450
Power New Business / To Go	$100	$700	$850
Non-Power Margins Executed	$350	$200	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)	$3.14	$3.05	$2.89
Midwest: NiHub ATC prices ($/MWh)	$26.52	$27.45	$26.36
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.81	$30.77	$29.22
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	($0.78)	$1.22	$2.65
New York: NY Zone A ($/MWh)	$24.38	$27.29	$26.67
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.36	$3.99	$4.24

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00220

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**200,200**	**199,300**	**202,000**
Midwest	95,900	95,800	97,000
Mid-Atlantic[2,6]	60,700	60,500	59,000
ERCOT	17,800	19,500	20,800
New York[2,6]	14,700	15,500	16,600
New England	11,100	8,000	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**79%-82%**	**45%-48%**
Midwest	97%-100%	74%-77%	41%-44%
Mid-Atlantic[2,6]	98%-101%	90%-93%	51%-54%
ERCOT	97%-100%	77%-80%	44%-47%
New York[2,6]	99%-102%	71%-74%	43%-46%
New England	103%-106%	86%-89%	52%-55%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$44.00	$37.00	$39.00
ERCOT[5]	$11.00	$3.50	$3.50
New York[2,6]	$41.50	$37.50	$32.00
New England[5]	$20.00	$2.50	$3.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.2% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-00221

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(20)	$140	$515
- $1/MMBtu	$(10)	$(210)	$(500)
NiHub ATC Energy Price			
+ $5/MWh	-	$120	$265
- $5/MWh	-	$(115)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	-	$10	$150
- $5/MWh	$5	$(40)	$(145)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$25	$40
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $35

(1) Based on September 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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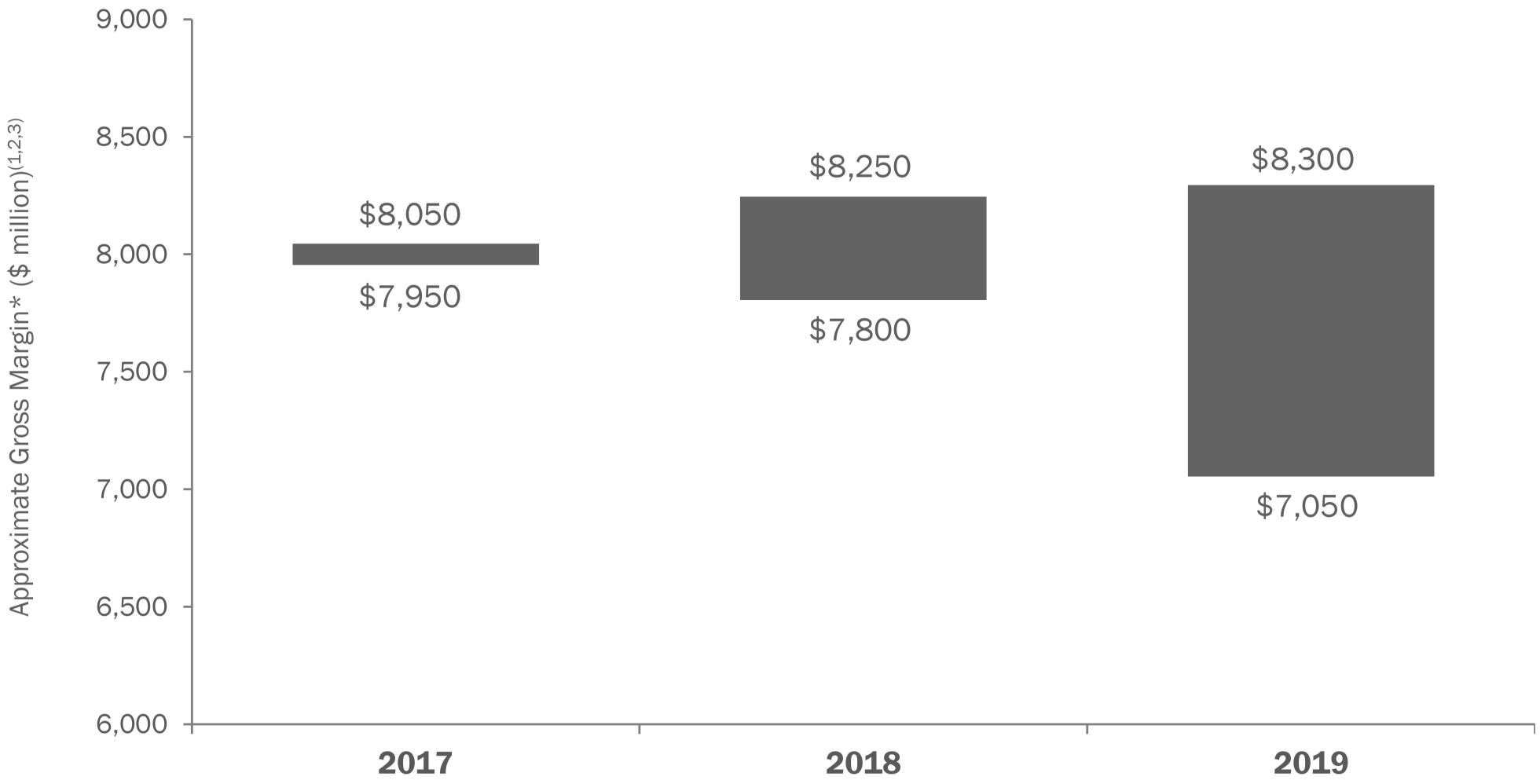
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

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Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2.3 billion →					
(C)	Expected Generation (TWh)	95.8	60.5	19.5	15.5	8.0	
(D)	Hedge % (assuming mid-point of range)	75.5%	91.5%	78.5%	72.5%	87.5%	
(E=C*D)	Hedged Volume (TWh)	72.3	55.4	15.3	11.2	7.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.50	$37.50	$2.50	
(G)	Reference Price ($/MWh)	$27.45	$30.77	$1.22	$27.29	$3.99	
(H=F-G)	Difference ($/MWh)	$2.05	$6.23	$2.28	$10.21	($1.49)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$150	$345	$35	$115	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,850					
(K)	Power New Business / To Go ($ million)	$700					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	Total Gross Margin*	$8,050 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,575**	**$8,575**	**$8,025**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(200)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(475)	$(325)	$(325)
Total Gross Margin* (Non-GAAP)	**$8,000**	**$8,050**	**$7,500**

Key ExGen Modeling Inputs (in $M)[1,5]	2017
Other[6]	$175
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[7]	$(400)
Depreciation & Amortization[8]	$(1,075)
Interest Expense[9]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) Excludes P&L neutral decommissioning depreciation
(9) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

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Appendix

Reconciliation of Non-GAAP Measures

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GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to changes in statutory tax rates and changes in forecasted apportionment
  - Costs incurred related to a cost management program
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Non-cash benefit pursuant to the annual update of the Generation nuclear decommissioning obligation related to the non-regulatory units
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's noncontrolling interest, primarily related to CENG exclusion items

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GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2,10,11]	
GAAP Operating Income	$3,500
Depreciation & Amortization	$3,350
EBITDA	$6,850
+/- Non-operating activities and nonrecurring items[3]	$450
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$325
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$350
= FFO (a)	**$7,600**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2,10]	
Long-Term Debt (including current maturities)	$32,050
Short-Term Debt	$1,125
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$4,100
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($600)
+/- Other S&P Adjustments[4]	($650)
= Adjusted Debt (b)	**$35,525**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD
(10) Reflects removal of EGTP
(11) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

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GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,825**

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,925)
= Net Debt (a)	**$6,900**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
= Operating EBITDA (b)	**$2,875**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,625**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.1x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.6x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA
(3) Reflects removal of EGTP
(4) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-00229

GAAP to Non-GAAP Reconciliations

Q3 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$85	$114	$210	$1,281	$1,690
Operating Exclusions	($23)	($12)	($25)	$34	($25)
Adjusted Operating Earnings[1]	$63	$103	$185	$1,315	$1,665
Average Equity	$1,061	$1,323	$2,419	$12,750	$17,554
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.9%**	**7.8%**	**7.7%**	**10.3%**	**9.5%**

Q2 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$6,325**	**$5,300**	**$5,150**	**$5,025**
Decommissioning[2]	25	50	50	50
TMI Retirement	(75)	-	-	-
EGTP Impairment	(450)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	(325)	(325)	(325)
O&M for managed plants that are partially owned	(425)	(425)	(400)	(425)
Other	(125)	(25)	(25)	(25)
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,600**	**$4,450**	**$4,300**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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April 2018
Investor Meetings

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-00234

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-00235

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

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2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy $5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi^2
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

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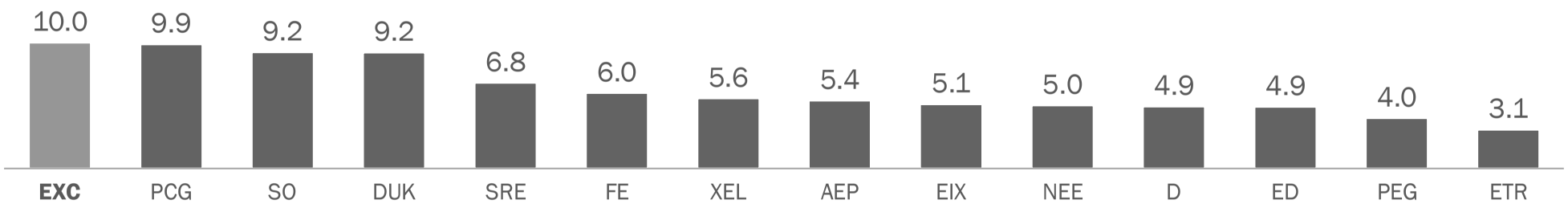
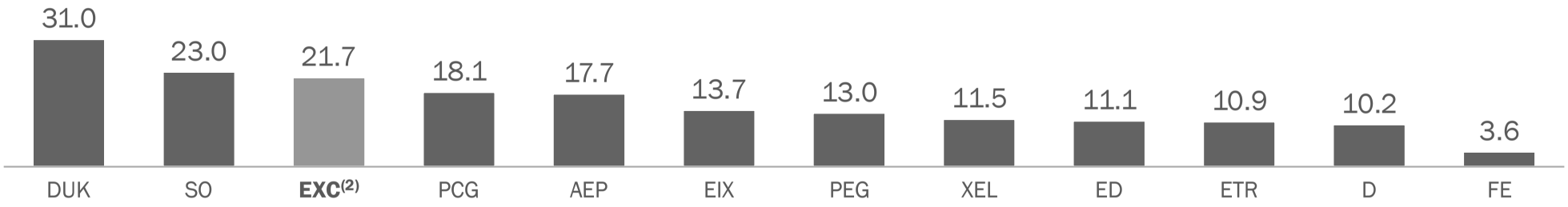
Exelon Utilities are an Industry Leader

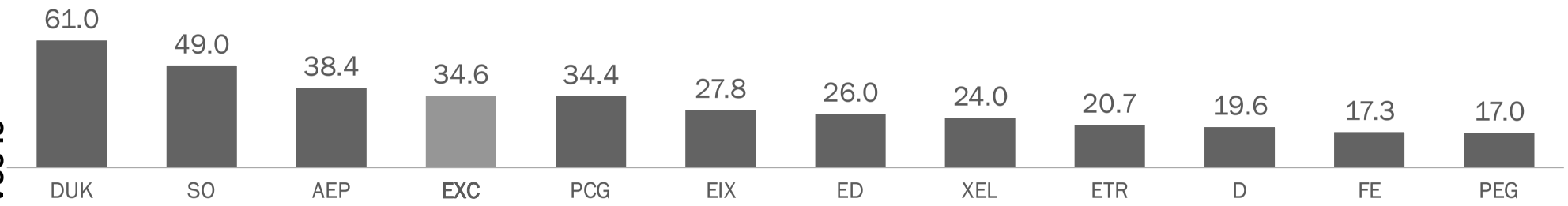
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) ~$22B includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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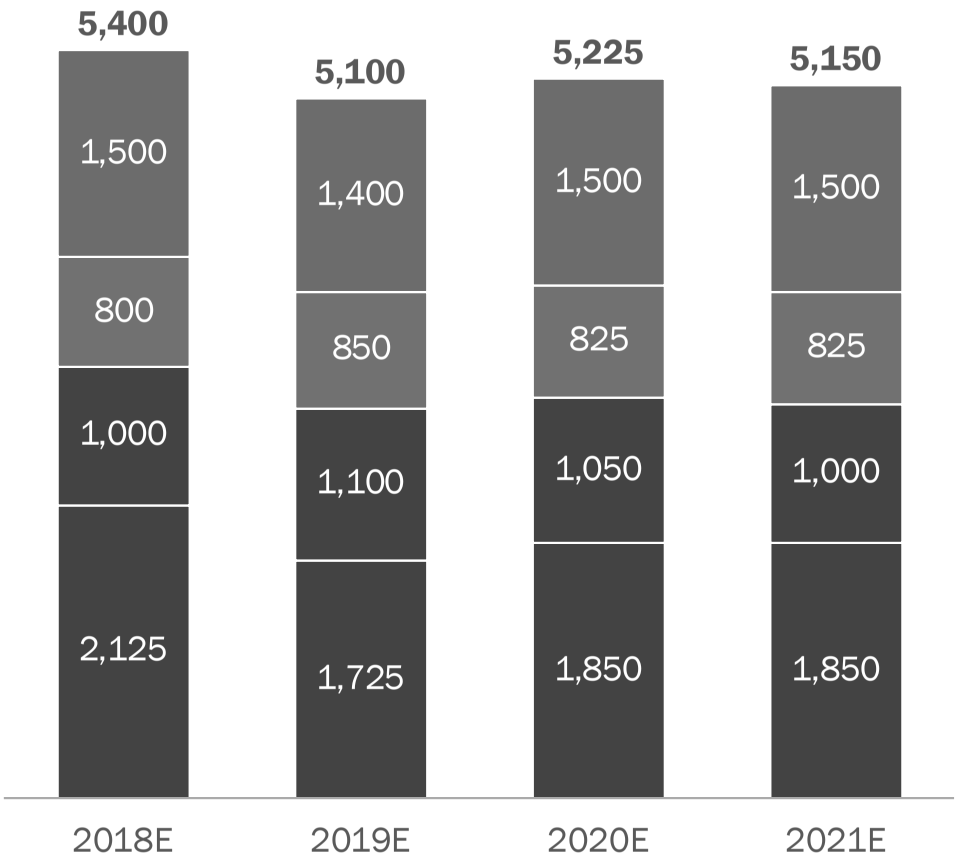
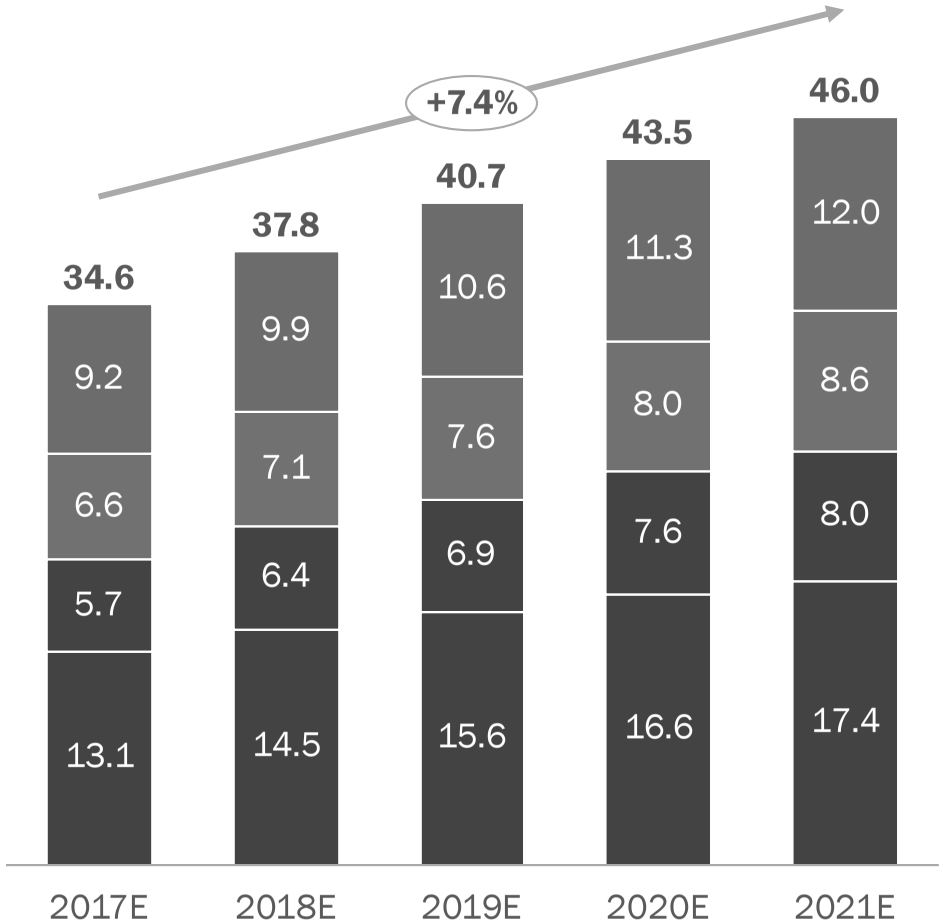
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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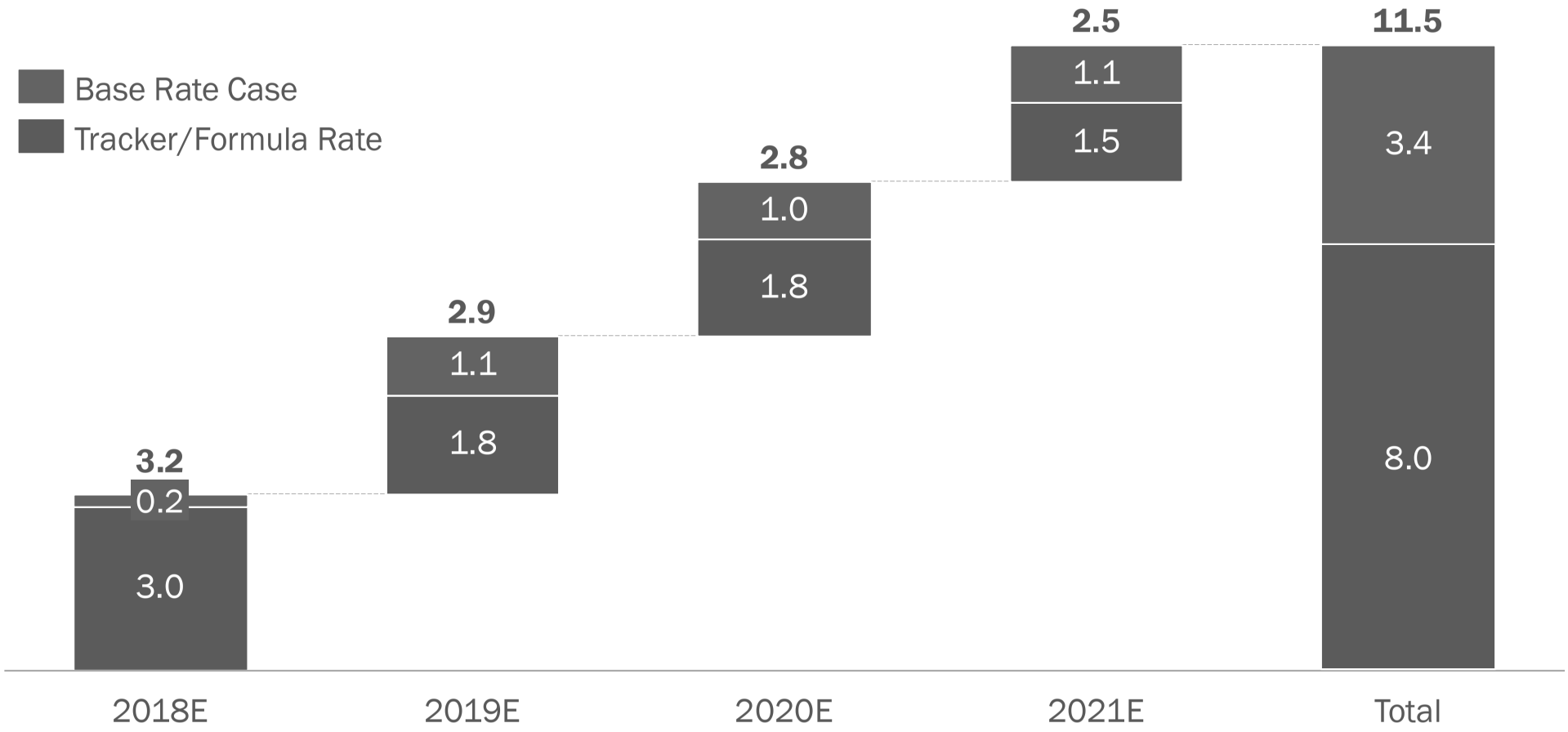
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[1]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

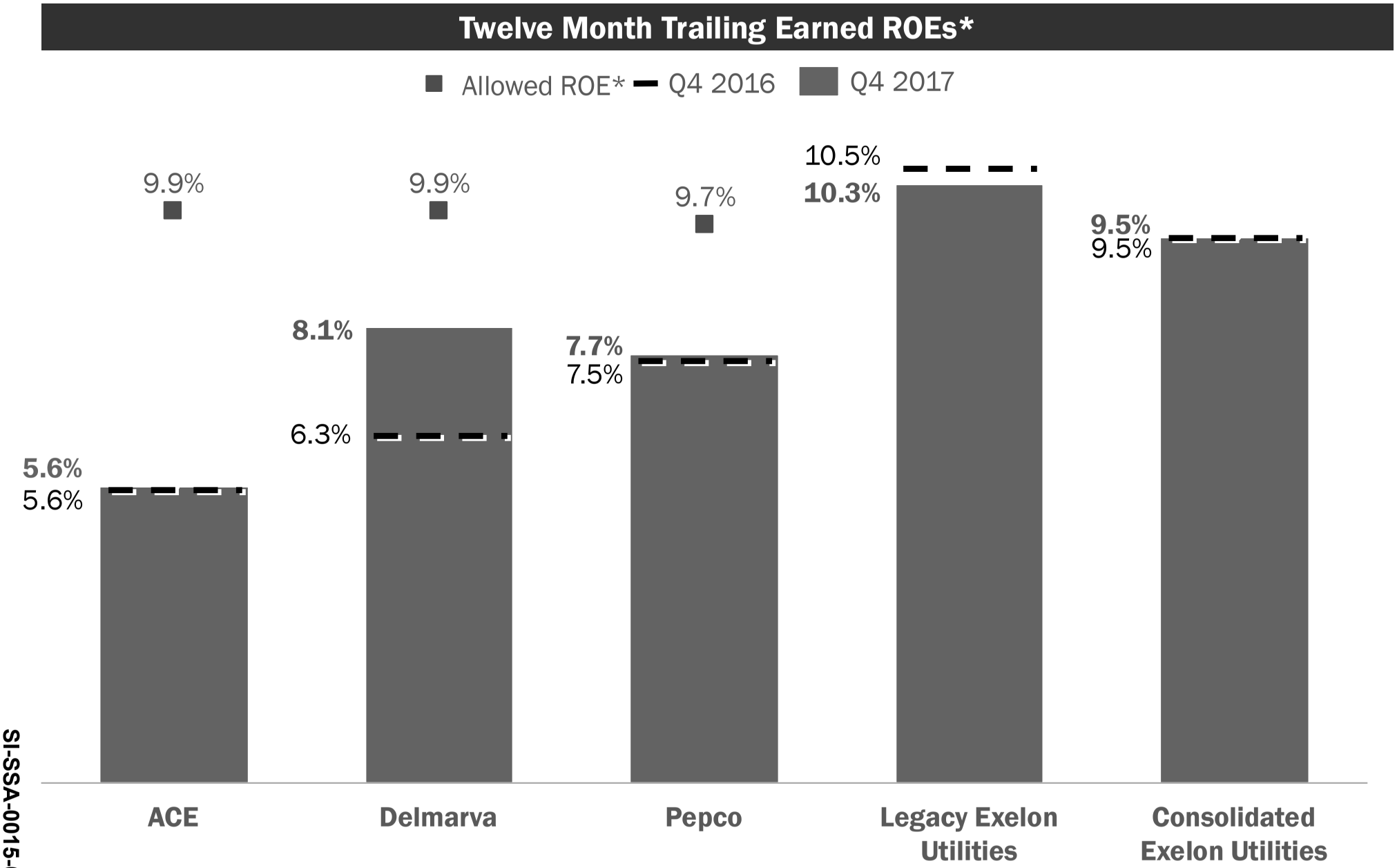
Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

SI-SSA-0015-00244

Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

SI-SSA-0015-00245

Exelon.

Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

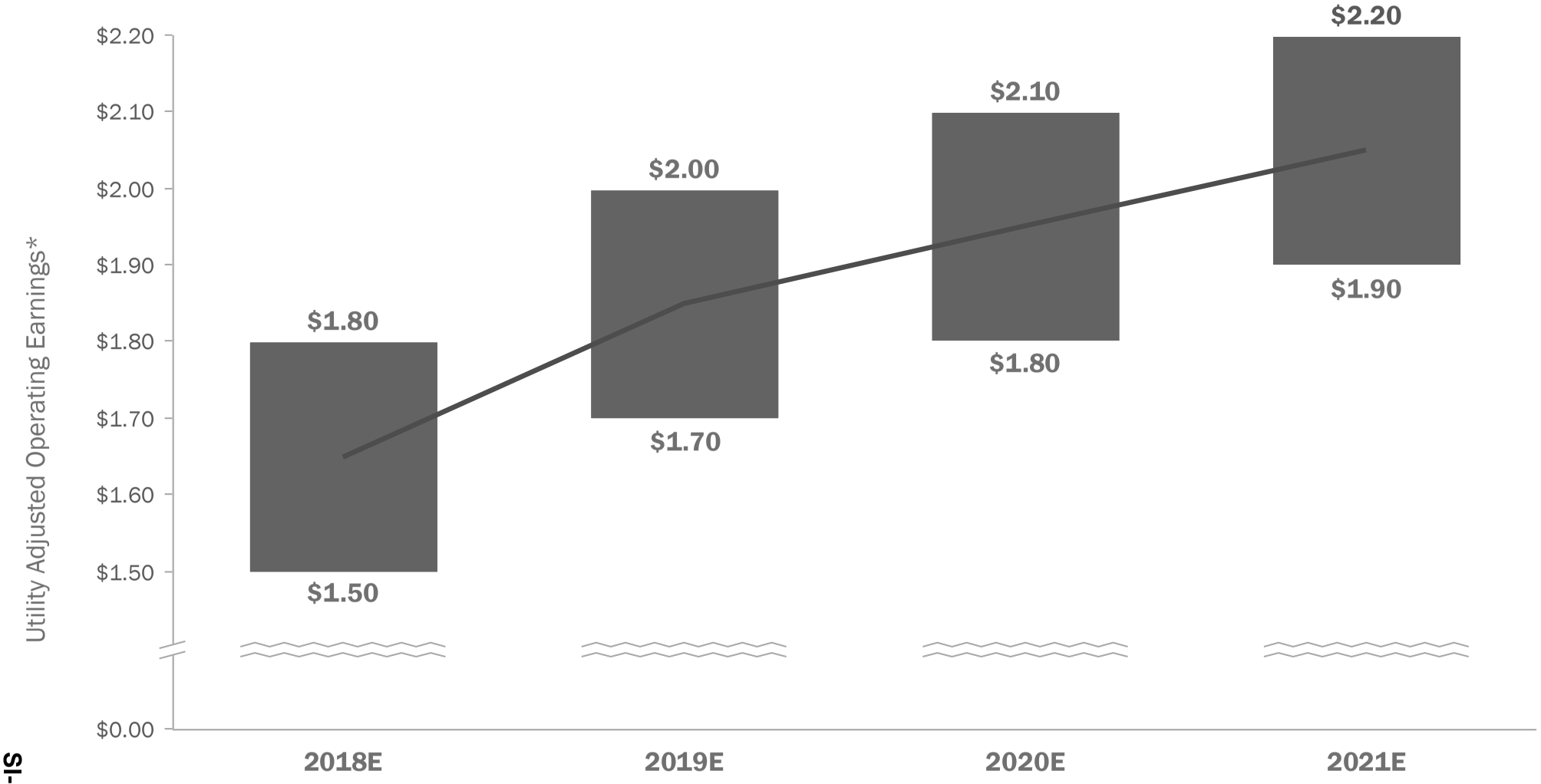
Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

SI-SSA-0015-00246

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

SI-SSA-0015-00247

Exelon.

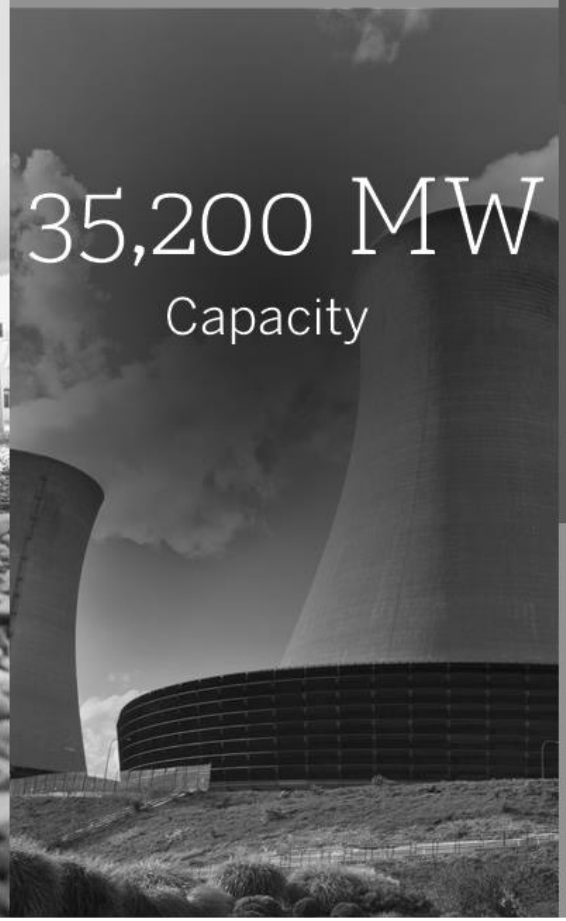
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-00248

Exelon.

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-0015-00249

Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-00250

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

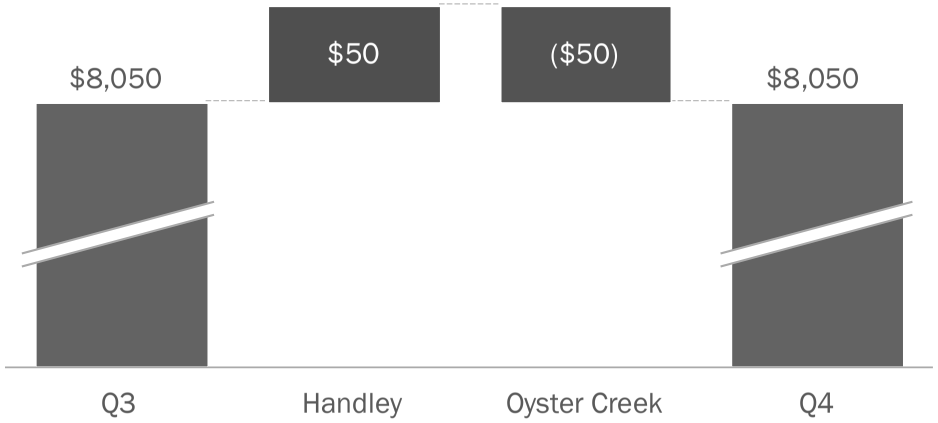
- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00251

ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

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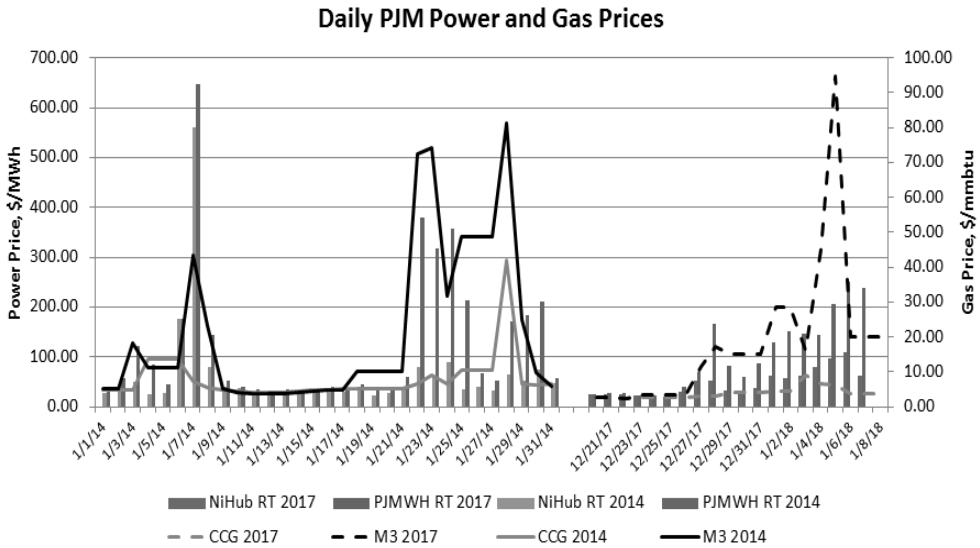
Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

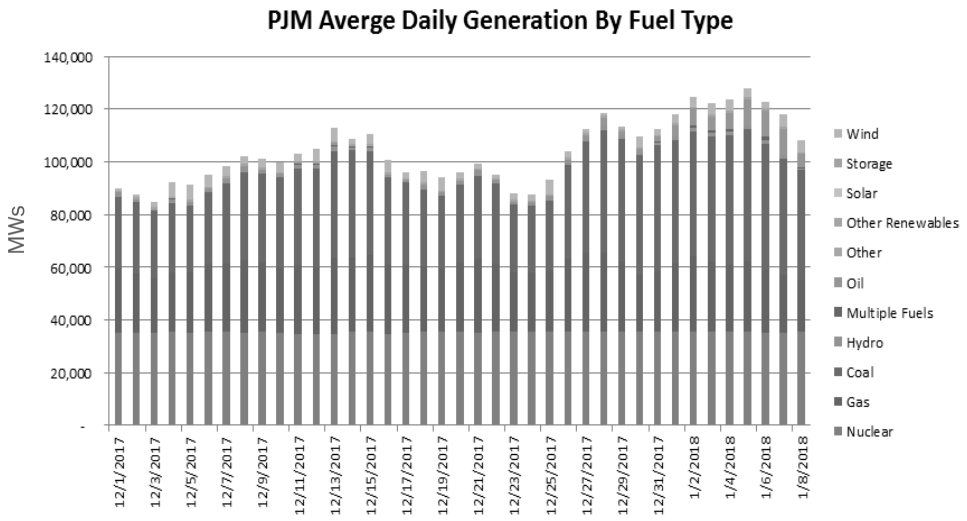


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

SI-SSA-0015-00253

Exelon.

Exelon's Policy Priorities

SI-SSA-0015-00254

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-00255

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

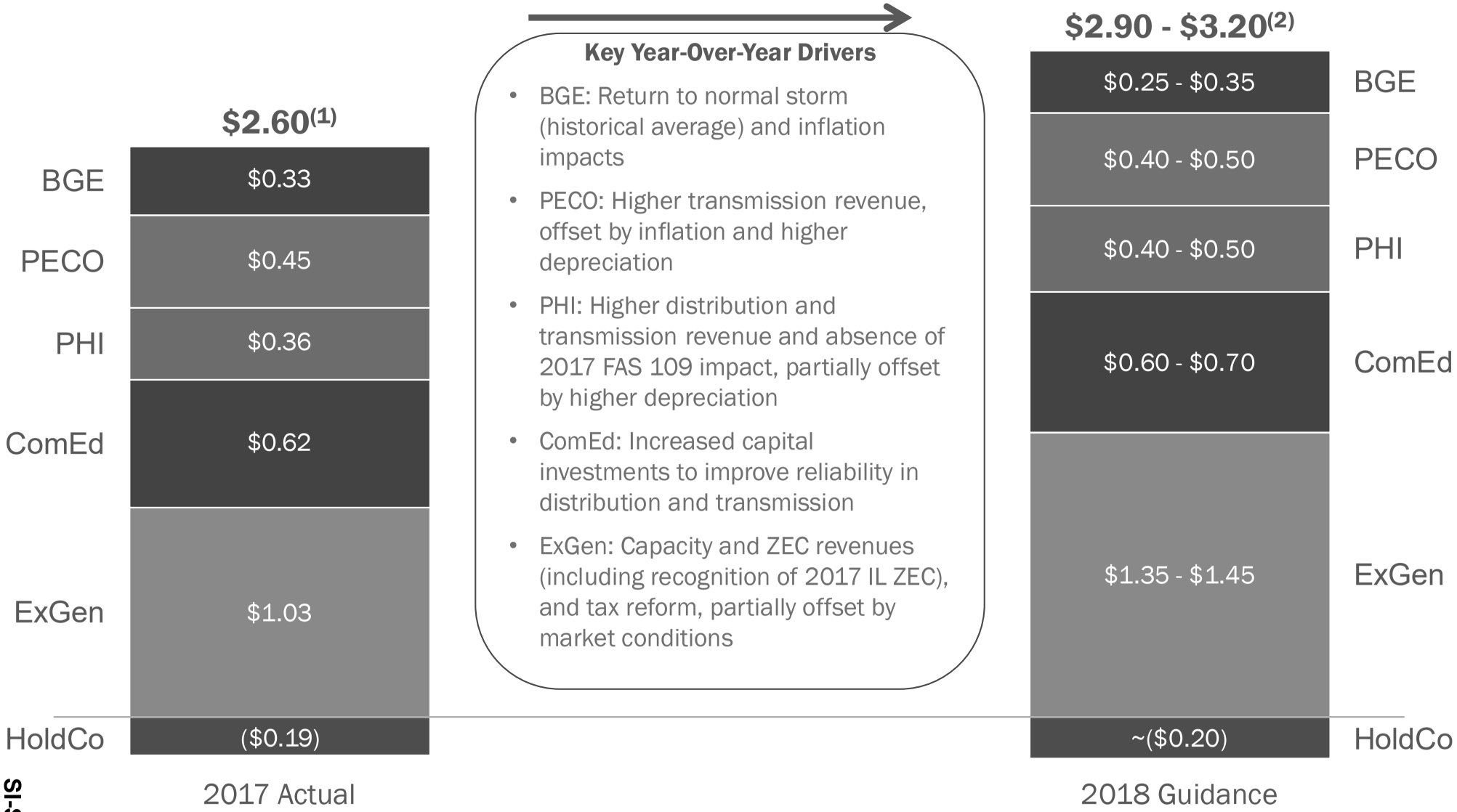
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-00256

Financial Overview

SI-SSA-0015-00257

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

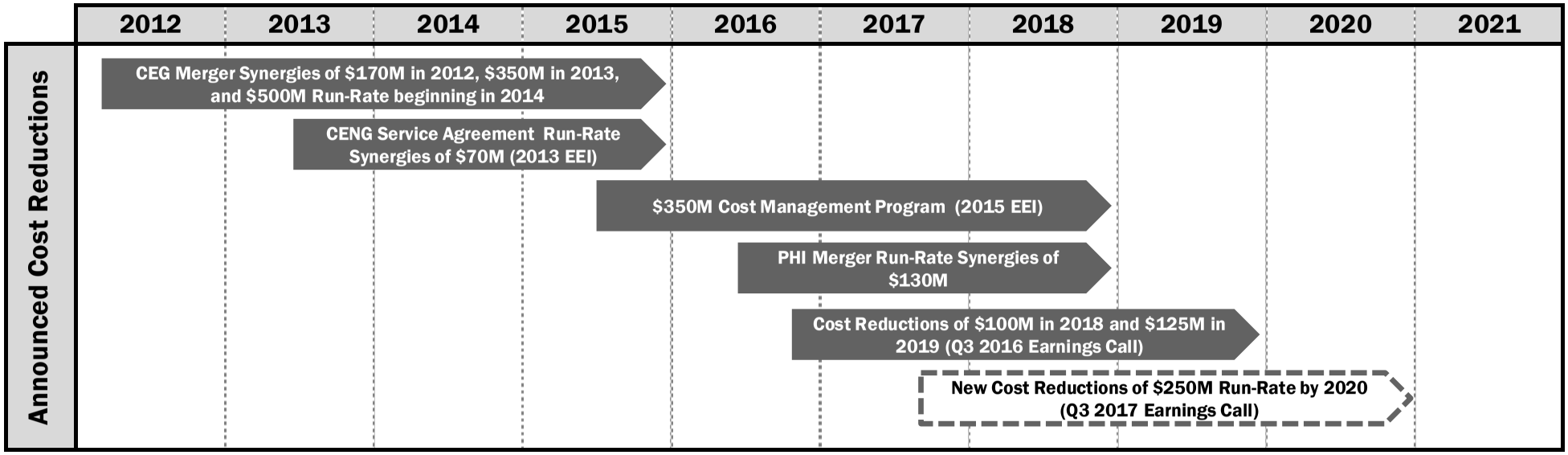
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-00258

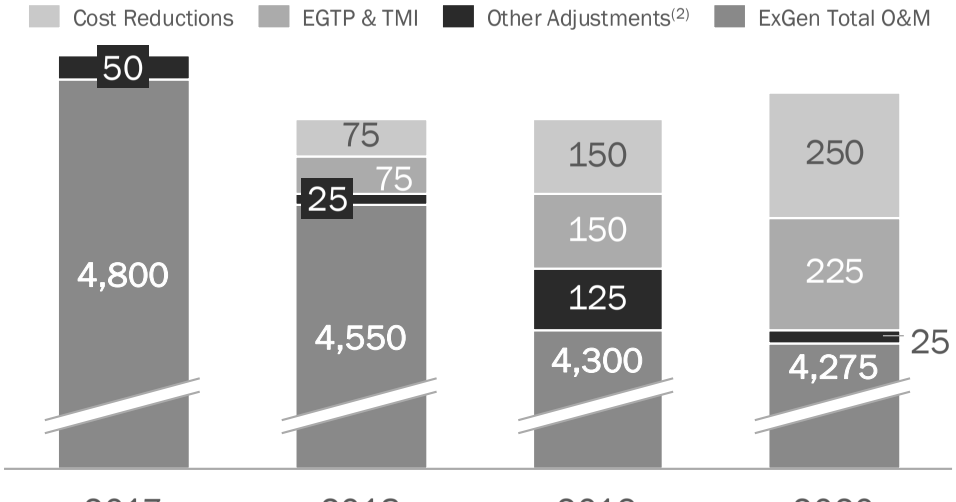
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

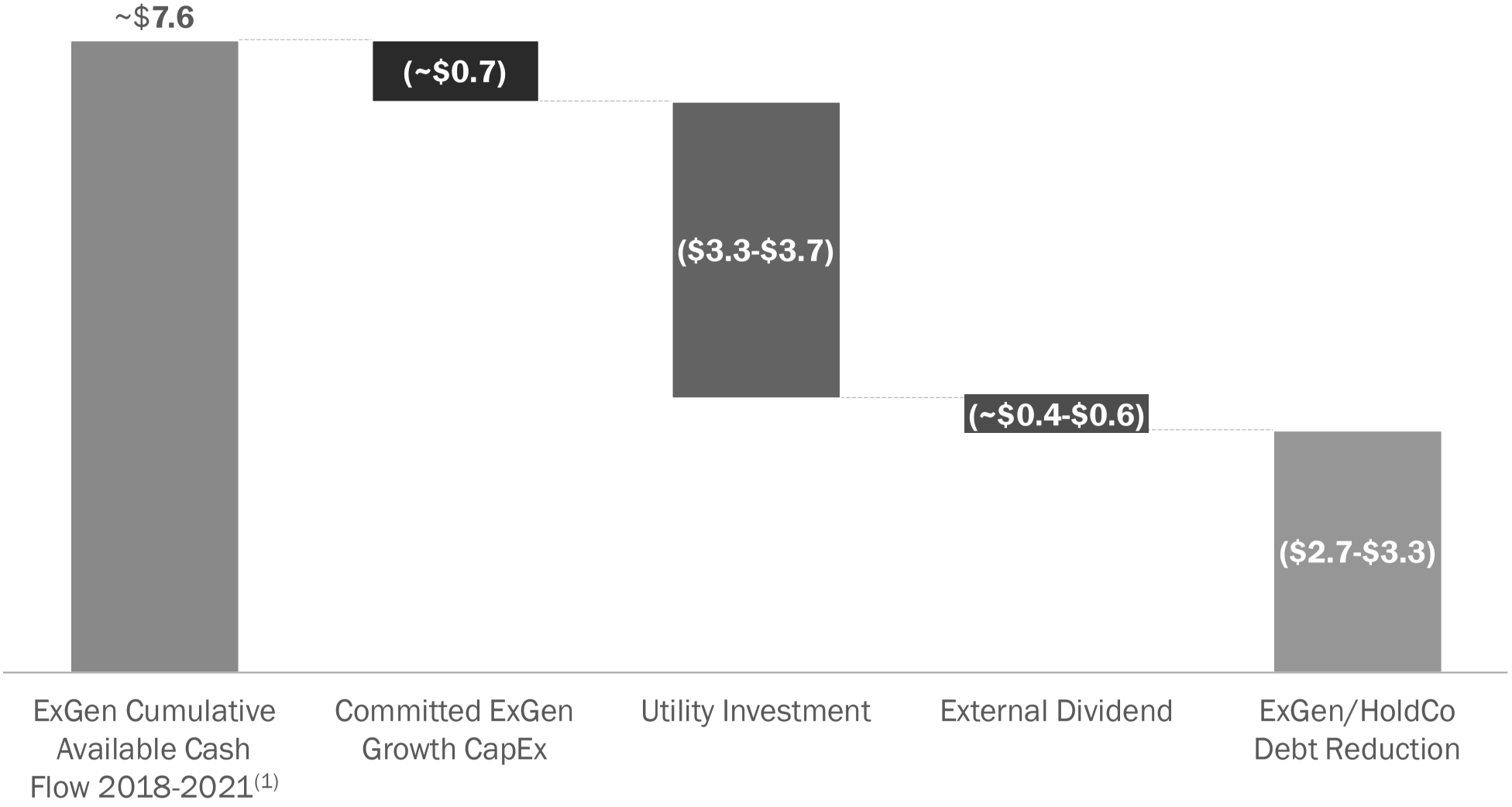
(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

Exelon.

SI-SSA-0015-00259

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-00260

Exelon.

Impacts from Tax Reform

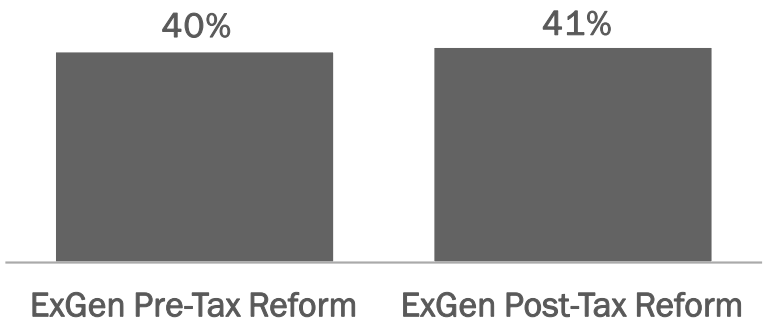
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

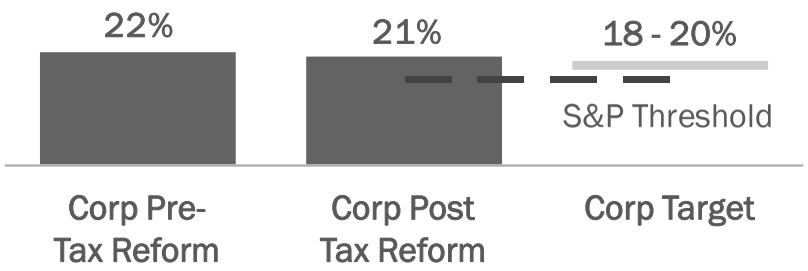
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

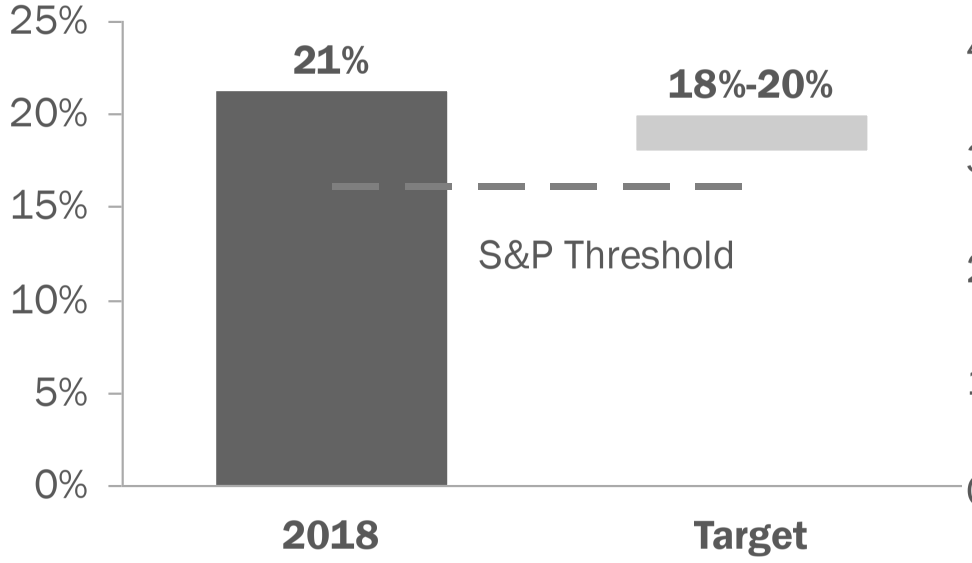
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

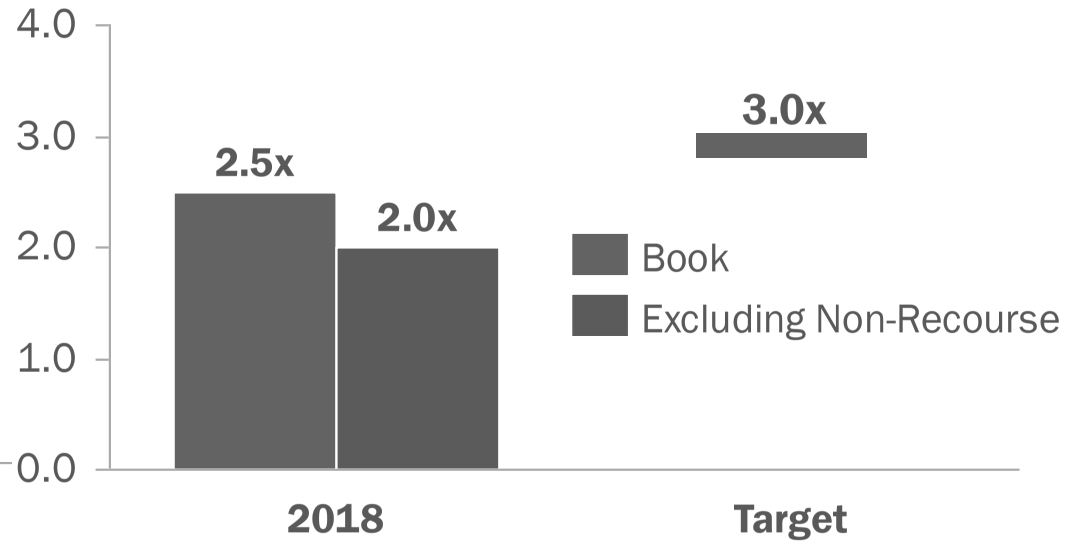
SI-SSA-0015-00261

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

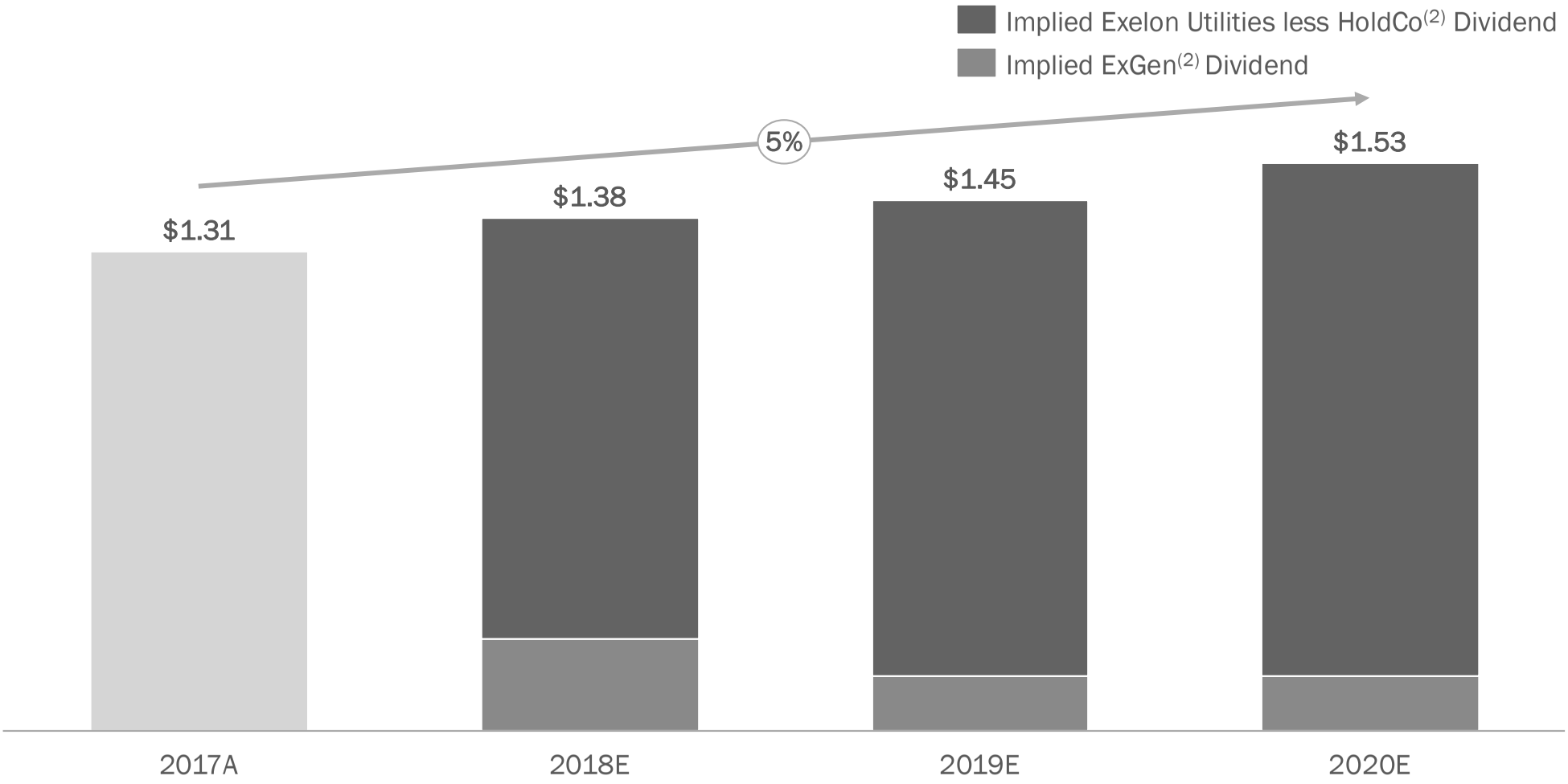
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-00262

Exelon.

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00263

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

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Appendix

SI-SSA-0015-00265

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

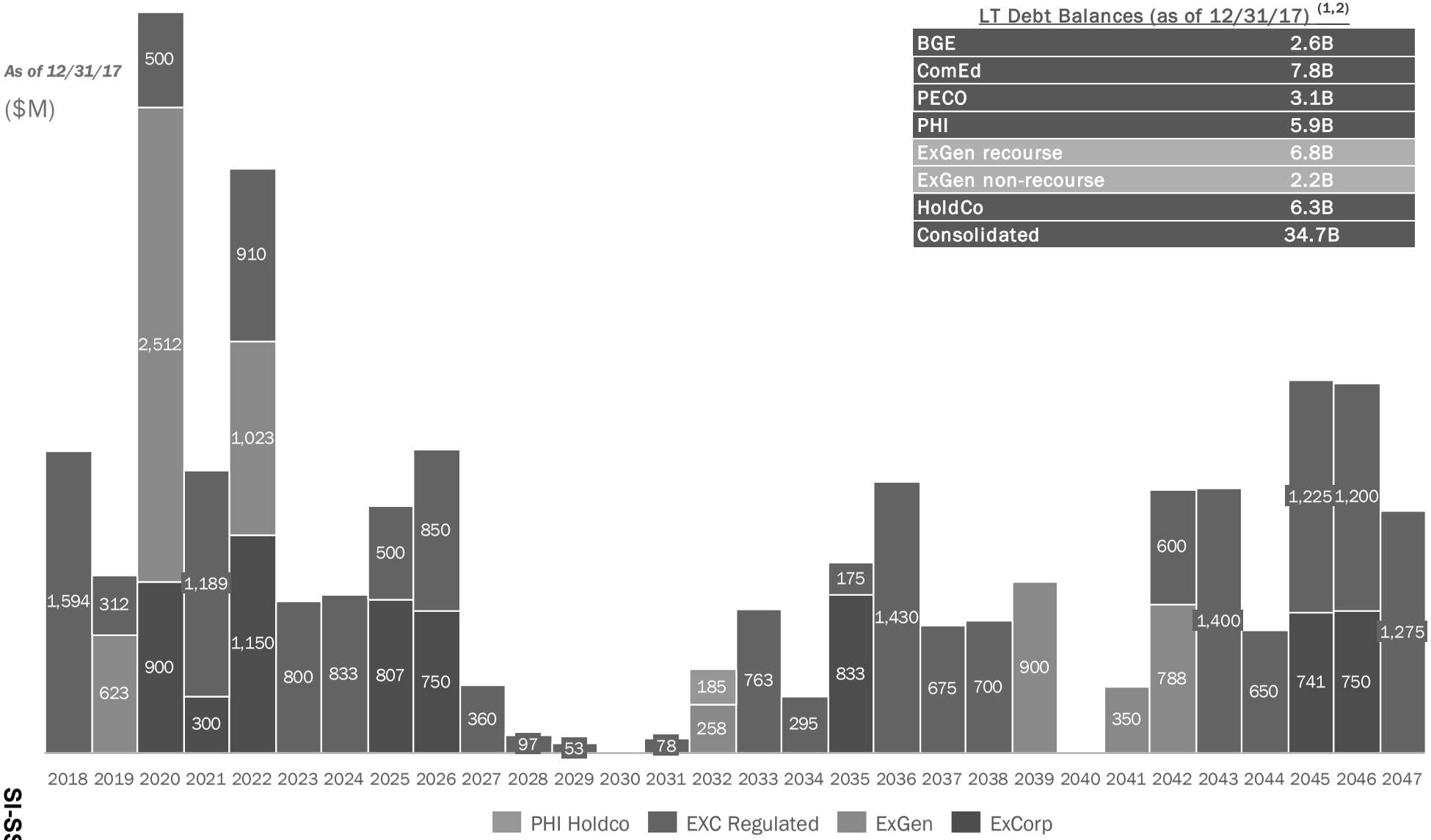
Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

SI-SSA-0015-00266

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

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EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-00268

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018
and are not being updated at this time

SI-SSA-0015-00269

Portfolio Management Strategy

Strategic Policy Alignment

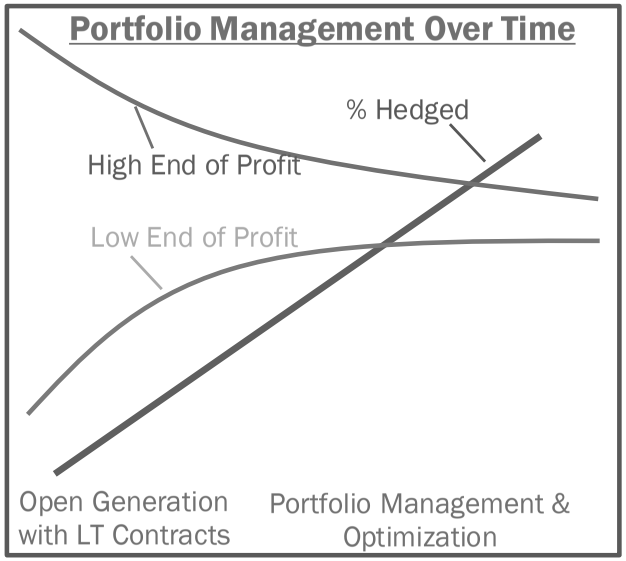
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

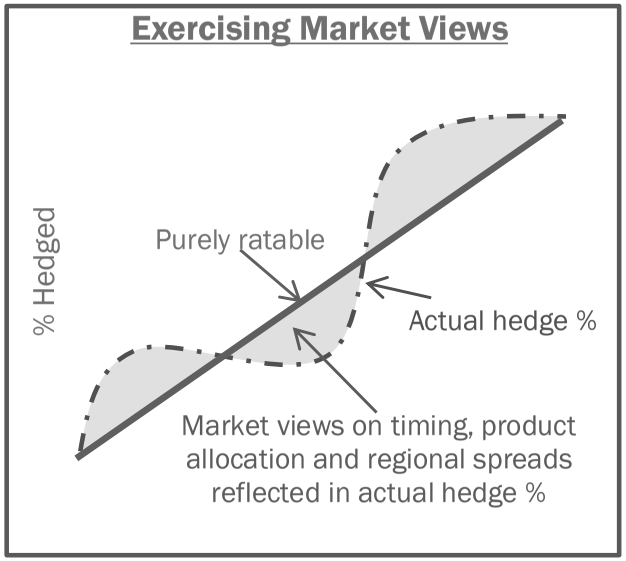
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00271

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00272

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00273

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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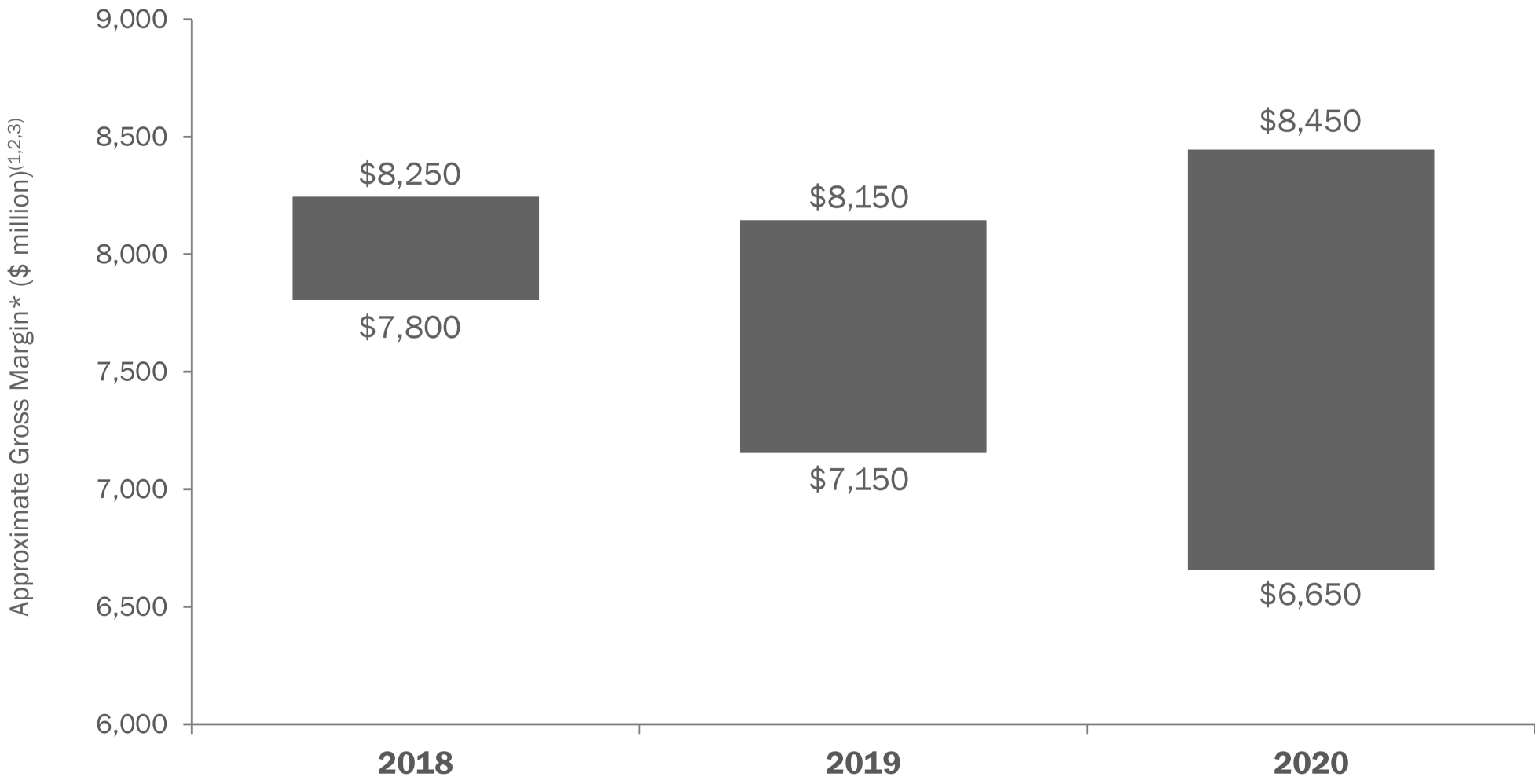
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00275

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

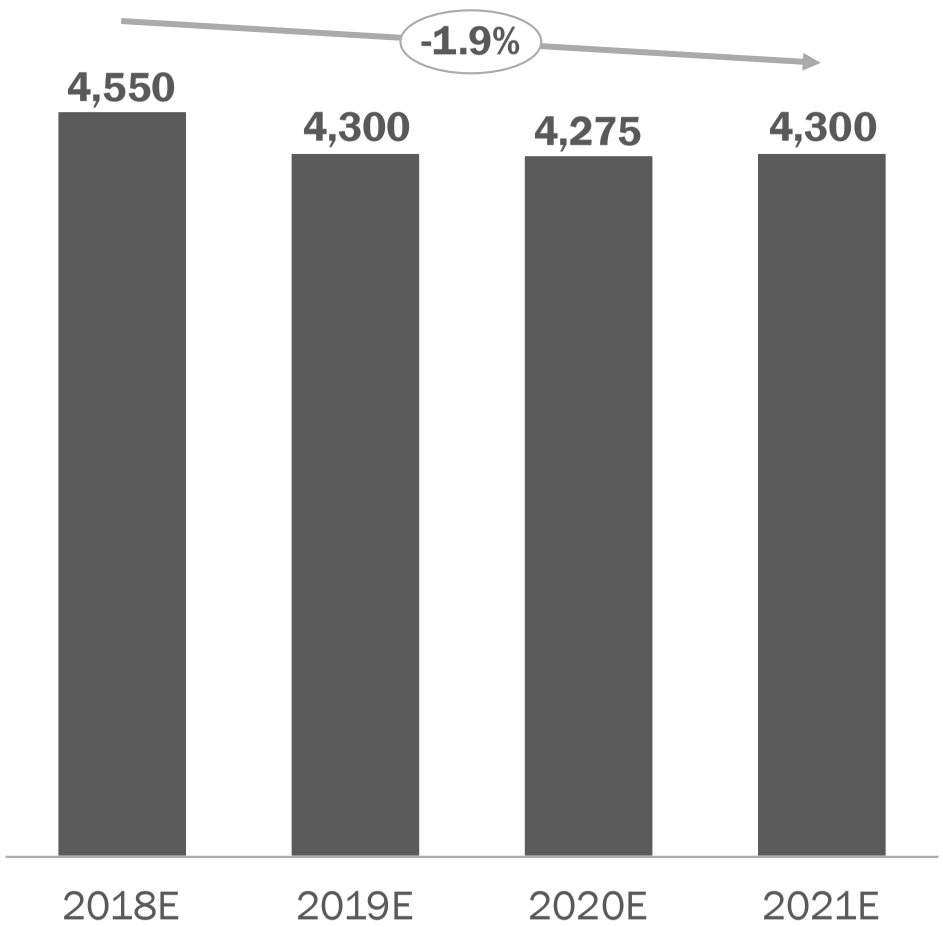
Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

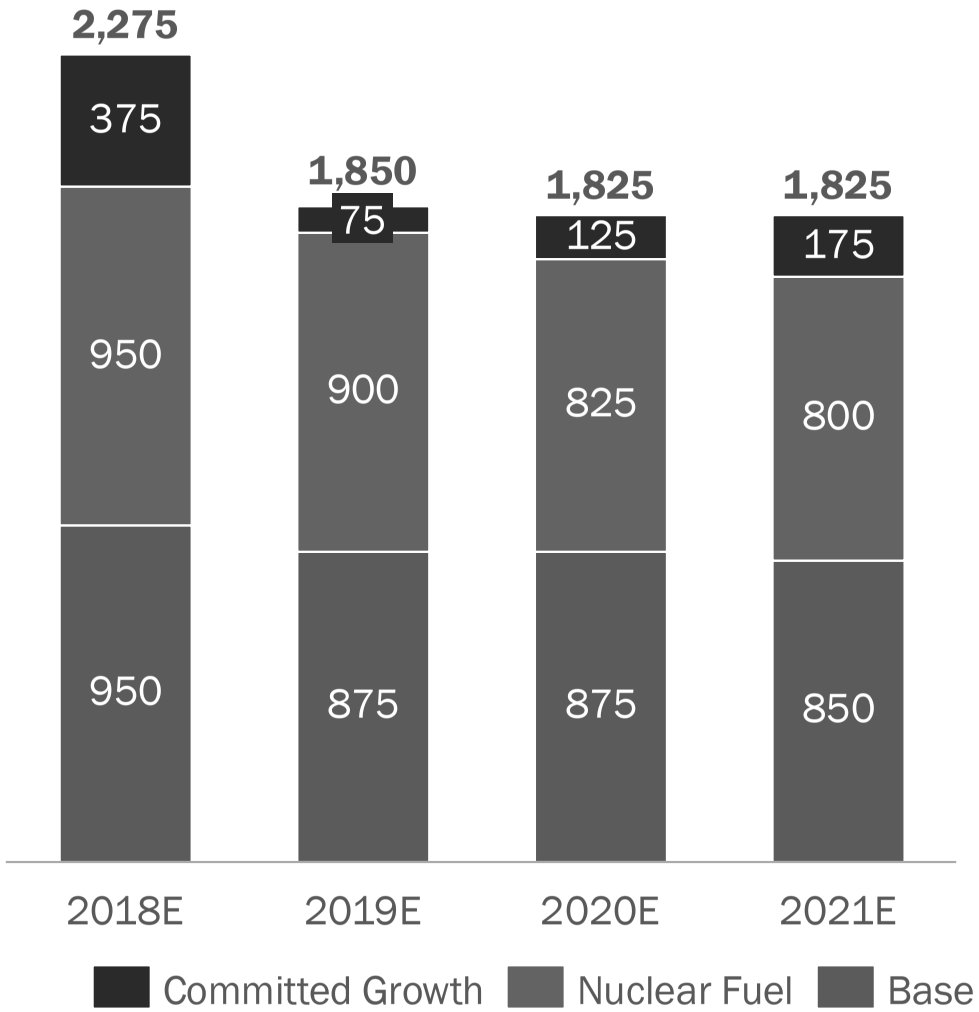
SI-SSA-0015-00277

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00279

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-00280

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-00281

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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April 2018
Investor Meetings

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-00290

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00292

2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

Exelon.

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2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy $5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

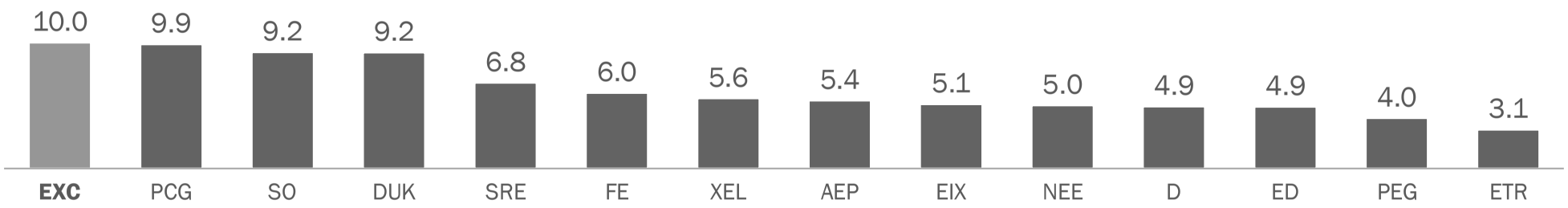
11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

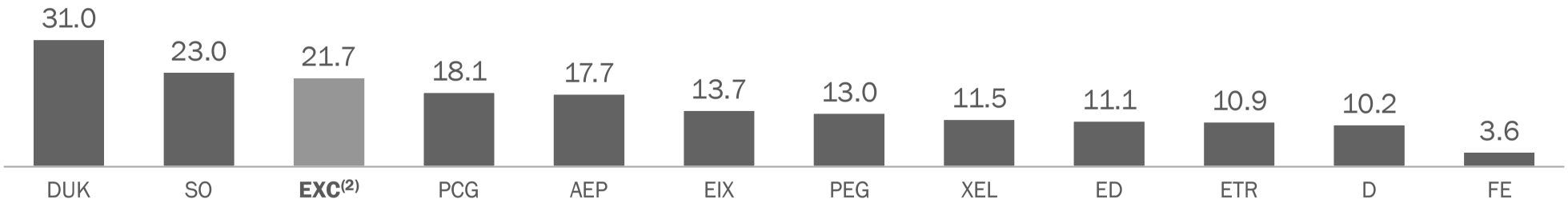
SI-SSA-0015-00295

Exelon Utilities are an Industry Leader

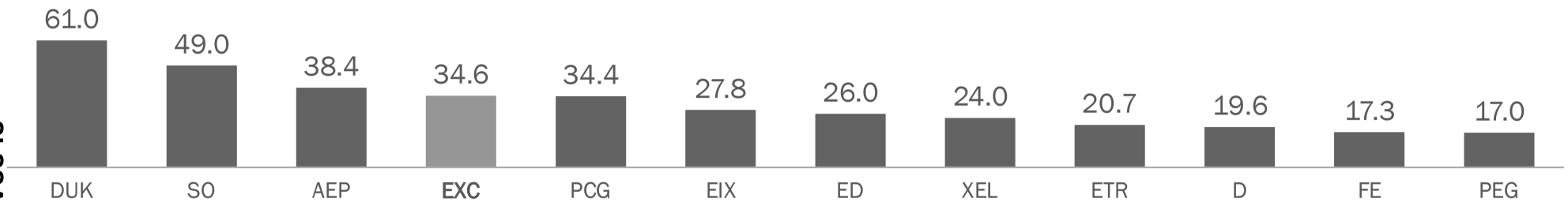
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) ~$22B includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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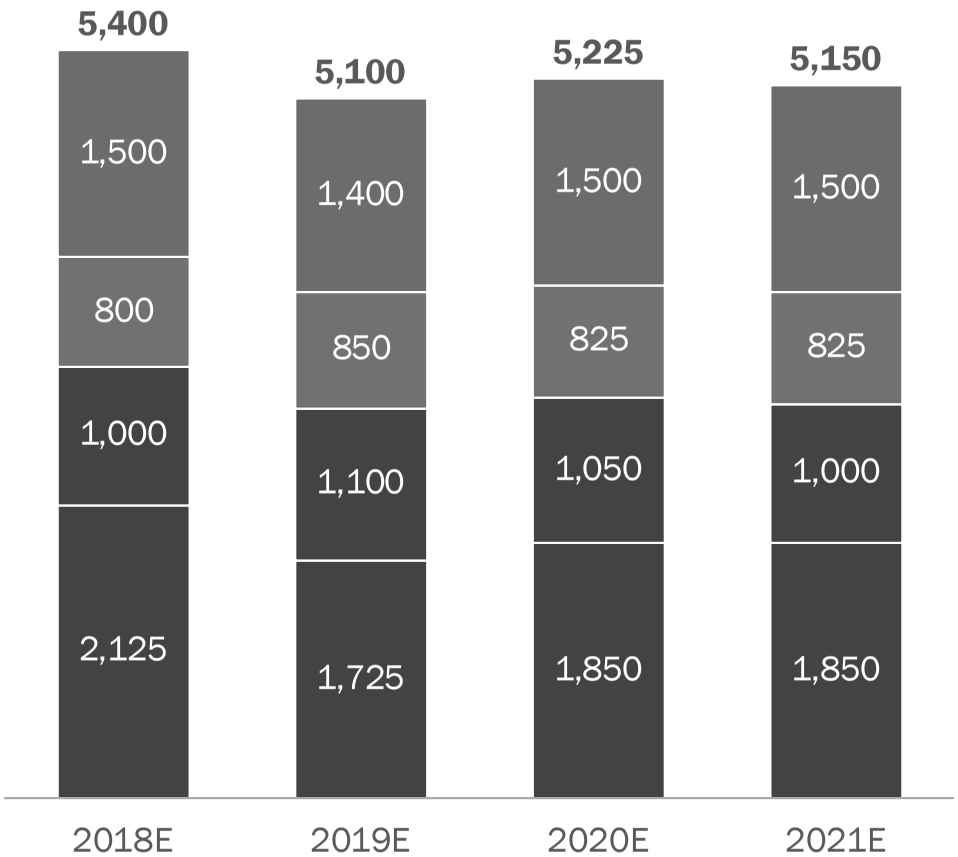
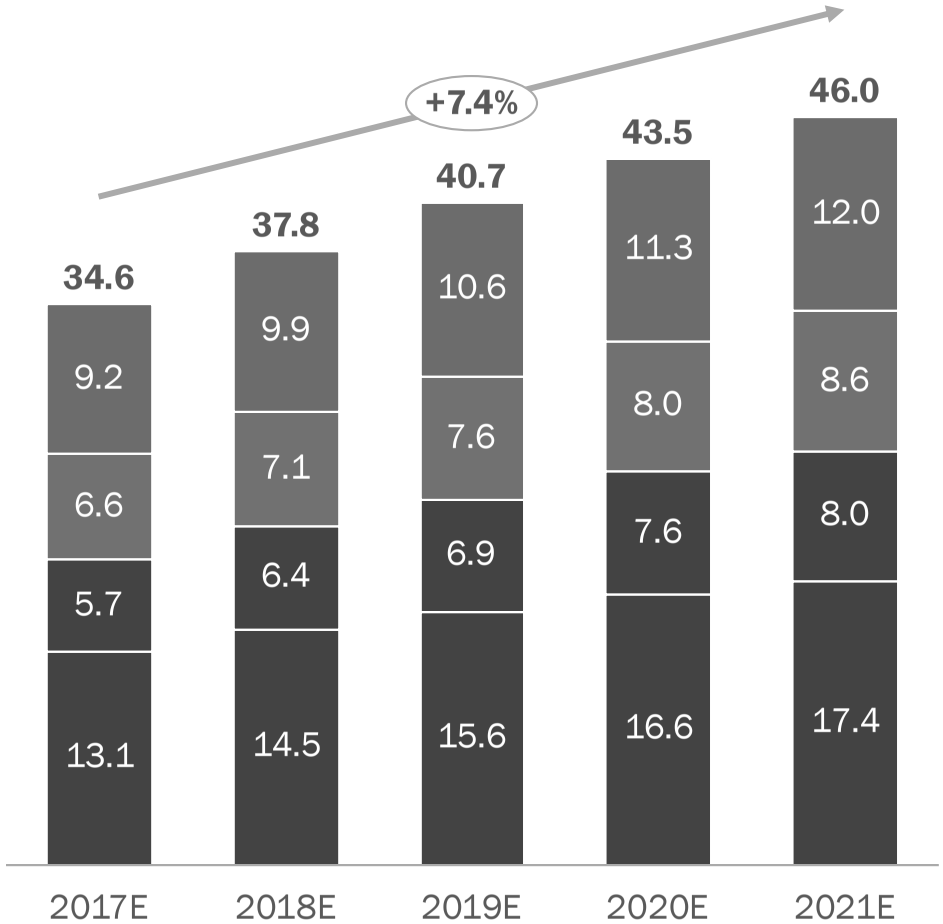
Exelon

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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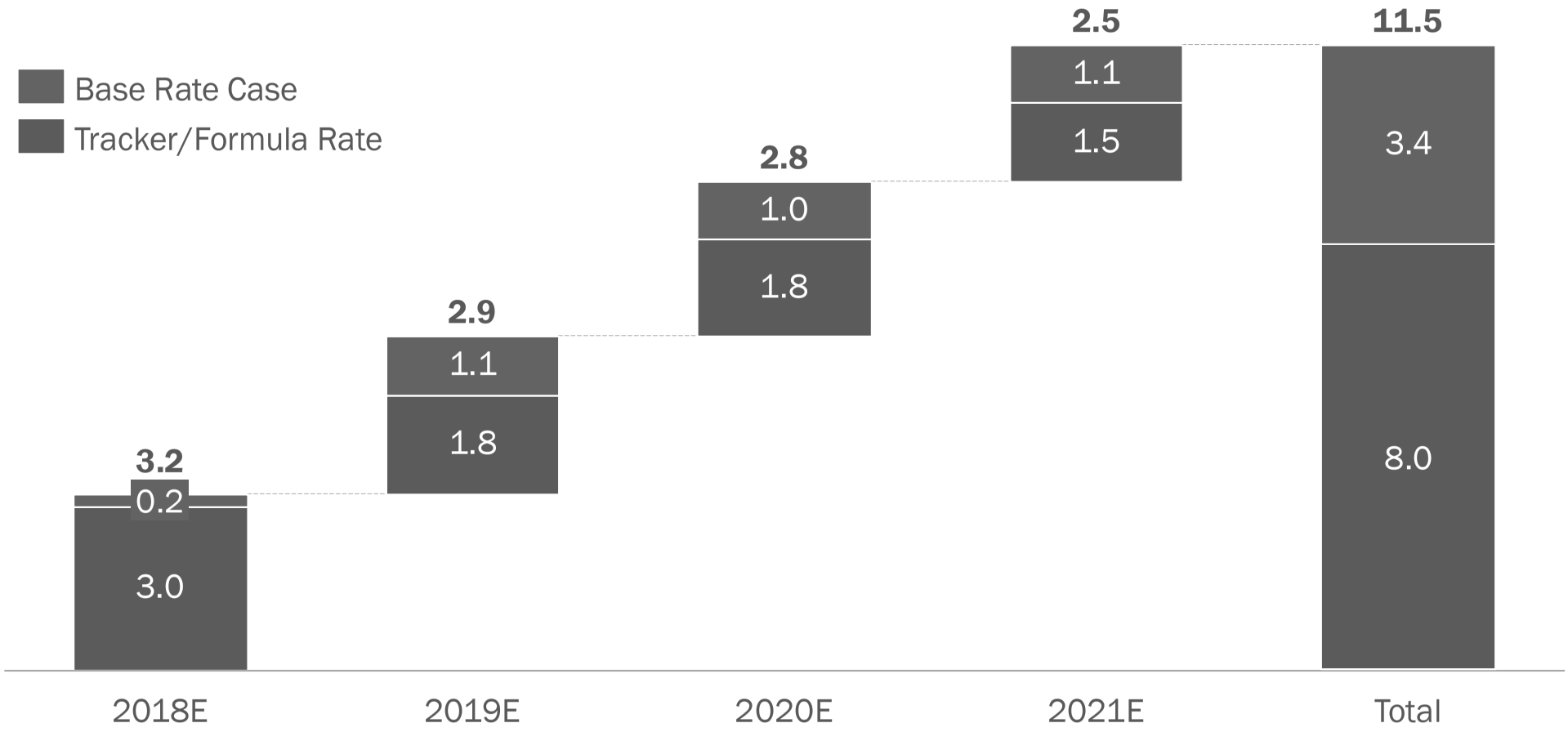
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities(1)	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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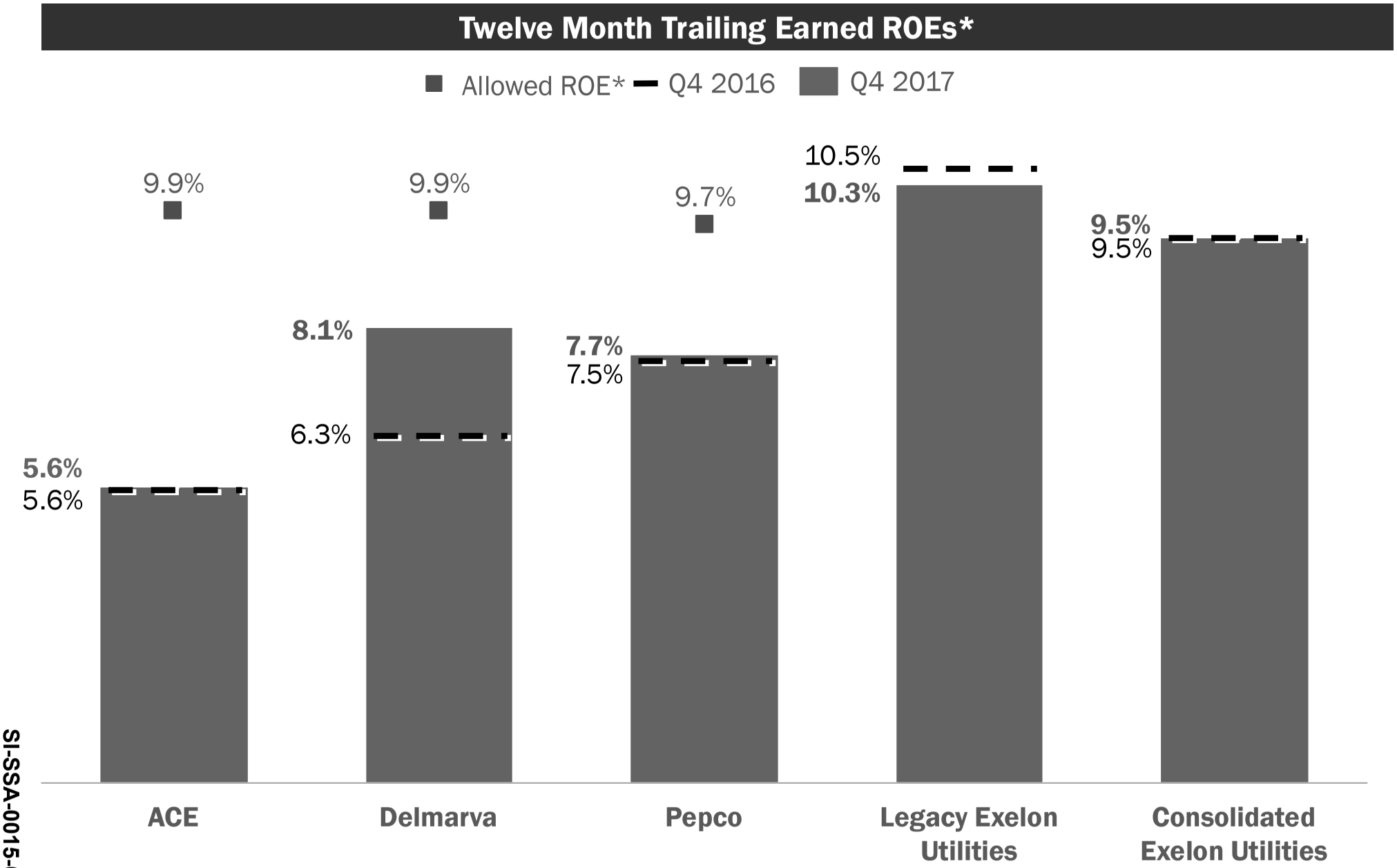
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

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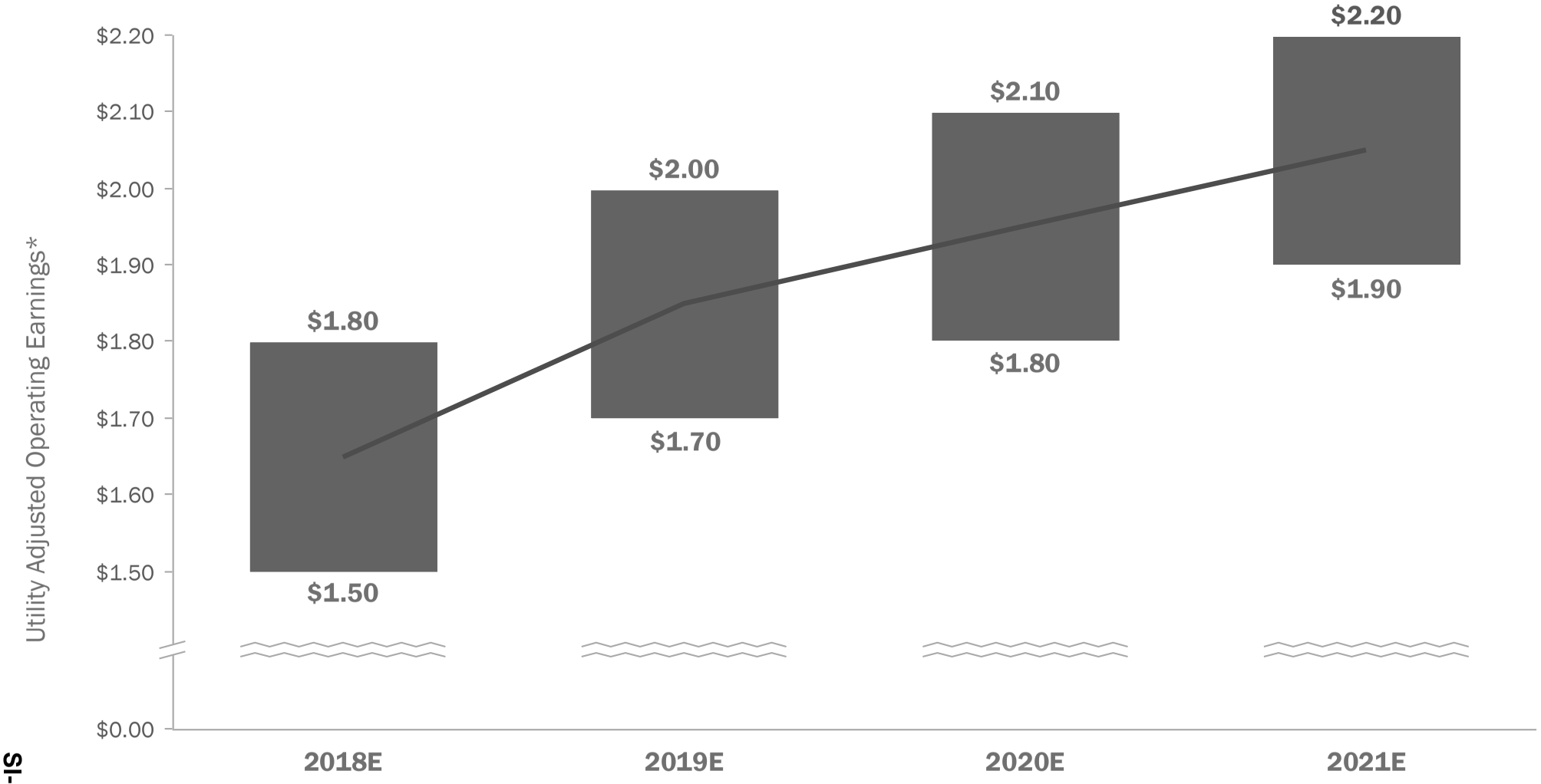
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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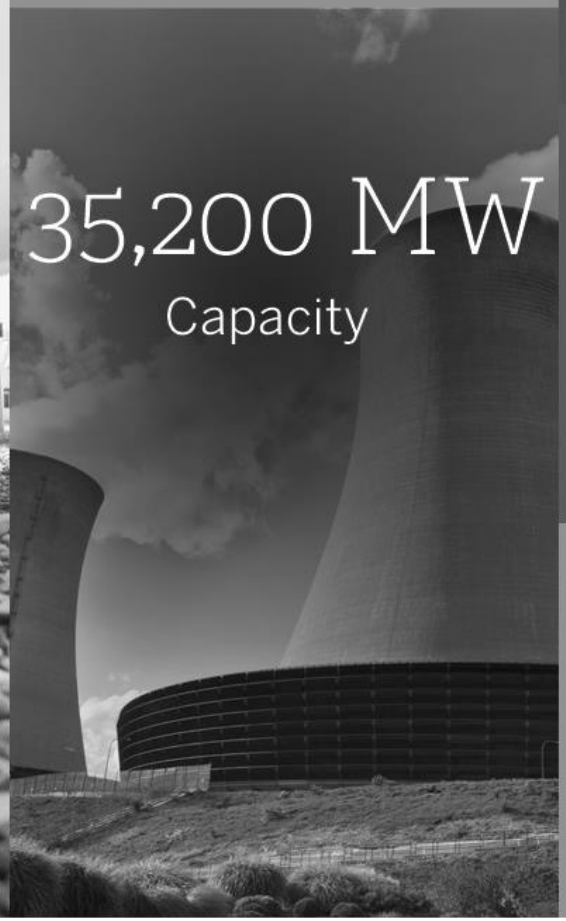
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

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Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

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Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

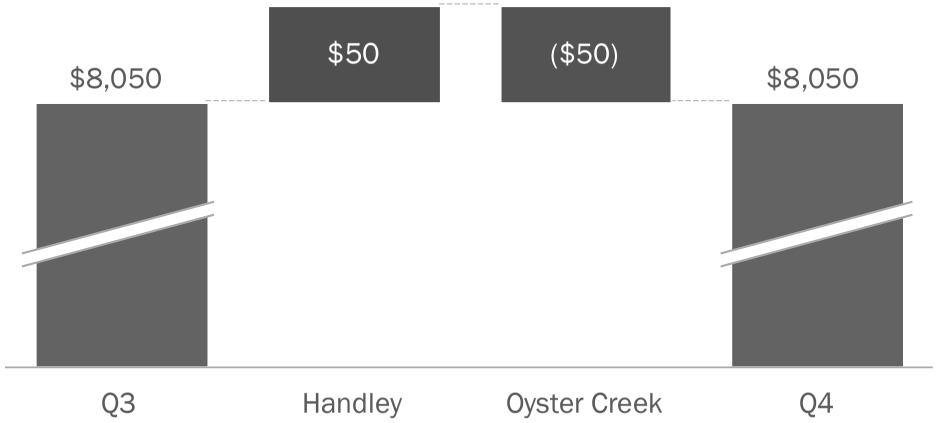
- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00306

ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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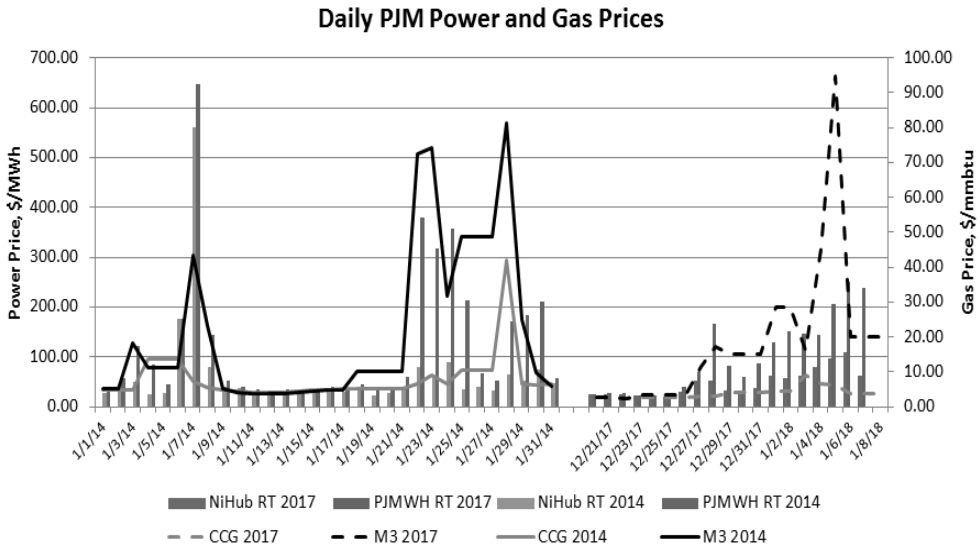
Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

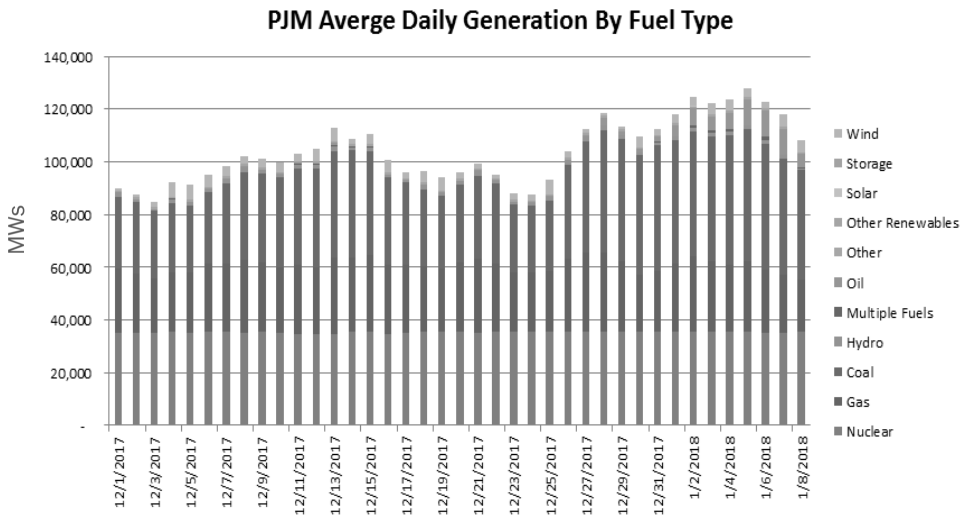


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

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Exelon's Policy Priorities

SI-SSA-0015-00309

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-00310

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments occurred on March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

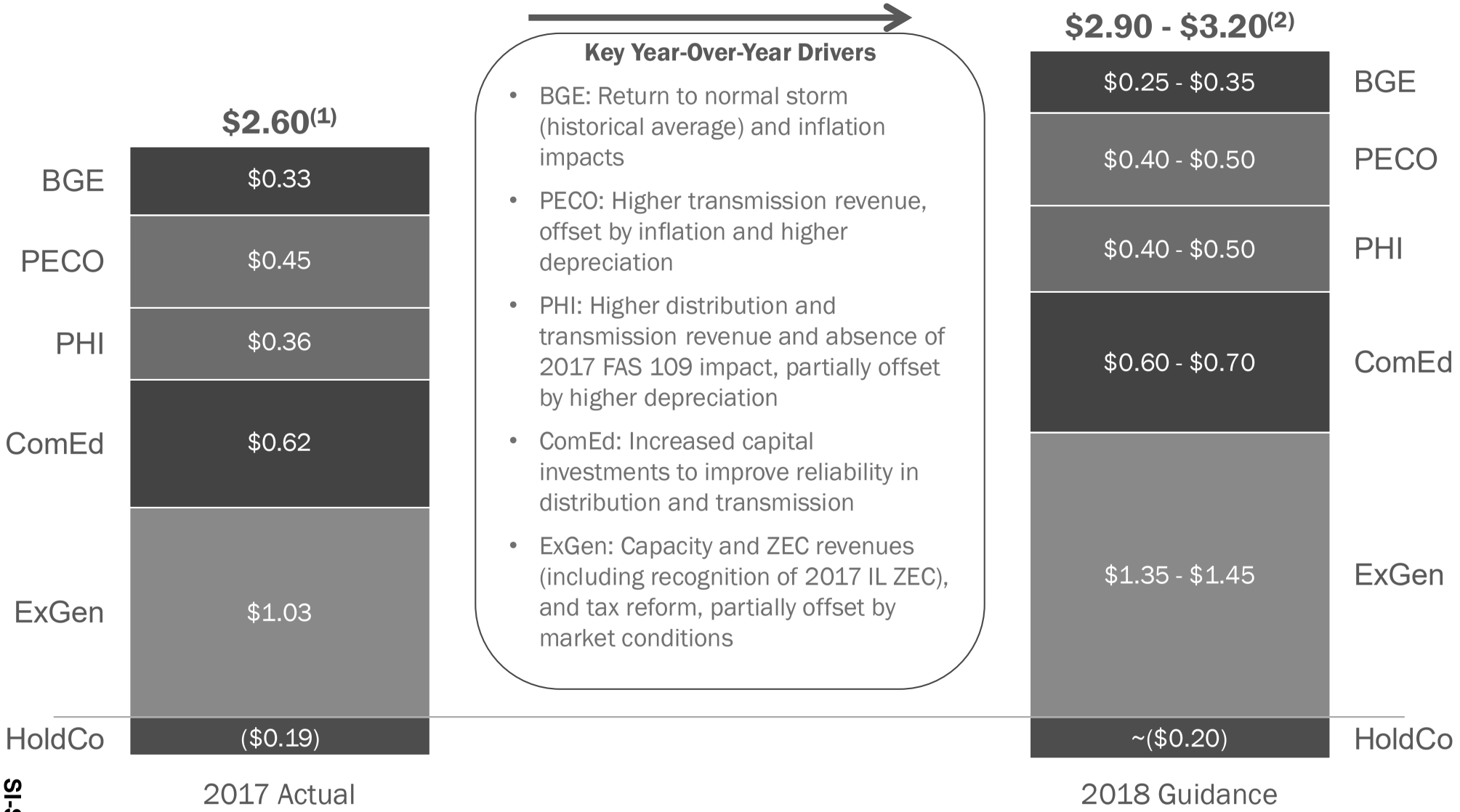
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- On April 5, both the Senate and Assembly Appropriations Committees voted in favor of the NJ ZECs bill

SI-SSA-0015-00311

Financial Overview

SI-SSA-0015-00312

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

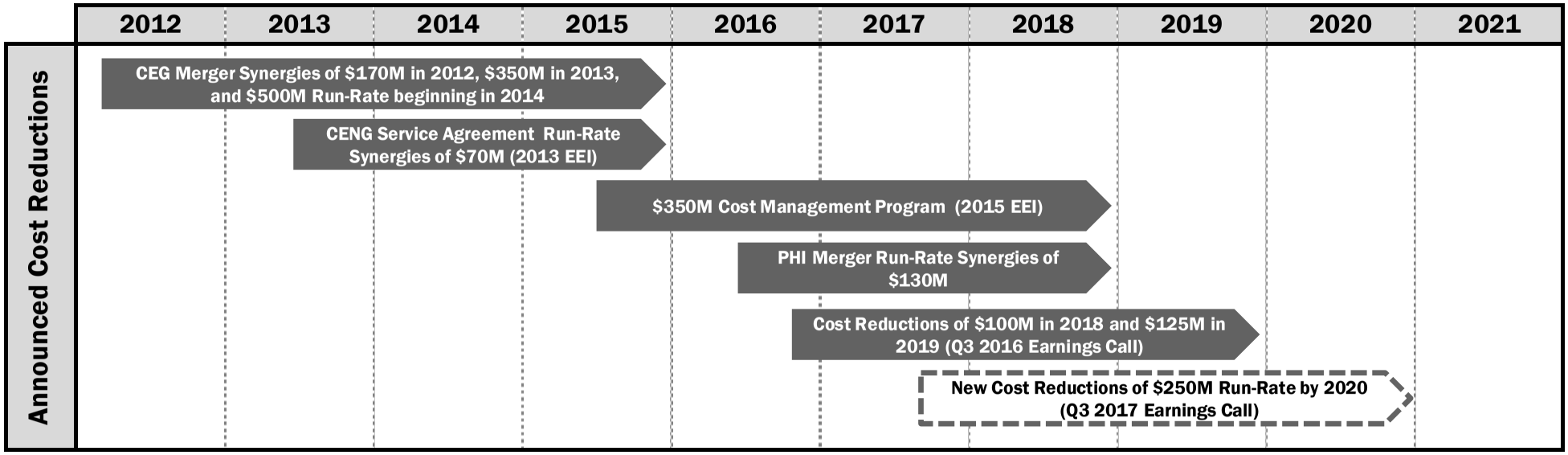
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-00313

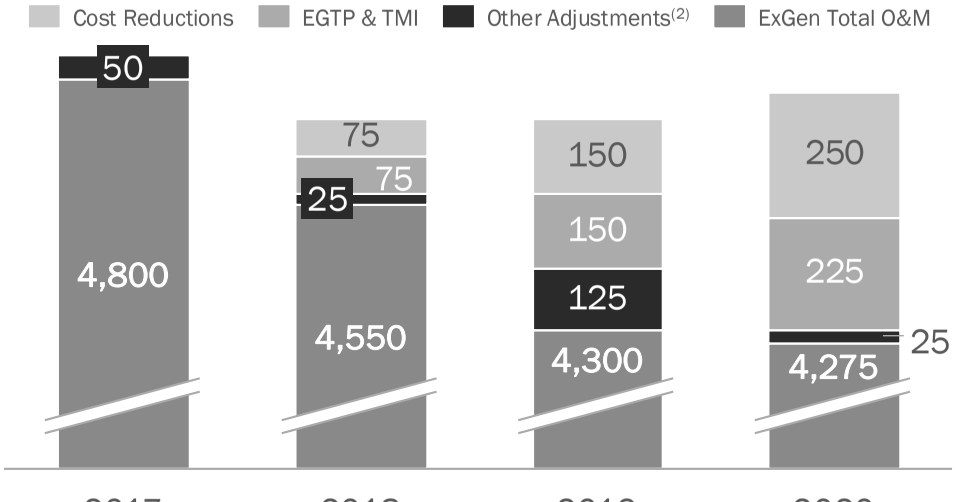
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

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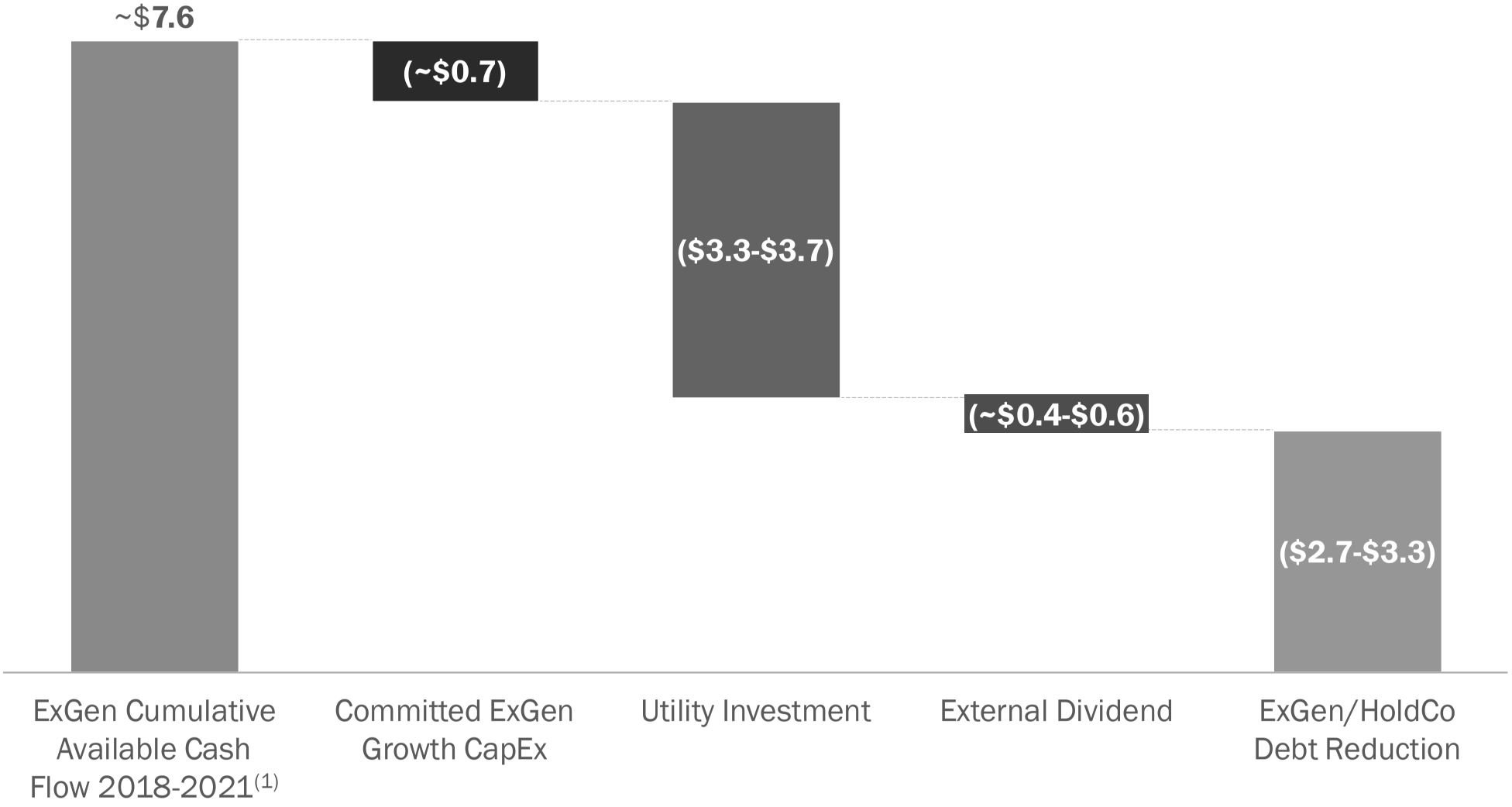
SI-SSA-0015-00314

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-00315

Exelon.

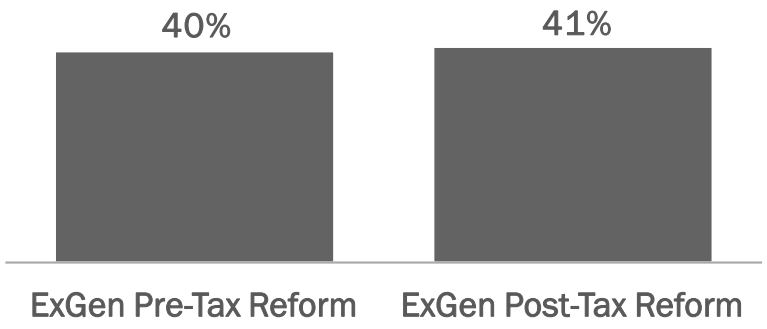
Impacts from Tax Reform

Tax Impacts	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

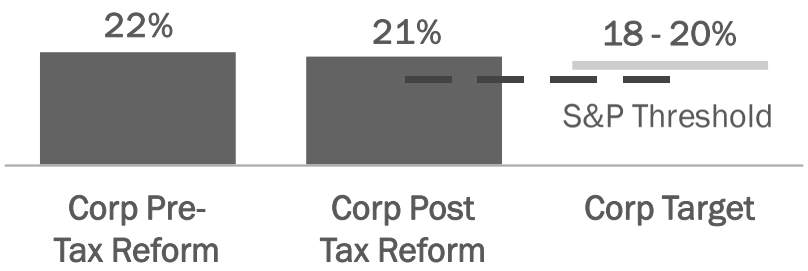
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

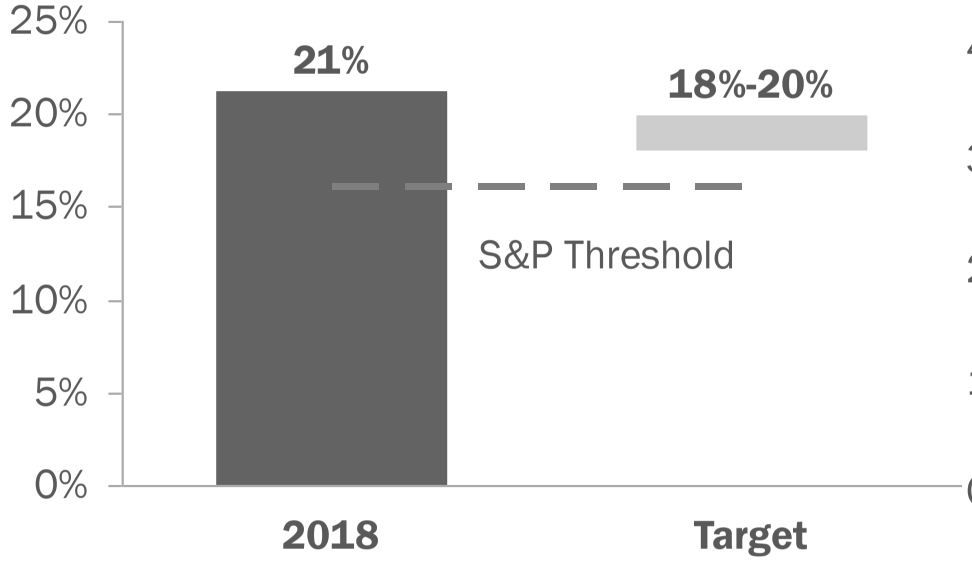
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

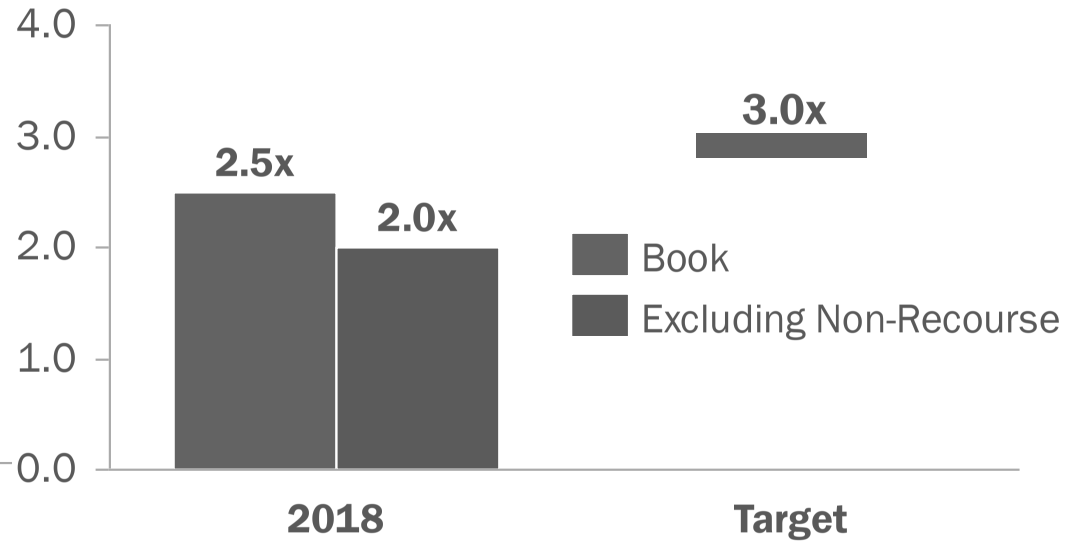
SI-SSA-0015-00316

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

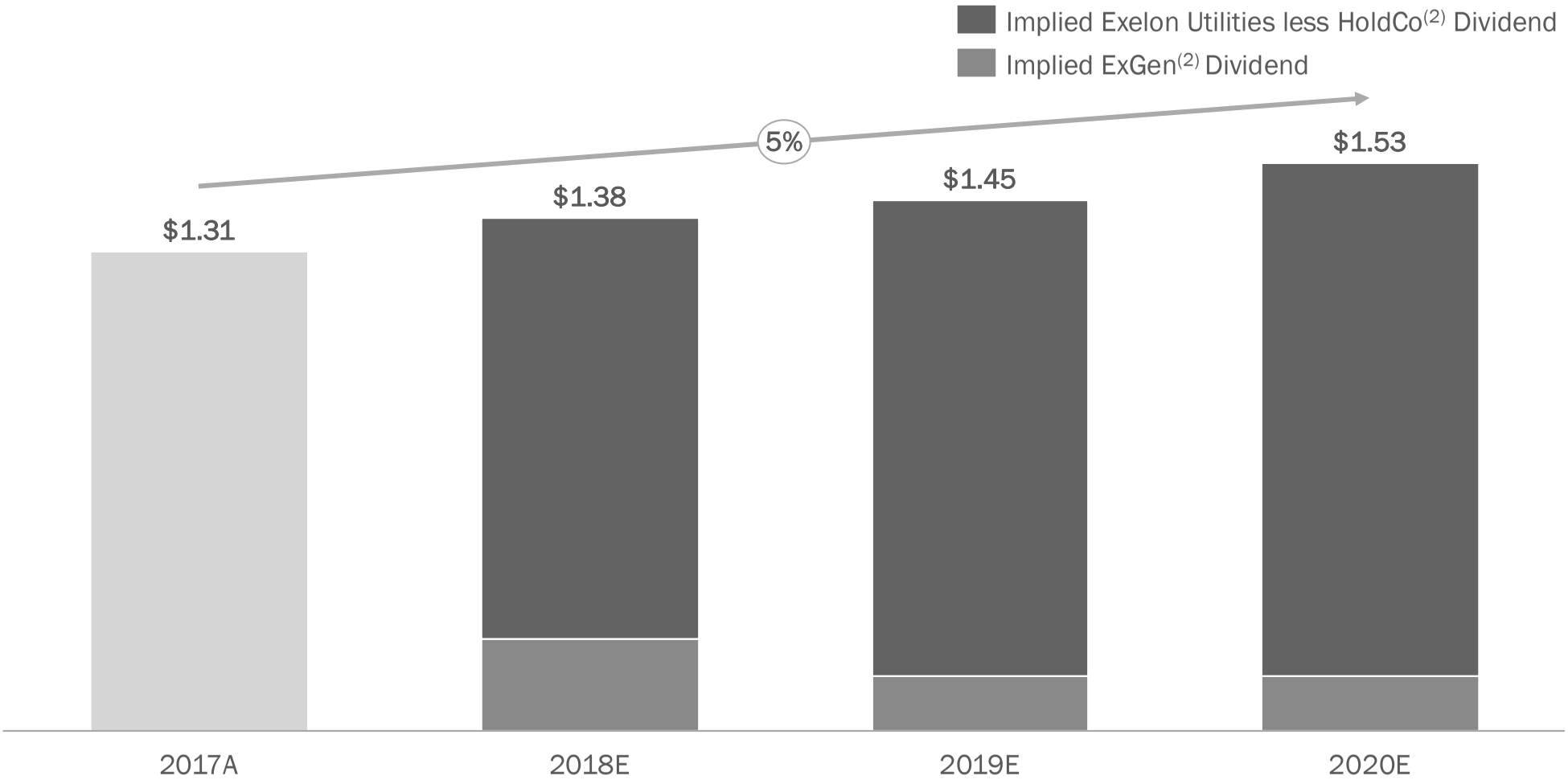
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-00317

Exelon.

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00318

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-00319

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Appendix

SI-SSA-0015-00320

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

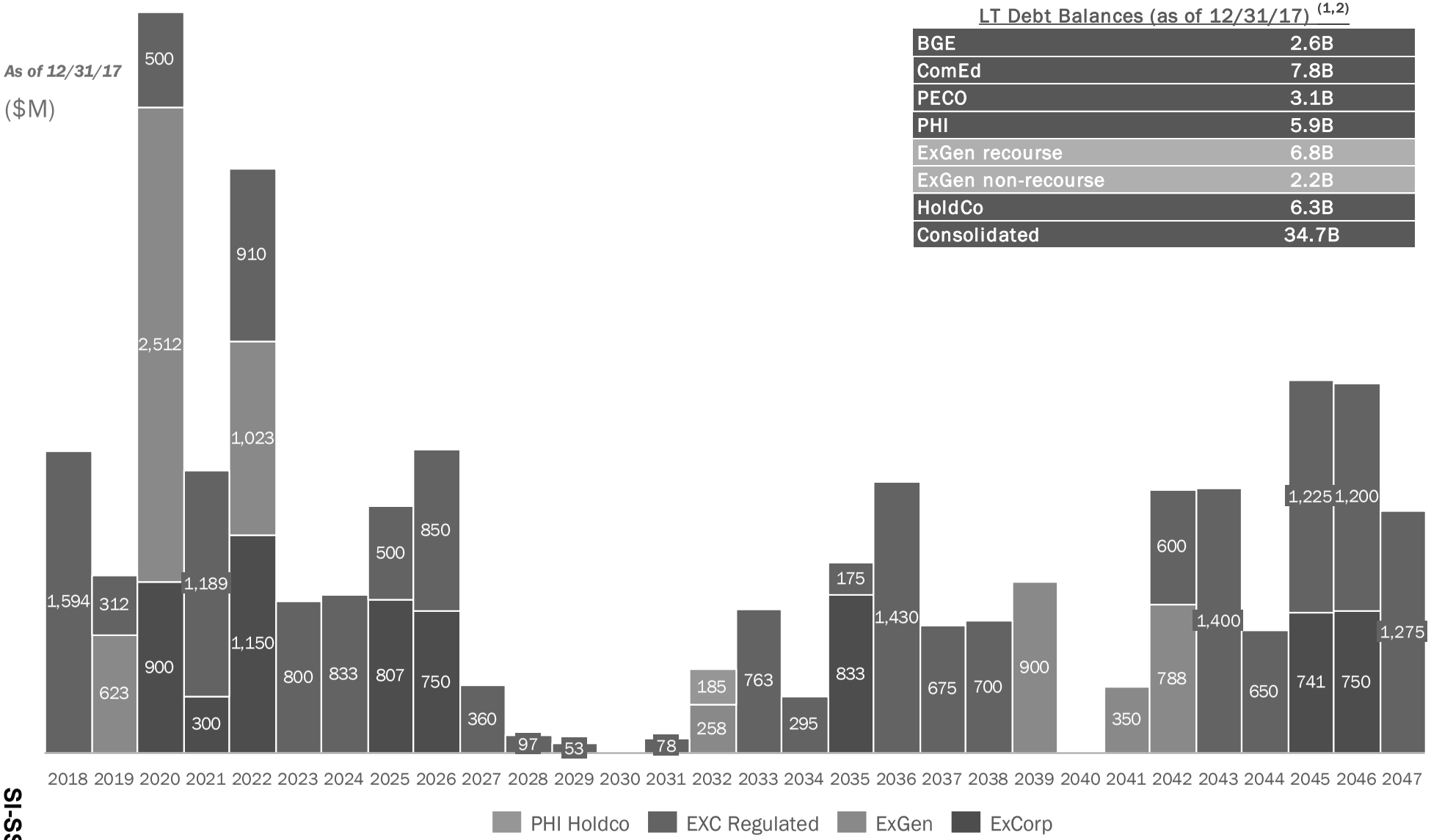
Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

SI-SSA-0015-00321

Exelon

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

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EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-00323

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018
and are not being updated at this time

SI-SSA-0015-00324

Portfolio Management Strategy

Strategic Policy Alignment

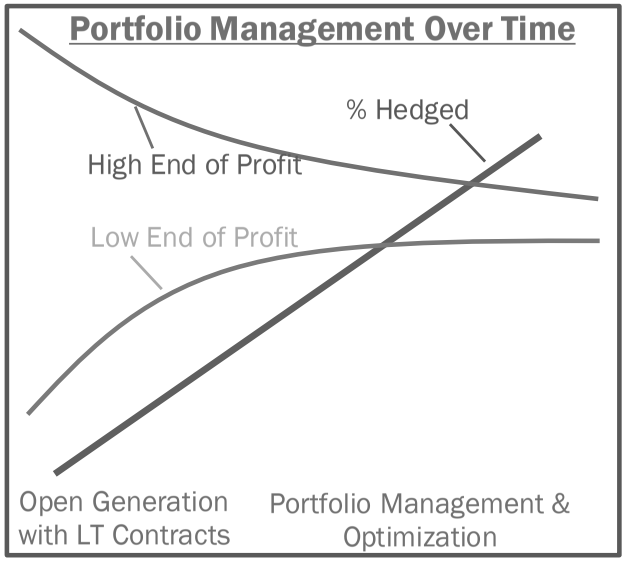
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

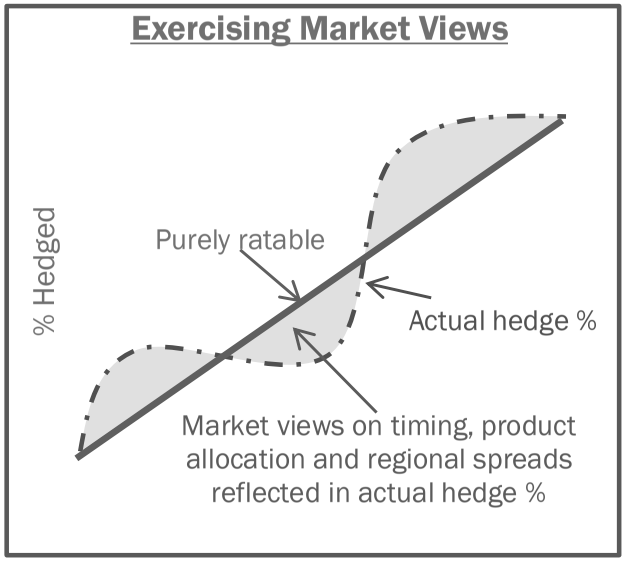
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00325

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00326

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00327

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00328

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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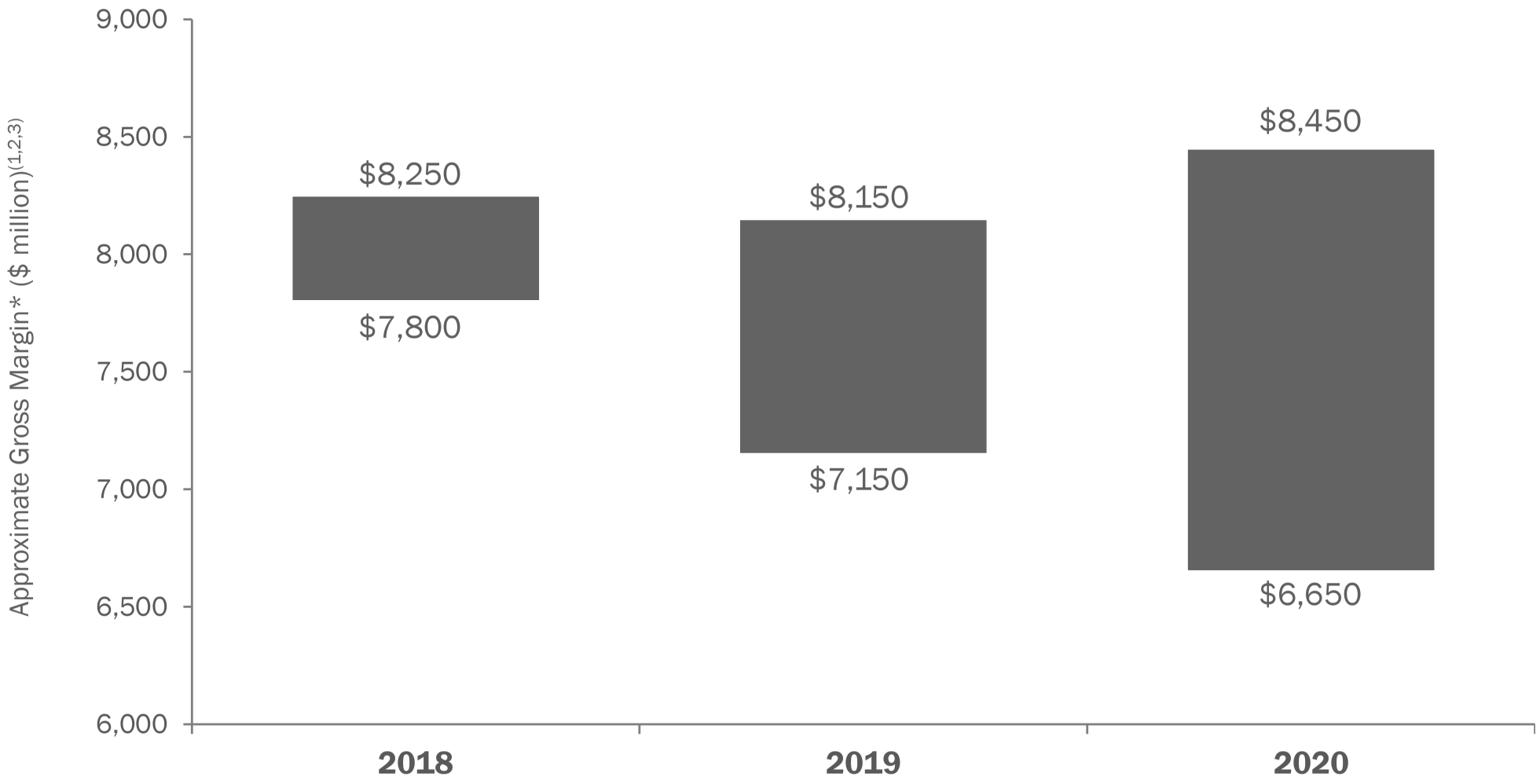
SI-SSA-0015-00329

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00330

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-00331

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

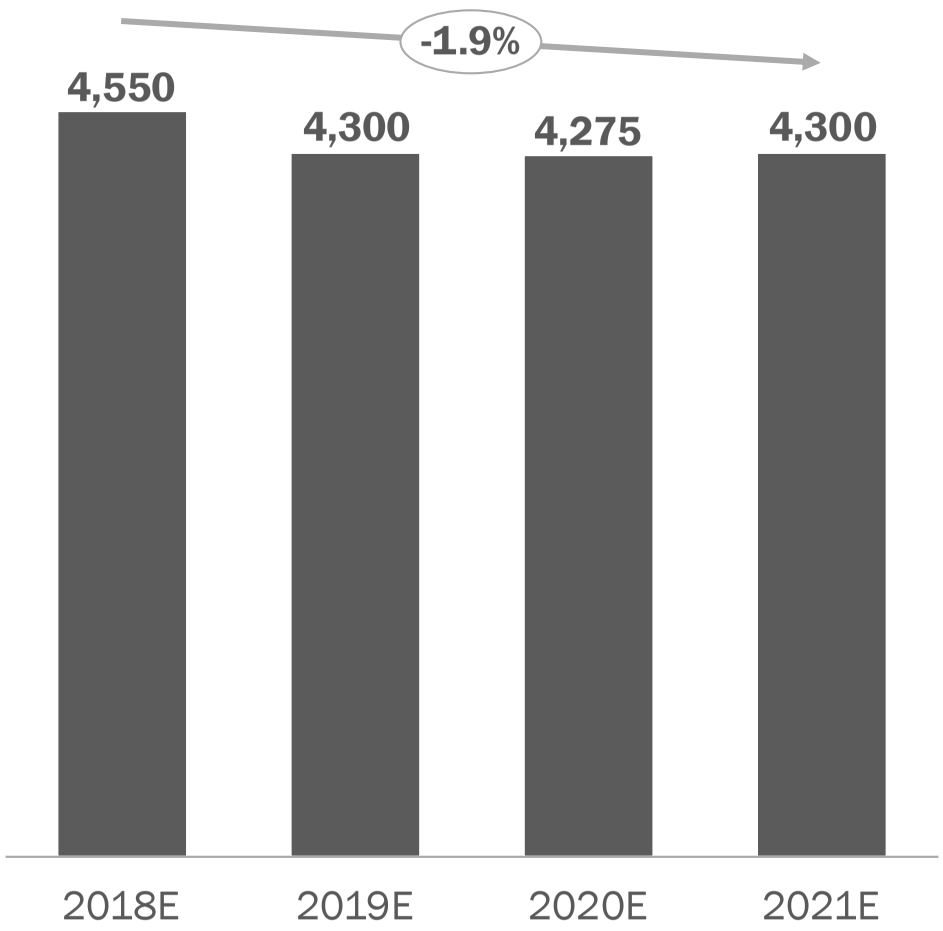
Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

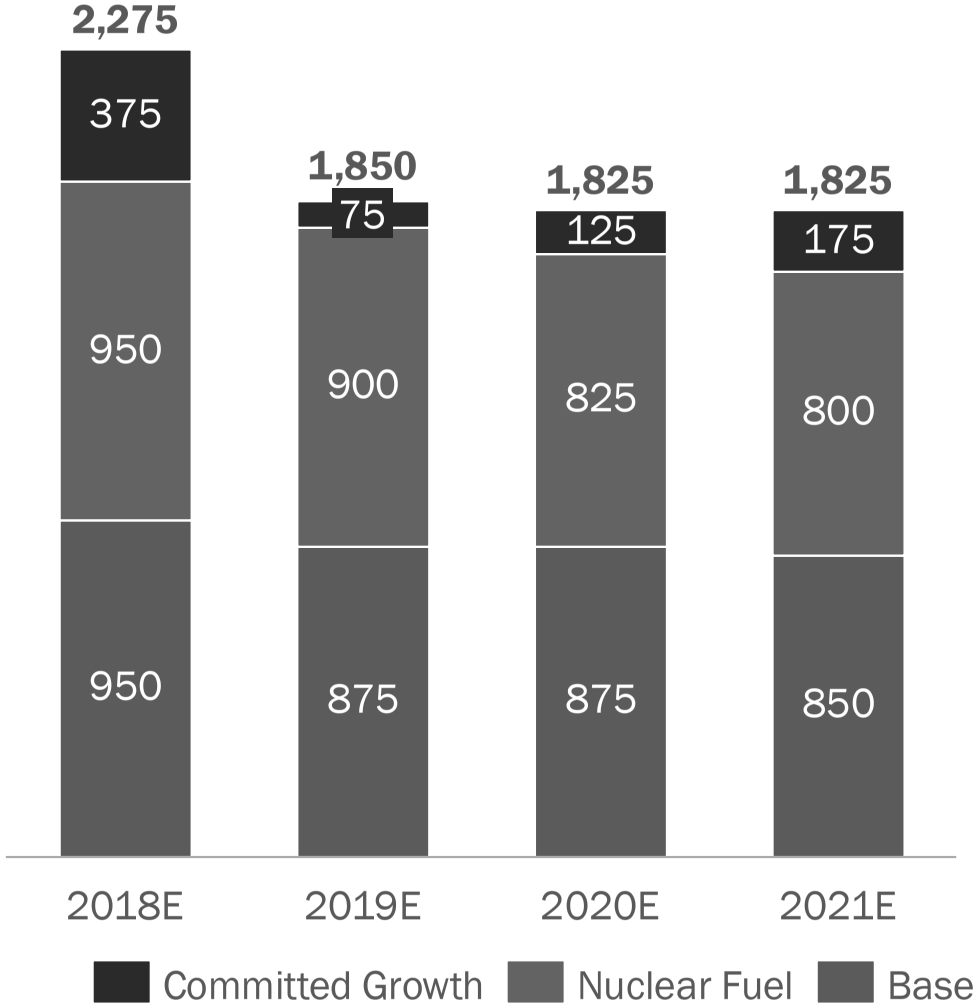
SI-SSA-0015-00332

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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SI-SSA-0015-00333

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00334

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-00335

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-00336

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-00337

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

SI-SSA-0015-00338

GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

SI-SSA-0015-00339

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-00340

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-00341

February / March 2018
Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-00345

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

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2018 Business Priorities and Commitments

Maintain industry leading operational excellence

Effectively deploy $5.4B of 2018 utility capex

Advance PJM power price formation changes in 2018

Prevail on legal challenges to the NY and IL ZEC programs

Seek fair compensation for at-risk plants in NJ and PA

Grow dividend at 5% rate

Continued commitment to corporate responsibility

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

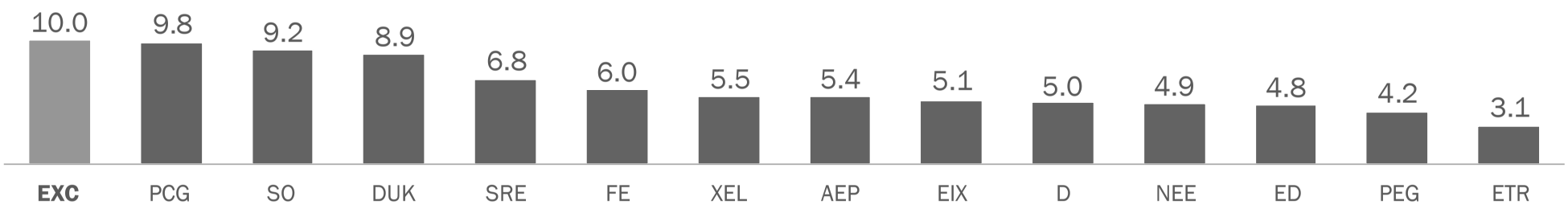
11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

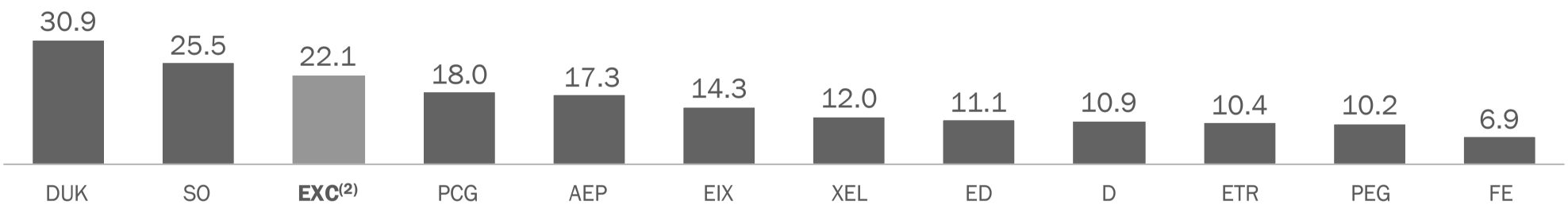
SI-SSA-0015-00350

Exelon Utilities are an Industry Leader

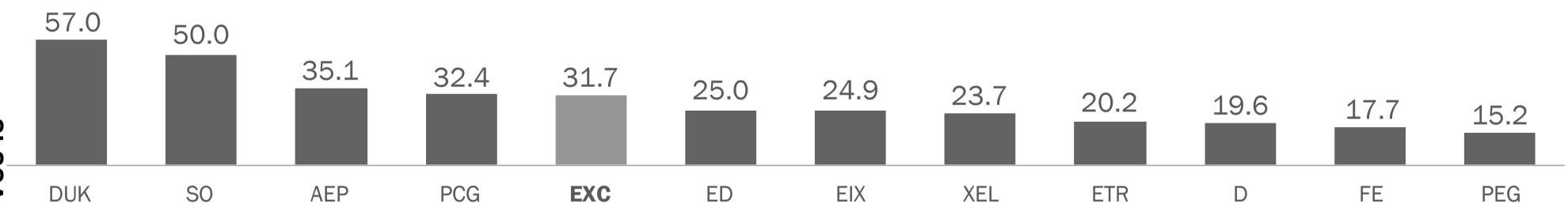
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

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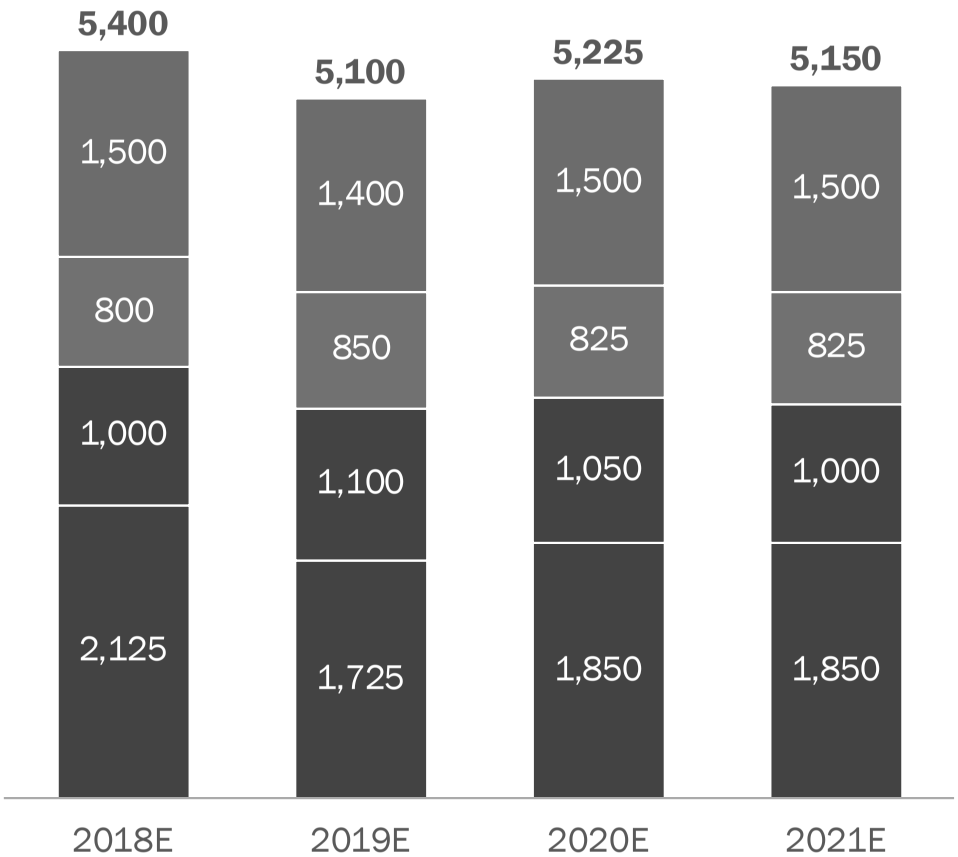
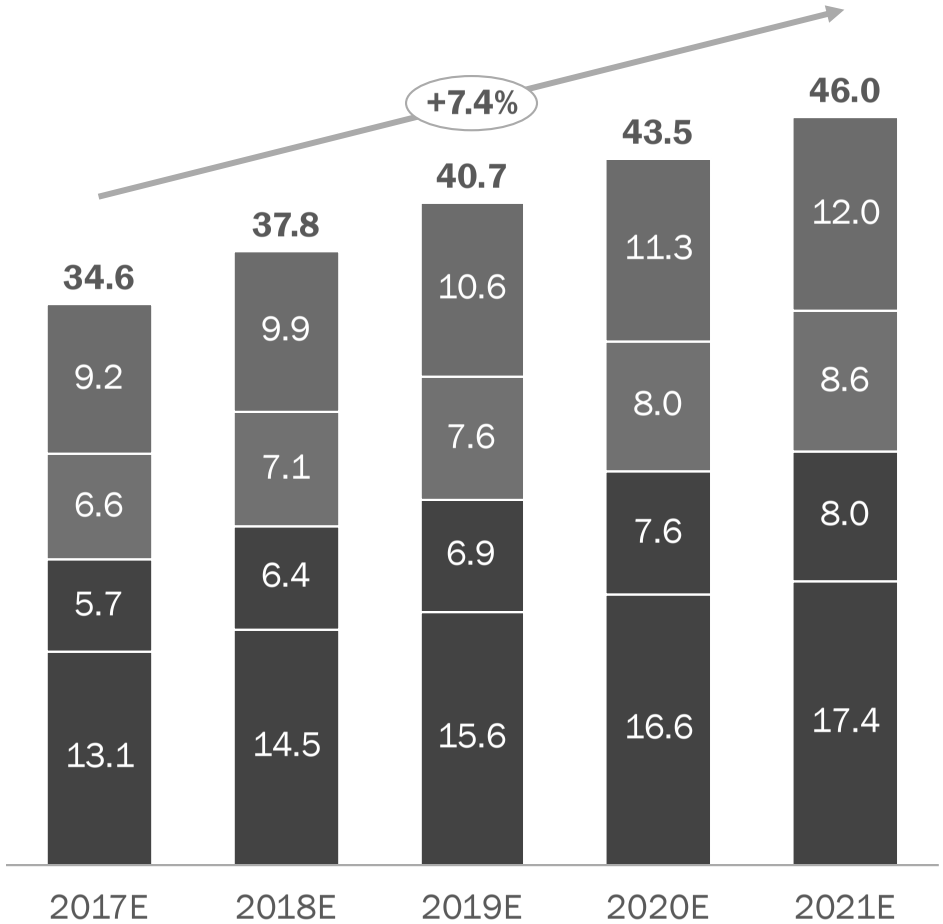
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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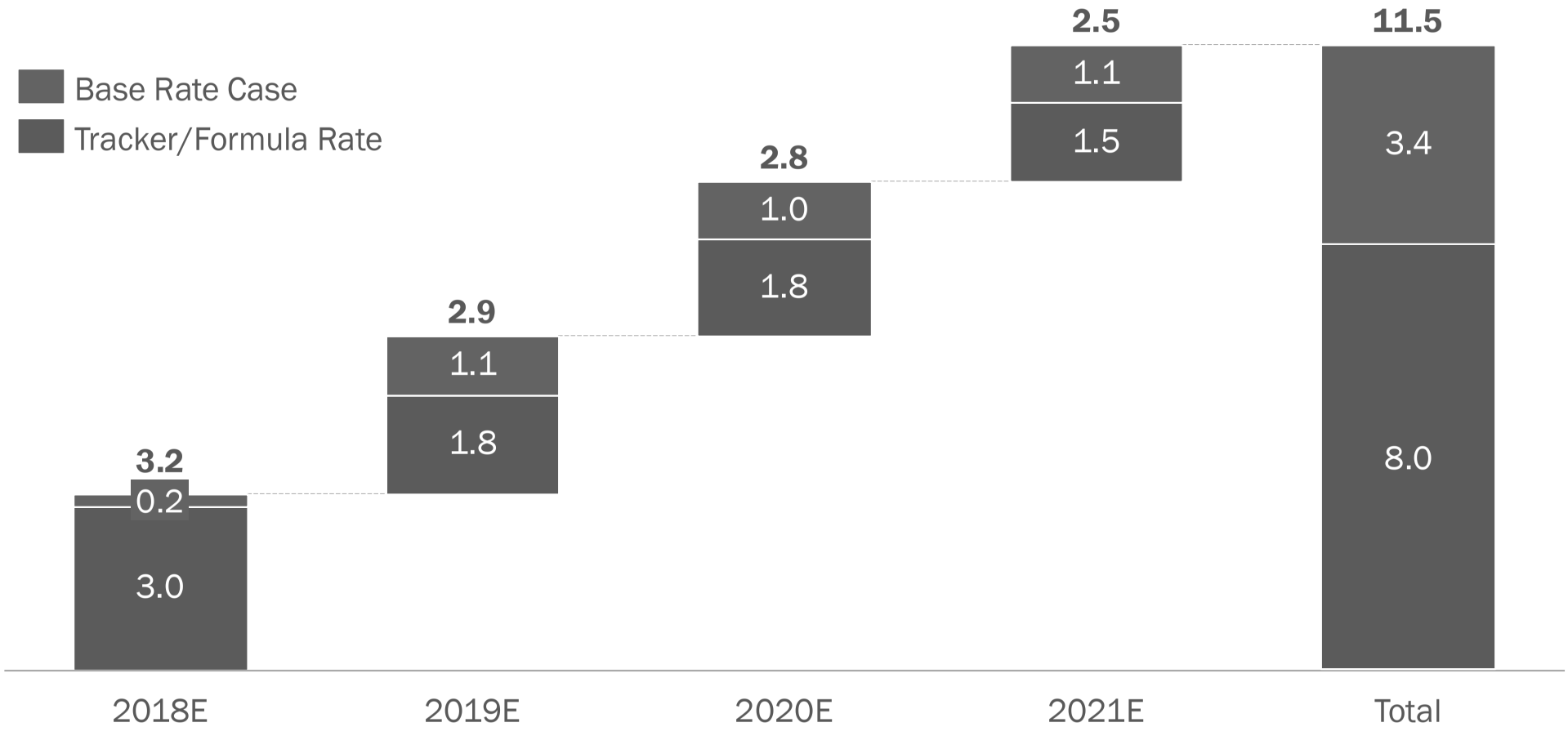
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[1]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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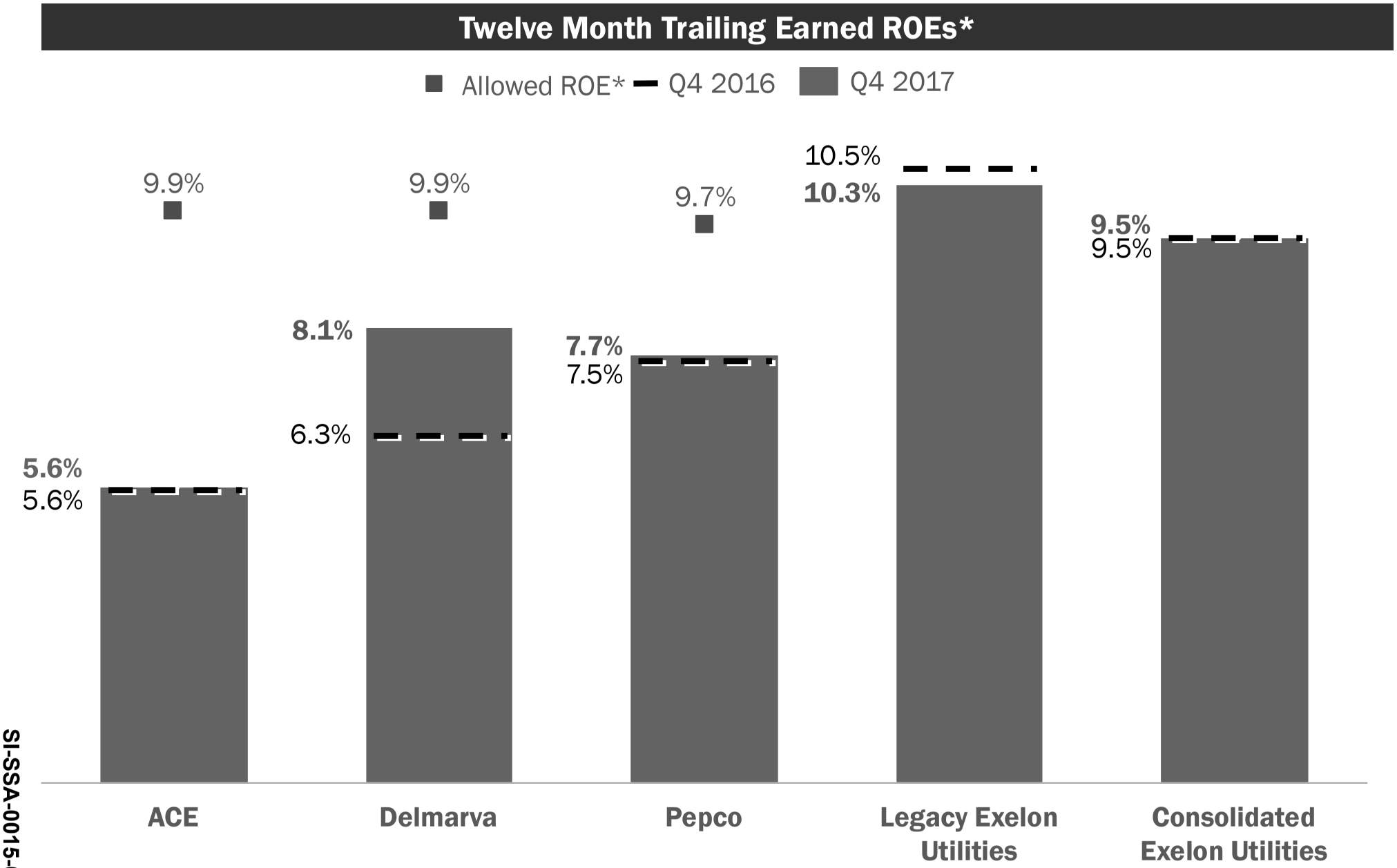
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

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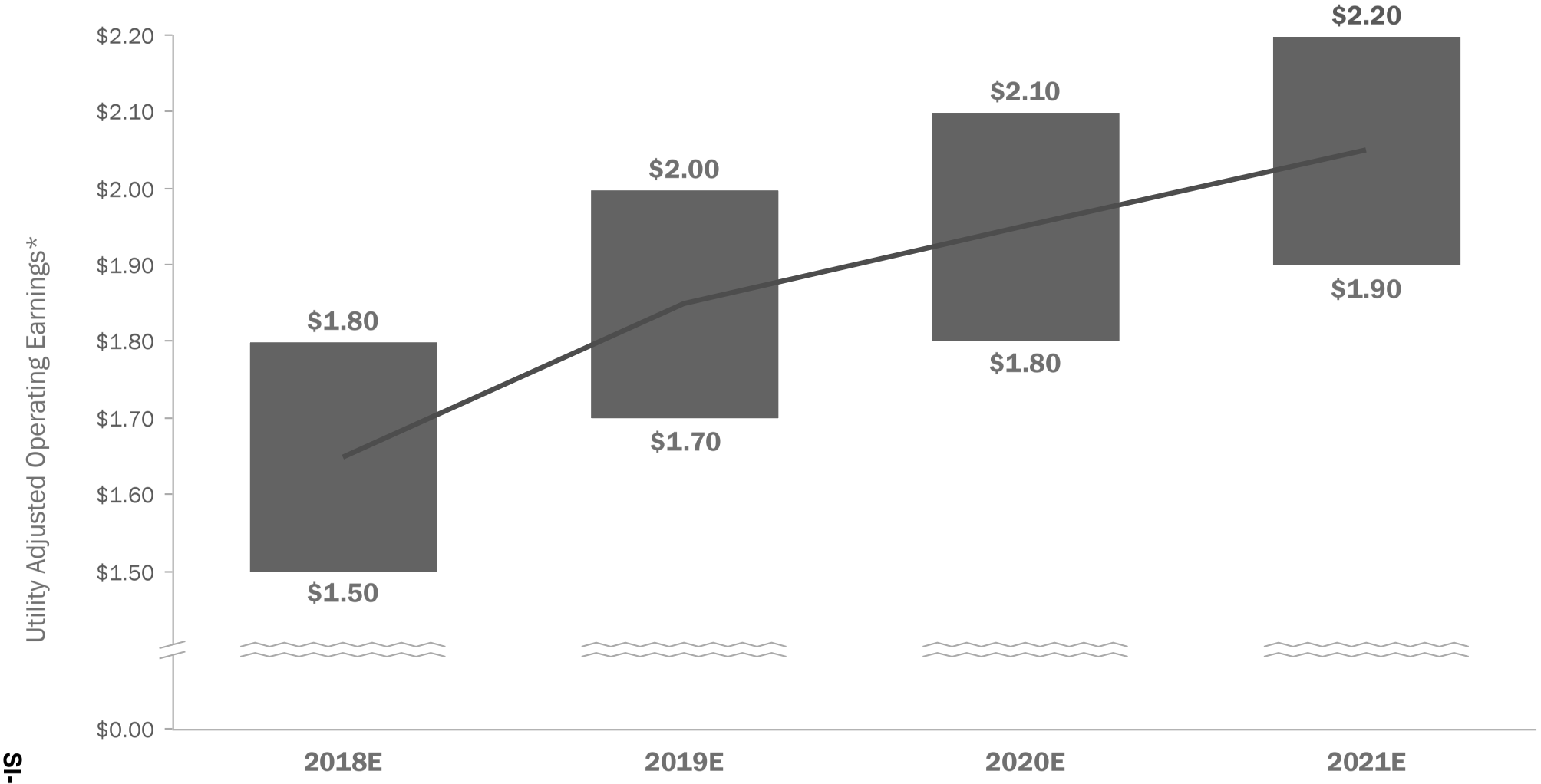
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon

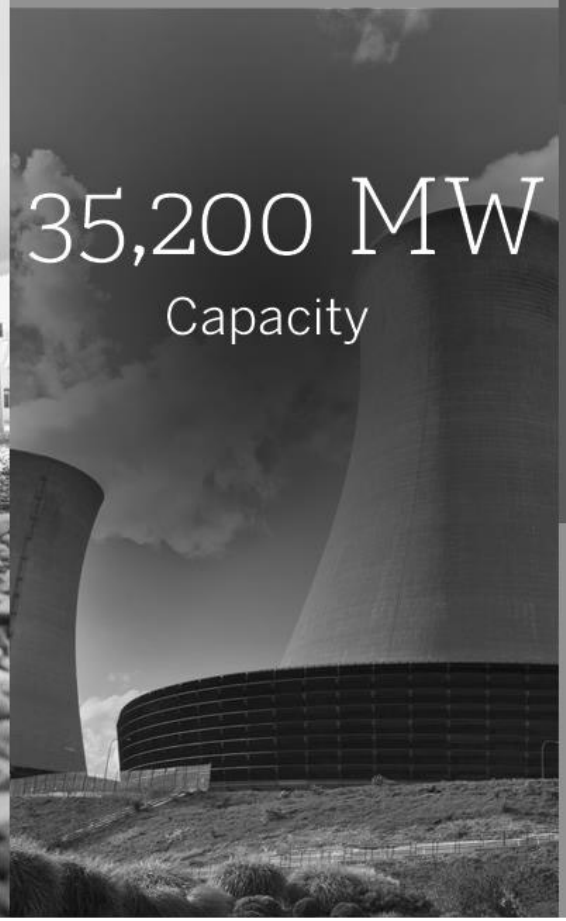
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-00358

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

Exelon.

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%(1)
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs(2)
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-00360

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon

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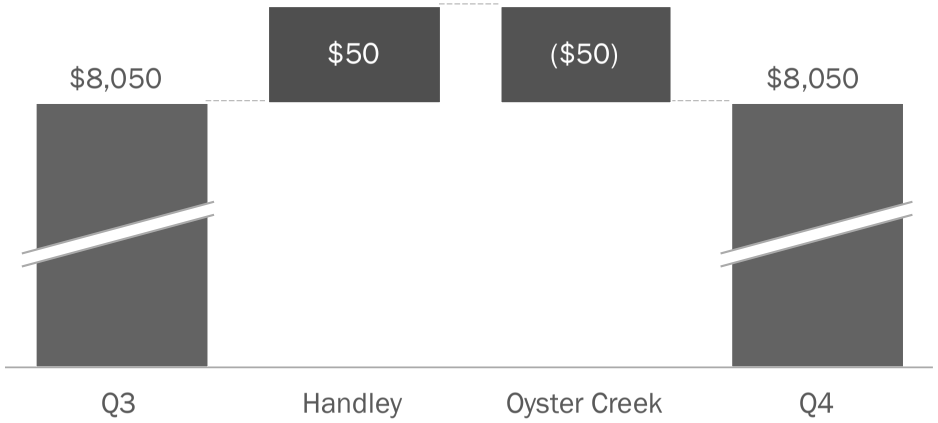
ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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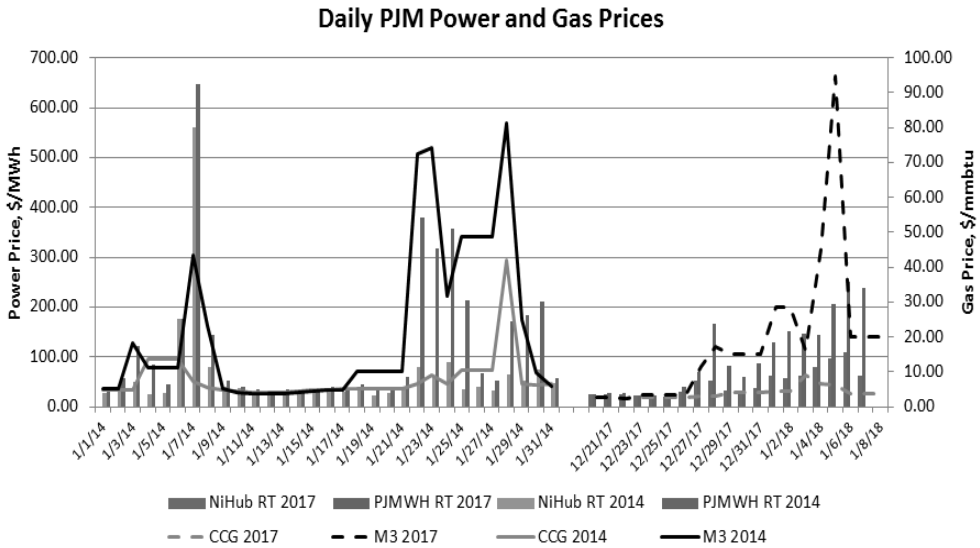
Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

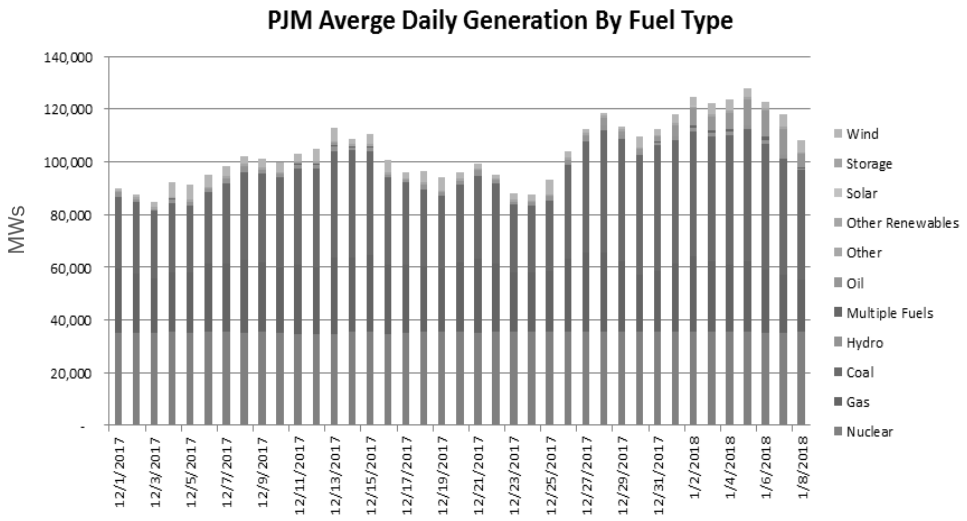


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

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Exelon

Exelon's Policy Priorities

SI-SSA-0015-00364

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-00365

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

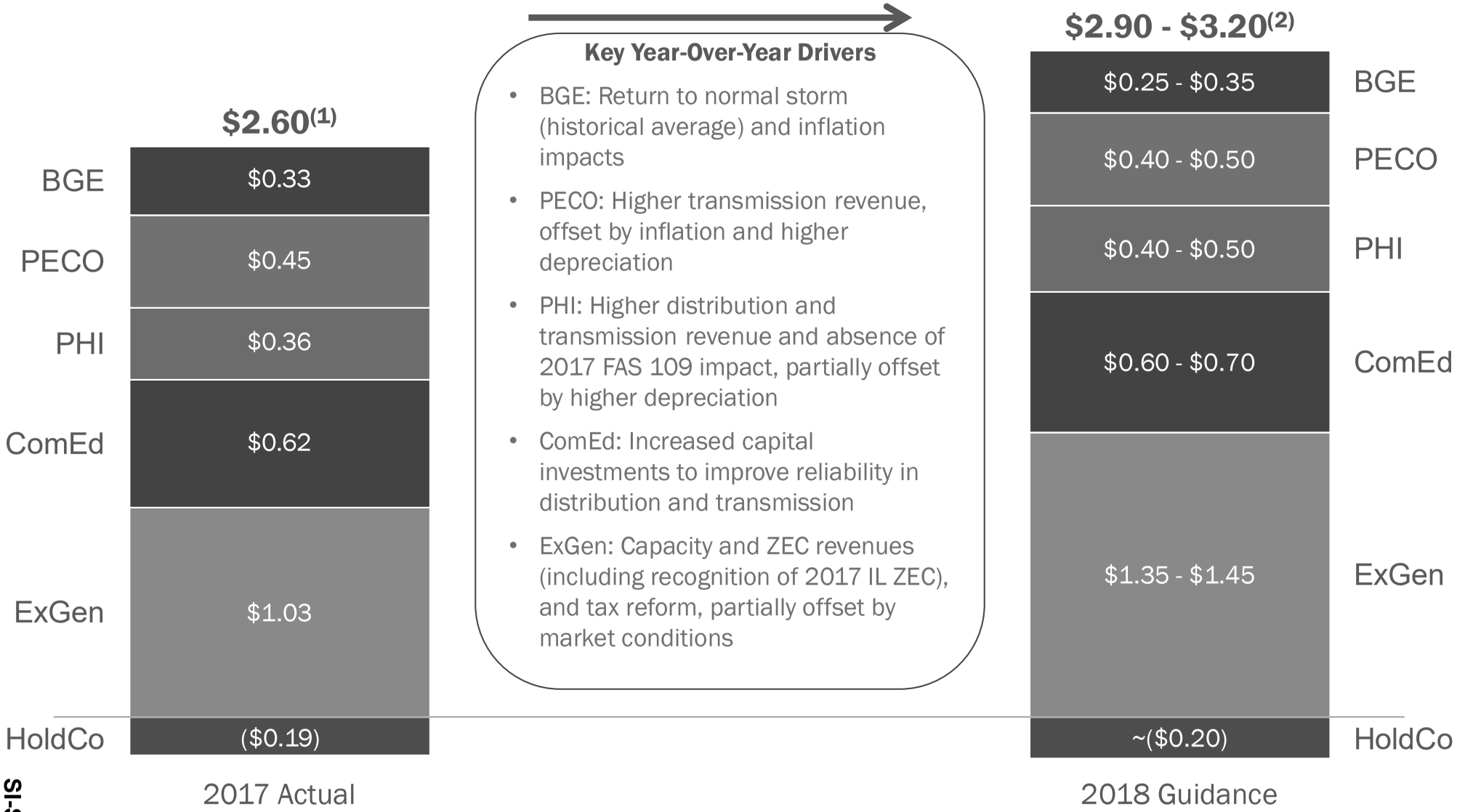
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-00366

Financial Overview

SI-SSA-0015-00367

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

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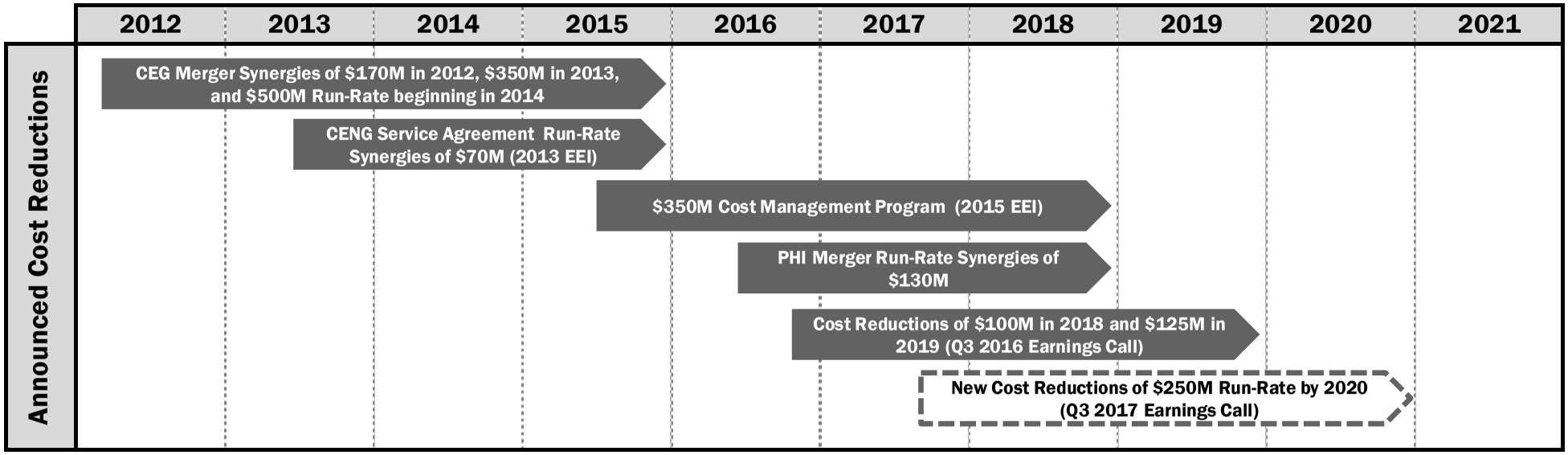
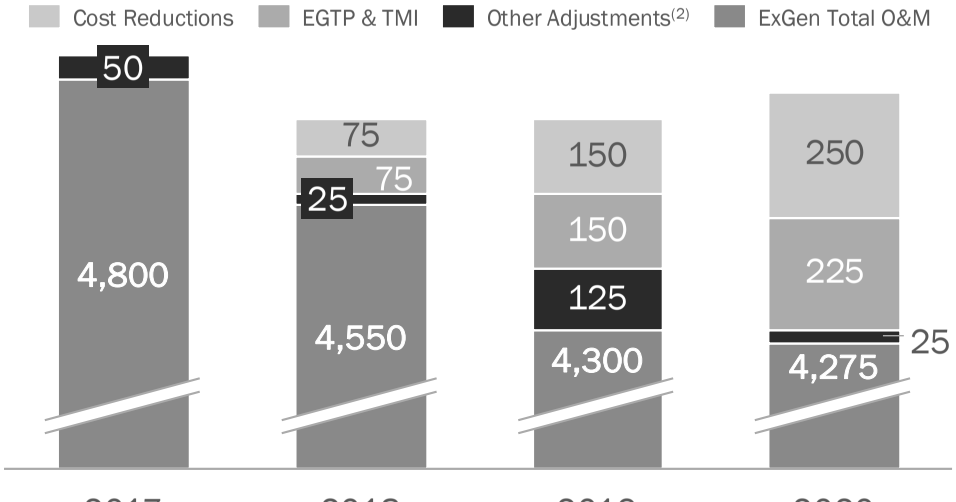
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

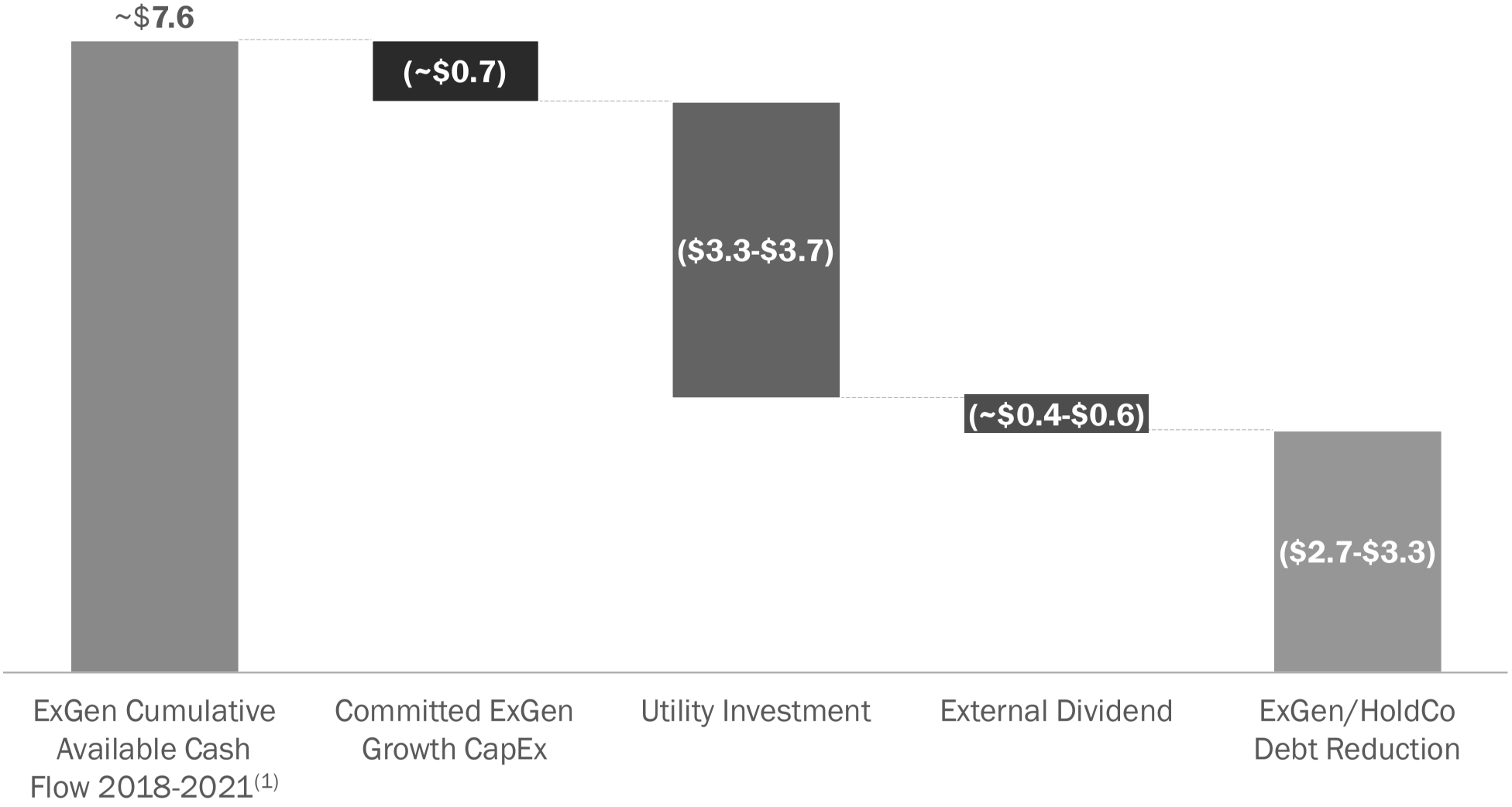
(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-00369

Exelon

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-00370

Exelon.

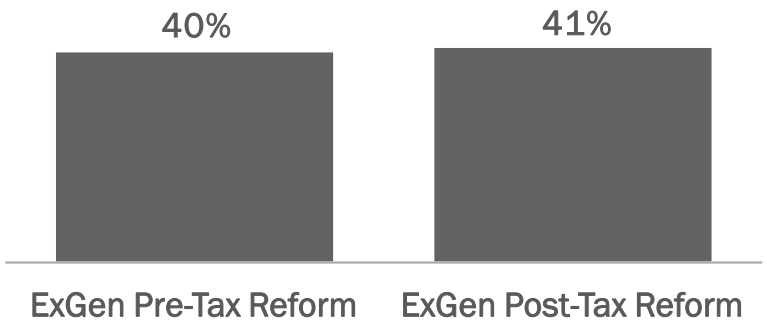
Impacts from Tax Reform

Tax Impacts	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

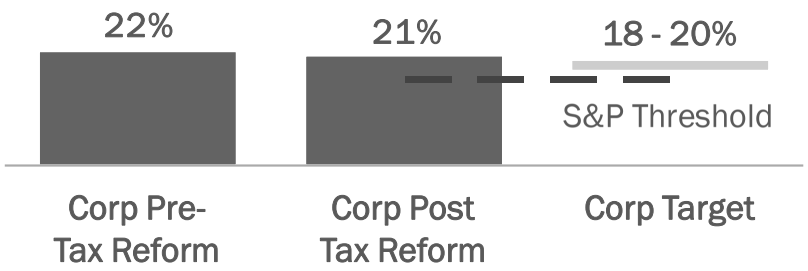
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

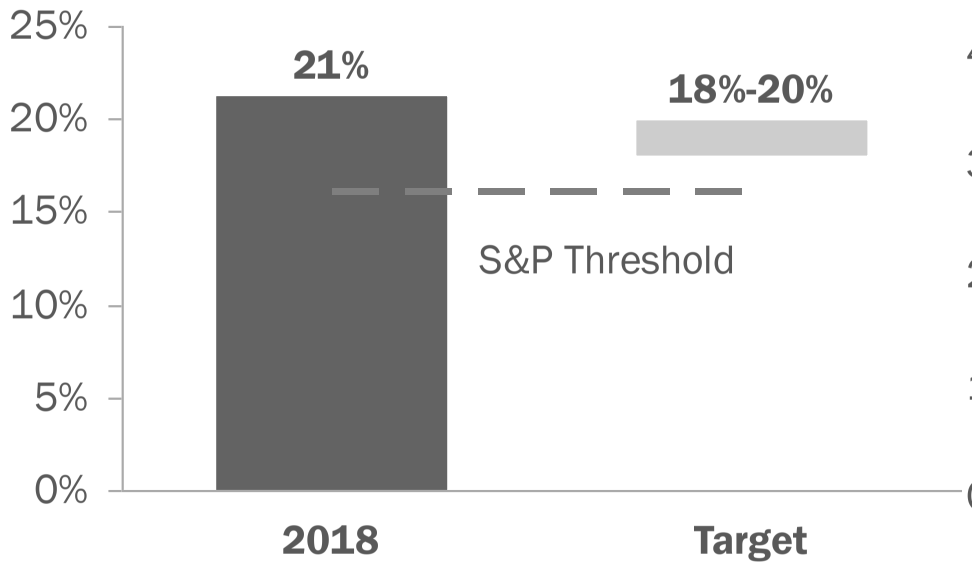
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

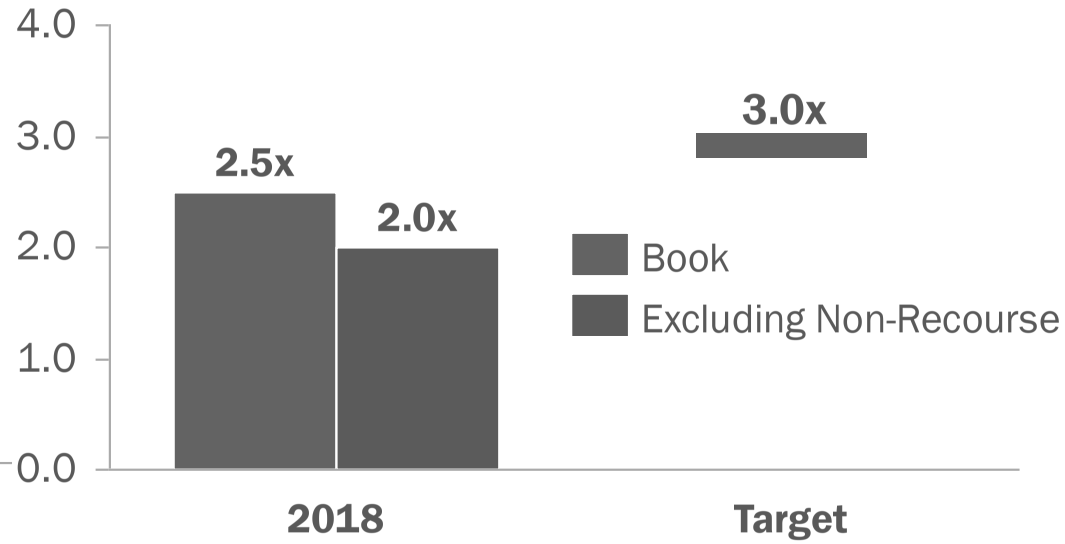
SI-SSA-0015-00371

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4)



ExGen Debt/EBITDA Ratio*(5)



Credit Ratings by Operating Company

Current Ratings (2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

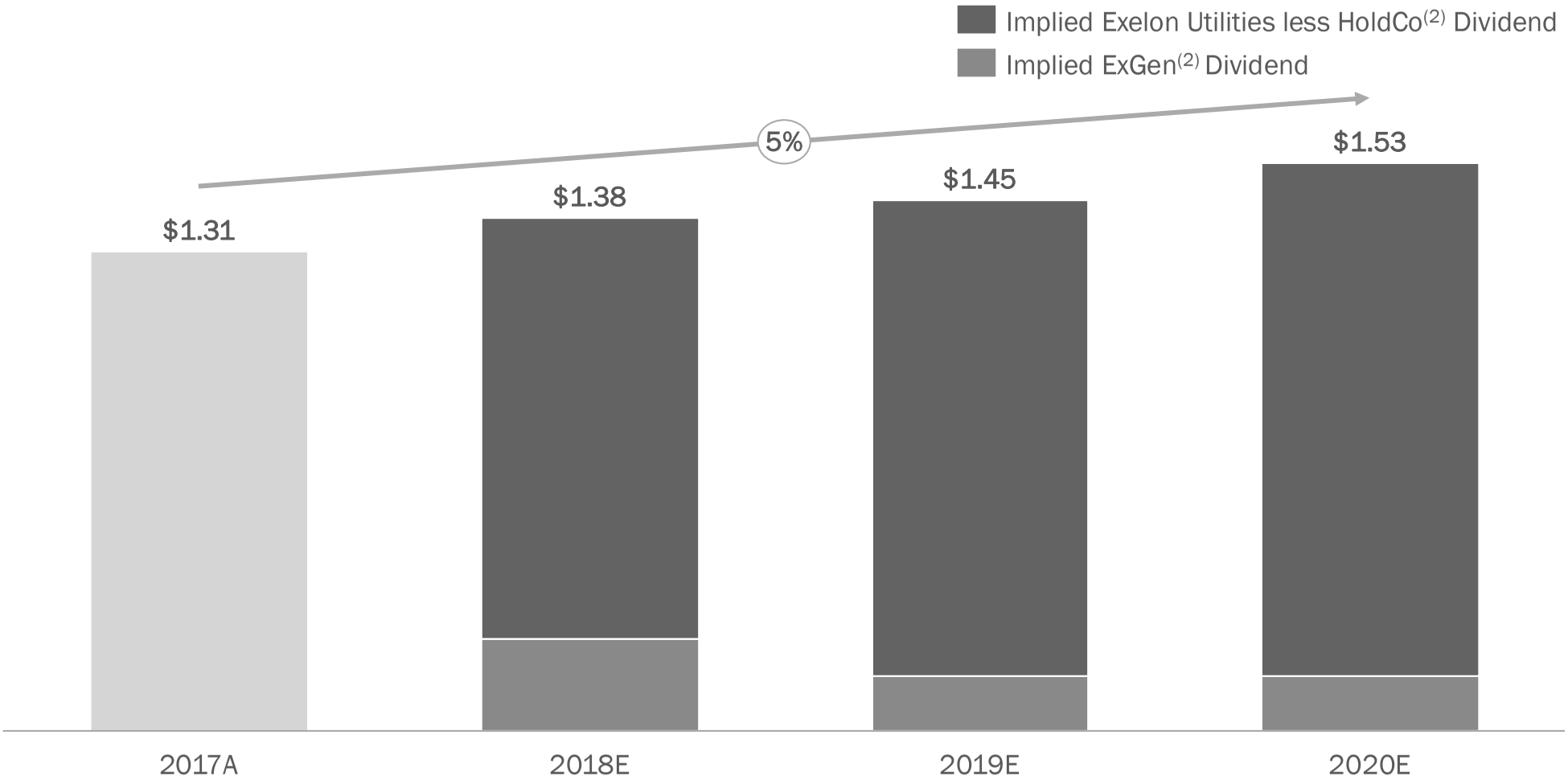
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon.

SI-SSA-0015-00372

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00373

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

Exelon

SI-SSA-0015-00374

Appendix

SI-SSA-0015-00375

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

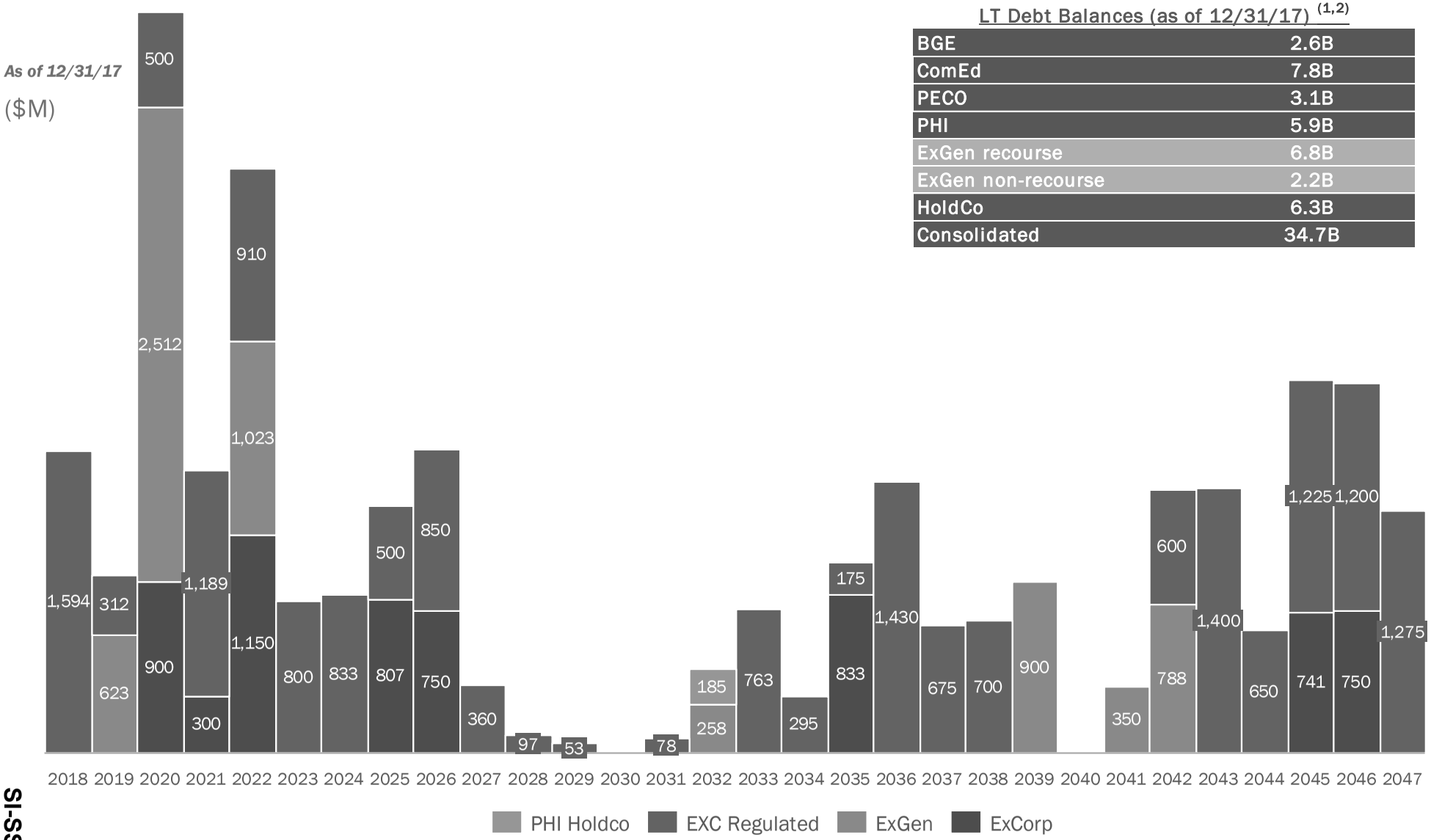
Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

SI-SSA-0015-00376

Exelon

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-00377

Exelon

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-00378

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018 and are not being updated at this time

SI-SSA-0015-00379

Portfolio Management Strategy

Strategic Policy Alignment

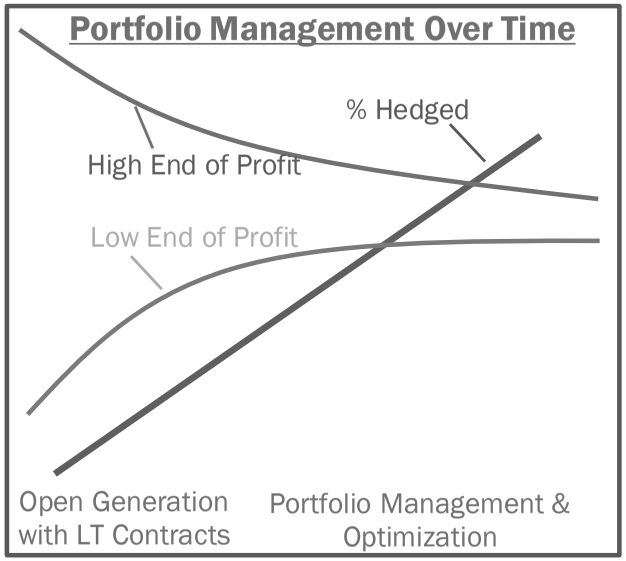
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

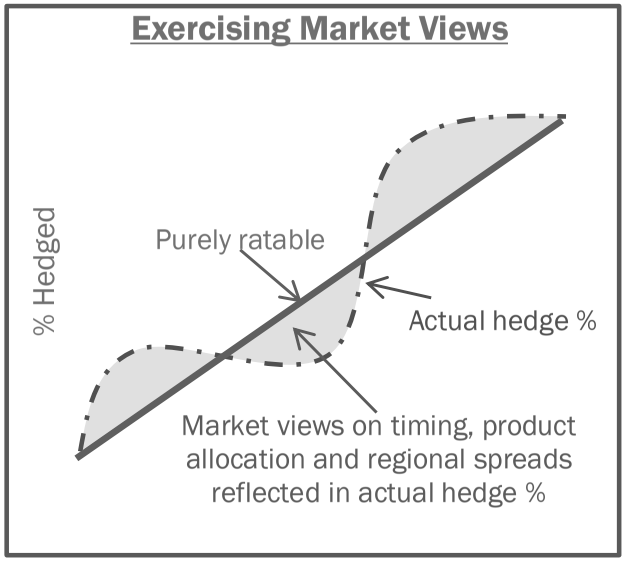
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00380

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00381

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00382

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00383

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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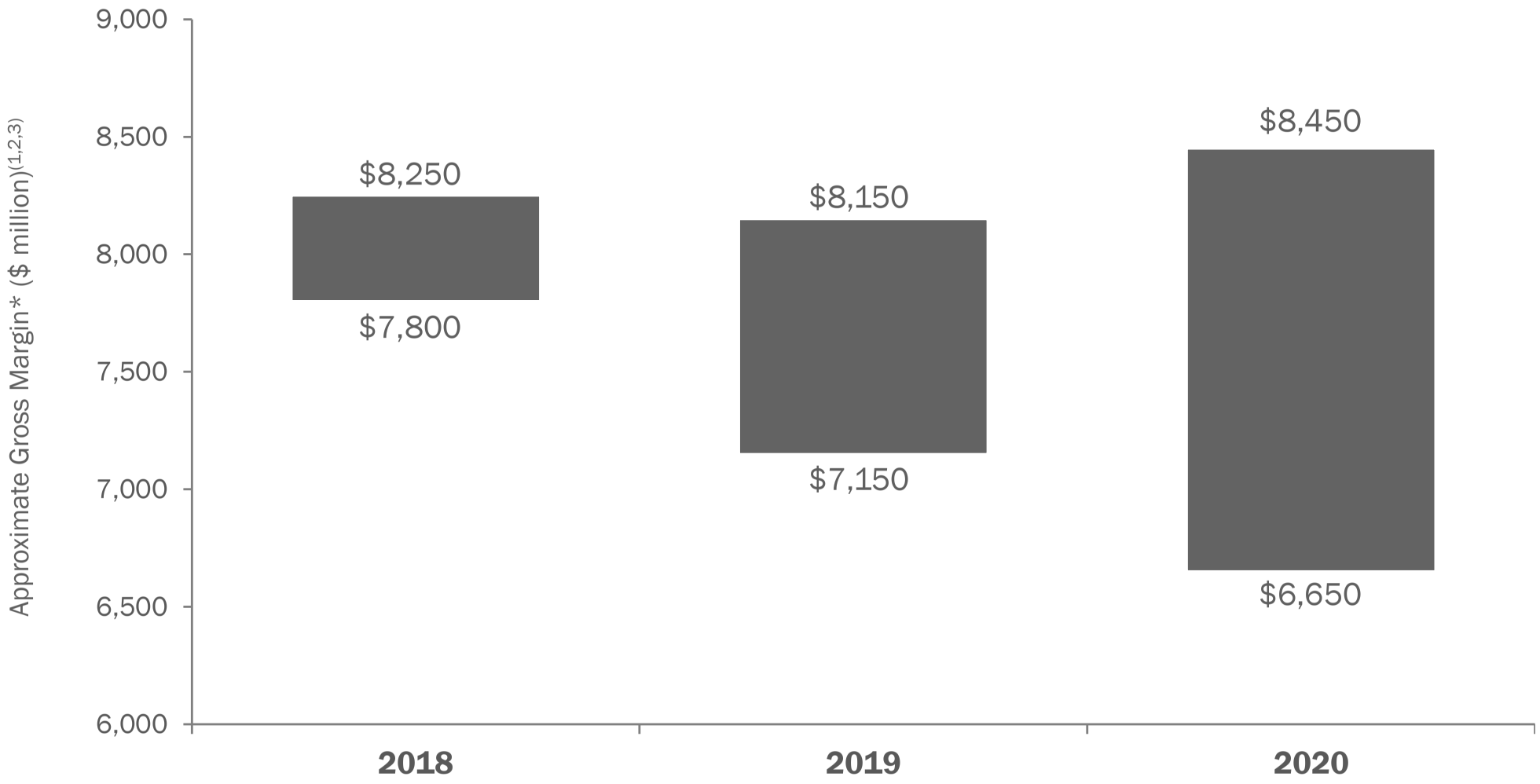
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00385

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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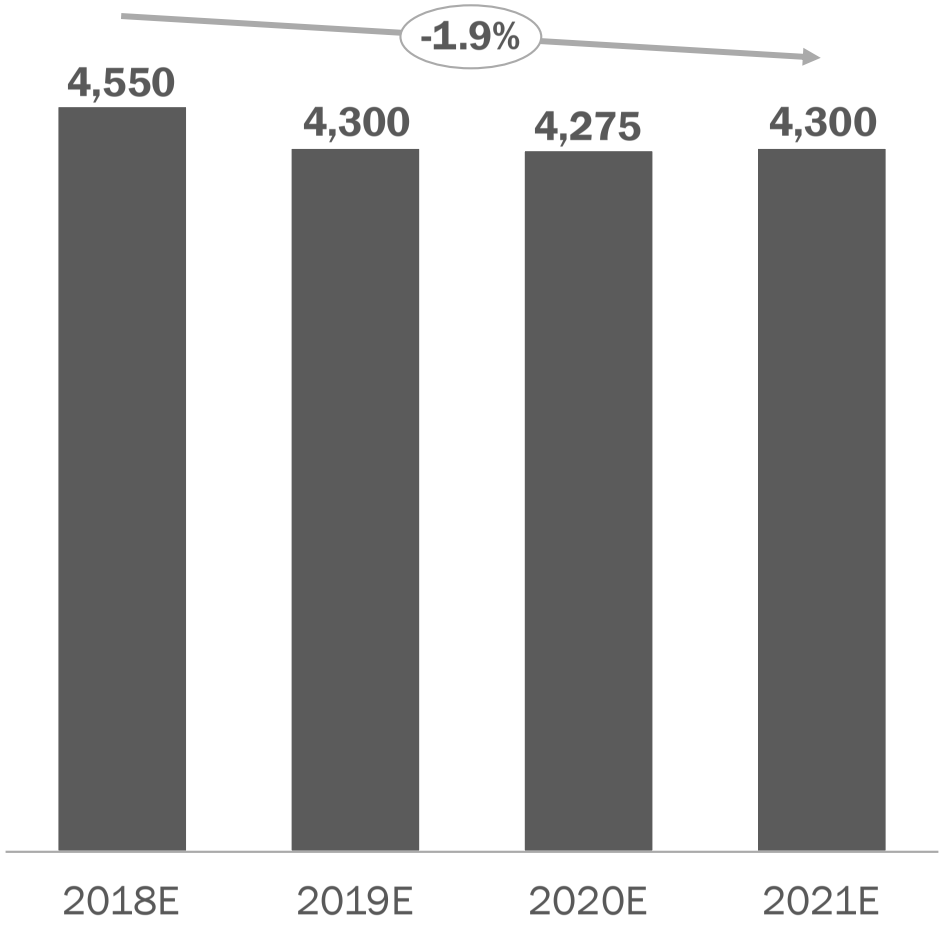
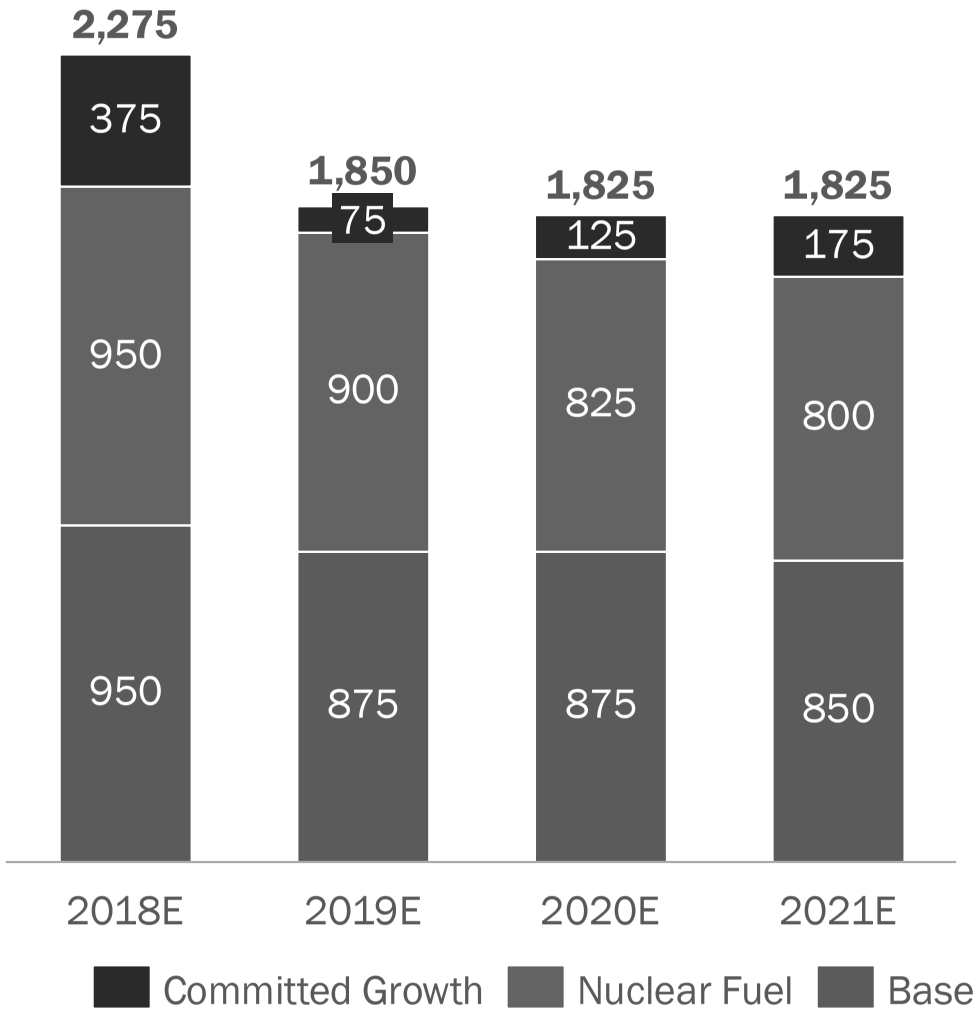
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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Appendix

Reconciliation of Non-GAAP Measures

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-00390

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-00395

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-00396

Earnings Conference Call
2nd Quarter 2015

July 29, 2015

Exelon

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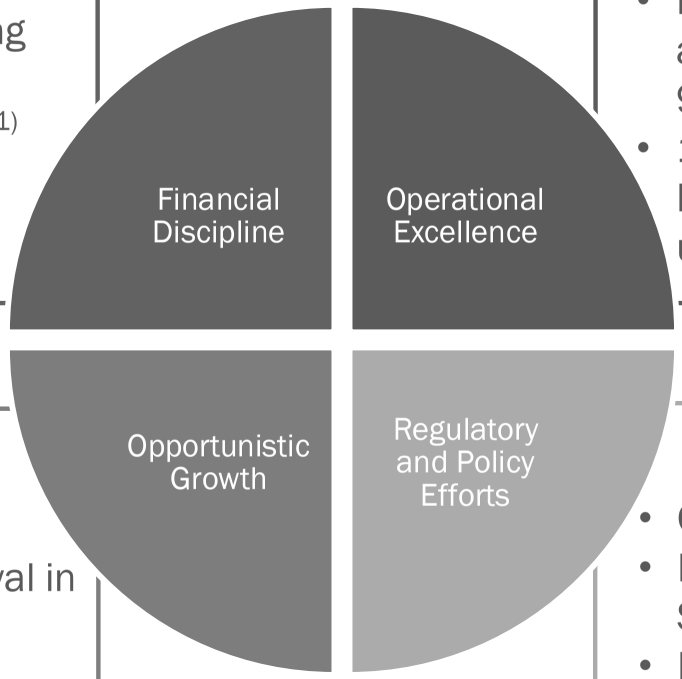
Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company and Exelon Generation Company, LLC (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2014 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22; (2) Exelon's Second Quarter 2015 Quarterly Report on Form 10-Q (to be filed on July 29, 2015) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 19; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00398

Q2 2015 in Review

- Delivered Q2 adjusted operating earnings of $0.59 per share, exceeding our guidance range[1]



- Nuclear capacity factor of 93.1%[2]
- Power dispatch match of 99.2% and renewables energy capture of 96.1%
- 1st quartile Customer Satisfaction Index (CSI) scores across all utilities

- Pepco Holdings Merger
  - Received regulatory approval in Maryland and Delaware

- Capacity Performance
- Illinois Low Carbon Portfolio Standard legislation
- EPA Clean Power Plan
- PECO and ComEd rate cases

Delivered another strong quarter of financial results and operational performance across the company

(1) Represents adjusted (non-GAAP) operating EPS. Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.
(2) Exelon operated plants at ownership, excluding Salem

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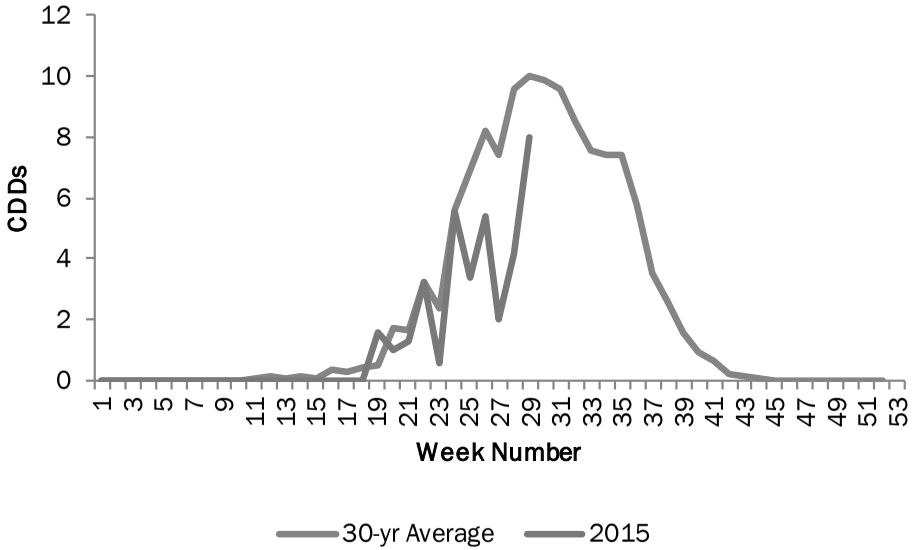
Forward Market Outlook

Q2 2015 Lower Volatility and Lower Prices

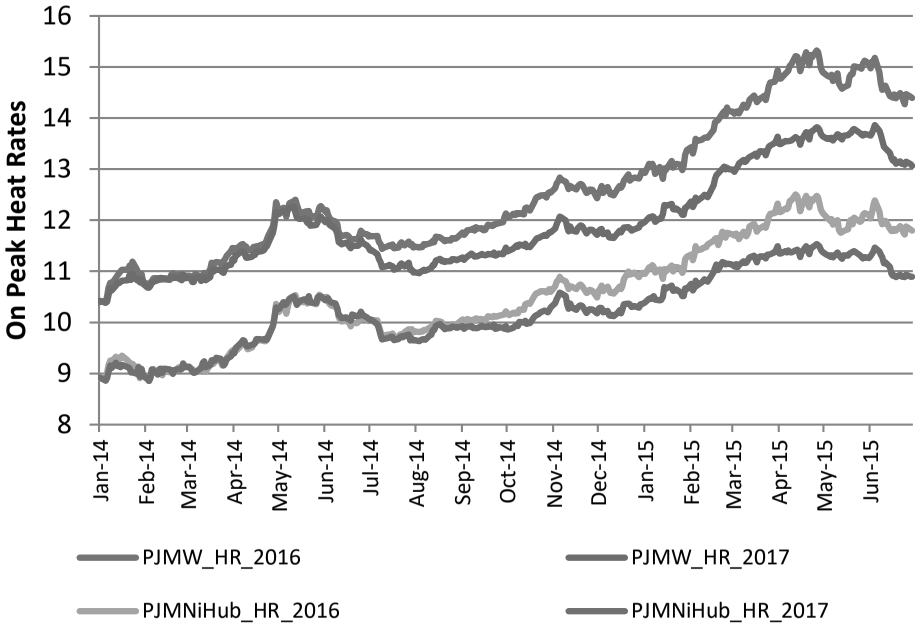
Spot Market Update

- The spot power market in 2015 has been less volatile compared to 2014
- Spot market conditions are driving weaker prices:
  - **Cooling degree days** this summer have been below the 30-year average in Chicago and near normal on the East Coast
  - **NYMEX gas prices** averaged $2.72 in Q2 2015, while gas prices in Q2 2014 averaged $4.64, a $1.92 MMBtu difference year over year
  - **TETCo M3 basis prices** continue to stay weak with Q2 2015 averaging a $1.05 discount to NYMEX

Cooling Degree Days - Chicago



Forward Markets Reacted To Spot Prices



Impacts on Forward Markets

- While forward natural gas prices stayed relatively flat during the quarter, we saw a significant decrease in power prices and subsequently heat rates in 2016 and 2017
- The lack of liquidity in the forward power markets has exacerbated the drops in forward power prices and heat rates

Cool weather in the Midwest has pressured power prices across the region. Our fundamental view is that gas and power prices will be stronger in the forward years.

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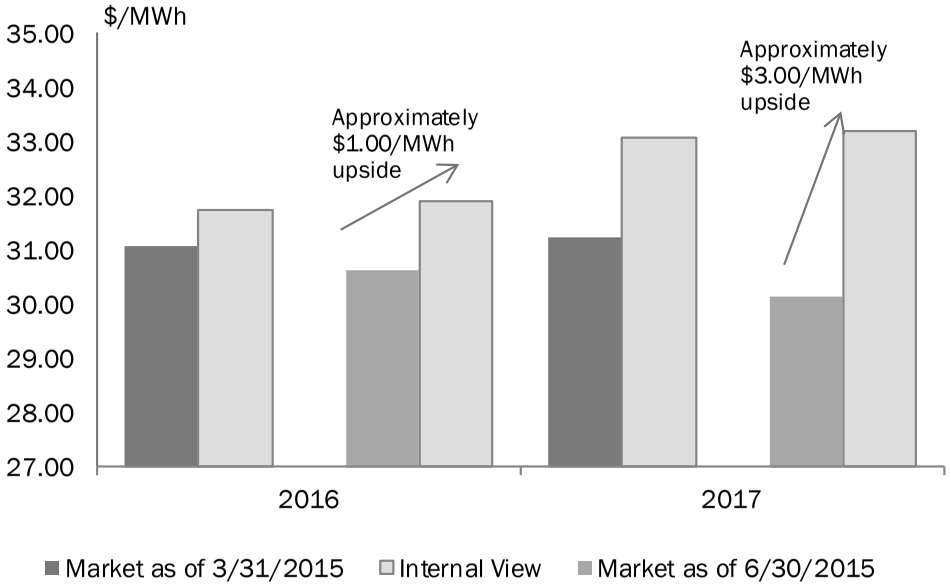
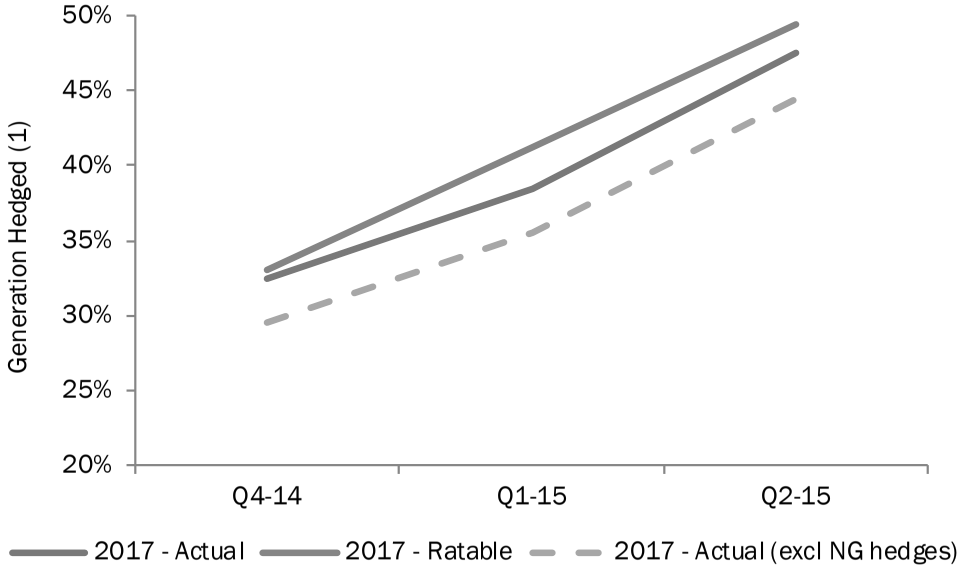
Forward Markets and Hedging Activity

NiHub Market versus Fundamental View



- Our fundamental view remains relatively unchanged
- We expect further upside in NiHub forward market based on our fundamental forecast given current natural gas prices, expected retirements, new generation resources, and load assumptions

2017: Maintaining a More Open Position(1)



- We align our hedging strategies with our fundamental views by leaving portfolio exposure to power price upside
- We have left a significant amount of our portfolio open to moves in the power market, when considering our behind ratable and cross commodity strategies
  - Generation 54-56% open in 2017
  - 7-8% behind ratable

We are deploying a behind ratable strategy and a cross–commodity position to broaden exposure to power upside

(1) Mid-point of disclosed total portfolio hedge % range was used

Exelon.

SI-SSA-0015-00401

Exelon Generation: Gross Margin Update

	June 30, 2015			Change from Mar 31, 2015		
Gross Margin Category ($M) [1]	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$5,250	$5,700	$5,750	$(350)	$(200)	$(300)
Mark-to-Market of Hedges[3,4]	$1,850	$900	$500	$550	$300	$150
Power New Business / To Go	$100	$450	$900	$(150)	$(50)	$100
Non-Power Margins Executed	$350	$200	$100	$50	$50	$50
Non-Power New Business / To Go	$100	$250	$350	$(50)	$(50)	$(50)
Total Gross Margin[2]	**$7,650**	**$7,500**	**$7,600**	**$50**	**$50**	**$(50)**

Recent Developments

- Load serving business had a strong quarter driven by our generation to load matching strategy
- Power prices declined, natural gas prices were relatively flat, and heat rates contracted during the quarter
- Behind ratable reflecting the fundamental upside we see in power prices in 2016 and 2017

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 29 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages

SI-SSA-0015-00402

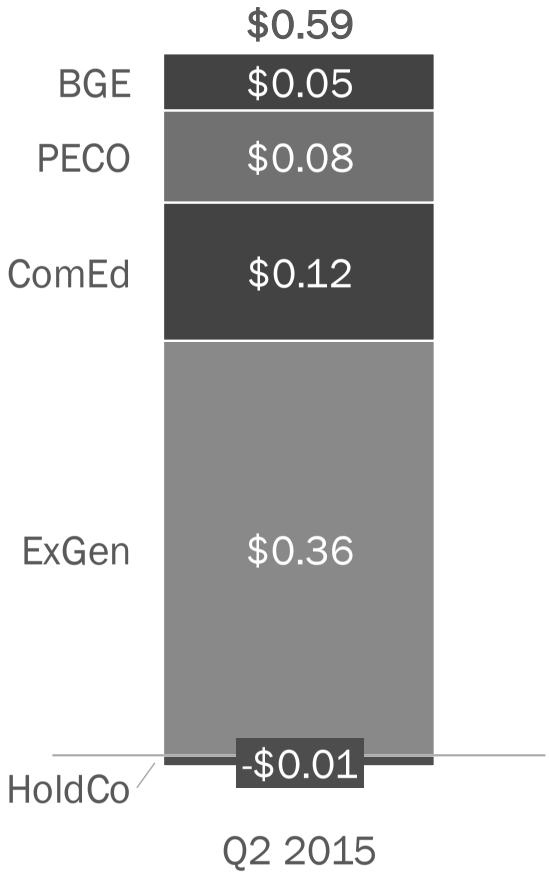
Key Financial Messages

- Delivered adjusted (non-GAAP) operating earnings in Q2 of $0.59/share exceeding our guidance range of $0.45-$0.55/share

- Utilities
  - ⬆ Increased distribution revenues
  - ⬆ Lower uncollectible expense at BGE
  - ⬌ Net neutral weather impacts

- ExGen
  - ⬆ Lower costs to serve load
  - ⬆ Strong portfolio management

Adjusted Operating EPS Results (1,2)



Expect Q3 2015 earnings of $0.65 - $0.75/share and narrowing full-year guidance range from $2.25 - $2.55/share to $2.35 - $2.55/share(3,4)

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding
(3) ComEd ROE based on 30 Year average Treasury yield of 2.94% as of 6/30/15. 25 basis point move in 30 Year Treasury Rate equates to +/-$0.01 impact to EPS.
(4) 2015 earnings guidance based on expected average outstanding shares of ~892M. Refer to Appendix for a reconciliation of adjusted non-GAAP operating EPS guidance to GAAP EPS.

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SI-SSA-0015-00403

2015 Projected Sources and Uses of Cash

($ in millions) [1]	BGE	ComEd	PECO	Total Utilities	ExGen	Corp[6]	Exelon 2015E	Cash Balance
Beginning Cash Balance[2]								**3,575**
Adjusted Cash Flow from Operations[3]	600	2,000	675	3,300	3,275	25	6,600	
Base CapEx and Nuclear Fuel	0	0	0	0	(2,375)	(50)	(2,450)	
Free Cash Flow	**600**	**2,000**	**675**	**3,300**	**900**	**(25)**	**4,175**	
Net Financing (excluding items below)	(75)	500	350	775	200	3,400	4,375	
Project Financing	n/a	n/a	n/a	n/a	(50)	n/a	(50)	
Equity Issuance	0	0	0	0	0	1,875	1,875	
Contribution from Parent	0	100	0	100	0	(100)	0	
Other Financing[4]	300	75	0	350	1,125	300	1,800	
Financing	**225**	**675**	**350**	**1,225**	**1,275**	**5,475**	**7,975**	
Total Free Cash Flow and Financing Growth	**825**	**2,675**	**1,025**	**4,525**	**2,175**	**5,425**	**12,150**	
Utility Investment	(700)	(2,400)	(600)	(3,700)	0	0	(3,700)	
ExGen Growth	0	0	0	0	(1,050)	0	(1,050)	
Dividend[5]							(1,100)	
Other CapEx and Dividend	**(700)**	**(2,400)**	**(600)**	**(3,700)**	**(1,050)**	**0**	**(5,850)**	
Total Cash Flow	**125**	**275**	**450**	**825**	**1,125**	**5,425**	**6,300**	
Ending Cash Balance[2]								**9,850**

(1) All amounts rounded to the nearest $25M.

(2) Excludes counterparty collateral activity.

(3) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures at ownership.

(4) Other Financing primarily includes expected changes in short-term debt and tax-exempt bond issuance at ExGen.

(5) Dividends are subject to declaration by the Board of Directors.

(6) Includes cash flow activity from Holding Company, eliminations, and other corporate entities.

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating ~$4B of free cash flow in 2015, including $0.9B at ExGen and $3.3B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ Completed financing for PHI Acquisition including:
  - $4.2B Long-term debt issuance
  - $1.9B Equity issuance
- ✓ HoldCo: Retired $0.8B LTD note at maturity in June

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $4.7B, with $3.7B at the Utilities and $1B at ExGen

SI-SSA-0015-00404

Exelon

Exelon Generation Disclosures

June 30, 2015

SI-SSA-0015-00405

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Portfolio Management Strategy

Strategic Policy Alignment

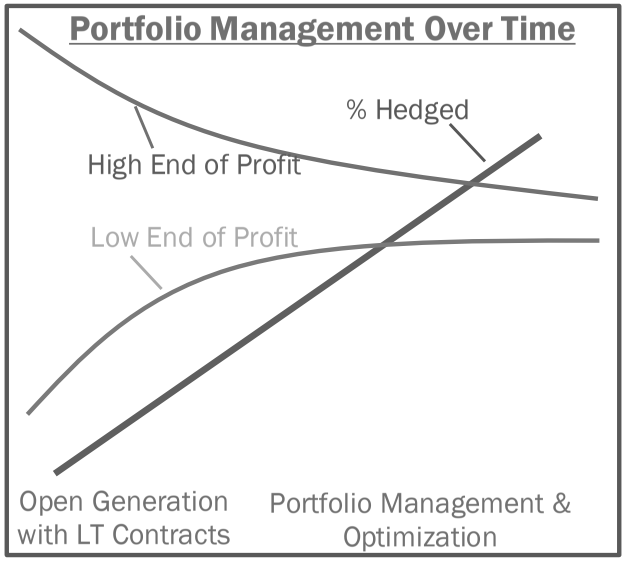
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

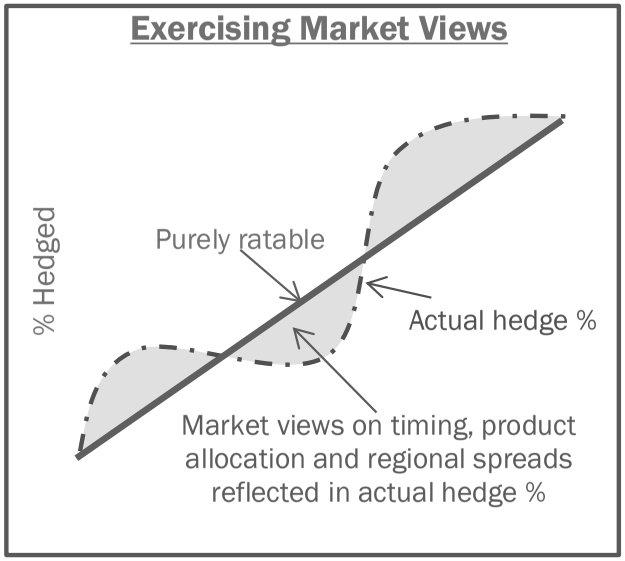
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-00406

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Exploration and Production(4)
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada(1))

MtM of Hedges(2)

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Load Response
- Energy Efficiency(4)
- BGE Home(4)
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency(4)
- BGE Home(4)
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading(3)

Margins move from new business to MtM of hedges over the course of the year as sales are executed(5)

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

Exelon.

SI-SSA-0015-00407

ExGen Disclosures

Gross Margin Category ($M)[1]	2015	2016	2017
Open Gross Margin (including South, West & Canada hedged GM)[3]	$5,250	$5,700	$5,750
Mark-to-Market of Hedges[3,4]	$1,850	$900	$500
Power New Business / To Go	$100	$450	$900
Non-Power Margins Executed	$350	$200	$100
Non-Power New Business / To Go	$100	$250	$350
Total Gross Margin[2]	**$7,650**	**$7,500**	**$7,600**

Reference Prices[5]	2015	2016	2017
Henry Hub Natural Gas ($/MMbtu)	$2.86	$3.17	$3.36
Midwest: NiHub ATC prices ($/MWh)	$28.75	$30.65	$30.17
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$37.89	$38.27	$36.99
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$3.43	$3.82	$4.06
New York: NY Zone A ($/MWh)	$33.12	$34.03	$33.52
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.85	$8.77	$9.87

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 29 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(5) Based on June 30, 2015 market conditions

SI-SSA-0015-00408

Exelon.

ExGen Disclosures

Generation and Hedges	2015	2016	2017
Exp. Gen (GWh) (1)	**190,300**	**198,500**	**204,200**
Midwest	96,500	97,300	95,900
Mid-Atlantic (2)	61,700	63,000	61,000
ERCOT	12,700	16,300	25,300
New York (2)	9,300	9,300	9,300
New England	10,100	12,600	12,700
% of Expected Generation Hedged (3)	**98%-101%**	**77%-80%**	**46%-49%**
Midwest	97%-100%	72%-75%	38%-41%
Mid-Atlantic (2)	100%-103%	82%-85%	55%-58%
ERCOT	99%-102%	93%-96%	60%-63%
New York (2)	94%-97%	76%-79%	48%-51%
New England	99%-102%	67%-70%	28%-31%
Effective Realized Energy Price ($/MWh) (4)			
Midwest	$35.00	$34.00	$34.00
Mid-Atlantic (2)	$49.50	$45.50	$44.50
ERCOT(5)	$19.50	$10.00	$7.00
New York (2)	$46.50	$41.50	$39.00
New England (5)	$32.50	$19.00	$17.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2015, 12 in 2016, and 15 in 2017 at Exelon-operated nuclear plants, and Salem. Expected generation assumes capacity factors of 93.3%, 94.1% and 93.4% in 2015 , 2016 and 2017 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2016 and 2017 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years. (2) Excludes EDF's equity ownership share of CENG Joint Venture. (3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps. (4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges. (5) Spark spreads shown for ERCOT and New England.

SI-SSA-0015-00409

ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2015	2016	2017
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$(80)	$140	$400
- $1/Mmbtu	$90	$(135)	$(385)
NiHub ATC Energy Price			
+ $5/MWh	-	$135	$305
- $5/MWh	-	$(135)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$145
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$5	$20
- $5/MWh	-	$(10)	$(20)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $45	+/- $40

(1) Based on June 30, 2015 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture

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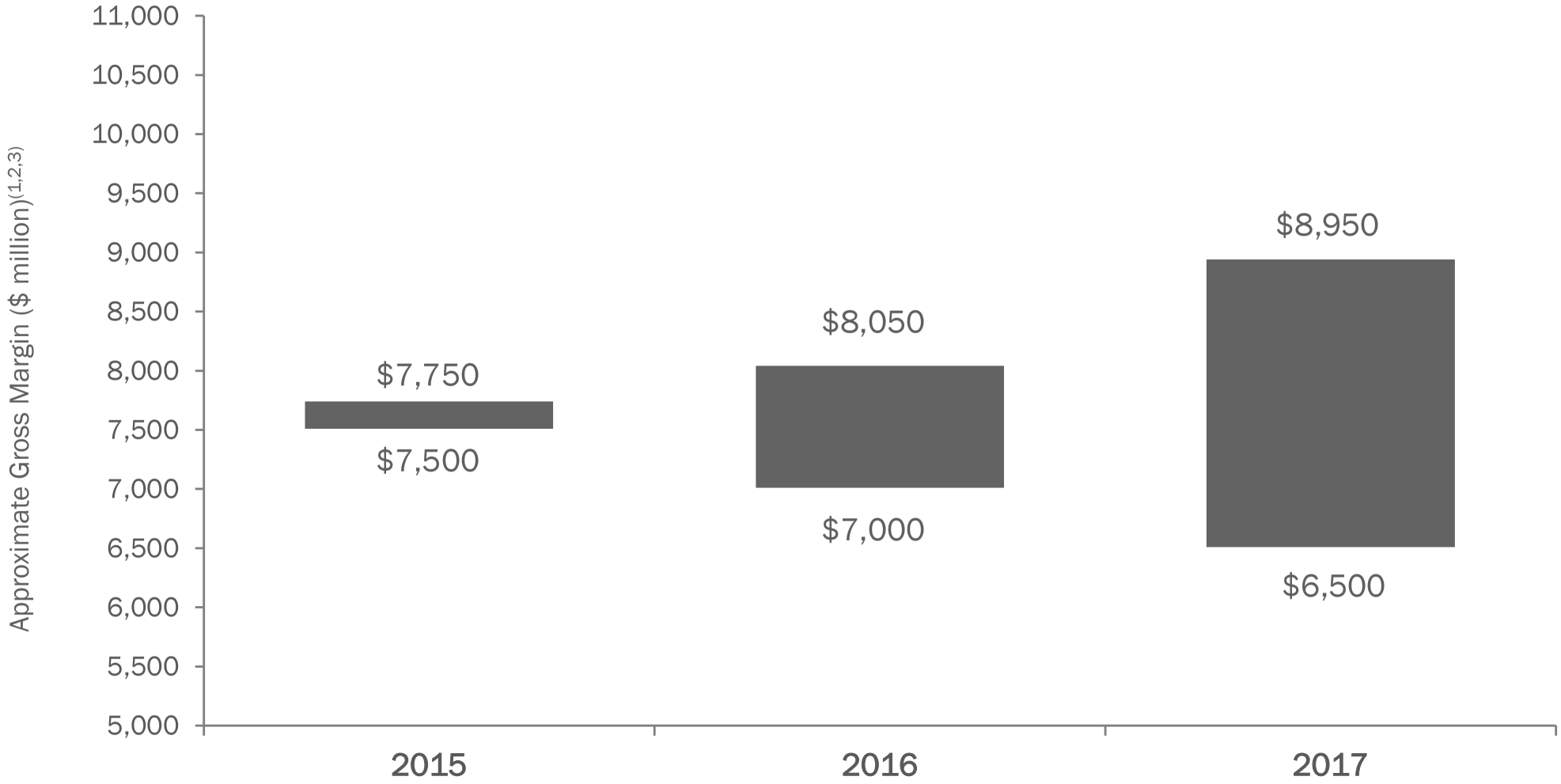
SI-SSA-0015-00410

ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2016 and 2017 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2015

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 29 for a Non-GAAP to GAAP reconciliation of Total Gross Margin. Excludes EDF's equity ownership share of the CENG Joint Venture.

SI-SSA-0015-00411

Illustrative Example of Modeling Exelon Generation 2016 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.7 billion →					
(B)	Expected Generation (TWh)	97.3	63.0	16.3	9.3	12.6	
(C)	Hedge % (assuming mid-point of range)	73.5%	83.5%	94.5%	77.5%	68.5%	
(D=B*C)	Hedged Volume (TWh)	71.5	52.6	15.4	7.2	8.6	
(E)	Effective Realized Energy Price ($/MWh)	$34.00	$45.50	$10.00	$41.50	$19.00	
(F)	Reference Price ($/MWh)	$30.65	$38.27	$3.82	$34.03	$8.77	
(G=E-F)	Difference ($/MWh)	$3.35	$7.23	$6.18	$7.47	$10.23	
(H=D*G)	Mark-to-market value of hedges ($ million) (1)	$240	$380	$95	$55	$90	
(I=A+H)	Hedged Gross Margin ($ million)	$6,600					
(J)	Power New Business / To Go ($ million)	$450					
(K)	Non-Power Margins Executed ($ million)	$200					
(L)	Non-Power New Business / To Go ($ million)	$250					
(N=I+J+K+L)	Total Gross Margin(2)	$7,500 million					

(1) Mark-to-market rounded to the nearest $5 million

(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 29 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.

SI-SSA-0015-00412

Exelon.

Additional Disclosures

SI-SSA-0015-00413

Exelon Utilities Adjusted Operating EPS Contribution[1]

Key Drivers – 2Q15 vs. 2Q14:

BGE (+0.03):

- Decreased uncollectible expense: $0.02
- Increased distribution revenue due to increased rates: $0.01

PECO (-0.02):

- Increased storm costs: ($0.01)

ComEd (-0.01):

- Unfavorable weather[2]: $(0.01)
- Increased distribution[2] earnings due to increased capital investments: $0.01

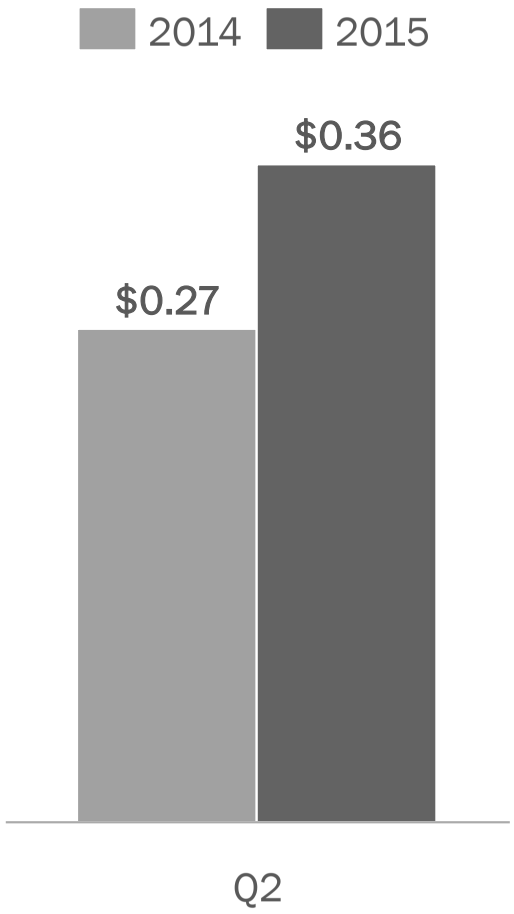
Numbers may not add due to rounding.

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) Due to the distribution formula rate, changes in ComEd's earnings are driven primarily by changes in 30-year U.S. Treasury rates (inclusive of ROE), rate base and capital structure in addition to weather, load and changes in customer mix.

SI-SSA-0015-00414

ExGen Adjusted Operating EPS Contribution[1]



Key Drivers – Q2 2015 vs. Q2 2014

ExGen (+0.09)

- Increased RNF: $0.10
  - Increased nuclear output in 2015, primarily due to a reduction in outage days: $0.07
  - Favorability from portfolio management optimization activities, partially offset by the absence of various generating units sold in 2014 and 2015: $0.02
  - Increased capacity revenue: $0.01
- Higher realized NTDF gains: $0.03
- Increased income tax expense due to decreased domestic production activities deduction: ($0.03)
- Increased interest expense: ($0.01)

(excludes Salem)	Q2 2014 Actual	Q2 2015 Actual
Planned Refueling Outage Days	108	71
Non-refueling Outage Days	44	18
Nuclear Capacity Factor	91.8%	93.1%

Numbers may not add due to rounding

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

SI-SSA-0015-00415

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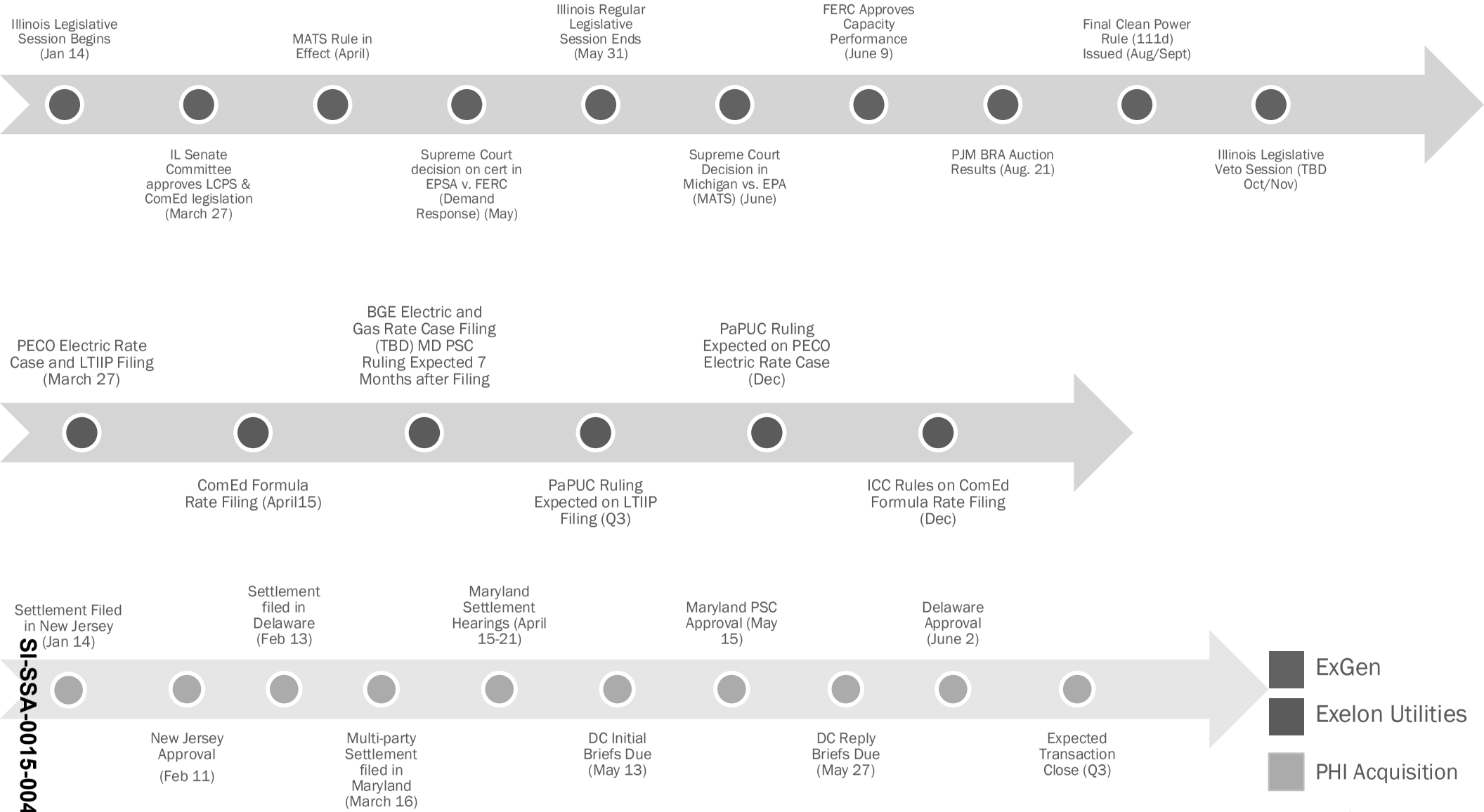
2015 Regulatory and Legislative Timelines



SI-SSA-0015-00416

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ComEd April 2015 Distribution Formula Rate

The 2015 distribution formula rate filing establishes the net revenue requirement used to set the rates that will take effect in January 2016 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on prior year costs (2014) and current year (2015) projected plant additions.
- Annual Reconciliation: For the prior calendar year (2014), this amount reconciles the revenue requirement reflected in rates during the prior year (2014) in effect to the actual costs for that year. The annual reconciliation impacts cash flow in the following year (2016) but the earnings impact has been recorded in the prior year (2014) as a regulatory asset.

Docket #	15-0287
Filing Year	**2014 Calendar Year Actual Costs and 2015 Projected Net Plant Additions** are used to set the rates for calendar year 2016. Rates currently in effect (docket 14-0312) for calendar year 2015 were based on 2013 actual costs and 2014 projected net plant additions
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2014 to 2014 Actual Costs Incurred.** Revenue requirement for 2014 is based on docket 13-0318 (2012 actual costs and 2013 projected net plant additions) approved in December 2013 and reflects the impacts of PA 98-0015 (SB9)
Common Equity Ratio	**~ 46%** for both the filing and reconciliation year
ROE	**9.14%** for the filing year (2014 30-yr Treasury Yield of 3.34% + 580 basis point risk premium) and **9.09%** for the reconciliation year (2014 30-yr Treasury Yield of 3.34% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2015 and 2016, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~ 7%** for both the filing and reconciliation years
Rate Base[1]	**$8,277 million**– Filing year (represents projected year-end rate base using 2014 actual plus 2015 projected capital additions). 2015 and 2016 earnings will reflect 2015 and 2016 year-end rate base respectively. $7,082 million - Reconciliation year (represents year-end rate base for 2014)
Revenue Requirement Decrease[1]	**$54M decrease** ($145M decrease due to the 2014 reconciliation offset by a $91M increase related to the filing year). The 2014 reconciliation impact on net income was recorded in 2014 as a regulatory asset.
Timeline	• 04/15/15 Filing Date • 240 Day Proceeding • ICC order expected to be issued by December 11, 2015

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

[1] Amounts represent ComEd's position filed in rebuttal testimony on July 22, 2015.

Note: Disallowance of any items in the 2015 distribution formula rate filing could impact 2015 earnings in the form of a regulatory asset adjustment.

Exelon.

SI-SSA-0015-00417

PECO Electric Distribution Rate Case

Docket #	R-2015-2468981
Fully Projected Future Test Year	2016
Common Equity Ratio	53%
Requested Return on Equity	10.95%
Overall Rate of Return	8.2%
Proposed Rate Base	$4.1B
Revenue Requirement Increase Ask	$190M
System Average Increase as % of overall bill	4.4%
Timeline	• 3/27/15 – PECO filed electric distribution rate case with PaPUC • 8/11/15 – 8/14/15 – Evidentiary Hearings • October 2015 – ALJ Recommended Decision • December 2015 – PUC Decision • Increased rates effective on January 1, 2016
Basis for Rate Case	• Since last rate case (2010): – Electric Distribution Rate base increased by one third (approximately $1B) – Sales declined by 0.6% – Operating expenses were essentially flat (less than 1% annually) • Proposed investment maintains strong reliability performance with targeted investment to address pockets with reliability issues

First Electric Distribution Rate Case since 2010

SI-SSA-0015-00418

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PECO Electric LTIIP - System 2020

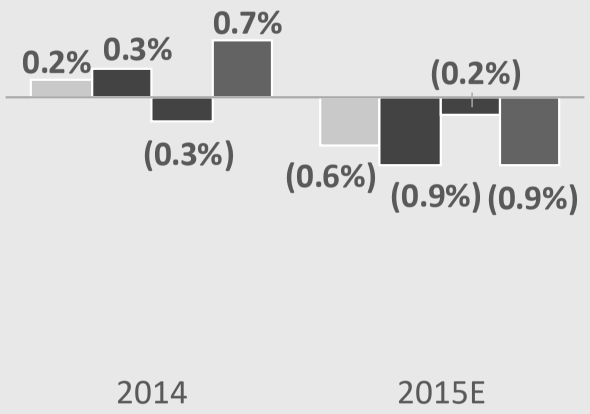
- PECO filed its Electric Long Term Infrastructure Improvement Plan ("LTIIP") along with its associated recovery mechanism the Distribution System Improvement Charge ("DSIC") on March 27, 2015 (with Electric Distribution Rate Case)
  - LTIIP includes $275 million in incremental capital spending from 2016-2020 focusing on the following areas:
    - Cable Replacement
    - Storm Hardening Programs
    - Substation replacement and upgrades
  - DSIC mechanism will allow recovery of eligible LTIIP spend between rate cases if the electric distribution ROE falls below the DSIC ROE established by PaPUC. The current Electric DSIC ROE is 10.0%.
  - Expected approval in 3Q15
- PECO also proposed the concept of constructing one or more pilot microgrid projects as part of a future LTIIP update ($50-$100M). The objective is to evaluate and test emerging microgrid technologies that could enhance reliability and resiliency by replacing obsolete infrastructure as an alternative to traditional solutions.

SI-SSA-0015-00419

Exelon Utilities Load

All Customers | Residential | Small C&I | Large C&I

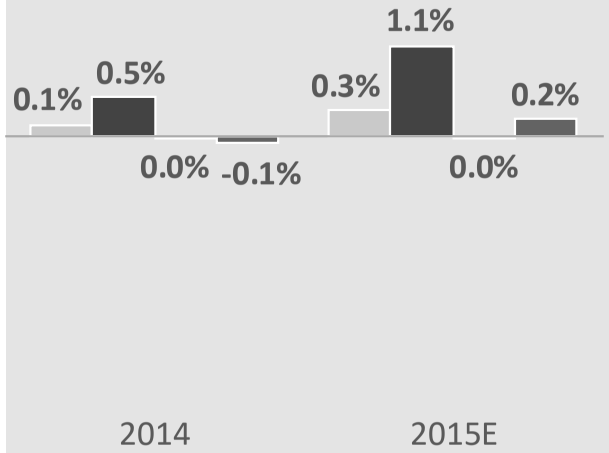
ComEd



Chicago GMP	1.7%
Chicago Unemployment	6.2%

2015 load growth is lower than 2014 (impacts of energy efficiency partially offset by slowly improving economy) with Residential and Large C&I trending downward

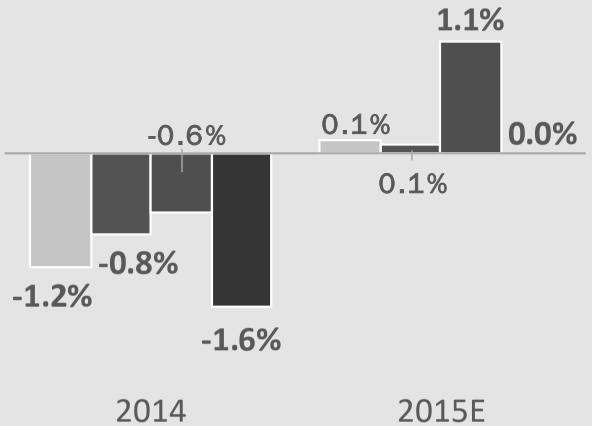
PECO



Philadelphia GMP	1.7%
Philadelphia Unemployment	5.3%

2015 load growth is driven by modest economic growth coupled with solid residential customer growth, partially offset by energy efficiency

BGE



Baltimore GMP	1.3%
Baltimore Unemployment	5.6%

2015 load growth is greater than 2014, attributable to slowly improving economic conditions and moderate customer growth, partially offset by energy efficiency

Notes: Data is not adjusted for leap year. Source of economic outlook data is IHS (June 2015) and Bureau of Economic Analysis. Assumes 2015 GDP of 2.1% and U.S. unemployment of 5.3%. ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables.

Exelon.

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00421

Exelon.

2Q GAAP EPS Reconciliation

Three Months Ended June 30, 2014	ExGen	ComEd	PECO	BGE	Other	Exelon
2014 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.27**	**$0.13**	**$0.10**	**$0.02**	**$-**	**$0.51**
Mark-to-market impact of economic hedging activities	(0.01)	-	-	-	-	(0.01)
Unrealized gains related to NDT fund investments	0.09	-	-	-	-	0.09
Merger and integration costs	(0.02)	-	-	-	(0.01)	(0.03)
Amortization of commodity contract intangibles	(0.03)	-	-	-	-	(0.03)
Long-lived asset impairment	(0.06)	-	-	-	(0.02)	(0.08)
Gain on CENG integration	0.18	-	-	-	-	0.18
CENG Non-Controlling Interest	(0.03)	-	-	-	-	(0.03)
2Q 2014 GAAP Earnings (Loss) Per Share	**$0.39**	**$0.13**	**$0.10**	**$0.02**	**$-**	**$0.60**

Three Months Ended June 30, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.12**	**$0.08**	**$0.05**	**$(0.01)**	**$0.59**
Mark-to-market impact of economic hedging activities	0.16	-	-	-	-	0.16
Unrealized losses related to NDT fund investments	(0.06)	-	-	-	-	(0.06)
Merger and integration costs	(0.01)	-	-	-	(0.01)	(0.02)
Mark-to-market impact of PHI merger related interest rate swaps	-	-	-	-	0.08	0.08
Amortization of commodity contract intangibles	(0.01)	-	-	-	-	(0.01)
Long-lived asset impairment	-	-	-	-	(0.02)	(0.02)
CENG Non-Controlling Interest	0.02	-	-	-	-	0.02
2Q 2015 GAAP Earnings (Loss) Per Share	**$0.46**	**$0.12**	**$0.08**	**$0.05**	**$0.04**	**$0.74**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00422

2Q YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2014	ExGen	ComEd	PECO	BGE	Other	Exelon
2014 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.57**	**$0.24**	**$0.20**	**$0.12**	**$(0.01)**	**$1.12**
Mark-to-market impact of economic hedging activities	(0.52)	-	-	-	-	(0.52)
Unrealized gains related to NDT fund investments	0.10	-	-	-	-	0.10
Merger and integration costs	(0.03)	-	-	-	(0.01)	(0.04)
Amortization of commodity contract intangibles	(0.06)	-	-	-	-	(0.06)
Long-lived asset impairment	(0.06)	-	-	-	(0.02)	(0.08)
Tax Settlements	0.04	-	-	-	-	0.04
Gain on CENG integration	0.18	-	-	-	-	0.18
CENG Non-Controlling Interest	(0.03)	-	-	-	-	(0.03)
2Q 2014 GAAP Earnings (Loss) Per Share	**$0.18**	**$0.24**	**$0.20**	**$0.12**	**$(0.04)**	**$0.71**

Six Months Ended June 30, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.71**	**$0.22**	**$0.24**	**$0.18**	**$(0.05)**	**$1.30**
Mark-to-market impact of economic hedging activities	0.27	-	-	-	-	0.27
Unrealized losses related to NDT fund investments	(0.04)	-	-	-	-	(0.04)
Merger and integration costs	(0.01)	-	-	-	(0.03)	(0.04)
Mark-to-market impact of PHI merger related interest rate swaps	-	-	-	-	0.03	0.03
Amortization of commodity contract intangibles	0.02	-	-	-	-	0.02
Long-lived asset impairment	-	-	-	-	(0.02)	(0.02)
Midwest Generation bankruptcy recoveries	0.01	-	-	-	-	0.01
CENG Non-Controlling Interest	0.01	-	-	-	-	0.01
2Q 2015 GAAP Earnings (Loss) Per Share	**$0.97**	**$0.22**	**$0.24**	**$0.18**	**$(0.07)**	**$1.54**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-00423

GAAP to Operating Adjustments

- **Exelon's 2015 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain costs incurred associated with the Integrys and pending Pepco Holdings, Inc. acquisitions
  - Mark-to-market adjustments from forward-starting interest rate swaps related to anticipated financing for the pending PHI acquisition
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014
  - Impairment of investment in long-term generating leases
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-00424

ExGen Total Gross Margin Reconciliation to GAAP

Total Gross Margin Reconciliation (in $M)[4]	2015	2016	2017
Revenue Net of Purchased Power and Fuel Expense[1][5]	**$8,200**	**$8,100**	**$8,300**
Other Revenues[2]	$(250)	$(250)	$(250)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[3]	$(300)	$(350)	$(450)
Total Gross Margin (Non-GAAP, as shown on slide (6)	**$7,650**	**$7,500**	**$7,600**

(1) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense. ExGen does not forecast the GAAP components of RNF separately. RNF also includes the RNF of our proportionate ownership share of CENG

(2) Reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues

(3) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation

(4) All amounts rounded to the nearest $50M

(5) Excludes the impact of the operating exclusion for mark-to-market due to the volatility and unpredictability of the future changes to power prices

SI-SSA-0015-00425

Earnings Conference Call
4th Quarter 2014

February 13th, 2015

Exelon

SI-SSA-0015-00426

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company and Exelon Generation Company, LLC (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2014 Annual Report on Form 10-K (to be filed on February 13, 2015) in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 22 and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00427

2014 In Review

Operational Excellence

- Utilities
  - Top decile for safety; top quartile for outage frequency
- ExGen
  - Nuclear capacity factor over 94%[2]
  - Power dispatch match nearly 97% and renewables energy capture of 95%

Financial Discipline

- 2014 adjusted operating results of $2.39/share[1]
- Total shareholder return of 41%
- Successful ~$3B billion forward equity and mandatory convertible offering
- $75M in total savings from consolidation of CENG plants[3]
- $675M ExGen Texas Power Financing

Growth Investments

- Utilities
  - $3.1 billion invested in technology and infrastructure
  - PHI Acquisition
- ExGen
  - Integrys and ProLiance Acquisitions
  - Texas CCGTs, Bloom & NetPower partnership
  - Added 215 MW of clean generation

Regulatory Advocacy

- ComEd and BGE rate cases:
  - 3rd consecutive rate case in which ComEd achieved ≥ 95% of its ask
  - 1st rate case settlement for BGE since 1999
- ExGen
  - HR 1146
  - Capacity Performance Product
  - EPA's Clean Power Plan (111(d))

- **Delivered solid 2014 results at the mid-point of our guidance range**

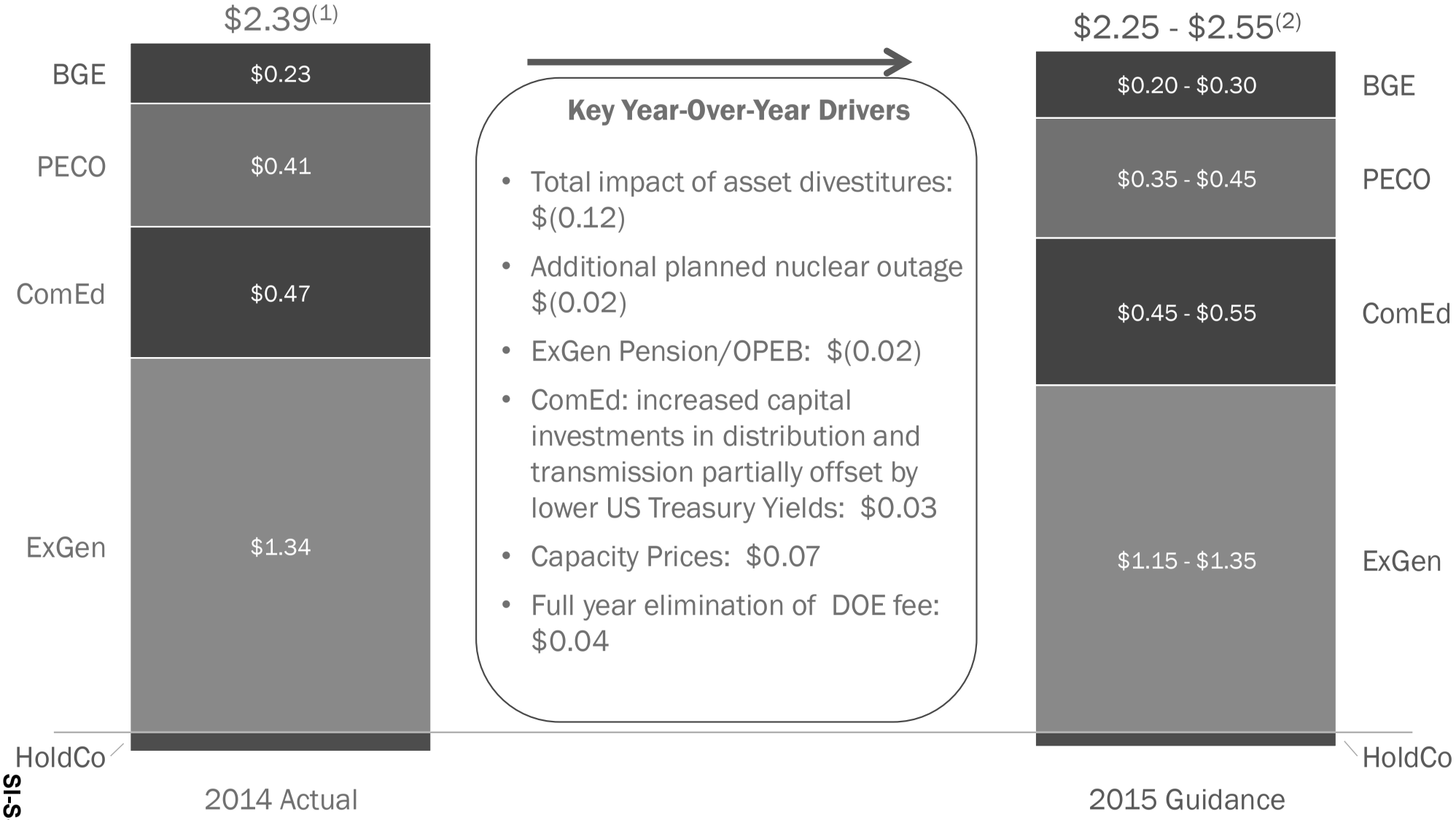
(1) Represents adjusted (non-GAAP) operating EPS. Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) Exelon operated plants at ownership

(3) Total CapEx and O&M savings from consolidation. Includes EDF's equity ownership share of the CENG Joint Venture

SI-SSA-0015-00428

2015 Adjusted Operating Earnings Guidance



Expect Q1 2015 Adjusted Operating Earnings of $0.60 - $0.70 per share

(1) 2014 results based on 2014 average outstanding shares of 864M. Refer to Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) 2015 earnings guidance based on expected average outstanding shares of ~866M. Earnings guidance for OpCos may not add up to consolidated EPS guidance. Refer to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.

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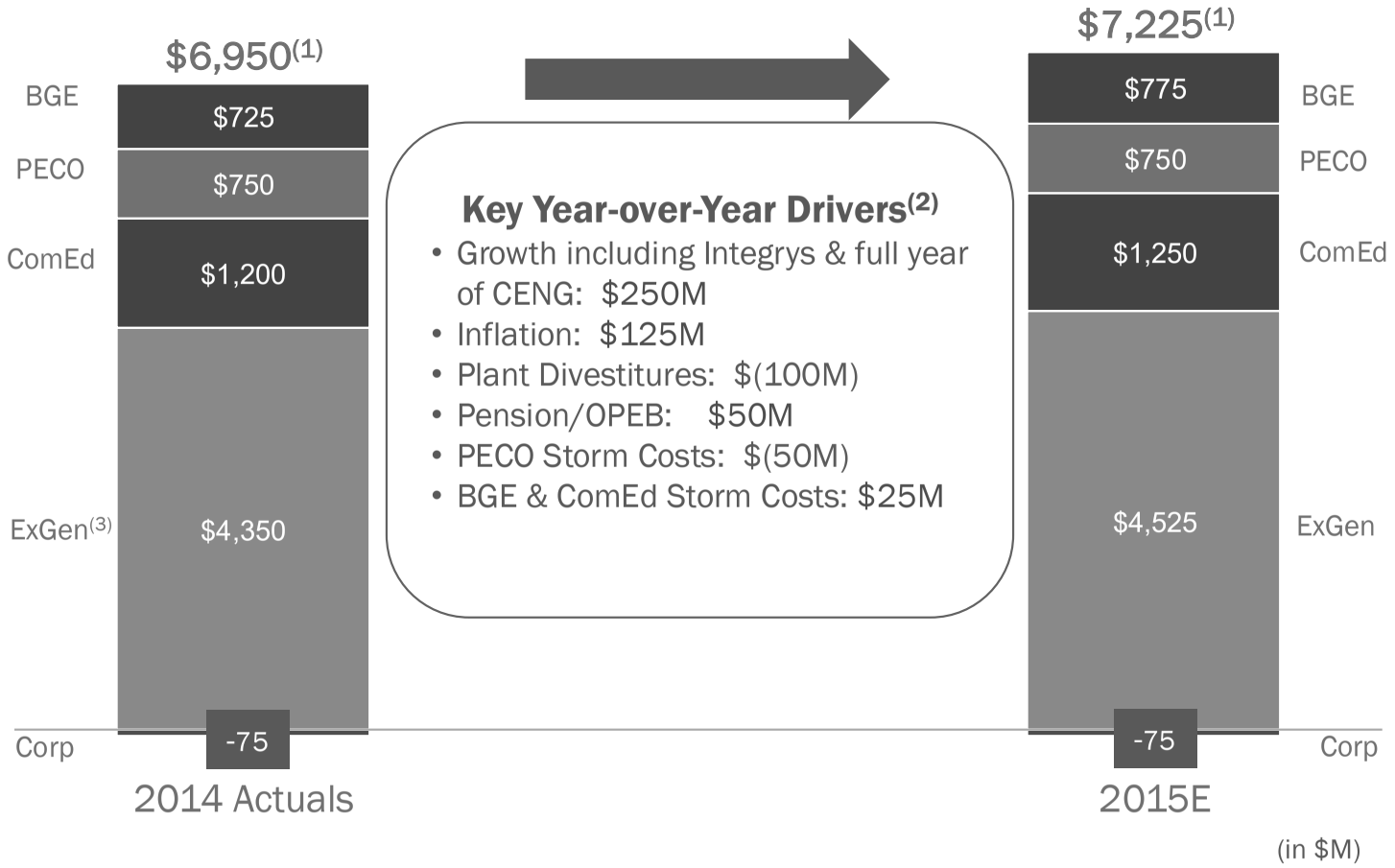
Adjusted O&M Forecast[2]

- 2015 forecast of $7.225B[1]
- Expect CAGR of ~0.2 % for 2015-2017



(1) Refer to the Appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M. Further, the Utilities adjusted O&M excludes regulatory O&M costs that are P&L neutral. ExGen adjusted O&M excludes direct cost of sales for certain Constellation businesses, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities.
(2) All amounts rounded to the nearest $25M.
(3) Prior to consolidation on April 1, 2014, CENG was under the equity method of accounting. CENG O&M prior to consolidation is not included.

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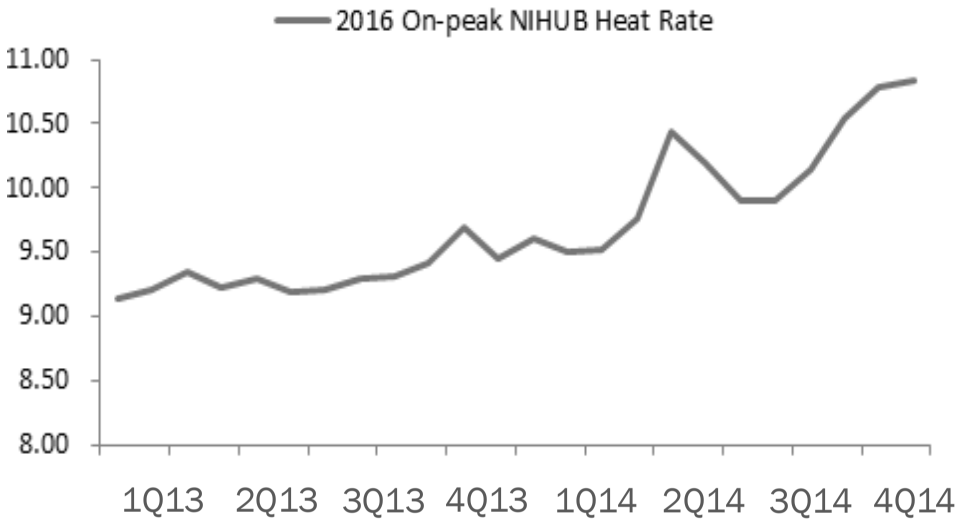
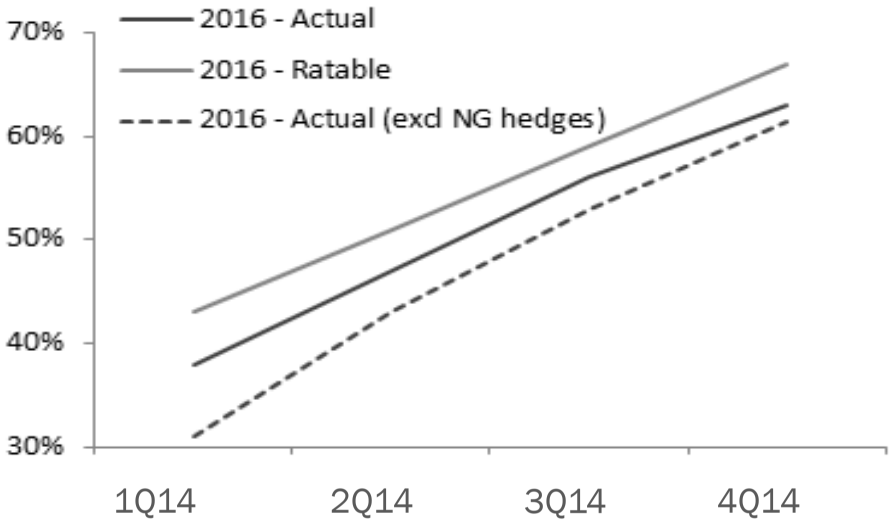
Hedging Activity and Market Fundamentals

Heat Rates have expanded throughout 2014



% of Expected Generation Hedged [1] Total Portfolio



Impacts of our view on our hedging activity

- Over the last several quarters, power prices have increased and heat rates have expanded
- We have adjusted our strategy by reducing our long heat rate position and increasing our fixed-price length where we see remaining upside
  - During 4Q, we lowered our cross-commodity hedges monetizing our long heat rate view as heat rates expanded but continued to stay behind ratable by carrying a long fixed-price position

(1) Mid-point of disclosed hedge % ranges was used

SI-SSA-0015-00431

Exelon Generation: Gross Margin Update

	December 31, 2014			Change from Sept 30, 2014		
Gross Margin Category ($M) [1]	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$5,700	$5,850	$6,100	$(1,050)	$(650)	$(550)
Mark-to-Market of Hedges[3,4]	$1,050	$550	$350	$1,050	$400	$200
Power New Business / To Go	$350	$550	$800	$(50)	-	$50
Non-Power Margins Executed	$200	$100	$50	$100	$50	-
Non-Power New Business / To Go	$250	$350	$400	$(50)	-	$50
Total Gross Margin[2]	**$7,550**	**$7,400**	**$7,700**	**-**	**$(200)**	**$(250)**

Recent Developments

- Load serving business had strong 2014 and is off to a good start in 2015
- Cleared 195MW of new peaking generation in ISO-NE Forward Capacity Auction 9. Expected to be online in mid-2018
- Natural gas and power prices declined during the fourth quarter
- Aggressively hedged our PJM East and New England Portfolios in early Q4 when prices were higher

1) Gross margin categories rounded to nearest $50M.
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 36 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark to Market of Hedges assumes mid-point of hedge percentages.

Note: Inclusive of all asset divestitures as of December 31, 2014 and Quail Run, as well as the Integrys acquisition.

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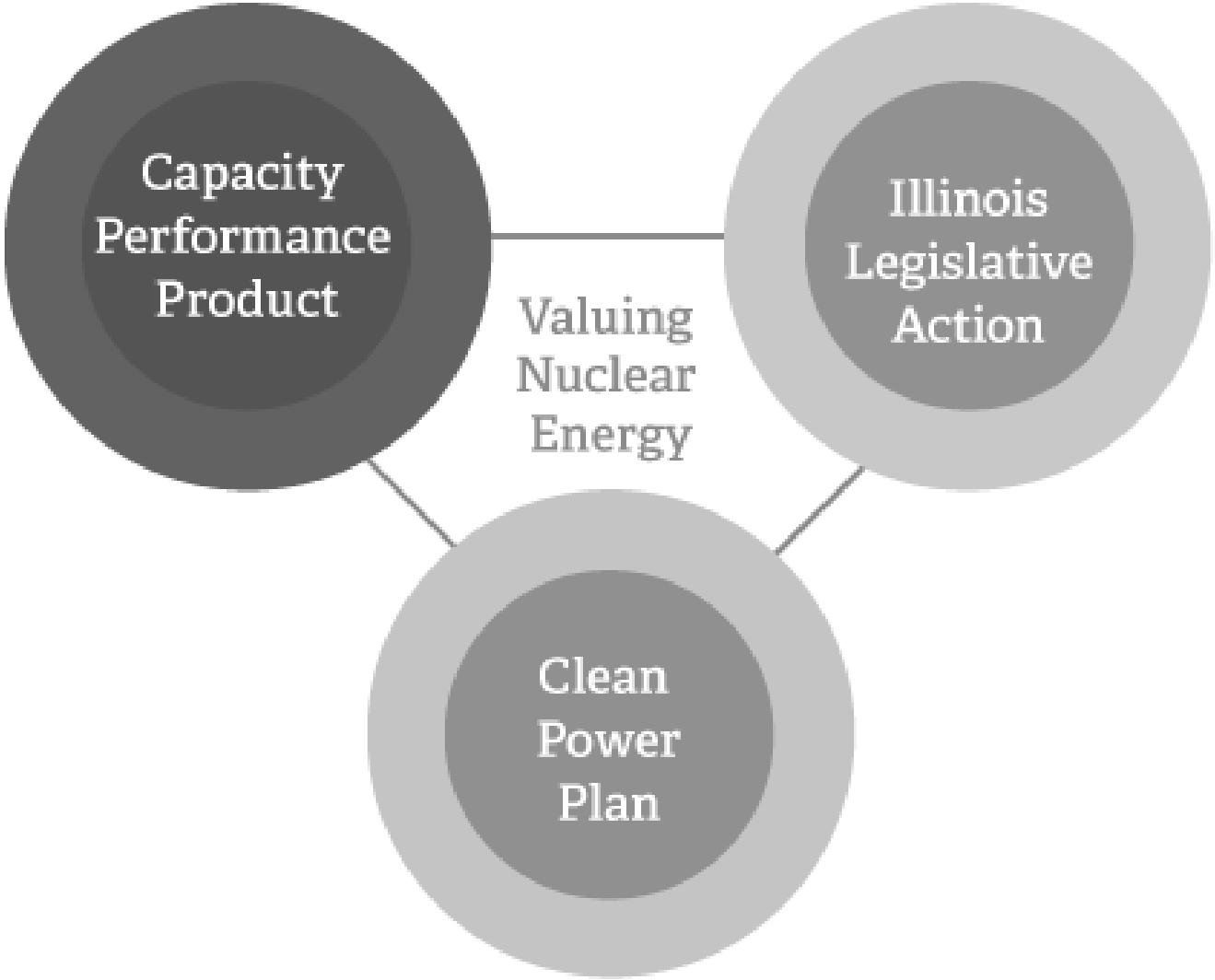
Properly Valuing Nuclear Energy



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Exelon Generation Disclosures

December 31, 2014

SI-SSA-0015-00434

Portfolio Management Strategy

Strategic Policy Alignment

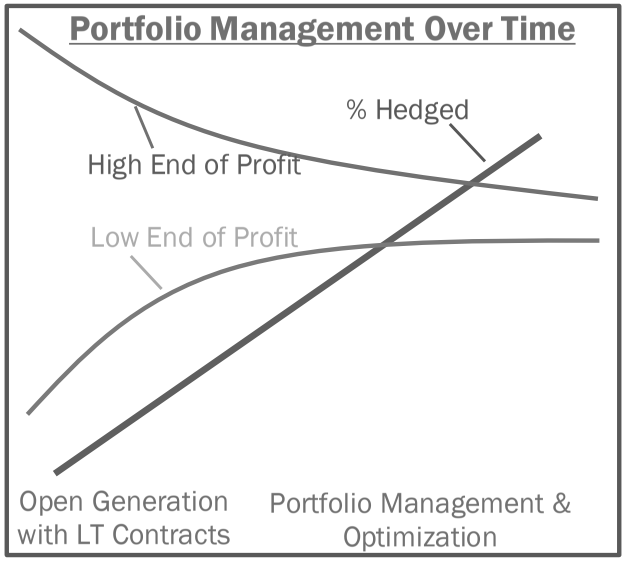
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

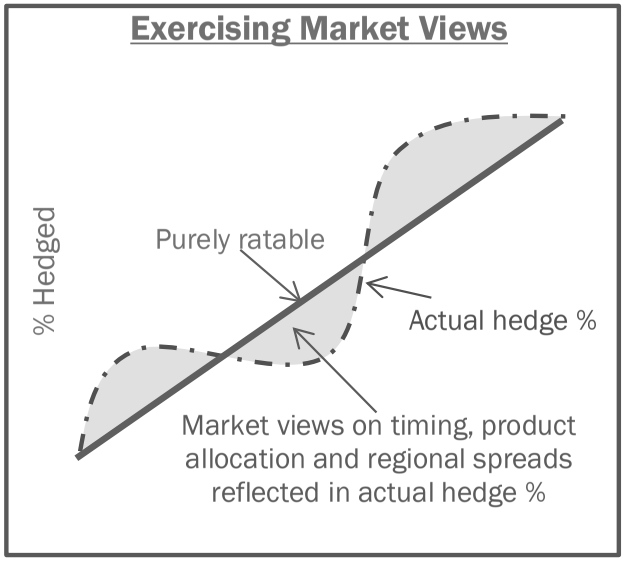
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Exploration and Production[4]
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

MtM of Hedges[2]

- Mark to Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Load Response
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Load Response
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-00436

ExGen Disclosures

Gross Margin Category ($M)[1]	2015	2016	2017
Open Gross Margin (including South, West & Canada hedged GM)	$5,700	$5,850	$6,100
Mark to Market of Hedges[4]	$1,050	$550	$350
Power New Business / To Go	$350	$550	$800
Non-Power Margins Executed	$200	$100	$50
Non-Power New Business / To Go	$250	$350	$400
Total Gross Margin[2, 6]	**$7,550**	**$7,400**	**$7,700**

Reference Prices[4]	2015	2016	2017
Henry Hub Natural Gas ($/MMbtu)	$3.03	$3.46	$3.76
Midwest: NiHub ATC prices ($/MWh)	$30.13	$30.96	$31.98
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$37.76	$37.74	$37.83
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.38	$6.10	$5.93
New York: NY Zone A ($/MWh)	$36.12	$36.79	$36.64
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$10.25	$9.08	$8.02

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 36 for a Non-GAAP to GAAP reconciliation of Total Gross Margin
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark to Market of Hedges assumes mid-point of hedge percentages
(5) Based on December 31, 2014 market conditions
(6) Inclusive of all asset divestitures as of December 31, 2014, and Quail Run, as well as Integrys acquisition

SI-SSA-0015-00437

ExGen Disclosures

Generation and Hedges	2015	2016	2017
Exp. Gen (GWh) (1)	**191,200**	**192,400**	**196,800**
Midwest	97,100	97,400	95,900
Mid-Atlantic (2)	62,400	62,900	60,700
ERCOT	16,800	17,300	25,700
New York (2)	9,300	9,300	9,300
New England	5,600	5,500	5,200
% of Expected Generation Hedged (3)	**93%-96%**	**61%-64%**	**31%-34%**
Midwest	88%-91%	55%-58%	23%-26%
Mid-Atlantic (2)	99%-102%	67%-70%	36%-39%
ERCOT	94%-97%	77%-80%	48%-51%
New York (2)	84%-87%	60%-63%	38%-41%
New England	118%-121%	68%-71%	32%-35%
Effective Realized Energy Price ($/MWh) (4)			
Midwest	$34.00	$34.50	$36.00
Mid-Atlantic (2)	$45.00	$45.00	$47.00
ERCOT(5)	$10.50	$7.50	$7.00
New York (2)	$47.50	$43.50	$40.00
New England (5)	$21.00	$14.50	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2015, 12 in 2016, and 15 in 2017 at Exelon-operated nuclear plants, and Salem. Expected generation assumes capacity factors of 93.5%, 94.1% and 93.4% in 2015 , 2016 and 2017 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2015, 2016 and 2017 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years. (2) Excludes EDF's equity ownership share of CENG Joint Venture. (3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps. (4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges. (5) Spark spreads shown for ERCOT and New England. (6) Inclusive of all asset divestitures as of December 31,2014 and Quail Run, as well as Integrys acquisition

SI-SSA-0015-00438

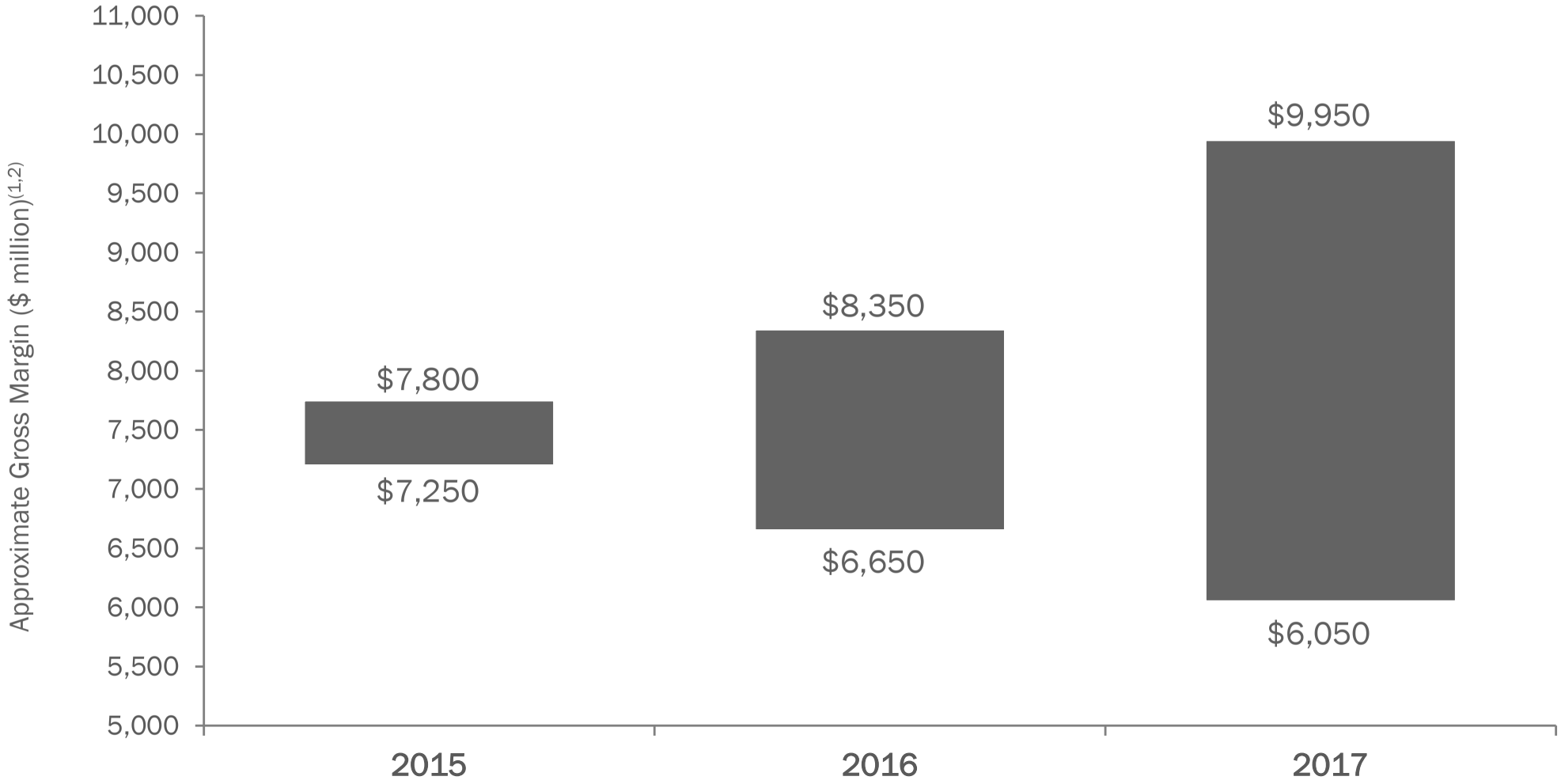
ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2015	2016	2017
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$25	$340	$730
- $1/Mmbtu	$35	$(310)	$(710)
NiHub ATC Energy Price			
+ $5/MWh	$35	$215	$370
- $5/MWh	$(30)	$(215)	$(365)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$105	$205
- $5/MWh	$10	$(100)	$(205)
NYPP Zone A ATC Energy Price			
+ $5/MWh	$ -	$10	$25
- $5/MWh	$(5)	$(15)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $45	+/- $45

(1) Based on December 31, 2014 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture; Inclusive of all asset divestitures as of December 31, 2014, and Quail Run, as well as Integrys acquisition

SI-SSA-0015-00439

ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2015, 2016 and 2017 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2014

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 36 for a Non-GAAP to GAAP reconciliation of Total Gross Margin Excludes EDF's equity ownership share of the CENG Joint Venture

(4) Inclusive of all asset divestitures as of December 31, 2014 and Quail Run, as well as Integrys acquisition

SI-SSA-0015-00440

Illustrative Example of Modeling Exelon Generation 2016 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.85 billion →					
(B)	Expected Generation (TWh)	97.4	62.9	17.3	9.3	5.5	
(C)	Hedge % (assuming mid-point of range)	56.5%	68.5%	78.5%	61.5%	69.5%	
(D=B*C)	Hedged Volume (TWh)	55.0	43.1	13.6	5.7	3.8	
(E)	Effective Realized Energy Price ($/MWh)	34.50	45.00	7.50	43.50	14.50	
(F)	Reference Price ($/MWh)	30.96	37.74	6.10	36.79	9.08	
(G=E-F)	Difference ($/MWh)	3.54	7.26	1.40	6.71	5.42	
(H=D*G)	Mark-to-market value of hedges ($ million) (1)	195	315	20	40	20	
(I=A+H)	Hedged Gross Margin ($ million)	$6,400					
(J)	Power New Business / To Go ($ million)	$550					
(K)	Non-Power Margins Executed ($ million)	$100					
(L)	Non- Power New Business / To Go ($ million)	$350					
(N=I+J+K+L)	Total Gross Margin(2)	$7,400 million					

(1) Mark-to-market rounded to the nearest $5 million

(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 36 for a Non-GAAP to GAAP reconciliation of Total Gross Margin

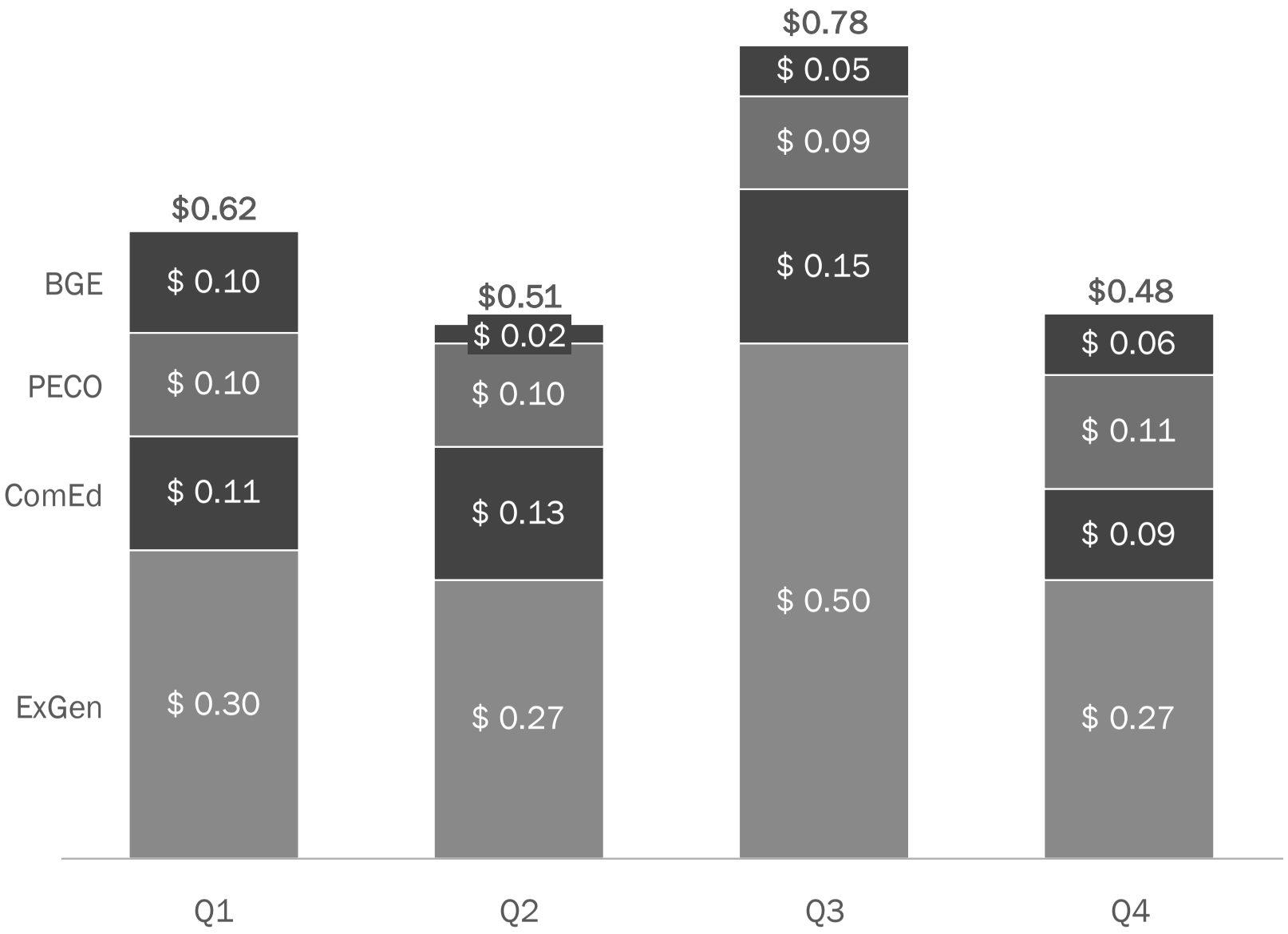
Note: Inclusive of all asset divestitures as of December 31, 2014 and Quail Run, as well as Integrys acquisition

SI-SSA-0015-00441

Additional Disclosures

SI-SSA-0015-00442

2014 Adjusted Operating Earnings by Quarter



Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
Amounts may not add due to rounding

SI-SSA-0015-00443

Exelon Utilities Adjusted Operating EPS Contribution[1]

Key Drivers – 4Q14 vs. 4Q13:

BGE (+0.00):

- Higher RNF offset by higher O&M: $(0.00)

PECO (-0.01):

- Unfavorable weather conditions: $(0.01)

ComEd (-0.04):

- Impact of bonus depreciation on ComEd's distribution and transmission[2] earnings: $(0.02)
- Unfavorable weather conditions and volume[2]: $(0.01)

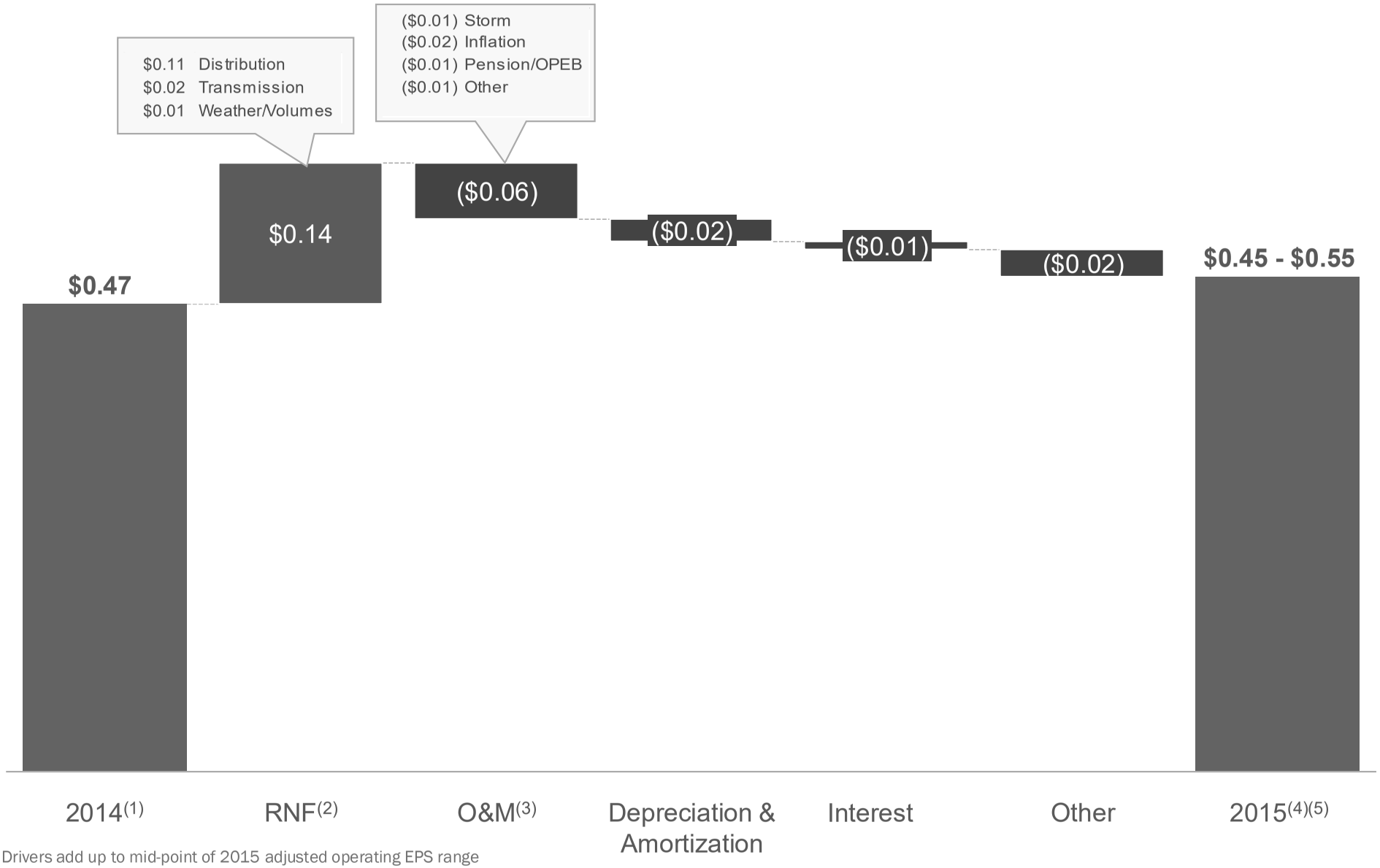
Numbers may not add due to rounding.

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) Due to the distribution formula rate, changes in ComEd's earnings are driven primarily by changes in 30-year U.S. Treasury rates (inclusive of ROE), rate base and capital structure in addition to weather, load and changes in customer mix.

SI-SSA-0015-00444

ComEd Adjusted Operating EPS Bridge 2014 to 2015



Note: Drivers add up to mid-point of 2015 adjusted operating EPS range

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense.

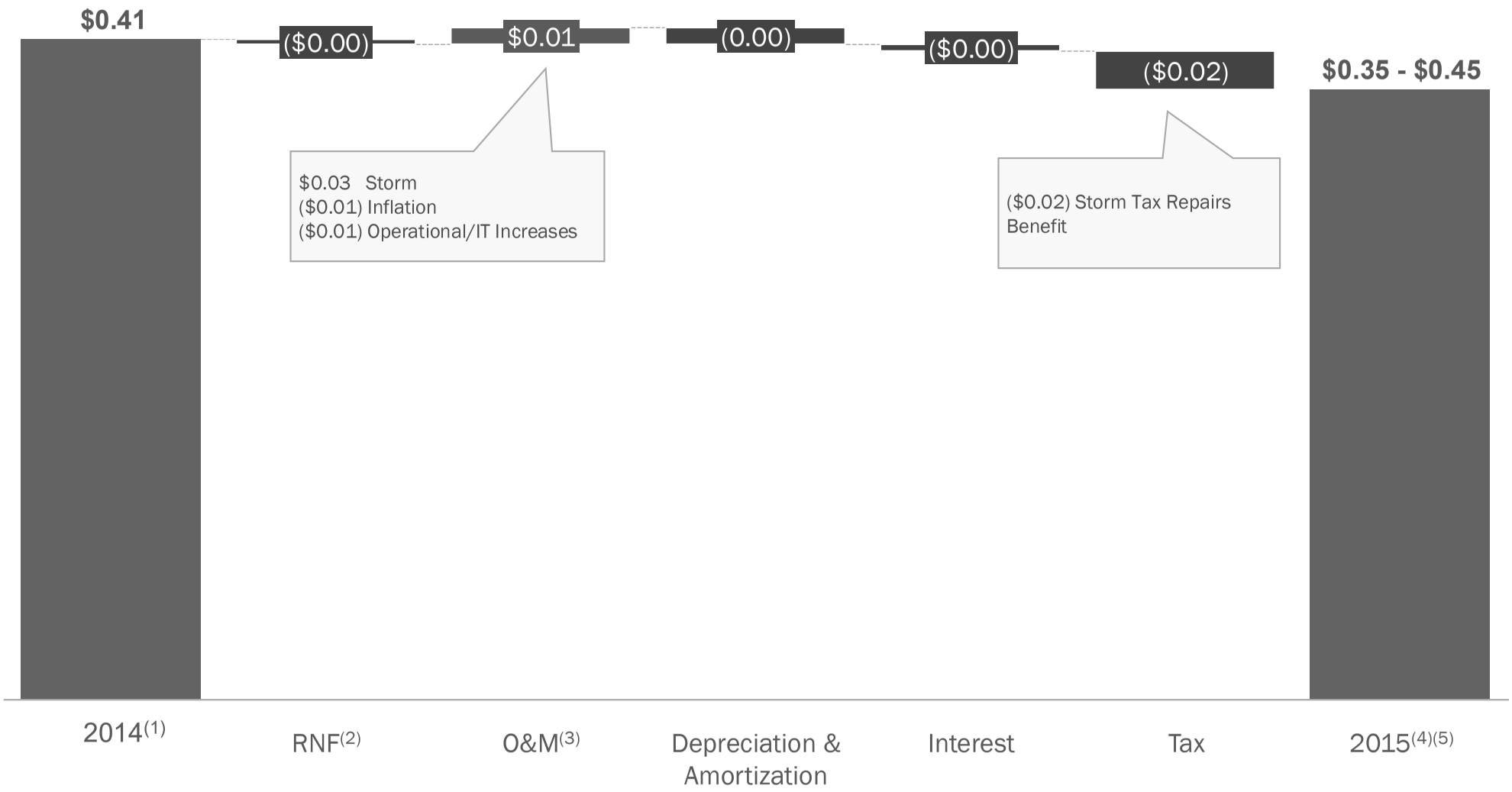
(3) O&M excludes regulatory items that are P&L neutral.

(4) Shares Outstanding (diluted) are 866M in 2015 and 864M in 2014. Refer to slide 33 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.

(5) Guidance assumes an effective tax rate for 2015 of 39.5%.

SI-SSA-0015-00445

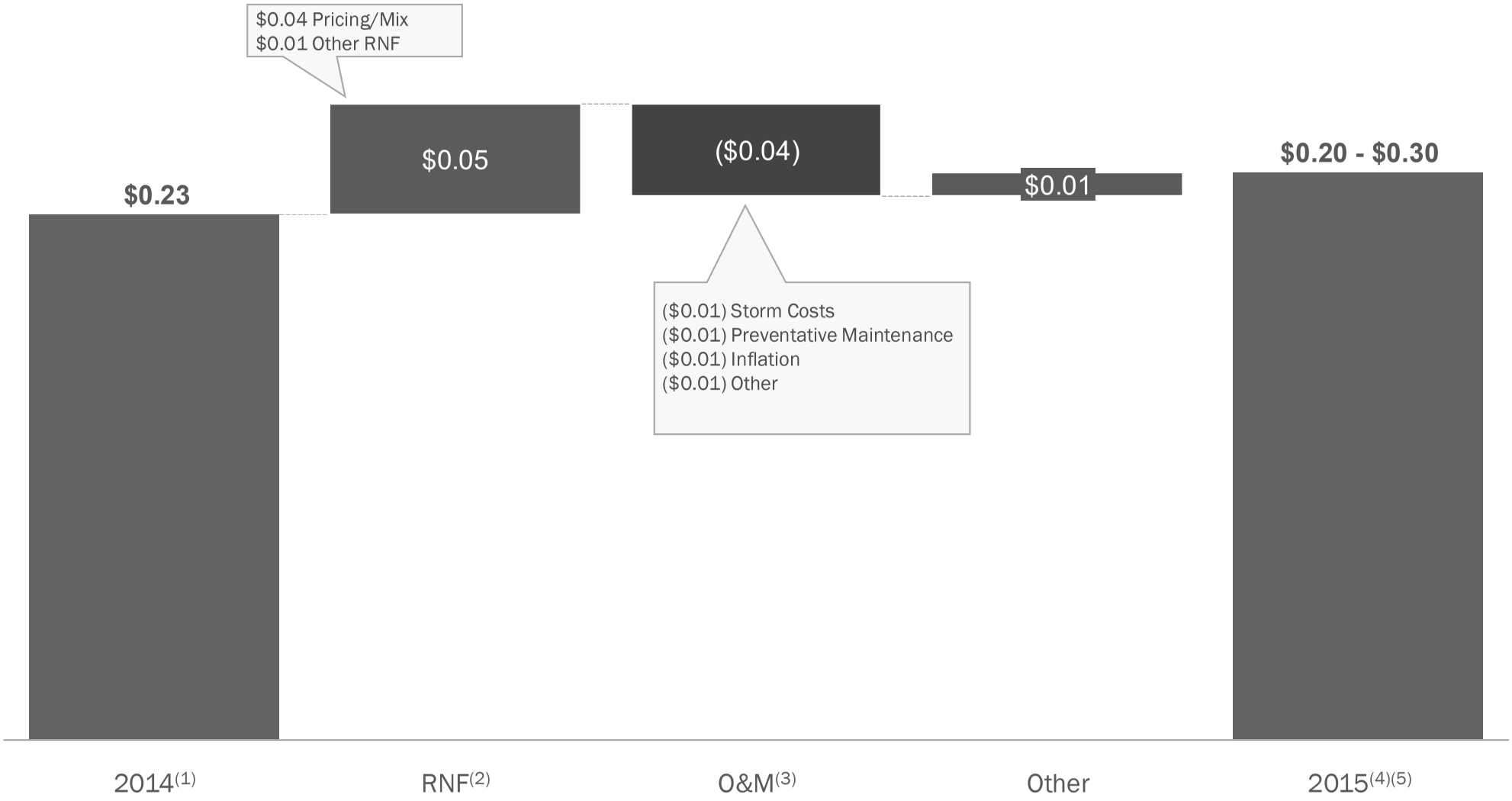
PECO Adjusted Operating EPS Bridge 2014 to 2015



Note: Drivers add up to mid-point of 2015 adjusted operating EPS range.
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.
(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense.
(3) O&M excludes regulatory items that are P&L neutral.
(4) Shares Outstanding (diluted) are 864M in 2014 and 866M in 2015. Refer to slide 33 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.
(5) Guidance assumes an effective tax rate for 2015 of 28.5%.

SI-SSA-0015-00446

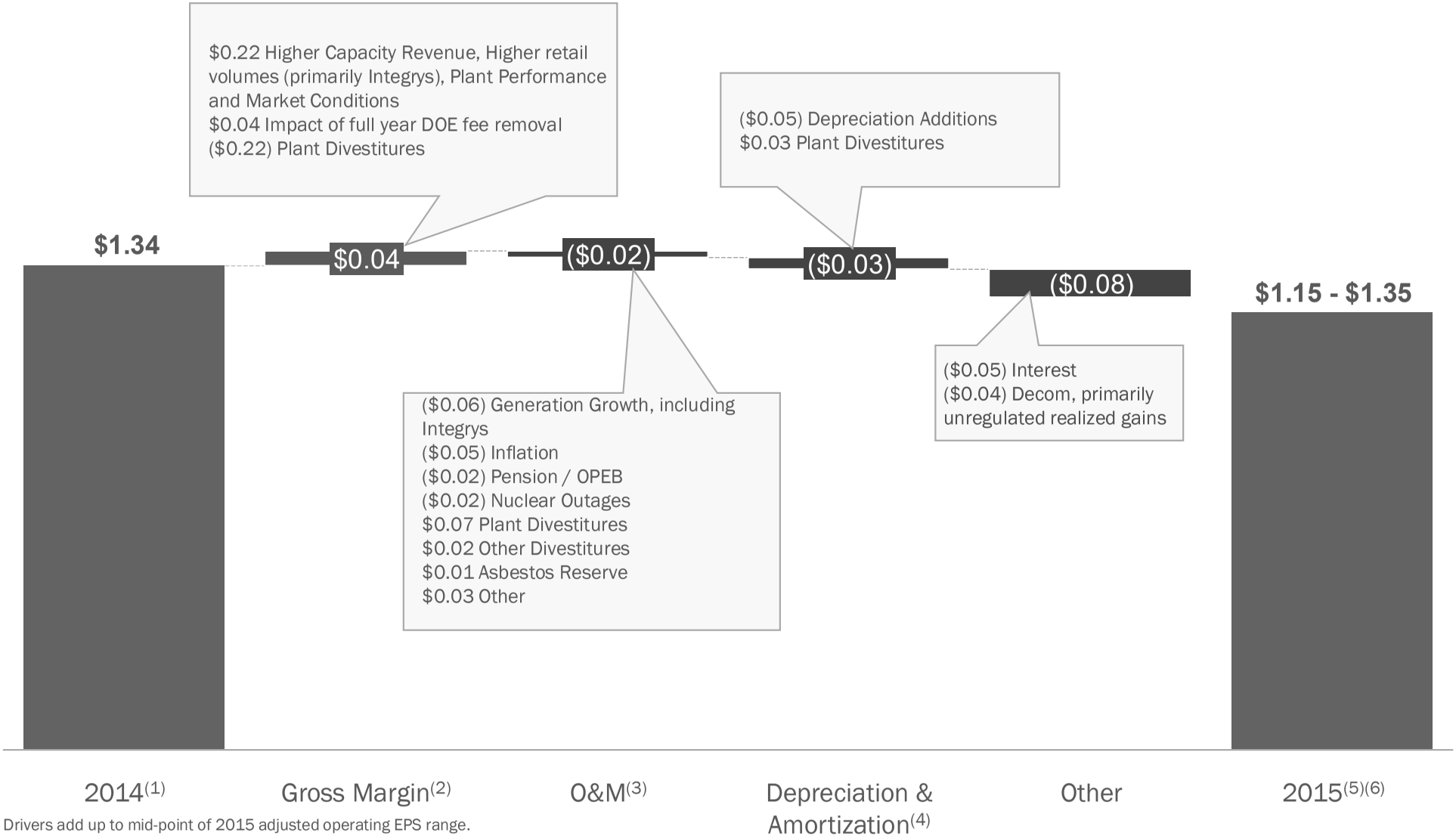
BGE Adjusted Operating EPS Bridge 2014 to 2015



Note: Drivers add up to mid-point of 2015 adjusted operating EPS range.
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.
(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense.
(3) O&M excludes regulatory items that are P&L neutral.
(4) Shares Outstanding (diluted) are 864M in 2014 and 866M in 2015. Refer to slide 33 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.
(5) Guidance assumes an effective tax rate for 2015 of 39.2%.

SI-SSA-0015-00447

ExGen Adjusted Operating EPS Bridge 2014 to 2015



Note: Drivers add up to mid-point of 2015 adjusted operating EPS range.
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.
(2) 2014 Income statement categories have been normalized for a full year comparison of CENG at ownership (50.01)
(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 36 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
(4) O&M excludes items that are P&L neutral (including decommissioning costs and variable interest entities) and direct cost of sales for certain Constellation businesses.
(5) Depreciation & Amortization excludes cost of sales for certain Constellation businesses, which are included in gross margin
(6) Shares Outstanding (diluted) are 864M in 2014 and 866M in 2015. Refer to slide 33 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.
(7) Guidance assumes an effective tax rate for 2015 of 26%.

SI-SSA-0015-00448

2015 Projected Sources and Uses of Cash

($ in millions) [1]	BGE	ComEd	PECO	ExGen	Exelon[3] 2015E
Beginning Cash Balance[2]					**3,575**
Adjusted Cash Flow from Operations[4]	600	2,075	600	3,400	6,775
CapEx (excluding other items below):	(675)	(1,875)	(525)	(1,925)	(5,100)
Nuclear Fuel	n/a	n/a	n/a	(1,125)	(1,125)
Dividend[5]					(1,075)
Nuclear Uprates	n/a	n/a	n/a	(100)	(100)
Wind	n/a	n/a	n/a	(100)	(100)
Solar	n/a	n/a	n/a	(125)	(125)
Upstream	n/a	n/a	n/a	(25)	(25)
Utility Smart Grid/Smart Meter	(25)	(325)	(25)	n/a	(400)
Net Financing (excluding Dividend):					
Debt Issuances	250	700	350	750	2,050
Debt Retirements	(75)	(250)	0	(550)	(1,675)
Project Finance/Federal Financing Bank Loan	n/a	n/a	n/a	200	200
Other Financing[6]	0	(50)	0	1,075	1,250
Ending Cash Balance[2]					**4,125**

(1) All amounts rounded to the nearest $25M.
(2) Excludes counterparty collateral posted of $1.7 billion at 12/31/2014. In addition, the 12/31/2015 ending cash balance does not include collateral.
(3) Includes cash flow activity from Holding Company and other corporate entities.
(4) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures.
(5) Dividends are subject to declaration by the Board of Directors.
(6) "Other Financing" primarily includes expected changes in short-term debt.

SI-SSA-0015-00449

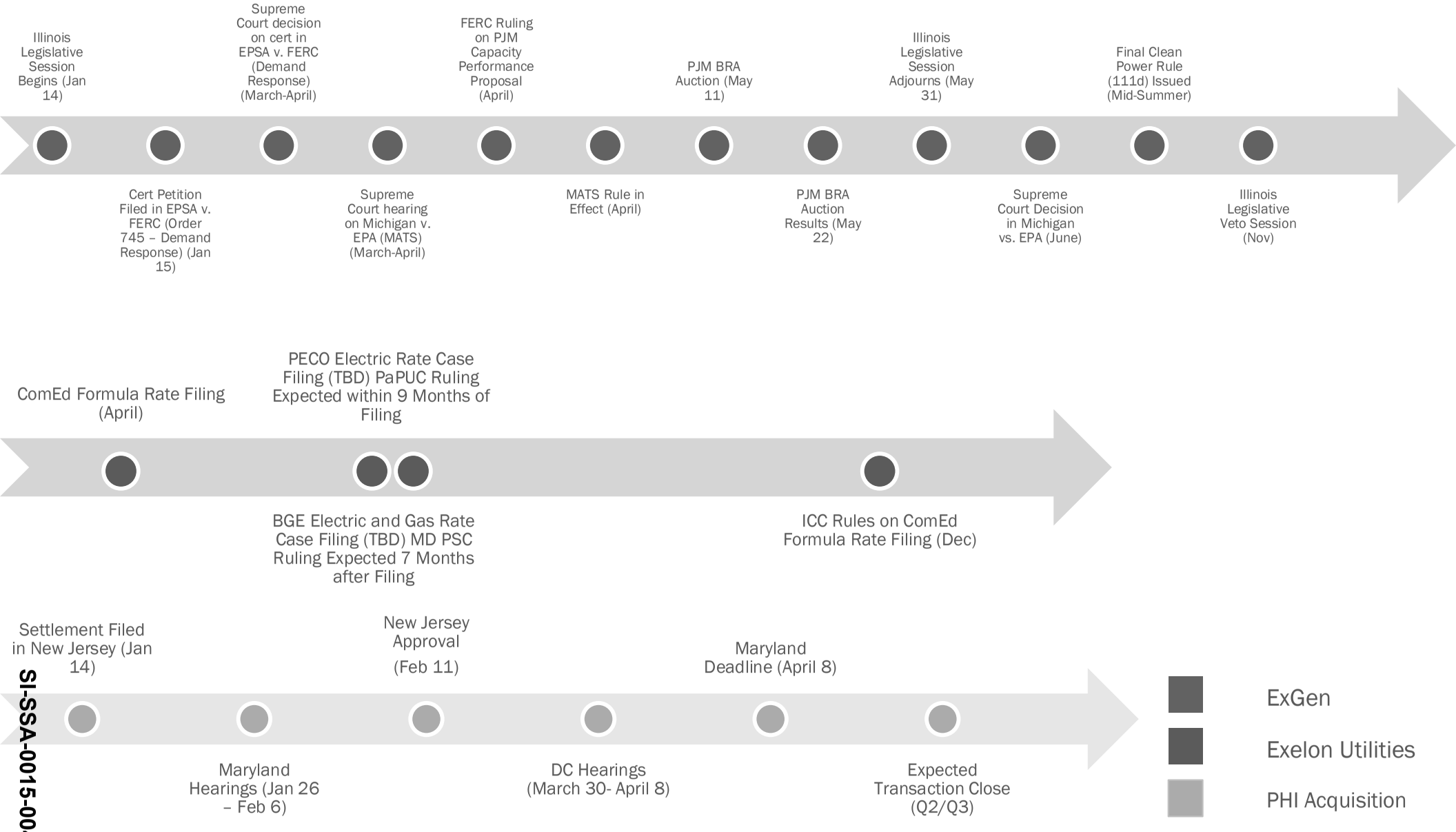
Additional 2015 ExGen Modeling

P&L Item	2015 Estimate
ExGen Model Inputs[1]	
O&M[2]	$4,525M
Taxes Other Than Income (TOTI)[3]	$350M
Depreciation & Amortization[4]	$925M
Interest Expense	$400M

(1) ExGen amounts for O&M, TOTI and Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(2) ExGen adjusted O&M excludes direct cost of sales for certain Constellation business, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities. Refer to the Appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M
(3) TOTI excludes gross receipts tax for retail of $125M.
(4) ExGen Depreciation & Amortization excludes the cost of sales impact of ExGen's non-power businesses of $25.

SI-SSA-0015-00450

2015 Regulatory and Legislative Timelines

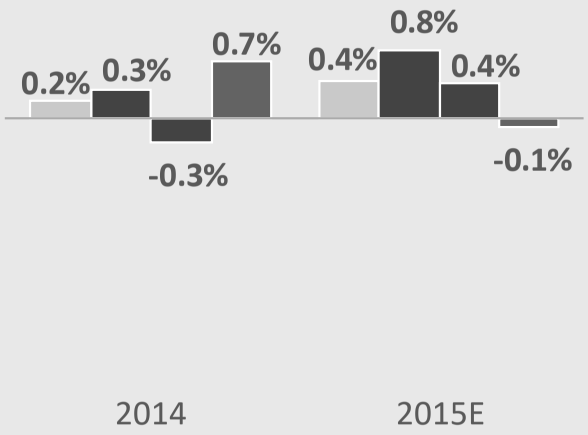


SI-SSA-0015-00451

Exelon Utilities Load

All Customers | Residential | Small C&I | Large C&I

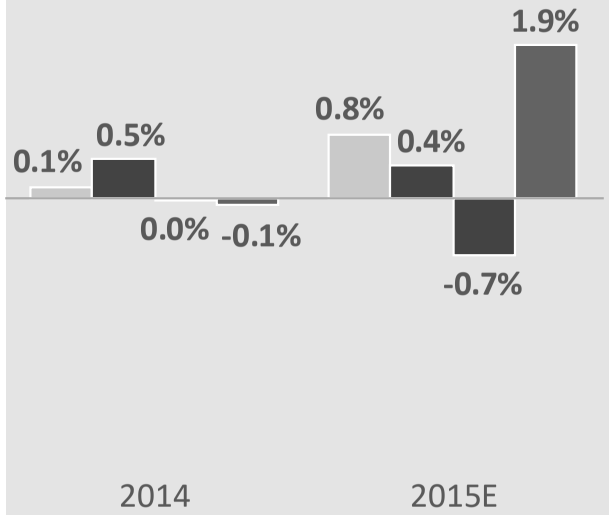
ComEd



Chicago GMP	1.6%
Chicago Unemployment	5.9%

2015 load growth is similar to 2014, driven by slowly improving economic conditions and partially offset by energy efficiency

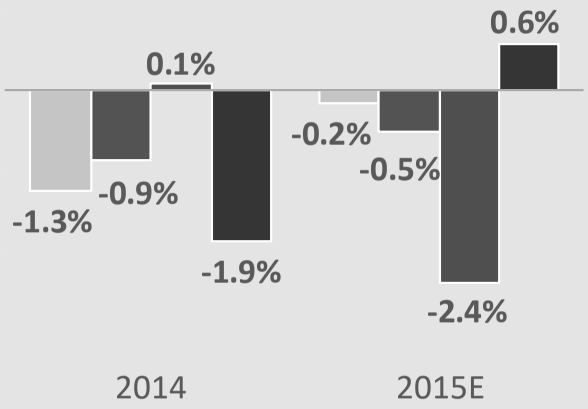
PECO



Philadelphia GMP	0.8%
Philadelphia Unemployment	4.8%

2015 load growth is driven by modest economic growth coupled with increased shale gas transportation and production, partially offset by energy efficiency

BGE



Baltimore GMP	1.4%
Baltimore Unemployment	5.5%

2015 load growth rate is driven by weaker economic conditions, primarily reflected in residential and small C&I, further decreased by energy efficiency

Notes: Data is not adjusted for leap year. Source of economic outlook data is Global Insight (December 2014) and Bureau of Economic Analysis. Assumes 2014 GDP of 2.4% and U.S. unemployment of 5.6%.ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. BGE amounts have been adjusted for unbilled / true-up load from prior quarters

SI-SSA-0015-00452

ComEd April 2014 Distribution Formula Rate

The 2014 distribution formula rate filing established the net revenue requirement used to set the rates that took effect in January 2015 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on prior year costs (2013) and current year (2014) projected plant additions.
- Annual Reconciliation: For the prior calendar year (2013), this amount reconciles the revenue requirement reflected in rates during the prior year (2013) in effect to the actual costs for that year. The annual reconciliation impacts cash flow in the following year (2015) but the earnings impact has been recorded in the prior year (2013) as a regulatory asset.

Docket #	14-0312
Filing Year	**2013 Calendar Year Actual Costs and 2014 Projected Net Plant Additions** are used to set the rates for calendar year 2015. Rates currently in effect (docket 13-0318) for calendar year 2014 were based on 2012 actual costs and 2013 projected net plant additions
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2013 to 2013 Actual Costs Incurred.** Revenue requirement for 2013 is based on docket 13-0386 filed in June 2013 and reflect the impacts of PA 98-0015 (SB9)
Common Equity Ratio	**~ 46%** for both the filing and reconciliation year
ROE	**9.25%** for the filing year (2013 30-yr Treasury Yield of 3.45% + 580 basis point risk premium) and **9.20%** for the reconciliation year (2013 30-yr Treasury Yield of 3.45% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2014 and 2015, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~ 7%** for both the filing and reconciliation years
Rate Base	**$7,344 million**– Filing year (represents projected year-end rate base using 2013 actual plus 2014 projected capital additions). 2014 and 2015 earnings will reflect 2014 and 2015 year-end rate base respectively. $6,574 million - Reconciliation year (represents year-end rate base for 2013)
Revenue Requirement Increase	**$232M** ($72M is due to the 2013 reconciliation, $160M relates to the filing year). The 2013 reconciliation impact on net income was recorded in 2013 as a regulatory asset.
Timeline	• 04/16/14 Filing Date • 240 Day Proceeding • ICC order issued December 10, 2014

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

Note: Disallowance of any items in the 2014 distribution formula rate filing could impact 2014 earnings in the form of a regulatory asset adjustment. Total disallowances in the 2014 distribution formula rate filing include items that are recoverable via other ratemaking mechanisms.

SI-SSA-0015-00453

BGE Rate Case Settlement

	Electric	Gas
Docket #	9355	
Test Year	September 2013 - August 2014	
Common Equity Ratio (1)(2)	52.3%	
Authorized Returns (1)(3)	ROE: 9.75%; ROR: 7.46%	ROE: 9.65%; ROR: 7.41%
Requested Rate of Return	7.93%	7.88%
Proposed Rate Base (adjusted) (1)(4)	$2.9B	$1.2B
Revenue Requirement Increase	$22.0M	$38.0M
Distribution Increase as % of overall bill	1%	5%
Timeline	• 07/02/14 BGE filed application with the MDPSC seeking increases in electric & gas distribution base rates • 210 Day Proceeding • 7/08/14 – Case delegated to the Public Utility Law Judge Division • 10/17/14 – BGE filed unanimous "black box" settlement with MD PSC which was approved by the PSC • Increased rates effective with service on or after December 15, 2014	

First BGE rate case settlement agreement since 1999

(1) Due to the "black box" nature of the settlement, the Common Equity Ratio, Authorized Returns, and Proposed Rate Base (adjusted) were not agreed upon by the parties in determining the ultimate revenue requirement increase
(2) Reflects BGE's actual capital structure as of 8/31/2014
(3) ROE and ROR stated in the settlement only apply to AFUDC and carrying costs on regulatory assets
(4) BGE's Proposed Adjusted rate base

SI-SSA-0015-00454

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00455

4Q GAAP EPS Reconciliation

Three Months Ended December 31, 2013	ExGen	ComEd	PECO	BGE	Other	Exelon
2013 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.21**	**$0.13**	**$0.12**	**$0.06**	**$(0.02)**	**$0.50**
Mark-to-market impact of economic hedging activities	0.16	-	-	-	-	0.16
Unrealized gains related to nuclear decommissioning trust funds	0.05	-	-	-	-	0.05
Constellation merger and integration costs	(0.02)	-	-	-	-	(0.02)
Reassessment of State Deferred Income Taxes	0.02	-	-	-	(0.02)	-
Amortization of commodity contract intangibles	(0.09)	-	-	-	-	(0.09)
Midwest Generation Bankruptcy Charges	(0.02)	-	-	-	-	(0.02)
4Q 2013 GAAP Earnings (Loss) Per Share	**$0.31**	**$0.13**	**$0.12**	**$0.06**	**$(0.04)**	**$0.58**

Three Months Ended December 31, 2014	ExGen	ComEd	PECO	BGE	Other	Exelon
2014 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.27**	**$0.09**	**$0.11**	**$0.06**	**$(0.04)**	**$0.48**
Mark-to-market impact of economic hedging activities	(0.08)	-	-	-	-	(0.08)
Unrealized losses related to NDT fund investments	0.03	-	-	-	-	0.03
Merger and integration costs	(0.01)	-	-	-	(0.08)	(0.09)
Reassessment of State Deferred Income Taxes	0.04	-	-	-	(0.01)	0.03
Amortization of commodity contract intangibles	(0.03)	-	-	-	-	(0.03)
Plant retirements and divestitures	0.06	-	-	-	-	0.06
Long-Lived asset impairment	(0.39)	-	-	-	-	(0.39)
Bargain-Purchase Gain	0.03	-	-	-	-	0.03
Tax settlements	0.01	-	-	-	-	0.01
Non-Controlling Interest	(0.03)	-	-	-	-	(0.03)
4Q 2014 GAAP Earnings (Loss) Per Share	**($0.11)**	**$0.09**	**$0.11**	**$0.06**	**$(0.13)**	**$0.02**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00456

4Q YTD GAAP EPS Reconciliation

Year Ended December 31, 2013	ExGen	ComEd	PECO	BGE	Other	Exelon
2013 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.40**	**$0.49**	**$0.45**	**$0.23**	**$(0.07)**	**$2.50**
Mark-to-market impact of economic hedging activities	0.35	-	-	-	(0.00)	0.35
Unrealized gains related to nuclear decommissioning trust funds	0.09	-	-	-	-	0.09
Asset Retirement Obligation	(0.01)	-	-	-	-	(0.01)
Plant retirements and divestiture	0.02	-	-	-	-	0.02
Long-Lived asset impairment	(0.12)	-	-	-	(0.02)	(0.14)
Merger and integration costs	(0.08)	-	-	-	-	(0.08)
Amortization of commodity contract intangibles	(0.41)	-	-	-	-	(0.41)
Remeasurement of like kind exchange tax position	-	(0.20)	-	-	(0.11)	(0.31)
Amortization of the fair value of certain debt	0.01	-	-	-	-	0.01
Reassessment of State Deferred Income Taxes	0.01	-	-	-	(0.01)	-
Midwest Generation Bankruptcy Charges	0.02	-	-	-	-	0.02
4Q 2013 GAAP Earnings (Loss) Per Share	**$1.24**	**$0.29**	**$0.45**	**$0.23**	**$(0.21)**	**$2.00**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00457

4Q YTD GAAP EPS Reconciliation - continued

Year Ended December 31, 2014	ExGen	ComEd	PECO	BGE	Other	Exelon
2014 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.34**	**$0.47**	**$0.41**	**$0.23**	**$(0.06)**	**$2.39**
Mark-to-market impact of economic hedging activities	(0.42)	-	-	-	-	(0.42)
Unrealized gains related to NDT fund investments	0.10	-	-	-	-	0.10
Asset Retirement Obligation	0.02	-	-	-	-	0.02
Plant retirements and divestitures	0.28	-	-	-	-	0.28
Long-Lived asset impairment	(0.49)	-	-	-	(0.02)	(0.50)
Gain on CENG Integration	0.18	-	-	-	-	0.18
Merger and integration costs	(0.10)	-	-	-	(0.11)	(0.21)
Amortization of commodity contract intangibles	(0.07)	-	-	-	-	(0.07)
Tax settlements	0.12	-	-	-	-	0.12
Reassessment of State Deferred Income Taxes	0.04	-	-	-	(0.01)	0.03
Bargain-Purchase Gain	0.03	-	-	-	-	0.03
Non-Controlling Interest	(0.07)	-	-	-	-	(0.07)
4Q 2014 GAAP Earnings Per Share	**$0.97**	**$0.47**	**$0.41**	**$0.23**	**($0.20)**	**$1.88**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00458

GAAP to Operating Adjustments

- **Exelon's 2015 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Financial impacts associated with the sale of interests in generating stations
  - Certain costs incurred associated with the Integrys acquisition and Pepco Holdings, Inc. merger and integration initiatives
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys Energy Services in 2014
  - Other unusual items

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-00459

Adjusted O&M Reconciliations to GAAP

2014 Adjusted O&M Reconciliation (in $M)[3]	ExGen	ComEd	PECO	BGE	Other	Exelon
GAAP O&M	**$5,575**	**$1,450**	**$875**	**$700**	**$(25)**	**$8,575**
PHI Merger and Acquisition Costs	-	-	-	-	(25)	(25)
Regulatory O&M[1]	-	(250)	(100)	-	-	(350)
Upstream and Power Impairments	(525)	-	-	-	(25)	(525)
Constellation Merger Commitments	(50)	-	-	-	-	(50)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[2]	(325)	-	-	-	-	(325)
O&M for managed plants that are partially owned	(300)	-	-	-	-	(300)
Other	(25)	-	-	-	-	(25)
Adjusted O&M (Non-GAAP, as shown on slide 4)	**$4,350**	**$1,200**	**$750**	**$700**	**$(75)**	**$6,950**

(1) Reflects P&L neutral O&M.
(2) Reflects the direct cost of sales of certain Constellation businesses of Generation, which are included in Total Gross Margin.
(3) All amounts rounded to the nearest $25M.

SI-SSA-0015-00460

Adjusted O&M Reconciliations to GAAP

2015 Adjusted O&M Reconciliation (in $M)[3]	ExGen	ComEd	PECO	BGE	Other	Exelon
GAAP O&M	**$5,225**	**$1,550**	**$850**	**$775**	**$(75)**	**$8,350**
PHI Acquisition Costs	(25)	-	-	-	-	(25)
Regulatory O&M[1]	-	$(300)	(100)	-	-	(425)
Decommissioning	25	-	-	-	-	25
Direct cost of sales incurred to generate revenues for certain Constellation businesses[2]	(300)	-	-	-	-	(300)
O&M for managed plants that are partially owned	(400)	-	-	-	-	(400)
Adjusted O&M (Non-GAAP, as shown on slide 4)	**$4,525**	**$1,250**	**$750**	**$775**	**$(75)**	**$7,225**

(1) Reflects P&L neutral O&M.
(2) Reflects the direct cost of sales of certain Constellation businesses of Generation, which are included in Total Gross Margin.
(3) All amounts rounded to the nearest $25M.

SI-SSA-0015-00461

ExGen Total Gross Margin Reconciliation to GAAP

Total Gross Margin Reconciliation (in $M)[4]	2015	2016	2017
Revenue Net of Purchased Power and Fuel Expense[1][5]	**$8,100**	**$8,000**	**$8,400**
Other Revenues[2]	$(250)	$(250)	$(250)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[3]	$(300)	$(350)	$(450)
Total Gross Margin (Non-GAAP, as shown on slide 6)	**$7,550**	**$7,400**	**$7,700**

(1) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense . ExGen does not forecast the GAAP components of RNF separately. RNF also includes the RNF of our proportionate ownership share of CENG.

(2) Reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues.

(3) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation.

(4) All amounts rounded to the nearest $50M.

(5) Excludes the impact of the operating exclusion for mark-to-market due to the volatility and unpredictability of the future changes to power prices.

SI-SSA-0015-00462

August 2018 Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00464

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-00465

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-00466

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00468

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-00469

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

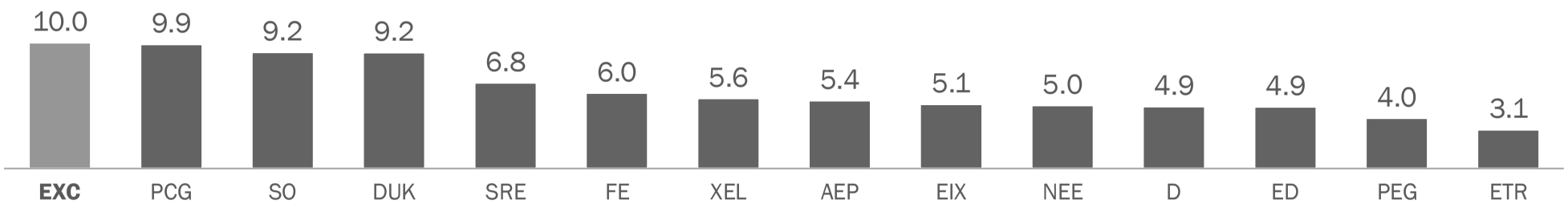
11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

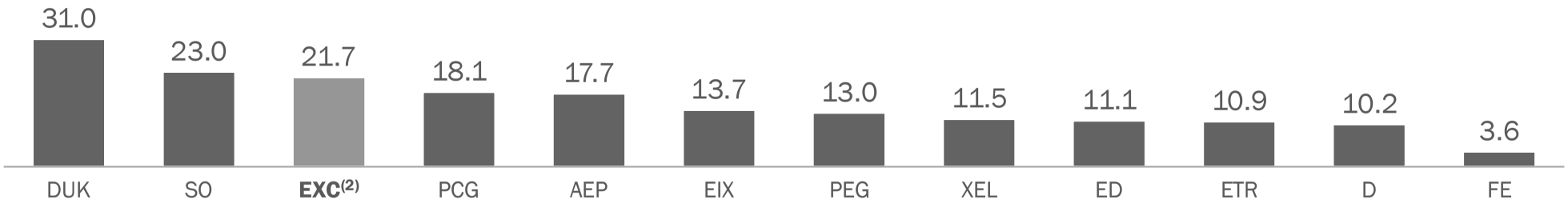
SI-SSA-0015-00470

Exelon Utilities are an Industry Leader

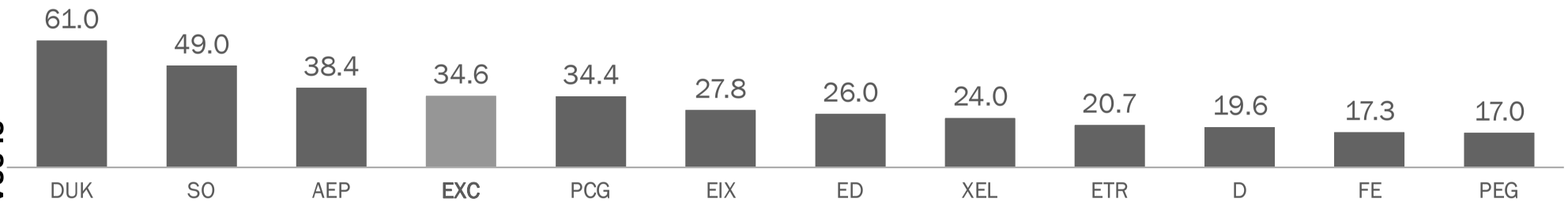
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



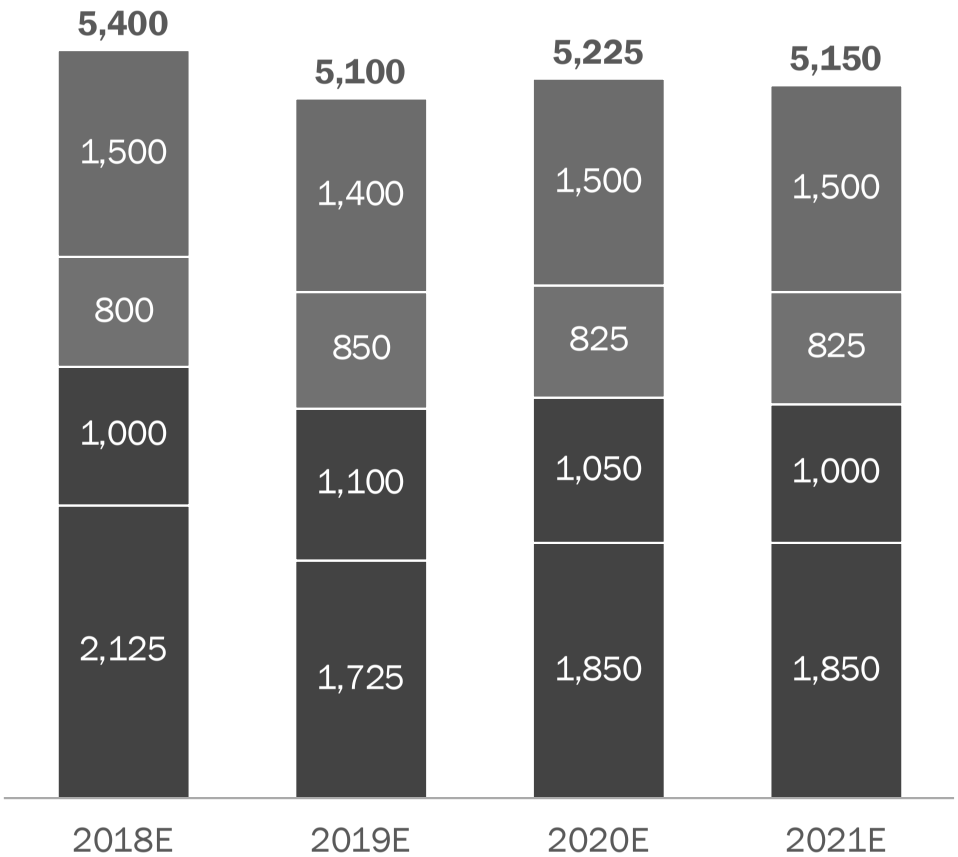
Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

SI-SSA-0015-00471

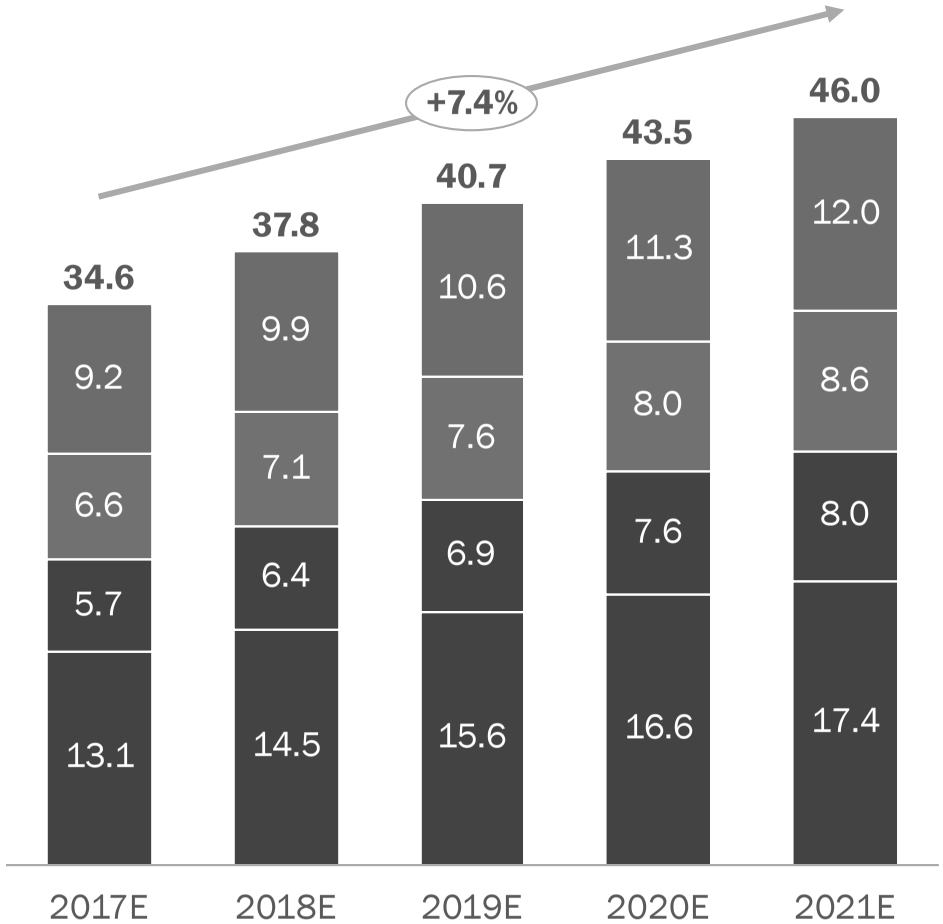
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

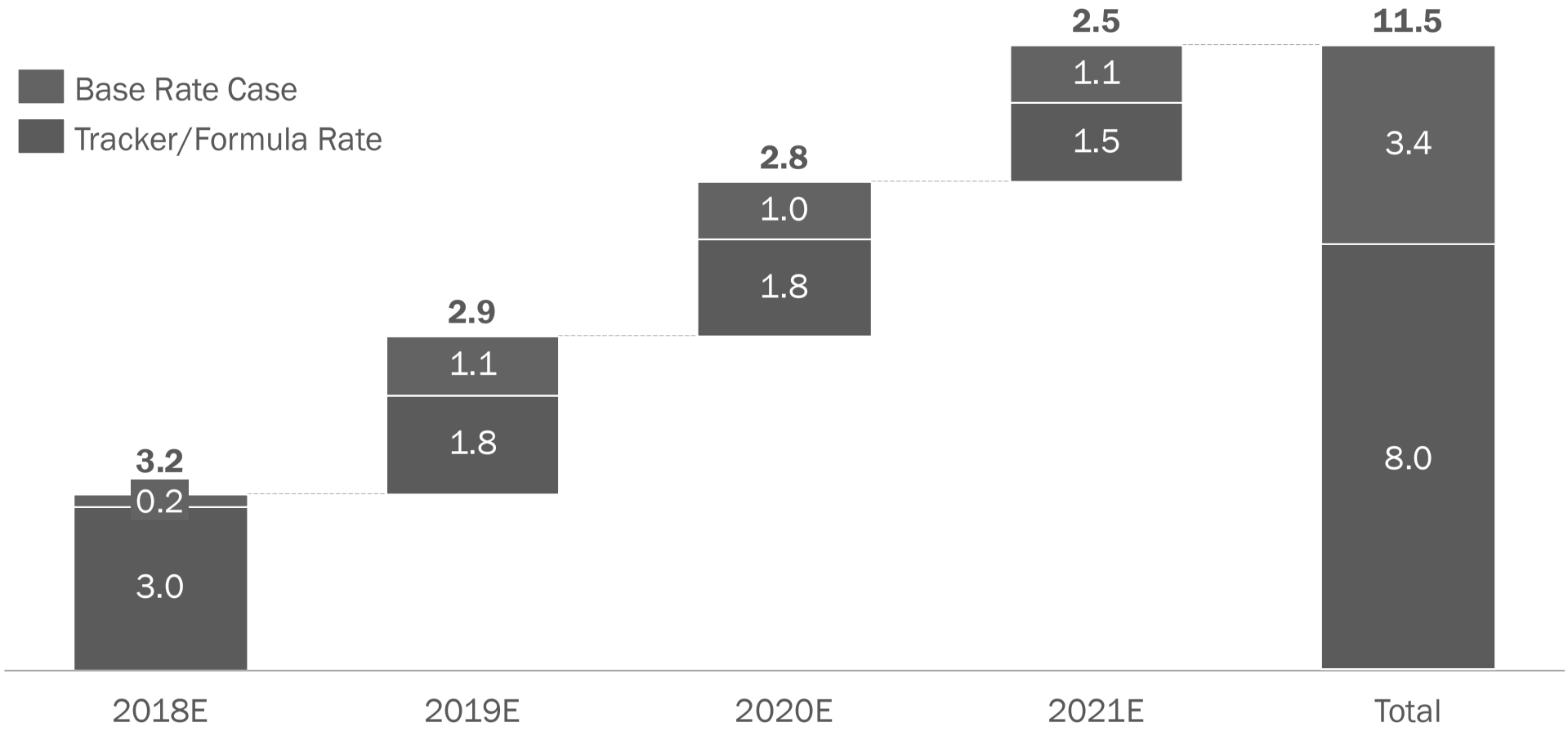
Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

SI-SSA-0015-00472

Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

Exelon.

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q2 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Continued top tier reliability performance, with top decile performance in CAIDI and gas odor
- Customer performance metrics continue to be strong across all utilities

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

Exelon.

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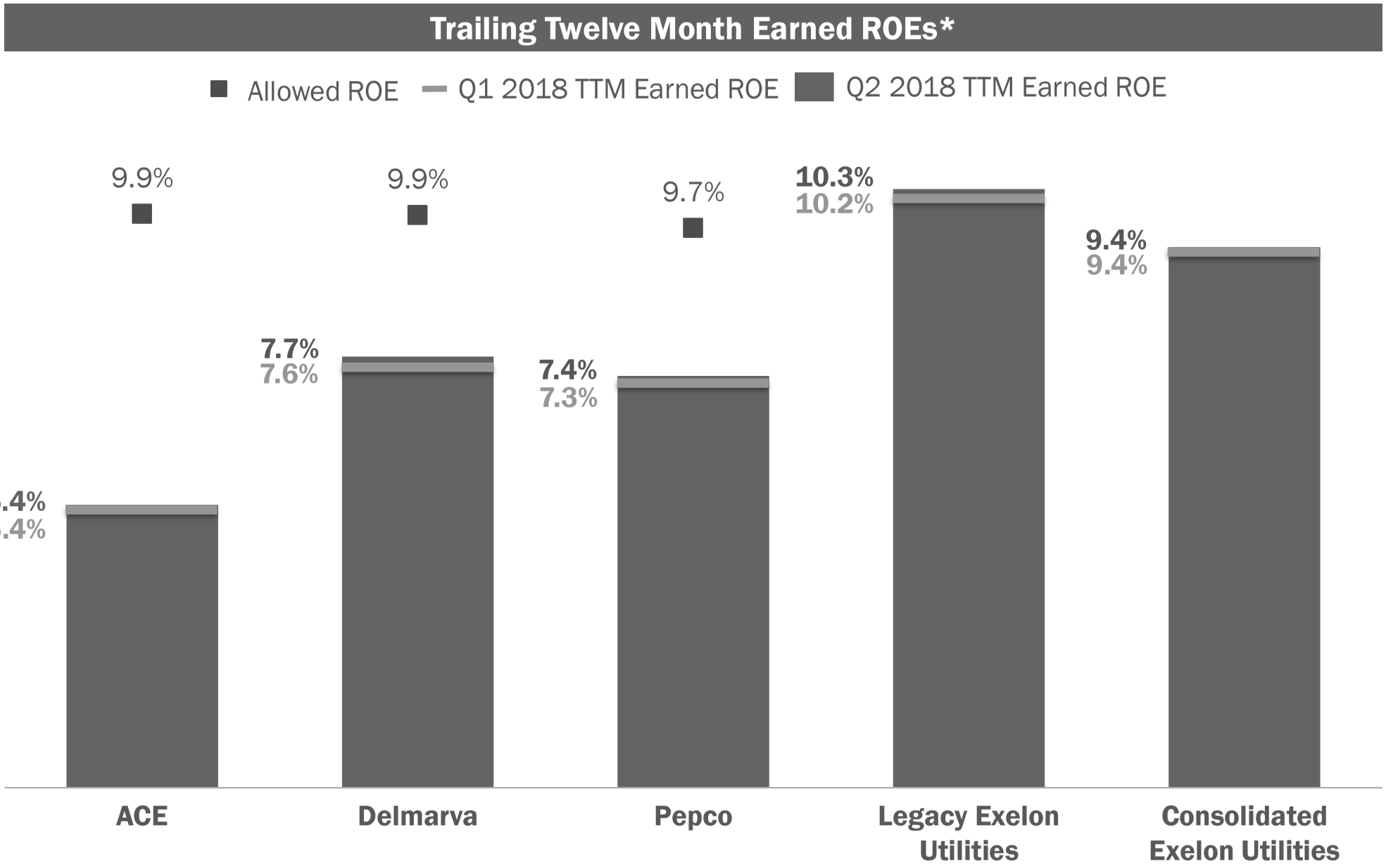
Trailing 12 Month Earned ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2018 and 6/30/2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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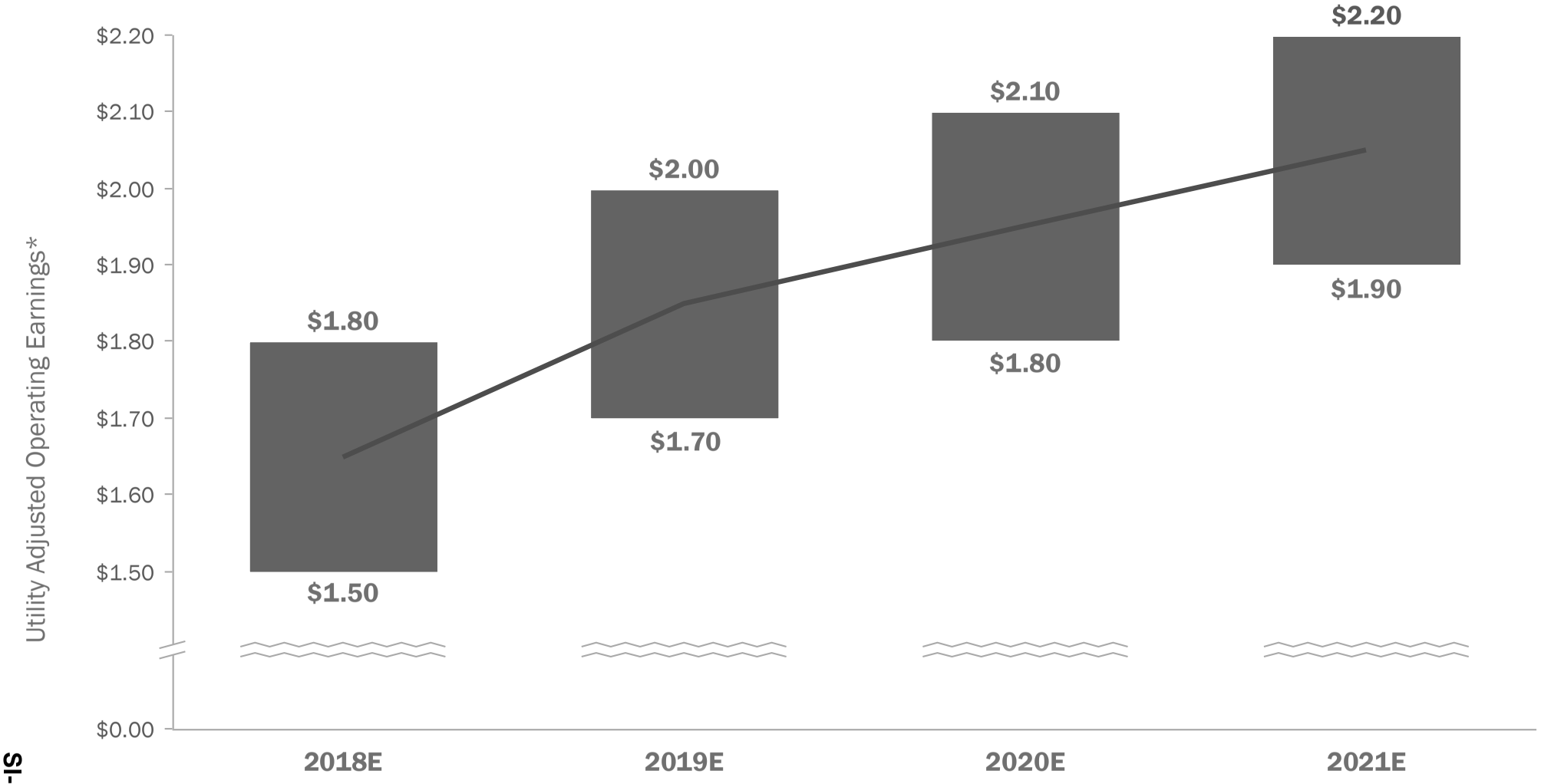
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon.

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	CF		IT	RT	EH	IB RB			FO				($22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		RT	SA EH			FO							($6.9M)[1,3]	9.70% / 50.52%	Q3 2018
Delmarva Gas (DE)		IT		RT		EH	IB RB		FO				$3.8M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)	SA		IB			FO							($24.1M)[1,5]	9.525% / 50.44%	Q3 2018
Pepco Electric (MD)	SA	EH FO											($15.0M)[1,5]	9.50% / 50.44%	May 31, 2018
PECO Electric			IT	RT	EH	IB RB			FO				$82M[1]	10.95% / 53.39%	Dec 2018
BGE[2] Gas			CF			IT	RT	EH IB	RB	FO			$85M[6]	10.50% / 53.40%	Jan 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings

(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing

(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.

(5) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Includes tax benefits from Tax Cuts and Jobs Act.

(6) Reflects $63M increase and $22M STRIDE reset

SI-SSA-0015-00477

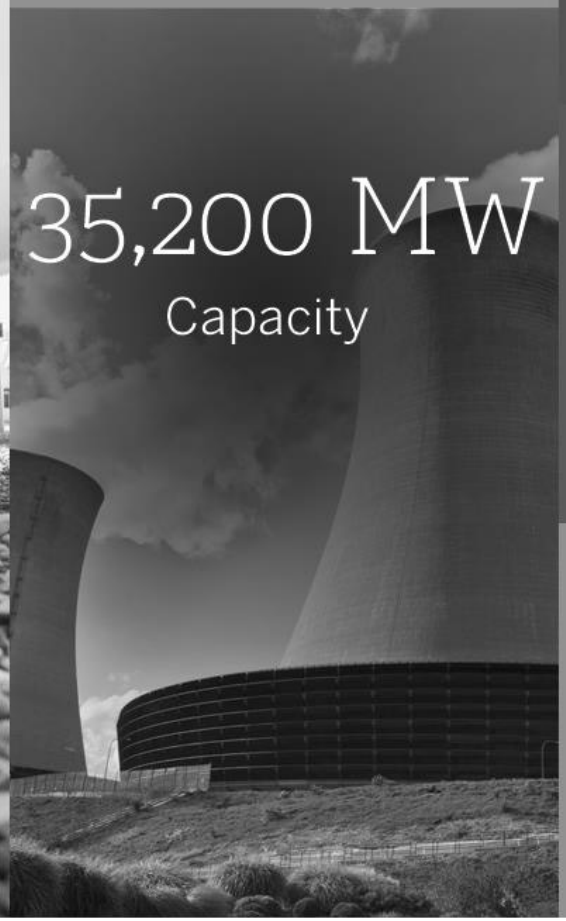
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-00478

Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-00480

Exelon Generation: Gross Margin Update

Gross Margin Category ($M)[1]	June 30, 2018			Change from March 31, 2018		
	2018	2019	2020	2018	2019	2020
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,700	$4,050	$3,800	$100	$100	-
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	$50	$50
Mark-to-Market of Hedges[2,3]	$400	$400	$300	$100	$(50)	$50
Power New Business / To Go	$150	$600	$800	$(200)	$(50)	$(50)
Non-Power Margins Executed	$350	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**	**-**	**$50**	**$50**

Recent Developments

- Strong second quarter executing $200M of Power New Business in 2018 and $50M in both 2019 and 2020
- Capacity and ZEC Revenues include the favorable impact of NJ ZEC revenues in 2019 and 2020
- Behind ratable hedging position reflects the upside we see in power prices
  - ~10-13% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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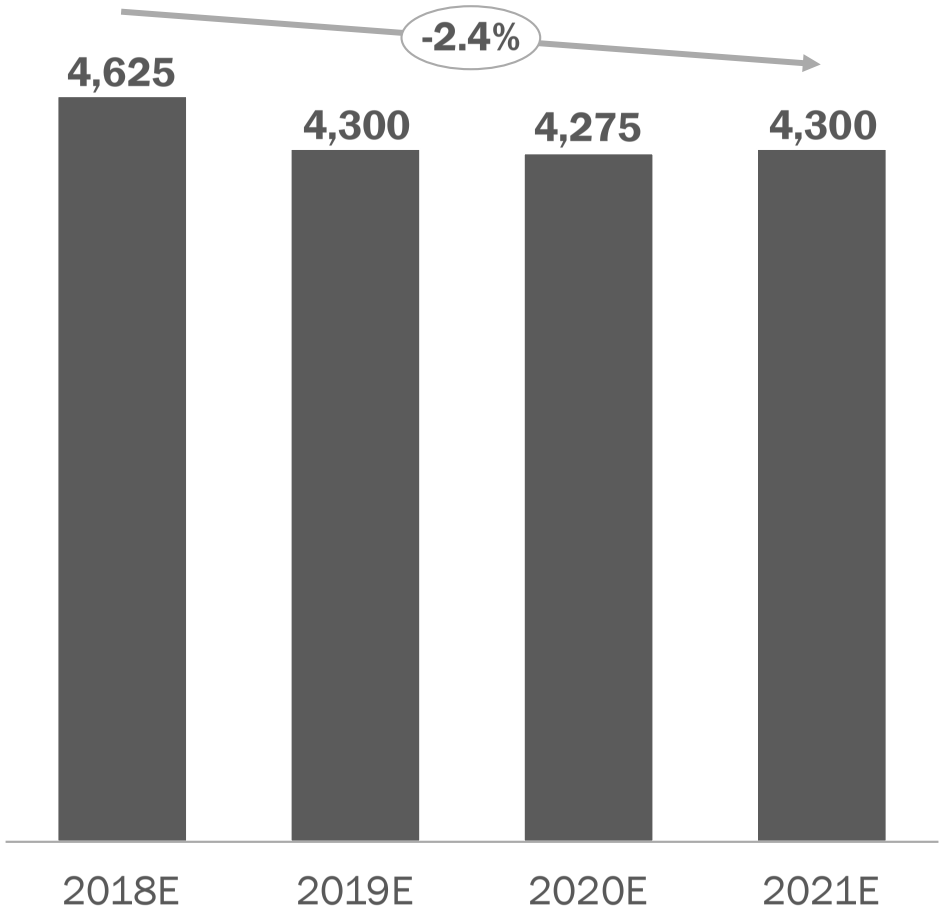
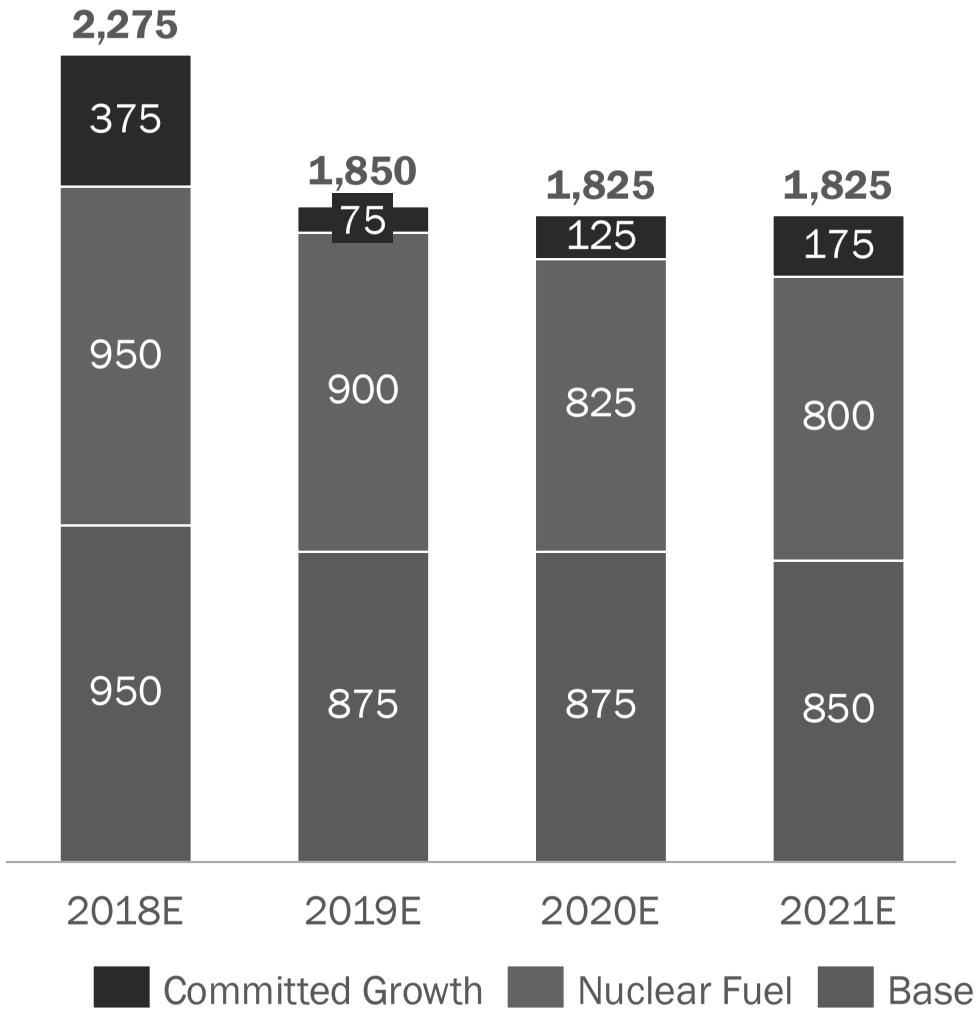
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

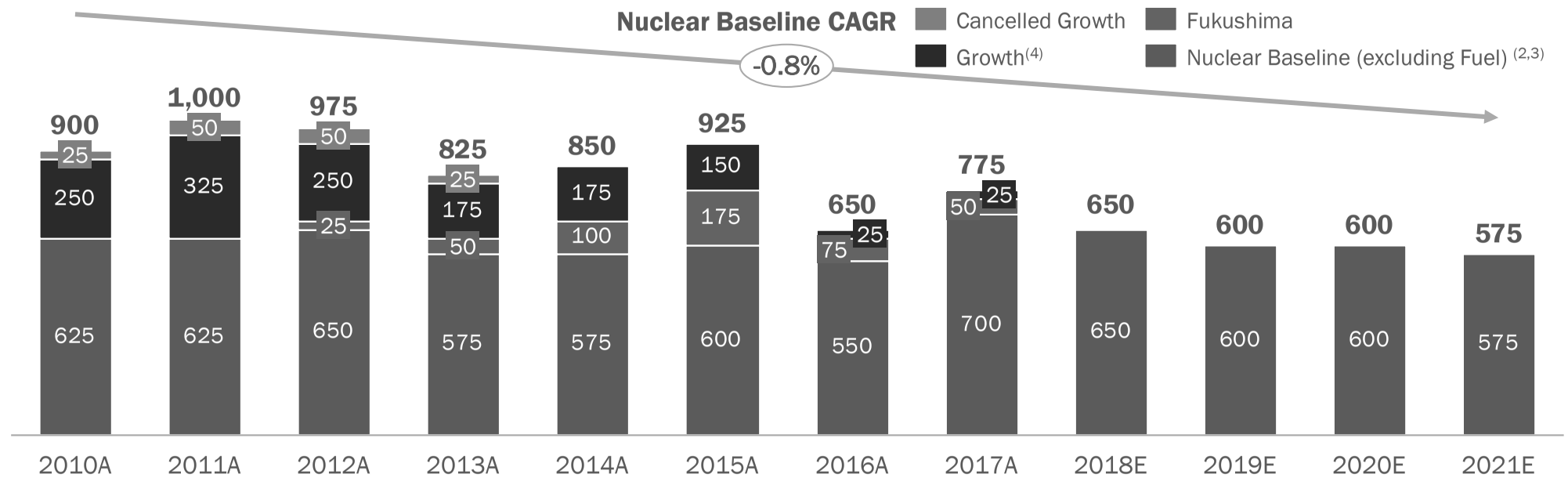
(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

Exelon.

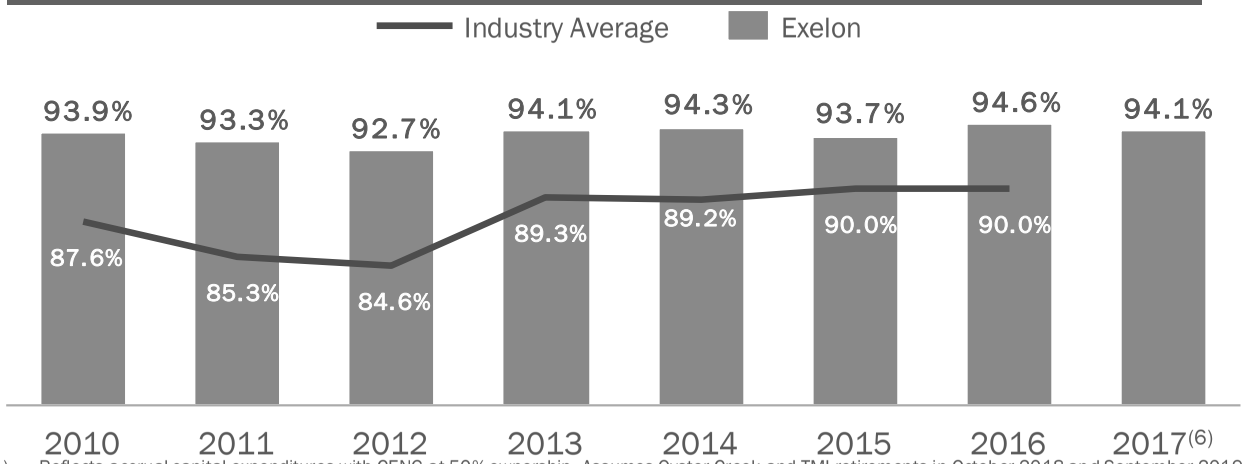
SI-SSA-0015-00482

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

SI-SSA-0015-00483

ZEC & Energy Policy Updates

ZEC Updates

New Jersey:

- Governor Murphy signed the NJ ZEC bill into law on May 23rd
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018, with requests for supplemental briefings
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29th
- Currently awaiting court decision

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

FERC Capacity Order

- On June 29, 2018, FERC issued an order rejecting both capacity repricing and MOPREx, but finding that the existing tariff is not just and reasonable
- FERC established a paper hearing proceeding to develop a new, two-part approach:
  - **Alternative FRR**: enables states to establish asset specific FRR arrangements that would allow them to compensate those assets directly and remove the associated load from the RPM auction
  - **MOPR**: if FRR is not elected, an expanded MOPR would apply to all existing and new resources with out-of-market support, with no or few exceptions
- FERC has required comments within 60 days, with replies 30 days later
- FERC aims to reach a final decision by January 4, 2019

PJM Price Formation

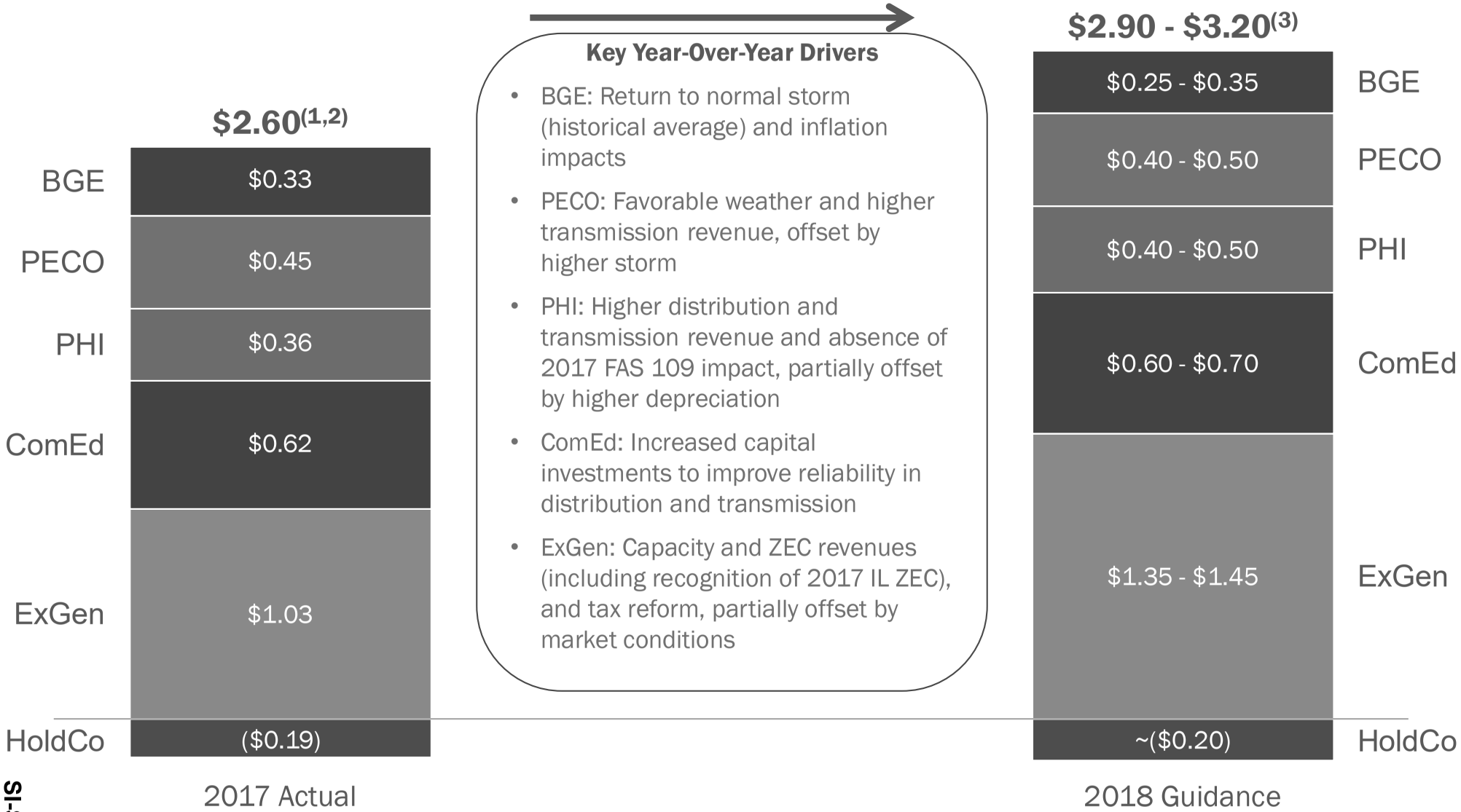
- PJM fast start proceeding was initiated by FERC (Docket No. EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September 2018
  - If FERC approves in September, without changes, then PJM could implement the changes in winter 2018/2019
- After assessing FERC's fast start decision, PJM will determine path forward for full integer relaxation
  - PJM has not set a definitive timeline for stakeholder deliberations
- Deliberations regarding scarcity pricing and reserves reforms are ongoing in Q3 and Q4 for early 2019 action

SI-SSA-0015-00484

Financial Overview

SI-SSA-0015-00485

2018 Adjusted Operating Earnings* Guidance



Expect Q3 2018 Adjusted Operating Earnings* of $0.80 - $0.90 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) The Registrants' 2017 Adjusted Operating Earnings* have not been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018
(3) 2018 earnings guidance based on expected average outstanding shares of 969M

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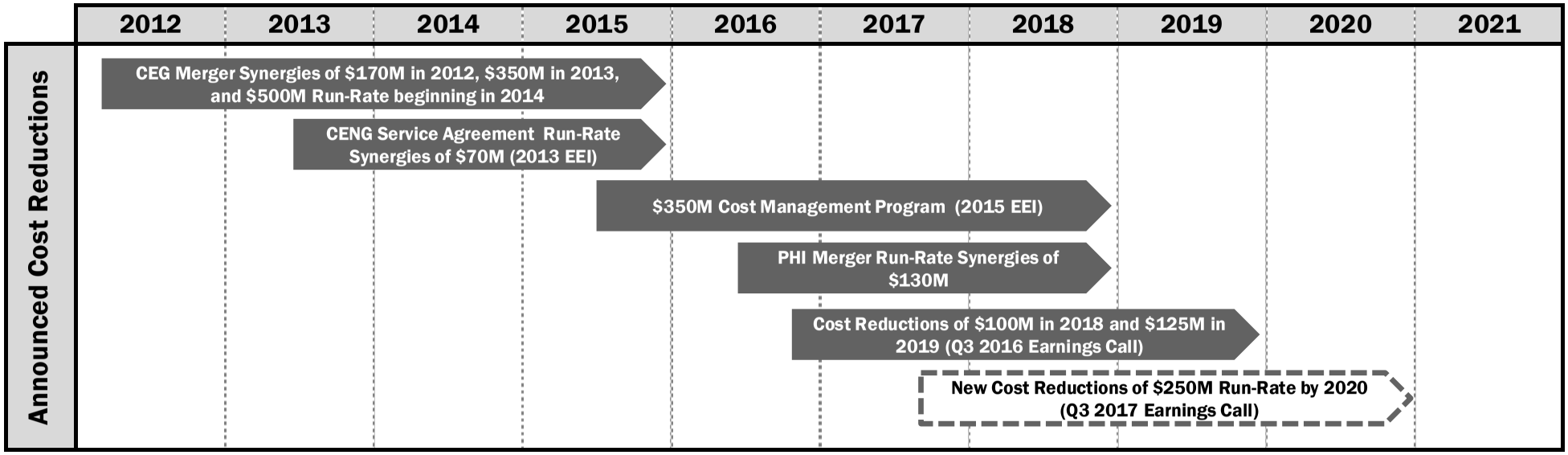
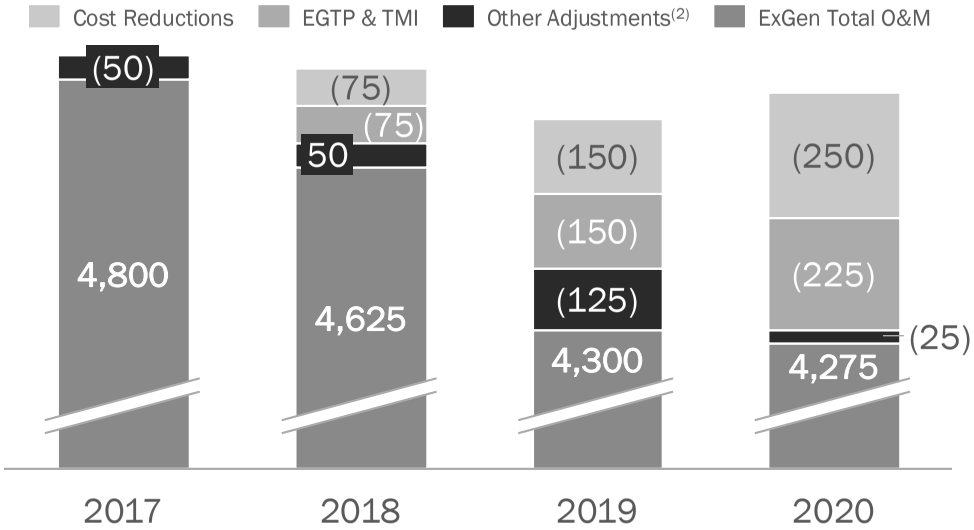
Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	$50	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,700**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,625**	**$4,300**	**$4,275**	**-3.8%**

(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

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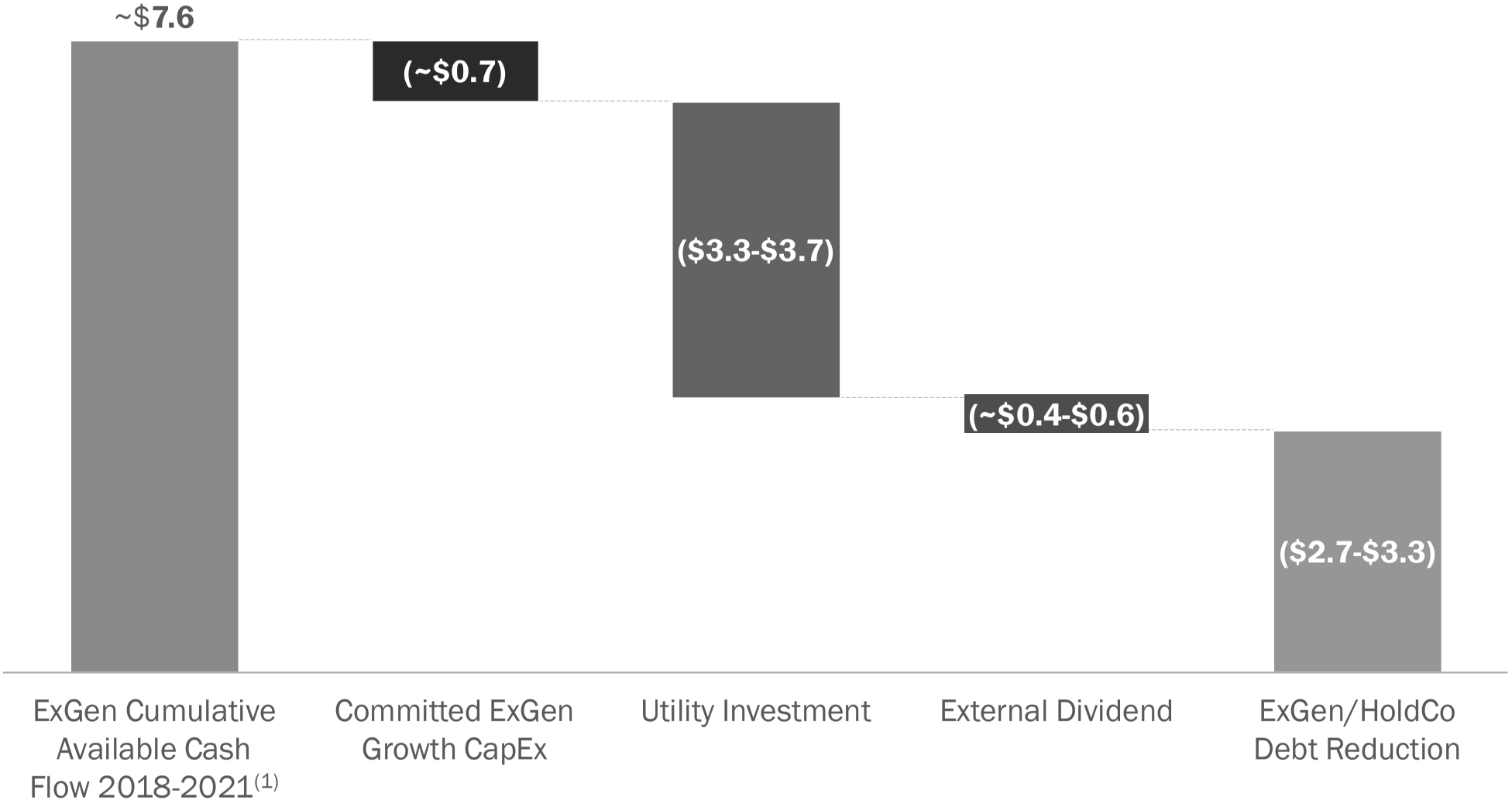
Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

Exelon.

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Impacts from Tax Reform

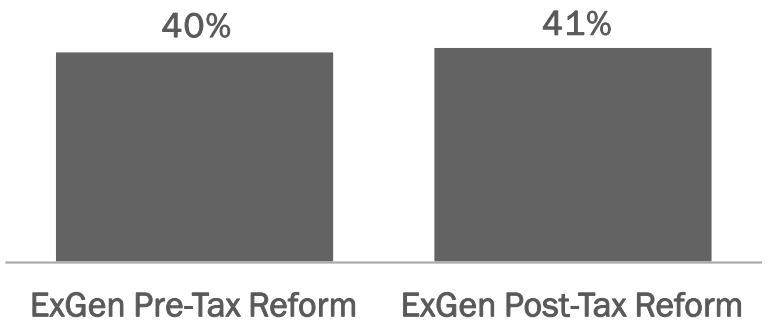
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

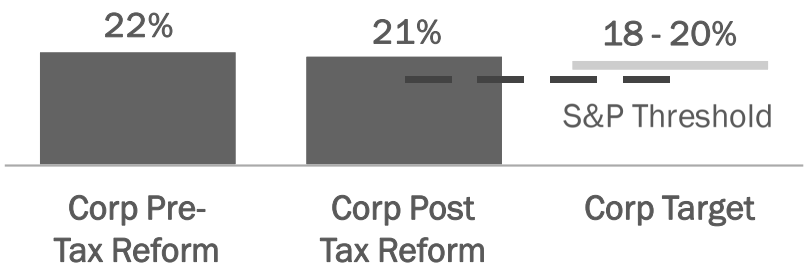
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

SI-SSA-0015-00489

Tax Reform Producing Significant Customer Bill Savings

DPL

- DPL has filed to provide over **$40M** in annual distribution tax savings to customers
- DPL has also filed to provide **$12M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ACE

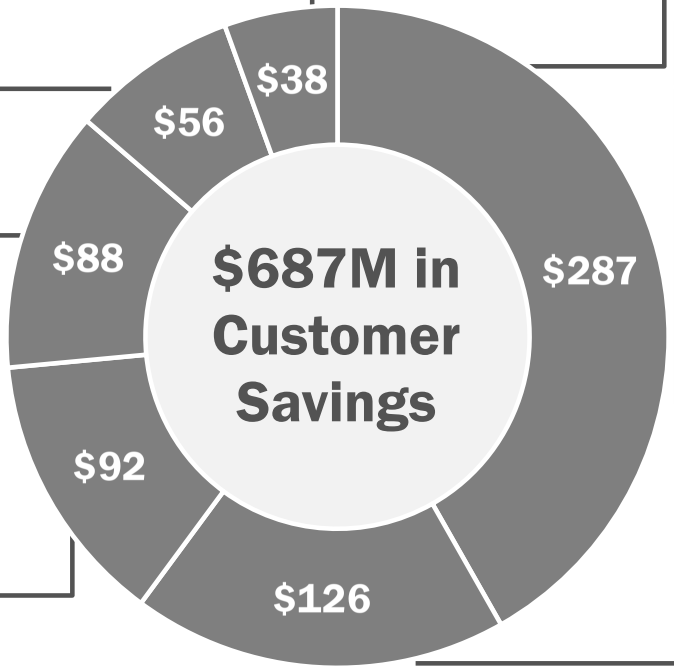
- ACE has filed to provide **$23M** in annual distribution tax savings to customers
- ACE has also filed to provide **$11M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ComEd

- ComEd has filed to provide **$201M** in annual distribution tax savings to customers
- ComEd has also filed to provide **$69M** in annual transmission tax savings, in addition to another **$17M** pending approval from FERC

Pepco

- Pepco has filed to provide over **$70M** in annual distribution tax savings to customers
- Pepco has also filed to provide **$13M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC



BGE

- BGE has filed to provide **$103M** in annual distribution tax savings to customers
- BGE has also filed to provide **$18M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC

PECO

- PECO has filed to provide **$72M** in annual distribution tax savings to customers
- PECO has also filed to provide **$20M** in annual transmission tax savings

Utility customers across our jurisdictions will benefit from tax reform, saving over $675M annually through planned and approved transmission and distribution bill adjustments

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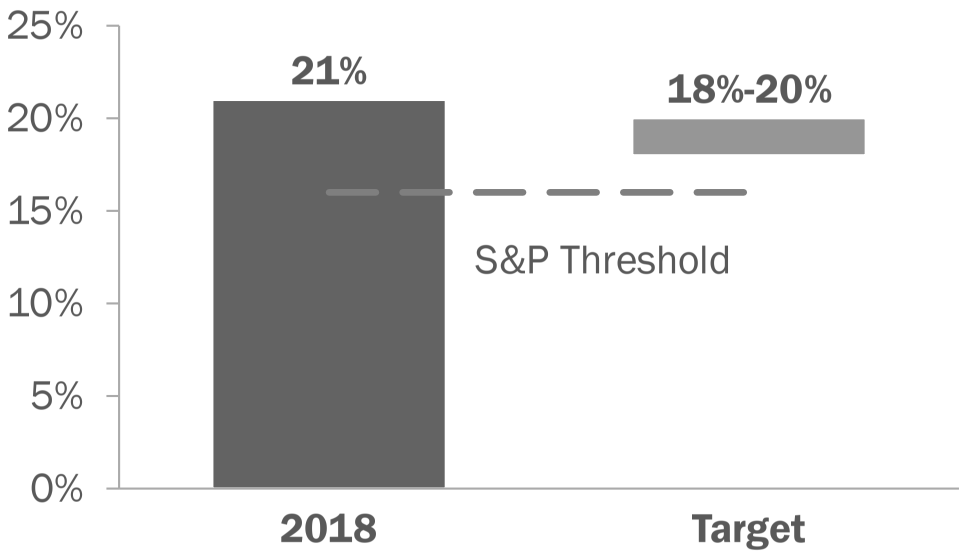
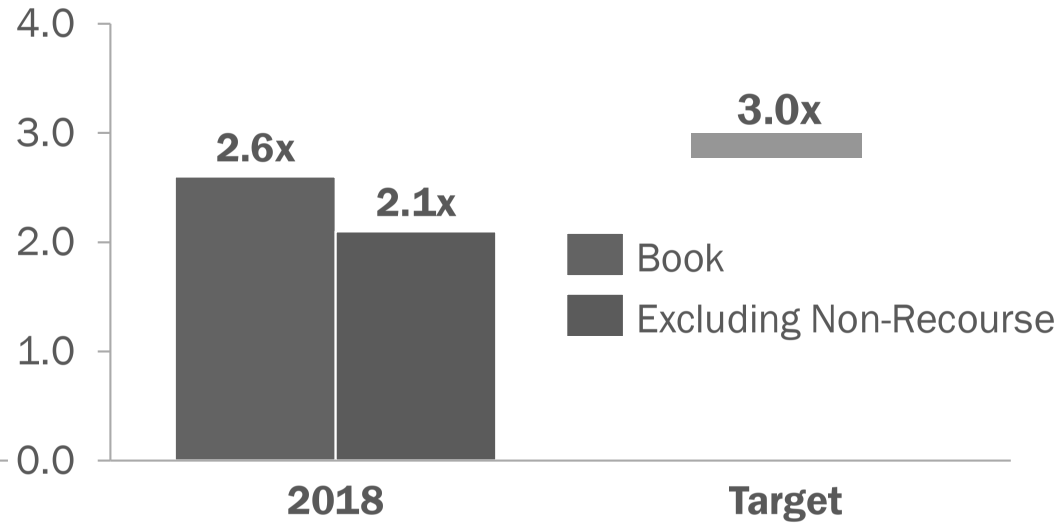
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

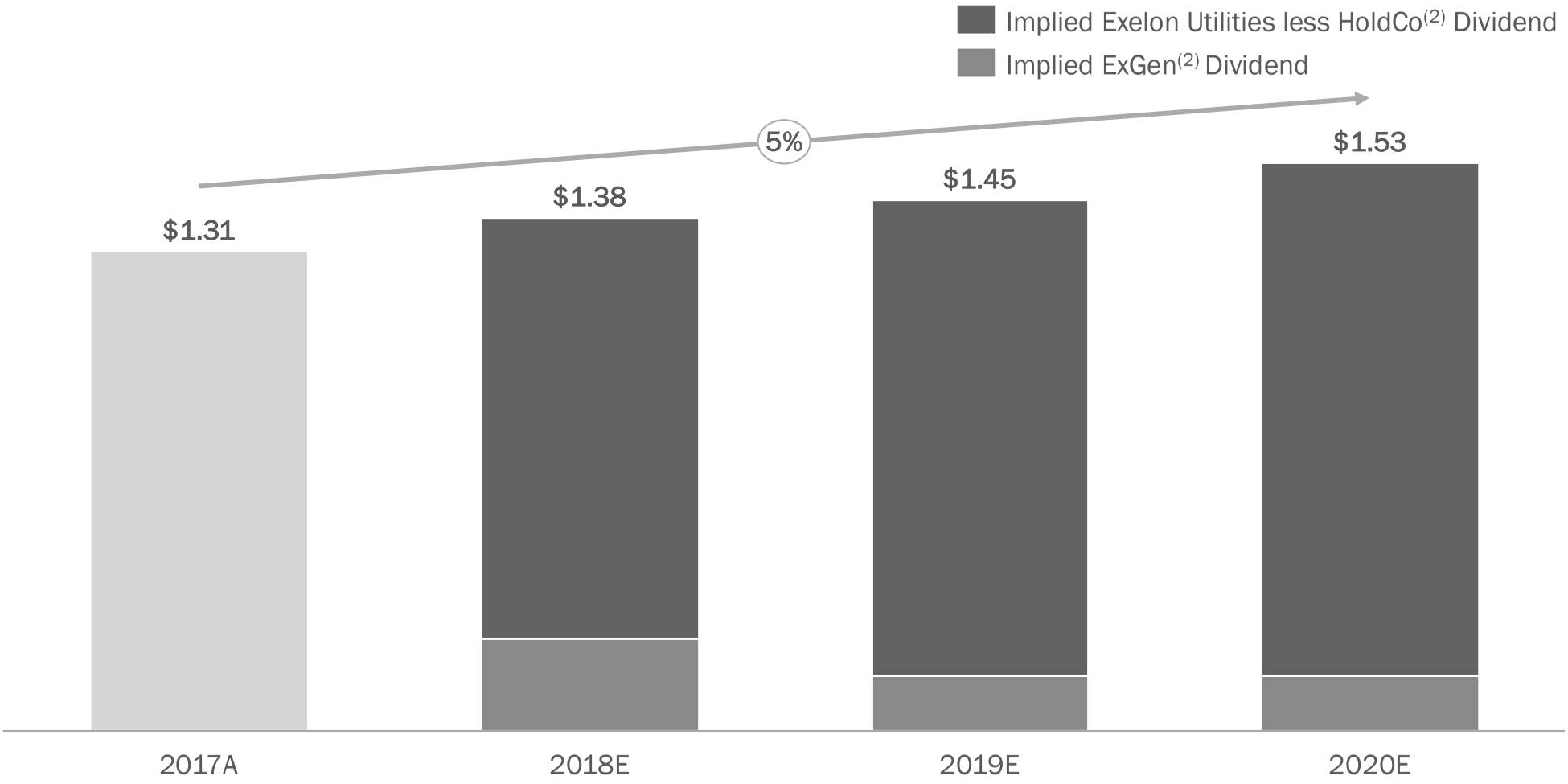
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of August 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon, PECO, and BGE are on "Positive" outlook at Fitch, and ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon.

SI-SSA-0015-00491

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-00492

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-00493

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Appendix

SI-SSA-0015-00494

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	700	1,475	625	1,100	3,900	3,975	175	8,050	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**700**	**1,475**	**625**	**1,100**	**3,900**	**2,000**	**150**	**6,050**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	125	450	50	350	975	0	(950)	0	
Other Financing[4]	100	450	50	(75)	550	25	(100)	475	
Financing*[5]	**525**	**1,375**	**300**	**750**	**2,925**	**(75)**	**(1,050)**	**1,800**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**925**	**1,850**	**6,825**	**1,950**	**(900)**	**7,875**	
Utility Investment	(1,000)	(2,125)	(850)	(1,550)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,550)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**75**	**300**	**1,300**	**1,550**	**(2,250)**	**600**	
Ending Cash Balance*[2]									**2,050**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding
(2) Gross of posted counterparty collateral
(3) Figures reflect cash CapEx and CENG fleet at 100%
(4) Other Financing primarily includes expected changes in tax sharing from the parent, money pool borrowings, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
(5) Financing cash flow excludes intercompany dividends
(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
(7) Dividends are subject to declaration by the Board of Directors
(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $2B at ExGen and $3.9B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

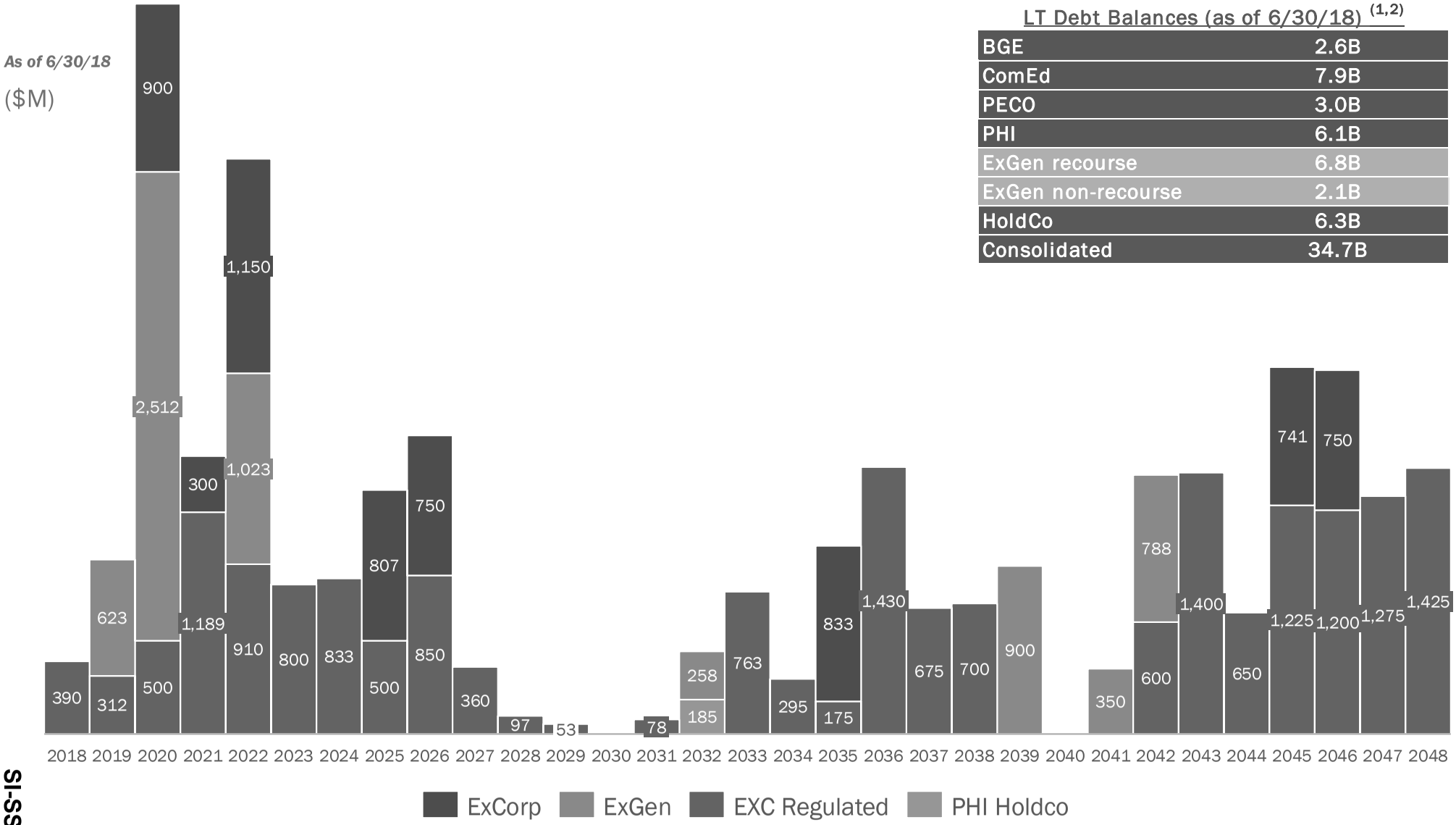
Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

SI-SSA-0015-00495

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 6/30/18) [1,2]

BGE	2.6B
ComEd	7.9B
PECO	3.0B
PHI	6.1B
ExGen recourse	6.8B
ExGen non-recourse	2.1B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q2 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

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Exelon

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.02	$0.26	$0.45
	- $1/MMBtu	$0.00	($0.23)	($0.41)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.00	$0.12	$0.23
	- $5/MWh	($0.00)	($0.12)	($0.23)
	PJM-W ATC Energy Price			
	+ $5/MWh	($0.01)	$0.05	$0.10
	- $5/MWh	$0.01	($0.03)	($0.09)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.02	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	968	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on June 30, 2018, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

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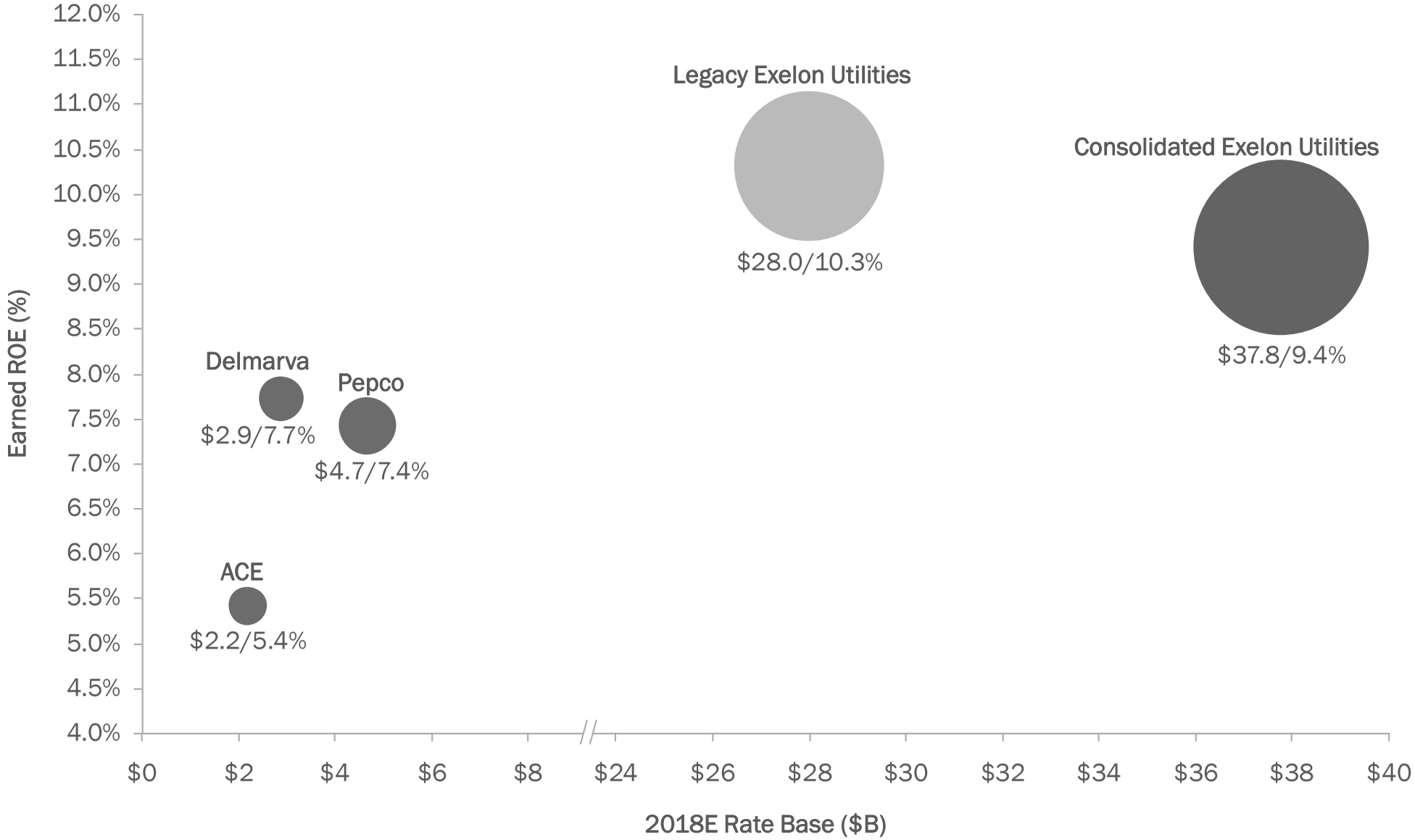
Exelon Utilities Trailing 12 Month Earned ROEs*

Q2 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the 12-month period ending June 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

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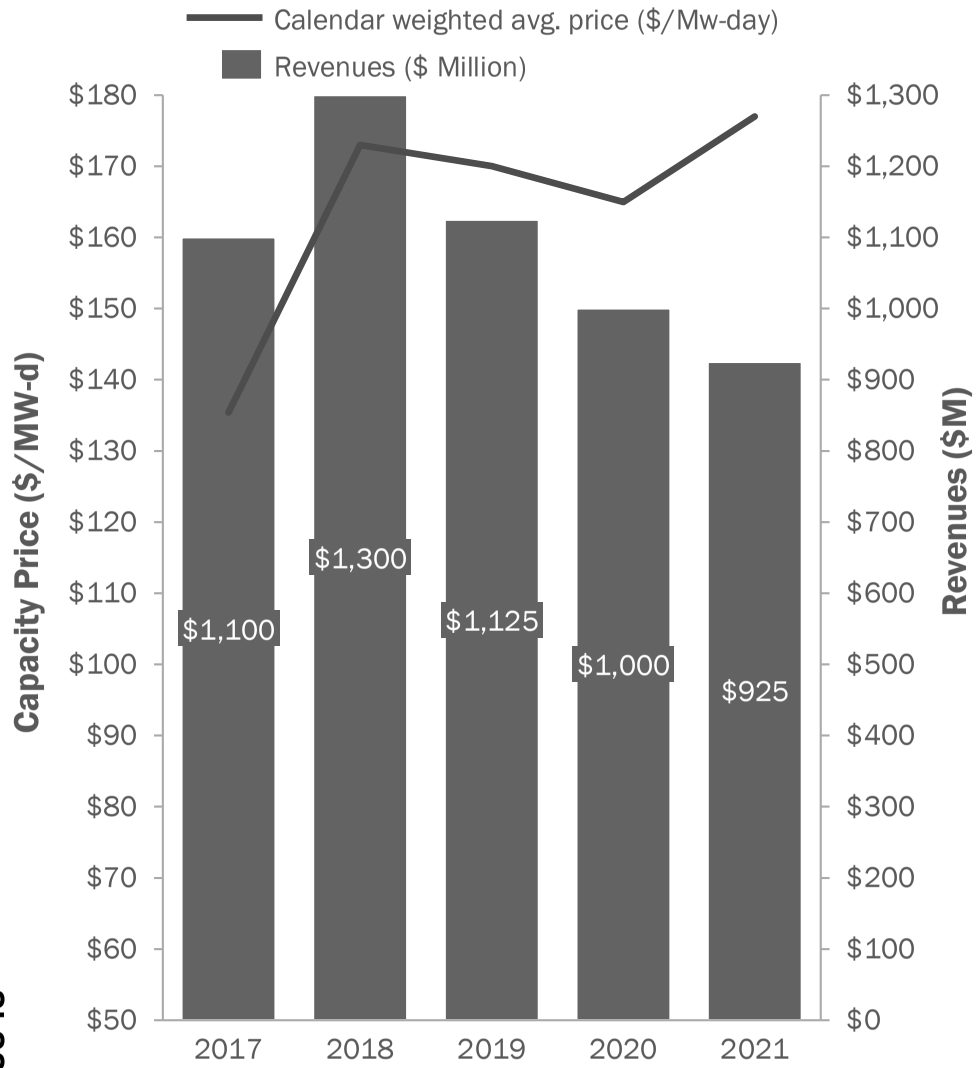
Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

Recent BRA Results

Cleared Volumes (MW)[4]	2020/2021 CP	2020/2021 Price	2021/2022 CP	2021/2022 Price
ComEd				
Nuclear	8,075	$188	5,175	$196
Fossil/Other	-	$188	-	$196
Subtotal	**8,075**		**5,175**	
EMAAC				
Nuclear	4,350	$188	3,925	$166
Fossil/Other	2,325	$188	2,100	$166
Subtotal	**6,675**		**6,025**	
SWMAAC				
Nuclear	850	$86	850	$140
Fossil/Other	-	$86	-	$140
Subtotal	**850**		**850**	
MAAC				
Nuclear	-	$86	-	$140
Fossil/Other	225	$86	225	$140
Subtotal	**225**		**225**	
BGE				
Nuclear	-	$86	-	$200
Fossil/Other	375	$86	400	$200
Subtotal	**375**		**400**	
Rest of RTO				
Nuclear	-	$77	-	$140
Fossil/Other	-	$77	100	$140
Subtotal	**-**		**100**	
PJM Total				
Nuclear	13,275		9,950	
Fossil/Other	2,925		2,825	
Grand Total	**16,200**		**12,775**	

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Exelon.

Exelon Generation Disclosures

Data as of June 30, 2018
These disclosures were presented on August 2, 2018, and are not being updated at this time

SI-SSA-0015-00500

Portfolio Management Strategy

Strategic Policy Alignment

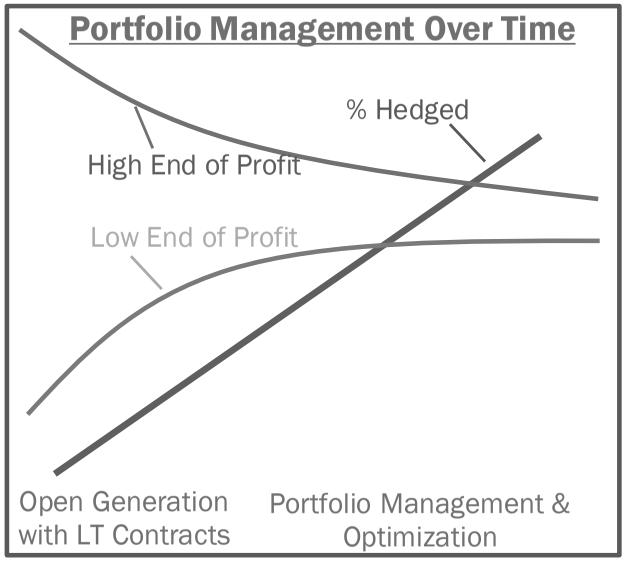
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

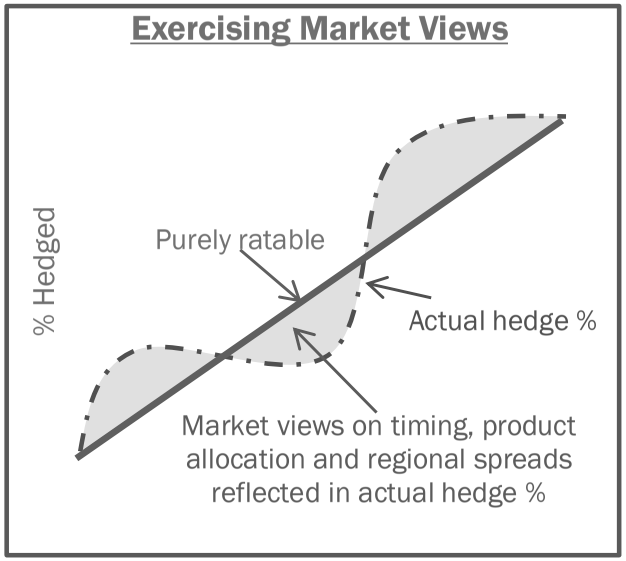
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,700	$4,050	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$400	$400	$300
Power New Business / To Go	$150	$600	$800
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.93	$2.81	$2.68
Midwest: NiHub ATC prices ($/MWh)	$27.39	$26.04	$25.16
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$35.93	$31.38	$30.36
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$8.91	$9.70	$8.43
New York: NY Zone A ($/MWh)	$30.80	$28.21	$28.55
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.89	$5.12	$5.83

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**199,000**	**202,400**	**193,100**
Midwest	96,700	97,100	96,700
Mid-Atlantic[2,6]	60,100	54,100	48,600
ERCOT	20,000	25,900	23,600
New York[2,6]	15,900	16,600	15,500
New England	6,300	8,700	8,700
% of Expected Generation Hedged[3]	**97%-100%**	**71%-74%**	**41%-44%**
Midwest	95%-98%	68%-71%	35%-38%
Mid-Atlantic[2,6]	102%-105%	81%-84%	50%-53%
ERCOT	98%-101%	74%-77%	45%-48%
New York[2,6]	97%-100%	75%-78%	52%-55%
New England	77%-80%	33%-36%	27%-30%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$29.00	$29.00
Mid-Atlantic[2,6]	$39.50	$38.00	$38.00
ERCOT[5]	$1.00	$3.50	$2.50
New York[2,6]	$37.00	$33.00	$30.00
New England[5]	$6.00	$1.50	$12.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.2%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$25	$335	$580
- $1/MMBtu	-	$(295)	$(535)
NiHub ATC Energy Price			
+ $5/MWh	$5	$155	$305
- $5/MWh	$(5)	$(155)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$125
- $5/MWh	$15	$(40)	$(115)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$10	$35
- $5/MWh	-	$(15)	$(35)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $30

(1) Based on June 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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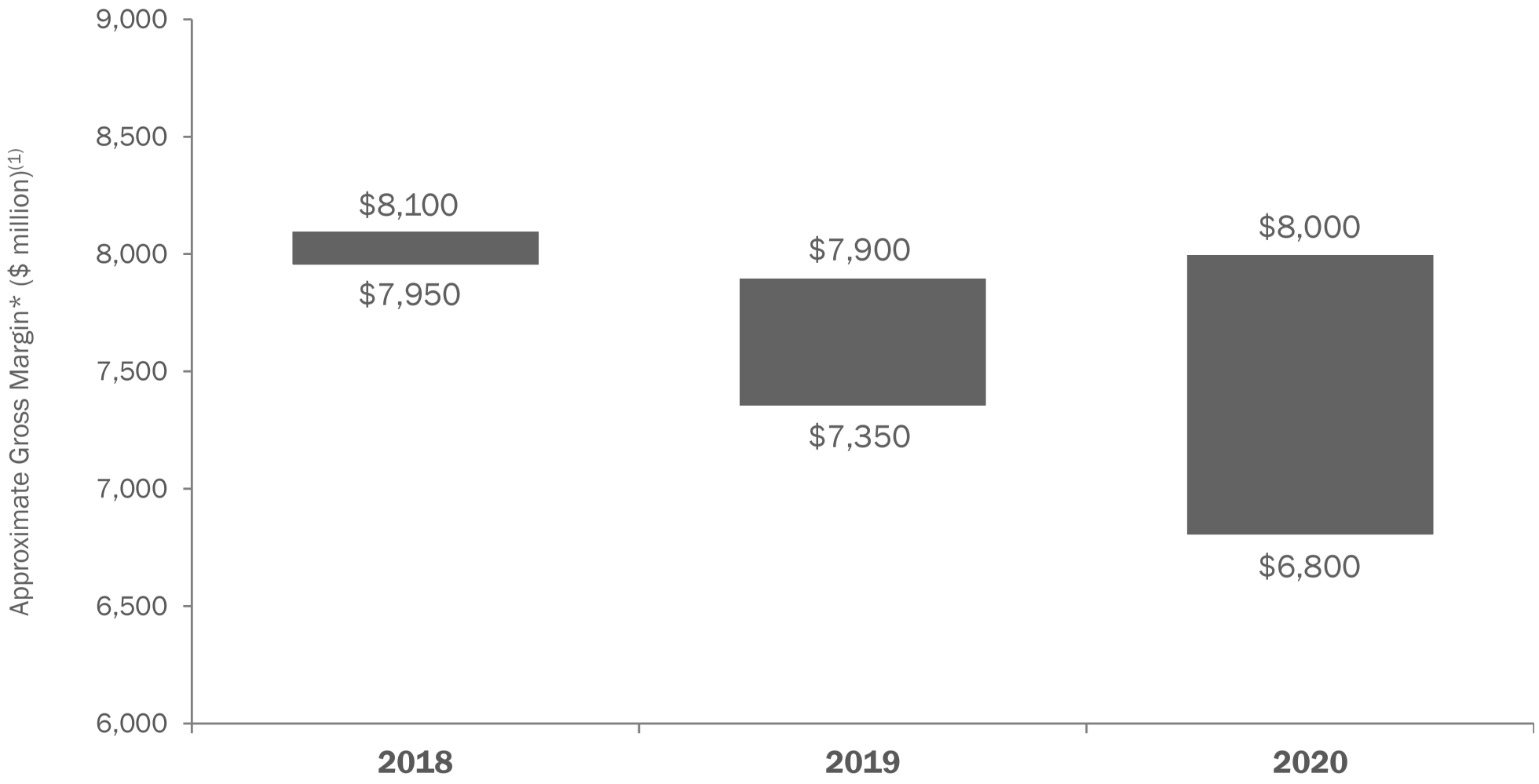
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-00506

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.05 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.1	54.1	25.9	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	69.5%	82.5%	75.5%	76.5%	34.5%	
(E=C*D)	Hedged Volume (TWh)	67.5	44.6	19.6	12.7	3.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.00	$3.50	$33.00	$1.50	
(G)	Reference Price ($/MWh)	$26.04	$31.38	$9.70	$28.21	$5.12	
(H=F-G)	Difference ($/MWh)	$2.96	$6.62	($6.20)	$4.79	($3.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$200	$295	($120)	$60	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,500					
(K)	Power New Business / To Go ($ million)	$600					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,600 million**					

(1) Mark-to-market rounded to the nearest $5M

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,075**	**$7,750**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,600**	**$7,300**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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Appendix

Reconciliation of Non-GAAP Measures

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Certain merger and integration costs
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

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GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$700	$1,475	$625	$1,100	$4,250	$175	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$700**	**$1,475**	**$625**	**$1,100**	**$3,975**	**$175**	**$8,050**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$325	$900	($0)	$450	($1,075)	($125)	$475
Dividends paid on common stock	$200	$450	$300	$300	$1,000	($950)	$1,325
Financing Cash Flow	**$525**	**$1,375**	**$300**	**$750**	**($75)**	**($1,050)**	**$1,800**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$600
Adjusted Ending Cash Balance[3]	$2,050
Adjustment for Cash Collateral Posted	($550)
GAAP Ending Cash Balance	**$1,525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,375**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(125)
Adjusted O&M (Non-GAAP)	**$4,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,375**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(125)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,625**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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01-Nov-2018

Exelon Corp. (EXC)

Q3 2018 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Corporate Finance, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

James McHugh
Chief Executive Officer-Contellation & Executive Vice President, Exelon Corp.

Anne R. Pramaggiore
Senior Executive Vice President & Chief Executive Officer-Exelon Utilities, Exelon Corp.

Kathleen L. Barrón
Senior Vice President -Government and Regulatory Affairs & Public Policy, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Steve Fleishman
Analyst, Wolfe Research LLC

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, welcome to Exelon 2018's Third Quarter Earnings Conference Call. My name is Jerome and I will be facilitating the audio portion of today's interactive broadcast. All lines have been place on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

At this time, I'd like turn the show over to Mr. Dan Eggers, Senior Vice President-Corporate Finance. The floor is yours.

Daniel L. Eggers
Senior Vice President-Corporate Finance, Exelon Corp.

Thank you, Jerome. Good morning, everyone, and thank you for joining our third quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Joe Nigro, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

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Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

Today's presentation also references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the Appendix of our presentation and our earnings release

for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning everyone. Thank you for joining us. Flipping to slide 5, we delivered another strong quarter with earnings again at the upper end of our range, which allows us to raise the lower end of our full-year guidance.

The utilities performed well with strong earned ROEs and largely first quartile operations. As we've stated previously, the Federal Courts of Appeal in Illinois and New York strongly affirm the legality of the ZECs and our focus on cost continues, identifying an additional $200 million in gross savings, which a $150 million of that will flow to the bottom line bringing our six-year total savings to more than $900 million.

Combined, this performance demonstrates our growing value. For the quarter, on a GAAP basis, we earned $0.76 per share versus $0.85 per share last year. On a non-GAAP operating basis, we are at $0.88 per share and again above the midpoint of our $0.80 to $0.90 range guidance that was provided.

Turning to slide 6, our utilities continue to perform at high levels across key customer satisfaction and operating metrics. The investments we are making in technology and infrastructure continue to improve reliability, which leads to greater customer satisfaction and ultimately supporting strong relations with our regulators and our legislators.

PECO and BGE improved their JV power residential gas and electric scores over the last year with PECO receiving its highest ranking ever, placing second in the residential electric survey. Our customer service metrics are strong. BGE and ComEd are in the top decile for customer satisfaction; and PHI is in the top decile for its service levels.

Each of our utilities achieved top quartile reliability performance in SAIFI, or outage duration in CAIDI which is – outage frequency is SAIFI and CAIDI which is outage duration, ComEd and PHI performed in top decile for CAIDI. SAIFI, as we've discussed in the past, is our highest priority and remains that, our metrics have continued to improve since the beginning of the year.

At ExGen, our third quarter was – 39.7 terawatt hours of capacity factor at 93.6% during the fourth hottest summer in nearly 125 years. We performed at a 96.7% capacity factor and avoided 33 metric tons of carbon. Our gas & hydro fleet performed well but below plan with economic dispatch match at 95.8%. This lower performance was primarily the results of our CCGTs at Colorado Bend and Wolf Hollow being offline because of some turbine blade defects. The blades have been replaced. Wolf Hollow came back into service in late September, one of the

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Colorado Bend units returned to service in October and the other will be back in service shortly. It's in the process of restart as we speak. We took advantage of the outage time to perform normal maintenance that would have been required to have been shut down for next spring.

From a financial perspective, all the repairs were covered under a warranty and the markets impact from the plants being down were well within our full range outage contingency plan. The plants ran very well over the summer prior to the outages and we're very pleased with the performance of the design and their durability. They remain an integral part of our Texas strategy.

Turning to slide 7, as you know we've had a strong track record of finding efficiencies in the business and driving cost savings, which is why we created the Business Transformation team earlier this year to focus on our Business Services Company. As part of that effort with additional savings from our nuclear fleet, we are announcing a $200 million reduction to our run rate 2021 costs, of which $150 million will reach the bottom line at ExGen. Joe is going to cover this in more detail during his remarks.

I'll turn it now to the policy updates for the quarter and start with the ZEC programs. As I said, both the Seventh and the Second Court of Appeals dismissed challenges to the ZEC programs in Illinois and New York respectively. In doing so, each court found that the states have the right to choose generation sources based on attributes they prefer such as environmental performance and that these programs are not tethered to the market. The plaintiff sought rehearing in Illinois' case which the court denied last month. The rulings were consistent with our expectations so we're happy with the resounding affirmation on these importantly state clean energy policies.

In New Jersey, the process for implementation of the ZEC program there remains on track to take effect early in the second quarter of 2019. The Board of Public Utilities has finished its hearings on implementation of the ZEC program and the utilities have filed tariffs to recover the ZEC-related charges. We expect the BPU to approve the changes later this month.

On the federal policy front, we think that FERC's June order took an important step forward by empowering the states to continue prioritizing zero-carbon energy throughout the state-led procurements outside of the PJM capacity module. A number of proposals were filed in response to the order, including from a diverse coalition of which Exelon is a member in PJM.

We see all of the major proposals as putting our Generation fleet in a better position financially than the current market construct. We are pleased to have filed as part of our coalition and supports the rights of states to advance their clean energy goals. Slide 22 gives a lot more detail on the coalition, but it includes consumer, rate payer, advocates, attorney generals, national environmental groups, renewable energy trade associations, public power and the other nuclear generators in PJM.

Our proposal would provide states the flexibility to conduct a capacity procurement of resources they wish to support for the public policy reasons and would protect consumers for paying twice for capacity resources. It strikes the balance that FERC is looking for to ensure states can meet their environmental goals while protecting the competitive market.

Reply to the comments are due November 6, and it will be important for FERC to issue an order early next year to give the markets guidance going forward. As you know, we are still waiting for orders from FERC on the fast-start and resiliency examination.

But with that, now I'll turn it over to Joe to walk through the numbers.

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Joseph Nigro

Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

Thank you, Chris, and good morning, everyone. Turning to slide 8, we had another strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.88 per share, which is at the upper end of our guidance range of $0.80 to $0.90 per share.

Exelon's utilities, less Holding Company expenses earned a combined $0.55 per share. Compared to our plan, we benefited from reduced storm activity and favorable weather in our non-decoupled jurisdictions, including PECO, Atlantic City Electric and Delmarva/Delaware.

Generation earned $0.33 per share in the third quarter, which was slightly behind our plan. The third quarter was impacted by lot of realized lower realized ERCOT prices versus the end of the second quarter; lower-than-expected Generation performance with the unplanned outages that our ERCOT CCGT was just discussed as well as one at Mystic 8 and 9, in addition to higher allocated transition costs. These were partially offset by realized gains from our nuclear decommissioning trust fund.

On slide 9, we show our quarter-over-quarter wall. The $0.88 per share in the third quarter of this year was $0.03 per share higher than the third quarter of 2017. Overall, the Utility earnings were collectively up $.75 per share compared with last year, driven primarily by higher rate base, new rates associated with completely rate cases, and favorable weather.

Generation earnings were down $0.03 per share compared with last year, driven largely by the absence of EGTP gross margin from the deconsolidation in the fourth quarter of 2017, and higher planned nuclear outage days, partially offset by contribution from a full-quarter of Illinois ZEC revenues and savings from tax reform.

Turning to slide 10, we are raising the lower end of our 2018 EPS guidance range from $2.90 to $3.20 per share to $3.05 to $3.20 per share. We are pleased with the strong operational results at both the Utilities and Generation businesses that are pushing us up into the upper half of our range, particularly as we have overcome unexpected headwinds including the challenging winter storms.

Moving to slide 11, improved operation at PHI and positive rate case outcomes are driving better earned ROE. Pepco's higher ROE reflects last fall's distribution rate cases as well as the recent Pepco Maryland with DC settlement that took effect in June and August respectively. Delmarva's earned ROE include the benefits of interim rates that became effective during the first quarter with final rates for Delmarva Electric effective September 1 and the favorable weather at Delmarva/Delaware during the quarter.

At Atlantic City Electric, we saw higher earnings from last fall's rate case settlement as well as favorable weather during the quarter, which improves 12-month trailing ROEs significantly from last quarter. As we have previously discussed, trailing 12-month ROEs for all of our PHI Utilities should continue to improve next quarter as the FASB's 109 charges from the fourth quarter of 2017 drop out of the calculation.

For the legacy Exelon Utility, our earned ROEs remained over 10%, were modestly dipped from last quarter. Our overall earned ROEs for Exelon Utility were modestly higher than last quarter at 9.6%, well within our earned ROE target of 9% to 10% that underlies our earnings outlook for 2019 and beyond. We are pleased with our overall Utility performance but have plans for continued improvement to bring PHI closer to the rest of our utilities.

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Turning to slide 12, we remain busy on the regulatory fronts. On October 18, the Administrative Law Judges presiding over PECO's electric distribution base rate case recommended the settlement with all parties be approved. The deal provides for an increase of $96 million in annual electric distribution revenues, offset by $71 million in tax-saving benefits for customers for a net $25 million revenue increase. We expect to receive an order in the fourth quarter.

On August 9, the DC Commission approved the settlement that was reached in April based on a $24.1 million revenue reduction after incorporating tax reform. Rates went into effect on August 13. A final order which received on August 21 for the settlement we reached in June on the Delaware/Delmarva Electric distribution case. The case will provide a $7 million revenue decrease including the benefits of capture firm for customers.

On September 7, Delmarva/Delaware entered into a settlement agreement in pending gas distribution base rate case that provides for a revenue decrease of $3.5 million, including tax benefits for customers. A final order is expected in the fourth quarter.

We also have number of rate cases still in progress. We expect an order for BGE's spending gas rate case in January of 2019. As a reminder, the case includes the requested $60.7 million increase to its gas revenues for infrastructure investments since 2015 and moving $21.7 million in revenue currently being recovered via the STRIDE surcharge into base rate.

We expect to receive an order from the Illinois Commerce Commission on ComEd's standard formula rate case in the fourth quarter. And, finally, on August 21, the Atlantic City Electric filed a distribution base rate case with the New Jersey Board of Public Utilities seeking of a revenue increase of a $109 million and we expect an order in the second half of 2019.

The utilities and the regulatory teams are doing a lot of hard work to improve system reliability and performance of our customers and fostering in support of regulatory backdrop that, in turn, is helping to lift earned ROE towards their allocated levels across the Exelon Utility team. More detail on the rate cases and their schedule can be found on slides 24 through 30 in the Appendix.

Turning to slide 13, we invested $1.4 billion of capital at the utilities during the third quarter and around $3.9 billion year-to-date. We remain confident in our ability to meet our $5.5 billion capital budget for 2018. This quarter, I would like to feature two projects within our portfolio of Utility investors. The first is the early completion of ComEd's $920 million smart meter installation program. ComEd installed more than 4 million smart meters in just over seven years, which is three years ahead of the original schedule and more than $20 million under budget. To help put this program into context, our ComEd team installed, on average 2,400 smart meters per day over that seven-year span.

In fact, one of our workers personally installed over 25,000 meters as part of this program. The installation of smart meters on the ComEd system will allow customers to be better informed about their energy consumption that can help them save money and will allow ComEd to further improve its service offerings.

In addition, it drives over $100 million in annual operational savings, primarily from increased efficiencies in field operations, such as meter reading and avoided truck rolls. This smart meter installation program is part of the $2.6 billion Energy Infrastructure Modernization Act Program.

The second project I want to highlight is Atlantic City Electric's Churchtown Substation Expansion Project in Pennsville, New Jersey. This $50 million project entailed equipment upgrades for reliability and 230, 138 and 69

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kV expansion for additional transmission capacity. Construction also included installation of 2.1 miles of transmission line consisting of 59 new structures. The expansion improved reliability for our customers by replacing and upgrading outdated equipment and by expanding regional transmission capacity which has the benefits of reducing congestion to our customers.

Turning to slide 14, relative to our last update, total gross margin was flat in 2018 and up $50 million in both 2019 and 2020, primarily as a result of higher power prices. For 2018, open gross margin was up $100 million primarily due to higher NiHub, PJM West Hub and New York Zone A prices and offset by weakening ERCOT spark spreads. Total gross margin is offset by lower mark-to-market of our hedges due to the higher power prices.

For 2019 and 2020, open gross margin was up $250 million and $100 million respectively due to higher PJM West Hub prices and stronger ERCOT spark spreads. In 2019, open gross margin was also up on higher NiHub and New York Zone A prices.

Similar to 2018, the mark-to-market of our hedges is down both in 2019 and 2020 due to higher prices. We also executed $50 million of Power New Business in both 2018 and 2019 and executed $50 million of Non-Power New Business each year.

From a hedging perspective, we ended the quarter in-line with our ratable hedging program in 2018 and 9% to 12% behind ratable in 2019 and 8% to 11% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration.

Turning to slide 15. As Chris mentioned, we are announcing another round of OEM cost reductions as part of our continual efforts to evaluate our work practices, looking for ways to be more efficient, eliminate redundancies, and better incorporate innovation and technology.

With this new program, our gross run rate savings in 2021 will be $200 million, which we will ramp up over the next two years. These incremental savings will come from our Exelon Generation business, primarily through even great efficiencies in our nuclear operations and at the Business Services Company or BSC, which is part of the transformation efforts that Jack has been leading. The $200 million of savings is the gross number with about half from ExGen and half from the BSC organization. And since BSC costs are shared roughly 50/50 between Exelon Generation and Exelon Utility, we would expect our Utility customers to benefit from $50 million of annual savings over time with the other $50 million flowing through Exelon Generation bottom line.

When we include the $50 million of incremental direct savings at ExGen, we expect $150 million of savings to flow to our bottom line in 2021, relative to our previous guidance, which we show on the lower left chart.

Exelon continues to embrace a culture of cost discipline and operational excellence. These cost updates are consistent with these cultural values. If we look at all the cost savings amounts since 2015, we have now reduced O&M by over $900 million. It's due to hard work of all of our employees. We strive every day to run the company more efficiently while adhering to our commitments to safety, reliability and community stewardship.

Turning to slide 16. We remain committed to our strong balance sheet and investment grade credit ratings. And to that end since our last earnings call, S&P has placed our ratings at ExGen and Exelon Corporate on credit watch positive, recognizing the improvements in overall strength of our balance sheet.

Turning to the metrics, our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds. We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018,

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which is below our long-term target of 3.0 times. On a recourse debt basis, we are at 2.0 times, which is well below our target range. We will continue to manage our balance sheet at ExGen over time for the 3.0 times debt-to-EBITDA level, so look for us to focus on debt reduction at both the HoldCo and GenCo.

I will now turn the call back to Chris. Thank you.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Joe. Turning to slide 17, as we have shown you, we have a strong quarter financially and operationally. We continue to get stronger on both fronts. This is due to the hard work and dedication of all of our employees every day. We also had important wins in the course to preserve the ZEC programs, and are finding ways to operate more efficiently, providing incremental cost savings as discussed.

Our value proposition remains unchanged. We're focused on growing our Utilities starting at 6% to 8% EPS growth through 2021. We continue to use free cash flow from the GenCo upon the incremental equity needs at the Utilities, pay down debt over the next four years at the GenCo and HoldCo and fund a part of the faster dividend growth rate.

We will stay focused on optimizing value at the ExGen by seeking fair compensation for our carbon-free generation fleet, supporting proper price formation in PJM and resiliency efforts at FERC, and supporting capacity market reforms that will allow states to continue to protect citizens from carbon and air pollution, while benefiting from regional markets. We will close uneconomic and sell assets where it does not make sense to accelerate our debt reduction plans and maximize value to generation to the load matching strategy. We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020.

Operator, now we can take it – open the call up for questions. Thank you.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Greg Gordon from Evercore. Greg, your line is now open.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks. Good morning guys. A couple of questions.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hey, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

First, on the quarter, everything seems really, really good on the Utility side and the underlying operations at the GenCo look decent too. But it was a little squishy around some of those operational issues. Can you just talk us through that and get us comfortable that they're sort of temporal and not structural?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Are you talking about the operational issues around the GenCo in the Power...

Greg Gordon
Analyst, Evercore ISI

Q

...in Texas, the interruption in Massachusetts, the higher FDR costs. I just want to make sure we can be comfortable that they're not going to sort of run out into the future and impact your ability to get your future numbers?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Let me start out with the Texas assets. So, I'll let Joe fill in on the rest of it. Those GE 7HA.20 (sic) [7HA.02], these were the first serial numbers, .01 and .02. We were aware as GE was that there was some difficulty with the first-stage blades. We had approximated a run period that we could operate the assets before putting in the fix. The fix was already underway and then designed. GE did give us very strong warranties on those assets and responded very well on the first failure on the one CT at Colorado Bend. We proactively shut the other three CTs down, replaced them with the new design, have them back up and running and, as I said, we expect – we're in the rollout phase now and the start-up phase of the fourth unit. And we feel confident in the design. GE has put us in inspection program together, that will be borescoping after so many hours of operation. They've responded well, the solid engineering confirmed by independent assessments so we feel that that is behind us and we'll be able to continue those assets to operate at incredibly high capacity factors and efficiencies going forward.

On the FDRs and the other issues, I'll let Joe cover it.

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Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

A

Yes. So, Greg, I think first thing is, as Chris mentioned, the generation issues drove some of the underperformance at ExGen. In addition to that, when you looked at power prices in Texas at the end of June and where they realized for the quarter, there was an impact with the difference there. As you know, the spot market prices were lower than when we walked into the quarter.

On the transmission side, the costs were associated with Order 494 at FERC and that had a negative impact. So, from our lens, when you talk about the Generation performance, both at Mystic and at ERCOT those are one-time occurrences similarly on the transmission side. The favorability was driven on the realized nuclear decommissioning trust gains. So I think when you look at it from our lens, you see these one-time items that are driving the lower results.

Greg Gordon
Analyst, Evercore ISI

Q

Great. Thanks. And follow-up on ExGen and then one more if you'll hear me. Looking at the cost cuts, it's really quite an impressive, incremental change. You've got the costs declining from $4.265 billion to $4.175 billion in 2020 and a little bit more in 2021; $450 million savings, but that gross margins declined by $700 million. And so skeptical investors look at this and say, well, you guys are doing yeoman's job here right-sizing the cost structure but earnings aren't getting better. I would argue that cost cuts are permanent and these backward dated power prices are hopefully temporary. But can you give us some confidence that there's positive operating leverage here as we move through time and that these lower commodity prices and capacity prices are not structural?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

We've talked about this before that we've lacked liquidity in the out-years. It's a softer market. Our fundamentals still tell us that this backward dated curve is not what we'll see as the prompt years come in, and so we're managing the book in that manner maintaining as much margin open and using cross commodity hedges to be able to manage that. It's – we will constantly look at driving efficiencies. You can't have a company and operate with any aspect or entity within the company being inefficient. So, driving efficiencies has multiple benefits, but one of them is a reduction in expense. And we'll continue to focus on that as we serve the customer. As far as the market issues, Jim or Joe, do you want to cover any more on that?

James McHugh
Chief Executive Officer-Contellation & Executive Vice President, Exelon Corp.

A

Yeah. I think the only thing I would add about the backwardation of the curve is with the next couple of years starting 2025 and 2024 due to lack of liquidity, we're seeing net retirements of newbuilds over the next year between 2020 and 2023 that would lead us to believe that backwardation won't really subside. We've seen stock prices and I have even in some of the lowest delivered fuel price years cleared north of $26, $27. So, the backwardation to your point is, it seems temporal, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. And the final question is given that the balance sheet is so strong and that the rating agencies are finally coming around to considering higher credit ratings, how much balance sheet capacity does that create and/or

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does it give you more latitude to have a more aggressive risk management policy and take hedge less and take more of your power into the spot and therefore try to get those better prices?

Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.
A

Greg, it's Joe. The short answer is with that balance sheet capacity, we can be more aggressive. And as I mentioned in my remarks when you look at how far behind we are with our ratable plan and when you overlay the fact that we're using gas as a proxy for power, we are carrying a very long opening power position in 2019 and 2020, and then we're able to do that given the strength of the balance sheet that we have. We continue to challenge ourselves in this regard as well.

And as Jim mentioned on our use of power, we're going to continue to be constructive in the way we manage the portfolio relative to what we think fair value is in the out-years and that leverage on the balance sheet allows us to do that.

Greg Gordon
Analyst, Evercore ISI
Q

Thank you, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Thanks, Greg.

Operator: Thank you, Greg. Your next question comes from the line of Julien Dumoulin-Smith from Bank of America. Julien, your line is now open.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch
Q

Hey, good morning, everyone.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Good morning. How are you doing?

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch
Q

Good, excellent. So I wanted to follow a little bit up on the Utility activities, obviously good progress with PHI yet again but I wanted to elaborate a little bit further on this. Obviously, the cost reductions of say $50-ish million accrued in the Utilities, how does that play out in terms of again increasing your ROE, right? I gathered the bulk of that would be moving back to customers over time, although clearly you're under earning relative to authorized level still.

And then in tandem with that question, if you could elaborate a little bit more on the sort of initial Utility CapEx planning, certainly there's a growing discussion of legislation in Illinois as well as a litany of other smaller programs. I think you've already alluded to a little bit elsewhere across your Utilities system?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah, I'll let Anne take that.

Anne R. Pramaggiore
Senior Executive Vice President & Chief Executive Officer-Exelon Utilities, Exelon Corp.

A

Sure. Good morning, Julien. Yeah, so a couple responses to your questions. As we think about moving forward, obviously we're going to blend $50 million into the LRP over time. It's not sitting there right now, but we'll look at that as we do the next LRP iteration. And certainly our focus on O&M is to be flat to declining at the Utilities and that, that's the goal as we move forward to manage that side of the equation.

As we think about what we're doing on ROEs and sort of developing that at the PHI utilities and the other utilities, you know the first thing we're doing is looking at how – we were filing annually, how do we reduce lag? One of the ways is we file annually. We've got a stay out provision at DPL until 2020. But with the rest of the utilities, we'll be filing annually. We're looking at other mechanisms to reduce lag riders. We've got the STRIDE rider in Maryland, the DISC rider in Delaware and the IIT rider in New Jersey that we're looking to place about $358 million of capital investment in right now. Interim rates at New Jersey is helping us close that lag gap and we're looking at multiyear rate plan in DC. We've been invited to make that filing and we'll be doing that shortly. So just got an [ph] alt-reg (35:25) provision at PECO authority for the Commission to look at that, so that's something we'll be looking at going forward.

So those are all the ways we're looking to close in on that ROE number. Obviously, looking at – lags are biggest sort of earned to allowed GAAP but also looking at other disallowances too, but really trying to take enough on the lag. So that's how we're thinking about on the ROE going forward.

On the capital side, the question that you asked, we've got – we look at $5 billion a year, a little bit plus north of that going forward for the foreseeable future.

We have continuing modernization work at the Utilities. PECO 4 to 12 kV conversions were closer work. At ComEd, we've got the FEJA voltage optimization work that's about $500 million right there. BGE's got big [ph] bath (36:19) investment, and PHI's got a lot of material condition work – manhole refurbishments, substation rebuilds, that sort of thing.

We've got $1.5 billion in our gas program over the next LRP period. We've got close to $1 billion in security programs across the utilities over the LRP, so there's a lot of work to do. We always, always bookend it with questions of affordability and that's why we stay tight on O&M. And we look at energy efficiency programs to give customers the ability to reduce usage and manage those more tightly. So we're always looking at the affordability side of it and our Utilities fit pretty nicely when you look at the national average on percentage of income or percentage of proportion of build to income. We're pretty good. We're below the national average on four and we're right at the national average on the other two builds.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Got it. Quick clarification as a follow-up here on PJM. I appreciate your comments at the outset. Just timing-related, how do you see this going down with respect to (a) getting an approval out of FERC, but then (b) actually implementing a MOPR just real quickly if you can?

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Kathleen L. Barrón
Senior Vice President -Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Hi Julien, it's Kathleen. I can take that question. As you know, reply comments are going into FERC on November 6 with the expectation that the Commission would address the paper hearing sometime in the January timeframe. I think the Commission is well aware that the market is looking for guidance, as Chris said, on what the rules are going to be going forward and importantly the states need to know what changes that they need to make to their clean energy policies to accommodate the new rules coming out of FERC.

So we will look to them to provide that guidance in the January timeframe. As you know, they have delayed the auction until August to give states some time to react, not just – your question was specific to MOPR, but important for us is the ability of states to carve out the assets they wish to support and to procure them directly through a state-led procurement, that is going to be an important change that we're looking for FERC to make in the next order based on the record in front of them, they have an overwhelming amount of support from all supporters of the stakeholder community and the states; to put that change into the tariff and to give states that option going forward to continue to support the clean generation that will help them achieve their carbon reduction goals.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

So you don't see an issue with respect to getting clarity out of the state in time?

Kathleen L. Barrón
Senior Vice President -Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Obviously, the states have different structures that they'll need to examine and some may be able to use existing structure, some may need to adopt new structures, including through legislation. So there will be a – in the states where there is a need for legislation, a premium on moving quickly. Now that being said, I think it's also incumbent on FERC to take that into account and to make that states have adequate time before the rules change into the tariff.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Great. Thank you.

Operator: Thank you, Julien. Your next question comes from the line of Steve Fleishman from Wolfe Research. Steve, your line is now open.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Thank you. I will actually just ask one question. The PJM from a standpoint of – not obviously you have different stakeholders involved here – your states' customers, investors, et cetera. Just from an investor standpoint and not everyone else, do you see the changes as proposed or as you would like to see them being kind of good for shareholders, neutral, how should we think of it just from an investor standpoint?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

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No, we definitely see this as a positive to create clarity and a more rewarding market going forward. We've lacked the clarity, we've isolated at times on programs. I think this is where we'll be able to create clarity, capital allotment; allocation will be much clearer on where we'll be putting capital, what units will be operating, and what units won't be operating. So, but we see this as definitely a benefit to the markets which will be a benefit to the consumer, which will be a benefit to the shareholder.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. Thank you.

Operator: Thank you, Steve. Your next question comes from the line of Michael Weinstein from Credit Suisse. Michael, your line is now open.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi guys. Thanks for taking my questions.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hi, Michael.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hey, two quick questions. The first one is do you think that the uncertainty surrounding FERC and surrounding new rules for capacity and energy. Given all this uncertainty is delaying newbuild or a new start construction plans, if this is going to have an effect on tightening the markets going over the next year or two?

And my second question, I'll just ask it right now is the Public Service Enterprise Group just announced that they're pulling out of the retail business. Is this a potential opportunity for Constellation?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

First question, newbuilds are driven based off of market needs and economics, and unless we get the economics to support new asset entry, you are going to see what we've seen in the last couple of years, the decline. Then we have to see what comes out of the resiliency review on how the market values different sources of firm-fixed fuel. So, there'll be an evolution before we'll see a real opening or a market response to the demand need for assets or investments to be made to come in. It's basic economics right now. The market is barely supporting the assets that are operating today, so why would you invest into new assets when you are not going to get a recovery or return on your capital.

James McHugh
Chief Executive Officer-Contellation & Executive Vice President, Exelon Corp.

A

Yeah, I can – Hi, Michael, it's Jim McHugh, and I can speak to the retail question. I think with announcement of folks leaving or coming into the retail market, we're always on top of that and looking for opportunities to look for value and acquire books of business.

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In this case, I think PSEG has noted that they're going to supply their contracts as they roll off. We'll obviously be there to serve customers as the number one C&I customer and the number two resi customer in the country to look for the business as they roll on. I think, for us, we have that scale. We have developed that scale over the years through acquisitions in organic growth and our platform is very capable of acquiring new customers and retaining existing customers pretty easily. We've been having a lot of success also just finding new products and solutions for customers, in both the residential space and C&I space so we'll keep taking advantage of those opportunities that are in front of us.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. Thank you very much.

Operator: Thank you Michael. Your next question comes from the line as Jonathan Arnold from Deutsche Bank. Jonathan, your line is now open.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hi, Jon.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Just to pick up on the discussion around the state's legislation and potentially not leading legislation. Kathleen, I heard your comments that there could be different answers depending on which state you're talking about. But is it fair to say, the way you said today that you think Illinois would have to legislate, and then I'm curious what you think about the state of play in New Jersey?

Kathleen L. Barrón
Senior Vice President -Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

No, you're correct, Jonathan. I agree with your assessment in Illinois, there will be a need for legislation to adjust those change in rules. And I think a positive, for us, is that we are seeing not just here but across the country a growing sentiment among environmental groups and policymakers that the fastest and cheapest path to decarbonizing is a policy that uses all zero-carbon resources. And so to the extent states want to act to increase their clean energy ambition, we would expect that all assets, including ours would be able to participate in that type of policy as FERC allowing the states to go ahead and procure clean capacity, directly allows them to do so in a way that's going to be able to keep costs down per customers and achieve the clean energy goals at the same time.

So we would look to that kind of structure to the extent the FERC puts this carve out in the tariff in Illinois and in New Jersey given the way that the state law is written there and the authority at the BPU level to do the capacity procurement through the existing BGS structure, there would not be a need for incremental legislation to allow that state's procurement effects to flow through the BGS. So that's why I said I think the answer is different depending on which jurisdiction you're in.

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Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. I was just wanting to see if you could provide that on the individual states, so thank you.

Could I just ask one quick follow-up on the cost savings, you've obviously laid out how you expect them to be timed the Q3 2018 cost reductions. Can you remind us how much of the $250 million you've announced last year was flowing into ExGen and maybe what the sort of sequencing is there in terms of how those ramp up as we're trying to unravel the numbers on, I guess, it's slide 15.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah that is in the numbers. I think we're looking for the page now. Joe's got it.

Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

A

The $250 million last year, all of it is flowing into ExGen. The reductions were taken at ExGen across the platform nuclear, Constellation in our...

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

And the timing Joe, is it kind of across the period into 2020 or is most of it is kind of already there in...

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

2019, you'll get to run rate year.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. All right. Thanks for that.

Operator: Thank you, Jonathan. That concludes the question-and-answer session of today's webcast. I'll hand the call over back to Mr. Chris Crane, CEO of Exelon Corporation.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Thanks, again, everybody for joining and thanks for the questions. Hopefully, we've covered everything. Any other concerns, please get a hold of IR or myself and we'd be glad to continue to discuss them but thanks to the team – all the 34,000-plus employees at Exelon for delivering another strong quarter and talk to you soon. Thanks. Bye

Operator: Thank you. And that concludes today's webcast. Thank you all for participating. You may now disconnect.

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02-Aug-2018

Exelon Corp. (EXC)

Q2 2018 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

Anne R. Pramaggiore
Senior Executive Vice President & Chief Executive Officer-Exelon Utilities, Exelon Corp.

James McHugh
Executive Vice President, Exelon Corp.

OTHER PARTICIPANTS

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Greg Gordon
Analyst, Evercore ISI

Steve Fleishman
Analyst, Wolfe Research LLC

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Exelon 2018 Second Quarter Earnings Call. My name is Nora and I will be facilitating the audio portion of today's interactive broadcast. [Operator Instructions]

This event also features streaming audio which allows you to listen to the show through your PC speakers. And for those of you on the stream, please take note of the option available in your event console.

At this time, I'd like turn the show over to Dan Eggers, Exelon's Senior Vice President of Investor Relations. Please go ahead, sir.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Nora. Good morning, everyone, and thank you for joining our second quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Joe Nigro, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section on Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in

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today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the Appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President and Chief Executive Officer, Exelon Corp.

Thanks, Dan, and good morning, everybody. Thank you for joining us today. We understand it's a busy earnings release period. So thanks for being with us.

Starting on slide 5, we're pleased to deliver another great quarter. We achieved strong financial results while continuing to enhance our operational performance and make meaningful gains at our utilities on both the regulatory side and the legislative fronts. Taken together these advances will support our continued strategy to invest in infrastructure, in technology at our utilities delivering better service for our customers.

For the quarter, on a GAAP basis, we earned $0.56 per share versus $0.10 last year. On a non-GAAP basis, we earned $0.71 per share versus $0.56 last year, which is above the midpoint of our $0.55 to $0.65 per share in the guidance range and puts us in a strong footing for the year.

Turning to slide 6, at the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics. The investments we are making are paying off in improving reliability, strong customer satisfaction, which in turn strengthens our relationships with our regulators. All of our utilities are achieving top decile performance in KD, which measures the average speed, which we are able to restore power when outages occur. We are also delivering leading performance across the utilities on customer service metrics as we share best practices and give customers more tools to connect with the utilities when they need service. Safety still remains our highest priority and the targeted programs implemented last quarter are driving improved results.

At ExGen, nuclear generation output was 39 terawatt hours with a capacity factor of 93.2%. We had 41 fewer outage days compared to last year. Our gas and hydro fleet continue to perform very well with economic dispatch match rate of 97.8%.

Turning to slide 7, I'm happy to report that the tax savings from our FERC regulated transmission assets will benefit our customers by an additional $175 million, adding these benefits to the $500 million of savings from our distribution operations that we discussed on last call. Our 10 million utility customers will realize over $675,000 of an annual benefit from tax reform. We're pleased that our constructive relationships with our state regulators in FERC allow us to pass these benefits back to our customers in a very timely fashion.

Flipping over to slide 8, in June, Delaware and Pennsylvania both passed important legislation that reflect our utility priorities in the present and for the future supporting infrastructure investment and positioning for the utility of the future, respectively. In Delaware, state regulators passed the Distribution System Investment Charge. This will support needed infrastructure investment to enhance the system improve service to our customers. It will provide a mechanism for a more consistent and gradual rate increase for our customers, while also allowing for a

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more timely recovery on our infrastructure investments. Delmarva Power, Delaware plans to make its first filing in the fourth quarter with new rates effective by the first quarter of 2019.

In Pennsylvania, Governor Wolf signed legislation authorizing the Pennsylvania Public Utility Commission to review and approve alternate rate mechanisms that will better position PECO to make investments in the utility of the future. The forward-looking regulatory design options in the legislation include a decoupling mechanism, formula rates, multi-year rate plans and performance-based rates. Both of these laws will help to ensure that our utilities can deploy much needed capital to support reliability and performance of the grid for our customers, while also decreasing the frequency of traditional rate cases.

I want to especially thank the broad group of stakeholders in both Delaware and Pennsylvania for the support of these laws. We look forward to finding common ground across all our jurisdictions, as we focus on improving customer service and investing in the utility of the future.

Slide 9, turning to the ZEC programs, in both Illinois and New York, we are awaiting final decision from the Federal Appeals Court. We are pleased with the Solicitor General's brief filed in the Illinois case in the Seventh Circuit, which agreed that the states have the authority to enact the ZEC programs. We remain confident in our legal position in both the cases, and continue to collect the ZEC revenues as they are being adjudicated.

In New Jersey, following Governor Murphy's signature, the Board of Public Utilities is beginning to implement the ZEC program there, which we expect to take effect around the end of the first quarter 2019.

On the Federal Energy policy front, FERC issued an order on PJM two capacity market mitigation proposals. The order rejected the two-stage capacity re-pricing of multiple RECs proposal submitted by PJM and it also determined that the existing tariff is unjust and unreasonable. Instead FERC established a new proceeding to introduce a two part proposal. The first proposal is to expand the current MOPR to ensure that most if not all plants that receive out-of-market payments will be subject to a minimum offer requirement.

The second proposal, however, would allow the plants receiving out-of-market payments to avoid the MOPR and instead be withdrawn from the market along with the commensurate amount of load. This asset specific FRR can be implemented by the states to align with the state's environmental policies. FERC has set a schedule to allowing 60 days for comments, 30 days for replies, and a goal of reaching the final decision by January 4.

We disagree that the MOPR is necessary. We are encouraged that FERC has now said that all assets receiving out-of-market payments should be treated the same. The implementation details will matter but we believe that the partial FRR design could allow states to advance their energy policy goals, which we think is critical to ensure the needed reduction in carbon emissions.

With respect to PJMs work on price formation, we continue to look forward for a decision from FERC on the fast start by September and PJM has committed to implement the rule changes in a timely fashion after the FERC order, including reengaging stakeholders on a full integral relaxation. PJM continues to work through reforms to which storage pricing rules included those related to reserves in the operating reserves demand curve pursuant to the deadlines it had set for those rule changes.

Finally on resiliency, PJM has taken the input and the assumptions and the scenarios that it needs to model in order to assess fuel security of its generation fleet. This will allow PJM to move forward on evaluating potential changes to market design to ensure that it is properly valuing the fuel security, while it awaits further direction

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from FERC in the open resilience docket. We see all these changes as essential to preserve the effective competitive market in PJM and we applaud the ongoing efforts to design and implement these changes.

Now, I'll turn it over to Joe and he can walk through some of the numbers.

Joseph Nigro

Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

Thank you, Chris, and good morning, everyone. Turning to slide 10, we had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.71 per share which is above the $0.56 per share we earned in the second quarter of 2017 as well as our guidance range of $0.55 to $0.65 per share. Exelon's utilities less Holding Company expenses delivered a combined $0.37 per share. Compared to our plan, the utility results were better on higher distribution revenue from the approval of the Pepco Maryland settlement, a transmission revenue true-up at BG&E and favorable weather impacts at PECO.

Generation earned $0.34 per share in the second quarter, which was also better than planned. Upside came from realized gains from our nuclear decommissioning trust. Our nuclear plants had another strong quarter with fewer outage days compared to both last year and what was budgeted for this year. And we benefited from favorable market conditions including FTR settlements in PJM. These were partially offset by higher allocated transmission costs.

We are reaffirming our full year guidance range of $2.90 to $3.20 per share, which you can see on slide 19. We expect to deliver operating earnings of $0.80 to $0.90 per share in the third quarter compared with $0.85 last year.

Turning to slide 11, the $0.71 per share in the second quarter of this year was $0.15 per share higher than the second quarter of 2017. Our utility earnings were collectively up $0.04 per share compared to last year, driven primarily by higher rate base and mill rates associated with completed rate cases. Generation earnings were up $0.12 per share compared with last year benefiting from fewer planned and unplanned nuclear outage days, contributions from the Illinois ZEC program and higher realized nuclear decommissioning trust gains partially offset by lower power price realizations.

Moving to slide 12, our utilities continued to execute financially as we look at our trailing 12-month earned ROEs. Starting with PHI, we made modest gains at each utility as we continue to deliver improved operational and financial performance since the merger. Pepco's higher earnings reflect the distribution rate cases from last fall and the recent Pepco Maryland settlement that took effect on June 1, 2018.

Looking to next quarter, Pepco's earned returns should benefit from a full quarter of the Maryland settlement reached in April and a partial quarter benefit from the pending DC settlement.

Delmarva's earned ROEs now include the benefits of interim rates in Delaware that took effect in March 2018, and at Atlantic City Electric we saw higher earnings from the ACE settlement effective October 2017, which was largely offset with higher O&M and depreciation expense. We expect to see ROE improvement with full flow through of the October 2017 settlement. For all of the PHI utilities, trailing 12 month ROEs in the fourth quarter should show additional uplift as the FAS 109 changes from the fourth quarter of 2017 drop out of the calculation.

For the legacy Exelon utilities, our earned ROEs remained over 10%, lifting the consolidated utilities platform to nearly 9.5% including PHI. We are happy with our overall utility performance but still see room for improvement at PHI as the better operating performance translates into higher earned returns. And as we have said before, we

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are confident in our ability to deliver on our plan and still expect earned ROEs in 2019 to be in the 9% to 10% range across the utilities.

Turing to slide 13, we remain busy on the regulatory front. On the last call, we discussed settlement arrangements in April at both Pepco DC and Pepco Maryland, providing revenue decreases of $24.1 million and $15 million respectively after reflecting tax savings benefits for customers. On May 31, the Maryland PSC approved the settlement for Pepco Maryland with rates effective on June 1. For Pepco DC, the Commission is expected to approve the settlement in the third quarter with rates effective shortly thereafter. We are also able to reach a settlement in our Delmarva, Delaware electric distribution case on June 27, 2018 making it the second consecutive electric case we have settled in recent history. The case will provide a $7 million revenue reduction inclusive of tax benefits. We expect a final order in the third quarter.

As Chris noted earlier, Delmarva Power, Delaware expects to make its first filing under the Distribution System Investment Charge tracker in the fourth quarter of 2018, with the new charge appearing on customer bills by the first quarter of 2019.

We also have a number of rate cases still in play. On June 8th, BG&E filed for a $63 million increase to its gas revenues and a $22 million STRIDE surcharge reset with an order expected in January 2019. BGE's continued investments in STRIDE and gas systems safety and reliability programs are driving the need for this requested increase. In Delaware, we have an outstanding gas distribution rate case at Delmarva that is scheduled for completion in the fourth quarter. In Pennsylvania, PECO filed for an electric distribution base rate case in March for the first time in three years. We expect to receive an order in the second half of this year. Finally, on April 16th, we filed for rate updates at ComEd as part of the standard annual formula process. We expect to receive an order in the fourth quarter.

We appreciate the hard work of our utilities and regulatory teams. Our investment is focused on improving system reliability and the customer experience are having positive benefits in the communities we serve. By delivering on a regulatory strategy, we're able to make these investments, while also earning a fair and timely return on the capital being deployed. More details on the rate cases and their schedules can be found on slides 27 through 33 in the Appendix.

Turning to slide 14 and continuing on the topic of capital investment at our utilities, we invested $1.3 billion of capital at the utilities during the second quarter and are at $2.6 billion year-to-date. We remain on track to meet our $5.5 billion capital budget for 2018.

Today, I would like to highlight two additional projects that are part of our overall budget and offer real benefits to our customers and communities. The first is PECO's gas main and service replacement program. The project will replace nearly 1,800 miles of gas mains and service lines of which 520 miles has already been completed.

We continue to work with the state to accelerate the implementations having shortened the replacement cycle at the start of the program from 30 years to 20 years, today. These efforts will reduce risk on the distribution system by replacing aged materials, which we believe is good for our customers.

The second project relates to BGE's investments in Trade Point Atlantic or TPA. Over the next five years BGE will invest $150 million in transmission and distribution infrastructure including construction of a 93 megawatt substation. These investments will support the new 3,100 acre commercial industrial TPA development in Baltimore County, which is projected to generate 17,000 permanent jobs, plus an additional 21,000 during

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construction. This project is another example of our efforts to continuously work with our states to identify and support development efforts that drive economic growth in our service territories.

Turning to slide 15, it provides our gross margin update for ExGen. This quarter we have included the New Jersey ZEC revenue in our 2019 and 2020 disclosures for the first time. Relative to our last update, we saw some movement within the buckets. Our total gross margin in each year is unchanged from our last update with the exception of an additional $50 million in both 2019 and 2020 associated with the New Jersey ZEC revenue. For 2018, open gross margin was up $100 million primarily due to higher NI Hub and PJM West Hub prices, offset by weakening ERCOT spark spreads and our hedges. We had a strong quarter in new business execution creating $200 million of Power New Business in our retail and wholesale channels as we capitalized on ERCOT volatility.

In 2019 and 2020, total gross margins are up $50 million in each year with the New Jersey ZEC revenue, which shows up in the capacity and ZEC line. Open gross margin is up $100 million in 2019 due to higher prices in New York Zone A and PJM West Hub. Open gross margin is flat in 2020. We also executed $50 million of Power New Business in 2019 and 2020.

We ended the quarter basically in line with our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 and 6% to 9% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration. We remain comfortable being more open when we look at the market fundamentals compared to forward prices particularly at NI Hub.

Turning to slide 16, we remain committed to maintaining a strong balance sheet and our efforts on this front have been noticed with Fitch placing Exelon, PECO, and BG&E all on positive outlook in June. Our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds. We are forecasting ExGen's leverage to be 2.6 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3.0 times.

On a recourse debt basis, we are at 2.1 times, which is well below our target. We will continue to manage our balance sheet at ExGen over time to the 3.0 debt-to-EBITDA level. So look for us to focus on debt reduction at both HoldCo and GenCo.

I will now turn the call back to Chris. Thank you.

Christopher M. Crane

President and Chief Executive Officer, Exelon Corp.

Thanks, Joe. Turning to slide 17, again, we had a strong financial quarter and operationally that is a testament to the hard work and dedication of our employees. Our financial footing and sounding continues to gain momentum. Here again, I'll restate our proposition value.

We continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021. We continue to use free cash from the GenCo to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and fund part of the faster dividend growth. We continue to focus on optimizing value for the ExGen business by seeking fair compensation for our carbon free generation fleet, supporting proper price formation in PJM and resiliency initiatives at FERC and working to develop capacity market reforms at PJM pursuant to the recent FRR order. We continue to close uneconomic plants and sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gentle load matching. We continue to sustain strong investment-grade credit metrics, as Joe pointed out, in our growth driven consistently at 5% through 2020.

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With that operator, we can now open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Thank you. Your first question comes from the line of Ali of SunTrust. Your line is open.

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you. Good morning.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Good morning, Ali.

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Good morning. The first question on the PHI utilities, what's the aspiration there? I mean, are those utilities and the way the system is set up, are they set up that they can ultimately earn their authorized ROE or will there be a permanent lag in the system and when do you think you will be at the maximum in terms of your earned versus allowed ROE [indiscernible] (24:22)?

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

So there is a lag component at a couple of the PHI utilities now that we're working on. We've talked about ACE. We think we have the right legislative package to help that reduce that in Delaware and we're also working on different proceedings at Pepco Maryland and Pepco DC. We project it to be within the 9.5% range by the end of 2019. We're on track to do that. We have the developed activities that are helping. We also have the efficiency programs we're putting in place. So, I think we're well on plan. We recognize the legacy issues that were happening around that and are having constructive dialogue with our legislators as we've done in Delaware, our regulators, as we're doing with the filing in New Jersey and we'll continue to focus on that.

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And then Chris to the extent that Forex proposal for PJM and the FRR aspect of it does become law and moves forward. How do you look at that relative to your portfolio and what that means for Exelon?

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Well, you can imagine. I'm going to let Kathleen Barrón cover that. But, as you can imagine, there's a lot of evaluation that we have to do right now to really choose the path that benefits our customers and our fleets. So, Kathleen?

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Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Yeah. Thanks for the question, Ali. I think what we're facing here is markets that because they're not pricing pollution are making emitting resources look less expensive and they're pushing out clean resources, including ours, as you know, 10.6 gigawatts of uncleared nuclear in the last auction.

I think what FERC is saying in this order is that rather than letting RPM continue to push those units out, they're giving safety opportunity to pull them in and instead of paying PJM to support units that perhaps they don't want to support they can directly pay those assets. And so, as Chris said in the opening of the call, implementation details certainly matter. But we think this is an extremely constructive approach to allowing states to choose the resources, the clean resources that they need to continue to keep running to achieve the our goals of reducing carbon and air pollution for their citizens.

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And last question with regards to the pending litigation in New York and Illinois, any marker we should be keeping an eye on to give us some framework of when the decision might come from either of those states?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Unfortunately, we have no way to know exactly when those orders will issue but the cases have been fully briefed and we expect them to issue any time. There is nothing that we know that's holding them up.

Ali Agha
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Operator: Your next question comes from the line of Greg from Evercore ISI. Your line is open.

Greg Gordon
Analyst, Evercore ISI

Q

Hey, good morning. I'm happy we're on a first name basis now.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

A

Thank you, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

Joe, just a question for you with regard to the quarter. I mean, obviously the numbers were quite robust, but there was $0.05 of positive earnings from NDT. I mean that's not necessarily – I know that that moves around every quarter, but I wouldn't consider that necessarily the highest quality earnings. But even if you exclude that, you were still ahead of your prior guidance range. So can you just walk us through what you think sort of a clean basis and was that still in excess of your expectations?

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Joseph Nigro
Senior Executive Vice President & Chief Financial Officer, Exelon Corp.

A

Yeah. If you subtract the $0.05 for NDT, Greg, what I would say is, when you look at it overall, the midpoint of our range was $0.60. We obviously earned $0.71 on an operating basis. A little more than 50% of that was coming from the utilities. And as I mentioned in my prepared remarks, it is driven by three things: the transmission settlement at BG&E, the yearly implementation of the rate settlement at Pepco Maryland, and as well as stable weather at PECO were the big drivers there. And then the balance was GenCo and NDT was a big piece of that but we also had favorable market conditions related to the FDR option during the quarter. Our Generation performance was stellar, and then it was offset by some transmission costs. So you could see even subtracting out the NDTs, the performance was very strong across the operating businesses.

Greg Gordon
Analyst, Evercore ISI

Q

Right. And I heard you indicate that you're – and show that you're running well below your debt to EBITDA target and thus you can address that by using your cash to – in addition to funding rate-based growth, dividend, not just think just think about paying down ExGen debt, but also working down parent debt. But there's a bigger issue here, which is that you know the FFO to debt targets that the rating agencies are holding you to seem excessively high relative to the declining risk profile of the company. What has to happen to evolve the conversation with the rating agencies to get a lower threshold? And is it really dependent on getting more certainty on capacity and energy market reforms at this point since you've shown demonstrably that you're one of the best operators on the utility side of the house in the country?

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Yes. So Greg, we have been and will continue to have dialogue with all the rating agencies. You heard Joe's conversation on Fitch. We've had a good dialogue with S&P. They understand our strategy, they're wanting to see it consistently implemented. They recognize that it is being consistently implemented. I think you know a couple of milestones coming through with the final approval from the Appellate Court on the ZECs, making that revenue look much more like regulated revenue, continuing to follow our path on debt reduction, which part of that is building balance sheet space, de-risking, but also part of it is liability matching with the nuclear assets and their life into the 30s and 40s. So we just have to continue to execute on our plan. We're having very positive dialogue. We appreciate the Fitch positive. We look forward to hearing from the others and hopefully shortly that they're seeing it and we'll be able to talk about not only moving thresholds, but potentially a more positive rating.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. My last question you may have already demonstrably answered previously, but if in fact, you're given – you and the states are given the option of pursuing an FRR type structure for plants that are deemed to be important in those regions. Does the legislation that you currently have in Illinois and New Jersey for instance create the flexibility to do that or would you need to go back to your legislators and engage them in a restructuring of that legislation to give them the flexibility they would need to bring those assets out of the capacity market and properly compensate them?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

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Hey, Greg. It's Kathleen. We're currently looking at existing legislative authority in all of our states. And so I think it's going to depend on the jurisdiction. And it's also going to depend on what FERC's order ultimately says about what authority states will be to exercise in order to take advantage of this option. So I think, it's going to differ depending on the state. But we're currently evaluating the best path forward in each of the states that have clean energy targets that we think this order will help them meet.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Thank you all. Have a great day.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Thanks, Greg.

Operator: Your next question comes from the line of Steve of Wolfe Research. Your line is open.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Hi. Good morning. Hey, Chris.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Hi.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Just I guess, you know it's hard to kind of interpret a lot of these FERC proposals in different directions. You also had the Mystic decision. And so, maybe you can just give a broader perspective of what they're trying to achieve here and just what could change versus this initial proposal before we hear kind of I guess a final structure by early next year?

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Yeah. So the fight – the disagreement within the stakeholders is around the supplemental income that is being received for the social benefit of carbon reduction within our states. We lack a federal policy as you know on carbon, although the conversation continues and that would be the ultimate fix. That would really level the playing field and allow the states to [ph] skip (34:15) support of federal policy. Short of that, the states have deemed – the majority of states that we operate in that they want to preserve the low carbon output that they have.

They understand that 60% of the power in the State of Illinois is carbon-free, 90% of that is nuclear. We start shutting down nuclear plants like you look at the FE announcement, every penny that's been spent in PJM and outside of PJM on REX to achieve a lower carbon output would be wiped out. It's like we threw the money away. So you've got a very passionate belief within some of our states that they want to keep these assets. PJM has been unable under the current tariffs to be able to separate and support at this point the environmental needs of their stakeholders. So what this allows from FERC is a positive move to say if the administration and the legislation in New Jersey wants to preserve a low carbon future for its state and for its citizens. It allows Illinois to

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do the same thing. If New York wanted to look at something, it could do something for New York. So I think, this is finally setting the final decision on how we manage these assets that may be out of the capacity revenue stream, not clearing, but the state wants to keep them. We had Secretary Perry at the FitzPatrick Plant yesterday with Congressman Katko and it was very positive. I mean we are gaining momentum, but not only in his opening comments, in the press conference and with our tour in discussion with local officials, is he concerned about the economic benefits of the plant. He's concerned about the reliability and the resiliency on the fuel diversity and he's also commented on their capabilities for low carbon.

So you've seen us go back and forth between ZECs and between other programs to try to save. We've seen the arguments from other stakeholders against it and I think this gives us a path to finally put it to bed.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. That's helpful. And just one other question on it, if you were to get into kind of an FRR structure like, do you have any sense on like how long that would be i.e., you know if that's kind of a form of reregulation of the plant, is that for good, is that for you know a set amount of time like the ZECs are?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Yeah. Steve, I'll jump in on that, that's certainly one of the implementation details that will be worked out through the FERC docket, but it's important to know we're not talking about [ph] reload (37:27) regulation, we're talking about an alternative way to pay the units for capacity, and let the states choose which units they'd like to pay for capacity as opposed to letting RPM select the assets. So it's a step towards the future that Chris identified, that we anticipate will be short-term. The current FRR structure as you know allows units or zones to step out of RPM for a five year period with the option to come back in. And ultimately if we get this to the longer term carbon solution that Chris identified, then these decisions will be made by the market through a carbon price and that will be a longer term structure that will benefit our customers.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Got it. Thank you very much.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Sure.

Operator: Your next question comes from the line of Julien of Bank of America. Your line is open.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey, good morning.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Good morning, Julien, how are you doing?

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Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Good. Great. Thank you. Just to clarify the last question actually if we can start there. I just want to make sure I'm hearing this correctly. Is your expectation that states would actually move through the motions to file for this FRR or is it rather that your expectation that status quo would maintain itself with respect to just continue to clear assets or attempt to clear assets given wherever your avoided costs might be?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Julien, it's Kathleen. I think it's the former that we would expect states to be looking very closely at this opportunity, not just because of course of the nuclear [Technical Difficulty] (39:02) the renewable fleet effects, any asset efficiency demand response that's receiving support from customers directly. And so there are a lot of stakeholders who have an interest in making sure that the states are going to be able to do clean capacity procurements and have that capacity recognized by RPM – by PJM rather.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

And you've confidence that you can indeed find a way from a regulatory path to support an FRR implementation including compensation for the units, if that's where it goes in both Illinois and New Jersey, to be clear?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

Yes, sir.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

All right, excellent. Now, let me turn back to the utility side of the equation here where things are booming obviously. Can you comment on the New Jersey side with CapEx? I mean we've talked a lot about New Jersey in the context of the nuclear plants, but obviously the Governor is implementing a lot more than that, maybe energy efficiency filings, offshore wind seems to generate some opportunities at ACE. Just curious how you're thinking about that and what's reflected in the budget as it stands today?

Anne R. Pramaggiore
Senior Executive Vice President & Chief Executive Officer-Exelon Utilities, Exelon Corp.

A

Hi, Julien, it's Anne Pramaggiore. How are you?

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Good, thank you.

Anne R. Pramaggiore
Senior Executive Vice President & Chief Executive Officer-Exelon Utilities, Exelon Corp.

A

Good morning. On the New Jersey side, obviously with the new legislation, there's a couple of areas that we're looking into, it's subject to – a lot of it's subject to regulatory proceedings that are yet to come. So you would not see what we would be looking at reflected in the budgets or the earnings to-date. But there's an area around

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energy efficiency, we traditionally have not been involved in energy efficiency programs except for some program funding in the past, and that's one of the things we'll look toward going forward.

So to the extent that there's capital investment in energy efficiency, voltage conservation programs, you could start to see those reflected going forward. We also have opportunity to invest in storage and solar going forward in New Jersey. But again, these are all subject to proceedings, at the commission before we have a sense of exactly what that looks like. But we think there's tremendous opportunity here especially as we think about utility of the future, the kind of businesses that we can be in looking forward, serving customers with the types of programs and products and services that they like. So we think there's a great platform there, but some work to do with the regulatory agency.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

The only thing I'd add to that is, we have a very high sensitivity to rates on our customers. As you know that that part of the state has gone through a downturn. And so as we make the investments which we can do efficiently, we're going to keep a constant focus on those rates. So we're not impairing the future development of commercial, industrial or residential customers.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Excellent. Thank you all very much.

Operator: Your next question comes from the line of Michael of Credit Suisse. Your line is open.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi, guys. Thanks for taking my call.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Hi, Mike.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hey. Can you talk a little bit about what your expectations are for the summer power market in Texas, given I guess it's gotten off to kind of a mild start? And then also talk about the recent acquisition on the retail side that you guys executed with FES and what the implications are for Constellation from that?

James McHugh
Executive Vice President, Exelon Corp.

A

Okay. Hi, Michael. It's Jim McHugh from Constellation. As far as ERCOT summer, what we've seen is some volatility in the forward markets and the weekly markets going into delivery and even in the day ahead markets, we've seen some pricing that exhibited on the ORDC curve, some higher price spikes. In the real-time market, it hasn't come to fruition. So it's led to a large spread between day ahead and real-time. In real-time, we really saw great operating conditions. The wind performed at or better than forecast. There were minimal generation force outages, so the generators all performed very well, and there were some good demand response availability.

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But prior to going into the period, we saw weeks trading as high as $800 or $900 and the month of July and August trading in the $200 range. As far as our portfolio, performed well, we're able to take advantage of some of that market volatility we saw in the forward markets. You saw that we executed $200 million of new business this quarter for 2018 on the power side, a good chunk of that is represented by our activity in Texas and what we're able to do and our gen-to-load strategy proved valuable once again. We were able to serve the high load and the high demand with our peaking fleet and the options that we owned.

Going forward, I think we expect that volatility to continue. You'll have continued demand growth of 1 gigawatt to 1.5 gigawatts a year with really some wind and solar build out and very little thermal gas combined cycle generation build out. So that volatility will continue, next summer is trading right around the $100 right now and we would expect you would see the same exhibited volatility on the forward curve between now and delivery period of next summer.

For the acquisition of FirstEnergy, it's a great fit for our portfolio. We would be paying $140 million subject to price adjustments based on market moves before the process is over. But there's 900,000 customers on the C&I side and residential side across six states. It'd be a great fit for our gen-to-load and gen-to-customer strategy that we've been deploying. We'd also be buying some certain power in basis hedges as part of the process. So it's a strong complement to our existing portfolio and it would provide repeatable and sustainable customer business through renewals and brand recognition for us.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hey, just a quick follow-up. I think you said that earlier in the call that you're a little closer to ratable in hedging for 2020 I think it was versus 2019. And I'm just wondering, should I be reading anything into that that you're becoming closer to ratable as you go further out, is that sort of a negative take on the power markets or?

James McHugh
Executive Vice President, Exelon Corp.

A

No, Michael, it's not. It's actually we're just building that position, as we hedged the third year of our three year program, we'll continue to grow that behind ratable position. We're currently about 7% or 8% behind ratable in 2020. We've added some gas hedges and cross-commodity hedges to further expose ourselves to upside in power markets. The concentration of our behind ratable position is largely in NI Hub and ERCOT. So I wouldn't read into that. I think our position is similar and growing to be similar across both those years.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. Thank you very much.

Operator: Your next question comes from the line of Praful of Citigroup. Your line is open.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Thanks so much. Hi, guys.

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Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

Hi.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

So just wanted to get a sense for getting back to the capacity auction on the capacity market reform piece. If the states are required to kind of support the asset both from the ZEC payment as well as [indiscernible] (46:33), are there any winners, losers in terms of states, I think would make it more difficult to get done especially in this timeframe. Are there some states who will be more inclined to get this versus others?

Kathleen L. Barrón
SVP-Government and Regulatory Affairs & Public Policy, Exelon Corp.

A

I can take that one as well. It's certainly going to depend on the state's readiness, how quickly this gets implemented. So I take the question to be one of what kind of transition period might we be looking at, and I think that's going to be a subject of active debate in the paper hearing at FERC, as to whether there needs to be some sort of transition period to allow states to understand what the rules are and take advantage of them. So I think you should look for that to play out as part of the FERC process.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. Thank you. And then in terms of ERCOT, if the volatility clearly has been high, should we expect that if there are retail players struggling at the back end of extreme volatility that you're looking to expand your retail position or is there any goals that you see to kind of expand your portfolio position in ERCOT at all?

James McHugh
Executive Vice President, Exelon Corp.

A

Hi Praful, it's Jim again. I think we did see going into the summer, one small retailer go out of business with the new collateral posting requirements by ERCOT, which include a look at the forward markets. It might be harder for some of the smaller retail providers to manage their balance sheet if they're undercapitalized through those collateral requirements. For us, I think strategy is the same. We'll look for good value propositions. Our track record with Integrys and Con Ed and what we're looking at now with the FES book will continue to be the same to look for value. As far as the lag effect, you may see the impact of the volatility for the larger players impact maybe in the longer term as the contract tenures and the extended start dates are further out in the curve. So they're currently contracting for load out two or three years forward.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. Thanks. And just quickly just, I mean, ExGen O&M cost reductions, I noticed their target, I think 75% in 2018, 50% by 2019. Is that all on track right now?

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

A

It's not only on track, it's Crane, Praful, it's not only on track. We are continuing to work to become more efficient, continue to compete in the markets we're in. We are on track to achieve those if not to exceed those, so we're in good shape.

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Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Excellent. Good to hear. Thanks so much, guys.

Operator: Thank you so much. I would like to turn the call over back to speaker, Chris Crane. Please go ahead, sir.

Christopher M. Crane
President and Chief Executive Officer, Exelon Corp.

Yes. Thanks. And thanks again for everybody joining the call. As you can see from the strategy that we put together years ago, we're right on track, if not ahead of schedule and we will continue to keep you updated. Look forward to the third quarter calls, but also Dan and Joe and I are getting back out and making sure we drop in and answer any of your questions, so making ourselves available during the third quarter will be a big part of our plan to continue to communicate. We thank you very much and have a good day.

Operator: This concludes today's conference call. You may now disconnect.

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02-May-2018

Exelon Corp. (EXC)

Q1 2018 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Stephen Byrd
Analyst, Morgan Stanley & Co. LLC

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the 2018 Q1 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your call.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Geneva. Good morning, everyone, and thank you for joining our first quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section on Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. It is scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning, everyone. Thank you for joining us today. We have had a productive few months since our last earnings call, making important steps in reinforcing our value proposition. At our PHI utilities, we reached settlement in both Pepco Maryland and Pepco D.C. rate cases. With these settlements, we are now reached constructive settlement in all PHI jurisdictions since the close of the merger and accomplished that legacy PHI has not achieved in many years.

This reflects a positive evolution of our engagement in these states. Our employees' hard work to improve system reliability and performance have led to rising consumer satisfaction. The progress we have made is reflected in our constructive partnership with our regulators. There's always more work to do particularly on our earned ROEs, but we are encouraged by these developments.

In New Jersey, state legislators passed three important energy policy laws with strong majorities on April 12. Most impactful to Exelon was the New Jersey ZEC program, similar to that in New York and Illinois. It'll be more fairly compensating our nuclear generating assets in New Jersey for clean energy attributes of these plants.

In March, our East Coast utilities were battered by three northeasters that resulted in about $200 million of spending between capital and operating expenses. Thanks to the tireless efforts of our employees and contractors, we were able to restore power to the effective customers safely and quickly. These storms were challenging and the benefits of our scale were on display in March. We were able to return customers to service days faster than we would have as a standalone utility.

Finally, we had a strong quarter financially. On a GAAP basis, we earned $0.60 per share versus $1.06 last year. On a non-GAAP operating basis, we earned $0.96 per share versus $0.64 last year, just above the midpoint of our $0.90 to $1 guidance range while overcoming a $0.06 storm cost through March.

Turning to slide 6. At the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics. The investments we are making are paying off in improved reliability, which is strengthening our relationship we have with our customers and regulators. These numbers follow the standard industry practice of excluding major storms, although the benefits of our scale, [ph] health (00:04:42) and recovery efforts, which I'll discuss in the next slide.

I would note that Pepco D.C. has achieved a record reliability in the past two years since joining Exelon family of companies. We continue to make gains as we share best practices across all utilities. We also continue to focus on helping customers and communities becoming more energy-efficient, saving energy and money. We have been doing this for years and I'm happy to once again announce that EPA named all five of our eligible companies; BGE, ComEd, Delmarva, Pepco and PECO, as 2018 ENERGY STAR Partners of the Year. Our companies also received the Sustained Excellence designation for being named partners three or more years in a row.

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Safety is always our highest priority and we review our OSHA recordables in the first quarter. We've identified a number of areas for improvement and have implemented a series of our actions to get those numbers back on track. At ExGen, nuclear generation this quarter was 40 terawatt hours, with capacity factor of 96.5%. Our Texas CCGTs continue to perform very well with an economic dispatch match rate of 96.6%, ramping up and down to optimize hour-by-hour the variability in ERCOT pricing.

Turning to slide 7. I'd like to take a moment to highlight our utilities' performance and the outstanding work from our crews as they battled three consecutive nor'easters in March. These storms blanket our East Coast utility with heavy wet spring snow and high winds that are especially hard on the system. Over the span of these storms, we faced 1.7 million cumulative customer outages and shared over 1,600 Exelon employees and contractors with our sister utilities. ComEd alone provided an additional 1,200 workers and contract crew members.

We also incurred, as I said, $200 million of operating capital expenses. To help put this in context, we replaced approximately 1,200 power poles and handled more than 1.8 million customer calls. With that context, let me share with you the success story of the combined Exelon utility families. Because of our employees are trained on common practices, we're able to seamlessly incorporate workers from different utilities more quickly to get work and return service to our customers.

Each storm impacted the service territories differently, but the last of the three storms significantly impacted Atlantic City Electric. We were able to bring in crews and contractors from ComEd, PECO, Pepco, Delmarva and BGE to assist in the restoration effort. Our scale and performance notably sped up the recovery and allowed us to send over 250 employees and contractors into New Jersey to aid in the restoration effort. The storms that occurred this quarter provide a great example of how our model directly benefits our customers. The scale of the Exelon utilities and how we run these businesses continue to contribute to higher quality, more responsive and cost-effective service for our customers.

Turning to slide 8. Last call, we provided an update on the impact of tax reform, but I want to revisit it as we have been working with our regulators to pass these savings on to customers. We've identified over $500 million in savings to be returned to our customers related to lower corporate tax rate from our distribution utility operations. As we've said from the start, the benefit of the lower income tax rate will provide a meaningful savings to our 10 million utility customers. We appreciate the constructive relationship with our state regulators in that are allowing us to pass along these benefits to our customers in a timely fashion.

Turning to slide 9, we made additional progress in establishing compensation for our nuclear generating fleet that recognizes the value of the emission-free generation and the underlying deficiencies in market design. The most significant development was the New Jersey legislation as I spoke of enacting the ZEC program into law, establishing a path forward to preserve the at-risk nuclear plants in New Jersey. I want to thank our team and our partners at PSEG leadership, the leadership in the Senate and the Assembly and the Governor for working together to pass this important legislation.

Once the Governor signs the bill, the ZEC program will go to the BPU for its review of the applications. There is a 330-day deadline for completing the process, putting the program implementation likely at the end of the first quarter in 2019. At that time, we will start realizing the New Jersey ZEC revenues. We are pleased that New Jersey has joined New York and Illinois and Connecticut in recognizing the clear environmental attributes of the nuclear generating fleet. We still see need for more comprehensive solutions to compensate for this clean energy, but we think expanding the ZEC program is a key interim step to preserving our most challenged assets, extending their useful lives and the long-term value of this fleet.

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Turning to the existing ZEC programs in New York and Illinois, we have had oral arguments in both cases at the federal appellate court levels. In Illinois, the court requested and now waiting for the U.S. Government to provide a view on the case. In New York, the decision is with the judges as they had no outstanding items following the oral argument. We remain confident in our legal position in both cases and continue to collect the ZEC revenues.

With respect to PJM work on price formation, FERC has committed to ruling on PJM's fast-start price formation by September, if not sooner, as many parties have requested. PJM is committed to operationally implement the rule as soon as FERC gets approval. FERC's decision on fast-start will dictate the process for additional reforms aimed at eliminating flaws in the current pricing formation rules that currently prevent some units from setting price.

In addition, PJM has now set deadlines for stakeholder reviews of reforms to its shortage pricing rules, including those related to reserve and operating reserve demand curves. We see these price formation changes as essential to preserving an effective competitive mark in PJM and apply the ongoing efforts to design and implement these changes. Finally, just yesterday, PJM committed to study fuel supply vulnerabilities that could arise if the grid became dominated by natural gas generation. In its white paper, PJM called for reforms of its capacity market to better value fuel-secure resilient resources.

We have seen this as a positive first step where we urge PJM to model the carbon and air pollutant implications of greater reliance on fossil fuels, particularly oil-fired power plants to meet electrical demand. Our states and customers communities expect us to develop policies that will lead to less pollution, not more, so we believe PJM should study the emissions consequences as well.

Now, I'll turn it over to Jack to walk through some of the numbers.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Thank you, Chris, and good morning, everyone.

Turning to slide 10. We had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.96 per share, just above the midpoints of our guidance range of $0.90 to $1 per share. This compares to $0.64 per share in the first quarter of 2017. Better results from Generation offset the storm-related cost pressures at the utilities. Exelon's utilities delivered a combined $0.47 per share net of HoldCo, which includes $0.06 of higher storm costs.

Since we've not had significant winter storms like these in years, let me remind you how major storms are treated in our different Mid-Atlantic jurisdictions. In New Jersey and Maryland, excluding BG&E, we have a tracking mechanism for major storms, so the costs incurred during the first quarter are deferred as a regulatory asset and will be recovered in the future, thereby not impacting our reported earnings.

In Delaware, Pennsylvania, Washington D.C., and for BGE and Maryland, when we file our rate cases, we use an average of major storm costs from previous years that is included in our rates and assumed in our budgets. In years when major storms exceed the historic average, Exelon absorbs the additional storm costs, but future rates will be adjusted to reflect these costs.

With March's winter storms, we exceeded our storm budgets, which left us $0.06 per share behind plan in the first quarter of 2018. As we look out to the remainder of the year, we will have to find offsets at the utilities to mitigate any additional major storm expenditures, which historically have come in the first and third quarters.

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Looking beyond the storm impacts, our utility results did benefit from additional revenues associated with resolved rate cases. We would also expect PHI to catch up on some of their normal course O&M expenses over the balance of the year.

Generation had a strong quarter relative to plan, earning $0.49 per share. We had good performance from our nuclear assets with better capacity factors than budgeted. We also benefited from lower O&M expenses and favorable spot market prices.

We're reaffirming our full-year guidance range of $2.90 to $3.20 per share, which you can see on slide 19, and expect to deliver operating earnings of $0.55 to $0.65 per share in the second quarter compared with $0.54 last year.

Turning to slide 11. The $0.96 per share in the first quarter of this year was $0.32 per share higher than the first quarter of 2017. Generation earnings were up $0.32 per share compared to last year, with ZECs representing the most significant source of uplift, as we recognized the true-up of the 2017 Illinois ZEC revenues in the first quarter, which added $0.11 per share, and we realized full quarter contributions from the Illinois and New York ZEC programs, including the acquisition of Fitzpatrick, which were not in effect during the first quarter of 2017.

Relative to the first quarter of 2017, Generation also benefited from higher capacity pricing in New England, the Midwest, and the Mid-Atlantic regions. As a whole, the utilities were largely impacted by higher storm cost, which was partially offset by increased electric distribution and transmission revenues due to higher rate base at ComEd, increased transmission revenue at BG&E, rate increases at PHI and favorable weather at PECO.

Moving to slide 12. On a trailing 12-month basis, our overall earned ROEs slipped modestly from last quarter, but are near the midpoint of our targeted 9% to 10% earned ROEs that underpin our target returns for 2019 and beyond. The biggest drag in overall ROEs compared to last quarter came from the increased major storm expenses that I discussed earlier. In total, the storms reduced earned ROEs by 10 basis points for our total utility businesses on a trailing 12 months basis. We remain diligent in managing our operating expenses to dampen the effects from the storm costs.

Turning to the PHI utilities, the absolute levels of earned ROEs still have room for improvement, even when we adjust for the 60 basis point drag from the fourth quarter's FAS 109 write-off. That said, the recently filed settlements at Pepco D.C. and Pepco Maryland should start to lift Pepco's earned ROEs in the second half of 2018. We also experienced higher O&M in the first quarter than budgeted, which is due to timing issues, and should reverse over the remainder of the year and help to lift earned ROEs.

As we look at our earned ROEs for the rest of 2018 for the overall utility, tax reform is positive to earnings, but also creates ROE headwinds this year due to the timing of equity injections to fund deferred tax returns before the higher equity is reflected in rate cases. The ROE impact is primarily a 2018 timing issue and is already captured in our earnings outlook. We still expect earned ROEs in 2019 to be solidly in the 9% to 10% range.

Turning to slide 13, we've had a constructive regulatory quarter. Starting with the most recent developments, we were pleased to reach settlement agreements in April at both Pepco D.C. and Pepco Maryland, providing revenue decreases of $24.1 million and $15 million, respectively. The decreases include adjustments for forecasted tax benefits to customers with the recent tax reform legislation. The settling parties have proposed a procedural schedule that would place rates in effect by June 1 for Pepco Maryland and July 1 for Pepco D.C. We're happy to have reached constructive settlements with key interveners in both jurisdictions that provide bill relief for

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customers, while also providing a return on our investments and being resolved months earlier than if the cases had been fully litigated.

On March 29, we filed our first case at PECO in three years, where we requested an $82 million rate increase, with a scheduled completion by December 31. The filing is focused on supporting PECO's strong reliability performance, strengthening system resiliency and supporting physical security and cybersecurity. I should also note that the $82 million is net of $71 million tax credit for 2019 tax reform benefits and that the five-year average storm cost in the filing includes the costs incurred in the first quarter.

On April 16, ComEd filed its annual distribution formula rate update with the ICC seeking a $22.9 million decrease to distribution base rates. The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from the recent tax reform legislation. On February 9, we closed out the Delmarva, Maryland rate case with a $13.4 million revenue increase effective immediately.

Finally, we have outstanding cases in Delaware at Delmarva electric and gas that are scheduled for completion in the third and fourth quarters, respectively. More details on the rate cases and their schedules can be found on slides 22 through 27 in the appendix.

Turning to slide 14. In the first quarter, we invested $1.2 billion of capital at the utilities and are on track to meet our $5.5 billion budget to the benefit of our customers. Considering the significant number of projects that go into our overall capital budget, we thought a more regular update on specific projects would be useful to appreciate how these investments are benefiting our customers and communities.

Today, I'd like to highlight two projects. The first is DPL's Cedar Creek to Milford Transmission Rebuild. This $75 million project entails replacing approximately 43 miles of 230 kV transmission poles as well as new conductor and optical ground wiring. The 230 kV line is critical for the transmission network in the Delmarva region and will improve reliability by eliminating the potential for outages due to structural failure of the line.

The second project I'd like to highlight is ComEd's future new substation in Elk Grove. The $90 million greenfield substation is expected to be in service by the third quarter of 2021. The project will support transmission line reliability and projected load growth, primarily from data centers in the Elk Grove Village area by adding over 300 megawatts of additional new capacity.

Slide 15 provides our gross margin update for ExGen, which saw some movement within the buckets, but total gross margin in each year is unchanged from our last update. For 2018, open gross margin was up $250 million, primarily due to strengthening ERCOT spark spreads, offset by our hedges. We also had a strong quarter in execution creating $200 million of Power New Business.

2019 and 2020 gross margins are also flat relative to our last disclosure. In both years, open gross margin increased by $50 million on strengthening ERCOT spark spreads, which was offset by our hedges. We were also able to execute $100 million and $50 million of Power New Business in 2019 and 2020, respectively. We ended the quarter approximately 6% to 9% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross-commodity hedges. We remain comfortable being more open when we look at market fundamentals.

Turning to slide 16, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating. We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3 times debt-to-EBITDA. On a recourse debt basis, we are at 2.1 times, which is well below

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our target. We will continue to manage our balance sheet at ExGen over time to the 3 times debt-to-EBITDA level, so look for us to focus on debt reduction at both HoldCo and GenCo.

I'll now turn the call back to Chris.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack. Turning to slide 17, we remain firmly committed to our strategy and see progress in the first quarter. Whether it'd be the rate case settlements of PHI, the benefits of the scale on our storm restoration or establishing ZEC programs in New Jersey, our financial footing is very strong.

Here again is our value proposition. We will continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021. We continue to use free cash flow from ExGen to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and part fund a faster dividend growth rate.

We continue to focus on optimizing value for ExGen business by seeking fair compensation for our carbon-free generation fleet in Pennsylvania as we have done with the ZECs in New Jersey, Illinois and New York. And this adoption of price formation in PJM and resiliency initiatives at FERC will also benefit.

We continue to close uneconomic plants, sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load match strategy. We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020.

With that, operator, we can now open it up for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Greg Gordon with Evercore.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks. Good morning. Great quarter considering all the storms you had. I've got a few questions.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Sure.

Greg Gordon
Analyst, Evercore ISI

Q

The first is, looking at your gross margin slide, you did comment that you had some puts and takes and that the total expected gross margins are the same. I see from looking at the prior quarter's deck that your sort of NI Hub's around-the-clock pricing is down, Mid-Atlantic's a little better, ERCOT sparks are a lot better. But when you show us the open gross margin and you roll down to the total expected gross margin, how are you thinking about current forwards in ERCOT rolling into spot pricing? And are you just giving us sort of a theoretical naked mark, assuming you can roll all the current run-up in spark spreads into spot or is there some sort of a holdback there, given the uncertainty with regard to summer volatility [indiscernible] (00:25:21)

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Hey, Greg. Good morning. It's Joe Nigro. It's a good question, Greg. And as you've mentioned, there is a lot of volatility expected in ERCOT this summer. And for us, it's not as simple as just selling the Generation output. As you know, we have a very big load book of business. So, we have to take that into account as well. And we look at those scenarios under a lot of different outcomes, be it higher prices and/or lower prices, and we try to set up the book accordingly.

When you look at the disclosure here, we're simply mark-to-marketing the value of our open position in the open gross margin calculation, and there was a large uptick to the tune of about $300 million if it had been a fully-opened book. Offsetting that obviously is the mark-to-market of our hedges that are on the book, given the strong move and the sales we've made. And that nets to a gain in the portfolio of about $50 million.

As for a holdback, any holdback would be relatively small in the overall total gross margin of the – over $8 billion that's expected, and we would do that given some of the uncertainty of outcomes that we expect.

Greg Gordon
Analyst, Evercore ISI

Q

Okay, great. Thanks. Jack, I've got a couple questions for you. Looking at the slide where you give the projected sources and uses of cash, since I compare that to the last quarter disclosure, it looks like regulated utility investments – expected investments are up a little bit, but the overall free cash flow profile into the end of the year actually looks like it's still net-net improved even after a slightly higher CapEx. Is that a fair synopsis? And I know it's a small increase, but what are those capital expenditures being directed to?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

It is a fair synopsis and I think the CapEx is really related to the storm investment. Chris talked about the significant investments that were made in the Mid-Atlantic utilities during that storm, so that's why you see the increase in CapEx there. To your point, the overall cash flow profile of the company looks quite strong.

Greg Gordon
Analyst, Evercore ISI

Q

Great. And my last question actually goes, because you didn't put it in this deck, back to the Q4 deck where you had EPS sensitivities related to interest rates. And it looks to me like the 30-year is up about 37 basis points since year-end, and you guys put in here the interest rate sensitivity for ComEd ROE and pension expense is $0.03 in each instance for every 50 basis points at least looking at 2019. So, is it fair to say that these sensitivities still hold because that would mean you might be as much as a $0.05 ahead of where you were in 2019 at the beginning of this year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

I think the $0.05 sounds a little high, but they do hold. And as you know, we benefit from rising interest rates relative to other utilities because of the types of the formula rate in Illinois, but also because of our significant pension liability. And as the interest rates increase, the liabilities shrink. So, no question. This rising environment is helping our costs as well as our revenues and EPS, but $0.05 does seem a little bit aggressive.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Thank you, Jack. That's all I've got.

Operator: And our next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys. Just hoping to follow-up on the ERCOT comment just now. I think I heard you say $300 million is roughly the gross margin. And then, with the hedging value, it sort of offset down to $50 million. Was that a 2018 comment? And if so, could we get some sort of sense on 2019 and 2020 because the sort of hedge [ph] sparks (00:29:21) numbers that you gave, finding a little difficult to unpack those.

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Yeah. The comment I made was in relation to 2018, Jonathan, but you could think similarly not in magnitude of dollars because we haven't seen the absolute price change that we saw in 2018.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Yeah.

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Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

But you had a pickup in open gross margin in 2019 and 2020, and similarly, we had a mark-to-market drop in 2019 and 2020, given that we've sold in obviously at lower prices. Given that those market prices haven't moved nearly as greatly on the back-end in 2019 and 2020, just the absolute value of the dollars isn't going to be as great.

I think the other element, though, is you've seen this market move pretty appreciably in the front-end and rightfully so, given where reserve margins are and the announcements of the retirements. I think you could expect some extreme volatility this summer and that will be obviously weather dependent and depending on unit performance as well as our wind performance.

I think the other element, though, is if we see some of that volatility that's expected, it wouldn't be unreasonable to think that you would see price appreciation in 2019 and 2020 on the back of it just because it hasn't moved. And as you could see from our disclosures, we're not only carrying a long position in 2018, we have quite a bit of power still opened in 2019 and 2020 as well.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Sure. Thank you, Joe. But can you just – when you look first quarter versus year-end, the effective realized energy price spark number you gave is down. So, just remind us sort of how that works because I think the message is the margin's up so somehow that indicator goes down.

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Yeah. And it's slightly different for the base load regions, I'll call the Midwest and the Mid-Atlantic, versus the calculation in ERCOT. As you know, ERCOT, we're trying to give you a view of our spark spread which is more relevant to our machines. And the formula is laid out here. It's very simple. We take a gas price using Houston Ship Channel, multiply it by heat rate and add some variable O&M to set the reference price.

What we then do is we got to add back or subtract from the mark-to-market value. And the way to think about that is that's a dollar amount. So, we calculated the reference price in a unit of dollars per megawatt hour. We've now got a bucket of dollars on a mark-to-market basis that we need to divide by the volumes sold to bring it back to that same unit of dollars per megawatt hour. It just so happens in 2018, when you look at the effective realized energy price, it's next to zero. We've seen it in the past to actually go negative in ERCOT if we have a large mark-to-market loss with very small volume sold. And then, you could see in the out-years 2019 and 2020, that's a positive outcome or a positive spark.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

But the net-net is that your expected margin is higher, correct?

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

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Yes. Our expected margin in ERCOT is higher in each year given that we're carrying an open position in all those years and the market is going higher. Now, that was offset, as we mentioned in the first question from Greg, with some of the changes on the rest of the portfolio to keep the gross margin on the bottom-line balanced.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Yeah. Thank you. And then, just one other little issue. So, we noticed that there were particularly low tax charges at both PECO and PHI in the quarter. So, was there something unusual going on there? What should we be thinking as we sort of push those through the year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

PECO, I think is where it's specific and it's tax repairs. So, as we invest capital for the storms that shows up later in the benefits and tax repairs same is true in certainly the PHI jurisdictions.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

So, what would be – should we see continued effect through the year, Jack, or is it really just like a Q1 one-off?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

It's a Q1.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Okay.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

And depending on what storm activity we see in Q3 or Q4.

Jonathan Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Yeah. Okay. Thank you very much, guys.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Sure.

Operator: And our next question comes from the line of Steve Fleishman with Wolfe Research.

Steve Fleishman
Analyst, Wolfe Research LLC
Q

Yeah. Hi. I'm curious just there's a lot of retail businesses that looks like are on the market these days. How interested might you be in expanding retail through acquisition?

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Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Steve, we're always – good morning, first of all. It's Joe. We're always interested in looking at whatever opportunities exist in the marketplace. As you know, we have a history of acquiring companies in our recent past when you look at Integrys and Con Ed, for example, and we'll continue to do that. To the extent we can add something that we think will be accretive to the bottom line and fits with the value proposition that we're trying to bring both to our shareholders and our customers, we're going to be aggressive with doing that. There has been some change of hands with retailers in the near-term here and we would expect that to continue given some that are on the market now and we'll continue to hunt for them.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. And then just the continued comment on staying more open due to your view that power prices are, I guess – upside you see in power prices. How much of that is the potential market reforms versus just expecting better price kind of without them or is it a mix of both?

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

It's a mix of both. I think you have to take the whole picture into account. When you look at our portfolio, from my lens, I think about risk reward. And when you look at where the power curve is, like, for example, in the Midwest now and where gas prices are, we think about it from a heat rate perspective and we see upside to that. And that's driven by some of the reforms that PJM themselves is talking about, and obviously, Joe and a number of folks here at Exelon are working on very closely, and we stay very tied to that.

And then, in addition to that, we look at history and changes in the composition of the Generation stack and the transmission stack. I still go back to some of the easy examples, though. We had gas prices two years ago at $1.70 and we had power prices that were almost $26. You have gas curves at $0.75 or $0.80 higher than that, and you see power prices that are lower than where they were. So it becomes a question of risk reward when you overlay just the fundamentals of the market itself and then obviously some of the regulatory reforms that are out on the horizon.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. Thank you.

Operator: And our next question comes from the line of Julien Dumoulin with Bank of America Merrill Lynch.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey. Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

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Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey. So, perhaps, to follow up on Steve's question a little bit. Can you talk a little bit about expanding margins on retail and just what you're seeing out there? Obviously, some of your peers of late have really been adamant in seeing an opportunity there. Just would be curious to hear your latest assessment. I know you guys have seen a variety of different dynamics in the retail markets in recent months. So, I'll leave it there.

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Yeah. Julien, good morning. It's Joe. I guess, I really can't speak to what my competitors are actually achieving. I have an understanding of what they're saying, and we know how they're reacting in the market. What I would tell you is, we think about our load serving business across the wholesale perspective, when we think of polar auctions, as well as our independent retail business. It's tied very closely, obviously, to our Generation portfolio.

I think, first of all, the volatility during the quarter, especially in New England and PJM was good to see. We've got an expectation of volumes and margins that are in our disclosure, and we're comfortable with those, and they remain – the margins remain in line with what our expectations have been historically for C&I margins. We're comfortable with our projections overall. I will tell you we've seen some competitive behavior change on the retail side. Some folks, I think, were hurt last year with low volumes. And when you get into some of the non-energy charges and how they're calculated on a volumetric basis, and we've seen some of our competitors move away from fully fixed price contracts in certain markets. And we'll continue to offer those products, and we're going to remain disciplined to our approach.

We spend a lot of time analytically evaluating data and using that data to inform our decisions both from a generation to load matching strategy, from a pricing perspective and a product development perspective. And as you know, last year, we had some challenges in our retail business. We're comfortable where we are now. I will tell you on the wholesale polar auction side in the first quarter, we have had some success. And I think it's directly attributable to the volatility that we saw in late December and early January, and quite frankly, in March as well in Eastern PJM with higher prices.

So, overall, we're comfortable with what's reflected in the disclosure, and we're comfortable with the margins and the volumes. And we'll continue to work hard, and it is a very competitive marketplace.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

And just wanted to follow-up on one specific plant here, Mystic in New England. A lot of different dynamics playing out right now, but it would seem as if you need to clear your asset at all of the units, if you will, and then keep them around or would you actually look to retire select units here if they don't actually get picked up with an RMR or otherwise?

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Well, I think we've been very clear, right? I mean we announced the acquisition of the Marine Terminal. We have an obligation for capacity that we are going to honor. And that's part of the reason that we're driving towards that acquisition of the terminal. We've also been very clear that absent market reforms, we don't see profitability for these units into the future. And we're working very closely to try to rectify that. I mean, the ISO themselves put out

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a study recently saying that there were five assets in New England needed to ensure reliability into the future, one being the Everett Marine Terminal and the others being the Mystic asset.

So, putting all that together, as we've done in PJM and other areas with the capacity market, I think we take a very prudent approach to how we manage this looking into the future, and we're going to do the same thing in New England. We'll honor the commitment for capacity and we're going to look to get to the right reforms to make these assets more economic in the future.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

All of it needs to clear, right?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

Julien, this is Joe Dominguez. Actually, no. That's wrong. We don't have to clear the units to participate. And in fact, absent successful filing by the ISO on this waiver that they filed last night to offer a cost of service rate to Mystic, we will not clear. We will not participate in future capacity auctions.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Excellent. Thank you.

Operator: And our next question comes from the line of Stephen Byrd with Morgan Stanley.

Stephen Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hey, Steve.

Stephen Byrd
Analyst, Morgan Stanley & Co. LLC

Q

I wanted to touch on your additional leverage capacity. And I guess what I'm thinking about is, as you continue to shift your earnings mix more towards regulated earnings and you're certainly doing that organically, but I guess I'm also thinking about inorganic ways to do that as well. Could you talk at a high level in terms of what that might mean in terms of a different risk profile with the rating agencies, a different targeted credit metrics, et cetera, if you pivot increasingly more towards regulated earnings?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So, Stephen, I think you know, we've been incredibly conservative with our balance sheet in taking that approach and I think it's worked well with the agencies. As we do get more regulated contribution, certainly the earnings mix of the company shifts as does the risk profile. That married with the 3 times debt-to-EBITDA target at the GenCo, which we're well below now, I think, positions the company quite well.

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We have, in the past, spoken with the agencies, particularly S&P, about upgrading us at the holding company level and we will continue to pursue that. As the mix shifts occurs, I think our case strengthens. So, that's kind of the conservative approach we're taking.

Stephen Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Understood. And then, shifting gears to the PJM white paper, Chris, that you had mentioned in your prepared remarks and thinking about fuel resiliency, fuel security. Procedurally, sort of how do we think about how PJM might approach that from a process point of view? I know it could take quite a bit of time to do more work, more analytics on that at PJM. But is there anything you can tell us in terms of just thoughts on how that process might unfold?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

Yes. Stephen, it's Joe, and let me just start off with an observation. It's interesting. Secretary Perry in the 403 last fall identified a resilience problem in these markets. And as you know, that proposal was widely panned with a number of parties indicating that there is no resilience issue. Yet, in the last 48 hours, we've seen a filing by the New England ISO to retain Mystic on fuel security resilience grounds, and of course, we saw this white paper from PJM on Monday indicating that it too may have a resilience problem that would require capacity market changes.

From our perspective, turning to that white paper, the things that are going to be important is to understand the analytics, the inputs into the analyses that PJM runs and in particular, how they think about the unavailability of natural gas pipeline service and for what duration. What Chris mentioned at the top of the call is that in addition to those constraints or those modeling parameters, we'd like to see them model environmental impacts associated with this fuel mix. We kept the New England system running this year really on the back of oil-fired units.

And while we succeeded in keeping the lights on, it was a disappointing outcome for environmentalists in New England, where we burned 2 million barrels of oil and a disastrous, frankly, outcome for the stakeholder process in New England, where they want to get to lower air pollution, carbon and conventional pollutant emissions. So, we think that needs to be incorporated as well into PJM's analysis.

And until we get those environmental externalities incorporated, we're not going to have a complete market. So, we see this as a positive step forward. We're going to look very carefully at how they intend to model this situation, again, the unavailability of gas and for how long. And we think if they do that right, they're going to find that they, too, like New England, have a significant number of fuel constraints on the system that will require them to preserve fuel secure resources. Now, that could be gas plants on Marcellus Shale's storage, it could obviously be nuclear plants and it could be coal plants, but then we need to take another look at that mix and make sure we're meeting the expectations of our customers and communities in terms of environmental impacts.

In 2018, emissions need to be going down. And any resolution of this issue that results in emissions going up is going to continue to create incentives for state actions and indeed, for other federal actions to correct the flaws in those market.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

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I want to just follow up on one thing. I want to make it clear. We are not anti-gas. We think that the consumers in the country have really benefited from the plentiful low-cost gas. But as we look at the transmission system designs in the country, the N minus 1 concept that coordinates power flows across our system in the loss of major lines is a design basis.

What we need is a design basis threat on the gas system to the electric system and ensure either redundancy in capacity for getting the gas to the plants or limit the dependency on the gas so we can keep the system up along with what Joe said on the environmental attributes.

So, we don't have a combined gas- and electric-day coordination. We don't have a design basis threat to the gas system that would affect the electric system properly. And that needs to be worked out.

Stephen Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Very thoughtful response. I mean, it seems like the analysis, as you said, it's important to get the parameters set. That process could take a while. But I appreciate your point about what that analysis could result in. Thanks so much for the color.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Sure.

Operator: And our final question comes from the line of Praful Mehta with Citigroup.

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

Q

Hi, guys. Thanks so much.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hi.

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

Q

So, a quick question on price formation. Could you just remind us what is the impact that you see for price formation for your assets? And how does that net out against the asset that are receiving zero-emission credits? Is there any net out of that as well?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

So, I'll jump in. What we have talked about is really what PJM has modeled. And as a grouping of two different initiatives, the fast-start initiative and the full [indiscernible] (00:48:09) relaxation for baseload units, PJM has modeled a $3.50 impact to energy markets. We haven't published or discussed any numbers different from that.

In terms of how it interfaces with the ZEC program, remember that the units that we presently have in the ZEC program are in New York, which would be unaffected by that change. Clinton, which is in MISO, again unaffected

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by that change. So, the only unit presently we'd be talking about is Quad Cities. And yes, as energy prices go up either as a result of energy market dynamic changes, policy changes, carbon being in the market, there would be potentially an offset to the ZEC payment with the plants that are participating.

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

Q

Okay. That's helpful. And that'll apply to New Jersey as well?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

In New Jersey, the mechanism is going to be different. But if prices recover for other reasons, the program also will have the BPU look at pricing in future years and potentially make adjustments. The key in all of these states is to preserve the zero-emission resources for the customers.

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

Q

Got you. That's helpful. And just quickly connecting that with capital allocation, right? If you do have the upside from price formation and zero-emission potentially in Pennsylvania as well, you've already kind of laid out a plan which allocates all the capital into all the different kind of criteria you've mentioned from debt reduction to dividend. Where do you see the incremental capital, if it does come through, get allocated in your plan [ph] covenant? (00:49:54)

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. We have good capital resources today. We have good sources of investments to make for customer satisfaction and reliability, so we'll continue on that path, but we have to maintain a very strong sensitivity to the consumer impact on excessive capital going on the system. We can install $8 worth of capital and keep rates the same by reducing O&M by $1. And that's what we have to be focused on is customer service, reliability and the impact on our consumers. So that will be our approach as we go forward.

Praful Mehta
Analyst, Citigroup Global Markets, Inc..

Q

Got you. Thanks. Thanks a lot, guys.

Operator: I would now like to turn the call over to Chris Crane for closing remarks.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

So, I want to thank everybody again for attending the call and the questions. We're always available for any further details that you want going through Dan. We've had a good first quarter. We anticipate a good 2018. The work that's being done by all our operating groups continue to ensure that we maintain a strong balance sheet and deliver on the value proposition. I won't wear you out with my opinion of the valuation of the stock. We have had some improvement but as we execute we expect to see more improvement on that in the following quarters and year.

So, with that, thank you very much.

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Operator: Ladies and gentlemen, this concludes today's conference call. We thank you for your participation. You may now disconnect.

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07-Feb-2018

Exelon Corp. (EXC)

Q4 2017 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore Group LLC

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Steve Fleishman
Analyst, Wolfe Research LLC

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Sarah, and I will be your conference operator today. At this time, I would like to welcome everyone to the 2017 Q4 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your conference.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Sarah. Good morning, everyone, and thank you for joining our fourth quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Jack Thayer, Exelon's Chief Financial Officer; and Joe Dominguez, Executive Vice President of Government and Regulatory Affairs and Public Policy. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast, and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning to everybody and thank you for joining us today. Let me start by apologizing first for my voice is recovering from a cold as some of our other speakers are in the same place. So we'll try to make it through clearly without too much distraction.

2017 was a great year for Exelon, and I like to take a moment to talk about our business performance and some of our major accomplishments over the past 12 months. First and foremost, I'm pleased to report that Exelon delivered $3.97 per share of GAAP earnings and $2.60 per share of operating earnings for 2017. Jack will walk through the details, but I'd note that the earnings are solidly within the guidance range as we saw better utility, performance, and cost discipline absorbed $0.09 of timing shift from 2017 to 2018 related to the Illinois ZEC contracts, and absorbed $0.04 from FERC-related accounting changes.

Last week, the board approved our updated dividend policy, targets 5% annual growth for 2018 through 2020. It builds on our previous plan of 2.5% growth from 2016 through 2018 and keeps our recently shared goals of offering competitive dividend growth rates and providing a multi-year visibility. We're comfortable with the faster dividend growth rate, particularly in light of the significant positive business developments since 2016. We completed the PHI acquisition, increasing our earnings mix from utility operations. The New York and Illinois ZEC programs have preserved and extended the useful lives of our most valuable nuclear plants. And consistent with our inherent cost discipline, our forecasted O&M spend will be approximately $725 million per year, lower in 2020 with the cost reduction initiatives identified since 2015. Jack will discuss our capital allocation plan shortly, but we're confident in our ability to grow our dividend competitively while meeting all our other capital commitments, and probably we're able to share more of our financial success with our shareholders throughout this updated dividend policy.

Tax reform passed at year-end is clearly a positive for us, allows for significant savings for our utility customers as the new tax rate flows through into lower bills. ExGen will benefit from lower tax rate and 100% expensing. In total, we see the run rate EPS benefit of $0.10 in 2019. Operationally, we executed well in each area of our business line.

At our utilities, we invested a total of $5.3 billion of capital in infrastructure and technology to provide a premier customer experience, fewer outages, and faster restoration times. That all contributed to higher customer satisfaction scores. In fact, our utilities achieved multiple best on record operational metrics and received national recognition for exceptional customer satisfaction.

Leading with our better service and performance, we are also busy on the regulatory front completing seven distribution and five transmission rate cases in 2017, and receiving a total of approximately $400 million in revenue increases. Timely and fair regulatory outcomes help us to fund the future investment in the grid and improve the customer experience.

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Our Generation fleet also performed well. The nuclear fleet produced 157 million megawatt hours, a record-setting year for Exelon, and we brought into service the two new CCGTs in Texas. I'm pleased to tell you that our fleet performed very well during December and January cold spell in the Northeast, once again demonstrating the value of nuclear generation as a highly reliable and carbon-free source of power.

On the regulatory and policy front, the ZEC programs in New York and Illinois were implemented, preserving several of our most at-risk nuclear stations and the reliability, economic, and environmental benefits they provide. We will continue to defend these programs as we work on similar programs in New Jersey and Pennsylvania that benefit our customers, our communities, and our employees. We also saw a recognition of the need to address the resiliency of the power system, an effort advanced with FERC's order in January. We believe a FERC order is an important step in addressing real resiliency and concerns. We urge FERC to adopt PJM's proposal around power price formation and adopt a comprehensive resiliency solution that we will realize that will take some more additional time to resolve. Joe Dominguez will discuss this in more detail later in the call.

We can talk about our successes this year without – or we can't talk about our successes this year without noting our strong commitment to corporate responsibility, improving and supporting the communities that we serve building on prior year's recognitions. In 2017, we were the first utility named to the Billion Dollar Roundtable, which recognizes companies that spend over $1 billion with tier 1 diverse and minority home suppliers. Being an active part of our communities is a central tenet of Exelon, and this award reflects what we've been able to do for years. And in addition, DiversityInc named us one of the Top 50 Companies for Diversity, and the US Veterans Magazine named Exelon to its Best of the Best List of Veteran-Friendly Companies.

We also made a lot of progress in areas that will bring great value to our communities in 2017. We announced a new job training center in Washington DC modeled after the center we operate in Chicago. We were named to the Civic 50, a list of community-minded companies by Points of Light Foundation, and singled out as the utility sector leader. Exelon and its employees set new records in philanthropic activities, committing over $52 million in giving and volunteering more than 210,000 hours in 2017.

Turning to slide 6, we'll show you the impact that Exelon's management model has had on our utility operations. Looking back to the Constellation merger for the legacy Exelon utilities, or since the merger with PHI, we've seen material improvement in operations across our utilities. The hard work of our employees and the benefit of our scale are clearly paying off. Our utilities primarily operate at first quartile levels across our key successes of reliability, safety, and customer service. However, this does not tell the full story of our performance with many performance at top decile levels across a number of these measures, and many being the best on record performance. In 2017 BGE, ComEd, and PHI had a best performance on (sic) SAIFI and CAIDI; and (sic) PECO and BGE and ComEd on customer satisfaction. Customer service remains central to the strong utility performance, and it did extremely well in this front in 2017.

In J.D. Power's customer satisfaction study, BGE earned the top rank for business electric service among the large utilities in the East. It was the best of 11 utilities in the region and was ranked highest nationally among 87 utilities in employee professionalism. Kudos to the hard work of our utility professionals who strive every day to provide service levels for our customers.

Turning to slide 7, we also had another strong year at Generation and Constellation. Our nuclear assets continue to perform at top tier levels. Look, we had a combined capacity factor of 94.1%, marking over 94% utilization rate for the four of the past five years. In 2017 we had 13 refueling outages with an average duration of 23 days. With the addition of Fitzpatrick plant in high utilization, we generated a nuclear fleet record of 157 billion megawatt hours. On the Constellation side, our C&I operating metrics remain strong. 74% customer renewables, average

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customer duration of more than five years, and power contract terms of more than 25 months on average. These statistics speak to our deep customer relationship that has been the bedrock of the Constellation business. We continue to see stable unit margins with our C&I customers, and our aggressive cost management is helping to further support operating margins.

And now I'd like to turn it over to Jack to walk through some of the numbers.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Thank you, Chris, and good morning, everyone. My remarks today will focus on 2017 results, 2018 earnings guidance, and annual updates to our financial disclosures.

Turning to slide 8. As Chris stated, we had a strong year financially and operationally across the company. For the full year of 2017, our adjusted non-GAAP operating earnings were $2.60 per share, and comfortably within our guidance range. We're pleased with our full year results, particularly considering the unexpected $0.09 timing drag from the Illinois ZEC contracts that were signed this January rather than in December, as well as a $0.04 impact from a FAS 109 asset impairment related to income taxes for our FERC-regulated assets. For the fourth quarter, we earned $0.55 per share. Utilities less holding company EPS was $0.29 per share, benefiting from favorable storm expense and lower O&M expenses which were offset relative to our plan by the FAS 109 impairment. Generation performed mostly in line with our expectations as our cost optimization efforts offset some market softness experienced earlier in the quarter.

Turning to slide 9, we're providing full year 2018 adjusted operating earnings guidance of $2.90 to $3.20 per share. The growth in utility earnings reflects continued rate base growth as we deploy capital to the benefit of our customers as well as improved improvement in PHI's earned ROEs. At Exelon Generation, the year-over-year increase is primarily driven by the full year recognition of ZEC revenue from New York and Illinois, the $0.11 recognition of the 2017 Illinois ZEC payments which is higher than the 2017 drag due to the now lower tax rate, the impact of tax reform, and cost optimization efforts partially offset by lower energy prices. We expect our first quarter earnings to be in the range of $0.90 to $1 per share. More detail on year-over-year drivers by operating company can be found in the appendix starting on slide 59.

On slide 10, we roll forward our outlook for utility CapEx and rate base which now covers 2018 through 2021. We plan to invest $21 billion into our utilities over the next four years to ensure reliable, more resilient, and more efficient transmission and distribution of electricity and gas that improves the customer experience. Our four-year capital program is up from what we shared with you last year as we accelerate our gas main replacement programs at BGE and PECO, and take advantage of opportunities to further improve reliability and resiliency, all of which allows us to provide our customers with safe, reliable service. This results in a capital plan across our utilities with a $5 million annual run rate. Turning to rate base, we now project annual growth of 7.4% compared to 6.5% at the last update, which reflects the expanded CapEx budget and the impacts of tax reform. Tax reform will increase rate base by approximately $1.7 billion in 2020, relative to our previous expectations. For your convenience, in the appendix we provided a more detailed analysis of the capital and rate base outlooks by individual utility beginning on slide 27.

Turning to slide 11. Equally important to deploying capital to strengthen our systems is timely revenue recovery. Of $11.5 billion of rate base growth projected through 2021, approximately 70% is covered either under formula rates or mechanisms supporting our ability to make additional investments and earn a fair return on our capital. Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these

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types of tools. I would also note that over 70% of our rate base is in jurisdictions that are decoupled from volumes, improving our earnings visibility and aligning with the ambitious energy efficiency goals in our states.

Slide 12 shows a trailing 12-month blended transmission and distribution earned ROEs of the utilities. Our utilities continue to execute, delivering stronger earned returns for the year in addition to the robust operational performance Chris already discussed. Over the past year, PHI's earned ROEs improved at Delmarva and Pepco and remained flat in Atlantic City Electric. Although I should point out that the FAS 109 impairment costs about 60 basis points of ROE at each utility. We're encouraged by the improvements at PHI and we expect to see further gains as pending rate cases are resolved throughout 2018. The legacy Exelon utilities had a strong 2017, earning 10.3% as a group helped by favorable storm expense and O&M partially offset by the FAS 109 regulatory asset impairment in the fourth quarter of 2017. Improving the earned ROEs at PHI and sustaining the strong performance at the legacy Exelon utilities will be a core focus in our efforts to meet our overall utility earnings growth targets. We expect to earn 9% to 10% ROEs across our utilities in 2019.

Turning to slide 13, we remain busy on the regulatory front. Since our last earnings call, ComEd received an order authorizing a revenue increase of over $95 million. Since implementing the formula rate structure, we've recovered 90% plus of our [indiscernible] (00:17:28), with this year being the 100% for the first time. Pepco filed electric rate cases in Maryland and in the District of Columbia, with orders expected in the third and fourth quarters of this year respectively. In addition to the recently filed Pepco Maryland and DC rate cases, we have pending rate cases at Delmarva, with orders expected in 2018. Combined, we're asking for $133 million in revenues, which reflect recovery on multiple years of reliabilities, smart meter, and other capital investments that have been made to improve performance across these jurisdictions. Later this spring, we plan to file our rate case at PECO for the first time in three years, and we'll file our standard formula update at ComEd in April. More details on the rate cases and their schedules can be found on slide 65 to through 71 in the appendix.

Slide 14 provides an update on our outlook for utility EPS where we continue to forecast 6% to 8% EPS growth. Compared to last year, our EPS bands in 2019 and 2020 have both increased. The uplift from tax reform at the utilities through the increased rate base is mostly offset in the first couple of years but a drag from higher holding company expense since the lower tax rate provides less tax shield. As we look toward the back half of this period, we should start to see net benefit from the change in tax policy. Overall, the combination of strong rate base growth, timely regulatory recovery, and tax reform leave us on a path to sustain our leading utility EPS growth.

Slide 15 provides our gross margin update for ExGen, and on slide 38 we provide more detailed bridges compared to the previous quarter. I should point out that our decision to retire Oyster Creek a year earlier than previously planned is now factored into all of our disclosures for gross margins, O&M, and depreciation expense, with the collective EPS uplift being $0.03 in 2018, $0.07 in 2019, and $0.01 in 2020 relative to our previous expectations.

Now turning to our gross margin update, our 2018 total gross margin is flat relative to our last disclosure as lower Oyster Creek contribution is offset by the inclusion of the Handley Generating Station, the 1,265 megawatt peaker in Texas that we bought out of the EGTP portfolio that serves as cost-effective resource for our Constellation retail operations. Total gross margin in 2019 is up $50 million since the last quarter driven primarily by higher West Hub and NI Hub power prices, strengthening ERCOT spark spreads, and additional generation related to Handley partially offset by the early retirement of Oyster Creek.

Since we've not previously disclosed 2020 gross margins, let me help with the 2020 disclosures in context by bridging a few changes compared to the 2019 disclosures. Total gross margin is down $300 million and it will be bucketed into, one, a $150 million reduction to open gross margin primarily from the already announced

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retirement of TMI. We have offsets in O&M and depreciation expenses, so this closure is net EPS-accretive to us. Secondly, a $150 million decrease to the capacity in the ZEC line, which largely reflects the roll off of the robust and previously disclosed PJM capacity prices from the 2018-2019 auction. From a hedging perspective, we ended the quarter approximately 13% to 16% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross commodity hedges. We remain comfortable being more open when we look at market fundamentals, and particularly as we see opportunity for PJM price formation chances.

Turning to slide 16, our O&M expense outlook is consistent with the third quarter earnings call disclosures. That included our expanded $250 million cost reduction program plus an additional $50 million and $120 million of O&M savings in 2018 and 2019 respectfully due to the earlier than planned closure of Oyster Creek. Turning to CapEx, our nuclear fuel and base line capital spend projections continue to decline. Our base CapEx benefits from the proactive investments we've made across the fleet in prior years, further focus on investment priorities, and the impact of closing uneconomic plants. Our nuclear fuel expenditures are also falling as we take advantage of well-supplied uranium markets and excess fuel processing capacity.

We continue to run an efficient organization and we'll always look for ways to reduce cost and run the fleet more cost effectively while maintaining the highest premium on safety and reliability. The combination of ZEC programs in New York and Illinois have extended the useful lives of our most profitable assets, and we continue to reduce ongoing capital needs for the plants, which we think makes it a more compelling case for the long-term value of these assets which the market still seems slow to reflect.

Turning to slide 17, we're rolling forward the free cash flow outlook for ExGen that cover 2018 through 2021. We expect the cumulative free cash flow to be $7.6 billion, which is $800 million higher than our previous four-year outlook. Our forecast takes into account power price forwards at year end, the current gross margin outlook for Constellation, the benefit of the cost cuts outlined in the third quarter call, the planned closure of TMI and earlier closure of Oyster Creek, our updated base CapEx and nuclear forecast, and the impact of tax reform. We're also updating how we plan to use ExGen's strong cash flow generation. We'll invest approximately $700 million in growth capital which is primarily sited solar projects in support of our Constellation business, the Medway plant in New England, and some final payments around the Texas CCGTs. We plan to inject between $3.3 billion and $3.7 billion of capital in the utilities to fund the outsized growth without the need for external equity funding. With faster dividend growth, we will use approximately $400 million to $600 million of ExGen free cash flow to fund the dividend not covered by the utilities. We're comfortable with this dividend funding for ExGen, particularly considering that the four-year needs are less than 10% of our total free cash flow generation. Finally, we plan to retire between $2.7 billion and $3.3 billion of debt, which will be spread between ExGen and holding company debt. We'll continue to manage ExGen leverage to our 3 times debt to EBITDA commitment.

Turning to slide 18, we've already shared with you the impact of tax reform on Exelon in our 8-K from January 5, but we want to highlight that we're a clear beneficiary from tax reform and offer a few additional details. We expect to pass-through meaningful savings to our utility customers across the different jurisdictions, reflecting the lower tax expense recoveries and refund of deferred income tax regulatory liabilities partially offset by the impacts of higher rate base. We're thrilled that our customers will benefit so much from tax reform.

Our 2018 EPS guidance is inclusive of tax reform, and we expect a $0.10 per share uplift to 2019 earnings. Generation earnings will benefit from a 22% effective tax rate. The utilities will benefit from an increased rate base of $2 billion by 2021 while the lower tax rate will create less tax shield for our holding company interest expense. We expect to be a very modest cash taxpayer through 2021, and you can see the cash tax rates by year. We expect much stronger free cash flow from ExGen with a lower tax rate and 100% expensing of capital, which will more than cover the additional equity needs to utilities associated with the increased rate base. And we expect

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the consolidated metrics will remain largely unchanged as a result of tax reform. And ExGen tax reform has a positive impact in 2018, with a more meaningful impact in the outer years that provides the company with additional financial flexibility.

On the utility side, we do see some modest erosion in FFO to debt, although all of our utilities remain at or above rating agency thresholds. We frequently made the case that our Generation business provides distinct competitive advantage to the overall company with the ability to recycle significant free cash flows. Our positive uplift to credit metrics and no need for external equity are additional examples relative to other utilities that are being pressured due to the tax reforms.

Turning to slide 19, we remain committed to maintaining a strong balance sheet and our investment grade credit rating. I hit on this in the previous slide, but we remain comfortably ahead of our corporate targets for FFO to debt and well above the downgrade thresholds. Looking at ExGen, we're well ahead of our debt to EBITDA targets in 2018. On a total basis, we expect to be at 2.5 times debt to EBITDA and only 2 times debt to EBITDA from a recourse debt perspective. We'll continue to manage our balance sheet at ExGen over time to the 3 times debt to EBITDA level, so look for us to focus on debt reduction at both holding company and GenCo.

Turning to slide 20, as Chris mentioned earlier the board has decided to increase the dividend growth rate policy from 2.5% to 5% annually through 2020. Chris spoke to the positive business developments that gave us the confidence to increase our dividend growth rate to be more competitive with utility peers, so I want to take a moment to talk about our financial thought process. Slide 20 shows the hypothetical portion of the dividend being funded by the utilities if we assume their piece of the dividend is based on a 70% payout ratio on utility less holding company expense. The residual dividend is then covered by ExGen. When we consider that the utilities are growing EPS at 6% to 8% per year and represent the growing majority of our earnings, we're comfortably growing the dividend at 5% based on a 70% utility earnings payout ratio, which keeps pace with this earnings growth.

On this approach, ExGen is funding around $0.20 of dividend depending on the year, which is a payout ratio in the teens of our 2018 EPS guidance for the business and substantially less than that on a free cash flow basis. We're very comfortable committing the small portion of ExGen's financial output to supporting the dividend and are excited to be returning more capital to our shareholders through the dividend.

I will now turn the call over to Joe Dominguez to walk you through the latest on our regulatory and policy initiatives.

Joseph Dominguez

Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

Thanks, Jack, and good morning, everyone. I'll cover slides 21 and 22 in the materials. Since our last earnings call, we continue to see positive momentum for policy changes at the state, FERC, and RTO levels that value the zero emission and resilient resources that benefit our customers and the environment most. As Chris said at the top of the call, we remain focused on three areas. First, ensuring that resilient resources are compensated fairly; second, addressing the price formation flaws that PJM has identified in its market; and third, preserving and expanding state policy initiatives like the ZEC programs and include nuclear energy within the umbrella of state-sponsored clean energy programs. I'll walk through each of these.

On resilience, FERC issued its order on January 8 in response to the DOE NOPR. Consistent with Exelon's recommendations, the order initiated a new resilience proceedings and directed the RTOs to immediately examine grid resiliency and provide a report to FERC within 60 days. FERC noted that the report should include

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any recommended changes to market rules. In our filings at FERC, we urged the commission and the RTOs to view resilience as a broader scope of issues than the traditional reliability concerns that center around electric generation and transmission unit performance and weather events. In particular, as we've talked about in earlier calls, we urged FERC to consider the risk of a cascading loss of the electric system caused by natural gas infrastructure failure. We expect that the resilience proceedings and entrapping solutions will take some time as Chris indicated earlier.

But FERC's order clearly gives PJM the opportunity to address near-term solutions, including immediate price formation reforms. PJM has said it can implement those reforms within the course of this calendar year. Based upon PJM's comments, including Andy Ott's testimony before the Energy Committee of the U.S. Senate a week ago, we expect that PJM will continue to make a strong push for price formation reforms in its March filing.

In terms of next steps, we continue to see two alternative pathways that are going to be worked simultaneously. One, achieving a FERC-directed PJM filing as a byproduct of the resilience docket; and two, a stakeholder process at PJM followed by a 206 filing through its existing enhanced liaison committee process. PJM already has the price formation stakeholder process underway, and it is scheduled to conclude that process in the third quarter. In the meantime, PJM is pursuing more limited changes to price formation in the fast-start docket where filings are due next week. In summary, the commission is focused on resilience and the chairman's call for urgent action coupled with PJM's commitment to address market forums continues to give us confidence that reforms will be implemented in 2018. With that said, there's a lot of work ahead of us as PJM continues to engage with stakeholders and refine its proposal.

Turning to the next slide in our ongoing efforts concerning state policies that value zero-emission nuclear resources, Jack already noted that we've reached an important milestone last month in Illinois with the completion of the state procurement process and the awards of ZECs to the Quad Cities and Clinton. Now both the Illinois and New York programs are fully up and running. We remain confident that we'll successfully defend these legitimate state programs in federal fuels boards and state boards because they preserve for our customers the lowest cost and most reliable zero-emission resources in the market.

The New York and Illinois policy precedent that we established has been followed now in Connecticut and is under consideration in New Jersey, and I'll talk about New Jersey in closing. As many of you know, a bill had made it through two committees in the New Jersey legislature in late 2017. The votes were unanimous in support of the nuclear provisions. However, because the then Governor-Elect Murphy had indicated a desire for a more comprehensive package, a floor vote was not held. Since December, we've continued to work with our partners at [indiscernible] (00:32:56) and all stakeholders on new legislation. I could report that we are making good progress and I hope for legislative action in early 2018.

With that, let me turn it back over to Chris.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Joe. Turning to slide 23, we have updated some of the numbers behind our value proposition which highlight our strategy and commitment to our shareholders. We will continue to focus on growing our utilities, targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021, rolling forward another year at above group trajectory. We continue to use our free cash flow from ExGen to fund these incremental equity needs at the utilities, pay down debt over the next four years at ExGen and in the holding company, and fund part of a faster dividend growth rate. We will continue to focus on optimizing value for our ExGen business by seeking fair

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compensation for our carbon-free Generation fleet in New Jersey and in Pennsylvania as we have done with the ZECs in New York and Illinois.

We will continue to pursue adoption of price formation in PJM and resiliency initiatives at FERC; closing uneconomic plans, including TMI in 2019 and now an earlier retirement of Oyster Creek in 2018. Selling assets where it makes sense to accelerate our debt reduction plans and maximizing value through our gen to load match strategy at Constellation. We continue to sustain strong investment grade credit metrics and now growing our dividend consistently at 5% through 2020.

Finally turning to slide 24, I want to leave you with some key focus areas for 2018. We will continue to deliver operational excellence across all our businesses, focusing on modernizing the grid and improving our customer experience at the utilities, running our Generation fleet safely and reliably, and staying disciplined in our retail business to capture fair margins. At the utilities, we plan to invest $5.4 billion of capital to benefit our customers, we will file a total of five distribution rate cases with the goal of the achieving our targeted 9% to 10% ROE across the utility families in 2019. In Generation, we will work to establish the PJM price formation changes in 2018. We will start working on a broader resiliency initiative at FERC, which will take more time. We'll continue to defend the Illinois and New York ZECs in the courts, and we'll work with our stakeholders to establish fair payment for the environmental attributes of our nuclear plants in New Jersey and Pennsylvania.

Financially, we will begin to grow the dividend as discussed at 5% annually, continue to execute on our previously announced cost management initiatives. And finally, we will continue with our corporate responsibility initiatives, including the focus on gender parity issues through our participation as the only energy company in the UN's HeForShe campaign, building on last year's expansion of paid leave policies and our signing of the President's equal pay pledge.

The strategy underpinning the value proposition rolled out a couple of years ago is proving very robust. We are well-positioned to capture additional upside and feel confident about the prospects for Exelon in 2018 and beyond. With the many successes we've had in recent years and the relative stock outperformance, we still believe our stock is undervalued in absolute terms, and in particular compared with our peers. We remain committed to optimize the value of our business and earnings – your ongoing support for Exelon. Operator, we can now open it up to questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Greg with Evercore ISI.

Greg Gordon
Analyst, Evercore Group LLC

Q

Thanks. Good morning. On the stock valuation Chris, you and I definitely agree. Couple of questions. Just to be clear on the rollout of the 2020 disclosure, when we look at that, the lower gross margin associated with the TMI shutdown is actually earnings, just to be clear, you said is earnings-accretive. So we should think about the year-over-year sort of negative comp as flowing from the other two items. Is that correct?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

The TMI, Greg, it is EPS-accretive.

Greg Gordon
Analyst, Evercore Group LLC

Q

Right.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So...

Greg Gordon
Analyst, Evercore Group LLC

Q

So they now would be offset by the $200 million of energy pricing capacity revenues. But then you also have the cost-cutting on page 26 that we have to factor in to come up with a sort of net impact from the Q3 call, right? There was a...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

That's correct. So there's a full break out of O&M expenses that we detailed in the appendix. You'll see the impact both in 2018 as well as 2019 and beyond from Oyster as well as TMI.

Greg Gordon
Analyst, Evercore Group LLC

Q

Great. And you also said you plan on retiring some parent maturities now, looking at the maturities schedule on page 40. I see that $6.3 billion of Holdco debt, there's a $900 million maturity in 2020, $300 million in 2021. Should we think about that as the timing or is there other debt that's callable or revolver capacity that you can bring down in the interim?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

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So Greg, there's both – I apologize, I'm turning those slides. So in terms of the holding company maturities, you should expect us to tilt more heavily towards holding company in 2020 and 2021. You'll also see us pull – retire some 365-day paper we have in 2018 that retires in 2019, and then you'll see us work down the ExGen maturities as we get out the curve as well.

Greg Gordon
Analyst, Evercore Group LLC

Q

Okay. So I have one for Joe Dominguez and one for Joe Nigro. Joe Dominguez, is it your expectation – and clearly you can't speak for PJM – but is it your expectation to get this stakeholder process completed, that they may go through the enhanced liaison process or in fact they would probably have to go through the enhanced liaison process to get a stakeholder process done in 2018 or is it too soon for us to sort of call that? And then the alternative, is it a legally viable possibility that at the end of the resiliency proceedings that FERC actually has the record in place to haul PJM in to change its tariff?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

Yeah, let me answer the second question first and just simply say yes, I think they may have to open a different proceeding but obviously they could issue a 206 order at any point in time and we believe that they have a sufficient record already to do so. Very clearly, PJM is going to supplement that record here in March, and I expect that other parties in their response 30 days later will do the same. Greg, it's my expectation that PJM is going to continue to urge to do exactly that, to give it some direction, to come in and resolve the price formation issues that it's identified. But at the same time, they have this alternative pathway that they're going to walk down in parallel where they can include the stakeholder process. And my expectation is that, as the owner of the tariff, that PJM continues to believe that they have significant price formation flaws, and they've said that repeatedly in many forums, and the next step for them is to bring it to FERC and to utilize the enhanced liaison committee process if the stakeholder process doesn't work.

Greg Gordon
Analyst, Evercore Group LLC

Q

Thanks. And for Joe Nigro, the initial auction parameters for the next capacity auction came out several days ago. There was a significant change in import capacity into ComEd and some concern from investors that perhaps that would disadvantage the incumbent generation vis-à-vis capacity price outcomes. Can you give us some color on your thinking there?

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Yeah. Good morning, Greg. We expected to see an increase in both into Eastern PJM and into ComEd an increase into the import capability, and they've been slightly higher than what we expected. There were obviously other variable changes as well when you think about the NETCO increase AND the impact, all other things equal, that could have on the demand curve and shifting the demand curve out. We're still, like everyone else, analyzing this. I think at the end of the day though, as we've said for years, the big thing is it's going to come down to bidding behavior, and it always does. So there's a lot of variables in play here, including those changes to the imports, but the bidding behavior won't matter.

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

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Hey, Greg, it's Joe Dominguez. If I can just chime in, that CTEL has moved around over the last few auctions. So we're going 1.7 gigawatts, the other way now. A year ago we've – but two auctions ago, 1 gigawatt of that was already in the transmission limit. So we've seen the zones separate before with these higher CTEL numbers.

Greg Gordon
Analyst, Evercore Group LLC

Q

Okay. Thanks, guys.

Operator: And your next question comes from the line of Julien of Bank of America Merrill Lynch.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey. Good morning. Can you hear me?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Yeah.

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Very. Good morning.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey, excellent. Congratulations again on a healthy set of updates here. I wanted to follow-up a little bit more strategically on the ExGen side. Obviously, well done on handling. Curious as to the thoughts about the desire to hold on to the Texas combined cycles. Can we read into some of the commentary around the desire to back start Constellation here or is there still kind of a broader thought process around merchant generation here. Just kind of wanted to elaborate on that.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Those assets, as we've discussed in the past, are highly efficient and they're a very good match for our load book in Texas. The capabilities that we have, the heat rates on them, the ramping, they're very valuable and their capacity factors have been some of the highest for the CCGTs in Texas. So we'll continue to operate in this part of the fleet and be able to reap the benefits of their efficiency as we manage that book in Texas. As always, we look at all of our assets on an annual basis, but the previous review of those asset said they're more valuable in the fleet to note.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

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Great. And then secondly, I know you commented on New Jersey with respect to legislation, but can you comment a little bit on how the Oyster Creek development reflects on the profitability of the nuclear units in that region? Just curious if you can give us a little bit of a sense of the latest on those assets and the profitability maybe from an ROE perspective. Obviously, your peer in the region comments on that in kind.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. The Oyster Creek decision was simply a site specific. The market has tightened over the years in that location. But running it another year with the losses and the investments that we would had to have made was not financially prudent. Knowing that the reliability of the system can be sustained in that area without that asset, we're comfortable and most importantly we have an employee transition program that we're implementing that allows us, for those that are not at retirement and wish to retire, ability to go into the rest of our vast fleet and continue to pursue their careers. So employee-wise, right thing to do moving forward, allowing people to make the transition; and economic-wise no sense in continuing for losses for another year. So it was an easy decision. The other assets have been openly discussed as the challenges happen in that part of the market, and that's why we're pursuing in supporting our co-owner on that legislative agenda.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Great. Thank you all.

Operator: And your next question comes from the line of Stephen with Morgan Stanley.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

I just wanted to hit on the retail business and just overall get your sense for the competitive environment in the retail business. Any trends you're seeing on that side of the business?

Joseph Nigro
Chief Executive Officer-Constellation & Executive Vice President-Exelon, Exelon Corp.

A

Yeah. Good morning, Stephen. It's Joe. I'll talk briefly about that. You see the metrics on our business on slide 7, and Jack talked to those in his prepared comments. We still have the best and the largest customer-facing business in the industry. And as recently as late December and early January, our generation to load strategy continues to serve us well. The market remains competitive. It's a little early to see what if any impact the current

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cold snap or the previous cold snap had on competitive behavior. As we said all along, we're going to remain disciplined to what we think is fair pricing and not just chase volume.

What we have seen though from competitors, which is kind of interesting, is two things. One is we've seen one of our large competitors back away in certain regions from selling a full fixed price full requirements product to their customers, and we will continue to do that as we have historically and we'll honor obviously all the commitments we have. In addition to that, we've seen some of our competitors try to pass-through costs that we've honored through our contractual arrangements with our customers as costs that we will bear. So I won't say we've seen the competitive aspect of the market change, and as I said we'll remain disciplined. But we have seen some things from competitors that we haven't seen in the recent past which may or may not lead to different outcomes in the future.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

That's very helpful color. And just shifting over to the ZEC litigation in Illinois, we continue to sort of like your overall legal position. It seems like there's some chance that the court might actually kick the decision over to FERC effectively. Is that a fair reading in terms of a possibility and what's your sense in terms of your outlook should sort of the decision go back to FERC?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

It's Joe Dominguez. Let me address the last one. I think all of the five FERC commissioners were asked during – the four new commissioners were asked during the confirmation hearings what their view is concerning these state programs, and all indicated that they did not see the situation as something where FERC needed to really put a halt to these programs or claim preemption but rather that they could use tools like mitigation to address any impacts in the market. So we would expect that if the matter does go over to FERC, consistent with their testimony before the U.S. Senate, the commissioners would indicate that they could mitigate the market through their existing tools and that they would not be in favor of preemption. And quite obviously, the plaintiffs in Illinois feel the same way and they've urged the court not to send it to FERC for that reason.

In terms of your reading of the argument, I think you're exactly right. [indiscernible] (00:49:49) brought in this question of primary jurisdiction which is a discretionary tool that allows the court at its discretion to send the matter to FERC. At this point, both parties approve that.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Great. That's all I had. Thank you very much.

Operator: And your next question comes from the line of Steve with Wolfe Research.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Hi, good morning. So just first on the – maybe high level at ExGen. So obviously you have the gross margin numbers, and in 2020 they fall a certain amount. Is it fair to say kind of at the high level all the below the line stuff, O&M, interest as you're paying down debt, depreciation as you're closing plants, are all those kind of offsets so you'll end up mitigating some chunk of that gross margin hit?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Steve, so if you look at slide 54 we provide the additional ExGen modeling data. But as we look at ExGen's EPS profile out the curve, to your point, the lower depreciation, the lower operating O&M all leads to these retirements being accretive. So we should see strong and better than last quarter performance anticipated from ExGen as we look out of the LRP.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay, and then one other question. Just in the event that the energy price formation changes are at PJM through the enhanced liaison process, could you just clarify the timeframe on that and process?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

So again, this is, as Greg said earlier, ultimately PJM's discretion when to pull the trigger on that. But right now it's set to conclude its stakeholder process in Q3. At that point, PJM will have all the input from stakeholders and, as usual, will have refined its proposal along the way. And at that point, in our view, we'll be in a position to make a filing at FERC.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

And then how long FERC takes to rule – I guess it depends on – that's FERC's call.

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

That's FERC's call. This is a 206 proceeding, so there's no mandatory clock like we see in the 205 proceedings.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Yeah. Okay. Thank you.

Operator: And your next question comes from the line of Michael with Credit Suisse.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi, good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

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Hey. The target for ExGen is still 3.0 times debt to EBITDA. Is that, I mean, considering that you're already below that, is that something that needs to come down at some point or is there a reason why it would increase over time?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So Michael, as you've seen the gross margin expectations and EBITDA expectations for the ExGen business go down, that 2 times non-recourse or 2 times recourse debt to EBITDA and 2.5 times gross debt to EBITDA number will move up. We will be paying down debt as maturities come, but we'll also be shifting our focus to the holding company debt and using the flexibility we have around the strong balance sheet at ExGen to target retirement of a good portion of or a good amount of holding company bonds as they mature.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

I see. I mean, what's the purpose of having a 3.0 times target? Is there something you're trying to achieve with ExGen at that point?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

I think differentiation from our IPP peers. We have I believe the strongest balance sheet in the integrated space. That takes the risk of that overhang that we've seen come pop-up from time-to-time among semesters off the table, positions us to maintain a strong investment grade rating from all the agencies. It's an important competitive advantage in the Constellation business. And as we clarified the longevity of these nuclear assets, we believe over time that while we trade currently at 5 times EBITDA from a valuation standpoint, we are making the case that we should trade in line with our IPP peers, which would be 7 to 8 times. And I think the market is not recognizing that now, but certainly it's all part of our strategy to accomplish them.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Right. You guys mentioned the enhanced liaison process. Just wondering is that something that you simply expect PJM to use or is that something that PJM is telling you they will be using for sure?

Joseph Dominguez
Executive Vice President-Governmental and Regulatory Affairs and Public Policy, Exelon Corp.

A

As I said earlier, PJM has made no announcement in that regard. The point I'm trying to make here is that PJM and a lot of different audiences has now come forward and say we have a major flaw in price formation. And that PJM were historically, where it has significant issues in its market design, capacity performance being the most recent example, has used the enhanced liaison committee process mechanism to get matters to FERC or stakeholders who can't agree on supporting a particular proposal. Given the gravity of this issue and the significance of it and its connection to the resilience issues that FERC is already looking at, it would be our expectation that PJM would follow its strong words to the U.S. Senate to FERC and others and proceed to making a filing at the conclusion of the stakeholder process. That's the point I'm making.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Got you. All right, thank you.

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Operator: And our final question comes from Jonathan with Deutsche Bank.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Strategy-wise, I mean, Chris, Jack you've both alluded to the value disconnect, and it's hard to imagine that you could be doing that much more to execute the current plan which seems to be going along. What's your level of patience to see the market reflect this under the current kind of dual strategy and just can you give us a refresh on how you're thinking.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Well as I've talked about this for a couple of years where patience is probably not the high point, but we understand it's our responsibility to deliver on these results and improve the thesis. So we took on five and a half years ago the road to greater regulated revenues coming in, greater certainty around balance sheet, total optimization of the gen to load match at Constellation while running world-class operations and efficient from a cost standpoint operations, and today's call reflects that. But let me go a little bit further and take a minute to give you more details on why we see our stock undervalued.

Simplistically with a $3.05 midpoint for 2018 EPS, the stock trades at around 12% P/E versus our cheapest comp at PEG, which is 15%, and the regulated utility complex around 16%. Even on a consensus for 2019 and 2020, we trade around 12% to 13% versus PEG roughly around 15% and the utilities roughly around 15% to 16%. With our dividend growth at a competitive 5% rate, a 3.7% dividend yield is similar to much of the others in the group, and our utility operations accounting for 70% of the 2020 EPS. If you're using midpoint of our utility guidance range and consolidated Exelon estimates from the Street, we look more similar to the business model to our peers than the 2% to 4% P/E multiple discount that we see are suggested.

If you think about our valuation, looking at the businesses more specifically, our regulated utilities less holding company expense implies a fair market value of $31 to $32 per share using a consensus P/E in 2019 and 2020. When I think about our utilities growth base at 7%, our EPS growth at 6% to 8%, which we expect to continue and we have through this conversation next year; from lower-risk T&D utilities having the mechanisms covering 70% of our rate base additions and 70% of our low decouples so we have less volumetric risk; that our collective earnings of 9.5% ROE with strong credit metrics exceeding agency requirements, and doing all of this without needing outside equity to fund any of this growth, I think they should be treated as a premium utilities for the valuation, but the $31 to $32 is based off of a peer valuation which leaves us with an implied value of ExGen of approximately $4 per share which we believe is entirely too low.

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The implied multiples for the business around 6 times P/E and 5 times EV to EBITDA respectively, using our disclosure and the Street's estimates, looking at the IPPs trading at 7 to 8 times EBITDA today, we struggle to bridge the valuation disconnects especially when you consider our leverage is well below our 3 times debt to EBITDA target, at 2.5 times, and is really running at about 2 times on recourse debt. Our FFO to debt ratio is going to stay north of 40% through the planning horizon as ZEC programs in New York and Illinois have preserved most of our at-risk nuclear plants, and our Constellation business provides a gen to load match advantage, and our discipline around bidding margins is proving wise again as we're starting to hear others taking on pain in recent months.

Our free cash flow generation from this business is $7.6 billion over the next four years, which represents more than half of the implied enterprise value at ExGen with the assets with operational visibility well into the 2030s. We believe – we have done a lot of this in the past years to create value for the shareholders while the stock is outperformed. We do not see the share price reflecting anywhere near the value we see. We're focused on executing against the long-term commitments in our value proposition and near-term our 2018 business priorities, which we believe will deliver substantial value to our investors. So yes, I feel strongly about the stock being cheap. Short answer.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

You sound impatient with the market to me.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

And Jonathan, that doesn't even build in the fact that whether it's price formation or New Jersey ZECs, I mean, there a lot of incremental catalysts even beyond the robust story that Chris just described in the valuation where we currently see. So this is the strongest, long range plan that we've had since coming together as Constellation and Exelon, and we're excited about the outlook. The market's just not paying for it right now.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

We kind of agree with you, but I guess how long do you give us?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Well we're not going anywhere.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

All right. I'm inclined to ask that again.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks, Jonathan.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

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Thank you.

Operator: And at this time, I would like to turn it back over to Chris Crane for any closing remarks.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Again, I want to thank you all for participating today. I want to thank the team here and the employees of Exelon for really delivering on a strategy that has taken a few years to get here. But we're operating on all cylinders and appreciate the dedication. So with that, I'll close it out and thank you.

Operator: And this concludes today's conference call. We thank you for your participation, and ask that you please disconnect your lines.

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02-Nov-2017

Exelon Corp. (EXC)

Q3 2017 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

Denis P. O'Brien
Senior Executive Vice President, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for standing by and welcome to the Exelon Corporation 2017 Q3 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations for Exelon, you may begin your conference.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Toni. Good morning, everyone, and thank you for joining our third quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's Senior Management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

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Please refer to today's 8-K and Exelon's other SEC doc – filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast, and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan. And good morning and thank you all for joining us. We had a solid third quarter of 2017 with GAAP earnings of $0.85 per share, up versus the prior year. Our adjusted EPS was $0.85 as well, reaching the mid-point of our guidance. Strong utility and GenCo performance more than offset headwinds from a mild summer weather that impacted our PECO ACE utilities as well as volumes at Constellation.

As we head into year end, we have a lot to be encouraged about. Our regulatory utilities are continuing to execute very well, running ahead of plan for the year. Operationally, we're performing in top quartile across most performance measures. We are registering significant improvements at PHI even relative to last year. We are doing exactly what we said we would do as part of our merger commitments, improving performance and reliability for our customers. We're executing on our CapEx program for 2017. We're excited about the value – valuable technologies investments we're deploying to our customers' benefit.

The FERC is making strides to address pressing resiliency needs for the power system. We see that in a two-step process, starting with empowering PJM to fix deficiencies in the power price formation by the summer of 2018 and then a longer-term work process to address resiliency. The Department of Energy's Section 403 filing noted the flaws in the current price formation are part of the reason that nuclear units, the most resilient and cost-effective zero-emission resources in PJM, are being lost to premature retirements.

Given our size of our PJM fleet, each dollar of megawatt hour of distortion caused by a flawed market design undermines the GenCo's economics by approximately $135 million per year on a hedge basis. We believe that DOE's focus on price formation will lead to a successful process at FERC that will eliminate these distortions by the summer of 2018. We have not reflected the value of these reforms in our forecast that we'll be showing you today but we do believe they could be a significant positive for us starting in 2018.

Finally, we are executing on our management plan focused on strengthening our operation and continuing to find efficiencies. To that end, we lowered our costs by $250 million on a run rate basis in 2020 primarily at the GenCo. Including today's announcement, we are lowering our costs – our O&M cost versus planned by over $700 million annually from initiatives identified since 2015. We continue to challenge our businesses to evaluate cost and today's announcement savings are part of that ongoing effort.

We're confident in our previous announced plan to generate $6.8 billion of free cash flow at the GenCo through 2020. That will fund our utility growth, grow the dividend, and meet our debt reduction commitments. It is this deliberate work that positions us well to face some headwinds. After a series of mild summers and winters, we have seen decline in power market volatility, which is weighing on the forward price of power prices impacting the Constellation business.

Just as we experienced during periods of low volatility, we're again seeing less discipline by some of the wholesale and retail competitors in the market as they become more aggressive with their pricing. We have been

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through low discipline, low volatility periods before and they end up in the same way. Those without discipline fail. That is when we can grow our market share by winning business at good margins or acquiring low businesses offered for sale.

We expect volatility to return to the markets with normal weather conditions, which will benefit our Constellation and Generation business. In the meantime, we'll remain disciplined in our bidding strategy and remain behind our ratable hedging in our Generation.

Last week, the Illinois Power Authority (sic) [Agency] shifted its schedule for finalizing the procurement of the Illinois ZEC contracts by one month from late December 2017 to late January of 2018. Based on our assumptions, this delay will shift $0.09 of EPS from 2017 to 2018. Even with the unanticipated EPS shift, we're narrowing our 2017 guidance to $2.55 to $2.75 per share, keeping us on path towards the midpoint of our original guidance as the utilities outperform our plan.

Moving on to slide 6, I want to highlight our excellent operational performance for the quarter. The color block chart continues to show strong top quartile performance across all of the utilities in most categories. I particularly want to call out the tremendous improvements at PHI compared to last year with the 22% improvement in reliability with PHI on track for their best year ever in reliability and a 17% improvement in speed of restoration of outages. Performance improvements like these really highlight the benefit going to our customers with the integration of PHI into Exelon. And, finally, as in prior quarters, our best-in-class nuclear power fleets performed with very high reliability in the quarter.

Moving to slide 7, now, let me turn to the proposed rule issued by Secretary Perry in September. The order is aimed at protecting our customers from outages resulting from manmade and natural interruptions on the gas system by preserving resilient generation sources, including nuclear. We commend the Secretary for focusing attention on the need to reform the energy markets and ensure that our customers continue to benefit from a resilient system. FERC is currently considering the DOE's proposal, with the first round of comments filed on October 21, reply comments due on November 7, and a final order scheduled for December 11.

We have shared our perspective on this important policy initiative. First, we think that FERC should direct PJM to evaluate and correct any deficiencies they see in energy price formation which have put baseload generation assets at a disadvantage. We believe timely action on price formation can be implemented as early as mid-2018. These reforms will be valuable first step in preserving resilient baseload generation as well as delivering economic and environmental benefits that nuclear power uniquely provides.

We expect 135 terawatt hours of our generation output in PJM to benefit from price uplift that will layer in over coming years as the existing hedges roll off. Second, we've think FERC can take the time to fully evaluate market reforms that will ensure power supply resiliency. This is a multifaceted exercise that should take into account the cost and impact to our customers and economy of the long-term interruption of the natural gas fuel supply.

We believe these are important issues that need to be addressed for our country's future, but they require more analysis to ensure the right reforms are implemented. We are encouraged by the process being made at FERC and PJM support for price formation changes. Between these efforts and state initiatives, we are optimistic about the path to preserve nuclear power plants and their critical economic, environmental and reliability roles that they have in the communities that we serve.

I'll now turn the call over to Jack to take us through the numbers.

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Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Thank you, Chris, and good morning, everyone. Turning to slide 8. For the third quarter, our adjusted non-GAAP operating earnings were $0.85 per share, which was at the midpoint of our guidance range of $0.80 to $0.90 per share. Exelon's utilities less HoldCo expenses delivered a combined $0.49 per share. Versus our plan, utility results were slightly favorable due to lower O&M and reduced storm activity over the third quarter.

Generation earned $0.36 per share, which was a little behind our plan. The third quarter was hurt by mild weather that reduced Constellation load volumes and a lack of price volatility which reduced the optimization opportunities. We did offset some weakness with favorable O&M timing.

Turning to slide 9. Our $0.85 per share in the third quarter of this year was $0.06 per share lower than the third quarter of 2016. Overall, utilities benefited from improved earned ROEs and higher rate base, partly offset by adverse year-over-year weather impacts. ExGen was down primarily on lower power prices, lower load volumes due to mild weather, and fewer optimization opportunities, partially offset by the addition of New York ZEC revenues and higher capacity prices.

Turning to slide 10. We are updating our 2017 guidance range. We had expected the Illinois Power Authority (sic) [Agency] to finalize procurement for the ZEC programs in December which, based on our assumptions, would have contributed $0.09 of EPS in 2017 since the revenues are retroactive in the beginning of the program on June 1. However, last week, the Illinois Power Authority (sic) [Agency] updated their schedule pushing the final contract date to January 30, 2018. The delayed timing has no impact on the amount we expect to receive for our free cash flow outlook. But it will change the timing of earnings recognition shifting EPS into 2018.

With that in mind, we are updating our 2017 EPS guidance range, tightening the top and bottom of range by $0.05. So, we're not at $2.55 to $2.75 per share. Strong performance of the utilities is allowing us to still target the mid-point of our original guidance range of absorbing the $0.09 of ZEC timing impact.

Moving to slide 11. Our utilities continue to execute, delivering strong earned returns in the quarter in addition to the robust operational performance Chris already discussed. Looking at the trailing 12-month book ROEs, we saw improvement at PHI compared to last quarter across all jurisdictions except ACE, where they rolled off favorable weather in the third quarter of 2016 for the less beneficial summer weather this year. Our efforts to improve operations and the contributions from rate cases resolved over the past year are driving the better earned ROEs at PHI.

For the legacy Exelon utilities, our earned ROEs remained over 10% but faded a bit from last quarter with the less favorable year-over-year weather impacts at ComEd and PECO that you can see on slide 9's waterfall. Overall, Exelon utilities ROEs are still nearly 10%, including PHI. We're proud of the performance of our overall utility business and we still see opportunity to improve our returns at the PHI utilities as we bring their performance to levels more consistent with the rest of our utilities.

On slide 12, we update the status of our rate cases. At Atlantic City Electric, we reached a settlement for the second case in a row. The settlement provides a 4% rate increase with new rates implemented earlier than what would have occurred if the case was fully litigated. The timely ratemaking in New Jersey is helping us make beneficial investments for our customers. While still a work in progress, the investments are having an impact, with outages down 33% and average customer outage time down 35% compared to 2011. We also received an order for Pepco Maryland that granted an electric distribution base rate increase of $32.4 million based on an

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allowed ROE of 9.5%. The approved electric delivery rates became effective on October 20, 2017. We filed rate cases in the third quarter for Delmarva Delaware Electric and Gas and expect orders by the third quarter of 2018.

We're proud of the hard work from our utilities and regulatory teams. These efforts are helping to bring PHI's earned ROEs toward allowed levels while we simultaneously improve performance for our customers. More details on the rate cases and their schedules can be found on slides 34 through 42 (sic) [35 through 43] in the appendix.

Turning to slide 13. We regularly update you on our progress on the regulatory front, but another essential aspect of the business is effectively deploying capital on behalf of our customers. We're currently on course to deploy our targeted $5.3 billion of capital in 2017. We've highlighted on this slide two of the many notable projects we're developing to benefit our communities and customers.

The first is Pepco's Waterfront Substation. This substation is part of the larger Capital Grid Project that is currently under construction with expected completion in 2017. Once complete, it will improve reliability to existing customers and support the plant growth in the Capitol Riverfront and Southwest Waterfront areas for the next 20 to 30 years.

The other project I'd like to highlight is ComEd's Grand Prairie Gateway transmission line that was energized earlier this year. It's a $200-million, 60-mile long transmission line in Northern Illinois that provides structural benefits to the market, resulting in lower energy and congestion charges to customers, and an increased import capability of approximately 1,000 megawatts. Over the next 15 years, customers collectively will save over $120 million and carbon emissions will be reduced by nearly 500,000 tons.

These are just a couple examples of how we continue to invest prudently across all our utilities, and look forward to sharing more as we go forward.

Slide 14 provides our gross margin update for ExGen. Before I get into the market developments impacting gross margins, let me first discuss the impacts from the shifts in revenue recognition for the Illinois ZECS from 2017 to 2018, which we also show in the waterfalls on slide 21 in the Appendix. The capacity in ZEC line declines by $150 million in 2017 and increases by $150 million in 2018, offset by $50 million in other capacity declines, which I'll discuss in a moment. The rest of the bars help to then isolate movements in underlying gross margin not related to ZEC timing. In 2017, gross margin is down $50 million compared to last quarter, partially reflecting the effect of the mild summer and reduced optimization opportunities. We are highly hedged for the rest of this year and are well-balanced on our generation to load matching strategy.

Turning to 2018 and 2019, separate from the Illinois ZEC timing, our gross margin is down $200 million for each year and can be bucketed into two categories. The first relates to our Generation business and our unhedged power position. We're lowering our assumptions for MISO and New York capacity prices based on recent spot year options and bilateral deals in the market. These lower the capacity in ZEC line by $50 million on a rounded basis from last quarter. For 2018, the line shows up as a positive $100 million after the timing uplift from $150 million of Illinois ZECs, while the $50 million decline in 2019 just reflects the lower outlook for past revenues.

During the third quarter, we also saw declines in energy prices, including some adverse news in basis differentials in the PJM East zone which cost another $50 million in 2018 and 2019. However, with the recent rally in power prices, we have already recovered about half of the $100 million of 2019 gross margin declines for Generation.

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We also see $100 million decline in gross margins in 2018 and 2019 from the Constellation business, reflected in the Lower Power New Business / To Go line. A series of mild summers and winters have contributed to reduced power market volatility which, in turn, is impacting the competitiveness of our load business. As we've witnessed in prior periods of low price volatility, some of our competitors are mispricing risk in an effort to win business.

In the wholesale load business, we're seeing other players mispricing risk as we consider the market risk from weather volatility, basis variability, and the likely impact of energy market reforms that Chris talked about earlier. Against this backdrop, we are clearing at margins near the low end of historical realizations.

In the C&I business, the consolidation of suppliers of the polar vortex has led to better margin discipline, with our unit margins holding consistent with prior years. We are, however, seeing lower renewal rates compared to last couple of years, moving from something closer to 80% to the low 70s. At these lower renewal rates, we still expect our volumes to be flat year-over-year whereas our previous guidance assumed higher renewal rates that would drive volume growth at Constellation between 2018 and 2019.

Notably, even against the challenged market backdrop, we're holding volumes and margins flat which is a testament to the strength of our retail platform and our disciplined approach to bidding business. The updated gross margins for 2018 and 2019 incorporates C&I renewal rates in the low 70s and wholesale margins hovering around the bottom end of what we've realized over time.

We've been through these periods of low load pricing – lower load pricing in the past and it's previously created opportunities for us. A return to normal weather will inject some power market volatility which will possibly impact forward power prices for Generation. Retailers and wholesalers who missed price risk have consistently been driven from the business when we go from a period of low volatility to a volatility event. When the market corrects, we'll be there to win business at good margins and grow volumes and market share just as we have in the past.

Even against the current market backdrop, Constellation continues to generate strong earnings and free cash flow. Our gen to load matching strategy remain a competitive advantage relative to our peers, contributing positive margin and providing a vehicle to bring our Generation output to market in a disciplined manner.

From a hedging perspective, we ended the quarter approximately 11% to 14% behind our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 when considering cross-commodity hedges. We remain comfortable being more open when we look at market fundamentals. Spot natural gas prices this year are $3 per mcf which is $0.50 higher than last year in spite of mild weather this past winter and summer. However, these higher prices have provided only modest uplift to spot power prices this summer, while the forward prices have decreased slightly. We think that a return to more normal weather and volatility of the market will help reverse this. And as Chris discussed, we see a path to power market reforms that represent real value uplift for us. We are maintaining additional link to be able to monetize these reforms.

Turning to slide 15. We continually challenge our organization to find operating efficiencies and focus on managing our costs. To that end, we're announcing another wave of O&M cost reductions building on previous years' efforts. We will ramp these new initiatives over the next two years, as shown on the lower right table, reaching a $250 million annual run rate in 2020.

The savings will come primarily from ExGen and the corporate center. If you look at this mix shift together with the programs we have announced since 2015, we'll strip out over $700 million of annual run rate costs, providing significant earnings and free cash flow benefits.

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Turning to slide 16, we appreciate that there have been many puts and takes this year at ExGen that have both benefited and weighed on our free cash flow outlook through 2020. When we take into account the movement in power price forwards through the end of October, updated gross margin outlook for Constellation, the benefit of further cost cuts, the early closure of TMI and exit of the EGTP plants, and changes to base CapEx and working capital associated with all these business updates, we remain confident in the free cash flow outlook and capital allocation commitments we made at the beginning of the year.

We're also committed to meeting or beating our 3 times debt-to-EBITDA target for ExGen's balance sheet which we will meet over our planning horizon. On the fourth quarter call, we will roll forward the free cash flow outlook for the next planning period.

And with that, I'll turn the call back to Chris.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack. Turning to slide 17, I want to take a moment to highlight the contributions made by Exelon and our employees to help the impacted by hurricanes Harvey, Irma and Maria. Exelon utilities sent more than 2,200 employees and contractors and support personnel from our six utilities to help with the recovery efforts after Hurricane Irma. Our crews travelled to Florida and Georgia where they, for more than two weeks, worked in very difficult conditions. We're very proud of our employees and the hard work that they do to help the communities come back from after these disasters. A very special thanks to all those who've helped in the restoration and support efforts.

Exelon employees also stepped up from a volunteer perspective. Our employees have donated their time and resources to communities impacted by the storms. We also had a number of our Constellation employees in Houston directly displaced by the storms and to see coworkers come to their aid illustrates the value we embody here at Exelon.

Slide 18, we want to reinforce our value proposition which remains the foundation of our commitment to our investors. We've continued to grow the utilities rate base at 6.5% and the regulated EPS to 6% to 8% annually through 2020, underpinning the capital investments that directly benefit the customers in each of our jurisdictions. We continue to use free cash flow generated at the GenCo to fund incremental equity needs at the utilities and pay down debt over the next four years at ExGen in the holding company. We are focused on optimizing the value of our ExGen business by seeking fair compensation for our carbon-free Generation fleet, closing uneconomic plant, selling assets where it makes sense to accelerate our debt reduction plans, and maximizing our value through gen to load matching strategies.

We continue to focus on sustaining strong investment-grade credit metrics and grow our dividend in a stable, consistent manner. As many of you are aware, our dividend growth as a program is for 2.5% annually from 2016 through 2018. We are working with our board and expect to provide an update on a multi-year outlook for the dividend growth plan as part of our planning and budgeting process that are undertaken currently.

Before I go to questions, I want to come back to where we started off in the call. We have a number of positives underlying our outlook. The utilities are growing and executing well. We are confident that the FERC actions around resiliency will facilitate needed power price reforms in PJM that will fairly compensate our generating assets.

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We continue to improve operations where we're finding ways to run our business more efficiently and taking out an additional $250 million in cost as discussed. And we are still on track to generate $6.8 billion of free cash flow through 2020 at the ExGen that will support our utility growth, reduce our debt, and facilitate growing our dividend.

Thank you again for your interest and now we're ready for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And your first question comes from the line of Greg Gordon from Evercore ISI.

Greg Gordon
Analyst, Evercore ISI
Q

Thanks.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Hey, Greg. Good morning.

Greg Gordon
Analyst, Evercore ISI
Q

So, just to summarize here. You gave us a negative adjustment on several things at ExGen that totaled $200 million. But since that mark, you've seen $50 million come back and so 2019 is negative $150 million. And if you achieve your cost-cutting goals, you'll essentially have eliminated that. And so, we're at a push in 2019 with those offsets. Is that correct?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Yes, Greg. And I think as you think about it and you listen to our comments on the low volatility period we're in, we believe that with the return to normal weather and even potentially future volatility events, that that decline in Constellation business could prove temporary. Obviously, the $250 million are permanent cost savings and capitalizable in terms of value creation.

Greg Gordon
Analyst, Evercore ISI
Q

Okay. So, as per your usual protocol, you're using the current forward curves for power. But the current margin outlook looks like, for retail, you're not assuming any changes – no volatility premium coming back in the market, no PJM price performance, et cetera.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.
A

Hi, Greg. It's Joe. Yes, we are using the current forward curve for power. I think the big thing to note on the retail side, and Jack said this in his script, when we did our planning at the first of the year, our renewal rates for C&I power were up close to 80%. As was the case back in 2012 and 2013, we've seen a downturn in those renewal rates down closer to 70%, and we're marking this closer to that 70% number. I think the big thing, though, is back

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in 2012 and 2013, we saw C&I power margins dip below $2 a megawatt hour. And we've said, historically, our origination margins for that business are somewhere between $2 and $4. We're still within that $2 to $4 range.

So, I think the big thing to take away is we're going to serve about 200 million megawatt hours of load this year across our platform between retail and wholesale, and we expect to do the same thing next year. The thing is, we're just not going to achieve the growth that we expected in our C&I power business. And as Chris said and Jack said, the reason for that is we don't think it's prudent to chase the market. And we're going to remain disciplined to what we think value is and that has served us well historically. And, quite frankly, it's allowed us to acquire companies few times as well. So, we'll continue to remain disciplined.

Greg Gordon
Analyst, Evercore ISI

Q

Great. Sorry. Go ahead.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

No. I'm just going to say – so, the beginning of the question, all the numbers in here are – on the gross margin, are marked at the end of third quarter. So it's the end of September 29 or 31, whatever the market closed on.

Greg Gordon
Analyst, Evercore ISI

Q

Got you. One or two more questions. One, looking at slide 20, your cash flow profile looks slightly better, and it looks like it's mainly coming from the utilities and specifically from ComEd. Can you comment on what the changes in the improved cash flow profile there?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

So, it's primarily related to the collection of the ZEC regulatory asset as well as cash taxes.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Final question. When looking at the value proposition you guys are delivering, if we get PJM price formation improvements and you hit on your other financial goals, you'll start to have a earnings growth profile that looks more comparable to the regulated peer group. They trade at 18 times earnings. You're trading at 14 times, current expectations. But your dividend growth – their dividend growth rates average around 5% and yours is 2.5%. I know you said you're reviewing this, but what do you need to see in terms of your financial outlook to be able to close or eliminate that dividend growth past GAAP because I think it's one amongst several things that keeps your stock from trading at a higher valuation?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yes. Greg, we do believe we're undervalued. And everything that we're doing is to drive that improvement in valuation. As you can see from the free cash flow, the debt reduction plan, the recovery in rate case, we're positioning ourselves much better for a potential to have the board conversation in the upcoming LRP planning process to evaluate the dividend. And our expectation is – and has been since we had to cut the dividend four years ago, is to get it back to build the business on a strong balance sheet to get the dividend to be in line with

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our peers. And that is our pursuit. And as you can see from these numbers, things are improving that have us able to have a much more positive conversation with the board. Ultimately, it's the board's discretion, but that's where we want to be.

Greg Gordon
Analyst, Evercore ISI

Q

Thank you very much. Have a great morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Thanks, Greg.

Operator: Your next question comes from the line of Jonathan Arnold from Deutsche Bank.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

I want to just make sure – at the beginning, Chris, I believe you just gave $1 of market price improvement sensitivity based off your volumes to PJM price reform was – of $135 million, did I hear that correctly?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. Per $1 of fully open position in PJM, 135 terawatt hours, $135 million. So, you can – that was just a dollar reference.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. So, my question is, I mean, what – as you look at the kinds of reforms that PJM is considering in flexible unit and the like, what's your view of the range of potential uplift when you translate it into the ATC basis that would be relevant for you?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Hey, Jonathan. This is Joe. We're still waiting to see some additional details from PJM but – and so we're not going to put out a number until we get all of those details. But I have seen the reports that a number of you have compiled on this subject with the range that is somewhere between $2 and $5 of ATC movement as a result of the elimination of discrimination. And I think that's the right range to be thinking about and probably with the middle part of that range makes a lot of sense to us.

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Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. That was – that's helpful. Thank you for that. And then, Chris, you've said that, I think, earlier in the year that this dividend revisit and the longer range growth outlook would be Q1. And I believe what you've just said is pretty consistent with that. If you do it as part of the LRP. Is that correct?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. I think we've said back in 2016, when we have our dividend strategy, we want to give you a multiyear plan. We gave you 2016 through 2018 and that that will be the time in the first quarter to be updating, in my belief, set the board's discussion on where we go with that. But that would be our timing in my mind and in our current plans and communicated with all of you.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

What should we be expecting you to give us next week at EEI?

[indiscernible] (35:28)

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

What items?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. EEI, I think we'll be able to have more of the one-on-one details, get into more of the details on the capital investments, in the growth and the rate case strategies as we improve the customer experience at the utilities. We'll also have more time to go into the detail on the numbers on the free cash flow, debt reduction plans, and the optimization of gen to load growth. I'm sure, more people are going to want to talk in detail about the basis for our $250 million, and we can do the deep dive on that. But it will be detailed on what you're seeing today and an opportunity to have some one-on-one dialogue about it.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Right. Thank you. And then I guess just one other, did you have any thoughts – I know it's all a bit of a moving target and you've been talking, but what's your level of confidence that you're going to get to things that you want to see out of a tax reform?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Well, it's eleven-fifteen, I think, or eleven-thirty Eastern when we see the draft, and we'll have to rally together with EEI and take a look at how we, as a sector, have been positioned. Kind of early to say now. If you've gone over the last 24 hours, things have been all over the board.

So, I'd hate to speculate but we work together in the sector at EEI, and I'm sure Tom Kuhn will be getting us all together, and we'll figure out our next steps as the re-rights, as they've discussed, are finalized and getting our

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input as a sector in there. We're totally unified at EEI on what we're looking for and what we think will benefit our customers the most in tax reform. So, more to come on that, and maybe we'll have a little bit of insight of that at EEI as we work through the weekend and see the effect on the proposed – and still, we got to go back to this as proposed. You don't know what's going to happen in D.C. But we'll be ready to talk about it more as not only a company, but as a sector.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Sure. Sorry to put you on the spot on that – on a real-time issue.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

No, that's okay.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Thank you, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Sure.

Operator: Your next question comes from the line of Steve Fleishman from Wolfe Research.

Steve Fleishman
Analyst, Wolfe Research LLC
Q

Yeah. Hey. Good morning, Chris.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Hi, Steve.

Steve Fleishman
Analyst, Wolfe Research LLC
Q

So, just how are you strategizing on your retail business with respect to these potential DOE-PJM changes and are you doing things to make sure that you don't have like a big delay in capturing the uptick because of retail hedges? Like, are you making sure you're back to backing your retail and the like? I mean, just curious how you're thinking about that.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.
A

Hey, Steve. Good morning. It's Joe. We are thinking about that. And I think the first thing is, as Jack said in his script and we've said for a while, we're carrying the longer position relative to our ratable sales plan. So, we have the opportunity to capture any upside associated with price increases related to the reforms you're talking about. I think, specifically though to retail, there's a couple of elements to that. The first one is we've done some

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preliminary modeling and we've taken to account kind of the seasonality as well as the differences between on- and off-peak. So, we tried to be more surgical in just saying we're going to buyback this. We have a view of the things we need to do.

I think as it specifically relates to our retail contracts, there's two elements. One is, obviously, we have contracts on the books already and we have some hedges on the books already. So, there will be a tethering in effect to the value proposition of this. But most importantly, from our perspective, I think one of the things we offer our customers and it's really important is transparency. And what I mean by that is when they're signing a contract with us, they completely understand what they're getting and what the components of that are that are in fixed price and the components that are going to be passed through time. And I'm not sure that's always the case across the industry.

So, from our perspective, there's a lot of elements and we are thinking about it, and we are really managing our portfolio from a natural long position as well as the seasonality in the products. And we're keeping the customer in mind.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. And just in terms of just the – that's helpful. In terms of just the tower new business change that you made, what – your cents in terms of making that change, is your – do you feel like you've encompassed kind of a pretty conservative case here at this point so that this doesn't become like a series of changes?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Yeah. I think – yes. The answer to your question is yes. We think we've covered it and I'll tell you why. When you look at it, it's really all driven by our load business. About 60% of it's on our retail C&I business and about 40% is associated with our wholesale polar business. And there's really two elements that are different, one on each side. On the retail side, as we said, our renewal rates are lower than we expected them to be, but our margins are well within the range that we expected. And that's very different when we had these challenges five years ago where our margins and our renewal rates both dropped pretty appreciably. On the wholesale side, it's much more of a margin story where the volumes are there, but the margins are lower than they've been historically. I mean, it's a very competitive environment. Quite frankly, it's being driven by a lot of smaller players on the retail side and not the bigger players. On the wholesale side, we've seen kind of competition across the spectrum, but we're confident that we've captured the changes we need to make.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Great. And I just – finally, I guess, in hindsight, congratulations on adding your Texas gas plants months before all the coal plants shut. I'm sure you planned that out. But I'm just curious given that fact just – have your thoughts on the Texas kind of market and potential there changed for you, how you're thinking about that?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

It's Joe again. I'll keep going. And we've talked about this for a while. When you looked at the ERCOT reports on what they thought their reserve margins were going to be, we never really thought they were going to get the Generation growth that they expected. And in our own modeling, we have sensitivities. We ran some sensitivities looking at the possibility of retirement. And if you look at our positioning in ERCOT, we're carrying a long position

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there relative to our ratable plan as well. And we see the opportunity for volatility. I think this summer, we skewed some, obviously, with the problems with the hurricane in August and quite frankly, the biggest thing down there is we continue to see low growth which is really important and we don't see a lot of kind of the new build of gas generation. You have continued growth on the renewables side, but it's more concentrated in South Texas than it is West Texas. And when you put all that together, we see the opportunity for increased volatility, and we think we have fleet that will benefit that.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Thank you.

Operator: Your next question comes from the line of Julien Dumoulin-Smith from Bank of America.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Julien.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Hey. So a couple of quick questions, maybe going back a little bit on some of the previous discussion here. But with respect to the dividend, how do you think about the stability of cash from the various businesses? Obviously, there's a certain legacy here. But how do you think about the stability from ZEC's and the retail business, and how do you think about that at least in – into the conversation around a dividend policy, i.e. can you bank on cash flows out of businesses that are not the utilities and/or think about a higher payout on the core utilities?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Sure. So as we've talked about four years ago – four and a half years ago now, as we restructure the dividend and put our strategy and our focus on really growing the utility business through the acquisition of BGE and then the acquisition of PHI, and it was to theoretically watch the growth in those businesses and have a 65% to 70% dividend policy, theoretically, at the utilities.

Now you know that's going to cycle during different growth periods, but that was the way we had the dividend set to grow. In the first couple of years, we were starting to get closer to that, getting that accomplished in the early 20s. And so, that's when we came up with the growth policy at 2.5%. As you can see, the utilities are continuing to grow, although, right now, it's taking cash infusion – equity infusion from the HoldCo through the GenCo, but they're continuing to grow. So, our stability of the dividend is very well anchored. Our potential growth for the dividend is well-anchored.

As we come through the last couple of years and started to see more reliable or consistent cash flows from the GenCo on programs that compensate for the other benefits besides just the energy, you're seeing a potential that that can be a dependable cash flow that can be used for potential return of value to the shareholders. So, that's

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the way we're looking at it and we're presenting it to the board that the cyclical nature of the commodity market will not leave us, but the certainty of certain elements on those revenue streams give us the opportunity to look at the world a little bit differently. So, but that's how we'll continue to model it and we've gained greater flexibility with programs like the ZEC.

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Excellent. And then, let me ask you this, with respect to the utilities, right? I know we've had a lot of conversation on the other side of the business, but obviously you've had some reasonable success of late in ComEd around – how do you say – scaling some of these smart grid efforts. How do you see an ability to scale that further? And obviously, this might be getting ahead of the annual process in the CapEx budget, et cetera. But maybe this is more to Anne and thinking about the ComEd prospects beyond 2020 here.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

So, well, let me start off and then I can let Denis jump in here or Anne on the call. The advent of the digitalization of the distribution system and the transmission system has offered us an opportunity for capital investments that directly benefit the customers and drive reliability. We have now put in communications backbones to read smart meters to help us with fault isolators, fast reclosers. That's the kind of spend along with replacing antiquated cable and updating the system with new components.

Now, as we go into the 2020 and beyond, there is a significant amount of work being done on what else can be done to develop into the smart city that we can better serve the communities while investing in driving efficiency into the systems. The work that's being done on microgrids, the experimental work there to see what the societal benefit on certain microgrids in certain locations. What we can do to integrate with more of the community, is there an assistance within the streetlight programs or assistance that we can provide with our infrastructure on the meter reading of water, gas, other type of systems is where we'll be going.

And I think this technology is morphing faster than it ever has in our sector. And with our design teams, data scientists, the work that we're doing on big data, digitization is going to provide us many opportunities for continuing to optimize the system for the customer's benefit. Denis, I don't know if I covered it or...

Denis P. O'Brien
Senior Executive Vice President, Exelon Corp.

A

I think – this is Denis. Chris, I think you covered it pretty well. We're spending about $5 billion a year in capital. We still see opportunities to continue to invest in convergence relative to our systems to build the systems of the future, whether that's billing systems, transmissions data systems or others. We see opportunities to continue to invest in resiliency and security. We're seeing opportunities relative to the transmission system as we look at resiliency and security and to build the transmission system of the future. Chris hit on smart cities and other things like that.

And the last thing is you look at the grid of the future and we think about distributed generation in order to get our system ready for that that really means about converting some of our lower-voltage circuits into higher-voltage circuits. And so that's an opportunity for further capital deployment. So we're deploying about $5 billion of capital a year. We see that continuing and see lots of opportunities to continue to invest in utility of the future.

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Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

And – but does that enable kind of an accelerating CapEx spend overall, maybe perhaps that's the core of the question?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

I don't see us accelerating the plan. I think we're at a point that we're managing efficiently the spend that we have. We also have to balance the impact to the consumer. Spending capital for the sake of spending capital without finding the efficiencies in the delivery and to the benefit of the customer, it wouldn't be prudent. Right now, the projects that we have on schedule, the cash flows that support that are managed well, and they do support what our bottom line it needs to be as the benefit of the customer.

Denis P. O'Brien
Senior Executive Vice President, Exelon Corp.

A

And the only thing I'd add to that, our focus on – we're 18 months into the PHI acquisition. Our focus now is to get the performance to the right level. We had our best year ever in reliability at PHI last year, which we only had the company since March. We're going to blow through that level of reliability this year in a good way. So, the first couple of years, you're – how do we get the performance to a good place? How do we right the image and reputation and improve our regulatory outcomes at PHI?

Julien Dumoulin-Smith
Analyst, Bank of America Merrill Lynch

Q

Excellent. Thank you all.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks.

Operator: Your next question comes from the line of Stephen Byrd from Morgan Stanley.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning and congratulations on the cost cut announcements and the utility performance.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks, Stephen.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Wanted to drill into the idea of resiliency laid out by the Department of Energy. Is there a way for us to conceptually think about the value of resiliency or a framework for assessing how to appropriately value resiliency? It's been a tricky thing I think for all of us to really think through that the high level idea makes sense. Just sort of how to go about trying to value that. Is there any suggestions you have on thinking about that?

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Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Sure. Stephen, this is Joe Dominguez. If you see our pleading, you know that we have a multi-phase process where in the first instance we need to get analytics from new RTOs – can they run without pipelines, what's the impact to the consumers. We can move from there to a design basis for the system that we think is going to iterate between NERC, FERC and the Department of Energy for some time after we get the data.

In terms of how we ultimately implement that into the system, I think once we have a design basis on what we're trying to avoid, we will start looking at mitigation solutions, maybe the retention of additional fuel-secured resources to avoid this outage risk. But I think it's premature to get there. One way you can think about it though, if you take a look at the capacity performance program, we were able to value the cost of incremental reliability associated with dual fuel. So, if the design basis ultimately ends up being we need 90 days of fuel, we have a mathematical way of calculating what a market solution to get dual fuel resources to 90 days of fuel would be. That would probably be $8 or $10 a megawatt hour in terms of doing that based on the cost we saw in CPAY. So, that's one approach.

But from our perspective, we need to drop back here, take a look at the data and make sure we have the right definition of resiliency, the right design basis, and then we could come back to market solutions or other solutions that'll ensure we have the resources to mitigate that risk and provide the security we need to provide to our customers in the nation.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

And I think the key to that, what Joe said, is a market solution.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Understood. Within the market construct that we have, that makes sense. I want to just shift over to the retail business. There's been a lot of discussion on this call around a competitive playing field. If we do see FERC performs on power price formation and if power price do rise, would you expect to see a bit of a shakeout amongst smaller retail players who don't – who are not backed up by physical generation who may have mispriced the upside risk to power prices? How would you – assuming, again, that we do see the kind of formation changes we expect? Would you see a shake out there?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Yeah. I think history tells us we would anytime we've seen a volatility event and I can go back for a number of years. We've seen players, whether they're big or small, whether they were on a C&I side and the residential side, and quite frankly, the polar loads on the wholesale side. We've seen folks who've aggressively priced the risks or the ultimate price to the customer have been hurt. And as I said earlier, we've had opportunities to acquire companies in that type of environment. We've had opportunities to grow our business organically, and we think remaining disciplined to what we're doing is the right thing to do.

We still have almost 25% of the C&I market. We're the number one C&I marketer by a huge amount. We're the third largest residential marketer in the United States and we compete in all the wholesale polar auctions. So, the underlying business is strong. The growth we expected, we're not achieving, and I think the discipline will serve us well. And we're going to have an opportunity to capture some of that back when we see a volatility event.

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Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

That's great. That's all I had. Thank you.

Operator: And your final question comes from the line of Praful Mehta from Citigroup.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Thanks.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Morning. So, my question goes back a little bit to the dividend discussion. And what I was trying to connect the dots on was, you're already kind of hitting your leverage targets, your free cash flow targets right now with the current plan. If you do have price reform and if you do have further ZECs coming in from other states, then you have that incremental free cash flow, how should we think about that capital allocation? Is that more to bolster the dividend or where do you think that capital allocation goes?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

First of all, we will look at it in a disciplined way on what is the best way to return value to the shareholders while maintaining our commitment to the customers. So, the plan, as I said earlier, that we've started out on over four and an half years ago is working. We're reducing our debt, we're strengthening our balance sheet, we're reducing our costs, we're able to make solid investments in our utilities, and we've been able to do a part of a dividend increase program as we were doing that. As you can see, as we get stronger and stronger, the opportunities for us to deploy the capital are coming up our way, and we'll make sure that we'll look at it in a disciplined fashion. If there are more accretive ways to spend the capital in the utilities and in a low-risk area, that would be something we'd look at. But as we've committed previously and as we've signaled, it's a conversation that's ongoing right now with various opportunities to revise the dividend policy and give you another multi-year plan and as we work through the LRP planning process, and we work with our board heading in to 2018.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. That's very helpful. And secondly, in terms of the ZECs, if you could just touch on how you think ZECs play out in different states. In other states, obviously, very happy there. And secondly, how does that fit in with the price formation and the DOE reform? Do you see them interacting or do you see them as completely independent?

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Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Hi, this is Joe again. We were pleased to see the outcome in Connecticut the other day where although, a different structure, the central premise is the same. Nuclear units are critical for our customers, and we need to preserve them. So, definitely a step forward on the policy front there. We're having very productive discussions. Both in Pennsylvania and New Jersey, we'll continue to do that. In terms of the interaction I see between the programs, if we get an upside in price formation, I think that will ultimately be taken into account in the process. So, there will not be a double-dip here. If prices increase as a result of price formation, the cost of the ZECs or the cost of the support payments will go down. That's the anticipated.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. And you think that's a dollar-for-dollar adjustment or do you think there's some benefit that you do keep?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

No. I think it's a dollar-for-dollar adjustment.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. That's super helpful, guys. Thank you so much.

Operator: And for closing remarks, I will now turn the call over to Chris Crane.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Thank you, operator, and thank you all for joining us. We're excited about the opportunities ahead of us and our success in delivering on our commitments. We look forward to seeing many of you next week and provide our updates and then our year-end updates in February. So, thanks again for joining and appreciate your time.

Operator: This does conclude today's conference call. You may now disconnect your lines.

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02-Aug-2017

Exelon Corp. (EXC)

Q2 2017 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Angie Storozynski
Analyst, Macquarie Capital (USA), Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Kayla and I will be your conference operator today. At this time, I would like to welcome everyone to the Exelon Corporation 2017 Q2 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your conference, sir.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Kayla. Good morning, everyone, and thank you for joining our second quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Joe Dominguez, Executive Vice President, Government and Regulatory Affairs and Public Policy; and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

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Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

Please refer to today's 8-K and Exelon's other SEC filings for discussion of risk factors and factors that may cause results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan. And good morning and thank you, all, for joining us. We're pleased to deliver another good quarter. We achieved strong financial results, while continuing to enhance our operational performance and make significant gains on the policy front.

I'll begin by highlighting our financial performance and then briefly discuss some of the key policy and strategic objectives that are top of mind to many of you and us. Joe Dominguez will then cover in more detail the status of our recent wins in New York and Illinois, as well as our thoughts on potential PJM market reforms. Jack will walk you through the numbers.

As shown on slide 5, on a GAAP basis, in the second quarter, we earned $0.09 per share versus $0.29 last year. On an operating basis, we earned $0.54 per share versus $0.65 last year, which is near the top of our $0.45 to $0.55 guidance range. These are strong results relative to our expectations and led by ExGen.

Moving to slide 6. We continue to execute very well operationally with the second quarter extending some of the best-evers. On our color block chart shows key operating and customer satisfaction benchmarks for the utilities. Legacy Exelon Utilities again remained almost entirely in the first quartile, BGE and ComEd achieving first decile in CAIDI performance. BGE also delivered its best-ever SAIFI and CAIDI performance, and ComEd experienced its best-ever SAIFI performance.

And I'm proud to say that Pepco was identified in the J.D. Power study as one of the most improved utilities in customer satisfaction from 2016 to 2017. This is a great achievement and shows we are delivering on our commitments to our customers.

The scale of Exelon Utilities platform again significantly benefited our customers in the second quarter. We leveraged our management model and our geographic overlap to deliver better and faster service, particularly in the East. For example, in May, we dispatched Delmarva and PECO crews to assist BGE with the restoration of a multi-day natural gas outage that affected customers in West Baltimore.

The assistance provided by the other crews not only helped to reduce the outage time by a full day, but also allowed BGE to operate the balance of the system safely with a 100% gas odor response during the outage. We're glad to see our customers are benefiting from the Exelon Utility platform.

The nuclear team also had a great quarter. They achieved 90.9% capacity factor and completed six refueling outages. Nine Mile 1 registered its shortest outage duration on record.

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In the power business, our assets performed well. Our two new Texas CCGTs, about 2,200 megawatts, are now online and fully operational. These plants are state-of-the-art and able to ramp up quickly to better serve the load that may come with the hot summer weather in Texas.

Moving to slide 7. We have seen several key developments in markets and regulatory matters. We had significant wins on the ZEC programs. As many of you already know, we prevailed on our motions to dismiss in both Illinois and New York, with both judges finding in favor on standing and legal merits.

These wins are strong affirmations of the ZEC program design. More importantly, these wins will support the continued operation of at-risk nuclear plants providing clean, affordable energy for our customers for many years to come. Needless to say, we are pleased with the results. Joe Dominguez will cover more of the details in a few minutes.

With respect to PHI, we wrapped up our first cycle of rate cases as part of Exelon with the DC order last week. Jack will discuss in more detail, but we're happy with the progress we're making at PHI operationally and on the regulatory front. We are pleased that in July the DC Court of Appeals affirmed the DC Commission approval of the PHI merger, resolving an open item.

PJM capacity results were announced on May 23 in all of our nuclear plants and PJM cleared the auction, except Quad Cities and Three Mile Island. The RPM results show considerable variability by year in the RTO zone. However, our disciplined bidding approach in recent years continues to provide greater stability in realized capacity revenues, which Jack will discuss shortly.

With Three Mile Island failing to clear PJM capacity auction for the third consecutive auction, we came to the difficult decision to close the plant in September of 2019 at the end of the next fuel cycle. A program that fairly compensates the plants for zero-emission energy, similar to what we have seen in New York and Illinois, is needed in order to continue operations.

It's important to note that the economic challenges facing TMI impact all nuclear plants in Pennsylvania. We remain hopeful that the state policymakers can find a solution that preserves these important assets. The total Pennsylvania nuclear fleet injects $2 billion into the state's economy each year and supports 1,600 direct and indirect jobs.

With that, I'll turn the call over to Joe Dominguez, who will provide some details on ZEC challenges and other items.

Joseph Dominguez

EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

Thanks, Chris. Good morning, everybody. As Chris said, I'm going to cover the ZEC rulings, the current status of ZEC legislative efforts in other states, the DOE study, and PJM operational and market reforms.

Let me start with the court cases. Obviously, we're pleased with the decisions in the district courts. The Illinois District Court decision has been appealed to the Seventh Circuit Court of Appeals. We expect the New York Court's decision to be appealed to the Second Circuit Court of Appeals.

I want to make a couple of points about why we are very confident in the ultimate outcome of those cases. First, the district court decided these cases at a very preliminary stage, where as a legal matter the courts had to

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assume all of the facts that the plaintiffs pled were accurate. Those facts were not accurate. But even under the plaintiff's versions of the case, the courts found that they had no legal claim whatsoever.

Second, as you may know, often times where a party prevails in a case on a procedural or standing issue, the court will not proceed to decide the substantive legal issues. That wasn't the case here. In both decisions, the district courts rejected the entire waterfront of the plaintiff's claims through the substantive and procedural issues. I think that speaks to how high a hill they will need to climb on appeal to reverse those decisions.

At the heart of it, the decisions reject the plaintiff's arguments that state policies that favor cleaner sources of generation violate federal wholesale markets. The district court for the Southern District of New York summed it up this way. It said that competing generators have no complaint that they don't qualify for state programs because "they made business decisions about how they generate electricity."

Policymakers and customers increasingly want reliable, low-cost, zero-emission electricity. That's what we do at Exelon. The ZEC policies begin to recognize that nuclear energy plays an important role in meeting those customer needs and we're going to continue to advance that argument in Pennsylvania and other states. We're actively developing coalitions and we're working with policymakers to educate them on the issues. And as Chris said, the issues don't just face TMI but the entire nuclear industry as a whole and the entire industry, of course, in Pennsylvania.

Let me be clear, we're not just working on ZEC issues. We don't think that's the only approach. We have said for a long time that we think that the best market outcome is to price attributes directly into the market in the case of greenhouse gases and price on carbon. And it's more clear to us now than ever that federal wholesale markets need to evolve to fully incorporate attributes like resiliency, fuel diversity, and environmental qualities of the generation resources.

If the markets don't evolve, then the markets are going to have a diminished role in energy policy going forward. I know that in the past we fielded questions on these calls about whether as a company we remain committed to markets. We are committed but the markets have to be well-functioning. Our commitment to markets only extends so far as it provides the best outcomes for our customers.

We have said for years that the markets have problems. Those problems are undisputed. We have had many workshops at FERC and other places talking about price formation as an example. Yet those issues have remained unresolved, and the consequence has been that some of the most valuable resources for our customers are being forced out by a market that hasn't been working. That's why we feel confident that the DOE study and a reconstituted quorum at FERC is going to address some of these longstanding issues.

Now, let me talk about the study and some of the PJM market reforms that I'm hinting at here. As you know, the study has been worked on for a number of months. Everybody wants to see it. We hope to see it at some point in time this month. We think that it is going to focus on baseload resources, on the critical role of nuclear and the critical role of other fuel sources that have resilient on-site fuel. We think that the DOE study is important because it will frame the objectives for the administration for the next four years and we think it's going to be an important signpost to inform the agenda at FERC.

Here's what we hope to see in the report. First, we want to see a recognition of the value of nuclear and an appreciation of the state programs in Illinois, New York and the other places that are going to adopt these programs.

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Let me be specific. We expect the FERC to respect those programs and not to tamper with the functioning. There are a couple of MOPR complaints that need to be addressed. The ISOs do not support those complaints, but that is on the docket and ready for action by a new FERC. And we have talked to the Department of Energy about those issues and we've had productive conversations.

The second issue is that we need to look at the market design changes that have been long pending. As many of you know, PJM has recently put out a white paper on this issue, talking about energy price formation primarily in the off-peak hours, and the need for all forms of generation to be able to set price.

From our perspective, this is a very important issue, and we appreciate PJM's timeline which calls for a FERC filing sometime in the first quarter of 2018 and full implementation of the market reforms by the summer of 2018. We're going to push very hard to make sure that happens.

Third, we hope the Department of Energy puts a spotlight on the issue of resiliency. Let me spend a moment talking about that. We have talked about reliability in the form of being able to run the system even in the event that we have major electrical components that fail. But as increasingly the system depends on both intermittent generation and natural gas-fired generation that don't have the ability to secure fuel for long-term operations, we need to make sure that our customers get electricity even in the event of a long-term disruption of the natural gas pipeline system. That's something that currently is not being modeled and needs to be modeled.

So, PJM has recently put out a white paper on this subject with a schedule of activities. The first activity is to address operational reserves beginning this winter. Importantly, that doesn't require any FERC activity or any stakeholder support. That within the tariff is within PJM's full province. And again, we are pushing to make sure these things are done. That's an important start and should begin to be reflected in pricing this winter for baseload resources that provide the kind of resiliency that I'm talking about.

But that's not the end of this subject. We have to, as an industry and as a country, come to grips with this potential risk to our system and examine the possibility of multiple pipeline failures. And the policies that come from that should favor fuel generation sources that have on-site fuel, like nuclear plants, that could run for a year or two in the event of these emergencies.

So we're going to continue to focus on that, and those are really the three areas that we're hoping that the DOE will provide some guidance on. So, obviously, we have a lot going on in the policy space, we're making very good progress, but a lot of work remains to be done.

I'll look forward to taking your questions after Jack concludes his part of the presentation.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Great. Thank you, Joe, and good morning, everyone. My remarks today will cover our second quarter results, an overview of our current rate cases, an update of our gross margin disclosures and a review of some of the key events that occurred this quarter.

On slide 9, as Chris mentioned earlier, we had a strong second quarter financially and operationally across the company. Our non-GAAP operating earnings were $0.54 per share, near the top of our guidance range of $0.45 to $0.55 per share. Exelon's Utilities less HoldCo expenses delivered a combined $0.33 per share. Relative to plan, utility results were slightly favorable, primarily driven by O&M timing across all of the utilities.

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Generation earned $0.22 per share in the second quarter. This was favorable versus the plan, driven by the timing of O&M and realized gains from our nuclear decommissioning trusts. Our nuclear plants had another strong quarter with higher capacity factors than budgeted, and the Constellation team continued to deliver strong results with good customer wins.

Turning to slide 10. The $0.54 per share in the second quarter of this year was $0.11 per share lower than the second quarter of 2016. Overall, the utilities benefited from increased rates and higher rate base, partly offset by year-over-year weather impacts. ExGen was down year-over-year, primarily on the known impacts of lower power price realization and more planned refueling outages, partly offset by New York ZEC revenues.

On slide 11, our year-to-date earnings of $1.19 per share are $0.14 per share lower than the same period last year. The decrease is primarily driven by lower realized energy prices, partially offset by the New York ZEC revenues, with partial offsets from our utilities with higher rates supporting our ongoing reliability investments and a full-year contribution from PHI.

Turning to slide 12, we are reaffirming our full-year guidance range of $2.50 to $2.80 per share. We expect to deliver operating earnings of $0.80 to $0.90 per share in the third quarter, compared with $0.91 per share last year. Our third quarter results will include a full quarter of contributions from the New York ZEC program that started on April 1.

In Illinois, the ZEC program went into effect on June 1, but the ICC has yet to conduct its ZEC procurement process. It's anticipated that the procurement events and the execution of contracts with winning ZEC suppliers will occur in the fourth quarter. Therefore, no revenues will be recognized until that process concludes. We would then include all of the Illinois ZEC revenues retroactive to June 1.

Moving to slide 13. Our utilities continued to execute, delivering strong earned returns in the quarter in addition to strong customer-focused operational performance. Looking at the trailing 12-month book ROEs, at PHI we saw some of the utilities register lower trailing ROEs relative to what we showed last quarter. The degradation was expected, primarily due to the timing of equity infusions that Exelon made into PHI in 2016 following the merger close.

For the legacy Exelon Utilities, our earned ROEs remain over 10%, lifting the consolidated Exelon Utilities platform to nearly 10%, including PHI. We still have work to do with the utilities to continue improving the product we're delivering to our customers, but we're happy with where the overall business is performing. As we've said before, we're confident in our ability to deliver on the plan that we put in place at PHI.

On slide 14, we updated the status of our rate cases. Since our first quarter call, the unanimous settlements in Delmarva, Delaware electric and gas cases were approved, with a combined revenue increase of $36 million. We also received a commission decision in the Pepco DC rate case during the quarter with a revenue increase of $37 million.

We've now completed our first cycle of planned rate cases in the PHI jurisdictions, with the second cycle already underway. We filed rate cases at ACE and Pepco Maryland last quarter, and just recently filed again at Delmarva Maryland during the second quarter. Combined, we are currently asking for $168 million in revenues, which reflect recovery on multiple years of capital investments that have been made to improve the reliability of the grid across these jurisdictions.

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We expect the final ruling on Pepco Maryland in the fourth quarter of this year, and decisions on ACE and Delmarva Maryland in the first quarter of 2018. We plan to file second rate cases in the remaining PHI jurisdictions later in 2017, and expect to have them resolved by the end of 2018, helping to put us in a position to earn our targeted ROEs in 2019.

We're proud of the hard work from our utilities and regulatory teams. These efforts are helping to bring PHI's revenues and earned ROEs back on course, while we simultaneously improve performance for our customers. More details on the rate cases and their schedules can be found on slides 35 through 42 in the appendix.

Turning to slide 15. The PJM base residual auction results were announced in May. We cleared 16.2 gigawatts of capacity in the auction, with the bulk of our capacity clearing in the ComEd and Eastern MAAC zones, which cleared above the rest of RTO pricing at $188 per megawatt day.

We continue to follow a disciplined approach to bidding our plants based on their specific cost profiles. We believe this bidding discipline is the right strategy for our plants and has led to more stability in our capacity revenue streams than seen in other generators that have not been as disciplined.

Our Three Mile Island nuclear plant failed to clear in the PJM capacity auction for the third consecutive year with this auction. We've been losing both cash and earnings at the plant in recent years, and do not see a path to profitability as the market backdrop exists today. Accordingly, earlier in the quarter, we announced plans to retire the plant in the fall of 2019. We are engaged with stakeholders in Pennsylvania to find ways to preserve the plant, but we're still early in that process.

From a financial perspective, the closure will add $0.04 to $0.07 per share of EPS annually beyond 2019 depending on the refueling year. We expect to realize positive cumulative cash flows of approximately $225 million through 2021 with the closure.

Slide 16 provides our gross margin update for ExGen. In 2017, total gross margin is flat to our last disclosure. During the quarter, we executed on $200 million of power new business and $50 million of non-power new business. We're highly hedged for the rest of this year and are well-balanced on our generation to load matching strategy.

Total gross margin decreased in the second quarter by $150 million in 2018 due to the removal of EGTP from a portfolio as well as the impacts of lower capacity revenues in MISO and New York. Total gross margin in 2019 is down $150 million from last quarter, driven by the removal of EGTP from the portfolio and the forecasted closure of TMI in September of 2019.

Let me be clear that, although gross margin is down due to the divesture of EGTP and plant closure of TMI, the impacts of both are accretive to EPS and cash flow. The elimination of EGTP lowers gross margin by roughly $100 million in 2018 and 2019, but is EPS-accretive by $0.02 to $0.03 per share in each of those years. So there are cost offsets you should consider.

And while we do not expect to close TMI until the fall of 2019, the retirement lowers our 2019 gross margin by roughly $50 million, although the EPS impact is roughly $0.05 positive. And as I said earlier, the retirement will be $0.04 to $0.07 EPS-accretive annually beyond 2019 depending on the refueling year.

From a hedging perspective, we ended the quarter approximately 11% to 14% behind our ratable hedging program in 2018, and 8% to 11% behind ratable in 2019 when considering cross-commodity hedges. The majority

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of our length is concentrated in the Midwest to align with our fundamental view of spot market upside in NiHub. We remain comfortable being more open when we look at market fundamentals.

Turning to slide 17. On the topic of power market forwards, you have heard us and many others talk about the reduced liquidity in the forward power curves that arguably can create price distortions. We do not mean for this chart to be comprehensive, but it's illustrative of what has been happening in the forward power markets.

The top chart shows the volumes created on a cumulative two- and five-year forward period for PJM West on peak power using a six-month average to smooth some of the seasonal volatility. I would flag in this context that overall volumes have been on a pretty consistent decline, both in absolute terms and particularly when looking beyond two years, which can be seen in the narrowing of the two lines on the chart. Arguably more interesting when thinking about forward power price transparency is the amount of transactions in those years.

Looking at the lower right chart, prompt year volumes are over 71% of the five-year cumulative volumes, with 2019 representing another 23%. The volumes created in 2020 and beyond are only 6% of the total volumes, with 2021 nearly non-existent. Compared to last year, total volumes are lower and the amount of volumes in the out-years is even less.

We wanted to share some of this data with you, particularly as folks were thinking more about the roll forward of 2020 earnings estimates. We would note that our fundamentals group has a more constructive view on power markets than these illiquid forward curves suggest, but we appreciate that there is perceived safety in using the forwards. However, when running your numbers, we would just encourage you all to appreciate what is underpinning those forward prices.

Turning to slide 18, we remain committed to maintaining a strong balance sheet and our investment-grade rating. We have now removed EGTP from our credit metrics, which in turn has improved our consolidated net debt to EBITDA at year-end 2017 to 2.9 times, which is below our target of 3 times. If we focus only on recourse debt, our leverage is at 2.5 times EBITDA. We're pleased with the improvements in our balance sheet and we'll continue to focus on a combination of debt pay-down between ExGen and the holding company.

And with that, I'll turn the call back to Chris.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack. In closing, I'd like to remind you all that Exelon's success is a direct result of our people and the culture of performance and service that we've created as an organization. In June, we held our sixth Exelon Innovation Expo in Washington D.C. This annual event brings together employees, vendors, and other key stakeholders to share all the ways Exelon is working to embrace and advance the future of the energy industry. The expo is also an excellent opportunities for our employees across the company to share ideas, explore new technologies, drive collaboration, and push each other to do even better for our customers.

On slide 20, Exelon culture is also built on serving our communities, both externally and internally. We accomplished a lot on this front during the quarter and several awards really do stand out. First, Exelon is being added to the Billion Dollar Roundtable, which recognizes companies that spend over $1 billion with Tier 1 diverse and minority-owned suppliers.

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In 2016, we spent nearly $2 million with these important partners. We are only one of 27 companies to be named to the roundtable, and the only utility or energy company. I especially want to thank Bill Von Hoene and Bridget Reidy for their leadership on expanding our supplier base to benefit our communities.

For the first time, Points of Light named us to the Civic 50, which recognizes the 50 most community-minded public and private companies in the United States. Our company strives everyday to better serve our communities, so this award is especially gratifying.

We're also named to DiversityInc's Top 50 Companies for Diversity, adding to our previous position as the best utility. We embrace diversity in all forms, so this represents an important distinction for our company.

On slide 21, the value proposition. We once again want to reiterate our value proposition, which remains the foundation of our commitment to the investors. We continue to grow the utility rate base at 6.5% annually through 2020 and regulated EPS by 6% to 8% annually through 2020, through capital investments that directly benefit our customers in each of our jurisdictions.

We continue to use the free cash flow generated at ExGen to fund incremental utility needs at the Utilities of $2.5 billion and pay down approximately $3 billion of debt over the next four years at ExGen and the holding companies.

We're focused on optimizing the value for our ExGen business by seeking fair compensation for our carbon-free generation fleet, closing uneconomic plants, selling assets where it makes sense to accelerate our debt reduction plans, and maximizing value through the gen-to-load matching strategy. We will continue to focus on sustaining strong investment-grade credit metrics and growing our dividend in a consistent, visible manner.

So I'd like to thank you, all, for joining again and for your interest. And now, we're ready to take questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Greg Gordon from Evercore ISI.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hey, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

I think you covered this in the script, but I just wanted to make sure I heard it clearly. You went through the puts and takes associated with the changes in the gross margin outlook. And despite it being lower, a lot of that is coming from assets that are removed from the portfolio. And then there's obviously offsetting costs below the line that make that cash and earnings accretive.

So you don't have the slide in your deck, but you've periodically put it in the slide that shows the 2017 to 2020 ExGen free cash flow profile. Should I presume that you're still on track to generate enough cash to create the $2.8 billion to $3.2 billion in ExGen/HoldCo debt reduction that you've articulated?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yes.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Greg, we've been – yeah.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. And then my second question is, given that how much you've improved your debt to EBITDA, both on a recourse and non-recourse basis, I know that you've talked about thinking about pivoting from ExGen debt reduction to parent debt reduction. But there's also a point in time here in the future where I think you guys were going to revisit the board with a conversation about the dividend growth rate.

So, given that you seem to be ahead of schedule on achieving your debt reduction goals, can you give us an update on how you're contemplating the conversation around the dividend to evolve?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

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So, as we've discussed in previous calls, we gave you a three-year window, a three-year look on our dividend and the annual increase. We'll be in discussion with the board through the next couple of board meetings on what our continued dividend strategy would be for a period of time. We'd like to give you a three- to five-year look ahead and that would be timed somewhere around in the first quarter, as the board deliberates on that.

So we are balancing, looking at [indiscernible] (32:27) the strong balance sheet, any drag from interest expense at the HoldCo, the value that we can create through either dividend increase or debt reduction. It's top of mind and going through the analysis phase right now, and hope we'll be able to give you positive news very soon.

Greg Gordon
Analyst, Evercore ISI

Q

Great. One final question. From time-to-time, investors contemplate with a greater or lesser degree of certitude the thought process around whether you guys would ever consider splitting ExGen from the Utility business and under what circumstances that would be appropriate? And I guess, the water cooler talk around that, frankly, went up demonstrably after the successful floatation of Vistra on the New York Stock Exchange and the valuation at which they're trading.

Can you talk about how you think about and contemplate sort of significant long-term changes in strategy like that and whether that is, in fact, something that would be now an increased probability, given the facts as they lay today?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. I wouldn't say there's an increased probability. As you would imagine, we need to look at our business strategy on some routine basis, as we do. We look at the combination of the ExGen and the Utility business right now, and our capabilities, while maintaining strong balance sheets, be able to do significant investment for our customers around reliability and innovation on the Utilities. So, having a free cash flow machine that's being given more certainty on its capabilities by programs like the ZEC and the fantastic work that Constellation achieves through the margins that they create, we like what we're doing right now.

What we have said in the past is we believe that we're undervalued and that we need to be seeing that value increase in the market as we make these accomplishments. We felt we're at a [ph] prove-me (34:51) state on PHI that not only do we have to integrate them successfully into our management model and drive the performance to our operational standards that we've set at the other Exelon utilities, but also achieve what is a fair and reasonable recovery on rate cases. And we're executing on that now. And I think we're proving ourselves. And we think that that should be translated into a more reasonable valuation not only at the Utility level, but at the ExGen level.

So we'll strive to continue to really achieve some lofty goals and secure what we think is solid revenues and be able to reinvest those revenues into creating greater returns for the investors.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks, guys. Appreciate it.

Operator: Our next question comes from the line of Jonathan Arnold from Deutsche Bank.

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Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hey, Jon.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

So, Greg asked one of my questions, the strategy question. But if I could just – is there a timeframe, Chris, on when you would want to see that sort of realization and validation of your strategy and value? What sort of timeframe would you kind of want to succeed by before you'd consider an alternative?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah. I think, Jonathan, we're seeing it this year. You can see that the stock is starting to perform better, which reflects a better valuation. We think there's more room to grow over the next year to two years, as our programs are solidified around the nuclear assets and new potential programs are put in place around price formation and other value-creating mechanisms.

The multiple that we see at the Genco should improve. We differentiate our sales from any other merchant generator with not only the class of assets we have, but the programs that recognize those class of assets. So we should see those come to strong fruition over the next year to two, and we'd like to see the compensation for it.

We also believe that we're doing a really great job on what we've committed to to the customers around reliability and service at all our utilities and gaining fair returns. Catching up a little bit on the PHI utilities in productive rate cases should also be a catalyst for achieving a better multiple on the EPS. So, next couple of years, we should be where we want to be at.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

So is it fair to say that P/E multiple is your main yardstick, then, you're looking at in terms of determining whether you've closed the gap to your satisfaction?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Well, as you do, we do a sum of the parts and look at the valuations and look at where we think we should be. That is one of the indicators. But the EBITDA multiple on the Genco is also a key indicator for us.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. Thank you. And just on one smaller item. It looked like the financing needs at ExGen versus last quarter for this year came down about $300 million. Is that to do with asset sale or something else, what's driving that change? The cash flows...

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

It's the proceeds from the joint venture.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

But the number is lower, though, Jack, is the...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

We had a tax gain on the sale.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

I got it. Okay. Thank you very much, guys.

Operator: Our next question comes from the line of Steve Fleishman from Wolfe Research.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Hi. Good morning. Couple quick questions. The comments on 2020 and the forwards, I guess we'll see in time, but just in the event that your fundamentals are wrong and the forwards are right, is there more that the company can do on costs and the like to deal with that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Steve, it's Jack. We have a long history of being proactive on costs. And our cost reduction programs are just generally part of our corporate DNA. So, over the past five years, we've saved $500 million of synergies from the Constellation merger, another $75 million from the integration of CENG. $350 million of cost reductions from our November 2015 program, another $125 million of savings from the November 2016 program, and we're on target for $130 million of synergies from the PHI deal.

And just from a philosophical standpoint, we manage our business for the worst, Steve, while expecting a better outcome. And you can and should expect us to continue focusing on opportunities to run our business more efficiently and pull out additional costs.

We view cost management as incremental each year and building on what we've already done rather than a big one-time transformative event. Our regular increases in cost savings opportunities we think have added up to real economic value, and you should continue to see us focus on continuous improvement and driving further savings in the future.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. Good. And then, just on the PJM market structure changes, any sense on what they could possibly do to market pricing? Like, how much they could impact market?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Joe?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Yeah. Steve, we're not there yet. We're evaluating that, but we need some more details out of PJM around the program design. I think, as a general matter, you'll see some improvement in around-the-clock energy, specifically off-peak. And you'll see some benefits for the consumer on the capacity market side as those prices ought to go down.

But for machines that drive most of their revenue in the energy market like the nuclear machines, this will be a good outcome and we'll be supportive of keeping those lowest cost options available for our customers long-term.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. One final question, I guess, maybe for Chris. Just with the announcement earlier this week of the summer shutdown or abandonment, I'm just curious kind of from a nuclear support overall, does this better make your case of supporting existing nuclear or does it somehow make the other case that this is going to phase out over time anyway? Just thoughts there.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

No, I think there are two different issues. One, it's not good for the industry to have the next wave of plants go through financial stress and the mismanagement by the suppliers to the industry. That is unfortunate. And we understand the decision that's been made to not go forward with the risks that they still have around it and the financial burdens that it would create for their customers. So, that's one thing.

If you look at what we're talking about with our nuclear assets, they are definitely providing a product and a service unlike any other generating assets, not only is it the reliability that we load a core for 18 to 24 months and they can run through any weather cycle and are not dependent on a fuel delivery that allows a baseload generation, a level of reliability to the system.

The compensation that should be sought and granted for their environmental benefits to the communities they serve. An example of Illinois' power stack, 60% of the power in Illinois is carbon-free. 90% of that comes from the nuclear facilities. It allows the state to make its goals that it wants to make on carbon reduction. And without these assets being fairly compensated, that would go in the opposite direction.

And finally, these assets that do provide the societal benefit around carbon and the societal benefit around reliability and sustainable national security, they also are great economic supporters of the communities they serve, the tax bases for the schools, the parks, the employment base. So, on many levels, they've been evaluated as critical and should be compensated for the lifespan that they have remaining to provide a bridge to what could be that source of energy that provides that same level of the great attributes going forward.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

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Okay. Thank you.

Operator: Our next question comes from the line of Praful Mehta from Citigroup.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Thanks so much. Hi, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Morning.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Morning. So, looking on the ZEC, has the win in New York and Illinois help set the framework or ease the discussion with other states, as in are you having more productive conversations given the legal win?

And secondly, I guess linked with that, if it does roll out in other states over time, how do you think about capital allocation at that point, given you've already kind of hit your metrics from a credit perspective at ExGen with the current plan? Is it more just de-leveraging at the parent company or what else do you think in terms of capital allocation?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

I'll let Joe cover the first part and Jack can go through our plans on the second part.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Yeah, I think the answer to the first part is yes. It does provide a bit of a catalyst for better discussions in other states. One of the themes that the opponents often roll at is that these policies have questionable legal merit. And so they talk to politicians and they say, why would you take a tough vote on this only to have it overturned in the court.

So these decisions resolve that issue and we expect, as these decisions get solidified in the appellate courts, that it'll provide additional catalysts for those discussions in other states.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

And then, Praful, just in terms of capital allocation, as you mentioned, our balance sheet is in a stronger position this quarter than it was last quarter. We're effectively at the target that we set in the fall of last year. And what that allows us to do is much greater flexibility on where we focus our debt retirement plan.

So I think you'll see us, depending on maturities, look at both the holding company as well as ExGen for future retirements. And it obviously gives us a much greater degree of visibility and certainty around those cash flows, which I think plays into Chris's response on the valuation. We would expect that the valuation metrics for our generation company reflect the reduced volatility that's associated with these important assets.

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Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. But then, after the debt reduction targets are hit at the HoldCo, from either buyback or even dividend perspective, is that on the table as well?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

I'd say we have plenty of holding company debt to retire and that provides us with considerable flexibility, and it's one of the items we'll be looking at, as Chris mentioned, in our review with the board of the outlook for the company and its strategic plan around dividend and other capital allocation decisions.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. And secondly, just the interesting slide you provided on the market liquidity and what that means in terms of forward curve, does that also mean that acquiring more retail footprint or a larger retail footprint is a good way to mitigate some of those liquidity risks, given forward curves are just not there and you need to hedge? Or do you think this will just play out with spot prices being higher than forward curves over time?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Praful, good morning. It's Joe Nigro. It does imply that the best way for us to get to market with our generation is through our load serving business. As you know, we have a very substantial commercial, industrial and residential business, and that we also participate in all the wholesale load serving auctions, and we'll continue to do that.

And our portfolio of output on the generation side is well-balanced with our power load portfolio. And we use the standard product market to what I would call filling gaps geographically or for timing or other things. But the balance with our gen-to-load matching strategy is very strong and we'll continue to do that.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Okay. So you don't need incremental retail at this point. What you have already is fully matched is what you think.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

If we see an opportunity and it makes economic sense, I think you've seen in the past with the acquisitions of both Integrys as well as ConEd, they've been value enhancing to the bottom line and we've been disciplined in how we'll do it and we'll continue to take that approach. And if there's an opportunity in the future to bolt-on more retail, it'd be a good fit for our portfolio, we would definitely do that.

Praful Mehta
Analyst, Citigroup Global Markets, Inc.

Q

Got you. Thanks so much, guys.

Operator: Our next question comes from the line of Michael Weinstein from Credit Suisse.

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Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Hi, guys. Hey. Just to follow up a couple of earlier questions. Could ExGen be spun just publicly, even a small amount of it, just to establish that independent validation evaluation, and while still enabling you to benefit from its cash flows and other innovation benefits at the Utilities?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

We'd have to think through that one. Right now, we have a very solid strategy on growth and value creation with the ExGen cash flows. So it differentiates us and we're not issuing equity at the holding company to support this growth. There's no dilution coming in with this growth. It is very strong organic growth. We're adding another PHI over the next couple of years without paying a premium.

So, in Q2, want to validate its value by spinning it off would not be probably the approach that we would go for. If we ever found that the value is constrained or our strategic growth was hampered based off of the companies being together, you could have that conversation to create value. But there's no reason that having them together and using the synergies that we have between having the two companies, that we shouldn't be valued fairly for that as we execute on our strategic plan.

So, could you physically possibly spin a Genco? You could, and then you'd have to consider when you did that what's its investment grade, what's the impediment on its trading business, what's the issue with going to the capital markets to maintain your nuclear plant, all kinds of hair around that.

But we like what we're doing right now. We like the way that we're creating the value. And we think we are differentiating ourselves, as I've said, from any other merchant generator in the business. Strong balance sheets, different class of assets, fairly – very well run, and fairly matched to our load book.

So we like where we're at and wouldn't speculate on anything else, and really can see the value creation and want the market to recognize it as we do execute on what we say. We tell you we're going do something, we do it, and it comes in in value creation to you.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

And also, just to clarify on Jack's earlier remarks, with ExGen's projected gross margins a bit lower in the forward curve and also from the removal of other assets, the offset that allows you to achieve $3 billion of debt pay-down, that that target has not been changed, it's mostly efficiencies, cost savings, and that kind of thing?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

It hasn't been changed.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

It's cash flow-positive, the retirement of TMI.

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Yeah.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

It's...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

$225 million through 2021. With EGTP, we have the debt – what's that?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

JV.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

All right. And we have the proceeds from the renewables JV. Where EGTP is $0.02 to $0.03 accretive, TMI is $0.04 to $0.07 accretive. So I think we're very comfortable with our outlook for free cash flow. And we'd expect to update the number that we provide in the Q4 call in next year.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC

Q

Okay. Very helpful. Thank you.

Operator: Our next question comes from the line of Shar Pourreza from Guggenheim Partners.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

Morning, guys.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Hey, Shar.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

So, most of my questions were answered. But let me ask, what's sort of the viability within your long-term plans around Colorado Bend and Wolf Hollow, especially given the fact that you're doing much more contracted cash flows at ExGen? Is there an opportunity to either look to hedge these out with the munis or sell it to other IPPs?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

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These are assets that are unlike the rest of the stack in Texas with their efficiency, their flexibility on ramping. They do provide a good support to our load book. We built them from way below what market costs are for greenfield sites or even brownfield sites, with our work through our venture with GE and our contractors. So they were built at a good price. They operate very well. We do have a load book in Texas that they serve well. And there's no need, as you can see from our debt metrics, for a fire sale.

So our origination folks are constantly looking at longer-term contract sales, and they'll be doing that as they continue in Texas and match some of the book that we have to those potentials.

So, Joe can add any more onto that.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.
A

No, I think you covered it, Chris. I think the big thing is, when you think about what we're doing with the disposition of the assets we currently own in EGTP, the fill-in of these two assets to our load book is very helpful when you think about the volatility in Texas and you think about ancillary services and how these units are able to ramp in such quick rates. I think it's a very nice fit.

And from an origination perspective, as Chris said, we look at all corners of the market and we serve all types of customers and we're open to all opportunities. and we'll continue to explore those, especially with these two new state-of-the-art assets.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Got it. And then, Joe, might as well just ask you is, with the pending potential policy initiatives in Pennsylvania, and obviously made some great headwinds in Illinois and New York, how are you sort of thinking about you layering on hedges in Pennsylvania pending potential legislation that may come about?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.
A

Yeah. We think about that a lot, and we've talked quite a bit about how we run our hedging program. It's not an independent decision. We work very closely with all the finance organizations, the risk management organization. And we have a program where we're looking at the needs of the cash flows and the earnings of the company, and we match our hedging profile to that, and make sure that we can maintain the credit ratings that we have and we focus on our liquidity. And all of those things put together drive some of the decisions with our program.

As you can tell, looking at our numbers, we're well behind our ratable hedging plan in both 2018 and 2019, and you could see that's the case in the Midwest and that's the case in Texas as well. And it aligns to our market views. But those aren't independent decisions. They're tied in directly with what we're doing with debt reduction and managing our balance sheet, and we will continue to do that.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Terrific. Thanks, guys.

Operator: And our final question comes from the line of Angie Storozynski from Macquarie.

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Angie Storozynski
Analyst, Macquarie Capital (USA), Inc.

Q

Thank you. So, one more question about the retail book. So I understand that this is a preferred way of hedging your generation portfolio, but most of your retail book is C&I and those are sophisticated customers who basically look at the forward curve and then add probably a margin to what they see in the curve. So, that wouldn't necessarily help you with the forward curve not fully reflecting supply and demand fundamentals. So, how about shifting maybe towards mass retail customers or increasing your presence in that business?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

We are the fifth largest residential marketer in the country now on the power side, and we will continue to focus on growing that business, similar to the way we're continuing to focus to grow our commercial industrial business.

Like C&I marketing, it is a competitive market and you have headroom that you have to take into account and customer behavior. But we continue to focus on all of that and our mass market business continues to grow each year and we've been very successful on that regard and we'll continue to push it.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

With reasonable margins.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Absolutely.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

The discipline that's required to continue to grow in residential versus some competitors that may not have the same pricing margin, we don't need to chase volume, we chase margin.

Angie Storozynski
Analyst, Macquarie Capital (USA), Inc.

Q

Okay. And the second question is about your disclosures for ExGen. So, obviously, as you're pointing out with retirements or deconsolidations of your gas plants in Texas, there's an offsetting change in O&M. Why not show EBITDA projections instead of gross margin? Just to capture that O&M production which would then fully show the financial backdrop that the business has?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So, Angie, we think we give you transparency into the operating costs of the company. We update that on an annual basis at the beginning of any given year. And you can back into effectively the operating costs of EGTP and TMI with the EPS disclosure that we give you. And then, I guess, finally, we give you some incremental data on slide 33 that also should help you.

So I think we're very comfortable with the gross margin disclosures that we have. It allows us to update it on a quarterly basis without having to update the entirety of the income statement, and that's the plan going forward.

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Angie Storozynski
Analyst, Macquarie Capital (USA), Inc.

Q

Okay. Thanks.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Well, I'd like to thank you, all, for your interest in joining us today on the earnings call. We look forward to seeing many of you at the fall conferences and hear your questions on the earnings call in November. So, thank you very much and that will end the call.

Operator: This is the end of today's call. You may now disconnect, and have a great day.

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03-May-2017

Exelon Corp. (EXC)

Q1 2017 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Josephine, and I will be your conference operator today. At this time, I would like to welcome everyone to the Exelon Corporation 2017 First Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instruction] Thank you.

I would now like to turn the conference over to Dan Eggers, Senior Vice President of Investor Relations. Please go ahead.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Josephine. Good morning, everyone, and thank you for joining our first quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

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Please refer to today's 8-K and Exelon's other SEC filings for discussions of Risk Factors and factors that may cause results to differ from management's projections, forecasts and expectations. Today's presentation also includes reference to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the Appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We've scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning, and thank you all for joining us. We're off to a great start in 2017. In March, we marked our one-year anniversary of the merger between Exelon and Pepco Holdings. Since the close, PHI has successfully executed on merger commitments, achieved synergy savings and made significant progress towards whole integration.

We also continue to work hard on the regulatory front. Since the beginning of the year, PHI closed out the Delmarva Maryland rate case and reached a settlement for our electric and gas rate case in Delaware. We are now down to just Pepco DC cases from our first planned cycle of rate case filings. That said, our regular team has already started the second cycle of rate cases at Pepco Maryland and ACE's plant.

At ExGen, we completed the acquisition of FitzPatrick Power Plant, representing the 25th nuclear reactor where we have ownership stake. We welcome the new employees to the Exelon family. We also announced the Exelon Generation renewables joint venture, which is allowing us to recycle capital at a valuation meaningfully above the value implied for ExGen at our current share price.

The JV allows us to make even faster progress on our debt reduction goals without diminishing our commitment to renewable power. We continue to focus on legal challenges to the Zero Emission Credits, or ZEC, in New York and Illinois. We remain confident that our arguments will prevail.

We'll cover these points in more detail on the call, but I wanted to highlight what we have done while staying focused on the day-to-day operations. As shown on slide five, on a GAAP basis we've earned $1.07 versus $0.19 a share last year. And on an operating basis, we earned $0.65 versus $0.68 last year, which puts us at top of our $0.55 to $0.65 range and above consensus of $0.62.

Moving to slide six. Our first quarter operational report was strong. Our color block charts highlight operating performance and Customer Satisfaction for the utilities. Legacy Exelon Utilities remain almost entirely first quartile. PECO actually had its best Customer Satisfaction rating ever during the first quarter. BGE experienced their best-ever CAIDI and SAIFI performance of all time.

At PHI, we're encouraged by the progress we are making and our customers are seeing the benefits. For example, by using a common lock-out/tag-out process, a procedure that establishes a zone of protection while restoring equipment, we were able to send over 400 employees and contractors from BGE, ComEd and PECO to support the storm restoration in Delmarva during Winter Storm Stella. As a result, Delmarva customers had their power restored two days sooner. Our thanks to everybody that helped in accomplishing that speedy recovery. The power of Exelon Utilities' platform is a significant benefit to our customers. We continue to improve upon these metrics to meet reliability commitments we have made to provide better service to our customers.

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The nuclear team had a great quarter also. They completed three refueling outages and achieved a Capacity Factor of 94%. They also had the fastest refueling outage ever for Calvert Cliffs Nuclear Station 2, running 20 days. In the power business, we realized renewable energy capture rate of nearly 96% and a power dispatch match of over 99%.

Our two new-build CCGTs in Texas have both achieved first buyer and are now selling test power onto the grid. These state-of-the-art plants, which are totaling nearly 2,200 megawatts, are on-budget, on-schedule for full commercial operations in this second quarter. We expect that they will be ready to participate in Texas this summer.

At Constellation, our highly hedged portfolio in 2017 mitigates the impacts of weaker power prices and lower load, given the mild winter weather. Even in this recent low-volatility environment, our C&I business has been able to hold onto margins and keep customer renewables.

On slide seven, we view 2016 as a great success in delivering on our commitments and preserving some of our at-risk nuclear units by securing compensation for their clean energy attributes. For 2017, we're focused on executing on these gains we made last year and, more importantly, affirming the ZEC programs in the court.

In New York, litigation is further along at this point. On March 29, the judge in New York Federal Court heard oral arguments on our motions to dismiss. We made strong arguments at this hearing and believe the law is clearly on our side. We do get asked when we expect a decision, but the judge has not given a specific timeline or deadline to issue her order. If we prevail on the motion to dismiss, we would expect the other side to appeal that decision. If the judge denies our motion to dismiss, we will move forward with the case as planned. As I have said previously, we're confident in the strength of our case.

In Illinois, two groups of plaintiffs have challenged the ZEC in Federal Court and the cases are before one judge. The plaintiffs filed for preliminary injunction on March 31. We intervened in that case on April 10 and we filed motions to dismiss. The judge has held a preliminary injunction motion while he receives a full briefing on the motion to dismiss. He will then determine whether there is a legal basis to go forward. That briefing will be completed by May 15 and the judge is scheduled to inform the parties of his intention on May 22. In the interim, we start recognizing ZEC revenues in New York on April 1.

In Illinois, the utilities have allowed tariffs to begin collecting the ZEC payments on June 1. We don't expect the actual ZEC procurement process in Illinois to conclude until later in the fall. We remain confident that the ZEC programs will be upheld in the courts to the benefits of the state, the communities and these valuable resources.

As we have discussed last year in our Carbon Policy Principles, we see state programs as an essential mechanism until we have a more cohesive federal policy that values clean baseload generation. Energy Secretary Perry's recent directive to look at the importance of preserving baseload generation is early, but encouraging. We appreciate the Secretary's focus to promote needed market reforms to compensate these assets. We will support the DOE's effort as they move forward.

Turning to the upcoming PJM auction. We understand the investment community is paying close attention, particularly after the disappointing MISO capacity auction results. Joe Nigro is available to answer more detailed questions, if you have them, but let me share a few thoughts around the auction. To the positive, we are going to 100% CP for the first time, which will put a higher performance burden on the entire fleet. We still think this should lead to a more responsible bidding, given the higher risk around non-performance.

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The CETL numbers, or the import capacity into ComEd and EMAAC LDAs, have tightened this year versus last year. The tightening could flag more constrained market conditions than last year in these zones, which could help in separation. To the negative, PJM lowered its demand forecast again for this auction FERC approved seasonal aggregation that will allow products that otherwise would not clear to participate a 100% CP world.

Finally, we have the risk of more uneconomic generation being built, primarily in Pennsylvania and Ohio. These drivers are important, but we still expect clearing prices to come down to bidding behavior. You have seen us bid our assets in recent auctions to reflect the underlying economic needs of the individual plants, which, in turn, has led to some of our plants not cleared. You should expect us to bid our assets in the same responsible fashion in this next upcoming auction.

Now let me turn the call over to Jack to walk through the numbers.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Thank you, Chris, and good morning, everyone. My remarks today will cover our first quarter results, an overview of our current rate cases, an update of our gross margin disclosures and a review of some of the events that occurred this quarter.

Turning to slide eight. We had a strong quarter financially and operationally across the company. For the first quarter, we delivered adjusted non-GAAP operating earnings of $0.65 per share at the top of our guidance range of $0.55 to $0.65 per share. This compares to $0.68 per share for the first quarter of 2016. Exelon Utilities delivered a combined $0.47 per share. Versus our plan, the utility results were impacted by unfavorable weather at PECO and PHI, which was more than offset by O&M and timing across all of the utilities.

With 70% of our distribution rate base in decoupled jurisdictions, including ComEd starting in 2017, we experienced less volatility on our utility earnings from record warm weather in January and February than if we did not have these programs. To help put this winter in context, this was the first time in 146 years when there was no snow on the ground in Chicago for both January and February. Looking across PJM, January and February were the warmest on record since data started being collected in 1950.

Generation had a strong quarter relative to plan, earning $0.18 per share. We had good performance from our nuclear assets, with better Capacity Factors than budgeted, and our Constellation team once again delivered strong results despite weak power prices and low volatility.

Turning to slide nine. The $0.65 per share in the first quarter of this year was $0.03 per share lower than the first quarter of 2016. To the positive, we had a full quarter of contribution from PHI relative to only eight days last year, which added $0.09. The other utilities benefited from rate relief and higher rate base, partly offset at PECO with even milder weather than last year. ExGen was down year-over-year, primarily on the known impacts of lower capacity prices and power price realization, as well as more planned refueling outages.

Turning to slide 10. We're reaffirming our full-year guidance range of $2.50 to $2.80 per share. We expect to deliver operating earnings of $0.45 to $0.55 in the second quarter compared with $0.65 last year. Our second quarter results will include contributions from the FitzPatrick Plant and the impacts of the New York ZEC program that started on April 1. The Illinois ZEC legislation will go into effect on June 1, and plant procurement is expected to occur later this fall. Plants receiving contracts would recognize revenues retroactive to the June 1 effective date.

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Moving to slide 11. Our utilities continue to execute well, delivering strong earned returns in the quarter. Looking at the trailing 12 month booked ROEs, we saw a nice improvement, even relative to what we showed last quarter. At PHI, we saw all the utilities register gains, with some help coming as revenues from the first cycle of rate cases are starting to flow through to results.

For the legacy Exelon Utilities, we continue to see strong earned ROEs over 10% that lift the consolidated Exelon Utilities platform to nearly 10%, including PHI. We have plenty of work to do at the utilities and with our regulators to keep improving the product we're delivering to our customers, but we're happy with where the overall business is performing.

We're obviously pleased with where our earned ROEs are trending, but I want to remind you that there will be variability in the earned ROEs at our different utilities as we go forward. The timing of rate case implementation, weather comparability and in-service dates will all impact results. We think the ability to earn strong ROEs and the plan that we have in place at PHI to improve their ROEs will be the recipe for our future success.

On slide 12, we have an update on our rate cases. Since our fourth quarter call, we have closed out the Delmarva Maryland case with a revenue increase of $38 million. We've also reached unanimous settlements in our Delmarva Delaware electric and gas cases for $31.5 million and $4.9 million, respectively, and would expect Commission approval during the second quarter.

From our first cycle of planned rate cases, we're now down just to the Pepco DC case, where we expect a Commission decision later in July. We're proud of the hard work from our utilities and regulatory teams. These efforts are helping to get PHI's revenues and earn booked ROEs back on course while we simultaneously improve performance for our customers.

As we've shared with you many times before, we've always viewed the turnaround in PHI earned ROEs as a two rate case cycle process. To that end, we filed our second rate cases at ACE and Pepco Maryland this quarter. Combined with the outstanding cases from the first cycle that I previously mentioned, we are currently asking for $252 million in revenues, which reflect recovery on multiple years of capital investments that have been made to improve the reliability of the grid across these jurisdictions.

We expect a final ruling on Pepco Maryland and ACE, likely in Q4 2017 and first quarter of 2018, respectively. We plan to file a second cycle of cases in most, if not all, of PHI's jurisdictions in 2017, with all completed by the end of 2018, putting us in a position to earn between 9% and 10% ROEs in 2019. More details on the rate cases and their schedules can be found on slides 29 through 36 in the Appendix.

Slide 13 provides our gross margin update for ExGen. In 2017, total gross margin is flat to our last disclosure. During the quarter, we executed on $150 million of Power New Business and $50 million of non-Power New Business. We're highly hedged for the rest of this year and are well balanced on our generation to load matching strategy.

Total gross margin decreased in the first quarter by $50 million in both 2018 and 2019 due to the impact of price changes on our open portfolio. We ended the quarter approximately 12% to 15% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross-commodity hedges. The majority of our length is concentrated in the Midwest to align to our fundamental view of spot market upside at NiHub, although we have increased our length in other regions as well.

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We're comfortable with being more open when we look at market fundamentals. For example, forward regional natural gas prices today are over $1 per MMBtu higher than they realized last year, yet the forwards for power are only about $1 per megawatt higher. We do not believe that is a sustainable situation. To that point, I should note that power prices have risen since the start of the second quarter and have reversed about half of the first quarter price declines.

On slide 14, we have highlighted some key recent events. On March 31, 2017 we executed on the creation of the Exelon Generation Renewables JV, which will provide us with $400 million of pre-tax cash. Including allocated debt, that puts total JV enterprise value at approximately $1.7 billion. The price implies an EV to EBITDA multiple over 10 times and a $1 per KW value over $1,200. The JV consists of 1,296 megawatts of renewable generation capacity, which is about 35% of our renewables output, and has an average contract life of 14 years. The JV structure provides the option to drop down contracted renewable assets from our portfolio in the future. The proceeds from this sale will be used to accelerate our deleveraging strategy.

Also on March 31, we closed on the acquisition of the FitzPatrick Nuclear Station from Entergy, which adds 838 megawatts of nuclear capacity to our portfolio. As you know, the FitzPatrick Plant is part of the New York ZEC program, and we'll receive ZEC payments for the next 12 years, which started on April 1. The plant is now operated by Exelon, and I'm happy to report we had a clean cut over of FitzPatrick on to the Exelon platform. We're excited to have the FitzPatrick employees as part of the Exelon family.

Our Exelon Generation Texas partnership, commonly referred to as EGTP, is a portfolio of 3,476 megawatts of gas generation in Texas. In 2014, we raised $675 million of non-recourse project finance for the assets, which currently has a balance of approximately $650 million. With the downturn in ERCOT power markets, these assets have been under pressure, with the debt trading at a discount to face value for some time and the plants struggling to generate adequate cash flows.

Due to the combination of challenged cash flows and our decision not to inject additional equity, we have come to terms with the lenders to pursue an orderly sale of the assets on their behalf. The modest current earnings and all of the debt are still included in our financial outlook. However, we see the ultimate exit from these assets being accretive to our EPS and debt to EBITDA multiples starting in 2018. In light of the process, we're not in a position to expand further on this transaction.

Finally, during the quarter we decided to discontinue the sales process of the Mystic 8 and 9 assets. We were exploring the sale of these assets as a direct result of interest received from potential buyers. During the sales process, we ran into some issues with the fuel supply agreement that needs to be addressed. And as we've said, we would only transact if we could realize a price greater than our [indiscernible] (20:50) value. Our continuing to own these assets does not impact our commitments on our debt to EBITDA target and debt reduction plans that we've already shared with you.

Turning to slide 15. We remain committed to maintaining a strong balance sheet and our investment-grade credit rating. We are forecasting to be at 3.2 times debt to EBITDA at ExGen by the end of 2017 and have a clear path to our long-term target of 3 times debt to EBITDA. On a recourse debt basis, we're already well ahead of our target, and taking into account the sale of EGTP, we would be on target overall. As we said before, we will look to retire HoldCo debt once we have reached 3 times target at ExGen.

I'll now turn the call back to Chris for his closing remarks.

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack. This brings us back to our value proposition shown on slide 16, which will be familiar. It is unchanged from our last earnings report and we remain committed to these points. We continue to grow the utility rate base at 6.5% annually through 2020 and regulated EPS by 6% to 8% annually through 2020. We continue to use free cash flow generated at ExGen to fund the incremental equity needs at the utilities of $2.5 billion and pay down approximately $3 billion of debt over the next four years at ExGen and the holding company.

We are focused on optimizing value for ExGen business by seeking fair compensation for our Carbon Free Generation fleet, closing uneconomic plants, opportunistically selling assets where it makes sense to accelerate our debt reduction plan and maximizing value through our gen to load matching strategy. We continue to focus on sustaining strong investment-grade credit metrics and grow our dividend in a consistent, visible manner.

Thank you for your interest. And we're now ready for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Greg Gordon with Evercore.

Greg Gordon
Analyst, Evercore ISI

Q

Hello. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

I noticed that when you gave the update on your cash flow projections for the balance of the year, that it's several hundred million dollars higher. I don't remember exactly the slide number – it's slide 18. It looks like the utilities are the major contributors to that with a modest decline in expected ExGen cash flow. Can you give us a little more color on that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Sure, Greg. It is the utilities and some of it's energy efficiency timing and some of it's just working capital. So we're about I think $200 million roughly higher than our expectation.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Is that a permanent effect in terms of as I think about rolling the balance sheet forward, or is that more of a timing issue on when you're going to collect cash flows or spend capital?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

The working capital is more of a timing issue; some of the energy efficiency is permanent.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Can you give us a sense of what the split is there?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

$100 million. And it's energy efficiency. Sorry.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Thank you very much. Second question, and maybe it's not something you're able to really engage with me on the call on. But one of the reasons why I think the stock has underperformed is because people are looking – obviously you've had a little bit of softness in the 2018, 2019 curves. You already told us that's bounced a little bit. But if people are looking forward to the 2020 roll coming this fall and looking at the theoretically open position and worried about the capacity market print and thinking, well, 2020 is going to be another down year.

So I don't know if you can comment on how that looks today and also how that dovetails with what you continue to do vis-à-vis debt reduction at ExGen because, while the balance sheet looks like it's in absolutely great shape today, if EBITDA keeps going south, the bar keeps going up every year in terms of what you have to do with your cash flow to keep it at that level of leverage.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

A couple thoughts, Greg. One, I think it's probably, given the liquidity in the market, premature to forecast our 2020 ExGen earnings. But one thing to keep in context, on a recourse basis by 2020, we'll have $4 billion of debt. That is the most pristine balance sheet I think in the sector. So from a strength perspective, with the balance sheet and the ability to deal with the cyclicality of markets, I think we're well positioned.

Our fundamental perspective would be that, as liquidity returns to the market, prices are going up across in our hedging approach and the length that we're carrying relative to ratable is demonstrative of that, so I think it's meaningfully premature to be trading on 2020 in 2017.

Greg Gordon
Analyst, Evercore ISI

Q

Fair enough. Thank you, guys.

Operator: Your next question comes from Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning, guys.

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Question on – you mentioned I think that you would be bidding the units in the PJM auction in the same, I think you said, responsible fashion. Can you give us any insight into what you see as different in the PJM auction setup with respect to, say, the Quad which has the ZECs, and Clinton, which obviously cleared at a low price in MISO? Is there anything we should be thinking about as we compare those two situations?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Good morning. It's Joe Nigro. I'll take that question and answer it. And, as you know, I'll start by saying we have a long-standing practice of really not discussing our bidding strategy around the capacity auctions or where we think it will clear.

I think there is one thing, though, that you have to take into account is the timing of the two auctions. The MISO auction was for June of this year through May of next year. And the PJM auction obviously is much further out on the curve. When you think about the operations of the power plant and the fuel loaded in the core at Clinton, for example, that plant was going to continue to operate during that period.

What I will say about Quad Cities and the bidding is we're going to continue to remain responsible in the way we bid our capacity, reflecting the underlying economics of our plants. And that's consistent with we've done with past auctions. I think the major question mark with this auction continues to be, as Chris mentioned, bidding behavior from the existing generations as well as the discipline associated with new builds.

As it relates to existing facilities, we continue to see economically challenged plants that have cleared previous auctions. And in addition to that, we see the economics of new builds being marginal. In the last auction, we cleared about 27 gigawatts of base capacity, which was about 16% of the total procurement, and it remains to be seen how that 27 gigawatts will participate in this auction. But the big variable, as I mentioned, will continue to be the bidding of all the plants, and we will remain disciplined in that regard with all our facilities.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thanks, Joe. And then could I also ask on I guess topical issue today, but can you quantify at all or describe your exposure to Westinghouse as a supplier, presumably in the fuel business primarily and are there any concerns you have with regard to the bankruptcy?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

It's something that we follow closely, not only as a supplier, but for the industry. We have reviewed our positions that we have commercially with them. We are not concerned at this time, but we'll continue to watch it closely. Fuel fabrication, we continue to see that as an ongoing entity in the services business. We continue to gain support and see that as an ongoing entity. None of us know how it's going to shake out yet, but we have minimal exposure there.

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Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Can you give us some sort of percentage of the fleet that they service or supply fuel to perhaps?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

I can get the number for you. We continue to competitively bid our reactor fuel suppliers between multiple suppliers, and we move that around based off of pricing. But we are not held hostage to a single entity on fuel fabrication.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Right. Thanks, Chris.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yeah.

Operator: Your next question comes from Steve Fleishman with Wolfe Research.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Yeah. Hi. Good morning. Just wanted to get your thoughts on this DOE review going on on baseload generation and maybe we also just had this FERC conference, and how these might tie in to the state-by-state ZEC process that has occurred so far with trying to help baseload generation. What could come out of DOE?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Yeah. Steve, let me start off and talk a little bit about the Technical Conference over the last couple days. There were three buckets of issues that I think got looked at. One is carbon pricing on the market and what FERC could do to facilitate the states who are interested in doing that. The second bucket would be the MOPR issues, that's PJM's Grid 2020 that New England ISO put out. And the third bucket are energy reforms, and so I think all three of these things are in play as well in connection with the Secretary's Memo.

Let me talk about the three. First, we think there was a constructive discussion around carbon. One of the issues that has limited the ability of states to incorporate aggressive pricing is leakage between the states. And I think there was good discussion around what FERC could do to address that problem. There is, I think you'd agree if you saw the Technical Conference, a growing recognition that putting carbon explicitly in the market is something that would address a lot of these issues, and there's a growing receptivity to that.

On the issue of the MOPRs, that's where I think it most directly addresses the state ZEC programs and the REC programs. The New England proposal doesn't deal with existing baseload generation or existing generation of any kind, frankly. And that's consistent with FERC precedent and so that template wouldn't have any effect on the state programs. The PJM proposal does, however, deal with existing resources, and we have not historically supported that proposal. We recognize PJM has made some important changes, and those were talked about at the Technical Conference.

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The issue with the MOPR, from our perspective, is that it is a distraction from some unfinished work that we believe FERC and PJM ought to get to first. Unfortunately, it's become a little bit of a tempest in a teapot in a sense that there's a false narrative out there about the challenges to the IPP sector are driven by ZEC and REC policies, when, in fact, a number of our colleagues in the business saw equity values drop by 70% and 80% long before the word ZEC even came into our dialogue. So we don't think the MOPR is an approach that is going to be workable. It flies in the face of what the states are looking to do. I don't think it will be that effective.

We talked about MISO Zone 4. It's notable that had we bid Clinton in a way where it would not have cleared in that auction of if it had been excluded by MOPR, the price of MISO would have risen from $1.50 to $5 a megawatt [ph] bet. (33:58) That's certainly not going to address the down-state issues that Dynegy and others are facing.

At the end of it, we agree with what Chairman [ph] Lafor (34:06) said. And she basically questioned the wisdom of approaching this problem set with more MOPRs for units that are receiving state environmental attribute payments. And I think that's why New York ISO and MISO and others are not going in that direction. So we don't agree with the direction on the MOPR.

But let me talk to you about something important that came up during the session, and I think you'll agree, and that is Andy Ott talked about in Monday's session, and I'm going to loosely quote him saying that we've politely ignored energy market design problems that are undervaluing baseload assets. And he added, we can't afford to ignore those problems anymore. And we completely agree with that. We've talked and talked over the last few years about energy pricing problems in the markets, convex hull, negative pricing, the fact that certain units can't set price during hours, the over commitment of resources driving uplift and a whole host of issues that we've had technical conferences on and white papers on and just haven't gotten started on working on that.

And as a consequence of not addressing those energy market issues, states and our customers are being deprived of assets that add resiliency, they add fuel diversity and they add some environmental benefits. And so what we expect to do at the end of the Technical Conference, you heard Calpine and others echo this, is we want to set a deadline for bringing to conclusion the energy market reforms that we've talked about.

And we think that talking about MOPRs or other things that interfere with states' rights before we fix the energy market problems is a little bit like putting your shoes on before you put your pants on. At the end of the day, it makes you look a little bit silly. And so once we get a reconstituted forum at FERC, we're going to go after these energy price reforms. And we think Secretary Perry's memo opens the door to address these issues.

So we think the last couple of days and Secretary Perry's memo gives us an opening to look at some unfinished business that we have to get after. So, long answer, big subject. But we see a lot of promise in what we saw over the last couple days and we see a lot of promise in what the DOE is looking at. We have to get this stuff over the finish line.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Great. Thank you.

Operator: Your next question comes from Julien Dumoulin-Smith with UBS.

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Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Good morning, everyone.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Julien.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

So perhaps just to take it back a couple of questions here. Can we talk about the non-nuclear generation strategy? Specifically, I wanted to just follow up a little bit on the renewable sell-down. First, what's the remaining EBITDA that could be eligible to be sold down if you want to qualify it that way?

And then secondly, can you talk about whether or not you would eventually review the Mystic sale? Is this something about restructuring the fuel arrangement and a matter of time, or is this probably something that's going to be on the back burner for a little bit?

And actually, I'll throw out a third question in at the same time. With regards to Texas, I just want to be very clear about this. The new Texas combined cycle assets are a separate and discreet process to the extent to which that you ultimately divest and/or lose control of the ExGen Texas assets, correct?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

That last question is correct. They're totally separate and would be operated that way. They're not part of the divestiture process.

On the first two questions, Jack?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So, Julien, with the JV structure, we have the opportunity to sell down further assets. The two that come to mind are our AVS, our solar facility, but that would not occur until 2019. We've got to get through the ITC recovery period for that. And the second asset would be our Albany Green Energy facility. It's a wood-burning plant that has a contract with two off-takers down in Georgia. And that's coming online this year, which could facilitate a drop down end of 2017, more likely 2018. And that's all contemplated as part of the overall structure with the JV.

With respect to the EBITDA, I'm not going to drill down into that. And with respect to EGTP, given the sales process that we're working with the lenders on, I just don't think it's prudent for us to disclose. And then with respect to Mystic...

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Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Yeah. Could you revisit Mystic? Just to follow up on that one, or is that something that is off the table for now?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

We're not going to talk a lot of details, but as we see an asset in that portfolio has a potential to create value and recycle capital, we will look at them. We look at it on an annual basis. We have some work to do on that one site, but we'll continue to evaluate it going forward.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Excellent. And just to understand the JV structure a bit further, on the renewable sale, why not sell down the whole entity over time as part of a wider deleveraging? Why opt for this JV structure?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

We're still committing to a clean portfolio. Being in the renewable business is still part of our strategy. At this point, maintaining the operational control, the maintenance of the facilities is important for us for our investment.

We're getting a fair return from those. But, at this point, we felt that the valuation that we were getting in the market allowed us to recycle the capital. So we're not exiting the renewable business. And we continue to put about $125 million a year into solar at the C&I level for some of our national customers. And we'll continue to look at that portfolio, how to best manage those investments going forward.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Excellent. Thank you for the patience.

Operator: Your next question comes from Stephen Byrd with Morgan Stanley.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Hi, Steve.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

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I wanted to follow up on Steve's question on the Department of Energy review. In terms of potential agencies or entities involved, in your mind, is that most likely to be FERC or federal legislation? In other words, I guess I'm struggling to figure out how the Department of Energy itself could provide economic support for baseload, whether that'd be nuclear, coal or gas. What sort of entities would most likely be involved?

And I guess I'm thinking, if the states are providing value for environmental benefits from ZECs and ISOs are providing the reliability benefit through Capacity Performance, what other elements are not being captured or what other tools are potential here?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Yeah, Steve, this is Joe Dominguez again. Let me kind of deal with a couple of parts of that. First, we think the DOE has an important role in setting policy. I think the implementation reform of that policy could, in certain instances, be new legislation, it could be things that are done at the NRC in terms of regulatory burdens on nuclear, but it would involve the Commission in that sense. It could involve different changes in rules at FERC. But the DOE is going to have an important voice, in our view, in this policy discussion and will set the tone, even if it can't complete all of the objectives.

There are certain tools that DOE has. Section 202, authority under the Federal Power Act, as an example, allows them to secure resources in the market that are needed. That is a power that has been used sparingly, I think only two times in history. But certainly there's a discussion around the use of it for baseload resources.

With regard to environmental attribute payments, I think we're kind of in a wait and see where the administration goes on carbon. But I think your general sentiment is correct that that's not something we see immediately coming out of the Department. But you asked kind of a more fundamental question, if the states are covering environmental and PJM is covering reliability, what's left? Well, I'll tell you what's left. What's left is is resiliency. There's a little bit of a different concept than reliability.

Reliability assumes that pipeline infrastructure and other critical pieces are in place. PJM assumes that and says whether there's some reliability impacts or the reliability expectations could be met.

Resiliency looks a little bit deeper at that and understands the impact of pipeline disruptions on natural gas-fired generation and should we start modeling those sorts of things, is there a value there.

The other piece that is not currently valued in the market is fuel diversity. As we transition to a market that is made up more and more of just natural gas, we're exposing our customers to fuel price volatility in the long run. Those things, because of the short-term nature of the markets, are fully considered. But if you look at Secretary Perry's Memo and I think it's the second bullet point – second and third bullet points of that Memo, address those very issues.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

That's very, very helpful to think through. Really appreciate that. And then I wanted to revisit your nuclear operational capabilities and appetite for growing your ownership of nuclear plants. You're acknowledged as a very, very strong nuclear owner and operator. Under what circumstances would you think about increasing ownership of merchant nuclear generation? What criteria would you think about in terms of your appetite for doing so?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Yeah, we have no interest in increasing merchant exposure across any technology. What we would look at is only contracted secure revenue streams going forward. It's pretty clear cut.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC
Q

That makes sense. But that could include state-determined payments rather than a classic PTA. Is that fair?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Yes. That's fair.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC
Q

Okay. That's all I have. Thank you.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Thanks.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.
A

Time for one more question, operator.

Operator: Okay. Your next question comes from Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Hey, guys. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Morning.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Just real question on how you're thinking about the dividend. And you've got a utility that's eventually going to self-fund the dividend and cover the HoldCo interest. What data points are you looking at where you can think

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about revisiting the growth rate? Is it clarity around PJM? Is it clarity around ZECs? What's the data points we should be thinking about?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Yes. So, we updated our dividend policy. The board updated the dividend policy about a year ago and gave you the clarity through 2018 on annual 2.5% increase of the dividend. As we said at the time, we want to give you a longer-term view on dividend policy. What we need to do is execute on our rate cases and our efficiency at the utilities in cost and operations. And so 2017 is going to be a big year to continue to have that focus.

And so as we come through into 2018, we can have a dialogue with the board, looking at we're achieving or close to achieving the goal towards 2018, 2019 on where we were going financially and our focus and strategy. So this year is a big year to perform. Next year is a year where we should be working very hard to give you a longer-term view.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Excellent. And then just lastly on retail. Just maybe a little bit of an update. I mean, obviously, there's some businesses that have changed hands. There's some consolidation. There's obviously some trends into this segment turning into a bit of an oligopoly. So, I'm curious on just from a generality standpoint, what you're seeing as far as the margin environment and that would be helpful.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.
A

Yeah. Good morning. It's Joe Nigro. I'll answer the last question first. Our retail margins for C&I origination still remain between the $2 to $4 we've talked about, well within that band. As you know, the market hasn't seen volatility, and we continue to monitor that. The consolidation overall helps because there's less participants in the marketplace. As you know, we've acquired companies ourselves. Obviously, other big entities have come into the space that haven't been there historically. That's been a positive.

We have seen some aggressive bidding behavior by some smaller entities in certain sectors, like government contracting and other things. But overall, we continue to monitor this very closely. And we're comfortable with the projections we have and our margins remain in that $2 to $4 space.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC
Q

Got it. Terrific. Thanks, guys.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Thanks, Shar.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Thank you.

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Operator: That is all the time we have for questions. I would now like to turn the call back over to Chris Crane for closing remark.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thank you. We appreciate your time and interest in Exelon. We really are off to a great start in 2017 and look forward to executing on the commitments we've made to you all. So appreciate your time today, and that'll end the call.

Operator: That does conclude today's conference call. You may now disconnect your lines.

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08-Feb-2017

Exelon Corp. (EXC)

Q4 2016 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Shahriar Pourreza
Analyst, Guggenheim Partners

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Stephanie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Exelon Corporation 2016 Q4 earnings call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. I would now like to turn the call over to Dan Eggers. Please go ahead, sir.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Stephanie. Good morning, everyone, and thank you for joining our fourth quarter 2016 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions after our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found on the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during the call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecasts, and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between non-GAAP measures to the nearest equivalent GAAP measures. We have scheduled 45 minutes for today's call.

I'll turn it now over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning to all. Thank you for joining us. 2016 was a monumental year for Exelon, and I'm very proud of what we have accomplished. We made great progress in the ongoing transformation of our company while delivering on our commitments. We performed well financially. Our 2016 GAAP earnings at $1.22 and our non-GAAP earnings were $2.68, landing near the top of our original guidance range of $2.40 to $2.70.

At the utilities, we benefited from a hot summer and low storm costs. At ExGen, the nuclear fleet had its best performance year on record. And at Constellation, the team executed very, very well.

In 2016, for the first time, our regulated utility, less the holding company, earnings represented more than half of the total earnings and is consistent with our goal for the utilities to be growing the majority of our EPS. And we've implemented a dividend growth strategy of 2.5% annually through 2018.

In March, we closed on the acquisition of PHI, adding $8.3 billion to our utility rate base and creating a significant geographic footprint covering the Mid-Atlantic region. The integration of PHI is going better than planned, help by our experience with BGE. We are working our way through the first of the two cycles of catch-up rate cases at the PHI utilities. We're seeing additional opportunities to help and improve the business processes in the stakeholder outreach process as we go through those rate cases.

The other banner highlight for 2016 was the creation of the ZEC programs in both New York and Illinois. For years, we have argued that all clean energy resources be treated the same way for their environmental attributes. We're able to work with a wide range of stakeholders in both states to enact programs that compensate these plans for their environmental attributes. As a result of these programs, we plan to continue to operate five plants and protect high-paying jobs, preserve needed tax basis in rural communities and maintain irreplaceable emission-free base load power production. These programs provide a supplemental cash flow for up to 12 years for some of our most at-risk plants.

Illinois legislation also provides significant benefit for our customers in energy efficiency, additional renewable generation and to benefit lower income customers. The program also adds to the earnings visibility at ComEd by implementing a decoupling mechanism, supporting energy efficiency investments where we now will be able to earn a return on those investments, and extending the formula rate to 2022.

In 2016, we also found ways to further grow stable revenue streams. We deployed $5.2 billion of CapEx at the utilities, growing the rate base by $2 billion, acquired ConEd Solutions, and will close the FitzPatrick nuclear plant station this spring. We have completed nine transmission and distribution rate cases, providing revenue increases of $397 million.

None of these accomplishments would be possible without the remarkable 34,000 employees that work hard every day to keep the power and gas flowing. Our workers donated over 170,000 hours to local non-profits, and

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Exelon donated $46 million, both of which were the most ever for Exelon. The commitment to our community is clearly part of who we are and shows our engagement beyond the products we deliver every day.

We also recognize that the support of our employees is essential to high-performing work cultures, and that is why Exelon took industry lead on two important initiatives in 2016. We expanded our paid leave policies to what are truly the best in class, with 16 weeks of maternity leave, 8 weeks for fathers and adopted parents, and 2 weeks of family leave. We were also the first utility to sign the White House Equal Pay pledge.

Being a good citizen also means supporting our local businesses. In 2016, our spend with female and minority-owned businesses reached $1.9 billion, over 200% since 2011, and it represents almost 20% of our sourceable spending. The team has done a great job making sure we work with our suppliers across all our communities. Doing the right thing by our employees and communities is the smart thing for business. And more importantly, it's the right thing to do. We are proud to be leading the industry forward on these fronts.

Turning to operations, our utilities had a great year. The legacy Exelon utilities continued to perform at top quartile on key operating and customer satisfaction metrics. These are the foundations of a constructive regulatory relationship. The efforts at PHI before the merger and our intense focus on operations since then has started to show benefits.

The color blocks are improving even compared to 2015, although we did get some help from favorable weather in 2016. PHI is still improving. We're encouraged by the gain so far, and we have plan in place to deliver for our customers and stakeholders.

The color blocks show great performance, but this actually is underselling how well we did in 2016. We actually had a number of best-evers this year. ComEd, BGE, PECO had had their best customer satisfaction ever. ComEd and PHI outage frequency were the best ever. And BGE had its shortest average outage duration ever. The benefits of our uniform management model across the utilities, our smart grid initiative, and our continued reliability spending are clearly paying dividends for our customers.

Turning to our non-regulated business operations, we had a banner year in generation as well. Our nuclear fleet had its highest ever capacity factor at 94.6% versus the industry average of 90.4%, which allowed us to produce an additional 7 terawatt hours more and approximately $275 million of revenue than if we had just been average. We also had the shortest average refueling duration ever, just over 22 days versus the industry average of 37 days. The fact the entire fleet performed so well against the backdrop of potential plant closures and fighting for ZECs is truly a testament to the professionalism of the workforce, which we all are greatly appreciative of.

Our gas, hydro, and renewable assets also had a good year, strong energy capture on the renewable and the power dispatch on our conventional plants.

At Constellation, the team performed exceptionally well. Our customer renewal rate was 77% for electric and 91% for gas. Equally important, our new business win rate was at 28% last year, and our C&I market share grew to 25%.

Now, I'm going to turn the call over to Jack to provide the financial update.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

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Thank you, Chris, and good morning, everyone. My remarks today will focus on 2016 results, 2017 earnings guidance, and updates to a number of our financial disclosures including gross margin. Going forward, the fourth quarter will be when we update key financial disclosures and roll our hedge disclosures over the year.

On slide 8, as Chris stated, we had a very strong year financially and operationally across the company. For the full year, we delivered adjusted non-GAAP operating earnings of $2.68 per share, near the top end of our original guidance range of $2.40 to $2.70 per share.

Strong performance at both our utility and generation businesses drove these results. The appendix contains further detail on both our fourth quarter and full-year financial results by operating company on slides 52 and 53.

Turning to slide 9, we expect to deliver full-year 2017 adjusted operating earnings of $2.50 to $2.80 per share with the first quarter in the range of $0.55 to $0.65 per share. Our 2017 guidance range includes a full-year contribution from PHI, contributions from the FitzPatrick plants after closing, and the partial year impacts of the New York and Illinois ZEC programs that start on April 1 and June 1 respectively.

The growth in utility earnings primarily reflects continued reliability investments at ComEd, plus higher formulaic allowed ROEs, as well as increased rates from the recent distribution rate cases at BGE, ACE, and Pepco Maryland. These are partially offset by higher O&M at PECO and BGE related to a return to normal storing costs after a calmer 2016, as well as higher depreciation and amortization driven by capital expenditures.

At Exelon Generation, the year-over-year decrease is primarily driven by the impact of hedging into lower energy prices, partially offset by revenues from the New York and Illinois ZEC programs as well as the new Texas CCGTs coming online this summer. More detail on the year-over-year drivers by operating company can be found on the appendix starting on slide 55.

On slide 10, let's turn to our updated multi-year forecast, and we'll cover 2017 to 2020 and provide a refresh of what we shared with you at the Analyst Day. For your convenience, in the appendix, we show these updated numbers side-by-side against the Analyst Day numbers.

We'll invest more than $20 billion into our utilities to the benefit of our customers over the next four years, which is a slight increase since Analyst Day. Upside comes from the Future Energy Jobs Bill in Illinois, which will allow ComEd to grow rate base and earn a fair rate of return on energy efficiency investments. We now project rate base growth of 6.5% through 2020.

On slide 11, of the $9 billion of rate base growth expected through 2020, approximately 75% is covered under either formula rates or other similar types of mechanisms. These timely recovery mechanisms allow us to make additional investments on the behalf of our customers while supporting our ability to earn our allowed ROE. Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools. I should also note that following the passage of the Illinois legislation, more than 70% of our rate base is decoupled.

On slide 12, we showed the trailing 12-month blended transmission-distribution earned book ROE at each of the PHI utilities relative to their allowed ROEs. ROEs at PHI have improved modestly, but there's still much work to be done. Legacy Exelon utilities had a strong 2016, earning 10.5% as a group, helped by favorable weather and lower-than-normal storm activity.

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On a weather-normalized basis, the earned returns or ROEs would be closer to 10.1%. Improving the earned ROEs at PHI and sustaining a strong performance of the legacy Exelon utilities will be important to meeting our overall utility earnings growth targets. Going forward, we will provide a slide on a quarterly basis to keep you updated on the progress we're making from an earned returns perspective.

On slide 13, we have an update on our current rate cases that are still in progress. Since our last update, we have completed two of the pending rate cases, the Pepco Maryland case was decided in November and we received a $52.5 million revenue increase. In addition, the ComEd annual formula rate filing was settled in December with an increase of $127 million related to approximately $2.4 billion in capital investments made in 2015. Those investments which includes $663 million for smart grid-related work has helped strengthen and modernize the electric system.

We still have four pending rate cases at Pepco and Delmarva, combined we're asking for $216 million in revenues, which reflects recovery on multiple years of smart meter and other capital investments that have been made to improve the reliability of the grid across these jurisdictions.

We expect the final ruling on the Delmarva Maryland case in mid-February, with the remaining cases being completed over the summer. More details on the rate cases can be found on slide 61 through 66 in the appendix.

Consistent with our previous discussions, we expect to file rate cases in each of the PHI jurisdictions again in 2017, as we continue to close the gap between allowed and earned ROEs.

Slide 14 provides an update on our outlook for utility EPS. The bars are largely the same as in Analyst Day, albeit $0.05 higher in 2017 and 2020. The increase in 2017 is due to continued cost management efforts; and the increase in 2020 is due to ComEd ROEs and efficiency-related investments. With a higher 2017 starting point, we now project strong 6% to 8% utility EPS growth through 2020.

Turning to slide 15, we've modified our gross margin disclosures for ExGen. We now include a new line that carves out capacity and ZEC revenues. ZEC revenues are the payments Exelon receives in New York and Illinois for the beneficial environmental attributes of our nuclear plants. The purpose of this new line item is to clearly call out the portion of our gross margin that is more contracted in nature. As a result of including ZEC revenues from New York and Illinois, the FitzPatrick acquisition and the reserved – reversal of the shutdown decisions of Quad Cities and Clinton, total gross margin increased by $650 million, $1.05 billion and $1.1 billion in 2017, 2018 and 2019 respectively. Almost all the gross margin changes relate to the fleet updates with changes in power prices, adding $50 million in 2018 and costing us $50 million in 2019.

Turning to slide 16, on our last earnings call, we announced we were reducing O&M by $100 million in 2018 and $125 million in 2019 at ExGen, adding to the $400 million of savings we've already taken out of the business.

The baseline O&M outlook remains the same from last quarter, although the total O&M cost outlook has increased with the addition of the FitzPatrick, Quad Cities, and Clinton power stations which we break out on the slides for your reference.

Our baseline capital spend is decreasing through 2020, driven by the proactive investments we've made in our nuclear fleet over the years. These investments have resulted in best-in-class performance and reduced risks for significant unplanned capital spend in the future.

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On slide 40, we provide greater detail on these investments and the impact they have had on the nuclear fleet since 2010. We continue to run an efficient organization, and we'll always look for ways to reduce costs and run the fleet more cost effectively while maintaining the highest standards for safety and reliability.

Turning to slide 17, ExGen will generate nearly $7 billion of free cash flow through 2020, which is more free cash flow for that time period than what was included in our Analyst Day disclosure. This is primarily driven by the incremental cash associated with the New York and Illinois ZEC programs, partially offset by the impacts of lower power prices in the outer years. As we've said before, we will use ExGen's free cash flow to fund utility investment and pay down over $3 billion of debt through 2020.

Turning to slide 18, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating. We are forecasting to be at 3.3 times debt-to-EBITDA at ExGen by the end of 2017 and have a clear path to our long-term target of 3 times debt-to-EBITDA. As we've said before, we will look to retire holding company debt once we've reached the 3 times target at ExGen.

From a recourse perspective, we are already below the 3 times debt-to-EBITDA level at 2.7 times, as shown here on the slide. This ratio will continue to decline as well with the paydown of debt to reach our consolidated 3 times target. The health of our ExGen balance sheet is strong and is continuing to improve.

Before I turn the call over to Chris, I'd like to spend a few minutes on the potential impacts of tax reform legislation of Exelon, which has been a topic of discussion since the election. Research reports and our peers who have already reported earnings have discussed the impacts to the sector and their businesses.

From a policy perspective, we think simplifying the tax code and lowering rates is the right objective. We are actively working with our partners at EEI and NEI and on our own to help inform the ultimate tax design. No legislation has been introduced at this time, so no details on exactly what will be included or how it will be => included is available beyond the short description of the Trump plan or the House blueprint.

In fact, just last week, Senate Finance Committee Chairman Hatch said he's not planning on using the House legislation as a starting point. So the Senate will have its own bill, and there's no proposal for that bill at this time. And President Trump's economic team has stated that they will have their own views on tax reform once they're in place.

At this time, there's no way to know what a tax reform package will look like or how long it will take to advance, which leads us to the mindset that is premature to quantify how tax reform will impact Exelon's financial outlook. We run a wide range of scenarios to understand the high-level impacts of common themes in the House and Trump plans.

The House blueprint, excluding order adjustment provisions, will be neutral for our utilities, neutral to positive at the GenCo, and negative at the holding company due to the elimination of all interest deductibility. Order adjustment will be an additional negative at ExGen due to the importation of nuclear fuel, and at that the utilities would raise the cost of imported T&D capital equipment that goes in the rate base.

We've seen significant opposition to both the border adjustment and elimination of interest expense deductibility recently, leaving the fate of these provisions unclear. To the extent the Trump campaign becomes the basis of legislation and the election is made to take interest deductibility rather than immediately expense capital additions, it could be meaningfully positive to Exelon's earnings.

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We see a long path until tax policy has clarity. We'll continue to advocate for the best interest of our customers and shareholders as legislation is developed.

With that, I'll now turn the call back to Chris for his closing remarks.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack.

This next slide should look familiar to you at this point. This is Exelon's value proposition, and we are not wavering from these commitments. Strong utility growth, we expect to grow the rate base at 2.5% annually through 2020 – at 6.5%. Dan caught that one right away, 6.5% annually through 2020, which converts to EPS growth off our 2017 midpoint of 6% to 8% a year.

We will continue to look for opportunities to invest in reliability and customer service. ExGen is expected to generate nearly $7 billion of free cash flow through 2020, which is better than we had budgeted at the Analyst Day. We will use this free cash flow primarily to invest in the utilities, pay down over $3 billion of debt over the next years. And we will continue to optimize the value of ExGen through best-in-class operating like we saw in 2016, capturing the benefits of our gen-to-load matching strategy, and fair compensation for our clean energy assets, similar to what we've accomplished in Illinois and New York.

We remain focused on the balance sheet and are comfortably exceeding our credit metrics targets over the planning horizon. And our capital allocation priorities will remain the same, regulated utility growth, dividend growth, and debt reduction. The leadership team firmly believes we can deliver on these commitments to our shareholders.

Our executive compensation is directly tied to these goals, with the long-term components driven by hitting the multi-year earnings targets at the utilities which ensures we grow this business as we've committed to you. Meeting our targets improvements in earned ROEs at the utilities, which ensure we turn around the performance of the PHI utilities and maintain a strong investment grade credit metrics, which ensures the financial health of the business, no matter what the commodity price backdrop is.

Finally, our long-term compensation will be adjusted point per point with the three-year performance relative to the UTY, meaning that we are directly aligned with the long-term shareholders. I'm proud of everything that this team has accomplished in 2016 and very excited about the plan we have in place for the future.

So, with that, Stephanie, we can open it up for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Greg Gordon with Evercore.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks. Just a couple of quick questions as you guys were pretty thorough. So, can you give us an update on where you were on some of the tactical decisions you've made to sell down or exit from certain businesses, both the sell-down of the renewables business and the process on Mystic?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Greg, it's Jack. I'll take that. So, I'll start with the renewables. I think it's been widely reported that that we've been in the markets talking about a joint venture for our renewables business, and that process is going well. We want to maintain a stake in that business as it's important to our overall participation in the energy complex.

We do have a significant amount of project-level debt on those projects. So there is a thinner equity layer on top of that. So the proceeds, while meaningful, will be used for debt reduction. We'd expect that to be a very positive event for the company.

With respect to the Mystic process, that process continues to be underway. We've had broad interest in those assets as they play a key role in that needful market in Downtown Boston. We continue to work with the various stakeholders to draw it to a conclusion. And we look forward to that having a favorable outcome as well here.

Greg Gordon
Analyst, Evercore ISI

Q

Jack, can you give us any insight as to why it's taken longer than maybe we had initially expected when we – when you first articulated a desire to potentially sell those assets, it was at the EEI last year. And there was the potential for sort of an event early in the first quarter, and we still haven't seen that. And then, even if you were to get a deal tomorrow, given the lack of a quorum at the FERC, what are we looking at in terms of realistic timing to actually come to a closing of a transaction there?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

So, if we did openly talk about it after it had been leaked and figured we get that out there, but there is no fire sale here. We need to take our time and go through the process and make sure we obtain the right value for us and for all involved in it, so working through it, and we'll keep you informed when we're at a closure.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. But assuming you got a price that was accretive to what you think the implied value is today for ExGen, that would accelerate the deleveraging that you're talking about here on slide 18 in the handout, right?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

That's correct, Greg.

Greg Gordon
Analyst, Evercore ISI
Q

Okay. Fantastic. And the growth rate target for the utility now, that's just clearly a function of having a higher base in 2017, you're $0.05 higher in 2020. So, the headline number is not a reduction in the expectations, it's just algebra, right?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

That's correct. And you'll know with the passage of Illinois legislation and the energy efficiency programs, the solar programs we added to CapEx at ComEd, rather substantively throughout the curve. I think it's also important to note, we have a pretty conservative policy on only putting into our CapEx forecast the utilities, plants that are fully formed for capital investment. So, as time progresses and as we see opportunities to invest in the behalf of our customer, there are the opportunities for that rate base and capital budget to grow in those outer periods.

Greg Gordon
Analyst, Evercore ISI
Q

Right. I have more questions, but I'll go back in the queue. Thanks.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Thank you.

Operator: Our next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Yeah. Good morning, guys.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.
A

Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.
A

Good morning.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.
Q

Can I ask, Jack, I noticed you mentioned that the – that debt reduction target on slide 17 is now ExGen and HoldCo, and I think before it was just ExGen, so just to confirm that – if that is the case. And secondly, how much

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of the $3 billion roughly is it going to take to get to the 3x debt-to-EBITDA target? So, how much is therefore left over for HoldCo on the current plan?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So, Jonathan your first comment is correct. We previously were talking about retiring debt at the GenCo, now we see the opportunity once we achieved 3 times debt-to-EBITDA to retire debt at the holding company. With respect to the debt retired – we'll retire at the holding company, we have a $900 million maturity in 2020, where I think you could see us potentially retire debt or some component of debt, and we're looking at opportunities with use of proceeds from a variety of strategic activities that we have ongoing to address the roughly $600 million of ExCorp that's not tied to the mandatory convertibles reissuance of $1.15 billion in 2017.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

What's roughly the timing that you see in this kind of – through 2020 outlook that you'd get to 3x on the GenCo absent an asset sale?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

I think it's – I think – I think we can get there through cash generation I think over the next, say, two to three years. And then, we can – as we get out in the 2019, 2020, we can work against the holding company.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. Thank you. And then, if I could ask one other thing on – can you give us any sort of thoughts around potential for other states to consider New York and Illinois style nuclear measures?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Jonathan, this is Joe Dominguez. Right now, active discussions are occurring in Connecticut which is probably the most advanced. We believe those discussions will be started in Ohio, already have been relatively shortly in New Jersey and in Pennsylvania. I think all of the states, as Chris indicated before, states that understand the value of the nuclear plants and want to keep these plants operational, and so the level of discussion is at different stages, some with fully formed legislation that's already moving through committee, that's the case in Connecticut, and stakeholder average [indiscernible] (32:16).

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay, great. That's it, thank you.

Operator: Your next question comes from Steve Fleishman with Wolfe.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Hi, good morning. Can you hear me okay?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yes, we hear you fine, Steve.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Great. Just a couple of nuclear questions. First, could you give a sense on the appeal process on the ZECs, I guess, in New York, and when we should know from the court kind of roughly either way on the ruling both, I guess, your motion to dismiss and then an actual ruling?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

So in the Federal Court action in New York, as you noted, a motion to dismiss has been filed. That's been fully briefed. I know a number of you have asked for the briefing packages, and those are available to anybody who would like them. We feel very strongly about our case and we believe it should be dismissed on that motion. But if it proceeds to trial, that trial will occur through to the balance of the second quarter, and we would expect a decision sometime this summer.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. And then just more broadly on nuclear, there's been talk of the Trump administration wanting to do something for nuclear. Is there any better visibility on what they might be looking at or things that you might be suggesting?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

There hasn't been any concrete conversations, just a preliminary recognition of what's going on in the marketplace and the need to maintain the diverse power sources, looking at the economics, local economics of them and the benefit to the customer. So just starting, a lot more dialogue will happen with NEI and the administration, and we're staying involved with NEI and also with our own folks interfacing with the administration.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay, one separate question on tax reform. I know you don't want to get into specifics, but just if we think about your company and the issues you care most about getting fixed or adjusted, are there any particular ones that you're most focused on addressing of the different factors that you mentioned?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Yes, we think Jack did a good job framing up why it's really premature for us to get point to point. I spent a lot of time on my own and with the EEI leadership in DC to look at this effect on utilities, utility customers, and what has happened in 1986 tax bill. So there are certain things in the regulated space that create a difference. I'm sure a lot of industries are trying to say they're different. But surely back in 1986, the insurance industry and the utility industry, the regulated utility industry was recognized as an exemption or a different methodology.

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So that kind of conversation is happening within the process. It's not right to have a debate across the table until we have a bill, but coalescing under Tom Kuhn's leadership and the EEI executive leadership and board, we're working through those issues. Everybody is for a lower corporate tax rate. That's an easy one. Jack talked about the probability of the blueprint staying the way it is now versus after the sausage is made. It's something we'll just have to stay engaged and follow. But you reduce an interest deduction from a utility, and that automatically goes on to the customer, and we've got to make sure it's not an unintended tax increase for the customer and we just have to work through those details.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Great, thank you very much.

Operator: Your next question comes from Julien Dumoulin-Smith with UBS.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Hey, good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Hey, maybe quickly following up on the last one here with Steve, can you elaborate a little bit on what the read-through would be from the litigation in New York vis-à-vis Illinois? Would there be an immediate impact, or how are you thinking about this perhaps across the various ways it could play out? And I've got a follow-up back.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Julien, this is Joe. The programs in New York and Illinois are very similar. They're both based on paying for the environmental attribute based on the social cost of carbon. And so the read-through is that when we are successful in New York, we think it will be a very helpful precedent to challenge the Illinois legislation.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Got it, excellent. And then just following up here on Greg's earlier question, just to establish a little bit of a baseline, how are you thinking about your portfolio evolution given the need to backstop the broader retail business? Are basically all combined cycles, broadly taking here, something that could be looked at? And then also at the same time, how are you thinking about the expansion of the retail business? Obviously, there have been some headlines out there on that as well.

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Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Julien, good morning. It's Joe Nigro. Broadly, we look at our asset portfolio on an annual basis and we look across our nuclear fleet through to our fossil and renewable fleet. And strategically, you've seen some of the assets that we've divested through time here, and I will tell you it hasn't had a material impact on managing our retail portfolios, given that we carry a lot of what I would call optionality in our portfolio with the generation assets.

And then additionally, when we need to, we will go to market to augment with additional products. So we're very comfortable where we are and we continue to strategically look at our portfolio. And if the market is willing to pay for something maybe more than we have value on, then we'll take that into account, make the decisions necessary recognizing that we do need to continue to manage our business. And I'm sorry, the question on...

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Retail growth.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Retail growth, we're now – our C&I business is, as Jack mentioned or Chris mentioned in the script, we're about 25% of the market share in C&I. Our margins remained stable in that $2 to $4 origination range, and we continue to monitor that very closely. You heard what our renewal rates are and our win rates are, and they're in line with what we've laid out in the Analyst Day, and we're very comfortable with the plan that we have in place as we move through 2017. We'll continue to monitor that, but right now, we're very happy with where we are.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

And you wouldn't necessarily take this out a little further, acquisitive expansions in addition to organic, and maybe that's a good kind of segue into thinking about – what kinds of targets are you thinking about on a volumetric basis for the volumes in aggregate as we move through time?

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

We've given you the volumes, and I think previously – and we rolled them out again at the EEI, and we're very comfortable with where we are on the volume scale. I would tell you, you continue to see consolidation in the retail market, you see some generation entrance that have bought entities, existing entities, not really creating their own retail platform, so there's really no change there.

As you know, we've bought a few in the last few years, and we see the consolidation. We'll continue to hunt for those if the opportunity is right, and we see value and it fits our portfolio in what we're trying to achieve with the customer. And we'll remain disciplined with that. With our acquisition a few years ago of Integrys, and recently, last year with ConEd, we've been very happy with that outcome and the way they've integrated into our portfolio, and we'll continue to look for those type of opportunities.

Julien Dumoulin-Smith
Analyst, UBS Securities LLC

Q

Thank you, gentlemen.

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Operator: Our next question comes from Michael Weinstein with Credit Suisse.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Michael.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

I was wondering if you could comment a little bit on the impact or the impacts of lower load growth and capacity performance in the PJM, upcoming PJM capacity auction. And separately, FERC recently rejected the MISO proposal for a competitive retail solution in certain zones. One of the criticisms, I think, FERC had in the rejection was that it was not broad enough throughout MISO. I'm just wondering if there's any potential for some kind of broader forward auction system throughout the entire Midwest ISO.

Joseph Nigro
CEO-Constellation & Executive Vice President, Exelon Corp.

A

Yeah. Good morning, Michael. It's Joe Nigro. I'll take the first question on PJM, and then I'll hand it off up to Joe Dominguez, and he can talk a little bit about the MISO question. From a PJM perspective, there is a lot of moving pieces, the load came in, as was previously announced, down about 3.5 gigawatts or 2%. So, that wasn't unexpected. We cleared about 27 gigawatts of non-CP supply last year or 16% of what cleared, and as you mentioned, that will be 100% CP this year. that's obviously a positive change when you think about price. There were some movement in the import capabilities. We saw it shrink some into the ComEd zone. And we saw it increased slightly into eastern Mass., so that has an offsetting effect in those two areas.

I guess the big thing is it remains around the two biggest variables which are the bidding behavior, and as you know, year-over-year, the energy rents are down, given how low the prices were on coal last year, and then additionally, what the new build is. And we continue to struggle to see how the economics of that new build works, given how marginal it is at best with where the market is on a forward basis. So, putting that all together, there's a lot of moving pieces where our long-standing policy is really not to try to forecast that, but there's a lot of puts and takes that we're evaluating as we go through this.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

And Michael, this is Joe Dominguez, the short answer to your question is, no, I don't see a likelihood that we will see, as a result of this FERC order, an expansion of the proposals for what was effectively Southern Illinois and Michigan across all – with MISO. I could go into a little bit more detail but the answer is no.

Michael Weinstein
Analyst, Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Thank you very much, guys.

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Operator: At this time, we have reached the allotted time for questions. Our final question will come from Shahriar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Analyst, Guggenheim Partners

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Shahriar.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Good morning, Shahriar.

Shahriar Pourreza
Analyst, Guggenheim Partners

Q

Just real quick on the $0.32 that you're now guiding on ZECs and FitzPatrick, can you – are you embedding any sort of synergies of owning Nine Mile and FitzPatrick within the same portfolio, or you're still kind of looking at this opportunity?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

We're still looking at the opportunity, we're in the process of integrating that plans and that's going quite well. We've got to close the acquisition in March. Obviously, given its proximity to our Nine Mile units, we anticipate that there may be opportunities as we get in there and optimize the operations.

Shahriar Pourreza
Analyst, Guggenheim Partners

Q

Okay. Got it. And then, Joe, can you just real quick handicap Pennsylvania, maybe from a potential timing or when we can see something? Are we looking at an adjustment to the RPS to include the nuclear, or is it more of a function of sort of a similar ZEC-type program?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

I think historically what we've done is we've begun the discussion, and the first stage of the discussion is establishing a recognition that nuclear is the lowest cost and most reliable zero-carbon option for our customers, that's where we are in Pennsylvania. The next stage, I think we'll start getting into different solution sets, and you've identified a few, right. So, you could look at something that's similar to the ZEC programs that have been adopted. You can include nuclear as a qualifying resources and RPSs. And it's way too early for me to handicap where that discussion is going to go. There are a lot of different stakeholders. What's important to us is syncing effectively the first concept, which is that nuclear needs to be treated on a level playing field with other non-emitting resources. That will be the first objective in having that discussion. And then, I think, I can ask, as we move through this and in subsequent calls, we could talk about a bit more about how we handicap the options and outcomes.

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Shahriar Pourreza
Analyst, Guggenheim Partners

Q

Terrific, that's all I have. Thanks, guys.

Operator: At this time, I would like to turn it back over to Chris Crane for closing remarks.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Thanks, everybody, again for joining. And hopefully, we got all your questions. If not, then get a hold of Dan and his group, and we'll fill in any blanks. It was, as I said, a phenomenal year in 2016, and we're looking forward to building on that in 2017. Thanks.

Operator: Thank you. This concludes today's conference. You may now disconnect.

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26-Oct-2016

Exelon Corp. (EXC)

Q3 2016 Earnings Call

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CORPORATE PARTICIPANTS

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Joseph Nigro
Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

Anne R. Pramaggiore
President & CEO-ComEd, Exelon Corp.

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

Denis P. O'Brien
Senior Executive Vice President, Exelon Corp.

OTHER PARTICIPANTS

Greg Gordon
Analyst, Evercore ISI

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Steve Fleishman
Analyst, Wolfe Research LLC

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Christopher J. Turnure
Analyst, JPMorgan Securities LLC

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Brandi, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Exelon Corporation third quarter 2016 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Dan Eggers, Senior Vice President of Investor Relations. Please go ahead.

Daniel L. Eggers

Senior Vice President-Investor Relations, Exelon Corp.

Thank you, Brandi. Good morning, everyone, and thank you for joining our third quarter 2016 earnings call. Leading today's call are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by the other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and the Risk Factors section of the earnings release and the 10-Q, which we expect to file later today. Please refer to today's 8-K or the 10-Q and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts, and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures. We have scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Dan, and good morning to all of you. We appreciate your time and the interest in Exelon in joining the call today.

We hosted our Analyst Day in August, and you have a lot of information that we passed on to understand the business and our value proposition. With that fresh in your mind, today's call will focus on the third quarter results, some business updates, including actions we are taking with recent power weaknesses.

We had a great third quarter across our utilities, Constellation, and our generating fleet. On a GAAP basis, we earned $0.53 versus $0.69 last year quarter over quarter. On the operating basis, we earned $0.91 a share, up from last year's $0.83 per share and well above our guidance range of $0.65 to $0.75 per share. Jack is going to cover the details on earning drivers, but let me make a few observations.

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At the utilities, the hot summer weather was a big help, with revenues up on higher volumes of electricity sold and lower costs with less storm activity across the system. The excellent reliability we provided to our customers over a hot summer reinforces the benefits of our capital investment programs. ExGen had a great operational quarter, with the nuclear fleet producing more power ever in a quarter. Finally, Constellation really hit a sweet spot in the third quarter.

The sustained hot weather enabled us to sell high volumes of electricity to customers while limited price volatility brought the cost to serve the customers down, allowing us to profit on both volumes and margins. The continued success at Constellation in the third quarter reinforces the value of our gen-to-load matching strategy.

So if you look at slide six, as we talked about best-in-class operation, at the Analyst Day we emphasized best-in-class operation across all our businesses, which we see as the ticket of entry at the utilities and economic imperative at the generation business, and I'm happy to report that the third quarter was operationally strong.

And our color block charts highlighted operating performance and customer satisfaction for the utilities. Legacy Exelon utilities remain almost entirely first quartile. I'm proud of our customer satisfaction results but am disappointed with our OSHA results, and we are taking corrective actions and should get these numbers back to first quartile shortly.

At PHI, we are encouraged by the process (sic) [progress] (5:02) we are making, although some of this success has been helped by good weather and limited storm activity. We still have a long way to go to meet the reliability commitments we made, but we are working hard to provide the service our customers deserve.

I mentioned already that the nuclear team had a very good quarter with a

capacity factor of 96.3% and no unplanned outage days even with the summer's sustained heat. For the year to date, our nuclear capacity factor is at 94.8%.

Constellation also had a great quarter, completing the acquisition of ConEd Solutions and beginning that integration.

We continue to see a robust renewable rate, with margins and contract durations holding at levels we discussed at the Analyst Day. So I want to thank all of our employees for excellent operations over the quarter and professionalism in what was a very hot summer with fantastic results.

On the regulatory team side, the utilities are very busy as we work through a full load of rate cases at PHI in particular. We've completed one rate case at PHI. The New Jersey BPU unanimously approved the ACE [Atlantic City Electric Company] rate case settlement in August, yielding a good outcome. It brought needed benefits to the New Jersey customers months earlier than if we would have litigated the case. We appreciate the efforts of all the parties in New Jersey in making this happen.

We are encouraged by the progress that we are making so far, but we're also aware that improving operations and returns at PHI will take time. These are the first sets of rate cases. We plan to refile at each PHI utility again in 2017. It will take two cycles to what we believe align our revenues with the significant capital being deployed to benefit our customers, improve reliability, and help the environment overall.

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Talking about our key priorities, for us it's finding an economically sustainable path for our financially challenged nuclear plants. We're currently on very different paths, but expect clarity this quarter in New York and also Illinois. In New York, we're making progress on finalizing the contracts with NYSERDA and expect to have them sign for all three plants in November. This aligns with the expected approval from the New York PSC on the acquisition of the FitzPatrick plant.

We expect the CES from Ginna, Nine Mile 1 and 2 to add approximately $0.08 to $0.10 of EPS. We can expect FitzPatrick to add another $0.02 to $0.08 per share a year depending on the refueling reschedules.

As expected, a group of independent power producers filed a challenge in federal court. The lawsuit does not request a stay or an expedited trial, and we continue to believe that the CES design is sound and that it will withstand any legal judge.

In Illinois, we continue to work with a wide group of parties on a comprehensive energy package that would preserve the Clinton and Quad Cities stations' operating right. It will advance the utility investment aimed at energy efficiency and reliability and will support further growth in renewable energy production in Illinois. The timeline is short for the resolution, with two windows during a six-day veto session in November and the beginning of December.

We remain hopeful that we can reach a constructive solution that truly is in the best interests for our state and our fellow Illinois citizens. But absent of the action during the upcoming veto session, both facilities will close. We are moving forward with the retirement of the plants. We have already notified PJM of our intent to retire Quad Cities, and we'll inform MISO in the beginning of December if the legislation is not passed.

A few years ago, we asked you to wait a while we work through the process in Illinois, and we have appreciated your patience. We are now very close to the ultimate resolution in both Illinois and New York.

So with that, I'll turn the call over to Jack, and he will walk you through the numbers.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

Thank you, Chris, and good morning, everyone. My remarks today will cover our third quarter and year-to-date results, our updated 2016 guidance range, progress on our current rate cases, and our gross margin disclosures.

Starting on slide 9, as Chris stated, we had a very strong quarter financially and operationally across the company. For the third quarter, we delivered adjusted non-GAAP operating earnings of $0.91 per share, exceeding our guidance range of $0.65 to $0.75 per share.

Exelon utilities delivered a great quarter with a combined $0.53 per share of operating earnings. This was driven by favorable weather at ComEd and PECO, where cooling degree days were 39% and 37% above normal respectively, as well as lower O&M expense versus plan across all our utilities, primarily due to lower than normal storm activity.

Generation delivered $0.41 per share of operating earnings in the quarter. We had strong performance at our Constellation business, where our generation-to-load matching strategy continued to provide value, and we benefited from a lower cost to serve our customers.

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On slide 10, the $0.91 per share in the third quarter of this year was $0.08 per share better than the third quarter of 2015. Upside came from favorable weather across our service territories, the inclusion of PHI, and higher distribution revenues at both ComEd and PECO due to increased capital investment and increased rates respectively. This was partially offset by a decrease in earnings at ExGen, driven primarily by increased taxes due to the inability to use the domestic production activities deduction and lower capacity prices.

On slide 11, our year-to-date earnings of $2.24 per share are $0.11 per share higher relative to the same period last year, driven by performance at the utilities. The primary drivers are favorable weather, increased distribution revenues across all of our utilities due to higher rates and increased capital investment, and the addition of PHI. ExGen is down $0.16 per share from this time last year due to increased decommissioning costs, increased taxes, and share count differential.

Turning to slide 12, we are raising our full-year guidance range from $2.40 per share to $2.70 per share to $2.55 per share to $2.75 per share, reflecting in particular the strong results that we've seen at ComEd and PECO year to date.

Turning to slide 13, we've laid out the schedule for the next six months of activity in all our current rate case proceedings across Exelon utilities. As you know, we filed distribution cases in all of PHI's jurisdictions and expect decisions spread throughout the third quarter of next year, providing needed revenue relief as we continue to make significant investments on behalf of our customers. Our investments in our utilities are needed to improve the customer experience and create value for customers.

As Chris mentioned, in August, the New Jersey Board of Public Utilities approved a settlement authorizing Atlantic City Electric to increase its electric distribution rate by $45 million. The new rates went into effect immediately, which was seven months earlier than expected. This ruling recognizes Atlantic City Electric's commitment to enhancing its energy infrastructure. Over the past five years, Atlantic City Electric has spent approximately $716 million in energy system upgrades to benefit its customers. This settlement is a good start, but there's more work to be done in the other jurisdictions.

We still have rate cases outstanding at the other PHI utilities. In these cases, we're asking for $326 million in revenue requirement increases. These increases reflect recovery on multiple years of smart meter and other capital investments meant to improve the reliability of the grid across all the PHI jurisdictions. We're expecting the Pepco Maryland decision in mid-November, followed by Delmarva Maryland in February.

In addition, ComEd made its annual formula rate filing with the Illinois Commerce Commission in the second quarter of this year, with a decision expected in December. ComEd requested a revenue requirement increase of $132 million related to approximately $2.4 billion in capital investments made in 2015. These investments, which include $663 million for smart grid-related work, help strengthen and modernize the electric system. More details on the rate cases can be found on slides 28 through 33 in the appendix.

Slide 14 provides our third quarter gross margin update, including our 2019 disclosures. We're including the 2019 numbers a couple weeks earlier than our normal course of [ph] DEI (14:25), as we wanted to package together some interrelated updates for you today. Our total gross margin uses September 30 curves and does not include the impact of the CES program in New York or the purchase of FitzPatrick. But we have included these impacts below the line to provide a full picture for 2017 through 2019. We anticipate formally including both of them on our fourth quarter call.

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2016 total gross margin increased $50 million during the third quarter, lifted by strong performance, primarily at Constellation. We're highly hedged for the rest of this year and remain well balanced on our generation load-matching strategy.

Total gross margin decreased from the second quarter to the third quarter by $100 million in 2017 and $250 million in 2018. The decline is driven by lower power prices on the unhedged portion of our output. We have seen power prices at NiHub and West Hub for these years move higher since the end of September, with 2017 increasing approximately $0.50 to $0.75 per megawatt hour respectively.

2018 prices have increased approximately $0.20 to $0.50 per megawatt hour respectively. And as a result total gross margin on our unhedged generation has recovered since 9/30 by $50 million. At the end of the quarter, our hedge position was approximately 7% to 10% behind ratable in 2017 and 4% to 6% behind ratable in 2018 when considering cross-commodity hedges and reflecting our more positive fundamental view on the power markets. The majority of our link remains concentrated in the Midwest to align with our view of power market upside at NiHub.

Total gross margin in 2019 is $6.8 billion, which is $450 million less than in 2018. The majority of the decline from 2018 is due to $175 million from lower capacity revenues, which we provided at Analyst Day, $125 million from a full year of retirement for Quad Cities, and $200 million from a roll-off of in-the-money hedges versus 2018.

We see multiple reasons why we would expect a better realized power price environment than what's captured in these numbers. First, forwards beyond 2017 and especially beyond 2018 reflect a highly illiquid market with limited real price discovery. Liquidity will improve as we get closer to the delivery year, and that will help prices. In addition, our work on power market shows too many plants continuing to operate even though they're not economically viable. These plants will need to close like we've done with certain of our fossil plants and our planned nuclear retirements.

Second, our generation load-matching strategy and our portfolio management team at Constellation have a proven ability to extract value out of various market conditions. Our Constellation business is set up to profit in periods of extremes. This summer we captured better margin since our contracts are priced using forward summer market volatility. And when we don't see that volatility, such as this summer, we capture additional value. We saw the same thing during the Polar Vortex, a period with extremes but in the opposite direction. Our gross margin projections on this page do not anticipate these events repeating and assume normal weather, leaving the opportunity for additional upside.

And finally, the CES program in New York and the acquisition of FitzPatrick will add $500 million in gross margin in 2019 and annual EPS contributions of $0.10 to $0.18 per year annually starting next year.

Turning to slide 15, even though we don't believe this market will be a reality, we are acting as if it will. We're reducing expected O&M expenditures by $100 million in 2018 and $125 million in 2019 at ExGen relative to what we showed you.

At Analyst Day, adding to the $400 million of savings we've already taken out of the business. We are finding additional savings as we focus our operations and reduce development efforts in generation as we close out the growth CapEx program in 2017. We run an efficient organization but we'll continue to look for ways to reduce cost beyond these reductions. Our focus at ExGen remains on maximizing our cash generation to meet our commitments of funding utility equity needs and debt reduction. These efforts will help keep us on track.

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Finally, turning to slide 16, our sources and uses slide, we expect adjusted cash flow from operations of $6.85 billion in 2016. In September the U.S. Tax Court ruled against us on the like-kind exchange issue related to our sale of fossil generation in 1999. The outcome on the merits was not unexpected. We were fully reserved for the underlying claim. However, we do not agree with the decision and particularly disagree with the decision to issue penalties, which we did not think was likely or warranted. The law is very clear that we were entitled to rely upon the opinion of legal counsel. We believe the court came to an erroneous conclusion, and we expect to appeal the decision early next year. We plan to issue approximately $1 billion of long-term debt to support the payment to the IRS.

I'll now turn the call back to Chris for his closing remarks.

Christopher M. Crane

President, Chief Executive Officer & Director, Exelon Corp.

Thanks, Jack.

We do appreciate the time, and we've had a lot to be proud about at the company, but we're not happy with the outlook that we see at ExGen. As Jack talked, we're taking actions. The limited liquidity in the forwards beyond 2017 and the true lack of discipline by uneconomic generators are distorting the market. That said, we're not just going to sit around and wait on the power markets to recover. As we said, we're taking further actions to control our future at ExGen, aggressively managing our costs to prosper even against these forwards, cutting $100 million in cost from 2018 and $125 million from 2019 on top of the $400 million we've already cut across the business. And we're pursuing the compensation for the zero carbon attributes of our plants, as we've done in New York.

We are optimizing the fleet. All of this brings us back to the value proposition. We're targeting the best-in-class utility EPS growth of 7% to 9% through 2020. The strong free cash flow at ExGen will provide the incremental equity needs at the utilities as we focus on debt reduction at ExGen. We're focused on optimizing the value of our ExGen business by seeking fair compensation from the carbon-free generation fleet and closing uneconomic plants. We will be opportunistically selling assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load matching strategy, which had another big quarter. We'll continue to focus on sustaining strong investment-grade credit metrics, growing our dividend in a consistent visible manner.

And I thank you for your interest, and now we're ready to take questions.

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QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] And our first question is from Greg Gordon with Evercore ISI.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks, good morning.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning, Greg.

Greg Gordon
Analyst, Evercore ISI

Q

I'm looking at the disclosures on the utilities. You raised your guidance range by $0.05 at each of the key utilities, but ExGen also is $50 million better on a gross margin basis. I know you usually think about this in rounding terms, and that's less than $0.05. But as you think about Q4, where do you think you are inside the ExGen guidance range assuming normal operations for the rest of the year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Greg, I'd say we're feeling very good on the back of a very strong performance within the Constellation business year to date. There are some timing elements that keep us in that same guidance range. Obviously, the fourth quarter is an important one for that business, and we'll be tracking it closely. But I'd say we feel good about how we're trending, and that's reflected in our comfort in taking the guidance up across the company.

Greg Gordon
Analyst, Evercore ISI

Q

Thanks. When I look at the delta from 2018 to 2019 in terms of the headwind from capacity, and a lot of this you talked about at Analyst Day, capacity, mark-to-market on power curves, but then the offsetting benefits of lower O&M, lower depreciation, lower taxes. It looks to me based on the fully diluted share count like that's about a $0.15 delta today based on current forward curves. Am I missing something, or is that in the right ballpark?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Relatively speaking, I think you're in the right direction. I don't want to give 2019 guidance at this point, but that feels right.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. And then can you give us some sense of timing on the process for the Mystic plants and when we might get some visibility on price and timing to close?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

I don't think that there has been any public statement on that. We've acknowledged we're selling the plant. Beyond that, Greg, I don't think it's probably right for us to comment on the process.

Greg Gordon
Analyst, Evercore ISI

Q

Okay. Thanks, guys.

Operator: Our next question is from Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Thanks. Can I just ask about the – you made comments about feeling good around how you're executing in Constellation. Any comments on trends in your margins and renewals? One thing we noticed was that the new business to go for 2019, $950 million, is down a little from what you had for 2018 this time last year, yet you've got ConEd Solutions in there, I would guess. So is that some pressure in what you've seen around margins or more conservatism, or how should we think about those numbers?

Joseph Nigro
Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

Good morning, Jonathan. This is Joe. We feel very strong we're going to be able to deliver on 2019. Part of the reason that number is down is because we've already executed more in that year than we would have at this point last year for 2018, so that's why you see a lower number. Our new business to go, our new business in total, the business we're going to create in total between 2018 and 2019 is roughly the same amount. And we're comfortable that we're going to be able to meet these targets as we've done in the last 40 years.

As to your comment about margins and renewal rates in retail, as I mentioned at Analyst Day, the market has remained stable. Our margins are right in line with what I talked about at Analyst Day. Our renewal rates remain strong. The acquisition of ConEd, although we've only had them for a brief period, has gone well. We're very impressed with the way they run their operation, and we're integrating that into the Constellation business. So the retail business remains very stable and we're happy they're [ph] a part of it (26:11) at this point and continue to monitor it.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Okay, thank you. And then can I ask around the ExGen O&M guidance? Could you give us a little more insight into what's driving the incremental savings? And then perhaps is this – obviously, one of your nuclear competitors is seeing some cost pressures in that business. Can you talk about what your underlying expense profile might be and how much you're having to cut in order to get to these net lower numbers?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

I'll let Jack fill in the details. On our nuclear fleet overall, in the past 7 to 10 years, we have made significant capital investment to prepare the plants for their extended life. You can see our reliability numbers reflect the

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investment that's been made. So we do not see any significant increase in capital. Actually, we're seeing a decrease in maintenance capital because of the massive improvements that we've made.

On the O&M side, there has been significant focus not only at Exelon but across the industry with industry initiatives to try to find ways to take what were old processes that were put in place that may be much more efficiently executed with the same results on a much lower cost basis, and that's the initiative that the Nuclear Energy Institute has been performing.

I can't speak to other fleets, but I can tell you that we have a very strong focus on capital, a very strong focus on efficiency. And the last thing we would do is cut into safety or reliability. And that's been a clear focus of mine throughout my whole career, and it will continue to be; run the plant safely, reliably, and very efficiently.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

So, Jonathan, just building on what Chris said, starting with that focus on safety and reliability, as you might imagine, when you contemplate a program that saves $400 million across the company and you're turning over many stones, you identify additional opportunities.

And so among – we've got almost – more than 100 initiatives that we've been looking at, and each will contribute approximately from $1 million to several million dollars. But whether it's corporate efficiencies or organizational design, nuclear fuel savings, contractor costs, insourcing rates, nuclear site security, automation, NRCP reductions, property taxes, organizational design and centralization, such as within our engineering group, outage costs, automation, it's just a long list of activities. And we do have good line of sight on these opportunities. And I think building on the processes that we've put in place to target cost and seek efficiencies, I think our hope is that we may in fact even find more than what we're sharing with you today.

Jonathan Philip Arnold
Analyst, Deutsche Bank Securities, Inc.

Q

Thanks a lot, guys.

Operator: Our next question is from Steve Fleishman with Wolfe.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Hi, good morning, a couple things. First just on the New York ZECs [Zero-Emissions Credit], could you just clarify the thoughts on ZECs versus RECs [Renewable Energy Credit] because the IPPs [Independent Power Producer] that filed the appeal seem to say there is a difference? So could you clarify maybe where they're getting that wrong?

Joseph Nigro
Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

It's Joe Nigro, Steve. We don't think there is really a difference. The program was fashioned after the REC programs. The distinctions that plaintiffs are trying to create in New York are not real. But they face the political problem, of course, that if they describe the lawsuit as also challenging, the renewable programs, that they're going to have a good deal more opposition. But the programs function essentially identically. The ZEC program is based on the cost of keeping resources in the market, just as the renewables credits are the cost of keeping resources in the market, paying for the environmental attributes, recognizing that these assets get both fulsome

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market revenues as well as attribute payments. But from our perspective, they function pretty much the same way.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. And then moving to Illinois, just any more color? Are you feeling more optimistic about being able to get a legislative bill this veto session than let's say a month or two ago?

Anne R. Pramaggiore
President & CEO-ComEd, Exelon Corp.

A

Hi, this is Anne Pramaggiore. I think what we're seeing right now is that there is a bit of an opening of the door. The legislature has a temporary budget in play and Chicago public school funding is behind that. And so I think we see an opportunity in the veto sessions. We're also seeing there's a lot of work to be done to get there. We've got to pull together a coalition to come in with an agreed bill as much as possible, and we're in the process of putting that together now. But we do think that there's the potential that this would be entertained in the veto session.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Okay. And then just lastly in the context of what you said about power views and long-term liquidity, to the degree that let's say an Illinois bill passes and it includes benefits for all types of generation, just doesn't that continue on the potential inefficiencies of the markets and keep some of the issues that are causing prices to be lower? So I guess just how are you thinking about hedging and managing your portfolio against the fact that the more of these you get done, the more generation stays around?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Steve, this is Joe Dominguez. I'll turn it back over to Joe Nigro in terms of managing the portfolio. Look, the market is what it is. Today, we have over 30 states with renewable portfolio standards that recognize the environmental contributions of virtually every resource in the market that does what our nuclear plants do. So we're seeking to get fair treatment.

At the same time from a policy perspective, we think clearly for many years now that we think the right move is to put the cost of collusion in the market; that is, in the case of climate, establish a price on carbon, and we're going to continue to pursue those things. But obviously, there have been a number of headwinds that have prevented those policies from being fully realized and fully recognizing the impact that carbon has on climate as measured by the Federal government. So we haven't seen programs that trade carbon up to the social cost of climate. We're going to continue to work on those things.

But the plans we have in New York and Illinois we think of as preserving those units for the day where we have that best design in place, and we think that day is going to come eventually. But we need a bridge solution to keep the units that are important to our customers in place, so that they're available once we do have a carbon signal in the market. And that's how we reconcile it, but we have to take this world as it comes to us, and the world currently isn't our most favorite design on putting a price on carbon in the market. We have these separate state programs, and it's important for our customers that these nuclear plants be preserved, and that's what's driving our initiatives. Joe?

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Joseph Nigro
Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

And I would add just from a market perspective and a portfolio perspective a couple of things. One is on the market side, I think the illiquidity of the market is somewhat independent of what Joe was saying. I think it gets into the nature of market participants, as you're well aware. When you think about the financial institutions to start with that added liquidity in this marketplace in years past, we don't see nearly the depth of that.

But what's interesting is that the power markets have been illiquid for quite some time. But when you look at open interest, just on the gas market, for example, we've seen a change there where it's very front-end loaded versus the outer years. And I think what's important with that is, and I'll give you an example. When you look at the price change in the quarter in PJM in particular, versus the end of June versus the end of September, you saw that the price of gas in each of those years when you include these basis prices [ph] such as rate (35:38), fell equally. Yet, we dropped power prices more materially on the back-end of the forward curve than we did in the [ph] nearby (35:48) 2017, and that gets into some of the illiquidity in the market.

As it relates to our portfolio, we take all these factors into account, both the same depth we're doing internally with our other assets. We have an estimate of what other folks are going to do with their own assets. We've been very clear that we've been aggressively managing our portfolio as it relates to our ratable plan, and we'll continue down that path.

The last thing I would add is that we talk a lot about the benefits of our generation load strategy and we do it in dollars. It also has a huge benefit from a market perspective because it doesn't force us to go to that illiquid over-the-counter market. We have a strong customer base and a very, very strong load serving business now that matches output of generations of quantity of load very

Well, and we're going to continue to grow that. And we've done it both organically very well and through acquisition of Integrys and ComEd, and that's been a big benefit also.

Steve Fleishman
Analyst, Wolfe Research LLC

Q

Thank you.

Operator: Your next question is from Stephen Byrd with Morgan Stanley.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Hi, good morning. Congratulations on a great quarter and on further cost reductions.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

I wanted to hit on what you mentioned in terms of some of your peers who would appear to need to shut down further plants, and we do see some of those same dynamics. But I was curious from your point of view. What kind

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of catalysts or drivers should we be thinking about in terms of seeing more rational decisions and further shutdowns? What do you see as some of the key catalysts?

Joseph Nigro
Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

Stephen, I think the example I would give you is when you look at coal-fired generation. When you look in the Eastern Interconnect between call it 2016 and over the next few years, we see almost 30 gigawatts of coal expected to retire, with almost 2/3 of that being done by the end of next year. The obvious examples are some of the plants that have been announced in Illinois and also in Ohio and the rationalization of that. Obviously, we've taken our own actions with our own power plants. We've seen others do the same thing beyond coal. And we expect more of that will continue if these low prices continue because when we look at it fundamentally, there are plants that are challenged economically that are still running that really the economic rationale isn't there for those to continue to operate.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Stephen, just to build on that. I think you've heard us make strong comments about a focus on reducing leverage at the GenCo to 3 times debt to EBITDA. I think the reality is in this current pricing environment you're going to start to see others look at their outlooks and look at their leverage statistics and focus their efforts on generating cash. In order to do that, they're going to need to retire money-losing assets. So I think it will force greater discipline on their part. We're already seeing some of that. I think you'll see there's some potential for consolidation and asset optimization around that, and portfolio optimization. So I think we see a pathway for others to be disciplined as we have, but obviously we need to see execution on that in that regard.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Those are all great points. I wanted to shift over to the New York ZEC legal challenge. I think you've laid out your points of view in terms of the legal position. In the event that in court the ZECs were either overturned or remanded for substantial modification, can you speak to the impact to the acquisition with Entergy in terms of the transaction impacts?

Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

Sure. Stephen, this is Joe Dominguez again. So the way you ought to look at that transaction is: the legal risk will shift to us really around the time we do the outage in January. So post-January, you ought to think about us as effectively being the economic owner of that legal risk, subject, of course, to the approvals. But we're not going to be able to walk away from the transaction if something occurs post-January that changes the ZEC program. And the logic there is after the outage we effectively have our fuel in the machine and we've paid for the outage costs, so we're going to be the economic owner at that point, again subject to regulatory approvals of the transaction.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Understood. And I guess the worst case always is that you do still have plant closure as an option, so your worst case is capped and you still do have the potential for obviously a good outcome.

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Joseph Dominguez
EVP-Public Policy, Government & Regulatory Affairs, Exelon Corp.

A

That's right. And we feel very strongly in the merits of the case. Otherwise, we would not have done this.

Stephen Calder Byrd
Analyst, Morgan Stanley & Co. LLC

Q

Great, thank you very much.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks.

Operator: Our next question is from Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

Hey, Chris and Jack.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Hi, Shar.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Good morning.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

The $0.02 to $0.08 of synergies from FitzPatrick, can you just remind us if that includes any additional synergies of owning FitzPatrick next to Nine Mile?

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

It doesn't, and we'll evaluate that as we get into the integration. There are conversations now in the nuclear integration team on what is the best way to optimize. The security fences are next to each other. It's a very big site. So amalgamation of the complete site might be more expensive than it's worth, but there are other elements on the site that we can look for synergies around the support services and the executive management.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

Okay, got it. I don't know if you could mention the actual – is it enough to be a couple of pennies or anything directionally, or not yet, too early?

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Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

It's too early. We've got to get in and see and make sure that we maintain our design basis but look at everything possible we can to be more efficient.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

Okay, got it. And then just lastly with the strong results year-to-date, are there any opportunities to pull forward some O&M, and maybe how we should think about it for the fourth quarter?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

I'd say with respect to O&M, we're going to manage our plan tightly. And generally there's not that much opportunity to move things quarter to quarter. The planning required for the bulk of our O&M takes months, if not years. And so I think you'll see us trying to land pretty darn close to what we've shown you in the slides today.

Shahriar Pourreza
Analyst, Guggenheim Securities LLC

Q

Okay, great. Congrats on the quarter.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Thank you.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

Thanks.

Operator: And we have time for one last question. That is from the line of Chris Turnure with JPMorgan.

Christopher J. Turnure
Analyst, JPMorgan Securities LLC

Q

Good morning. I had some questions on Pepco, and I wanted to just get an update on your latest dialogue with interveners in Maryland and DC and just how things are progressing there on their understanding of you guys under-earning by so much and having stayed out of cases for so long there pre-deal.

Denis P. O'Brien
Senior Executive Vice President, Exelon Corp.

A

Hi, this is Denis. Great question. As we're going through the integration, I think things are going very, very well. As we mentioned before, it's going to be a long haul in terms of rate cases being filed every 12 to 15 months for the next five years. We've had some good progress in New Jersey. We're in the throes of the case in Maryland at this point, and I guess we'll know about November 15 the outcome of that. So a little hard to predict. Maryland is somewhat challenging. We are continuing to work on improving its reliability, improving all of our performance levels, as well as working to improve our image, reputation, and brand in Maryland. I think this is going to be one

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of those things where it's going to take us a few cases to get through to a better level of performance. So we'll see November 14 or 15 where we are, and we're going to make this happen. It just may take us a few cases to do it.

Christopher M. Crane
President, Chief Executive Officer & Director, Exelon Corp.

A

And in DC, we're early in the process. We've made our filing. We're in data request now. Over 400, I believe, data requests are coming in. So there's going to be a lot of dialogue there, a lot of questions. I think we'll need to provide the sound answers for the basis of our request.

Christopher J. Turnure
Analyst, JPMorgan Securities LLC

Q

Okay. And then excluding weather, were there other drivers behind the outperformance or maybe the guidance increase for the Pepco utilities for 2016?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive Vice President, Exelon Corp.

A

Primarily weather related, so hotter than normal temperatures as well as storms relative to what we budgeted came in lighter. So beyond that, I think those were the major drivers.

Christopher J. Turnure
Analyst, JPMorgan Securities LLC

Q

Okay, that's all I had. Thanks.

Operator: And that does conclude the question-and-answer portion. At this time, I'd like to turn the conference back to Mr. Eggers for closing remarks.

Daniel L. Eggers
Senior Vice President-Investor Relations, Exelon Corp.

Thank you all for joining us and your time today. I know it's a busy earnings day. We appreciate your interest in Exelon, and we look forward to seeing a number of you at EEI the week after next. Have a great day.

Operator: Thank you. Ladies and gentlemen, this does conclude today's conference call. You may now disconnect your lines.

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06-May-2016

Exelon Corp. (EXC)

Q1 2016 Earnings Call

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CORPORATE PARTICIPANTS

Dan L. Eggers
Senior Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

OTHER PARTICIPANTS

Steve Fleishman
Wolfe Research LLC

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Julien Dumoulin-Smith
UBS Securities LLC

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Exelon Corporation's Q1 2016 Earnings Conference Call. My name is Prasanthi and I'll be facilitating the audio portion of today's – and active broadcast. All lines have been placed on mute to prevent any background noise. For those of you on this stream, please take note of the options available in your event console.

At this time, I would like to turn the show over to Dan Eggers, Senior Vice President of Investors Relations.

Dan L. Eggers
Senior Vice President-Investor Relations

Thank you, Prasanthi. Good morning, everyone, and thank you for joining our first quarter 2016 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They are joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of the Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and our Risk Factors section in the earnings release, and the 10-Q, which we expect to file on May 10. Please refer to today's 8-K, the 10-Q, and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a

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reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures. We've scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Good morning. Thanks for joining us this morning. Once again we had a great quarter financially, where we closed near the upper end of the range even with the milder weather. And operationally, our utilities and plants continue to operate at high levels.

The big news for the quarter is we closed the Pepco Holdings transaction in March. We are excited to have Pepco utilities as part of the Exelon family. We know this has been a long journey and it took much longer than any of us anticipated, but we appreciate the patience of our investors as we pursued the merger. Our employees who worked tirelessly from the inception to the completion of the deal and the many stakeholders who've supported was critical to getting the deal done.

PHI is an important piece of our strategy to become a more regulated company with more stable earnings streams. While we are still in the early stages of integrating PHI, PHI's earnings outlook is consistent, if not better, than what we showed you at EEI. It brings meaningful benefits to our customers, communities in Delaware, District of Columbia, Maryland, New Jersey, including bill credits and reliability investments. More than $500 million in total commitments have been made and will be achieved due to this merger.

We're now focused on integrating Pepco into Exelon. We will bring our management model and our best practices to improve the experience of our customers. The transaction confirms Exelon's role as a leader in the industry. We serve 10 million customers, more than any other utility company. We will spend nearly $23 billion in capital across our utilities and generating business over the next three years, which is the second-highest among our peers. We are the largest pure T&D by rate base and within the top five when including rate base generation.

We are the second-largest generator of electricity in the country, the largest competitor by a factor of nearly two, while producing power at the lowest carbon intensity of any large generator. We are the leader in the retail electric provider in the country serving 139 terawatts. The culture of the industry leadership is found throughout our organization, positioning us very well for the future.

Switching to operational performance. Our first quarter operating performance was strong and we're on track for a strong year. At our legacy utilities, our SAIFI and CAIDI are on track to meet reliability targets; we are in top quartile in both. At the GenCo, our nuclear plants ran at a capacity factor of 95.8%, our solar and wind assets outperformed their energy capture targets.

Switching to Illinois in the nuclear plants. While there is much to celebrate this quarter, we also need to make tough decisions on the future of Clinton and Quad Cities nuclear stations in Illinois. The board has given me authority to go forward with early retirements for Clinton and Quad Cities plants, if for Clinton adequate legislation is not passed during the spring legislative session that is scheduled to end May 31, and if for Quad Cities adequate legislation is not passed and the plant does not clear the upcoming PJM auction. Otherwise, we plan to retire Clinton on June 1, 2017, and Quad Cities on June 1, 2018. This is consistent with planned refueling outage and capacity market obligations.

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We committed to our employees, our shareholders and the communities to try to find a path to profitability for our distressed assets. This is because these plants are vital to the communities that they are located in and provide economic and environmental value to the state. The state's own analysis showed that closing Clinton and Quad Cities would result in $1.2 billion in lost economic activity and 4,200 jobs lost, and a significant reduction of supply of reliable electricity for Illinois residents and businesses.

We worked hard over the last few years to find a path to sustainable profitability. To bring $120 million in strategic capital to these plants, we've pursued legislation and regulatory market changes. We've been successful in some areas: the PJM market reforms that were put into place last year, the cost reductions that we've achieved, and the large number of stakeholders who have worked so hard to help in this fight. We have strong allies in our cause, our employees, our plant communities, the bill sponsors and co-sponsors, our partners in labor, and our vendors among others. I want to thank them all very much for their support and regret the impact on this decision that we have on them.

But for reasons outside of our control, we have not seen progress in Illinois policy reforms, also the Supreme Court stay creates uncertainty regarding the EPA's Clean Power Plan. Power prices have fallen to a 15-year low in PJM, causing the economics of Clinton and Quad Cities to further deteriorate. These plants have lost $800 million in cash flow from 2009 to 2015. Just to be clear, we are not covering our operating costs or our risks, let alone receiving a return on our invested capital. We've done all we can up to this point and we continue to work through the spring legislative session to enact the much needed reforms. However, without adequate legislation we no longer see a path to profitability and no longer can sustain the ongoing losses.

On a more positive note, we continue to see a pathway to reform in New York where Governor Cuomo, the legislature, the Public Service Commission have recognized a need to preserve the state's nuclear plants. New York is quickly moving forward to implement a clean energy standard that will allow us to continue to operate our challenged Ginna and Nine Mile plants.

I'll turn the call over to Jack to discuss the first quarter results further.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Chris, and good morning, everyone. My remarks today will cover our first quarter results, 2016 guidance, update our gross margin disclosures and provide an update on developments since Q4.

I'll start on slide eight. As Chris stated, we had a strong quarter financially and operationally across the company. For the first quarter we delivered adjusted non-GAAP operating earnings of $0.68 per share, near the top of our guidance range of $0.60 per share to $0.70 per share. This compares to $0.71 per share for the first quarter of 2015. Exelon's utilities delivered a combined $0.37 per share. During the quarter, we saw unfavorable mild weather at PECO and ComEd versus planned, which was partially offset by lower bad debt expense at BGE. There are only eight days of PHI included in our results, which had a minimal impact on the quarter.

Generation had a great quarter, earning $0.34 per share. We had strong performance from our nuclear assets with better capacity factors than budgeted. And while weak power prices and lower volatility were a drag, our Constellation team delivered strong results. Our generation to load matching strategy continues to provide value and we benefited from a lower cost to serve our customers.

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For the second quarter, we are providing guidance of $0.50 to $0.60 per share. This compares to our realized earnings of $0.59 per share for the second quarter of 2015. The appendix contains details on our first quarter financial results compared to the first quarter of 2015 results by operating company on slide 16 and 17.

Turning to slide nine, we are affirming our full-year guidance range of $2.40 to $2.70 per share which now includes the contribution from PHI and assumes an average of 926 million shares outstanding for 2016. This should help calibrate your segment models.

On slide 10, we are still working through a comprehensive financial plan now that we have closed the PHI deal, but want to address the pieces that we can today. We are reaffirming our earnings growth at our legacy utilities of 7% to 9% per year from 2015 to 2018. On PHI, we are still working through the plan, but see the contribution equal to or better than what we showed you at EEI and consistent with sustaining our 7% to 9% utility growth target.

On slide 11, to meet these growth targets we are going to be busy on the regulatory front. The PHI utilities have been out of rate cases for at least two years. We are continuing to invest $800 million per year to improve reliability and customer service leading to the low-earned ROEs that we show on slide 30 in the appendix. However, by the third quarter, we plan to file distribution cases in all of PHI's jurisdictions and expect decisions in all cases by the middle of next year providing needed revenue release.

Atlantic City Electric and Pepco Maryland have already filed their cases. ACE filed an electric distribution base rate case on March 22 with the New Jersey Board of Public Utilities requesting an $84 million revenue increase and a 10.6% return on equity. It also included PowerAhead, a five-year $176 million grid resiliency plan.

On April 19, Pepco requested a rate increase of $127 million with the Maryland's Public Service Commission. The rate cases include smart meter recovery and a two-year $32 million grid resiliency plan. In addition to reducing the number and length of outages, Pepco's five-year smart grid program is generating nearly $4 in customer benefits for every $1 invested.

In addition, ComEd made its annual formula rate filing with the Illinois Commerce Commission. ComEd requested a revenue requirement increase of $138 million reflecting approximately $2.4 billion in capital investments made in 2015. Those investments, which included $663 million for smart grid-related work has helped strengthen and modernize the electric system, resulting in record power reliability and customer satisfaction, operational savings, and new ways to save on electric bills for ComEd customers. More details on the rate cases can be found on slide 33 – slides 34 through 37 in the appendix.

Slide 12 provides our first quarter gross margin update. In 2016 total gross margin is flat to our last disclosure. During the quarter we executed on $200 million of power new business and $100 million of non-power new business. We are highly hedged for the rest of this year and well-balanced on our generation to load matching strategy. Total gross margin decreased in the first quarter by $150 million in 2017 and $200 million in 2018, as PJM power prices moved approximately $1.60 to $2.10 lower since the beginning of the year. We ended the quarter approximately 5% to 8% behind ratable in both of these years when considering cross-commodity hedges with a majority of modeling concentrated in the Midwest to align to our fundamental view of spot market upside at NiHub.

Power prices have risen since the start of the second quarter and we are timing our hedging activity to lock in the value of the recent price increases while remaining well positioned to capture our fundamental view.

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On slide 13, I wanted to give you a quick update on some tax implications that are associated with the completion of the PHI merger. With the inclusion of PHI, we expect to realize $700 million to $850 million of additional cash from 2017 to 2019 related to legacy NOLs and the impacts of bonus depreciation. However, now, as a very modest cash tax payer for 2018, we have less ability to take the domestic production activities deduction, or DPAD, in 2018 which effectively increases our overall consolidated tax rate by as much as 200 basis points or the equivalent of $0.06 to $0.08 per share in 2018. Although this is a one-time negative impact to 2018 ExGen earnings, it comes with significant positive cash flow and we expect to return to normalized tax rates in 2019.

With the variability of interest rates, I'd like to remind you that ComEd's allowed ROE is based on a 30-year treasury rate plus 580 basis points, and thus sensitive to moves in this rate. Every 25 basis point move in treasury rates results in a $0.01 move in EPS.

Before turning the call over to Chris, I wanted to raise a few scheduling points. We'll be hosting an Analyst Day on August 10 in Philadelphia and we'll get details around shortly. Therefore, we will not be having a second quarter earnings call and will release earnings before Analyst Day.

I will now turn the call back to Chris for his closing remarks.

Christopher M. Crane

President, Chief Executive Officer & Director

Thanks, Jack. Just closing out on slide 14, the capital allocation philosophy. I want to cover that before we turn it over to Q&A, and take a moment to reiterate our capital allocation philosophy. Balance sheet strength remains a top financial priority. We have a strong strategy to deliver stable growth, sustainable earnings, and an attractive dividend to our shareholders. We will be growing that dividend at 2.5% each year for the next three years, starting with the dividend payable in June. From a capital deployment perspective, we will continue to harvest free cash flow from the generation business to invest primarily in our utilities to benefit our customers, invest in long-term contracted assets which meet our return requirements, and return capital to our shareholders. This is the right strategy for our markets and our assets.

Thanks and we'll open the line up now for your questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And we do have audio question from [ph] Stephen Byrd (17:13).

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, [ph] Steve (17:15).

Q

Start on the Illinois legislation. And wonder if you could speak to the breadth of support that you have for the proposal. And then also if you could just go through the mechanics of if it was implemented, how it'd work? So we can start to think about modeling the impacts.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Joe, you want to cover that?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Sure. [ph] Steve (17:36), the support is the same support we had for the original bill, labor, the host communities. And in addition, we now have the support of some groups that represent climate scientists and others that are concerned with greenhouse gas emissions.

In terms of how the program would work, let me just start with a policy analogy that I think all of you are familiar with. Existing state RPS programs for renewables provide compensation of qualified resources through renewable energy credits, RECs. The REC value is the difference between available wholesale revenues and the costs needed to keep the existing renewables in operation and get new renewables built. All this is done in order to get the benefit of greenhouse gas reductions while protecting customers. If wholesale revenues go up, the needed REC payment goes down. We see that happening every day in REC spot markets.

The ZEC program is designed the same way. It's a payment for the state value of zero emission credits from nuclear plants which represents the difference between the needed revenues and the costs of operating the plants. In the case of the New York and Illinois programs, the way it would work is that experts at the Commissions will determine on a prospective basis the cost of operating the plants plus risks, less available market revenues. And where there is a delta between that, in other words where the costs and risks are not covered by available market revenues, the ZEC program will kick in and provide compensation for greenhouse gas avoidance.

The program is not a PPA or a contractor difference. If revenues or costs are different, there is no true-up. And – so, [ph] Steve (19:26), I think if you have additional questions, perhaps after the call we could work with Dan and Emily to set up a meeting, go through more programmatic details.

Q

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That's great. That's a great start. Thank you. And then just shifting over to renewables more broadly, could you just speak to your degree of appetite for more acquisitions? It sounds like you'll be a full taxpayer, I believe, in 2019, if I have that correct. But just broadly, what degree of opportunities do you see out there in renewables? Is this an area that you would expect that you'll see further growth in?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It is definitely throttled based off of our tax capacity and we are looking at that now. You do get a certain amount of dilution with delaying the benefits of the tax attributes of the project, so we have some projects in the pipeline now and are re-evaluating others to see if they're – they would be viable to go forward in the near-term.

Q

Understood. Thank you very much.

Operator: And your next question comes from the line of Steve Fleishman.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hi, Steve.

Steve Fleishman
Wolfe Research LLC

Q

Hi. Good morning. A couple of – first, a logistical question. The Ginna $101 million that you mentioned that you're getting, is that – is kind of a trued-up amount including past years, is that in your guidance for this year? Or is that kind of like a one-time item or how are you treating that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Steve, that's in our guidance.

Steve Fleishman
Wolfe Research LLC

Q

Okay. Including any back from prior periods?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

That's correct.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And then a question just – is there any way you can give us some sense on the cash flow or losses from Clinton and Quad Cities, let's say, in your guidance for last year or something of that sort?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So we've stated that it's greater than $800 million since 2009. There are some variables in there on cash savings going forward or cash losses going forward, power prices coming down, cost cutting initiatives; and we do have an element of overheads that would not be as controllable. So you would see the run rate to be similar to what has happened in the past.

Steve Fleishman
Wolfe Research LLC

Q

Okay.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Steve, you know, on this point – so for 2017, the cost exceeded available market revenues or at current [ph] marks (22:12) by $140 million. But I think importantly and Joe raised this point, it's not the whole picture. The closure also avoids millions of dollars in basis and unit-contingent risks that we face by operating the plants. And stated differently, in order to reverse course we need Illinois as well as New York to provide a structure that allows us to cover our cash costs plus normal operating risks in order to reverse this course.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And $140 million that's kind of cash flow? Does that include like CapEx, or is that just kind of cash flow without CapEx?

Christopher M. Crane
President, Chief Executive Officer & Director

A

That's cash flow.

Steve Fleishman
Wolfe Research LLC

Q

Okay. One last question just on the – in the event legislation doesn't happen and you need to shut the plants, what – is there any cost related to that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

As you saw in the K, and we reiterate in the Q, there is some unfunded liabilities on the decommissioning trust. Those numbers are in there at full 100% ownership of the plants. And so the way that we would have to handle that is – you know, you can start out with parent guarantees, but you have to have it funded over a 10-year period, I think 60% by the end of the fifth year, and then the rest by the end of the 10 years.

Steve Fleishman
Wolfe Research LLC

Q

Okay. Those numbers in the K are still good then, so that we just can use those?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

They're updated in the Q.

Christopher M. Crane
President, Chief Executive Officer & Director

A

That'll be coming Tuesday.

Steve Fleishman
Wolfe Research LLC

Q

Okay. Thank you.

Operator: And your next question comes from the line of Jonathan Arnold.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Hey, good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good Morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good Morning.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Just to clarify one thing on the current proposal that I think was emerged last night around the legislation. So originally this applies to all nuclear plants in the state, but is it correct that this would just be Clinton and Quad? And can you just explain how that works in terms of the discussion of the ZEC structure?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Joe?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Sure. Jonathan, all plants could apply, but quite obviously the only plants that would receive revenue under this program would be those where the costs exceed the revenues. And so there is – it's a 20 terawatt-hour cap which has enough room in it to accommodate Clinton and Quad Cities. And our expectation is that Exelon would seek to have those two plants participate. The other plants would not participate.

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Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. And that's sort of nuanced in how the legislation's worded effectively?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

That's correct.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay.

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

It's the same offer to you, Jonathan; if you'd like, after the call, we could sit down and work through some of the details.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. That'll be great. And is there any...

Christopher M. Crane
President, Chief Executive Officer & Director

A

And, Jonathan, just to interject just to make the clear point, they would provide the opportunity to be compensated for cost plus risk.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. That was one thing. The second thing, in your fourth quarter deck, you have this forecast around leverage ratios and the like going out through 2018, which, I believe, was assuming that Pepco would not happen. This was of the ExGen. Can you give us a sense of how that progression would look if you kind of market to the – with Pepco scenario?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Sure. So, Jonathan, we still anticipate reducing leverage of ExGen by $3 billion over the five-year planning period, albeit this is not to the extend that we would have under the standalone scenario, because ExGen's free cash flow is now being deployed to help fund PHI's capital spending program. And we'll provide more detail on the puts and takes of that at the Analyst Day in August.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

So $3 billion is kind of the new ExGen delevering number?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

That's right. That's over the next five years, we have a large maturity. And I believe it's 2019, that we would look to retire at maturity.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. So that's over five years?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

That's correct.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

And then the 2.3 ExGen debt-to-EBITDA that you were looking at for 2018, roughly what does that look like now?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

It, over the five-year period, would go to right around three times.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

So that's again over five years, rather than three years?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

That's correct.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay, great. Thank you. And then I guess you mentioned in the prepared remarks the prices have rebounded...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So, Jonathan – sorry, just let me correct, 2.7 times at the end of the five-year period.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

So whereas you have 2.3 times in 2018, it's now 2.7 times after five years?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Yes.

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Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay, great. Thank you. And then you mentioned that prices have rebounded. So can you give us a rough sense of how the kind of gross margin mark would look if you use more like today's prices?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah. Jonathan, good morning. It's Joe Nigro. I think if you look at our hedge disclosure at the end of the quarter and then factor in the changes since the end of March, you would see all of that drop in 2017 and 2018 being recovered. We've seen an appreciable move, as you know, in prices since the end of March. We're actually higher in NiHub than we were at the end of the year. We're higher at West Hub than we were at the end of the year, so we would have recovered all that drop and probably adding to it. We calculated that a couple of days ago, but the market has continued to move higher, so we probably have seen it actually go over where it ended the quarter.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Great. Okay. That's it. Thank you very much, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Thanks.

Operator: And your next question comes from the line of Julien Dumoulin-Smith.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Yeah. Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Julien Dumoulin-Smith
UBS Securities LLC

Q

So perhaps to follow up on the same theme, can you elaborate a little bit on the balance of the nuclear portfolio that is ex-Clinton, ex-Quad? How you think about their cash flow profile? And if you don't get this legislation, what the prospects are for further rationalization? I don't mean to jump the gun too much here, but just talking about the future a little bit more?

Christopher M. Crane
President, Chief Executive Officer & Director

A

So there's varying cash flows by assets depending on their location. They are positive at this point. If you look at the other units that are more challenged, you're looking at Ginna and Nine Mile. One – we know about Oyster Creek and it's coming up in 2019, the other one that has a real focus on it right now is Three Mile Island.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. And specific to Illinois, is there any commentary around – so let's say we don't get it in 2016 or 2017, does that trigger another set of reviews? Again, not to push it too much.

Christopher M. Crane
President, Chief Executive Officer & Director

A

At this point we'll have to watch the capacity auction clearing in the out years. It's tight on energy at some of the assets, but they are positive.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. Okay, great. And then turning back to the utilities real quickly, can you comment, or I'm curious, if you will, what the earned ROEs embedded at Pepco for 2016 – just what's the baseline on the Pepco side as far as you see it post the close?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Julien, in terms of – I think we included it on slide, I believe it's 30, the earned for 2015. Obviously, while we're in the pendency period during the rate cases that – obviously, there's regulatory lag, so we're going to see that decline, but we'll have a much deeper dive in the PHI as part of the August 10 meeting. You can see on slide 29 the rate base statistics and I think can work through some assumptions on regulatory lag using that information.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. And perhaps not to jump the gun too much on the Analyst Day, but what is the thought process on the baseline for a future regulated CAGR?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

I think the thought is the 7% to 9% that we confirmed on the call and PHI is absolutely consistent with that expectation. We, as we mentioned, are seeing improvement relative to what we forecasted or projected at EEI using PHI's internal forecast. And Dennis and team continue to work to identify further opportunities around efficiency as well as regulatory policy to work to get those earned and allowed ROEs in line with the success we've experienced within Maryland, Pennsylvania and Illinois.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. You wouldn't roll it forward though?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

I'm not certain I understand what do you mean roll it forward?

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Julien Dumoulin-Smith
UBS Securities LLC

Q

The 7% to 9%, just roll it forward to CAGR off a 2016 base?

Christopher M. Crane
President, Chief Executive Officer & Director

A

We'll address that at the Analyst Day.

Julien Dumoulin-Smith
UBS Securities LLC

Q

All right. No worries. Thank you.

Christopher M. Crane
President, Chief Executive Officer & Director

A

I mean, embedded in there is 7% to 9% through 2018, so just thinking it through, it's in there.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. Thank you.

Operator: And your next question comes from the line of [ph] Brian Chen (32:25).

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, [ph] Brian (32:30).

Q

Going over to slide 13, the EPS impact that you've laid out in that top table, I just want to verify that that is not including the use of capital from that positive cash flow impact that you've got on the second row right?

Christopher M. Crane
President, Chief Executive Officer & Director

A

That's right, [ph] Brian (32:46).

Q

Okay. Great. And then I just want to verify that Quad Cities didn't clear in the 2018 and 2019 auction, correct? So the closure of Quad Cities shouldn't have any sort of residual obligation that you have for the 2018, 2019 capacity [ph] through (33:03)?

Christopher M. Crane
President, Chief Executive Officer & Director

A

That's correct.

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Q

Great. Thanks a lot.

Operator: And your next audio question comes from Praful Mehta.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

Hi, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

Good morning. So just on the leverage a little bit, just to ensure we understand both at the holding company level and at ExGen. You've kind of talked about the ExGen debt and what you see over the 20 – the five year period. How are you looking at holding company debt given the leverage you've assumed post Pepco transactions? Is there any objective to delever a little bit at the holding company as well?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So Praful, as you've heard us comment in the past, we do target at 20% FFO to debt on a consolidated basis and that was one of the benefits of adding PHI to the Exelon family. And so we will certainly be looking at our leverage ratios at the GenCo. I think you'll also see us consider to the extend we have available cash at the holding company as well, we just need to see as we get further out what the realized power prices are and what the free cash flow coming off of the GenCo is in those five years.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

Got you. And just so if you think about from the sources/uses perspective, the source is primarily out of ExGen coming to fund CapEx at the utilities and then deleveraging both at ExGen and the parent. Is that a fair way to think of it or is there some cash generation coming out of the utilities as well over the next two year, three year period?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

I would say, on a net basis, utilities are consumers of cash. So you're correct. That ExGen cash flow as well as debt raise at the utilities is the primary source for funding the significant CapEx that we see, $25 billion over the next five years at the utilities.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

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Got you. Thank you. And then just finally, we saw that the power new business and the to-go business, the EBITDA, or the growth margin of that is going from $250 million in 2016 up to about a $1 billion by 2018. Could you just give us a little bit of context of what's driving that significant ramp-up in that side of the business?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah. Hi. It's Joe Nigro. That's pretty standard shape that we have. If you go back and look at disclosures over the years, you would expect to see much less new business in the prompt years – in the prompt year, in this case 2016, than you would in the out years, for example, in 2017 and 2018. Embedded in that power new business is things like the execution of our retail business and the margins associated with that. So as we get closer to the swap period more and more of those contracts get layered in, we begin to reduce that bucket of power new business.

I mean, there's other elements of our business that follow that same timing shape, so this isn't unique in the sense of seeing a ramp up between the prompt year to two years forward and we're very comfortable with the numbers that we've put out there.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

Got you. Thank you so much guys.

Operator: [Operator Instructions] And this does conclude today's conference call. You may now disconnect.

Christopher M. Crane
President, Chief Executive Officer & Director

Thank you.

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03-Feb-2016

Exelon Corp. (EXC)

Q4 2015 Earnings Call

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CORPORATE PARTICIPANTS

Francis Idehen
Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Darryl M. Bradford
Executive Vice President & General Counsel

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

OTHER PARTICIPANTS

Greg Gordon
Evercore ISI

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Steve Fleishman
Wolfe Research LLC

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Barbara Chapman
BNP Paribas

Shahriar Pourreza
Guggenheim Partners

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Deshanta and I will be your conference operator today. At this time, I'd like to welcome everyone to the Exelon Corporation Q4 2015 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I will now turn the conference over to Mr. Francis Idehen. Please go ahead, sir.

Francis Idehen
Vice President-Investor Relations

Thank you, Deshanta. Good morning, everyone, and thank you for joining our fourth quarter and 2015 earnings call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with a presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

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Actual results could differ from our forward-looking statements based on factors and assumptions discussed in the earnings release, today's materials, comments made during this call, and in the risk factors section of the 2014 10-K and the third quarter 10-Q. Please refer to today's 8-K and the 10-K and 10-Q and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 45 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Thanks, Francis and good morning to everybody. Thank you for joining us on our fourth quarter call. Before I go into the results I want to take a moment to thank our crews who worked hard to restore power for our customers in Baltimore and Philadelphia affected by the January storms. BGE and PECO were able to restore approximately 22,000 customers throughout the weather event, keeping the average restoration times to less than three hours, which is a remarkable accomplishment given the challenges associated with traveling in the working conditions as the storm intensified.

I'll start off by reiterating our strategy and our capital allocation philosophy. The balance sheet strength is a priority that guides every strategic decision. It allows us to deliver stable growth, sustainable earnings and an attractive dividend for our shareholders. Our strategy for delivering these objectives is to harvest free cash flow from the GenCo, to invest primarily in the utilities for the benefit of our customers, invest in long-term contracted assets which meet our return requirements, and return capital to the shareholders.

Consistent with this capital allocation policy, we're announcing today an evolution in our dividend policy. Our board has approved a policy to raise our dividend by 2.5% each year for the next three years, beginning with the June 2016 dividend. The dividend increase shows our commitment to provide an attractive total return proposition for our shareholders and reflects the shift in focus towards our regulated utility and long-term contract businesses.

Our balance sheet and our cash flow profile support the shift of the dividend policy and maintain a high credit quality and investment grade rating remains at top priority. We continue to de-risk the company by growing our regulated business. This has allowed us to generate earnings with a lower risk profile. We remain as focused as ever on careful disciplined use of capital.

Let's turn now to 2015 results in each of our businesses and our goals for 2016. Despite a difficult year in the markets, we delivered earnings of $2.49 a share in 2015, demonstrating once again our ability to run businesses well and manage through even the most challenging environments.

At our utilities, 2015 was a record year for us in many respects and growing regulated business continues to thrive. We achieved a major earnings milestone, our utilities earned over $1 billion in net income, delivering the highest utility earnings on record. We invested nearly $3.7 billion in needed improvements for our customers across the utilities, including the AMI and the grid modernization investments, significant gas and electric infrastructure and innovative technology and customer-oriented systems.

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Our track record for reliability and customer service has allowed us to earn solid returns. Our utility earnings on aggregate across Exelon is at 9.5% in 2015. Our returns reflect the constructive regulatory relationship in our territories. PECO received a unanimous approval for both its $127 million rate case settlement and a $275 million long-term infrastructure improvement plan.

BGE received approval for recovery of more than $200 million of energy efficiency and gas infrastructure replacement investments. And at ComEd, we achieved our fourth consecutive year of constructive outcomes in our formula rate filing. This year, we filed a rate reduction at ComEd, showing our ability to contain costs and limit the impact of capital investments on our customers' bill even during the current smart grid investment cycle. The utilities continue to drive high operational performance and that performance is getting better each year. Of the 26 metrics we track, 21 of them were best or second best ever in 2015, including reliability and customer satisfaction.

As for our goals in the utility business in 2016, our first primary goal is closing the PHI transaction. At which point, we'll begin the important job of integrating PHI into the Exelon family of utilities. We'll bring our management model to PHI utilities in order to improve the experience of the customers in the region. We'll work diligently to develop and implement an effective regulatory strategy for PHI.

We'll invest approximately $4 billion in our existing utilities to refurbish and modernize the grid to improve service for our customers. That is part of the $18 billion we'll invest in our existing utilities over the next five years. We will work to maintain first quartile operational and customer satisfaction numbers while continuing to focus on productivity and cost management.

Finally, we expect a decision in our November 2015 BGE rate case in June and we'll file our annual formula rate update at ComEd in April. By executing on these goals, we'll deliver one of the most compelling utility earnings growth stories.

Our Generation business had a solid year. Operationally, in 2015 the Constellation – and Constellation performed well even in the face of weak markets. Nuclear capacity factor was 93.7%, refueling outage performance was very strong. Average refueling outage duration was 22 days; that's the lowest average since 2002.

Our gas and hydro plants outperformed the Dispatch Match targets. Our solar and wind assets did the same for the energy capture targets.

Our power business went 15 months without an employee OSHA recordable incident. It's the best safety performance ever. At Constellation, our generation to load matching strategy contributed meaningfully to the earnings. Our load serving business experienced growth in both power and gas. In 2015, we served 195 terawatt hours of wholesale and retail load, materially growing that platform from 155 terawatt hours the prior year.

We continue to have high customer wind and renewable rates. We are now a top 10 marketer of natural gas and significantly increased our delivery of retail gas to 720 Bcf last year. In 2016, at Exelon Generation, we'll continue to operate world-class fleet of assets at the highest level of performance while continuing to execute our strategy of growing the contracted generation business with 350 megawatts of wind projects in development.

At Constellation, we will achieve our targets of serving 210 terawatt hours of load across our wholesale and retail base, using our commercial platform as both a risk management vehicle and an earnings driver. Each of our businesses is well positioned to continue strong performance in 2016 operationally and financially.

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We have some important priorities we are targeting in 2016. We'll continue our broad advocacy efforts to ensure that our unique class of nuclear assets are properly valued for their clean, safe and reliable attributes. Developments in New York for a clean energy standard are constructive. The leadership of the governor in New York has been very positive, but more work needs to be done and we will engage with key stakeholders in the state. We continue with our specific efforts with legislators and stakeholders in Illinois on the Low Carbon Portfolio Standard. We provided ample time to reach the resolution on the nuclear assets, suffering significant losses in the process.

If we don't see significant results, we will make the economically rational decision. We continue to engage with MISO on a constructive reform to address the issues in Zone 4. We'll work in the states in which we operate to develop compliance plans for the clean power pool.

This has been a challenging period for our sector. We are tackling those challenges aggressively. We're reducing our costs by $350 million. We'll continue to shift our business mix to more regulated exposure, both organically with our $18 billion capital into our existing utilities over the next five years and through our strategic acquisition of Pepco, which will raise that number of capital investment to $25 billion over the next five years.

The company remains on a solid footing and our balance sheet remains strong and we continue to run the businesses at the highest operational levels.

With that, I'll turn the call over to Jack for the financial details.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Chris, and good morning, everyone. As Chris stated, we had a strong year financially and operationally across the company. For the full year, we delivered earnings of $2.49 per share and $0.38 per share for the fourth quarter.

If bonus had not been extended, we would have delivered earnings of $2.58 per share, meaningfully exceeding the midpoint of our guidance range. The appendix contains details on our fourth quarter financial results by operating company on slides 21 and 22.

My remarks today will focus on 2016 earnings and O&M guidance, our credit profile, the cost management initiative and an update of our gross margin disclosures.

Turning to slide six, we expect to deliver 2016 full year adjusted operating earnings of $2.40 to $2.70 and $0.60 per share to $0.70 per share for the first quarter. While we anticipate closing the Pepco Holdings deal in the first quarter, our guidance is a standalone figure that assumes the equity and debt issued for the PHI deal is unwound during the year. The impact of the extension of bonus depreciation is included in the guidance.

Our growing utilities earnings primarily reflect increased capital investment in distribution and transmission to improve reliability and customer service at ComEd as well as increased rates from PECO's recent distribution rate case, partially offset by higher O&M at PECO and BGE related to storm and bad debt cost.

Our strong operating performance at our utilities is fostering a positive regulatory environment in all our jurisdictions and is evident in the transformation in allowed and earned returns that we've achieved at BGE since the Constellation merger. BGE has improved reliability and customer satisfaction in every year as compared to

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2012, the year of the merger, which in turn has led to improved regulatory outcomes and earned ROEs over that same period.

Last November, BGE filed an electric and gas distribution rate case with the Maryland Public Service Commission requesting revenue requirement increases of $121 million and $80 million to its electric and gas distribution rates respectively. The requested rates of return on equity in the application are 10.6% for electric distribution and 10.5% for gas distribution. We expect the Maryland PSC to rule on the rate case in the June timeframe with the new rates going into effect shortly after the final order.

The revenue requirement increases reflect the continued investment including smart grid being made at BGE to improve reliability and customer service.

Constellation had a record year in 2015, driven by higher realized margins that benefited from a lower cost to serve our load and strong performance in our portfolio management group. In 2016, we expect a more normalized cost to serve load and portfolio management performance, which we expect will have a negative impact on earnings relative to an extraordinary 2015.

Overall, at Exelon Generation, the earnings impact from normalized margins and higher decommissioning costs, partially offset by fewer nuclear outages and cost management efforts, results in a forecast decrease in ExGen's earnings range versus last year.

Our cost management initiative savings in 2016 should largely offset the impact of inflation at ExGen, where labor and wage inflation are significant components of O&M. For reference, more detail on the year-over-year drivers by operating company can be found in the appendix on slides 23 through 26.

Moving to slide seven, as we've said in the past, bonus depreciation has a negative impact on earnings, but a positive impact on cash. In 2016, it creates a rounded $0.09 earnings drag at the consolidated level with a $0.06 impact at Exelon Generation and a $0.03 impact at ComEd.

On the cash front, it increases cash flow by $625 million in 2016. Despite the negative earnings impact of bonus depreciation in 2016 through 2018, we are affirming the CAGR of 3% to 5% for the enterprise, and 7% to 9% for the utilities through 2018 that we disclosed at EEI.

In addition, the extension of bonus depreciation will likely have a further effect on Exelon as a whole after the closing of the Pepco Holdings deal. Once the merger is completed and we begin the integration of PHI's operating, planning and regulatory functions, we will provide an update on PHI's forecast and the resulting accretion impact on Exelon's forecast.

On slide eight, our top financial priority remains maintaining our investment grade credit rating and ensuring the strength of our balance sheet. The five year extension of bonus depreciation improves the free cash flow position at ExGen, which has a positive impact on our FFO to debt metrics.

ExGen free cash flow over the 2016 to 2018 period is now projected to be $5.35 billion or $3.2 billion after taking into account committed growth capital. Since our EEI disclosure, Exelon Generation has commenced developing a further 350 megawatts of long-term contracted wind projects in Michigan and Oklahoma.

As you'll note on the slide, given our strong cash flow outlook, ExGen has a declining debt-to-EBITDA ratio starting at 3.2 times in 2016 and decreasing to 2.3 times debt-to-EBITDA by 2018. Bottom line, we are growing durable earnings and shrinking debt.

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Turning to slide nine, I will provide an update on the cost management initiative that we announced towards the end of last year. We recently finalized the savings initiatives in January and have incorporated them in our current long range plan.

As we mentioned at EEI, the total identified savings are in the $350 million range, with savings split equally between Exelon Generation and our corporate shared services organization. $100 million of the savings at the shared services organization will be achieved within our information technology function, with the remainder coming from various corporate functions such as finance, legal, human resources and supply. The corporate savings will be allocated roughly equally between Exelon Generation and the utilities.

Overall, this means that roughly three-quarters of the total cost savings for the company will hit the bottom line in Exelon Generation, while the remaining quarter of the savings will be realized at the utilities and ultimately passed on to our customers. As a result, we expect a run rate earnings benefit from our cost management initiative of $0.13 to $0.18 per share beginning in 2018 with approximately 35% of the run rate savings achieved by the end of this year.

Our proven track record of cutting cost and running our business efficiently gives us confidence we'll be able to achieve or exceed these savings.

Slide 10 shows our 2016 O&M forecast relative to 2015. We project O&M for 2016 to be flat to 2015 and we expect a slightly negative O&M CAGR across the enterprise over the 2015 to 2018 period and a negative 1% CAGR at Exelon Generation. ExGen's year-over-year decrease is driven by a combination of factors. Fewer planned nuclear outages compared to 2015, lower pension cost and the impacts of the cost management initiative. The year-over-year increase at PECO and BGE is due to inflation and budgeting for normal storm and bad debt costs, which results in an incremental year-over-year O&M growth.

Slide 11 provides our fourth quarter gross margin update. This quarter's gross margin update now includes the impact of the Ginna RSSA 2016 and 2017 total gross margin. As we saw before, prices and heat rates for 2017 increased by the end of the quarter. We reduced our deviation to ratable.

For 2017 we ended the quarter with a power position of 5% to 8% behind ratable on a total portfolio basis when considering our cross commodity hedges. We're even further behind ratable in the Midwest, approximately 13% to 16%, when considering cross commodity hedges. We continue to align our hedging strategy with our views on the market.

In 2016 total gross margin is flat to our last disclosure. As you know, we're highly hedged in 2016 which combined with the inclusion of the Ginna RSSA allowed us to offset the impacts of lower prices in 2016.

During the quarter, we also executed on $50 million of both power new business and non-power new business. Total gross margin increased by $50 million in both 2017 and 2018. The increase in 2017 is partially driven by the Ginna RSSA, which mitigates losses, while the increase in 2018 is driven by higher power prices across most of the regions, most notably in NiHub with around-the-clock prices increasing by $0.64 per megawatt hour.

During the quarter, we also executed on $50 million of non-power new business for both 2017 and 2018. As a reminder, the appendix includes several schedules that will help you in your modeling efforts.

That concludes our prepared remarks, and we'll now open up the line for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Greg Gordon with Evercore ISI.

Greg Gordon
Evercore ISI

Q

Thanks. Good morning, guys. Great presentation. Thank you.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Greg.

Greg Gordon
Evercore ISI

Q

A couple questions. Can you talk in a little bit more detail about what your plan is and what the milestones are for making a decision in Illinois on the uneconomic units? And can you refresh our memory on where we stand on the – in terms of profit and loss on the three units that you had initially a year and a half or two years ago identified as impaired?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Sure. As you know, we were successful and PJM was successful on the capacity market redesigns that gave some upside to the fleet in NiHub, greatly helped Byron and added help to Quad Cities. But since then, as you've seen the downturn in the forwards, Quad Cities continues to be challenged and more neutral on cash flows and earnings while maintaining the risk of operation.

We continue to work on Clinton; Clinton is negative. We have two initiatives underway, one working with MISO on Zone 4 reforms, and we'd like the design to be more like the new PJM capacity market design, but that in itself will not save Clinton.

As you know, there is a lot of work going on in Springfield with the administration and the legislature. And we have had very strong support from the leadership and the legislature and the administration on coming to a resolution on the energy outlook for Illinois. It's not only the clean energy standard, but there is an environmental jobs – green jobs bill and there's the utility of the future bill that have to be negotiated together.

There has been progress made in that dialogue, but it is critical that we have – that we're able to present to the legislature this spring a combined package that ensures the financial viability of our assets as they contribute highly to reliability and environmental, or we will have to make the rational economic decision. It's our job to get the stakeholders together. We're working hard on that and to bring the leadership what is a consensus package that's good for all of Illinois and its customers.

So we're in this spring time in Illinois and we're hopeful that we can have reasonable heads prevail and negotiate a balanced outcome and as I said present that to the leadership so they can provide the continued support.

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Greg Gordon
Evercore ISI

Q

Okay. So Quad, because of the further decline in gas prices and power prices since the CP results, has gone back out of the money, so is that a fair summary?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It is. With these forwards, it is.

Greg Gordon
Evercore ISI

Q

Okay. And the second question is, so you guys are going to – based on your cash flow slide on page 37, I think you're going to end the year with a pretty substantial cash balance. And if I look at the cash flow profile you project through 2018 that should continue to grow, all things equal. Your debt to EBITDA is going to be sub-3 times. By my measure you're trading at under 4.5 times EBITDA on the implied valuation of the nuclear business. That basically implies that the nuclear is a wasting asset. With $8.5 billion of debt on the balance sheet, that you should be amortizing debt because these plants are going away in 10 years. I mean, what can you do to convince investors that this low gas price environment doesn't ultimately drive these assets out of business, because if they're 20-year or 30-year assets and not 10-year assets, the stock is undervalued.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. First of all, there's more than 10 years on these assets. We got license renewal at Braidwood, it goes into the late 2040s. The money producing plants are the larger dual unit sites that will run into the 2040s, that's Byron, Braidwood, LaSalle, Limerick, Peach Bottom, and they are positioned well in the markets and Peach Bottom's in the 2030s I think, but the others are in the 2040s. So, we've got a long run left on these profitable plants.

If the smaller units or the single site units cannot be profitable and we can't get a market design, they will be retired and there is an upside based off of that retirement on free cash flow and earnings. We will remove the drag. As Jack described, we are very focused on the debt-to-EBITDA ratios at the GenCo, and over this period of time, we'll be reducing over $3 billion of debt at the GenCo and continuing to manage that, matching our assets with our debt.

We feel very comfortable where we're at, but it is a misnomer that is out there, that these are 10 year assets with a large debt profile on them. Jack, you want to...?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

No. I think you covered it, Chris. I mean, the goal is to create that fortress balance sheet to do the right things around our assets and sustain the profitability of the long-lived plants.

Greg Gordon
Evercore ISI

Q

All right. Thanks, guys.

Operator: Your next question comes from Dan Eggers with Credit Suisse.

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Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Hey, good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Dan.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

If we look at the dividend increase and kind of the 2.5% a year for the next three years. Can you maybe, Chris, share how the board thought about using capital to raise the dividend considering you already have a pretty healthy yield. And then what was the thought process behind 2.5% a year for those three years?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Sure, we had, as we talked back three years ago now, when we had to restructure the dividend, we had grown the dividend at Exelon based off of the earnings and cash flow on a very volatile business, the GenCo. We had to make the shift and take the pain at the time to refocus the payout and where that reliable cash flow would come from. We set out at that time after the merger with Constellation, improving the performance for the customers and the reliability of BGE and along with that improving the profitability. ComEd has done a phenomenal job improving reliability, making prudent investments and as our shareholders have seen, as you have seen, the strategic plan we laid out a few years ago is paying off, and it is – can be seen, it's transparent that the – by 2018, theoretically, the utilities would be covering the dividend.

In discussion with shareholders and feedback at the end of the year, the certainty that, and our confidence in the business needed to be fully displayed, in dialogue with the board, we thought that we can make these increases. We've talked about the free cash flow. We've talked about the balance sheet, and we're committed to that through 2018. It's – I think it's a positive sign in the right direction that we feel confident in our strategy going forward.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay, got it. And then on the Pepco deal, I guess, we're kind of down to one month of room for the Commission to make a decision, I guess, A) have you heard anything or is there anything indicative of where the Commission could make a decision? And B), if the deal does not get approved, how do we think about the full return of the previously raised equity and the debt retirement?

Christopher M. Crane
President, Chief Executive Officer & Director

A

So, the Commission did state that they would take this matter up before our March 4 date, and that's our only commitment is to try this till March 4. And if we can't get it by March 4 then we have to fold up and then start to execute on the debt reduction and the buyback of the equity issues, and that would start immediately. The plans – the contingency plans are in place by Jack and Stacy and the team, and that execution would then start at that point.

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

And Dan, just for modeling convention, what we've assumed is it takes us roughly five months to buyback the equity and that has a $0.06 drag associated with it during 2016 on our standalone plan. And we'd assume we'd retire the majority of the debt associated with Pepco in March, which has a $0.01 drag. So all-in on a standalone basis, there is about $0.07 of drag in our EPS associated with PHI closing that out if we end up on a standalone basis.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

And I think that the disclosure in the back of the $1.6 billion or whatever buyback that you have in the appendix, that's based on just buying back the same number of shares you originally issued, although the notional amount is obviously less than you raised. And is there a possibility you guys could buyback the amount you raised rather than the number of shares?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

To your point, we've – what we've modeled is buying back the 57.5 million shares that we issued for the transaction. I think, our balance sheet strength and where we see that orienting, from a debt-to-EBITDA basis provides a lot of flexibility. And we'll review what's the best means of creating value for shareholders.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Got it. Thank you, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Thanks.

Operator: The next question comes from Steve Fleishman with Wolfe Research.

Steve Fleishman
Wolfe Research LLC

Q

Yeah, hi good morning. Just on the dividend strategy change, I just wanted to confirm that's the plan kind of with or without Pepco?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It is.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And secondly, what are your thoughts on the use of the bonus depreciation cash and it sounds like you haven't included that in the impact of bonus, so you're just taking the hit but not including reinvestment? What might you reinvest in?

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Christopher M. Crane
President, Chief Executive Officer & Director

A

We have significant investment in the utilities. We are putting debt on the holding company. We would anticipate less debt issuance to infuse the equity into the utilities as part of that. And there, we would look at other opportunities for further regulated or contracted investment if they met our hurdle rates, anything, Jack?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

No that's right.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And then, the $1.35 billion that you're putting into contracted generation at ExGen. That's all, is that all renewables projects?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Midway is in there, too.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

There is a – there is contracted peaker up in in New England, that's a modest part of that, but the bulk of that is contracted wind or contracted distributed generation.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And are you assuming, you're not – are you including any debt financing on those assets, are you assuming for purposes here, you're just funding all of it, and could you add debt to those projects?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Steve, we're assuming that because of their contracted nature that we'll be able to secure project financing, which will get some measure of off-credit treatment to minimize the impact on the overall balance sheet.

Steve Fleishman
Wolfe Research LLC

Q

Okay. And that – so the $1.35 billion is just your equity investment in these?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

$1.35 billion is just cash.

Steve Fleishman
Wolfe Research LLC

Q

Cash, okay.

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

So, that can be either project financed or equity financed, some combination of both.

Steve Fleishman
Wolfe Research LLC
Q

Okay. Great. Thank you very much.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Sure.

Operator: Your next question comes from Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.
Q

Hi, good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Good morning.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.
Q

Just a quick one is on similar topic, does the projection you show for ExGen, net debt to EBITDA, stepping down to 2.3 times by 2018, how much of your free cash flow are you assuming you kind of reinvest or is all of it just rolling into the net debt calculation in that other slide?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Jonathan, the major drivers of that are we have a $700 million maturity in 2017 that we pay down, we pay down about $1.2 billion of CP, and then a growing cash position, which ultimately takes you from that 3.2 times down to 2.3 times.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.
Q

So is it fair to say the 3.2 times of free cash flow is kind of all rolled into the debt projection or not entirely?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

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It's rolled into the debt projection, it's financing or funding the dividend increase, it's basically insulating the balance sheet to a very strong position.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.
Q

Great. That was – my other things got asked. So, thank you very much.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Thank you.

Operator: Your next question comes from Praful Mehta with Citigroup.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)
Q

Hi, guys.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Good morning.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)
Q

Actually going back to this debt question at ExGen, just want to understand, given the goal is to harvest gas from ExGen as you pointed out and to reinvest that cash. And we've talked about the lifetime of assets for the nu clear as well. Is there a level of just debt, as in currently the debt balance is let's say $9 billion, is there a level of debt that you see is the right debt – gross debt number that you see at ExGen? Is it – between the 2018, 2019 timeframe, are you targeting a certain number?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Praful, we're retiring about $3.6 billion over the next five years at ExGen, and I think that provides us, rather than targeting a specific number, I think more importantly it provides us with a considerable amount of flexibility and insulation and allows us to position from a point of strength, our merchant fleet, to compete on a long-term basis. It's clearly differentiated it from the balance sheets of some of our competition, and we think that that will be a competitive advantage as we proceed through the coming years.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)
Q

Got you. Thank you. And then secondly, in terms of the dividend, if the Pepco transaction weren't to close, as you grow your dividend by the 2.5% as you've talked about, how are you looking at the payout ratio relative to just the utility earnings by 2018 and is there a target level that you're comfortable with in terms of payout relative to just utility earnings?

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Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So, from a dividend standpoint, in effect what we do is we set a minimum from a payout ratio at the utilities but we've got a lot of flexibility in how we can fund that growth. So, rather than targeting a specific payout ratio in aggregate, what we're really looking at is a minimum payout ratio at the utilities of 65% to 70% and then we look at where best to fund the dividend as well as fund the investment in the utilities to grow the regulated earnings stream of the company at 7% to 9%.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

I got you. So there is a scenario where the payout from just the utility business or I guess the total payout relative to the utility earnings could go higher than the 70% if in case the Pepco transaction doesn't close?

Christopher M. Crane
President, Chief Executive Officer & Director

A

That's a possibility, but if you look at – go back to what Jack said, a payout ratio of 65% to 70% by 2018 theoretically with our earnings profile, the utilities would cover that dividend and that's a theoretic position we wanted to be in because we need to make decisions on further capital infusions for necessary projects to drive customer satisfaction and reliability.

Praful Mehta
Citigroup Global Markets, Inc. (Broker)

Q

Got you. Thank you.

Operator: Your next question comes from Barbara Chapman with BNP.

Barbara Chapman
BNP Paribas

Q

Hi.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Barbara.

Barbara Chapman
BNP Paribas

Q

How are you guys doing?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good, yourself?

Barbara Chapman
BNP Paribas

Q

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Good, good. If somebody could speak to your sources and uses slide on 27, please, and help answer a couple of questions? One, the issuance needed at Baltimore Gas and Electric just seems larger than what we've dealt with. So I'm kind of curious what's going on there as far as an investment standpoint? But also, on the corporate issuance, it doesn't appear there is a placeholder for the reissuance of the debt that was not exchanged and therefore called last year. So, if you can explain if the Potomac merger goes through are we done now with the permanent debt financing for that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So, Barbara, let me start with your second question first. This is on a standalone basis. So you'll note under the debt retirements that we have a further $1.875 billion of retirements here. If PHI goes through, then clearly we would look to fill the gap of what we called during the fourth quarter of 2015 through a further financing at the holding company. And on a pro forma basis, this sources and uses table would show the impact of that.

With respect to BGE on a – we're retiring $300 million there, we're issuing $750 million, so the net $450 million. You'll recall we have a significant gas program there, where we're hardening and replacing infrastructure within our gas utility as well as we have a significant investment in reliability on the distribution and transmission side.

Barbara Chapman
BNP Paribas

Q

Okay. So we're back – we're still on the original thought that closing Potomac you will be out with – to refinance what had to be called then?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Absolutely.

Barbara Chapman
BNP Paribas

Q

Okay. Because it's confusing the way this is written on that issue, okay. And then...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

And then Barbara just, I mean, the difference this time obviously is we would issue on the other side of the transaction completing. So we have sources of funding that we can use to bridge and then we would do a large HoldCo issuance to replace that short-term financing.

Barbara Chapman
BNP Paribas

Q

Okay. And then on the Potomac merger, you're not on the agenda for today's meeting, correct?

Christopher M. Crane
President, Chief Executive Officer & Director

A

No.

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Barbara Chapman
BNP Paribas

Q

And they cancelled one of the February meetings. So are there only two meetings left for them to opine?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Let me let Darryl Bradford address that.

Darryl M. Bradford
Executive Vice President & General Counsel

A

Hi, Barbara. Barbara, the Commission has historically called a special meeting. They do that on 48 hours notice, so they could do it at one of their scheduled meetings. I think they moved back their meeting in February because of a conflict with NRC but we wouldn't be surprised at all if the decision whether to approve the merger is not heard at one of their scheduled meetings, but rather would be set on 48 hours notice at a special meeting.

Barbara Chapman
BNP Paribas

Q

Okay. And so there would be a posted notice that there is a special meeting then?

Darryl M. Bradford
Executive Vice President & General Counsel

A

Yeah. 48 hours ahead of time is what the regulations require.

Barbara Chapman
BNP Paribas

Q

Okay. Thanks for clearing that up. Thank you.

Operator: And your final question comes from the line of Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Guggenheim Partners

Q

Good morning, everyone.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hi, Shar.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Shahriar Pourreza
Guggenheim Partners

Q

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So just looking at slide eight, is there a scenario that could potentially see some of your ratios, including your debt to EBITDA, essentially south of 2.3 times, especially if we continue in a sort of a prolonged low gas price environment?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

I think, Shar, obviously, there is a measure of commodity sensitivity within our ExGen business. We think we're at a – I would characterize it as a trough in the cycle and we're showing debt pay down and the reduction to 2.3 times. To the extent that our fundamental view comes into play and we're able to benefit from our behind ratable strategy, that will give us even more balance sheet flexibility.

Shahriar Pourreza
Guggenheim Partners

Q

Okay. That's helpful. And then just on the on the dividend policy, when you think about sort of your second leg of growth. Should we assume sort of like step functions to get you closer to what your consolidated growth is or should we assume maybe another large increase post 2018?

Christopher M. Crane
President, Chief Executive Officer & Director

A

So, we would analyze, the best shareholder capital return policy. We'd be looking at other further investments that can be made, to create stronger and continuing growth in our investment in the regulated utilities. But it will be analyzed. And as I said, we theoretically hit a target of a payout in 2018, we'll take into consideration the best uses of capital allocation at that point, and we would anticipate some growth continuing after 2018, there is a lot of infrastructure and technology advancements that are coming along that will benefit the customers and benefit reliability and drive much more productivity within our workforce.

So it's something that we'll look at and we are heading in the right direction.

Shahriar Pourreza
Guggenheim Partners

Q

Excellent. Excellent. Just one last question. Just around, maybe you could touch on the New York Clean Energy Fund that's being proposed, sort of the outlook for Ginna post the RSSA and then is there any impact to the put option with EDF?

Christopher M. Crane
President, Chief Executive Officer & Director

A

I'll let Joe Dominguez cover this.

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

A

Sure. Good morning. As Chris said, at the top of the call, it's not the Clean Energy Fund, but it's the zero emission credit program that benefits nuclear. As Chris said at the top of the call, it's been a constructive development for us in New York. We still have quite a ways to go, but as a threshold, political matter, having a governor of the prominence of governor Cuomo step forward and propose to compensate nuclear fairly to keep it in business is important and if we get the details right I would go so far as to say it's kind of a watershed event for the industry.

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But we don't have the compensation details sorted out yet. The RSSA at Clinton will expire in March of 2017. So practically speaking, we need to see the details for the New York program this year. Once we see those details, obviously it could provide incremental revenue that would factor into the put if that's what in fact occurs, but we don't have important details right now on the level of compensation or how the procurement mechanism would work. So it's all speculative until we do the work over the three months or four months and nail this down.

Christopher M. Crane
President, Chief Executive Officer & Director

A

In my conversations with the leadership at EDF, they are very comfortable with our operations on the nuclear side and in this market environment they are not looking at exercising the put at this time. So, we'll continue to work on the regulatory side and drive strong operational performance and we have a little time on Ginna, to the end of the RSSA in 2017 and like Joe said, we got a very supportive administration that recognizes the clean benefits of nuclear and that's really appreciated.

Shahriar Pourreza
Guggenheim Partners

Q

Congrats on the results.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Thanks.

Operator: Thank you, ladies and gentlemen. This concludes today's conference call. You may now disconnect.

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30-Oct-2015

Exelon Corp. (EXC)

Q3 2015 Earnings Call

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CORPORATE PARTICIPANTS

Francis Idehen
Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Thomas D. Terry
Vice President-Tax

Darryl M. Bradford
Executive Vice President & General Counsel

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

OTHER PARTICIPANTS

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)

Steven Isaac Fleishman
Wolfe Research LLC

Greg Gordon
Evercore ISI

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Julien Dumoulin-Smith
UBS Securities LLC

Ali Agha
SunTrust Robinson Humphrey, Inc.

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Deshanta and I will be your conference operator today. At this time, I'd like to welcome everyone to the Q3 2015 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I will now turn the conference over to Francis Idehen. Please go ahead.

Francis Idehen

Vice President-Investor Relations

Thank you, Deshanta. Good morning, everyone, and thank you for joining our third quarter 2015 earnings call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Joe Nigro, CEO of Constellation; and Jack Thayer, Chief Financial Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's materials, comments made during this call, and in the risk factors section on the 10-K which we filed in February, as well as in the earnings release and the 10-Q, which we expect to file later today. Please refer to the 10-K, today's 8-K and 10-Q, and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled one hour for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Good morning, everyone and thanks for joining us this morning. We're pleased to deliver another very strong quarter in what's been a very good year for us, thus far. First, I'll highlight our financial and operational performance and then I'll switch over to our key strategic objectives.

On the financial front, we're reporting operating earnings of $0.83 per share, over 6% EPS growth versus the same period last year and above our guidance range. Despite the delays in closing PHI which I'll address further, we are still on track to deliver our best year of earnings since 2012. We are raising our guidance range to $2.40 to $2.60. And Jack will provide more details on the financial performance during his remarks.

It's been a phenomenal year across our companies. At the utilities, we're set to invest $3.7 billion this year in needed infrastructure enhancements and grid reliability and resiliency modifications, part of more than the $16

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billion investment that's planned over the next five years. This includes our smart meter installation program, which we now have completed nearly 5.5 million gas and electric installations across our operating companies.

Our utilities will exceed $1 billion in net income in 2015, driven by industry-leading operational performance with each utility achieving first quartile safety, first and second quartile CAIDI results and ranking in first quartile in customer satisfaction.

We reached a settlement at PECO in its recent rate case filing which follows the BGE recent unanimous rate case settlement in Maryland. This highlights how strong operational performance supports recovery in constructive regulatory environments.

On the Generation side of the business, we had another solid quarter of operations performance. Nuclear capacity factor was 95.5%. Power dispatch match was 99%. Renewable energy capture was 94.8%. We also had great execution at Constellation this quarter showing the value of our generation to load matching strategy and our ability to optimize our portfolio even during adverse market conditions in a way that contributes meaningfully to our earnings.

The breadth of the Constellation platform gives us multiple channels to market. We are the number one retail electric provider and well ahead of our nearest competitor. We serve nearly 200 terawatt hours of wholesale and retail load, and we are also a top 10 marketer of gas in the U.S. delivering 4 Bcf to 6 Bcf of gas daily. On both sides of the company, we continue to run the business at high levels of performance, and the results are evident in this year's earnings.

Now I want to discuss three key initiatives we have been working on this year; capacity performance, Low Carbon Portfolio Standard and the Pepco Holdings merger. Starting with capacity performance, PJM's capacity performance design was implemented when it – at implementation this year's auctions, with constructive results. We are pleased with the outcome of the capacity auctions. The new penalty structure will hold generators accountable for reliability to the benefit of customers.

For the 2018/2019 auction, we cleared a significant number of megawatts at higher price zones that – and these prices exceeded our own internal expectations. The transition auctions better reflect the value of the reliability of our nuclear units that they provide to the grid.

Our next major initiative was getting a low-power portfolio standard passed. We came into the year advocating for a better market design in Illinois, one that would level the playing field for nuclear energy as a key resource in the state.

We worked hard to introduce the carbon standard earlier this year, however the political situation in the state has made the budget the sole focus leaving little opportunity for progress on energy legislation. We are disappointed that we have not made the progress on this front, however the overall outlook for the nuclear fleet has improved as a result of policy and market factors. Namely, the constructive results of the capacity auction, the positive results from Illinois Power Agency's capacity procurement for 2016, the long-term impact of the Environmental Protection Agency's new carbon reduction rules. As a result we have decided as announced, to defer another year's decision about the future of Quad Cities, Byron and Clinton. Having said that, the Low Carbon Portfolio Standard remains a good policy for Illinois and a priority for Illinois.

On our last key initiative was the Pepco acquisition. Let me take time to share our perspective on where we're at with the deal. We are very excited we reached a settlement with the government of the District of Columbia, the Office of People's Counsel, the Office of the Attorney General and others in D.C. The settlement includes

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commitments to provide substantially enhanced benefits to the consumer and businesses in the district. It includes bill credits, low income assistance and fewer and shorter outages, a cleaner, greener D.C. and investment in local jobs in the local economy.

The settlement package was specifically shaped to address the concerns articulated by the D.C. Public Service Commission in its August order. As you've seen, we have improved the reliability and the customer satisfaction at BGE and see the benefits of those performance improvements reflected in regulatory outcomes. We look forward to the opportunity to do the same with the Pepco family of utilities. The deal remains an important strategic element to the future of Exelon, allowing us to shift our business mix to a more regulated and durable earnings stream.

We realize the deal has taken longer than expected and we know that has required patience for many parties, especially our investors as we work to complete it. We received an order from the D.C. Public Service Commission two days ago that moves us in the right direction. The Commission granted our request to reopen the record and consider the settlement in the existing docket.

A schedule was set that is in line with our proposed time line. And the Commission has committed to consider the settlement in a fashion that is open, transparent and fair. We appreciate the Commission's commitment to ruling on the merger in a timely manner and we ask for your support as we get this across the finish line.

It has been a busy year. We've accomplished a lot, and there's a lot left to be done. In particular, we're embarking on a large-scale cost management initiative. We'll provide more details at the EEI Financial Conference. We are pleased with the performance we've delivered for the shareholders this year despite the significant market and regulatory headwinds as we always – we're working hard to serve our customers in the communities that we serve better.

I'll now turn the call over to Joe who will discuss the markets.

Joseph Nigro

Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

Thank you, Chris, and good morning, everyone. The Constellation business had another strong quarter outperforming our targets. Our portfolio management team performed very well, and as Chris mentioned, our retail and wholesale business is having a very strong year. In addition, our core strategy of matching our generation fleet with our load business continues to provide significant value for our shareholders.

It has been paying off across the volatility and price spectrum. We have captured higher prices for our generation during periods of extreme weather while managing our load obligations and we've captured higher margins during low volatility periods like this summer, as we've realized lower cost to serve our customers.

It also provides us with an important channel to market for our hedging activities which is important in times of low liquidity and in places where there is not an active market. Our past results and our current hedge disclosure show that our business can thrive in either market environment and provide a great deal of value to the enterprise.

My comments today will focus on power and gas markets during the quarter and our fundamental view, the recent PJM capacity performance auctions, and our hedge disclosures and hedging activity.

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Turning to the power markets on slide four. NiHub remains undervalued, even independent of gas prices. PJM West price is more fairly valued when accounting for the new generation under development and expected in the East.

Our fundamental view of power prices remains unchanged. In addition, we especially see upside in the non-winter months and during off-peak hours. The difference between our fundamental view and the near term forward market prices at NiHub is primarily driven by changes in the dispatch stack. Additionally, fuel and coal markets are in contango while power is backwardated which is unusual. We think this is also contributing to lower prices than our views would support.

During the summer, the impacts of the change in the stack were masked across the power pool, because we did not see the peak loads that were expected, and delivered natural gas prices were extremely low. While we saw implied heat rates continue to deliver high, the absolute price was driven lower by the fuel prices.

If we extended this picture on the slide further out on the curve, you would see an ever greater disconnect between the forward curve and our fundamental view driven, mostly by a lack of liquidity. This lack of liquidity at NiHub [ph] is in most years (12:30), and we are seeing it in West Hub in 2019 and beyond in particular. Because of this lack of liquidity, our hedging activities mostly continue to be done through our load business and not in the over-the-counter markets.

We continue to align our hedging strategy with our views of the market, and in 2017, remain behind ratable with 6% to 9% of power exposure. We have even further behind – we are even further behind ratable in the Midwest with power exposure of 17% to 20%. This strategy exposes us to the significant upside we still see in that market, while partially protecting us from any further degradation of natural gas prices through our cross commodity hedging.

Before turning to the hedge disclosure itself, I'd like to touch on the recent PJM capacity auctions. Chris covered the results of the auctions a few minutes ago, so I'll focus on the key takeaways from the auction. The biggest impact was bidding behavior. In the 2018/2019 base residual auction and the transition auction, we saw market participants bidding in a more disciplined manner and recognizing the risks of penalties for non-performance. In addition, about half the new builds cleared versus what we saw in the 2017/2018 auction. And finally, the vast majority of demand response cleared as the base product, which may have read-through value as PJM transitions to a 100% capacity performance product in two years.

As I mentioned earlier, our load business remains solid. Our originations have been strong and our generation to load-matching strategy has worked well throughout the year. You can see the impact of this strategy throughout the gross margin disclosures.

In 2015, we have a net $200 million increase in total gross margin since the end of the second quarter. We started the third quarter with $100 million Power new business target remaining for the year. We had strong performance during the quarter, executing $200 million in Power new business with the majority realized in the quarter.

As a result of this performance, we raised our Power new business target by $150 million, resulting in only $50 million of Power new business to go for the fourth quarter. Our performance was driven by our generation to load matching strategy including a lower cost to serve our load across the portfolio and our position management activity of a short bias with a backstop of our generation.

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As an example, Texas experienced quite a bit of heat in early August, and we saw the reserve margins in ERCOT come in as much as 10% lower than projected on those days. Spot prices increased, and we benefited and captured value from this move. As a result, we are also seeing upward movement in ERCOT pricing in the forward curve.

In 2016, the impact of capacity performance auctions increased total gross margin by $150 million. This was partially offset by market price declines, net of hedges of $50 million. During the quarter, we executed on $150 million of new business and are raising our 2016 Power new business target by $200 million to $500 million total remaining.

This compares to a $400 million new business target to go for 2015 at the same point last year. We are confident we can make this new target next year given our performance this year and the addition of the Integrys acquisition.

In 2017, our total gross margin increased by $200 million to $7.8 billion. Capacity performance results added $300 million to total gross margin which was partially offset by $100 million decrease due to the impact of lower prices on our open generation net of hedging.

During the quarter, we executed $100 million of Power new business. We are confident that we have the right hedging strategy to capture the upside we see coming in the market and we have proven that our generation to load matching strategy brings value in both the low and high volatility environments.

I'll now turn it over to Jack to discuss the financial results for the quarter.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Joe, and good morning, everyone. As Chris and Joe stated, we had another strong quarter financially and operationally. My remarks will focus on our financial results for the quarter, our full year guidance range, and provide an update on our cash outlook for 2015.

Starting with our third quarter results on slide six, Exelon delivered earnings of $0.83 per share, exceeding our guidance range by $0.08. This compares to $0.78 per share for the third quarter of 2014. Exelon's utilities delivered combined earnings of $0.33 per share outperforming the third quarter of last year by $0.04.

During the quarter, we saw favorable weather at both PECO and ComEd. Cooling degree days were up 30% from the prior year and 28% above normal in southeastern Pennsylvania, and up 18% from the prior year and 3% above normal in Northern Illinois. Distribution revenues at both ComEd and BGE were higher quarter-over-quarter, reflecting the impacts of increased capital investment and higher rates respectively.

On September 10, PECO reached a settlement on its rate case filing. The agreed upon revenue requirement increase of $127 million, represents 67% of the original proposal. The Pennsylvania PUC's decision is expected in December of this year with rates going into effect on January 1, 2016. The Pennsylvania PUC recently approved the new System 2020 plan, which will lead to an additional $275 million being invested during the next five years to install advanced equipment and reinforce the local electric system, making it more weather-resistant and less vulnerable to storm damage.

An order on ComEd's annual formula rate filing is expected to be issued by the ICC in early to mid-December. As a reminder, ComEd requested a revenue decrease of $55 million in its current filing. This reduction reflects the continued focus on cost management and operational efficiencies that are being realized from a stronger, more

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reliable grid with fewer outages. More detail on each of these rate cases can be found in the appendix on slides 19 through 21.

Turning to Exelon Generation, it had another strong quarter, delivering earnings of $0.55 per share, $0.05 higher than the same period last year. As Joe mentioned, our generation-to-load matching strategy continues to provide value for our business and our shareholders. We benefited from a lower cost to serve both our retail and wholesale customers and had another strong quarter of performance from our portfolio management team.

In addition, compared to the third quarter of 2014, we had a positive contribution from the Integrys acquisition. These positive factors were partially offset by realized nuclear decommissioning trust fund losses in 2015 as compared to gains in 2014, and the impacts of the divestitures of certain generating assets in 2014.

Last week we filed a settlement agreement with the New York PSC and FERC in regards to our Ginna facility. The new agreement shortens the RSSA period by 18 months, includes more market-based revenue, and requires that any extension must be justified by a study. The settlement is still subject to approval by both the FERC and the New York PSC.

While we're pleased that the negotiated RSSA will allow Ginna to continue powering the grid and the local economy until 2017, it's only a temporary solution to a long-term problem. Single unit nuclear facilities like Ginna face significant economic challenges brought on by poor market conditions and a lack of energy policies that properly value the clean and reliable energy that nuclear provides. More detail on the quarter-over-quarter drivers for each operating company can be found on slides 17 and 18 in the appendix.

As Chris mentioned, we are raising our full year guidance range for earnings to $2.40 to $2.60 per share. At the beginning of the year we provided a stand-alone guidance range of $2.25 to $2.55 per share. We narrowed the range in our second quarter earnings call to $2.35 to $2.55.

This guidance range included the impacts of the debt and share dilution from the PHI merger and assumed that the merger would close during the third quarter. Since the merger did not close, we have $0.13 of earnings drag from the interest expense and share dilution. Without this drag we would have expected full year earnings to exceed the top end of our new guidance range of $2.40 to $2.60 per share due to strong performance of both the Utilities and Constellation this year.

Consistent with our past practice, our guidance range does not include the impact of an extension of bonus depreciation, which we would expect to be around an $0.08 decrease per share. Nonetheless, we are comfortable that we will still be in the guidance range even if bonus depreciation were to be extended.

Turning back to Pepco for a minute. We will meet our original deal case accretion of $0.15 to $0.20. However, it will be pushed back until 2019. In addition, we expect the impacts of the merger to be neutral in 2017 and $0.07 to $0.12 accretive in 2018. These changes are primarily due to the delay in closing the merger, the consequent updates to PHI's business plan as a result of this delay, and due to the meaningful improvement in Exelon's business plan. The deal remains critically important to our long-term strategy.

Slide seven provides an update on our cash flow expectations for this year. We project cash from operations of $6.8 billion across our businesses and free cash flow of $925 million at Generation in 2015. As you can see, our projected ending cash balance is roughly $9.6 billion for the year. Most of this is related to the fact that we raised the funds necessary to close the Pepco merger, which, as you know, has been delayed. $2.75 billion of the debt was subject to redemption if the merger does not close by December 31. Yesterday, we announced a debt exchange

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offering to amend the mandatory redemption date in those notes. This action will minimize our refinancing risk and allow our bondholders to stay invested in the bonds as year-end approaches.

In closing, I want to reiterate that our company can perform well in a rising interest rate environment, which is typically a headwind for our industry. This is because our earnings are positively correlated to interest rates due to both ComEd's ROE being directly tied to the 30-year Treasury rate as well as the discounting of our pension liabilities. As a general rule, every 25 basis point increase in interest rates equates to roughly $0.02 of consolidated earnings uplift related to ComEd and the pension.

Thank you, and we'll now open the line for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Dan Eggers with Credit Suisse.

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)
Q

Just, Jack, taking up with where you left off on the Pepco accretion numbers, you guys are going to have $0.13 of drag because of the equity and the debt associated with the acquisition. If we look at 2016, how much of that $0.13 gets offset, I guess, on a year-over-year base if we were to step forward one year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Dan, we would anticipate that the transaction would close towards the end of the first quarter, and the transaction will be modestly dilutive to 2016 earnings.

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)
Q

Including the $0.13 or net of the $0.13?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Including the impact of the shares and debt issue. So inclusive of that $0.13 expense associated with interest and increased shares.

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. If I go – yeah, I guess, next question. On the Constellation side with the retail margins coming through, can you guys maybe give some context as to how much contribution's coming from that business or where you guys sit in that historic margin range of $2 to $4 a megawatt hour, just so we can see a little better from the outside what's going on there?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.
A

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Yeah. Hi, Dan. It's Joe. Good morning. Let's start with the second question first. We are still well within that $2 to $4 range. It's above the $2 value, and it's below the $4. Our commercial industrial originations remain solid, and we're happy with that.

As for the margins, I think about it more on a total portfolio basis because there's retail margins are one component of it. The second thing is we serve a lot of wholesale [ph] polar (26:10) load as well, which have a different margin structure associated with them. But the money that we made in the third quarter was really driven by three key things.

The first thing is if you go back and look at our hedge disclosure at the end of the second quarter, we were effectively 100% hedged across our book for the year. And so we set up with a short bias recognizing we had the backstop of our own generation to serve load if the market got volatile.

The second thing is we costed our loads. When we sold them, the risk premiums were much higher than what was realized in the spot market, primarily driven by the low, low gas prices during the third quarter.

And then the last thing is we took an opportunity when the prices dropped at ERCOT through the summer to materially get our position longer as we walked into August, and then we saw some volatility, and we capitalized on that as well. So it was really those three components that drove the value.

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Got it. And I guess, last question, maybe Chris or Jack, is just on the decision to defer the nuclear plant closures. How much earnings drag should we assume is coming off those three plants in 2016? And given the delays in making a decision, what would actually get you guys to the point to decide to retire any of these assets that aren't making money?

Christopher M. Crane
President, Chief Executive Officer & Director

A

So, let's first talk about PJM and Quad and Byron. The CP auctions substantially changed the profile of cash flow and earnings. We have – still need the Low Power (sic) [Carbon] (28:00) Portfolio Standard to cement the long-term viability of these assets, but Quad is just marginal flat on free cash flow and just slightly dilutive on earnings. And if we can move the CP along, it will greatly improve that. Byron is in a little bit better shape based off of CP and we'll continue to watch that closely.

On Clinton, we were prepared with no action taken on the capacity market to go forward with the retirement. We have seen a commitment and action at MISO to evaluate Zone 4 as its only real competitive market to evaluate a redesign of a capacity construct that would adequately compensate the generators for the investments they're making.

We've also seen positive signals from the State of Illinois by evaluating – starting workshops to evaluate the problem statement and workshops to look at potential fixes on Zone 4 in Southern Illinois. So, now that we've seen some potential for improvement, we're willing to go another year.

That unit – Clinton is one of our newest units in the fleet. It's got over 30 years of potential run left. With support coming from MISO in understanding the problem statement at FERC and the state now considering what should be done in the southern part to ensure reliability, we saw that as enough promise to extend it one more year to see what we can do in 2016.

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Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

So, is your view that you'll have some sort of market reform in 2016, I guess in the first half of 2016 in MISO for those plants to look viable, or is it just the action that will get you comfortable even if it's not resolved?

Christopher M. Crane
President, Chief Executive Officer & Director

A

We want it resolved in 2016. I don't know if it's going to be in the first half, but it has got to get resolved in 2016. Between the Low Power (sic) [Carbon] (30:19) Portfolio Standard and the capacity construct in MISO, it is going to be imperative for us to go forward. Quad in the subsequent auctions, cleared 2016/2017, 2017/2018. So we've got a blanket on that for a couple of years, but it did not clear 2018/2019.

Daniel Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Got it. Thank you, guys.

Operator: Your next question comes from Steve Fleishman with Wolfe Research.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Yeah. Hi. Good morning. A couple questions. Just on the POM accretion update that you gave, is the kind of pushout of the accretion all just due to delays in closing and just more time to get the cost cuts through and I guess maybe any rate relief through, like the rate freeze that you have? Is that the main difference?

Christopher M. Crane
President, Chief Executive Officer & Director

A

That's part of it. The other part is our improved – from the time we announced the merger and from when we talked about the LRP last year...

A

Last quarter

Christopher M. Crane
President, Chief Executive Officer & Director

A

Last quarter, excuse me, our position has improved. So, there's a little bit of we're better than we were, and the delay is the other part of it.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Okay. And then, I guess on the – just on the nuclear decision, and I would just wonder there's a little bit of a kind of risk of, hey, you were crying wolf on this because you talked about this for a while, then you're not shutting them this year. Just how is the risk of these shutting like real in 2016 or what is different in terms of making this decision now? I mean, gas prices are also a lot lower, too.

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Christopher M. Crane
President, Chief Executive Officer & Director

A

Yes. So, the – we opened the books to the key stakeholders in the state. They could see the red ink that was being produced by these assets. We were able to work with PJM and the other stakeholders on CP that gave us the improvement that we're not seeing the level of red ink or, in some cases, neutral on the assets. These are long-lived assets and there are big decisions to make. We're not crying wolf. We've actually gotten results. And if we could continue to get results, these units will become profitable and be able to stay within the fleet and the contributions they make to the communities that they serve.

So, this is not us backing down on a decision. This is us making progress on a path that we defined clearly at the beginning of this. If we did not see progress, we would shut the units down. We have seen progress and we continue to believe there's potential for more progress. If we do not see that progress, we will shut the plants down.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Great. Thank you very much.

Operator: Your next question comes from Greg Gordon with Evercore ISI.

Greg Gordon
Evercore ISI

Q

Thanks. A few questions. First, back on Potomac. I have the fortune – good fortune of having followed them before you. You announced the acquisition and I've been keeping my model up-to-date and it actually looks to me like their financial situation has materially degraded over the year or so – year-and-a-half or so and through the time of the – that's been caused by this delay. They haven't gotten rate increases. They've got massive operating cost increases. They've added several hundred basis points of leverage to their balance sheet. I mean, they don't look like they are a viable entity in their current form if this deal doesn't close. So, is part of this problem with the delay in the accretion that you're coming from a deeper hole?

Christopher M. Crane
President, Chief Executive Officer & Director

A

The delay – yeah. The delay in filing the rate cases has contributed to PHI's position that they're in now. They publicly spoke about what their future would be on a standalone. We believe that once we are able to fold them into the fleet and drive the synergies and help support them with the operational performance that will give the environment for fair regulatory recovery going forward as we've seen with BGE.

Greg Gordon
Evercore ISI

Q

Yeah. I mean, certainly as I've observed, on a standalone basis, they've just seen a massive escalation in costs, which I'm sure you'd be able to control much more readily given Exelon's playbook, that should lead to the necessity for lower asks in terms of rate increases to get back to a decent return one would think, correct?

Christopher M. Crane
President, Chief Executive Officer & Director

A

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Yeah. I mean, that's part of the thesis in our filings and what we're able to do with the settlements. We can drive the synergies with our platform that will reduce the requests for needed scope of rate increases.

Greg Gordon
Evercore ISI
Q

Okay. Thanks. Going back to the $0.08 impact to earnings from bonus depreciation, Jack, that's on this year's earnings? And is that sort of lower rate base net of capital allocation and can you just walk us through how you do that calculation?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Sure. So, that would be, Greg, on 2015. The $0.08 would hit $0.07 at ExGen, it would hit $0.01 at ComEd. Importantly, it would also improve our cash flow by $650 million. And at ComEd we would see the impact of bonus depreciation would cause a $215 million reduction in ComEd's rate base.

Greg Gordon
Evercore ISI
Q

So, what do you assume you'd do with the $650 million in cash? Just becomes a corporate – goes into the corporate general bucket or do you assume a specific offset in the denominator through less debt reduction, or is it just less debt? Is that the answer?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Effectively, we would reinvest that back into the utilities part of our business to fund our capital plan.

Greg Gordon
Evercore ISI
Q

Okay. And why is it such a big impact on ExGen?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

It's the domestic production credits, there's a limiter that goes into place. And as those bonus depreciation hits, that limitation goes into effect and it meaningfully hits our ExGen part of our business. We're somewhat unique with our exposure to this within the industry.

Greg Gordon
Evercore ISI
Q

It hits your ability to consume production tax credits?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

It's more – Tom, do you want to – I'm going ask Tom Terry, our Head of Tax, to speak to this.

Thomas D. Terry
Vice President-Tax
A

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As a generator, we're entitled to claim so-called domestic production activity deduction which is computed as a percentage of generation income. So, as bonus depreciation reduces that income, it therefore reduces the related deduction.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Okay. Got it. Thank you, guys.

Operator: Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Jon.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Quick question. I noticed that in your recast of the 2015 guidance, there's now -- you obviously have the HoldCo drag which – and I apologize if I missed this – I'm guessing is part – in part the financing on Pepco. But what would be – A, is that right and B, what's a reasonable run rate for HoldCo expense as we look forward beyond this year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So, Jonathan, we commented in our earnings script that the equity and debt financing associated with PHI because we didn't close as anticipated in Q3 would be a $0.13 drag on the year. So, our guidance contemplates that drag and incorporates that. Obviously, prospectively, we would anticipate closing the transaction towards the end of the first quarter of 2016. We would get the benefit of Pepco's earnings, and the pro forma would be modestly dilutive for 2016 until we, as Chris mentioned, execute the rate cases and grow the revenues and earnings at PHI over the course of the next several years.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

I heard the comment about the $0.13 dilutive. That was a 2015 comment or wasn't that a 2016 comment?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

No, that's a $0.15 comment, Jonathan.

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Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Okay.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

2015. Sorry. That is a 2015 drag. In 2016, we have the benefit of PHI for three quarters.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Okay. Got it. So, should we – and once you close, will you start to net everything -- the HoldCo financing for that deal kind of into the segment or do you think you'll still have a discrete parent drag that might be larger going forward?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

We will incorporate the shares issued or we have the shares issued, the 893 million shares in the share count. That will be the divisor for all of our business units. And then we'll – we have the corporate holding company that it'll get allocated.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Okay. So, I shouldn't – once we get into 2017, let's say, there's no – the parent segment, best guess, is kind of flat.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Starting in 2017, we'll start to see accretion going into 2018 and very strong at the end of the LRP period.

Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Okay. Thank you, guys. And then can I ask one other thing? We saw this Maryland AG filing in the Circuit Court. Any thoughts around timing? How concerned are you that it might be Maryland that ends up throwing a wrench in the works?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Darryl, you want to cover that?

Darryl M. Bradford
Executive Vice President & General Counsel

A

Yeah. Jonathan, it's Darryl Bradford. We have a – the Attorney General has asked for leave to file an amicus brief. We're going to be filing our opposition to that today along with the Maryland Public Service Commission. Whether the Attorney General is allowed to file its brief or not, we feel that the Maryland decision is a very strong one. The parties that are appealing have a very heavy burden. They'll return it. There will be a hearing in the Circuit Court on December 8 on this. And we believe that decision was very solid and we believe it will be upheld.

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Jonathan P. Arnold
Deutsche Bank Securities, Inc.

Q

Okay. Great. Thank you very much.

Operator: Your next question comes from the line of Hugh Wynne with Bernstein.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Q

Thank you. I was wondering if you could provide any high-level perspectives on the cost-cutting initiatives that you had mentioned in the scripted remarks.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. We're going to be putting out the details at EEI. But we've looked at our corporate center BSC, business service cost. We're looking at our IT costs and some of the work that we can do there, and also at the generating company. So we should be able to provide more detail on that, or we will be providing more detail at EEI.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Q

All right. Thanks very much.

Operator: Your next question comes from Julien Dumoulin-Smith with UBS.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Morning.

Julien Dumoulin-Smith
UBS Securities LLC

Q

So, first question, going back to Pepco, if you will, the 2019 figure -- what's embedded in there? Is that simply just closing on the transaction, executing status quo, or are there rate case assumptions, et cetera? I'm just trying to get a little bit more sense that far out in terms of what's baked in.

Christopher M. Crane
President, Chief Executive Officer & Director

A

So, there are rate case assumptions that we're taking straight out of PHI's LRP. Once we close, we'll be able to get deeper into those numbers and the drivers, but it is based off of their assumptions on what they'll recover in rate cases and their assumption on costs and cost controls going forward. So we'll be able to do more on that and provide updates when we get into the details after close.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. Two clarifications, it might be a little tricky. First, earned ROEs approximately, I mean, is it fair to say – well, I'll let you comment on that on the Pepco side.

And then separately, as you think about this transaction, you've got, I suppose, the cost update coming at EEI. Is there some fungibility between those two as well?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. I'm sure there is because you're going to have – the Massachusetts model will dictate the overheads down to the specific companies. So there should be with this improvement, minor adjustments, but too early to speculate now on where that goes.

On the ROEs, the calculation would be straight out of the LRP that PHI is operating under now, their LRP. That will have to be updated post-close with our assumptions of not only the cost reductions, but the operational improvements.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Great. Last little question here. Oyster Creek, you guys filed an interesting 8-K recently regarding must-offer requirements into 2019. Is there an ability to clip – participate for a partial year into the subsequent capacity auction at all?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Joe Dominguez will take that.

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

A

Hey, Julien. It's Joe Dominguez. Julien, we've looked at that – that would be very difficult, especially with the new CP environment. So, you've seen our must-offer exemption, we don't intend to participate with that unit.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. Just wanted clarify. Thank you.

Operator: Your final question comes from Ali Agha with SunTrust.

Ali Agha
SunTrust Robinson Humphrey, Inc.

Q

Thank you. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

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Morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Morning.

Ali Agha
SunTrust Robinson Humphrey, Inc.
Q

First question, just wanted to clarify the $0.08 beat that you had in the third quarter above the high end of your guidance. Was that all coming from the stronger performance at Constellation, or what was the main driver there?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

It was both across the utility business as well as at the Constellation and next-gen part of our businesses. So, we had strong weather and operating results at both PECO and ComEd. And then we had good operating results at BGE. And then as Joe articulated in his discussion, we had strong performance from the generating part of our company.

Ali Agha
SunTrust Robinson Humphrey, Inc.
Q

Okay. Second question, this disconnect in pricing between your fundamental view of NiHub and the forwards. So, we've been hearing that for the last several quarters now. I'm just curious, what – you've had retirements happen during that time. What in your opinion is going to trigger that to coincide? Is it just a surge in demand, extreme weather? I mean, like I said, we've been seeing this for a while. What do you think will change that?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.
A

Good morning. It's Joe. I think there's a couple of things, but I think the biggest thing is there's just a complete lack of liquidity at – in NiHub, especially when you get beyond like the 2016-2017 period. We think that when you – with normal weather in 2016, we think NiHub is somewhat fairly valued. But as you move out on the curve, it gets materially undervalued and that's driven mostly by the lack of liquidity.

If you look at it, you have gas prices that are in a contango market, and M3 is relevant because it's – across the power pool a lot of hours are setting price using M3 gas. So if you look at like 2016 to 2018, you got $0.25 of value on the curve just associated – or I'm sorry, $0.40 of value associated with Henry Hub prices and another $0.20 to $0.25 with M3. There's $0.65 of value in the gas curve. And yet the power prices at NiHub today are $0.25 backwardated.

In addition, coal is in contango as well. So we – that's part of it, the coal retirements are part of it. We have seen heat rate expansion even at these low gas prices. We think some of that is being masked, quite frankly, by the fuel being so low. But when you put all that together and then the complete lack of liquidity, that's where we're coming up with the driver of higher prices in the future.

Ali Agha
SunTrust Robinson Humphrey, Inc.
Q

Understood. And then last question, assuming these forward curves stay as they are, and I know that at EEI you'll update your curves to add 2018 to the mix as well, but when you look at – I mean, you're showing us fairly flat

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margins, 2016, 2017. The cost savings that you're planning are they going to be strong enough, so that just directionally GenCo can show a positive net income stream because depreciation and other expenses are going up as well. Or are we still looking at flat to perhaps declining GenCo profile given what the forward curves are telling us right now?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Ali, it's Jack. I know that there's a lot of interest in us in engaging on the cost reduction topic before EEI. But I think it's probably better to align our disclosure around that cost reduction effort with our outlook for 2016, 2017 and 2018 hedge disclosures. You'll obviously see the significant benefit of CP in that period aligned with the benefits of cost reduction. So, while the story is positive. We'd ask for your patience in terms of transparency around that until EEI.

Christopher M. Crane
President, Chief Executive Officer & Director

A

The bottom line is we're seeing improvement over the LRP period.

Ali Agha
SunTrust Robinson Humphrey, Inc.

Q

Okay. So, from an Exelon perspective, just directionally you would – as we stand here today, 2018-2019 earnings, with Pepco in there, should be higher than where we are in 2015. Is that a fair statement?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Yes.

Ali Agha
SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Operator: Thank you, ladies and gentlemen. This concludes today's conference call. You may now disconnect.

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SI-SSA-0015-00740

29-Jul-2015

Exelon Corp. (EXC)

Q2 2015 Earnings Call

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CORPORATE PARTICIPANTS

Francis Idehen
Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Darryl M. Bradford
Executive Vice President & General Counsel

OTHER PARTICIPANTS

Greg Gordon
Evercore ISI

Steven Isaac Fleishman
Wolfe Research LLC

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Julien Dumoulin-Smith
UBS Securities LLC

Christopher J. Turnure
JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for standing by. At this time, I'd like to welcome everyone to the Exelon Corporation Quarter Two 2015 Earnings Conference Call. Your lines have been muted to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to turn today's conference over to Francis Idehen. Thank you, you may begin.

Francis Idehen
Vice President-Investor Relations

Thank you, Ali. Good morning, everyone, and thank you for joining for our second quarter 2015 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Joe Nigro, CEO of Constellation; and Jack Thayer, Chief Financial Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

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Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section on the 10-K which we filed in February, as well as in the earnings release and the 10-Q, which we expect to file later today.

Please refer to the 10-K, today's 8-K and 10-Q, and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 45 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Thanks, Francis, and good morning, everybody. Thanks for joining. We're pleased to report another strong quarter with our earnings coming in at $0.59 per share, surpassing our guidance of $0.45 to $0.55 per share. You'll hear more from Jack in a minute on the specifics, and Joe Nigro will also provide some color around the performance.

We've seen a number of positive developments that affect various business this quarter. The two primary catalysts for us this year are the PHI acquisition and the capacity market auctions. We received approval from the merger since our last call in Maryland in May, and leaving D.C., Washington, D.C. as our only outstanding jurisdiction to close the merger, which we expect to hear from soon and we're looking forward to a positive outcome there. Upon closing the merger, our focus will shift to the integration of PHI Utilities into the Exelon Utilities to align our operations to better serve the PHI customers base.

Another major catalyst is the capacity performance revisions that have been made. While we continue to believe that FERC came to the right conclusion, putting reliability at the center of its planning process to ensure that customers in the region are well served, we always were aware that DR and Energy Efficiency were in the 2018-2019 auction. The most recent change that allows DR and Energy Efficiency to provide – to participate in the transition auctions, we believe to be non-material to the outcome.

We are disappointed in the delay, but we think that we'll be on the right track into recognize the value of our highly reliable fleet going forward. And we remain confident that the capacity construct is the best way to protect the grid as we await further clarification on the timing of these transition auctions. I think we're getting that in the last days. So, by the September timeframe, we should have clarity on the value proposition, along with the reliability measures being enacted.

In Illinois, the legislative session ended without a resolution on the market redesign for the Low Carbon standard, the Low Carbon Portfolio standard. We were disappointed that we were not able to get this outcome before the session ended, but understand where the state is focused right now on its budget priorities. The nuclear plants provide significant value to the state and its economy, and it's mostly important to its consumers.

Looking ahead, we have certain regulatory and operational triggers in September that require us to make some tough choices on the specific assets this fall, particularly in light of the continued pressure on the power markets. So we are continuing on with our disciplined plan on evaluating the assets and their likelihood to stay within the stack, and we'll bring that to closure with our decision in September.

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Despite these market challenges, we continue to find ways to create value in our Constellation business, which Joe is going to talk about shortly. Part of our resilience to the power market weakness is driven by our ability to capitalize on our generation to load strategy. And this quarter, we showed the benefit from the lower cost to serve load. And the – increasing our utility business has been able to reduce the overall volatility at the enterprise level and deliver growth.

You can expect that even more to be true over time. Not only is it shifting our business mix with the acquisition of PHI, but it also, with our infrastructure improvement investments, we're investing $16 billion in our existing utilities over the next five years, which provides respectable growth rates, and roughly another $7 billion with the addition of PHI.

I want to remind everybody that we can perform well even with a rising interest rate environment, which is typically a headwind in our industry. This is because our EPS is positively correlated to interest rates, due to both ComEd's formula rate and ROE being tied to the 30-year Treasury rate, as well as the discount of our pension – discounting the rates of our pension liability. Overall, we are positive the company is able to provide more stable and durable earnings streams for our shareholders with our operational expertise in driving performance across the enterprise.

With that, I'll turn it over to Joe, who will discuss the markets. He's followed by Jack on the financial performance.

Joseph Nigro

Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

Thank you, Chris. Good morning, everyone. The Constellation business has continued to perform well in 2015 as a result of our generation to load matching strategy. My comments today will address market events during the second quarter, and what they mean for our commercial business going forward, including our hedging strategy in our updated disclosures.

Starting with slide four, the spot power markets in the second quarter have been defined by mild weather and lower natural gas prices, which drove the price in power considerably lower than in 2014 across all of PJM. The impact of low spot market conditions has carried through to the forward markets, with prices down approximately $0.45 per megawatt hour in 2016 and $1 per megawatt hour in 2017, at both PJM West Hub and NiHub since the end of the first quarter. The lack of liquidity in the forward markets has exacerbated the drops in power prices and heat rates, with the forward markets exhibiting volatile price moves on very little trading volumes for calendar 2017 and beyond, especially at NiHub.

During the quarter, our hedging activities for 2016 to 2018 were executed through our retail and wholesale load businesses rather than on the over-the-counter market. Our fundamental view of power prices has not changed, but given the drop in market prices, there is a greater gap between the market and our fundamental view due to current natural gas prices, expected retirements, new generation resources, and load assumptions.

Moving to slide five, I will discuss the forward market and its impacts on our hedging profile. During the second quarter we maintained our behind ratable strategy and increased our cross-commodity hedge position to increase exposure to power price upside. We have successfully used this behind ratable hedging strategy in the past when our view showed upside in the market. We are 4% to 5% behind ratable in 2016 and 2017, and 7% to 8% behind ratable if you will remove our cross-commodity hedges at NiHub. We are confident in our ability to adjust our hedging strategies to capitalize on our fundamental view.

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Turning to slide six, I will review our updated hedge disclosure and some key changes since the end of the first quarter. In 2015 we have a net $50 million increase to total gross margin since the end of the first quarter, driven primarily by strong performance and execution. We executed on $200 million of power new business and $50 million of non-power new business during the quarter. Based on 2015 performance to date and expectations for the full year, we have increased our power new business target by $50 million.

Our generation to load strategy was successful last year during the extreme polar vortex conditions, and it's serving us well this year under weaker load and price conditions. It is further augmented by strong performance from our portfolio optimization activities and our Integrys acquisition.

For 2016, we saw prices decrease across most regions, decreasing around $0.45 per megawatt-hour in both the Mid-Atlantic and the Midwest. This resulted in a decrease in our open gross margin of approximately $200 million, which was offset by our hedging activities. During the quarter we executed $100 million of power new business and $50 million of non-power new business, and are raising our power new business targets by $50 million additional due to commercial opportunities, for a gross margin increase of $50 million in 2016.

For 2017, prices decreased by approximately $1 per megawatt hour in both the Mid-Atlantic and Midwest. This resulted in a decrease of $300 million in our open gross margins. Despite the drop in prices, our total gross margin is only down $50 million due to our hedged position and an increase in our power new business target of $100 million in case we have line of sight into additional commercial opportunities.

Since the beginning of the year, prices have fallen due to mild weather, lower gas prices, lower load demand in the Midwest, and a lack of liquidity in the markets. Prices have fallen more in 2017 and beyond than in 2016. Although this weakness in the spot market has impacted forward markets, we are confident in our fundamental view of the gas and power markets and are positioning our portfolio to take advantage of this.

Now I'll turn it over to Jack to review the full financial information for the quarter.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Joe, and good morning, everyone. We had another strong quarter. My remarks will cover our financial results for the quarter, third quarter guidance range, and our cash outlook. Starting with our second quarter results on slide seven, Exelon exceeded our guidance range and delivered earnings of $0.59 per share. This compares to $0.51 per share for the second quarter of 2014. Exelon's Utilities delivered combined earnings of $0.25 per share and were flat to the second quarter of last year.

During the quarter, we saw favorable weather at PECO and unfavorable weather at ComEd. Cooling degree days were up nearly 37% from the prior year and 47.4% above normal in Southeastern Pennsylvania, and down 34% from the prior year and 21.6% below normal in Northern Illinois.

Distribution revenues at ComEd and BGE were higher quarter-over-quarter. In addition, BGE had a decrease in uncollectible accounts expense compared to the second quarter of 2014. Exelon Generation had another strong quarter, delivering earnings of $0.36 per share, $0.09 higher than the same period last year. As Joe mentioned, our generation to load matching strategy continues to prove effective. We benefited from a lower cost to serve both our retail and wholesale customers, and had strong performance from our portfolio management team.

In addition, compared to the second quarter of 2014 we had fewer outage days at our nuclear plants, which had a positive contribution from the Integrys acquisition, higher realized nuclear decommissioning trust fund gains, and

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received additional benefits quarter-over-quarter from the cancellation of the DOE spent nuclear fee. These positive factors were partially offset by higher tax and interest expense. More detail on the quarter-over-quarter drivers for each operating company can be found on slides 18 and 19 in the appendix.

For the third quarter, we are providing guidance of $0.65 to $0.75 per share. Accounting for the impact of the increased share count and the debt associated with the Pepco Holdings transaction, and assuming the transaction closes in the third quarter, we are narrowing our full-year guidance from $2.25 to $2.55 per share, to $2.35 to $2.55 per share. Our guidance does not assume that bonus depreciation is extended.

Slide eight provides an update on our cash flow expectations for this year. We've simplified the format of our slide to provide a clearer view of our cash flow at each operating company, including explicitly showing free cash flow. We project cash from operations of $6.6 billion. We project free cash flow of $900 million at Generation in 2015. 80% of our total growth capital expenditures are being invested in our utilities over the next three years, which will provide stable earnings growth.

In June we completed the debt portion of our financing for the Pepco transaction by issuing $4.2 billion in senior notes, with the majority of these proceeds being used to fund the transaction. Strong market demand allowed us to upsize the offering, enabling us to pull forward some future-planned corporate debt issuances. We issued across the tenor spectrum with an average maturity of approximately 14 years and an average weighted average coupon of 3.79%.

Earlier this month we completed the settlement of the equity forward transaction. The combination of these financings allows us to close the merger quickly upon receiving approval from the D.C. Public Service Commission. Our balance sheet remains strong and gives us the ability to invest and grow our business.

As a reminder, the appendix includes several schedules that will help you in your modeling efforts. Thank you, and we'll now open the line for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And our first question will come from the line of Greg Gordon with Evercore ISI.

Greg Gordon
Evercore ISI

Q

Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hi, Greg.

Greg Gordon
Evercore ISI

Q

Couple of questions. First, when you talk about commercial opportunities, in the context of your comfort level raising your guidance for power new business/to go, are we talking about sort of the inherent counter-cyclicality of the margins in that business in the low wholesale environment, i.e., are we moving closer off the $2 floor in margins and closer to the $4 sort of peak of the cycle margins that you see in that business historically, or is it simply new customers, more volumes than you had projected in either the gas or the electric business?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Joe?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, Greg. In this specific instance, specifically for 2016 where we're raising our power new business/to go by $50 million and 2017 by $100 million, it's really – it's not related to those load margins. It's more specifically related to some proprietary structured commercial opportunities that we have really solid line of sight into on the wholesale side of the business, quite frankly.

To your point though, I think it's important to note we have raised our targets each – $50 million each quarter for 2015, for a total of $100 million so far year-to-date. And a lot of that has been driven by really three things. One is the monetization of loads that we sold at higher prices last year. So, we have seen increased value from that load-serving business, some of our optimization activities. And then we went in, as you saw from our disclosures last quarter, we went in with a short bias with a backstop of our own generation, and given the results of market prices in 2015 to date, that's performed well.

We would only look to raise those targets, the power/to go targets or non-power/to go targets, if we have good line of sight into specific opportunities. And in this case, we do.

Greg Gordon
Evercore ISI

Q

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Okay. Follow-up to that. If these are fairly chunky opportunities and you win them, will we get a sort of a discrete disclosure or would that just – would we get – would you just update it on a quarterly basis as per your usual, moving from to go to, into the hedges?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.
A

Yeah. Yeah. We'll disclose that when the negotiations are complete.

Christopher M. Crane
President, Chief Executive Officer & Director
A

And Greg, it will be in the MD&A disclosure [ph] in our interview (19:24), when it occurs.

Greg Gordon
Evercore ISI
Q

Okay, great. Second question. In light of economic conditions in Texas, most of your investors would probably rather see you pull the plug on this gas-fired project that you're pursuing. What gives you the confidence that the through-the-cycle economics of that investment are still worth going forward in this environment?

Christopher M. Crane
President, Chief Executive Officer & Director
A

So as we said, we've got a very good deal on acquiring these assets on our brownfield site. Minimal infrastructure investment. They still have a double digit IRR with these market forwards. If you just projected we stay here for 10 years, and then plug the fundamentals in after, we're still at a double-digit IRR. This is a solid investment. These are going to be dispatched first. They're the highly efficient, air-cooled, and at the right price.

Greg Gordon
Evercore ISI
Q

Concise answer. Thank you. Take care.

Christopher M. Crane
President, Chief Executive Officer & Director
A

All right.

Operator: And your next question will come from the line of Steve Fleishman, Wolfe Research.

Steven Isaac Fleishman
Wolfe Research LLC
Q

Yeah. Hi, good morning.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Good morning.

Steven Isaac Fleishman
Wolfe Research LLC
Q

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First to Jack, clarification. So in the updated 2015 guidance, are you including some amount of POM, both the business and the financing costs? And if so, is it positive or negative within the year?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

So Steve, we are including – we are including the equity and the debt associated with the PHI acquisition. So for share count purposes, that incorporates a weighted average share base of 892 million shares. It does assume the third quarter close of PHI. But there is a measure of dilution this year that's related to the increased share count, the debt, and as we pursue rate cases on PHI, improve their revenues and earnings, we'll see the accretion that we anticipate with that transaction in future periods.

Steven Isaac Fleishman
Wolfe Research LLC
Q

Okay. So just to clarify, when you net for this short period into year-end, when you net POM revenue and the financing cost, it's actually – your numbers would have been higher in this guidance if you hadn't included that.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Modestly, Steve.

Steven Isaac Fleishman
Wolfe Research LLC
Q

Okay. But then we'll get the...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

It [indiscernible] (22:02), but not materially so.

Steven Isaac Fleishman
Wolfe Research LLC
Q

But the future accretion guidance that you gave, I think, at the last quarter, or recent commentary, that's still good for future years?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

The impact on rate cases and the deferral of those rate cases modestly impacts the accretion, but we're still at the – as we disclosed at the last quarter, we're still at the sort of bottom end of the range in 2017 that we gave.

Christopher M. Crane
President, Chief Executive Officer & Director
A

And so, it's 2018 to get to that – more to that midpoint of the run rate that we talked about.

Steven Isaac Fleishman
Wolfe Research LLC
Q

Right. But you said that – you clarified that, I think, the last call or so. That's not new. Okay.

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Christopher M. Crane
President, Chief Executive Officer & Director

A

Yes. So, $0.15 in 2017, and you'll see us head to the upper end in 2018.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Okay. Second question is just with respect to the power views. I kind of feel like just, the last few calls you've been a little bit more mixed on your power views. You're a lot more bullish right now, at least, I guess, with respect to NiHub. Is that mainly just a fact that you had to pull back as of Q2 end, and so you're just more bullish because the starting price is lower, or are you more bullish even if the prices had stayed flat?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It's, the prices have gone lower. We're more bullish, they're non-sustainable at this level.

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah. And, Steve, what I would say is, our view of the absolute value of power price hasn't changed quarter-over-quarter, and what's changed is we saw a material drop in the back end of the power curve and I'm talking to NiHub, but it's attributable to West Hub as well, but our upside is really baked at NiHub where we see material upside as you move out into that 2018, 2019 timeframe.

We see upside as well in that 2016, 2017 period, and what's changed is the market has fallen so much, quarter-over-quarter; our absolute view of power price hasn't changed. So that spread has gone wider. And when we look at our fundamental models at NiHub, in particular, we see a lot of value that's still to be derived, and that's due to the changing dispatch stack and some of the other things that we've talked about previously.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Talk about the lack of liquidity.

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, the liquidity piece of it is a big part of it, Steve. We had a $0.40 – approximately $0.40 a megawatt-hour drop in PJM, in West Hub and NiHub in calendar 2016. That's the most liquid period on the forward curve. When we've pulled data and we have access to and look at what's going on in the out-years, 2018, 2019, 2020 where we saw a material drop in prices, there is absolutely nothing trading at NiHub.

There had been some few sporadic trades at West Hub, and you see the market set prices off of those trades. And our view is through time, that spread relationship between the West Hub and NiHub is going to collapse because of the retirements on the western side, the new builds on the eastern side, and that's why we think there is material upside. But our fundamental absolute view on power price hasn't changed. It's just the way the market reacted quarter-over-quarter.

Steven Isaac Fleishman
Wolfe Research LLC

Q

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Okay. Thank you very much.

Operator: And your next question will come from the line of Daniel Eggery (sic) [Daniel Eggers] (25:35) with Credit Suisse.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Hey, good morning, guys. On Pepco, could we just talk about the process? So assuming that the D.C. decision comes soon, what is the process for closing from this point, and what bearing does the Maryland appeal have on your ability to close right now?

Christopher M. Crane
President, Chief Executive Officer & Director

A

I'm going to get Darryl Bradford to cover that.

Darryl M. Bradford
Executive Vice President & General Counsel

A

Hey, Steve.

Christopher M. Crane
President, Chief Executive Officer & Director

A

It's Dan.

Darryl M. Bradford
Executive Vice President & General Counsel

A

I'm sorry. Dan, we expect to – assuming a acceptable order from the D.C. Commission, we expect to close promptly after that order. Our contract would indicate that that will take place within 48 hours of approval by the D.C. commission.

And we don't think that the Maryland motion should be any bar to us closing. We don't believe that that motion has any merit whatsoever. As you know, the alleged conflict of interest of one of the commissioners having a preliminary interviewing discussion, which she stopped, with a non-party, isn't a basis under Maryland law to question the independence of that decision, let alone to stay the proceedings.

No court in Maryland and no commission in Maryland has ever suggested there's a conflict with the commissioner of any agency having a conversation with a non-party. Particularly where, as here, Exelon is one of some 45 board members, 140 members in an agency that includes public interest groups like Public Citizen, which was a party below and was the first one to raise this conflict issue.

So we don't think that that motion has any merit. We filed a response yesterday with the court, and we plan to go ahead and close promptly after the D.C. commission issues an order, assuming that that order has acceptable conditions. And we have faith that the D.C. commission will do the right thing. We think we've put in a strong case with a lot of benefits for customers and protections for customers. And we look forward to a prompt closing.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

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Okay. Got it. And then I guess just on the nuclear plants in Illinois with PJM, I guess, probably moving the closure date to October. That's still probably before Illinois can act legislatively. With the drop in the forward curves, is there a practical way where you can look at those plants and think that they stay economic without some sort of legislation in Illinois? And does that force your hand come October?

Christopher M. Crane
President, Chief Executive Officer & Director

A

The capacity market fixes, focused on reliability, will not be enough to keep all the units economically viable. It does give us some support for the investments that we continue to make on the assets to maintain the reliability but it's not totally there. We need a market fix in Illinois to stop the non-competitive nature of the market. And short of the legislation to fix that, we will have to make decisions on retiring assets that are not economically viable.

As we talked about previously, we have requirements around notification to PJM of our intent to retire units. It's an 18-month notification. We also have commitments around when we have to notify of our availability for the 2018-2019 auction in participation on that. And very importantly, we have to order and design cores that – fuel cores that take a while for us to – or 2019-2020 auction instead of 2018-2019, 2019-2020 auction, our participation there. And we have to order the cores, and there's a long lead time there. Are we going to run for an additional year or are we going to run for a longer period of time? And that's a very expensive decision to make.

So, at least on the PJM [audio gap] (30:34) we'll make the decision, the final decision, if we're going to do that, in the September timeframe. We've been in consultation with the Board and we'll continue to consult with the Board, and where management's made their decision we'll pass that to the Board for the final approval in that timeframe, and continue with the outreach to our stakeholders.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Chris, just given the fact that you're not going to have legislation realistically done before September, and you kind of laid out the other challenges, doesn't it – what would cause you to not close the plants come September, based on the fact pattern you just laid out for us?

Christopher M. Crane
President, Chief Executive Officer & Director

A

If the units clear the 2018-2019 auction, that would show that they're financially viable. That is a long shot in our opinion, just because of the cost structure and how the forwards have continued to collapse at the bus at a couple of these units. We've got the transmission constraints, we've got the overproduction and importation of wind that not only drops the spot but continues to collapse the forward curve. The disconnect between NiHub and the bus at some of these units is $6, $7. And we have worked very closely with all the stakeholders involved for over a year and a half on trying to come to resolution, and it is the time that we'll have to make the decision after we see what happens with the capacity auctions.

We don't take the decision lightly. We understand the effect that we have on the communities and potential effect on employees, but this has been a long-term issue that we've been evaluating and trying to come to resolution, and we're staying within the timeline. Actually, we extended our timeline last year to give more time to come up with the proper market fixes, and to be compensated adequately for operating these units versus subsidizing a low-cost market.

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Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

And I don't mean to beat this to death [indiscernible] (32:49) for this, but would closing a Quad or a Clinton show up noticeably as accretive to you guys on 2017 numbers?

Christopher M. Crane
President, Chief Executive Officer & Director

A

We don't – we have not looked at that, and don't look at it. We analyze the plants as a standalone in their own economics, so it's about a plant losing money. We have not evaluated; others have and others have talked about the impact to consumers on those units closing. The state itself did that assessment, and there is some material impact on the consumer, but we have not evaluated anything specific to Exelon.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay, very good. Thank you.

Operator: Your next question will come from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

One – just – given your comments about liquidity in the forward curve, is it fair to assume that you've probably not done much in the way of 2018 hedging yet? Because ordinarily you would have been a couple of quarters into it. Just curious if you could give us any insight?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, Jonathan. We are behind our ratable sales plan in 2018. As you know, we have a very big load-serving book of business, so we've captured opportunities, both in our retail and wholesale load-serving businesses to the extent possible, in 2018. And in addition, at times, as we've spoken about in other years, we used the gas market as well. But to sell straight OTC power in 2018, we've not done much, if any, of that at all.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

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Okay. And then just to revisit the commercial opportunities comment. Can you give us any insight as to what kind of opportunities you're talking about? And is it, are they the result of others pulling back from the market, or just successful discussions with potential clients I guess?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It's early on that one, Jonathan. We'll do the full disclosure when we complete the negotiations.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. Sorry to re-ask that. And then, Chris, at the outset, you made the comment that you saw the inclusion of DR in the transition auctions as being, I think you said, nonmaterial to the outcome?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yes.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Could you share a bit more of your kind of logic and thought process behind that statement?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. Joe?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Jonathan, it's Joe. First of all, we lost over $1 billion of market cap post the announcement of that, of the inclusion of DR in 2016-2017 and 2017-2018. And we really thought it was a little bit of an overreaction. As Chris mentioned, we're disappointed in the delay, but we don't believe there's going to be a material impact to either of those transition auctions. As you're aware, DR was already included in 2018-2019 and beyond.

The reason why we don't think it's a material impact in the transition auctions is really related to how the auctions themselves cleared on the base residual, and the separation in price in 2016-2017 on one side, and then the amount of DR that clears in the 2017-2018 auction, and when we put that all into our models, it's very similar to what we've read, quite frankly, from a lot of what's been written by the equity community, that it's going to be a limited impact.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. Thank you for that.

Operator: And your next question will come from the line of Julien Smith with UBS.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Hi. Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Hey, Julien.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Hey. So, first quick question and it does kind of rehash a little bit here, but on the fundamental upside you're talking about, just to be clear, what does that assume in terms of retirements, just to be clear? Your own retirements, particularly as you're thinking about the life of your portfolio here in the back half of the year?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. We have not evaluated the potential retirement of any our assets on market-forward prices. And, so this is just based off of fundamentals of what has been announced, and what we see for retirements, what we see for the economic viability of the existing fleet in what they would have to clear to stay viable going forward. So it's not a sustainable market forward with the asset mix that's currently in. It has nothing to do with any forward decision we would make.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Right. So just to be clear, nuclear retirements would be incremental to your fundamental upside?

Christopher M. Crane
President, Chief Executive Officer & Director

A

We don't know that. We have not analyzed it and I wouldn't want to project one way or the other. It's, there are two different things. The nuclear asset retirement is based off of the economic viability of the asset on the stand-alone. And we have had losses and free cash flow losses in the trailing five years of some significance. And we project going forward with these market forwards, them to be even worse than they were a year ago, which is driving us to make that decision. It is not based off of any potential impact on the market forwards or the rest of the fleet's viability.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. And then two subsequent questions here. First, in terms of the FCF losses, what would you estimate those as being, both for the eastern portfolio and for the ComEd portfolio as it stands today? And then secondly, tied into that, as you evaluate the remaining life of some of these assets, would you imagine layering one announcement after another? So I suppose specifically, there's a timing issue related to ordering new cores. I imagine certain units have to get those orders in before others. Could we see one nuclear retirement and then subsequently, depending on what happens in the legislative arena, et cetera, see further announcements later this year, in trying to reconcile the bigger issues around FCF deficit?

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Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah. We've discussed fairly openly the units, the affected units. PJM's rules require us an earlier notification than MISO's rules. And so, we would be moving forward, if we have to, on PJM units before MISO units. We don't project a MISO decision until beginning of next year, looking at the opportunities we have with that unit either through legislation or other mechanisms, to secure the required revenues that we need there.

We've talked about New York units. We're still working with our partners in our stakeholders in New York to look at, is there a viable way beyond – a reliability must-run situation to maintain economic viability there? And the final asset that's been in discussion is Oyster Creek, which we've already had an agreed-upon early retirement date at the end of 2019. So, short of the – short of a, some type of failure that was a costly failure on the unit, we would run into that period to allow adequate transition, utilization of the fuel, and adequate transition of our employee base to other facilities.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got it. But just to be clear about the MISO unit there, depending on the success this year in the legislative arena, would that drive that decision?

Christopher M. Crane
President, Chief Executive Officer & Director

A

It would have a – it would heavily weight our decision.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Great. Thank you.

Operator: And we have time for one final question. Your final question will come from the line of Chris Turnure with JPMorgan.

Christopher J. Turnure
JPMorgan Securities LLC

Q

Good morning, guys. I wanted to get a little bit more color on the Pepco approval process here, and the court challenge, than what you've already talked about. Do you have any sense of the precedent, or a precedent, for actually staying a commission order? Obviously you disagree with the merit of this case. But you do you have any precedent there, and what would be the path forward if it was not stayed, and you got the decision out of D.C.?

Darryl M. Bradford
Executive Vice President & General Counsel

A

Thanks. It's Darryl again. Yeah, the precedent on a stay is very clear in Maryland. It's an extraordinary remedy. It is rarely granted. You have to show a likelihood of success on the merits. And the motion does not, on the merits of the underlying merger, raise any issues whatsoever. The only issue that raises is this specious purported conflict claim, which we think is very, very weak. So, we don't think they've attempted to meet that.

They would also have to show irreparable harm, which – they spend a paragraph trying to satisfy that. It's really not very persuasive, in our view. They would have to show that a stay is in the public interest. And, of course, not

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only has the Maryland Commission, but the New Jersey Commission, the FERC, the Delaware Commission have all found that this merger is in the public interest. And they'd also have to show that the hardships favor them, and in our pleading we lay out why disrupting – the hardship of potentially disrupting a $7 billion merger outweighs any hardships that would occur from the grant of the stay.

So we think it's an extraordinary remedy. We don't think that they've come close to meeting those standards in any respect. And the law is also very clear that in Maryland, it's not a balancing. They have to satisfy each and every one of those elements, and in this case, in our view, they haven't satisfied any of them. So, that leaves us in a position where, upon D.C. approval, and assuming that the court agrees with the pleading we filed yesterday and doesn't grant a stay, that promptly upon the D.C. Commission joining the other commissions in finding that this is in the public interest, and assuming that any conditions it imposes are not unduly burdensome, that we would close promptly.

Christopher J. Turnure
JPMorgan Securities LLC

Q

Okay. Great. That's very helpful. And then, is there – or my understanding is that D.C. has to rule by the end of August. Is there any flexibility around that timing? Can they extend that again?

Darryl M. Bradford
Executive Vice President & General Counsel

A

Yeah. There is no clock in D.C., so they are not under any time constraint. Generally, the D.C. Commission has ruled within 90 days of something being fully briefed and submitted to them. This was fully briefed at the end of May. So that 90 days would end at the end of August. I think that's where that date comes from. Obviously, we're hopeful that sooner is better than later, but that will be up to the D.C. Commission, and they'll rule when they have finished their work. They are, I think, acutely aware that a lot of people are looking for a decision from them, and they understand that. But they will take the time that they deem necessary in order to do their job right.

Christopher J. Turnure
JPMorgan Securities LLC

Q

Okay. And then if I could, real quick, Joe, I just wanted to follow up, you've mentioned lack of liquidity in the forward markets a couple of times on the call here. Is this a lack of liquidity that exceeds just the general nature of these markets and what you've seen historically? Has that increased, and if that is the case, do you have an opinion as to why there might be so few trades going on out there?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, I think it's probably worse than it has been historically. And I think some of it is, there is just no natural buyers out on, that far out on the forward curve, as I said. The back end of the forward curve was dropped much more than in like 2016, where there were more natural buyers, whether we talk about retail or speculators or other participants. So I think with some of the folks that used to participate in the markets not doing that, some on the banking side and others, I think it's had a material impact.

Christopher J. Turnure
JPMorgan Securities LLC

Q

Great. Thanks a lot.

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Operator: Thank you. And that will conclude today's conference call. We appreciate your participation. You may now disconnect.

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SI-SSA-0015-00758

29-Apr-2015

Exelon Corp. (EXC)

Q1 2015 Earnings Call

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CORPORATE PARTICIPANTS

Francis Idehen
Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

Kenneth W. Cornew
Chief Commercial Officer & Senior Executive VP

OTHER PARTICIPANTS

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Greg Gordon
Evercore ISI

Julien Dumoulin-Smith
UBS Securities LLC

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Angie Storozynski
Macquarie Capital (USA), Inc.

Shahriar Pourreza
Guggenheim Securities LLC

Paul T. Ridzon
KeyBanc Capital Markets, Inc.

Ali Agha
Suntrust Robinson Humphrey, Inc.

Travis Miller
Morningstar Research

Michael J. Lapides
Goldman Sachs & Co.

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Britney, and I will be your conference operator today. At this time, I would like to welcome everyone to the Quarter One 2015 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Francis Idehen, you may begin your conference.

Francis Idehen

Vice President-Investor Relations

Thank you, Britney. Good morning, everyone, and thank you for joining for our First Quarter 2015 Earnings Conference Call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer and, Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section sections of the 10-K, which we filed in February as well as in the earnings release in and the 10-Q which we expect to file later today.

Please refer to the 10-K, today's 8-K and 10-Q and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 45 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Thank you, Francis. And good morning, everyone, and thanks for joining the call. Before I go into the prepared remarks, I want to first start by addressing the situation in Baltimore. As a company with a significant presence in Baltimore, we're monitoring the unrest with great concern. As you know, Maryland's Governor, Larry Hogan, has declared a State of an Emergency and Mayor Stephanie Rawlings-Blake has declared city-wide curfew through into next week. We join the rest of the business community in recognizing the issues that Baltimore is dealing with and needs to address so this great city can heal itself and get back onto economic growth for all.

Moving on to the quarter, I'm very pleased with our financial performance. We delivered earnings of $0.71 per share, surpassing our guidance range of $0.60 to $0.70, and Jack is going to describe our performance in greater detail.

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I would like to focus my remarks on our priorities and how we are strategically pursuing value for customers and shareholders. We continue to operate in a challenging market environment, particularly on the generation side of our business, but our gen-to-load match strategy continues to create value, as seen in the first quarter hedge disclosure.

Our advocacy efforts are focused on creating channels to capture value for our communities and customers we serve and for our shareholders. I'll touch on those directly. In our regulated business, we are redefining the role of the utility of the future, in part by making needed infrastructure investments to modernize the grid. Over the next five years, our LRP has $16 billion of capital that will create approximately a 6% CAGR, with another potential $7 billion at PHI.

Installing smart meter technology to enable customers to make informed choices about their energy consumption and promoting energy efficiency investments and innovation and resilient technologies at our utilities is a way that is progressive and equitable across all customer types. You can see this reflected in the Energy Plan for Illinois' Future bill that we recently proposed through ComEd in Illinois.

With these efforts, we are bringing improvements to the lives of the customers in a way that creates value for the company. Our merchant business faced challenges, primarily due to policies and market design shortcomings that have failed to fairly value the benefits of nuclear. As a result, we focused our advocacy efforts on ensuring reliable environmental and economic benefits of nuclear power are not taken for granted and that these plants are operated on a level playing field.

In Illinois, we are working with state legislators on the Low Carbon Portfolio Standard that values each of these benefits. The bill unanimously was approved by the Senate Energy Panel and the Public Utilities Committee and will now go the Senate floor. We hope the same will happen in the House and that the bill will be approved within this legislative session.

From a reliability perspective, we are pleased that FERC has granted the waiver to allow PJM to delay the capacity auction in order to further review PJM's CP proposal. It is clear from this action that FERC appreciates that the older rules are not sufficient to ensure reliability and that changes must be made. We look forward to a positive outcome.

We continue to work through the process of finalizing a contract with RG&E for our Ginna facility. As these events play out, we continue to do our best operating the plants and the utilities at high levels of efficiency, hedging our generation output through strong portfolio management while we expand our footprint and our profits in retail, power and gas operations. As you can see, we are doing things on both sides our business; we're tapping into multiple channels to create upside and drive value for our customers and for our investors.

This leads me to our proposed merger with PHI. As you know, we've obtained regulatory approval from FERC, Virginia and New Jersey. We've reached a global settlement in Delaware that is pending Commission approval. That leaves Maryland and the District of Columbia. In Maryland, we've reached a partial settlement with several critical parties. We presented that settlement to the Maryland Public Service Commission and expect a decision from them on May 15. In the District, we've completed our evidentiary hearings and we're now filing briefs and the Commission will commence its deliberations.

We have said from the beginning that this merger and the commitments we have made clearly demonstrate this merger is in the public interest and should be approved by the regulatory commissions. While there's no guarantee that the Public Service Commission will approve the proposal, and there's no guarantee that they will not impose conditions that would frustrate the transaction, we believe that the settlement and commitments that

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we have made in the proceeding are more than meet the statutory requirements for the merger approval, and we will look forward to orders approving the merger. We expect the merger to close late in the second quarter or in the third quarter.

In summary, we're creating value today while actively pursuing public policy changes that recognize the benefits provided by our clean reliable assets and we're working on all those fronts.

I'll now turn it over to Jack, who will cover the financial performance for the quarter.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Chris, and good morning, everyone. We had a strong first quarter to start the year. My remarks will cover our financial results for the quarter, second quarter guidance range and update our hedge disclosures and cash outlook. I'll start on slide four.

Starting with our first quarter results on slide four, Exelon exceeded our guidance range and delivered earnings of $0.71 per share. At Exelon Generation, once again we realized the benefits of our generation to load matching strategy. Quarter-after-quarter, this strategy has paid dividends in a broad array of market conditions.

During the first quarter, despite experiencing lower power prices than during the same period in 2014, we benefited from a lower cost to serve customers. We are realizing strong margins in our load business from contracts we executed last year after the Polar Vortex. In addition, our gas business performed above our expectations during the quarter due to favorable weather. While our nuclear plants performed better than they did at this time last year, we did have some nuclear outages that negatively impacted our quarterly earnings by approximately $0.04 relative to plan.

That being said, we continue to push our plants to perform at our standard highest levels of performance. Our portfolio management team performed strongly and was able to more than offset these losses. On balance, Generation earned $0.35 per share during the quarter. Exelon's Utilities delivered combined earnings of $0.39 per share, an $0.08 increase over the first quarter of last year.

Although we did not see a repeat of the Polar Vortex of 2014, with sustained extreme cold and wind-chill, we faced a very cold winter with heating degree days 14% to 19% above normal in ComEd's and PECO's service territories. In fact, it was colder in Philadelphia this winter than the previous winter. Cold weather, a lack of severe storms and increased distribution rates at BGE drove utility results this quarter. More detail on quarter-over-quarter drivers at the Utilities can be found in the Appendix on slide 16.

For the second quarter, we are providing guidance of $0.45 per share to $0.55 per share. This compares with our realized earnings of $0.51 per share in the second quarter of 2014. We are reaffirming our full-year guidance of $2.25 to $2.55 per share. Since our last call, both PECO and ComEd have filed rate cases this year. On March 27, PECO filed an electric distribution rate case with the Pennsylvania Public Utility Commission requesting a $190 million revenue increase and a 10.95% return on equity. This is PECO's first rate case filing since 2010 and the first-time filing based on a fully projected future test year.

In addition, if the PAPUC approves the new System 2020 plan, an additional $275 million will be spent during the next five years to install advanced equipment and reinforce the local electric system, making it more weather resistant and less vulnerable to storm damage. We expect the PAPUC to rule by the end of the year on the rate case and System 2020 plan with new rates going into effect in January of 2016.

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On April 15, ComEd filed its Annual Formula Rate Filing with the Illinois Commerce Commission. ComEd requested a revenue decrease of $50 million. This reduction is a result of a continued focus on cost management and operational efficiencies that are being realized from a stronger, more reliable grid with fewer outages.

EIMA and the smart grid investments are working. Since 2012, there have been more than 3.3 million avoided customer interruptions including 1.2 million in 2014, due largely to increased investments in distribution automation or digital smart switches that automatically route power around problem areas. Outage avoidance has saved customers an estimated $175 million. More detail on each of these rate cases can be found in the Appendix on slides 20 through 22.

I will now turn to our first quarter gross margin update on slide five. During the quarter, we saw a drop in natural gas prices, while power prices were steady and heat rates expanded further. The market is finally incorporating the change in the generation stack due to coal retirements as evidenced by the heat rates seen today. Approximately 10 gigawatts of coal plants in PJM have or will retire this year, with the majority of retirements occurring in April and May.

We hedged close to a ratable amount during the quarter in both the Mid-Atlantic and Midwest regions. At the end of the quarter for 2016 and 2017, we remain considerably behind ratable in the Midwest, where we continue to see upside. Total gross margin is unchanged or relatively unchanged across 2015 through 2017 from our fourth quarter disclosures.

As I mentioned, Constellation had a good quarter and executed $200 million in power new business and $100 million in non-power new business. In addition, we raised our power new business target by $100 million because we have line of sight for continued success in the balance of the year. This increase was offset by our nuclear outages, resulting in a net $50 million improvement in 2015 total gross margin.

Slide six provides an update on our cash flow expectations for this year, projected cash from operations of $6.7 billion. I'd like to point that we've increased our CapEx projections at ComEd by $200 million. In finalizing the investment plan for 2015, ComEd identified incremental opportunity to invest in infrastructure, including grid resiliency and security, storm hardening and smart grid. These investments will continue to improve the reliability of ComEd's system. As a reminder, the Appendix includes several schedules that will help you in your modeling efforts.

Thank you. And we'll now open the line for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Daniel Eggers with Credit Suisse.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Hey. Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning, Dan.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

I've been hearing a lot of concern about the Pepco acquisition and probably some of the Maryland comments, both out of the MEA and Governor's Office. Can you just share your thoughts in how you guys address maybe the market power considerations or issues that are raised and how you guys move past that to get this deal done?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah, there are some that have mentioned a loss of competition. And as all know, Pepco Maryland and BG&E do not compete. Each will be standalone in the future, as they are now, rate cases will be decided by the Public Utility Commission in Maryland. We work at the will of the Commission. The benefits that we show by bringing PHI into the Exelon Utilities with best practice sharing, being able to leverage procurement and the commitments that we made, we think meet the test to the benefit of the consumer.

So the Governor has not taken that position. The Governor has stayed neutral since, as he said, he's come into this late in the process. So there were rumors that he was against it; that was clarified with a letter that he sent to the Commission saying he has faith in the Commission that they'll do the right thing and he's neither for or against, he's neutral on it. And that's the support that we've gotten from Montgomery County and Prince George's County is significant. Those were the major customer bases where majority of the Maryland customers are and we have a strong support from both counties.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And I guess just to play devil's advocate. If Pepco were not to tell you guys to get funded, the equity component of that transaction well in advance, how would you guys use that capital if you ended up having it back to deploy in a different direction?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Dan, it's Jack. Obviously, we don't anticipate that to happen. We anticipate getting a successful outcome here. To the extent that the terms of approval were onerous or we were rejected outright, we would look to cash settle the

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equity, the forwards that we had issued, and we would look to utilize the capital raise from the convertibles to either fund growth at the business or return value to shareholders through other means.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. And I guess just maybe one last question, the prioritization of capital. Obviously the ERCOT CCGTs are out there, but there's been more conversation about prospectively the LNG project that you guys are an early investor in as well as these stories about the UK office. Can you just clarify how you guys are prioritizing those capitals and maybe address any of the issues that might be around what we've been hearing in the media?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah, you can see based off of our capital spend, our highest priority is in the regulated investments. We're making, as I said, $16 billion of investment over the next five years, with another potential $7 billion with Pepco, being PHI coming in. So, that we see is a good solid investment needed for the infrastructure for the customers and benefit to shareholders.

The CCGTs in Texas are still a very good investment, very positive NPV. It continues to match our generation to load strategy, as we continue to grow that load book in Texas in ERCOT. We said at the beginning, we're getting these at a very good terms. They're under $700 a KW on our brownfield site where we'll have expense advantages of combining them with our existing facilities. And the nature of those plants, the efficiency and the flexibility of them, they'll dispatch well in that ERCOT market. So that's still a positive investment.

Annova is a good strong option. We're the fifth largest in the handling merchant gas. We have core competencies around our gas portfolio and continuing to grow out the gas business is a logical move we believe. But the nature of that project is contracted. It would be a contracted long-term type arrangement that de-risks it significantly. If we are successful in obtaining contracts and permits then we would make the investment to continue to develop out our gas business. So that's the strategy around utilities. The strategy around competitive electric and gas continue to be the primary.

The story in the UK, is not an equity story at all. Exelon Nuclear Partners has been invited in to the bidding process to be the operator on a couple of projects potentially in the UK. We have a very small office that we rent month-to-month that those folks are working out of. Part of the process of doing that is understanding more the UK market. So there's been some due diligence around that, but we have no plans right now on becoming an equity owner in the UK at this point. That was a clarification needed to be made.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Thank you. I appreciate it.

Operator: Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Hi. Good morning, guys.

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Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Just quick one on Illinois. Christopher, you're saying you still think that you're hopeful that you'll get things across the finish line in the spring session. There's been talk that there might be slippage into the veto session and obviously with the PJM auction delayed maybe the state would want to wait, see the outcome. What's behind your conviction that we're still on for the spring?

Christopher M. Crane
President, Chief Executive Officer & Director

A

There's a hearing today that will be continuing to address the issue. So, it is being discussed, it's being worked, even with all of the other business that has been going on in Springfield around budget. So as I said, we got strong support, unanimous support out of the Senate Energy and Public Utilities Committee in March, unanimous. And there's hearings in both the House and the Senate this week to continue to discuss it. So we remain positive, cautious, but positive that we'll be able to get something through in this session. If we don't, and if the likelihood is that we're not going to get a build and we have to address the long-term profitability of the units, and we'll decide that as we see the legislative session end.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Okay. That's great. And then one other issue and Dan asked about the UK and you responded about the nuclear operator bidding process. There was also a story that you'd been linked to looking at an investment in a CCGT, which appeared to be similar next generation technology like you're working on in Texas. Any comments on that?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah, I learned about that when you did, in the clippings. So, there is market intelligence that's going on at a lower level in the organization, but there is no plans to enter into equity positions at this point in the UK.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Great. Thanks for reiterating that. That's all I have.

Operator: Your next question comes from the line of Greg Gordon with Evercore ISI.

Greg Gordon
Evercore ISI

Q

Thanks. Good morning, guys.

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Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Greg Gordon
Evercore ISI

Q

Your expected generation guidance for 2015 through 2017 in New England is 2X, 2X plus today versus what it was in the fourth quarter release. You haven't acquired any assets. So can you explain how you've been able to double your expected generation in that market and the flow through impact it's having on your expected gross margin, which looks like it's up marginally over the next two years, but then down marginally in 2017?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Greg, good morning. It's Joe. I'll speak to that. And you're right on we noticed that our expected generation in New England in all years has increased appreciably. And as such, that generation percentage hedged has declined with that increased output of generation.

Very simply, we had disclosed in Q4 2013 that we had worked with a fuel supplier to restructure a contract that we have. And if you remember, back then our generation had dropped by about 50% in the quarter-over-quarter at that time. That contract restructuring has been terminated and it will be effective at the end of June this year and the contract itself will revert back to its original terms and conditions.

It has two impacts. One, you're seeing the generation impact and the hedge percentage impact. And the notification of that termination was at the end of the first quarter of this year, so really you're seeing it flow through on an immediate basis. The gross margin impact was very minimal across the horizon. And as such, just mechanically when you look at the hedge disclosure, the dollars of the termination of the contract restructuring as well as the increased value of the generation output and the margin associated with that is all flowing through the open gross margin line and it's very minimal. So really it's a volume change that you see with real dollar impact.

Greg Gordon
Evercore ISI

Q

So then what's the economic rationale for termination if it's more or less NPV neutral? Are these fuel contracts for gas plants that have optionality associated with price volatility? Are they base load? Why would you terminate that contract if it wasn't increasing the NPV appreciably?

<A – [0D6FFV-E]Joe Nigro – Exelon Corp.> I can't say too much due to the confidentiality of the nature of the agreement. But what I will say is the contract termination was the right of the supplier, held that right. And from our perspective, as I said, the impact economically was very muted. I can't speak to the supplier's perspective on why they terminated, but it's related to a long-term supply arrangement that we have.

Greg Gordon
Evercore ISI

Q

Okay. Thank you.

Operator: Your next question comes from the line of Julien Dumoulin-Smith with UBS.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Julien Dumoulin-Smith
UBS Securities LLC

Q

So I wanted to focus on the CP product, if you could. First, with regards to your expectations on future retirements, I'm curious, do you see the CP product as proposed driving retirements as you go to 100% CP market? Is that conceivable? And what kinds of units? And then subsequently, obviously with Supreme Court here waiting on the DR decision, how do you see that ultimately impacting the base in CP products of any eventual auction here? And does it appreciably impact CP, or is it more of an impact on the base auction?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Julien, It's Joe. I think to your first question around retirements, we don't see a material impact. I mean, I think the rationale is first and foremost obviously to improve the reliability on the system. And to do that, you need a couple of – well, you can go about that in a couple of ways. One is the hardening of the units themselves, which have a cost associated with it. The second thing is to make sure you have firm fuel on site for these units and there's a cost to do that.

When you look at the economics of all that, we don't believe there's going to be a material impact to retirements. I will sit and here say, though, given this structure that's been laid out, if it is implemented, I would expect that you would see an increased risk premium effectively in the marketplace, given the fact that the penalty structure is changing, rightfully so, to ensure reliability, but I don't think outright there will be a material impact on the retirement side.

Julien Dumoulin-Smith
UBS Securities LLC

Q

And on demand response?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

I guess from a DR perspective, there's a lot of flux around the rules, but sitting here looking at this auction, we would expect to see the demand response activity will continue in the way it has. And then as you see – as rule changes through time, if it is to change whether it becomes a retail product as opposed to a wholesale product, we'll have to see how that plays out.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Okay. Fair enough. And then just turning to the renewals business, obviously the YieldCo phenomenon continues to evolve. Have you given more thought about the degree to which this business is core as we've seen the market evolve?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Julien, with respect to the renewables part of our business?

Julien Dumoulin-Smith
UBS Securities LLC

Q

Exactly. Just – not creating a structure yourself, but ultimately whether you could garner better value in the public markets of late?

Christopher M. Crane
President, Chief Executive Officer & Director

A

As you know, we have an extensive business, both on the solar as well as wind renewables part of our business. And how we've improved the returns on that business over the last number of years has been through the extensive use of project financing as a means of returning capital to the corporate coffers to reinvest, either in the growth of the utilities or fund some of our other expansionary efforts around, as an example, the peaker that we're building in New England or the combined cycles we're building in Texas.

Certainly, we do watch and we do evaluate and consider the potential impact on value that a YieldCo could have on our assets from the perspective of YieldCos as potential buyers of those assets or through the potential to create our own YieldCo. And we continue to evaluate that. Within our project financing efforts, we have retained that option to be able to do that.

I think one of the key elements, though, to a successful strategy around the YieldCos is having a significant and visible pipeline of assets that you could drop down. And we have, I think, a good amount of assets. We have elements like our Annova LNG facility, that we if decide to pursue that and we had a long-term off-take agreement that would provide attractive revenues that could fit in that type of structure. But at this point, we don't have any plans to pursue such a structure and continue to have a candidly wait-and-see approach.

Julien Dumoulin-Smith
UBS Securities LLC

Q

All right. So more of a retain the business, build it out and then see down the line, rather than monetize it?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Absolutely. So you see us continuing to deploy wind investments. We have a project that we're developing down in Texas, [indiscernible] (32:23). You continue to see us work down on a path on the Annova LNG project, to secure a long-term off-take and you see us continue to, through our Constellation business, continue to pursue opportunities to grow the solar side of our business.

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Julien Dumoulin-Smith
UBS Securities LLC

Q

Great. Well, thank you for the time.

Operator: Your next question comes from the line of Neel Mitra with Tudor, Pickering.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Just wondering on the HoldCo side, how much more debt are you able to support after the Pepco acquisition closes now that you're more regulated?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Neel, as you know, we have significant debt issuance forthcoming that will be used to finance at the holding company the PHI transaction that we would look to bring to market once we have visibility around a successful path in Maryland. We continue to evaluate the balance sheet capacity and the space that we have at that holding company. As you know, we've said we'll utilize that holding company as a potential vehicle to finance regulated growth. I think an important element of this is the interplay between the growing earnings mix of our utilities business relative to our merchant exposure and how the rating agencies perceive us.

And so to the extent that the rating agencies continue to evolve in their thinking around the risk embedded in our business, and CS is a less risky credit, I would say that's the biggest mover of balance sheet capacity. Obviously, some elements around, whether its capacity performance, the Illinois Clean Energy legislation that would be additive to the company's cash flow and earnings would also be helpful to our ability to add further leverage to the holding company.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Got it. And then assuming Pepco closes, what's the latest update as to when the dividend is fully funded by the regulated side?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

So we project that towards the latter part of the decade into 2020 timeframe, but we'll continue to evaluate that based off of rate case outcomes.

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Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Okay. Great. And then...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

And, Neel, that's specific to, from a free cash flow standpoint, the utilities being able to, not just from a payout ratio standpoint, but from a free cash flow funding standpoint. Chris' point on the latter part of the decade is when that cash would be available to potentially consider growing the dividend.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Great. And then last on the Illinois legislation, if something isn't reached by the end of May, what are the options to maybe keep the process going through 2015? Or is it kind of done through the rest of the year if you don't have an outcome by May?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

We expect the session to – this is Bill von Hoene – conclude at the end of May. It conceivably could be extended. If the budget impasse continues, it's unlikely that the energy legislation would be considered during that period of time. There is a six day session, veto session, in November and into early December which requires a supermajority on any votes that pass during that period of time. So that would be the next time the legislature would convene after the conclusion of this regular session.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

And a supermajority which require a 60% vote, is that correct?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

That's correct.

Neel Mitra
Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Okay. Great. Thank you.

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

The point on that, though, in May of 2014 we committed not to make any decisions based off of the economics for a year. We're coming to the end of that year and we need to make decisions that start the planning process if we do not see a success there.

Operator: Your next question comes from the line of Angie Storozynski with Macquarie.

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Angie Storozynski
Macquarie Capital (USA), Inc.

Q

Thank you. So I wanted to focus again on Illinois. So it seems like you guys have bullish energy prices in Illinois and that's why you're not hedging much of your portfolio. You're also bullish on capacity prices, at least in PJM. You just had this spike in MISO capacity. So how does that add up because on the one hand if capacity prices rise, then you have less of a volatility in on peak power prices and that's potentially lower heat rates, so how does it reconcile with your outlook on heat rate?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Good morning. This is Joe. I think that what I would say is if we talk just about energy prices in Northern Illinois for a minute, using prices as of the end of the quarter, we do still see heat rate expansion. We don't think the market is priced in or the upside really driven by the back of the changing dispatch stack. And if you think about two different timeframes like 2016, 2017, we probably see less upside than we do when you get out to the 2018, 2019 time period and it's probably to the tune of $1 to $2 accordingly.

And just as importantly, we also have a view that we think that natural gas is underpriced at this point, which would, in addition to that, would drive prices higher net-net because you would see a slight heat rate decline with the rise in natural gas, but net-net it would be a positive outcome. And your point is right, that from a hedging perspective, we continue to remain behind our ratable hedging plan in the Midwest to the tune of about 10% in 2016 and 2017 approximately, just given those views.

Angie Storozynski
Macquarie Capital (USA), Inc.

Q

And you also think that the carbon legislation in Illinois is not going to have any negative impact on forward energy prices in Illinois?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

No, we don't.

Angie Storozynski
Macquarie Capital (USA), Inc.

Q

Okay. And secondly in ERCOT, so you keep saying that you have a cost advantage for the new build and you clearly do. But forward curves are showing on peak spark spreads of $15, $16. So the conclusion or your dedication to the project is driven by your outlook on where these sparks are going to go as opposed to what we're seeing. And so can you give us at least a sense what is kind of spark spreads you're assuming in your calculations when you think that the IRR of the projects is still interesting?

Kenneth W. Cornew
Chief Commercial Officer & Senior Executive VP

A

Angie, it's Ken. We continue to be comfortable with our investment in these plants because of, as Chris said, the cost advantage, the technology advantage, meaning the heat rate efficiencies and the responsiveness of the plants. We've seen spark spreads bounce around a lot in ERCOT. The lack of volatility recently has driven them down. Our long-term fundamental views are what I would say conservative and we're still confident in the investments, very confident, actually.

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Angie Storozynski
Macquarie Capital (USA), Inc.

Q

Okay. Thank you.

Operator: And your final question comes from the line of Shahriar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Guggenheim Securities LLC

Q

Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Shahriar Pourreza
Guggenheim Securities LLC

Q

Just sticking with the RSSA, with Ginna, is there an update on the filing? And then just counter with the EDF put option, how should we think about under an assumption that you may own the remaining portion of this plant? Is there an option that you can get an expanded RSSA contract if the timing works?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

The RSSA contract – this is Bill von Hoene. The RSSA contract was approved by FERC effective April 1, but with two adjustments being required in the contract which has been sent back and a compliance filing will be made by Ginna to reflect that. And there will be a process by which the contract itself will be evaluated and potentially settled through a FERC procedure. So that is going to go forward for probably the balance of the year based upon precedent in other circumstances, although the ability to collect on a cost-based rate is effective now.

The put is exercisable by EDF January 1, 2016. We do not know and don't speculate as to what would happen in connection with that. With regard to the potential extension of the RSSA agreement, it's predicated on the period of time that's necessary for the New York system to find alternative ways to deliver the same reliability that Ginna currently is required to deliver. So we would not anticipate, in the absence of the failure of the New York system to do so, that there would be any basis for extension of the agreement.

Shahriar Pourreza
Guggenheim Securities LLC

Q

Got it. And then just one last thing, just sticking with the Illinois carbon portfolio, have you quantified what could potentially be available under the cap using, let's say, the 2014 rates? And then additionally, am I correct to assume that there's an opportunity to breach that cap if somehow the credits are being constrained?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

No. The cap is the same essentially 2% cap that goes on energy efficiency and RPS. And I think that's been calculated by a number of folks. There's no provision by which the cap could be breached under the legislation as it's currently proposed.

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Shahriar Pourreza
Guggenheim Securities LLC

Q

Got it. And then you haven't quantified what could be available under the program using pre-existing rates, right?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

No, we have not.

Shahriar Pourreza
Guggenheim Securities LLC

Q

Okay. Thanks so much.

Operator: Your next question comes from the line of Paul Ridzon with KeyBanc.

Paul T. Ridzon
KeyBanc Capital Markets, Inc.

Q

Hi. A quick question on Illinois. With the Attorney General's Office kind of weighing in on the MISO auction, is that entering the discussion in the legislature?

Christopher M. Crane
President, Chief Executive Officer & Director

A

There has been attention, not surprisingly, to the MISO auction in connection with the legislative deliberations, and I think it's relevant in the minds of the number of legislators. From our standpoint, however, it has virtually no impact on the health of our plants. The Clinton plant was a price taker in the auction and which had sold in advance a significant portion of the power, the benefit of the auction result is only about $13 million, so that's far short of what would be necessary and doesn't obviate the need for the low carbon portfolio standard for that plant and elsewhere.

Paul T. Ridzon
KeyBanc Capital Markets, Inc.

Q

Thank you.

Operator: Your next question comes from the line of Ali Agha with SunTrust.

Ali Agha
Suntrust Robinson Humphrey, Inc.

Q

Thank you. I wanted to clarify, I may have missed this. I think you were mentioning that on the forward prices versus fundamental view, if I heard you right you said you thought Midwest was probably about $2 lower than where the fundamental view would be. I want to confirm that. And what's your thinking on Mid-Atlantic or PJM right now forward versus fundamental?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, this is Joe. What I said was there's two components to our view. The first is just fundamentally we still expect to see heat rate expansion in Northern Illinois across the time horizon. So, if you look at calendar 2016,

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2017 and beyond, we would expect to see heat rate expansion, and that's probably in that $1 to $2 range. But additionally, we see gas price upside, which would also increase the power price beyond that upside. So that would effectively raise the heat rates as well and – or effectively raise the power price as well.

So there's two components to our view and, as such, we're behind our ratable plan in 2016 and 2017 from a hedging perspective to the tune of approximately 10%. And it's important to note that there's some seasonality associated with that in our hedging profile within a given year reflects that, meaning we see time buckets that are more valuable relative to the market than others.

On the West Hub side, we see that heat rates and power prices are generally in line with our fundamental forecast, and we don't see quite as much opportunity. But, again, there's seasonality associated with that and our hedging profile takes that into account.

Ali Agha
Suntrust Robinson Humphrey, Inc.

Q

Got it. And, Joe, one other thing, on the retail side, a quick update on the competitive environment and the $2 to $4 margin that we've historically been benchmarking, just to give us a sense of where we are as new contracts are rolling in.

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, I think in general our load business has done very well, whether we're talking about our retail book of business on the commercial industrial side or our Polar procurement business on the wholesale side. After the Polar Vortex last year, we saw, I would say, folks maybe pricing the risk more prudently from our perspective as it relates to managing a retail contract. That's one element of it. And then from the margin perspective, using that $2 to $4 benchmark that you laid out there, we're well in line in the range of that $2 to $4, whereas we were sitting here a year, year-and-a-half ago, we were struggling to be even at the low end of that range. So we've see improvement across the board, both from a risk pricing perspective and a margin improvement perspective in our load business, both wholesale and retail.

Ali Agha
Suntrust Robinson Humphrey, Inc.

Q

Got it. Thank you.

Operator: Your next question comes from the line of Travis Miller with Morningstar.

Travis Miller
Morningstar Research

Q

Good morning. Thank you. This is a bit of a follow up to that last question, but how long do you expect this magnitude of a load matching benefit that you've got in this quarter to extend? Can we think about this extending through the full year and beyond, or was there something in the quarter that gave you even more benefit on the load matching side relative to what we could see later in the year and ongoing?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

Yeah, I think there's a couple of answers to that question. And I think the most important one is we're seeing the changeover in the generation stack that we expected to see with retirements and low gas prices. And you've seen

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the heat rate expansion that we've been talking about for some time. In addition to that I think what you're going to see going forward is increased volatility and both upside volatility and downside volatility. And I think that has an impact on load serving contracts because you need to make sure that they're priced accordingly.

So we've got the benefit of, I would call it, lower load serving costs in the first quarter and they've come down on a mark-to-market basis for the balance of the year, but our expectation is given that market volatility, we expect to see that that would pass through to continuing to see appropriate risk premiums in our load serving business and appropriate margins.

Travis Miller
Morningstar Research

Q

Okay, great. Thanks a lot.

Operator: And your final question comes from the line Michael Lapides with Goldman Sachs.

Michael J. Lapides
Goldman Sachs & Co.

Q

Hey, guys. Just want to circle back a little bit on PJM. We keep seeing a lot of announcements or people attempting to get new combined cycles build. We've obviously had a lot clear over the last few years. Gas base is still – is pretty low, meaning still pretty wide in parts of PJM relative where Henry Hub is or even when Pepco is. Just curious your multi-year thoughts about whether lots of plants actually do get built, meaning or do a lot just disappear by the wayside? And what this means not only for, I don't know, your view of are we kind of at newbuild economics in PJM so the concept of building merchant combined cycle in PJM makes sense to y ou here, just broader thinking about gas plant economics in that market?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

There's a couple of questions there. Let me try to pick them off one-by-one. I think the first one is as it relates to the turnover [indiscernible] (49:25) I think it's clear that we're going to see retirements of generation assets. In our fundamental modeling, we have an add back of an appreciable number of gas-fired generators in PJM, with most of them, say, on the Eastern side of PJM because that's where the economics are more favorable than a territory like NI Hub, for example. You're talking about a long-term investing asset with a build of a combined cycle plant, and you're looking at a market with spark spreads that's a much shorter dated time horizon. In PJM, unlike some of the other markets, the capacity price comes into play as well and is part of the equation.

Clearly, we don't see newbuild economics work on the Western side of PJM. On the Eastern side of PJM, it's a much more marginal exercise. I think where spark spreads are and where capacity price is, if you use last year as a benchmark for example, I think you can say that's a marginal calculation. There was some talk, if you go back a year ago, that people were going to be able to lock in gas contracts for 20 years at well under Henry Hub at M3 gas or that Mid-Atlantic type gas. I would tell you I haven't seen that and I don't think that's going to be the case, so there's an element of making sure that you understand what the dynamics of the cost of production are as well.

But I think net-net, fundamentally what we see is a turnover of the stack, our fundamental forecast reflects that. So we have an appreciable add-back of combined cycle plants. And when we take that all into account, as I said previously, we still see upside to the heat rate at NI Hub and we're generally in line with where the market heat rate is West Hub.

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Michael J. Lapides
Goldman Sachs & Co.

Q

Got it. And one real quick follow up, if you don't mind. You all talked a little bit about what the resolution on nuclear fuel means. Can you talk about what that means for fuel costs on a per megawatt hour basis for a typical nuclear plant, like how material is the change on a dollar per megawatt hour? I mean, are we talking $0.05 or $0.50, just trying to get my arms around it.

Christopher M. Crane
President, Chief Executive Officer & Director

A

You're talking about the DOEC?

Michael J. Lapides
Goldman Sachs & Co.

Q

Yes, please.

Christopher M. Crane
President, Chief Executive Officer & Director

A

A little less than $1 a megawatt.

Michael J. Lapides
Goldman Sachs & Co.

Q

A little less than $1 per megawatt hour. Got it. $1 megawatt hour, so something that may have been $7.50ish is now well below $7?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Yeah, yeah.

Michael J. Lapides
Goldman Sachs & Co.

Q

Got it. Thanks, guys.

Operator: I would now like to turn the call back over to Francis for closing remarks.

Francis Idehen
Vice President-Investor Relations

Thank you, Britney. This concludes our first quarter call. Thank you, everyone, for joining us this morning.

Operator: Ladies and gentlemen, this does conclude today's conference call. You may now disconnect your lines.

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13-Feb-2015

Exelon Corp. (EXC)

Q4 2014 Earnings Call

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CORPORATE PARTICIPANTS

Francis Idehen
Vice President-Investor Relations

Christopher M. Crane
President, Chief Executive Officer & Director

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

Kenneth W. Cornew
Chief Commercial Officer & Senior Executive VP

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

Denis P. O'Brien
Senior Executive Vice President

OTHER PARTICIPANTS

Gregory Harmon Gordon
Evercore ISI

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Steven Isaac Fleishman
Wolfe Research LLC

Julien Dumoulin-Smith
UBS Securities LLC

Stephen Calder Byrd
Morgan Stanley & Co. LLC

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

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MANAGEMENT DISCUSSION SECTION

Francis Idehen

Vice President-Investor Relations

Good morning, everyone, and thank you for joining for our Fourth Quarter 2014 Earnings Conference Call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Jack Thayer, Exelon's Chief Financial Officer; Joe Nigro, CEO of Constellation; and Bill von Hoene, Exelon's Chief Strategy Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters that we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section of the earnings release and the 10-K, which we expect to file later today.

Please refer to today's 8-K and the 10-K and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 60 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Good morning. And thanks for everybody joining. We had another strong year of operations in 2014 which we're very pleased with given the challenging weather conditions at the start of the year. At the Utilities, each OpCo achieved top-decile performance for safety and top-quartile performance for outage frequency and duration. The nuclear fleet ended the year at 94.2% capacity factor which this marks our 15th year in a row being over 92%. Gas and hydropower dispatch match was at 97% and our renewable energy capture was at 95%.

On the financial side, we delivered $2.39 a share, in line with our recent year full-year guidance. Exelon Generation delivered a strong year for performance in what was a volatile year. And our generation to load-matching strategy drove strong results during an unexpected mild summer.

The Utilities performed well in light of severe storms and continuing challenging interest rate environment. 2014 was an active year for us, and in addition to selling several assets, we continue the process of recycling capital and strengthening our balance sheet.

I'll highlight some of our major investments for the year. We grew across the enterprise. From the utility growth perspective, we announced the PHI merger and continued on with our infrastructure upgrade plans, spending $3.1 billion of utility investment.

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On the merchant side, we announced a state-of-the-art CCGT newbuild in ERCOT and we added 215 megawatts in nuclear, wind and solar capacity during the year. At Constellation, on the retail side, we completed the acquisition of Integrys retail and ProLiance.

We also made investments in adjacent markets and emerging technology to continue to prepare for an evolving marketplace. Bloom Energy and our micro-grid investments are good examples of that.

We also had a number of major regulatory developments in 2014 that affect both the Utilities and the Generating business. On the Generating side, we've seen progress in Illinois nuclear discussions, with four reports released last month which highlight the reliability, the economic and the environmental benefits of the nuclear plants to the State.

PJM Capacity Performance Proposal has been submitted to FERC. We strongly support the steps being taken to ensure reliability in the region. We expect a continuing discussion on the EPA's Clean Power Plan over the next several months.

On the utility front, we had two positive outcomes for ComEd and BGE rate cases. ComEd received 95% or more from our ask on the last three consecutive rate cases and BGE achieved its first settlement since 1999. And these outcomes highlight our continued commitment to the customers we serve. Bill is going to go into greater detail on the advocacy issues towards the end of the call.

These policy initiatives on the horizon present a potential material upside to earnings as value of our fleet is more appropriately recognized by the market. However, I do want to underscore that the management team is focused on EPS growth and our capital deployment efforts. We invest in prudent growth of the utilities where we can add value for our customers, and within our merchant business, we look for opportunities to earn robust financial returns. Our recent announced peaker in New England is a great example of that.

Our continued investments in both the Utilities and the Generation business demonstrates our commitment to long term growth initiatives across the enterprise that will bring value to our customers and drive future earnings.

Now, let me turn it over to Jack to discuss our financial expectations for 2015.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive VP

Thank you, Chris, and good morning, everyone. We provided information on our fourth quarter financial results in the appendix of today's materials on slide 17 and 18. I'll spend my time this morning on 2015 earnings guidance and our O&M forecast.

Turning to slide three. We expect to deliver adjusted operating earnings in the $2.25 to $2.55 range, which is the same as our 2014 guidance and earnings of $0.60 to $0.70 per share for the first quarter. Our guidance does not include the earnings from the Pepco Holdings acquisition, but does reflect all asset divestitures to date.

As you know, we sold several assets last year, the proceeds of which are being used to partially finance the PHI acquisition and to recycle capital on the merchant side of our business. The lost contributions from these divestitures result in an earnings impact of $0.12 per share relative to last year. In future years, there's minimal earnings impact, in particular as the capacity revenue from Keystone and Conemaugh runs off. The modest lost earnings from the divested plants will be meaningfully offset by the accretion from our Pepco merger and earnings from other growth projects.

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For 2015, the earnings impact from these divestitures of $0.12 combined with an additional refueling outage at Nuclear of $0.02 and increased pension and OPEB cost at ExGen of $0.02 are modestly offset by higher capacity prices of $0.07, the full-year benefit of the elimination of the DOE fee at Exelon Nuclear of $0.04 and by higher earnings at ComEd of $0.03.

As you know, at EEI, we gave earnings projections for Exelon's three utilities through 2017. Since that time, we have adjusted the midpoints of that guidance down by a total of $0.05 per share due to the impacts of treasury yields at ComEd and bonus depreciation impact on EPS. We still expect a healthy 5% to 6% CAGR on utility earnings from 2014 to 2017, and the cash benefits from bonus depreciation will help accelerate and fund utility investments. For reference and deeper analysis, more detail on the year-over-year drivers by operating company can be found in the Appendix on slides 19 through 22.

As Chris mentioned, our capital investment plan is significant and positions us to grow earnings over time. Over the next five years, we are investing $16 billion in capital at our existing utilities and plan for more than $6 billion of investments at the Pepco utilities. We believe these investments are prudent and will improve reliability and our customers' experience.

As you know, the Pepco transaction is expected to add $0.15 to $0.20 per share of earnings on a steady-state basis in 2017 and beyond. In addition to growing earnings, the Pepco acquisition shifts our earnings mix to a substantially more regulated weighting with 61% to 67% of earnings coming from the regulated side in the 2016 through 2017 period.

On the ExGen front, our focus is deploying capital for growth that achieves attractive financial returns and generates both earnings and cash flow. These investments span the energy value chain and include conventional generation like our Texas CCGTs and a new-build peaker in New England that cleared the most recent capacity auction and investments in our Distributed Energy platform. Above and beyond our existing plan, we see additional opportunities and have the free cash flow to deploy capital to earn attractive incremental returns on both the regulated and merchant sides of our business.

Starting in 2016, we expect to have up to $1 billion in incremental annual capacity we can deploy to invest in our utilities, merchant growth and other opportunities. At the utilities, we are evaluating the potential to increase our investments in utility infrastructure including grid resiliency and security, storm hardening, and new smart-grid-enabled technologies.

Of course, our capital investment in utilities has to be prudent and help meet the evolving expectations of our customers. These investments will benefit customers by improving reliability and system performance and allow them to better understand and manage their energy usage and costs. At ExGen, capital deployment across the business will be driven by the ability to earn robust financial returns.

Slide four shows our 2015 O&M forecast relative to 2014. We project O&M for 2015 to be $7.225 billion, an increase of $275 million over 2014. The increase at ComEd and BGE is due to inflation and increased budgeting for storm cost which results in incremental year-over-year O&M growth. ExGen's increase is related to a combination of factors. The inclusion of three months of CENG O&M relative to 2014, an additional planned nuclear outage compared to 2014, increased pension costs, and projects at Constellation and Generation including Integrys and growth in our Distributed Energy business. Overall, we expect a basically flat O&M CAGR over the 2015 to 2017 period. We remained disciplined on cost even as we seek to grow our business.

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Since our presentation at EEI, we have increased our CapEx projections for 2015 across the company by approximately $325 million. The increase is primarily at ExGen and reflects investments to build contracted generation including at 80-megawatt wind facility in Texas and an up to 50-megawatt biomass plant in Georgia which we announced yesterday. Additionally, we have increased 2015 budgeted CapEx for our Texas CCGTs advancing the timing of the capital spend. The total cost of the project has not changed.

Now, I'll turn the call over to Joe Nigro for a discussion of markets and our hedge disclosures.

Joseph Nigro

Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

Thanks, Jack, and good morning. The Constellation business continues to perform at high levels. We finished 2014 strong and are seeing solid results so far in 2015 as a result of our generation-to-load-matching strategy and our ability to use multiple channels to market.

My comments today will address market events during the fourth quarter and what they mean for our commercial business going forward, including our hedging strategy, the New England ISO capacity market results and our updated hedge disclosures.

During the fourth quarter, we experienced a decline in prices across the energy complex, as oil and natural gas both realized steep losses in the spot market. Power prices followed gas lower in the second half of the quarter as expectations of extreme weather subsided.

The primary driver weighing on prices was the contraction of winter premiums as the markets focus moved away from last year polar vortex and on to higher natural gas production in storage estimates. NI Hub and West Hub around-the-clock prices were down $1.50 to $3 for calendar years 2016 and 2017 from the end of the third quarter to the end of the fourth quarter. In response, we have positioned the portfolio to better align with our fundamental view that we expect to see seasonal power price upside, primarily at NI Hub, and began to build a long position into the forward years.

This is similar to how we've positioned the portfolio the last few years when our fundamental view showed power market upside. When the market is volatile, our generation-to-load-strategy allow us to optimize the portfolio to lock in additional value.

During the year, we aggressively pursued load-following sales when we observed appropriate risk premiums and increasing margins. We are very highly hedged in 2015 and not impacted from the large downturn in near-term power prices. In fact, we were very aggressive in hedging our PJM East and New England portfolios early in the fourth quarter when higher risk premiums were priced into the market.

The remaining length in 2015 is mostly in our Midwest position and focused in the months and time buckets where we believe the forward market is still undervalued. As I mentioned, we began to build a long position in the forward years because we see upside in our view versus market.

During the fourth quarter, we dropped further behind our ratable plan and added approximately 5% to our hedge percentages for 2016 and 2017 versus a normal quarter of an 8% sales. The majority of our behind ratable position remains in the Midwest where we continue to see upside in power prices driven by coal retirements. Not only did we adjust our deviation to ratable during the quarter, but we also adjusted our seasonal hedging strategies, holding length in undervalued months. We will continue to hold the long position based on our market views.

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Last year at this time, we talked about hedging the natural gas to take advantage of our bullish view on heat rates. Those views have materialized over the past 12 months, and we have shifted our hedging strategy out of these cross-commodity hedges in order to lock in the higher market-implied heat rates.

In January of last year, natural gas sales represented over 10% of our hedges. Currently, they are less than 2% in any given year. Going forward, our hedging strategies and positions will continue to reflect where we see upside versus current market prices, both from our view of heat rate expansion and natural gas price increases.

We've got a lot of questions recently on oil markets, and I'd like to spend a minute on what the sharp decline in pricing means for our business. We are not materially impacted by oil pricing, mostly due to the fact that our gross margin is primarily driven by our large base-load position. However, we do experience some minor impacts, including the potential for lower peak power pricing during heavy load conditions, the potential for lower load growth in ERCOT and lower pricing in our up-stream business. The current pressure on oil prices is more pronounced in the near-term delivery period as longer term prices in the $65 to $70 per barrel range still reflect global demand growth.

Before I turn to our gross margin update, I want to provide an update on the recent Capacity Auction in New England. On February 4, ISO New England released the results of its ninth Forward Capacity Auction for the planning year 2018-2019. The clearing price indicates that the new pay-for-performance capacity construct works and will attract development of new resources needed in the region. This includes our recently announced 195 megawatts in dual-fuel peaking facility at our existing West Medway site which we expect to have on-line by the summer of 2018.

Turning to slide six, I'll review our updated hedge disclosure and the changes since the end of the third quarter. In 2015, total gross margin is unchanged. The impact of the divestiture of Keystone and Conemaugh was offset by the acquisition of Integrys and the expectation of favorable portfolio performance. We executed on $100 million of power new business and $50 million of non-power new business during the quarter. Based on 2015 performance to date and expectations for the full year, we have increased our power new business target by an additional $50 million.

For 2016-2017, total gross margin decreased by $200 million and $250 million respectively, largely driven by the impacts of lower market prices on our open position. The divestiture of Keystone and Conemaugh was offset by the addition of Integrys in these years. We also executed on $50 million of both power and non-power new business in 2016.

Overall, the commercial business is performing extremely well across all of our business lines. We will continue to implement hedging strategies that reflect our fundamental view of increases in both power and natural gas markets and optimize our portfolio.

Now, I'll turn it over to Bill.

William A. von Hoene

Chief Strategy Officer & Senior Executive VP

Thanks very much, Joe, and good morning, everyone. As Chris referenced in his opening statements, there are a number of developments playing out on the policy front that affect our customers and our businesses. These issues are not necessarily earnings impactful in 2015 but they may have a material impact on the company beyond this year. And so we're going to spend a few minutes this morning sharing with you our perspectives on the issues.

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I'll start with three issues affecting the Generation business in policy space. First on the capacity market reform front that Chris referenced. We have been involved in PJM's stakeholder process to develop a proposal that will harden the power supply system to help it withstand extreme weather events and ensure reliability for customers.

We believe the proposal that now sits before FERC is constructive and, if approved, will address the gaps in system reliability. The proposal has many similarities to the pay-for-performance market design which FERC approved in New England a couple of years ago. It's a no-excuses approach that provides fair compensation to reliable assets that do perform and penalizes suppliers that do not.

We think this is a win-win for our customers and for our Generation business. We have invested billions of dollars in our fleet over the years to make it the most reliable set of generating assets in the country and we think that the fleet will fare well in a pay-for-performance system. All told, we view developments on the capacity reform front as decidedly positive, and we are expecting a ruling from FERC by April 1.

Second, let me talk briefly about the discussions that are ongoing in Illinois. As Chris referenced, and as you all have seen by now, the State of Illinois report on potential nuclear power plant closings was issued earlier this year in response to House Resolution 1146.

As stated in that report, the right energy policy for Illinois should guarantee reliability and improve the environment while creating and retaining jobs, growing the local economy and minimizing costs. It is difficult to envision such a policy without nuclear as a critical part of the energy mix.

The report offers an independent assessment of the substantial economic, environmental and reliability benefits that Illinois' six nuclear plants bring to the state and lays out five options to address the current situation. Establishment of the cap-and-trade program, imposition of a carbon tax, adoption of a low carbon portfolio standard, adoption of a sustainable power planning standard or reliance on market and external initiatives to make the corrections.

We are supportive of any of the options that reward all carbon-free resources equally, but doing nothing simply is not a viable economic option if we are to maintain the operations of those plants that are at risk. As we've stated repeatedly, we do not seek a bail out. This is about addressing market flaws to properly value resources that are of great importance to the State of Illinois. The State has an opportunity to implement needed change and we will work with policy-makers and stakeholders during the coming months to come to an appropriate conclusion soon.

Third, on the Generation front, a brief discussion of the environmental policy. As you know, the EPA's Clean Power draft was issued last year. While it is well-intentioned, it fell short in our view of addressing the importance of nuclear to achieving our national environmental goals. We continue to work on improving the plan.

Notwithstanding the shortcomings of the initial proposal however, we view the environmental discussion as progressing in the right direction. Furthermore, the EPA debate and the State's roadmaps to implementing the plan are inextricably linked to the discussion around nuclear energy in Illinois that I just referenced. As any solution must contemplate the State's ability to comply and to do so cost effectively without the clean attributes of nuclear, that will be impossible.

The final ruling on the EPA's Plan has been pushed back to later this summer. Like many, we want clarity on the issue. However, we would rather, the time be taken for the agency to get this right and design a rational emissions reduction policy for the country than to rush it through. We are confident that the EPA will issue a final rule that appropriately values our assets.

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The question that arises from all of these pieces is how do they fit together and will the resolution of these three policy issues translate to market-based compensation sufficient to maintain the economic viability of our challenged assets. That is what will play out over the next few months or longer.

In the aggregate and individually, we view these potential policy changes as a positive driver for the Exelon fleet. If the PJM reforms are adopted, this should benefit all of our PJM Nuclear assets. However, we have been clear that there is no silver bullet. Each plant has to stand on its own economic merits and it is unlikely that the PJM reforms in isolation will ensure the survival of each plant. One clear example of this is Clinton which is not in PJM and therefore will not be properly valued as a result of the PJM capacity market reforms.

These plants need to be fairly recognized for both their unparalleled reliability and for their zero carbon attributes. Anything short of that recognition is insufficient and that is why we have been working diligently and simultaneously on all the fronts I have referenced.

The fact is there is no other technology that produces reliable, zero-carbon electricity. All of the alternatives are intermittent and far more expensive than keeping these plants in operation. Our customers will pay more if these assets are retired prematurely and need to be replaced. We think policymakers get this and also understand what it means to lose these plants in terms of jobs and costs. We are optimistic that they will take the steps needed to ensure fair treatment of the units because it is clearly in the customers' and the states' interest to keep these plants open.

Finally, on the regulatory front, let me turn to a non-Generation matter, which is, of course, the Pepco transaction, which we announced last year. Getting the merger with Pepco across the finish line is, of course, a very high priority for the company, and things are progressing according to plan. We continue to anticipate a closing sometime in the second or third quarter of this year.

We are pleased to have received approval from New Jersey earlier this week, and as you know, we have already received approvals from FERC and the State of Virginia. In Delaware, as noted in the letter to the Commission that you have seen, we are close to a settlement, and if a settlement is reached, there may be an adjustment in the schedule. We are continuing the process to review – of reviewing the remaining jurisdictions of Maryland and Washington, D.C.

We believe the merger is in the public interest, and we expect that the combined company will bring significant value to customers given our top-tier operational performance and the merger commitments we have made. We look forward to completing the regulatory process and closing the transaction on schedule.

Thank you. And now, we will open up the floor for questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Greg Gordon of Evercore ISI.

Gregory Harmon Gordon
Evercore ISI

Q

Thanks. Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Greg.

Gregory Harmon Gordon
Evercore ISI

Q

Jack, can you comment again on the – can we revisit the comments you made on the earnings guidance for the Utilities? Because as I look at the $0.20 to $0.30 from BGE, $0.35 to $0.45 from PECO, and $0.45 to $0.55 from ComEd, if I just take the exact midpoint there, that's $1.15 versus $1.25 at the midpoint of the EI. So that's a $0.10 delta, not a $0.05 delta. Is there a reason why I am miscalculating that?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

No, Greg. The $0.05 delta was with respect to 2017. The 2015 guidance, to your point, is down $0.10. Some of that is just a mere factor of rounding. We speak in terms of $0.05 increments. And I would say 2015 guidance is down on a relative basis, $0.05 year-over-year, although the rounding would indicate that it's down $0.10. It's just a matter of how we rounded up or rounded down in our expectations.

Gregory Harmon Gordon
Evercore ISI

Q

Okay so the earnings power out in 2017 of your three utility businesses is $0.05 lower than your prior expectation, not $0.10?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

That's correct. And I think importantly there, you see the sensitivity we have to interest rates, primarily ComEd. You see the impact of the bonus depreciation which has the obvious EPS impact of lowering rate base and lowering expected earnings. But also the cash flow of savings related to that is a contributor to the $1 billion of incremental capital we see in 2016 and beyond that we can deploy to grow both our Utilities business as well as our Merchant business.

Gregory Harmon Gordon
Evercore ISI

Q

Okay. Another question, because I think there is a bit of an apples-and-oranges going on in terms of the discussion. Now that you've given us an earnings guidance for this year that includes the $0.12 dilution from the Generation – from the asset sales that you are using to fund the Potomac transaction, as we roll into – if we

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assume that that deal closed precisely on 12/31, is it accretive by $0.15 to $0.20? Or is it accretive by $0.15 to $0.20, all things equal off this base? Or is it more accretive because you are also offsetting the dilution from the asset sales you used to fund the deal?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

The $0.15 to $0.20 number, Greg, that we referenced incorporates the net dilution associated with the asset sales. That said, as I mentioned in the script, the earnings contribution from those assets, while admittedly $0.12 this year, because of the failure of Keystone and Conemaugh to clear capacity markets, the contribution from those assets diminished meaningfully out the curve.

The $0.15 to $0.20 that I referenced, we would anticipate in 2017. So that's why we're – while you mentioned the close in 12/31, obviously, per Bill's comments, we're anticipating a Q2 and Q3 close. We wouldn't expect to see that – all of that $0.15 to $0.20 until 2017. We will be certainly achieving part of that during the 2016 period.

Gregory Harmon Gordon
Evercore ISI

Q

Got you. I get it. So the math on the earnings contribution from the assets sold, they would've been significantly less than a $0.12 contributor out in time.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Correct.

Gregory Harmon Gordon
Evercore ISI

Q

Okay. One more question, just in a little bit of the weeds on the forecast for O&M. You did call out increased O&M, predominantly at BGE, ComEd and ExGen. Then you say that through 2017 you expect 0.2% growth. Specifically at ExGen, as we get out into 2017 is that growth rate pro-rata across all the businesses? Is ExGen's O&M roughly static? Because I know you are adding assets to the mix in 2017, and I'm wondering whether there is a significant increase in O&M associated with that, or whether the totality of the O&M is still only growing nominally inclusive of those new asset additions.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

It's pretty ecstatic, Greg. Certainly, we are adding those assets. The operating costs of which will increase. We added Integrys. We added ProLiance. We have announced in recent months both a waste-digesting plant out in LA, a pulp and biomass facility down in Georgia partnered with P&G. We're looking for incremental opportunities in that space.

We're offsetting that in part with activities that we're pursuing broadly across the company to drive lower operating costs, both within the embedded businesses, the Constellation, the Power Generation business, the Nuclear business as well as our Business Services Corporation. So, on a kind of blended basis, we see relatively flat O&M further out the curve.

Obviously, wage inflation is a component of that. Interest rates have been a meaningful factor of that and driving pension costs and the growth in the liability side of that higher. So as CPI oscillates, as interest rates move, that

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will continue to be candidly something a little bit outside our control, but obviously something we're trying to focus on other things to offset.

Gregory Harmon Gordon
Evercore ISI
Q

Great. Thank you, guys.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

Thank you.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Thank you.

Operator: Your next question comes from the line of Dan Eggers from Credit Suisse.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)
Q

Hey. Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director
A

Good morning, Dan.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)
Q

Just following up on Greg's question on the Utility outlook. If you go back to a year ago when you guys gave guidance, I think that all these expectations are down about $0.15 today from where they were a year ago. Can you just bridge for me what has changed, a year-to-year basis? And then if you thought about interest rates normalizing or pension normalizing, how much of the $0.15 erosion could you reasonably get back?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP
A

I don't know that, Dan. I can track you back to year-end 2013. But clearly, you've seen a material degradation in the interest rate environment. As an example, in 2014, the average 30-year was 3.34%. The interest rate for 30 years today is 2.63%. So just even within on an average basis of full year, the continued decline of interest rates and our sensitivity to that through the formula rate at ComEd has been significant. For sensitivity sake, 25 basis points up or down in interest rates. It's $9 million improvement or detriment to our expected revenues at ComEd.

Obviously, the same element is impacting us from a pension liability side, marry that with a change in the mortality tables and longer expected lives of our pension and OPEB participants. And that's the headwind. And that's a headwind that we passed through, through the formula rate within ComEd, but we have to go through rate cases at PECO and we have to go through rate cases at BGE to recapture that.

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And then I guess the final element that's changed, I think, is given our load sensitivity at PECO and given some of our longer-term load sensitivity at BGE and ComEd, as we've continued to experience zero, in some instances negative load growth, that's been a headwind as well.

That said, we continue to see meaningful opportunities to deploy capital in that space. We see an opportunity to drive our customers' reliability and experience, and importantly, we see opportunities to earn a fair rate of return in those businesses and as we're delivering and evolving array of services to our customer, even perhaps improve upon what we're allowed to earn.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay, got it. I guess just on the deployment of capital conversation, what are you guys seeing in the ERCOT markets at this point in time underlying the newbuild decision? It seems like sparks have eroded since those plants were announced. And obviously with maybe an economic slowdown because of oil and gas drilling, there's a little bit of concern in the market, I suppose, over demand growth.

Kenneth W. Cornew
Chief Commercial Officer & Senior Executive VP

A

Hey, Dan. It's Ken. We are very comfortable with our decision to invest in our combined-cycle plants in Texas, and there are several reasons for it. First, the technology we've chosen, we think puts us in a significant competitive advantage. Again, as you know, with the position and the stack we would have, as well as the ramping capability of the units.

Also, cost advantage. Given we own these sites, we have an advanced cost position that we don't think could be matched in the market. Importantly, we made this investment on our long term fundamental views. And without talking about a every assumption in our fundamental views, they're not drastically different than the environment we're seeing right now. We didn't make a bet on massive load growth in Texas. We are very conservative in our assumptions.

And the last thing I'll say, Dan, is we have a significant load business in Texas as well. And having these plants and this capability and matching that capability with our load business is something. I think you're seeing it right now. We've proven that that is a value proposition that Exelon brings to the table and we expect that the investment in these plants will really enhance that value proposition in Texas.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay, thanks, Ken. I guess, Bill, can you just walk us through what kind of timeline we need to see in Illinois as far as draft legislation on carbon action and progression to get something done before the recess in the summer?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

Yeah, Dan. As you know, the recess is scheduled or at least currently scheduled for the end of May. And what we anticipate is that legislation consistent with the policy solutions outlined in the 1146 report will be introduced in the General Assembly sometime within the next month. We are actively working with legislators, regulators and stakeholders with that in mind.

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So I would expect to see something surface within the next month and that will give ample time to the legislature to consider it. There will be hearings related to 1146 or possibly to the legislation specifically that will accompany that. But if this gets introduced as we anticipate within the next 30 days or so, it will give an opportunity to go through the full discourse in the legislature before the recess in May.

Dan L. Eggers
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Thank you, guys.

Operator: Your next question comes from Jonathan Arnold from Deutsche Bank.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Yes. Good morning, guys.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Hey, Jon.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Good morning.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

A quick one, first, just on Illinois, following up on Dan's question. Is there a sponsor that has yet emerged or sponsors? Or are you still working that out?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

Jonathan, there has been nothing publicly announced. There will be a significant number of sponsors and it will be by partisan. But that won't be revealed until the legislation itself is actually announced.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Well, as you've just said, you're expecting it to be broadly supported?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

Correct. We anticipate Republican and Democratic sponsors in significant numbers.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

In both Houses? Or is it going to emerge in one House and then go to the other?

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William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

The mechanics, it has not yet been determined what the mechanics will be, but there will be adequate support and sponsorship in both Houses to run it through the legislature.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Great. Then if I could also just revisit the question on the regulated guidance – sorry to do this. But, Jack, when I look at the $1.11 starting point for 2014, which was pretty consistent with the EEI slide, and your statement that 2017 is only down by $0.05 in the midpoint, which would imply $1.35 versus $1.40, I think where I'm having confusion is that you'd said – you'd called out an 8% CAGR at EEI. But now you are saying 5% to 6%. But seems to me the $1.11 to the $1.35 would be more like 6% to 7%. And 5% to 6% implies a bigger reduction. Can you speak to that at all?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

I think, Jonathan, we're talking about 100 basis points. And to be candid, the rounding issue comes into play. So I think I'd focus more on the $0.05 of degradation from EEI's 2017 expectation to where we sit today. And not...

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Perfect. Okay.

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

And...

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

[indiscernible] (42:02)

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

...some of that is an issue of the timing of capital deployment and other elements. And I think we feel good about 5% to 6% growth. Ideally, we'll endeavor to deliver higher growth about $1 billion of incremental spend in 2016 and beyond is potentially a driver of that incremental growth.

Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

But the $0.05 is what we should really focus on?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Yeah.

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Jonathan Philip Arnold
Deutsche Bank Securities, Inc.

Q

Got it. Thank you.

Operator: Your next question comes from Steven Fleishman from Wolfe Research.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Yeah. Hi. Thank you. So not to beat a dead horse with that, does your viewpoint on the utility include any of the $1 billion being reinvested in it? Or that would now be in additive?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

No, no. It's additive.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Great. And then...

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

It's incremental.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Thanks. And then just with respect to the Illinois legislation, I know there's other aspects of this, not just on nuclear plants. So maybe you could give us a little bit a better sense of what else might be addressed in this legislation. I'm assuming it's also renewables. But is there other aspects that would likely be in this?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

Steve, this is Bill. The legislation that we're referencing in the nuclear is stand-alone for the time being. There are going to be undoubtedly additional energy-related initiatives. There was a group that convened last week called the Clean Jobs Coalition, which was an environmentally directed group of a number of agencies and entities, which indicated that they will introduce legislation that will relate to energy efficiency to renewable standards and also to a cap-and-invest system that would be implemented in connection with 111(d). So we anticipate that that will be legislatively active, and there undoubtedly will be a variety of other things that will be considered as well.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Okay. Just lastly, and maybe to Joe, on your point of view in your hedging, just to clarify, it sounds like you are particularly focused on future NI Hub prices being too low. Is that fair?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

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Yes. Steve, I think there's two elements. I think you're correct. When you think about the expansion opportunities, heat rates, I think that's primarily in NI Hub. I think from our perspective as well, we actually see upside to the natural gas market especially – maybe to a lesser extent in 2016 and more so as you move out into 2017 and 2018 on the back of demand pickup and where prices are today. And that would be true, for example, both at West Hub and NI Hub.

You can see in the quarter that we sold less than our ratable plan approximately 5% of our portfolio – total portfolio whereas an average quarter we would sell about 8%. And we rotated out of a lot of the gas shorts that we had because of the big heat rate move we had.

So as we move forward, as we build a position that falls behind ratable, it's going to be done more on, I'll call it, a flat price basis where we're just going to take the power that we would have normally sold and just hold it in our portfolio and we'll tailor that to locations and time buckets. NI Hub will be a big piece of that, but we'll be looking at other areas as well depending on what we see in the gas market.

Steven Isaac Fleishman
Wolfe Research LLC

Q

Okay. Thank you.

Operator: Your next question comes from Julien Dumoulin-Smith from UBS.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Hi. Good morning.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Good morning.

Julien Dumoulin-Smith
UBS Securities LLC

Q

So I wanted to ask a little bit of a bigger picture question here around the direction of the company, vis-à-vis Utility versus Merchant. As you think about that decision point, you've obviously made a couple of decisions over the past years, Pepco namely, how are you thinking about positioning the company towards the Merchant side of the business? Specifically as you think about, a, potentially expanding nuclear; and then, b, specifically expanding into Texas, are either of those avenues palatable or desirable under a Merchant expansion? And then more broadly, is a Merchant expansion desirable at this point in time?

Christopher M. Crane
President, Chief Executive Officer & Director

A

So we continue to look at both sides. The Utility business, as we've talked about, we can operate utilities well. We can drive efficiencies in. We can improve the customer experience while we're getting returns. We're in a unique situation with ComEd on the formula rate at some historically low interest rates. We're not running from the investment in utility business. We think interest rates will normalize and it will be at the right place for the return. So we'll continue to make prudent investments and operate the utilities well there.

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On the Merchant side, it's all about the value proposition and looking at these specific investments. If a nuclear plant came available and we could fold it into the portfolio and see are adequate returns, we would surely have the scale and the scope to put one in. We don't see any out there right now, but newbuild is not an option. So that's the only way we get it as an acquisition.

As we've said before, we do think Texas is one of the more interesting markets to invest in right now, and that's why we're proceeding with organic growth down there. We do look at assets that come up from time to time. In the ERCOT market, most have been overvalued from our perspective in the long term fundamentals. That's why building these new technology units makes more sense to us.

So we'll continue to look for opportunities on both sides of the business and use the balance sheet prudently to make the investments. But one thing that we've – in the last couple of years, as we do our asset valuations on an annual basis, recycling capital has become a focus and we'll continue to watch that. If we see assets that others have more value on and we can deploy that capital into other arenas, we will not be shy of any divestiture.

And that's what we did this year with divesting assets and having the opportunity to use that capital into what we think is something that would be strategically valuable for us with Pepco, and also having – creating a balance sheet space to make the investments in new units. So we're still very confident in the model and confident in the investment thesis. And if low interest rates are hard on pensions and they're hard on the formula rate, but in the long run we see those coming back, and we still think it's a good investment thesis.

Julien Dumoulin-Smith
UBS Securities LLC

Q

All right, great. And then secondly, if you could comment more specifically around Ginna in New York, obviously there's been some development there. What's your latest expectations, if you can elaborate?

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

A

Chris, do you want to me take that?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Joe is going to grab it.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Great.

Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

A

Julien, it's Joe Dominguez. We continue negotiating the RSSA with our counterparties up there in New York. I think you'll see developments become public on that within the next few days to a week.

Julien Dumoulin-Smith
UBS Securities LLC

Q

Got you. Fair enough. Thank you. Good luck.

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Joseph Dominguez
SVP-Public Policy, Government & Regulatory Affairs

A

Thanks.

Christopher M. Crane
President, Chief Executive Officer & Director

A

Thanks.

Operator: Your next question comes from Stephen Byrd from Morgan Stanley.

Stephen Calder Byrd
Morgan Stanley & Co. LLC

Q

Morning. Wanted to – I think I had heard on the call that Keystone and Conemaugh have not cleared in the PJM auction. And if that's correct, I wondered if you could just elaborate on the rationale. I thought of those as large, well-operating coal plants. I'm just curious. What was the driver behind that?

Joseph Nigro
Executive Vice President, Exelon; Chief Executive Officer, Constellation, Exelon Corp.

A

And, Stephen, this is Joe. Good morning. There's a couple of reasons for that. First of all, as you know, under the mechanisms afforded in the PJM model, you can calculate an avoided cost rate on each of your units. And we take the opportunity with our fossil unit in particular, and all of our fossil units to do that. And that sets what I could call a cost base-line. And recognizing what we need from a cost perspective on those units. We take that into account in our bidding strategy and we have a host of other assets that we have to look at in particular to make sure that we're looking at this in a proper sense from a total portfolio basis. And in a way, that math worked for Keystone and Conemaugh in particular, it just didn't clear given where the clearing prices were for that particular option.

Kenneth W. Cornew
Chief Commercial Officer & Senior Executive VP

A

So Steve, just a little add to that. It's Ken. There are substantial costs at the plant associated with environmental upgrades. That associated with the – avoids the energy benefits that were very low from that 2009 to 2013 period drove the avoided cost rates up at those plants. And as we said before, the market works when participants bid their costs and that's what we do.

Stephen Calder Byrd
Morgan Stanley & Co. LLC

Q

Okay, great; thank you. Just shifting over to the Utility, in terms of achieving the growth rate that you've laid out, what kind of load growth assumptions – your latest thinking that's driving that growth?

Christopher M. Crane
President, Chief Executive Officer & Director

A

Denis, did you get that?

Denis P. O'Brien
Senior Executive Vice President

A

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Yeah, Chris. The load growth is really flat to slightly positive for the next few years. What we're seeing for the last couple was flat to slightly negative. We see the next five years or so, flat to slightly positive.

Stephen Calder Byrd
Morgan Stanley & Co. LLC

Q

Okay. And that's driving the change in terms of the outlook from flat to negative, to flat to positive, what's your – just at a high level view of what would drive that improvement in load growth?

Denis P. O'Brien
Senior Executive Vice President

A

I think it's just the general economic health of each of the service territories that we serve.

Stephen Calder Byrd
Morgan Stanley & Co. LLC

Q

Okay. Thank you very much.

Operator: And our final question comes from Hugh Wynne from Sanford Bernstein.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Q

Thanks. The $435 million asset impairment charge this quarter, how does that break down between Keystone, Conemaugh, and then Upstream assets and other?

Jonathan W. Thayer
Chief Financial Officer & Senior Executive VP

A

Hugh, in total of overall long-lived asset impairments that we had during the year, we had a wind impairment that was $0.06, we had a lease impairment that was $0.02, we had Quail Run assets held-for-sale impairment of $0.04, Keystone and Conemaugh was $0.29 of that, Upstream was $0.09 for a total of $0.50.

On the flip side of that, we had $0.28 of gains related to the sale of Safe Harbor, the sale of Fore River, gain on the sale of West Valley. So overall, on a net basis, it's about $0.22 negative impact on the year.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Q

Okay. Then my question for Bill. Bill, you're a lawyer, and you were talking about the potential implications of the Clean Power Plan, EPS Clean Power Plan. I just wanted to get your views as to the likelihood that the Plan survives at all. I understand there's been challenges as to whether EPA has authority to regulate CO_2 under 111(d) in the first place. And then secondly if it does, whether that authority extends to energy efficiency and renewables. Is this Clean Power Plan going to be with us in the long run? Or do you think it's going to be whittled down or overturned altogether?

William A. von Hoene
Chief Strategy Officer & Senior Executive VP

A

Well, one thing that we can be abundantly certain of is that there will be litigation respecting whatever the final rule will be. But the basic tenets, Hugh, of the underpinnings of the rule are legally sound. The ability to regulate carbon emission has been already ruled upon by the United States Supreme Court. And our expectation is that

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there will be litigation and there may be modifications that result from that, but the basic underpinning of the rule will survive and will have impact that will be significant in that scope.

Hugh D. Wynne
Sanford C. Bernstein & Co. LLC

Q

Great. Thank you very much.

Operator: I would now like to turn the call back over to our presenters.

Christopher M. Crane
President, Chief Executive Officer & Director

So, thank you very much, everybody, for joining. As we've laid out from an operation standpoint, very strong year. We continue to run well, continue to watch cost and contain where we can. The Constellation, the Generation business has done a very good job in this marketplace and we continue to feel very strongly that that will continue to be supported.

The Utilities side, the Utilities are operating well, as I said. We see the investment thesis is right. We know the sensitivity to the interest rates, but don't think that's a long term sustainable issue, and we'll continue to keep investing. Thanks.

Operator: We've reached the end of today's call. You may now disconnect.

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February / March 2018
Investor Meetings

Exelon®

SI-SSA-0015-00801

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-00802

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-00803

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-00804

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

SI-SSA-0015-00805

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00806

2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

Exelon.

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2018 Business Priorities and Commitments

Maintain industry leading operational excellence

Effectively deploy $5.4B of 2018 utility capex

Advance PJM power price formation changes in 2018

Prevail on legal challenges to the NY and IL ZEC programs

Seek fair compensation for at-risk plants in NJ and PA

Grow dividend at 5% rate

Continued commitment to corporate responsibility

SI-SSA-0015-00808

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

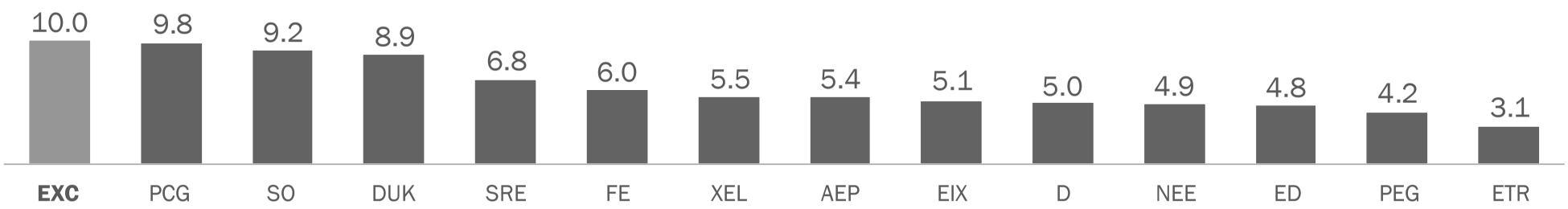
Note: All numbers reflect year-end 2017

SI-SSA-0015-00809

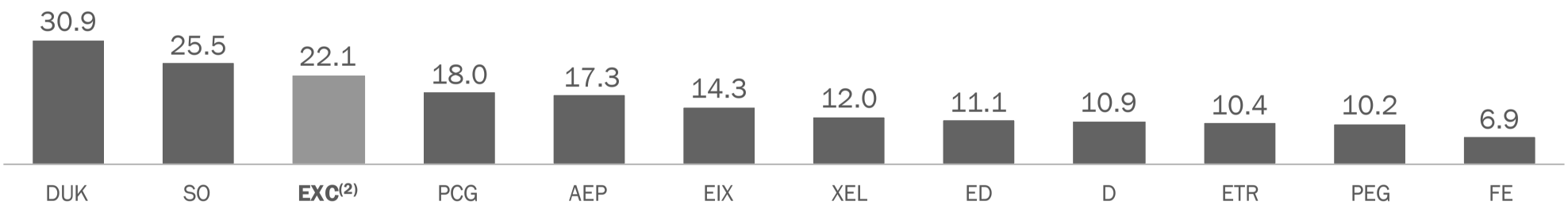
Exelon.

Exelon Utilities are an Industry Leader

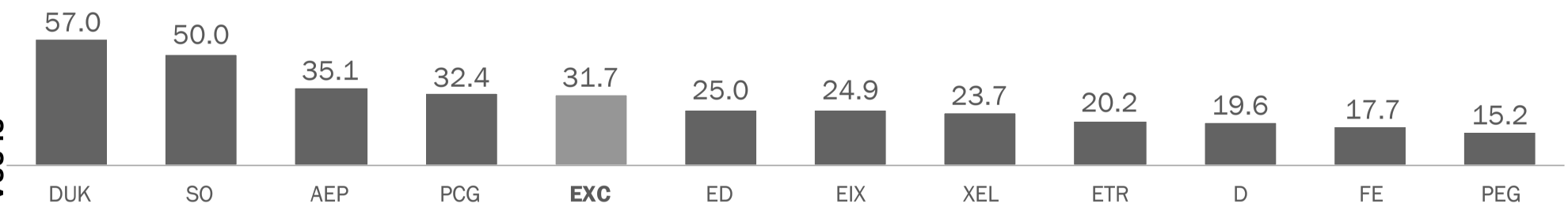
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

Exelon.

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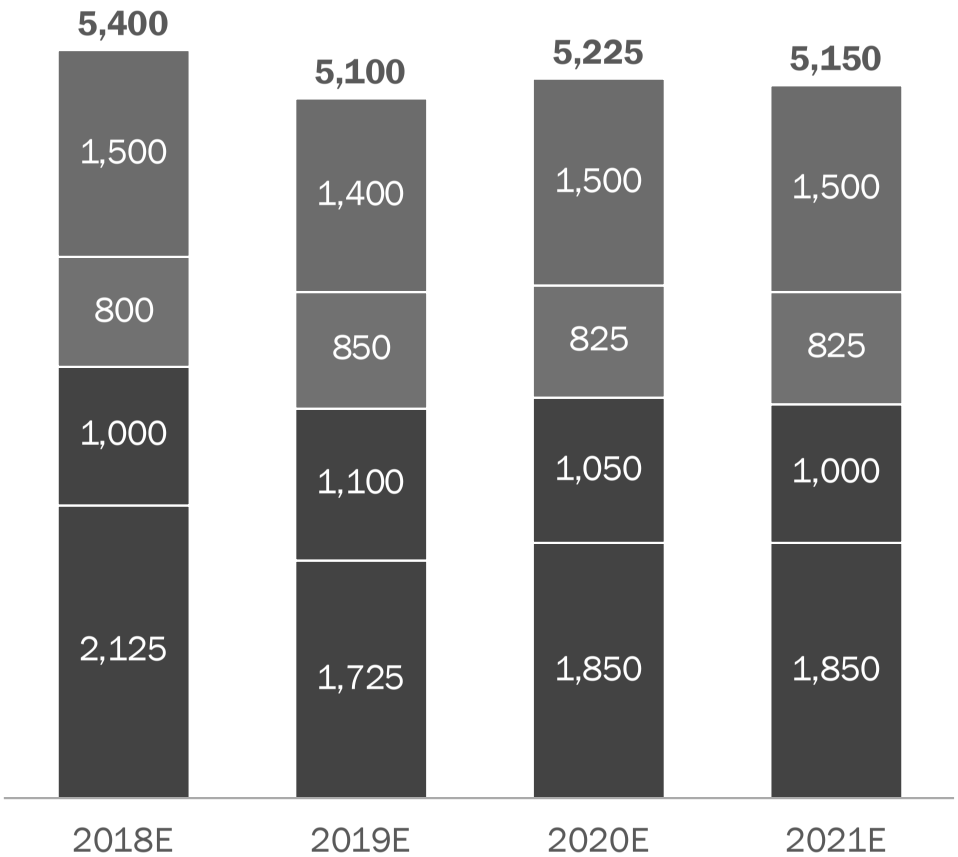
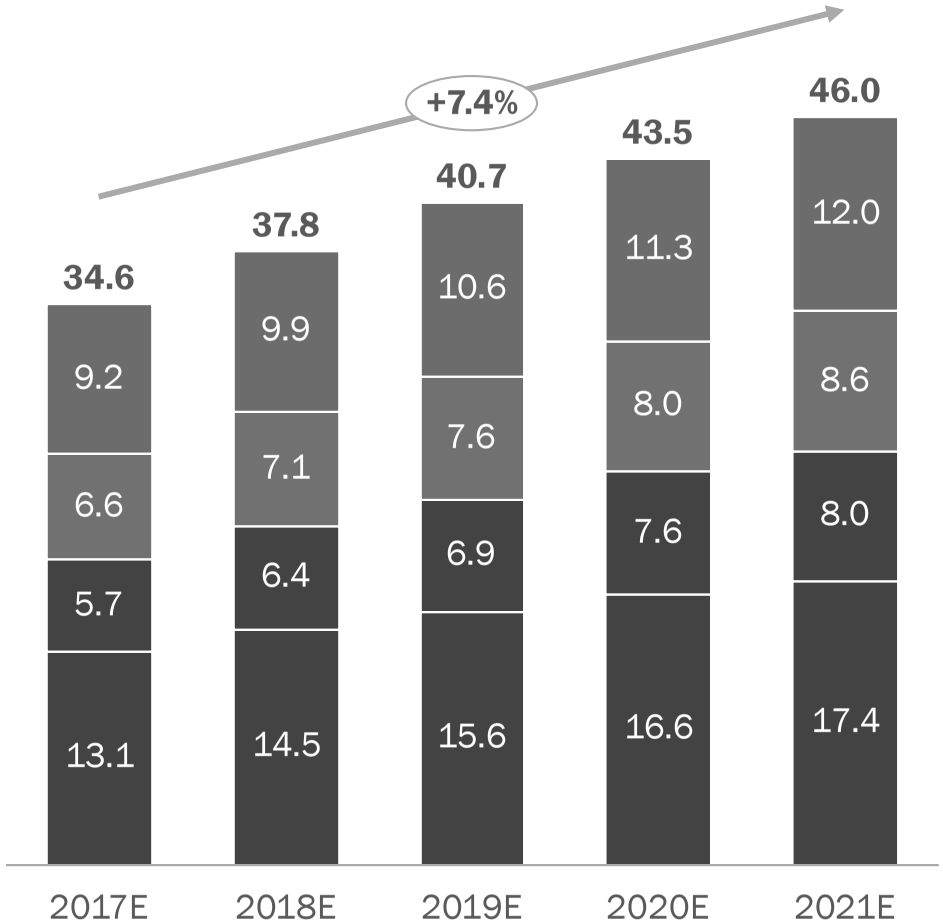
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

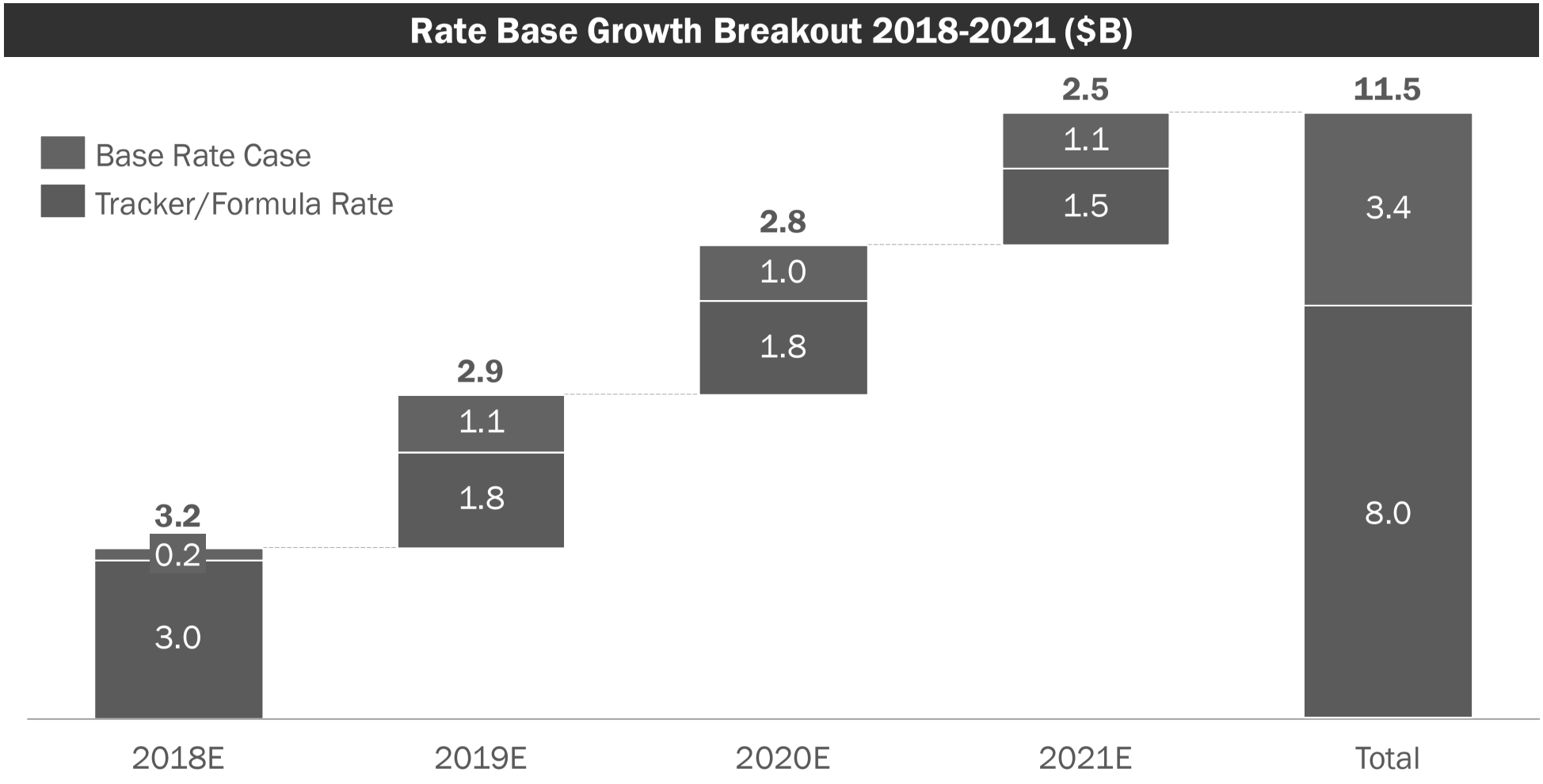
$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

SI-SSA-0015-00811

Exelon.

Mechanisms Cover Bulk of Rate Base Growth



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

Exelon.

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[1]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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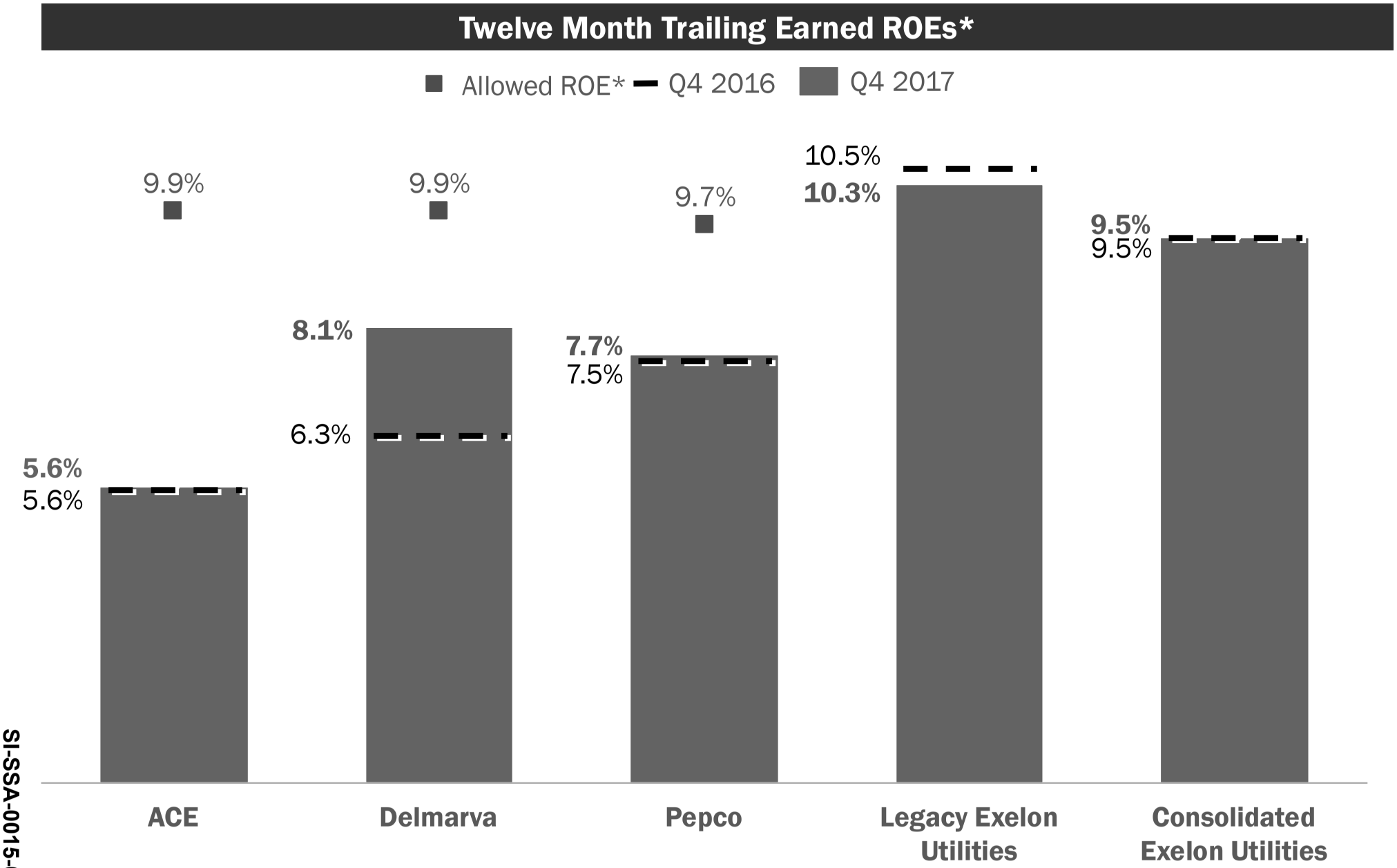
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

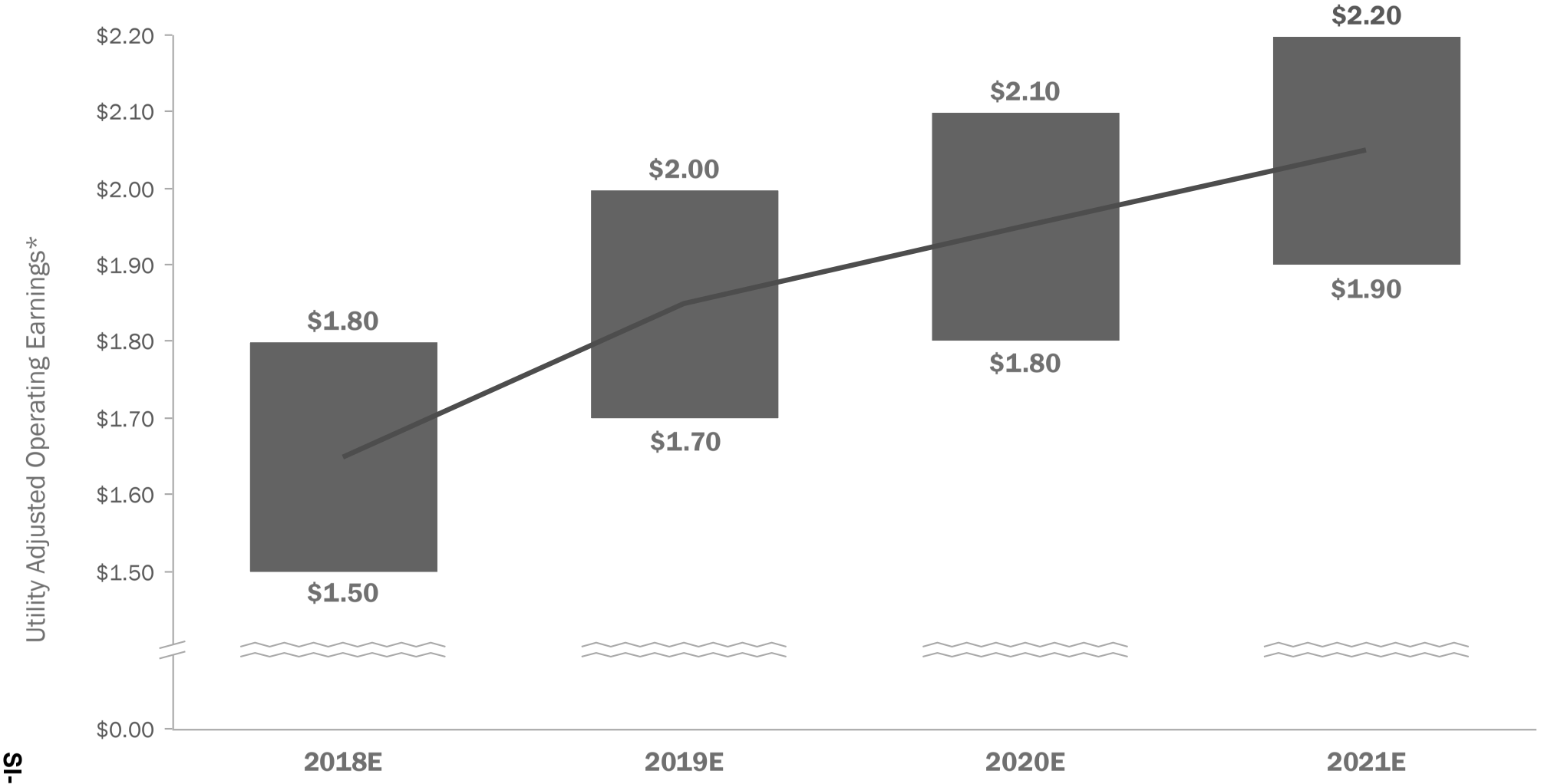
(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

Exelon

SI-SSA-0015-00815

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

SI-SSA-0015-00816

Exelon

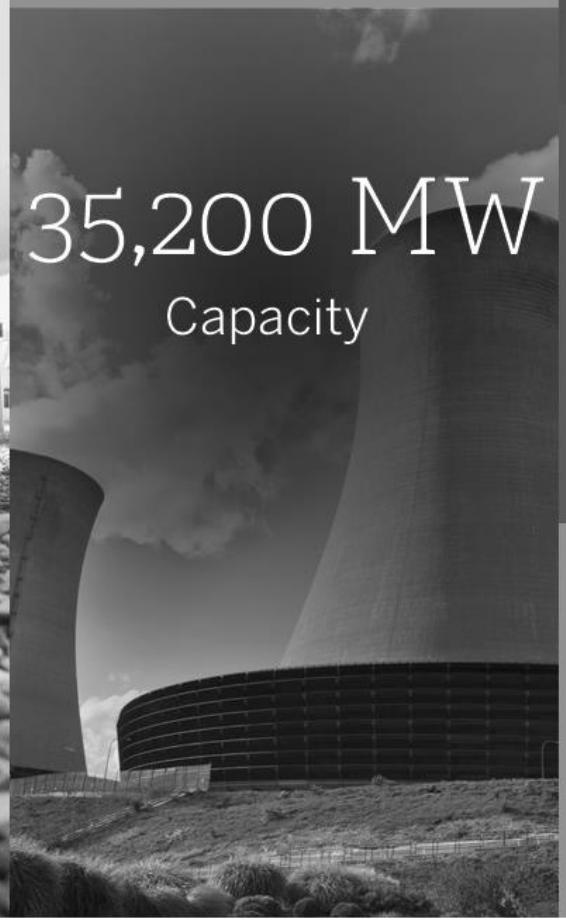
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

Exelon.

SI-SSA-0015-00817

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

Exelon.

SI-SSA-0015-00818

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%(1)
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs(2)
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-00819

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon

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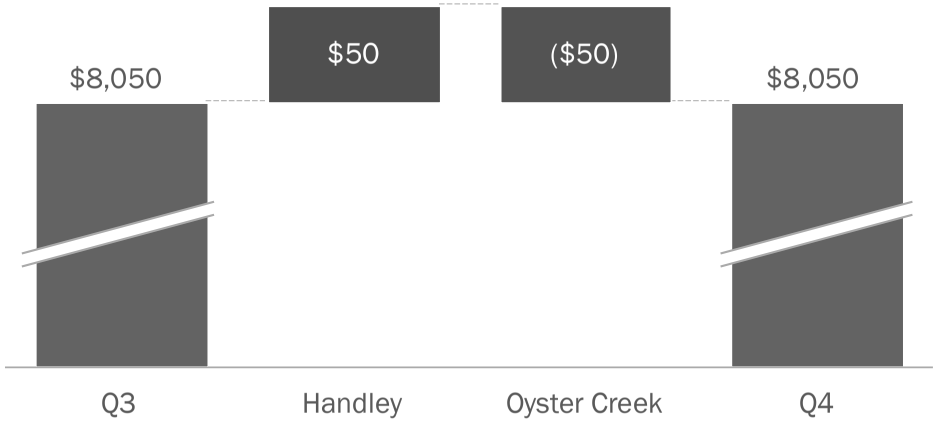
ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

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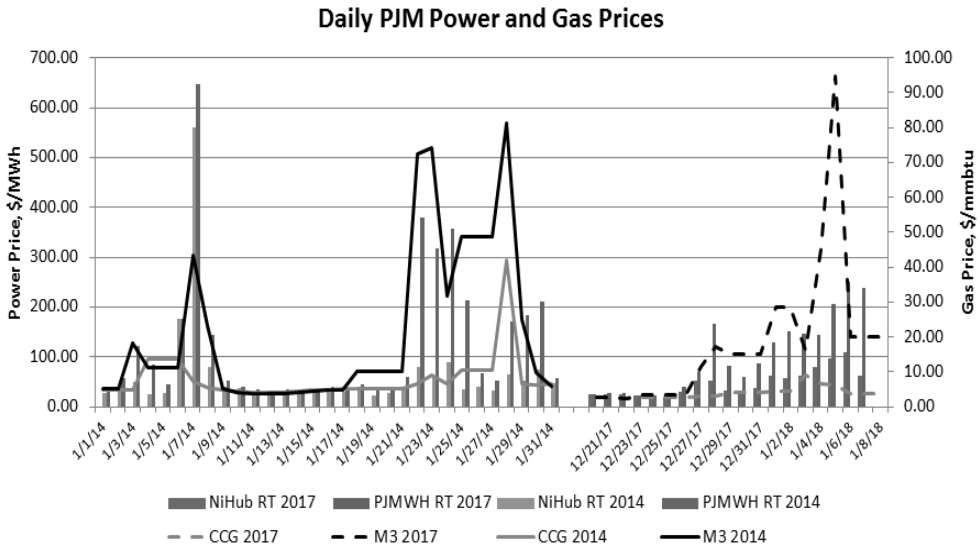
Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

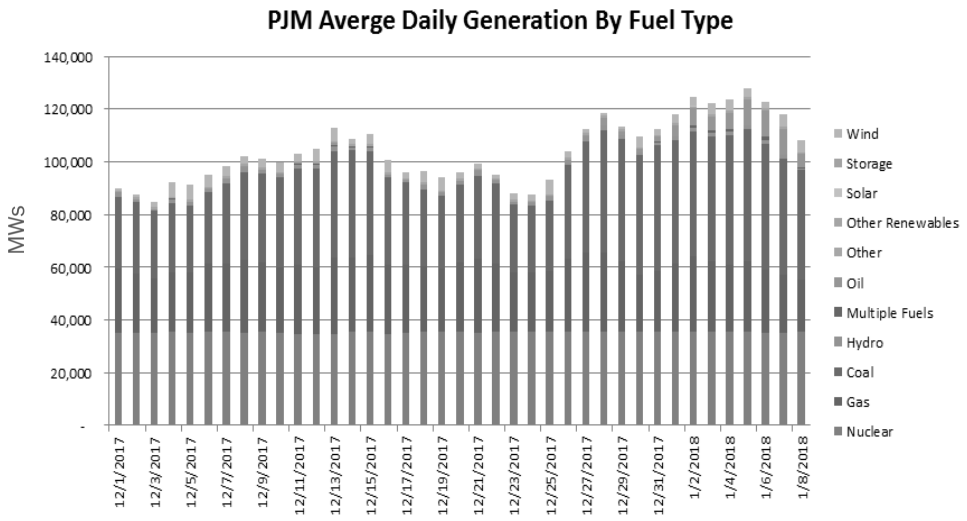


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

SI-SSA-0015-00822

Exelon

Exelon's Policy Priorities

SI-SSA-0015-00823

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-00824

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

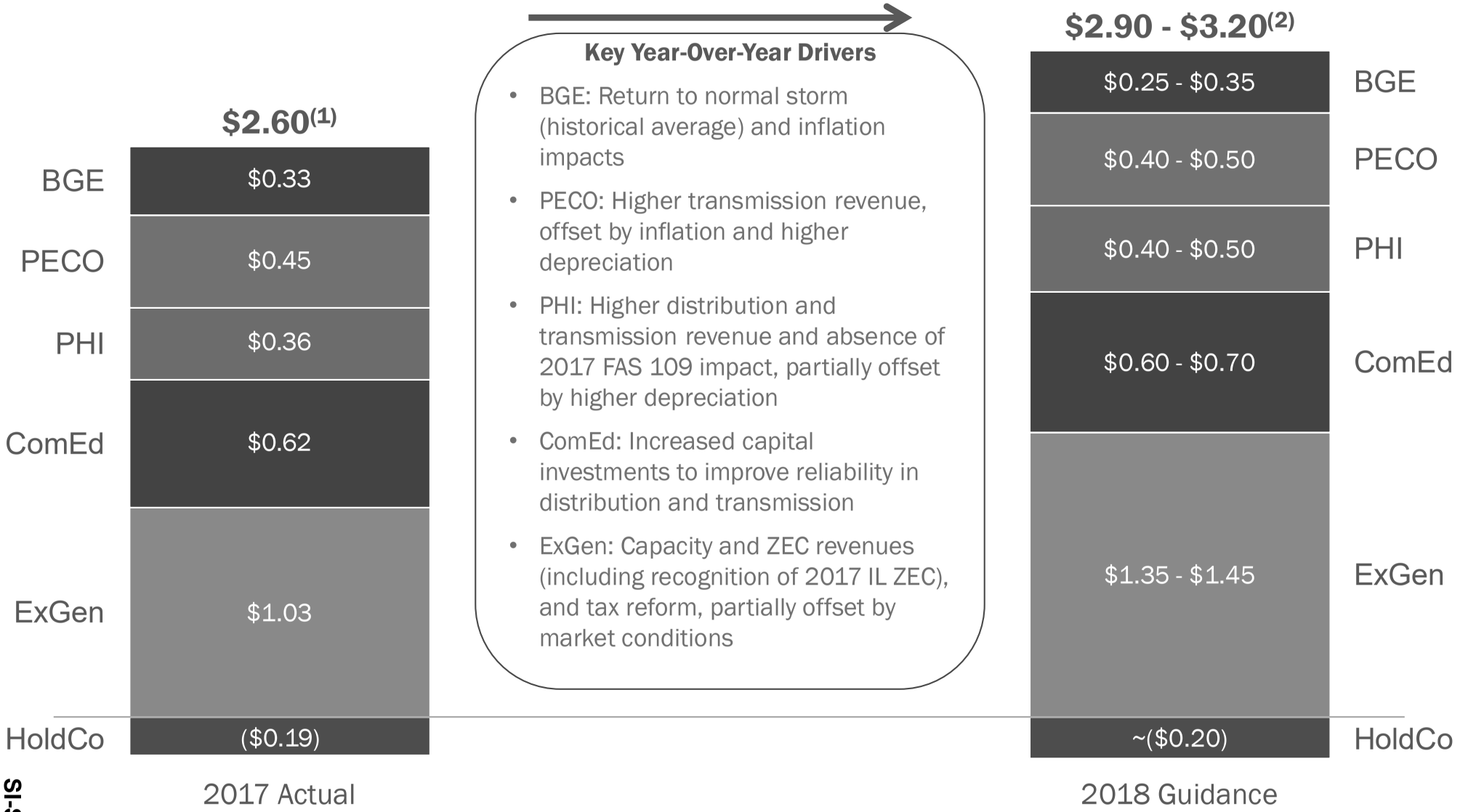
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-00825

Financial Overview

SI-SSA-0015-00826

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

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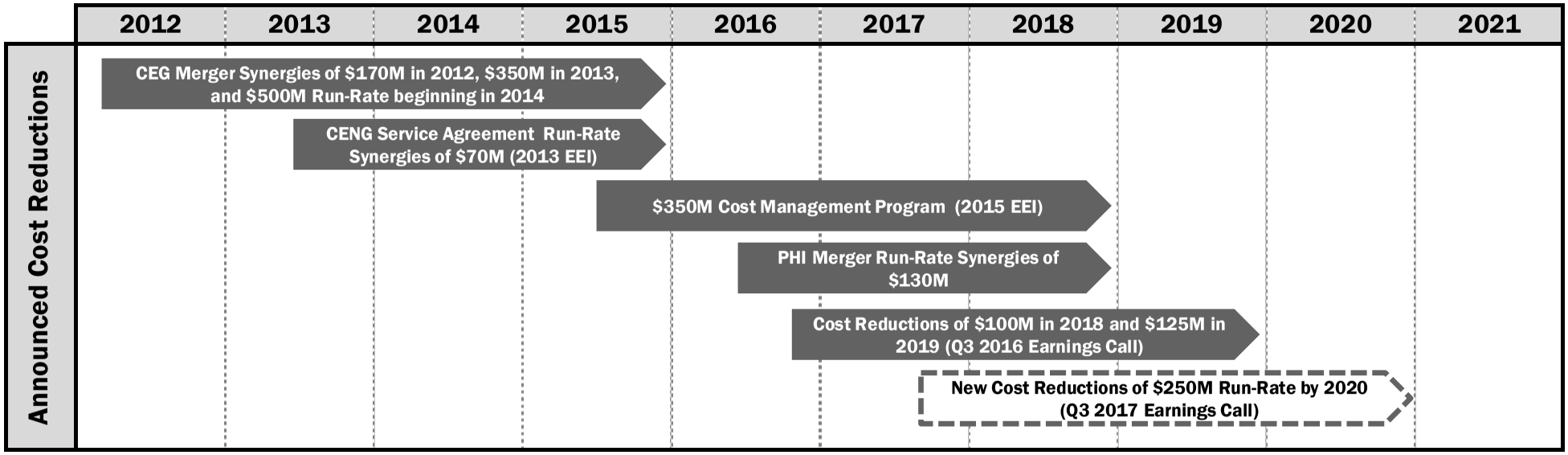
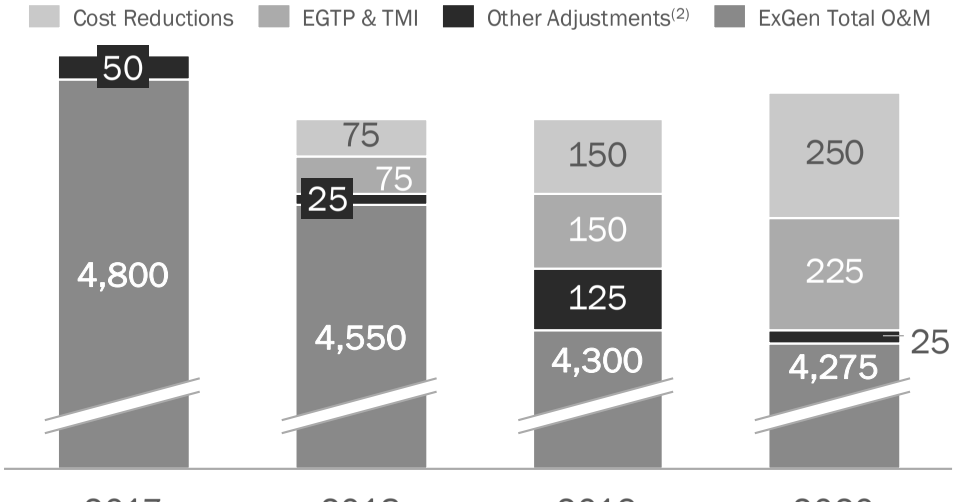
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

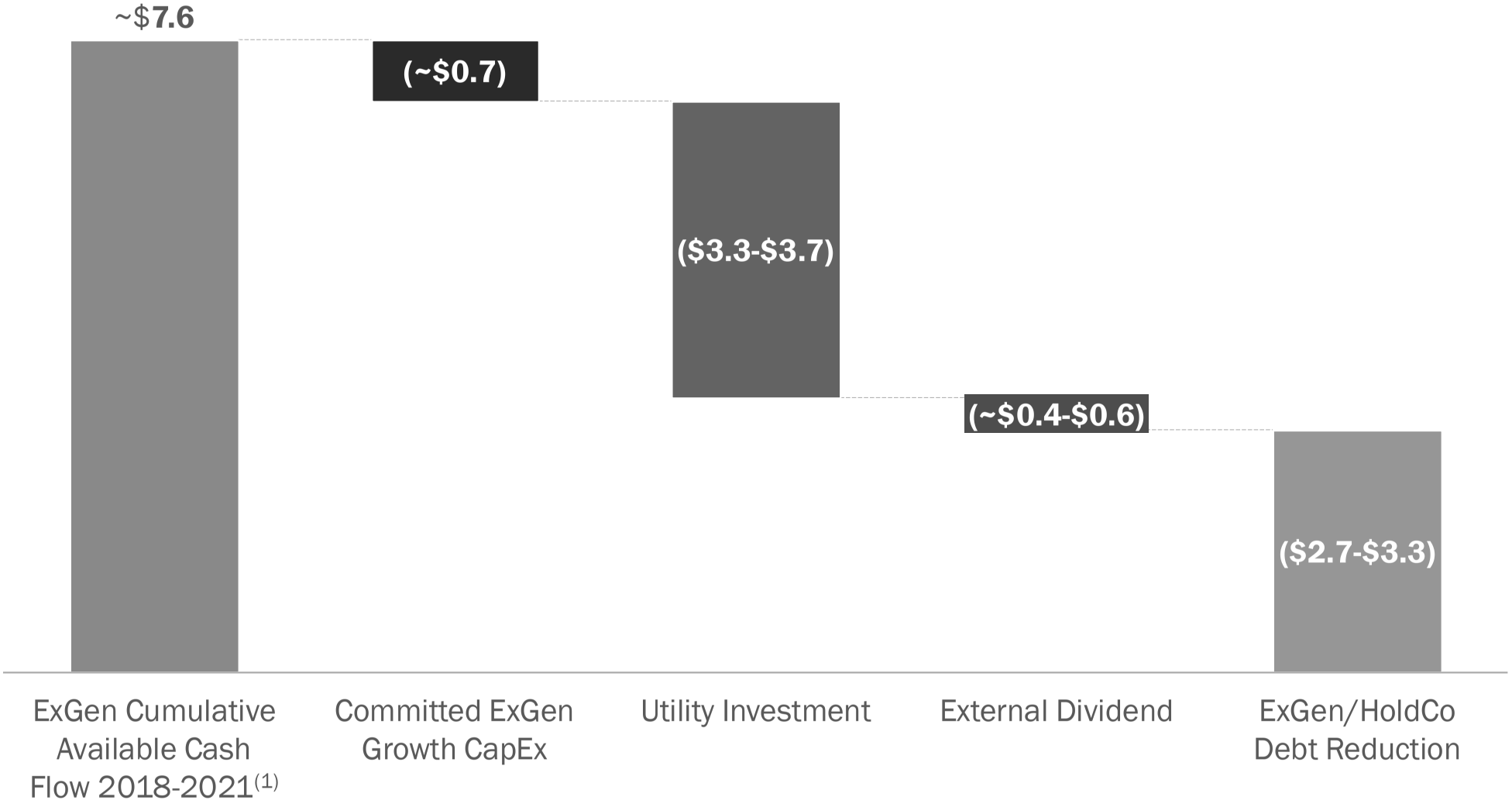
(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-00828

Exelon

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-00829

Exelon

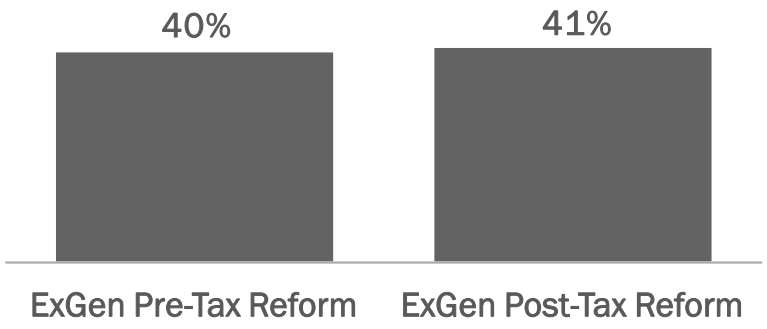
Impacts from Tax Reform

Tax Impacts	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

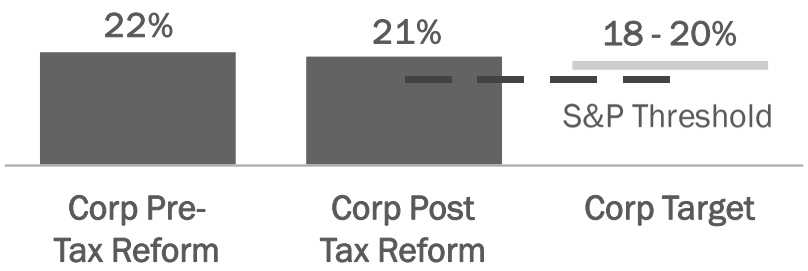
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



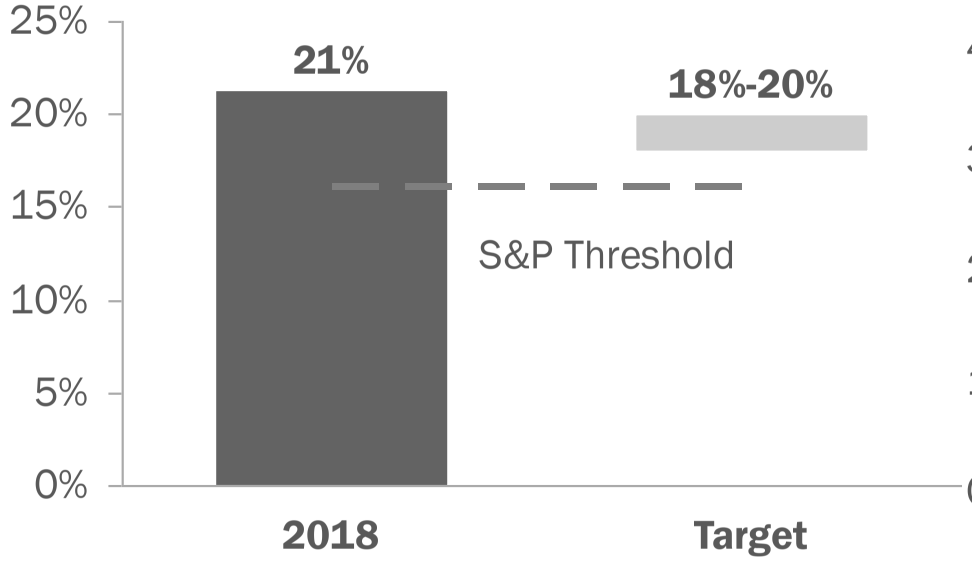
Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

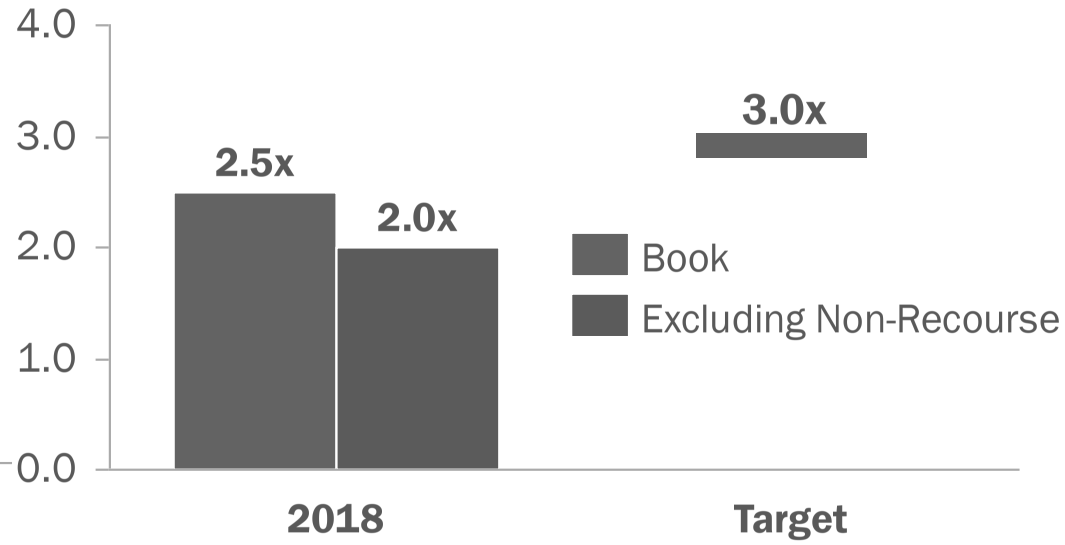
SI-SSA-0015-00830

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

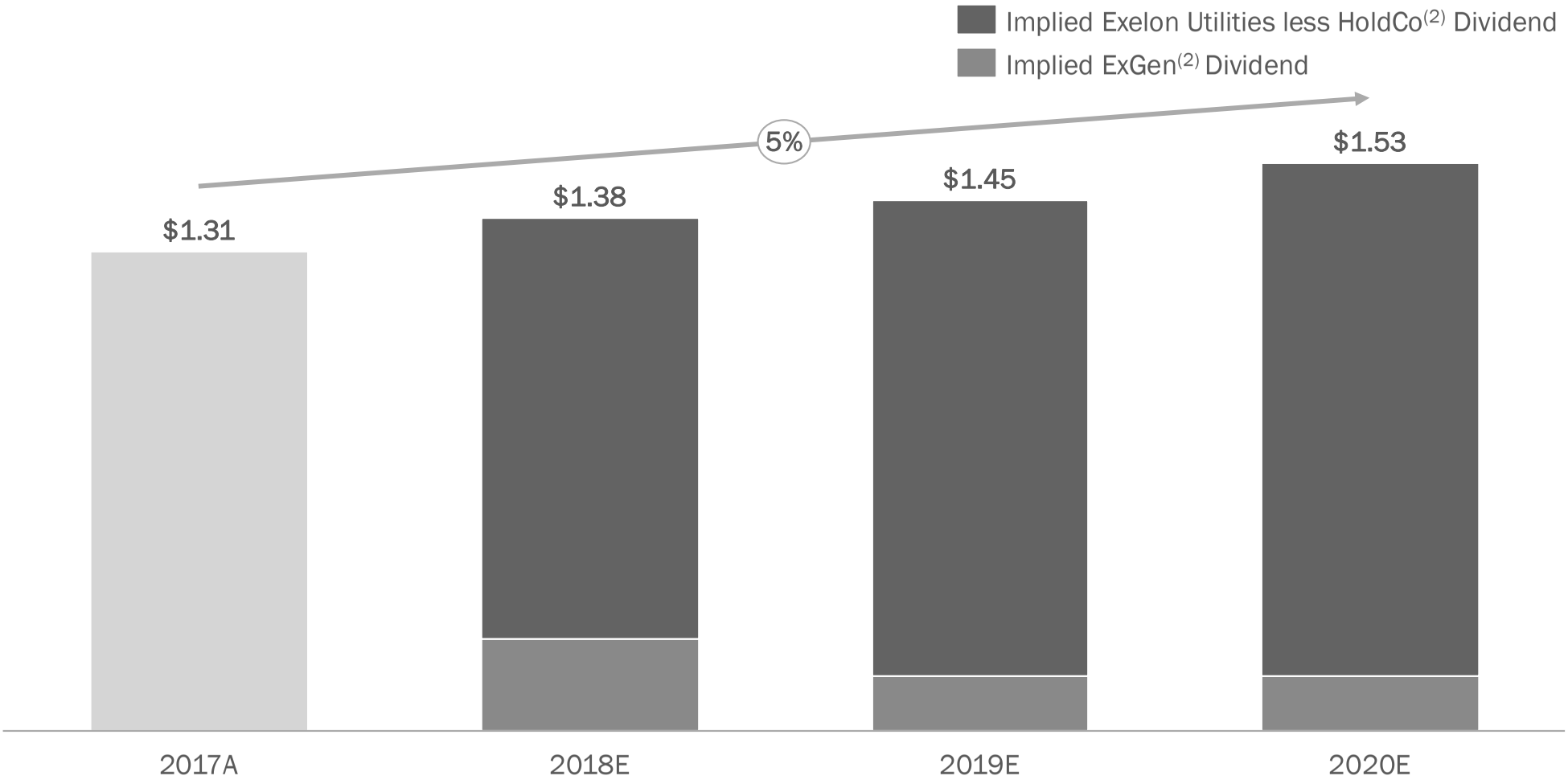
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-00831

Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

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2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

Exelon

SI-SSA-0015-00833

Appendix

SI-SSA-0015-00834

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

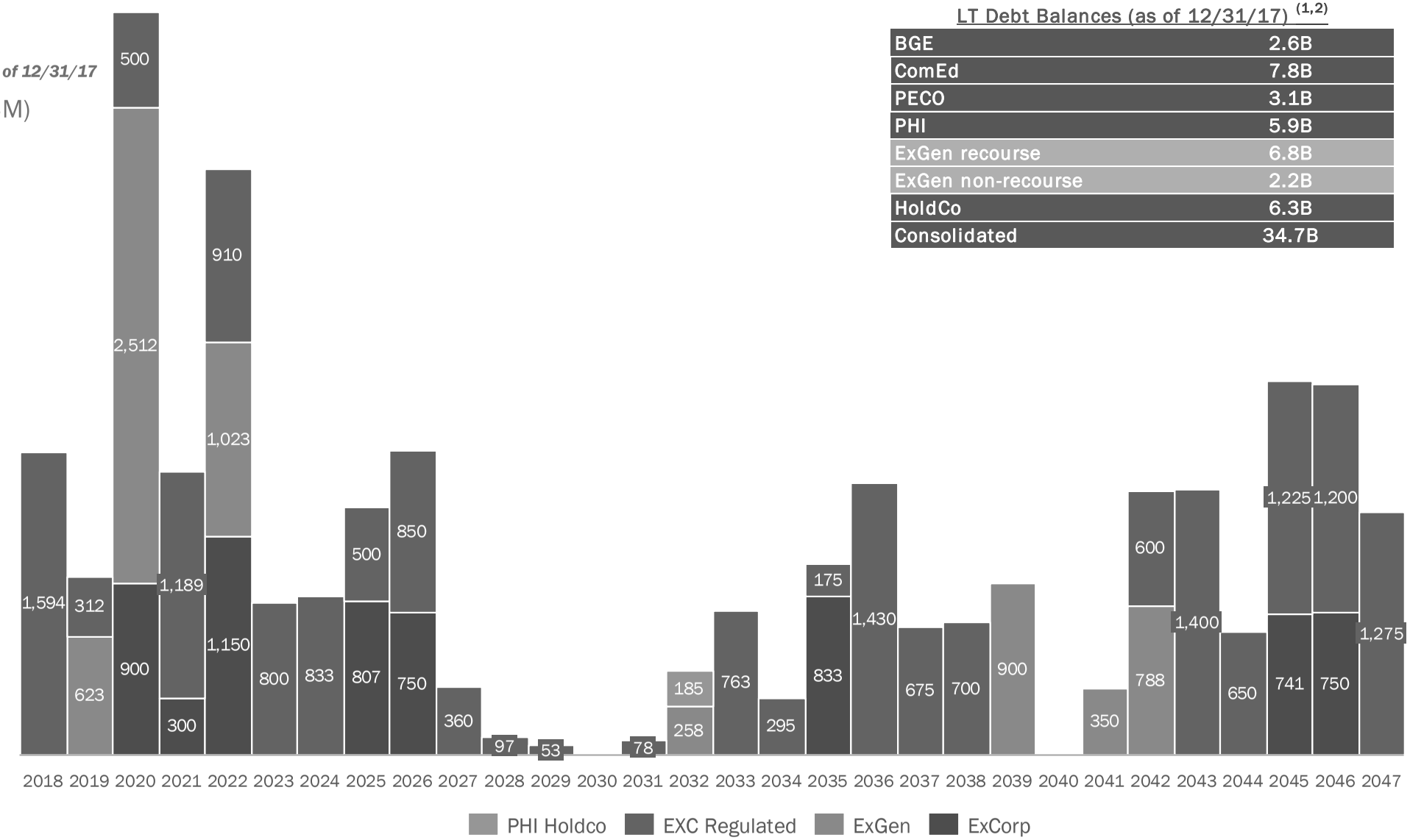
SI-SSA-0015-00835

Exelon

Exelon Debt Maturity Profile[1]

As of 12/31/17

($M)



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-00836

Exelon

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

Exelon.

SI-SSA-0015-00837

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018 and are not being updated at this time

SI-SSA-0015-00838

Portfolio Management Strategy

Strategic Policy Alignment

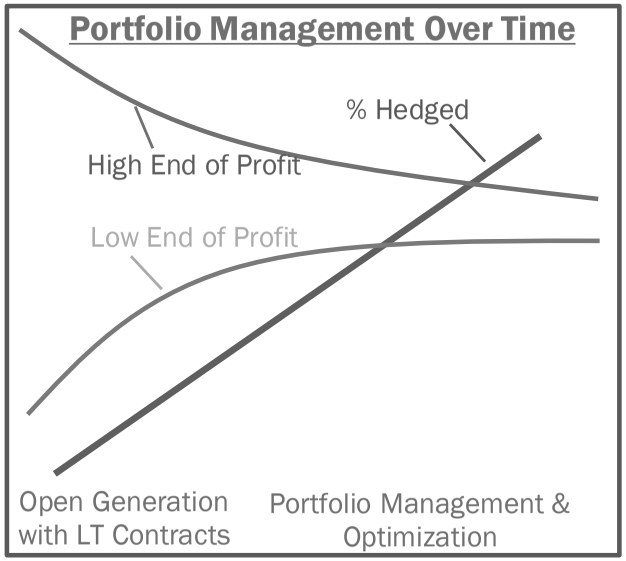
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

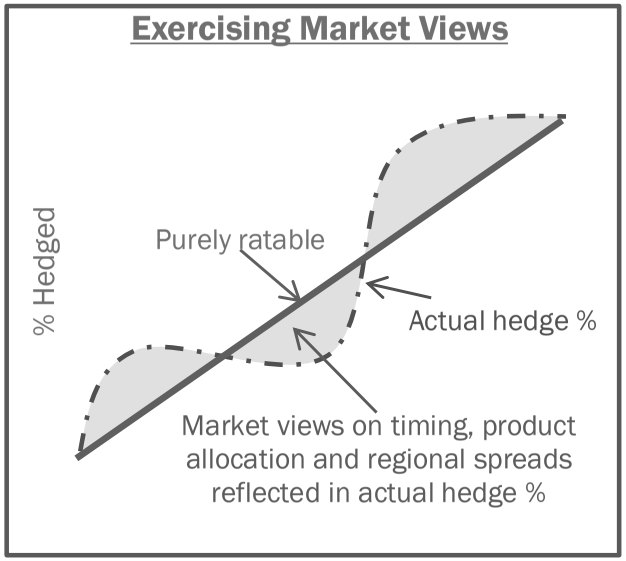
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-00841

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-00842

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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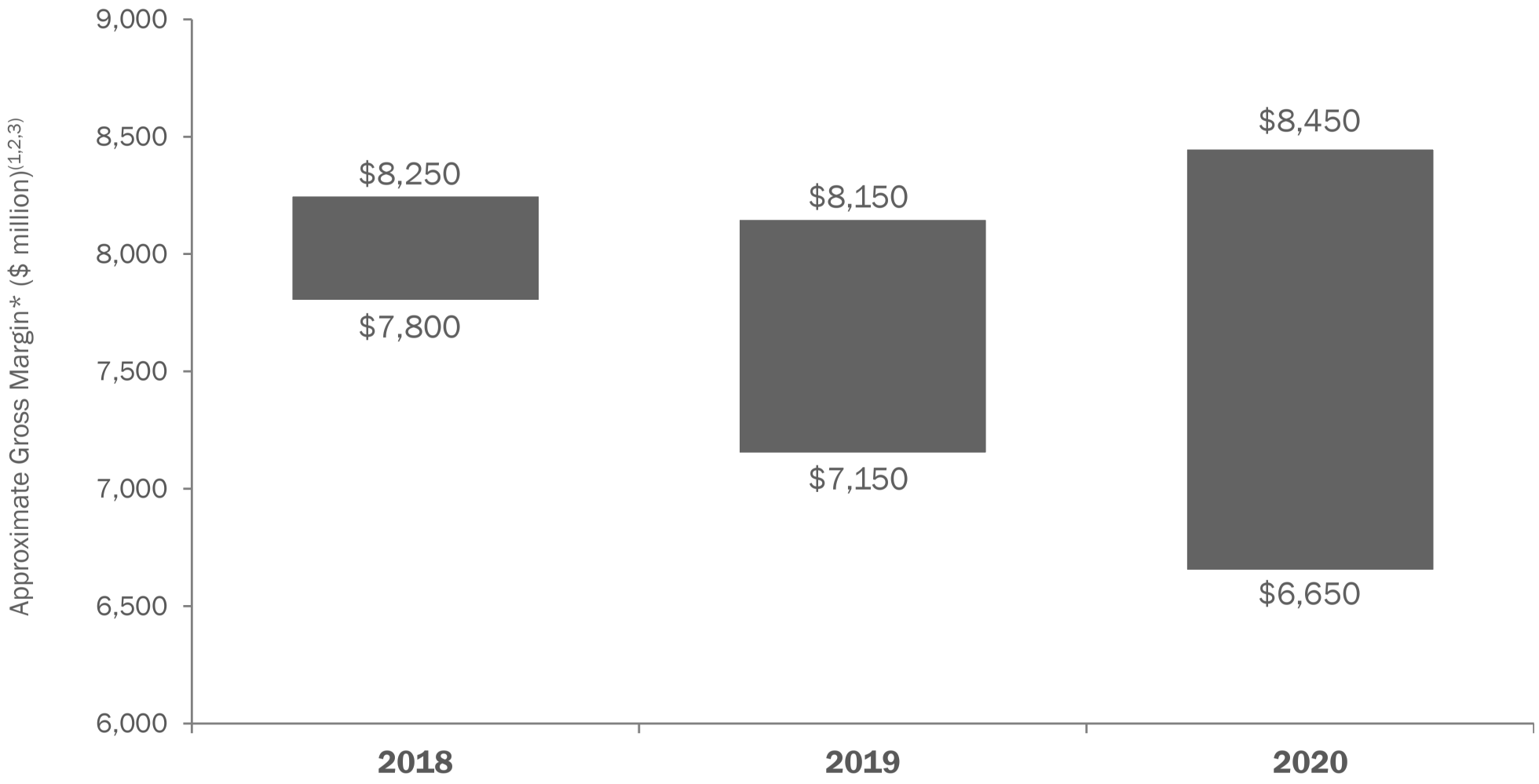
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

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Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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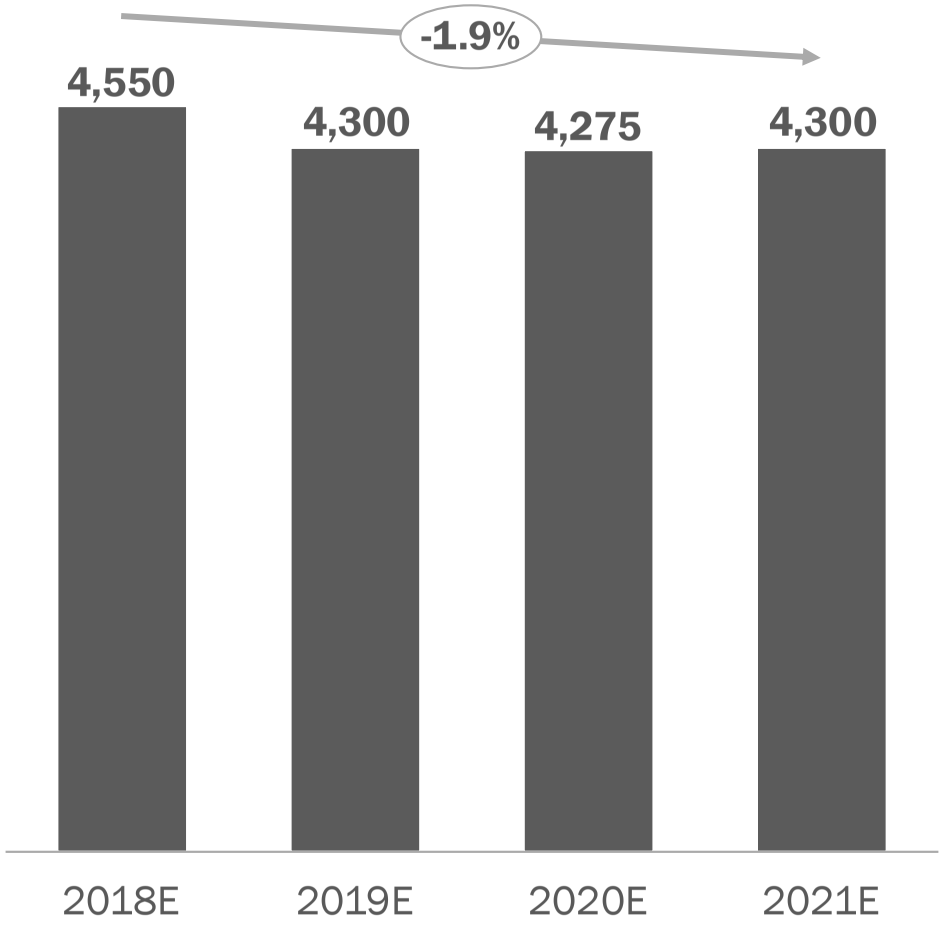
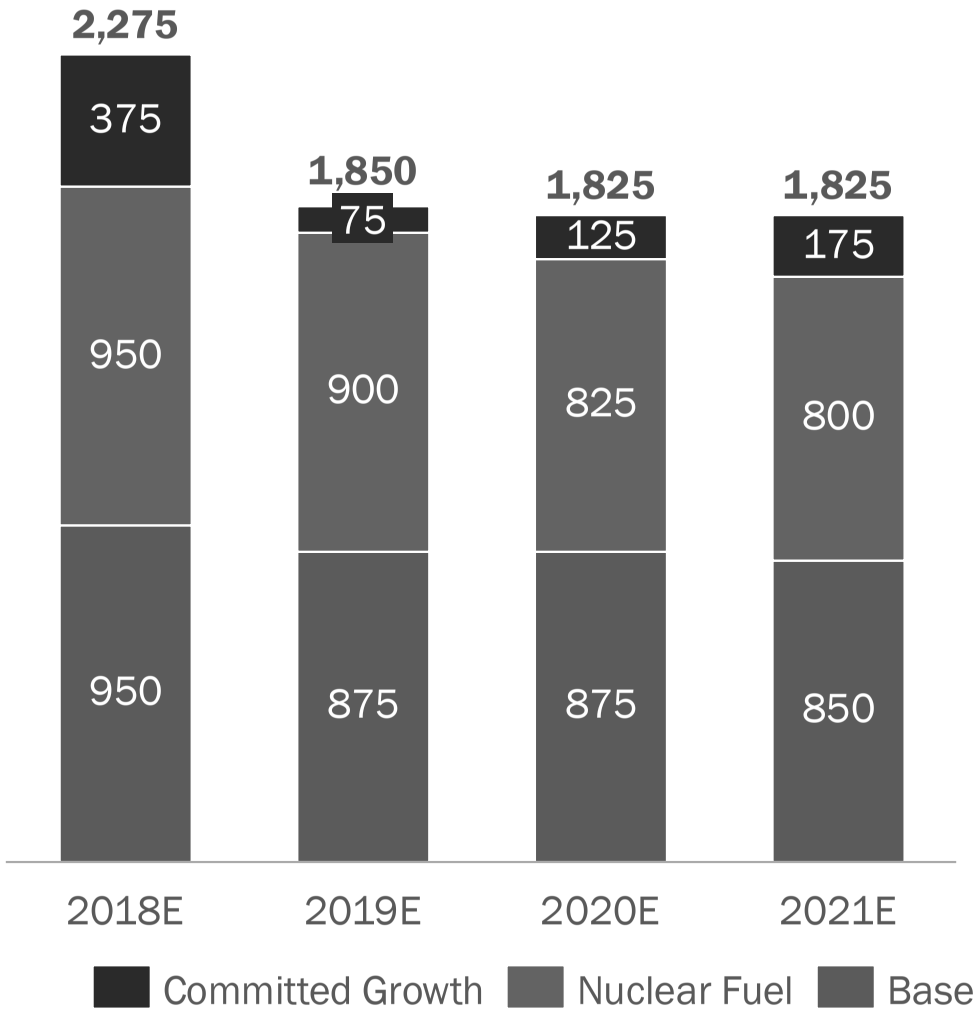
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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Appendix

Reconciliation of Non-GAAP Measures

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-00854

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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December 2017 Investor Meetings

Exelon®

SI-SSA-0015-00856

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 44 of this presentation.

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Exelon: An Industry Leader

$20B
Being invested in utilities through 2020

$46M
In 2016, Exelon gave approx. $46 million to charitable and community causes

#1
zero-carbon energy provider in America

205 TWh
Customer load served

32,700
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,400
employees

FORTUNE 100
Exelon is a FORTUNE 100 company and was named to Fortune Magazine's list of "World's Most Admired Companies"

2.2M+
Exelon's Constellation business serves residential, public sector and business customers

11,430
transmission line miles for utilities

$31.4B
Operating revenue in 2016

8.5M
Smart meters installed

Note: All numbers reflect year-end 2016; revenue accounts for PHI as of the merger effective date of March 24, 2016 through December 31, 2016.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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Exelon Utilities Overview

16,400
Employees

$31.7B
2016 Rate Base

$15.1B
In Revenue

24.9
Thousand mi^2
Combined Service Territory

10 M
Customers

8.5 M
Smart Meters Installed

11,430
Transmission line miles (circuit)

Note: All numbers reflect year-end 2016; revenue number accounts for PHI revenue as of March 24, 2016 merger date.

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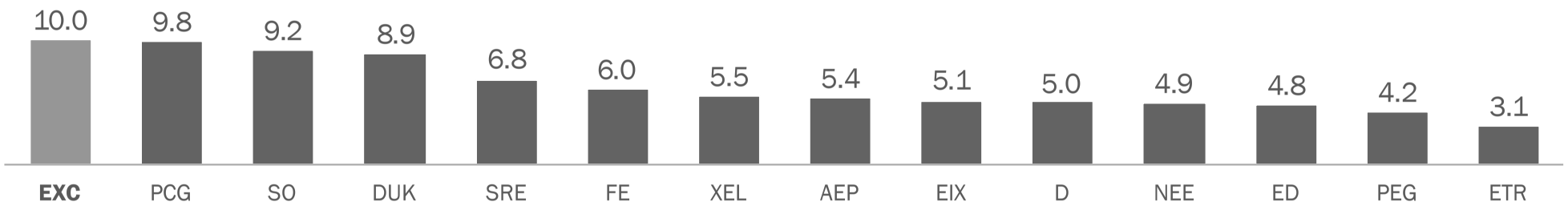
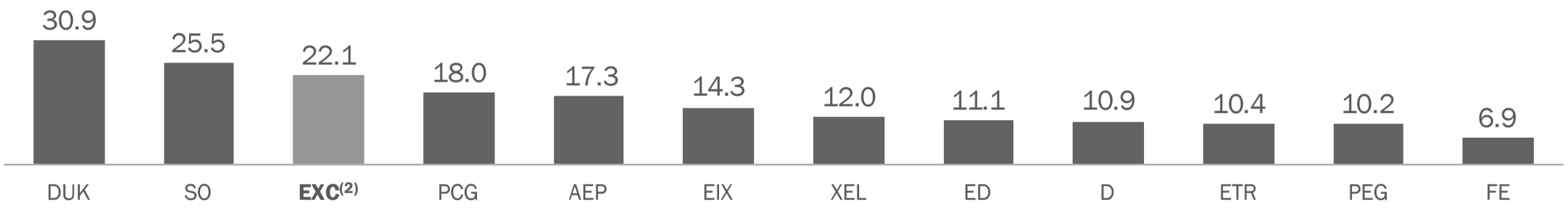
Exelon Utilities are an Industry Leader

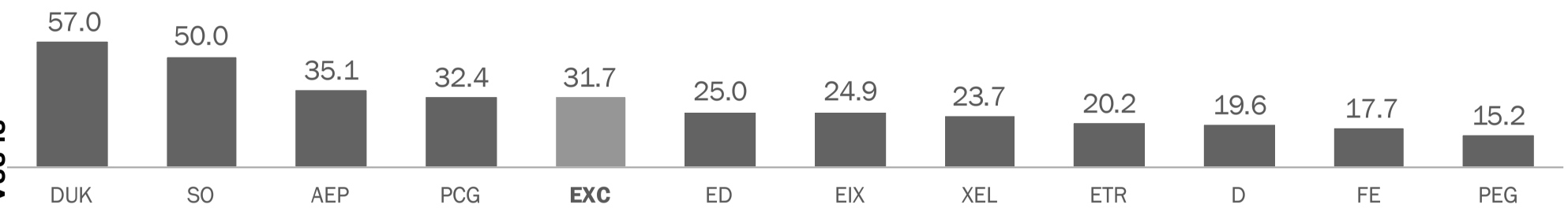
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

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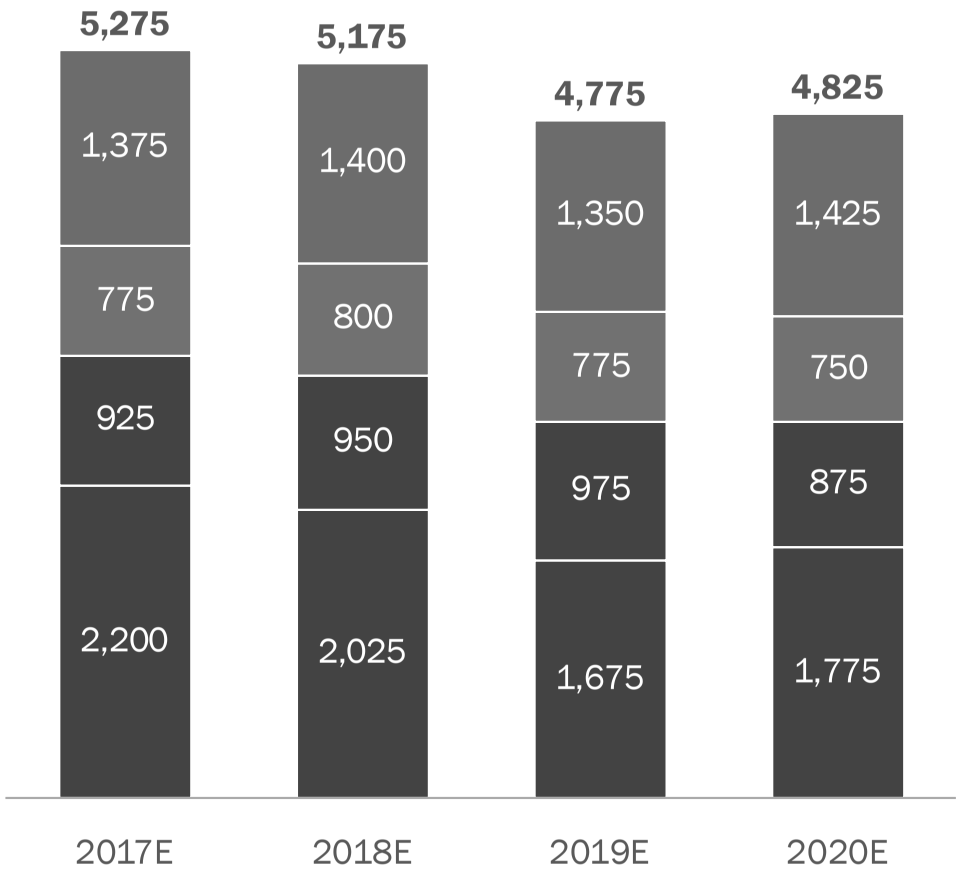
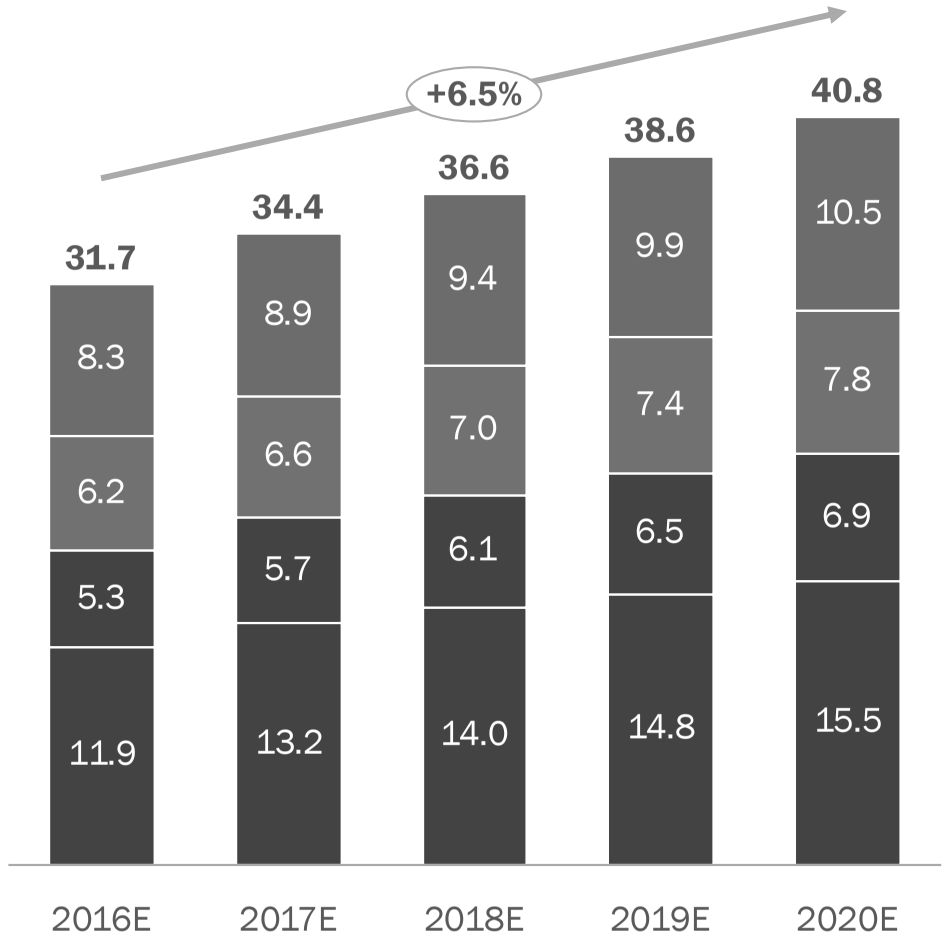
Our Capital Plan Drives Stable Earnings Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

Over $20B of capital is being invested at utilities from 2017-2020 to improve reliability

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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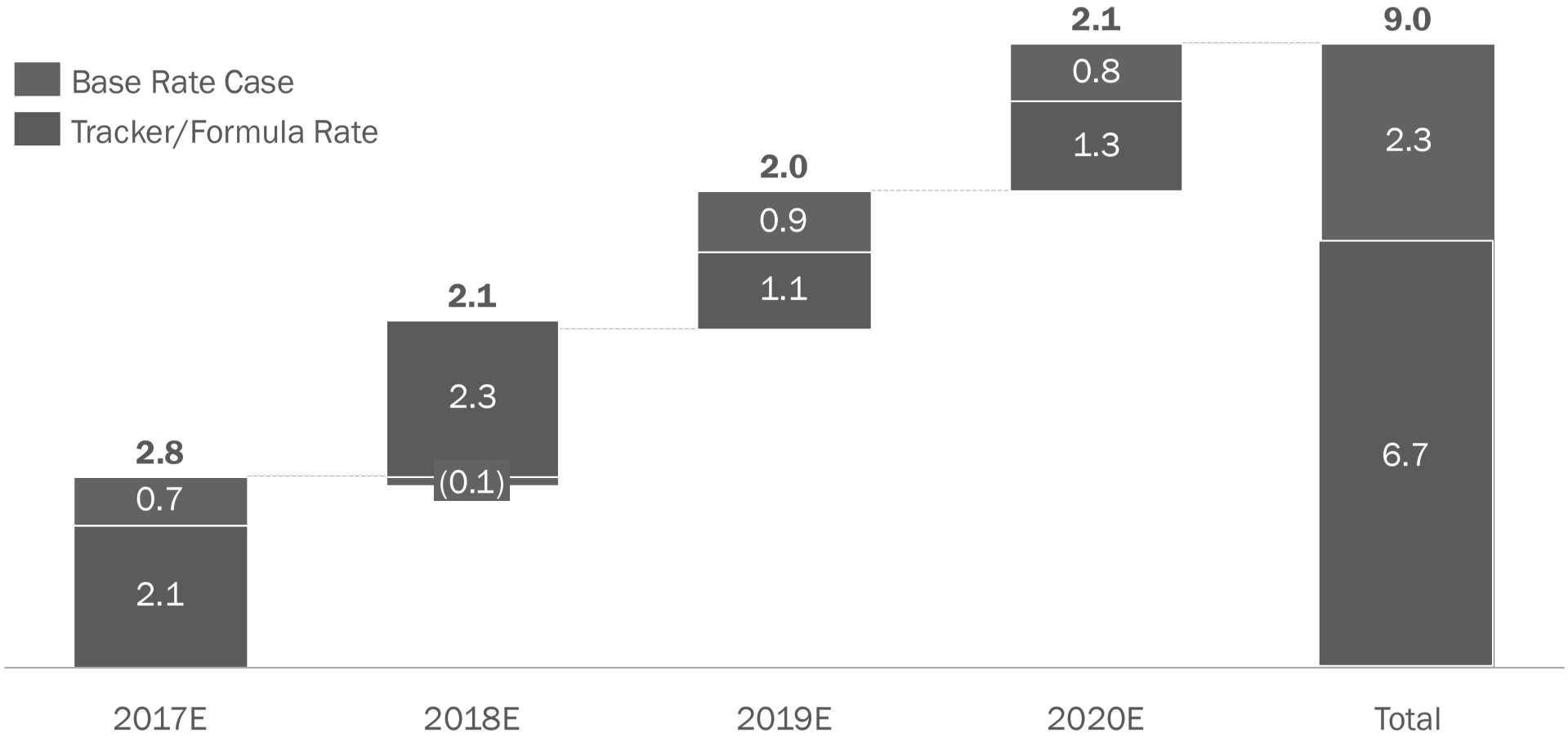
Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2017-2020 ($B)[1]



Of the approximately $9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding
(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q3 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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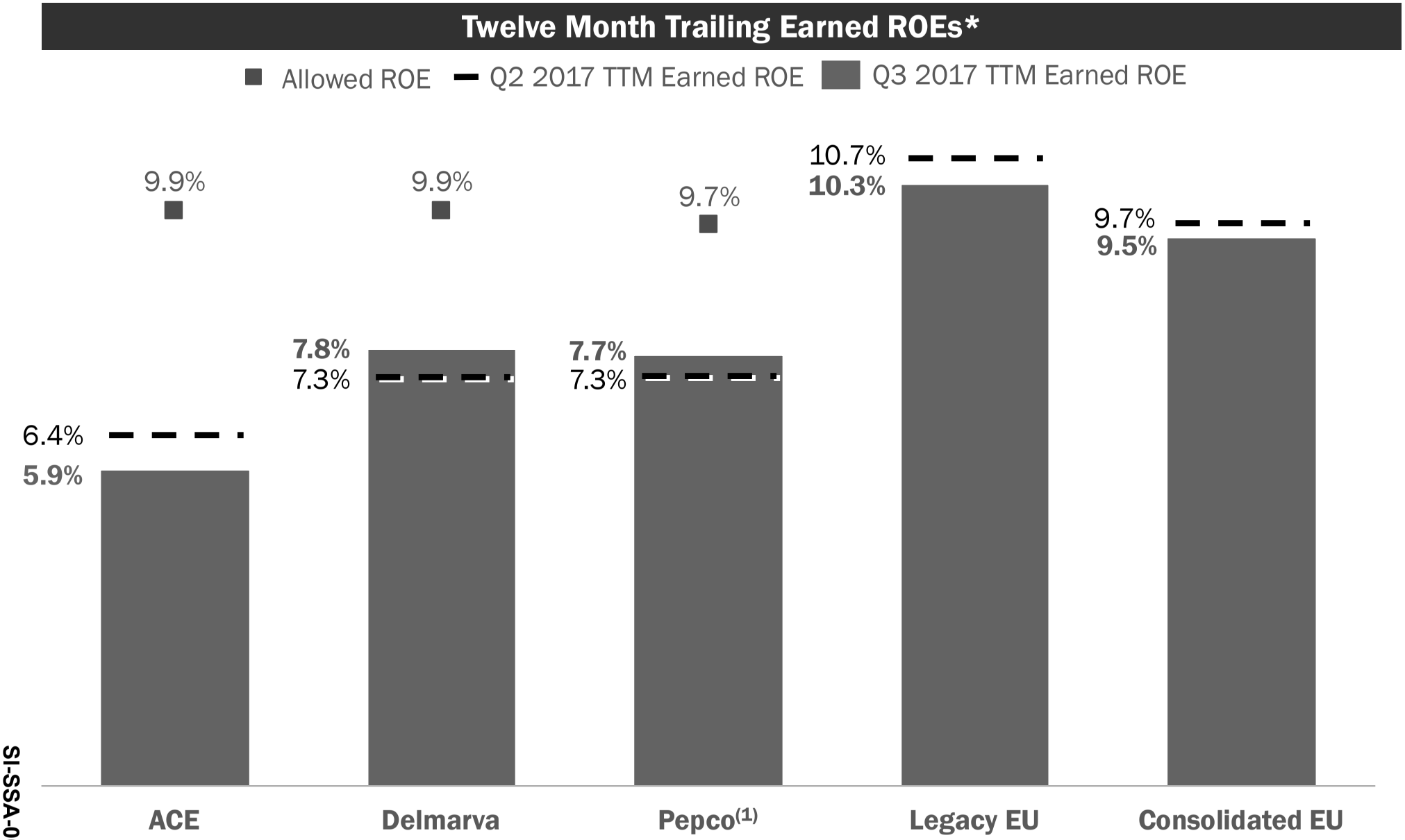
Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 10/1/2016 to 9/30/2017. ROEs represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

(1) Pepco MD Distribution allowed ROE is based on authorized ROE of 9.55% for the rates that were in effect during the trailing twelve month period. The order issued on 10/20/17 authorized an ROE of 9.50%.

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Exelon Utilities' Distribution Rate Case Updates

Pepco DC Order	
Authorized Revenue Requirement Increase[1]	$36.9M
Authorized ROE	9.50%
Common Equity Ratio	49.14%
Order Received	7/25/17

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Requested Revenue Requirement Increase[1]	$95.6M[2]
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$21.6M[4]
Requested ROE	10.10%
Requested Common Equity Ratio	50.68%
Order Expected	2/14/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,3]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,3]	$12.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017
(3) As permitted by Delaware law, Delmarva Power will implement interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(4) Amount represents adjusted requested revenue requirement filed on September 28, 2017

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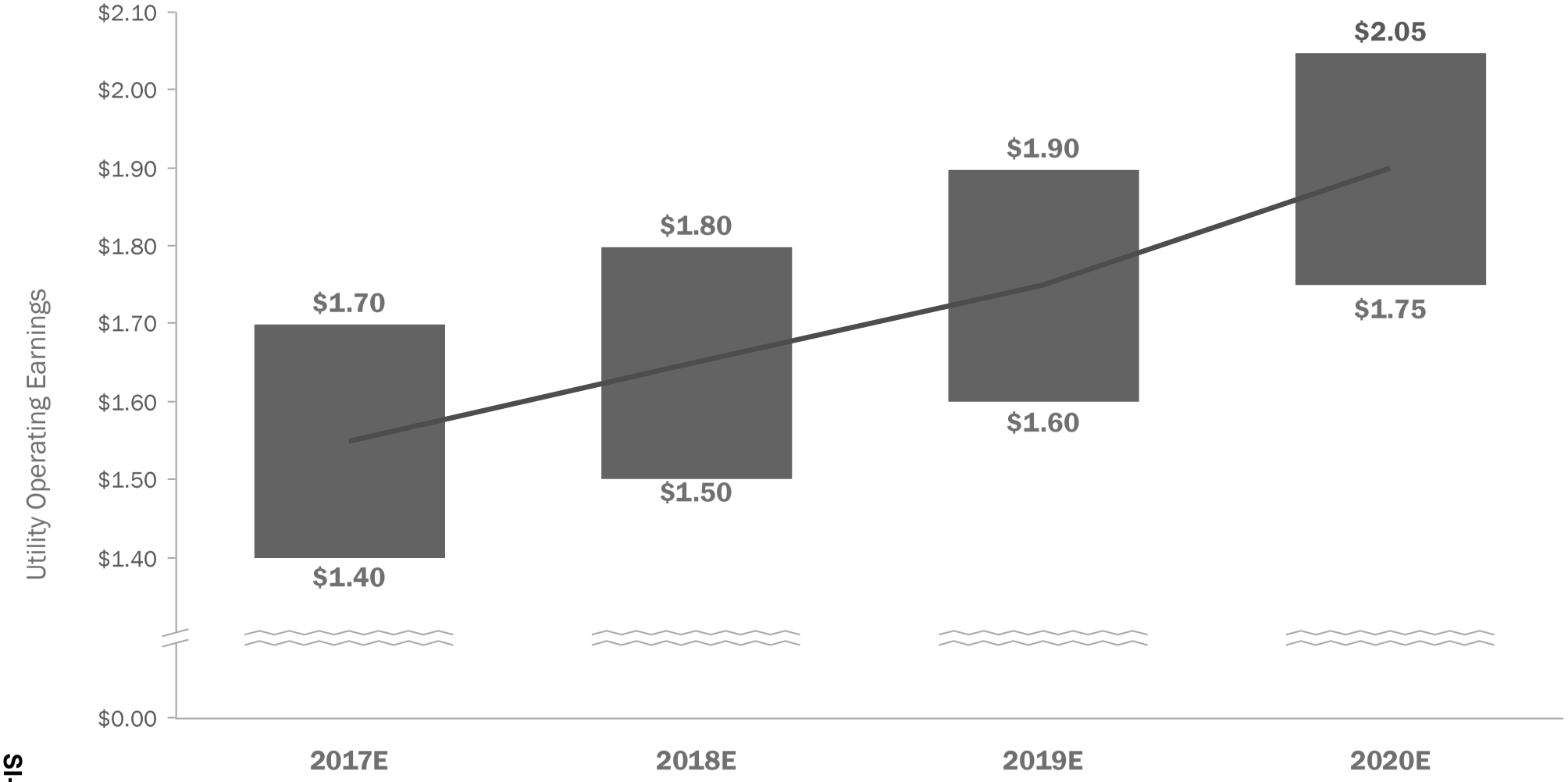
Exelon Utilities EPS Growth of 6-8% to 2020

Exelon Utilities Operating Earnings 2017-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.

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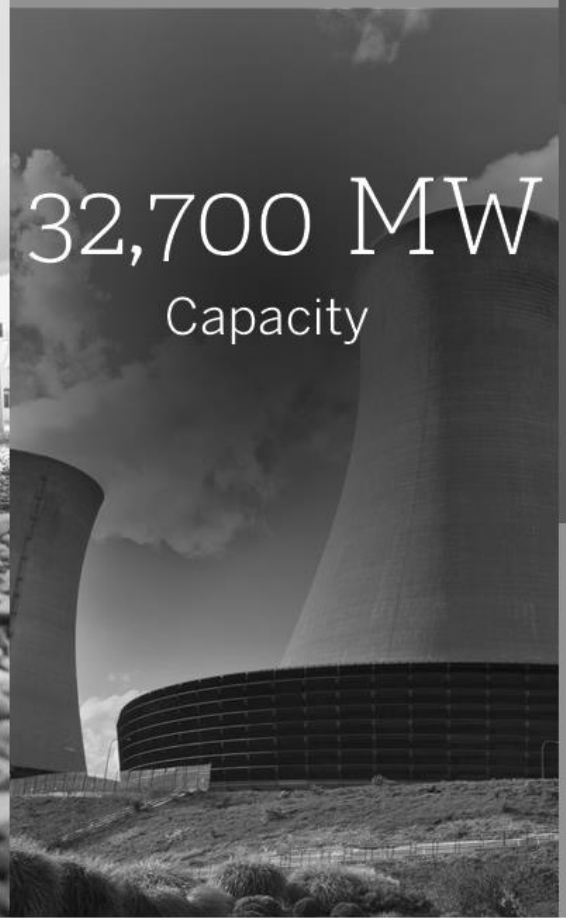
Exelon Generation Overview

14,700
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

205 TWh
Customer Load Served



32,700 MW
Capacity

94.6%
Nuclear Capacity Factor in 2016

97.2%
Gas and Hydro Dispatch Match in 2016

8th
largest gas provider

203 TWh
Generation Output

Note: All numbers reflect year-end 2016

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Constellation Overview

2,200
Employees

2.2 M+
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.6 TCF
Gas Delivered

In 2016, procured
2.9 million
RECs for customers, enabling them to avoid approximately
1.51 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

27,000
Volunteer Hours

205 TWH
Customer Load Served

Note: All numbers reflect year-end 2016
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon Generation: Gross Margin Update as of Sept. 30, 2017

	September 30, 2017			Change from June 30, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,600	$3,900	$3,700	$(150)	$(100)	$(100)
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000	$(150)	$100	$(50)
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450	$250	$100	$50
Power New Business / To Go	$100	$700	$850	$(100)	$(150)	$(100)
Non-Power Margins Executed	$350	$200	$100	$50	$50	-
Non-Power New Business / To Go	$100	$300	$400	$(50)	$(50)	-
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**	**$(150)**	**$(50)**	**$(200)**

Recent Developments

- Delay in recognition of Illinois ZEC revenues lowers the Capacity and ZEC Revenues line in 2017 by $150M and increases the 2018 line by $150M – see slide 18 for details
- Excluding impact of Illinois ZEC timing:
  - In 2017, $50M reduction in Power New Business targets
  - In both 2018 and 2019, $100M reduction due to lower power and capacity prices and $100M reduction to Power New Business Targets
- Behind ratable hedging position reflects the upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M; data as of September 30, 2017 and is not being updated at this time
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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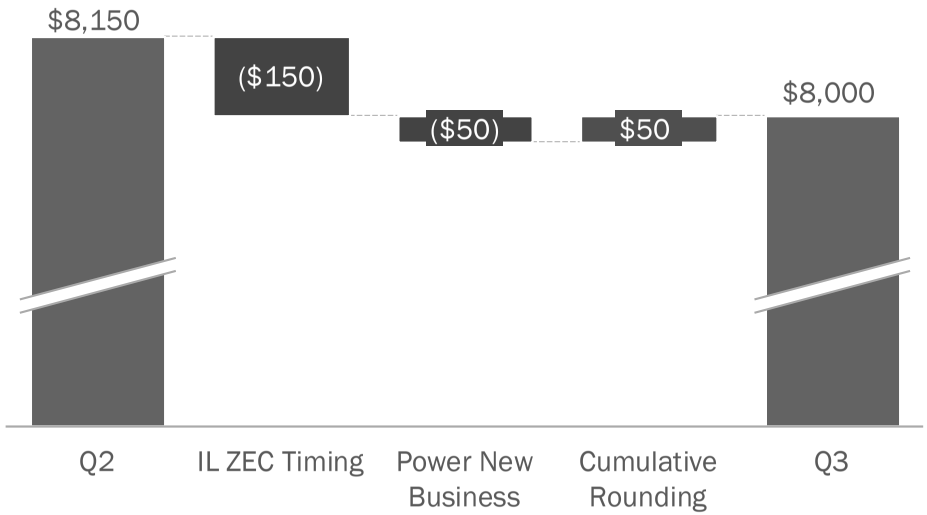
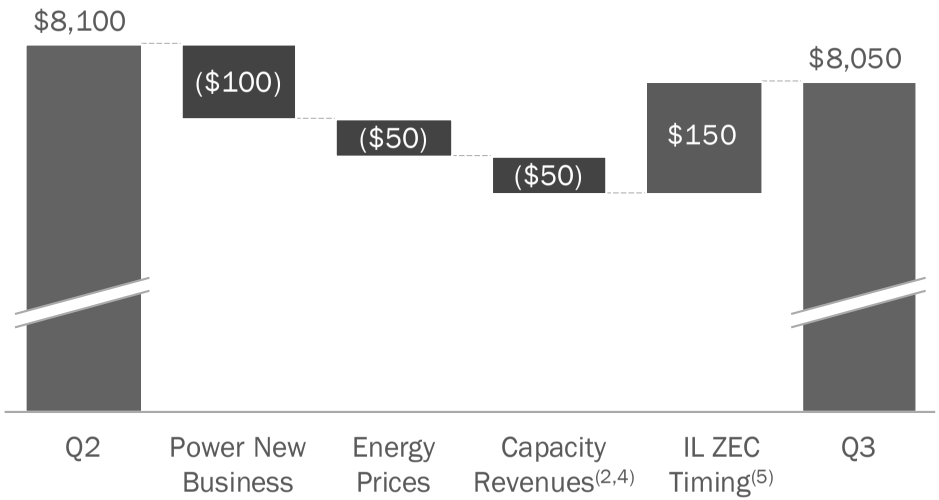
ExGen Forward Total Gross Margin* Walk: Q3 2017 vs. Q2 2017

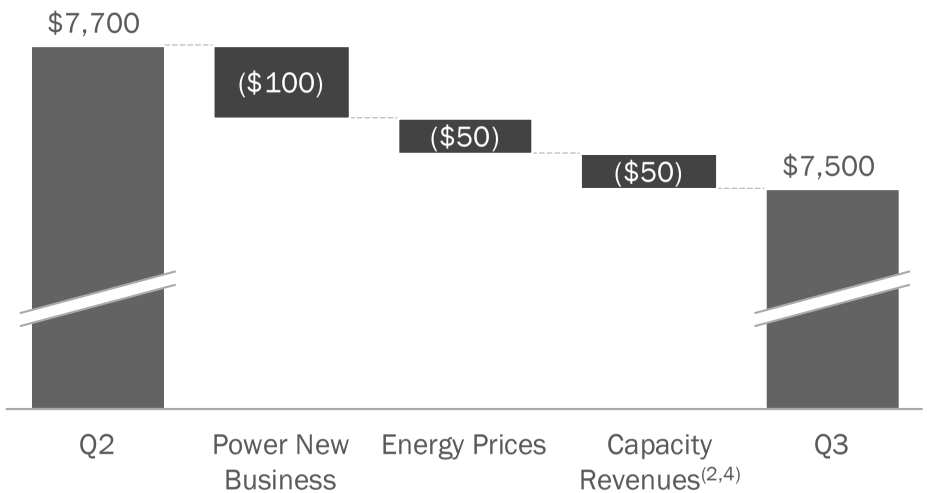
FY 2017 ($M)[1,3,4]



FY 2018 ($M)[1,3,4]



FY 2019 ($M)[1,3,4]



Key Takeaways

- Change in timing of Illinois ZEC contract finalization results in 2017 reduction of $150M on a rounded basis and 2018 increase of $150M
- Aggressive bidding by market participants in a low volatility period is pressuring Wholesale margins and limiting C&I Retail growth; reduce Power New Business To Go by $100M in 2018 and 2019 to reflect continuation of current, low discipline market bidding behavior
- Lower energy prices reduce Open Gross Margin by $50M in 2018 and 2019; October price recovery offsets 2019 declines
- Lower observed capacity prices in NY and MISO reduce Capacity Revenues by $50M on a rounded basis in 2018 and 2019

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on September 30, 2017, market conditions
(4) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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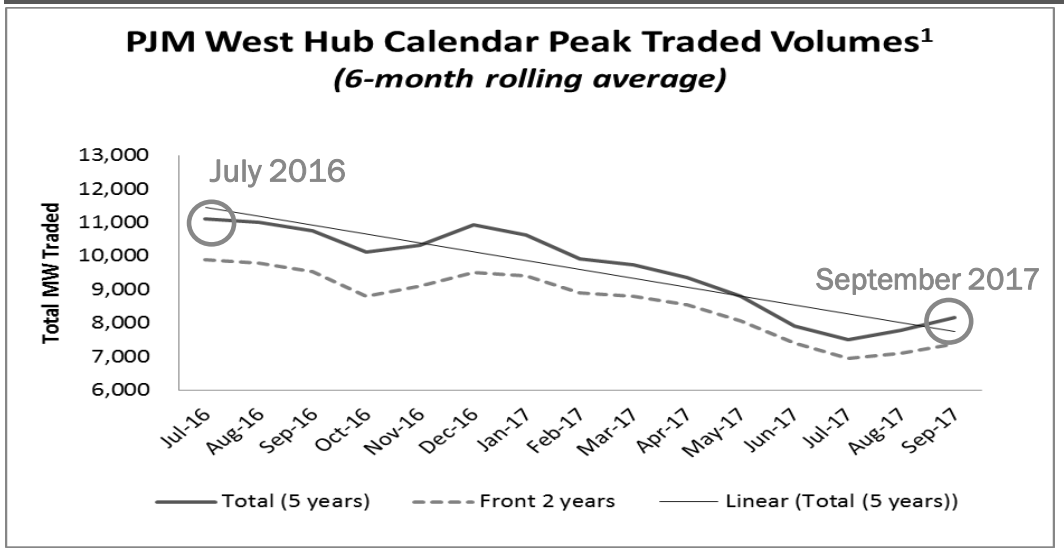
Forward Market Liquidity

Overall liquidity is declining



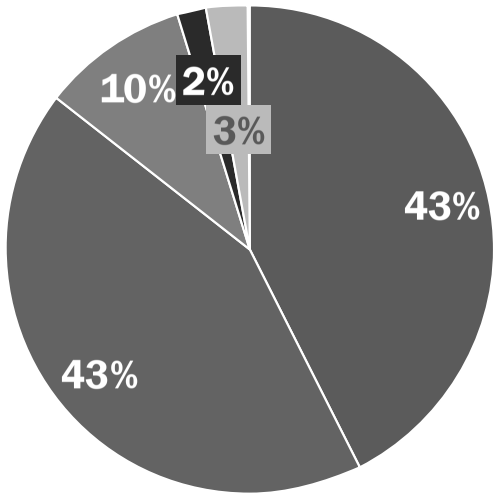
Total calendar peak traded volumes for the rolling 5-year window have been trending lower over the past year

Calendar peak traded volumes beyond prompt year +1 account for less than 10% of total traded volumes

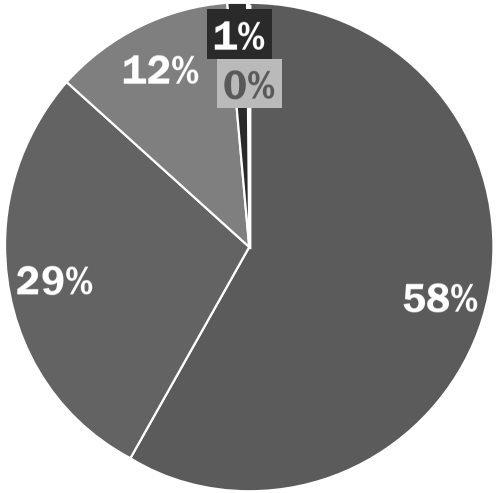
** Please note that hedging strategy utilizes various price points (i.e. NIHUB, ERCOT), channels to market (i.e. Origination, Mid-Marketing, Retail, OTC), products (i.e. calendar, seasonal), and other exchanges*

Limited liquidity in the outer years

September 2016 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



September 2017 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



(1) Total monthly traded volumes for rolling prompt year + 4 years on ICE and NASDAQ Exchanges only

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Exelon's Policy Priorities

SI-SSA-0015-00875

Resiliency and Energy Market Reform

Price Formation

- PJM has laid out a stakeholder process that is proposed to conclude at the end of 3Q 2018
- "FERC should expedite its efforts with states, RTO/ISOs, and other stakeholders to improve energy price formation in centrally-organized wholesale electricity markets." – DOE Staff Report, August 2017
- The Commission should focus "first and foremost on the optimization of price formation in the energy and ancillary service markets." Ill. Commerce Comm'n Comments at 7
- "PJM staff is proposing to reform the existing pricing model in order to ensure that the cost of serving load is reflected in LMP to the fullest extent possible… This follows the principles of sound market design." - William W. Hogan, October 23, 2017

Resiliency

- "Accurately valuing resilience is not a zero-sum game. Compensating base-load generation does not equate to destruction of markets. On the contrary, I think it's a step toward accurately pricing contributions of all market participants." – FERC Chairman Neil Chatterjee, October 13, 2017
- "The unknowns are what we're going to have to deal with: if there was a physical attack, if you had [an explosion like the one on the Spectra pipeline that wasn't] fixed in a timely manner heading into the winter heating season, central Pennsylvania would have had potential issues. . . So now the conversation's gotten broader around these cascading events, and then how do you price resiliency? That conversation needs to take place." FERC Commissioner Rob Powelson, October 27, 2017
- "We used to talk about equipment failure and outages caused by storms. Now, the threat profile has changed, the considerations are broader. There could be intentional attacks – cyber or physical. Those concerns lead us beyond reliability and into resilience." PJM CEO and President Andrew L. Ott, September 20, 2017

Exelon recommends that FERC:

1. Immediately require PJM to submit its energy price formation proposal
2. Require the affected RTOs to submit detailed information on the grid's vulnerabilities to enable the development of a design basis threat analysis that can inform cost-effective market reforms, and
3. State that it will not interfere with state programs that value resilient resources like nuclear plants

SI-SSA-0015-00876

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy."
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
    - Plaintiff-Appellant Opening Brief filed October 13
    - Reply Briefs due December 1
    - Oral arguments will then follow

State Case:

- Motions to dismiss procedural challenges filed in NY State court were briefed in 1Q17
- The court heard oral arguments on June 19
- Currently awaiting decision; next step determined by outcome

IL ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act."
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
    - Plaintiff-Appellant Opening Brief filed August 28
    - Reply Briefs due December 12
    - Oral arguments scheduled for January 3, 2018

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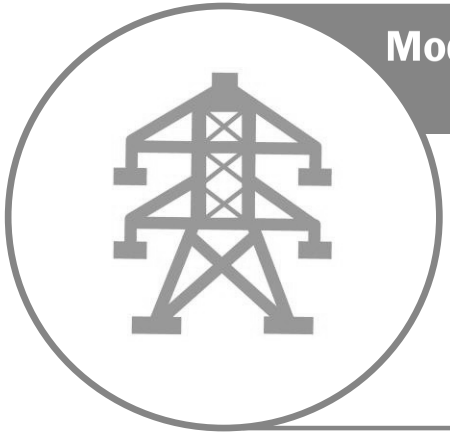
Exelon Policy Priorities

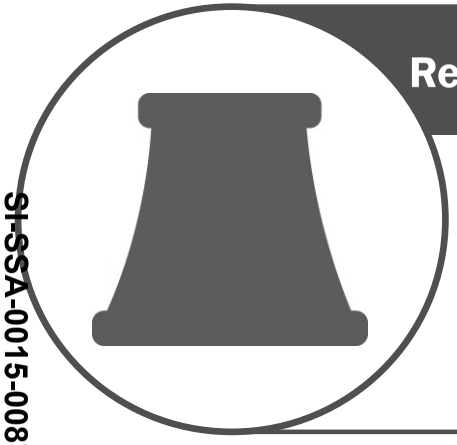


Modernize Utility Ratemaking to Ensure Appropriate Recovery

- Invest in infrastructure that provides customer benefit through grid resiliency and efficiency
- Ensure fair rate structures to support new technologies

Secure Proper Policies to Enable Innovative Technologies

- Providing new technologies to respond to customer needs
- Open adjacent customer facing markets to sales and services



Recognize the Value of Zero-Carbon Electricity

- Create support for current challenged plants through federal and state initiatives
- Support the ultimate pricing of carbon in the market on a regional or national level

Regulatory and policy structure that supports clean, affordable and reliable options for all customers

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Our Carbon Policy Principles

- **Exelon believes in our nation's ability to transition the generation fleet to a zero-carbon future while maintaining affordable and reliable electric service for consumers**
- For the foreseeable future, the most cost-effective carbon solution for our customers will be the continued operation of our nation's nuclear fleet
- Exelon believes competitive markets produce superior results for consumers and drive innovation. However, those markets do not currently incorporate appropriate pricing for environmental attributes.
- **Exelon is pursuing a two-part strategy for moving toward a more competitive treatment of CO_2 emissions:**
  - **First, we must maintain nuclear units that provide a cost-effective form of CO_2 abatement.** The New York ZEC program demonstrates that as long as the clean energy payment required to maintain operations at existing nuclear units is lower than the social cost of CO_2 emissions and the cost of CO_2 abatement being paid to other zero carbon resources, maintaining nuclear capacity should be selected as the most competitive source of CO_2 abatement.
  - **Second, we must continue to work toward a technology neutral price of CO_2 abatement.** Exelon is pursuing approaches to reflect a uniform price on CO_2 in wholesale markets as an eventual substitute for technology-specific subsidies. As these approaches are phased in, the ZEC programs have been designed to automatically reduce ZEC payments in response to higher energy prices.

SI-SSA-0015-00879

Financial Overview

SI-SSA-0015-00880

Narrowing 2017 Adjusted Operating Earnings* Guidance Range

Guidance range as of November 2, 2017 and is not being updated at this time

(1) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.
(2) Revised guidance reflects delay in Illinois ZEC revenue recognition for 2017 until 2018, shifting $0.09 of EPS

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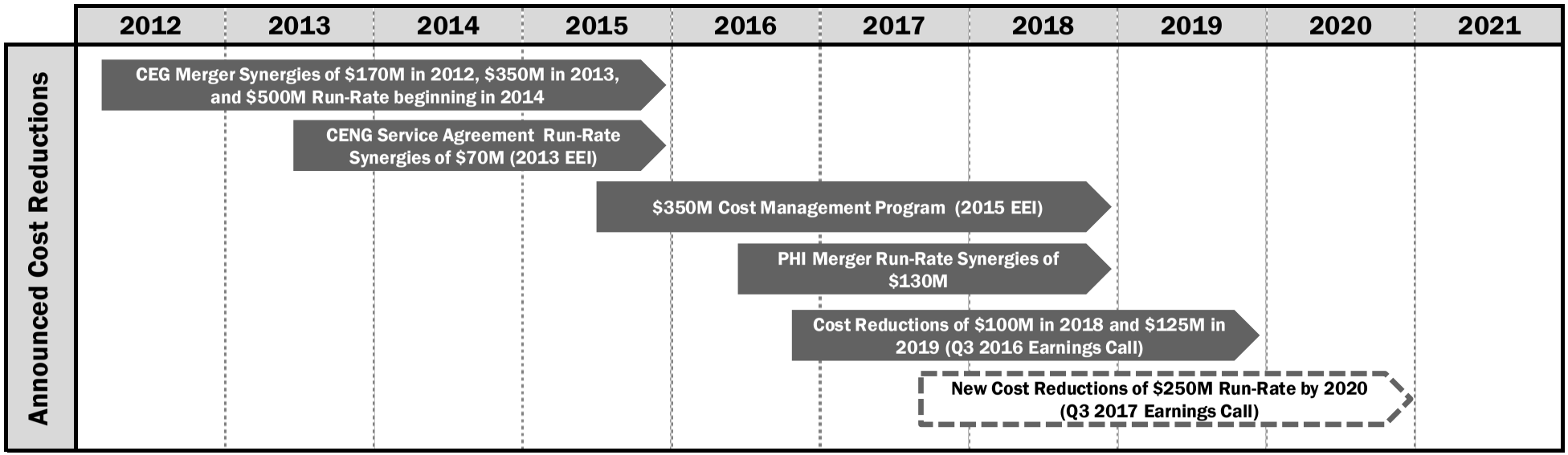
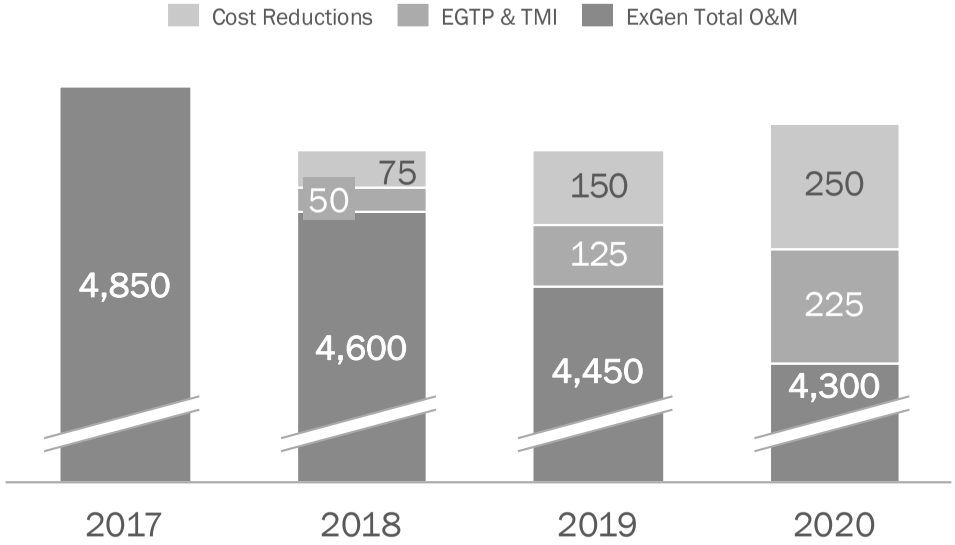
Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2017 ($M)[1]



ExGen Forecast O&M*: Q3 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($50)	($125)	($225)	-
Q4 '16 O&M, Net of EGTP & TMI	**$4,850**	**$4,675**	**$4,600**	**$4,550**	**-2.1%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q3 2017 O&M	**$4,850**	**$4,600**	**$4,450**	**$4,300**	**-3.9%**

(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

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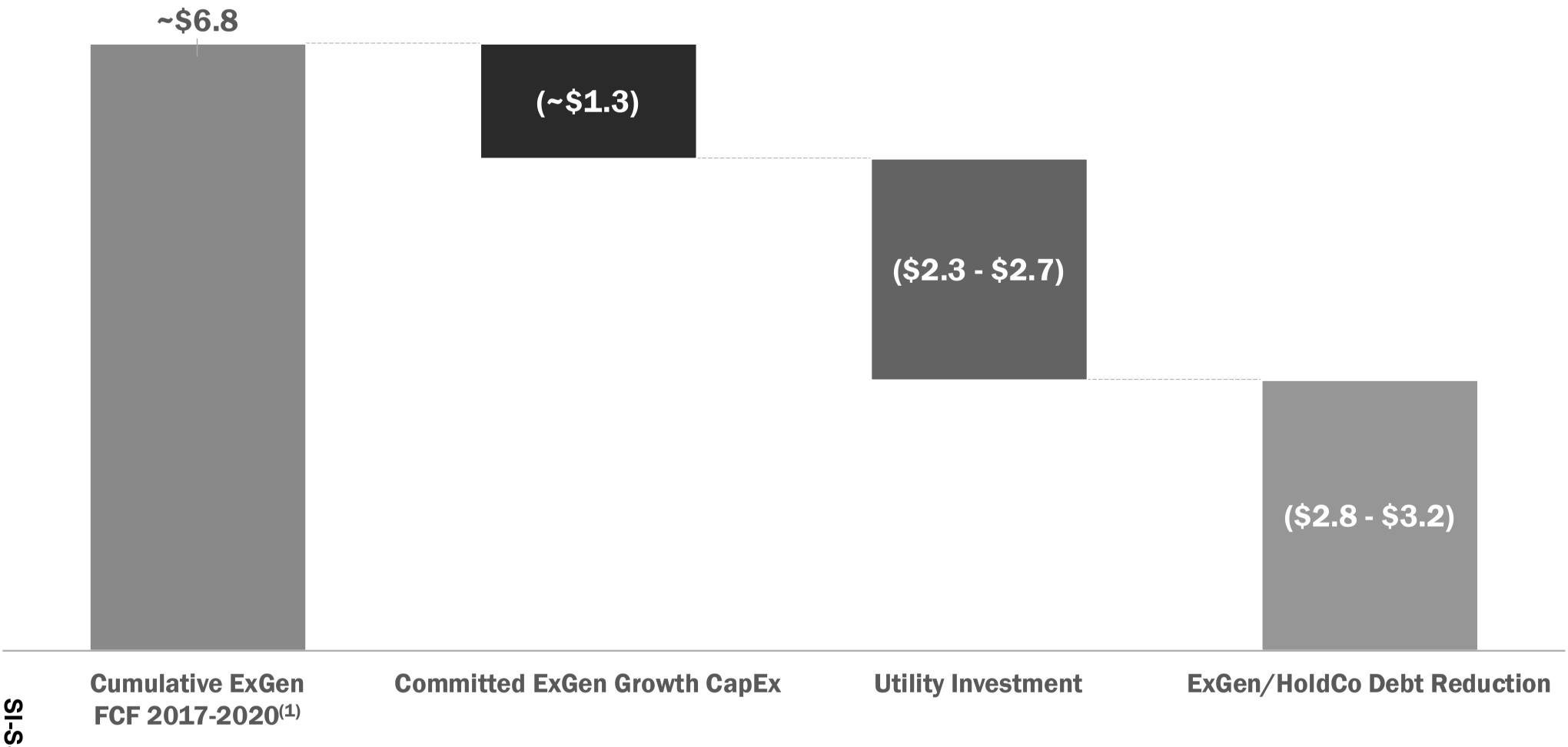
ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow* and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures

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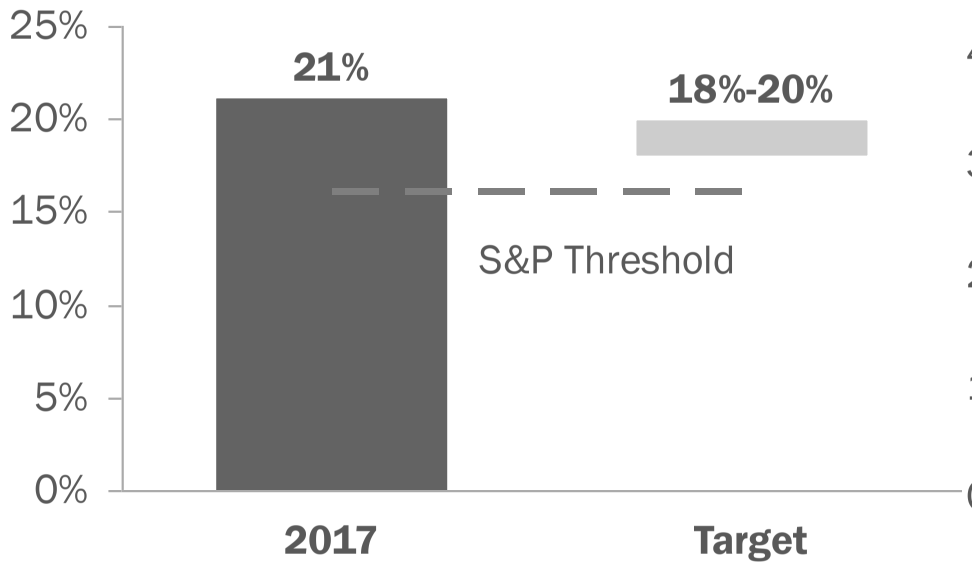
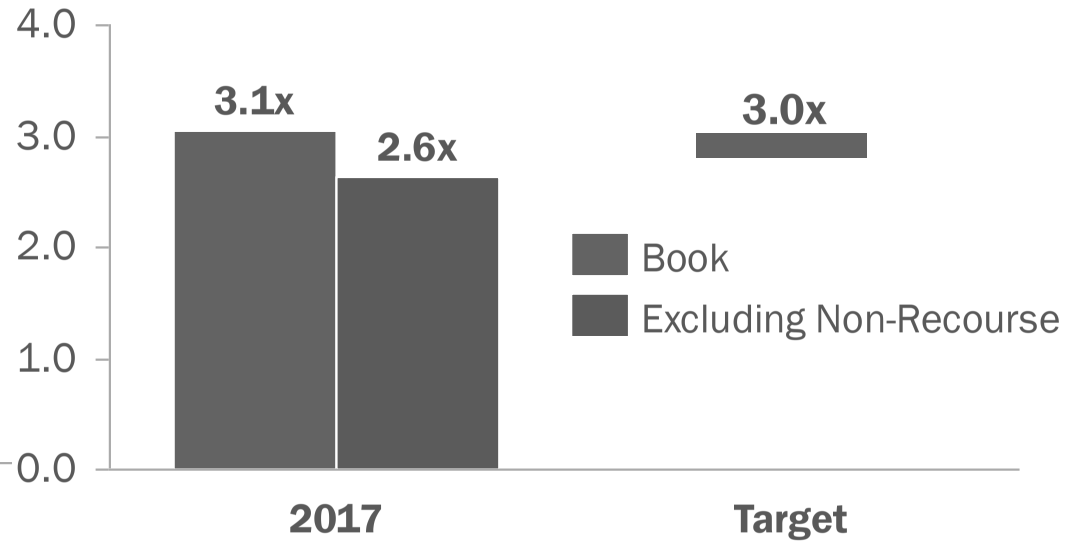
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6,7)



ExGen Debt/EBITDA Ratio*(5,6,7)



Credit Ratings by Operating Company

Current Ratings(2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of October 24, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP
(7) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

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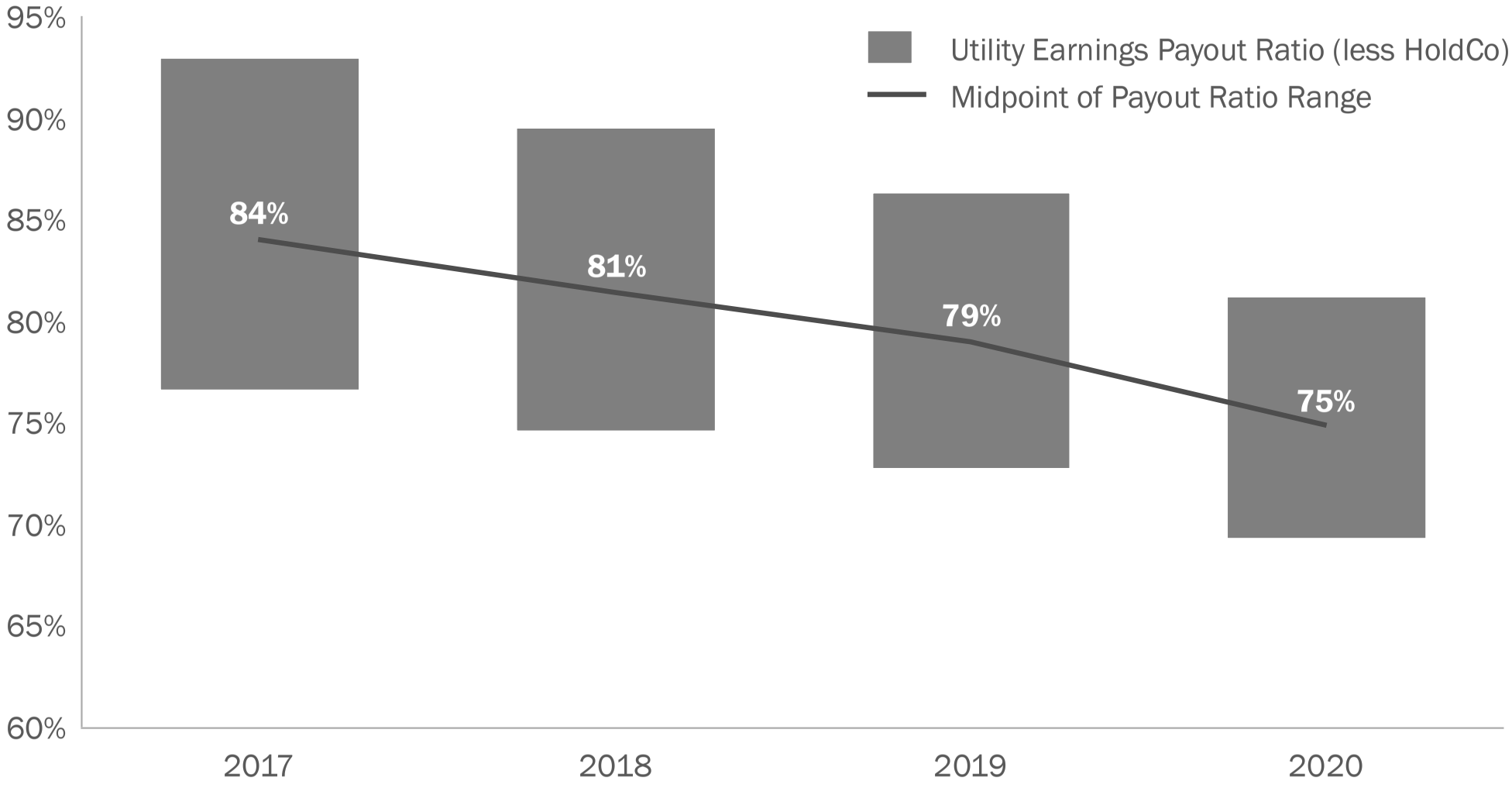
Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year through 2020, although the board has not yet established dividend policy for periods after 2018. Quarterly dividends are subject to declaration by the board of directors.

SI-SSA-0015-00885

Tax Rate and Utility Asset Projections at Current Plan

Tax Rate Expectations[1]	2018	2019	2020
ExGen Tax Rate	33%	28%	27%
Consolidated Tax Rate	34%	33%	34%
Consol. Cash Tax Rate	1%	6%	28%

Key Highlights

- ExGen's effective tax rate declines due to its declining pre-tax income relative to the tax credits it generates, which remain relatively constant
- Exelon's consolidated tax rate remains reasonably constant as growing earnings from the Utilities at a higher effective tax rate offset the declining tax rate at ExGen

Exelon Utilities Asset Projections ($B)[2]	2018	2019	2020
Rate Base	36.6	38.6	40.8
Deferred Tax Liabilities	14.4	15.2	15.7

Key Highlights

- Deferred tax liabilities are growing at a slowing rate through 2020 as percentage of new investment impacted by bonus depreciation declines

Note: tax rates and liabilities are based on the current tax code before the effect of any reforms that may be adopted
(1) Rounded to the nearest 1%
(2) All numbers reflect year-end 2016

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Recognition for Stewardship and Employee Engagement

Supplier Diversity: Exelon is the only utility and energy company to be inducted into the Billion Dollar Roundtable, which recognizes corporations that have achieved spending of $1 billion with minority and women-owned suppliers; our 2016 spend was nearly $2B

Civic 50: Points of Light named Exelon utility sector leader in its annual ranking of the nation's most community-minded public and private companies

Top 50 Companies for Diversity: National recognition from DiversityInc, first year in Top 50 after being named a DiversityInc "Top Utility" in 2015 and 2016

Best Places to Work in 2017: Ranked No. 18 on Indeed.com survey of Fortune 500 companies based on employee reviews

CEO Action for Diversity & Inclusion™: Joined 150 leading companies in the largest CEO-driven business commitment to advance diversity and inclusion

Top 50 Most Energy-Efficient Utilities: American Council for an Energy-Efficient Economy ranks BGE and ComEd in the top 10 with PECO also making the list

Lowest Carbon Emissions: 2017 Air Emissions Benchmarking Report notes Exelon's generation fleet had the lowest carbon dioxide emissions of the top 20 privately held and investor-owned energy producers

HeForShe: In continuing its commitment to gender equality, Exelon joined the United Nations HeForShe campaign, which provides a platform on which men can engage and become change agents for gender equality

SI-SSA-0015-00887

Appendix

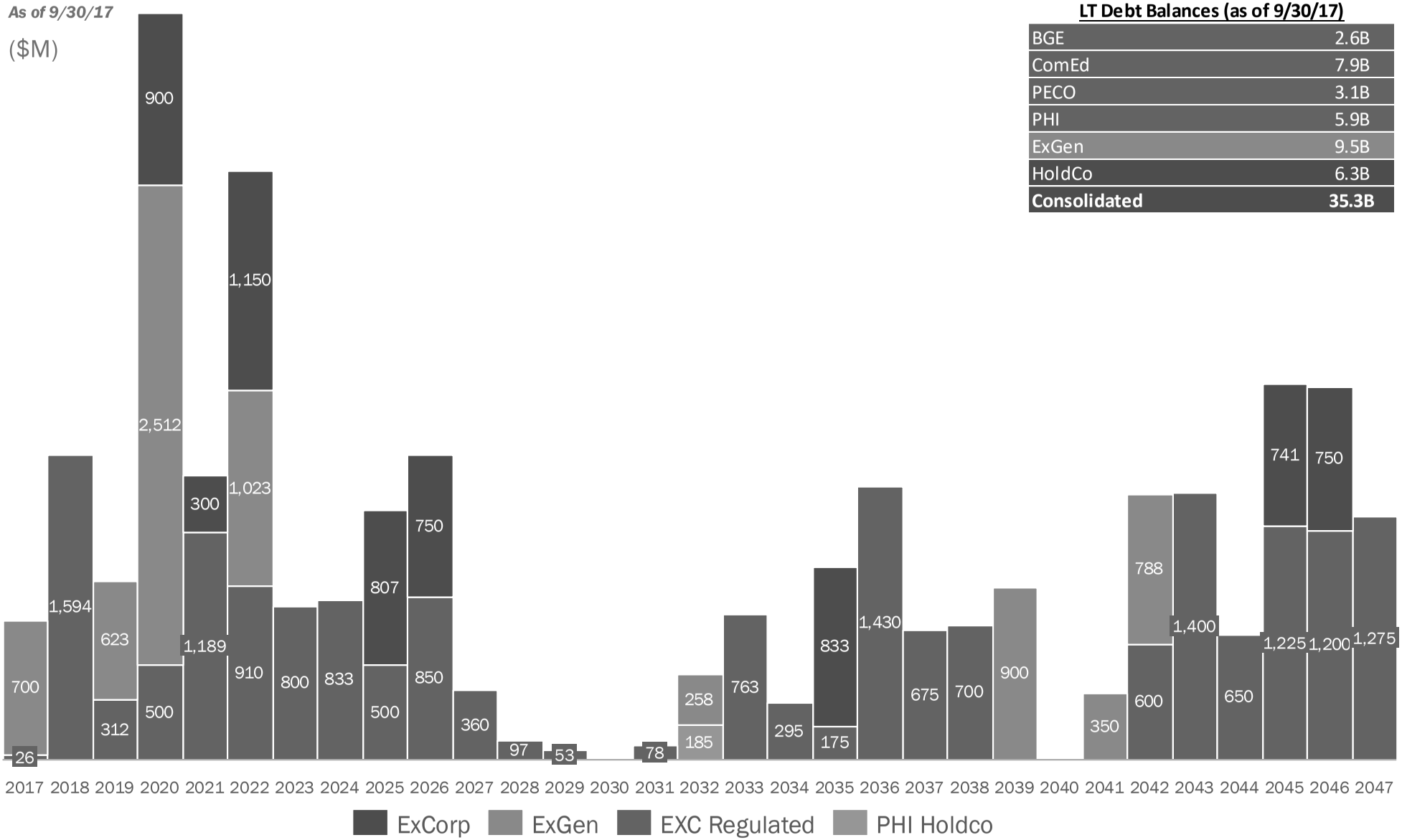
SI-SSA-0015-00888

Exelon Debt Maturity Profile[1]

As of 9/30/17

($M)

LT Debt Balances (as of 9/30/17)	
BGE	2.6B
ComEd	7.9B
PECO	3.1B
PHI	5.9B
ExGen	9.5B
HoldCo	6.3B
Consolidated	**35.3B**



Exelon's weighted average LTD maturity is approximately 14 years

(1) ExGen debt includes legacy CEG debt; Excludes securitized debt and non-recourse debt

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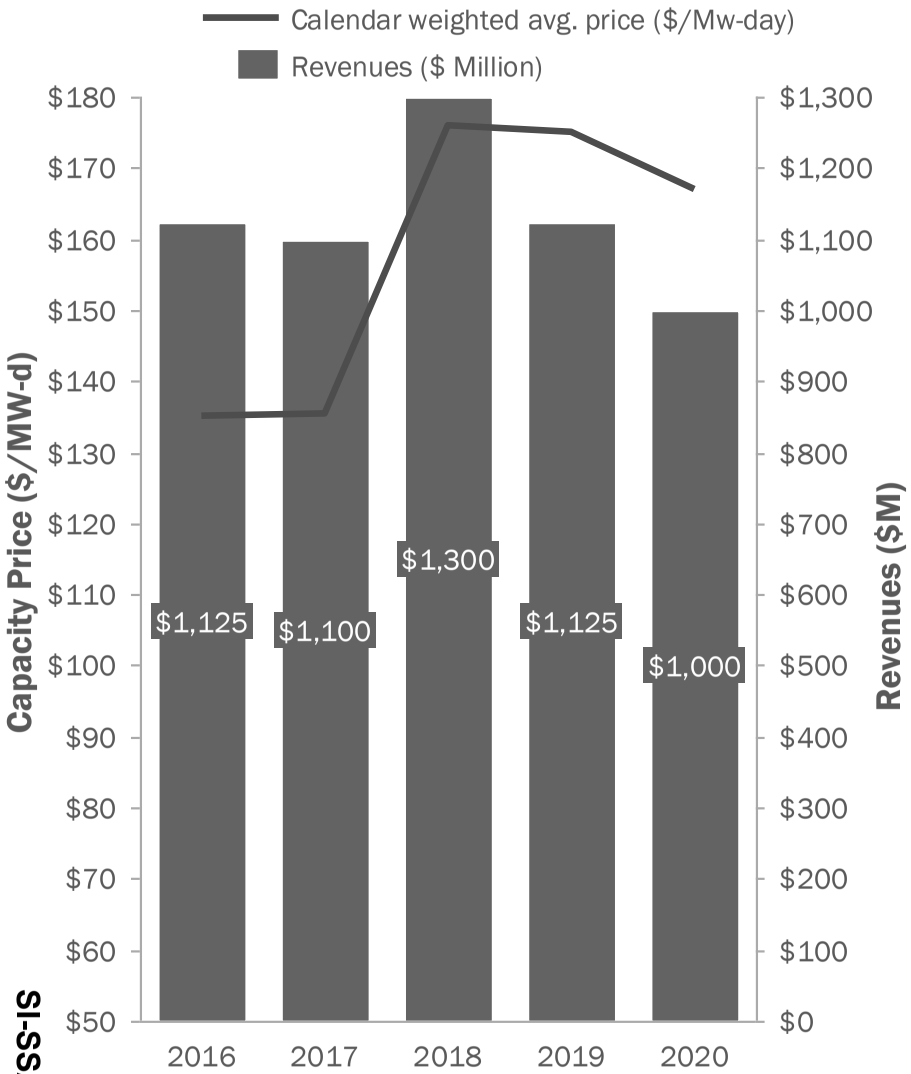
Capacity Market: PJM

PJM Capacity Revenues(1,2,3)



Cleared Volumes (MW)(4)	2019/2020				2020/2021	
	CP	Price	Base	Price	CP	Price
Comed						
Nuclear	6,925	$203	-	$183	8,075	$188
Fossil/Other	-	$203	50	$183	-	$188
Subtotal	**6,925**		**50**		**8,075**	
EMAAC						
Nuclear	4,375	$120	-	$100	4,350	$188
Fossil/Other	1,525	$120	1,675	$100	2,325	$188
Subtotal	**5,900**		**1,675**		**6,675**	
SWMAAC						
Nuclear	850	$100	-	$80	850	$86
Fossil/Other	-	$100	-	$80	-	$86
Subtotal	**850**		**-**		**850**	
MAAC						
Nuclear	-		-		-	$86
Fossil/Other	-		-		225	$86
Subtotal	**-**		**-**		**225**	
BGE						
Nuclear	-	$100	-	$80	-	$86
Fossil/Other	375	$100	225	$80	375	$86
Subtotal	**375**		**225**		**375**	
Rest of RTO						
Nuclear	-	$100	-	$80	-	$77
Fossil/Other	275	$100	75	$80	-	$77
Subtotal	**275**		**75**		**-**	
PJM Total						
Nuclear	12,150		-		13,275	
Fossil/Other	2,175		2,025		2,925	
Grand Total	**14,325**		**2,025**		**16,200**	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

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Exelon Generation Disclosures

Data as of September 30, 2017

SI-SSA-0015-00891

Portfolio Management Strategy

Strategic Policy Alignment

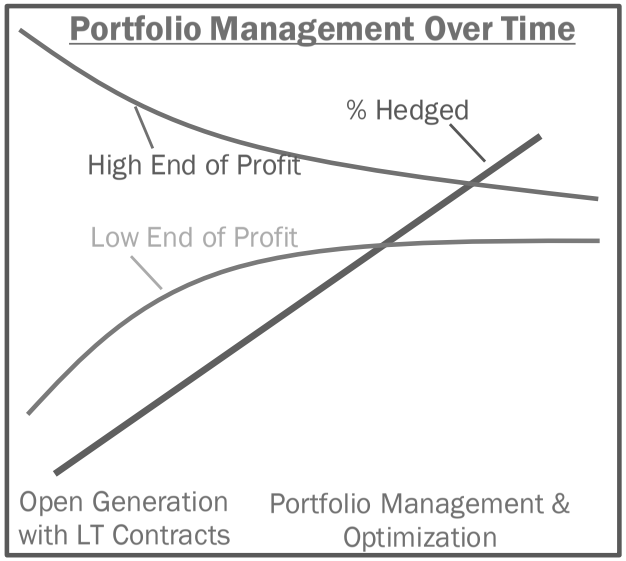
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

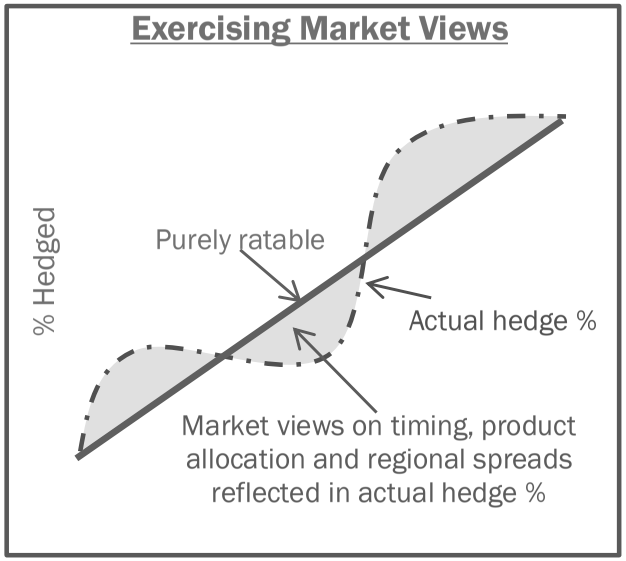
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,600	$3,900	$3,700
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450
Power New Business / To Go	$100	$700	$850
Non-Power Margins Executed	$350	$200	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)	$3.14	$3.05	$2.89
Midwest: NiHub ATC prices ($/MWh)	$26.52	$27.45	$26.36
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.81	$30.77	$29.22
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	($0.78)	$1.22	$2.65
New York: NY Zone A ($/MWh)	$24.38	$27.29	$26.67
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.36	$3.99	$4.24

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**200,200**	**199,300**	**202,000**
Midwest	95,900	95,800	97,000
Mid-Atlantic[2,6]	60,700	60,500	59,000
ERCOT	17,800	19,500	20,800
New York[2,6]	14,700	15,500	16,600
New England	11,100	8,000	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**79%-82%**	**45%-48%**
Midwest	97%-100%	74%-77%	41%-44%
Mid-Atlantic[2,6]	98%-101%	90%-93%	51%-54%
ERCOT	97%-100%	77%-80%	44%-47%
New York[2,6]	99%-102%	71%-74%	43%-46%
New England	103%-106%	86%-89%	52%-55%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$44.00	$37.00	$39.00
ERCOT[5]	$11.00	$3.50	$3.50
New York[2,6]	$41.50	$37.50	$32.00
New England[5]	$20.00	$2.50	$3.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.2% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(20)	$140	$515
- $1/MMBtu	$(10)	$(210)	$(500)
NiHub ATC Energy Price			
+ $5/MWh	-	$120	$265
- $5/MWh	-	$(115)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	-	$10	$150
- $5/MWh	$5	$(40)	$(145)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$25	$40
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $35

(1) Based on September 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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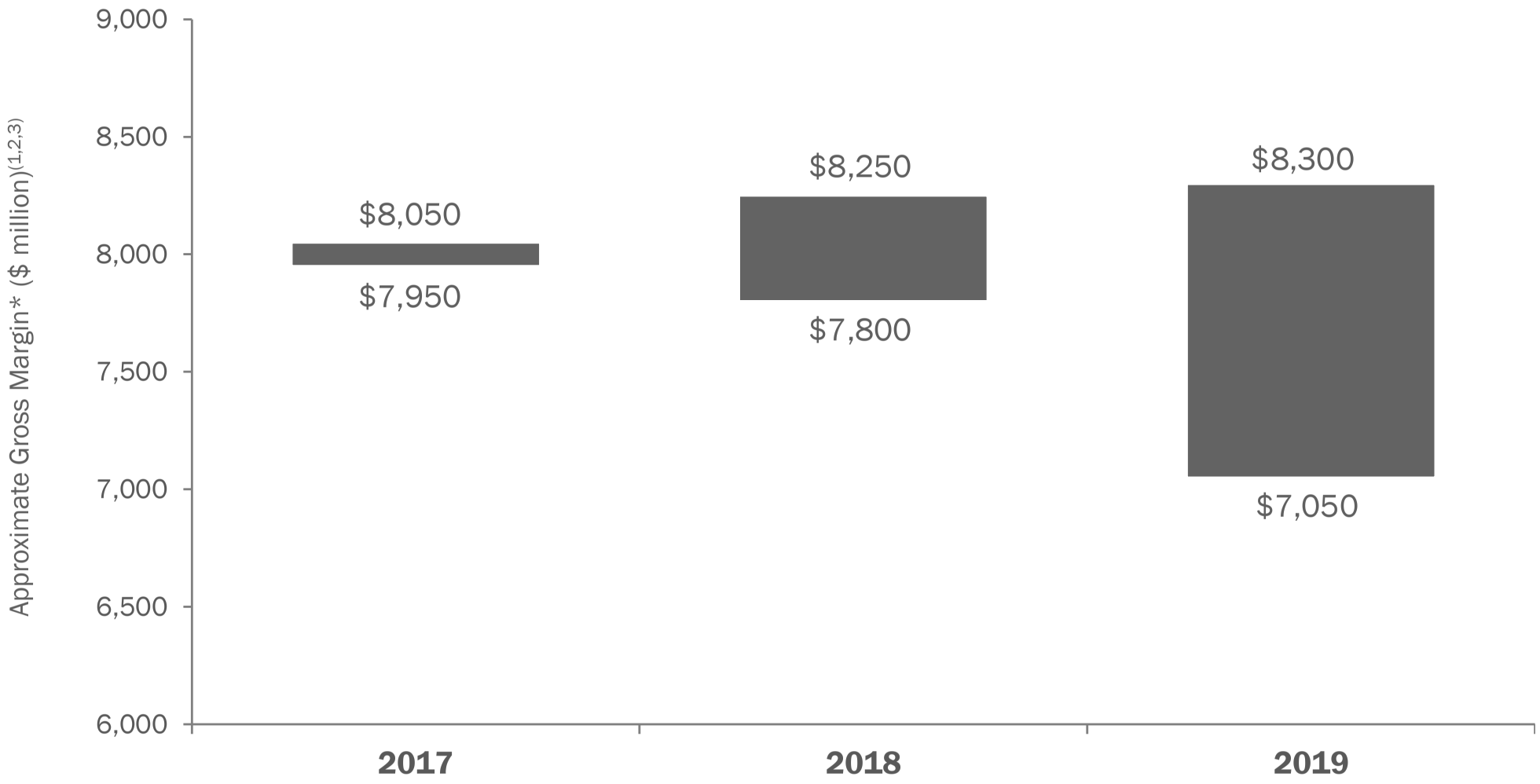
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-00897

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2.3 billion →					
(C)	Expected Generation (TWh)	95.8	60.5	19.5	15.5	8.0	
(D)	Hedge % (assuming mid-point of range)	75.5%	91.5%	78.5%	72.5%	87.5%	
(E=C*D)	Hedged Volume (TWh)	72.3	55.4	15.3	11.2	7.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.50	$37.50	$2.50	
(G)	Reference Price ($/MWh)	$27.45	$30.77	$1.22	$27.29	$3.99	
(H=F-G)	Difference ($/MWh)	$2.05	$6.23	$2.28	$10.21	($1.49)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$150	$345	$35	$115	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,850					
(K)	Power New Business / To Go ($ million)	$700					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	Total Gross Margin*	$8,050 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,575**	**$8,575**	**$8,025**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(200)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(475)	$(325)	$(325)
Total Gross Margin* (Non-GAAP)	**$8,000**	**$8,050**	**$7,500**

Key ExGen Modeling Inputs (in $M)[1,5]	2017
Other[6]	$175
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[7]	$(400)
Depreciation & Amortization[8]	$(1,075)
Interest Expense[9]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) Excludes P&L neutral decommissioning depreciation
(9) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-00900

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to changes in statutory tax rates and changes in forecasted apportionment
  - Costs incurred related to a cost management program
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Non-cash benefit pursuant to the annual update of the Generation nuclear decommissioning obligation related to the non-regulatory units
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's noncontrolling interest, primarily related to CENG exclusion items

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GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2,10,11]	
GAAP Operating Income	$3,500
Depreciation & Amortization	$3,350
EBITDA	$6,850
+/- Non-operating activities and nonrecurring items[3]	$450
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$325
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$350
= FFO (a)	**$7,600**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2,10]	
Long-Term Debt (including current maturities)	$32,050
Short-Term Debt	$1,125
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$4,100
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($600)
+/- Other S&P Adjustments[4]	($650)
= Adjusted Debt (b)	**$35,525**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD
(10) Reflects removal of EGTP
(11) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

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GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,825**

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,925)
= Net Debt (a)	**$6,900**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
= Operating EBITDA (b)	**$2,875**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,625**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.1x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.6x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA
(3) Reflects removal of EGTP
(4) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

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GAAP to Non-GAAP Reconciliations

Q3 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$85	$114	$210	$1,281	$1,690
Operating Exclusions	($23)	($12)	($25)	$34	($25)
Adjusted Operating Earnings[1]	$63	$103	$185	$1,315	$1,665
Average Equity	$1,061	$1,323	$2,419	$12,750	$17,554
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.9%**	**7.8%**	**7.7%**	**10.3%**	**9.5%**

Q2 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$6,325**	**$5,300**	**$5,150**	**$5,025**
Decommissioning[2]	25	50	50	50
TMI Retirement	(75)	-	-	-
EGTP Impairment	(450)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	(325)	(325)	(325)
O&M for managed plants that are partially owned	(425)	(425)	(400)	(425)
Other	(125)	(25)	(25)	(25)
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,600**	**$4,450**	**$4,300**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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Exelon

Building Enduring Value

SI-SSA-0015-00906

Welcome and Agenda

Dan Eggers

Senior Vice President, Investor Relations

Exelon

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC (PHI), Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23; (2) PHI's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 16; (3) Exelon's Second Quarter 2016 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (4) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including adjusted (non-GAAP) operating earnings, adjusted (non-GAAP) operating and maintenance expense, total gross margin, earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted cash flow from operations (non-GAAP) or free cash flow. Adjusted (non-GAAP) operating earnings exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments merger and integration costs, certain costs incurred associated with the PHI acquisition, merger commitments related to the settlement of the PHI acquisition, the impairment of certain long-lived assets, plant retirements and divestitures, costs related to the cost management program, and the non-controlling interest in CENG. Adjusted (non-GAAP) operating and maintenance expense excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation businesses, decommissioning costs that do not affect profit and loss, and the impact from operating and maintenance expense related to variable interest entities at Generation. Total gross margin (non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, the operating services agreement with Fort Calhoun, variable interest entities and net of direct cost of sales for certain Constellation businesses. EBITDA is defined as earnings before interest, taxes, depreciation and amortization, including nuclear fuel amortization expense. Adjusted cash flow from operations (non-GAAP) or free cash flow primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures at ownership and nuclear fuel expense. Due to the forward-looking nature of any forecasted non-GAAP measures, information to reconcile the forecast adjusted (non-GAAP) measures to the most directly comparable GAAP measure is not currently available, as management is unable to project all of these items for future periods.

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the footnotes, appendices and attachments to this presentation.

SI-SSA-0015-00910

Agenda

Time (ET)	Presentation Topic	Presenter	Total Time
8:45 – 8:50	**Welcome & Introductions**	Dan Eggers	5 minutes
8:50 – 9:10	**Exelon Overview**	Chris Crane	20 minutes
9:10 – 10:25	**Exelon Utilities**	Denis O'Brien Anne Pramaggiore Calvin Butler Craig Adams Dave Velazquez Q&A	75 minutes
10:25 – 10:40	BREAK		15 minutes
10:40 – 11:00	**Exelon's Policy Priorities**	Bill Von Hoene Kathleen Barrón	20 minutes
11:00 – 11:30	**Exelon Generation**	Ken Cornew Joe Nigro	30 minutes
11:30 – 11:45	**Q&A**		15 minutes
11:45 – 12:00	**Financial Update**	Jack Thayer	15 minutes
12:00 – 12:20	**Q&A**		20 minutes
12:20 – 12:30	**Closing**	Chris Crane	10 minutes

SI-SSA-0015-00911

Exelon Overview

Chris Crane
President & Chief Executive Officer

Exelon

SI-SSA-0015-00912

Exelon: An Industry Leader

$25B
Being invested in utilities through 2020

$37M
In 2015, Exelon gave approx. $37 million to charitable and community causes

#1
zero-carbon energy provider in America

195 TWh
Customer load served

32,700
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,000
employees

FORTUNE 100
Exelon is a FORTUNE 100 company and was named to Fortune Magazine's list of "World's Most Admired Companies"

2M
Exelon's Constellation business serves residential, public sector and business customers

12,042
transmission line miles for utilities

$34.5B
Operating revenue in 2015

Top 10
in renewable energy sales

7.4M
Smart meters installed

Note: All numbers reflect year-end 2015; 2015 revenue number is Exelon and PHI combined

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Exelon.

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 7-9% annually from 2016-2020 and rate base growth of 6.1%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 5 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors.

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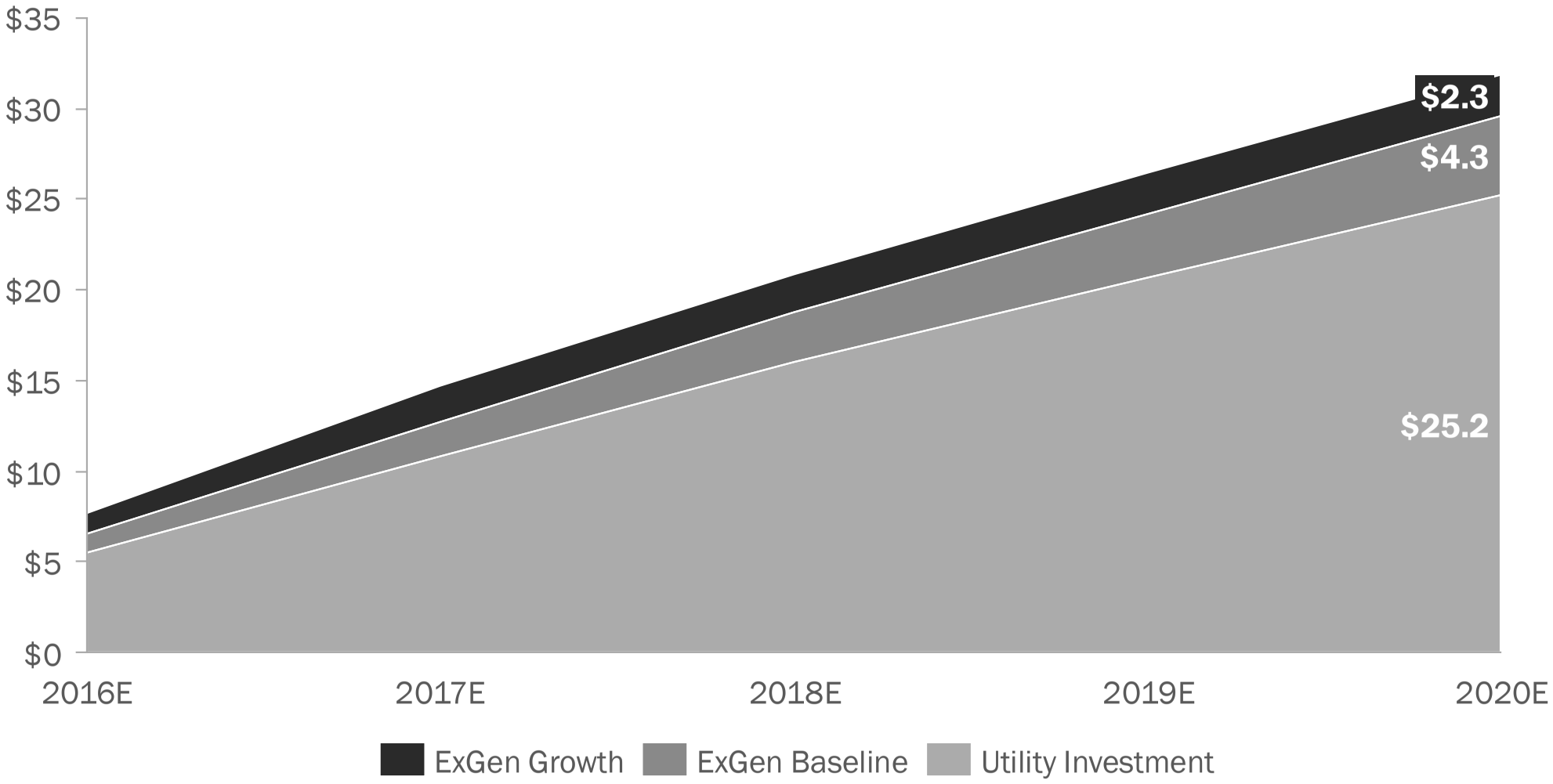
Capital Investment Concentrated on Exelon Utilities

Cumulative Capital Expenditures 2016-2020 ($B)



Utilities make up ~80% of capital investment from 2016-2020

Note: ExGen reflects cash capital expenditures with CENG at 100% and excludes Nuclear Fuel and merger commitments

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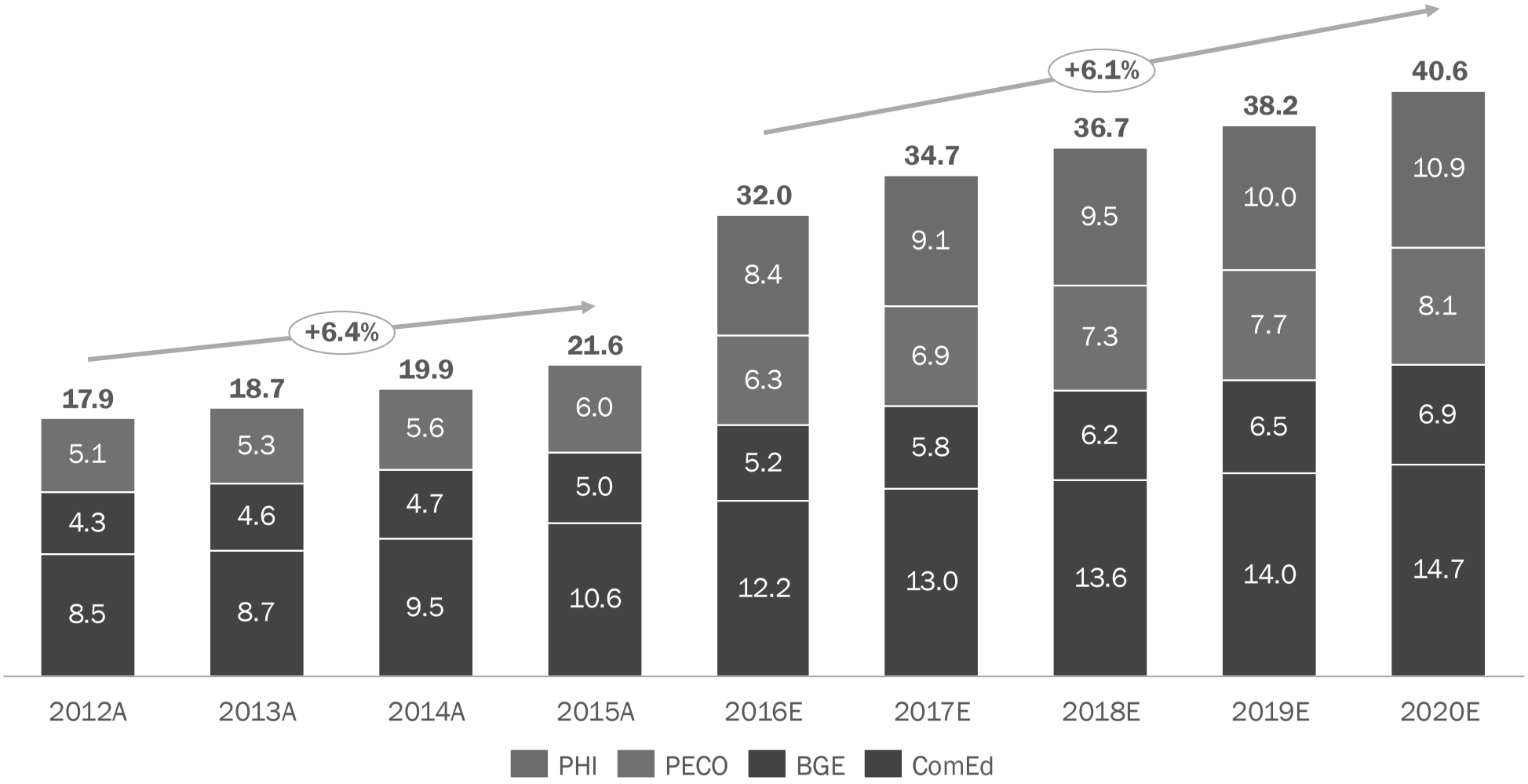
Exelon.

Driving Strong Rate Base Growth

Exelon Utilities Rate Base 2012-2020 ($B)



Exelon Utilities delivering strong rate base growth of 6.1% annually over planning period

Note: All numbers denote year-end rate base and may not add due to rounding

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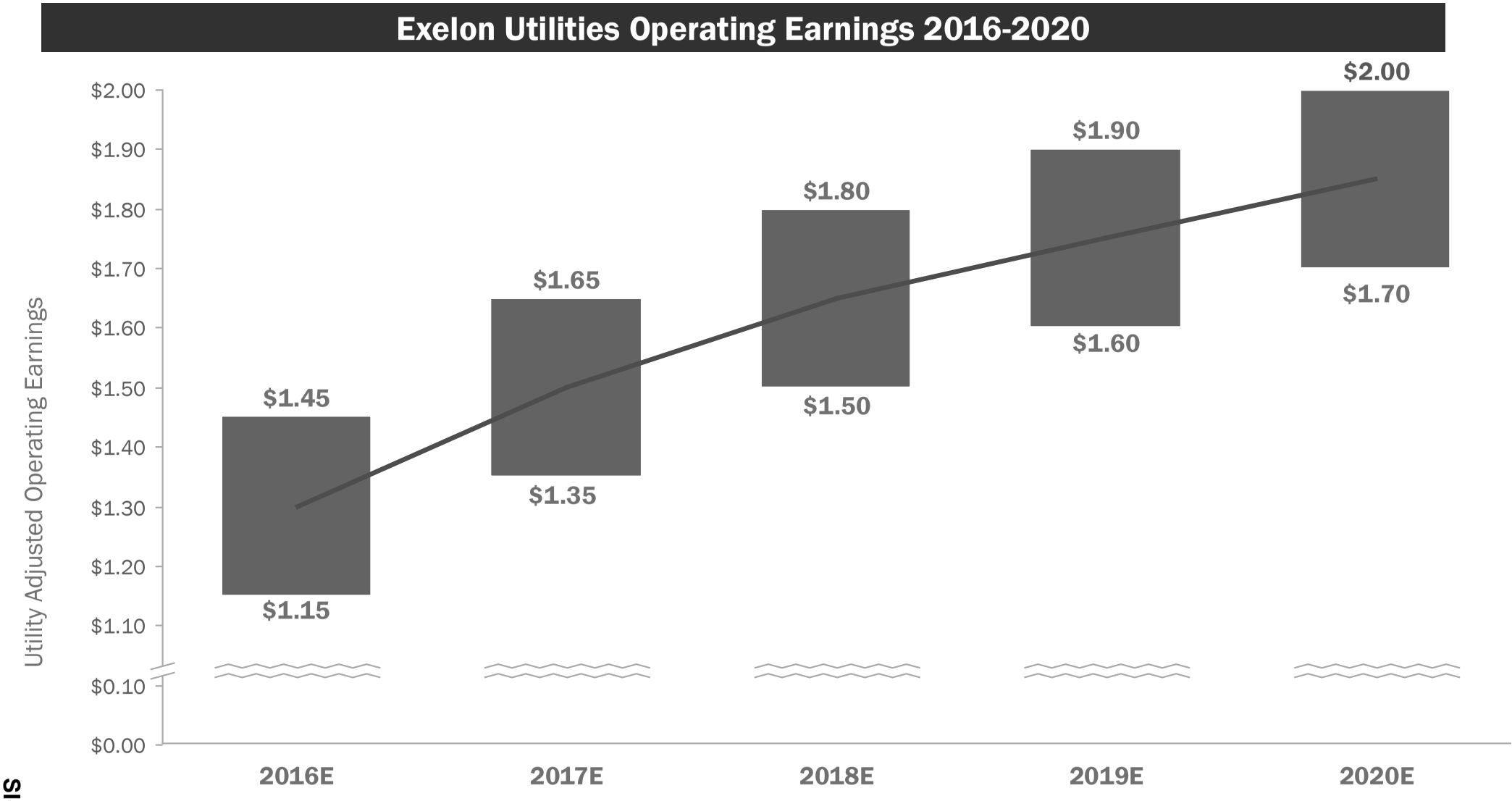
Exelon

Exelon Utilities EPS Growth of 7-9% to 2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2016. 2016 GAAP EPS range would be $0.65 to $0.95. 2016 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.40 for merger commitments and $0.10 of merger integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment. 2016 estimate normalized to include a full year for PHI.

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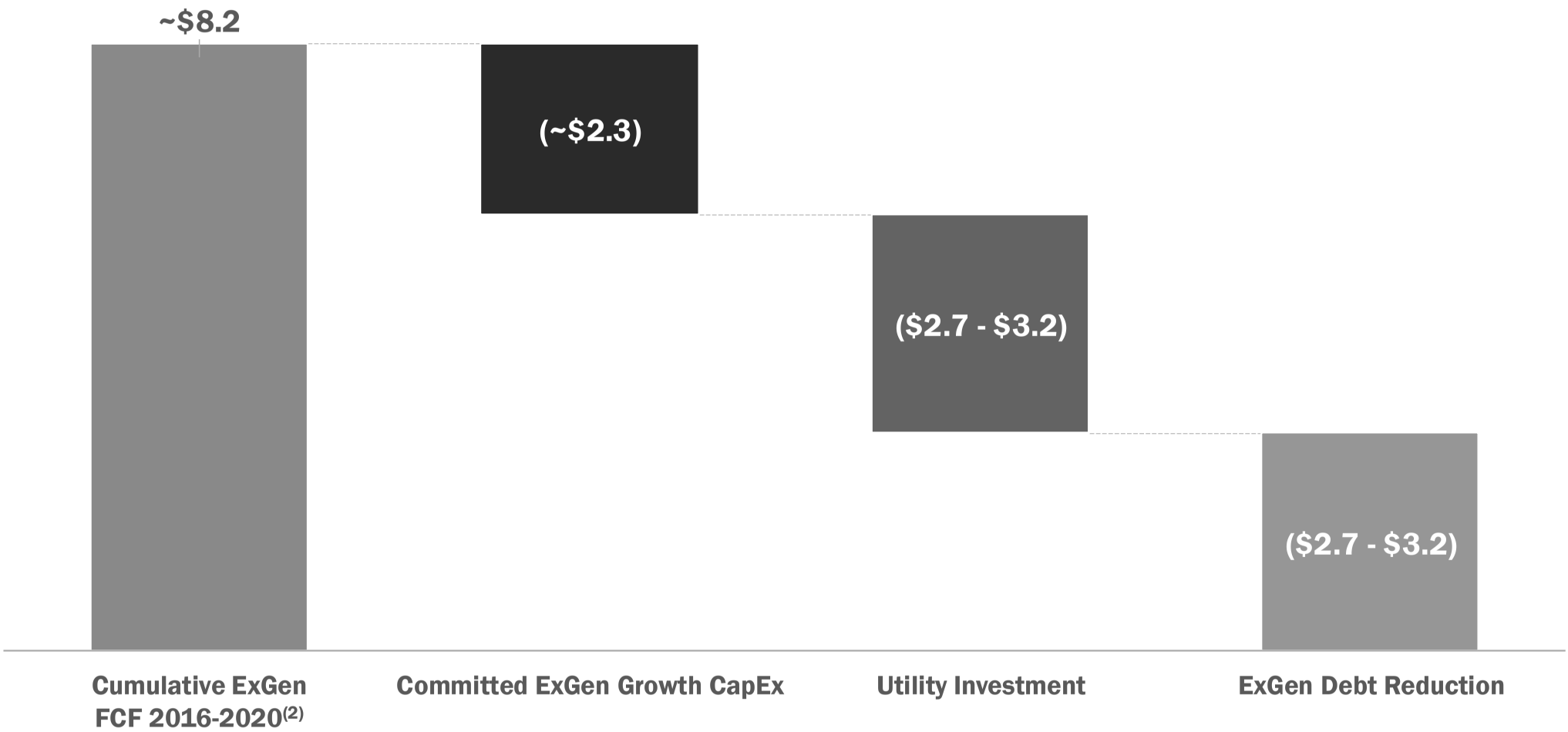
ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2016-2020 Exelon Generation Free Cash Flow[1,2,3] and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Free Cash Flow is a non-GAAP Measure. See slide 168 for a reconciliation of free cash flow to the most comparable GAAP measures.
(2) Cumulative Free Cash Flow is a midpoint of a range based on June 30, 2016 market prices. It includes ~$700M of other sources including change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.
(3) Approval of Clean Energy Standard (CES) in NY would add up to ~$750M of incremental cash (after-tax) through 2020. This incremental cash is comprised of payments from the CES program ($350M) and additional distributions to Exelon from CENG related to completion of loan repayment and special distribution.

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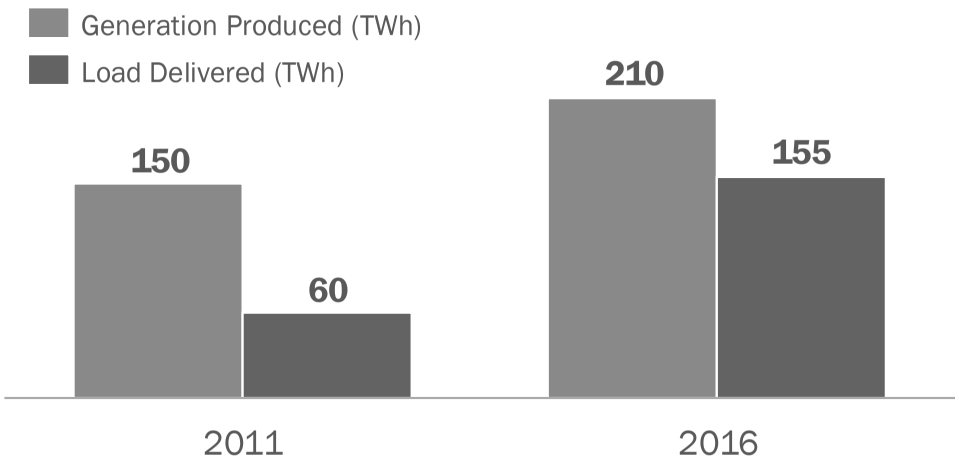
Taking Steps to Improve ExGen's Earnings Consistency

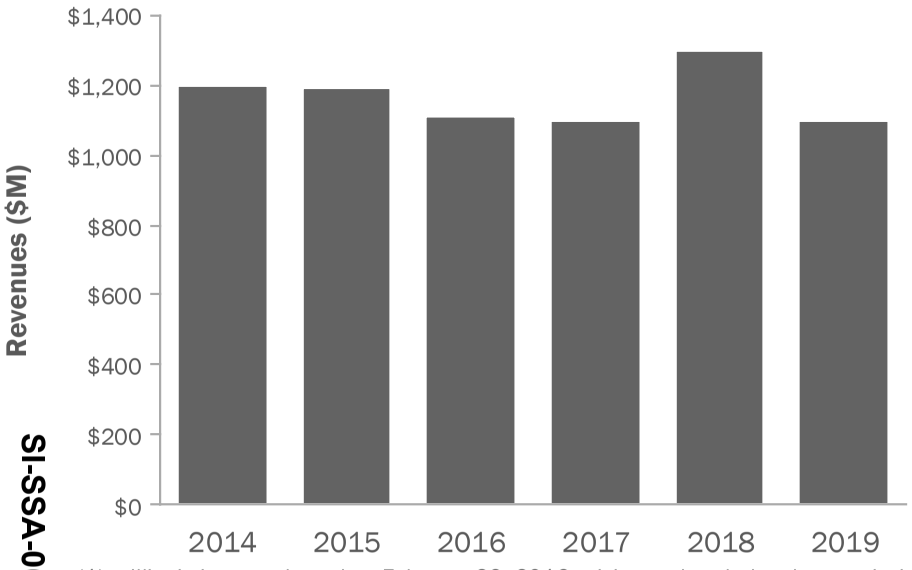
Improving Our Generation to Load Match



Impact of State Nuclear Outcomes[1]

- **New York: $0.08-0.10** per share annually and **~$350M** in additional after-tax cash[2] through 2020 from implementation of Clean Energy Standard (CES) program which includes Zero Emission Credit (ZEC)
- **Illinois**: 2019 run rate of up to **$0.07** per share and up to **$75M** in avoided pre-tax cash losses from retirement of Clinton and Quad Cities

Locked-in PJM Capacity Revenues[3]



Opportunistically Monetize Assets

- Realized pre-tax proceeds of **$1.8 Billion** or $600/MW **from 2014 sale of 6 assets**
- Raised **~$3.3B in project finance** since 2011
  - **Including: ~$1,050M** Continental/EGR1 (13 contracted wind assets) and **~$700M** ExGen Texas Power (3,476 MW of gas-fired assets)

(1) Illinois impacts based on February 29, 2016 pricing and excludes decommissioning costs; New York impacts assume ZEC program implementation and that adjusted social cost of carbon is ZEC price for tranche 2
(2) $350M is solely from implementation of CES program and does not include additional cash benefits from CENG loan repayment and special distribution
(3) Prior year capacity revenues are based on the portfolio as it existed in each historical year and is not based on current portfolio. 2014 and beyond excludes Safe Harbor and 2015 and beyond excludes Keystone and Conemaugh which were sold in 2014.

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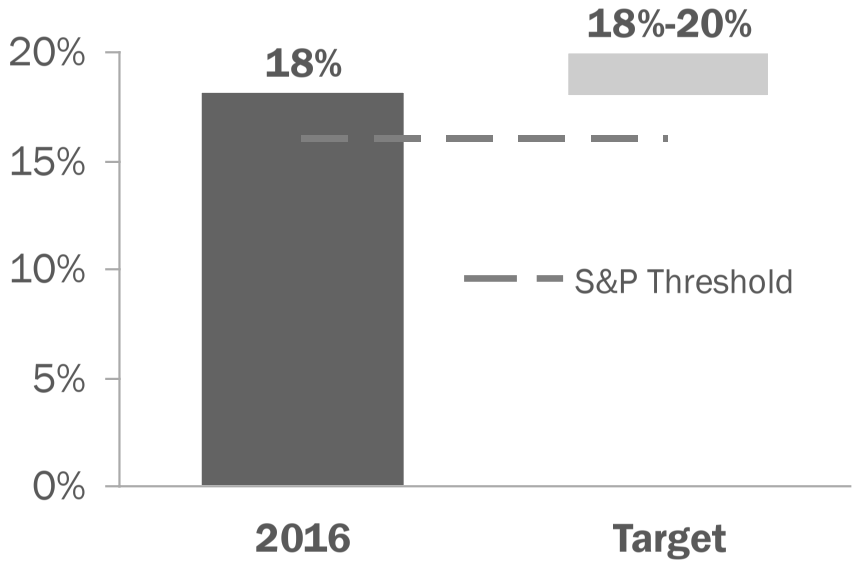
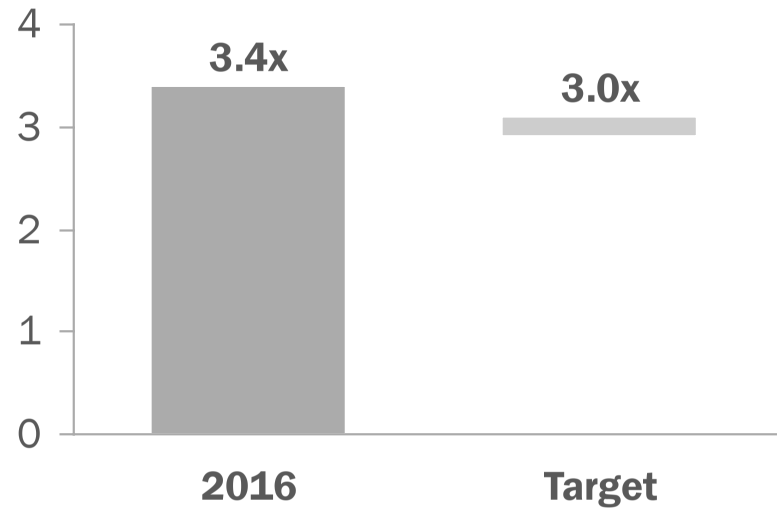
Exelon.

Maintaining Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %[1][4]



ExGen Debt/EBITDA Ratio[5]



Credit Ratings by Operating Company

Current Ratings [2][3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A2	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB+	BBB	A-	A	A-	A-	A	A-

Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment. FFO/Debt is a non-GAAP measure. Please refer to slide 166 in the appendix for a reconciliation of FFO/Debt to the most comparable GAAP measure.
Current senior unsecured ratings as of June 30, 2016 for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
All ratings have "Stable" outlook, except for at Moody's, which has ComEd on "Positive" outlook
Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp.
Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA. EBITDA, a non-GAAP measure, is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense. Please refer to slide 167 in the appendix for a reconciliation of Debt/EBITDA to the most comparable GAAP measure.

Exelon.

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Delivering Value Through Capital Allocation Policy

Our strong balance sheet underpins our capital allocation policy and capital decisions are made to maximize value to our customers and shareholders

We are **returning capital to shareholders** by growing our dividend, targeting 2.5% annual increases through 2018[1] with upside potential beyond

We are **redeploying free cash flow** from Exelon Generation to support:

- **Investing in utilities** where we can earn an appropriate return and will deploy $25B of capital over the next 5 years
- **Retiring debt** with ~$3B targeted at ExGen over the next 5 years
- **Investing in select contracted assets** where we can meaningfully exceed our return thresholds

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-00921

Diverging Paths for Economically Challenged Nuclear Plants

Some Nuclear plants are challenged by persistently low power prices and market designs that do not compensate for their carbon free attributes

New York establishes CES, preserving at-risk nuclear plants, including Ginna and Nine Mile

- **2,600** jobs saved
- **$3B** in NY GDP contributed
- **~$47M** in property taxes preserved
- Prevention of **16MMt** of additional carbon emissions

Illinois fails to reach legislative solution leading to the closure of Clinton and Quad Cities stations

- **4,200** jobs lost
- **$1.2B** in economic activity lost
- **29-43%** of the property tax revenues of surrounding local governments lost
- **20MMt** in additional carbon emissions released

Source: January 5, 2015 Response to the IL General Assembly Concerning House Resolution 1146 prepared by Illinois Commerce Commission, Illinois Power Agency, Illinois Environmental Protection Agency, and Illinois Department of Commerce and Economic Opportunity; New York's Upstate Nuclear Power Plant's Contribution to the State Economy, Mark Berkman and Dean Murphy (The Brattle Group) authors, December 2015

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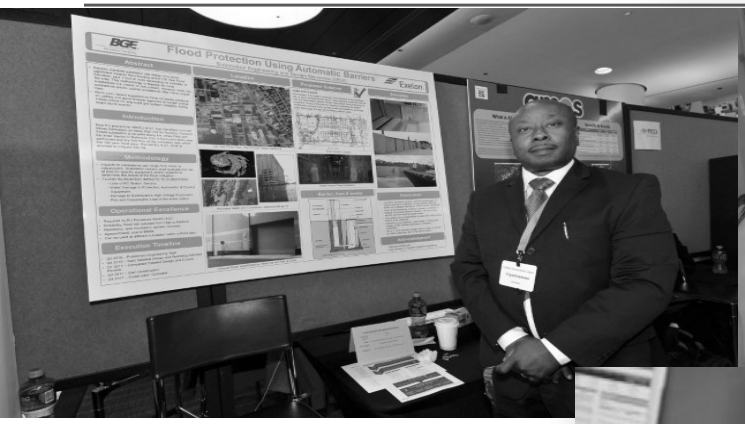
Fostering a Culture of Innovation



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Exelon.

Exelon Utilities

Denis O'Brien

Chief Executive Officer, Exelon Utilities

Exelon

SI-SSA-0015-00924

Exelon Utilities Overview

17,400
Employees

$29.7B
2015 Rate Base

$15.8B
In Revenue

24.1M mi²
Combined Service Territory

10 M
Customers

7.4 M
Smart Meters Installed

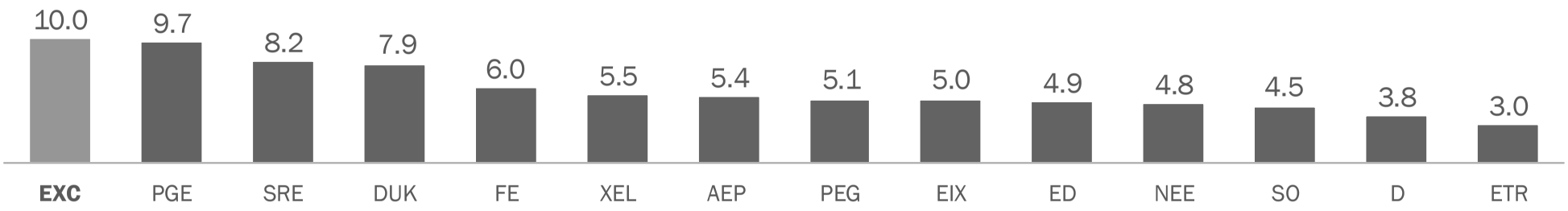
12,042
Transmission line miles (circuit)

Note: Rate base number is Exelon and PHI combined and denotes year-end

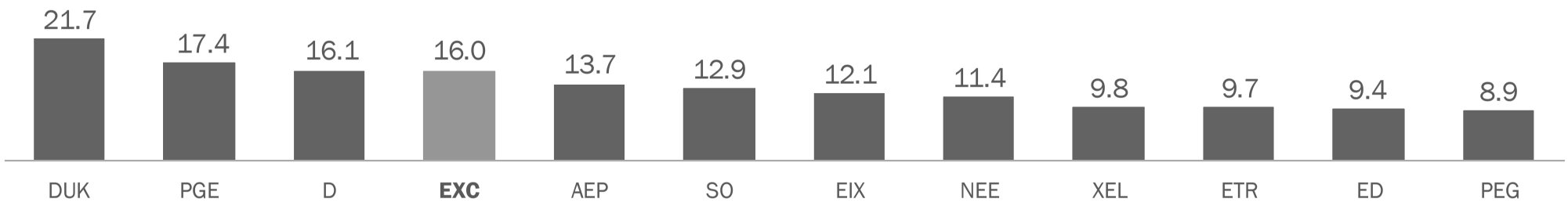
SI-SSA-0015-00925

Exelon Utilities (EU) is an Industry Leader

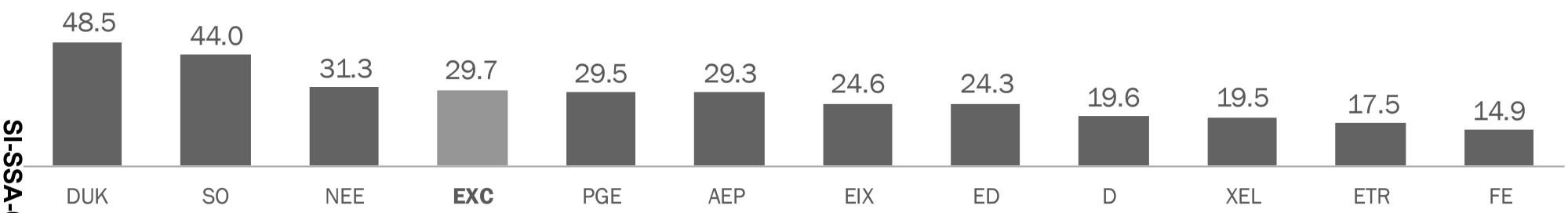
US Utility Customers (millions)



Total Regulated Capital Expenditures 2016-2018 ($B)



Total Utility Rate Base ($B)



Source: Company Filings
Note: Denotes 2015 year end rate base figures. Exelon figures include PHI.

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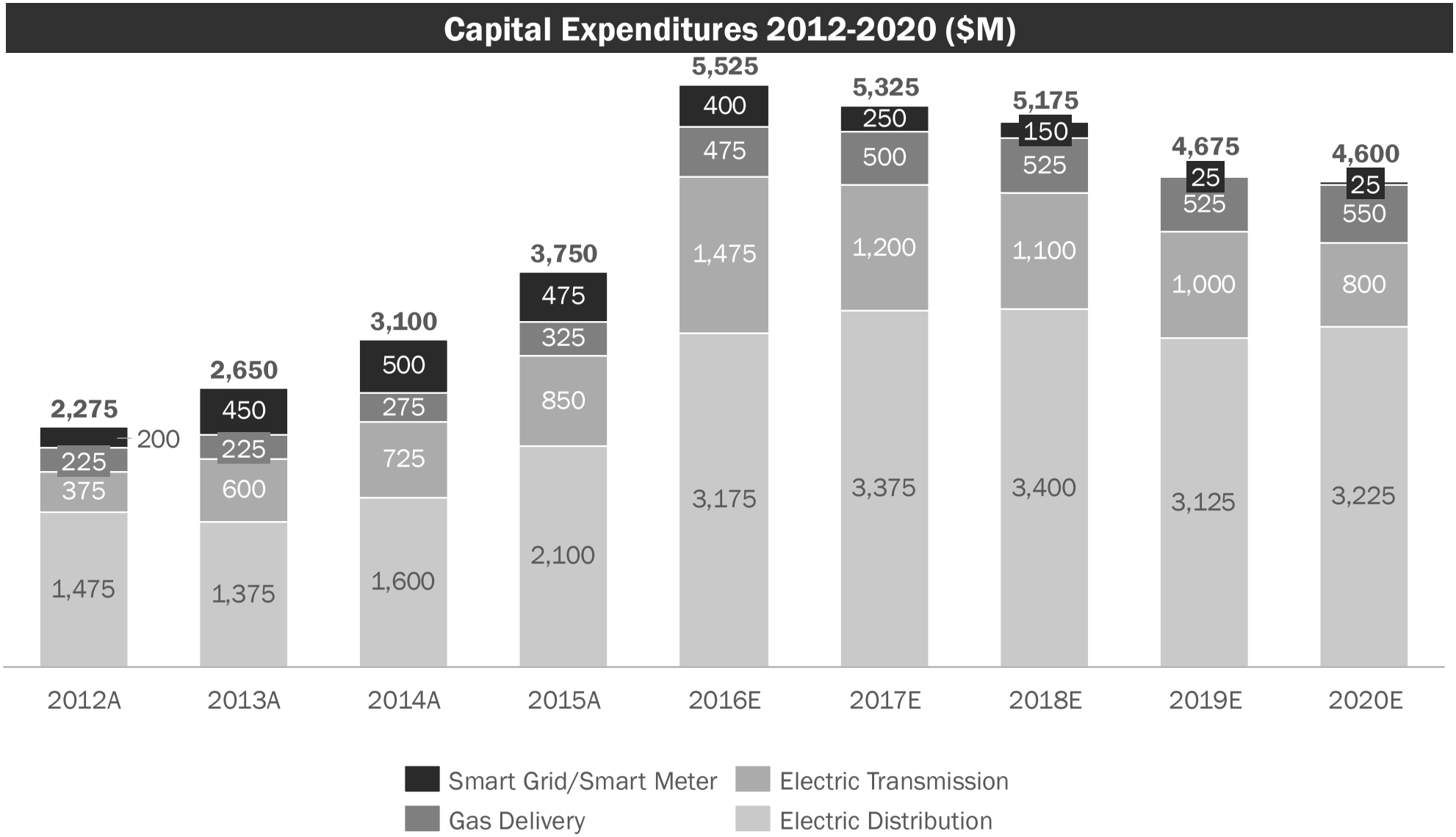
Deploying Significant Capital for Our Customers



More than $25B of capital is being invested in utilities from 2016-2020

Note: Numbers rounded to nearest $25M; Numbers may not add due to rounding; 2012 Includes a full year of capital spend for BGE; 2016 includes a full year of capital spend for PHI

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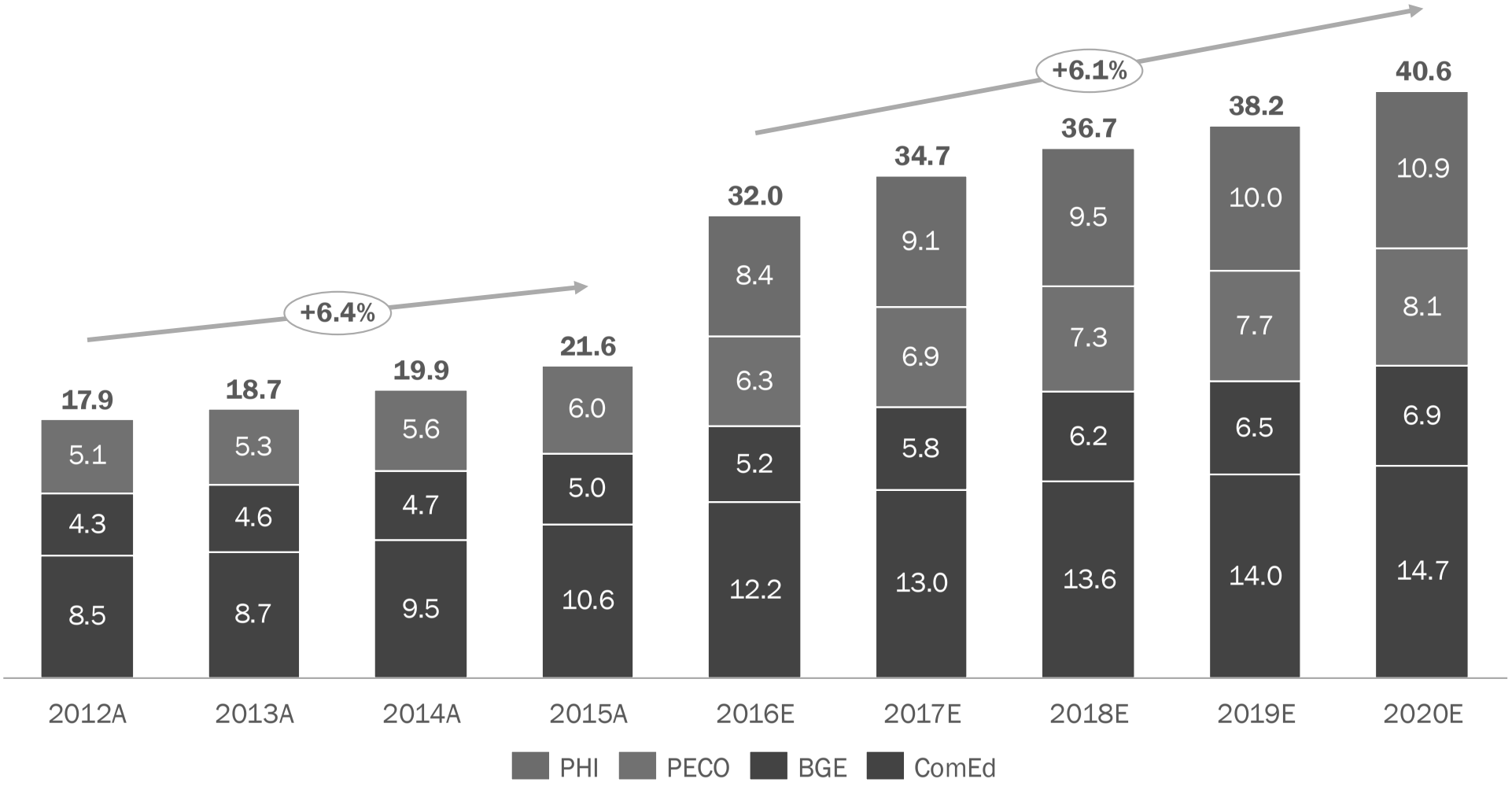
Driving Strong Rate Base Growth

Exelon Utilities Rate Base 2012-2020 ($B)



Exelon Utilities delivering strong rate base growth of 6.1% annually over planning period

Note: All numbers denote year-end rate base and may not add due to rounding

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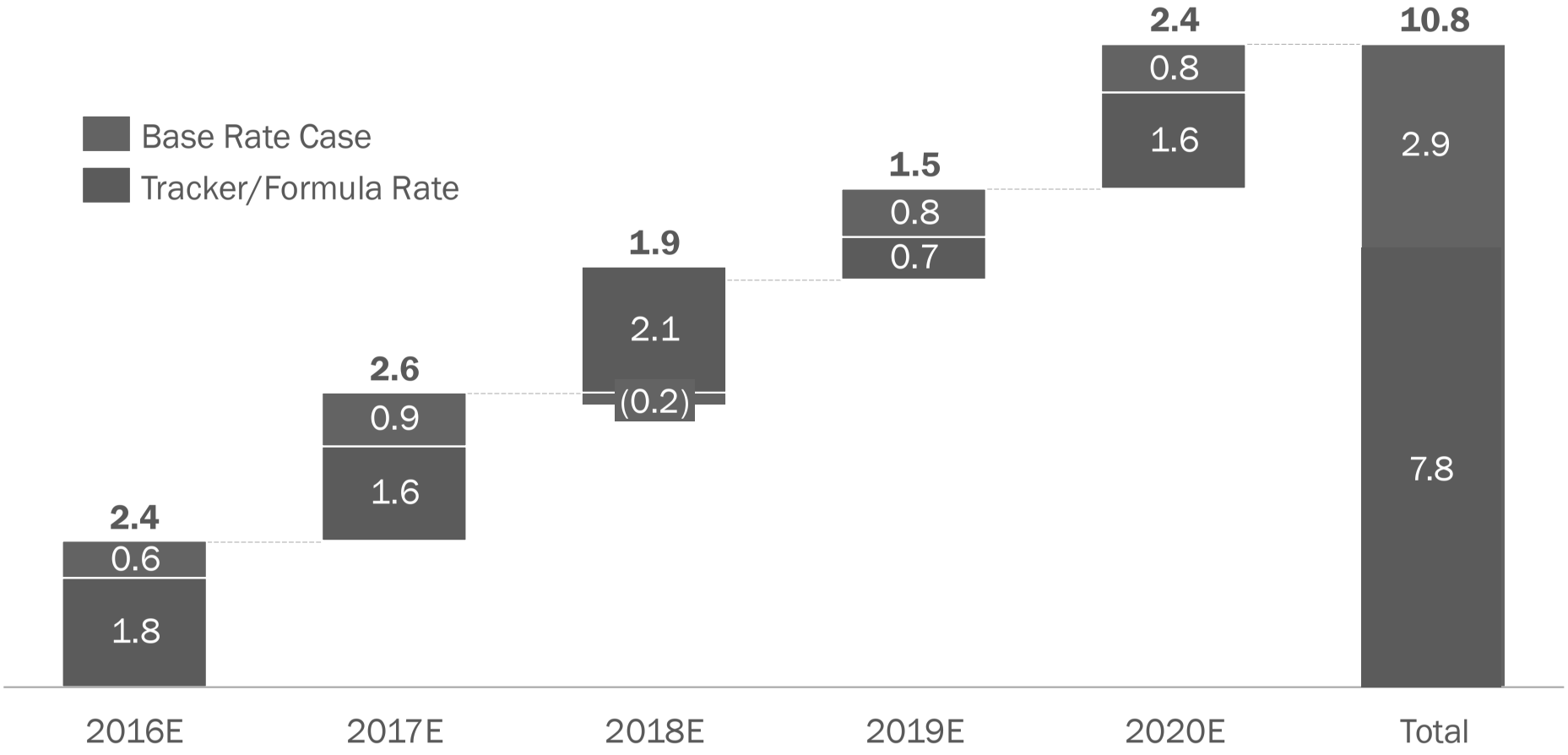
Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2016-2020 ($B)



Of the approximately $10.8 billion of rate base growth Exelon Utilities forecast over the next 5 years, more than 70% will be recovered through existing formula and tracker mechanisms

(1) Assumes renewal of ComEd formula rate in 2019; EIMA currently sunsets in 2019
(2) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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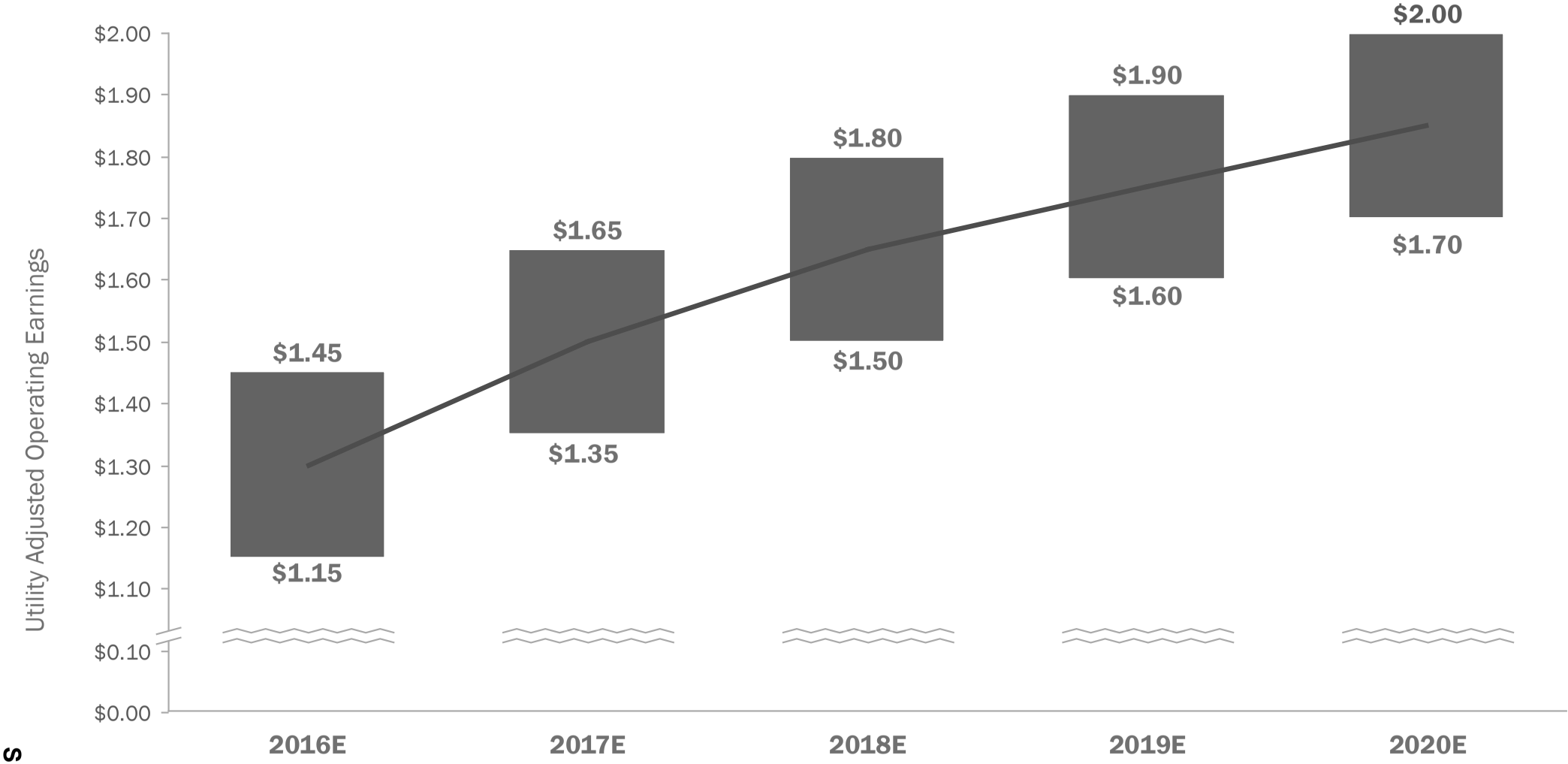
Exelon Utilities EPS Growth of 7-9% to 2020

Exelon Utilities Operating Earnings 2016-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2016. 2016 GAAP EPS range would be $0.65 to $0.95. 2016 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.40 for merger commitments and $0.10 of merger integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment. 2016 estimate normalized to include a full year for PHI.

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015			2015
		BGE	PECO	ComEd	BGE	PECO	ComEd	PHI
Electric Operations	OSHA Recordable Rate							
	2.5 Beta SAIFI (Outage Frequency)							
	2.5 Beta CAIDI (Outage Duration)							
Customer Operations	Customer Satisfaction							N/A
	Service Level % of Calls Answered in <30 sec							
	Abandon Rate							
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations			No Gas Operations	
	3rd Party Damages per 1000 Gas Locates							
Overall Rank	Electric Utility Panel of 24 Utilities[1]	23rd	2nd	2nd	4th	2nd	3rd	18th

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

Performance Quartiles

Q1	Q2
Q3	Q4

Significant opportunity for operating performance improvements at PHI

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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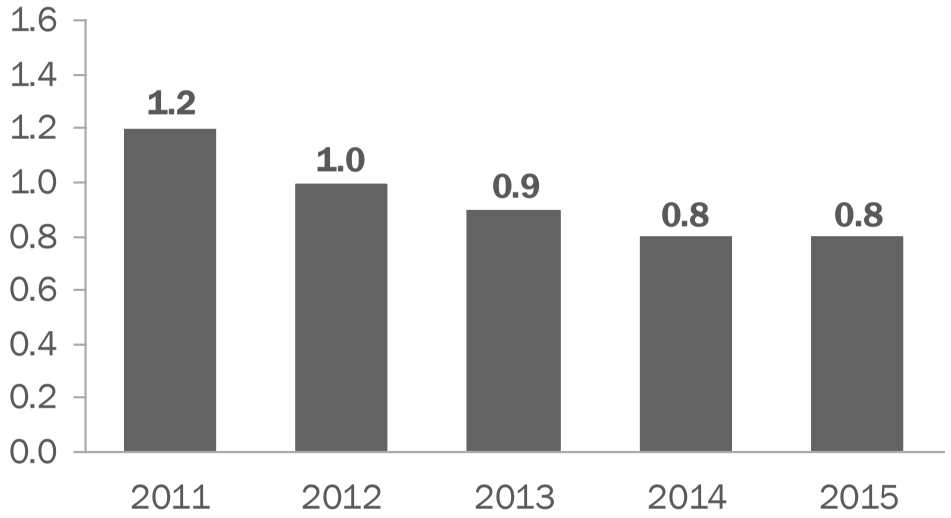
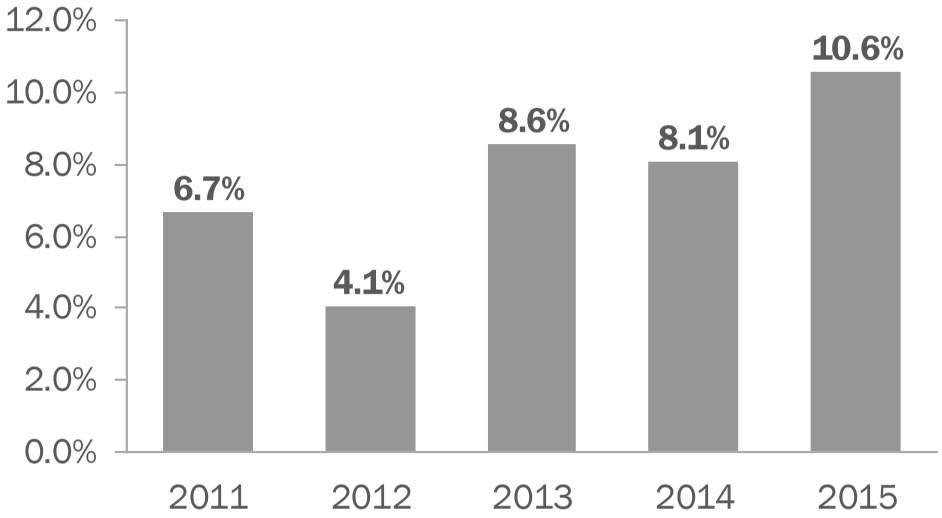
BGE: A Proven Track Record of Enhancing Utility Value

Leveraging the best practices of the Exelon Utilities platform, BGE has significantly improved operational metrics

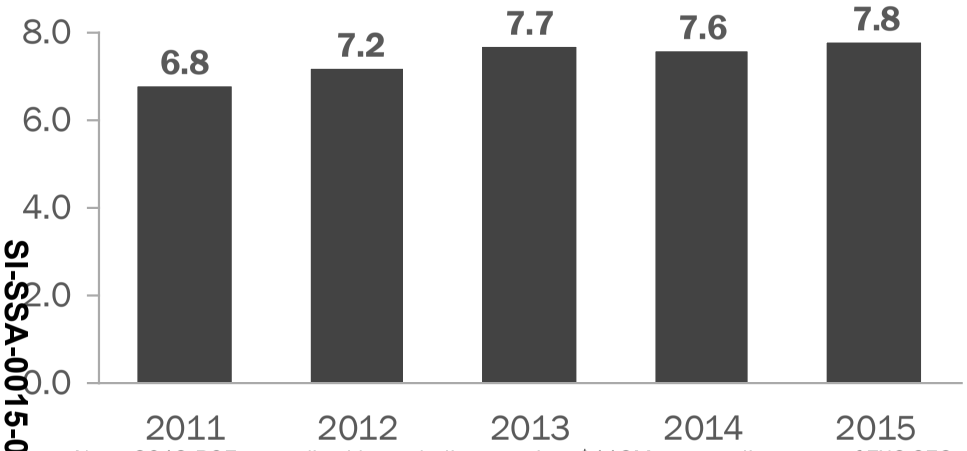
Outage Frequency (SAIFI)



Operating ROE (%)



Customer Satisfaction Index



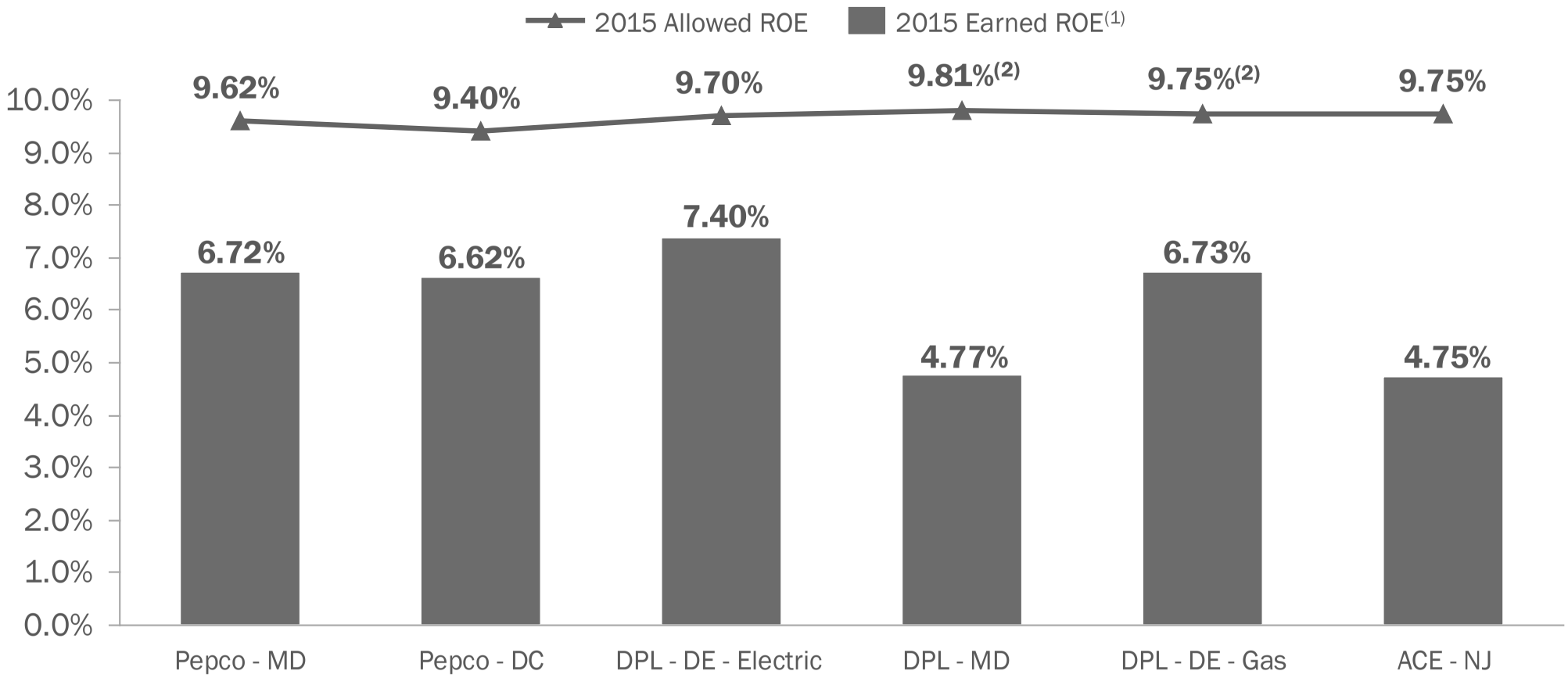
Results

- Increased reliability by 10% per year and customer satisfaction by 3% per year
- Increased ROE by more than 350 basis points from 2011 to 2015
- Continued system investments in reliability and safety requires continued rate cases for capital recovery

Note: 2012 ROE normalized by excluding one-time $112M rate credit as part of EXC-CEG merger. For a reconciliation of operating ROE, which is derived from adjusted operating earnings, which is a non-GAAP measure please refer to slide 171 in the appendix.

SI-SSA-0015-00932

Wide Gaps in Earned vs Allowed Distribution ROEs at PHI



Impact of a 50 bps increase in Earned Distribution ROE on Operating Earnings

Pepco - MD	Pepco - DC	DPL – DE Electric	DPL - MD	DPL – DE - Gas	ACE - NJ
~$4M	~$4M	~$2M	~$2M	~$1M	~$4M

Significant opportunity for earned ROE improvement at PHI Utilities

(1) Earned ROEs represent distribution regulatory view
(2) ROE for purposes of calculating AFUDC and regulatory asset carrying costs

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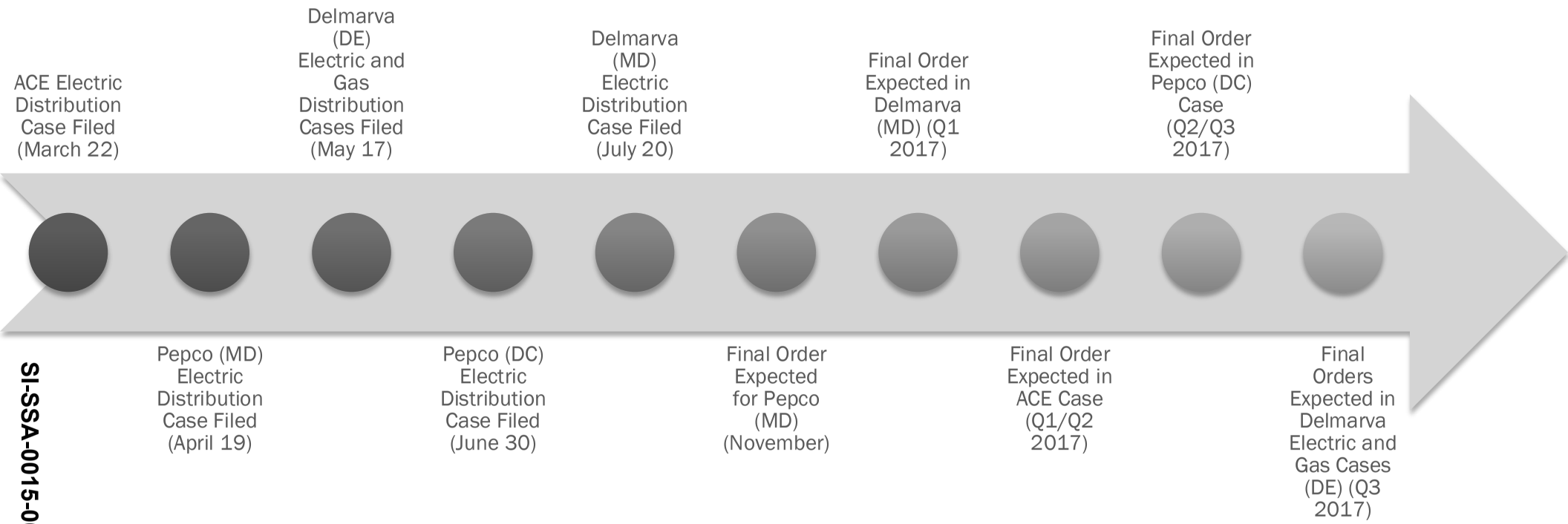
Near-Term PHI Regulatory Strategy

- 6 distribution rate case filings and 3 transmission formula rate filings completed, seeking $465M total revenue increase
- Rate cases include various initiatives including grid resiliency programs, economic incentive tariffs, and a Pay as You Go pre-paid metering program
- Delivery on 675 merger commitments is underway including the payment of bill credits, arrearage forgiveness, funding of energy efficiency, and workforce development
- Most favored nations discussions are continuing in New Jersey, Maryland, and Delaware

Distribution Rate Case Schedule



Note: As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016, subject to refund

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Long-Term PHI Regulatory Opportunity

Pursuing Existing Mechanisms

Pursuing alternative rate recovery mechanisms for significant capital investment programs:

- PowerAhead resiliency program of $176 million included in NJ rate case
- Continuation of Grid Resiliency Program of $40 million included in the MD rate cases
- Working to resolve outstanding issues with the DCPLUG legislation, which involves a $1 billion underground program in DC (Pepco to invest $500 million)

Legislative Initiatives

Currently Pursuing:

- **Maryland:** advance legislation to allow for surcharge recovery of reliability and resiliency costs

Under Consideration:

- **Delaware:** demand-based rates for residential customers
- **New Jersey:** advocate for legislation to modernize utility regulation

We will leverage existing mechanisms and advocate for additional mechanisms where needed to cure regulatory lag issues

SI-SSA-0015-00935

Exelon Employees Support Their Communities

5,627 Employees logged hours

129,178 volunteer hours

989 Company-endorsed volunteer events

Matching Gifts Program

$2.19 million donations made by employees + **$2.19 million** matched by the Exelon Foundation and Maryland OpCos = **$5.37 million**

Employee Giving Campaign

$6.36 million pledged by employees + **$3.18 million** matched by the company = **$9.54 million**

Dollars for Doers

1,191 employees participated

Exelon provided more than **2,366** grants totaling **$452,600** to nonprofit organizations

540 Nonprofit boards with Exelon representation

2015

$36,736,618 Exelon gave to charitable and community causes

Note: Legacy Exelon data only

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SI-SSA-0015-00936

ComEd

Anne Pramaggiore

President & Chief Executive Officer, ComEd

SI-SSA-0015-00937

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ComEd Overview

6,800
Employees

$10.6B
2015 Rate Base

7.9%
2015 Earned ROE

11,400 mi^2
Service Territory

3.8 M
Electric Customers

46%
2015 Equity Ratio

5,052
Transmission line miles (circuit)

$4.9B
2015 Revenue

23,753 MW
All-Time Peak Load

Note: Equity Ratio for distribution only. Rate base number denotes year-end.

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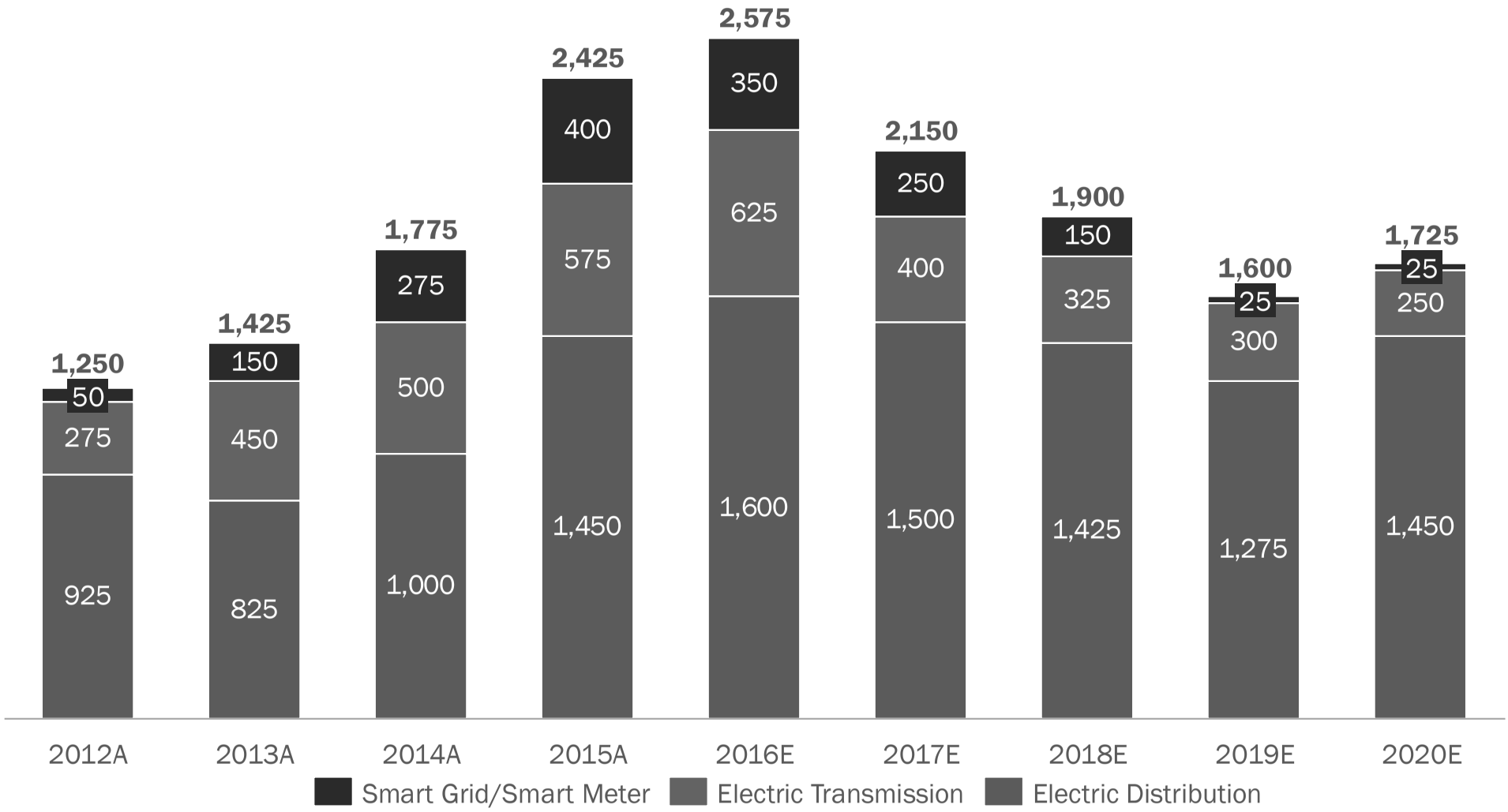
ComEd Capital Expenditure Forecast

Capital Expenditures 2012-2020 ($M)



~$10B of Capital being invested from 2016-2020

Note: Numbers rounded to nearest $25M and may not add due to rounding

SI-SSA-0015-00939

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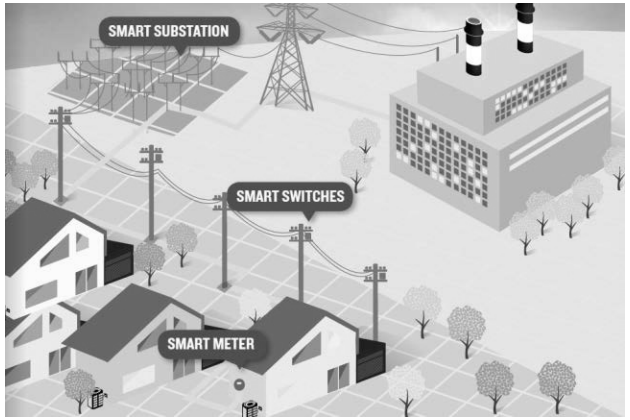
Energy Infrastructure Modernization Act (EIMA) Overview

- In October 2011, the Illinois General Assembly enacted the Energy Infrastructure Modernization Act (EIMA), setting in motion a $2.6 billion, ten-year investment by ComEd to strengthen and modernize the state's electric grid
- Investment Plan had two primary components:



  - Reliability-Related Investments – $1.3B over 5 years, cable replacement, manhole refurbishment program, storm hardening program, wood poles program, and building two training centers
  - Smart Grid-Related Investments – $1.3B over 10 years, distribution automation, intelligent substations, smart meters, and cyber secure communication network

Invest in Illinois

- $1.3B in infrastructure upgrades
- $1.3B in smart grid
- Create 2,000 full time jobs
- Establish Science and Energy Innovation Trust
- Establish Smart Grid Test Bed
- Contribute $50M over 5 years for customer assistance
- Increase diverse supply chain

Stabilize the Regulatory Environment

- Annual filing and reconciliation (reduces lag)
- Legislative pre approval of significant portion of investment (enhances stability)
- ROE set by formula of 30Y T-bond plus 580 bps (reduces uncertainty)
- ± 50 bps earned ROE collar (limits volatility due to weather, load and changes in customer mix)
- Regulatory asset treatment for 1 X items >$10M (stabilizes rates)

Customer Value

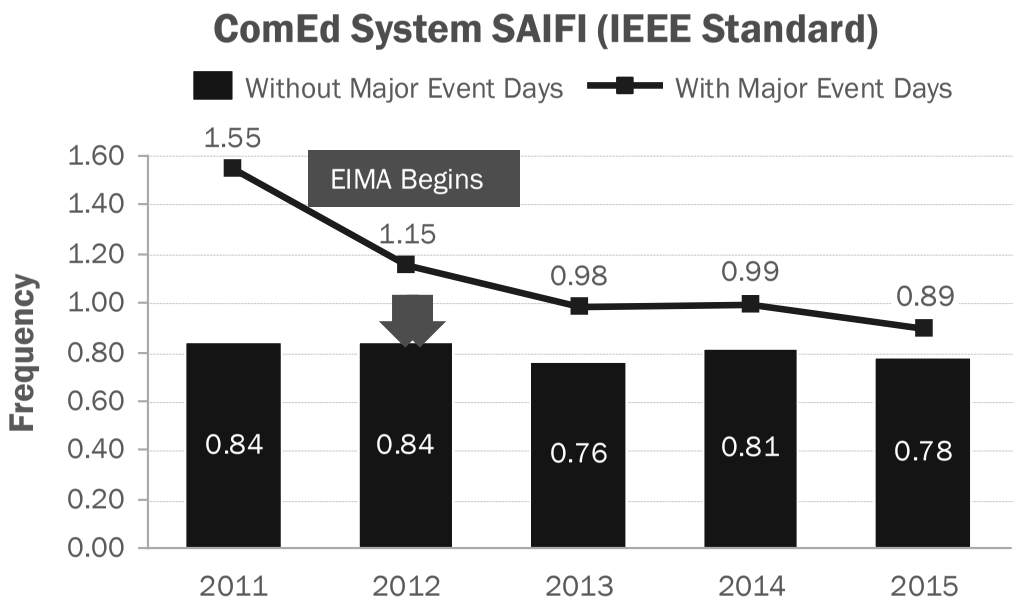
- ComEd must meet annual reliability and customer service improvement metrics
- Failure to meet targets results in ROE penalties
- Legislation sunsets in 2019 absent extension by the General Assembly
- Actual costs flow through for bill credits as well as increases
- Rates could not increase by more than 2.5% on average through May 2014

- **85% of program work is complete, benefitting 2.3M customers; formula rates resulting in timely recovery of costs**
- **Approved accelerated deployment plan will have 4M smart meters installed by 2018, three years in advance of the originally scheduled 2021 completion date**

SI-SSA-0015-00940

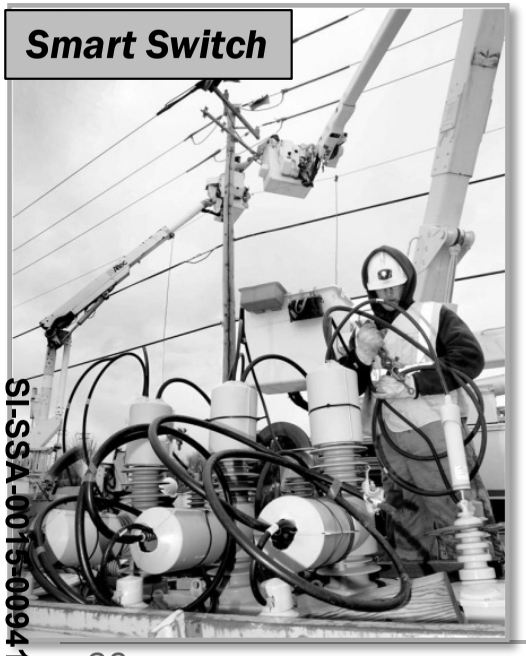
EIMA Investments

Reliability Investments



- 800 storm hardening and grid resiliency engineering solutions completed
- 6,700 avoided underground cable faults and 1 million avoided customer interruptions
- 43% improvement in SAIFI compared to 2011
- Significant improvement in storm interruptions and restoration times
- 2015 best reliability on record; top decile
- Reliability complaints reduced 75% since 2011

Smart Grid Investments



- Over 2.4 million smart meters installed
- Nearly 2,500 distribution automation devices installed (program 95% complete)
- Distribution automation has avoided ~5.5M interruptions since 2012
- Smart substations benefitting 129,000 customers, including major airports
- Eliminate over 120M manual meter reads by 2018
- 2015 customer satisfaction best on record

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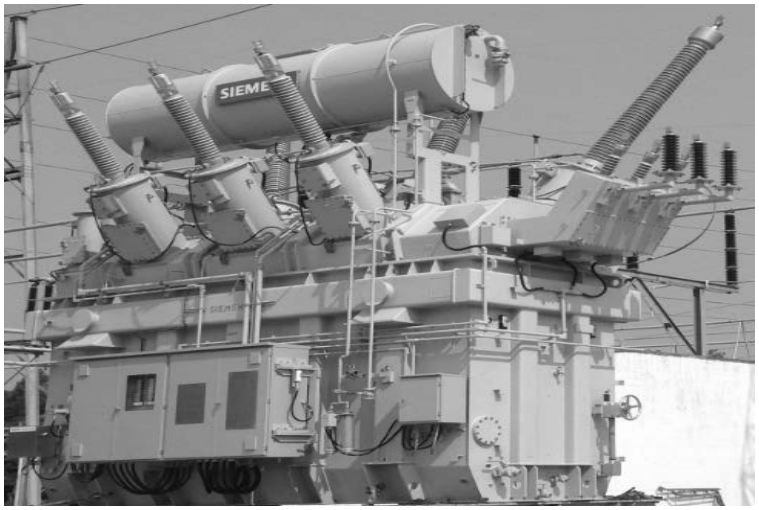
Substation/Resiliency & Grand Prairie Gateway Investments

Substation/Resiliency Investments



- Includes proactive replacement of substation power transformers, breakers, relays, transmission underground cable and pumping plants, rebuilding overhead lines and replacing wood structures with more resilient steel
- Projected spend of ~$825M across projects for 2015-2019
- Decreases risk of loss of major power flows and improves overall reliability, resiliency, and restoration

Grand Prairie Gateway

- 60 mile, 345 kV transmission line connecting ComEd's Byron and Wayne substations alleviating identified congestion and enhancing reliability
- $260M project with an estimated completion date of Q2 2017
- $250M of customer benefits (net of all costs) within the first 15 years of operation
- FERC-filed transmission rate of 11.5%, construction work in progress recovered and abandonment recovery secured

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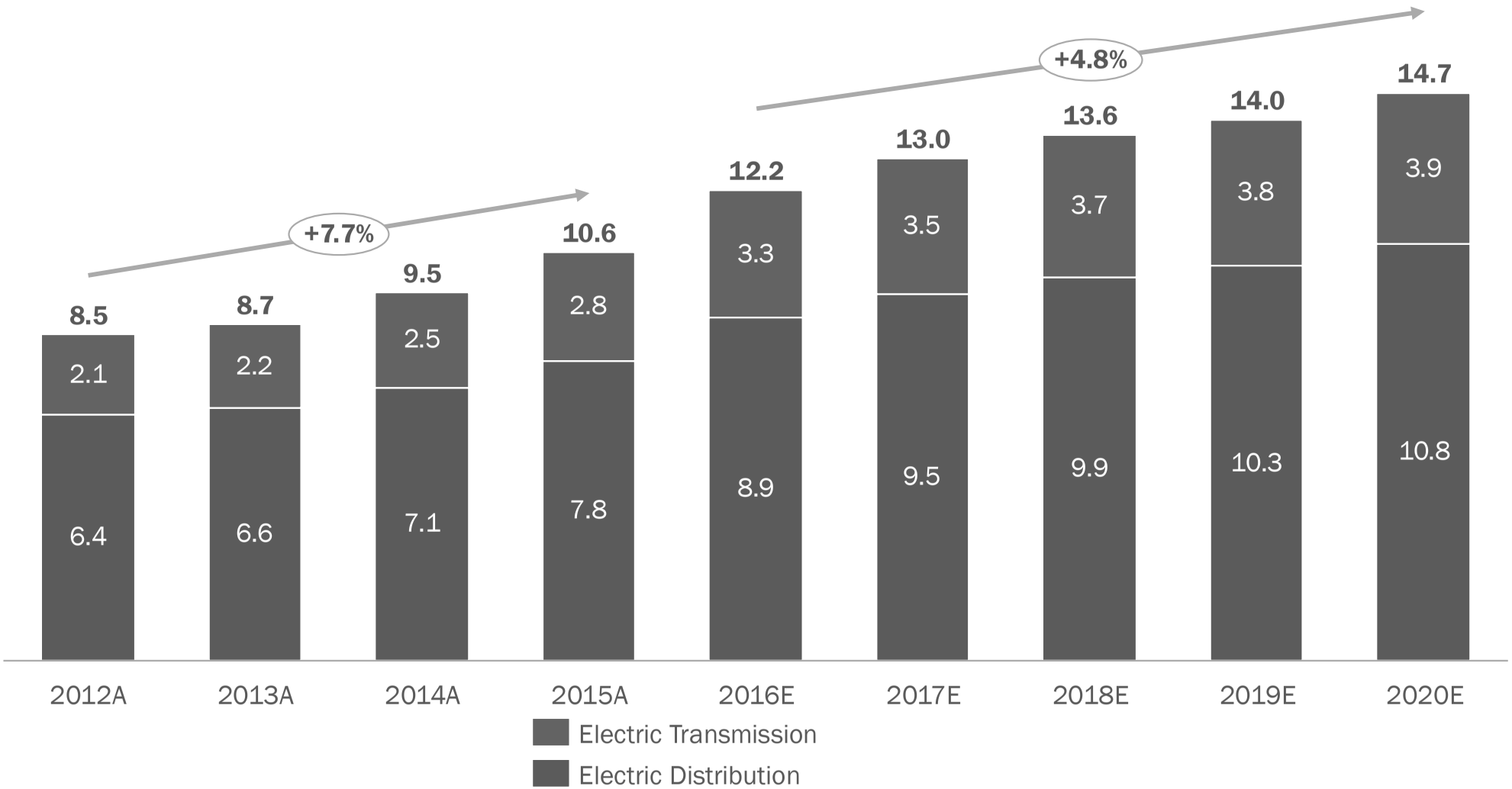
ComEd Rate Base Growth

Rate Base 2012-2020 ($B)



ComEd Rate Base Growing at 4.8% CAGR from 2016-2020

Note: All numbers denote year-end rate base and may not add due to rounding

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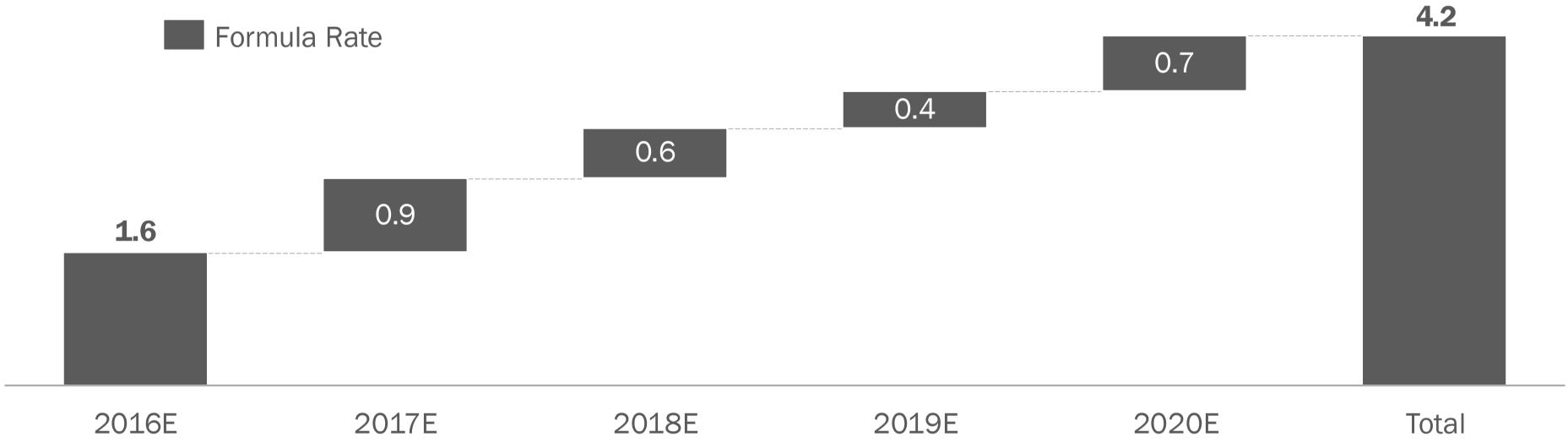
Formula Rate Mechanism Covers All Rate Base Growth

Rate Base Additions Breakdown 2016-2020 ($B)[1]



Tracker/Formula Rate Recovery Mechanisms

Electric Distribution:

- Formula Rate[1]
  - 2016 Filing Year: Based on 2015 costs and 2016 projected plant additions
  - Annual Reconciliation: For 2015, this amount reconciles the revenue requirement reflected in rates in effect during 2015 to the actual costs for that year. The annual reconciliation impacts cash flow in 2017 but the earnings impact has been recorded in 2015 as a regulatory asset.
  - Allowed ROE equal to 30 year Treasury + 580bps

Transmission:

- FERC Formula Rate
- ROE – 11.5%

Of the approximately $4.2 billion of rate base growth at ComEd over the next 5 years, we will seek 100% recovery through existing formula mechanisms

(1) Assumes renewal of ComEd formula rate in 2019; EIMA currently sunsets in 2019

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ComEd Operational Performance

Secured passage of the Energy Infrastructure Modernization Act (EIMA) in 2011, ComEd has consistently delivered continuous operational improvement

- Finished 2015 in the top decile in reliability and safety and top quartile in customer service
- Emergency Preparedness & Emergency Response Organization won the EEI Emergency Response Award for response during the June supercell thunderstorms that produced torrential rainfall along with 11 confirmed tornadoes in service territory affecting 63,000 customers

Delivered best on record performance in safety in 2015; recognized as one of America's Safest Companies in 2015 by *Environmental Health and Safety Magazine*

Recognized leader in grid modernization – *GridWise Alliance* ranked Illinois #2 for progress in implementing smart grid technologies and #1 in policy support

J.D. POWER

Achieved all-time best J.D. Power & Associates score for ComEd in the 2016 electric residential customer satisfaction index and is among the most improved utilities over the last 5 years in the industry. Also achieved its all-time best score in the J.D. Power & Associates 2016 electric business customer satisfaction index.

ComEd residential rates are lower than the national average and in the bottom half of the top 10 cities by population

SI-SSA-0015-00945

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Utility of the Future

3 trends are disrupting the utility industry

...requiring us to respond differently than we have before

1 Climate change is requiring action

- Clean energy legislation (renewables, EE)
- Increase in weather related outages

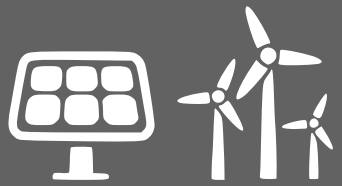
2 Technology innovation is accelerating

- Installation base of solar is growing
- Costs of solar/ storage are declining

3 Customers are increasingly digital

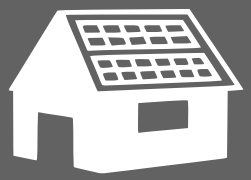
- Customer segments of "one"
- Pervasive connectivity

Clean



Lean

Decentralized



Communal

With new participants

bidgely

nest

SI-SSA-0015-00946

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Platform for Utility of the Future

		Producer			Marketplace		Consumer		
4 **Services & solutions marketplace**	**Enable interactions between producers and consumers** for energy and utility-enabled products and services	Lead gen / marketing & sales	Installation integration	Ongoing operations and maintenance	Marketplace curation	Transaction execution	Product / service selection	Financing solutions	Customer service
3 **Transactive commodity exchange**	Enable a liquid, efficient, and transparent **exchange for commodity transactions**	Market rules and governance	Enabling pricing transparency	Compliance and Measurement & Verification	Trading and settlements exchange				
2 **System operation and planning**	Plan, operate and maintain an **evolving, open, & reliable system at the lowest total cost** over the medium to long-term	Long-term planning	Real-time system operations						
1 **The physical asset base**	Build and maintain the distribution grid **on time, on budget, and with optimal reliability**	Execution of grid investment plan	Implementation of new grid edge infrastructure	Ongoing grid operations and maintenances					

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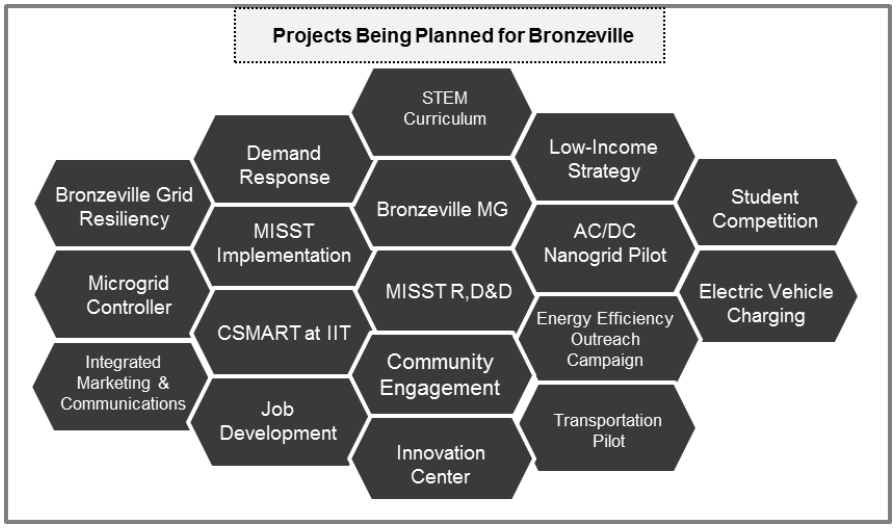
Utility of the Future – Projects

Community of the Future



Infrastructure Convergence

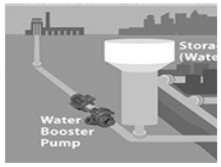
Smart Streetlights

LED Streetlight + Smart Control Node + Smart Meter Mesh Network + Streetlight Management Software

AMI Water Meters

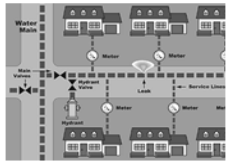
Benefits across the water value chain

Production & Delivery



- Reduced energy costs

Distribution System



- Improved meter accuracy
- Manual meter reads eliminated

Business Operations

- Shorter billing cycles
- Reduced bad debt and theft
- Soft shut-off enabled

SI-SSA-0015-00948

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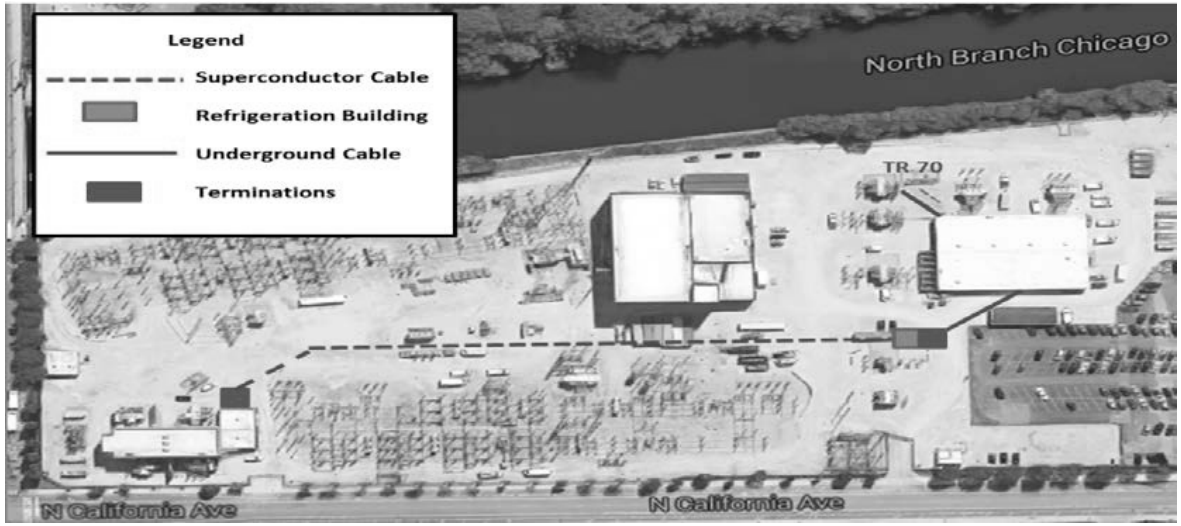
Utility of the Future – Projects

Superconductor



Energy Marketplace

SI-SSA-0015-00949

ComEd
An Exelon Company

BGE

Calvin Butler

Chief Executive Officer, BGE

SI-SSA-0015-00950

BGE®

An Exelon Company

BGE Overview

3,300
Employees

$5.0B
2015 Rate Base

10.6%
2015 Earned ROE

2,300 mi²
Service Territory

1.3 M
Electric Customers

53%
2015 Equity Ratio

1,298
Transmission line miles (circuit)

650,000
Gas Customers

$3.1B
2015 Revenue

7,236 MW
All-Time Peak Load

Note: Rate base number denotes year-end

SI-SSA-00015-00951

BGE
An Exelon Company

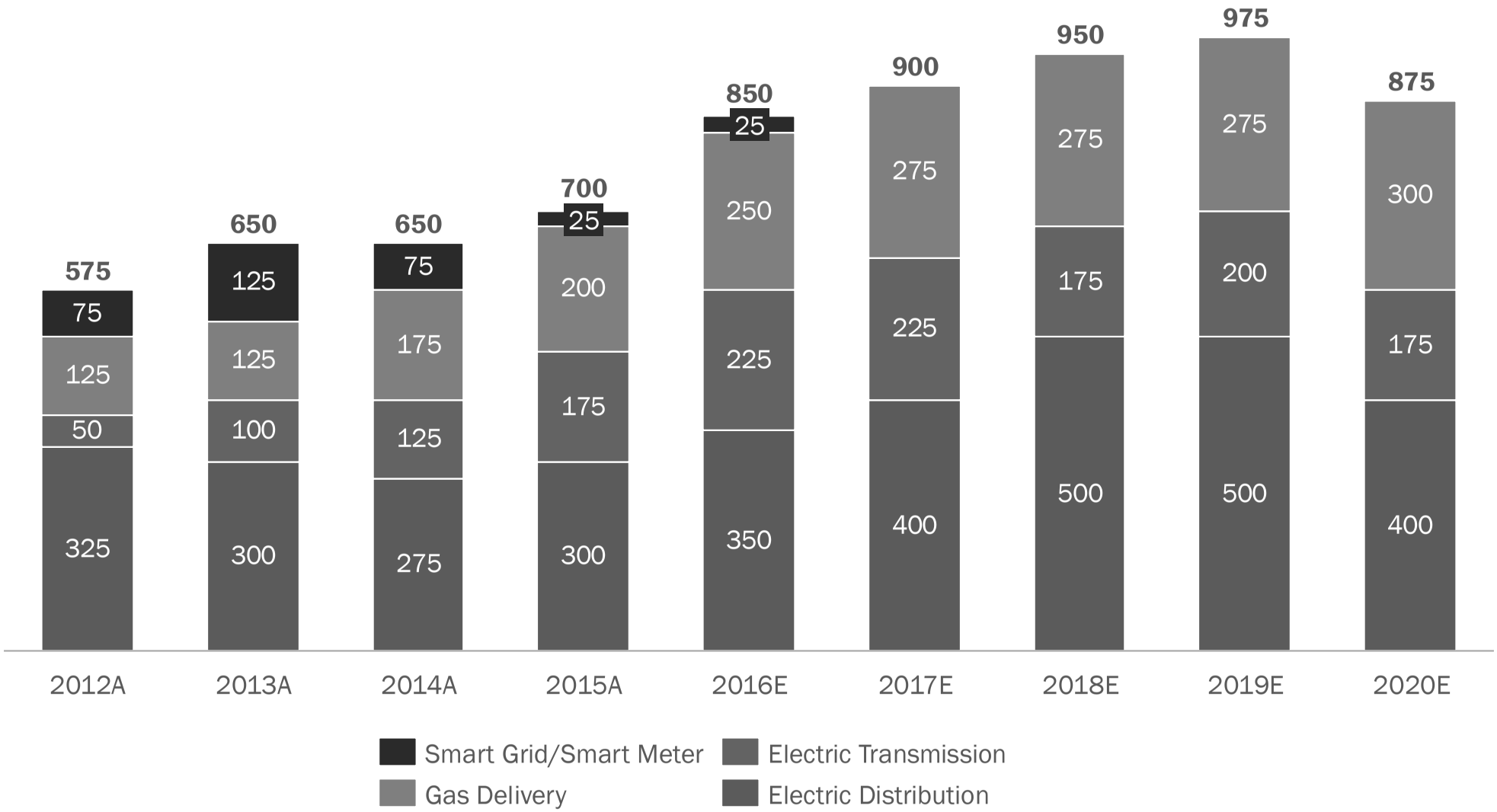
BGE celebrated its 200th anniversary as the first gas utility in the country and our continued position as an innovator and regional force

BGE 200 YEARS
moving smart energy forward
SINCE 1816

SI-SSA-001

BGE Capital Expenditure Forecast

Capital Expenditures 2012-2020 ($M)



$4.5B of Capital being invested from 2016-2020

Note: Numbers rounded to nearest $25M and may not add due to rounding

SI-SSA-0015-00953

BGE An Exelon Company

Northeast Transmission System Improvement (NETSI) Project

Key Facts

- **Driver**: PJM identified thermal overloads based on NERC/PJM planning criteria during the Regional Transmission Expansion Planning (RTEP) process in 2009 and 2010 on the Graceton to Bagley 230 kV circuit and the Bagley to Raphael Road 230 kV circuit
- **Project Components**: Install a second 230 kV circuit from Bagley to Raphael Road substation (6 miles), a second 230 kV circuit from Bagley to Graceton (5 miles), a second 230 kV circuit from Graceton to Conastone (9 miles), and modifications to Raphael Road/Graceton/Bagley substations
- **Cost:** $122 million
- **Recovery Mechanism:** Fully recoverable through FERC filed transmission formula rates; transmission Return on Equity currently is 10.5% (with 50bp RTO adder)
- **Construction**: Construction began 1/1/2014 and is scheduled to be completed in spring 2017
- **In Service Date:** 6/1/2017
- **BGE System Benefits:** Improved transmission reliability, decreased transmission congestion, and improved customer reliability in portions of Harford County, Maryland

SI-SSA-0015-00954

BGE An Exelon Company

Strategic Infrastructure Development and Enhancement (STRIDE)

1929

2016

Key Facts

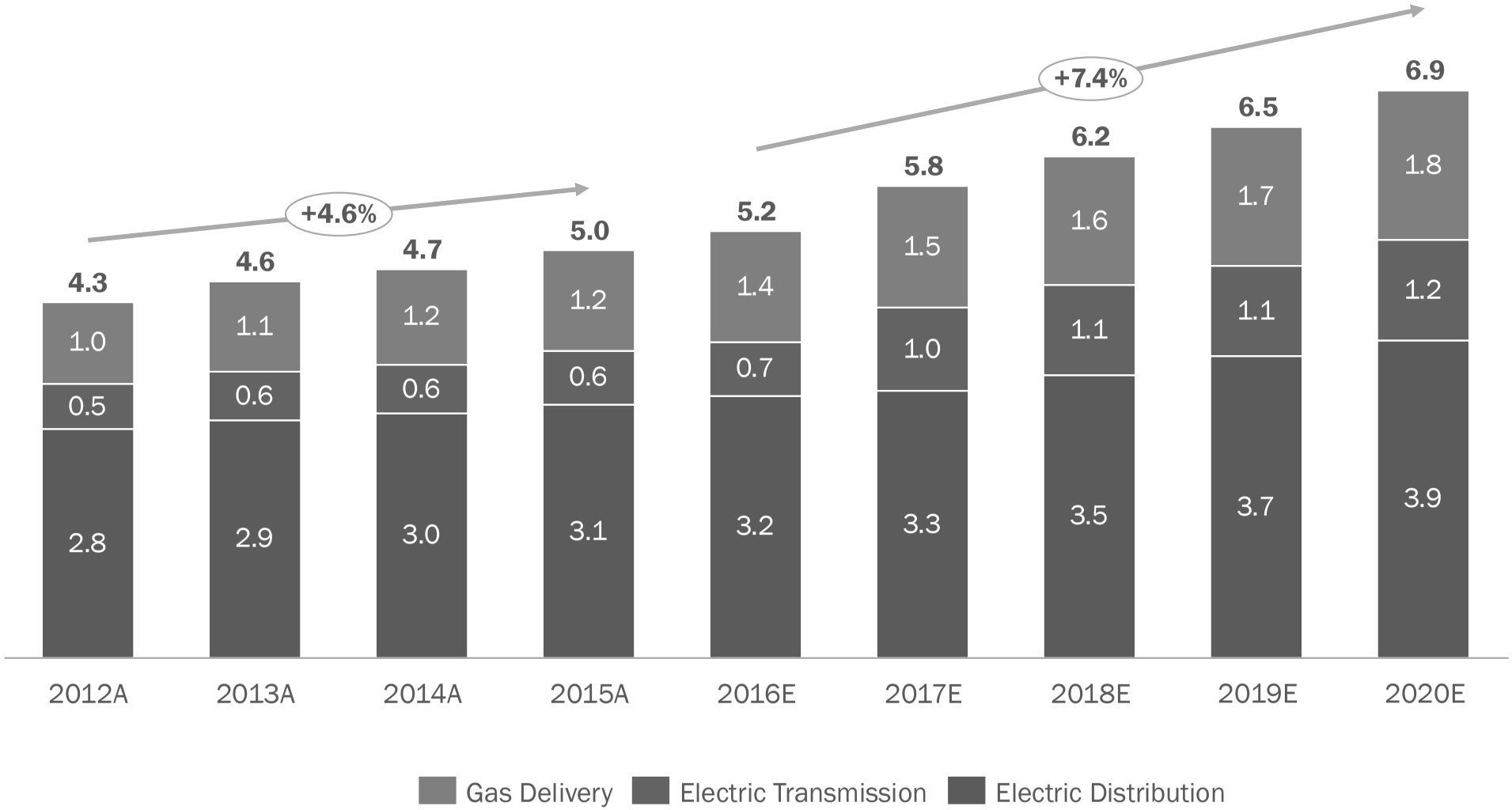
- **Project**: BGE's gas system infrastructure replacement plan is projected to be completed over a 30 year period and includes the accelerated replacement of five classes of assets: all pre-1982 plastic "Ski-Bar" service risers (13,196 risers); 42 miles of bare steel main; 1,292 miles of cast iron main; 929 miles of bare steel service pipe including 79,138 services; 277 miles of copper service pipe including 23,595 services
- **Cost:** $405 million for the initial 5 years (2014-2018)
- **Customer Benefit:** Improvement in gas system and reliability performance, including fewer leaks and additional safety devices
- **Recovery Mechanism:** Through MD PSC approved STRIDE surcharge and filed rate cases with MD PSC
- **Construction**: 2014 through 2043
- **Environmental Benefits:** 8,000 metric tons per year of methane emissions and 700 metric tons of CO2 emissions reduced over 30 years

SI-SSA-0015-00955

BGE
An Exelon Company

BGE Rate Base Growth

Rate Base 2012-2020 ($B)



BGE Rate Base growing at 7.4% CAGR from 2016-2020

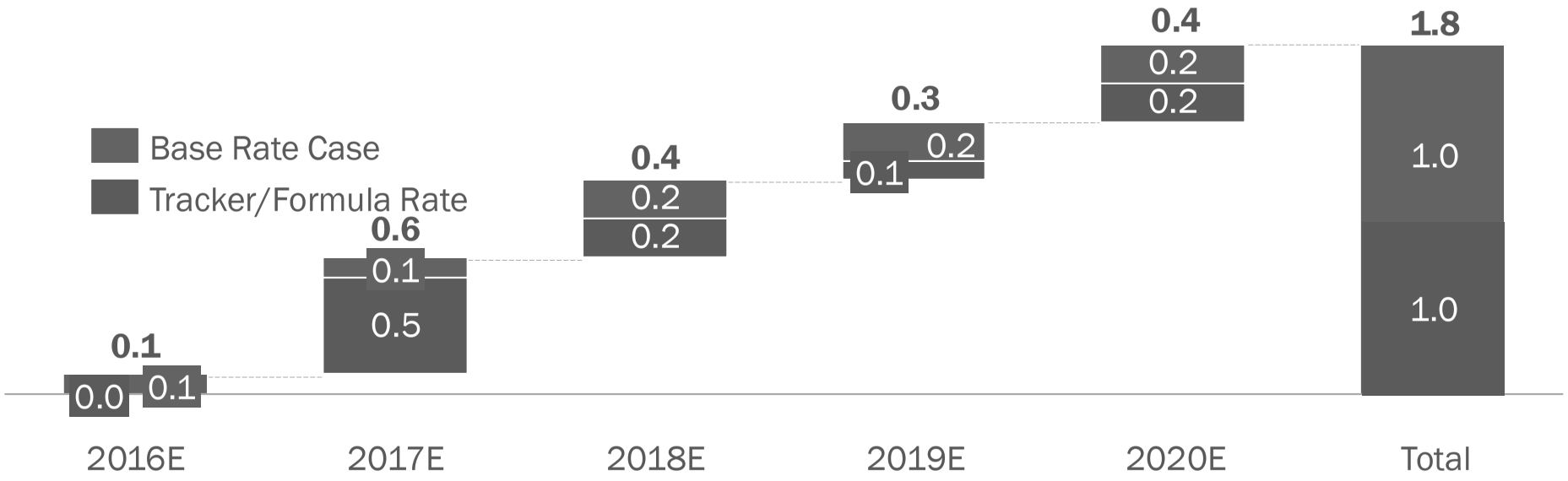
Note: All numbers denote year-end rate base and may not add due to rounding

SI-SSA-0015-00956

BGE
An Exelon Company

Formulaic Mechanisms Cover Half of Rate Base Growth

BGE Rate Base Additions Breakdown 2016-2020 ($B)



Base Rate Case Recovery Mechanism

Electric and Gas Distribution:

- Decoupled
- Partially forecasted test year (trued up for actuals)
- Rate implementation – Statute 7 months

Tracker/Formula Rate Recovery Mechanism

Electric and Gas Distribution:

- BGE Strategic Infrastructure Development and Enhancement (STRIDE) Tracker
- BGE Electric Reliability Investment (ERI) Tracker

Transmission:

- FERC Formula Rate
- ROE – 10.5% (10.0% base, 0.5% RTO participation adder)

Of the approximately $2 billion of rate base growth at BGE over the next 5 years, ~50% will be recovered through existing formula and tracker mechanisms

SI-SSA-0015-00957

BGE An Exelon Company

BGE Operational Performance

Since the merger in 2012, BGE has dramatically improved all aspects of operational performance

- Top decile safety performance for employee safety
- Top decile performance in gas odor response
- Top quartile in operating performance for electric reliability (frequency of interruptions), speed of restoration, customer satisfaction, and call center service level

Reduced frequency of interruptions approximately 20% since 2012 by investments such as additional automatic sectionalizing equipment on overhead lines. Reduced average restoration time by over 30% using best restoration practices developed across Exelon Utilities.

Improved BGE Call Center Service Level by over 15% through investment in improved call center technology and employee development.

J.D. POWER

Achieved all-time high score for BGE in the J.D. Power customer satisfaction index for Residential Electric in 2015. BGE has been one of the top ten performing utilities in the country from 2010 to 2015.

Improved operational performance has led to increased customer satisfaction

SI-SSA-0015-00958

BGE An Exelon Company

PECO

Craig Adams
President & Chief Executive Officer, PECO

SI-SSA-0015-00959

PECO®
An Exelon Company

PECO Overview

$6.0B
2015 Rate Base

$3.0B
2015 Revenue

2,100 mi²
Service Territory

54%
2015 Equity Ratio

11.9%
2015 Earned ROE

500,000
Gas Customers

8,984 MW
All-Time Peak Load

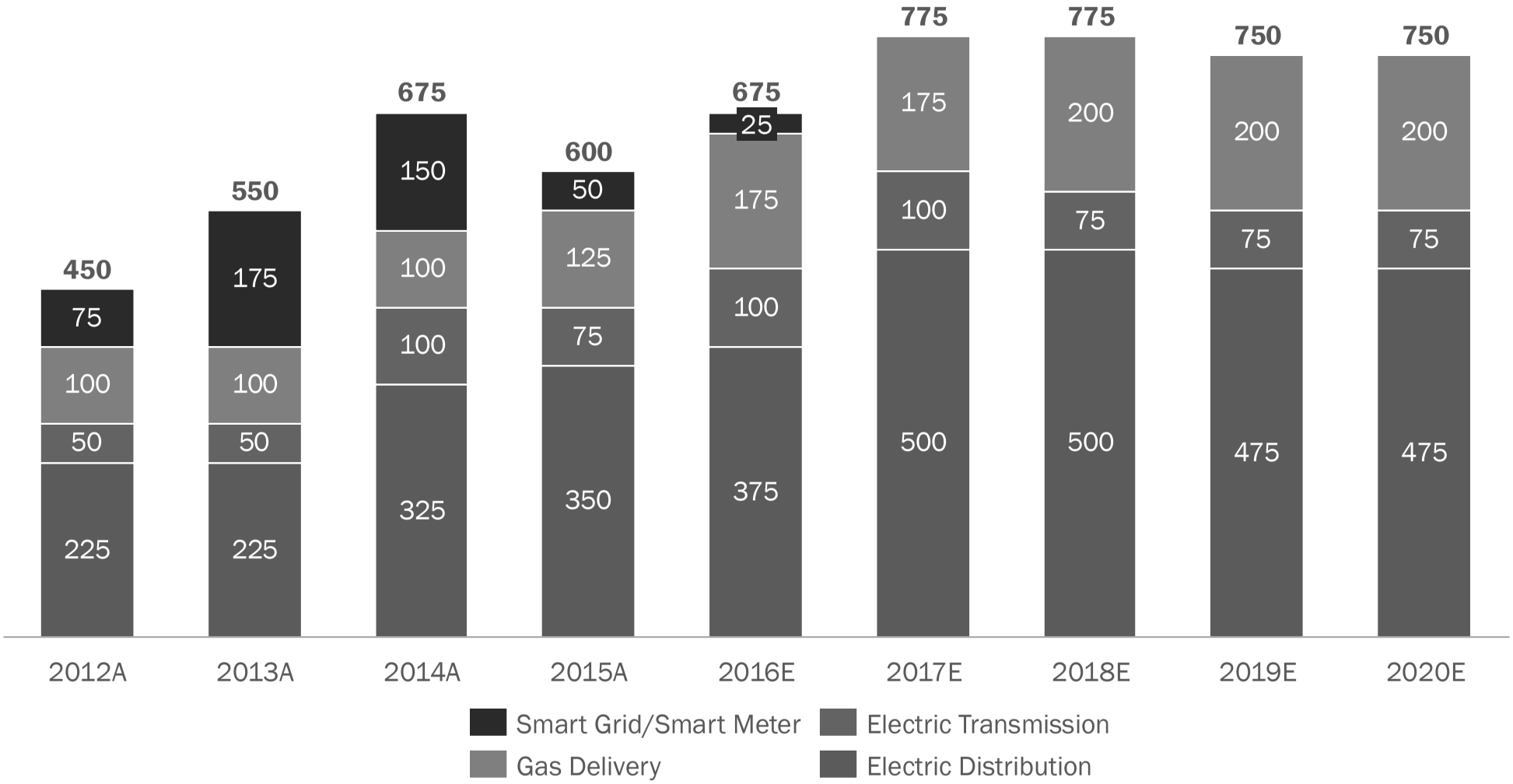
Note: Rate base number denotes year-end

SI-SSA-0015-00960

PECO
An Exelon Company

PECO Capital Expenditure Forecast

Capital Expenditures 2012-2020 ($M)



Growth in Capex driven primarily by investments in electric reliability and acceleration of gas pipeline replacement program

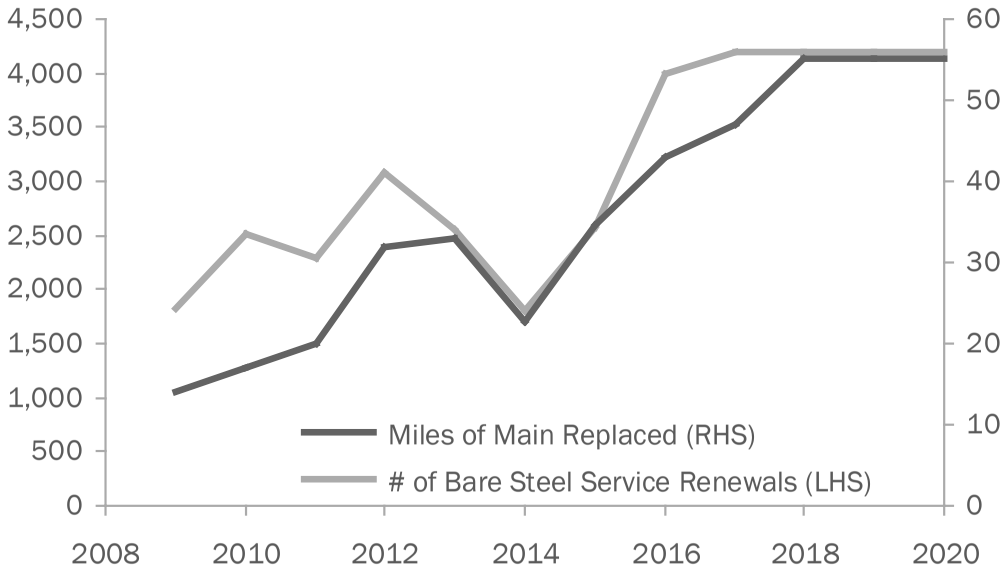
Note: Numbers rounded to nearest $25M and may not add due to rounding

SI-SSA-0015-00961

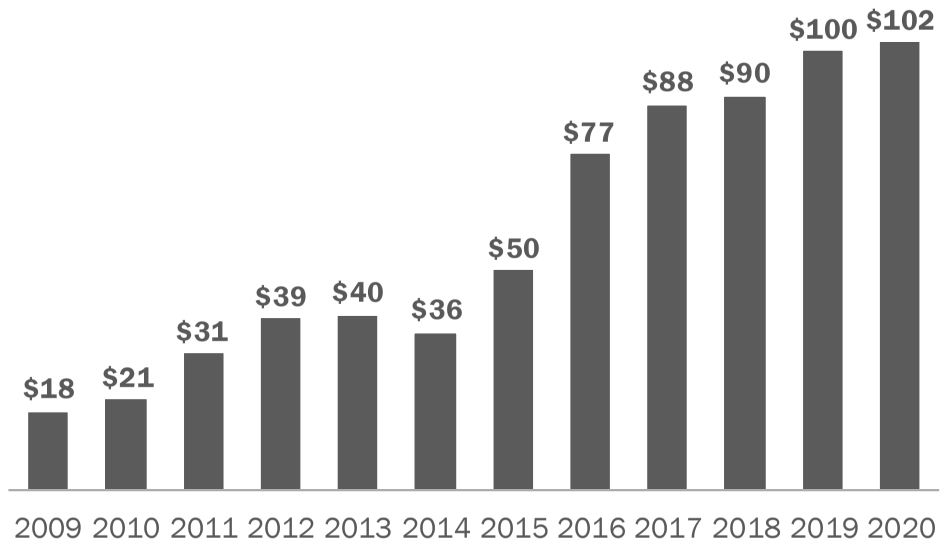
PECO
An Exelon Company

Accelerated Gas Pipeline Replacement Program

Miles of Main Replaced / # Service Renewals



Annual Gas Replacement Capex ($M)



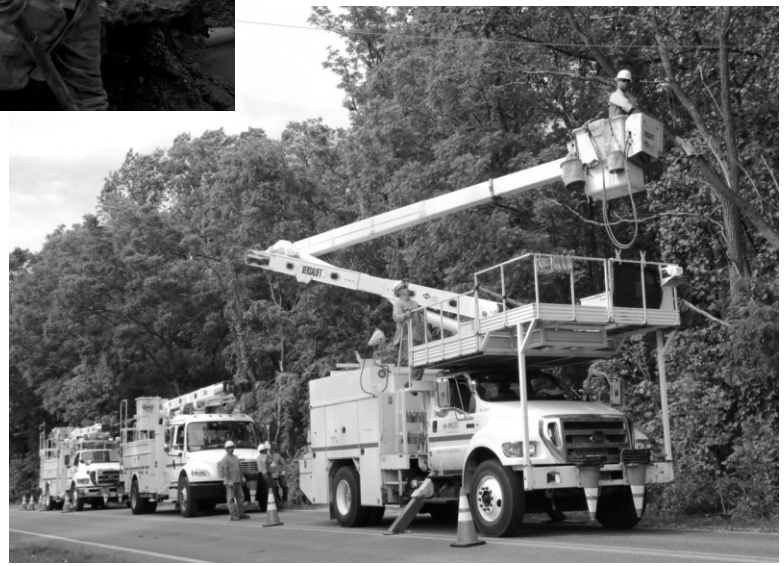
Key Facts

- **Scope:** Accelerating Gas Pipeline Replacement Program from 88 year program in 2010 to 20 year program
- **Cost:** Increase in annual pipeline replacement capex from $18M in 2009 to $102M in 2020. Qualifies for Tax Repairs benefits.
- **Recovery Mechanism:** Gas Long Term Infrastructure Improvement Plan (LTIIP) and Distribution System Improvement Change (DSIC) mechanisms address regulatory lag
- **Customer Benefits:** Enhances safety, is more durable and improves service reliability
- **Environmental Benefits:** 5,267 metric tons per year of methane emissions and 1,330 metric tons of CO2 emissions reduced over 20 years

SI-SSA-0015-00962

PECO
An Exelon Company

Electric System 2020 Plan



Key Facts

- **Scope**: 5 year LTIIP plan focused on enhancing storm hardening and addressing aging infrastructure
  - Underground Cable Replacement
  - Storm Hardening Programs
  - Substation Upgrades
- **Budgeted Cost:** $275 million
- **Regulatory Approval:** Filed LTIIP on March 27, 2015 (with Electric Distribution Rate Case), approved by PUC on October 22, 2015
- **Recovery Mechanism:** Eligible for DSIC at a ROE 9.8%
- **Customer Benefits:** Improved storm resiliency, increased service reliability

SI-SSA-0015-00963

Post Substation, Marcus Hook, PA

Key Facts

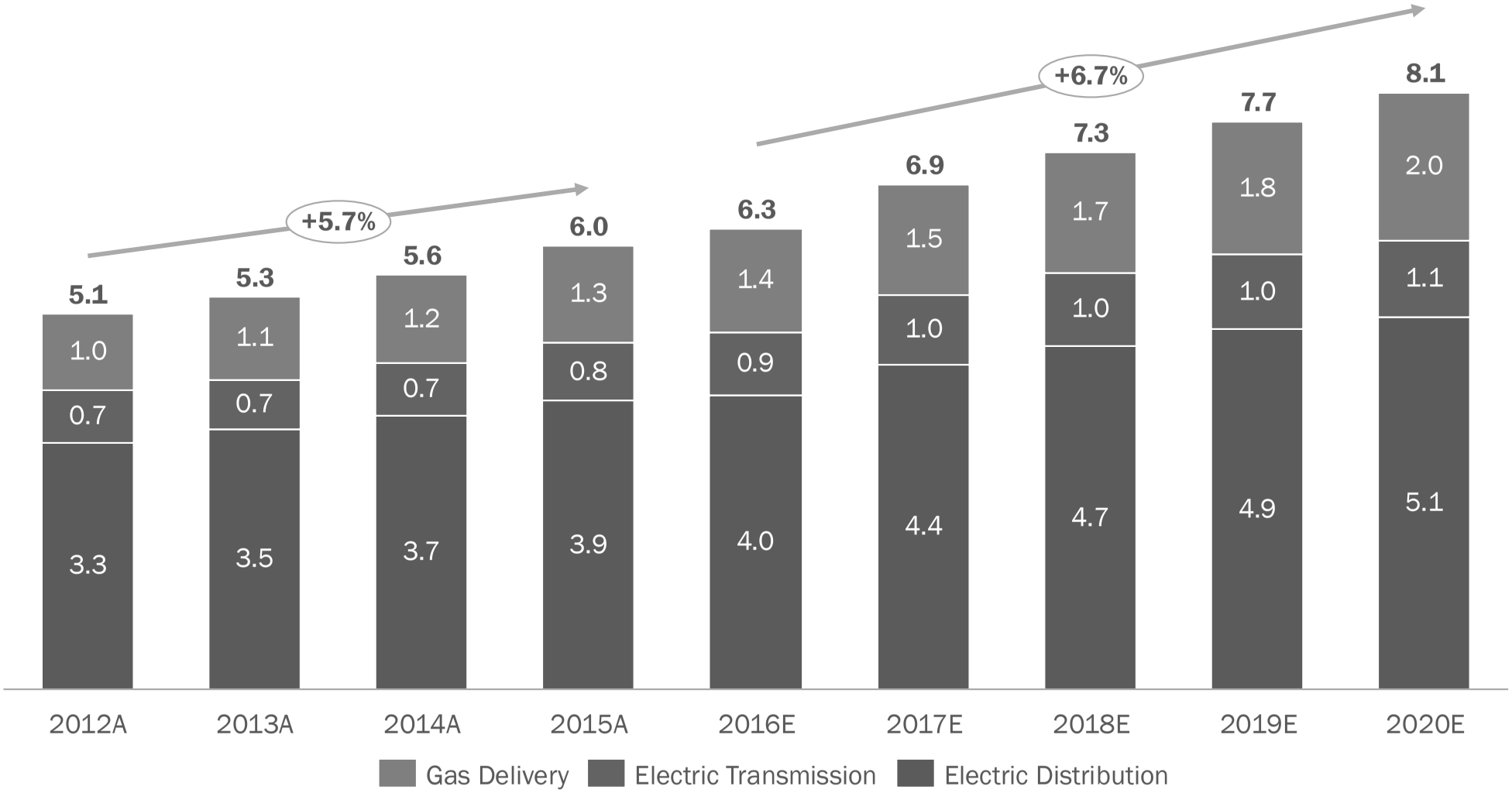
- **Scope:** Construct new 220kV-13kV, 62MVA Triplex substation in Marcus Hook PA.
- **Budgeted Cost:** $43.3 million
- **Recovery Mechanism:** Base rates
- **In Service Dates:** (220kV ring bus- 5/27/16) (13kV Bus #3 & Bus #2- 9/1/16)
- **Benefits:**
  - Provides electric capacity necessary to help transform Sunoco Logistics' former refinery site in Marcus Hook into a hub for processing and shipping natural gas liquids from the Marcellus Shale region via the Mariner East pipeline
  - Additional capacity also expected to meet other load growth in Marcus Hook area
  - Reduces load on the existing 69kV system in Marcus Hook
- **Smart Substation Initiative Upgrades**
  - Fiber Optic CT's on four (4) 220kV breakers
  - Thermal camera to proactively identify equipment issues to reduce failures and outages
  - Transformer gas analysis for early warning to prevent transformer failures

SI-SSA-0015-00964

PECO
An Exelon Company

PECO Rate Base Growth

Rate Base 2012-2020 ($B)



PECO Rate Base growing at 6.7% CAGR from 2016-2020

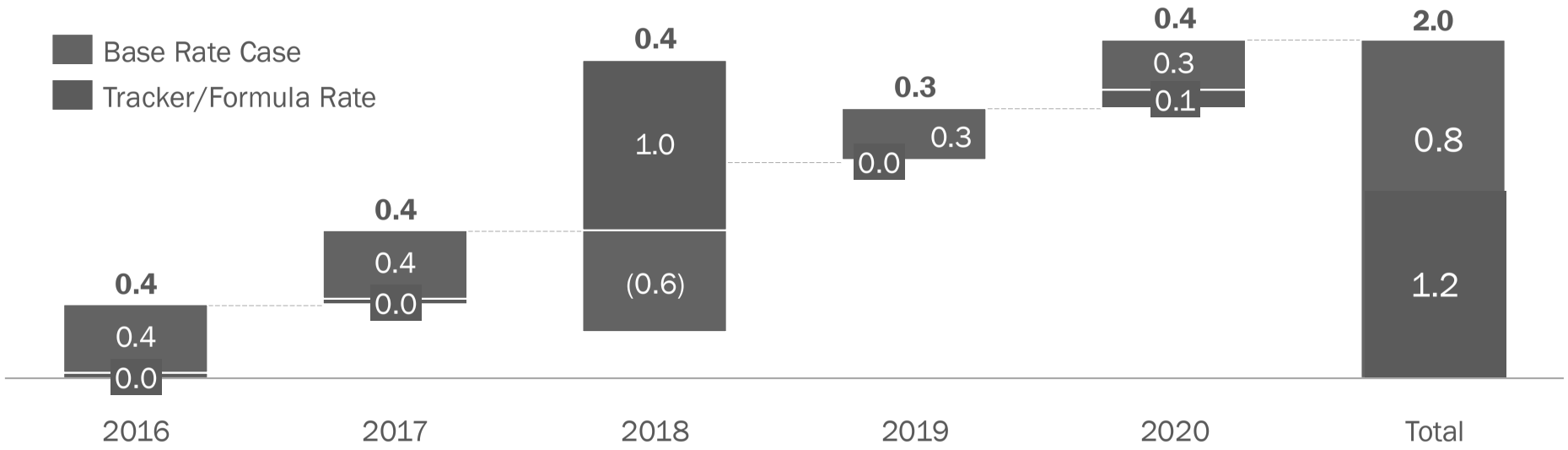
Note: All numbers denote year-end rate base and may not add due to rounding

SI-SSA-0015-00965

PECO
An Exelon Company

Recovery Mechanisms Evolving to be More Formulaic

Rate Base Additions Breakdown 2016-2020 ($B)



Base Rate Case Recovery Mechanism

Electric and Gas Distribution:

- Fully projected future test year
- Rate implementation – Statute 9 months

Tracker/Formula Rate Recovery Mechanism

Electric and Gas Distribution:

- Filed and receive approval of LTIIP and DSIC
- Electric DSIC ROE – 9.8%
- Gas DSIC ROE – 9.9%

Transmission:

- Assumed FERC Formula Rate beginning in 2018

Of the approximately $2 billion of rate base growth at PECO over the next 5 years, ~60% will be recovered through existing formula and tracker mechanisms

Note: Assumes PECO FERC formula rate for transmission beginning in 2018. Of the $2.0B in rate base growth, $1.15B relates to electric distribution, $0.6B relates to gas distribution and $0.3B relates to electric transmission.

SI-SSA-0015-00966

PECO Operational Performance

PECO has a consistent track record of delivering strong operational performance and driving year over year improvement

- Three-year Top Decile performer in OSHA Recordable, Gas Odor Response and SAIFI
- Achieved all-time best score for PECO in 2016 J.D. Power & Associates electric residential customer satisfaction index driven by improved perception of power quality and reliability, pricing, communication, corporate citizenship, and customer service

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Forbes | 2016 AMERICA'S BEST MID-SIZE EMPLOYERS POWERED BY STATISTA

Forbes named PECO Best Employer in the Nation in the Midsize Utility category

Energy ENERGY STAR

Four-time recipient of the ENERGY STAR Partner of the Year Award from the U.S. Environmental Protection Agency

LEADERSHIP IN ENERGY & ENVIRONMENTAL DESIGN LEED

Celebrated Leadership in Energy & Environmental Design (LEED) certification of 12 buildings, including the PECO headquarters

MARKET STRATEGIES INTERNATIONAL

Market Strategies International named PECO one of the most trusted utility brands

Recognized industry leader for customers, employees and the environment

SI-SSA-0015-00967

PECO An Exelon Company

Pepco Holdings

Dave Velazquez

President & Chief Executive Officer, Pepco Holdings

SI-SSA-0015-00968

Pepco Holdings.

An Exelon Company

Pepco Holdings Overview

4,700
Employees

$8.1B
2015 Rate Base

$4.8B
2015 Utility Revenues

8,340 mi²
Service Territory

1.9 M
Electric Customers

49.5%
2015 Equity Ratio

4,600
Transmission line miles (circuit)

130,000
Gas Customers

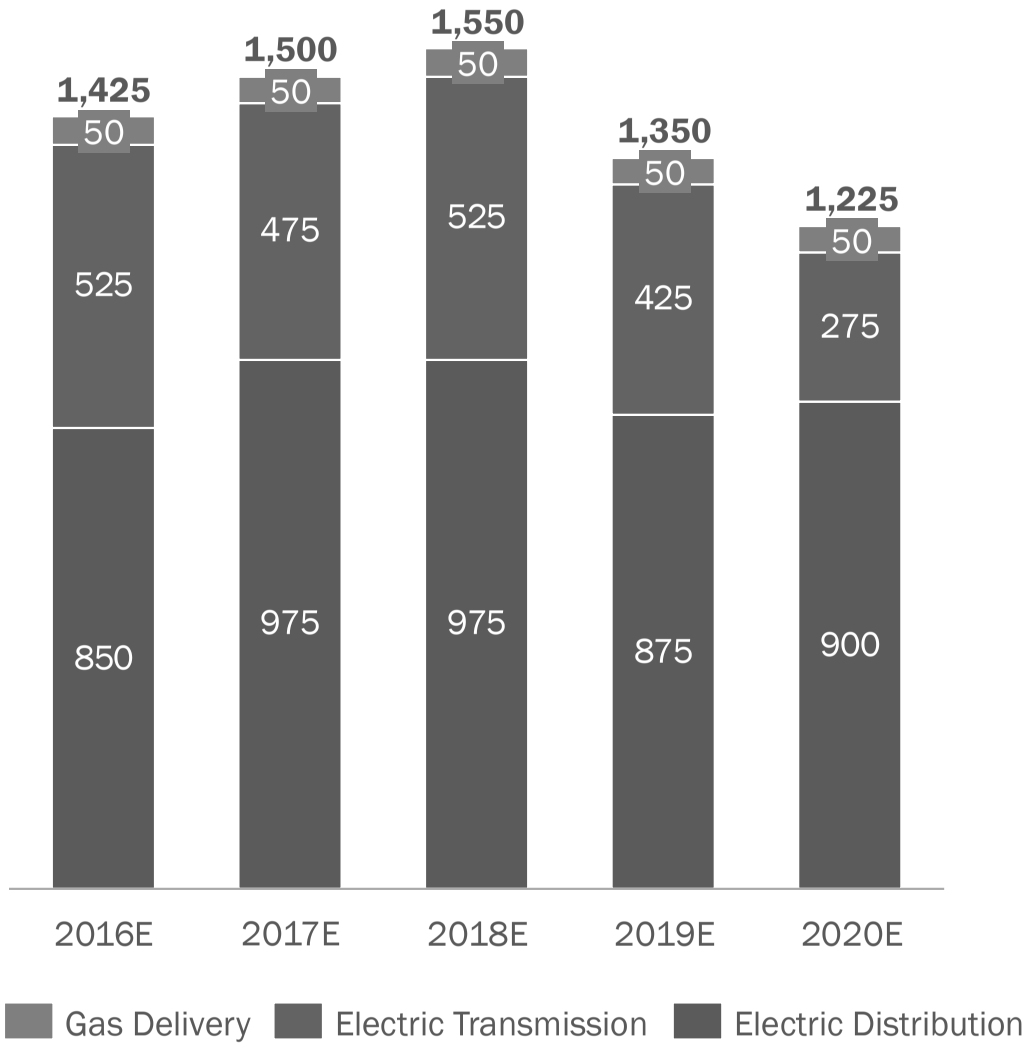
14,320 MW
All-Time Peak Load (Electric)

Note: All-time peak load is the sum of peak load at each PHI utility. Rate base number denotes year-end.

SI-SSA-0015-00969

Pepco Holdings Capital Expenditure Forecast

Capital Expenditures 2016-2020 ($M)



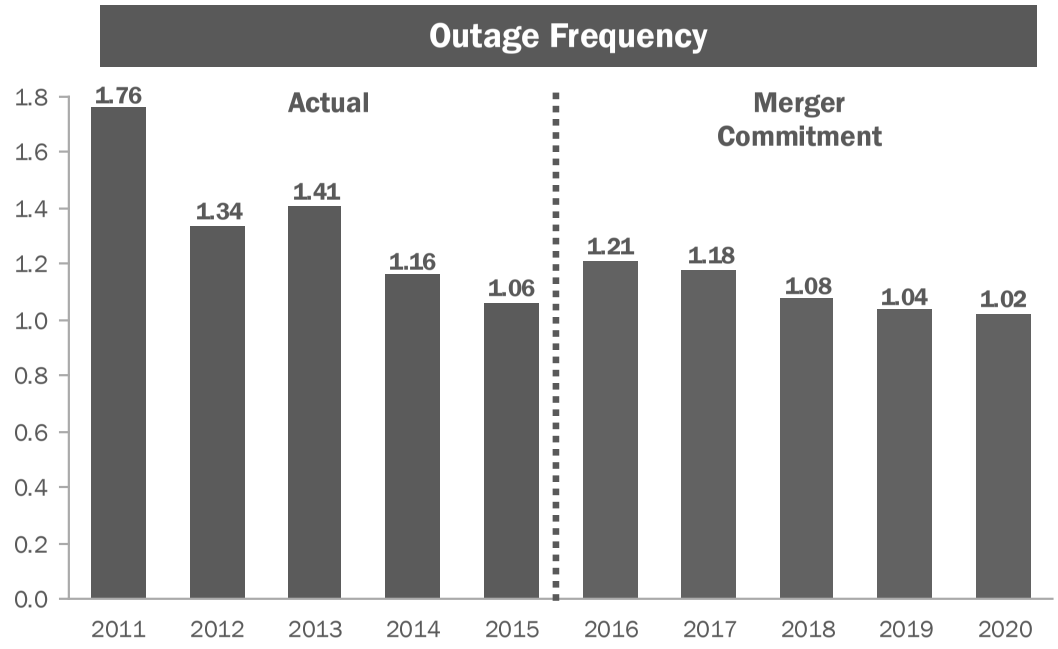
$7B of Capital being invested from 2016-2020

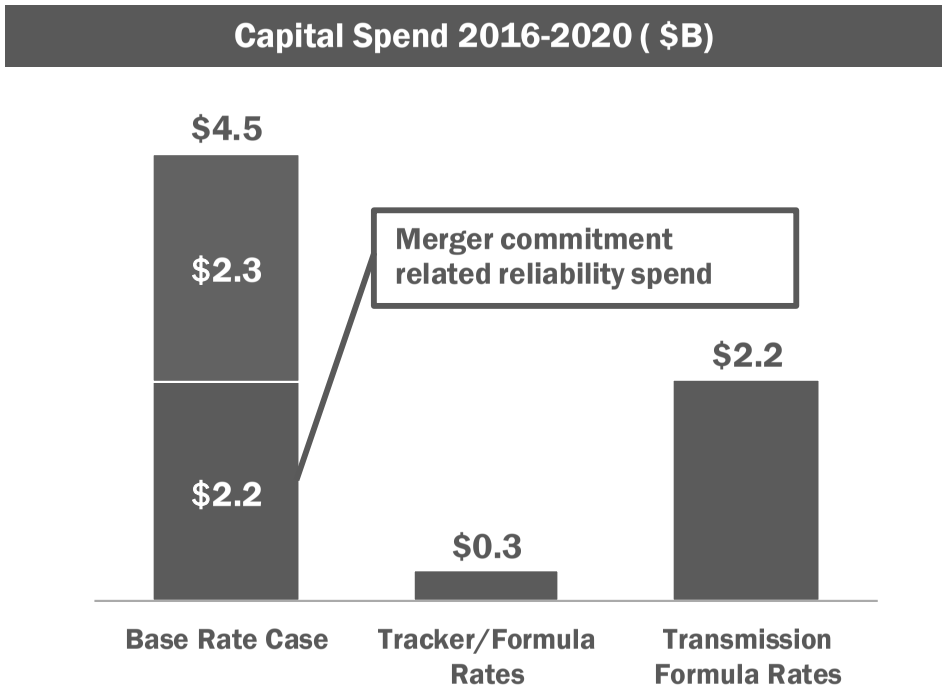
Note: Numbers rounded to nearest $25M and may not add due to rounding

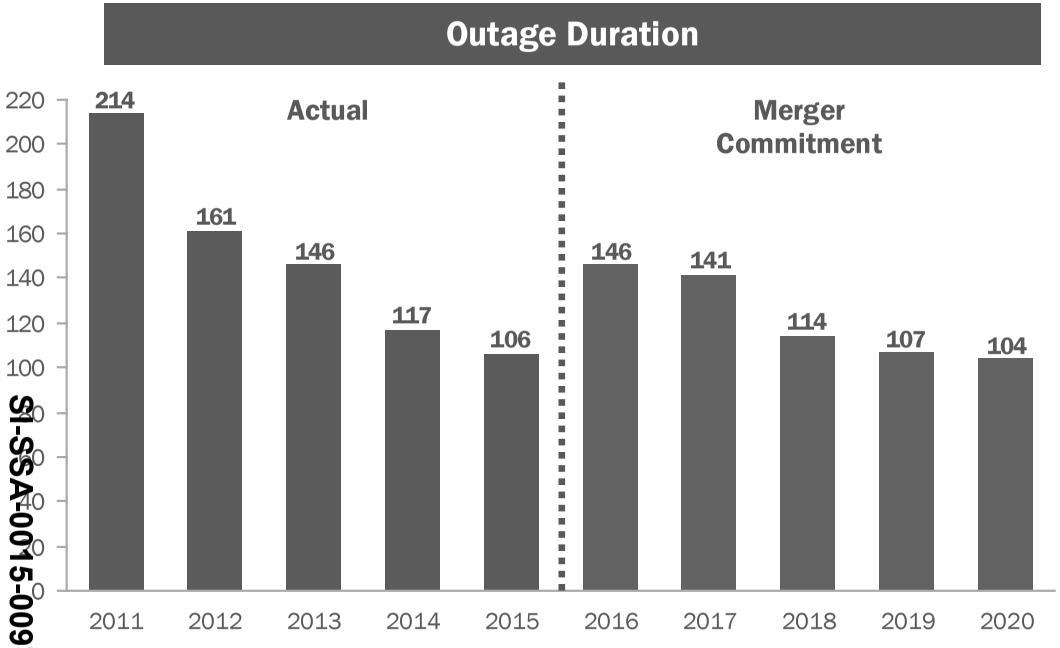
Pepco Holdings
An Exelon Company

SI-SSA-0015-00970

PHI Reliability Commitments and Investment





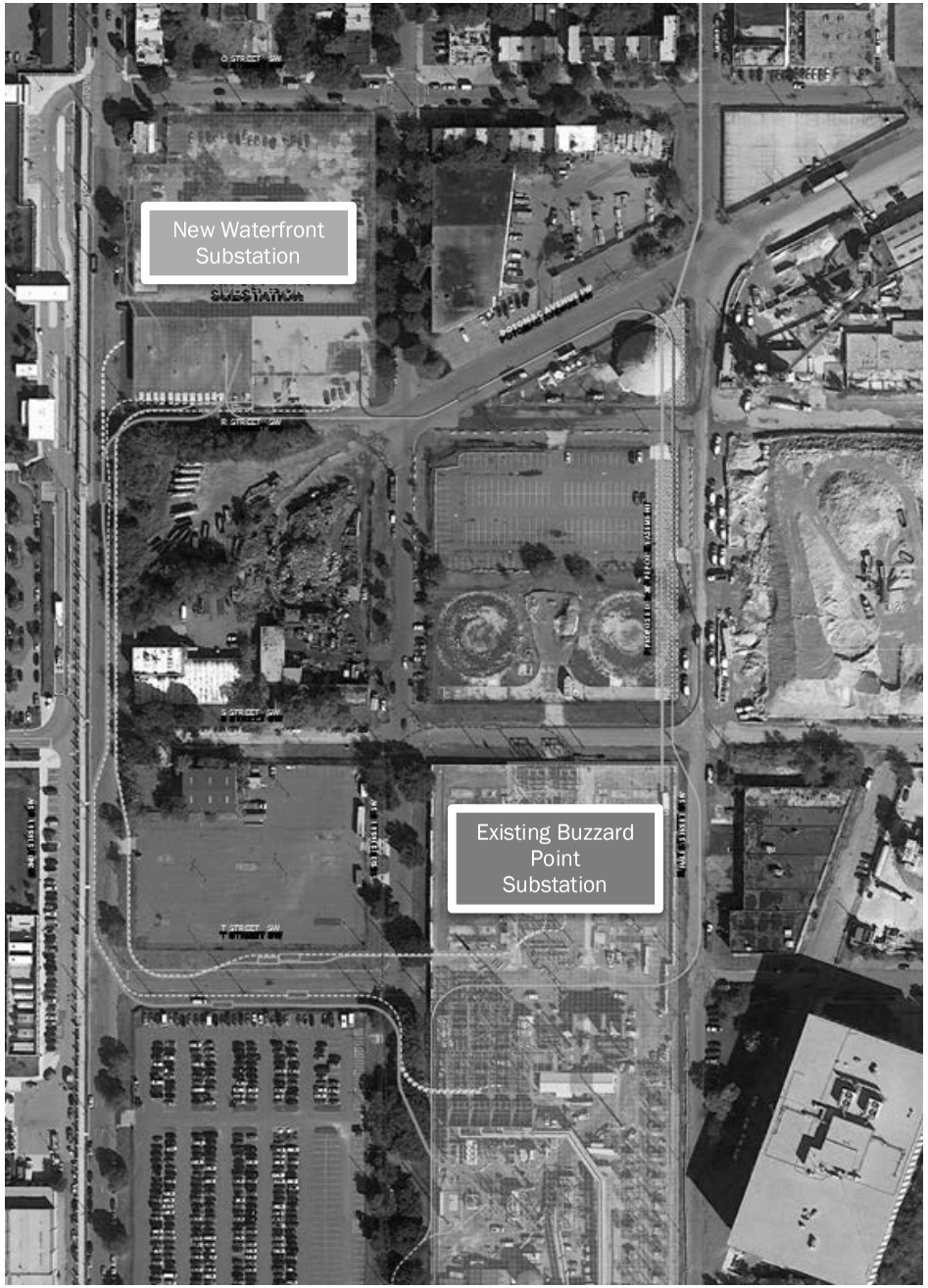


- Merger agreements in all jurisdictions contain commitments to continue to improve reliability
- They also contain projected capital expenditures needed to meet those commitments
- Represents ~49% of total PHI distribution spending that is to be recovered through base rate cases
- Our analysis supports these investments to meet our reliability commitments

SI-SSA-0015-00971

Pepco Holdings
An Exelon Company

PEPCO – Waterfront 230kV/138kV/13kV Substation



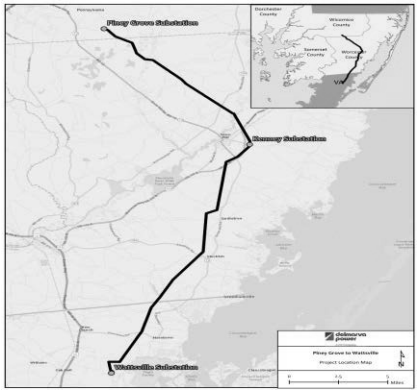
Key Facts

- **Project**: Project consists of constructing a new 230kV/138kV/13kV substation with an initial firm capacity of 140 MVA and an ultimate capacity of 350 MVA; installing 3 new underground transmission feeders 0.25 mile from Buzzard Pt Substation; and installing the initial 12 out of 72 feeders to transfer load from Buzzard Pt Substation
- **Cost:** $192 million
- **Recovery Mechanism:** Transmission portion will be recovered through Pepco's FERC regulated transmission rate. Current ROE is 10.5% (10.0% base, 0.5% RTO participation adder).
- **Construction**: In construction
- **In Service Date:** Q4 2017

SI-SSA-0015-00972

Pepco Holdings
An Exelon Company

DPL – Transmission Upgrades

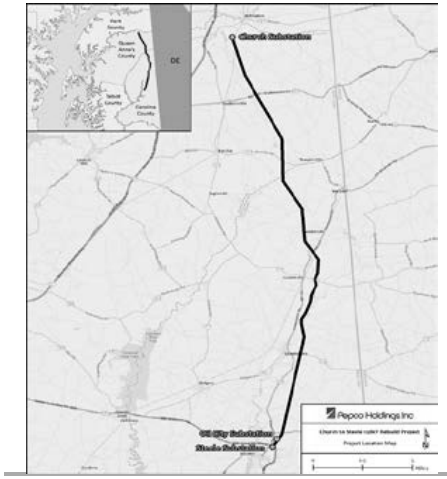


Key Facts – Piney Grove to Wattsville

- **Project**: New 30.9 mile 138kV line from Piney Grove Sub to Wattsville Sub, built as double circuit along with Circuit 6712 (Kenney to Wattsville Substations) and with rebuild of existing 69kV Circuit 6729 (Piney Grove to Kenney Substations)
- **Cost:** $51.5 million
- **Recovery Mechanism:** Project costs will be recovered through DPL's FERC regulated transmission rate. ROE is 10.5% (10.0% base, 0.5% RTO participation adder).
- **Construction**: Design and Licensing
- **In Service Date:** Q2 2017

Key Facts – Cedar Creek to Milford

- **Project**: Rebuild 230kV transmission line consisting of the construction of approximately 43 miles of single circuit steel mono poles to replace failing single circuit wood H-frame structures
- **Cost:** $80.4 million
- **Recovery Mechanism:** Project costs will be recovered through DPL's FERC regulated transmission rate. ROE is 10.5% (10.0% base, 0.5% RTO participation adder).
- **Construction**: Design and Licensing
- **In Service Date:** Q4 2018



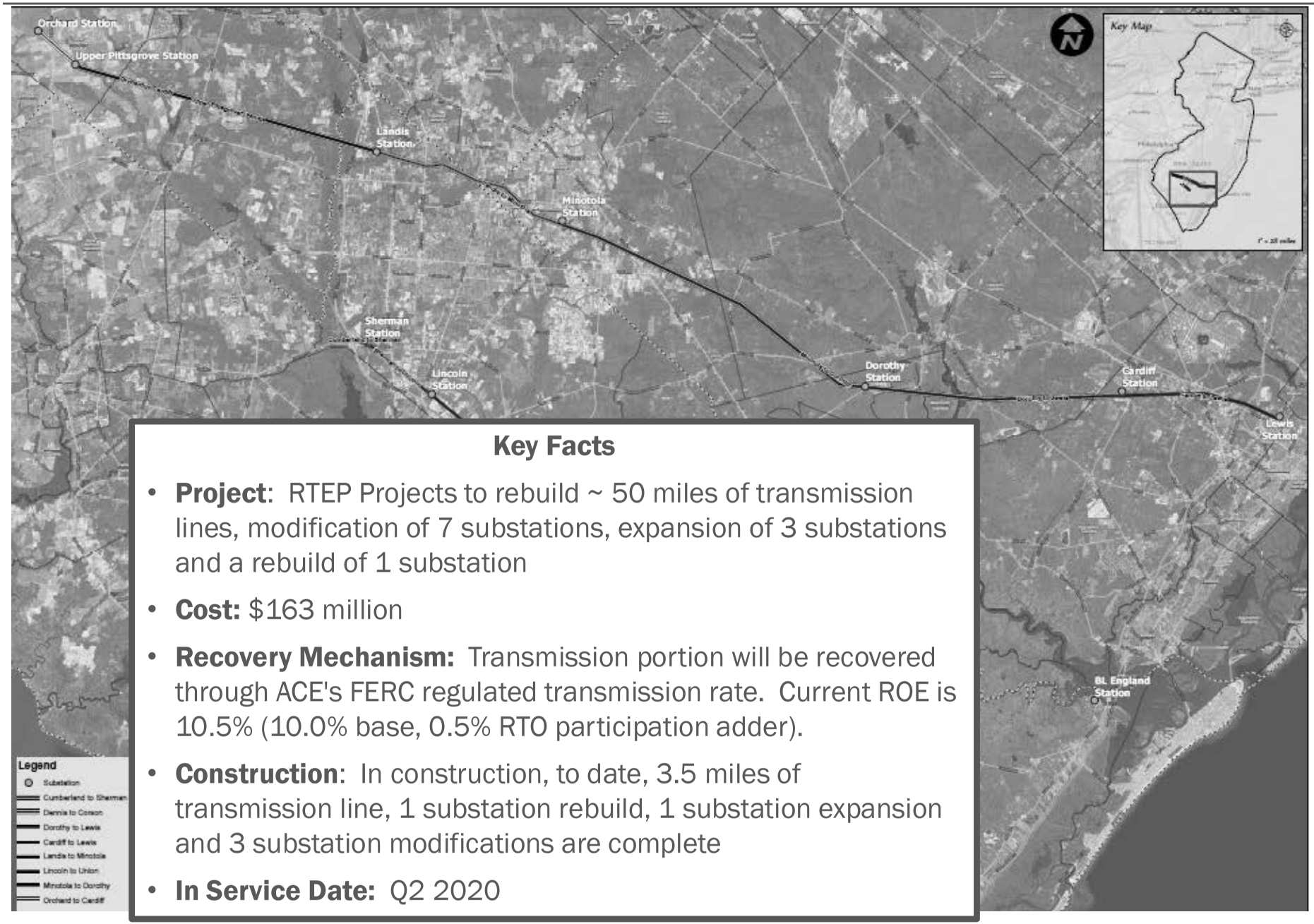
Key Facts – Church to Steele

- **Project:** Rebuild 25.5 miles of 138kV transmission line (Circuit 13701). Consists of replacing: 190 wooden H-frame structures with 189 steele poles; the existing conductor; and the existing static with new OPGW fiber. Designed and constructed to allow future 230kV energization.
- **Cost:** $35 million
- **Recovery Mechanism:** Project costs will be recovered through DPL's FERC regulated transmission rate. ROE is 10.5% (10.0% base, 0.5% RTO participation adder).
- **Construction:** In construction
- **In Service Date:** Q2 2017

SI-SSA-0015-00973

Pepco Holdings
An Exelon Company

ACE – Transmission Upgrades



Key Facts

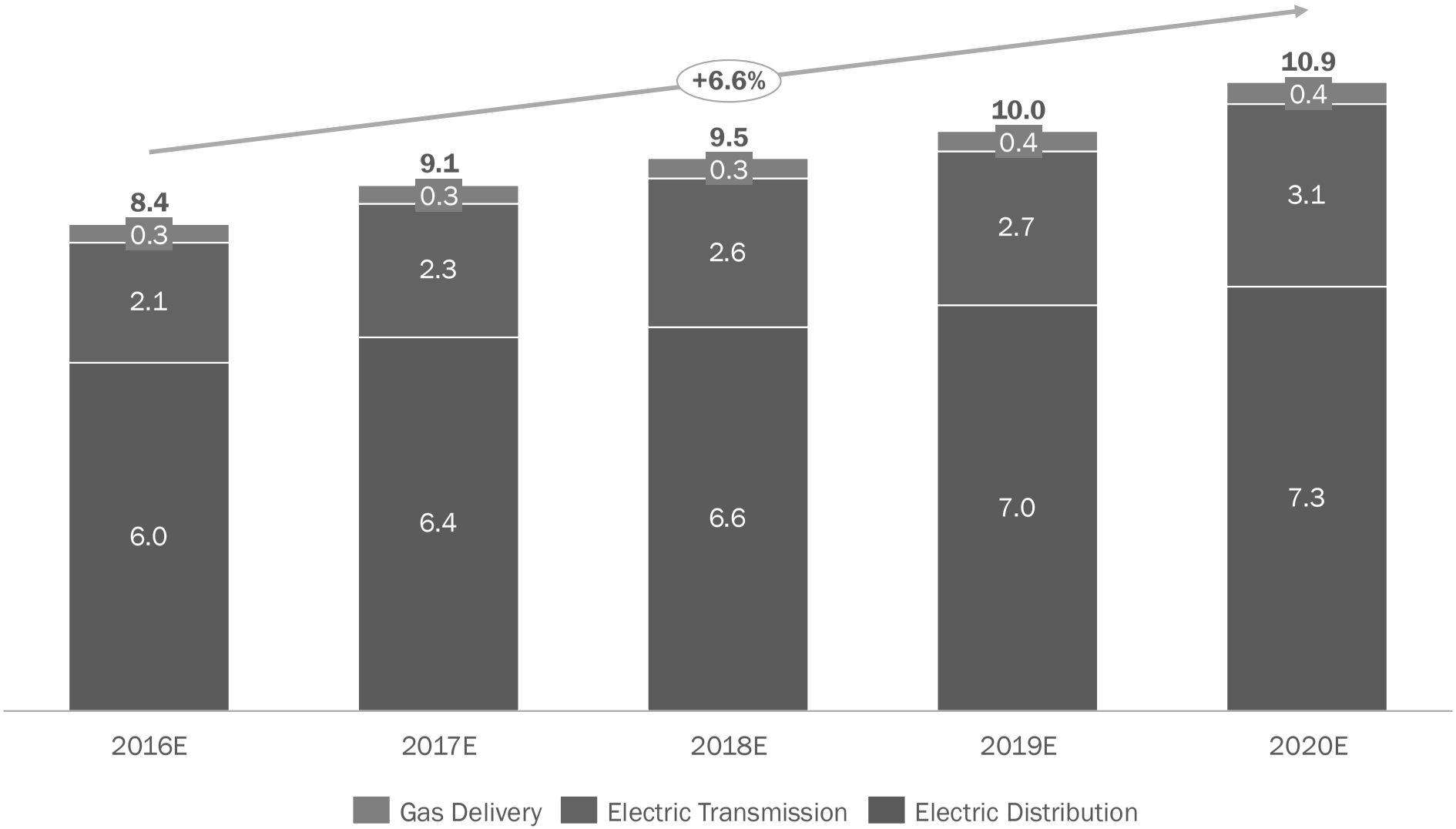
- **Project**: RTEP Projects to rebuild ~ 50 miles of transmission lines, modification of 7 substations, expansion of 3 substations and a rebuild of 1 substation
- **Cost:** $163 million
- **Recovery Mechanism:** Transmission portion will be recovered through ACE's FERC regulated transmission rate. Current ROE is 10.5% (10.0% base, 0.5% RTO participation adder).
- **Construction**: In construction, to date, 3.5 miles of transmission line, 1 substation rebuild, 1 substation expansion and 3 substation modifications are complete
- **In Service Date:** Q2 2020

SI-SSA-0015-00974

Pepco Holdings
An Exelon Company

Pepco Holdings Rate Base Growth

Rate Base 2016-2020 ($B)



PHI Rate Base growing at 6.6% CAGR from 2016-2020

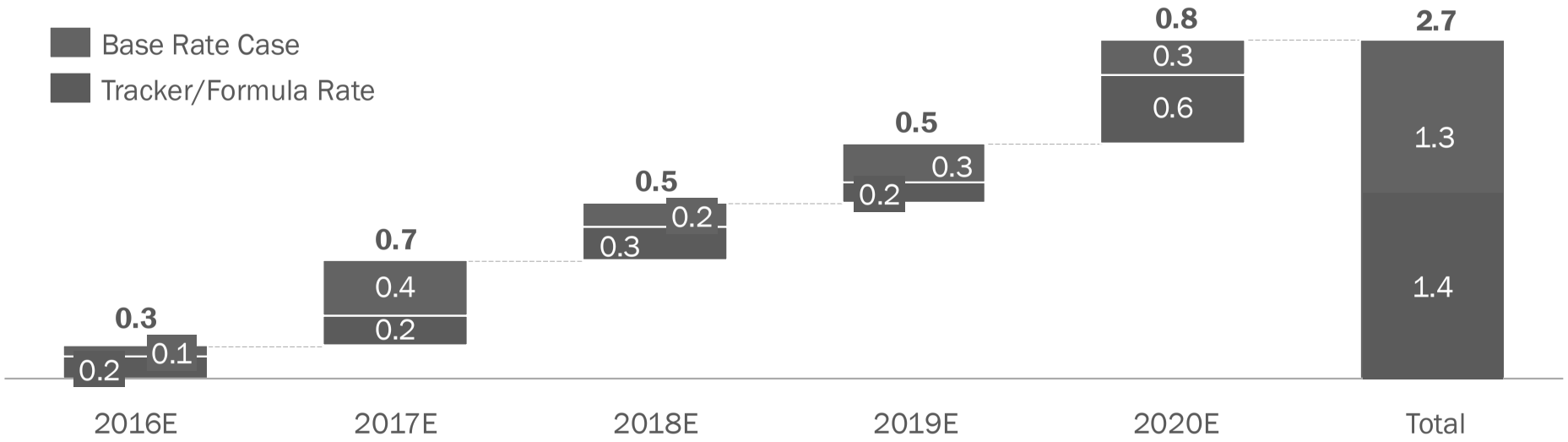
Note: All numbers denote year-end rate base and may not add due to rounding

Pepco Holdings
An Exelon Company

SI-SSA-0015-00975

Rate Base Growth by Mechanism

Rate Base Additions Breakdown 2016-2020 ($B)



Base Rate Case Recovery Mechanism

Electric and Gas Distribution:

- Partially forecasted test year (trued up for actuals)
- Rate implementation:
  - DE[1] and MD: Statute 7 months
  - NJ: Statute 9 months[2]
  - DC: No Statute, target to complete cases within 9 months, however practice is closer to 12 months

Tracker/Formula Rate Recovery Mechanism

Electric and Gas Distribution:

- DC PLUG – Surcharge Recovery Mechanism (ROE – 9.4%)

Transmission:

- FERC Formula Rate
- ROE – 10.5% (10.0% base, 0.5% RTO participation adder)

Of the approximately $2.7 billion of rate base growth at PHI over the next 5 years, ~52% will be recovered through existing formula and tracker mechanisms

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016 with interim rates subject to refund

(2) The statutory deadline for NJBPU decisions has not been successfully enforced by a utility and fully litigated cases can take 12 months or more for a decision

Pepco Holdings. An Exelon Company

SI-SSA-0015-00976

Integration Update

Since merger close, we have been executing integration plans, which include standardizing processes to the Exelon management model, complying with merger commitments, and early capture of synergy value. Below are highlights:

- Completed 100% of Day 1-100 requirement; now focus is on longer-term migration activities
- On-track to achieve synergy savings
  - On-track to achieve $130M 2020 run-rate O&M savings
  - $16M in synergies achieved to date, primarily through labor savings
- On-track to achieve Supply Sourcing synergy targets
  - Merged PHI contract for all electric distribution equipment and miscellaneous items under current Exelon contract, lowering cost
  - Substantial savings from introducing additional suppliers to substation upgrade project
  - Bundled PHI needs into sourcing for all Exelon gas distribution equipment
  - Achieved savings through consolidating bill printing suppliers
- Implemented new mutual assistance work practices and successfully used them on April 4. Eight Pepco crews worked to support the PECO wind storm restoration. Common practice allows safe and more efficient sharing of resources between our companies.
- Completed 170 of the 675 merger commitments, including Customer Investment Funds and Rate Credits

SI-SSA-0015-00977

Utility Appendix

Exelon

Exelon Regulatory Jurisdictions

Rate Cases	Illinois	Pennsylvania	Maryland	District of Columbia	Delaware	New Jersey
Partially Forcasted Test Year	Yes	Fully Projected Future Test Year	Yes	Yes[1]	Yes	Yes
Required to update test year to actual	Yes	No	Yes	No[1]	No	Yes
Timing for Rate Implementation	Statute - January 1 of the year following the filling	Statute - 9 Months to complete filing	Statute - 7 months; rates automatically go into effect subject to refund	No statute; target to complete cases within 9-12 months of filing	Statute - 7 months; company files request to implement rates, subject to refund	Statute - 9 months; company files request to implement rates, subject to refund[2]
Time Restrictions on Initiating Subsequent Rate Filings	Yes - Annually	No, not unless agreed upon	No	No	No	No
Staff Party to Case	Yes	Yes	Yes	No	Yes	Yes
Commissions						
Full Time / Part Time	Full-Time	Full-Time	Full-Time	Full-Time	Part-Time	Full-Time
Appointed / Elected	Appointed	Appointed	Appointed	Appointed	Appointed	Appointed
Length of Term	5 years	5 years	5 years	4 years	5 years	6 years
Commissioners[3]						
Name (Term Expiration)	**Brien Sheahan (2020)** Ann McCabe (2017) Miguel del Valle (2018) Sherina Maye Edwards (2018) John Rosales (2019)	**Gladys M. Brown (2018)** Andrew Place (2020) John F. Coleman (2017) Robert F. Powelson (2019) David Sweet (2021)	**Kevin Hughes (2018)** Harold Williams (2017) Jeannette M. Mills (2019) Michael T. Richard (2020) Anthony O'Donnell (2021)	**Betty Ann Kane (2018)** Joanne Doddy Fort (2016)[4] Willie L. Phillips (2018)	**Dallas Winslow (2020)** Joann Conaway (2020) Harold Gray (2019) Kim Drexler (2020) Manubhai Karia (2020)	**Richard S. Mroz (2020)** Diane Solomon (2018) Joseph L. Fiordaliso (2019) Mary-Anna Holden (2017) Upendra J. Chivukula (2020)

(1) The District of Columbia PSC allows rates to be developed using a partially forecasted test period. The Company is required to update the test period to actual within 180 days of the completion of the rate proceeding
(2) The statutory deadline for NJBPU decisions has not been successfully enforced by a utility; fully litigated cases can take 12 months or more for decision
(3) Chairperson denoted in bold
(4) Term expired on June 30, 2016; hold over

SI-SSA-0015-00979

Exelon Utilities Distribution Rate Case Schedule

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
ComEd Electric Distribution Formula Rate		IL Formula Rate Case Filed April 13		Final Order Expected December			
ACE Electric Distribution Rates	NJ Rate Case Filed March 22				Final Order Expected Q1/Q2		
Pepco Electric Distribution Rates - MD		MD Rate Case Filed April 19		Final Order Expected November			
Pepco Electric Distribution Rates - DC		DC Rate Case Filed June 30				Final Order Expected Q2/Q3	
Delmarva Electric and Gas Distribution Rates - DE		DE Rate Case Filed May 17					Final Order Expected
Delmarva Electric Distribution Rates - MD			MD Rate Case Filed July 20		Final Order Expected		

SI-SSA-0015-00980

Exelon.

BGE Rate Case

	Electric	Gas
Docket #	**9406**	
Test Year	**December 2014 – November 2015**	
Common Equity Ratio	**51.9%**	
Authorized Returns	**ROE: 9.75%; ROR: 7.28%**	**ROE: 9.65%; ROR: 7.23%**
Requested Rate of Return	**7.95%**	**7.90%**
Rate Base	**$2.9B**	**$1.2B**
Revenue Requirement Increase	**$41.7M**	**$47.8M**
Distribution Increase as % of overall bill for residential customer	**2%**	**6%**
Notes	• 11/06/15 BGE filed application with the MDPSC seeking increases in electric & gas distribution base rates; request was subsequently revised in Q1 to reflect impact of additional actual data • 6/03/16 PSC Order received • 6/04/16 New rates in effect • Order concluded that BGE's AMI system overall is cost beneficial to customers, however the PSC made decisions in the rate case related to smart meters that made BGE take a $84M write-off (resulting in a Q2 2016 impairment charge). The PSC also disallowed $30M of added costs associated with BGE's usage of the Baltimore City conduit system. • 6/30/16 filed request for rate case re-hearing asking that the PSC reconsider decisions resulting in $84M write-off and the disallowance of $30M of added Baltimore City conduit system; Request would result in no additional increase to customer rates. The PSC requested and received comments on the rehearing request from the other parties. • 7/29/2016 PSC issued order on rehearing granting further increase to electric revenue requirement of $2.4M and gas revenue requirement of $0.1M and to defer post test year smart grid costs in a new regulatory asset so it may seek recovery of the costs in a future base rate proceeding. The rehearing decision will result in a reversal of the write-off of $32.4M. The PSC did not revise its decision on the Baltimore City conduit fee increase.	

SI-SSA-0015-00981

ACE Electric Distribution Rate Case

Docket #	ER16030252
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.5%
Requested Rate of Return	ROE: 10.60%; ROR: 8.06%
Proposed Rate Base (Adjusted)	$1.3B
Requested Revenue Requirement Increase (Updated on May 10, 2016)	$79.4M (excluding Sales & Use Tax)
Residential Total Bill % Increase	6.5%
Notes	• 3/22/16 ACE filed application with the NJBPU seeking increase in electric distribution base rates • 12 month forward looking reliability and other plant additions from January 2016 through December 2016 ($15.9M of Revenue Requirement based on a 10.60% ROE) included in revenue requirement request • PowerAhead Program to fund accelerated investments in grid resiliency, incremental to the five year capital plan (not included in revenue requirement request): Capital $176 million (Distribution Line Hardening $108 million; Storm Response $35 million; and Other Programs $33 million) Procedural Schedule: • Evidentiary Hearings: 9/29/16 – 10/13/16 • Initial Briefs: 11/1/16 • Commission Order Expected: 3/22/17

SI-SSA-0015-00982

ComEd April 2016 Distribution Formula Rate

The 2016 distribution formula rate filing established the net revenue requirement used to set the rates that will take effect in January 2017 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2015 costs and 2016 projected plant additions.
- Annual Reconciliation: For 2015, this amount reconciles the revenue requirement reflected in rates in effect during 2015 to the actual costs for that year. The annual reconciliation impacts cash flow in 2017 but the earnings impact has been recorded in 2015 as a regulatory asset.

Docket #	**16-0259**
Filing Year	**2015 Calendar Year Actual Costs and 2016 Projected Net Plant Additions** are used to set the rates for calendar year 2017. Rates currently in effect (docket 15-0287) for calendar year 2016 were based on 2014 actual costs and 2015 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2015 to 2015 Actual Costs Incurred.** Revenue requirement for 2015 is based on docket 14-0312 (2013 actual costs and 2014 projected net plant additions) approved in December 2014.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.64%** for the filing year (2015 30-yr Treasury Yield of 2.84% + 580 basis point risk premium) and **8.59%** for the reconciliation year (2015 30-yr Treasury Yield of 2.79% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2016 and 2017, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~7%** for both the filing and reconciliation years
Rate Base	**$8,830 million–** Filing year (represents projected year-end rate base using 2015 actual plus 2016 projected capital additions). 2016 and 2017 earnings will reflect 2016 and 2017 year-end rate base respectively. $7,780 million - Reconciliation year (represents year-end rate base for 2015)
Revenue Requirement Increase	**$138M increase** ($1M decrease due to the 2015 reconciliation and collar adjustment offset by a $139M increase related to the filing year). The 2015 reconciliation impact on net income was recorded in 2015 as a regulatory asset.
Timeline	• 04/13/16 Filing Date • 240 Day Proceeding

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

SI-SSA-0015-00983

Pepco MD Electric Distribution Rate Case

Case No.	9418
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.6%
Requested Rate of Return	ROE: 10.60%; ROR: 8.01%
Proposed Rate Base (Adjusted)	$1.8B
Requested Revenue Requirement Increase (Updated on May 27, 2016)	$126.6M
Residential Total Bill % Increase	10.3%
Notes	• 4/19/16 Pepco MD filed application with the MDPSC seeking increase in electric distribution base rates • Size of ask is driven by 2 years of capital investment, recovery of AMI investments and new depreciation rates • 12 month forward looking reliability and other plant additions from January 2016 through December 2016 ($20.0M of Revenue Requirement based on a 10.60% ROE) included in revenue requirement request • Extension of the Grid Resiliency Program to fund accelerated investments in grid resiliency, incremental to the capital plan (not included in revenue requirement request) • Capital $31.6 million (Feeder Work $24.0 million and Reclosing Devices $7.6 million) in 2017-2018 Procedural Schedule: • Evidentiary Hearings: 9/13/16 – 9/23/16 • Final Reply Briefs: 10/26/16 • Commission Order Expected: 11/15/16 • New rates are in effect shortly after the final order

Pepco Holdings.
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SI-SSA-0015-00984

DPL DE (Electric) Distribution Rate Case

Docket #	16-0649
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.4%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$846M
Requested Revenue Requirement Increase	$62.8M(1)
Residential Total Bill % Increase	7.25%
Notes	• Procedural Schedule: Evidentiary Hearings 3/7/17 – 3/9/17 • 5/17/16 DPL DE filed application with the DPSC seeking increase in electric distribution base rates • 18 month forward looking reliability and other plant additions from January 2016 through June 2017 ($8.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • Includes the Pay as You Go Program, a proposed pilot program that would be cooperatively designed to use the capability of the AMI meters to offer a voluntary pre-paid metering option for customers • Q3 2017 - PSC order expected

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016, subject to refund

Pepco Holdings.
An Exelon Company

SI-SSA-0015-00985

DPL DE (Gas) Distribution Rate Case

Docket #	16-0650
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.4%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$362M
Requested Revenue Requirement Increase	$21.5M(1)
Residential Total Bill % Increase	10.40%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in gas distribution base rates • 18 month forward looking reliability and other plant additions from January 2016 through June 2017 ($3.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • Q3 2017 - PSC order expected

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016, subject to refund

SI-SSA-0015-00986

Pepco DC Distribution Rate Case

Formal Case No.	1139
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%
Proposed Rate Base (Adjusted)	$1.8B
Requested Revenue Requirement Increase	$85.5M
Residential Total Bill % Increase	5.25%(1)
Notes	• 6/30/16 Pepco DC filed application with the DCPSC seeking increase in electric distribution base rates • Size of ask is driven by 3 years of capital investments • 18 month forward looking reliability and other plant additions from April 2016 through September 2017 ($30.2M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • The Merger Order provides for a Customer Base Rate Credit (CBRC) in the amount of $25.6M, which can be used to offset rate increases approved by the DCPSC; the parties will be provided an opportunity to propose how the CRBC and Incremental Offset be allocated and over what period of time • The DCPSC will ultimately decide how to allocate the CBRC • Q2/Q3 2017 - PSC order expected

(1) As proposed by the Company, the full allocation of the CBRC to Residential and MMA customers, along with the proposal for a $1M Incremental Offset for residential customers, will ensure that residential customers do not receive an increase on the distribution portion of their bill until approximately January 2019 (February 2019 for MMA customers). Upon expiration of the CBRC and Incremental Offset proposed by the Company, this rate increase would translate to a 5.25% total bill increase for a residential customer.

Pepco Holdings.
An Exelon Company

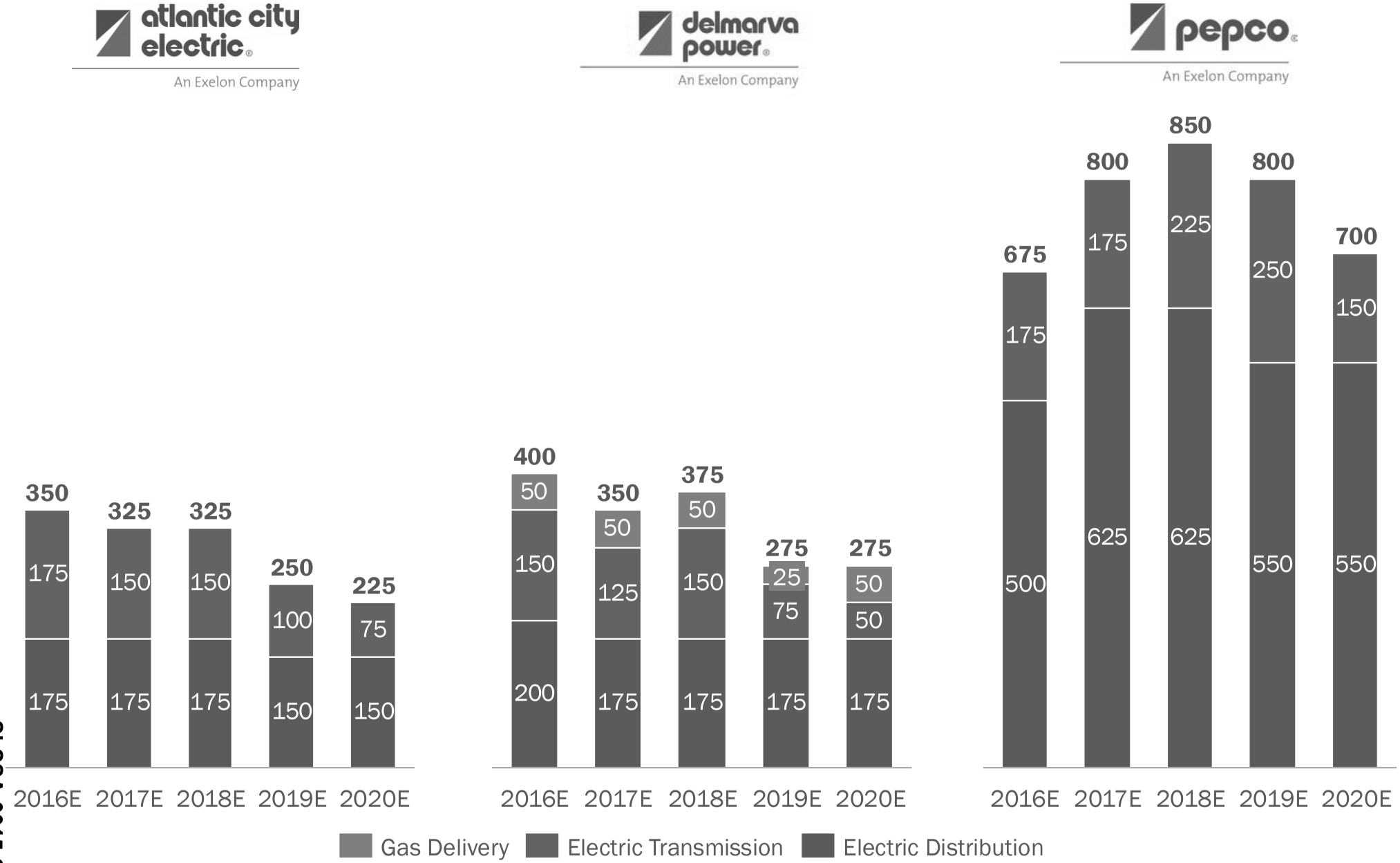
SI-SSA-0015-00987

DPL MD Distribution Rate Case

Case No.	9424
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.1%
Requested Rate of Return	ROE: 10.60%; ROR: 7.24%
Proposed Rate Base	$744M
Requested Revenue Requirement Increase	$66.2M
Residential Total Bill % Increase	14.5%
Notes	• 7/20/16 DPL MD filed application with the MDPSC seeking increase in electric distribution base rates • Size of ask is driven by 3 years of capital investment, recovery of AMI investments and new depreciation rates • Extension of the Grid Resiliency Program to fund accelerated investments in grid resiliency, incremental to the capital plan (not included in revenue requirement request) Capital $9.2 million (Feeder Work $4.2 million and Reclosing Devices $5.0 million) in 2017-2018 • 12 month forward looking reliability and other plant additions from April 2016 through March 2017 ($8.2M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • 7 Month Proceeding • Q1 2017 - PSC order expected • New rates are in effect shortly after the final order

SI-SSA-0015-00988

Pepco Holdings Capital Expenditures

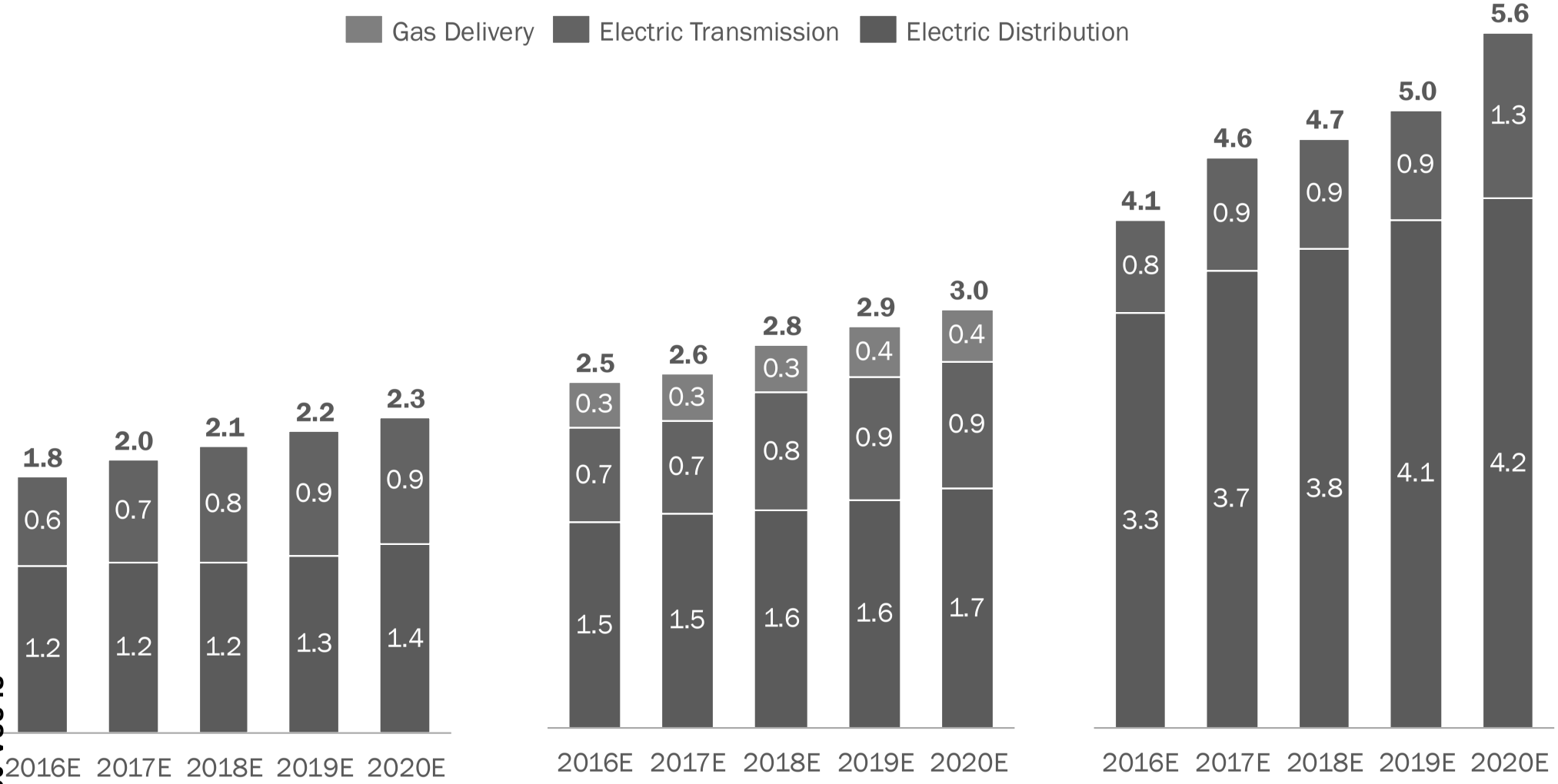


Note: Numbers rounded to nearest $25M and may not add due to rounding

Pepco Holdings
An Exelon Company

SI-SSA-0015-00989

Pepco Holdings Rate Base Outlook



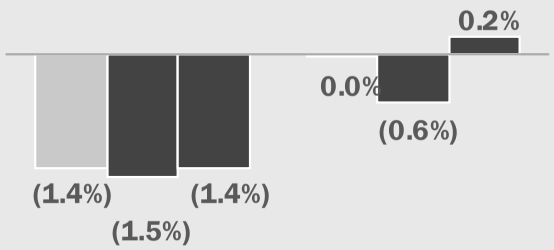
Note: All numbers denote year-end rate base and may not add due to rounding

SI-SSA-0015-00990

Exelon Utilities Load

All Customers | Residential | C&I

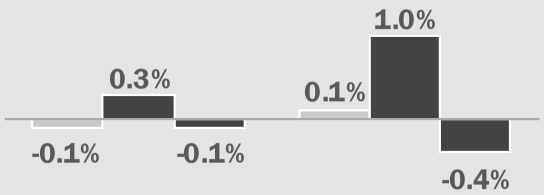
ComEd



2015	2016E
Chicago GMP	0.9%
Chicago Unemployment	6.2%

2016 load is driven by impacts of energy efficiency partially offset by slowly improving economy

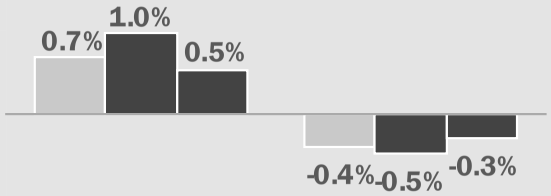
PECO



2015	2016E
Philadelphia GMP	1.6%
Philadelphia Unemployment	4.7%

2016 load growth is driven by improving economic conditions coupled with solid Residential customer growth, partially offset by weak Non-Petroleum sector Industrial sales & EE

BGE



2015	2016E
Baltimore GMP	1.1%
Baltimore Unemployment	4.3%

2016 load growth is lower than 2015 driven by the impacts of energy efficiency and a weaker economic outlook, partially offset by moderate customer growth

Notes: Data is weather normalized and not adjusted for leap year. Source of economic outlook data is IHS (May 2016). Assumes 2016 GDP of 1.7% and U.S. unemployment of 4.7%. ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. BGE amounts have been adjusted for true-ups.

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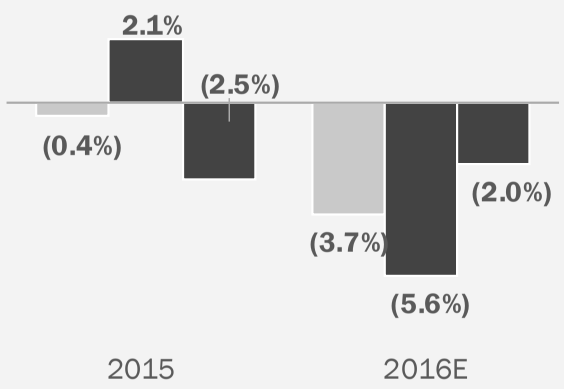
SI-SSA-0015-00991

Exelon Utilities Load (cont'd)

All Customers | Residential | C&I

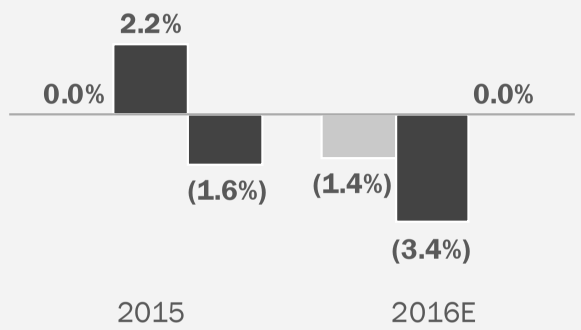
ACE



ACE GMP	1.5%
ACE Unemployment	7.9%

2016 load is driven by the impacts of energy efficiency and continued economic weakness, partially offset by improving customer growth driven by improvement in economic conditions outside of Atlantic City

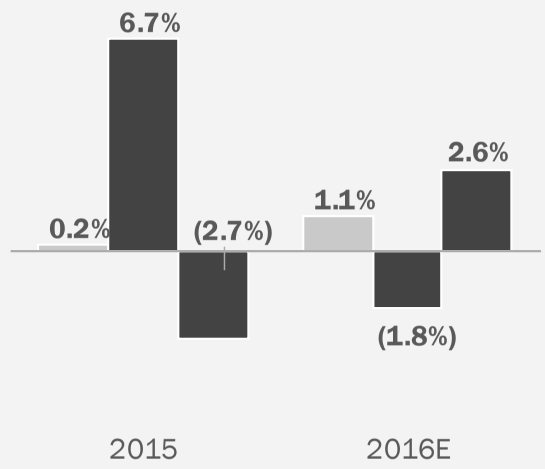
Delmarva



DPL GMP	2.7%
DPL Unemployment	4.7%

2016 load is driven by the impacts of lower usage at significant industrial customers and energy efficiency partially offset by improved employment and customer growth

Pepco



Pepco GMP	1.6%
Pepco Unemployment	4.9%

2016 load is driven by improved commercial usage and residential customer growth partially offset by the impacts of energy efficiency and distributed energy

~65% of 2016 forecast distribution revenue is decoupled for PHI

Notes: Data is weather normalized using 20-year historical average and not adjusted for leap year. Source of economic outlook data is IHS (May 2016). Assumes 2016 GDP of 1.7% and U.S. unemployment rate of 4.7%. Pepco and DPL MD are decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. ACE includes Atlantic City, Vineland and Ocean City MSAs (Metropolitan Statistical Area). DPL MSA includes Wilmington Division, Dover MSA and Salisbury MSA. Pepco MSA includes the city of Washington DC and Silver Spring/Frederick Division. Pepco reclassified certain customer classes in DC from C&I to Residential in 2015. Excluding the impacts of the re-class, 2015 Residential load growth would have been 2.7% and C&I load growth would have been (0.9%).

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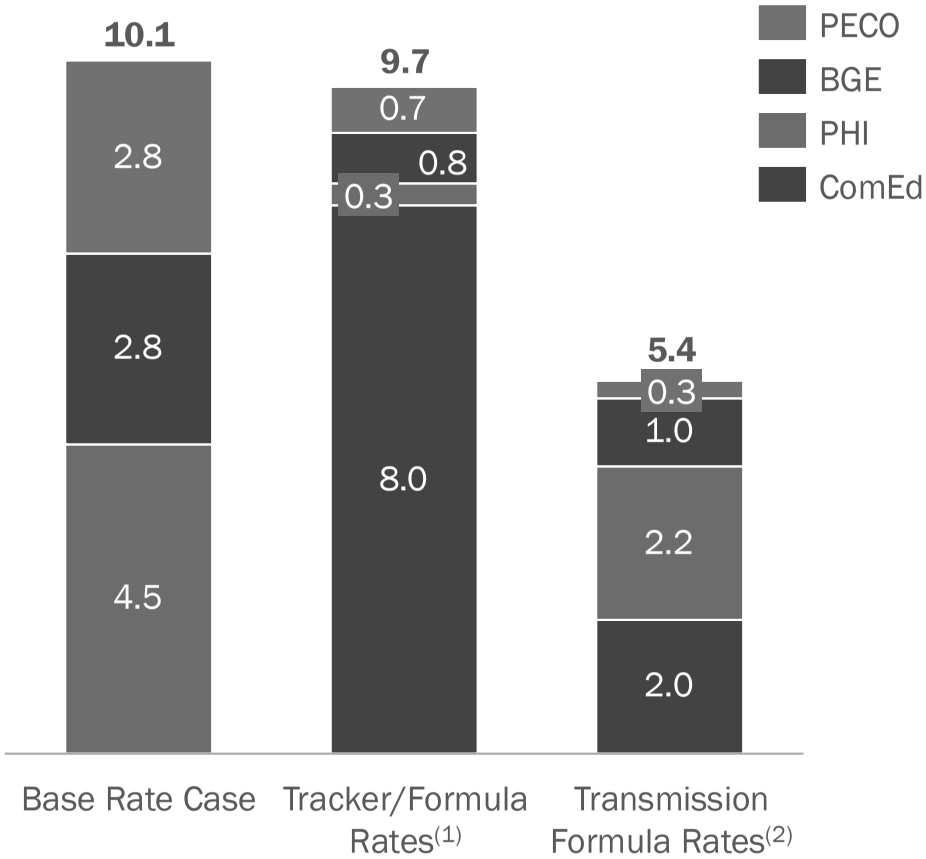
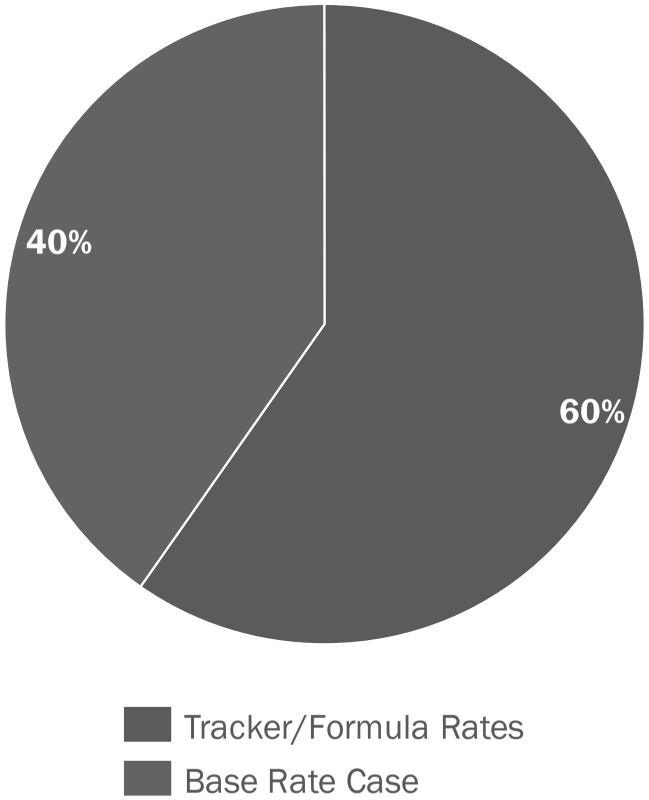
SI-SSA-0015-00992

Utility Capital Spend Profile (2016–2020)

Capital Spend 2016-2020 (in $B)



Recovery Mechanism: Formulaic or Base Rate Case



Of the approximately $25 billion of capital Exelon Utilities is expected to spend over the next 5 years, 60% will be recovered through existing formula and tracker mechanisms

(1) Assumes renewal of ComEd formula rate in 2019
(2) Assumes PECO FERC transmission formula rate beginning in 2018

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SI-SSA-0015-00993

Exelon's Policy Priorities

Bill Von Hoene

Senior Executive Vice President & Chief Strategy Officer

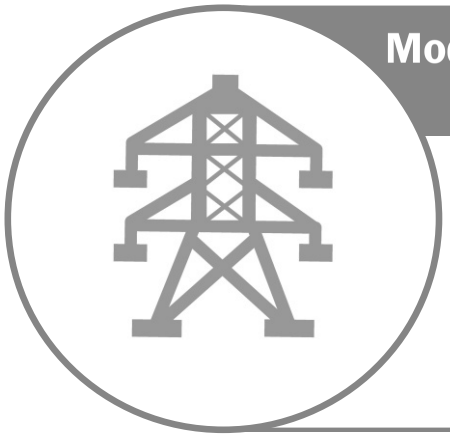
Kathleen Barrón

Senior Vice President Federal Regulatory Affairs and Wholesale Market Policy

Exelon

SI-SSA-0015-00994

Exelon Policy Priorities

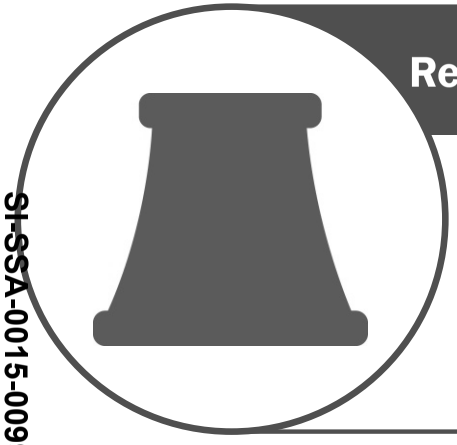


Modernize Utility Ratemaking to Ensure Appropriate Recovery

- Invest in infrastructure that provides customer benefit through grid resiliency and efficiency
- Ensure fair rate structures to support new technologies

Secure Proper Policies to Enable Innovative Technologies

- Providing new technologies to respond to customer needs
- Open adjacent customer facing markets to sales and services



Recognize the Value of Zero-Carbon Electricity

- Create support for current challenged plants through federal and state initiatives
- Support the ultimate pricing of carbon in the market on a national level

Regulatory and policy structure that supports clean, affordable and reliable options for all customers

SI-SSA-0015-00995

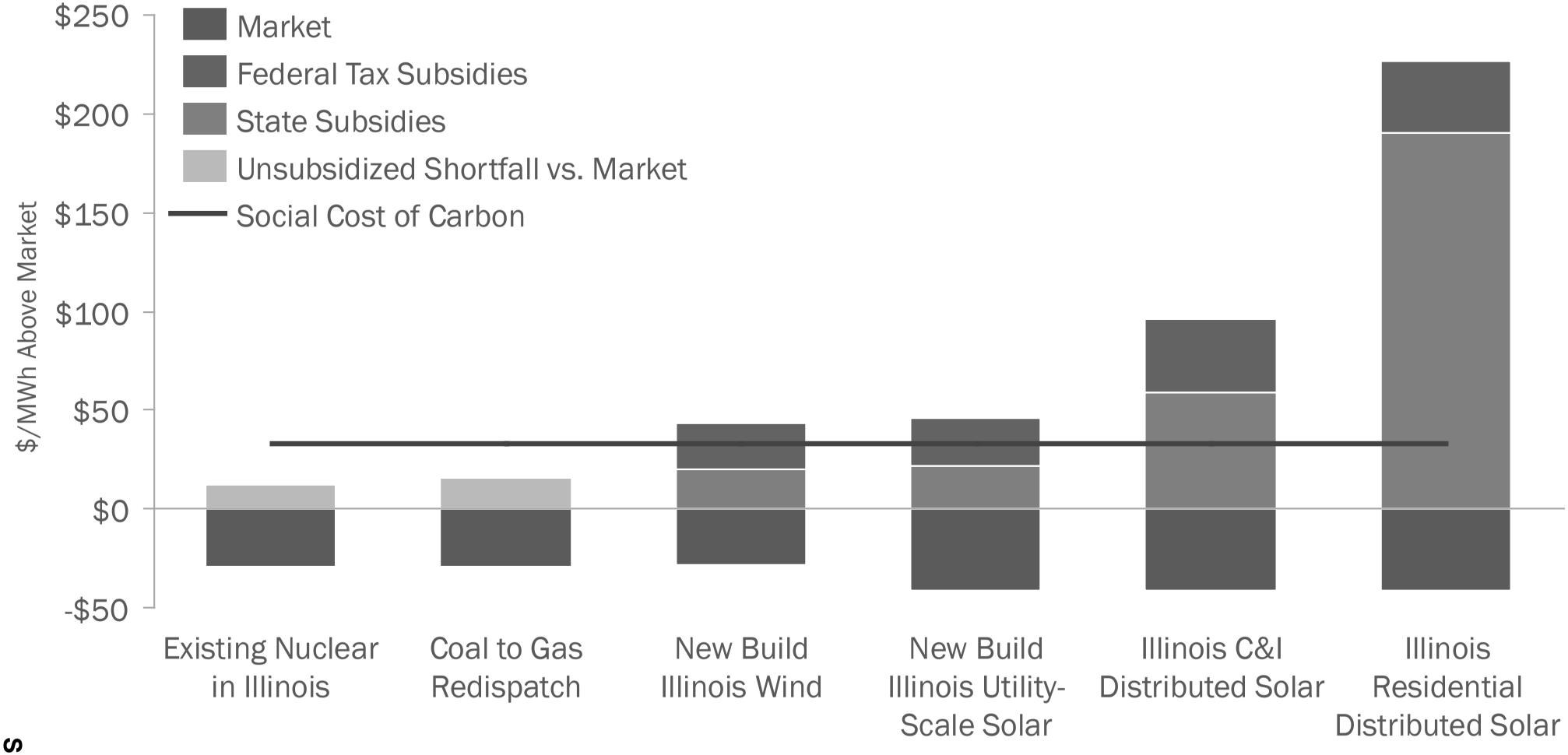
Our Carbon Policy Principles

- **Exelon believes in our nation's ability to transition the generation fleet to a zero-carbon future while maintaining affordable and reliable electric service for consumers**
- For the foreseeable future, the most cost-effective carbon solution for our customers will be the continued operation of our nation's nuclear fleet
- Exelon believes competitive markets produce superior results for consumers and drive innovation. However, those markets do not currently incorporate appropriate pricing for environmental attributes.
- **Exelon is pursuing a two-part strategy for moving toward a more competitive treatment of CO_2 emissions:**
  - **First, we must maintain nuclear units that provide a cost effective form of CO_2 abatement.** The New York ZEC program demonstrates that as long as the clean energy payment required to maintain operations at existing nuclear units is lower than the social cost of CO_2 emissions and the cost of CO_2 abatement being paid to other zero carbon resources, maintaining nuclear capacity should be selected as the most competitive source of CO_2 abatement.
  - **Second, we must continue to work toward a technology neutral price of CO_2 abatement.** Exelon is pursuing approaches to reflect a uniform price on CO_2 in wholesale markets as an eventual substitute for technology-specific subsidies. As these approaches are phased in, the ZEC programs have been designed to automatically reduce ZEC payments in response to higher energy prices.

SI-SSA-0015-00996

Existing Nuclear is the Most Cost Effective Zero Carbon Choice

Estimated Carbon Price Needed to Preserve Existing Nuclear, Coal to Gas Redispatch and Renewable Entry at Near-Term Technology Costs



Carbon Price Needed (1)	**$16**	**<$20**	**$54**	**$58**	**$121**	**$286**

(1) $/MWh above-market converted to carbon price needed using PJM marginal emission rate of 1,590 lbs/MWh

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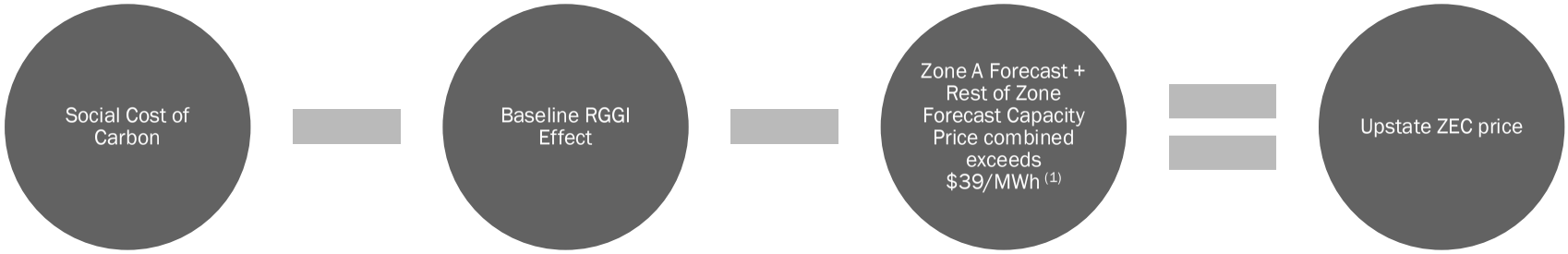
SI-SSA-0015-00997

New York Zero Emission Credit Program Mechanics

- Pricing for each tranche to be administratively determined based on the USIWG Social Cost of Carbon (escalating over the term), less a fixed baseline for carbon pricing already captured through the RGGI program ($10.41/short ton)
- Tranche 1 yields $17.48/MWh
- Tranches 2-6 shall incorporate a customer protection feature to determine the ZEC. In general, the formula is:



- The quantity of ZECs to be purchased on an annual basis will be capped at a MWh amount that represents the verifiable historic contribution the facility has made to the clean energy resource mix
- Each Load Serving Entity shall be required to purchase an amount of ZECs equivalent to its load ratio share of the total electric energy load in the New York Control Area
- Cost recovery from ratepayers shall be incorporated into the commodity charges on customer bills
- ZECs will not be tradable except between NYSERDA and the LSE in the balancing process

(1) The $39/MWh reference price will be updated at the time the Tranche 4 ZEC price is determined. This one-time update will be calculated by determining the historical basis over the 2017-2022 time period and adjusting the $39/MWh reference price used in the ZEC price formula if the historic basis is outside of a range of $5-7/MWh

SI-SSA-0015-00998

Zero Emission Credits (ZECs) are Like Renewable Energy Credits (RECs)

Both credits are for environmental attributes to meet a state environmental goal

While legal challenges are likely, we believe that ZECs, like RECs, will withstand legal challenge:

- No affiliate contracts (Ohio)
- No attempt to alter FERC wholesale rate (NJ/MD)
- Payment for ZECs is not "tethered" to action in a FERC jurisdictional market

FERC has never applied the Minimum Offer Price Rule (MOPR) to existing resources; it has always been a tool to address state support for new entry

SI-SSA-0015-00999

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Presidential Politics

CLINTON **TRUMP**

Policy Outlook: Key Issues Facing the Next President

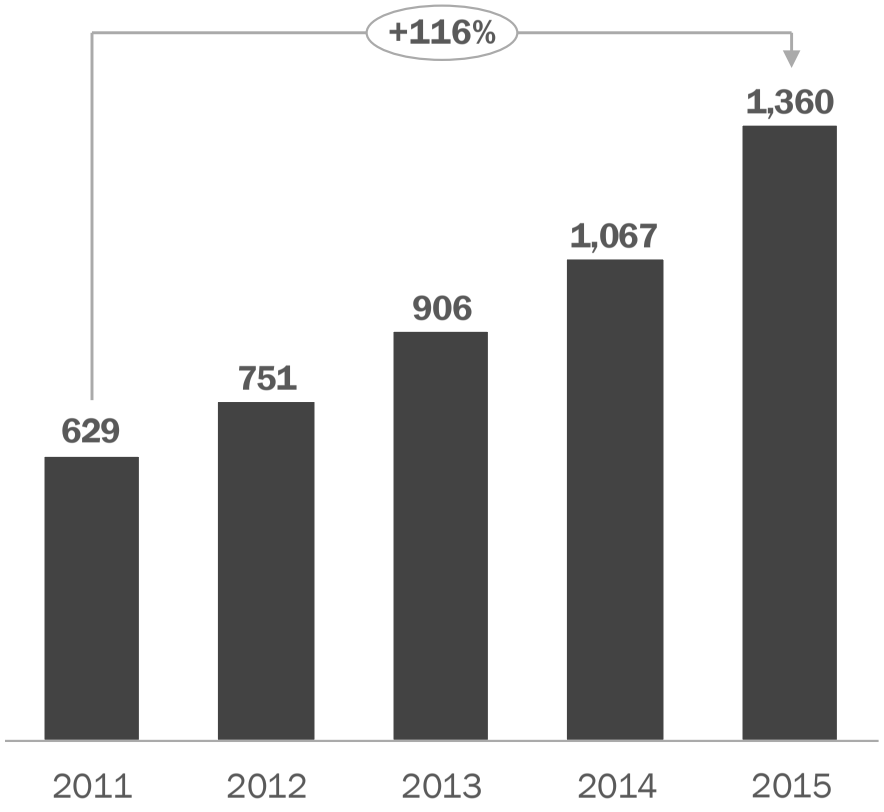
- Climate Change including Clean Power Plan Implementation
- Budget & Entitlement Reform
- Comprehensive Tax Reform
- Appointees to Supreme Court, DOE, EPA, FERC and NRC
- Federal Nuclear Waste Policy

SI-SSA-0015-01000

Commitment to Diversity & Inclusion

- **Exelon is focused on attracting, retaining and advancing employees who will best serve and represent our customers, partners and communities**
- In 2015, Exelon surpassed its goals for the inclusion of diverse suppliers:
  - Purchasing almost **$1.4 billion** in goods and services from diversity-certified suppliers
  - Representing **16 percent** of supply-managed expenditures for services and materials
- More than **$2B** invested with minority and women-owned investment firms across our retirement plans
- Exelon arranged credit lines totaling **$123 million** with 28 minority and community-owned banks in Illinois, Pennsylvania, Maryland, and New Jersey

Diversity Certified Supplier Spend ($M)



SI-SSA-0015-01001

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Exelon's Policies Priorities Appendix

Exelon

Overview of New York Zero Emission Credit Program

- On August 1, the New York Public Service Commission (NY PSC) approved the New York Clean Energy Standard which creates a Zero Emission Credit (ZEC) program
- The objective of the program is to preserve the environmental attributes of zero-emissions nuclear-powered generating facilities
- The program creates a 12 year contract extending from April 1, 2017 through March 31, 2029
- The NY PSC will determine whether a plant is eligible based on the following factors:
  - The verifiable historic contribution of the facility to the clean energy resource mix in New York State;
  - The degree to which energy, capacity, and ancillary services revenues projected to be received by the facility are at a level expected to preserve its environmental attributes;
  - The costs/benefits of such attributes in relation to other clean energy alternatives;
  - Impact of related costs on ratepayers; and,
  - The public interest
- The NYPSC found in its August 1 order that the Ginna, Nine Mile Point and Fitzpatrick nuclear plants meet this public interest standard and qualify for the program
- The New York State Energy Research & Development Authority (NYSERDA) will centrally procure the ZECs
- ZECs will be procured in 6, two-year tranches

SI-SSA-0015-01003

ZEC Price Determination

Tranche	Date	US SCC "Central Value"	Baseline RGGI Estimate	Net CO2 Externality	Short Ton to MWh	Adjusted SCC	Zone A Reference Price	Energy and Capacity Forecast Adjustment	Upstate ZEC Price
		$ /Short Ton	$ /Short Ton	$ /Short Ton	Conversion Factor	$/MWh	$/MWh	$/MWh	$/MWh
Tranche 1	4/1/2017-3/31/2019	$42.87	$10.41	$32.47	0.53846	$17.48	N/A	N/A	$17.48
Tranche 2	4/1/2019-3/31/2021	$46.79	$10.41	$36.38	0.53846	$19.59	$39.00	TBD	TBD
Tranche 3	4/1/2021-3/31/2023	$50.11	$10.41	$39.71	0.53846	$21.38	$39.00	TBD	TBD
Tranche 4	4/1/2023-3/31/2025	$54.66	$10.41	$44.26	TBD	TBD	TBD	TBD	TBD
Tranche 5	4/1/2025-3/31/2027	$59.54	$10.41	$49.13	TBD	TBD	Tranche 4 amount	TBD	TBD
Tranche 6	4/1/2027-3/31/2029	$64.54	$10.41	$54.13	TBD	TBD	Tranche 4 amount	TBD	TBD

SI-SSA-0015-01004

Exelon Generation

Overview

Ken Cornew

President & Chief Executive Officer,
Exelon Generation

Exelon

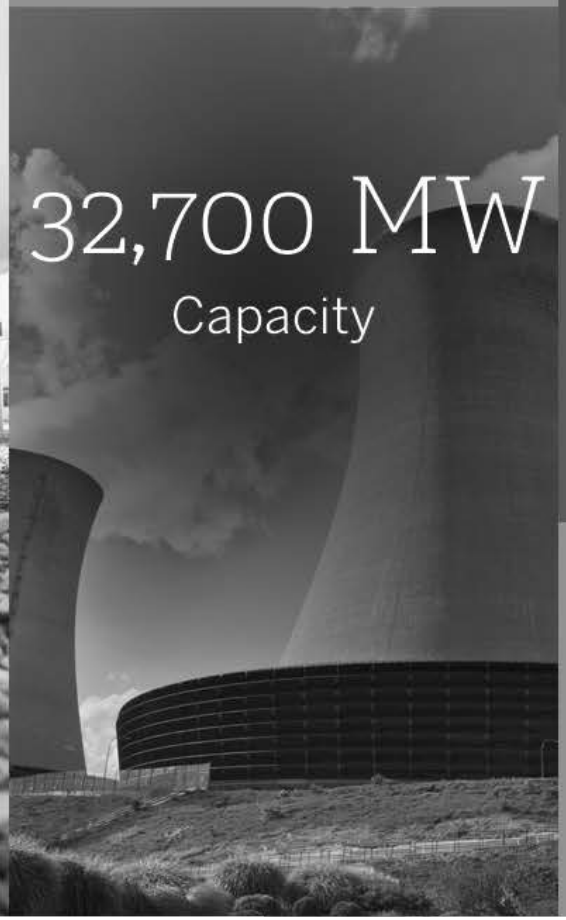
SI-SSA-0015-01005

Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

195 TWh
Customer Load Served



93.7%
Nuclear Capacity Factor in 2015

98.6%
Gas and Hydro Dispatch Match in 2015

8th
Largest Gas Provider

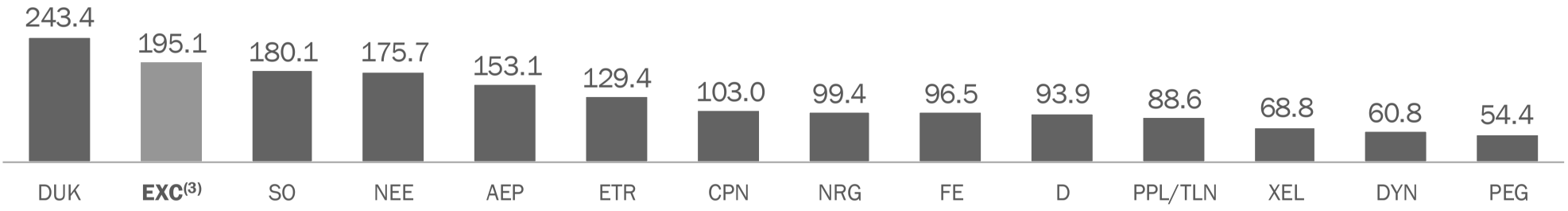
195 TWh
Generation Output

SI-SSA-0015-01006

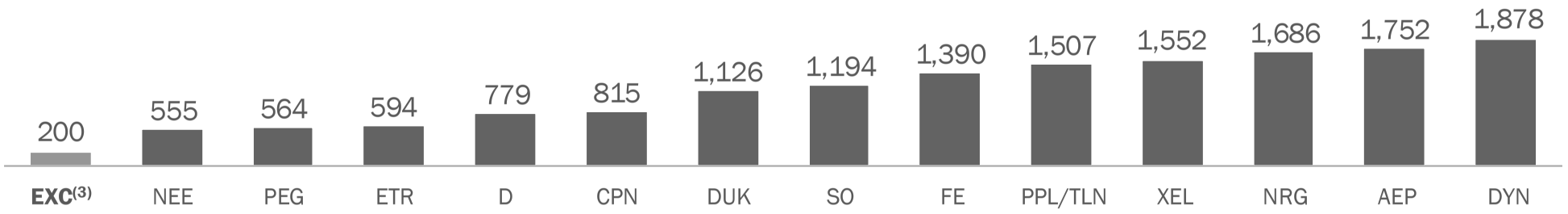
Exelon.

Exelon Generation is an Industry Leader

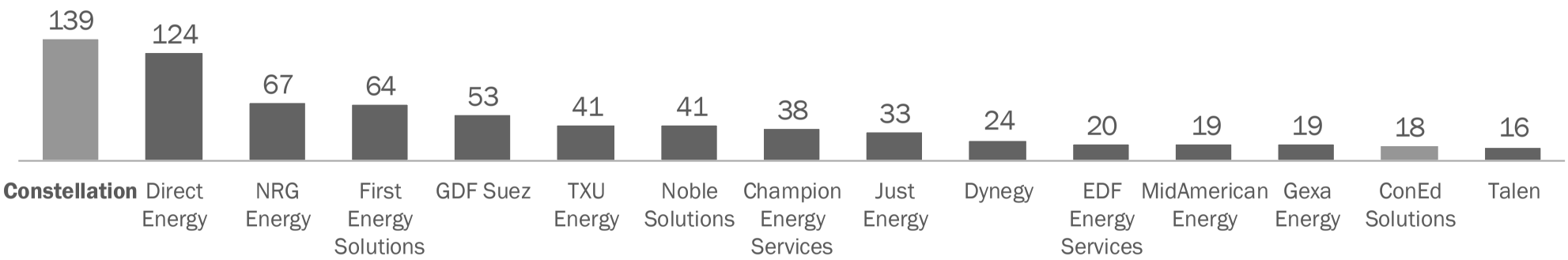
Total Generation Output (TWh)[1]



Carbon Intensity (lb/MWh)[1]



Retail Load Served (TWhs)[2]



(1) Includes regulated and non-regulated generation. Source: Benchmarking Air Emissions, July 2015; http://mjbradley.com/sites/default/files/Benchmarking-Air-Emissions-2015.pdf
(2) Source: DNV GL Retail Landscape April 2016
(3) Excludes EDF's equity ownership share of the CENG Joint Venture

SI-SSA-0015-01007

Exelon

Gen to Load Matching Model being Pursued Across the Sector

Exelon merged with Constellation to match Exelon's long generation position with Constellation's short customer book

Exelon

2002: Constellation New Energy created from purchase of AES New Energy

Various Acquisitions

2011: Startex and MX Energy acquired

2012: Exelon and Constellation Merger

2014: Integrys Energy Services acquired

July 2016: Announced ConEdison Solutions acquisition(1)

Competitors' Retail Acquisitions:

NRG
- **2011:** Energy Plus
- **2014:** Dominion Retail Electric

Dynegy
- **2013:** Ameren Energy Resources
- **2015:** Duke Midwest Retail Book

Calpine
- **2015:** Champion Energy Services

PSEG
- **2015:** Announced they were looking to acquire retail platform

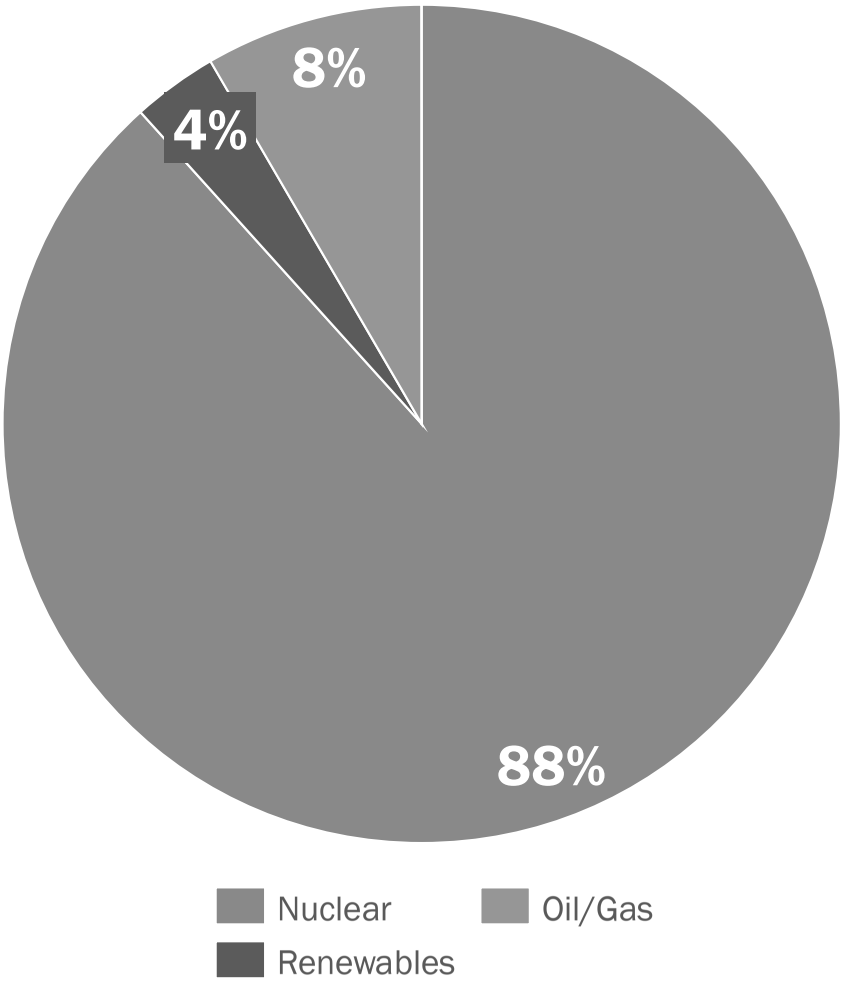
Our proven generation to load matching strategy has delivered sustainable earnings in volatile markets and served as a model for the industry

(1) Expected to close by end of 2016

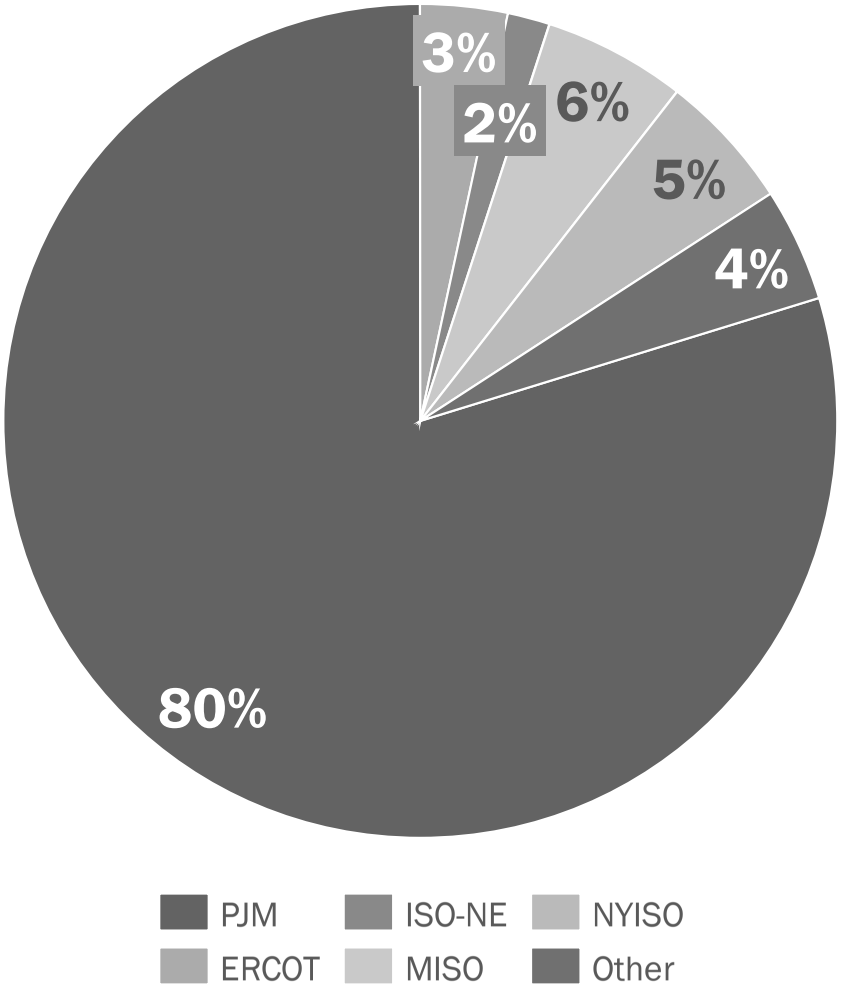
SI-SSA-0015-01008

The Cleanest Fleet in the Most Functional Markets

2015 Generation Output by Fuel Type



2015 Generation Output by ISO



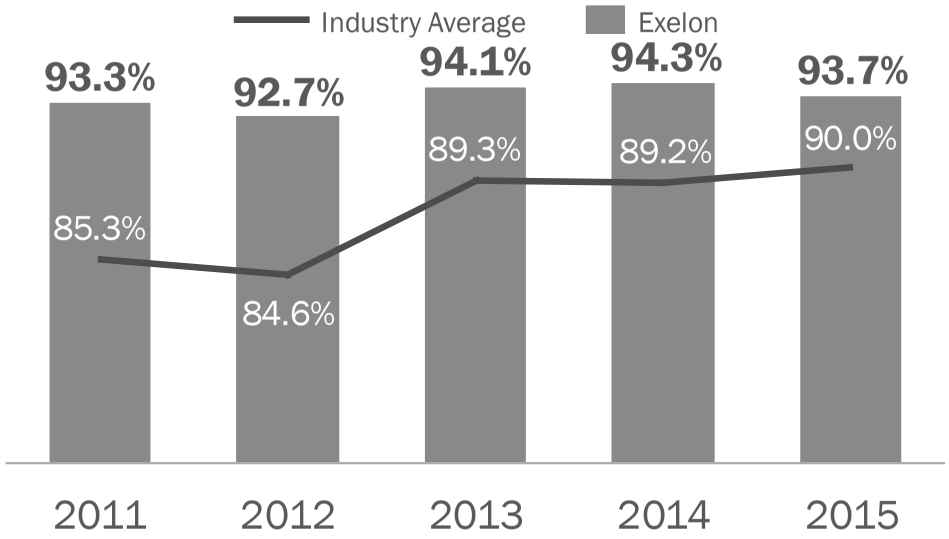
~90% of Exelon's generation is carbon-free and 93% in RTOs with a capacity construct

SI-SSA-0015-01009

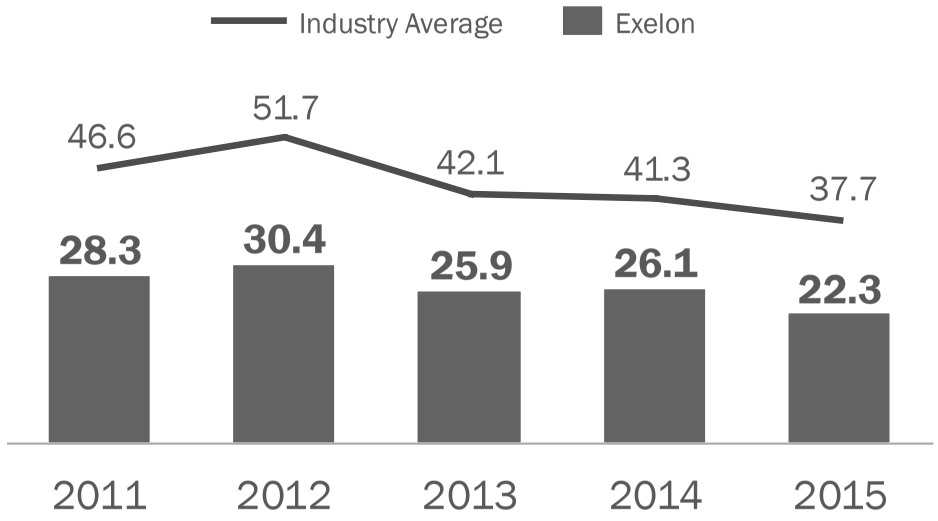
Exelon.

Best in Class Operational Performance

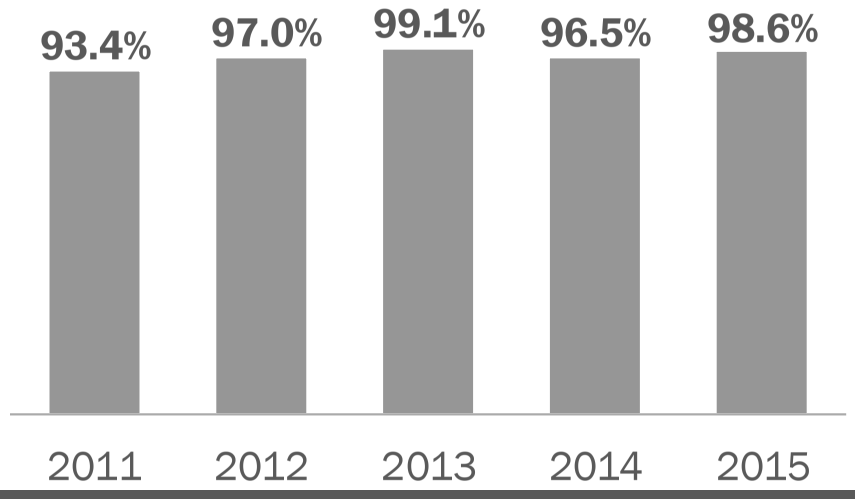
Nuclear Capacity Factor (1)



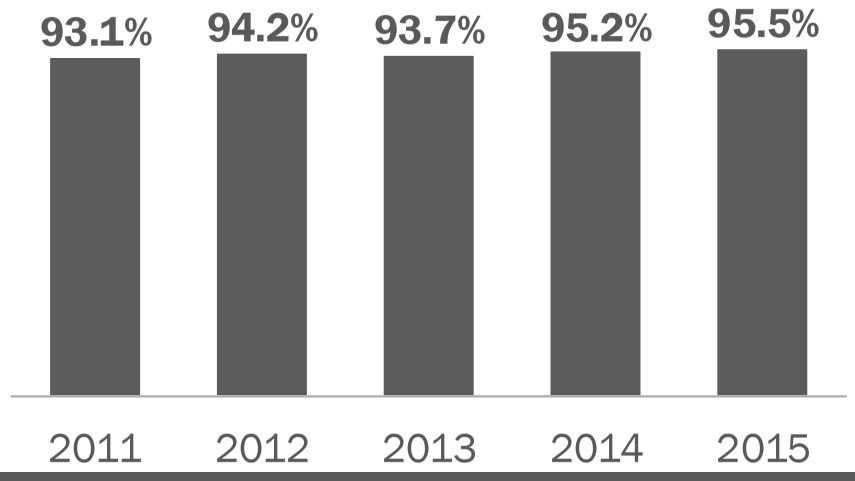
Average Nuclear Refueling Days



Gas & Hydro Dispatch Match



Wind/Solar Energy Capture



Our leading nuclear capacity factor produced 6 TWh more power than if at industry average

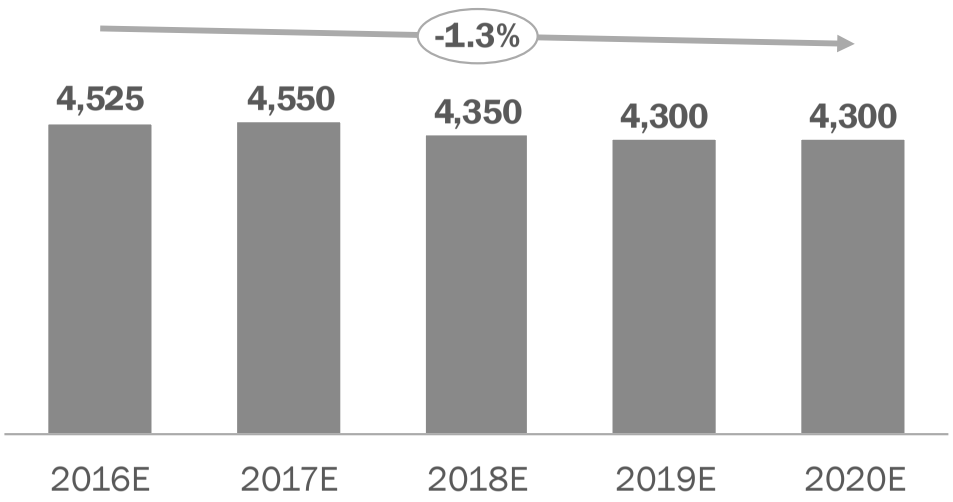
(1) Includes CENG beginning in April 2014, excludes Salem and Fort Calhoun; Calculation of industry average capacity factor and refueling days excludes Exelon fleet

Exelon.

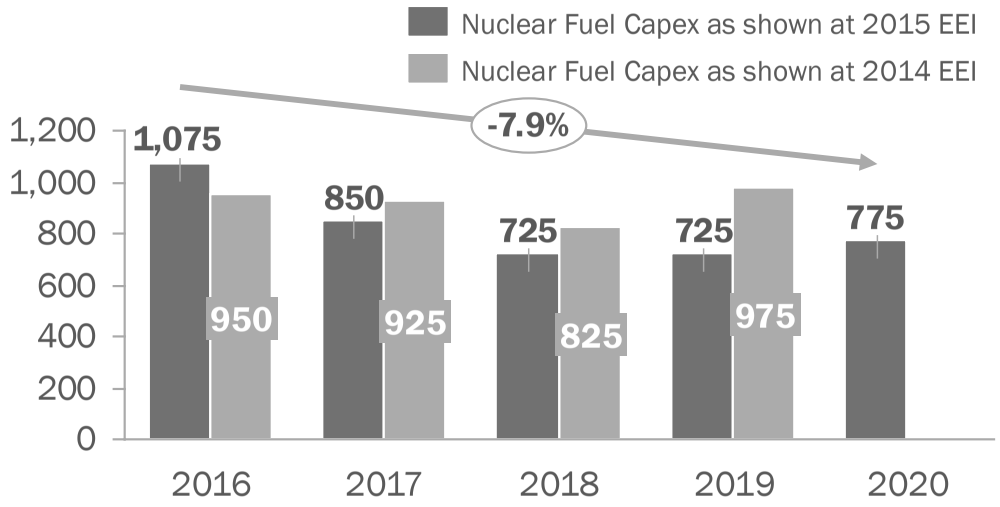
SI-SSA-0015-01010

Driving Cost and Capital Out of the Business

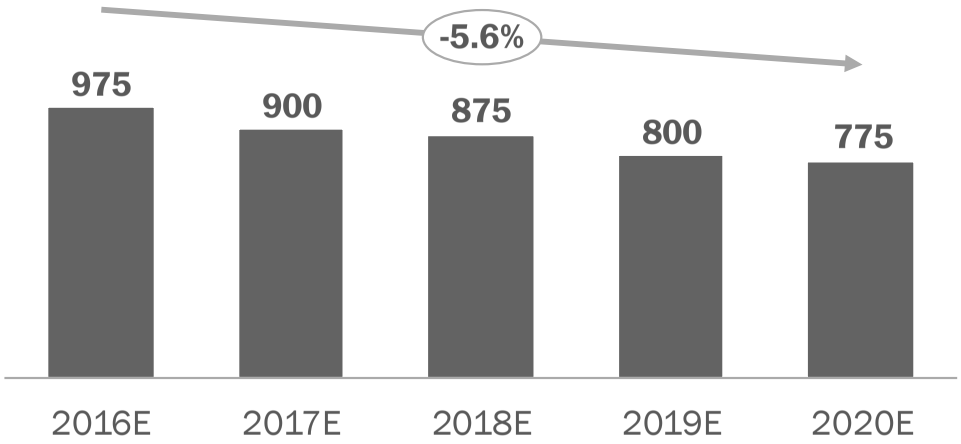
ExGen Adjusted O&M Spend ($M)[1]



Nuclear Fuel Spend ($M)



ExGen Base Capital Spend ($M)[2]



Disciplined approach to cost management drove 2015 Nuclear fleet-wide average total generating cost of $31.58 per MWh, which is top quartile in the industry

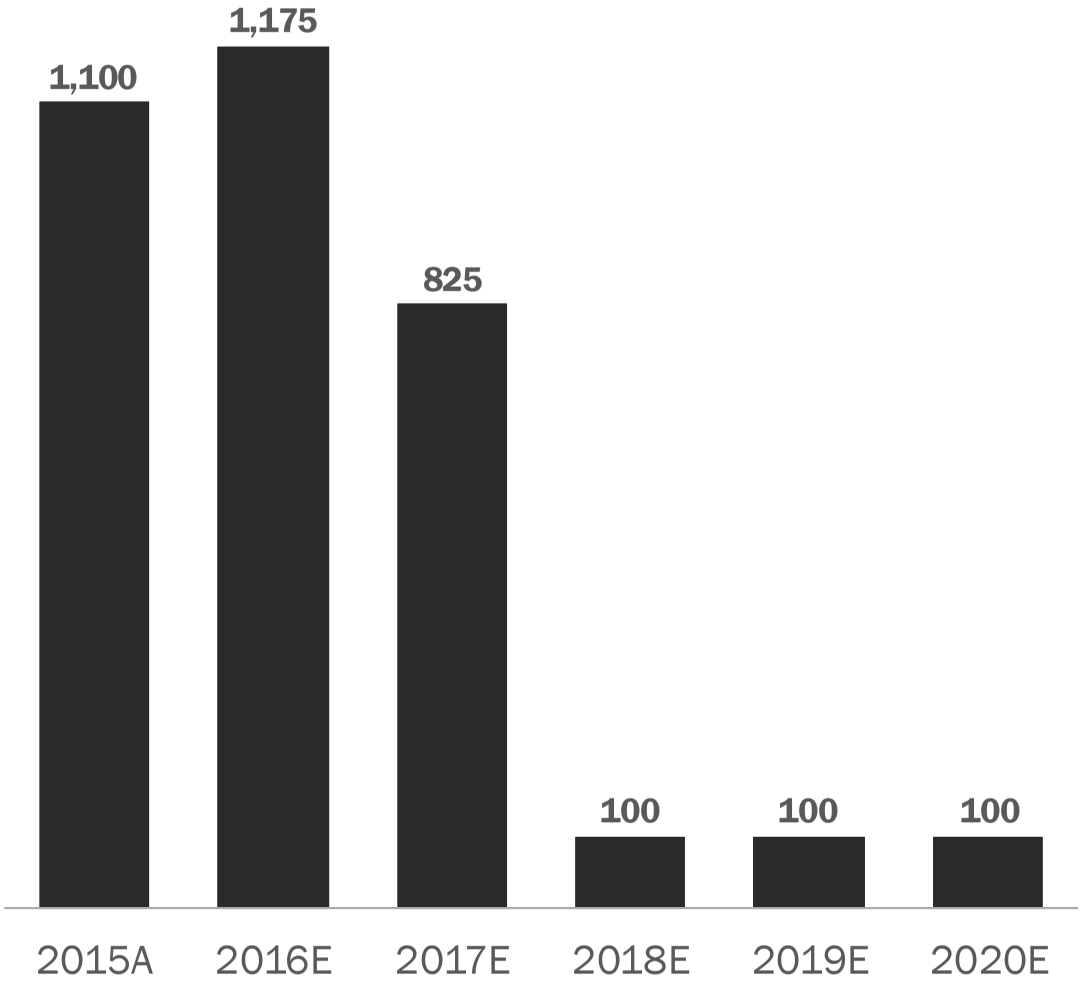
(1) Refer to slide 168 in the appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M
(2) Base capital spend represents cash CapEx with CENG at 100%, excludes merger commitments, and reflects retirement of Clinton and Quad Cities

Exelon.

SI-SSA-0015-01011

Growth CapEx Slowing

Exelon Generation Growth Capital Expenditures 2015-2020 ($B)[1]



Growth Project	In-Service Date	Contracted Asset
Blue Stem Wind	2016	Yes
Albany Green Energy	2017	Yes
Texas CCGTs	2017	No
Michigan Wind 3	2017	Yes
West Medway[2]	2018	No

Invest in select contracted assets where we can meaningfully exceed our return thresholds

(1) Includes cash CapEx with CENG at 100%, excludes merger commitments ,and nuclear fuel CapEx is rounded to the nearest $25M
(2) 7-year capacity payments make the project break-even based on a simple payback

SI-SSA-0015-01012

Exelon.

Disciplined Portfolio Management to Optimize Value

Demonstrated ability to monetize assets to improve the value of Exelon Generation

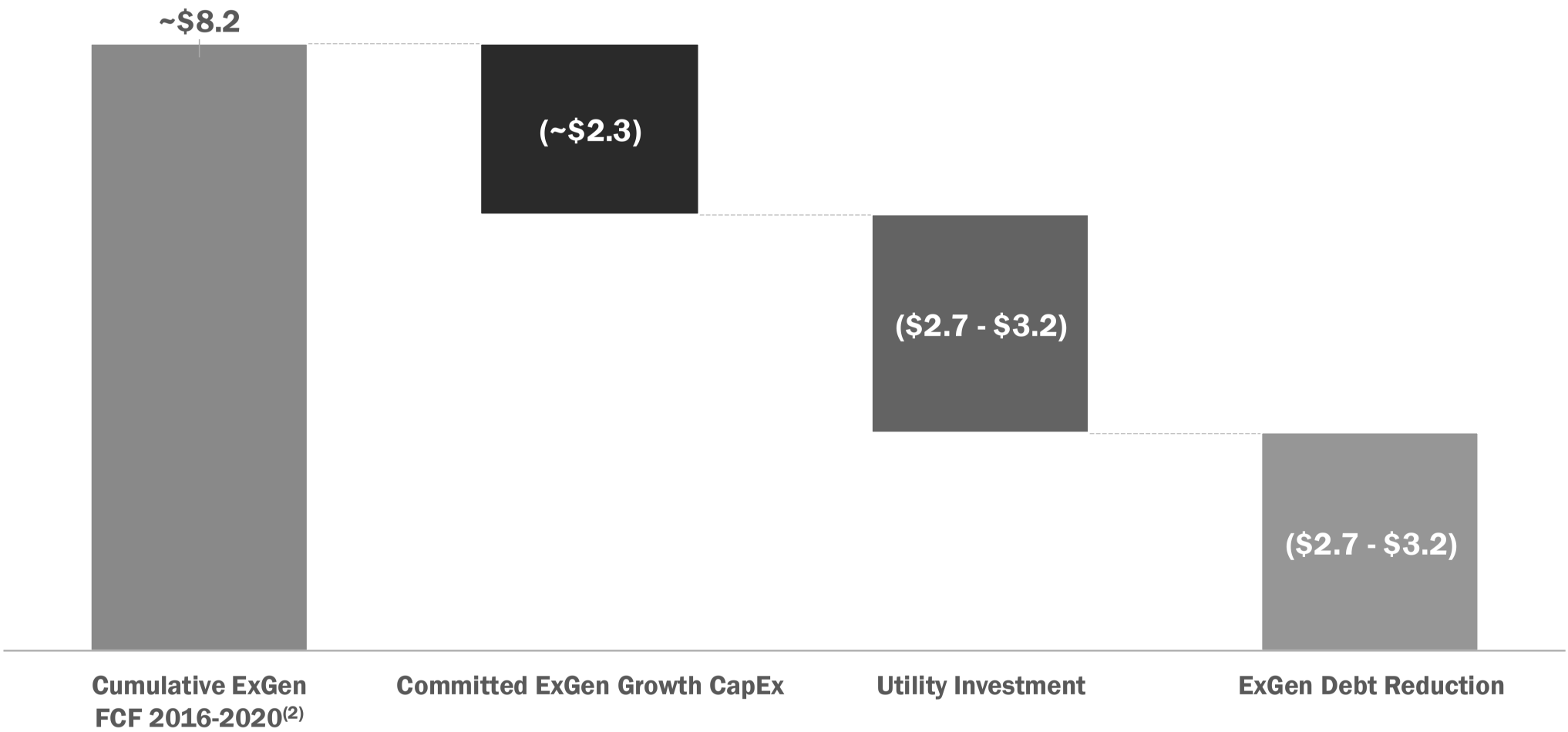
Opportunistically Sell Assets	• Sold 3,000 MWs at an average price of $600/kW – raised $1.8B (pre-tax) in asset sales in 2014
Extract Value Through Project Finance	• Raised $3.3B in project finance since 2011 including: • $1,050M Continental/EGR1 (13 contracted wind assets) and $700M ExGen Texas Power (3,476 MWs of gas-fired units)
Retire Uneconomic Assets	• Planned retirements of Clinton, Quad Cities and Oyster Creek Nuclear Stations in 2017, 2018, and 2019, respectively • Retired 1,350 MWs of fossil generation from 2011-2016
Payment for Carbon Free Attributes	• NY ZEC program provides payment for carbon free generation • Committed to pursue compensation for this value across the fleet

SI-SSA-0015-01013

Exelon.

ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2016-2020 Exelon Generation Free Cash Flow[1,2,3] and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Free Cash Flow is a non-GAAP Measure. See slide 168 for a reconciliation of free cash flow to the most comparable GAAP measures.
(2) Cumulative Free Cash Flow is a midpoint of a range based on June 30, 2016 market prices. It includes ~$700M of other sources including change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.
(3) Approval of Clean Energy Standard (CES) in NY would add up to ~$750M of incremental cash (after-tax) through 2020. This incremental cash is comprised of payments from the CES program ($350M) and additional distributions to Exelon from CENG related to completion of loan repayment and special distribution.

Exelon.

SI-SSA-0015-01014

Diverging Paths for Economically Challenged Nuclear Plants

Some Nuclear plants are challenged by persistently low power prices and market designs that do not compensate for their carbon free attributes

New York establishes CES, preserving at-risk nuclear plants, including Ginna and Nine Mile

- **2,600** jobs saved
- **$3B** in NY GDP contributed
- **~$47M** in property taxes preserved
- Prevention of **16MMt** of additional carbon emissions

Illinois fails to reach legislative solution leading to the closure of Clinton and Quad Cities stations

- **4,200** jobs lost
- **$1.2B** in economic activity lost
- **29-43%** of the property tax revenues of surrounding local governments lost
- **20MMt** in additional carbon emissions released

Source: January 5, 2015 Response to the IL General Assembly Concerning House Resolution 1146 prepared by Illinois Commerce Commission, Illinois Power Agency, Illinois Environmental Protection Agency, and Illinois Department of Commerce and Economic Opportunity; New York's Upstate Nuclear Power Plant's Contribution to the State Economy, Mark Berkman and Dean Murphy (The Brattle Group) authors, December 2015

SI-SSA-0015-01015

Investing in Our Future Employees through STEM Education

Exelon is making significant investments in science, technology, engineering and math (STEM) education because it is key to the success of our businesses and communities

- **$8M** to support STEM education programs in 2015
- Reaching more than **150,000 students** at hundreds of schools

SI-SSA-00115-01016

Exelon.

Constellation

Joe Nigro
Chief Executive Officer, Constellation

Exelon

SI-SSA-0015-01017

Constellation Overview

2,200
Employees

2 M
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

8th largest
gas provider in the U.S.

1.4 TCF
Gas Delivered

195 TWH
Customer Load Served

48
Operate in 48 States

In 2015, retired
2.2 million
RECs for customers, enabling them to avoid approximately
1.1[1] million
metric tons of GHG emissions and support the use of renewable power generation

23,905
Volunteer Hours

Top 10
Renewable energy sales

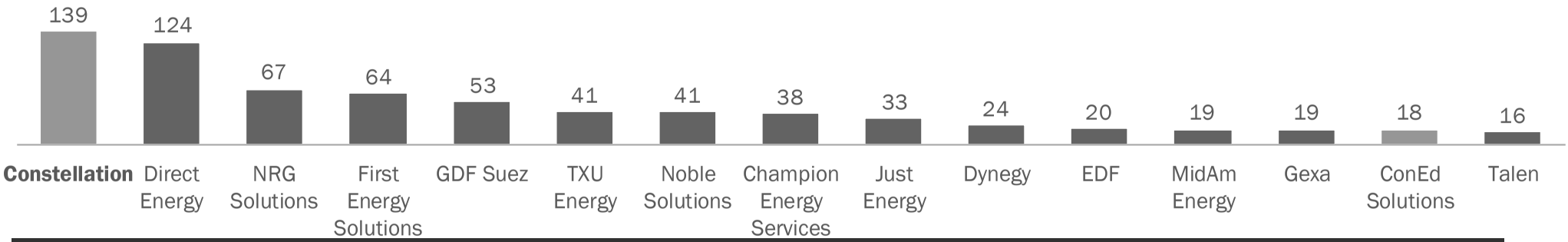
(1) As calculated based on the same generation supply mix used in EPA eGRID 2012

CL-SSA-00-C-01018

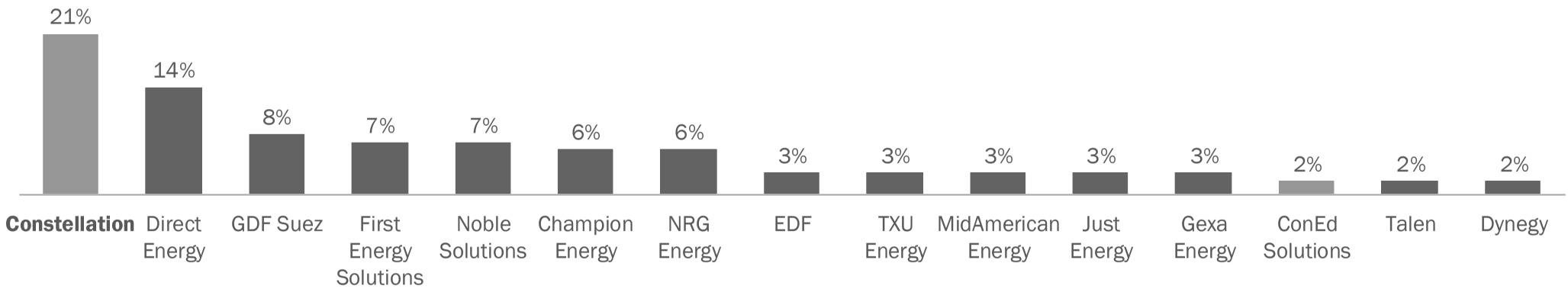
Exelon.

Constellation is an Industry Leader

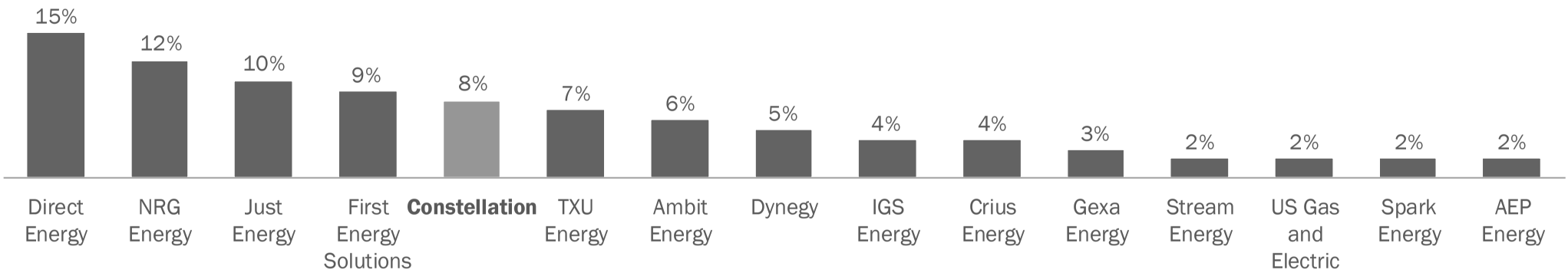
Retail Electric Load Served (TWh)[1]



Non-Residential Market Share[1]



Residential Market Share[1]



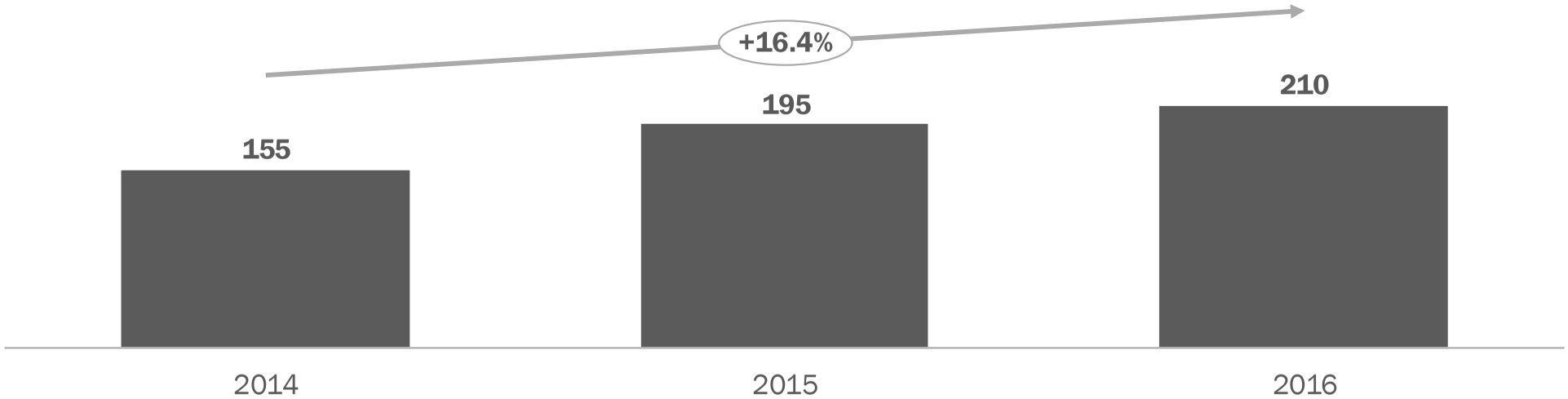
(1) Source: DNV GL Retail Landscape April 2016. Numbers reflect annualized customer load under contract.

Exelon.

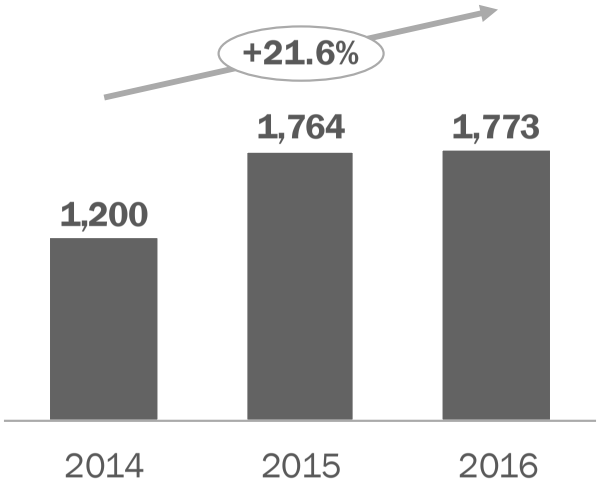
SI-SSA-0015-01019

Load Serving Business Growing through Multiple Channels

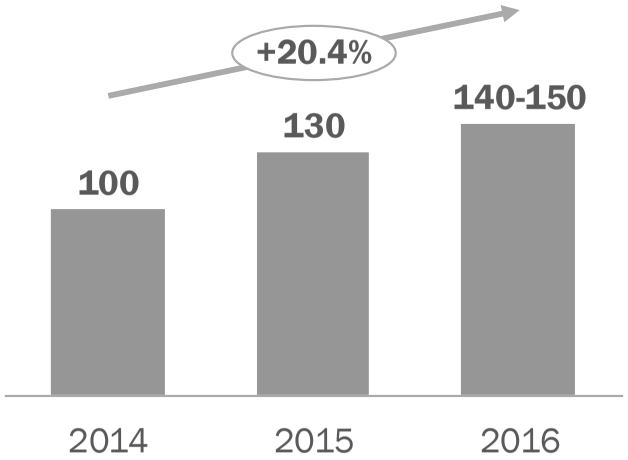
Total Load Served Volume Growth from 2014 to 2016 at 16.4% CAGR



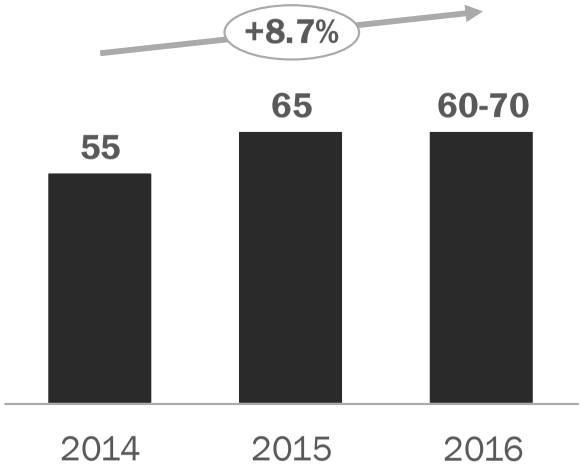
Residential Customers (in thousands)



Retail Load (TWh)[1,2]



Wholesale Load (TWh)[2]



Constellation remains number one in C&I load served and is number five in Residential customers served

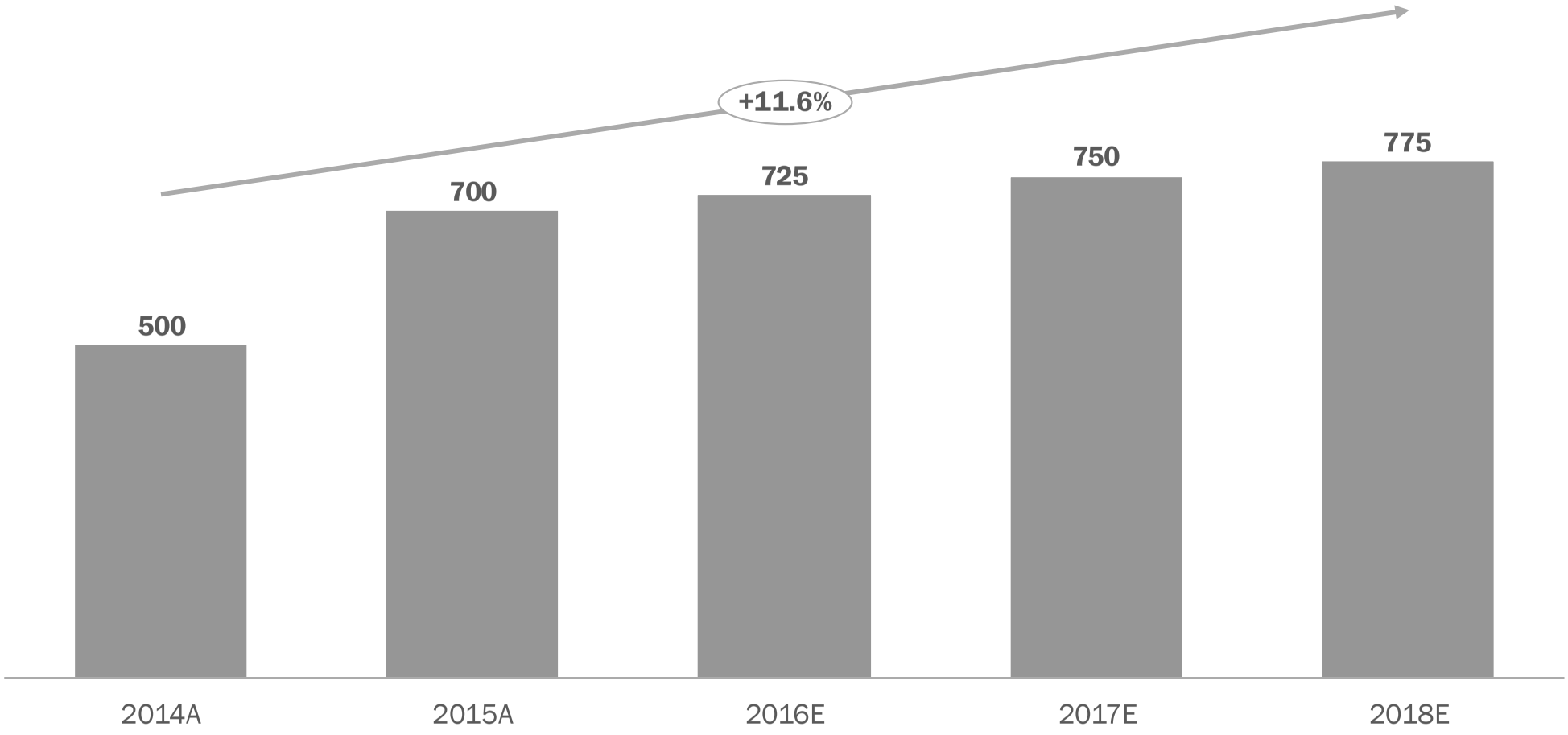
(1) Retail load includes index products
(2) Historical volumes are rounded to nearest 5 TWh

SI-SSA-0015-01020

Exelon.

Retail Gas Complements our Electric Load Serving Business

Retail Gas Volumes Projections (Bcf)



Constellation has grown its gas business through disciplined M&A and strong customer retention rates

Note: Volumes rounded to nearest 25 Bcf

Exelon.

SI-SSA-0015-01021

Loyalty of Constellation Customers

Serve 2/3 of the Fortune 100

Retail Power
More than 130 TWh
retail load under contract in 2015

Retail Gas
More than 700 Bcf
natural gas under contract in 2015

Solar
275 MW
customer sited, completed or under construction

Distributed Generation
165 MW
customer sited, completed or under construction

80% retail power customer renewal rate

30% power new customer win rate

90% natural gas customer retention rate

25 month average power contract term

Average customer duration of more than **5** years

Stable Retail Margins

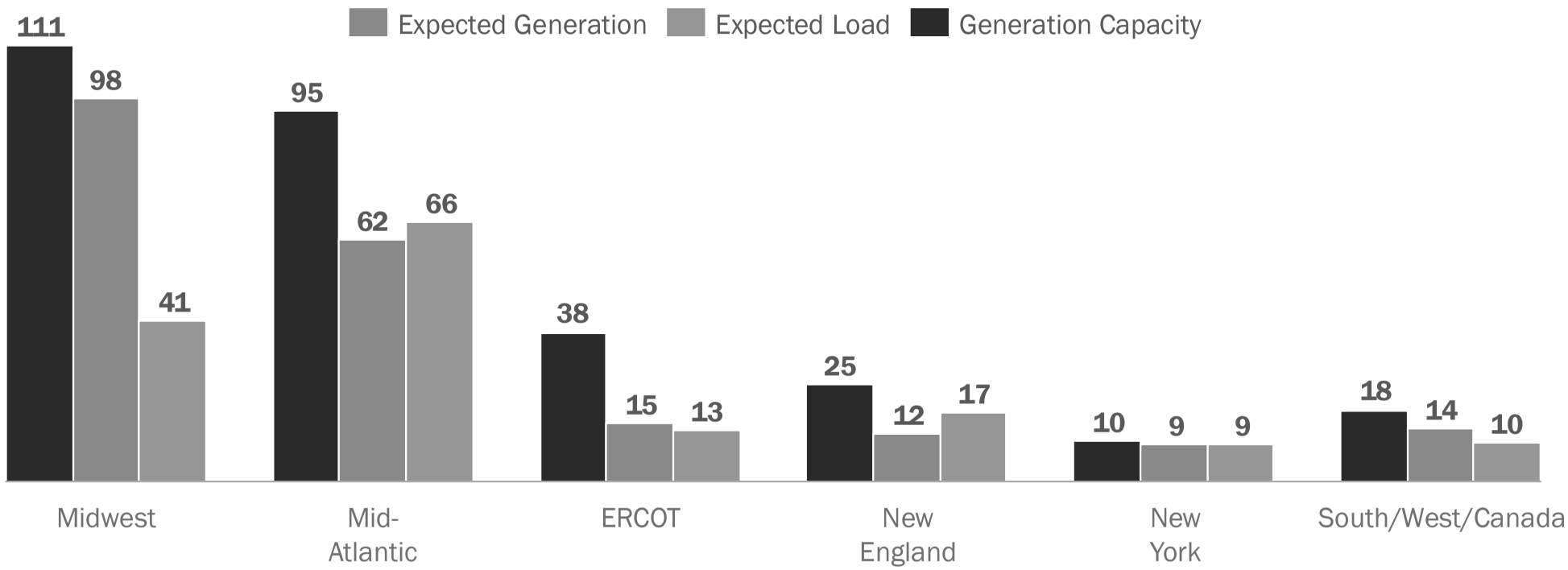
Constellation's retail business has helped drive consistent earnings over the years

SI-SSA-0015-01022

Exelon.

Our Generation to Load Strategy Delivers Durable Earnings

2016 Generation Load Match (TWh)[1,2,3]



- **High volatility**: During periods of high volatility, generation availability is of utmost importance. During the polar vortex of 2014, our 2 GW of peaking capability created significant value in the energy and ancillary markets – providing **~$100 million in value**[4].
- **Low volatility**: During periods of low volatility, we are able to capture higher margins through lower cost to serve our customers and we optimize the value of our dispatchable fleet. **In 2015, we realized ~$250 million in value.**

(1) Owned and contracted generation capacity converted from MW to MWh assuming 100% capacity factor (CF) for all technology types, except for renewable capacity which is shown at estimated CF
(2) Expected generation and load shown in the chart above will not tie out with load volume and ExGen disclosures; Load shown above does not include indexed products and generation reflects a net owned and contracted position; Estimates as of June 30, 2016
(3) Does not include ConEd Solutions acquisition
(4) Excludes the impact of plant outages, primarily at Calvert Cliffs prior to us operating the plant

SI-SSA-0015-01023

Exelon Generation Appendix

Exelon

SI-SSA-0015-01024

Nuclear Output and Refueling Outages

Nuclear Refueling Cycle

- All Exelon-owned units are on a 24 month cycle except:
  - For Braidwood U1/U2, Byron U1/U2, Ginna, and Salem U1/U2, which are on 18 month cycles; and,
  - Clinton which is scheduled on a 12 month cycle; however no refueling outages are scheduled due to its June 1, 2017 retirement date

2017 Planned Refueling Cycle

- 14 planned refueling outages, including 2 at Salem
  - 8 spring refueling outages and 4 fall refueling outages
  - Spring and fall Salem refueling outages

Planned Unit Retirements Impacting Production

- Clinton will be retired in mid-2017
- Quad Cities 1 & 2 will be retired in mid-2018
- Oyster Creek will be retired in late 2019

2018 Refueling Outage Impact

- 12 planned refueling outages, including 1 at Salem
  - 5 spring refueling outages and 6 fall refueling outages
  - 1 Salem fall refueling outages

SI-SSA-0015-01025

Additional License Extension for Peach Bottom Station

- On June 7, 2016, Exelon announced it is seeking an additional 20-year operating license for Peach Bottom from the Nuclear Regulatory Commission (NRC)
- The current operating licenses will expire in 2033 and 2034
- If the license extensions are approved, the plants would be allowed to operate until 2053 and 2054
- Exelon will file formal application for license extension in 2018. The NRC review is anticipated to take approximately 2 to 2.5 years to complete
- Peach Bottom is one of Exelon's highest performing plants and one of the best in the United States
  - 93% capacity factor in 2015
  - Long history of reliability
    - No automatic trips in more than 10 years
    - 5 consecutive breaker to breaker runs
  - Provides 10% of Pennsylvania's power
  - Completed major extended power uprate in 2015, under budget and ahead of schedule, that increased site output by more than 12%

SI-SSA-0015-01026

Exelon.

Process for Decommissioning a Nuclear Plant

- Sites must be decommissioned within 60 years of plant ceasing operations
- Exelon must submit a cost estimate for decommissioning the plants to the NRC within 2 years of permanent cessation of operations
- Within 2 years of permanent cessation of operations, Exelon must submit a post-shutdown decommissioning activities report (PSDAR) to the NRC and Illinois, which must include the site's planned option for decommissioning the unit
- NRC will make the PSDAR available for public comment and schedule a public meeting
- Exelon can begin decommissioning activities after 90 days of submitting the PSDAR and after submittal of certification of permanent cessation of operations and permanent removal of fuel
- Exelon cannot access all the decommissioning funds until after submittal of the site-specific cost to the NRC
- Exelon can use one or both of two options to decommission the plants:
  - SAFSTOR (Safe Storage): facility is placed and maintained in a condition that allows it to be safely stored and subsequently decontaminated to levels that permits the property to be released. We can choose to end SAFSTOR at any point during the 60-year period and transition to DECON. Generally, sites must spend no more than 50 years in SAFSTOR and allow 10 years for the DECON stage of decommissioning.
  - DECON (Decontamination): Radioactive equipment and structures are removed or decontaminated to a level that permits the property to be released for use shortly after cessation of operations
- Terminating the NRC license: As the DECON phase nears completion, the company must submit a license termination plan to the NRC at least two years before the proposed license termination date. The license termination plan is subject to public comment. After considering the public comments, the NRC will terminate the license if all work has followed the approved license termination plan and the final radiation survey shows the site is suitable for release.

Exelon's schedules for decommissioning Clinton and Quad Cities nuclear stations are currently under development

Source: Nuclear Energy Institute

SI-SSA-0015-01027

Clinton and Quad Cities Nuclear Decommissioning Trust Funds

It is currently estimated that Clinton will no longer meet the NRC minimum funding requirements due to the earlier commencement of decommissioning activities and a shorter time period over which the nuclear decommissioning trust fund (NDTF) investments could appreciate in value. Quad Cities would also be at risk for such a shortfall. A shortfall could require Exelon to post parental guarantees for Generation's obligations. However, the amount of any required guarantees will ultimately be dependent on the decommissioning approach adopted at each site, the associated level of costs, and the decommissioning trust fund investment performance going forward. Considering the three alternative decommissioning approaches available to Generation for each site, the most costly estimates currently anticipated could require parental guarantees of up to $385 million for Clinton in order to access its NDTF for radiological decommissioning costs. Although Quad Cities is better positioned than Clinton to avoid the need for a parental guarantee, a guarantee of up to $135 million, at Generation's ownership percentage, may be required in order for the site to access its NDTF for radiological decommissioning costs.

Upon issuance of any required financial guarantees, Clinton and Quad Cities would be able to utilize the respective NDTFs for radiological decommissioning costs, which represent the majority of the total expected decommissioning costs. However, the NRC must approve an additional exemption in order for Generation to utilize the NDTF to pay for non-radiological decommissioning costs (i.e. spent fuel management and site restoration costs). If a unit does not receive this exemption, the costs would be borne by the owner(s). Accordingly, based on current projections, it is expected that some portion of the spent fuel management and/or site restoration costs would need to be funded through supplemental cash from Generation and others holding ownership interests. While the ultimate amounts may vary greatly and could be reduced by alternate decommissioning scenarios and/or reimbursement of certain costs under the United States Department of Energy reimbursement agreements or future litigation, across the three alternative decommissioning approaches available to Generation, for the next 10 years, Clinton could incur spent fuel management and site restoration costs of up to $160 million, net of taxes. Quad Cities is better positioned to pass the test than Clinton. Although considered unlikely, if Quad Cities fails the exemption test, at its ownership percentage Generation, could be required to pay for spent fuel management costs over the next ten years of up to $185 million, net of taxes.

	Potential Parental Guarantees	Potential Spent Fuel and Restoration Costs
Clinton	Up to $385M	Up to $160M
Quad Cities	Up to $135M	Up to $185M

SI-SSA-0015-01028

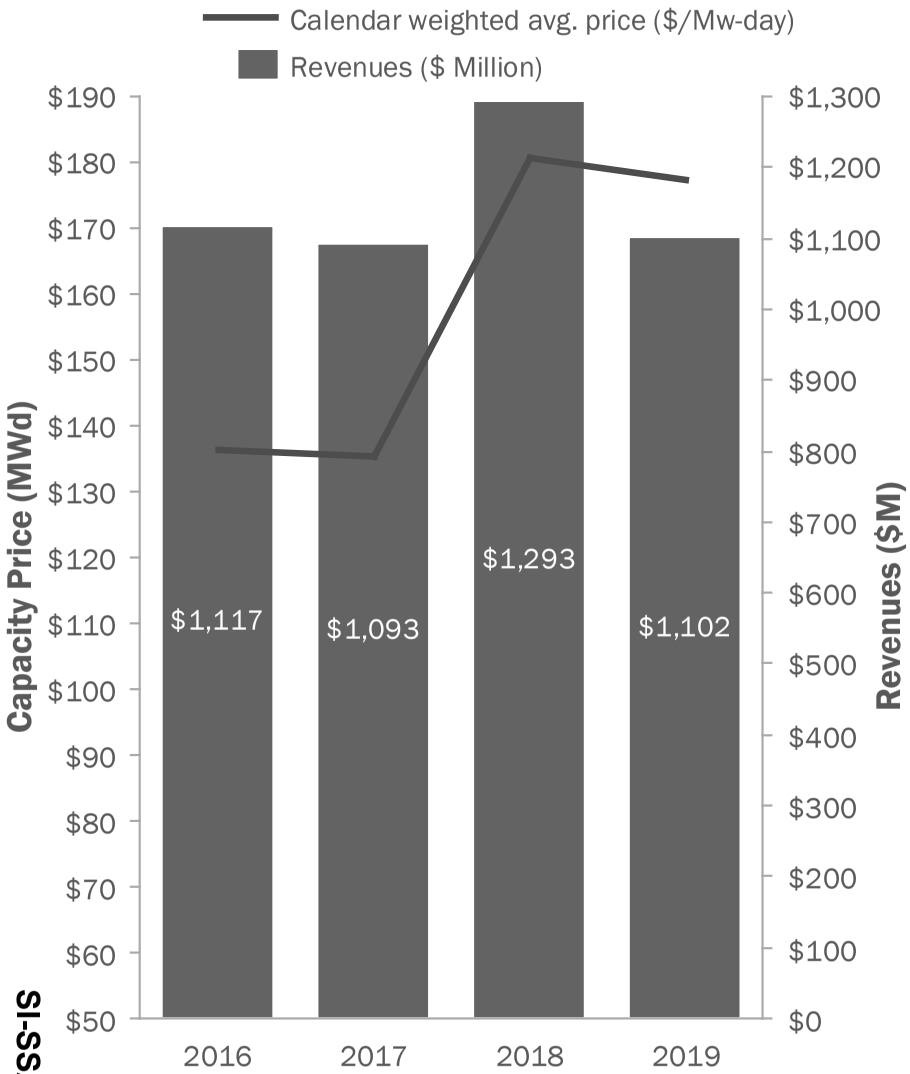
Constellation Energy Nuclear Group (CENG) Operating Service Agreement Terms

- **Nuclear Operating services agreement**
  - Integrated CENG and its 3 plants into Exelon Nuclear with transfer of operating licenses
- **Loan to CENG and distributions to EDF/Exelon Generation**
  - CENG $400M special distribution paid to EDF on April 1, 2014
  - Exelon Generation made $400M loan to CENG at 5.25% annual interest rate to fund special distribution to EDF (As of June 30, 2016, the loan balance, including interest, was $308M)
  - Exelon Generation receives priority payment from CENG's available cash flows until loan is fully repaid
  - Exelon Generation also entitled to receive aggregate preferred distributions of $400M plus a return of 8.5% per annum from April 1, 2014 (No amounts have been paid on this special distribution)
- **Option for EDF to sell its 49.99% interest in CENG to Exelon Generation**
  - Exercisable from January 2016 to June 2022
  - Process and timeline allows for possible negotiated agreement on price
  - If no negotiated agreement on price, price is determined by arbitration process to determine fair market value
  - Arbitration process could take up to 10 months or longer before binding decision is made on price
  - Price would be adjusted for EDF share of remaining loan balance and special distribution to Exelon Generation
  - Regulatory approvals could take several months but might run concurrently with arbitration process
  - Exelon has limited rights to defer closing up to 6 months

SI-SSA-0015-01029

Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



Cleared Volumes[4]	2018/2019				2019/2020			
	CP	Price	Base	Price	CP	Price	Base	Price
COMED								
Nuclear	8,625	$215	-	$200	6,925	$203	-	$183
Fossil/Others	-	$215	25	$200	-	$203	50	$183
Sub Total	8,625		25		6,925		50	
EMAAC								
Nuclear	4,325	$225	-	$211	4,375	$120	-	$100
Fossil/Others	2,075	$225	1,050	$211	1,525	$120	1,675	$100
Sub Total	6,400		1,050		5,900		1,675	
SWMAAC								
Nuclear	850	$165	-	$150	850	$100	-	$80
Fossil/Others	-	$165	-	$150	0	$100	-	$80
Sub Total	850		-		850		-	
BGE								
Nuclear	-	$165	-	$150	0	$100	-	$80
Fossil/Others	300	$165	425	$150	375	$100	225	$80
Sub Total	300		425		375		225	
Rest of RTO								
Nuclear	-	$165	-	$150	0	$100	-	$80
Fossil/Others	265	$165	50	$150	275	$100	75	$80
Sub Total	265		50		275		75	
PJM Portfolio								
Nuclear	13,800		-		12,150		-	
Fossil/Others	2,640		1,550		2,175		2,025	
Grand Total	16,440		1,550		14,325		2,025	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

SI-SSA-0015-01030

Exelon.

Capacity Markets: ISO-NE, NYISO, MISO

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
ISO-NE[1]					
NEMA					
Capacity (MW)[3]	2,100	2,100	2,100	2,100	2,100
Price ($/MWd)	$104	$222	$500	$318	$234
SEMA					
Capacity (MW)[3]	35	35	35	230	230
Price ($/MWd)	$104	$105	$234	$557	$536
NYISO[2]					
Capacity (MW)[3]	1,100	1,100	1,100	1,100	1,100
MISO					
Capacity (MW)[3]	1,100	1,100			
Price ($/MWd)[4]	$150	$72			

(1) ISO-NE: ISO New England; NEMA: Northeastern Massachusetts and Boston; SEMA: Southeastern Massachusetts
(2) NYISO: New York Independent System Operator
(3) Represents offered capacity at ownership
(4) AMIL: Ameren Illinois AMIL capacity price represents PRA auction clearing price for Zone 4 in $/MWd

SI-SSA-0015-01031

Exelon Nuclear Fleet Overview (including CENG and Salem)

	Plant Location	Type/ Containment	Net Generation Capacity (MW)[1]	License Extension Status / License Expiration[1]	Ownership	Spent Fuel Storage/ Date to lose full core discharge capacity[3]
Midwest	Braidwood, IL (Units 1 and 2)	PWR Concrete/Steel Lined	2,389	Renewed / 2046, 2047	100%	Dry Cask
Midwest	Byron, IL (Units 1 and 2)	PWR Concrete/Steel Lined	2,347	Renewed / 2044, 2046	100%	Dry Cask
Midwest	Clinton, IL (Unit 1)	BWR Concrete/Steel Lined / Mark III	1,069	2026 [3]	100%	Dry Cask (2016)
Midwest	Dresden, IL (Units 2 and 3)	BWR Steel Vessel / Mark I	1,845	Renewed / 2029, 2031	100%	Dry Cask
Midwest	LaSalle, IL (Units 1 and 2)	BWR Concrete/Steel Lined / Mark II	2,320	Filed application December 2014 (decision expected 2017)/2022, 2023	100%	Dry Cask
Midwest	Quad Cities, IL (Units 1 and 2)	BWR Steel Vessel / Mark I	1,403	Renewed / 2032 [3]	75% Exelon, 25% Mid-American Holdings	Dry Cask
Mid-Atlantic	Limerick, PA (Units 1 and 2)	BWR Concrete/Steel Lined / Mark II	2,317	Renewed / 2044, 2049	100%	Dry Cask
Mid-Atlantic	Oyster Creek, NJ (Unit 1)	BWR Steel Vessel / Mark I	625	Renewed / 2029 [4]	100%	Dry Cask
Mid-Atlantic	Peach Bottom, PA (Units 2 and 3)	BWR Steel Vessel / Mark I	1,299	Renewed / 2033, 2034	50% Exelon, 50% PSEG	Dry Cask
Mid-Atlantic	TMI, PA (Unit 1)	PWR Concrete/Steel Lined	837	Renewed / 2034	100%	2023
Mid-Atlantic	Salem, NJ (Units 1 and 2)	PWR Concrete/Steel Lined	1,005	Renewed / 2036, 2040	42.6% Exelon, 57.4% PSEG	Dry Cask
CENG	Calvert Cliffs, MD (Units 1and 2)	PWR Concrete/Steel Lined	878	Renewed / 2034, 2036	100% CENG [5]	Dry Cask
CENG	R.E. Ginna, NY (Unit 1)	PWR Concrete/Steel Lined	288	Renewed / 2029	100% CENG [5]	Dry Cask
CENG	Nine Mile Point, NY (Units 1 and 2)	BWR Steel Vessel / Mark I Concrete/Steel Vessel/ Mark II	838	Renewed / 2029, 2046	100% CENG[5] / 82% CENG[5], 18% Long Island Power Authority	Dry Cask

(1) Net generation capacity is stated at proportionate ownership share. As of December 31, 2015. Operating license renewal process takes approximately 4-5 years from commencement until completion of NRC review.
(2) The date for loss of full core reserve identifies when the on-site storage pool will no longer have sufficient space to receive a full complement of fuel from the reactor core; Dry cask storage will be in operation at those sites prior to losing full core discharge capacity in their on-site storage pools
(3) On June 2, 2016, Exelon announced plans to permanently cease generation operations at Clinton on June 1, 2017 and Quad Cities on June 1, 2018
(4) On December 8, 2010, Exelon announced that it will permanently cease generation operations at Oyster Creek by December 31, 2019; Oyster Creek's current NRC license expires in 2029
(5) Exelon Generation has a 50.01% ownership interest in CENG. EDF has a 49.99% ownership interest in CENG.

SSA-0015-01032

Exelon

Exelon Oil & Gas Generation Fleet Overview

	Station	Location	Number of Units	Primary Fuel Type	Percent Owned[1]	Net Generation Capacity (MW)[2]
ERCOT	Colorado Bend	Wharton, TX	6	Gas		468
	Handley 3	Fort Worth, TX	1	Gas		395
	Handley 4, 5	Fort Worth, TX	2	Gas		870
	LaPorte	Laporte, TX	4	Gas		152
	Mountain Creek 6, 7	Dallas, TX	2	Gas		240
	Mountain Creek 8	Dallas, TX	1	Gas		568
	Wolf Hollow 1, 2, 3	Granbury, TX	3	Gas		705
Mid-Atlantic	Chester	Chester, PA	3	Oil		39
	Croydon	West Bristol, PA	8	Oil		391
	Delaware	Philadelphia, PA	4	Oil		56
	Eddystone	Eddystone, PA	4	Oil		60
	Eddystone 3, 4	Eddystone, PA	2	Oil/Gas		760
	Falls	Morrisville, PA	3	Oil		51
	Gould Street	Baltimore, MD	1	Gas		97
	Handsome Lake	Kennerdell, PA	5	Gas		268
	Moser	Lower PottsgroveTwp., PA	3	Oil		51

	Station	Location	Number of Units	Primary Fuel Type	Percent Owned[1]	Net Generation Capacity (MW)[2]
Mid-Atlantic	Notch Cliff	Baltimore, MD	8	Gas		118
	Perryman	Belcamp, MD	5	Oil/Gas		412
	Philadelphia Road	Baltimore, MD	4	Oil		61
	Richmond	Philadelphia, PA	2	Oil		98
	Riverside	Baltimore, MD	2	Oil/Gas		39
	Salem	Lower Alloways Creek Twp, NJ	1	Oil	42.59	16
	Schuylkill	Philadelphia, PA	2	Oil		30
	Southwark	Philadelphia, PA	4	Oil		52
	Westport	Baltimore, MD	1	Gas		116
Midwest	Southeast Chicago	Chicago, IL	8	Gas		296
New England	Framingham	Framingham, MA	3	Oil		31
	Medway	West Medway, MA	3	Oil/Gas		123
	Mystic 7	Charlestown, MA	1	Oil/Gas		575
	Mystic 8, 9	Charlestown, MA	2	Gas		1415
	Mystic Jet	Charlestown, MA	1	Oil		8
	New Boston[3]	South Boston, MA	1	Oil		16
	Wyman	Yarmouth, ME	1	Oil	5.9	36
Other	Grand Prairie	Alberta, Canada	1	Gas		105
	Hillabee	Alexander City, AL	1	Gas		753
	Sunnyside	Sunnyside, UT	1	Waste Coal	50	26

(1) 100%, unless otherwise indicated
(2) Oil & Gas Capacity values shown represent summer ratings as of June 2016. Net Generation Capacity (MW) is stated at proportionate ownership share.
(3) New Boston Jet (16 MW) will retire in Q4 2016

SI-SSA-0015-01033

Exelon

Exelon Renewable Generation Fleet Overview

	Station	Location	Number of Units	Primary Fuel Type	Percent Owned(1)	Net Generation Capacity (MW)(2)
ERCOT/SPP	EXC Wind 1,2,3,4	Hansford Co., TX	62	Wind		110
	EXC Wind 5,6	Sherman Co., TX	16	Wind		20
	EXC Wind 7,8,9,10,11	Moore Co., TX	40	Wind		50
	High Plains	Moore Co., TX	8	Wind	99.5	10
	Sendero	Hebbronville, TX	39	Wind		78
	Whitetail	Webb, TX	57	Wind		91
Mid-Atlantic	Bethlehem Landfill	Bethlehem, PA	1	Landfill Gas		5
	Conowingo	Harford Co., MD	11	Hydroelectric		572
	Criterion	Oakland, MD	28	Wind		70
	Eastern Landfill	White Marsh, MD	3	Landfill Gas		3
	Fair Wind	Garrett, MD	12	Wind		30
	Fairless	Falls Twp, PA	2	Landfill Gas		60
	Fourmile	Garrett Co., MD	16	Wind		40
	Muddy Run	Lancaster Co., PA	8	Hydro		1,070
	Pennsbury	Falls Twp, PA	2	Landfill Gas		6
West	Antelope Valley Solar Ranch	LA County, CA	1	Solar		242
	Cassia	Twin Falls Co., ID	14	Wind		29
	Echo I	Umatilla Co., OR	21	Wind	99	35
	Echo II	Morrow Co., OR	10	Wind		20
	Echo III	Morrow Co., OR	6	Wind	99	10
	High Mesa	Twin Fall Co., ID	19	Wind		40
	Mountain Home	Elsmore Co., ID	20	Wind		42
	Threemile Canyon	Morrow Co., OR	6	Wind		10
	Tuana Springs	Twin Fall Co., ID	8	Wind		17
	Wildcat	Lea, NM	13	Wind		27

	Station	Location	Number of Units	Primary Fuel Type	Percent Owned(1)	Net Generation Capacity (MW)(2)
Midwest	AgriWind	Bureau Co., IL	4	Wind	99	8
	Beebe 1A & 1B	Gratiot, MI	55	Wind		131
	Blue Breezes/Moore	Blue Earth, MN	2	Wind		3
	Cisco	Jackson Co., MN	4	Wind	99	8
	Cowell	Pipestone Co., MN	1	Wind	99	2
	CP Windfarm	Faribault Co., MN	2	Wind		4
	Ewington	Jackson Co., MN	10	Wind	99	21
	EXC City Solar	Cook Co., IL	1	Solar		8
	Harvest I & II	Huron Co., MI	65	Wind		112
	Marshall	Lyon Co., MN	9	Wind	99	19
	Michigan Wind I	Bingham Township, MI	46	Wind		69
	Michigan Wind II	Minden City, MI	50	Wind		90
	Bluegrass Ridge	Gentry Co., MO	27	Wind		57
	Conception	Nodaway Co., MO	24	Wind		50
	Cow Branch	Atchinson Co., MO	24	Wind		50
	Greensburg	Kiowa Co., KS	10	Wind		13
	Loess Hills	Atchinson Co., MO	4	Wind		5
	Shooting Star	Kiowa Co., KS	65	Wind		104

(1) 100%, unless otherwise indicated
(2) Renewable Capacity values shown represent summer ratings as of June 2016. Net Generation Capacity (MW) is stated at proportionate ownership share.

SI-SSA-0015-01034

Exelon Generation Disclosures

June 30, 2016

SI-SSA-0015-01035

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

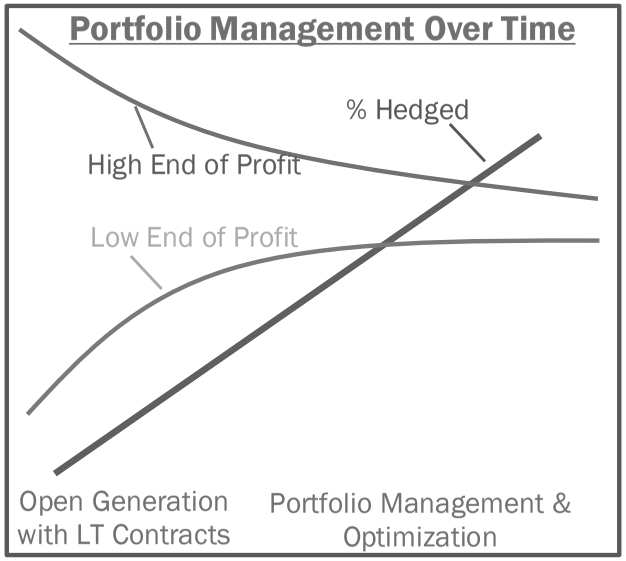
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

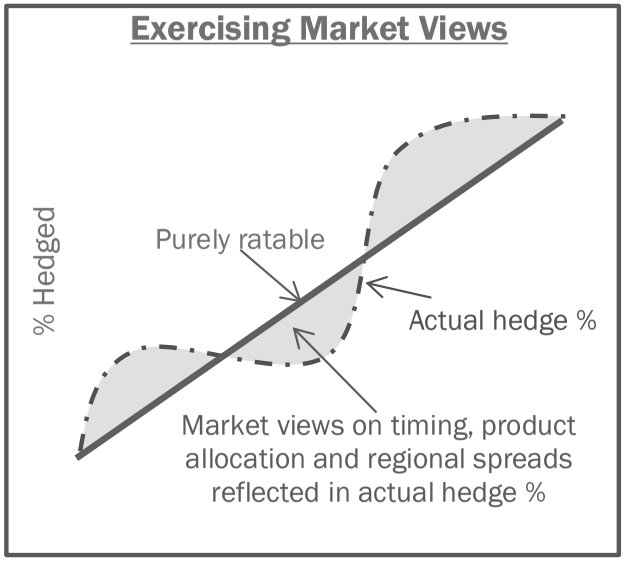
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales			Gross margin from other business activities	
Open Gross Margin	**MtM of Hedges[2]**	**"Power" New Business**	**"Non Power" Executed**	**"Non Power" New Business**
• Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense • Power Purchase Agreement (PPA) Costs and Revenues • Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])	• Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions • Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation	• Retail, Wholesale planned electric sales • Portfolio Management new business • Mid marketing new business	• Retail, Wholesale executed gas sales • Energy Efficiency[4] • BGE Home[4] • Distributed Solar	• Retail, Wholesale planned gas sales • Energy Efficiency[4] • BGE Home[4] • Distributed Solar • Portfolio Management / origination fuels new business • Proprietary trading[3]

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-01037

ExGen Disclosures

Gross Margin Category ($M)[1]	2016	2017	2018
Open Gross Margin (including South, West & Canada hedged GM)[3]	$4,750	$5,650	$5,900
Mark-to-Market of Hedges[3,4]	$2,450	$800	$200
Power New Business / To Go	$150	$700	$900
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin[2,6]	**$7,800**	**$7,600**	**$7,500**

Reference Prices[5]	2016	2017	2018
Henry Hub Natural Gas ($/MMbtu)	$2.52	$3.18	$3.02
Midwest: NiHub ATC prices ($/MWh)	$26.03	$29.42	$29.71
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$29.80	$34.61	$33.28
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.87	$5.14	$4.98
New York: NY Zone A ($/MWh)	$28.57	$33.60	$32.31
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.78	$6.97	$8.01

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 138 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(5) Based on June 30, 2016 market conditions
(6) Excludes Clinton and Quad Cities starting in June 2017 and June 2018 respectively. Does not include the impact of the CES program in NY.

SI-SSA-0015-01038

ExGen Disclosures

Generation and Hedges	2016	2017	2018
Exp. Gen (GWh)[1]	**196,300**	**199,300**	**190,700**
Midwest[6]	97,800	91,000	80,900
Mid-Atlantic[2]	61,700	60,900	60,600
ERCOT	15,100	26,000	31,100
New York[2]	9,400	9,200	9,100
New England	12,300	12,200	9,000
% of Expected Generation Hedged[3]	**97%-100%**	**78%-81%**	**47%-50%**
Midwest[6]	96%-99%	73%-76%	42%-45%
Mid-Atlantic[2]	100%-103%	88%-91%	53%-56%
ERCOT	96%-99%	81%-84%	49%-52%
New York[2]	107%-110%	63%-66%	62%-65%
New England	88%-91%	67%-70%	36%-39%
Effective Realized Energy Price ($/MWh)[4]			
Midwest[6]	$35.00	$32.50	$31.00
Mid-Atlantic[2]	$46.00	$42.00	$38.50
ERCOT[5]	$11.50	$6.50	$3.50
New York[2]	$56.50	$48.50	$35.50
New England[5]	$26.00	$16.50	$6.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 12 refueling outages in 2016, 14 in 2017, and 12 in 2018 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.4%, 93.7% and 93.4% in 2016, 2017 and 2018 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2017 and 2018 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges

(5) Spark spreads shown for ERCOT and New England

(6) Excludes Clinton and Quad Cities starting in June 2017 and June 2018 respectively. Does not include the impact of the ZEC program in NY. For more information on impacts of these two items please refer to slide 150.

SI-SSA-0015-01039

ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2016	2017	2018
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$(35)	$120	$305
- $1/Mmbtu	$55	$(115)	$(295)
NiHub ATC Energy Price			
+ $5/MWh	$10	$140	$265
- $5/MWh	$(10)	$(140)	$(260)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$35	$125
- $5/MWh	$5	$(30)	$(125)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$15	$15
- $5/MWh	-	$(15)	$(15)
Nuclear Capacity Factor			
+/- 1%	+/- $15	+/- $40	+/- $35

(1) Based on June 30, 2016 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture. Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 138 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

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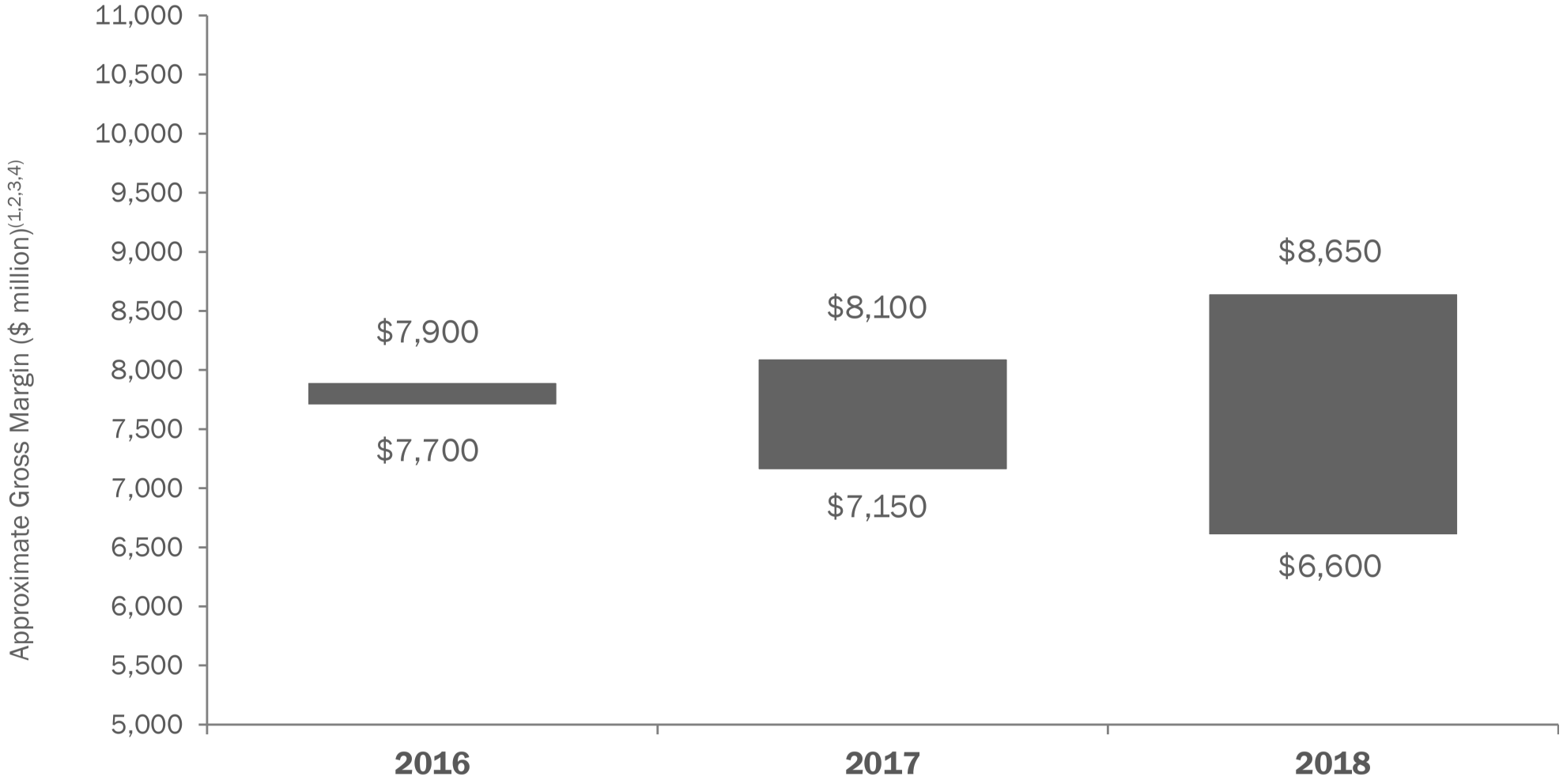
ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2017 and 2018 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2016

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes EDF's equity ownership share of the CENG Joint Venture. Refer to slide 138 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

(4) Excludes Clinton and Quad Cities starting in June 2017 and June 2018 respectively. Does not include the impact of the CES program in NY. For more information on the impacts of these two items please refer to slide 150.

SI-SSA-0015-01041

Illustrative Example of Modeling Exelon Generation 2017 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.65 billion →					
(B)	Expected Generation (TWh)	91	60.9	26	9.2	12.2	
(C)	Hedge % (assuming mid-point of range)	74.5%	89.5%	82.5%	64.5%	68.5%	
(D=B*C)	Hedged Volume (TWh)	67.8	54.5	21.5	5.9	8.4	
(E)	Effective Realized Energy Price ($/MWh)	$32.50	$42.00	$6.50	$48.50	$16.50	
(F)	Reference Price ($/MWh)	$29.42	$34.61	$5.14	$33.60	$6.97	
(G=E-F)	Difference ($/MWh)	$3.08	$7.39	$1.36	$14.90	$9.53	
(H=D*G)	Mark-to-market value of hedges ($ million)[1]	$210	$405	$30	$90	$80	
(I=A+H)	Hedged Gross Margin ($ million)	$6,450					
(J)	Power New Business / To Go ($ million)	$700					
(K)	Non-Power Margins Executed ($ million)	$150					
(L)	Non-Power New Business / To Go ($ million)	$300					
(N=I+J+K+L)	Total Gross Margin[2,3]	$7,600 million					

(1) Mark-to-market rounded to the nearest $5 million
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 138 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.
(3) Excludes Clinton starting in June 2017. Does not include the impact of the CES program in NY.

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2016	2017	2018
Revenue Net of Purchased Power and Fuel Expense[2][3]	**$8,475**	**$8,325**	**$8,175**
Other Revenues[4]	$(325)	$(325)	$(325)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[5]	$(350)	$(400)	$(350)
Total Gross Margin (Non-GAAP)	**$7,800**	**$7,600**	**$7,500**

Key ExGen Modeling Inputs (in $M)[1][6]	2016
Other Revenues (excluding Gross Receipts Tax)[4]	$225
O&M[7]	$(4,525)
Taxes Other Than Income (TOTI)[8]	$(350)
Depreciation & Amortization[9]	$(1,025)
Interest Expense	$(375)
Effective Tax Rate	**34.0%**

(1) All amounts rounded to the nearest $25M
(2) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense. ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the mark-to-market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other revenues reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues
(5) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) ExGen adjusted O&M excludes direct cost of sales for certain Constellation business, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities. Refer to slide 168 for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M.
(8) TOTI excludes gross receipts tax of $100M
(9) Depreciation & Amortization excludes the cost of sales impact of ExGen's non-power businesses of $25M

SI-SSA-0015-01043

Financial Update

Jack Thayer

Senior Executive Vice President &
Chief Financial Officer

Exelon

SI-SSA-0015-01044

Q2 2016 Financial Results

- Delivered adjusted (non-GAAP) operating earnings in Q2 of $0.65/share, exceeding our guidance range of $0.50-$0.60/share

- Utilities
  - ⬇ BGE rate case write-offs
  - ⬆ Higher distribution and transmission revenues
  - ⬆ Favorable weather

- ExGen
  - ⬆ Lower cost to serve load
  - ⬆ Strong performance at Constellation
  - ⬆ Lower O&M and Decom Realized Gains

Q2 2016 Adjusted Operating EPS Results (1,2)

Expect Q3 2016 Adjusted Operating Earnings of $0.65 - $0.75 per share and reaffirming full-year guidance range of $2.40 - $2.70/share(3,4)

(1) Refer to slides 158 and 159 in the appendix for additional details and to slides 163 and 164 for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding
(3) 2016 earnings guidance is based on expected average outstanding shares of 926M. Earnings guidance for OpCos may not add up to consolidated EPS guidance.
(4) ComEd ROE based on 30 -year average Treasury yield of 2.49% as of June 30, 2016. 25 basis point move in 30 Year Treasury Rate equates to +/-$0.01 impact to EPS.

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The Exelon Value Proposition

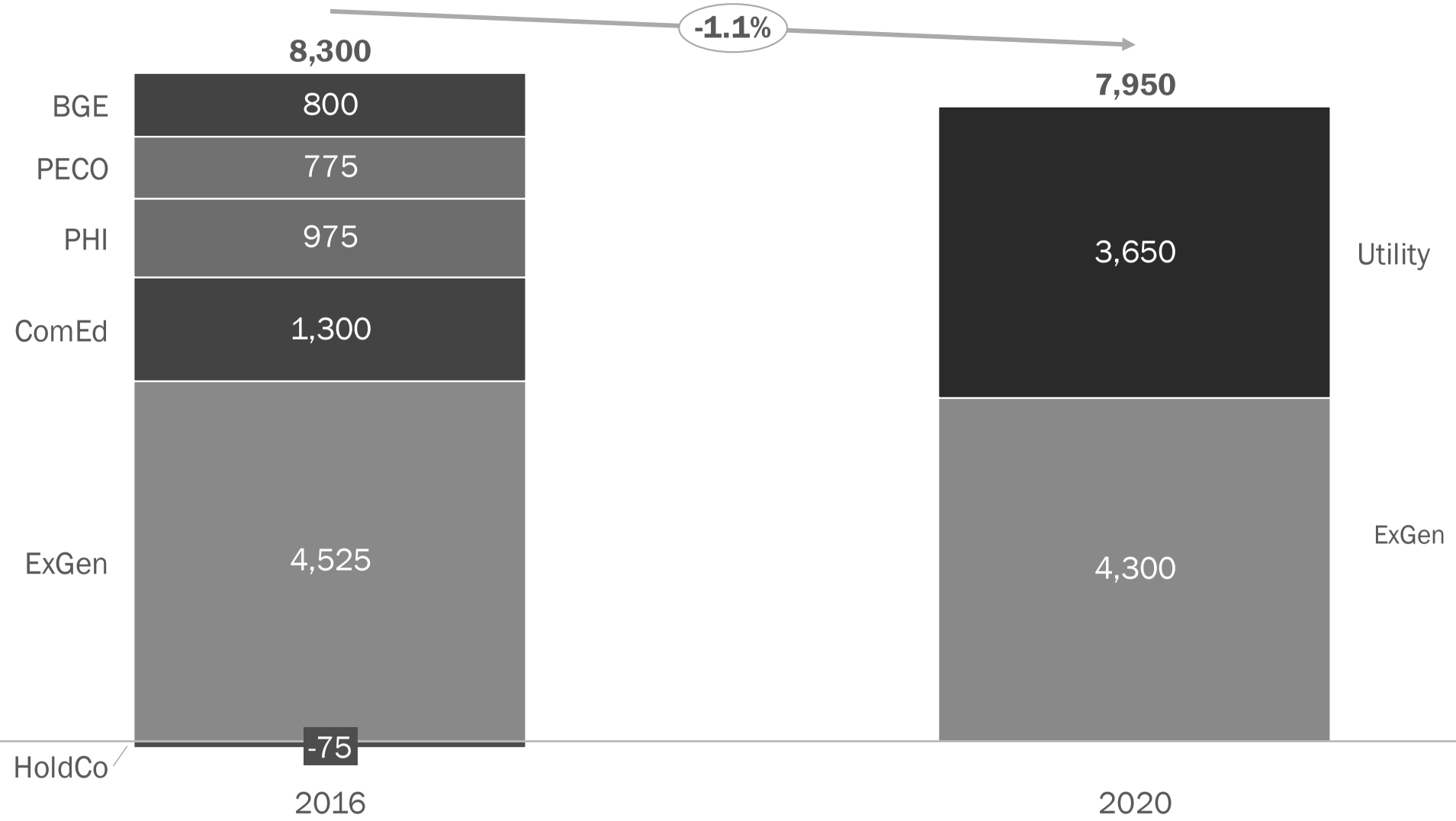
- **Regulated Utility Growth** with utility EPS rising 7-9% annually from 2016-2020 and rate base growth of 6.1%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 5 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors.

SI-SSA-0015-01046

Aggressively Managing Costs

Expect Exelon Consolidated O&M ($M) CAGR of ~(1.1%) from 2016-2020[1,2,3]



(1) All amounts rounded to the nearest $25M
(2) Refer to slide 169 in the appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M. Utilities adjusted O&M excludes regulatory O&M costs that are P&L neutral. ExGen adjusted O&M excludes direct cost of sales for certain Constellation and Power businesses, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities.
(3) 2016 numbers include full year for PHI except for PHI impact on ExGen

SI-SSA-0015-01047

Optimizing the Value of Our Generation Fleet

Efficiently Operating Existing Portfolio

- Effectively managing O&M and capital expenses across fleet
- Running plants at best in class capacity factor
- Increasing value of plant output through our generation to load matching strategy

Opportunistically Monetizing Assets

- Raised more than $5B of cash flow through project financing and asset sales since 2011

Successfully Obtaining Recognition of Carbon Free Attributes of Nuclear

- ZEC program in New York recognizes the value of carbon free attributes of our fleet and provides annual EPS benefit of $0.08-0.10 per share and $350M of additional after-tax cash through 2020[1]
- Pursuing recognition for entire fleet

Prudently Retiring Uneconomic Plants

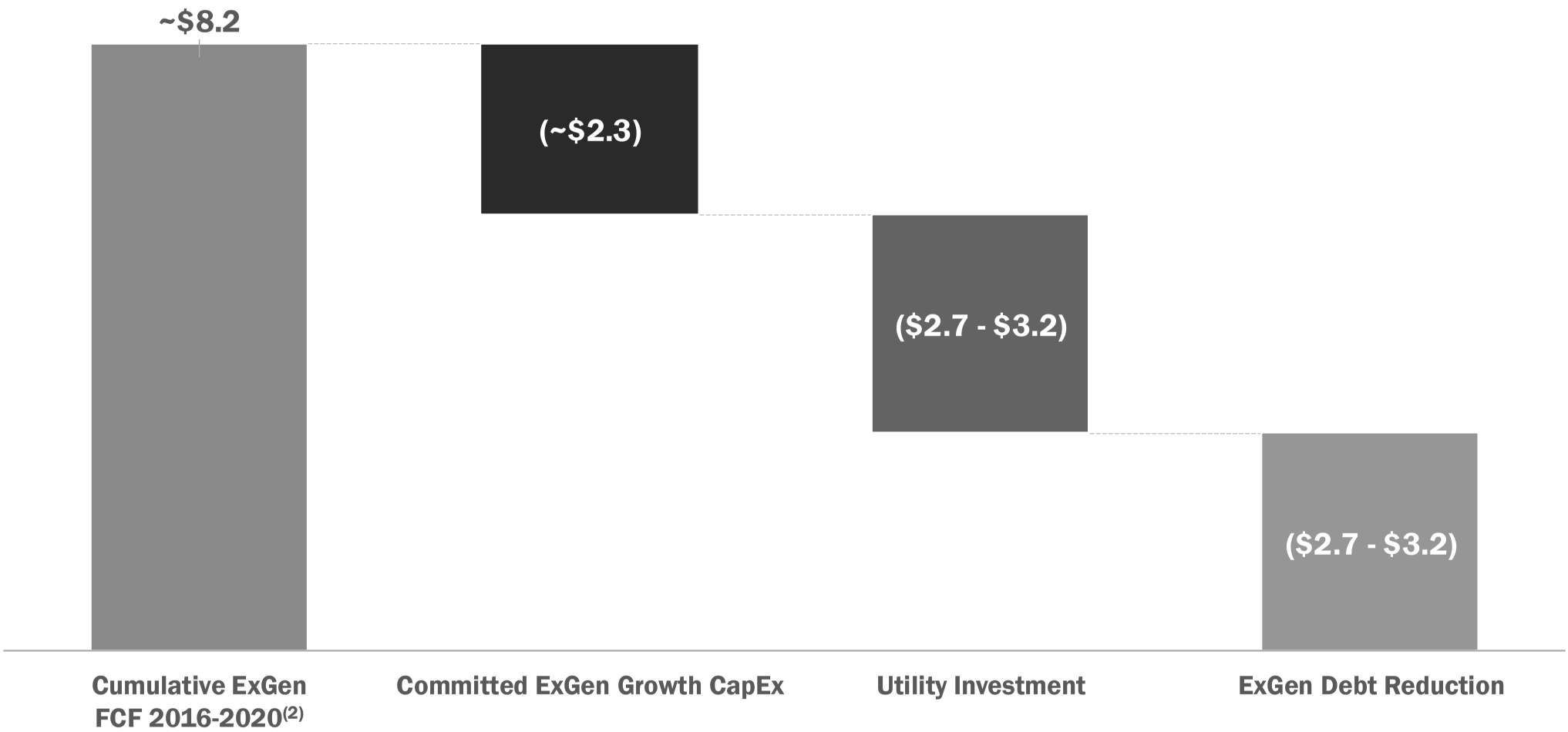
- Retired 1,350 MWs of fossil generation since 2011
- Announced retirement of 3 uneconomic nuclear units from 2017 to 2019. Clinton and Quad Cities retirements result in run-rate savings of up to $0.07 of EPS and $75M in pre-tax cash flow[2]

(1) $350M is solely from implementation of CES program and does not include additional cash benefits from CENG loan repayment and special distribution
(2) Illinois Impacts based on February 29, 2016 pricing and excludes decommissioning costs; New York impacts assume ZEC program implementation and that adjusted social cost of carbon is ZEC price for tranche 2

SI-SSA-0015-01048

ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2016-2020 Exelon Generation Free Cash Flow[1,2,3] and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Free Cash Flow is a non-GAAP Measure. See slide 168 for a reconciliation of free cash flow to the most comparable GAAP measures.
(2) Cumulative Free Cash Flow is a midpoint of a range based on June 30, 2016 market prices. It includes ~$700M of other sources including change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.
(3) Approval of Clean Energy Standard (CES) in NY would add up to ~$750M of incremental cash (after-tax) through 2020. This incremental cash is comprised of payments from the CES program ($350M) and additional distributions to Exelon from CENG related to completion of loan repayment and special distribution.

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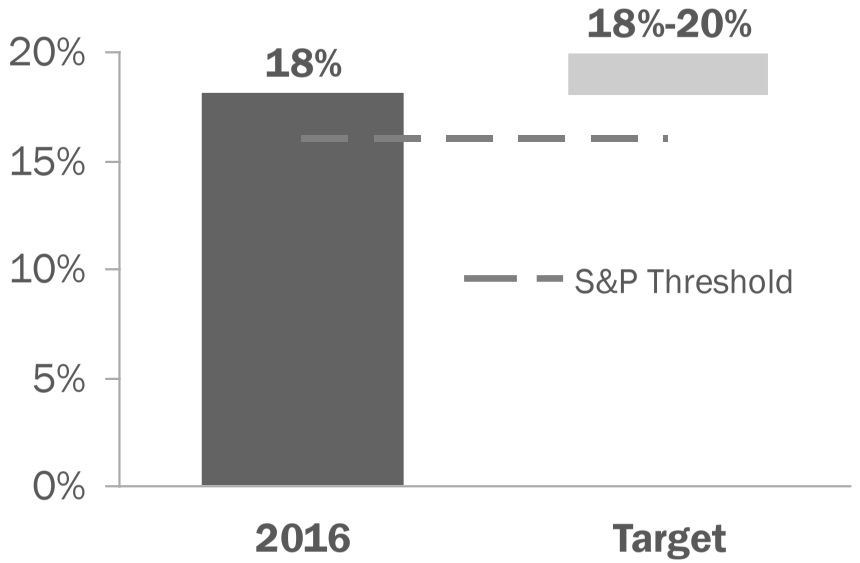
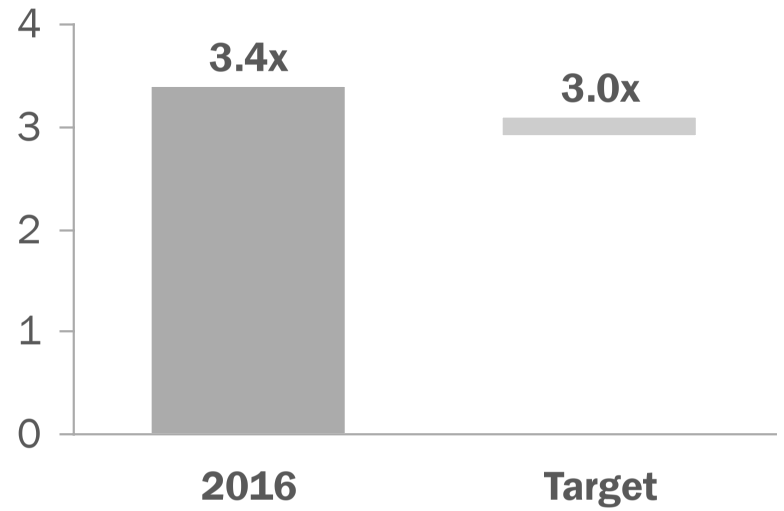
Maintaining Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %[1][4]



ExGen Debt/EBITDA Ratio[5]



Credit Ratings by Operating Company

Current Ratings [2][3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A2	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB+	BBB	A-	A	A-	A-	A	A-

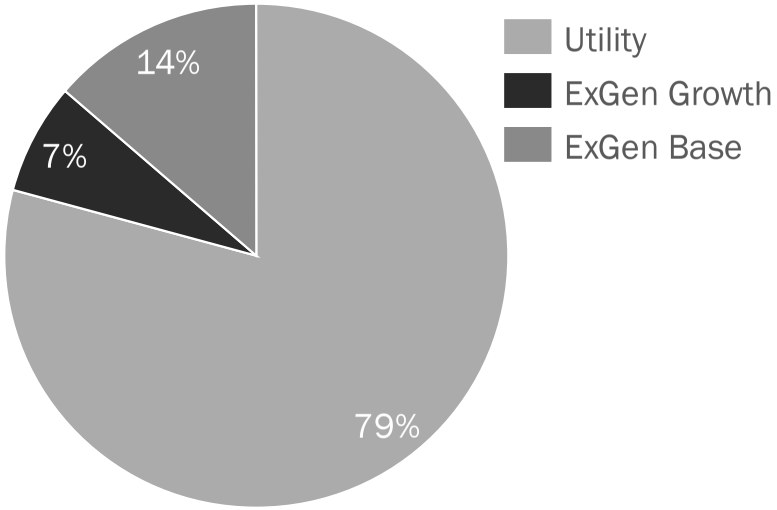
Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment. FFO/Debt is a non-GAAP measure. Please refer to slide 166 in the appendix for a reconciliation of FFO/Debt to the most comparable GAAP measure.
Current senior unsecured ratings as of June 30, 2016 for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
All ratings have "Stable" outlook, except for at Moody's, which has ComEd on "Positive" outlook
Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp.
Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA. EBITDA, a non-GAAP measure, is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense. Please refer to slide 167 in the appendix for a reconciliation of Debt/EBITDA to the most comparable GAAP measure.

Exelon.

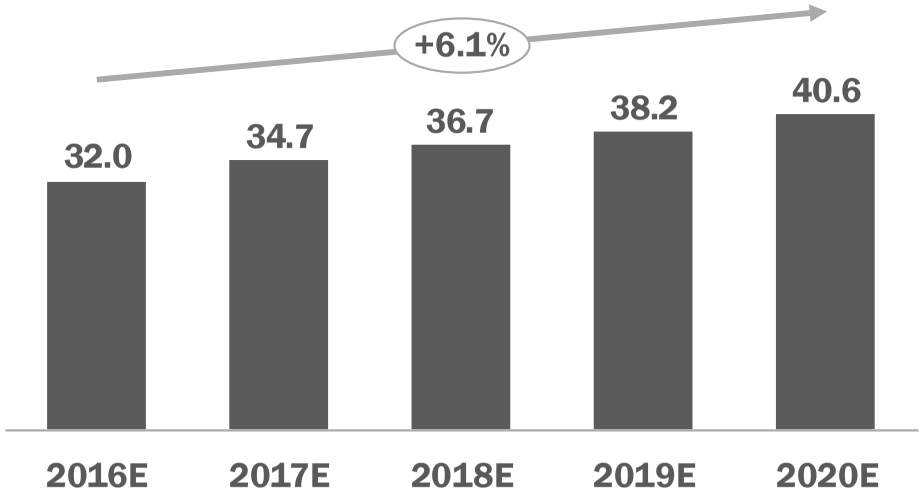
SI-SSA-0015-01050

Building Enduring Value

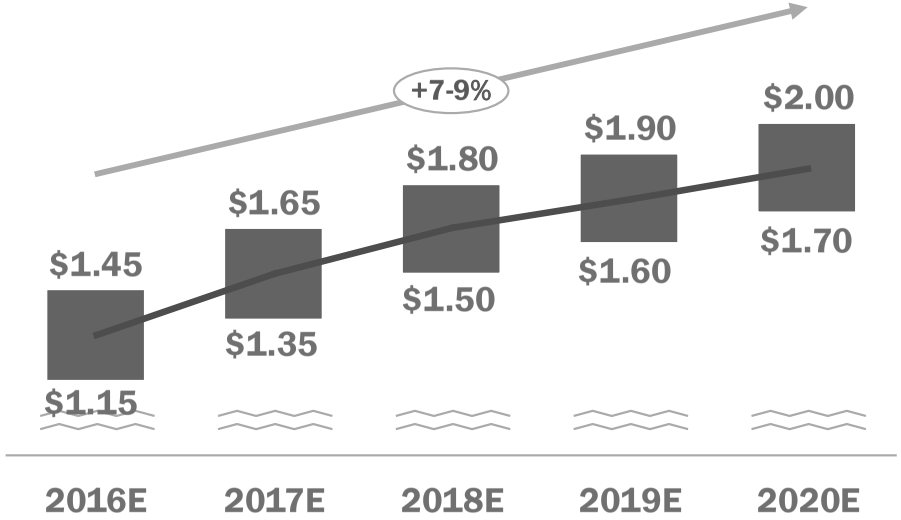
Projected Capital Spend 2016-2020[1]



Rate Base Growth ($B)[2]



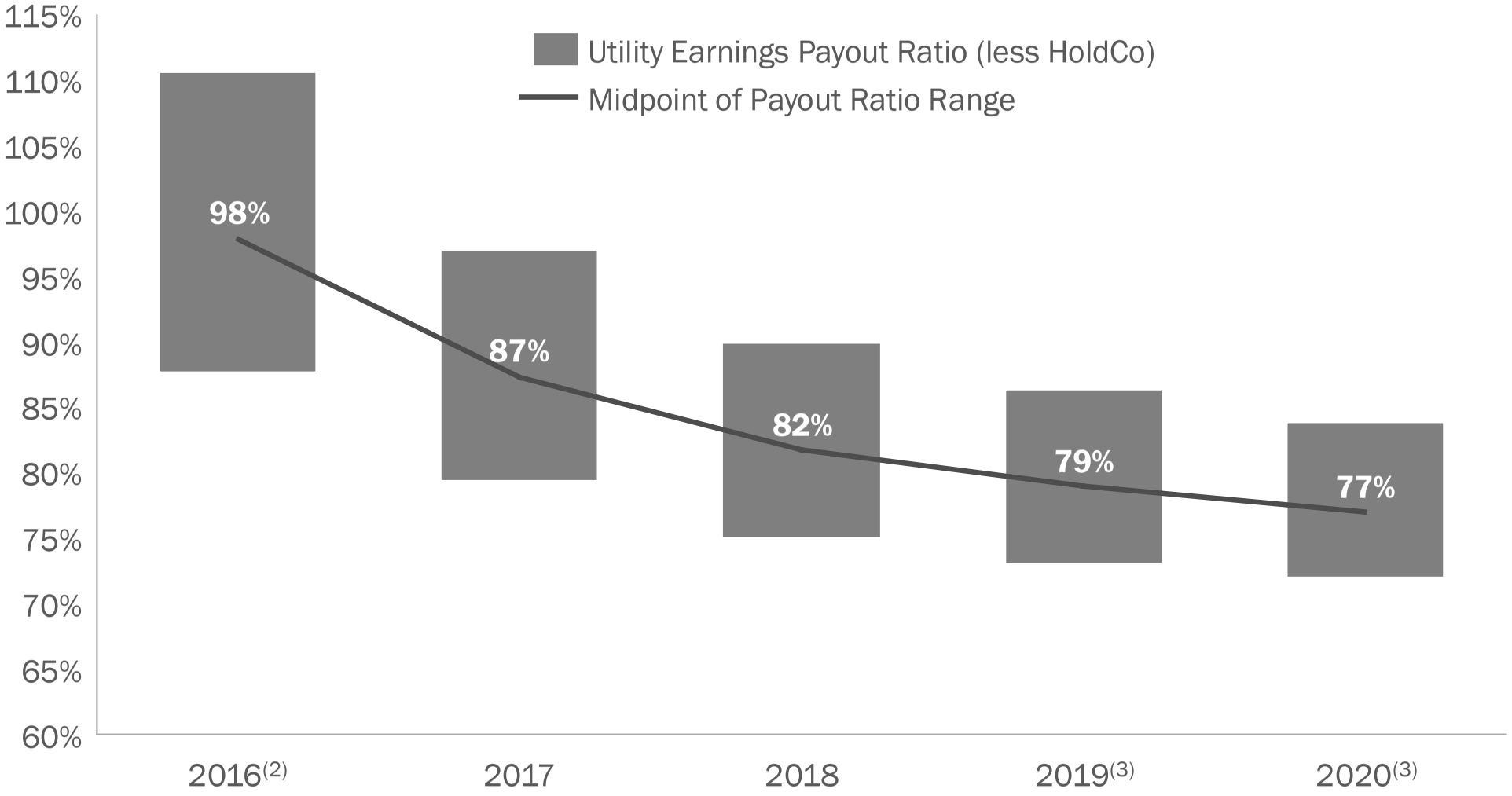
Exelon Utilities Operating Net Income ($M)[3]



(1) ExGen capital represents cash CapEx with CENG 100%; excludes Nuclear Fuel and merger commitments
(2) All numbers denote year-end rate base
(3) Reflects GAAP operating earnings except for 2016. 2016 GAAP EPS range would be $0.65 to $0.95. 2016 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.40 for merger commitments and $0.10 of merger integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment. 2016 estimate normalized to include a full year for PHI.

SI-SSA-0015-01051

Theoretical Dividend Affordability from Utility less HoldCo(1)



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.
(2) 2016 numbers normalized to include full year for PHI
(3) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year 2019 and 2020; this does not signal a change in Board policy at this time. Quarterly dividends are subject to declaration by the board of directors.

Exelon.

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Delivering Value Through Capital Allocation Policy

Our strong balance sheet underpins our capital allocation policy and capital decisions are made to maximize value to our customers and shareholders

We are **returning capital to shareholders** by growing our dividend, targeting 2.5% annual increases through 2018[1] with upside potential beyond

We are **redeploying free cash flow** from Exelon Generation to support:

- **Investing in utilities** where we can earn an appropriate return and will deploy $25B of capital over the next 5 years
- **Retiring debt** with ~$3B targeted at ExGen over the next 5 years
- **Investing in select contracted assets** where we can meaningfully exceed our return thresholds

SI-SSA-0015-01053

(1) Quarterly dividends are subject to declaration by the board of directors

Financial Appendix

Exelon

Economic Impacts of Nuclear Plant Retirements and ZEC Program

New York ZEC Program[1]	
Annual Earnings Impact	$0.08 - $0.10
Cumulative Cash Impact through 2020	$350 after-tax

	2016	2017	2018
Gross Margin Impact[2]	$-	$100M	$150M

Illinois Plant Retirements[3]	
2019 Run-Rate Earnings Impact	~$0.07
2019 Run-Rate Cash Flow Impact	$75M pre-tax

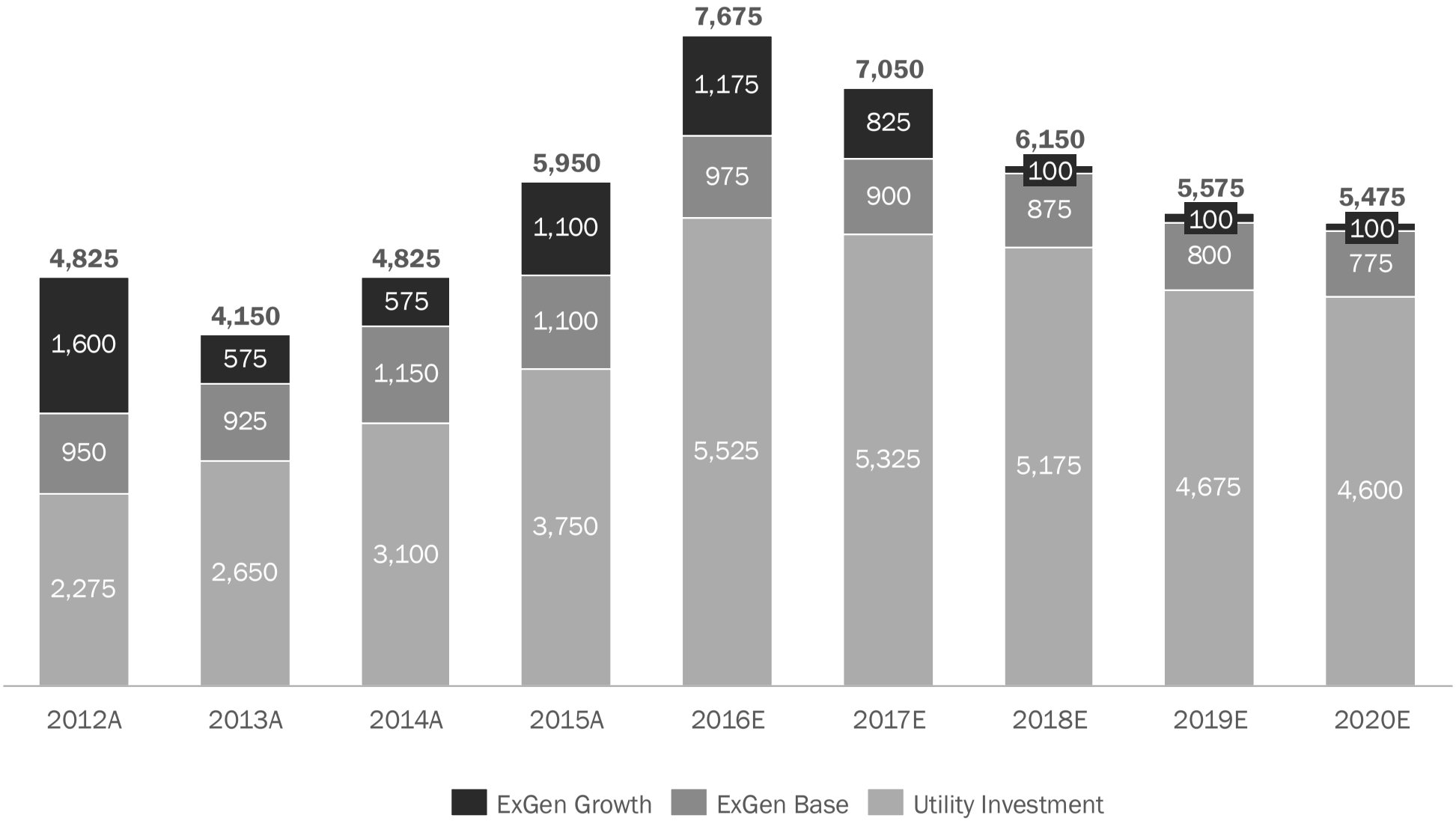
	2016	2017	2018
Gross Margin Impact[2]	$-	($100M)	($350M)

(1) $350M is solely from implementation of CES program and does not include additional cash benefits from CENG loan repayment and special distribution
(2) Gross margin categories rounded to nearest $50M. Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses.
(3) Impacts based on February 29, 2016 pricing and excludes decommissioning costs

SI-SSA-0015-01055

Capital Allocation Evolution

Exelon Capital Expenditures 2012-2020 ($M) (1,2,3)



(1) Numbers rounded to nearest $25M and may not add due to rounding
(2) ExGen Figures from 2012-2014 are accrual. CENG CapEx is included beginning April 1, 2014. ExGen figures from 2015-2020 are cash and 100% of total CENG fleet. Nuclear fuel not included. Excludes merger commitments.
(3) 2012 Includes a full year of capital spend for BGE; 2016 includes a full year of capital spend for PHI

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2016 Projected Sources and Uses of Cash

($ in millions) [1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2016E	Cash Balance
Beginning Cash Balance[2]									**7,800**
Adjusted Cash Flow from Operations[2,3]	600	1,500	750	775	3,625	3,600	(200)	7,025	
Base CapEx and Nuclear Fuel[4]	0	0	0	0	0	(2,400)	(125)	(2,525)	
Free Cash Flow	**600**	**1,500**	**750**	**775**	**3,625**	**1,200**	**(325)**	**4,500**	
Debt Issuances	750	1,200	300	300	2,550	1,000	1,800	5,350	
Debt Retirements	(575)	(675)	(300)	(325)	(1,875)	0	0	(1,875)	
Project Financing	0	0	0	0	0	50	0	50	
PHI Purchase	0	0	0	0	0	0	(6,925)	(6,925)	
Contribution from Parent	25	625	0	1,550	2,200	0	(2,200)	0	
Other Financing[5]	225	225	25	(900)	(425)	(300)	1,025	300	
Financing	**425**	**1,375**	**25**	**625**	**2,450**	**750**	**(6,300)**	**(3,100)**	
Total Free Cash Flow and Financing Growth	**1,025**	**2,875**	**775**	**1,400**	**6,075**	**1,950**	**(6,625)**	**1,400**	
Utility Investment	(850)	(2,575)	(675)	(1,175)	(5,275)	0	0	(5,275)	
ExGen Growth[4],[6]	0	0	0	0	0	(1,200)	0	(1,200)	
Acquisitions and Divestitures	0	0	0	0	0	100	0	100	
Equity Investments	0	0	0	0	0	(125)	0	(125)	
Dividend[7]	0	0	0	0	0	0	(1,175)	(1,175)	
Other CapEx and Dividend	**(850)**	**(2,575)**	**(675)**	**(1,175)**	**(5,275)**	**(1,225)**	**(1,175)**	**(7,675)**	
Total Cash Flow	**175**	**300**	**100**	**225**	**800**	**725**	**(7,800)**	**(6,275)**	
Ending Cash Balance[1][2]									**1,525**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Excludes counterparty collateral activity.

(3) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures at ownership, net M&A, and equity investments. Please refer to slide 170 for reconciliations to GAAP cash flow measures.

(4) Figures reflect cash CapEx and CENG fleet at 100%

(5) Other Financing includes expected changes in short-term debt, money pool borrowings, tax sharing from the parent, debt issue costs, and retail energy efficiency contracts.

(6) ExGen Growth CapEx includes Phoenix, West Medway, AGE, Sendero, Nuclear relicensing, Nuclear Uprates, Merger Commitments excl. Solar, Retail Growth & Distributed Energy, Michigan Wind 3, Bluestem Wind, Clinton Battery Storage and MTSA wind turbines

(7) Dividends are subject to declaration by the Board of Directors.

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities.

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating ~$4.5B of free cash flow, including $1.2B at ExGen and $3.6B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ Completed $6.9B merger with PHI
- ✓ HoldCo issued $1.8B of Long-term debt in April

Enable growth & value creation

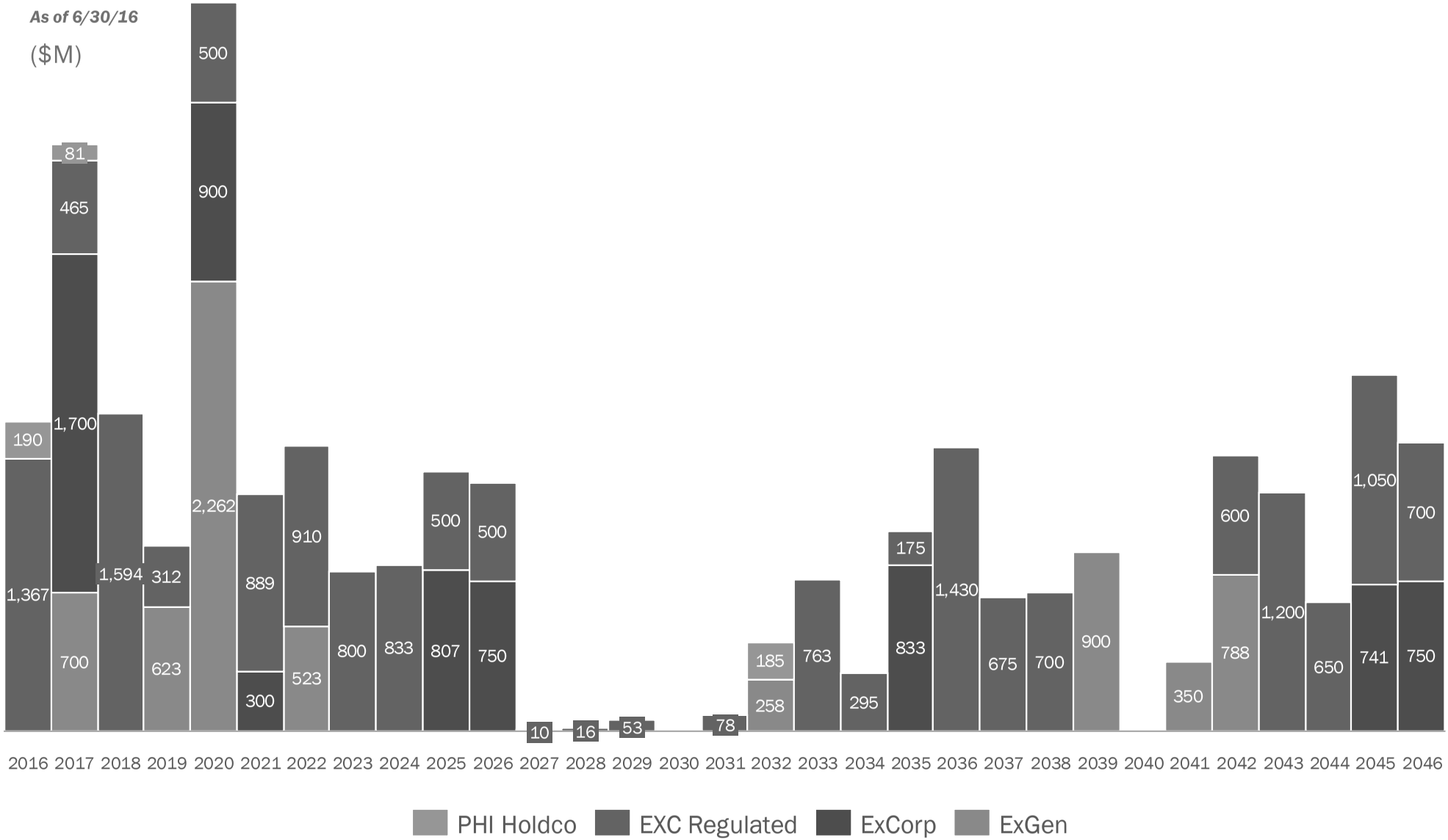
Creating value for customers, communities and shareholders

- ✓ Investing $6.5B, with $5.3B at the Utilities and $1.2B at ExGen

SI-SSA-0015-01057

Confidential And Proprietary

Exelon Debt Maturity Profile[1]



Exelon's weighted average LTD maturity is approximately 13 years

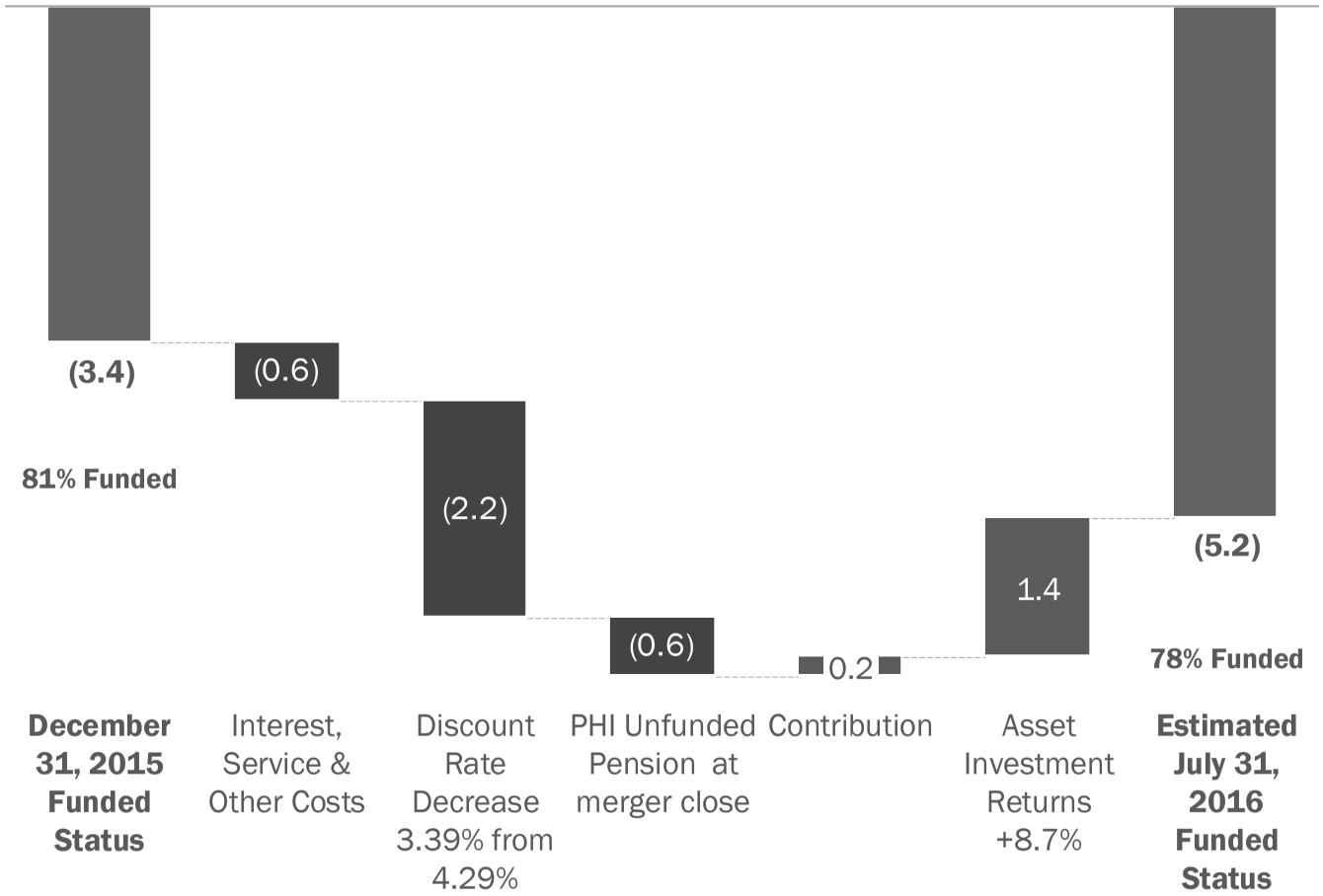
(1) ExCorp debt includes $1,150M mandatory convertible units remarketing in 2017; ExGen debt includes legacy CEG debt; Excludes securitized debt and non-recourse debt

SI-SSA-0015-01058

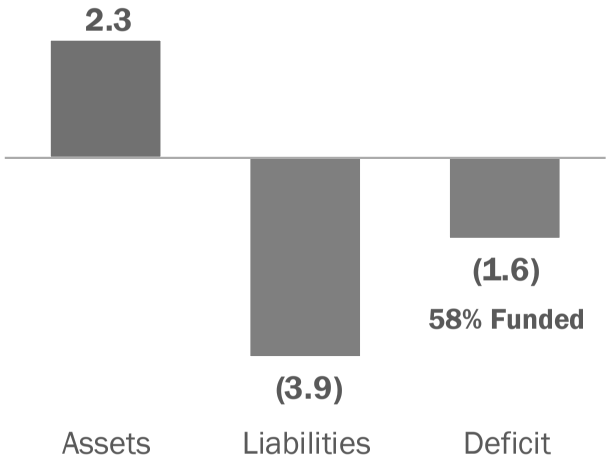
Exelon

Pension and OPEB – Funded Status and Performance

Pension Estimated July 31, 2016 Funded Status (PBO) Comparison ($B)



OPEB Funded Status December 31, 2015 ($B)



- Year to date investment returns of 8.7% or $1.4 billion have offset more than 60% of the pension liability increase due to lower discount rates
- Based on estimates from Goldman Sachs, the aggregate funded status for pension plans in S&P 500 companies is 78% funded at the end of July
- Exelon funded status for funding purposes (PPA) is significantly higher than PBO/GAAP funded status which results in no required material pension contributions over the LRP period

SI-SSA-0015-01059

Exelon

Exelon Pension Investment Approach

- **Investment Strategy**
  - Exelon has developed and implemented an actively managed liability hedging based investment strategy that has reduced the volatility of the pension assets relative to pension liabilities
  - The overall objective is to achieve attractive risk adjusted returns that will balance the liquidity requirements of the plan's liability while striving to minimize the risk of significant loss
  - The liability hedging strategy is expected to offset a significant portion of a liability increase due to lower interest rates
  - Year to date 2016, the hedging strategy has offset approximately 60% of the liability increase due to lower discount rates
- **Prudent Governance**
  - The general oversight of all Exelon investment activities including the pension fund is under the purview of the Investment Oversight Committee of the Exelon Board of Directors. The committee consists of members of the Exelon Board with substantial and lengthy investment experience and professional investment expertise
- **Investment Staff**
  - Exelon employs a very experienced and seasoned team of investment professionals to manage all of the company's benefit plan and nuclear decommissioning trust investments
- **Funding of Pension Liabilities**
  - Exelon maintains a consistent and prudent approach to pension funding
  - Annual pension contributions ($B)

Year	Contribution Amount
2010	$0.8
2011	$2.1
2012	$0.1
2013	$0.3

Year	Contribution Amount
2014	$0.3
2015	$0.5
2016	$0.3
Total	$4.4

SI-SSA-0015-01060

Pension and OPEB Contributions and Expense

	2016[1]		2017	
(in $M)	Pre-Tax Expense[2]	Contributions	Pre-Tax Expense[2]	Contributions
Qualified Pension [3][4][5]	$410	$310	$470	$310
Non-Qualified Pension	20	35	20	25
OPEB[4][5]	5	50	30	55
Total	**$435**	**$395**	**$520**	**$390**

Decrease in discount rate drives ($0.02 - $0.04) of additional expense annually versus previous disclosure at Q4 2015

(1) PHI expense is included for the post-merger period (March 24 - December 31, 2016)
(2) Pension and OPEB expenses assume a 30% capitalization rate
(3) The Balanced Funding Strategy for the Qualified Plans provides pension funding of the greater of $250M or minimum required contributions plus amounts required to avoid benefit restrictions and at-risk status
(4) Expected return on assets for pension is 7.00% and for OPEB is 6.70%
(5) Pension and OPEB discount rates are 4.29% for legacy Exelon plans and ~4% for PHI for 2016. Estimated discount rates are ~3.55% and 3.85% for Exelon and PHI for 2017.

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EPS Sensitivities

		2016	2017	2018	2019	Fully Open
ExGen EPS Impact[1]	Henry Hub Natural Gas					
	+$1/MMBtu	($0.02)	$0.08	$0.20	$0.33	$0.35
	-$1/MMBtu	$0.04	($0.07)	($0.19)	($0.31)	($0.33)
	NiHub ATC Energy Price					
	+$5/MWh	$0.01	$0.09	$0.17	$0.22	$0.24
	-$5/MWh	($0.01)	($0.09)	($0.17)	($0.22)	($0.24)
	PJM-W ATC Energy Price					
	+$5/MWh	($0.00)	$0.02	$0.08	$0.15	$0.18
	-$5/MWh	$0.00	($0.02)	($0.08)	($0.15)	($0.18)
	PJM Capacity Market					
	+$10/MW-day					$0.03
	-$10/MW-day					($0.03)
ComEd EPS Impact	**30 Year Treasury Rate**					
	+50 basis points		$0.02	$0.02	$0.02	
	-50 basis points		($0.02)	($0.02)	($0.02)	
	Share Count *(millions)*	926	948	967	970	

(1) Based on June 30, 2016 market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power prices sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered. Represents adjusted (non-GAAP) operating earnings. Refer to slide 165 for a list of adjustments from GAAP EPS to adjusted (non-GAAP) operating earnings.

(2) Based on Planning Year 2019/2020 cleared Capacity Performance Volumes

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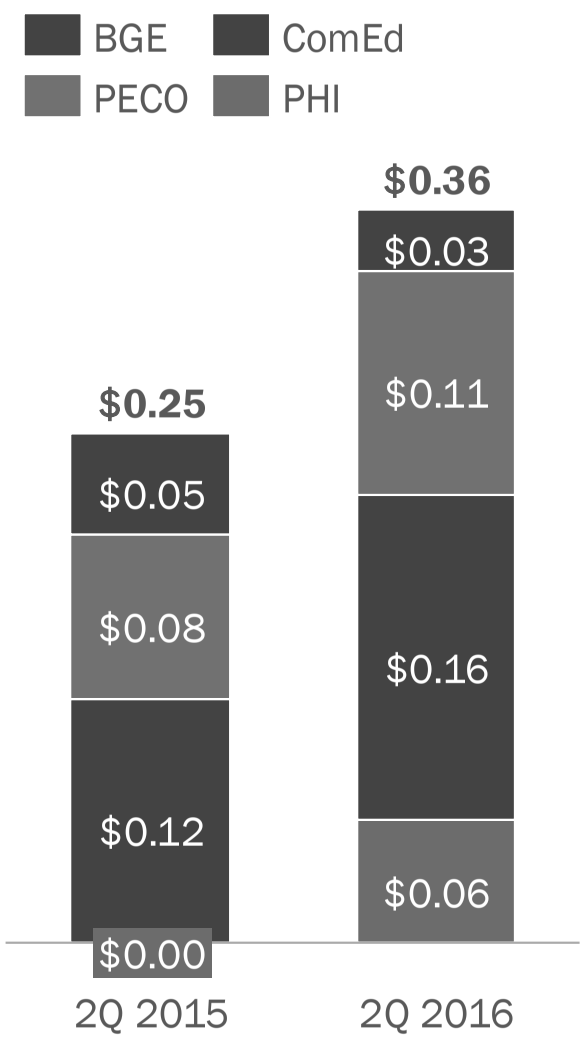
Exelon Utilities Adjusted Operating EPS Contribution[1]



Key Drivers – 2Q 2016[2] vs. 2Q 2015:

BGE (-0.02):

- Impairment charges resulting from certain disallowances contained in the June and July rate case orders: ($0.03)
- Increased transmission and distribution revenue: $0.01

PECO (+0.03):

- Increased electric distribution rates: $0.02
- Cumulative tax adjustment related to an anticipated gas repairs tax return accounting method change: $0.01

ComEd (+0.04):

- Increased distribution and transmission earnings due to increased capital investment[3]: $0.02
- Favorable weather[3]: $0.02
- Decreased distribution earnings due to lower return on common equity[3]: $(0.01)

PHI (+0.06):

- Reflects PHI actual results for the period of April 1, 2016 to June 30, 2016[4]: $0.06

Numbers may not add due to rounding.

(1) Refer to slides 163 and 164 for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS

(2) There is a $(0.01) share differential impact spread across the utilities in Q2 2016

(3) Due to the distribution formula rate, changes in ComEd's earnings are driven primarily by changes in 30-year U.S. Treasury rates (inclusive of ROE), rate base and capital structure in addition to weather, load and changes in customer mix

(4) For the three months ended June 30, 2016, includes financial results for PHI. Therefore, the results of operations from 2016 and 2015 are not comparable for PHI and Exelon. PHI consolidated results includes Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company.

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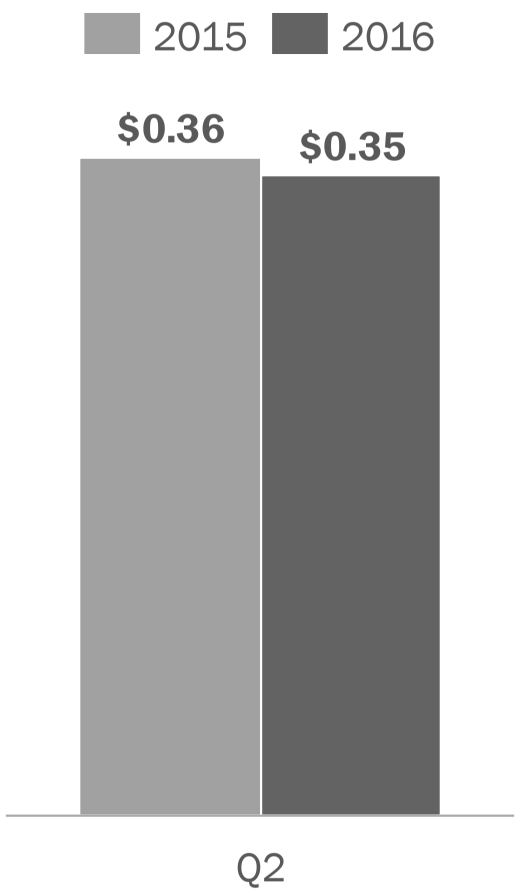
ExGen Adjusted Operating EPS Contribution[1]



Key Drivers – 2Q 2016 vs. 2Q 2015

ExGen (-0.01):

- Increased RNF primarily due to the approval of the Ginna Reliability Support Services Agreement for periods retroactive to April 1, 2015, partially offset by lower realized energy prices and increased nuclear outage days: $0.12
- Increased costs, which includes the impact of the timing and extended duration of an outage at the Salem nuclear power plant: $(0.05)
- Lower realized gains on NDT funds: $(0.03)
- Higher depreciation costs primarily due to increased nuclear decommissioning amortization: $(0.02)
- Share differential: $(0.03)

(excludes Salem)	Q2 2015 Actual	Q2 2016 Actual
Planned Refueling Outage Days	71	87
Non-refueling Outage Days	18	21
Nuclear Capacity Factor	93.1%	92.3%

Numbers may not add due to rounding

(1) Refer to slides 163 and 164 for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS

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Concluding Remarks

Exelon

The Exelon Value Proposition

- **Regulated Utility Growth** with Utility EPS rising 7-9% annually from 2016-2020 and rate base growth of 6.1%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 5 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01066

Reconciliation of Non-GAAP Measures

Exelon

2Q QTD GAAP EPS Reconciliation

Three Months Ended June 30, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2Q 2015 GAAP Earnings Per Share	**$0.46**	**$0.12**	**$0.08**	**$0.05**	**$0.04**	**$0.74**
Mark-to-market impact of economic hedging activities	(0.16)	-	-	-	-	(0.16)
Unrealized losses related to NDT fund investments	0.06	-	-	-	-	0.06
Merger and integration costs	0.01	-	-	-	0.01	0.02
Mark-to-market impact of PHI merger related interest rate swap	-	-	-	-	(0.08)	(0.08)
Amortization of commodity contract intangibles	0.01	-	-	-	-	0.01
Long-lived asset impairments	-	-	-	-	0.02	0.02
CENG Non-Controlling Interest	(0.02)	-	-	-	-	(0.02)
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.12**	**$0.08**	**$0.05**	**$(0.01)**	**$0.59**

Three Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2Q 2016 GAAP Earnings (Loss) Per Share	**$0.00**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**($0.06)**	**$0.29**
Mark-to-market impact of economic hedging activities	0.20	-	-	-	-	-	0.20
Unrealized gains related to NDT fund investments	(0.03)	-	-	-	-	-	(0.03)
Amortization of commodity contract intangibles	0.01	-	-	-	-		0.01
Long-lived asset impairments	0.02	-	-	-	-	-	0.02
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Cost management program	-	-	-	-	-	-	0.01
CENG non-controlling interest	0.01	-	-	-	-	-	0.01
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.35**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**$(0.06)**	**$0.65**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-01068

2Q YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2Q 2015 GAAP Earnings (Loss) Per Share	**$0.97**	**$0.22**	**$0.24**	**$0.18**	**$(0.07)**	**$1.54**
Mark-to-market impact of economic hedging activities	(0.27)	-	-	-	-	(0.27)
Unrealized losses related to NDT fund investments	0.04	-	-	-	-	0.04
Merger and integration costs	0.01	-	-	-	0.03	0.04
Mark-to-market impact of PHI merger related interest rate swap	-	-	-	-	(0.03)	(0.03)
Amortization of commodity contract intangibles	(0.02)	-	-	-	-	(0.02)
Long-lived asset impairments	-	-	-	-	0.02	0.02
Midwest Generation bankruptcy recoveries	(0.01)	-	-	-	-	(0.01)
CENG Non-Controlling Interest	(0.01)	-	-	-	-	(0.01)
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.71**	**$0.22**	**$0.24**	**$0.18**	**$(0.05)**	**$1.30**

Six Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2Q 2016 GAAP Earnings (Loss) Per Share	**$0.31**	**$0.28**	**$0.25**	**$0.14**	**$(0.28)**	**$(0.23)**	**$0.48**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.09
Merger commitments	-	-	-	-	0.30	0.12	0.43
Long-lived asset impairments	0.10	-	-	-	-	-	0.10
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.02
CENG non-controlling interest	0.02	-	-	-	-	-	0.02
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.69**	**$0.28**	**$0.25**	**$0.14**	**$0.06**	**$(0.08)**	**$1.33**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-01069

GAAP to Operating Adjustments

- **Exelon's Q2 2016 and forecasted adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014
  - Certain costs incurred associated with PHI acquisition
  - Merger commitments related to settlement of PHI acquisition
  - Impairments of upstream assets and certain wind projects
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, primarily as a result of PHI acquisition
  - Costs incurred related to cost management program
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-01070

GAAP to Non-GAAP Reconciliations

YE 2016 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$2,100
Depreciation & Amortization	$3,650
EBITDA	$5,750
+/- Non-operating activities and nonrecurring items[4]	$825
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$125
+ Nuclear Fuel Amortization	$1,175
+/- Other S&P FFO Adjustments[5]	$325
= FFO (a)	**$6,800**

YE 2016 Exelon Adjusted Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$33,050
Short-Term Debt	$2,150
+ PPA Imputed Debt[6]	$500
+ Operating Lease Imputed Debt[7]	$750
+ Pension/OPEB Imputed Debt[8]	$4,625
- Off-Credit Treatment of Debt[9]	($3,225)
- Surplus Cash Adjustment[10]	($625)
+/- Other S&P FFO Adjustments[5]	$325
= Adjusted Debt (b)	**$37,550**

YE 2016 Exelon FFO/Debt[3]		
FFO (a) / Adjusted Debt (b)	=	18%

(1) All amounts rounded to the nearest $25M
(2) 2016 estimate normalized to include a full year for PHI
(3) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(4) Reflects impact operating adjustments on GAAP EBITDA. Refer to slide 165 for a list of operating adjustments to GAAP.
(5) Includes other adjustments as prescribed by S&P
(6) Reflects present value of net capacity purchases
(7) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/opeb
(8) Includes non-recourse project debt and mandatory convertible equity units
(9) Applies 75% of excess cash against balance of LTD

SI-SSA-0015-01071

GAAP to Non-GAAP Reconciliations

YE 2016 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$10,150
Short-Term Debt	$950
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$10,800**

YE 2016 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$375
Depreciation & Amortization	$1,975
EBITDA	$2,350
+/- Non-operating activities and nonrecurring items[2]	$850
= Operating EBITDA (b)	**$3,200**

YE 2016 Debt / EBITDA		
Net Debt (a) / Operating EBITDA (b)	=	3.4x

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA. Refer to slide 165 for a list of operating adjustments to GAAP.

SI-SSA-0015-01072

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2016	2017	2018	2019	2020
GAAP O&M	**$5,625**	**$5,225**	**$5,050**	**$5,100**	**$5,150**
Decommissioning[2]	125	150	100	50	50
Costs associated with early nuclear plant retirements	(125)	-	-	-	-
Long-lived asset impairment costs	(150)	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	(375)	(375)	(400)	(425)
O&M for managed plants that are partially owned	(400)	(425)	(425)	(425)	(450)
Other	(125)	(25)	-	(25)	(25)
Adjusted O&M (Non-GAAP)	**$4,525**	**$4,550**	**$4,350**	**$4,300**	**$4,300**

2016-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$17,975
Other Cash from Investing Activities	($600)
Baseline Capital Expenditures[4]	($4,625)
Nuclear Fuel Capital Expenditures	($4,525)
Free Cash Flow before Growth CapEx and Dividend	**$8,225**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain Constellation and Power businesses of Generation, which are included in Total Gross Margin, a non-GAAP measure
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day to day plant operations

SI-SSA-0015-01073

GAAP to Non-GAAP Reconciliations

2016 Adjusted O&M Reconciliation ($M)[1]	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
GAAP O&M	**$5,625**	**$1,550**	**$875**	**$825**	**$1,500**	**$100**	**$10,475**
Regulatory O&M[2]	-	(225)	(75)	-	(100)	-	(400)
Decommissioning[2]	125	-	-	-	-	-	125
Costs associated with early nuclear plant retirements	(125)	-	-	-	-	-	(125)
Long-lived asset impairment costs	(150)	-	-	-	-	-	(150)
Merger commitments and costs to achieve	-	-	-	-	(425)	(175)	(600)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	-	-	-	-	-	(425)
O&M for managed plants that are partially owned	(400)	-	-	-	-	-	(400)
Other	(125)	(25)	(25)	(25)	-	-	(200)
Adjusted O&M (Non-GAAP)	**$4,525**	**$1,300**	**$775**	**$800**	**$975**	**$(75)**	**$8,300**

2020 Adjusted O&M Reconciliation ($M)[1]	ExGen	Utility/HoldCo	Exelon
GAAP O&M	**$5,150**	**$4,175**	**$9,325**
Regulatory O&M[2]	-	(525)	(525)
Decommissioning[2]	50	-	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	-	(425)
O&M for managed plants that are partially owned	(450)	-	(450)
Other	(25)	-	(25)
Adjusted O&M (Non-GAAP)	**$4,300**	**$3,650**	**$7,950**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain Constellation and Power businesses of Generation, which are included in Total Gross Margin

SI-SSA-0015-01074

GAAP to Non-GAAP Reconciliations

2016 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,700	$750	$600	$800	$4,000	($400)	$7,425
Other cash from investing activities	-	-	-	($25)	($125)	-	($150)
Intercompany receivable adjustment	($200)	-	-	-	-	$200	-
Counterparty collateral activity	-	-	-	-	($275)		($275)
Adjusted Cash Flow from Operations	**$1,500**	**$750**	**$600**	**$775**	**$3,600**	**($200)**	**$7,000**

2016 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$800	($250)	$250	$450	($375)	$1,775	$2,650
Dividends paid on common stock	$375	$275	$175	$175	$1,125	($950)	$1,175
Intercompany receivable adjustment	$200	-	-	-	-	($200)	
Purchase of PHI (including cash acquired)	-	-	-	-	-	($6,925)	($6,925)
Financing Cash Flow	**$1,375**	**$25**	**$425**	**$625**	**$750**	**($6,300)**	**($3,100)**

Exelon Total Cash Flow Reconciliation[1]	2016
GAAP Beginning Cash Balance	**$6,500**
Adjustment for Cash Collateral Posted	$1,300
Adjusted Beginning Cash Balance[3]	$7,800
Net Change in Cash (GAAP)[2]	$(6,275)
Adjusted Ending Cash Balance[3]	$1,525
Adjustment for Cash Collateral Posted	($1,000)
GAAP Ending Cash Balance	**$525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01075

GAAP to Non-GAAP Reconciliations

BGE Operating ROE Reconciliation	2011	2012	2013	2014	2015
Net Income (GAAP)	$123	($9)	$197	$198	$275
Operating exclusions[1]	$18	$96	($2)	$1	$3
Adjusted Operating Earnings	$141	$87	$195	$199	$278
Average Equity	$2,092	$2,139	$2,266	$2,464	$2,625
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.7%**	**4.1%**	**8.6%**	**8.1%**	**10.6%**

(1) Operating exclusions represent adjustments for merger commitments and costs to achieve

SI-SSA-0015-01076

Earnings Conference Call
3rd Quarter 2018

November 1, 2018

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Third Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-01078

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01079

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

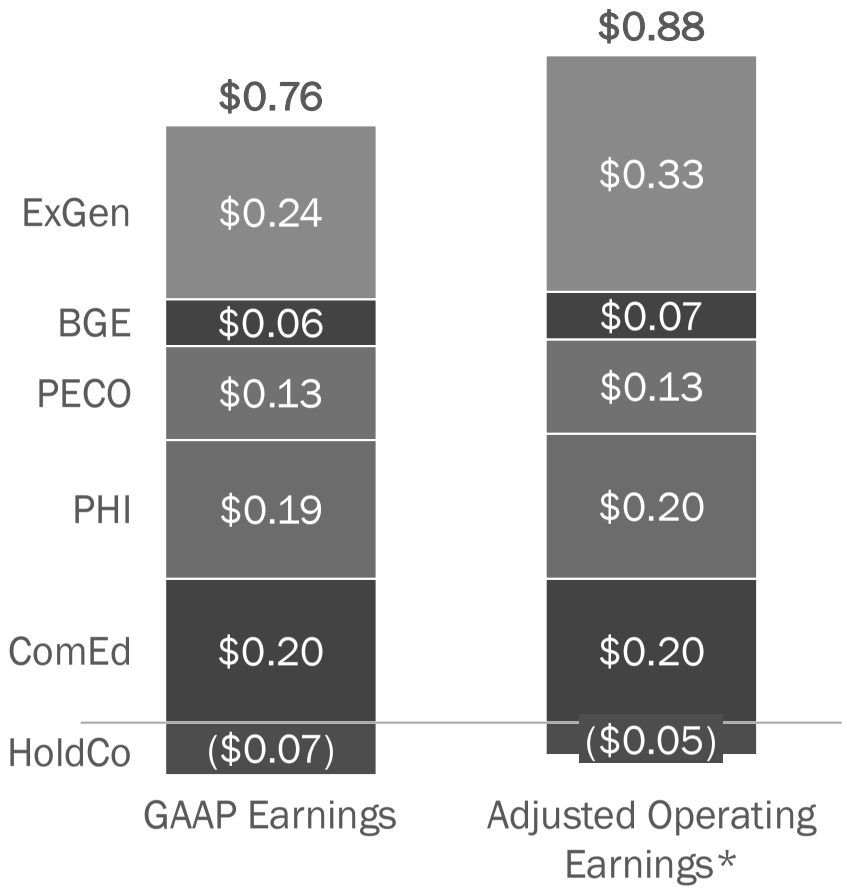
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 39 of this presentation.

SI-SSA-0015-01080

3rd Quarter Results

Q3 2018 EPS Results(1,2)



- GAAP earnings were $0.76/share in Q3 2018 vs. $0.85/share in Q3 2017
- Adjusted operating earnings* were $0.88/share in Q3 2018 vs. $0.85/share in Q3 2017, which is at the upper end of our guidance range of $0.80-$0.90/share

(1) Amounts may not sum due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

Exelon.

SI-SSA-0015-01081

Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q3 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

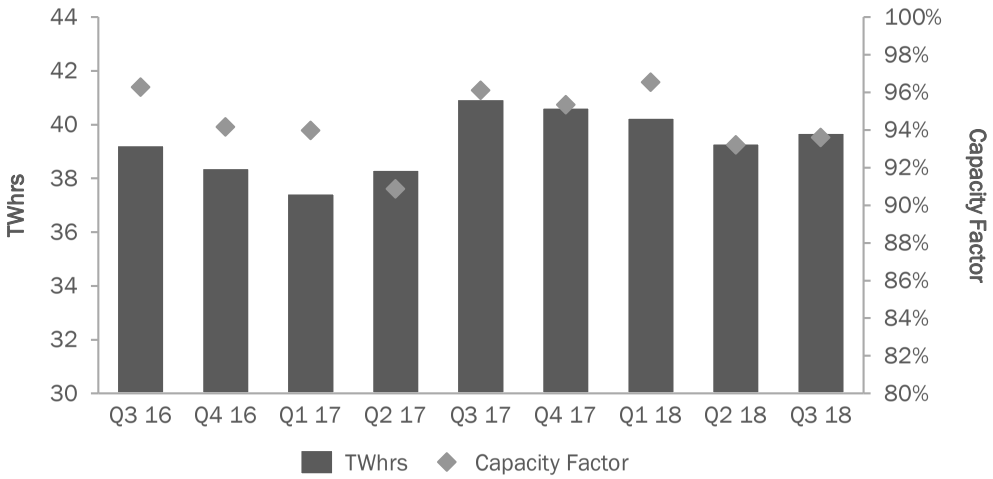
- Reliability performance remains strong in CAIDI and SAIFI across the utilities, while safety performance continues to improve
- Gas odor response remains strong in top decile across the utilities
- Customer operation metrics are strong across all utilities with BGE and ComEd performing in top decile for Customer Satisfaction and PHI in top decile for Service Level

Q1	Q2
Q3	Q4

Exelon Generation Operational Performance

Exelon Nuclear Fleet[2]

- Best in class performance across our Nuclear fleet:
  - Q3 2018 Nuclear Capacity Factor: 93.6%
  - Owned and operated Q3 2018 production of 39.7 TWh[2]



Fossil and Renewable Fleet

- Q3 2018 Renewables energy capture: 95.7%
- Q3 2018 Power dispatch match: 95.8%
- Wolf Hollow II and Colorado Bend unit 7 have returned to service. Colorado Bend unit 8 will return to service in early November.

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem and EDF's equity ownership share of the CENG Joint Venture

Exelon

SI-SSA-0015-01082

Key Updates

Cost Reductions

Committing to $200M in additional cost reductions with a targeted run-rate date of 2021:

- $100M at ExGen
- $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen

Savings due to our focus on improving efficiencies, eliminating redundancies, and leveraging innovation and technologies

More than $900M in announced savings between 2015 – 2021 relative to original plan

ZECS

Seventh and Second Circuit Court of Appeals Uphold ZEC Programs:

- On September 13, the Seventh Circuit Court of Appeals affirmed the dismissal of the Illinois ZEC complaint, upholding the legality of the program
- On September 27, the Second Circuit affirmed dismissal of New York ZEC complaint
- On October 9, the Seventh Circuit denied the petitioners' request for rehearing

New Jersey:

- Board of Public Utilities completed meetings and hearings on implementation of ZEC program
- On September 20, utilities filed tariff changes to recover ZEC related charges
- ZEC applications are due on December 19

Market Reforms

FERC Capacity Market Proceeding:

- On October 2, stakeholders filed comments in response to FERC's request in its June order
- Exelon joined a coalition proposal supported by rate payer advocates, attorneys general, environmental organizations, renewable advocates and other nuclear generators
- Reply comments are due on November 6
- PJM requests FERC action in January 2019 to provide adequate time for the August 2019 PJM capacity auction

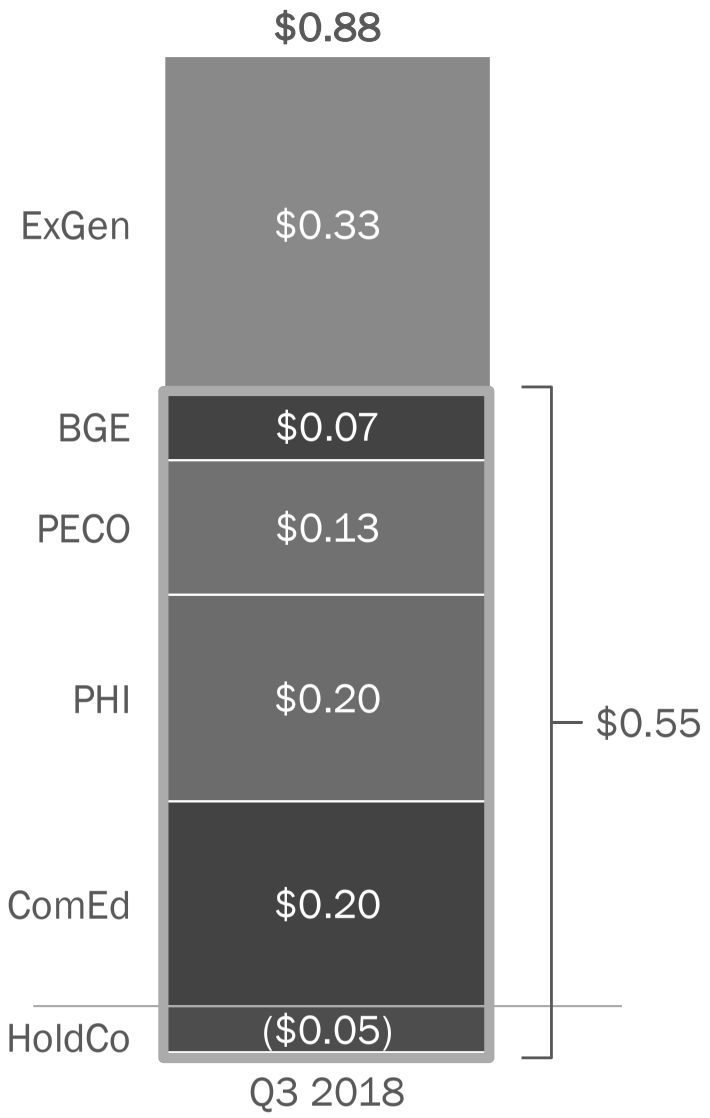
Fast Start:

- PJM fast start pricing has been fully briefed; awaiting decision from FERC

SI-SSA-0015-01083

3rd Quarter Adjusted Operating Earnings* Drivers

Q3 2018 Adjusted Operating EPS* Results



Q3 2018 vs. Guidance of $0.80 - $0.90

Exelon Utilities

- ↑ Favorable weather
- ↑ Reduced storm activity

Exelon Generation

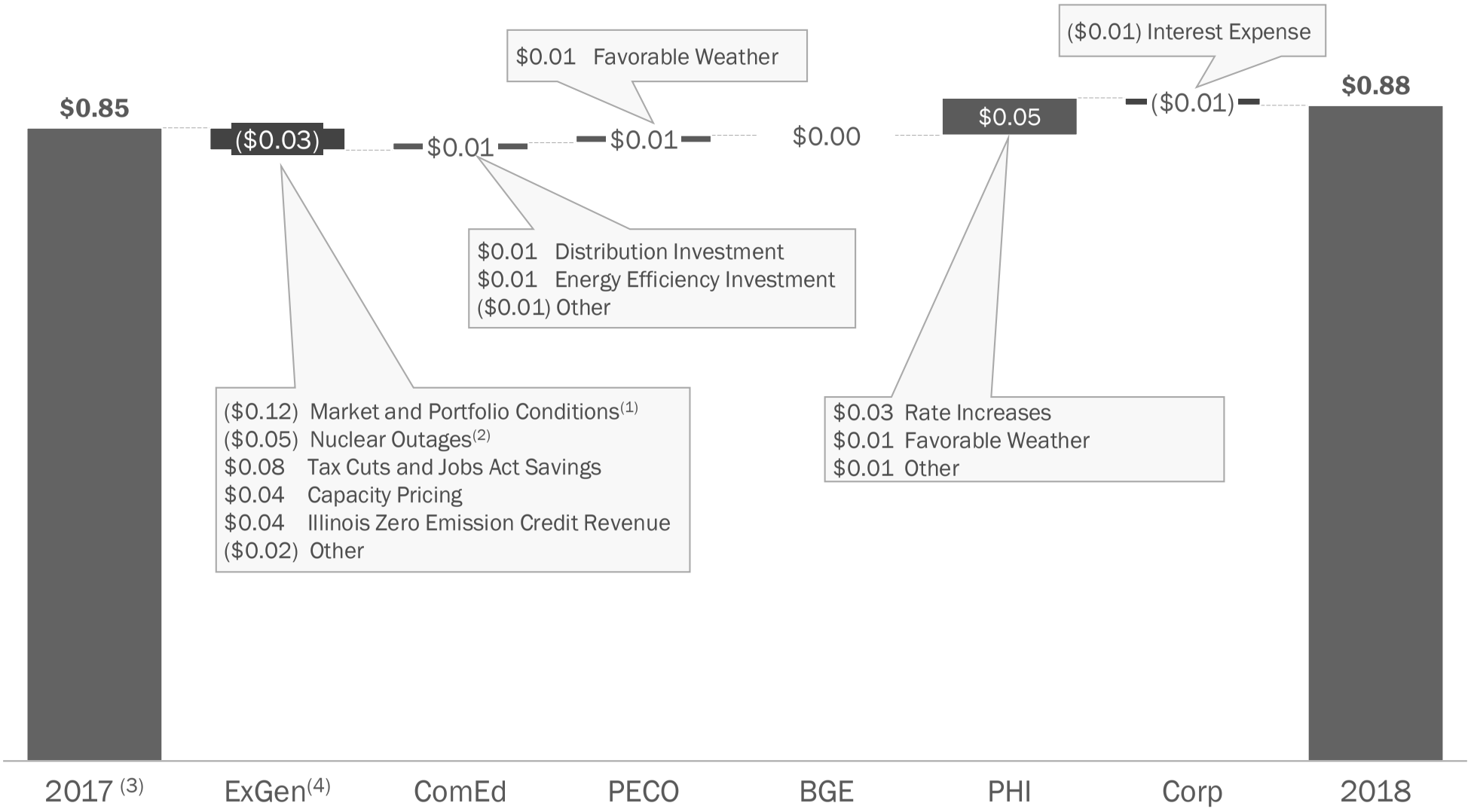
- ↑ NDT realized gains(1)
- ↓ Generation performance
- ↓ Market conditions
- ↓ Higher transmission costs

Note: Amounts may not sum due to rounding
(1) Gains related to unregulated sites

Exelon.

SI-SSA-0015-01084

QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Primarily the absence of EGTP revenues net of purchased power and fuel expense resulting from its deconsolidation in the fourth quarter of 2017 and lower realized energy prices

(2) Decrease in volume due to an increase in outage days in 2018; additionally operating and maintenance expense increased due to an increase in outage days in 2018, excluding Salem

(3) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(4) Drivers reflect CENG ownership at 100%

Exelon.

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Raising Lower End of 2018 Guidance Range

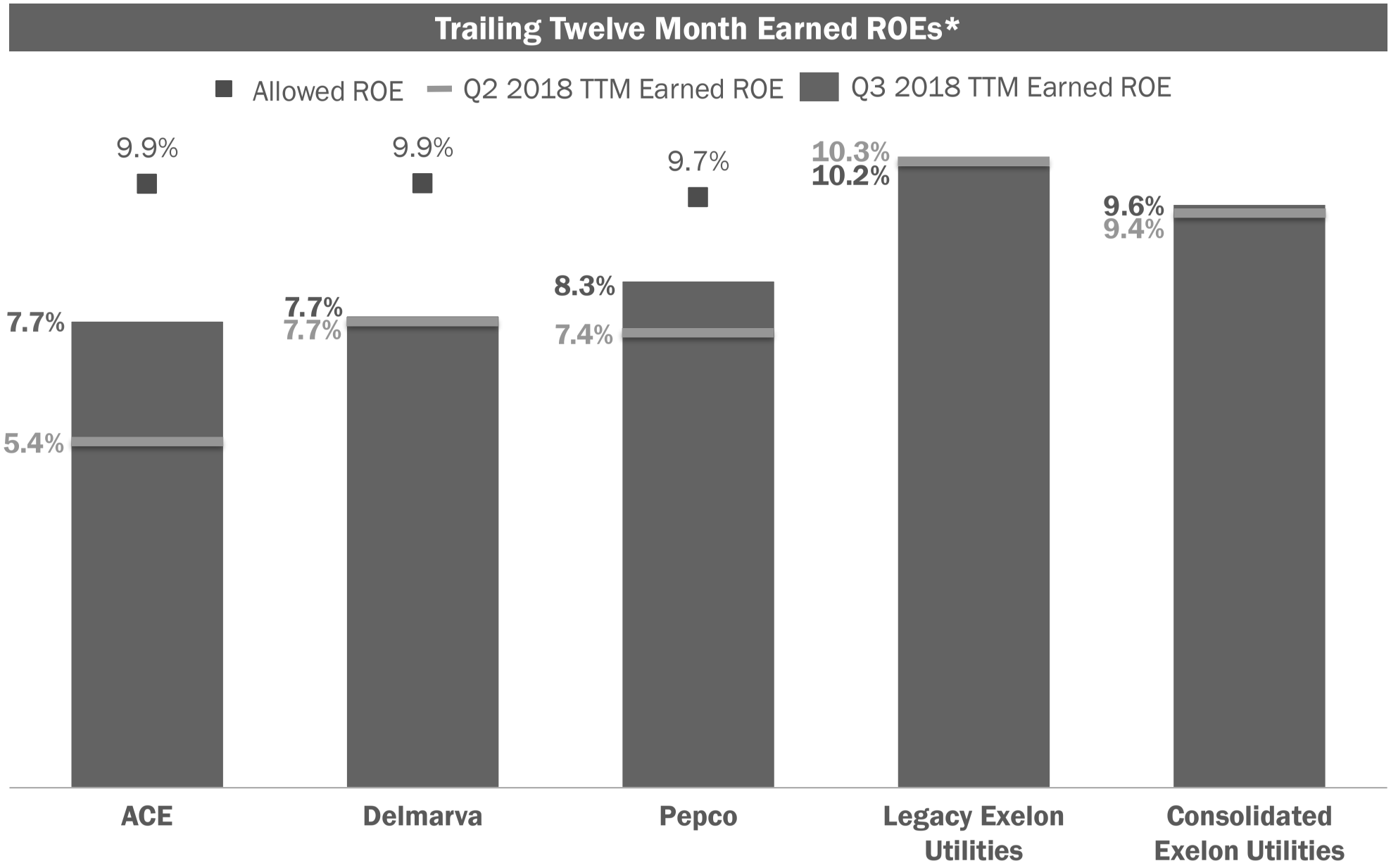
Note: Amounts may not sum due to rounding

(1) 2018 Adjusted Operating Earnings* guidance based on expected average outstanding shares of 969M

Exelon.

SI-SSA-0015-01086

Trailing Twelve Month Earned ROEs* vs Allowed ROE



Note: Represents the twelve-month periods ending June 30, 2018 and September 30, 2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

Exelon.

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($24.1M)[1,8]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH SA			FO							($3.5M)[1,4]	9.70% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,10]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$25M[1,5,9]	N/A	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$82.4M[6]	10.5% / 52.85%[6]	Jan 2019
ACE[7]		CF			IT	RT		EH	IB RB				$109.3M[1]	10.10% / 50.22%	Q3 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(5) On October 18, 2018, the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2018.
(6) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(7) Procedural schedule as proposed by the Company. ACE plans to put interim rates in effect nine months after the filing date, subject to refund, as allowed by the regulations.
(8) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.
(9) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit
(10) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

SI-SSA-0015-01088

Utility CapEx Update

ComEd Completes AMI Smart Meter Installations

- **Forecasted project capital cost:**
  - $920M; more than $20M under budget
  - AMI installations are part of the broader $2.6B Energy Infrastructure Modernization Act program
- **In service date:**
  - Over 4M meters have been exchanged as of September 2018, which is 3 years ahead of the original schedule
- **Project scope:**
  - Replaces existing legacy electric meters with digital smart meters and a wireless communications network
  - AMI improves grid reliability and enables operational efficiencies, while also empowering customers to take greater control of their energy consumption using online management tools and programs that offer efficiency and savings opportunities
  - Customers enrolled in the Peak Time Savings and Hourly Pricing programs have saved more than $5.6M and $19.5M, respectively

ACE's Churchtown Substation Expansion Project

- **Forecasted project cost:**
  - $50M
- **In service date:**
  - Improvements completed in April 2018; retirement of Deepwater Substation completed in October 2018
- **Project scope:**
  - Includes equipment upgrades for reliability and 230, 138 and 69 kV expansion for additional transmission capacity
  - Expansion improves reliability for our customers by replacing and upgrading obsolete equipment and by expanding regional transmission capacity

SI-SSA-0015-01089

Exelon Generation: Gross Margin Update

	September 30, 2018			Change from June 30, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,800	$4,300	$3,900	$100	$250	$100
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	-	-
Mark-to-Market of Hedges[2,3]	$350	$250	$250	$(50)	$(150)	$(50)
Power New Business / To Go	$100	$550	$800	$(50)	$(50)	-
Non-Power Margins Executed	$400	$200	$150	$50	$50	$50
Non-Power New Business / To Go	$100	$300	$350	$(50)	$(50)	$(50)
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**	**-**	**$50**	**$50**

Recent Developments

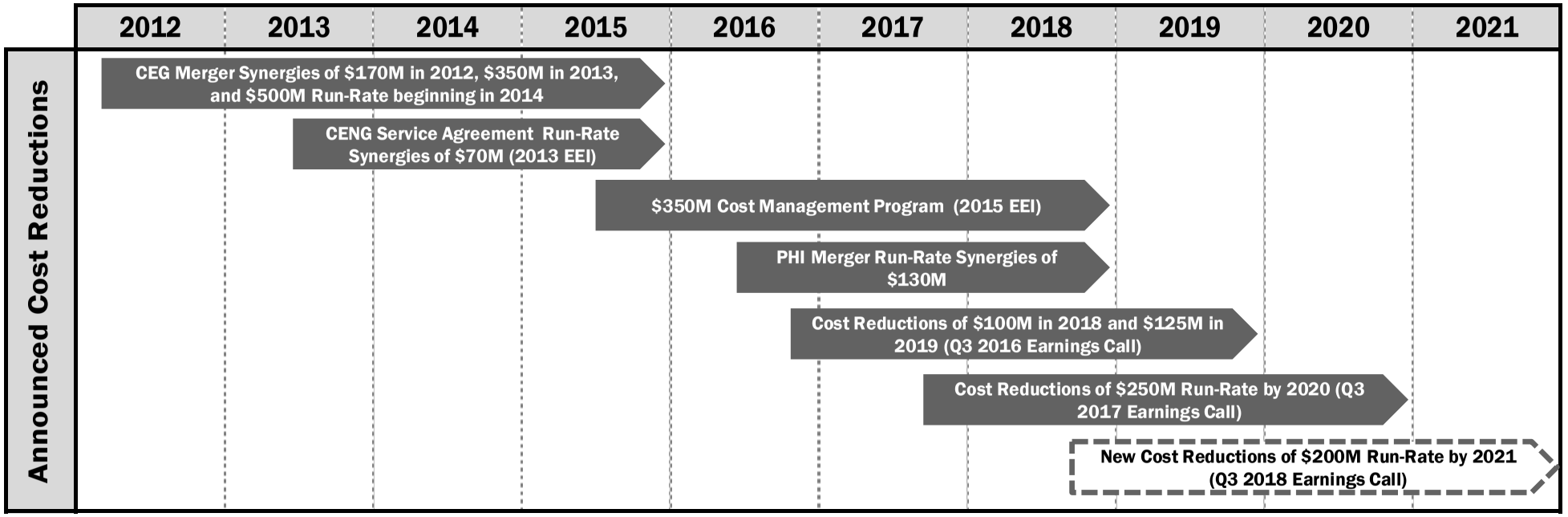
- Open Gross Margin ("OGM") is up in 2018 due to higher NiHub, West Hub, and NY Zone A prices, partly offset by weaker ERCOT spark spreads
- 2019 and 2020 OGM is up due to stronger ERCOT spark spreads and higher West Hub prices; 2019 OGM is also up on higher NiHub and New York Zone A prices
- Mark-to-Market of Hedges is down in all years on higher prices, offset by the execution of Power New Business in 2018/2019
- Executed $50M of Non-Power New Business in all years
- Behind ratable hedging position reflects the upside we see in power prices
  - ~9-12% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

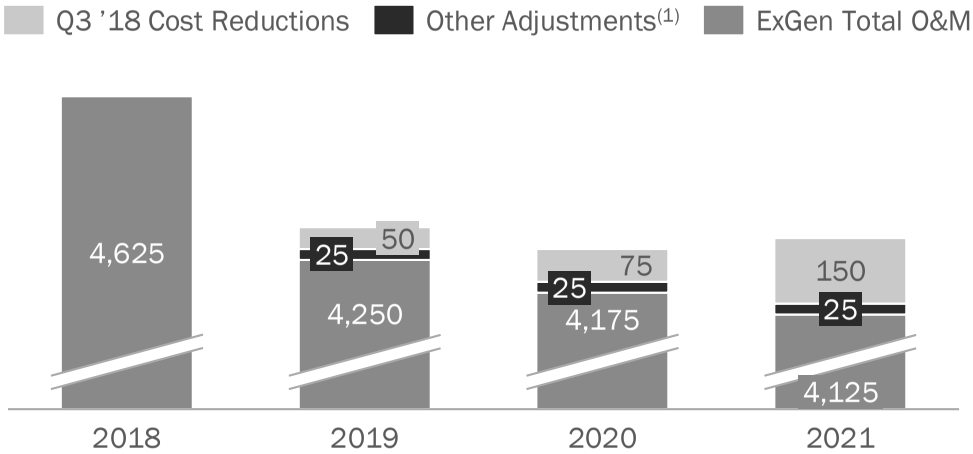
SI-SSA-0015-01090

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2018 ($M)



(1) Primarily pension updates due to higher interest rates

Key Commentary

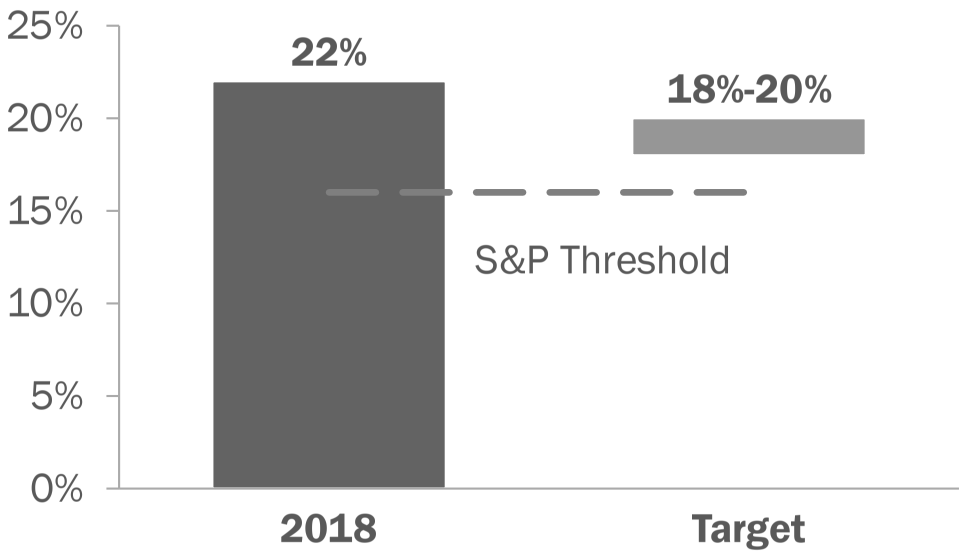
- Committing to $200M in additional cost reductions
  - $100M at ExGen
  - $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen
- **Since 2015, Exelon has announced more than $900M of cost reductions**

SI-SSA-0015-01091

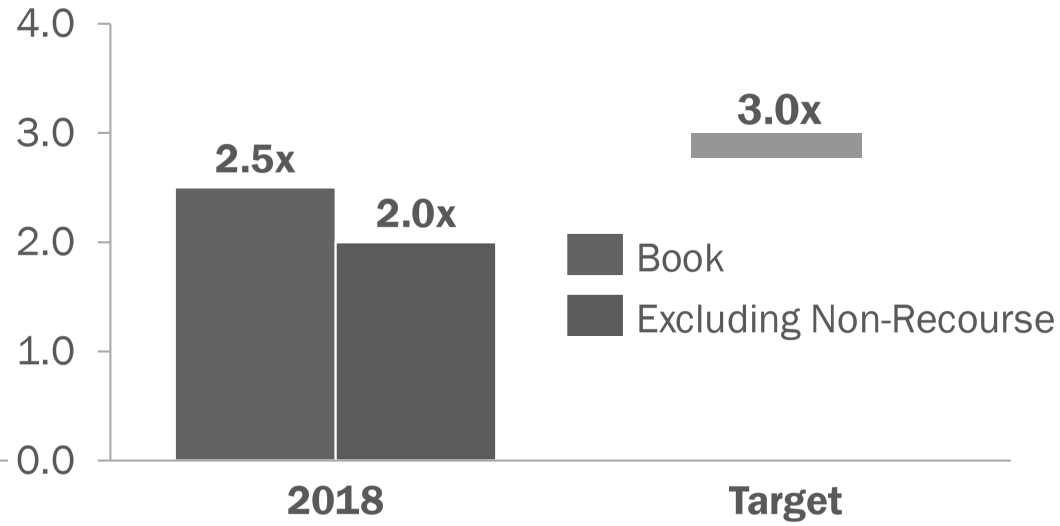
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-[3]	BBB[3]	A-[3]	A-[3]	A-[3]	A[3]	A[3]	A[3]
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of November 1, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon Corp and all subsidiaries are on "Positive" outlook at S&P; Exelon Corp, PECO, and and BGE are on "Positive" outlook at Fitch; ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon

SI-SSA-0015-01092

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[(1)],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

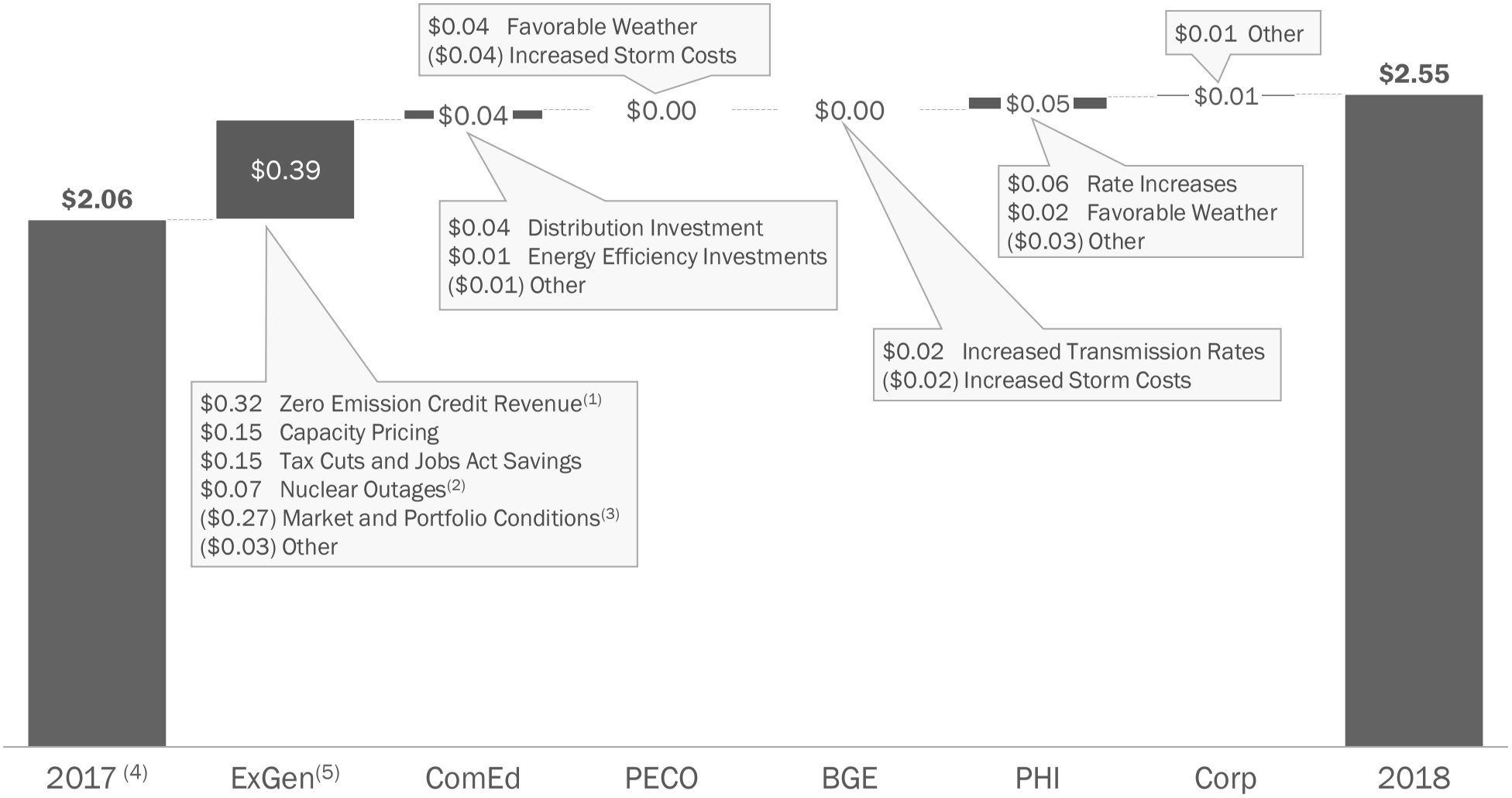
Exelon.

SI-SSA-0015-01093

Additional Disclosures

SI-SSA-0015-01094

YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017 through December 31, 2017

(2) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(3) Primarily lower realized energy prices and the absence of EGTP revenues net of purchased power and fuel expense resulting from its deconsolidation in the fourth quarter of 2017

(4) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(5) Drivers reflect CENG ownership at 100%

Exelon.

SI-SSA-0015-01095

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	750	1,650	650	1,100	4,175	3,800	175	8,150	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(50)	(2,025)	
Free Cash Flow*	**750**	**1,650**	**650**	**1,100**	**4,175**	**1,825**	**125**	**6,125**	
Debt Issuances	300	1,350	700	750	3,100	0	0	3,100	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	500	50	350	1,000	0	(1,000)	0	
Other Financing[4]	50	0	50	(125)	(25)	50	(50)	(25)	
Financing*[5]	**475**	**1,000**	**300**	**700**	**2,475**	**(50)**	**(1,050)**	**1,375**	
Total Free Cash Flow and Financing	**1,225**	**2,650**	**950**	**1,800**	**6,625**	**1,775**	**(925)**	**7,475**	
Utility Investment	(1,000)	(2,125)	(850)	(1,500)	(5,475)	0	0	(5,475)	
ExGen Growth[3,6]	0	0	0	0	0	(350)	0	(350)	
Acquisitions and Divestitures	0	0	0	0	0	(25)	0	(25)	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,500)**	**(5,475)**	**(400)**	**(1,325)**	**(7,225)**	
Total Cash Flow	**225**	**525**	**100**	**275**	**1,150**	**1,375**	**(2,250)**	**275**	
Ending Cash Balance*[2]									**1,725**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes commercial paper, expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.8B at ExGen and $4.2B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.5B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

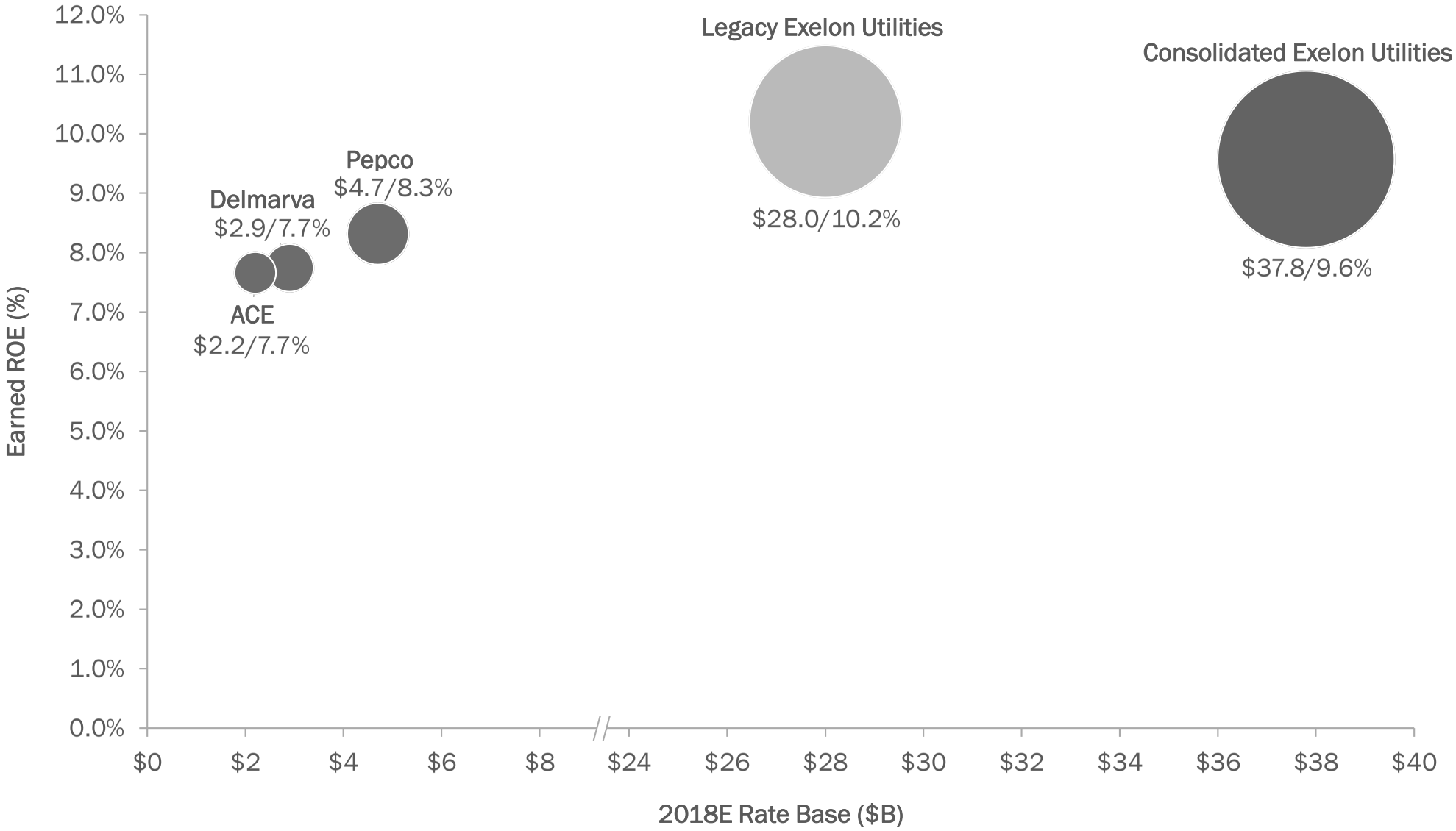
- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

SI-SSA-0015-01096

Exelon Utilities Trailing Twelve Month Earned ROEs*

Q3 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the twelve-month period ending September 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

Exelon.

SI-SSA-0015-01097

Shared Principles for FRR-RS Have Broad Support From Many Sectors

Renewable Community

SEIA Solar Energy Industries Association®

MAREC Mid-Atlantic Renewable Energy Coalition

AWEA American Wind Energy Association

Consumer Advocates

OPC-DC Office of the People's Counsel — Advocacy | Education | Protection

Citizens Utility Board — Fighting for Illinois Consumers

DPA Delaware Division of the Public Advocate

District of Columbia Office of the Attorney General

State of West Virginia

Maryland Office of People's Counsel

Shared Principles

An FRR-RS mechanism should:

- Protect customers from paying duplicate capacity
- Preserve states' abilities to achieve clean energy policy goals

FERC should:

- Require Fixed Resource Requirement – Resource Specific (FRR-RS) to allow load serving entities to buy capacity from all state-incentivized resources and receive full capacity credit for doing so
- Allow for a smooth transition by giving states enough time to work through any difficult implementation issues before fully imposing the MOPR

Industry Stakeholders

PSEG

Talen Energy

American Public Power Association

NEI Nuclear Energy Institute

Exelon

FirstEnergy Solutions

Environmental NGOs

NRDC

Sierra Club

Earthjustice — Because the Earth needs a good lawyer

Numerous parties endorsed a shared set of principles and many others favorably cited those principles in their comments in Docket EL18-178

SI-SSA-0015-01098

Exelon

Exelon Utilities

SI-SSA-0015-01099

Exelon.

ACE Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	ER-18080925	• August 21 2018, ACE filed a distribution base rate case with the New Jersey Board of Public Utilities (BPU) to increase distribution base rates • Size of ask is primarily driven by increased depreciation expense, continued investment in infrastructure to maintain and improve reliability and customer satisfaction, and higher O&M costs • Forward looking additions through June 2019 ($9.8M of revenue requirement based on 10.10% ROE) included in revenue requirement request • Interim rates expected to go in effect in May 2019, subject to refund, as allowed by the regulations
Test Year	January 1, 2018 – December 31, 2018	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.22%	
Requested Rate of Return	ROE: 10.10%; ROR: 7.45%	
Proposed Rate Base (Adjusted)	$1.6B	
Requested Revenue Requirement Increase	$109.3M(1)	
Residential Total Bill % Increase	9.55%	

Detailed Rate Case Schedule(2)

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Filed rate case	▲ 8/21/2018												
Intervenor testimony				▲ 11/19/2018									
Rebuttal testimony					▲ 12/21/2018								
Evidentiary hearings							▬ 2/4/2019 – 2/15/2019						
Initial briefs due								▲ 3/8/2019					
Reply briefs due								▲ 3/22/2019					
Commission order expected													Q3 2019 ▲

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Procedural schedule as proposed by the Company

Exelon.

SI-SSA-0015-01100

BGE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	Case No. 9484	• Case filed on June 8, 2018 seeking an increase in gas distribution revenues only • The increase is primarily driven by infrastructure investments since 2015/2016, and includes moving revenues currently being recovered via the STRIDE surcharge into base rates
Test Year	August 1, 2017 – July 31, 2018	
Test Period	12 months actual	
Requested Common Equity Ratio	52.85%(1)	
Requested Rate of Return	ROE: 10.5%; ROR: 7.46%(1)	
Proposed Rate Base (Adjusted)	$1.7B	
Requested Revenue Requirement Increase	$82.4M(1)	
Residential Total Bill % Increase	~3.4%(2)	

Detailed Rate Case Schedule

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Filed rate case				▲ 06/08/2018								
Intervenor testimony							▲ 09/14/2018					
Rebuttal testimony								▲ 10/12/2018				
Evidentiary hearings									11/2/2018 – 11/16/2018			
Initial briefs due(3)										11/2018		
Reply briefs due(3)											12/2018	
Commission order expected											▲ 01/04/2019	

(1) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(2) Increase expressed as a percentage of a combined electric and gas residential customer total bill
(3) Briefing schedule will be determined during or at the end of the evidentiary hearing

Exelon.

SI-SSA-0015-01101

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($24.1M)[1,2]	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case				4/16/2018								
Intervenor testimony						6/28/2018						
Rebuttal testimony							7/23/2018					
Evidentiary hearings								8/28/2018				
Initial briefs due									9/11/208			
Reply briefs due									9/25/2018			
Commission order expected											12/2018	

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.

Exelon.

SI-SSA-0015-01102

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977 – Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • June 27, 2018, Delmarva DE filed a Settlement Agreement and requested a decrease in revenue requirement of ($6.9M)[2] • August 21, 2018, DPSC approved the settlement
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Common Equity Ratio	50.52%[2]	
Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Rate Base (Adjusted)	N/A	
Revenue Requirement Decrease	($6.9M)[1,2]	
Residential Total Bill % Decrease	(1.2%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Settlement agreement												▲ 6/27/2018					
Settlement support testimony												▲ 6/27/2018					
Evidentiary hearings												▲ 6/27/2018					
Commission order													▲ 8/21/2018				

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01103

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978 - Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • September 7, 2018, Delmarva Power filed a partial gas Settlement Agreement and requested a decrease in revenue requirement of ($3.5M)[2] • The partial Settlement Agreement resolves all issues except a $3.5M regulatory asset related to the Interface Management Unit (IMU) batteries
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%[2]	
Requested Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Proposed Rate Base (Adjusted)	N/A	
Requested Revenue Requirement Decrease	($3.5M)[1,2]	
Residential Total Bill % Decrease	(2.6%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Settlement agreement														▲ 9/7/2018			
Settlement support testimony														▲ 9/7/2018			
Evidentiary hearings														▲ 9/7/2018			
Commission order expected															Q4 2018		

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01104

PECO Distribution Rate Case Filing

	Rate Case Settlement Details	Notes
Docket No.	R-2018-3000164	• PECO filed an electric distribution base rate case on March 29, 2018 • On October 18, 2018 the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. • The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2019 • The settlement amount of $96M[2] represents 63% of the $153M ask. This is in line with prior PA electric distribution rate case outcomes.
Test Year	January 1, 2019 – December 31, 2019	
Test Period	12 Months Budget	
Common Equity Ratio	N/A	
Rate of Return	ROE: N/A; ROR: N/A	
Rate Base	N/A	
Revenue Requirement Increase	$25M[1,2]	
Residential Total Bill % Increase	1.2%	

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pre-filing notice			2/27/2018									
Filed rate case				3/29/2018								
Intervenor testimony						6/26/2018						
Rebuttal testimony							7/24/2018					
Evidentiary hearings								8/21/2018				
Initial briefs filed									9/07/2018			
Reply briefs filed									9/17/2018			
Commission order expected										12/01/2018		

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit

Exelon.

SI-SSA-0015-01105

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151 – Per Settlement (Black Box)	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a settlement agreement and requested a decrease in revenue requirement of ($24.1M)[2] • August 9, 2018, PSCDC approved settlement agreement which placed rates in effect on August 13, 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[2]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[2]	
Proposed Rate Base (Adjusted)	N/A	
Requested Revenue Requirement Decrease	($24.1M)[1,2]	
Residential Total Bill % Decrease	(0.7%)[2,3]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 12/19/2017											
Settlement agreement					▲ 4/17/2018								
Settlement support testimony						▲ 5/7/2018							
Reply testimony						▲ 5/18/2018							
Initial briefs							▲ 6/14/2018						
Commission order									▲ 8/9/2018				

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(3) Modified/Extended Customer Base Rate Credit (CBRC)

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SI-SSA-0015-01106

Exelon Generation Disclosures

September 30, 2018

SI-SSA-0015-01107

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Portfolio Management Strategy

Strategic Policy Alignment

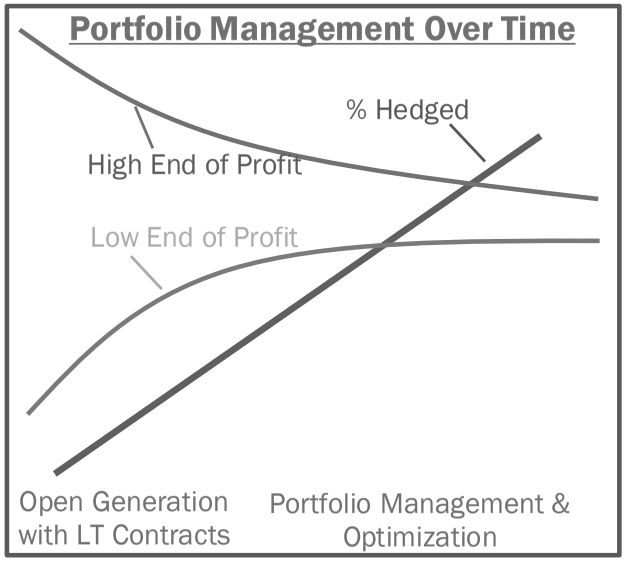
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

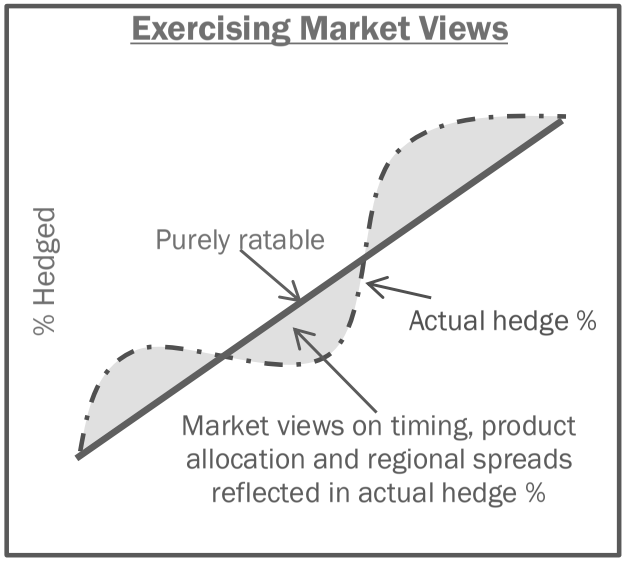
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01108

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-01109

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,800	$4,300	$3,900
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$350	$250	$250
Power New Business / To Go	$100	$550	$800
Non-Power Margins Executed	$400	$200	$150
Non-Power New Business / To Go	$100	$300	$350
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.94	$2.78	$2.65
Midwest: NiHub ATC prices ($/MWh)	$27.62	$26.24	$24.92
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$36.54	$33.53	$31.59
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.06	$11.50	$10.30
New York: NY Zone A ($/MWh)	$31.86	$29.49	$27.89
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$6.80	$6.88	$6.27

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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SI-SSA-0015-01110

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**196,300**	**201,900**	**192,900**
Midwest	96,600	97,000	96,500
Mid-Atlantic[2,6]	60,300	54,000	48,500
ERCOT	16,900	25,500	23,700
New York[2,6]	16,200	16,600	15,600
New England	6,300	8,800	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**82%-85%**	**48%-51%**
Midwest	98%-101%	79%-82%	44%-47%
Mid-Atlantic[2,6]	100%-103%	94%-97%	61%-64%
ERCOT	98%-101%	78%-81%	49%-52%
New York[2,6]	98%-101%	93%-96%	57%-60%
New England	78%-81%	23%-26%	13%-16%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$28.50	$28.00
Mid-Atlantic[2,6]	$39.00	$37.50	$37.00
ERCOT[5]	($2.00)	$2.00	$1.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$7.00	$6.00	$25.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.3%, 94.6% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

SI-SSA-0015-01111

ExGen Hedged Gross Margin* Sensitivities

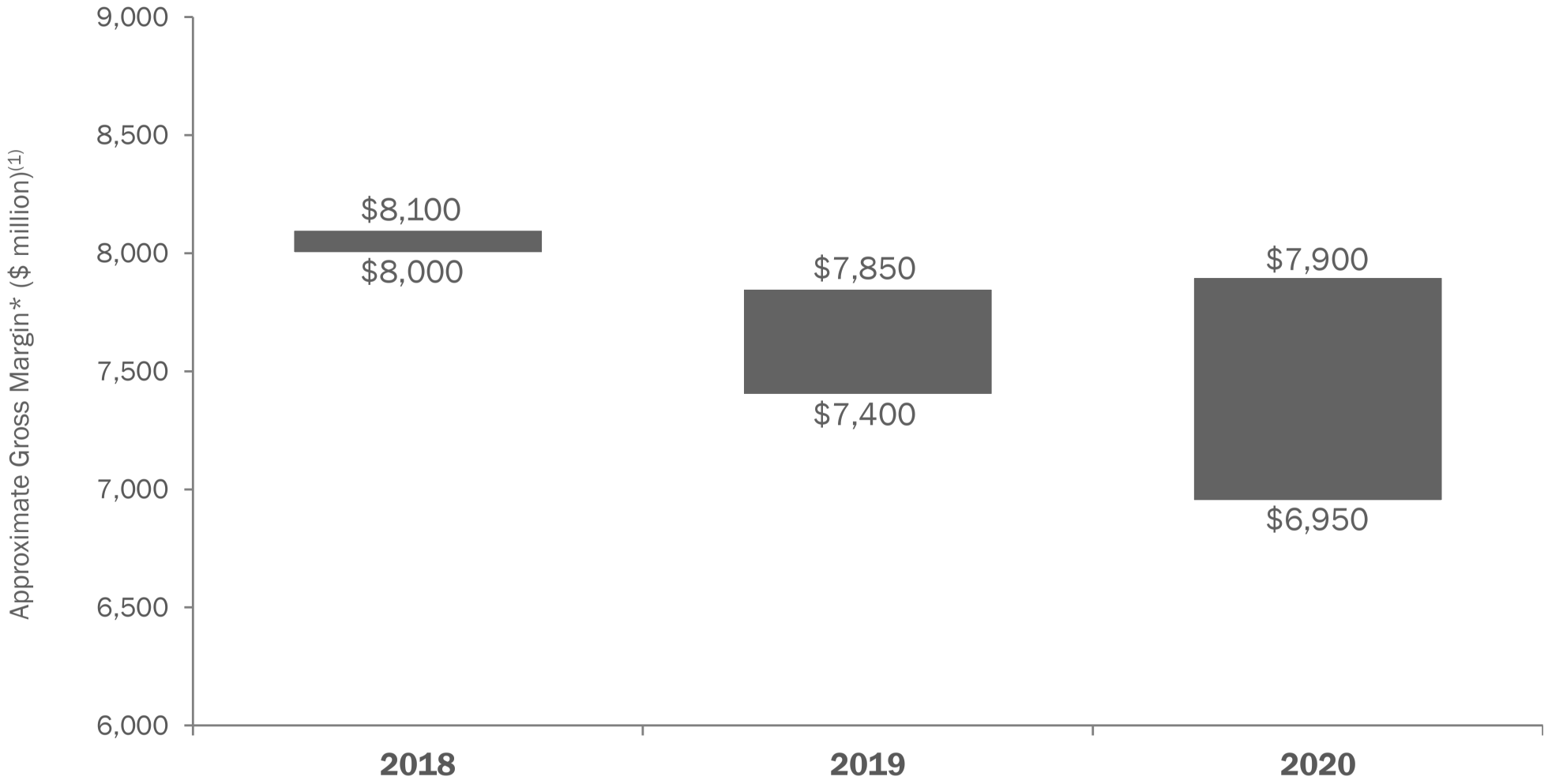
Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(10)	$190	$445
- $1/MMBtu	$20	$(145)	$(395)
NiHub ATC Energy Price			
+ $5/MWh	-	$100	$265
- $5/MWh	-	$(100)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$20	$95
- $5/MWh	$5	-	$(90)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	-	$30
- $5/MWh	-	$(5)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $30

(1) Based on September 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

Exelon.

SI-SSA-0015-01112

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

SI-SSA-0015-01113

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.3 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.0	54.0	25.5	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	80.5%	95.5%	79.5%	94.5%	24.5%	
(E=C*D)	Hedged Volume (TWh)	78.1	51.6	20.3	15.7	2.2	
(F)	Effective Realized Energy Price ($/MWh)	$28.50	$37.50	$2.00	$32.00	$6.00	
(G)	Reference Price ($/MWh)	$26.24	$33.53	$11.50	$29.49	$6.88	
(H=F-G)	Difference ($/MWh)	$2.26	$3.97	($9.50)	$2.51	($0.88)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$175	$205	($195)	$40	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,600					
(K)	Power New Business / To Go ($ million)	$550					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	**Total Gross Margin***	**$7,650 million**					

(1) Mark-to-market rounded to the nearest $5M

Exelon

SI-SSA-0015-01114

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,125**	**$7,800**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,650**	**$7,350**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	22.0%

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01115

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01116

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Q3 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.32**	**$0.20**	**$0.12**	**$0.06**	**$0.16**	**$0.00**	**$0.85**
Mark-to-market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	(0.01)	-	-
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.08	-	-	-	-	-	0.08
Cost management program	0.01	-	-	-	-	-	0.01
Bargain purchase gain	(0.01)	-	-	-	-	-	(0.01)
Reassessment of deferred income taxes	0.02	-	-	-	-	(0.04)	(0.02)
Noncontrolling interests	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.19**	**$0.12**	**$0.07**	**$0.15**	**($0.04)**	**$0.85**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

Exelon.

SI-SSA-0015-01117

Q3 QTD GAAP EPS Reconciliation (continued)

Three Months Ended September 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.24**	**$0.20**	**$0.13**	**$0.06**	**$0.19**	**($0.07)**	**$0.76**
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	0.01	(0.06)
Unrealized gains related to NDT fund investments	(0.06)	-	-	-	-	-	(0.06)
Long-lived asset impairments	0.01	-	-	-	-	-	0.01
Plant retirements and divestitures	0.21	-	-	-	-	-	0.21
Cost management program	0.01	-	-	-	-	-	0.01
Asset retirement obligation	-	-	-	-	0.02	-	0.02
Change in environmental liabilities	(0.01)	-	-	-	-	-	(0.01)
Reassessment of deferred income taxes	(0.03)	-	-	-	(0.01)	0.02	(0.02)
Noncontrolling interests	0.02	-	-	-	-	-	0.02
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.33**	**$0.20**	**$0.13**	**$0.07**	**$0.20**	**($0.05)**	**$0.88**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Q3 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.52**	**$0.47**	**$0.35**	**$0.24**	**$0.38**	**$0.06**	**$2.02**
Mark-to-market impact of economic hedging activities	0.10	-	-	-	-	-	0.10
Unrealized gains related to NDT fund investments	(0.22)	-	-	-	-	-	(0.22)
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.31	-	-	-	-	-	0.31
Plant retirements and divestitures	0.15	-	-	-	-	-	0.15
Cost management program	0.02	-	-	-	-	-	0.03
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Reassessment of deferred income taxes	0.02	-	-	-	-	(0.06)	(0.04)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Noncontrolling interests	0.08	-	-	-	-	-	0.08
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.77**	**$0.50**	**$0.35**	**$0.25**	**$0.31**	**($0.12)**	**$2.06**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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Q3 YTD GAAP EPS Reconciliation (continued)

Nine Months Ended September 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.56**	**$0.54**	**$0.35**	**$0.25**	**$0.35**	**($0.13)**	**$1.92**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	0.01	0.08
Unrealized losses related to NDT fund investments	0.10	-	-	-	-	-	0.10
Long-lived asset impairments	0.04	-	-	-	-	-	0.04
Plant retirements and divestitures	0.44	-	-	-	-	-	0.43
Cost management program	0.02	-	-	-	-	-	0.03
Asset retirement obligation	-	-	-	-	0.02	-	0.02
Reassessment of deferred income taxes	(0.03)	-	-	-	(0.01)	0.01	(0.03)
Noncontrolling interests	(0.04)	-	-	-	-	-	(0.04)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.16**	**$0.54**	**$0.35**	**$0.25**	**$0.36**	**($0.11)**	**$2.55**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Non-cash impacts pursuant to the annual update of asset retirement obligations
  - Adjustment to the remeasurement of deferred income taxes as a result of the Tax Cuts and Jobs Act (TCJA) and changes in forecasted apportionment
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

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GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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GAAP to Non-GAAP Reconciliations

Q3 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$103	$191	$1,407	$1,778
Operating Exclusions	$5	$8	$24	$2	$40
Adjusted Operating Earnings	$82	$111	$215	$1,409	$1,817
Average Equity	$1,065	$1,434	$2,590	$13,808	$18,898
Operating ROE (Adjusted Operating Earnings/Average Equity)	**7.7%**	**7.7%**	**8.3%**	**10.2%**	**9.6%**

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Note: Items may not sum due to rounding

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$750	$1,650	$650	$1,100	$4,250	$175	$8,600
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	($175)	-	($175)
Adjusted Cash Flow from Operations	**$750**	**$1,650**	**$650**	**$1,100**	**$3,800**	**$175**	**$8,150**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$275	$550	$0	$375	($1,050)	($100)	$50
Dividends paid on common stock	$200	$450	$300	$325	$1,000	($950)	$1,325
Financing Cash Flow	**$475**	**$1,000**	**$300**	**$700**	**($50)**	**($1,050)**	**$1,375**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$275
Adjusted Ending Cash Balance[3]	$1,725
Adjustment for Cash Collateral Posted	($375)
GAAP Ending Cash Balance	**$1,350**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01125

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,475**	**$4,925**	**$4,825**	**$4,750**
Decommissioning[2]	50	50	50	50
Oyster Creek Retirement[5]	(100)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(275)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(125)	(50)	(25)	-
Adjusted O&M (Non-GAAP)	**$4,625**	**$4,250**	**$4,175**	**$4,125**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments
(5) 2018 Decommissioning costs include $75M of asset retirement obligations for Oyster Creek retirement acceleration

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May 2018 Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's First Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 44 of this presentation.

SI-SSA-0015-01130

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

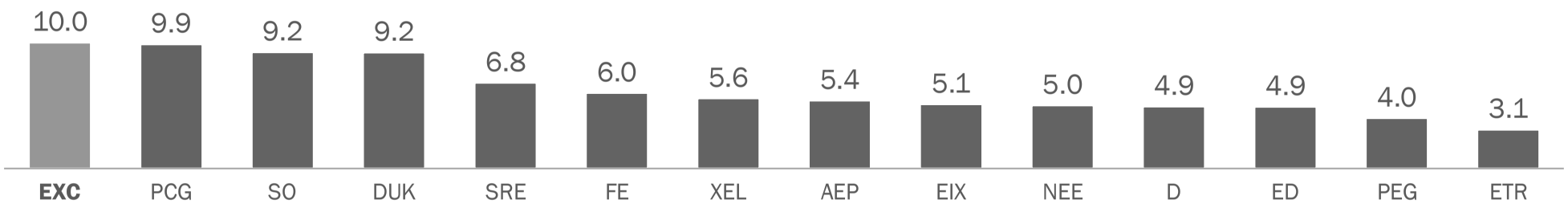
11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

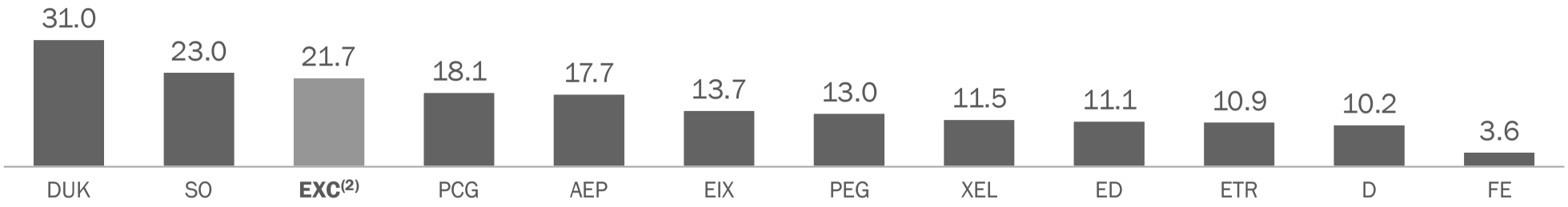
SI-SSA-0015-01134

Exelon Utilities are an Industry Leader

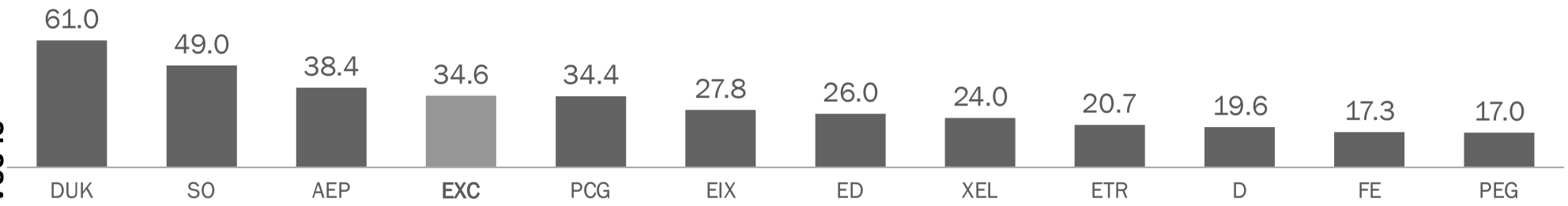
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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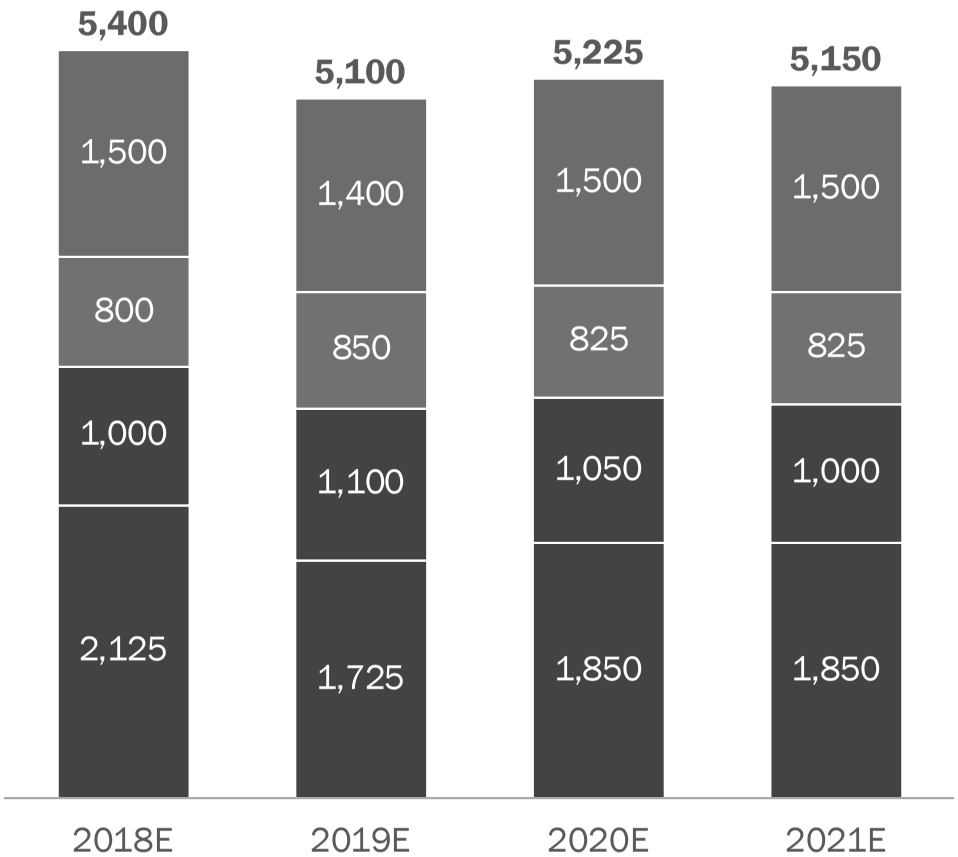
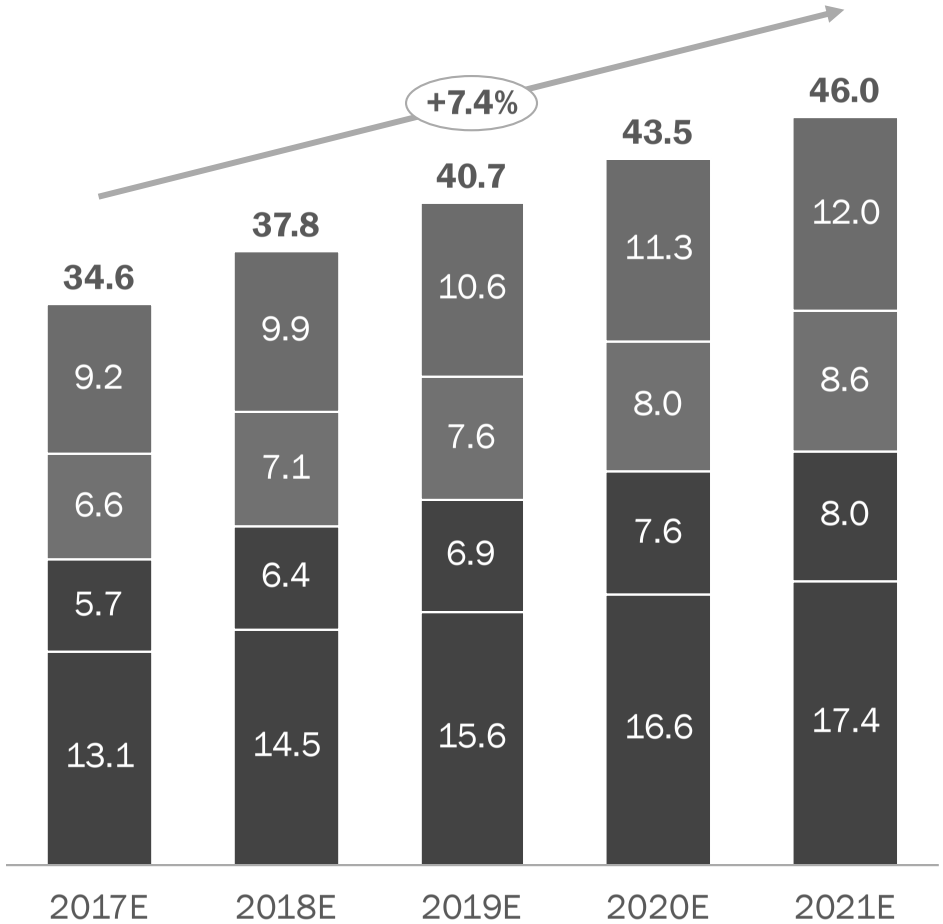
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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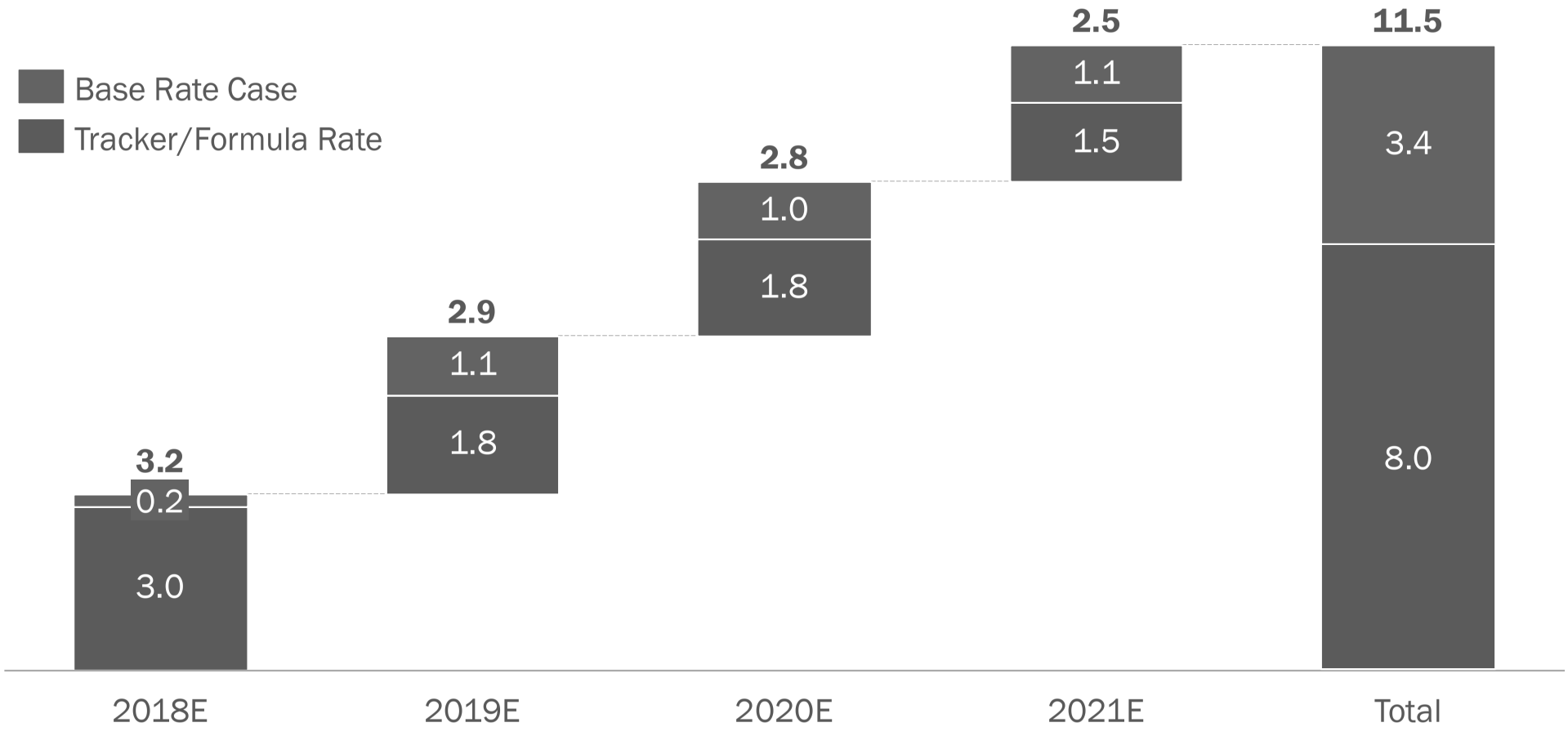
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q1 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Reliability performance year to date was strong across the utilities, adjusted for normal storm events
- Customer operation metrics reflect solid performance across the utilities
- Safety performance year to date has been disappointing; safety improvement plans have been implemented to improve performance going forward

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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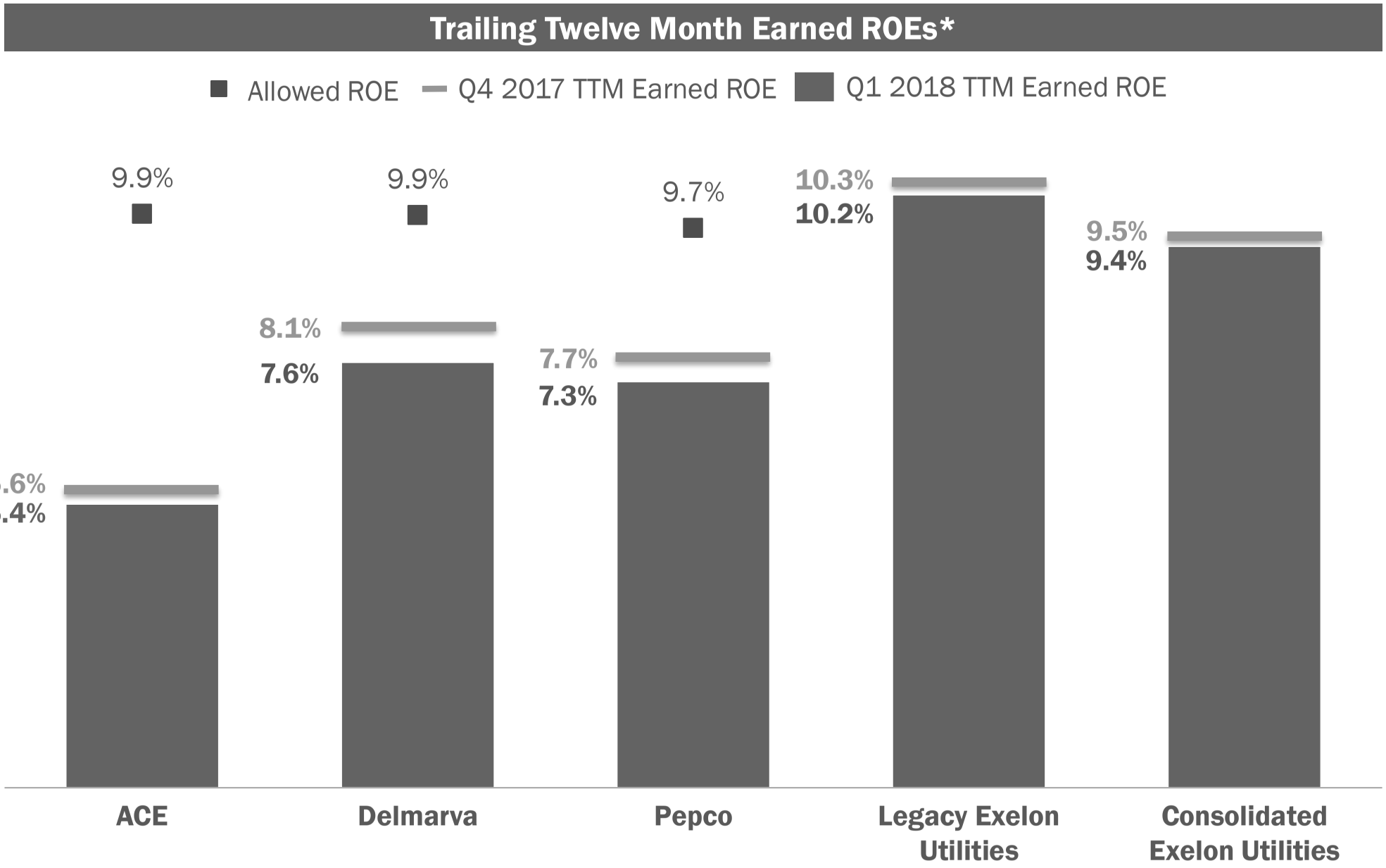
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2017 and 3/31/2018, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Transmission). Includes 20 bps and 10 bps impact to TTM earned ROEs from FAS 109 and winter storms, respectively.

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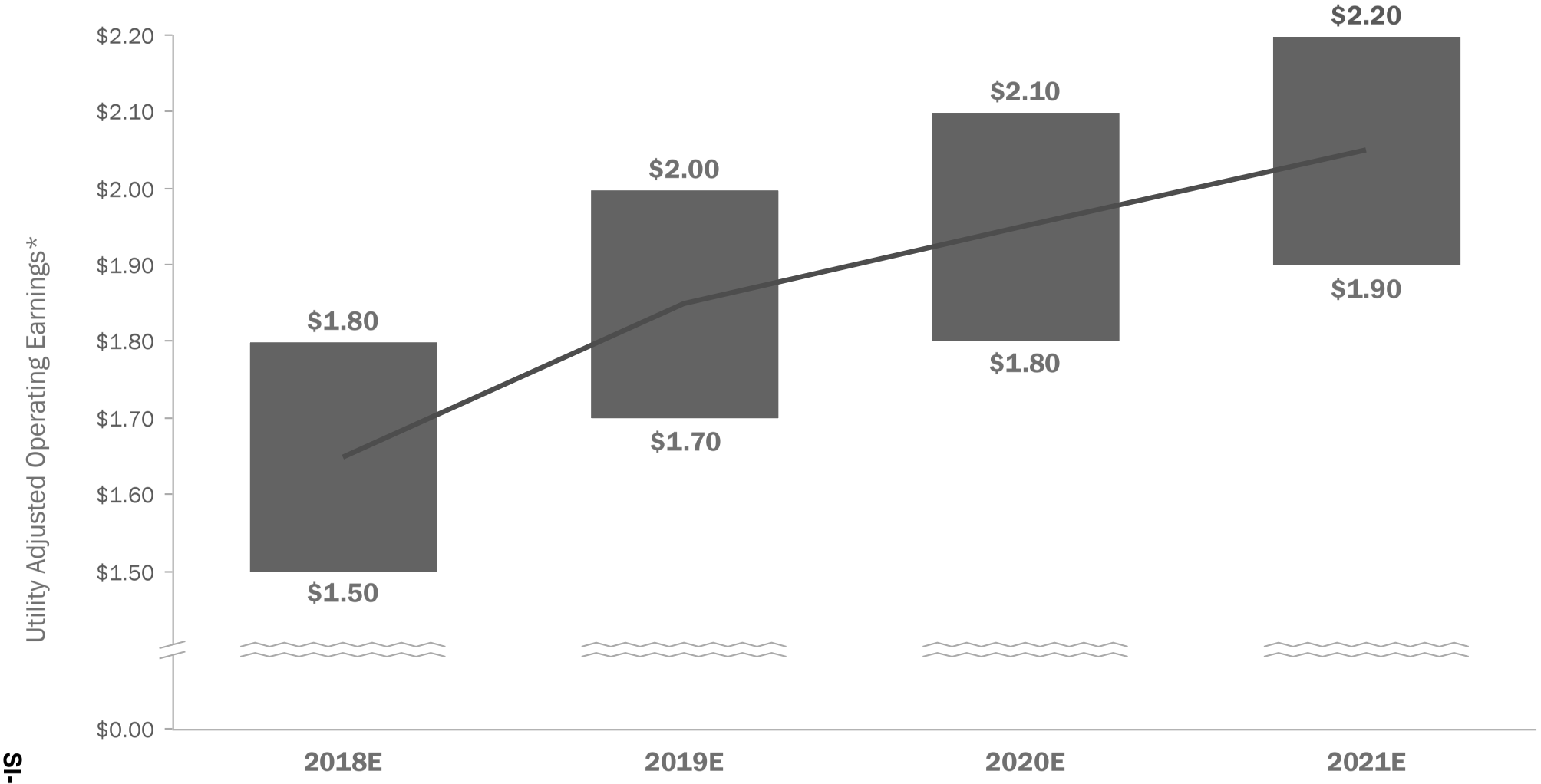
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon.

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
Delmarva (MD)		FO											Authorized: $13.4M	Authorized:[6] 9.50%/NA	Feb 9, 2018
ComEd[2]				CF		IT	RT	EH	IB RB			FO	$(22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)			IT		RT	EH	IB	RB	FO				$12.6M[1,3]	10.10% / 50.52%	Q3 2018
Delmarva Gas (DE)					IT		RT		EH	IB RB		FO	$3.9M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)				SA	IT RT EH	IB	FO						$(24.1)M[1,7]	9.525% / 50.44%[7]	July 1, 2018[7]
Pepco Electric (MD)	CF			SA IT	EH	FO							$(15.0)M[1,7]	9.50% / 50.44%[7]	June 1, 2018[7]
PECO[2] Electric			CF			IT	RT	EH	IB RB			FO	$82M[1,5]	10.95% / 53%	Dec 2018

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement Agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, District of Columbia Public Service Commission, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other cots where applicable, which have no impact on pre-tax earnings
(2) Anticipated schedule; actual dates will be determined by ALJ at pre-hearing conference
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(6) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(7) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Expected orders are based on requested rate effective dates. Includes tax benefits from Tax Cuts and Jobs Act.

SI-SSA-0015-01141

Exelon

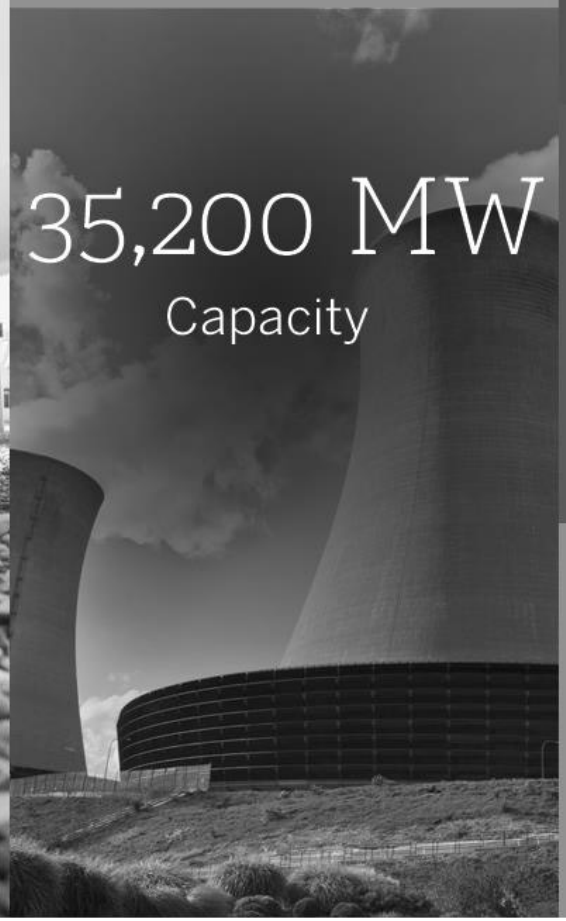
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-01142

Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-2015-01143

Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%(1)
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs(2)
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-01144

Exelon Generation: Gross Margin Update as of May 2, 2018

	March 31, 2018			Change from December 31, 2017		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,600	$3,950	$3,800	$250	$50	$50
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-	-
Mark-to-Market of Hedges[2,3]	$300	$450	$250	$(50)	$50	-
Power New Business / To Go	$350	$650	$850	$(200)	$(100)	$(50)
Non-Power Margins Executed	$300	$150	$100	$100	$50	-
Non-Power New Business / To Go	$200	$350	$400	$(100)	$(50)	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**-**	**-**

Recent Developments

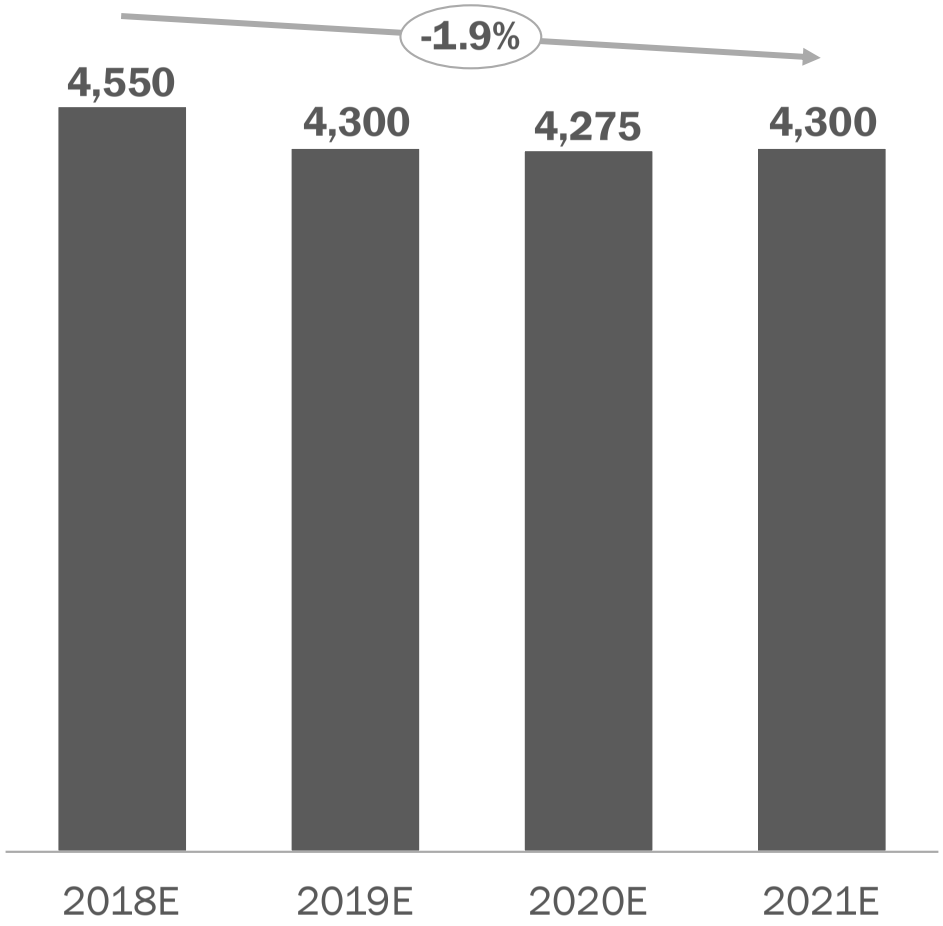
- Open Gross Margin is up in all years due to strengthening ERCOT spark spreads, partly offset by lower NiHub prices
- Mark-to-Market of Hedges is down in all years due to higher prices, mostly offset by the execution of Power New Business
- Executed $200M and $100M of Power New Business in 2018 and 2019, respectively
- Behind ratable hedging position reflects the upside we see in power prices
  - ~8-11% behind ratable in 2019 when considering cross commodity hedges

Note: Data as of March 31, 2018 – These disclosures were presented on May 2, 2018 and are not being updated at this time
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

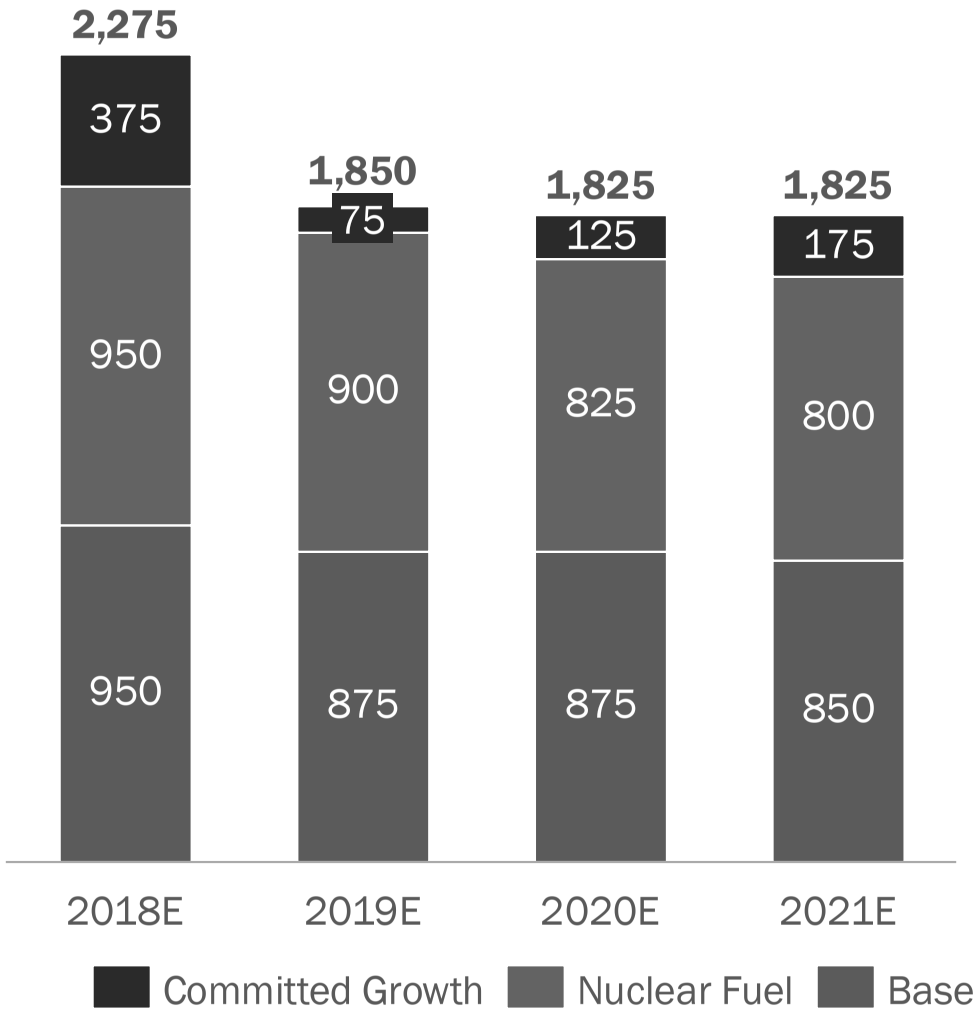
SI-SSA-0015-01145

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

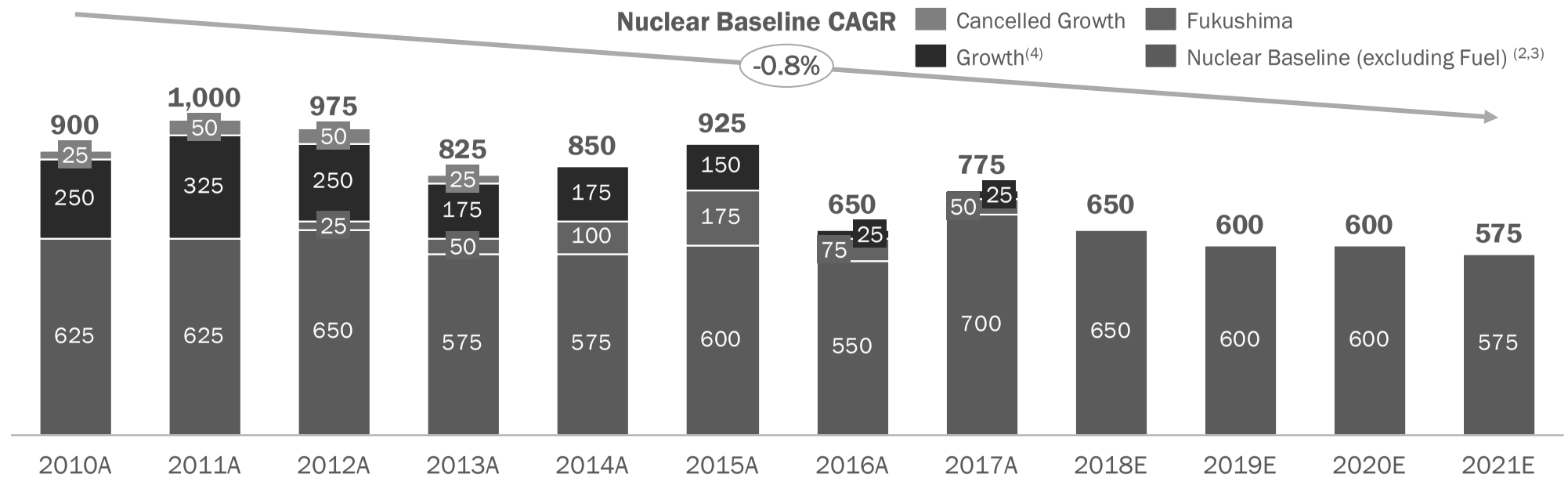
(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

Exelon.

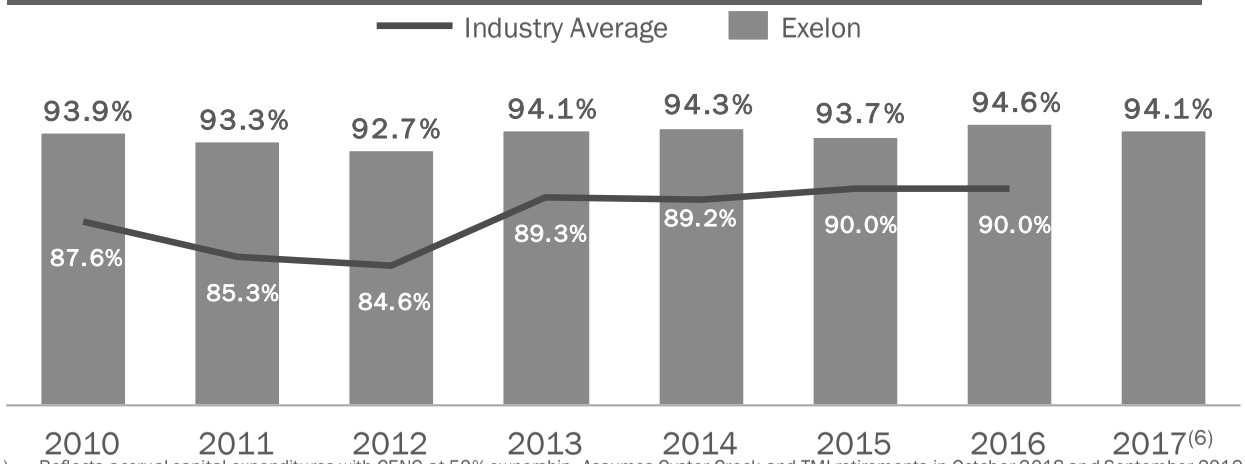
SI-SSA-0015-01146

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

SI-SSA-0015-01147

ZEC & Policy Updates

New Jersey ZEC

- On April 12, 2018, the NJ ZEC bill passed both the Senate and Assembly with bipartisan support
- Bill is now before Governor Murphy, who has 45 days to sign
- Upon the Governor's signature, the BPU will begin the process of implementing the bill, including approving utility tariffs, developing a selection methodology, and reviewing applications for participation in the program
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois & New York ZEC Legal Challenges

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018 – Judge requested supplemental briefings from parties
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- Parties are awaiting response from the U.S. Solicitor General and further action by the court

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

PJM Price Formation

Fast Start:

- Fast start NOPR was initiated by FERC (docket # EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September
  - If FERC approves by September, PJM believes it could implement the changes for the 2018/2019 winter

Baseload:

- PJM is in the midst of a stakeholder process scheduled to conclude in the 3rd quarter
- After completing the stakeholder process and receiving FERC's decision on the fast start docket, PJM will announce its process for moving forward

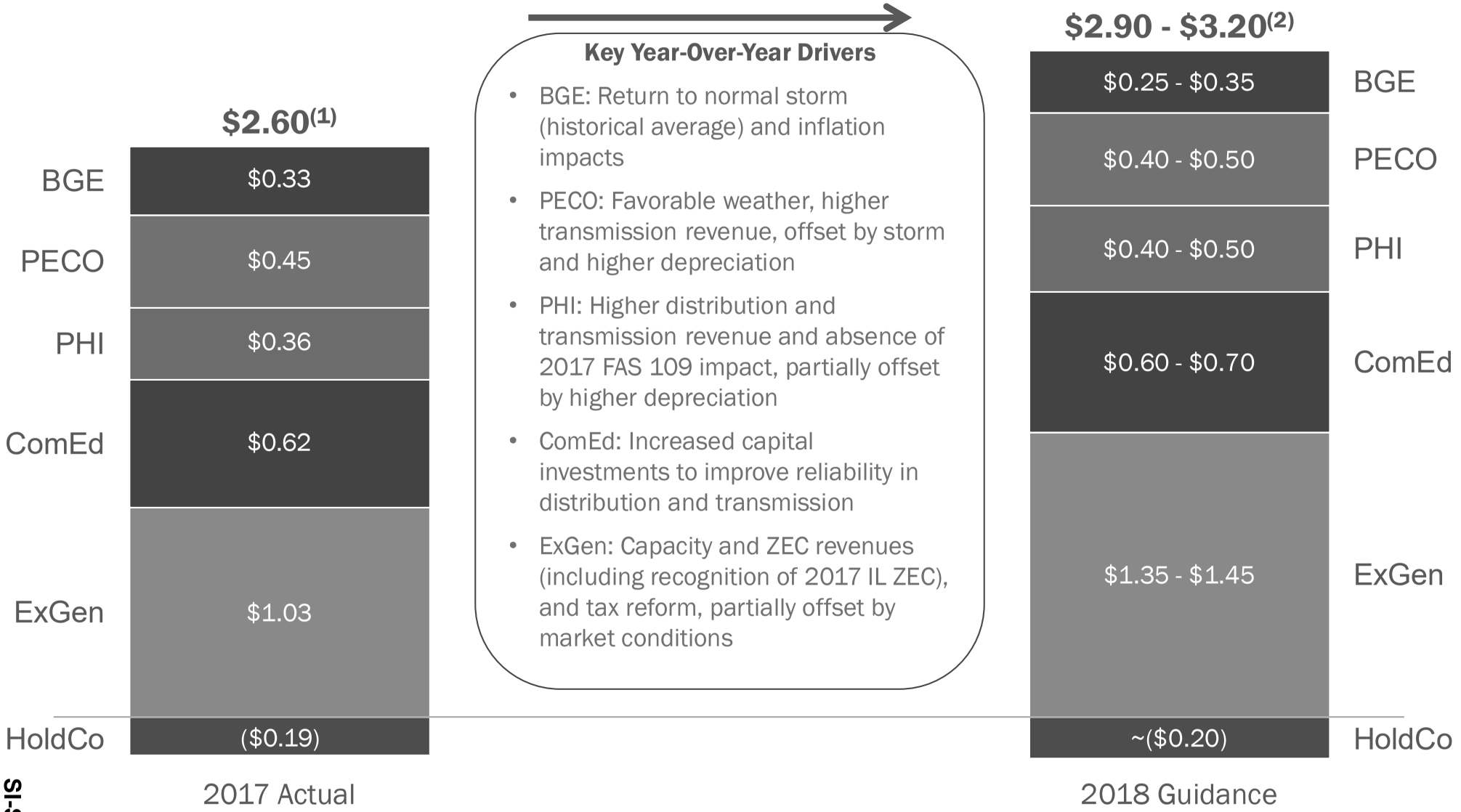
Exelon.

SI-SSA-0015-01148

Financial Overview

SI-SSA-0015-01149

2018 Adjusted Operating Earnings* Guidance as of May 2, 2018



Expect Q2 2018 Adjusted Operating Earnings* of $0.55 - $0.65 per share

Note: Guidance as presented on May 2, 2018. We are not updating guidance at this time. Amounts may not add due to rounding

(1) 2017 results based on 2017 average outstanding shares of 949M

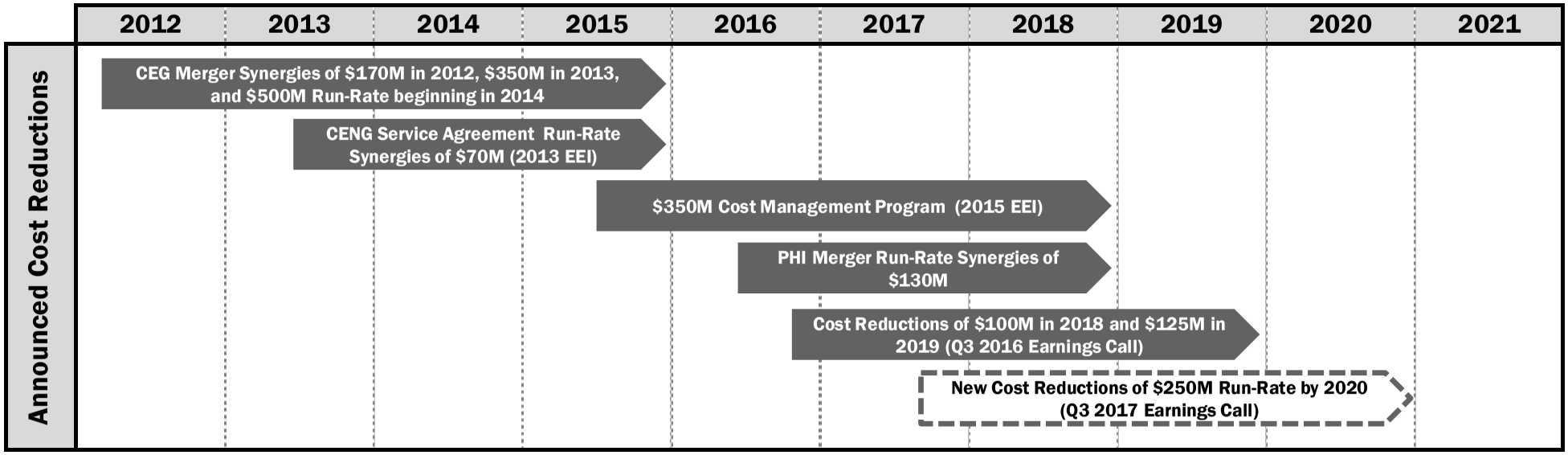
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01150

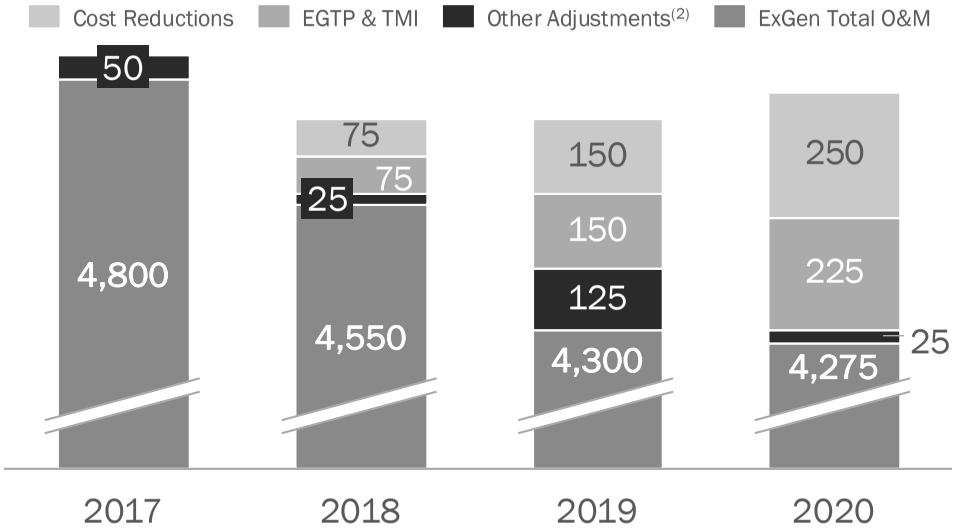
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

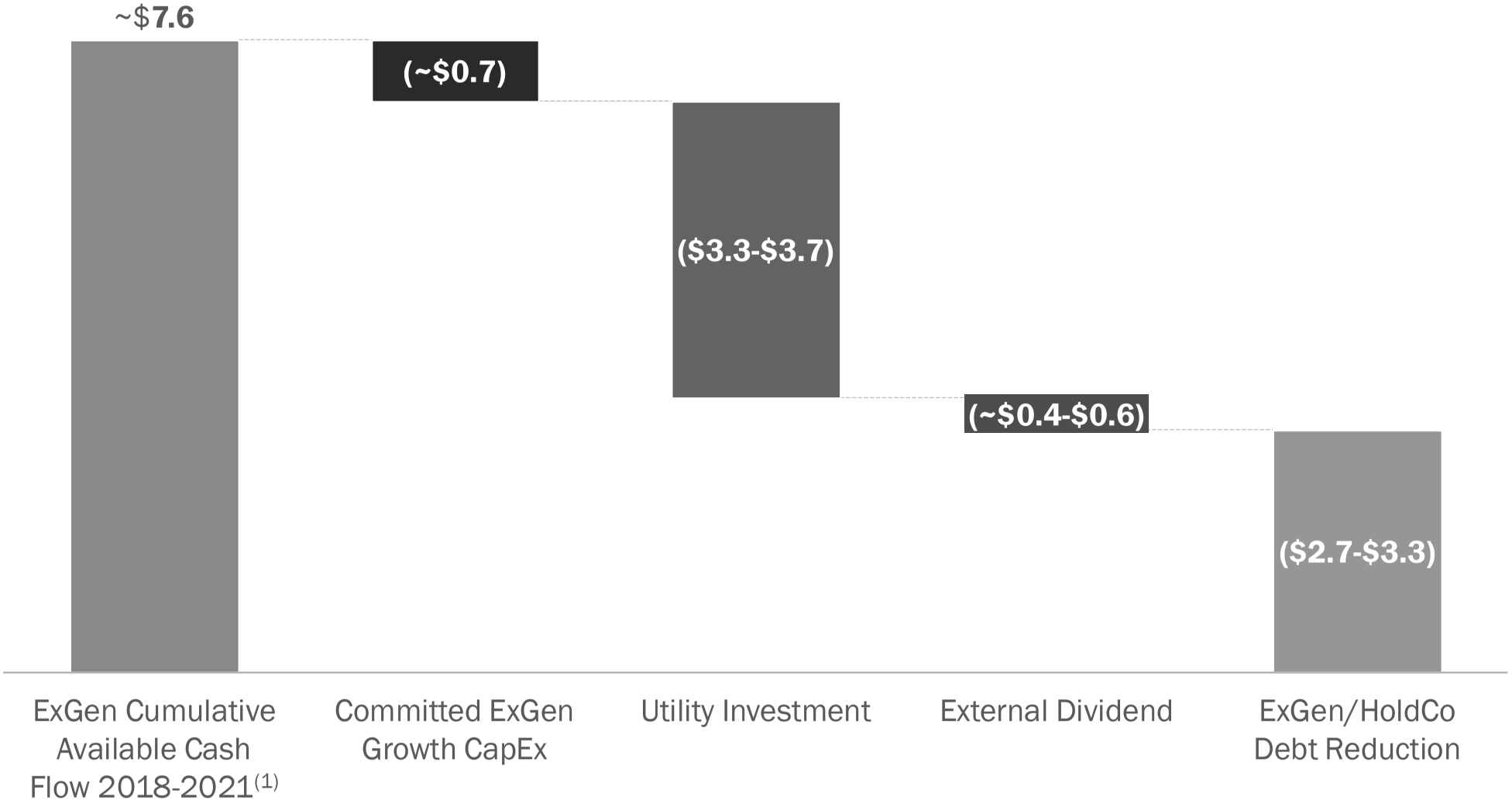
(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-01151

Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-01152

Exelon.

Impacts from Tax Reform

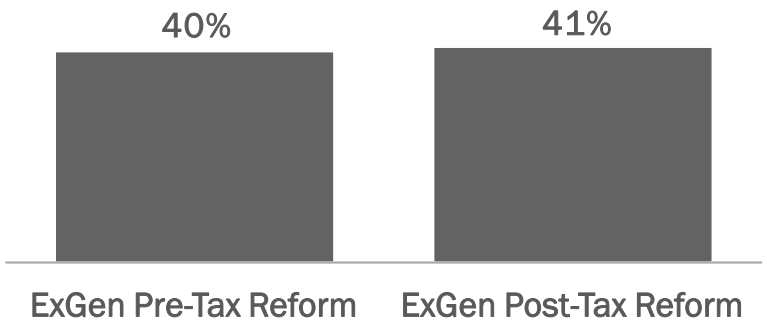
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

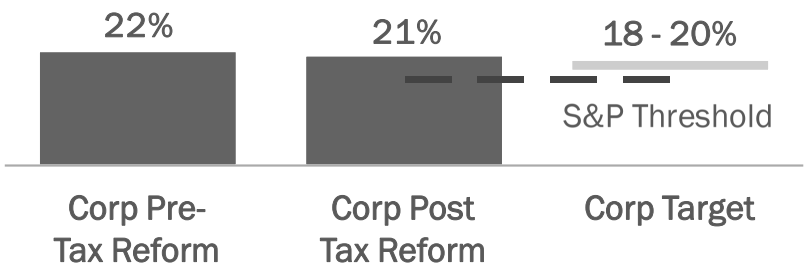
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

SI-SSA-0015-01153

Tax Reform Yields Significant Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
  - $3.86 decrease on the average residential monthly bill
- DPL has filed plans with DE PSC to provide **$26M** in annual tax savings to customers
  - $2.99 and $4.77 decrease on the average residential monthly bill for Electric and Gas, respectively

ACE

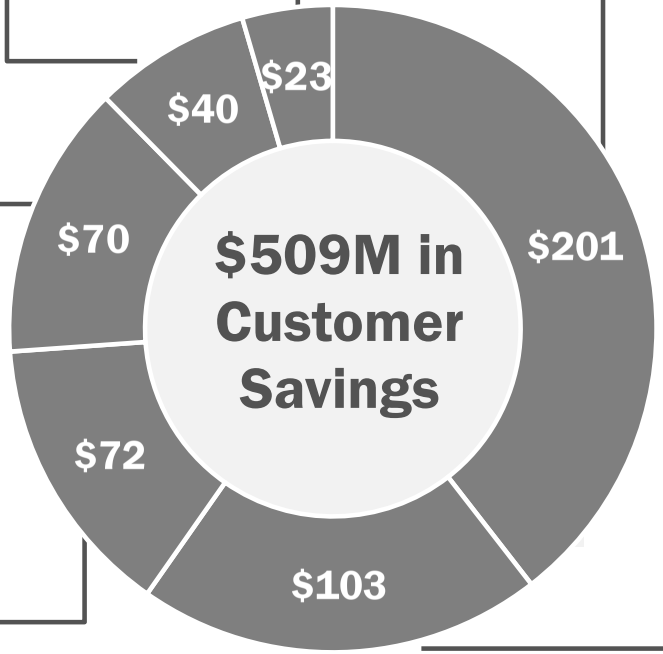
- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

PECO

- Approximately **$72M** in annual tax savings to customers

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved bill adjustments

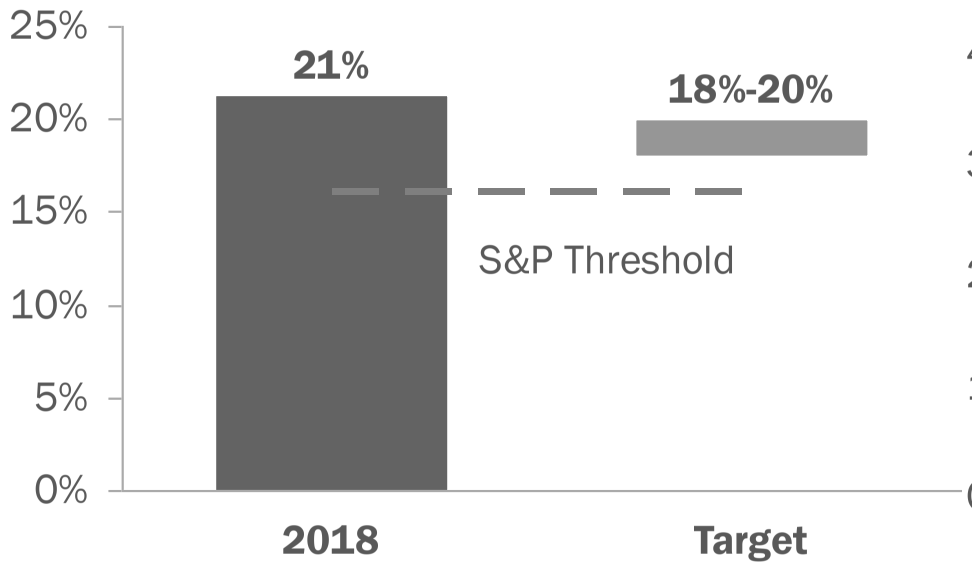
Note: Currently includes only distribution-related customer savings amounts

Exelon.

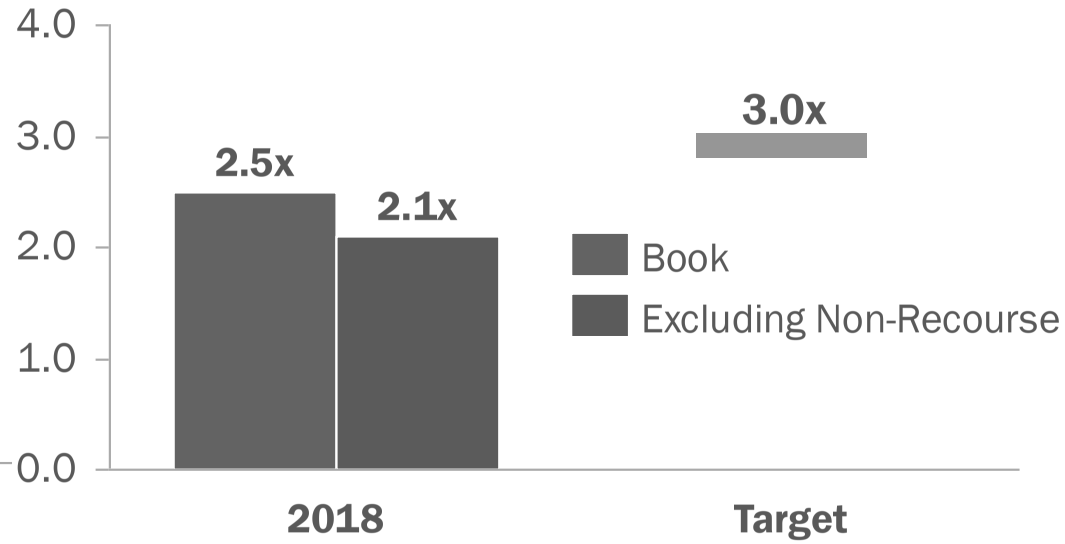
SI-SSA-0015-01154

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

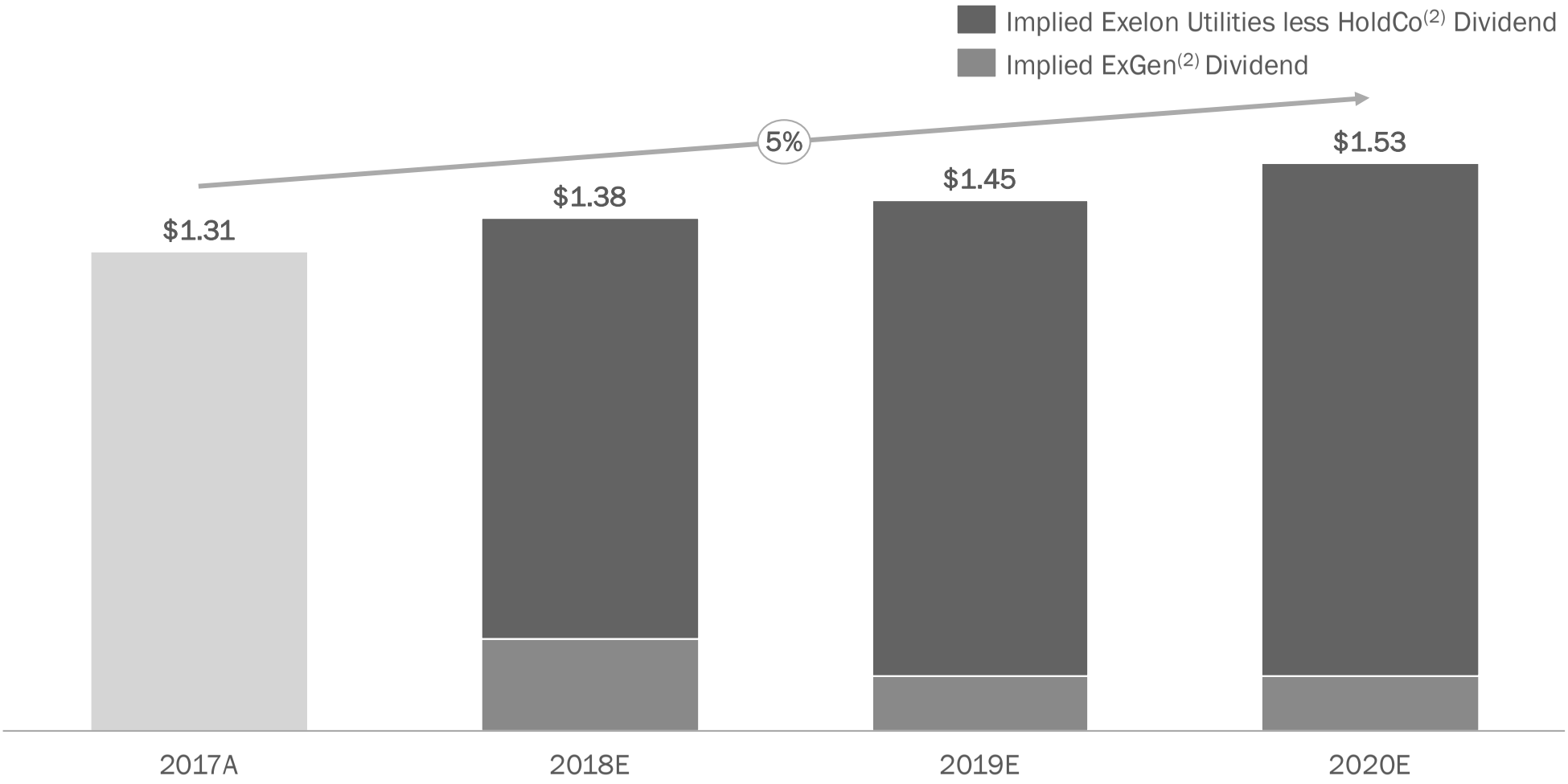
Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of May 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook, with the exception of ACE, which is on "Positive" outlook for Moody's
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-01155

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-01156

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-01157

Exelon.

Appendix

SI-SSA-0015-01158

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	675	1,550	625	1,225	4,050	3,850	200	8,125	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**675**	**1,550**	**625**	**1,225**	**4,050**	**1,900**	**150**	**6,125**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	325	925	0	(925)	0	
Other Financing[4]	150	375	25	(200)	375	(100)	100	375	
Financing*[5]	**550**	**1,300**	**275**	**600**	**2,725**	**(200)**	**(825)**	**1,700**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**900**	**1,825**	**6,775**	**1,700**	**(675)**	**7,825**	
Utility Investment	(1,000)	(2,125)	(850)	(1,525)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,525)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**50**	**275**	**1,275**	**1,300**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**2,025**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.9B at ExGen and $4.1B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

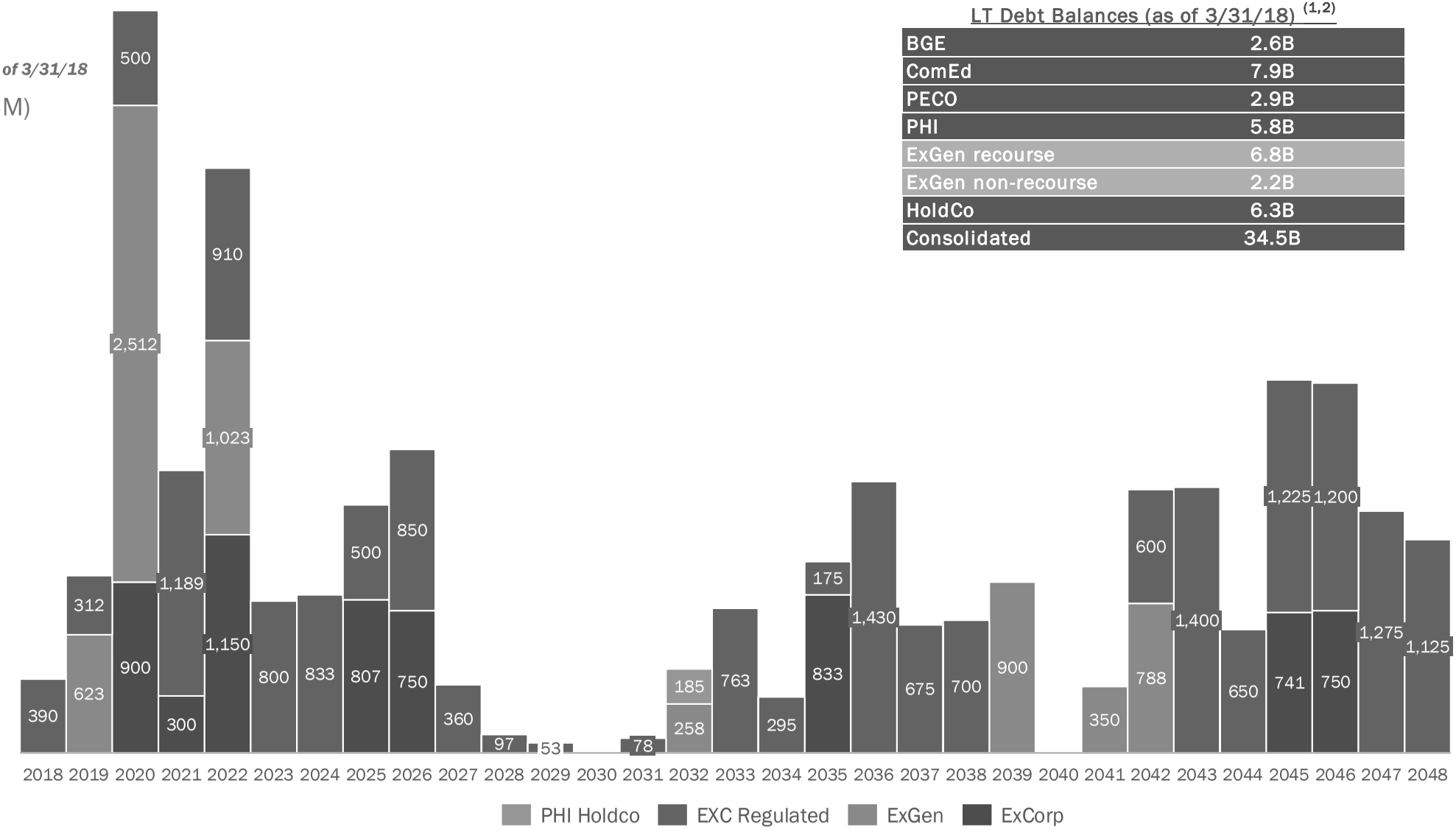
SI-SSA-0015-01159

Exelon

Exelon Debt Maturity Profile[1]

As of 3/31/18

($M)



LT Debt Balances (as of 3/31/18) [1,2]

BGE	2.6B
ComEd	7.9B
PECO	2.9B
PHI	5.8B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.5B

Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q1 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-01160

Exelon.

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-01161

Exelon Generation Disclosures

Data as of March 31, 2018
These disclosures were presented on May 2, 2018, and are not being updated at this time

SI-SSA-0015-01162

Portfolio Management Strategy

Strategic Policy Alignment

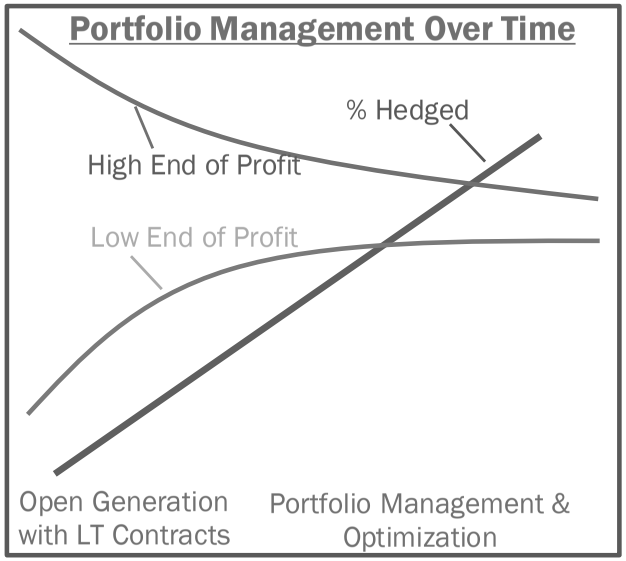
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

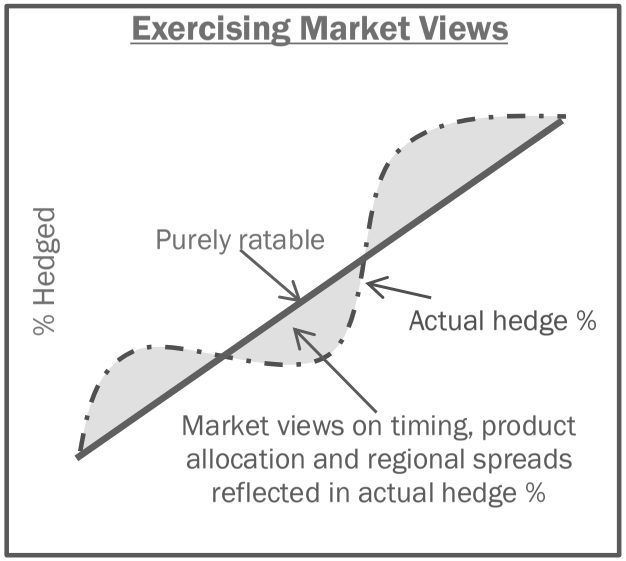
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01163

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-01164

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,600	$3,950	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$300	$450	$250
Power New Business / To Go	$350	$650	$850
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.87	$2.79	$2.78
Midwest: NiHub ATC prices ($/MWh)	$26.48	$26.12	$26.21
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$34.11	$30.85	$30.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$13.67	$9.85	$8.08
New York: NY Zone A ($/MWh)	$28.22	$26.00	$26.16
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.86	$5.06	$5.11

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-01165

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**202,200**	**203,300**	**192,800**
Midwest	96,500	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,300	48,700
ERCOT	24,000	26,400	23,200
New York[2,6]	15,700	16,600	15,500
New England	6,400	8,800	8,700
% of Expected Generation Hedged[3]	**91%-94%**	**63%-66%**	**33%-36%**
Midwest	89%-92%	58%-61%	28%-31%
Mid-Atlantic[2,6]	98%-101%	74%-77%	41%-44%
ERCOT	81%-84%	61%-64%	34%-37%
New York[2,6]	99%-102%	73%-76%	39%-42%
New England	81%-84%	32%-35%	39%-42%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.00	$29.00	$30.00
Mid-Atlantic[2,6]	$38.00	$38.50	$39.50
ERCOT[5]	$0.00	$2.00	$1.00
New York[2,6]	$35.50	$31.50	$29.00
New England[5]	$5.50	$4.00	$10.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.9%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01166

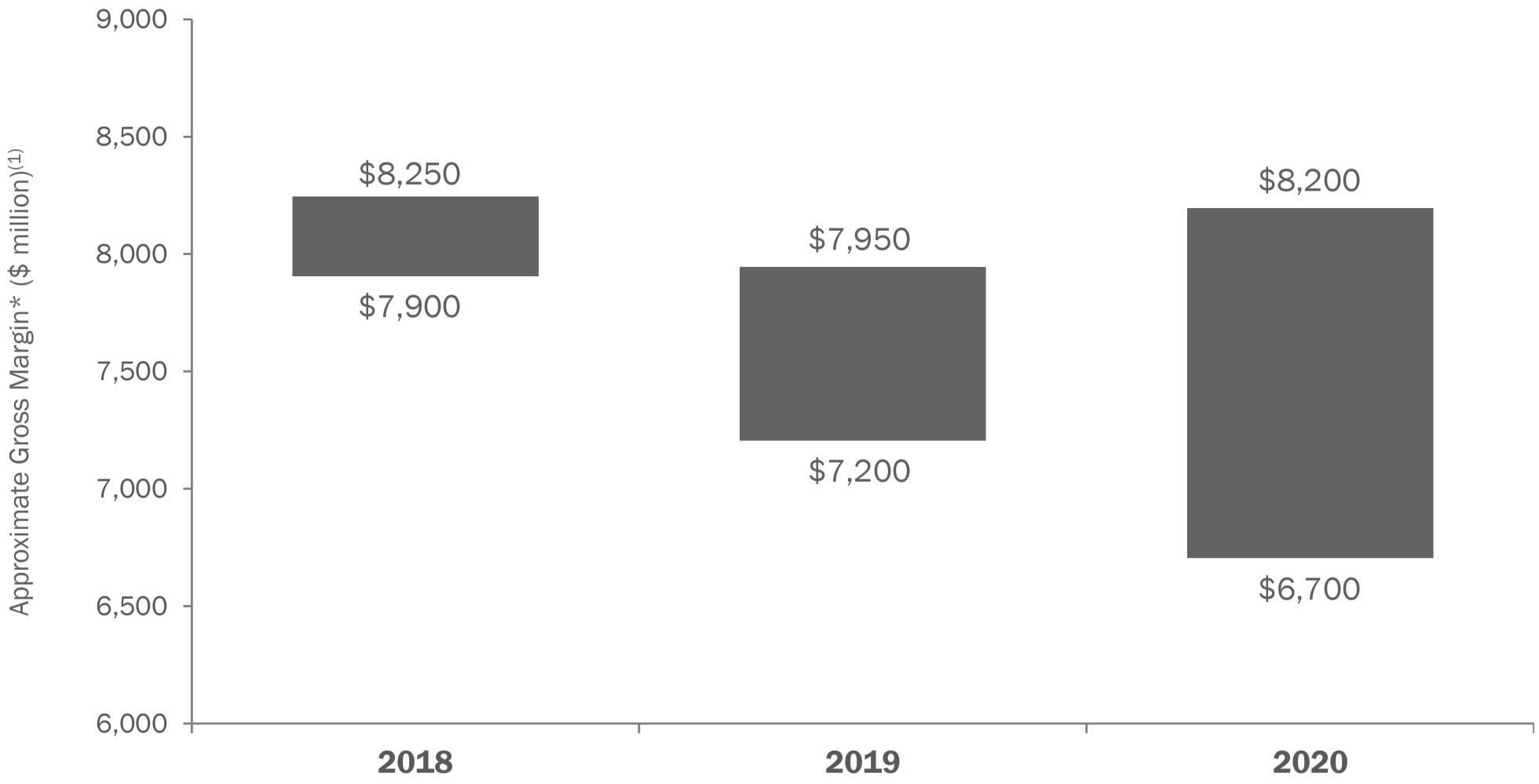
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$95	$385	$635
- $1/MMBtu	$(70)	$(360)	$(595)
NiHub ATC Energy Price			
+ $5/MWh	$40	$190	$330
- $5/MWh	$(40)	$(185)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$150
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $35	+/- $35

(1) Based on March 31, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-01167

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01168

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.95 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.3	26.4	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	59.5%	75.5%	62.5%	74.5%	33.5%	
(E=C*D)	Hedged Volume (TWh)	57.8	41.0	16.5	12.4	2.9	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.50	$2.00	$31.50	$4.00	
(G)	Reference Price ($/MWh)	$26.12	$30.85	$9.85	$26.00	$5.06	
(H=F-G)	Difference ($/MWh)	$2.88	$7.65	($7.85)	$5.50	($1.06)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$165	$315	($130)	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,400					
(K)	Power New Business / To Go ($ million)	$650					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,550 million**					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-01169

Exelon.

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,025**	**$7,700**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01170

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01171

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain merger and integration costs
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01172

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,525
Depreciation & Amortization	$3,850
EBITDA	$7,375
+/- Non-operating activities and nonrecurring items[3]	$275
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$50
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,650**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,000
Short-Term Debt	$1,175
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,125)
+/- Other S&P Adjustments[4]	($525)
= Adjusted Debt (b)	**$35,675**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects adjustment for non-recourse project debt per S&P guidelines
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01173

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]

$$\frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}} = 41\%$$

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01174

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
= Net Debt (a)	**$7,950**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,875**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
= Operating EBITDA (b)	**$3,125**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,850**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.1x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Reflects Exelon nuclear plants at ownership

SI-SSA-0015-01175

GAAP to Non-GAAP Reconciliations

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

Q4 2017 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

SI-SSA-0015-01176

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$675	$1,550	$625	$1,225	$4,075	$200	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	75	-	75
Adjusted Cash Flow from Operations	**$675**	**$1,550**	**$625**	**$1,225**	**$3,850**	**$200**	**$8,125**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$350	$850	($25)	$300	($950)	($150)	$375
Dividends paid on common stock	$200	$450	$300	$300	$750	($675)	$1,325
Financing Cash Flow	**$550**	**$1,300**	**$275**	**$600**	**($200)**	**($825)**	**$1,700**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$2,025
Adjustment for Cash Collateral Posted	($600)
GAAP Ending Cash Balance	**$1,425**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01177

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(50)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-01178

Fall 2018 Investor Meetings

Exelon®

SI-SSA-0015-01179

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01181

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-01182

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01184

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-01185

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi^2
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

Exelon.

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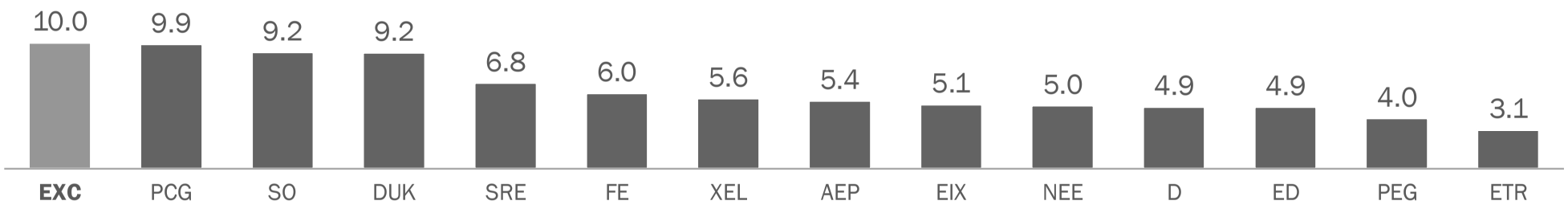
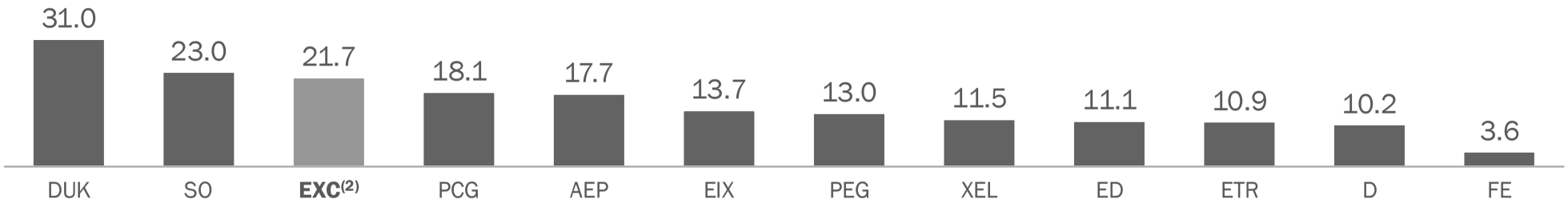
Exelon Utilities are an Industry Leader

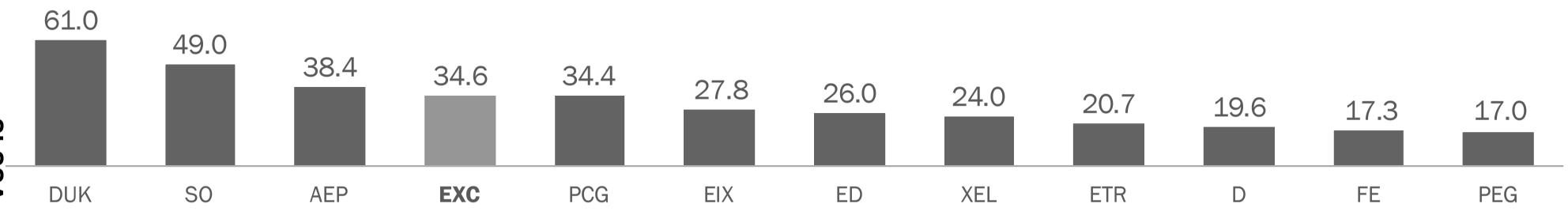
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

Exelon.

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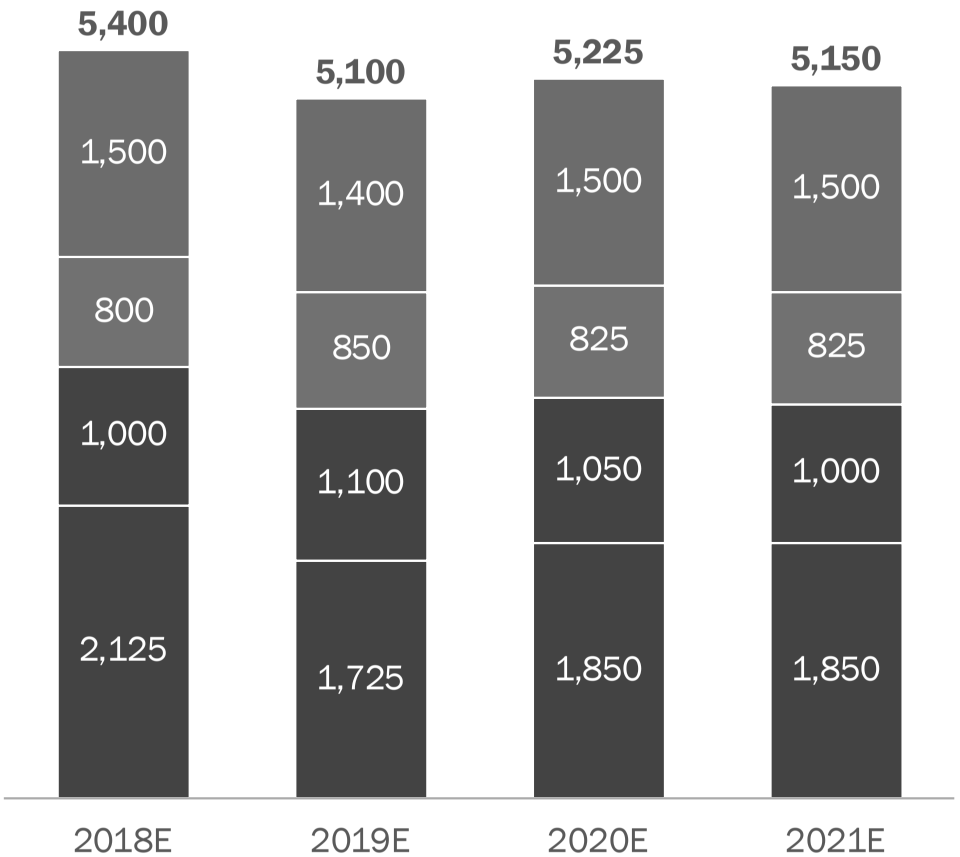
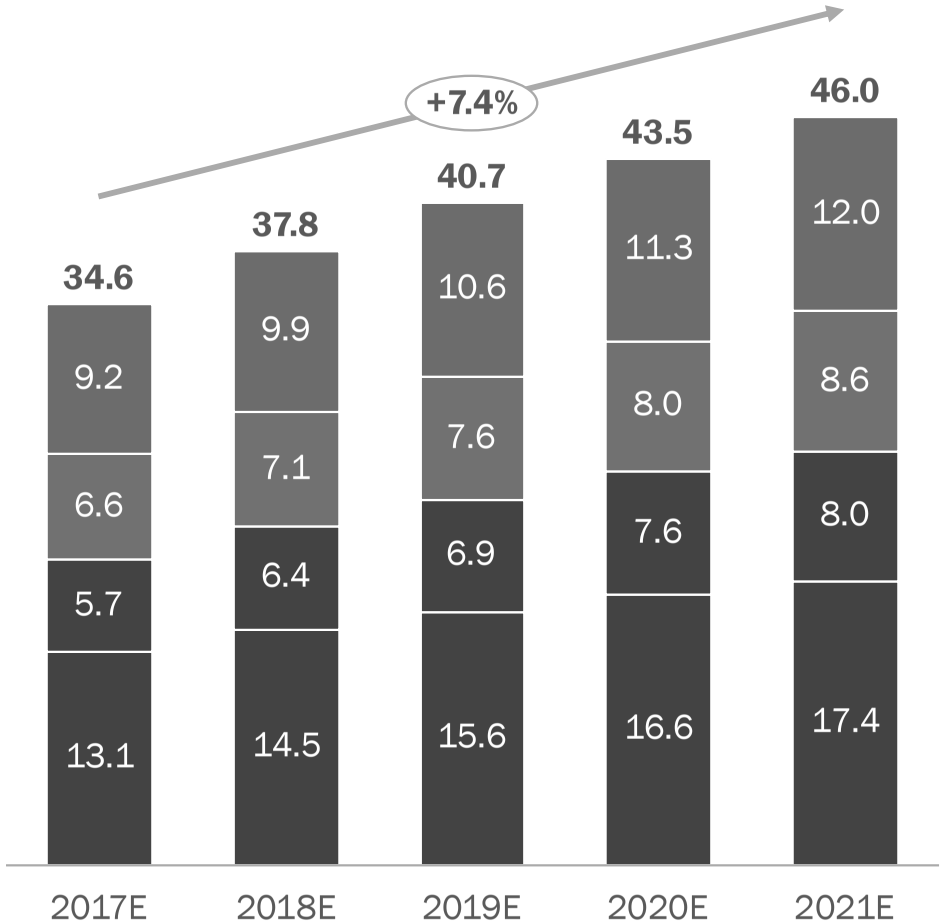
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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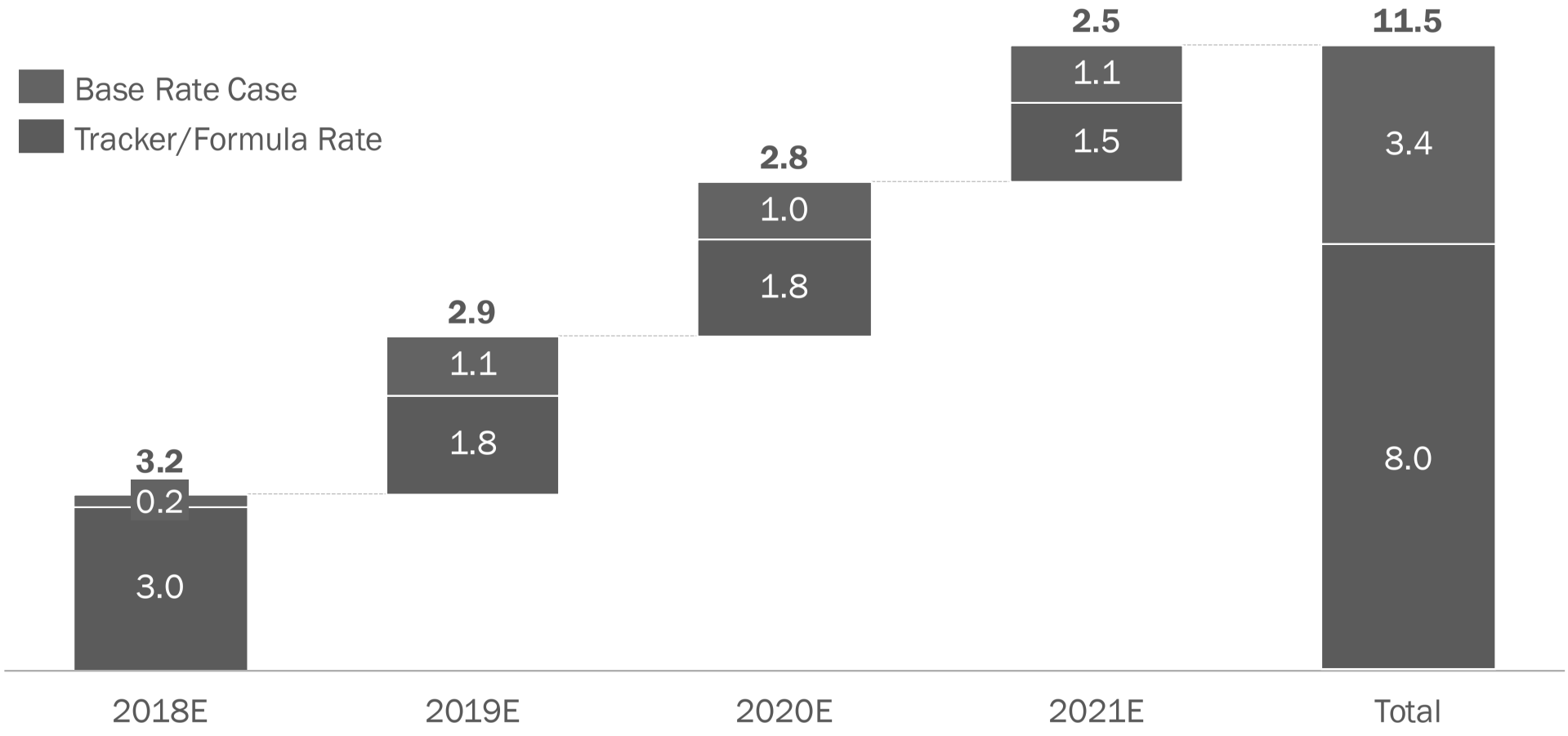
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q2 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Continued top tier reliability performance, with top decile performance in CAIDI and gas odor
- Customer performance metrics continue to be strong across all utilities

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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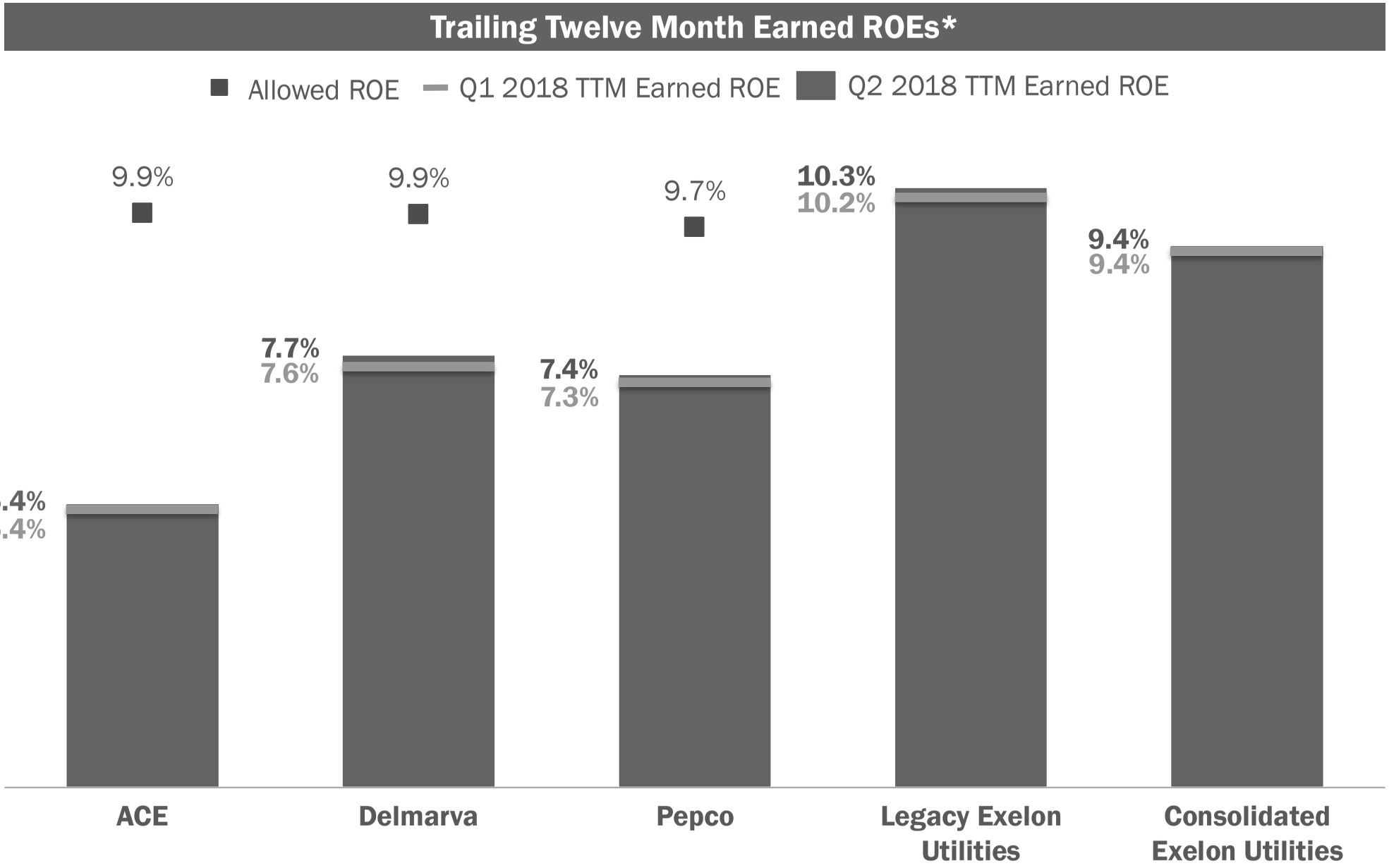
Trailing 12 Month Earned ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2018 and 6/30/2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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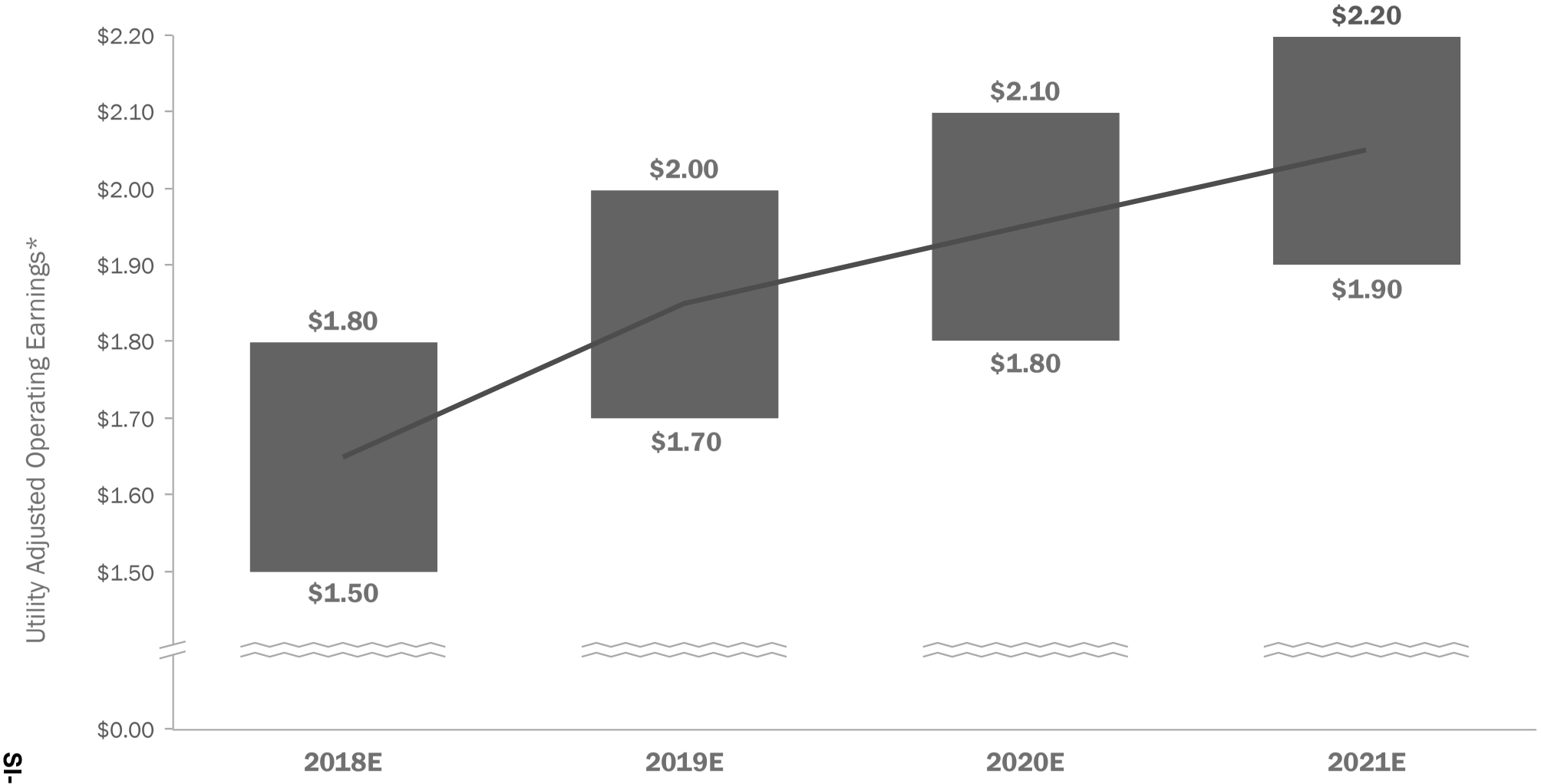
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH	IB RB		FO							$3.8M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,5]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$82M[1,6]	10.95% / 53.39%	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$85M[7]	10.50% / 53.40%	Jan 2019
ACE[8]		CF				IT	RT	EH	IB RB			FO	$109.3M[1]	10.10% / 50.22%	Q2 2019

CF Rate case filed
IT Intervenor direct testimony
RT Rebuttal testimony
EH Evidentiary hearings
IB Initial briefs
RB Reply briefs
FO Final commission order
SA Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC. Includes tax benefits from Tax Cuts and Jobs Act.
(6) On August 28, 2018, PECO filed the joint petition for partial settlement agreement
(7) Reflects $63M increase and $22M STRIDE reset
(8) Procedural schedule as proposed by the Company

Exelon

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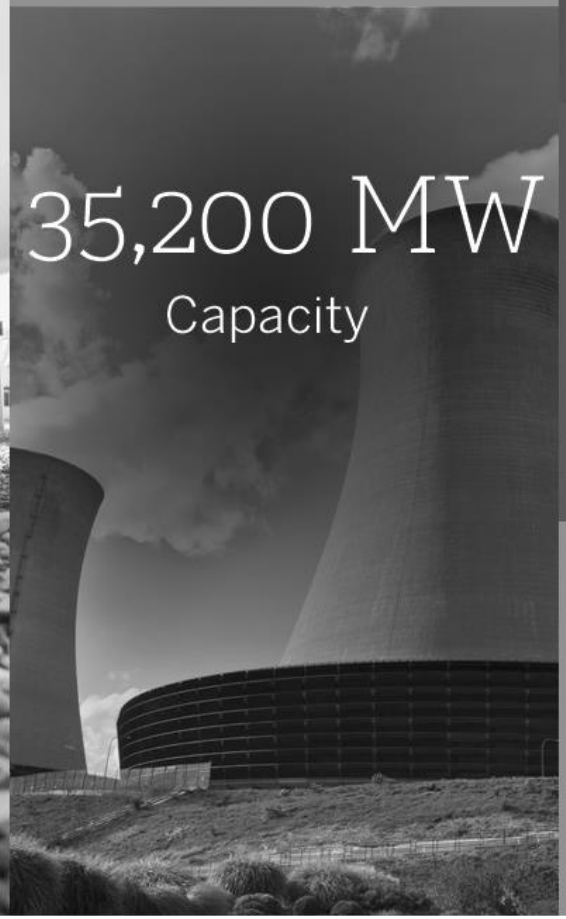
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

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Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

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Exelon Generation: Gross Margin Update

	June 30, 2018			Change from March 31, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,700	$4,050	$3,800	$100	$100	-
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	$50	$50
Mark-to-Market of Hedges[2,3]	$400	$400	$300	$100	$(50)	$50
Power New Business / To Go	$150	$600	$800	$(200)	$(50)	$(50)
Non-Power Margins Executed	$350	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**	**-**	**$50**	**$50**

Recent Developments

- Strong second quarter executing $200M of Power New Business in 2018 and $50M in both 2019 and 2020
- Capacity and ZEC Revenues include the favorable impact of NJ ZEC revenues in 2019 and 2020
- Behind ratable hedging position reflects the upside we see in power prices
  - ~10-13% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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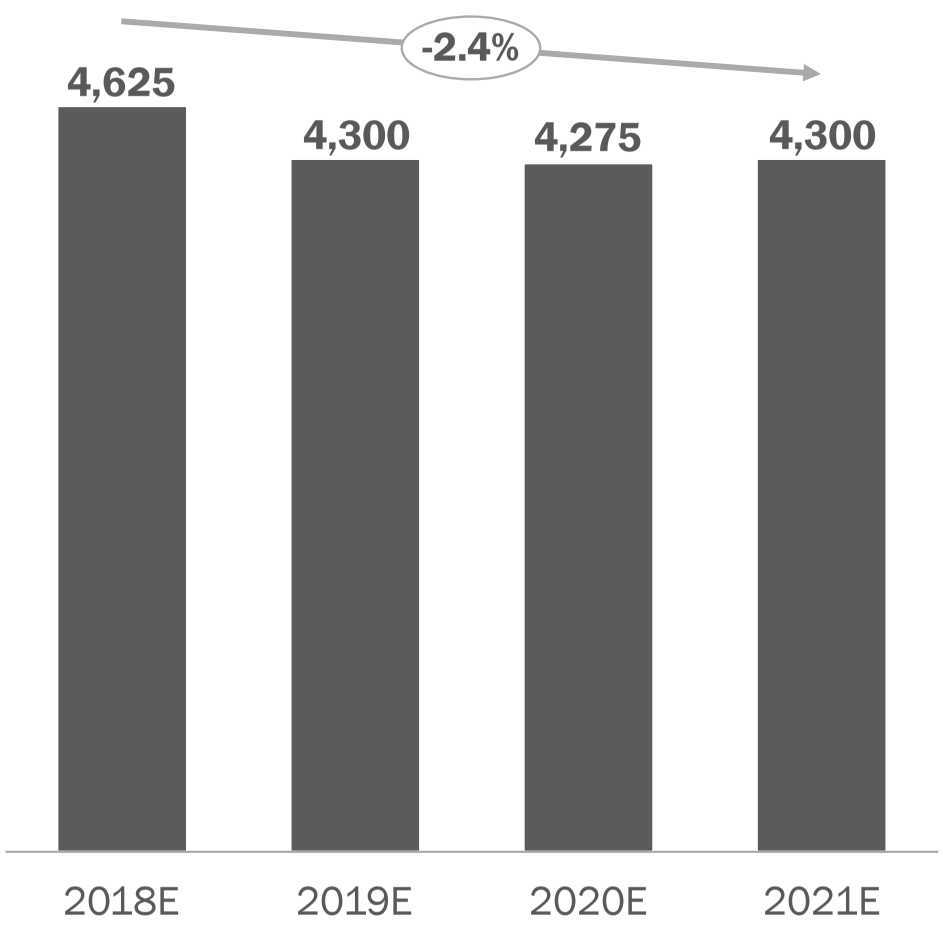
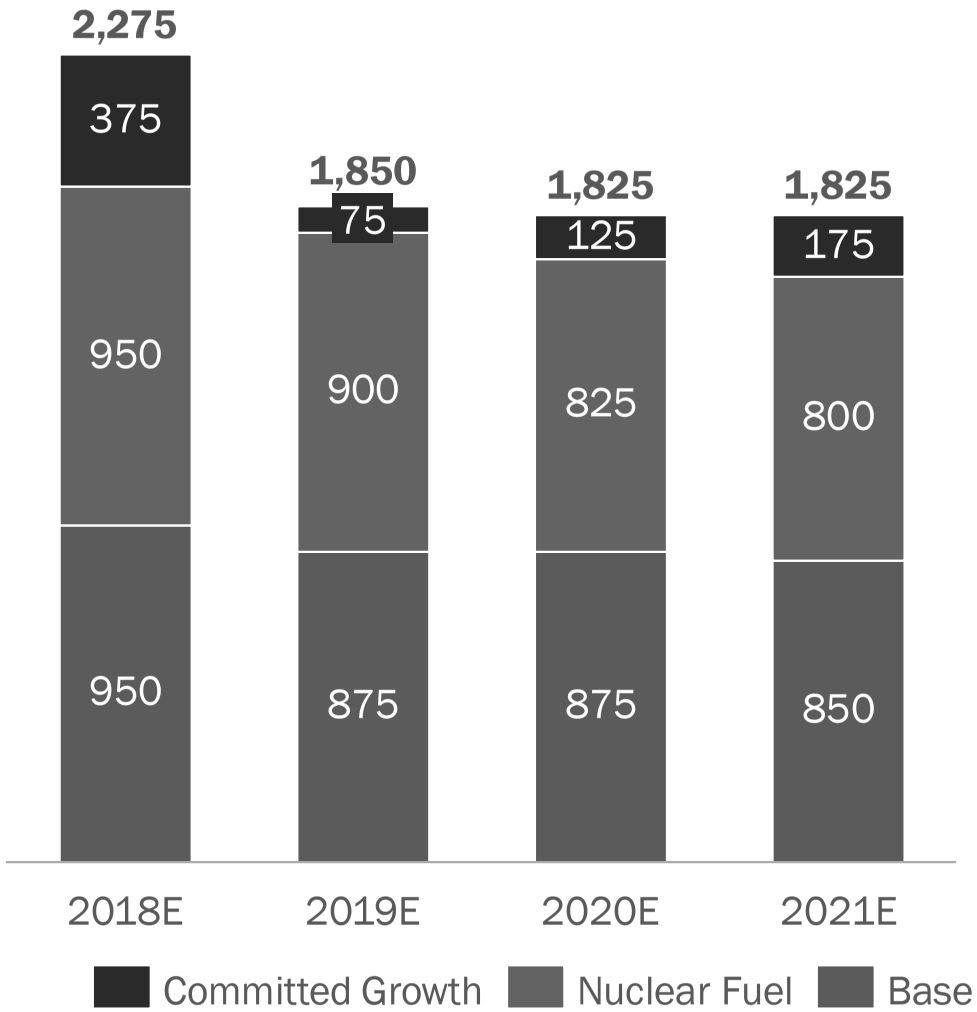
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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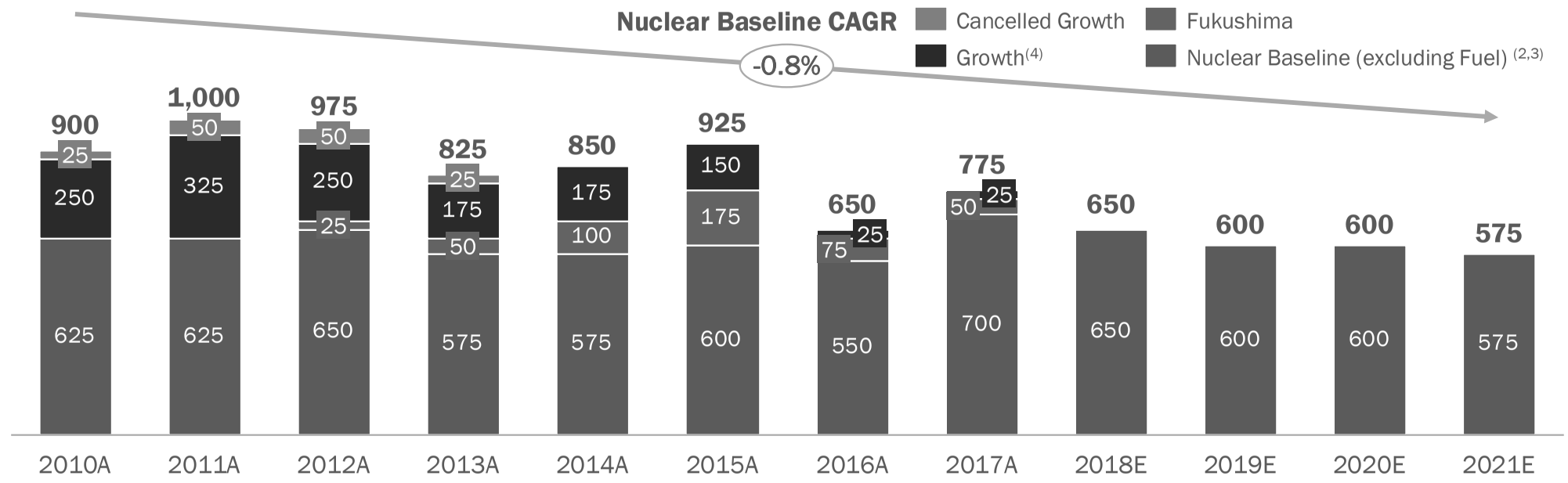
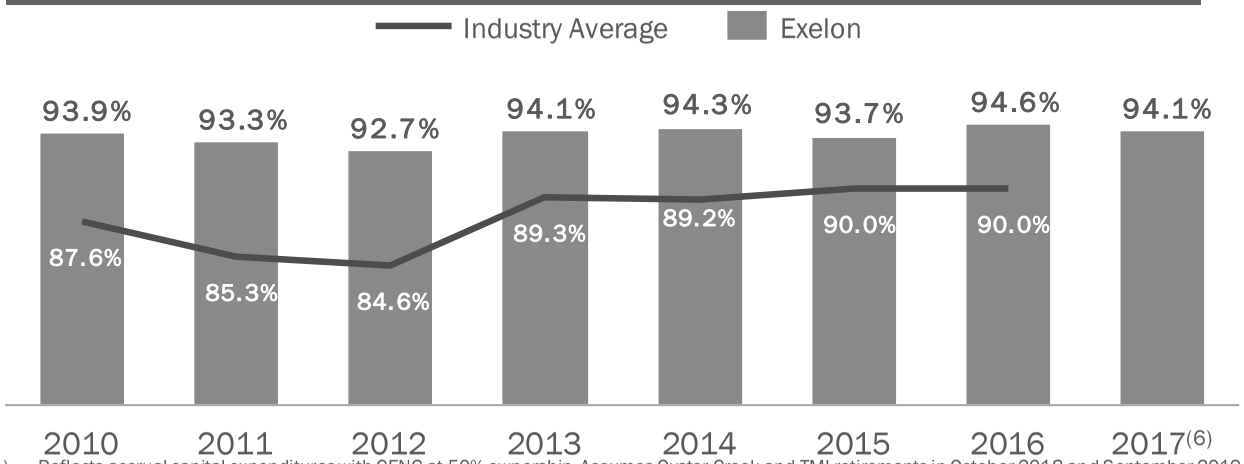
Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

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ZEC & Energy Policy Updates

ZEC Updates

New Jersey:

- Governor Murphy signed the NJ ZEC bill into law on May 23rd
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018, with requests for supplemental briefings
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29th
- On September 13, the 7th Circuit affirmed dismissal of the ZEC complaint, upholding the legality of the IL ZEC program

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

FERC Capacity Order

- On June 29, 2018, FERC issued an order rejecting both capacity repricing and MOPREx, but finding that the existing tariff is not just and reasonable
- FERC established a paper hearing proceeding to develop a new, two-part approach:
  - **Alternative FRR**: enables states to establish asset specific FRR arrangements that would allow them to compensate those assets directly and remove the associated load from the RPM auction
  - **MOPR**: if FRR is not elected, an expanded MOPR would apply to all existing and new resources with out-of-market support, with no or few exceptions
- FERC has extended the deadline for filing comments to October 2, with replies due on November 6
- FERC aims to reach a final decision by early 2019
- On August 30, FERC granted PJM's request to delay its 2019 capacity market auction from May to August 2019

PJM Price Formation

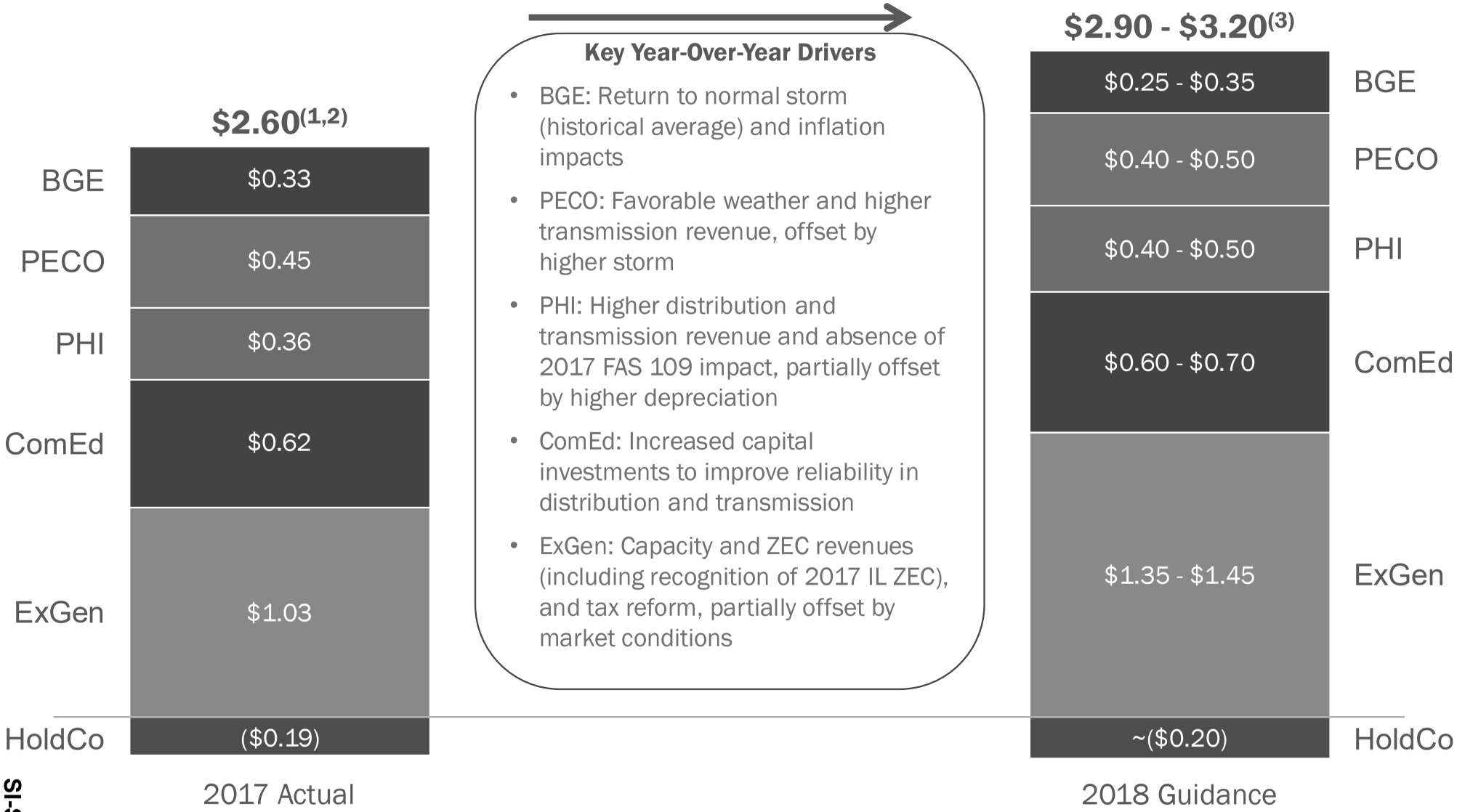
- PJM fast start proceeding was initiated by FERC (Docket No. EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September 2018
  - If FERC approves in September, without changes, then PJM could implement the changes in winter 2018/2019
- After assessing FERC's fast start decision, PJM will determine path forward for full integer relaxation
  - PJM has not set a definitive timeline for stakeholder deliberations
- Deliberations regarding scarcity pricing and reserves reforms are ongoing in Q3 and Q4 for early 2019 action

SI-SSA-0015-01200

Financial Overview

SI-SSA-0015-01201

2018 Adjusted Operating Earnings* Guidance



Expect Q3 2018 Adjusted Operating Earnings* of $0.80 - $0.90 per share

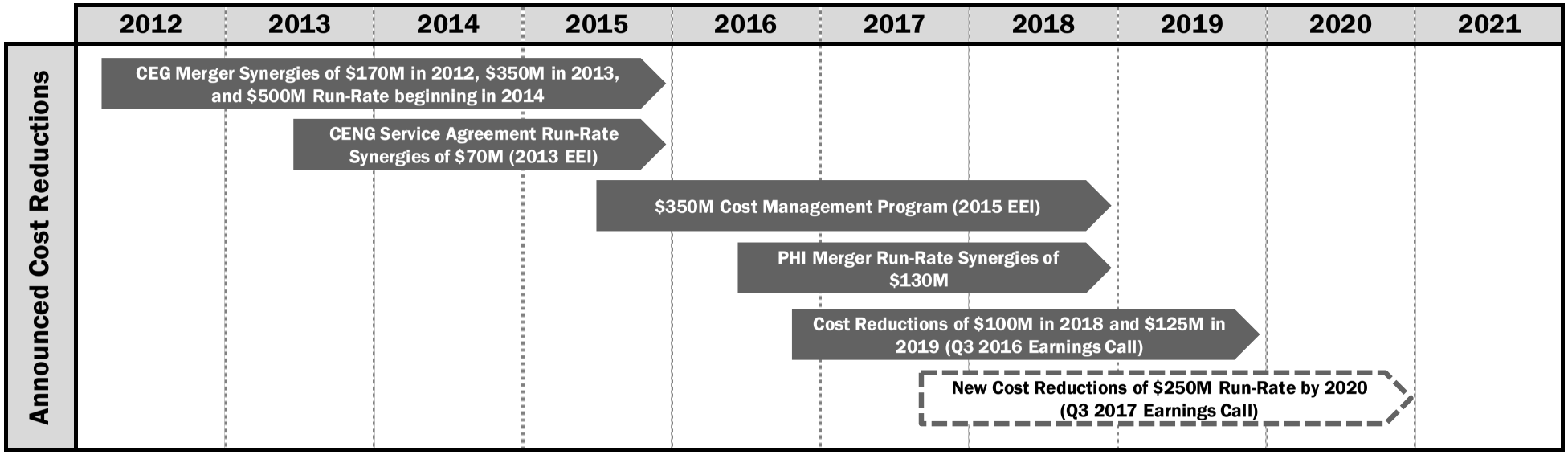
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) The Registrants' 2017 Adjusted Operating Earnings* have not been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018
(3) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01202

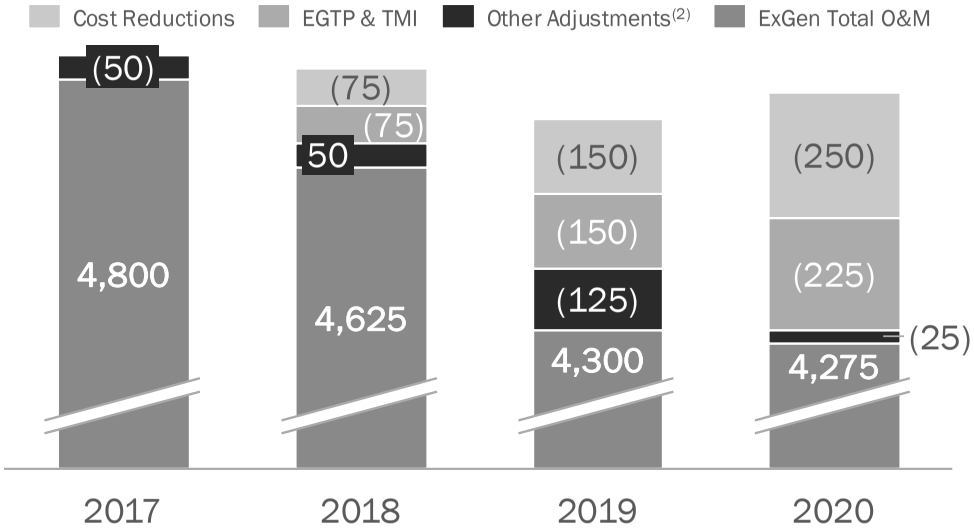
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	$50	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,700**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,625**	**$4,300**	**$4,275**	**-3.8%**

(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

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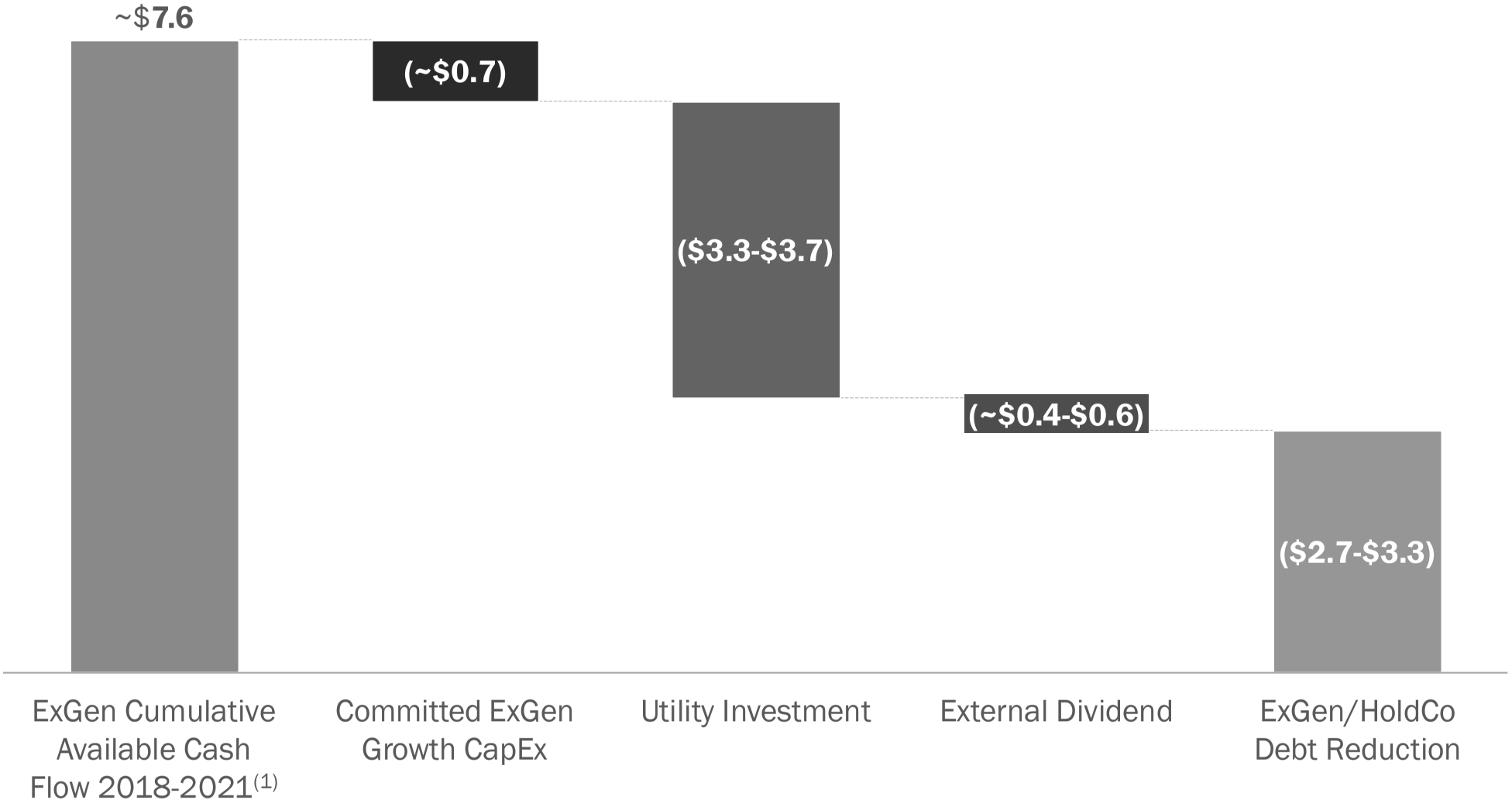
Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

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Exelon.

Impacts from Tax Reform

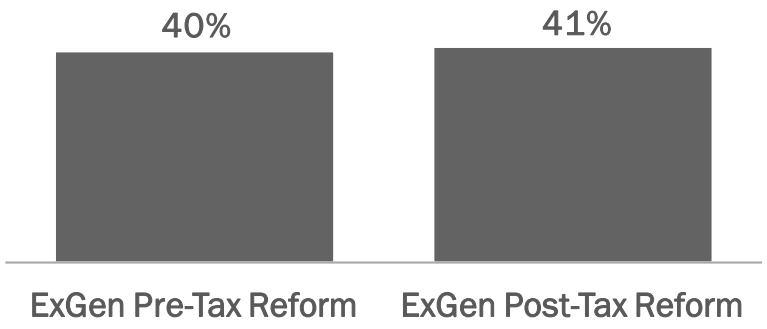
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

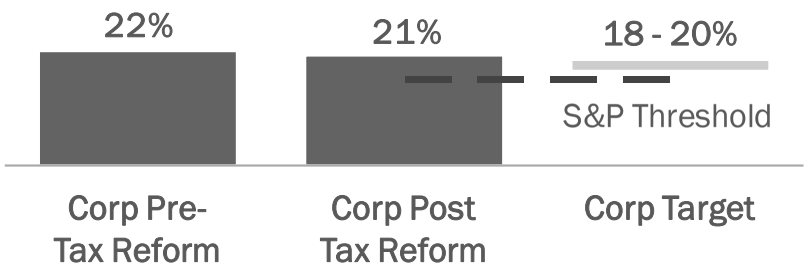
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

SI-SSA-0015-01205

Tax Reform Producing Significant Customer Bill Savings

DPL

- DPL has filed to provide over **$40M** in annual distribution tax savings to customers
- DPL has also filed to provide **$12M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ACE

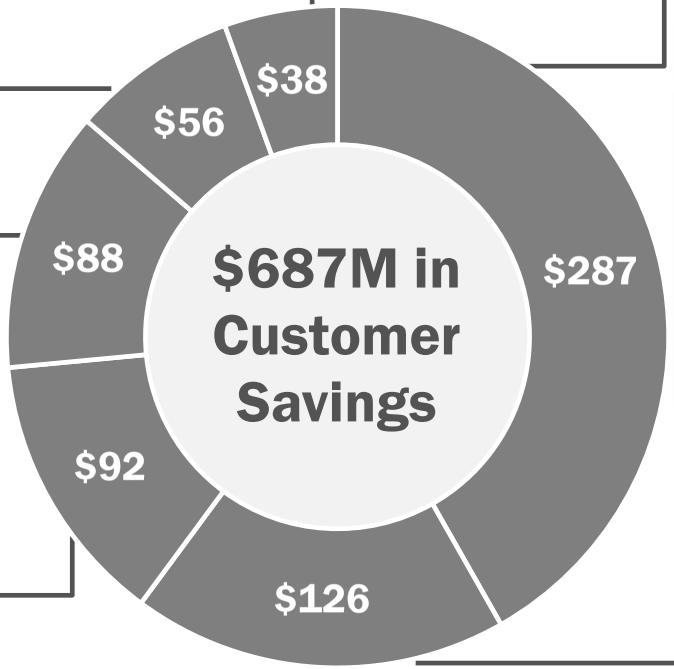
- ACE has filed to provide **$23M** in annual distribution tax savings to customers
- ACE has also filed to provide **$11M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ComEd

- ComEd has filed to provide **$201M** in annual distribution tax savings to customers
- ComEd has also filed to provide **$69M** in annual transmission tax savings, in addition to another **$17M** pending approval from FERC

Pepco

- Pepco has filed to provide over **$70M** in annual distribution tax savings to customers
- Pepco has also filed to provide **$13M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC



BGE

- BGE has filed to provide **$103M** in annual distribution tax savings to customers
- BGE has also filed to provide **$18M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC

PECO

- PECO has filed to provide **$72M** in annual distribution tax savings to customers
- PECO has also filed to provide **$20M** in annual transmission tax savings

Utility customers across our jurisdictions will benefit from tax reform, saving over $675M annually through planned and approved transmission and distribution bill adjustments

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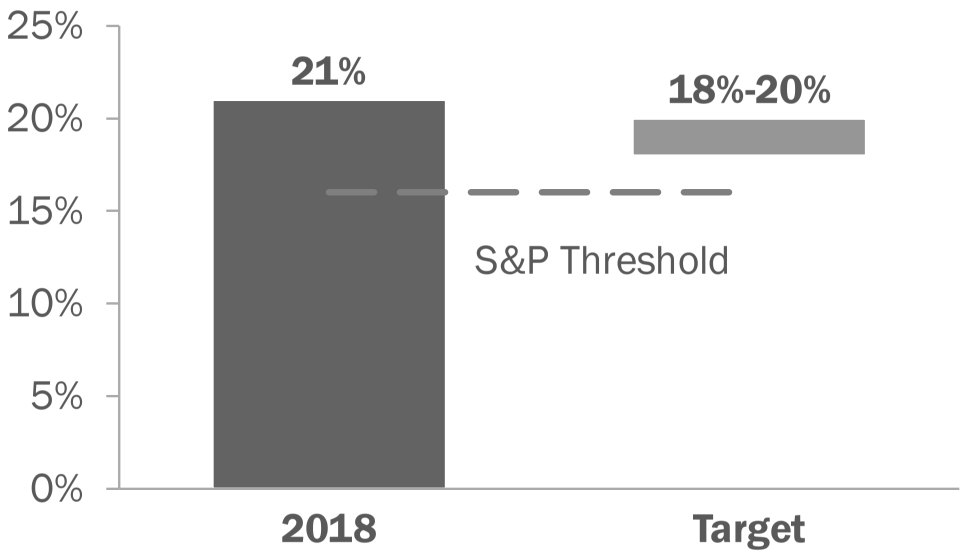
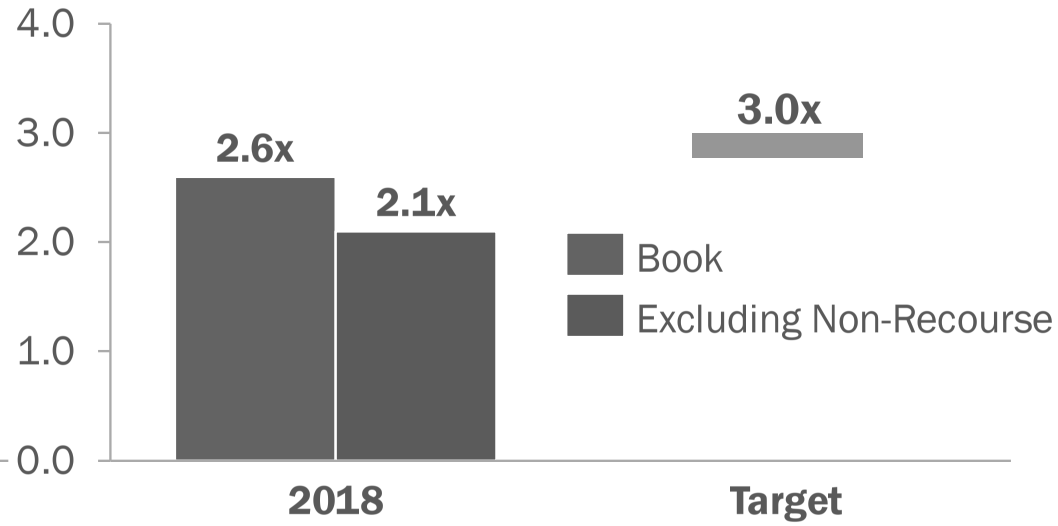
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of August 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon, PECO, and BGE are on "Positive" outlook at Fitch, and ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

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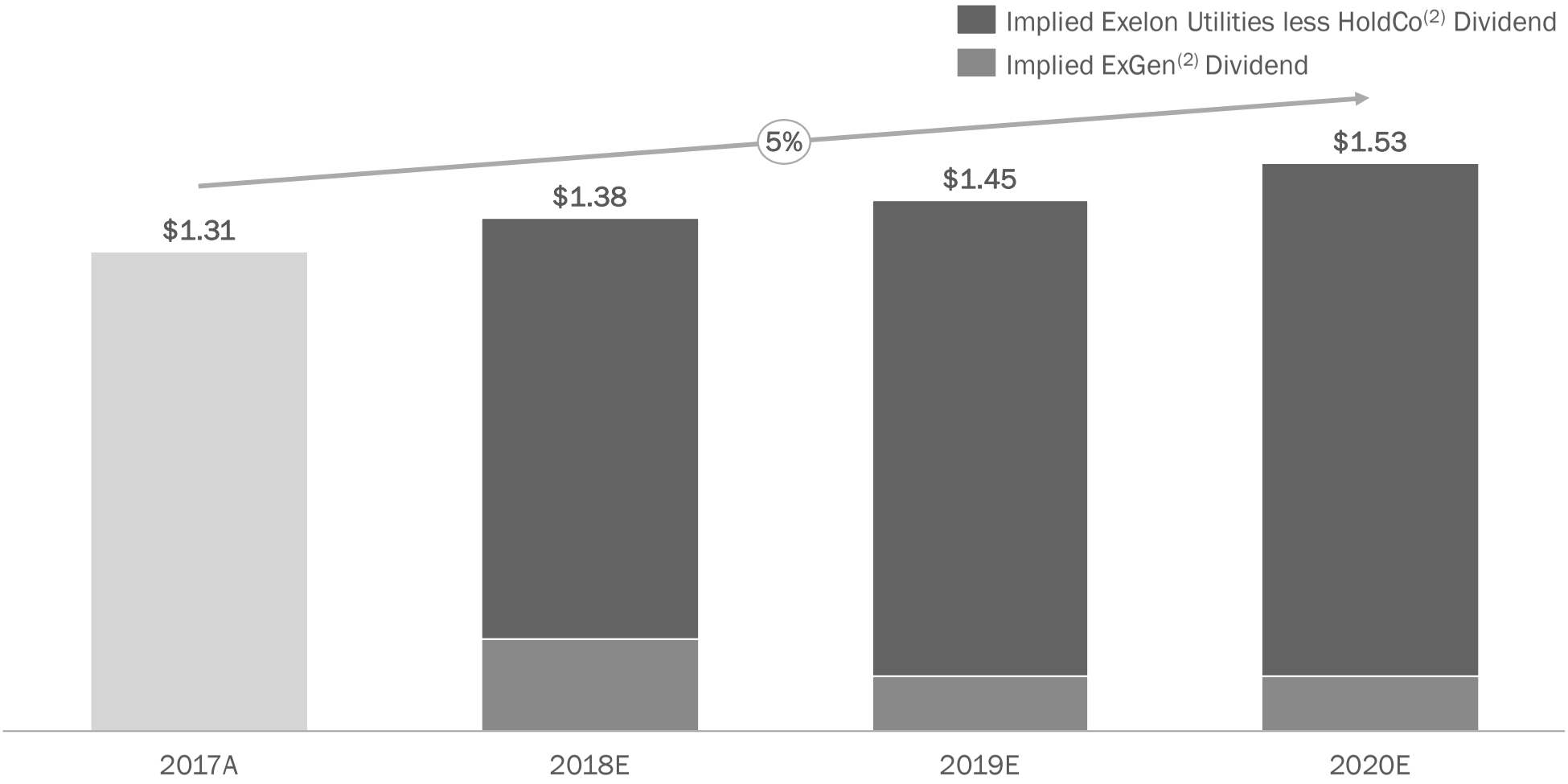
Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

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2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

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Appendix

SI-SSA-0015-01210

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	700	1,475	625	1,100	3,900	3,975	175	8,050	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**700**	**1,475**	**625**	**1,100**	**3,900**	**2,000**	**150**	**6,050**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	125	450	50	350	975	0	(950)	0	
Other Financing[4]	100	450	50	(75)	550	25	(100)	475	
Financing*[5]	**525**	**1,375**	**300**	**750**	**2,925**	**(75)**	**(1,050)**	**1,800**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**925**	**1,850**	**6,825**	**1,950**	**(900)**	**7,875**	
Utility Investment	(1,000)	(2,125)	(850)	(1,550)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,550)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**75**	**300**	**1,300**	**1,550**	**(2,250)**	**600**	
Ending Cash Balance*[2]									**2,050**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding
(2) Gross of posted counterparty collateral
(3) Figures reflect cash CapEx and CENG fleet at 100%
(4) Other Financing primarily includes expected changes in tax sharing from the parent, money pool borrowings, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
(5) Financing cash flow excludes intercompany dividends
(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
(7) Dividends are subject to declaration by the Board of Directors
(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $2B at ExGen and $3.9B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

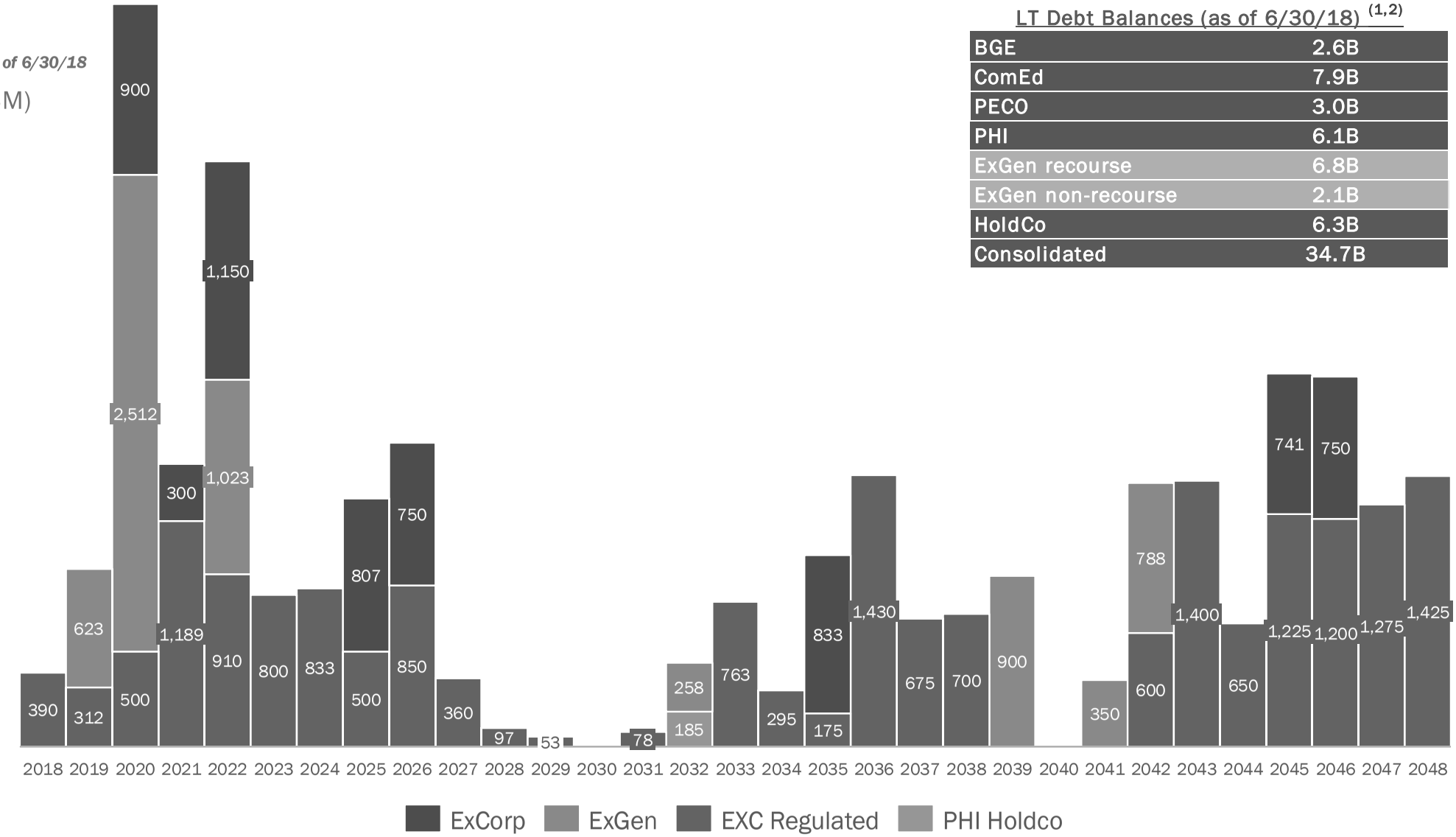
SI-SSA-0015-01211

Exelon Debt Maturity Profile[1]

As of 6/30/18

($M)

LT Debt Balances (as of 6/30/18) [1,2]	
BGE	2.6B
ComEd	7.9B
PECO	3.0B
PHI	6.1B
ExGen recourse	6.8B
ExGen non-recourse	2.1B
HoldCo	6.3B
Consolidated	34.7B



Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q2 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

Exelon.

SI-SSA-0015-01212

EPS Sensitivities

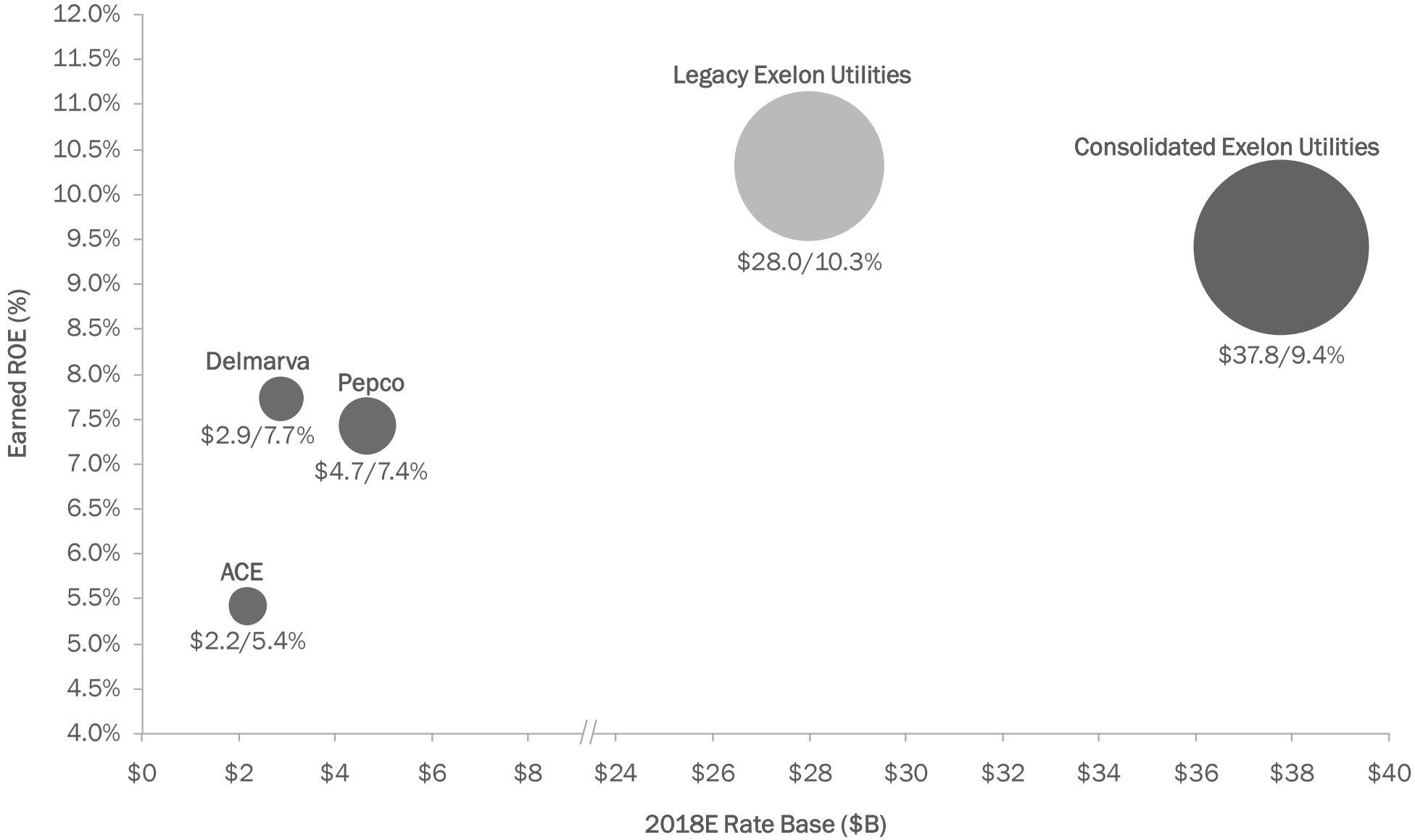
		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.02	$0.26	$0.45
	- $1/MMBtu	$0.00	($0.23)	($0.41)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.00	$0.12	$0.23
	- $5/MWh	($0.00)	($0.12)	($0.23)
	PJM-W ATC Energy Price			
	+ $5/MWh	($0.01)	$0.05	$0.10
	- $5/MWh	$0.01	($0.03)	($0.09)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.02	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	968	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on June 30, 2018, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-01213

Exelon Utilities Trailing 12 Month Earned ROEs*

Q2 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the 12-month period ending June 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

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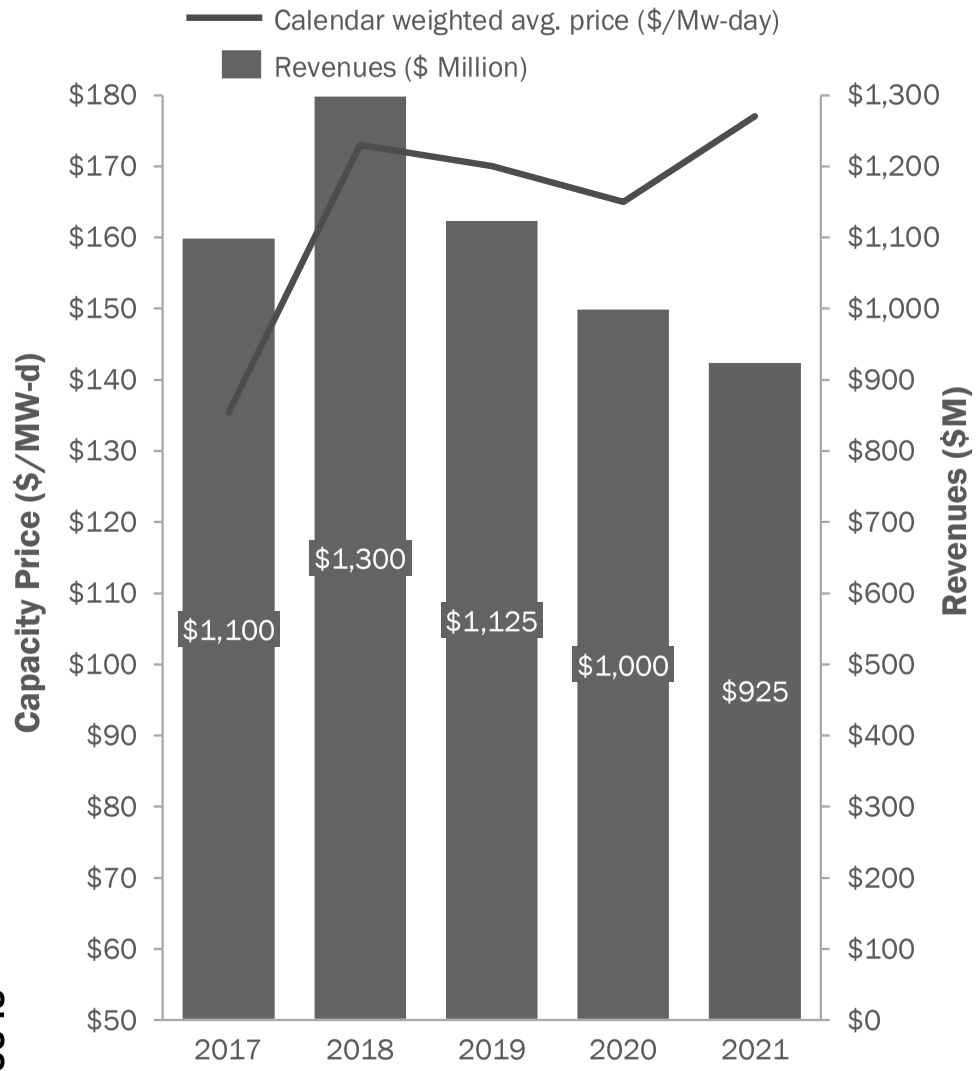
Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

Recent BRA Results

Cleared Volumes (MW)[4]	2020/2021 CP	2020/2021 Price	2021/2022 CP	2021/2022 Price
ComEd				
Nuclear	8,075	$188	5,175	$196
Fossil/Other	-	$188	-	$196
Subtotal	**8,075**		**5,175**	
EMAAC				
Nuclear	4,350	$188	3,925	$166
Fossil/Other	2,325	$188	2,100	$166
Subtotal	**6,675**		**6,025**	
SWMAAC				
Nuclear	850	$86	850	$140
Fossil/Other	-	$86	-	$140
Subtotal	**850**		**850**	
MAAC				
Nuclear	-	$86	-	$140
Fossil/Other	225	$86	225	$140
Subtotal	**225**		**225**	
BGE				
Nuclear	-	$86	-	$200
Fossil/Other	375	$86	400	$200
Subtotal	**375**		**400**	
Rest of RTO				
Nuclear	-	$77	-	$140
Fossil/Other	-	$77	100	$140
Subtotal	**-**		**100**	
PJM Total				
Nuclear	13,275		9,950	
Fossil/Other	2,925		2,825	
Grand Total	**16,200**		**12,775**	

SI-SSA-0015-01215

Exelon

Exelon Generation Disclosures

Data as of June 30, 2018
These disclosures were presented on August 2, 2018, and are not being updated at this time

SI-SSA-0015-01216

Portfolio Management Strategy

Strategic Policy Alignment

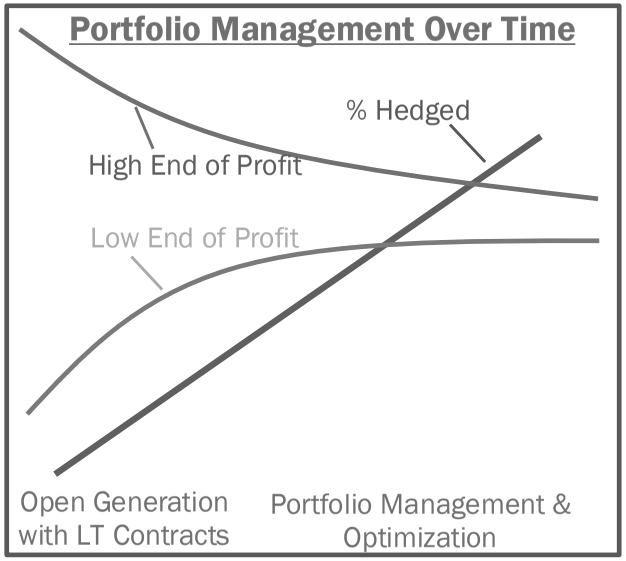
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

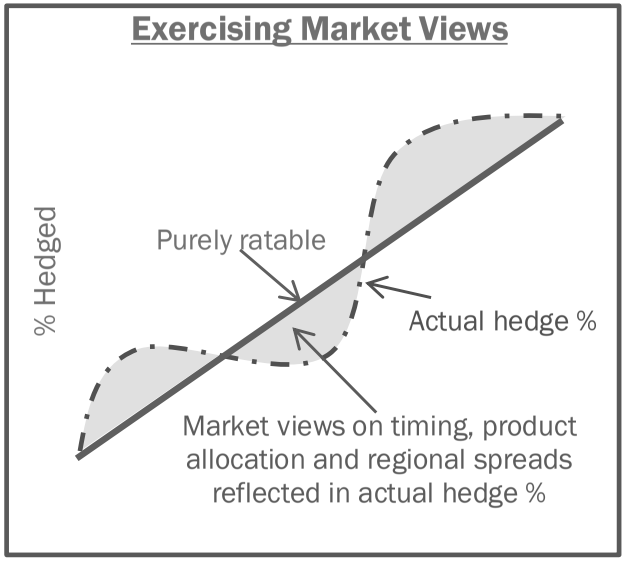
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01217

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

Exelon.

SI-SSA-0015-01218

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,700	$4,050	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$400	$400	$300
Power New Business / To Go	$150	$600	$800
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.93	$2.81	$2.68
Midwest: NiHub ATC prices ($/MWh)	$27.39	$26.04	$25.16
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$35.93	$31.38	$30.36
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$8.91	$9.70	$8.43
New York: NY Zone A ($/MWh)	$30.80	$28.21	$28.55
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.89	$5.12	$5.83

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

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ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**199,000**	**202,400**	**193,100**
Midwest	96,700	97,100	96,700
Mid-Atlantic[2,6]	60,100	54,100	48,600
ERCOT	20,000	25,900	23,600
New York[2,6]	15,900	16,600	15,500
New England	6,300	8,700	8,700
% of Expected Generation Hedged[3]	**97%-100%**	**71%-74%**	**41%-44%**
Midwest	95%-98%	68%-71%	35%-38%
Mid-Atlantic[2,6]	102%-105%	81%-84%	50%-53%
ERCOT	98%-101%	74%-77%	45%-48%
New York[2,6]	97%-100%	75%-78%	52%-55%
New England	77%-80%	33%-36%	27%-30%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$29.00	$29.00
Mid-Atlantic[2,6]	$39.50	$38.00	$38.00
ERCOT[5]	$1.00	$3.50	$2.50
New York[2,6]	$37.00	$33.00	$30.00
New England[5]	$6.00	$1.50	$12.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.2%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01220

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$25	$335	$580
- $1/MMBtu	-	$(295)	$(535)
NiHub ATC Energy Price			
+ $5/MWh	$5	$155	$305
- $5/MWh	$(5)	$(155)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$125
- $5/MWh	$15	$(40)	$(115)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$10	$35
- $5/MWh	-	$(15)	$(35)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $30

(1) Based on June 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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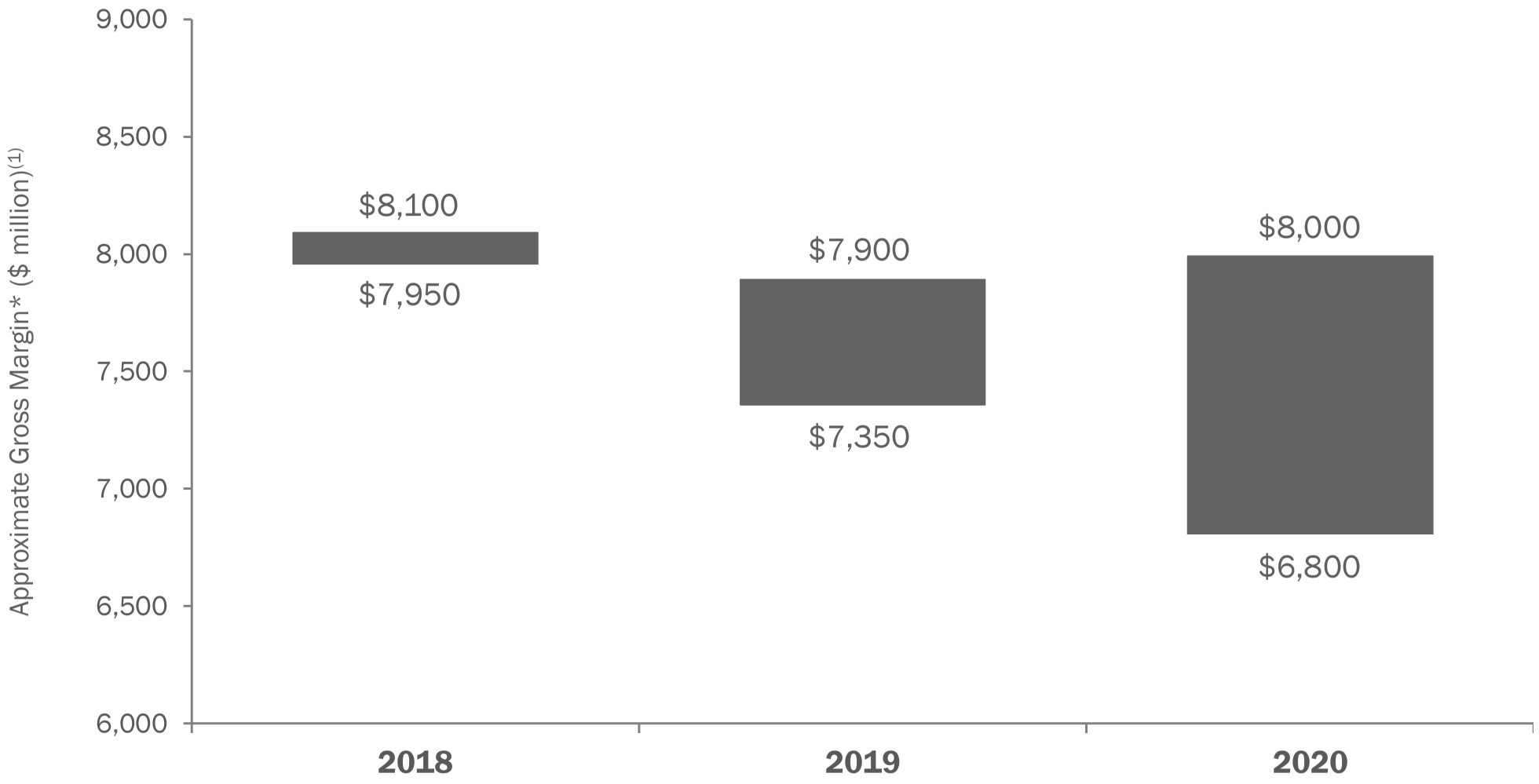
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01222

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.05 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.1	54.1	25.9	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	69.5%	82.5%	75.5%	76.5%	34.5%	
(E=C*D)	Hedged Volume (TWh)	67.5	44.6	19.6	12.7	3.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.00	$3.50	$33.00	$1.50	
(G)	Reference Price ($/MWh)	$26.04	$31.38	$9.70	$28.21	$5.12	
(H=F-G)	Difference ($/MWh)	$2.96	$6.62	($6.20)	$4.79	($3.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$200	$295	($120)	$60	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,500					
(K)	Power New Business / To Go ($ million)	$600					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,600 million**					

(1) Mark-to-market rounded to the nearest $5M

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,075**	**$7,750**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,600**	**$7,300**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01224

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01225

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Certain merger and integration costs
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01226

GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

SI-SSA-0015-01227

GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

SI-SSA-0015-01228

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$700	$1,475	$625	$1,100	$4,250	$175	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$700**	**$1,475**	**$625**	**$1,100**	**$3,975**	**$175**	**$8,050**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$325	$900	($0)	$450	($1,075)	($125)	$475
Dividends paid on common stock	$200	$450	$300	$300	$1,000	($950)	$1,325
Financing Cash Flow	**$525**	**$1,375**	**$300**	**$750**	**($75)**	**($1,050)**	**$1,800**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$600
Adjusted Ending Cash Balance[3]	$2,050
Adjustment for Cash Collateral Posted	($550)
GAAP Ending Cash Balance	**$1,525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01229

GAAP to Non-GAAP Reconciliations

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,375**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(125)
Adjusted O&M (Non-GAAP)	**$4,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

SI-SSA-0015-01230

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,375**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(125)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,625**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-01231

April 2018
Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-01233

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01234

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-01235

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01237

2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

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SI-SSA-0015-01238

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy $5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-01239

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

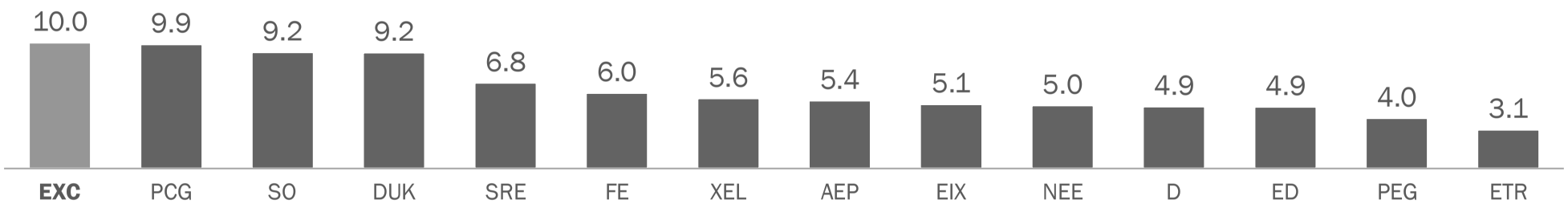
Note: All numbers reflect year-end 2017

SI-SSA-0015-01240

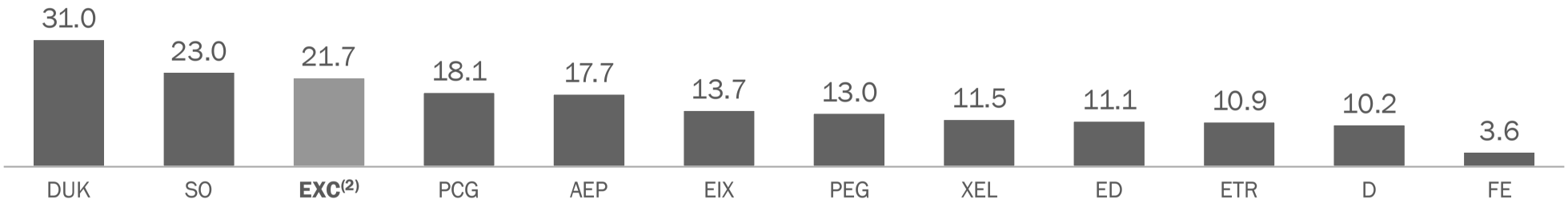
Exelon.

Exelon Utilities are an Industry Leader

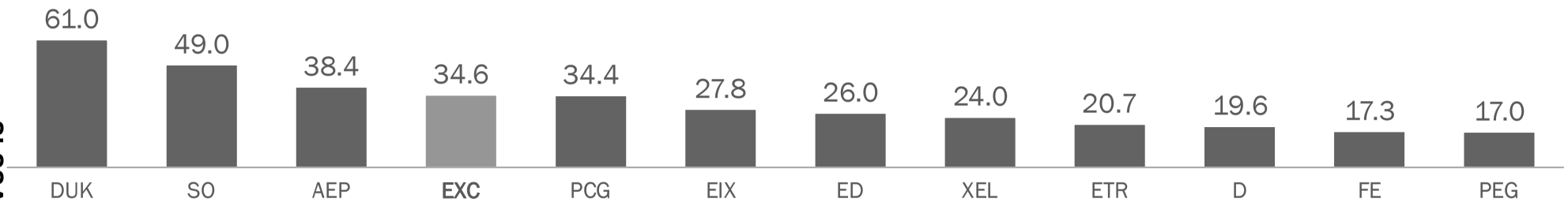
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) ~$22B includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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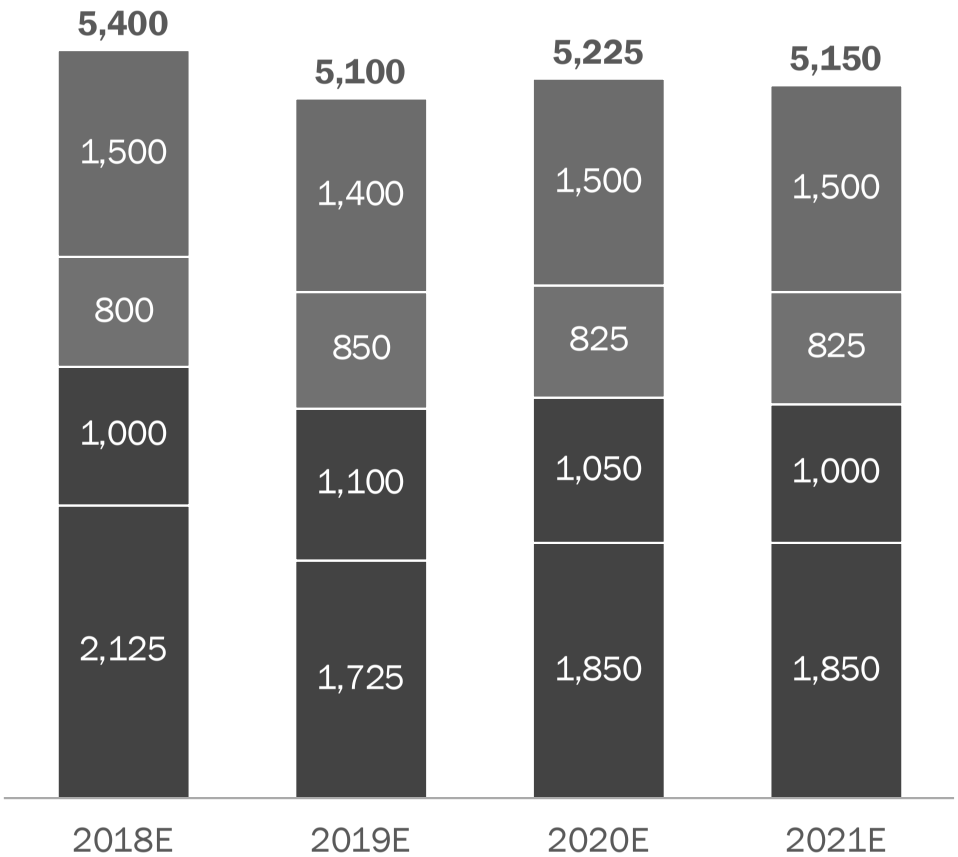
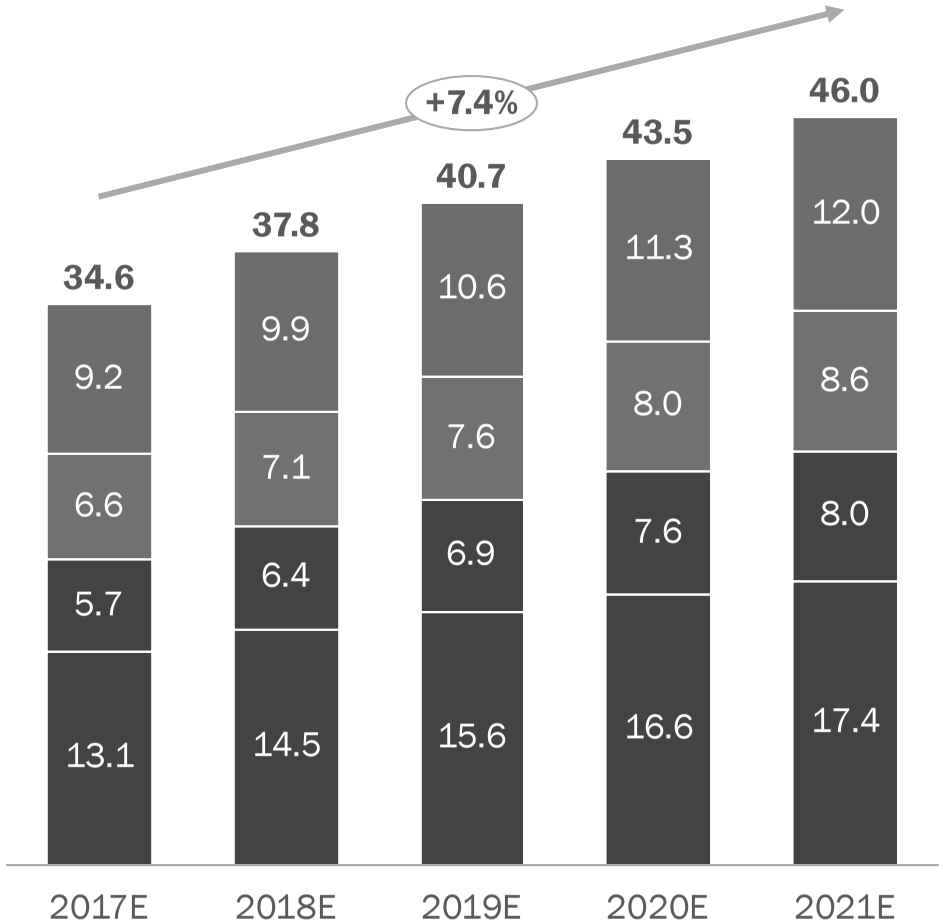
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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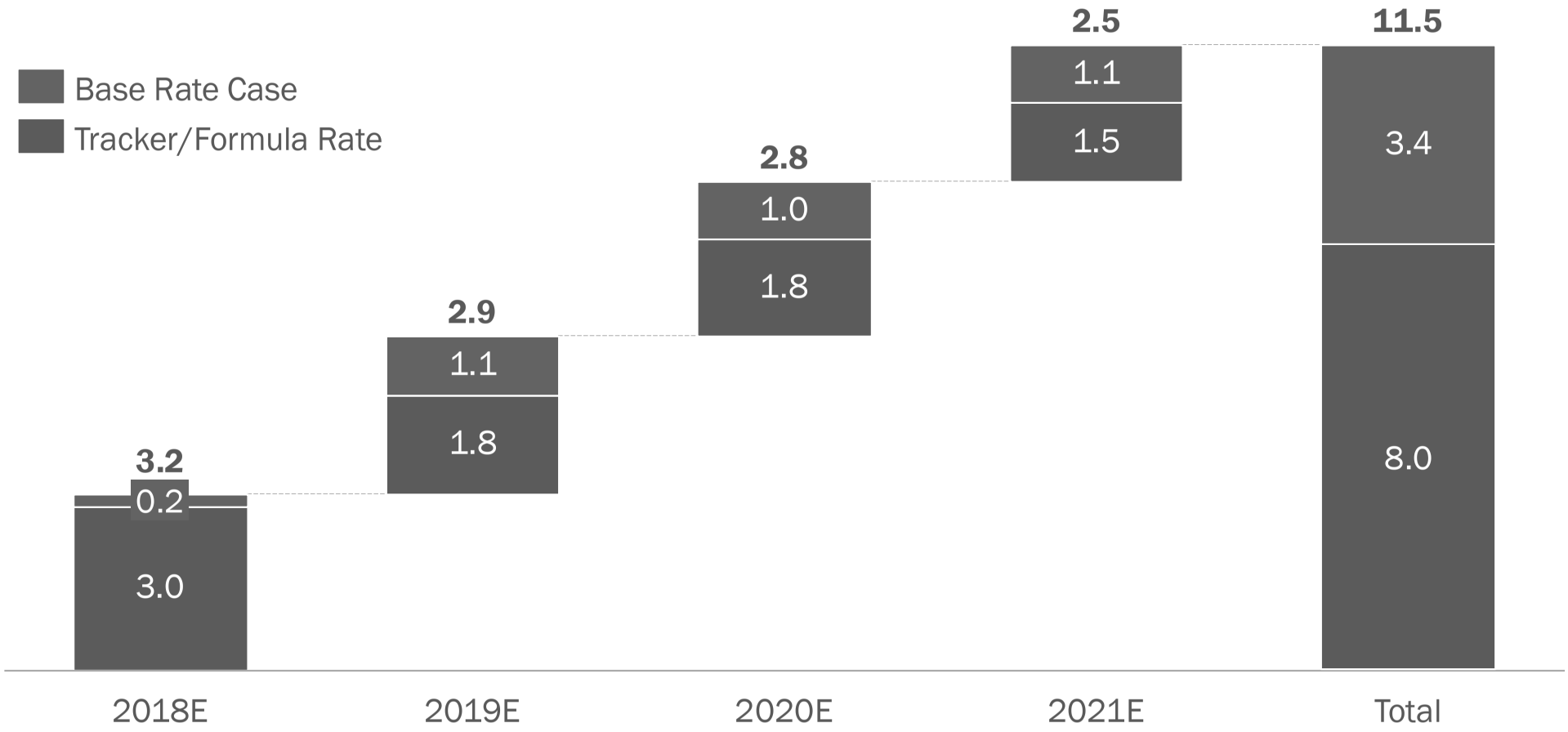
Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

Exelon.

SI-SSA-0015-01243

Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities(1)	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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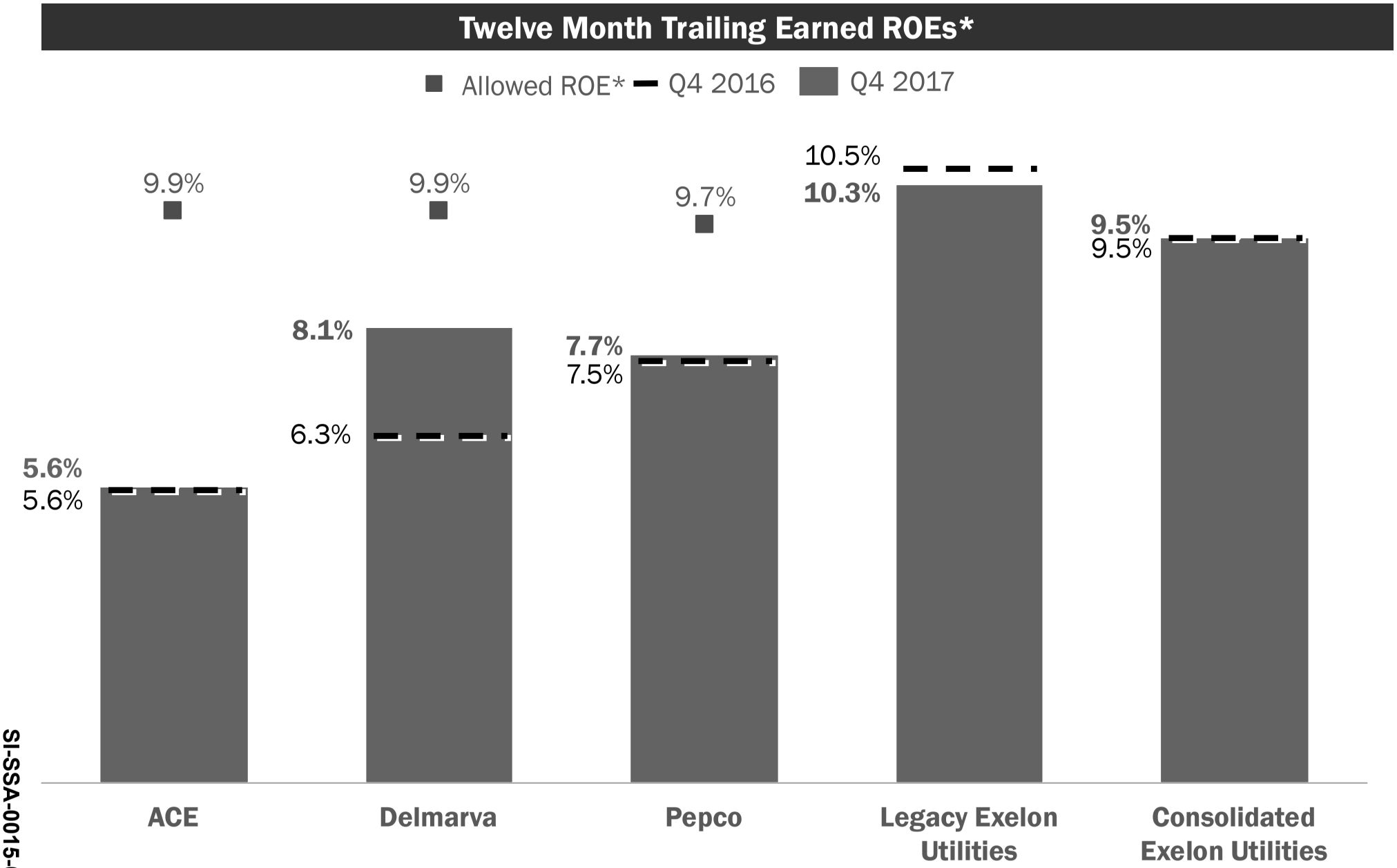
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

SI-SSA-0015-01245

Exelon.

Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

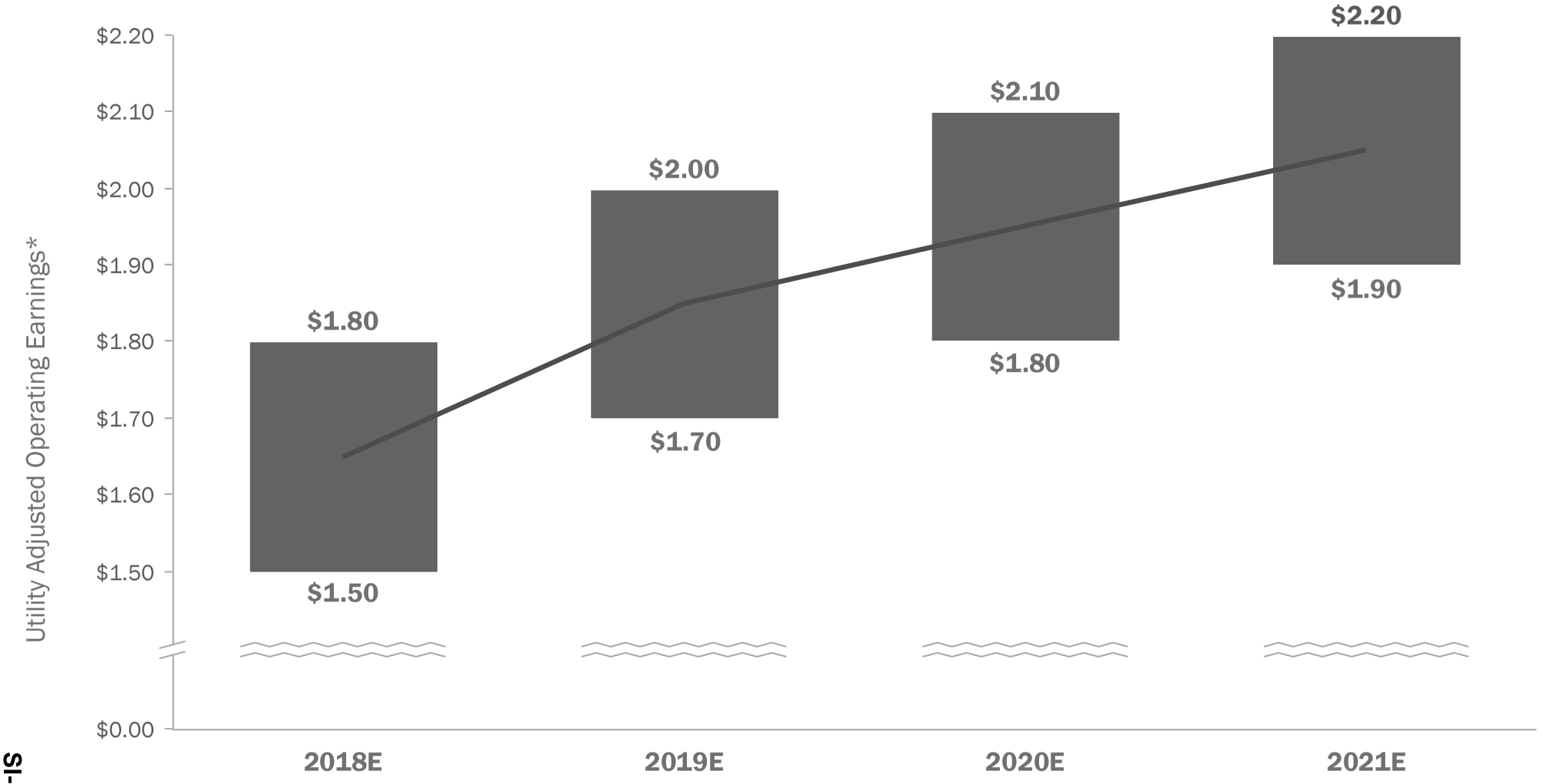
Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

SI-SSA-0015-01246

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

SI-SSA-0015-01247

Exelon.

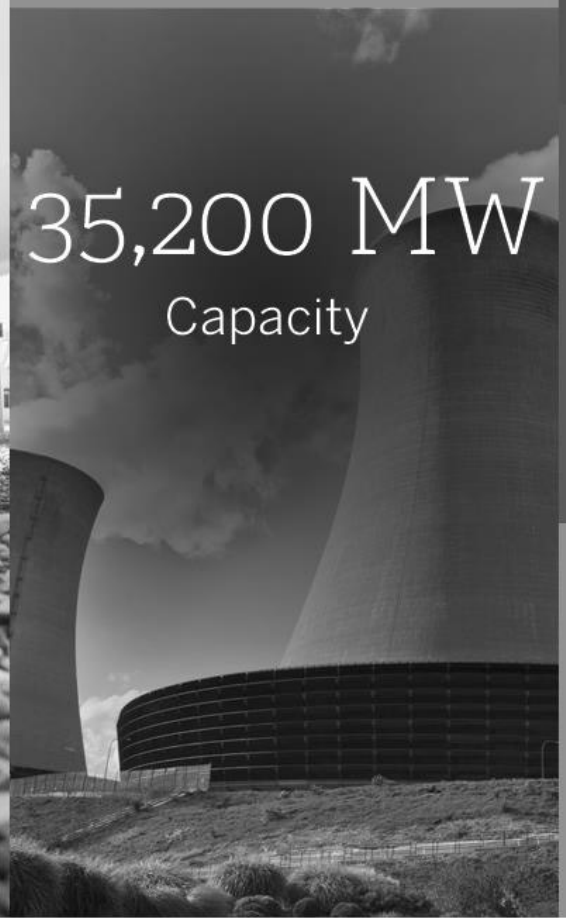
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-01248

Exelon.

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-0015-01249

Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-01250

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

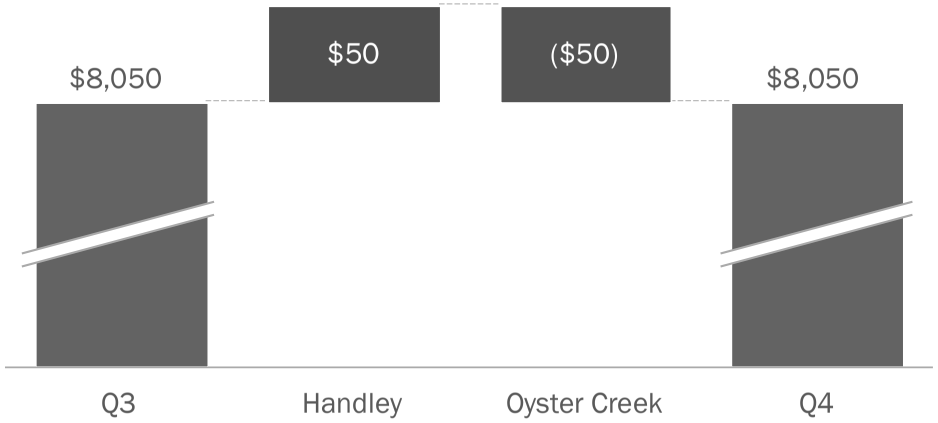
- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-01251

ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

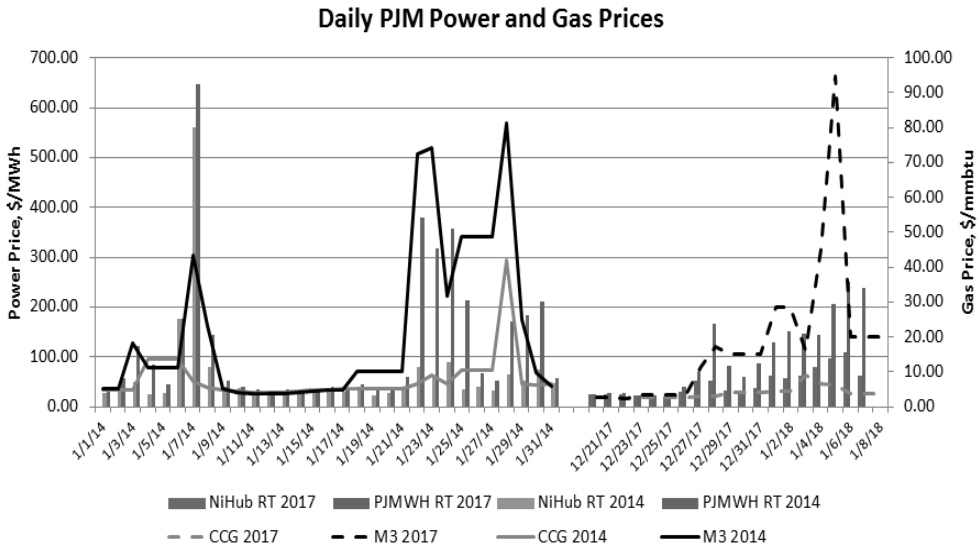
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

SI-SSA-0015-01252

Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

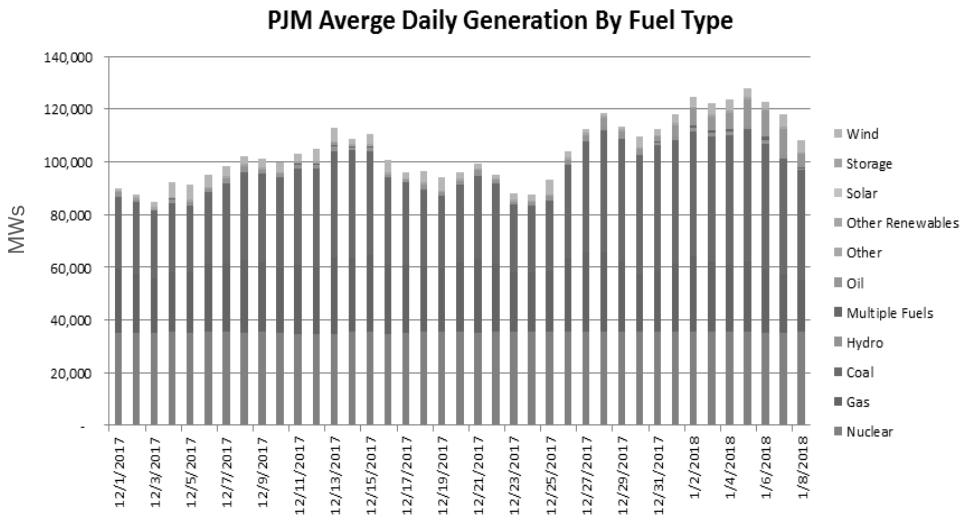


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

SI-SSA-0015-01253

Exelon.

Exelon's Policy Priorities

SI-SSA-0015-01254

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-01255

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments occurred on March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

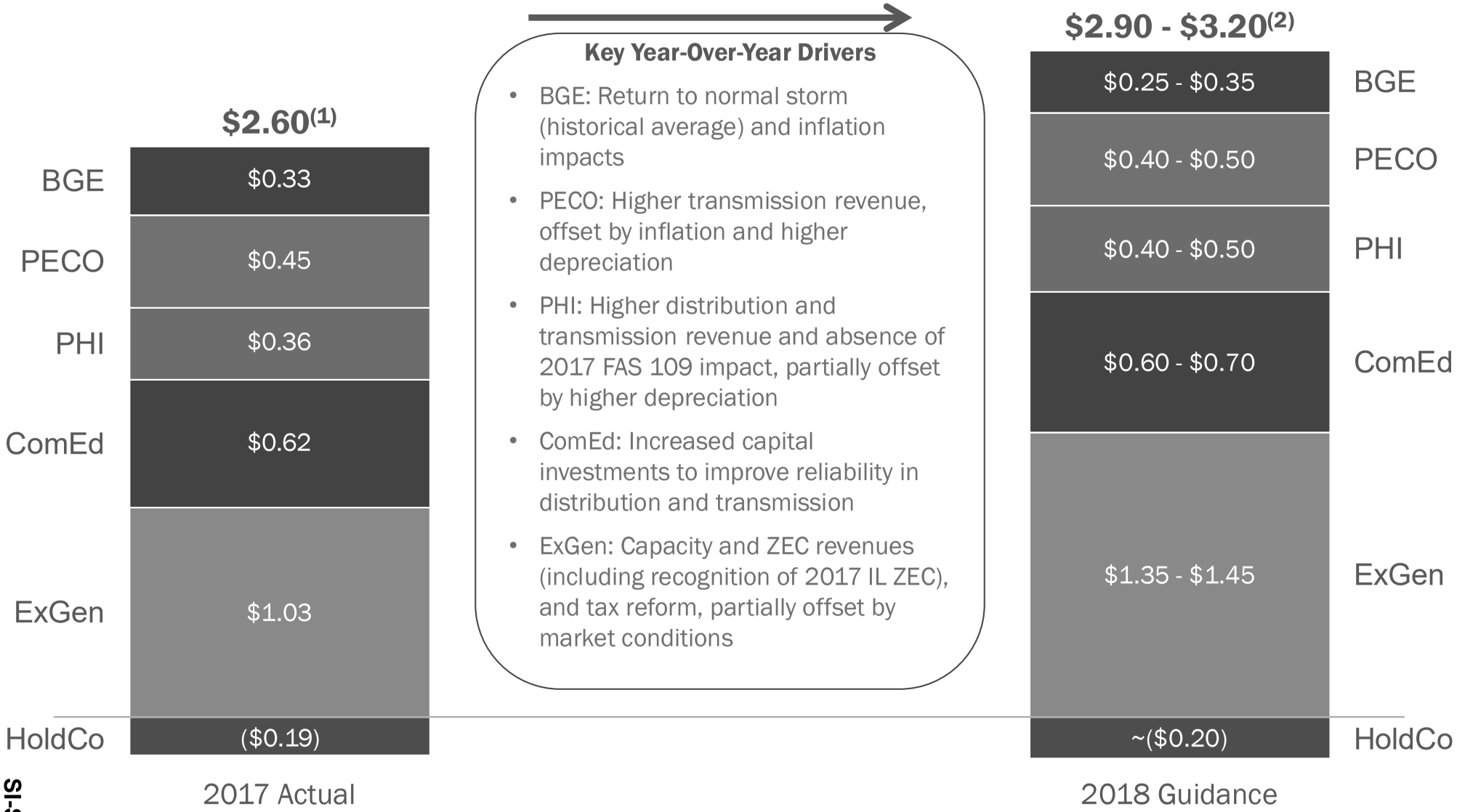
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- On April 5, both the Senate and Assembly Appropriations Committees voted in favor of the NJ ZECs bill

SI-SSA-0015-01256

Financial Overview

SI-SSA-0015-01257

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

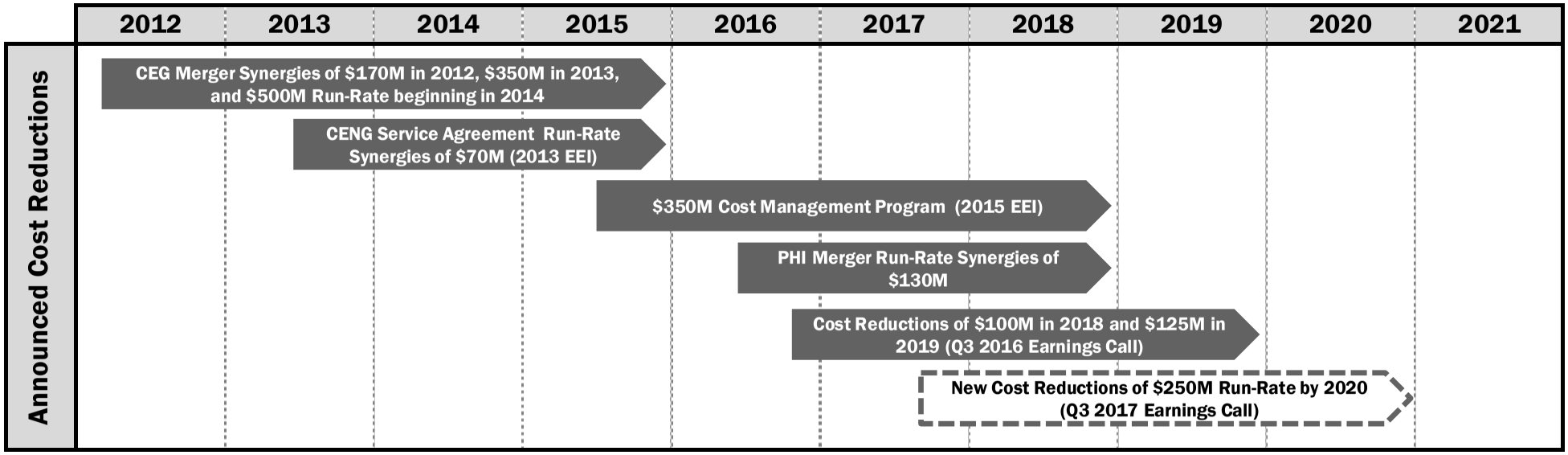
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01258

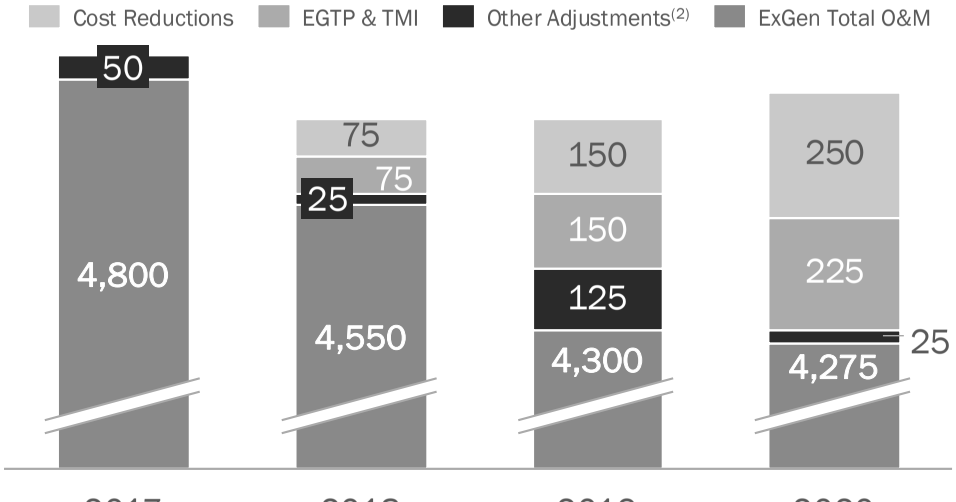
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

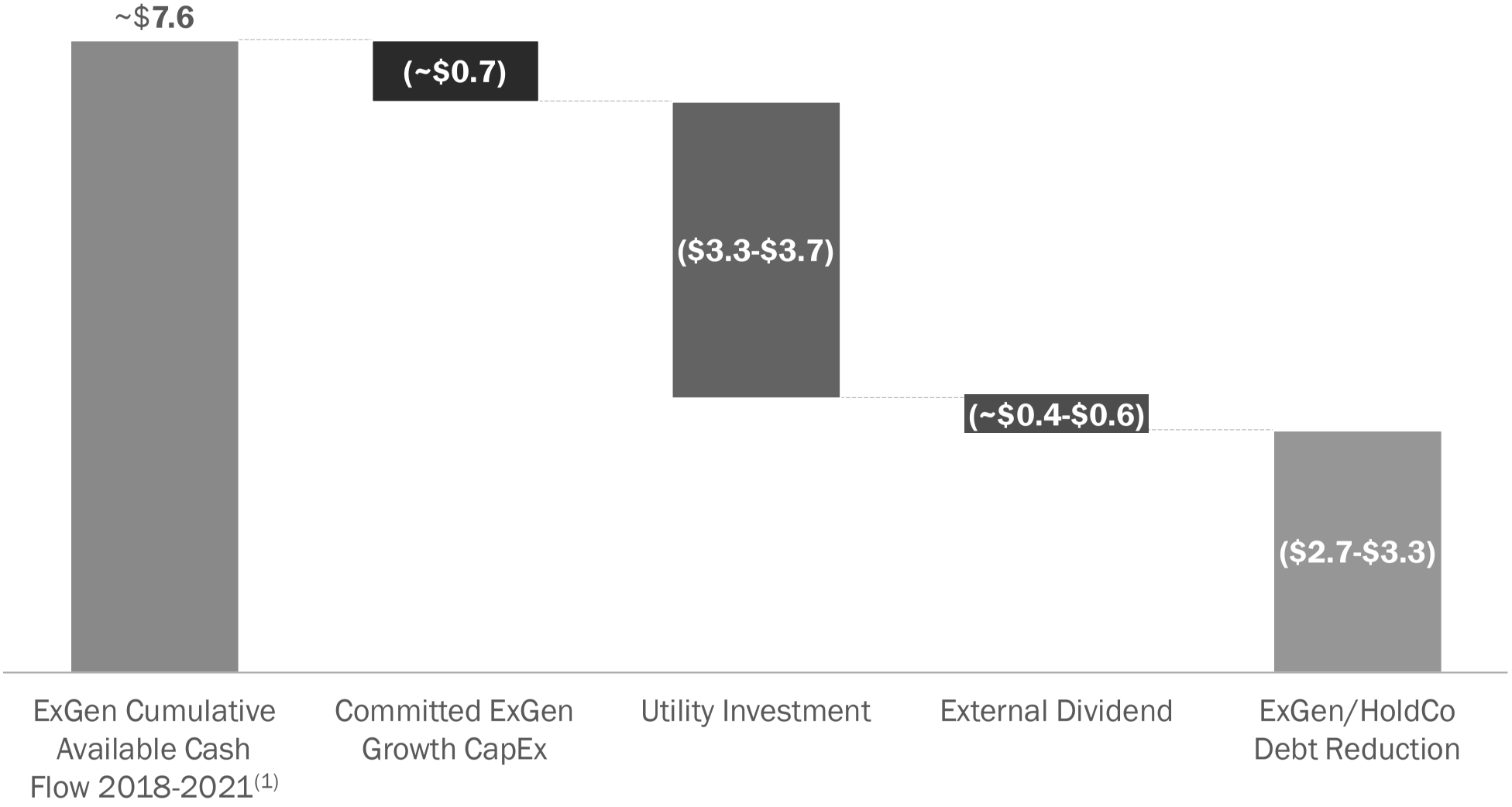
(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-01259

Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-01260

Exelon.

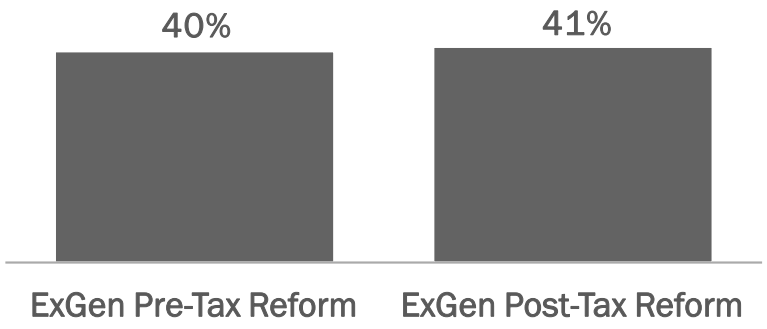
Impacts from Tax Reform

Tax Impacts	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

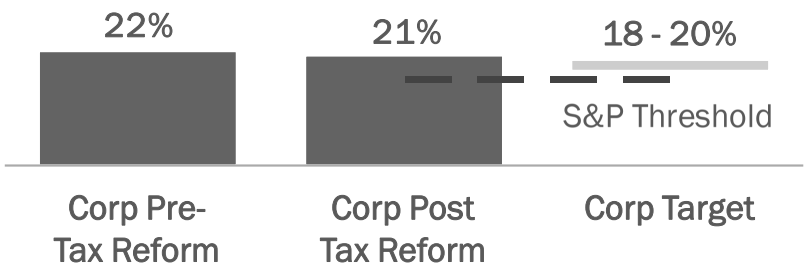
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

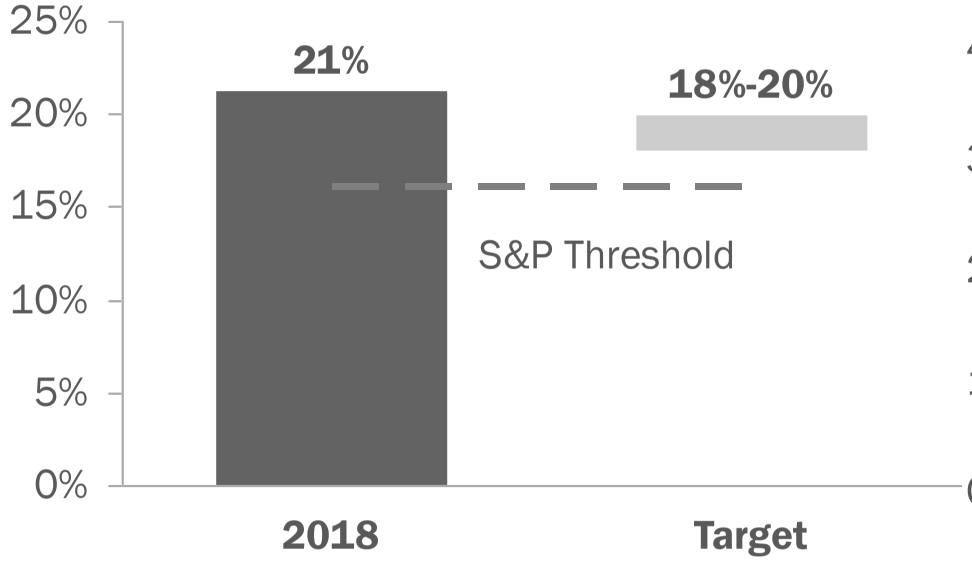
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

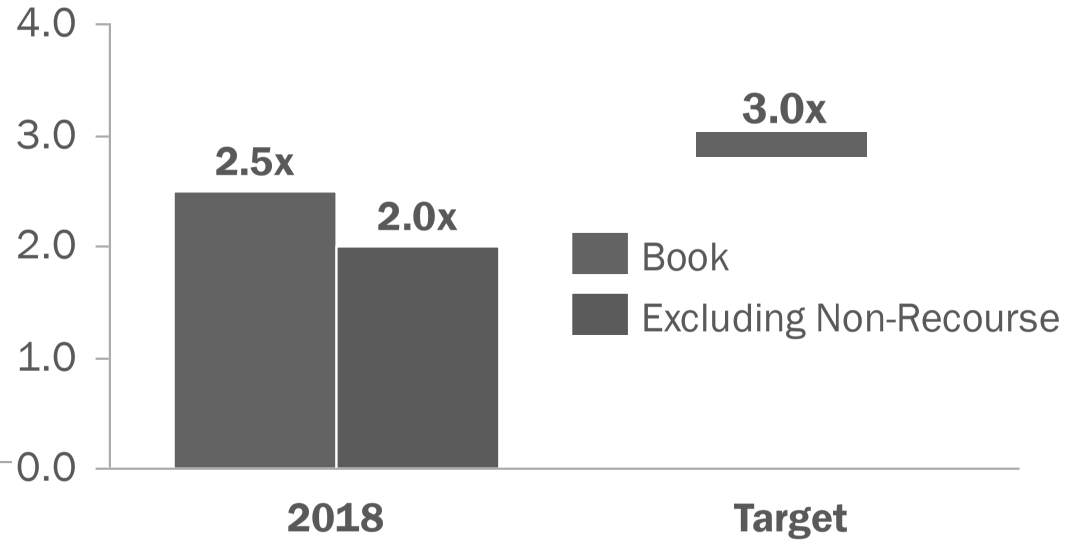
SI-SSA-0015-01261

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

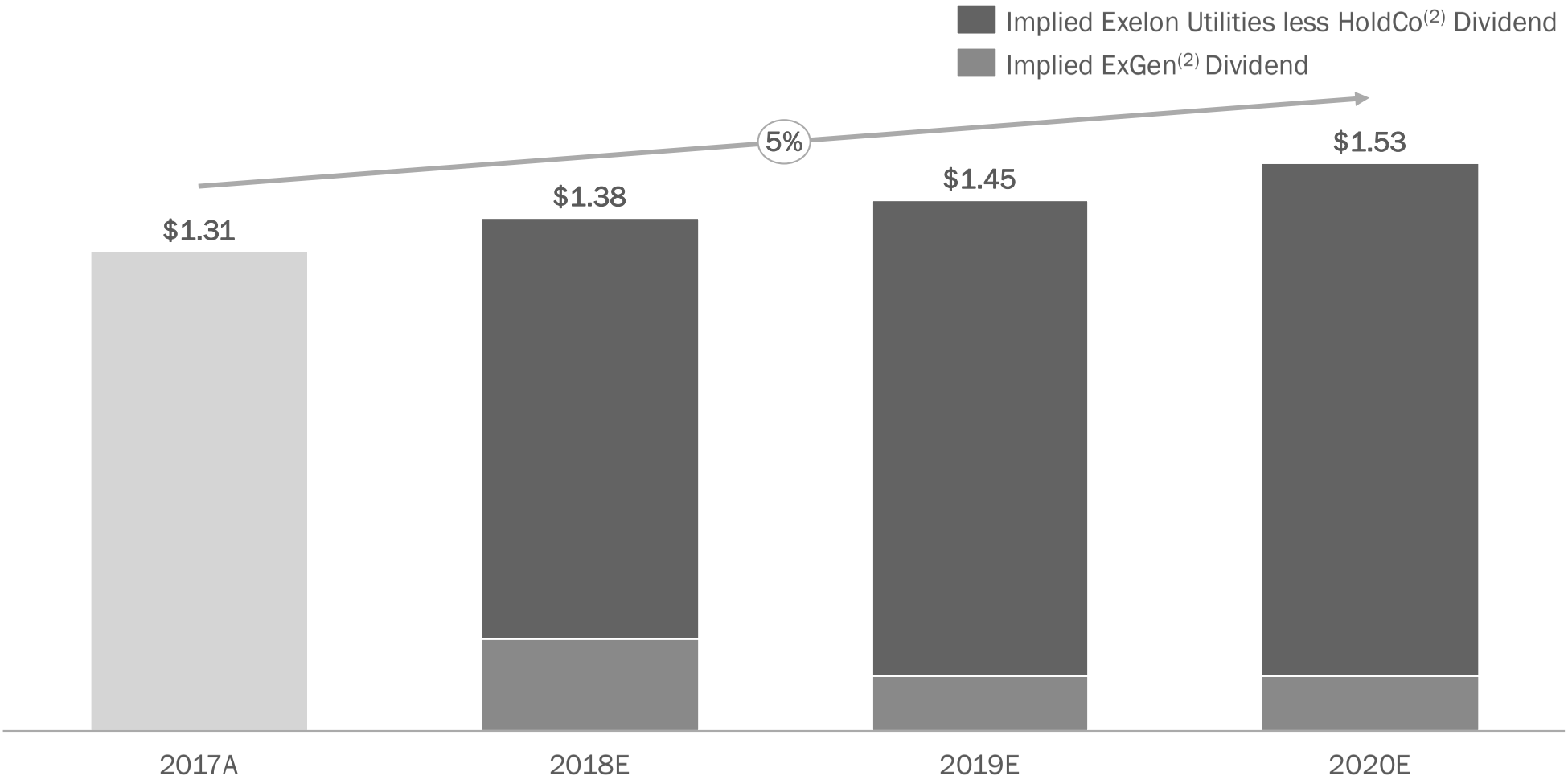
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-01262

Exelon.

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-01263

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-01264

Exelon.

Appendix

SI-SSA-0015-01265

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

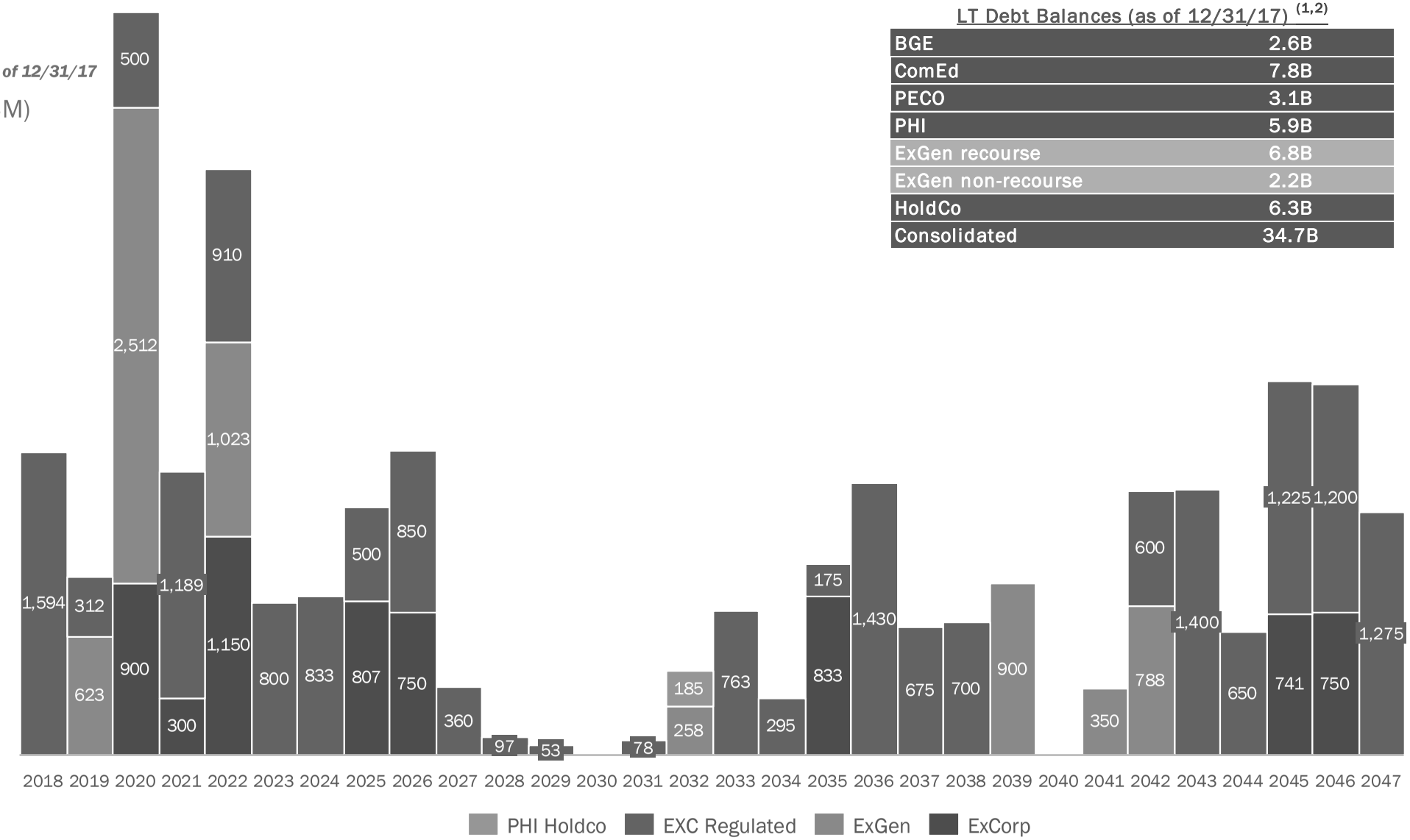
SI-SSA-0015-01266

Exelon

Exelon Debt Maturity Profile[1]

As of 12/31/17

($M)



LT Debt Balances (as of 12/31/17) [1,2]	
BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-01267

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EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-01268

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018
and are not being updated at this time

SI-SSA-0015-01269

Portfolio Management Strategy

Strategic Policy Alignment

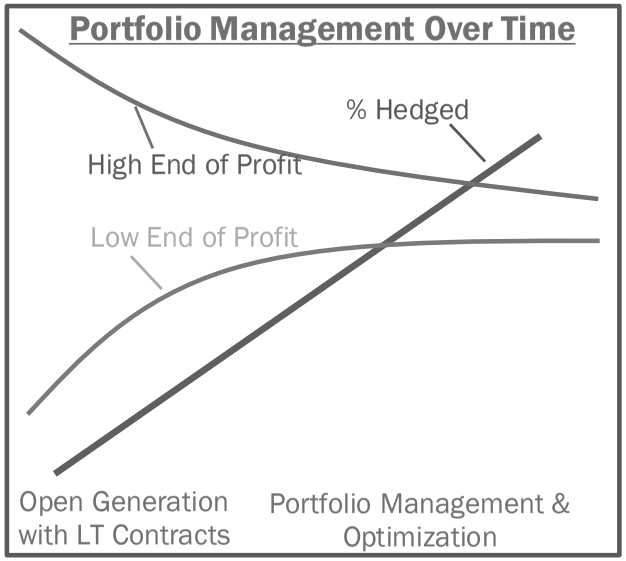
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

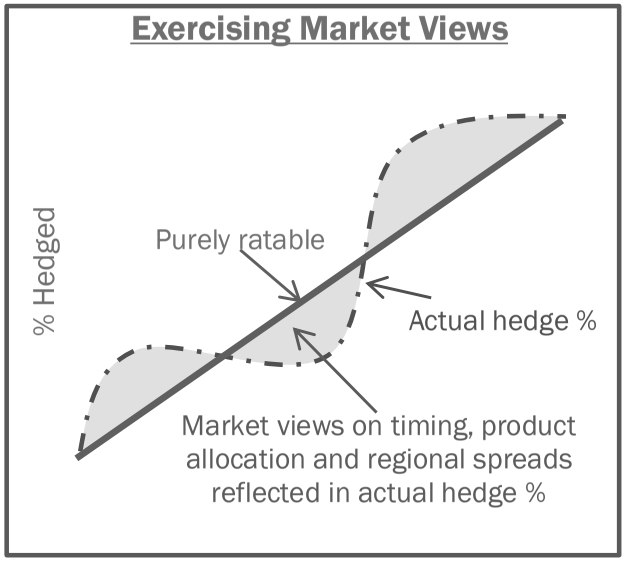
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01270

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-01271

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-01272

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-01273

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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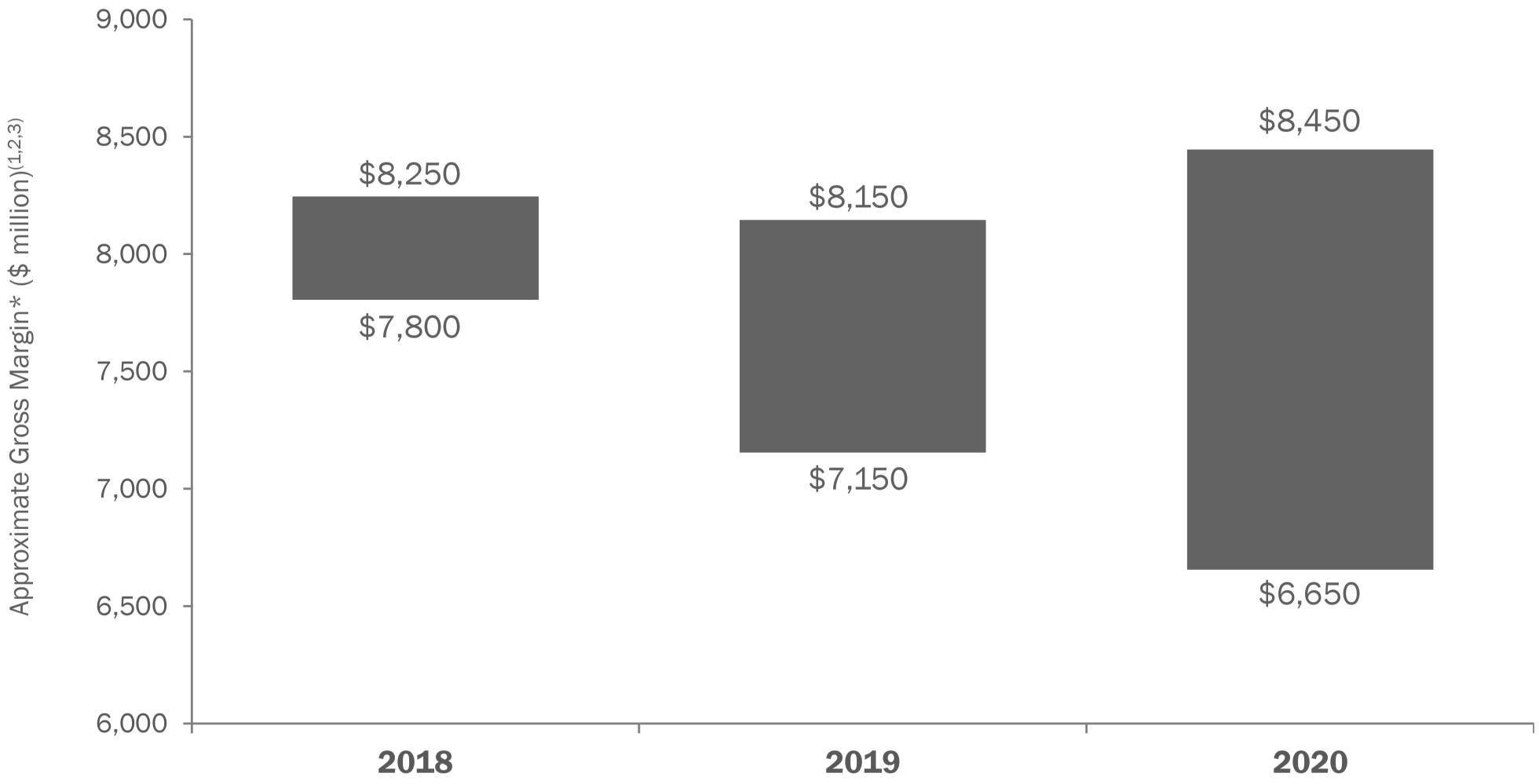
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-01275

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-01276

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

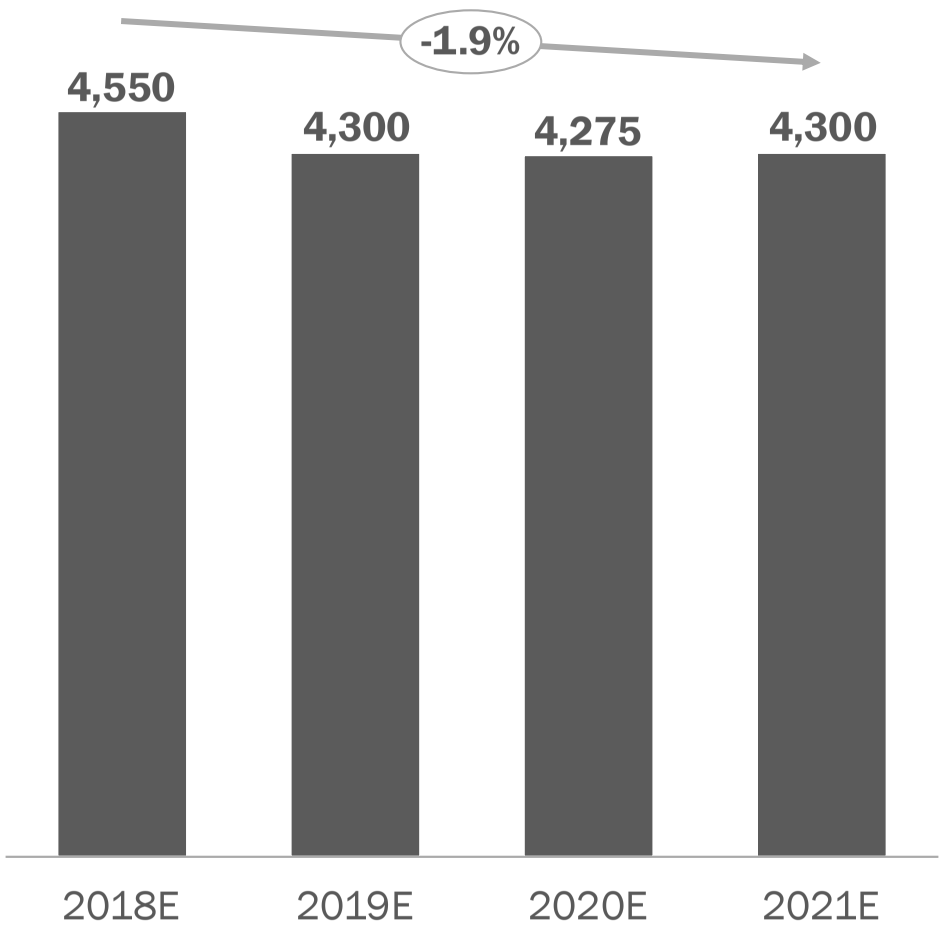
Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

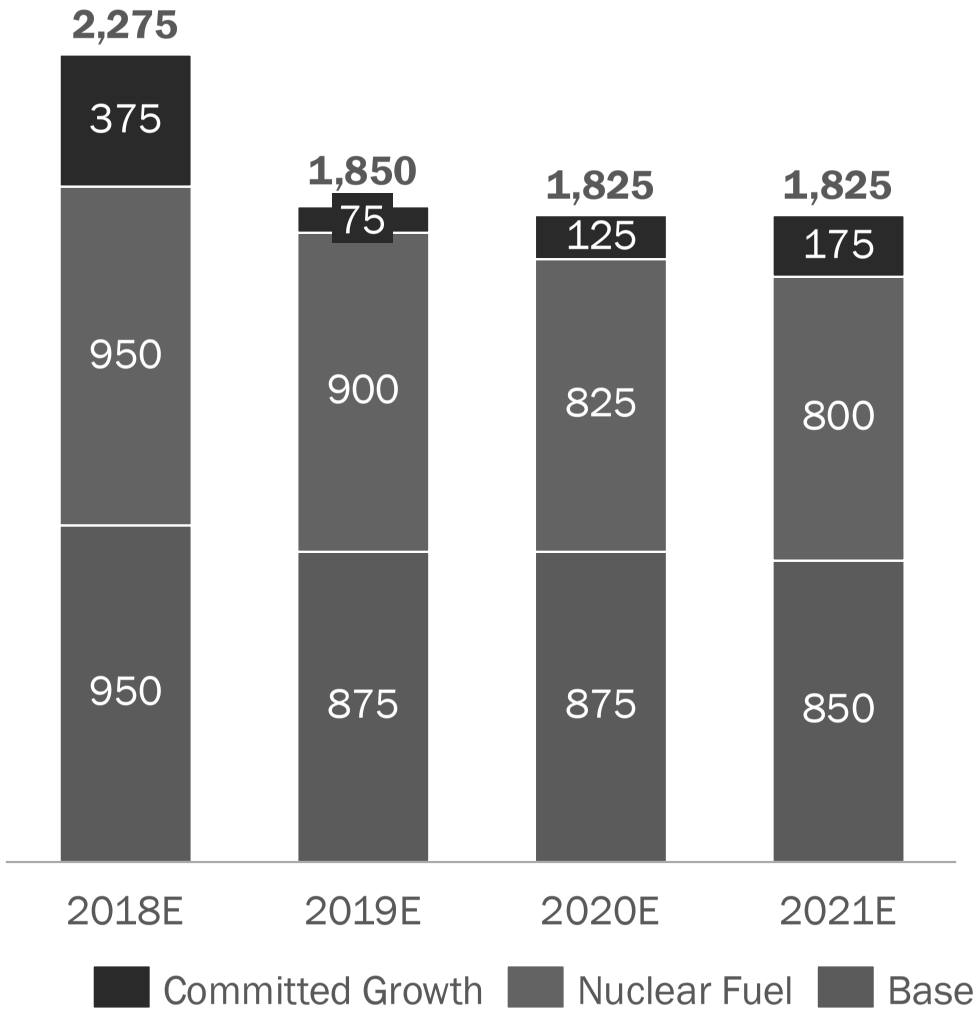
SI-SSA-0015-01277

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01279

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01282

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

SI-SSA-0015-01283

GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

SI-SSA-0015-01284

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01285

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-01286

Earnings Conference Call
2nd Quarter 2018

August 2, 2018

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-01288

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01289

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

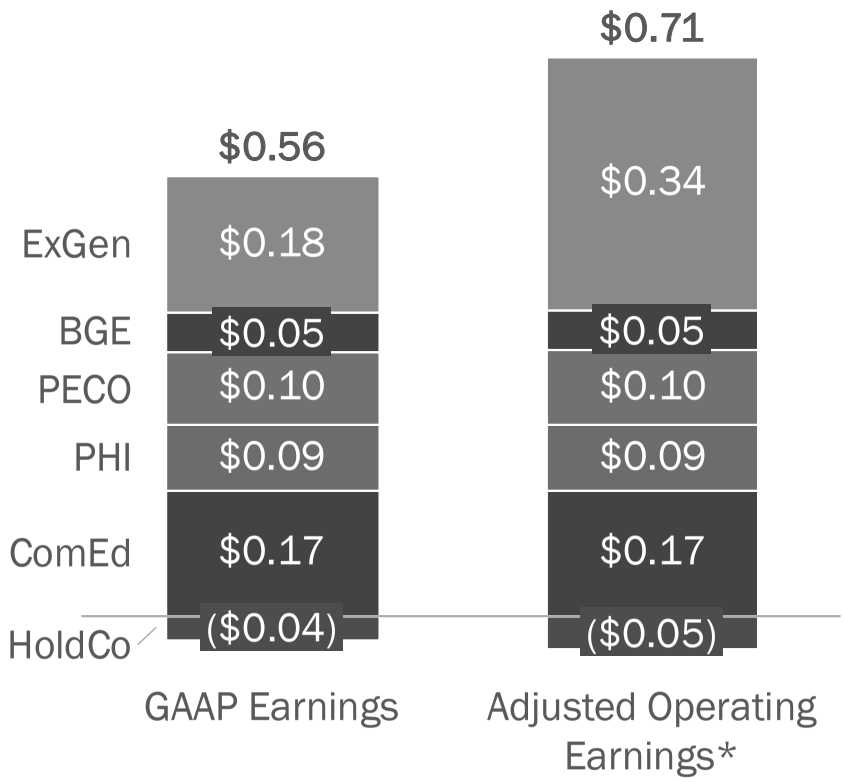
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 42 of this presentation.

SI-SSA-0015-01290

2nd Quarter Results

Q2 2018 EPS Results[1,2]



- GAAP earnings were $0.56/share in Q2 2018 vs. $0.10/share in Q2 2017
- Adjusted operating earnings* were $0.71/share in Q2 2018 vs. $0.56/share in Q2 2017, exceeding our guidance range of $0.55-$0.65/share

(1) Amounts may not add due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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Exelon

Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q2 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

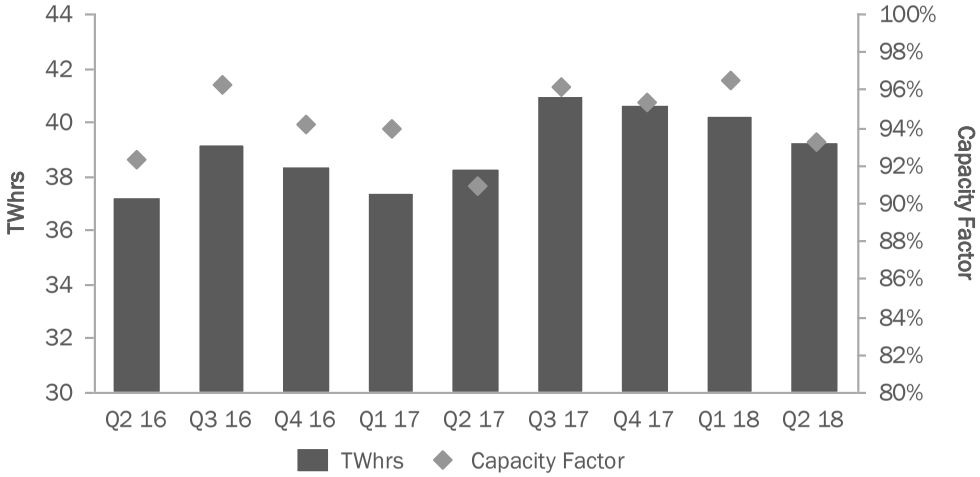
- Continued top tier reliability performance, with top decile performance in CAIDI and gas odor
- Customer performance metrics continue to be strong across all utilities

Q1	Q2
Q3	Q4

Exelon Generation Operational Performance

Exelon Nuclear Fleet[2]

- Continued best in class performance across our Nuclear fleet:
  - Q2 2018 Nuclear Capacity Factor: 93.2%
  - 96 outage days in Q2 2018 compared to 137 in Q2 2017



Fossil and Renewable Fleet

- Strong performance across our Fossil and Renewable fleet:
  - Q2 2018 Renewables energy capture: 95.1%
  - Q2 2018 Power dispatch match: 97.8%

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem and EDF's equity ownership share of the CENG Joint Venture

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Tax Reform Producing Significant Customer Bill Savings

DPL

- DPL has filed to provide over **$40M** in annual distribution tax savings to customers
- DPL has also filed to provide **$12M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ACE

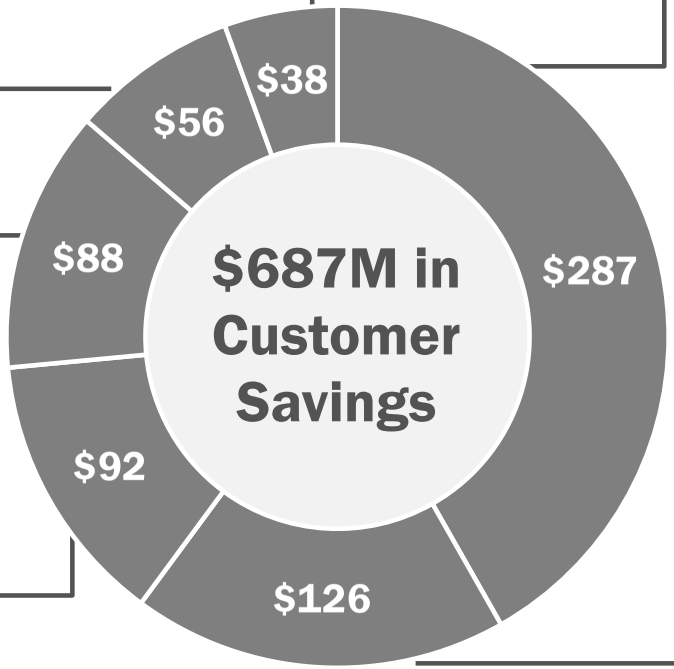
- ACE has filed to provide **$23M** in annual distribution tax savings to customers
- ACE has also filed to provide **$11M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ComEd

- ComEd has filed to provide **$201M** in annual distribution tax savings to customers
- ComEd has also filed to provide **$69M** in annual transmission tax savings, in addition to another **$17M** pending approval from FERC

Pepco

- Pepco has filed to provide over **$70M** in annual distribution tax savings to customers
- Pepco has also filed to provide **$13M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC



BGE

- BGE has filed to provide **$103M** in annual distribution tax savings to customers
- BGE has also filed to provide **$18M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC

PECO

- PECO has filed to provide **$72M** in annual distribution tax savings to customers
- PECO has also filed to provide **$20M** in annual transmission tax savings

Utility customers across our jurisdictions will benefit from tax reform, saving over $675M annually through planned and approved transmission and distribution bill adjustments

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Constructive Legislation for Our Utilities

Delaware

- On June 14, Governor Carney signed Senate Bill 80, which enacted the Distribution System Investment Charge (DSIC) legislation
- The DSIC tracker establishes a system improvement charge that provides a mechanism to recover infrastructure investments, allowing for:
  - Gradual rate increases; and
  - Limiting frequency of rate cases
- DPL DE expects to make its first filing under the DSIC rules in Q4 2018, with the new charge appearing on customer bills by Q1 2019

Pennsylvania

- On June 28, Governor Wolf signed House Bill (HB) 1782
- HB 1782 authorizes the PA PUC to review and approve utility-proposed alternative rate mechanisms
  - Alternative methods include options such as decoupling mechanisms, formula rates, multi-year rate plans, and performance based rates
- HB 1782 will ensure that our utilities and state regulators have a full range of options to consider to meet PA's future infrastructure needs

Recent passage of legislation in DE and PA will support needed infrastructure investment that includes utility of the future initiatives to the benefit of our customers, while also allowing for timely recovery on those investments

SI-SSA-0015-01294

ZEC & Energy Policy Updates

ZEC Updates

New Jersey:

- Governor Murphy signed the NJ ZEC bill into law on May 23rd
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018, with requests for supplemental briefings
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29th
- Currently awaiting court decision

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

FERC Capacity Order

- On June 29, 2018, FERC issued an order rejecting both capacity repricing and MOPREx, but finding that the existing tariff is not just and reasonable
- FERC established a paper hearing proceeding to develop a new, two-part approach:
  - **Alternative FRR**: enables states to establish asset specific FRR arrangements that would allow them to compensate those assets directly and remove the associated load from the RPM auction
  - **MOPR**: if FRR is not elected, an expanded MOPR would apply to all existing and new resources with out-of-market support, with no or few exceptions
- FERC has required comments within 60 days, with replies 30 days later
- FERC aims to reach a final decision by January 4, 2019

PJM Price Formation

- PJM fast start proceeding was initiated by FERC (Docket No. EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September 2018
  - If FERC approves in September, without changes, then PJM could implement the changes in winter 2018/2019
- After assessing FERC's fast start decision, PJM will determine path forward for full integer relaxation
  - PJM has not set a definitive timeline for stakeholder deliberations
- Deliberations regarding scarcity pricing and reserves reforms are ongoing in Q3 and Q4 for early 2019 action

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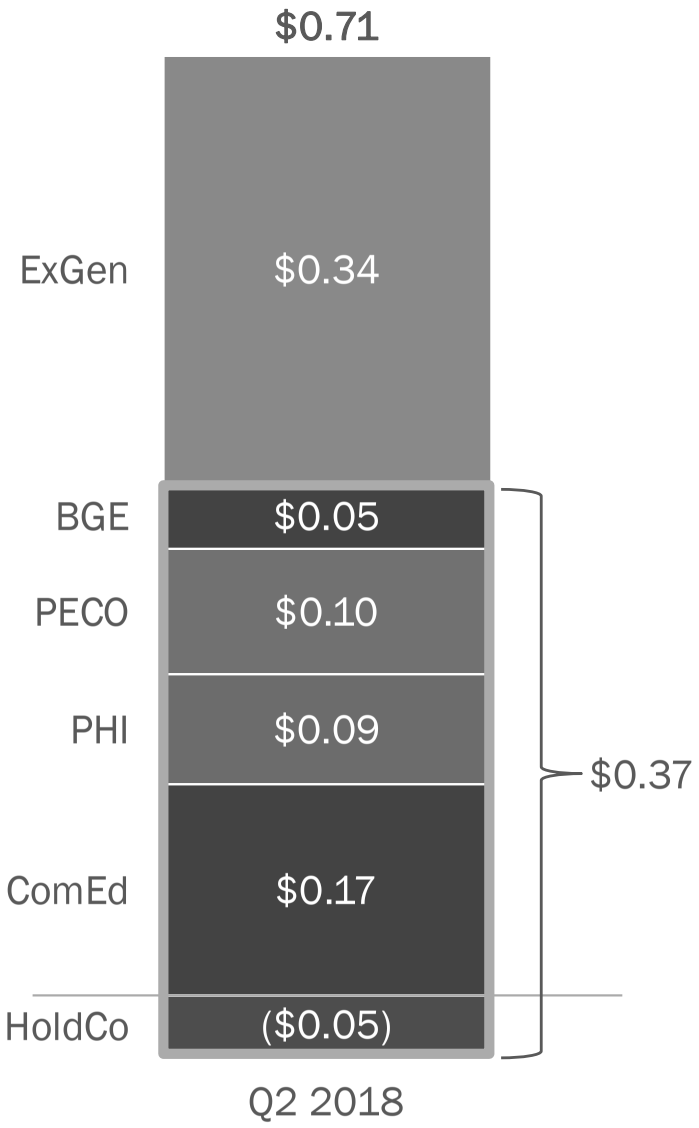
2nd Quarter Adjusted Operating Earnings* Drivers

Q2 2018 Adjusted Operating EPS* Results



Q2 2018 vs. Guidance of $0.55 - $0.65

Exelon Utilities

- ⬆ Higher distribution and transmission revenue
- ⬆ Favorable weather

Exelon Generation

- ⬆ NDT realized gains(1)
- ⬆ Generation performance
- ⬆ Favorable market conditions
- ⬇ Higher transmission costs
- ⬇ Other

Note: Amounts may not sum due to rounding
(1) Gains related to unregulated sites

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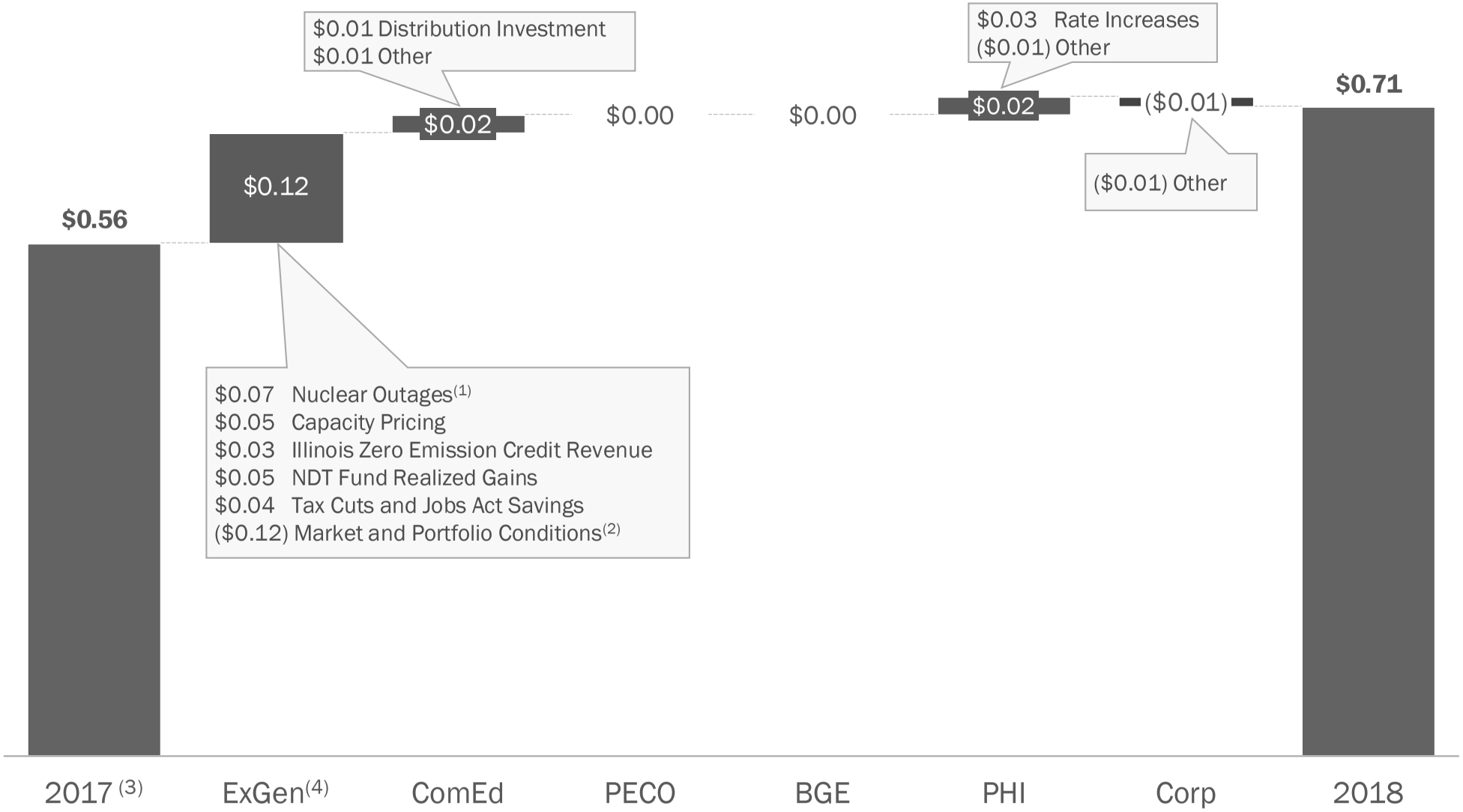
Exelon

QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(2) Primarily lower realized energy prices, partially offset by the favorable impact of Generation's natural gas portfolio

(3) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(4) Reflects CENG ownership at 100%

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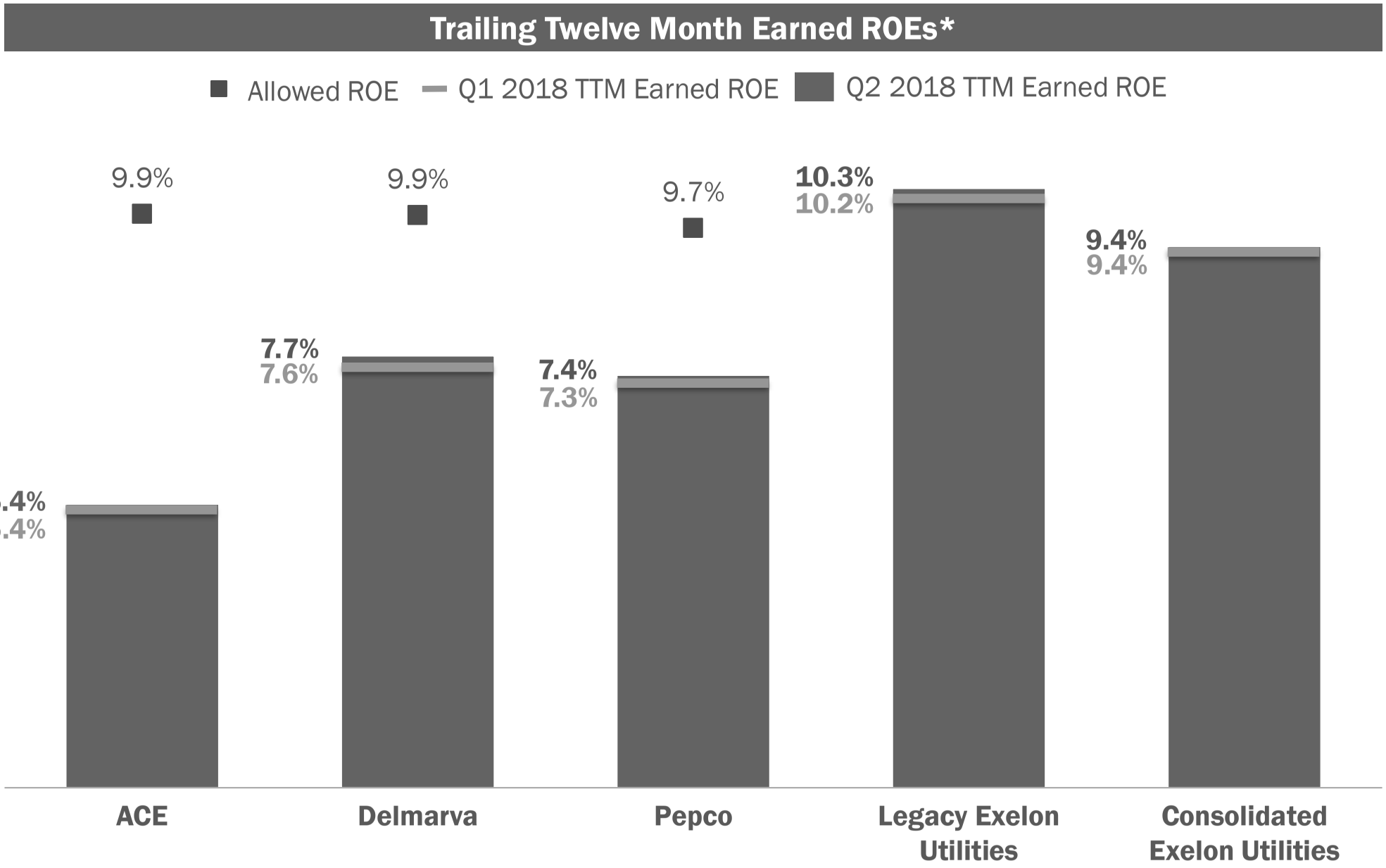
Trailing 12 Month Earned ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2018 and 6/30/2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	CF		IT	RT	EH	IB RB			FO				($22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		RT	SA EH			FO							($6.9M)[1,3]	9.70% / 50.52%	Q3 2018
Delmarva Gas (DE)		IT		RT		EH	IB RB		FO				$3.8M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)	SA		IB			FO							($24.1M)[1,5]	9.525% / 50.44%	Q3 2018
Pepco Electric (MD)	SA	EH FO											($15.0M)[1,5]	9.50% / 50.44%	May 31, 2018
PECO Electric			IT	RT	EH	IB RB			FO				$82M[1]	10.95% / 53.39%	Dec 2018
BGE[2] Gas			CF			IT	RT	EH IB	RB	FO			$85M[6]	10.50% / 53.40%	Jan 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings

(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing

(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.

(5) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Includes tax benefits from Tax Cuts and Jobs Act.

(6) Reflects $63M increase and $22M STRIDE reset

SI-SSA-0015-01299

Utility CapEx Update

PECO's Gas Main and Service Replacement Program

- **Forecasted project cost:**
  - $2.3 billion of spend remaining
- **In service date:**
  - Multiple in service dates based on work plans with local townships
- **Project scope:**
  - Replace remaining 289 miles of gas services lines by end of 2022 and remaining 967 miles of main by end of 2035
  - Approximately 520 miles of mains and gas services lines have been replaced since 2010 at a cost of $381 million
  - Reduces risk on distribution system by replacing leak and break susceptible materials

BGE's Investment in Trade Point Atlantic

- **Forecasted project cost:**
  - $150 million investment in transmission & distribution over 5 years including the new 93 MW Fitzell substation
- **In service date:**
  - Fitzell substation: December 2020; electric and gas distribution investment: ongoing
- **Project scope:**
  - New substation as well as distribution infrastructure to support the new 3,100 acre Commercial & Industrial Trade Point Atlantic ("TPA") development
  - TPA is projected to generate 17,000 jobs, plus an additional 21,000 during construction; economic development is projected to be greater than $3 billion when completed[1]

(1) Economic data based on Sage Policy Group, Inc. report dated October 2016

Exelon.

SI-SSA-0015-01300

Exelon Generation: Gross Margin Update

	June 30, 2018			Change from March 31, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,700	$4,050	$3,800	$100	$100	-
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	$50	$50
Mark-to-Market of Hedges[2,3]	$400	$400	$300	$100	$(50)	$50
Power New Business / To Go	$150	$600	$800	$(200)	$(50)	$(50)
Non-Power Margins Executed	$350	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**	**-**	**$50**	**$50**

Recent Developments

- Strong second quarter executing $200M of Power New Business in 2018 and $50M in both 2019 and 2020
- Capacity and ZEC Revenues include the favorable impact of NJ ZEC revenues in 2019 and 2020
- Behind ratable hedging position reflects the upside we see in power prices
  - ~10-13% behind ratable in 2019 when considering cross commodity hedges

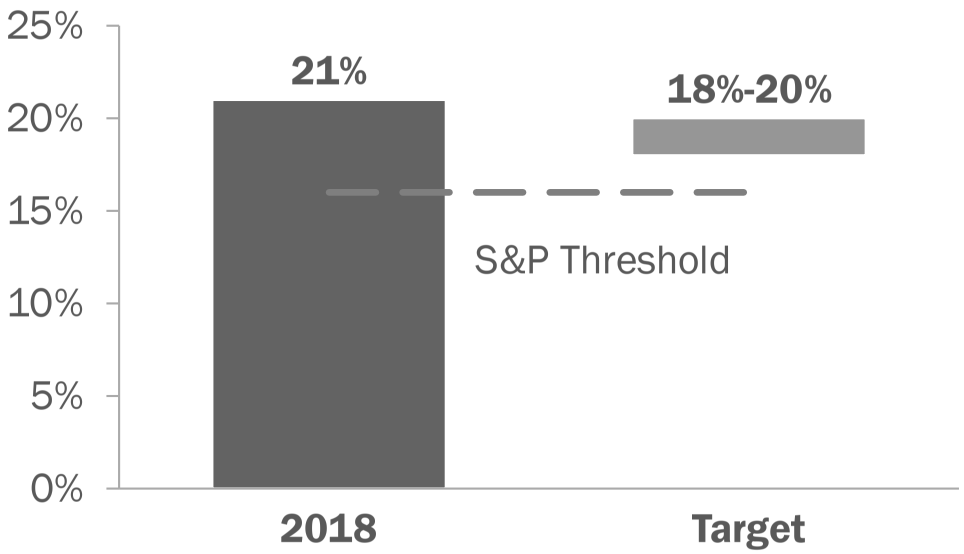
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

Exelon

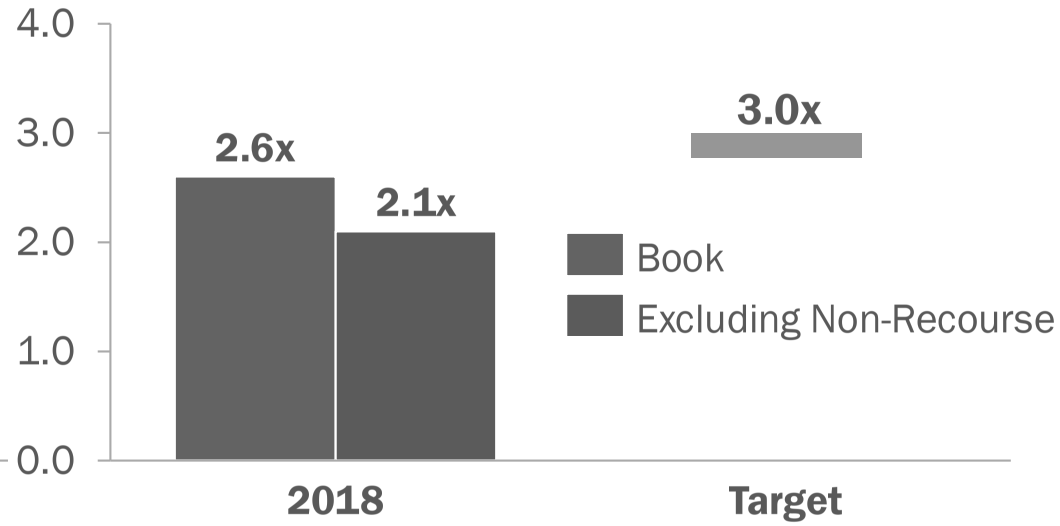
SI-SSA-0015-01301

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of August 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon, PECO, and BGE are on "Positive" outlook at Fitch, and ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon

SI-SSA-0015-01302

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[(1)],
  - Debt reduction; and,
  - Modest contracted generation investments

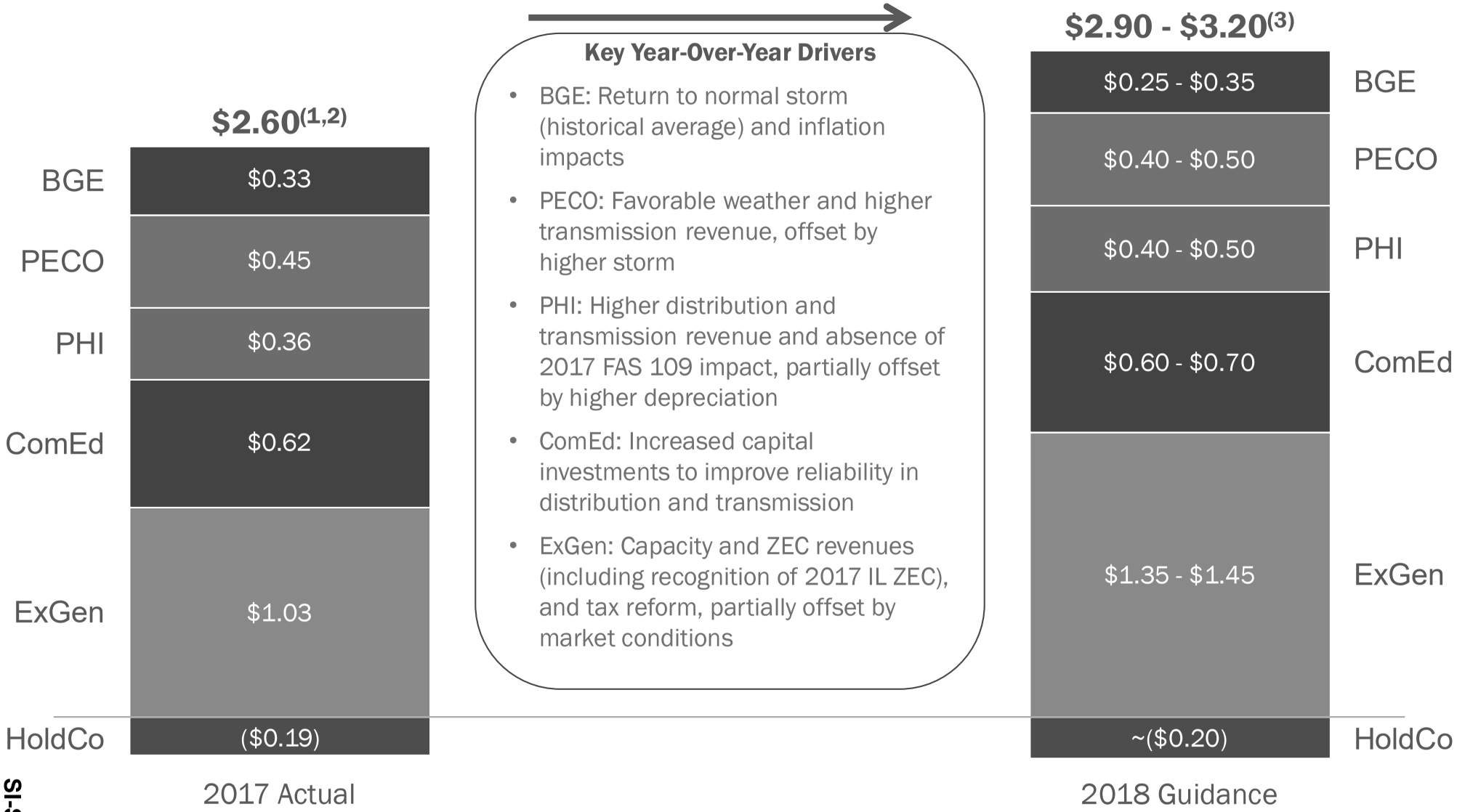
(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01303

Additional Disclosures

SI-SSA-0015-01304

2018 Adjusted Operating Earnings* Guidance



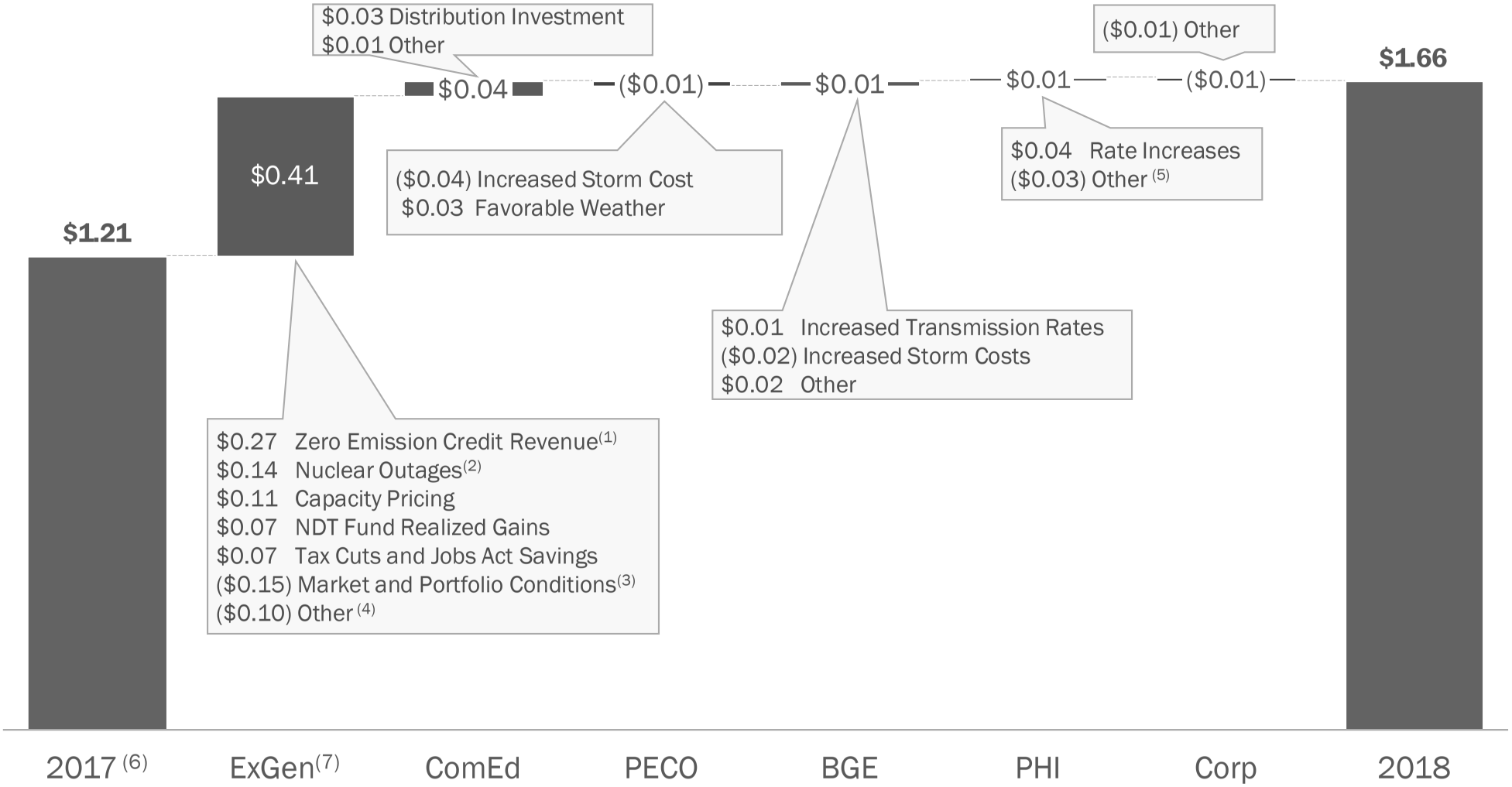
Expect Q3 2018 Adjusted Operating Earnings* of $0.80 - $0.90 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) The Registrants' 2017 Adjusted Operating Earnings* have not been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018
(3) 2018 earnings guidance based on expected average outstanding shares of 969M

Exelon.

SI-SSA-0015-01305

YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017 through December 31, 2017

(2) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(3) Primarily lower realized energy prices, the impact of the deconsolidation of EGTP and the conclusion of the Ginna Reliability Support Services Agreement, partially offset by the favorable impacts of Generation's natural gas portfolio

(4) Primarily reflects noncontrolling interest, partially offset by lower operating and maintenance expense primarily due to the impact of a supplemental NEIL insurance distribution, fewer outage days at Salem, decreased costs related to the sale of Generation's electrical contracting business

(5) Primarily due to increase in labor and contracting expense

(6) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(7) Reflects CENG ownership at 100%

SI-SSA-0015-01306

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	700	1,475	625	1,100	3,900	3,975	175	8,050	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**700**	**1,475**	**625**	**1,100**	**3,900**	**2,000**	**150**	**6,050**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	125	450	50	350	975	0	(950)	0	
Other Financing[4]	100	450	50	(75)	550	25	(100)	475	
Financing*[5]	**525**	**1,375**	**300**	**750**	**2,925**	**(75)**	**(1,050)**	**1,800**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**925**	**1,850**	**6,825**	**1,950**	**(900)**	**7,875**	
Utility Investment	(1,000)	(2,125)	(850)	(1,550)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,550)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**75**	**300**	**1,300**	**1,550**	**(2,250)**	**600**	
Ending Cash Balance*[2]									**2,050**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding
(2) Gross of posted counterparty collateral
(3) Figures reflect cash CapEx and CENG fleet at 100%
(4) Other Financing primarily includes expected changes in tax sharing from the parent, money pool borrowings, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
(5) Financing cash flow excludes intercompany dividends
(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
(7) Dividends are subject to declaration by the Board of Directors
(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $2B at ExGen and $3.9B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

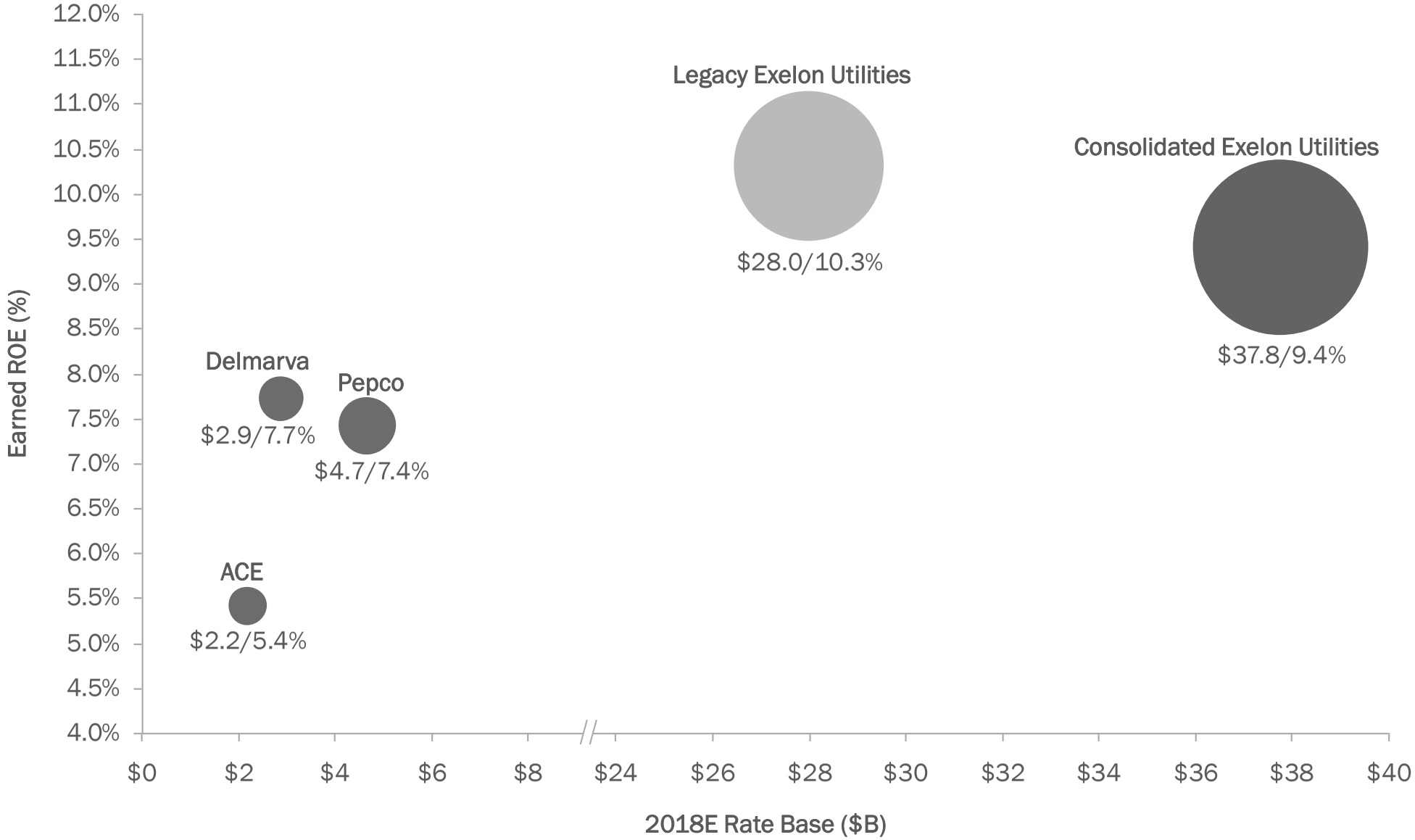
- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

SI-SSA-0015-01307

Exelon Utilities Trailing 12 Month Earned ROEs*

Q2 2018: Trailing Twelve Month Earned ROEs*



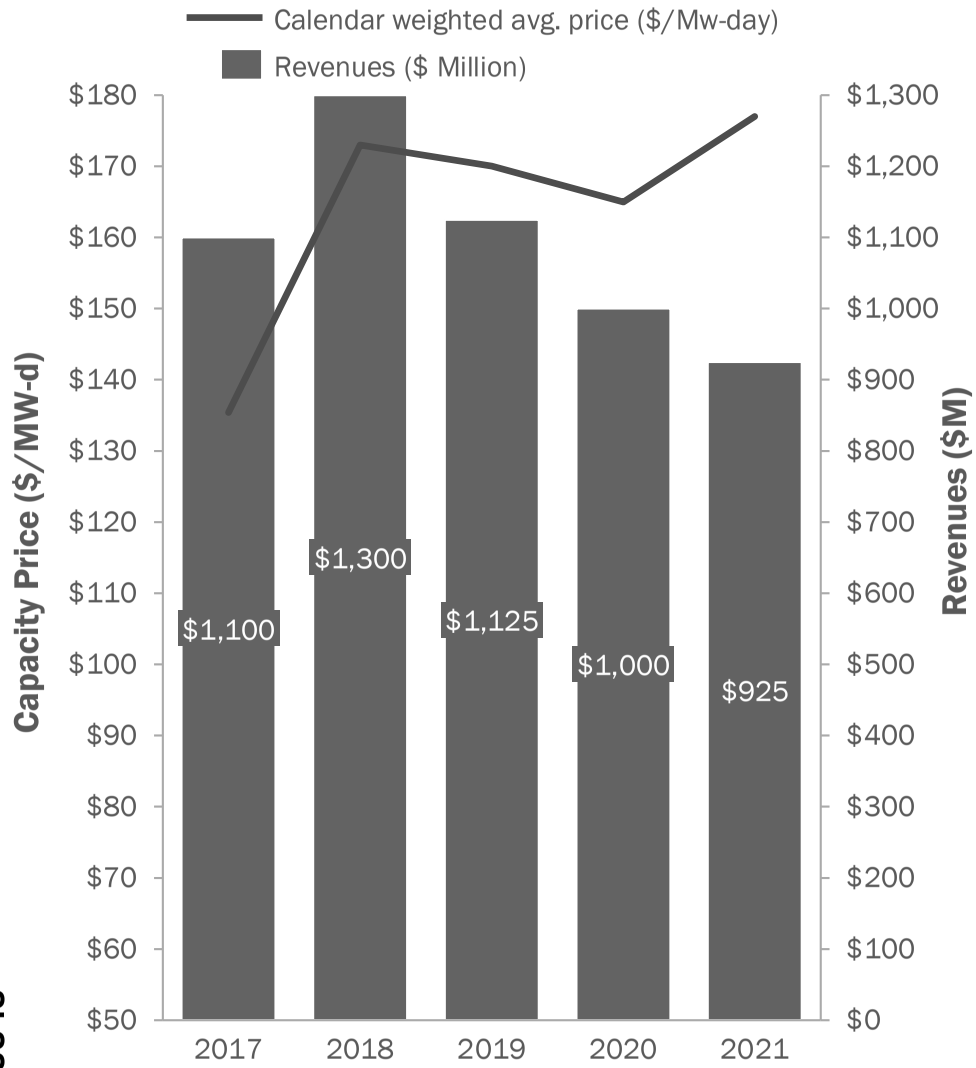
Note: Represents the 12-month period ending June 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

Exelon.

SI-SSA-0015-01308

Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

Recent BRA Results

Cleared Volumes (MW)[4]	2020/2021 CP	2020/2021 Price	2021/2022 CP	2021/2022 Price
ComEd				
Nuclear	8,075	$188	5,175	$196
Fossil/Other	-	$188	-	$196
Subtotal	**8,075**		**5,175**	
EMAAC				
Nuclear	4,350	$188	3,925	$166
Fossil/Other	2,325	$188	2,100	$166
Subtotal	**6,675**		**6,025**	
SWMAAC				
Nuclear	850	$86	850	$140
Fossil/Other	-	$86	-	$140
Subtotal	**850**		**850**	
MAAC				
Nuclear	-	$86	-	$140
Fossil/Other	225	$86	225	$140
Subtotal	**225**		**225**	
BGE				
Nuclear	-	$86	-	$200
Fossil/Other	375	$86	400	$200
Subtotal	**375**		**400**	
Rest of RTO				
Nuclear	-	$77	-	$140
Fossil/Other	-	$77	100	$140
Subtotal	**-**		**100**	
PJM Total				
Nuclear	13,275		9,950	
Fossil/Other	2,925		2,825	
Grand Total	**16,200**		**12,775**	

SI-SSA-0015-01309

Exelon

Tax Reform: Distribution-Related Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
- DPL has filed plans with DE PSC to provide over **$26M** in annual tax savings to customers

ACE

- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

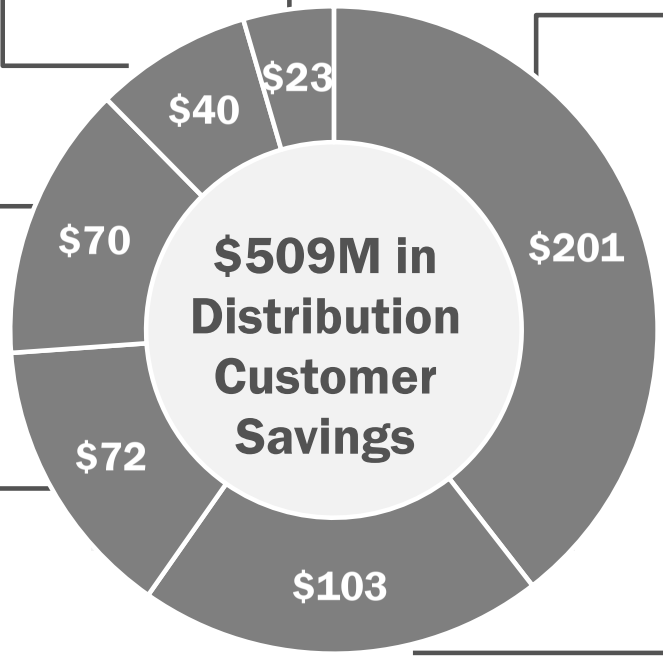
- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide over **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission

PECO

- Approximately **$72M** in annual tax savings to customers



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved distribution bill adjustments

Note: Includes only distribution-related customer savings amounts

Exelon.

SI-SSA-0015-01310

Tax Reform: Transmission-Related Customer Bill Savings

DPL

- DPL has filed to provide **$12M** in annual transmission tax savings to customers. DPL also has a filing pending approval from FERC for an additional **$4M** in annual savings
  - Combined $1.00 and $1.10 decrease on the DE and MD average residential monthly bills, respectively

ACE

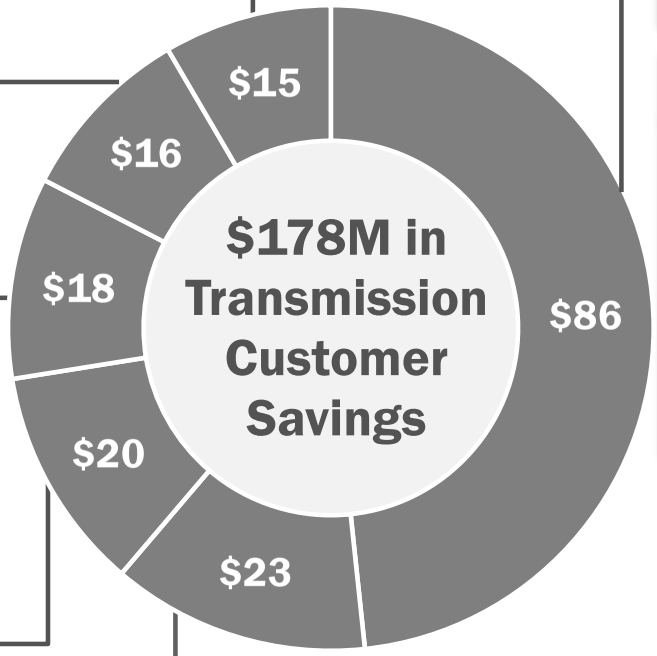
- ACE has filed to provide **$11M** in annual transmission tax savings to customers. ACE also has a filing pending approval from FERC for an additional **$4M** in annual savings
  - Combined $1.70 decrease on the average residential monthly bill

ComEd

- ComEd has filed to provide **$69M** in annual transmission tax savings to customers. ComEd also has a filing pending approval from FERC for an additional **$17M** in annual savings
  - Combined ~$0.80 decrease on the average residential monthly bill

Pepco

- Pepco has filed to provide **$13M** in annual transmission tax savings to customers. Pepco also has a filing pending approval from FERC for an additional **$5M** in annual savings
  - Combined $0.50 and $0.70 decrease on the DC and MD average residential monthly bills, respectively



BGE

- BGE has filed to provide **$18M** in annual transmission tax savings to customers. BGE also has a filing pending approval from FERC for an additional **$5M** in annual savings
  - Combined $0.88 decrease on the average residential monthly bill

PECO

- PECO has filed to provide **$20M** in annual transmission tax savings to customers
  - $0.56 decrease on the average residential monthly bill

Utility customers across our jurisdictions will benefit from tax reform, saving over $175M annually through planned and approved transmission bill adjustments

Note: Includes only transmission-related customer savings amounts

Exelon.

SI-SSA-0015-01311

Exelon Utilities

SI-SSA-0015-01312

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($22.9M)	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case				4/16/2018								
Intervenor testimony						6/28/2018						
Rebuttal testimony							7/23/2018					
Evidentiary hearings								8/28/2018				
Initial briefs due									9/11/208			
Reply briefs due									9/25/2018			
Commission order expected											12/2018	

SI-SSA-0015-01313

Exelon.

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977 – Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • June 27, 2018, Delmarva DE filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($6.9M)[2]
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%[2]	
Requested Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Proposed Rate Base (Adjusted)	N/A[2]	
Requested Revenue Requirement Increase	($6.9M)[1,2]	
Residential Total Bill % Increase	(1.2%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Settlement agreement											▲ 6/27/2018						
Settlement support testimony											▲ 6/27/2018						
Evidentiary hearings											▲ 6/27/2018						
Commission order expected													▬ Q3 2018				

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund

(2) Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01314

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through September 2018 ($1.2M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%(2)	
Proposed Rate Base (Adjusted)	$355M(2)	
Requested Revenue Requirement Increase	$3.8M(1,2)	
Residential Total Bill % Increase	4.3%	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Evidentiary hearings										9/11/2018 – 9/14/2018							
Initial briefs due															▲ 10/8/2018		
Reply briefs due															▲ 10/22/2018		
Commission order expected														Q4 2018			

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund

(2) Updated on July 6, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01315

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151 – Per Settlement (Black Box)	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($24.1M)[1] • Commission order expected to be approved in Q3 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement decrease	($24.1M)[1]	
Residential Total Bill % decrease	(0.7%)[1,2]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		12/19/2017											
Settlement agreement					4/17/2018								
Settlement support testimony						5/7/2018							
Reply testimony						5/18/2018							
Initial briefs due							6/14/2018						
Commission order expected											Q3 2018		

(1) Per non-unanimous Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.
(2) Modified/Extended Customer Base Rate Credit (CBRC)

Exelon.

SI-SSA-0015-01316

Pepco MD (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	9472 – Per Settlement (Black Box)	• January 2, 2018, Pepco MD filed an application with Maryland Public Service Commission (MDPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 20, 2018, Pepco MD filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($15.0M)[1] • May 31, 2018, MDPSC approved the settlement, which placed rates into effect on and after June 1, 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	12 months actual update	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.50%; ROR: 7.44%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement Increase	($15.0M)[1]	
Residential Total Bill % Increase	(1.3%)[1]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 1/2/2018											
Settlement agreement					▲ 4/20/2018								
Settlement support testimony						▲ 4/27/2018							
Evidentiary hearings							▲ 5/16/2018						
Commission order							▲ 5/31/2018						

(1) Per non-unanimous Settlement Agreement filed on April 20, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01317

PECO Distribution Rate Case Filing

Rate Case Filing Details	
Docket No.	R-2018-3000164
Test Year	January 1, 2019 – December 31, 2019
Test Period	12 Months Budget
Requested Common Equity Ratio	53.39%
Requested Rate of Return	ROE: 10.95%; ROR: 7.79%
Proposed Rate Base	$4,846M
Requested Revenue Requirement Increase	$82M[1]
Residential Total Bill % Increase	3.1%

Notes

- PECO filed an electric distribution base rate case on March 29, 2018
- Since January 1, 2016, through the Fully Projected Future Test Year (2019):
  - Relatively flat load growth
  - Operating expenses essentially flat
  - Capital investment of $1.9B
- Proposed investments would maintain strong reliability performance, strengthen system resiliency, and support physical security and cybersecurity

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pre-filing notice			2/27/2018									
Filed rate case				3/29/2018								
Intervenor testimony						6/26/2018						
Rebuttal testimony							7/24/2018					
Evidentiary hearings								8/20/2018 – 8/22/2018				
Initial briefs due									9/07/2018			
Reply briefs due									9/17/2018			
Commission order expected											12/2018	

(1) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit

Exelon.

SI-SSA-0015-01318

BGE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	Case No. 9484	• Case filed on June 8, 2018 seeking an increase in gas distribution revenues only • The increase is primarily driven by infrastructure investments since 2015/2016, and includes moving revenues currently being recovered via the STRIDE surcharge into base rates
Test Year	August 1, 2017 – July 31, 2018	
Test Period	9 months actual and 3 months estimated	
Requested Common Equity Ratio	53.40%	
Requested Rate of Return	ROE: 10.50%; ROR: 7.42%	
Proposed Rate Base (Adjusted)	$1.7B	
Requested Revenue Requirement Increase	$85M(1)	
Residential Total Bill % Increase	~3.5%(2)	

Detailed Rate Case Schedule

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Filed rate case				▲ 06/08/2018								
Intervenor testimony							▲ by 09/14/2018					
Rebuttal testimony								▲ by 10/12/2018				
Evidentiary hearings									▬ 11/2/2018 – 11/16/2018			
Initial briefs due(3)									▬ 11/2018			
Reply briefs due										▬ 12/2018		
Commission order expected											▲ 01/04/2019	

(1) Reflects $63M increase and $22M STRIDE reset
(2) Increase expressed as a percentage of a combined electric and gas residential customer total bill
(3) Briefing schedule will be determined during or at the end of the evidentiary hearing

Exelon.

SI-SSA-0015-01319

Exelon Generation Disclosures

June 30, 2018

SI-SSA-0015-01320

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

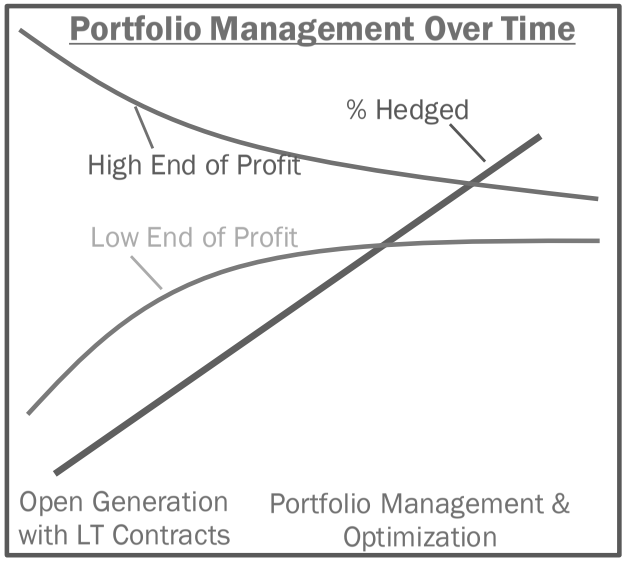
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

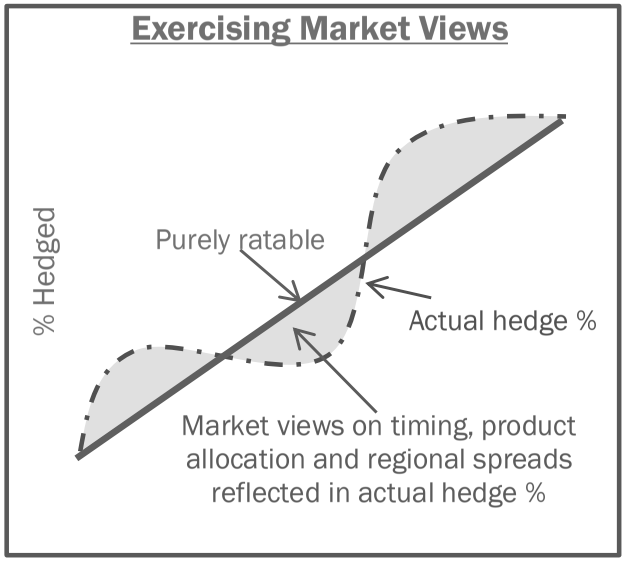
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01321

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

Exelon.

SI-SSA-0015-01322

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,700	$4,050	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$400	$400	$300
Power New Business / To Go	$150	$600	$800
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.93	$2.81	$2.68
Midwest: NiHub ATC prices ($/MWh)	$27.39	$26.04	$25.16
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$35.93	$31.38	$30.36
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$8.91	$9.70	$8.43
New York: NY Zone A ($/MWh)	$30.80	$28.21	$28.55
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.89	$5.12	$5.83

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

Exelon.

SI-SSA-0015-01323

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**199,000**	**202,400**	**193,100**
Midwest	96,700	97,100	96,700
Mid-Atlantic[2,6]	60,100	54,100	48,600
ERCOT	20,000	25,900	23,600
New York[2,6]	15,900	16,600	15,500
New England	6,300	8,700	8,700
% of Expected Generation Hedged[3]	**97%-100%**	**71%-74%**	**41%-44%**
Midwest	95%-98%	68%-71%	35%-38%
Mid-Atlantic[2,6]	102%-105%	81%-84%	50%-53%
ERCOT	98%-101%	74%-77%	45%-48%
New York[2,6]	97%-100%	75%-78%	52%-55%
New England	77%-80%	33%-36%	27%-30%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$29.00	$29.00
Mid-Atlantic[2,6]	$39.50	$38.00	$38.00
ERCOT[5]	$1.00	$3.50	$2.50
New York[2,6]	$37.00	$33.00	$30.00
New England[5]	$6.00	$1.50	$12.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.2%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01324

ExGen Hedged Gross Margin* Sensitivities

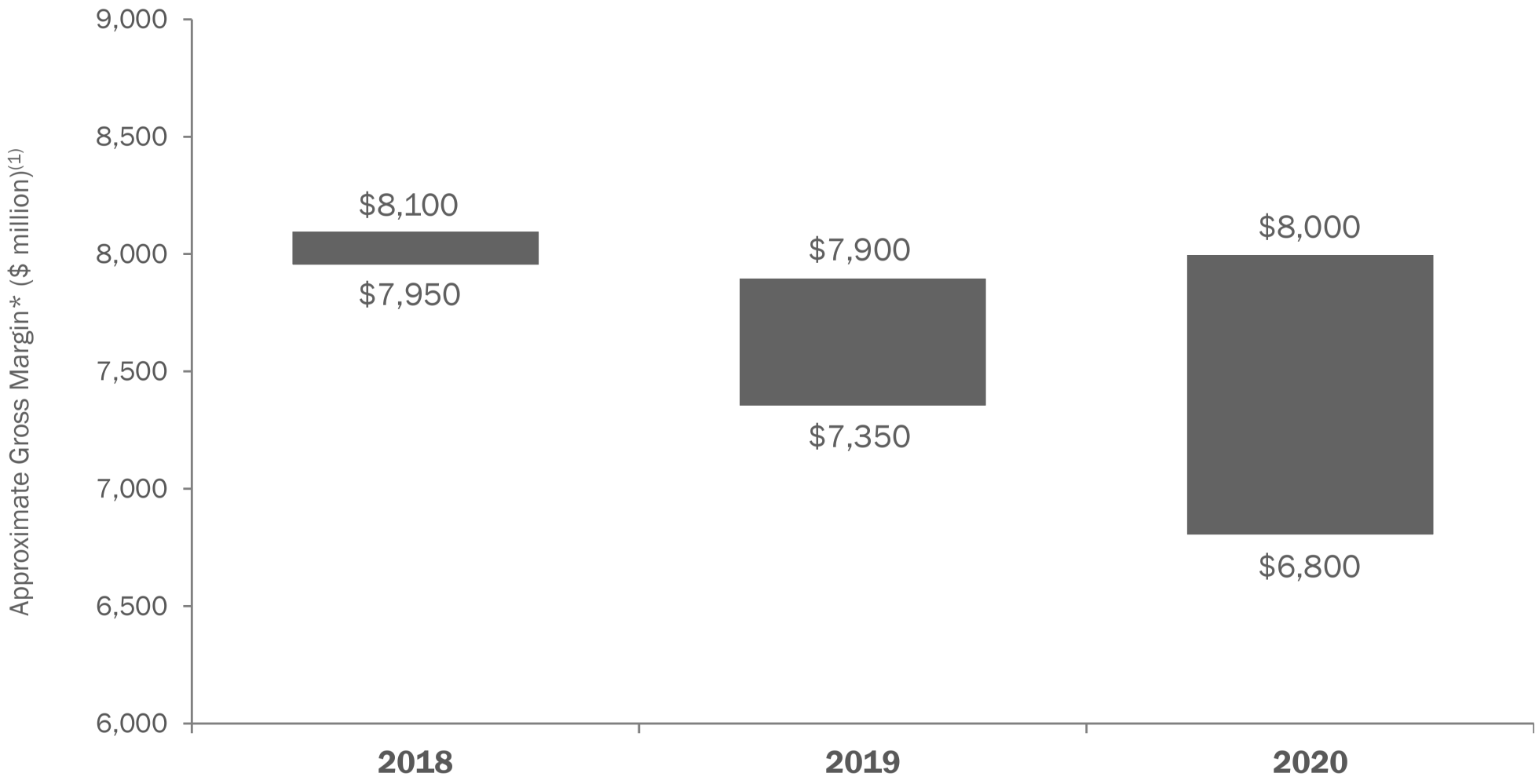
Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$25	$335	$580
- $1/MMBtu	-	$(295)	$(535)
NiHub ATC Energy Price			
+ $5/MWh	$5	$155	$305
- $5/MWh	$(5)	$(155)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$125
- $5/MWh	$15	$(40)	$(115)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$10	$35
- $5/MWh	-	$(15)	$(35)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $30

(1) Based on June 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

Exelon.

SI-SSA-0015-01325

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01326

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.05 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.1	54.1	25.9	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	69.5%	82.5%	75.5%	76.5%	34.5%	
(E=C*D)	Hedged Volume (TWh)	67.5	44.6	19.6	12.7	3.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.00	$3.50	$33.00	$1.50	
(G)	Reference Price ($/MWh)	$26.04	$31.38	$9.70	$28.21	$5.12	
(H=F-G)	Difference ($/MWh)	$2.96	$6.62	($6.20)	$4.79	($3.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$200	$295	($120)	$60	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,500					
(K)	Power New Business / To Go ($ million)	$600					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,600 million**					

(1) Mark-to-market rounded to the nearest $5M

SI-SSA-0015-01327

Exelon.

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,075**	**$7,750**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,600**	**$7,300**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01328

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01329

Exelon.

Q2 QTD GAAP EPS Reconciliation

Three Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share[1]	**($0.25)**	**$0.13**	**$0.09**	**$0.05**	**$0.07**	**$0.02**	**$0.10**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.05)	-	-	-	-	-	(0.05)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.02
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.23**	**$0.15**	**$0.10**	**$0.05**	**$0.07**	**$(0.03)**	**$0.56**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-01330

Q2 QTD GAAP EPS Reconciliation (continued)

Three Months Ended June 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.18**	**$0.17**	**$0.10**	**$0.05**	**$0.09**	**($0.04)**	**$0.56**
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	-	(0.07)
Unrealized losses related to NDT fund investments	0.08	-	-	-	-	-	0.08
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Cost management program	0.01	-	-	-	-	-	0.01
Change in environmental liabilities	0.01	-	-	-	-	-	0.01
Reassessment of deferred income taxes	-	-	-	-	-	(0.01)	(0.01)
Noncontrolling interests	(0.04)	-	-	-	-	-	(0.04)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.34**	**$0.17**	**$0.10**	**$0.05**	**$0.09**	**($0.05)**	**$0.71**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-01331

Q2 YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.20**	**$0.28**	**$0.23**	**$0.18**	**$0.22**	**$0.06**	**$1.17**
Mark-to-market impact of economic hedging activities	0.15	-	-	-	-	-	0.15
Unrealized gains related to NDT fund investments	(0.15)	-	-	-	-	-	(0.15)
Amortization of commodity contract intangibles	0.02	-	-	-	-	-	0.02
Merger and integration costs	0.04	-	-	-	-	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	0.01	-	-	-	-	-	0.01
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Reassessment of deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Noncontrolling interest	0.06	-	-	-	-	-	0.06
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.41**	**$0.30**	**$0.23**	**$0.18**	**$0.15**	**($0.08)**	**$1.21**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-01332

Q2 YTD GAAP EPS Reconciliation (continued)

Six Months Ended June 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.32**	**$0.34**	**$0.22**	**$0.18**	**$0.15**	**($0.06)**	**$1.16**
Mark-to-market impact of economic hedging activities	0.13	-	-	-	-	-	0.13
Unrealized losses related to NDT fund investments	0.15	-	-	-	-	-	0.15
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.23	-	-	-	-	-	0.23
Cost management program	0.01	-	-	-	-	-	0.02
Change in environmental liabilities	0.01	-	-	-	-	-	0.01
Reassessment of deferred income taxes	-	-	-	-	-	(0.01)	(0.01)
Noncontrolling interests	(0.06)	-	-	-	-	-	(0.06)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.83**	**$0.34**	**$0.22**	**$0.19**	**$0.16**	**($0.07)**	**$1.66**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-01333

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Certain merger and integration costs
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01334

GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

SI-SSA-0015-01335

GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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GAAP to Non-GAAP Reconciliations

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,375**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(125)
Adjusted O&M (Non-GAAP)	**$4,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$700	$1,475	$625	$1,100	$4,250	$175	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$700**	**$1,475**	**$625**	**$1,100**	**$3,975**	**$175**	**$8,050**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$325	$900	($0)	$450	($1,075)	($125)	$475
Dividends paid on common stock	$200	$450	$300	$300	$1,000	($950)	$1,325
Financing Cash Flow	**$525**	**$1,375**	**$300**	**$750**	**($75)**	**($1,050)**	**$1,800**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$600
Adjusted Ending Cash Balance[3]	$2,050
Adjustment for Cash Collateral Posted	($550)
GAAP Ending Cash Balance	**$1,525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01338

Earnings Conference Call
1st Quarter 2018

May 2, 2018

Exelon®

SI-SSA-0015-01339

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's First Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

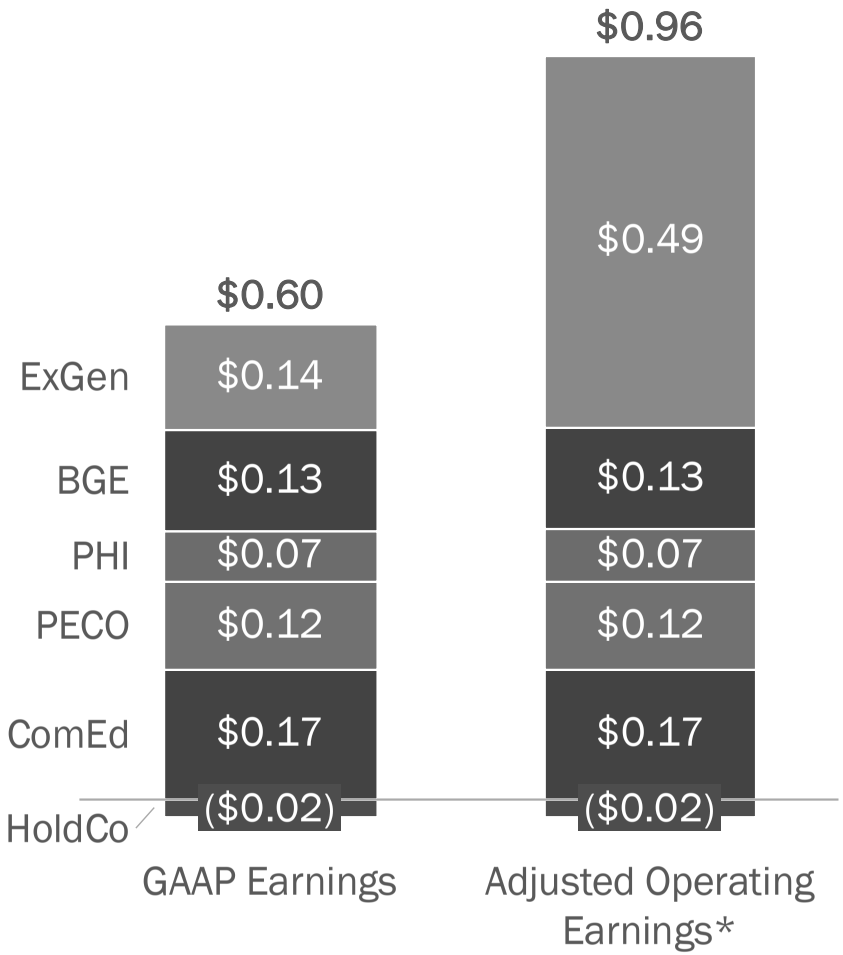
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 36 of this presentation.

SI-SSA-0015-01342

1st Quarter Results

Q1 2018 EPS Results(1,2)



- GAAP earnings were $0.60/share in Q1 2018 vs. $1.06/share in Q1 2017
- Adjusted operating earnings* were $0.96/share in Q1 2018 vs. $0.64/share in Q1 2017, which is within our guidance range of $0.90-$1.00/share

(1) Amounts may not add due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-01343

Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q1 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)(1)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

- Reliability performance year to date was strong across the utilities, adjusted for normal storm events
- Customer operation metrics reflect solid performance across the utilities
- Safety performance year to date has been disappointing; safety improvement plans have been implemented to improve performance going forward

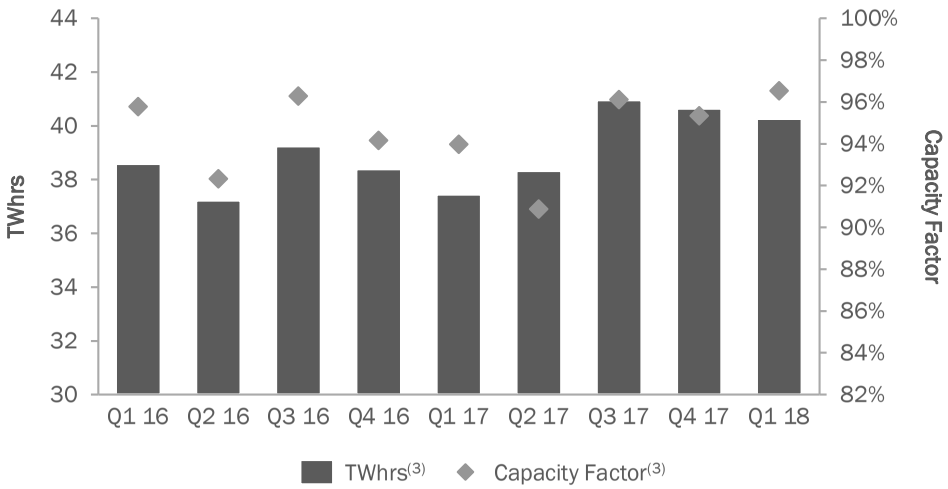
Q1	Q2
Q3	Q4

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem
(3) Excludes EDF's equity ownership share of the CENG Joint Venture

Exelon Generation Operational Performance

Exelon Nuclear Fleet

- Continued best in class performance across our Nuclear fleet:
  - Q1 Nuclear Capacity Factor: 96.5%(2)
  - Owned and operated Q1 production of 40 TWh(2)



Fossil and Renewable Fleet

- Strong performance across our Fossil and Renewable fleet:
  - Q1 Renewables energy capture: 95.2%
  - Q1 Power dispatch match: 98.1%

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Exelon

Our Scale Benefitted Customers Through Winter Storms

- **Three Nor'easters – Riley, Quinn and Toby – in March 2018 were the most damaging storms to hit the mid-Atlantic in the last six years**
  - Our East Cost utilities – ACE, BGE, DPL, Pepco and PECO – faced widespread outages due to the storms with a total of 1.7 million customers losing service at some point
  - Total operating and capital storm restoration expenditures of about $200 million
- **Exelon Utilities' scale and thoughtful pre-positioning expedited return to service for our customers**
  - ComEd dispatched 1,200 crews and contractors to our East Coast utilities to support storm response efforts
  - Common work protocols allowed for more efficient recovery efforts, speeding up service restoration for our customers

Exelon Utilities' scale allowed for quicker customer outage recovery during the recent winter storms

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Tax Reform Yields Significant Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
  - $3.86 decrease on the average residential monthly bill
- DPL has filed plans with DE PSC to provide **$26M** in annual tax savings to customers
  - $2.99 and $4.77 decrease on the average residential monthly bill for Electric and Gas, respectively

ACE

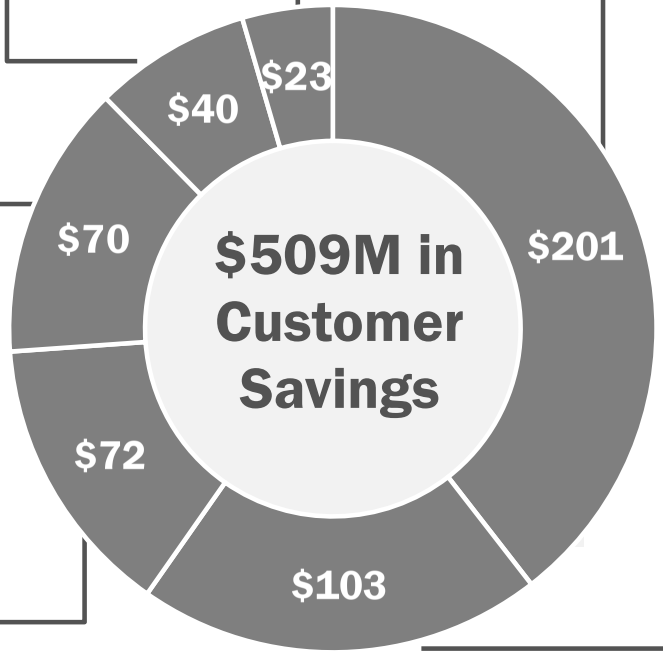
- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

PECO

- Approximately **$72M** in annual tax savings to customers

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved bill adjustments

Note: Currently includes only distribution-related customer savings amounts

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ZEC & Policy Updates

New Jersey ZEC

- On April 12, 2018, the NJ ZEC bill passed both the Senate and Assembly with bipartisan support
- Bill is now before Governor Murphy, who has 45 days to sign
- Upon the Governor's signature, the BPU will begin the process of implementing the bill, including approving utility tariffs, developing a selection methodology, and reviewing applications for participation in the program
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois & New York ZEC Legal Challenges

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018 – Judge requested supplemental briefings from parties
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- Parties are awaiting response from the U.S. Solicitor General and further action by the court

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

PJM Price Formation

Fast Start:

- Fast start NOPR was initiated by FERC (docket # EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September
  - If FERC approves by September, PJM believes it could implement the changes for the 2018/2019 winter

Baseload:

- PJM is in the midst of a stakeholder process scheduled to conclude in the 3rd quarter
- After completing the stakeholder process and receiving FERC's decision on the fast start docket, PJM will announce its process for moving forward

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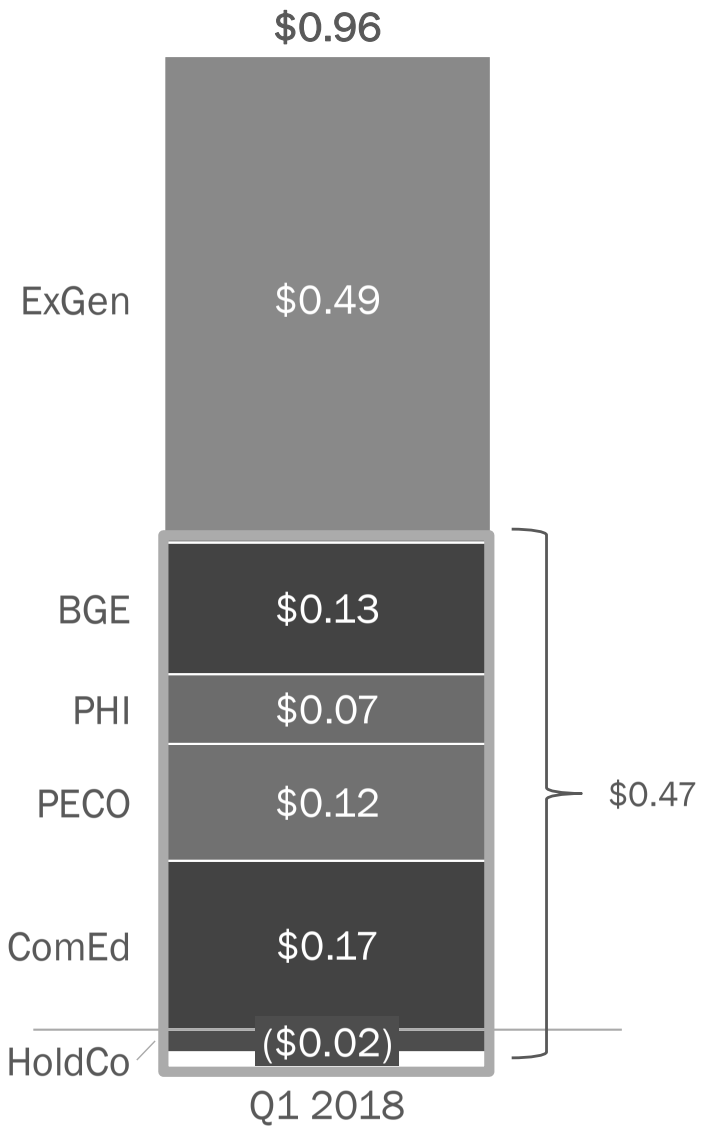
1st Quarter Adjusted Operating Earnings* Drivers

Q1 2018 Adjusted Operating EPS* Results



Q1 2018 vs. Guidance of $0.90 - $1.00

Exelon Utilities

- ⬇ Storm costs
- ⬆ ComEd ROE

Exelon Generation

- ⬆ Favorable O&M
- ⬆ Generation performance

Note: Amounts may not sum due to rounding

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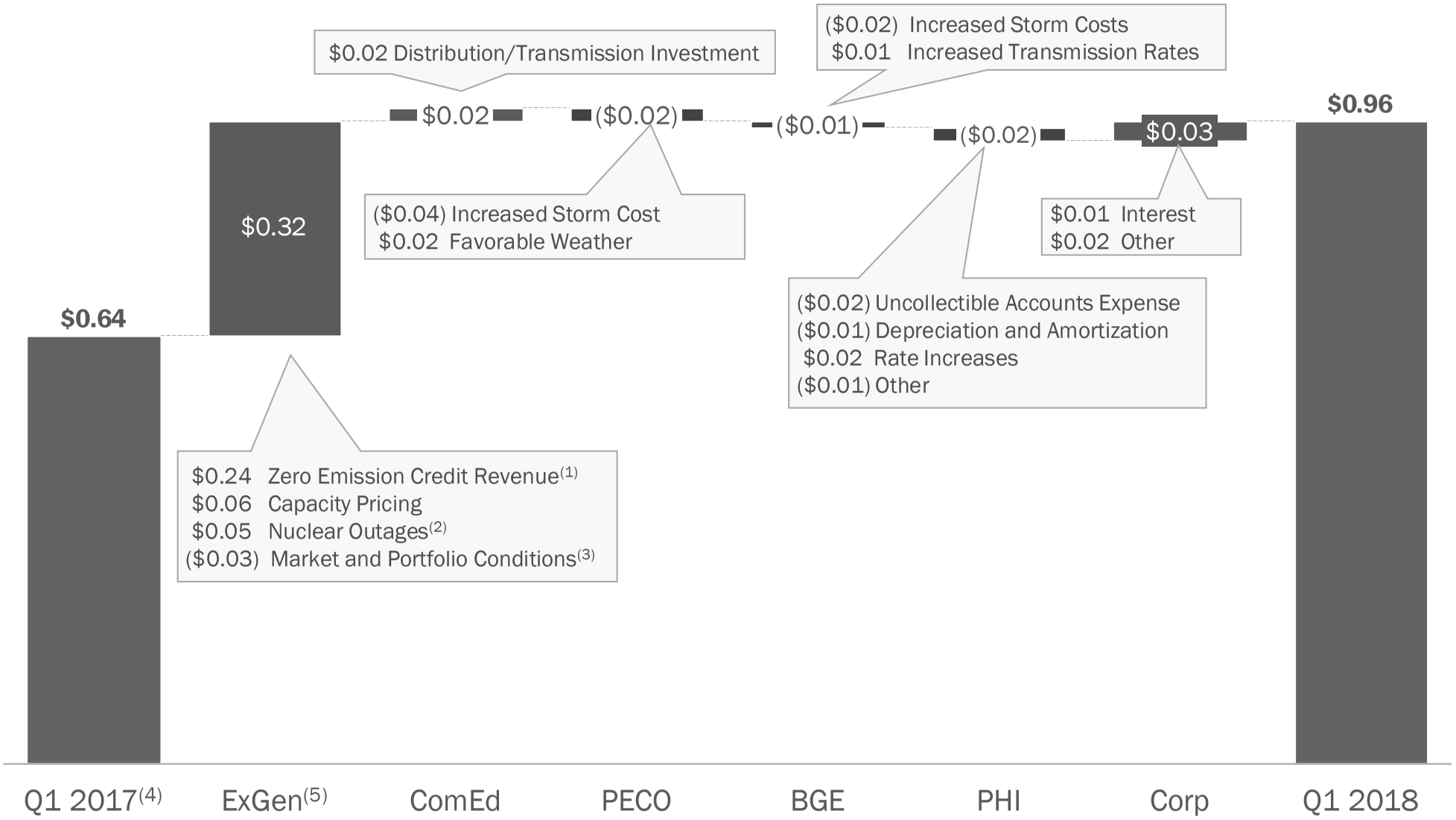
QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017, through December 31, 2017

(2) Driven by lower nuclear outage days in 2018; excludes Salem

(3) Includes the unfavorable impact of the conclusion of the Ginna Reliability Support Services Agreement and lower realized energy prices, partially offset by the addition of two combined-cycle gas turbines in Texas

(4) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(5) Reflects CENG ownership at 100%

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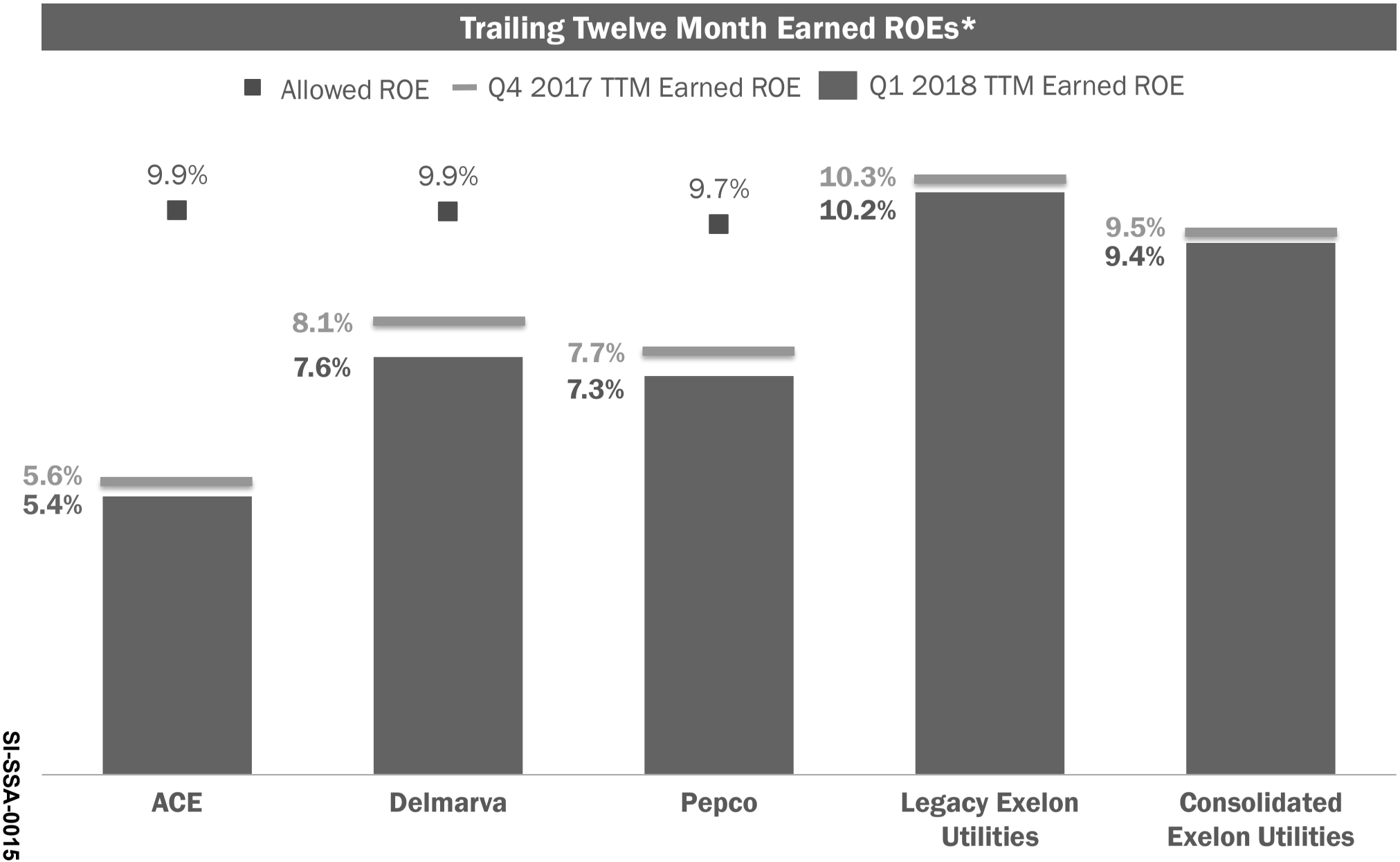
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2017 and 3/31/2018, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Transmission). Includes 20 bps and 10 bps impact to TTM earned ROEs from FAS 109 and winter storms, respectively.

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
Delmarva (MD)		FO											Authorized: $13.4M	Authorized:[6] 9.50%/NA	Feb 9, 2018
ComEd[2]				CF		IT	RT	EH	IB RB			FO	$(22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)			IT		RT	EH	IB	RB	FO				$12.6M[1,3]	10.10% / 50.52%	Q3 2018
Delmarva Gas (DE)					IT		RT		EH	IB RB		FO	$3.9M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)				SA	IT RT EH	IB	FO						$(24.1)M[1,7]	9.525% / 50.44%[7]	July 1, 2018[7]
Pepco Electric (MD)	CF			SA IT	EH	FO							$(15.0)M[1,7]	9.50% / 50.44%[7]	June 1, 2018[7]
PECO[2] Electric			CF			IT	RT	EH	IB RB			FO	$82M[1,5]	10.95% / 53%	Dec 2018

CF Rate case filed
IT Intervenor direct testimony
RT Rebuttal testimony
EH Evidentiary hearings
IB Initial briefs
RB Reply briefs
FO Final commission order
SA Settlement Agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, District of Columbia Public Service Commission, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other cots where applicable, which have no impact on pre-tax earnings
(2) Anticipated schedule; actual dates will be determined by ALJ at pre-hearing conference
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(6) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(7) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Expected orders are based on requested rate effective dates. Includes tax benefits from Tax Cuts and Jobs Act.

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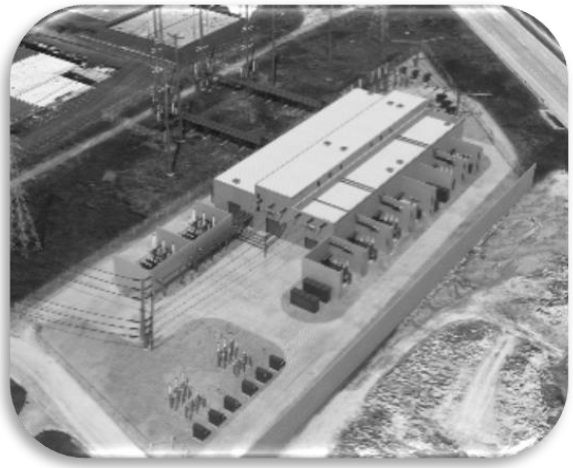
Utility CapEx Update

DPL's Cedar Creek to Milford Transmission Rebuild

- Forecasted project cost:
  - $75 million
- In service date:
  - May 31, 2018
- Project scope:
  - Replace ~43 miles of 230 kV transmission poles as well as new conductor and optical ground wire
  - 230 kV line is a back-bone for the transmission network in the Delmarva region and one of the vital lines for north-south power flow within the Delmarva region
  - Improves reliability by eliminating the potential for outages due to structural failure of the line

ComEd's New Substation to Meet Data Center Growth

- Forecasted project cost:
  - $90 million
- In service date:
  - Q3 2021
- Project scope:
  - New green-field substation serving transmission and distribution loads; project to add over 300 MW of additional new capacity to the area
  - Supports transmission line reliability and projected data center growth in the Elk Grove Village area



Exelon Utilities remain committed to effectively deploying capital to the benefit of their customers

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Exelon Generation: Gross Margin Update

Gross Margin Category ($M)[1]	March 31, 2018			Change from December 31, 2017		
	2018	2019	2020	2018	2019	2020
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,600	$3,950	$3,800	$250	$50	$50
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-	-
Mark-to-Market of Hedges[2,3]	$300	$450	$250	$(50)	$50	-
Power New Business / To Go	$350	$650	$850	$(200)	$(100)	$(50)
Non-Power Margins Executed	$300	$150	$100	$100	$50	-
Non-Power New Business / To Go	$200	$350	$400	$(100)	$(50)	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**-**	**-**

Recent Developments

- Open Gross Margin is up in all years due to strengthening ERCOT spark spreads, partly offset by lower NiHub prices
- Mark-to-Market of Hedges is down in all years due to higher prices, mostly offset by the execution of Power New Business
- Executed $200M and $100M of Power New Business in 2018 and 2019, respectively
- Behind ratable hedging position reflects the upside we see in power prices
  - ~8-11% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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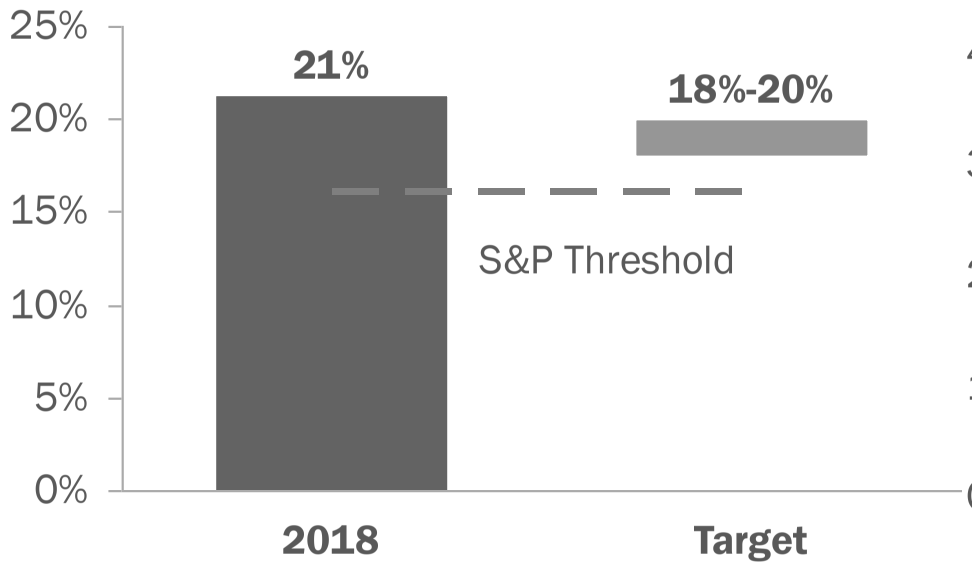
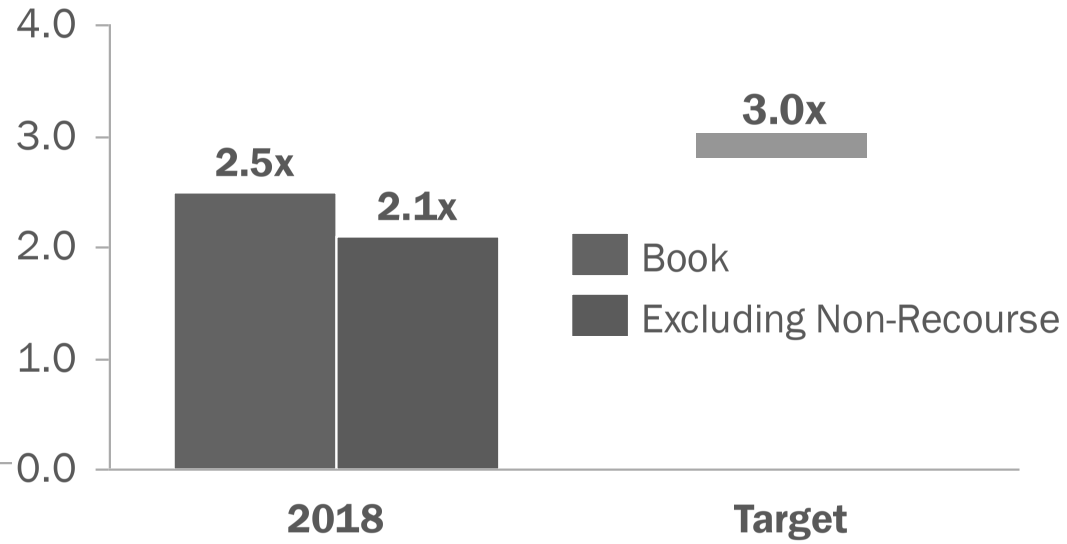
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of May 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook, with the exception of ACE, which is on "Positive" outlook for Moody's
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon

SI-SSA-0015-01354

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

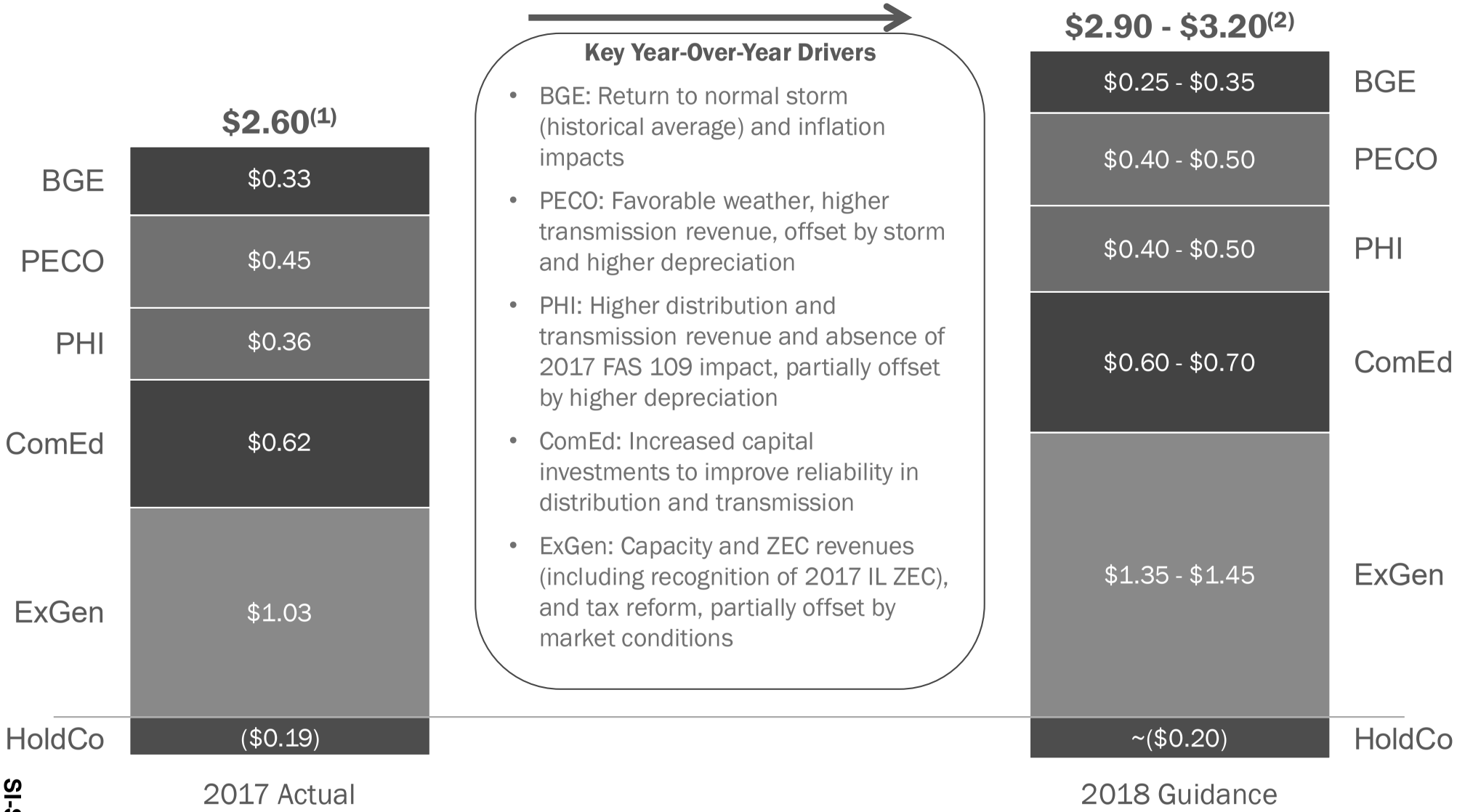
(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01355

Additional Disclosures

SI-SSA-0015-01356

2018 Adjusted Operating Earnings* Guidance



Expect Q2 2018 Adjusted Operating Earnings* of $0.55 - $0.65 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01357

Exelon.

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	675	1,550	625	1,225	4,050	3,850	200	8,125	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**675**	**1,550**	**625**	**1,225**	**4,050**	**1,900**	**150**	**6,125**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	325	925	0	(925)	0	
Other Financing[4]	150	375	25	(200)	375	(100)	100	375	
Financing*[5]	**550**	**1,300**	**275**	**600**	**2,725**	**(200)**	**(825)**	**1,700**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**900**	**1,825**	**6,775**	**1,700**	**(675)**	**7,825**	
Utility Investment	(1,000)	(2,125)	(850)	(1,525)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,525)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**50**	**275**	**1,275**	**1,300**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**2,025**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.9B at ExGen and $4.1B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

SI-SSA-0015-01358

Exelon

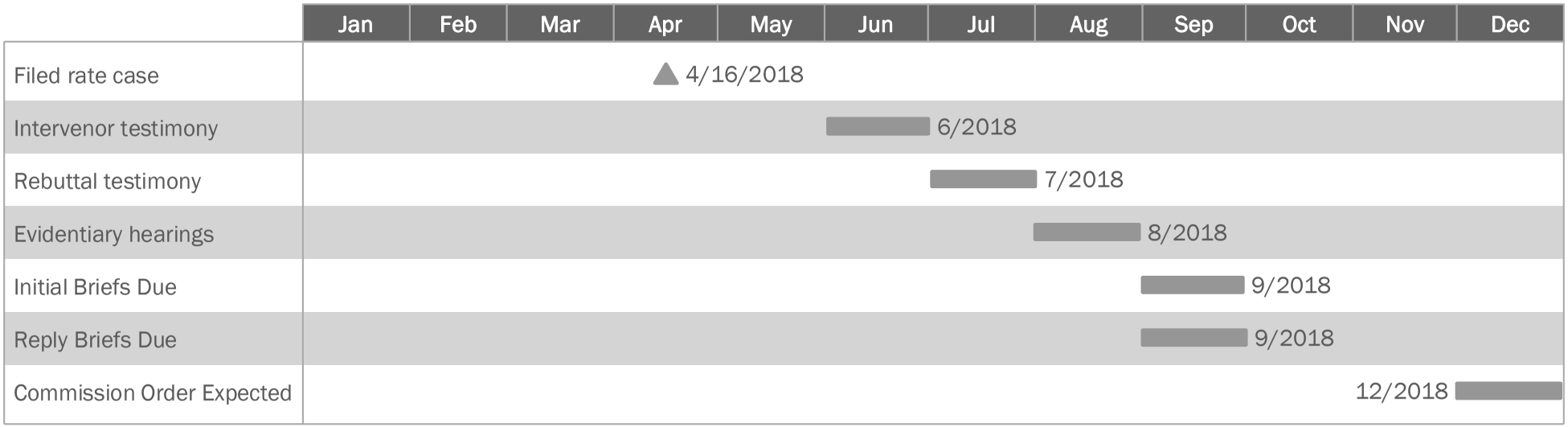
Exelon Utilities

SI-SSA-0015-01359

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual Distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($22.9M)	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule(1)



(1) Anticipated schedule, actual dates will be determined by ALJ at pre-hearing conference

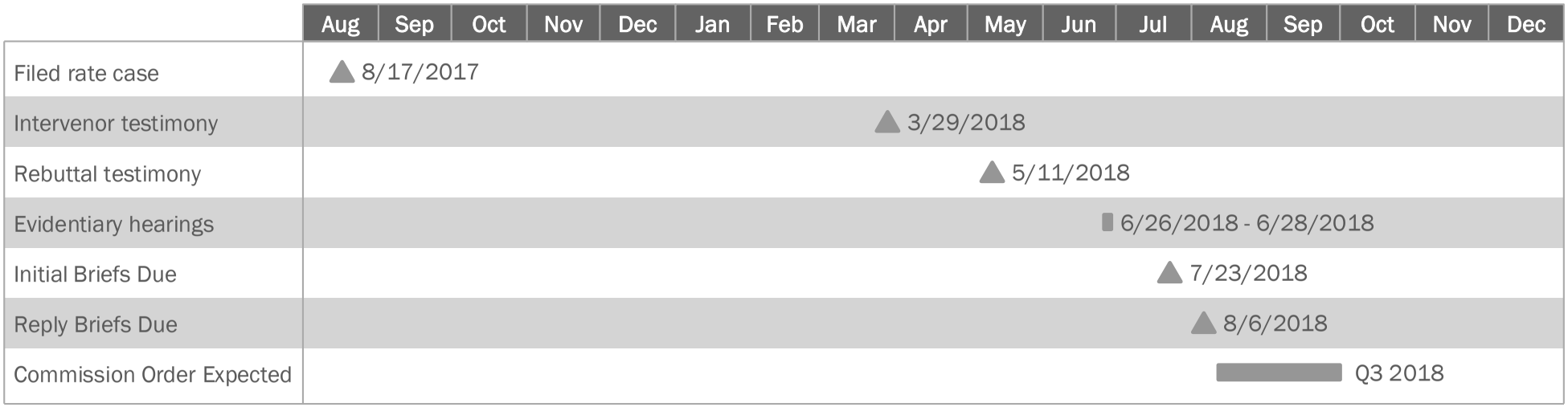
Exelon.

SI-SSA-0015-01360

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%	
Proposed Rate Base (Adjusted)	$811M	
Requested Revenue Requirement Increase	$12.6M(1,2)	
Residential Total Bill % Increase	2.1%	

Detailed Rate Case Schedule



(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund

(2) Updated on February 9, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01361

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($1.0M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%	
Proposed Rate Base (Adjusted)	$347M	
Requested Revenue Requirement Increase	$3.9M(1,2)	
Residential Total Bill % Increase	4.0%	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Evidentiary hearings										9/11/2018 – 9/14/2018							
Initial Briefs Due															▲ 10/8/2018		
Reply Briefs Due															▲ 10/22/2018		
Commission Order Expected														Q4 2018			

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund

(2) Updated on February 9, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-01362

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of $(24.1)M[1] • Settling Parties have proposed a procedural schedule that would place rates in effect by July 1, 2018[1]
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement decrease	$(24.1)M[1]	
Residential Total Bill % decrease	(0.7)%[1]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 12/19/2017											
Settlement agreement					▲ 4/17/2018								
Settlement support testimony						▲ 5/7/2018							
Reply testimony						▲ 5/18/2018							
Evidentiary hearings							▲ 5/31/2018						
Briefs due							▲ 6/14/2018						
Commission order expected								▲ 7/1/2018					

(1) Per non-unanimous Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.

Exelon.

SI-SSA-0015-01363

Pepco MD (Electric) Distribution Rate Case Filing

	Rate Case Filing Details
Docket No.	9472
Test Year	January 1, 2017 – December 31, 2017
Test Period	12 months actual update
Requested Common Equity Ratio	50.44%
Requested Rate of Return	ROE: 9.50%; ROR: 7.44%(1)
Proposed Rate Base (Adjusted)	N/A(1)
Requested Revenue Requirement Increase	$(15.0)M(1)
Residential Total Bill % Increase	(1.3)%(1)

Notes

- January 2, 2018, Pepco MD filed an application with Maryland Public Service Commission (MDPSC) seeking an increase in electric distribution base rates
- Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service
- April 20, 2018, Pepco MD filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of $(15.0)M(1)
- Settling Parties have proposed a procedural schedule that would place rates in effect by June 1, 2018(1)

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 1/2/2018											
Settlement agreement					▲ 4/20/2018								
Settlement support testimony						▲ 4/27/2018							
Evidentiary hearings						▲ 5/16/2018							
Commission order expected							▲ 6/1/2018						

(1) Per non-unanimous Settlement Agreement filed on April 20, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.

Exelon.

SI-SSA-0015-01364

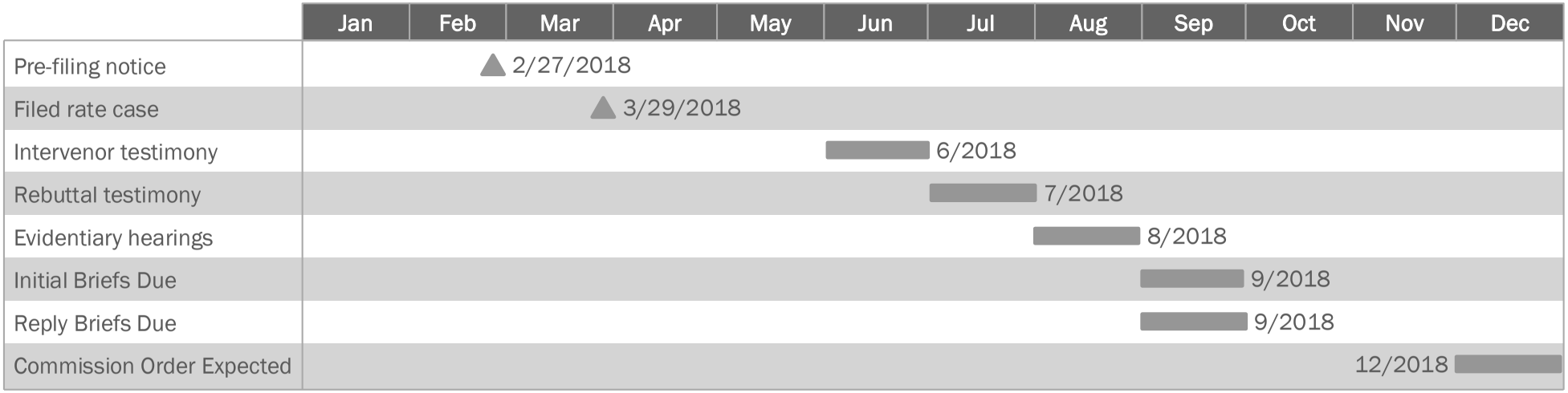
PECO Distribution Rate Case Filing

Rate Case Filing Details	
Docket No.	R-2018-3000164
Test Year	January 1, 2019 – December 31, 2019
Test Period	12 Months Budget
Requested Common Equity Ratio	53%
Requested Rate of Return	ROE: 10.95%; ROR: 7.79%
Proposed Rate Base	$4,846M
Requested Revenue Requirement Increase	$82M[1]
Residential Total Bill % Increase	3.1%

Notes

- PECO filed an electric distribution base rate case on March 29, 2018
- Since January 1, 2016, through the Fully Projected Future Test Year (2019):
  - Relatively flat load growth
  - Operating expenses essentially flat
  - Capital investment of $1.9B
- Proposed investments would maintain strong reliability performance, strengthen system resiliency, and support physical security and cybersecurity

Detailed Rate Case Schedule[2]



(1) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(2) Anticipated schedule, actual dates will be determined by ALJ at pre-hearing conference

Exelon.

SI-SSA-0015-01365

Exelon Generation Disclosures

March 31, 2018

SI-SSA-0015-01366

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

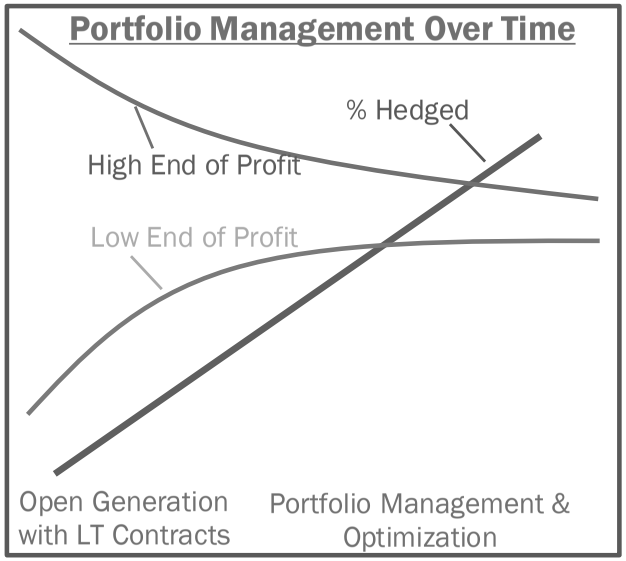
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

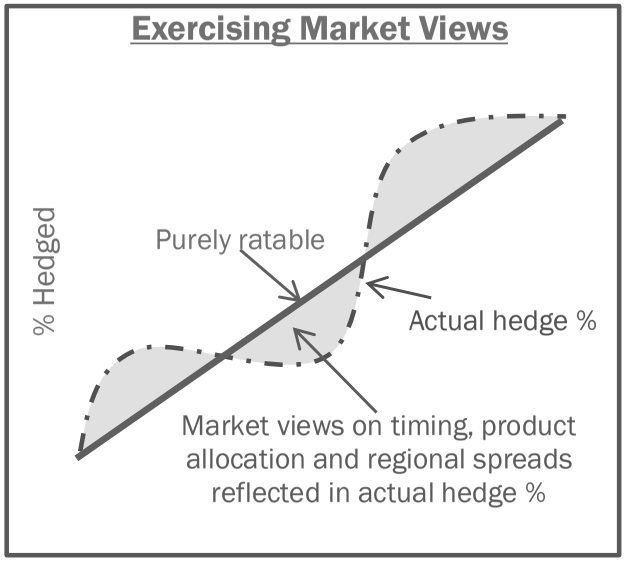
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-01367

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

Exelon.

SI-SSA-0015-01368

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,600	$3,950	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$300	$450	$250
Power New Business / To Go	$350	$650	$850
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.87	$2.79	$2.78
Midwest: NiHub ATC prices ($/MWh)	$26.48	$26.12	$26.21
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$34.11	$30.85	$30.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$13.67	$9.85	$8.08
New York: NY Zone A ($/MWh)	$28.22	$26.00	$26.16
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.86	$5.06	$5.11

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-01369

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**202,200**	**203,300**	**192,800**
Midwest	96,500	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,300	48,700
ERCOT	24,000	26,400	23,200
New York[2,6]	15,700	16,600	15,500
New England	6,400	8,800	8,700
% of Expected Generation Hedged[3]	**91%-94%**	**63%-66%**	**33%-36%**
Midwest	89%-92%	58%-61%	28%-31%
Mid-Atlantic[2,6]	98%-101%	74%-77%	41%-44%
ERCOT	81%-84%	61%-64%	34%-37%
New York[2,6]	99%-102%	73%-76%	39%-42%
New England	81%-84%	32%-35%	39%-42%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.00	$29.00	$30.00
Mid-Atlantic[2,6]	$38.00	$38.50	$39.50
ERCOT[5]	$0.00	$2.00	$1.00
New York[2,6]	$35.50	$31.50	$29.00
New England[5]	$5.50	$4.00	$10.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.9%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01370

ExGen Hedged Gross Margin* Sensitivities

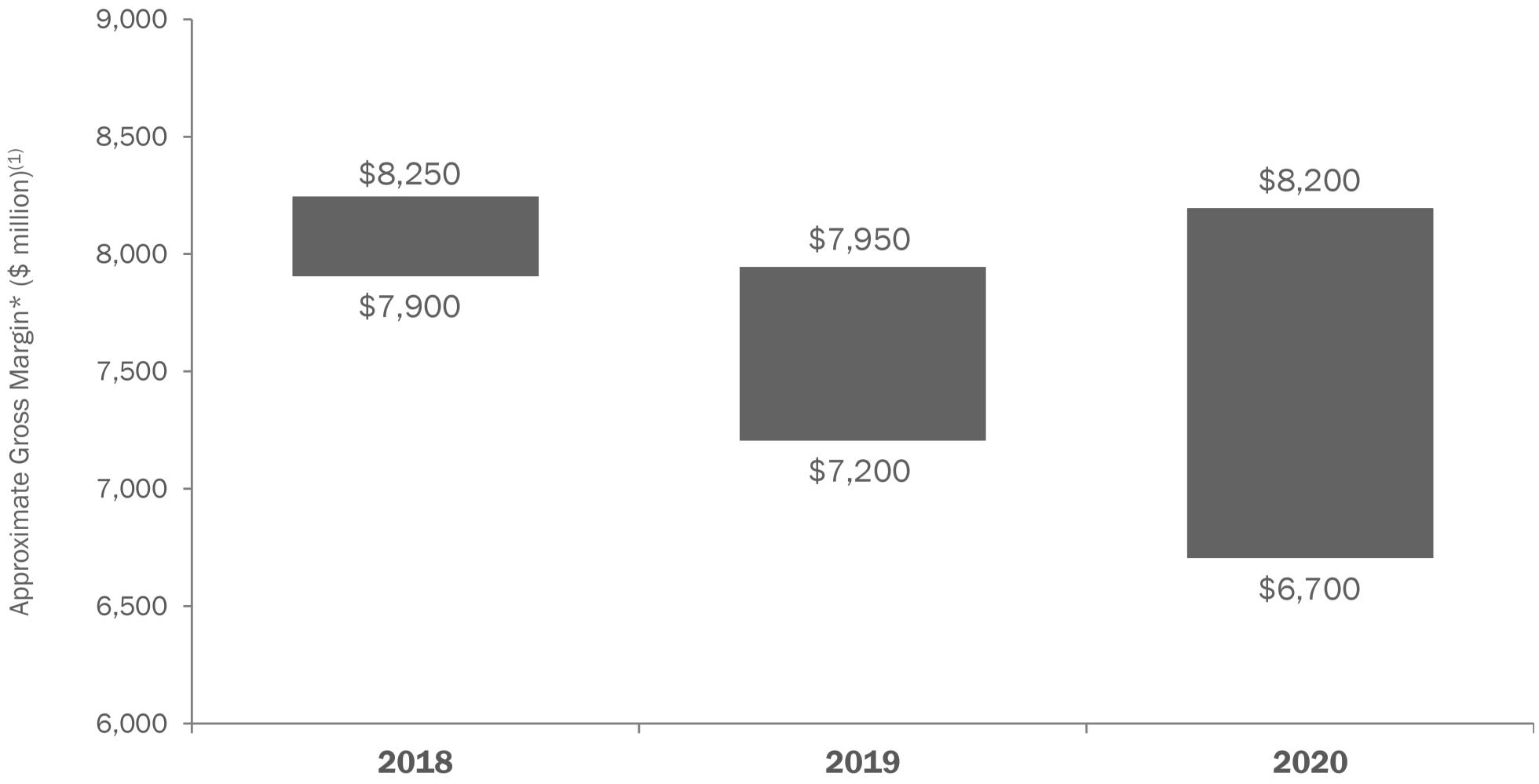
Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$95	$385	$635
- $1/MMBtu	$(70)	$(360)	$(595)
NiHub ATC Energy Price			
+ $5/MWh	$40	$190	$330
- $5/MWh	$(40)	$(185)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$150
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $35	+/- $35

(1) Based on March 31, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-01371

Exelon.

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01372

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.95 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.3	26.4	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	59.5%	75.5%	62.5%	74.5%	33.5%	
(E=C*D)	Hedged Volume (TWh)	57.8	41.0	16.5	12.4	2.9	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.50	$2.00	$31.50	$4.00	
(G)	Reference Price ($/MWh)	$26.12	$30.85	$9.85	$26.00	$5.06	
(H=F-G)	Difference ($/MWh)	$2.88	$7.65	($7.85)	$5.50	($1.06)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$165	$315	($130)	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,400					
(K)	Power New Business / To Go ($ million)	$650					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,550 million**					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,025**	**$7,700**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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Appendix

Reconciliation of Non-GAAP Measures

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Q1 QTD GAAP EPS Reconciliation

Three Months Ended March 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.45**	**$0.15**	**$0.14**	**$0.13**	**$0.15**	**$0.04**	**$1.06**
Mark-to-market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.10)	-	-	-	-	-	(0.10)
Merger and integration costs	0.02	-	-	0.01	-	-	0.03
Merger commitments	(0.02)	-	-	-	(0.06)	(0.07)	(0.15)
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
CENG non-controlling interest	0.04	-	-	-	-	-	0.04
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.17**	**$0.15**	**$0.14**	**$0.14**	**$0.09**	**($0.05)**	**0.64**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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SI-SSA-0015-01376

Q1 QTD GAAP EPS Reconciliation (continued)

Three Months Ended March 31, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.14**	**$0.17**	**$0.12**	**$0.13**	**$0.07**	**($0.02)**	**$0.60**
Mark-to-market impact of economic hedging activities	0.20	-	-	-	-	-	0.20
Unrealized losses related to NDT fund investments	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Plant retirements and divestitures	0.10	-	-	-	-	-	0.10
Noncontrolling interests	(0.02)	-	-	-	-	-	(0.02)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.49**	**$0.17**	**$0.12**	**$0.13**	**$0.07**	**($0.02)**	**$0.96**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-01377

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain merger and integration costs
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01378

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,525
Depreciation & Amortization	$3,850
EBITDA	$7,375
+/- Non-operating activities and nonrecurring items[3]	$275
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$50
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,650**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,000
Short-Term Debt	$1,175
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,125)
+/- Other S&P Adjustments[4]	($525)
= Adjusted Debt (b)	**$35,675**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects adjustment for non-recourse project debt per S&P guidelines
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01379

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
= Net Debt (a)	**$7,950**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,875**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
= Operating EBITDA (b)	**$3,125**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,850**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.1x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Reflects Exelon nuclear plants at ownership

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GAAP to Non-GAAP Reconciliations

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

Q4 2017 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,225**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(50)
Adjusted O&M (Non-GAAP)	**$4,550**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$675	$1,550	$625	$1,225	$4,075	$200	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	75	-	75
Adjusted Cash Flow from Operations	**$675**	**$1,550**	**$625**	**$1,225**	**$3,850**	**$200**	**$8,125**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$350	$850	($25)	$300	($950)	($150)	$375
Dividends paid on common stock	$200	$450	$300	$300	$750	($675)	$1,325
Financing Cash Flow	**$550**	**$1,300**	**$275**	**$600**	**($200)**	**($825)**	**$1,700**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$2,025
Adjustment for Cash Collateral Posted	($600)
GAAP Ending Cash Balance	**$1,425**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-11-01
Event Description: Q3 2018 Earnings Call

Market Cap: 42,161.83
Current PX: 43.65
YTD Change($): +4.24
YTD Change(%): +10.759

Bloomberg Estimates - EPS
Current Quarter: 0.566
Current Year: 3.113
Bloomberg Estimates - Sales
Current Quarter: 6812.286
Current Year: 32824.462

Q3 2018 Earnings Call

Company Participants

- Daniel Eggers, Senior Vice President, Corporate Finance
- Christopher Crane, President and Chief Executive Officer
- Joseph Nigro, Chief Financial Officer
- James McHugh, Executive Vice President and Chief Executive Officer of Costellation
- Anne Pramaggiore, Senior Executive Vice President and Chief Executive Officer, Exelon Utilities
- Kathleen Barron, Senior Vice President of Governmental & Regulatory Affairs & Public Policy

Other Participants

- Greg Gordon, Analyst
- Julien Dumoulin-Smith, Analyst
- Steve Fleishman, Analyst
- Michael Weinstein, Analyst
- Jonathan Arnold, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the Exelon 2018 Third Quarter Earnings Conference Call. My name is Jerome and I will be facilitating the audio portion of today's interactive broadcast. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

At this time, I would like to turn the show over to Mr. Dan Eggers, Senior Vice President, Corporate Finance. The floor is yours.

Daniel Eggers, Senior Vice President, Corporate Finance

Thank you, Jerome. Good morning everyone and thank you for joining our third quarter 2018 earnings conference call. With me in the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Joe Nigro, Exelon's Chief Financial Officer. They are joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks. We issued our earnings release this morning along with the presentation both of which can be found in the Investor Relations section of Exelon's website.

The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We've scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher Crane, President and Chief Executive Officer

Thanks, Dan, and good morning everyone and thank you for joining us. Flipping to Slide 5, we delivered another strong quarter with earnings again at the upper end of our range which allows us to raise the lower end of our full year guidance. The utilities performed well with strong earned ROEs and largely first quartile operations. As we've stated previously, the Federal Courts of Appeal in Illinois and New York strongly affirmed the legality of the ZEC. And our focus on cost continues identifying an additional $200 million of gross savings which a $150 million of that will flow to the bottom line bringing our 6-year total savings to more than $900 million. Combined, this performance demonstrates our growing value. For the quarter, on a GAAP basis, we earned $0.76 per share versus $0.85 per share last year. On a non-GAAP operating basis, we earned $0.88 per share and again above the midpoint of our $0.80 to $0.90 range guidance that was provided.

Turning to Slide 6, our utilities continue to perform at high levels across key customer satisfaction and operating metrics. The investments we are making in technology and infrastructure continue to improve reliability which leads to greater customer satisfaction and ultimately supporting strong relations with our regulators and our legislators. PECO and BGE improved their J.D. Power residential gas and electric scores over the last year with PECO receiving its highest ranking ever, placing second in the residential electric survey. Our customer service metrics are strong. BGE and ComEd are in the top decile for customer satisfaction and PHI is in top decile for its service levels.

Each of our utilities achieved top quartile reliability performance in SAIFI or outage duration in CAIDI which is -- the outage frequency is SAIFI and CAIDI which is outage duration. ComEd and PHI performed in top decile for CAIDI. SAIFI, as we've discussed in the past is our highest priority, it remains that. Our metrics have continued to -- and improved since the beginning of the year. At ExGen our third quarter was 90 -- excuse me 39.7 terawatt hours of capacity factor at 93.6%. During the fourth hottest summer in nearly 125 years, we performed a 96.7% capacity factor and avoided 33 metric tons of carbon. Our gas and hydro fleet performed well but below plan with economic dispatch match at 95.8%. This lower performance was primarily the results of our CCGTs at Colorado Bend and Wolf Hollow being offline because of some turbine blade defects. The blades have been replaced, Wolf Hollow came back into service in late September, one of the Colorado Bend units returned to service in October and the other will be back into service shortly. It's in the process of restart as we speak. We took advantage of the outage time for normal maintenance that will be required to have then shut down for next spring.

From a financial (Technical Difficulty) repairs we're covering under our warranty and the markets impact from the plants being down were well within our full range outage contingency plan. The plans ran very well over the summer prior to the outages and we're very pleased with the performance of the design and their durability. They remain an integral part of our Texas strategy.

Turning to Slide 7. As you know, we've had strong track record of finding efficiencies in the business and driving cost savings which is why we created the business transformation team earlier this year to focus on a Business Services company. As part of that effort with additional savings from our nuclear fleet, we're announcing a $200 million reduction to our run rate -- 2021 cost of which $150 million will reach the bottom line at ExGen. Joe is going to cover this in more detail during his remarks.

I'll turn it now to the policy updates for the quarter and start with the ZEC programs. As I said, both the seventh and the second Court of Appeals dismissed challenges to the ZEC programs in Illinois and New York respectively. In doing so, each court found that the states have the right to choose generation sources based on attributes they prefer such as environmental performance and that these programs are not tethered to the market. The plan to start rehearing in Illinois in this case which the court denied last month, the rulings were consistent with our expectations and we're happy with the resounding information on these important state clean energy policies. In New Jersey, the process for implementation of the ZEC program there remains on track to take effect early in the second quarter of 2019.

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The Board of Public Utilities has finished its hearings on implementation to ZEC program and the utilities have filed tariffs to recover the ZEC-related charges. We expect BPU to approve the changes later this month. On the federal policy front, we think that FERC's June order took an important step forward by empowering the states to continue prioritizing zero carbon energy throughout the state-led procurements outside of the PJM capacity module. The number of proposals were filed in response to the order including from a diverse coalition of which Exelon is a member and PJM. We see all of the major proposals is putting our generation fleet in a better position financially than the current market construct. We are pleased to have filed this part of a coalition and supports the rights of states to advance their clean energy goals.

Slide 22 gives a lot more detail on the coalition, but it includes consumer rate payer advocates, attorney generals, national environmental groups, renewable energy trade associations, public power and the other nuclear generators in PJM. Our proposal would provide states the flexibility to conduct the capacity procurement of resources they wish to support for the public policy reasons and would protect consumers for paying twice the capacity resources. It strikes the balance that FERC is looking for to ensure states can meet their environmental goals while protecting the competitive market. Reply of the comments are due November 6 and it will be important for FERC to issue an order early next year to give the markets guidance going forward. As you know, we are still waiting for orders from FERC on the fast start and resiliency examination.

And with that, now I'll turn it over to Joe to walk through the numbers.

Joseph Nigro, Chief Financial Officer

Thank you, Chris, and good morning everyone. Turning to Slide 8, we had another strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.88 per share which is at the upper end of our guidance range of $0.80 to $0.90 per share. Exelon's utilities less holding company expenses earned a combined $0.55 per share. Compared to our plans, we benefited from reduced storm activity and favorable weather in our non-decoupled jurisdictions including PECO, Atlantic City Electric and Delmarva Delaware. Generation earned $0.33 per share in the third quarter which was slightly behind our plan.

This third quarter was impacted by lower realized ERCOT prices versus the end of the second quarter, lower-than-expected generation performance with the unplanned outages at our ERCOT CCGTs as just discussed as well as one at (inaudible). In addition, higher allocated transmission costs. These were partially offset by realized gains from our Nuclear Decommissioning Trust.

On Slide 9, we show our quarter-over-quarter walk. The $0.88 per share in the third quarter of this year was $0.03 per share higher than the third quarter of 2017. Overall, the utility earnings were collectively up $0.07 (ph) per share compared with last year driven primarily by higher rate base, new rates associated with completed rate cases and favorable weather. Generation earnings were down $0.03 per share compared with last year driven largely by the absence of EGTP gross margin from the deconsolidation in the fourth quarter of 2017 and higher planned nuclear outage days partially offset by contribution from a full quarter of Illinois ZEC revenues and savings from tax reform.

Turning to Slide 10. We are raising the lower end of our 2018 EPS guidance range from $2.90 to $3.20 per share to $3.05 to $3.20 per share. We are pleased with the strong operational results at both the utility and generation businesses that are pushing us up into the upper half of our range particularly as we have overcome unexpected headwinds including the challenging winter storms.

Moving to Slide 11. Improved operations at PHI and positive rate case outcomes are driving better earned ROEs. Pepco's higher ROE reflects last fall's distribution rate cases as well as the recent Pepco Maryland and DC settlement that took effect in June and August respectively. Delmarva's earned ROEs includes the benefits of internal rate which came effective during the first quarter with final rates for Delmarva Electric effective September 1 and favorable weather at Delmarva Delaware during the quarter. At Atlantic City Electric we saw higher earnings from last fall's rate case settlement as well as favorable weather during the quarter which improves 12-month trailing ROEs significantly from last quarter.

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As we have previously discussed, trailing 12-month ROEs for all of our PHI utilities should continue to improve next quarter as the FAS 109 charges from the fourth quarter of 2017 drop out of the calculation. For the legacy Exelon utility, our earned ROEs remained over 10% were modestly dipped from last quarter. Our overall earned ROEs for Exelon utility were modestly higher than last quarter at 9.6%, well within our earned ROE target of 9% to 10% that underlines our earnings outlook for 2019 and beyond. We are pleased with our overall utility performance but have plans for continued improvement to bring PHI closer to the rest of our utility.

Turning to Slide 12. We remain busy on the regulatory front. On October 18, the Administrative Law Judge is presiding over PECO's electric distribution base rate case recommended the settlement with all parties be approved. The deal provides for an increase of $96 million in annual electric distribution revenues offset by $71 million in tax savings benefits for customers for a net $25 million revenue increase. We expect to receive an order in the fourth quarter. On August 9, the DC Commission approved the settlement that was reached in April based on a $24.1 million revenue reduction after incorporating tax reform. Rate 22 effect on August 13. A final order which received on August 21 for the settlement, we reached in June on the Delaware Delmarva electric distribution case. The case will provide a $7 million revenue decrease including the benefit to tax reform for customers.

On September 7, Delmarva Delaware entered into a settlement agreement in pending gas distribution base rate case that provides for revenue decrease of $3.5 million including tax benefits for customers. A final order is expected in the fourth quarter. We also have a number of rate cases still in progress. We expect an order for BGE's pending gas rate case in January of 2019. As a reminder, the case includes the requested $60.7 million increase to its gas revenues for infrastructure investments since 2015 and moving $21.7 million in revenue currently being recovered via the STRIDE surcharge in the base rate. We expect to receive an order from the Illinois Commerce Commission on ComEd's standard formula rate case in the fourth quarter.

And finally, on August 21, the Atlantic City Electric filed a distribution base rate case with the New Jersey Board of Public Utilities seeking a revenue increase of $109 million and we expect an order in the second half of 2019. The utilities and the regulatory teams are doing a lot of hard work to improve system reliability and performance for our customers and fostering its support of regulatory backdrop. That in turn is helping to lift earned ROEs towards their allocated levels across the acquired new settlement payments. More detail on the rate cases and their schedules can be found on Slides 24 through 30 in the Appendix.

Turning to Slide 13. We invested $1.4 billion of capital at the utilities during the third quarter and are at $3.9 billion year-to-date. We remain confident in our ability to meet our $5.5 billion capital budget for 2018. This quarter, I would like to feature two projects within our portfolio of utility investments. The first is the early completion of ComEd's $920 million smart meter installation program. ComEd installed more than $4 million smart meters in just over 7 years which is 3 years ahead of the original schedule and more than $20 million under budget. To help put this program into context, our ComEd team installed on average 2,400 smart meters per day over that 7-year span. In fact, one of our workers personally installed over 25,000 meters as part of this program.

The installation of smart meters on the ComEd system will allow customers to be better informed about their energy consumption that can help them save money and will allow ComEd to further improve its service offerings. In addition, it drives over $100 million of annual operational savings primarily from increased efficiencies in field operations such as meter reading and avoided truck rolls. The smart meter installation program is part of the $2.6 billion Energy Infrastructure Modernization Act program. The second project I want to highlight is Atlantic City Electric's Churchtown substation expansion project in Pennsville, New Jersey. This $50 million project entailed equipment upgrades for reliability and 230, 138 and 69 kV expansion for additional transmission capacity. Construction also included installation of 2.1 miles of transmission line consisting of 59 new structures. The expansion improves reliability for our customers by replacing and upgrading outdated equipment and by expanding regional transmission capacity which has the benefits of reducing congestion to our customers.

Turning to Slide 14. Relative to our last update, total gross margin was flat in 2018 and up $50 million in both 2019 and 2020, primarily as a result of higher power prices. For 2018, open gross margin was up $100 million primarily due to higher NiHub PJM West Hub and New York Zone A prices, and offset by weakening in our ERCOT spark spreads.

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Total gross margin is offset by lower mark-to-market of our hedging due to the higher power prices. For 2019 and 2020 open gross margin was up $250 million and $100 million respectively due to higher PJM West Hub prices and stronger ERCOT spark spreads.

In 2019, open gross margin was also up on higher NiHub and New York Zone A prices. Similar to 2018, the mark-to-market of our hedges is down both in '19 and '20 due to higher prices. We also executed $50 million of Power New Business in both 2018 and 2019 and executed $50 million of Non Power New Business each year. From a hedging perspective, we ended the quarter in line with our ratable hedging programs in 2018 a 9% to 12% behind ratable in 2019 and 8% to 11% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration.

Turning to Slide 15. As Chris mentioned, we are announcing another round of O&M cost reductions as part of our continual efforts to evaluate our work passages looking for ways to be more efficient, eliminate redundancies and better incorporate innovation and technology. With this new program, our gross run rate savings in '21 will be $200 million which we will ramp up over the next two years. These incremental savings will come from our Exelon Generation business primarily through even greater efficiencies in our nuclear operations and at the Business Services Company or BSC which is part of the transformation efforts that Jack is leading. The $200 million of savings is a gross number with about half from ExGen and half from the BSC organization.

And since BSC costs are shared roughly 50-50 between Exelon Generation and Exelon Utility we would expect our utility customers to benefit from $50 million in annual savings over time with the other $50 million flowing through Exelon Generation bottom line. When we include the $50 million of incremental direct savings at ExGen, we expect $150 million of savings to flow to our bottom line in 2021 relative to our previous guidance which we show on the lower left chart. Exelon continues to embrace a culture of cost discipline and operational excellence. These cost updates are consistent with these cultural values. If we look at all the cost savings announced since 2015, we have now reduced O&M by over $900 million. It's due to hard work of all of our employees who strive every day to run the company more efficiently while adhering to our commitments to safety, reliability and community stewardship.

Turning to Slide 16. We remain committed to our strong balance sheet and investment-grade credit rating. And to that end, since our last earnings call, S&P has placed our ratings at ExGen and Exelon Corporate on CreditWatch positive recognizing the improvements and overall strength of our balance sheet. Turning to the metrics. Our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds. We are forecasting ExGen's leverage to be 2.5 times debt to EBITDA at year-end 2018 which is below our long-term target of 3.0 times. On a recourse debt basis we are at 2.0 times which is well below our target range. We will continue to manage our balance sheet at ExGen over time to the 3.0 times debt-to-EBITDA level, so look for us to focus on debt reduction at both the Holdco and GenCo.

I will now turn the call back to Chris. Thank you.

Christopher Crane, President and Chief Executive Officer

Thanks, Joe. Turning to Slide 17. As we have shown you, we had a strong quarter financially and operationally. We continue to get stronger on both fronts. This is due to the hard work and dedication of all of our employees every day. We also had important wins in the course to preserve the ZEC program and are finding ways to operate more efficiently providing incremental cost savings as discussed. Our value proposition remains unchanged. We're focused on growing our utilities targeting a 6% to 8% EPS growth through 2021. We continue to use free cash flow from the GenCo to fund incremental equity needs at the utilities, pay down debt over the next four years at the GenCo and HoldCo and fund part of the faster dividend growth rate.

We will stay focused on optimizing value at the ExGen by seeking fair compensation for our carbon-free generation fleet, supporting proper price formation in PJM and resiliency efforts at FERC and supporting capacity market reforms that will allow states to continue to protect citizens from carbon and air pollution while benefiting from regional markets. We will close uneconomic and sell assets where it does not make sense to accelerate our debt reduction plans

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and maximize value through generation to the load matching strategy. We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020.

Operator, now we can take -- open to the call up for questions. Thank you.

Questions And Answers

Operator

(Operator Instructions) Your first question comes from the line of Greg Gordon from Evercore. Greg, your line is now open.

Greg Gordon, Analyst

Thanks. Good morning, guys. A couple of questions. First on the quarter. Everything seems really good on the utility side, the underlying operations at the GenCo look decent too. But it was a little squishy around some of those operational issues. Can you just talk us through that and get us comfortable that they're sort of temporal and not structural?

Christopher Crane, President and Chief Executive Officer

Are you talking about the operational issues around the GenCo or in the sub power segment?

Greg Gordon, Analyst

Yes. In Texas the interruption and in Massachusetts the higher FTR costs, so I just want to make sure we can be comfortable that they're not going to sort of run out into the future and impact your ability to future numbers.

Christopher Crane, President and Chief Executive Officer

Let me start out with the Texas assets so I'll let Joe fill in on the rest of it. Those GE7HA.20, these were the first serial numbers 1 and 2. We were aware as GE was that there was some difficulty with the first-stage blades. We had approximated a run period that we could operate the assets before putting in the fix. The fix was already underway and then designed. GE did give us very strong warranties on those assets and responded very well on the first failure on the one CT at Colorado Bend.

We proactively shut the other three CTs down, replaced them with the new design, had them back up and running. And as I said, we expect, we're in the rollout phase now and the start-up phase of the fourth unit and we feel confident in the design. GE has put us inspection program together that will be borescoping after so many hours of operation. They've responded well, the solid engineering confirmed by independent assessment. So we feel that that is behind us. And we'll be able to continue those assets to operate at incredibly high capacity factors and efficiencies going forward. On the FTRs and the other issues, I'll let Joe cover it.

Joseph Nigro, Chief Financial Officer

Yeah. So, Greg I think the first thing is as Chris mentioned the generation issues drove some of the underperformance at ExGen. In addition to that, when you looked at power pressures in Texas at the end of June and where they realized for the quarter, there was an impact with the difference there. As you know, the spot market prices were lower than

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when we walked into the quarter. On the transmission side, the costs were associated with Order 494 at FERC and that had a negative impact. So from our lens, when you talk about the Generation performance both at Mystic and at ERCOT, those are one-time occurrences similarly on the transmission side. The favorability was driven on the realized nuclear decommissioning trust gains. So I think when you look at it from our lens, you see these one-time items that are driving the early results.

Greg Gordon, Analyst

Great. Thanks. One follow up on ExGen and then one more if you'll hear me. Looking at the cost cuts, it's really quite an impressive incremental change. You've got the cost declining from $4.625 billion to $4.175 billion in 2020 and a little bit more in 2021, $450 million savings but that gross margins declined by $700 million. And so skeptical investors look at this and say well you guys are doing yeoman's job here, rightsizing the cost structure but earnings aren't getting better. I would argue that cost cuts are permanent and these backwardated power prices are hopefully temporary. But can you give us some confidence that there's positive operating leverage here as we move through time and that these lower commodity prices and capacity prices are not structural?

Christopher Crane, President and Chief Executive Officer

We talked about this before that we lack liquidity in the outyears. It's a softer market. Our fundamentals still tell us that this backwardated curve is not what we'll see as the prompt years come in. And so we're managing the book in that manner maintaining as much margin open and using cross-commodity hedges to be able to manage that. It's -- we will constantly look at driving efficiencies. You can't have a company that operate with any aspect or entity within the company being inefficient. So driving efficiencies has multiple benefits but one of them is reduction in expense and we'll continue to focus on that as we serve the customer. As far as the market issues, Jim or Joe do you want to cover anymore on that?

James McHugh, Executive Vice President and Chief Executive Officer of Costellation

Yeah, I think, the one thing I would add about the backwardation of the curve is with the next couple of years or in '25 and '24 due to lack of liquidity we're seeing net retirements of newbuilds over the next few years between '20 and '23 that that would lead us to believe that backwardation won't realize in spot. We're seeing spot prices in NiHub even in some of the lowest delivered fuel price here is clear north of $26, $27. So the backwardation to your point, it seems temporal, Greg.

Greg Gordon, Analyst

Okay. And then final question is given that the balance sheet is so strong and that the rating agencies are finally coming around considering higher credit ratings. How much balance sheet capacity does that create and/or does it give you more latitude to have a more aggressive risk management policy and take hedge less and take more of your power into the spot and therefore try to get those better prices?

Joseph Nigro, Chief Financial Officer

Hey, Greg, it's Joe. The short answer is with that balance sheet capacity, we can be more aggressive. And as I mentioned in my remarks when you look at how far behind we are of our ratable plan and when you overlay that fact that we're using gases approximately for power we are carrying a very long open-power positioning in 2019 and 2020, and then we're able to do that given the strength of the balance sheet that we have. We continue to challenge ourselves

final
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SI-SSA-0015-01389

in this regard as well. And as Jim mentioned on our use of power, we're going to continue to be constructive in the way we manage the portfolio relative to what we think fair value is in the outyears and not leverage on the balance sheet allows us to do that.

Greg Gordon, Analyst

Thank you guys.

Christopher Crane, President and Chief Executive Officer

Thanks, Greg.

Operator

Thank you, Greg. Your next question comes from the line of Julien Dumoulin-Smith from Bank of America. Julien, your line is now open.

Julien Dumoulin-Smith, Analyst

Hey, good morning everyone.

Christopher Crane, President and Chief Executive Officer

Good morning. How you doing?

Julien Dumoulin-Smith, Analyst

Good. Excellent. So I wanted to follow a little bit up on the utility activities. Obviously good progress at PHI yet again. But I wanted to elaborate a little bit further on this. Obviously the cost reductions of say $50 million-ish accrued of the utilities, how does that play out in terms again increasing your ROE right? I gather the bulk of that would be moving back to customers over time although clearly you're underearning relative to authorized level still. And then in tandem with that question if you could elaborate a little bit more on sort of the initial utility CapEx planning. Certainly this is a growing discussion of the legislation in Illinois as well as a litany of other smaller programs I think you've already alluded to a little bit elsewhere across your utility system.

Christopher Crane, President and Chief Executive Officer

I'll let Anne to take that.

Anne Pramaggiore, Senior Executive Vice President and Chief Executive Officer, Exelon Utilities

Sure. Good morning, Julien. So a couple of responses to your questions. As we think about moving forward, obviously we're going to blend the $50 million into the LRP over time. It's not the sitting there right now but we'll look at that as we do the next LRP iteration. And certainly our focus on O&M is to be flat to declining at the utilities and that's the goal as we move forward to manage back side of the equation. As we think about what we're doing on ROEs and sort

final
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SI-SSA-0015-01390

of developing that at the PHI utilities and the other utilities, the first thing we're doing is looking at how -- we're filing annually, how do we reduce lag?

One of the ways is as we're filing annually, we've got to stay up provision at DPL until 2020. But with the rest of the utilities, we'll be filing annually, we're looking at other mechanisms to reduce lag riders. We've got the Stride (ph) rider in Maryland Disc (ph) rider in Delaware and the IIT (ph) rider in New Jersey that we're looking to placed about $358 million of capital investment in right now. Interim rates at New Jersey is helping us close that lag gap. And we're looking at multiyear rate plan in DC. We've been invited to make that filing and we'll be doing that shortly.

So just got an outright provision at PECO authority for the commission to look at that, so that's something we'll be looking at going forward. So those are all the ways we're looking to close in on that ROE number. Obviously looking at, lag is our biggest sort of earn to allow gap but also looking at other disallowances too. But really trying to tighten up on the lag. So that's how we're thinking about on the ROE going forward. On the capital side, the question that you asked we've got -- we look at $5 billion a year a little bit plus north of that going forward for the foreseeable future. We have continuing modernization work at the utilities.

PECO for the 12 kV conversions were closer work. At ComEd we've got the FEJA, voltage optimization work that's about $500 million right there. BG&E has got big gas investment and PHI has got of a lot of material condition work, manhole refurbishment substation rebuilds, that sort of thing. We've got $1.5 billion in our gas program over the next LRP period. We've got close to $1 billion in security programs across the utilities over the LRP. So there's a lot of work to do. We always, always book ended with questions of affordability and that's why we stay tied on O&M. And we look at energy efficiency programs to give customers the ability to reduce usage and manage bills more tightly. And so we're always looking at the affordability side of it and our utilities fits pretty nicely when you look at the national average on percentage of income or percentage of proportion of bill to income. We're pretty good we'll below the national average on four and we're right at the national average on the other two bills.

Julien Dumoulin-Smith, Analyst

Got a quick clarification as a follow-up here on PJM. I know -- I appreciate your comments at the outset. Just timing-related how you -- how do you see this going down with respect to A getting an approval out of FERC? But then B, actually implementing a MOPR, just real quickly if you can.

Kathleen Barron, Senior Vice President of Governmental & Regulatory Affairs & Public Policy

Hi, Julien, this is Kathleen. I can take that question. As you know, reflect how much are going into FERC on November 6 with the expectation that the commission would address the paper hearing sometime in the January time frame. I think the commission is well aware that the market is looking for guidance as Chris said on what the rules are going to be going forward. And importantly the states need to know what changes that they need to make to their clean energy policies to accommodate the new rules coming out of FERC. So we will look to them to provide that guidance in the January time frame.

As you know we've delayed the auction until August to give states some time to react. Not just your question was specific to MOPR, but important for us is the ability of states to carve out the asset base they wish to support and to procure them directly to a state-led procurement. That is going to be an important change that we're looking for FERC to make in this next order based on the record in front of them, as an overwhelming amount of support from all partners (ph) of the stakeholder community and the states to put that change into the tariff and to give states that option going forward to continue to support the clean generation that will help them achieve their carbon reduction goals.

Julien Dumoulin-Smith, Analyst

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So you don't see an issue with respect to getting clarity out of the states in time?

Kathleen Barron, Senior Vice President of Governmental & Regulatory Affairs & Public Policy

Obviously the states have different structures that they'll need to examine. And some may be able to use existing structures, some may need to adopt new structures including through legislation. So there will be a -- in the states where there's a need for legislation a premium on moving quickly. Now that being said, I think it's also incumbent on FERC to take that into account and to make sure that they have adequate time before the rules change in the tariff.

Julien Dumoulin-Smith, Analyst

Great. Thank you.

Operator

Thank you, Julien. Your next question comes from the line of Steve Fleishman from Wolfe Research. Steve, your line is now open.

Steve Fleishman, Analyst

Thank you. I'll actually just ask one question. The PJM from the standpoint of not -- obviously you have different stakeholders in lot of areas, states, customers, investors, et cetera. Just from an investor standpoint and not everyone else do you see the changes as proposed? Or as you would like to see them being kind of good for shareholders neutral? How should we think of it just from an investor standpoint?

Christopher Crane, President and Chief Executive Officer

No we definitely see this as a positive to create clarity and a more rewarding market going forward. We've lacked the clarity because we've isolated at times on programs. I think this is where we'll be able to create clarity, capital allotment, allocation will be much clear on where we'll be putting capital and what units we'll be operating and what units will be operating. And so -- but we see this as definitely a benefit to the markets, which will be a benefit to the consumer, which will be a benefit to the shareholder.

Steve Fleishman, Analyst

Okay. Thank you.

Operator

Thank you, Steve. Your next question comes from the line of Michael Weinstein from Credit Suisse. Michael, your line is now open.

Michael Weinstein, Analyst

final
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Hi, guys, thanks for taking my questions. Two quick questions. The first one is do you think that the uncertainties surrounding FERC and surrounding new rules for capacity and energy. Do you think also (ph) uncertainty is delaying newbuild or new start construction plans if this is going to have an effect on tightening the market going over the next year or two? And then the second question I'll just ask it right now. Is -- Public Service Enterprise Group just announced that they're pulling out of the retail business. Is this a potential opportunity for Constellation?

Christopher Crane, President and Chief Executive Officer

First question, newbuilds are driven based off of market needs and economics. And unless we get the economics to support new asset entry, you're going to see what we see in the last couple of years the decline. Then we have to see what comes out of the resiliency review on how the market values different sources of firm fixed fuel. So there'll be an evolution before we'll see a real opening or a market response to the demand need for assets or investments to be made to come in. It's basic economics right now. The market is barely supporting the assets that are operating today so why would you invest in two new assets when you're not going to get a recovery or return on your capital.

James McHugh, Executive Vice President and Chief Executive Officer of Costellation

Hi, Michael, it's Jim McHugh. I can speak to the retail question. I think with the announcement of folks leaving or coming into the retail market, we're always on top of that and looking for opportunities to look for value and acquire books of business. In this case, I think if you take as noted that they're going to supply their contracts as they roll off. We'll obviously be there to serve customers as the No. 1 C&I customer and the No. 2 resi customer in the country to look for the business as they roll off. I think for us we have that scale. We've developed that scale over the years through acquisitions and organic growth and our platform is very capable of acquiring new customers and retaining existing customers pretty easily. We've been having lots of success also just finding new products and solutions for customers in both residential space and C&I space. So we'll keep taking advantage of those opportunities that are in front of us.

Michael Weinstein, Analyst

Great. Thank you very much.

Operator

Thank you, Michael. Your next question comes from the line of Jonathan Arnold from Deutsche Bank. Jonathan, your line is now open.

Jonathan Arnold, Analyst

Good morning, guys.

Christopher Crane, President and Chief Executive Officer

Hi, Jon.

Jonathan Arnold, Analyst

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Just to stickup on the discussion around the states legislation and potentially not leaving legislation. Kathleen, I heard your comments that there could be different answers depending on which state you're talking about. But is it fair to say where you sit today that you think Illinois would have to legislate? And then I'm curious what you think about the state of play in New Jersey?

Kathleen Barron, Senior Vice President of Governmental & Regulatory Affairs & Public Policy

No, you're correct Jonathan. I agree with your assessment in Illinois. There will be a need for legislation to adjust to the change in rules. And I think a positive for us is that we are seeing not just here but across the country a growing sentiment among environmental groups and policymakers that the fastest and cheapest tap to decarbonizing is a policy that uses all zero carbon resources. And so, to the extent, states want to act to increase their clear energy ambition. We would be expected -- we would expect that all assets including ours would be able to participate in that type of a policy.

And FERC allowing the states to go ahead and procure clean capacity directly allows them to do so in a way that's going to be able to keep cost down for customers and achieve the clean energy goals at the same time. So we would look to that kind of structure to the extent that FERC puts this carve-out in the tariffs in Illinois. In New Jersey, given the way that the state law is written there and the authority at the BPU level to do a capacity procurement to the existing BGS structure there would not need -- there would not be a need for incremental legislation to allow that state's procurement effects (ph) to flow through the BGS. So that's why I said I think the answer is different depending on which jurisdiction you're in.

Jonathan Arnold, Analyst

Okay, great. I'm just willing to see if you provide that on the individual state, so thank you. Could I just have one quick follow up on the cost savings? You've obviously laid out how you expect them to be timed the Q3 '18 cost reductions. Can you remind us how much of the $250 million you've announced last year was flowing into ExGen? And maybe was sort of the sequencing in there in terms of how those ramp up as we try to unravel the numbers on, I guess in Slide 15?

Christopher Crane, President and Chief Executive Officer

Yeah. That is in the numbers. I think we're looking for the page. Now Joe has got it.

Joseph Nigro, Chief Financial Officer

The $250 million last year all of it is flowing into ExGen. The reductions were taken at ExGen across the platform nuclear constellation and our fossil fuels.

Jonathan Arnold, Analyst

And the timing Joe, is it kind of across the period out into 2020? Or is most of it kind of already there in '19?

Joseph Nigro, Chief Financial Officer

'19 -- 2019 you'll get to run rate year.

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Jonathan Arnold, Analyst

Okay. All right. Thanks for that.

Operator

Thank you, Jonathan. That concludes the question-and-answer session of today's webcast. I'll hand the call over back to Mr. Chris Crane, CEO of Exelon Corporation.

Christopher Crane, President and Chief Executive Officer

Thanks again everybody for joining. Thanks for the questions, hopefully we covered everything. Any other concerns, please get a hold of IR, myself and I would be glad to continue to discuss them. But thanks to the team, all the 34,000 plus employees at Exelon for delivering another strong quarter and talk to you soon. Thanks. Bye.

Operator

Thank you. And that concludes today's webcast. Thank you all for participating. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-11-01
Event Description: Q3 2018 Earnings Call

Market Cap: 43,147.05
Current PX: 44.67
YTD Change($): +5.26
YTD Change(%): +13.347

Bloomberg Estimates - EPS
Current Quarter: 0.573
Current Year: 3.120
Bloomberg Estimates - Sales
Current Quarter: 6693.571
Current Year: 33110.000

Q3 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Joseph Nigro
- James McHugh
- Anne R. Pramaggiore
- Kathleen L. Barrón

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Steve Fleishman
- Michael Weinstein
- Jonathan Philip Arnold

MANAGEMENT DISCUSSION SECTION

Daniel L. Eggers

GAAP and Non-GAAP Financial Measures

Today's presentation also references to adjusted operating earnings and other non-GAAP measures

Please refer to the information contained in the Appendix of our presentation and our earnings release

For reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures

Christopher M. Crane

Business Highlights

Performance

- Flipping to slide 5, we delivered another strong quarter with earnings again at the upper end of our range, which allows us to raise the lower end of our full-year guidance
- The utilities performed well with strong earned ROEs and largely first quartile operations
- As we've stated previously, the Federal Courts of Appeal in Illinois and New York strongly affirm the legality of the ZECs and our focus on cost continues, identifying an additional $200mm in gross savings, which $150mm of that will flow to the bottom line bringing our six-year total savings to more than $900mm

GAAP Basis

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- Combined, this performance demonstrates our growing value
- For the quarter, on a GAAP basis, we earned $0.76 per share vs. $0.85 per share last year
- On a non-GAAP operating basis, we are at $0.88 per share and again above the midpoint of our $0.80 to $0.90 range guidance that was provided

Investments

- Turning to slide 6, our utilities continue to perform at high levels across key customer satisfaction and operating metrics
- The investments we are making in technology and infrastructure continue to improve reliability, which leads to greater customer satisfaction and ultimately supporting strong relations with our regulators and our legislators

PECO and BGE

- PECO and BGE improved their JV power residential gas and electric scores over the last year with PECO receiving its highest ranking ever, placing second in the residential electric survey
- Our customer service metrics are strong
- BGE and ComEd are in the top decile for customer satisfaction; and PHI is in the top decile for its service levels

SAIFI and CAIDI

- Each of our utilities achieved top quartile reliability performance in SAIFI, or outage duration in CAIDI which is – outage frequency is SAIFI and CAIDI which is outage duration, ComEd and PHI performed in top decile for CAIDI.
- SAIFI, as we've discussed in the past, is our highest priority and remains that, our metrics have continued to improve since the beginning of the year

ExGen

- At ExGen, our third quarter was – 39.7 terawatt hours of capacity factor at 93.6% during the fourth hottest summer in nearly 125 years
- We performed at a 96.7% capacity factor and avoided 33 metric tons of carbon
- Our gas & hydro fleet performed well but below plan with economic dispatch match at 95.8%
  - This lower performance was primarily the results of our CCGTs at Colorado Bend and Wolf Hollow being offline because of some turbine blade defects
- The blades have been replaced
- Wolf Hollow came back into service in late September, one of the Colorado Bend units returned to service in October and the other will be back in service shortly
  - It's in the process of restart as we speak
- We took advantage of the outage time to perform normal maintenance that would have been required to have been shut down for next spring

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Financial Perspective

- From a financial perspective, all the repairs were covered under a warranty and the markets impact from the plants being down were well within our full range outage contingency plan
- The plants ran very well over the summer prior to the outages and we're very pleased with the performance of the design and their durability
  - They remain an integral part of our Texas strategy

Business Transformation Team

- Turning to slide 7, as you know we've had a strong track record of finding efficiencies in the business and driving cost savings, which is why we created the Business Transformation team earlier this year to focus on our Business Services Company
- As part of that effort with additional savings from our nuclear fleet, we are announcing $200mm reduction to our run rate 2021 costs, of which $150mm will reach the bottom line at ExGen
- Joe is going to cover this in more detail during his remarks

ZEC Programs

- I'll turn it now to the policy updates for the quarter and start with the ZEC programs
- As I said, both the Seventh and the Second Court of Appeals dismissed challenges to the ZEC programs in Illinois and New York respectively
- In doing so, each court found that the states have the right to choose generation sources based on attributes they prefer such as environmental performance and that these programs are not tethered to the market
- The plaintiff sought rehearing in Illinois' case which the court denied last month
- The rulings were consistent with our expectations so we're happy with the resounding affirmation on these importantly state clean energy policies

Board of Public Utilities

- In New Jersey, the process for implementation of the ZEC program there remains on track to take effect early in Q2 2019
- The Board of Public Utilities has finished its hearings on implementation of the ZEC program and the utilities have filed tariffs to recover the ZEC-related charges
  - We expect the BPU to approve the changes later this month
- On the federal policy front, we think that FERC's June order took an important step forward by empowering the states to continue prioritizing zero-carbon energy throughout the state-led procurements outside of the PJM capacity module
- A number of proposals were filed in response to the order, including from a diverse coalition of which Exelon is a member in PJM.

Generation Fleet

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- We see all of the major proposals as putting our Generation fleet in a better position financially than the current market construct
- We are pleased to have filed as part of our coalition and supports the rights of states to advance their clean energy goals
- Slide 22 gives a lot more detail on the coalition, but it includes consumer, rate payer, advocates, attorney generals, national environmental groups, renewable energy trade associations, public power and the other nuclear generators in PJM.

FERC

- Our proposal would provide states the flexibility to conduct a capacity procurement of resources they wish to support for the public policy reasons and would protect consumers for paying twice for capacity resources
- It strikes the balance that FERC is looking for to ensure states can meet their environmental goals while protecting the competitive market
- Reply to the comments are due November 6, and it will be important for FERC to issue an order early next year to give the markets guidance going forward
- As you know, we are still waiting for orders from FERC on the fast-start and resiliency examination

Joseph Nigro

Financial Highlights

Adjusted Non-GAAP Operating Earnings

- Turning to slide 8, we had another strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.88 per share, which is at the upper end of our guidance range of $0.80 to $0.90 per share
- Exelon's utilities, less Holding Company expenses earned a combined $0.55 per share
- Compared to our plan, we benefited from reduced storm activity and favorable weather in our non-decoupled jurisdictions, including PECO, Atlantic City Electric and Delmarva/Delaware

ERCOT CCGT

- Generation earned $0.33 per share in Q3, which was slightly behind our plan
- Q3 was impacted by lot of realized lower realized ERCOT prices vs. the end of Q2; lower-than-expected Generation performance with the unplanned outages that our ERCOT CCGT was just discussed as well as one at Mystic 8 and 9, in addition to higher allocated transition costs
  - These were partially offset by realized gains from our nuclear decommissioning trust fund

Utility Earnings

- On slide 9, we show our q-over-q wall
- The $0.88 per share in Q3 this year was $0.03 per share higher than Q3 2017

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- Overall, the Utility earnings were collectively up $0.75 per share compared with last year, driven primarily by higher rate base, new rates associated with completely rate cases, and favorable weather
- Generation earnings were down $0.03 per share compared with last year, driven largely by the absence of EGTP gross margin from the deconsolidation in Q4 2017, and higher planned nuclear outage days, partially offset by contribution from a full-quarter of Illinois ZEC revenues and savings from tax reform

Operational Results

- Turning to slide 10, we are raising the lower end of our 2018 EPS guidance range from $2.90 to $3.20 per share to $3.05 to $3.20 per share
- We are pleased with the strong operational results at both the Utilities and Generation businesses that are pushing us up into the upper half of our range, particularly as we have overcome unexpected headwinds including the challenging winter storms

ROE

- Moving to slide 11, improved operation at PHI and positive rate case outcomes are driving better earned ROE
- Pepco's higher ROE reflects last fall's distribution rate cases as well as the recent Pepco Maryland with DC settlement that took effect in June and August respectively
- Delmarva's earned ROE include the benefits of interim rates that became effective during Q1 with final rates for Delmarva Electric effective September 1 and the favorable weather at Delmarva/Delaware during the quarter

Atlantic City Electric

- At Atlantic City Electric, we saw higher earnings from last fall's rate case settlement as well as favorable weather during the quarter, which improves 12-month trailing ROEs significantly from last quarter
- As we have previously discussed, trailing 12-month ROEs for all of our PHI Utilities should continue to improve next quarter as the FASB's 109 charges from Q4 2017 drop out of the calculation

Legacy Exelon Utility

- For the legacy Exelon Utility, our earned ROEs remained over 10%, were modestly dipped from last quarter
- Our overall earned ROEs for Exelon Utility were modestly higher than last quarter at 9.6%, well within our earned ROE target of 9% to 10% that underlies our earnings outlook for 2019 and beyond
    - We are pleased with our overall Utility performance but have plans for continued improvement to bring PHI closer to the rest of our utilities

Tax-Saving Benefits

- Turning to slide 12, we remain busy on the regulatory fronts
- On October 18, the Administrative Law Judges presiding over PECO's electric distribution base rate case recommended the settlement with all parties be approved
- The deal provides for an increase of $96mm in annual electric distribution revenues, offset by $71mm in tax-saving benefits for customers for a net $25mm revenue increase

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- We expect to receive an order in Q4

Tax Reform

- On August 9, the DC Commission approved the settlement that was reached in April based on $24.1mm revenue reduction after incorporating tax reform
- Rates went into effect on August 13
- A final order which received on August 21 for the settlement we reached in June on the Delaware/Delmarva Electric distribution case
- The case will provide $7mm revenue decrease including the benefits of capture firm for customers

Delmarva/Delaware

- On September 7, Delmarva/Delaware entered into a settlement agreement in pending gas distribution base rate case that provides for a revenue decrease of $3.5mm, including tax benefits for customers
- A final order is expected in Q4

Illinois Commerce Commission

- We also have number of rate cases still in progress
- We expect an order for BGE's spending gas rate case in January of 2019
- As a reminder, the case includes the requested $60.7mm increase to its gas revenues for infrastructure investments since 2015 and moving $21.7mm in revenue currently being recovered via the STRIDE surcharge into base rate
  - We expect to receive an order from the Illinois Commerce Commission on ComEd's standard formula rate case in Q4
- And, finally, on August 21, the Atlantic City Electric filed a distribution base rate case with the New Jersey Board of Public Utilities seeking of a revenue increase of $109mm and we expect an order in H2 2019

Regulatory Team

- The utilities and the regulatory teams are doing a lot of hard work to improve system reliability and performance of our customers and fostering in support of regulatory backdrop that, in turn, is helping to lift earned ROE towards their allocated levels across the Exelon Utility team
- More detail on the rate cases and their schedule can be found on slides 24 through 30 in the Appendix

Capital Budget

- Turning to slide 13, we invested $1.4B of capital at the utilities during Q3 and around $3.9B YTD
- We remain confident in our ability to meet our $5.5B capital budget for 2018
  - This quarter, I would like to feature two projects within our portfolio of Utility investors
- The first is the early completion of ComEd's $920mm smart meter installation program

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- ComEd installed more than 4mm smart meters in just over seven years, which is three years ahead of the original schedule and more than $20mm under budget
- To help put this program into context, our ComEd team installed, on average 2,400 smart meters per day over that seven-year span

ComEd System

- In fact, one of our workers personally installed over 25,000 meters as part of this program
- The installation of smart meters on the ComEd system will allow customers to be better informed about their energy consumption that can help them save money and will allow ComEd to further improve its service offerings
- In addition, it drives over $100mm in annual operational savings, primarily from increased efficiencies in field operations, such as meter reading and avoided truck rolls
  - This smart meter installation program is part of the $2.6B Energy Infrastructure Modernization Act Program

Atlantic City Electric's Churchtown Substation Expansion Project

- The second project I want to highlight is Atlantic City Electric's Churchtown Substation Expansion Project in Pennsville, New Jersey
- This $50mm project entailed equipment upgrades for reliability and 230, 138 and 69 kV expansion for additional transmission capacity
- Construction also included installation of 2.1 miles of transmission line consisting of 59 new structures
- The expansion improved reliability for our customers by replacing and upgrading outdated equipment and by expanding regional transmission capacity which has the benefits of reducing congestion to our customers

Gross Margin

- Turning to slide 14, relative to our last update, total gross margin was flat in 2018 and up $50mm in both 2019 and 2020, primarily as a result of higher power prices
- For 2018, open gross margin was up $100mm primarily due to higher NiHub, PJM West Hub and New York Zone A prices and offset by weakening ERCOT spark spreads
  - Total gross margin is offset by lower mark-to-market of our hedges due to the higher power prices
- For 2019 and 2020, open gross margin was up $250mm and $100mm respectively due to higher PJM West Hub prices and stronger ERCOT spark spreads
- In 2019, open gross margin was also up on higher NiHub and New York Zone A prices
- Similar to 2018, the mark-to-market of our hedges is down both in 2019 and 2020 due to higher prices
  - We also executed $50mm of Power New Business in both 2018 and 2019 and executed $50mm of Non-Power New Business each year

Hedging Perspective

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- From a hedging perspective, we ended the quarter in line with our ratable hedging program in 2018 and 9% to 12% behind ratable in 2019 and 8% to 11% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration

OEM Cost Reduction

- Turning to slide 15
- As Chris mentioned, we are announcing another round of OEM cost reductions as part of our continual efforts to evaluate our work practices, looking for ways to be more efficient, eliminate redundancies, and better incorporate innovation and technology

Gross Run Rate Savings

- With this new program, our gross run rate savings in 2021 will be $200mm, which we will ramp up over the next two years
- These incremental savings will come from our Exelon Generation business, primarily through even great efficiencies in our nuclear operations and at the Business Services Company or BSC, which is part of the transformation efforts that Jack has been leading
- The $200mm of savings is the gross number with about half from ExGen and half from the BSC organization
- And since BSC costs are shared roughly 50/50 between Exelon Generation and Exelon Utility, we would expect our Utility customers to benefit from $50mm of annual savings over time with the other $50mm flowing through Exelon Generation bottom line
- When we include the $50mm of incremental direct savings at ExGen, we expect $150mm of savings to flow to our bottom line in 2021, relative to our previous guidance, which we show on the lower left chart

Cost Savings

- Exelon continues to embrace a culture of cost discipline and operational excellence
- These cost updates are consistent with these cultural values
- If we look at all the cost savings amounts since 2015, we have now reduced O&M by over $900mm
  - It's due to hard work of all of our employees
- We strive every day to run the company more efficiently while adhering to our commitments to safety, reliability and community stewardship

Balance Sheet and Investment Grade Credit Ratings

- Turning to slide 16
- We remain committed to our strong balance sheet and investment grade credit ratings
- And to that end since our last earnings call, S&P has placed our ratings at ExGen and Exelon Corporate on credit watch positive, recognizing the improvements in overall strength of our balance sheet

Corporate Credit Metrics

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- Turning to the metrics, our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds
- We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3.0 times
- On a recourse debt basis, we are at 2.0 times, which is well below our target range
- We will continue to manage our balance sheet at ExGen over time for the 3.0 times debt-to-EBITDA level, so look for us to focus on debt reduction at both the HoldCo and GenCo

Christopher M. Crane

Q3 Highlights

ZEC Program

- Turning to slide 17, as we have shown you, we have a strong quarter financially and operationally
- We continue to get stronger on both fronts
  - This is due to the hard work and dedication of all of our employees every day
- We also had important wins in the course to preserve the ZEC programs, and are finding ways to operate more efficiently, providing incremental cost savings as discussed

EPS Growth

- Our value proposition remains unchanged
- We're focused on growing our Utilities starting at 6% to 8% EPS growth through 2021
- We continue to use FCF from the GenCo upon the incremental equity needs at the Utilities, pay down debt over the next four years at the GenCo and HoldCo and fund a part of the faster dividend growth rate

PJM and Resiliency Efforts

- We will stay focused on optimizing value at the ExGen by seeking fair compensation for our carbon-free generation fleet, supporting proper price formation in PJM and resiliency efforts at FERC, and supporting capacity market reforms that will allow states to continue to protect citizens from carbon and air pollution, while benefiting from regional markets
- We will close uneconomic and sell assets where it does not make sense to accelerate our debt reduction plans and maximize value to generation to the load matching strategy
- We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: First, on the quarter, everything seems really, really good on the Utility side and the underlying operations at the GenCo look decent too. But it was a little squishy around some of those operational issues. Can you just talk us through that and get us comfortable that they're sort of temporal and not structural?

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<A - Christopher M. Crane>: Are you talking about the operational issues around the GenCo in the Power...

<Q - Greg Gordon>: ...in Texas, the interruption in Massachusetts, the higher FDR costs. I just want to make sure we can be comfortable that they're not going to sort of run out into the future and impact your ability to get your future numbers?

<A - Christopher M. Crane>: Let me start out with the Texas assets. So, I'll let Joe fill in on the rest of it. Those GE 7HA.20 (sic) [7HA.02], these were the first serial numbers, .01 and .02. We were aware as GE was that there was some difficulty with the first-stage blades. We had approximated a run period that we could operate the assets before putting in the fix. The fix was already underway and then designed. GE did give us very strong warranties on those assets and responded very well on the first failure on the one CT at Colorado Bend. We proactively shut the other three CTs down, replaced them with the new design, have them back up and running and, as I said, we expect – we're in the rollout phase now and the start-up phase of the fourth unit. And we feel confident in the design. GE has put us in inspection program together, that will be borescoping after so many hours of operation. They've responded well, the solid engineering confirmed by independent assessments so we feel that that is behind us and we'll be able to continue those assets to operate at incredibly high capacity factors and efficiencies going forward.

On the FDRs and the other issues, I'll let Joe cover it.

<A - Joseph Nigro>: Yes. So, Greg, I think first thing is, as Chris mentioned, the generation issues drove some of the underperformance at ExGen. In addition to that, when you looked at power prices in Texas at the end of June and where they realized for the quarter, there was an impact with the difference there. As you know, the spot market prices were lower than when we walked into the quarter.

On the transmission side, the costs were associated with Order 494 at FERC and that had a negative impact. So, from our lens, when you talk about the Generation performance, both at Mystic and at ERCOT those are one-time occurrences similarly on the transmission side. The favorability was driven on the realized nuclear decommissioning trust gains. So I think when you look at it from our lens, you see these one-time items that are driving the lower results.

<Q - Greg Gordon>: Great. Thanks. And follow-up on ExGen and then one more if you'll hear me. Looking at the cost cuts, it's really quite an impressive, incremental change. You've got the costs declining from $4.265B to $4.175B in 2020 and a little bit more in 2021; $450mm savings, but that gross margins declined by $700mm. And so skeptical investors look at this and say, well, you guys are doing yeoman's job here right-sizing the cost structure but earnings aren't getting better. I would argue that cost cuts are permanent and these backward dated power prices are hopefully temporary. But can you give us some confidence that there's positive operating leverage here as we move through time and that these lower commodity prices and capacity prices are not structural?

<A - Christopher M. Crane>: We've talked about this before that we've lacked liquidity in the out-years. It's a softer market. Our fundamentals still tell us that this backward dated curve is not what we'll see as the prompt years come in, and so we're managing the book in that manner maintaining as much margin open and using cross commodity hedges to be able to manage that. It's – we will constantly look at driving efficiencies. You can't have a company and operate with any aspect or entity within the company being inefficient. So, driving efficiencies has multiple benefits, but one of them is a reduction in expense. And we'll continue to focus on that as we serve the customer. As far as the market issues, Jim or Joe, do you want to cover any more on that?

<A - James McHugh>: Yeah. I think the only thing I would add about the backwardation of the curve is with the next couple of years starting 2025 and 2024 due to lack of liquidity, we're seeing net retirements of newbuilds over the next year between 2020 and 2023 that would lead us to believe that backwardation won't really subside. We've seen stock prices and I have even in some of the lowest delivered fuel price years cleared north of $26, $27. So, the backwardation to your point is, it seems temporal, Greg.

<Q - Greg Gordon>: Okay. And the final question is given that the balance sheet is so strong and that the rating agencies are finally coming around to considering higher credit ratings, how much balance sheet capacity does that create and/or does it give you more latitude to have a more aggressive risk management policy and take hedge less and take more of your power into the spot and therefore try to get those better prices?

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<A - Joseph Nigro>: Greg, it's Joe. The short answer is with that balance sheet capacity, we can be more aggressive. And as I mentioned in my remarks when you look at how far behind we are with our ratable plan and when you overlay the fact that we're using gas as a proxy for power, we are carrying a very long opening power position in 2019 and 2020, and then we're able to do that given the strength of the balance sheet that we have. We continue to challenge ourselves in this regard as well.

And as Jim mentioned on our use of power, we're going to continue to be constructive in the way we manage the portfolio relative to what we think fair value is in the out-years and that leverage on the balance sheet allows us to do that.

<Q - Julien Dumoulin-Smith>: Good, excellent. So I wanted to follow a little bit up on the Utility activities, obviously good progress with PHI yet again but I wanted to elaborate a little bit further on this. Obviously, the cost reductions of say $50-ish million accrued in the Utilities, how does that play out in terms of again increasing your ROE, right? I gathered the bulk of that would be moving back to customers over time, although clearly you're under earning relative to authorized level still.

And then in tandem with that question, if you could elaborate a little bit more on the sort of initial Utility CapEx planning, certainly there's a growing discussion of legislation in Illinois as well as a litany of other smaller programs. I think you've already alluded to a little bit elsewhere across your Utilities system?

<A - Christopher M. Crane>: Yeah, I'll let Anne take that.

<A - Anne R. Pramaggiore>: Sure. Good morning, Julien. Yeah, so a couple responses to your questions. As we think about moving forward, obviously we're going to blend $50mm into the LRP over time. It's not sitting there right now, but we'll look at that as we do the next LRP iteration. And certainly our focus on O&M is to be flat to declining at the Utilities and that, that's the goal as we move forward to manage that side of the equation.

As we think about what we're doing on ROEs and sort of developing that at the PHI utilities and the other utilities, you know the first thing we're doing is looking at how – we were filing annually, how do we reduce lag? One of the ways is we file annually. We've got a stay out provision at DPL until 2020. But with the rest of the utilities, we'll be filing annually. We're looking at other mechanisms to reduce lag riders. We've got the STRIDE rider in Maryland, the DISC rider in Delaware and the IIT rider in New Jersey that we're looking to place about $358mm of capital investment in right now. Interim rates at New Jersey is helping us close that lag gap and we're looking at multiyear rate plan in DC. We've been invited to make that filing and we'll be doing that shortly. So just got an [ph] alt-reg (35:25) provision at PECO authority for the Commission to look at that, so that's something we'll be looking at going forward.

So those are all the ways we're looking to close in on that ROE number. Obviously, looking at – lags are biggest sort of earned to allowed GAAP but also looking at other disallowances too, but really trying to take enough on the lag. So that's how we're thinking about on the ROE going forward.

On the capital side, the question that you asked, we've got – we look at $5B a year, a little bit plus north of that going forward for the foreseeable future.

We have continuing modernization work at the Utilities. PECO 4 to 12 kV conversions were closer work. At ComEd, we've got the FEJA voltage optimization work that's about $500mm right there. BGE's got big [ph] bath (36:19) investment, and PHI's got a lot of material condition work – manhole refurbishments, substation rebuilds, that sort of thing.

We've got $1.5B in our gas program over the next LRP period. We've got close to $1B in security programs across the utilities over the LRP, so there's a lot of work to do. We always, always bookend it with questions of affordability and that's why we stay tight on O&M. And we look at energy efficiency programs to give customers the ability to reduce usage and manage those more tightly. So we're always looking at the affordability side of it and our Utilities fit pretty nicely when you look at the national average on percentage of income or percentage of proportion of build to income. We're pretty good. We're below the national average on four and we're right at the national average on the other two builds.

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<Q - Julien Dumoulin-Smith>: Got it. Quick clarification as a follow-up here on PJM. I appreciate your comments at the outset. Just timing-related, how do you see this going down with respect to (a) getting an approval out of FERC, but then (b) actually implementing a MOPR just real quickly if you can?

<A - Kathleen L. Barrón>: Hi Julien, it's Kathleen. I can take that question. As you know, reply comments are going into FERC on November 6 with the expectation that the Commission would address the paper hearing sometime in the January timeframe. I think the Commission is well aware that the market is looking for guidance, as Chris said, on what the rules are going to be going forward and importantly the states need to know what changes that they need to make to their clean energy policies to accommodate the new rules coming out of FERC.

So we will look to them to provide that guidance in the January timeframe. As you know, they have delayed the auction until August to give states some time to react, not just – your question was specific to MOPR, but important for us is the ability of states to carve out the assets they wish to support and to procure them directly through a state-led procurement, that is going to be an important change that we're looking for FERC to make in the next order based on the record in front of them, they have an overwhelming amount of support from all supporters of the stakeholder community and the states; to put that change into the tariff and to give states that option going forward to continue to support the clean generation that will help them achieve their carbon reduction goals.

<Q - Julien Dumoulin-Smith>: So you don't see an issue with respect to getting clarity out of the state in time?

<A - Kathleen L. Barrón>: Obviously, the states have different structures that they'll need to examine and some may be able to use existing structure, some may need to adopt new structures, including through legislation. So there will be a – in the states where there is a need for legislation, a premium on moving quickly. Now that being said, I think it's also incumbent on FERC to take that into account and to make that states have adequate time before the rules change into the tariff.

<Q - Steve Fleishman>: I will actually just ask one question. The PJM from a standpoint of – not obviously you have different stakeholders involved here – your states' customers, investors, et cetera. Just from an investor standpoint and not everyone else, do you see the changes as proposed or as you would like to see them being kind of good for shareholders, neutral, how should we think of it just from an investor standpoint?

<A - Christopher M. Crane>: No, we definitely see this as a positive to create clarity and a more rewarding market going forward. We've lacked the clarity, we've isolated at times on programs. I think this is where we'll be able to create clarity, capital allotment; allocation will be much clearer on where we'll be putting capital, what units will be operating, and what units won't be operating. So, but we see this as definitely a benefit to the markets which will be a benefit to the consumer, which will be a benefit to the shareholder.

<Q - Michael Weinstein>: Hey, two quick questions. The first one is do you think that the uncertainty surrounding FERC and surrounding new rules for capacity and energy. Given all this uncertainty is delaying newbuild or a new start construction plans, if this is going to have an effect on tightening the markets going over the next year or two?

And my second question, I'll just ask it right now is the Public Service Enterprise Group just announced that they're pulling out of the retail business. Is this a potential opportunity for Constellation?

<A - Christopher M. Crane>: First question, newbuilds are driven based off of market needs and economics, and unless we get the economics to support new asset entry, you are going to see what we've seen in the last couple of years, the decline. Then we have to see what comes out of the resiliency review on how the market values different sources of firm-fixed fuel. So, there'll be an evolution before we'll see a real opening or a market response to the demand need for assets or investments to be made to come in. It's basic economics right now. The market is barely supporting the assets that are operating today, so why would you invest into new assets when you are not going to get a recovery or return on your capital.

<A - James McHugh>: Yeah, I can – Hi, Michael, it's Jim McHugh, and I can speak to the retail question. I think with announcement of folks leaving or coming into the retail market, we're always on top of that and looking for opportunities to look for value and acquire books of business.

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In this case, I think PSEG has noted that they're going to supply their contracts as they roll off. We'll obviously be there to serve customers as the number one C&I customer and the number two resi customer in the country to look for the business as they roll on. I think, for us, we have that scale. We have developed that scale over the years through acquisitions in organic growth and our platform is very capable of acquiring new customers and retaining existing customers pretty easily. We've been having a lot of success also just finding new products and solutions for customers, in both the residential space and C&I space so we'll keep taking advantage of those opportunities that are in front of us.

<Q - Jonathan Philip Arnold>: Just to pick up on the discussion around the state's legislation and potentially not leading legislation. Kathleen, I heard your comments that there could be different answers depending on which state you're talking about. But is it fair to say, the way you said today that you think Illinois would have to legislate, and then I'm curious what you think about the state of play in New Jersey?

<A - Kathleen L. Barrón>: No, you're correct, Jonathan. I agree with your assessment in Illinois, there will be a need for legislation to adjust those change in rules. And I think a positive, for us, is that we are seeing not just here but across the country a growing sentiment among environmental groups and policymakers that the fastest and cheapest path to decarbonizing is a policy that uses all zero-carbon resources. And so to the extent states want to act to increase their clean energy ambition, we would expect that all assets, including ours would be able to participate in that type of policy as FERC allowing the states to go ahead and procure clean capacity, directly allows them to do so in a way that's going to be able to keep costs down per customers and achieve the clean energy goals at the same time.

So we would look to that kind of structure to the extent the FERC puts this carve out in the tariff in Illinois and in New Jersey given the way that the state law is written there and the authority at the BPU level to do the capacity procurement through the existing BGS structure, there would not be a need for incremental legislation to allow that state's procurement effects to flow through the BGS. So that's why I said I think the answer is different depending on which jurisdiction you're in.

<Q - Jonathan Philip Arnold>: Okay. Great. I was just wanting to see if you could provide that on the individual states, so thank you.

Could I just ask one quick follow-up on the cost savings, you've obviously laid out how you expect them to be timed Q3 2018 cost reductions. Can you remind us how much of the $250mm you've announced last year was flowing into ExGen and maybe what the sort of sequencing is there in terms of how those ramp up as we're trying to unravel the numbers on, I guess, it's slide 15.

<A - Christopher M. Crane>: Yeah that is in the numbers. I think we're looking for the page now. Joe's got it.

<A - Joseph Nigro>: The $250mm last year, all of it is flowing into ExGen. The reductions were taken at ExGen across the platform nuclear, Constellation in our...

<Q - Jonathan Philip Arnold>: And the timing Joe, is it kind of across the period into 2020 or is most of it is kind of already there in...

<A - Christopher M. Crane>: 2019, you'll get to run rate year.

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SI-SSA-0015-01408

Company Name: Exelon
Company Ticker: EXC US
Date: 2018-11-01
Event Description: Q3 2018 Earnings Call

Market Cap: 43,147.05
Current PX: 44.67
YTD Change($): +5.26
YTD Change(%): +13.347

Bloomberg Estimates - EPS
Current Quarter: 0.573
Current Year: 3.120
Bloomberg Estimates - Sales
Current Quarter: 6693.571
Current Year: 33110.000

Q3 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Joseph Nigro
- James McHugh
- Anne R. Pramaggiore
- Kathleen L. Barrón

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Steve Fleishman
- Michael Weinstein
- Jonathan Philip Arnold

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, welcome to Exelon 2018's Third Quarter Earnings Conference Call. My name is Jerome and I will be facilitating the audio portion of today's interactive broadcast. All lines have been place on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

At this time, I'd like turn the show over to Mr. Dan Eggers, Senior Vice President-Corporate Finance. The floor is yours.

Daniel L. Eggers

Thank you, Jerome. Good morning, everyone, and thank you for joining our third quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Joe Nigro, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

Today's presentation also references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the Appendix of our presentation and our earnings release

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for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan, and good morning everyone. Thank you for joining us. Flipping to slide 5, we delivered another strong quarter with earnings again at the upper end of our range, which allows us to raise the lower end of our full-year guidance.

The utilities performed well with strong earned ROEs and largely first quartile operations. As we've stated previously, the Federal Courts of Appeal in Illinois and New York strongly affirm the legality of the ZECs and our focus on cost continues, identifying an additional $200 million in gross savings, which a $150 million of that will flow to the bottom line bringing our six-year total savings to more than $900 million.

Combined, this performance demonstrates our growing value. For the quarter, on a GAAP basis, we earned $0.76 per share versus $0.85 per share last year. On a non-GAAP operating basis, we are at $0.88 per share and again above the midpoint of our $0.80 to $0.90 range guidance that was provided.

Turning to slide 6, our utilities continue to perform at high levels across key customer satisfaction and operating metrics. The investments we are making in technology and infrastructure continue to improve reliability, which leads to greater customer satisfaction and ultimately supporting strong relations with our regulators and our legislators.

PECO and BGE improved their JV power residential gas and electric scores over the last year with PECO receiving its highest ranking ever, placing second in the residential electric survey. Our customer service metrics are strong. BGE and ComEd are in the top decile for customer satisfaction; and PHI is in the top decile for its service levels.

Each of our utilities achieved top quartile reliability performance in SAIFI, or outage duration in CAIDI which is – outage frequency is SAIFI and CAIDI which is outage duration, ComEd and PHI performed in top decile for CAIDI. SAIFI, as we've discussed in the past, is our highest priority and remains that, our metrics have continued to improve since the beginning of the year.

At ExGen, our third quarter was – 39.7 terawatt hours of capacity factor at 93.6% during the fourth hottest summer in nearly 125 years. We performed at a 96.7% capacity factor and avoided 33 metric tons of carbon. Our gas & hydro fleet performed well but below plan with economic dispatch match at 95.8%. This lower performance was primarily the results of our CCGTs at Colorado Bend and Wolf Hollow being offline because of some turbine blade defects. The blades have been replaced. Wolf Hollow came back into service in late September, one of the Colorado Bend units returned to service in October and the other will be back in service shortly. It's in the process of restart as we speak. We took advantage of the outage time to perform normal maintenance that would have been required to have been shut down for next spring.

From a financial perspective, all the repairs were covered under a warranty and the markets impact from the plants being down were well within our full range outage contingency plan. The plants ran very well over the summer prior to the outages and we're very pleased with the performance of the design and their durability. They remain an integral part of our Texas strategy.

Turning to slide 7, as you know we've had a strong track record of finding efficiencies in the business and driving cost savings, which is why we created the Business Transformation team earlier this year to focus on our Business Services Company. As part of that effort with additional savings from our nuclear fleet, we are announcing a $200 million reduction to our run rate 2021 costs, of which $150 million will reach the bottom line at ExGen. Joe is going to cover this in more detail during his remarks.

I'll turn it now to the policy updates for the quarter and start with the ZEC programs. As I said, both the Seventh and the Second Court of Appeals dismissed challenges to the ZEC programs in Illinois and New York respectively. In

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doing so, each court found that the states have the right to choose generation sources based on attributes they prefer such as environmental performance and that these programs are not tethered to the market. The plaintiff sought rehearing in Illinois' case which the court denied last month. The rulings were consistent with our expectations so we're happy with the resounding affirmation on these importantly state clean energy policies.

In New Jersey, the process for implementation of the ZEC program there remains on track to take effect early in the second quarter of 2019. The Board of Public Utilities has finished its hearings on implementation of the ZEC program and the utilities have filed tariffs to recover the ZEC-related charges. We expect the BPU to approve the changes later this month.

On the federal policy front, we think that FERC's June order took an important step forward by empowering the states to continue prioritizing zero-carbon energy throughout the state-led procurements outside of the PJM capacity module. A number of proposals were filed in response to the order, including from a diverse coalition of which Exelon is a member in PJM.

We see all of the major proposals as putting our Generation fleet in a better position financially than the current market construct. We are pleased to have filed as part of our coalition and supports the rights of states to advance their clean energy goals. Slide 22 gives a lot more detail on the coalition, but it includes consumer, rate payer, advocates, attorney generals, national environmental groups, renewable energy trade associations, public power and the other nuclear generators in PJM.

Our proposal would provide states the flexibility to conduct a capacity procurement of resources they wish to support for the public policy reasons and would protect consumers for paying twice for capacity resources. It strikes the balance that FERC is looking for to ensure states can meet their environmental goals while protecting the competitive market.

Reply to the comments are due November 6, and it will be important for FERC to issue an order early next year to give the markets guidance going forward. As you know, we are still waiting for orders from FERC on the fast-start and resiliency examination.

But with that, now I'll turn it over to Joe to walk through the numbers.

Joseph Nigro

Thank you, Chris, and good morning, everyone. Turning to slide 8, we had another strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.88 per share, which is at the upper end of our guidance range of $0.80 to $0.90 per share.

Exelon's utilities, less Holding Company expenses earned a combined $0.55 per share. Compared to our plan, we benefited from reduced storm activity and favorable weather in our non-decoupled jurisdictions, including PECO, Atlantic City Electric and Delmarva/Delaware.

Generation earned $0.33 per share in the third quarter, which was slightly behind our plan. The third quarter was impacted by lot of realized lower realized ERCOT prices versus the end of the second quarter; lower-than-expected Generation performance with the unplanned outages that our ERCOT CCGT was just discussed as well as one at Mystic 8 and 9, in addition to higher allocated transition costs. These were partially offset by realized gains from our nuclear decommissioning trust fund.

On slide 9, we show our quarter-over-quarter wall. The $0.88 per share in the third quarter of this year was $0.03 per share higher than the third quarter of 2017. Overall, the Utility earnings were collectively up $.75 per share compared with last year, driven primarily by higher rate base, new rates associated with completely rate cases, and favorable weather.

Generation earnings were down $0.03 per share compared with last year, driven largely by the absence of EGTP gross margin from the deconsolidation in the fourth quarter of 2017, and higher planned nuclear outage days, partially offset by contribution from a full-quarter of Illinois ZEC revenues and savings from tax reform.

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Turning to slide 10, we are raising the lower end of our 2018 EPS guidance range from $2.90 to $3.20 per share to $3.05 to $3.20 per share. We are pleased with the strong operational results at both the Utilities and Generation businesses that are pushing us up into the upper half of our range, particularly as we have overcome unexpected headwinds including the challenging winter storms.

Moving to slide 11, improved operation at PHI and positive rate case outcomes are driving better earned ROE. Pepco's higher ROE reflects last fall's distribution rate cases as well as the recent Pepco Maryland with DC settlement that took effect in June and August respectively. Delmarva's earned ROE include the benefits of interim rates that became effective during the first quarter with final rates for Delmarva Electric effective September 1 and the favorable weather at Delmarva/Delaware during the quarter.

At Atlantic City Electric, we saw higher earnings from last fall's rate case settlement as well as favorable weather during the quarter, which improves 12-month trailing ROEs significantly from last quarter. As we have previously discussed, trailing 12-month ROEs for all of our PHI Utilities should continue to improve next quarter as the FASB's 109 charges from the fourth quarter of 2017 drop out of the calculation.

For the legacy Exelon Utility, our earned ROEs remained over 10%, were modestly dipped from last quarter. Our overall earned ROEs for Exelon Utility were modestly higher than last quarter at 9.6%, well within our earned ROE target of 9% to 10% that underlies our earnings outlook for 2019 and beyond. We are pleased with our overall Utility performance but have plans for continued improvement to bring PHI closer to the rest of our utilities.

Turning to slide 12, we remain busy on the regulatory fronts. On October 18, the Administrative Law Judges presiding over PECO's electric distribution base rate case recommended the settlement with all parties be approved. The deal provides for an increase of $96 million in annual electric distribution revenues, offset by $71 million in tax-saving benefits for customers for a net $25 million revenue increase. We expect to receive an order in the fourth quarter.

On August 9, the DC Commission approved the settlement that was reached in April based on a $24.1 million revenue reduction after incorporating tax reform. Rates went into effect on August 13. A final order which received on August 21 for the settlement we reached in June on the Delaware/Delmarva Electric distribution case. The case will provide a $7 million revenue decrease including the benefits of capture firm for customers.

On September 7, Delmarva/Delaware entered into a settlement agreement in pending gas distribution base rate case that provides for a revenue decrease of $3.5 million, including tax benefits for customers. A final order is expected in the fourth quarter.

We also have number of rate cases still in progress. We expect an order for BGE's spending gas rate case in January of 2019. As a reminder, the case includes the requested $60.7 million increase to its gas revenues for infrastructure investments since 2015 and moving $21.7 million in revenue currently being recovered via the STRIDE surcharge into base rate.

We expect to receive an order from the Illinois Commerce Commission on ComEd's standard formula rate case in the fourth quarter. And, finally, on August 21, the Atlantic City Electric filed a distribution base rate case with the New Jersey Board of Public Utilities seeking of a revenue increase of a $109 million and we expect an order in the second half of 2019.

The utilities and the regulatory teams are doing a lot of hard work to improve system reliability and performance of our customers and fostering in support of regulatory backdrop that, in turn, is helping to lift earned ROE towards their allocated levels across the Exelon Utility team. More detail on the rate cases and their schedule can be found on slides 24 through 30 in the Appendix.

Turning to slide 13, we invested $1.4 billion of capital at the utilities during the third quarter and around $3.9 billion year-to-date. We remain confident in our ability to meet our $5.5 billion capital budget for 2018. This quarter, I would like to feature two projects within our portfolio of Utility investors. The first is the early completion of ComEd's $920 million smart meter installation program. ComEd installed more than 4 million smart meters in just over seven years, which is three years ahead of the original schedule and more than $20 million under budget. To help put this program

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into context, our ComEd team installed, on average 2,400 smart meters per day over that seven-year span.

In fact, one of our workers personally installed over 25,000 meters as part of this program. The installation of smart meters on the ComEd system will allow customers to be better informed about their energy consumption that can help them save money and will allow ComEd to further improve its service offerings.

In addition, it drives over $100 million in annual operational savings, primarily from increased efficiencies in field operations, such as meter reading and avoided truck rolls. This smart meter installation program is part of the $2.6 billion Energy Infrastructure Modernization Act Program.

The second project I want to highlight is Atlantic City Electric's Churchtown Substation Expansion Project in Pennsville, New Jersey. This $50 million project entailed equipment upgrades for reliability and 230, 138 and 69 kV expansion for additional transmission capacity. Construction also included installation of 2.1 miles of transmission line consisting of 59 new structures. The expansion improved reliability for our customers by replacing and upgrading outdated equipment and by expanding regional transmission capacity which has the benefits of reducing congestion to our customers.

Turning to slide 14, relative to our last update, total gross margin was flat in 2018 and up $50 million in both 2019 and 2020, primarily as a result of higher power prices. For 2018, open gross margin was up $100 million primarily due to higher NiHub, PJM West Hub and New York Zone A prices and offset by weakening ERCOT spark spreads. Total gross margin is offset by lower mark-to-market of our hedges due to the higher power prices.

For 2019 and 2020, open gross margin was up $250 million and $100 million respectively due to higher PJM West Hub prices and stronger ERCOT spark spreads. In 2019, open gross margin was also up on higher NiHub and New York Zone A prices.

Similar to 2018, the mark-to-market of our hedges is down both in 2019 and 2020 due to higher prices. We also executed $50 million of Power New Business in both 2018 and 2019 and executed $50 million of Non-Power New Business each year.

From a hedging perspective, we ended the quarter in-line with our ratable hedging program in 2018 and 9% to 12% behind ratable in 2019 and 8% to 11% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration.

Turning to slide 15. As Chris mentioned, we are announcing another round of OEM cost reductions as part of our continual efforts to evaluate our work practices, looking for ways to be more efficient, eliminate redundancies, and better incorporate innovation and technology.

With this new program, our gross run rate savings in 2021 will be $200 million, which we will ramp up over the next two years. These incremental savings will come from our Exelon Generation business, primarily through even great efficiencies in our nuclear operations and at the Business Services Company or BSC, which is part of the transformation efforts that Jack has been leading. The $200 million of savings is the gross number with about half from ExGen and half from the BSC organization. And since BSC costs are shared roughly 50/50 between Exelon Generation and Exelon Utility, we would expect our Utility customers to benefit from $50 million of annual savings over time with the other $50 million flowing through Exelon Generation bottom line.

When we include the $50 million of incremental direct savings at ExGen, we expect $150 million of savings to flow to our bottom line in 2021, relative to our previous guidance, which we show on the lower left chart.

Exelon continues to embrace a culture of cost discipline and operational excellence. These cost updates are consistent with these cultural values. If we look at all the cost savings amounts since 2015, we have now reduced O&M by over $900 million. It's due to hard work of all of our employees. We strive every day to run the company more efficiently while adhering to our commitments to safety, reliability and community stewardship.

Turning to slide 16. We remain committed to our strong balance sheet and investment grade credit ratings. And to that end since our last earnings call, S&P has placed our ratings at ExGen and Exelon Corporate on credit watch positive,

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recognizing the improvements in overall strength of our balance sheet.

Turning to the metrics, our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds. We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3.0 times. On a recourse debt basis, we are at 2.0 times, which is well below our target range. We will continue to manage our balance sheet at ExGen over time for the 3.0 times debt-to-EBITDA level, so look for us to focus on debt reduction at both the HoldCo and GenCo.

I will now turn the call back to Chris. Thank you.

Christopher M. Crane

Thanks, Joe. Turning to slide 17, as we have shown you, we have a strong quarter financially and operationally. We continue to get stronger on both fronts. This is due to the hard work and dedication of all of our employees every day. We also had important wins in the course to preserve the ZEC programs, and are finding ways to operate more efficiently, providing incremental cost savings as discussed.

Our value proposition remains unchanged. We're focused on growing our Utilities starting at 6% to 8% EPS growth through 2021. We continue to use free cash flow from the GenCo upon the incremental equity needs at the Utilities, pay down debt over the next four years at the GenCo and HoldCo and fund a part of the faster dividend growth rate.

We will stay focused on optimizing value at the ExGen by seeking fair compensation for our carbon-free generation fleet, supporting proper price formation in PJM and resiliency efforts at FERC, and supporting capacity market reforms that will allow states to continue to protect citizens from carbon and air pollution, while benefiting from regional markets. We will close uneconomic and sell assets where it does not make sense to accelerate our debt reduction plans and maximize value to generation to the load matching strategy. We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020.

Operator, now we can take it – open the call up for questions. Thank you.

Q&A

Operator

[Operator Instructions] Your first question comes from the line of Greg Gordon from Evercore. Greg, your line is now open.

<Q - Greg Gordon>: Thanks. Good morning guys. A couple of questions.

<A - Christopher M. Crane>: Hey, Greg.

<Q - Greg Gordon>: First, on the quarter, everything seems really, really good on the Utility side and the underlying operations at the GenCo look decent too. But it was a little squishy around some of those operational issues. Can you just talk us through that and get us comfortable that they're sort of temporal and not structural?

<A - Christopher M. Crane>: Are you talking about the operational issues around the GenCo in the Power...

<Q - Greg Gordon>: ...in Texas, the interruption in Massachusetts, the higher FDR costs. I just want to make sure we can be comfortable that they're not going to sort of run out into the future and impact your ability to get your future numbers?

<A - Christopher M. Crane>: Let me start out with the Texas assets. So, I'll let Joe fill in on the rest of it. Those GE 7HA.20 (sic) [7HA.02], these were the first serial numbers, .01 and .02. We were aware as GE was that there was some difficulty with the first-stage blades. We had approximated a run period that we could operate the assets before putting in the fix. The fix was already underway and then designed. GE did give us very strong warranties on those assets and

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responded very well on the first failure on the one CT at Colorado Bend. We proactively shut the other three CTs down, replaced them with the new design, have them back up and running and, as I said, we expect – we're in the rollout phase now and the start-up phase of the fourth unit. And we feel confident in the design. GE has put us in inspection program together, that will be borescoping after so many hours of operation. They've responded well, the solid engineering confirmed by independent assessments so we feel that that is behind us and we'll be able to continue those assets to operate at incredibly high capacity factors and efficiencies going forward.

On the FDRs and the other issues, I'll let Joe cover it.

<A - Joseph Nigro>: Yes. So, Greg, I think first thing is, as Chris mentioned, the generation issues drove some of the underperformance at ExGen. In addition to that, when you looked at power prices in Texas at the end of June and where they realized for the quarter, there was an impact with the difference there. As you know, the spot market prices were lower than when we walked into the quarter.

On the transmission side, the costs were associated with Order 494 at FERC and that had a negative impact. So, from our lens, when you talk about the Generation performance, both at Mystic and at ERCOT those are one-time occurrences similarly on the transmission side. The favorability was driven on the realized nuclear decommissioning trust gains. So I think when you look at it from our lens, you see these one-time items that are driving the lower results.

<Q - Greg Gordon>: Great. Thanks. And follow-up on ExGen and then one more if you'll hear me. Looking at the cost cuts, it's really quite an impressive, incremental change. You've got the costs declining from $4.265 billion to $4.175 billion in 2020 and a little bit more in 2021; $450 million savings, but that gross margins declined by $700 million. And so skeptical investors look at this and say, well, you guys are doing yeoman's job here right-sizing the cost structure but earnings aren't getting better. I would argue that cost cuts are permanent and these backward dated power prices are hopefully temporary. But can you give us some confidence that there's positive operating leverage here as we move through time and that these lower commodity prices and capacity prices are not structural?

<A - Christopher M. Crane>: We've talked about this before that we've lacked liquidity in the out-years. It's a softer market. Our fundamentals still tell us that this backward dated curve is not what we'll see as the prompt years come in, and so we're managing the book in that manner maintaining as much margin open and using cross commodity hedges to be able to manage that. It's – we will constantly look at driving efficiencies. You can't have a company and operate with any aspect or entity within the company being inefficient. So, driving efficiencies has multiple benefits, but one of them is a reduction in expense. And we'll continue to focus on that as we serve the customer. As far as the market issues, Jim or Joe, do you want to cover any more on that?

<A - James McHugh>: Yeah. I think the only thing I would add about the backwardation of the curve is with the next couple of years starting 2025 and 2024 due to lack of liquidity, we're seeing net retirements of newbuilds over the next year between 2020 and 2023 that would lead us to believe that backwardation won't really subside. We've seen stock prices and I have even in some of the lowest delivered fuel price years cleared north of $26, $27. So, the backwardation to your point is, it seems temporal, Greg.

<Q - Greg Gordon>: Okay. And the final question is given that the balance sheet is so strong and that the rating agencies are finally coming around to considering higher credit ratings, how much balance sheet capacity does that create and/or does it give you more latitude to have a more aggressive risk management policy and take hedge less and take more of your power into the spot and therefore try to get those better prices?

<A - Joseph Nigro>: Greg, it's Joe. The short answer is with that balance sheet capacity, we can be more aggressive. And as I mentioned in my remarks when you look at how far behind we are with our ratable plan and when you overlay the fact that we're using gas as a proxy for power, we are carrying a very long opening power position in 2019 and 2020, and then we're able to do that given the strength of the balance sheet that we have. We continue to challenge ourselves in this regard as well.

And as Jim mentioned on our use of power, we're going to continue to be constructive in the way we manage the portfolio relative to what we think fair value is in the out-years and that leverage on the balance sheet allows us to do that.

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<Q - Greg Gordon>: Thank you, guys.

<A - Christopher M. Crane>: Thanks, Greg.

Operator

Thank you, Greg. Your next question comes from the line of Julien Dumoulin-Smith from Bank of America. Julien, your line is now open.

<Q - Julien Dumoulin-Smith>: Hey, good morning, everyone.

<A - Christopher M. Crane>: Good morning. How are you doing?

<Q - Julien Dumoulin-Smith>: Good, excellent. So I wanted to follow a little bit up on the Utility activities, obviously good progress with PHI yet again but I wanted to elaborate a little bit further on this. Obviously, the cost reductions of say $50-ish million accrued in the Utilities, how does that play out in terms of again increasing your ROE, right? I gathered the bulk of that would be moving back to customers over time, although clearly you're under earning relative to authorized level still.

And then in tandem with that question, if you could elaborate a little bit more on the sort of initial Utility CapEx planning, certainly there's a growing discussion of legislation in Illinois as well as a litany of other smaller programs. I think you've already alluded to a little bit elsewhere across your Utilities system?

<A - Christopher M. Crane>: Yeah, I'll let Anne take that.

<A - Anne R. Pramaggiore>: Sure. Good morning, Julien. Yeah, so a couple responses to your questions. As we think about moving forward, obviously we're going to blend $50 million into the LRP over time. It's not sitting there right now, but we'll look at that as we do the next LRP iteration. And certainly our focus on O&M is to be flat to declining at the Utilities and that, that's the goal as we move forward to manage that side of the equation.

As we think about what we're doing on ROEs and sort of developing that at the PHI utilities and the other utilities, you know the first thing we're doing is looking at how – we were filing annually, how do we reduce lag? One of the ways is we file annually. We've got a stay out provision at DPL until 2020. But with the rest of the utilities, we'll be filing annually. We're looking at other mechanisms to reduce lag riders. We've got the STRIDE rider in Maryland, the DISC rider in Delaware and the IIT rider in New Jersey that we're looking to place about $358 million of capital investment in right now. Interim rates at New Jersey is helping us close that lag gap and we're looking at multiyear rate plan in DC. We've been invited to make that filing and we'll be doing that shortly. So just got an [ph] alt-reg (35:25) provision at PECO authority for the Commission to look at that, so that's something we'll be looking at going forward.

So those are all the ways we're looking to close in on that ROE number. Obviously, looking at – lags are biggest sort of earned to allowed GAAP but also looking at other disallowances too, but really trying to take enough on the lag. So that's how we're thinking about on the ROE going forward.

On the capital side, the question that you asked, we've got – we look at $5 billion a year, a little bit plus north of that going forward for the foreseeable future.

We have continuing modernization work at the Utilities. PECO 4 to 12 kV conversions were closer work. At ComEd, we've got the FEJA voltage optimization work that's about $500 million right there. BGE's got big [ph] bath (36:19) investment, and PHI's got a lot of material condition work – manhole refurbishments, substation rebuilds, that sort of thing.

We've got $1.5 billion in our gas program over the next LRP period. We've got close to $1 billion in security programs across the utilities over the LRP, so there's a lot of work to do. We always, always bookend it with questions of affordability and that's why we stay tight on O&M. And we look at energy efficiency programs to give customers the ability to reduce usage and manage those more tightly. So we're always looking at the affordability side of it and our

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Utilities fit pretty nicely when you look at the national average on percentage of income or percentage of proportion of build to income. We're pretty good. We're below the national average on four and we're right at the national average on the other two builds.

<Q - Julien Dumoulin-Smith>: Got it. Quick clarification as a follow-up here on PJM. I appreciate your comments at the outset. Just timing-related, how do you see this going down with respect to (a) getting an approval out of FERC, but then (b) actually implementing a MOPR just real quickly if you can?

<A - Kathleen L. Barrón>: Hi Julien, it's Kathleen. I can take that question. As you know, reply comments are going into FERC on November 6 with the expectation that the Commission would address the paper hearing sometime in the January timeframe. I think the Commission is well aware that the market is looking for guidance, as Chris said, on what the rules are going to be going forward and importantly the states need to know what changes that they need to make to their clean energy policies to accommodate the new rules coming out of FERC.

So we will look to them to provide that guidance in the January timeframe. As you know, they have delayed the auction until August to give states some time to react, not just – your question was specific to MOPR, but important for us is the ability of states to carve out the assets they wish to support and to procure them directly through a state-led procurement, that is going to be an important change that we're looking for FERC to make in the next order based on the record in front of them, they have an overwhelming amount of support from all supporters of the stakeholder community and the states; to put that change into the tariff and to give states that option going forward to continue to support the clean generation that will help them achieve their carbon reduction goals.

<Q - Julien Dumoulin-Smith>: So you don't see an issue with respect to getting clarity out of the state in time?

<A - Kathleen L. Barrón>: Obviously, the states have different structures that they'll need to examine and some may be able to use existing structure, some may need to adopt new structures, including through legislation. So there will be a – in the states where there is a need for legislation, a premium on moving quickly. Now that being said, I think it's also incumbent on FERC to take that into account and to make that states have adequate time before the rules change into the tariff.

<Q - Julien Dumoulin-Smith>: Great. Thank you.

Operator

Thank you, Julien. Your next question comes from the line of Steve Fleishman from Wolfe Research. Steve, your line is now open.

<Q - Steve Fleishman>: Thank you. I will actually just ask one question. The PJM from a standpoint of – not obviously you have different stakeholders involved here – your states' customers, investors, et cetera. Just from an investor standpoint and not everyone else, do you see the changes as proposed or as you would like to see them being kind of good for shareholders, neutral, how should we think of it just from an investor standpoint?

<A - Christopher M. Crane>: No, we definitely see this as a positive to create clarity and a more rewarding market going forward. We've lacked the clarity, we've isolated at times on programs. I think this is where we'll be able to create clarity, capital allotment; allocation will be much clearer on where we'll be putting capital, what units will be operating, and what units won't be operating. So, but we see this as definitely a benefit to the markets which will be a benefit to the consumer, which will be a benefit to the shareholder.

<Q - Steve Fleishman>: Okay. Thank you.

Operator

Thank you, Steve. Your next question comes from the line of Michael Weinstein from Credit Suisse. Michael, your line is now open.

<Q - Michael Weinstein>: Hi guys. Thanks for taking my questions.

<A - Christopher M. Crane>: Hi, Michael.

<Q - Michael Weinstein>: Hey, two quick questions. The first one is do you think that the uncertainty surrounding FERC and surrounding new rules for capacity and energy. Given all this uncertainty is delaying newbuild or a new start construction plans, if this is going to have an effect on tightening the markets going over the next year or two?

And my second question, I'll just ask it right now is the Public Service Enterprise Group just announced that they're pulling out of the retail business. Is this a potential opportunity for Constellation?

<A - Christopher M. Crane>: First question, newbuilds are driven based off of market needs and economics, and unless we get the economics to support new asset entry, you are going to see what we've seen in the last couple of years, the decline. Then we have to see what comes out of the resiliency review on how the market values different sources of firm-fixed fuel. So, there'll be an evolution before we'll see a real opening or a market response to the demand need for assets or investments to be made to come in. It's basic economics right now. The market is barely supporting the assets that are operating today, so why would you invest into new assets when you are not going to get a recovery or return on your capital.

<A - James McHugh>: Yeah, I can – Hi, Michael, it's Jim McHugh, and I can speak to the retail question. I think with announcement of folks leaving or coming into the retail market, we're always on top of that and looking for opportunities to look for value and acquire books of business.

In this case, I think PSEG has noted that they're going to supply their contracts as they roll off. We'll obviously be there to serve customers as the number one C&I customer and the number two resi customer in the country to look for the business as they roll on. I think, for us, we have that scale. We have developed that scale over the years through acquisitions in organic growth and our platform is very capable of acquiring new customers and retaining existing customers pretty easily. We've been having a lot of success also just finding new products and solutions for customers, in both the residential space and C&I space so we'll keep taking advantage of those opportunities that are in front of us.

<Q - Michael Weinstein>: Great. Thank you very much.

Operator

Thank you Michael. Your next question comes from the line as Jonathan Arnold from Deutsche Bank. Jonathan, your line is now open.

<Q - Jonathan Philip Arnold>: Good morning, guys.

<A - Christopher M. Crane>: Hi, Jon.

<Q - Jonathan Philip Arnold>: Just to pick up on the discussion around the state's legislation and potentially not leading legislation. Kathleen, I heard your comments that there could be different answers depending on which state you're talking about. But is it fair to say, the way you said today that you think Illinois would have to legislate, and then I'm curious what you think about the state of play in New Jersey?

<A - Kathleen L. Barrón>: No, you're correct, Jonathan. I agree with your assessment in Illinois, there will be a need for legislation to adjust those change in rules. And I think a positive, for us, is that we are seeing not just here but across the country a growing sentiment among environmental groups and policymakers that the fastest and cheapest path to decarbonizing is a policy that uses all zero-carbon resources. And so to the extent states want to act to increase their clean energy ambition, we would expect that all assets, including ours would be able to participate in that type of policy as FERC allowing the states to go ahead and procure clean capacity, directly allows them to do so in a way that's going to be able to keep costs down per customers and achieve the clean energy goals at the same time.

So we would look to that kind of structure to the extent the FERC puts this carve out in the tariff in Illinois and in New Jersey given the way that the state law is written there and the authority at the BPU level to do the capacity procurement through the existing BGS structure, there would not be a need for incremental legislation to allow that state's procurement effects to flow through the BGS. So that's why I said I think the answer is different depending on which jurisdiction you're in.

<Q - Jonathan Philip Arnold>: Okay. Great. I was just wanting to see if you could provide that on the individual states, so thank you.

Could I just ask one quick follow-up on the cost savings, you've obviously laid out how you expect them to be timed the Q3 2018 cost reductions. Can you remind us how much of the $250 million you've announced last year was flowing into ExGen and maybe what the sort of sequencing is there in terms of how those ramp up as we're trying to unravel the numbers on, I guess, it's slide 15.

<A - Christopher M. Crane>: Yeah that is in the numbers. I think we're looking for the page now. Joe's got it.

<A - Joseph Nigro>: The $250 million last year, all of it is flowing into ExGen. The reductions were taken at ExGen across the platform nuclear, Constellation in our...

<Q - Jonathan Philip Arnold>: And the timing Joe, is it kind of across the period into 2020 or is most of it is kind of already there in...

<A - Christopher M. Crane>: 2019, you'll get to run rate year.

<Q - Jonathan Philip Arnold>: Okay. All right. Thanks for that.

Operator

Thank you, Jonathan. That concludes the question-and-answer session of today's webcast. I'll hand the call over back to Mr. Chris Crane, CEO of Exelon Corporation.

Christopher M. Crane

Thanks, again, everybody for joining and thanks for the questions. Hopefully, we've covered everything. Any other concerns, please get a hold of IR or myself and we'd be glad to continue to discuss them but thanks to the team – all the 34,000-plus employees at Exelon for delivering another strong quarter and talk to you soon. Thanks. Bye

Operator

Thank you. And that concludes today's webcast. Thank you all for participating. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-08-02
Event Description: Q2 2018 Earnings Call

Market Cap: 40,857.55
Current PX: 42.34
YTD Change($): +2.93
YTD Change(%): +7.435

Bloomberg Estimates - EPS
Current Quarter: 0.895
Current Year: 3.090
Bloomberg Estimates - Sales
Current Quarter: 8574.571
Current Year: 32510.615

Q2 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Joseph Nigro
- Kathleen L. Barrón
- Anne R. Pramaggiore
- James McHugh

Other Participants

- Ali Agha
- Greg Gordon
- Steve Fleishman
- Julien Dumoulin-Smith
- Michael Weinstein
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Daniel L. Eggers

GAAP and Non-GAAP Financial Measures

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures

Please refer to the information contained in the Appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures

Christopher M. Crane

Business Highlights

Opening Remarks

- We understand it's a busy earnings release period
- So thanks for being with us
- Starting on slide 5, we're pleased to deliver another great quarter
- We achieved strong financial results while continuing to enhance our operational performance and make meaningful gains at our utilities on both the regulatory side and the legislative fronts
- Taken together these advances will support our continued strategy to invest in infrastructure, in technology at our utilities delivering better service for our customers

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GAAP and Non-GAAP Basis

- For the quarter, on a GAAP basis, we earned $0.56 per share vs. $0.10 last year
- On a non-GAAP basis, we earned $0.71 per share vs. $0.56 last year, which is above the midpoint of our $0.55 to $0.65 per share in the guidance range and puts us in a strong footing for the year

Investments

- Turning to slide 6, at the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics
- The investments we are making are paying off in improving reliability, strong customer satisfaction, which in turn strengthens our relationships with our regulators
- All of our utilities are achieving top decile performance in KD, which measures the average speed, which we are able to restore power when outages occur
- We are also delivering leading performance across the utilities on customer service metrics as we share best practices and give customers more tools to connect with the utilities when they need service
- Safety still remains our highest priority and the targeted programs implemented last quarter are driving improved results

ExGen

- At ExGen, nuclear generation output was 39 terawatt hours with a capacity factor of 93.2%
- We had 41 fewer outage days compared to last year
- Our gas and hydro fleet continue to perform very well with economic dispatch match rate of 97.8%

Tax Savings

- Turning to slide 7, I'm happy to report that the tax savings from our FERC regulated transmission assets will benefit our customers by an additional $175mm, adding these benefits to the $500mm of savings from our distribution operations that we discussed on last call
- Our 10mm utility customers will realize over $675,000 of an annual benefit from tax reform
- We're pleased that our constructive relationships with our state regulators in FERC allow us to pass these benefits back to our customers in a very timely fashion

Delaware and Pennsylvania

- Flipping over to slide 8, in June, Delaware and Pennsylvania both passed important legislation that reflect our utility priorities in the present and for the future supporting infrastructure investment and positioning for the utility of the future, respectively
- In Delaware, state regulators passed the Distribution System Investment Charge
  - This will support needed infrastructure investment to enhance the system improve service to our customers
- It will provide a mechanism for a more consistent and gradual rate increase for our customers, while also allowing for a more timely recovery on our infrastructure investments

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- Delmarva Power, Delaware plans to make its first filing in Q4 with new rates effective by Q1 2019

Capital

- In Pennsylvania, Governor Wolf signed legislation authorizing the Pennsylvania Public Utility Commission to review and approve alternate rate mechanisms that will better position PECO to make investments in the utility of the future
- The forward-looking regulatory design options in the legislation include a decoupling mechanism, formula rates, multi-year rate plans and performance-based rates
- Both of these laws will help to ensure that our utilities can deploy much needed capital to support reliability and performance of the grid for our customers, while also decreasing the frequency of traditional rate cases

Stakeholders

- I want to especially thank the broad group of stakeholders in both Delaware and Pennsylvania for the support of these laws
- We look forward to finding common ground across all our jurisdictions, as we focus on improving customer service and investing in the utility of the future

ZEC Program

- Slide 9, turning to the ZEC programs, in both Illinois and New York, we are awaiting final decision from the Federal Appeals Court
- We are pleased with the Solicitor General's brief filed in the Illinois case in the Seventh Circuit, which agreed that the states have the authority to enact the ZEC programs
  - We remain confident in our legal position in both the cases, and continue to collect the ZEC revenues as they are being adjudicated

FERC

- In New Jersey, following Governor Murphy's signature, the Board of Public Utilities is beginning to implement the ZEC program there, which we expect to take effect around the end of Q1 2019
- On the Federal Energy policy front, FERC issued an order on PJM two capacity market mitigation proposals
- The order rejected the two-stage capacity re-pricing of multiple RECs proposal submitted by PJM and it also determined that the existing tariff is unjust and unreasonable
  - Instead FERC established a new proceeding to introduce a two part proposal
- The first proposal is to expand the current MOPR to ensure that most if not all plants that receive out-of-market payments will be subject to a minimum offer requirement

FRR

- The second proposal, however, would allow the plants receiving out-of-market payments to avoid the MOPR and instead be withdrawn from the market along with the commensurate amount of load
- This asset specific FRR can be implemented by the states to align with the state's environmental policies

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- FERC has set a schedule to allowing 60 days for comments, 30 days for replies, and a goal of reaching the final decision by January 4

MOPR

- We disagree that the MOPR is necessary
- We are encouraged that FERC has now said that all assets receiving out-of-market payments should be treated the same
- The implementation details will matter but we believe that the partial FRR design could allow states to advance their energy policy goals, which we think is critical to ensure the needed reduction in carbon emissions

PJMs

- With respect to PJMs work on price formation, we continue to look forward for a decision from FERC on the fast start by September and PJM has committed to implement the rule changes in a timely fashion after the FERC order, including reengaging stakeholders on a full integral relaxation
- PJM continues to work through reforms to which storage pricing rules included those related to reserves in the operating reserves demand curve pursuant to the deadlines it had set for those rule changes

Resiliency

- Finally on resiliency, PJM has taken the input and the assumptions and the scenarios that it needs to model in order to assess fuel security of its generation fleet
- This will allow PJM to move forward on evaluating potential changes to market design to ensure that it is properly valuing the fuel security, while it awaits further direction from FERC in the open resilience docket
- We see all these changes as essential to preserve the effective competitive market in PJM and we applaud the ongoing efforts to design and implement these changes

Joseph Nigro

Financial Highlights

Non-GAAP Operating Earnings and Dividend

- Turning to slide 10, we had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.71 per share which is above the $0.56 per share we earned in Q2 2017 as well as our guidance range of $0.55 to $0.65 per share
- Exelon's utilities less Holding Company expenses delivered a combined $0.37 per share
- Compared to our plan, the utility results were better on higher distribution revenue from the approval of the Pepco Maryland settlement, a transmission revenue true-up at BG&E and favorable weather impacts at PECO.

Market Conditions

- Generation earned $0.34 per share in Q2, which was also better than planned

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- Upside came from realized gains from our nuclear decommissioning trust
- Our nuclear plants had another strong quarter with fewer outage days compared to both last year and what was budgeted for this year
- And we benefited from favorable market conditions including FTR settlements in PJM
  - These were partially offset by higher allocated transmission costs

Operating Earnings

- We are reaffirming our full year guidance range of $2.90 to $3.20 per share, which you can see on slide 19
- We expect to deliver operating earnings of $0.80 to $0.90 per share in Q3 compared with $0.85 last year

Utility Earnings

- Turning to slide 11, the $0.71 per share in Q2 this year was $0.15 per share higher than Q2 2017
- Our utility earnings were collectively up $0.04 per share compared to last year, driven primarily by higher rate base and mill rates associated with completed rate cases
- Generation earnings were up $0.12 per share compared with last year benefiting from fewer planned and unplanned nuclear outage days, contributions from the Illinois ZEC program and higher realized nuclear decommissioning trust gains partially offset by lower power price realizations

PHI

- Moving to slide 12, our utilities continued to execute financially as we look at our trailing 12-month earned ROEs
- Starting with PHI, we made modest gains at each utility as we continue to deliver improved operational and financial performance since the merger
- Pepco's higher earnings reflect the distribution rate cases from last fall and the recent Pepco Maryland settlement that took effect on June 1, 2018
- Looking to next quarter, Pepco's earned returns should benefit from a full quarter of the Maryland settlement reached in April and a partial quarter benefit from the pending DC settlement

Delaware

- Delmarva's earned ROEs now include the benefits of interim rates in Delaware that took effect in March 2018, and at Atlantic City Electric we saw higher earnings from the ACE settlement effective October 2017, which was largely offset with higher O&M and depreciation expense
- We expect to see ROE improvement with full flow through of the October 2017 settlement

PHI Utilities

- For all of the PHI utilities, trailing 12 month ROEs in Q4 should show additional uplift as the FAS 109 changes from Q4 2017 drop out of the calculation

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- For the legacy Exelon utilities, our earned ROEs remained over 10%, lifting the consolidated utilities platform to nearly 9.5% including PHI.
- We are happy with our overall utility performance but still see room for improvement at PHI as the better operating performance translates into higher earned returns
- And as we have said before, we are confident in our ability to deliver on our plan and still expect earned ROEs in 2019 to be in the 9% to 10% range across the utilities

Regulatory Front

- Turing to slide 13, we remain busy on the regulatory front
- On the last call, we discussed settlement arrangements in April at both Pepco DC and Pepco Maryland, providing revenue decreases of $24.1mm and $15mm respectively after reflecting tax savings benefits for customers
- On May 31, the Maryland PSC approved the settlement for Pepco Maryland with rates effective on June 1

Pepco DC

- For Pepco DC, the Commission is expected to approve the settlement in Q3 with rates effective shortly thereafter
- We are also able to reach a settlement in our Delmarva, Delaware electric distribution case on June 27, 2018 making it the second consecutive electric case we have settled in recent history
- The case will provide $7mm revenue reduction inclusive of tax benefits
  - We expect a final order in Q3
- As Chris noted earlier, Delmarva Power, Delaware expects to make its first filing under the Distribution System Investment Charge tracker in Q4 2018, with the new charge appearing on customer bills by Q1 2019

STRIDE

- We also have a number of rate cases still in play
- On June 8th, BG&E filed for $63mm increase to its gas revenues and $22mm STRIDE surcharge reset with an order expected in January 2019
- BGE's continued investments in STRIDE and gas systems safety and reliability programs are driving the need for this requested increase
- In Delaware, we have an outstanding gas distribution rate case at Delmarva that is scheduled for completion in Q4
- In Pennsylvania, PECO filed for an electric distribution base rate case in March for the first time in three years
- We expect to receive an order in H2 this year
- Finally, on April 16th, we filed for rate updates at ComEd as part of the standard annual formula process
  - We expect to receive an order in Q4

Strategy

- We appreciate the hard work of our utilities and regulatory teams

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- Our investment is focused on improving system reliability and the customer experience are having positive benefits in the communities we serve
- By delivering on a regulatory strategy, we're able to make these investments, while also earning a fair and timely return on the capital being deployed
- More details on the rate cases and their schedules can be found on slides 27 through 33 in the Appendix

Capital Investment

- Turning to slide 14 and continuing on the topic of capital investment at our utilities, we invested $1.3B of capital at the utilities during Q2 and are at $2.6B YTD
- We remain on track to meet our $5.5B capital budget for 2018

PECO's Gas Main and Service Replacement Program

- Today, I would like to highlight two additional projects that are part of our overall budget and offer real benefits to our customers and communities
- The first is PECO's gas main and service replacement program
- The project will replace nearly 1,800 miles of gas mains and service lines of which 520 miles has already been completed
- We continue to work with the state to accelerate the implementations having shortened the replacement cycle at the start of the program from 30 years to 20 years, today
  - These efforts will reduce risk on the distribution system by replacing aged materials, which we believe is good for our customers

TPA

- The second project relates to BGE's investments in Trade Point Atlantic or TPA
- Over the next five years BGE will invest $150mm in transmission and distribution infrastructure including construction of a 93 megawatt substation
- These investments will support the new 3,100 acre commercial industrial TPA development in Baltimore County, which is projected to generate 17,000 permanent jobs, plus an additional 21,000 during construction
  - This project is another example of our efforts to continuously work with our states to identify and support development efforts that drive economic growth in our service territories

ExGen

- Turning to slide 15, it provides our gross margin update for ExGen
- This quarter we have included the New Jersey ZEC revenue in our 2019 and 2020 disclosures for the first time
- Relative to our last update, we saw some movement within the buckets
- Our total gross margin in each year is unchanged from our last update with the exception of an additional $50mm in both 2019 and 2020 associated with the New Jersey ZEC revenue

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- For 2018, open gross margin was up $100mm primarily due to higher NI Hub and PJM West Hub prices, offset by weakening ERCOT spark spreads and our hedges
- We had a strong quarter in new business execution creating $200mm of Power New Business in our retail and wholesale channels as we capitalized on ERCOT volatility

Gross Margin

- In 2019 and 2020, total gross margins are up $50mm in each year with the New Jersey ZEC revenue, which shows up in the capacity and ZEC line
- Open gross margin is up $100mm in 2019 due to higher prices in New York Zone A and PJM West Hub
- Open gross margin is flat in 2020
  - We also executed $50mm of Power New Business in 2019 and 2020

Hedging Program

- We ended the quarter basically in line with our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 and 6% to 9% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration
- We remain comfortable being more open when we look at the market fundamentals compared to forward prices particularly at NI Hub

Balance Sheet

- Turning to slide 16, we remain committed to maintaining a strong balance sheet and our efforts on this front have been noticed with Fitch placing Exelon, PECO, and BG&E all on positive outlook in June
- Our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds
- We are forecasting ExGen's leverage to be 2.6 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3.0 times

Debt Basis

- On a recourse debt basis, we are at 2.1 times, which is well below our target
- We will continue to manage our balance sheet at ExGen over time to the 3.0 debt-to-EBITDA level
  - So look for us to focus on debt reduction at both HoldCo and GenCo

Christopher M. Crane

Q2 Highlights

Rate Base Growth and EPS

- Turning to slide 17, again, we had a strong financial quarter and operationally that is a testament to the hard work and dedication of our employees

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- Our financial footing and sounding continues to gain momentum
- Here again, I'll restate our proposition value
- We continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021
- We continue to use free cash from the GenCo to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and fund part of the faster dividend growth
- We continue to focus on optimizing value for the ExGen business by seeking fair compensation for our carbon free generation fleet, supporting proper price formation in PJM and resiliency initiatives at FERC and working to develop capacity market reforms at PJM pursuant to the recent FRR order

Debt Reduction Plan

- We continue to close uneconomic plants and sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gentle load matching
- We continue to sustain strong investment-grade credit metrics, as Joe pointed out, in our growth driven consistently at 5% through 2020

QUESTION AND ANSWER SECTION

<Q - Ali Agha>: The first question on the PHI utilities, what's the aspiration there? I mean, are those utilities and the way the system is set up, are they set up that they can ultimately earn their authorized ROE or will there be a permanent lag in the system and when do you think you will be at the maximum in terms of your earned vs. allowed ROE [indiscernible] (24:22)?

<A - Christopher M. Crane>: So there is a lag component at a couple of the PHI utilities now that we're working on. We've talked about ACE. We think we have the right legislative package to help that reduce that in Delaware and we're also working on different proceedings at Pepco Maryland and Pepco DC. We project it to be within the 9.5% range by the end of 2019. We're on track to do that. We have the developed activities that are helping. We also have the efficiency programs we're putting in place. So, I think we're well on plan. We recognize the legacy issues that were happening around that and are having constructive dialogue with our legislators as we've done in Delaware, our regulators, as we're doing with the filing in New Jersey and we'll continue to focus on that.

<Q - Ali Agha>: Okay. And then Chris to the extent that Forex proposal for PJM and the FRR aspect of it does become law and moves forward. How do you look at that relative to your portfolio and what that means for Exelon?

<A - Christopher M. Crane>: Well, you can imagine. I'm going to let Kathleen Barrón cover that. But, as you can imagine, there's a lot of evaluation that we have to do right now to really choose the path that benefits our customers and our fleets. So, Kathleen?

<A - Kathleen L. Barrón>: Yeah. Thanks for the question, Ali. I think what we're facing here is markets that because they're not pricing pollution are making emitting resources look less expensive and they're pushing out clean resources, including ours, as you know, 10.6 gigawatts of uncleared nuclear in the last auction.

I think what FERC is saying in this order is that rather than letting RPM continue to push those units out, they're giving safety opportunity to pull them in and instead of paying PJM to support units that perhaps they don't want to support they can directly pay those assets. And so, as Chris said in the opening of the call, implementation details certainly matter. But we think this is an extremely constructive approach to allowing states to choose the resources, the clean resources that they need to continue to keep running to achieve the our goals of reducing carbon and air pollution for their citizens.

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<Q - Ali Agha>: Okay. And last question with regards to the pending litigation in New York and Illinois, any marker we should be keeping an eye on to give us some framework of when the decision might come from either of those states?

<A - Kathleen L. Barrón>: Unfortunately, we have no way to know exactly when those orders will issue but the cases have been fully briefed and we expect them to issue any time. There is nothing that we know that's holding them up.

<Q - Greg Gordon>: Joe, just a question for you with regard to the quarter. I mean, obviously the numbers were quite robust, but there was $0.05 of positive earnings from NDT. I mean that's not necessarily – I know that that moves around every quarter, but I wouldn't consider that necessarily the highest quality earnings. But even if you exclude that, you were still ahead of your prior guidance range. So can you just walk us through what you think sort of a clean basis and was that still in excess of your expectations?

<A - Joseph Nigro>: Yeah. If you subtract the $0.05 for NDT, Greg, what I would say is, when you look at it overall, the midpoint of our range was $0.60. We obviously earned $0.71 on an operating basis. A little more than 50% of that was coming from the utilities. And as I mentioned in my prepared remarks, it is driven by three things: the transmission settlement at BG&E, the yearly implementation of the rate settlement at Pepco Maryland, and as well as stable weather at PECO were the big drivers there. And then the balance was GenCo and NDT was a big piece of that but we also had favorable market conditions related to the FDR option during the quarter. Our Generation performance was stellar, and then it was offset by some transmission costs. So you could see even subtracting out the NDTs, the performance was very strong across the operating businesses.

<Q - Greg Gordon>: Right. And I heard you indicate that you're – and show that you're running well below your debt to EBITDA target and thus you can address that by using your cash to – in addition to funding rate-based growth, dividend, not just think just think about paying down ExGen debt, but also working down parent debt. But there's a bigger issue here, which is that you know the FFO to debt targets that the rating agencies are holding you to seem excessively high relative to the declining risk profile of the company. What has to happen to evolve the conversation with the rating agencies to get a lower threshold? And is it really dependent on getting more certainty on capacity and energy market reforms at this point since you've shown demonstrably that you're one of the best operators on the utility side of the house in the country?

<A - Christopher M. Crane>: Yes. So Greg, we have been and will continue to have dialogue with all the rating agencies. You heard Joe's conversation on Fitch. We've had a good dialogue with S&P. They understand our strategy, they're wanting to see it consistently implemented. They recognize that it is being consistently implemented. I think you know a couple of milestones coming through with the final approval from the Appellate Court on the ZECs, making that revenue look much more like regulated revenue, continuing to follow our path on debt reduction, which part of that is building balance sheet space, de-risking, but also part of it is liability matching with the nuclear assets and their life into the 30s and 40s. So we just have to continue to execute on our plan. We're having very positive dialogue. We appreciate the Fitch positive. We look forward to hearing from the others and hopefully shortly that they're seeing it and we'll be able to talk about not only moving thresholds, but potentially a more positive rating.

<Q - Greg Gordon>: Okay. My last question you may have already demonstrably answered previously, but if in fact, you're given – you and the states are given the option of pursuing an FRR type structure for plants that are deemed to be important in those regions. Does the legislation that you currently have in Illinois and New Jersey for instance create the flexibility to do that or would you need to go back to your legislators and engage them in a restructuring of that legislation to give them the flexibility they would need to bring those assets out of the capacity market and properly compensate them?

<A - Kathleen L. Barrón>: Hey, Greg. It's Kathleen. We're currently looking at existing legislative authority in all of our states. And so I think it's going to depend on the jurisdiction. And it's also going to depend on what FERC's order ultimately says about what authority states will be to exercise in order to take advantage of this option. So I think, it's going to differ depending on the state. But we're currently evaluating the best path forward in each of the states that have clean energy targets that we think this order will help them meet.

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<Q - Steve Fleishman>: Just I guess, you know it's hard to kind of interpret a lot of these FERC proposals in different directions. You also had the Mystic decision. And so, maybe you can just give a broader perspective of what they're trying to achieve here and just what could change vs. this initial proposal before we hear kind of I guess a final structure by early next year?

<A - Christopher M. Crane>: Yeah. So the fight – the disagreement within the stakeholders is around the supplemental income that is being received for the social benefit of carbon reduction within our states. We lack a federal policy as you know on carbon, although the conversation continues and that would be the ultimate fix. That would really level the playing field and allow the states to [ph] skip (34:15) support of federal policy. Short of that, the states have deemed – the majority of states that we operate in that they want to preserve the low carbon output that they have.

They understand that 60% of the power in the State of Illinois is carbon-free, 90% of that is nuclear. We start shutting down nuclear plants like you look at the FE announcement, every penny that's been spent in PJM and outside of PJM on REX to achieve a lower carbon output would be wiped out. It's like we threw the money away. So you've got a very passionate belief within some of our states that they want to keep these assets. PJM has been unable under the current tariffs to be able to separate and support at this point the environmental needs of their stakeholders. So what this allows from FERC is a positive move to say if the administration and the legislation in New Jersey wants to preserve a low carbon future for its state and for its citizens. It allows Illinois to do the same thing. If New York wanted to look at something, it could do something for New York. So I think, this is finally setting the final decision on how we manage these assets that may be out of the capacity revenue stream, not clearing, but the state wants to keep them. We had Secretary Perry at the FitzPatrick Plant yesterday with Congressman Katko and it was very positive. I mean we are gaining momentum, but not only in his opening comments, in the press conference and with our tour in discussion with local officials, is he concerned about the economic benefits of the plant. He's concerned about the reliability and the resiliency on the fuel diversity and he's also commented on their capabilities for low carbon.

So you've seen us go back and forth between ZECs and between other programs to try to save. We've seen the arguments from other stakeholders against it and I think this gives us a path to finally put it to bed.

<Q - Steve Fleishman>: Okay. That's helpful. And just one other question on it, if you were to get into kind of an FRR structure like, do you have any sense on like how long that would be i.e., you know if that's kind of a form of reregulation of the plant, is that for good, is that for you know a set amount of time like the ZECs are?

<A - Kathleen L. Barrón>: Yeah. Steve, I'll jump in on that, that's certainly one of the implementation details that will be worked out through the FERC docket, but it's important to know we're not talking about [ph] reload (37:27) regulation, we're talking about an alternative way to pay the units for capacity, and let the states choose which units they'd like to pay for capacity as opposed to letting RPM select the assets. So it's a step towards the future that Chris identified, that we anticipate will be short-term. The current FRR structure as you know allows units or zones to step out of RPM for a five year period with the option to come back in. And ultimately if we get this to the longer term carbon solution that Chris identified, then these decisions will be made by the market through a carbon price and that will be a longer term structure that will benefit our customers.

<Q - Julien Dumoulin-Smith>: Just to clarify the last question actually if we can start there. I just want to make sure I'm hearing this correctly. Is your expectation that states would actually move through the motions to file for this FRR or is it rather that your expectation that status quo would maintain itself with respect to just continue to clear assets or attempt to clear assets given wherever your avoided costs might be?

<A - Kathleen L. Barrón>: Julien, it's Kathleen. I think it's the former that we would expect states to be looking very closely at this opportunity, not just because of course of the nuclear [Technical Difficulty] (39:02) the renewable fleet effects, any asset efficiency demand response that's receiving support from customers directly. And so there are a lot of stakeholders who have an interest in making sure that the states are going to be able to do clean capacity procurements and have that capacity recognized by RPM – by PJM rather.

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<Q - Julien Dumoulin-Smith>: And you've confidence that you can indeed find a way from a regulatory path to support an FRR implementation including compensation for the units, if that's where it goes in both Illinois and New Jersey, to be clear?

<A - Kathleen L. Barrón>: Yes, sir.

<Q - Julien Dumoulin-Smith>: All right, excellent. Now, let me turn back to the utility side of the equation here where things are booming obviously. Can you comment on the New Jersey side with CapEx? I mean we've talked a lot about New Jersey in the context of the nuclear plants, but obviously the Governor is implementing a lot more than that, maybe energy efficiency filings, offshore wind seems to generate some opportunities at ACE. Just curious how you're thinking about that and what's reflected in the budget as it stands today?

<A - Anne R. Pramaggiore>: Hi, Julien, it's Anne Pramaggiore. How are you?

<Q - Julien Dumoulin-Smith>: Good, thank you.

<A - Anne R. Pramaggiore>: Good morning. On the New Jersey side, obviously with the new legislation, there's a couple of areas that we're looking into, it's subject to – a lot of it's subject to regulatory proceedings that are yet to come. So you would not see what we would be looking at reflected in the budgets or the earnings to-date. But there's an area around energy efficiency, we traditionally have not been involved in energy efficiency programs except for some program funding in the past, and that's one of the things we'll look toward going forward.

So to the extent that there's capital investment in energy efficiency, voltage conservation programs, you could start to see those reflected going forward. We also have opportunity to invest in storage and solar going forward in New Jersey. But again, these are all subject to proceedings, at the commission before we have a sense of exactly what that looks like. But we think there's tremendous opportunity here especially as we think about utility of the future, the kind of businesses that we can be in looking forward, serving customers with the types of programs and products and services that they like. So we think there's a great platform there, but some work to do with the regulatory agency.

<A - Christopher M. Crane>: The only thing I'd add to that is, we have a very high sensitivity to rates on our customers. As you know that that part of the state has gone through a downturn. And so as we make the investments which we can do efficiently, we're going to keep a constant focus on those rates. So we're not impairing the future development of commercial, industrial or residential customers.

<Q - Michael Weinstein>: Hey. Can you talk a little bit about what your expectations are for the summer power market in Texas, given I guess it's gotten off to kind of a mild start? And then also talk about the recent acquisition on the retail side that you guys executed with FES and what the implications are for Constellation from that?

<A - James McHugh>: Okay. Hi, Michael. It's Jim McHugh from Constellation. As far as ERCOT summer, what we've seen is some volatility in the forward markets and the weekly markets going into delivery and even in the day ahead markets, we've seen some pricing that exhibited on the ORDC curve, some higher price spikes. In the real-time market, it hasn't come to fruition. So it's led to a large spread between day ahead and real-time. In real-time, we really saw great operating conditions. The wind performed at or better than forecast. There were minimal generation force outages, so the generators all performed very well, and there were some good demand response availability.

But prior to going into the period, we saw weeks trading as high as $800 or $900 and the month of July and August trading in the $200 range. As far as our portfolio, performed well, we're able to take advantage of some of that market volatility we saw in the forward markets. You saw that we executed $200mm of new business this quarter for 2018 on the power side, a good chunk of that is represented by our activity in Texas and what we're able to do and our gen-to-load strategy proved valuable once again. We were able to serve the high load and the high demand with our peaking fleet and the options that we owned.

Going forward, I think we expect that volatility to continue. You'll have continued demand growth of 1 gigawatt to 1.5 gigawatts a year with really some wind and solar build out and very little thermal gas combined cycle generation build out. So that volatility will continue, next summer is trading right around the $100 right now and we would expect you would see the same exhibited volatility on the forward curve between now and delivery period of next summer.

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For the acquisition of FirstEnergy, it's a great fit for our portfolio. We would be paying $140mm subject to price adjustments based on market moves before the process is over. But there's 900,000 customers on the C&I side and residential side across six states. It'd be a great fit for our gen-to-load and gen-to-customer strategy that we've been deploying. We'd also be buying some certain power in basis hedges as part of the process. So it's a strong complement to our existing portfolio and it would provide repeatable and sustainable customer business through renewals and brand recognition for us.

<Q - Michael Weinstein>: Hey, just a quick follow-up. I think you said that earlier in the call that you're a little closer to ratable in hedging for 2020 I think it was vs. 2019. And I'm just wondering, should I be reading anything into that that you're becoming closer to ratable as you go further out, is that sort of a negative take on the power markets or?

<A - James McHugh>: No, Michael, it's not. It's actually we're just building that position, as we hedged the third year of our three year program, we'll continue to grow that behind ratable position. We're currently about 7% or 8% behind ratable in 2020. We've added some gas hedges and cross-commodity hedges to further expose ourselves to upside in power markets. The concentration of our behind ratable position is largely in NI Hub and ERCOT. So I wouldn't read into that. I think our position is similar and growing to be similar across both those years.

<Q - Praful Mehta>: So just wanted to get a sense for getting back to the capacity auction on the capacity market reform piece. If the states are required to kind of support the asset both from the ZEC payment as well as [indiscernible] (46:33), are there any winners, losers in terms of states, I think would make it more difficult to get done especially in this timeframe. Are there some states who will be more inclined to get this vs. others?

<A - Kathleen L. Barrón>: I can take that one as well. It's certainly going to depend on the state's readiness, how quickly this gets implemented. So I take the question to be one of what kind of transition period might we be looking at, and I think that's going to be a subject of active debate in the paper hearing at FERC, as to whether there needs to be some sort of transition period to allow states to understand what the rules are and take advantage of them. So I think you should look for that to play out as part of the FERC process.

<Q - Praful Mehta>: Got you. Thank you. And then in terms of ERCOT, if the volatility clearly has been high, should we expect that if there are retail players struggling at the back end of extreme volatility that you're looking to expand your retail position or is there any goals that you see to kind of expand your portfolio position in ERCOT at all?

<A - James McHugh>: Hi Praful, it's Jim again. I think we did see going into the summer, one small retailer go out of business with the new collateral posting requirements by ERCOT, which include a look at the forward markets. It might be harder for some of the smaller retail providers to manage their balance sheet if they're undercapitalized through those collateral requirements. For us, I think strategy is the same. We'll look for good value propositions. Our track record with Integrys and Con Ed and what we're looking at now with the FES book will continue to be the same to look for value. As far as the lag effect, you may see the impact of the volatility for the larger players impact maybe in the longer term as the contract tenures and the extended start dates are further out in the curve. So they're currently contracting for load out two or three years forward.

<Q - Praful Mehta>: Got you. Thanks. And just quickly just, I mean, ExGen O&M cost reductions, I noticed their target, I think 75% in 2018, 50% by 2019. Is that all on track right now?

<A - Christopher M. Crane>: It's not only on track, it's Crane, Praful, it's not only on track. We are continuing to work to become more efficient, continue to compete in the markets we're in. We are on track to achieve those if not to exceed those, so we're in good shape.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-08-02
Event Description: Q2 2018 Earnings Call

Market Cap: 40,857.55
Current PX: 42.34
YTD Change($): +2.93
YTD Change(%): +7.435

Bloomberg Estimates - EPS
Current Quarter: 0.895
Current Year: 3.090
Bloomberg Estimates - Sales
Current Quarter: 8574.571
Current Year: 32510.615

Q2 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Joseph Nigro
- Kathleen L. Barrón
- Anne R. Pramaggiore
- James McHugh

Other Participants

- Ali Agha
- Greg Gordon
- Steve Fleishman
- Julien Dumoulin-Smith
- Michael Weinstein
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to Exelon 2018 Second Quarter Earnings Call. My name is Nora and I will be facilitating the audio portion of today's interactive broadcast. [Operator Instructions]

This event also features streaming audio which allows you to listen to the show through your PC speakers. And for those of you on the stream, please take note of the option available in your event console.

At this time, I'd like turn the show over to Dan Eggers, Exelon's Senior Vice President of Investor Relations. Please go ahead, sir.

Daniel L. Eggers

Thank you, Nora. Good morning, everyone, and thank you for joining our second quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Joe Nigro, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section on Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the Appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. We scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan, and good morning, everybody. Thank you for joining us today. We understand it's a busy earnings release period. So thanks for being with us.

Starting on slide 5, we're pleased to deliver another great quarter. We achieved strong financial results while continuing to enhance our operational performance and make meaningful gains at our utilities on both the regulatory side and the legislative fronts. Taken together these advances will support our continued strategy to invest in infrastructure, in technology at our utilities delivering better service for our customers.

For the quarter, on a GAAP basis, we earned $0.56 per share versus $0.10 last year. On a non-GAAP basis, we earned $0.71 per share versus $0.56 last year, which is above the midpoint of our $0.55 to $0.65 per share in the guidance range and puts us in a strong footing for the year.

Turning to slide 6, at the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics. The investments we are making are paying off in improving reliability, strong customer satisfaction, which in turn strengthens our relationships with our regulators. All of our utilities are achieving top decile performance in KD, which measures the average speed, which we are able to restore power when outages occur. We are also delivering leading performance across the utilities on customer service metrics as we share best practices and give customers more tools to connect with the utilities when they need service. Safety still remains our highest priority and the targeted programs implemented last quarter are driving improved results.

At ExGen, nuclear generation output was 39 terawatt hours with a capacity factor of 93.2%. We had 41 fewer outage days compared to last year. Our gas and hydro fleet continue to perform very well with economic dispatch match rate of 97.8%.

Turning to slide 7, I'm happy to report that the tax savings from our FERC regulated transmission assets will benefit our customers by an additional $175 million, adding these benefits to the $500 million of savings from our distribution operations that we discussed on last call. Our 10 million utility customers will realize over $675,000 of an annual benefit from tax reform. We're pleased that our constructive relationships with our state regulators in FERC allow us to pass these benefits back to our customers in a very timely fashion.

Flipping over to slide 8, in June, Delaware and Pennsylvania both passed important legislation that reflect our utility priorities in the present and for the future supporting infrastructure investment and positioning for the utility of the future, respectively. In Delaware, state regulators passed the Distribution System Investment Charge. This will support needed infrastructure investment to enhance the system improve service to our customers. It will provide a mechanism for a more consistent and gradual rate increase for our customers, while also allowing for a more timely recovery on our infrastructure investments. Delmarva Power, Delaware plans to make its first filing in the fourth quarter with new rates effective by the first quarter of 2019.

In Pennsylvania, Governor Wolf signed legislation authorizing the Pennsylvania Public Utility Commission to review and approve alternate rate mechanisms that will better position PECO to make investments in the utility of the future. The forward-looking regulatory design options in the legislation include a decoupling mechanism, formula rates, multi-year rate plans and performance-based rates. Both of these laws will help to ensure that our utilities can deploy much needed capital to support reliability and performance of the grid for our customers, while also decreasing the frequency of traditional rate cases.

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I want to especially thank the broad group of stakeholders in both Delaware and Pennsylvania for the support of these laws. We look forward to finding common ground across all our jurisdictions, as we focus on improving customer service and investing in the utility of the future.

Slide 9, turning to the ZEC programs, in both Illinois and New York, we are awaiting final decision from the Federal Appeals Court. We are pleased with the Solicitor General's brief filed in the Illinois case in the Seventh Circuit, which agreed that the states have the authority to enact the ZEC programs. We remain confident in our legal position in both the cases, and continue to collect the ZEC revenues as they are being adjudicated.

In New Jersey, following Governor Murphy's signature, the Board of Public Utilities is beginning to implement the ZEC program there, which we expect to take effect around the end of the first quarter 2019.

On the Federal Energy policy front, FERC issued an order on PJM two capacity market mitigation proposals. The order rejected the two-stage capacity re-pricing of multiple RECs proposal submitted by PJM and it also determined that the existing tariff is unjust and unreasonable. Instead FERC established a new proceeding to introduce a two part proposal. The first proposal is to expand the current MOPR to ensure that most if not all plants that receive out-of-market payments will be subject to a minimum offer requirement.

The second proposal, however, would allow the plants receiving out-of-market payments to avoid the MOPR and instead be withdrawn from the market along with the commensurate amount of load. This asset specific FRR can be implemented by the states to align with the state's environmental policies. FERC has set a schedule to allowing 60 days for comments, 30 days for replies, and a goal of reaching the final decision by January 4.

We disagree that the MOPR is necessary. We are encouraged that FERC has now said that all assets receiving out-of-market payments should be treated the same. The implementation details will matter but we believe that the partial FRR design could allow states to advance their energy policy goals, which we think is critical to ensure the needed reduction in carbon emissions.

With respect to PJMs work on price formation, we continue to look forward for a decision from FERC on the fast start by September and PJM has committed to implement the rule changes in a timely fashion after the FERC order, including reengaging stakeholders on a full integral relaxation. PJM continues to work through reforms to which storage pricing rules included those related to reserves in the operating reserves demand curve pursuant to the deadlines it had set for those rule changes.

Finally on resiliency, PJM has taken the input and the assumptions and the scenarios that it needs to model in order to assess fuel security of its generation fleet. This will allow PJM to move forward on evaluating potential changes to market design to ensure that it is properly valuing the fuel security, while it awaits further direction from FERC in the open resilience docket. We see all these changes as essential to preserve the effective competitive market in PJM and we applaud the ongoing efforts to design and implement these changes.

Now, I'll turn it over to Joe and he can walk through some of the numbers.

Joseph Nigro

Thank you, Chris, and good morning, everyone. Turning to slide 10, we had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.71 per share which is above the $0.56 per share we earned in the second quarter of 2017 as well as our guidance range of $0.55 to $0.65 per share. Exelon's utilities less Holding Company expenses delivered a combined $0.37 per share. Compared to our plan, the utility results were better on higher distribution revenue from the approval of the Pepco Maryland settlement, a transmission revenue true-up at BG&E and favorable weather impacts at PECO.

Generation earned $0.34 per share in the second quarter, which was also better than planned. Upside came from realized gains from our nuclear decommissioning trust. Our nuclear plants had another strong quarter with fewer outage days compared to both last year and what was budgeted for this year. And we benefited from favorable market

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conditions including FTR settlements in PJM. These were partially offset by higher allocated transmission costs.

We are reaffirming our full year guidance range of $2.90 to $3.20 per share, which you can see on slide 19. We expect to deliver operating earnings of $0.80 to $0.90 per share in the third quarter compared with $0.85 last year.

Turning to slide 11, the $0.71 per share in the second quarter of this year was $0.15 per share higher than the second quarter of 2017. Our utility earnings were collectively up $0.04 per share compared to last year, driven primarily by higher rate base and mill rates associated with completed rate cases. Generation earnings were up $0.12 per share compared with last year benefiting from fewer planned and unplanned nuclear outage days, contributions from the Illinois ZEC program and higher realized nuclear decommissioning trust gains partially offset by lower power price realizations.

Moving to slide 12, our utilities continued to execute financially as we look at our trailing 12-month earned ROEs. Starting with PHI, we made modest gains at each utility as we continue to deliver improved operational and financial performance since the merger. Pepco's higher earnings reflect the distribution rate cases from last fall and the recent Pepco Maryland settlement that took effect on June 1, 2018.

Looking to next quarter, Pepco's earned returns should benefit from a full quarter of the Maryland settlement reached in April and a partial quarter benefit from the pending DC settlement.

Delmarva's earned ROEs now include the benefits of interim rates in Delaware that took effect in March 2018, and at Atlantic City Electric we saw higher earnings from the ACE settlement effective October 2017, which was largely offset with higher O&M and depreciation expense. We expect to see ROE improvement with full flow through of the October 2017 settlement. For all of the PHI utilities, trailing 12 month ROEs in the fourth quarter should show additional uplift as the FAS 109 changes from the fourth quarter of 2017 drop out of the calculation.

For the legacy Exelon utilities, our earned ROEs remained over 10%, lifting the consolidated utilities platform to nearly 9.5% including PHI. We are happy with our overall utility performance but still see room for improvement at PHI as the better operating performance translates into higher earned returns. And as we have said before, we are confident in our ability to deliver on our plan and still expect earned ROEs in 2019 to be in the 9% to 10% range across the utilities.

Turing to slide 13, we remain busy on the regulatory front. On the last call, we discussed settlement arrangements in April at both Pepco DC and Pepco Maryland, providing revenue decreases of $24.1 million and $15 million respectively after reflecting tax savings benefits for customers. On May 31, the Maryland PSC approved the settlement for Pepco Maryland with rates effective on June 1. For Pepco DC, the Commission is expected to approve the settlement in the third quarter with rates effective shortly thereafter. We are also able to reach a settlement in our Delmarva, Delaware electric distribution case on June 27, 2018 making it the second consecutive electric case we have settled in recent history. The case will provide a $7 million revenue reduction inclusive of tax benefits. We expect a final order in the third quarter.

As Chris noted earlier, Delmarva Power, Delaware expects to make its first filing under the Distribution System Investment Charge tracker in the fourth quarter of 2018, with the new charge appearing on customer bills by the first quarter of 2019.

We also have a number of rate cases still in play. On June 8th, BG&E filed for a $63 million increase to its gas revenues and a $22 million STRIDE surcharge reset with an order expected in January 2019. BGE's continued investments in STRIDE and gas systems safety and reliability programs are driving the need for this requested increase. In Delaware, we have an outstanding gas distribution rate case at Delmarva that is scheduled for completion in the fourth quarter. In Pennsylvania, PECO filed for an electric distribution base rate case in March for the first time in three years. We expect to receive an order in the second half of this year. Finally, on April 16th, we filed for rate updates at ComEd as part of the standard annual formula process. We expect to receive an order in the fourth quarter.

We appreciate the hard work of our utilities and regulatory teams. Our investment is focused on improving system reliability and the customer experience are having positive benefits in the communities we serve. By delivering on a regulatory strategy, we're able to make these investments, while also earning a fair and timely return on the capital

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being deployed. More details on the rate cases and their schedules can be found on slides 27 through 33 in the Appendix.

Turning to slide 14 and continuing on the topic of capital investment at our utilities, we invested $1.3 billion of capital at the utilities during the second quarter and are at $2.6 billion year-to-date. We remain on track to meet our $5.5 billion capital budget for 2018.

Today, I would like to highlight two additional projects that are part of our overall budget and offer real benefits to our customers and communities. The first is PECO's gas main and service replacement program. The project will replace nearly 1,800 miles of gas mains and service lines of which 520 miles has already been completed.

We continue to work with the state to accelerate the implementations having shortened the replacement cycle at the start of the program from 30 years to 20 years, today. These efforts will reduce risk on the distribution system by replacing aged materials, which we believe is good for our customers.

The second project relates to BGE's investments in Trade Point Atlantic or TPA. Over the next five years BGE will invest $150 million in transmission and distribution infrastructure including construction of a 93 megawatt substation. These investments will support the new 3,100 acre commercial industrial TPA development in Baltimore County, which is projected to generate 17,000 permanent jobs, plus an additional 21,000 during construction. This project is another example of our efforts to continuously work with our states to identify and support development efforts that drive economic growth in our service territories.

Turning to slide 15, it provides our gross margin update for ExGen. This quarter we have included the New Jersey ZEC revenue in our 2019 and 2020 disclosures for the first time. Relative to our last update, we saw some movement within the buckets. Our total gross margin in each year is unchanged from our last update with the exception of an additional $50 million in both 2019 and 2020 associated with the New Jersey ZEC revenue. For 2018, open gross margin was up $100 million primarily due to higher NI Hub and PJM West Hub prices, offset by weakening ERCOT spark spreads and our hedges. We had a strong quarter in new business execution creating $200 million of Power New Business in our retail and wholesale channels as we capitalized on ERCOT volatility.

In 2019 and 2020, total gross margins are up $50 million in each year with the New Jersey ZEC revenue, which shows up in the capacity and ZEC line. Open gross margin is up $100 million in 2019 due to higher prices in New York Zone A and PJM West Hub. Open gross margin is flat in 2020. We also executed $50 million of Power New Business in 2019 and 2020.

We ended the quarter basically in line with our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 and 6% to 9% behind ratable in 2020 when considering cross commodity hedges where we have increased our concentration. We remain comfortable being more open when we look at the market fundamentals compared to forward prices particularly at NI Hub.

Turning to slide 16, we remain committed to maintaining a strong balance sheet and our efforts on this front have been noticed with Fitch placing Exelon, PECO, and BG&E all on positive outlook in June. Our consolidated corporate credit metrics remain above our target ranges and meaningfully above S&P thresholds. We are forecasting ExGen's leverage to be 2.6 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3.0 times.

On a recourse debt basis, we are at 2.1 times, which is well below our target. We will continue to manage our balance sheet at ExGen over time to the 3.0 debt-to-EBITDA level. So look for us to focus on debt reduction at both HoldCo and GenCo.

I will now turn the call back to Chris. Thank you.

Christopher M. Crane

Thanks, Joe. Turning to slide 17, again, we had a strong financial quarter and operationally that is a testament to the hard work and dedication of our employees. Our financial footing and sounding continues to gain momentum. Here

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again, I'll restate our proposition value.

We continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021. We continue to use free cash from the GenCo to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and fund part of the faster dividend growth. We continue to focus on optimizing value for the ExGen business by seeking fair compensation for our carbon free generation fleet, supporting proper price formation in PJM and resiliency initiatives at FERC and working to develop capacity market reforms at PJM pursuant to the recent FRR order. We continue to close uneconomic plants and sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gentle load matching. We continue to sustain strong investment-grade credit metrics, as Joe pointed out, in our growth driven consistently at 5% through 2020.

With that operator, we can now open it up for questions.

Q&A

Operator

[Operator Instructions] Thank you. Your first question comes from the line of Ali of SunTrust. Your line is open.

<Q - Ali Agha>: Thank you. Good morning.

<A - Christopher M. Crane>: Good morning, Ali.

<Q - Ali Agha>: Good morning. The first question on the PHI utilities, what's the aspiration there? I mean, are those utilities and the way the system is set up, are they set up that they can ultimately earn their authorized ROE or will there be a permanent lag in the system and when do you think you will be at the maximum in terms of your earned versus allowed ROE [indiscernible] (24:22)?

<A - Christopher M. Crane>: So there is a lag component at a couple of the PHI utilities now that we're working on. We've talked about ACE. We think we have the right legislative package to help that reduce that in Delaware and we're also working on different proceedings at Pepco Maryland and Pepco DC. We project it to be within the 9.5% range by the end of 2019. We're on track to do that. We have the developed activities that are helping. We also have the efficiency programs we're putting in place. So, I think we're well on plan. We recognize the legacy issues that were happening around that and are having constructive dialogue with our legislators as we've done in Delaware, our regulators, as we're doing with the filing in New Jersey and we'll continue to focus on that.

<Q - Ali Agha>: Okay. And then Chris to the extent that Forex proposal for PJM and the FRR aspect of it does become law and moves forward. How do you look at that relative to your portfolio and what that means for Exelon?

<A - Christopher M. Crane>: Well, you can imagine. I'm going to let Kathleen Barrón cover that. But, as you can imagine, there's a lot of evaluation that we have to do right now to really choose the path that benefits our customers and our fleets. So, Kathleen?

<A - Kathleen L. Barrón>: Yeah. Thanks for the question, Ali. I think what we're facing here is markets that because they're not pricing pollution are making emitting resources look less expensive and they're pushing out clean resources, including ours, as you know, 10.6 gigawatts of uncleared nuclear in the last auction.

I think what FERC is saying in this order is that rather than letting RPM continue to push those units out, they're giving safety opportunity to pull them in and instead of paying PJM to support units that perhaps they don't want to support they can directly pay those assets. And so, as Chris said in the opening of the call, implementation details certainly matter. But we think this is an extremely constructive approach to allowing states to choose the resources, the clean resources that they need to continue to keep running to achieve the our goals of reducing carbon and air pollution for their citizens.

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<Q - Ali Agha>: Okay. And last question with regards to the pending litigation in New York and Illinois, any marker we should be keeping an eye on to give us some framework of when the decision might come from either of those states?

<A - Kathleen L. Barrón>: Unfortunately, we have no way to know exactly when those orders will issue but the cases have been fully briefed and we expect them to issue any time. There is nothing that we know that's holding them up.

<Q - Ali Agha>: Thank you.

Operator

Your next question comes from the line of Greg from Evercore ISI. Your line is open.

<Q - Greg Gordon>: Hey, good morning. I'm happy we're on a first name basis now.

<A - Daniel L. Eggers>: Thank you, Greg.

<Q - Greg Gordon>: Joe, just a question for you with regard to the quarter. I mean, obviously the numbers were quite robust, but there was $0.05 of positive earnings from NDT. I mean that's not necessarily – I know that that moves around every quarter, but I wouldn't consider that necessarily the highest quality earnings. But even if you exclude that, you were still ahead of your prior guidance range. So can you just walk us through what you think sort of a clean basis and was that still in excess of your expectations?

<A - Joseph Nigro>: Yeah. If you subtract the $0.05 for NDT, Greg, what I would say is, when you look at it overall, the midpoint of our range was $0.60. We obviously earned $0.71 on an operating basis. A little more than 50% of that was coming from the utilities. And as I mentioned in my prepared remarks, it is driven by three things: the transmission settlement at BG&E, the yearly implementation of the rate settlement at Pepco Maryland, and as well as stable weather at PECO were the big drivers there. And then the balance was GenCo and NDT was a big piece of that but we also had favorable market conditions related to the FDR option during the quarter. Our Generation performance was stellar, and then it was offset by some transmission costs. So you could see even subtracting out the NDTs, the performance was very strong across the operating businesses.

<Q - Greg Gordon>: Right. And I heard you indicate that you're – and show that you're running well below your debt to EBITDA target and thus you can address that by using your cash to – in addition to funding rate-based growth, dividend, not just think just think about paying down ExGen debt, but also working down parent debt. But there's a bigger issue here, which is that you know the FFO to debt targets that the rating agencies are holding you to seem excessively high relative to the declining risk profile of the company. What has to happen to evolve the conversation with the rating agencies to get a lower threshold? And is it really dependent on getting more certainty on capacity and energy market reforms at this point since you've shown demonstrably that you're one of the best operators on the utility side of the house in the country?

<A - Christopher M. Crane>: Yes. So Greg, we have been and will continue to have dialogue with all the rating agencies. You heard Joe's conversation on Fitch. We've had a good dialogue with S&P. They understand our strategy, they're wanting to see it consistently implemented. They recognize that it is being consistently implemented. I think you know a couple of milestones coming through with the final approval from the Appellate Court on the ZECs, making that revenue look much more like regulated revenue, continuing to follow our path on debt reduction, which part of that is building balance sheet space, de-risking, but also part of it is liability matching with the nuclear assets and their life into the 30s and 40s. So we just have to continue to execute on our plan. We're having very positive dialogue. We appreciate the Fitch positive. We look forward to hearing from the others and hopefully shortly that they're seeing it and we'll be able to talk about not only moving thresholds, but potentially a more positive rating.

<Q - Greg Gordon>: Okay. My last question you may have already demonstrably answered previously, but if in fact, you're given – you and the states are given the option of pursuing an FRR type structure for plants that are deemed to be important in those regions. Does the legislation that you currently have in Illinois and New Jersey for instance create

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SI-SSA-0015-01440

the flexibility to do that or would you need to go back to your legislators and engage them in a restructuring of that legislation to give them the flexibility they would need to bring those assets out of the capacity market and properly compensate them?

<A - Kathleen L. Barrón>: Hey, Greg. It's Kathleen. We're currently looking at existing legislative authority in all of our states. And so I think it's going to depend on the jurisdiction. And it's also going to depend on what FERC's order ultimately says about what authority states will be to exercise in order to take advantage of this option. So I think, it's going to differ depending on the state. But we're currently evaluating the best path forward in each of the states that have clean energy targets that we think this order will help them meet.

<Q - Greg Gordon>: Okay. Thank you all. Have a great day.

<A - Christopher M. Crane>: Thanks, Greg.

Operator

Your next question comes from the line of Steve of Wolfe Research. Your line is open.

<Q - Steve Fleishman>: Hi. Good morning. Hey, Chris.

<A - Christopher M. Crane>: Hi.

<Q - Steve Fleishman>: Just I guess, you know it's hard to kind of interpret a lot of these FERC proposals in different directions. You also had the Mystic decision. And so, maybe you can just give a broader perspective of what they're trying to achieve here and just what could change versus this initial proposal before we hear kind of I guess a final structure by early next year?

<A - Christopher M. Crane>: Yeah. So the fight – the disagreement within the stakeholders is around the supplemental income that is being received for the social benefit of carbon reduction within our states. We lack a federal policy as you know on carbon, although the conversation continues and that would be the ultimate fix. That would really level the playing field and allow the states to [ph] skip (34:15) support of federal policy. Short of that, the states have deemed – the majority of states that we operate in that they want to preserve the low carbon output that they have.

They understand that 60% of the power in the State of Illinois is carbon-free, 90% of that is nuclear. We start shutting down nuclear plants like you look at the FE announcement, every penny that's been spent in PJM and outside of PJM on REX to achieve a lower carbon output would be wiped out. It's like we threw the money away. So you've got a very passionate belief within some of our states that they want to keep these assets. PJM has been unable under the current tariffs to be able to separate and support at this point the environmental needs of their stakeholders. So what this allows from FERC is a positive move to say if the administration and the legislation in New Jersey wants to preserve a low carbon future for its state and for its citizens. It allows Illinois to do the same thing. If New York wanted to look at something, it could do something for New York. So I think, this is finally setting the final decision on how we manage these assets that may be out of the capacity revenue stream, not clearing, but the state wants to keep them. We had Secretary Perry at the FitzPatrick Plant yesterday with Congressman Katko and it was very positive. I mean we are gaining momentum, but not only in his opening comments, in the press conference and with our tour in discussion with local officials, is he concerned about the economic benefits of the plant. He's concerned about the reliability and the resiliency on the fuel diversity and he's also commented on their capabilities for low carbon.

So you've seen us go back and forth between ZECs and between other programs to try to save. We've seen the arguments from other stakeholders against it and I think this gives us a path to finally put it to bed.

<Q - Steve Fleishman>: Okay. That's helpful. And just one other question on it, if you were to get into kind of an FRR structure like, do you have any sense on like how long that would be i.e., you know if that's kind of a form of reregulation of the plant, is that for good, is that for you know a set amount of time like the ZECs are?

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SI-SSA-0015-01441

<A - Kathleen L. Barrón>: Yeah. Steve, I'll jump in on that, that's certainly one of the implementation details that will be worked out through the FERC docket, but it's important to know we're not talking about [ph] reload (37:27) regulation, we're talking about an alternative way to pay the units for capacity, and let the states choose which units they'd like to pay for capacity as opposed to letting RPM select the assets. So it's a step towards the future that Chris identified, that we anticipate will be short-term. The current FRR structure as you know allows units or zones to step out of RPM for a five year period with the option to come back in. And ultimately if we get this to the longer term carbon solution that Chris identified, then these decisions will be made by the market through a carbon price and that will be a longer term structure that will benefit our customers.

<Q - Steve Fleishman>: Got it. Thank you very much.

<A - Christopher M. Crane>: Sure.

Operator

Your next question comes from the line of Julien of Bank of America. Your line is open.

<Q - Julien Dumoulin-Smith>: Hey, good morning.

<A - Christopher M. Crane>: Good morning, Julien, how are you doing?

<Q - Julien Dumoulin-Smith>: Good. Great. Thank you. Just to clarify the last question actually if we can start there. I just want to make sure I'm hearing this correctly. Is your expectation that states would actually move through the motions to file for this FRR or is it rather that your expectation that status quo would maintain itself with respect to just continue to clear assets or attempt to clear assets given wherever your avoided costs might be?

<A - Kathleen L. Barrón>: Julien, it's Kathleen. I think it's the former that we would expect states to be looking very closely at this opportunity, not just because of course of the nuclear [Technical Difficulty] (39:02) the renewable fleet effects, any asset efficiency demand response that's receiving support from customers directly. And so there are a lot of stakeholders who have an interest in making sure that the states are going to be able to do clean capacity procurements and have that capacity recognized by RPM – by PJM rather.

<Q - Julien Dumoulin-Smith>: And you've confidence that you can indeed find a way from a regulatory path to support an FRR implementation including compensation for the units, if that's where it goes in both Illinois and New Jersey, to be clear?

<A - Kathleen L. Barrón>: Yes, sir.

<Q - Julien Dumoulin-Smith>: All right, excellent. Now, let me turn back to the utility side of the equation here where things are booming obviously. Can you comment on the New Jersey side with CapEx? I mean we've talked a lot about New Jersey in the context of the nuclear plants, but obviously the Governor is implementing a lot more than that, maybe energy efficiency filings, offshore wind seems to generate some opportunities at ACE. Just curious how you're thinking about that and what's reflected in the budget as it stands today?

<A - Anne R. Pramaggiore>: Hi, Julien, it's Anne Pramaggiore. How are you?

<Q - Julien Dumoulin-Smith>: Good, thank you.

<A - Anne R. Pramaggiore>: Good morning. On the New Jersey side, obviously with the new legislation, there's a couple of areas that we're looking into, it's subject to – a lot of it's subject to regulatory proceedings that are yet to come. So you would not see what we would be looking at reflected in the budgets or the earnings to-date. But there's an area around energy efficiency, we traditionally have not been involved in energy efficiency programs except for some program funding in the past, and that's one of the things we'll look toward going forward.

So to the extent that there's capital investment in energy efficiency, voltage conservation programs, you could start to see those reflected going forward. We also have opportunity to invest in storage and solar going forward in New Jersey.

But again, these are all subject to proceedings, at the commission before we have a sense of exactly what that looks like. But we think there's tremendous opportunity here especially as we think about utility of the future, the kind of businesses that we can be in looking forward, serving customers with the types of programs and products and services that they like. So we think there's a great platform there, but some work to do with the regulatory agency.

<A - Christopher M. Crane>: The only thing I'd add to that is, we have a very high sensitivity to rates on our customers. As you know that that part of the state has gone through a downturn. And so as we make the investments which we can do efficiently, we're going to keep a constant focus on those rates. So we're not impairing the future development of commercial, industrial or residential customers.

<Q - Julien Dumoulin-Smith>: Excellent. Thank you all very much.

Operator

Your next question comes from the line of Michael of Credit Suisse. Your line is open.

<Q - Michael Weinstein>: Hi, guys. Thanks for taking my call.

<A - Christopher M. Crane>: Hi, Mike.

<Q - Michael Weinstein>: Hey. Can you talk a little bit about what your expectations are for the summer power market in Texas, given I guess it's gotten off to kind of a mild start? And then also talk about the recent acquisition on the retail side that you guys executed with FES and what the implications are for Constellation from that?

<A - James McHugh>: Okay. Hi, Michael. It's Jim McHugh from Constellation. As far as ERCOT summer, what we've seen is some volatility in the forward markets and the weekly markets going into delivery and even in the day ahead markets, we've seen some pricing that exhibited on the ORDC curve, some higher price spikes. In the real-time market, it hasn't come to fruition. So it's led to a large spread between day ahead and real-time. In real-time, we really saw great operating conditions. The wind performed at or better than forecast. There were minimal generation force outages, so the generators all performed very well, and there were some good demand response availability.

But prior to going into the period, we saw weeks trading as high as $800 or $900 and the month of July and August trading in the $200 range. As far as our portfolio, performed well, we're able to take advantage of some of that market volatility we saw in the forward markets. You saw that we executed $200 million of new business this quarter for 2018 on the power side, a good chunk of that is represented by our activity in Texas and what we're able to do and our gen-to-load strategy proved valuable once again. We were able to serve the high load and the high demand with our peaking fleet and the options that we owned.

Going forward, I think we expect that volatility to continue. You'll have continued demand growth of 1 gigawatt to 1.5 gigawatts a year with really some wind and solar build out and very little thermal gas combined cycle generation build out. So that volatility will continue, next summer is trading right around the $100 right now and we would expect you would see the same exhibited volatility on the forward curve between now and delivery period of next summer.

For the acquisition of FirstEnergy, it's a great fit for our portfolio. We would be paying $140 million subject to price adjustments based on market moves before the process is over. But there's 900,000 customers on the C&I side and residential side across six states. It'd be a great fit for our gen-to-load and gen-to-customer strategy that we've been deploying. We'd also be buying some certain power in basis hedges as part of the process. So it's a strong complement to our existing portfolio and it would provide repeatable and sustainable customer business through renewals and brand recognition for us.

<Q - Michael Weinstein>: Hey, just a quick follow-up. I think you said that earlier in the call that you're a little closer to ratable in hedging for 2020 I think it was versus 2019. And I'm just wondering, should I be reading anything into that that you're becoming closer to ratable as you go further out, is that sort of a negative take on the power markets or?

final
Bloomberg Transcript
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SI-SSA-0015-01443

<A - James McHugh>: No, Michael, it's not. It's actually we're just building that position, as we hedged the third year of our three year program, we'll continue to grow that behind ratable position. We're currently about 7% or 8% behind ratable in 2020. We've added some gas hedges and cross-commodity hedges to further expose ourselves to upside in power markets. The concentration of our behind ratable position is largely in NI Hub and ERCOT. So I wouldn't read into that. I think our position is similar and growing to be similar across both those years.

<Q - Michael Weinstein>: Great. Thank you very much.

Operator

Your next question comes from the line of Praful of Citigroup. Your line is open.

<Q - Praful Mehta>: Thanks so much. Hi, guys.

<A - Christopher M. Crane>: Hi.

<Q - Praful Mehta>: So just wanted to get a sense for getting back to the capacity auction on the capacity market reform piece. If the states are required to kind of support the asset both from the ZEC payment as well as [indiscernible] (46:33), are there any winners, losers in terms of states, I think would make it more difficult to get done especially in this timeframe. Are there some states who will be more inclined to get this versus others?

<A - Kathleen L. Barrón>: I can take that one as well. It's certainly going to depend on the state's readiness, how quickly this gets implemented. So I take the question to be one of what kind of transition period might we be looking at, and I think that's going to be a subject of active debate in the paper hearing at FERC, as to whether there needs to be some sort of transition period to allow states to understand what the rules are and take advantage of them. So I think you should look for that to play out as part of the FERC process.

<Q - Praful Mehta>: Got you. Thank you. And then in terms of ERCOT, if the volatility clearly has been high, should we expect that if there are retail players struggling at the back end of extreme volatility that you're looking to expand your retail position or is there any goals that you see to kind of expand your portfolio position in ERCOT at all?

<A - James McHugh>: Hi Praful, it's Jim again. I think we did see going into the summer, one small retailer go out of business with the new collateral posting requirements by ERCOT, which include a look at the forward markets. It might be harder for some of the smaller retail providers to manage their balance sheet if they're undercapitalized through those collateral requirements. For us, I think strategy is the same. We'll look for good value propositions. Our track record with Integrys and Con Ed and what we're looking at now with the FES book will continue to be the same to look for value. As far as the lag effect, you may see the impact of the volatility for the larger players impact maybe in the longer term as the contract tenures and the extended start dates are further out in the curve. So they're currently contracting for load out two or three years forward.

<Q - Praful Mehta>: Got you. Thanks. And just quickly just, I mean, ExGen O&M cost reductions, I noticed their target, I think 75% in 2018, 50% by 2019. Is that all on track right now?

<A - Christopher M. Crane>: It's not only on track, it's Crane, Praful, it's not only on track. We are continuing to work to become more efficient, continue to compete in the markets we're in. We are on track to achieve those if not to exceed those, so we're in good shape.

<Q - Praful Mehta>: Excellent. Good to hear. Thanks so much, guys.

Operator

Thank you so much. I would like to turn the call over back to speaker, Chris Crane. Please go ahead, sir.

final
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Bloomberg
SI-SSA-0015-01444

Christopher M. Crane

Yes. Thanks. And thanks again for everybody joining the call. As you can see from the strategy that we put together years ago, we're right on track, if not ahead of schedule and we will continue to keep you updated. Look forward to the third quarter calls, but also Dan and Joe and I are getting back out and making sure we drop in and answer any of your questions, so making ourselves available during the third quarter will be a big part of our plan to continue to communicate. We thank you very much and have a good day.

Operator

This concludes today's conference call. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-06-14
Event Description:

Market Cap: 40,336.45
Current PX: 41.80
YTD Change($): +2.39
YTD Change(%): +6.064

Bloomberg Estimates - EPS
Current Quarter: 0.606
Current Year: 3.086
Bloomberg Estimates - Sales
Current Quarter: 7505.600
Current Year: 32051.500

Company Participants

- Kit Konolige, Senior Utilities Analyst
- Stu Bresler, Senior VP, Operations & Markets

Presentation

Kit Konolige, Senior Utilities Analyst

Good afternoon everyone, this is Kit Konolige from Bloomberg Intelligence, and I'd like to welcome you to our webinar with Stu Bresler from PJM on the results of the May PJM Capacity Auction. Before we get started, just a couple of administrative notes. The presentation will be recorded and will be available for playback later. I believe that there will also be a transcript available later. Just you should be able to look through your email, that you got to login here and connect for those services. You can put in serve [ph] questions for Stu after the -- his discussion by typing in on the screen in front of you. And I'll read through the questions and then present them to Stu for people who haven't seen them. And we'll also have a copy of the slides available later.

As I mentioned, today's speaker is Frederick S. Stu Bresler, and he's the Senior Vice President of Operations and Markets, the guy who knows the details about the capacity auction which is obviously of major importance in setting prices in PJM. And I am the Senior Utilities Analyst at Bloomberg intelligence. What is Bloomberg Intelligence? You see here the sample dashboard page, we do equity research, debt research, research about government and government courts and various other important issues that affect stocks and bonds as well as commodities that we do it globally.

So we are like a large sell-side or possibly buy-side unit, and we attempt to be comprehensive and to use the data in the Bloomberg terminal to come up with hopefully actionable thoughts on securities and -- in the universe, that you all deal with.

So as far as the background for Stu's discussion, PJM prices in the auction, this is the line is the chart of the RTO price, which is the core Midwest largest zone, if you will. So that rose significantly this year, and that coincided with a lot less new build, so that even though demand was down, the prices rose. So I think that's obviously an important directional process that was going on. Here is the view of the different zones over the years. And as you can see, we do have RTO rising and some of the other -- the Eastern and more Western zones fluctuating back and forth somewhat as they have more largely with the differences in the ability to import power into those zones. But we can certainly have Stu address those issues if -- as needed.

Here are the major owners of capacity among publicly traded companies, (inaudible) publicly traded anymore, but there are also as most of you know many private equity investors who are heavily involved in especially newer, but really all over PJM and with legacy as well as new plans.

And with that, I will turn it over to Stu and just saying that I've made a list of topics here that were of some interest to me. And I'll leave it to Stu to address any or all of these and I ask him just to speak to what he feels are the most important takeaways from the auction in May, and maybe to discuss a little bit what the major issues in front of PJM are now and going forward. So, Stu?

Stu Bresler, Senior VP, Operations & Markets

Well, thank you Kit. I appreciate you providing that overview and hello to everyone on the call this afternoon, it's always a pleasure to have the ability to speak to you about the latest happenings with respect to the PJM markets. So Kit asked me to go over some more of the detailed outcomes of the latest RPM base residual auction. As Kit mentioned, this auction was conducted back in May, we posted the results on May 23rd. And the capacity delivery

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period for which we were procuring capacity in this auction was or is for June 1st, 2021 through May 31st of 2022, so what we refer to as the 2021/2022 delivery year.

So some of the major outcomes, Kit already went through some of the major pricing outcomes obviously, I think the biggest one or the most significant one was the significant increase in the clearing price for the majority of the RTO really what we call the Rest of RTO area of the region. And that clearing price increased from $76.53 per megawatt day in the last auction for 2020/2021 up to about $140 per megawatt day. So fairly significant increase there and we'll go into some of what was behind that. And then Kit hit a couple of the constrained areas of the system, ComEd to the West at about $196 per megawatt day, $195.55 to be exact. And then on the Eastern side of the system, we had the Eastern MAAC region split out. That was the only area where the price actually decreased this year compared to last year.

We had $166 per megawatt day versus $188 last year for 2020/2021. But then the PSEG zone in New Jersey and the PG&E zone, the Greater Baltimore area, each split out right around $200 per megawatt day, PSEG at 204 and PG&E at 200.

And then finally, for the first time in several years, the ATSI LDA which is the First Energy Ohio Territory, split out at a $171 per megawatt day, so about a $31 premium to the RTO. And overall, I think the primary drivers behind the increase in capacity clearing prices for the bulk of the RTO really stem from a couple of things, really I think a couple of things driven by the same underlying factor and that underlying factor is the continuing decline in energy prices.

So if you look at, for example, how we establish the demand curve in these auctions, the demand curve is anchored around a point that is based on the net cost of new entry. So it's the gross cost of new entry minus a three-year rolling average of energy and ancillary service revenues. And in this three year average, the 2014 polar vortex year, which saw the highest energy prices really since probably 2008-2009, rolled off of that three-year average and we picked up 2017, which has significantly lower energy prices. So the energy revenues that go into that net cost of new entry went down, which means the net cost of new entry itself went up, so we essentially saw a shift up in the demand curve.

But then I think also the continually low energy prices also drove some differences in offer behavior from the supply resources that were being offered into this auction. And we did see some fairly substantial differences in offer behavior in various areas of the system, which also went to driving really an increase in the clearing price. And then finally, we did have an overall decrease in the quantity of clear resources, which when you're clearing against a sloped demand curve is consistent with an increase in the clearing price. And as Kit mentioned, part of that reduction was driven by a reduction in both offers and then cleared quantities of new generation in this auction.

We had one combined cycle resource clear that had not cleared in a prior auction for about -- I think it was like 850 megawatts or so. Whereas, in the last several auctions we had anywhere between 2,000 and 5,000 or 6,000 megawatts of new combined cycle megawatts clear.

So a fairly significant reduction. That was not unexpected from my point of view. We have again, over time seen a relatively low capacity prices, relatively low energy prices.

So I think the substantial new generation we saw clearing in the last couple of years was probably just a bit of a lag with resources that are already started down the development process and were clearing for the first time as opposed to a reaction to a more near-term price phenomenon. So not entirely unexpected that we were seeing a slowdown in new generation clearing, especially given the reserve margins that we have seen clearing in these auctions and I'll get to more of that later.

So now all those factors that I just went through that are sort of driving the higher clearing prices again to Kit's earlier point were obviously more than to -- more than enough to offset the lower reliability requirement due to a lower load forecast for the 21-22 delivery year compared to 2021.

So just to hit some more of the highlights of the auction, I think one of the significant things we saw in this auction was an increase in alternative types of resources. So demand response and energy efficiency primarily we saw a 3,300 megawatt increase in cleared demand response from just over 7,000 megawatts to just over 11,000 megawatts. So from

final
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SI-SSA-0015-01447

7,800 megawatts before to about 11,100 megawatts of demand response clearing this auction. And then we saw an increase of 1,100 megawatts in energy efficiency clear in this auction. So significantly increased participation in this auction by demand response, which remember, we are now and have been since last year at 100% capacity performance, which means all these resources have to be available on a year-round basis.

So a significant increase is there. Also significant increases in renewable resources clearing in this auction. We saw the capacity value of wind resources increased from about 530 megawatts last year to over 1,400 megawatts this year and then the capacity value of solar increasing to 570 megawatts this year from about 125 megawatts last year.

So significant increases in the capacity value, from the energy value of those resources, remember wind has a capacity factor of about 13%, solar of about 38%, so the 1,400 megawatts of wind translates to about 8,100 megawatts of nameplate energy capability and the 570 megawatts of solar translates to about 1,600 megawatts of nameplate solar capability. So, significant quantities of those renewable resources clearing in this auction.

A lot has made over the years of our transition to 100% annual resources. We do continue to offer the ability for resources to offer on a seasonal basis and aggregate through the auction. So as part of the auction process, we can match up summer and winter only capability into an annual resource. Our two resources that combined together equate to an annual resource and this year the quantity of cleared resources that aggregated through the auction went from just about 400 megawatts to over 700 megawatts this year. So pretty healthy increase there as well.

From an overall reserve margin standpoint, we procured a reserve margin of about 21.5% this year. Our required reserve margin is about 16.5% or so. So significantly again as has been the case in the past, significantly greater resources clearing in the auction due to that sloped demand curve, which is great for reliability and also great for consumers, because the total cost of the auction goes down further out clear [ph] on that demand curve. Although it is down somewhat from last year. Last year we actually a cleared 23.3% reserve margin. So again, seeing some really kind of expected constriction if you will and the supply is clearing down to 21.5% overall reserve margin this year.

So overall, once again we were pretty pleased with the outcomes, significant sort of again diversity of resources clearing in the auction. We did see a fairly significant decrease in nuclear resources clearing in this auction over 7,000 megawatts decrease this year in nuclear units clearing in the auction, again driven by really nothing more than offer behavior in the auction. We did see that a retirement announcement that Kit already mentioned from FirstEnergy Solutions of about 4,000 megawatts and then there were additional resources, I think Exelon already made a public announcement right after the auction as far as their resources that did and did not clear.

So fairly significant reduction in nuclear resources now, obviously not clearing in one auction does not necessarily mean resources will retire. I think Exelon has said as much in their public announcements about the resource that did not clear, not having a plan to retire at this point. So I have to see how that plays out.

But interestingly, on the other side, we saw coal actually hang in there in this auction. We had a net 500 megawatt increase in the total quantity of coal resources clearing in this auction. So sort of kind of stemming the tide of the decreases in coal that have cleared in prior auctions. And then about 1,000 megawatt increase in overall natural gas resources clearing again the bulk of that was at new combined cycle worth about 850 megawatts or so in this auction.

So continuing sort of shifts in the supply mix in PJM that we see through the auction as well. So I think those are the sort of the major highlights that I would pull out of the auction, just sort of looking back at the points here that are on the slide just to see if there's anything I didn't hit.

The third bullet about forward spark spreads were increasing more recently since -- primarily since last August. I think we got to -- have to see how that drives potentially the continued new entry into the future. I think it's perfectly reasonable to expect that these auctions will lag a little bit, sort of more real-time type of information because they are annual auctions and three years forward in nature.

So I think we saw that lag in the last few years with the new entry that kept clearing. It will probably be a little bit of a delay, so we see whether -- first of all, whether the spark spreads continue to increase and then secondly whether that drives future new entry as well.

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There's some additional uncertainty I think surrounding that that we'll get to at the end with some of the other issues that are facing us and the industry at this point. But I think I hit a lot of these -- a lot of these other things that are on here as well other than these other issues. So just (inaudible) that very quickly and then I'll be happy to turn it back over to Kit to get to any questions that are coming in on the phone or on the webinar, but with respect to date level subsidies as it sort of says here on the slide and I think from the standpoint of what could potentially come down the road, you can probably expand that to federal -- additional federal subsidies, given the leaked memo from the White House and what the Department of Energy might decide to do with that.

We'll have to see how these things play out, as you all probably know, PJM has a filing in front of FERC right now that is intended to address this intersection of public policy actions and markets and specifically the capacity market. It was a filing with FERC that proposed two alternatives for dealing with that issue, one is an expansion of the minimum offer price rule which would require subsidized resources, while whether they're new or existing to offer what is determined to be a competitive offering to the auctions that does not include essentially the value of the subsidy.

So that's one option that expanded Mopar [ph] . The other option that PJM actually indicated its preference for, we called capacity repricing, which is an effort to accommodate state public policy decisions by allowing subsidized resources to take on a capacity commitment, but then running a second stage of the auction just to come up with what is the competitive price, where we would take subsidized resources and sort of reprice them in our second stage and determine a clearing price that is intended to represent the competitive level.

We think that might better balance the -- the state desires for their public policy initiatives with the need for a competitive outcome from the auction to ensure that we get efficient entry and exit for the long term, because again it recognizes the state public policy decisions by recognizing the capacity commitment of those subsidized resources, while at the same time endeavoring to ensure that the price that is applied to all resources is one that is based on competitive offers.

So we'll see how FERC deals with that filing. There has been fairly -- a fair amount of back and forth at FERC opinions obviously on all sides of it since we filed it and we ask FERC to make a decision by June 29th. So hopefully FERC will find a way to do that as opposed to requiring more information for PJM or some sort of deficiency notice or something like that, just so that we can have some certainty with what will happen now in the May 2019 auction and going forward. How the potential for Department of Energy action rolls into that I think is to be determined at this point. The lead [ph] to memo referred to a potential for a two-year type of assistance for certain resources while the Department of Energy conducted a study on the national security aspects of basically the fuel security resources on the system.

As you may know, PJM is undertaking an in-depth analysis of the fuel security aspects of resources that are committed as capacity resources in PJM with the idea that if we do see the potential for a fuel security issues in the future, we can put the attributes of what we need for resources to be fuel secure into our capacity market and have the capacity market determine the most cost effective set of resources that have those attributes and are fuel secure through the market mechanism which again we believe is the most efficient and cost effective way to procure resources for the long term.

So that study we hope to be have -- to have finished by the end of August and then engage in stakeholders' discussion on whether we should, and if so, what we should look to incorporate into the RPM auction for May of 2019 and beyond.

So lot going on with respect to political and regulatory actions and efforts and really analysis around what we should be retaining as far as resources that provide the necessary attributes we need on the system like fuel security and we're trying to again balance all these things together and maintain what we believe as really been the successful implementation of the -- and the cost effectiveness of the competitive markets. That's the sort of things happening from the capacity standpoint.

On the energy side, we continue to work through the stakeholder process on price formation enhancements. We're concentrating right now on the reserve markets in shortage pricing, so we have a task force in the PJM stakeholder process that is really digging into the details of proposals we put on the table for how we can enhance how our reserve markets operate and how we do shortage pricing with the idea that if we can get those prices more reflective of the

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actions, the operators take to maintain reliability, we would get better energy prices as a result and those are again more comprehensive and more inclusive of the costs of all the resources necessary to maintain system reliability.

So that's really what we're after and making sure that energy prices are as reflective as possible. We're taking sort of a short-term, long-term approach there, trying to get some enhancements to our current synchronized reserve market in place by the winter time. So, getting to the resolution on that by the end of this year. And then enhancements to the operating reserve demand curves and potentially a 30 million [ph] of reserve market in real time by next summer.

So still moving forward on those energy price formation enhancements. And the last one I'll mention is the Fast-Start Pricing that FERC issued at 206, quarter or two a couple of ISOs and RTOs and we have a compliance filing now sitting in front of FERC. FERC has indicated they would act by September. It'd be great if they acted before that, but hopefully no later than September. And hopefully we'll be able to get those enhancements in -- by the winter as well if FERC approves what we filed.

But Kit I know that was pretty rapid-fire, but that's kind of the sort of the scope of the landscape, the way it exists today, it's probably best if I pause at this point and see if we get any questions on the webinar that we'd like to see if we can address.

Questions And Answers

Kit Konolige, Senior Utilities Analyst

Thanks, Stu, that was good. And concise, and to the point, I think it was all of the main questions that I had in mind for the most part. Here's a couple of other questions and some are in the nature of a follow-up. First of all, do you have any sense of where I guess at this point, it's mainly Pennsylvania and maybe still Ohio as States that are being asked to subsidize, especially nuclear plants? Are you aware of any forward momentum in either of those States on -- in the case of the FirstEnergy plants, FES plants in Ohio and the TMI and Beaver Valley in Pennsylvania?

Stu Bresler, Senior VP, Operations & Markets

The short answer to that question is, no. I am not aware of anything that is officially on the table legislatively in either State, Pennsylvania or Ohio. The only action I know of is in Pennsylvania that is in the form of the Nuclear Energy Caucus which is a bi-cameral, bi-partisan group of state legislators in Pennsylvania that has been meeting occasionally to discuss issues with the status of nuclear energy in the State of Pennsylvania. But to my knowledge, there has been nothing foreclosed in the state legislature in either Pennsylvania or Ohio at this point that is under consideration.

Kit Konolige, Senior Utilities Analyst

Okay, fair enough. And then maybe just a little more kind of deeper thoughts on the parent resilience of the coal plants in clearing the auction this time of course, clearing an auction at 140 is obviously more attractive than clearing at 76, let's say. So, is it just -- can you give us a sense of whether it was simply a matter of a higher price was needed to keep in the coal plants that are in the queue already or is something else going on are coal plants getting more cost competitive or are they seeing lower coal prices? Anything, any color you can provide.

Stu Bresler, Senior VP, Operations & Markets

It is actually interesting, if you go down one layer of detail, so let's do that for a minute here. We actually did see several large coal plants that had cleared in the past not cleared this year. But they were more than made up for by increases in the quantity of megawatts clearing from other coal plants. So it appears like what might be happening is, we still have some plants that are just discovering they are economically challenged and so they're starting to not clear

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in the capacity auctions.

But on the other hand, I think the coal resources that are still around have made improvements that can make themselves more efficient. And so we see more of their megawatts clearing at the higher price which I think is a signal that they may very well stick around. So I think we are seeing still that we are going to see some retirements of some additional coal facilities because I think they are finding it more and more difficult, but I do think that there are some coal facilities out there that have again that have made the environmental fixes they needed to make and are making improvements that are making themselves more efficient and they are clearing more of their capacity as a result.

Kit Konolige, Senior Utilities Analyst

Interesting. Yeah, I know that AEP announced that one of their significant plants, I can't remember which one had not cleared and so they're having to think through what they're going to do with it obviously, so that is interesting. How about gas plants? I mean, are there any -- are there any still like old just boiler gas plants that are not clearing or any differentiation in -- by geography, et cetera, or zone where I assume there's always some turnover in which plants clear and which don't but maybe and my impression is generally that people assume I guess that gas plants that's not as big an issue, maybe because they're not as big plants on average.

Stu Bresler, Senior VP, Operations & Markets

Yeah, I don't think there was much that was not the shift that I just described for coal in the natural gas plants. I think the gas plants were relatively stable overall. Again, one new combined cycle clearing and then basically cats and dogs of increases in megawatts from other plants that are clearing, but I'm not aware of any significant natural gas plants that have been clearing in the past that didn't clear this year.

Kit Konolige, Senior Utilities Analyst

Right. And of course, with the -- sorry, well, let me ask you, do you assume that the nuclear plants that haven't cleared are not going to clear in the future, absent some extraneous help of some kind?

Stu Bresler, Senior VP, Operations & Markets

I don't necessarily assume that Kit. I think there is a few that have been cleared in the past, like TMI that has announced retirement, right?

Kit Konolige, Senior Utilities Analyst

Right.

Stu Bresler, Senior VP, Operations & Markets

Exxon announced that their plant didn't clear then. But I think it's too soon to make those kinds of assumptions with other plants that didn't clear this year. Particularly, if we do make some of these enhancements to the energy market pricing and reserve market pricing. It may be enough in the longer term to again have an impact on how these resources offer in the future. So I think there's a lot of moving parts here and it's tough on the basis of one auction to really assume the fate of any particular plan on the basis of that one auction.

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Kit Konolige, Senior Utilities Analyst

Right. That's fair enough. Hold on one second. A question just came in here, I think, no, I guess not, okay. Okay. And just then we can wrap it up fairly quickly this time, and -- but let me just ask one final question and that is, I know that of course the staff at PJM is in an ongoing process of projecting what demand is going to be in the future. Are you all seeing any changes in rate of deceleration or any shift towards acceleration at some point, et cetera, or are things pretty much on a pretty even keel like, I would assume a fairly flat projections for power usage in the future.

Stu Bresler, Senior VP, Operations & Markets

Yeah, I mean, it's been flattening for several years as you know Kit, and I think we're -- I don't know if this is going to make sense, but I'll try it anyway. We are seeing a slowdown in the flattening maybe, so it's not -- it has flattened out and it's not -- it can't, it's not going to go -- I don't think anyway, it's not going to go completely flat or negative anytime soon when you look at the long-term load forecast.

On the other hand, we're not seeing a significant uptick at any point in the future either. So we'll have to see how things play out. We are seeing, you know, a steady interconnection of behind the meter solar resources, for example. There is a fair amount of energy efficiency efforts going on out there at the state regulatory level. So we have to see how that plays out in the long term, but I think in the near-term, we've seen the significant sort of deceleration of load growth. It may flatten our hair in the future, but I don't think we're seeing anything really significant in that regard.

But we really want to do our long-term load forecast once a year. So we'll start with the load analysis subcommittee discussions in the fall and then we will be out in -- I think it's late December or early January with the next long term load forecast, it will then go into that May 2019 auction.

Kit Konolige, Senior Utilities Analyst

Right, okay, we'll stay tuned for that. I do have a question that came in now. Is there any reason to think that the EMAC [ph] zone, PSEG zone or ComEd zone might not separate next year and I guess that's kind of directed at -- are there significant transmission projects underway that could change the import and export in those zones?

Stu Bresler, Senior VP, Operations & Markets

Yeah, and the basic answer to that question is, I'm not aware of any transmission upgrades that are significant enough that would in and out themselves cause a lack of price separation there now. You have to combine that with the offer behavior as well. So it's not just the transmission limitation to a given area that determines whether that area binds in the auction or not, it's also the offer behavior of the resources in that area. So again the short answer is to the direct question is, I'm not aware of any real significant transmission upgrades that are going to change the transmission limitations into those areas, but I can't [ph] predict what the offer behavior might be like in future auctions at this point.

Kit Konolige, Senior Utilities Analyst

Sure. More specifically on PSEG zone. I know that this time around there was some discussion I think in your report of the impact of, I think it's largely -- changes in capacity and transmission in New York which I assume is largely related to Indian Point that affected the ability to import in that zone. Is -- I know New York is building a couple of gas plants that are supposedly going to replace them, what's the outlook for that zone, you know broadly speaking in terms of ability to import from New York or export to New York, et cetera.

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Stu Bresler, Senior VP, Operations & Markets

Yeah. So the -- what you're referring to is, we changed an assumption in our C-TEL which is the transmission limits into a given LDA. We changed an assumption in our C-TEL calculation for -- in this case it affected the PSEG zone and that assumption was the availability of non-firm imports from particularly the Eastern part of New York.

And the recognition that we made in changing that assumption is that when the Eastern part of PJM peaks, typically the Eastern part of New York is peaking at the same time. And the prior assumption in our C-TEL calculation was that an external zone like New York and we make the same assumption to our West and to our South as well, when we do C-Tel calculation.

If additional non-firm imports from an area that's external to PJM can help increase the C-Tel by backing off flows and what would otherwise be constrained elements, then we assume that external area would have enough energy and we keep increasing those imports. And what we recognized in changing this assumption is because we tend to peak at the same time, and because I don't think Eastern New York necessarily has a lot of reserves available, we basically eliminated that assumption of availability of non-firm imports from New York in the C-Tel calculation and that -- the result of that changed assumption was a decrease in the C-Tel for the PSEG zone, but that was offset somewhat by the fact that the PS calling it real [ph] contract went away, so that helped increase the C-Tel a little bit, but it was more than offset by the decrease in C-Tel from changing that non-firm import assumptions. I don't see a change in the assumption back anytime soon.

Kit Konolige, Senior Utilities Analyst

Right. Well, that's -- I hope you are not changing those kind of assumptions every year, so right that would be (Multiple Speakers) hard to keep up with, right. But I think that's fair, especially given you know the seeming uncertainty of what resources are going to be available in Southern New York over the next few years and we'll have to see how that works out.

Okay. Yeah. So I think that's about it as far as questions go including my own. So anything else to that -- that we should keep in mind about PJM or the power markets overall?

Stu Bresler, Senior VP, Operations & Markets

No, I think we hit the highlights today Kit. I think, yeah, we will keep holding our capacity auctions, so we look forward already to the one in 2019. But in the interim dealing with these fuel [ph] security issues, the energy market price reforms, we had even talked about planning and order 1,000 and all those issues that we're dealing with as well, so there is definitely a lot going on for sure.

Kit Konolige, Senior Utilities Analyst

Right. Keeping you guys busy and meanwhile also having to keep the air conditioners on as summer approaches. We haven't -- remind me, have we had -- is this -- had the last few summers been especially hot or are we due for a real stretch of 95 degree weather here?

Stu Bresler, Senior VP, Operations & Markets

Yeah, I'd say overall for the last few summers, we've had pretty mild weather. I think we got a little bit --

Kit Konolige, Senior Utilities Analyst

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Right, that's --

Stu Bresler, Senior VP, Operations & Markets

August or September last year, but from what I understand, they are expecting an above average temperature this summer. So maybe we will actually get some sustained heat for a change. Yeah, I think Monday, Tuesday, we're expecting 3 days (Multiple Speakers) Sunday, Monday, Tuesday, so that will be our first (inaudible) --

Kit Konolige, Senior Utilities Analyst

Right, right. That's finally exactly. Okay, great. Well, again Stu Bresler from PJM, thanks very much, great job as usual and everyone we appreciate you tuning in and as I mentioned, we should have the replay available and I think transcripts and slides available at least over the next day or two. So again, thanks very much and please give me a call if you have any further questions. Thank you.

Stu Bresler, Senior VP, Operations & Markets

Well, thanks for having me, Kit. Bye-bye.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-05-02
Event Description: Q1 2018 Earnings Call

Market Cap: 38,811.77
Current PX: 40.22
YTD Change($): +.81
YTD Change(%): +2.055

Bloomberg Estimates - EPS
Current Quarter: 0.578
Current Year: 3.062
Bloomberg Estimates - Sales
Current Quarter: 7387.200
Current Year: 31624.667

Q1 2018 Earnings Call

Company Participants

- Daniel Eggers, Senior Vice President of Investor Relations
- Chris Crane, President and Chief Executive Officer
- Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer
- Unidentified Speaker
- Joseph Nigro, Executive Vice President
- Joseph Dominguez, Executive Vice President, Governmental and Regulatory Affairs and Public Policy

Other Participants

- Gregory Gordon, Analyst
- Jonathan Arnold, Analyst
- Steven Fleishman, Analyst
- Julien Dumoulin-Smith, Analyst
- Stephen Byrd, Analyst
- Praful Mehta, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the 2018 Q1 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

Thank you, Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your call.

Daniel Eggers, Senior Vice President of Investor Relations

Thank you, Geneva. Good morning, everyone, and thank you for joining our first quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. We're joined by other members of Exelon's senior management team and will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section on Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations

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between the non-GAAP measures and the nearest equivalent GAAP measures. We scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Chris Crane, President and Chief Executive Officer

Thanks, Dan, and good morning everyone, and thank you for joining us today. We have had productive few months since our last earnings call, making important steps and reinforcing our value proposition.

At our PHI utilities, we reach settlement in both Pepco Maryland and Pepco DC rate cases. With these settlements, we are now reached constructive settlement in all PHI jurisdictions since the close of the merger and accomplish that legacy PHI is not achieved in many years. This reflects a positive evolution of our engagement lease states. Our employees' hard work to improve system reliability and performance have led to rising consumer satisfaction.

The progress we have made is reflected in our constructive partnership with our regulators, there is always more work to do, particularly on our earned ROEs. But we are encouraged by these developments. In New Jersey, state legislatures -- legislators passed three important energy policy laws with strong majorities on April 12.

Most impactful to Exelon was the New Jersey ZEC program similar to that in New York and Illinois. That will be more fairly compensating our nuclear generating assets in New Jersey for Clean Energy attributes of these plans. In March, our East Coast utilities were battered by three nor'easters that resulted in about 200 million of spending between capital and operating expenses.

Thanks for the tireless efforts of our employees and contractors. We were able to restore power to the effective customers safely and quickly. These storms were challenging and the benefits of our scale were on display in March. We are able to return customers to service days faster than we would have as a standalone utility.

Finally, we had a strong quarter financially. On the GAAP basis, we earned $0.60 per share versus a $1.6 last year on a non-GAAP basis, operating basis we earned $0.96 per share versus 64 last year. Just above the midpoint of our $0.90 to $1 guidance range, while overcoming a $0.06 storm costs through March.

Turning to slide six at the utilities. We continue to execute a top quartile levels across key customer satisfaction and operating metrics. The investments we're making are paying off and improve reliability, which is strengthening our relationship we have with our customers and regulators.

These following numbers, these numbers follow the standard industry pack practice of excluding major storms although the benefits of our scale helped on recovering efforts, which I'll discuss in the next slide. I would note the Pepco DC has achieved a record reliability in the past two years since joining Exelon family of companies.

We continue to make gains as we share best practices across all utilities. We also continue to focus on helping customers in communities becoming more energy efficient, saving energy and money. We have been doing this for years and I'm happy to once again announce that EPA named all five of our eligible companies BGE, ComEd, Delmarva, Pepco and PECO as 2018 Energy Star partners of the year.

Our companies also received -- sustained excellence designation for being main partners three or more years in a row. Safety is always our highest priority and we review our OSHA recordables in the first quarter. We've identified a number of areas for improvement and have implemented a series of actions to get those numbers back on track.

At ExGen nuclear generation this quarter was 40 terawatt hours with capacity factor of 96.5%. Our Texas CCGTs continue to perform well, very well with an economic dispatch match rate of 96.6% ramping up and down to optimize by hour by hour the variability and ERCOT pricing.

Turning to slide seven, I'd like to take a moment to highlight our utilities performance and the outstanding work from our crews as they battered three consecutive -- battled three consecutive nor'easters in March. These storms blanket our

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East Coast utility with heavy wet spring snow and high winds that are especially hard on the system.

Over the span of these storms, we'd faced 1.7 million cumulative customer outages and shared over 1,600 Exelon employees and contractors with our sister utilities. ComEd alone provide an additional 1,200 workers and contract crew members. We also incurred, as I said 200 million of operating capital expenses to help put this in context, we replaced approximately 1,200 power poles and handled more than 1.8 million customer calls. With that context, let me share with you the success story of the combined Exelon utility families.

Because of our employees are trained on common practices. We're able to seamlessly incorporate workers from different utilities more quickly to get work in return service to our customers. Each storm impact to the service territories differently, but the last of the storm -- three storm significantly impacted Atlantic City Electric. We were able to bring in crews and contractors in ComEd, PECO, Pepco, Delmarva and BGE to assist in the restoration effort.

Our scale and performance notably sped up the recovery and allowed us to send over 250 employees and contractors in the New Jersey to aid in the restoration effort. The storms that occurred this quarter, provide a great example of how our model directly benefits our customers. The scale of the Exelon utilities and how we run these businesses continue to contribute to higher quality, more responsive and cost-effective service for our customers.

Turning to slide eight, last call we provided an update on the impact of tax reform. But I want to revisit it, as we have been working with our regulators to pass these savings on the customers. We've identified over 500 million in savings to be returned to our customers related to lower corporate tax rate on our distribution utility operations.

As we have said from the start, the benefit of the lower income tax rate will provide a meaningful savings to our 10 million utility customers. We appreciate the constructive relationship with our state regulators and that are allowing us to pass along these benefits to our customers in the timely fashion.

Turning to slide nine, we made additional progress in establishing compensation for our nuclear generating fleet that recognizes the value of their emission-free generation in the underlying deficiencies and market design. The most significant development was in New Jersey legislation as I spoke of enacting ZEC program into law. Establishing a path forward to preserve the at-risk nuclear plants in New Jersey. I want to thank our team and our partners at PSEG leadership, the leadership in the Senate and the Assembly and the governor for working together to pass this some good [ph] legislation.

Once the governor signs the bill, the ZEC program will go to the BPU for its review of the applications. There is a 330 day deadline for completing the process, putting the program implementation likely at the end of the first quarter in 2019. At that time, we'll start road realizing the New Jersey ZEC revenues. We are pleased that New Jersey has joined New York and Illinois in Connecticut and recognizing the clear environmental attributes of the nuclear generating fleet.

We still see need for more comprehensive solutions to compensate for this Clean Energy, but we think expanding the ZEC program is a key interim step to preserving our most challenged assets, extending the useful lives in the long-term value of this fleet.

Turning to the existing ZEC programs in New York and Illinois, we have had oral arguments in both cases at the federal court levels. In Illinois, the court requested and now waiting for the US government to provide a view on the case. In New York, the decision is with the judges, as they had no outstanding items following the oral argument.

We remain confident in our legal position in both cases and continue to collect the ZEC revenues. With respect to PJM work on price formation, FERC is committed to ruling on PJM's fast start price formation by September, if not sooner. As many parties have requested, PJM is committed to operationally implement the rule as soon as FERC gets approval. FERC's decision on fast start will dictate the process for additional reforms aimed at eliminating flaws in the current pricing formation rules that currently prevent some units from setting price.

In addition, PJM is now set deadlines for stakeholder reviews of reforms to its shortage pricing rules including those related to reserve and operating reserve demand curves. We see these price formation changes is essential to preserving an effective competitive market in PJM and apply the ongoing efforts to design and implement these changes.

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Finally, just yesterday PJM committed to study fuel supply vulnerabilities that could arise if the grid became dominated by natural gas generation. In its White Paper PJM called for reforms of its capacity market to better value fuels secure resilient resources. We have seen this is a positive first step where we urge PJM to model the carbon in air pollutant implications of greater reliance on fossil fuels particularly oil-fired power plants to meet electrical demand.

Our states and customers communities expect us to develop policies that will lead to less pollution, not more. So we believe PJM should study emissions consequences as well.

Now, I'll turn it over to Jack to walk through some of the numbers.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Thank you, Chris and good morning everyone. Turning to slide 10. We had a strong quarter financially ,delivering adjusted non-GAAP operating earnings of $0.96 per share just above the midpoints of our guidance range of $0.90 to a dollar per share. This compares to $0.64 per share in the first quarter of 2017. Better results from generation offset the storm-related cost pressures of the utilities.

Exelon's utilities delivered a combined $0.47 per share, net of Holdco ,which includes $0.06 of higher storm costs. Since, we've not had significant winter storms like these in years, let me remind you how major storms are treated in our different mid-Atlantic jurisdictions.

In New Jersey and Maryland excluding BGE, we have a tracking mechanism for major storms. So, the costs incurred during the first quarter are deferred as a regulatory asset and will be recovered in the future thereby not impacting our reported earnings.

In Delaware, Pennsylvania, Washington DC and for BGE in Maryland, when we file rate cases. We use an average of major storm costs from previous years, that is included in our rates and assumed in our budgets. In years, when major storms exceed, the historic average Exelon absorbs the additional storm costs but future rates will be adjusted to reflect these costs.

With March, marches [ph] winter storms, we exceeded our storm budgets with which left us $0.06 per share behind plan in the first quarter of 2018. As we look out to the remainder of the year, we will have to find offsets at the utilities to mitigate any additional major storm expenditures, which historically have come in the first and third quarters.

Looking beyond the storm impacts our utility results did benefit from additional revenues associated with resolved rate cases. We would also expect PHI to catch up on some of their normal course O&M expenses over the balance of the year. Generation had a strong quarter relative to plan earning $0.49 per share.

We had good performance from our nuclear assets with better capacity factors than budgeted. We also benefited from lower O&M expenses and favorable spot market prices. We're reaffirming our full year guidance range of $2.90 to $3.20 per share, which you can see on slide 19 and expect to deliver operating earnings of $0.55 to $0.65 per share in the second quarter compared with $0.54 last year.

Turning to slide 11, the $0.96 per share in the first quarter of this year was $0.32 per share higher than the first quarter of 2017. Generation earnings were up $0.32 per share compared to last year with the ZECs representing the most significant source of uplift as we recognize the true -- true-up of the 2017 Illinois ZEC revenues in the first quarter, which added $0.11 per share. And we realized full quarter contributions from Illinois and New York ZEC programs, including the acquisition of Fitzpatrick, which were not in effect during the first quarter of 2017.

Relative to the first quarter of 2017 generation also benefited from higher capacity pricing in New England, the Midwest in the Mid-Atlantic regions. As a whole, the utilities were largely impacted by higher storm costs, which was partially offset by increased electric distribution and transmission revenues due to higher rate base, ComEd increased transmission revenue, BGE rate increases at PHI and favorable weather at PECO.

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Moving to slide 12, on a trailing 12-month basis, our overall earned ROEs slipped modestly from last quarter, but are near the midpoint of our targeted 9% to 10% earned ROEs that underpin our target returns for 2019 and beyond. The biggest drag in overall ROEs compared to last quarter came from the increased major storm expenses that I discussed earlier.

In total, the storms reduced earned ROEs by 10 basis points for our total utility businesses on a trailing 12 months basis, will remain diligent in managing our operating expenses to dampen the effects from the storm costs.

Turning to the PHI utilities, the absolute levels of earned ROEs still have room for improvement even when we adjust for the 60 basis point drag from the fourth quarter FAS 109 write-off. That said the recently filed settlements at Pepco DC and Pepco Maryland should start to lift Pepco's earned ROEs in the second half of 2018. We also experienced higher O&M in the first quarter than budgeted, which is due to timing issues and should reverse over the remainder of the year and help to lift earned ROEs.

As we look at our earned ROEs for the rest of 2018 for the overall utility. Tax reform is positive to earnings but also creates ROE headwinds this year, due to the timing of equity injections to fund deferred tax returns before the higher equity is reflected in rate cases. The ROE impact is primarily a 2018 timing issue and is already captured in our earnings outlook. We still expect earned ROEs in 2019 to be solidly in the 9% to 10% range.

Turning to slide 13, We've had a constructive regulatory quarter. Starting with the most recent developments, we were pleased to reach a settlement agreements in April at both Pepco DC and Pepco Maryland providing revenue decreases of 24.1 million and $15 million respectively. The decreases include adjustments for forecasted tax benefits to customers with the recent tax reform legislation. The settling parties have proposed a procedural schedule that would place rates in effect by June 1st for Pepco Maryland and July 1st for Pepco DC. We were happy to have reached constructive settlements with key intervenors in both jurisdictions that provide bill relief for customers while also providing a return on our investments and being resolved months earlier than if the cases had been fully litigated.

On March 29, we filed our first case at PECO in three years, where we requested an $82 million rate increase, with the scheduled completion by December 31. The filing is focused on supporting PECO's strong reliability performance, strengthening system resiliency and supporting physical security and cyber security. I should also note that the $82 million is net of $71 million tax credit for 2019 tax reform benefits and that the five year average storm cost in the filing includes the costs incurred in the first quarter.

On April 16, ComEd filed its annual distribution formula rate update with the ICC seeking a $22.9 million decrease to distribution base rates. The decrease is primarily driven by an adjustment or forecasted tax benefits resulting from the recent tax reform legislation. On February 9, we closed out the Delmarva Maryland rate case with a $13.4 million revenue increase effective immediately. Finally, we have outstanding cases in Delaware at Delmarva electric and gas that are scheduled for completion in the third and fourth quarters respectively. More details on the rate cases in their schedules, can be found on slides 22 through 27 in the appendix.

Turning to slide 14. In the first quarter, we invested $1.2 billion of capital at the utilities and are on track to meet our $5.5 billion budget to the benefit of our customers. Considering the significant number of projects that go into our overall capital budget, we thought a more regular update on specific projects would be useful to appreciate how these investments are benefiting our customers and communities.

Today, I'd like to highlight two projects, the first is DPL's Cedar Creek to Milford transmission rebuild. This 75 million project entails replacing approximately 43 miles of 230 kV transmission poles as well as new conductor and optical ground wiring. The 230 kV line is critical for the transmission network in the Delmarva region and will improve reliability by eliminating the potential for outages due to structural failure of the line.

The second project, I'd like to highlight is ComEd's future new substation in Elk Grove. The $90 million green-field substation is expected to be in service by the third quarter of 2021. The project will support transmission line reliability and projected load growth primarily from Data Centers in the Elk Grove village area by adding over 300 MW of additional new capacity.

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Slide 15 provides our gross margin update for ExGen, which saw some movement within the buckets but total gross margin in each year is unchanged from our last update. For 2018 open gross margin was up $250 million primarily due to strengthening ERCOT spark spreads offset by our hedges. We also had a strong quarter and execution creating $200 million of Power New Business.

2019 and 2020 gross margins are also flat relative to our last disclosure. In both years, open gross margin increased by $50 million on strengthening ERCOT spark spreads which was offset by our hedges. We're also able to execute a $100 million and $50 million of Power New Business in 2019 and 2020 respectively.

We ended the quarter, approximately 6% to 9% 33:39 behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019, when considering cross commodity hedges. We remain comfortable being more open when we look at market fundamentals.

Turning to slide 16, we remain committed to maintaining a strong balance sheet and our investment grade credit rating. We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of three times debt-to-EBITDA. On a recourse debt basis, we are at 2.1 times, which is well below our target. We will continue to manage our balance sheet at ExGen overtime to three times debt-to-EBITDA level, so look for us to focus on debt reduction at both HoldCo and Genco.

I'll now turn the call back to Chris.

Chris Crane, President and Chief Executive Officer

Thanks, Jack. Turning to slide 17. We remain firmly committed to our strategy and see progress in the first quarter, whether it be the rate case settlements of PHI, the benefits of the scale and our storm restoration for establishing ZEC programs in New Jersey, our financial footing is very strong.

Here again is our value proposition. We will continue to focus on growing our utilities targeting 7.4 rate base growth and 6% to 8% EPS growth through 2021. We continue to use free cash flow from ExGen to fund incremental equity needs of the Utilities, pay down debt over the next four years at ExGen and the HoldCo and part fund a faster dividend growth rate.

We continue to focus on optimizing value for ExGen business by seeking fair compensation for carbon free generation fleet in Pennsylvania as we have done with the ZECs in New Jersey, Illinois and New York. And this adoption of price formation in PJM and resiliency initiatives at FERC will also benefit. We continue to close uneconomic plants, sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load match strategy. We continue to sustain strong investment grade credit metrics and grow our dividend consistently a 5% through 2020.

With that operator, we can now open it up for questions.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from line of Gregory Gordon with Evercore.

Gregory Gordon, Analyst

Thanks good morning. Great quarter considering all the storms you had. I've got a few questions.

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Unidentified Speaker

Sure.

Gregory Gordon, Analyst

The first is looking at the -- your gross margin slide, you did comment that you had some puts and takes and that the total expected gross margins are the same. I see from looking at the prior quarter's deck that you're sort of NiHub's around the clock pricing is down, mid-Atlantic's a little better, ERCOT's sparks are a lot better. But when you show us the open gross margin and you roll down to the total expected gross margin. How are you thinking about current forwards in ERCOT goal -- rolling into spot pricing, and are you just giving us sort of a theoretical make it mark assuming you can roll all the current run up and spark spreads into spot or is there some, some sort of a holdback there, given the uncertainty with regard to some of the volatility?

Joseph Nigro, Executive Vice President

Hey, Greg. Good morning, it's Jo Nigro. It's a good question, Greg. And as you've mentioned, there is a lot of volatility expected in ERCOT this summer. And for us, it's not as simple as just selling the generation output. As you know, we have a very big load book of business, so we have to take that into account as well, and we look at those scenarios under a lot of different outcomes, be it higher prices and/or lower prices and we try to set up the book accordingly. When you look at the disclosure here, we're simply mark-to-marketing the value of our open position in the open gross margin calculation and there was a large uptick to the tune of about $300 million if it had been a fully open book.

Offsetting that, obviously, is the mark-to-market of our hedges that are on the book given the strong move and the sales we've made. And that next to a gain in the portfolio of about $50 million. As for a holdback, any holdback would be relatively small in the overall total gross margin of the over $8 billion that's expected. And we would do that given some of the uncertainty of outcomes that we expect.

Gregory Gordon, Analyst

Okay, great. Thanks, Jack I've got a couple questions for you. Looking at the slide, where you give the projected sources and uses of cash. As I compare that to the last quarter disclosure, it looks like regulated utility investments, expected investments are up a little bit. But overall, free cash flow profile into the end of the year, actually looks like it's still net-net improved even after slightly higher CapEx. Is that our fair synopsis? And I know it's a small increase, but what are those capital expenditures being directed to?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

It is a fair Synopsys, and I think the CapEx is really related to storm. Investment, Chris talked about the significant investments that were made in the mid-Atlantic utilities during that storm. So that's why you see the increase and CapEx there, to your point, the overall cash flow profile of the company looks quite strong.

Gregory Gordon, Analyst

Right. And my last question actually goes -- because you didn't put it in this deck back to the Q4 deck, where you had EPS sensitivities related to interest rates and it looks to me like the 30-year is up about 37 basis points since year-end, when you guys put in here the interest rate sensitivity for comment ROE and pension expense since $0.03 in each instance for every 50 basis points at least looking at '19. So is it fair to say that these be sensitivities still hold because

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that would mean your -- you might be as much as a $0.05 ahead of where you were in '19 at the beginning of this year.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

I think the $0.05 sounds a little high, but they do hold. And as you know we benefit from rising interest rates. Relative to other utilities because of the tied to the formula rate in Illinois, but also because of our significant pension liability. And as interest rates increase the liability shrinks, so no question, this rising environment is helping our costs as well as our revenues and EPS. But a $0.05 does seem a little bit progressive.

Gregory Gordon, Analyst

Okay. Thank you, Jack. That's all I've got.

Operator

And our next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Arnold, Analyst

Good morning, guys.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Great.

Jonathan Arnold, Analyst

Just hoping to follow up on the ERCOT comment. just now. I think I heard you say 300 million is roughly the gross margin. And then with the hedging value, it sort of offset down to 50 was that a 2018 comment. And if so could -- could we get some sort of, sense on '19 and '20 because those sort of hedge spark numbers that you give finding a little difficult to unpack those.

Joseph Nigro, Executive Vice President

Yeah, the comment I made was in relation to '18 Jonathan. But you could think similarly, not in magnitude of dollars, because we haven't seen the absolute price change that we saw in '18. But you had a pick-up in open gross margin in '19 and '20. And similarly, we had a mark-to-market drop in '19 and '20 given that we've sold in obviously at lower prices.

Given that those -- those market prices haven't moved nearly as greatly on the back-end in '19 and '20. You could just the -- that the absolute value of the dollars, isn't going to be as great. I think the other element there, though, is you've seen this market move pretty appreciably in the front end, and rightfully so, given where reserve margins are in the announcements of the retirements. I think you could expect some extreme volatility this summer, and that will be obviously weather-dependent and dependent on unit performance as well as our wind performance. I think the other element though is, if we see some of that volatility that's expected. It wouldn't be unreasonable to think that you would see price appreciation in 2019 and '20 on the back of it, just could because it hasn't moved and as you could see from our disclosures, we're not only carrying a long position in '18, we have quite a bit of power still opened in '19 and '20 as

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well.

Jonathan Arnold, Analyst

Sure. Thank you. Thank you, Joe. But can you just when you look quarter -- first quarter versus year-end you know the effective realized energy price spot number you gave is of down. So just give us a -- remind us of sort of how that works and I think the message is the margins up somehow that indicator goes down.

Joseph Nigro, Executive Vice President

Yeah. And it's slightly different for the baseload regions. I'll call the Midwest and the mid-Atlantic versus the calculation in ERCOT as you know ERCOT, we're trying to give you a view of a spark spread, which is more relevant to our machines. And the formula is laid out here. It's very simple, we take a gas price using Houston ship Channel multiplied by heat rate and add some variable O&M to set the reference price.

What we then do is, we got to add back or subtract from the mark-to-market value. And the way to think about that is that's a dollar amount. So we calculated the reference pricing at unit of dollars per megawatt hour. We've now got a bucket of dollars on a mark-to-market basis that we need to divide by the volume sold to bring it back to that same unit of dollars per megawatt hour. It just so happens in 2018, when you look at the effective realized energy price, it's next to zero. We've seen it in the past to actually go negative in ERCOT if we have a large mark-to-market loss with very small volumes sold and then you could see in the out years in '19 and '20 that's a positive outcome or a positive spark.

Jonathan Arnold, Analyst

With the net-net and then that is that your expected margin is higher. Correct?

Joseph Nigro, Executive Vice President

Yes. Our expected margin in ERCOT is higher in each year, given that we're carrying an open position in all those years. And the market is going higher. Now, that was offset as we mentioned in the first question from Greg with some of the changes on the rest of the portfolio to keep the gross margin on the bottom line balanced.

Jonathan Arnold, Analyst

Thank you. And then just one other little issue. So we noticed that there were particularly low tax charges both PECO and PHI in the quarter. So there something unusual going on there, or should we be thinking as we sort of push those through the year.

Chris Crane, President and Chief Executive Officer

PECO I think it's -- specific and its tax repairs. So as we invest capital for the storms that shows up later in the benefits in tax repairs. Same is true in some -- certain of the PHI jurisdictions.

Jonathan Arnold, Analyst

So what would be of standards? Should we continue the fact through the year, Jack? Or is it really just like a Q1?

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Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

its a Q1.

Jonathan Arnold, Analyst

Okay.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

And depending on what storm activity we see in Q3 or Q4.

Jonathan Arnold, Analyst

Yeah. Good. Okay, thank you very much guys.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Sure.

Operator

And our next question comes from the line of Steven Fleishman with Wolfe Research.

Steven Fleishman, Analyst

Yeah, hi. Curious just -- there's a lot of retail businesses that looks like or on the market these days. How interested might you be in expanding retail through acquisition?

Joseph Nigro, Executive Vice President

Steve, we're always interested --. Good morning. First of all, it's Joe. We're always interested in looking at whatever opportunities exist in the marketplace. As you know, we have a history of acquiring companies and in our recent past, when you look at Integrys and ConEd, for example. And we'll continue to do that to the extent, we can add something like that we think will be accretive to the bottom line and fits with the value proposition that we're trying to bring both to our shareholders and our customers. We're going to be aggressive with doing that. There has been some change of hands with retailers in the near term here. And we will expect that to continue given some that are in the market now and we'll continue (inaudible).

Steven Fleishman, Analyst

Okay. And then just the continued comment on staying more open do to -- your view that power prices are I guess upside you're seeing power prices. How much of that is the potential market reforms versus just expecting better -- better price kind of without them or is it a mix of both?

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Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

It's a mix of both. I think you have to take the whole picture into account, when you look at our portfolio, from my lens, I think about risk reward and when you look at where the power curve is like for example in the Midwest, now and where gas prices are, we think about it from a heat rate perspective and we see upside to that. And that's driven by some of the reforms that PJM themselves is talking about. And obviously, Joe and a number of folks here at Exelon are working on very closely and we stayed very tied to that.

And then in addition to that, we look at history and changes in the composition of the generation stack and the transmission stack. I still go back to some of the easy examples that we had gas prices two years ago at a $1.70 [ph] and we have power prices that were almost $26. We have gas curves at $0.75 or $0.80 higher than that and you see power prices that are lower than where they were. So it becomes a question of risk reward, when you overlay just the fundamentals of the market itself. And then, obviously some of the regulatory reforms that are out on the horizon.

Steven Fleishman, Analyst

Okay, thank you.

Operator

And our next question from the line of Julien Dumoulin with Bank of America Merrill Lynch.

Julien Dumoulin-Smith, Analyst

Hey, good morning.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Good morning.

Julien Dumoulin-Smith, Analyst

Hey. So perhaps to follow-up on the Steve's question a little bit. Can you talk a little bit about expanding margins that are on retail? And just what you're seeing out there, obviously sort of your peers of late have really been adamant in seeing an opportunity there. Just be curious to hear your latest assessment? I know you guys have seen a variety of different dynamics in the retail markets in recent months. So, I'll leave it there.

Joseph Nigro, Executive Vice President

Yeah, Julien. Good morning, it's Joe. I guess I really can't speak to what my competitors are actually achieving. I have an understanding of what they're saying and we know how they're reacting in the market. What I would tell you is, we think about our load serving business across the whole -- wholesale perspective, when we think of polar options as well as our independent retail business, it's tied very closely obviously to our generation portfolio.

I think first of all, the volatility during the quarter, especially in New England and PJM was good to see. We've got an expectation of volumes and margins that are in our disclosure and we're comfortable with those and they remain -- the margins remain in line with what our expectations have been historically for C&I margins. We're comfortable with our projections overall. I will tell you, we've seen some competitive behavior change on the retail side, some folks, I think

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were hurt last year with -- with low volumes and when you get into some of the non-energy charges and how they're calculated on a volumetric basis.

And we've seen some of our competitors move away from fully fixed price contracts in certain markets. And we will continue to offer those products and we're going to remain disciplined to our approach. We spend a lot of time analytically evaluating data and using that data to inform our decisions, both from a generation to load matching strategy, from a pricing perspective and a product development perspective. And as you know, last year we had some challenges in our retail business. We're comfortable where we are now. I will tell you on the wholesale polar option side in the first quarter, we have had some success and I think it's directly attributable to the volatility that we saw in late December and early January and quite frankly in March as well in Eastern PJM with higher prices .

So overall, we're comfortable with what's reflected in the disclosure and we're comfortable with the margins and the volumes and we'll continue to work hard and it is a very competitive marketplace.

Julien Dumoulin-Smith, Analyst

And I just wanted to follow-up on one specific plant here Mystic in New England. A lot of different dynamics playing out right now, but it would seems if you need to clear your assets, at all of the units, if you will, and then keep them around or would you actually look to retire select units here, if they don't actually get picked up with an arm [ph] or otherwise?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

I think we've been very clear, right. I mean, we announced the acquisition of the Marine Terminal. We have an obligation for capacity that we are going to honor and that's part of the reason that we're driving towards that acquisition of the Terminal. We've also been very clear that absent market reforms. We don't see profitability for these units into the future, and we're working very closely to try to rectify that. I mean, the ISO themselves put out the study recently, saying that there were five assets in New England needed to ensure the reliability to the future, one being the Everett Marine terminal and the others being the Mystic assets. So putting all that together, as we've done in PJM and other areas with the capacity market, I think we take a very prudent approach to how we manage this looking into the future, and we're going to do the same thing in New England, we'll honor the commitment for capacity and we're going to look to get to the right reforms to make these assets more economic in the future.

Julien Dumoulin-Smith, Analyst

All that needs to clear, right?

Joseph Dominguez, Executive Vice President, Governmental and Regulatory Affairs and Public Policy

Julien, this is Joe Dominguez. Actually, no, that's wrong. We don't have to clear the units to participate and in fact, absent successful filing by the ISO on this wafer that they filed last night. To offer a cost of service rate to Mystic, we will not clear. We will not participate in future capacity options.

Julien Dumoulin-Smith, Analyst

Excellent. Thank you.

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Operator

And our next question comes from the line of Stephen Byrd with Morgan Stanley.

Stephen Byrd, Analyst

Hi, good morning.

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Hi, Steve.

Stephen Byrd, Analyst

I wanted to touch on your additional leverage capacity and I guess what I'm thinking about is, as you continue to shift your earnings mix more towards regulated our earnings and you're certainly doing that organically. But I guess, I'm also thinking about in organic waste to do that as well. Could you talk at a high level in terms of what that might mean in terms of different risk profile with rating agencies at different targeted credit metrics et cetera, if you pivot increasingly more towards regulated earnings?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

So Stephen, I think, I think you know we've been incredibly conservative with our balance sheet in taking that approach and I think it's worked well with the agencies. As we do get more regulated contribution, certainly the earnings mix of the company shifts as does the risk profile. That married with a three times debt-to-EBITDA target at the Genco, which we're well below now I think positions the company quite well. We have in the past spoken with the agencies particularly S&P about upgrading us at the holding company level. And we will continue to pursue that as the mix shifts occurs. I think our case strengthens. So that's kind of conservative approach we're taking.

Stephen Byrd, Analyst

Understood. And then shifting gears to the PJM White Paper, Chris, that you mentioned in your prepared remarks and thinking about fuel resiliency, fuel security. Procedurally, as sort of how do we think about how PJM might approach that from a process point of view? I know it could to take quite a bit of time to do more work, more analytics around that at PJM, but is there anything you can tell us in terms of just thoughts on how that process might unfold?

Joseph Nigro, Executive Vice President

Yes. Stephen, it's Joe and let me just start off with an observation. It's interesting Secretary Perry in the 403 last fall identified a resilience problem in these markets. And as you know that proposal was widely panned with a number of parties indicating that there is no resilience issue. Yet in the last 48 hours, we've seen a filing by the New England ISO to retain Mystic on fuel security resilience grounds. And of course, we saw this White Paper from PJM on Monday, indicating that it too may have a resilience problem that would require capacity market changes.

From our perspective, turning to that White Paper the things that are going to be important is to understand the analytics, the inputs into the analysis that PJM runs, and in particular how they think about the unavailability of natural gas pipeline service and for what duration. What Chris mentioned at the top of the call, is that in addition to those constraints through those modeling parameters. We'd like to see them model environmental impacts associated with

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this fuel mix.

We kept the New England system running this year really on the back of oil-fired units and while we succeeded in keeping the lights on, it was a disappointing outcome for environmentalists in New England, where we burn 2 million barrels of oil. And disasters, as frankly outcome for the stakeholder process in New England where they want to get to lower air pollution, carbon and conventional pollutants emissions.

So we think that needs to be incorporated as well into PJM's analysis and until we get those environmental externalities incorporated, we're not going to have a complete market. So we see this as a positive step forward. We're going to look very carefully at how they intend to model this situation, again the unavailability of gas and for how long. And we think if they do that right. They're going to find that they too like New England have a significant number of fuel constraints on the system. That will require them to preserve fuel secure resources.

Now that that could be a gas plants on Marcellus shale storage. It could obviously be nuclear plants and it could be coal plants but then we need to take another look at that mix, and make sure we're meeting the expectations of our customers and communities in terms of environmental impacts.

In 2018, emissions need to be going down. And any resolution of this issue that results in emissions going up is going to continue to create incentives for state actions and indeed for other federal actions to correct the flaws in this market.

Chris Crane, President and Chief Executive Officer

I want to just follow-up on one thing, I want to make it clear, we are not anti-gas. We think that the consumers in the country have really benefited from the plentiful low-cost gas, but as we look at the transmission system designs in the country. The n-minus one concept that coordinates power flows across our system in the loss of major lines is a design basis. What we need is a design basis threat on the gas system to the electric system and ensure either redundancy in capacity for getting the gas to the plants or limit the dependency on the gas, so we can keep the system up along with what Joe said on the environmental attributes.

So we don't have a combined gas and electric day coordination. We don't have a design basis threat to the gas system that -- that would affect the electric system properly and that needs to be worked out.

Stephen Byrd, Analyst

Very thoughtful response. I mean it seems like the analysis is, as you said, it's important to get the parameters set. That process could take a while. But I appreciate your point about what that analysis could result and thanks so much for the color.

Chris Crane, President and Chief Executive Officer

Sure.

Operator

And our final question comes from the line of Praful Mehta from Citigroup.

Praful Mehta, Analyst

Hi, guys. Thanks so much.

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Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Hi.

Praful Mehta, Analyst

So a quick question on price formation. Could you just remind us, what is the impact that you see for price formation for your assets and how does that net out against the assets that are receiving zero emission credits. Is there any net out of that as well?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

So I'd jump in, what we have talked about is really what PJM has modeled. And as a grouping of two different initiatives, the fast start initiative and the full (inaudible) relaxation for baseloads -- baseload units PJM as modeled a $3.50 impact to energy markets. We haven't published or discussed any numbers different from that. In terms of how it interfaces with the ZEC program remember that the units that we presently have in the ZEC program or in New York, which would be unaffected by that change Clinton, which is in MISO again unaffected by that change. So the only unit presently, we'd be talking about is Quad Cities. And yes, as energy prices go up, either as a result of energy market dynamic changes, policy changes carbon being in the market, there would be essentially an offset to the ZEC payment plans that are participating.

Praful Mehta, Analyst

Okay. That's helpful. And that will apply to New Jersey as well?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

In New Jersey, the mechanism is going to be different but as prices -- if prices recover for other reasons, the program also will have the BPU look at pricing in future years and potentially make adjustments. The key in all of these states is to preserve these zero emission resources for the customers.

Praful Mehta, Analyst

Got you. And that's helpful. And just quickly that connecting that with capital allocation, right. If you do have the upside from price formation and zero-emission potentially in Pennsylvania as well. You've already kind of laid out a plan, which allocates all the capital into all the different kind of criteria you've mentioned from debt reduction [ph] to dividend, where do you see the incremental capital, if it does come through get allocated in your plan currently?

Jonathan Thayer, Senior Executive Vice President & Chief Financial Officer

Yeah, we have good capital resources today. We have good sources of investments to make for customer satisfaction reliability. So we'll -- we'll continue on that path. But we have to maintain a very strong sensitivity to the consumer impact on excess of capital going on the system. We can install $8 worth of capital and keep rights the same by reducing O&M by $1. And that's what we have to be focused on is customer service reliability and the impact on our consumers. So that would be the -- that will be our approach as we go forward.

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Praful Mehta, Analyst

Got you. Thanks. Thanks a lot guys.

Operator

I would now like to turn the call over to Chris Crane for closing remarks.

Chris Crane, President and Chief Executive Officer

So I want to thank everybody again for attending the call and the questions. We are always available for any further details that you want going through then. We had a very good first quarter. We anticipated good 2018. The work that's being done by all our operating groups continue to ensure that we maintain a strong balance sheet and deliver on the value proposition. I won't worry you out with my opinion of the valuation of the stock. We have had some improvement, but we -- as we execute, we expect to see more improvement on that in the following quarters in the year. So with that, thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. We thank you for your participation. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-05-02
Event Description: Q1 2018 Earnings Call

Market Cap: 38,966.17
Current PX: 40.38
YTD Change($): +.97
YTD Change(%): +2.461

Bloomberg Estimates - EPS
Current Quarter: 0.578
Current Year: 3.062
Bloomberg Estimates - Sales
Current Quarter: 7387.200
Current Year: 31624.667

Q1 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- Joseph Dominguez

Other Participants

- Greg Gordon
- Jonathan Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Stephen Byrd
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Daniel L. Eggers

GAAP and Non-GAAP Financial Measures

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures

Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures

Christopher M. Crane

Business Highlights

PHI Utilities

- We have had a productive few months since our last earnings call, making important steps in reinforcing our value proposition
- At our PHI utilities, we reached settlement in both Pepco Maryland and Pepco D.C. rate cases
- With these settlements, we are now reached constructive settlement in all PHI jurisdictions since the close of the merger and accomplished that legacy PHI has not achieved in many years
  - This reflects a positive evolution of our engagement in these states
- Our employees' hard work to improve system reliability and performance have led to rising consumer satisfaction

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- The progress we have made is reflected in our constructive partnership with our regulators
  - There's always more work to do particularly on our earned ROEs, but we are encouraged by these developments

New Jersey

- In New Jersey, state legislators passed three important energy policy laws with strong majorities on April 12
- Most impactful to Exelon was the New Jersey ZEC program, similar to that in New York and Illinois
- It'll be more fairly compensating our nuclear generating assets in New Jersey for clean energy attributes of these plants

East Coast Utilities

- In March, our East Coast utilities were battered by three northeasters that resulted in about $200mm of spending between capital and operating expenses
- Thanks to the tireless efforts of our employees and contractors, we were able to restore power to the effective customers safely and quickly
  - These storms were challenging and the benefits of our scale were on display in March
- We were able to return customers to service days faster than we would have as a standalone utility

GAAP Basis

- Finally, we had a strong quarter financially
- On a GAAP basis, we earned $0.60 per share vs. $1.06 last year
- On a non-GAAP operating basis, we earned $0.96 per share vs. $0.64 last year, just above the midpoint of our $0.90 to $1 guidance range while overcoming $0.06 storm cost through March

Investments

- Turning to slide 6
- At the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics
- The investments we are making are paying off in improved reliability, which is strengthening our relationship we have with our customers and regulators
- These numbers follow the standard industry practice of excluding major storms, although the benefits of our scale, [ph] health (00:04:42) and recovery efforts, which I'll discuss in the next slide

Pepco D.C

- I would note that Pepco D.C. has achieved a record reliability in the past two years since joining Exelon family of companies
- We continue to make gains as we share best practices across all utilities

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- We also continue to focus on helping customers and communities becoming more energy-efficient, saving energy and money

- We have been doing this for years and I'm happy to once again announce that EPA named all five of our eligible companies; BGE, ComEd, Delmarva, Pepco and PECO, as 2018 ENERGY STAR Partners of the Year
- Our companies also received the Sustained Excellence designation for being named partners three or more years in a row

ExGen

- Safety is always our highest priority and we review our OSHA recordables in Q1
- We've identified a number of areas for improvement and have implemented a series of our actions to get those numbers back on track
- At ExGen, nuclear generation this quarter was 40 terawatt hours, with capacity factor of 96.5%
- Our Texas CCGTs continue to perform very well with an economic dispatch match rate of 96.6%, ramping up and down to optimize hour-by-hour the variability in ERCOT pricing

East Coast Utility

- Turning to slide 7
- I'd like to take a moment to highlight our utilities' performance and the outstanding work from our crews as they battled three consecutive nor'easters in March
  - These storms blanket our East Coast utility with heavy wet spring snow and high winds that are especially hard on the system
- Over the span of these storms, we faced 1.7mm cumulative customer outages and shared over 1,600 Exelon employees and contractors with our sister utilities
- ComEd alone provided an additional 1,200 workers and contract crew members

Operating Capital Expenses

- We also incurred, as I said, $200mm of operating capital expenses
- To help put this in context, we replaced approximately 1,200 power poles and handled more than 1.8mm customer calls
  - With that context, let me share with you the success story of the combined Exelon utility families
- Because of our employees are trained on common practices, we're able to seamlessly incorporate workers from different utilities more quickly to get work and return service to our customers

New Jersey

- Each storm impacted the service territories differently, but the last of the three storms significantly impacted Atlantic City Electric
- We were able to bring in crews and contractors from ComEd, PECO, Pepco, Delmarva and BGE to assist in the restoration effort

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- Our scale and performance notably sped up the recovery and allowed us to send over 250 employees and contractors into New Jersey to aid in the restoration effort
- The storms that occurred this quarter provide a great example of how our model directly benefits our customers
- The scale of the Exelon utilities and how we run these businesses continue to contribute to higher quality, more responsive and cost-effective service for our customers

Tax Reform

- Turning to slide 8
- Last call, we provided an update on the impact of tax reform, but I want to revisit it as we have been working with our regulators to pass these savings on to customers
- We've identified over $500mm in savings to be returned to our customers related to lower corporate tax rate from our distribution utility operations
- As we've said from the start, the benefit of the lower income tax rate will provide a meaningful savings to our 10mm utility customers
  - We appreciate the constructive relationship with our state regulators in that are allowing us to pass along these benefits to our customers in a timely fashion

ZEC Program

- Turning to slide 9, we made additional progress in establishing compensation for our nuclear generating fleet that recognizes the value of the emission-free generation and the underlying deficiencies in market design
- The most significant development was the New Jersey legislation as I spoke of enacting the ZEC program into law, establishing a path forward to preserve the at-risk nuclear plants in New Jersey
- I want to thank our team and our partners at PSEG leadership, the leadership in the Senate and the Assembly and the Governor for working together to pass this important legislation

BPU

- Once the Governor signs the bill, the ZEC program will go to the BPU for its review of the applications
- There is a 330-day deadline for completing the process, putting the program implementation likely at the end of Q1 in 2019
- At that time, we will start realizing the New Jersey ZEC revenues
- We are pleased that New Jersey has joined New York and Illinois and Connecticut in recognizing the clear environmental attributes of the nuclear generating fleet
- We still see need for more comprehensive solutions to compensate for this clean energy, but we think expanding the ZEC program is a key interim step to preserving our most challenged assets, extending their useful lives and the long-term value of this fleet

New York and Illinois

- Turning to the existing ZEC programs in New York and Illinois, we have had oral arguments in both cases at the federal appellate court levels

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- In Illinois, the court requested and now waiting for the U.S. Government to provide a view on the case
- In New York, the decision is with the judges as they had no outstanding items following the oral argument
  - We remain confident in our legal position in both cases and continue to collect the ZEC revenues

FERC

- With respect to PJM work on price formation, FERC has committed to ruling on PJM's fast-start price formation by September, if not sooner, as many parties have requested
- PJM is committed to operationally implement the rule as soon as FERC gets approval
- FERC's decision on fast-start will dictate the process for additional reforms aimed at eliminating flaws in the current pricing formation rules that currently prevent some units from setting price

Stakeholder

- In addition, PJM has now set deadlines for stakeholder reviews of reforms to its shortage pricing rules, including those related to reserve and operating reserve demand curves
- We see these price formation changes as essential to preserving an effective competitive mark in PJM and apply the ongoing efforts to design and implement these changes
- Finally, just yesterday, PJM committed to study fuel supply vulnerabilities that could arise if the grid became dominated by natural gas generation
- In its white paper, PJM called for reforms of its capacity market to better value fuel-secure resilient resources

Electrical Demand

- We have seen this as a positive first step where we urge PJM to model the carbon and air pollutant implications of greater reliance on fossil fuels, particularly oil-fired power plants to meet electrical demand
- Our states and customers communities expect us to develop policies that will lead to less pollution, not more, so we believe PJM should study the emissions consequences as well

Jonathan W. Thayer

Financial Highlights

Adjusted Non-GAAP Operating Earnings

- Turning to slide 10
- We had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.96 per share, just above the midpoints of our guidance range of $0.90 to $1 per share
- This compares to $0.64 per share in Q1 2017
- Better results from Generation offset the storm-related cost pressures at the utilities
- Exelon's utilities delivered a combined $0.47 per share net of HoldCo, which includes $0.06 of higher storm costs

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- Since we've not had significant winter storms like these in years, let me remind you how major storms are treated in our different Mid-Atlantic jurisdictions

New Jersey and Maryland

- In New Jersey and Maryland, excluding BG&E, we have a tracking mechanism for major storms, so the costs incurred during Q1 are deferred as a regulatory asset and will be recovered in the future, thereby not impacting our reported earnings
- In Delaware, Pennsylvania, Washington D.C., and for BGE and Maryland, when we file our rate cases, we use an average of major storm costs from previous years that is included in our rates and assumed in our budgets
- In years when major storms exceed the historic average, Exelon absorbs the additional storm costs, but future rates will be adjusted to reflect these costs

Storm Budgets

- With March's winter storms, we exceeded our storm budgets, which left us $0.06 per share behind plan in Q1 2018
- As we look out to the remainder of the year, we will have to find offsets at the utilities to mitigate any additional major storm expenditures, which historically have come in the first and third quarters

O&M Expenses

- Looking beyond the storm impacts, our utility results did benefit from additional revenues associated with resolved rate cases
- We would also expect PHI to catch up on some of their normal course O&M expenses over the balance of the year
- Generation had a strong quarter relative to plan, earning $0.49 per share
- We had good performance from our nuclear assets with better capacity factors than budgeted
  - We also benefited from lower O&M expenses and favorable spot market prices

Operating Earnings

- We're reaffirming our full-year guidance range of $2.90 to $3.20 per share, which you can see on slide 19, and expect to deliver operating earnings of $0.55 to $0.65 per share in Q2 compared with $0.54 last year

ZECs

- Turning to slide 11
- The $0.96 per share in Q1 this year was $0.32 per share higher than Q1 2017
- Generation earnings were up $0.32 per share compared to last year, with ZECs representing the most significant source of uplift, as we recognized the true-up of the 2017 Illinois ZEC revenues in Q1, which added $0.11 per share, and we realized full quarter contributions from the Illinois and New York ZEC programs, including the acquisition of Fitzpatrick, which were not in effect during Q1 2017

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PECO

- Relative to Q1 2017, Generation also benefited from higher capacity pricing in New England, the Midwest, and the Mid-Atlantic regions
- As a whole, the utilities were largely impacted by higher storm cost, which was partially offset by increased electric distribution and transmission revenues due to higher rate base at ComEd, increased transmission revenue at BG&E, rate increases at PHI and favorable weather at PECO

ROEs

- Moving to slide 12
- On a trailing 12-month basis, our overall earned ROEs slipped modestly from last quarter, but are near the midpoint of our targeted 9% to 10% earned ROEs that underpin our target returns for 2019 and beyond
- The biggest drag in overall ROEs compared to last quarter came from the increased major storm expenses that I discussed earlier
- In total, the storms reduced earned ROEs by 10BPS for our total utility businesses on a trailing 12 months basis
  - We remain diligent in managing our operating expenses to dampen the effects from the storm costs

PHI Utilities

- Turning to the PHI utilities, the absolute levels of earned ROEs still have room for improvement, even when we adjust for the 60 basis point drag from Q4's FAS 109 write-off
- That said, the recently filed settlements at Pepco D.C. and Pepco Maryland should start to lift Pepco's earned ROEs in H2 2018
- We also experienced higher O&M in Q1 than budgeted, which is due to timing issues, and should reverse over the remainder of the year and help to lift earned ROEs

Headwind

- As we look at our earned ROEs for the rest of 2018 for the overall utility, tax reform is positive to earnings, but also creates ROE headwinds this year due to the timing of equity injections to fund deferred tax returns before the higher equity is reflected in rate cases
- The ROE impact is primarily a 2018 timing issue and is already captured in our earnings outlook
  - We still expect earned ROEs in 2019 to be solidly in the 9% to 10% range

Pepco Maryland

- Turning to slide 13, we've had a constructive regulatory quarter
- Starting with the most recent developments, we were pleased to reach settlement agreements in April at both Pepco D.C. and Pepco Maryland, providing revenue decreases of $24.1mm and $15mm, respectively
- The decreases include adjustments for forecasted tax benefits to customers with the recent tax reform legislation
- The settling parties have proposed a procedural schedule that would place rates in effect by June 1 for Pepco Maryland and July 1 for Pepco D.C

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- We're happy to have reached constructive settlements with key interveners in both jurisdictions that provide bill relief for customers, while also providing a return on our investments and being resolved months earlier than if the cases had been fully litigated

Tax Reform Benefits

- On March 29, we filed our first case at PECO in three years, where we requested an $82mm rate increase, with a scheduled completion by December 31
- The filing is focused on supporting PECO's strong reliability performance, strengthening system resiliency and supporting physical security and cybersecurity
- I should also note that the $82mm is net of $71mm tax credit for 2019 tax reform benefits and that the five-year average storm cost in the filing includes the costs incurred in Q1

ComEd

- On April 16, ComEd filed its annual distribution formula rate update with the ICC seeking $22.9mm decrease to distribution base rates
- The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from the recent tax reform legislation
- On February 9, we closed out the Delmarva, Maryland rate case with $13.4mm revenue increase effective immediately

Delaware

- Finally, we have outstanding cases in Delaware at Delmarva electric and gas that are scheduled for completion in the third and fourth quarters, respectively
- More details on the rate cases and their schedules can be found on slides 22 through 27 in the appendix

Capital

- Turning to slide 14
- In Q1, we invested $1.2B of capital at the utilities and are on track to meet our $5.5B budget to the benefit of our customers
- Considering the significant number of projects that go into our overall capital budget, we thought a more regular update on specific projects would be useful to appreciate how these investments are benefiting our customers and communities

Milford Transmission Rebuild

- Today, I'd like to highlight two projects
- The first is DPL's Cedar Creek to Milford Transmission Rebuild
  - This $75mm project entails replacing approximately 43 miles of 230 kV transmission poles as well as new conductor and optical ground wiring

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- The 230 kV line is critical for the transmission network in the Delmarva region and will improve reliability by eliminating the potential for outages due to structural failure of the line

Elk Grove Village

- The second project I'd like to highlight is ComEd's future new substation in Elk Grove
- The $90mm greenfield substation is expected to be in service by Q3 2021
- The project will support transmission line reliability and projected load growth, primarily from data centers in the Elk Grove Village area by adding over 300 megawatts of additional new capacity

Gross Margin

- Slide 15 provides our gross margin update for ExGen, which saw some movement within the buckets, but total gross margin in each year is unchanged from our last update
- For 2018, open gross margin was up $250mm, primarily due to strengthening ERCOT spark spreads, offset by our hedges
  - We also had a strong quarter in execution creating $200mm of Power New Business

Power New Business

- 2019 and 2020 gross margins are also flat relative to our last disclosure
- In both years, open gross margin increased by $50mm on strengthening ERCOT spark spreads, which was offset by our hedges
- We were also able to execute $100mm and $50mm of Power New Business in 2019 and 2020, respectively
- We ended the quarter approximately 6% to 9% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross-commodity hedges
  - We remain comfortable being more open when we look at market fundamentals

Investment-Grade Credit Rating

- Turning to slide 16, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating
- We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3 times debt-to-EBITDA
- On a recourse debt basis, we are at 2.1 times, which is well below our target
- We will continue to manage our balance sheet at ExGen over time to the 3 times debt-to-EBITDA level, so look for us to focus on debt reduction at both HoldCo and GenCo

Christopher M. Crane

Q1 Highlights

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Rate Base and EPS Growth

- Turning to slide 17, we remain firmly committed to our strategy and see progress in Q1
- Whether it'd be the rate case settlements of PHI, the benefits of the scale on our storm restoration or establishing ZEC programs in New Jersey, our financial footing is very strong
- Here again is our value proposition
- We will continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021

FCF

- We continue to use FCF from ExGen to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and part fund a faster dividend growth rate
- We continue to focus on optimizing value for ExGen business by seeking fair compensation for our carbon-free generation fleet in Pennsylvania as we have done with the ZECs in New Jersey, Illinois and New York

PJM and Resiliency initiatives

- And this adoption of price formation in PJM and resiliency initiatives at FERC will also benefit
- We continue to close uneconomic plants, sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load match strategy
  - We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: Great quarter considering all the storms you had. I've got a few questions.

<A - Christopher M. Crane>: Sure.

<Q - Greg Gordon>: The first is, looking at your gross margin slide, you did comment that you had some puts and takes and that the total expected gross margins are the same. I see from looking at the prior quarter's deck that your sort of NI Hub's around-the-clock pricing is down, Mid-Atlantic's a little better, ERCOT sparks are a lot better. But when you show us the open gross margin and you roll down to the total expected gross margin, how are you thinking about current forwards in ERCOT rolling into spot pricing? And are you just giving us sort of a theoretical naked mark, assuming you can roll all the current run-up in spark spreads into spot or is there some sort of a holdback there, given the uncertainty with regard to summer volatility [indiscernible] (00:25:21)

<A - Joseph Nigro>: Hey, Greg. Good morning. It's Joe Nigro. It's a good question, Greg. And as you've mentioned, there is a lot of volatility expected in ERCOT this summer. And for us, it's not as simple as just selling the Generation output. As you know, we have a very big load book of business. So, we have to take that into account as well. And we look at those scenarios under a lot of different outcomes, be it higher prices and/or lower prices, and we try to set up the book accordingly.

When you look at the disclosure here, we're simply mark-to-marketing the value of our open position in the open gross margin calculation, and there was a large uptick to the tune of about $300mm if it had been a fully-opened book. Offsetting that obviously is the mark-to-market of our hedges that are on the book, given the strong move and the sales we've made. And that nets to a gain in the portfolio of about $50mm.

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As for a holdback, any holdback would be relatively small in the overall total gross margin of the – over $8B that's expected, and we would do that given some of the uncertainty of outcomes that we expect.

<Q - Greg Gordon>: Okay, great. Thanks. Jack, I've got a couple questions for you. Looking at the slide where you give the projected sources and uses of cash, since I compare that to the last quarter disclosure, it looks like regulated utility investments – expected investments are up a little bit, but the overall FCF profile into the end of the year actually looks like it's still net-net improved even after a slightly higher CapEx. Is that a fair synopsis? And I know it's a small increase, but what are those CapExs being directed to?

<A - Jonathan W. Thayer>: It is a fair synopsis and I think the CapEx is really related to the storm investment. Chris talked about the significant investments that were made in the Mid-Atlantic utilities during that storm, so that's why you see the increase in CapEx there. To your point, the overall cash flow profile of the company looks quite strong.

<Q - Greg Gordon>: Great. And my last question actually goes, because you didn't put it in this deck, back to Q4 deck where you had EPS sensitivities related to interest rates. And it looks to me like the 30-year is up about 37BPS since year-end, and you guys put in here the interest rate sensitivity for ComEd ROE and pension expense is $0.03 in each instance for every 50BPS at least looking at 2019. So, is it fair to say that these sensitivities still hold because that would mean you might be as much as $0.05 ahead of where you were in 2019 at the beginning of this year?

<A - Jonathan W. Thayer>: I think the $0.05 sounds a little high, but they do hold. And as you know, we benefit from rising interest rates relative to other utilities because of the types of the formula rate in Illinois, but also because of our significant pension liability. And as the interest rates increase, the liabilities shrink. So, no question. This rising environment is helping our costs as well as our revenues and EPS, but $0.05 does seem a little bit aggressive.

<Q - Jonathan Arnold>: Just hoping to follow-up on the ERCOT comment just now. I think I heard you say $300mm is roughly the gross margin. And then, with the hedging value, it sort of offset down to $50mm. Was that a 2018 comment? And if so, could we get some sort of sense on 2019 and 2020 because the sort of hedge [ph] sparks (00:29:21) numbers that you gave, finding a little difficult to unpack those.

<A - Joseph Nigro>: Yeah. The comment I made was in relation to 2018, Jonathan, but you could think similarly not in magnitude of dollars because we haven't seen the absolute price change that we saw in 2018.

<Q - Jonathan Arnold>: Yeah.

<A - Joseph Nigro>: But you had a pickup in open gross margin in 2019 and 2020, and similarly, we had a mark-to-market drop in 2019 and 2020, given that we've sold in obviously at lower prices. Given that those market prices haven't moved nearly as greatly on the back-end in 2019 and 2020, just the absolute value of the dollars isn't going to be as great.

I think the other element, though, is you've seen this market move pretty appreciably in the front-end and rightfully so, given where reserve margins are and the announcements of the retirements. I think you could expect some extreme volatility this summer and that will be obviously weather dependent and depending on unit performance as well as our wind performance.

I think the other element, though, is if we see some of that volatility that's expected, it wouldn't be unreasonable to think that you would see price appreciation in 2019 and 2020 on the back of it just because it hasn't moved. And as you could see from our disclosures, we're not only carrying a long position in 2018, we have quite a bit of power still opened in 2019 and 2020 as well.

<Q - Jonathan Arnold>: Sure. Thank you, Joe. But can you just – when you look first quarter vs. year-end, the effective realized energy price spark number you gave is down. So, just remind us sort of how that works because I think the message is the margin's up so somehow that indicator goes down.

<A - Joseph Nigro>: Yeah. And it's slightly different for the base load regions, I'll call the Midwest and the Mid-Atlantic, vs. the calculation in ERCOT. As you know, ERCOT, we're trying to give you a view of our spark spread which is more relevant to our machines. And the formula is laid out here. It's very simple. We take a gas price

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using Houston Ship Channel, multiply it by heat rate and add some variable O&M to set the reference price.

What we then do is we got to add back or subtract from the mark-to-market value. And the way to think about that is that's a dollar amount. So, we calculated the reference price in a unit of dollars per megawatt hour. We've now got a bucket of dollars on a mark-to-market basis that we need to divide by the volumes sold to bring it back to that same unit of dollars per megawatt hour. It just so happens in 2018, when you look at the effective realized energy price, it's next to zero. We've seen it in the past to actually go negative in ERCOT if we have a large mark-to-market loss with very small volume sold. And then, you could see in the out-years 2019 and 2020, that's a positive outcome or a positive spark.

<Q - Jonathan Arnold>: But the net-net is that your expected margin is higher, correct?

<A - Joseph Nigro>: Yes. Our expected margin in ERCOT is higher in each year given that we're carrying an open position in all those years and the market is going higher. Now, that was offset, as we mentioned in the first question from Greg, with some of the changes on the rest of the portfolio to keep the gross margin on the bottom-line balanced.

<Q - Jonathan Arnold>: Yeah. Thank you. And then, just one other little issue. So, we noticed that there were particularly low tax charges at both PECO and PHI in the quarter. So, was there something unusual going on there? What should we be thinking as we sort of push those through the year?

<A - Jonathan W. Thayer>: PECO, I think is where it's specific and it's tax repairs. So, as we invest capital for the storms that shows up later in the benefits and tax repairs same is true in certainly the PHI jurisdictions.

<Q - Jonathan Arnold>: So, what would be – should we see continued effect through the year, Jack, or is it really just like a Q1 one-off?

<A - Jonathan W. Thayer>: It's a Q1.

<Q - Jonathan Arnold>: Okay.

<A - Jonathan W. Thayer>: And depending on what storm activity we see in Q3 or Q4.

<Q - Steve Fleishman>: I'm curious just there's a lot of retail businesses that looks like are on the market these days. How interested might you be in expanding retail through acquisition?

<A - Joseph Nigro>: Steve, we're always – good morning, first of all. It's Joe. We're always interested in looking at whatever opportunities exist in the marketplace. As you know, we have a history of acquiring companies in our recent past when you look at Integrys and Con Ed, for example, and we'll continue to do that. To the extent we can add something that we think will be accretive to the bottom line and fits with the value proposition that we're trying to bring both to our shareholders and our customers, we're going to be aggressive with doing that. There has been some change of hands with retailers in the near-term here and we would expect that to continue given some that are on the market now and we'll continue to hunt for them.

<Q - Steve Fleishman>: Okay. And then just the continued comment on staying more open due to your view that power prices are, I guess – upside you see in power prices. How much of that is the potential market reforms vs. just expecting better price kind of without them or is it a mix of both?

<A - Joseph Nigro>: It's a mix of both. I think you have to take the whole picture into account. When you look at our portfolio, from my lens, I think about risk reward. And when you look at where the power curve is, like, for example, in the Midwest now and where gas prices are, we think about it from a heat rate perspective and we see upside to that. And that's driven by some of the reforms that PJM themselves is talking about, and obviously, Joe and a number of folks here at Exelon are working on very closely, and we stay very tied to that.

And then, in addition to that, we look at history and changes in the composition of the Generation stack and the transmission stack. I still go back to some of the easy examples, though. We had gas prices two years ago at $1.70 and we had power prices that were almost $26. You have gas curves at $0.75 or $0.80 higher than that, and you see power prices that are lower than where they were. So it becomes a question of risk reward when you overlay just the

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fundamentals of the market itself and then obviously some of the regulatory reforms that are out on the horizon.

<Q - Julien Dumoulin-Smith>: Hey. So, perhaps, to follow up on Steve's question a little bit. Can you talk a little bit about expanding margins on retail and just what you're seeing out there? Obviously, some of your peers of late have really been adamant in seeing an opportunity there. Just would be curious to hear your latest assessment. I know you guys have seen a variety of different dynamics in the retail markets in recent months. So, I'll leave it there.

<A - Joseph Nigro>: Yeah. Julien, good morning. It's Joe. I guess, I really can't speak to what my competitors are actually achieving. I have an understanding of what they're saying, and we know how they're reacting in the market. What I would tell you is, we think about our load serving business across the wholesale perspective, when we think of polar auctions, as well as our independent retail business. It's tied very closely, obviously, to our Generation portfolio.

I think, first of all, the volatility during the quarter, especially in New England and PJM was good to see. We've got an expectation of volumes and margins that are in our disclosure, and we're comfortable with those, and they remain – the margins remain in line with what our expectations have been historically for C&I margins. We're comfortable with our projections overall. I will tell you we've seen some competitive behavior change on the retail side. Some folks, I think, were hurt last year with low volumes. And when you get into some of the non-energy charges and how they're calculated on a volumetric basis, and we've seen some of our competitors move away from fully fixed price contracts in certain markets. And we'll continue to offer those products, and we're going to remain disciplined to our approach.

We spend a lot of time analytically evaluating data and using that data to inform our decisions both from a generation to load matching strategy, from a pricing perspective and a product development perspective. And as you know, last year, we had some challenges in our retail business. We're comfortable where we are now. I will tell you on the wholesale polar auction side in Q1, we have had some success. And I think it's directly attributable to the volatility that we saw in late December and early January, and quite frankly, in March as well in Eastern PJM with higher prices.

So, overall, we're comfortable with what's reflected in the disclosure, and we're comfortable with the margins and the volumes. And we'll continue to work hard, and it is a very competitive marketplace.

<Q - Julien Dumoulin-Smith>: And just wanted to follow-up on one specific plant here, Mystic in New England. A lot of different dynamics playing out right now, but it would seem as if you need to clear your asset at all of the units, if you will, and then keep them around or would you actually look to retire select units here if they don't actually get picked up with an RMR or otherwise?

<A - Joseph Nigro>: Well, I think we've been very clear, right? I mean we announced the acquisition of the Marine Terminal. We have an obligation for capacity that we are going to honor. And that's part of the reason that we're driving towards that acquisition of the terminal. We've also been very clear that absent market reforms, we don't see profitability for these units into the future. And we're working very closely to try to rectify that. I mean, the ISO themselves put out a study recently saying that there were five assets in New England needed to ensure reliability into the future, one being the Everett Marine Terminal and the others being the Mystic asset.

So, putting all that together, as we've done in PJM and other areas with the capacity market, I think we take a very prudent approach to how we manage this looking into the future, and we're going to do the same thing in New England. We'll honor the commitment for capacity and we're going to look to get to the right reforms to make these assets more economic in the future.

<Q - Julien Dumoulin-Smith>: All of it needs to clear, right?

<A - Joseph Dominguez>: Julien, this is Joe Dominguez. Actually, no. That's wrong. We don't have to clear the units to participate. And in fact, absent successful filing by the ISO on this waiver that they filed last night to offer a cost of service rate to Mystic, we will not clear. We will not participate in future capacity auctions.

<Q - Stephen Byrd>: I wanted to touch on your additional leverage capacity. And I guess what I'm thinking about is, as you continue to shift your earnings mix more towards regulated earnings and you're certainly doing that organically, but I guess I'm also thinking about inorganic ways to do that as well. Could you talk at a high level in terms of what that might mean in terms of a different risk profile with the rating agencies, a different targeted credit metrics, et cetera,

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if you pivot increasingly more towards regulated earnings?

<A - Jonathan W. Thayer>: So, Stephen, I think you know, we've been incredibly conservative with our balance sheet in taking that approach and I think it's worked well with the agencies. As we do get more regulated contribution, certainly the earnings mix of the company shifts as does the risk profile. That married with the 3 times debt-to-EBITDA target at the GenCo, which we're well below now, I think, positions the company quite well.

We have, in the past, spoken with the agencies, particularly S&P, about upgrading us at the holding company level and we will continue to pursue that. As the mix shifts occurs, I think our case strengthens. So, that's kind of the conservative approach we're taking.

<Q - Stephen Byrd>: Understood. And then, shifting gears to the PJM white paper, Chris, that you had mentioned in your prepared remarks and thinking about fuel resiliency, fuel security. Procedurally, sort of how do we think about how PJM might approach that from a process point of view? I know it could take quite a bit of time to do more work, more analytics on that at PJM. But is there anything you can tell us in terms of just thoughts on how that process might unfold?

<A - Joseph Dominguez>: Yes. Stephen, it's Joe, and let me just start off with an observation. It's interesting. Secretary Perry in the 403 last fall identified a resilience problem in these markets. And as you know, that proposal was widely panned with a number of parties indicating that there is no resilience issue. Yet, in the last 48 hours, we've seen a filing by the New England ISO to retain Mystic on fuel security resilience grounds, and of course, we saw this white paper from PJM on Monday indicating that it too may have a resilience problem that would require capacity market changes.

From our perspective, turning to that white paper, the things that are going to be important is to understand the analytics, the inputs into the analyses that PJM runs and in particular, how they think about the unavailability of natural gas pipeline service and for what duration. What Chris mentioned at the top of the call is that in addition to those constraints or those modeling parameters, we'd like to see them model environmental impacts associated with this fuel mix. We kept the New England system running this year really on the back of oil-fired units.

And while we succeeded in keeping the lights on, it was a disappointing outcome for environmentalists in New England, where we burned 2mm barrels of oil and a disastrous, frankly, outcome for the stakeholder process in New England, where they want to get to lower air pollution, carbon and conventional pollutant emissions. So, we think that needs to be incorporated as well into PJM's analysis.

And until we get those environmental externalities incorporated, we're not going to have a complete market. So, we see this as a positive step forward. We're going to look very carefully at how they intend to model this situation, again, the unavailability of gas and for how long. And we think if they do that right, they're going to find that they, too, like New England, have a significant number of fuel constraints on the system that will require them to preserve fuel secure resources. Now, that could be gas plants on Marcellus Shale's storage, it could obviously be nuclear plants and it could be coal plants, but then we need to take another look at that mix and make sure we're meeting the expectations of our customers and communities in terms of environmental impacts.

In 2018, emissions need to be going down. And any resolution of this issue that results in emissions going up is going to continue to create incentives for state actions and indeed, for other federal actions to correct the flaws in those market.

<A - Christopher M. Crane>: I want to just follow up on one thing. I want to make it clear. We are not anti-gas. We think that the consumers in the country have really benefited from the plentiful low-cost gas. But as we look at the transmission system designs in the country, the N minus 1 concept that coordinates power flows across our system in the loss of major lines is a design basis.

What we need is a design basis threat on the gas system to the electric system and ensure either redundancy in capacity for getting the gas to the plants or limit the dependency on the gas so we can keep the system up along with what Joe said on the environmental attributes.

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So, we don't have a combined gas- and electric-day coordination. We don't have a design basis threat to the gas system that would affect the electric system properly. And that needs to be worked out.

<Q - Stephen Byrd>: Very thoughtful response. I mean, it seems like the analysis, as you said, it's important to get the parameters set. That process could take a while. But I appreciate your point about what that analysis could result in. Thanks so much for the color.

<Q - Praful Mehta>: So, a quick question on price formation. Could you just remind us what is the impact that you see for price formation for your assets? And how does that net out against the asset that are receiving zero-emission credits? Is there any net out of that as well?

<A - Joseph Dominguez>: So, I'll jump in. What we have talked about is really what PJM has modeled. And as a grouping of two different initiatives, the fast-start initiative and the full [indiscernible] (00:48:09) relaxation for baseload units, PJM has modeled $3.50 impact to energy markets. We haven't published or discussed any numbers different from that.

In terms of how it interfaces with the ZEC program, remember that the units that we presently have in the ZEC program are in New York, which would be unaffected by that change. Clinton, which is in MISO, again unaffected by that change. So, the only unit presently we'd be talking about is Quad Cities. And yes, as energy prices go up either as a result of energy market dynamic changes, policy changes, carbon being in the market, there would be potentially an offset to the ZEC payment with the plants that are participating.

<Q - Praful Mehta>: Okay. That's helpful. And that'll apply to New Jersey as well?

<A - Joseph Dominguez>: In New Jersey, the mechanism is going to be different. But if prices recover for other reasons, the program also will have the BPU look at pricing in future years and potentially make adjustments. The key in all of these states is to preserve the zero-emission resources for the customers.

<Q - Praful Mehta>: Got you. That's helpful. And just quickly connecting that with capital allocation, right? If you do have the upside from price formation and zero-emission potentially in Pennsylvania as well, you've already kind of laid out a plan which allocates all the capital into all the different kind of criteria you've mentioned from debt reduction to dividend. Where do you see the incremental capital, if it does come through, get allocated in your plan [ph] covenant? (00:49:54)

<A - Christopher M. Crane>: Yeah. We have good capital resources today. We have good sources of investments to make for customer satisfaction and reliability, so we'll continue on that path, but we have to maintain a very strong sensitivity to the consumer impact on excessive capital going on the system. We can install $8 worth of capital and keep rates the same by reducing O&M by $1. And that's what we have to be focused on is customer service, reliability and the impact on our consumers. So that will be our approach as we go forward.

Christopher M. Crane

Closing Remarks

We're always available for any further details that you want going through Dan

We've had a good first quarter

- We anticipate a good 2018

The work that's being done by all our operating groups continue to ensure that we maintain a strong balance sheet and deliver on the value proposition

I won't wear you out with my opinion of the valuation of the stock

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- We have had some improvement but as we execute we expect to see more improvement on that in the following quarters and year.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-05-02
Event Description: Q1 2018 Earnings Call

Market Cap: 38,966.17
Current PX: 40.38
YTD Change($): +.97
YTD Change(%): +2.461

Bloomberg Estimates - EPS
Current Quarter: 0.578
Current Year: 3.062
Bloomberg Estimates - Sales
Current Quarter: 7387.200
Current Year: 31624.667

Q1 2018 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- Joseph Dominguez

Other Participants

- Greg Gordon
- Jonathan Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Stephen Byrd
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the 2018 Q1 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your call.

Daniel L. Eggers

Thank you, Geneva. Good morning, everyone, and thank you for joining our first quarter 2018 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section on Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures. It is scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

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Christopher M. Crane

Thanks, Dan, and good morning, everyone. Thank you for joining us today. We have had a productive few months since our last earnings call, making important steps in reinforcing our value proposition. At our PHI utilities, we reached settlement in both Pepco Maryland and Pepco D.C. rate cases. With these settlements, we are now reached constructive settlement in all PHI jurisdictions since the close of the merger and accomplished that legacy PHI has not achieved in many years.

This reflects a positive evolution of our engagement in these states. Our employees' hard work to improve system reliability and performance have led to rising consumer satisfaction. The progress we have made is reflected in our constructive partnership with our regulators. There's always more work to do particularly on our earned ROEs, but we are encouraged by these developments.

In New Jersey, state legislators passed three important energy policy laws with strong majorities on April 12. Most impactful to Exelon was the New Jersey ZEC program, similar to that in New York and Illinois. It'll be more fairly compensating our nuclear generating assets in New Jersey for clean energy attributes of these plants.

In March, our East Coast utilities were battered by three northeasters that resulted in about $200 million of spending between capital and operating expenses. Thanks to the tireless efforts of our employees and contractors, we were able to restore power to the effective customers safely and quickly. These storms were challenging and the benefits of our scale were on display in March. We were able to return customers to service days faster than we would have as a standalone utility.

Finally, we had a strong quarter financially. On a GAAP basis, we earned $0.60 per share versus $1.06 last year. On a non-GAAP operating basis, we earned $0.96 per share versus $0.64 last year, just above the midpoint of our $0.90 to $1 guidance range while overcoming a $0.06 storm cost through March.

Turning to slide 6. At the utilities, we continue to execute at top quartile levels across key customer satisfaction and operating metrics. The investments we are making are paying off in improved reliability, which is strengthening our relationship we have with our customers and regulators. These numbers follow the standard industry practice of excluding major storms, although the benefits of our scale, [ph] health (00:04:42) and recovery efforts, which I'll discuss in the next slide.

I would note that Pepco D.C. has achieved a record reliability in the past two years since joining Exelon family of companies. We continue to make gains as we share best practices across all utilities. We also continue to focus on helping customers and communities becoming more energy-efficient, saving energy and money. We have been doing this for years and I'm happy to once again announce that EPA named all five of our eligible companies; BGE, ComEd, Delmarva, Pepco and PECO, as 2018 ENERGY STAR Partners of the Year. Our companies also received the Sustained Excellence designation for being named partners three or more years in a row.

Safety is always our highest priority and we review our OSHA recordables in the first quarter. We've identified a number of areas for improvement and have implemented a series of our actions to get those numbers back on track. At ExGen, nuclear generation this quarter was 40 terawatt hours, with capacity factor of 96.5%. Our Texas CCGTs continue to perform very well with an economic dispatch match rate of 96.6%, ramping up and down to optimize hour-by-hour the variability in ERCOT pricing.

Turning to slide 7. I'd like to take a moment to highlight our utilities' performance and the outstanding work from our crews as they battled three consecutive nor'easters in March. These storms blanket our East Coast utility with heavy wet spring snow and high winds that are especially hard on the system. Over the span of these storms, we faced 1.7 million cumulative customer outages and shared over 1,600 Exelon employees and contractors with our sister utilities. ComEd alone provided an additional 1,200 workers and contract crew members.

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We also incurred, as I said, $200 million of operating capital expenses. To help put this in context, we replaced approximately 1,200 power poles and handled more than 1.8 million customer calls. With that context, let me share with you the success story of the combined Exelon utility families. Because of our employees are trained on common practices, we're able to seamlessly incorporate workers from different utilities more quickly to get work and return service to our customers.

Each storm impacted the service territories differently, but the last of the three storms significantly impacted Atlantic City Electric. We were able to bring in crews and contractors from ComEd, PECO, Pepco, Delmarva and BGE to assist in the restoration effort. Our scale and performance notably sped up the recovery and allowed us to send over 250 employees and contractors into New Jersey to aid in the restoration effort. The storms that occurred this quarter provide a great example of how our model directly benefits our customers. The scale of the Exelon utilities and how we run these businesses continue to contribute to higher quality, more responsive and cost-effective service for our customers.

Turning to slide 8. Last call, we provided an update on the impact of tax reform, but I want to revisit it as we have been working with our regulators to pass these savings on to customers. We've identified over $500 million in savings to be returned to our customers related to lower corporate tax rate from our distribution utility operations. As we've said from the start, the benefit of the lower income tax rate will provide a meaningful savings to our 10 million utility customers. We appreciate the constructive relationship with our state regulators in that are allowing us to pass along these benefits to our customers in a timely fashion.

Turning to slide 9, we made additional progress in establishing compensation for our nuclear generating fleet that recognizes the value of the emission-free generation and the underlying deficiencies in market design. The most significant development was the New Jersey legislation as I spoke of enacting the ZEC program into law, establishing a path forward to preserve the at-risk nuclear plants in New Jersey. I want to thank our team and our partners at PSEG leadership, the leadership in the Senate and the Assembly and the Governor for working together to pass this important legislation.

Once the Governor signs the bill, the ZEC program will go to the BPU for its review of the applications. There is a 330-day deadline for completing the process, putting the program implementation likely at the end of the first quarter in 2019. At that time, we will start realizing the New Jersey ZEC revenues. We are pleased that New Jersey has joined New York and Illinois and Connecticut in recognizing the clear environmental attributes of the nuclear generating fleet. We still see need for more comprehensive solutions to compensate for this clean energy, but we think expanding the ZEC program is a key interim step to preserving our most challenged assets, extending their useful lives and the long-term value of this fleet.

Turning to the existing ZEC programs in New York and Illinois, we have had oral arguments in both cases at the federal appellate court levels. In Illinois, the court requested and now waiting for the U.S. Government to provide a view on the case. In New York, the decision is with the judges as they had no outstanding items following the oral argument. We remain confident in our legal position in both cases and continue to collect the ZEC revenues.

With respect to PJM work on price formation, FERC has committed to ruling on PJM's fast-start price formation by September, if not sooner, as many parties have requested. PJM is committed to operationally implement the rule as soon as FERC gets approval. FERC's decision on fast-start will dictate the process for additional reforms aimed at eliminating flaws in the current pricing formation rules that currently prevent some units from setting price.

In addition, PJM has now set deadlines for stakeholder reviews of reforms to its shortage pricing rules, including those related to reserve and operating reserve demand curves. We see these price formation changes as essential to preserving an effective competitive mark in PJM and apply the ongoing efforts to design and implement these changes. Finally, just yesterday, PJM committed to study fuel supply vulnerabilities that could arise if the grid became dominated by natural gas generation. In its white paper, PJM called for reforms of its capacity market to better value fuel-secure resilient resources.

We have seen this as a positive first step where we urge PJM to model the carbon and air pollutant implications of greater reliance on fossil fuels, particularly oil-fired power plants to meet electrical demand. Our states and customers

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communities expect us to develop policies that will lead to less pollution, not more, so we believe PJM should study the emissions consequences as well.

Now, I'll turn it over to Jack to walk through some of the numbers.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone.

Turning to slide 10. We had a strong quarter financially, delivering adjusted non-GAAP operating earnings of $0.96 per share, just above the midpoints of our guidance range of $0.90 to $1 per share. This compares to $0.64 per share in the first quarter of 2017. Better results from Generation offset the storm-related cost pressures at the utilities. Exelon's utilities delivered a combined $0.47 per share net of HoldCo, which includes $0.06 of higher storm costs.

Since we've not had significant winter storms like these in years, let me remind you how major storms are treated in our different Mid-Atlantic jurisdictions. In New Jersey and Maryland, excluding BG&E, we have a tracking mechanism for major storms, so the costs incurred during the first quarter are deferred as a regulatory asset and will be recovered in the future, thereby not impacting our reported earnings.

In Delaware, Pennsylvania, Washington D.C., and for BGE and Maryland, when we file our rate cases, we use an average of major storm costs from previous years that is included in our rates and assumed in our budgets. In years when major storms exceed the historic average, Exelon absorbs the additional storm costs, but future rates will be adjusted to reflect these costs.

With March's winter storms, we exceeded our storm budgets, which left us $0.06 per share behind plan in the first quarter of 2018. As we look out to the remainder of the year, we will have to find offsets at the utilities to mitigate any additional major storm expenditures, which historically have come in the first and third quarters.

Looking beyond the storm impacts, our utility results did benefit from additional revenues associated with resolved rate cases. We would also expect PHI to catch up on some of their normal course O&M expenses over the balance of the year.

Generation had a strong quarter relative to plan, earning $0.49 per share. We had good performance from our nuclear assets with better capacity factors than budgeted. We also benefited from lower O&M expenses and favorable spot market prices.

We're reaffirming our full-year guidance range of $2.90 to $3.20 per share, which you can see on slide 19, and expect to deliver operating earnings of $0.55 to $0.65 per share in the second quarter compared with $0.54 last year.

Turning to slide 11. The $0.96 per share in the first quarter of this year was $0.32 per share higher than the first quarter of 2017. Generation earnings were up $0.32 per share compared to last year, with ZECs representing the most significant source of uplift, as we recognized the true-up of the 2017 Illinois ZEC revenues in the first quarter, which added $0.11 per share, and we realized full quarter contributions from the Illinois and New York ZEC programs, including the acquisition of Fitzpatrick, which were not in effect during the first quarter of 2017.

Relative to the first quarter of 2017, Generation also benefited from higher capacity pricing in New England, the Midwest, and the Mid-Atlantic regions. As a whole, the utilities were largely impacted by higher storm cost, which was partially offset by increased electric distribution and transmission revenues due to higher rate base at ComEd, increased transmission revenue at BG&E, rate increases at PHI and favorable weather at PECO.

Moving to slide 12. On a trailing 12-month basis, our overall earned ROEs slipped modestly from last quarter, but are near the midpoint of our targeted 9% to 10% earned ROEs that underpin our target returns for 2019 and beyond. The biggest drag in overall ROEs compared to last quarter came from the increased major storm expenses that I discussed earlier. In total, the storms reduced earned ROEs by 10 basis points for our total utility businesses on a trailing 12 months basis. We remain diligent in managing our operating expenses to dampen the effects from the storm costs.

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Turning to the PHI utilities, the absolute levels of earned ROEs still have room for improvement, even when we adjust for the 60 basis point drag from the fourth quarter's FAS 109 write-off. That said, the recently filed settlements at Pepco D.C. and Pepco Maryland should start to lift Pepco's earned ROEs in the second half of 2018. We also experienced higher O&M in the first quarter than budgeted, which is due to timing issues, and should reverse over the remainder of the year and help to lift earned ROEs.

As we look at our earned ROEs for the rest of 2018 for the overall utility, tax reform is positive to earnings, but also creates ROE headwinds this year due to the timing of equity injections to fund deferred tax returns before the higher equity is reflected in rate cases. The ROE impact is primarily a 2018 timing issue and is already captured in our earnings outlook. We still expect earned ROEs in 2019 to be solidly in the 9% to 10% range.

Turning to slide 13, we've had a constructive regulatory quarter. Starting with the most recent developments, we were pleased to reach settlement agreements in April at both Pepco D.C. and Pepco Maryland, providing revenue decreases of $24.1 million and $15 million, respectively. The decreases include adjustments for forecasted tax benefits to customers with the recent tax reform legislation. The settling parties have proposed a procedural schedule that would place rates in effect by June 1 for Pepco Maryland and July 1 for Pepco D.C. We're happy to have reached constructive settlements with key interveners in both jurisdictions that provide bill relief for customers, while also providing a return on our investments and being resolved months earlier than if the cases had been fully litigated.

On March 29, we filed our first case at PECO in three years, where we requested an $82 million rate increase, with a scheduled completion by December 31. The filing is focused on supporting PECO's strong reliability performance, strengthening system resiliency and supporting physical security and cybersecurity. I should also note that the $82 million is net of $71 million tax credit for 2019 tax reform benefits and that the five-year average storm cost in the filing includes the costs incurred in the first quarter.

On April 16, ComEd filed its annual distribution formula rate update with the ICC seeking a $22.9 million decrease to distribution base rates. The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from the recent tax reform legislation. On February 9, we closed out the Delmarva, Maryland rate case with a $13.4 million revenue increase effective immediately.

Finally, we have outstanding cases in Delaware at Delmarva electric and gas that are scheduled for completion in the third and fourth quarters, respectively. More details on the rate cases and their schedules can be found on slides 22 through 27 in the appendix.

Turning to slide 14. In the first quarter, we invested $1.2 billion of capital at the utilities and are on track to meet our $5.5 billion budget to the benefit of our customers. Considering the significant number of projects that go into our overall capital budget, we thought a more regular update on specific projects would be useful to appreciate how these investments are benefiting our customers and communities.

Today, I'd like to highlight two projects. The first is DPL's Cedar Creek to Milford Transmission Rebuild. This $75 million project entails replacing approximately 43 miles of 230 kV transmission poles as well as new conductor and optical ground wiring. The 230 kV line is critical for the transmission network in the Delmarva region and will improve reliability by eliminating the potential for outages due to structural failure of the line.

The second project I'd like to highlight is ComEd's future new substation in Elk Grove. The $90 million greenfield substation is expected to be in service by the third quarter of 2021. The project will support transmission line reliability and projected load growth, primarily from data centers in the Elk Grove Village area by adding over 300 megawatts of additional new capacity.

Slide 15 provides our gross margin update for ExGen, which saw some movement within the buckets, but total gross margin in each year is unchanged from our last update. For 2018, open gross margin was up $250 million, primarily due to strengthening ERCOT spark spreads, offset by our hedges. We also had a strong quarter in execution creating $200 million of Power New Business.

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2019 and 2020 gross margins are also flat relative to our last disclosure. In both years, open gross margin increased by $50 million on strengthening ERCOT spark spreads, which was offset by our hedges. We were also able to execute $100 million and $50 million of Power New Business in 2019 and 2020, respectively. We ended the quarter approximately 6% to 9% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross-commodity hedges. We remain comfortable being more open when we look at market fundamentals.

Turning to slide 16, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating. We are forecasting ExGen's leverage to be 2.5 times debt-to-EBITDA at year-end 2018, which is below our long-term target of 3 times debt-to-EBITDA. On a recourse debt basis, we are at 2.1 times, which is well below our target. We will continue to manage our balance sheet at ExGen over time to the 3 times debt-to-EBITDA level, so look for us to focus on debt reduction at both HoldCo and GenCo.

I'll now turn the call back to Chris.

Christopher M. Crane

Thanks, Jack. Turning to slide 17, we remain firmly committed to our strategy and see progress in the first quarter. Whether it'd be the rate case settlements of PHI, the benefits of the scale on our storm restoration or establishing ZEC programs in New Jersey, our financial footing is very strong.

Here again is our value proposition. We will continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021. We continue to use free cash flow from ExGen to fund incremental equity needs at the utilities, pay down debt over the next four years at ExGen and the HoldCo and part fund a faster dividend growth rate.

We continue to focus on optimizing value for ExGen business by seeking fair compensation for our carbon-free generation fleet in Pennsylvania as we have done with the ZECs in New Jersey, Illinois and New York. And this adoption of price formation in PJM and resiliency initiatives at FERC will also benefit.

We continue to close uneconomic plants, sell assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load match strategy. We continue to sustain strong investment-grade credit metrics and grow our dividend consistently at 5% through 2020.

With that, operator, we can now open it up for questions.

Q&A

Operator

[Operator Instructions] Our first question comes from the line of Greg Gordon with Evercore.

<Q - Greg Gordon>: Thanks. Good morning. Great quarter considering all the storms you had. I've got a few questions.

<A - Christopher M. Crane>: Sure.

<Q - Greg Gordon>: The first is, looking at your gross margin slide, you did comment that you had some puts and takes and that the total expected gross margins are the same. I see from looking at the prior quarter's deck that your sort of NI Hub's around-the-clock pricing is down, Mid-Atlantic's a little better, ERCOT sparks are a lot better. But when you show us the open gross margin and you roll down to the total expected gross margin, how are you thinking about current forwards in ERCOT rolling into spot pricing? And are you just giving us sort of a theoretical naked mark, assuming you can roll all the current run-up in spark spreads into spot or is there some sort of a holdback there, given the uncertainty with regard to summer volatility [indiscernible] (00:25:21)

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<A - Joseph Nigro>: Hey, Greg. Good morning. It's Joe Nigro. It's a good question, Greg. And as you've mentioned, there is a lot of volatility expected in ERCOT this summer. And for us, it's not as simple as just selling the Generation output. As you know, we have a very big load book of business. So, we have to take that into account as well. And we look at those scenarios under a lot of different outcomes, be it higher prices and/or lower prices, and we try to set up the book accordingly.

When you look at the disclosure here, we're simply mark-to-marketing the value of our open position in the open gross margin calculation, and there was a large uptick to the tune of about $300 million if it had been a fully-opened book. Offsetting that obviously is the mark-to-market of our hedges that are on the book, given the strong move and the sales we've made. And that nets to a gain in the portfolio of about $50 million.

As for a holdback, any holdback would be relatively small in the overall total gross margin of the – over $8 billion that's expected, and we would do that given some of the uncertainty of outcomes that we expect.

<Q - Greg Gordon>: Okay, great. Thanks. Jack, I've got a couple questions for you. Looking at the slide where you give the projected sources and uses of cash, since I compare that to the last quarter disclosure, it looks like regulated utility investments – expected investments are up a little bit, but the overall free cash flow profile into the end of the year actually looks like it's still net-net improved even after a slightly higher CapEx. Is that a fair synopsis? And I know it's a small increase, but what are those capital expenditures being directed to?

<A - Jonathan W. Thayer>: It is a fair synopsis and I think the CapEx is really related to the storm investment. Chris talked about the significant investments that were made in the Mid-Atlantic utilities during that storm, so that's why you see the increase in CapEx there. To your point, the overall cash flow profile of the company looks quite strong.

<Q - Greg Gordon>: Great. And my last question actually goes, because you didn't put it in this deck, back to the Q4 deck where you had EPS sensitivities related to interest rates. And it looks to me like the 30-year is up about 37 basis points since year-end, and you guys put in here the interest rate sensitivity for ComEd ROE and pension expense is $0.03 in each instance for every 50 basis points at least looking at 2019. So, is it fair to say that these sensitivities still hold because that would mean you might be as much as a $0.05 ahead of where you were in 2019 at the beginning of this year?

<A - Jonathan W. Thayer>: I think the $0.05 sounds a little high, but they do hold. And as you know, we benefit from rising interest rates relative to other utilities because of the types of the formula rate in Illinois, but also because of our significant pension liability. And as the interest rates increase, the liabilities shrink. So, no question. This rising environment is helping our costs as well as our revenues and EPS, but $0.05 does seem a little bit aggressive.

<Q - Greg Gordon>: Okay. Thank you, Jack. That's all I've got.

Operator

And our next question comes from the line of Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Arnold>: Good morning, guys. Just hoping to follow-up on the ERCOT comment just now. I think I heard you say $300 million is roughly the gross margin. And then, with the hedging value, it sort of offset down to $50 million. Was that a 2018 comment? And if so, could we get some sort of sense on 2019 and 2020 because the sort of hedge [ph] sparks (00:29:21) numbers that you gave, finding a little difficult to unpack those.

<A - Joseph Nigro>: Yeah. The comment I made was in relation to 2018, Jonathan, but you could think similarly not in magnitude of dollars because we haven't seen the absolute price change that we saw in 2018.

<Q - Jonathan Arnold>: Yeah.

<A - Joseph Nigro>: But you had a pickup in open gross margin in 2019 and 2020, and similarly, we had a mark-to-market drop in 2019 and 2020, given that we've sold in obviously at lower prices. Given that those market prices haven't moved nearly as greatly on the back-end in 2019 and 2020, just the absolute value of the dollars isn't

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going to be as great.

I think the other element, though, is you've seen this market move pretty appreciably in the front-end and rightfully so, given where reserve margins are and the announcements of the retirements. I think you could expect some extreme volatility this summer and that will be obviously weather dependent and depending on unit performance as well as our wind performance.

I think the other element, though, is if we see some of that volatility that's expected, it wouldn't be unreasonable to think that you would see price appreciation in 2019 and 2020 on the back of it just because it hasn't moved. And as you could see from our disclosures, we're not only carrying a long position in 2018, we have quite a bit of power still opened in 2019 and 2020 as well.

<Q - Jonathan Arnold>: Sure. Thank you, Joe. But can you just – when you look first quarter versus year-end, the effective realized energy price spark number you gave is down. So, just remind us sort of how that works because I think the message is the margin's up so somehow that indicator goes down.

<A - Joseph Nigro>: Yeah. And it's slightly different for the base load regions, I'll call the Midwest and the Mid-Atlantic, versus the calculation in ERCOT. As you know, ERCOT, we're trying to give you a view of our spark spread which is more relevant to our machines. And the formula is laid out here. It's very simple. We take a gas price using Houston Ship Channel, multiply it by heat rate and add some variable O&M to set the reference price.

What we then do is we got to add back or subtract from the mark-to-market value. And the way to think about that is that's a dollar amount. So, we calculated the reference price in a unit of dollars per megawatt hour. We've now got a bucket of dollars on a mark-to-market basis that we need to divide by the volumes sold to bring it back to that same unit of dollars per megawatt hour. It just so happens in 2018, when you look at the effective realized energy price, it's next to zero. We've seen it in the past to actually go negative in ERCOT if we have a large mark-to-market loss with very small volume sold. And then, you could see in the out-years 2019 and 2020, that's a positive outcome or a positive spark.

<Q - Jonathan Arnold>: But the net-net is that your expected margin is higher, correct?

<A - Joseph Nigro>: Yes. Our expected margin in ERCOT is higher in each year given that we're carrying an open position in all those years and the market is going higher. Now, that was offset, as we mentioned in the first question from Greg, with some of the changes on the rest of the portfolio to keep the gross margin on the bottom-line balanced.

<Q - Jonathan Arnold>: Yeah. Thank you. And then, just one other little issue. So, we noticed that there were particularly low tax charges at both PECO and PHI in the quarter. So, was there something unusual going on there? What should we be thinking as we sort of push those through the year?

<A - Jonathan W. Thayer>: PECO, I think is where it's specific and it's tax repairs. So, as we invest capital for the storms that shows up later in the benefits and tax repairs same is true in certainly the PHI jurisdictions.

<Q - Jonathan Arnold>: So, what would be – should we see continued effect through the year, Jack, or is it really just like a Q1 one-off?

<A - Jonathan W. Thayer>: It's a Q1.

<Q - Jonathan Arnold>: Okay.

<A - Jonathan W. Thayer>: And depending on what storm activity we see in Q3 or Q4.

<Q - Jonathan Arnold>: Yeah. Okay. Thank you very much, guys.

<A - Jonathan W. Thayer>: Sure.

Operator

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And our next question comes from the line of Steve Fleishman with Wolfe Research.

<Q - Steve Fleishman>: Yeah. Hi. I'm curious just there's a lot of retail businesses that looks like are on the market these days. How interested might you be in expanding retail through acquisition?

<A - Joseph Nigro>: Steve, we're always – good morning, first of all. It's Joe. We're always interested in looking at whatever opportunities exist in the marketplace. As you know, we have a history of acquiring companies in our recent past when you look at Integrys and Con Ed, for example, and we'll continue to do that. To the extent we can add something that we think will be accretive to the bottom line and fits with the value proposition that we're trying to bring both to our shareholders and our customers, we're going to be aggressive with doing that. There has been some change of hands with retailers in the near-term here and we would expect that to continue given some that are on the market now and we'll continue to hunt for them.

<Q - Steve Fleishman>: Okay. And then just the continued comment on staying more open due to your view that power prices are, I guess – upside you see in power prices. How much of that is the potential market reforms versus just expecting better price kind of without them or is it a mix of both?

<A - Joseph Nigro>: It's a mix of both. I think you have to take the whole picture into account. When you look at our portfolio, from my lens, I think about risk reward. And when you look at where the power curve is, like, for example, in the Midwest now and where gas prices are, we think about it from a heat rate perspective and we see upside to that. And that's driven by some of the reforms that PJM themselves is talking about, and obviously, Joe and a number of folks here at Exelon are working on very closely, and we stay very tied to that.

And then, in addition to that, we look at history and changes in the composition of the Generation stack and the transmission stack. I still go back to some of the easy examples, though. We had gas prices two years ago at $1.70 and we had power prices that were almost $26. You have gas curves at $0.75 or $0.80 higher than that, and you see power prices that are lower than where they were. So it becomes a question of risk reward when you overlay just the fundamentals of the market itself and then obviously some of the regulatory reforms that are out on the horizon.

<Q - Steve Fleishman>: Okay. Thank you.

Operator

And our next question comes from the line of Julien Dumoulin with Bank of America Merrill Lynch.

<Q - Julien Dumoulin-Smith>: Hey. Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Julien Dumoulin-Smith>: Hey. So, perhaps, to follow up on Steve's question a little bit. Can you talk a little bit about expanding margins on retail and just what you're seeing out there? Obviously, some of your peers of late have really been adamant in seeing an opportunity there. Just would be curious to hear your latest assessment. I know you guys have seen a variety of different dynamics in the retail markets in recent months. So, I'll leave it there.

<A - Joseph Nigro>: Yeah. Julien, good morning. It's Joe. I guess, I really can't speak to what my competitors are actually achieving. I have an understanding of what they're saying, and we know how they're reacting in the market. What I would tell you is, we think about our load serving business across the wholesale perspective, when we think of polar auctions, as well as our independent retail business. It's tied very closely, obviously, to our Generation portfolio.

I think, first of all, the volatility during the quarter, especially in New England and PJM was good to see. We've got an expectation of volumes and margins that are in our disclosure, and we're comfortable with those, and they remain – the margins remain in line with what our expectations have been historically for C&I margins. We're comfortable with our projections overall. I will tell you we've seen some competitive behavior change on the retail side. Some folks, I think, were hurt last year with low volumes. And when you get into some of the non-energy charges and how they're calculated on a volumetric basis, and we've seen some of our competitors move away from fully fixed price contracts in

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certain markets. And we'll continue to offer those products, and we're going to remain disciplined to our approach.

We spend a lot of time analytically evaluating data and using that data to inform our decisions both from a generation to load matching strategy, from a pricing perspective and a product development perspective. And as you know, last year, we had some challenges in our retail business. We're comfortable where we are now. I will tell you on the wholesale polar auction side in the first quarter, we have had some success. And I think it's directly attributable to the volatility that we saw in late December and early January, and quite frankly, in March as well in Eastern PJM with higher prices.

So, overall, we're comfortable with what's reflected in the disclosure, and we're comfortable with the margins and the volumes. And we'll continue to work hard, and it is a very competitive marketplace.

<Q - Julien Dumoulin-Smith>: And just wanted to follow-up on one specific plant here, Mystic in New England. A lot of different dynamics playing out right now, but it would seem as if you need to clear your asset at all of the units, if you will, and then keep them around or would you actually look to retire select units here if they don't actually get picked up with an RMR or otherwise?

<A - Joseph Nigro>: Well, I think we've been very clear, right? I mean we announced the acquisition of the Marine Terminal. We have an obligation for capacity that we are going to honor. And that's part of the reason that we're driving towards that acquisition of the terminal. We've also been very clear that absent market reforms, we don't see profitability for these units into the future. And we're working very closely to try to rectify that. I mean, the ISO themselves put out a study recently saying that there were five assets in New England needed to ensure reliability into the future, one being the Everett Marine Terminal and the others being the Mystic asset.

So, putting all that together, as we've done in PJM and other areas with the capacity market, I think we take a very prudent approach to how we manage this looking into the future, and we're going to do the same thing in New England. We'll honor the commitment for capacity and we're going to look to get to the right reforms to make these assets more economic in the future.

<Q - Julien Dumoulin-Smith>: All of it needs to clear, right?

<A - Joseph Dominguez>: Julien, this is Joe Dominguez. Actually, no. That's wrong. We don't have to clear the units to participate. And in fact, absent successful filing by the ISO on this waiver that they filed last night to offer a cost of service rate to Mystic, we will not clear. We will not participate in future capacity auctions.

<Q - Julien Dumoulin-Smith>: Excellent. Thank you.

Operator

And our next question comes from the line of Stephen Byrd with Morgan Stanley.

<Q - Stephen Byrd>: Hi. Good morning.

<A - Christopher M. Crane>: Hey, Steve.

<Q - Stephen Byrd>: I wanted to touch on your additional leverage capacity. And I guess what I'm thinking about is, as you continue to shift your earnings mix more towards regulated earnings and you're certainly doing that organically, but I guess I'm also thinking about inorganic ways to do that as well. Could you talk at a high level in terms of what that might mean in terms of a different risk profile with the rating agencies, a different targeted credit metrics, et cetera, if you pivot increasingly more towards regulated earnings?

<A - Jonathan W. Thayer>: So, Stephen, I think you know, we've been incredibly conservative with our balance sheet in taking that approach and I think it's worked well with the agencies. As we do get more regulated contribution, certainly the earnings mix of the company shifts as does the risk profile. That married with the 3 times debt-to-EBITDA target at the GenCo, which we're well below now, I think, positions the company quite well.

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We have, in the past, spoken with the agencies, particularly S&P, about upgrading us at the holding company level and we will continue to pursue that. As the mix shifts occurs, I think our case strengthens. So, that's kind of the conservative approach we're taking.

<Q - Stephen Byrd>: Understood. And then, shifting gears to the PJM white paper, Chris, that you had mentioned in your prepared remarks and thinking about fuel resiliency, fuel security. Procedurally, sort of how do we think about how PJM might approach that from a process point of view? I know it could take quite a bit of time to do more work, more analytics on that at PJM. But is there anything you can tell us in terms of just thoughts on how that process might unfold?

<A - Joseph Dominguez>: Yes. Stephen, it's Joe, and let me just start off with an observation. It's interesting. Secretary Perry in the 403 last fall identified a resilience problem in these markets. And as you know, that proposal was widely panned with a number of parties indicating that there is no resilience issue. Yet, in the last 48 hours, we've seen a filing by the New England ISO to retain Mystic on fuel security resilience grounds, and of course, we saw this white paper from PJM on Monday indicating that it too may have a resilience problem that would require capacity market changes.

From our perspective, turning to that white paper, the things that are going to be important is to understand the analytics, the inputs into the analyses that PJM runs and in particular, how they think about the unavailability of natural gas pipeline service and for what duration. What Chris mentioned at the top of the call is that in addition to those constraints or those modeling parameters, we'd like to see them model environmental impacts associated with this fuel mix. We kept the New England system running this year really on the back of oil-fired units.

And while we succeeded in keeping the lights on, it was a disappointing outcome for environmentalists in New England, where we burned 2 million barrels of oil and a disastrous, frankly, outcome for the stakeholder process in New England, where they want to get to lower air pollution, carbon and conventional pollutant emissions. So, we think that needs to be incorporated as well into PJM's analysis.

And until we get those environmental externalities incorporated, we're not going to have a complete market. So, we see this as a positive step forward. We're going to look very carefully at how they intend to model this situation, again, the unavailability of gas and for how long. And we think if they do that right, they're going to find that they, too, like New England, have a significant number of fuel constraints on the system that will require them to preserve fuel secure resources. Now, that could be gas plants on Marcellus Shale's storage, it could obviously be nuclear plants and it could be coal plants, but then we need to take another look at that mix and make sure we're meeting the expectations of our customers and communities in terms of environmental impacts.

In 2018, emissions need to be going down. And any resolution of this issue that results in emissions going up is going to continue to create incentives for state actions and indeed, for other federal actions to correct the flaws in those market.

<A - Christopher M. Crane>: I want to just follow up on one thing. I want to make it clear. We are not anti-gas. We think that the consumers in the country have really benefited from the plentiful low-cost gas. But as we look at the transmission system designs in the country, the N minus 1 concept that coordinates power flows across our system in the loss of major lines is a design basis.

What we need is a design basis threat on the gas system to the electric system and ensure either redundancy in capacity for getting the gas to the plants or limit the dependency on the gas so we can keep the system up along with what Joe said on the environmental attributes.

So, we don't have a combined gas- and electric-day coordination. We don't have a design basis threat to the gas system that would affect the electric system properly. And that needs to be worked out.

<Q - Stephen Byrd>: Very thoughtful response. I mean, it seems like the analysis, as you said, it's important to get the parameters set. That process could take a while. But I appreciate your point about what that analysis could result in. Thanks so much for the color.

final

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<A - Christopher M. Crane>: Sure.

Operator

And our final question comes from the line of Praful Mehta with Citigroup.

<Q - Praful Mehta>: Hi, guys. Thanks so much.

<A - Christopher M. Crane>: Hi.

<Q - Praful Mehta>: So, a quick question on price formation. Could you just remind us what is the impact that you see for price formation for your assets? And how does that net out against the asset that are receiving zero-emission credits? Is there any net out of that as well?

<A - Joseph Dominguez>: So, I'll jump in. What we have talked about is really what PJM has modeled. And as a grouping of two different initiatives, the fast-start initiative and the full [indiscernible] (00:48:09) relaxation for baseload units, PJM has modeled a $3.50 impact to energy markets. We haven't published or discussed any numbers different from that.

In terms of how it interfaces with the ZEC program, remember that the units that we presently have in the ZEC program are in New York, which would be unaffected by that change. Clinton, which is in MISO, again unaffected by that change. So, the only unit presently we'd be talking about is Quad Cities. And yes, as energy prices go up either as a result of energy market dynamic changes, policy changes, carbon being in the market, there would be potentially an offset to the ZEC payment with the plants that are participating.

<Q - Praful Mehta>: Okay. That's helpful. And that'll apply to New Jersey as well?

<A - Joseph Dominguez>: In New Jersey, the mechanism is going to be different. But if prices recover for other reasons, the program also will have the BPU look at pricing in future years and potentially make adjustments. The key in all of these states is to preserve the zero-emission resources for the customers.

<Q - Praful Mehta>: Got you. That's helpful. And just quickly connecting that with capital allocation, right? If you do have the upside from price formation and zero-emission potentially in Pennsylvania as well, you've already kind of laid out a plan which allocates all the capital into all the different kind of criteria you've mentioned from debt reduction to dividend. Where do you see the incremental capital, if it does come through, get allocated in your plan [ph] covenant? (00:49:54)

<A - Christopher M. Crane>: Yeah. We have good capital resources today. We have good sources of investments to make for customer satisfaction and reliability, so we'll continue on that path, but we have to maintain a very strong sensitivity to the consumer impact on excessive capital going on the system. We can install $8 worth of capital and keep rates the same by reducing O&M by $1. And that's what we have to be focused on is customer service, reliability and the impact on our consumers. So that will be our approach as we go forward.

<Q - Praful Mehta>: Got you. Thanks. Thanks a lot, guys.

Operator

I would now like to turn the call over to Chris Crane for closing remarks.

Christopher M. Crane

So, I want to thank everybody again for attending the call and the questions. We're always available for any further details that you want going through Dan. We've had a good first quarter. We anticipate a good 2018. The work that's

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being done by all our operating groups continue to ensure that we maintain a strong balance sheet and deliver on the value proposition. I won't wear you out with my opinion of the valuation of the stock. We have had some improvement but as we execute we expect to see more improvement on that in the following quarters and year.

So, with that, thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. We thank you for your participation. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-04-25
Event Description:

Market Cap: 37,788.89
Current PX: 39.16
YTD Change($): -.25
YTD Change(%): -.634

Bloomberg Estimates - EPS
Current Quarter: 0.926
Current Year: 3.064
Bloomberg Estimates - Sales
Current Quarter: 8605.000
Current Year: 31639.833

Company Participants

- Kit Konolige, Senior Utilities Analyst
- Frederick Bresler, Senior Vice President of Operations and Markets

Presentation

Kit Konolige, Senior Utilities Analyst

Good morning, everyone. This is Kit Konolige, I'm the Senior Equity Analyst for Electric Utilities at Bloomberg Intelligence. I wanted to welcome you to the webinar as we have a preview of the year's biggest power auction, the PJM Capacity Auction, which is -- runs for several weeks in May and is announced on May 23 this year. I will do some preliminaries and then I'll turn over to our guest, Stu Bresler from PJM.

Just some administrative notes. The presentation will be recorded and you can get a playback later using a link sent to you in the email. At the bottom of the slide window, adjust the volume and size of the screen. You can ask a question, which will answer at the end of the presentation by Stu by typing into your screen to the right of the slides and we will have a copy of the slides, as well as a recording available later.

As I mentioned, today's speakers', besides myself doing the intro will be Stu Bresler, who is the Senior Vice President for Operations and Markets at PJM.

Just a quick add for Bloomberg Intelligence. We are the research -- the markets research arm at Bloomberg. Many of us are former sell-side and buy-side analysts. And our upcoming team of new folks, we cover numerous industries, very numerous companies, we're, in effect, a very large sell-side type of operation.

As far as PJM goes, which obviously we'll be talking about today. Just as a quick reminder, many of you are aware of these figures. The biggest generators in PJM are listed here. As most of you know, PJM is the biggest unregulated power grid in the US.

And here are -- here is a picture of the broad movement of prices in PJM Capacity Auction over the past eight years or so. EMAAC being the eastern zone and RTO being essentially the central zone here. So, obviously, a difference there, which is one of the numerous intricacies of the auction.

So with that, I will turn it over to Stu Bresler, who -- I'm very pleased to have joined us today to talk to a number of the topics that he is suggested. And as I mentioned, Q&A later on. Stu, if you'll go from here.

Frederick Bresler, Senior Vice President of Operations and Markets

Thank you very much, Kit. And at least in my time zone, good morning, everyone. It's a pleasure to have the opportunity to speak with you all this morning.

As Kit said, I will sort of tick down the list of topics that are on the screen. To kind of, at least initialize the discussion, but certainly, I'd be happy to take questions for as long as we have. I do need to end at least my part of the call by 10:45, but I think we'll have plenty of time to hit the major topics, the upcoming Base Residual Auction by then.

So as I'm sure, the listeners are aware, PJM operates a Base Residual Auction for capacity once every year, and we do sell for the delivery year that starts three years forward. So we will be executing a Base Residual Auction for the 2021-2022 delivery year, which runs June 1, 2021 through May 31 of 2022. And as Kit already indicated, the results of that auction will be posted on May 23.

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So, just kind of hitting the -- again, the list of major topics, going into this auction. I know that the announced retirements of the FirstEnergy plants was or is kind of remains a big issue for folks. The three plants we're talking about are the Perry Nuclear Plant, which has one unit; the Davis-Besse Nuclear Plant, which also has one unit; and the Beaver Valley Plant, which has two units. So four units in total.

The impact is somewhat hard to determine at this point. It did trigger PJM issuing a revised Capacity Emergency Transfer Limit or CETL value for the ATSI Locational Deliverability Area, well, which is the FirstEnergy Ohio transmission zone, if you will, that LDA. And I'll get into the CETL values in one of the later topics.

But I think the most critical point to make, just so everyone has a clear understanding is that, the submission of our retirement notice does not preclude the offering of these units into the upcoming Base Residual Auction. So, retirement notifications are revocable, if you will. The owner can change their mind and rescind a retirement requests. We actually saw that occur with the Exelon announcements or retirement request of their Quad Cities units in the past. So there is a precedent for that, if you will.

I cannot speak to whether or not FirstEnergy will offer the units and obviously at what price, if they choose to offer the units. But I just want to make sure everyone is clear that they are not precluded from doing so, if they choose to.

So, again, the impact is somewhat hard to judge. I guess, it did have an impact on the transfer limit into the ATSI Locational Deliverability Area. And again, I'll come back to that when I get to the transmission limitations that are going into this auction.

I do not know of any other major unit retirements, notifications, leading up to this auction, that's what this second topic. I'm sure you're aware of those that we have received prior to previous auctions, but I don't have any other additional ones that I'm aware of for this upcoming auction.

As far as the outlook for new plants, we note here on the slide that somewhere north of -- just north of 2,000 megawatts or so of new resources cleared in the last BRA for 2020-2021. And we had seen a trend of somewhere around the 5,000 megawatt or so mark clear in the last several auctions prior to that. But, given sort of where we've been clearing on the VRR curve, the surplus of capacity of resources that have been clearing in the auction is certainly not surprising. I don't think to see a moderation of what has been clearing as far as new resources in the auction. Whether that will continue this year, really remains to be seen.

With the FERC order that we received regarding our Minimum Offer Price Rule, that basically invalidated the two kind of alternative MOPR exemptions that being the competitive entry exemption and the self-supply exemption. We no longer post any public data as far as the exemption requests that we received. So, unlike previous years where you can see the quantity of resources that applied for those two exemptions for the Minimum Offer Price Rule, everything is now unit-specific. And so, we don't post any public data regarding the quantity of resources that have applied for unit-specific exception from the Minimum Offer Price that would otherwise be established for new natural gas-fired combined cycle plants.

I can tell you that we did receive requests for a unit-specific exception. Again, as usual, we don't know how many of those will actually offer in the auction and of course, at what offer prices. And again, we don't have any even aggregate values that we put out publicly as far as the quantity of the exceptions that we requested. So, frankly, we just have to see how things turn out, but again, sort of a moderation of the new resources clearing wasn't that bigger surprise to me anyway, given the way the last few auctions had trended. And again, where we're sort of clearing on the VRR curve and the surplus that resulted from that. So, we got to see how things turn out this year as far as penetration and new resources is concerned.

The next topic is the request from FirstEnergy for state and federal subsidies and what's the status of that. At the state level, the resources, at least the ones for which retirement requests or notifications were submitted, are Ohio and Pennsylvania. I know, in Pennsylvania, they had formed a Nuclear Energy Caucus, an NEC, that was a bicameral, bipartisan group of legislators interested in talking about the issues surrounding nuclear plants in Pennsylvania. I don't know of any legislation in Pennsylvania that has been introduced with respect to kind of saving any kind of particular plants thinking of the things that have occurred in both Illinois, and New Jersey. But I simply point out the activity

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that's been going on there with respect to that Caucus.

And similarly in Ohio, I don't know of any legislation that is poised for action in Ohio either with respect to subsidizing any particular plants or any particular class of plants there either. So, as far as I know, nothing on the slate in either of those two states at the state level.

At the federal level, as I'm sure you're aware, FirstEnergy did submit a request to the Department of Energy for action under 202(c) -- Section 202(c) of the Federal Power Act, sort of the emergency capabilities of the Department of Energy to more broadly save nuclear and coal units in PJM. There is a lot of, I think, speculation and there's been a lot of press reporting on what the Department of Energy might do with that request. I think also some speculation that they could -- that there could be action taken by the administration under another law passed back I think in the 1950s regarding supporting certain industries in times of emergencies and that sort of thing. Again, really all kind of speculation at this point, so nothing really I can speak specifically to.

PJM did submit a response to the Department of Energy, as did several other parties to the FirstEnergy request. Basically, the theme of PJM's response was along the lines of, we don't have an immediate reliability concern here, if you will. We do have adequate resources in the PJM region. Speaking specifically to these retirement notifications that we received, and our market structures will continue to ensure that we do have adequate resources on the system in the locations where they are necessary to maintain reliability.

There was some question then about the longer-term issues I think or the sort of the larger issues of resilience. And that, I can assure you, it's something that PJM is addressing as well and we will have more information out publicly very soon about how we plan to move forward with respect to addressing the resilience issues as well. But again, back to the initial question, the initial issue here, as far as I -- as I know at this point, there has not been any action on any request for federal subsidy -- sorry, for subsidies, either at the federal or state level with respect to specifically the FirstEnergy units.

I would note that the New Jersey Legislature did pass the legislation to support the nuclear units in New Jersey. And so, that sort of takes me into the next topic, which is the potential for a two-stage capacity auction to offset the impact of subsidized resources. And this one has been in -- this topic has been a subject of discussion both within the stakeholder process, as well as in other venues and forums as well for quite some time.

As you might be aware, the PJM stakeholder discussion of how to deal with state subsidies to generating units within the market construct sort of reach this conclusion earlier this year. And in February, the PJM Board of Managers taking into account the stakeholder discussion, the votes that have been taken in the stakeholder process, which did not result in a two-thirds stakeholder consensus on either of really two primary proposals to address state subsidies in the capacity market. One of them being an expansion of the Minimum Offer Price Rule to cover really all resources both new and existing with certain exceptions, just like we have with the current Minimum Offer Price Rule.

The alternative being this concept of a two-stage auction, which we called our capacity repricing proposal, whereby we could potentially accommodate state public policy decisions to support certain resources and keep them around for whatever policy objective the state has in mind. And do so through a initial stage of the auction where we would clear the auction on the basis of the offers as they came in, subsidized resources and all. But then execute a second stage of the auction, which would reprice resources that have an actionable subsidy and therefore or thereby, re-executing the auction in that stage two with those offer prices of resources with actionable subsidies changed to be what is determined to be a competitive offer, establish the competitive price that would then be paid to all resources that cleared in stage one, so that's kind of the basic outline of that alternative proposal.

After deliberating on all the input have received that the Board directed PJM management to actually file both proposals with FERC, which is somewhat unprecedented from PJM standpoint, it is not unprecedented from the standpoint of other entities filings with FERC. And we did that back earlier in -- earlier in April. And what we essentially told FERC was, we need a policy decision here. First of all, should we take action in our markets to protect the capacity market, and in particular from the impacts of these subsidies? And then if that threshold question's answer is yes, then which policy direction do we take. Do we move down a Minimum Offer Price Rule expansion path, or do

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we move down more of an accommodation path that involves this repricing concept?

And then sort of once FERC makes a policy decision as to which path to take, again assuming the threshold question answer is yes, that something needs to be done. Then FERC, we believe either one of these proposals is just and reasonable as we filed it and as we proposed it. But if you believe FERC that there is additional work that needs to be done on certain components of it, then we suggest a settlement judge process to gather the stakeholders together for additional engagement to come to resolution on those components with the idea of a settlement filing being made at the end of that process, which we would expect to take a matter of several months.

The idea being to get finality on this issue by the end of this year really in time for implementation of whatever comes out of this process for the next auction in May of 2019 for the 2022-2023 delivery year.

So, the bottom line answer after that long-winded explanation is that, no, the two-stage auction is not in place for this May Base Residual Auction. The two proposals I described are in front of FERC as we speak. I think the comment deadline was extended to somewhere around the first week of May, I believe. And then we will see where that goes, obviously, there will be, I think, probably a couple of rounds of protests and comments on both sides of the equation and we'll see what FERC -- what action FERC takes, some time I would imagine later this spring or maybe early this summer.

So that's where the proposals to deal with subsidies lies. Again, no impact with respect to this upcoming auction, given the fact that, like I said, those proposals are still in front of FERC. And so, we are executing this upcoming May auction in terms of our current PJM tariff.

So the last I think major subject with respect to the upcoming auction then is the major Locational Deliverability Areas that separated last year and sort of the changes in the CETL values that resulted from the planning parameter development for this upcoming auction. I would point to two areas of the system really that had significant changes. Number one, if you look at both the public service, PSEG and also PS-North. So PS and PS-North LDAs, they both experienced a fairly significant reduction in Capacity Emergency Transfer Limit or CETL transfer capability into those LDAs.

The primary reason for that reduction being a change to how we model non-firm imports from New York. And really, basically, just kind of eliminating the ability for non-firm imports from New York in our planning analysis to increase the CETL into those areas. And very briefly, the concept there was that PJM, particularly the Eastern part of PJM where these LDAs are located and New York and particularly the Eastern part of New York, which is directly tied to these two LDAs and really one is a sub LDA of the other, obviously, PS-North is the sub LDA of PS tend to peak at the same time. And so, the availability of non-firm imports from New York to help back off transmission constraints into PS and PS-North during conditions where both systems are really peaking is probably unlikely. And so, the decision through again a stakeholder approved change to our modeling parameters was not to count on non-firm imports in order to help those CETL limits in PS and PS-North going forward.

Now, the reductions in CETL for those two LDAs was somewhat offset, so would have been even bigger, but for the fact that we did have some changes to the DC ties that actually leave the PS and PS-North LDAs. There were a couple where the transmission service was converted or changed, if you will, from firm to non-firm, and then another that was just outlay, outright delayed [ph], if you will, was suspended. And so, not having those firm exports from those LDAs actually helped with the transfer limit and help to offset the reduction by virtue of again that modeling of the non-firm imports from New York. So that's the PS and PS-North LDAs.

The other significant change was an increase in the transfer limit into the ComEd LDA. So the complete opposite end of the PJM system out in Northern Illinois, we do have a couple of baseline 345 kV reconductoring projects in actually the AEP territory, as well as a couple of 345 kV transmission upgrades in ComEd that were included for the first time for this 2021-2022 BRA. And so, those upgrades did increase the Capacity Emergency Transfer Limit into the ComEd zone and it was fairly substantial by about 1,500 megawatts. So it's a fairly substantial increase.

And again, those upgrades are listed in the planning parameters, if you go to the last part of the Excel Spreadsheet in the key transmission policy changes for this particular model. Whether -- actually I should say, the impact of that

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increase in CETL on the results of the auction, really, again, remains to be seen given the way the offers come in both for the RTO, as well as for the offers inside the ComEd LDA itself. So we just have to see how they play out as to whether the ComEd zone binds or not, whether the LDA binds or not in the auction.

And then finally, the last update was, again a reduction, I think it was about 1,300 megawatts or so of the ATSI transfer limit into the ATSI LDA, which was the result of re-evaluating that transfer limit basically as a result of the re-evaluation result of the FirstEnergy unit retirements. So, that was the other significant change to note. So I think that covers the items on the upcoming BRA.

The last topic because I know has generated a lot of interest is the status of the price formation proposals that PJM has been discussing. Again, this is energy and reserve market price formation. So, just very briefly and then we can get onto questions. We are still pursuing really both components of our energy market and reserve price formation proposals. The first component -- a major component is what we believe will be a beneficial enhancement to the LMP calculation and really utilizing what we call integer relaxation in the optimization algorithm for calculating LMPs. So the dispatch would not change, but we think we can arrive at a better set of LMPs that more completely reflects the total cost of certain demand on the system at any given time, and minimize the amount of uplift that results from the market operation, so -- and the price calculation.

So, that is really kind of in front of FERC in a limited sense right now in the fast-start pricing docket. And we intend to not completely get away from the discussion on our stakeholder process, but really see where that docket goes to see where we're at with FERC on that adoption of the integer relaxation approach, and then see if we can move forward with expanding that approach to a larger set of resources, other than just fast our resources.

The second major component of the energy market price formation proposals is reserve procurement, pricing and shortage pricing proposals. And that's really where we intend to focus our stakeholder discussion over the next several months through the senior task force that is currently meeting really every two to three weeks. And really the idea there is to better incorporate into the reserve modeling and the reserve pricing, the actions taken by the PJM system operator. So when they commit resources to maintain reliability, ensuring that those commitments are better reflected in the reserve quantities that we actually procure and price to really ensure that the synchronized reserve market is working, as well as the Cannon [ph] and hopefully implement some reforms there that will better and more transparently price synchronized reserves.

And then the longer-term, we think it's important to add a 30-minute reserve product in real time really to marry up with the 30-minute day-ahead scheduling reserve product that we currently have as part of our day-ahead market. And then also implement substantial reforms to the operating reserve demand curves that are used to price shortage conditions in PJM. Similar really I think to what has been done in ERCOT, we think they have a better approach to establishing those demand curves and we're looking at going down that path for PJM as well. So that's a second major component of the price formation discussion.

We are hoping and really intending that the shorter-term issues reforming the current sync reserve market, potentially some initial changes to the operating reserve demand curve, and those types of changes really getting in by this -- next winter, hopefully by January of 2019. And then the larger changes, the 30-minute reserve product and the full-blown operating reserve demand curve changes by summer of 2019.

As far as the LMP calculation changes, we're going to have to wait and see the timeline on which FERC acts, obviously, well, maybe it's not obvious, I'll take that back. From PJM standpoint, the sooner we get those enhancements in place, the better, but really we're sort of beholden, if you will, to the FERC timeline as far as when we get an order from them and then how fast we can proceed from there.

So that's kind of the status of the PJM price formation proposals as well. Again, we think they're both critically important and we are pursuing both, but one like I said, it's kind of in FERC's hand at this point, the other we're focusing our stakeholder discussion attention on -- at this point for that, at least like I said, the next several months.

So let me turn to a couple of questions that I'm seeing online here, first of all. The first question that I see here, is Pleasants still retiring? Yes, there is a -- if I missed that one, when I said one that we had previously received. Yes, the

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Pleasants unit has submitted a retirement notification as well. So that is still the case.

We have another question here, we have not received any such retirement notification for the Bruce Mansfield plant. So, I figure those are two easy ones I could hit.

There is another question here as to what extent do changes to the cost of new entry impact auction results, particularly in constrained zones? Well, first of all, I don't think there were any real significant changes to the cost of new entry for this year, just the sort of the year-to-year kind of inflationary adjustments, if you will. But in more general sense, the cost of new entry does form the basis for the VRR curve. So, everything else being equal, if you had an increase in the cost of new entry, you would have an upward shift of the demand curve. And then again, all things being equal, you would expect to see higher prices come out of the capacity auction. And then conversely, of course, if you had a decrease in the cost of new entry, you would see a downward shift in the VRR curve, which potentially could result in a decrease in prices.

The other thing that factors in there is not just the cost of new entry itself but also net energy and ancillary service revenues, because the value that actually forms the basis for the VRR curve is the net cost of new entry. And so, even if the cost of new entry stays the same, if you had an increase in average energy revenues over the prior period, that now would decrease the Net CONE, which would have the same effect I described before, and obviously, conversely, if you had a decrease in energy revenues that would increase the Net CONE with a similar effect.

And then, we use the same shape VRR curve for each of the constrained or potentially constrained LDAs as well. And so, the impacts really are similar for, again a constrained or potentially constrained LDA -- a modeled LDA as well.

So those are the three questions I can see on my screen so far. And I'm trying to scroll, but I don't know if I'm doing something wrong or not, but those are the only three I can see at this point. So, Kit, I'd be happy to turn it back over to you. We have about 11 or 12 minutes I think here, where we can take some additional questions if there are any that I can't see on my screen.

Kit Konolige, Senior Utilities Analyst

Sorry about that. Great. Thanks, Stu. Actually, I see a couple of other questions. One is, how will the -- I think there are new Net CONE findings from Brattle, how would they be incorporated into future capacity auctions?

Frederick Bresler, Senior Vice President of Operations and Markets

Right, thanks. So the process there is, we have the Brattle reports and the Brattle recommendations. And again, Brattle is contracted by PJM to perform an independent analysis both of the cost of new entry, and they subcontract with Sargent & Lundy as they are experts on sort of building a bottoms up estimate, the cost of new entry, as well as a review of the shape of the Variable Resource Requirement, the VRR curve, the demand curve we use in the auctions. And they provide -- again, their independent analysis and their recommendations.

And then, PJM also comes out on the basis of what we have learned from Brattle on our own review, comes out with our recommendations on the basis of what we've gotten from Brattle. And PJM posted our recommendations last night, they are on the PJM website on the Reports and Notices page. So you can take a look at them.

You will see that, just in general, PJM is looking to adopt the majority of what Brattle recommended with respect to the cost of new entry. There is a significant reduction in both the combustion turbine and the combined cycle cost of new entry. The primary contributing factor being the change in tax laws, although, there was also an impact of the economies of scale because these resources are getting bigger and bigger, and so on a per megawatt day or per kilowatt year, how you want to look at it, the costs are going down just because the units are getting bigger. And also a small contribution to the reduction from a -- reduction in the cost of capital. So, again, with some small tweaks, the cost of new entry estimates are what they are.

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But then there are some other recommendations that Brattle made around shifting the VRR curve back to the left and changing the cap, what establishes that first point on the VRR curve. PJM is not inclined to adopt those recommendations. We largely think that the VRR curve should be maintained the way we have had it up until now, really since last review, as well as maintain the combustion turbine as the reference resource, whereas Brattle would recommend switching to the combined cycle.

So, we are entering now into a stakeholder discussion through August on the Brattle recommendations and PJM's recommendations. And we have a deadline in the tariff to wind up that stakeholder discussion by the end of August and then review with the PJM Board of Managers and make a FERC filing with any PJM changes to our tariff resulting from that process by the end of October. So that would then get into the FERC process, which was -- is timed, such that it can wind up well ahead of the next RPM Auction, the Base Residual Auction in May of 2019.

Kit Konolige, Senior Utilities Analyst

Great. Here's another question following up on the discussion of the two-stage auction concept. Just to be clear, will all the resources that cleared in the first stage receive the higher second price, including the resources that are getting subsidies?

Frederick Bresler, Senior Vice President of Operations and Markets

That was PJM's proposal, yes. That's what we filed with FERC.

Kit Konolige, Senior Utilities Analyst

Okay. Great.

Frederick Bresler, Senior Vice President of Operations and Markets

What comes out of that process, we don't know yet, but that's what PJM filed.

Kit Konolige, Senior Utilities Analyst

Right. Okay. Very good. And as far as FirstEnergy Solutions and the plants -- the nuclear plants -- and Pleasants that they've announced are closing. Is there any obligation they have to PJM to bid or to accept the price to be available under any circumstances, or are they simply now on their own?

Frederick Bresler, Senior Vice President of Operations and Markets

Yeah. Actually, it's a great question. I'm blanking on the timing of the Pleasants retirement notification. But let me just answer the question in general. If the retirement notification comes to PJM after the deadline for an exemption to the must-offer requirement, then the market seller for that resource would need to get a waiver from FERC of the deadline in order to be exempt from offering the resource into the auction. So, if the notification came to PJM ahead of the deadline, then the resource would not have a must-offer requirement. But again, if they came to PJM after the deadline, and the market seller did not get a waiver from FERC, which would be public, then the resource is required to offer.

So, speaking specifically of the nuclear unit retirements we received, the notification from FirstEnergy, they were all after the deadline. So, not only are they not precluded to offer in the auction since they did not receive a waiver from FERC, at least not as of now, they are actually required to offer into the auction. That's a good clarification.

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Kit Konolige, Senior Utilities Analyst

Am I correct in thinking that if they offer a high enough price that it would be unlikely that they would clear?

Frederick Bresler, Senior Vice President of Operations and Markets

Well, yeah, I mean, that's what I said before as I can't speak for what their offer will be. But since we have capacity performance rules in place right now, the overall offer cap is Net CONE times B as opposed to something specifically tied to avoidable cost rates or ACR. So, yeah, I can't speak for what it will be, but it seems plausible that it could be at a level that may not clear, right.

Kit Konolige, Senior Utilities Analyst

Right. And on the Net CONE, again, can the capacity price clear in a constrained zone above Net CONE?

Frederick Bresler, Senior Vice President of Operations and Markets

Hypothetically, yes. So the VRR curve, the middle point is basically the Net CONE value, if you will. So -- and then it's -- I think it's like basically IRM plus 3% I think. And so, if you would clear down closer to the reliability requirement or even below the reliability requirement in a given location, then, yeah -- hypothetically, yes. If that's were to occur, the price would be above the Net CONE value, yes.

Kit Konolige, Senior Utilities Analyst

Right. Okay. And here's one other, it refers to the two-stage bidding structure that you think of as a possibility at this point. Has PJM given or discussed any specific dollar impact possibilities that would result from this or otherwise, given its thoughts on what the goal is on a financial basis for the market affected by these subsidized plants?

Frederick Bresler, Senior Vice President of Operations and Markets

Yeah. I mean, from the energy market price formation standpoint and this is probably true more globally than that, but we don't have a goal as to what prices should be. What we want to make sure of is that, we are setting prices in the most effective manner in order to accomplish the objectives of those prices. And in our minds, the objective, the fundamental principle of locational marginal pricing is that, it should be as transparent and inclusive as possible of the total cost of serving demand on the system, thereby, minimizing out-of-market payments that are necessary. And so, that is our goal, that is our objective is to meet that principle and then whatever price results is the price that results.

We had done some very cursory simulations that we posted last November, everyone is probably familiar with. It was a really -- I used cursory before, it was really -- it was a real approximation as to what could result because all it did is, basically relax the economic minimums on resources that would otherwise not set price because they would be deemed to be inflexible by the price setting program, and then see how the price has changed. So, really was not the full integer relaxation, and it also did not -- because it was not integer relaxation, it did not result in any of the start-up and no load costs being included in the LMPs either. So that was somewhere around $1.02 per megawatt hour on average. But again, it was a very preliminary and cursory kind of evaluation.

Once we, I think, had some finality on what we are going to implement with respect to fast-start pricing at the very least, I think we'll be expected to do some more simulations on that. And then, again, to the extent that I'm further down the road of expanding the resources to which we would apply this integer relaxation approach, we could get more specific (inaudible) that as well.

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Kit Konolige, Senior Utilities Analyst

Good enough. I think given the time as promised to, Stu, we will end the session now. And I would just like to thank everyone for joining us on the call. And as a reminder, you will be able to see transcripts and recordings if you follow directions on the email that you got before. And if you have any questions for me and/or Stu, be happy to pass it along.

So thanks again, everyone. Thanks to Stu, in particular, and look forward to doing it again.

Frederick Bresler, Senior Vice President of Operations and Markets

Well, thank you, Kit. And again, (Ends abruptly)

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-02-07
Event Description: Q4 2017 Earnings Call

Market Cap: 34,707.18
Current PX: 36.15
YTD Change($): -3.26
YTD Change(%): -8.272

Bloomberg Estimates - EPS
Current Quarter: 0.738
Current Year: 2.957
Bloomberg Estimates - Sales
Current Quarter: 7839.750
Current Year: 31649.167

Q4 2017 Earnings Call

Company Participants

- Daniel Eggers, Senior Vice President, Investor Relations
- Chris Crane, President & Chief Executive Officer
- Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer
- Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy
- Joseph Nigro, EVP and CEO of Constellation Energy Group Inc
- Unidentified Speaker

Other Participants

- Greg Gordon, Analyst
- Julien Dumoulin-Smith, Analyst
- Stephen Calder Byrd, Analyst
- Steven Isaac Fleishman, Analyst
- Michael Weinstein, Analyst
- Jonathan Arnold, Analyst

Presentation

Operator

Good morning. My name is Sarah and I will be your conference operator today. At this time, I would like to welcome everyone to the 2017 Q4 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

Thank you, Mr. Dan Eggers Senior Vice President of Investor Relations, you may begin your conference.

Daniel Eggers, Senior Vice President, Investor Relations

Thank you, Sarah. Good morning everyone and thank you for joining our fourth quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Jack Thayer, Exelon's Chief Financial Officer, and Jos Dominguez, Executive Vice President, Governmental and Regulatory Affairs & Public Policy. We're joined by other members of Exelon's senior management team will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters, which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecasts and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Chris Crane, President & Chief Executive Officer

Thanks, Dan and good morning everybody and thank you for joining us today. Let me start by apologizing first for my voice is recovering from the cold, as some of our other speakers are in the same place. So, we'll try to make it through clearly without too much distraction.

2017 was a great year for Exelon and I'd like to take a moment to talk about our business performance and some of our major accomplishments over the past 12 months.

First and foremost I'm pleased to report Exelon delivered $3.97 per share of GAAP earnings and $2.60 per share of operating earnings for 2017. Jack will walk through the details, but I note that the earnings are solidly within the guidance range as we saw high utility performance and cost discipline absorbed $0.09 timing shift from 2017 to 2018 related to the Illinois ZEC contracts and absorbed $0.04 from FERC related accounting changes.

Last week, the Board approved our updated dividend policy targets 5% annual growth for 2018 through 2020, builds on our previous plan of 2.5% growth from '16 through '18 and keeps our recently shared goals of offering competitive dividend growth rate and providing a multi-year visibility.

We're comfortable with the past year dividend growth rate, particularly in light of the significant positive business developments since 2016. We completed the PHI acquisition, increasing our earnings mix from utility operations, the New York and Illinois ZEC programs have preserved an extended useful lives of our most valuable nuclear plants. And consistent with our inherent cost discipline, our forecast of O&M spend will be approximately $725 million per year lower in 2020 from the cost reduction initiatives identified since 2015.

Jack will discuss our capital allocation plan shortly, but we are confident in our ability to grow our dividend competitively on meeting all our other capital commitments. And probably we are able to share more of our financial success with our shareholders throughout this updated dividend policy.

Tax reform passed at year end is clearly a positive for us, allows for significant savings for our utility customers, as the new tax rate flows through into newer bills. ExGen will benefit from lower tax rate and 100% expensing, in total, we see the run rate EPS benefit of $0.10 for 2018. Operationally, we execute well in each area of our business win. And our utilities, we invested total of 5.3 billion of capital and infrastructure and technology to provide a premier customer experience, fewer outages and faster restoration times, that all contributed to higher customer satisfaction scores. In fact our utilities achieved multiple best on record operational metrics and received national recognition for exceptional customer satisfaction. Meeting with our better service and performance, we are also busy on the regulatory front, completing seven distribution and five transmission rate cases in 2017 and receiving a total of approximately 400 million in revenue increases. Timely and fair regulatory outcomes help us to fund the future investment in the grid and improve the customer experience.

Our generation fleet also performed well. The nuclear fleet produced a 157 million megawatt hours on record setting year for Exelon and we brought in to service the two new CCGTs in Texas. I'm pleased to tell you that our fleet performed very well during December and January cold spell in the Northeast, once again demonstrating the value of nuclear generation is highly reliable and carbon free source of power.

On the regulatory and policy front, the ZEC programs in the York and Illinois were implemented, preserving several of our most at risk nuclear stations in the reliability economic and environmental benefits they provide. We will continue to defend these programs as we work on similar programs in New Jersey and Pennsylvania will benefit our customers, our communities and our employees.

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We also saw recognition of the need to address the resiliency of the power system and effort advancement FERC's order in January, we believe FERC order is an important step in addressing real resiliency and concerns we urge FERC to adopt PJM's proposal around power price formation and adopt a comprehensive resiliency solution that we will realize that will take some more additional time to resolve. Joe Dominguez will discuss this in more detail later in the call.

We can talk about our successes this year without -- we can't talk about our successes this year without noting our strong commitment to corporate responsibility, improving and supporting the communities that we serve, building on prior year's recognitions. In 2017, we were the first utility named to The Billion Dollar Roundtable, which recognizes companyies that spend of over $1 billion with Tier 1 diverse minority-owned suppliers. Being in active part of our community is essential theme of Exelon and this award reflects what we have been aiming to do for years.

In addition, DiversityInc named us one of the top 50 companies for diversity in the U.S. Veterans Magazine named Exelon to its Best of Bests List of Veteran-Friendly Companies. We also made a lot of progress in areas that will bring great value to our communities in 2017. We announced a new job training center in Washington, D.C. modeled after the center we operate in Chicago. We remain to the Civic 50, a list of community-minded companies like Points of Light foundation and singled out as the utility sector leader. Exelon and it's employees set new records including corporate activities committing over $52 million in giving and volunteering more than 210,000 hours in 2017.

Turning to slide six, we'll show you the impact of Exelon's management model that is add on our utility operations. Looking back to the Constellation merger for the legacy Exelon utilities or since the merger with PHI, we have seen material improvement in operations across our utilities. The hard work of our employees and the benefit of our scale are clearly paying off. The utilities primarily operate at first quartile levels across our key success of reliability, safety and customer service. However, this doesn't tell the full story about performance, with many performance at the top decile levels across a number of these measures. And many being the best on record performance in 2017 BGE, ComEd and PHI has the best performance on SAIFI and CAIDI and Pepco and BGE and ComEd on customer satisfaction.

Customer service remains central to the strong utility performance and we did extremely well on this front in 2017. The JD Power's customer satisfaction study, BGE are in the top rank for business electric service among the large utilities in the East and was the best of 11 utilities in the region and was ranked highest nationally among 87 utilities by important professionals. Kudos to the hard work of our utility professionals, who strive every day to provide service levels for our customers.

Turning to slide seven, we also had another strong year of generation in Constellation. Our nuclear assets continue to perform at top tier levels that we had combined capacity factored 94.1 marking over 94% utilization rate for the four of the past five years. In 2017, we had 13 refueling outage with an average duration of 23 days. With the addition of FitzPatrick plant in high utilization we generated a nuclear fleet record of 157 billion megawatt hours.

On the Constellation side, our C&I operating metrics remain strong. 74% customer renewables, average customer duration of more than five years in power contract terms of more than 25 months on average. These statistics speak to our deep customer relationship that has been the bedrock of Constellation business. We continue to see stable unit margins with our C&I customers and our aggressive cost management is helping to further support operating margins.

And now, I'd like to turn it over to Jack to walk through some of the numbers.

Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

Thank you, Chris, and good morning, everyone. My remarks today will focus on 2017 results, 2018 earnings guidance and annual updates to our financial disclosures. Turning to slide eight, as Chris stated we had a strong year financially and operationally across the company. For the full year of 2017, our adjusted non-GAAP operating earnings were $2.60 per share and comfortably within our guidance range. We are pleased with our full year results, particularly considering the unexpected $0.09 timing drag from the Illinois ZEC contracts that was signed this January rather than in December

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as well as a $0.04 impact from FAS 109 asset impairment related to income taxes for our FERC regulated assets.

For the fourth quarter, we earned $0.55 per share, utilities less holding company EPS was $0.29 per share benefiting from favorable storm expense and lower O&M expenses, which were offset relative to our plan by the FAS 109 impairment. Generation performed mostly in line with our expectations, as our cost customization efforts offset some market softness experienced earlier in the quarter.

Turning to slide nine, we are providing full year 2018 adjusted operating earnings guidance of $2.90 to $3.20 per share. The growth in utility earnings reflects continued rate base growth as we deploy capital, the benefit of our customers as well as improvement in PHI's, earned ROEs. At Exelon Generation, the year-over-year increase is primarily driven by the full year recognition of ZEC revenue from New York and Illinois, the $0.11 recognition of the 2017 Illinois ZEC payments, which is higher than 2017 drag, which is now lower tax rate, the impact of tax reform and cost optimization efforts partially offset by lower energy prices. We expect our first quarter earnings to be in the range of $0.90 to a dollar per share. More detail on the year-over-year drivers by operating company can be found on the appendix starting on slide 59.

On slide 10, we roll forward our outlook for utility CapEx and rate base, which now covers 2018 to 2021. We plan to invest $21 billion into our utilities over the next four years to ensure reliable, more resilient and more efficient transmission and distribution of electricity and gas that improves the customer experience.

Our four-year capital program is up from what we shared with you last year, as we accelerate our gas pipeline replacement programs at BGE and PECO and take advantage of opportunities to further improve reliability and resiliency, all of which allows us to provide our customers with safe reliable service. This results in a capital plan across the utilities with a $5 billion annual run rate.

Turning to rate base, we now project annual growth of 7.4% compared to 6.5% at the last update, which reflects the expanded CapEx budget and the impacts of tax reform. Tax reform will increase rate base by approximately $1.7 billion in 2020 relative to our previous expectations. For your convenience in the appendix, we provided a more detailed analysis of the capital and rate base outlooks by individual utility beginning on slide 27.

Turing to slide 11, equally important to deploying capital strengthen our system is timely revenue recovery. Although $11.5 billion of rate base projected -- rate base growth projected for 2021, approximately 70% is covered either under formula rates or mechanism supporting our ability to make additional investments earn a fair return on our capital. While we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools. I would also note that over 70% of our rate base is in jurisdictions that are decoupled from volumes, improving our earnings visibility and aligning with the ambitious energy efficiency goals in our space.

Slide 12 shows the trailing 12-month blended transmission and distribution earned ROEs at the utilities. Our utilities continue to execute, delivering strong earned returns for the year, in addition to the robust operational performance, Chris already discussed. Over the past year, PHI's earned ROEs improved at Delmarva and Pepco and remain flat at Atlantic City Electric, although I should point out that the FAS 109 impairment costs about 60 basis points of ROE at each utility. We are encouraged by the improvements at PHI and we expect to see further gains, as pending rate cases are resolved throughout 2018.

The legacy Exelon utilities had a strong 2017, earning 10.3% as a group, helped by favourable storm expense in O&M partially offset by the FAS 109 regulatory asset impairment in the fourth quarter of 2017. Improving the earned ROEs at PHI, sustaining strong performance at the legacy Exelon utilities to be a core focus in our efforts to meet our overall utility earnings growth targets. We expect to earn 9% to 10% ROEs across our utilities in 2019.

Turning to slide 13, we remain busy on the regulatory front. Since our last earnings call, ComEd received an order authorizing a revenue increase of over $95 million. Since implementing the formula rate structure, we've recovered 90% plus of our assets, with this year being the 100% to the first time. Pepco filed electric rate cases in Maryland and District of Columbia, with orders expected in the third and fourth quarters of this year respectively. In addition to the recently filed Pepco, Maryland and DC rate cases, we have pending rate cases at Delmarva with orders expected in 2018.

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Combined, we are asking for $133 million of revenues, which reflect recovery on multiple years reliability, smart meter and other capital investments, that have been made to improve performance across these jurisdictions. Later the spring we planned to file a rate case at PECO for the first time in three years, and we'll file our standard formula update at ComEd in April. More details on the rate cases and their schedules can be found on slide 65 through 71 in the appendix.

Slide 14, provides an update on our outlook for utility EPS, where we continue to forecast 6% to 8% EPS growth. Compared to last year, our EPS bands in 2019 and 2020 are both increased. The uplift from tax reform in utilities from the increased rate base has mostly offset in the first couple of years, by the drag from higher holding company expense, since the lower tax rate provides less tax shield. As we look toward the back half of this period, we should start to see net benefit from the change in tax policy. Overall, the combination of strong rate base growth, timely regulatory recovery and tax reform leave us on a path to sustain our leading utility EPS growth.

Slide 15 provides our gross margin update for ExGen and on slide 38, we provide more detail bridges compared to the previous quarter. I should point out that our decision to retire Oyster Creek, a year earlier than previously planned is now factored into all of our disclosures for gross margins, O&M and depreciation expense. With the collective EPS uplift being $0.03 in 2018, $0.07 in 2019 and a penny in 2020, relative to our previous expectations.

Now turning to our gross margin updates, our 2018 total gross margin is flat relative to our last disclosure. As lower Oyster Creek contribution is offset by the inclusion of the Handley Generating Station, the 1265 megawatt figure [ph] in Texas that we bought out of the EGTP portfolio, this serve us cost-effective resource for our Constellation regional operations.

Total gross margin in 2019 is up 50 million since the last quarter, driven primarily by higher West Hub and (inaudible) power prices, strengthening our dark spark spreads and additional generation related to Hadley, partially offset by the early retirement of Oyster Creek. Since we have not previously disclosed 2020 gross margins, let me help with the 2020 disclosures in context by bridging a few changes compared to the 2019 disclosures. Total gross margin is now $300 million and to be bucketed into $150 million reduction to open gross margin, primarily from the already announced retirement of TMI. We have offsets and O&M depreciation expenses closure is net EPS accretive to us.

Secondly a $150 million decrease in the capacity in ZEC line, which largely reflects the roll-off of the robust and previously disclosed PJM capacity prices from June 2018, '19 auction. From a hedging perspective, we ended the quarter approximately 13% to 16% behind our ratable hedging program in 2018, and 8% to 11% behind ratable in 2019, when considering cross-commodity hedges. We remain comfortable being more open, when we look at market fundamentals and particularly as we see opportunity through PJM price formation changes.

Turning to slide 16, our O&M expense outlook is consistent with the third quarter earnings call disclosures. That included our expanded $250 million cost reduction program, plus an additional $50 million and $120 million of O&M savings in 2018 and 2019 respectively, due to the earlier than planned closure of Oyster Creek.

Turning to CapEx. Our nuclear fuel and baseline capital spend projections continue to decline. Our base CapEx benefits from the proactive investments, we have made across the fleet in prior years, further focus on investment priorities and the impact of closing uneconomic plants. Our nuclear fuel expenditures are also falling as we take advantage of well supplied uranium markets and excess fuel processing capacity.

We continue to run an efficient organization, we'll always look for ways to reduce costs and run the fleet more cost effectively, while maintaining the highest premium on safety and reliability. The combination of ZEC programs in New York and Illinois have extended the useful lives of our most vulnerable assets, and we continue to reduce ongoing capital needs for the plants, which we think makes a more compelling case from a long-term value of these assets, which the market still seems slow to reflect.

Turning to slide 17, we're rolling forward the free cash flow outlook for ExGen to cover 2018 through 2021. We expect the cumulative free cash flow to be $7.6 billion, which is $800 million higher than our previous four year outlook. Our forecast takes into account power price forwards at year-end, the current gross margin outlook for Constellation, the

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benefit of the cost cuts outlined on the third quarter call. The planned closure of TMI and earlier closure of Oyster Creek, our updated base CapEx and nuclear forecast and the impact of tax reform.

We're also updating how we plan to use ExGen's strong free cash flow generation. We'll invest approximately $700 million in growth capital, which is primarily cited solar projects in support of our Constellation business, the Medway plant in New England and some final payments around the Texas CCGTs. We plan to inject between $3.3 billion and $3.7 billion of capital in the utilities, upon the outsized growth without the need for external equity funding.

With faster dividend growth, we will use approximately $400 million to $600 million of ExGen free cash flow to fund the dividend, not covered by the utilities. We are comfortable with this dividend funding from ExGen, particularly considering that, the four-year needs are less than 10% of our total free cash flow generation. Finally, we plan to retire between $2.7 billion and $3.3 billion of debt, which will be spread between ExGen and holding company's debt. We'll continue to manage ExGen leverage to our three-times debt-to-EBITDA commitment.

Turning to slide 18, we've already shared with you the impact of tax reform on Exelon in our 8-K from January 5th, but we want to highlight that we are clear beneficiary from tax reform and offer a few additional details. We expect to pass through meaningful savings to our utility customers across the different jurisdictions reflecting the lower tax expense recoveries, and the refund and deferred income tax regulatory liabilities, partially offset by the impacts of higher rate base. We are thrilled that our customers, who benefit so much from tax reform.

Our 2018 EPS guidance is inclusive of tax reform and we expect $0.10 per share uplift to 2019 earnings. Generation earnings will benefit from 22% effective tax rate, the utilities will benefit from an increased rate base up $2 billion by 2021, while the lower tax rate will create less tax shield for a holding company interest expense.

We expect to be a very modest cash taxpayer through 2021 and you can see the cash tax rates by year. We expect much stronger free cash flow from ExGen with a lower tax rate and 100% expensing of capital, which will more than cover the additional equity needs the utilities associated with the increased rate base. And we expect the consolidated metrics will remain largely unchanged as a result of tax reform. And ExGen tax reform has a positive impact in 2018 with a more meaningful impact in the outer years, that provides the company with additional financial flexibility.

On the utility side, we do see some modest erosion in FFO to debt, although, all of our utilities remain at/or above rating agency thresholds. We frequently made the case that our generation business provides distinct competitive advantage for the overall company with the ability to recycle significant free cash flows.

Our positive uplift to credit metrics and no need for external equity are additional examples relative to other utilities, that are being pressured due to the tax reforms.

Turning to slide 19, we remain committed to maintaining a strong balance sheet in our investment grade credit rating. I hit on this in the previous slide, but we remain comfortably ahead of our corporate targets for FFO to debt and well above the downgrade thresholds. Looking at ExGen, we are well ahead of our debt to EBITDA targets in 2018.

On a total basis, we expect to be at 2.5 times debt to EBITDA and only 2 times debt to EBITDA from a recourse debt perspective. We will continue to manage our balance sheet in ExGen over time to the three-times debt to EBITDA levels. So, look for us to publish our debt reduction at both holding company and Genco.

Turning to slide 20, as Chris mentioned earlier, the Board has decided to increase the dividend growth rate policy from 2.5% to 5% annually through 2020. Chris spoke to the positive business developments that gave us the confidence to increase our dividend growth rate to be more competitive with utility peers, so I want to take a moment to talk about our financial thought process.

Slide 20 shows the hypothetical portion of the dividend being funded by the utilities. If we assume their piece of the dividend, it's based on a 70% payout ratio on utility less holding company expense. The residual dividend is then covered by ExGen, when you consider that the utilities are growing EPS at 6% to 8% premier and represent the growing majority of our earnings were comfortably growing the dividend at 5% based on 70% utility earnings payout ratio, which keeps space with this earnings growth. On this approach, ExGen is funding around $0.20 of dividend depending on the year, which is a payout ratio in the teens of our 2018 EPS guidance for the business and substantially

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less amount on a free cash flow basis. We are very comfortable committing the small portion of ExGen's financial output excluding the dividend and are excited to be returning more capital to our shareholders through the dividend.

I will now turn the call over to Joe Dominguez to walk you through the latest on our regulatory and policy initiatives.

Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy

Thanks, Jack, and good morning, everyone. I'll cover slides 21 and 22 of the materials. Since our last earnings call, we continue to see positive momentum. The policy changes at the state, FERC and RTO [ph] levels, the value of the zero Emission and resilient resources that benefit our customers in the environment most.

As Chris said at the top of the call, we remain focused on three areas. First, ensuring that resilient resources are compensated fairly; second, addressing the price-formation flaws that PJM has identified in its market; and third, preserving and expanding state policy initiatives like the ZEC programs and include nuclear energy within the umbrella state-sponsored clean energy programs. I'll walk through each of these. On resilience, FERC issued its order on January 8th in response to the DOE NOPR. Consistent with Exelon's recognition, the order initiated a new resilience proceedings and directed the RTOs to immediately examine grid resiliency and provide a report to FERC within 60 days.

FERC noted that the report should include any recommended changes to market rules. In our filings at FERC, we urged the commission and the RTOs to view resilience as a broader scope of issues than the traditional reliability concerns that center around electric generation and transmission, unit performance and weather events. In particular, as we've talked about in earlier calls, we urge FERC to consider the risk of a cascading loss of the electric system caused by natural gas infrastructure failure. We expect that the resilience proceedings and crafting a solutions will take some time, as Chris indicated earlier. The FERC's order clearly gives PJM the opportunity to address near-term solutions, including a immediate price formation reforms.

PJM had said it can implement those reforms within the course of this calendar year. Based upon PJM's comments including NDF [ph] testimony before the Energy Committee of the US Senate, a week ago, we expect that PJM will continue to make a strong push for price formation reforms in its March PJM filing.

In terms of next steps, we continue to see two alternative pathways that are going to be work simultaneously. One, achieving a FERC directed PJM filing, as a byproduct of the resilience docket stocked; and two, a stakeholder process at PJM followed by a 206 filing through its existing enhanced liaison committee process. PJM already has the price formation stakeholder process underway and it is scheduled to conclude that process in the third quarter. In the mean time, PJM is pursuing with limited changes to price formation in the (inaudible) docket were filings are due in next week.

In summary, the commission's focus on resilience and the Chairman's call for urgent action, coupled with PJM's commitment with (inaudible) continues to give us confidence that our reforms will be implemented in 2018. With that said, there's a lot of work ahead of us, as PJM continues to engage with stakeholders and refine its proposal.

Turning to the next slide, in our ongoing efforts concerning state policy, that values zero emission nuclear resources, Jack already noted that we've reached an important milestone last month in Illinois, with the completion of the state procurement process in New York ZEC, the Quad Cities and plant [ph]. Now, both the Illinois and New York programs are fully up and running. We remain confident that will successfully defend these legitimate state programs and Federal appeals for this and say for us, because they preserve for our customers the lowest cost and most reliable zero mission resources in the market.

The New York and Illinois policy precedent that we established has been followed now with Connecticut and is under consideration in New Jersey and I will talk about New Jersey in closing. As many of you know, the bill had made it through two committees in the New Jersey legislature in late 2017. Those were unanimous in support of the nuclear

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provisions. However, because then Governor-elect Murphy had indicated a desire for more comprehensive package, a floor vote was not held. Since December, we have continued to work with our partners at PSE, and all stakeholders on new legislation. I can report that we are making good progress and I hope for legislative action in early 2018.

With that, let me turn it back over to Chris.

Chris Crane, President & Chief Executive Officer

Thanks, Joe. Turning to slide 23, we have updated some of the numbers behind our value proposition, which highlighted our strategy and commitment to our shareholders. We will continue to focus on growing our utilities targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021. Rolling forward, another year at above group trajectory. We have continue to use our free cash flow from the ExGen to fund these incremental equity needs at the utilities, pay down debt over next four years at ExGen and the holding company, one part of a faster dividend growth rate. We will continue to focus on optimizing value for our ExGen business, by seeking fair compensation for our carbon-free generation fleet in New Jersey and Pennsylvania, as we have done with the ZECs in New York and Illinois.

We will continue to pursue adoption of price formation of PJM in resiliency initiatives at FERC. Closing uneconomic plants including TMI in 2019 and now in early retirement of Oyster Creek in 2018. Selling assets where it makes sense to accelerate our debt reduction plan and maximizing value through our gen to load match strategy at Constellation. We continue to sustain strong investment grade credit metrics and are now growing our dividend consistently at 5% through 2020.

Finally, turning to slide 24, I want to leave you with some key focus areas for 2018. We will continue to deliver operational excellence across all our businesses, focusing on modernizing the grid and improving our customer experience of utilities, running our generation fleet safely and reliably and staying disciplined in our retail business to capture fair margins. At the utilities, we plan to invest 5.4 billion of capital to benefit our customers, we will file a total of five distribution rate cases with the goal of achieving our targeted 9% to 10% ROE across the utility families in 2019.

In generation, we will work to establish the PJM price formation changes in 2018, we will start working on a broad resiliency initiative, at FERC, which will take more time, we'll continue to defend the Illinois and New York ZECs in courts and we work with our stakeholders to establish fair payment for the environmental attributes of our nuclear plants in New Jersey and Pennsylvania.

Financially, we will begin to grow the dividend, as discussed at 5% annually, continue to execute on our previously announced cost management initiatives and finally we will continue with our corporate responsibility initiatives, including the focus on gender parity issues through our participation as the only energy company in the UN HeForShe campaign, building on last year's expansion of (inaudible) policies in our signing of the president's Equal Pay Pledge. This strategy underpinning the value proposition rolled out a couple of years ago is proving very robust. We are well positioned to capture additional upside and feel confident about the prospects for Exelon in 2018 and beyond. With the many successes we have had in recent years in relative stock outperformance, we still believe our stock is undervalued in absolute terms and in particular compared with our peers. We remain committed to optimize the value of our business and earnings, your ongoing support for Exelon.

Operator, we can now open it up to questions.

Operator

(Operator Instructions) Our first question comes from the line of Greg with Evercore ISI.

Greg Gordon, Analyst

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Thanks. Good morning. On the stock valuation, Chris, you and I definitely agree. Couple -- couple of questions, just to be clear on the roll-out of the 2020 disclosure, when we look at that, the lower gross margin associated with the TMI shutdown is actually earnings, just to be clear, you said earnings accretive. So we should think about year-over-year sort of negative comp as falling from the other two items, is that correct?

Chris Crane, President & Chief Executive Officer

The TMI, Greg, it is EPS accretive.

Greg Gordon, Analyst

Right. So then that would be offset by the 200 million of energy price and capacity revenues, but then you also have the cost cuttings on page 26 that we have to factor in to come up with sort of a net impact from the Q3 call, right, there was a --

Chris Crane, President & Chief Executive Officer

That's correct. So there is a full breakout of O&M expenses that we detailed in the appendix, you'll see the impact both in '18, as well as '19 and beyond from Oyster as well as TMI.

Greg Gordon, Analyst

Great. And you also said you plan on retiring some parent maturities, now looking at the maturity schedule on page 40, I see that HoldCo -- 6.3 billion of HoldCo debt, there is a 900 million maturity in 2020, 300 million in 2021, should we think about that as the timing or are there or is there other debt that's callable or revolver capacity that you can bring down in the interim?

Chris Crane, President & Chief Executive Officer

So there's -- so Greg, there is both, I apologize I'm turning those slide. So in terms of the holding company maturities, you should expect us to tilt more heavily towards Holding company and in '20 and '21 you will also see us pull -- retire some 365 day paper we have in '18 and that retires in '19. And then you'll see us work down the ExGen maturities as we get out of the curve as well.

Greg Gordon, Analyst

Okay. So I have one for Joe Dominguez and one for Joe Nigro. Joe Dominguez, is it your expectation and clearly you can't speak for PJM, so is it your expectation to sort of get this stakeholder process completed probably, they may go through the enhanced ways on process or in fact they would probably have to go through the enhanced ways on process to get a stakeholder process done in '18 or is it too soon for us to sort of call that. And then the alternative, is it legally viable -- or is it a legally viable possibility that at the end of the resiliency proceedings that the FERC actually has the record in place to call PJM in to change it's tariff?

Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy

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Yeah. Let me answer the second question first and just simply say, yes, I think they may have to open a different proceeding, but obviously they get issue 206 order at any point in time and we believe that they have sufficient record on when did you sell, very clearly PJM is going to supplement that record here in March, and I expect that other parties in the response 30 days later will do the same.

Greg, it's my expectation that PJM is going to continue to urge for -- to do exactly that to give it some direction, to come in and resolve the price-formation issues that is identified, but at the same time they have this alternative pathway that they are going to walk down in parallel where they conclude the stakeholder process. And my expectation is that as the owner of the tariff, PJM continues to believe that they have significant price formation flaws and they have said that repeatedly in many forum then the next step for them is to bring into FERC and utilize the enhanced liaison committee process and the stakeholder process doesn't work.

Greg Gordon, Analyst

Thanks. And then for Joe Nigro, the initial auction parameters for the next capacity auction came out several days ago. There was a significant change in core capacity into ComEd and some concern from investors that perhaps that would disadvantage the incumbent generation vis-a-vis capacity price outcomes. Can you give us some color on your thinking there?

Joseph Nigro, EVP and CEO of Constellation Energy Group Inc

Yeah, good morning, Greg. We expected to see an increase in both into Eastern PJM and into ComEd and increase into the import capability and they have been slightly higher than what we expected. There were obviously other variable changes as well when you think about the net tone increase and the impact, all of the things equal that -- that could have on their demand curve and shifting the demand curve out. We're just like everyone else annualizing this, I think at the end of the day that as we've said for years, the big thing is it's going to come down to bidding behavior and it always does. So there's a lot of variables in place here including those changes to the imports, but the bidding behavior won't matter.

Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy

Hey, Greg, its Joe Dominguez. If I could just chime in, that seat belt has moved around over the last few auctions. So we're going 1.7 gigawatts the other way now a year ago, we've -- the two auctions ago one gigawatt of that was already in the transmission limit. So we've seen the -- this done separate before with these LCL numbers.

Greg Gordon, Analyst

Okay, thanks guys.

Operator

And your next question comes from the line of Julien of Bank of America Merrill Lynch.

Julien Dumoulin-Smith, Analyst

Hey, good morning. Can you hear me?

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Chris Crane, President & Chief Executive Officer

Yeah, good morning.

Unidentified Speaker

Good morning.

Julien Dumoulin-Smith, Analyst

Congratulations again on a healthy set of update here. I wanted to follow-up a little bit more strategically on the ExGen side, obviously well done on Handley, curious as to the thoughts about the design to hold on to the Texas combined cycle. Can we read into some of the commentary around the desire to back that constellation here or is there still kind of a broader thought process around merchant generation here, just kind of wanted to elaborate on that?

Chris Crane, President & Chief Executive Officer

Those assets as we've discussed in the past are highly efficient and they're a very good match for our loan book in Texas and the capabilities that we have, the heap rates on, then the ramping, their capacity factors have been some of the highest for the CCGTs in Texas. So we'll continue to operate in this part of the fleet and be able to reap the benefits of their efficiency as we manage that book in Texas. As always, we look at all of our assets on an annual basis, but the previous review of those assets that they're more valuable in the fleet than not.

Julien Dumoulin-Smith, Analyst

Great. And then secondly, I know you commented on New Jersey with respect to legislation, but can you comment a little bit on how the Oyster Creek development reflects on the profitability of the nuclear units in that region. Just curious if you can give us a little bit of a sense of the latest on those assets and the profitability maybe from an ROE perspective, obviously your peer in the region comments on that in kind?

Chris Crane, President & Chief Executive Officer

The Oyster Creek decision was simply a site specific. The market has tightened over the years in that location, but running at another year with the losses in the investments that we would had to have made was not financially prudent, knowing that the reliability in the system can be sustained in that area without that asset, we're comfortable. And most importantly we have an employee transition program that we're implementing that allows us for those that are not at retirement and wish to retire ability to go into the rest of our vast fleet and continue to pursue their career.

So employee wise right thing to do, moving forward, allowing people to make the transition and economic wise, no sense in continuing for losses for another year. So it wasn't easy decision. The other assets have been openly discussed as the challenges happen in that part of the market and that's why we're pursuing and supporting our co-owner on that that legislative agenda.

Julien Dumoulin-Smith, Analyst

Great, thank you all.

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Operator

And your next question comes from the line of Stephen with Morgan Stanley.

Stephen Calder Byrd, Analyst

Hi, good morning.

Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

Good morning.

Chris Crane, President & Chief Executive Officer

Good morning.

Stephen Calder Byrd, Analyst

Just wanted to hit on the retail business and just overall give your sense for the competitive environment in the retail business, any trends you're seeing on that side of the business?

Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy

Yeah, good morning, Stephen. It's Joe, I will talk quick briefly about that excuse me. When you see the metrics on our business on slide '17, Jack talked to those in his comments -- prepared comments. We still have the best and the largest customer facing business in the industry and its recently is late December and early January, our generation to load continues to serve us well. The market remains competitive, its too early to see if what if any impact the current cold snap or the previous cold snap add on competitive behavior. As we said all along, we're going to remain disciplined to what we think is fair pricing and not just chase volumes. What we have seen though from competitors, which is kind interesting is two things. One is, we've seen one of our large competitors back away in certain regions from selling a full fixed price for requirements product to their customers and we will continue to do that as we have historically and one that [ph] obviously all the commitments we have.

In addition to that, we've seen some of our competitors try to pass through costs that we've honored through our contract arrangements with our customers as costs that we will bear. So, I want to say, we've seen the competitive aspect of the market change and as I said we remain disciplined, but we have seen some things from competitors that we haven't seen in the recent past, which may or may not lead to different outcomes in the future.

Stephen Calder Byrd, Analyst

That's very helpful color. And just shifting over to the ZEC litigation in Illinois, we continue to sort of like your overall legal position and things like there is some chance that the court might actually kick the decision over the FERC effectively. Is that a fair rating as in terms of a possibility and what's your sense in terms of your outlook, should sort of the decision go back to FERC?

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Joseph Dominguez, Executive Vice President of Governmental and Regulatory Affairs & Public Policy

It's Joe Dominguez. Let me address the last one. I think all of the five FERC commissioners were asked during -- excuse me the four new commissioners were asked during confirmation earnings, what their view is, concerning the state programs. They've all indicated that they did not see the situation of something, where FERC needed to really put a hold to these programs or claim preemption, but rather that they could use tools like mitigation to address any impacts in the market.

So, we would expect that the matter does go over to FERC consistent with the testimony before, as you have said [ph], the commissioners would indicate that they can mitigate the market through their existing tools and that they would not be in favour of preemption and quite obviously plaintiffs in Illinois feel the same way and they have urged the court not to send it to FERC for that reason.

In terms of your reading of the argument, I think you're exactly right. The FERC [ph] had brought into this question of primary jurisdiction, which is discretionary tool that allows the court had its discretion to send the matter to FERC. At this point, both parties agree to that.

Stephen Calder Byrd, Analyst

Great. That's all I had. Thank you very much.

Operator

And your next question comes from the line of Steve with Wolfe Research.

Steven Isaac Fleishman, Analyst

Hi, good morning. So, just first on the very high level at ExGen. So, obviously you have the gross margin numbers and in 2020 they fall certain amount. Is it fair to say kind of at the high level or the below the line stuff, O&M interest, as you're paying down debt, depreciation as your closing plants. Are all those kind of offset, so you will end up mitigating some chunk of that gross margin hit?

Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

Steve, so if you look at slide 54, we provide the additional ExGen Modeling Data and as we look at that ExGen's EPS profile out the curve, to your point, the lower depreciation, the lower operating O&M all leads to these retirements being accretive. So, we should see strong and better than last quarter performance anticipated from ExGen, as we look out the LRP.

Steven Isaac Fleishman, Analyst

Okay. And then one other question, just in the event that the energy price formation changes are just done at PJM through the enhanced liaison process. Could you just clarify that the time frame on that and process?

Chris Crane, President & Chief Executive Officer

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So again, this is, as Greg said earlier, ultimately PJM's discretion when pull the trigger on that. But right now, it's said to conclude its stakeholder process in Q3, at that point PJM will have all the input from stakeholders and as usual, however, its proposals long way and at that point in our view we will be in a position to make the filing with FERC.

Steven Isaac Fleishman, Analyst

And then how long FERC takes to rule, I guess depends on that FERC's call?

Chris Crane, President & Chief Executive Officer

That's FERC's call. This is a 206 proceeding, so there is no mandatory clock, like we see in the 205 proceedings.

Steven Isaac Fleishman, Analyst

Yeah, okay. Thank you.

Operator

And your next question comes from the line of Michael with Credit Suisse.

Michael Weinstein, Analyst

Hi, good morning.

Chris Crane, President & Chief Executive Officer

Good morning.

Michael Weinstein, Analyst

Hey, the target for ExGen is still 3.0 debt to EBITDA, is that, I mean, considering that you're already below that, is that something that needs to come down at some point? Or is that, is there a reason why it would increase over time?

Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

So, Michael, as you see the gross margin expectations for -- an EBITDA expectations for the ExGen business go down that two-times non-recourse or two-times recourse debt to EBITDA, 2.5 times gross debt to EBITDA number will move up. We will be repaying down debt as maturities come, but we will also be shifting our focus to the holding company debt and using the flexibility we have around strong balance sheet to the ExGen to target retirements of a good portion of or good amount of holding company bonds as they mature.

Michael Weinstein, Analyst

I see. What's the, I mean, what's the purpose of having a 3.0 target? Is it, is there something you're trying to achieve in the next-gen at that point?

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Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

I think differentiation from our ITP peers, we have, I believe, the strongest balance sheet in the integrated space. That takes the risk of that overhang that we've seen come pop up from time to time among semesters off the table, positions us to maintain a strong investment-grade rating from all the agencies. It's an important competitive advantage in the Constellation business. And as we clarified the longevity of these nuclear assets. We believe over time that what we trade currently at five-times debt-to-EBITDA, sorry, five-times EBITDA from valuation standpoint, we are making the case that we should be trading in line with our ITP peers, which will be 7 to 8 times. So, I think in the markets not recognizing that now, but certainly it's all part of our strategy to accomplish them.

Michael Weinstein, Analyst

Right. You guys mentioned that the enhanced liaison in process, just wondering, is that something that you simply expect PJM to use, or is that something PJM is telling you they will be using for sure?

Chris Crane, President & Chief Executive Officer

As I said earlier, PJM has made no announcement in that regarding. The point I'm trying to make here is that PJM and a lot of different audiences has now come forward and say, we have major flaw in price formation. And the PJM work historically, where it has significant issues and its market design capacity performance being the most of recent example has used the enhanced liaison committee process mechanism to get matters to FERC for stakeholders category on supporting A particular proposal.

Given the gravity of this issue on the significance of it, and if connection to the resilience issues that FERC is already looking at, and with our expectation that PJM would follow a strong words to the US Senate, to FERC and others and proceed to making a filing at the conclusion of the stakeholder process. That's the point I'm making.

Michael Weinstein, Analyst

Got it. Thank you.

Operator

And our final question comes from Jonathan with Deutsche Bank.

Jonathan Arnold, Analyst

Good morning, guys.

Chris Crane, President & Chief Executive Officer

Good morning.

Jonathan Arnold, Analyst

Strategy-wise, I mean, Chris, Jack you both alluded to the value disconnect and it's how to imagine that you could be doing that much more to execute the current plan, which seems to be going along. What's your level of patients to see

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the market reflect this under the current kind of dual strategy and just, can you give us a refresh on how you're thinking?

Chris Crane, President & Chief Executive Officer

Well, as I've talked about this for a couple years, when patience is probably not at a high point, but we understand it's our responsibility to deliver on these results and improve the thesis of. We took on 5.5 years ago the road to greater regulated revenues coming in, greater certainty around balance sheet, total optimization of the gen to loan match at Constellation, while running a world-class operations and efficient from a cost standpoint, operations.

In today's call reflects that, but let me go a little bit further and take a minute to give you more details on why we see our stock undervalued. Simplistically with a $3.05 midpoint for 2018 EPS, the stock trades at around 12% PE versus our cheapest comp at peg, which is 15%, in a regulated utility complex around 16%. Even on a consensus for 2019 and 2020, we trade around 12 to 13 versus peg roughly around 15 in the utilities, roughly around 15 and 16.

With our dividend growth at a competitive 5% rate, a 3.07% dividend yield, it's similar to much of the others in the group. And our utility operations accounting for 70% of the 2020 EPS. If you are using midpoint of our utility guidance range in consolidated Exelon estimates from the street. We look more similar to the business model to our peers than the 2% to 4% PE multiple discount that's -- we see or suggested.

If you think about our valuation looking at the businesses more specifically, our regulated utilities less holding company expense implies a fair market value of $31 to $32 per share using a consensus PE in 2019 and 2020. When I think about our utilities growth base at 7%, our EPS growth at 6% to 8%, which we expect to continue and we have through this conversation next year, from lower risk T&D utilities having the mechanisms covering 70% of our rate base additions that -- and 70% of our load decoupled, so we have less volumetric risk that collective -- our collective earnings of 9.5% ROE with strong credit metrics exceeding the agency requirements. In doing all this without meeting outside equity to fund any of this growth. I think they should be treated as a premium utilities for the valuation, but the 31 to 32 is based off of a pure valuation, which leaves us with an implied value of ExGen of approximately $4 per share, which we believe is entirely too low.

We implied multiples for the business around six-times PE and five-times EV to EBITDA respectively using our disclosure in the Street's estimates, looking at the IPPs trading at seven to eight times EBITDA today. We struggle to bridge the valuation disconnects, especially when you consider our leverage is well below our three-times debt to EBITDA target at 2.5 times. It is really running at about two-times on recourse debt. Our FFO debt is going to stay north of 40% -- FFO to debt ratio is going to stay north of 40% through the planning horizon, as ZEC programs is New York and Illinois have preserve most of our at-risk nuclear plants and our Constellation business provides a general load match advantage and our discipline around bidding margins is proving wise again, as we are starting the year -- others taking on paying in recent months.

Our free cash flow generation from this business is 7.6 billion over the next four years, which represents more than half of the implied enterprise value at ExGen for the assets with operational visibility well into 2030s. We believe, we have done all a lot of in this, in the past years to create value for the shareholders, where the stock is outperformed. We do not see the share price reflecting anywhere near the value we see, we're focused on executing against the long-term commitments in our value proposition in near-term of 2018 business priorities, which we believe will deliver substantial value to our investors. So, yes, I feel strongly about the stock being achieved.

Jonathan Arnold, Analyst

Sorry, Chirs, but you sound impatient with the market too, to me.

Jonathan Thayer, Senior Executive Vice President and Chief Financial Officer

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Hey, Jonathan, that doesn't even build in the fact that whether its price formation or New Jersey ZECs, there are a lot of incremental catalysts even beyond the robust story, that Chris just described in the valuation, where we currently see. So, this is the strongest, long-range plan that we have had since coming together as Constellation and Exelon and we're excited about the outlook for markets just not paying for it right now.

Jonathan Arnold, Analyst

We kind of agree with you, but I guess, how long do you give us?

Chris Crane, President & Chief Executive Officer

Well, we're not going anywhere. (multiple speakers)

Jonathan Arnold, Analyst

All right. I will decline to ask that again.

Chris Crane, President & Chief Executive Officer

Thanks Jonathan.

Jonathan Arnold, Analyst

Thank you.

Operator

And at this time, I'd like to turn it back over to Chris Crane for any closing remarks.

Chris Crane, President & Chief Executive Officer

Again, I want to thank you all for participating today. I want to thank the team here and the employees of Exelon for really delivering on a strategy that it's taken a few years to get here. But we are operating on all cylinders and appreciate the dedication. So, with that, I will close it up and thank you.

Operator

And that concludes today's conference call. We thank you for your participation and ask that you please disconnect your line.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-02-07
Event Description: Q4 2017 Earnings Call

Market Cap: 34,707.18
Current PX: 36.15
YTD Change($): -3.26
YTD Change(%): -8.272

Bloomberg Estimates - EPS
Current Quarter: 0.755
Current Year: 2.957
Bloomberg Estimates - Sales
Current Quarter: 7839.750
Current Year: 31649.167

Q4 2017 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Dominguez
- Joseph Nigro

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Steve Fleishman
- Michael Weinstein
- Jonathan Philip Arnold

MANAGEMENT DISCUSSION SECTION

Daniel L. Eggers

GAAP and Non-GAAP Financial Measures

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures

Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures

Christopher M. Crane

Business Highlights

GAAP Earnings

- Let me start by apologizing first for my voice is recovering from a cold as some of our other speakers are in the same place
- So we'll try to make it through clearly without too much distraction
- 2017 was a great year for Exelon, and I like to take a moment to talk about our business performance and some of our major accomplishments over the past 12 months
- First and foremost, I'm pleased to report that Exelon delivered $3.97 per share of GAAP earnings and $2.60 per share of operating earnings for 2017

- Jack will walk through the details, but I'd note that the earnings are solidly within the guidance range as we saw better utility, performance, and cost discipline absorbed $0.09 of timing shift from 2017 to 2018 related to the Illinois ZEC contracts, and absorbed $0.04 from FERC-related accounting changes

Dividend Policy

- Last week, the board approved our updated dividend policy, targets 5% annual growth for 2018 through 2020
- It builds on our previous plan of 2.5% growth from 2016 through 2018 and keeps our recently shared goals of offering competitive dividend growth rates and providing a multi-year visibility
- We're comfortable with the faster dividend growth rate, particularly in light of the significant positive business developments since 2016
  - We completed the PHI acquisition, increasing our earnings mix from utility operations
- The New York and Illinois ZEC programs have preserved and extended the useful lives of our most valuable nuclear plants

Cost Reduction Initiatives

- And consistent with our inherent cost discipline, our forecasted O&M spend will be approximately $725mm per year, lower in 2020 with the cost reduction initiatives identified since 2015
- Jack will discuss our capital allocation plan shortly, but we're confident in our ability to grow our dividend competitively while meeting all our other capital commitments, and probably we're able to share more of our financial success with our shareholders throughout this updated dividend policy

Tax Reform

- Tax reform passed at year-end is clearly a positive for us, allows for significant savings for our utility customers as the new tax rate flows through into lower bills
- ExGen will benefit from lower tax rate and 100% expensing
- In total, we see the run rate EPS benefit of $0.10 in 2019
- Operationally, we executed well in each area of our business line

Capital

- At our utilities, we invested a total of $5.3B of capital in infrastructure and technology to provide a premier customer experience, fewer outages, and faster restoration times
- That all contributed to higher customer satisfaction scores
- In fact, our utilities achieved multiple best on record operational metrics and received national recognition for exceptional customer satisfaction
- Leading with our better service and performance, we are also busy on the regulatory front completing seven distribution and five transmission rate cases in 2017, and receiving a total of approximately $400mm in revenue increases
  - Timely and fair regulatory outcomes help us to fund the future investment in the grid and improve the customer experience

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Generation Fleet

- Our Generation fleet also performed well
- The nuclear fleet produced 157mm MWh, a record-setting year for Exelon, and we brought into service the two new CCGTs in Texas
- I'm pleased to tell you that our fleet performed very well during December and January cold spell in the Northeast, once again demonstrating the value of nuclear generation as a highly reliable and carbon-free source of power

ZEC Programs

- On the regulatory and policy front, the ZEC programs in New York and Illinois were implemented, preserving several of our most at-risk nuclear stations and the reliability, economic, and environmental benefits they provide
- We will continue to defend these programs as we work on similar programs in New Jersey and Pennsylvania that benefit our customers, our communities, and our employees
- We also saw a recognition of the need to address the resiliency of the power system, an effort advanced with FERC's order in January
  - We believe a FERC order is an important step in addressing real resiliency and concerns
- We urge FERC to adopt PJM's proposal around power price formation and adopt a comprehensive resiliency solution that we will realize that will take some more additional time to resolve
- Joe Dominguez will discuss this in more detail later in the call

Home Suppliers

- We can talk about our successes this year without – or we can't talk about our successes this year without noting our strong commitment to corporate responsibility, improving and supporting the communities that we serve building on prior year's recognitions
- In 2017, we were the first utility named to the Billion Dollar Roundtable, which recognizes companies that spend over $1B with tier 1 diverse and minority home suppliers
- Being an active part of our communities is a central tenet of Exelon, and this award reflects what we've been able to do for years
- And in addition, DiversityInc named us one of the Top 50 Companies for Diversity, and the US Veterans Magazine named Exelon to its Best of the Best List of Veteran-Friendly Companies

New Job Training Center

- We also made a lot of progress in areas that will bring great value to our communities in 2017
- We announced a new job training center in Washington DC modeled after the center we operate in Chicago
- We were named to the Civic 50, a list of community-minded companies by Points of Light Foundation, and singled out as the utility sector leader

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- Exelon and its employees set new records in philanthropic activities, committing over $52mm in giving and volunteering more than 210,000 hours in 2017

Management Model

- Turning to slide 6, we'll show you the impact that Exelon's management model has had on our utility operations
- Looking back to the Constellation merger for the legacy Exelon utilities, or since the merger with PHI, we've seen material improvement in operations across our utilities
- The hard work of our employees and the benefit of our scale are clearly paying off
- Our utilities primarily operate at first quartile levels across our key successes of reliability, safety, and customer service
  - However, this does not tell the full story of our performance with many performance at top decile levels across a number of these measures, and many being the best on record performance
- In 2017 BGE, ComEd, and PHI had a best performance on (sic) SAIFI and CAIDI; and (sic) PECO and BGE and ComEd on customer satisfaction
- Customer service remains central to the strong utility performance, and it did extremely well in this front in 2017

J.D. Power's

- In J.D. Power's customer satisfaction study, BGE earned the top rank for business electric service among the large utilities in the East
- It was the best of 11 utilities in the region and was ranked highest nationally among 87 utilities in employee professionalism
- Kudos to the hard work of our utility professionals who strive every day to provide service levels for our customers

Nuclear Assets

- Turning to slide 7, we also had another strong year at Generation and Constellation
- Our nuclear assets continue to perform at top tier levels
- Look, we had a combined capacity factor of 94.1%, marking over 94% utilization rate for the four of the past five years
- In 2017 we had 13 refueling outages with an average duration of 23 days
- With the addition of Fitzpatrick plant in high utilization, we generated a nuclear fleet record of 157B MWh
- On the Constellation side, our C&I operating metrics remain strong. 74% customer renewables, average customer duration of more than five years, and power contract terms of more than 25 months on average
  - These statistics speak to our deep customer relationship that has been the bedrock of the Constellation business
- We continue to see stable unit margins with our C&I customers, and our aggressive cost management is helping to further support operating margins

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Jonathan W. Thayer

Financial Highlights

Adjusted Non-GAAP Operating Earnings

- My remarks today will focus on 2017 results, 2018 earnings guidance, and annual updates to our financial disclosures
- Turning to slide 8
- As Chris stated, we had a strong year financially and operationally across the company
- For the full year of 2017, our adjusted non-GAAP operating earnings were $2.60 per share, and comfortably within our guidance range
- We're pleased with our full year results, particularly considering the unexpected $0.09 timing drag from the Illinois ZEC contracts that were signed this January rather than in December, as well as $0.04 impact from a FAS 109 asset impairment related to income taxes for our FERC-regulated assets

O&M Expenses

- For Q4, we earned $0.55 per share
- Utilities less holding company EPS was $0.29 per share, benefiting from favorable storm expense and lower O&M expenses which were offset relative to our plan by the FAS 109 impairment
- Generation performed mostly in line with our expectations as our cost optimization efforts offset some market softness experienced earlier in the quarter

New York and Illinois

- Turning to slide 9, we're providing full year 2018 adjusted operating earnings guidance of $2.90 to $3.20 per share
- The growth in utility earnings reflects continued rate base growth as we deploy capital to the benefit of our customers as well as improved improvement in PHI's earned ROEs
- At Exelon Generation, the y-over-y increase is primarily driven by the full year recognition of ZEC revenue from New York and Illinois, the $0.11 recognition of the 2017 Illinois ZEC payments which is higher than the 2017 drag due to the now lower tax rate, the impact of tax reform, and cost optimization efforts partially offset by lower energy prices
  - We expect our first quarter earnings to be in the range of $0.90 to $1 per share
- More detail on y-over-y drivers by operating company can be found in the appendix starting on slide 59

CapEx and Rate Base

- On slide 10, we roll forward our outlook for utility CapEx and rate base which now covers 2018 through 2021
- We plan to invest $21B into our utilities over the next four years to ensure reliable, more resilient, and more efficient transmission and distribution of electricity and gas that improves the customer experience

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- Our four-year capital program is up from what we shared with you last year as we accelerate our gas main replacement programs at BGE and PECO, and take advantage of opportunities to further improve reliability and resiliency, all of which allows us to provide our customers with safe, reliable service
  - This results in a capital plan across our utilities with $5mm annual run rate

Tax Reform

- Turning to rate base, we now project annual growth of 7.4% compared to 6.5% at the last update, which reflects the expanded CapEx budget and the impacts of tax reform
- Tax reform will increase rate base by approximately $1.7B in 2020, relative to our previous expectations
- For your convenience, in the appendix we provided a more detailed analysis of the capital and rate base outlooks by individual utility beginning on slide 27

Capital Deployment

- Turning to slide 11
- Equally important to deploying capital to strengthen our systems is timely revenue recovery
- Of $11.5B of rate base growth projected through 2021, approximately 70% is covered either under formula rates or mechanisms supporting our ability to make additional investments and earn a fair return on our capital
  - Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools
- I would also note that over 70% of our rate base is in jurisdictions that are decoupled from volumes, improving our earnings visibility and aligning with the ambitious energy efficiency goals in our states

ROEs

- Slide 12 shows a trailing 12-month blended transmission and distribution earned ROEs of the utilities
- Our utilities continue to execute, delivering stronger earned returns for the year in addition to the robust operational performance Chris already discussed
- Over the past year, PHI's earned ROEs improved at Delmarva and Pepco and remained flat in Atlantic City Electric
  - Although I should point out that the FAS 109 impairment costs about 60BPS of ROE at each utility
- We're encouraged by the improvements at PHI and we expect to see further gains as pending rate cases are resolved throughout 2018
- The legacy Exelon utilities had a strong 2017, earning 10.3% as a group helped by favorable storm expense and O&M partially offset by the FAS 109 regulatory asset impairment in Q4 2017
- Improving the earned ROEs at PHI and sustaining the strong performance at the legacy Exelon utilities will be a core focus in our efforts to meet our overall utility earnings growth targets
  - We expect to earn 9% to 10% ROEs across our utilities in 2019

ComEd

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- Turning to slide 13, we remain busy on the regulatory front
- Since our last earnings call, ComEd received an order authorizing a revenue increase of over $95mm
- Since implementing the formula rate structure, we've recovered 90% plus of our [indiscernible] (00:17:28), with this year being the 100% for the first time
- Pepco filed electric rate cases in Maryland and in the District of Columbia, with orders expected in the third and fourth quarters of this year respectively

Pepco Maryland and DC Rate Case

- In addition to the recently filed Pepco Maryland and DC rate cases, we have pending rate cases at Delmarva, with orders expected in 2018
- Combined, we're asking for $133mm in revenues, which reflect recovery on multiple years of reliabilities, smart meter, and other capital investments that have been made to improve performance across these jurisdictions
- Later this spring, we plan to file our rate case at PECO for the first time in three years, and we'll file our standard formula update at ComEd in April
- More details on the rate cases and their schedules can be found on slide 65 to through 71 in the appendix

EPS

- Slide 14 provides an update on our outlook for utility EPS where we continue to forecast 6% to 8% EPS growth
- Compared to last year, our EPS bands in 2019 and 2020 have both increased
- The uplift from tax reform at the utilities through the increased rate base is mostly offset in the first couple of years but a drag from higher holding company expense since the lower tax rate provides less tax shield
- As we look toward the back half of this period, we should start to see net benefit from the change in tax policy
- Overall, the combination of strong rate base growth, timely regulatory recovery, and tax reform leave us on a path to sustain our leading utility EPS growth

Oyster Creek

- Slide 15 provides our gross margin update for ExGen, and on slide 38 we provide more detailed bridges compared to the previous quarter
- I should point out that our decision to retire Oyster Creek a year earlier than previously planned is now factored into all of our disclosures for gross margins, O&M, and depreciation expense, with the collective EPS uplift being $0.03 in 2018, $0.07 in 2019, and $0.01 in 2020 relative to our previous expectations

Gross Margin

- Now turning to our gross margin update, our 2018 total gross margin is flat relative to our last disclosure as lower Oyster Creek contribution is offset by the inclusion of the Handley Generating Station, the 1,265 megawatt peaker in Texas that we bought out of the EGTP portfolio that serves as cost-effective resource for our Constellation retail operations
- Total gross margin in 2019 is up $50mm since the last quarter driven primarily by higher West Hub and NI Hub power prices, strengthening ERCOT spark spreads, and additional generation related to Handley partially offset

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by the early retirement of Oyster Creek

O&M and Depreciation Expenses

- Since we've not previously disclosed 2020 gross margins, let me help with the 2020 disclosures in context by bridging a few changes compared to the 2019 disclosures
- Total gross margin is down $300mm and it will be bucketed into, one, $150mm reduction to open gross margin primarily from the already announced retirement of TMI.
  - We have offsets in O&M and depreciation expenses, so this closure is net EPS-accretive to us
- Secondly, $150mm decrease to the capacity in the ZEC line, which largely reflects the roll off of the robust and previously disclosed PJM capacity prices from the 2018-2019 auction

Hedging Perspective

- From a hedging perspective, we ended the quarter approximately 13% to 16% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross commodity hedges
- We remain comfortable being more open when we look at market fundamentals, and particularly as we see opportunity for PJM price formation chances

O&M Savings

- Turning to slide 16, our O&M expense outlook is consistent with Q3 earnings call disclosures
- That included our expanded $250mm cost reduction program plus an additional $50mm and $120mm of O&M savings in 2018 and 2019 respectfully due to the earlier than planned closure of Oyster Creek

CapEx

- Turning to CapEx, our nuclear fuel and base line capital spend projections continue to decline
- Our base CapEx benefits from the proactive investments we've made across the fleet in prior years, further focus on investment priorities, and the impact of closing uneconomic plants
- Our nuclear fuel expenditures are also falling as we take advantage of well-supplied uranium markets and excess fuel processing capacity

ZEC Programs

- We continue to run an efficient organization and we'll always look for ways to reduce cost and run the fleet more cost effectively while maintaining the highest premium on safety and reliability
- The combination of ZEC programs in New York and Illinois have extended the useful lives of our most profitable assets, and we continue to reduce ongoing capital needs for the plants, which we think makes it a more compelling case for the long-term value of these assets which the market still seems slow to reflect

FCF

- Turning to slide 17, we're rolling forward the FCF outlook for ExGen that cover 2018 through 2021

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- We expect the cumulative FCF to be $7.6B, which is $800mm higher than our previous four-year outlook
- Our forecast takes into account power price forwards at year end, the current gross margin outlook for Constellation, the benefit of the cost cuts outlined in Q3 call, the planned closure of TMI and earlier closure of Oyster Creek, our updated base CapEx and nuclear forecast, and the impact of tax reform

Cash Flow

- We're also updating how we plan to use ExGen's strong cash flow generation
- We'll invest approximately $700mm in growth capital which is primarily sited solar projects in support of our Constellation business, the Medway plant in New England, and some final payments around the Texas CCGTs
  - We plan to inject between $3.3B and $3.7B of capital in the utilities to fund the outsized growth without the need for external equity funding
- With faster dividend growth, we will use approximately $400mm to $600mm of ExGen FCF to fund the dividend not covered by the utilities
- We're comfortable with this dividend funding for ExGen, particularly considering that the four-year needs are less than 10% of our total FCF generation
- Finally, we plan to retire between $2.7B and $3.3B of debt, which will be spread between ExGen and holding company debt
  - We'll continue to manage ExGen leverage to our 3 times debt to EBITDA commitment

Tax Reform

- Turning to slide 18, we've already shared with you the impact of tax reform on Exelon in our 8-K from January 5, but we want to highlight that we're a clear beneficiary from tax reform and offer a few additional details
- We expect to pass-through meaningful savings to our utility customers across the different jurisdictions, reflecting the lower tax expense recoveries and refund of deferred income tax regulatory liabilities partially offset by the impacts of higher rate base
  - We're thrilled that our customers will benefit so much from tax reform

Tax Rate

- Our 2018 EPS guidance is inclusive of tax reform, and we expect $0.10 per share uplift to 2019 earnings
- Generation earnings will benefit from a 22% effective tax rate
- The utilities will benefit from an increased rate base of $2B by 2021 while the lower tax rate will create less tax shield for our holding company interest expense
  - We expect to be a very modest cash taxpayer through 2021, and you can see the cash tax rates by year
- We expect much stronger FCF from ExGen with a lower tax rate and 100% expensing of capital, which will more than cover the additional equity needs to utilities associated with the increased rate base
- And we expect the consolidated metrics will remain largely unchanged as a result of tax reform
- And ExGen tax reform has a positive impact in 2018, with a more meaningful impact in the outer years that provides the company with additional financial flexibility

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Generation Business

- On the utility side, we do see some modest erosion in FFO to debt, although all of our utilities remain at or above rating agency thresholds
- We frequently made the case that our Generation business provides distinct competitive advantage to the overall company with the ability to recycle significant FCFs
- Our positive uplift to credit metrics and no need for external equity are additional examples relative to other utilities that are being pressured due to the tax reforms

Balance Sheet Items

Debt and EBITDA

- Turning to slide 19, we remain committed to maintaining a strong balance sheet and our investment grade credit rating
- I hit on this in the previous slide, but we remain comfortably ahead of our corporate targets for FFO to debt and well above the downgrade thresholds
- Looking at ExGen, we're well ahead of our debt to EBITDA targets in 2018
- On a total basis, we expect to be at 2.5 times debt to EBITDA and only 2 times debt to EBITDA from a recourse debt perspective
- We'll continue to manage our balance sheet at ExGen over time to the 3 times debt to EBITDA level, so look for us to focus on debt reduction at both holding company and GenCo

Dividend Growth Rate Policy

- Turning to slide 20, as Chris mentioned earlier the board has decided to increase the dividend growth rate policy from 2.5% to 5% annually through 2020
- Chris spoke to the positive business developments that gave us the confidence to increase our dividend growth rate to be more competitive with utility peers, so I want to take a moment to talk about our financial thought process

EPS

- Slide 20 shows the hypothetical portion of the dividend being funded by the utilities if we assume their piece of the dividend is based on a 70% payout ratio on utility less holding company expense
- The residual dividend is then covered by ExGen
- When we consider that the utilities are growing EPS at 6% to 8% per year and represent the growing majority of our earnings, we're comfortably growing the dividend at 5% based on a 70% utility earnings payout ratio, which keeps pace with this earnings growth

FCF

- On this approach, ExGen is funding around $0.20 of dividend depending on the year, which is a payout ratio in the teens of our 2018 EPS guidance for the business and substantially less than that on a FCF basis

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- We're very comfortable committing the small portion of ExGen's financial output to supporting the dividend and are excited to be returning more capital to our shareholders through the dividend

Joseph Dominguez

Q4 Highlights

ZEC Programs

- I'll cover slides 21 and 22 in the materials
- Since our last earnings call, we continue to see positive momentum for policy changes at the state, FERC, and RTO levels that value the zero emission and resilient resources that benefit our customers and the environment most
- As Chris said at the top of the call, we remain focused on three areas
- First, ensuring that resilient resources are compensated fairly; second, addressing the price formation flaws that PJM has identified in its market; and third, preserving and expanding state policy initiatives like the ZEC programs and include nuclear energy within the umbrella of state-sponsored clean energy programs
- I'll walk through each of these

FERC

- On resilience, FERC issued its order on January 8 in response to the DOE NOPR
- Consistent with Exelon's recommendations, the order initiated a new resilience proceedings and directed the RTOs to immediately examine grid resiliency and provide a report to FERC within 60 days
- FERC noted that the report should include any recommended changes to market rules
- In our filings at FERC, we urged the commission and the RTOs to view resilience as a broader scope of issues than the traditional reliability concerns that center around electric generation and transmission unit performance and weather events
- In particular, as we've talked about in earlier calls, we urged FERC to consider the risk of a cascading loss of the electric system caused by natural gas infrastructure failure
  - We expect that the resilience proceedings and entrapping solutions will take some time as Chris indicated earlier

PJM

- But FERC's order clearly gives PJM the opportunity to address near-term solutions, including immediate price formation reforms
- PJM has said it can implement those reforms within the course of this CY
- Based upon PJM's comments, including Andy Ott's testimony before the Energy Committee of the U.S. Senate a week ago, we expect that PJM will continue to make a strong push for price formation reforms in its March filing

Stakeholder Process

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- In terms of next steps, we continue to see two alternative pathways that are going to be worked simultaneously
- One, achieving a FERC-directed PJM filing as a byproduct of the resilience docket; and two, a stakeholder process at PJM followed by a 206 filing through its existing enhanced liaison committee process
- PJM already has the price formation stakeholder process underway, and it is scheduled to conclude that process in Q3
- In the meantime, PJM is pursuing more limited changes to price formation in the fast-start docket where filings are due next week
- In summary, the commission is focused on resilience and the chairman's call for urgent action coupled with PJM's commitment to address market forums continues to give us confidence that reforms will be implemented in 2018
  - With that said, there's a lot of work ahead of us as PJM continues to engage with stakeholders and refine its proposal

Ongoing Efforts

- Turning to the next slide in our ongoing efforts concerning state policies that value zero-emission nuclear resources, Jack already noted that we've reached an important milestone last month in Illinois with the completion of the state procurement process and the awards of ZECs to the Quad Cities and Clinton
- Now both the Illinois and New York programs are fully up and running
- We remain confident that we'll successfully defend these legitimate state programs in federal fuels boards and state boards because they preserve for our customers the lowest cost and most reliable zero-emission resources in the market

New York and Illinois Policy

- The New York and Illinois policy precedent that we established has been followed now in Connecticut and is under consideration in New Jersey, and I'll talk about New Jersey in closing
- As many of you know, a bill had made it through two committees in the New Jersey legislature in late 2017
- The votes were unanimous in support of the nuclear provisions
  - However, because the then Governor-Elect Murphy had indicated a desire for a more comprehensive package, a floor vote was not held
- Since December, we've continued to work with our partners at [indiscernible] (00:32:56) and all stakeholders on new legislation
- I could report that we are making good progress and I hope for legislative action in early 2018

Christopher M. Crane

Q4 Highlights

Rate Base Growth, EPS and FCF

- Turning to slide 23, we have updated some of the numbers behind our value proposition which highlight our strategy and commitment to our shareholders

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- We will continue to focus on growing our utilities, targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021, rolling forward another year at above group trajectory
- We continue to use our FCF from ExGen to fund these incremental equity needs at the utilities, pay down debt over the next four years at ExGen and in the holding company, and fund part of a faster dividend growth rate

ExGen Business

- We will continue to focus on optimizing value for our ExGen business by seeking fair compensation for our carbon-free Generation fleet in New Jersey and in Pennsylvania as we have done with the ZECs in New York and Illinois
- We will continue to pursue adoption of price formation in PJM and resiliency initiatives at FERC
  - Closing uneconomic plans, including TMI in 2019 and now an earlier retirement of Oyster Creek in 2018

Selling Assets

- Selling assets where it makes sense to accelerate our debt reduction plans and maximizing value through our gen to load match strategy at Constellation
- We continue to sustain strong investment grade credit metrics and now growing our dividend consistently at 5% through 2020

Operational Excellence

- Finally turning to slide 24, I want to leave you with some key focus areas for 2018
- We will continue to deliver operational excellence across all our businesses, focusing on modernizing the grid and improving our customer experience at the utilities, running our Generation fleet safely and reliably, and staying disciplined in our retail business to capture fair margins
- At the utilities, we plan to invest $5.4B of capital to benefit our customers, we will file a total of five distribution rate cases with the goal of the achieving our targeted 9% to 10% ROE across the utility families in 2019

Generation

- In Generation, we will work to establish the PJM price formation changes in 2018
- We will start working on a broader resiliency initiative at FERC, which will take more time
- We'll continue to defend the Illinois and New York ZECs in the courts, and we'll work with our stakeholders to establish fair payment for the environmental attributes of our nuclear plants in New Jersey and Pennsylvania

Dividend

- Financially, we will begin to grow the dividend as discussed at 5% annually, continue to execute on our previously announced cost management initiatives
- And finally, we will continue with our corporate responsibility initiatives, including the focus on gender parity issues through our participation as the only energy company in the UN's HeForShe campaign, building on last year's expansion of paid leave policies and our signing of the President's equal pay pledge

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Strategy

- The strategy underpinning the value proposition rolled out a couple of years ago is proving very robust
- We are well-positioned to capture additional upside and feel confident about the prospects for Exelon in 2018 and beyond
- With the many successes we've had in recent years and the relative stock outperformance, we still believe our stock is undervalued in absolute terms, and in particular compared with our peers
  - We remain committed to optimize the value of our business and earnings – your ongoing support for Exelon

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: On the stock valuation Chris, you and I definitely agree. Couple of questions. Just to be clear on the rollout of the 2020 disclosure, when we look at that, the lower gross margin associated with the TMI shutdown is actually earnings, just to be clear, you said is earnings-accretive. So we should think about the y-over-y sort of negative comp as flowing from the other two items. Is that correct?

<A - Jonathan W. Thayer>: The TMI, Greg, it is EPS-accretive.

<Q - Greg Gordon>: Right.

<A - Jonathan W. Thayer>: So...

<Q - Greg Gordon>: So they now would be offset by the $200mm of energy pricing capacity revenues. But then you also have the cost-cutting on page 26 that we have to factor in to come up with a sort of net impact from Q3 call, right? There was a...

<A - Jonathan W. Thayer>: That's correct. So there's a full break out of O&M expenses that we detailed in the appendix. You'll see the impact both in 2018 as well as 2019 and beyond from Oyster as well as TMI.

<Q - Greg Gordon>: Great. And you also said you plan on retiring some parent maturities now, looking at the maturities schedule on page 40. I see that $6.3B of Holdco debt, there's $900mm maturity in 2020, $300mm in 2021. Should we think about that as the timing or is there other debt that's callable or revolver capacity that you can bring down in the interim?

<A - Jonathan W. Thayer>: So Greg, there's both – I apologize, I'm turning those slides. So in terms of the holding company maturities, you should expect us to tilt more heavily towards holding company in 2020 and 2021. You'll also see us pull – retire some 365-day paper we have in 2018 that retires in 2019, and then you'll see us work down the ExGen maturities as we get out the curve as well.

<Q - Greg Gordon>: Okay. So I have one for Joe Dominguez and one for Joe Nigro. Joe Dominguez, is it your expectation – and clearly you can't speak for PJM – but is it your expectation to get this stakeholder process completed, that they may go through the enhanced liaison process or in fact they would probably have to go through the enhanced liaison process to get a stakeholder process done in 2018 or is it too soon for us to sort of call that? And then the alternative, is it a legally viable possibility that at the end of the resiliency proceedings that FERC actually has the record in place to haul PJM in to change its tariff?

<A - Joseph Dominguez>: Yeah, let me answer the second question first and just simply say yes, I think they may have to open a different proceeding but obviously they could issue a 206 order at any point in time and we believe that they have a sufficient record already to do so. Very clearly, PJM is going to supplement that record here in March, and I expect that other parties in their response 30 days later will do the same. Greg, it's my expectation that PJM is going to continue to urge to do exactly that, to give it some direction, to come in and resolve the price formation issues that it's identified. But at the same time, they have this alternative pathway that they're going to walk down in parallel where they can include the stakeholder process. And my expectation is that, as the owner of the tariff, that PJM

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continues to believe that they have significant price formation flaws, and they've said that repeatedly in many forums, and the next step for them is to bring it to FERC and to utilize the enhanced liaison committee process if the stakeholder process doesn't work.

<Q - Greg Gordon>: Thanks. And for Joe Nigro, the initial auction parameters for the next capacity auction came out several days ago. There was a significant change in import capacity into ComEd and some concern from investors that perhaps that would disadvantage the incumbent generation vis-à-vis capacity price outcomes. Can you give us some color on your thinking there?

<A - Joseph Nigro>: Yeah. Good morning, Greg. We expected to see an increase in both into Eastern PJM and into ComEd an increase into the import capability, and they've been slightly higher than what we expected. There were obviously other variable changes as well when you think about the NETCO increase AND the impact, all other things equal, that could have on the demand curve and shifting the demand curve out. We're still, like everyone else, analyzing this. I think at the end of the day though, as we've said for years, the big thing is it's going to come down to bidding behavior, and it always does. So there's a lot of variables in play here, including those changes to the imports, but the bidding behavior won't matter.

<A - Joseph Dominguez>: Hey, Greg, it's Joe Dominguez. If I can just chime in, that CTEL has moved around over the last few auctions. So we're going 1.7 gigawatts, the other way now. A year ago we've – but two auctions ago, 1 gigawatt of that was already in the transmission limit. So we've seen the zones separate before with these higher CTEL numbers.

<Q - Julien Dumoulin-Smith>: Hey, excellent. Congratulations again on a healthy set of updates here. I wanted to follow-up a little bit more strategically on the ExGen side. Obviously, well done on handling. Curious as to the thoughts about the desire to hold on to the Texas combined cycles. Can we read into some of the commentary around the desire to back start Constellation here or is there still kind of a broader thought process around merchant generation here. Just kind of wanted to elaborate on that.

<A - Christopher M. Crane>: Those assets, as we've discussed in the past, are highly efficient and they're a very good match for our load book in Texas. The capabilities that we have, the heat rates on them, the ramping, they're very valuable and their capacity factors have been some of the highest for the CCGTs in Texas. So we'll continue to operate in this part of the fleet and be able to reap the benefits of their efficiency as we manage that book in Texas. As always, we look at all of our assets on an annual basis, but the previous review of those asset said they're more valuable in the fleet to note.

<Q - Julien Dumoulin-Smith>: Great. And then secondly, I know you commented on New Jersey with respect to legislation, but can you comment a little bit on how the Oyster Creek development reflects on the profitability of the nuclear units in that region? Just curious if you can give us a little bit of a sense of the latest on those assets and the profitability maybe from an ROE perspective. Obviously, your peer in the region comments on that in kind.

<A - Christopher M. Crane>: Yeah. The Oyster Creek decision was simply a site specific. The market has tightened over the years in that location. But running it another year with the losses and the investments that we would had to have made was not financially prudent. Knowing that the reliability of the system can be sustained in that area without that asset, we're comfortable and most importantly we have an employee transition program that we're implementing that allows us, for those that are not at retirement and wish to retire, ability to go into the rest of our vast fleet and continue to pursue their careers. So employee-wise, right thing to do moving forward, allowing people to make the transition; and economic-wise no sense in continuing for losses for another year. So it was an easy decision. The other assets have been openly discussed as the challenges happen in that part of the market, and that's why we're pursuing in supporting our co-owner on that legislative agenda.

<Q - Stephen Calder Byrd>: I just wanted to hit on the retail business and just overall get your sense for the competitive environment in the retail business. Any trends you're seeing on that side of the business?

<A - Joseph Nigro>: Yeah. Good morning, Stephen. It's Joe. I'll talk briefly about that. You see the metrics on our business on slide 7, and Jack talked to those in his prepared comments. We still have the best and the largest

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customer-facing business in the industry. And as recently as late December and early January, our generation to load strategy continues to serve us well. The market remains competitive. It's a little early to see what if any impact the current cold snap or the previous cold snap had on competitive behavior. As we said all along, we're going to remain disciplined to what we think is fair pricing and not just chase volume.

What we have seen though from competitors, which is kind of interesting, is two things. One is we've seen one of our large competitors back away in certain regions from selling a full fixed price full requirements product to their customers, and we will continue to do that as we have historically and we'll honor obviously all the commitments we have. In addition to that, we've seen some of our competitors try to pass-through costs that we've honored through our contractual arrangements with our customers as costs that we will bear. So I won't say we've seen the competitive aspect of the market change, and as I said we'll remain disciplined. But we have seen some things from competitors that we haven't seen in the recent past which may or may not lead to different outcomes in the future.

<Q - Stephen Calder Byrd>: That's very helpful color. And just shifting over to the ZEC litigation in Illinois, we continue to sort of like your overall legal position. It seems like there's some chance that the court might actually kick the decision over to FERC effectively. Is that a fair reading in terms of a possibility and what's your sense in terms of your outlook should sort of the decision go back to FERC?

<A - Joseph Dominguez>: It's Joe Dominguez. Let me address the last one. I think all of the five FERC commissioners were asked during – the four new commissioners were asked during the confirmation hearings what their view is concerning these state programs, and all indicated that they did not see the situation as something where FERC needed to really put a halt to these programs or claim preemption but rather that they could use tools like mitigation to address any impacts in the market. So we would expect that if the matter does go over to FERC, consistent with their testimony before the U.S. Senate, the commissioners would indicate that they could mitigate the market through their existing tools and that they would not be in favor of preemption. And quite obviously, the plaintiffs in Illinois feel the same way and they've urged the court not to send it to FERC for that reason.

In terms of your reading of the argument, I think you're exactly right. [indiscernible] (00:49:49) brought in this question of primary jurisdiction which is a discretionary tool that allows the court at its discretion to send the matter to FERC. At this point, both parties approve that.

<Q - Steve Fleishman>: So just first on the – maybe high level at ExGen. So obviously you have the gross margin numbers, and in 2020 they fall a certain amount. Is it fair to say kind of at the high level all the below the line stuff, O&M, interest as you're paying down debt, depreciation as you're closing plants, are all those kind of offsets so you'll end up mitigating some chunk of that gross margin hit?

<A - Jonathan W. Thayer>: Steve, so if you look at slide 54 we provide the additional ExGen modeling data. But as we look at ExGen's EPS profile out the curve, to your point, the lower depreciation, the lower operating O&M all leads to these retirements being accretive. So we should see strong and better than last quarter performance anticipated from ExGen as we look out of the LRP.

<Q - Steve Fleishman>: Okay, and then one other question. Just in the event that the energy price formation changes are at PJM through the enhanced liaison process, could you just clarify the timeframe on that and process?

<A - Joseph Dominguez>: So again, this is, as Greg said earlier, ultimately PJM's discretion when to pull the trigger on that. But right now it's set to conclude its stakeholder process in Q3. At that point, PJM will have all the input from stakeholders and, as usual, will have refined its proposal along the way. And at that point, in our view, we'll be in a position to make a filing at FERC.

<Q - Steve Fleishman>: And then how long FERC takes to rule – I guess it depends on – that's FERC's call.

<A - Joseph Dominguez>: That's FERC's call. This is a 206 proceeding, so there's no mandatory clock like we see in the 205 proceedings.

<Q - Michael Weinstein>: Hey. The target for ExGen is still 3.0 times debt to EBITDA. Is that, I mean, considering that you're already below that, is that something that needs to come down at some point or is there a reason why it

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would increase over time?

<A - Jonathan W. Thayer>: So Michael, as you've seen the gross margin expectations and EBITDA expectations for the ExGen business go down, that 2 times non-recourse or 2 times recourse debt to EBITDA and 2.5 times gross debt to EBITDA number will move up. We will be paying down debt as maturities come, but we'll also be shifting our focus to the holding company debt and using the flexibility we have around the strong balance sheet at ExGen to target retirement of a good portion of or a good amount of holding company bonds as they mature.

<Q - Michael Weinstein>: I see. I mean, what's the purpose of having a 3.0 times target? Is there something you're trying to achieve with ExGen at that point?

<A - Jonathan W. Thayer>: I think differentiation from our IPP peers. We have I believe the strongest balance sheet in the integrated space. That takes the risk of that overhang that we've seen come pop-up from time-to-time among semesters off the table, positions us to maintain a strong investment grade rating from all the agencies. It's an important competitive advantage in the Constellation business. And as we clarified the longevity of these nuclear assets, we believe over time that while we trade currently at 5 times EBITDA from a valuation standpoint, we are making the case that we should trade in line with our IPP peers, which would be 7 to 8 times. And I think the market is not recognizing that now, but certainly it's all part of our strategy to accomplish them.

<Q - Michael Weinstein>: Right. You guys mentioned the enhanced liaison process. Just wondering is that something that you simply expect PJM to use or is that something that PJM is telling you they will be using for sure?

<A - Joseph Dominguez>: As I said earlier, PJM has made no announcement in that regard. The point I'm trying to make here is that PJM and a lot of different audiences has now come forward and say we have a major flaw in price formation. And that PJM were historically, where it has significant issues in its market design, capacity performance being the most recent example, has used the enhanced liaison committee process mechanism to get matters to FERC or stakeholders who can't agree on supporting a particular proposal. Given the gravity of this issue and the significance of it and its connection to the resilience issues that FERC is already looking at, it would be our expectation that PJM would follow its strong words to the U.S. Senate to FERC and others and proceed to making a filing at the conclusion of the stakeholder process. That's the point I'm making.

<Q - Jonathan Philip Arnold>: Strategy-wise, I mean, Chris, Jack you've both alluded to the value disconnect, and it's hard to imagine that you could be doing that much more to execute the current plan which seems to be going along. What's your level of patience to see the market reflect this under the current kind of dual strategy and just can you give us a refresh on how you're thinking.

<A - Christopher M. Crane>: Well as I've talked about this for a couple of years where patience is probably not the high point, but we understand it's our responsibility to deliver on these results and improve the thesis. So we took on five and a half years ago the road to greater regulated revenues coming in, greater certainty around balance sheet, total optimization of the gen to load match at Constellation while running world-class operations and efficient from a cost standpoint operations, and today's call reflects that. But let me go a little bit further and take a minute to give you more details on why we see our stock undervalued.

Simplistically with $3.05 midpoint for 2018 EPS, the stock trades at around 12% P/E vs. our cheapest comp at PEG, which is 15%, and the regulated utility complex around 16%. Even on a consensus for 2019 and 2020, we trade around 12% to 13% vs. PEG roughly around 15% and the utilities roughly around 15% to 16%. With our dividend growth at a competitive 5% rate, a 3.7% dividend yield is similar to much of the others in the group, and our utility operations accounting for 70% of the 2020 EPS. If you're using midpoint of our utility guidance range and consolidated Exelon estimates from the Street, we look more similar to the business model to our peers than the 2% to 4% P/E multiple discount that we see are suggested.

If you think about our valuation, looking at the businesses more specifically, our regulated utilities less holding company expense implies a fair market value of $31 to $32 per share using a consensus P/E in 2019 and 2020. When I think about our utilities growth base at 7%, our EPS growth at 6% to 8%, which we expect to continue and we have through this conversation next year; from lower-risk T&D utilities having the mechanisms covering 70% of our rate

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base additions and 70% of our low decouples so we have less volumetric risk; that our collective earnings of 9.5% ROE with strong credit metrics exceeding agency requirements, and doing all of this without needing outside equity to fund any of this growth, I think they should be treated as a premium utilities for the valuation, but the $31 to $32 is based off of a peer valuation which leaves us with an implied value of ExGen of approximately $4 per share which we believe is entirely too low.

The implied multiples for the business around 6 times P/E and 5 times EV to EBITDA respectively, using our disclosure and the Street's estimates, looking at the IPPs trading at 7 to 8 times EBITDA today, we struggle to bridge the valuation disconnects especially when you consider our leverage is well below our 3 times debt to EBITDA target, at 2.5 times, and is really running at about 2 times on recourse debt. Our FFO to debt ratio is going to stay north of 40% through the planning horizon as ZEC programs in New York and Illinois have preserved most of our at-risk nuclear plants, and our Constellation business provides a gen to load match advantage, and our discipline around bidding margins is proving wise again as we're starting to hear others taking on pain in recent months.

Our FCF generation from this business is $7.6B over the next four years, which represents more than half of the implied enterprise value at ExGen with the assets with operational visibility well into the 2030s. We believe – we have done a lot of this in the past years to create value for the shareholders while the stock is outperformed. We do not see the share price reflecting anywhere near the value we see. We're focused on executing against the long-term commitments in our value proposition and near-term our 2018 business priorities, which we believe will deliver substantial value to our investors. So yes, I feel strongly about the stock being cheap. Short answer.

<Q - Jonathan Philip Arnold>: You sound impatient with the market to me.

<A - Jonathan W. Thayer>: And Jonathan, that doesn't even build in the fact that whether it's price formation or New Jersey ZECs, I mean, there a lot of incremental catalysts even beyond the robust story that Chris just described in the valuation where we currently see. So this is the strongest, long range plan that we've had since coming together as Constellation and Exelon, and we're excited about the outlook. The market's just not paying for it right now.

<Q - Jonathan Philip Arnold>: We kind of agree with you, but I guess how long do you give us?

<A - Christopher M. Crane>: Well we're not going anywhere.

<Q - Jonathan Philip Arnold>: All right. I'm inclined to ask that again.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2018-02-07
Event Description: Q4 2017 Earnings Call

Market Cap: 34,707.18
Current PX: 36.15
YTD Change($): -3.26
YTD Change(%): -8.272

Bloomberg Estimates - EPS
Current Quarter: 0.755
Current Year: 2.957
Bloomberg Estimates - Sales
Current Quarter: 7839.750
Current Year: 31649.167

Q4 2017 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Dominguez
- Joseph Nigro

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Steve Fleishman
- Michael Weinstein
- Jonathan Philip Arnold

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Sarah, and I will be your conference operator today. At this time, I would like to welcome everyone to the 2017 Q4 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations, you may begin your conference.

Daniel L. Eggers

Thank you, Sarah. Good morning, everyone, and thank you for joining our fourth quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Jack Thayer, Exelon's Chief Financial Officer; and Joe Dominguez, Executive Vice President of Government and Regulatory Affairs and Public Policy. They're joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast, and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan, and good morning to everybody and thank you for joining us today. Let me start by apologizing first for my voice is recovering from a cold as some of our other speakers are in the same place. So we'll try to make it through clearly without too much distraction.

2017 was a great year for Exelon, and I like to take a moment to talk about our business performance and some of our major accomplishments over the past 12 months. First and foremost, I'm pleased to report that Exelon delivered $3.97 per share of GAAP earnings and $2.60 per share of operating earnings for 2017. Jack will walk through the details, but I'd note that the earnings are solidly within the guidance range as we saw better utility, performance, and cost discipline absorbed $0.09 of timing shift from 2017 to 2018 related to the Illinois ZEC contracts, and absorbed $0.04 from FERC-related accounting changes.

Last week, the board approved our updated dividend policy, targets 5% annual growth for 2018 through 2020. It builds on our previous plan of 2.5% growth from 2016 through 2018 and keeps our recently shared goals of offering competitive dividend growth rates and providing a multi-year visibility. We're comfortable with the faster dividend growth rate, particularly in light of the significant positive business developments since 2016. We completed the PHI acquisition, increasing our earnings mix from utility operations. The New York and Illinois ZEC programs have preserved and extended the useful lives of our most valuable nuclear plants. And consistent with our inherent cost discipline, our forecasted O&M spend will be approximately $725 million per year, lower in 2020 with the cost reduction initiatives identified since 2015. Jack will discuss our capital allocation plan shortly, but we're confident in our ability to grow our dividend competitively while meeting all our other capital commitments, and probably we're able to share more of our financial success with our shareholders throughout this updated dividend policy.

Tax reform passed at year-end is clearly a positive for us, allows for significant savings for our utility customers as the new tax rate flows through into lower bills. ExGen will benefit from lower tax rate and 100% expensing. In total, we see the run rate EPS benefit of $0.10 in 2019. Operationally, we executed well in each area of our business line.

At our utilities, we invested a total of $5.3 billion of capital in infrastructure and technology to provide a premier customer experience, fewer outages, and faster restoration times. That all contributed to higher customer satisfaction scores. In fact, our utilities achieved multiple best on record operational metrics and received national recognition for exceptional customer satisfaction.

Leading with our better service and performance, we are also busy on the regulatory front completing seven distribution and five transmission rate cases in 2017, and receiving a total of approximately $400 million in revenue increases. Timely and fair regulatory outcomes help us to fund the future investment in the grid and improve the customer experience.

Our Generation fleet also performed well. The nuclear fleet produced 157 million megawatt hours, a record-setting year for Exelon, and we brought into service the two new CCGTs in Texas. I'm pleased to tell you that our fleet performed very well during December and January cold spell in the Northeast, once again demonstrating the value of nuclear generation as a highly reliable and carbon-free source of power.

On the regulatory and policy front, the ZEC programs in New York and Illinois were implemented, preserving several of our most at-risk nuclear stations and the reliability, economic, and environmental benefits they provide. We will continue to defend these programs as we work on similar programs in New Jersey and Pennsylvania that benefit our customers, our communities, and our employees. We also saw a recognition of the need to address the resiliency of the power system, an effort advanced with FERC's order in January. We believe a FERC order is an important step in addressing real resiliency and concerns. We urge FERC to adopt PJM's proposal around power price formation and adopt a comprehensive resiliency solution that we will realize that will take some more additional time to resolve. Joe Dominguez will discuss this in more detail later in the call.

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We can talk about our successes this year without – or we can't talk about our successes this year without noting our strong commitment to corporate responsibility, improving and supporting the communities that we serve building on prior year's recognitions. In 2017, we were the first utility named to the Billion Dollar Roundtable, which recognizes companies that spend over $1 billion with tier 1 diverse and minority home suppliers. Being an active part of our communities is a central tenet of Exelon, and this award reflects what we've been able to do for years. And in addition, DiversityInc named us one of the Top 50 Companies for Diversity, and the US Veterans Magazine named Exelon to its Best of the Best List of Veteran-Friendly Companies.

We also made a lot of progress in areas that will bring great value to our communities in 2017. We announced a new job training center in Washington DC modeled after the center we operate in Chicago. We were named to the Civic 50, a list of community-minded companies by Points of Light Foundation, and singled out as the utility sector leader. Exelon and its employees set new records in philanthropic activities, committing over $52 million in giving and volunteering more than 210,000 hours in 2017.

Turning to slide 6, we'll show you the impact that Exelon's management model has had on our utility operations. Looking back to the Constellation merger for the legacy Exelon utilities, or since the merger with PHI, we've seen material improvement in operations across our utilities. The hard work of our employees and the benefit of our scale are clearly paying off. Our utilities primarily operate at first quartile levels across our key successes of reliability, safety, and customer service. However, this does not tell the full story of our performance with many performance at top decile levels across a number of these measures, and many being the best on record performance. In 2017 BGE, ComEd, and PHI had a best performance on (sic) SAIFI and CAIDI; and (sic) PECO and BGE and ComEd on customer satisfaction. Customer service remains central to the strong utility performance, and it did extremely well in this front in 2017.

In J.D. Power's customer satisfaction study, BGE earned the top rank for business electric service among the large utilities in the East. It was the best of 11 utilities in the region and was ranked highest nationally among 87 utilities in employee professionalism. Kudos to the hard work of our utility professionals who strive every day to provide service levels for our customers.

Turning to slide 7, we also had another strong year at Generation and Constellation. Our nuclear assets continue to perform at top tier levels. Look, we had a combined capacity factor of 94.1%, marking over 94% utilization rate for the four of the past five years. In 2017 we had 13 refueling outages with an average duration of 23 days. With the addition of Fitzpatrick plant in high utilization, we generated a nuclear fleet record of 157 billion megawatt hours. On the Constellation side, our C&I operating metrics remain strong. 74% customer renewables, average customer duration of more than five years, and power contract terms of more than 25 months on average. These statistics speak to our deep customer relationship that has been the bedrock of the Constellation business. We continue to see stable unit margins with our C&I customers, and our aggressive cost management is helping to further support operating margins.

And now I'd like to turn it over to Jack to walk through some of the numbers.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. My remarks today will focus on 2017 results, 2018 earnings guidance, and annual updates to our financial disclosures.

Turning to slide 8. As Chris stated, we had a strong year financially and operationally across the company. For the full year of 2017, our adjusted non-GAAP operating earnings were $2.60 per share, and comfortably within our guidance range. We're pleased with our full year results, particularly considering the unexpected $0.09 timing drag from the Illinois ZEC contracts that were signed this January rather than in December, as well as a $0.04 impact from a FAS 109 asset impairment related to income taxes for our FERC-regulated assets. For the fourth quarter, we earned $0.55 per share. Utilities less holding company EPS was $0.29 per share, benefiting from favorable storm expense and lower O&M expenses which were offset relative to our plan by the FAS 109 impairment. Generation performed mostly in line with our expectations as our cost optimization efforts offset some market softness experienced earlier in the

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quarter.

Turning to slide 9, we're providing full year 2018 adjusted operating earnings guidance of $2.90 to $3.20 per share. The growth in utility earnings reflects continued rate base growth as we deploy capital to the benefit of our customers as well as improved improvement in PHI's earned ROEs. At Exelon Generation, the year-over-year increase is primarily driven by the full year recognition of ZEC revenue from New York and Illinois, the $0.11 recognition of the 2017 Illinois ZEC payments which is higher than the 2017 drag due to the now lower tax rate, the impact of tax reform, and cost optimization efforts partially offset by lower energy prices. We expect our first quarter earnings to be in the range of $0.90 to $1 per share. More detail on year-over-year drivers by operating company can be found in the appendix starting on slide 59.

On slide 10, we roll forward our outlook for utility CapEx and rate base which now covers 2018 through 2021. We plan to invest $21 billion into our utilities over the next four years to ensure reliable, more resilient, and more efficient transmission and distribution of electricity and gas that improves the customer experience. Our four-year capital program is up from what we shared with you last year as we accelerate our gas main replacement programs at BGE and PECO, and take advantage of opportunities to further improve reliability and resiliency, all of which allows us to provide our customers with safe, reliable service. This results in a capital plan across our utilities with a $5 million annual run rate. Turning to rate base, we now project annual growth of 7.4% compared to 6.5% at the last update, which reflects the expanded CapEx budget and the impacts of tax reform. Tax reform will increase rate base by approximately $1.7 billion in 2020, relative to our previous expectations. For your convenience, in the appendix we provided a more detailed analysis of the capital and rate base outlooks by individual utility beginning on slide 27.

Turning to slide 11. Equally important to deploying capital to strengthen our systems is timely revenue recovery. Of $11.5 billion of rate base growth projected through 2021, approximately 70% is covered either under formula rates or mechanisms supporting our ability to make additional investments and earn a fair return on our capital. Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools. I would also note that over 70% of our rate base is in jurisdictions that are decoupled from volumes, improving our earnings visibility and aligning with the ambitious energy efficiency goals in our states.

Slide 12 shows a trailing 12-month blended transmission and distribution earned ROEs of the utilities. Our utilities continue to execute, delivering stronger earned returns for the year in addition to the robust operational performance Chris already discussed. Over the past year, PHI's earned ROEs improved at Delmarva and Pepco and remained flat in Atlantic City Electric. Although I should point out that the FAS 109 impairment costs about 60 basis points of ROE at each utility. We're encouraged by the improvements at PHI and we expect to see further gains as pending rate cases are resolved throughout 2018. The legacy Exelon utilities had a strong 2017, earning 10.3% as a group helped by favorable storm expense and O&M partially offset by the FAS 109 regulatory asset impairment in the fourth quarter of 2017. Improving the earned ROEs at PHI and sustaining the strong performance at the legacy Exelon utilities will be a core focus in our efforts to meet our overall utility earnings growth targets. We expect to earn 9% to 10% ROEs across our utilities in 2019.

Turning to slide 13, we remain busy on the regulatory front. Since our last earnings call, ComEd received an order authorizing a revenue increase of over $95 million. Since implementing the formula rate structure, we've recovered 90% plus of our [indiscernible] (00:17:28), with this year being the 100% for the first time. Pepco filed electric rate cases in Maryland and in the District of Columbia, with orders expected in the third and fourth quarters of this year respectively. In addition to the recently filed Pepco Maryland and DC rate cases, we have pending rate cases at Delmarva, with orders expected in 2018. Combined, we're asking for $133 million in revenues, which reflect recovery on multiple years of reliabilities, smart meter, and other capital investments that have been made to improve performance across these jurisdictions. Later this spring, we plan to file our rate case at PECO for the first time in three years, and we'll file our standard formula update at ComEd in April. More details on the rate cases and their schedules can be found on slide 65 to through 71 in the appendix.

Slide 14 provides an update on our outlook for utility EPS where we continue to forecast 6% to 8% EPS growth. Compared to last year, our EPS bands in 2019 and 2020 have both increased. The uplift from tax reform at the utilities

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through the increased rate base is mostly offset in the first couple of years but a drag from higher holding company expense since the lower tax rate provides less tax shield. As we look toward the back half of this period, we should start to see net benefit from the change in tax policy. Overall, the combination of strong rate base growth, timely regulatory recovery, and tax reform leave us on a path to sustain our leading utility EPS growth.

Slide 15 provides our gross margin update for ExGen, and on slide 38 we provide more detailed bridges compared to the previous quarter. I should point out that our decision to retire Oyster Creek a year earlier than previously planned is now factored into all of our disclosures for gross margins, O&M, and depreciation expense, with the collective EPS uplift being $0.03 in 2018, $0.07 in 2019, and $0.01 in 2020 relative to our previous expectations.

Now turning to our gross margin update, our 2018 total gross margin is flat relative to our last disclosure as lower Oyster Creek contribution is offset by the inclusion of the Handley Generating Station, the 1,265 megawatt peaker in Texas that we bought out of the EGTP portfolio that serves as cost-effective resource for our Constellation retail operations. Total gross margin in 2019 is up $50 million since the last quarter driven primarily by higher West Hub and NI Hub power prices, strengthening ERCOT spark spreads, and additional generation related to Handley partially offset by the early retirement of Oyster Creek.

Since we've not previously disclosed 2020 gross margins, let me help with the 2020 disclosures in context by bridging a few changes compared to the 2019 disclosures. Total gross margin is down $300 million and it will be bucketed into, one, a $150 million reduction to open gross margin primarily from the already announced retirement of TMI. We have offsets in O&M and depreciation expenses, so this closure is net EPS-accretive to us. Secondly, a $150 million decrease to the capacity in the ZEC line, which largely reflects the roll off of the robust and previously disclosed PJM capacity prices from the 2018-2019 auction. From a hedging perspective, we ended the quarter approximately 13% to 16% behind our ratable hedging program in 2018 and 8% to 11% behind ratable in 2019 when considering cross commodity hedges. We remain comfortable being more open when we look at market fundamentals, and particularly as we see opportunity for PJM price formation chances.

Turning to slide 16, our O&M expense outlook is consistent with the third quarter earnings call disclosures. That included our expanded $250 million cost reduction program plus an additional $50 million and $120 million of O&M savings in 2018 and 2019 respectfully due to the earlier than planned closure of Oyster Creek. Turning to CapEx, our nuclear fuel and base line capital spend projections continue to decline. Our base CapEx benefits from the proactive investments we've made across the fleet in prior years, further focus on investment priorities, and the impact of closing uneconomic plants. Our nuclear fuel expenditures are also falling as we take advantage of well-supplied uranium markets and excess fuel processing capacity.

We continue to run an efficient organization and we'll always look for ways to reduce cost and run the fleet more cost effectively while maintaining the highest premium on safety and reliability. The combination of ZEC programs in New York and Illinois have extended the useful lives of our most profitable assets, and we continue to reduce ongoing capital needs for the plants, which we think makes it a more compelling case for the long-term value of these assets which the market still seems slow to reflect.

Turning to slide 17, we're rolling forward the free cash flow outlook for ExGen that cover 2018 through 2021. We expect the cumulative free cash flow to be $7.6 billion, which is $800 million higher than our previous four-year outlook. Our forecast takes into account power price forwards at year end, the current gross margin outlook for Constellation, the benefit of the cost cuts outlined in the third quarter call, the planned closure of TMI and earlier closure of Oyster Creek, our updated base CapEx and nuclear forecast, and the impact of tax reform. We're also updating how we plan to use ExGen's strong cash flow generation. We'll invest approximately $700 million in growth capital which is primarily sited solar projects in support of our Constellation business, the Medway plant in New England, and some final payments around the Texas CCGTs. We plan to inject between $3.3 billion and $3.7 billion of capital in the utilities to fund the outsized growth without the need for external equity funding. With faster dividend growth, we will use approximately $400 million to $600 million of ExGen free cash flow to fund the dividend not covered by the utilities. We're comfortable with this dividend funding for ExGen, particularly considering that the four-year needs are less than 10% of our total free cash flow generation. Finally, we plan to retire between $2.7 billion

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and $3.3 billion of debt, which will be spread between ExGen and holding company debt. We'll continue to manage ExGen leverage to our 3 times debt to EBITDA commitment.

Turning to slide 18, we've already shared with you the impact of tax reform on Exelon in our 8-K from January 5, but we want to highlight that we're a clear beneficiary from tax reform and offer a few additional details. We expect to pass-through meaningful savings to our utility customers across the different jurisdictions, reflecting the lower tax expense recoveries and refund of deferred income tax regulatory liabilities partially offset by the impacts of higher rate base. We're thrilled that our customers will benefit so much from tax reform.

Our 2018 EPS guidance is inclusive of tax reform, and we expect a $0.10 per share uplift to 2019 earnings. Generation earnings will benefit from a 22% effective tax rate. The utilities will benefit from an increased rate base of $2 billion by 2021 while the lower tax rate will create less tax shield for our holding company interest expense. We expect to be a very modest cash taxpayer through 2021, and you can see the cash tax rates by year. We expect much stronger free cash flow from ExGen with a lower tax rate and 100% expensing of capital, which will more than cover the additional equity needs to utilities associated with the increased rate base. And we expect the consolidated metrics will remain largely unchanged as a result of tax reform. And ExGen tax reform has a positive impact in 2018, with a more meaningful impact in the outer years that provides the company with additional financial flexibility.

On the utility side, we do see some modest erosion in FFO to debt, although all of our utilities remain at or above rating agency thresholds. We frequently made the case that our Generation business provides distinct competitive advantage to the overall company with the ability to recycle significant free cash flows. Our positive uplift to credit metrics and no need for external equity are additional examples relative to other utilities that are being pressured due to the tax reforms.

Turning to slide 19, we remain committed to maintaining a strong balance sheet and our investment grade credit rating. I hit on this in the previous slide, but we remain comfortably ahead of our corporate targets for FFO to debt and well above the downgrade thresholds. Looking at ExGen, we're well ahead of our debt to EBITDA targets in 2018. On a total basis, we expect to be at 2.5 times debt to EBITDA and only 2 times debt to EBITDA from a recourse debt perspective. We'll continue to manage our balance sheet at ExGen over time to the 3 times debt to EBITDA level, so look for us to focus on debt reduction at both holding company and GenCo.

Turning to slide 20, as Chris mentioned earlier the board has decided to increase the dividend growth rate policy from 2.5% to 5% annually through 2020. Chris spoke to the positive business developments that gave us the confidence to increase our dividend growth rate to be more competitive with utility peers, so I want to take a moment to talk about our financial thought process. Slide 20 shows the hypothetical portion of the dividend being funded by the utilities if we assume their piece of the dividend is based on a 70% payout ratio on utility less holding company expense. The residual dividend is then covered by ExGen. When we consider that the utilities are growing EPS at 6% to 8% per year and represent the growing majority of our earnings, we're comfortably growing the dividend at 5% based on a 70% utility earnings payout ratio, which keeps pace with this earnings growth.

On this approach, ExGen is funding around $0.20 of dividend depending on the year, which is a payout ratio in the teens of our 2018 EPS guidance for the business and substantially less than that on a free cash flow basis. We're very comfortable committing the small portion of ExGen's financial output to supporting the dividend and are excited to be returning more capital to our shareholders through the dividend.

I will now turn the call over to Joe Dominguez to walk you through the latest on our regulatory and policy initiatives.

Joseph Dominguez

Thanks, Jack, and good morning, everyone. I'll cover slides 21 and 22 in the materials. Since our last earnings call, we continue to see positive momentum for policy changes at the state, FERC, and RTO levels that value the zero emission and resilient resources that benefit our customers and the environment most. As Chris said at the top of the call, we remain focused on three areas. First, ensuring that resilient resources are compensated fairly; second, addressing the

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price formation flaws that PJM has identified in its market; and third, preserving and expanding state policy initiatives like the ZEC programs and include nuclear energy within the umbrella of state-sponsored clean energy programs. I'll walk through each of these.

On resilience, FERC issued its order on January 8 in response to the DOE NOPR. Consistent with Exelon's recommendations, the order initiated a new resilience proceedings and directed the RTOs to immediately examine grid resiliency and provide a report to FERC within 60 days. FERC noted that the report should include any recommended changes to market rules. In our filings at FERC, we urged the commission and the RTOs to view resilience as a broader scope of issues than the traditional reliability concerns that center around electric generation and transmission unit performance and weather events. In particular, as we've talked about in earlier calls, we urged FERC to consider the risk of a cascading loss of the electric system caused by natural gas infrastructure failure. We expect that the resilience proceedings and entrapping solutions will take some time as Chris indicated earlier.

But FERC's order clearly gives PJM the opportunity to address near-term solutions, including immediate price formation reforms. PJM has said it can implement those reforms within the course of this calendar year. Based upon PJM's comments, including Andy Ott's testimony before the Energy Committee of the U.S. Senate a week ago, we expect that PJM will continue to make a strong push for price formation reforms in its March filing.

In terms of next steps, we continue to see two alternative pathways that are going to be worked simultaneously. One, achieving a FERC-directed PJM filing as a byproduct of the resilience docket; and two, a stakeholder process at PJM followed by a 206 filing through its existing enhanced liaison committee process. PJM already has the price formation stakeholder process underway, and it is scheduled to conclude that process in the third quarter. In the meantime, PJM is pursuing more limited changes to price formation in the fast-start docket where filings are due next week. In summary, the commission is focused on resilience and the chairman's call for urgent action coupled with PJM's commitment to address market forums continues to give us confidence that reforms will be implemented in 2018. With that said, there's a lot of work ahead of us as PJM continues to engage with stakeholders and refine its proposal.

Turning to the next slide in our ongoing efforts concerning state policies that value zero-emission nuclear resources, Jack already noted that we've reached an important milestone last month in Illinois with the completion of the state procurement process and the awards of ZECs to the Quad Cities and Clinton. Now both the Illinois and New York programs are fully up and running. We remain confident that we'll successfully defend these legitimate state programs in federal fuels boards and state boards because they preserve for our customers the lowest cost and most reliable zero-emission resources in the market.

The New York and Illinois policy precedent that we established has been followed now in Connecticut and is under consideration in New Jersey, and I'll talk about New Jersey in closing. As many of you know, a bill had made it through two committees in the New Jersey legislature in late 2017. The votes were unanimous in support of the nuclear provisions. However, because the then Governor-Elect Murphy had indicated a desire for a more comprehensive package, a floor vote was not held. Since December, we've continued to work with our partners at [indiscernible] (00:32:56) and all stakeholders on new legislation. I could report that we are making good progress and I hope for legislative action in early 2018.

With that, let me turn it back over to Chris.

Christopher M. Crane

Thanks, Joe. Turning to slide 23, we have updated some of the numbers behind our value proposition which highlight our strategy and commitment to our shareholders. We will continue to focus on growing our utilities, targeting 7.4% rate base growth and 6% to 8% EPS growth through 2021, rolling forward another year at above group trajectory. We continue to use our free cash flow from ExGen to fund these incremental equity needs at the utilities, pay down debt over the next four years at ExGen and in the holding company, and fund part of a faster dividend growth rate. We will continue to focus on optimizing value for our ExGen business by seeking fair compensation for our carbon-free Generation fleet in New Jersey and in Pennsylvania as we have done with the ZECs in New York and Illinois.

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We will continue to pursue adoption of price formation in PJM and resiliency initiatives at FERC; closing uneconomic plans, including TMI in 2019 and now an earlier retirement of Oyster Creek in 2018. Selling assets where it makes sense to accelerate our debt reduction plans and maximizing value through our gen to load match strategy at Constellation. We continue to sustain strong investment grade credit metrics and now growing our dividend consistently at 5% through 2020.

Finally turning to slide 24, I want to leave you with some key focus areas for 2018. We will continue to deliver operational excellence across all our businesses, focusing on modernizing the grid and improving our customer experience at the utilities, running our Generation fleet safely and reliably, and staying disciplined in our retail business to capture fair margins. At the utilities, we plan to invest $5.4 billion of capital to benefit our customers, we will file a total of five distribution rate cases with the goal of the achieving our targeted 9% to 10% ROE across the utility families in 2019. In Generation, we will work to establish the PJM price formation changes in 2018. We will start working on a broader resiliency initiative at FERC, which will take more time. We'll continue to defend the Illinois and New York ZECs in the courts, and we'll work with our stakeholders to establish fair payment for the environmental attributes of our nuclear plants in New Jersey and Pennsylvania.

Financially, we will begin to grow the dividend as discussed at 5% annually, continue to execute on our previously announced cost management initiatives. And finally, we will continue with our corporate responsibility initiatives, including the focus on gender parity issues through our participation as the only energy company in the UN's HeForShe campaign, building on last year's expansion of paid leave policies and our signing of the President's equal pay pledge.

The strategy underpinning the value proposition rolled out a couple of years ago is proving very robust. We are well-positioned to capture additional upside and feel confident about the prospects for Exelon in 2018 and beyond. With the many successes we've had in recent years and the relative stock outperformance, we still believe our stock is undervalued in absolute terms, and in particular compared with our peers. We remain committed to optimize the value of our business and earnings – your ongoing support for Exelon. Operator, we can now open it up to questions.

Q&A

Operator

[Operator Instructions] Our first question comes from the line of Greg with Evercore ISI.

<Q - Greg Gordon>: Thanks. Good morning. On the stock valuation Chris, you and I definitely agree. Couple of questions. Just to be clear on the rollout of the 2020 disclosure, when we look at that, the lower gross margin associated with the TMI shutdown is actually earnings, just to be clear, you said is earnings-accretive. So we should think about the year-over-year sort of negative comp as flowing from the other two items. Is that correct?

<A - Jonathan W. Thayer>: The TMI, Greg, it is EPS-accretive.

<Q - Greg Gordon>: Right.

<A - Jonathan W. Thayer>: So...

<Q - Greg Gordon>: So they now would be offset by the $200 million of energy pricing capacity revenues. But then you also have the cost-cutting on page 26 that we have to factor in to come up with a sort of net impact from the Q3 call, right? There was a...

<A - Jonathan W. Thayer>: That's correct. So there's a full break out of O&M expenses that we detailed in the appendix. You'll see the impact both in 2018 as well as 2019 and beyond from Oyster as well as TMI.

<Q - Greg Gordon>: Great. And you also said you plan on retiring some parent maturities now, looking at the maturities schedule on page 40. I see that $6.3 billion of Holdco debt, there's a $900 million maturity in 2020, $300 million in 2021. Should we think about that as the timing or is there other debt that's callable or revolver capacity that

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you can bring down in the interim?

<A - Jonathan W. Thayer>: So Greg, there's both – I apologize, I'm turning those slides. So in terms of the holding company maturities, you should expect us to tilt more heavily towards holding company in 2020 and 2021. You'll also see us pull – retire some 365-day paper we have in 2018 that retires in 2019, and then you'll see us work down the ExGen maturities as we get out the curve as well.

<Q - Greg Gordon>: Okay. So I have one for Joe Dominguez and one for Joe Nigro. Joe Dominguez, is it your expectation – and clearly you can't speak for PJM – but is it your expectation to get this stakeholder process completed, that they may go through the enhanced liaison process or in fact they would probably have to go through the enhanced liaison process to get a stakeholder process done in 2018 or is it too soon for us to sort of call that? And then the alternative, is it a legally viable possibility that at the end of the resiliency proceedings that FERC actually has the record in place to haul PJM in to change its tariff?

<A - Joseph Dominguez>: Yeah, let me answer the second question first and just simply say yes, I think they may have to open a different proceeding but obviously they could issue a 206 order at any point in time and we believe that they have a sufficient record already to do so. Very clearly, PJM is going to supplement that record here in March, and I expect that other parties in their response 30 days later will do the same. Greg, it's my expectation that PJM is going to continue to urge to do exactly that, to give it some direction, to come in and resolve the price formation issues that it's identified. But at the same time, they have this alternative pathway that they're going to walk down in parallel where they can include the stakeholder process. And my expectation is that, as the owner of the tariff, that PJM continues to believe that they have significant price formation flaws, and they've said that repeatedly in many forums, and the next step for them is to bring it to FERC and to utilize the enhanced liaison committee process if the stakeholder process doesn't work.

<Q - Greg Gordon>: Thanks. And for Joe Nigro, the initial auction parameters for the next capacity auction came out several days ago. There was a significant change in import capacity into ComEd and some concern from investors that perhaps that would disadvantage the incumbent generation vis-à-vis capacity price outcomes. Can you give us some color on your thinking there?

<A - Joseph Nigro>: Yeah. Good morning, Greg. We expected to see an increase in both into Eastern PJM and into ComEd an increase into the import capability, and they've been slightly higher than what we expected. There were obviously other variable changes as well when you think about the NETCO increase AND the impact, all other things equal, that could have on the demand curve and shifting the demand curve out. We're still, like everyone else, analyzing this. I think at the end of the day though, as we've said for years, the big thing is it's going to come down to bidding behavior, and it always does. So there's a lot of variables in play here, including those changes to the imports, but the bidding behavior won't matter.

<A - Joseph Dominguez>: Hey, Greg, it's Joe Dominguez. If I can just chime in, that CTEL has moved around over the last few auctions. So we're going 1.7 gigawatts, the other way now. A year ago we've – but two auctions ago, 1 gigawatt of that was already in the transmission limit. So we've seen the zones separate before with these higher CTEL numbers.

<Q - Greg Gordon>: Okay. Thanks, guys.

Operator

And your next question comes from the line of Julien of Bank of America Merrill Lynch.

<Q - Julien Dumoulin-Smith>: Hey. Good morning. Can you hear me?

<A - Jonathan W. Thayer>: Yeah.

<A - Joseph Dominguez>: Good morning.

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<A - Christopher M. Crane>: Very. Good morning.

<Q - Julien Dumoulin-Smith>: Hey, excellent. Congratulations again on a healthy set of updates here. I wanted to follow-up a little bit more strategically on the ExGen side. Obviously, well done on handling. Curious as to the thoughts about the desire to hold on to the Texas combined cycles. Can we read into some of the commentary around the desire to back start Constellation here or is there still kind of a broader thought process around merchant generation here. Just kind of wanted to elaborate on that.

<A - Christopher M. Crane>: Those assets, as we've discussed in the past, are highly efficient and they're a very good match for our load book in Texas. The capabilities that we have, the heat rates on them, the ramping, they're very valuable and their capacity factors have been some of the highest for the CCGTs in Texas. So we'll continue to operate in this part of the fleet and be able to reap the benefits of their efficiency as we manage that book in Texas. As always, we look at all of our assets on an annual basis, but the previous review of those asset said they're more valuable in the fleet to note.

<Q - Julien Dumoulin-Smith>: Great. And then secondly, I know you commented on New Jersey with respect to legislation, but can you comment a little bit on how the Oyster Creek development reflects on the profitability of the nuclear units in that region? Just curious if you can give us a little bit of a sense of the latest on those assets and the profitability maybe from an ROE perspective. Obviously, your peer in the region comments on that in kind.

<A - Christopher M. Crane>: Yeah. The Oyster Creek decision was simply a site specific. The market has tightened over the years in that location. But running it another year with the losses and the investments that we would had to have made was not financially prudent. Knowing that the reliability of the system can be sustained in that area without that asset, we're comfortable and most importantly we have an employee transition program that we're implementing that allows us, for those that are not at retirement and wish to retire, ability to go into the rest of our vast fleet and continue to pursue their careers. So employee-wise, right thing to do moving forward, allowing people to make the transition; and economic-wise no sense in continuing for losses for another year. So it was an easy decision. The other assets have been openly discussed as the challenges happen in that part of the market, and that's why we're pursuing in supporting our co-owner on that legislative agenda.

<Q - Julien Dumoulin-Smith>: Great. Thank you all.

Operator

And your next question comes from the line of Stephen with Morgan Stanley.

<Q - Stephen Calder Byrd>: Hi. Good morning.

<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Stephen Calder Byrd>: I just wanted to hit on the retail business and just overall get your sense for the competitive environment in the retail business. Any trends you're seeing on that side of the business?

<A - Joseph Nigro>: Yeah. Good morning, Stephen. It's Joe. I'll talk briefly about that. You see the metrics on our business on slide 7, and Jack talked to those in his prepared comments. We still have the best and the largest customer-facing business in the industry. And as recently as late December and early January, our generation to load strategy continues to serve us well. The market remains competitive. It's a little early to see what if any impact the current cold snap or the previous cold snap had on competitive behavior. As we said all along, we're going to remain disciplined to what we think is fair pricing and not just chase volume.

What we have seen though from competitors, which is kind of interesting, is two things. One is we've seen one of our large competitors back away in certain regions from selling a full fixed price full requirements product to their customers, and we will continue to do that as we have historically and we'll honor obviously all the commitments we

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have. In addition to that, we've seen some of our competitors try to pass-through costs that we've honored through our contractual arrangements with our customers as costs that we will bear. So I won't say we've seen the competitive aspect of the market change, and as I said we'll remain disciplined. But we have seen some things from competitors that we haven't seen in the recent past which may or may not lead to different outcomes in the future.

<Q - Stephen Calder Byrd>: That's very helpful color. And just shifting over to the ZEC litigation in Illinois, we continue to sort of like your overall legal position. It seems like there's some chance that the court might actually kick the decision over to FERC effectively. Is that a fair reading in terms of a possibility and what's your sense in terms of your outlook should sort of the decision go back to FERC?

<A - Joseph Dominguez>: It's Joe Dominguez. Let me address the last one. I think all of the five FERC commissioners were asked during – the four new commissioners were asked during the confirmation hearings what their view is concerning these state programs, and all indicated that they did not see the situation as something where FERC needed to really put a halt to these programs or claim preemption but rather that they could use tools like mitigation to address any impacts in the market. So we would expect that if the matter does go over to FERC, consistent with their testimony before the U.S. Senate, the commissioners would indicate that they could mitigate the market through their existing tools and that they would not be in favor of preemption. And quite obviously, the plaintiffs in Illinois feel the same way and they've urged the court not to send it to FERC for that reason.

In terms of your reading of the argument, I think you're exactly right. [indiscernible] (00:49:49) brought in this question of primary jurisdiction which is a discretionary tool that allows the court at its discretion to send the matter to FERC. At this point, both parties approve that.

<Q - Stephen Calder Byrd>: Great. That's all I had. Thank you very much.

Operator

And your next question comes from the line of Steve with Wolfe Research.

<Q - Steve Fleishman>: Hi, good morning. So just first on the – maybe high level at ExGen. So obviously you have the gross margin numbers, and in 2020 they fall a certain amount. Is it fair to say kind of at the high level all the below the line stuff, O&M, interest as you're paying down debt, depreciation as you're closing plants, are all those kind of offsets so you'll end up mitigating some chunk of that gross margin hit?

<A - Jonathan W. Thayer>: Steve, so if you look at slide 54 we provide the additional ExGen modeling data. But as we look at ExGen's EPS profile out the curve, to your point, the lower depreciation, the lower operating O&M all leads to these retirements being accretive. So we should see strong and better than last quarter performance anticipated from ExGen as we look out of the LRP.

<Q - Steve Fleishman>: Okay, and then one other question. Just in the event that the energy price formation changes are at PJM through the enhanced liaison process, could you just clarify the timeframe on that and process?

<A - Joseph Dominguez>: So again, this is, as Greg said earlier, ultimately PJM's discretion when to pull the trigger on that. But right now it's set to conclude its stakeholder process in Q3. At that point, PJM will have all the input from stakeholders and, as usual, will have refined its proposal along the way. And at that point, in our view, we'll be in a position to make a filing at FERC.

<Q - Steve Fleishman>: And then how long FERC takes to rule – I guess it depends on – that's FERC's call.

<A - Joseph Dominguez>: That's FERC's call. This is a 206 proceeding, so there's no mandatory clock like we see in the 205 proceedings.

<Q - Steve Fleishman>: Yeah. Okay. Thank you.

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Operator

And your next question comes from the line of Michael with Credit Suisse.

<Q - Michael Weinstein>: Hi, good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Michael Weinstein>: Hey. The target for ExGen is still 3.0 times debt to EBITDA. Is that, I mean, considering that you're already below that, is that something that needs to come down at some point or is there a reason why it would increase over time?

<A - Jonathan W. Thayer>: So Michael, as you've seen the gross margin expectations and EBITDA expectations for the ExGen business go down, that 2 times non-recourse or 2 times recourse debt to EBITDA and 2.5 times gross debt to EBITDA number will move up. We will be paying down debt as maturities come, but we'll also be shifting our focus to the holding company debt and using the flexibility we have around the strong balance sheet at ExGen to target retirement of a good portion of or a good amount of holding company bonds as they mature.

<Q - Michael Weinstein>: I see. I mean, what's the purpose of having a 3.0 times target? Is there something you're trying to achieve with ExGen at that point?

<A - Jonathan W. Thayer>: I think differentiation from our IPP peers. We have I believe the strongest balance sheet in the integrated space. That takes the risk of that overhang that we've seen come pop-up from time-to-time among semesters off the table, positions us to maintain a strong investment grade rating from all the agencies. It's an important competitive advantage in the Constellation business. And as we clarified the longevity of these nuclear assets, we believe over time that while we trade currently at 5 times EBITDA from a valuation standpoint, we are making the case that we should trade in line with our IPP peers, which would be 7 to 8 times. And I think the market is not recognizing that now, but certainly it's all part of our strategy to accomplish them.

<Q - Michael Weinstein>: Right. You guys mentioned the enhanced liaison process. Just wondering is that something that you simply expect PJM to use or is that something that PJM is telling you they will be using for sure?

<A - Joseph Dominguez>: As I said earlier, PJM has made no announcement in that regard. The point I'm trying to make here is that PJM and a lot of different audiences has now come forward and say we have a major flaw in price formation. And that PJM were historically, where it has significant issues in its market design, capacity performance being the most recent example, has used the enhanced liaison committee process mechanism to get matters to FERC or stakeholders who can't agree on supporting a particular proposal. Given the gravity of this issue and the significance of it and its connection to the resilience issues that FERC is already looking at, it would be our expectation that PJM would follow its strong words to the U.S. Senate to FERC and others and proceed to making a filing at the conclusion of the stakeholder process. That's the point I'm making.

<Q - Michael Weinstein>: Got you. All right, thank you.

Operator

And our final question comes from Jonathan with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Good morning, guys.

<A - Christopher M. Crane>: Good morning.

<Q - Jonathan Philip Arnold>: Strategy-wise, I mean, Chris, Jack you've both alluded to the value disconnect, and it's hard to imagine that you could be doing that much more to execute the current plan which seems to be going along. What's your level of patience to see the market reflect this under the current kind of dual strategy and just can you give us a refresh on how you're thinking.

<A - Christopher M. Crane>: Well as I've talked about this for a couple of years where patience is probably not the high point, but we understand it's our responsibility to deliver on these results and improve the thesis. So we took on five and a half years ago the road to greater regulated revenues coming in, greater certainty around balance sheet, total optimization of the gen to load match at Constellation while running world-class operations and efficient from a cost standpoint operations, and today's call reflects that. But let me go a little bit further and take a minute to give you more details on why we see our stock undervalued.

Simplistically with a $3.05 midpoint for 2018 EPS, the stock trades at around 12% P/E versus our cheapest comp at PEG, which is 15%, and the regulated utility complex around 16%. Even on a consensus for 2019 and 2020, we trade around 12% to 13% versus PEG roughly around 15% and the utilities roughly around 15% to 16%. With our dividend growth at a competitive 5% rate, a 3.7% dividend yield is similar to much of the others in the group, and our utility operations accounting for 70% of the 2020 EPS. If you're using midpoint of our utility guidance range and consolidated Exelon estimates from the Street, we look more similar to the business model to our peers than the 2% to 4% P/E multiple discount that we see are suggested.

If you think about our valuation, looking at the businesses more specifically, our regulated utilities less holding company expense implies a fair market value of $31 to $32 per share using a consensus P/E in 2019 and 2020. When I think about our utilities growth base at 7%, our EPS growth at 6% to 8%, which we expect to continue and we have through this conversation next year; from lower-risk T&D utilities having the mechanisms covering 70% of our rate base additions and 70% of our low decouples so we have less volumetric risk; that our collective earnings of 9.5% ROE with strong credit metrics exceeding agency requirements, and doing all of this without needing outside equity to fund any of this growth, I think they should be treated as a premium utilities for the valuation, but the $31 to $32 is based off of a peer valuation which leaves us with an implied value of ExGen of approximately $4 per share which we believe is entirely too low.

The implied multiples for the business around 6 times P/E and 5 times EV to EBITDA respectively, using our disclosure and the Street's estimates, looking at the IPPs trading at 7 to 8 times EBITDA today, we struggle to bridge the valuation disconnects especially when you consider our leverage is well below our 3 times debt to EBITDA target, at 2.5 times, and is really running at about 2 times on recourse debt. Our FFO to debt ratio is going to stay north of 40% through the planning horizon as ZEC programs in New York and Illinois have preserved most of our at-risk nuclear plants, and our Constellation business provides a gen to load match advantage, and our discipline around bidding margins is proving wise again as we're starting to hear others taking on pain in recent months.

Our free cash flow generation from this business is $7.6 billion over the next four years, which represents more than half of the implied enterprise value at ExGen with the assets with operational visibility well into the 2030s. We believe – we have done a lot of this in the past years to create value for the shareholders while the stock is outperformed. We do not see the share price reflecting anywhere near the value we see. We're focused on executing against the long-term commitments in our value proposition and near-term our 2018 business priorities, which we believe will deliver substantial value to our investors. So yes, I feel strongly about the stock being cheap. Short answer.

<Q - Jonathan Philip Arnold>: You sound impatient with the market to me.

<A - Jonathan W. Thayer>: And Jonathan, that doesn't even build in the fact that whether it's price formation or New Jersey ZECs, I mean, there a lot of incremental catalysts even beyond the robust story that Chris just described in the valuation where we currently see. So this is the strongest, long range plan that we've had since coming together as Constellation and Exelon, and we're excited about the outlook. The market's just not paying for it right now.

<Q - Jonathan Philip Arnold>: We kind of agree with you, but I guess how long do you give us?

<A - Christopher M. Crane>: Well we're not going anywhere.

<Q - Jonathan Philip Arnold>: All right. I'm inclined to ask that again.

<A - Christopher M. Crane>: Thanks, Jonathan.

<Q - Jonathan Philip Arnold>: Thank you.

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Operator

And at this time, I would like to turn it back over to Chris Crane for any closing remarks.

Christopher M. Crane

Again, I want to thank you all for participating today. I want to thank the team here and the employees of Exelon for really delivering on a strategy that has taken a few years to get here. But we're operating on all cylinders and appreciate the dedication. So with that, I'll close it out and thank you.

Operator

And this concludes today's conference call. We thank you for your participation, and ask that you please disconnect your lines.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-11-02
Event Description: Q3 2017 Earnings Call

Market Cap: 39,094.78
Current PX: 40.72
YTD Change($): +5.23
YTD Change(%): +14.737

Bloomberg Estimates - EPS
Current Quarter: 0.633
Current Year: 2.686
Bloomberg Estimates - Sales
Current Quarter: 7998.500
Current Year: 31911.000

Q3 2017 Earnings Call

Company Participants

- Daniel L. Eggers, Senior Vice President of Investor Relations
- Christopher M. Crane, Chief Executive Officer
- Jonathan Thayer, Chief Financial Officer
- Denis O'Brien, Senior Executive Vice President, Chief Executive Officer - Exelon Utilities
- Joseph Nigro, Executive Vice President and Chief Executive Officer of Constellation Division
- Joe Dominguez, Executive Vice President, Government and Regulatory Affairs and Public Policy

Other Participants

- Greg Gordon, Analyst
- Jonathan Arnold, Analyst
- Steve Fleishman, Analyst
- Julien Dumoulin-Smith, Analyst
- Stephen Byrd, Analyst
- Praful Mehta, Analyst

Presentation

Operator

Good morning. Thank you for standing by, and welcome to the Exelon Corporation 2017 Q3 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

Thank you, Mr. Dan Eggers, Senior Vice President of Investor Relations for Exelon. You may begin your conference.

Daniel L. Eggers, Senior Vice President of Investor Relations

Thank you, Toni and good morning everyone and thank you for joining our third quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

Please refer to today's 8-K and Exelon's other SEC filings for discussion of risk factors and factors that may cause results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

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I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane, Chief Executive Officer

Thanks, Dan. And good morning and thank you all for joining us. We had a solid third quarter of 2017 with GAAP earnings of $0.85 per share up versus the prior year. Our adjusted EPS was $0.85 as well reaching the midpoint of our guidance. Strong utility in Genco performance more than offset headwinds from the mild summer weather that impacted our PECO, ACE utilities as well as volumes at constellation.

As we head into year-end, we have a lot to be encouraged about. Our regulatory utilities are continuing to execute very well. Running ahead of plan for the year, operationally we're performing in top quartiles across most performance measures. We are registering significant improvements at PHI, even relative to last year. We are doing exactly what we said we would do as part of our merger commitments, improving performance and reliability for our customers.

We are executing on our CapEx program for 2017. We are excited about the valuable technologies, investments we are deploying to our customers benefit. The FERC is making strides to address pressing resiliency needs for the power system, and we see that in a two-step process. Starting with empowering PJM to fixed deficiencies in the power price formation by the summer of 2018 and then a longer-term FERC process to address resiliency.

The Department of Energy's, section 403 filing noted a clause in the current price formation are part of the reason that nuclear units, the most resilient and cost effective zero emission resources in PJM are being less to premature retirements. Given our size of our PJM fleet, each dollar or megawatt hour of distortion caused by a flawed market design, undermines the Genco's economics by approximately $135 million per year on an unhedged basis.

We believe that DOE is focus on price formation will lead to a successful process at FERC that will eliminate these distortions by the summer of 2018. We have not reflected the value of these reforms in our forecasts that we're showing you today, but we do believe that it could be a significant positive for us starting in 2018. Finally, we are executing on our management plan focused on strengthening our operation and continuing to find efficiencies.

To that end, we lowered our cost by 250 million on a run rate basis in 2020, primarily at the Genco including today's announcement, we are lowering our costs, our O&M cost, versus planned by over 700 million annually from initiatives identified since 2015.

We continue to challenge our businesses to evaluate cost in today's announcement savings are part of that ongoing effort. We're confident in our previous announced plans that generate 6.8 million of free cash flow at the Genco through 2020. That will fund our utility growth, grow the dividend and meet our debt reduction commitments. It is this deliberate work that positions us well to face some headwinds. After a series of mild summers and winters, we have seen declining power market volatility which is weighing on the forward prices -- power prices impacting the constellation business. Just as we experienced during the periods of low volatility, we're again seeing less disciplined by some of the wholesale and retail competitors in the market.

As they become more aggressive with their pricing, we have been through low discipline, low volatility periods before, and they end up in the same way. Those without disciplined fail that is when we can grow our market share by winning business at good margins or acquiring low businesses offered for sale. We expect volatility to return to the markets with normal weather conditions, which will benefit our constellation in generation business.

In the meantime, we remain disciplined in our bidding strategy and remain behind our routable hedging in our generation. Last week the Illinois Power Authority shifted its schedule for finalizing the procurement of the Illinois ZEC contracts by one month from late December 2017 to late January 2018. Based on our assumptions this delay will ship $0.09 of EPS from 2017 into 2018. Even with the unanticipated EPS shift, we are narrowing our 2017 guidance to $2.55 to $2.75 per share. Keeping us on path to the midpoint of our original guidance at the utilities -- as the utilities outperform our plan.

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Moving on to slide six, I want to highlight our excellent operational performance for the quarter. The color block chart continues to show strong top quartile performance across all of the facilities in most categories. I'm particularly want to call out the tremendous improvements in PHI compared to last year with a 22% improvement in reliability with PHI on track for their best year ever in reliability and a 17% improvement in speed of restoration and outages. Performance improvements like these really highlight the benefit going to our customers with the integration of PHI into Exelon.

And finally, as in prior quarters our best-in-class nuclear power fleets performed with very high reliability in the quarter. Moving to slide seven. Now, let me turn to the proposed rule issued by Secretary Perry in September. The orders aimed at protecting our customers from outages resulting from manmade and natural interruptions on the gas system by preserving resilient generation sources, including nuclear. We commend the Secretariat for focusing attention on the need to reform the energy markets and ensure their customers continue to benefit from resilient system.

FERC is currently considering the DOE's proposal, with the first round of comments filed on October 21, reply comments due on November 7th and the final orders scheduled for December 11.

We have shared our perspective on this important policy initiative. First, we think the FERC should direct PJM to evaluate and correct any deficiencies they see in energy price formation, which have put baseload generation assets at a disadvantage. We believe timely action on price formation could be implemented by as early as mid-2018. These reforms will be valuable first step in preserving resilient baseload generation as well as delivering economic and environmental benefits, the nuclear power uniquely provide.

We expect 135 terawatt hours of our generation output in PJM to benefit from price uplift that were layer in over coming years as the existing hedges roll off. Second, we think FERC can take on -- take the time to fully evaluate market reforms that will ensure power supply resiliency. This is a multi-fast that exercises that should take into account the cost and impact to our customers and economy of the long-term interruption of a natural gas fuel supply -- interruption of the natural gas fuel supply.

We believe these are important issues that need to be addressed for our country's future, but they require more analysis to ensure the right reforms are implemented. We are encouraged by the process being made at FERC and PJM, support for price formation changes. Between these efforts and state initiatives, we're optimistic about the path to preserve nuclear power plants and their critical economic environmental and reliability roles that they have in the communities that we serve.

I'll now turn the call over to Jack to take us through the numbers.

Jonathan Thayer, Chief Financial Officer

Thank you, Chris, and good morning, everyone. Turning to slide eight. For the third quarter, our adjusted non-GAAP operating earnings were $0.85 per share, which was at the midpoint of our guidance range of $0.80 to $0.90 per share. Exelon's utilities less HoldCo expenses delivered a combined $0.49 per share versus our plan, utility results were slightly favorable due to lower O&M and reduced storm activity over the third quarter.

Generation earned $0.36 per share, which was a little behind our plan. The third quarter was hurt by mild weather that reduced Constellation load volumes and a lack of price volatility, which reduced optimization opportunities. We did offset some weakness for payable O&M timing.

Turning to slide nine. Our $0.85 per share in the third quarter of this year was $0.06 per share lower than the third quarter of 2016. Overall, utilities benefited from improved earned ROEs and higher rate base, partly offset by adverse year-over-year weather impacts. ExGen was down primarily on lower power prices, lower load volumes due to mild weather and fewer optimization opportunities, partially offset by the addition of New York ZEC revenue and higher capacity prices.

Turning to slide 10, we are updating our 2017 guidance range. We had expected the Illinois Power Authority to finalize procurement for the ZEC programs in December, which based on our assumptions, would have contributed $0.09 of

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EPS in 2017since the revenues are retroactive to the beginning of program on June 1. However, last week, the Illinois Power Authority updated their schedule pushing the final contract date to January 30, 2018.

The delayed timing has no impact on the amount we expect to receive or our free cash flow outlook. But it will change the timing of earnings recognition, shifting EPS into 2018. With that in mind, we are updating our 2017 EPS guidance range, heightening the top and bottom of the range by a nickel. So we're now at $2.55 to $2.75 per share. Strong performance of utilities is allowing us to still target the midpoint of our original guidance range of absorbing the $0.09 of ZEC timing impact.

Moving to slide 11. Our utilities continue to execute delivering strong earned returns in the quarter, in addition to the robust operational performance Chris already discussed. Looking at the trailing 12 month book ROEs, we saw improvement at PHI compared to last quarter across all jurisdictions except ACE, where they roll out favorable weather in the third quarter of 2016 for the less beneficial summer weather this year.

Our efforts to improve operations and the contributions from the rate cases resolved over the past year are driving a better earned ROEs at PHI. For the legacy Exelon utilities, our earned ROEs remained over 10%, but abated a bit from last quarter with less favorable year-over-year weather impacts at ComEd and PECO that you can see on slide nine Waterfall.

Overall Exelon utilities ROEs are still nearly 10%, including PHI. We're proud of the performance of our overall utility business and we still see opportunity to improve our returns at the PHI utilities as we bring their performance to levels more consistent with the rest of our utilities.

On slide 12, we update the status of our rate cases. At Atlantic City Electric, we reached a settlement for the second case in a row. The settlement provides a 4% rate increase, with new rates implemented earlier than what would have occurred if the case was fully litigated. The timing rate making in New Jersey is helping us make beneficial investments for our customers. While still work-in-progress, the investments are having an impact with outages down 33% and average customer outage time down 35%compared to 2011.

We also received an order for Pepco Maryland that granted an electric distribution base rate increase of $32.4 million based on an allowed ROE of 9.5%. The approved electric delivery rates became effective on October 20, 2017. We filed rate cases in the third quarter for Delmarva Delaware electric and gas and expect orders by the third quarter of 2018. We're proud of the hard work from our utilities and regulatory teams. These efforts are helping to bring PHI's earned ROEs for allowed levels while we simultaneously improve performance for our customers. More details on the rate cases and their schedules can be found on slides 34 to 42 in the Appendix.

Turning to slide 13. We regularly update you on our progress on the regulatory front, but another essential aspect of the business is a effectively deploying capital on behalf of our customers. We're currently on course to deploy our targeted $5.3 billion of capital in 2017. We've highlighted on this slide, two of the many notable projects we're developing to benefit our communities and customers.

The first is Pepco's Waterfront Substation. This substation is part of the larger capital grid project and is currently under construction with expected completion in 2017. Once complete, it will improve reliability to existing customers and support the plan growth in the Capitol Riverfront and Southwest Waterfront areas in the next 20 to 30 years. The other project I'd like to highlight is ComEd's Grand Prairie Gateway transmission line that was energized earlier this year.

It's a $200 million, 60 mile-long transmission line in Northern Illinois that provide structural benefits to the market, resulting in lower energy and congestion charges to customers and an increased import capability of approximately 1,000 megawatts. Over the next 15 years, customers collectively will save over $120 million and carbon emissions will be reduced by nearly 500,000 tons. These are just a couple of examples of how we continue to invest prudently across all our utilities and look forward to sharing more as we go forward.

Slide 14 provides our gross margin update for ExGen. Before I get into the market developments impacting gross margins, let me first discuss the impacts from a shift in revenue recognition for the Illinois ZECs from 2017 to 2018, which we also show in the Waterfalls on slide 21 in the appendix. The capacity in ZEC line declines by $150 million in

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2017 and increases by a $150 million in 2018, offset by $50 million in other capacity declines, which I'll discuss in a moment.

The rest of the bars help to then isolate movements in underline gross margin not related to ZEC timing. In 2017, gross margin is down $50 million compared to last quarter, partially reflecting the effect of the mild summer and reduced optimization opportunities. We are highly hedged for the rest of this year and are well balanced for our generation to load matching strategy.

Turning to 2018 and 2019, separate from the Illinois ZEC timing, our gross margin is down $200 million for each year and can be bucketed into two categories. The first relates business and our unhedged power position. We are lowering our assumptions from MISO and New York capacity prices based on recent spot year options and bilateral fields in the market. This lower the capacity in ZEC line by $50 million on a rounded basis from last quarter.

For 2018, the line shows up as a positive $100 million after the timing uplift from $150 million of Illinois ZECs, while the $50 million decline in 2019 just reflects the lower outlook for past two revenues. During the third quarter, we also saw declines in energy prices, including some adverse news and basis differentials in the PJM East's sum, which costs another $50 million in 2018 and 2019.

However, with the recent rally in power prices, we have already recovered about half of the $100 million of 2019 gross margin declines for Generation. We also see $100 million decline in gross margins in 2018 and 2019 from the Constellation business, reflected in the lower power new business to go live. A series of mild summers and winters have contributed to reduced power market volatility, which in turn is impacting the competitiveness of our load business.

As we've witnessed in prior periods with low price volatility, some of our competitors are mispricing risk in an effort to win business. In the wholesale load business, we're seeing other players mispricing risks as we consider the market risk from weather volatility, basis variability and the likely impact of energy market reforms that Chris talked about earlier. Against this backdrop, we are clearing at margins near the low end of historical realizations.

In the C&I business, the consolidation of the suppliers since the polar vortex has led to better margin discipline with our unit margins holding consistent with prior years. We are however, seeing lower renewal rates compared to last couple of years, moving from something closer to 80% to low 70s%. These lower renewal rates, we still expect our volumes to be flat year-over-year whereas our previous guidance assumes higher renewal rates that will drive volume growth to Constellation in 2018 and 2019. Notably, even against the challenged market backdrop, we're holding volumes and margins flat, which is a testament to the strength of our retail platform and our disciplined approach to bidding business.

The updated gross margins for 2018 and 2019 incorporates C&I renewal rates from the low 70s and the wholesale margins hovering around the bottom end of what we've realized over time. We've been through these periods of low load pricing, lower load price in the past and as previously created opportunities for us. A return to normal weather will inject some power market volatility, which will positively impact forward power prices for Generation. Retailers and wholesalers in mispriced risk have consistently been driven from the business when we go from a period of low volatility to a volatility event.

When the market corrects, we'll be there to win business at good margins and grow volumes and market share, just as we had in the past. Even against the current market backdrop, Constellation continues to generate strong earnings and free cash flow. Our gen-to-load matching strategy remains a competitive advantage relative to our peers, contributing positive margin and providing a vehicle to bring our generation output to market in a disciplined manner.

From a hedging perspective, we ended the quarter approximately 11% to 14% behind our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 when considering cross-commodity hedges. We remain comfortable being more open when we look at market fundamentals. Spot natural gas prices this year at $3 per Mcf, which is $0.50 higher than last year in spite of mild weather this past winter and summer.

final
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However, these higher prices have provided only modest uplift to spot power prices this summer, while the forward prices have decreased slightly. We think that a return to more normal weather and volatility in the market will help reverse this. And as Chris discussed, we see a path to power market reforms that represent real value uplift for us. We're maintaining additional link to be able to monetize these reforms.

Turning to slide 15. We continually challenge our organization to find operating efficiencies and focus on managing our cost. To that end, we're announcing another wave of O&M cost reductions, building on previous years' efforts. We will ramp these new initiatives over the next two years, as shown on the lower-right table, reaching a $250 million annual run rate in 2020. The savings will come primarily from ExGen and the corporate center. If you look at this initiative together with the programs we've announced since 2015, we'll strip out over $700 million of annual run rate cost providing significant earnings of free cash flow benefits.

Turning to slide 16. We appreciate that there have been many puts and takes this year at ExGen that have both benefited and weighed on our free cash flow outlook through 2020. When we take into account the movement in power price forwards through the end of October, updated gross margin outlook for Constellation, the benefit of further cost cuts, the early closure of TMI and exit of EGTP plants and changes to base CapEx in working capital associated with all these business updates, we remain confident in the free cash flow outlook and capital allocation commitments we made at the beginning of the year.

We're also committed to meeting or beating our 3 times debt-to-EBITDA target for ExGen's balance sheet, which we will meet over planning horizon. On the fourth quarter call, we will roll forward the free cash flow outlook for the next planning period. And with that, I'll turn the call back to Chris.

Christopher M. Crane, Chief Executive Officer

Thanks, Jack. Turning to slide 17, I want to take a moment to highlight the contributions made by Exelon and our employees to help the impact by Hurricanes Harvey, Irma and Maria. Exelon utilities sent more than 2,200 employees and contractors and support personnel from our six utilities to help with the recovery efforts at Hurricane, Irma. Our crews travel to Florida and Georgia where they, for more than two weeks, worked in very difficult conditions. We're very proud of our employees and the hard work that they do to help the communities come back from -- after these disasters. A very special thanks to all those who helped in the restoration and support efforts.

Exelon employees also stepped up from a volunteer perspective. Our employees have donated their time and resources to communities impacted by the storms. We also had a number of our Constellation employees in Houston directly displaced by the storms and to see coworkers come to their aid illustrates the value that we embody here at Exelon. Slide 18, we want to reinforce our value proposition, which remains the foundation of our commitment to our investors. We've continued to grow the utilities rate base at 6.5% and the regulated EPS to 6% to 8% annually through 2020, underpinning the capital investments that directly benefit the customers in each of our jurisdictions.

We continue to use free cash flow generated at the Genco to fund incremental equities at the utilities and pay down debt over the next four years at ExGen in the holding company. We're focused on optimizing the value of our ExGen business by seeking fair compensation for our carbon-free generation fleet, closing uneconomic plants, selling assets where it makes sense to accelerate our debt reduction plans, and maximizing our value through gen-to-load matching strategies.

We continue to focus on sustaining strong investment-grade credit metrics and grow our dividend in a stable consistent manner. As many of you are aware, our dividend growth program is for 2.5% annually from 2016 through 2018. We are working with our board and expect to provide an update on a multiyear outlook for the dividend growth plan as part of our planning and budgeting process that are undertaking currently.

Before I go to questions, I want to come back to where we started off in the call. We have a number of positives underlying our outlook. The utilities are growing and executing well. We are confident that the FERC actions around resiliency will facilitate needed power price reforms in PJM that will fairly compensate our generating assets. We

final
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Bloomberg
SI-SSA-0015-01564

continue to improve operations where we're finding ways to run our business more efficiently and taking out an additional $250 million in cost as discussed. And we're still on track to generate $6.8 billion of free cash flow through 2020 at the ExGen that will support our utility growth, reduce our debt and facilitate growing our dividend.

Thank you again for your interest and now we're ready for your questions.

Questions And Answers

Operator

(Operator Instructions) And your first question comes from the line of Greg Gordon from Evercore ISI.

Christopher M. Crane, Chief Executive Officer

Hey, Greg good morning.

Greg Gordon, Analyst

So just to summarize here, you gave us a negative adjustment on several -- I think ExGen that totaled $200 million, but since that mark, you've seen $50 million come back and so 2019 is negative $150 million and if you achieved your cost-cutting goals, you essentially have eliminated that. And so we're at the push in 2019 with those offset, is that correct?

Jonathan Thayer, Chief Financial Officer

Yes, Greg. And I think as you think about it and you listen to our comments on the low volatility period we're in, we believe that with the return to normal weather and even potentially future volatility events that, that's decline in Constellation business could prove temporary. Obviously, the $250 million are permanent, cost savings and capitalized all in terms of value creation.

Greg Gordon, Analyst

Okay. So as per your usual protocol, you're using the current forward curves for power -- what the current margin outlook looks like for retail, you're not assuming any changes, no volatility premium coming back in the market, no PJM price reform, et cetera?

Joseph Nigro, Executive Vice President and Chief Executive Officer of Constellation Division

Hi, Greg. Its Joe. Yes, we are using current forward curves for power. I think the big thing to note on the retail side and Jack said this in his script. When we did our planning at the first of the year, our renewal rates for C&I power were up close to 80%. As was the case back in 2012 and 2013, we have seen a downturn in most renewal rates down close to the 70%. And were marking this closer to that 70% number. I think the big thing though is back in 2012 and 2013, we saw power -- C&I power margins dipped below $2 per megawatt hour. And we've said historically our origination margins for that business are somewhere between $2 and $4. We're still within that $2 to $4 range.

So I think the big thing in the takeaway is, were going to serve about 200 million-megawatt hours of load this year across our platform between retail and wholesale and we expect to do the same thing next year. The thing is, were just

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01565

not going to achieve the growth that we expected in our C&I power business. And as Chris said and Jack said, the reason for that is, we don't think it's prudent to chase the market. And were going to remain disciplined what we think value is and that has served us well historically and quite frankly, has allowed us to acquire companies a few times as well. So we'll continue to remain disciplined.

Greg Gordon, Analyst

Great. I -- sorry, go ahead.

Christopher M. Crane, Chief Executive Officer

No, I've just said so, the beginning of the question, all the numbers that you hear are on the gross margin are marked at the end of third quarter. So it's the end of September 29th or 31st, whatever the market closed on.

Greg Gordon, Analyst

Gotcha. One -- two more questions. One, looking at slide 20, your cash flow profile looks slightly better and it looks like it's mainly coming from the utilities and specifically from ComEd. Can you comment on what the changes in the improved cash flow profile there?

Christopher M. Crane, Chief Executive Officer

So it's primarily related to the collection of the ZEC regulatory asset as well as cash taxes.

Greg Gordon, Analyst

Okay. Final question, when looking at you're -- at the value proposition you guys are delivering, if we get PJM price formation improvements and you hit on your other financial goals, you'll start to have an earnings growth profile that looks more comparable to the regulated peer group. They trade at 18 times earnings you're trading at 14 times current expectations. But your dividend growth -- their dividend growth rates average around 5% and yours is 2.5%. I know you said you're reviewing this, but what do you need to see in terms of your financial outlook to be able to close or eliminate that dividend growth half gap, because I think it's one amongst several things that keeps your stock from trading at a higher valuation.

Christopher M. Crane, Chief Executive Officer

Yes, Greg. We do believe were undervalued and everything that were doing is to drive that improvement in valuation. As you can see from the free cash flow, the debt reduction plan, the recovery and rate case, were positioning ourselves much better for a potential to have the board conversation in the upcoming LRP planning process to evaluate the dividend and our expectation is -- and has been since we had to cut the dividend four years ago is to get it back to build the business on a strong balance sheet to get the dividend to be in line with our peers. And that is our pursuit and as you can see from these numbers, things are improving that have us -- able to have a much more positive conversation with the board. Ultimately, it's the board's discretion, but that's where we want to be.

Greg Gordon, Analyst

Thank you very much. Have a great morning.

final
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Christopher M. Crane, Chief Executive Officer

Thanks, Greg.

Operator

Your next question comes from the line of Jonathan Arnold from Deutsche Bank.

Jonathan Arnold, Analyst

Good morning, guys.

Christopher M. Crane, Chief Executive Officer

Good morning.

Jonathan Arnold, Analyst

I wanted to just make sure, at the beginning Chris, I believe you just gave a $1 of market price improvement sensitivity based of your volumes to PJM price reform was $135 million. Did I hear that correctly?

Christopher M. Crane, Chief Executive Officer

Yeah, for a $1 of fully opened position in PJM, a 135 terawatt hours, $135 million. So you can -- that was just the dollar reference.

Jonathan Arnold, Analyst

Okay. So my question is, I mean, as you look at the kinds of reforms that PJM is considering in flexible unit and the like, what's your view of the range of potential uplift when you translated into the ATC basis that we would rather view?

Joseph Nigro, Executive Vice President and Chief Executive Officer of Constellation Division

Hey Jonathan, this is Joe. We're still waiting to see some additional details from PJM. But -- and so were not going to put out a number until we get all of those details. But I have seen the reports that a number of you have compiled on this subject with the range that is somewhere between $2 and $5 ATC movement as a result of the elimination and discrimination. And I think that's the right range to be thinking about and probably with the middle part of that range makes a lot of sense to us.

Jonathan Arnold, Analyst

final
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Okay, that's helpful. Thank you for that. And then Chris, you've said, I think earlier in the year, this dividend revisit in the longer-range growth outlook would be a Q1 and I believe what you've just said is pretty consistent with that -- if you do at is part of the LRP. Is that correct?

Christopher M. Crane, Chief Executive Officer

Yeah. I think we've said back in 2016 when we have our dividend strategy, we want to give you a multi-year plan. We gave you '16 through '18, that will be the time in the first quarter to be updating, in my belief and set the boards discussion on where we go with that, but that will be our timing in my mind in our current plans and communicating with all of you.

Jonathan Arnold, Analyst

What should we be expecting you to give us next week the EEI. No, no not the EEI, what items?

Christopher M. Crane, Chief Executive Officer

Yeah. EEI, I think we'll be able to have more of the one-on-one details, get into more of the details on the capital investments and the growth and the rate case strategies as we improve the customer experience at the utilities. Well also have more time to go into the detail on the numbers on the free cash flow, debt reduction plans, and the optimization of gentle load growth. I'm sure more people are going to want to talk in detail about the basis for our 250, and we can do the deep dive on that, but it will be detailed on what you're seeing today and an opportunity to have some one-on-one dialogue about it.

Jonathan Arnold, Analyst

Great, thank you. And then I guess, just one other -- did you have any thoughts? I know it's all a bit moving target you've been talking, but what's your level of confidence that you're going to get to things that you want to see out of the tax reform?

Christopher M. Crane, Chief Executive Officer

Well, its 11:15, I think or 11:30 Eastern when we see the draft, and we'll have to rally together with EEI and take a look at how we as a sector have been positioned, kind of early to say now if you've gone over the last 24 hours, things have been all over the board. So I think to speculate, but we work together in a sector at EEI, and I'm sure Tom Kuhn will be getting us all together and figure out our next steps as the rewrites as they discuss our finalized and getting our input as a sector in there.

We're totally unified at EEI on what we're looking for and what we think will benefit our customers the most in tax reform. So more to come on that, and maybe well have a little bit of insight of that in EEI as we work through the weekend and see the effect on the proposed and still we got to go back to this is proposed. You don't know what's going to happen in D.C., but we'll be ready to talk about it more, as not only a company but as a sector.

Jonathan Arnold, Analyst

Sure and sorry to put you on spot on that on a real-time issue.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01568

Christopher M. Crane, Chief Executive Officer

No, that's okay.

Jonathan Arnold, Analyst

Thank you, guys.

Christopher M. Crane, Chief Executive Officer

Sure.

Operator

Your next question comes from the line of Steve Fleishman from Wolfe Research.

Steve Fleishman, Analyst

Yeah. Hey, good morning, Chris.

Christopher M. Crane, Chief Executive Officer

Hey, Steve.

Steve Fleishman, Analyst

So just curios how are you strategizing on your retail business with respect to these potential DOE, PJM changes? And are you doing things to make sure that you don't have like a big delay in capturing the uptick because of retail hedges, like are you making sure your back to backing your retail and the like, I mean just curious how you're thinking about that?

Joseph Nigro, Executive Vice President and Chief Executive Officer of Constellation Division

Hey Steve, good morning. It's Joe. We are thinking about that and I think the first thing is, when as Jack said in his script and we said for a while, were carrying the longer position relative to our ratable sales plan. So we have the opportunity to capture any upside associated with price increases related to the reforms you're talking about. I think specifically though the retail, there's a couple elements to that. The first one is, we've done some preliminary remodeling and we take into account kind of the seasonality as well as the differences between on and off peak.

So we try to be more surgical and just saying, were going to buyback this. We have a view of the things we need to do. I think as it specifically relates to our retail contracts there is two elements. One is obviously, we have contracts from the books already and we have some hedges on the books already, so there will be a feathering in effect to the value proposition of this. But most importantly, from our perspective, I think one of the things we offer our customers, and it's really important, is transparency. And what I mean by that is, when they are signing a contract with us, they completely understand what they're doing and what the components of that are fixed-price and the components that are going to be passed through in time.

final

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And I'm not sure that's always the case across the industry. So from our perspective, there's lot of elements, and we are thinking about it and we are really managing our portfolio from a natural long position as well as the seasonality and the products and were keeping the customer in mind.

Steve Fleishman, Analyst

Okay. And just in terms of just the -- that's helpful. In terms of just the power new business change that you made, what -- your sense in terms of making that change is your -- do you feel like you've encompassed kind of a pretty conservative case here at this point, so that this doesn't become like a series of changes?

Christopher M. Crane, Chief Executive Officer

Yes. I think yes. The answer to your question is, yes. We think we've covered it and I'll tell you why. When you look at it, it's really all driven by our loan business. About 60% of it's on our retail C&I business and at about 40% is associated with our wholesale polar business and there's really two elements that is different one on each side. On the retail side, as we said, our renewal rates are lower than we expected them to be, but our margins are well within the range that we expect it. And that's very different when we have these challenges five years ago, where our margins and our renewal rates both dropped pretty appreciably.

On the wholesale side, it's much more of a margin story, where the volumes are there, but the margins are lower than they've been historically. I mean, it's a very competitive environment. Quite frankly, it's being driven by a lot of smaller players on the retail side and not the bigger players. On the wholesale side, we've seen kind of competition across the spectrum. But were confident that we've captured the changes we need to make.

Steve Fleishman, Analyst

Great. And I just finally, I guess in the hindsight, congratulations on adding your Texas gas plants months before all the coal plants shut. But I'm sure you planned that out, but, I'm just curious given that fact just have your thoughts on the Texas kind of market and potential there changed for you? How you're thinking about that?

Joseph Nigro, Executive Vice President and Chief Executive Officer of Constellation Division

It's Joe again. I should go in. And we've talked about this for a while. When you look at ERCOT reports on what they thought reserve margins were going to be. We never really thought they were going to get the generation growth that they expected and in our own modeling, we have sensitivities, we ran some sensitivities looking at the possibility for retirements and if you look at our positioning in ERCOT, we are carrying a long position there relative to our ratable plan as well.

And we see the opportunity for volatility. I think this summer, we've skewed some, obviously with the problems with the Hurricane in August and, quite frankly, the biggest thing down there is we continue to see load growth, which is really important. And we don't see a lot of kind of newbuild of gas generation. You have continued growth on the renewable side, but it's more concentrated in South Texas than it is West Texas and when you put all that together, we see the opportunity for increased volatility, and we think we have a fleet that will benefit that.

Steve Fleishman, Analyst

Thank you.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01570

Operator

Your next question comes from the line of Julien Dumoulin-Smith from Bank of America.

Julien Dumoulin-Smith, Analyst

Hey, good morning.

Christopher M. Crane, Chief Executive Officer

Good morning, Julien.

Julien Dumoulin-Smith, Analyst

Hey, so couple of quick questions, may be going back a little bit on some of the previous discussion here. But with respect to the dividend, how do you think about the stability of cash in the various businesses. Obviously, there's a certain legacy here, but how do you think about the stability from ZECs and the retail business and how do you think about that, at least into the conversation around dividend policy i.e., can you bank on cash flows out of businesses that are not utilities and/or think about of a higher payout on the core utilities?

Christopher M. Crane, Chief Executive Officer

Sure. So as we've talked about four years ago, 4.5 years ago now, as we restructure the dividend and put our strategy and our focus on really growing the utility business through the acquisition of BGE and then the acquisition of PHI and it was to theoretically watch the growth in those businesses and have a 70%, 65% to 70% dividend policy, theoretically at the utilities. Now, you know that's going to cycle during different growth periods. But that was the way we had the dividend set to grow. In the first couple of years, we were starting to get closer to that, giving that accomplished in the early 20s and so that's when we came up with the growth policy at 2.5%.

As you can see, the utilities are continuing to grow, although right now, it's taking cash infusion, equity infusion from the Holdco through the Genco. But they're continuing to grow. So our stability of the dividend is very well anchored. Our growth -- potential growth for the dividend is well anchored. As we come through the last couple of years and started to see more reliable or consistent cash flows from the Genco on programs that compensate for the other benefits besides just the energy, you're seeing a potential that can be a dependable cash flow, that can be used for potential return of value to the shareholders.

So that's the way were looking at it and were presenting it to the board, that the cyclical nature of the commodity market will not leave us, but the certainty of certain elements on those revenue streams give us the opportunity to look at the world a little bit differently. So that's how we'll continue to model it, and we've gained greater flexibility with programs like the ZEC.

Julien Dumoulin-Smith, Analyst

Excellent. And then, let me ask you this. With respect to the utilities, right. I know we've had a lot of conversation on the other side of the business. But obviously, you've had some reasonable success of late in ComEd around -- how do you say, scaling some of the smart grid efforts. How do you see the ability to scale that further and obviously, this might be getting ahead of the annual process and the CapEx budget, et cetera. But maybe this is more to Anne and

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01571

thinking about the ComEd prospects beyond 2020 here.

Christopher M. Crane, Chief Executive Officer

So let me start off and I'll let Denis jump in here or Anne on the call. The advent of digitalization of the distribution system and the transmission system is offered us an opportunity for capital investments that directly benefit the customers and drive reliability. We have now put in communications backbones to reach smart meters to help us with fault isolators, fast reclosers, that's the kind of spend, along with replacing antiquated cable and updating the system with new components.

Now, as we go into the 2020 and beyond, there is a significant amount of work being done on what else can be done to develop into the smart city that we can better serve the communities while investing and driving efficiency into the systems. And the work that's being done on microgrids, the experimental work there, to see what the societal benefit in certain microgrids in certain locations.

What we can do to integrate with more of the community is there an assistance within the street light programs or assistance that we can provide with our infrastructure on the meter reading of water or gas or other types of systems is where we'll be going. And I think, this technology is morphing faster than it ever has in our sector and with our design teams, data scientists, the work that were doing on big data, digitization is going to provide us many opportunities for continuing to optimize the system for the customers benefit. Denis, I don't know if I covered it or --

Denis O'Brien, Senior Executive Vice President, Chief Executive Officer - Exelon Utilities

I think -- this is Denis. Chris, I think you covered it pretty well. We're spending about $5 billion year-end capital. We still see opportunities to continue to invest in convergence relative to our systems to build the systems of the future, whether that's billing systems, transmissions data systems or others. We see opportunities to continue invest in resiliency and security. We're seeing opportunities relative to the transmission system as we look at resiliency and security and to build the transmission system of the future. Chris hit on smart cities and other things like that.

And the last thing as you look at the grid of the future and we think about distributed generation, in order to get our system ready for that, that really means, that converting some of our lower-voltage circuits into higher-voltage circuits. And so that's an opportunity for further capital deployment. So we are deploying about $5 billion of capital a year. We see that continuing and see lots of opportunities to continue to invest in utilities as usual.

Julien Dumoulin-Smith, Analyst

But does that enable kind of accelerating CapEx spend overall? And perhaps, that the core of the question?

Christopher M. Crane, Chief Executive Officer

I don't see as its accelerating the plan. I think we're at a point that were managing efficiently the spent that we have. And we also have to balance the impact to the consumer. Spending capital for the sake as spending capital without finding the efficiencies in the delivery into the benefit of the customer, it wouldn't be prudent. Right now, the projects that we have on schedule, the cash flow that support that, are managed well and they do support what our bottom line. It needs to be as the benefit of the customer.

And one thing I'd add to that. Our focus on -- were 18 months into PHI acquisition. Our focus now is to get the performance to the right level. We had our best year ever in reliability at PHI last year, which we only had the company since March. We are going to blow it through that level of reliability this year in a good way. So the first couple of

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01572

years, how do we get the performance to a good place. How do we write the image and reputation, and improve our regulatory outcomes at PHI.

Julien Dumoulin-Smith, Analyst

Excellent. Thank you all.

Christopher M. Crane, Chief Executive Officer

Thanks.

Operator

Your next question comes from the line of Stephen Byrd from Morgan Stanley.

Stephen Byrd, Analyst

Hey, good morning and congratulations on the (inaudible) announcements and the utility performance.

Christopher M. Crane, Chief Executive Officer

Thank, Steve.

Stephen Byrd, Analyst

I wanted to drill into the idea of resiliency laid out by as part of energy. Is there a way for us to conceptually think about the valued resiliency or a framework for assessing how to appropriately value resiliency? It's been a tricky thing, I think, for all of us to really think through the high-level idea to make sense just sort of how to go about trying to value that. Is that any suggestions you have in thinking about that?

Joe Dominguez, Executive Vice President, Government and Regulatory Affairs and Public Policy

Stephen, this is Joe Dominguez. If you've seen our fleeting, you know that we have a multi-phase process where, in the first instance, we need to get analytics from new RTOs. Can they run without pipelines? What's the impact for the consumers? We can move from there to design basis for the system that we think is going to iterate between NERC, FERC and the Department of Energy sometime after we get the data.

In terms of how we ultimately implement that into the system, I think once we've the design basis, is what we are trying to avoid, we will start looking at mitigation solutions, maybe the retention of additional fuel secure resources to avoid this outage risk. But I think it's premature to get there. One way you can think about is, though, you can take a look at the capacity performance program.

We were able to value the cost of incremental reliability associated with dual fuel. So if the design basis ultimately ends up being we need 90 days of fuel, we have a mathematical way of calculating what's the market solution to get dual fuel resources to 90 days of fuel with it. That would probably be the $8 or $10 a megawatt hour in terms of doing that based on the cost we saw in CPAY.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01573

So that's one approach. But from our perspective, we need to drop back here, take a look at the data, make sure we have the right definition of resiliency, the right design basis and then we come back with market solutions or other solutions that we will ensure we have the resources to mitigate that risk and provide the security we need that we provide to our end customers in the nation.

Christopher M. Crane, Chief Executive Officer

And I think the key to that, what Joe said, is a market solution.

Stephen Byrd, Analyst

Understood. Within that market construct that we have that makes sense. So I want to just shift over to the retail business. There is been a lot of discussion on this call around. Just the competitive playing field, if we do see FERC performs on power price formation and if power prices do rise, would you expect to see a bit of a shakeout amongst smaller retail players? You are not backed up by physical generation. You may misprice the upside risk to power prices. How would you assuming again that we do see kind of formation changes we expect? Would you say a shakeout there?

Christopher M. Crane, Chief Executive Officer

Yes. I think history tell us we would ends up in a volatility event and then go back for a number of years. We've seen players whether the big or small, whether they are on the C&I side, the residential side or quite frankly, the power loads on the wholesale side. We've seen folks who aggressively price the risk or the ultimate price to the customer have been hurt. And as I said, earlier, we had opportunities to acquire companies in that type of environment. We've the opportunities to grow our business organically. And we think remaining disciplined to what we're doing is the right thing to do.

We still have almost 25% of the C&I market. We are the number one C&I marketer by a huge amounts, were the third largest residential marketer in the United States and we compete in all the wholesale power options. So the underlying business is strong. The growth we expect were not achieving and I think the discipline will serve us well and we going to have opportunity to capture some of that back when we see the volatility of event.

Stephen Byrd, Analyst

That's great, that's all I had. Thank you.

Operator

And your final question comes from the line of Praful Mehta from Citigroup.

Praful Mehta, Analyst

Thanks.

Christopher M. Crane, Chief Executive Officer

Good morning.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01574

Praful Mehta, Analyst

Good morning. So my question goes back a little bit to the dividend discussion. And what I was trying to connect the dots on was, you're already kind hitting your leverage targets, your free cash flow targets, right now, with the current plan. If you do have price reform and if you do have further ZECs coming from other states, then you have that incremental free cash flow. How should we think about that capital allocation? Is that more to both to the dividend or where do you think that capital allocation goes?

Jonathan Thayer, Chief Financial Officer

First of all, we will look at it in a disciplined way on what is the best way to return value to the shareholders, while maintaining our commitment to the customers. So the plan, as I said, earlier that we started out on over 4.5 years ago is working. We're reducing our debt, we are strengthening our balance sheet, we are reducing our cost, we are able to make solid investments in our utilities, and we've been able to do a part of a dividend increase program as we were doing that.

As you can see, as we get stronger and stronger, opportunities for us to deploy the capital are coming our way, and we'll make sure that we will look at it in a disciplined fashion. If there are more accretive ways to spend the capital in the utilities, and in a low risk area, that will be something we look at. But as we've committed previously, and as we've signaled, it's a conversation that's ongoing right now. There is opportunities to revise the dividend policy and give you another multi-year plan as we work through the LRP planning process and we work with our Board heading into 2018.

Praful Mehta, Analyst

Gotcha. That's very helpful. And secondly, in terms of the ZECs, if you could just touch on how you think ZECs plays out in different states in other states obviously, very high in there. And secondly, how does that fit in with the price formation and the DOE reform. Do you see them interacting? Or do you see them as completely independent?

Joe Dominguez, Executive Vice President, Government and Regulatory Affairs and Public Policy

This is Joe, again. We were pleased to see the upcoming in the Connecticut the other day, where all the different structure, the type of premises the same nuclear units are critical for our customers and we need to preserve them. So that means set forth on policy front there. We're having very productive discussions both in Pennsylvania and New Jersey, we will continue to do that.

In terms of the interaction, I see between programs, if we get an upside in price formation, I think that will ultimately be taken into account in the process. So there will not be a double dip here. If prices increase as result on price formation, the cost of the ZECs or the cost of the support payments will go down. That's anticipated.

Praful Mehta, Analyst

Got it. And do you think that's a dollar-per-dollar adjustment? Or do you think there is some benefit that you do keep?

Christopher M. Crane, Chief Executive Officer

No. I think it's a dollar-per-dollar adjustment.

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Praful Mehta, Analyst

Got it. That's super helpful guys. Thanks so much.

Operator

And for closing remarks, I will now turn the call over to Chris Crane.

Christopher M. Crane, Chief Executive Officer

Thank you operator and thank you all for joining us. We are excited about the opportunities ahead of us and our success in delivering on our commitments. We look forward to see many of you next week and provide our updates and then our year-end updates in February. So thanks again for joining and I appreciate your time.

Operator

This does conclude today's conference call. You may now disconnect your lines.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-11-02
Event Description: Q3 2017 Earnings Call

Market Cap: 39,306.00
Current PX: 40.94
YTD Change($): +5.45
YTD Change(%): +15.356

Bloomberg Estimates - EPS
Current Quarter: 0.626
Current Year: 2.678
Bloomberg Estimates - Sales
Current Quarter: 8581.250
Current Year: 32427.778

Q3 2017 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- Joseph Dominguez
- Denis P. O'Brien

Other Participants

- Greg Gordon
- Jonathan Philip Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Daniel L. Eggers

Financial Measures

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures

Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures

Christopher M. Crane

Q3 2017 Results

Earnings and Regulatory Utilities

- We had a solid Q3 2017 with GAAP earnings of $0.85 per share, up vs. the prior year
- Our adjusted EPS was $0.85 as well, reaching the mid-point of our guidance
- Strong utility and GenCo performance more than offset headwinds from a mild summer weather that impacted our PECO ACE utilities as well as volumes at Constellation
  - As we head into year end, we have a lot to be encouraged about
- Our regulatory utilities are continuing to execute very well, running ahead of plan for the year

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Improvements at PHI

- Operationally, we're performing in top quartile across most performance measures
- We are registering significant improvements at PHI even relative to last year
- We are doing exactly what we said we would do as part of our merger commitments, improving performance and reliability for our customers

CapEx Program

- We're executing on our CapEx program for 2017
- We're excited about the value – valuable technologies investments we're deploying to our customers' benefit
- The FERC is making strides to address pressing resiliency needs for the power system
- We see that in a two-step process, starting with empowering PJM to fix deficiencies in the power price formation by the summer of 2018 and then a longer-term work process to address resiliency
  - The Department of Energy's Section 403 filing noted the flaws in the current price formation are part of the reason that nuclear units, the most resilient and cost-effective zero-emission resources in PJM, are being lost to premature retirements
- Given our size of our PJM fleet, each dollar of megawatt hour of distortion caused by a flawed market design undermines the GenCo's economics by approximately $135mm per year on a hedge basis
- We believe that DOE's focus on price formation will lead to a successful process at FERC that will eliminate these distortions by the summer of 2018
- We have not reflected the value of these reforms in our forecast that we'll be showing you today but we do believe they could be a significant positive for us starting in 2018

Cost Management

- Finally, we are executing on our management plan focused on strengthening our operation and continuing to find efficiencies
- To that end, we lowered our costs by $250mm on a run rate basis in 2020 primarily at the GenCo
- Including today's announcement, we are lowering our costs – our O&M cost vs. planned by over $700mm annually from initiatives identified since 2015
- We continue to challenge our businesses to evaluate cost and today's announcement savings are part of that ongoing effort

FCF Generation

- We're confident in our previous announced plan to generate $6.8B of FCF at the GenCo through 2020
  - That will fund our utility growth, grow the dividend, and meet our debt reduction commitments

Constellation and Generation Business Challenges

- It is this deliberate work that positions us well to face some headwinds

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- After a series of mild summers and winters, we have seen decline in power market volatility, which is weighing on the forward price of power prices impacting the Constellation business
- Just as we experienced during periods of low volatility, we're again seeing less discipline by some of the wholesale and retail competitors in the market as they become more aggressive with their pricing
- We have been through low discipline, low volatility periods before and they end up in the same way
- Those without discipline fail
  - That is when we can grow our market share by winning business at good margins or acquiring low businesses offered for sale
- We expect volatility to return to the markets with normal weather conditions, which will benefit our Constellation and Generation business

Bidding Strategy

- In the meantime, we'll remain disciplined in our bidding strategy and remain behind our ratable hedging in our Generation
- Last week, the Illinois Power Authority (sic) [Agency] shifted its schedule for finalizing the procurement of the Illinois ZEC contracts by one month from late December 2017 to late January of 2018
  - Based on our assumptions, this delay will shift $0.09 of EPS from 2017 to 2018

2017 EPS Guidance

- Even with the unanticipated EPS shift, we're narrowing our 2017 guidance to $2.55 to $2.75 per share, keeping us on path towards the midpoint of our original guidance as the utilities outperform our plan

Operational Performance

Moving on to slide 6, I want to highlight our excellent operational performance for the quarter

The color block chart continues to show strong top quartile performance across all of the utilities in most categories

Integration of PHI

- I particularly want to call out the tremendous improvements at PHI compared to last year with the 22% improvement in reliability with PHI on track for their best year ever in reliability and a 17% improvement in speed of restoration of outages
  - Performance improvements like these really highlight the benefit going to our customers with the integration of PHI into Exelon

Nuclear Power Fleets

- And, finally, as in prior quarters, our best-in-class nuclear power fleets performed with very high reliability in the quarter

Proposed Rule Issued by Secretary

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- Moving to slide 7, now, let me turn to the proposed rule issued by Secretary Perry in September
- The order is aimed at protecting our customers from outages resulting from manmade and natural interruptions on the gas system by preserving resilient generation sources, including nuclear
- We commend the Secretary for focusing attention on the need to reform the energy markets and ensure that our customers continue to benefit from a resilient system
- FERC is currently considering the DOE's proposal, with the first round of comments filed on October 21, reply comments due on November 7, and a final order scheduled for December 11
- We have shared our perspective on this important policy initiative

FERC Should Direct PJM to Evaluate and Correct Deficiencies

- First, we think that FERC should direct PJM to evaluate and correct any deficiencies they see in energy price formation which have put baseload generation assets at a disadvantage
- We believe timely action on price formation can be implemented as early as mid-2018
  - These reforms will be valuable first step in preserving resilient baseload generation as well as delivering economic and environmental benefits that nuclear power uniquely provides
- We expect 135 terawatt hours of our generation output in PJM to benefit from price uplift that will layer in over coming years as the existing hedges roll off

FERC Can Take Time to Evaluate Market Reforms

- Second, we've think FERC can take the time to fully evaluate market reforms that will ensure power supply resiliency
- This is a multifaceted exercise that should take into account the cost and impact to our customers and economy of the long-term interruption of the natural gas fuel supply
- We believe these are important issues that need to be addressed for our country's future, but they require more analysis to ensure the right reforms are implemented
- We are encouraged by the process being made at FERC and PJM support for price formation changes
- Between these efforts and state initiatives, we are optimistic about the path to preserve nuclear power plants and their critical economic, environmental and reliability roles that they have in the communities that we serve

Jonathan W. Thayer

Income Statement

Operating Earnings

- For Q3, our adjusted non-GAAP operating earnings were $0.85 per share, which was at the midpoint of our guidance range of $0.80 to $0.90 per share
- Exelon's utilities less HoldCo expenses delivered a combined $0.49 per share. vs. our plan, utility results were slightly favorable due to lower O&M and reduced storm activity over Q3
- Generation earned $0.36 per share, which was a little behind our plan

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- Q3 was hurt by mild weather that reduced Constellation load volumes and a lack of price volatility which reduced the optimization opportunities
- We did offset some weakness with favorable O&M timing
- Our $0.85 per share in Q3 this year was $0.06 per share lower than Q3 2016
- Overall, utilities benefited from improved earned ROEs and higher rate base, partly offset by adverse y-over-y weather impacts
- ExGen was down primarily on lower power prices, lower load volumes due to mild weather, and fewer optimization opportunities, partially offset by the addition of New York ZEC revenues and higher capacity prices

2017 EPS Guidance

- We are updating our 2017 guidance range
- We had expected the Illinois Power Authority (sic) [Agency] to finalize procurement for the ZEC programs in December which, based on our assumptions, would have contributed $0.09 of EPS in 2017 since the revenues are retroactive in the beginning of the program on June 1
- However, last week, the Illinois Power Authority (sic) [Agency] updated their schedule pushing the final contract date to January 30, 2018
- The delayed timing has no impact on the amount we expect to receive for our FCF outlook
  - But it will change the timing of earnings recognition shifting EPS into 2018
- With that in mind, we are updating our 2017 EPS guidance range, tightening the top and bottom of range by $0.05
- So, we're not at $2.55 to $2.75 per share
- Strong performance of the utilities is allowing us to still target the mid-point of our original guidance range of absorbing the $0.09 of ZEC timing impact

ROE

- Our utilities continue to execute, delivering strong earned returns in the quarter in addition to the robust operational performance Chris already discussed
- Looking at the trailing 12-month book ROEs, we saw improvement at PHI compared to last quarter across all jurisdictions except ACE, where they rolled off favorable weather in Q3 2016 for the less beneficial summer weather this year
  - Our efforts to improve operations and the contributions from rate cases resolved over the past year are driving the better earned ROEs at PHI
- For the legacy Exelon utilities, our earned ROEs remained over 10% but faded a bit from last quarter with the less favorable y-over-y weather impacts at ComEd and PECO that you can see on slide 9's waterfall
- Overall, Exelon utilities ROEs are still nearly 10%, including PHI
- We're proud of the performance of our overall utility business and we still see opportunity to improve our returns at the PHI utilities as we bring their performance to levels more consistent with the rest of our utilities

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Status of Rate Cases

- We update the status of our rate cases
- At Atlantic City Electric, we reached a settlement for the second case in a row
- The settlement provides a 4% rate increase with new rates implemented earlier than what would have occurred if the case was fully litigated
- The timely ratemaking in New Jersey is helping us make beneficial investments for our customers
- While still a work in progress, the investments are having an impact, with outages down 33% and average customer outage time down 35% compared to 2011
- We also received an order for Pepco Maryland that granted an electric distribution base rate increase of $32.4mm based on an allowed ROE of 9.5%
  - The approved electric delivery rates became effective on October 20, 2017
- We filed rate cases in Q3 for Delmarva Delaware Electric and Gas and expect orders by Q3 2018
- We're proud of the hard work from our utilities and regulatory teams
- These efforts are helping to bring PHI's earned ROEs toward allowed levels while we simultaneously improve performance for our customers
- More details on the rate cases and their schedules can be found on slides 34 through 42 (sic) [35 through 43] in the appendix

Regulatory Progress Update

- We regularly update you on our progress on the regulatory front, but another essential aspect of the business is effectively deploying capital on behalf of our customers
- We're currently on course to deploy our targeted $5.3B of capital in 2017
- We've highlighted on this slide two of the many notable projects we're developing to benefit our communities and customers
- The first is Pepco's Waterfront Substation
- This substation is part of the larger Capital Grid Project that is currently under construction with expected completion in 2017
  - Once complete, it will improve reliability to existing customers and support the plant growth in the Capitol Riverfront and Southwest Waterfront areas for the next 20 to 30 years
- The other project I'd like to highlight is ComEd's Grand Prairie Gateway transmission line that was energized earlier this year
  - It's $200-million, 60-mile long transmission line in Northern Illinois that provides structural benefits to the market, resulting in lower energy and congestion charges to customers, and an increased import capability of approximately 1,000 megawatts
- Over the next 15 years, customers collectively will save over $120mm and carbon emissions will be reduced by nearly 500,000 tons
- These are just a couple examples of how we continue to invest prudently across all our utilities, and look forward to sharing more as we go forward

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Impacts From The Shifts in Revenue Recognition

Slide 14 provides our gross margin update for ExGen

Before I get into the market developments impacting gross margins, let me first discuss the impacts from the shifts in revenue recognition for the Illinois ZECS from 2017 to 2018, which we also show in the waterfalls on slide 21 in the Appendix

The capacity in ZEC line declines by $150mm in 2017 and increases by $150mm in 2018, offset by $50mm in other capacity declines, which I'll discuss in a moment

- The rest of the bars help to then isolate movements in underlying gross margin not related to ZEC timing

In 2017, gross margin is down $50mm compared to last quarter, partially reflecting the effect of the mild summer and reduced optimization opportunities

We are highly hedged for the rest of this year and are well-balanced on our generation to load matching strategy

Generation Business

- Turning to 2018 and 2019, separate from the Illinois ZEC timing, our gross margin is down $200mm for each year and can be bucketed into two categories
- The first relates to our Generation business and our unhedged power position
- We're lowering our assumptions for MISO and New York capacity prices based on recent spot year options and bilateral deals in the market
  - These lower the capacity in ZEC line by $50mm on a rounded basis from last quarter
- For 2018, the line shows up as a positive $100mm after the timing uplift from $150mm of Illinois ZECs, while the $50mm decline in 2019 just reflects the lower outlook for past revenues
- During Q3, we also saw declines in energy prices, including some adverse news in basis differentials in the PJM East zone which cost another $50mm in 2018 and 2019
  - However, with the recent rally in power prices, we have already recovered about half of the $100mm of 2019 gross margin declines for Generation
- We also see $100mm decline in gross margins in 2018 and 2019 from the Constellation business, reflected in the Lower Power New Business / To Go line
- A series of mild summers and winters have contributed to reduced power market volatility which, in turn, is impacting the competitiveness of our load business
- As we've witnessed in prior periods of low price volatility, some of our competitors are mispricing risk in an effort to win business

Wholesale Load Business

- In the wholesale load business, we're seeing other players mispricing risk as we consider the market risk from weather volatility, basis variability, and the likely impact of energy market reforms that Chris talked about earlier
- Against this backdrop, we are clearing at margins near the low end of historical realizations

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C&I Business

- In the C&I business, the consolidation of suppliers of the polar vortex has led to better margin discipline, with our unit margins holding consistent with prior years
  - We are, however, seeing lower renewal rates compared to last couple of years, moving from something closer to 80% to the low 70s
- At these lower renewal rates, we still expect our volumes to be flat y-over-y whereas our previous guidance assumed higher renewal rates that would drive volume growth at Constellation between 2018 and 2019
- Notably, even against the challenged market backdrop, we're holding volumes and margins flat which is a testament to the strength of our retail platform and our disciplined approach to bidding business
- The updated gross margins for 2018 and 2019 incorporates C&I renewal rates in the low 70s and wholesale margins hovering around the bottom end of what we've realized over time
  - We've been through these periods of low load pricing – lower load pricing in the past and it's previously created opportunities for us
- A return to normal weather will inject some power market volatility which will possibly impact forward power prices for Generation
- Retailers and wholesalers who missed price risk have consistently been driven from the business when we go from a period of low volatility to a volatility event
- When the market corrects, we'll be there to win business at good margins and grow volumes and market share just as we have in the past
  - Even against the current market backdrop, Constellation continues to generate strong earnings and FCF

Gen to Load Matching Strategy

- Our gen to load matching strategy remain a competitive advantage relative to our peers, contributing positive margin and providing a vehicle to bring our Generation output to market in a disciplined manner

Hedging Perspective

- From a hedging perspective, we ended the quarter approximately 11% to 14% behind our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 when considering cross-commodity hedges
- We remain comfortable being more open when we look at market fundamentals
- Spot natural gas prices this year are $3 per mcf which is $0.50 higher than last year in spite of mild weather this past winter and summer
  - However, these higher prices have provided only modest uplift to spot power prices this summer, while the forward prices have decreased slightly
- We think that a return to more normal weather and volatility of the market will help reverse this
  - And as Chris discussed, we see a path to power market reforms that represent real value uplift for us
- We are maintaining additional link to be able to monetize these reforms

Other Highlights

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Focus on Managing Costs

- We continually challenge our organization to find operating efficiencies and focus on managing our costs
- To that end, we're announcing another wave of O&M cost reductions building on previous years' efforts
  - We will ramp these new initiatives over the next two years, as shown on the lower right table, reaching $250mm annual run rate in 2020
- The savings will come primarily from ExGen and the corporate center
- If you look at this mix shift together with the programs we have announced since 2015, we'll strip out over $700mm of annual run rate costs, providing significant earnings and FCF benefits

FCF Outlook

- Turning to slide 16, we appreciate that there have been many puts and takes this year at ExGen that have both benefited and weighed on our FCF outlook through 2020
- When we take into account the movement in power price forwards through the end of October, updated gross margin outlook for Constellation, the benefit of further cost cuts, the early closure of TMI and exit of the EGTP plants, and changes to base CapEx and working capital associated with all these business updates
  - We remain confident in the FCF outlook and capital allocation commitments we made at the beginning of the year
- We're also committed to meeting or beating our 3 times debt-to-EBITDA target for ExGen's balance sheet which we will meet over our planning horizon
- On Q4 call, we will roll forward the FCF outlook for the next planning period

Christopher M. Crane

Strategic Business Review

Employee Efforts

- Turning to slide 17, I want to take a moment to highlight the contributions made by Exelon and our employees to help the impacted by hurricanes Harvey, Irma and Maria
- Exelon utilities sent more than 2,200 employees and contractors and support personnel from our six utilities to help with the recovery efforts after Hurricane Irma
- Our crews travelled to Florida and Georgia where they, for more than two weeks, worked in very difficult conditions
- We're very proud of our employees and the hard work that they do to help the communities come back from after these disasters
  - A very special thanks to all those who've helped in the restoration and support efforts
- Exelon employees also stepped up from a volunteer perspective
- Our employees have donated their time and resources to communities impacted by the storms

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- We also had a number of our Constellation employees in Houston directly displaced by the storms and to see coworkers come to their aid illustrates the value we embody here at Exelon

Future Business Drivers

- Slide 18, we want to reinforce our value proposition which remains the foundation of our commitment to our investors
- We've continued to grow the utilities rate base at 6.5% and the regulated EPS to 6% to 8% annually through 2020, underpinning the capital investments that directly benefit the customers in each of our jurisdictions
- We continue to use FCF generated at the GenCo to fund incremental equity needs at the utilities and pay down debt over the next four years at ExGen in the holding company
- We are focused on optimizing the value of our ExGen business by seeking fair compensation for our carbon-free Generation fleet, closing uneconomic plant, selling assets where it makes sense to accelerate our debt reduction plans, and maximizing our value through gen to load matching strategies
- We continue to focus on sustaining strong investment-grade credit metrics and grow our dividend in a stable, consistent manner
- As many of you are aware, our dividend growth as a program is for 2.5% annually from 2016 through 2018
- We are working with our board and expect to provide an update on a multi-year outlook for the dividend growth plan as part of our planning and budgeting process that are undertaken currently

Business Outlook

Before I go to questions, I want to come back to where we started off in the call

We have a number of positives underlying our outlook

The utilities are growing and executing well

We are confident that the FERC actions around resiliency will facilitate needed power price reforms in PJM that will fairly compensate our generating assets

We continue to improve operations where we're finding ways to run our business more efficiently and taking out an additional $250mm in cost as discussed

- And we are still on track to generate $6.8B of FCF through 2020 at the ExGen that will support our utility growth, reduce our debt, and facilitate growing our dividend

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: So, just to summarize here. You gave us a negative adjustment on several things at ExGen that totaled $200mm. But since that mark, you've seen $50mm come back and so 2019 is negative $150mm. And if you achieve your cost-cutting goals, you'll essentially have eliminated that. And so, we're at a push in 2019 with those offsets. Is that correct?

<A - Jonathan W. Thayer>: Yes, Greg. And I think as you think about it and you listen to our comments on the low volatility period we're in, we believe that with the return to normal weather and even potentially future volatility events, that that decline in Constellation business could prove temporary. Obviously, the $250mm are permanent cost savings and capitalizable in terms of value creation.

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<Q - Greg Gordon>: Okay. So, as per your usual protocol, you're using the current forward curves for power. But the current margin outlook looks like, for retail, you're not assuming any changes – no volatility premium coming back in the market, no PJM price performance, et cetera.

<A - Joseph Nigro>: Hi, Greg. It's Joe. Yes, we are using the current forward curve for power. I think the big thing to note on the retail side, and Jack said this in his script, when we did our planning at the first of the year, our renewal rates for C&I power were up close to 80%. As was the case back in 2012 and 2013, we've seen a downturn in those renewal rates down closer to 70%, and we're marking this closer to that 70% number. I think the big thing, though, is back in 2012 and 2013, we saw C&I power margins dip below $2 a megawatt hour. And we've said, historically, our origination margins for that business are somewhere between $2 and $4. We're still within that $2 to $4 range.

So, I think the big thing to take away is we're going to serve about 200mm MWh of load this year across our platform between retail and wholesale, and we expect to do the same thing next year. The thing is, we're just not going to achieve the growth that we expected in our C&I power business. And as Chris said and Jack said, the reason for that is we don't think it's prudent to chase the market. And we're going to remain disciplined to what we think value is and that has served us well historically. And, quite frankly, it's allowed us to acquire companies few times as well. So, we'll continue to remain disciplined.

<Q - Greg Gordon>: Great. Sorry. Go ahead.

<A - Christopher M. Crane>: No. I'm just going to say – so, the beginning of the question, all the numbers in here are – on the gross margin, are marked at the end of third quarter. So it's the end of September 29 or 31, whatever the market closed on.

<Q - Greg Gordon>: Got you. One or two more questions. One, looking at slide 20, your cash flow profile looks slightly better, and it looks like it's mainly coming from the utilities and specifically from ComEd. Can you comment on what the changes in the improved cash flow profile there?

<A - Christopher M. Crane>: So, it's primarily related to the collection of the ZEC regulatory asset as well as cash taxes.

<Q - Greg Gordon>: Okay. Final question. When looking at the value proposition you guys are delivering, if we get PJM price formation improvements and you hit on your other financial goals, you'll start to have a earnings growth profile that looks more comparable to the regulated peer group. They trade at 18 times earnings. You're trading at 14 times, current expectations. But your dividend growth – their dividend growth rates average around 5% and yours is 2.5%. I know you said you're reviewing this, but what do you need to see in terms of your financial outlook to be able to close or eliminate that dividend growth past GAAP because I think it's one amongst several things that keeps your stock from trading at a higher valuation?

<A - Christopher M. Crane>: Yes. Greg, we do believe we're undervalued. And everything that we're doing is to drive that improvement in valuation. As you can see from the FCF, the debt reduction plan, the recovery in rate case, we're positioning ourselves much better for a potential to have the board conversation in the upcoming LRP planning process to evaluate the dividend. And our expectation is – and has been since we had to cut the dividend four years ago, is to get it back to build the business on a strong balance sheet to get the dividend to be in line with our peers. And that is our pursuit. And as you can see from these numbers, things are improving that have us able to have a much more positive conversation with the board. Ultimately, it's the board's discretion, but that's where we want to be.

<Q - Jonathan Philip Arnold>: I want to just make sure – at the beginning, Chris, I believe you just gave $1 of market price improvement sensitivity based off your volumes to PJM price reform was – of $135mm, did I hear that correctly?

<A - Christopher M. Crane>: Yeah. Per $1 of fully open position in PJM, 135 terawatt hours, $135mm. So, you can – that was just a dollar reference.

<Q - Jonathan Philip Arnold>: Okay. So, my question is, I mean, what – as you look at the kinds of reforms that PJM is considering in flexible unit and the like, what's your view of the range of potential uplift when you translate it into the ATC basis that would be relevant for you?

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<A - Joseph Dominguez>: Hey, Jonathan. This is Joe. We're still waiting to see some additional details from PJM but – and so we're not going to put out a number until we get all of those details. But I have seen the reports that a number of you have compiled on this subject with the range that is somewhere between $2 and $5 of ATC movement as a result of the elimination of discrimination. And I think that's the right range to be thinking about and probably with the middle part of that range makes a lot of sense to us.

<Q - Jonathan Philip Arnold>: Okay. That was – that's helpful. Thank you for that. And then, Chris, you've said that, I think, earlier in the year that this dividend revisit and the longer range growth outlook would be Q1. And I believe what you've just said is pretty consistent with that. If you do it as part of the LRP. Is that correct?

<A - Christopher M. Crane>: Yeah. I think we've said back in 2016, when we have our dividend strategy, we want to give you a multiyear plan. We gave you 2016 through 2018 and that that will be the time in Q1 to be updating, in my belief, set the board's discussion on where we go with that. But that would be our timing in my mind and in our current plans and communicated with all of you.

<Q - Jonathan Philip Arnold>: What should we be expecting you to give us next week at EEI?

[indiscernible] (35:28)

<Q - Jonathan Philip Arnold>: What items?

<A - Christopher M. Crane>: Yeah. EEI, I think we'll be able to have more of the one-on-one details, get into more of the details on the capital investments, in the growth and the rate case strategies as we improve the customer experience at the utilities. We'll also have more time to go into the detail on the numbers on the FCF, debt reduction plans, and the optimization of gen to load growth. I'm sure, more people are going to want to talk in detail about the basis for our $250mm, and we can do the deep dive on that. But it will be detailed on what you're seeing today and an opportunity to have some one-on-one dialogue about it.

<Q - Jonathan Philip Arnold>: Right. Thank you. And then I guess just one other, did you have any thoughts – I know it's all a bit of a moving target and you've been talking, but what's your level of confidence that you're going to get to things that you want to see out of a tax reform?

<A - Christopher M. Crane>: Well, it's eleven-fifteen, I think, or eleven-thirty Eastern when we see the draft, and we'll have to rally together with EEI and take a look at how we, as a sector, have been positioned. Kind of early to say now. If you've gone over the last 24 hours, things have been all over the board.

So, I'd hate to speculate but we work together in the sector at EEI, and I'm sure Tom Kuhn will be getting us all together, and we'll figure out our next steps as the re-rights, as they've discussed, are finalized and getting our input as a sector in there. We're totally unified at EEI on what we're looking for and what we think will benefit our customers the most in tax reform. So, more to come on that, and maybe we'll have a little bit of insight of that at EEI as we work through the weekend and see the effect on the proposed – and still, we got to go back to this as proposed. You don't know what's going to happen in D.C. But we'll be ready to talk about it more as not only a company, but as a sector.

<Q - Jonathan Philip Arnold>: Sure. Sorry to put you on the spot on that – on a real-time issue.

<A - Christopher M. Crane>: No, that's okay.

<Q - Steve Fleishman>: So, just how are you strategizing on your retail business with respect to these potential DOE-PJM changes and are you doing things to make sure that you don't have like a big delay in capturing the uptick because of retail hedges? Like, are you making sure you're back to backing your retail and the like? I mean, just curious how you're thinking about that.

<A - Joseph Nigro>: Hey, Steve. Good morning. It's Joe. We are thinking about that. And I think the first thing is, as Jack said in his script and we've said for a while, we're carrying the longer position relative to our ratable sales plan. So, we have the opportunity to capture any upside associated with price increases related to the reforms you're talking about. I think, specifically though to retail, there's a couple of elements to that. The first one is we've done some

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preliminary modeling and we've taken to account kind of the seasonality as well as the differences between on- and off-peak. So, we tried to be more surgical in just saying we're going to buyback this. We have a view of the things we need to do.

I think as it specifically relates to our retail contracts, there's two elements. One is, obviously, we have contracts on the books already and we have some hedges on the books already. So, there will be a tethering in effect to the value proposition of this. But most importantly, from our perspective, I think one of the things we offer our customers and it's really important is transparency. And what I mean by that is when they're signing a contract with us, they completely understand what they're getting and what the components of that are that are in fixed price and the components that are going to be passed through time. And I'm not sure that's always the case across the industry.

So, from our perspective, there's a lot of elements and we are thinking about it, and we are really managing our portfolio from a natural long position as well as the seasonality in the products. And we're keeping the customer in mind.

<Q - Steve Fleishman>: Okay. And just in terms of just the – that's helpful. In terms of just the tower new business change that you made, what – your cents in terms of making that change, is your – do you feel like you've encompassed kind of a pretty conservative case here at this point so that this doesn't become like a series of changes?

<A - Joseph Nigro>: Yeah. I think – yes. The answer to your question is yes. We think we've covered it and I'll tell you why. When you look at it, it's really all driven by our load business. About 60% of it's on our retail C&I business and about 40% is associated with our wholesale polar business. And there's really two elements that are different, one on each side. On the retail side, as we said, our renewal rates are lower than we expected them to be, but our margins are well within the range that we expected. And that's very different when we had these challenges five years ago where our margins and our renewal rates both dropped pretty appreciably. On the wholesale side, it's much more of a margin story where the volumes are there, but the margins are lower than they've been historically. I mean, it's a very competitive environment. Quite frankly, it's being driven by a lot of smaller players on the retail side and not the bigger players. On the wholesale side, we've seen kind of competition across the spectrum, but we're confident that we've captured the changes we need to make.

<Q - Steve Fleishman>: Great. And I just – finally, I guess, in hindsight, congratulations on adding your Texas gas plants months before all the coal plants shut. I'm sure you planned that out. But I'm just curious given that fact just – have your thoughts on the Texas kind of market and potential there changed for you, how you're thinking about that?

<A - Joseph Dominguez>: It's Joe again. I'll keep going. And we've talked about this for a while. When you looked at the ERCOT reports on what they thought their reserve margins were going to be, we never really thought they were going to get the Generation growth that they expected. And in our own modeling, we have sensitivities. We ran some sensitivities looking at the possibility of retirement. And if you look at our positioning in ERCOT, we're carrying a long position there relative to our ratable plan as well. And we see the opportunity for volatility. I think this summer, we skewed some, obviously, with the problems with the hurricane in August and quite frankly, the biggest thing down there is we continue to see low growth which is really important and we don't see a lot of kind of the new build of gas generation. You have continued growth on the renewables side, but it's more concentrated in South Texas than it is West Texas. And when you put all that together, we see the opportunity for increased volatility, and we think we have fleet that will benefit that.

<Q - Julien Dumoulin-Smith>: Hey. So a couple of quick questions, maybe going back a little bit on some of the previous discussion here. But with respect to the dividend, how do you think about the stability of cash from the various businesses? Obviously, there's a certain legacy here. But how do you think about the stability from ZEC's and the retail business, and how do you think about that at least in – into the conversation around a dividend policy, i.e. can you bank on cash flows out of businesses that are not the utilities and/or think about a higher payout on the core utilities?

<A - Christopher M. Crane>: Sure. So as we've talked about four years ago – four and a half years ago now, as we restructure the dividend and put our strategy and our focus on really growing the utility business through the acquisition

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of BGE and then the acquisition of PHI, and it was to theoretically watch the growth in those businesses and have a 65% to 70% dividend policy, theoretically, at the utilities.

Now you know that's going to cycle during different growth periods, but that was the way we had the dividend set to grow. In the first couple of years, we were starting to get closer to that, getting that accomplished in the early 20s. And so, that's when we came up with the growth policy at 2.5%. As you can see, the utilities are continuing to grow, although, right now, it's taking cash infusion – equity infusion from the HoldCo through the GenCo, but they're continuing to grow. So, our stability of the dividend is very well anchored. Our potential growth for the dividend is well-anchored.

As we come through the last couple of years and started to see more reliable or consistent cash flows from the GenCo on programs that compensate for the other benefits besides just the energy, you're seeing a potential that that can be a dependable cash flow that can be used for potential return of value to the shareholders. So, that's the way we're looking at it and we're presenting it to the board that the cyclical nature of the commodity market will not leave us, but the certainty of certain elements on those revenue streams give us the opportunity to look at the world a little bit differently. So, but that's how we'll continue to model it and we've gained greater flexibility with programs like the ZEC.

<Q - Julien Dumoulin-Smith>: Excellent. And then, let me ask you this, with respect to the utilities, right? I know we've had a lot of conversation on the other side of the business, but obviously you've had some reasonable success of late in ComEd around – how do you say – scaling some of these smart grid efforts. How do you see an ability to scale that further? And obviously, this might be getting ahead of the annual process in the CapEx budget, et cetera. But maybe this is more to Anne and thinking about the ComEd prospects beyond 2020 here.

<A - Christopher M. Crane>: So, well, let me start off and then I can let Denis jump in here or Anne on the call. The advent of the digitalization of the distribution system and the transmission system has offered us an opportunity for capital investments that directly benefit the customers and drive reliability. We have now put in communications backbones to read smart meters to help us with fault isolators, fast reclosers. That's the kind of spend along with replacing antiquated cable and updating the system with new components.

Now, as we go into the 2020 and beyond, there is a significant amount of work being done on what else can be done to develop into the smart city that we can better serve the communities while investing in driving efficiency into the systems. The work that's being done on microgrids, the experimental work there to see what the societal benefit on certain microgrids in certain locations. What we can do to integrate with more of the community, is there an assistance within the streetlight programs or assistance that we can provide with our infrastructure on the meter reading of water, gas, other type of systems is where we'll be going.

And I think this technology is morphing faster than it ever has in our sector. And with our design teams, data scientists, the work that we're doing on big data, digitization is going to provide us many opportunities for continuing to optimize the system for the customer's benefit. Denis, I don't know if I covered it or...

<A - Denis P. O'Brien>: I think – this is Denis. Chris, I think you covered it pretty well. We're spending about $5B a year in capital. We still see opportunities to continue to invest in convergence relative to our systems to build the systems of the future, whether that's billing systems, transmissions data systems or others. We see opportunities to continue to invest in resiliency and security. We're seeing opportunities relative to the transmission system as we look at resiliency and security and to build the transmission system of the future. Chris hit on smart cities and other things like that.

And the last thing is you look at the grid of the future and we think about distributed generation in order to get our system ready for that that really means about converting some of our lower-voltage circuits into higher-voltage circuits. And so that's an opportunity for further capital deployment. So we're deploying about $5B of capital a year. We see that continuing and see lots of opportunities to continue to invest in utility of the future.

<Q - Julien Dumoulin-Smith>: And – but does that enable kind of an accelerating CapEx spend overall, maybe perhaps that's the core of the question?

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<A - Christopher M. Crane>: I don't see us accelerating the plan. I think we're at a point that we're managing efficiently the spend that we have. We also have to balance the impact to the consumer. Spending capital for the sake of spending capital without finding the efficiencies in the delivery and to the benefit of the customer, it wouldn't be prudent. Right now, the projects that we have on schedule, the cash flows that support that are managed well, and they do support what our bottom line it needs to be as the benefit of the customer.

<A - Denis P. O'Brien>: And the only thing I'd add to that, our focus on – we're 18 months into the PHI acquisition. Our focus now is to get the performance to the right level. We had our best year ever in reliability at PHI last year, which we only had the company since March. We're going to blow through that level of reliability this year in a good way. So, the first couple of years, you're – how do we get the performance to a good place? How do we right the image and reputation and improve our regulatory outcomes at PHI?

<Q - Stephen Calder Byrd>: Wanted to drill into the idea of resiliency laid out by the Department of Energy. Is there a way for us to conceptually think about the value of resiliency or a framework for assessing how to appropriately value resiliency? It's been a tricky thing I think for all of us to really think through that the high level idea makes sense. Just sort of how to go about trying to value that. Is there any suggestions you have on thinking about that?

<A - Joseph Dominguez>: Sure. Stephen, this is Joe Dominguez. If you see our pleading, you know that we have a multi-phase process where in the first instance we need to get analytics from new RTOs – can they run without pipelines, what's the impact to the consumers. We can move from there to a design basis for the system that we think is going to iterate between NERC, FERC and the Department of Energy for some time after we get the data.

In terms of how we ultimately implement that into the system, I think once we have a design basis on what we're trying to avoid, we will start looking at mitigation solutions, maybe the retention of additional fuel-secured resources to avoid this outage risk. But I think it's premature to get there. One way you can think about it though, if you take a look at the capacity performance program, we were able to value the cost of incremental reliability associated with dual fuel. So, if the design basis ultimately ends up being we need 90 days of fuel, we have a mathematical way of calculating what a market solution to get dual fuel resources to 90 days of fuel would be. That would probably be $8 or $10 a megawatt hour in terms of doing that based on the cost we saw in CPAY. So, that's one approach.

But from our perspective, we need to drop back here, take a look at the data and make sure we have the right definition of resiliency, the right design basis, and then we could come back to market solutions or other solutions that'll ensure we have the resources to mitigate that risk and provide the security we need to provide to our customers in the nation.

<A - Christopher M. Crane>: And I think the key to that, what Joe said, is a market solution.

<Q - Stephen Calder Byrd>: Understood. Within the market construct that we have, that makes sense. I want to just shift over to the retail business. There's been a lot of discussion on this call around a competitive playing field. If we do see FERC performs on power price formation and if power price do rise, would you expect to see a bit of a shakeout amongst smaller retail players who don't – who are not backed up by physical generation who may have mispriced the upside risk to power prices? How would you – assuming, again, that we do see the kind of formation changes we expect? Would you see a shake out there?

<A - Joseph Nigro>: Yeah. I think history tells us we would anytime we've seen a volatility event and I can go back for a number of years. We've seen players, whether they're big or small, whether they were on a C&I side and the residential side, and quite frankly, the polar loads on the wholesale side. We've seen folks who've aggressively priced the risks or the ultimate price to the customer have been hurt. And as I said earlier, we've had opportunities to acquire companies in that type of environment. We've had opportunities to grow our business organically, and we think remaining disciplined to what we're doing is the right thing to do.

We still have almost 25% of the C&I market. We're the number one C&I marketer by a huge amount. We're the third largest residential marketer in the United States and we compete in all the wholesale polar auctions. So, the underlying business is strong. The growth we expected, we're not achieving, and I think the discipline will serve us well. And we're going to have an opportunity to capture some of that back when we see a volatility event.

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<Q - Praful Mehta>: So, my question goes back a little bit to the dividend discussion. And what I was trying to connect the dots on was, you're already kind of hitting your leverage targets, your FCF targets right now with the current plan. If you do have price reform and if you do have further ZECs coming in from other states, then you have that incremental FCF, how should we think about that capital allocation? Is that more to bolster the dividend or where do you think that capital allocation goes?

<A - Christopher M. Crane>: First of all, we will look at it in a disciplined way on what is the best way to return value to the shareholders while maintaining our commitment to the customers. So, the plan, as I said earlier, that we've started out on over four and an half years ago is working. We're reducing our debt, we're strengthening our balance sheet, we're reducing our costs, we're able to make solid investments in our utilities, and we've been able to do a part of a dividend increase program as we were doing that. As you can see, as we get stronger and stronger, the opportunities for us to deploy the capital are coming up our way, and we'll make sure that we'll look at it in a disciplined fashion. If there are more accretive ways to spend the capital in the utilities and in a low-risk area, that would be something we'd look at. But as we've committed previously and as we've signaled, it's a conversation that's ongoing right now with various opportunities to revise the dividend policy and give you another multi-year plan and as we work through the LRP planning process, and we work with our board heading in to 2018.

<Q - Praful Mehta>: Got you. That's very helpful. And secondly, in terms of the ZECs, if you could just touch on how you think ZECs play out in different states. In other states, obviously, very happy there. And secondly, how does that fit in with the price formation and the DOE reform? Do you see them interacting or do you see them as completely independent?

<A - Joseph Dominguez>: Hi, this is Joe again. We were pleased to see the outcome in Connecticut the other day where although, a different structure, the central premise is the same. Nuclear units are critical for our customers, and we need to preserve them. So, definitely a step forward on the policy front there. We're having very productive discussions. Both in Pennsylvania and New Jersey, we'll continue to do that. In terms of the interaction I see between the programs, if we get an upside in price formation, I think that will ultimately be taken into account in the process. So, there will not be a double-dip here. If prices increase as a result of price formation, the cost of the ZECs or the cost of the support payments will go down. That's the anticipated.

<Q - Praful Mehta>: Got you. And you think that's a dollar-for-dollar adjustment or do you think there's some benefit that you do keep?

<A - Joseph Dominguez>: No. I think it's a dollar-for-dollar adjustment.

Christopher M. Crane

Closing Remarks

We're excited about the opportunities ahead of us and our success in delivering on our commitments

We look forward to seeing many of you next week and provide our updates and then our year-end updates in February

- So, thanks again for joining and appreciate your time

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-11-02
Event Description: Q3 2017 Earnings Call

Market Cap: 39,306.00
Current PX: 40.94
YTD Change($): +5.45
YTD Change(%): +15.356

Bloomberg Estimates - EPS
Current Quarter: 0.626
Current Year: 2.678
Bloomberg Estimates - Sales
Current Quarter: 8581.250
Current Year: 32427.778

Q3 2017 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- Joseph Dominguez
- Denis P. O'Brien

Other Participants

- Greg Gordon
- Jonathan Philip Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. Thank you for standing by and welcome to the Exelon Corporation 2017 Q3 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Dan Eggers, Senior Vice President of Investor Relations for Exelon, you may begin your conference.

Daniel L. Eggers

Thank you, Toni. Good morning, everyone, and thank you for joining our third quarter 2017 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's Senior Management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call.

Please refer to today's 8-K and Exelon's other SEC doc – filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecast, and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

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I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan. And good morning and thank you all for joining us. We had a solid third quarter of 2017 with GAAP earnings of $0.85 per share, up versus the prior year. Our adjusted EPS was $0.85 as well, reaching the mid-point of our guidance. Strong utility and GenCo performance more than offset headwinds from a mild summer weather that impacted our PECO ACE utilities as well as volumes at Constellation.

As we head into year end, we have a lot to be encouraged about. Our regulatory utilities are continuing to execute very well, running ahead of plan for the year. Operationally, we're performing in top quartile across most performance measures. We are registering significant improvements at PHI even relative to last year. We are doing exactly what we said we would do as part of our merger commitments, improving performance and reliability for our customers. We're executing on our CapEx program for 2017. We're excited about the value – valuable technologies investments we're deploying to our customers' benefit.

The FERC is making strides to address pressing resiliency needs for the power system. We see that in a two-step process, starting with empowering PJM to fix deficiencies in the power price formation by the summer of 2018 and then a longer-term work process to address resiliency. The Department of Energy's Section 403 filing noted the flaws in the current price formation are part of the reason that nuclear units, the most resilient and cost-effective zero-emission resources in PJM, are being lost to premature retirements.

Given our size of our PJM fleet, each dollar of megawatt hour of distortion caused by a flawed market design undermines the GenCo's economics by approximately $135 million per year on a hedge basis. We believe that DOE's focus on price formation will lead to a successful process at FERC that will eliminate these distortions by the summer of 2018. We have not reflected the value of these reforms in our forecast that we'll be showing you today but we do believe they could be a significant positive for us starting in 2018.

Finally, we are executing on our management plan focused on strengthening our operation and continuing to find efficiencies. To that end, we lowered our costs by $250 million on a run rate basis in 2020 primarily at the GenCo. Including today's announcement, we are lowering our costs – our O&M cost versus planned by over $700 million annually from initiatives identified since 2015. We continue to challenge our businesses to evaluate cost and today's announcement savings are part of that ongoing effort.

We're confident in our previous announced plan to generate $6.8 billion of free cash flow at the GenCo through 2020. That will fund our utility growth, grow the dividend, and meet our debt reduction commitments. It is this deliberate work that positions us well to face some headwinds. After a series of mild summers and winters, we have seen decline in power market volatility, which is weighing on the forward price of power prices impacting the Constellation business.

Just as we experienced during periods of low volatility, we're again seeing less discipline by some of the wholesale and retail competitors in the market as they become more aggressive with their pricing. We have been through low discipline, low volatility periods before and they end up in the same way. Those without discipline fail. That is when we can grow our market share by winning business at good margins or acquiring low businesses offered for sale.

We expect volatility to return to the markets with normal weather conditions, which will benefit our Constellation and Generation business. In the meantime, we'll remain disciplined in our bidding strategy and remain behind our ratable hedging in our Generation.

Last week, the Illinois Power Authority (sic) [Agency] shifted its schedule for finalizing the procurement of the Illinois ZEC contracts by one month from late December 2017 to late January of 2018. Based on our assumptions, this delay will shift $0.09 of EPS from 2017 to 2018. Even with the unanticipated EPS shift, we're narrowing our 2017 guidance to $2.55 to $2.75 per share, keeping us on path towards the midpoint of our original guidance as the utilities outperform

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our plan.

Moving on to slide 6, I want to highlight our excellent operational performance for the quarter. The color block chart continues to show strong top quartile performance across all of the utilities in most categories. I particularly want to call out the tremendous improvements at PHI compared to last year with the 22% improvement in reliability with PHI on track for their best year ever in reliability and a 17% improvement in speed of restoration of outages. Performance improvements like these really highlight the benefit going to our customers with the integration of PHI into Exelon. And, finally, as in prior quarters, our best-in-class nuclear power fleets performed with very high reliability in the quarter.

Moving to slide 7, now, let me turn to the proposed rule issued by Secretary Perry in September. The order is aimed at protecting our customers from outages resulting from manmade and natural interruptions on the gas system by preserving resilient generation sources, including nuclear. We commend the Secretary for focusing attention on the need to reform the energy markets and ensure that our customers continue to benefit from a resilient system. FERC is currently considering the DOE's proposal, with the first round of comments filed on October 21, reply comments due on November 7, and a final order scheduled for December 11.

We have shared our perspective on this important policy initiative. First, we think that FERC should direct PJM to evaluate and correct any deficiencies they see in energy price formation which have put baseload generation assets at a disadvantage. We believe timely action on price formation can be implemented as early as mid-2018. These reforms will be valuable first step in preserving resilient baseload generation as well as delivering economic and environmental benefits that nuclear power uniquely provides.

We expect 135 terawatt hours of our generation output in PJM to benefit from price uplift that will layer in over coming years as the existing hedges roll off. Second, we've think FERC can take the time to fully evaluate market reforms that will ensure power supply resiliency. This is a multifaceted exercise that should take into account the cost and impact to our customers and economy of the long-term interruption of the natural gas fuel supply.

We believe these are important issues that need to be addressed for our country's future, but they require more analysis to ensure the right reforms are implemented. We are encouraged by the process being made at FERC and PJM support for price formation changes. Between these efforts and state initiatives, we are optimistic about the path to preserve nuclear power plants and their critical economic, environmental and reliability roles that they have in the communities that we serve.

I'll now turn the call over to Jack to take us through the numbers.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. Turning to slide 8. For the third quarter, our adjusted non-GAAP operating earnings were $0.85 per share, which was at the midpoint of our guidance range of $0.80 to $0.90 per share. Exelon's utilities less HoldCo expenses delivered a combined $0.49 per share. Versus our plan, utility results were slightly favorable due to lower O&M and reduced storm activity over the third quarter.

Generation earned $0.36 per share, which was a little behind our plan. The third quarter was hurt by mild weather that reduced Constellation load volumes and a lack of price volatility which reduced the optimization opportunities. We did offset some weakness with favorable O&M timing.

Turning to slide 9. Our $0.85 per share in the third quarter of this year was $0.06 per share lower than the third quarter of 2016. Overall, utilities benefited from improved earned ROEs and higher rate base, partly offset by adverse year-over-year weather impacts. ExGen was down primarily on lower power prices, lower load volumes due to mild weather, and fewer optimization opportunities, partially offset by the addition of New York ZEC revenues and higher capacity prices.

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Turning to slide 10. We are updating our 2017 guidance range. We had expected the Illinois Power Authority (sic) [Agency] to finalize procurement for the ZEC programs in December which, based on our assumptions, would have contributed $0.09 of EPS in 2017 since the revenues are retroactive in the beginning of the program on June 1. However, last week, the Illinois Power Authority (sic) [Agency] updated their schedule pushing the final contract date to January 30, 2018. The delayed timing has no impact on the amount we expect to receive for our free cash flow outlook. But it will change the timing of earnings recognition shifting EPS into 2018.

With that in mind, we are updating our 2017 EPS guidance range, tightening the top and bottom of range by $0.05. So, we're not at $2.55 to $2.75 per share. Strong performance of the utilities is allowing us to still target the mid-point of our original guidance range of absorbing the $0.09 of ZEC timing impact.

Moving to slide 11. Our utilities continue to execute, delivering strong earned returns in the quarter in addition to the robust operational performance Chris already discussed. Looking at the trailing 12-month book ROEs, we saw improvement at PHI compared to last quarter across all jurisdictions except ACE, where they rolled off favorable weather in the third quarter of 2016 for the less beneficial summer weather this year. Our efforts to improve operations and the contributions from rate cases resolved over the past year are driving the better earned ROEs at PHI.

For the legacy Exelon utilities, our earned ROEs remained over 10% but faded a bit from last quarter with the less favorable year-over-year weather impacts at ComEd and PECO that you can see on slide 9's waterfall. Overall, Exelon utilities ROEs are still nearly 10%, including PHI. We're proud of the performance of our overall utility business and we still see opportunity to improve our returns at the PHI utilities as we bring their performance to levels more consistent with the rest of our utilities.

On slide 12, we update the status of our rate cases. At Atlantic City Electric, we reached a settlement for the second case in a row. The settlement provides a 4% rate increase with new rates implemented earlier than what would have occurred if the case was fully litigated. The timely ratemaking in New Jersey is helping us make beneficial investments for our customers. While still a work in progress, the investments are having an impact, with outages down 33% and average customer outage time down 35% compared to 2011. We also received an order for Pepco Maryland that granted an electric distribution base rate increase of $32.4 million based on an allowed ROE of 9.5%. The approved electric delivery rates became effective on October 20, 2017. We filed rate cases in the third quarter for Delmarva Delaware Electric and Gas and expect orders by the third quarter of 2018.

We're proud of the hard work from our utilities and regulatory teams. These efforts are helping to bring PHI's earned ROEs toward allowed levels while we simultaneously improve performance for our customers. More details on the rate cases and their schedules can be found on slides 34 through 42 (sic) [35 through 43] in the appendix.

Turning to slide 13. We regularly update you on our progress on the regulatory front, but another essential aspect of the business is effectively deploying capital on behalf of our customers. We're currently on course to deploy our targeted $5.3 billion of capital in 2017. We've highlighted on this slide two of the many notable projects we're developing to benefit our communities and customers.

The first is Pepco's Waterfront Substation. This substation is part of the larger Capital Grid Project that is currently under construction with expected completion in 2017. Once complete, it will improve reliability to existing customers and support the plant growth in the Capitol Riverfront and Southwest Waterfront areas for the next 20 to 30 years.

The other project I'd like to highlight is ComEd's Grand Prairie Gateway transmission line that was energized earlier this year. It's a $200-million, 60-mile long transmission line in Northern Illinois that provides structural benefits to the market, resulting in lower energy and congestion charges to customers, and an increased import capability of approximately 1,000 megawatts. Over the next 15 years, customers collectively will save over $120 million and carbon emissions will be reduced by nearly 500,000 tons.

These are just a couple examples of how we continue to invest prudently across all our utilities, and look forward to sharing more as we go forward.

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Slide 14 provides our gross margin update for ExGen. Before I get into the market developments impacting gross margins, let me first discuss the impacts from the shifts in revenue recognition for the Illinois ZECS from 2017 to 2018, which we also show in the waterfalls on slide 21 in the Appendix. The capacity in ZEC line declines by $150 million in 2017 and increases by $150 million in 2018, offset by $50 million in other capacity declines, which I'll discuss in a moment. The rest of the bars help to then isolate movements in underlying gross margin not related to ZEC timing. In 2017, gross margin is down $50 million compared to last quarter, partially reflecting the effect of the mild summer and reduced optimization opportunities. We are highly hedged for the rest of this year and are well-balanced on our generation to load matching strategy.

Turning to 2018 and 2019, separate from the Illinois ZEC timing, our gross margin is down $200 million for each year and can be bucketed into two categories. The first relates to our Generation business and our unhedged power position. We're lowering our assumptions for MISO and New York capacity prices based on recent spot year options and bilateral deals in the market. These lower the capacity in ZEC line by $50 million on a rounded basis from last quarter. For 2018, the line shows up as a positive $100 million after the timing uplift from $150 million of Illinois ZECs, while the $50 million decline in 2019 just reflects the lower outlook for past revenues.

During the third quarter, we also saw declines in energy prices, including some adverse news in basis differentials in the PJM East zone which cost another $50 million in 2018 and 2019. However, with the recent rally in power prices, we have already recovered about half of the $100 million of 2019 gross margin declines for Generation.

We also see $100 million decline in gross margins in 2018 and 2019 from the Constellation business, reflected in the Lower Power New Business / To Go line. A series of mild summers and winters have contributed to reduced power market volatility which, in turn, is impacting the competitiveness of our load business. As we've witnessed in prior periods of low price volatility, some of our competitors are mispricing risk in an effort to win business.

In the wholesale load business, we're seeing other players mispricing risk as we consider the market risk from weather volatility, basis variability, and the likely impact of energy market reforms that Chris talked about earlier. Against this backdrop, we are clearing at margins near the low end of historical realizations.

In the C&I business, the consolidation of suppliers of the polar vortex has led to better margin discipline, with our unit margins holding consistent with prior years. We are, however, seeing lower renewal rates compared to last couple of years, moving from something closer to 80% to the low 70s. At these lower renewal rates, we still expect our volumes to be flat year-over-year whereas our previous guidance assumed higher renewal rates that would drive volume growth at Constellation between 2018 and 2019.

Notably, even against the challenged market backdrop, we're holding volumes and margins flat which is a testament to the strength of our retail platform and our disciplined approach to bidding business. The updated gross margins for 2018 and 2019 incorporates C&I renewal rates in the low 70s and wholesale margins hovering around the bottom end of what we've realized over time.

We've been through these periods of low load pricing – lower load pricing in the past and it's previously created opportunities for us. A return to normal weather will inject some power market volatility which will possibly impact forward power prices for Generation. Retailers and wholesalers who missed price risk have consistently been driven from the business when we go from a period of low volatility to a volatility event. When the market corrects, we'll be there to win business at good margins and grow volumes and market share just as we have in the past.

Even against the current market backdrop, Constellation continues to generate strong earnings and free cash flow. Our gen to load matching strategy remain a competitive advantage relative to our peers, contributing positive margin and providing a vehicle to bring our Generation output to market in a disciplined manner.

From a hedging perspective, we ended the quarter approximately 11% to 14% behind our ratable hedging program in 2018 and 10% to 13% behind ratable in 2019 when considering cross-commodity hedges. We remain comfortable being more open when we look at market fundamentals. Spot natural gas prices this year are $3 per mcf which is $0.50 higher than last year in spite of mild weather this past winter and summer. However, these higher prices have provided only modest uplift to spot power prices this summer, while the forward prices have decreased slightly. We think that a

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return to more normal weather and volatility of the market will help reverse this. And as Chris discussed, we see a path to power market reforms that represent real value uplift for us. We are maintaining additional link to be able to monetize these reforms.

Turning to slide 15. We continually challenge our organization to find operating efficiencies and focus on managing our costs. To that end, we're announcing another wave of O&M cost reductions building on previous years' efforts. We will ramp these new initiatives over the next two years, as shown on the lower right table, reaching a $250 million annual run rate in 2020.

The savings will come primarily from ExGen and the corporate center. If you look at this mix shift together with the programs we have announced since 2015, we'll strip out over $700 million of annual run rate costs, providing significant earnings and free cash flow benefits.

Turning to slide 16, we appreciate that there have been many puts and takes this year at ExGen that have both benefited and weighed on our free cash flow outlook through 2020. When we take into account the movement in power price forwards through the end of October, updated gross margin outlook for Constellation, the benefit of further cost cuts, the early closure of TMI and exit of the EGTP plants, and changes to base CapEx and working capital associated with all these business updates, we remain confident in the free cash flow outlook and capital allocation commitments we made at the beginning of the year.

We're also committed to meeting or beating our 3 times debt-to-EBITDA target for ExGen's balance sheet which we will meet over our planning horizon. On the fourth quarter call, we will roll forward the free cash flow outlook for the next planning period.

And with that, I'll turn the call back to Chris.

Christopher M. Crane

Thanks, Jack. Turning to slide 17, I want to take a moment to highlight the contributions made by Exelon and our employees to help the impacted by hurricanes Harvey, Irma and Maria. Exelon utilities sent more than 2,200 employees and contractors and support personnel from our six utilities to help with the recovery efforts after Hurricane Irma. Our crews travelled to Florida and Georgia where they, for more than two weeks, worked in very difficult conditions. We're very proud of our employees and the hard work that they do to help the communities come back from after these disasters. A very special thanks to all those who've helped in the restoration and support efforts.

Exelon employees also stepped up from a volunteer perspective. Our employees have donated their time and resources to communities impacted by the storms. We also had a number of our Constellation employees in Houston directly displaced by the storms and to see coworkers come to their aid illustrates the value we embody here at Exelon.

Slide 18, we want to reinforce our value proposition which remains the foundation of our commitment to our investors. We've continued to grow the utilities rate base at 6.5% and the regulated EPS to 6% to 8% annually through 2020, underpinning the capital investments that directly benefit the customers in each of our jurisdictions. We continue to use free cash flow generated at the GenCo to fund incremental equity needs at the utilities and pay down debt over the next four years at ExGen in the holding company. We are focused on optimizing the value of our ExGen business by seeking fair compensation for our carbon-free Generation fleet, closing uneconomic plant, selling assets where it makes sense to accelerate our debt reduction plans, and maximizing our value through gen to load matching strategies.

We continue to focus on sustaining strong investment-grade credit metrics and grow our dividend in a stable, consistent manner. As many of you are aware, our dividend growth as a program is for 2.5% annually from 2016 through 2018. We are working with our board and expect to provide an update on a multi-year outlook for the dividend growth plan as part of our planning and budgeting process that are undertaken currently.

Before I go to questions, I want to come back to where we started off in the call. We have a number of positives underlying our outlook. The utilities are growing and executing well. We are confident that the FERC actions around

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resiliency will facilitate needed power price reforms in PJM that will fairly compensate our generating assets.

We continue to improve operations where we're finding ways to run our business more efficiently and taking out an additional $250 million in cost as discussed. And we are still on track to generate $6.8 billion of free cash flow through 2020 at the ExGen that will support our utility growth, reduce our debt, and facilitate growing our dividend.

Thank you again for your interest and now we're ready for your questions.

Q&A

Operator

[Operator Instructions] And your first question comes from the line of Greg Gordon from Evercore ISI.

<Q - Greg Gordon>: Thanks.

<A - Christopher M. Crane>: Hey, Greg. Good morning.

<Q - Greg Gordon>: So, just to summarize here. You gave us a negative adjustment on several things at ExGen that totaled $200 million. But since that mark, you've seen $50 million come back and so 2019 is negative $150 million. And if you achieve your cost-cutting goals, you'll essentially have eliminated that. And so, we're at a push in 2019 with those offsets. Is that correct?

<A - Jonathan W. Thayer>: Yes, Greg. And I think as you think about it and you listen to our comments on the low volatility period we're in, we believe that with the return to normal weather and even potentially future volatility events, that that decline in Constellation business could prove temporary. Obviously, the $250 million are permanent cost savings and capitalizable in terms of value creation.

<Q - Greg Gordon>: Okay. So, as per your usual protocol, you're using the current forward curves for power. But the current margin outlook looks like, for retail, you're not assuming any changes – no volatility premium coming back in the market, no PJM price performance, et cetera.

<A - Joseph Nigro>: Hi, Greg. It's Joe. Yes, we are using the current forward curve for power. I think the big thing to note on the retail side, and Jack said this in his script, when we did our planning at the first of the year, our renewal rates for C&I power were up close to 80%. As was the case back in 2012 and 2013, we've seen a downturn in those renewal rates down closer to 70%, and we're marking this closer to that 70% number. I think the big thing, though, is back in 2012 and 2013, we saw C&I power margins dip below $2 a megawatt hour. And we've said, historically, our origination margins for that business are somewhere between $2 and $4. We're still within that $2 to $4 range.

So, I think the big thing to take away is we're going to serve about 200 million megawatt hours of load this year across our platform between retail and wholesale, and we expect to do the same thing next year. The thing is, we're just not going to achieve the growth that we expected in our C&I power business. And as Chris said and Jack said, the reason for that is we don't think it's prudent to chase the market. And we're going to remain disciplined to what we think value is and that has served us well historically. And, quite frankly, it's allowed us to acquire companies few times as well. So, we'll continue to remain disciplined.

<Q - Greg Gordon>: Great. Sorry. Go ahead.

<A - Christopher M. Crane>: No. I'm just going to say – so, the beginning of the question, all the numbers in here are – on the gross margin, are marked at the end of third quarter. So it's the end of September 29 or 31, whatever the market closed on.

<Q - Greg Gordon>: Got you. One or two more questions. One, looking at slide 20, your cash flow profile looks slightly better, and it looks like it's mainly coming from the utilities and specifically from ComEd. Can you comment on what the changes in the improved cash flow profile there?

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<A - Christopher M. Crane>: So, it's primarily related to the collection of the ZEC regulatory asset as well as cash taxes.

<Q - Greg Gordon>: Okay. Final question. When looking at the value proposition you guys are delivering, if we get PJM price formation improvements and you hit on your other financial goals, you'll start to have a earnings growth profile that looks more comparable to the regulated peer group. They trade at 18 times earnings. You're trading at 14 times, current expectations. But your dividend growth – their dividend growth rates average around 5% and yours is 2.5%. I know you said you're reviewing this, but what do you need to see in terms of your financial outlook to be able to close or eliminate that dividend growth past GAAP because I think it's one amongst several things that keeps your stock from trading at a higher valuation?

<A - Christopher M. Crane>: Yes. Greg, we do believe we're undervalued. And everything that we're doing is to drive that improvement in valuation. As you can see from the free cash flow, the debt reduction plan, the recovery in rate case, we're positioning ourselves much better for a potential to have the board conversation in the upcoming LRP planning process to evaluate the dividend. And our expectation is – and has been since we had to cut the dividend four years ago, is to get it back to build the business on a strong balance sheet to get the dividend to be in line with our peers. And that is our pursuit. And as you can see from these numbers, things are improving that have us able to have a much more positive conversation with the board. Ultimately, it's the board's discretion, but that's where we want to be.

<Q - Greg Gordon>: Thank you very much. Have a great morning.

<A - Jonathan W. Thayer>: Thanks, Greg.

Operator

Your next question comes from the line of Jonathan Arnold from Deutsche Bank.

<Q - Jonathan Philip Arnold>: Good morning, guys.

<A - Christopher M. Crane>: Good morning.

<Q - Jonathan Philip Arnold>: I want to just make sure – at the beginning, Chris, I believe you just gave $1 of market price improvement sensitivity based off your volumes to PJM price reform was – of $135 million, did I hear that correctly?

<A - Christopher M. Crane>: Yeah. Per $1 of fully open position in PJM, 135 terawatt hours, $135 million. So, you can – that was just a dollar reference.

<Q - Jonathan Philip Arnold>: Okay. So, my question is, I mean, what – as you look at the kinds of reforms that PJM is considering in flexible unit and the like, what's your view of the range of potential uplift when you translate it into the ATC basis that would be relevant for you?

<A - Joseph Dominguez>: Hey, Jonathan. This is Joe. We're still waiting to see some additional details from PJM but – and so we're not going to put out a number until we get all of those details. But I have seen the reports that a number of you have compiled on this subject with the range that is somewhere between $2 and $5 of ATC movement as a result of the elimination of discrimination. And I think that's the right range to be thinking about and probably with the middle part of that range makes a lot of sense to us.

<Q - Jonathan Philip Arnold>: Okay. That was – that's helpful. Thank you for that. And then, Chris, you've said that, I think, earlier in the year that this dividend revisit and the longer range growth outlook would be Q1. And I believe what you've just said is pretty consistent with that. If you do it as part of the LRP. Is that correct?

<A - Christopher M. Crane>: Yeah. I think we've said back in 2016, when we have our dividend strategy, we want to give you a multiyear plan. We gave you 2016 through 2018 and that that will be the time in the first quarter to be updating, in my belief, set the board's discussion on where we go with that. But that would be our timing in my mind

and in our current plans and communicated with all of you.

<Q - Jonathan Philip Arnold>: What should we be expecting you to give us next week at EEI?

[indiscernible] (35:28)

<Q - Jonathan Philip Arnold>: What items?

<A - Christopher M. Crane>: Yeah. EEI, I think we'll be able to have more of the one-on-one details, get into more of the details on the capital investments, in the growth and the rate case strategies as we improve the customer experience at the utilities. We'll also have more time to go into the detail on the numbers on the free cash flow, debt reduction plans, and the optimization of gen to load growth. I'm sure, more people are going to want to talk in detail about the basis for our $250 million, and we can do the deep dive on that. But it will be detailed on what you're seeing today and an opportunity to have some one-on-one dialogue about it.

<Q - Jonathan Philip Arnold>: Right. Thank you. And then I guess just one other, did you have any thoughts – I know it's all a bit of a moving target and you've been talking, but what's your level of confidence that you're going to get to things that you want to see out of a tax reform?

<A - Christopher M. Crane>: Well, it's eleven-fifteen, I think, or eleven-thirty Eastern when we see the draft, and we'll have to rally together with EEI and take a look at how we, as a sector, have been positioned. Kind of early to say now. If you've gone over the last 24 hours, things have been all over the board.

So, I'd hate to speculate but we work together in the sector at EEI, and I'm sure Tom Kuhn will be getting us all together, and we'll figure out our next steps as the re-rights, as they've discussed, are finalized and getting our input as a sector in there. We're totally unified at EEI on what we're looking for and what we think will benefit our customers the most in tax reform. So, more to come on that, and maybe we'll have a little bit of insight of that at EEI as we work through the weekend and see the effect on the proposed – and still, we got to go back to this as proposed. You don't know what's going to happen in D.C. But we'll be ready to talk about it more as not only a company, but as a sector.

<Q - Jonathan Philip Arnold>: Sure. Sorry to put you on the spot on that – on a real-time issue.

<A - Christopher M. Crane>: No, that's okay.

<Q - Jonathan Philip Arnold>: Thank you, guys.

<A - Christopher M. Crane>: Sure.

Operator

Your next question comes from the line of Steve Fleishman from Wolfe Research.

<Q - Steve Fleishman>: Yeah. Hey. Good morning, Chris.

<A - Christopher M. Crane>: Hi, Steve.

<Q - Steve Fleishman>: So, just how are you strategizing on your retail business with respect to these potential DOE-PJM changes and are you doing things to make sure that you don't have like a big delay in capturing the uptick because of retail hedges? Like, are you making sure you're back to backing your retail and the like? I mean, just curious how you're thinking about that.

<A - Joseph Nigro>: Hey, Steve. Good morning. It's Joe. We are thinking about that. And I think the first thing is, as Jack said in his script and we've said for a while, we're carrying the longer position relative to our ratable sales plan. So, we have the opportunity to capture any upside associated with price increases related to the reforms you're talking about. I think, specifically though to retail, there's a couple of elements to that. The first one is we've done some preliminary modeling and we've taken to account kind of the seasonality as well as the differences between on- and off-peak. So, we tried to be more surgical in just saying we're going to buyback this. We have a view of the things we

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need to do.

I think as it specifically relates to our retail contracts, there's two elements. One is, obviously, we have contracts on the books already and we have some hedges on the books already. So, there will be a tethering in effect to the value proposition of this. But most importantly, from our perspective, I think one of the things we offer our customers and it's really important is transparency. And what I mean by that is when they're signing a contract with us, they completely understand what they're getting and what the components of that are that are in fixed price and the components that are going to be passed through time. And I'm not sure that's always the case across the industry.

So, from our perspective, there's a lot of elements and we are thinking about it, and we are really managing our portfolio from a natural long position as well as the seasonality in the products. And we're keeping the customer in mind.

<Q - Steve Fleishman>: Okay. And just in terms of just the – that's helpful. In terms of just the tower new business change that you made, what – your cents in terms of making that change, is your – do you feel like you've encompassed kind of a pretty conservative case here at this point so that this doesn't become like a series of changes?

<A - Joseph Nigro>: Yeah. I think – yes. The answer to your question is yes. We think we've covered it and I'll tell you why. When you look at it, it's really all driven by our load business. About 60% of it's on our retail C&I business and about 40% is associated with our wholesale polar business. And there's really two elements that are different, one on each side. On the retail side, as we said, our renewal rates are lower than we expected them to be, but our margins are well within the range that we expected. And that's very different when we had these challenges five years ago where our margins and our renewal rates both dropped pretty appreciably. On the wholesale side, it's much more of a margin story where the volumes are there, but the margins are lower than they've been historically. I mean, it's a very competitive environment. Quite frankly, it's being driven by a lot of smaller players on the retail side and not the bigger players. On the wholesale side, we've seen kind of competition across the spectrum, but we're confident that we've captured the changes we need to make.

<Q - Steve Fleishman>: Great. And I just – finally, I guess, in hindsight, congratulations on adding your Texas gas plants months before all the coal plants shut. I'm sure you planned that out. But I'm just curious given that fact just – have your thoughts on the Texas kind of market and potential there changed for you, how you're thinking about that?

<A - Joseph Dominguez>: It's Joe again. I'll keep going. And we've talked about this for a while. When you looked at the ERCOT reports on what they thought their reserve margins were going to be, we never really thought they were going to get the Generation growth that they expected. And in our own modeling, we have sensitivities. We ran some sensitivities looking at the possibility of retirement. And if you look at our positioning in ERCOT, we're carrying a long position there relative to our ratable plan as well. And we see the opportunity for volatility. I think this summer, we skewed some, obviously, with the problems with the hurricane in August and quite frankly, the biggest thing down there is we continue to see low growth which is really important and we don't see a lot of kind of the new build of gas generation. You have continued growth on the renewables side, but it's more concentrated in South Texas than it is West Texas. And when you put all that together, we see the opportunity for increased volatility, and we think we have fleet that will benefit that.

<Q - Steve Fleishman>: Thank you.

Operator

Your next question comes from the line of Julien Dumoulin-Smith from Bank of America.

<Q - Julien Dumoulin-Smith>: Hey. Good morning.

<A - Christopher M. Crane>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: Hey. So a couple of quick questions, maybe going back a little bit on some of the previous discussion here. But with respect to the dividend, how do you think about the stability of cash from the

final
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various businesses? Obviously, there's a certain legacy here. But how do you think about the stability from ZEC's and the retail business, and how do you think about that at least in – into the conversation around a dividend policy, i.e. can you bank on cash flows out of businesses that are not the utilities and/or think about a higher payout on the core utilities?

<A - Christopher M. Crane>: Sure. So as we've talked about four years ago – four and a half years ago now, as we restructure the dividend and put our strategy and our focus on really growing the utility business through the acquisition of BGE and then the acquisition of PHI, and it was to theoretically watch the growth in those businesses and have a 65% to 70% dividend policy, theoretically, at the utilities.

Now you know that's going to cycle during different growth periods, but that was the way we had the dividend set to grow. In the first couple of years, we were starting to get closer to that, getting that accomplished in the early 20s. And so, that's when we came up with the growth policy at 2.5%. As you can see, the utilities are continuing to grow, although, right now, it's taking cash infusion – equity infusion from the HoldCo through the GenCo, but they're continuing to grow. So, our stability of the dividend is very well anchored. Our potential growth for the dividend is well-anchored.

As we come through the last couple of years and started to see more reliable or consistent cash flows from the GenCo on programs that compensate for the other benefits besides just the energy, you're seeing a potential that that can be a dependable cash flow that can be used for potential return of value to the shareholders. So, that's the way we're looking at it and we're presenting it to the board that the cyclical nature of the commodity market will not leave us, but the certainty of certain elements on those revenue streams give us the opportunity to look at the world a little bit differently. So, but that's how we'll continue to model it and we've gained greater flexibility with programs like the ZEC.

<Q - Julien Dumoulin-Smith>: Excellent. And then, let me ask you this, with respect to the utilities, right? I know we've had a lot of conversation on the other side of the business, but obviously you've had some reasonable success of late in ComEd around – how do you say – scaling some of these smart grid efforts. How do you see an ability to scale that further? And obviously, this might be getting ahead of the annual process in the CapEx budget, et cetera. But maybe this is more to Anne and thinking about the ComEd prospects beyond 2020 here.

<A - Christopher M. Crane>: So, well, let me start off and then I can let Denis jump in here or Anne on the call. The advent of the digitalization of the distribution system and the transmission system has offered us an opportunity for capital investments that directly benefit the customers and drive reliability. We have now put in communications backbones to read smart meters to help us with fault isolators, fast reclosers. That's the kind of spend along with replacing antiquated cable and updating the system with new components.

Now, as we go into the 2020 and beyond, there is a significant amount of work being done on what else can be done to develop into the smart city that we can better serve the communities while investing in driving efficiency into the systems. The work that's being done on microgrids, the experimental work there to see what the societal benefit on certain microgrids in certain locations. What we can do to integrate with more of the community, is there an assistance within the streetlight programs or assistance that we can provide with our infrastructure on the meter reading of water, gas, other type of systems is where we'll be going.

And I think this technology is morphing faster than it ever has in our sector. And with our design teams, data scientists, the work that we're doing on big data, digitization is going to provide us many opportunities for continuing to optimize the system for the customer's benefit. Denis, I don't know if I covered it or...

<A - Denis P. O'Brien>: I think – this is Denis. Chris, I think you covered it pretty well. We're spending about $5 billion a year in capital. We still see opportunities to continue to invest in convergence relative to our systems to build the systems of the future, whether that's billing systems, transmissions data systems or others. We see opportunities to continue to invest in resiliency and security. We're seeing opportunities relative to the transmission system as we look at resiliency and security and to build the transmission system of the future. Chris hit on smart cities and other things like that.

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And the last thing is you look at the grid of the future and we think about distributed generation in order to get our system ready for that that really means about converting some of our lower-voltage circuits into higher-voltage circuits. And so that's an opportunity for further capital deployment. So we're deploying about $5 billion of capital a year. We see that continuing and see lots of opportunities to continue to invest in utility of the future.

<Q - Julien Dumoulin-Smith>: And – but does that enable kind of an accelerating CapEx spend overall, maybe perhaps that's the core of the question?

<A - Christopher M. Crane>: I don't see us accelerating the plan. I think we're at a point that we're managing efficiently the spend that we have. We also have to balance the impact to the consumer. Spending capital for the sake of spending capital without finding the efficiencies in the delivery and to the benefit of the customer, it wouldn't be prudent. Right now, the projects that we have on schedule, the cash flows that support that are managed well, and they do support what our bottom line it needs to be as the benefit of the customer.

<A - Denis P. O'Brien>: And the only thing I'd add to that, our focus on – we're 18 months into the PHI acquisition. Our focus now is to get the performance to the right level. We had our best year ever in reliability at PHI last year, which we only had the company since March. We're going to blow through that level of reliability this year in a good way. So, the first couple of years, you're – how do we get the performance to a good place? How do we right the image and reputation and improve our regulatory outcomes at PHI?

<Q - Julien Dumoulin-Smith>: Excellent. Thank you all.

<A - Christopher M. Crane>: Thanks.

Operator

Your next question comes from the line of Stephen Byrd from Morgan Stanley.

<Q - Stephen Calder Byrd>: Hey. Good morning and congratulations on the cost cut announcements and the utility performance.

<A - Christopher M. Crane>: Thanks, Stephen.

<Q - Stephen Calder Byrd>: Wanted to drill into the idea of resiliency laid out by the Department of Energy. Is there a way for us to conceptually think about the value of resiliency or a framework for assessing how to appropriately value resiliency? It's been a tricky thing I think for all of us to really think through that the high level idea makes sense. Just sort of how to go about trying to value that. Is there any suggestions you have on thinking about that?

<A - Joseph Dominguez>: Sure. Stephen, this is Joe Dominguez. If you see our pleading, you know that we have a multi-phase process where in the first instance we need to get analytics from new RTOs – can they run without pipelines, what's the impact to the consumers. We can move from there to a design basis for the system that we think is going to iterate between NERC, FERC and the Department of Energy for some time after we get the data.

In terms of how we ultimately implement that into the system, I think once we have a design basis on what we're trying to avoid, we will start looking at mitigation solutions, maybe the retention of additional fuel-secured resources to avoid this outage risk. But I think it's premature to get there. One way you can think about it though, if you take a look at the capacity performance program, we were able to value the cost of incremental reliability associated with dual fuel. So, if the design basis ultimately ends up being we need 90 days of fuel, we have a mathematical way of calculating what a market solution to get dual fuel resources to 90 days of fuel would be. That would probably be $8 or $10 a megawatt hour in terms of doing that based on the cost we saw in CPAY. So, that's one approach.

But from our perspective, we need to drop back here, take a look at the data and make sure we have the right definition of resiliency, the right design basis, and then we could come back to market solutions or other solutions that'll ensure we have the resources to mitigate that risk and provide the security we need to provide to our customers in the nation.

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<A - Christopher M. Crane>: And I think the key to that, what Joe said, is a market solution.

<Q - Stephen Calder Byrd>: Understood. Within the market construct that we have, that makes sense. I want to just shift over to the retail business. There's been a lot of discussion on this call around a competitive playing field. If we do see FERC performs on power price formation and if power price do rise, would you expect to see a bit of a shakeout amongst smaller retail players who don't – who are not backed up by physical generation who may have mispriced the upside risk to power prices? How would you – assuming, again, that we do see the kind of formation changes we expect? Would you see a shake out there?

<A - Joseph Nigro>: Yeah. I think history tells us we would anytime we've seen a volatility event and I can go back for a number of years. We've seen players, whether they're big or small, whether they were on a C&I side and the residential side, and quite frankly, the polar loads on the wholesale side. We've seen folks who've aggressively priced the risks or the ultimate price to the customer have been hurt. And as I said earlier, we've had opportunities to acquire companies in that type of environment. We've had opportunities to grow our business organically, and we think remaining disciplined to what we're doing is the right thing to do.

We still have almost 25% of the C&I market. We're the number one C&I marketer by a huge amount. We're the third largest residential marketer in the United States and we compete in all the wholesale polar auctions. So, the underlying business is strong. The growth we expected, we're not achieving, and I think the discipline will serve us well. And we're going to have an opportunity to capture some of that back when we see a volatility event.

<Q - Stephen Calder Byrd>: That's great. That's all I had. Thank you.

Operator

And your final question comes from the line of Praful Mehta from Citigroup.

<Q - Praful Mehta>: Thanks.

<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Praful Mehta>: Morning. So, my question goes back a little bit to the dividend discussion. And what I was trying to connect the dots on was, you're already kind of hitting your leverage targets, your free cash flow targets right now with the current plan. If you do have price reform and if you do have further ZECs coming in from other states, then you have that incremental free cash flow, how should we think about that capital allocation? Is that more to bolster the dividend or where do you think that capital allocation goes?

<A - Christopher M. Crane>: First of all, we will look at it in a disciplined way on what is the best way to return value to the shareholders while maintaining our commitment to the customers. So, the plan, as I said earlier, that we've started out on over four and an half years ago is working. We're reducing our debt, we're strengthening our balance sheet, we're reducing our costs, we're able to make solid investments in our utilities, and we've been able to do a part of a dividend increase program as we were doing that. As you can see, as we get stronger and stronger, the opportunities for us to deploy the capital are coming up our way, and we'll make sure that we'll look at it in a disciplined fashion. If there are more accretive ways to spend the capital in the utilities and in a low-risk area, that would be something we'd look at. But as we've committed previously and as we've signaled, it's a conversation that's ongoing right now with various opportunities to revise the dividend policy and give you another multi-year plan and as we work through the LRP planning process, and we work with our board heading in to 2018.

<Q - Praful Mehta>: Got you. That's very helpful. And secondly, in terms of the ZECs, if you could just touch on how you think ZECs play out in different states. In other states, obviously, very happy there. And secondly, how does that fit in with the price formation and the DOE reform? Do you see them interacting or do you see them as completely independent?

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<A - Joseph Dominguez>: Hi, this is Joe again. We were pleased to see the outcome in Connecticut the other day where although, a different structure, the central premise is the same. Nuclear units are critical for our customers, and we need to preserve them. So, definitely a step forward on the policy front there. We're having very productive discussions. Both in Pennsylvania and New Jersey, we'll continue to do that. In terms of the interaction I see between the programs, if we get an upside in price formation, I think that will ultimately be taken into account in the process. So, there will not be a double-dip here. If prices increase as a result of price formation, the cost of the ZECs or the cost of the support payments will go down. That's the anticipated.

<Q - Praful Mehta>: Got you. And you think that's a dollar-for-dollar adjustment or do you think there's some benefit that you do keep?

<A - Joseph Dominguez>: No. I think it's a dollar-for-dollar adjustment.

<Q - Praful Mehta>: Got you. That's super helpful, guys. Thank you so much.

Operator

And for closing remarks, I will now turn the call over to Chris Crane.

Christopher M. Crane

Thank you, operator, and thank you all for joining us. We're excited about the opportunities ahead of us and our success in delivering on our commitments. We look forward to seeing many of you next week and provide our updates and then our year-end updates in February. So, thanks again for joining and appreciate your time.

Operator

This does conclude today's conference call. You may now disconnect your lines.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-04-19
Event Description:

Market Cap: 32,475.77
Current PX: 35.08
YTD Change($): -.41
YTD Change(%): -1.155

Bloomberg Estimates - EPS
Current Quarter: 0.618
Current Year: 2.667
Bloomberg Estimates - Sales
Current Quarter: 8355.500
Current Year: 31988.500

Company Participants

- Kit Konolige, Senior Utilities Analyst
- Frederick S. Stu Bresler III, Senior Vice President
- Jeffrey Bastian, Manager, Capacity Market Operations

Presentation

Kit Konolige, Senior Utilities Analyst

Good afternoon, everyone, and thank you for joining us today. We have a very interesting and hopefully useful webinar with several folks from PJM, the major unregulated marketplace in the US in power. I'm Kit Konolige; I'm the Senior Utility Analyst at Bloomberg Intelligence. And my guest is Stu Bresler, who is the Senior Vice President for markets at PJM, and he has several folks assisting him as well. We'll turn to Stu in a minute.

Let me first just mention a couple of housekeeping notes. The presentation will be recorded. It will be available immediately after we finished talking live. You can adjust the volume, maximize your screen. To ask a question, you can submit one on the right side of the slides. And then, what I propose to do is, we will go through the questions and ask them after the full presentation. And a copy of these slides will be available for download in the post-event email. In addition to the questions that I'm turning to in a minute, we will -- we have a number of charts and graphs that explore some of the aspects of the PJM structure and the PJM auction coming up.

Just one brief commercial; Bloomberg Intelligence, which I'm a member of now is approaching about 300 members, workers and -- hard workers, and it's -- we're obviously part of a much larger Bloomberg organization, but in some ways, we're quite separate. We are focused on investment considerations, so we're not news. On the other hand, we are not strictly a sell side operation, but we do a lot of the same things that the sell side does.

Basically, we publish research on equity, debt. We have people who are specialized in law of various kinds, litigation, policy, et cetera. So we think it's a very interesting, and ideally it's a very helpful platform to be able to communicate with a lot of our clients.

And with that I will move along to a list of the key topics that I jotted down and I shared with Stu prior to this call and we went through them a little bit and I think these are to my mind questions that clients ask, the questions that I ask and the questions that Stu has heard about. So I know from the past that Stu is very straightforward and thorough in discussing issues that come up such as these and obviously wants to be communicative and transparent about the PJM situation, the PJM auction, capacity auction in particular.

So, with that, let me turn over to Stu Bresler and as I say, if as he is speaking, if you have questions, you can type-in in real time on the right hand side type in a question, and then we'll get to those questions when he's finished his discussion. With that, Stu?

Frederick S. Stu Bresler III, Senior Vice President

Well, thank you, Kit, and good afternoon, everyone. As always it is a pleasure to have the opportunity to speak with you and exchange information regarding the upcoming May RPM Base Residual Auction. We certainly recognize that for our market participants the investor community it's certainly is a significant event during the year with respect to for procurement of capacity in the PJM market, so again, it's our pleasure to be able to have the opportunity to speak to you.

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With me today, Kit mentioned that I had some -- some of my colleagues with me, I have Adam Keech, who is our Executive Director of Market Operations and Jeff Bastian, who manages our Capacity Market Operations Group, his folks actually have the awesome responsibility of clearing the capacity auctions in PJM. So, you may hear their voices as well during the conversation this afternoon to the extent that they have detailed information that they can supplement and that sort of thing.

So, as Kit indicated, when he had sent me what his thoughts were on what we could cover today, I thought it was a pretty comprehensive list of the kinds of things I would talk about with respect to the factors impacting the upcoming May auction. So, I thought I would hit those topics, because it's -- like I said what I would have talked about anyway and certainly we should have plenty of time for Q&A either as we go along or once I finish with these topics.

So, as you all know the sort of the first step and preparing for the auction in May, at least the first major step that it involves publicly posting information is posting the auction parameters, the planning parameters for the May auction. And we published an initial set of planning parameters by February 1st, leading up to the May auction and then it just about every year -- based on every year so far prior to RPM auctions. We have posted an updated set of planning parameters about a month out and that update occurred last Thursday, April 13th. So you can find if you haven't already, the most up-to-date set of planning parameters for the upcoming auction on our website on the RPM page. I do not expect at this point another update to be necessary before the May auction. Those parameters you see should be the final ones that are posted up there on our website.

But looking at sort of what changed from last auction to this one with respect to those planning parameters, is the major factor that really basically drive the results. We have seen yet another reduction in the forecast peak load for PJM. The forecast peak for 2020-2021, which is the delivery year fullish [ph] well on the basis we do auction in May, decreased about 3,273 megawatts, or about 2.1% from the forecast peak load that was used for the 2019-2020 delivery year.

And again this is a -- surely the result of increased penetration of behind-the-meter solar installations as well as the continued incorporation of energy efficiency efforts. I think the major factors behind the peak load forecast change from one year to the next, and then obviously the underlying econometrics effected as well.

There was a bit of a change in the system-wide forced outage rate. So the reduction in the reliability requirement that we need to meet was slightly less, it was about 2% reduction from last year to this year, about 3,400 megawatts or so from last year to this year.

From the standpoint of the locational deliverability areas, the LDAs, those potentially constrained areas of the PJM system that we will model in this auction, we posted two additional LDAs this year. So all of the LDAs for which we posted a separate VRR curve last year, we did so again this year, but we also added the Dayton and the Duke, Ohio, Kentucky LDAs. And the primary reason for doing so was the potential for at risk generation in those LDA's given some of the public statements we had seen made by market sellers in those areas about the potential to retire certain resources, namely Stuart and Killen in that -- in those areas. I think they're actually in the Dayton zone.

And so with that publicly announced information and then we actually have since received an official retirement request for those resources. We felt it prudent to model those additional LDAs. The updated planning parameters that I mentioned that were posted on April 13th, include adjustments to the transfer limits for really any LDA, but I think those primarily affected were those two based on the removal of those Stuart and Killen units from the network model.

So, again, there is no necessarily requirement or expectation that those LDAs will actually bind and be constrained in the auction does not automatically mean that when we post them, but we felt that again prudent that we model them and they have the potential to do so given the fact that that we saw that potential for that generation retiring before the 2020-2021 delivery year.

We are for the first time this year have had some registration price responsive demand for the upcoming auction, again, we posted that with this latest for the most up-to-date value with its latest set of planning parameters. It is on the order about 600 megawatts that has registered, that does not guarantee necessarily that again it will clear in the auction depends on what the prices were indicated or for that price responsive demand, but again that's a first for this auction compared to prior auctions.

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Let me cover with respect to the transfer limits the CETL value, that stands for Capacity Emergency Transfer Limits for the LDAs, because there were some fairly significant changes, both in what was posted initially and then the updates we posted on April 13th, and I thought it might be beneficial to provide some rationale there. Primarily that we're talking about, here are the some of the Eastern LDAs, there is the PS and PS-North LDAs as well as Eastern MAAC.

Those two LDAs and the CETL values, the transfer limit values, which really are in expectation of how much energy could be transferred into an area during a capacity emergency are impacted somewhat by the assumptions on the emergency assistance we could receive from New York ISO. And we have a transmission service contract affectionately [ph] known as the PS-Con Ed Wheel that is ending actually at the end of this month. And between last year and this year we got that final notification that that transmission contract is being canceled, and that change the way we sort of model things up with the Northeastern interface between PJM and New York ISO. And so to make a very long story short, we were a bit optimistic in the emergency assistance that we assumed, we could receive from New York during a capacity emergency when we posted the initial values for PS, PS-North and Eastern MAAC. And as we continue to refine the modeling assumptions -- I'm sorry, because we were optimistic the CETL values we posted for those three LDAs, PS, PS-North and Eastern MAAC were significantly higher than they were for the last RPM auction, last (technical difficulty).

As we refine those assumptions and really model something much more realistic for the amount of energy that would likely be available from the Eastern part of New York ISO in a capacity emergency. We significantly reduced that, again, previously optimistic assumption. And the final values we posted last week on the 13th for Eastern MAAC was much closer to what we actually had for the 2019-2020 auction. I think it's within 15 megawatts or some like that.

The PS, PS-North values came down a lot as well from an initial posting, but they are still a few hundred megawatts higher than what we use last year, because there are some transmission upgrades in the Eastern part and Northeastern part of New Jersey that help the CETL values for PS and PS-North. But again, not nearly the increase we had initially posted with those optimistic assumptions about emergency assistance from New York.

The last one I'll hit is -- actually there is two more. The MAAC LDA, we posted a value for this auction that actually is fairly significantly reduced from last auction, and that is due to a constraint towards the Southwest portion of the MAAC LDA that is affected by a change in really the sort of system configuration in that area. We have seen a change in retirement notifications where resources that were previously retiring, now intend to repower and so therefore back in the model and as a result of the -- sort of the flow changes from that reconfiguration we had a limit down there in the Southwestern portion of MAAC, that reduced that MAAC import capability, that emergency transfer limit.

And then finally there was a reduction in the transfer limit into ComEd of about 900 megawatts or so, and that was due to some increased flows on our transmission constraint AEP feeding into ComEd that caused that that lower transfer capability into the ComEd LDA. So from the standpoint the transmission system modeling, I think that's -- the changes that I would highlight from -- again from last auction to this one.

From the standpoint of potential for new capacity in this auction, what we post out there on the website, which you can go have a look at is the generation that has requested an exception from the minimum offer price rule, which is a pretty good indication of the quality of megawatts that may decide to offer into the auction and that value it's about 12,200 megawatts or so, something like that, is roughly the same as what we've seen in the aggregate for the last several auctions. There is not much of a change to that number. The split is little different between the competitive entry, exception and the self-supply exception, but the aggregate number is about the same.

I would say just from a back of the envelope standpoint, we typically see maybe about half or so of that value that actually request exceptions offer into the auction and then something less than that typically clear. So again, no guarantees whatsoever as to what would happen with this auction, just trying to give you a feel for what we have seen in the past.

As far as generation retirements, what we -- if you go to the retirement page on the PJM website, and you take a look at the next several delivery years, I think we have maybe 3,000 plus megawatts or so, that is already scheduled to retire

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between now and the end of the 1920 delivery year. We don't have anything else out really past that timeframe, as far as already requested future de-activations, but obviously that can change given the results of an RPM auction sometimes. And so it's possible some markets always out there waiting to see the results from 2021 in this instance. But, again, it gives you a decent guidance to what we're seeing between now and then.

This is, as Kit indicated in his PowerPoint, this is the first year where we will require the procurement of 100% capacity performance resources. Last year we cleared to somewhere on the order of 27,000 megawatts or so of base capacity, which has the requirement to perform only during that summer peak period. A lot of that was or some of that anyway was demand response, energy efficiency, others was generation. It remains to be seen obviously what the impact of the 100% CP requirement is. A lot of the generation, not all going to -- lot of the generation that cleared as base capacity last year, submitted offers for both base and capacity performance. And the base capacity offer was simply the more economic one to take, given the fact that we could accept up to a certain cap of base capacity. So, my message I guess is that, a lot of the generation that previously cleared as base has probably CP capability, but didn't clear based on a CP offer last year. So, what CL -- the unavailability if you will of an offer as base capacity affects offer behavior this year to see what impact that 100% CP requirement has.

I probably should hit this before, so I apologize for not doing that. I did mention already the new transmission, I think the major upgrades I would point to that affected this year are those in New Jersey. There's a couple of 345-kV lines that were added in New Jersey that I think affected the PS and PS-North CTEL.

But the impact of the Indian Point closing really had no impact on our transmission modeling for this year's auction, because New York ISO has not yet actually received an official retirement notification from Indian Point and PJM's practice would be not to remove an -- a unit from our transmission model until we receive that official retirement notification. And so we applied our same methodologies to Indian Point from the standpoint of calculating again CTEL values for any LDA that might impact.

Again, we did consider that potential when we look at the potential availability of emergency assistance from New York given the fact that we would likely peak around the same time.

So that was considered, I don't really think it affected it much because we probably would have been able to get much assistance even without Indian Point's closing. But, I guess that from a transmission modeling standpoint, there was no effect.

I already hit the ComEd import capacity, and the next bullet was the -- again the increase in Eastern MAAC and PS-North, those were really reset back to about last year's levels with the exception of the (technical difficulty) PS-North because of the transmission upgrades. So Eastern MAAC again is about the same as it was last year.

The only thing I'll hit as far as the last bullet on, I believe, come back to the second last bullet. The only thing I'll hit on the last bullet; solar, wind, demand response and energy efficiency is we do have the new rules for aggregation of resources where FERC approved PJM's filing of its aggregation proposal, so that resources could offer on a summer only, or winter only basis and we could aggregate them through the auction to make 100% annual CP across the board. And we did post the total value of winter capability that has applied for the ability to submit a winter only offer. They were -- with all wind resources.

And the total winter capacity and connection rates that we essentially awarded for this upcoming auction was about 1,700 megawatts and that 1,700 megawatts was the winter CIR capability already had an annual capacity and connection rates of about 500 megawatt. So the net change, I would say that between what was -- what could already be annual versus what could be winter only was about 1,200 megawatts or so.

So that means that, that would be, I think the amount that would be likely to be able to aggregate winter only resources to make summer only resources, primarily I would think demand response capable of clearing in this auction. But we will only clear those resources to the extent that we can match up equivalent quantities of summer only and winter only, and also dependent on their offer prices compared to obviously where the market clears given their locations. So just to give you again some aggregate indication as to the numbers we're looking at there.

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I think that's about it on solar, wind, DR and EE, but again we can go into the Q&A in just a minute here and see if there's anything else you'd like to know there.

That second-last bullet, I know it's a bit of an elf in the room these days, it's the nuclear subsidies and really kind of the issue of subsidies in general. It's very difficult to judge what if any impact that will have on this auction. And I say that for several reasons; number one, the subsidies aren't even in effect yet, we're talking about the Illinois subsidies to the Exelon nuclear units at this point. They actually go into effect on June 1st. And obviously [ph] that's a long time before the 2021 delivery year, but I make that point because they are the subject of a court challenge at this point similar to the -- this AAC [ph] program in New York as well.

So it's -- like I said, it's difficult for me to guesstimate if you will, how that might affect offer behavior we're just going to have to see how things turn out. If you want doing a Q&A, we can get into to the larger discussion on the impact of subsidies to the markets in general, but keeping it to sort of the expectation for this upcoming auction, I like -- don't have anything definitive, I can say there simply because the status of those subsidies, I think still remains a bit up in the air, given the fact that not even effective yet. So. again, from the standpoint of this is auction specifically I just -- I think I just this far as we can go.

So, Kit, I think with that, I'll wrap up hopefully within here is less than 30 minutes from our start time, which leaves us plenty of time for Q&A. I'll turn it back over to you to moderate that.

Questions And Answers

Kit Konolige, Senior Utilities Analyst

Excellent. Okay, that's great. Thank you. As I mentioned before, folks, if you have a question, type it in on the right hand side and it pops up here and we can review those with Stu, you know, the ones that are most interest and we have about half a dozen now.

First, there is one that -- it's a question about the load forecast and basically questions how come it goes down every year. In other words the curve gets redrawn each year that a lower level, is it reasonable to expect that that's going to stabilize at some point or what either particular factors there that we're missing that create that that difference every year or is the modeling biased upwards and has to be adjusted?

Frederick S. Stu Bresler III, Senior Vice President

Yeah, it's a great question, Kit. And I would say that unbeknownst to us at PJM. I would say that several years ago, yes, the forecast was -- was too high, and I think there's several reasons behind that. And remember, now this is a 15-year forward-looking load forecast and several years ago we saw that for several years in a row, we had forecast that were percentage points -- multiple percentage points higher than what we actually saw come in and will be back as it based on our models.

And so we undertook a significant effort a few years ago to make significant enhancements to our load forecasting models. And we started with the relationship between the econometrics and the load and a lot of work on sort of better correlating those with a lot of back-casting to get that relationship closer. And then we also worked to incorporate things like energy efficiency, behind-the-meter, resource integration and I think it's primarily lower voltage solar installations, smaller solar installations. And beyond that, I just think there is a lot going on out there in the retail space that is resulting in less load in aggregate for the same other types of system conditions like weather. And I guess I think there's a lot of energy efficiency efforts that are going on and conservation efforts and all sorts of things.

So, we think based on our most recent back-casting that we have squeezed out a significant amount of the area that we had in the past to the extent that our back-casting now actually floats around either over or under forecasting, because I think we've got an handle on some of these dynamics that we have been changing in the industry. Now where it goes in

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the future, it remains to be seen sort of how the industry dynamics continue to change.

We could -- we can see continued energy efficiency efforts in those types of things, which would continue to result in lighter loads for the same like I said, other types of suited conditions. We could see via all of a sudden a revolution with respect to the technology behind electrification of transportation and see huge increases in load again based on the load requirements to support that particular industry.

So I think it could go either way and even more difficult is predicting what that timing of that would be. In other words, even if we did see a significant increase in electric vehicles would that be necessarily an increase to peak load consumption as opposed to off peak consumptions, but more energy consumption.

So, it really depends on how things continue to evolve. Kit, I think the best I can say is that I think we've gotten a pretty good handle now on the new interplay of the various things that go into the long-term load forecast.

Kit Konolige, Senior Utilities Analyst

Okay, great, Stu, thanks. Question pretty specific to one of your discussions about exceptions to MoPar [ph]. Does a generator need to apply for an exception each year, so that the 12,200 is kind of current year starting from zero kind of number or once you get an exception, can you really look forward to the next year, so there going to be a backlog of plants that didn't bid previously who are still able to bid.

Jeffrey Bastian, Manager, Capacity Market Operations

Yeah, once a resource clears, it no longer need a MoPar exception. So, to answer your question directly, I think resources that in the past have applied for a MoPar exception and either didn't offer or offered but didn't clear would need to apply again the next year, if they wanted to get an exception in the next year. The only ones that don't need to re-apply are the ones that clear in a particular year.

Kit Konolige, Senior Utilities Analyst

Right. Okay, fair enough. On the decline in the CETL [ph] tip from Intren ComED, I think you mentioned it was AEP to ComEd primarily, but in any case, can you discuss a little further what was leading to that and I know you can't predict pricing outcomes and so on, but is it fair to say that that is a significant tightening that in the past as indicated some pretty serious potential for different outcomes?

Frederick S. Stu Bresler III, Senior Vice President

Well, I mean it's about an 18% reduction in the transfer limit into ComEd, and yes, I did say, it was based on the -- an increase loading in the AEP area on a 345-kV transmission facility, that was the actual reliability violation. Now we do have an RTEP upgrade in the works to relieve that that transmission constraint. But for now, it did -- I guess it did result in a reduction in the CETL, it's 926 megawatts for the upcoming BRA. So, yeah, I mean all other things being equal, which is I think is the key, all other things being equal, you might expect ComEd to create a little bit higher than it had in the past. But again, that depends heavily on the offer behavior that we see from resources inside and outside of ComEd as well.

Kit Konolige, Senior Utilities Analyst

Right. Fair enough. Different arena, there has been a proposal in ISO New England, that addresses subsidized generation. Have you guys looked at that proposal with any kind of thought towards what PJM might do. And maybe

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this is a good time because I think as you mentioned, the question of what and "open market does with generation that subsidized" and so presumably changes its behavior because of that is obviously has to be a very significant issue if that's going to be the direction things go and maybe you can just discuss broadly if the New England proposal is relevant that you mentioned that if there are other thoughts that you and the team have -- you know, are considering on where PJM goes if everybody starts subsidizing a significant part of the generating fleet, a very useful outlook kind of discussion.

Frederick S. Stu Bresler III, Senior Vice President

Sure. And I fully expected this topic to come up. I agree, it's an important one. So important that FERC is holding a two-day Technical Conference on May 1st and 2nd in which we'll be obviously an active participant. But I think PJM has heard sort of the complete gamut of opinions on the impacts of subsidies to the wholesale markets.

We hear from some market participants that there is threat of state subsidies is in existential concern with respect to their business model and the markets as a whole because as Dr. Bowering [ph] put it in his latest data, the market report subsidies are contagious and one subsidy suppresses prices and leads to more subsidies, which further surprises prices, which leads to more subsidies and pretty soon you have nothing but state sponsored RMRs and no market left.

Then you hear the complete opposite opinion which is there our subsidies all over the place, this is just one more, it's not even that many megawatts, you're already along and so why would you want to do anything that would counter those subsidies and prop up the price and incentivize additional new entry when you're already clearing at a reserve margin of over 20%. So those are your two south poles.

I think from PJM standpoint, yeah, I think, while it may be the case that yes, we have had subsidies in the past, certainly there are the federal production tax credits for renewables, there are state renewable portfolio standards, which can act similarly to subsidy. There is a local tax abatements and the list goes on and on.

These state actions to preserve resources that may otherwise be economic, maybe significant enough to warrant a serious look at whether or not the markets need to adjust in order to handle the impact of those subsidies and the potential action stands and equally large range as the opinions on the impacts, because those who are in that camp are the real threat to the markets would say the only rationale response here is a minimum offer price rule that applies to any subsidized resource thereby protecting the markets and the price formation in the markets for long-term price formation. The other end of that spectrum by the way is, this is already in the markets, you don't need to do anything and really all the market should procure the residual that is necessary once all these subsidies cause the entry those resources that extremely low offers.

Those again are the two poles. From PJM standpoint, well, we are searching for is a way to recognize that states have legitimate public policy initiatives and objectives that they're looking to achieve, but harmonize the markets, so that they still perform the function that I think everybody agrees, they have been successful in performing which is long-term reliability at lowest reasonable cost to the consumer.

And for PJM's perspective, in the long term, we understand the concerns around efficient price formation, because so much of what the RPM capacity construct is built around is considering the long-term impacts of the year-by-year execution of the market. So that's why we think it is our serious consideration.

Getting to your question finally about the ISO New England proposal -- from just to state at the outset, New England is coming from a very different starting points. New England is really concerned mostly about new entry and subsidized new entry, subsidized -- sorry, suppressing the prices in the four capacity market.

PJM's concern at least what has been presented most recently with respect to state actions has to do more with subsidization of existing resources. New England already has a new unit minimum offer price rule, a new resource minimum offer price rule, there are some renewable exceptions for that rule, but they already have an existing rule. PJM does not have an existing unit minimum offer price rule.

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So, again, they're coming out from a different starting point, but having said that, I find their proposal very intriguing, I think it's worth a lot of discussion. I think it's very innovative and I think is a real effort to for lack of a better characterization sort of phase in. The new resources has other resources are willing to exit the market and retire, thereby, sort of, again, the intent being to maintain the supply and demand balance, even as subsidized resources come in and I think it's a fairly elegant way to go about it. I don't pretend to have thought through every potential implication. In fact, I know there are some opinions around this very table as to what those implications might be that frankly we did have to wrestle to the ground. So, like I said, more to discuss, but I think it's a innovative proposal that is very worthwhile that discussion.

PJM put out a sort of a capacity repricing proposal last August at a stakeholder form that we had. We've continued to kind of refine that. We will probably post a revision to it fairly soon here. That I think, again, there is additional discussion again, the idea being that we recognize the quantity of resources that are coming into the market are staying in the market by virtue of state actions, but at the same time try to insulate the price signal that comes out of the capacity market from the suppressive effects of that -- that state action.

So that's it, so what I'd think from a capacity market standpoint, it's looking at various ways to sort of get the right quantity, but maintain the right competitive price at the same time. I think maybe it's possible that the bigger impact here of these state actions are actually in the energy market and the suppressive effect that megawatts that would not otherwise be there are still there around the clock due to state action, and that's a much tougher enough to crack, but we're trying to kick around potential ways we might be able to facilitate things like a sub region of PJM states that wish to recognize carbon price, if you will, and their portion of the region and how we could actually make that fit within to the PJM market construct.

Those kinds of ideas, again, certainly nothing that I would consider a well-formed fully yet but those are the kinds of things we've been working on. So it's a pretty long-winded answer to your question Kit, but it's a big topic right now. We're spending a lot of time on it.

Kit Konolige, Senior Utilities Analyst

Well, no question, I was aware of that meeting and impact there was a kind of lunch panel in DC earlier this week, you may have been familiar with where the -- one of the two FERC members was there and other folks as well. And somebody were saying something to the effect of, well, you're just kind of what you said in describing one view of what could evolve namely everything, it's the potential is therefore a slow motion re-regulation that and, you know, one state gives what's in effect the PPA or a subsidy et cetera to one type of assets and then the next state does the same thing and pretty soon everybody is paying for all their capacity and energy through bilateral contracts or whatever. So it's obviously, if that -- even if we move in that direction at all obviously that can affect the outcome of the remaining merchant plants, so interesting, very interesting topic. Well, you guys have the complex models, so you can just punch it in and do it right?

So, okay, I just want to -- here is a specific question which I personally have wondered about this a little bit, but can you briefly describe determining NetCONE, what's the technology that's modeled there? Is that just a new gas plant for NetCONE?

Jeffrey Bastian, Manager, Capacity Market Operations

Hi, Kit. It's Jeff Bastian. Yeah the NetCONE is the combustion turbine cost that's the reference resource that we use -- I'm sorry, combustion turbine, yes.

Frederick S. Stu Bresler III, Senior Vice President

Yes. Not combined-cycle, combustion turbine.

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Kit Konolige, Senior Utilities Analyst

Combustion turbine. Fair enough. Okay. And then I think you described how that's done, right?

Frederick S. Stu Bresler III, Senior Vice President

Yes. What we do there, Kit, is every four years we go back and do sort of a bottoms-up, if you will, reconstruction of the gross cost of new entry for various locations on the PJM system. And then, we do an annual evaluation of the net energy and ancillary service revenues for that reference unit for those various locations on the system. And then that gives us a net cost of new entry for each of those reference units in each of those areas. And the gross CONE is adjusted by WEGF and CPIs, remember. It's some sort of inflationary index.

Jeffrey Bastian, Manager, Capacity Market Operations

Yeah. It's a combination of --

Frederick S. Stu Bresler III, Senior Vice President

Right, so lot of the -- if I should have mentioned this in my overview, a lot of the -- I mean, since a lot -- a few of the NetCONE values were reduced somewhat substantially, 12%, 17% in a couple of cases. That was not a result of the -- any change in the gross cost of new entry because those went up slightly, but there was a fairly significant increase in the energy and ancillary service offset in a couple of locations in PJM, for example in Southwest MAAC that caused a reduction in the NetCONE value.

Kit Konolige, Senior Utilities Analyst

Right. Right. How that -- you obviously have a projected reserve margin for this next auction, the upcoming auction, do you project it out for the years ahead as well?

Frederick S. Stu Bresler III, Senior Vice President

No. We do that on an annual basis. So and it's not a projection, really it's a requirement. We have an installed (technical difficulty) this is a requirement. And if we were to calculate that every year on the basis of updated input parameters like forced outage rates and load forecast there and those types of things and then once a year we reset it.

Kit Konolige, Senior Utilities Analyst

Great. Requested, just reviewing once more the demand response, bidding rule changes, I think this probably addresses the potential for, well, DR has to address the 100%. It has to be a CP and I guess it has to be or may have to be associated with other types of supply, right?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. Demand response as a standalone resource must be annual in order to offer in next auction. In order to offer as a seasonal resource like summer only [ph], for example, it can do that in this auction, but it won't clear unless it can be

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married up with a winter only resource on the basis of location megawatts and offer prices.

Kit Konolige, Senior Utilities Analyst

And do you expect any, well, there is always some impact, but what do you expect the impact to be on demand response and on renewables of the 100% CP requirement. I know -- you know, when you first started talking about it a lot of parties had objections on the ground that it would disadvantage these types of generation, what are you expecting as an actual outcome at this point. Is there going to be any kind of drop off, do you think in those sources or are suppliers adapting to it?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. I mean, like anything else, we'll have to wait and see but I'm happy just to tell you what my thoughts would be or what a reasonable expectation might look like for -- for demand response, it's hard to see how we would get an increase and clear demand response last year to this year, where last year the base capacity category was available. This year it's not everything has to be annual except what can be aggregated or I think can be fairly certain that there is not going to be enough winter only to marry up with what might want to be summer only from a demand response perspective. So again, all things being equal, I would expect to see some level of reduction in clear demand response this year. It's very difficult to estimate by how much until we see how things come in.

With respect to renewables, I don't know that I would expect necessarily a reduction in wind, because of the 100% CP requirement. The requirement for wind to be 100% annual, the hardest -- harder period of the year for winter performance is summer. They actually perform better during the winter peak than they do during the summer peak. So as far as what can qualify as annual versus what can qualify as summer only base, I don't see there -- I don't see necessarily a reason to expect a drop-off there. We may actually see an increase in wind if there is some that actually does aggregate with summer only demand response by being the winter only, but again we want to see how that turns out.

And then, energy efficiency, the majority of the energy efficiency that I cleared before was already CP, because, again energy efficiency is largely a permanent reduction in consumption. So I'm not sure I see much of a reason for a drop-off there either.

Solar; right, solar might be a different story, because, again, it's very difficult for solar to be 100% annual, because it's actually more difficult for solar to perform during a winter peak before the sun comes up than during a summer peak, where it's in the heat of the afternoon.

(Multiple Speakers) So at least directionally those of you, my expectations --

Kit Konolige, Senior Utilities Analyst

Right.

Frederick S. Stu Bresler III, Senior Vice President

-- can be difficult to predict.

Kit Konolige, Senior Utilities Analyst

And to stick with the CP requirement for a second, my impression was in the last auction that there was some general, I don't know if I'd call it surprise, but some folks took note that many generators seem to not have to spend the whole lot

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of money to harden themselves, if you will, to approach -- to be comfortable with CP requirements. In other words, the backup systems whether it was a committed supply of gas or tanks on on-site et cetera were able to be put into place at a reasonable enough cost that that many generators see and seem to able to bid, you know, not at massively higher prices to recover their costs in that situation. Is that a correct characterization as -- are the fossil generators doing okay as far as complying with CP at a relatively small percent of their prior costs?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. Again, it's difficult for us to really get a whole lot of visibility into what generators might be spending in order to achieve the CP requirements. And we asked the question, we've asked it multiple times and certainly we collectively get back and I think we've actually published in various forms. We've gone back and it's -- certainly it's in the hundreds of millions of dollars of investment that has taken place.

Again, just from what we're able to get back, but I certainly would not claim that is the full story or the full spend, because like I said there is no requirement for us -- for them to tell us what they're spending necessarily.

Having said that, it's going to be very interesting to see what the offer behavior looks like this year. I mean, I mentioned that there were some probably 20,000 plus megawatts of generation that classified [ph] not quite that much, but, you know 1,000 certainly make a -- thousands of megawatts of generation that cleared as base last year.

And a lot of that offered as either CP or base, but the base offer was the more economic one for us to take. Now that has to be 100% capacity performance, it will be interesting to see whether or not they still offer at a higher price for CP or whether -- the raise to the bottom that some of the generators have, I think offered experience with before where they just want to offer some that make sure that they clear kind of takes over.

So it's very difficult, Kit, to get a really good handle on whether the offers we get are really reflective of what costs might be experienced in order to manage CP risks because there is the competitiveness of the market, right, which is they are submitting an offer that they think is going to be competitive with other resources because in some cases, we just want to make sure they get a commitment.

Kit Konolige, Senior Utilities Analyst

Okay. I think that brings us to the end of the questions that I see here, so, and you've certainly answered all my questions. So Stu and team from PJM, really like to thank you on behalf of myself and all the clients we've had on the phone. I think this has been a great, really great (inaudible) position of what's coming up in the ever exciting RPM auctions. So, thanks again and look forward to talking to you soon.

Frederick S. Stu Bresler III, Senior Vice President

Okay. Thank you. And thank you everybody who was on the phone. It's, like I said, always a pleasure to have this opportunity.

Kit Konolige, Senior Utilities Analyst

Take care.

Frederick S. Stu Bresler III, Senior Vice President

All right. Bye-bye.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-02-08
Event Description: Q4 2016 Earnings Call

Market Cap: 32,471.31
Current PX: 35.23
YTD Change($): -.26
YTD Change(%): -.733

Bloomberg Estimates - EPS
Current Quarter: 0.680
Current Year: 2.643
Bloomberg Estimates - Sales
Current Quarter: 7753.250
Current Year: 31124.133

Q4 2016 Earnings Call

Company Participants

- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Dominguez
- Joseph Nigro

Other Participants

- Greg Gordon
- Jonathan Philip Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Michael Weinstein
- Shahriar Pourreza

MANAGEMENT DISCUSSION SECTION

Christopher M. Crane

Business Performance Update

2016 was a monumental year for Exelon, and I'm very proud of what we have accomplished

We made great progress in the ongoing transformation of our company while delivering on our commitments

Earnings

- We performed well financially
- Our 2016 GAAP earnings at $1.22 and our non-GAAP earnings were $2.68, landing near the top of our original guidance range of $2.40 to $2.70

Segment Overview

- At the utilities, we benefited from a hot summer and low storm costs
- At ExGen, the nuclear fleet had its best performance year on record
- And at Constellation, the team executed very, very well
- In 2016, for the first time, our regulated utility, less the holding company, earnings represented more than half of the total earnings and is consistent with our goal for the utilities to be growing the majority of our EPS

Dividend and Acquisition of PHI

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- And we've implemented a dividend growth strategy of 2.5% annually through 2018
- In March, we closed on the acquisition of PHI, adding $8.3B to our utility rate base and creating a significant geographic footprint covering the Mid-Atlantic region
- The integration of PHI is going better than planned, help by our experience with BGE
- We are working our way through the first of the two cycles of catch-up rate cases at the PHI utilities
- We're seeing additional opportunities to help and improve the business processes in the stakeholder outreach process as we go through those rate cases

ZEC Programs

- The other banner highlight for 2016 was the creation of the ZEC programs in both New York and Illinois
- For years, we have argued that all clean energy resources be treated the same way for their environmental attributes
- We're able to work with a wide range of stakeholders in both states to enact programs that compensate these plans for their environmental attributes
- As a result of these programs, we plan to continue to operate five plants and protect high-paying jobs, preserve needed tax basis in rural communities and maintain irreplaceable emission-free base load power production
  - These programs provide a supplemental cash flow for up to 12 years for some of our most at-risk plants

Illinois Legislation

- Illinois legislation also provides significant benefit for our customers in energy efficiency, additional renewable generation and to benefit lower income customers
- The program also adds to the earnings visibility at ComEd by implementing a decoupling mechanism, supporting energy efficiency investments where we now will be able to earn a return on those investments, and extending the formula rate to 2022

CapEx Deployment

- In 2016, we also found ways to further grow stable revenue streams
- We deployed $5.2B of CapEx at the utilities, growing the rate base by $2B, acquired ConEd Solutions, and will close the FitzPatrick nuclear plant station this spring
- We have completed nine transmission and distribution rate cases, providing revenue increases of $397mm

Employee Recognition

- None of these accomplishments would be possible without the remarkable 34,000 employees that work hard every day to keep the power and gas flowing
- Our workers donated over 170,000 hours to local non-profits, and Exelon donated $46mm, both of which were the most ever for Exelon
- The commitment to our community is clearly part of who we are and shows our engagement beyond the products we deliver every day

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- We also recognize that the support of our employees is essential to high-performing work cultures
  - And that is why Exelon took industry lead on two important initiatives in 2016
- We expanded our paid leave policies to what are truly the best in class, with 16 weeks of maternity leave, 8 weeks for fathers and adopted parents, and 2 weeks of family leave
- We were also the first utility to sign the White House Equal Pay pledge
- Being a good citizen also means supporting our local businesses
- In 2016, our spend with female and minority-owned businesses reached $1.9B, over 200% since 2011, and it represents almost 20% of our sourceable spending
- The team has done a great job making sure we work with our suppliers across all our communities
- Doing the right thing by our employees and communities is the smart thing for business
- And more importantly, it's the right thing to do
- We are proud to be leading the industry forward on these fronts

Utilities Business

- Turning to operations, our utilities had a great year
- The legacy Exelon utilities continued to perform at top quartile on key operating and customer satisfaction metrics
  - These are the foundations of a constructive regulatory relationship
- The efforts at PHI before the merger and our intense focus on operations since then has started to show benefits
- The color blocks are improving even compared to 2015, although we did get some help from favorable weather in 2016
- PHI is still improving
- We're encouraged by the gain so far, and we have plan in place to deliver for our customers and stakeholders
- The color blocks show great performance, but this actually is underselling how well we did in 2016
- We actually had a number of best-evers this year
- ComEd, BGE, PECO had had their best customer satisfaction ever
- ComEd and PHI outage frequency were the best ever
- And BGE had its shortest average outage duration ever
- The benefits of our uniform management model across the utilities, our smart grid initiative, and our continued reliability spending are clearly paying dividends for our customers

Non-Regulated Business Operations

- Turning to our non-regulated business operations, we had a banner year in generation as well
- Our nuclear fleet had its highest ever capacity factor at 94.6% vs. the industry average of 90.4%, which allowed us to produce an additional 7 terawatt hours more and approximately $275mm of revenue than if we had just been average

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- We also had the shortest average refueling duration ever, just over 22 days vs. the industry average of 37 days
  - The fact the entire fleet performed so well against the backdrop of potential plant closures and fighting for ZECs is truly a testament to the professionalism of the workforce, which we all are greatly appreciative of
- Our gas, hydro, and renewable assets also had a good year, strong energy capture on the renewable and the power dispatch on our conventional plants

Constellation Business

- At Constellation, the team performed exceptionally well
- Our customer renewal rate was 77% for electric and 91% for gas
- Equally important, our new business win rate was at 28% last year, and our C&I market share grew to 25%

Jonathan W. Thayer

Financial Results and Guidance

My remarks today will focus on 2016 results, 2017 earnings guidance, and updates to a number of our financial disclosures including gross margin

Going forward, Q4 will be when we update key financial disclosures and roll our hedge disclosures over the year

Operating Earnings

- On slide 8, as Chris stated, we had a very strong year financially and operationally across the company
- For the full year, we delivered adjusted non-GAAP operating earnings of $2.68 per share, near the top end of our original guidance range of $2.40 to $2.70 per share
- Strong performance at both our utility and generation businesses drove these results
- The appendix contains further detail on both our fourth quarter and full-year financial results by operating company on slides 52 and 53

FY2017 Operating Earnings

- Turning to slide 9, we expect to deliver full-year 2017 adjusted operating earnings of $2.50 to $2.80 per share with Q1 in the range of $0.55 to $0.65 per share
- Our 2017 guidance range includes a full-year contribution from PHI, contributions from the FitzPatrick plants after closing, and the partial year impacts of the New York and Illinois ZEC programs that start on April 1 and June 1 respectively
- The growth in utility earnings primarily reflects continued reliability investments at ComEd, plus higher formulaic allowed ROEs, as well as increased rates from the recent distribution rate cases at BGE, ACE, and Pepco Maryland
  - These are partially offset by higher O&M at PECO and BGE related to a return to normal storing costs after a calmer 2016, as well as higher depreciation and amortization driven by CapExs

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- At Exelon Generation, the y-over-y decrease is primarily driven by the impact of hedging into lower energy prices, partially offset by revenues from the New York and Illinois ZEC programs as well as the new Texas CCGTs coming online this summer
- More detail on the y-over-y drivers by operating company can be found on the appendix starting on slide 55

CapEx

- On slide 10, let's turn to our updated multi-year forecast, and we'll cover 2017 to 2020 and provide a refresh of what we shared with you at the Analyst Day
- For your convenience, in the appendix, we show these updated numbers side-by-side against the Analyst Day numbers
- We'll invest more than $20B into our utilities to the benefit of our customers over the next four years, which is a slight increase since Analyst Day
- Upside comes from the Future Energy Jobs Bill in Illinois, which will allow ComEd to grow rate base and earn a fair rate of return on energy efficiency investments
- We now project rate base growth of 6.5% through 2020

Rate Base Growth

- On slide 11, of the $9B of rate base growth expected through 2020, approximately 75% is covered under either formula rates or other similar types of mechanisms
- These timely recovery mechanisms allow us to make additional investments on the behalf of our customers while supporting our ability to earn our allowed ROE
- Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools
- I should also note that following the passage of the Illinois legislation, more than 70% of our rate base is decoupled

Transmission-Distribution Earned Book ROE

- On slide 12, we showed the trailing 12-month blended transmission-distribution earned book ROE at each of the PHI utilities relative to their allowed ROEs
- ROEs at PHI have improved modestly, but there's still much work to be done
- Legacy Exelon utilities had a strong 2016, earning 10.5% as a group, helped by favorable weather and lower-than-normal storm activity
- On a weather-normalized basis, the earned returns or ROEs would be closer to 10.1%
- Improving the earned ROEs at PHI and sustaining a strong performance of the legacy Exelon utilities will be important to meeting our overall utility earnings growth targets
- Going forward, we will provide a slide on a quarterly basis to keep you updated on the progress we're making from an earned returns perspective

Current Rate Cases

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- On slide 13, we have an update on our current rate cases that are still in progress
- Since our last update, we have completed two of the pending rate cases, the Pepco Maryland case was decided in November and we received $52.5mm revenue increase
- In addition, the ComEd annual formula rate filing was settled in December with an increase of $127mm related to approximately $2.4B in capital investments made in 2015
  - Those investments which includes $663mm for smart grid-related work has helped strengthen and modernize the electric system
- We still have four pending rate cases at Pepco and Delmarva, combined we're asking for $216mm in revenues, which reflects recovery on multiple years of smart meter and other capital investments that have been made to improve the reliability of the grid across these jurisdictions
- We expect the final ruling on the Delmarva Maryland case in mid-February, with the remaining cases being completed over the summer
- More details on the rate cases can be found on slide 61 through 66 in the appendix
- Consistent with our previous discussions, we expect to file rate cases in each of the PHI jurisdictions again in 2017, as we continue to close the gap between allowed and earned ROEs

Utility EPS Outlook

- Slide 14 provides an update on our outlook for utility EPS
- The bars are largely the same as in Analyst Day, albeit $0.05 higher in 2017 and 2020
- The increase in 2017 is due to continued cost management efforts; and the increase in 2020 is due to ComEd ROEs and efficiency-related investments
- With a higher 2017 starting point, we now project strong 6% to 8% utility EPS growth through 2020

Gross Margin Disclosures

- Turning to slide 15, we've modified our gross margin disclosures for ExGen
- We now include a new line that carves out capacity and ZEC revenues
- ZEC revenues are the payments Exelon receives in New York and Illinois for the beneficial environmental attributes of our nuclear plants
  - The purpose of this new line item is to clearly call out the portion of our gross margin that is more contracted in nature
- As a result of including ZEC revenues from New York and Illinois, the FitzPatrick acquisition and the reserved – reversal of the shutdown decisions of Quad Cities and Clinton, total gross margin increased by $650mm, $1.05B and $1.1B in 2017, 2018 and 2019 respectively
- Almost all the gross margin changes relate to the fleet updates with changes in power prices, adding $50mm in 2018 and costing us $50mm in 2019

O&M Outlook

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- Turning to slide 16, on our last earnings call, we announced we were reducing O&M by $100mm in 2018 and $125mm in 2019 at ExGen, adding to the $400mm of savings we've already taken out of the business
- The baseline O&M outlook remains the same from last quarter, although the total O&M cost outlook has increased with the addition of the FitzPatrick, Quad Cities, and Clinton power stations which we break out on the slides for your reference
- Our baseline capital spend is decreasing through 2020, driven by the proactive investments we've made in our nuclear fleet over the years
  - These investments have resulted in best-in-class performance and reduced risks for significant unplanned capital spend in the future

Investments

- On slide 40, we provide greater detail on these investments and the impact they have had on the nuclear fleet since 2010
- We continue to run an efficient organization, and we'll always look for ways to reduce costs and run the fleet more cost effectively while maintaining the highest standards for safety and reliability

FCF

- Turning to slide 17, ExGen will generate nearly $7B of FCF through 2020, which is more FCF for that time period than what was included in our Analyst Day disclosure
- This is primarily driven by the incremental cash associated with the New York and Illinois ZEC programs, partially offset by the impacts of lower power prices in the outer years
- As we've said before, we will use ExGen's FCF to fund utility investment and pay down over $3B of debt through 2020

Balance Sheet

- Turning to slide 18, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating
- We are forecasting to be at 3.3 times debt-to-EBITDA at ExGen by the end of 2017 and have a clear path to our long-term target of 3 times debt-to-EBITDA
  - As we've said before, we will look to retire holding company debt once we've reached the 3 times target at ExGen
- From a recourse perspective, we are already below the 3 times debt-to-EBITDA level at 2.7 times, as shown here on the slide
  - This ratio will continue to decline as well with the paydown of debt to reach our consolidated 3 times target
- The health of our ExGen balance sheet is strong and is continuing to improve

Potential Impacts of Tax Reform Legislation

- Before I turn the call over to Chris, I'd like to spend a few minutes on the potential impacts of tax reform legislation of Exelon, which has been a topic of discussion since the election

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- Research reports and our peers who have already reported earnings have discussed the impacts to the sector and their businesses
- From a policy perspective, we think simplifying the tax code and lowering rates is the right objective
- We are actively working with our partners at EEI and NEI and on our own to help inform the ultimate tax design
- No legislation has been introduced at this time, so no details on exactly what will be included or how it will be => included is available beyond the short description of the Trump plan or the House blueprint
  - In fact, just last week, Senate Finance Committee Chairman Hatch said he's not planning on using the House legislation as a starting point
- So the Senate will have its own bill, and there's no proposal for that bill at this time
- And President Trump's economic team has stated that they will have their own views on tax reform once they're in place
- At this time, there's no way to know what a tax reform package will look like or how long it will take to advance, which leads us to the mindset that is premature to quantify how tax reform will impact Exelon's financial outlook
- We run a wide range of scenarios to understand the high-level impacts of common themes in the House and Trump plans
- The House blueprint, excluding order adjustment provisions, will be neutral for our utilities, neutral to positive at the GenCo, and negative at the holding company due to the elimination of all interest deductibility
- Order adjustment will be an additional negative at ExGen due to the importation of nuclear fuel, and at that the utilities would raise the cost of imported T&D capital equipment that goes in the rate base
- We've seen significant opposition to both the border adjustment and elimination of interest expense deductibility recently, leaving the fate of these provisions unclear
- To the extent the Trump campaign becomes the basis of legislation and the election is made to take interest deductibility rather than immediately expense capital additions, it could be meaningfully positive to Exelon's earnings
- We see a long path until tax policy has clarity
- We'll continue to advocate for the best interest of our customers and shareholders as legislation is developed

Christopher M. Crane

Closing Remarks

Rate Base and EPS

- This is Exelon's value proposition, and we are not wavering from these commitments
- Strong utility growth, we expect to grow the rate base at 2.5% annually through 2020 – at 6.5%
- Dan caught that one right away, 6.5% annually through 2020, which converts to EPS growth off our 2017 midpoint of 6% to 8% a year
- We will continue to look for opportunities to invest in reliability and customer service

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FCF

- ExGen is expected to generate nearly $7B of FCF through 2020, which is better than we had budgeted at the Analyst Day
  - We will use this FCF primarily to invest in the utilities, pay down over $3B of debt over the next years
- And we will continue to optimize the value of ExGen through best-in-class operating like we saw in 2016, capturing the benefits of our gen-to-load matching strategy, and fair compensation for our clean energy assets, similar to what we've accomplished in Illinois and New York

Balance Sheet and Capital Allocation Priorities

- We remain focused on the balance sheet and are comfortably exceeding our credit metrics targets over the planning horizon
- And our capital allocation priorities will remain the same:
  - Regulated utility growth
  - Dividend growth
  - And debt reduction
- The leadership team firmly believes we can deliver on these commitments to our shareholders
- Our executive compensation is directly tied to these goals, with the long-term components driven by hitting the multi-year earnings targets at the utilities which ensures we grow this business as we've committed to you
- Meeting our targets improvements in earned ROEs at the utilities, which ensure we turn around the performance of the PHI utilities and maintain a strong investment grade credit metrics, which ensures the financial health of the business, no matter what the commodity price backdrop is

Long-Term Compensation

- Finally, our long-term compensation will be adjusted point per point with the three-year performance relative to the UTY, meaning that we are directly aligned with the long-term shareholders
- I'm proud of everything that this team has accomplished in 2016 and very excited about the plan we have in place for the future

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: Just a couple of quick questions as you guys were pretty thorough. So, can you give us an update on where you were on some of the tactical decisions you've made to sell down or exit from certain businesses, both the sell-down of the renewables business and the process on Mystic?

<A - Jonathan W. Thayer>: Greg, it's Jack. I'll take that. So, I'll start with the renewables. I think it's been widely reported that that we've been in the markets talking about a joint venture for our renewables business, and that process is going well. We want to maintain a stake in that business as it's important to our overall participation in the energy complex.

We do have a significant amount of project-level debt on those projects. So there is a thinner equity layer on top of that. So the proceeds, while meaningful, will be used for debt reduction. We'd expect that to be a very positive event for the company.

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With respect to the Mystic process, that process continues to be underway. We've had broad interest in those assets as they play a key role in that needful market in Downtown Boston. We continue to work with the various stakeholders to draw it to a conclusion. And we look forward to that having a favorable outcome as well here.

<Q - Greg Gordon>: Jack, can you give us any insight as to why it's taken longer than maybe we had initially expected when we – when you first articulated a desire to potentially sell those assets, it was at the EEI last year. And there was the potential for sort of an event early in Q1, and we still haven't seen that. And then, even if you were to get a deal tomorrow, given the lack of a quorum at the FERC, what are we looking at in terms of realistic timing to actually come to a closing of a transaction there?

<A - Christopher M. Crane>: So, if we did openly talk about it after it had been leaked and figured we get that out there, but there is no fire sale here. We need to take our time and go through the process and make sure we obtain the right value for us and for all involved in it, so working through it, and we'll keep you informed when we're at a closure.

<Q - Greg Gordon>: Okay. But assuming you got a price that was accretive to what you think the implied value is today for ExGen, that would accelerate the deleveraging that you're talking about here on slide 18 in the handout, right?

<A - Jonathan W. Thayer>: That's correct, Greg.

<Q - Greg Gordon>: Okay. Fantastic. And the growth rate target for the utility now, that's just clearly a function of having a higher base in 2017, you're $0.05 higher in 2020. So, the headline number is not a reduction in the expectations, it's just algebra, right?

<A - Jonathan W. Thayer>: That's correct. And you'll know with the passage of Illinois legislation and the energy efficiency programs, the solar programs we added to CapEx at ComEd, rather substantively throughout the curve. I think it's also important to note, we have a pretty conservative policy on only putting into our CapEx forecast the utilities, plants that are fully formed for capital investment. So, as time progresses and as we see opportunities to invest in the behalf of our customer, there are the opportunities for that rate base and capital budget to grow in those outer periods.

<Q - Jonathan Philip Arnold>: Can I ask, Jack, I noticed you mentioned that the – that debt reduction target on slide 17 is now ExGen and HoldCo, and I think before it was just ExGen, so just to confirm that – if that is the case. And secondly, how much of the $3B roughly is it going to take to get to the 3x debt-to-EBITDA target? So, how much is therefore left over for HoldCo on the current plan?

<A - Jonathan W. Thayer>: So, Jonathan your first comment is correct. We previously were talking about retiring debt at the GenCo, now we see the opportunity once we achieved 3 times debt-to-EBITDA to retire debt at the holding company. With respect to the debt retired – we'll retire at the holding company, we have $900mm maturity in 2020, where I think you could see us potentially retire debt or some component of debt, and we're looking at opportunities with use of proceeds from a variety of strategic activities that we have ongoing to address the roughly $600mm of ExCorp that's not tied to the mandatory convertibles reissuance of $1.15B in 2017.

<Q - Jonathan Philip Arnold>: What's roughly the timing that you see in this kind of – through 2020 outlook that you'd get to 3x on the GenCo absent an asset sale?

<A - Jonathan W. Thayer>: I think it's – I think – I think we can get there through cash generation I think over the next, say, two to three years. And then, we can – as we get out in the 2019, 2020, we can work against the holding company.

<Q - Jonathan Philip Arnold>: Okay. Great. Thank you. And then, if I could ask one other thing on – can you give us any sort of thoughts around potential for other states to consider New York and Illinois style nuclear measures?

<A - Joseph Dominguez>: Jonathan, this is Joe Dominguez. Right now, active discussions are occurring in Connecticut which is probably the most advanced. We believe those discussions will be started in Ohio, already have been relatively shortly in New Jersey and in Pennsylvania. I think all of the states, as Chris indicated before, states that

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understand the value of the nuclear plants and want to keep these plants operational, and so the level of discussion is at different stages, some with fully formed legislation that's already moving through committee, that's the case in Connecticut, and stakeholder average [indiscernible] (32:16).

<Q - Steve Fleishman>: Great. Just a couple of nuclear questions. First, could you give a sense on the appeal process on the ZECs, I guess, in New York, and when we should know from the court kind of roughly either way on the ruling both, I guess, your motion to dismiss and then an actual ruling?

<A - Joseph Dominguez>: So in the Federal Court action in New York, as you noted, a motion to dismiss has been filed. That's been fully briefed. I know a number of you have asked for the briefing packages, and those are available to anybody who would like them. We feel very strongly about our case and we believe it should be dismissed on that motion. But if it proceeds to trial, that trial will occur through to the balance of Q2, and we would expect a decision sometime this summer.

<Q - Steve Fleishman>: Okay. And then just more broadly on nuclear, there's been talk of the Trump administration wanting to do something for nuclear. Is there any better visibility on what they might be looking at or things that you might be suggesting?

<A - Christopher M. Crane>: There hasn't been any concrete conversations, just a preliminary recognition of what's going on in the marketplace and the need to maintain the diverse power sources, looking at the economics, local economics of them and the benefit to the customer. So just starting, a lot more dialogue will happen with NEI and the administration, and we're staying involved with NEI and also with our own folks interfacing with the administration.

<Q - Steve Fleishman>: Okay, one separate question on tax reform. I know you don't want to get into specifics, but just if we think about your company and the issues you care most about getting fixed or adjusted, are there any particular ones that you're most focused on addressing of the different factors that you mentioned?

<A - Christopher M. Crane>: Yes, we think Jack did a good job framing up why it's really premature for us to get point to point. I spent a lot of time on my own and with the EEI leadership in DC to look at this effect on utilities, utility customers, and what has happened in 1986 tax bill. So there are certain things in the regulated space that create a difference. I'm sure a lot of industries are trying to say they're different. But surely back in 1986, the insurance industry and the utility industry, the regulated utility industry was recognized as an exemption or a different methodology.

So that kind of conversation is happening within the process. It's not right to have a debate across the table until we have a bill, but coalescing under Tom Kuhn's leadership and the EEI executive leadership and board, we're working through those issues. Everybody is for a lower corporate tax rate. That's an easy one. Jack talked about the probability of the blueprint staying the way it is now vs. after the sausage is made. It's something we'll just have to stay engaged and follow. But you reduce an interest deduction from a utility, and that automatically goes on to the customer, and we've got to make sure it's not an unintended tax increase for the customer and we just have to work through those details.

<Q - Julien Dumoulin-Smith>: Hey, maybe quickly following up on the last one here with Steve, can you elaborate a little bit on what the read-through would be from the litigation in New York vis-à-vis Illinois? Would there be an immediate impact, or how are you thinking about this perhaps across the various ways it could play out? And I've got a follow-up back.

<A - Joseph Dominguez>: Julien, this is Joe. The programs in New York and Illinois are very similar. They're both based on paying for the environmental attribute based on the social cost of carbon. And so the read-through is that when we are successful in New York, we think it will be a very helpful precedent to challenge the Illinois legislation.

<Q - Julien Dumoulin-Smith>: Got it, excellent. And then just following up here on Greg's earlier question, just to establish a little bit of a baseline, how are you thinking about your portfolio evolution given the need to backstop the broader retail business? Are basically all combined cycles, broadly taking here, something that could be looked at? And then also at the same time, how are you thinking about the expansion of the retail business? Obviously, there have been

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some headlines out there on that as well.

<A - Joseph Nigro>: Julien, good morning. It's Joe Nigro. Broadly, we look at our asset portfolio on an annual basis and we look across our nuclear fleet through to our fossil and renewable fleet. And strategically, you've seen some of the assets that we've divested through time here, and I will tell you it hasn't had a material impact on managing our retail portfolios, given that we carry a lot of what I would call optionality in our portfolio with the generation assets.

And then additionally, when we need to, we will go to market to augment with additional products. So we're very comfortable where we are and we continue to strategically look at our portfolio. And if the market is willing to pay for something maybe more than we have value on, then we'll take that into account, make the decisions necessary recognizing that we do need to continue to manage our business. And I'm sorry, the question on...

<A - Christopher M. Crane>: Retail growth.

<A - Joseph Nigro>: Retail growth, we're now – our C&I business is, as Jack mentioned or Chris mentioned in the script, we're about 25% of the market share in C&I. Our margins remained stable in that $2 to $4 origination range, and we continue to monitor that very closely. You heard what our renewal rates are and our win rates are, and they're in line with what we've laid out in the Analyst Day, and we're very comfortable with the plan that we have in place as we move through 2017. We'll continue to monitor that, but right now, we're very happy with where we are.

<Q - Julien Dumoulin-Smith>: And you wouldn't necessarily take this out a little further, acquisitive expansions in addition to organic, and maybe that's a good kind of segue into thinking about – what kinds of targets are you thinking about on a volumetric basis for the volumes in aggregate as we move through time?

<A - Joseph Nigro>: We've given you the volumes, and I think previously – and we rolled them out again at the EEI, and we're very comfortable with where we are on the volume scale. I would tell you, you continue to see consolidation in the retail market, you see some generation entrance that have bought entities, existing entities, not really creating their own retail platform, so there's really no change there.

As you know, we've bought a few in the last few years, and we see the consolidation. We'll continue to hunt for those if the opportunity is right, and we see value and it fits our portfolio in what we're trying to achieve with the customer. And we'll remain disciplined with that. With our acquisition a few years ago of Integrys, and recently, last year with ConEd, we've been very happy with that outcome and the way they've integrated into our portfolio, and we'll continue to look for those type of opportunities.

<Q - Michael Weinstein>: I was wondering if you could comment a little bit on the impact or the impacts of lower load growth and capacity performance in the PJM, upcoming PJM capacity auction. And separately, FERC recently rejected the MISO proposal for a competitive retail solution in certain zones. One of the criticisms, I think, FERC had in the rejection was that it was not broad enough throughout MISO. I'm just wondering if there's any potential for some kind of broader forward auction system throughout the entire Midwest ISO.

<A - Joseph Nigro>: Yeah. Good morning, Michael. It's Joe Nigro. I'll take the first question on PJM, and then I'll hand it off up to Joe Dominguez, and he can talk a little bit about the MISO question. From a PJM perspective, there is a lot of moving pieces, the load came in, as was previously announced, down about 3.5 gigawatts or 2%. So, that wasn't unexpected. We cleared about 27 gigawatts of non-CP supply last year or 16% of what cleared, and as you mentioned, that will be 100% CP this year. that's obviously a positive change when you think about price. There were some movement in the import capabilities. We saw it shrink some into the ComEd zone. And we saw it increased slightly into eastern Mass., so that has an offsetting effect in those two areas.

I guess the big thing is it remains around the two biggest variables which are the bidding behavior, and as you know, y-over-y, the energy rents are down, given how low the prices were on coal last year, and then additionally, what the new build is. And we continue to struggle to see how the economics of that new build works, given how marginal it is at best with where the market is on a forward basis. So, putting that all together, there's a lot of moving pieces where our long-standing policy is really not to try to forecast that, but there's a lot of puts and takes that we're evaluating as we go through this.

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<A - Joseph Dominguez>: And Michael, this is Joe Dominguez, the short answer to your question is, no, I don't see a likelihood that we will see, as a result of this FERC order, an expansion of the proposals for what was effectively Southern Illinois and Michigan across all – with MISO. I could go into a little bit more detail but the answer is no.

<Q - Shahriar Pourreza>: Just real quick on the $0.32 that you're now guiding on ZECs and FitzPatrick, can you – are you embedding any sort of synergies of owning Nine Mile and FitzPatrick within the same portfolio, or you're still kind of looking at this opportunity?

<A - Jonathan W. Thayer>: We're still looking at the opportunity, we're in the process of integrating that plans and that's going quite well. We've got to close the acquisition in March. Obviously, given its proximity to our Nine Mile units, we anticipate that there may be opportunities as we get in there and optimize the operations.

<Q - Shahriar Pourreza>: Okay. Got it. And then, Joe, can you just real quick handicap Pennsylvania, maybe from a potential timing or when we can see something? Are we looking at an adjustment to the RPS to include the nuclear, or is it more of a function of sort of a similar ZEC-type program?

<A - Joseph Dominguez>: I think historically what we've done is we've begun the discussion, and the first stage of the discussion is establishing a recognition that nuclear is the lowest cost and most reliable zero-carbon option for our customers, that's where we are in Pennsylvania. The next stage, I think we'll start getting into different solution sets, and you've identified a few, right. So, you could look at something that's similar to the ZEC programs that have been adopted. You can include nuclear as a qualifying resources and RPSs. And it's way too early for me to handicap where that discussion is going to go. There are a lot of different stakeholders. What's important to us is syncing effectively the first concept, which is that nuclear needs to be treated on a level playing field with other non-emitting resources. That will be the first objective in having that discussion. And then, I think, I can ask, as we move through this and in subsequent calls, we could talk about a bit more about how we handicap the options and outcomes.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2017-02-08
Event Description: Q4 2016 Earnings Call

Market Cap: 32,471.31
Current PX: 35.23
YTD Change($): -.26
YTD Change(%): -.733

Bloomberg Estimates - EPS
Current Quarter: 0.680
Current Year: 2.643
Bloomberg Estimates - Sales
Current Quarter: 7753.250
Current Year: 31124.133

Q4 2016 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Dominguez
- Joseph Nigro

Other Participants

- Greg Gordon
- Jonathan Philip Arnold
- Steve Fleishman
- Julien Dumoulin-Smith
- Michael Weinstein
- Shahriar Pourreza

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Stephanie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Exelon Corporation 2016 Q4 earnings call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. I would now like to turn the call over to Dan Eggers. Please go ahead, sir.

Daniel L. Eggers

Thank you, Stephanie. Good morning, everyone, and thank you for joining our fourth quarter 2016 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions after our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found on the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during the call. Please refer to today's 8-K and Exelon's other SEC filings for discussions of risk factors and factors that may cause results to differ from management's projections, forecasts, and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between non-GAAP measures to the nearest equivalent GAAP measures. We have scheduled 45 minutes for today's call.

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I'll turn it now over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan, and good morning to all. Thank you for joining us. 2016 was a monumental year for Exelon, and I'm very proud of what we have accomplished. We made great progress in the ongoing transformation of our company while delivering on our commitments. We performed well financially. Our 2016 GAAP earnings at $1.22 and our non-GAAP earnings were $2.68, landing near the top of our original guidance range of $2.40 to $2.70.

At the utilities, we benefited from a hot summer and low storm costs. At ExGen, the nuclear fleet had its best performance year on record. And at Constellation, the team executed very, very well.

In 2016, for the first time, our regulated utility, less the holding company, earnings represented more than half of the total earnings and is consistent with our goal for the utilities to be growing the majority of our EPS. And we've implemented a dividend growth strategy of 2.5% annually through 2018.

In March, we closed on the acquisition of PHI, adding $8.3 billion to our utility rate base and creating a significant geographic footprint covering the Mid-Atlantic region. The integration of PHI is going better than planned, help by our experience with BGE. We are working our way through the first of the two cycles of catch-up rate cases at the PHI utilities. We're seeing additional opportunities to help and improve the business processes in the stakeholder outreach process as we go through those rate cases.

The other banner highlight for 2016 was the creation of the ZEC programs in both New York and Illinois. For years, we have argued that all clean energy resources be treated the same way for their environmental attributes. We're able to work with a wide range of stakeholders in both states to enact programs that compensate these plans for their environmental attributes. As a result of these programs, we plan to continue to operate five plants and protect high-paying jobs, preserve needed tax basis in rural communities and maintain irreplaceable emission-free base load power production. These programs provide a supplemental cash flow for up to 12 years for some of our most at-risk plants.

Illinois legislation also provides significant benefit for our customers in energy efficiency, additional renewable generation and to benefit lower income customers. The program also adds to the earnings visibility at ComEd by implementing a decoupling mechanism, supporting energy efficiency investments where we now will be able to earn a return on those investments, and extending the formula rate to 2022.

In 2016, we also found ways to further grow stable revenue streams. We deployed $5.2 billion of CapEx at the utilities, growing the rate base by $2 billion, acquired ConEd Solutions, and will close the FitzPatrick nuclear plant station this spring. We have completed nine transmission and distribution rate cases, providing revenue increases of $397 million.

None of these accomplishments would be possible without the remarkable 34,000 employees that work hard every day to keep the power and gas flowing. Our workers donated over 170,000 hours to local non-profits, and Exelon donated $46 million, both of which were the most ever for Exelon. The commitment to our community is clearly part of who we are and shows our engagement beyond the products we deliver every day.

We also recognize that the support of our employees is essential to high-performing work cultures, and that is why Exelon took industry lead on two important initiatives in 2016. We expanded our paid leave policies to what are truly the best in class, with 16 weeks of maternity leave, 8 weeks for fathers and adopted parents, and 2 weeks of family leave. We were also the first utility to sign the White House Equal Pay pledge.

Being a good citizen also means supporting our local businesses. In 2016, our spend with female and minority-owned businesses reached $1.9 billion, over 200% since 2011, and it represents almost 20% of our sourceable spending. The team has done a great job making sure we work with our suppliers across all our communities. Doing the right thing by our employees and communities is the smart thing for business. And more importantly, it's the right thing to do. We are proud to be leading the industry forward on these fronts.

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Turning to operations, our utilities had a great year. The legacy Exelon utilities continued to perform at top quartile on key operating and customer satisfaction metrics. These are the foundations of a constructive regulatory relationship. The efforts at PHI before the merger and our intense focus on operations since then has started to show benefits.

The color blocks are improving even compared to 2015, although we did get some help from favorable weather in 2016. PHI is still improving. We're encouraged by the gain so far, and we have plan in place to deliver for our customers and stakeholders.

The color blocks show great performance, but this actually is underselling how well we did in 2016. We actually had a number of best-evers this year. ComEd, BGE, PECO had had their best customer satisfaction ever. ComEd and PHI outage frequency were the best ever. And BGE had its shortest average outage duration ever. The benefits of our uniform management model across the utilities, our smart grid initiative, and our continued reliability spending are clearly paying dividends for our customers.

Turning to our non-regulated business operations, we had a banner year in generation as well. Our nuclear fleet had its highest ever capacity factor at 94.6% versus the industry average of 90.4%, which allowed us to produce an additional 7 terawatt hours more and approximately $275 million of revenue than if we had just been average. We also had the shortest average refueling duration ever, just over 22 days versus the industry average of 37 days. The fact the entire fleet performed so well against the backdrop of potential plant closures and fighting for ZECs is truly a testament to the professionalism of the workforce, which we all are greatly appreciative of.

Our gas, hydro, and renewable assets also had a good year, strong energy capture on the renewable and the power dispatch on our conventional plants.

At Constellation, the team performed exceptionally well. Our customer renewal rate was 77% for electric and 91% for gas. Equally important, our new business win rate was at 28% last year, and our C&I market share grew to 25%.

Now, I'm going to turn the call over to Jack to provide the financial update.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. My remarks today will focus on 2016 results, 2017 earnings guidance, and updates to a number of our financial disclosures including gross margin. Going forward, the fourth quarter will be when we update key financial disclosures and roll our hedge disclosures over the year.

On slide 8, as Chris stated, we had a very strong year financially and operationally across the company. For the full year, we delivered adjusted non-GAAP operating earnings of $2.68 per share, near the top end of our original guidance range of $2.40 to $2.70 per share.

Strong performance at both our utility and generation businesses drove these results. The appendix contains further detail on both our fourth quarter and full-year financial results by operating company on slides 52 and 53.

Turning to slide 9, we expect to deliver full-year 2017 adjusted operating earnings of $2.50 to $2.80 per share with the first quarter in the range of $0.55 to $0.65 per share. Our 2017 guidance range includes a full-year contribution from PHI, contributions from the FitzPatrick plants after closing, and the partial year impacts of the New York and Illinois ZEC programs that start on April 1 and June 1 respectively.

The growth in utility earnings primarily reflects continued reliability investments at ComEd, plus higher formulaic allowed ROEs, as well as increased rates from the recent distribution rate cases at BGE, ACE, and Pepco Maryland. These are partially offset by higher O&M at PECO and BGE related to a return to normal storing costs after a calmer 2016, as well as higher depreciation and amortization driven by capital expenditures.

At Exelon Generation, the year-over-year decrease is primarily driven by the impact of hedging into lower energy prices, partially offset by revenues from the New York and Illinois ZEC programs as well as the new Texas CCGTs coming online this summer. More detail on the year-over-year drivers by operating company can be found on the

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appendix starting on slide 55.

On slide 10, let's turn to our updated multi-year forecast, and we'll cover 2017 to 2020 and provide a refresh of what we shared with you at the Analyst Day. For your convenience, in the appendix, we show these updated numbers side-by-side against the Analyst Day numbers.

We'll invest more than $20 billion into our utilities to the benefit of our customers over the next four years, which is a slight increase since Analyst Day. Upside comes from the Future Energy Jobs Bill in Illinois, which will allow ComEd to grow rate base and earn a fair rate of return on energy efficiency investments. We now project rate base growth of 6.5% through 2020.

On slide 11, of the $9 billion of rate base growth expected through 2020, approximately 75% is covered under either formula rates or other similar types of mechanisms. These timely recovery mechanisms allow us to make additional investments on the behalf of our customers while supporting our ability to earn our allowed ROE. Where we do not have mechanisms, we will continue to work with stakeholders to enact and implement these types of tools. I should also note that following the passage of the Illinois legislation, more than 70% of our rate base is decoupled.

On slide 12, we showed the trailing 12-month blended transmission-distribution earned book ROE at each of the PHI utilities relative to their allowed ROEs. ROEs at PHI have improved modestly, but there's still much work to be done. Legacy Exelon utilities had a strong 2016, earning 10.5% as a group, helped by favorable weather and lower-than-normal storm activity.

On a weather-normalized basis, the earned returns or ROEs would be closer to 10.1%. Improving the earned ROEs at PHI and sustaining a strong performance of the legacy Exelon utilities will be important to meeting our overall utility earnings growth targets. Going forward, we will provide a slide on a quarterly basis to keep you updated on the progress we're making from an earned returns perspective.

On slide 13, we have an update on our current rate cases that are still in progress. Since our last update, we have completed two of the pending rate cases, the Pepco Maryland case was decided in November and we received a $52.5 million revenue increase. In addition, the ComEd annual formula rate filing was settled in December with an increase of $127 million related to approximately $2.4 billion in capital investments made in 2015. Those investments which includes $663 million for smart grid-related work has helped strengthen and modernize the electric system.

We still have four pending rate cases at Pepco and Delmarva, combined we're asking for $216 million in revenues, which reflects recovery on multiple years of smart meter and other capital investments that have been made to improve the reliability of the grid across these jurisdictions.

We expect the final ruling on the Delmarva Maryland case in mid-February, with the remaining cases being completed over the summer. More details on the rate cases can be found on slide 61 through 66 in the appendix.

Consistent with our previous discussions, we expect to file rate cases in each of the PHI jurisdictions again in 2017, as we continue to close the gap between allowed and earned ROEs.

Slide 14 provides an update on our outlook for utility EPS. The bars are largely the same as in Analyst Day, albeit $0.05 higher in 2017 and 2020. The increase in 2017 is due to continued cost management efforts; and the increase in 2020 is due to ComEd ROEs and efficiency-related investments. With a higher 2017 starting point, we now project strong 6% to 8% utility EPS growth through 2020.

Turning to slide 15, we've modified our gross margin disclosures for ExGen. We now include a new line that carves out capacity and ZEC revenues. ZEC revenues are the payments Exelon receives in New York and Illinois for the beneficial environmental attributes of our nuclear plants. The purpose of this new line item is to clearly call out the portion of our gross margin that is more contracted in nature. As a result of including ZEC revenues from New York and Illinois, the FitzPatrick acquisition and the reserved – reversal of the shutdown decisions of Quad Cities and Clinton, total gross margin increased by $650 million, $1.05 billion and $1.1 billion in 2017, 2018 and 2019 respectively. Almost all the gross margin changes relate to the fleet updates with changes in power prices, adding $50 million in 2018 and costing us $50 million in 2019.

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Turning to slide 16, on our last earnings call, we announced we were reducing O&M by $100 million in 2018 and $125 million in 2019 at ExGen, adding to the $400 million of savings we've already taken out of the business.

The baseline O&M outlook remains the same from last quarter, although the total O&M cost outlook has increased with the addition of the FitzPatrick, Quad Cities, and Clinton power stations which we break out on the slides for your reference.

Our baseline capital spend is decreasing through 2020, driven by the proactive investments we've made in our nuclear fleet over the years. These investments have resulted in best-in-class performance and reduced risks for significant unplanned capital spend in the future.

On slide 40, we provide greater detail on these investments and the impact they have had on the nuclear fleet since 2010. We continue to run an efficient organization, and we'll always look for ways to reduce costs and run the fleet more cost effectively while maintaining the highest standards for safety and reliability.

Turning to slide 17, ExGen will generate nearly $7 billion of free cash flow through 2020, which is more free cash flow for that time period than what was included in our Analyst Day disclosure. This is primarily driven by the incremental cash associated with the New York and Illinois ZEC programs, partially offset by the impacts of lower power prices in the outer years. As we've said before, we will use ExGen's free cash flow to fund utility investment and pay down over $3 billion of debt through 2020.

Turning to slide 18, we remain committed to maintaining a strong balance sheet and our investment-grade credit rating. We are forecasting to be at 3.3 times debt-to-EBITDA at ExGen by the end of 2017 and have a clear path to our long-term target of 3 times debt-to-EBITDA. As we've said before, we will look to retire holding company debt once we've reached the 3 times target at ExGen.

From a recourse perspective, we are already below the 3 times debt-to-EBITDA level at 2.7 times, as shown here on the slide. This ratio will continue to decline as well with the paydown of debt to reach our consolidated 3 times target. The health of our ExGen balance sheet is strong and is continuing to improve.

Before I turn the call over to Chris, I'd like to spend a few minutes on the potential impacts of tax reform legislation of Exelon, which has been a topic of discussion since the election. Research reports and our peers who have already reported earnings have discussed the impacts to the sector and their businesses.

From a policy perspective, we think simplifying the tax code and lowering rates is the right objective. We are actively working with our partners at EEI and NEI and on our own to help inform the ultimate tax design. No legislation has been introduced at this time, so no details on exactly what will be included or how it will be => included is available beyond the short description of the Trump plan or the House blueprint.

In fact, just last week, Senate Finance Committee Chairman Hatch said he's not planning on using the House legislation as a starting point. So the Senate will have its own bill, and there's no proposal for that bill at this time. And President Trump's economic team has stated that they will have their own views on tax reform once they're in place.

At this time, there's no way to know what a tax reform package will look like or how long it will take to advance, which leads us to the mindset that is premature to quantify how tax reform will impact Exelon's financial outlook. We run a wide range of scenarios to understand the high-level impacts of common themes in the House and Trump plans.

The House blueprint, excluding order adjustment provisions, will be neutral for our utilities, neutral to positive at the GenCo, and negative at the holding company due to the elimination of all interest deductibility. Order adjustment will be an additional negative at ExGen due to the importation of nuclear fuel, and at that the utilities would raise the cost of imported T&D capital equipment that goes in the rate base.

We've seen significant opposition to both the border adjustment and elimination of interest expense deductibility recently, leaving the fate of these provisions unclear. To the extent the Trump campaign becomes the basis of legislation and the election is made to take interest deductibility rather than immediately expense capital additions, it

could be meaningfully positive to Exelon's earnings.

We see a long path until tax policy has clarity. We'll continue to advocate for the best interest of our customers and shareholders as legislation is developed.

With that, I'll now turn the call back to Chris for his closing remarks.

Christopher M. Crane

Thanks, Jack.

This next slide should look familiar to you at this point. This is Exelon's value proposition, and we are not wavering from these commitments. Strong utility growth, we expect to grow the rate base at 2.5% annually through 2020 – at 6.5%. Dan caught that one right away, 6.5% annually through 2020, which converts to EPS growth off our 2017 midpoint of 6% to 8% a year.

We will continue to look for opportunities to invest in reliability and customer service. ExGen is expected to generate nearly $7 billion of free cash flow through 2020, which is better than we had budgeted at the Analyst Day. We will use this free cash flow primarily to invest in the utilities, pay down over $3 billion of debt over the next years. And we will continue to optimize the value of ExGen through best-in-class operating like we saw in 2016, capturing the benefits of our gen-to-load matching strategy, and fair compensation for our clean energy assets, similar to what we've accomplished in Illinois and New York.

We remain focused on the balance sheet and are comfortably exceeding our credit metrics targets over the planning horizon. And our capital allocation priorities will remain the same, regulated utility growth, dividend growth, and debt reduction. The leadership team firmly believes we can deliver on these commitments to our shareholders.

Our executive compensation is directly tied to these goals, with the long-term components driven by hitting the multi-year earnings targets at the utilities which ensures we grow this business as we've committed to you. Meeting our targets improvements in earned ROEs at the utilities, which ensure we turn around the performance of the PHI utilities and maintain a strong investment grade credit metrics, which ensures the financial health of the business, no matter what the commodity price backdrop is.

Finally, our long-term compensation will be adjusted point per point with the three-year performance relative to the UTY, meaning that we are directly aligned with the long-term shareholders. I'm proud of everything that this team has accomplished in 2016 and very excited about the plan we have in place for the future.

So, with that, Stephanie, we can open it up for questions.

Q&A

Operator

[Operator Instructions] Our first question comes from the line of Greg Gordon with Evercore.

<Q - Greg Gordon>: Thanks. Just a couple of quick questions as you guys were pretty thorough. So, can you give us an update on where you were on some of the tactical decisions you've made to sell down or exit from certain businesses, both the sell-down of the renewables business and the process on Mystic?

<A - Jonathan W. Thayer>: Greg, it's Jack. I'll take that. So, I'll start with the renewables. I think it's been widely reported that that we've been in the markets talking about a joint venture for our renewables business, and that process is going well. We want to maintain a stake in that business as it's important to our overall participation in the energy complex.

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We do have a significant amount of project-level debt on those projects. So there is a thinner equity layer on top of that. So the proceeds, while meaningful, will be used for debt reduction. We'd expect that to be a very positive event for the company.

With respect to the Mystic process, that process continues to be underway. We've had broad interest in those assets as they play a key role in that needful market in Downtown Boston. We continue to work with the various stakeholders to draw it to a conclusion. And we look forward to that having a favorable outcome as well here.

<Q - Greg Gordon>: Jack, can you give us any insight as to why it's taken longer than maybe we had initially expected when we – when you first articulated a desire to potentially sell those assets, it was at the EEI last year. And there was the potential for sort of an event early in the first quarter, and we still haven't seen that. And then, even if you were to get a deal tomorrow, given the lack of a quorum at the FERC, what are we looking at in terms of realistic timing to actually come to a closing of a transaction there?

<A - Christopher M. Crane>: So, if we did openly talk about it after it had been leaked and figured we get that out there, but there is no fire sale here. We need to take our time and go through the process and make sure we obtain the right value for us and for all involved in it, so working through it, and we'll keep you informed when we're at a closure.

<Q - Greg Gordon>: Okay. But assuming you got a price that was accretive to what you think the implied value is today for ExGen, that would accelerate the deleveraging that you're talking about here on slide 18 in the handout, right?

<A - Jonathan W. Thayer>: That's correct, Greg.

<Q - Greg Gordon>: Okay. Fantastic. And the growth rate target for the utility now, that's just clearly a function of having a higher base in 2017, you're $0.05 higher in 2020. So, the headline number is not a reduction in the expectations, it's just algebra, right?

<A - Jonathan W. Thayer>: That's correct. And you'll know with the passage of Illinois legislation and the energy efficiency programs, the solar programs we added to CapEx at ComEd, rather substantively throughout the curve. I think it's also important to note, we have a pretty conservative policy on only putting into our CapEx forecast the utilities, plants that are fully formed for capital investment. So, as time progresses and as we see opportunities to invest in the behalf of our customer, there are the opportunities for that rate base and capital budget to grow in those outer periods.

<Q - Greg Gordon>: Right. I have more questions, but I'll go back in the queue. Thanks.

<A - Jonathan W. Thayer>: Thank you.

Operator

Our next question comes from the line of Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Yeah. Good morning, guys.

<A - Jonathan W. Thayer>: Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Jonathan Philip Arnold>: Can I ask, Jack, I noticed you mentioned that the – that debt reduction target on slide 17 is now ExGen and HoldCo, and I think before it was just ExGen, so just to confirm that – if that is the case. And secondly, how much of the $3 billion roughly is it going to take to get to the 3x debt-to-EBITDA target? So, how much is therefore left over for HoldCo on the current plan?

<A - Jonathan W. Thayer>: So, Jonathan your first comment is correct. We previously were talking about retiring debt at the GenCo, now we see the opportunity once we achieved 3 times debt-to-EBITDA to retire debt at the holding company. With respect to the debt retired – we'll retire at the holding company, we have a $900 million maturity in

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2020, where I think you could see us potentially retire debt or some component of debt, and we're looking at opportunities with use of proceeds from a variety of strategic activities that we have ongoing to address the roughly $600 million of ExCorp that's not tied to the mandatory convertibles reissuance of $1.15 billion in 2017.

<Q - Jonathan Philip Arnold>: What's roughly the timing that you see in this kind of – through 2020 outlook that you'd get to 3x on the GenCo absent an asset sale?

<A - Jonathan W. Thayer>: I think it's – I think – I think we can get there through cash generation I think over the next, say, two to three years. And then, we can – as we get out in the 2019, 2020, we can work against the holding company.

<Q - Jonathan Philip Arnold>: Okay. Great. Thank you. And then, if I could ask one other thing on – can you give us any sort of thoughts around potential for other states to consider New York and Illinois style nuclear measures?

<A - Joseph Dominguez>: Jonathan, this is Joe Dominguez. Right now, active discussions are occurring in Connecticut which is probably the most advanced. We believe those discussions will be started in Ohio, already have been relatively shortly in New Jersey and in Pennsylvania. I think all of the states, as Chris indicated before, states that understand the value of the nuclear plants and want to keep these plants operational, and so the level of discussion is at different stages, some with fully formed legislation that's already moving through committee, that's the case in Connecticut, and stakeholder average [indiscernible] (32:16).

<Q - Jonathan Philip Arnold>: Okay, great. That's it, thank you.

Operator

Your next question comes from Steve Fleishman with Wolfe.

<Q - Steve Fleishman>: Hi, good morning. Can you hear me okay?

<A - Christopher M. Crane>: Yes, we hear you fine, Steve.

<Q - Steve Fleishman>: Great. Just a couple of nuclear questions. First, could you give a sense on the appeal process on the ZECs, I guess, in New York, and when we should know from the court kind of roughly either way on the ruling both, I guess, your motion to dismiss and then an actual ruling?

<A - Joseph Dominguez>: So in the Federal Court action in New York, as you noted, a motion to dismiss has been filed. That's been fully briefed. I know a number of you have asked for the briefing packages, and those are available to anybody who would like them. We feel very strongly about our case and we believe it should be dismissed on that motion. But if it proceeds to trial, that trial will occur through to the balance of the second quarter, and we would expect a decision sometime this summer.

<Q - Steve Fleishman>: Okay. And then just more broadly on nuclear, there's been talk of the Trump administration wanting to do something for nuclear. Is there any better visibility on what they might be looking at or things that you might be suggesting?

<A - Christopher M. Crane>: There hasn't been any concrete conversations, just a preliminary recognition of what's going on in the marketplace and the need to maintain the diverse power sources, looking at the economics, local economics of them and the benefit to the customer. So just starting, a lot more dialogue will happen with NEI and the administration, and we're staying involved with NEI and also with our own folks interfacing with the administration.

<Q - Steve Fleishman>: Okay, one separate question on tax reform. I know you don't want to get into specifics, but just if we think about your company and the issues you care most about getting fixed or adjusted, are there any particular ones that you're most focused on addressing of the different factors that you mentioned?

<A - Christopher M. Crane>: Yes, we think Jack did a good job framing up why it's really premature for us to get point to point. I spent a lot of time on my own and with the EEI leadership in DC to look at this effect on utilities,

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utility customers, and what has happened in 1986 tax bill. So there are certain things in the regulated space that create a difference. I'm sure a lot of industries are trying to say they're different. But surely back in 1986, the insurance industry and the utility industry, the regulated utility industry was recognized as an exemption or a different methodology.

So that kind of conversation is happening within the process. It's not right to have a debate across the table until we have a bill, but coalescing under Tom Kuhn's leadership and the EEI executive leadership and board, we're working through those issues. Everybody is for a lower corporate tax rate. That's an easy one. Jack talked about the probability of the blueprint staying the way it is now versus after the sausage is made. It's something we'll just have to stay engaged and follow. But you reduce an interest deduction from a utility, and that automatically goes on to the customer, and we've got to make sure it's not an unintended tax increase for the customer and we just have to work through those details.

<Q - Steve Fleishman>: Great, thank you very much.

Operator

Your next question comes from Julien Dumoulin-Smith with UBS.

<Q - Julien Dumoulin-Smith>: Hey, good morning.

<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Julien Dumoulin-Smith>: Hey, maybe quickly following up on the last one here with Steve, can you elaborate a little bit on what the read-through would be from the litigation in New York vis-à-vis Illinois? Would there be an immediate impact, or how are you thinking about this perhaps across the various ways it could play out? And I've got a follow-up back.

<A - Joseph Dominguez>: Julien, this is Joe. The programs in New York and Illinois are very similar. They're both based on paying for the environmental attribute based on the social cost of carbon. And so the read-through is that when we are successful in New York, we think it will be a very helpful precedent to challenge the Illinois legislation.

<Q - Julien Dumoulin-Smith>: Got it, excellent. And then just following up here on Greg's earlier question, just to establish a little bit of a baseline, how are you thinking about your portfolio evolution given the need to backstop the broader retail business? Are basically all combined cycles, broadly taking here, something that could be looked at? And then also at the same time, how are you thinking about the expansion of the retail business? Obviously, there have been some headlines out there on that as well.

<A - Joseph Nigro>: Julien, good morning. It's Joe Nigro. Broadly, we look at our asset portfolio on an annual basis and we look across our nuclear fleet through to our fossil and renewable fleet. And strategically, you've seen some of the assets that we've divested through time here, and I will tell you it hasn't had a material impact on managing our retail portfolios, given that we carry a lot of what I would call optionality in our portfolio with the generation assets.

And then additionally, when we need to, we will go to market to augment with additional products. So we're very comfortable where we are and we continue to strategically look at our portfolio. And if the market is willing to pay for something maybe more than we have value on, then we'll take that into account, make the decisions necessary recognizing that we do need to continue to manage our business. And I'm sorry, the question on...

<A - Christopher M. Crane>: Retail growth.

<A - Joseph Nigro>: Retail growth, we're now – our C&I business is, as Jack mentioned or Chris mentioned in the script, we're about 25% of the market share in C&I. Our margins remained stable in that $2 to $4 origination range, and we continue to monitor that very closely. You heard what our renewal rates are and our win rates are, and they're in line with what we've laid out in the Analyst Day, and we're very comfortable with the plan that we have in place as we

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move through 2017. We'll continue to monitor that, but right now, we're very happy with where we are.

<Q - Julien Dumoulin-Smith>: And you wouldn't necessarily take this out a little further, acquisitive expansions in addition to organic, and maybe that's a good kind of segue into thinking about – what kinds of targets are you thinking about on a volumetric basis for the volumes in aggregate as we move through time?

<A - Joseph Nigro>: We've given you the volumes, and I think previously – and we rolled them out again at the EEI, and we're very comfortable with where we are on the volume scale. I would tell you, you continue to see consolidation in the retail market, you see some generation entrance that have bought entities, existing entities, not really creating their own retail platform, so there's really no change there.

As you know, we've bought a few in the last few years, and we see the consolidation. We'll continue to hunt for those if the opportunity is right, and we see value and it fits our portfolio in what we're trying to achieve with the customer. And we'll remain disciplined with that. With our acquisition a few years ago of Integrys, and recently, last year with ConEd, we've been very happy with that outcome and the way they've integrated into our portfolio, and we'll continue to look for those type of opportunities.

<Q - Julien Dumoulin-Smith>: Thank you, gentlemen.

Operator

Our next question comes from Michael Weinstein with Credit Suisse.

<Q - Michael Weinstein>: Hi. Good morning.

<A - Christopher M. Crane>: Good morning, Michael.

<Q - Michael Weinstein>: I was wondering if you could comment a little bit on the impact or the impacts of lower load growth and capacity performance in the PJM, upcoming PJM capacity auction. And separately, FERC recently rejected the MISO proposal for a competitive retail solution in certain zones. One of the criticisms, I think, FERC had in the rejection was that it was not broad enough throughout MISO. I'm just wondering if there's any potential for some kind of broader forward auction system throughout the entire Midwest ISO.

<A - Joseph Nigro>: Yeah. Good morning, Michael. It's Joe Nigro. I'll take the first question on PJM, and then I'll hand it off up to Joe Dominguez, and he can talk a little bit about the MISO question. From a PJM perspective, there is a lot of moving pieces, the load came in, as was previously announced, down about 3.5 gigawatts or 2%. So, that wasn't unexpected. We cleared about 27 gigawatts of non-CP supply last year or 16% of what cleared, and as you mentioned, that will be 100% CP this year. that's obviously a positive change when you think about price. There were some movement in the import capabilities. We saw it shrink some into the ComEd zone. And we saw it increased slightly into eastern Mass., so that has an offsetting effect in those two areas.

I guess the big thing is it remains around the two biggest variables which are the bidding behavior, and as you know, year-over-year, the energy rents are down, given how low the prices were on coal last year, and then additionally, what the new build is. And we continue to struggle to see how the economics of that new build works, given how marginal it is at best with where the market is on a forward basis. So, putting that all together, there's a lot of moving pieces where our long-standing policy is really not to try to forecast that, but there's a lot of puts and takes that we're evaluating as we go through this.

<A - Joseph Dominguez>: And Michael, this is Joe Dominguez, the short answer to your question is, no, I don't see a likelihood that we will see, as a result of this FERC order, an expansion of the proposals for what was effectively Southern Illinois and Michigan across all – with MISO. I could go into a little bit more detail but the answer is no.

<Q - Michael Weinstein>: Okay. Thank you very much, guys.

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Operator

At this time, we have reached the allotted time for questions. Our final question will come from Shahriar Pourreza with Guggenheim Partners.

<Q - Shahriar Pourreza>: Good morning, guys.

<A - Christopher M. Crane>: Good morning, Shahriar.

<A - Jonathan W. Thayer>: Good morning, Shahriar.

<Q - Shahriar Pourreza>: Just real quick on the $0.32 that you're now guiding on ZECs and FitzPatrick, can you – are you embedding any sort of synergies of owning Nine Mile and FitzPatrick within the same portfolio, or you're still kind of looking at this opportunity?

<A - Jonathan W. Thayer>: We're still looking at the opportunity, we're in the process of integrating that plans and that's going quite well. We've got to close the acquisition in March. Obviously, given its proximity to our Nine Mile units, we anticipate that there may be opportunities as we get in there and optimize the operations.

<Q - Shahriar Pourreza>: Okay. Got it. And then, Joe, can you just real quick handicap Pennsylvania, maybe from a potential timing or when we can see something? Are we looking at an adjustment to the RPS to include the nuclear, or is it more of a function of sort of a similar ZEC-type program?

<A - Joseph Dominguez>: I think historically what we've done is we've begun the discussion, and the first stage of the discussion is establishing a recognition that nuclear is the lowest cost and most reliable zero-carbon option for our customers, that's where we are in Pennsylvania. The next stage, I think we'll start getting into different solution sets, and you've identified a few, right. So, you could look at something that's similar to the ZEC programs that have been adopted. You can include nuclear as a qualifying resources and RPSs. And it's way too early for me to handicap where that discussion is going to go. There are a lot of different stakeholders. What's important to us is syncing effectively the first concept, which is that nuclear needs to be treated on a level playing field with other non-emitting resources. That will be the first objective in having that discussion. And then, I think, I can ask, as we move through this and in subsequent calls, we could talk about a bit more about how we handicap the options and outcomes.

<Q - Shahriar Pourreza>: Terrific, that's all I have. Thanks, guys.

Operator

At this time, I would like to turn it back over to Chris Crane for closing remarks.

Christopher M. Crane

Thanks, everybody, again for joining. And hopefully, we got all your questions. If not, then get a hold of Dan and his group, and we'll fill in any blanks. It was, as I said, a phenomenal year in 2016, and we're looking forward to building on that in 2017. Thanks.

Operator

Thank you. This concludes today's conference. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2016-10-26
Event Description: Q3 2016 Earnings Call

Market Cap: 30,655.57
Current PX: 33.26
YTD Change($): +5.49
YTD Change(%): +19.770

Bloomberg Estimates - EPS
Current Quarter: 0.477
Current Year: 2.575
Bloomberg Estimates - Sales
Current Quarter: 7205.500
Current Year: 29254.538

Q3 2016 Earnings Call

Company Participants

- Daniel L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- Anne R. Pramaggiore
- Joseph Dominguez
- Denis P. O'Brien

Other Participants

- Greg Gordon
- Jonathan Philip Arnold
- Steve Fleishman
- Stephen Calder Byrd
- Shahriar Pourreza
- Christopher J. Turnure

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Brandi, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Exelon Corporation third quarter 2016 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Dan Eggers, Senior Vice President of Investor Relations. Please go ahead.

Daniel L. Eggers

Thank you, Brandi. Good morning, everyone, and thank you for joining our third quarter 2016 earnings call. Leading today's call are Chris Crane, Exelon's President and Chief Executive Officer, and Jack Thayer, Exelon's Chief Financial Officer. They're joined by the other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and the Risk Factors section of the earnings release and the 10-Q, which we expect to file later today. Please refer to today's 8-K or the 10-Q and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts, and expectations.

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Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures. We have scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Dan, and good morning to all of you. We appreciate your time and the interest in Exelon in joining the call today.

We hosted our Analyst Day in August, and you have a lot of information that we passed on to understand the business and our value proposition. With that fresh in your mind, today's call will focus on the third quarter results, some business updates, including actions we are taking with recent power weaknesses.

We had a great third quarter across our utilities, Constellation, and our generating fleet. On a GAAP basis, we earned $0.53 versus $0.69 last year quarter over quarter. On the operating basis, we earned $0.91 a share, up from last year's $0.83 per share and well above our guidance range of $0.65 to $0.75 per share. Jack is going to cover the details on earning drivers, but let me make a few observations.

At the utilities, the hot summer weather was a big help, with revenues up on higher volumes of electricity sold and lower costs with less storm activity across the system. The excellent reliability we provided to our customers over a hot summer reinforces the benefits of our capital investment programs. ExGen had a great operational quarter, with the nuclear fleet producing more power ever in a quarter. Finally, Constellation really hit a sweet spot in the third quarter.

The sustained hot weather enabled us to sell high volumes of electricity to customers while limited price volatility brought the cost to serve the customers down, allowing us to profit on both volumes and margins. The continued success at Constellation in the third quarter reinforces the value of our gen-to-load matching strategy.

So if you look at slide six, as we talked about best-in-class operation, at the Analyst Day we emphasized best-in-class operation across all our businesses, which we see as the ticket of entry at the utilities and economic imperative at the generation business, and I'm happy to report that the third quarter was operationally strong.

And our color block charts highlighted operating performance and customer satisfaction for the utilities. Legacy Exelon utilities remain almost entirely first quartile. I'm proud of our customer satisfaction results but am disappointed with our OSHA results, and we are taking corrective actions and should get these numbers back to first quartile shortly.

At PHI, we are encouraged by the process (sic) [progress] (5:02) we are making, although some of this success has been helped by good weather and limited storm activity. We still have a long way to go to meet the reliability commitments we made, but we are working hard to provide the service our customers deserve.

I mentioned already that the nuclear team had a very good quarter with a

capacity factor of 96.3% and no unplanned outage days even with the summer's sustained heat. For the year to date, our nuclear capacity factor is at 94.8%.

Constellation also had a great quarter, completing the acquisition of ConEd Solutions and beginning that integration.

We continue to see a robust renewable rate, with margins and contract durations holding at levels we discussed at the Analyst Day. So I want to thank all of our employees for excellent operations over the quarter and professionalism in what was a very hot summer with fantastic results.

On the regulatory team side, the utilities are very busy as we work through a full load of rate cases at PHI in particular. We've completed one rate case at PHI. The New Jersey BPU unanimously approved the ACE [Atlantic City Electric Company] rate case settlement in August, yielding a good outcome. It brought needed benefits to the New Jersey

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customers months earlier than if we would have litigated the case. We appreciate the efforts of all the parties in New Jersey in making this happen.

We are encouraged by the progress that we are making so far, but we're also aware that improving operations and returns at PHI will take time. These are the first sets of rate cases. We plan to refile at each PHI utility again in 2017. It will take two cycles to what we believe align our revenues with the significant capital being deployed to benefit our customers, improve reliability, and help the environment overall.

Talking about our key priorities, for us it's finding an economically sustainable path for our financially challenged nuclear plants. We're currently on very different paths, but expect clarity this quarter in New York and also Illinois. In New York, we're making progress on finalizing the contracts with NYSERDA and expect to have them sign for all three plants in November. This aligns with the expected approval from the New York PSC on the acquisition of the FitzPatrick plant.

We expect the CES from Ginna, Nine Mile 1 and 2 to add approximately $0.08 to $0.10 of EPS. We can expect FitzPatrick to add another $0.02 to $0.08 per share a year depending on the refueling reschedules.

As expected, a group of independent power producers filed a challenge in federal court. The lawsuit does not request a stay or an expedited trial, and we continue to believe that the CES design is sound and that it will withstand any legal judge.

In Illinois, we continue to work with a wide group of parties on a comprehensive energy package that would preserve the Clinton and Quad Cities stations' operating right. It will advance the utility investment aimed at energy efficiency and reliability and will support further growth in renewable energy production in Illinois. The timeline is short for the resolution, with two windows during a six-day veto session in November and the beginning of December.

We remain hopeful that we can reach a constructive solution that truly is in the best interests for our state and our fellow Illinois citizens. But absent of the action during the upcoming veto session, both facilities will close. We are moving forward with the retirement of the plants. We have already notified PJM of our intent to retire Quad Cities, and we'll inform MISO in the beginning of December if the legislation is not passed.

A few years ago, we asked you to wait a while we work through the process in Illinois, and we have appreciated your patience. We are now very close to the ultimate resolution in both Illinois and New York.

So with that, I'll turn the call over to Jack, and he will walk you through the numbers.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. My remarks today will cover our third quarter and year-to-date results, our updated 2016 guidance range, progress on our current rate cases, and our gross margin disclosures.

Starting on slide 9, as Chris stated, we had a very strong quarter financially and operationally across the company. For the third quarter, we delivered adjusted non-GAAP operating earnings of $0.91 per share, exceeding our guidance range of $0.65 to $0.75 per share.

Exelon utilities delivered a great quarter with a combined $0.53 per share of operating earnings. This was driven by favorable weather at ComEd and PECO, where cooling degree days were 39% and 37% above normal respectively, as well as lower O&M expense versus plan across all our utilities, primarily due to lower than normal storm activity.

Generation delivered $0.41 per share of operating earnings in the quarter. We had strong performance at our Constellation business, where our generation-to-load matching strategy continued to provide value, and we benefited from a lower cost to serve our customers.

On slide 10, the $0.91 per share in the third quarter of this year was $0.08 per share better than the third quarter of 2015. Upside came from favorable weather across our service territories, the inclusion of PHI, and higher distribution

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revenues at both ComEd and PECO due to increased capital investment and increased rates respectively. This was partially offset by a decrease in earnings at ExGen, driven primarily by increased taxes due to the inability to use the domestic production activities deduction and lower capacity prices.

On slide 11, our year-to-date earnings of $2.24 per share are $0.11 per share higher relative to the same period last year, driven by performance at the utilities. The primary drivers are favorable weather, increased distribution revenues across all of our utilities due to higher rates and increased capital investment, and the addition of PHI. ExGen is down $0.16 per share from this time last year due to increased decommissioning costs, increased taxes, and share count differential.

Turning to slide 12, we are raising our full-year guidance range from $2.40 per share to $2.70 per share to $2.55 per share to $2.75 per share, reflecting in particular the strong results that we've seen at ComEd and PECO year to date.

Turning to slide 13, we've laid out the schedule for the next six months of activity in all our current rate case proceedings across Exelon utilities. As you know, we filed distribution cases in all of PHI's jurisdictions and expect decisions spread throughout the third quarter of next year, providing needed revenue relief as we continue to make significant investments on behalf of our customers. Our investments in our utilities are needed to improve the customer experience and create value for customers.

As Chris mentioned, in August, the New Jersey Board of Public Utilities approved a settlement authorizing Atlantic City Electric to increase its electric distribution rate by $45 million. The new rates went into effect immediately, which was seven months earlier than expected. This ruling recognizes Atlantic City Electric's commitment to enhancing its energy infrastructure. Over the past five years, Atlantic City Electric has spent approximately $716 million in energy system upgrades to benefit its customers. This settlement is a good start, but there's more work to be done in the other jurisdictions.

We still have rate cases outstanding at the other PHI utilities. In these cases, we're asking for $326 million in revenue requirement increases. These increases reflect recovery on multiple years of smart meter and other capital investments meant to improve the reliability of the grid across all the PHI jurisdictions. We're expecting the Pepco Maryland decision in mid-November, followed by Delmarva Maryland in February.

In addition, ComEd made its annual formula rate filing with the Illinois Commerce Commission in the second quarter of this year, with a decision expected in December. ComEd requested a revenue requirement increase of $132 million related to approximately $2.4 billion in capital investments made in 2015. These investments, which include $663 million for smart grid-related work, help strengthen and modernize the electric system. More details on the rate cases can be found on slides 28 through 33 in the appendix.

Slide 14 provides our third quarter gross margin update, including our 2019 disclosures. We're including the 2019 numbers a couple weeks earlier than our normal course of [ph] DEI (14:25), as we wanted to package together some interrelated updates for you today. Our total gross margin uses September 30 curves and does not include the impact of the CES program in New York or the purchase of FitzPatrick. But we have included these impacts below the line to provide a full picture for 2017 through 2019. We anticipate formally including both of them on our fourth quarter call.

2016 total gross margin increased $50 million during the third quarter, lifted by strong performance, primarily at Constellation. We're highly hedged for the rest of this year and remain well balanced on our generation load-matching strategy.

Total gross margin decreased from the second quarter to the third quarter by $100 million in 2017 and $250 million in 2018. The decline is driven by lower power prices on the unhedged portion of our output. We have seen power prices at NiHub and West Hub for these years move higher since the end of September, with 2017 increasing approximately $0.50 to $0.75 per megawatt hour respectively.

2018 prices have increased approximately $0.20 to $0.50 per megawatt hour respectively. And as a result total gross margin on our unhedged generation has recovered since 9/30 by $50 million. At the end of the quarter, our hedge position was approximately 7% to 10% behind ratable in 2017 and 4% to 6% behind ratable in 2018 when considering

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cross-commodity hedges and reflecting our more positive fundamental view on the power markets. The majority of our link remains concentrated in the Midwest to align with our view of power market upside at NiHub.

Total gross margin in 2019 is $6.8 billion, which is $450 million less than in 2018. The majority of the decline from 2018 is due to $175 million from lower capacity revenues, which we provided at Analyst Day, $125 million from a full year of retirement for Quad Cities, and $200 million from a roll-off of in-the-money hedges versus 2018.

We see multiple reasons why we would expect a better realized power price environment than what's captured in these numbers. First, forwards beyond 2017 and especially beyond 2018 reflect a highly illiquid market with limited real price discovery. Liquidity will improve as we get closer to the delivery year, and that will help prices. In addition, our work on power market shows too many plants continuing to operate even though they're not economically viable. These plants will need to close like we've done with certain of our fossil plants and our planned nuclear retirements.

Second, our generation load-matching strategy and our portfolio management team at Constellation have a proven ability to extract value out of various market conditions. Our Constellation business is set up to profit in periods of extremes. This summer we captured better margin since our contracts are priced using forward summer market volatility. And when we don't see that volatility, such as this summer, we capture additional value. We saw the same thing during the Polar Vortex, a period with extremes but in the opposite direction. Our gross margin projections on this page do not anticipate these events repeating and assume normal weather, leaving the opportunity for additional upside.

And finally, the CES program in New York and the acquisition of FitzPatrick will add $500 million in gross margin in 2019 and annual EPS contributions of $0.10 to $0.18 per year annually starting next year.

Turning to slide 15, even though we don't believe this market will be a reality, we are acting as if it will. We're reducing expected O&M expenditures by $100 million in 2018 and $125 million in 2019 at ExGen relative to what we showed you.

At Analyst Day, adding to the $400 million of savings we've already taken out of the business. We are finding additional savings as we focus our operations and reduce development efforts in generation as we close out the growth CapEx program in 2017. We run an efficient organization but we'll continue to look for ways to reduce cost beyond these reductions. Our focus at ExGen remains on maximizing our cash generation to meet our commitments of funding utility equity needs and debt reduction. These efforts will help keep us on track.

Finally, turning to slide 16, our sources and uses slide, we expect adjusted cash flow from operations of $6.85 billion in 2016. In September the U.S. Tax Court ruled against us on the like-kind exchange issue related to our sale of fossil generation in 1999. The outcome on the merits was not unexpected. We were fully reserved for the underlying claim. However, we do not agree with the decision and particularly disagree with the decision to issue penalties, which we did not think was likely or warranted. The law is very clear that we were entitled to rely upon the opinion of legal counsel. We believe the court came to an erroneous conclusion, and we expect to appeal the decision early next year. We plan to issue approximately $1 billion of long-term debt to support the payment to the IRS.

I'll now turn the call back to Chris for his closing remarks.

Christopher M. Crane

Thanks, Jack.

We do appreciate the time, and we've had a lot to be proud about at the company, but we're not happy with the outlook that we see at ExGen. As Jack talked, we're taking actions. The limited liquidity in the forwards beyond 2017 and the true lack of discipline by uneconomic generators are distorting the market. That said, we're not just going to sit around and wait on the power markets to recover. As we said, we're taking further actions to control our future at ExGen, aggressively managing our costs to prosper even against these forwards, cutting $100 million in cost from 2018 and $125 million from 2019 on top of the $400 million we've already cut across the business. And we're pursuing the

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compensation for the zero carbon attributes of our plants, as we've done in New York.

We are optimizing the fleet. All of this brings us back to the value proposition. We're targeting the best-in-class utility EPS growth of 7% to 9% through 2020. The strong free cash flow at ExGen will provide the incremental equity needs at the utilities as we focus on debt reduction at ExGen. We're focused on optimizing the value of our ExGen business by seeking fair compensation from the carbon-free generation fleet and closing uneconomic plants. We will be opportunistically selling assets where it makes sense to accelerate our debt reduction plans and maximize value through the gen-to-load matching strategy, which had another big quarter. We'll continue to focus on sustaining strong investment-grade credit metrics, growing our dividend in a consistent visible manner.

And I thank you for your interest, and now we're ready to take questions.

Q&A

Operator

Certainly. [Operator Instructions] And our first question is from Greg Gordon with Evercore ISI.

<Q - Greg Gordon>: Thanks, good morning.

<A - Christopher M. Crane>: Good morning, Greg.

<Q - Greg Gordon>: I'm looking at the disclosures on the utilities. You raised your guidance range by $0.05 at each of the key utilities, but ExGen also is $50 million better on a gross margin basis. I know you usually think about this in rounding terms, and that's less than $0.05. But as you think about Q4, where do you think you are inside the ExGen guidance range assuming normal operations for the rest of the year?

<A - Jonathan W. Thayer>: Greg, I'd say we're feeling very good on the back of a very strong performance within the Constellation business year to date. There are some timing elements that keep us in that same guidance range. Obviously, the fourth quarter is an important one for that business, and we'll be tracking it closely. But I'd say we feel good about how we're trending, and that's reflected in our comfort in taking the guidance up across the company.

<Q - Greg Gordon>: Thanks. When I look at the delta from 2018 to 2019 in terms of the headwind from capacity, and a lot of this you talked about at Analyst Day, capacity, mark-to-market on power curves, but then the offsetting benefits of lower O&M, lower depreciation, lower taxes. It looks to me based on the fully diluted share count like that's about a $0.15 delta today based on current forward curves. Am I missing something, or is that in the right ballpark?

<A - Jonathan W. Thayer>: Relatively speaking, I think you're in the right direction. I don't want to give 2019 guidance at this point, but that feels right.

<Q - Greg Gordon>: Okay. And then can you give us some sense of timing on the process for the Mystic plants and when we might get some visibility on price and timing to close?

<A - Christopher M. Crane>: I don't think that there has been any public statement on that. We've acknowledged we're selling the plant. Beyond that, Greg, I don't think it's probably right for us to comment on the process.

<Q - Greg Gordon>: Okay. Thanks, guys.

Operator

Our next question is from Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Thanks. Can I just ask about the – you made comments about feeling good around how you're executing in Constellation. Any comments on trends in your margins and renewals? One thing we noticed was that the new business to go for 2019, $950 million, is down a little from what you had for 2018 this time last year,

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yet you've got ConEd Solutions in there, I would guess. So is that some pressure in what you've seen around margins or more conservatism, or how should we think about those numbers?

<A - Joseph Nigro>: Good morning, Jonathan. This is Joe. We feel very strong we're going to be able to deliver on 2019. Part of the reason that number is down is because we've already executed more in that year than we would have at this point last year for 2018, so that's why you see a lower number. Our new business to go, our new business in total, the business we're going to create in total between 2018 and 2019 is roughly the same amount. And we're comfortable that we're going to be able to meet these targets as we've done in the last 40 years.

As to your comment about margins and renewal rates in retail, as I mentioned at Analyst Day, the market has remained stable. Our margins are right in line with what I talked about at Analyst Day. Our renewal rates remain strong. The acquisition of ConEd, although we've only had them for a brief period, has gone well. We're very impressed with the way they run their operation, and we're integrating that into the Constellation business. So the retail business remains very stable and we're happy they're [ph] a part of it (26:11) at this point and continue to monitor it.

<Q - Jonathan Philip Arnold>: Okay, thank you. And then can I ask around the ExGen O&M guidance? Could you give us a little more insight into what's driving the incremental savings? And then perhaps is this – obviously, one of your nuclear competitors is seeing some cost pressures in that business. Can you talk about what your underlying expense profile might be and how much you're having to cut in order to get to these net lower numbers?

<A - Christopher M. Crane>: I'll let Jack fill in the details. On our nuclear fleet overall, in the past 7 to 10 years, we have made significant capital investment to prepare the plants for their extended life. You can see our reliability numbers reflect the investment that's been made. So we do not see any significant increase in capital. Actually, we're seeing a decrease in maintenance capital because of the massive improvements that we've made.

On the O&M side, there has been significant focus not only at Exelon but across the industry with industry initiatives to try to find ways to take what were old processes that were put in place that may be much more efficiently executed with the same results on a much lower cost basis, and that's the initiative that the Nuclear Energy Institute has been performing.

I can't speak to other fleets, but I can tell you that we have a very strong focus on capital, a very strong focus on efficiency. And the last thing we would do is cut into safety or reliability. And that's been a clear focus of mine throughout my whole career, and it will continue to be; run the plant safely, reliably, and very efficiently.

<A - Jonathan W. Thayer>: So, Jonathan, just building on what Chris said, starting with that focus on safety and reliability, as you might imagine, when you contemplate a program that saves $400 million across the company and you're turning over many stones, you identify additional opportunities.

And so among – we've got almost – more than 100 initiatives that we've been looking at, and each will contribute approximately from $1 million to several million dollars. But whether it's corporate efficiencies or organizational design, nuclear fuel savings, contractor costs, insourcing rates, nuclear site security, automation, NRCP reductions, property taxes, organizational design and centralization, such as within our engineering group, outage costs, automation, it's just a long list of activities. And we do have good line of sight on these opportunities. And I think building on the processes that we've put in place to target cost and seek efficiencies, I think our hope is that we may in fact even find more than what we're sharing with you today.

<Q - Jonathan Philip Arnold>: Thanks a lot, guys.

Operator

Our next question is from Steve Fleishman with Wolfe.

<Q - Steve Fleishman>: Hi, good morning, a couple things. First just on the New York ZECs [Zero-Emissions Credit], could you just clarify the thoughts on ZECs versus RECs [Renewable Energy Credit] because the IPPs [Independent Power Producer] that filed the appeal seem to say there is a difference? So could you clarify maybe where they're

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getting that wrong?

<A - Joseph Nigro>: It's Joe Nigro, Steve. We don't think there is really a difference. The program was fashioned after the REC programs. The distinctions that plaintiffs are trying to create in New York are not real. But they face the political problem, of course, that if they describe the lawsuit as also challenging, the renewable programs, that they're going to have a good deal more opposition. But the programs function essentially identically. The ZEC program is based on the cost of keeping resources in the market, just as the renewables credits are the cost of keeping resources in the market, paying for the environmental attributes, recognizing that these assets get both fulsome market revenues as well as attribute payments. But from our perspective, they function pretty much the same way.

<Q - Steve Fleishman>: Okay. And then moving to Illinois, just any more color? Are you feeling more optimistic about being able to get a legislative bill this veto session than let's say a month or two ago?

<A - Anne R. Pramaggiore>: Hi, this is Anne Pramaggiore. I think what we're seeing right now is that there is a bit of an opening of the door. The legislature has a temporary budget in play and Chicago public school funding is behind that. And so I think we see an opportunity in the veto sessions. We're also seeing there's a lot of work to be done to get there. We've got to pull together a coalition to come in with an agreed bill as much as possible, and we're in the process of putting that together now. But we do think that there's the potential that this would be entertained in the veto session.

<Q - Steve Fleishman>: Okay. And then just lastly in the context of what you said about power views and long-term liquidity, to the degree that let's say an Illinois bill passes and it includes benefits for all types of generation, just doesn't that continue on the potential inefficiencies of the markets and keep some of the issues that are causing prices to be lower? So I guess just how are you thinking about hedging and managing your portfolio against the fact that the more of these you get done, the more generation stays around?

<A - Joseph Dominguez>: Steve, this is Joe Dominguez. I'll turn it back over to Joe Nigro in terms of managing the portfolio. Look, the market is what it is. Today, we have over 30 states with renewable portfolio standards that recognize the environmental contributions of virtually every resource in the market that does what our nuclear plants do. So we're seeking to get fair treatment.

At the same time from a policy perspective, we think clearly for many years now that we think the right move is to put the cost of collusion in the market; that is, in the case of climate, establish a price on carbon, and we're going to continue to pursue those things. But obviously, there have been a number of headwinds that have prevented those policies from being fully realized and fully recognizing the impact that carbon has on climate as measured by the Federal government. So we haven't seen programs that trade carbon up to the social cost of climate. We're going to continue to work on those things.

But the plans we have in New York and Illinois we think of as preserving those units for the day where we have that best design in place, and we think that day is going to come eventually. But we need a bridge solution to keep the units that are important to our customers in place, so that they're available once we do have a carbon signal in the market. And that's how we reconcile it, but we have to take this world as it comes to us, and the world currently isn't our most favorite design on putting a price on carbon in the market. We have these separate state programs, and it's important for our customers that these nuclear plants be preserved, and that's what's driving our initiatives. Joe?

<A - Joseph Nigro>: And I would add just from a market perspective and a portfolio perspective a couple of things. One is on the market side, I think the illiquidity of the market is somewhat independent of what Joe was saying. I think it gets into the nature of market participants, as you're well aware. When you think about the financial institutions to start with that added liquidity in this marketplace in years past, we don't see nearly the depth of that.

But what's interesting is that the power markets have been illiquid for quite some time. But when you look at open interest, just on the gas market, for example, we've seen a change there where it's very front-end loaded versus the outer years. And I think what's important with that is, and I'll give you an example. When you look at the price change in the quarter in PJM in particular, versus the end of June versus the end of September, you saw that the price of gas in each of those years when you include these basis prices [ph] such as rate (35:38), fell equally. Yet, we dropped power prices more materially on the back-end of the forward curve than we did in the [ph] nearby (35:48) 2017, and that gets into

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SI-SSA-0015-01652

some of the illiquidity in the market.

As it relates to our portfolio, we take all these factors into account, both the same depth we're doing internally with our other assets. We have an estimate of what other folks are going to do with their own assets. We've been very clear that we've been aggressively managing our portfolio as it relates to our ratable plan, and we'll continue down that path.

The last thing I would add is that we talk a lot about the benefits of our generation load strategy and we do it in dollars. It also has a huge benefit from a market perspective because it doesn't force us to go to that illiquid over-the-counter market. We have a strong customer base and a very, very strong load serving business now that matches output of generations of quantity of load very

Well, and we're going to continue to grow that. And we've done it both organically very well and through acquisition of Integrys and ComEd, and that's been a big benefit also.

<Q - Steve Fleishman>: Thank you.

Operator

Your next question is from Stephen Byrd with Morgan Stanley.

<Q - Stephen Calder Byrd>: Hi, good morning. Congratulations on a great quarter and on further cost reductions.

<A - Christopher M. Crane>: Thanks.

<Q - Stephen Calder Byrd>: I wanted to hit on what you mentioned in terms of some of your peers who would appear to need to shut down further plants, and we do see some of those same dynamics. But I was curious from your point of view. What kind of catalysts or drivers should we be thinking about in terms of seeing more rational decisions and further shutdowns? What do you see as some of the key catalysts?

<A - Joseph Nigro>: Stephen, I think the example I would give you is when you look at coal-fired generation. When you look in the Eastern Interconnect between call it 2016 and over the next few years, we see almost 30 gigawatts of coal expected to retire, with almost 2/3 of that being done by the end of next year. The obvious examples are some of the plants that have been announced in Illinois and also in Ohio and the rationalization of that. Obviously, we've taken our own actions with our own power plants. We've seen others do the same thing beyond coal. And we expect more of that will continue if these low prices continue because when we look at it fundamentally, there are plants that are challenged economically that are still running that really the economic rationale isn't there for those to continue to operate.

<A - Jonathan W. Thayer>: Stephen, just to build on that. I think you've heard us make strong comments about a focus on reducing leverage at the GenCo to 3 times debt to EBITDA. I think the reality is in this current pricing environment you're going to start to see others look at their outlooks and look at their leverage statistics and focus their efforts on generating cash. In order to do that, they're going to need to retire money-losing assets. So I think it will force greater discipline on their part. We're already seeing some of that. I think you'll see there's some potential for consolidation and asset optimization around that, and portfolio optimization. So I think we see a pathway for others to be disciplined as we have, but obviously we need to see execution on that in that regard.

<Q - Stephen Calder Byrd>: Those are all great points. I wanted to shift over to the New York ZEC legal challenge. I think you've laid out your points of view in terms of the legal position. In the event that in court the ZECs were either overturned or remanded for substantial modification, can you speak to the impact to the acquisition with Entergy in terms of the transaction impacts?

<A - Joseph Dominguez>: Sure. Stephen, this is Joe Dominguez again. So the way you ought to look at that transaction is: the legal risk will shift to us really around the time we do the outage in January. So post-January, you ought to think about us as effectively being the economic owner of that legal risk, subject, of course, to the approvals. But we're not going to be able to walk away from the transaction if something occurs post-January that changes the

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ZEC program. And the logic there is after the outage we effectively have our fuel in the machine and we've paid for the outage costs, so we're going to be the economic owner at that point, again subject to regulatory approvals of the transaction.

<Q - Stephen Calder Byrd>: Understood. And I guess the worst case always is that you do still have plant closure as an option, so your worst case is capped and you still do have the potential for obviously a good outcome.

<A - Joseph Dominguez>: That's right. And we feel very strongly in the merits of the case. Otherwise, we would not have done this.

<Q - Stephen Calder Byrd>: Great, thank you very much.

<A - Christopher M. Crane>: Thanks.

Operator

Our next question is from Shar Pourreza with Guggenheim Partners.

<Q - Shahriar Pourreza>: Hey, Chris and Jack.

<A - Jonathan W. Thayer>: Hi, Shar.

<A - Christopher M. Crane>: Good morning.

<Q - Shahriar Pourreza>: The $0.02 to $0.08 of synergies from FitzPatrick, can you just remind us if that includes any additional synergies of owning FitzPatrick next to Nine Mile?

<A - Christopher M. Crane>: It doesn't, and we'll evaluate that as we get into the integration. There are conversations now in the nuclear integration team on what is the best way to optimize. The security fences are next to each other. It's a very big site. So amalgamation of the complete site might be more expensive than it's worth, but there are other elements on the site that we can look for synergies around the support services and the executive management.

<Q - Shahriar Pourreza>: Okay, got it. I don't know if you could mention the actual – is it enough to be a couple of pennies or anything directionally, or not yet, too early?

<A - Christopher M. Crane>: It's too early. We've got to get in and see and make sure that we maintain our design basis but look at everything possible we can to be more efficient.

<Q - Shahriar Pourreza>: Okay, got it. And then just lastly with the strong results year-to-date, are there any opportunities to pull forward some O&M, and maybe how we should think about it for the fourth quarter?

<A - Jonathan W. Thayer>: I'd say with respect to O&M, we're going to manage our plan tightly. And generally there's not that much opportunity to move things quarter to quarter. The planning required for the bulk of our O&M takes months, if not years. And so I think you'll see us trying to land pretty darn close to what we've shown you in the slides today.

<Q - Shahriar Pourreza>: Okay, great. Congrats on the quarter.

<A - Jonathan W. Thayer>: Thank you.

<A - Christopher M. Crane>: Thanks.

Operator

And we have time for one last question. That is from the line of Chris Turnure with JPMorgan.

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<Q - Christopher J. Turnure>: Good morning. I had some questions on Pepco, and I wanted to just get an update on your latest dialogue with interveners in Maryland and DC and just how things are progressing there on their understanding of you guys under-earning by so much and having stayed out of cases for so long there pre-deal.

<A - Denis P. O'Brien>: Hi, this is Denis. Great question. As we're going through the integration, I think things are going very, very well. As we mentioned before, it's going to be a long haul in terms of rate cases being filed every 12 to 15 months for the next five years. We've had some good progress in New Jersey. We're in the throes of the case in Maryland at this point, and I guess we'll know about November 15 the outcome of that. So a little hard to predict. Maryland is somewhat challenging. We are continuing to work on improving its reliability, improving all of our performance levels, as well as working to improve our image, reputation, and brand in Maryland. I think this is going to be one of those things where it's going to take us a few cases to get through to a better level of performance. So we'll see November 14 or 15 where we are, and we're going to make this happen. It just may take us a few cases to do it.

<A - Christopher M. Crane>: And in DC, we're early in the process. We've made our filing. We're in data request now. Over 400, I believe, data requests are coming in. So there's going to be a lot of dialogue there, a lot of questions. I think we'll need to provide the sound answers for the basis of our request.

<Q - Christopher J. Turnure>: Okay. And then excluding weather, were there other drivers behind the outperformance or maybe the guidance increase for the Pepco utilities for 2016?

<A - Jonathan W. Thayer>: Primarily weather related, so hotter than normal temperatures as well as storms relative to what we budgeted came in lighter. So beyond that, I think those were the major drivers.

<Q - Christopher J. Turnure>: Okay, that's all I had. Thanks.

Operator

And that does conclude the question-and-answer portion. At this time, I'd like to turn the conference back to Mr. Eggers for closing remarks.

Daniel L. Eggers

Thank you all for joining us and your time today. I know it's a busy earnings day. We appreciate your interest in Exelon, and we look forward to seeing a number of you at EEI the week after next. Have a great day.

Operator

Thank you. Ladies and gentlemen, this does conclude today's conference call. You may now disconnect your lines.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2016-09-07
Event Description: Barclays CEO Global Energy Power Conference

Market Cap: 32,111.84
Current PX: 34.84
YTD Change($): +7.07
YTD Change(%): +25.459

Bloomberg Estimates - EPS
Current Quarter: 0.746
Current Year: 2.571
Bloomberg Estimates - Sales
Current Quarter: 7367.667
Current Year: 29707.889

Barclays CEO Global Energy Power Conference

Company Participants

- Jonathan W. Thayer

Other Participants

- Daniel Ford

MANAGEMENT DISCUSSION SECTION

Daniel Ford

All right. Our next presentation is going to be Exelon Corporation. We have Jack Thayer, who is the Chief Financial Officer, who's going to take us through what we think is a very exciting story in Exelon. Jack?

Jonathan W. Thayer

Okay. Thank you. So start-off by quickly flipping through the cautionary statements. You can read them at your leisure and move quickly to our brag slide. So, wanted to start-off by saying good morning to everyone. Glad that there are more people in the room for this presentation than the last one. It was going to look like it was going to be a very rough start.

But what you can see here, we are the only utility in the Fortune 100. We serve more utility customers than any other company in the industry. We have over $30 billion of rate base and that's growing. We're the largest and cleanest competitive power generator with over 90% of our output being carbon-free and we own nearly a quarter of all the nuclear reactors in the U.S. and are the best-in-class for capacity factor, outage days and operating costs. And our Constellation retail platform is the biggest in the U.S. selling nearly 200-terawatt hours of electricity annually and more than 800 Bcf of gas.

Exelon is well-positioned to deliver enduring value over the next five years, and we expect to deliver 6.1% rate base growth across our utilities and that's going to drive 7% to 9% EPS growth one of the best growth stories in our industry. We have $8.2 billion of free cash flow at ExGen to fund utility growth without incremental equity issuance, while also reducing debt.

Importantly, we're optimizing the value of ExGen raising nearly $5 billion by monetizing assets through outright sales or project finance. We secured $0.08 to $0.10 per share a year through the Clean Energy Standard in New York to recognize the carbon-free value of our nuclear plants and we obviously hope to pursue similar opportunities in other states like Illinois.

We're unlocking $0.07 per share of run rate value by closing uneconomic nuclear plants. Our balance sheet is extremely strong, well exceeding investment-grade credit thresholds. And we're growing the dividend to 2.5% through 2018.

In terms of our capital spend, we expect to spend more than $25 billion in utilities over the next five years, which will meaningfully grow our rate base. And as you can see, this represents almost all of our discretionary investment through 2020.

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In terms of the results of that investment, you'll see us growing our rate base over the next five years, we'll be adding nearly $9 billion of rate base growing to more than $40 billion of rate base by 2020. And to put this in context, our rate base growth over the next five years is equivalent of adding another PHI without having to pay a premium or navigate regulatory approval.

In terms of overall EPS growth, we're targeting EPS growth of 7% to 9% annually through 2020. This is driven by the aforementioned rate base growth as well as improvement in PHI's earned ROEs. We see the utilities providing the majority of our EPS growth throughout this decade, and see the potential for sustaining 5% EPS growth for the five years beyond 2020.

What's underpinning all of this is our proven track record of operational performance. And as you can see here, looking at the time of the CEG merger in 2012, where our utilities were operating in key performance metrics at that time, generally speaking, ranks second quartile, third quartile and in some cases fourth quartile, and by 2015 using the Exelon utility model, almost all of those categories were in the top quartile.

Now, at the far right, you can see PHI, similar circumstances to BGE, which is now operating at top quartile levels, and obviously, underpinning one of our regulatory commitments as part of the PHI transaction was improving PHI's operating performance to top quartile performance. And to the extent that that happens, I'll show you on the next slide that with these improvements, we see significant uplift in regulatory performance and earned ROEs.

So, as you can see, as outage frequency declined, customer satisfaction, which is most correlated to that, improved. The overall earned operating ROEs improved to where in 2015, albeit with the benefit of some mild storm weather, we earned 10.6%. Having been part of the legacy Constellation. I don't know that I ever anticipated that I would see a double-digit earned ROE at the utility. So, you can see why we have a lot of hope, particularly given the composition of PHI within Maryland to enjoy a similar experience.

There is a significant gap, however, in earned versus allowed ROEs across the PHI utility complex, and we've already begun the process of making those filings. We have six distribution rate cases that are currently filed, three transmission formula rate filings, and we're seeking $465 million of revenue increases across all of our jurisdictions. And importantly, we received our first settlement in New Jersey on August 24, and that was on plan and earlier than expected. And we expect to have the remaining cases finished by next summer.

On the GenCo side, we're taking meaningful steps to improve the earnings consistency of this business. Our Constellation business maximizes the value of our portfolio and our generation to load matching strategy provides additional value over what our plants could otherwise get in the open market. And our durable and loyal customer base, and our growing retail business improves the consistency of ExGen's earnings.

PJM capacity revenues also provide us a stable revenue stream consistently of between $1 billion and $1.2 billion per year, and programs like the Zero Emission Credit program in New York, the first of its kind to value nuclear for its carbon-free attributes, recognizes nuclear generation's importance in meeting our nation's carbon goals. The ZEC will preserve our at-risk Ginna and Nine Mile plants, providing up to $350 million of additional cash through 2020, and $0.08 to $0.10 per share in additional earnings. We also announced as part of this that we've reached an agreement to purchase the FitzPatrick plant from Entergy for $110 million, and FitzPatrick is also eligible for the ZEC.

And importantly, we also have a track record of retiring assets that are no longer economically viable. By retiring those assets, we're able to stem the loss of cash and earnings associated with these plants. Clinton and Quad, which are the two at-risk nuclear plants in Illinois that we've announced the shutdowns of, have lost $800 million over the last seven years, and retiring these assets will result in $75 million of cash flow upside in 2019, and $0.07 of run rate earnings improvement.

Finally, we look for ways to monetize our assets. We've raised more than $5 billion from selling assets or project financing them. We sold 3,000 megawatts of Generation at an average price of $600 per kW in 2014, which was a very good price to in part fund the PHI transaction. We've also raised more than $3 billion in non-recourse project finance, and we'll seek to project finance additional assets and quickly recycle the proceeds.

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Similar to our story on the regulated side, we are a best-in-class operator on the Generation side, by running our assets at top capacity factors, 93% or better. We make roughly $250 million more than if we were running at the 90% average current industry, or current industry average.

We also operate our fleet at a very low cost. And as you can see, we've been working to both improve our O&M spend and reduce costs there, as well as reduce our base capital spend and drive free cash flow from these assets.

On the growth side, after completing the two combined cycles in Texas, and completing a number of smaller investments, you'll see that in 2018 and beyond, we expect to spend about $100 million annually on ExGen growth. So, as you think about the relative mix of CapEx going forward, $25 billion at the utilities, a much smaller amount and shrinking amount at the GenCo. This $100 million represents about 25 megawatts [ph] have had the (08:58) customers solar per year, so you can see the significant focus of our capital program is on growing the utilities.

In terms of ExGen's role within the broader company is really meant to be the source of free cash flow to fund the growth of the utilities without issuing any equity. So, you see $8.2 billion of cumulative cash flow, at ExGen, the aforementioned $2.3 billion of committed ExGen growth and then, you see the $2.7 billion to $3.2 billion of utility investment and the remainder of that cash flow is used to get to our debt reduction targets.

In terms of the nuclear part of our business, obviously, New York sets a backdrop of what is the art of a possible? Governor Cuomo, took the lead there in protecting these nuclear assets and the jobs and economic contributions that come with them as part of a broader goal to for New York to achieve its carbon objectives.

In contrast to that is Illinois, which has two of our assets that we have announced that we'll retire in the absence of legislation. We have until December for the legislature to take up action on those assets for the Clean Energy Standard. But you can see here the significant economic impact, as well as the carbon impact that will come if those assets are retired. We hope that the legislature will be prudent in its actions just as Governor Cuomo has been lauded for his actions in New York, we hope that the legislature in Illinois will reflect on that and take similar action.

In terms of our credit objectives, we have announced a target of three times debt to EBITDA on the ExGen side and you can see we're well above on the Exelon holding company consolidated side are S&P thresholds. In terms of our credit ratings across our various entities and registrants, you can see we have very attractive ratings and an improving credit profile in the ExGen part of our business. This three times debt to EBITDA target incorporates the roughly $3 billion of project finance that we have. If you were to exclude that, we would be meaningfully below the three times debt to EBITDA target that we're seeking.

What this effectively means is, as we grow the utilities, as we invest and deploy capital there, our utilities as they grow in EPS and rate base are able to shoulder more and more of the dividend obligation of the company. So, on the slide here you can see the implied payout ratio of the utilities were to cover all of the dividend plus the interest expense at Exelon HoldCo, and what you can see is if we were growing the dividend 2.5% per annum through 2020, would imply a 77% payout ratio.

I think Chris commented at our Analyst Day that we see this as a potential opportunity for further upside on the dividend that he wanted to get through the rate cycles at PHI to ensure that we were in a good place. But I think in terms of our dividend growth profile with respect to our industry peers, there's potentially more opportunity here.

And all this gets to how we anticipate delivering value to you through our capital allocation policy. At its core, the strong balance sheet is a commitment that we have to all of our stakeholders and that allows us a great deal of flexibility and how we can return capital to shareholders with the free cash flow that we have. We are targeting 2.5% dividend growth through 2018, but we do, as I mentioned, see upside potential beyond that.

We're investing $25 billion of capital over the next five years in utilities, and I think if I was to think about 2019 and 2020, some of the capital that we have profiled there, there may be potential upside beyond that, but we're retiring more than $3 billion of debt at ExGen over the next five years. And we're investing in selective contracted assets, but at a very modest level, so $100 million per annum once we get into 2018 and beyond. And we think this is the right strategy for our markets and our assets, and the right strategy to improve shareholder value and deliver value to our

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shareholders.

And appreciate your time today and, Dan, happy to take some questions.

Q&A

<Q - Daniel Ford>: Thanks very much. There are some microphones that'll be going around the room for Q&A. Just to start off Jack, can you talk a little bit about why you have covered that the ZEC program will withstand the inevitable core challenges that we'll see, and maybe how they compare to RECs as well?

<A - Jonathan W. Thayer>: Sure. So, obviously, as you could imagine, we have a rather extensive complement of folks that focus on FERC within and they were critical to helping design this program. And so as we think about what we were targeting, we're really – and you mentioned the similarities to RECs – we were really looking to have something that very much felt and looked like a REC. What we didn't want to do is others, whether it was in Ohio, or contracts for differences within Maryland.

We wanted to make certain that we weren't going to run afoul of affiliate issues, that we were not going to run afoul of perceptions of subsidization, and we think we've structured the New York program in a way that it's not limited to assets, specifically within New York, and it's paying assets for their clean energy attributes. And to the extent that FERC finds issue with that, then I think given the parallels between RECs and ZECs, it opens a broader Pandora's box in terms of how clean generation gets compensated in the United States. And so, our expectation is, while there will be challenge because of the implications of the ZEC for other asset classes, that we'll be able to prevail.

<Q - Daniel Ford>: Other questions for Jack?

<Q>: Hi. Thank you. I guess in – upcoming in this month or so, PJM is going to do a backcast of what it would've looked like with 100% capacity performance for the last auction results. Is that coming up? What do you think the impact is? And are there going to be significant offsets to that as we head into the next auction?

<A - Jonathan W. Thayer>: So, there's no question that 100% capacity performance is one of the things where it will have a pretty – we think, a material impact in part because of DR, that on where we see prices clearing. But I don't know that it'll be so significant as to cause a massive uplift, particularly within our ComEd zone which separated. In this most recent auction, we cleared slices of Byron. We would anticipate that all of those slices of Byron would clear in the 100% CP regime. And then, we'll just need to see where that market clearing price is.

And I would say one of the things that we've seen, I think there was concern about how the market would receive the increased cost of CP. I think one of the things we've seen this summer because assets are more reliable because investments have been made, we haven't – even on the back of significant load and weather, we haven't seen dramatic price spikes. So, in terms of how consumers are feeling, these various programs, it looks like the benefit of CP is you're getting improved reliability and avoiding historic price spikes. So, it actually looks like a pretty good outcome for customers, and I think there was concern that it was not going to drive anything more than a price uplift.

<Q>: Hello, hi.

<A - Jonathan W. Thayer>: Hello. Hey, [ph] Rick (18:10).

<Q>: Yeah, hi. You sounded like there is a little hope that Illinois may still reach some kind of a decision on the nuclear program, which you are talking about. So, how do you see that, because so far they have been holding back on this issue, and now there is a small glimmer of hope because of New York. So, how do you see that parallel working out?

<A - Jonathan W. Thayer>: I wouldn't want to read too much into my hope. I think, fair to say, Illinois, has some interesting dilemmas in front of it. There are two veto sessions, one in November, one in December, to the extent the legislature decides to pass legislation on the Clean Energy Standard. We can still keep Quad and Clinton operating. Our flexibility to do that after December is effectively non-existing. And so, I am perhaps speaking with hope in the context of the implications of retiring those assets on our employees and the communities that the plants are located in, because

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it'll be catastrophic, I think. But beyond that, it's completely in the legislature's and the governor's hands as to whether or not they want to save those plants.

<Q>: Could I just follow-up a bit. Do you sense from politicians that they are changing their tune, or do you think that they are still where they were six months ago?

<A - Jonathan W. Thayer>: The beauty of being a CFO is I don't spend any time in Springfield. And so, I am probably the wrong person to prognosticate on this, I think, from just a purely objective. I look at that slide we have, which is we call the Tale of Two Cities slides, where you have New York preserving all of that economic contribution in Illinois has the opportunity to do the same. And again, speaking with hope, I would hope that the prospect of losing that economic contribution, which is hard to replicate would prevail upon legislators to take action. But I don't have any insight as to whether there's appetite for that or not. I am speaking purely from a personal perspective. I'd hate to see these assets retire. We know what the alternative is if no actions taken. We have $0.07 to $0.10 of uplift and we'll have $75 million of cash flow run rate in 2019. But for the people that work at the plants, and for those towns, I hope we don't have to take that action.

<Q>: About total EPS, what portion do you see long-term action making up?

<A - Jonathan W. Thayer>: If you look at the current commodities curve, it's right around 75% or more of our earnings will come from the utility, 25% will come from the merchant part of our business. To the extent that that number becomes more heavily weighted towards the GenCo, that just means power prices have gone up, and we have more free cash flow. So I'm happy to be thrown in that briar patch. But if we just look at the current marks, we're three quarters regulated by 2020, and that married up with the ability of the utility to cover our growing dividend, I think gives us a lot of flexibility in terms of how we return value to shareholders.

<Q>: Hi, thanks. You mentioned in your prepared remarks how you've done asset sales in the past at ExGen. I wonder what your thoughts are on the renewables business, whether the market there is as deep as it had been when the deal closed, were more active, what your thoughts are in terms of possibility selling that business at some point?

<A - Jonathan W. Thayer>: So, a couple of thoughts on the renewables business. We have historically participated in that business and have a reasonably sized wind fleet as well as a fair amount of solar assets, and those have been good investments for us. I think the one challenge in front of us, and it's a purely structural issue, because of bonus deprecation, we're not a cash tax payer until I believe it's 2021. And so, as you think about the economics of renewables and the role of tax incentives as part of that, it's very hard for us to harvest and keep the value of those tax attributes, and so, we have to sell them as tax equity, which makes them candidly less economic for us. So, I would say that's what's underpinning the significant drop in investments at ExGen that you see in 2019 or 2018 and beyond.

In terms of our existing fleet, those are assets that contribute to our EPS. They're very good assets. And we have a history of responding to inquiry if people are inclined. That's underpinned some of the asset sales we've had in the past, and to the extent that there were an opportunity to monetize some of our assets, there are any number of structures that that could entail, I think we'd consider it.

But I'd also say there's, I would say, value in us staying in that business because of our expectations of the role renewables will play in distributed generation at the utilities as part of rate base. And just more broadly, if you look at the stakeholders that within Illinois around the Clean Energy Standard, many of our partners in trying to secure that legislation are very focused on expanding renewable generation. And so we have wind partners, we have community solar partners and others, who I think want to be partnered with like-minded individuals. And so having those credentials in terms of being an operator of renewables, I think, continues to be important to us.

<Q>: Hey, thanks. Just to clarify, so would that mean further future renewable development more under a regulated construct versus merchant? And then I guess just back to the tax equity, I mean kind of what's your sense of the overall market appetite there? I'm getting that it's a little less robust than it was.

<A - Jonathan W. Thayer>: Right.

<Q>: Thanks.

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<A - Jonathan W. Thayer>: So, we have a history of selling tax appetite to – typically, they've been technology companies out on the West Coast that are generating significant profits. To your question on where do we see distributed generation, as you think about our utility of the future, if Anne Pramaggiore, who is the CEO of ComEd, were up here, she would speak to a desire to have community solar. It's the most economic way for our customers in a non-regressive way, in a democratic way to participate in renewables. It's certainly significantly cheaper than rooftop solar, which is both regressive as well as just expensive for the carbon-free generation that's produced.

And we see other opportunities around things like battery storage as well as other aspects that will both improve reliability, but also provide cleaner generation. And part of the reason for us, it's not just a cost issue of why we think it's right to embed that within the regulated construct, but it's also just from a grid security standpoint. As you think about the role of cyber and a two-way grid, I think it's going to be increasingly important for one party to be accountable for that grid security, and part of that means to the extent that we have two-way communication that we're playing a meaningful role in insulating that.

<Q - Daniel Ford>: Jack, the overall presentation and story that you've laid out at your Analyst Day really is one of de-risking the balance sheet, de-risking the business by becoming more regulated and more predictable. Inside of that 25% slice is still ExGen. Can you talk about the slices within that in terms of predictability because I've got capacity, I've got Constellation, those don't have the same kind of commodity ups and downs as we traditionally think about ExGen?

<A - Jonathan W. Thayer>: Right. So, $1 billion to $1.2 billion of capacity per year, as you mentioned, and that's highly visible and knowable out at least through 2019. We'll get the uplift [ph] that were (27:56) we believe uplift from 100% CP in 2020 and beyond.

With respect to the Constellation business, that is a business that has consistently, particularly on the back of the polar vortex, performed limited capital requirements, more liquidity, that's required to participate in that business, as long as it's married to a large generation fleet. And that business has consistently generated a significant cash flow, on an annual basis, 80% renewal rates for our customers, margins that have held faster between $2 megawatt hour and $4 per megawatt hour, on the electric side, around $0.20 an MMBtu on the gas side, growing gas business.

And we've been able to make consolidating acquisitions. We just recently announced and closed ConEd retail business. We bought Entegris' business, and we've been able to opportunely purchase these assets at significant discounts that we perceived a fair value, and they are immediately accretive in cash and cash flow positive, which leaves the commodity exposure. And as you think about that commodity exposure, I would like to believe we're are at a floor. And there are assets that are really struggling in this environment. Our nukes, as a an example that we're retiring, as others look at their fleets and act with discipline and retire certain assets. You'd like to think we're certainly at a floor, if not, there's some opportunity for upside.

And so, as I think about that consistent cash flow coming-off the GenCo, I feel like that's a very attractive and unique aspect of the story, because to your point on de-risking we're trying to take the balance sheet out of the equation. We have one of the premier growth stories on the regulated side, and we have what a lot of our peers in UTY don't have which is a free cash flow generating part of our business that we can redeploy that capital whether it's further growth at the utilities, growing the dividend, or returning capital to shareholders through buybacks or other approaches.

So, I think, the opportunities in front of us with good performance to have a really differentiated story. And one that I think is historically traded at a meaningful discount to peers and to the extent that we can close that gap and get – we're trading three times – three turns light relative to some of the peers, I think there is an opportunity for multiple uplift as well as just EPS growth. And hopefully, that's compelling value opportunity for our shareholders that they can get excited about.

<Q>: All right.

Daniel Ford

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All right. Well, if there are no other questions, we do have a breakout session in Liberty 5. So we'll be walking Jack up, and thanks very much the presentation.

Jonathan W. Thayer

Great. Thank you, guys.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2016-08-10
Event Description: Analyst Day

Market Cap: 31,733.95
Current PX: 34.43
YTD Change($): +6.66
YTD Change(%): +23.983

Bloomberg Estimates - EPS
Current Quarter: 0.755
Current Year: 2.566
Bloomberg Estimates - Sales
Current Quarter: 7330.333
Current Year: 29631.100

Analyst Day

Company Participants

- Unverified Participant
- Dan L. Eggers
- Christopher M. Crane
- Denis P. O'Brien
- Anne R. Pramaggiore
- Calvin G. Butler
- Craig L. Adams
- David M. Velazquez
- William A. von Hoene
- Kathleen L. Barrón
- Kenneth W. Cornew
- Joseph Nigro
- Jonathan W. Thayer

Other Participants

- Julien Dumoulin-Smith
- Greg Gordon
- Steve Fleishman
- Praful Mehta
- Shahriar Pourreza
- Ali Agha
- Jonathan Philip Arnold
- Andrew Levi

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, please welcome Senior Vice President, Investors Relations, Dan Eggers.

Dan L. Eggers

[indiscernible] (00:14). Good morning, everybody. Thank you for coming to Philadelphia and the 2016 Exelon Investor Day. We appreciate you all coming down, and spending a good part of the – a day with us. We think there is a lot of great information we want to share. It's been almost four years since the last Analyst Day. So plenty of discussion here. A few points of note, number one, keep in mind, that all the traditional regulatory disclosures are included here and in all SEC filings. We will not read them to you as we do on the earnings call. So you can thank us for that.

The second thing I'd point out is all the GAAP and non-GAAP disclosures are in the back of the presentation. So anybody who is dying to resolve for governmental reasons, they're all available for you to use at a later time. Last house-keeping item, in case there is an emergency, exits are behind you, and you can go right or left or if you go out the side, behind the screen there's two more exits. There is plenty of ways to get safely out of here, although we have

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no intention of that occurring today.

With all that out of the way, we have an exciting day ahead of us. If you look at the agenda, we're going to start off with Chris. We're going to have our full Utility team get up and talk about their business stories. We'll take a break. Bill and Kathleen will talk about policy, Ken and Joe will talk about the ExGen business. Jack will finish up with some financial updates in the presentation. And then we'll do Q&A. We've segmented Q&A in a way that between the businesses, you have a chance to catch up and ask questions specific to the business. And then big picture questions, you can add at the end for Chris, and Jack, and wrap everything together.

So we appreciate you being here. Hopefully it's a great day. It's my great pleasure to turn the microphone over to Chris Crane, our President and CEO.

Christopher M. Crane

Good morning and thank you all for joining us in Philadelphia, one of our hometown cities. It's showing very well with the convention and now with all of you being here. The senior management team is here today to help share the outlook for our business. We have a larger than normal group that we brought in, but wanted to take the opportunity for all of you to get to know and share my confidence in this team and their ability to execute. We've had a meaningful strides, we've made meaningful strides in the shift of our business mix, as we've talked about with you before and today is the chance, especially for our utility leaders all of them to get up and describe where we're at.

The slide behind me, is kind of our brag slide. It's where we are now, where we've come from in the last four years. We're now serving more utility customers than any other company in the country. Over $30 million in utility rate base. We've produced more clean power than any other generator by a significant margin. We owned the biggest retail book in the business and we work with 32,000 very talented and professional employees.

Our ability to be successful rests on leveraging the advantages that this scale gives us. Advancing innovation in both technology and customer service is a high priority of ours going forward, relying on the stability of our utility base is a shift that – that we are making in leading the industry in policy development while maintaining the best-in-class operating culture that you're going to hear a lot more about today. On the next slide, you can see our value proposition that we'll be discussing. Utilities are at the heart of the earnings. Targeting utility, EPS growth, 7% to 9% annually 2016 through 2020. ExGen will produce over $8 billion of free cash flow over the next five years to fund its current growth projects, which are tailing up, meet the equity needs for the utility growth program and retire $3 billion of GenCo debt over that period of time.

So we will run the GenCo to maximize the value of our trademark Exelon operations and continue with our public policy advocacy that we'll talk more about today. We'll continue to find ways to fairly compensate the clean reliable attributes of our nuclear plants and we'll not run money losing plants as we have demonstrated with our announcement in Illinois earlier this year. We're going to protect our investment grade and balance sheet across all the businesses. The capital allocation is really focused on utility growth, dividend growth and debt pay down. And that prioritization, we believe will create value for all you shareholders as we're delivering value to our customers through reliability and better service.

Flipping to the capital investment in the utilities. You can see from this slide, we're delivering on the first point of our value proposition. We're investing over $25 billion in the utilities over the next five years and that does represent a vast majority of our discretionary investment through 2020. Our utility CEOs will be up as we said shortly to discuss the details on that and their approach on the execution thereof of the capital deployment.

On the next slide, driving the strong rate base growth, the CapEx program will raise our rate base growth to 6.1% annually through 2020. So, that's from 2016 to 2020, and this is consistent with the growth that we have seen over the last five years. We will be adding nearly $9 billion in rate base over that period of time. So to put that in perspective, that's like adding a PHI to the portfolio without paying a dividend or navigating the regulatory process to say it nicely.

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On the next slide, talking about EPS growth and looking at the range here, we continue to target EPS growth from the utilities at 7% to 9% annually. And we're extending that growth path from our last conversation through 2020. The higher growth comes from the 6 plus percent rate base growth and improved ROEs at PHI which Denis will talk a little bit more about coming up. The growth is frontend loaded as we get through the early rate cases at PHI. We see the utilities providing a majority of the growth of the EPS contribution through the decade, and we see the potential of sustaining that 5% EPS growth four years after 2020.

On the ExGen side, you can see the free cash flow from ExGen supports the overall plan. We do have a strong base at our ExGen. We are talking a lot more today about the utilities to make sure we're sharing that information. We have had more conversations in the past on the ExGen. So it is a big focus today on the utilities but it is – but it's anchored on what we are doing with the ExGen. Over $8 billion of free cash flow will fund the ExGen residual capital that we have in the plan as I said, provide the equity infusion into the utilities so we can avoid the equity markets and pay down roughly $3 billion on debt at the ExGen, which we think will uniquely position us through the commodity cycles to maintain that strong investment grade balance sheet.

The strong free cash flow from the ExGen does underpin our capital prioritization and it benefits the entire company not just the ExGen. Steps to improve the ExGen earnings on the next slide, another key priority is furthering and improving the consistency and the durability of those earnings. We've made significant progress and Joe will talk to you about that and Ken on our gen to load matching strategy which improves our hedging and captures incremental margins above and beyond just the wholesale market.

We're pursuing options for our nuclear plants and ensuring compensation for the clean attributes. You've seen the recent success we've had in New York and Bill and Kathleen will talk more about that, but you've also seen the hard decisions we've had to make in Illinois on the early retirement announcements and there will be more details with Ken and Bill talking about that. We're pursuing competitive power market reforms like the PJM capacity market reforms that have really provided us some consistent cash flows over the last couple of auctions. And we will take the opportunity to monetize some of our merchant assets as we see the market valuing them higher than we can. We've done that nicely in the past and we will continue that. We plan to continue that approach.

So the next slide, we're making all these decisions with a focus on the balance sheet, which you can see is the center to our proposition. Even with the considerable investment that we're making totaling $32 billion over the next five years, we have a strong investment grade credit metrics with headroom at the corporate level, and we're targeting a three times debt-to-EBITDA at the GenCo level, and I'm very confident that we can do that. Delivering through the capital allocation, Exelon's value proposition remains linked to the capital allocation philosophy that we shared with you starting last year, which is center to all our investment decisions.

We're committed to a 2.5% dividend growth through 2018. We will deploy free cash flow from the generation as we've said to fund the utility to modestly invest in contracted assets that have to meaningfully exceed our return thresholds, and as I said, retire the $3 billion of debt at the GenCo. We do have diverging paths for our nuclear plants, and 2016 has been a pivotal year for us in the future for nuclear generation. And this slide shows the two paths that the financially challenged plants are taking. They're driven by weak natural gas prices, the government mandates that we've been talking about for years and the unintended consequences of those preferring renewable over stated outcome, which is low carbon or carbon free generation and a failure to properly compensate them for that carbon free generation.

In New York, with the support of Governor Cuomo and the Public Service Commission, the Innovative Clean Energy Standard Program has been approved, and it will be implemented. The program puts a value on carbon in a benefit of nuclear. Preserves the at risk jobs in upstate New York, and puts us on a course to save the FitzPatrick plant that you heard the announcement about yesterday and that one will not have to close.

On the other hand, the path is different today in Illinois. We have been unable to move a very well designed legislation to preserve the Clinton and Quad Cities plant, which leaves us no choice to proceed with the steps that we must take to shut the units down. For the good of our customers, the communities, our employees and our shareholders we'll continue to work for solutions in our states to preserve these nuclear-generation fleets, but we do need the states to step

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up and recognize the value of these assets that they contribute to the communities and to the environment. And I will stress that we will not destroy shareholder value. If the plants are challenged, we can't find a path, we will be shutting the plants down.

So finally, we would be nowhere today without the incredible talented workforce that we have at Exelon. We are 32,000 strong now at this point, and today you're going to hear reflections from some of the other leaders on our workforce from a number of perspectives. But I wanted to highlight a few on the culture of the innovation that we're growing, and we've talked about quite a bit here publicly at Exelon. Engaging the employees has been a significant focus of myself and all of our leaders on helping find fixes to the challenges that are in front of us, some that we know about and some that they know about, but allowing them to engage their brains and help in the fixes.

There are some examples here. BGE finding new and badly needed ways for flood protection. The nuclear workers there with the iPad. We have now gone to digital work packages, it may not sound like a lot but a couple of years ago if you went into a nuclear plant, you would see a mechanic or electrician working on a pump with a three ring binder with paper like you wouldn't believe. It was a constant trap and a productivity drag, so we're now on iPads improving efficiency and reducing the chance for error.

ComEd was the first utility that was approved by the FAA to fly drones for operational use, and they're continuing to find other ways of using the drones across the company. On the bottom right-hand side, those two meter readers from the Rockford region, they were hired – as you can see, they're in their early 20s. They were hired to read meters in a very remote area of our service territory. And on their own, without any coaxing or prodding, they developed apps that gave them the most efficient routes, gave them the information on who has a dog, where the meter is at, and it drove the productivity of those meter readers up significantly, but allowing the employees to engage and take on these tests that really benefit us. So we'll be using this app as long as we have meters, but those are on the way out.

The digital worker concept is where we have done a lot of work with innovation fares with the employees, engaging the employees and sharing what can be done from business to business. And some of the things that we're doing in the nuclear plants or on the utility side allowing technology, [ph] the wear (15:51) technology that can help reduce radiation exposure. You send one person in with these wearable devices and they're getting advice from people offsite, onsite. It has helped us better utilize resources, created a much more safer workplace, but the efficiency that's coming into the organization is fantastic. So, we do have a great story to tell and I'm really excited about the prospects of Exelon going further.

But right now, I'd like to turn over to our utility leaders to discuss their businesses in more detail. And as Dan said, we'll be up at the end to answer questions or get into more dialog as you wish. So, right now, I'll turn it over to Dennis O'Brien, our Chief Executive Officer of Exelon Utilities.

Dan L. Eggers

Hi, everybody. We're ready to get on with the Utilities section. As Chris said, it's my pleasure to introduce our entire senior utility management team. Dennis O'Brien, Chief Executive Officer of Exelon Utilities. And then the CEOs of our individual Utilities, Calvin Butler of BGE, Craig Adams of PECO, Dave Velazquez of PHI, and Anne Pramaggiore of ComEd. They all have their moment to go in a second.

But I'll turn it over to Dennis to give his high-level thoughts on the Utility business.

Denis P. O'Brien

Thank you, Dan. Dan is one of our first leaders of IR to realize that the Utilities story was very exciting and we ought to do it first thing for everybody. So, thanks for having that great wisdom and insight, Dan, and welcome to our team.

Good morning, everyone. As the senior member of Exelon from Philadelphia and also as the current Chairman of the Greater Philadelphia Chamber of Commerce, I welcome you to my hometown Philadelphia. It's a great place to live,

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work, and play. And hopefully, you enjoy your time here. And while I'd love to talk to you about living in Philadelphia, we're here today to talk about Exelon and I and my team are here today to talk to you about Exelon Utilities.

I've worked in the Utility business for over 30 years now. And I can't think of a better time to be leading the Exelon Utilities than right now. Over the last few years, Exelon Utilities has grown to be one of the largest family of utility companies in the country. With the help of over 17,000 employees, we provide safe electric and natural gas to more than 10 million customers. And by my count, that's 22 million Americans in the Mid-Atlantic and Illinois that we serve.

This morning, I will provide you with an overview of the scope and breadth of Exelon Utilities along with our strategies for improving operations and financial performance of PHI. As you can see, I have one of the best, if not the best, leadership team in the nation. And following my comments, Anne, Calvin, Craig, and Dave will provide you with a deeper understanding of each of their businesses. Next slide, please.

We've shown you this slide before, but I wanted to show you again because I think it's really important in terms of showing you the scale of our combined utility platform and putting it into perspective. As I mentioned earlier, we have about 10 million customers, which is more than any other utility in the United States.

Over the next three years, we will be investing $16 billion in our utilities to better serve our customers. This is fourth amongst publicly traded utilities. Our rate base of nearly $30 billion is also the fourth largest in the industry even though we are solely a transmission and distribution business. I could continue to walk through the metrics but the message would be the same. Exelon Utilities is amongst the largest utilities in this country. We are leveraging our scale to drive better operational and financial performance. Whether it is from best practice sharing or using our scale to get better pricing from our vendors, our scale is definitely a competitive advantage that we are using to benefit our customers and to achieve high levels of operational and financial performance. Next slide, please.

From 2012 to 2015, we invested about $12 billion to improve reliability, resiliency, and the customer experience. Going forward with the addition of PHI, we will invest more than $25 billion over the next five years. We have finished our planned smart meter deployments in all of our utilities except for ComEd, which will be done in 2018. I am extremely confident in our ability to deploy the $25 billion of capital over the next five years efficiently and effectively to better serve our customers. Our five-year investment strategy is well-developed and our project management capabilities are growing stronger each and every day.

Next slide, please. Our considerable capital investment is in turn driving strong rate base growth. Our rate base growth averaged 6.4% annually from 2012 to 2015, and with more than $25 billion of capital investment through 2020, we expect to see a similar rate of growth. These investments represent prudent proven projects that will improve reliability, safety and customer satisfaction.

Next slide, please. More than 70% of our rate base growth will come into service under formula rates like ComEd's distribution rate, FERC transmission formula rates or capital riders. These timely recovery mechanisms allow us to make additional investments on behalf of our customers while supporting our ability to earn our allowed ROEs. In the jurisdictions that lack these mechanisms, we are working with key stakeholders to enact and implement this type of regulatory recovery tools.

Next slide, please. On the previous slide, I showed you the significant amount of capital spend and rate base growth. The strong rate base growth of all of our utilities, coupled with improving earned ROEs at PHI, will result in a 7% to 9% earnings CAGR through 2020. We plan to solidly land in this growth rate range, putting us as one of the top growth stories in our industry.

Next slide. Chris talked about his brag slide, this would be my brag slide. Our model for driving utility performance is based on working on the following three areas in concert. Operational excellence, financial discipline and regulatory stewardship. We know that we need to do each of these well in order to succeed.

Each of the legacy Exelon utilities has improved the operational performance since the Exelon-Constellation merger. In a short timeframe, BGE has made great strides with operating metrics that were in third and fourth quartile just a few years ago. Through hard work and best practice replication across utilities, we have significantly improved our

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performance in all three of our legacy companies. BGE, ComEd and PECO are operating at first quartile for the most part as seen on this chart. We believe that this improvement in operational performance [audio gap] (25:23 – 25:33)

I have to start over. I'm kidding. Testing – here we go. Okay. I'm going to start over now. I'm kidding here. We believe that this improvement in operational performance has led and will lead to improved ROEs and better treatment by our regulators. As you can see on the right side of this chart, we have much work to do to improve PHI's performance. I am confident that we will apply our high performance model and improve PHI as we did with our legacy companies. You say, Dennis, why are you so confident about the ability to do this? Well, as I mentioned, I've been around for a long time. We have faced these similar challenges at our legacy companies including most recently at BGE. BGE was not performing well, customer satisfaction was low and reliability was in the third quartile.

We worked hard at BGE to improve performance and improve customer satisfaction. Calvin and his team have done an absolutely marvelous job. Calvin and his team have rebuilt our regulatory relationships and have worked diligently on our rate cases. Delivering on operational excellence leads to more favorable regulatory outcomes. Our experience at BGE and our legacy companies gives us great confidence that we will succeed at PHI. Next slide please. The current gap between earned and authorized ROEs at PHI represents a considerable opportunity for us.

Turning around the operational performance at PHI will involve closing these gaps. Earned ROEs of 250 basis points to 500 basis points below allowed returns were our experience in 2015. This under-earning is driven by lack of rate cases in the PHI companies during our merger approval process. Some of our PHI companies have not had a rate case since before our announcement. And during that time, PHI has continued to make significant capital investment. We are going to focus on improving reliability and customer satisfaction, which is essential to get a proper regulatory treatment. This will not happen overnight, but I am confident that we will be able to do it over the next few years. Next slide please.

As I mentioned, improving operational performance and customer satisfaction are the foundation of our approach to getting good regulatory outcomes at PHI. We need to meet the commitments that we made in our merger process. We need to use financial discipline in managing our resources and managing our cost. We are most successful when our objectives are aligned with the objectives of our policy makers. So, with that in mind, we need to better understand the goals and priorities of our regulators, our state and local governments, our customers, and be better partners in achieving those goals.

When we do these things well, we are better positioned with our stakeholders and we get better regulatory outcomes. We have already begun our near-term regulatory strategy work at PHI. Hard to believe, since we've closed the deal we have made rate – nine rate filings. Six distribution rate cases and three transmission formula rates, requesting $465 million in revenues across our PHI jurisdictions. We expect to have by procedure, the first case resolved in November in Pepco Maryland and have all of the cases resolved by next summer. We have some very productive cost going on in some of the jurisdictions and we're optimistic about our current rate cases.

Some of the rate case increases are significant as a percentage of the customers' bill. And we have worked hard with the stakeholders to have them understand the reasons for these increases. We expect to be in a steady rate case diet in all of our PHI companies over the next three years. Next slide please. In addition to filing rate cases, there are existing mechanisms that we can pursue to recover our investments. These mechanisms or trackers for timely recovery of significant capital investments are very efficient ways to do it. Some have been used by other utilities even in the states that we're in.

In Maryland and New Jersey – in our Maryland and New Jersey cases, we asked for more than $200 million of recovery under the state grid resiliency programs, and we are working to resolve issues with the DC PLUG legislation for the recovery of $500 million. We will advocate for more effective mechanisms in all of our jurisdictions for rate recovery. Next slide, please. As I said, I've been in the utilities for a long time. And as a utility, you quickly realize that you're only successful, as successful, as the communities that you serve. Our employees at every level of Exelon realize this, and they are dedicated to the communities in which they live and work.

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In 2015, our employees volunteered nearly 130,000 hours, up 25% from just three years ago. They participated in 100 company sponsored events, gave more than $8.5 million to charity, and served on 540 non-profit boards. I am proud of our employee's dedication and support to our communities, and I anticipate that the communities that we serve and Exelon will continue to prosper together for years to come. Thank you.

It is now my great pleasure to introduce Anne Pramaggiore. Anne is the President and CEO of ComEd, the largest of our utilities. Anne?

Anne R. Pramaggiore

Thank you, Denis. Good morning. I think I'm actually talking off of this. Welcome, we're glad that you're all here today, and with all these different companies and all the different cities we serve now, there's any confusion just remember this, Chicago is where the Cubs play. Wouldn't have been able to say that a few years ago. Thank you.

We appreciate very much you coming out today and your interest in our business. Denis gave you an overview of the utilities. I'm going to talk about ComEd for a couple of minutes. ComEd's been in the midst of a considerable transformation over the last four and a half years, and we see this as the first phase of an important evolution in the business.

I'm going to kick off the ComEd story with a few vital statistics. Today, we serve 3.8 million customers in Chicago land, making us the third largest utility serving the nation's third largest metropolitan region. This requires massive infrastructure. We have about 90,000 miles of feeders, 1.5 million poles, and about 2,600 substations. This adds up to a rate base of about $10.6 billion at the end of 2015 and it's growing.

To set the framework for the remarks I want to make this morning, I wanted to share my view of the utility as having – Utility business, Distribution Utility business as having three pillars. The first is a constructive and reliable regulatory model. The second is the internal capability to execute on investment plans. And the third pillar is the delivery of outcomes that shareholders experience and for which they perceive value, you, our customers, policy makers alike.

In today's world, we see another element, not previously required in the utility sphere, and that is given the sea changes underway in our business, the utility needs a plan to transform its business architecture. My discussion today will try to layer these pieces together. When we wrapped up 2015, we concluded at ComEd, the biggest investment year in our history. We put $2.5 billion of iron in the ground. It reflects in large part the significant investments we've been making under the Energy Infrastructure Modernization Act or EIMA.

2016 will be our peak year in the EIMA Investment Plan and while those investments will tail-off in the next several years, we'll still see approximately $10 billion in CapEx in our future 2016 through 2020. The comprehensive EIMA legislation was passed in October of 2011 and it's really been a game changer for ComEd. It addresses all three pillars that I mentioned a moment ago: the investment, the regulatory model, and the shareholder value. Under the investment pillar, we've been engaged in the 10-year $2.6 billion investment program to modernize the grid. Half the amount goes to smart grid investments and half goes to more traditional type investments, reliability projects.

As concerns the regulatory model pillar, we were able to persuade policymakers that with this level of investment that was contemplated, it required a regulatory model different from the volatile model that we've been living with for a number of years. So we designed a formula rate that provides greater predictability as well as timely cost recovery. We make an annual filing that both captures the current estimated cost, as well as truce up or reconciles the previous year's actual cost, both O&M and capital.

The ROEs are formulaic and we have the ability to amortize large one-time expenditures that exceed $10 million. The model reduces lag, mitigates volatility and adds transparency. Finally, under the stakeholder outcomes pillar, with the increased system investment, we've committed to meet an array of performance metrics related to reliability and customer service. We can be assessed ROE penalties if we don't meet the targets. They run from about 30 basis points up to about 38 basis points depending on the year. The EIMA program has allowed us to invest and modernize what was an aging high-traffic system to recover our costs and deliver results that customers have taken notice of.

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Half of the EIMA spend is in traditional reliability programs as I mentioned. The work we have done includes implementing more than 800 storm hardening and grid resiliency projects, replacing 3,500 miles of underground cable and refurbishing 26,000 manholes. On the smart grid side, we've installed over 2,600 smart switches or distribution automation devices, sectionalizing our system so that no more than 500 customers to 700 customers would see an outage from a single feeder failure, that's the goal with the smart switches or the distribution automation. We've built nine intelligent substations and we're on track to install 4 million smart meters by the end of 2018.

The result is our investments have supported record reliability for the past three years and we're on track to exceed that in 2016. Since 2011, we've seen a 43% improvement in safety and over – we've – our work has resulted in 5.5 million avoided customer interruptions. Our system investments have resulted in 30% reduction in storm restoration times, right, reliability of complaints have dropped 75% and our customer sat is at an all-time high.

Our work extends beyond EIMA and we have a lot of work going on the transmission side of the business. The slide that you're looking at identifies some standard work that we're doing on the transmission side, such as proactive replacement of large transformers and work that reflects the times, a lot of security work around our substations. And in addition, the bottom path of the slide talks about one of our large projects on the transmission side, our Grand Prairie Gateway project. It's a 60-mile high voltage, 345 kV line we're building between two of our existing substations, it will alleviate congestion on the grid and enhance reliability.

We have a formula rate for our transmission, our recovery as well, and we similarly see reduced lag and volatility with that regulatory structure. On our rate base chart, you can see the growth impact of EIMA and the other investments we've been making, in the first four years that 7.7% and then a still robust growth rate of 4.8% running out through 2020.

It's significant that of the approximately $4.2 billion of rate base growth at ComEd over the next five years, 100% will be recovered through existing formula and rider mechanisms that have served us well over the past four-and-half years. But in order to keep ComEd relevant and healthy as the world evolves, we have three significant undertakings on the road ahead. The next generation energy plan, a piece of legislation pending in Illinois right now. The Illinois Commerce Commission Policy Forum, which we expect to see get up and running in the next six months or so. And the distribution formula rate sunset, which happens in 2019, which will draw us back to the legislature to reset the formula rate that we have on the distribution side of the business.

First, as you may know, Exelon and ComEd have proposed to the Illinois legislature a comprehensive next generation energy plan. I can't cover the entire legislation, but I want to touch on a couple elements that I think would be of interest to you. First, the new pricing regime, and second, growth opportunities that we have in this bill.

The pricing regime has three parts. One, we had decoupling into our regulatory structure. Right now we have close to decoupling with the formula rate, but it's not perfect. This would perfect that. We had demand rates which create a more balanced allocation across our customer base, pulling out some latent subsidies we see in the more volumetric pricing that we have today.

And third, we reduced the customer charge or the fixed charge of our bill, which is quite high right now, that gives customers more flexibility to manage their rates. The second element of the legislation that you would find of interest is the growth opportunities. This legislation gives us the opportunity to ramp up our energy efficiency spend, actually close to double it, and then treated as a regulatory asset and earn on it.

We similarly provide a solar rebate in the form of smart inverters, which we then take to our rate base as an earnings opportunity. And finally microgrids. We've about $250 million identified to build a series of microgrids, and that is also classic rate base. So we'll continue to pursue the legislation through the veto session, and we're preparing for both the ICC forum and the sunset which will take place in 2019 neither are far off.

Like our sister utilities, we're working hard to become the best at everything that counts, and this slide demonstrates some of the successes we've had. On execution, 2015 marked the third straight year of record reliability. We've also turned in our best safety performance on record and named one of the America's Safest Companies in 2015 by

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Environmental Health and Safety Magazine.

Our state regulatory model comes in for kudos. It was recognized by GridWise Alliance, ranked Illinois number 2 in progress in implementing smart grid technologies, and number one in policy supporting these technologies. And finally on J.D. Power's latest customer satisfaction index, we received a fourth straight record score, while making us, well, not number one in satisfaction, we're the most improved utility across the country over the last five years.

So, I want to wrap up my presentation with some thoughts regarding the future, what functions we think customers will require of us, how we will perform them and what the business model starts to shape up to be in the new world. We expect to be discussing this further in the ICC forums that I mentioned. Our business model is facing the biggest changes in more than a century, largely due to three trends; concern over climate change, interest in the environment, the acceleration of technology, innovation and the increasing digitalization of the economy driving new customer expectations and behavior.

The drivers manifest themselves in our business in the form of a more decentralized system. Demands for clean and leaner resource usage and customized and connected service. And more and more we'll see a trend of third parties coming into our business to try to meet the needs of customers.

Our work starts with dissecting the utilities functionality as envisioned in the future into four tranches. From here, we're making assessments as to what sorts of core competencies policy support and business architecture each layer requires. The first functional tranche is constructing and maintaining the physical grid. Someone has to do it and we've done it for over 100 years. Of course, the grid of 2030 will have much different demands than the grid of today, accommodating intermittent resources and resources controlled by multiple third parties.

The second tranche is the planning and operating function, also a function that we perform today. In the future, the world becomes more complex around this function due to the mix – the supply mix that I talked about and the control issues I mentioned. Similarly, demand becomes far less predictable. This function becomes exceedingly complex, and its success will tie closely to the investment choices made in tranche 1. Automation will be at a premium.

Third is the energy platform tranche, where energy transactions occur at the distribution level to accommodate distributed energy resources. And the fourth tranche is a service and solutions platform. This is where customers go to procure and producers go to market non-energy services and products, smart thermostats, energy efficiency, demand management services.

At ComEd, we're developing a number of projects to help progress towards the future state and test some of our hypothesis. Our key future-oriented project is our Bronzeville community of the future. The foundation for the project is a microgrid being built on Chicago's South Side and right next door to Illinois Institute of Technology, which has an existing microgrid. The ComEd microgrid will have solar and storage resources and will connect to the IIT microgrid, creating – allowing for dispatch between the two microgrids and creating the first microgrid cluster in the world. We will create neighborhood dashboards to facilitate consumer engagement and we will incorporate a number of other smart city elements. The DOE has graced us with three grants for the project and they're watching it closely. This will be our prototype to test the ultimate model we envision for the future.

While Bronzeville is our core prototype, we have highlighted several other projects that test some of our hypothesis about the future. One is infrastructure convergence, leveraging our new communications infrastructure to create efficiencies across multiple lines of infrastructure. This is the foundation for thinking about smart cities. We have installed streetlights in 50 municipalities, connecting them to our AMI communications network, allowing us to monitor outages and brighten and dim streetlights remotely.

We have a partnership with American Water where we are testing our capability to connect water meters to our communications infrastructure, offering meter-reading and data analytic services to the water utility. We're testing superconductor cable with a plan to connect multiple substations in the Chicago business district creating super redundancy and resiliency in Chicago. And finally, our marketplace, we will prototype a transactional web-based platform later this year where customers can buy energy-related products and services.

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My sister utilities are doing some very exciting work in this area as well. PECO is testing microgrids. BG&E has the most sophisticated demand management program in the country, and PHI is connecting residential solar.

So I hope I've given you a flavor for what we're doing under our three pillars for customers, for investors, for all our stakeholders, and I appreciate your time. And, I'm going to turn it over to Calvin Butler, who is the CEO and President of Baltimore Gas and Electric. Thank you very much.

Calvin G. Butler

So let me take this opportunity to say good morning to everyone. And as introduced, I'm Calvin Butler, and have the honor of serving as CEO of Baltimore Gas and Electric. So today, I get the opportunity to introduce BGE to you. I've been CEO now of BGE for the last two-and-a-half years, and I have the honor of leading 3,300 amazing employees. For those of you who don't know, BGE is the largest utility located in central Maryland. And as the slide indicates, we've approximately $5 billion in rate base, 650,000 gas customers, and 1.3 million electric customers. We've been serving central Maryland for approximately – for 200 years. Just celebrated our 200th anniversary of the first gas utility in the nation on June 17. Now, as many of you know, a lot has happened in the City of Baltimore over the last couple of years. And we took the opportunity this year to really celebrate not only with our employees, our retirees, our customers, but all of our stakeholders in the city, really got them all engaged in our 200th anniversary.

And what we also – we used this opportunity to take the time to educate our customers and engage them about what we mean and what we do across not only the City of Baltimore, but the entire region. We served as lead sponsor for what we call Light City, and at the end of March of 2016, and in doing so we welcomed 400,000 people from the State of Maryland and the region to downtown Baltimore.

And what that did, in turn helped us continue to connect with our customers and all of our stakeholders across our state. And not only are we continuing to invest in our customers and the community, but we are also taking great strides to identify investments in our infrastructure. We continue to see valuable investment opportunities for our customers across our Electric and Gas Distribution and Electric Transmission businesses, that are driving truly system performance.

Denis talked about the progress and the evolution of BG over the last several years. I will discuss a few examples of the infrastructure investments we are making on the next two slides. First, BG is making $120 million in transmission investments in the Northeast area of our service territory. These investments benefit our customers by addressing potential overload conditions in this portion of our region. The transmission assets go into service in the spring of 2017. Now, it's important to note that BGE's Transmission business has a formula rate with a ROE of 10.5%. So, projects like this that we can identify are attractive to both our customers and our investors.

Second, in our Gas Distribution business, we have a 30-year plan to accelerate the replacement of old gas infrastructure. As mentioned, we're 200-years-old. So, you can imagine that gas infrastructure has some work to be done. And I'm proud to say that the team has accelerated that pace. Over the 30-year plan, these investments benefit our customers by replacing over 1,000 miles in old gas mains, and over 100,000 old gas services with modern infrastructure. The first five years of the plan was approved by Maryland regulators after being enabled through legislation in the 2013 Maryland General Assembly.

It's important to note that the plan has a tracker recovery mechanism, and BGE receives contemporaneous recovery for modernizing the gas system, which also allows us to reduce regulatory lag. The investments we'll be making over the next five years will grow rate base at a healthy clip. But most importantly, improving the reliability and resilience of our system for customers, which will in turn provide steady earnings for investors. So, the chart, as you see to the right, really goes to show you the acceleration or growth of BGE's rate base.

And next slide. In fact, BGE's projected rate base in 2020 will be nearly $2 billion, 40% higher than it was at the end of 2015. Overall, approximately 40% of our rate base recovery over this period is through trackers, with about 60% through the traditional rate base approach. Now, this is important, because as you know, the regulatory environment in

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Maryland, although it has improved and as Denis alluded to, we're really working on developing those relationships as much as we can reduce that regulatory lag is important for the continued growth of our business.

We continue to explore approaches for alternative cost recovery mechanisms that will minimize that regulatory lag. I want to take the opportunity to close here by saying how proud I am to really represent the 3,000-plus employees at BGE. We talked about the transition of becoming an Exelon company and the hard work that was done by the entire team, from our COO, Steve Woerner and Chief Financial Officers and the entire operational team has really embodied what it means to come in through change and really lean in and make a difference in developing those relationships and improving operational performance.

In 2012, the entire leadership team stood together and made a commitment to improve that overall operational performance through working collaboratively with our other Exelon utilities, PECO and ComEd, using best practices and consistent management model approach we delivered on our promises to bring BGE into the top quartile and decile in the many different metrics that we measure our business.

Like ComEd, I'm pleased to report that we continue to improve not only in our reliability, but our customer satisfaction. As Denis alluded to, when you have strong customer satisfaction and we also at the highest we've been in our 200-year history, it directly translates to the financial performance of your company. And we see that each and every day as we work in the communities that we serve. As we look forward to the future, we are excited about sharing the lessons learned with our sister companies at Pepco Holdings and what we can bring to the table and to leverage those best practices.

Now, again, I just wanted to say thank you for your time and allowing me to introduce to BGE. And it is now my pleasure to introduce Craig Adams, my friend and the CEO and President of PECO. Craig?

Craig L. Adams

Thanks, Calvin, and good morning, everyone. As the hometown utility, I'd like to give you a special welcome to Philadelphia. We've had an exciting 14 months here in Philadelphia. First, Vice President, Joe Biden, came to PECO to rollout the White House Energy Report, which contains key energy goals for the nation.

Next, Pope Francis came and paid our city a visit. And we just welcome the Democratic National Convention at our city. And today, we have the honor of hosting Exelon's Analyst Day. Welcome, it just keeps getting bigger. So, PECO is Pennsylvania's largest electric and natural gas utility, serving more than 2 million total customers with $6 billion of rate base. We have a long tradition of very strong operational performance and financial performance. And we feel we're very well-positioned for future success, which I love to discuss.

Next, our capital investment program is going to be quite active with an annual spend increasing from about $550 million a year since 2012 to about $750 million a year between 2016 and 2020. [ph] As you'll later hear, (57:11) a substantial portion of this incremental CapEx was approved by the Pennsylvania PUC and our Long Term Infrastructure Improvement Plans. One plan to accelerate the replacement of our gas infrastructure and the other, our Electric System 2020 Plan to enhance storm hardening and address aging infrastructure.

Further, we're making significant investments in security for NERC CIP compliance, physical substation security and spare transformers. Additionally, we're making significant IT-related investments to transform how we interact with our customer.

As you can see here, PECO, like many other gas utilities, has older distribution mains and services that we're planning to replace as part of our overall risk management effort for gas line safety. And it gives us the added benefit of reducing our carbon footprint by reducing methane leakage. We plan to replace the old gas infrastructure as swiftly as possible, but we want to make sure we do it in an efficient and effective manner.

In 2015, we received approval from the PUC to update our gas LTIIP plan, reducing our pipeline replacement schedule from 34 years to 20 years with CapEx climbing each year as shown here on the slides. We're already seeing operational

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improvements with the replacement of this infrastructure have reduced gas links during the winter period. The majority of the gas LTIIP spend qualifies for tax repairs, deductions which will benefit net income as Pennsylvania is a flow-through state for regulatory accounting purposes. We see this investment is critical to our system operations and are pleased that our growth can be recovered either in base rates or in the gas distribution system improvement charge, that this can be used if the gas ROE falls below the current gas DSIC ROE of 9.9% set by the PUC.

System 2020; on our electric system. We successfully completed our electric smart grid implementation last year and now we're focused on our Electric System 2020 Plan, investing $275 million of incremental capital in underground cable, substation upgrades and storm hardening. Even though PECO has first quartile reliability performance for outage frequency and duration, we realize there is much more we can do to mitigate the risk from extreme weather and to address customers with multiple interruptions. Fortunately, the PUC and consumer advocates agreed with us and approved the $275 million LTIIP plan for 2016 through 2020. These costs are also eligible to be recovered through the electric DSIC mechanism if the electric distribution ROE falls below 9.8%.

Now, next I want to talk about our really important economic development project for us. The construction of the post substation project is an example of investment needed to support economic development associated with the growth coming from Pennsylvania's Marcellus Shale region. The project enables one of our large petroleum customers, Sunoco Logistics, to process and ship natural gas liquids from the Marcellus region through the Mariner East pipeline. At its completion, the Mariner East pipeline project is expected to add up to $4.2 billion to Pennsylvania's economy, and supporting more than 30,000 jobs during construction and up to 400 permanent jobs in the Philadelphia region.

Now, as you see here, our investments for the next five years will grow rate base at an annual rate of nearly 7%, growing much faster than the last four years as we focus on further improving reliability. And on this chart, you can see, we currently assume that we will make our first ever FERC transmission formulae rate filing in 2017 for rates effective in 2018, and we're still working on the exact timing of that, but that's in the right timeframe. Also I would like to highlight with the passage of Act 11 in 2012, we are now able to make our electric and gas distribution rate case filings based on a fully projected future test year.

That means, the test year is the same year that the rates go into effect, which reduces regulatory lag by a year. And in note – as noted in prior slides, the electric and gas LTIIP CapEx is eligible for this recovery if the earned ROEs fall below 9.8% and 9.9% respectively. We're going to continue to push to drive our ROEs past the benchmark for Exelon. But, we think that these mechanisms provide useful downside protection for earned income.

And finally, year-after-year, PECO continues to be the best of utilities in the nation in safety performance, electric and gas service reliability and emergency response. And I'm really excited that our 2,600 employees have named us the best midsized utility in the nation according to Forbes Magazine. Our commitment to innovation and developing new programs and services is transforming the energy experience for our customers and the communities we serve. Our continued focus on customer experience resulted in all-time best customer satisfaction, with strong performance in power quality, reliability, customer service and corporate citizenship.

Thank you for the opportunity to tell our story. And now, I'd like to turn it over to Dave Velazquez, President and CEO of Pepco Holdings and my friend.

David M. Velazquez

Thank you, Craig. Good morning. It's been a very exciting year for Pepco Holdings to say the very least, it's also been a very good year. I'm very excited to have the opportunity and the honor to be able to lead Pepco Holdings as we have become part of the Exelon family of utilities. And I will tell you that the entire team at PHI is very much looking forward to and very much excited about the prospect of being able to leverage some of the things that are done at the other Exelon utilities which are going to help us drive our operational performance, help us drive some of the employee programs that we're going to be able to leverage and also some of the other programs that are going to strengthen our ties to the local communities.

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Just a couple of words about Pepco Holdings. We're actually composed of three legacy utilities; Atlantic City Electric, Delmarva Power and Pepco. We serve Southern New Jersey, the state of Delaware, the Eastern Shore of Maryland, the City of Washington D.C. and then two of the surrounding counties in Maryland, around Washington D.C. We have a little over 2 million customers and we have about $8 billion of rate base.

So, with that of introduction, let me talk a little bit more about the details of our capital plan. You will see on the slide on the left hand side that we have planned over the next five years to invest more than $7 billion into our utilities in both the transmission and also in the distribution systems. Of the expenditures we have, over $2 billion of them are in our transmission system, where we have formula rates at FERC to recover the cost of those investments. Like some of the other utilities, our formula rates allow us a 10.5% return on equity, 10% base return, plus the 50 basis points that were allowed as part of – being part of an RTO.

On the next slide, you will see on the left hand side two graphs that show the progress we've made over the last few years in improving the service that we provide our customers. I'm very, very happy and proud of the work the team has done to drive that performance, but also very mindful of the fact that in the merger proceedings, we made very significant commitments that continue to drive that performance in each of our jurisdictions to even better levels to achieve first quartile and even better performance across all our utilities.

As part of those merger agreements, we also in the agreements agreed to a capital plan going forward in the future for the level of investments that we needed in order to drive those reliability improvements. If you add up all the different merger agreements, those reliability investments that we said we needed to make in order to meet those reliability commitments amount to about $2.2 billion. And you can see on the right hand side of the chart or the right hand side of the page a chart that shows those $2.2 billion of merger commitment-related reliability spend, which is almost 50% of the total spend that we will be recovering through traditional rate base making.

Before I talk more about that, I just wanted to highlight a couple of the projects across the territory that are underway. The first one is a new substation, I'll call, Waterfront Substation, that we're building in the Pepco service territory. It's actually in Southeast D.C., near a new soccer stadium that they're building, that is driving development in the area, not just with the soccer stadium, but increased residential and commercial growth. And it's a new substation designed to serve that area.

The other substation that's shown on that chart, Buzzard Point Substation, was actually built in 1933. And some of the purpose of the Waterfront Substation is to replace some of that aging infrastructure and move service in the area from Buzzard Point up to the Waterfront Substation. Total cost of the project is about $192 million. Over $100 million of that is transmission investment, which again is recovered through formula rates. That project will go in service later next year.

In the Delmarva service territory, in the next slide, I've highlighted a couple of the transmission projects. These projects are part of the almost $600 million that we're going to be spending as part of our five-year plan on transmission in the Delmarva area. There's three different projects we've highlighted. What is really driving primarily the investment in transmission in Delmarva is replacing aging infrastructure. And also, while we're doing it, we're also hardening the system. We're replacing a number of old wooden pole lines with new steel monopole structures that are much more resistant to high winds and storms.

In fact, some of the lines that we're replacing that are shown on this page are almost 70-years-old. So, we've certainly gotten our life out of that and the projects will come in service either late or next year, or the following year.

And then, finally, a highlight of project in our Atlantic City Electric territory. This set of projects is being driven primarily by replacing aging infrastructure and also the potential retirement of generating plant in Southern New Jersey, near the shore. It is a PJM, RTEP project, Regional Transmission Expansion Plan (sic) [Regional Transmission Expansion Planning] project, it involves rebuilding probably 50 miles of transmission line. We'll be doing work in about 11 different substations and the total project pieces will come in service earlier, but the total project will come in service finally sometime in 2020.

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So, if we look at all the projects we're doing on the next slide, you can see that we also have some very robust rate base growth, driving about 6.6% annual growth in our rate base over the five year period. I would note that if you look at the transmission growth, the growth in our transmission rate base is approximately double what the rate – overall rate base growth is across the PHI.

On the next slide, if you look at how we are able to recover that, although probably about 25% of our current rate base is covered by either formulas or trackers, if you look at the incremental additions, over half of those incremental additions will be covered under formula rates or trackers. Denis had mentioned, we have a couple programs on the distribution side that allow recovery through tracker mechanisms, and those notable being the D.C. Power Line undergrounding project, which is $1 billion public, private partnership in D.C. to underground, I'll say the most vulnerable lines over headlines that we have in the district to improve storm performance. But in addition to that, in all of our jurisdictions, we're exploring ways either through the regulatory mechanisms that exist or through legislature to help increase the amount of the investments we're making that will be covered under tracker or formula rate mechanisms.

And I wanted to conclude with just a couple comments about the integration. The integration has been proceeding very, very well. We're about four months into it, the first 100 days of the first four months have gone without a hitch. We're on schedule to meet all of our merger commitments that we've made in the various jurisdictions. We're also on schedule to meet our synergy savings and have already begun to realize some of those savings, especially through the supply-enabled savings that we have. I'm very confident that we will be able to meet the $130 million in projected synergy savings by 2020.

And I guess of final note, one of the real benefits of this merger to our communities was our increased operational or our ability to increase our operational performance. And a component of that is our performance in large storm events. And with the – being part of a family of larger utilities, we were able to not only just rely on mutual assistance, but also have access to crews at Philadelphia Electric, Baltimore Gas and even Commonwealth Edison, that not only will be able to come quicker to our territory, but also will be able to work more efficiently as we're able to work under common practices. And we've already begun to implement that and on the slide, I show an example where actually we were able to send Pepco crews up to PECO in the storm in April, and again, because of the common practices we had, they were able to work much more efficiently than neutral assistance.

So at this point, I wanted to turn it back over to Dan, so we can take whatever questions you have. Thank you.

Dan L. Eggers

All right. Thank you, guys, for sharing all of your thoughts and informing the group on your businesses. We'll open up to questions now, so if people have questions for utility team, now is your chance. [ph] Mora? (01:12:20)

Q&A

<Q>: Just wondering on Pepco. I'm not sure the poor returns are just a function of a delay in rate case filings given the core returns even before you guys became involved with these guys. So I was wondering two questions. First, can you talk about what management changes have been made, especially on the regulatory side, and the second question is how have the incentive schemes of the management and employees has been changed at Pepco relative to how they were paid before? Thanks.

<A - David M. Velazquez>: A couple of comments. First, there are tremendous advantages that are being part of the Exelon family. I think we've been able to leverage and learn from the other utilities as we approach this set of rate filings. So as we've approached this set of rate filings, we've actually held sessions with all the different utilities to understand what has been successful in their jurisdictions, what's been successful in our jurisdictions.

I also think through the merger proceedings which were fairly long. It also gave us an opportunity to understand better for some of our stakeholders what was important to them. And we've tried to incorporate some of that as well into the

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filings we've made.

Over time, at PHI, especially in the Pepco region, as I showed on the chart, our operational performance has continued to improve. I think as most folks know, there was a time period of, say, around 2010, 2009, when the performance at Pepco was clearly where it didn't need to be. We've been able to improve that performance year-over-year and I think we've seen that reflected in both our customer satisfaction and also in the dealings we've had with various stakeholders who have also recognized those improvements that we've made.

And I think all those things are going to help us get a better set of outcomes. A large part of it is the fact that we have continued to invest in our business to drive our liability improvements and have not been – even with the level of investment we've had, not been in front of the regulators to ask or seek return of any of that.

<A - Denis P. O'Brien>: [ph] Mora (01:14:38) thanks for the question. That's really the million-dollar question with the acquisition. As I talked a little bit about our model for running these businesses, I think it's a high performance model. It's got a basis in terms of producing results, lots of collaboration and team work, with a little bit of a level of mild competition, as we look at each company and say where's your line relative to the other companies and why is it there and when is it going to get to a better place. So in terms of changing a model, part of the change of the model we receive accountability, this is where you need to get there and holding people accountable.

That's worked very well as you see it through the Exelon companies, if you look at the track record over the last couple of years. I want to just highlight a couple of folks. Paul Bonney is here. Where's Paul? Paul was a General Counsel at PECO, doing regulatory for years. Most recently, Paul was in the generation business, wholesale power trading. Paul is the Senior Vice President down at PHI. Paul was one of the most experienced regulatory people that I know in the industry. So that is one of the changes.

Is Tyler Anthony here? Tyler is back here. Tyler is an Exelon person too. Tyler is the COO. Tyler's job is to work with Dave, turn around the operational performance, turn around the customer satisfaction. The whole team's job is to get better operational performance and better financial returns.

<A - Dan L. Eggers>: Julien?

<Q - Julien Dumoulin-Smith>: Thank you. So perhaps the follow-up on that question first. If you look at the delta rates, so you've got a CAGR on the rate base side of about 6% and you've got a 7% to 9% earnings growth. It seems that the bulk of that delta is driven by earnings improvement back at the PHI itself, right. If you look at it, it looks like there's at least $0.10 of earnings improvement, again, that's a minimum, it looks like $0.10 to $0.15, depends. When you think about it, one of the other moving pieces between reconciling the EPS growth and rate base growth outside of PHI, are you effectively saying in order to get within that range that you need to get at least a healthy amount of that ROE improvement, maybe to kick it off?

<A - Denis P. O'Brien>: I don't know if you want, you can.

<A - Dan L. Eggers>: Julien, I'd say that, clearly, it is mathematics behind the PHI turnaround. And we gave you [indiscernible] (01:17:07) slide as far as what the improvement in earned ROE is going to be there. So that's going to be a significant driver and the rate base growth is obviously a very significant driver. But I think if you look at the ROE contributions and the different utilities and using some normalization in ROEs that they comment over time, if you look at the forward curves or interest rates, all those things contribute to better performance or contribution to drive that underlying growth.

<A - Denis P. O'Brien>: Yeah. I just to make a couple more comments. When we've done it, we've taken – it's a complex company, PHI, multi-jurisdictional, nine rig filings within a couple of months here. We have spent a lot of time with the Exelon folks and the PHI team looking at the strategies. They won't happen immediately. They didn't happen at BGE immediately. Over time, at BGE, the returns were 8.5% last year, returned...

<A - Dan L. Eggers>: 10.6%.

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<A - Denis P. O'Brien>: 10.6%. You take out some of the weather and some of the other things, a little less than that. We profiled in our plan and I think we've got the flesh on the bones here, a return that is commensurate with what we did at BGE, and I'm pretty confident that we can do that. We're in the first time out of the shoot here. I mean if you look at – take New Jersey, PS has done amazing with their returns in New Jersey. If one company can do it there, then we can do it too. And I'm very, very comfortable about what's in the plan and that we can achieve it.

<Q - Julien Dumoulin-Smith>: And just to clarify, it's effectively assumed in that 7% to 9%?

<A - Denis P. O'Brien>: Correct.

<A - Dan L. Eggers>: It is.

<A - Denis P. O'Brien>: Yes, it is.

<Q - Julien Dumoulin-Smith>: And then, separately, on the regulatory front, just to follow up on that, you talked about steady diet, I think to use your words, of rate cases and PHI. What's the plan to get off that steady diet, whether it's from a regulatory form perspective or otherwise or is it just simply the CapEx flow and your improved ROE just a base and you don't necessarily go in every year?

<A - Denis P. O'Brien>: Yeah. Great question. We're in the early stages of what that looks like. So the first thing here is, look, you get the company, you get the right processes in place, you start to transform the performance. We filed the first rate cases out of the shoot. It's done in the more traditional fashion although we have some riders, some $200 million of riders that I've talked about.

We have teams working on each jurisdiction to say what is available already in that jurisdiction, how do we utilize that better, what do you need in that jurisdiction, what can you get in that jurisdiction. And the answer is a little different in each of the jurisdictions and we're still kind of putting all the flesh on the bones as to what it looks like. Some places, it looks like some more capital riders, some places, it looks like getting a little more structure to the timing of decisions and the timing of when you can put rates in. And so, we're working at all those pieces.

I'd tell you the answer is going to look different in each place, and it's going to have different regulatory and legislative pieces to it as we put it together.

<A - Dan L. Eggers>: Hey, Julien just what we've said big picture is we're going to get through this rate case filing cycle and then we'll do probably another traditional cycle as we get through and probably as we talked about a three-year cycle generally speaking on the PHI side, [ph] again, it's a (01:20:30) reasonable expectation while at the same time working for other solutions. It would make for more time to recover on specific investments.

<A - Denis P. O'Brien>: I just would add one more thing. This is all about your reputation and your relationships. Your rates don't get set in a regulatory environment; they get set in a political regulatory environment. You have to perform well, you have to get your reputation to the right place, and you've got to develop the relationships. And all that's ongoing and it's going to take a little bit of time to put together.

<A - Dan L. Eggers>: Greg.

<Q - Greg Gordon>: Hi.

<A - Dan L. Eggers>: I can't tell who got their hand up first, so I'll just – I'll go there because of I'm not getting – I'm getting totally blinded. Sorry, [ph] Paul (01:21:08). I'll come back to you. I apologize. Right there.

<Q - Greg Gordon>: Can you just spend a little bit of time explaining the lessons you learned in the BG&E turnaround? And as a result of that, what the key things you have to get radar in the Potomac turnaround, in terms of the big wins whether it's labor productivity, the right level of employment, systems? What are the big chunky wins that you discovered were easy to get, hard to get at BG&E that have informed your approach to Potomac.

<A - Denis P. O'Brien>: Yeah. I came from the PECO side and did the integration of the PECO, Unicom deal. So I think each time we go through one of these, we learn a little bit more. The BGE integration went well, but I think we

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learned a really lot. I think, as Exelon, we're mature enough to be able to really learn a lot from it. There's great value in having an Exelon COO in place, that's why we mentioned Tyler. In that, there's a translation when you're having the discussion of we need to do this at BGE, we found out without having the Exelon person there to understand the language and what we're talking about that there were some gaps.

So putting a few Exelon people in at the senior team was important Tyler and Paul are two that I referenced. We learned some other things at BGE too, okay, put in the Exelon approach to project management and came back [indiscernible] (01:22:43) and then, we continued to have issues with capital deployment. And then, when we went back and looked, we hadn't defined the specifications well enough of when we say put this in, this is the specification and expectation of performance. And so, this time, for everything we're putting in, there's a charter of specification and expectation of performance that will be signed off by the line officer and signed off by an Exelon integration officer that is on a full-time assignment in that company.

So there are a couple of the pieces. The other thing is about reputation. And I don't know if you want to jump in and offer some things.

<A - Calvin G. Butler>: Sure, I'd sit back and add two things. First, to Denis' point on the reputation, it's truly an understanding of what not only your customers, but your commissioners and legislators expect of the utility. Don't assume you know. Go out and make those connections and ask the questions. And not only ask it once, but repeatedly go in there and share with them what you're doing and how you're doing it, so there's a shared partnership in getting there.

The second piece is we can't underestimate the cultural transformation that comes from being part of the Exelon companies. Denis alluded to the higher level of accountability and the commitment to meeting the metrics. So in that cultural transformation, you have to understand and make sure you communicate regularly to your employees, not just focus your attention outside, but do just as much of that communication internally to make sure that everyone is pushing in same direction. And the speed in which we operate is the lot different, going to making sure that we're all on the same page.

<A - Denis P. O'Brien>: [ph] Dan – (01:24:29) I have a meeting called an MRM, which is the review of every indicator and every performance process you have, and it's for ours and we laughed about them after, I guess, right.

<A - Dan L. Eggers>: Yeah.

<A - Denis P. O'Brien>: But we have these MRMs and we talk about every level of performance and you know your business inside and out, every aspect of it, the age of every bit of work you have, the backlog, your cycle time, and those things are shaping processes about high expectations and performance, and I think there is something that we learned are very effective tools and we're continuing them.

<A - Dan L. Eggers>: I'd say, Greg, as a newbie to the company, Denis seems very nice, but the intensity of the book, which I've seen is enormous and the amount of the rigor that goes in the analytics, not only for each individual utility, but peering them against each other, is quite significant. So we actually got a copy of the book as we were thinking about the Analyst Day. It's the level of rigor that goes into comparing the utilities and hold into a standard is quite significant. I think that's part of that Exelon culture that kind of permeates out when you bring a new organization [indiscernible] (01:25:37).

<A - Denis P. O'Brien>: I mentioned this earlier. You can't underestimate this. The model is teamwork and collaboration with a little bit of competition. And you can't imagine what it looks like when you say, why is your line the bottom line there.

<A - Dan L. Eggers>: Oh, we could imagine. Yeah.

<A>: We've all had the question, Greg.

<A - Denis P. O'Brien>: Let's talk about that every meeting until it's not the bar.

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<A>: Right.

<A - Dan L. Eggers>: All right. I'd promised [ph] Paul (01:26:06). So we'll go there then [ph] Angie (01:26:07), I'll come back over to you and then Steve.

<Q>: Just three really quick questions. One is [ph] the comment from related plan (01:26:14) and what is the interest rate that you guys embedded in your growth rate. The second one is the level of rate release that you guys are expecting in order to make your goals for your respective utilities and bill impact. Obviously, there is a – what you guys need or what the wholesale rate is? Assuming it's flat, what do you think the bill impact would be?

And then, just finally, Pepco did give some description as to what its goals were in terms of the merger and commitments, which you guys look like you're ahead of. But I wasn't really clear what the – if there was any quantifiable expectation with respect to either outages or – for the other companies, with respect to outages or efficiencies or just in general what the value proposition in a quantifiable way is. Is there one in terms of what customers are going to be getting for all this?

<A - Dan L. Eggers>: So [ph] Paul (01:27:17), on comment ROE, it's a forward strip for the 30 years, so we're not taking a point of view, we're letting the market be what it is. Probably a little more detail to talk about expectations of individual rate cases and we probably would have to kill you after we told you, so not going to really get into that. But we can follow up separately if you want to kind of talk to specific rate cases, just it's a little cumbersome here.

I think on the bill increase side...

<A - Denis P. O'Brien>: Yeah, on the bill increase, look, that's what we're looking at all the time because the customer has to pay the bill. So we show all these charts here, but we're looking at the bill impacts. We think all of the numbers we share with you and all the strategies we've shown you over this five year are manageable from a bill impact, and we're not concerned about the bill impact of any of the numbers that we've shown you. It's something that's going to probably be – you get so many different rate structure in so many companies, but...

<Q>: I'm not asking for the outcome of [ph] rates (01:28:12). Well, just sort of general sense, okay, when we look over this period, and you're talking about 7% to 9%, you're talking about substantial growth. I think it's an understandable question as to just what the range might be that a customer might be seeing in terms of their bill impact over that period of time. If you can't, I mean, we could talk afterwards.

<A - Denis P. O'Brien>: Yeah, yeah.

<Q>: But I just – that's all. I'm not asking for a specific...

<A - Denis P. O'Brien>: I'm still [ph] warning (01:28:35) all these companies, but I think about it in the 2% to 3% bill impact range, overall bill, annually, residential annually overall bill.

<A - Dan L. Eggers>: And, Dave, do you want to talk about some of the operating expectations and performance metrics from the [indiscernible] (01:28:50)?

<A - David M. Velazquez>: Just one comment. Some of the earlier cases are a little higher, the CAGR over the period, 2% to 3%, is a good thing to think about. Yeah, just to comment on that in the appendix for each of the rate cases, if you go through each of the PHI rate cases, we actually show, for the first set of cases, the actual impact on the average residential customer bill. Again, having been out in some jurisdictions for up to three years, they probably range from like 5% to 10%. And again, once you begin to catch up, those numbers will come down.

In each of the agreements we reached in order to get the merger approved in each of the jurisdictions, there were a number of – and each one is a little bit different, a number of guarantees or promises were made as far as improving customer service, improving various metrics, critical in all of those, of course, was the improvements in reliability. And in all our jurisdictions, we have commitments to drive our reliability performance, whether it's frequency or duration of outages into the first quartile, in some cases, even beyond that. And it varies by year, some we achieve that in 2018, 2019, 2020, and there are financial penalties associated which, again, are slightly different in each of the jurisdictions.

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But there are specific financial penalties for not achieving those targets.

And I think the regulators will have the – of all the things we did, that was probably most important to them, and they will probably focus most closely on that. We are currently on plan depending on the jurisdiction on plan or ahead of plan to meeting all those commitments that we have.

<A - Dan L. Eggers>: [ph] Angie, did you have a question still? (01:30:30)

<Q>: So first on Pepco, I mean, I didn't cover the company before the merger happened, but I have this impression that there's plenty of CapEx to be had and that the rate base growth would be actually impressive. I'm not saying that 6.6% is not impressive, but I had hoped for more. Is this just because you're trying to be conservative with your rate base growth assumptions? That's one.

And for ComEd, with 100% of your CapEx being recovered through riders, why are you under-earning or slightly under-earning your allowed ROE?

<A - Anne R. Pramaggiore>: Do you want me to?

<A - David M. Velazquez>: Take them in whatever order you would like.

<A - Anne R. Pramaggiore>: I'll start. Yeah. So we've got – the earned to allowed gap is largely a function of one major structural item that's been in our rates for since I think 2006 or 2007, and that is we had a pension asset that was pushed down from Exelon at an equity rate. We had a big tussle over it in our pre-formula rate case, we earn a debt return on it. So that is a structural gap. It's worth about 50 basis points to 60 basis points. So that kind of always hangs in there.

There's a few other items of compensation that we've not been allowed to recover, and there's a few other odds and ends lobbying cost, things like that, that just legally the law won't allow us to recover. That's the gap. This year, it's about 60 basis points, it's closed over the last – on average, it's been about 130 basis points if you look out over the past five years. So it's narrowing in, and as rate base grows, it's narrower and narrower, but that one structural issue on the pension is just – it's sitting out there and that's the main item.

<A - David M. Velazquez>: And as to your question about the rate base growth at Pepco Holdings, the times I've looked at our capital plan and compared with all the utilities, I actually think it's a fairly robust – it's fairly aggressive plan to be investing that much for the size of the utility we are. And that does translate into, what I would say, I think a fairly healthy over 6.5% rate base growth. But these investments are all, I'll say, kind of traditional investments made in the utility, and therefore, whether it's replacing aging infrastructure, needing new customer growth, issues like that that we're addressing. So I feel very confident that as we go forward through the rate cases that we're going to have or be able to get recovery of them.

<A - Denis P. O'Brien>: Yeah. I would just say – I said it earlier that this $25 billion plan, it's well developed, it's stuff we know, it's stuff we have great confidence in. We've owned PHI for three months, four months here. We're still learning about it. We're in the inside now and figuring out what the opportunities are. Very comfortable with the $25 billion. We're looking at other opportunities, but not developed enough across all our companies relative to transmission resiliency and security and some other things. But the $25 billion that we're talking about over five years, we've got great confidence we will deploy effectively.

<A - Dan L. Eggers>: All right. Steve?

<Q - Steve Fleishman>: Okay. You just kind of answered I think my first question which is, if you look over five years kind of what are things that could be upside to this plan in terms of other spending, so it sounds like maybe more transmission or greater reliability, things like that, any other...

<A - Denis P. O'Brien>: Again, it's been around a long time. I think the one thing resiliency and security are kind of the newest thing on the regulators' and others' mind, and that's some things we're looking at. In this plan here, there's about $450 million for security of our critical assets. We know that for sure, well, that number grow from there. And

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then what investments can we make in our system to make these critical assets less critical, and that's some analysis going on. So if I think about opportunities for the future, they're probably the two biggest ones. And then the other one, Anne talked about a lot of the things we're thinking about with the utility of the future. We're looking at demonstration of microgrids in different places, and as we get through the demonstrations, we'll figure out whether there's bigger opportunities or not.

<Q - Steve Fleishman>: My other question, just I'm not sure how you want to answer this, but just in terms of – it looks like by 2019, is it fair to say that you're pretty much getting to earning your allowed returns or without any of these structural issues?

<A - Anne R. Pramaggiore>: At ComEd?

<Q - Steve Fleishman>: No, overall. Utilities overall in the plan, by then, are you kind of at a point where you're earning the allowed returns in your jurisdictions for the most part, whatever they are?

<A - Dan L. Eggers>: Well, we'd have in the plan as we're in that 2019, 2020 range, we're going to be kind of hitting our stride from an earned ROE perspective across utilities. It doesn't necessarily mean you're earning, you're allowed at all of them, but you're within that band of comfort that we've generally talked about. So kind of within 100 basis points range depending on utilities where you should expect we would be at that point in time.

And with that, I think we're going to break for break. And we'll come back to the generation and policy guys in a second. So thank you all very much.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, please welcome Chief Strategy Officer, Bill Von Hoene, and Senior Vice President, Federal Regulatory Affairs and Wholesale Market Policy, Kathleen Barrón.

Dan L. Eggers

So he announced the people who are up here, so Bill Von Hoene and Kathleen Barrón are going to be our next presenters talking about policy and how we think about the current market landscape in a variety of fashion. So I'm going to turn over to them. They're actually in this stage seated because they're going to be a little bit of a tag team between their discussions. And this will be very informative and I think I'll start off with you, Bill.

William A. von Hoene

All right. Great, thanks very much, Dan. Chris mentioned yesterday that we're bringing some folks that we haven't brought historically in with regularity. One of them is Kathleen. A number of you know Kathleen, but a number of you don't. So I just want to give you a brief history on Kathleen.

She has been with the company for six years. She does regulatory affairs, wholesale market policy. She had a very distinguished career at FERC for five years as the number two person in the [ph] lot of apartment (01:37:13) there. Before coming to Exelon, we promised her that she'd do exclusively FERC work and she has become the guru on virtually everything else in the company. So we're very glad to have her including EPA, the PJM and [ph] CP (01:37:25), carbon policy and the like.

Kathleen and I are going to cover five topics today, run through for you, relatively briefly, in the amount of time we have. One is a general overview, which I'll do of some of the company – top company priorities from a policy standpoint. Kathleen is then going to do a deeper dive on our carbon policy principles that we're currently pursuing and

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the infrastructure for that and the framework for that.

I will then talk in a little bit more detail about the ZEC program in New York and some of the developments that have occurred over the course of last couple of days. Kathleen is then going to do a flyby on presidential politics and how we think that may affect policies going forward over the course of the next four years.

And then, finally, as you've seen, Chris did a [ph] – have been yet (01:38:08) on innovation and entrepreneurship and Denis did one on community involvement. I will do one on diversity and inclusion to conclude it.

So Exelon policy priorities. One of the things that I think is evident to all of you and we certainly feel within the company in terms of our value proposition is the very aggressive growth in the utility sphere and in the regulated portion of the company. And this is something we worked on for a number of years and now you can see with the capital investments that we're making, over the course of the next five years, with the anticipated EPS growth and rate base growth, has become a central tenet, the central tenet of the company. And the priority of doing that well and making those investments, obviously, is important to us and important to you and important to all of our stakeholders.

We talked a little bit in the section that preceded us about what is happening in utility space in terms of the capital commitments, the projects we're working on. In order for this strategy to be successful, obviously, we have to have secure fair return and compensation in rate making space. And you've heard from a number of folks that preceded us up here how important this is and some of the elements of that.

So an underlying very large policy concern for us, consideration for us is addressing those kinds of rate issues that have historically kept us from fully realizing the income levels that support the system in a profitable basis. We've had challenges with regulatory lag with appropriate allowances, volatility and some inconsistency in the earnings.

It is a huge priority to have a fair rate structure and one that addresses those things as we become more concentrated in the regulatory world. You can see the seeds of what we're doing in this in the presentations that were made previously. As Denis pointed out of the $10.8 billion in anticipated rate growth during our next five-year period, 70% of that will be recovered through formula and tracker mechanisms, that's the kind of momentum that we want to create. In some instances, we have to pursue this policy incrementally and that's what we're doing in terms of the various – the trackers that get added, riders outside the normal rate formula, alternative rate recovery mechanisms that were referenced in the last presentation.

And in some instances, we're also doing it in a larger way and the EIMA Act that Anne described is one example of that where we have the formula rates and Anne and her team have done a phenomenal job in getting that legislation passed and also executing on it.

Just to give you a sense of how important this policy is and Anne talked about some of the advantages, but on a real-time basis, right now, when you think about how contentious rate making can be, when we're able to effectuate the kinds of policies that are in place at ComEd, this year, we will have a final order before the end of 2016 on a rate case. Our revenue requirement request increases $137 million or $138 million.

We have two interveners in this, because the rate structure and the rate deliberations have been modernized to reflect the value that we bring to the grid. Two interveners, staff proposes a disallowance on that $138 million of $4.8 million, the attorney general $5.6 million, we're going to have a one day hearing if that, an entire day to dispose of these things.

So there's a lot in policy space that we're trying to do to make sure that as we invest in greater amounts in the utilities, that the rate structure and the manner in which we recover fair return corresponds with that.

Second and related element in the utility space that is important for us and, again, you've got some reference of this in the prior presentations is we have a new customer centricity here because of what the demands of the customer base are. They want different products, they want the existing products to be delivered in different ways. It's been digitalized in the way that Anne alluded to. And it's very, very important, it's going to be a part of, as Anne mentioned, the utility future that we're going to have to address. How do we stay relevant in that, how do we stay relevant to our customers, how do we make sure that we're delivering to our customers and receiving a fair return on delivering to our customers the products that they want.

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The things that they want don't fit neatly into the existing regulatory structure in many circumstances and don't fit in at all in some circumstances. So how do we change that compact as a policy to ensure that as the customer needs and desires evolve that the regulatory framework under which we operate evolves to correspond to it.

Across the countries, we see some historical evolution in this area. You see in the PSEG Solar 4 All program. A solar desire by the customers, how we get it into rate base and recover. The Massachusetts energy bill with regard to storage and renewables is another example. Microgrids at Oncor and San Diego Gas & Electric, Arizona, Virginia and Michigan also advances in the regulatory compact along the lines of addressing new products. We also see resistance to this and we've seen it in our own jurisdictions.

As you may recall, one of the objections in the initial PHI order to what we had proposed was the ownership of solar resources at the utility side and the Maryland Commission is twice denied community solar projects in rate base and public purpose microgrid has – we've just had a result in Maryland that was disappointing relative to what our ask was.

The point I'm trying to raise here is, this is an evolving process, it's probably a journey rather than a destination, but a high policy priority for us, a very high policy priority for us is to be able to respond in a meaningful way to doing the kinds of things that will allow us to provide the customers what they want and for us to receive a fair recovery. There's not a clear path necessarily. One size does not fit all. It will take some time to update the regulatory compact, but a high policy priority.

The ComEd portion of the Illinois legislation, the next generation energy plan is precisely the kind of recipe that we're looking for in there. So those are journeys that we're taking in utility space, very, very important to support the utility centricity that we've talked about creating in the company over the course of the next five years.

The third policy piece we're going to talk out briefly this morning and I'm going to turn it over to Kathleen is how do we achieve policies that are going to give us the proper recognitions of the value of our zero carbon electricity.

Kathleen, I'll turn then to you.

Kathleen L. Barrón

Thank you, Bill. What I'd like to do is just provide a framework on how we think about our advocacy in this space. We start from the premise as we always have that we think competitive markets can achieve society's goals at the lowest cost to consumers and that's even more so when society's goal is to achieve a deeper decarbonization in the power sector.

As we see it, there are really two ways government can go about doing that. One is to pay existing clean or new clean resources more and the other is to require emitting resources to internalize the causes of pollution in their bids into the market. We think both can be done well and we are pursuing both simultaneously.

Bill will talk a little bit more about the ZEC program in New York and give you some more structure around what the Commission did there last Monday. But I think the key point here for us is what the State Commission is doing there is they're saying, we are going to pay the nuclear stations the value to society of having that non-emitting generation running and we're not going to pay any more than that.

And so, what we see is that the state saying that, as long as the nuclear stations can be profitably run, once they're being paid that social cost of carbon and as long as that is cheaper than the alternatives, that the state is paying other zero carbon resources to run, then by definition that we are the most competitive source of carbon abatement in the market, and we shouldn't be pushed out because the revenues that we're receiving today from capacity and energy markets don't adequately compensate us for what we're providing to the grid.

But simultaneously, we are continuing to pursue, as you are aware, a technology neutral price on carbon. We've been doing this in a number of venues over time. One more recent development that I know some of you are following is the effort in the Eastern RTOs led by New England, to develop a way to use the wholesale market to achieve the goals of

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the states in the framework of emission reductions.

This effort is really only beginning to take shape, but there is a growing support both for FERC's authority to accept, a market rule change that reflects the cost of carbon as well as a realization that the markets can achieve the goals that the states have at a lower cost. I was on a panel yesterday with Andy Ott before the National Conference of State Legislatures where he made exactly that point.

So this process that's underway and the wholesale markets will take some time, and does that program that Bill will describe is designed to accommodate that if in the future the market outcomes do reflect the value of carbon abatement or conversely the cost of carbon to customers.

Turning to the next slide. What we're showing here is really what's underlying all of our advocacy, both in the case of our state-specific efforts in New York and elsewhere and on the regional level. The cost impact to our consumers is what we have in front of mind. This slide depicts the cost per ton of carbon avoided for all the clean energy options on the grid at the moment in PJM.

Of course we could have a similar slide for all the regions, but the point is, for the foreseeable future, compensating existing nuclear plants for their carbon abatement value is far cheaper than all the other alternatives. As you can see here the second cheapest is a coal to gas re-dispatch, which of course is happening organically as a result of gas prices. But it could be harvested even more with a relatively modest carbon price.

All the other options here, new build wind, new utility scale solar, new distributed solar, they're all both a, more expensive and b, receiving federal and state subsidies in excess of the social cost of carbon. I think what we saw in New York is a recognition that the significant value to consumers of retaining that environmental attribute of existing nuclear, particularly given the cost of replacements as we've depicted here. So, I'll turn it back over to you Bill to talk about New York program.

William A. von Hoene

Great. Thanks, Kathleen. I think everyone here is fairly familiar with the mechanics of the ZEC program and I don't want to spend a lot of time going through them, we're happy to answer questions when we get into the Q&A area.

But, as you know, this is a very, very significant development for our company and for the nuclear industry in general in the United States. And we're very happy to be at the position that we are through some great work that has been done by the company and some great work by Governor Cuomo and collaboration with officials in New York.

The basic structure, as you know, the load serving entities will purchase zero emission credits from NYSERDA in proportion to their load shares in New York. It's a 12-year program. NYSERDA will have a contract, which we will negotiate over the course of the next month or so with NYSERDA. Then we'll procure from the eligible nuclear facilities which include currently three facilities, but that could expand; six two-year tranches, payments based on megawatts produced. The price will be administratively determined subject to a formula that I think all of you have seen and that we've summarized in other public statements.

I want to talk about two things in particular beyond the mechanics here before I talk about the potential legal challenges to this. One is that this is largely predicated on a formula based on the social cost of carbon as determined by the United States interagency working group. So, what is that and what's the significance of that and what's the legal strength of that calculation?

The group was appointed by President Obama in 2013 and is comprised of 10 different agencies, largely led by the EPA, who have established the social cost of carbon. As you can see in the appendix to our slides, the cost escalates over time during each of the six tranches, because you're closer in time to the potential damage of not forgoing the carbon emissions. Very importantly on this, because some people think it's this funny science that we have and is there going to be a challenge related to this? On Monday, many of you may have seen this, but many of you may not have seen it. On Monday, the Court of Appeals in the Seventh Circuit upheld the use of this social cost of carbon mechanism

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in a challenge of new standards for commercial refrigeration equipment.

So it has very strong support to be used. It's obviously the linchpin of what will happen in New York with regard to the calculation of the payments that we will receive for running the nuclear plants. The second thing I want to talk about in connection with this, which occurred after the generation of the slides of course, is the agreement that was announced yesterday morning in New York, which Chris attended with Governor Cuomo, that we had agreed to secure the FitzPatrick plant, to own the FitzPatrick plant and subject to regulatory approvals, which we think is about a second quarter event of next year.

We will go ahead even though the regulatory approvals will not be finalized and refuel FitzPatrick in January provided that three conditions are met; one that the CES order is in full effect and that is essentially happening, there's some tail to that that will happen in terms of – but not anything meaningful to that the NYSERDA contract is executed; the 12-year contract is executed, which would ensure the regular and really regulated type of income stream for the operation of the plant, as well as for Nine Mile 1 and Nine Mile 2, and for Ginna over the course of the 12-year period, and three that the New York Public Service Commission has issued an order approving our purchase of FitzPatrick as being in the public interest.

We do not anticipate that there will be any issues with any of those pieces, and so we are looking forward to having FitzPatrick in our fleet and being able to operate it under this terrific program. There are number of contingencies or number of ways that the payment can be adjusted. The one that people seem to be most concerned about is what if prices go down? Because we have, essentially, the social cost of carbon is the ceiling for the recovery on this.

We don't anticipate there is going to be a meaningful price decrease, but also, if you look at the appendix, you'll see that the social cost of carbon goes up pretty dramatically in each of the six tranches, so to the extent that we have some degradation in prices in New York, we think that it will be largely offset by that and we are not overly concerned about that.

Now, let's turn to the larger question in connection with this act that I think is on the minds of many of you have written and many other people are talking about this. Does this survive legal challenges? And the legal challenges that people who are familiar with of course are particularly dividend for the use case in the Illinois or in the United State Supreme Court and the new – relating to New Jersey and Maryland contracts' recent ruling on the Ohio proposal. So, we get lot of questions. Will those impact your ability to execute on this? There are other questions that have been raised by folks whether FERC would order mitigation under minimum offer pricing rule? Other theories; are out-of-state plants going to raise a commerce-plus claim or they going to claim that they've been discriminated against.

As you might imagine, given the importance of this to the company, we've gone through these legal theories in great detail and each set of potential challenges and we will have the challenges. We have a road map and a legal defense on this that is very, very strong in our view and we believe it will – we will overcome any challenges that occur. Rather than to try to go through those individually and talking individually about what are the reasons why these challenges will not be successful in our view. I want to leave with you – because I'm a list kind of guy – eight things to think about when you think about all of these challenges; eight pieces of information that, in our mind, will be [ph] dispositive (01:55:00).f

Number one, this program is indistinguishable – essentially indistinguishable from REC programs that have been blessed by everybody across the country. It is a REC program for nuclear. It is a program that reflects zero emission environmental attribute. It's a credit that's tied to production not wholesale market participation. It is a REC. And nowhere in the country has a REC program, on the theories that are being advanced now, ever been successfully challenged.

So that to me is the overwhelmingly important fact to think of about this; not only have the REC programs been – and by the way, have been universally blessed in the states and in federal courts, but four years ago, FERC, in a ruling, said that REC programs and sales of RECs unbundled with electricity fall outside of jurisdiction. This is the number one factor to think about.

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Number two, this is not, unlike Ohio, a contract for differences, and it fits squarely within the exceptions to that that you see in the law. Number three, it won't change bidding behavior, the units are price takers and they will remain so. Number four, there are no affiliate contracts associated with this arrangement in anyway whatsoever.

Number five, it's spatially neutral. Out-of-state facilities that meet the standards and provide a value to New York are eligible in subsequent tranches to participate. So the discrimination claim has to confront the fact that the arrangement is spatially neutral. Number six, with regard to MOPR, FERC has never applied MOPR to existing resources, and in fact, has declined to do so with regard to existing units in New York.

Number seven, very importantly from market power standpoint, the New York ISO has submitted comments in connection with this in which they are fully supportive of the arrangement and have concluded and asserted it's a necessary bridge to retaining the zero carbon and does not raise wholesale market concerns. And number eight and this doesn't fall squarely in the legal frame, but obviously, and Denis talked about regulation being regulatory and politically. If you look at the dimension of the public support that we've gotten for this program, it's truly, truly impressive and truly, truly powerful as people try to deliberate over whether it's legal or not.

Mario Cuomo (sic) [Andrew Cuomo], the governor who spearheaded this probably six months ago or eight months ago, would've been viewed as an anti-nuclear governor from a liberal state that has had a number of challenges to the nuclear plants at the Indian Point. He has become the warrior for this and in his speech yesterday, he talked about not only is this important to New York, but it's important in other states across the country because the preservation of these nuclear units is so essential to the carbon reduction goals that we all share. Climate advocates have climbed on, local communities, legislators, a huge labor support, huge number of businesses and conclusions that the cost of not doing this by third-party sources, not by us, but by third-party sources would be in excess of $5 billion during the first tranche.

So this is the palette upon which legal decisions will have to be made and all of those benefits are ones that would have to be discarded in order to invalidate this. I want to say one other thing just parenthetically on regulatory space that is important. As you know, we need to get approval for this transaction with [ph] MG (01:58:30) from FERC, from DoJ, from New York and from the Nuclear Regulatory Commission. HHI analysis of adding FitzPatrick results in no screen failures. So, we don't believe that there will be any basis on which that regulatory approval will not smoothly go through.

In our quick road through, I wanted to turn this over now to Kathleen for some election season observations.

Kathleen L. Barrón

We're five minutes over the limit. So I'm going to be brief. I'm going to just focus on a couple of issues that we're tracking in the election which does not include the Second Amendment. Starting first with climate change, it's easy to forget that in past elections this really wasn't an issue, but it is a significant point of disagreement among the candidates this year, of course. The Republican platform refers to climate change policy as the triumph of extremism over common sense. The candidate is quoted as calling human caused climate change a hoax. And the platform calls for a repeal of the Clean Power Plan, a ban on EPA regulating carbon and the cancellation of the Paris Climate Agreement.

Meanwhile, Secretary Clinton has made global warming a center piece of her domestic and foreign policy agenda, the platform calls for an 80% reduction in greenhouse gases by 2050. And importantly, a 50% clean energy production including nuclear within the next decade. It also states the carbon should be priced to reflect its negative externality and negotiated words to avoid using the words carbon and tax in the same sentence.

As for budget and tax reform, we do think it's likely that a Trump administration would seek to permanently phase out clean energy incentives, while a Clinton Whitehouse would likely seek to expand existing clean energy tax incentives. But given that a number of the secretaries' carbon policies do reflect an intension to treat all clean generation the same, we're hopeful that to the extent there are extensions in the event she should win to clean energy tax incentives that nuclear will be added to the list of clean energy resources that receive that incentive.

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Let's turn to nuclear waste. We do think that regardless of how the elections turns out there is some traction to – in the house pushed legislation to restart the licensing efforts around Yucca Mountain and in the Senate just sort of follow the Blue Ribbon Commission recommendations to look for ways to identify potential repository sites other than Yucca. So, we think what the exact nature of how that plays out is uncertain, it's likely that there will be critical mass of support to address in the next Congress.

Finally on appointments, in addition to the Supreme Court nominee, which the next President will get to name which will affect the Clean Power Plan, of course. The next President will need to address appointees to all of our regulatory agencies, including FERC, which will be relevant both to the MOPR litigation Bill mentioned and to future efforts to reform wholesale markets to reflect carbon goals.

As of next month, the FERC will have only three sitting commissioners, all of whom are democrats. So, if Secretary Clinton were to win, she would not need to take any action immediately. All of those commissioners would be able to sit until the end of 2017 when Commissioner Honorable's term expires. If President Trump is making these decisions, presumably, he would three new Republican commissioners; one to replace Commissioner Honorable and then the other to fill the other two vacancies.

William A. von Hoene

This is an interesting thing that when we go over our a time, they send a fly up here to buzz right our face they had to get us done.

Kathleen L. Barrón

Nice tactics.

William A. von Hoene

Yeah. Last piece that we're going to talk to is our commitment to diversity and inclusion, and you can read the statistics here on the chart and I just want to say three things about it. Number one, the program is incredibly powerful relative to our competitors. The amount that we spend in diverse spend you see the numbers on here, 70% of which is first tier among suppliers, is really unprecedented in the industry.

This extends – number two, this extends all the way to not only the diverse suppliers in MBE and WBE space, but also to our regular banks, our insurance companies, our advisors, our consultants and the like. Just to give you an illustration with the program that we've implemented, our bank teams are now 44% female and 36% persons of color and those are the major banks that you would expect.

And third, why do we do this? Why is it important? We obviously think it's the right thing to do, but one of the things that I think is really important, it's really enhanced our performance as a company, it's made us better. You look here on the chart you see the amount of money that we have invested with minority and women-owned investment firms; that's our pension money, our nuclear decommissioning trust money. In two of the last three years, the top performer in our very high performing portfolio has been a minority money manager, so we're bringing to the table some new people with new ideas.

The second thing in that regard of why it's important though from your standpoint and I think that you would want to focus on is, particularly as we went through the Pepco merger process and as we go through and comment some of the processes have been implemented by the Commerce Commission, regulators really care about this. They want to know that a company is deeply committed to the communities and to diversity and inclusion. And the stakeholders are increasingly seeing that as a high priority.

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This is a great calling card for our company because we have a fabulous story to tell and it will reap dividends over time, you may not be able to calculate them with precision, but you will see it in the attitude that we get from people who are deeply concerned with this issue, which include many of the people in whose hands our fate rests.

With that, I see we're at zero on the clock and we have been for a little while, happy to bring up our dear friends Ken Cornew and Joe Nigro to talk about Exelon Generation. Kathleen and I will return for the question-and-answer period when they are done.

Kenneth W. Cornew

Thanks. And I just want to start by saying if there is any doubt both Eggers and FitzPatrick are great additions to our fleet. I'll let that one sink in a little bit.

I'm going to start with a brag slide as well. Yes, a merchant generator is allowed to have a brag slide and our bragging really starts and ends with the over 14,500 employees, who I personally believe are the best operators and marketers of energy in the business bar none. And that truly makes Exelon Generation the industry leader in our competitive market.

We are the largest producer of competitive power in U.S. and we have far and away the lowest carbon intensity among large power producers. And this aligns with our goal of delivering a clean world to our customers and the communities we serve. And we delivered to those customers through Joe Nigro's business. Joe is CEO of Constellation. And we have made Constellation the largest competitive retail provider by far and away in the U.S.

Despite the bragging about the employees in our business, we are keenly aware of the challenges we face in this business. And we're singularly focused on improving economics of our business both operationally and strategically. And this is going to be the subject of mine and Joe's talking points today.

These next charts illustrate the scale of our clean energy business. We've had a consistent strategy over many years of building a significant portfolio of low carbon assets, operating them at world-class levels consistently, and matching that supply to our customers' needs, what you heard from us we call generation to load.

We bring all these elements together through Constellation and we truly optimize the value of this entire fleet together. We enhance margins, we improve efficiency of our hedging program, and we provide credit efficiency in the process. And we consider our wholesale load and our – when you consider our wholesale load in our ConEd Solutions' load to finalize and close on, we pretty much match our supply with load-serving products to our customers, and we've been doing so for the last couple of years.

So this strategy of match gen to load is a longstanding strategy we've had. It started with Constellation way back almost 15 years ago when Constellation New Energy was formed. Actually, even in the 1990s, PECO had a retail business that was forming and Commonwealth Edison also had a retail business that was forming.

So we've been focusing on this kind of strategy for a very long time. We've consistently executed acquisitions and organic growth strategies to achieve the number one position we have today, including our recent acquisitions, as you know, of Integrys Energy Services and ConEd Solutions.

This strategy now more than ever has become the model for the merchant power industry. In turn, it's clearing out weaker hands, it's creating better discipline in the market and in the retail business in particular, and we continue to have good success in our retail business. We'll have Joe talk about that a little more in a few minutes.

And as we stated, we've had this consistent strategy of building a very clean fleet of generation functioning in competitive markets. This is a real competitive advantage for Exelon Generation. Over 90% of our output is carbon free; 90%. 93% of our output is in healthier markets that have a capacity construct. We've been consistent in this strategy of matching our clean energy to products our customers want for a long time, but our eyes are wide open. We know what our current environment looks like. Some of our assets are significantly challenged. Many others are not making as much as we think they should in the marketplace. So, what are we doing about it?

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Well, first and foremost, our employees are working tirelessly to improve our situation and working out what we can control. And as always, that starts with safely, reliably, and economically operating our fleet. Our nuclear fleet consistently achieves higher capacity factors than the industry average. A big part of that success is how we plan, maintain and refuel our plants. And as you could see, we really do a heck of a lot better than the industry average in refueling, thus produce a much higher capacity factor at the same time. This translates to several million more megawatt hours a year that Joe and his team get to market and he can get revenues of over $200 million a year from that incremental output versus what an industry average would imply.

And note that we strive for the same levels of operational excellence in our non-nuclear business, our gas business, small amount of oil that we have in our significant renewable business. Our dispatch match is consistently near in the high 90%s achieving almost a 99% level recently. Our wind and solar energy capture is in the mid-to-high 90%s as well. So we strive for the same excellence across our whole fleet.

Our operational advantages also carry thorough into our cost structure. On the upper left part of the this slide, you can see our continued focus on cost and you've heard a lot about this over the last year or so. And incrementally, our plant closures are driving our O&M cost down by 1.3% over the next five years.

We've done a really good job in nuclear fuel spend as well. Some of it, obviously, is the softening of uranium prices in the market, but our portfolio management strategies in nuclear fuel and our ability to renegotiate contracts as we've seen opportunities to do so in the last few years have driven down our nuclear fuel expected spend by almost 8%.

And in the lower left, you can also see our base CapEx declining over the next five years, some of that is winding down our Fukushima upgrades and investments, some of that is also plant closures as well, and we continue to prioritize our capital on what we need to have to operate reliably and safely and not on what's nice to have and we'll continue to do so going forward.

Exelon Generation is in the lockstep with the Exelon strategy to optimize our free cash flow. We expect growth capital to drop substantially as we complete the existing projects and bring them online in the next couple of years, many of those projects are contracted as you can see up there, really, the exception is our Texas combined cycle plants. I can tell you those plants are on schedule and they'll come online next spring and be ready for the summer in Texas.

We're on budget and if you've heard us talk before, we had a real advantage on the cost side with these plants and we're maintaining that advantage with our disciplined project management. And we're still excited about the technology. We think the technology allows us to be the first combined cycles to dispatch with the heat rate advantage we have, and also be there to capture increasing ancillary benefits because of our ramp speeds that others just can't provide in the Texas market.

We admittedly would like market prices to help out and be higher, but we're very confident in the long-term investment we're making here. This is, at this point and any time into future, the last true merchant project we will endeavor on and our focus now is on contracted assets, getting down GenCo debt and returning value so utilities can invest. I want to emphasize that we have been and will remain disciplined in how we optimize the value of our assets. We sold over 3,000 megawatts of assets since 2014 at attractive prices, as Chris mentioned, relative to our view of value. We'll continue to look for those opportunities if they present themselves, and we'll be disciplined about it.

Unfortunately, not all of our plants can survive in this business. We've already closed 1,350 megawatts of fossil generation over the past five years and we've announced the retirement of Clinton, Quad Cities and Oyster Creek nuclear stations in the next three years. Although, we love our fleet of assets, we simply cannot sustain these plants that are losing money without a solution in sight.

I want to take a moment here to commend all Exelon employees, but particularly those employees that operate at those sites. Their innovation, their determination for excellence, their continued strive to operate as efficiently, effectively and at a higher performance level as possible is really commendable. We continue to operate those plants at the highest levels, and Clinton and Quad Cities are among Exelon's best operating plants in our entire fleet. So, I just want to thank our employees for their commitment to excellence and their continued commitment while we work to control what we can and make the hard decisions that we have to make.

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Summing up all these efforts, Chris went through this slide. Dan likes to repeat these slides, so it really sinks in. So, just so it sinks in, we're going to produce over $8 billion in free cash flow in the next five years at the GenCo and we're going to complete our growth projects in the next couple of years. We're going to be reinvesting $3 billion of that money into our utility growth and we're going to be retiring about $3 billion of ExGen debt at the same time.

I really want to say how excited I am and the whole GenCo is about our recent developments in New York and what Bill just talked about. We're particularly thrilled for our employees, the communities those nuclear plants live in and serve, the state overall, and really, for the nuclear industry in general. It's a big, big accomplishment for the nuclear industry and for our all Exelon employees. This clean energy standard will save over 2,600 jobs in New York. It will contribute $3 billion to New York's economy. It preserves $47 million in property taxes each year for the local communities around New York and the state itself, and it prevents 16 million tons per year of additional carbon emissions into our environment.

And unfortunately, as Chris highlighted, Illinois is a very different situation for us and we've announced our plant closures of Clinton and Quad Cities there. When those plants close, it will mean 4,200 jobs lost. It will mean a shrinking economy and shrinking tax base for Illinois. And it will mean 20 million more additional carbon emissions in the State of Illinois per year. So we'll continue to work on what we can control. We'll continue to work for solutions in our markets, as Kathleen and Bill have highlighted. And we'll relentlessly continue to optimize the value of our fleet.

I want to close by just highlighting how proud we are of our commitment to STEM education. It's a commitment to our young people. It's a commitment to our communities and it's a commitment to our future economy in the United States. Exelon supports and engages in STEM education at all levels. We mentor many students, actually Constellation employees mentor just in one school in Baltimore, 70 students a year; 70 sixth-graders a year; awesome accomplishment and awesome commitment by our employees. We hired hundreds of professional and technical interns each year and really teach them our business and hope to hire them as permanent employees in the future.

We're proud to say we've committed over $8 million in 2015 to STEM education and we're reaching more than 150,000 students across the communities that we serve. We're having a real difference and importance in their lives while we're doing so. So we're very proud of that; just wanted to highlight that.

I'll now turn it over to Joe Nigro. He's the CEO of Constellation. He runs a great business and hopefully he brags about a little bit. Thank you very much.

Joseph Nigro

Thanks, Ken, and good morning. I'm going to spend some time this morning and talk to you about the Constellation business, a leader in the market for over 20 years. We have a leading competitive load provider serving over 200 terawatt hours of load across our wholesale and retail platform to over 2 million competitive customers on the retail side alone.

We also managed the 200 terawatt hours of generation that we're producing across our fleet each year. We also, if you may not know, are the eighth largest natural gas provider in the country. We serve 1.4 TCF of gas across our retail and wholesale platform on an annualized basis. Our operations extended to 48 states. We have 2,000 employees and, most importantly, our employees are serving almost 24,000 volunteer hours a year, which adds up to over 10 hours per employee, which I think is an incredible feat.

If I turn to the next slide, I want to give you some context about who we are as the largest provider of retail electricity at 139 terawatt hours a year across our retail platform. That's a 21% market share. That doesn't include the acquisition of ConEd Solutions, which I'll talk to about in a few minutes. Our market share is 50% higher than our next competitor and almost three times the average of the field and I think that scale gives us competitive advantage.

In addition, our residential business in the short five-year period has grown greatly as well. We are now the fifth largest provider with an 8% market share on the residential side. I think when you think about the consistency and

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sustainability of business. We have that with the scale that we have and I think it's something we can leverage to continue to grow.

If I turn to the next slide, I talk to you about how big we are, but I think we've continued to grow. If you see up top here on the slide, the compound annual growth rate of our load across our wholesale and retail platform from 2014 to 2016 has been over 16%, which is an incredible rate of growth. One of the benefits the merger of Exelon and Constellation, the industrial logic was marrying Generation to a large customer book. And I will tell you from my perspective it's definitely working.

We've been successful growing our retail business in two ways. We've got organic growth and we've also done it through acquisition. In 2014, we acquired the Integrys book of business, which has been widely successful both on the power and gas side as well as the addition of some quality personnel.

We're in the process now of acquiring the ConEd business and we'll expect to close on that later this year and that's also going to be a very value enhancing transaction for us. The purchase price to that transaction was $53 million with about an assumed $130 million of ongoing working capital, and, for that, we're acquiring about 350,000 customers, about 18 terawatt hours of power load across 12 states and the District of Columbia. So we think it's going to be very valuable from us. The bottom of this slide is very important as well, when you look at the growth in our residential customer business, when you look at the growth in our retail load, and you look in the growth on our wholesale load, it all leads to repeatability and sustainability, which is, we think, is very value enhancing.

If I go to the next slide, beyond electricity we have a large natural gas business as well, and we're showing you the retail numbers here. You can see the steady growth in our projections of 11% compounded growth rate over the five-year period. We were successful in two fronts. We grow our business similar to power organically in the gas business, but back in 2014, not only with the acquisition of Integrys, but with the acquisition of ProLiance, we added a big book of gas in the Midwest and that's been successful as well.

And we see opportunity to continue to grow this business in the future, both through organic growth with our customer base and also through continued acquisitions in a market that I would tell you still is very fragmented with a lot of small number of players that we think we have the opportunity with our scale to continue to capitalize on.

If I go to the next slide, this is really the crux of the story, I believe. And I want to spend a few minutes here to talk about the loyalty of our Constellation customers. I got a couple of stories. The first is I want to talk about a customer in the Midwest. It's a producer of coatings in Illinois. They've been a customer of ours through 12 years and they started as a gas customer. We now serve them power and we've also completed energy efficiency projects with them.

Another example is the aquarium in Baltimore, the National Aquarium. They started as a power customer. They've been a long time power customer. We deployed 4.3 megawatts solar deployment with them and, in addition, we've also completed some energy efficiency projects with them. I think when you think about that, it leads to some of the statistics, you're looking at here and what I think is the crux of what is exciting about the constellation strategy of using the generation in our customer book of business to deliver repeatable and sustainable earnings.

When you look at this, we've got an 80% retention rate on power. That's outstanding in and of itself. That means 80% of our customers are renewing with us when their contracts come up for renewal. On the gas side that number is even higher. It's 90% and that's outstanding. When you think about our margins for commercial industrial originations in that $2 to $4 range and they've been stable in that range for a couple of years now on the power side, that's very impressive. And then on the gas side, when you think somewhere around $0.20 an Mcf and with that 90% retention rate, there's a lot of repeatability in the value of our retail business and we think we offer a lot of scale and scope to continue to deliver on that and to continue to grow on that.

I think the other important element is we serve two thirds of the Fortune 100 companies, so we're serving across the spectrum. You saw in a previous slide the large size of our residential base. We serve small businesses across the U.S. and across the country. We have medium and large commercial industrial customers. On the retail side, we serve the government and municipalities. In our wholesales business as well, we've been very successful with co-ops and municipalities. So, I think it's a real big platform that we can continue to grow on which is very important.

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The last thing I would say on this slide is we win new business at a 30% rate, and I think there's a number of reasons for that but I think our consistency, our longevity in the business, our investment grade balance sheet is a big driver of what we offer the customer, and I think it's been a big value proposition.

I think the other side of it is this book of business on the power side is very important for our Generation assets on a number of fronts. The first thing is we're capturing incremental margin that we wouldn't be able to capture in the wholesale markets. And the wholesale markets have some challenges, lack of liquidity, lack of market participants with some of the players backing out, I would argue has led to quotes in market prices that are below what we think are fundamentally we believe the prices should be.

I think another reason that our customers, we've had success both with our renewals and our new business in winning, is the opportunity around really providing competitive pricing, competitive products and really an ease of agreement between us and our customer. When you think about other benefits to the Generation Fleet in particular, I mentioned the margins, but just is equally important, we match our Generation and our load which I'll show you on the next slide very well from a geographic perspective.

In addition to that, there is a lot of optionality inherent in our Generation portfolio. We are a long nuclear operator, but we own dispatch across the power generation stack and these load serving contracts meet that very, very nicely, and marry to that Generation Fleet very well. And then the last thing is, there's a credit efficiency with not having to use the over-the-counter market that we get with these Retail contracts as well.

So if I turn to the last slide, I would tell you, standalone the Constellation business is very strong, but being part of the ExGen family obviously makes it even stronger, and that's what we're trying to represent here on this slide. You can see in almost all our regions that we have a very balanced generation-to-load position. It actually fits very, very nicely. And then you could see we have additional capacity to backstop any other, what I would call, volatile incidents in the market. The one region where we don't have that is in the Midwest, but we've continued to grow our load book in the Midwest through organic growth and also through acquisitions like Integrys, and we will continue to work hard to balance that portfolio as well.

On the bottom of that next slide, there is really two important points here and it talks to some of the value proposition. The first thing is, if you go back to the winter of 2014, it's the most volatile period that we've seen in a number of years. We benefited greatly on the Generation side. If you remember, there were a lot of competitors. We talked about the competitors trying to replicate what we have with this Generation, the load matching strategy. There were a number of competitors that exited the retail market at that time because they were hurt because they didn't have the generation to match. Our Generation performed well and we made quite a bit of money on that side.

I would tell you in 2015, and even now in 2016 in a much lower volatility period, we've had the ability to monetize our load and have been very successful doing that and you see what the value proposition and what that was last year. These numbers area incremental to the margins that we achieve when we make our retail sales, when we make our wholesale load sales. So, this is the incremental value-add when we talk about the proposition of what we're bringing to the table across the Constellation platform. I know a lot of you think about this as a trading business, I don't think about it that way. I think about it as a logistics business, with the opportunity of taking these customer contracts and the Generation output, and really managing around that to create additional value by using our Generation Fleet, capturing anomalies in the market like we did in 2014, like we did in 2015, and really leveraging the scale and scope we have. So, from my perspective, I'm very excited about what the future holds for Constellation.

I think we're going to continue to see consolidation in the retail market and we'll have an opportunity to capitalize on that. We've proven we can grow our business organically. I think the utilities, talked about the evolution of the customer. I think we have an ability to capitalize on that, and I'm really excited about what the future holds for us.

I know I've covered a lot of material and Ken's covered a lot of material in a short period of time, what I'd like to do with that, Bill and Kathleen to come up and join us, and we'll open it up for questions as it relates to the ExGen business, and also, as it relates to the corporate strategy. Thank you very much.

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Q&A

<A - Dan L. Eggers>: Steve. Can you pass [indiscernible] (02:30:45)?

<Q - Steve Fleishman>: Just on the Retail business, can you speak to competitive trends – sorry, can you talk to competitive trends? You discussed the business in depth, but do you see increasing Retail competition, lessening competition, what are the trends that you're seeing in it?

<A - Joseph Nigro>: Yeah. I got asked this question last night, and what I would tell you is, coming out of 2012 into 2013 was very much a low point in what I would call the Retail market. And then the winter of 2014 hit and we saw quite a bit of volatility. And as I mentioned, we saw a number of players liquidate their position and get out of the business. It provided an opportunity for us for acquisition. Since then, we've seen commercial, industrial margins improve, and they've remained stable. We've seen residential margins improve and have continued to improve. And we recognized, I think, two things that I think will allow us to continue to see that trend. One is, I think there is just – we've seen some consolidation in the industry, and what I would call some of the more aggressive players have passed on to other things have become less aggressive in selling Retail contracts, which I think adds to stability. And then secondly, I think some of the volatility is still fresh in people's minds and how bad they were hurt by it. And I think people are pricing accordingly and acting just more disciplined than they did previously.

<Q - Steve Fleishman>: Now shift over to FERC, and think of FERC as a instrument to effect carbon-free generation. Could you speak more to FERC's sort of the range of options FERC has, there have been some legal developments that are encouraging in terms of what FERC might be able to do, but just curious, if at present we're so inclined to use FERC, how that could be done?

<A - Kathleen L. Barrón>: Well, I think you're right to acknowledge that the legal developments are relevant question. I think if you'd ask a year ago, whether this is even something that would be considered at FERC you would get a different answer than you would get today. But I think the sort of horizons have been expanded a little bit by the court decision. And that the folks there are really starting to think about what the options are. And I think of them essentially three ways. One, in what think would be the most efficient for consumers would be to put a price on carbon in the energy market, let that show up in the dispatch and achieve the carbon reduction goal, use the power of the market to achieve the carbon reduction goal at the lowest possible costs to consumers.

A second option that will probably get some attention is the idea of the using the capacity market is to sort of think about it from a capacity perspective and to show, to reflect in the capacity market what did the states capacity goals are in terms of the clean generation. That does not allow you to achieve the benefits of colder gas redispatch, efficiency, demand response, things that you would achieve if you use energy markets solutions, by the way it's the one that I will discuss, because folks do look to the capacity markets as a way to achieve some of the things that are not being achieved otherwise.

And then finally, one idea that you may hear about is doing a forward procurement of Clean Energy on a megawatt-hour basis, but essentially through the RTO and doing in a fuel-neutral way, it's another concept that has gotten some attention. But those ideas as well as others are all on display in the New England process which will play out this week as you may be aware and the other RTOs are going to have meeting play during the month to start to talk about some of the concepts.

<A - Joseph Nigro>: Three Mile Island, it hasn't bid the last two auctions and just the factors that you're looking to for that plant to survive and possibly timing as to when we make decision about retirement. So, we started our focus on obviously other plants as you heard us talk about for the last two years. Bill and I led a team inside Exelon to really rationalize our nuclear situation and work on the plants that we thought were most pivotal and needed the most attention. TMI working on that at least a couple of years when we started that. Since that time, we've seen erosion in the Mid-Atlantic price points. We have, as you said, not cleared for two successive auctions in the PJM capacity market, plants committed till the middle of 2018 right now. And we now included in our list of plants that we are focusing on. So we're in the process of evaluating our options for Three Mile Island. I think the New York template is potentially a template for other states to follow and we'll pursue with the same rigor what's needed around Three Mile

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Island to keep it running, or we'll be disciplined about what we do, is it.

<A - Dan L. Eggers>: Praful, right there?

<Q - Praful Mehta>: Thank you. So, quickly on the Retail business, now we hear the benefits of the Integrated platform, right, the Generation and the Retail business and a lot of people are talking about it today. But when we look at transactions and where asset deals are done, and the deal that you just did, most of the price seem to be the working capital adjustment. So how do we rationalize where clearly there are other people also looking at the Integrated platform and saying, hey, retailer is valuable. But then when you do these transactions, the prices are so low for the asset itself, so how do we rationalize that disconnect, I guess?

<A - Joseph Nigro>: My perspective on that is, I think a number of those retailers that have changed hands don't have the other side of the equation, which is the Generation, I think that's the first element. I think there's an intrinsic value that's greater of having these two pieces together, because I think you're de-risking your portfolio, not adding risk to your portfolio, where I think on a standalone retail basis you're getting daint for that, number one. Number two, I think after the polar vortex in 2014, I think what we've saw with the acquisition and we're going through ComEd solutions, I don't think their core business is for some entities. So when you think about ComEd, when you think about Integrys, what they were going through, and why they were sold, I think that has some impact on what the sales price is. I don't think there is one particular story for each one of them that blankets everything. I think some of its unique and some of it is the fact that the generators, the long generators see bigger benefit in having these retail books of business and are being reflected by the standalone entities, and I think it creates more value for.

<A - William A. von Hoene>: And I'll just add to Joe's comment. We're not in the business of looking at acquiring platforms in Retail. We have the most substantial platform in the business. We're interested in the book of customers and what we can provide there. So, there is a valuation difference, if you think about paying for a book versus paying for a platform. We can deliver; we can close and integrate and deliver on value and for entities trying to get out of this business, what they are concerned with is their employees, and they're concerned about getting value, but they are also concerned about getting out. And to the extent we're patient and can participate when that kind of opportunity comes along, we're going to do so, and I think, that's what you're seeing.

<A - Joseph Nigro>: And that scale has served as very well because in the acquisition that we're talking about, we don't pay a lot for the go-forward value of the book. We're paying for the intrinsic value of what's already on the book. And I think, our scale, and scope, and ability to integrate and our ability to close in a timely effective manner, has benefited us well. And I think it's what's creating value when we do these acquisitions.

<A - Dan L. Eggers>: Shar?

<Q - Shahriar Pourreza>: Joe, what is – if you look at slide 115, what would that look like – it's you CAGR slide, 116.

<A - Joseph Nigro>: Okay.

<Q - Shahriar Pourreza>: What does that growth look like sort of beyond 2016? And then, is there sort of a natural ceiling to how much of a natural hedge you're looking at, because in some of your regions, it looks, you're actually short power?

<A - Joseph Nigro>: Yeah. I think there is a continued opportunity to grow this business, and I mean the acquisition of ComEd isn't in these numbers, right. So, growth is, as I mentioned in my prepared remarks, is going to come in two forms. It's going to be organic, and it's going to be through acquisition. So, when you think about the acquisition of ComEd at somewhere around 15 terawatt hours to 20 terawatt hours, that's going to add a growth trajectory onto this. We'll be able to continue to grow our business organically. And I worry less about the short you're talking about, because if you look at all of those regions, we have a back-stop of additional capacity, some of it is uneconomic.

So, what it allows us to do is use that, what I would call, out-of-the-money option to continue to sell these type of contracts, and then we can go-to-market, which is refreshing go-to-market on the buy side and actually buy some things to fill in the gaps, while knowing we have our own natural back-stop to protect this.

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<Q - Shahriar Pourreza>: That's good.

<A - Dan L. Eggers>: Ali, right there.

<Q - Ali Agha>: Two questions. First on the New York ZEC contracts, I've noticed you haven't included those in your numbers yet. Is there a particular milestone, or what needs to happen for you to officially start putting them in your numbers?

<A - Dan L. Eggers>: So, our policy on inclusion of that into our numbers is the next sort of contract hasn't been signed yet. So while we have the order in place and that sort of contract isn't there, so is a process or a protocol, we wouldn't do that until we have the contract in hand, which means we would give you the update in our gross margin disclosures at the third quarter update to our hedge disclosures. If you look at slide 115, the appendix after Jack's section – we should thank you for not jumping ahead and being patient – we actually give you the gross margins and EPS impact of it. So it is in there, it has not been layered into those numbers at this point in time.

<Q - Ali Agha>: Under the contract, okay. Second question, on the Illinois, the two nuclear plants, have we reached the point of no return as far as retirement is concerned, or is there still an opportunity to pull back? And any signs of anything from the Illinois side that could cause you to pull back?

<A - William A. von Hoene>: Yeah. The drop dead date, so to speak, on this is December in terms of the plan. So what happens in December in terms of the notice we have to give on Quad Cities under our merger agreement with Constellation and in terms of what happens in MISO with Clinton, that's kind of the date in which it has to happen. We don't have – we have proceeded consistent with our conclusion that this will not happen, that we will not get legislation in Illinois based on the impasse that we experienced over the course of the year.

The Illinois Legislature will have – currently has three days scheduled in November, and three days scheduled in early December to consider whatever is on the plate after the elections. It is possible that something will happen during that period of time, but we continue to plan for the retirement of the plants because there is no certainty whatsoever that anything will occur.

<A - Dan L. Eggers>: We'll go to Greg.

<Q - Greg Gordon>: Hi. On slide 133, the ExGen Disclosures on the open gross margin, it's down $100 million in 2017, $200 million in 2018, probably your first quarter of debt, but you are also now excluding Clinton, you're not including the [ph] ZEC deal (02:42:41), but you're also now excluding Clinton and Quad. So is there any way for you to give us how much of that delta is just the mark on power forwards and how much is the exclusion of Clinton and Quad?

<A - Dan L. Eggers>: Yes. So, Greg, the gross margin data for how much we backed out for Clinton and Quad is on slide 150, so that probably is going to fill in the gap to where we would have been to where we are right now. So, it's not on the same page, I apologize. So, if you go further in the deck, you'll find them.

<Q - Greg Gordon>: Thanks. And then, if we think about the bottom line earnings impact of retiring Clinton and Quad going from gross margins to EPS, I would presume that the drop-off in costs would make it earnings neutral going to positive as you disclosed, if that's [indiscernible] (2:43:22)?

<A - Kenneth W. Cornew>: So in 2000 – full run rate 2019 number would be about $0.07 a share positive and $75 million of cash flow positive.

<Q - Greg Gordon>: Great. Thank you.

<A - Dan L. Eggers>: All right, [ph] Angie (02:43:31).

<Q>: Thank you. So, I have a question on Retail. So, in the past you guys told us that when you talk about margins, you talk about origination margins. And then, once there is additional margin realized, it doesn't show up in disclosures on margins. So, can you actually talk about how those margins compare at the origination point versus the final realized

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margin for residential and C&I customers?

<A - Joseph Nigro>: Yeah. We tried to show that some with the last slide I was speaking to. And the reason we don't include that in our Retail margin is we think about the Retail margin as the point-of-sale margin. And then what we do is effectively all of the risk and opportunity is managed within our Wholesale business once that sale is made.

So, if you think about what I showed in 2015, we served approximately 200 terawatts hours of load. We added about $250 million of additional value. I would call that somewhere around $1.25 to $1.50 of value, incremental to what the Retail sale was in optimization. When you think about what I showed you in 2014, with the $100 million, a lot of that came off the Generation Fleet, but that was the optimization value around the market itself. So if you consider that, it's somewhere around $1 or so additional above that $2 to $4 price that I gave you.

<Q>: Okay. And then, again, about disclosures. So, there's so many moving parts, right, FitzPatrick, ConEd, Retail to nukes in Illinois, the New York deal. Are we going to get updated disclosures on all of this during the third quarter conference call?

<A - Dan L. Eggers>: So we're going to update things that are closed, so the New York CES will get reflected assuming that sort of it gets done, we'll reflect them in the third quarter disclosures. We're not going to disclose FitzPatrick until we get to closure, a lot closer to closure at this point in time before we put it in there. What we've said previously is it – that we're not doing deals in merchant generation, we only want contracted assets that are EPS and cash flow accretive, and FitzPatrick follows through on those two designations.

Illinois is reflected in our disclosures at this point in time. ConEd, we will – if we get it closed by the third quarter results, we'll put in there for growth in the fourth quarter going to the year-end update. But that's just general course of protocol making sure we own it before we change.

<Q>: And my last question, so when you guys show the impact of New York, of the New York deal, is this for your share of CENG plants or all of the CENG plants?

<A - Dan L. Eggers>: Our share.

<Q>: Okay. Thanks.

Dan L. Eggers

And we've gone fully over Julien, if you're really fast, you can ask your question. But I'm not sure if that's possible. So, okay. All right, you can come back to it. Thank you guys very much.

MANAGEMENT DISCUSSION SECTION

Dan L. Eggers

Okay. I'm going to turn it over now to Jack Thayer, Chief Financial Officer, to do the run-through on the financials. After Jack, we'll have Chris come up and we'll do Q&A for those guys. Thank you, Jack.

Jonathan W. Thayer

Thank you, Dan, and good morning, everyone. You've heard today from Chris and other leaders of our company on how they're positioning their businesses to deliver value to our shareholders, customers and other stakeholders. My remarks will focus on how all these pieces work together to build enduring value for you, our stakeholders. Before I get into that, I want to spend a few minutes on our results for the second quarter. We had a strong quarter financially and we were able to exceed our guidance range even with the modest setback of the recent PGA rig case decision.

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For the second quarter, we delivered adjusted non-GAAP operating earnings of $0.65 per share. This compares to $0.59 per share for the second quarter of 2015. Exelon's Utilities delivered a combined $0.36 per share. ComEd, PECO and BGE saw increased distribution revenues during the quarter and we had favorable weather in Northern Illinois.

We had a full quarter of PHI earnings which contributed $0.06 per share. However, we took a negative $0.03 per share charge resulting from disallowances primarily related to Smart Grid contained in BGEs June 3 rate case order, and partially reversed by the PSEs late July ruling on our rehearing request.

Generation had a great quarter, earning $0.35 per share. We benefited from lower cost to serve our customers during the quarter. Our effective Generation to Load strategy continues to deliver strong earnings and consistent results.

For the third quarter, we are providing guidance of $0.65 to $0.75 per share. We're projecting our fourth quarter results to be in line with what we've delivered in the last few years. As a result, we're reaffirming our full year guidance range of $2.40 to $2.70. The appendix contains detail on our second quarter financial results compared to second quarter of 2015 results by operating company on slides 157 and 158.

Next slide, please. Turning back to the focus of today, Exelon's value to stakeholders, you've heard from each of our business heads what they're doing to benefit our shareholders and customers. When you bring together what they've discussed, Exelon is well-positioned to deliver enduring value. Over the next five years, we expect to deliver 6.1% rate base growth across our Utilities. 7% and 9% utility EPS growth, one of the best growth stories in our industry. And $8.2 billion of free cash flow at ExGen to fund utility growth without incremental equity while also reducing ExGen debt.

We're optimizing ExGen value. Having raised nearly $5 billion by monetizing assets through outright sales and project finance. Securing $0.08 per share to $0.10 per share a year through the regulatory efforts to recognize the carbon-free value of nuclear plants, and unlocking $0.07 of run rate EPS by closing uneconomic nuclear plants. Our balance sheet is extremely strong, well exceeding investment grade credit rating downgrade thresholds, and we're growing our dividends at 2.5% per year through 2018.

Next slide. We're aggressively managing costs across our businesses. Through the cost cutting program, we announced last year, we're able to more than offset inflation. Assuming 2% for inflation, our cost should have increased by approximately $700 million from 2016 to 2020. Instead, we're projecting an overall CAGR of negative 1.1% and a negative 1.3% CAGR at ExGen. Even without accounting for the closures at Clinton and Quad Cities, ExGen O&M would be roughly flat and lower than inflation.

Turning to the next slide. Our teams have been focused on optimizing the value of our Generation Fleet in a variety of ways. We're efficiently operating our existing Generation portfolio, running our nuclear plants at industry-leading capacity factors creates value above what other operators do. We deliver more value to our shareholders by running our fleet at best-in-class levels. We make roughly $250 million more by running at 93% or higher capacity factors compared to the 90% current industry average. The team continues to find ways to run the fleet safely and reliably at lower cost.

Our Constellation business maximizes the value of our portfolio including our generating assets. Our Generation to Load matching strategy provides additional value over what our plants could get in the open market. Our durable and growing Retail business with its loyal customer base improves the consistency of ExGen's earnings, and PJM capacity revenues provide us a stable revenue stream consistently between $1 billion per year to $1.2 billion per year.

We look for ways to monetize our assets. We've raised more than $5 billion from selling assets or project financing them. We sold 3,000 megawatts of generation at an average price of $600 per kW in 2014, a very good price due in part on the PHI transaction. We've raised approximately $3 billion from non-recourse project finance, and we'll seek to project finance additional assets and quickly recycle the proceeds.

We have a history of prudently retiring assets when they no longer positively contribute to the value of our fleet. By retiring plants, we're able to stem the cash flow and earnings losses from these units. Clinton and Quad alone have lost $800 million in the last seven years. Retiring these units will result in 2019 run-rate earnings improvement of $0.07 per

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share and avoid $75 million in pre-tax cash loses.

Finally, Bill talked about our success in New York with the Zero Emission Credit program. The program is the first-to-value nuclear for its carbon-free attributes and recognizes existing nuclear generations importance in meeting our carbon goals. The ZEC will preserve our at-risk Ginna and Nine Mile plants providing up to $350 million in additional cash through 2020, and $0.08 per share to $0.10 per share in additional earnings per year. We announced yesterday that we've reached an agreement to purchase FitzPatrick from Entergy for $110 million. FitzPatrick is also eligible for the ZEC, and I mean it this time.

Next slide. These efforts to optimize the value of ExGen, maximize its free cash flow. Over the next five years, we expect ExGen to produce $8.2 billion in free cash flow at current market pricing. I want to highlight something. Importantly, this does not include the incremental $750 million of cash from the ZEC program sighted in the footnote on this slide. With minimal growth capital being invested at ExGen, there is nearly $6 billion that can be redeployed to fund investments in our Utilities and reduce debt at ExGen. To extent we realize more cash flow than we project here, we will look to redeploy that additional cash, primarily by reducing debt at the Holding Company or funding additional investments at the Utilities.

Turning to the next slide. Exelon is committed to maintaining our investment grade credit ratings at each of our businesses. Exelon is significantly above the S&P FFO-to-debt threshold for a ratings downgrade. In addition, we will reduce debt by approximately $3 billion at ExGen, which lowers our debt-to-EBITDA ratio over the next five years. We're targeting a three times debt-to-EBITDA ratio at ExGen, which is significantly less levered than our pure merchant peers.

Next slide. When taken together, we're building enduring value for you, our stakeholders. A vast majority of our capital $25 billion is being invested in our regulated utilities, where we can earn an appropriate and predictable return. This investment drives 6.1% rate base growth resulting in an above industry growth, earnings growth of 7% to 9% and shifts our earnings mix to primarily regulated earnings over time delivering on our commitment to you to provide more stable, durable earnings.

Next slide. In practice, our utilities payout 70% of their earnings to the corporate to help fund the external dividend and Holding Company interest expense. However, if we think conceptually about the dividend payout ratio against our EPS projections for utility-less HoldCo, we see the dividend fully covered this year and then following into the 70% in 2020, as our utility EPS growth outpaces our targeted dividend growth. We see this platform as supportive of dividend durability and pointing towards the opportunity for additional growth in the future.

Next slide. Our strong balance sheet and significant free cash flow from ExGen are the foundation of our capital allocation policy and a key to creating value for our investors. As you've heard throughout the morning, our strong free cash flow at ExGen is redeployed to fund $25 billion of utility growth, retire debt at ExGen, which will improve our already strong credit metrics, and finally invest in select contracted assets where we can meaningfully exceed our return thresholds. Importantly, returning capital to our shareholders by increasing the dividend 2.5% per year through 2018. This is the right strategy for our markets and assets, and the right strategy to build enduring value for our investors.

Now, I'd like to invite Chris Crane and Dan Eggers up for Q&A. Thank you.

Q&A

<A - Dan L. Eggers>: We'll start off with Jonathan right there.

<Q - Jonathan Philip Arnold>: Thanks, Jack. So [indiscernible] (02:57:11).

<A - Dan L. Eggers>: Yeah.

<Q - Jonathan Philip Arnold>: Yeah. All right. I just wanted to ask on the – you folded the parent drag, some of the parent drag on the utilities into the utility EPS forecast, I think. But should we still be expecting $0.10 or so of HoldCo cost beyond 2016, or it was something that kind of in the utility numbers?

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<A - Jonathan W. Thayer>: So, it's incorporated into those utility numbers and assumes that we use our free cash flow to pay down the GenCo balance sheet to the extent we get incremental capital like the $750 million I mentioned from ZEC, that could be used to pay down Holding Company debt, and Dan, I think the number is...

<A - Dan L. Eggers>: Little more than $0.15, John.

<A - Jonathan W. Thayer>: $0.15. So, kind of where we are this year should be in a reasonable assume run rate going forward for HoldCo expenses. They're where they are.

<A - Dan L. Eggers>: Yeah, that's right.

<Q - Jonathan Philip Arnold>: You have the utilities, okay, that was one. And then the other question I had, on the – you're now talking about a target for debt-to-EBITDA at the GenCo around three times. As you look at the plan, do have headroom on that target, because you used to show financial forecast as opposed to just target. So, these deal numbers can of kind of take you somewhat better than that, or not?

<A - Jonathan W. Thayer>: The three times debt-to-EBITDA, there was obviously a lot of focus on leverage in the merchant sector at the end of last year, beginning of this year. And as we think about the right leverage ratio and where the efficient spectrum is for capital, three times feels about right. That implies roughly 32% to 33% [indiscernible] (02:58:56) debt, anything beyond that we feel is better for us to reduce the debt at the Holding Company.

<Q - Jonathan Philip Arnold>: Thank you.

<A - Dan L. Eggers>: Julien, I promised you.

<Q - Julien Dumoulin-Smith>: Thank you. All right. So, slight change in question, looking at the dividend rather. How are you thinking about, maybe it's been more of a Chris question, 2018 onwards, you've got a 2.5% modeled in there. How do you think about the potential increase that especially as you get more into a normal-ish range on the utilities, utilities are clearly growing faster than that.

<A - Christopher M. Crane>: Sure. We don't need to get out in front of the board. As you've seen the numbers modeled, we've anticipated, and for modeling purposes the 2.5% continues after 2018. As we capture the execution on the utilities side, or we've become much more certain with the environmental benefits from the revenues and cash flows from the Generation business, that will inform us on our capability to have a sustainable and increasing dividend policy.

But, we want to execute on those right now, we get the 2.5%, and we have board approval through 2018, we have modeled beyond 2018 just to show we can continue to do that. We want to see the rate cases come in and the recovery on the – or the growth of the $9 billion of rate base over that period of time in gaining certainty.

But as you can see, there is the potential for us. There is – we're not ready to make that commitment yet, because, we got to make the execution. I feel confident, but want to give the operating groups the opportunity to execute, and then we'll continue the discussion with the board. We'll be talking it at our board strategy retreat coming up fairly soon about that potential and how we want to look at it and how they want to look at it themselves.

<Q - Julien Dumoulin-Smith>: Got it. And then second question kind of big picture, you've got the utilities here, you've got the GenCo here, perhaps following the lead here – or following the rest of the sector if you will, moving towards a more regulated profile. Do you think everything within the ExGen business is still core, obviously, you've got a big retail business in matched load. But development side, obviously you're deemphasizing growth in that side, anything that you can divest, cut costs, vis-à-vis SG&A, et cetera?

<A - Christopher M. Crane>: Sure. The cost side, I think Jack covered, we had a negative CAGR. We run the most efficient operation and we're still finding ways to take costs out and improve performance at those assets. That won't change, and that is what is driving a lot of the free cash flow.

On an annual basis, we do an asset rationalization to look at where the markets are valuing assets that would be more than we may value than more see them as valued to us within our portfolio. So, we're in that phase now looking at it

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and they'll make the recommendations on the determination. And if we should go after liquidating any other assets or potentially shutting down any of the peakers that aren't carrying their own weight.

<A - Dan L. Eggers>: And Steve [indiscernible] (3:02:36).

<Q - Steve Fleishman>: Yeah. I guess, a question for Jack or Dan. First, just on ExGen, you give us a lot of visibility on the gross margins and on the O&M, but there's things like interest, depreciation and those other lines, tax rate, that kind of matter. So, is there any just big change events we should be aware of through the period to 2018 for that business on those below-the-line items?

<A - Jonathan W. Thayer>: The only thing that really comes to mind is the – is pension expense. With the decline in rates, we've seen our liability grow fairly significantly. We're 78% funded, so we're in a good place, but that's $0.02 to $0.04 of incremental drag from pension that will mostly be felt at the GenCo.

<Q - Steve Fleishman>: And that's not in the O&M?

<A - Jonathan W. Thayer>: That would be in the O&M, sorry.

<Q - Steve Fleishman>: It's in there already.

<A - Jonathan W. Thayer>: Yeah.

<Q - Steve Fleishman>: Okay.

<A - Jonathan W. Thayer>: Steve, so the tax rate data we gave you, the tax rates we gave you on the first quarter call because the effect of the DPAD adjustment, that's going to be – that will create a little more burden from a tax rate perspective, but you should have that data already. I don't – can't think anything substantial is going to happen on the depreciation side, interest expense to the point we're paying down that $3 billion of debt, kind of the ratability of that going down, that will create some headroom presumably on interest expense.

<Q - Steve Fleishman>: Okay. And just a strategic question for Chris. Just perspective on additional M&A consolidation for the company, obviously you just got Pepco, but during this three-year to five-year period, kind of how does that fit if at all?

<A - Christopher M. Crane>: Right now, we are focused on the integration and the complexity of the integration, the execution on the rate cases, driving the capital projects and the spend. And so, we have seen things going for pretty good size premiums. We see more value and are sticking with our own investments, the $25 billion; we're adding a PHI in the next five years, as I said earlier, without the opportunity for regulatory approval or the opportunity to pay a premium. So, it would have to be something that's really broken for a fixer-upper and it have to be a couple years down the road because we really need to focus on execution here. Thank you.

<A - Dan L. Eggers>: [ph] Anthony (3:05:07)?

<Q>: Just off of Julien's question earlier, if I think about how you've pitched the story today, you've pitched ExGen as more hedged, the natural hedge with the retail business. I mean, is your view in the next five years or in your forecast that there's very little recovery in the power markets and you're taking a more defensive posture in your ExGen versus previously, you guys have talked about upside, the power markets return to normal or if we're at a low here, if we'd bounce back, how much benefit that would be to ExGen? Is it fair to say that while ExGen is core, the ability you'd see upside from there is limited in your five-year forecast?

<A - Christopher M. Crane>: I think 2018 and 2019 have room to come up for sure. We're just using, [ph] whereas we're (3:05:53) we model here the forward strip and show the strong story with the free cash flow and the earnings accretion that we'll get from that, but I don't see 2018 or 2019 being sustainable at these levels without a whole lot more retirement or tightening in the market. So, we do see the potential for upside, but it's just showing it as the market forwards have it laid out now.

<A - Jonathan W. Thayer>: And that's particularly in NiHub.

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<A - Christopher M. Crane>: Yeah, NiHub.

<Q>: And just switching to the utilities, if I think if you have your work cut out for you in rate case filings, particularly at PHI over the next couple years and you hope that bill impact is probably minimal, what's your assumption of the change in commodity prices in the customer bill during that period?

<A - Christopher M. Crane>: Yeah. I was going to come back to Paul's question that he had for the utilities. What we do at the utilities, is take a five-year view on rates based off of not only the capital, the O&M expenditures, what we predict will be going in for rate cases and when we predict. We also run the sensitivities on the capacity market and on the energy market to make sure that we've got that understood clearly and we're communicating that with the major stakeholders here's what it looks like. So, we don't get into the case of rate shock. When we put this capital in, so we're running the sensitivities, we understand the capacity market gives us a little bit more, we understand the variability, especially 2018, 2019 in the energy market, what can be the consumer take? But there's another side of this story too is, a dollar, if you can spend $8 of capital to save $1 in O&M and its flat to the consumer. So, when we're putting this capital to work in the utility, we have got to be driving efficiency. Anne talked about how many truck rolls did not happen with the smart meter, it's just not put capital in for the sake of getting return, you've got to put the capital in to cut the O&M cost, shifting craft now at ComEd and other places to put that capital in has brought the O&M cost out, brought the CAGR's on O&M to. So, there is a strong focus, Paul, to your question earlier that you cannot put this on the back. And then if you're seeing some big rate shock event which we're not seeing in the out years, what can we do to mitigate that, so it's a high sensitivity. And it's not done, as I said, without driving more efficiency in cutting costs, reducing the over time, reducing – in a storm recovery, reducing the dependency on contractors in a storm recovery or in a normal operation. That's what the technology is being installed for is the resiliency and cut costs.

<Q>: And Chris, just to build on that, if you think about our efficacy for energy efficiency within the ComEd...

<A - Christopher M. Crane>: Yeah.

<Q>: Within the clean energy bill, that will lower customers' consumption, therefore lower their G part of their bill, certainly that's been highly effective within the BGE Zone. So, we are thinking about the totality of the bill in our regulatory policy and how we advocate.

<A - Christopher M. Crane>: So that's a shift in the way we have to analyze, to what Jack said, instead of just focusing on the rate, focus on the total bill. We have actions that are cutting the bill down. We have actions that are cutting the rates down from what they could be by efficiently running the business, endorsing programs and operating properly.

<A - Dan L. Eggers>: Praful and for Greg.

<A - Christopher M. Crane>: I think Andy is going to throw something at you...

<A - Dan L. Eggers>: Yeah. I know.

<Q - Praful Mehta>: Thanks. So I had a quick question on the leverage at the GenCo. Now the $3 billion deleveraging makes sense and we understand the path to it. But as you think about what's going to happen five years, seven years down the road in terms of more renewables coming in, there could be more weakness on the off-peak pricing which could put more pressure on nuclear. So, I guess, the question I'm getting to is, as you think about the optimal leverage and not just the debt-to-EBITDA, but just the amount of debt that you can have at ExGen, are you looking at asset life of nuclear five years, seven years down the road and saying if we didn't get ZECs in other states, for example, and we only have the market, what is the amount of debt that you can bear at ExGen five years down the road, if you're thinking about nuclear asset life being X. So I'm trying to get those pieces.

<A - Christopher M. Crane>: Yeah. So, the most sensitive assets to the renewable build-out are going to be those in the Midwest. And so, we feel that the dual-unit larger sites are durable through that period, but we have the three times debt-to-EBITDA. We have units that are going to run out to 2040. We have a project at Peach Bottom as a pilot plant to add another 20 years onto it. So, we don't want to paint the picture that this is a dinosaur, this is – we're optimizing this fleet right now to be durable either through the REC program or the ZEC program or shutting them down. But there are

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-the other assets are very strong and continue to be. If the renewables continue to collapse the market, we're not the first ones that are going to be hurt. There'll have to be some other market design, because of reliability issues with the units coming up. You can see the conversation that's going on in MISO right now. MISO has been slow to file its plant for Zone 4. That stakeholder process has created a lot of dialogue that they have to work out stuff, but reliability is continuing to deteriorate in that period of time. The State of Michigan just asked MISO to run a reliability study for the State of Michigan because of the issues that MISO is having. So I think there is a view. We'll let Jack answer the view on how we manage the ratios and what's our target. There's also a view that we're going to be running some of these assets for 20 to 30 more years and they're going to be long-lived assets, the market needs them, reliability needs them and the environment needs them.

<A - Jonathan W. Thayer>: I think just to build on that, I think to Chris's point, we do have a differentiated technology with a differentiated output. We believe that that will continue to provide enduring cash flow. Our ExGen business is throwing off more than $1 billion of cash flow a year over the next five years and we expect it to continue to throw that off. That more than provides the security to address any retirements that we might have to make and bring that debt into a very, very manageable level so we can continue to redeploy that ExGen free cash flow to grow the utilities or return value to shareholders in other ways.

<A - Christopher M. Crane>: So the three times debt-to-EBITDA is a conservative move in some eyes and maybe non-conservative in others. But it gives us margin to what is our down rate threshold, which is our FFO to debt. We have a five-year view and we can go further out on that so we can anticipate that degradation and take action that potentially which we do not see the likelihood of it now, that you would bring that debt-to-EBITDA ratio down further to control a decline. But we have a view far enough out that we can do it. I don't think it would be prudent in order to be overly conservative to go more than three times. Use of the balance sheet at this low interest rate environment is a good thing. We just want to size it that we can ride the commodity cycle and not be stressed and allow us to access to the capital markets while providing good cash flows to make investments on the other side.

<A - Jonathan W. Thayer>: And I think just to think about the broader, if you think about that dividend slide, and how much on a theoretical basis of the dividend is being covered by the utilities, we don't – as we grow the utility EPS, we don't necessarily need or were increasingly less reliant on those GenCo cash flows to fund that utility growth.

<A - Dan L. Eggers>: Go to Andy.

<A - Christopher M. Crane>: He's been waving his arm out there. He's going to rush to the stage.

<A - Dan L. Eggers>: [indiscernible] (3:14:50) morning.

<Q - Andrew Levi>: I'm in good shape, it's all right. It's Andy Levi from Avon Capital. I thought you guys gave a really good presentation, actually very, kind of, concise and it's a very simple story. And it's actually interesting value proportion, stock seems cheap. The one question I have is that you look at your utility guidance as you go out several years and obviously very robust growth. But I was just curious, with all the mechanisms that you have for quick recovery, what gets you to the top [indiscernible] (3:15:31) of those ranges and why are the ranges so wide on such a – on our earnings per share of such a low earnings base...

<A - Christopher M. Crane>: [indiscernible] (3:15:40).

<A - Jonathan W. Thayer>: So a couple things and you saw this at BGE. We had – we build into our plans a certain amount or a certain assumption of what we'll spend on storm recovery. The absence of storms can yield a significant positive. The storms that are more significant than expected obviously can lead to the downside of that. We have, in our rate filings, an expectation of what we're going to achieve and build strong cases to achieve that, but commissions are going to have their say and they're going to give us some percentage of our ask – and that can gravitate from year to year. But I think what we're hoping to show, given the preponderance of what's recovered in formulary tracker mechanisms and what we're trying to shift the remainder of our investment program to more of those types of programs that we are trying to limit the volatility and reduce the volatility of those rate case outcomes and ideally demonstrate the regulatory success we're having across the jurisdictions in a way that yields a premium multiple utility.

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<Q - Andrew Levi>: What gets you to the top end? And then, I guess for Chris, if you kind of look at, let's say, one of your peers that say – Jim Robo from NextEra, he always kind of likes to say you'd be disappointed if they didn't get to the top end of their ranges. So maybe just focused on the utility, maybe you can kind of talk about to the mid to the top end of your range. And I guess would you be disappointed and is it hard to get, is it hard to get to that top end of that range?

<A - Christopher M. Crane>: You think Denis is an asshole? I taught that range, but he's the nice guy. But, yeah, would be significantly. We've put the hedge, we put the hedge on the band to get the execution out there. I am [audio gap] (3:17:37) on executing on the PHI rate cases, the recovery and the operational improvement. We have learned how to do this and how to go about it. We have proven how to do it and how to go about it. We have a team, David is leading that team. We have put very accomplished individuals into PHI, which will help expedite what we think that recovery period is at PHI versus a year longer than it took us at BGE.

And so, yeah, I'll be disappointed; and yes, there is levers to pull and yes, there is productivity to drive and cost to cut out to bring out. But we do have sight to the capability to get towards the top of that range. It's holding ourselves accountable, it's executing, it's communicating, it's driving the operational improvements and hopefully we've demonstrated for you today that we've got the oversight and the capabilities within the team to do that. We're already seeing the improvement. We're already having some constructive dialogue around rate cases. We're going to continue to do that.

The one thing that we have learned is communications with the regulator on the long view, letting them know where things are going, getting out with the stakeholders if it's the mayors, if it's the governors, if it's the state legislators, never surprise them. Show them what is coming in these rate cases. But the other thing that we don't talk enough about and we have to put in more, we are the economic engine for the communities that we serve. If you look at what BGE showed you on that gas line replacement, that's creating jobs. There's training programs for intercity residents that are going to be trained on how to put those gas lines and gas meters in, letting the legislators know that in all states, we've done a very good job in Illinois showing the economic impact in gaining the support for the infrastructure build-out, that's the same machine we have to build up in the PHI zones and improve on greatly in the BGE zone. And so, we get better buy-in, better stakeholder agreement on the investments that are being made.

<A - Jonathan W. Thayer>: Chris, if I can just – and I think it was [ph] Mora (3:20:19), you asked a question earlier, how is managements incented. In our long-term incentive plan, starting in 2017, there are three metrics that gets measured. It's earned ROE at the utilities, it's EPS growth at the utilities, and it's FFO to debt for the holding company's balance sheet. And so, I think, Andy, you'll agree that management's incentives are aligned with steering towards the top end of that range.

<A - Dan L. Eggers>: Okay, Greg.

<Q - Greg Gordon>: Hi, just to clarify from the question you asked earlier. So, when you look at the utility guidance through 2020, that nets all the parent expense against it. And that's almost all debt, cost of debt, or is there a small component of unallocated cost?

<A - Christopher M. Crane>: It's almost exclusively debt.

<Q - Greg Gordon>: Great. So, to the extent that you do drive to three times debt-to-EBITDA at ExGen, by modeling it myself, I should assume that those incremental dollars for debt reduction are then potentially targeted towards reducing the parent debt. Is that fair?

<A - Christopher M. Crane>: Yes.

<Q - Greg Gordon>: Okay. And if I'm, so if I'm modeling this thing out of your deck, I'm not missing anything. I know this is sort of a follow-up on Steve's question. So, if I model the utility the way you've articulated it and if I go through the back of the deck and cobble together my ExGen model based on the disclosures you've given me, I've got the whole company, I'm not missing any of the financial, anything financially that I should be looking at.

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<A - Christopher M. Crane>: I think the important element is we have the $8.2 billion of free cash flow coming off the GenCo with the ZEC, that's an incremental $750 million. So you have $9 billion of free cash flow. We haven't modeled in doing anything with that $750 million. With the addition of FitzPatrick, obviously that's cash flow and earnings accretive as well. So, there's upside that isn't necessarily modeled into these numbers, but we give you the means of making our own assumptions.

<Q - Greg Gordon>: Great. Thank you.

<A - Dan L. Eggers>: [indiscernible] (3:22:15).

<Q>: Hi. So, to what extent is Exelon a organic growth story beyond 2019, 2020 going into the 2020s or now that you've finished the PHI story and acquisition, what's your view of M&A going forward?

<A - Christopher M. Crane>: Yeah. We are targeting prudent investments beyond 2020 to continue to improve the resiliency, reliability and efficiency of the system. We're targeting around the goal is to see if we can keep that around 5%. The 7% to 9% is pretty high on the range if you look at the comps, but we think a good growth range would be around 5% and – but it's going to be efficient capital put to use, the consumers got to benefit from that. And we have the ideas on where we can go on some of the things that Anne talked about as we continue to embrace technology and innovation and what the customer is looking for would give us the opportunities adjusting the regulatory model to go away from the volumetric and get support for that is going to be constructive as we go forward.

The – so I think we have a very near-term high power growth story, but we have a sustainable gross story after that. M&A has dug us out of where we would be is Exelon alone. From the last four years, we would be much more damaged goods today if we did not or would be damaged good today if we did not consummate the merger with Constellation.

The ability to put the load to gen match with that Constellation platform, had some clean-up work to do around how they operated. And I think we're operating very efficiently now. I think we've got the right compensation strategies in place. We've got the right oversight, if you want to say, on the operations. So, we feel good about what's happened with Constellation. We feel really good by bringing BGE into the family and making the improvements that we've been able to do that have -were not capable of before. PHI changed the story. It was tough work. A lot of people in the room worked very hard for two years to get that done. It's transformed us to be able to have a very strong organic story across all the utilities.

Not really looking to jump back into the M&A anytime soon. We have a lot on our plate and we can create value with what we have on our plate. Hopefully today, we demonstrated what I have is confidence in this team to execute. And I don't want to stretch them right now any more with any big deals; they've got an organic story, they've got good balance sheets to manage and execute on.

<A - Dan L. Eggers>: Ali.

<Q - Ali Agha>: Hey Chris, when you look at your valuation on a PE multiple and you compare it to the pure regulated utilities, there's a very wide gap there. So just curious what is your aspiration? Do you think you ultimately should be trading there and does this plan get you there and if the valuation expansion does not happen, are you willing to think outside the box and maybe try some other stuff or is this the 2020 plan and the execution of that is really what the focus?

<A - Christopher M. Crane>: Yeah. Of course, we want to be recognized with a better multiple. We trade at a discount. The hybrid has looked – I think been looked at as not the optimum versus a pure-play regulated. What we're trying to demonstrate here is we have the best hybrid. We have a cash flow machine that's supporting a significant investment without going to the equity markets while continuing to focus on a dividend. So we think it should be expanded.

I will tell you that Dan is here because we did a very poor job communicating in the past what we were doing. As you can hear us talk today, we're very operationally and execution-oriented. We have not done the right job telling the story. What we're telling you today is what we were working on before. It's why we went after PHI. But what we have

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to do as a team is be more sensitive to your questions, your concerns. We need to be explaining the story in a much clearer fashion and continuing to prove through execution that we're getting there. Some of the things that we have been doing or said we're going to do has taken a little bit longer.

Four years ago, we came together as the new Exelon, we went through a tough period. We have continued to evaluate this hybrid model and we've continued to figure out how do we optimize our capital allocation policies or execution that's going to create the value. We've taken a dip in value over the last four years, we're climbing back out now and we think we're climbing back out on a strong platform. We think we have – can show that we have value growth. And what we're doing with this platform that we've built and now we have to execute on it. So, on a regular basis, I asked the question, are you sure these two should be bolted together? I actually had them do a study, a very detailed study, we brought in external folks a while back.

And my opinion was that I think it's going to be better apart. And – but I'll let the team independently – Bill and Jack led the team and they independently looked at it and they brought all the stakeholders together and it is value disruptive at this point to break up to – because, one, you get, might get the expansion on the regulatory side, the EPS expansion there. But the dividend that you are expecting would not be able to be sustained as [ph] you're seeing to do (3:29:11) with the capital investment without equity issuance. And that equity issuance would have the dilutive effect that can't be overtaken by the multiple expansion.

On the other side of the business, Constellation's efficiency to market would be greatly hampered. There are counterparties that they could not transact with or there's counterparties that would be much more expensive for them to transact at.

So, we would be taking this $8 billion free cash flow machine that's helping us build this platform on the regulated side that's creating that earnings accretion and it would hamper both. So when we looked at it together and they came in, now you got to show me this again, I want to go through very number. But it really – this is the best model and it's the best model from here to 2020. I would say, you constantly have to reassess that to make sure you're unlocking the best approach to creating the long-term value. From here to 2020, the cash flow that the Genco's throwing up as they optimize, it's not a dying business, it's a sustaining business and it's allowing us to grow without any dilution on the equity.

So it's a good question, it's something that the board asks me, I ask the team. And it is something we'll continue to evaluate; but I think we got the right mix right now. I think it's the way the team is firing and operating. The Genco, as I said and under Ken and Mike Pacilio's leadership, is doing great performance in cost and in operations. That differentiates us from others; the cash flow coming off. Can't it repeat that enough and then the Utilities execution on the efficient spend of capital and the proper return on the rate case is – says stay together at least for the next five years as we build this model up.

<Q - Ali Agha>: One follow-up, unrelated. Given the New York ZECs coming through, what does that do from your perspective to the EDF put option and do you think that is now more likely to come back on the table given the profitability change over there?

<A - Christopher M. Crane>: We have not heard that from EDF. Bill and I have been in contact to talk to their CEO and their new management in Paris and here in the States. They like our operations, they like our arrangement, they really like the ZEC and the value that's created and they want to try to learn and see if that can be something that it can repeat in Europe. The put process is fairly well defined. It's the value of the assets in the marketplace. And if it is put, it would be put at a price that we would be compensated for in earnings and free cash flow. So, we haven't heard from them and their last comment was we're not doing anything. And we'll continue to be in dialogue with them. Their stuff in the UK as, I think, everybody has read, has been slowed down with the change in the administration. And so, not sure what their cash needs are going to be.

<A - Dan L. Eggers>: I think that we're over our time, we're trying – we're probably over, so let's – we'll catch [ph] after Paul has – (3:33:07), okay, we've run long. So, Chris, I think you had a couple closing remarks and then we'll let you free.

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Christopher M. Crane

Yeah. I don't wear a watch so I never knew when we're over time. Now, I think I've said lot of it and I don't want to be overly repetitive. But we have set a vision and we're executing on that vision. I feel really strongly that the team that we presented here in front of you today is the team that can execute. I do realize the skepticism in some of your questions and some of your facial expressions when we talked about the PHI rate case recovery. We've proven we can do that over a couple rate cases at BGE. It takes hard work, it takes customer satisfaction and it takes great communication. So, we do feel that that is achievable and we're going to continue to execute on it.

We had questions about – well, I thought maybe you should be spending more. We're spending three times depreciation right now on capital. That's a pretty good benchmark if you compare us to the others and we want to spend that capital efficiently. As I said, it has got to be to the benefit of the consumer. There is not a model that says you have the license because you have the franchise rights to just throw capital in and put it on the back of the consumer. Everything we do has to be focused on consumer benefit. So, I think we have the right balance on that right now, going forward, and we'll be able to prove that. We do believe that we are more valuable than the market reflects for us today.

We do take part of that on ourselves because we have not communicated properly completely. We have stayed more to our knitting than doing events like this and explaining in detail and getting you to know the team more. So, from here, I think we've got a good baseline on where we're going. You can see what we think over the next five years and then you can hold us accountable to the execution and we'll keep you up-to-date.

As I've said, some of the things that we said we're going to do took a little bit longer. But the team never gave up. PHI was a real slog. We went through New Jersey very quickly. Delaware was a good process to go through. Maryland was a good process to go through. We underestimated what we needed to do in Washington and we caused the delay in the regulatory process there. We recovered from that; we've closed on that; we're building that into the operations into the portfolio now with the PHI.

So the nuclear story, we have been – Bill, Kathleen, Joe Dominguez's team have been working very hard. We said we were going to do something to get these plants compensated or we shut them down. New York, good story, great story New York, story yet to unfold in if we can prevent anything in Illinois, but we're having to take the steps and that creates the value and the accretion.

So, I really do think that as I said, we've got the right team, the right strategy, the right approach to create value instead of having these year-after-year decreases in EPS that we start to see the year-over-year increases. And we can also really focus on how we manage the dividend. So I thank everybody for their time and questions and engagement. And from here it's just us go back to executing and showing you what we have. So thank you very much.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2016-05-06
Event Description: Q1 2016 Earnings Call

Market Cap: 32,886.07
Current PX: 35.68
YTD Change($): +7.91
YTD Change(%): +28.484

Bloomberg Estimates - EPS
Current Quarter: 0.536
Current Year: 2.527
Bloomberg Estimates - Sales
Current Quarter: 6564.000
Current Year: 28726.400

Q1 2016 Earnings Call

Company Participants

- Dan L. Eggers
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro

Other Participants

- Steve Fleishman
- Jonathan Philip Arnold
- Julien Dumoulin-Smith
- Praful Mehta

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to the Exelon Corporation's Q1 2016 Earnings Conference Call. My name is Prasanthi and I'll be facilitating the audio portion of today's – and active broadcast. All lines have been placed on mute to prevent any background noise. For those of you on this stream, please take note of the options available in your event console.

At this time, I would like to turn the show over to Dan Eggers, Senior Vice President of Investors Relations.

Dan L. Eggers

Thank you, Prasanthi. Good morning, everyone, and thank you for joining our first quarter 2016 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; and Jack Thayer, Exelon's Chief Financial Officer. They are joined by other members of Exelon's senior management team who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, both of which can be found in the Investor Relations section of the Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and our Risk Factors section in the earnings release, and the 10-Q, which we expect to file on May 10. Please refer to today's 8-K, the 10-Q, and Exelon's other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures. We've scheduled 45 minutes for today's call.

I'll now turn the call over to Chris Crane, Exelon's CEO.

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Christopher M. Crane

Good morning. Thanks for joining us this morning. Once again we had a great quarter financially, where we closed near the upper end of the range even with the milder weather. And operationally, our utilities and plants continue to operate at high levels.

The big news for the quarter is we closed the Pepco Holdings transaction in March. We are excited to have Pepco utilities as part of the Exelon family. We know this has been a long journey and it took much longer than any of us anticipated, but we appreciate the patience of our investors as we pursued the merger. Our employees who worked tirelessly from the inception to the completion of the deal and the many stakeholders who've supported was critical to getting the deal done.

PHI is an important piece of our strategy to become a more regulated company with more stable earnings streams. While we are still in the early stages of integrating PHI, PHI's earnings outlook is consistent, if not better, than what we showed you at EEI. It brings meaningful benefits to our customers, communities in Delaware, District of Columbia, Maryland, New Jersey, including bill credits and reliability investments. More than $500 million in total commitments have been made and will be achieved due to this merger.

We're now focused on integrating Pepco into Exelon. We will bring our management model and our best practices to improve the experience of our customers. The transaction confirms Exelon's role as a leader in the industry. We serve 10 million customers, more than any other utility company. We will spend nearly $23 billion in capital across our utilities and generating business over the next three years, which is the second-highest among our peers. We are the largest pure T&D by rate base and within the top five when including rate base generation.

We are the second-largest generator of electricity in the country, the largest competitor by a factor of nearly two, while producing power at the lowest carbon intensity of any large generator. We are the leader in the retail electric provider in the country serving 139 terawatts. The culture of the industry leadership is found throughout our organization, positioning us very well for the future.

Switching to operational performance. Our first quarter operating performance was strong and we're on track for a strong year. At our legacy utilities, our SAIFI and CAIDI are on track to meet reliability targets; we are in top quartile in both. At the GenCo, our nuclear plants ran at a capacity factor of 95.8%, our solar and wind assets outperformed their energy capture targets.

Switching to Illinois in the nuclear plants. While there is much to celebrate this quarter, we also need to make tough decisions on the future of Clinton and Quad Cities nuclear stations in Illinois. The board has given me authority to go forward with early retirements for Clinton and Quad Cities plants, if for Clinton adequate legislation is not passed during the spring legislative session that is scheduled to end May 31, and if for Quad Cities adequate legislation is not passed and the plant does not clear the upcoming PJM auction. Otherwise, we plan to retire Clinton on June 1, 2017, and Quad Cities on June 1, 2018. This is consistent with planned refueling outage and capacity market obligations.

We committed to our employees, our shareholders and the communities to try to find a path to profitability for our distressed assets. This is because these plants are vital to the communities that they are located in and provide economic and environmental value to the state. The state's own analysis showed that closing Clinton and Quad Cities would result in $1.2 billion in lost economic activity and 4,200 jobs lost, and a significant reduction of supply of reliable electricity for Illinois residents and businesses.

We worked hard over the last few years to find a path to sustainable profitability. To bring $120 million in strategic capital to these plants, we've pursued legislation and regulatory market changes. We've been successful in some areas: the PJM market reforms that were put into place last year, the cost reductions that we've achieved, and the large number of stakeholders who have worked so hard to help in this fight. We have strong allies in our cause, our employees, our plant communities, the bill sponsors and co-sponsors, our partners in labor, and our vendors among others. I want to thank them all very much for their support and regret the impact on this decision that we have on them.

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But for reasons outside of our control, we have not seen progress in Illinois policy reforms, also the Supreme Court stay creates uncertainty regarding the EPA's Clean Power Plan. Power prices have fallen to a 15-year low in PJM, causing the economics of Clinton and Quad Cities to further deteriorate. These plants have lost $800 million in cash flow from 2009 to 2015. Just to be clear, we are not covering our operating costs or our risks, let alone receiving a return on our invested capital. We've done all we can up to this point and we continue to work through the spring legislative session to enact the much needed reforms. However, without adequate legislation we no longer see a path to profitability and no longer can sustain the ongoing losses.

On a more positive note, we continue to see a pathway to reform in New York where Governor Cuomo, the legislature, the Public Service Commission have recognized a need to preserve the state's nuclear plants. New York is quickly moving forward to implement a clean energy standard that will allow us to continue to operate our challenged Ginna and Nine Mile plants.

I'll turn the call over to Jack to discuss the first quarter results further.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. My remarks today will cover our first quarter results, 2016 guidance, update our gross margin disclosures and provide an update on developments since Q4.

I'll start on slide eight. As Chris stated, we had a strong quarter financially and operationally across the company. For the first quarter we delivered adjusted non-GAAP operating earnings of $0.68 per share, near the top of our guidance range of $0.60 per share to $0.70 per share. This compares to $0.71 per share for the first quarter of 2015. Exelon's utilities delivered a combined $0.37 per share. During the quarter, we saw unfavorable mild weather at PECO and ComEd versus planned, which was partially offset by lower bad debt expense at BGE. There are only eight days of PHI included in our results, which had a minimal impact on the quarter.

Generation had a great quarter, earning $0.34 per share. We had strong performance from our nuclear assets with better capacity factors than budgeted. And while weak power prices and lower volatility were a drag, our Constellation team delivered strong results. Our generation to load matching strategy continues to provide value and we benefited from a lower cost to serve our customers.

For the second quarter, we are providing guidance of $0.50 to $0.60 per share. This compares to our realized earnings of $0.59 per share for the second quarter of 2015. The appendix contains details on our first quarter financial results compared to the first quarter of 2015 results by operating company on slide 16 and 17.

Turning to slide nine, we are affirming our full-year guidance range of $2.40 to $2.70 per share which now includes the contribution from PHI and assumes an average of 926 million shares outstanding for 2016. This should help calibrate your segment models.

On slide 10, we are still working through a comprehensive financial plan now that we have closed the PHI deal, but want to address the pieces that we can today. We are reaffirming our earnings growth at our legacy utilities of 7% to 9% per year from 2015 to 2018. On PHI, we are still working through the plan, but see the contribution equal to or better than what we showed you at EEI and consistent with sustaining our 7% to 9% utility growth target.

On slide 11, to meet these growth targets we are going to be busy on the regulatory front. The PHI utilities have been out of rate cases for at least two years. We are continuing to invest $800 million per year to improve reliability and customer service leading to the low-earned ROEs that we show on slide 30 in the appendix. However, by the third quarter, we plan to file distribution cases in all of PHI's jurisdictions and expect decisions in all cases by the middle of next year providing needed revenue release.

Atlantic City Electric and Pepco Maryland have already filed their cases. ACE filed an electric distribution base rate case on March 22 with the New Jersey Board of Public Utilities requesting an $84 million revenue increase and a 10.6% return on equity. It also included PowerAhead, a five-year $176 million grid resiliency plan.

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On April 19, Pepco requested a rate increase of $127 million with the Maryland's Public Service Commission. The rate cases include smart meter recovery and a two-year $32 million grid resiliency plan. In addition to reducing the number and length of outages, Pepco's five-year smart grid program is generating nearly $4 in customer benefits for every $1 invested.

In addition, ComEd made its annual formula rate filing with the Illinois Commerce Commission. ComEd requested a revenue requirement increase of $138 million reflecting approximately $2.4 billion in capital investments made in 2015. Those investments, which included $663 million for smart grid-related work has helped strengthen and modernize the electric system, resulting in record power reliability and customer satisfaction, operational savings, and new ways to save on electric bills for ComEd customers. More details on the rate cases can be found on slide 33 – slides 34 through 37 in the appendix.

Slide 12 provides our first quarter gross margin update. In 2016 total gross margin is flat to our last disclosure. During the quarter we executed on $200 million of power new business and $100 million of non-power new business. We are highly hedged for the rest of this year and well-balanced on our generation to load matching strategy. Total gross margin decreased in the first quarter by $150 million in 2017 and $200 million in 2018, as PJM power prices moved approximately $1.60 to $2.10 lower since the beginning of the year. We ended the quarter approximately 5% to 8% behind ratable in both of these years when considering cross-commodity hedges with a majority of modeling concentrated in the Midwest to align to our fundamental view of spot market upside at NiHub.

Power prices have risen since the start of the second quarter and we are timing our hedging activity to lock in the value of the recent price increases while remaining well positioned to capture our fundamental view.

On slide 13, I wanted to give you a quick update on some tax implications that are associated with the completion of the PHI merger. With the inclusion of PHI, we expect to realize $700 million to $850 million of additional cash from 2017 to 2019 related to legacy NOLs and the impacts of bonus depreciation. However, now, as a very modest cash tax payer for 2018, we have less ability to take the domestic production activities deduction, or DPAD, in 2018 which effectively increases our overall consolidated tax rate by as much as 200 basis points or the equivalent of $0.06 to $0.08 per share in 2018. Although this is a one-time negative impact to 2018 ExGen earnings, it comes with significant positive cash flow and we expect to return to normalized tax rates in 2019.

With the variability of interest rates, I'd like to remind you that ComEd's allowed ROE is based on a 30-year treasury rate plus 580 basis points, and thus sensitive to moves in this rate. Every 25 basis point move in treasury rates results in a $0.01 move in EPS.

Before turning the call over to Chris, I wanted to raise a few scheduling points. We'll be hosting an Analyst Day on August 10 in Philadelphia and we'll get details around shortly. Therefore, we will not be having a second quarter earnings call and will release earnings before Analyst Day.

I will now turn the call back to Chris for his closing remarks.

Christopher M. Crane

Thanks, Jack. Just closing out on slide 14, the capital allocation philosophy. I want to cover that before we turn it over to Q&A, and take a moment to reiterate our capital allocation philosophy. Balance sheet strength remains a top financial priority. We have a strong strategy to deliver stable growth, sustainable earnings, and an attractive dividend to our shareholders. We will be growing that dividend at 2.5% each year for the next three years, starting with the dividend payable in June. From a capital deployment perspective, we will continue to harvest free cash flow from the generation business to invest primarily in our utilities to benefit our customers, invest in long-term contracted assets which meet our return requirements, and return capital to our shareholders. This is the right strategy for our markets and our assets.

Thanks and we'll open the line up now for your questions.

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Q&A

Operator

[Operator Instructions] And we do have audio question from [ph] Stephen Byrd (17:13).

<A - Christopher M. Crane>: Hey, [ph] Steve (17:15).

<Q>: Start on the Illinois legislation. And wonder if you could speak to the breadth of support that you have for the proposal. And then also if you could just go through the mechanics of if it was implemented, how it'd work? So we can start to think about modeling the impacts.

<A - Christopher M. Crane>: Joe, you want to cover that?

<A - Joseph Nigro>: Sure. [ph] Steve (17:36), the support is the same support we had for the original bill, labor, the host communities. And in addition, we now have the support of some groups that represent climate scientists and others that are concerned with greenhouse gas emissions.

In terms of how the program would work, let me just start with a policy analogy that I think all of you are familiar with. Existing state RPS programs for renewables provide compensation of qualified resources through renewable energy credits, RECs. The REC value is the difference between available wholesale revenues and the costs needed to keep the existing renewables in operation and get new renewables built. All this is done in order to get the benefit of greenhouse gas reductions while protecting customers. If wholesale revenues go up, the needed REC payment goes down. We see that happening every day in REC spot markets.

The ZEC program is designed the same way. It's a payment for the state value of zero emission credits from nuclear plants which represents the difference between the needed revenues and the costs of operating the plants. In the case of the New York and Illinois programs, the way it would work is that experts at the Commissions will determine on a prospective basis the cost of operating the plants plus risks, less available market revenues. And where there is a delta between that, in other words where the costs and risks are not covered by available market revenues, the ZEC program will kick in and provide compensation for greenhouse gas avoidance.

The program is not a PPA or a contractor difference. If revenues or costs are different, there is no true-up. And – so, [ph] Steve (19:26), I think if you have additional questions, perhaps after the call we could work with Dan and Emily to set up a meeting, go through more programmatic details.

<Q>: That's great. That's a great start. Thank you. And then just shifting over to renewables more broadly, could you just speak to your degree of appetite for more acquisitions? It sounds like you'll be a full taxpayer, I believe, in 2019, if I have that correct. But just broadly, what degree of opportunities do you see out there in renewables? Is this an area that you would expect that you'll see further growth in?

<A - Christopher M. Crane>: It is definitely throttled based off of our tax capacity and we are looking at that now. You do get a certain amount of dilution with delaying the benefits of the tax attributes of the project, so we have some projects in the pipeline now and are re-evaluating others to see if they're – they would be viable to go forward in the near-term.

<Q>: Understood. Thank you very much.

Operator

And your next question comes from the line of Steve Fleishman.

<A - Christopher M. Crane>: Hi, Steve.

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<Q - Steve Fleishman>: Hi. Good morning. A couple of – first, a logistical question. The Ginna $101 million that you mentioned that you're getting, is that – is kind of a trued-up amount including past years, is that in your guidance for this year? Or is that kind of like a one-time item or how are you treating that?

<A - Jonathan W. Thayer>: Steve, that's in our guidance.

<Q - Steve Fleishman>: Okay. Including any back from prior periods?

<A - Jonathan W. Thayer>: That's correct.

<Q - Steve Fleishman>: Okay. And then a question just – is there any way you can give us some sense on the cash flow or losses from Clinton and Quad Cities, let's say, in your guidance for last year or something of that sort?

<A - Jonathan W. Thayer>: So we've stated that it's greater than $800 million since 2009. There are some variables in there on cash savings going forward or cash losses going forward, power prices coming down, cost cutting initiatives; and we do have an element of overheads that would not be as controllable. So you would see the run rate to be similar to what has happened in the past.

<Q - Steve Fleishman>: Okay.

<A - Christopher M. Crane>: Steve, you know, on this point – so for 2017, the cost exceeded available market revenues or at current [ph] marks (22:12) by $140 million. But I think importantly and Joe raised this point, it's not the whole picture. The closure also avoids millions of dollars in basis and unit-contingent risks that we face by operating the plants. And stated differently, in order to reverse course we need Illinois as well as New York to provide a structure that allows us to cover our cash costs plus normal operating risks in order to reverse this course.

<Q - Steve Fleishman>: Okay. And $140 million that's kind of cash flow? Does that include like CapEx, or is that just kind of cash flow without CapEx?

<A - Christopher M. Crane>: That's cash flow.

<Q - Steve Fleishman>: Okay. One last question just on the – in the event legislation doesn't happen and you need to shut the plants, what – is there any cost related to that?

<A - Jonathan W. Thayer>: As you saw in the K, and we reiterate in the Q, there is some unfunded liabilities on the decommissioning trust. Those numbers are in there at full 100% ownership of the plants. And so the way that we would have to handle that is – you know, you can start out with parent guarantees, but you have to have it funded over a 10-year period, I think 60% by the end of the fifth year, and then the rest by the end of the 10 years.

<Q - Steve Fleishman>: Okay. Those numbers in the K are still good then, so that we just can use those?

<A - Jonathan W. Thayer>: They're updated in the Q.

<A - Christopher M. Crane>: That'll be coming Tuesday.

<Q - Steve Fleishman>: Okay. Thank you.

Operator

And your next question comes from the line of Jonathan Arnold.

<Q - Jonathan Philip Arnold>: Hey, good morning, guys.

<A - Christopher M. Crane>: Good Morning.

<A - Jonathan W. Thayer>: Good Morning.

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<Q - Jonathan Philip Arnold>: Just to clarify one thing on the current proposal that I think was emerged last night around the legislation. So originally this applies to all nuclear plants in the state, but is it correct that this would just be Clinton and Quad? And can you just explain how that works in terms of the discussion of the ZEC structure?

<A - Christopher M. Crane>: Joe?

<A - Joseph Nigro>: Sure. Jonathan, all plants could apply, but quite obviously the only plants that would receive revenue under this program would be those where the costs exceed the revenues. And so there is – it's a 20 terawatt-hour cap which has enough room in it to accommodate Clinton and Quad Cities. And our expectation is that Exelon would seek to have those two plants participate. The other plants would not participate.

<Q - Jonathan Philip Arnold>: Okay. And that's sort of nuanced in how the legislation's worded effectively?

<A - Joseph Nigro>: That's correct.

<Q - Jonathan Philip Arnold>: Okay.

<A - Joseph Nigro>: It's the same offer to you, Jonathan; if you'd like, after the call, we could sit down and work through some of the details.

<Q - Jonathan Philip Arnold>: Okay. That'll be great. And is there any...

<A - Christopher M. Crane>: And, Jonathan, just to interject just to make the clear point, they would provide the opportunity to be compensated for cost plus risk.

<Q - Jonathan Philip Arnold>: Okay. That was one thing. The second thing, in your fourth quarter deck, you have this forecast around leverage ratios and the like going out through 2018, which, I believe, was assuming that Pepco would not happen. This was of the ExGen. Can you give us a sense of how that progression would look if you kind of market to the – with Pepco scenario?

<A - Jonathan W. Thayer>: Sure. So, Jonathan, we still anticipate reducing leverage of ExGen by $3 billion over the five-year planning period, albeit this is not to the extend that we would have under the standalone scenario, because ExGen's free cash flow is now being deployed to help fund PHI's capital spending program. And we'll provide more detail on the puts and takes of that at the Analyst Day in August.

<Q - Jonathan Philip Arnold>: So $3 billion is kind of the new ExGen delevering number?

<A - Jonathan W. Thayer>: That's right. That's over the next five years, we have a large maturity. And I believe it's 2019, that we would look to retire at maturity.

<Q - Jonathan Philip Arnold>: Okay. So that's over five years?

<A - Jonathan W. Thayer>: That's correct.

<Q - Jonathan Philip Arnold>: And then the 2.3 ExGen debt-to-EBITDA that you were looking at for 2018, roughly what does that look like now?

<A - Jonathan W. Thayer>: It, over the five-year period, would go to right around three times.

<Q - Jonathan Philip Arnold>: So that's again over five years, rather than three years?

<A - Jonathan W. Thayer>: That's correct.

<Q - Jonathan Philip Arnold>: Okay, great. Thank you. And then I guess you mentioned in the prepared remarks the prices have rebounded...

<A - Jonathan W. Thayer>: So, Jonathan – sorry, just let me correct, 2.7 times at the end of the five-year period.

<Q - Jonathan Philip Arnold>: So whereas you have 2.3 times in 2018, it's now 2.7 times after five years?

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<A - Jonathan W. Thayer>: Yes.

<Q - Jonathan Philip Arnold>: Okay, great. Thank you. And then you mentioned that prices have rebounded. So can you give us a rough sense of how the kind of gross margin mark would look if you use more like today's prices?

<A - Joseph Nigro>: Yeah. Jonathan, good morning. It's Joe Nigro. I think if you look at our hedge disclosure at the end of the quarter and then factor in the changes since the end of March, you would see all of that drop in 2017 and 2018 being recovered. We've seen an appreciable move, as you know, in prices since the end of March. We're actually higher in NiHub than we were at the end of the year. We're higher at West Hub than we were at the end of the year, so we would have recovered all that drop and probably adding to it. We calculated that a couple of days ago, but the market has continued to move higher, so we probably have seen it actually go over where it ended the quarter.

<Q - Jonathan Philip Arnold>: Great. Okay. That's it. Thank you very much, guys.

<A - Christopher M. Crane>: Thanks.

Operator

And your next question comes from the line of Julien Dumoulin-Smith.

<Q - Julien Dumoulin-Smith>: Yeah. Hi. Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Julien Dumoulin-Smith>: So perhaps to follow up on the same theme, can you elaborate a little bit on the balance of the nuclear portfolio that is ex-Clinton, ex-Quad? How you think about their cash flow profile? And if you don't get this legislation, what the prospects are for further rationalization? I don't mean to jump the gun too much here, but just talking about the future a little bit more?

<A - Christopher M. Crane>: So there's varying cash flows by assets depending on their location. They are positive at this point. If you look at the other units that are more challenged, you're looking at Ginna and Nine Mile. One – we know about Oyster Creek and it's coming up in 2019, the other one that has a real focus on it right now is Three Mile Island.

<Q - Julien Dumoulin-Smith>: Got it. And specific to Illinois, is there any commentary around – so let's say we don't get it in 2016 or 2017, does that trigger another set of reviews? Again, not to push it too much.

<A - Christopher M. Crane>: At this point we'll have to watch the capacity auction clearing in the out years. It's tight on energy at some of the assets, but they are positive.

<Q - Julien Dumoulin-Smith>: Got it. Okay, great. And then turning back to the utilities real quickly, can you comment, or I'm curious, if you will, what the earned ROEs embedded at Pepco for 2016 – just what's the baseline on the Pepco side as far as you see it post the close?

<A - Jonathan W. Thayer>: Julien, in terms of – I think we included it on slide, I believe it's 30, the earned for 2015. Obviously, while we're in the pendency period during the rate cases that – obviously, there's regulatory lag, so we're going to see that decline, but we'll have a much deeper dive in the PHI as part of the August 10 meeting. You can see on slide 29 the rate base statistics and I think can work through some assumptions on regulatory lag using that information.

<Q - Julien Dumoulin-Smith>: Got it. And perhaps not to jump the gun too much on the Analyst Day, but what is the thought process on the baseline for a future regulated CAGR?

<A - Jonathan W. Thayer>: I think the thought is the 7% to 9% that we confirmed on the call and PHI is absolutely consistent with that expectation. We, as we mentioned, are seeing improvement relative to what we forecasted or projected at EEI using PHI's internal forecast. And Dennis and team continue to work to identify further opportunities

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around efficiency as well as regulatory policy to work to get those earned and allowed ROEs in line with the success we've experienced within Maryland, Pennsylvania and Illinois.

<Q - Julien Dumoulin-Smith>: Got it. You wouldn't roll it forward though?

<A - Jonathan W. Thayer>: I'm not certain I understand what do you mean roll it forward?

<Q - Julien Dumoulin-Smith>: The 7% to 9%, just roll it forward to CAGR off a 2016 base?

<A - Christopher M. Crane>: We'll address that at the Analyst Day.

<Q - Julien Dumoulin-Smith>: All right. No worries. Thank you.

<A - Christopher M. Crane>: I mean, embedded in there is 7% to 9% through 2018, so just thinking it through, it's in there.

<Q - Julien Dumoulin-Smith>: Got it. Thank you.

Operator

And your next question comes from the line of [ph] Brian Chen (32:25).

<A - Christopher M. Crane>: Hey, [ph] Brian (32:30).

<Q>: Going over to slide 13, the EPS impact that you've laid out in that top table, I just want to verify that that is not including the use of capital from that positive cash flow impact that you've got on the second row right?

<A - Christopher M. Crane>: That's right, [ph] Brian (32:46).

<Q>: Okay. Great. And then I just want to verify that Quad Cities didn't clear in the 2018 and 2019 auction, correct? So the closure of Quad Cities shouldn't have any sort of residual obligation that you have for the 2018, 2019 capacity [ph] through (33:03)?

<A - Christopher M. Crane>: That's correct.

<Q>: Great. Thanks a lot.

Operator

And your next audio question comes from Praful Mehta.

<Q - Praful Mehta>: Hi, guys.

<A - Christopher M. Crane>: Good morning.

<Q - Praful Mehta>: Good morning. So just on the leverage a little bit, just to ensure we understand both at the holding company level and at ExGen. You've kind of talked about the ExGen debt and what you see over the 20 – the five year period. How are you looking at holding company debt given the leverage you've assumed post Pepco transactions? Is there any objective to delever a little bit at the holding company as well?

<A - Jonathan W. Thayer>: So Praful, as you've heard us comment in the past, we do target at 20% FFO to debt on a consolidated basis and that was one of the benefits of adding PHI to the Exelon family. And so we will certainly be looking at our leverage ratios at the GenCo. I think you'll also see us consider to the extend we have available cash at the holding company as well, we just need to see as we get further out what the realized power prices are and what the free cash flow coming off of the GenCo is in those five years.

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<Q - Praful Mehta>: Got you. And just so if you think about from the sources/uses perspective, the source is primarily out of ExGen coming to fund CapEx at the utilities and then deleveraging both at ExGen and the parent. Is that a fair way to think of it or is there some cash generation coming out of the utilities as well over the next two year, three year period?

<A - Jonathan W. Thayer>: I would say, on a net basis, utilities are consumers of cash. So you're correct. That ExGen cash flow as well as debt raise at the utilities is the primary source for funding the significant CapEx that we see, $25 billion over the next five years at the utilities.

<Q - Praful Mehta>: Got you. Thank you. And then just finally, we saw that the power new business and the to-go business, the EBITDA, or the growth margin of that is going from $250 million in 2016 up to about a $1 billion by 2018. Could you just give us a little bit of context of what's driving that significant ramp-up in that side of the business?

<A - Joseph Nigro>: Yeah. Hi. It's Joe Nigro. That's pretty standard shape that we have. If you go back and look at disclosures over the years, you would expect to see much less new business in the prompt years – in the prompt year, in this case 2016, than you would in the out years, for example, in 2017 and 2018. Embedded in that power new business is things like the execution of our retail business and the margins associated with that. So as we get closer to the swap period more and more of those contracts get layered in, we begin to reduce that bucket of power new business.

I mean, there's other elements of our business that follow that same timing shape, so this isn't unique in the sense of seeing a ramp up between the prompt year to two years forward and we're very comfortable with the numbers that we've put out there.

<Q - Praful Mehta>: Got you. Thank you so much guys.

Operator

[Operator Instructions] And this does conclude today's conference call. You may now disconnect.

Christopher M. Crane

Thank you.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2016-04-21
Event Description: Preparing for the Year's Biggest Power Auction - PJM in May

Market Cap: 31,263.89
Current PX: 33.92
YTD Change($): +6.15
YTD Change(%): +22.146

Bloomberg Estimates - EPS
Current Quarter: 0.675
Current Year: 2.528
Bloomberg Estimates - Sales
Current Quarter: 6757.833
Current Year: 28737.100

Preparing for the Year's Biggest Power Auction - PJM in May

Company Participants

- Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence
- Frederick S. "Stu" Bresler III, Senior Vice President

Presentation

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

Good morning. It's Kit Konolige. I'm the U.S. Utilities Analyst at Bloomberg Intelligence. Very glad to have you here and to have Stu Bresler, join us. Stu is the Chief of Markets at the

PJM Interconnection. So, he is going to talk to us about the upcoming PJM auction, which is many of you know is arguably the year's most important event, when it comes to pricing electricity.

So, here we have the speakers myself, Stu.

Here is his bio, you can go into it. Basically, it says that he has been preparing for 20 years for this position. And he is in charge of markets, which includes capacity, real-time, day-ahead, renewables, transmission rights, all the complexities that go into PJM price setting.

Here are a couple of the housekeeping notes that I'll let you take a look at, and we can go into that in more detail later, if you like. A little add for BI, again, I'll let you read this at your convenience. Basically we are the research unit, equity, fixed income, government and other specialized aspects in Bloomberg.

The key topics that I suggested to Stu and that he will speak to as he -- he can and as he should, include supply and demand and the upcoming auction, the impacts, if any of the Ohio PPAs that we are just put in to place, any changes of note for 2016 in the auction parameters. I'm interested in new capacity coming online and what's retiring the Clean Power Plan, certainly is I think an issue for lots of folks as well as the growth curve and -- and the -- and the upcoming challenges.

So, that's enough for me by way of introduction. Let me turn it over to Stu, and I would just mention to everyone, you're able to type in questions as we proceed, and we can put those questions to Stu, as he finishes up his prepared remarks. Stu?

Frederick S. "Stu" Bresler III, Senior Vice President

Well, thank you very much Kit, and good morning to everyone. Kit and company, thank you very much for having me this morning. It certainly is a pleasure to be able to -- to speak to your -- your audience in this kind of a setting. I hope that the -- the discussion is beneficial and informative as we go forward.

So, I'm not going to say anything more about myself. You know, Kit put my -- my bio up and that's what, I guess, kind of speaks for itself. But I do have responsibility for operations of the markets, here at PJM. So, the conduct of the upcoming RPM Base Residual Auction does fall within my area of responsibility.

I thought Kit put -- put together a pretty good list of subjects for this kind of a discussion this morning, certainly -- certainly a list of kind of current events, specifically as it relate to the upcoming auction.

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So, just diving right into the list, as far as the status of the FERC proceedings, when it comes to the Ohio power purchase agreements. I'm going to assume that folks on the -- on the call and the webcast this morning have a tertiary understanding of what's happened in Ohio. And as a result of the Public Utilities Commission of Ohio approval of the stipulations that were filed by both FirstEnergy and AEP, there are a couple of outstanding dockets at FERC, requesting FERC action specifically in relation to those power purchase agreements.

The first -- the first set of dockets is in -- is in relation to the PPAs themselves, and actually asks FERC to revoke the market-based rate authority exemption for FirstEnergy and AEP specific to the power purchase agreements between their affiliates. Basically, on the basis that the market-based rate exemption was based on the fact that retail competition exists in the State of Ohio, and therefore, customers on a captive to the utilities or their affiliates.

The argument is essentially and I'm not -- I'm not going to argue either way as I just trying to lay out objectively. Here the argument essentially is that because the retail rate riders associated with the power purchase agreements would result in a charge that is non-bypassable. So, it would apply to all retail customers regardless if they take service from the utility or from an alternative supplier that is not choice. And therefore these power purchase agreements should be subject to their view of the FERC. So, that's in a very small nutshell, the essence of the argument and that sort of the first set of dockets, it's outstanding at FERC.

Just to complete the thought, PJM did intervene in that docket, on our filing essentially said that these power purchase agreement should not be able to fall through what, you can characterize as a regulatory gap. They are wholesale power purchase agreement so they do not fall in the jurisdiction of the Ohio Commission and as such, FERC should review them because frankly somebody should. So, I was kind of, you know, the essence of PJM's position in that docket.

The second set of docket that is a -- was a complaint filed by a set of really generation suppliers in PJM, against PJM. That essentially said the minimum offer price rule that is currently in existence in PJM is insufficient.

You know probably these are some explanation. So, for those of you, who have followed PJM for some time, you'll remember that, when New Jersey and Maryland had initiated programs in their states to subsidize new generation development. PJM proposed and FERC approved a minimum offer price rule for new generation, such that if new generation was receiving out-of-market subsidy such as a state program or a state subsidy. And that generation was -- the new generation was subject to a basically an offer price floor and the -- the base offer price floor was the net cost of new entry, unless the resource could demonstrate that its actual costs were less than that.

There are a couple of exceptions. For example, self-supply by entities like Public Power and such is exempt from the minimum offer price rule as long as that entity can demonstrate that it is within a couple of net-short or net-long thresholds. And there is also a competitive entry exemption. So, there is no minimum offer price rule applicable to new generation that is offered purely on a competitive basis with no out-of-market subsidy type payments.

So, that's an existence for new generation, the complaint as per dealt [ph] to the PPAs essentially said, we should expand that to include existing generation. That was essentially a thrust of the complaint.

PJM filed response to that complaint, as did others. And PJM's response essentially was, FERC this is a longer term issue, if you choose to adopt a broader minimum offer price rule on such a short-term, near-term basis without the benefit of thorough debate and consideration by an open stakeholder process, you risk putting in bad rules with unintended consequences.

So, FERC, we would like you to kick this back to the PJM stakeholder process and give us a compliance deadline by which to compact you with rules that are as well thought out as we possibly can within the timeframe given.

However, FERC, we said if you feel the need to do something for this auction, there are a couple of more targeted approaches you can take, such as first of all, acting in that other docket, where you were requested to review the power purchase agreements that would actually be the preferred approach or secondly, you could hypothetically given your relatively broad discretion in responding to a complaint, apply something or some requirements on just these units that have the subject of these power purchase agreement.

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We have recognized in our filing the -- the sort of the downfalls of doing that, it could be seen as being discriminatory and that sort of thing. But again, if -- if FERC felt the need to do something for this auction that targeted approach was better than again taking the risk of implementing broader rules on such a -- such a quick timeframe.

So, those two complaints remain outstanding at FERC. FERC has not acted on either one at this point. I have no -- for lack of a better term intelligence to offer as to what FERC's timeframe would be for acting on either one as 206 complaints. I don't believe FERC has a statutory obligation to act within a certain amount of time. And so we like the rest of the industry are basically in a -- in a waiting period at this point.

That's what I have on the -- on the status of the Ohio PPAs from the standpoint of the -- of the FERC process. Like I said, they've already been approved in Ohio and remains to be seen, whether there's any further action taken by any of the opponents of those PPAs in other, you know, judicial avenues, if you will.

So, just moving on very quickly to our other states likely to consider something similar to this. What as, I think, again if you're following the industry, you know, and there is always different flavors to these things. But Exelon has been proposing in Illinois, I guess the best word would be recognition of the environmental benefits of the assets they have there and has been proposing or pushing for Illinois legislation that could act in a similar fashion depending on how it's done. That seems to be stalled in Illinois given the very significant ongoing debates on budget issues in Illinois. But, you know, it's one we are watching closely that state as well. But like I said, as far as I know there hasn't been any progress since -- since like I said it stalled last year, the year before, I think it was last year.

And the other thing I would note is that, back to Ohio Dayton Power and Light has made a filing with the Ohio Commission for a PPA arrangement similar to what the Ohio Commission just approved for AEP and FirstEnergy, and PJM will be continuing to follow that proceeding as well. But that's -- that's everything I know that, that might be going on. I don't have any -- anything else to offer as far as any other states.

Kit, I assume you'd like me to kind of keep going through the list, and then we'll open up to questions at the end. I'm going to take silence as acquiescence, I'm going to keep going. I assume I'm still connected by the way. Alright, having said that, Kit, will be helpful if the -- if somebody could, let me know that I'm still connected. I've been talking for 10 minutes.

Operator

Stu, you are still connected. Stu, this is the customer support, you are still there.

Frederick S. "Stu" Bresler III, Senior Vice President

Okay, great. Thank you very much.

Operator

You are welcome.

Frederick S. "Stu" Bresler III, Senior Vice President

Okay. So, okay, I'll keep going with the -- the upcoming Base Residual Auction and the parameters for this maze auction, which is for the 1920 delivery year. The first thing I would point out is, I41M [ph] extremely pleased that we are executing this maze auction under identical rules, do what we executed in last year's auction.

I have been doing this job for quite a while certainly since RPM was implemented and frankly, I think this is probably the first year, where that's been the case, that we're operating an auction under the identical rules as the previous year.

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So, I41M very pleased to report that.

As for the parameters themselves, the first thing I would point out and I know this, we're going to come back to this later in the agenda as well, is that the load forecast for the -- for the RTO is down for this auction compared to last. It's just over 4,000 megawatts or about 2.6% below the load forecast that utilized in the Base Residual Auction for '18-'19. And that is a function of update to the methodology that we are utilizing on our load forecast model.

In this instance it's primarily the accounting for energy efficiency measures given, what we are seeing in actual loads versus forecasts and the other inputs the load forecast, like economic forecasts and that sort of thing. So, we have updated our methodology to take account of that and we believe it will be as a result more accurate going forward.

So, as a result of the reduction in the load forecast of that 2.6%, the overall reliability requirement for the delivery year is about 3,000 megawatts less than last year about 2.2%. The reliability requirement reduction is not quite as big as the load forecast adjustment, because there was a slight increase in the required reserve margin as a result of an increase in average forced outage rate and that was primarily caused by what we saw during the polar vortex and the significant increased forced outage rate during the cold weather.

We had some relatively high forced outage rate even in the winter of 2015 as well, when we saw some cold weather in February and March of 2015. Things got better this year in 2016 in the winter, frankly, the weather wasn't quite as bad.

That's really the sort of the load and reliability requirement changes. As far as the locational deliverability areas was constrained or potentially constrained areas of PJM that we will model in the auction, they are the same as what we modeled last year. So, you know, MAAC, Eastern MAAC, Southwest MAAC are ones we always have to model. We will keep public service, PS North, the Pepco zone, DPL-South, the ATSI Zone, which is FirstEnergy's transmission zone in Ohio. The Cleveland sub-area of ATSI and then Northern Illinois, the ComEd Zone and then as well as the Baltimore Zone inside Southwest MAAC and the PPL Zone. Again these are all exactly the same locational deliverability areas that we Are modeled in the last two BRAs.

The reliability requirements for each of these models LDAs are lower overall, primarily due to the lower peak load forecasts. The exception is the PPL locational deliverability area, which is Central Eastern Pennsylvania and that reliability requirement for that PPL locational deliverability area is actually increased and that was because of an increase in the winter peak load, and the PPL Zone, I think is now one of the only winter peaking zones left in PJM. That winter peak actually increased. So, that's the only locational deliverability area, where the reliability requirement increased.

And then last but not least, with respect to imports of capacity from outside PJM, there will be no imports able to clear in the auction that did not get a -- an exception from the capacity import limit. And that is because once the exceptions are taken into account, there simply is no simultaneous capacity import capability left. And so the total capacity import limits exceptions totaled just under 5,000 megawatts and no more than that will be able to clear in the auction.

The last point as far as changes and the parameters is with respect to the capacity emergency transfer limit, so those transfer limit into these LDAs. The vast majority stayed within typical year-to-year fluctuations just because of, you know, changes to transmission system configuration and that sort of thing.

The only exception was the PPL again, locational deliverability area that transfer limit increased by 1,630 megawatts and that significant increase was because of a significant transmission upgrade. There has been another West Coast transformer added in parallel with the existing ones, will significantly increase the import capability into that PPL Zone, well that was the only significant change with respect to transfer limits into the modeled locational deliverability areas in the BRA.

That's the high level summary of the changes in the parameters leading up to BRA. As far as new capacity coming into PJM this year compared to last year, we have a net increase in generation capability of about 3,300 megawatts for this upcoming delivery year '16-'17. That is about 4,500 megawatts of new and increased capability coming in, netted against about 1,200 megawatts of generation is going to retire, prior to the delivery year compared to last year.

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So, again a net of about 3,300 megawatts increase in generation capability for this upcoming '16-'17 delivery year. That compares to '15-'16, where going in the '15-'16, we actually had a net decrease in generation capability. We had really the significant impacts of the Mercury and Air Toxics Standards hit in April, May of 2015, which resulted and really that was the -- the tipping point for retirement of the significant quantity of coal assets. Now we did have increases in generation capability as well for '15-'16, but retirements outstrip the additions by about between 1,000 and 2000 megawatts for '15-'16. So, we had a net decrease going into this current delivery year. We have again a net increase in generation capability going into the '16-'17 delivery year.

Then moving on to the Clean Power Plan impacts on PJM. We are, as you may be aware, undertaking another analysis on the potential impacts of the Clean Power Plan. We did an impact analysis, when the draft Clean Power Plan was released last year. So, we are updating that analysis on the basis of the finalized Clean Power Plan. We expect to have that analysis out in the June, July timeframe. The analysis really was requested primarily by our state commission. In the PJM region, we have an organization called the Organization of PJM States Incorporated or OPSI, and it's through that OPSI organization that the states are made a request for this type of analysis. Frankly, if I would have done some level of analysis anyway, but given the --

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

Right now, it's unmuted. Okay, okay thanks.

Frederick S. "Stu" Bresler III, Senior Vice President

Given the fact that the Clean Power Plan relies on states to determine compliance plans. We really took a lot of our keys from the states as to what they needed to see, but various assumptions and various compliance approaches would mean as far as impacts on the system and, you know, what analysis we will do. So, we're -- we're adding some other sensitivities as well. Again, we expect to have that analysis out sometime in the fall of the summer.

The only thing I would add to that is, just as a sort of a hints as to coming attraction it was the more that low gas prices are forecasted for longer into the future, the smaller the impact of the Clean Power Plan itself becomes [ph]. And so if I were to characterize sort of the some of the outcomes of our analysis, that's one of the things we're seeing as -- as we go through it.

Other than that, I don't have too many conclusions to draw as far as the impacts of the Clean Power Plan on PJM. For right now, you know, it's stayed by the Supreme Court, while the court challenges tell you that the stay really itself has no impact on PJM. Certainly I guess the timeframes could be squeezed for states to come up with compliance plans, if the uncertainty dragged on, given the stay. But, you know, for PJM standpoint, there isn't much of an impact of the stay on us directly, but obviously we will have to deal with -- with whatever compliance plans come out once the court decisions are finalized. But the uncertainty is always that, especially for -- for markets, where -- where folks, who are trying to get a handle on, what's coming down the pike in the future. And, you know, frankly, our hope I think like everybody else's is that the uncertainty is removed as quickly as possible so that -- so people can know what they are dealing with and, you know, the compliance plans can actually be worked on and put in place. Assuming that the Clean Power Plan is upheld, if you will, obviously it is not that we have to deal with that, too.

As far as moving on to the PJM load growth curve, yes, we have seen several reductions now in load growth projections or forecasts by PJM going out into the future. At this point, we think that we have captured the outstanding elements that we were previously not capturing, it's actually kind of been a two stage process. We worked on better corporation of the economic forecasts in our -- in our last -- forecast last year, this year again we implemented or incorporated much more significantly the energy efficiency assumptions going forward. But by their, you know, the decrease in load growth continues to occur in the future really depends on, you know, how much that -- those -- those contributing factors continue to -- continue to have an impact.

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And that's very difficult to say. I mean, our load growth forecast is based on other forecasts. And so really it's how good are those other forecasts are going to determine how -- how accurate and what happens to our load growth forecast on into the future. So, it's extremely difficult for us to -- to project, you know, what's going to happen with our forecast in the future until we see what's going to happen with some of these other -- some of these other input.

In you my -- my personal opinion, if you will, I would expect in the future these kinds of, you know, changes to the starting point the result in a different growth forecast going out in the future to be of smaller magnitudes at least for the -- at least for the near-term next several years. Because again, I think we have incorporated these changes into our -- into our processes much better. But we will continue to do the type of backcasting that led us to this for -- on an ongoing basis and adjust as we need to, if we see that they are not actually capturing, you know, what they need to capture.

So, that -- that is -- that is something we are committed to going to see, while to make sure that our forecasts are as accurate as can possibly be. So, having said that, let we just quickly hit some of the future PJM -- future challenges for PJM. I already hit the declining load growth that's a -- that's a challenge in several different ways. We know it's a challenge for utilities, the challenge for PJM, just from the standpoint of, you know, recovering our costs of operation, but it's also more operationally and in the -- the long-term planning sense, a challenge from the standpoint of accurate forecasting.

Really part and parcel with that, if you talk about renewable and distributed resource integration, some of that has a lot to do with, what we see as actual load growth from the PJM perspective. So, if -- for example, we see a continued significant penetration of behind-the-meter solar or other behind-the-meter type applications that looks what to PJM like, less load growth.

And so depending on how much of that we see, you know, it's going to change what our forecast look like both in the planning and the operational rounds. We are working as hard as we can to get as much advance information as we can about that, so that we can, again make our forecasts as accurate as possible, as well as work with the entities in our footprint to integrate what happens if that distribution level as well as possible.

We are going to have continuing challenge with the change in fuel mix. You know, we're undergoing a, you know, a fuel swap unlike anything industries ever seen from coal to natural gas. So, that's going to continue to be a challenge, really in one primary specs, from the standpoint of the coordination of the gas and electric industries.

The ability for those two industries do work well together is going to be extremely important given the increasing penetration of natural gas resources to the efficiency with which we can dispatch those resources. And so we're going to continue to work with the, you know, gas industry participants in our region and really nationally through forums like -- like NAESB in order to do whatever we can to help -- help those two industries work more closely together in a more coordinated way.

And then last but not least, I can't talk about the future without talking about cyber security and resiliency. So, on the front of everybody's minds and certainly it's on the front of our mind, given our primary mandate, which is reliability of the grid. And so we are working on multiple fronts to defend against intrusions, to prepare, so if -- if something does happen, the system is resilient and can be maintained haven't (inaudible), where we see something that actually has a disturbance effect on the system that we can bring about it, well, bring it back as quickly as possible.

So, we work with our -- our participants, we work with government agencies and many other constituents and stakeholders in that arena to do all those things to defend and then prepare and then drill and make sure we are ready for whatever might hit us, hopefully, nothing ever does, but we have to be prepared. So, that's going to continue to be a future challenge for certainly the foreseeable future.

So, with that Kit, I'll wrap up. Hope I didn't take too long and certainly, I'd be happy to take whatever questions anyone has on really and you said that.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

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That's great, Stu. Thank you very much. Apologies for the disconnect earlier. I -- there are a number of questions that folks have written in both before and during your comments. So, let me jump right in. One that sounds very interesting to me is, how do you see the evolution of PJM and the markets generally with regard to their impact on nuclear. You mentioned that Exelon is looking to Illinois to get some special consideration for some of their plant in Illinois. One of the plants that the Ohio PPA addresses is they were especially [ph].

So, clearly some nukes are struggling. They closed in New England. Does PJM think in terms of the category of nuclear is something that needs to be addressed specifically or is that just, you know, one of -- one of numerous factors that goes into the supply, stack and, you know, something survive better than others?

Frederick S. "Stu" Bresler III, Senior Vice President

Yeah, Kit. It's a great question, Kit. And the short answer to it, although I'll expand on this one as you want. The short answer to it, is no, we don't. We do not make those kinds of policies, certainly to the extent that policies are implemented in that regard, we would be the implementer, and no likelihood of that policy. But, you know, that the markets themselves don't automatically have that kind of consideration. And so, yeah, there are some nuclear assets that are struggling economically, that's been very public, you know, so they made very public by the owners of those assets, you know, you see happening in New York, you've seen it happening like we already mentioned in Illinois. As you point out one of the -- the PPA resource of the nuclear unit.

So, that is a reality we're going to have to -- where we are going to be confronted with, I'll put it that way, and it's really bigger than that. There is -- there is subsidies in a whole lot of different forms that are out there. And in the purest sense, you know, subsidies are bad for markets because they distort what would otherwise be the most accurate price signal for new investment.

And so yes, we are going to have to continue to evolve in order to address and incorporate those -- those kinds of things in our markets. Exactly, how that's going to play out is difficult to say at this point. What I can tell you is that, PJM is preparing a paper on resource investment in organized market and one of those -- well, there's -- there's really two primary aspects to that -- to that paper that we are going to put out in the next month or so. One of them is, how well the new market do at incentivizing efficient entry and exit of -- of capacity resources.

But the second part is, what are the impacts of subsidies on those markets? What forms do they take and what impacts can they have? So, I think that will be, hopefully, a very informative piece for the industry to absorb and we hope it will advance the discussions with respect to how should market take those types of externalities into account.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

Okay. That's -- that's great, Stu. And as long as we're talking about different slices of resources. I know you did address this, some maybe you can go into a bit more detail. The obvious preference by states for more rooftop solar. Let's say and in general, renewables, for example, look to the west the PJM, we have a lot of wind that, you know, pass an impact clearly on at least the energy markets there. Can you address, you know, what you see as an impact on the capacity auction of renewables and, you know, what -- what if anything PJM is doing as a policy matter to, you know, implement the desire for more renewables?

Frederick S. "Stu" Bresler III, Senior Vice President

Yeah, sure. And in a high level, you know, those again fit into the same kind of category as really any other subsidy. Now, again our regulator has decided that they do not fit in the category of other types of generation where, you know, a minimum offer price rule should apply. There's probably many reasons behind that, like the -- the relative, you know, size of those resources compared to other resources that may have a larger impact on the outcome of the markets.

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But again, PJM is not a policymaker from the standpoint of PJM doing anything to fulfill what certain entities, whether it be Federal or State reliability, I'm sorry, renewable resource mandates might be. They are inputs to the markets that we execute and they will have an impact on the markets that we execute. So, you know, part of the -- of that paper, I just mentioned, part of that subsidy discussion what it -- what we need to explore is, for the policymakers, again PJM not being a policymaker, but being an educator hopefully or a provider of -- of information to the policymakers is, you know, what do you want these markets to do. Thus when you adopt a market paradigm, then the market needs to be allowed to work if it's going to provide the price signals that are going to incentivize efficient resource entry and exit.

And, you know, when you start perturbing the market results with externalities like primarily subsidies, it interferes with the markets ability to do that. And if that's what the policymakers want, then that's what the policymakers want. But, you know, I think from PJM standpoint, our goal is to make sure that we contribute to the decisions and contribute to the discussion with as much, you know, objective information as we can provide as to what those impact look like.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

That's great. Thank you. On a slightly different area and again one that you -- you certainly addressed to some extent already. I think it's interesting to me and -- and other folks that even while the growth curve is flattening, growth in demand and there, you know, depending on the LDA, you know, there is good reserve margins. We're still getting new entrants, new people, people building new plants, mainly gas plants in the regions with very low gas prices, I guess, intuitively that makes a certain amount of sense. Can you address how you see over the past couple of years or so and into this auction? How you see retirements versus additions going on and I guess kind of core question what -- why are there any additions at all if -- if there are plants that are retiring?

Frederick S. "Stu" Bresler III, Senior Vice President

Well, I mean there is -- there is additions, I think because there are plants that are retiring. So, I think that the bottom line is, what the market result in and I'm sorry, if I'm stating the obvious, is that the economic resources are the ones that are going to actually get committed. So, what we see is new resource additions being more economic than maintaining or more likely investing to the extent necessary in existing plants to keep them around. But I think, that at a high level is what we were seeing. So, we're continuing to see retirement of some resources and we're continuing to see penetration of new resources to take their place. And I think that's just the -- the result of the way the markets are intended to operate.

I want to go back to renewable question for one quick second, because I -- there's something I should have mentioned then I didn't. And it really reflects PJM's primary responsibility in this area. And that is in implementing the market operations really from the standpoint of -- of renewable resources our primary responsibility is to ensure that they are provided the capacity, value associated with the reliability they provide. So, you know, so the wind resources typically 30% capacity factor, solar 38%, I think and these are high level averages. But, that -- that I think is our primary responsibility is that to the extent these resources are committed to provide reliability service to the region making sure that they are -- that they are provided with the reliability credit, given the benefit they provide. So, that -- that -- I should have mentioned that with respect to the renewables.

But again on the -- on the retirement versus additions question, I really think it just becomes a question of supply and demand economics.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

And -- so just if I want to add a little bit, so in one of, I guess, the key drivers and tell me if this is wrong, is that older coal plants tend to retire, because it's expensive to keep them retrofitted and running and their marginal production cost can be higher than the very low gas prices and -- and the gas plants that we're seeing built are in regions, where gas is a

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$1 or $1.5 for the next five years let's say. And, so between capacity payments and the spark spread, a gas plant like that can presumably be quite economically attractive to -- to a new builder in a relatively short period of time. I mean, like is that the primary dynamic we are seeing with entrants and departures?

Frederick S. "Stu" Bresler III, Senior Vice President

Yeah, I think hit the nail on the head. I mean the retirements we've seen thus far, the older, smaller coal-fired generators primarily were on a, you know, per megawatt of installed capacity basis retrofits to make them environmentally compliant are extremely expensive. Maybe I shouldn't use terms like that. They are more expensive than it is to, you know, build the new gas plant in these areas, where gas is -- is cheap now and its forecast to be cheap for quite some time.

During the last -- the last four as I've seen have gas price is low, you know, below 4 bucks after 2027 or some like that. I mean that's -- I think that's just what the market expects. We'll see what plays out, but that's what the market expects at this point.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

That sounds right. Okay, great. Well, I think we've run through the questions that have been written in and that I had in my mind. And Stu, I want to thank you very much for, you know, on extremely informative and extensive discussion of and obviously very important event coming up PJM auction in May. And I'll just say to folks on the line, we will be getting out to you with information about replay and other details, you may want to follow-up on. So with that, let me thank, Stu again and thank everyone on the line. And everyone can disconnect now.

Kit Konolige, Senior Utilities Analyst, Bloomberg Intelligence

Bye Kit. Take care.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2015-09-29
Event Description: Wolfe Research Power and Gas Leaders Conference

Market Cap: 25,116.16
Current PX: 29.15
YTD Change($): -7.93
YTD Change(%): -21.386

Bloomberg Estimates - EPS
Current Quarter: 0.708
Current Year: 2.494
Bloomberg Estimates - Sales
Current Quarter: 7665.000
Current Year: 28443.222

Wolfe Research Power and Gas Leaders Conference

Company Participants

- Joseph Nigro, EVP, Exelon, CEO, Constellation
- Jonathan W. Thayer, Chief Financial Officer
- Shahid Malik, President, Energy Resources & Trade

Other Participants

- Unidentified Participant
- Steve Fleishman, Analyst

Presentation

Joseph Nigro, EVP, Exelon, CEO, Constellation

Good morning. I'm just going to spend a few minutes and give a quick overview of the Exelon business. I'll start with just a brief overview of the company. On one side, you have the Exelon Utilities, and then on the other side, you have the Exelon Generation business. We think it's -- the model is right where we have an opportunity to leverage our integrated business model across the regulated and unregulated platform. And when you combine these entities, we're creating value across all of our business lines.

I'll start with the three large urban utilities, and really as you know, we have about 8 million utility customers in those three service territories. And the benefit of that business is the stable growth it provides. I'm going to spend most of my comments today though talking about the generation company. And on one side, you see our power generation fleet. We have about 32 gigawatts of power gen with 19 of it being nuclear. We produce about 220 million megawatt hours a year of electric output.

And then in the middle there, you see the Constellation business, the business that I run. And what that is, is our competitive wholesale and retail business. By output, we're the largest merchant generation company in the country. And then when you think about commercial industrial power marketing, we're the number one commercial industrial power marketer in the country. And in addition to that, we are a top 10 natural gas marketer. And we think integrating the power generation and our customer-facing business creates a lot of value. And with that, I'll turn to the next slide.

And what you have here is a pictorial of what is the core strategy for Exelon Generation Company, which is marrying our generation fleet to load. We serve approximately over 150 terawatt hours of electric load across the country, and we're pretty balanced in most areas. You could see in the Midwest, we produce a lot more generation than we have load, although we have added a substantial amount of load to our fleet in the Midwest recently with the acquisition of Integrys last year, about a year ago.

I think there is two key elements to this though. Last year, in the winter, on the back of the increased volatility of natural gas prices and power prices, we were able to capitalize on that with our generation fleet, and it really provided a great backstop to our load-serving book. We've really been 180 degrees from that this summer on the back of very low natural gas prices. And as such, we were able to monetize our load book of business. So we're very comfortable in both market environments, capitalizing on it, and we think that the platform of generation to load really provides a substantial amount of value.

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This is a picture of -- I'm going to transition briefly to capacity performance, and this is a picture we provided in an 8-K after all three auctions were done. Overall, we believe the auctions were success. Most importantly, we think we're improving reliability across the powerful, and that's the most important thing. But I think when you look at it, we've cleared a lot of megawatts. The ComEd zone and the Eastern MAAC units cleared at a higher price than the rest of poor price.

And we think the biggest thing was really the bidding behavior of the participants in the auction. I think the recognition of the risks you are taking, the penalty risks you're taking for non-performance are really important. And why it's important is, to drive for that improved reliability and I think you see that with the prices that are represented here. And then on the bottom part of the chart, you see the volumes that we cleared on the three respective auctions.

There is really two other key points I think. There was -- bidding behavior was the big driver and the recognition of the penalties, but I think also there was less new generation cleared than people expected, and I think that was one element of it. And then the other element was demand response, the lion's share of it, cleared as a base product as opposed to a capacity product and then we have some read-through value as we transition to 100% CP two years from now.

The last piece I'm going to touch on just briefly is our view of the power markets. And what you have here is a picture of NiHub, and market relative to our view and we're showing you 2016 and 2017. If we extended this to '18, '19, you even see a greater difference.

And what this is comparing is what we believe the view of -- what we believe the price of power should be at NiHub for these calendar years versus where the market is trading. And really in the last six months or so, our view of price hasn't changed. What we have seen is the market price come off. And you could see there, in 2016, we think there is about a dollar of upside, and when you get into '17, depending on the date somewhere between $2 and $3, and as you move out on the curve, it's materially higher.

We think that's driven by a couple of things. The biggest is, there is really a lack of liquidity on the forward curve, especially when you're talking about NiHub. But as you get into the out years, I think that's also very true from the buy side and West Hub. In addition to that, one of the things that we're struggling to understand is, you have a contango fuel market, a contango gas basis market, contango coal market and yet you have a backward dated [ph] power curve and NiHub and given the changing composition in the dispatch stack, what this is -- why we believe when we model our own fundamentals, we see value relative to where the market is trading today.

And with that, I'll turn it over and be happy to field some questions.

Questions And Answers

Steve Fleishman, Analyst

Great. Thanks. Thanks guys. We're solidly back on schedule. So maybe just to kick off the questioning, I guess, first for Joe on, you mentioned very much that NiHub is very cheap, you don't really mention PJM West. So maybe kind of view the differences there. And if -- I guess if the issue is kind of lack of forward liquidity, why is that okay if PJM West, not NiHub? I guess that's a bigger hub, but maybe just some views there.

Joseph Nigro, EVP, Exelon, CEO, Constellation

I think, Steve, there is a couple of things. First is PJM West Hub is -- we think is more fairly priced than NiHub. I would add though there is a tremendous amount of seasonality associated with that. And what I mean by that is we believe the winter periods are probably fairly priced and carry the rate premiums and some periods in the off-peak hours and the non-winter months at West Hub actually still -- we still see upside relative -- the market relative to our fundamental view.

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I think the big thing though is, you do have more market liquidity at West Hub, but as you go beyond a year, two years, let's say, 2017, now the liquidity falls off quite substantially. I think the other thing to note is most of the new generation that's being built is more impactful to West Hub than it would be, for example, to NiHub.

And I think what we see is more of the coal retirement happened or are happening in the western part of PJM. So when you overlay the new generation on the eastern side with the retirements on the western side, we actually see the basis between those two locations becoming closer together, and the market currently isn't reflecting that. That's part of the reason we see the increased value at NiHub. And then you just have less liquidity on the forward curve at NiHub compared to West Hub. So I think all of those things factored together drive what we're saying. It's not just one variable.

Steve Fleishman, Analyst

Okay. And Shahid, just maybe a question on the newbuild question. So in the panel before, which you weren't listening to, but one of the comments was just that don't see the economics for newbuild, but then you just bought a newbuild plant. And so do you see that differently or was that just kind of a special situation in terms of opportunity and generally you don't see the newbuild economics.

Shahid Malik, President, Energy Resources & Trade

So it's always preferable if you can buy a combined cycle or a unit that's been operating for a while, you have less construction risk and to be able to earn earnings from day one. Those assets are pretty competitive, so when you compare that with building new and you look for specific opportunities. For us, we felt -- and we've been looking for some time frankly to grow our portfolio and we haven't found the right assets to do that.

This one came along, we're very excited by it because actually we think there is good load growth in that area. It's a constrained zone. We believe it will have a strong spot spread because of the cheaper Marcellus gas and the load growth that we expect in that region. And so actually we do think it's a good asset. We think we'll be successful in constructing it and we think it's going to be well located. Plus it also helps in how we manage our portfolio with respect to the other parts of that business. So yeah, we feel pretty good about that, Steve.

Steve Fleishman, Analyst

Let me ask that question just another way, which is just that kind of at a high level, would you be interested in doing more of those at, let's say, the same rough valuation?

Shahid Malik, President, Energy Resources & Trade

So when we look at our investments, we clearly look at what are the alternatives for those dollars. Do we spend on the regulated side, the deregulated side, do we give money back to our shareholders. So we have a very stringent internal hurdle metrics that we look at just to make the investments. And as you can tell, for last couple of years, we haven't made a lot of investments in the hub side. We had a lot of upgrades, we've had some improvements in our base fleet, but we haven't stepped out to build new generation. These circumstances look very favorable to us. They passed [ph] all our internal hurdles and our internal metrics. And so, yeah, if the right opportunity came along, Steve, we would certainly look at it.

As I mentioned though, we are now in the process of building two new combined cycles, Salem [ph] Power Plant in New Jersey, it's slightly different animal for us in that it's replacing all megawatts with new efficient megawatts. It's replacing megawatts on an existing Brownfield site, which makes it cheaper from an infrastructure standpoint. And so that's a different animal. So yes, I would say that we would look at them, but generally our preference right now will be

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to look at those assets that have been -- that are currently running and probably often on a discount to newbuild.

Steve Fleishman, Analyst

Okay. I'll ask one more question and then I'll kind of -- I'll open up to the audience. So I think as you guys know, we put out a report last week that talked about kind of supply demand work that we do. And in PJM, I guess one of the more controversial conclusions we came to was that supply demand is loosening. And I'm just curious, I'm not sure how much you've had a chance to look at what we did, but just overall, would you agree that's true or not, and if you had to use that were different than ours, what would they be?

Joseph Nigro, EVP, Exelon, CEO, Constellation

Yeah. I did look at it briefly, Steve. And I think like I said, I think in general, when you look at it, we expect a fair amount of new generation to be built as well. We saw, I think, in the previous three capacity auctions about 5 gigawatts of new combined cycle points clear each year. I think this year it is a little less than that. So call it close to 20 gigawatts in total that we expect. We've retired about 25 gigawatts of coal, we are re-powering some assets, there's continued -- I would say, continued development of renewables and load growth is probably somewhere -- it's less than 1% clearly when you look at it.

So I think when we put all that together, I think the big driver is you are getting -- you have a change in composition of the dispatch stack. I think this summer, quite frankly it was a little bit of an anomaly. We had obviously very, very low M3 gas prices, and if gas prices were sustained at a $1.15 per (inaudible) we are going to be having a very different conversation obviously. I think also we didn't see what's, call it, the peak loads that we would have expected and the coincident peaks across the power pool that we've seen in years past. So I think some of the volatility got masked.

I think it's fair to say though when you put all that together, as we've said, we think the West Hub is generally fairly priced with the seasonality I mentioned. And there is upside in NiHub, but I think that the other relative point is, with that, you are going to get increased volatility and we serve a pretty big book of load in PJM, as you saw in the slide I presented, and we're comfortable with that given our generation backstop and our ability to do that. And I think you're going to see that and I think there is opportunity to capture value both when the market is volatile for the high side, like it was in the winter of '14, but also to the downside like we saw this past one year [ph].

Shahid Malik, President, Energy Resources & Trade

And I'll just add a little bit to what Joe said and (inaudible) contradicting my friend here, but Steve, we did look at your report yesterday and one that previously, and I think you fairly accurately represent potential newbuilds and the stock spreads are very strong. Particularly if you have access to that cheap gas, which I think is very helpful. Maybe some more retirements, not necessarily because of environmental, but also because of economics.

And the previous analysts talked about some of the pressure on some of the base load units, nuclear, small single site nuclear units that are out there as well as some of the disadvantage of coal that frankly we don't expect to be around that much longer. So maybe on the retirement side, you might see some more of those primarily for economic reasons.

Steve Fleishman, Analyst

Any questions from the audience? Making it very easy. Maybe just on capacity, I mean, obviously the auctions overall, I think, were a success and whatever is going on with supply demand, the capacity side obviously gives you a lot of cash visibility. What do you see kind of beyond this? It seems like next year we got more full CP and demand response. So question, do you think this is just beginning, continue with kind of higher auction pricing?

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Joseph Nigro, EVP, Exelon, CEO, Constellation

I think one thing you know is expect the unexpected. We've seen a lot of volatility in capacity results, but I think the point you made is a relevant point as we transition from into the 80% procurement for the recently completed '18-'19 auction.

By the time we get out to it, I think it's 2021. I think there is a lot of puts and takes that will be associated with that. There is talk of how PJM is going to forecast load in future, the changes to the BRR curve.

I think that Joe is out on how demand response is going to be able to participate with the capacity performance product. I'm not sure it will be quite the quantity we've seen in years past.

But I think at the end of the day, there is two elements that are really important. I think the first is recognizing to ensure reliability, the penalty structures needed to change, and I think folks recognized that and we saw that in the prices that cleared in '18, '19. And then the second element is the bidding behavior of the participants really matters. And I think they recognized that with the increased volatility or the risk of higher penalties and associated with non-performance. You had to prepare your plants to perform in those hours when they are most needed and I think the prices need to reflect that and we would expect that to continue.

Shahid Malik, President, Energy Resources & Trade

So I was a little surprised in the 2018, '19 auction frankly that there was such a small discount between the base product and the premium product, the CP product. And I would attribute that to being a relatively new market construct and I believe and I think the company believes that some folks in the industry that did bid on the price risk relative to the base and we could see some continued widening of that spread over the next few years. I'm not sure what it means for the absolute price of capacity and I wouldn't want to predict that, but I would say that's one element that we should keep an eye on.

The other element, in addition to the puts and takes that Joe mentioned, is that energy prices, electric prices stay low, then the way the formula in PJM works is that capacity prices have to rise because the net of the two adds up to a number that provides the incentives for generators to maintain their power plants and to build new power plants. So there is a constant dynamic between energy price and capacity price, particularly in those northeastern markets. So if one is weak, the other one should be strong. Generally I feel pretty good about the construct. I think that there's still some more learning that participants will have to go through, to get comfortable with it, make some refinements of people putting tactics, but I think PJM had a good start and I think the industry responded.

Steve Fleishman, Analyst

Okay. Questions in the audience?

Unidentified Participant

(inaudible)

Shahid Malik, President, Energy Resources & Trade

Yeah. It was a pretty good site move for us. And as you know, over the last two years, we've focused a lot of our attention and development dollars on our utility business, which has performed pretty well. But we still have a pretty strong balance sheet, good opportunities on the power side. It's not that we haven't wanted to spend on the power side, but we haven't found the opportunities that really worked for us.

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So to answer your question, and to follow up on what Steve said, it's unlikely that we'd want to build a whole bunch more right now. We'd certainly look for selective assets that we could pick up to add to our portfolio either to improve our diversity, to improve the efficiency or to increase the amount of base capacity that we have.

With respect to consolidation, the reason I mentioned that is because I believe that the economics of industry today are causing some companies some financial problems, particularly those companies that have high debt and highly leveraged and the cash flow isn't coming in as they might have expected since power prices are relatively low. So I think some companies are going to be forced to make a decision, do I continue funding the leverage that I've put on with the lower cash flows or do I exit. And I think we're seeing signs of folks, particularly smaller portfolios, smaller power plants, looking to exit. And Paul [ph] mentioned that in the previous panel that we're seeing every opportunity that's out there and so we -- there seem to be quite a lot out in the market right now.

Whether we'd be interested in buying another portfolio our size or not, I guess probably not, but we certainly look for selective assets rather than a big portfolio. Does that answer your question?

Joseph Nigro, EVP, Exelon, CEO, Constellation

I would just echo similar comments. I mean, we have seen consolidation on the power generation side and I would expect that we continue to see consolidation. I think another important element for Exelon is, in 2014, we acquired two retail companies. And I think you're going to see continued consolidation on that side of the business as well. And I think that would be an area where we would have interest in acquiring assets on the retail side given the nice match for the generation output.

Steve Fleishman, Analyst

On that topic, I know Shahid, that Ralph almost gave a little bit of a hint to potentially having interest in the retail business. So curious kind of where your thoughts are there right now because that was definitely new for PEG.

Shahid Malik, President, Energy Resources & Trade

Right. So I've run a retail company. I'm comfortable with the retail business, I understand the operational risk I believe. And our operational risks around retail business, I'm sure Joe will be happy to describe. Principally for companies in our space, it's credit risk and getting it built out on time and getting paid. So generally PSEG has always considered different vehicles for getting its output to market, and one that's worth mentioning in the past has been the wholesale market. As you -- as the market and the industry develops, you've seen less liquidity in the out years and you are definitely seeing more -- and less liquidity out there. And as a result of that, (inaudible) vehicles work in order to get your megawatts out would be a good potential option.

So we've considered in the past, we are considering it right now and we'll see whether it makes sense for us in the future. If we do it, it would be a defense strategy, something that basically helps us to sell megawatts in our territory. I don't expect it to be significant in any way, what moves the needle for us from a learning standpoint, but it's more of a vehicle for us to move megawatts from our power plants.

Steve Fleishman, Analyst

Okay. I want to make sure we had a chance since Jack is here to maybe talk a little bit about Exelon's news last night with Pepco. So maybe Jack, if you could just kind of address that.

Jonathan W. Thayer, Chief Financial Officer

final
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SI-SSA-0015-01732

Certainly. So as many of you saw, we've had (Technical Difficulty) the commission will make a ruling whether (Technical Difficulty). You also know that we had a communication with the mayor (Technical Difficulty) we are working towards a settlement. And that (Technical Difficulty) so in that regard, that is the first indication from the mayor support for the transaction and I believe that (Technical Difficulty)

Steve Fleishman, Analyst

Well, maybe just views on chances that a settlement can get done, are there other important parties involved like the Public Council, which is the opposition, and kind of how long would you let this. If there is not something happening, how long would you let this go before you'd kind of say it's over?

Jonathan W. Thayer, Chief Financial Officer

So maybe I'll start with the last question that has the (Technical Difficulty) we are actually committed to pursue with reasonable efforts the transaction with Pepco (Technical Difficulty). Obviously it's a transaction we like. It's one that's we believe (Technical Difficulty) to a more regulated footprint and (Technical Difficulty) more balance sheet base. To the extent that we were able to secure a settlement with relevant parties, we would (Technical Difficulty) at this point.

That said, again, we believe it's a transaction that is (Technical Difficulty) and valuable for our shareholders. We will need substantial support as far as the settlement from the key stakeholders. (Technical Difficulty) determine who those key stakeholders are, but clearly the mayor is a major driving force. (Technical Difficulty) others in support of the deal. In the absence of that, I think you know the outcome. To the extent that we are able to get a settlement and we see a pathway (Technical Difficulty) basis, getting the transaction (Technical Difficulty) and approved, then we think (Technical Difficulty).

Steve Fleishman, Analyst

Okay. Anybody else have questions for Jack on this before we go back? You guys are being easy, okay. Maybe just one more question for the panel on just, Joe, you touched on this a little bit on natural gas prices because obviously those are very important that you expect it to get better. And it sounds like you expect gas basis to moderate as well. Could maybe each of you give your views there and a little more define why you expect it to get better, and how do you know the LNG is actually going to leave the country so to -- for example, in your view?

Joseph Nigro, EVP, Exelon, CEO, Constellation

Yeah, I think -- I will start with what I think the easier one is first. I think from a gas basis perspective, and I'm talking about M3, we see the market improving already when you look at like 2016, you had a slight discount to Henry Hub and by the time you get out to '18, '19, you're at a premium. And I think that's really predicated on the build-out of takeaway capacity from that area to other parts of the country. I don't think we differ from that in any way. I think we think the market structure, the way it's priced is right.

When I talk about our upside fundamentally on the power side, at NiHub we're using market fuel prices. So we're not adding to that anything that overlay the view. I do -- we do believe though on the Henry Hub side of it, there is some upside to natural gas prices.

And I don't think anyone can debate we continue to get more and more efficient on the supply side. The technology is getting better and better, increasingly efficiency. I think the cost of drilling, given all the capital cuts both on the oil and gas side comes down, but I do think when you look at the prices, you see that there will be a supply -- a small supply response to that, and I think if you dial back the clock, call it 12 to 24 months, you would have expected to continue to grow production. And I know I think just given where prices are, we think that that may flatten some.

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But more importantly, I think it's on the demand side. I think the LNG, the 7.5 to 8 Bcf that has been contracted will get exported. We've seen a pickup of power generation as the consumption of natural gas with the turnover to more of a gas stack. You're seeing increased exports to Mexico and we think that will continue.

And when you look at it over the four or five-year horizon, there is probably an additional somewhere between 16 and 20 Bcf of additional demand in all these different buckets. And we think that will be a driver and we're not talking about material upside here in the near term, but as you go out through time, I don't think it's unreasonable to think we could see some upside to price, and that will be in addition to what we're seeing on the power side.

Shahid Malik, President, Energy Resources & Trade

I would echo a lot of what Joe said. I think wild card frankly though is what are the producers going to do and you probably have a good handle on that when your other panels are going on tomorrow, Steve, but as I was preparing for this presentation and conference today, I look back at the last time I did this a year and a bit ago in Houston. And at the time, the predictions for Marcellus production for 2015 were about 16 Bcf a day while today we are at 20 Bcf. And so the production guide has really gone on a binge in the last couple of years.

And the question we have is when the hedges roll off, what will they do with production and will they reduce production. Not just because gas prices are low, but because oil prices are low. And certainly we've seen signs of that, and Joe alluded to the supply side being important as well. So I think that's been a wild card, but I think the trend both domestically and internationally are for less drilling, less production at these high prices -- at these low prices.

So on the demand side though, which I think we have a reasonably good handle on, at the utility, we're seeing a lot more use by our customers for natural gas as a result of low prices. So they're switching from oil, they're switching from electricity and they're using more gas. So customers are using, or power companies are using a lot more gas to generate than they were previously. So it's demand right there as well.

We're seeing industry come back in a significant way, particularly in the south, but also increasingly (inaudible) continent and northeast. And chemicals industry is, in particular, big consumers of natural gas. We're excited to have them.

The other wild card of course is exports and contracts have indeed been signed to export gas, LNG. And the question is, will they specifically be very short or will they be replaced by purchases elsewhere to cover those short sales. And I think that Joe is out on that. It depends a lot on what world crude oil prices do. (inaudible) take some produces out of business and then raise the price. And I think you could see LNG prices and gas prices rise as well.

And I also think where if this -- this business is cyclical. And I remember 10 years ago when gas prices were $2, well, guess what, we are at $2 again and the power industry hasn't gone out of business. Our industry in many ways has gotten better and better. And so I think that you will see these cycles of -- but the challenge for companies like ours is, how do you manage through the cycles and how do you have most efficient machines, how do you have the lowest cost and how do you invest so you can be successful in the markets that you choose to be in.

Steve Fleishman, Analyst

I'm going to ask one more question to close it up. So in our panel before, I guess, Bob Flexon talked about with a 20% free cash flow yield, rather buy my stock than necessarily buy other companies right now. Both of your stocks, at least relative to the pure independent generators, have held up relatively well. So given that there is a lot of assets and portfolio on the markets, do you have interest in growing the generation side of your businesses still? Do you have room to do it? You are both pretty big in PJM at least and do you see maybe more of a competitive advantage to actually win these days?

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Joseph Nigro, EVP, Exelon, CEO, Constellation

Steve, I think we are investing into new state-of-the-art efficient combined cycle plants in Texas and they are being built on -- both being built on existing sites. We think they provide a competitive advantage and match very well to our load business. I think from our perspective though, we would have to think long and hard about adding additional merchant generation, I think you mentioned in PJM, (inaudible) it's going to be difficult for us to do that. To the extent we can keep our book of business balanced between our load and power generation business, we may have some interest, but I think right now where we are, we are very comfortable with the portfolio we would continue to look to consolidate retail entities and acquire retail entities. And to the extent then we needed to backstop that with generation, we would look at it as necessary.

Shahid Malik, President, Energy Resources & Trade

I think that from PSEG's standpoint, we would like to grow the company, we would like to grow it on the regulated side as well as the deregulated side. The alternative of course is to give money back to our shareholders in the form of dividends or share buybacks or whatever companies like that do with their cash. Firstly, we intend to maintain a strong balance sheet, intend to maintain a very strong credit rating because we think it helps us.

And actually I think we're able to take advantage of that in periods like this. We start seeing some assets coming to market, but a good strong asset that you previously wanted to own, but didn't want to pay the price for. So we think that there will be opportunities, Steve. We'll certainly look at them all.

Whether we execute on them really depends on the situation at the time and the particular asset, but we have room to grow. As I said, I think we prefer existing generation unless there is a unique situation such as in New England where there is a seven-year new capacity lock, we might think differently. But we'd evaluate each asset, each portfolio of assets, likely not big, probably very small in the context of how does it fit our portfolio and can it add value long-term for our shareholders.

But we are in this business for the long haul. It's not like we intend to come out of it in the next two or three years. So we have to figure out how we deploy our capital. Letting our fleet to run down and be inefficient and ineffective is not an option for us. We've got to figure out how we invest smartly to improve our efficiency, so we can be effective in the marketplace.

Steve Fleishman, Analyst

Great. Well, Joe, Shahid, thank you very much. Great panel. Appreciate it.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2015-07-29
Event Description: Q2 2015 Earnings Call

Market Cap: 26,830.78
Current PX: 31.14
YTD Change($): -5.94
YTD Change(%): -16.019

Bloomberg Estimates - EPS
Current Quarter: 0.726
Current Year: 2.442
Bloomberg Estimates - Sales
Current Quarter: 7403.333
Current Year: 28918.429

Q2 2015 Earnings Call

Company Participants

- Francis Idehen
- Christopher M. Crane
- Joseph Nigro
- Jonathan W. Thayer
- Darryl M. Bradford

Other Participants

- Greg Gordon
- Steven Isaac Fleishman
- Dan L. Eggers
- Jonathan Philip Arnold
- Julien Dumoulin-Smith
- Christopher J. Turnure

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. Thank you for standing by. At this time, I'd like to welcome everyone to the Exelon Corporation Quarter Two 2015 Earnings Conference Call. Your lines have been muted to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to turn today's conference over to Francis Idehen. Thank you, you may begin.

Francis Idehen

Thank you, Ali. Good morning, everyone, and thank you for joining for our second quarter 2015 earnings conference call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Joe Nigro, CEO of Constellation; and Jack Thayer, Chief Financial Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section on the 10-K which we filed in February, as well as in the earnings release and the 10-Q, which we expect to file later today.

Please refer to the 10-K, today's 8-K and 10-Q, and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the

nearest equivalent GAAP measures.

We've scheduled 45 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Francis, and good morning, everybody. Thanks for joining. We're pleased to report another strong quarter with our earnings coming in at $0.59 per share, surpassing our guidance of $0.45 to $0.55 per share. You'll hear more from Jack in a minute on the specifics, and Joe Nigro will also provide some color around the performance.

We've seen a number of positive developments that affect various business this quarter. The two primary catalysts for us this year are the PHI acquisition and the capacity market auctions. We received approval from the merger since our last call in Maryland in May, and leaving D.C., Washington, D.C. as our only outstanding jurisdiction to close the merger, which we expect to hear from soon and we're looking forward to a positive outcome there. Upon closing the merger, our focus will shift to the integration of PHI Utilities into the Exelon Utilities to align our operations to better serve the PHI customers base.

Another major catalyst is the capacity performance revisions that have been made. While we continue to believe that FERC came to the right conclusion, putting reliability at the center of its planning process to ensure that customers in the region are well served, we always were aware that DR and Energy Efficiency were in the 2018-2019 auction. The most recent change that allows DR and Energy Efficiency to provide – to participate in the transition auctions, we believe to be non-material to the outcome.

We are disappointed in the delay, but we think that we'll be on the right track into recognize the value of our highly reliable fleet going forward. And we remain confident that the capacity construct is the best way to protect the grid as we await further clarification on the timing of these transition auctions. I think we're getting that in the last days. So, by the September timeframe, we should have clarity on the value proposition, along with the reliability measures being enacted.

In Illinois, the legislative session ended without a resolution on the market redesign for the Low Carbon standard, the Low Carbon Portfolio standard. We were disappointed that we were not able to get this outcome before the session ended, but understand where the state is focused right now on its budget priorities. The nuclear plants provide significant value to the state and its economy, and it's mostly important to its consumers.

Looking ahead, we have certain regulatory and operational triggers in September that require us to make some tough choices on the specific assets this fall, particularly in light of the continued pressure on the power markets. So we are continuing on with our disciplined plan on evaluating the assets and their likelihood to stay within the stack, and we'll bring that to closure with our decision in September.

Despite these market challenges, we continue to find ways to create value in our Constellation business, which Joe is going to talk about shortly. Part of our resilience to the power market weakness is driven by our ability to capitalize on our generation to load strategy. And this quarter, we showed the benefit from the lower cost to serve load. And the – increasing our utility business has been able to reduce the overall volatility at the enterprise level and deliver growth.

You can expect that even more to be true over time. Not only is it shifting our business mix with the acquisition of PHI, but it also, with our infrastructure improvement investments, we're investing $16 billion in our existing utilities over the next five years, which provides respectable growth rates, and roughly another $7 billion with the addition of PHI.

I want to remind everybody that we can perform well even with a rising interest rate environment, which is typically a headwind in our industry. This is because our EPS is positively correlated to interest rates, due to both ComEd's formula rate and ROE being tied to the 30-year Treasury rate, as well as the discount of our pension – discounting the rates of our pension liability. Overall, we are positive the company is able to provide more stable and durable earnings streams for our shareholders with our operational expertise in driving performance across the enterprise.

With that, I'll turn it over to Joe, who will discuss the markets. He's followed by Jack on the financial performance.

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Joseph Nigro

Thank you, Chris. Good morning, everyone. The Constellation business has continued to perform well in 2015 as a result of our generation to load matching strategy. My comments today will address market events during the second quarter, and what they mean for our commercial business going forward, including our hedging strategy in our updated disclosures.

Starting with slide four, the spot power markets in the second quarter have been defined by mild weather and lower natural gas prices, which drove the price in power considerably lower than in 2014 across all of PJM. The impact of low spot market conditions has carried through to the forward markets, with prices down approximately $0.45 per megawatt hour in 2016 and $1 per megawatt hour in 2017, at both PJM West Hub and NiHub since the end of the first quarter. The lack of liquidity in the forward markets has exacerbated the drops in power prices and heat rates, with the forward markets exhibiting volatile price moves on very little trading volumes for calendar 2017 and beyond, especially at NiHub.

During the quarter, our hedging activities for 2016 to 2018 were executed through our retail and wholesale load businesses rather than on the over-the-counter market. Our fundamental view of power prices has not changed, but given the drop in market prices, there is a greater gap between the market and our fundamental view due to current natural gas prices, expected retirements, new generation resources, and load assumptions.

Moving to slide five, I will discuss the forward market and its impacts on our hedging profile. During the second quarter we maintained our behind ratable strategy and increased our cross-commodity hedge position to increase exposure to power price upside. We have successfully used this behind ratable hedging strategy in the past when our view showed upside in the market. We are 4% to 5% behind ratable in 2016 and 2017, and 7% to 8% behind ratable if you will remove our cross-commodity hedges at NiHub. We are confident in our ability to adjust our hedging strategies to capitalize on our fundamental view.

Turning to slide six, I will review our updated hedge disclosure and some key changes since the end of the first quarter. In 2015 we have a net $50 million increase to total gross margin since the end of the first quarter, driven primarily by strong performance and execution. We executed on $200 million of power new business and $50 million of non-power new business during the quarter. Based on 2015 performance to date and expectations for the full year, we have increased our power new business target by $50 million.

Our generation to load strategy was successful last year during the extreme polar vortex conditions, and it's serving us well this year under weaker load and price conditions. It is further augmented by strong performance from our portfolio optimization activities and our Integrys acquisition.

For 2016, we saw prices decrease across most regions, decreasing around $0.45 per megawatt-hour in both the Mid-Atlantic and the Midwest. This resulted in a decrease in our open gross margin of approximately $200 million, which was offset by our hedging activities. During the quarter we executed $100 million of power new business and $50 million of non-power new business, and are raising our power new business targets by $50 million additional due to commercial opportunities, for a gross margin increase of $50 million in 2016.

For 2017, prices decreased by approximately $1 per megawatt hour in both the Mid-Atlantic and Midwest. This resulted in a decrease of $300 million in our open gross margins. Despite the drop in prices, our total gross margin is only down $50 million due to our hedged position and an increase in our power new business target of $100 million in case we have line of sight into additional commercial opportunities.

Since the beginning of the year, prices have fallen due to mild weather, lower gas prices, lower load demand in the Midwest, and a lack of liquidity in the markets. Prices have fallen more in 2017 and beyond than in 2016. Although this weakness in the spot market has impacted forward markets, we are confident in our fundamental view of the gas and power markets and are positioning our portfolio to take advantage of this.

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Now I'll turn it over to Jack to review the full financial information for the quarter.

Jonathan W. Thayer

Thank you, Joe, and good morning, everyone. We had another strong quarter. My remarks will cover our financial results for the quarter, third quarter guidance range, and our cash outlook. Starting with our second quarter results on slide seven, Exelon exceeded our guidance range and delivered earnings of $0.59 per share. This compares to $0.51 per share for the second quarter of 2014. Exelon's Utilities delivered combined earnings of $0.25 per share and were flat to the second quarter of last year.

During the quarter, we saw favorable weather at PECO and unfavorable weather at ComEd. Cooling degree days were up nearly 37% from the prior year and 47.4% above normal in Southeastern Pennsylvania, and down 34% from the prior year and 21.6% below normal in Northern Illinois.

Distribution revenues at ComEd and BGE were higher quarter-over-quarter. In addition, BGE had a decrease in uncollectible accounts expense compared to the second quarter of 2014. Exelon Generation had another strong quarter, delivering earnings of $0.36 per share, $0.09 higher than the same period last year. As Joe mentioned, our generation to load matching strategy continues to prove effective. We benefited from a lower cost to serve both our retail and wholesale customers, and had strong performance from our portfolio management team.

In addition, compared to the second quarter of 2014 we had fewer outage days at our nuclear plants, which had a positive contribution from the Integrys acquisition, higher realized nuclear decommissioning trust fund gains, and received additional benefits quarter-over-quarter from the cancellation of the DOE spent nuclear fee. These positive factors were partially offset by higher tax and interest expense. More detail on the quarter-over-quarter drivers for each operating company can be found on slides 18 and 19 in the appendix.

For the third quarter, we are providing guidance of $0.65 to $0.75 per share. Accounting for the impact of the increased share count and the debt associated with the Pepco Holdings transaction, and assuming the transaction closes in the third quarter, we are narrowing our full-year guidance from $2.25 to $2.55 per share, to $2.35 to $2.55 per share. Our guidance does not assume that bonus depreciation is extended.

Slide eight provides an update on our cash flow expectations for this year. We've simplified the format of our slide to provide a clearer view of our cash flow at each operating company, including explicitly showing free cash flow. We project cash from operations of $6.6 billion. We project free cash flow of $900 million at Generation in 2015. 80% of our total growth capital expenditures are being invested in our utilities over the next three years, which will provide stable earnings growth.

In June we completed the debt portion of our financing for the Pepco transaction by issuing $4.2 billion in senior notes, with the majority of these proceeds being used to fund the transaction. Strong market demand allowed us to upsize the offering, enabling us to pull forward some future-planned corporate debt issuances. We issued across the tenor spectrum with an average maturity of approximately 14 years and an average weighted average coupon of 3.79%.

Earlier this month we completed the settlement of the equity forward transaction. The combination of these financings allows us to close the merger quickly upon receiving approval from the D.C. Public Service Commission. Our balance sheet remains strong and gives us the ability to invest and grow our business.

As a reminder, the appendix includes several schedules that will help you in your modeling efforts. Thank you, and we'll now open the line for questions.

Q&A

Operator

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[Operator Instructions] And our first question will come from the line of Greg Gordon with Evercore ISI.

<Q - Greg Gordon>: Good morning.

<A - Christopher M. Crane>: Hi, Greg.

<Q - Greg Gordon>: Couple of questions. First, when you talk about commercial opportunities, in the context of your comfort level raising your guidance for power new business/to go, are we talking about sort of the inherent counter-cyclicality of the margins in that business in the low wholesale environment, i.e., are we moving closer off the $2 floor in margins and closer to the $4 sort of peak of the cycle margins that you see in that business historically, or is it simply new customers, more volumes than you had projected in either the gas or the electric business?

<A - Christopher M. Crane>: Joe?

<A - Joseph Nigro>: Yeah, Greg. In this specific instance, specifically for 2016 where we're raising our power new business/to go by $50 million and 2017 by $100 million, it's really – it's not related to those load margins. It's more specifically related to some proprietary structured commercial opportunities that we have really solid line of sight into on the wholesale side of the business, quite frankly.

To your point though, I think it's important to note we have raised our targets each – $50 million each quarter for 2015, for a total of $100 million so far year-to-date. And a lot of that has been driven by really three things. One is the monetization of loads that we sold at higher prices last year. So, we have seen increased value from that load-serving business, some of our optimization activities. And then we went in, as you saw from our disclosures last quarter, we went in with a short bias with a backstop of our own generation, and given the results of market prices in 2015 to date, that's performed well.

We would only look to raise those targets, the power/to go targets or non-power/to go targets, if we have good line of sight into specific opportunities. And in this case, we do.

<Q - Greg Gordon>: Okay. Follow-up to that. If these are fairly chunky opportunities and you win them, will we get a sort of a discrete disclosure or would that just – would we get – would you just update it on a quarterly basis as per your usual, moving from to go to, into the hedges?

<A - Joseph Nigro>: Yeah. Yeah. We'll disclose that when the negotiations are complete.

<A - Christopher M. Crane>: And Greg, it will be in the MD&A disclosure [ph] in our interview (19:24), when it occurs.

<Q - Greg Gordon>: Okay, great. Second question. In light of economic conditions in Texas, most of your investors would probably rather see you pull the plug on this gas-fired project that you're pursuing. What gives you the confidence that the through-the-cycle economics of that investment are still worth going forward in this environment?

<A - Christopher M. Crane>: So as we said, we've got a very good deal on acquiring these assets on our brownfield site. Minimal infrastructure investment. They still have a double digit IRR with these market forwards. If you just projected we stay here for 10 years, and then plug the fundamentals in after, we're still at a double-digit IRR. This is a solid investment. These are going to be dispatched first. They're the highly efficient, air-cooled, and at the right price.

<Q - Greg Gordon>: Concise answer. Thank you. Take care.

<A - Christopher M. Crane>: All right.

Operator

And your next question will come from the line of Steve Fleishman, Wolfe Research.

<Q - Steven Isaac Fleishman>: Yeah. Hi, good morning.

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<A - Christopher M. Crane>: Good morning.

<Q - Steven Isaac Fleishman>: First to Jack, clarification. So in the updated 2015 guidance, are you including some amount of POM, both the business and the financing costs? And if so, is it positive or negative within the year?

<A - Jonathan W. Thayer>: So Steve, we are including – we are including the equity and the debt associated with the PHI acquisition. So for share count purposes, that incorporates a weighted average share base of 892 million shares. It does assume the third quarter close of PHI. But there is a measure of dilution this year that's related to the increased share count, the debt, and as we pursue rate cases on PHI, improve their revenues and earnings, we'll see the accretion that we anticipate with that transaction in future periods.

<Q - Steven Isaac Fleishman>: Okay. So just to clarify, when you net for this short period into year-end, when you net POM revenue and the financing cost, it's actually – your numbers would have been higher in this guidance if you hadn't included that.

<A - Jonathan W. Thayer>: Modestly, Steve.

<Q - Steven Isaac Fleishman>: Okay. But then we'll get the...

<A - Jonathan W. Thayer>: It [indiscernible] (22:02), but not materially so.

<Q - Steven Isaac Fleishman>: But the future accretion guidance that you gave, I think, at the last quarter, or recent commentary, that's still good for future years?

<A - Jonathan W. Thayer>: The impact on rate cases and the deferral of those rate cases modestly impacts the accretion, but we're still at the – as we disclosed at the last quarter, we're still at the sort of bottom end of the range in 2017 that we gave.

<A - Christopher M. Crane>: And so, it's 2018 to get to that – more to that midpoint of the run rate that we talked about.

<Q - Steven Isaac Fleishman>: Right. But you said that – you clarified that, I think, the last call or so. That's not new. Okay.

<A - Christopher M. Crane>: Yes. So, $0.15 in 2017, and you'll see us head to the upper end in 2018.

<Q - Steven Isaac Fleishman>: Okay. Second question is just with respect to the power views. I kind of feel like just, the last few calls you've been a little bit more mixed on your power views. You're a lot more bullish right now, at least, I guess, with respect to NiHub. Is that mainly just a fact that you had to pull back as of Q2 end, and so you're just more bullish because the starting price is lower, or are you more bullish even if the prices had stayed flat?

<A - Christopher M. Crane>: It's, the prices have gone lower. We're more bullish, they're non-sustainable at this level.

<A - Joseph Nigro>: Yeah. And, Steve, what I would say is, our view of the absolute value of power price hasn't changed quarter-over-quarter, and what's changed is we saw a material drop in the back end of the power curve and I'm talking to NiHub, but it's attributable to West Hub as well, but our upside is really baked at NiHub where we see material upside as you move out into that 2018, 2019 timeframe.

We see upside as well in that 2016, 2017 period, and what's changed is the market has fallen so much, quarter-over-quarter; our absolute view of power price hasn't changed. So that spread has gone wider. And when we look at our fundamental models at NiHub, in particular, we see a lot of value that's still to be derived, and that's due to the changing dispatch stack and some of the other things that we've talked about previously.

<A - Christopher M. Crane>: Talk about the lack of liquidity.

<A - Joseph Nigro>: Yeah, the liquidity piece of it is a big part of it, Steve. We had a $0.40 – approximately $0.40 a megawatt-hour drop in PJM, in West Hub and NiHub in calendar 2016. That's the most liquid period on the forward

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curve. When we've pulled data and we have access to and look at what's going on in the out-years, 2018, 2019, 2020 where we saw a material drop in prices, there is absolutely nothing trading at NiHub.

There had been some few sporadic trades at West Hub, and you see the market set prices off of those trades. And our view is through time, that spread relationship between the West Hub and NiHub is going to collapse because of the retirements on the western side, the new builds on the eastern side, and that's why we think there is material upside. But our fundamental absolute view on power price hasn't changed. It's just the way the market reacted quarter-over-quarter.

<Q - Steven Isaac Fleishman>: Okay. Thank you very much.

Operator

And your next question will come from the line of Daniel Eggery (sic) [Daniel Eggers] (25:35) with Credit Suisse.

<Q - Dan L. Eggers>: Hey, good morning, guys. On Pepco, could we just talk about the process? So assuming that the D.C. decision comes soon, what is the process for closing from this point, and what bearing does the Maryland appeal have on your ability to close right now?

<A - Christopher M. Crane>: I'm going to get Darryl Bradford to cover that.

<A - Darryl M. Bradford>: Hey, Steve.

<A - Christopher M. Crane>: It's Dan.

<A - Darryl M. Bradford>: I'm sorry. Dan, we expect to – assuming a acceptable order from the D.C. Commission, we expect to close promptly after that order. Our contract would indicate that that will take place within 48 hours of approval by the D.C. commission.

And we don't think that the Maryland motion should be any bar to us closing. We don't believe that that motion has any merit whatsoever. As you know, the alleged conflict of interest of one of the commissioners having a preliminary interviewing discussion, which she stopped, with a non-party, isn't a basis under Maryland law to question the independence of that decision, let alone to stay the proceedings.

No court in Maryland and no commission in Maryland has ever suggested there's a conflict with the commissioner of any agency having a conversation with a non-party. Particularly where, as here, Exelon is one of some 45 board members, 140 members in an agency that includes public interest groups like Public Citizen, which was a party below and was the first one to raise this conflict issue.

So we don't think that that motion has any merit. We filed a response yesterday with the court, and we plan to go ahead and close promptly after the D.C. commission issues an order, assuming that that order has acceptable conditions. And we have faith that the D.C. commission will do the right thing. We think we've put in a strong case with a lot of benefits for customers and protections for customers. And we look forward to a prompt closing.

<Q - Dan L. Eggers>: Okay. Got it. And then I guess just on the nuclear plants in Illinois with PJM, I guess, probably moving the closure date to October. That's still probably before Illinois can act legislatively. With the drop in the forward curves, is there a practical way where you can look at those plants and think that they stay economic without some sort of legislation in Illinois? And does that force your hand come October?

<A - Christopher M. Crane>: The capacity market fixes, focused on reliability, will not be enough to keep all the units economically viable. It does give us some support for the investments that we continue to make on the assets to maintain the reliability but it's not totally there. We need a market fix in Illinois to stop the non-competitive nature of the market. And short of the legislation to fix that, we will have to make decisions on retiring assets that are not economically viable.

As we talked about previously, we have requirements around notification to PJM of our intent to retire units. It's an 18-month notification. We also have commitments around when we have to notify of our availability for the 2018-2019

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auction in participation on that. And very importantly, we have to order and design cores that – fuel cores that take a while for us to – or 2019-2020 auction instead of 2018-2019, 2019-2020 auction, our participation there. And we have to order the cores, and there's a long lead time there. Are we going to run for an additional year or are we going to run for a longer period of time? And that's a very expensive decision to make.

So, at least on the PJM [audio gap] (30:34) we'll make the decision, the final decision, if we're going to do that, in the September timeframe. We've been in consultation with the Board and we'll continue to consult with the Board, and where management's made their decision we'll pass that to the Board for the final approval in that timeframe, and continue with the outreach to our stakeholders.

<Q - Dan L. Eggers>: Chris, just given the fact that you're not going to have legislation realistically done before September, and you kind of laid out the other challenges, doesn't it – what would cause you to not close the plants come September, based on the fact pattern you just laid out for us?

<A - Christopher M. Crane>: If the units clear the 2018-2019 auction, that would show that they're financially viable. That is a long shot in our opinion, just because of the cost structure and how the forwards have continued to collapse at the bus at a couple of these units. We've got the transmission constraints, we've got the overproduction and importation of wind that not only drops the spot but continues to collapse the forward curve. The disconnect between NiHub and the bus at some of these units is $6, $7. And we have worked very closely with all the stakeholders involved for over a year and a half on trying to come to resolution, and it is the time that we'll have to make the decision after we see what happens with the capacity auctions.

We don't take the decision lightly. We understand the effect that we have on the communities and potential effect on employees, but this has been a long-term issue that we've been evaluating and trying to come to resolution, and we're staying within the timeline. Actually, we extended our timeline last year to give more time to come up with the proper market fixes, and to be compensated adequately for operating these units versus subsidizing a low-cost market.

<Q - Dan L. Eggers>: And I don't mean to beat this to death [indiscernible] (32:49) for this, but would closing a Quad or a Clinton show up noticeably as accretive to you guys on 2017 numbers?

<A - Christopher M. Crane>: We don't – we have not looked at that, and don't look at it. We analyze the plants as a standalone in their own economics, so it's about a plant losing money. We have not evaluated; others have and others have talked about the impact to consumers on those units closing. The state itself did that assessment, and there is some material impact on the consumer, but we have not evaluated anything specific to Exelon.

<Q - Dan L. Eggers>: Okay, very good. Thank you.

Operator

Your next question will come from the line of Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Good morning, guys.

<A - Christopher M. Crane>: Hey.

<A - Jonathan W. Thayer>: Good morning.

<Q - Jonathan Philip Arnold>: One – just – given your comments about liquidity in the forward curve, is it fair to assume that you've probably not done much in the way of 2018 hedging yet? Because ordinarily you would have been a couple of quarters into it. Just curious if you could give us any insight?

<A - Joseph Nigro>: Yeah, Jonathan. We are behind our ratable sales plan in 2018. As you know, we have a very big load-serving book of business, so we've captured opportunities, both in our retail and wholesale load-serving businesses to the extent possible, in 2018. And in addition, at times, as we've spoken about in other years, we used the gas market as well. But to sell straight OTC power in 2018, we've not done much, if any, of that at all.

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SI-SSA-0015-01743

<Q - Jonathan Philip Arnold>: Okay. And then just to revisit the commercial opportunities comment. Can you give us any insight as to what kind of opportunities you're talking about? And is it, are they the result of others pulling back from the market, or just successful discussions with potential clients I guess?

<A - Christopher M. Crane>: It's early on that one, Jonathan. We'll do the full disclosure when we complete the negotiations.

<Q - Jonathan Philip Arnold>: Okay. Sorry to re-ask that. And then, Chris, at the outset, you made the comment that you saw the inclusion of DR in the transition auctions as being, I think you said, nonmaterial to the outcome?

<A - Christopher M. Crane>: Yes.

<Q - Jonathan Philip Arnold>: Could you share a bit more of your kind of logic and thought process behind that statement?

<A - Christopher M. Crane>: Yeah. Joe?

<A - Joseph Nigro>: Jonathan, it's Joe. First of all, we lost over $1 billion of market cap post the announcement of that, of the inclusion of DR in 2016-2017 and 2017-2018. And we really thought it was a little bit of an overreaction. As Chris mentioned, we're disappointed in the delay, but we don't believe there's going to be a material impact to either of those transition auctions. As you're aware, DR was already included in 2018-2019 and beyond.

The reason why we don't think it's a material impact in the transition auctions is really related to how the auctions themselves cleared on the base residual, and the separation in price in 2016-2017 on one side, and then the amount of DR that clears in the 2017-2018 auction, and when we put that all into our models, it's very similar to what we've read, quite frankly, from a lot of what's been written by the equity community, that it's going to be a limited impact.

<Q - Jonathan Philip Arnold>: Okay. Thank you for that.

Operator

And your next question will come from the line of Julien Smith with UBS.

<Q - Julien Dumoulin-Smith>: Hi. Good morning.

<A - Jonathan W. Thayer>: Hey, Julien.

<Q - Julien Dumoulin-Smith>: Hey. So, first quick question and it does kind of rehash a little bit here, but on the fundamental upside you're talking about, just to be clear, what does that assume in terms of retirements, just to be clear? Your own retirements, particularly as you're thinking about the life of your portfolio here in the back half of the year?

<A - Christopher M. Crane>: Yeah. We have not evaluated the potential retirement of any our assets on market-forward prices. And, so this is just based off of fundamentals of what has been announced, and what we see for retirements, what we see for the economic viability of the existing fleet in what they would have to clear to stay viable going forward. So it's not a sustainable market forward with the asset mix that's currently in. It has nothing to do with any forward decision we would make.

<Q - Julien Dumoulin-Smith>: Right. So just to be clear, nuclear retirements would be incremental to your fundamental upside?

<A - Christopher M. Crane>: We don't know that. We have not analyzed it and I wouldn't want to project one way or the other. It's, there are two different things. The nuclear asset retirement is based off of the economic viability of the asset on the stand-alone. And we have had losses and free cash flow losses in the trailing five years of some significance. And we project going forward with these market forwards, them to be even worse than they were a year ago, which is driving us to make that decision. It is not based off of any potential impact on the market forwards or the

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rest of the fleet's viability.

<Q - Julien Dumoulin-Smith>: Got it. And then two subsequent questions here. First, in terms of the FCF losses, what would you estimate those as being, both for the eastern portfolio and for the ComEd portfolio as it stands today? And then secondly, tied into that, as you evaluate the remaining life of some of these assets, would you imagine layering one announcement after another? So I suppose specifically, there's a timing issue related to ordering new cores. I imagine certain units have to get those orders in before others. Could we see one nuclear retirement and then subsequently, depending on what happens in the legislative arena, et cetera, see further announcements later this year, in trying to reconcile the bigger issues around FCF deficit?

<A - Christopher M. Crane>: Yeah. We've discussed fairly openly the units, the affected units. PJM's rules require us an earlier notification than MISO's rules. And so, we would be moving forward, if we have to, on PJM units before MISO units. We don't project a MISO decision until beginning of next year, looking at the opportunities we have with that unit either through legislation or other mechanisms, to secure the required revenues that we need there.

We've talked about New York units. We're still working with our partners in our stakeholders in New York to look at, is there a viable way beyond – a reliability must-run situation to maintain economic viability there? And the final asset that's been in discussion is Oyster Creek, which we've already had an agreed-upon early retirement date at the end of 2019. So, short of the – short of a, some type of failure that was a costly failure on the unit, we would run into that period to allow adequate transition, utilization of the fuel, and adequate transition of our employee base to other facilities.

<Q - Julien Dumoulin-Smith>: Got it. But just to be clear about the MISO unit there, depending on the success this year in the legislative arena, would that drive that decision?

<A - Christopher M. Crane>: It would have a – it would heavily weight our decision.

<Q - Julien Dumoulin-Smith>: Great. Thank you.

Operator

And we have time for one final question. Your final question will come from the line of Chris Turnure with JPMorgan.

<Q - Christopher J. Turnure>: Good morning, guys. I wanted to get a little bit more color on the Pepco approval process here, and the court challenge, than what you've already talked about. Do you have any sense of the precedent, or a precedent, for actually staying a commission order? Obviously you disagree with the merit of this case. But you do you have any precedent there, and what would be the path forward if it was not stayed, and you got the decision out of D.C.?

<A - Darryl M. Bradford>: Thanks. It's Darryl again. Yeah, the precedent on a stay is very clear in Maryland. It's an extraordinary remedy. It is rarely granted. You have to show a likelihood of success on the merits. And the motion does not, on the merits of the underlying merger, raise any issues whatsoever. The only issue that raises is this specious purported conflict claim, which we think is very, very weak. So, we don't think they've attempted to meet that.

They would also have to show irreparable harm, which – they spend a paragraph trying to satisfy that. It's really not very persuasive, in our view. They would have to show that a stay is in the public interest. And, of course, not only has the Maryland Commission, but the New Jersey Commission, the FERC, the Delaware Commission have all found that this merger is in the public interest. And they'd also have to show that the hardships favor them, and in our pleading we lay out why disrupting – the hardship of potentially disrupting a $7 billion merger outweighs any hardships that would occur from the grant of the stay.

So we think it's an extraordinary remedy. We don't think that they've come close to meeting those standards in any respect. And the law is also very clear that in Maryland, it's not a balancing. They have to satisfy each and every one of those elements, and in this case, in our view, they haven't satisfied any of them. So, that leaves us in a position where, upon D.C. approval, and assuming that the court agrees with the pleading we filed yesterday and doesn't grant a stay,

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that promptly upon the D.C. Commission joining the other commissions in finding that this is in the public interest, and assuming that any conditions it imposes are not unduly burdensome, that we would close promptly.

<Q - Christopher J. Turnure>: Okay. Great. That's very helpful. And then, is there – or my understanding is that D.C. has to rule by the end of August. Is there any flexibility around that timing? Can they extend that again?

<A - Darryl M. Bradford>: Yeah. There is no clock in D.C., so they are not under any time constraint. Generally, the D.C. Commission has ruled within 90 days of something being fully briefed and submitted to them. This was fully briefed at the end of May. So that 90 days would end at the end of August. I think that's where that date comes from. Obviously, we're hopeful that sooner is better than later, but that will be up to the D.C. Commission, and they'll rule when they have finished their work. They are, I think, acutely aware that a lot of people are looking for a decision from them, and they understand that. But they will take the time that they deem necessary in order to do their job right.

<Q - Christopher J. Turnure>: Okay. And then if I could, real quick, Joe, I just wanted to follow up, you've mentioned lack of liquidity in the forward markets a couple of times on the call here. Is this a lack of liquidity that exceeds just the general nature of these markets and what you've seen historically? Has that increased, and if that is the case, do you have an opinion as to why there might be so few trades going on out there?

<A - Joseph Nigro>: Yeah, I think it's probably worse than it has been historically. And I think some of it is, there is just no natural buyers out on, that far out on the forward curve, as I said. The back end of the forward curve was dropped much more than in like 2016, where there were more natural buyers, whether we talk about retail or speculators or other participants. So I think with some of the folks that used to participate in the markets not doing that, some on the banking side and others, I think it's had a material impact.

<Q - Christopher J. Turnure>: Great. Thanks a lot.

Operator

Thank you. And that will conclude today's conference call. We appreciate your participation. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2015-05-28
Event Description: Sanford C. Bernstein Strategic Decisions Conference

Market Cap: 29,239.22
Current PX: 33.95
YTD Change($): -3.13
YTD Change(%): -8.441

Bloomberg Estimates - EPS
Current Quarter: 0.514
Current Year: 2.443
Bloomberg Estimates - Sales
Current Quarter: 6143.200
Current Year: 28811.333

Sanford C. Bernstein Strategic Decisions Conference

Company Participants

- Christopher M. Crane

Other Participants

- Hugh D. Wynne

MANAGEMENT DISCUSSION SECTION

Hugh D. Wynne

Good afternoon. Thank you all for joining us today. It's my pleasure to introduce to you, Chris Crane, President and Chief Executive Officer of Exelon, positions that he's held since Exelon's merger with Constellation in 2012.

Previously, Mr. Crane was the President and Chief Operating Officer of Exelon Corporation. His background is on the power side of the business, having become President of Exelon Generation in 2008 and Exelon's Chief Nuclear Officer in 2004. Including his 15 years at Exelon, Mr. Crane has accumulated over his career more than 30 years of experience in nuclear generation, having worked at nuclear power plants across the country, including Browns Ferry, Comanche Peak and Palo Verde, the nation's largest. So, I'll turn it over to you.

Christopher M. Crane

Thanks, Hugh. Pleasure to be here. Thank you for all coming. I'm going to start with a little bit of an overview of the company for those that you haven't seen it. We – let's get cautionary statement as required by the lawyers.

So we have two main businesses that we operate under our competitive business and our regulated business. Exelon Generation is comprised of multiple segments. The first being the power generation side, which is our fossil fleet, renewable, and then is the nuclear generation side, which out of the 33 gigawatts of power provides 19 gigawatts of our capacity. We're the largest nuclear operator in the country and the third largest in the world. We also have a substantial footprint in natural gas. Our renewable portfolio continues to grow under that segment and we will continue to find investments in that.

The other business segment that's in Exelon Generation is our Constellation business. This is our commercial arm. It's the leading competitive energy provider in the U.S. We service over 2.5 million customers there. We have a wholesale and retail customer base and manage our portfolio through the Constellation. We also have customer-facing businesses within the Constellation business that allows us to optimize our products that we bring to the market.

On the Exelon Utilities side, our utility is our regulated platform, which is composed of Commonwealth Edison in the Chicago area, PECO Philadelphia Electric in the Southeast Pennsylvania, and Baltimore Gas and Electric. We have made significant investment in infrastructure and we'll continue over the next five years with an investment of approximately $16 billion into the wires business. It's upgrading the systems, putting in the smart grids and the new technology to drive not only higher levels of reliability but also customer satisfaction. And so together both of these segments, the Generation Company and the Utilities, make us the largest competitive integrated – one of the largest competitive integrated companies in the country.

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I talked a little bit about our Chicago, Philly and Baltimore, but, as you can see, we do have a national footprint going across the country. We operate power plants in 24 states nationally. Our fossil plant spans from the South, Southeast, up into the Northeast in the New England area. And we are currently developing multiple power plants, highly efficiency gas, combined cycle gas turbines in Texas, where we also have existing assets. You'll notice that our renewables span in many territories, largely in the Midwest, West and the South, as you can see from the index.

These are – the renewable assets are largely contracted assets, and primarily wind and solar at this point. We're actively growing that portfolio over the last six years since we've gotten into the business and today, we have 1.6 gigawatts of renewables. We do operate across the seven major regional transmission operating areas through our – although our largest footprint remains in PJM, in ERCOT and also in New England. And our Constellation business via the wholesale and retail gas and electric operations actually does have a footprint in 48 states and in Canada, giving us a customer reach that is unrivaled.

Our strategy, let me give you a sense of how that comes together through the primary business. First, overall, the overarching strategy for all our business is operational excellence. The way we operate our plants, the service level we provide to our customers is the biggest driver of value and relevance that we can create in the marketplace. Primarily look at our Utilities to provide the stable earnings and the dividend support, while our competitive business remains exposed to the power market recoveries and also the capacity markets.

I'll talk about managing commodity risk through our Constellation business. We continue to do this while we're extending our market share through acquisitions. In that part of the business last year, we picked up two portfolios, ProLiance and Integrys, that give us even more scale and presence across the country.

Another way we manage our commodity risk besides the retail outlets is also targeting contracted revenues with our incremental investment there by reducing the volatility. We're additionally, we're very mindful of the evolving energy landscape. As many of you have seen, there's a lot of what is termed as disruptive technologies that potentially pose some kind of market entry and we're trying to look at those as enabling technologies. If it's renewables, distributed generation, it'll all play a role in the change in the customer behaviors. We'll call for our utilities to adjust the classical utility model and move more to a modern model that people wanted to have distributed generation we need to figure out how to service that.

The integrity of the grid will remain a challenge for us as going forward as policies evolve around things like distributed generation and adequate recovery mechanisms for investments. We have taken some specific actions at each one of our businesses to remain both innovative and respond to rapid changing world. Within our generation business, we're doing some partnering with other institutional and commercial industrial customers deploying fuel cells, looking at power – excuse me, solar panels, battery storage, and energy efficiency to meet the needs that the customers want. As we pursue a regulated growth at the utilities, we're seeking innovative solutions through policy advocacy in making sure that we capture what the value is to the customer that the grid really provides while preserving an ability to get a return on our investment. And so we think this does advantage us on the competitive integrated model.

One of the latest transactions that we have been working on is the acquisition of Pepco, its PHI Holdings. Many of you have been following the proceedings of our merger, we believe that we're coming near to the end of the process. We have received regulatory approvals in six of the seven jurisdictions and we're waiting for regulatory approval in Washington, D.C. over the next 60 to 90 days.

Our – the geography of the location of PHI utilities fits nicely within what we exist and have between Philadelphia and Baltimore. It essentially makes a contiguous system from D.C., all the way through Maryland, into Delaware, South Jersey, and Philadelphia. It allows us to create opportunities to improve customer reliability, storm response, and ultimately, driving cost savings. The acquisition itself will drive utility earnings to around – average around 65% of the overall earnings. And you can see that the 61% to 67% on the bottom right hand side.

Adding the PHI capital program alongside of the Exelon Utilities' capital program, as I said, will add an additional spend over the next five years of $6 billion to $7 billion, which by 2017, our rate base or total that we are allowed to get the regulatory recovery on, our earnings will be at over $34 billion. So the change in the pro forma mix supports the

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incremental leverage that we're putting on at the holding company, while allowing us to main high quality credit metrics and giving us flexibility to continue to invest across all of our businesses.

At the end, it's a highly accretive transaction. We expect it to be within $0.15 to $0.20 accretion, probably on the $0.15 side of that by 2017. And as we move through rate cases, we'll continue to drive that, and as we're driving efficiency to the $0.20.

I talked about the regulatory approval process. You can see Virginia, FERC, New Jersey, Maryland are all done. Delaware has approved this settlement, but the order will not be issued till June 2. The Department of Justice has clocked out. We don't think we have any more work there on the Hart-Scott-Rodino. So we're down to the final, which is the District of Columbia, and we think we've made adequate progress there to expect a positive order. The Maryland order was very positive. So the closing will come in the third quarter we believe and hopefully on the earlier side of that.

So from a policy and business priorities, we have a number of objectives, which I've discussed some of them on the most recent earnings call, but our advocacy effort in Illinois has been focused on protecting the reliability and the environmental benefits of our 11 nuclear plants. We're currently competing against other subsidized generations. So the desire is to create a low carbon portfolio standard. There's a bill that's in the House and the Senate right now. Illinois has its own problems with its budget. So there's been some distraction for that, but we see that as a solution.

We also in Illinois have an Energy Plan for Illinois' Future, which promotes energy efficiency on the utilities side, drives innovation through pilot – a few pilot microgrids, testing out microgrid controllers. We received a grant from the DOE to develop the first controlling system for a microgrid, and we'll continue to make sure the utilities are treated in an equitable manner.

In PJM, right now, the capacity performance discussion remains in process. We believe that PJM's response to address FERC's questions that came up in the original filing should resolve those comments. And we're pleased by the active attempt by both FERC and PJM to make the necessary design changes in order to ensure reliability. We expect the decision from FERC in a few weeks and that will allow PJM to set up and by August have the auctions for the capacity performance in place.

We're also working to finalize a contract at one of our facilities in New York, the Ginna facility, which is under a reliability mandate to continue to operate for – till 2018 to ensure that the necessary system modifications can be made to ensure reliability as required right now to keep stability of the grid.

So we do believe that we're well positioned for a strong future on multiple fronts. Our integrated business model provides the ability not only to invest in both the regulated and competitive business, but also change the way that we serve our customers in the evolving energy market. We'll continue to diversify our business to capitalize on the changes within the industry, while optimizing our portfolio through the commodity cycles that we see. We have a very strong record – track record on operational excellence and we see that as how we continue to drive relevance and shareholder value.

Our financial strength gives us the access to the capital markets, maintaining an investment grade as a competitive power generator allows us greater flexibility in our transactions, counter-party transactions. And lastly, as I discussed, we continue to advocate for policies that both value the benefits of clean power generation and protect the integrity of the grid.

So with that, I'll jump with you.

Q&A

<Q - Hugh D. Wynne>: Great. Thank you, [ph] Doug (15:02). Please use your index cards to write down any questions you have. We'll pick them up and put them to Chris. I was surprised in preparing for your presentation today...

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<A - Christopher M. Crane>: That's always a problem when you're surprised.

<Q - Hugh D. Wynne>: Yeah. Well, I shouldn't have been surprised, perhaps, but I was. I was looking at the valuation of Exelon Corporation comparing it to the valuation of the regulated utilities, the valuation of the competitive and hybrid utilities. And what struck me is that on 2017 earnings, which would take you out to a timeframe when some significant portion of your hedges would have rolled off, the company seems to be trading at sort of a 10% discount to most of its competitive and hybrid peers, and it's also trading at a 10% discount relative to the regulated names. And on other metrics such as EBIT, EBITDA, price to book, price to cash flow, the discount is even larger. I'm sure that's an annoyance. I was wondering if I could get your view on what's driving that and what are you doing to try to rectify it?

<A - Christopher M. Crane>: So we're the most levered to a commodity recovery, natural gas, heat rates, electric energy prices, and we're also the most levered to the PJM capacity market. We're the most levered to the 111(d), but we think that we have to show site to accomplishing that to get the full valuation. We – having the certainty of those cash flows coming in will actually de-risk us and create less variability on the commodity cycle. So we recognize that. We understand that the regulateds are now being valued on the low interest rates and that too will change when we see as interest rates continue or will start to increase.

So we need to prove to the market that these leverage points that we have can actually create value. And as they come to fruition, we should start to see that first with the capacity market changes, then with the coal units coming off and the Eastern Interconnect as those prices respond, as we've talked about for the last couple of years. And as interest rates increase, we think we should at least hold our own, if not, improve.

The issue with our earnings on the utilities side, now, 50% of the earnings come from the ComEd business. ComEd is a recovery mechanism. Its return on equity is 580 basis points above the 30-year treasury. With the 30-year treasury down to 0.25% today, it's decreased the earnings power. As interest rates come up, actually, we become more profitable. And so, we need to make sure we're getting that story to the market.

The other aspect of interest rates rising is the liability and the expense that we have to take on our pensions. So we're uniquely positioned on an interest rate recovery for our regulated side to – that should offset the concern. And as I said, at least maintain if there's equilibrium in the multiples or improve our multiple on that side.

<Q - Hugh D. Wynne>: It seems when you go through the list of levers to higher gas prices, higher capacity prices, obviously, terrific leverage to the clean power plan, and index to ROE in Illinois that, if anything, you should be looking at an in-line valuation as opposed to discounted one. Is the market telling us something about the hybrid structure? Is there a view that that's not the type of portfolio of businesses and risks that the market wants them?

<A - Christopher M. Crane>: Well, even within some of the hybrids, we're trading at a discount. So I wouldn't take that as the message. That's something that we've had a couple of discussions. Today, we're meeting with our investors. How durable is this model? And you see others going away from the competitive integrated, but where we can truly differentiate ourselves. If you were one of the more recent ones that's spinning off, the quality of those assets, the commercial business that's doing wholesale and retail, is nowhere comparable to ours. So having the base load assets in nuclear, the cost advantages that we can have with those, having capability for the Mid Merit and the peaking, our hedging capabilities, we see that that business is a strong business.

And the other thing that's not recognized is that business is what is funding the utility growth, $16 billion over five years without equity being issued. So it's a very good engine for growing. We have done – as you would expect, we on a regular basis on our strategy look at our structure. Is it the Holdco structure with the competitive integrated? What are we doing within the generating company as far as structures? How are we managing our assets? And the most recent study, which say, apples-to-apples, if we were to spread or break the businesses apart, not only would we not have the capability to fund that $16 billion going into the wires companies, which is very good – will be good return on rate base, but also it would have about a $3.5 billion destruction on total value. If you look at cost of capital, cost of equity, counter-party limitations on counter parties being below investment grade, you wouldn't split the companies and try to expect to maintain investment grade. The FFO to debt hurdles that would be put on by the rating agencies would make it very, very tough.

What we've seen from other separations, the requirements for capital to be posted for the nuclear assets, the most recent one was a couple hundred million for two units. We have 24 units hanging up that much cash on a balance sheet just as negative impact. So we think it's the right model. We think we differentiate ourselves from others. We think we have to show that these catalysts that we have for change that are going to come to fruition and then, our valuation should improve.

<Q - Hugh D. Wynne>: Is the market possibly expressing some concern about the durability of the cash flows from ExGen? I think the average term of your nuclear operating licenses on that fleet is about 15 years. Are you getting a discount for that?

<A - Christopher M. Crane>: I'm not sure how many investors look out 15 years. It is where we haven't had any question on that. There's near-term value upside, but to address what does the company look in two decades, that's a lot of the work that we're doing on the diversification, how we look at the investments we're making, contracted assets, or durable assets. Our expansion in natural gas, right now we're the fifth largest in the marketplace on merchant natural gas storage.

Our transmission capacities that we contract for, where our gas portfolio management desk has grown considerably, we're doing well in gasses along with electricity. That drives us into optionality around projects like our LNG facility that we're permitting and that would be a fully contracted asset. Making investments like that will continue to provide avenues for future earnings. There is some inevitability in decades to come that there'll be less nuclear units, partially because of age and partially because of economics. As we look at those units today, the smaller single site, Ginna, Oyster Creek, they're not going to be able to compete. But we have a pilot project that we've started with the Nuclear Energy Institute, Department of Energy, and EPRI, or Electric Power Research Institute, to extend the life of the plants beyond 60 years to 80 years. The larger dual-unit sites would be great candidates for that.

People look at how can you have a nuclear plant run for 60 years. It's not the plant that was built 60 years ago. The concrete is the same. The reactive vessel is the same, but there's considerable investment. As you've seen and noted from our CapEx that we put in our turbines on our dual-unit sites. All our sites have new turbines, new generators, new transformers. We're constantly upgrading or changing pipe and pumps and valves.

So your active components have all been, continue to be upgraded and changed out. Our control systems are not the old control systems of the 1960s. We have state of the art digital controls on most of our reactor protection and turbine control systems. So it is a natural potential that we can do that. If the economics of the units are being compensated for their environmental benefits and their reliability benefits, we think there's an avenue to continue to drive those.

<Q - Hugh D. Wynne>: Maybe you could comment a little bit about some of the efforts you've been making to improve the economics at Ginna, but also at Clinton and Quad Cities. Where have you gotten to in New York? What are you expecting the outcome to be in Illinois?

<A - Christopher M. Crane>: So, in New York, we have a reliability negotiated deal that has been approved partially. We have to go back to RGE and we're negotiating one point – or two points that FERC wanted, but essentially we have a contract to run that at cost with a risk premium through 2018. Unless New York does something around 111(d), that unit will be challenged to run after 2018. If it doesn't have a contract for reliability, it's losing money. So it only makes sense to take it off. We'll work with New York on that.

Clinton, we've done a lot around the costs on Clinton. Clinton used to load a reactor core for 24 months. And when energy prices were higher, the cost of a refueling outage was $30 million to $40 million. Because of fuel costs are down, energy costs are down, we actually are loading a core every year, so that saves some money. We've done some other things. But the reality for Clinton is, if there is not a low-carbon portfolio standard that comes out in Illinois, the MISO market is not designed to support a competitive generator like that and the capacity market just doesn't work. There was Zone 4 and MISO is where that plant is at. There was a significant jump in the capacity prices. There was next to nothing that was getting paid. It went to $150 a megawatt day. I think that increased the profitability by $10 million on an annual basis. It's just not significant.

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Quad Cities, again, it's the low power – the low carbon portfolio standard that will be required to support that. We don't think the capacity performance plan on its own can do that. It might. And if it did through this next auction, that would be a great thing, because we're recovering our full costs and we're getting a risk premium on top of that. So it's a profitable unit.

The Illinois legislature, if it takes it up this session, that would be great, but we are on a clock to make an announcement or a decision in September and we will make that. If it doesn't clear, we don't have a bill. And if it doesn't clear, the capacity auction will have to take the next steps in announcing its early demise.

<Q - Hugh D. Wynne>: Now, let's talk about the PJM capacity auction. Do you see the more stringent definition of availability that's implicit in the capacity performance product, as creating a sustainably higher capacity price, which at least in my mind would require some kind of ongoing recurring cost of providing capacity? Or do you think that there'll be sort of a one-off adjustment with a bunch of capital expenditures that will allow people to meet the new requirement? And then, once those capital expenditures are made, they'll be treated as a sunk cost and the capacity price will fall to a level that reflects sort of the ongoing variable cost of providing it?

<A - Christopher M. Crane>: Many of the units that have cleared previously in the capacity auction have been run on very low O&M. And you saw their availability during the Polar Vortex, when they weren't able to come up. I think the requirement of maintaining a dual-fuel, the requirement and the penalties for the non-performance will drive expenditures in maintenance and maintenance practices that some of the gas units and the coal units have not seen before.

<Q - Hugh D. Wynne>: And so what will be the sustainable implication of that do you think for capacity prices?

<A - Christopher M. Crane>: I think if we have the interim auctions, we have a cap on that. I think it's 0.8. And so that will be the seed capital to get the units, the maintenance and the required capital to – if it's oil tanks or whatever. I think that there may be, in the future, a slightly – could be a potential slightly less, but it's going to be increased over the past benchmarks or averages for capacity clear, just because of the cost of maintenance.

And it's all about bidding behavior. We look at it as we're going to take a risk to bid in. So we're going to bid in a risk premium. Others, hopefully, we have seen some lack of discipline in the capacity market in the past. If people don't understand the risk of this commitment and they don't put a risk premium in, you could see a reduction there. But I think the additional maintenance and getting paid for the risk will keep it at an adequate level.

<Q - Hugh D. Wynne>: Are we talking about something that's bigger than the bread box or -

<A - Christopher M. Crane>: Well, it's -

<Q - Hugh D. Wynne>: $10, $50 maybe?

<A - Christopher M. Crane>: I think we see a long run that could go 160 to in the 200s, which would be greater than what we've seen. I think it was at 116 or 110, I forget what it cleared. 120 cleared. So there's some improvement.

<Q - Hugh D. Wynne>: 160 to 200s, okay. And if that expectation were fulfilled, what kind of EPS impact would you be expecting?

<A - Christopher M. Crane>: So that $10, [ph] Andy's (31:00) got this number up top there. What's the EPS number?

<A>: $10 is $0.05.

<A - Christopher M. Crane>: Yeah, $10 is $0.05. So if you go up from 120 to 160, you get [ph] 20% of cash (31:12).

<Q - Hugh D. Wynne>: Okay. The other short-term upside that you mentioned to earnings was the Pepco deal, $0.15 to $0.20, $0.15 by 2017. I think $0.20, you said if the cost efficiencies come through. Is that incremental to a 2014 base or are you measuring off of an earlier base?

<A - Christopher M. Crane>: 2014.

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<Q - Hugh D. Wynne>: 2014. Okay. Had a couple of questions around that deal. I guess the first one was can you make any comments around the D.C. Public Service Commission approval for the Pepco transaction? What your expectations are?

<A - Christopher M. Crane>: Well, the process as designed is very thorough. And I think that we met the test that that commission needs to ensure that this is in the best interest of the consumer, not only financially but reliability. And so, we feel comfortable that that's a good commission. They rule by the law. They've got a past precedent of following the law and we – you can always be surprised, but we feel like we've made the test and they'll process it properly. They could ask for more, they could ask for more spend, they could ask for more concessions, that's their option and we would have to weigh our ability to meet those requirements as we read them.

<Q - Hugh D. Wynne>: A related question is what are the costs to consider in the – complying with the most favored nation provisions in other jurisdictions?

<A - Christopher M. Crane>: So just the Maryland approval, we priced out where we thought New Jersey and Delaware would be. The Maryland approval across all jurisdictions increased by $11 million, so it was not significant. We're still within a reasonable range. The incremental increase in that does not have a meaningful effect on earnings per share. It's more balance sheet space we use at the holding company, which could prevent us from doing other things, but it's still a very good and accretive deal.

<Q - Hugh D. Wynne>: I wonder if we might get into some of the longer-term potential earnings upside, specifically, could you perhaps comment on some of the evolving changes in the eastern end of PJM? I'm thinking about what are your expectations for the gas price, particularly as you're looking at a gas price that's sort of anomalously low as production from the Marcellus has been bottlenecked into that region, and also the implications of a declining conventional fleet in response to MATS and potential of the clean power plan?

<A - Christopher M. Crane>: So, on the gas, we went through last year a significant portion of it with a negative basis and we've seen that basis collapse more recently and is actually a premium to the hub. But we long run see gas $4, $4.50, and that's $1 in gas improvement for us is about $800 million in earnings. So we're significantly levered to recovery in gas. We look at the economics around gas, and the infrastructure investments that are being considered to alleviate that congestion in that area, we think that that is supportive of a higher gas price in the long run. The Governor in Pennsylvania has just tasked a committee to look at how do we expedite that so it continues to have the economic development support that Pennsylvania has enjoyed over the last couple of years. A lot of rigs have laid down, a lot of things have slowed and the jobs have had an impact. So we feel good about the gas price and we'll continue to follow that.

So on the retirements, the early retirements, we'll continue to see I think heat rate expansions around that, and we believe that there is upside with that. Eventually, new units will come back in, but you'll have the cost of those new units where most of these are coming off are fully depreciated, minimal CapEx and OpEx going into them. So we think that that is an advantage on top of a more rigorous clean energy standard around carbon would be a positive thing for us.

<Q - Hugh D. Wynne>: So let's talk a little bit about the dynamics of coal to gas switching and that'll give us kind of a segue into carbon. Do you think that $1 move in the gas price in that part of the world, Eastern PJM, would be reflected in a sort of commensurate move in the power price? Or do you believe that power prices currently are being sustained by the operating costs of some of these Appalachian coal burning plants?

<A - Christopher M. Crane>: Yeah, I think that's the case on the west hub. I think it's fairly priced based off of those units, as some more of them come off. I think there's 6 gigawatts to 9 gigawatts more to come off. That will be – that support will be less impactful. I think natural gas – so with the shrinking coal fleet, when is gas on the margin, when is coal on the margin? That's yet to be seen, but we do think that that is an upside.

<Q - Hugh D. Wynne>: And then under the – well, let's talk a little bit about northern Illinois and then we'll move on to the clean power plan. How would you characterize the dynamics in northern Illinois? Do you see any potential changes in the shape of the curve, the hours that gas and coal run the margin, or is that fairly much a steady state

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market?

<A - Christopher M. Crane>: So we've got a transition period here where some of the coal is going to gas. They'll have a – there'll be more of a capacity play for those that are doing it, but it will – we definitely think there is still that $3 to $5 upside as we transition through that switching. There is not a lot of installed gas capacity at this point in NI-Hub. If there were, there's not the demand to develop it at this point either. So we see lower costs, unscrubbed or uncleaned coal going over to natural gas, a conversion – an internal conversion that would drive them less energy efficient and, as I said, more of a capacity play within the area and prices should respond to that.

<Q - Hugh D. Wynne>: Now, under the clean power plan, the objective of the EPA is in large part to reduce CO2 emissions of the existing fleet in the short-term by substituting gas-fired generation for coal. It's possible that in the revised plan that comes out in August, we'll see a longer compliance deadline, but that'll probably still be the backbone, I think, of the medium term CO2 reductions. Have you all had any insight into how the states in which you operate are likely to implement the clean power plan? How that transition will be achieved? What the economic impact will be for you?

<A - Christopher M. Crane>: Yeah. That is the low carbon portfolio standard approach that we're taking in Illinois. It is an interim bill until the final plan comes up, but we see the final plan being somewhat designed around what we're prototyping with this current bill. We're in early discussions in Pennsylvania with the administration there on how that could work. We have had conversations on how we could make that happen with organizations like the Environmental Defense Fund, EDF, and others that working at coalition that builds a market response design is critical. There's some potential problems with 111(d) that have to be fixed for us to get fully recognize the value of what we're providing and give the states the right guidance. Under the rate reduction, you can actually take a nuclear unit out and replace it with a gas unit and be within compliance.

So the mass methodology, the rate methodology has to be coached properly that you cannot have an increase, and the mass methodology is a much better methodology to ensure that. So we've been working with the EPA as a company, and along with the Nuclear Energy Institute, on making sure some of these unintended consequences are adequately addressed. We think there's more work that can be done around creating the regulation that recognizes the regional fixes. And so how do you enhance a RGGI and how do you develop a Regional Greenhouse Gas Initiative around multiple states? So we're working within the states, but we need the regulation to have a few flaws adjusted.

<Q - Hugh D. Wynne>: Do you see the states moving in the direction of putting a price on carbon? I guess we're primarily concerned about Illinois and Pennsylvania, of course, but -

<A - Christopher M. Crane>: There is a potential for that. That to us a mass base reduction program with the price on carbon is the easiest one to get your head wrapped around. And it, feel like it's the most transparent, but also putting a price on carbon in some states is heresy. So allowing the states that we operate in primarily we think that that would be an approach that'd be taken, with the exception of our development in our existing assets in Texas, which are all natural gas. We don't see Texas going that way any time soon. But the meaningful states with the nuclear assets, New York, Pennsylvania, New Jersey, Maryland, they're going to be all leaning towards the compliance and agree with the regulations.

<Q - Hugh D. Wynne>: Do you think that there'll be a move to try to formulate a regional trading scheme for carbon emissions, or do you think that's impractical?

<A - Christopher M. Crane>: I think it could be difficult if not endorsed properly within the regulation. There is, as you see in California and others attempted. It's a potential, but it will come with – it's more complex.

<Q - Hugh D. Wynne>: And not that it's of equal importance to you, but in Texas do you see the state going in the direction of CO2 permits that they issue or how are they going to avoid a price-based program?

<A - Christopher M. Crane>: I don't know. Some states are talking about not even filing.

<Q - Hugh D. Wynne>: Right. Yeah.

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<A - Christopher M. Crane>: So the EPA will give you the plan in that case.

<Q - Hugh D. Wynne>: Okay. I'm trying to think if there's other important issues here that we want to – one of the things that we've been hearing a lot about at this conference is sort of the development of the power industry over maybe the coming decade. Ted Craver at Edison International sort of expressed the view that the pace of change in the power industry was accelerating and has been accelerated obviously by the declining cost of renewable, but also by the evolution of distributed generation and energy storage. He's gone so far as to kind of express doubts about the longevity of a central station system with a radio transmission infrastructure to complement it. Do you have a view as to where the business is heading in terms of its structure? Will there be new model utilities in the future that we haven't seen in the past?

<A - Christopher M. Crane>: I think there is going to be a new model. I think the demise of central station generation is a little overstated. If you're in a state like California that doesn't have a sensitivity around prices, you can see more of that happening than not. But renewables, some renewable prices have come down, but they're still heavily subsidized. And the problem within some areas is they're not matching their renewable portfolio to their load profile. So yesterday, you had negative prices from 8:00 a.m. through 5:00 p.m. of $62 – greater than $62 in California. That really doesn't make a lot of sense. It may in California, but I don't think it's going to play in the Midwest and other industrial areas.

So I mean one of the things that we've seen with RGGI here in New York is, it's stalled a little bit because the reality of the costs of this new technology and whose going to pay for it is becoming clear. This cannot be – there has to be a social benefit to subsidizing or developing the microgrids of the distributed generation. It's a story of haves and have-nots. Now, the people that are getting the solar panel on their house have a credit rating greater than 750. They're selling it back on to the grid at net metering, which means they're deferring or removing their distribution charges, which is not equitable because that's following on the other customers.

So we have to get this right. We model – first of all, we model it as non-economic, that would say you're going to have rationality or people are going to be rational in the market. We don't see that happening. So we plugged in 10% renewable – or 10% distributed generation over 10 years. But even some of the best analysts around that that are driving the environmentalists will tell you, you can't do it without central station, without gas backup. Battery technology is advancing, but not economically and not large enough. If you want to start your air conditioner or your heat pump at your house, you need a surge capacity of 28, 29 kilowatts just to be able to turn that motor the first time and get it up and running. A 7-kilowatt battery pack on your wall is not going to support you coming off. There is two, you can put them in parallel, but its still – and how many cycles can it handle?

So we have a technology organization. We have a ventures organization. We're investing in battery technology to stay close to it. We have people scouring the national labs all the time. That will be the game changer. Is it as big as shale? I read an article today that said solar's as big as shale. Well, maybe if it's over-subsidized and overdeveloped, it will have the negative pricing effects that are the suppression of prices, but it's difficult to see the economics improve enough that you will never have, the freedom that you can go away from that.

<Q - Hugh D. Wynne>: So you're not typically concerned about a structural change to the utility model. I guess, in the short- to medium-term, you probably are much more concerned about negative prices, low off-peak prices, the kind of persistent flattening of peaks that you're seeing. Or am I putting words in your mouth?

<A - Christopher M. Crane>: No, I think you're right. But that said, what I talk to all the utility CEOs about is, this model of you talking about your rate payers, they're your customers. Your customers want certain services. They want reliability. They – in some places, they're going to want peak demands or dynamic pricing. They're going to want to manage their energy needs themselves. This is generations coming in that are much more astute to technology. And although disposable income on electricity and natural gas is greatly reduced over the last couple of decades, it's something that everybody targets and focuses on.

So as a utility, maintain relevance and look at where you want, what your customers want, and make those investments. The smart grid and the communications backbone to the smart grids start that. How do we can help control the street lights across the cities. There's controllers on that. You can bring them up. You can bring them down. There's energy

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efficiency moves on that. There's communications with customers. If people want and there's a societal benefit of a microgrid because of highly reliability needs, we're working on a pilot right now that has a hospital, but also a critical facility for the Chicago Police and it's tied in with the Illinois Institute of Technology. You can get to the point you say that power can never go off. And so how do you put a microgrid that's tied to the grid with a grid controller.

You've got to advance technology. And Ted is right. We have not seen – I have not seen technology change in my 30-some odd years as fast as it is now. And a lot of these guys that are older than me say this is incredible. Its technology is going to change our world. We can stay relevant if we serve the customer. The thought that New York was having that you would take and have somebody separate, be the distribution system operator, like the transmission system operator, that's a threat. And if you're the person saying no, no, no, instead of saying, okay, here's the facts, here's the economics, but if you want it, here's the price and we'll help you get there. That's the difference.

<Q - Hugh D. Wynne>: So do you see the roll out of these technologies on the distribution grid as having a material impact on your investment opportunities, or do you think it's going to be a little bit like what you were describing on the generation side, a very long term expensive change that probably doesn't materially affect you so much?

<A - Christopher M. Crane>: So what we're investing in now, the $16 billion is mostly technology going in to harden the system, fault detectors, fault re-closers, isolators, smart meters, communication protocol. It is driving reliability and customer satisfaction. Now, that's where we have to go. That's where we have to get the technology in and make the customer experience much better. The storm fronts that come through, getting the technology that actually predicts based off of the direction of the storm, the speed, the velocity that which it's travelling, we can now start to zero in on, where the trucks go, how many poles we think we need, big data analytics, things like that are how you get out in front of it. Some of the other stuff that you hear on the distributed generation side, the economics aren't going to be there, but people may want.

Hugh D. Wynne

Great. I think we ran out of time, but I appreciate the time you spent with us.

Christopher M. Crane

Okay. Thanks. Appreciate it.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2015-04-29
Event Description: Q1 2015 Earnings Call

Market Cap: 29,127.26
Current PX: 33.82
YTD Change($): -3.26
YTD Change(%): -8.792

Bloomberg Estimates - EPS
Current Quarter: 0.515
Current Year: 2.424
Bloomberg Estimates - Sales
Current Quarter: 6138.400
Current Year: 28500.571

Q1 2015 Earnings Call

Company Participants

- Francis Idehen
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- William A. von Hoene
- Kenneth W. Cornew

Other Participants

- Dan L. Eggers
- Jonathan Philip Arnold
- Greg Gordon
- Julien Dumoulin-Smith
- Neel Mitra
- Angie Storozynski
- Shahriar Pourreza
- Paul T. Ridzon
- Ali Agha
- Travis Miller
- Michael J. Lapides

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Britney, and I will be your conference operator today. At this time, I would like to welcome everyone to the Quarter One 2015 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Francis Idehen, you may begin your conference.

Francis Idehen

Thank you, Britney. Good morning, everyone, and thank you for joining for our First Quarter 2015 Earnings Conference Call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer and, Jack Thayer, Exelon's Chief Financial Officer. They're joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters which we'll discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section sections of the 10-K, which we filed in

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February as well as in the earnings release in and the 10-Q which we expect to file later today.

Please refer to the 10-K, today's 8-K and 10-Q and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 45 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thank you, Francis. And good morning, everyone, and thanks for joining the call. Before I go into the prepared remarks, I want to first start by addressing the situation in Baltimore. As a company with a significant presence in Baltimore, we're monitoring the unrest with great concern. As you know, Maryland's Governor, Larry Hogan, has declared a State of an Emergency and Mayor Stephanie Rawlings-Blake has declared city-wide curfew through into next week. We join the rest of the business community in recognizing the issues that Baltimore is dealing with and needs to address so this great city can heal itself and get back onto economic growth for all.

Moving on to the quarter, I'm very pleased with our financial performance. We delivered earnings of $0.71 per share, surpassing our guidance range of $0.60 to $0.70, and Jack is going to describe our performance in greater detail.

I would like to focus my remarks on our priorities and how we are strategically pursuing value for customers and shareholders. We continue to operate in a challenging market environment, particularly on the generation side of our business, but our gen-to-load match strategy continues to create value, as seen in the first quarter hedge disclosure.

Our advocacy efforts are focused on creating channels to capture value for our communities and customers we serve and for our shareholders. I'll touch on those directly. In our regulated business, we are redefining the role of the utility of the future, in part by making needed infrastructure investments to modernize the grid. Over the next five years, our LRP has $16 billion of capital that will create approximately a 6% CAGR, with another potential $7 billion at PHI.

Installing smart meter technology to enable customers to make informed choices about their energy consumption and promoting energy efficiency investments and innovation and resilient technologies at our utilities is a way that is progressive and equitable across all customer types. You can see this reflected in the Energy Plan for Illinois' Future bill that we recently proposed through ComEd in Illinois.

With these efforts, we are bringing improvements to the lives of the customers in a way that creates value for the company. Our merchant business faced challenges, primarily due to policies and market design shortcomings that have failed to fairly value the benefits of nuclear. As a result, we focused our advocacy efforts on ensuring reliable environmental and economic benefits of nuclear power are not taken for granted and that these plants are operated on a level playing field.

In Illinois, we are working with state legislators on the Low Carbon Portfolio Standard that values each of these benefits. The bill unanimously was approved by the Senate Energy Panel and the Public Utilities Committee and will now go the Senate floor. We hope the same will happen in the House and that the bill will be approved within this legislative session.

From a reliability perspective, we are pleased that FERC has granted the waiver to allow PJM to delay the capacity auction in order to further review PJM's CP proposal. It is clear from this action that FERC appreciates that the older rules are not sufficient to ensure reliability and that changes must be made. We look forward to a positive outcome.

We continue to work through the process of finalizing a contract with RG&E for our Ginna facility. As these events play out, we continue to do our best operating the plants and the utilities at high levels of efficiency, hedging our generation output through strong portfolio management while we expand our footprint and our profits in retail, power and gas operations. As you can see, we are doing things on both sides our business; we're tapping into multiple

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channels to create upside and drive value for our customers and for our investors.

This leads me to our proposed merger with PHI. As you know, we've obtained regulatory approval from FERC, Virginia and New Jersey. We've reached a global settlement in Delaware that is pending Commission approval. That leaves Maryland and the District of Columbia. In Maryland, we've reached a partial settlement with several critical parties. We presented that settlement to the Maryland Public Service Commission and expect a decision from them on May 15. In the District, we've completed our evidentiary hearings and we're now filing briefs and the Commission will commence its deliberations.

We have said from the beginning that this merger and the commitments we have made clearly demonstrate this merger is in the public interest and should be approved by the regulatory commissions. While there's no guarantee that the Public Service Commission will approve the proposal, and there's no guarantee that they will not impose conditions that would frustrate the transaction, we believe that the settlement and commitments that we have made in the proceeding are more than meet the statutory requirements for the merger approval, and we will look forward to orders approving the merger. We expect the merger to close late in the second quarter or in the third quarter.

In summary, we're creating value today while actively pursuing public policy changes that recognize the benefits provided by our clean reliable assets and we're working on all those fronts.

I'll now turn it over to Jack, who will cover the financial performance for the quarter.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. We had a strong first quarter to start the year. My remarks will cover our financial results for the quarter, second quarter guidance range and update our hedge disclosures and cash outlook. I'll start on slide four.

Starting with our first quarter results on slide four, Exelon exceeded our guidance range and delivered earnings of $0.71 per share. At Exelon Generation, once again we realized the benefits of our generation to load matching strategy. Quarter-after-quarter, this strategy has paid dividends in a broad array of market conditions.

During the first quarter, despite experiencing lower power prices than during the same period in 2014, we benefited from a lower cost to serve customers. We are realizing strong margins in our load business from contracts we executed last year after the Polar Vortex. In addition, our gas business performed above our expectations during the quarter due to favorable weather. While our nuclear plants performed better than they did at this time last year, we did have some nuclear outages that negatively impacted our quarterly earnings by approximately $0.04 relative to plan.

That being said, we continue to push our plants to perform at our standard highest levels of performance. Our portfolio management team performed strongly and was able to more than offset these losses. On balance, Generation earned $0.35 per share during the quarter. Exelon's Utilities delivered combined earnings of $0.39 per share, an $0.08 increase over the first quarter of last year.

Although we did not see a repeat of the Polar Vortex of 2014, with sustained extreme cold and wind-chill, we faced a very cold winter with heating degree days 14% to 19% above normal in ComEd's and PECO's service territories. In fact, it was colder in Philadelphia this winter than the previous winter. Cold weather, a lack of severe storms and increased distribution rates at BGE drove utility results this quarter. More detail on quarter-over-quarter drivers at the Utilities can be found in the Appendix on slide 16.

For the second quarter, we are providing guidance of $0.45 per share to $0.55 per share. This compares with our realized earnings of $0.51 per share in the second quarter of 2014. We are reaffirming our full-year guidance of $2.25 to $2.55 per share. Since our last call, both PECO and ComEd have filed rate cases this year. On March 27, PECO filed an electric distribution rate case with the Pennsylvania Public Utility Commission requesting a $190 million revenue increase and a 10.95% return on equity. This is PECO's first rate case filing since 2010 and the first-time filing based on a fully projected future test year.

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In addition, if the PAPUC approves the new System 2020 plan, an additional $275 million will be spent during the next five years to install advanced equipment and reinforce the local electric system, making it more weather resistant and less vulnerable to storm damage. We expect the PAPUC to rule by the end of the year on the rate case and System 2020 plan with new rates going into effect in January of 2016.

On April 15, ComEd filed its Annual Formula Rate Filing with the Illinois Commerce Commission. ComEd requested a revenue decrease of $50 million. This reduction is a result of a continued focus on cost management and operational efficiencies that are being realized from a stronger, more reliable grid with fewer outages.

EIMA and the smart grid investments are working. Since 2012, there have been more than 3.3 million avoided customer interruptions including 1.2 million in 2014, due largely to increased investments in distribution automation or digital smart switches that automatically route power around problem areas. Outage avoidance has saved customers an estimated $175 million. More detail on each of these rate cases can be found in the Appendix on slides 20 through 22.

I will now turn to our first quarter gross margin update on slide five. During the quarter, we saw a drop in natural gas prices, while power prices were steady and heat rates expanded further. The market is finally incorporating the change in the generation stack due to coal retirements as evidenced by the heat rates seen today. Approximately 10 gigawatts of coal plants in PJM have or will retire this year, with the majority of retirements occurring in April and May.

We hedged close to a ratable amount during the quarter in both the Mid-Atlantic and Midwest regions. At the end of the quarter for 2016 and 2017, we remain considerably behind ratable in the Midwest, where we continue to see upside. Total gross margin is unchanged or relatively unchanged across 2015 through 2017 from our fourth quarter disclosures.

As I mentioned, Constellation had a good quarter and executed $200 million in power new business and $100 million in non-power new business. In addition, we raised our power new business target by $100 million because we have line of sight for continued success in the balance of the year. This increase was offset by our nuclear outages, resulting in a net $50 million improvement in 2015 total gross margin.

Slide six provides an update on our cash flow expectations for this year, projected cash from operations of $6.7 billion. I'd like to point that we've increased our CapEx projections at ComEd by $200 million. In finalizing the investment plan for 2015, ComEd identified incremental opportunity to invest in infrastructure, including grid resiliency and security, storm hardening and smart grid. These investments will continue to improve the reliability of ComEd's system. As a reminder, the Appendix includes several schedules that will help you in your modeling efforts.

Thank you. And we'll now open the line for questions.

Q&A

Operator

[Operator Instructions] Your first question comes from the line of Daniel Eggers with Credit Suisse.

<Q - Dan L. Eggers>: Hey. Good morning, guys.

<A - Christopher M. Crane>: Good morning, Dan.

<Q - Dan L. Eggers>: I've been hearing a lot of concern about the Pepco acquisition and probably some of the Maryland comments, both out of the MEA and Governor's Office. Can you just share your thoughts in how you guys address maybe the market power considerations or issues that are raised and how you guys move past that to get this deal done?

<A - Christopher M. Crane>: Yeah, there are some that have mentioned a loss of competition. And as all know, Pepco Maryland and BG&E do not compete. Each will be standalone in the future, as they are now, rate cases will be decided by the Public Utility Commission in Maryland. We work at the will of the Commission. The benefits that we show by bringing PHI into the Exelon Utilities with best practice sharing, being able to leverage procurement and the

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commitments that we made, we think meet the test to the benefit of the consumer.

So the Governor has not taken that position. The Governor has stayed neutral since, as he said, he's come into this late in the process. So there were rumors that he was against it; that was clarified with a letter that he sent to the Commission saying he has faith in the Commission that they'll do the right thing and he's neither for or against, he's neutral on it. And that's the support that we've gotten from Montgomery County and Prince George's County is significant. Those were the major customer bases where majority of the Maryland customers are and we have a strong support from both counties.

<Q - Dan L. Eggers>: Okay. And I guess just to play devil's advocate. If Pepco were not to tell you guys to get funded, the equity component of that transaction well in advance, how would you guys use that capital if you ended up having it back to deploy in a different direction?

<A - Jonathan W. Thayer>: Dan, it's Jack. Obviously, we don't anticipate that to happen. We anticipate getting a successful outcome here. To the extent that the terms of approval were onerous or we were rejected outright, we would look to cash settle the equity, the forwards that we had issued, and we would look to utilize the capital raise from the convertibles to either fund growth at the business or return value to shareholders through other means.

<Q - Dan L. Eggers>: Okay. And I guess just maybe one last question, the prioritization of capital. Obviously the ERCOT CCGTs are out there, but there's been more conversation about prospectively the LNG project that you guys are an early investor in as well as these stories about the UK office. Can you just clarify how you guys are prioritizing those capitals and maybe address any of the issues that might be around what we've been hearing in the media?

<A - Christopher M. Crane>: Yeah, you can see based off of our capital spend, our highest priority is in the regulated investments. We're making, as I said, $16 billion of investment over the next five years, with another potential $7 billion with Pepco, being PHI coming in. So, that we see is a good solid investment needed for the infrastructure for the customers and benefit to shareholders.

The CCGTs in Texas are still a very good investment, very positive NPV. It continues to match our generation to load strategy, as we continue to grow that load book in Texas in ERCOT. We said at the beginning, we're getting these at a very good terms. They're under $700 a KW on our brownfield site where we'll have expense advantages of combining them with our existing facilities. And the nature of those plants, the efficiency and the flexibility of them, they'll dispatch well in that ERCOT market. So that's still a positive investment.

Annova is a good strong option. We're the fifth largest in the handling merchant gas. We have core competencies around our gas portfolio and continuing to grow out the gas business is a logical move we believe. But the nature of that project is contracted. It would be a contracted long-term type arrangement that de-risks it significantly. If we are successful in obtaining contracts and permits then we would make the investment to continue to develop out our gas business. So that's the strategy around utilities. The strategy around competitive electric and gas continue to be the primary.

The story in the UK, is not an equity story at all. Exelon Nuclear Partners has been invited in to the bidding process to be the operator on a couple of projects potentially in the UK. We have a very small office that we rent month-to-month that those folks are working out of. Part of the process of doing that is understanding more the UK market. So there's been some due diligence around that, but we have no plans right now on becoming an equity owner in the UK at this point. That was a clarification needed to be made.

<Q - Dan L. Eggers>: Thank you. I appreciate it.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Hi. Good morning, guys.

final
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<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Jonathan Philip Arnold>: Just quick one on Illinois. Christopher, you're saying you still think that you're hopeful that you'll get things across the finish line in the spring session. There's been talk that there might be slippage into the veto session and obviously with the PJM auction delayed maybe the state would want to wait, see the outcome. What's behind your conviction that we're still on for the spring?

<A - Christopher M. Crane>: There's a hearing today that will be continuing to address the issue. So, it is being discussed, it's being worked, even with all of the other business that has been going on in Springfield around budget. So as I said, we got strong support, unanimous support out of the Senate Energy and Public Utilities Committee in March, unanimous. And there's hearings in both the House and the Senate this week to continue to discuss it. So we remain positive, cautious, but positive that we'll be able to get something through in this session. If we don't, and if the likelihood is that we're not going to get a build and we have to address the long-term profitability of the units, and we'll decide that as we see the legislative session end.

<Q - Jonathan Philip Arnold>: Okay. That's great. And then one other issue and Dan asked about the UK and you responded about the nuclear operator bidding process. There was also a story that you'd been linked to looking at an investment in a CCGT, which appeared to be similar next generation technology like you're working on in Texas. Any comments on that?

<A - Christopher M. Crane>: Yeah, I learned about that when you did, in the clippings. So, there is market intelligence that's going on at a lower level in the organization, but there is no plans to enter into equity positions at this point in the UK.

<Q - Jonathan Philip Arnold>: Great. Thanks for reiterating that. That's all I have.

Operator

Your next question comes from the line of Greg Gordon with Evercore ISI.

<Q - Greg Gordon>: Thanks. Good morning, guys.

<A - Christopher M. Crane>: Good morning.

<Q - Greg Gordon>: Your expected generation guidance for 2015 through 2017 in New England is 2X, 2X plus today versus what it was in the fourth quarter release. You haven't acquired any assets. So can you explain how you've been able to double your expected generation in that market and the flow through impact it's having on your expected gross margin, which looks like it's up marginally over the next two years, but then down marginally in 2017?

<A - Joseph Nigro>: Greg, good morning. It's Joe. I'll speak to that. And you're right on we noticed that our expected generation in New England in all years has increased appreciably. And as such, that generation percentage hedged has declined with that increased output of generation.

Very simply, we had disclosed in Q4 2013 that we had worked with a fuel supplier to restructure a contract that we have. And if you remember, back then our generation had dropped by about 50% in the quarter-over-quarter at that time. That contract restructuring has been terminated and it will be effective at the end of June this year and the contract itself will revert back to its original terms and conditions.

It has two impacts. One, you're seeing the generation impact and the hedge percentage impact. And the notification of that termination was at the end of the first quarter of this year, so really you're seeing it flow through on an immediate basis. The gross margin impact was very minimal across the horizon. And as such, just mechanically when you look at the hedge disclosure, the dollars of the termination of the contract restructuring as well as the increased value of the generation output and the margin associated with that is all flowing through the open gross margin line and it's very

final
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minimal. So really it's a volume change that you see with real dollar impact.

<Q - Greg Gordon>: So then what's the economic rationale for termination if it's more or less NPV neutral? Are these fuel contracts for gas plants that have optionality associated with price volatility? Are they base load? Why would you terminate that contract if it wasn't increasing the NPV appreciably?

<A – [0D6FFV-E]Joe Nigro – Exelon Corp.> I can't say too much due to the confidentiality of the nature of the agreement. But what I will say is the contract termination was the right of the supplier, held that right. And from our perspective, as I said, the impact economically was very muted. I can't speak to the supplier's perspective on why they terminated, but it's related to a long-term supply arrangement that we have.

<Q - Greg Gordon>: Okay. Thank you.

Operator

Your next question comes from the line of Julien Dumoulin-Smith with UBS.

<Q - Julien Dumoulin-Smith>: Hi. Good morning.

<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Julien Dumoulin-Smith>: So I wanted to focus on the CP product, if you could. First, with regards to your expectations on future retirements, I'm curious, do you see the CP product as proposed driving retirements as you go to 100% CP market? Is that conceivable? And what kinds of units? And then subsequently, obviously with Supreme Court here waiting on the DR decision, how do you see that ultimately impacting the base in CP products of any eventual auction here? And does it appreciably impact CP, or is it more of an impact on the base auction?

<A - Joseph Nigro>: Julien, It's Joe. I think to your first question around retirements, we don't see a material impact. I mean, I think the rationale is first and foremost obviously to improve the reliability on the system. And to do that, you need a couple of – well, you can go about that in a couple of ways. One is the hardening of the units themselves, which have a cost associated with it. The second thing is to make sure you have firm fuel on site for these units and there's a cost to do that.

When you look at the economics of all that, we don't believe there's going to be a material impact to retirements. I will sit and here say, though, given this structure that's been laid out, if it is implemented, I would expect that you would see an increased risk premium effectively in the marketplace, given the fact that the penalty structure is changing, rightfully so, to ensure reliability, but I don't think outright there will be a material impact on the retirement side.

<Q - Julien Dumoulin-Smith>: And on demand response?

<A - Joseph Nigro>: I guess from a DR perspective, there's a lot of flux around the rules, but sitting here looking at this auction, we would expect to see the demand response activity will continue in the way it has. And then as you see – as rule changes through time, if it is to change whether it becomes a retail product as opposed to a wholesale product, we'll have to see how that plays out.

<Q - Julien Dumoulin-Smith>: Okay. Fair enough. And then just turning to the renewals business, obviously the YieldCo phenomenon continues to evolve. Have you given more thought about the degree to which this business is core as we've seen the market evolve?

<A - Christopher M. Crane>: Julien, with respect to the renewables part of our business?

<Q - Julien Dumoulin-Smith>: Exactly. Just – not creating a structure yourself, but ultimately whether you could garner better value in the public markets of late?

final
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Bloomberg
SI-SSA-0015-01763

<A - Christopher M. Crane>: As you know, we have an extensive business, both on the solar as well as wind renewables part of our business. And how we've improved the returns on that business over the last number of years has been through the extensive use of project financing as a means of returning capital to the corporate coffers to reinvest, either in the growth of the utilities or fund some of our other expansionary efforts around, as an example, the peaker that we're building in New England or the combined cycles we're building in Texas.

Certainly, we do watch and we do evaluate and consider the potential impact on value that a YieldCo could have on our assets from the perspective of YieldCos as potential buyers of those assets or through the potential to create our own YieldCo. And we continue to evaluate that. Within our project financing efforts, we have retained that option to be able to do that.

I think one of the key elements, though, to a successful strategy around the YieldCos is having a significant and visible pipeline of assets that you could drop down. And we have, I think, a good amount of assets. We have elements like our Annova LNG facility, that we if decide to pursue that and we had a long-term off-take agreement that would provide attractive revenues that could fit in that type of structure. But at this point, we don't have any plans to pursue such a structure and continue to have a candidly wait-and-see approach.

<Q - Julien Dumoulin-Smith>: All right. So more of a retain the business, build it out and then see down the line, rather than monetize it?

<A - Christopher M. Crane>: Absolutely. So you see us continuing to deploy wind investments. We have a project that we're developing down in Texas, [indiscernible] (32:23). You continue to see us work down on a path on the Annova LNG project, to secure a long-term off-take and you see us continue to, through our Constellation business, continue to pursue opportunities to grow the solar side of our business.

<Q - Julien Dumoulin-Smith>: Great. Well, thank you for the time.

Operator

Your next question comes from the line of Neel Mitra with Tudor, Pickering.

<Q - Neel Mitra>: Hi. Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Neel Mitra>: Just wondering on the HoldCo side, how much more debt are you able to support after the Pepco acquisition closes now that you're more regulated?

<A - Christopher M. Crane>: Neel, as you know, we have significant debt issuance forthcoming that will be used to finance at the holding company the PHI transaction that we would look to bring to market once we have visibility around a successful path in Maryland. We continue to evaluate the balance sheet capacity and the space that we have at that holding company. As you know, we've said we'll utilize that holding company as a potential vehicle to finance regulated growth. I think an important element of this is the interplay between the growing earnings mix of our utilities business relative to our merchant exposure and how the rating agencies perceive us.

And so to the extent that the rating agencies continue to evolve in their thinking around the risk embedded in our business, and CS is a less risky credit, I would say that's the biggest mover of balance sheet capacity. Obviously, some elements around, whether its capacity performance, the Illinois Clean Energy legislation that would be additive to the company's cash flow and earnings would also be helpful to our ability to add further leverage to the holding company.

<Q - Neel Mitra>: Got it. And then assuming Pepco closes, what's the latest update as to when the dividend is fully funded by the regulated side?

<A - Jonathan W. Thayer>: So we project that towards the latter part of the decade into 2020 timeframe, but we'll continue to evaluate that based off of rate case outcomes.

final
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Bloomberg
SI-SSA-0015-01764

<Q - Neel Mitra>: Okay. Great. And then...

<A - Jonathan W. Thayer>: And, Neel, that's specific to, from a free cash flow standpoint, the utilities being able to, not just from a payout ratio standpoint, but from a free cash flow funding standpoint. Chris' point on the latter part of the decade is when that cash would be available to potentially consider growing the dividend.

<Q - Neel Mitra>: Great. And then last on the Illinois legislation, if something isn't reached by the end of May, what are the options to maybe keep the process going through 2015? Or is it kind of done through the rest of the year if you don't have an outcome by May?

<A - William A. von Hoene>: We expect the session to – this is Bill von Hoene – conclude at the end of May. It conceivably could be extended. If the budget impasse continues, it's unlikely that the energy legislation would be considered during that period of time. There is a six day session, veto session, in November and into early December which requires a supermajority on any votes that pass during that period of time. So that would be the next time the legislature would convene after the conclusion of this regular session.

<Q - Neel Mitra>: And a supermajority which require a 60% vote, is that correct?

<A - William A. von Hoene>: That's correct.

<Q - Neel Mitra>: Okay. Great. Thank you.

<A - William A. von Hoene>: The point on that, though, in May of 2014 we committed not to make any decisions based off of the economics for a year. We're coming to the end of that year and we need to make decisions that start the planning process if we do not see a success there.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie.

<Q - Angie Storozynski>: Thank you. So I wanted to focus again on Illinois. So it seems like you guys have bullish energy prices in Illinois and that's why you're not hedging much of your portfolio. You're also bullish on capacity prices, at least in PJM. You just had this spike in MISO capacity. So how does that add up because on the one hand if capacity prices rise, then you have less of a volatility in on peak power prices and that's potentially lower heat rates, so how does it reconcile with your outlook on heat rate?

<A - Joseph Nigro>: Good morning. This is Joe. I think that what I would say is if we talk just about energy prices in Northern Illinois for a minute, using prices as of the end of the quarter, we do still see heat rate expansion. We don't think the market is priced in or the upside really driven by the back of the changing dispatch stack. And if you think about two different timeframes like 2016, 2017, we probably see less upside than we do when you get out to the 2018, 2019 time period and it's probably to the tune of $1 to $2 accordingly.

And just as importantly, we also have a view that we think that natural gas is underpriced at this point, which would, in addition to that, would drive prices higher net-net because you would see a slight heat rate decline with the rise in natural gas, but net-net it would be a positive outcome. And your point is right, that from a hedging perspective, we continue to remain behind our ratable hedging plan in the Midwest to the tune of about 10% in 2016 and 2017 approximately, just given those views.

<Q - Angie Storozynski>: And you also think that the carbon legislation in Illinois is not going to have any negative impact on forward energy prices in Illinois?

<A - Joseph Nigro>: No, we don't.

<Q - Angie Storozynski>: Okay. And secondly in ERCOT, so you keep saying that you have a cost advantage for the new build and you clearly do. But forward curves are showing on peak spark spreads of $15, $16. So the conclusion or your dedication to the project is driven by your outlook on where these sparks are going to go as opposed to what we're

final
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seeing. And so can you give us at least a sense what is kind of spark spreads you're assuming in your calculations when you think that the IRR of the projects is still interesting?

<A - Kenneth W. Cornew>: Angie, it's Ken. We continue to be comfortable with our investment in these plants because of, as Chris said, the cost advantage, the technology advantage, meaning the heat rate efficiencies and the responsiveness of the plants. We've seen spark spreads bounce around a lot in ERCOT. The lack of volatility recently has driven them down. Our long-term fundamental views are what I would say conservative and we're still confident in the investments, very confident, actually.

<Q - Angie Storozynski>: Okay. Thank you.

Operator

And your final question comes from the line of Shahriar Pourreza with Guggenheim Partners.

<Q - Shahriar Pourreza>: Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Shahriar Pourreza>: Just sticking with the RSSA, with Ginna, is there an update on the filing? And then just counter with the EDF put option, how should we think about under an assumption that you may own the remaining portion of this plant? Is there an option that you can get an expanded RSSA contract if the timing works?

<A - William A. von Hoene>: The RSSA contract – this is Bill von Hoene. The RSSA contract was approved by FERC effective April 1, but with two adjustments being required in the contract which has been sent back and a compliance filing will be made by Ginna to reflect that. And there will be a process by which the contract itself will be evaluated and potentially settled through a FERC procedure. So that is going to go forward for probably the balance of the year based upon precedent in other circumstances, although the ability to collect on a cost-based rate is effective now.

The put is exercisable by EDF January 1, 2016. We do not know and don't speculate as to what would happen in connection with that. With regard to the potential extension of the RSSA agreement, it's predicated on the period of time that's necessary for the New York system to find alternative ways to deliver the same reliability that Ginna currently is required to deliver. So we would not anticipate, in the absence of the failure of the New York system to do so, that there would be any basis for extension of the agreement.

<Q - Shahriar Pourreza>: Got it. And then just one last thing, just sticking with the Illinois carbon portfolio, have you quantified what could potentially be available under the cap using, let's say, the 2014 rates? And then additionally, am I correct to assume that there's an opportunity to breach that cap if somehow the credits are being constrained?

<A - William A. von Hoene>: No. The cap is the same essentially 2% cap that goes on energy efficiency and RPS. And I think that's been calculated by a number of folks. There's no provision by which the cap could be breached under the legislation as it's currently proposed.

<Q - Shahriar Pourreza>: Got it. And then you haven't quantified what could be available under the program using pre-existing rates, right?

<A - William A. von Hoene>: No, we have not.

<Q - Shahriar Pourreza>: Okay. Thanks so much.

Operator

Your next question comes from the line of Paul Ridzon with KeyBanc.

final
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SI-SSA-0015-01766

<Q - Paul T. Ridzon>: Hi. A quick question on Illinois. With the Attorney General's Office kind of weighing in on the MISO auction, is that entering the discussion in the legislature?

<A - Christopher M. Crane>: There has been attention, not surprisingly, to the MISO auction in connection with the legislative deliberations, and I think it's relevant in the minds of the number of legislators. From our standpoint, however, it has virtually no impact on the health of our plants. The Clinton plant was a price taker in the auction and which had sold in advance a significant portion of the power, the benefit of the auction result is only about $13 million, so that's far short of what would be necessary and doesn't obviate the need for the low carbon portfolio standard for that plant and elsewhere.

<Q - Paul T. Ridzon>: Thank you.

Operator

Your next question comes from the line of Ali Agha with SunTrust.

<Q - Ali Agha>: Thank you. I wanted to clarify, I may have missed this. I think you were mentioning that on the forward prices versus fundamental view, if I heard you right you said you thought Midwest was probably about $2 lower than where the fundamental view would be. I want to confirm that. And what's your thinking on Mid-Atlantic or PJM right now forward versus fundamental?

<A - Joseph Nigro>: Yeah, this is Joe. What I said was there's two components to our view. The first is just fundamentally we still expect to see heat rate expansion in Northern Illinois across the time horizon. So, if you look at calendar 2016, 2017 and beyond, we would expect to see heat rate expansion, and that's probably in that $1 to $2 range. But additionally, we see gas price upside, which would also increase the power price beyond that upside. So that would effectively raise the heat rates as well and – or effectively raise the power price as well.

So there's two components to our view and, as such, we're behind our ratable plan in 2016 and 2017 from a hedging perspective to the tune of approximately 10%. And it's important to note that there's some seasonality associated with that in our hedging profile within a given year reflects that, meaning we see time buckets that are more valuable relative to the market than others.

On the West Hub side, we see that heat rates and power prices are generally in line with our fundamental forecast, and we don't see quite as much opportunity. But, again, there's seasonality associated with that and our hedging profile takes that into account.

<Q - Ali Agha>: Got it. And, Joe, one other thing, on the retail side, a quick update on the competitive environment and the $2 to $4 margin that we've historically been benchmarking, just to give us a sense of where we are as new contracts are rolling in.

<A - Joseph Nigro>: Yeah, I think in general our load business has done very well, whether we're talking about our retail book of business on the commercial industrial side or our Polar procurement business on the wholesale side. After the Polar Vortex last year, we saw, I would say, folks maybe pricing the risk more prudently from our perspective as it relates to managing a retail contract. That's one element of it. And then from the margin perspective, using that $2 to $4 benchmark that you laid out there, we're well in line in the range of that $2 to $4, whereas we were sitting here a year, year-and-a-half ago, we were struggling to be even at the low end of that range. So we've see improvement across the board, both from a risk pricing perspective and a margin improvement perspective in our load business, both wholesale and retail.

<Q - Ali Agha>: Got it. Thank you.

Operator

Your next question comes from the line of Travis Miller with Morningstar.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-01767

<Q - Travis Miller>: Good morning. Thank you. This is a bit of a follow up to that last question, but how long do you expect this magnitude of a load matching benefit that you've got in this quarter to extend? Can we think about this extending through the full year and beyond, or was there something in the quarter that gave you even more benefit on the load matching side relative to what we could see later in the year and ongoing?

<A - Joseph Nigro>: Yeah, I think there's a couple of answers to that question. And I think the most important one is we're seeing the changeover in the generation stack that we expected to see with retirements and low gas prices. And you've seen the heat rate expansion that we've been talking about for some time. In addition to that I think what you're going to see going forward is increased volatility and both upside volatility and downside volatility. And I think that has an impact on load serving contracts because you need to make sure that they're priced accordingly.

So we've got the benefit of, I would call it, lower load serving costs in the first quarter and they've come down on a mark-to-market basis for the balance of the year, but our expectation is given that market volatility, we expect to see that that would pass through to continuing to see appropriate risk premiums in our load serving business and appropriate margins.

<Q - Travis Miller>: Okay, great. Thanks a lot.

Operator

And your final question comes from the line Michael Lapides with Goldman Sachs.

<Q - Michael J. Lapides>: Hey, guys. Just want to circle back a little bit on PJM. We keep seeing a lot of announcements or people attempting to get new combined cycles build. We've obviously had a lot clear over the last few years. Gas base is still – is pretty low, meaning still pretty wide in parts of PJM relative where Henry Hub is or even when Pepco is. Just curious your multi-year thoughts about whether lots of plants actually do get built, meaning or do a lot just disappear by the wayside? And what this means not only for, I don't know, your view of are we kind of at newbuild economics in PJM so the concept of building merchant combined cycle in PJM makes sense to you here, just broader thinking about gas plant economics in that market?

<A - Joseph Nigro>: There's a couple of questions there. Let me try to pick them off one-by-one. I think the first one is as it relates to the turnover [indiscernible] (49:25) I think it's clear that we're going to see retirements of generation assets. In our fundamental modeling, we have an add back of an appreciable number of gas-fired generators in PJM, with most of them, say, on the Eastern side of PJM because that's where the economics are more favorable than a territory like NI Hub, for example. You're talking about a long-term investing asset with a build of a combined cycle plant, and you're looking at a market with spark spreads that's a much shorter dated time horizon. In PJM, unlike some of the other markets, the capacity price comes into play as well and is part of the equation.

Clearly, we don't see newbuild economics work on the Western side of PJM. On the Eastern side of PJM, it's a much more marginal exercise. I think where spark spreads are and where capacity price is, if you use last year as a benchmark for example, I think you can say that's a marginal calculation. There was some talk, if you go back a year ago, that people were going to be able to lock in gas contracts for 20 years at well under Henry Hub at M3 gas or that Mid-Atlantic type gas. I would tell you I haven't seen that and I don't think that's going to be the case, so there's an element of making sure that you understand what the dynamics of the cost of production are as well.

But I think net-net, fundamentally what we see is a turnover of the stack, our fundamental forecast reflects that. So we have an appreciable add-back of combined cycle plants. And when we take that all into account, as I said previously, we still see upside to the heat rate at NI Hub and we're generally in line with where the market heat rate is West Hub.

<Q - Michael J. Lapides>: Got it. And one real quick follow up, if you don't mind. You all talked a little bit about what the resolution on nuclear fuel means. Can you talk about what that means for fuel costs on a per megawatt hour basis for a typical nuclear plant, like how material is the change on a dollar per megawatt hour? I mean, are we talking $0.05 or $0.50, just trying to get my arms around it.

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<A - Christopher M. Crane>: You're talking about the DOEC?

<Q - Michael J. Lapides>: Yes, please.

<A - Christopher M. Crane>: A little less than $1 a megawatt.

<Q - Michael J. Lapides>: A little less than $1 per megawatt hour. Got it. $1 megawatt hour, so something that may have been $7.50ish is now well below $7?

<A - Christopher M. Crane>: Yeah, yeah.

<Q - Michael J. Lapides>: Got it. Thanks, guys.

Operator

I would now like to turn the call back over to Francis for closing remarks.

Francis Idehen

Thank you, Britney. This concludes our first quarter call. Thank you, everyone, for joining us this morning.

Operator

Ladies and gentlemen, this does conclude today's conference call. You may now disconnect your lines.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2015-02-13
Event Description: Q4 2014 Earnings Call

Market Cap: 28,813.02
Current PX: 33.51
YTD Change($): -3.57
YTD Change(%): -9.628

Bloomberg Estimates - EPS
Current Quarter: 0.668
Current Year: 2.491
Bloomberg Estimates - Sales
Current Quarter: 5406.667
Current Year: 24157.357

Q4 2014 Earnings Call

Company Participants

- Francis Idehen
- Christopher M. Crane
- Jonathan W. Thayer
- Joseph Nigro
- William A. von Hoene
- Kenneth W. Cornew
- Joseph Dominguez
- Denis P. O'Brien

Other Participants

- Gregory Harmon Gordon
- Dan L. Eggers
- Jonathan Philip Arnold
- Steven Isaac Fleishman
- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Hugh D. Wynne

MANAGEMENT DISCUSSION SECTION

Francis Idehen

Good morning, everyone, and thank you for joining for our Fourth Quarter 2014 Earnings Conference Call. Leading the call today are Chris Crane, Exelon's President and Chief Executive Officer; Jack Thayer, Exelon's Chief Financial Officer; Joe Nigro, CEO of Constellation; and Bill von Hoene, Exelon's Chief Strategy Officer. They are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks.

We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website. The earnings release and other matters that we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material, comments made during this call, and in the risk factors section of the earnings release and the 10-K, which we expect to file later today.

Please refer to today's 8-K and the 10-K and Exelon's other filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for a reconciliation between the non-GAAP measures to the nearest equivalent GAAP measures.

We've scheduled 60 minutes for today's call. I'll now turn the call over to Chris Crane, Exelon's CEO.

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Christopher M. Crane

Good morning. And thanks for everybody joining. We had another strong year of operations in 2014 which we're very pleased with given the challenging weather conditions at the start of the year. At the Utilities, each OpCo achieved top-decile performance for safety and top-quartile performance for outage frequency and duration. The nuclear fleet ended the year at 94.2% capacity factor which this marks our 15th year in a row being over 92%. Gas and hydropower dispatch match was at 97% and our renewable energy capture was at 95%.

On the financial side, we delivered $2.39 a share, in line with our recent year full-year guidance. Exelon Generation delivered a strong year for performance in what was a volatile year. And our generation to load-matching strategy drove strong results during an unexpected mild summer.

The Utilities performed well in light of severe storms and continuing challenging interest rate environment. 2014 was an active year for us, and in addition to selling several assets, we continue the process of recycling capital and strengthening our balance sheet.

I'll highlight some of our major investments for the year. We grew across the enterprise. From the utility growth perspective, we announced the PHI merger and continued on with our infrastructure upgrade plans, spending $3.1 billion of utility investment.

On the merchant side, we announced a state-of-the-art CCGT newbuild in ERCOT and we added 215 megawatts in nuclear, wind and solar capacity during the year. At Constellation, on the retail side, we completed the acquisition of Integrys retail and ProLiance.

We also made investments in adjacent markets and emerging technology to continue to prepare for an evolving marketplace. Bloom Energy and our micro-grid investments are good examples of that.

We also had a number of major regulatory developments in 2014 that affect both the Utilities and the Generating business. On the Generating side, we've seen progress in Illinois nuclear discussions, with four reports released last month which highlight the reliability, the economic and the environmental benefits of the nuclear plants to the State.

PJM Capacity Performance Proposal has been submitted to FERC. We strongly support the steps being taken to ensure reliability in the region. We expect a continuing discussion on the EPA's Clean Power Plan over the next several months.

On the utility front, we had two positive outcomes for ComEd and BGE rate cases. ComEd received 95% or more from our ask on the last three consecutive rate cases and BGE achieved its first settlement since 1999. And these outcomes highlight our continued commitment to the customers we serve. Bill is going to go into greater detail on the advocacy issues towards the end of the call.

These policy initiatives on the horizon present a potential material upside to earnings as value of our fleet is more appropriately recognized by the market. However, I do want to underscore that the management team is focused on EPS growth and our capital deployment efforts. We invest in prudent growth of the utilities where we can add value for our customers, and within our merchant business, we look for opportunities to earn robust financial returns. Our recent announced peaker in New England is a great example of that.

Our continued investments in both the Utilities and the Generation business demonstrates our commitment to long term growth initiatives across the enterprise that will bring value to our customers and drive future earnings.

Now, let me turn it over to Jack to discuss our financial expectations for 2015.

Jonathan W. Thayer

Thank you, Chris, and good morning, everyone. We provided information on our fourth quarter financial results in the appendix of today's materials on slide 17 and 18. I'll spend my time this morning on 2015 earnings guidance and our

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O&M forecast.

Turning to slide three. We expect to deliver adjusted operating earnings in the $2.25 to $2.55 range, which is the same as our 2014 guidance and earnings of $0.60 to $0.70 per share for the first quarter. Our guidance does not include the earnings from the Pepco Holdings acquisition, but does reflect all asset divestitures to date.

As you know, we sold several assets last year, the proceeds of which are being used to partially finance the PHI acquisition and to recycle capital on the merchant side of our business. The lost contributions from these divestitures result in an earnings impact of $0.12 per share relative to last year. In future years, there's minimal earnings impact, in particular as the capacity revenue from Keystone and Conemaugh runs off. The modest lost earnings from the divested plants will be meaningfully offset by the accretion from our Pepco merger and earnings from other growth projects.

For 2015, the earnings impact from these divestitures of $0.12 combined with an additional refueling outage at Nuclear of $0.02 and increased pension and OPEB cost at ExGen of $0.02 are modestly offset by higher capacity prices of $0.07, the full-year benefit of the elimination of the DOE fee at Exelon Nuclear of $0.04 and by higher earnings at ComEd of $0.03.

As you know, at EEI, we gave earnings projections for Exelon's three utilities through 2017. Since that time, we have adjusted the midpoints of that guidance down by a total of $0.05 per share due to the impacts of treasury yields at ComEd and bonus depreciation impact on EPS. We still expect a healthy 5% to 6% CAGR on utility earnings from 2014 to 2017, and the cash benefits from bonus depreciation will help accelerate and fund utility investments. For reference and deeper analysis, more detail on the year-over-year drivers by operating company can be found in the Appendix on slides 19 through 22.

As Chris mentioned, our capital investment plan is significant and positions us to grow earnings over time. Over the next five years, we are investing $16 billion in capital at our existing utilities and plan for more than $6 billion of investments at the Pepco utilities. We believe these investments are prudent and will improve reliability and our customers' experience.

As you know, the Pepco transaction is expected to add $0.15 to $0.20 per share of earnings on a steady-state basis in 2017 and beyond. In addition to growing earnings, the Pepco acquisition shifts our earnings mix to a substantially more regulated weighting with 61% to 67% of earnings coming from the regulated side in the 2016 through 2017 period.

On the ExGen front, our focus is deploying capital for growth that achieves attractive financial returns and generates both earnings and cash flow. These investments span the energy value chain and include conventional generation like our Texas CCGTs and a new-build peaker in New England that cleared the most recent capacity auction and investments in our Distributed Energy platform. Above and beyond our existing plan, we see additional opportunities and have the free cash flow to deploy capital to earn attractive incremental returns on both the regulated and merchant sides of our business.

Starting in 2016, we expect to have up to $1 billion in incremental annual capacity we can deploy to invest in our utilities, merchant growth and other opportunities. At the utilities, we are evaluating the potential to increase our investments in utility infrastructure including grid resiliency and security, storm hardening, and new smart-grid-enabled technologies.

Of course, our capital investment in utilities has to be prudent and help meet the evolving expectations of our customers. These investments will benefit customers by improving reliability and system performance and allow them to better understand and manage their energy usage and costs. At ExGen, capital deployment across the business will be driven by the ability to earn robust financial returns.

Slide four shows our 2015 O&M forecast relative to 2014. We project O&M for 2015 to be $7.225 billion, an increase of $275 million over 2014. The increase at ComEd and BGE is due to inflation and increased budgeting for storm cost which results in incremental year-over-year O&M growth. ExGen's increase is related to a combination of factors. The inclusion of three months of CENG O&M relative to 2014, an additional planned nuclear outage compared to 2014, increased pension costs, and projects at Constellation and Generation including Integrys and growth in our Distributed

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Energy business. Overall, we expect a basically flat O&M CAGR over the 2015 to 2017 period. We remained disciplined on cost even as we seek to grow our business.

Since our presentation at EEI, we have increased our CapEx projections for 2015 across the company by approximately $325 million. The increase is primarily at ExGen and reflects investments to build contracted generation including at 80-megawatt wind facility in Texas and an up to 50-megawatt biomass plant in Georgia which we announced yesterday. Additionally, we have increased 2015 budgeted CapEx for our Texas CCGTs advancing the timing of the capital spend. The total cost of the project has not changed.

Now, I'll turn the call over to Joe Nigro for a discussion of markets and our hedge disclosures.

Joseph Nigro

Thanks, Jack, and good morning. The Constellation business continues to perform at high levels. We finished 2014 strong and are seeing solid results so far in 2015 as a result of our generation-to-load-matching strategy and our ability to use multiple channels to market.

My comments today will address market events during the fourth quarter and what they mean for our commercial business going forward, including our hedging strategy, the New England ISO capacity market results and our updated hedge disclosures.

During the fourth quarter, we experienced a decline in prices across the energy complex, as oil and natural gas both realized steep losses in the spot market. Power prices followed gas lower in the second half of the quarter as expectations of extreme weather subsided.

The primary driver weighing on prices was the contraction of winter premiums as the markets focus moved away from last year polar vortex and on to higher natural gas production in storage estimates. NI Hub and West Hub around-the-clock prices were down $1.50 to $3 for calendar years 2016 and 2017 from the end of the third quarter to the end of the fourth quarter. In response, we have positioned the portfolio to better align with our fundamental view that we expect to see seasonal power price upside, primarily at NI Hub, and began to build a long position into the forward years.

This is similar to how we've positioned the portfolio the last few years when our fundamental view showed power market upside. When the market is volatile, our generation-to-load-strategy allow us to optimize the portfolio to lock in additional value.

During the year, we aggressively pursued load-following sales when we observed appropriate risk premiums and increasing margins. We are very highly hedged in 2015 and not impacted from the large downturn in near-term power prices. In fact, we were very aggressive in hedging our PJM East and New England portfolios early in the fourth quarter when higher risk premiums were priced into the market.

The remaining length in 2015 is mostly in our Midwest position and focused in the months and time buckets where we believe the forward market is still undervalued. As I mentioned, we began to build a long position in the forward years because we see upside in our view versus market.

During the fourth quarter, we dropped further behind our ratable plan and added approximately 5% to our hedge percentages for 2016 and 2017 versus a normal quarter of an 8% sales. The majority of our behind ratable position remains in the Midwest where we continue to see upside in power prices driven by coal retirements. Not only did we adjust our deviation to ratable during the quarter, but we also adjusted our seasonal hedging strategies, holding length in undervalued months. We will continue to hold the long position based on our market views.

Last year at this time, we talked about hedging the natural gas to take advantage of our bullish view on heat rates. Those views have materialized over the past 12 months, and we have shifted our hedging strategy out of these cross-commodity hedges in order to lock in the higher market-implied heat rates.

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In January of last year, natural gas sales represented over 10% of our hedges. Currently, they are less than 2% in any given year. Going forward, our hedging strategies and positions will continue to reflect where we see upside versus current market prices, both from our view of heat rate expansion and natural gas price increases.

We've got a lot of questions recently on oil markets, and I'd like to spend a minute on what the sharp decline in pricing means for our business. We are not materially impacted by oil pricing, mostly due to the fact that our gross margin is primarily driven by our large base-load position. However, we do experience some minor impacts, including the potential for lower peak power pricing during heavy load conditions, the potential for lower load growth in ERCOT and lower pricing in our up-stream business. The current pressure on oil prices is more pronounced in the near-term delivery period as longer term prices in the $65 to $70 per barrel range still reflect global demand growth.

Before I turn to our gross margin update, I want to provide an update on the recent Capacity Auction in New England. On February 4, ISO New England released the results of its ninth Forward Capacity Auction for the planning year 2018-2019. The clearing price indicates that the new pay-for-performance capacity construct works and will attract development of new resources needed in the region. This includes our recently announced 195 megawatts in dual-fuel peaking facility at our existing West Medway site which we expect to have on-line by the summer of 2018.

Turning to slide six, I'll review our updated hedge disclosure and the changes since the end of the third quarter. In 2015, total gross margin is unchanged. The impact of the divestiture of Keystone and Conemaugh was offset by the acquisition of Integrys and the expectation of favorable portfolio performance. We executed on $100 million of power new business and $50 million of non-power new business during the quarter. Based on 2015 performance to date and expectations for the full year, we have increased our power new business target by an additional $50 million.

For 2016-2017, total gross margin decreased by $200 million and $250 million respectively, largely driven by the impacts of lower market prices on our open position. The divestiture of Keystone and Conemaugh was offset by the addition of Integrys in these years. We also executed on $50 million of both power and non-power new business in 2016.

Overall, the commercial business is performing extremely well across all of our business lines. We will continue to implement hedging strategies that reflect our fundamental view of increases in both power and natural gas markets and optimize our portfolio.

Now, I'll turn it over to Bill.

William A. von Hoene

Thanks very much, Joe, and good morning, everyone. As Chris referenced in his opening statements, there are a number of developments playing out on the policy front that affect our customers and our businesses. These issues are not necessarily earnings impactful in 2015 but they may have a material impact on the company beyond this year. And so we're going to spend a few minutes this morning sharing with you our perspectives on the issues.

I'll start with three issues affecting the Generation business in policy space. First on the capacity market reform front that Chris referenced. We have been involved in PJM's stakeholder process to develop a proposal that will harden the power supply system to help it withstand extreme weather events and ensure reliability for customers.

We believe the proposal that now sits before FERC is constructive and, if approved, will address the gaps in system reliability. The proposal has many similarities to the pay-for-performance market design which FERC approved in New England a couple of years ago. It's a no-excuses approach that provides fair compensation to reliable assets that do perform and penalizes suppliers that do not.

We think this is a win-win for our customers and for our Generation business. We have invested billions of dollars in our fleet over the years to make it the most reliable set of generating assets in the country and we think that the fleet will fare well in a pay-for-performance system. All told, we view developments on the capacity reform front as decidedly positive, and we are expecting a ruling from FERC by April 1.

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Second, let me talk briefly about the discussions that are ongoing in Illinois. As Chris referenced, and as you all have seen by now, the State of Illinois report on potential nuclear power plant closings was issued earlier this year in response to House Resolution 1146.

As stated in that report, the right energy policy for Illinois should guarantee reliability and improve the environment while creating and retaining jobs, growing the local economy and minimizing costs. It is difficult to envision such a policy without nuclear as a critical part of the energy mix.

The report offers an independent assessment of the substantial economic, environmental and reliability benefits that Illinois' six nuclear plants bring to the state and lays out five options to address the current situation. Establishment of the cap-and-trade program, imposition of a carbon tax, adoption of a low carbon portfolio standard, adoption of a sustainable power planning standard or reliance on market and external initiatives to make the corrections.

We are supportive of any of the options that reward all carbon-free resources equally, but doing nothing simply is not a viable economic option if we are to maintain the operations of those plants that are at risk. As we've stated repeatedly, we do not seek a bail out. This is about addressing market flaws to properly value resources that are of great importance to the State of Illinois. The State has an opportunity to implement needed change and we will work with policy-makers and stakeholders during the coming months to come to an appropriate conclusion soon.

Third, on the Generation front, a brief discussion of the environmental policy. As you know, the EPA's Clean Power draft was issued last year. While it is well-intentioned, it fell short in our view of addressing the importance of nuclear to achieving our national environmental goals. We continue to work on improving the plan.

Notwithstanding the shortcomings of the initial proposal however, we view the environmental discussion as progressing in the right direction. Furthermore, the EPA debate and the State's roadmaps to implementing the plan are inextricably linked to the discussion around nuclear energy in Illinois that I just referenced. As any solution must contemplate the State's ability to comply and to do so cost effectively without the clean attributes of nuclear, that will be impossible.

The final ruling on the EPA's Plan has been pushed back to later this summer. Like many, we want clarity on the issue. However, we would rather, the time be taken for the agency to get this right and design a rational emissions reduction policy for the country than to rush it through. We are confident that the EPA will issue a final rule that appropriately values our assets.

The question that arises from all of these pieces is how do they fit together and will the resolution of these three policy issues translate to market-based compensation sufficient to maintain the economic viability of our challenged assets. That is what will play out over the next few months or longer.

In the aggregate and individually, we view these potential policy changes as a positive driver for the Exelon fleet. If the PJM reforms are adopted, this should benefit all of our PJM Nuclear assets. However, we have been clear that there is no silver bullet. Each plant has to stand on its own economic merits and it is unlikely that the PJM reforms in isolation will ensure the survival of each plant. One clear example of this is Clinton which is not in PJM and therefore will not be properly valued as a result of the PJM capacity market reforms.

These plants need to be fairly recognized for both their unparalleled reliability and for their zero carbon attributes. Anything short of that recognition is insufficient and that is why we have been working diligently and simultaneously on all the fronts I have referenced.

The fact is there is no other technology that produces reliable, zero-carbon electricity. All of the alternatives are intermittent and far more expensive than keeping these plants in operation. Our customers will pay more if these assets are retired prematurely and need to be replaced. We think policymakers get this and also understand what it means to lose these plants in terms of jobs and costs. We are optimistic that they will take the steps needed to ensure fair treatment of the units because it is clearly in the customers' and the states' interest to keep these plants open.

Finally, on the regulatory front, let me turn to a non-Generation matter, which is, of course, the Pepco transaction, which we announced last year. Getting the merger with Pepco across the finish line is, of course, a very high priority

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for the company, and things are progressing according to plan. We continue to anticipate a closing sometime in the second or third quarter of this year.

We are pleased to have received approval from New Jersey earlier this week, and as you know, we have already received approvals from FERC and the State of Virginia. In Delaware, as noted in the letter to the Commission that you have seen, we are close to a settlement, and if a settlement is reached, there may be an adjustment in the schedule. We are continuing the process to review – of reviewing the remaining jurisdictions of Maryland and Washington, D.C.

We believe the merger is in the public interest, and we expect that the combined company will bring significant value to customers given our top-tier operational performance and the merger commitments we have made. We look forward to completing the regulatory process and closing the transaction on schedule.

Thank you. And now, we will open up the floor for questions.

Q&A

Operator

[Operator Instructions] Your first question comes from Greg Gordon of Evercore ISI.

<Q - Gregory Harmon Gordon>: Thanks. Good morning, guys.

<A - Christopher M. Crane>: Hey, Greg.

<Q - Gregory Harmon Gordon>: Jack, can you comment again on the – can we revisit the comments you made on the earnings guidance for the Utilities? Because as I look at the $0.20 to $0.30 from BGE, $0.35 to $0.45 from PECO, and $0.45 to $0.55 from ComEd, if I just take the exact midpoint there, that's $1.15 versus $1.25 at the midpoint of the EI. So that's a $0.10 delta, not a $0.05 delta. Is there a reason why I am miscalculating that?

<A - Jonathan W. Thayer>: No, Greg. The $0.05 delta was with respect to 2017. The 2015 guidance, to your point, is down $0.10. Some of that is just a mere factor of rounding. We speak in terms of $0.05 increments. And I would say 2015 guidance is down on a relative basis, $0.05 year-over-year, although the rounding would indicate that it's down $0.10. It's just a matter of how we rounded up or rounded down in our expectations.

<Q - Gregory Harmon Gordon>: Okay so the earnings power out in 2017 of your three utility businesses is $0.05 lower than your prior expectation, not $0.10?

<A - Jonathan W. Thayer>: That's correct. And I think importantly there, you see the sensitivity we have to interest rates, primarily ComEd. You see the impact of the bonus depreciation which has the obvious EPS impact of lowering rate base and lowering expected earnings. But also the cash flow of savings related to that is a contributor to the $1 billion of incremental capital we see in 2016 and beyond that we can deploy to grow both our Utilities business as well as our Merchant business.

<Q - Gregory Harmon Gordon>: Okay. Another question, because I think there is a bit of an apples-and-oranges going on in terms of the discussion. Now that you've given us an earnings guidance for this year that includes the $0.12 dilution from the Generation – from the asset sales that you are using to fund the Potomac transaction, as we roll into – if we assume that that deal closed precisely on 12/31, is it accretive by $0.15 to $0.20? Or is it accretive by $0.15 to $0.20, all things equal off this base? Or is it more accretive because you are also offsetting the dilution from the asset sales you used to fund the deal?

<A - Jonathan W. Thayer>: The $0.15 to $0.20 number, Greg, that we referenced incorporates the net dilution associated with the asset sales. That said, as I mentioned in the script, the earnings contribution from those assets, while admittedly $0.12 this year, because of the failure of Keystone and Conemaugh to clear capacity markets, the contribution from those assets diminished meaningfully out the curve.

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The $0.15 to $0.20 that I referenced, we would anticipate in 2017. So that's why we're – while you mentioned the close in 12/31, obviously, per Bill's comments, we're anticipating a Q2 and Q3 close. We wouldn't expect to see that – all of that $0.15 to $0.20 until 2017. We will be certainly achieving part of that during the 2016 period.

<Q - Gregory Harmon Gordon>: Got you. I get it. So the math on the earnings contribution from the assets sold, they would've been significantly less than a $0.12 contributor out in time.

<A - Jonathan W. Thayer>: Correct.

<Q - Gregory Harmon Gordon>: Okay. One more question, just in a little bit of the weeds on the forecast for O&M. You did call out increased O&M, predominantly at BGE, ComEd and ExGen. Then you say that through 2017 you expect 0.2% growth. Specifically at ExGen, as we get out into 2017 is that growth rate pro-rata across all the businesses? Is ExGen's O&M roughly static? Because I know you are adding assets to the mix in 2017, and I'm wondering whether there is a significant increase in O&M associated with that, or whether the totality of the O&M is still only growing nominally inclusive of those new asset additions.

<A - Jonathan W. Thayer>: It's pretty ecstatic, Greg. Certainly, we are adding those assets. The operating costs of which will increase. We added Integrys. We added ProLiance. We have announced in recent months both a waste-digesting plant out in LA, a pulp and biomass facility down in Georgia partnered with P&G. We're looking for incremental opportunities in that space.

We're offsetting that in part with activities that we're pursuing broadly across the company to drive lower operating costs, both within the embedded businesses, the Constellation, the Power Generation business, the Nuclear business as well as our Business Services Corporation. So, on a kind of blended basis, we see relatively flat O&M further out the curve.

Obviously, wage inflation is a component of that. Interest rates have been a meaningful factor of that and driving pension costs and the growth in the liability side of that higher. So as CPI oscillates, as interest rates move, that will continue to be candidly something a little bit outside our control, but obviously something we're trying to focus on other things to offset.

<Q - Gregory Harmon Gordon>: Great. Thank you, guys.

<A - Jonathan W. Thayer>: Thank you.

<A - Christopher M. Crane>: Thank you.

Operator

Your next question comes from the line of Dan Eggers from Credit Suisse.

<Q - Dan L. Eggers>: Hey. Good morning, guys.

<A - Christopher M. Crane>: Good morning, Dan.

<Q - Dan L. Eggers>: Just following up on Greg's question on the Utility outlook. If you go back to a year ago when you guys gave guidance, I think that all these expectations are down about $0.15 today from where they were a year ago. Can you just bridge for me what has changed, a year-to-year basis? And then if you thought about interest rates normalizing or pension normalizing, how much of the $0.15 erosion could you reasonably get back?

<A - Jonathan W. Thayer>: I don't know that, Dan. I can track you back to year-end 2013. But clearly, you've seen a material degradation in the interest rate environment. As an example, in 2014, the average 30-year was 3.34%. The interest rate for 30 years today is 2.63%. So just even within on an average basis of full year, the continued decline of interest rates and our sensitivity to that through the formula rate at ComEd has been significant. For sensitivity sake, 25 basis points up or down in interest rates. It's $9 million improvement or detriment to our expected revenues at ComEd.

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Obviously, the same element is impacting us from a pension liability side, marry that with a change in the mortality tables and longer expected lives of our pension and OPEB participants. And that's the headwind. And that's a headwind that we passed through, through the formula rate within ComEd, but we have to go through rate cases at PECO and we have to go through rate cases at BGE to recapture that.

And then I guess the final element that's changed, I think, is given our load sensitivity at PECO and given some of our longer-term load sensitivity at BGE and ComEd, as we've continued to experience zero, in some instances negative load growth, that's been a headwind as well.

That said, we continue to see meaningful opportunities to deploy capital in that space. We see an opportunity to drive our customers' reliability and experience, and importantly, we see opportunities to earn a fair rate of return in those businesses and as we're delivering and evolving array of services to our customer, even perhaps improve upon what we're allowed to earn.

<Q - Dan L. Eggers>: Okay, got it. I guess just on the deployment of capital conversation, what are you guys seeing in the ERCOT markets at this point in time underlying the newbuild decision? It seems like sparks have eroded since those plants were announced. And obviously with maybe an economic slowdown because of oil and gas drilling, there's a little bit of concern in the market, I suppose, over demand growth.

<A - Kenneth W. Cornew>: Hey, Dan. It's Ken. We are very comfortable with our decision to invest in our combined-cycle plants in Texas, and there are several reasons for it. First, the technology we've chosen, we think puts us in a significant competitive advantage. Again, as you know, with the position and the stack we would have, as well as the ramping capability of the units.

Also, cost advantage. Given we own these sites, we have an advanced cost position that we don't think could be matched in the market. Importantly, we made this investment on our long term fundamental views. And without talking about a every assumption in our fundamental views, they're not drastically different than the environment we're seeing right now. We didn't make a bet on massive load growth in Texas. We are very conservative in our assumptions.

And the last thing I'll say, Dan, is we have a significant load business in Texas as well. And having these plants and this capability and matching that capability with our load business is something. I think you're seeing it right now. We've proven that that is a value proposition that Exelon brings to the table and we expect that the investment in these plants will really enhance that value proposition in Texas.

<Q - Dan L. Eggers>: Okay, thanks, Ken. I guess, Bill, can you just walk us through what kind of timeline we need to see in Illinois as far as draft legislation on carbon action and progression to get something done before the recess in the summer?

<A - William A. von Hoene>: Yeah, Dan. As you know, the recess is scheduled or at least currently scheduled for the end of May. And what we anticipate is that legislation consistent with the policy solutions outlined in the 1146 report will be introduced in the General Assembly sometime within the next month. We are actively working with legislators, regulators and stakeholders with that in mind.

So I would expect to see something surface within the next month and that will give ample time to the legislature to consider it. There will be hearings related to 1146 or possibly to the legislation specifically that will accompany that. But if this gets introduced as we anticipate within the next 30 days or so, it will give an opportunity to go through the full discourse in the legislature before the recess in May.

<Q - Dan L. Eggers>: Okay. Thank you, guys.

Operator

Your next question comes from Jonathan Arnold from Deutsche Bank.

<Q - Jonathan Philip Arnold>: Yes. Good morning, guys.

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<A - Christopher M. Crane>: Hey, Jon.

<A - Jonathan W. Thayer>: Good morning.

<Q - Jonathan Philip Arnold>: A quick one, first, just on Illinois, following up on Dan's question. Is there a sponsor that has yet emerged or sponsors? Or are you still working that out?

<A - William A. von Hoene>: Jonathan, there has been nothing publicly announced. There will be a significant number of sponsors and it will be by partisan. But that won't be revealed until the legislation itself is actually announced.

<Q - Jonathan Philip Arnold>: Well, as you've just said, you're expecting it to be broadly supported?

<A - William A. von Hoene>: Correct. We anticipate Republican and Democratic sponsors in significant numbers.

<Q - Jonathan Philip Arnold>: In both Houses? Or is it going to emerge in one House and then go to the other?

<A - William A. von Hoene>: The mechanics, it has not yet been determined what the mechanics will be, but there will be adequate support and sponsorship in both Houses to run it through the legislature.

<Q - Jonathan Philip Arnold>: Great. Then if I could also just revisit the question on the regulated guidance – sorry to do this. But, Jack, when I look at the $1.11 starting point for 2014, which was pretty consistent with the EEI slide, and your statement that 2017 is only down by $0.05 in the midpoint, which would imply $1.35 versus $1.40, I think where I'm having confusion is that you'd said – you'd called out an 8% CAGR at EEI. But now you are saying 5% to 6%. But seems to me the $1.11 to the $1.35 would be more like 6% to 7%. And 5% to 6% implies a bigger reduction. Can you speak to that at all?

<A - Jonathan W. Thayer>: I think, Jonathan, we're talking about 100 basis points. And to be candid, the rounding issue comes into play. So I think I'd focus more on the $0.05 of degradation from EEI's 2017 expectation to where we sit today. And not...

<Q - Jonathan Philip Arnold>: Perfect. Okay.

<A - Jonathan W. Thayer>: And...

<Q - Jonathan Philip Arnold>: [indiscernible] (42:02)

<A - Jonathan W. Thayer>: ...some of that is an issue of the timing of capital deployment and other elements. And I think we feel good about 5% to 6% growth. Ideally, we'll endeavor to deliver higher growth about $1 billion of incremental spend in 2016 and beyond is potentially a driver of that incremental growth.

<Q - Jonathan Philip Arnold>: But the $0.05 is what we should really focus on?

<A - Jonathan W. Thayer>: Yeah.

<Q - Jonathan Philip Arnold>: Got it. Thank you.

Operator

Your next question comes from Steven Fleishman from Wolfe Research.

<Q - Steven Isaac Fleishman>: Yeah. Hi. Thank you. So not to beat a dead horse with that, does your viewpoint on the utility include any of the $1 billion being reinvested in it? Or that would now be in additive?

<A - Jonathan W. Thayer>: No, no. It's additive.

<Q - Steven Isaac Fleishman>: Great. And then...

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<A - Jonathan W. Thayer>: It's incremental.

<Q - Steven Isaac Fleishman>: Thanks. And then just with respect to the Illinois legislation, I know there's other aspects of this, not just on nuclear plants. So maybe you could give us a little bit a better sense of what else might be addressed in this legislation. I'm assuming it's also renewables. But is there other aspects that would likely be in this?

<A - William A. von Hoene>: Steve, this is Bill. The legislation that we're referencing in the nuclear is stand-alone for the time being. There are going to be undoubtedly additional energy-related initiatives. There was a group that convened last week called the Clean Jobs Coalition, which was an environmentally directed group of a number of agencies and entities, which indicated that they will introduce legislation that will relate to energy efficiency to renewable standards and also to a cap-and-invest system that would be implemented in connection with 111(d). So we anticipate that that will be legislatively active, and there undoubtedly will be a variety of other things that will be considered as well.

<Q - Steven Isaac Fleishman>: Okay. Just lastly, and maybe to Joe, on your point of view in your hedging, just to clarify, it sounds like you are particularly focused on future NI Hub prices being too low. Is that fair?

<A - Joseph Nigro>: Yes. Steve, I think there's two elements. I think you're correct. When you think about the expansion opportunities, heat rates, I think that's primarily in NI Hub. I think from our perspective as well, we actually see upside to the natural gas market especially – maybe to a lesser extent in 2016 and more so as you move out into 2017 and 2018 on the back of demand pickup and where prices are today. And that would be true, for example, both at West Hub and NI Hub.

You can see in the quarter that we sold less than our ratable plan approximately 5% of our portfolio – total portfolio whereas an average quarter we would sell about 8%. And we rotated out of a lot of the gas shorts that we had because of the big heat rate move we had.

So as we move forward, as we build a position that falls behind ratable, it's going to be done more on, I'll call it, a flat price basis where we're just going to take the power that we would have normally sold and just hold it in our portfolio and we'll tailor that to locations and time buckets. NI Hub will be a big piece of that, but we'll be looking at other areas as well depending on what we see in the gas market.

<Q - Steven Isaac Fleishman>: Okay. Thank you.

Operator

Your next question comes from Julien Dumoulin-Smith from UBS.

<Q - Julien Dumoulin-Smith>: Hi. Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Julien Dumoulin-Smith>: So I wanted to ask a little bit of a bigger picture question here around the direction of the company, vis-à-vis Utility versus Merchant. As you think about that decision point, you've obviously made a couple of decisions over the past years, Pepco namely, how are you thinking about positioning the company towards the Merchant side of the business? Specifically as you think about, a, potentially expanding nuclear; and then, b, specifically expanding into Texas, are either of those avenues palatable or desirable under a Merchant expansion? And then more broadly, is a Merchant expansion desirable at this point in time?

<A - Christopher M. Crane>: So we continue to look at both sides. The Utility business, as we've talked about, we can operate utilities well. We can drive efficiencies in. We can improve the customer experience while we're getting returns. We're in a unique situation with ComEd on the formula rate at some historically low interest rates. We're not running from the investment in utility business. We think interest rates will normalize and it will be at the right place for the return. So we'll continue to make prudent investments and operate the utilities well there.

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On the Merchant side, it's all about the value proposition and looking at these specific investments. If a nuclear plant came available and we could fold it into the portfolio and see are adequate returns, we would surely have the scale and the scope to put one in. We don't see any out there right now, but newbuild is not an option. So that's the only way we get it as an acquisition.

As we've said before, we do think Texas is one of the more interesting markets to invest in right now, and that's why we're proceeding with organic growth down there. We do look at assets that come up from time to time. In the ERCOT market, most have been overvalued from our perspective in the long term fundamentals. That's why building these new technology units makes more sense to us.

So we'll continue to look for opportunities on both sides of the business and use the balance sheet prudently to make the investments. But one thing that we've – in the last couple of years, as we do our asset valuations on an annual basis, recycling capital has become a focus and we'll continue to watch that. If we see assets that others have more value on and we can deploy that capital into other arenas, we will not be shy of any divestiture.

And that's what we did this year with divesting assets and having the opportunity to use that capital into what we think is something that would be strategically valuable for us with Pepco, and also having – creating a balance sheet space to make the investments in new units. So we're still very confident in the model and confident in the investment thesis. And if low interest rates are hard on pensions and they're hard on the formula rate, but in the long run we see those coming back, and we still think it's a good investment thesis.

<Q - Julien Dumoulin-Smith>: All right, great. And then secondly, if you could comment more specifically around Ginna in New York, obviously there's been some development there. What's your latest expectations, if you can elaborate?

<A - Joseph Dominguez>: Chris, do you want to me take that?

<A - Christopher M. Crane>: Joe is going to grab it.

<Q - Julien Dumoulin-Smith>: Great.

<A - Joseph Dominguez>: Julien, it's Joe Dominguez. We continue negotiating the RSSA with our counterparties up there in New York. I think you'll see developments become public on that within the next few days to a week.

<Q - Julien Dumoulin-Smith>: Got you. Fair enough. Thank you. Good luck.

<A - Joseph Dominguez>: Thanks.

<A - Christopher M. Crane>: Thanks.

Operator

Your next question comes from Stephen Byrd from Morgan Stanley.

<Q - Stephen Calder Byrd>: Morning. Wanted to – I think I had heard on the call that Keystone and Conemaugh have not cleared in the PJM auction. And if that's correct, I wondered if you could just elaborate on the rationale. I thought of those as large, well-operating coal plants. I'm just curious. What was the driver behind that?

<A - Joseph Nigro>: And, Stephen, this is Joe. Good morning. There's a couple of reasons for that. First of all, as you know, under the mechanisms afforded in the PJM model, you can calculate an avoided cost rate on each of your units. And we take the opportunity with our fossil unit in particular, and all of our fossil units to do that. And that sets what I could call a cost base-line. And recognizing what we need from a cost perspective on those units. We take that into account in our bidding strategy and we have a host of other assets that we have to look at in particular to make sure that we're looking at this in a proper sense from a total portfolio basis. And in a way, that math worked for Keystone and Conemaugh in particular, it just didn't clear given where the clearing prices were for that particular option.

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<A - Kenneth W. Cornew>: So Steve, just a little add to that. It's Ken. There are substantial costs at the plant associated with environmental upgrades. That associated with the – avoids the energy benefits that were very low from that 2009 to 2013 period drove the avoided cost rates up at those plants. And as we said before, the market works when participants bid their costs and that's what we do.

<Q - Stephen Calder Byrd>: Okay, great; thank you. Just shifting over to the Utility, in terms of achieving the growth rate that you've laid out, what kind of load growth assumptions – your latest thinking that's driving that growth?

<A - Christopher M. Crane>: Denis, did you get that?

<A - Denis P. O'Brien>: Yeah, Chris. The load growth is really flat to slightly positive for the next few years. What we're seeing for the last couple was flat to slightly negative. We see the next five years or so, flat to slightly positive.

<Q - Stephen Calder Byrd>: Okay. And that's driving the change in terms of the outlook from flat to negative, to flat to positive, what's your – just at a high level view of what would drive that improvement in load growth?

<A - Denis P. O'Brien>: I think it's just the general economic health of each of the service territories that we serve.

<Q - Stephen Calder Byrd>: Okay. Thank you very much.

Operator

And our final question comes from Hugh Wynne from Sanford Bernstein.

<Q - Hugh D. Wynne>: Thanks. The $435 million asset impairment charge this quarter, how does that break down between Keystone, Conemaugh, and then Upstream assets and other?

<A - Jonathan W. Thayer>: Hugh, in total of overall long-lived asset impairments that we had during the year, we had a wind impairment that was $0.06, we had a lease impairment that was $0.02, we had Quail Run assets held-for-sale impairment of $0.04, Keystone and Conemaugh was $0.29 of that, Upstream was $0.09 for a total of $0.50.

On the flip side of that, we had $0.28 of gains related to the sale of Safe Harbor, the sale of Fore River, gain on the sale of West Valley. So overall, on a net basis, it's about $0.22 negative impact on the year.

<Q - Hugh D. Wynne>: Okay. Then my question for Bill. Bill, you're a lawyer, and you were talking about the potential implications of the Clean Power Plan, EPS Clean Power Plan. I just wanted to get your views as to the likelihood that the Plan survives at all. I understand there's been challenges as to whether EPA has authority to regulate CO2 under 111(d) in the first place. And then secondly if it does, whether that authority extends to energy efficiency and renewables. Is this Clean Power Plan going to be with us in the long run? Or do you think it's going to be whittled down or overturned altogether?

<A - William A. von Hoene>: Well, one thing that we can be abundantly certain of is that there will be litigation respecting whatever the final rule will be. But the basic tenets, Hugh, of the underpinnings of the rule are legally sound. The ability to regulate carbon emission has been already ruled upon by the United States Supreme Court. And our expectation is that there will be litigation and there may be modifications that result from that, but the basic underpinning of the rule will survive and will have impact that will be significant in that scope.

<Q - Hugh D. Wynne>: Great. Thank you very much.

Operator

I would now like to turn the call back over to our presenters.

Christopher M. Crane

So, thank you very much, everybody, for joining. As we've laid out from an operation standpoint, very strong year. We continue to run well, continue to watch cost and contain where we can. The Constellation, the Generation business has done a very good job in this marketplace and we continue to feel very strongly that that will continue to be supported.

The Utilities side, the Utilities are operating well, as I said. We see the investment thesis is right. We know the sensitivity to the interest rates, but don't think that's a long term sustainable issue, and we'll continue to keep investing. Thanks.

Operator

We've reached the end of today's call. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2014-07-31
Event Description: Q2 2014 Earnings Call

Market Cap: 26,703.86
Current PX: 31.08
YTD Change($): +3.69
YTD Change(%): +13.472

Bloomberg Estimates - EPS
Current Quarter: 0.739
Current Year: 2.378
Bloomberg Estimates - Sales
Current Quarter: 5423.600
Current Year: 24848.615

Q2 2014 Earnings Call

Company Participants

- Ravi Ganti
- Christopher M. Crane
- Joseph Nigro
- Jonathan W. Thayer
- Joseph Dominguez

Other Participants

- Dan L. Eggers
- Steven I. Fleishman
- Greg Gordon
- Jonathan P. Arnold
- Hugh de Neufville Wynne
- Angie Storozynski

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Amy, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Second Quarter 2014 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be question-and-answer session. [Operator Instructions] Thank you.

Mr. Ravi Ganti, you may begin your conference.

Ravi Ganti

Thank you, Amy. Good morning everyone and thanks for joining our second quarter 2014 earnings conference call. Leading the call today are Chris Crane, Exelon's President and CEO; Jack Thayer, Exelon's Executive Vice President and CFO; and Joe Nigro, CEO Constellation.

We are joined by other members of Exelon's senior management team, who will be available to answer your questions following our prepared remarks. We issued our earnings release this morning along with the presentation, each of which can be found in the Investor Relations section of Exelon's website.

The press release and other matters that we discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. The actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's earnings release, comments made during this call and in the risk factors section of the earnings release.

Please refer to today's 8-K and Exelon's other filings for a discussion of factors that may the cause the results to differ from management's projections, forecasts and expectations. This presentation also includes references to adjusted operating earnings, which is a non-GAAP measure. Please refer to the information contained in the appendix of our presentation, and the earnings release for reconciliation between the non-GAAP measures to the GAAP earnings.

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We have scheduled 60 minutes for this call. I now turn the call over to Chris Crane, Exelon's CEO.

Christopher M. Crane

Thanks, Ravi. Good morning to everybody and thank you for joining. We had a good quarter overall, but before I get into those details, I wanted to start today's call by reemphasizing Exelon's long-term strategy. Our strategy is to continue to leverage our integrated business model to create value, invest for growth and explore ways to diversify our business into other areas of the energy value chain.

The utilities provide stable earnings and dividend support, and allow us to reinvest in projects to strengthen the infrastructure. Our competitive business provides commodity upside and the platform to diversify into adjacent markets. On the regulated side, the Pepco Holdings transaction provides an opportunity to accelerate our regulated growth and provide stable cash flows, earnings accretion and dividend stability.

The geographic fit and the operational synergies provide us the opportunity to deliver better customer service. On the GenCo side, we continue to look for ways to grow in the existing markets we serve and diversify into other related areas. Our partnership with Bloom Energy Fuel Cells is aligned with our goals of keeping up with our customer needs and the growth demand for distributed generation.

Our acquisition of the Integrys Energy Services business allows us to expand our regulated – our retail footprint further in an industry that continues to mature, consolidate and provide hedging diversification benefits for our existing portfolio.

Similarly, our interest in the Annova LNG is another example. We are significant participants in natural gas market, managing approximately 1.4 trillion cubic feet of gas on an annual basis. This project fits nicely in this business and aims to develop midscale LNG facility near Port of Brownsville, Texas. And it's in early stages, screening for development with very little financial commitment for us at this moment, but has significant potential upside. So you can expect that we will continue to look for and find diversification opportunities that leverage our expertise and strengths.

Moving on to the quarterly results. We posted a solid quarter with operating earnings of $0.51 per share, which is just over the upper end of our guidance range. For the full year, we are reaffirming our guidance range of $2.25 to $2.55 a share, which we provided to you at the beginning of the year. Jack is going to go into more details about the earnings and our financial performance in his remarks.

On the operational front, we've had a solid operational performance at our nuclear fleet this quarter. We achieved 91.8% capacity factor while completing five refueling outages during the second quarter. After completing our spring refueling outages, we ran at 98.8% for the month of June. These capacity factors include our ownership share of the CENG plants, which became integrated into the Exelon operations platform on April 1.

Our Gas renewable fleets had a strong quarter as well, with fossil-hydro dispatch match at 99.2%, and our solar and wind energy capture at 94.7%. ComEd and PECO had significant storms around the end the quarter, and on the last day of the quarter, we had severe weather, including multiple tornadoes in Illinois that caused service interruptions to over 420,000 customers in the ComEd service territory. PECO faced two storms on July 3 and 8 that left more than 400,000 customers without power. In the matter of three days or a little less, the power was restored to over 99.9% of those affected, demonstrating the storm response capability of our organization. I'd like to thank those personnel that were involved for their quick and rapid response.

On the regulatory side, ComEd filed its most recent annual distribution and transmission formula rate update in April. BGE filed its electric and gas distribution rate in early July. In early June, the EPA came out with its much anticipated draft rule for greenhouse gas regulations for existing power plants that set limits on emission by 2030. We see this as a potential positive for Exelon and we are pleased that the rule recognizes the critical importance of the nation's nuclear generation as vital to achieving the proposed standard.

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While it's too early to draw sweeping conclusions about state-by-state impact, given the complexity of the rule and the time reported to the states to respond, we think that our clean baseload nuclear fleet is well positioned to take advantage of the potential changes in the stack composition and the generation mix that this rule will achieve.

Let me give you a quick update on the Pepco holdings transaction. So far, we have submitted filings with FERC, Virginia, D.C., New Jersey and Delaware. We continue to expect this transaction will close in the second to third quarter of 2015. We've made progress on the funding acquisition as well – funding the acquisition as well. We had a successful equity issuance in June and assets sales are proceeding, including our sale of our ownership in Safe Harbor that is expected to close in the third quarter. Jack is going to go into more of the specifics around this area.

Touching upon the state of the power markets, despite the recent pullback due to mild weather across the U.S. and the higher gas production and injection rates, the forward power prices are still higher year-to-date. 14 gigawatts of coal assets that are set to retire in the PJM footprint by next year are still operating. Current weather and expected gas storage levels are going to dictate the forward power prices in the near term.

We saw high spot volatility in the markets during the first six months of the year and have seen higher risk premiums and margins for wholesale and retail load products. We aggressively hedged during the quarter and move close to our ratable hedging strategy, capturing the upside prices we saw during the quarter. Joe Nigro is going to go into more details in his comments.

On the PJM auction results, as you know, the auction cleared at $120 a megawatt day. It was higher than most anticipated, due to primarily the rule changes around lower imports, lower demand response and participants' bidding behavior. We think the results are encouraging for our plants to clear. But there is an opportunity for further improvements in the market rules in the future, such as firm fuel commitments, anti-speculation rules and with the recent court ruling looking for clarity on the role of demand response energy efficiency in the capacity markets.

Our nuclear units, Oyster Creek, Quad Cities and Byron, five in total, did not clear the auction. For Quad Cities and Byron, these units are important for grid reliability, environmental and from an economic standpoint, are especially critical in helping Illinois meet its environmental goals in light of the recent EPA rules. To that extent, Illinois House passed the House Resolution 1146 in May, recognizing the value of nuclear energy for its reliability and its carbon-free benefits and urged the exploration of opportunities to avoid closing nuclear plants.

We have agreed not to make any decisions about retiring these units until June of next year to allow for the Illinois legislature time to enact market-based reforms at the state level. This could be items such as joining REGI [Renewable Energy Group, Inc.] or Clean Energy Standard. However, as we've said in the past, if we're unsuccessful and we do not see a path to sustained profitability for these units in question, we will be forced to retire them to avoid long-term losses.

I do want to be clear again about one thing. We are not looking and do not want contracts for subsidies from Illinois, only contracts that recognize the environmental benefit and the reliability of the assets. To wrap up, we're confident in our fleet operations and our portfolio management to deliver our earnings expectations for the full year. A key area focus for us during the second half of this year is to continue working through regulatory approvals to close the PEPCO transaction.

We will continue to look for opportunities to invest in assets that add value to Exelon and to its shareholders and ways to diversify our portfolio.

With that, now I'll turn it over to Joe Nigro to share his views on the commodity markets.

Joseph Nigro

Thank you, Chris. Good morning, everyone. I wanted to take some time to talk about power market developments this quarter, as well as year-to-date. I will also touch on our generation hedging strategy, discuss the results of this 2017-2018 PJM capacity auction, provide an update on load margins, and finally tell you how this translates to our

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gross margin forecast.

Moving to slide 3, the spot power markets in the first half of the year have been defined by volatility. We have had six months of very constructive spot market signals, followed by July weakness, due to weather conditions. In the first quarter of this year, the polar vortex led to higher spot prices in PJM, as we observed the growing reliance on resources such as natural gas units, demand response and oil peakers.

Throughout the second quarter, we saw spot power prices clear higher than what saw during the same period in 2012 and 2013. Expanding heat rates have been observed under most load conditions. These higher delivered heat rates can be attributed to the change in generation stack.

During July, we've experienced unusually mild weather, leading to lower spot power and delivered natural gas prices across the board. Cooling degree days are trending approximately 10% below normal at a national level, and 35% below normal in the NiHub area. Due to lack of weather-related demand in July, spot prices in PJM have been clearing lower than the previous two years.

Moving to slide 4, I'll discuss the forward market and its impact on our hedging profile. It has been a volatile year for forward power prices. The second quarter of 2014 was a continuation of the trend we saw in the first quarter in terms of an increase in both power prices and heat rates at the NiHub and West Hub markets. During the second quarter, forward NiHub around the clock prices for 2015 and 2016 increased approximately $2 to $3 per megawatt hour, while West Hub prices increased by close to $2.

A lot of the increase was in line with our long-held belief that power prices should increase, given the ongoing changes to the generation stack associated with coal plant retirements and an increased reliance on natural gas supply and other high-priced non-baseload resources.

During the second quarter we were able to take advantage of the rising power prices and move our behind ratable strategy as well as our cross commodity hedge position closer towards ratable. We have been operating behind our ratable hedging strategy for some time, as we felt the upside in the market at both NiHub and West Hub warranted a more open position.

During the quarter we captured the running forward prices, increasing our hedge generation by approximately 11% in 2015 and 9% in 2016. We also took advantage of market conditions by reducing the amount of our portfolio that was hedged with natural gas from near 10% to below 5% in both 2015 and 2016. In total, we reduced our power price exposure in 2015 and 2016 by 17% and 12% respectively. Our generation suite is now hedged between 92% and 95% in 2014, 75% and 78% in 2015, and 46% and 49% in 2016.

Since the end of the second quarter we have seen forward markets soften due to the weather-related weakness in the spot market. Forward prices for natural gas, natural gas basis and power are down during the month of July. The move down is largely driven by a decline in the prices for the winter delivery months.

Specifically, Tetco M3's natural gas basis has declined heavily in the winter months, which has led to a corresponding decrease in both West Hub and NiHub power prices. Spot natural gas basis prices were strong in Q1, driven by weather conditions, but were lower in Q2 as weather-driven demand backed off. The forwards responded accordingly with 2015 gas basis prices increasing through the first part of the year, only to decline during May and June.

Our gas basis view is split into a short-term and long-term view. Over the next two years, we expect volatility to continue, while longer term we expect stability in the Mid-Atlantic basis, driven by the development of the infrastructure to transport gas away from the Marcellus Shale area, expanding LNG exports to Mexico, industrial expansion and gas demand for power generation.

With respect to the forward power market, we still see upside price opportunity in certain non-winter months in seasons where we believe the markets are undervalued. While we have moved our hedging strategy closer to ratable, and more neutral across the calendar years in 2015 and 2016, we think there's an opportunity to benefit from power price upside in those delivery periods.

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We will continue to set our hedging strategy according to this view.

Fundamentally, our view of power price upside has not changed. We understand that there are very short-term factors that can impact spot and forward prices. As we saw in the winter and then again in July of this year: weather by itself can have a significant short-term impact on the market. However, our view is grounded in the fundamental changes that are taking place in the market.

Specifically, we expect about 30 gigawatts of coal generation to retire across the eastern interconnect by next year, of which approximately 14 gigawatts will be in PJM. Changes in the supply stack and more disciplined load pricing are just a few of the fundamental market changes we have witnessed this year.

Before moving on to our gross margin update, I want to touch on the PJM capacity auction and then an update on our retail margins. The PJM auction cleared at $120 per megawatt day in both the RTO and MAAC regions. The RTO clearing price doubled from the previous year's auction, indicative of tighter supply/demand fundamentals following coal retirement announcements. The clearing prices were primarily driven by 3,000 megawatts of lower imports, 1,400 megawatts of lower demand response and participant bidding behavior. These drivers were partially offset by nearly 6,000 megawatts of new generation that cleared.

There are further potential market design changes that we will continue to monitor, which will impact future capacity prices as well. Some examples of this include uncertainty regarding the impact on capacity and energy markets of the D.C. Circuit Court vacating FERC Order 745, as well as FERC and PJM working to curb speculation about potential changes to the shape of the demand curve and potential changes due to cold weather reform.

This was the first auction that we bid in some of our nuclear units after ACRs, and as a result, Quad Cities' Units 1 and 2, Byron Units 1 and 2 and Oyster Creek did not clear. As Chris mentioned, the failure of these units to clear will be a key factor in our decision on whether or not to shut down the plants. Our nuclear plants rely on the capacity market for revenues and without those revenues their economics will be stressed even more. We have committed that no decision will be made on any of our Illinois units before June of 2015.

Moving on to our load margins. So far this year, we began to see increases in both our wholesale and retail load margins as providers become more disciplined in their pricing assumptions. We have and will remain disciplined in our risk premiums and will not chase volume for the sake of volume. We continue to see an improving retail market developing through longer-term contracts from competitor consolidation.

As many of you may have heard, yesterday we announced an agreement to acquire Integrys Energy Services, a leading retail power and natural gas provider serving 1.2 million customers across 22 states and the District of Colombia. The Integrys portfolio adds further scale to our retail power and natural gas business and provides generation and load matching benefits to our portfolio. We expect the transaction to close in the fourth quarter of this year or the first quarter of 2015.

Turning to slide 5, I will review our updated hedge disclosure and some of the significant changes given the events of the second quarter. Focusing on 2014, we have a net $50 million increase to gross margin since the end of the first quarter, driven primarily by the elimination of the DOE nuclear waste fee, partially offset by an extended outage at Salem.

As I mentioned before, our portfolio management teams performed very well in managing our portfolio generation and load, given the volatile market. This contributed to us executing on $100 million of our power new business targets, and $50 million of our non-power new business targets during the second quarter.

For 2015, we saw prices increase across most regions, increasing around $2 per megawatt hour in the Mid-Atlantic and the Midwest. This along with the DOE fee resulted in an increase in our open gross margin of $450 million. Given our hedge position and our execution of $100 million of power new business, our total change in gross margin was an increase of $300 million.

For 2016, prices increased by $2 to $3 per megawatt hour. This resulted in an increase of $600 million in our open gross margin with a hedge position of between 40% to 50% for the quarter and an execution of $100 million in power

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new business, our total change in gross margin was an increase of $450 million.

Overall, the first half of 2014 has resulted in higher prices from where we began the year, while mild weather, increased gas production and following natural gas basis prices have challenged power prices during July. While the volatility in the market is likely to persist, we are also confident that gas and power markets are fundamentally stronger than where they were just a year ago at this time.

Now I'll turn it over to Jack to review the full financial information for the quarter.

Jonathan W. Thayer

Thank you, Joe, and good morning, everyone. I'll cover Exelon's financial results for the quarter, our third quarter guidance range and update our cash outlook for 2014, including a discussion of the financing for the Pepco Holdings acquisition. I'll start on slide 6.

As Chris mentioned earlier, Exelon delivered second quarter earnings of $0.51 per share, exceeding our guidance range of $0.40 to $0.50 per share. This compares to earnings of $0.53 per share in the second quarter of 2013. The key drivers of the reduction in earnings quarter-over-quarter were lower realized energy prices at Exelon Generation, offset by increased distribution revenue at the utilities.

The cost of the expanded outage at Salem during the second quarter is offset by the elimination of the DOE nuclear waste fee. I'll go into greater detail on the quarter drivers at each of the utilities in a few moments. For the third quarter, we are providing guidance of $0.60 to $0.70 per share.

In April, Exelon received the operating licenses for the CENG nuclear fleet and began operating those plants. Prior to closing, Exelon and Generation each accounted for its investment in CENG under the equity method of accounting. After the close, we moved to a consolidated method of accounting and recorded all assets, liabilities and EDF's non-controlling interest in CENG at fair value on Exelon and Generation's balance sheet as of April 1. Ongoing operations will be included in the consolidated Exelon and Generation financial statements. However, these accounting changes do not materially change the earnings and cash flow for Generation and Exelon.

For the full year, we are reaffirming our guidance range of $2.25 to $2.55 per share. This guidance includes the impact of the elimination of the DOE nuclear waste fee, and is partially offset by increased outages, primarily in the nuclear fleet at Calvert Cliffs and Salem. These outages and their impacts are expected to be a $0.12 per share drag for the year. As we stated before, the full year benefit of the fee expiration is around $150 million per year, or approximately $0.11 per share. We do not expect Congress to act to reinstate this fee in the immediate future, and therefore have removed it from all years of our gross margin disclosures.

Turning to utilities on slide 7, they delivered combined earnings of $0.25 for the quarter. Before explaining the drivers of each utility, let me provide a brief update on our latest load forecast.

In general, we are seeing load growth year-over-year at ComEd and PECO, while BGE growth is flat to 2013. ComEd is seeing positive load growth of 0.8% across all three customer classes, led by 1.2% in the residential sector. PECO's overall load growth of 0.7% is led by 1.2% growth in the large commercial and industrial sector, and offset by a decline in load in the small commercial and industrial sector. You can find our latest full-year load estimates in the appendix on slide 18.

For the second quarter, ComEd earned $0.13 per share compared to $0.11 per share in the same quarter last year. The increase is primarily related to higher distribution revenue, due to rate base growth from higher capital investment. PECO's earnings were $0.10 per share for the quarter. This is up $0.01 per share from the second quarter of 2013, due to decreased income tax expense primarily due to additional tax repair benefits from February and July storms, and redemption of preferred securities, which resulted in a reduction of preferred dividends.

As Chris mentioned earlier, PECO had to two significant storm events in early July. Combined, these storms had a total incremental O&M cost of $10 million to $20 million, and incremental capital cost of $10 million to $20 million.

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Despite these storms and the ice storm in February, we are comfortable that PECO can still meet its full year guidance range.

BGE delivered earnings of $0.02 per share in the first quarter, a decrease of $0.01 from the same period in 2013, due to increased O&M costs primarily due to bad debt expense and labor, contracting and materials, partially offset by increased distribution revenue.

Earlier this month, BGE filed a rate case with the Maryland PSC, asking for increases of $117.6 million for electric, and $67.5 million for gas. We expect the final order in late January 2015, with new rates going into effect shortly thereafter. As you know, ComEd filed its annual formula rate case in April, and we expect a decision from the ICC by December 12, and the new rates will go into effect in January of 2015. More information about the filings can be found in the appendix on slides 19 and 20 for ComEd and BGE respectively.

Slide 8 provides an update of our cash flow expectations for this year. We project cash from operations of $6.975 billion. This compares to $6.2 billion last quarter. The variance is primarily driven by proceeds from divestitures and a decrease in OPEB contributions. As you know, we had a busy quarter working on financings for the Pepco Holdings acquisition. On May 30, 2014, we announced that we had entered into a $7.221 billion bridge loan facility to support the transaction and provide flexibility for timing of permanent financing.

We executed the first portion of the permanent financing with a successful equity issuance via a forward sale, which priced on June 11. We issued $1.2 billion of mandatory convertible units and $2 billion in equity forward contracts. Each of these transactions included green shoots, the proceeds of which may be utilized for accretive growth opportunities. As a result of the equity issuances, we reduced the bridge loan facility to $4.2 billion.

We're well down the road with our asset sale program. In May we sold our Safe Harbor hydro facility to Brookfield Capital for $613 million, or $375 million after tax, with an expected close in the third quarter. We're also proceeding with efforts to divest Fore River, Quail Run, Hillabee and Keystone/Conemaugh. We anticipated raising greater than $1 billion in after-tax proceeds from the divestitures, with the excess proceeds funding future investment and growth.

As a reminder, I'd like to point out a few changes made to the presentation of the projected sources and uses of cash in the first quarter, due to the consolidation of CENG into Exelon. For the fourth quarter of 2013 we showed 100% of CENG cash flows net of distributions reflected in the cash from operations line and the CENG distribution to EDF in the other line. Starting in the first quarter, we have kept the CENG distribution to EDF in the other line. However, we now include 50% of CENG's CapEx in investing, while leaving all other CENG cash flows net of distributions in cash from operations. As a reminder, the appendix includes several schedules that will help you in your modeling efforts.

Now, before I open the call for Q&A, I want to acknowledge that this is Ravi Ganti's last call as VP of IR. Ravi is moving back east to become the Senior Vice President and Chief Commercial Risk Officer. I want to thank him for representing Exelon through the past two years. I also want to welcome Francis Idehen as the new VP of IR. Many of you on the phone have met Francis and we at Exelon are excited to have him in this new role.

That concludes my remarks. Operator, we'd like to turn it over to Q&A.

Q&A

Operator

Yes, sir. [Operator Instructions] Your first question comes from the line of Dan Eggers with Credit Suisse.

<A - Christopher M. Crane>: Hey, Dan.

<Q - Dan L. Eggers>: Can we talk a little bit more about what's going on in the retail markets, A, as far as what kind of margins and profitability you guys saw in the quarter? And then with the Integrys acquisition, how you think about the scale of selling power through retail channels relative to other ways of hedging your exposure?

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<A - Christopher M. Crane>: Joe will take that.

<A - Joseph Nigro>: Good morning, Dan. The retail market remains very competitive. As you know, there's a number of participants in all the areas that we're in. I would say, however, since January, we have seen improvement in all of the retail markets. And it's really happened on two fronts, from our perspective.

The first is just the premiums, the risk premiums charged to serve load, and I'm talking both in the retail markets as well as on the polar side, have gone up with the increased volatility we've seen in the market. And then in addition to that, we have seen our margins on the C&I origination on the power side expand as well. And I think both of those things are positive. We had been saying for some time that we expected to see this happen because we couldn't get our hands around where the market was trading at effectively.

I think from the Integrys perspective, it's a really good fit for our portfolio from the standpoint of: their core products are power and gas, which dovetail nicely into our existing retail business. The 22 states that they're in also fit nicely with the geographies that we're in. And it is just a natural opportunity for us to grow the business as you see some of the competitors scale back.

<Q - Dan L. Eggers>: So, Joe [indiscernible] (32:38) -

<A - Christopher M. Crane>: The only thing I'd add to that, Dan, is the nature of the business is still very competitive, as Joe said. There's dozens and dozens of participants that are still in markets like Northern Illinois. We expect upon closure that our combined footprint would be about 29%. I think it's been over-reported in a few outlets. And so 28% to 29%. But there, again, as the contracts come up, they'll be processed in a very competitive way. So we feel strong about the acquisition and we still think it supports a very competitive market.

<Q - Dan L. Eggers>: You guys have historically talked about $2 to $4 margins for the retail business. Where are you seeing new business fall within that continuum?

<A - Joseph Nigro>: Dan, we've mentioned previously in the last six months that at one point we were slightly below that $2 to $4 threshold for C&I originations. We're now back over that $2 threshold at, call it, low to mid-$2 and we've seen improvement. And then, as I mentioned, in addition to that, on top of that, we've seen the actual risk premiums increase. So the increase has been really on two fronts, but our margins alone are above that $2 threshold.

<Q - Dan L. Eggers>: Yeah. And I guess just one other question. After the Pepco deal there was talk about looking to buy more generation assets prospectively as well, and maybe the asset sale is freeing up even more balance sheet room. Can you just walk through the criteria you guys expect as you look at buying assets in this market and then with the volatility in power markets we've seen in the last few months, how is that maybe affecting decisions or where you might want geographic exposure?

<A - Christopher M. Crane>: We continue to look at growing both sides of the business, either through on the generation side, either through acquisitions or potential development projects. But they have to pass the test of accretion and over the period, in a value proposition, a positive NPV contribution to earnings and free cash flow or EPS. We participate as assets come. More recently, assets have been going at higher valuations than we would put them in the portfolio for. But we'll continue to watch as things come to market and run them through our models.

They need to be generally in the markets that we're serving and trying to grow into. Some of the asset optimization that we're going through now is carried back on a few of the assets that don't have the good well-run assets, good employee base, highly reliable, but they don't have the value creation in our portfolio. So continuing to optimize the assets as we go forward.

As we've said previously, really interested in the Texas market. We see the economy there strengthening. We see the demand, although not as fast as previously reported, presenting opportunities for further growth in wholesale and retail opportunities which would, with our business model we try to match as much as we can the generation to the load in the portfolio.

<Q - Dan L. Eggers>: Okay. Thank you, guys.

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Operator

Your next question comes from the line of Steven Fleishman with Wolfe Research.

<Q - Steven I. Fleishman>: Yes, hi. Good morning. Just first on the guidance for this year, have you incorporated any of this bad July weather or August forecast in the range or not?

<A - Jonathan W. Thayer>: Yes.

<Q - Steven I. Fleishman>: Okay, good. And that's in your Q3 forecast as well?

<A - Jonathan W. Thayer>: I think four of us said yes at once there, so we're pretty firm on making sure there's clarity.

<A - Christopher M. Crane>: Yes on the second one, as well.

<A - Joseph Nigro>: Yes on the second one.

<A - Jonathan W. Thayer>: Yes on the second one.

<Q - Steven I. Fleishman>: Okay. Good. And then just going back to the TEG transaction, retail. Can you give us maybe any sense of a metric of what kind of valuation you might have paid for that business?

<A - Joseph Nigro>: Well, as we mentioned in the press release, Steve, we paid $60 million for Integrys and then assumed the working capital of approximately $180 million or so. I would say on an EBITDA multiple basis, it's close to or less than 2 times on an EBITDA multiple basis.

<Q - Steven I. Fleishman>: Okay. And then this might be a bit of farfetched question, but just curious because you've been growing your renewables business at a decent amount and contracted generation. What's your kind of take on this yieldco trend and is this something you'd want to kind to sell your assets to, given that you can probably sell them for a lot now, or you want to keep trying to grow the business? Just how are you thinking about it?

<A - Christopher M. Crane>: We like the business on the projects that you can get for the right value. It is on the renewables a free cash flow play and with the current tax rules that are there, it's a tax play. We've leaned more towards project financing and we think that fits our needs better than a yieldco in the long term, what we see for the tax environment for these assets going forward. So we're not heading towards yieldco or pushing assets into the yieldcos. We're more continued development in project finance the assets.

<Q - Steven I. Fleishman>: Okay, thank you.

Operator

Your next question comes from the line of Greg Gordon with ISI Group.

<Q - Greg Gordon>: Thanks. A couple questions. First, I know you had a good update on cash flow, in part from tax. Were those tax inflows contemplated as possible at the beginning of the year and you just excluded them from your guidance because of you were uncertain on timing, or were they something new that developed over the quarter? And then should we assume a normal effective tax rate in the subsequent quarters and in the next couple years?

<A - Christopher M. Crane>: Greg, I'd say some elements were, I would say, on the opportunity side. So we had some visibility. We had about $100 million improvement based on tax reimbursement for our decommissioning trust funds. The safe harbor sale allowed us to accelerate some tax credits. So that pulled forward about $175 million.

So we have had some elements that we had some visibility might come to fruition and with some successful settlements with the IRS as well as some very successful sale of safe harbor, have created an incremental opportunity there.

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On the effective tax rate side, we would anticipate about a 31% to 32% consolidated effective tax rate on operating earnings for the year. On the GAAP side, mark-to-market earnings kind of causes that to have some variability around it. But for modeling purposes, I think you can safely assume the 31% to 32%.

<Q - Greg Gordon>: And in subsequent years, is that a reasonable bogey or is it, should we assume something higher in lieu of any one time tax monetizations?

<A - Christopher M. Crane>: I think that's a fairly reasonable level.

<Q - Greg Gordon>: Okay. So consistent at that level?

<A - Christopher M. Crane>: Yes.

<Q - Greg Gordon>: Okay. And then can we talk a little bit about gas and gas basis? Working here with Jon Cohen, we watch not just the strip, but the monthlies and you've still got a pretty positive winter basis and a pretty negative summer basis at Tetco M3, but then at the Chicago City Gate, basis hasn't been nearly as volatile. What is going on in the real-time market, and what is your point of view – Exelon's point of view on how we ought to think about gas basis?

<A - Joseph Nigro>: Yes, morning, Greg. It's Joe. I think from a gas basis perspective, your point is right on. We've seen the Nov-March strip for next year and the M3 basis drops since the end of June, about $0.50. And versus its high in early May, it's dropped almost $1. And to your point, really the summer period since the end of June for that M3 basis hasn't fallen at all. We've dropped some since the high at the end of May. Chicago has been much more stable.

From our perspective, there's a couple of things. Obviously, the strong Q1 spot prices had a big impact on driving the forward prices higher, both in the winter and summer periods. We're seeing an impact that dragged through to the forward curve on what's going on in the spot market. I mentioned in my prepared remarks how we're 35% down on cooling degree days in Chicago and 10% nationally. That's having an impact in the gas market, both at Henry Hub and the drag through the basis.

I think specifically, the M3 basis, we're going to continue to see some of this volatility in the next two years or so as we continue to produce more gas at the Marcellus Shale. We're producing about 15 bcf a day in Marcellus, and we just don't have the takeaway capacity to move that gas efficiently.

As you get out to towards 2017, we really expect that gas demand, the supply/demand balance at Marcellus to come into much better equilibrium, when you think about some of the pipeline reversals with Transco and Texas Eastern and the Rockies Express, which will provide an uptick and more stability to that gas basis.

<Q - Greg Gordon>: So, when you guys roll out, when will you guys roll out how you've positioned yourselves for 2017 vis-à-vis hedging and would we expect that to be reflect – that perspective to be reflected in your positioning when you do so?

<A - Joseph Nigro>: Yeah. I think the way I would answer that is first is, we'll roll out 2017 like we do every year at EEI. And we do have – our ratable program for 2017 began this year. We are impacted by gas basis just like everyone else on our open position. But I would also say as we convert to power sales obviously, we don't have as big an impact on – the gas basis doesn't have as big an impact on us, and once we sell the power, because we have so much long baseload nuclear generation that it's not impacted once the power is sold.

<A - Christopher M. Crane>: But 2017 will come out at EEI.

<Q - Greg Gordon>: Thank you, gentlemen.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

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<Q - Jonathan P. Arnold>: Good morning, guys.

<A - Christopher M. Crane>: Good morning.

<Q - Jonathan P. Arnold>: Could I just ask you to give us an update on how you see the whole kind of discussion in Illinois around these market-based solutions playing out? I guess you said you won't take any action on plants until middle of 2015. The legislature is going to come in for a veto session in November, and then be back in the early part of next year. What's going on currently, if anything, and how is this actually going to move forward?

<A - Christopher M. Crane>: Get Joe Dominguez to cover his actions there.

<A - Joseph Dominguez>: Sure. What's going on currently is that the Illinois stakeholders are taking a look at the 111, the proposed rule, which obviously provides a strong signal to the states to preserve nuclear as part of their compliance plan. The other thing that is happening is as part of the resolution that Chris mentioned at the outset, state agencies are drafting a number of reports that'll look at the economic value of the units to the local communities, jobs, the value of the energy produced, the value of the low carbon resources. And so we expect those reports to be completed sometime around November or December, positioning us for a discussion of solutions in the spring session.

So I think the first time we'll see the actual legislation in different proposals will be in the spring. As Chris mentioned, we're looking for a market solution. To the extent that low carbon resources and [ph] hamster (46:09) liability are attributes that society needs, we'll expect to be compensated for those attributes, and we'll expect that compensation really at all of the plants, and not just the plants that are in jeopardy.

So that's our go-forward plan and I think that's the timing.

<Q - Jonathan P. Arnold>: So the next thing we will probably see will be these reports coming out towards the end of the year?

<A - Joseph Dominguez>: That's right.

<Q - Jonathan P. Arnold>: And then would you say that the stakeholders' interest in this is entirely dependent on 111(d) or does it kind of run – is there a chance we move on this regardless of what happens with the EPA and carbon?

<A - Christopher M. Crane>: The state has long positioned itself as focused on environmental issues and they have individually, as a state taken, actions in advance in 111(d), and looking at different programs that they may be able to participate in. We see this as helping them with a roadmap on going forward. So there is an interest within the state for that. There's also an interest within the stakeholder body to secure the long-term viability of these assets. They're greatly, highly critical to the economy, local economy in which they're located in, serving as tax bases, job bases, economic support for the community. So it's a multifaceted view, but the environmental support has been a long-term focus for the state.

<Q - Jonathan P. Arnold>: Okay. Thanks, Chris. And can I just ask, a similar idea but different topic, on the various avenues you're pushing for in terms of PJM market structure reform? Could you give us an update on which of those is getting the most traction and what your expectations are around timing and process there as well?

<A - Christopher M. Crane>: Joe, you want to comment?

<A - Joseph Dominguez>: Sure. So, there's some unfinished business around the speculation reforms that had been proposed in advance of the last auction and FERC has set up some sessions to deal with that. We think that will ultimately revive some of those speculation reforms for FERC approval in advance of the next auction. The other issue that is gaining a lot of attention, is an examination of the winter reliability situation, I think has revealed some gaps in the capacity product that we have purchased thus far on behalf of consumers.

So I think PJM is going to be looking at something that procures some additional commitments around high-availability resources. I think that's going to look a lot like resources that have firm fuel, like our nuclear plants. And I think it's going to be a carrot and stick approach where there will be additional compensation paid to those units for enhanced reliability, and there's also going to be some enhanced penalties. And I think, as an early model one might

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look to in that regard, is what New England has done. I think PJM is going to look very carefully at that, so there'll be some more money in the system, but also some more penalties for people who don't perform.

I think generally speaking, PJM wants to be out of the business of managing fuel supply for gas generators. That's become a big issue. It will become a bigger issue, as the stack changes, and the other thing we saw is, obviously, generator non-performance in the winter, which really threatened the reliability of the system. So I figure we will see a proposal sometime in the next month from PJM with action bringing something to FERC, potentially by the end of the year, depending on what the analytics look like.

<Q - Jonathan P. Arnold>: Would that run on the typical PJM BRAs schedule with an auction in the second quarter, or you see that happening on a different timeframe?

<A - Christopher M. Crane>: Well, I think in the long run it'll do just that. It'll be part of the BRA and the planning parameters we see going into the BRAs. But there is a question about these next few winters, before we could catch up to the BRA schedule. So I think there's going to need to be something that will be supplemental for the coming winters. But again, we need to see what PJM proposes, but I don't think it's just purely the BRA play. I think it's going to affect the next few winters as well.

<Q - Jonathan P. Arnold>: Okay, so the next month or so, you think that proposal emerges?

<A - Christopher M. Crane>: Yes.

<Q - Jonathan P. Arnold>: Great. Thank you very much.

Operator

Your next question comes from the line of Hugh Wynne with Sanford Bernstein.

<Q - Hugh de Neufville Wynne>: Good morning.

<A - Christopher M. Crane>: Good morning.

<Q - Hugh de Neufville Wynne>: I wanted to follow up on some of the discussion regarding Illinois's response to 111(d). I think that I heard mentioned that that rule provides an incentive to preserve the capacity of the nuclear fleet, and at one point, I also heard mentioned the possibility that Illinois might join REGI. Could you comment more directly on what you've heard regarding the strategies of Illinois and Pennsylvania with respect to their possible response to 111(d), their state implementation plans?

<A - Christopher M. Crane>: Well, I'd say, just first of all, it's very preliminary. So I think there's a couple things that folks are looking for. It's pretty clear that if you lose nuclear plants, your ability to comply with any carbon regime going forward is going to be jeopardized. The plants produce a tremendous amount of zero carbon energy, and so if you lose those, you're going to see a big uptick in carbon emissions. And we've seen that in states where plants have actually retired. I think that's been fully recognized.

What the vehicle for compliance will be is going to be the subject of discussions for, I would guess, at least a year and possibly longer. So I just think it's too early to speculate on where they're going to go. I think some stakeholders see what's been done in the REGI states and find that appealing. There's a lot of green before we get to a solution on that.

<Q - Hugh de Neufville Wynne>: Right.

<A>: I think the other thing to add is, in conversation, that this is a very complex rule and it takes time to digest it. I think the state wants to ensure they understand the allotment or reduction goals that they were given, that they ensure that they're given a fair shake in that, but it will be, as Joe said, take a while.

<A>: And if I can just add, you asked about Pennsylvania as well. There, I think the administration has not been predisposed to joining REGI. But the other candidate for governor has indicated as part of his platform that he would

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join REGI if he is elected. So let's see what the election results look like in November, and that will probably chart the path there.

<Q - Hugh de Neufville Wynne>: Could I just ask a question on that front, the portion of your fleet that's in New York, and in Maryland, of course, is already governed by REGI. Is it important to you and are you making initiatives to see that the rest of your fleet is also governed by similar rules, or do you feel that PJM can operate flexibly with different state implementation plans in different states?

<A - Christopher M. Crane>: Yes, I think we believe the latter. I think REGI is a good choice, but it's just one of the choices. Clean Energy Standard could work. A dispatch model where we price in carbon and the dispatch of resources through the RTOs could work. There are a lot of solutions out there. We have supported the REGI platform and the modelable improvements and we'll continue to support those states that are interested in that model. But it's not the only solution.

<Q - Hugh de Neufville Wynne>: Great. Thank you very much.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie Capital.

<Q - Angie Storozynski>: Thank you. Good morning. So I wanted to go back to the questions about Integrys. So I know a lot of questions have been asked. But have you incorporated the projected uptick in volumes and margins to your retail business in your gross margin projections?

<A - Joseph Nigro>: No, Angie, we have not.

<Q - Angie Storozynski>: Okay. So the follow-up question is how should we think about it? I mean how big of a swing could it be? And also is this portfolio short power?

<A - Joseph Nigro>: First of all, I think the first question is the uptick in volume would probably be approximately 15% to our retail power volumes. And our existing Constellation retail power volumes, on the gas side the uptick in volume would be approximately 30% to the existing Constellation volumes.

<Q - Angie Storozynski>: Okay. And I'm just trying to figure out if this very long multiple has to do with the fact that the portfolio was short, the 2 times EV to EBITDA?

<A - Jonathan W. Thayer>: Angie, this is Jack. Clearly, Integrys didn't own generation to support that portfolio. They had acquired and hedged it via the open market. It fits nicely with our generation footprint in the states they're active, and this would be an incremental avenue for us to hedge our generation -

<A - Joseph Nigro>: And I would add to that, Angie. The purchase is a mark-to-market exercise, so regardless if they were long or short, it would be an exercise in just marching to market whatever positions they had on. It's hard to speculate and provide any more information to that.

<Q - Angie Storozynski>: Okay. That's fine. Now, should we expect that you will give us an updated projections for volumes and then margins for the retail business during the EEI?

<A - Joseph Nigro>: Yes. That is correct. We will update it for EEI.

<Q - Angie Storozynski>: Okay. Then, given the correction in solar power curves since June 30, could you give us a sense roughly how they're going to swing? We are seeing currently in your total gross margin for 2015 and 2016 versus what you're showing us on the slides?

<A - Joseph Nigro>: Yes, if you look at our sensitivity tables that we provide in our hedge disclosures, we show you a $5 change in power prices for 2014, 2015 and 2016 respectively for PJM West and for NiHub. And we're roughly down about $3 in 2015 and 2016, respectively. So just backing into the math, it's approximately $150 million in 2015

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and approximately $250 million in 2016, and you can see that in the sensitivity tables we provide.

<Q - Angie Storozynski>: Okay. And then, again, going back to the retail business. So I mean just to reconcile your views, so you are expecting, as we do, a growing volatility in power prices and yet you are bulking up your retail business, which tends not to do well in a volatile power price environment. So are you comfortable with the strategy because you're still long power, or is it that you think that you're the last man standing in the retail business and thus, you will be paid for this additional risk that you're assuming?

<A - Christopher M. Crane>: It's definitely not the last man standing. It's a pretty effective market with many participants in it. So I think Joe could continue to cover the strategy; touch that.

<A - Joseph Nigro>: Yes, I think, Angie, there's a couple of things. I think the first is intrinsically we believe in the logic of matching generation and load, and there's a number of reasons to do that: it's beneficial for us because we don't have to take our power output to the over-the-counter market; the optionality of our units is efficiently matched with these load contracts; the locations in which we're selling the load contracts matches nicely to our generation output generally.

I think the second, the other side of it is the volatility piece. These contracts are renewing in a relative frequent period that such the price and the volatility is reflected in those contracts. So it's not like we're being exposed to that. If you go back six months ago, we were saying we didn't think the market was accurately pricing the volatility in the right way, and when it was impacting the way we were executing our own quantities of retail. We have seen that improve, and we thought it would improve and we're comfortable with it because it's an efficient hedge for our total portfolio. And the margins have continued to expand.

<Q - Angie Storozynski>: Okay, and my last question, not related to the generation business ones. So we're still missing a filing in Maryland for your Pepco acquisition. I mean is there any reason why you're waiting to file in Maryland?

<A - Christopher M. Crane>: Yes, as we previously said, we have multiple filings in at Maryland, and we had to time ourselves in our workload, so we prepared the other ones first. Maryland's on the clock. It's 225 days, so we'll be filing that one very shortly, but it's just the execution of the work we already have. We're in front of the commission in Maryland, and the work that we needed to do in front of the other commissions.

That'll be it, Operator.

Operator

Thank you. Thank you. If there are no further questions at this time, I would like to turn the call back over to Ravi Ganti.

Ravi Ganti

Thank you, Amy. That brings us to the end of the call. Thank you for joining us. If you have any follow up questions, please contact the IR department. Thank you.

Operator

Thank you. This concludes today's conference call. You may now disconnect.

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Company Name: Exelon
Company Ticker: EXC US
Date: 2014-04-30
Event Description: Q1 2014 Earnings Call

Market Cap: 30,081.01
Current PX: 35.03
YTD Change($): +7.64
YTD Change(%): +27.893

Bloomberg Estimates - EPS
Current Quarter: 0.440
Current Year: 2.382
Bloomberg Estimates - Sales
Current Quarter: 5157.667
Current Year: 24147.000

Q1 2014 Earnings Call

Company Participants

- Ravi Ganti
- Christopher M. Crane
- Joseph M. Rigby
- Jonathan W. Thayer
- Joseph Nigro

Other Participants

- Dan L. Eggers
- Greg Gordon
- Steve I. Fleishman
- Julien Dumoulin-Smith
- Jonathan P. Arnold
- Ali Agha

MANAGEMENT DISCUSSION SECTION

Operator

Good morning. My name is Brandy and I will be your conference operator today. At this time, I would like to welcome everyone to the Exelon Acquisition of Pepco Holdings Incorporated Conference Call. [Operator Instructions] Thank you.

Mr. Ravi Ganti, Vice President of Investor Relations, sir, you may begin your conference.

Ravi Ganti

Thank you, operator. Good morning, everyone. Thank you for joining us. Earlier this morning, we made two announcements. Exelon plans to acquire Pepco Holdings in an all-cash transaction and our first quarter 2014 earnings results. Materials and presentations related to the earnings and the acquisition are available on the Investor Relations section of our website.

Our discussion on today's call contains forward-looking statements and estimates that are subject to various risks and uncertainties. You should refer to the first two slides of today's presentation as well as information in Exelon's SEC filings for a discussion of factors that may cause the results to differ from management's projections, forecasts and expectations. Leading the call today are Chris Crane, Exelon's President and CEO; Joe Rigby, Chairman, President and CEO for Pepco Holdings and Jack Thayer, Executive Vice President and CFO, Exelon. We have scheduled 60 minutes for today's call. After the prepared remarks, we will open the floor for our Q&A session.

With that, I turn the call over to Chris, CEO, Exelon.

Christopher M. Crane

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Thanks everybody for joining us this morning. Before we get to the topic that we'll focus on today's call, our acquisition of Pepco Holdings, I want to spend a minute on our earnings for the quarter. We delivered on our financial expectations with earnings of $0.62 a share, which was within the range for our quarter. Our earnings for the quarter would have been $0.12 higher without the large outage in January – the outage at Calvert Cliffs, our nuclear facility, and the impact of the severe ice storm in the PECO service territory.

We are providing guidance of $0.40 to $0.50 per share for the second quarter operating earnings. We're on track to deliver on our financial goals for the full year. We've provided prepared remarks on the market portfolio strategy and financial results along with our earnings release this morning. You can contact IR for any follow-up questions. We do have Ken Cornew and Joe Nigro in the room if there is specifics that we want to touch on.

Now I'll move on to the topic that is the focus today. We're extremely pleased to announce that we have reached an agreement to acquire Pepco Holdings. We're doing this call from Washington D.C. and I'm very pleased to be here today with Pepco's CEO, Joe Rigby, joining the call to share his views on the transaction and what it means for Pepco, the 2 million customers in the D.C., Delaware, Maryland, and New Jersey area.

We think this deal is the right deal at the right time for Exelon. This is a strategic acquisition that results in a leading Mid-Atlantic electric and gas utility platform with a contiguous footprint that will serve almost 10 million customers in six states. This acquisition will add further sources of stable regulated cash to our portfolio and leverages our position as a leader in operating large urban utilities. Exelon will pay a cash consideration of $27.25, that translates to a 27.7% (sic) [24.7%] upfront premium based on last Friday's closing. We have committed financing via our bridge line in place to fund the acquisition and our strong balance sheet will enable us to source permanent financing for the purchase price using balance mix of debt and equity along with cash on our balance sheet. Jack will talk through more of the financial details later, but let me give you a few initial thoughts.

This transaction is highly accretive beginning in our first year of full operations as a combined company. It's accretive to the tune of $0.15 to $0.20 per share on a steady state basis. It maintains Exelon's balance sheet flexibility to continue to pursue further growth investments across all of our businesses, and it preserves the upside in Exelon's value that we still see fundamentally expected to gain from the continued recovery in the power markets which have been strong since the first of the year. For Pepco Holdings' customers, this transaction results in direct consumer benefits and enables further sharing of operational best practices across a larger suite of utilities.

Let me turn your attention now to slide 5, to talk more about the strategic benefits of this combination. The geographic fit of Pepco utilities within the Exelon utilities is second to none. There is a natural overlap of our operations in the Mid-Atlantic that will enable us to realize cost savings and improved reliability for all of our customers. And when it comes down to storm restoration, as we've had recent examples on how PECO, BG and ComEd worked together to ensure that we got the lights back for our customers in the face of some of the worst storms we've ever seen in the last few years.

This sizable utility platform also provides an opportunity for us to streamline processes, drive savings and improved efficiency in our day-to-day operations. We can drive performance through our metrics-based operating model. The acquisition also supports our belief in the value of an integrated utility model with a balanced mix of regulated and non-regulated cash flows and allows us to continue to have the upside for the shareholders from a power price recovery.

We've started to see recovery in the power markets, as I have mentioned, come to fruition, and the utilization of our balance sheet to particularly fund this acquisition maintains a leverage to a significant upside of the power prices.

On slide 6, we show the map of what our service territory will look like post-merger. We've worked in close proximity to Pepco, Atlantic City Electric and Delmarva Power for many years and we're pleased with the prospects of making them part of the Exelon utilities.

Slide 7 provides some key facts related to the transaction. As I mentioned before, we are paying $27.25 per share for Pepco Holdings in an all-cash transaction. There are no significant changes to our operation or governance from the company, and I look forward to working very closely with Joe and Pepco management team as we work for the

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regulatory approval process and the integration planning. Our plan is to obtain all required shareholder and regulatory approvals to close the transaction in the second quarter to third quarter of 2015.

Slide 8 provides some additional context around the timeline for the regulatory process. A joint team for regulatory folks from both Exelon and Pepco are prepared to continue working together and in conjunction with stakeholders in the various jurisdictions, secure all the necessary approvals. We expect all the regulatory filings to be made in approximately the next 45 days. While only Maryland has a stated clock on the regulatory process, we believe our experience learned from the Exelon – Constellation merger will position us to secure the needed approvals by, as I said, the second quarter to third quarter of next year.

I'd like to now invite Joe Rigby to give his thoughts about the transaction, how it brings value to PHI shareholders and customers.

Joseph M. Rigby

Thanks, Chris. And I want to thank you and your great team for helping make this transaction happen. This is a great day for the Pepco Holdings family, for shareholders, employees, customers, and our communities. We're excited to join the Exelon team and to become part of a larger well -capitalized company that has better scale to invest in infrastructure, people in the local communities.

Our shareholders will receive an attractive premium of 24.7% for the purchase of their shares by Exelon. Chris Crane and Exelon are committed to building upon our significant improvements in system reliability, customer service and outage restoration. Exelon has experience in large urban cities like ours and is a valued corporate citizen. We share a culture of continuous improvement, accountability, safety and commitment to our community.

Our customers will directly benefit as a result of this transaction including $100 million in customer benefits across Pepco Holdings service territories, for rate credits, low-income assistance and energy efficiency programs, a commitment to further improve system reliability and enhanced storm restoration capabilities. This is a tremendous opportunity, and Exelon is the right partner for taking Pepco Holdings to the next level.

I'd now like to turn the call over to Jack Thayer, CFO of Exelon, to discuss the financials of the transaction. Jack?

Jonathan W. Thayer

Thank you, Joe. Good morning, everyone. It's an exciting day for Exelon and our shareholders. The financial overview of the transaction begins on slide 11. The acquisition of Pepco Holdings adds significant value for our shareholders. As Chris mentioned, it's significantly earnings accretive in the first full year after closing. The deal will increase earnings by $0.15 to $0.20 per share in 2017. The rapid growth of rate base, retained synergies and earnings at Pepco's three utilities combined with our financing plans for the transaction drives sustainable earnings accretion.

As you know, Exelon has committed $15 billion in capital to ComEd, PECO and BGE to grow their rate bases over the next five years. The addition of the Pepco utilities to the Exelon family will add an incremental $8.3 billion in regulated rate base, growing our rate base faster than we could on our own. This in turn will increase our regulated earnings, add stable cash flows and add to our financial strength. Additionally, the utility earnings from the pro forma company can fully support the Exelon dividend by 2015.

The integration of the two companies will result in more than $250 million of net synergies over the first five years of which we can expect roughly one-third will be retained. Our past experience gives us confidence that we can deliver on these synergy targets. The Constellation integration resulted in significant savings, and we believe we can achieve meaningful savings for customers and shareholders in this case as well. This deal brings substantial benefits to our shareholders and the contemplated financing approach preserves the upside to be gained from a power market recovery.

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On slide 13, you can see the earnings accretion, the rate base growth and continued strong credit metrics as well as the more balanced business mix on a pro forma basis with operating earnings, pro forma for the transaction.

On slide 13 provides an overview of our financing plans. Our strong balance sheet coupled with the regulated nature of the transaction and the visibility into recurring utility cash flows affords us the opportunity to finance roughly 50% of the acquisition price with debt at Exelon Corporate, taking advantage of a historically low interest rate environment. The remaining portion of the transaction will be funded with a mix of common stock, mandatory convertible securities and up to $1 billion of cash from the sale of non-core assets at Exelon Generation.

Our investment grade credit ratings at all Exelon and Pepco registrants are expected to be maintained. We have a bridge financing in place for the full amount of the acquisition, which provides significant flexibility for the timing of permanent financing. That is particularly important, given the long lead nature of the regulatory approval process. Going forward, the combined company will continue to have a strong liquidity profile supported by $9.5 billion in revolving credit facilities. Importantly, this transaction delivers growth for the company, and our financing strategy maintains balance sheet capacity for continued growth investment on both the regulated and merchant sides of our business.

And now, I'll turn the call over to Chris for concluding remarks before Q&A.

Christopher M. Crane

Thanks, Joe and Jack. We've talked with all of you over the last few years, and we've been relentless in our commitment to deliver value to our shareholders in all aspects of the business. We have taken actions to create flexibility to invest in growth, while maintaining a strong investment grade balance sheet. You all know our fundamental view in the upside of power prices, which we are starting to enjoy seeing come to fruition, that has not changed. We've positioned ourselves to further benefit from the market recovery. We also believe in the need for strong infrastructure investment in our utility platforms. As Jack has mentioned, we are investing $15 billion in rate base over the next five years at ComEd, PECO and BGE. We now have a unique strategic opportunity to add Pepco Holdings to our company and continue to grow and diversify our regulated footprint.

This truly is an exciting time for Exelon, and we're pleased to have had the time to discuss this with you this morning. And again, I want to thank Joe Rigby personally and his team for allowing this transaction to go forward. The culture of the companies are very similar, and we look forward to learning from the Pepco organization and sharing some of the things we've learned over the past few years as we've improved the performance of our operation, as they have also.

With that, I'll open it up for questions.

Q&A

Operator

[Operator Instructions] And your first question is from Dan Eggers [Credit Suisse].

<Q - Dan L. Eggers>: Hey. Good morning, guys.

<A - Christopher M. Crane>: Good morning, Dan.

<Q - Dan L. Eggers>: Chris, you've been talking for a while about ways or opportunities to deploy capital and all the alternatives that were out there with the goal of visible earnings and consistency and repeatability. Can you just walk through how you came to a regulated utility acquisition like this versus maybe renewal investments? And some of the things you've talked about maybe how the returns compare to this versus what else you would have seen in the market?

<A - Christopher M. Crane>: Sure. We're in the market on all sides, the renewable opportunities that are coming to the market, the conventional generation opportunities; we continue to hunt for value in that area. We've seen some of

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the conventional stuff go at a higher premium that we're not willing to commit to but we'll stay in that market. As Jack said, we have considerable flexibility that's been created on the balance sheet by this acquisition. And it will not deter us from looking at opportunities when there is a willing partner on the other side to sell their assets. It is in a large part, opportunistic.

We were able to find a partner that saw the strategic sense in creating scale. And so, it's more about timing and opportunity, but we are still looking on a regular basis at anything that comes to the market or in conversations with folks that we think should come to the market. But we'll continue to work on that. This will not deter or distract us from any of the power side. We'll have an integration organization that will be led under Bill von Hoene, but it will lean heavily on the Exelon utilities to come up with the integration plan.

In the meantime, under Ken Cornew and Joe Nigro's leadership, we'll continue with the GenCo strategy independently, as we operate these businesses independently and we think there will be future opportunities that will come our way and we'll be able to integrate them into our platform equally as efficiently as we will do this transaction.

<Q - Dan L. Eggers>: Okay. So, I guess maybe Jack, you can walk through how the balance sheet works that you're able to add that level of debt and still keep a lot of flexibility apparently for other investments and what kind of assurance you've gotten from the Agency so far?

<A - Jonathan W. Thayer>: Sure, Dan. As you're aware, historically, the rating agencies have looked at Exelon Corporate and Exelon Generation on a combined basis. And our target FFO to debt metrics, if I was to pick one agency, S&P, as an example, have largely viewed the corporate entity and the merchants part of our business as one and the same.

With the acquisition of Pepco Holdings and the rebalancing of the earnings mix and the rerating of the risk perception related to Exelon Corporate, what it affords is the opportunity to add significant incremental leverage at the holding company that absent this transaction we would not have otherwise been able to do. So as we think about adding $3.5 billion of corporate debt at the holding company in an historic interest rate environment where we can lock in long-term rates at very attractive levels, we see that married up with the opportunity to invest in growing rate base at Pepco Holdings and the opportunity to marry that up with a strong operating overlap. We see this as a uniquely opportune time to tap the debt markets, but also add a highly accretive investment to our overall mix.

<A - Christopher M. Crane>: Let me add one thing to that, Dan, just to go back to some of the things we've talked about. When we started to communicate last fall our investment in the utility business, the $15 billion, part of the strategy here is to have the utilities be able to cover our commitment to the shareholders on the dividend within the next couple of years. So we've right sized the dividend appropriately for the business. The utilities will be able to service the debt and the dividend as needed at the holding company and we can have more flexibility on free cash flow off of the Generation business to continue to grow that side of the business.

So from a strategic approach, this advances where we were heading and strengthens our view on the strategy and the structure of the entity while being able to use that commodity base somewhat more cyclical to capture the upsides where we see fit.

<Q - Dan L. Eggers>: Okay. And I guess just going back to my first question and I'll stop it. When you look at kind of the value return of this to shareholders relative to the other options that have been out in the market, can you just maybe give a context of how the comparability of accretion or net value return worked for this deal relative to the other places where you could have deployed capital that you've seen or that you see in the market today?

<A - Christopher M. Crane>: Yeah, I'll take a couple of the typical CCGTs that you would have $750 million to $1 billion that have gone across the market. You can see accretion of a couple pennies at best on those type of assets for something like this, where we are using some equity, and using more debt, you can see the accretion of $0.15 to $0.20, it's powerful. And so, I think you could probably get fairly strong accretion if we were dealing with a fleet of assets to come in. On the renewable side, the investment thesis is not as much about EPS, as it is about free cash flow, that helps enable us to do other things. So, Jack, if you want to provide any clarification any more, go ahead.

final
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<A - Jonathan W. Thayer>: Sure. Dan, I think as Chris mentioned, here we have a growing – or an opportunity to invest in growing rate base, and opportunity for sustained investments – and continued investment further rate base opportunities versus, as Chris mentioned, once you get through the tax attributes of renewables investment, it really does have a very modest, and in some cases, negative EPS contribution further out the curve. And there it's about velocity of return of capital and seeking out further opportunities to invest relative to here, we have a sustained opportunity to invest in infrastructure in a way that earns us very attractive returns that on a standalone basis, that the incremental leverage at the holding company, makes that much more beneficial when it comes to dropping EPS down to the bottom-line for our shareholders.

<Q - Dan L. Eggers>: Okay. Thank you, guys.

<A - Christopher M. Crane>: But just to be clear, this does not preclude us from other growth opportunities on the other side of the business. It's a good opportunity at the time that we're able to take advantage of and it further moves our strategic focus down the road as we've discussed previously. Next question?

Operator

Certainly. Your next question coming from Greg Gordon [ISI].

<Q - Greg Gordon>: Thanks. Hi guys.

<A - Christopher M. Crane>: Hey Greg.

<Q - Greg Gordon>: I've got one question on the merger and one question on the quarter. So, on the transaction, obviously Mr. Rigby and his team, despite doing a pretty good job running their business have had a hard time getting the type of rate relief they've needed to move their earned returns on equity up to their authorized return. When you think about the base case forecast which you're using to give us the accretion numbers, what do you assume the ROE trends are and how much different are they under the Exelon merger case than they are under the standalone Potomac case?

<A - Jonathan W. Thayer>: Greg, it's Jack. I'll answer that question. In terms of what we've assumed in our operating model when calculating the synergies, very much akin to Pepco Holdings' projections that they used and recently rolled out in their communications at their Analyst Day. It's very consistent with the IBIS projections for the company on a going-forward basis. So to the extent that we are able to, through synergies to speed the opportunity to earn allowed ROEs that we're able to through continued performance improvements and improved storm response and other elements to earn higher allowed ROEs from our jurisdictions in New Jersey, Delaware, Washington D.C. and Maryland that would all be upside to the transaction. Obviously, that's something that we'll be targeting, as we're integrating the companies and integrating PECO's utilities into our operating model. But for right now, in our transaction economics, we just assume that Pepco continues on the path that it was and is now.

<A - Christopher M. Crane>: Joe, do you want to – Joe?

<A - Ravi Ganti>: Well, I'll let Joe provide some color to that.

<A - Joseph M. Rigby>: No. I think as we went through the due diligence process that as Jack mentioned that obviously, we provided all the information and I think what I'm hearing, Jack say is that there was no kind of remarkable upside that was assumed and the opportunity I think to realize the synergies and to be able to work that into the forecast, I think is going to have a positive impact on the actual earned ROEs.

<Q - Greg Gordon>: Thank you, guys. Now segueing into the quarter, looking at slide 9, which is the 2013 versus 2014 comparison at ExGen, did you pick up the negative deltas into $0.09 from lower realized energy prices, higher procurement costs, $0.05 from nuclear and fossil output. So can you explain to us how we should think about this because clearly, the retail business probably was on the wrong side of power price volatility in the quarter in terms of having a lot of demand and having to manage variable load risk? And at the same time, your lowest cost resources were not available. So, can you kind of break down what happened that was sort of uniquely in the retail book in that sort of

final
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$0.09, then I think it's probably simpler when we think about the $0.05 just in terms of outage days, but can you explain to us exactly what happened?

<A - Christopher M. Crane>: I'll have Joe take that.

<A - Joseph Nigro>: Hey Greg, there is a number of things that are moving around when you think about – I assume your question is Q1 2013 versus Q1 2014?

<Q - Greg Gordon>: Correct.

<A - Joseph Nigro>: When you think about it, the best thing is we had – when you think about the way we hedge our portfolio, we had substantially lower energy benefit in PJM. Our growth in the Midwest and the Mid-Atlantic quarter-over-quarter when you think about 2014 versus 2013, the big driver in the Midwest was the roll off of the ComEd swap. In 2014, we're still in the first quarter in 2013.

In the Mid-Atlantic, it was just driven by energy prices. There was an offset to capacity that was a positive pickup, but didn't reduce that at all from the lower energy benefit. In addition to that, as you see on the slides, we had some increase in nuclear output in [indiscernible] (28:46) output. In 2014, again, we had a roll off of a long-term contract in the Midwest in Kincaid that played into that as well.

And then when we get into the other regions, there's a lot of moving pieces associated with it. In New England, with a restructuring of our fuel contract from Mystic, we had a lot less generation output in New England than we did in 2013. And then in ERCOT, just like everyone else, we faced some continuing outages in the first quarter as well as some gasoline availability down there that drove some [indiscernible] (29:18). So there's a number of moving pieces. On the retail side, it wasn't a material quarter [indiscernible] (29:25).

<Q - Greg Gordon>: Okay. So when I think about the $0.09, there is not a meaningful portion of that, let's say where you were upside down in your retail book, it's other factors like the roll-off of contracts?

<A - Joseph Nigro>: Our retail book – we manage it as we talked to you about previously. We manage all the finance risk inherent in our portfolio in our wholesale book of business. So when you think about it, what we're doing is reflecting all of that in our hedge disclosure and you see that. I would tell you that we face the same load charges at PJM, for example, that everyone else did in the first quarter. But we also had an offsetting benefit of having generation and having the generation to load strategy did benefit us some, although we did incur net cost to serve load, but that includes our wholesale load as well.

<Q - Greg Gordon>: Okay. Thank you.

<A - Christopher M. Crane>: Next question, please.

Operator

Yes, sir. [Operator Instructions] Your next question comes from Steve Fleishman [Wolfe Research].

<Q - Steve I. Fleishman>: Yeah. Hi, good morning.

<A - Christopher M. Crane>: Hey, Steve.

<Q - Steve I. Fleishman>: Hi. Could you maybe just be a little more explicit on the financing plan for the different pieces and how much stock versus converts versus debt? And then also the asset sales that you might most likely look at?

<A - Jonathan W. Thayer>: Sure, Steve. This is Jack. So with respect to the financing side of the equation as we've discussed, we'll use a mix of convertibles as well as straight common. We're still finalizing, and we'll finalize the mix of that as we go to market. And we'll size that so that we're tapping the substantial liquidity that exists in both those instruments and leverage the opportunity to tap different investor bases as we do so. Clearly the benefit of the

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mandatory convert is the equity credit we receive while retaining opportunity to share in the upside related to share performance during the duration of the convert.

On the asset sales side, as we mentioned, we anticipate roughly $1 billion of proceeds from asset divestitures that we would use to fund this transaction. We would anticipate that those assets are in our non-core elements of our business. So, when we think about maintaining the exposure to a power recovery, where that exists most significantly is within our nuclear fleet. We would be looking to sell certain fossil assets that have appreciated considerably in value. And given the valuation methodologies in terms of how we're valued relative to IPPs or private equity firms, those assets candidly are likely to be more valuable in a private equity firm or IPPs' hands, who can use significantly more leverage than we can in our capital structure. And the loss of earnings associated with those assumed divestitures is incorporated into the $0.15 to $0.20 of earnings accretion calculation. So, clearly we see that as an opportunity to sell assets that on a relative basis contributes less earnings to our overall EPS and invest those proceeds in a growing utility investment.

<Q - Steve I. Fleishman>: Okay. And just a clarification on the asset sales. Are those assets that likely had debt on them as well, so that we should use the $1 billion as like a mix of debt and equity or is the $1 billion replacing what otherwise would be equity issuance for the deal?

<A - Jonathan W. Thayer>: The debt that we have is at Exelon Generation. So there's not a planned level of specific debt. We would anticipate that that $1 billion of proceeds is in lieu of equity used in the transaction.

<Q - Steve I. Fleishman>: Okay. And last question on this. Will you probably wait till you have – are close to all approvals to execute on these funding plans?

<A - Jonathan W. Thayer>: The bridge is in place for the duration of the approval process. We have the opportunity to issue at any time during that bridge being in place and I think we'll, as we get further into the integration process into the regulatory approval process, we'll stare down and look at when is the appropriate time to look to issue equity. Certainly we have some big valuation events coming up, the upcoming capacity auction, a summer with a tightening supply-demand mix and an upcoming winter as well. So we have a lot of flexibility around when we might think about tapping the equity markets and the convert markets.

<A - Christopher M. Crane>: Just one more thing to add on to that, Steve. The asset rationalization was going forward with or without this. On the annual basis, we look at core assets, their valuation, market valuation. We look at non-core assets and we had determined that we were going to adjust the portfolio regardless of this.

<Q - Steve I. Fleishman>: Okay. Thank you.

<A - Christopher M. Crane>: Thank you.

Operator

Our next question comes from Julien Smith (sic) [Julien Dumoulin-Smith] [UBS Securities].

<Q - Julien Dumoulin-Smith>: Hi, good morning.

<A - Jonathan W. Thayer>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: So a quick question, if you will, kind of going back to Dan's first starting point here. What is the ideal composition of regulated versus merchant? I mean if you think about the company down the line, are you going to follow your peers on the diversified side and become more regulated, or ultimately, do you think about yourselves as having a meaningful commodity kicker yourself?

<A - Christopher M. Crane>: Yeah. We still are very supportive of the commodity side of the business. This is not a mandatory diversification that we had to do because of any balance sheet tightening. It is about creating value and the opportunity that we have with it. There is not a fixed 65%, 55% regulated to merchant. What we learned in the last downturn of the commodity cycle that we're coming out of is that we need to make sure that our commitments are sized

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SI-SSA-0015-01806

to be able to be sustainable and that the investment thesis and the strategy from both sides of the business can stand on their own.

So what we want to have is regulated revenue that continues to grow at a reasonable CAGR as we make our investments in that side that support any debt or dividend requirements that we have at the holding company, which we think is a rational strategy on how we should size and pursue and invest going forward. We do not want to over lever as a holding company that to point that the utility businesses that we're investing in or acquiring would not be able to service that requirement. We don't want to size the dividend to a point that it can't be reasonably serviced to provide value back to the shareholders and we also want to have the flexibility, which this transaction maintains for us to be able to invest in the merchant side, the competitive side of the business, in electric and gas assets as we go forward.

<Q - Julien Dumoulin-Smith>: Great, excellent. Now second question here, a little bit – going back to the balance sheet, when it comes to credit metrics, I'd be very curious, how much incremental leverage beyond the transaction does this create by shifting your regulated profile?

<A - Jonathan W. Thayer>: Julien, as you might anticipate, we've been in dialogue with the agencies and in the re-risk rating of the company pro forma for this transaction and the ability for both utility as well as merchant cash flows to service the debt at the holding company, we had left ourselves room to make further incremental investments, whether they'd be regulated or merchant in nature. So, we clearly could have leaned more heavily on the fixed income markets and made this transaction even more accretive. We felt the appropriate and balanced approach was to leave ourselves powder because as we've experienced from time-to-time particularly in moments of significant volatility, whether it'd be in the retail business or whether it'd be in other parts of the merchant chain, it's generally good to have powder, should opportunities present themselves.

<Q - Julien Dumoulin-Smith>: Then how does that jive with dividend expectations, I mean obviously it's a more regulated profile, what's the thought process?

<A - Jonathan W. Thayer>: I think the thought process is post this transaction, the utility can be 100% funded – or sorry, the dividend can be 100% funded from the utility. This speeds that path – we were already on that path. This clearly speeds that and it gives our Board of Directors significant flexibility around how they – with Chris' guidance, may choose to return capital to shareholders.

<Q - Julien Dumoulin-Smith>: But you're not committing to pay out off of the utilities or anything like that?

<A - Jonathan W. Thayer>: We are not.

<Q - Julien Dumoulin-Smith>: Okay. Great. Well, thanks again, guys. Good luck.

<A - Christopher M. Crane>: Thanks.

<A - Jonathan W. Thayer>: Thank you.

<A - Christopher M. Crane>: Next question please.

Operator

Your next question comes from [ph] Paul Rizzon. (40:02)

<Q>: Good morning.

<A - Jonathan W. Thayer>: Good morning, [ph] Paul. (40:04)

<Q>: First of all, congratulations, Joe, it's a nice swan song.

<A - Joseph M. Rigby>: You bet. It's a great opportunity for all of our stakeholders. Exelon is a great, great company. We're very excited about this.

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Bloomberg
SI-SSA-0015-01807

<Q>: I'm just wondering. I know Pepco and BGE tried to get married once and Exelon's got a history in New Jersey. Have you had any dialogue with regulators?

<A - Christopher M. Crane>: We've had some initial outreach with regulators to explain what this value proposition is for their stakeholders. So, we learned a lot from some things that worked and some things that haven't worked in the past. We've put that into our regulatory strategy in Maryland when we were able to secure the acquisition at Constellation and BGE in 10.5 months. Our regulatory team is ready to approach this one in the same way with making sure we get our filings in. There's no delay on that, making sure we engage and open the dialogue up with the regulators. The regulators have a tough job to do. They have to prove that this is in the best interest of the consumer, but we believe that we have prepared a package that shows that, by our commitments that we're making and we'll engage. I wouldn't expect to hear a reaction from any regulator publicly. They have to see what we put in writing, what we offer, they have to go through the process. This is a tough job for them to do, but we, at the end of the day, see a success path or we wouldn't be doing it.

<Q>: Again, just a follow-up question, shifting gears, can you just give us an update on Illinois and any movement on legislation that would kind of ascribe a little more value to the value of nuclear?

<A - Christopher M. Crane>: Yeah, that story has gotten away from us. We've continued to say we are not looking for legislation for a bailout of the competitive nuclear fleet in Illinois. We believe that is a market issue that our units are not being compensated for the firm fixed fuel that they provide in the capacity market and we're not being compensated for the clean carbon free generation that they're providing. So our focus on creating value for the nuclear fleet is more around market design and at a federal level. We pushed hard that above – and for a few years talking about the unintended consequences of the PTC and the concentration of excess wind generation and the pricing issues that it has in the Midwest, primarily, that is still what we're pushing on. We said a couple of years ago it was going to be a problem, it has become a problem. There is a few ways that we can get compensated for that, that as you all know we're working on the market issues and the capacity market in PJM, those changes coming to fruition, some of the short-term changes. And the work that we need to do in the stakeholder community to recognize the vulnerability that the grid has – will be incurring with a dependency on gas and we saw that during the polar vortex. So, when we load a core, we load it for 18 months to 24 months. It can run through any weather situation. It's not dependent on fuel being delivered on an hourly basis or wind blowing and so, that's the stuff we're working on.

We believe in a competitive market. We don't believe in a subsidized market. We need to be compensated for the value proposition on the plant and that should not be a bailout from the state.

<Q>: Thank you.

<A - Christopher M. Crane>: Next question, please.

Operator

Your next question comes from Jonathan Arnold [Deutsche Bank].

<Q - Jonathan P. Arnold>: Hi. Good morning, guys.

<A - Christopher M. Crane>: Good morning.

<A - Jonathan W. Thayer>: Good morning.

<Q - Jonathan P. Arnold>: Just curious, as you sort of think about the company post this transaction and the business mix issues you've addressed, does this give you the capacity to be a little less hedged and sort of bet more heavily on your favorable view of the markets? And maybe this would be an opportunity to just update us on what you – how you're seeing liquidity in those forward curves...

<A - Christopher M. Crane>: From a macro level in servicing our commitments on the value of the dividend and making sure we maintain a strong balance sheet, this does contribute to that focus. I'll let Joe talk about the liquidity

final
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SI-SSA-0015-01808

and where we're at with the hedging strategy.

<A - Joseph Nigro>: Hey, Jonathan, good morning. There is a couple of things with that. We have seen liquidity begin to pick up in the marketplace post the first of the year. That's true pretty much across all the regions, and in particular, important for us. We have seen liquidity improving [indiscernible] (45:31). And we believe a lot of that is on the back of what happened in January and February with the polar vortex and some of the price appreciation, and more importantly, the volatility appreciation we saw and some of the retailers coming back to the market.

I think from a hedging perspective, you really have already see us take the approach of being less hedged. If you look at our disclosure, normally this – when you look at 2015, by the end of the first quarter of 2014, we should have been about 75% hedged. Our total portfolio is approximately 65% and we've been clear that about 10% of that is in natural gas. So, we really have about 20% incremental exposed to the power market and we have about half of that, so about 10% incremental as to where we should be in 2016, exposed to the power market. So, we've really looked at already beginning to be more aggressive and we work very closely taking into account what our balance sheet commitments are and making sure that we're aligned to all of that.

<Q - Jonathan P. Arnold>: So, there is an angle that this is giving you, having a more regulated base, but it gives you the ability to take a little more risk in the merchant business?

<A - Christopher M. Crane>: Jack, you want to.

<Q - Jonathan P. Arnold>: [indiscernible] (46:52)

<A - Christopher M. Crane>: Yeah, I agree with that.

<A - Jonathan W. Thayer>: Jonathan, clearly, the message on our side is, we have faith and belief in the power recovery. We have maintained substantial exposure to that power recovery. We're seeing in the first quarter and you saw in our hedge disclosure the meaningful uplift and impact of improving prices. We've seen significant improvement in prices subsequent to that and anticipate further market recovery, particularly in the NiHub market as we go further out the curve.

From a balance sheet flexibility standpoint, we already retained considerable flexibility in our ability to lag ratable where we didn't leave fundamentals supported of current marks. We've exercised that perspective, and most importantly, we've been right in exercising that perspective. And as Joe mentioned, we continue to keep that considerable exposure in place as we anticipate further market recoveries. So, in all instances, while this does improve our earnings mix of regulated versus merchant, we do anticipate, as the power market recovers, we'll get to that roughly balanced 50-50 mix that Chris has communicated as being roughly optimal for our business.

<A - Christopher M. Crane>: And just to be clear, as I said earlier, the strategy that we were moving to is to have a value return proposition through our dividend that is funded to a more classical or typical methodology with the regulated entities dividending up to the Holdco and in those entities servicing any debt that would be at the Holdco. So naturally that does allow us – that those commitments are made that allows us flexibility on the generating side to merge as the analytics would tell us to on being able to capture the upside or if we think we're high that we can – we could hedge out further.

<A - Jonathan W. Thayer>: Yeah. Chris, certainly just one caveat. Certainly in the near term, both the merchant and utility cash flows will support the holding company debt as we see growth in the earnings power at the utilities that the utilities will shoulder more of that.

<A - Christopher M. Crane>: Right. It's the long term, right.

<Q - Jonathan P. Arnold>: Okay. Could I ask when you say $250 million, just this detail on the merger stuff, $250 million of net synergies, is that net of tax, net of cost to achieve, net of something else, can you just kind of frame that number?

final
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Bloomberg
SI-SSA-0015-01809

<A - Jonathan W. Thayer>: That is separate and distinct from cost to achieve. So as we think about cost to achieve and then the realization of those synergies, we'd expect to retain, roughly a third of the overall savings. We'll get to a run rate synergy number of approximately $120 million to $140 million. We'd anticipate that our customers are the net beneficiaries of two-thirds of those savings and that we would keep roughly a third for the benefit of our shareholders.

<Q - Jonathan P. Arnold>: Okay. So, that run rate is that 2017, that's the number in the 2017, $0.15 to $0.20. Is that?

<A - Jonathan W. Thayer>: I would say.

<Q - Jonathan P. Arnold>: or is that further out.

<A - Jonathan W. Thayer>: First of all, yes, and second of all as you do the math, you'll see synergies is a very small element of the accretion in this transaction. It's really the opportunity for incremental leverage at the holding company that this transaction affords. It's the monetization of certain assets at a higher value than what would be implied in our PE multiple. And synergies are an important but very modest contributor to that $0.15 to $0.20.

<Q - Jonathan P. Arnold>: Okay and how should we think about the customer fund? Is that something you would sort of fund upfront as almost part of the purchase price or something that would kind of be funded over time?

<A - Christopher M. Crane>: It is intended to be given upfront after approval as we integrate, so it is part of the cost to achieve.

<Q - Jonathan P. Arnold>: Okay. I think that's – could I just ask one other thing and I'm sorry if you've touched on this, but what kind of assumption are you making about earned returns at the Pepco Utilities?

<A - Jonathan W. Thayer>: Jonathan, in term of earned returns, our internal forecasts are very much akin to the internal forecasts of Pepco Holdings. It's very much in line with the consensus estimates as you look with IBIS in terms of – from a synergy standpoint, if that allows us to speed, getting closer to that earned return to reduce the regulatory lag. If the operational benefits and uplift from improved operations, supports higher allowed returns, all of that will be upside to the economics that we've communicated to you as part of this presentation.

<Q - Jonathan P. Arnold>: Okay. Thank you very much, guys.

<A - Jonathan W. Thayer>: I think we have time for one more call.

<A - Christopher M. Crane>: Yeah.

Operator

Yes. Your next question comes from Michael Lapides.

<A - Jonathan W. Thayer>: Good morning, Michael.

<A - Christopher M. Crane>: Michael?

Operator

If your line is on mute, please un-mute your line.

<A - Ravi Ganti>: Okay. We have.

<A - Jonathan W. Thayer>: I think, operator, if you'll go to the queue for the last and final caller.

Operator

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Bloomberg
SI-SSA-0015-01810

Yes, sir. One moment. Your next question is from Ali Agha.

<Q - Ali Agha>: Good morning. [Suntrust Robinson Humphrey]

<A - Jonathan W. Thayer>: Good morning.

<A - Christopher M. Crane>: Good morning, Ali.

<Q - Ali Agha>: Chris, one question. How comfortable are you with the new regulatory jurisdictions you are getting into? Obviously Maryland, you're very familiar with, but the other ones have been challenging to say the least, and I'm sure you've been observing them. So what gives you sort of confidence that you can handle those different than the way they've been handled in the past?

<A - Christopher M. Crane>: Well, we think the way that Joe has taken the company, Pepco, in the last couple of years, significant investment in reliability, continued to develop a stronger relationship in his tenure in the position, we're comfortable in the direction they're heading. We understand the expectations of the regulator, and we'll continue on the path that Joe has taken the company in the last few years.

The regulatory process is not easy in any jurisdiction. And as I mentioned earlier, there's a significant responsibility upon the regulator to make sure that the utilities are providing the service level at the right economic point and with reliability and safety of the system. We have to prove that we can do that in this case to gain approval, and then we have the responsibility of maintaining our operations at that level to continue. So we believe in, we're strongly supportive and believe what Joe has done and what the Pepco team has been doing in their service areas, as the path to continue on and we believe as has been shown, the Pepco standalone that things are very much improving.

<Q - Ali Agha>: A separate question, in the past you told us about that $2 to $4 uplift that you believe fundamentals justify in the forward curves, where do you think we are in that today?

<A - Christopher M. Crane>: Yeah, Joe will talk about this.

<A - Joseph Nigro>: As Jack mentioned earlier, we see material improvement since year-end in the forward curve. And if I look at NiHub, we're up about $5.50 in and around the cost base since the first of the year and we're up about $7.50 at West Hub. You see in our hedge disclosures, that we're up about $200 million and $400 million respectively in hedged gross margin, through 3/31 2015 and 2016. We're up about another $300 million in 2015 and approximately $400 to $450 million in 2016 since 3/31.

When you think about the upside, there's a big seasonal shape to it at this point, given that we've seen a big move in the winter gas basis and the underlying winter power prices. But we still think in the 2015, 2016 time period there's less than $2 of upside remaining at NiHub, but there's still upside on an annualized basis.

At the West Hub, we think that most of it us priced in, but it's very seasonally driven. As you get out to 2017 and 2018, we see a little more upside at NiHub than we do in 2015 and 2016 and a little more upside at West Hub than we do in 2015 and 2016. So, it's really seasonally driven at this point and we're taking an opportunity as we do hedge into the power price move to make sure that we're matching where we think the market has moved, so our hedging is matching. We're aligned to our views in what the market has done.

<Q - Ali Agha>: Got it. Last question, Chris, and I'm picking up from what you guys were saying. I mean the markets are moving, the commodity prices are moving in your favor, your thesis seems to be coming together. Stock's been obviously rallying as a result of that. From a timing perspective, do you think perhaps – was this the right time to be adding more regulated mix given that this is a 12-month to 15-month approval process? Kind of has its own levels of uncertainty associated with that, you have let this thing run the way it had been running and has been running?

<A - Christopher M. Crane>: Yeah. We're not distracting or deterring ourselves from the upside of the commodity market. With the way that this is being structured with opening up more of the balance sheet using a view by the rating agencies of the Holdco utilities allows us to do some cheap debt at this time to pick up more regulated revenue. There is an equity component, but it is not a significant component. If you did the math and Jack was explaining it earlier this

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morning, it's less than 10% of our share count that would equity would be issued for, you've still got somewhere of 90% of whatever the upside is that's coming from the power market.

So you have to be opportunistic. You have to be able to create value. This deal creates a significant accretion in earnings per share. It allows us structurally to be looked at differently by the rating agencies and we get to still when anything would come to the market that was a relative value deal, we'd still be able to transact on it and continue to grow on that side of the business. So there was, if you can create value with accretion like this, I think the time is whenever it comes available. And if this was to distract us from the upside of the commodity recovery and the power recovery, we wouldn't have done it, but we can do both.

<Q - Ali Agha>: Good enough. Thank you.

Ravi Ganti

Thank you. That brings us to the end of the call. Thank you very much.

Operator

Thank you. This does conclude today's conference call. You may now disconnect your lines.

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Fall 2018 Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-01814

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01815

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-01816

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

Exelon.

SI-SSA-0015-01817

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01818

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-01819

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi^2
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

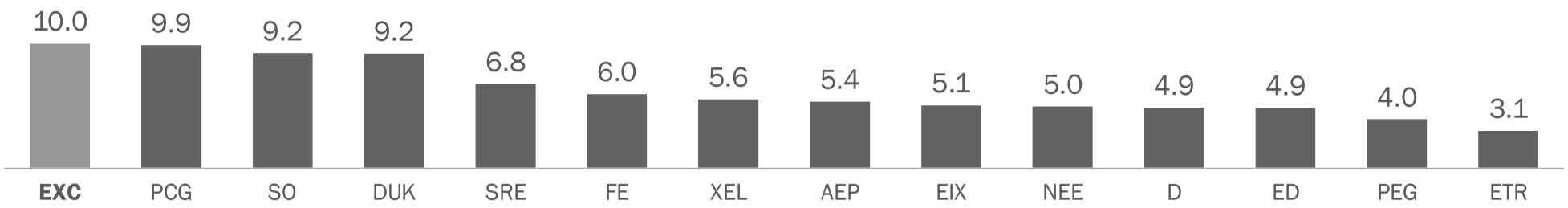
Note: All numbers reflect year-end 2017

SI-SSA-0015-01820

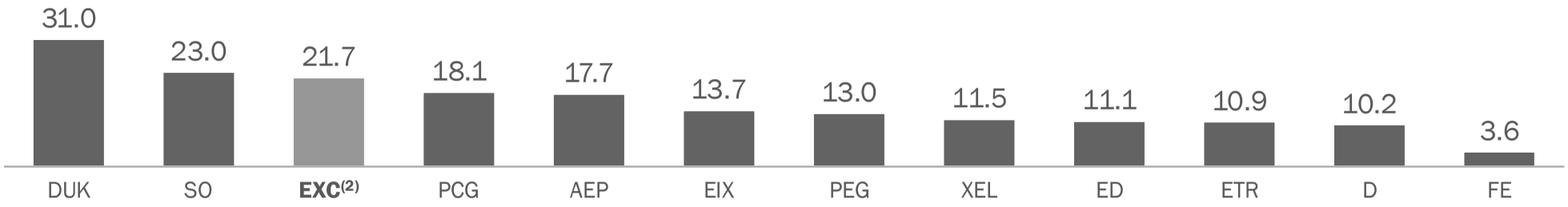
Exelon.

Exelon Utilities are an Industry Leader

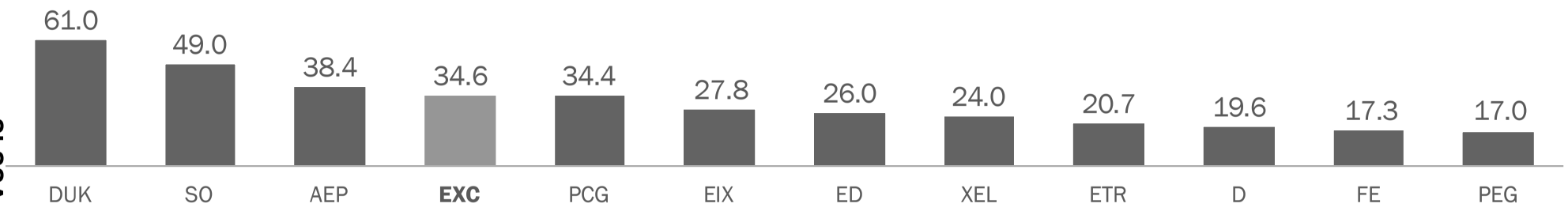
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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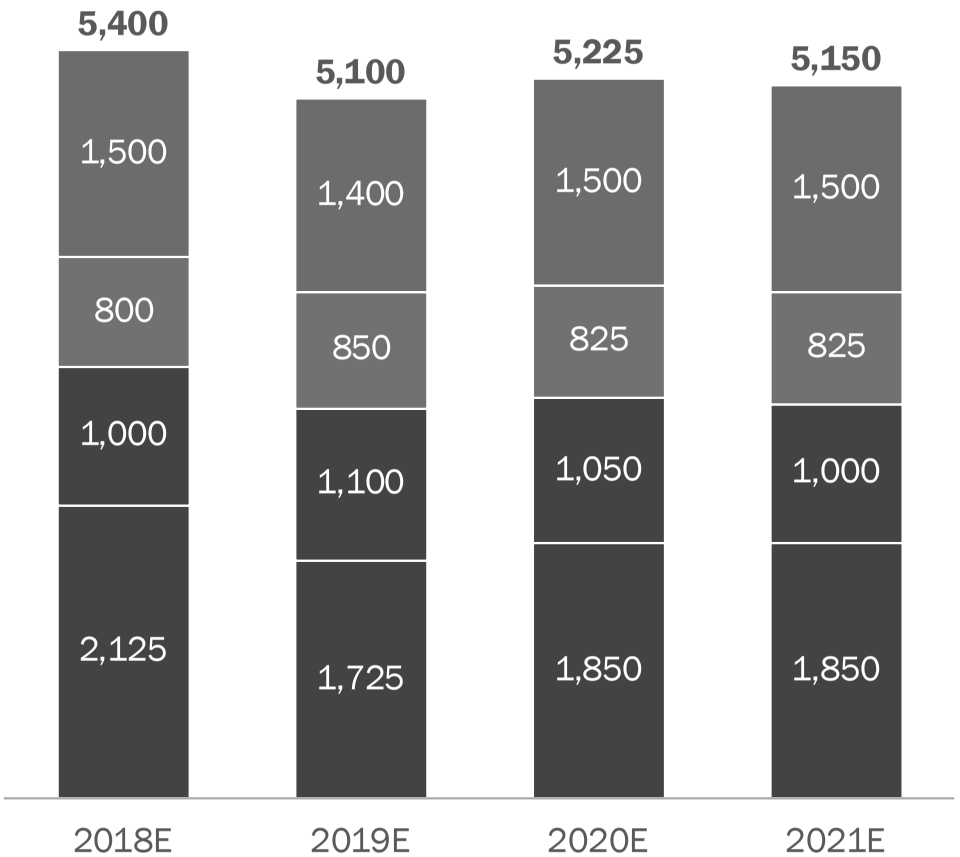
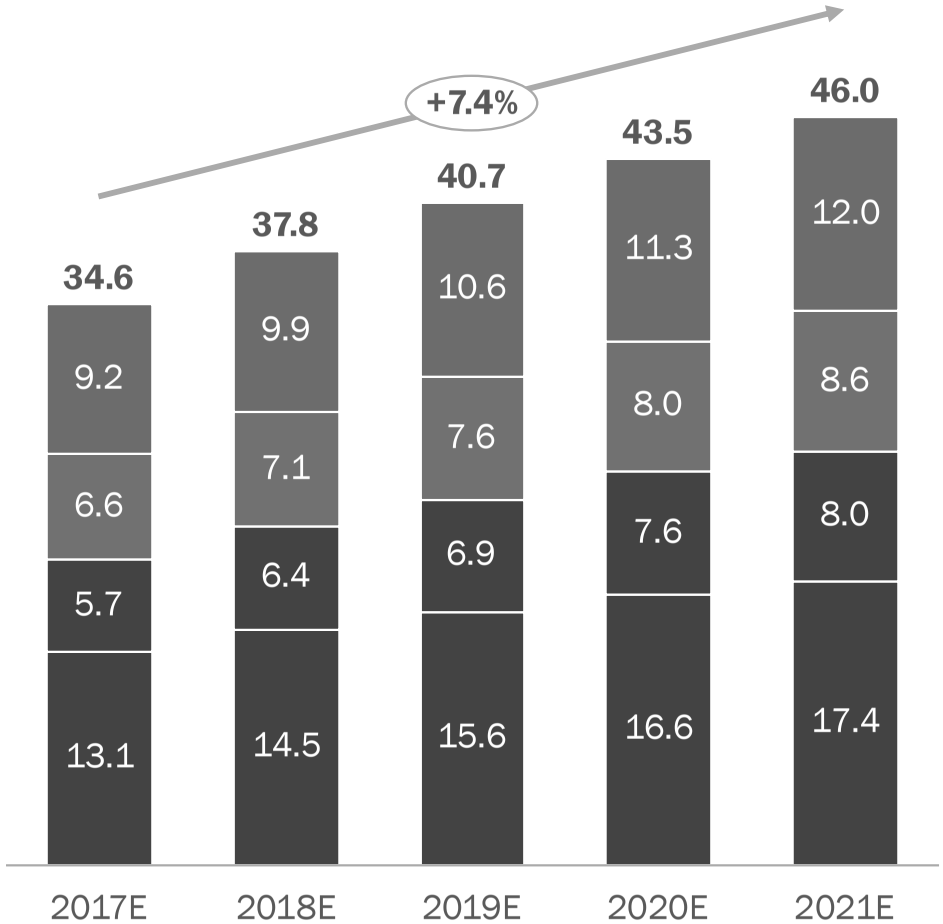
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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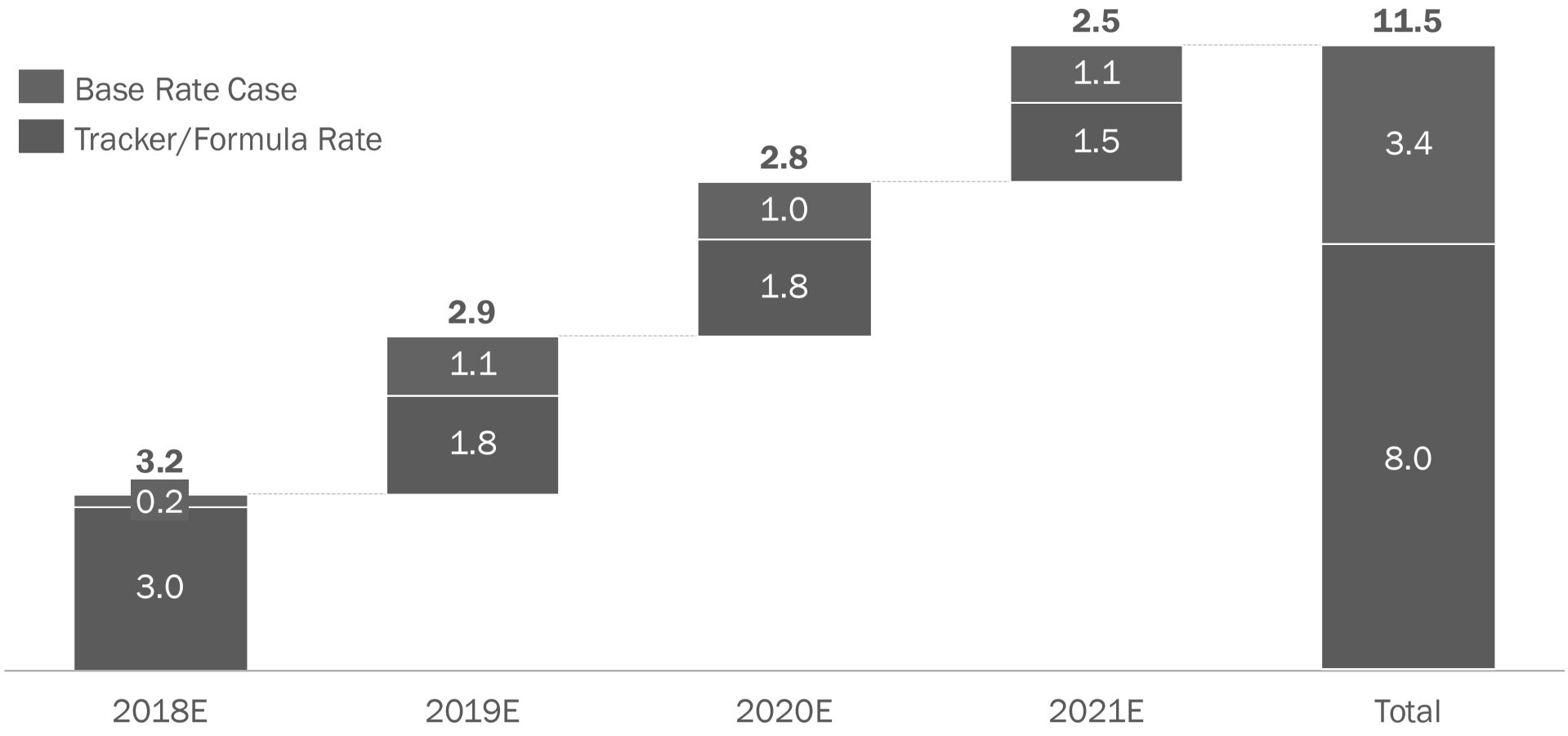
Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

SI-SSA-0015-01823

Exelon.

Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q2 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Continued top tier reliability performance, with top decile performance in CAIDI and gas odor
- Customer performance metrics continue to be strong across all utilities

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

Exelon.

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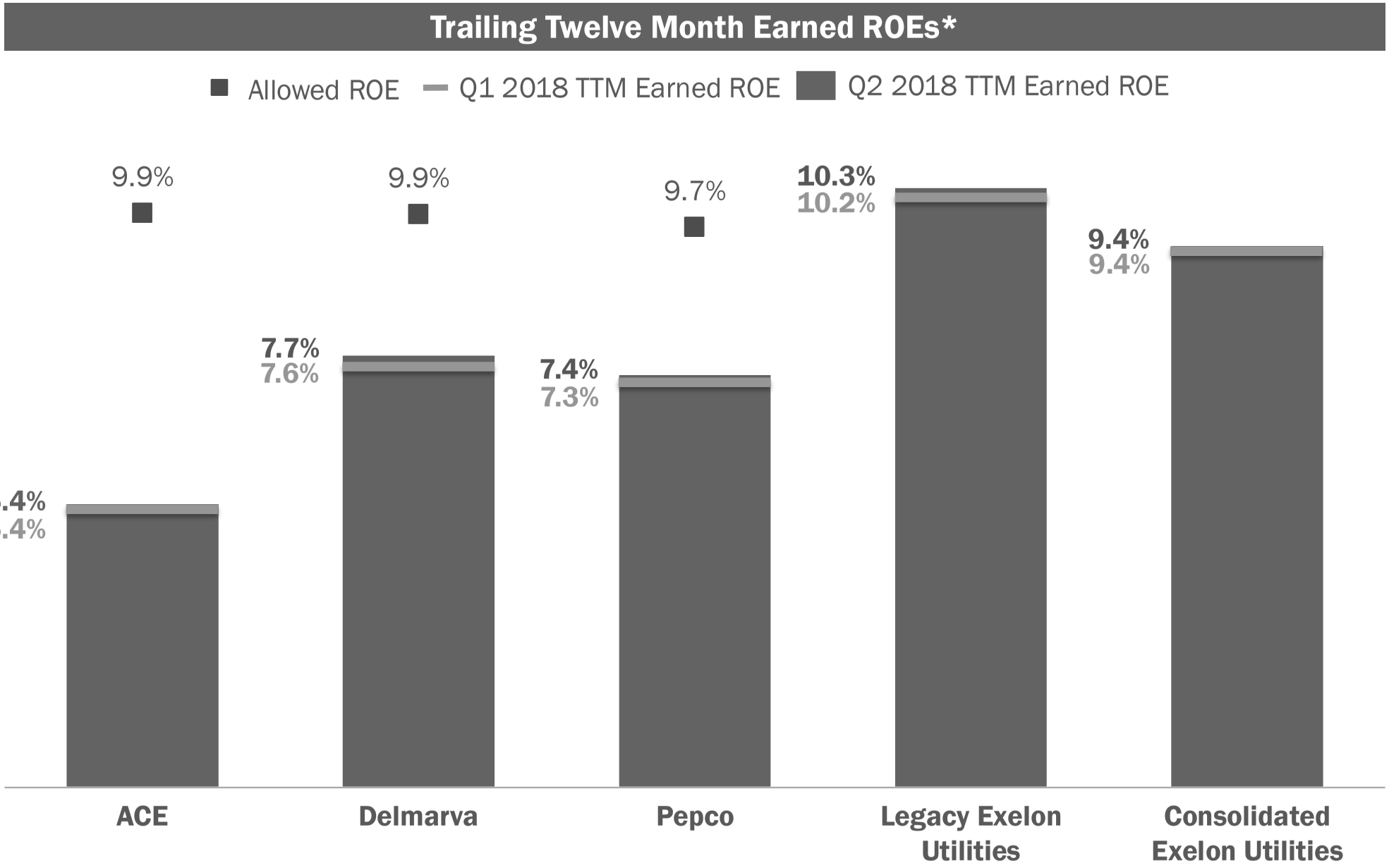
Trailing 12 Month Earned ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2018 and 6/30/2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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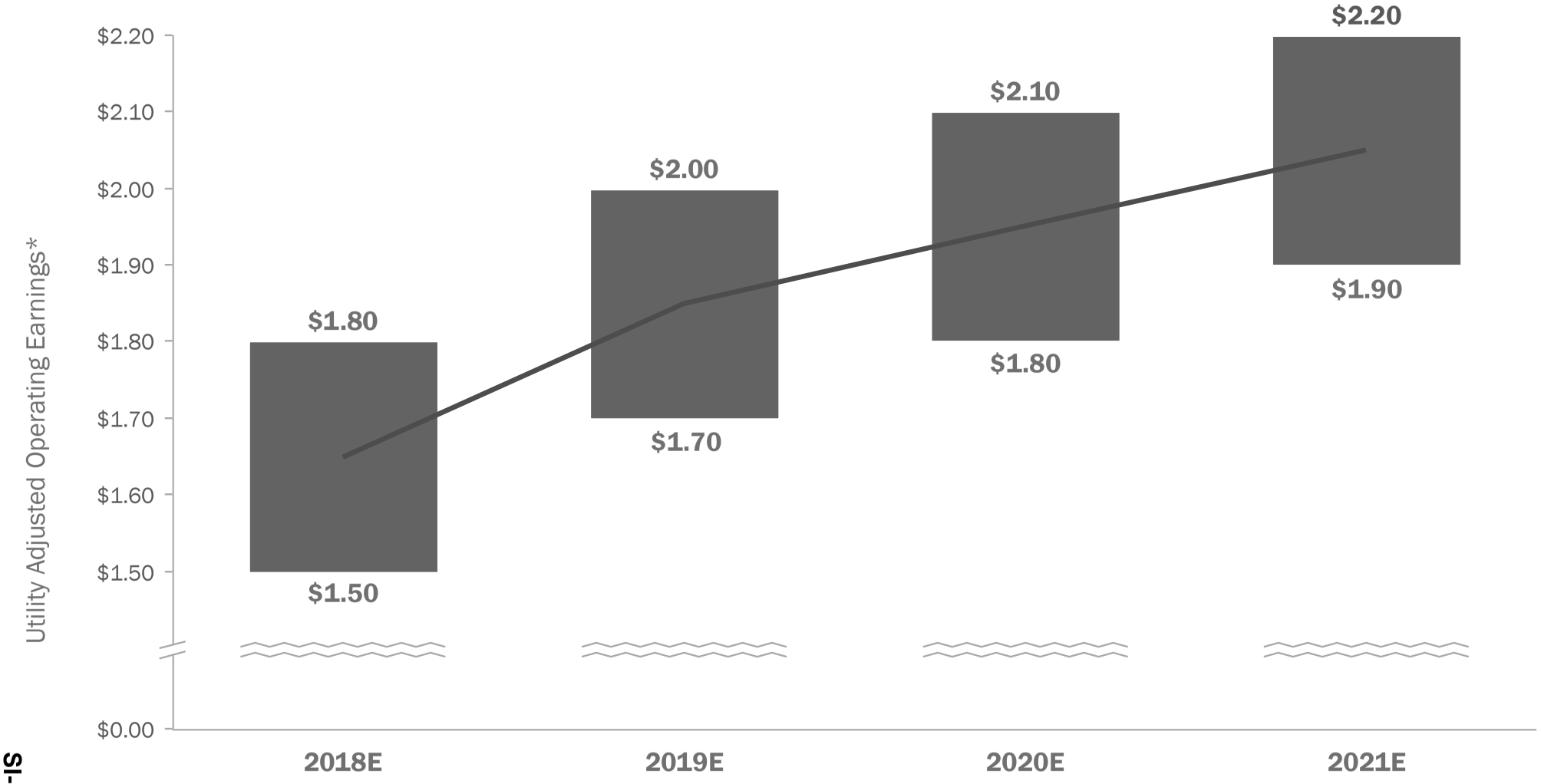
Exelon.

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH	IB RB		FO							$3.8M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,5]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$82M[1,6]	10.95% / 53.39%	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$85M[7]	10.50% / 53.40%	Jan 2019
ACE[8]		CF				IT	RT	EH	IB RB			FO	$109.3M[1]	10.10% / 50.22%	Q2 2019

CF Rate case filed
IT Intervenor direct testimony
RT Rebuttal testimony
EH Evidentiary hearings
IB Initial briefs
RB Reply briefs
FO Final commission order
SA Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC. Includes tax benefits from Tax Cuts and Jobs Act.
(6) On August 28, 2018, PECO filed the joint petition for partial settlement agreement
(7) Reflects $63M increase and $22M STRIDE reset
(8) Procedural schedule as proposed by the Company

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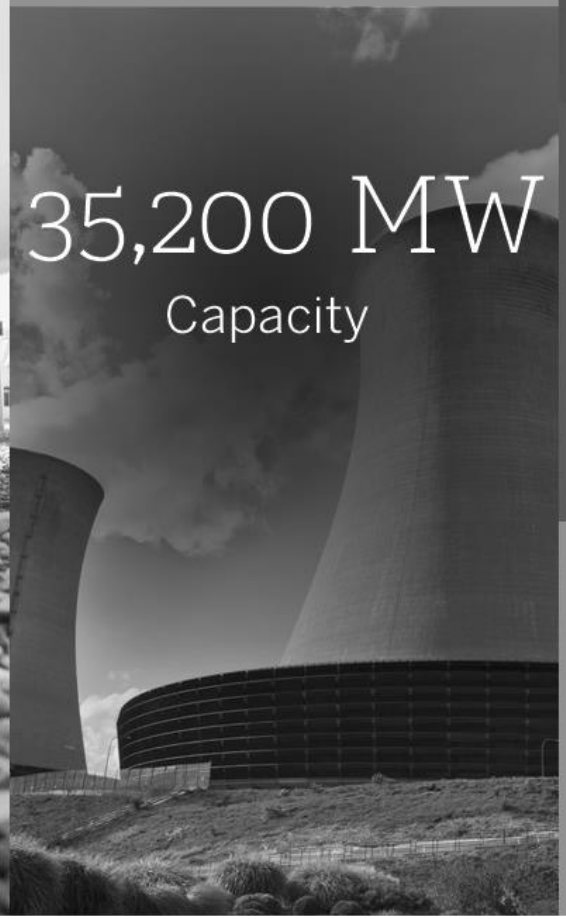
Exelon

Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-01828

Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-01830

Exelon Generation: Gross Margin Update

	June 30, 2018			Change from March 31, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,700	$4,050	$3,800	$100	$100	-
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	$50	$50
Mark-to-Market of Hedges[2,3]	$400	$400	$300	$100	$(50)	$50
Power New Business / To Go	$150	$600	$800	$(200)	$(50)	$(50)
Non-Power Margins Executed	$350	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**	**-**	**$50**	**$50**

Recent Developments

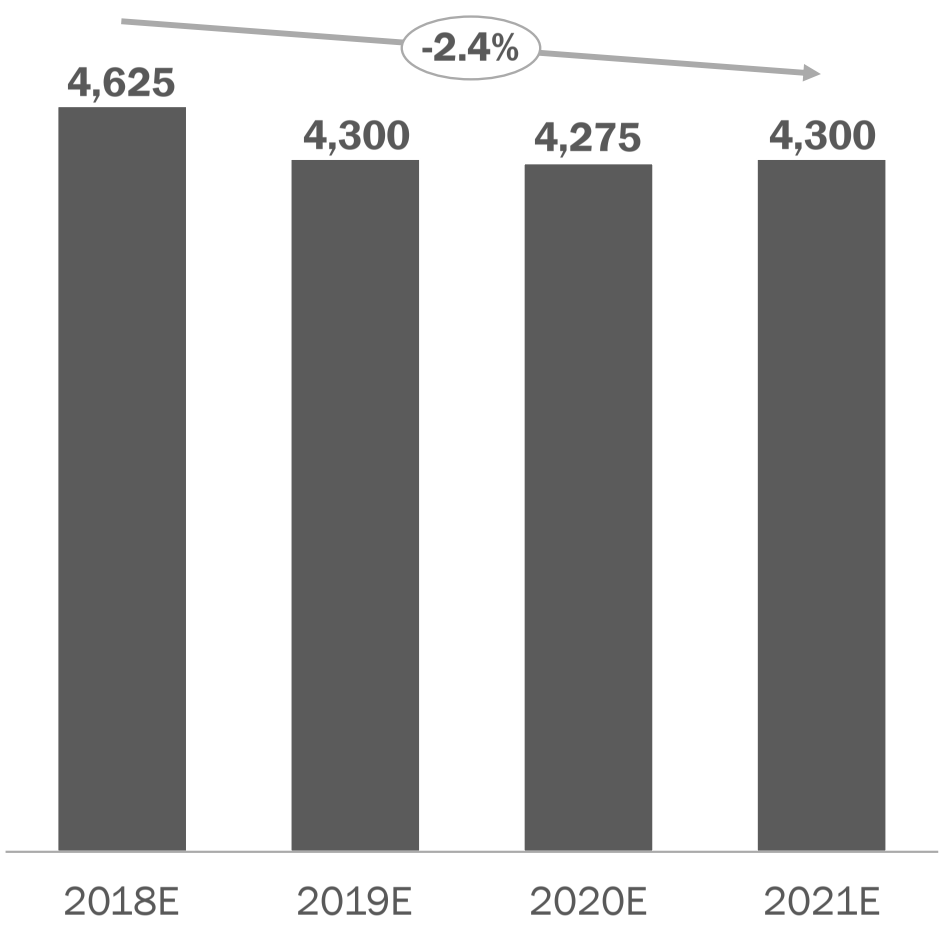
- Strong second quarter executing $200M of Power New Business in 2018 and $50M in both 2019 and 2020
- Capacity and ZEC Revenues include the favorable impact of NJ ZEC revenues in 2019 and 2020
- Behind ratable hedging position reflects the upside we see in power prices
  - ~10-13% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

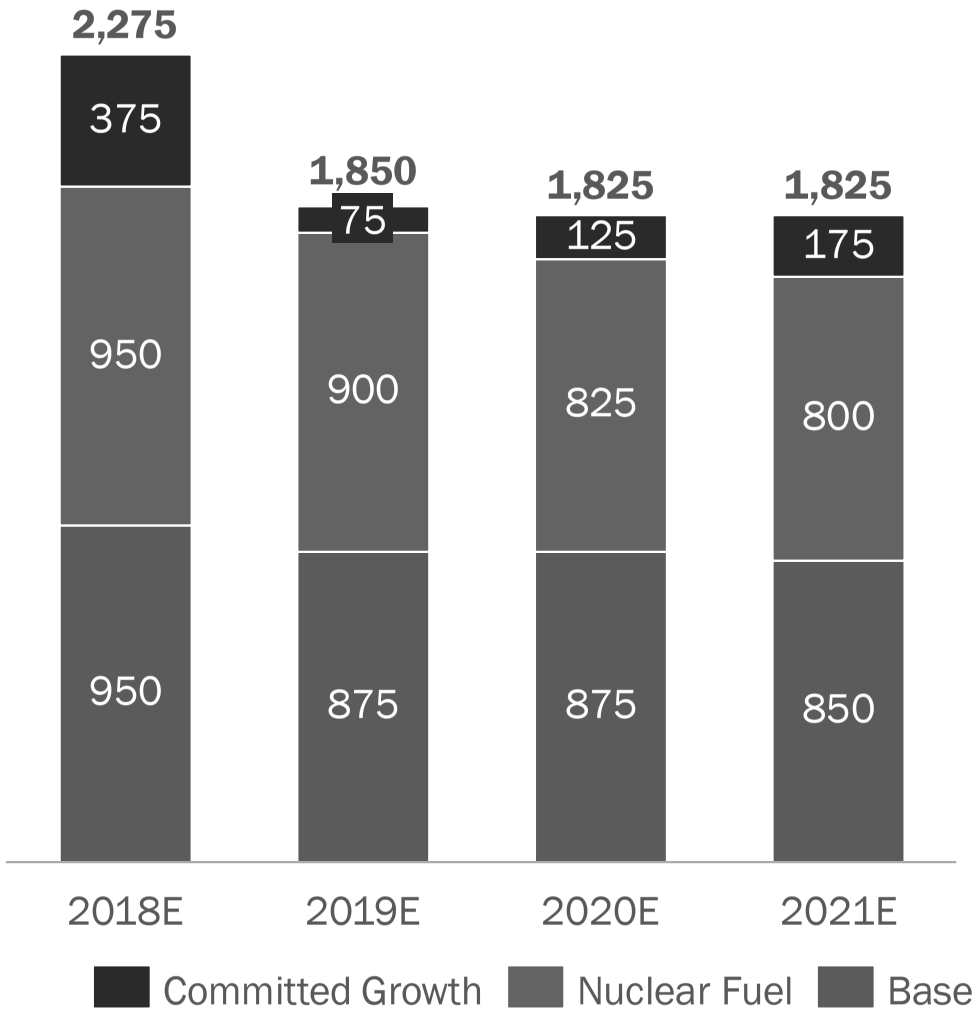
SI-SSA-0015-01831

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

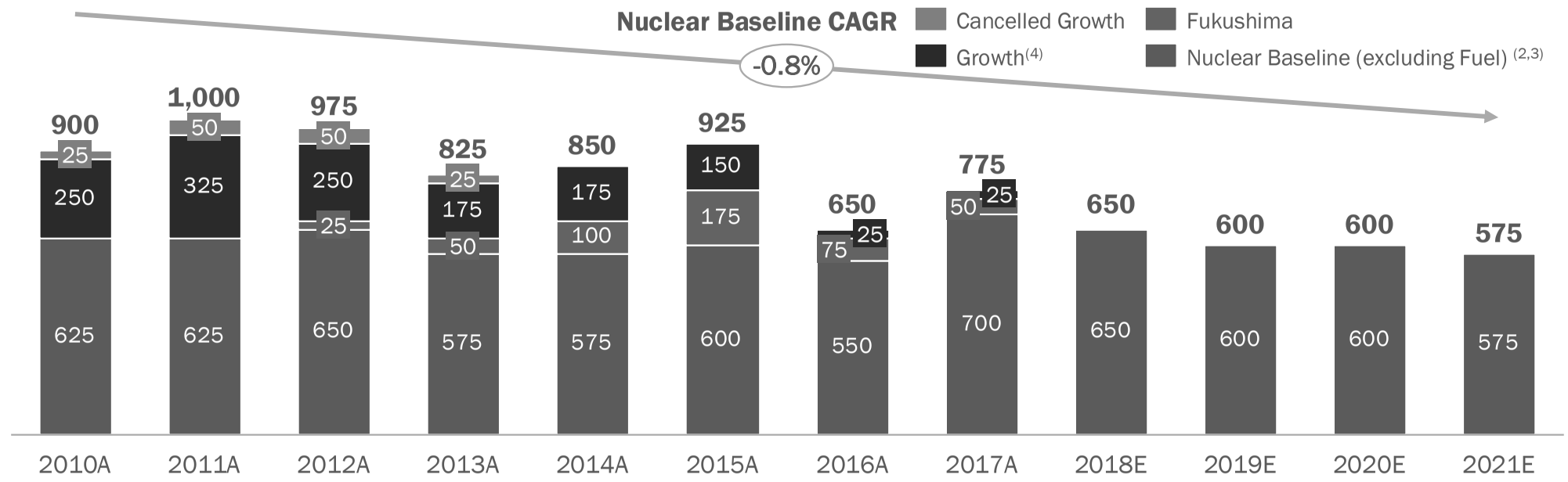
(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

Exelon.

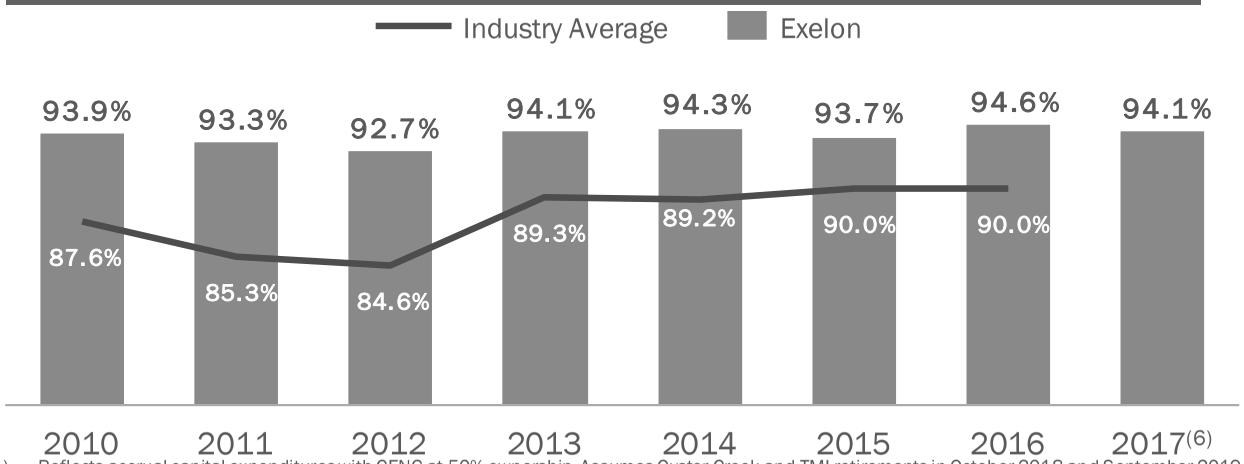
SI-SSA-0015-01832

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

SI-SSA-0015-01833

ZEC & Energy Policy Updates

ZEC Updates

New Jersey:

- Governor Murphy signed the NJ ZEC bill into law on May 23rd
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018, with requests for supplemental briefings
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29th
- On September 13, the 7th Circuit affirmed dismissal of the ZEC complaint, upholding the legality of the IL ZEC program

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

FERC Capacity Order

- On June 29, 2018, FERC issued an order rejecting both capacity repricing and MOPREx, but finding that the existing tariff is not just and reasonable
- FERC established a paper hearing proceeding to develop a new, two-part approach:
  - **Alternative FRR**: enables states to establish asset specific FRR arrangements that would allow them to compensate those assets directly and remove the associated load from the RPM auction
  - **MOPR**: if FRR is not elected, an expanded MOPR would apply to all existing and new resources with out-of-market support, with no or few exceptions
- FERC has extended the deadline for filing comments to October 2, with replies due on November 6
- FERC aims to reach a final decision by early 2019
- On August 30, FERC granted PJM's request to delay its 2019 capacity market auction from May to August 2019

PJM Price Formation

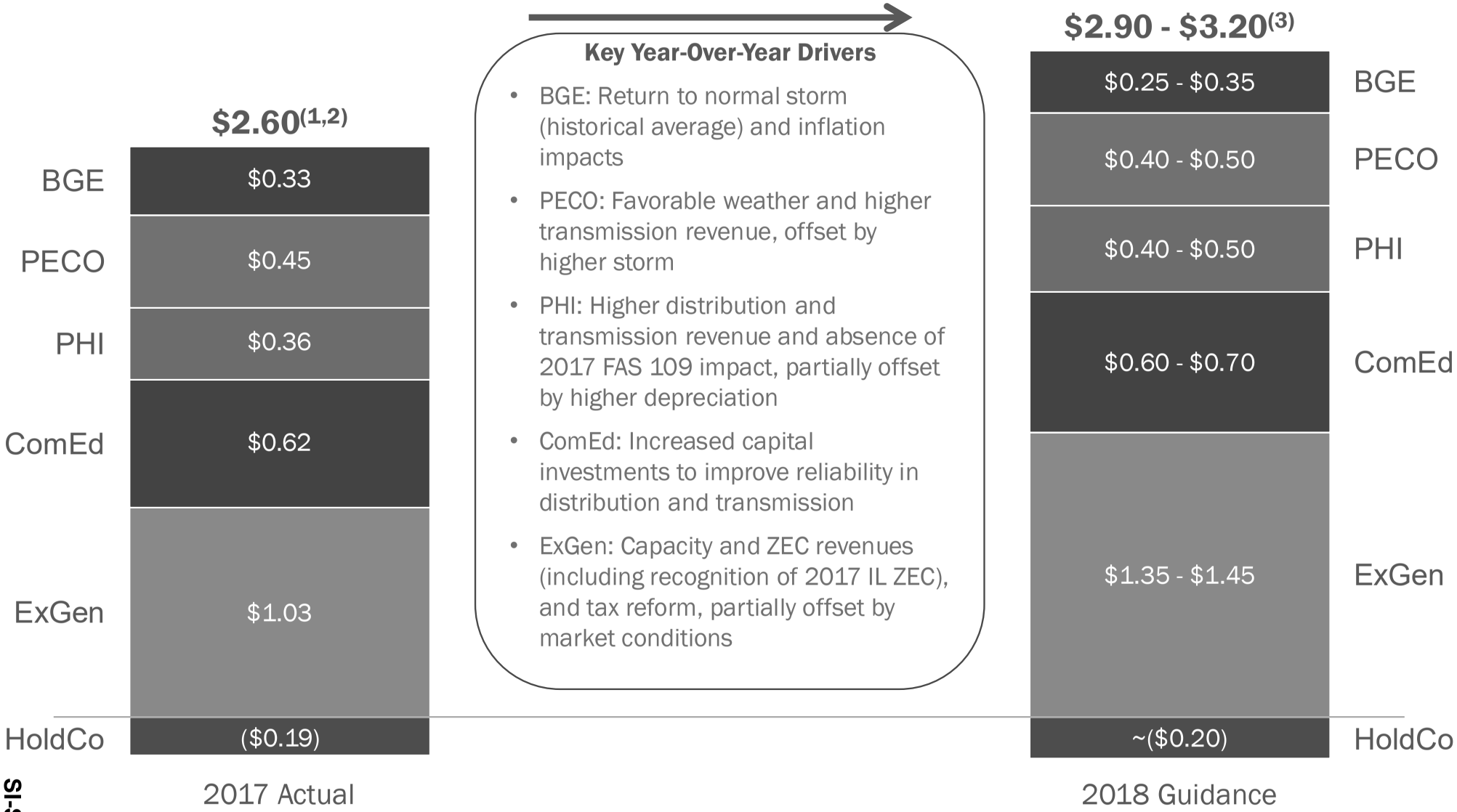
- PJM fast start proceeding was initiated by FERC (Docket No. EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September 2018
  - If FERC approves in September, without changes, then PJM could implement the changes in winter 2018/2019
- After assessing FERC's fast start decision, PJM will determine path forward for full integer relaxation
  - PJM has not set a definitive timeline for stakeholder deliberations
- Deliberations regarding scarcity pricing and reserves reforms are ongoing in Q3 and Q4 for early 2019 action

SI-SSA-0015-01834

Financial Overview

SI-SSA-0015-01835

2018 Adjusted Operating Earnings* Guidance



Expect Q3 2018 Adjusted Operating Earnings* of $0.80 - $0.90 per share

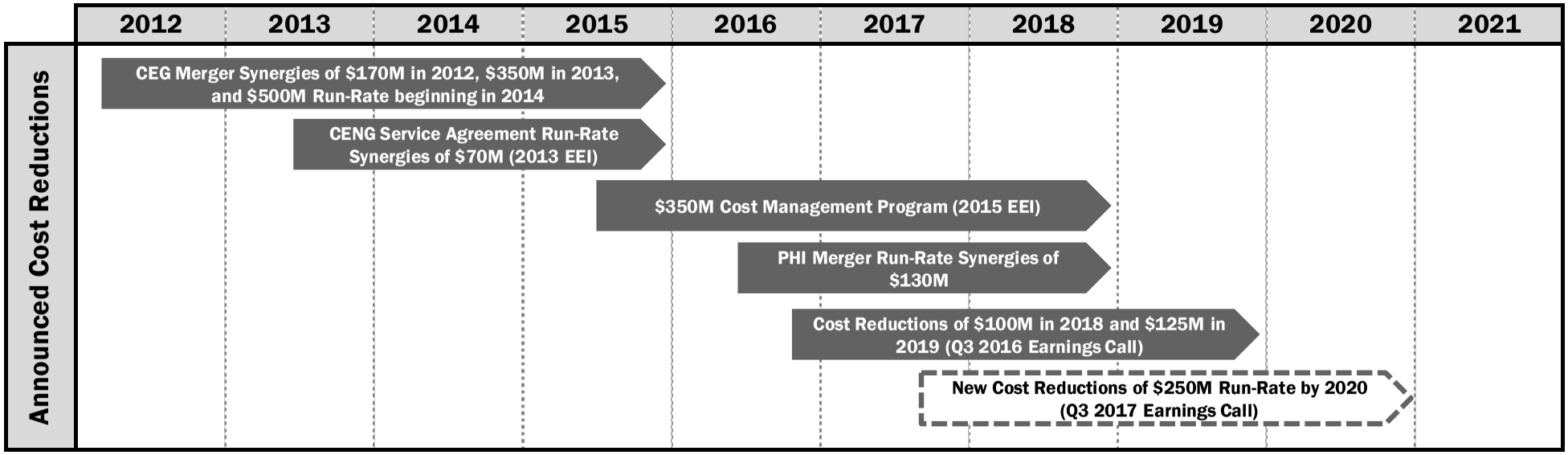
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) The Registrants' 2017 Adjusted Operating Earnings* have not been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018
(3) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01836

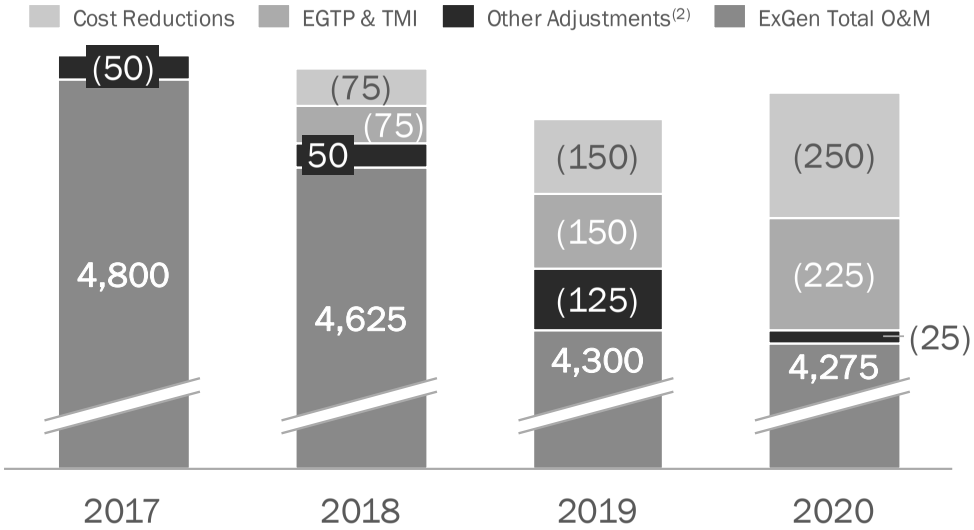
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	$50	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,700**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,625**	**$4,300**	**$4,275**	**-3.8%**

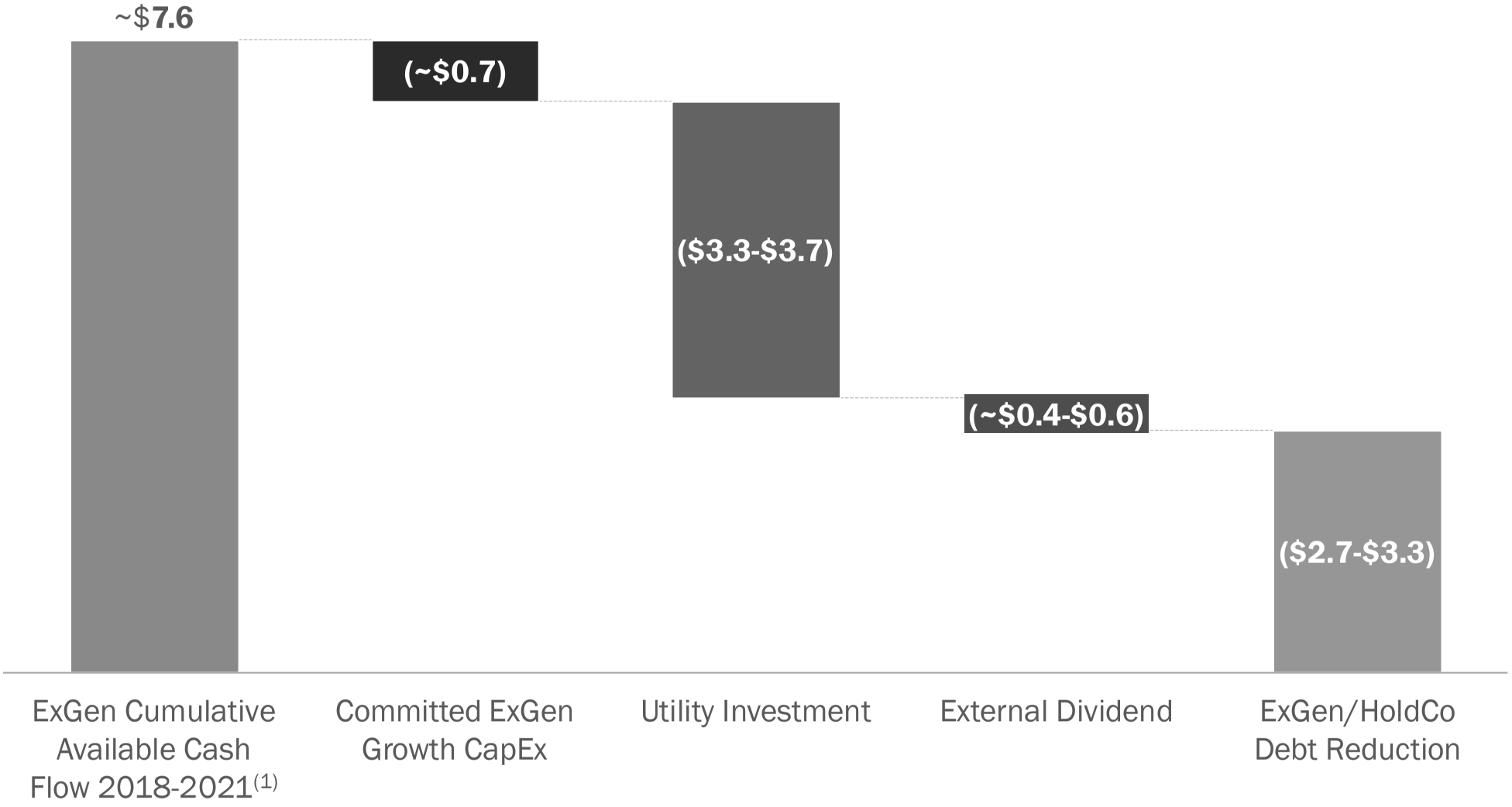
(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-01837

Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

Exelon.

SI-SSA-0015-01838

Impacts from Tax Reform

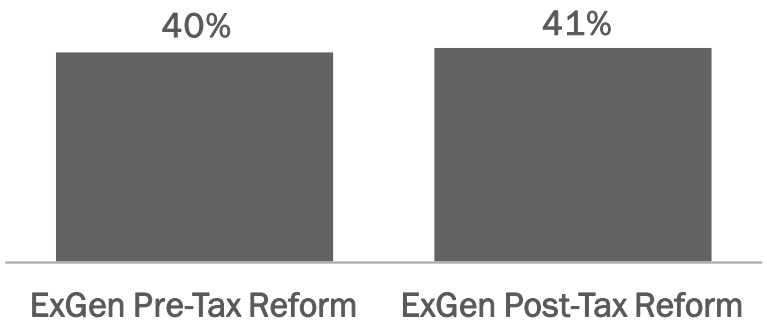
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

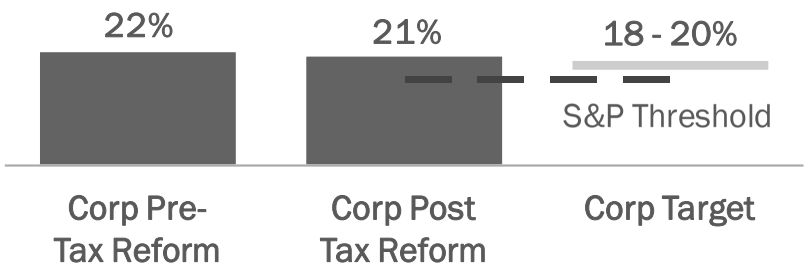
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

SI-SSA-0015-01839

Tax Reform Producing Significant Customer Bill Savings

DPL

- DPL has filed to provide over **$40M** in annual distribution tax savings to customers
- DPL has also filed to provide **$12M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ACE

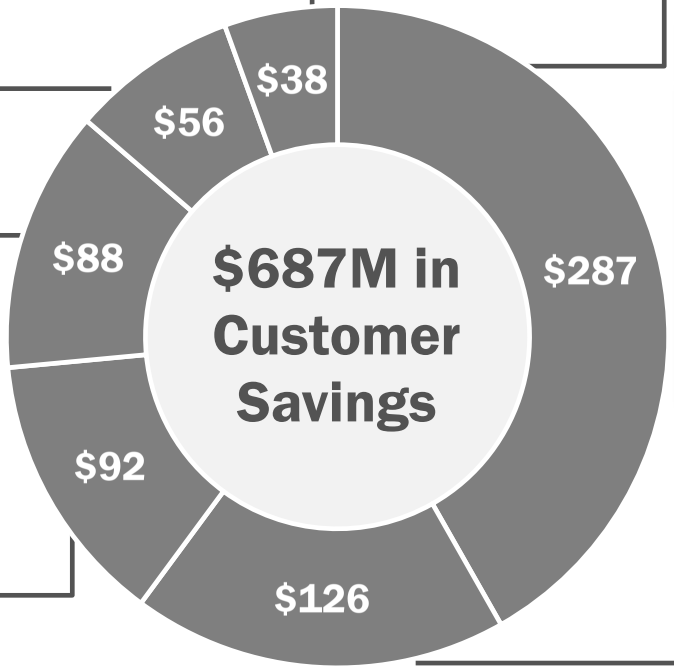
- ACE has filed to provide **$23M** in annual distribution tax savings to customers
- ACE has also filed to provide **$11M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ComEd

- ComEd has filed to provide **$201M** in annual distribution tax savings to customers
- ComEd has also filed to provide **$69M** in annual transmission tax savings, in addition to another **$17M** pending approval from FERC

Pepco

- Pepco has filed to provide over **$70M** in annual distribution tax savings to customers
- Pepco has also filed to provide **$13M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC



BGE

- BGE has filed to provide **$103M** in annual distribution tax savings to customers
- BGE has also filed to provide **$18M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC

PECO

- PECO has filed to provide **$72M** in annual distribution tax savings to customers
- PECO has also filed to provide **$20M** in annual transmission tax savings

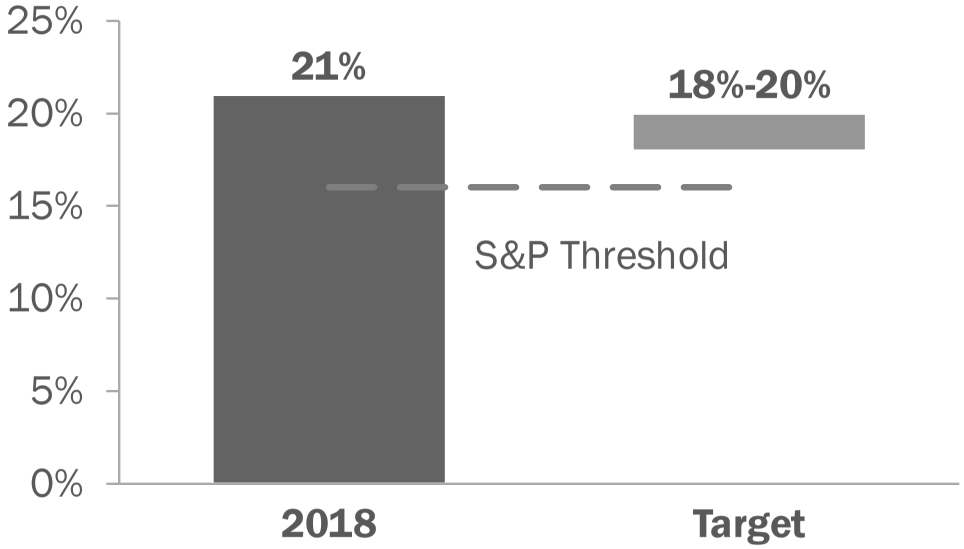
Utility customers across our jurisdictions will benefit from tax reform, saving over $675M annually through planned and approved transmission and distribution bill adjustments

SI-SSA-0015-01840

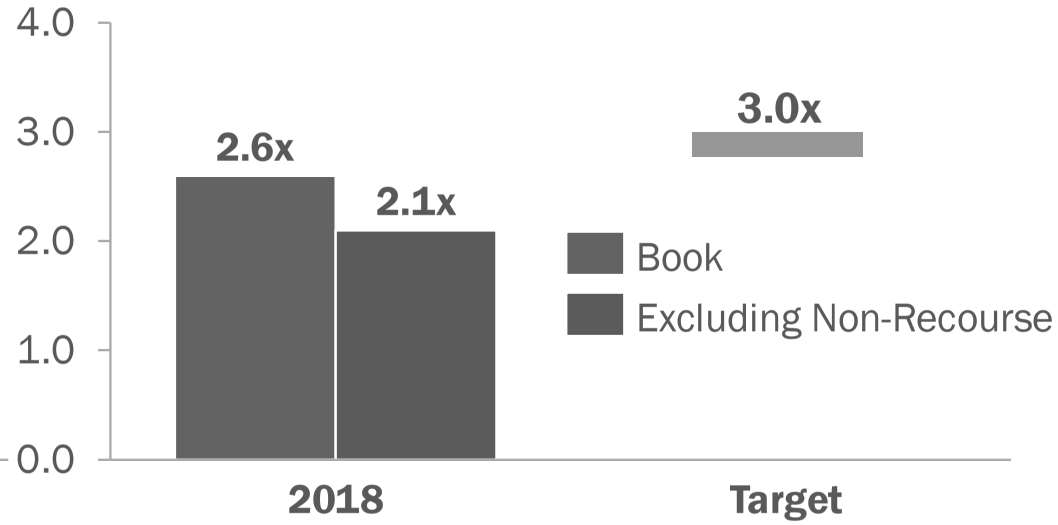
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

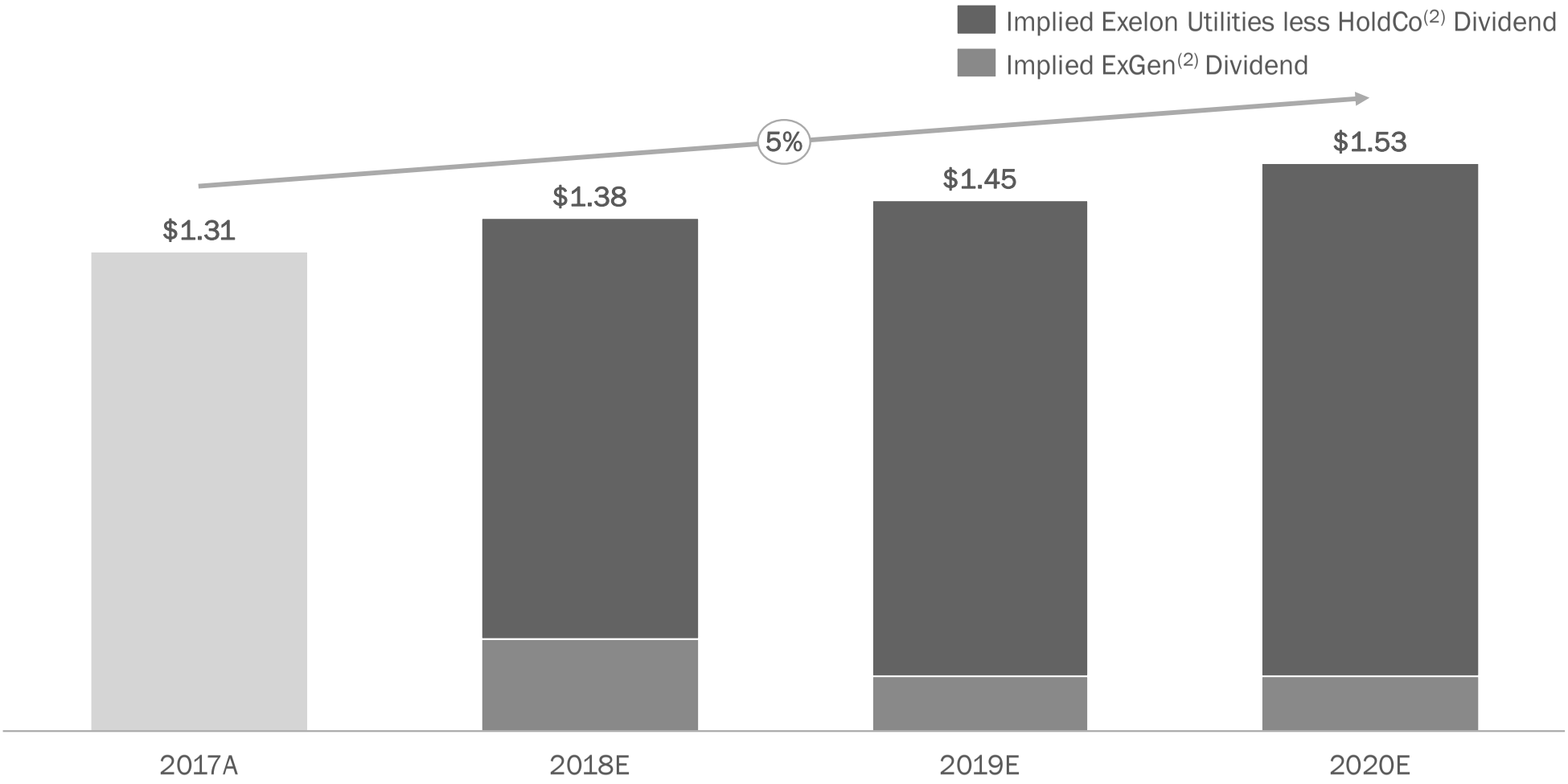
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of August 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon, PECO, and BGE are on "Positive" outlook at Fitch, and ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon.

SI-SSA-0015-01841

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

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2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

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Appendix

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2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	700	1,475	625	1,100	3,900	3,975	175	8,050	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**700**	**1,475**	**625**	**1,100**	**3,900**	**2,000**	**150**	**6,050**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	125	450	50	350	975	0	(950)	0	
Other Financing[4]	100	450	50	(75)	550	25	(100)	475	
Financing*[5]	**525**	**1,375**	**300**	**750**	**2,925**	**(75)**	**(1,050)**	**1,800**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**925**	**1,850**	**6,825**	**1,950**	**(900)**	**7,875**	
Utility Investment	(1,000)	(2,125)	(850)	(1,550)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,550)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**75**	**300**	**1,300**	**1,550**	**(2,250)**	**600**	
Ending Cash Balance*[2]									**2,050**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding
(2) Gross of posted counterparty collateral
(3) Figures reflect cash CapEx and CENG fleet at 100%
(4) Other Financing primarily includes expected changes in tax sharing from the parent, money pool borrowings, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
(5) Financing cash flow excludes intercompany dividends
(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
(7) Dividends are subject to declaration by the Board of Directors
(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $2B at ExGen and $3.9B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

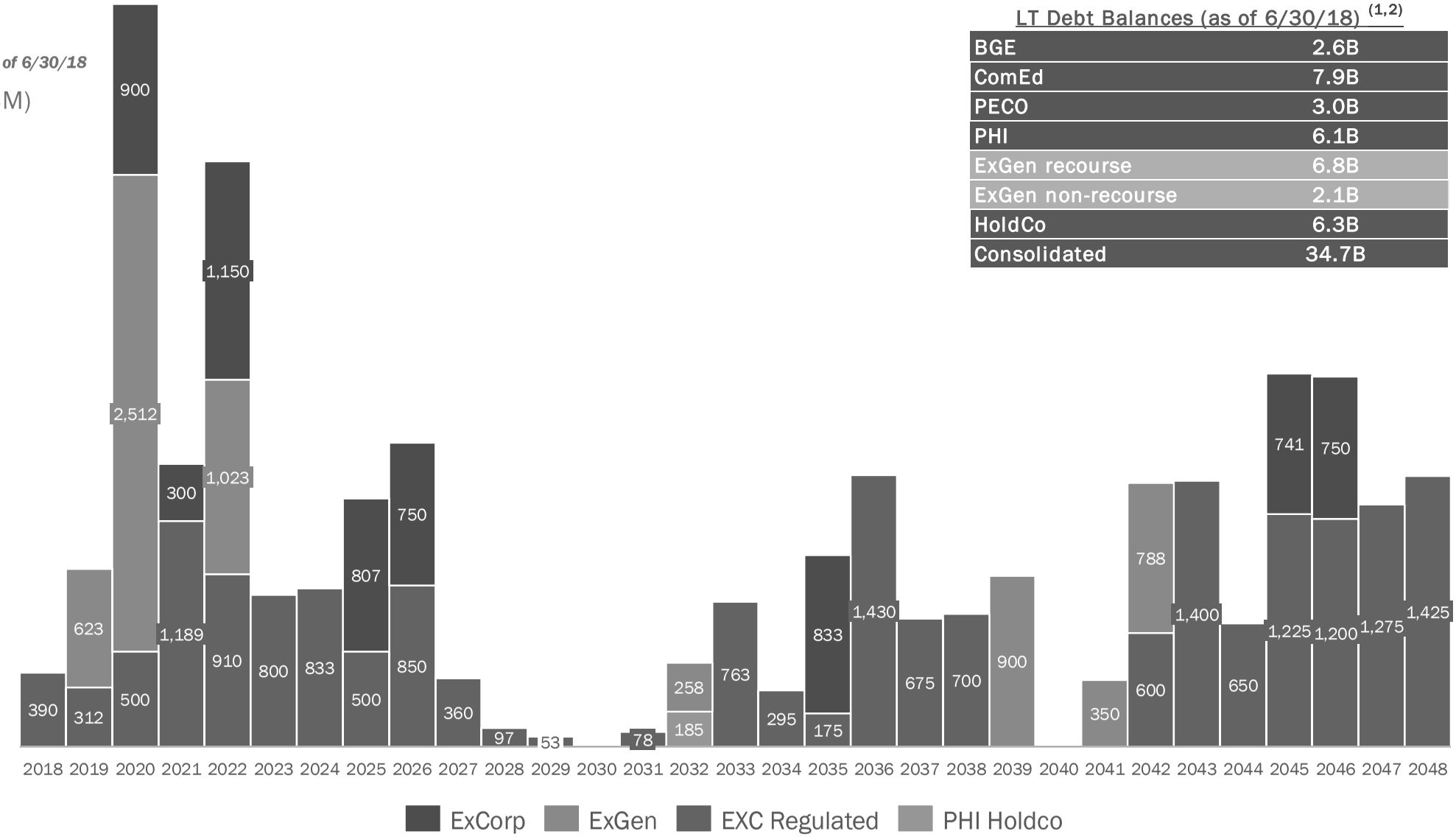
SI-SSA-0015-01845

Exelon Debt Maturity Profile[1]

As of 6/30/18

($M)

LT Debt Balances (as of 6/30/18) [1,2]	
BGE	2.6B
ComEd	7.9B
PECO	3.0B
PHI	6.1B
ExGen recourse	6.8B
ExGen non-recourse	2.1B
HoldCo	6.3B
Consolidated	34.7B



Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q2 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

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EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.02	$0.26	$0.45
	- $1/MMBtu	$0.00	($0.23)	($0.41)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.00	$0.12	$0.23
	- $5/MWh	($0.00)	($0.12)	($0.23)
	PJM-W ATC Energy Price			
	+ $5/MWh	($0.01)	$0.05	$0.10
	- $5/MWh	$0.01	($0.03)	($0.09)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.02	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	968	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on June 30, 2018, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

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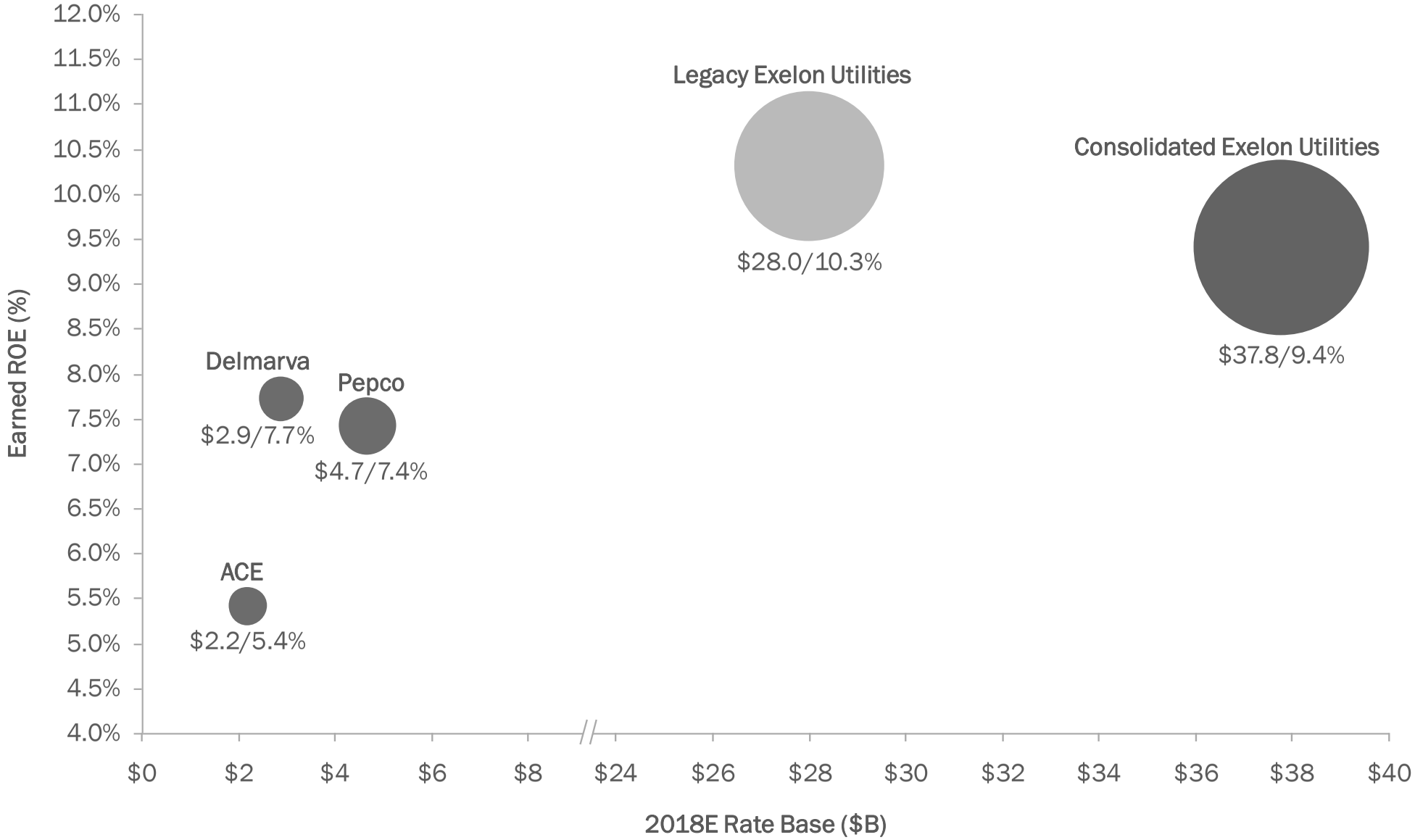
Exelon Utilities Trailing 12 Month Earned ROEs*

Q2 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the 12-month period ending June 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

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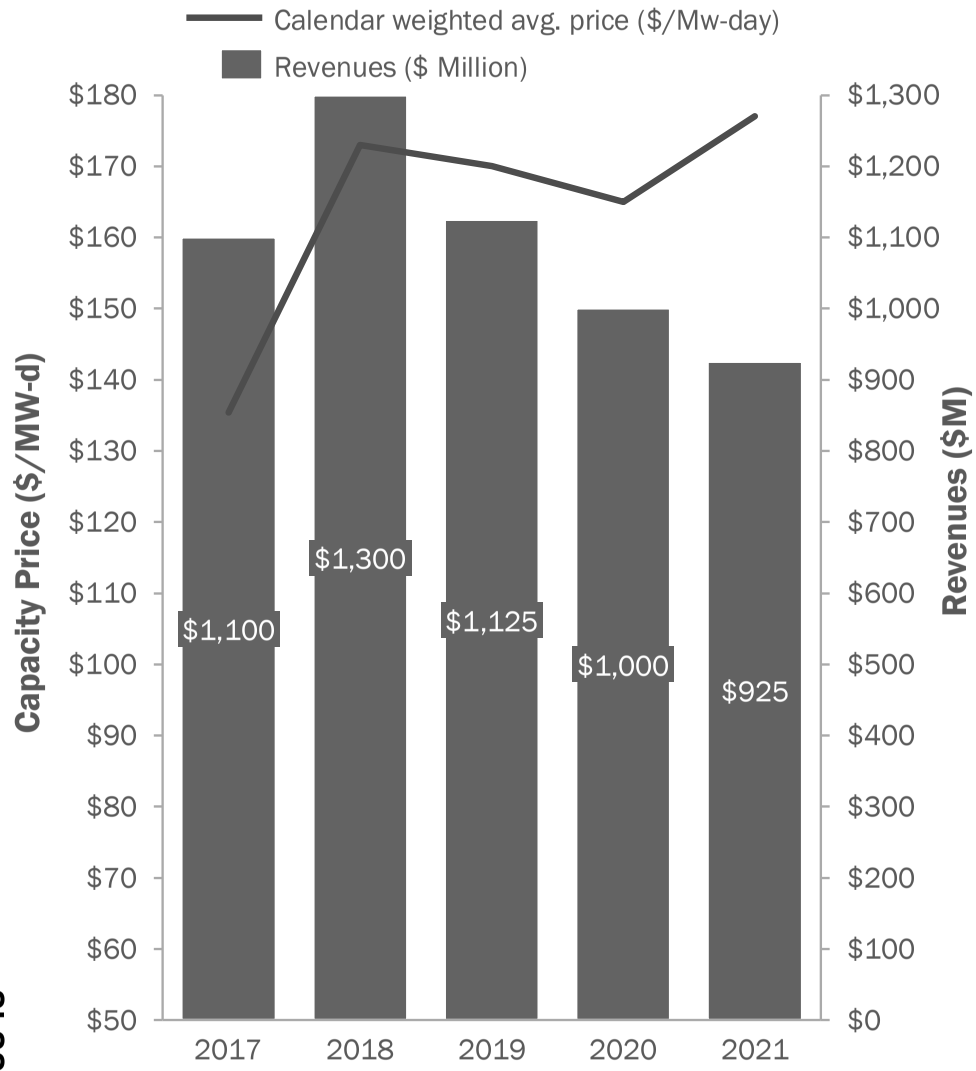
Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

Recent BRA Results

Cleared Volumes (MW)[4]	2020/2021 CP	2020/2021 Price	2021/2022 CP	2021/2022 Price
ComEd				
Nuclear	8,075	$188	5,175	$196
Fossil/Other	-	$188	-	$196
Subtotal	**8,075**		**5,175**	
EMAAC				
Nuclear	4,350	$188	3,925	$166
Fossil/Other	2,325	$188	2,100	$166
Subtotal	**6,675**		**6,025**	
SWMAAC				
Nuclear	850	$86	850	$140
Fossil/Other	-	$86	-	$140
Subtotal	**850**		**850**	
MAAC				
Nuclear	-	$86	-	$140
Fossil/Other	225	$86	225	$140
Subtotal	**225**		**225**	
BGE				
Nuclear	-	$86	-	$200
Fossil/Other	375	$86	400	$200
Subtotal	**375**		**400**	
Rest of RTO				
Nuclear	-	$77	-	$140
Fossil/Other	-	$77	100	$140
Subtotal	**-**		**100**	
PJM Total				
Nuclear	13,275		9,950	
Fossil/Other	2,925		2,825	
Grand Total	**16,200**		**12,775**	

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Exelon Generation Disclosures

Data as of June 30, 2018
These disclosures were presented on August 2, 2018, and are not being updated at this time

SI-SSA-0015-01850

Portfolio Management Strategy

Strategic Policy Alignment

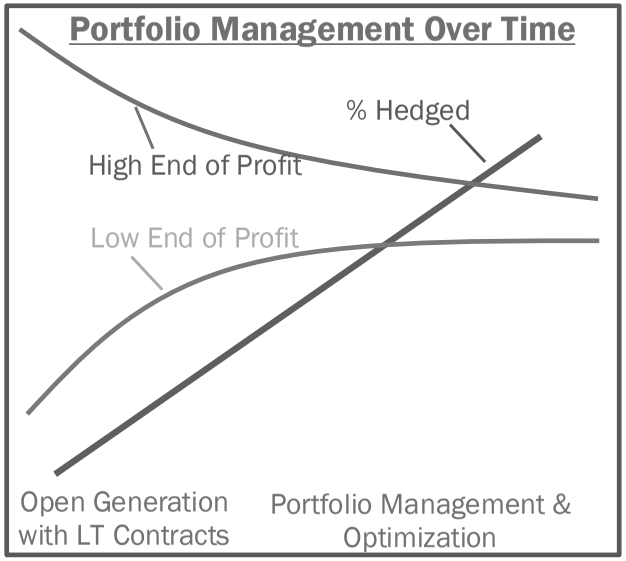
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

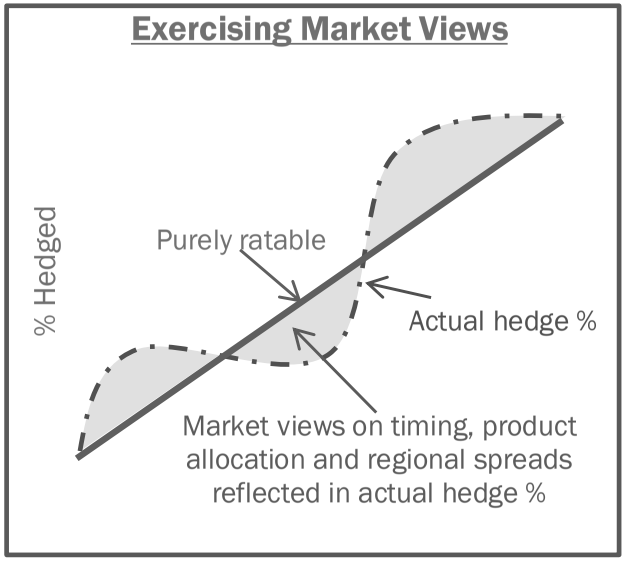
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-01852

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,700	$4,050	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$400	$400	$300
Power New Business / To Go	$150	$600	$800
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.93	$2.81	$2.68
Midwest: NiHub ATC prices ($/MWh)	$27.39	$26.04	$25.16
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$35.93	$31.38	$30.36
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$8.91	$9.70	$8.43
New York: NY Zone A ($/MWh)	$30.80	$28.21	$28.55
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.89	$5.12	$5.83

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

SI-SSA-0015-01853

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**199,000**	**202,400**	**193,100**
Midwest	96,700	97,100	96,700
Mid-Atlantic[2,6]	60,100	54,100	48,600
ERCOT	20,000	25,900	23,600
New York[2,6]	15,900	16,600	15,500
New England	6,300	8,700	8,700
% of Expected Generation Hedged[3]	**97%-100%**	**71%-74%**	**41%-44%**
Midwest	95%-98%	68%-71%	35%-38%
Mid-Atlantic[2,6]	102%-105%	81%-84%	50%-53%
ERCOT	98%-101%	74%-77%	45%-48%
New York[2,6]	97%-100%	75%-78%	52%-55%
New England	77%-80%	33%-36%	27%-30%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$29.00	$29.00
Mid-Atlantic[2,6]	$39.50	$38.00	$38.00
ERCOT[5]	$1.00	$3.50	$2.50
New York[2,6]	$37.00	$33.00	$30.00
New England[5]	$6.00	$1.50	$12.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.2%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01854

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$25	$335	$580
- $1/MMBtu	-	$(295)	$(535)
NiHub ATC Energy Price			
+ $5/MWh	$5	$155	$305
- $5/MWh	$(5)	$(155)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$125
- $5/MWh	$15	$(40)	$(115)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$10	$35
- $5/MWh	-	$(15)	$(35)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $30

(1) Based on June 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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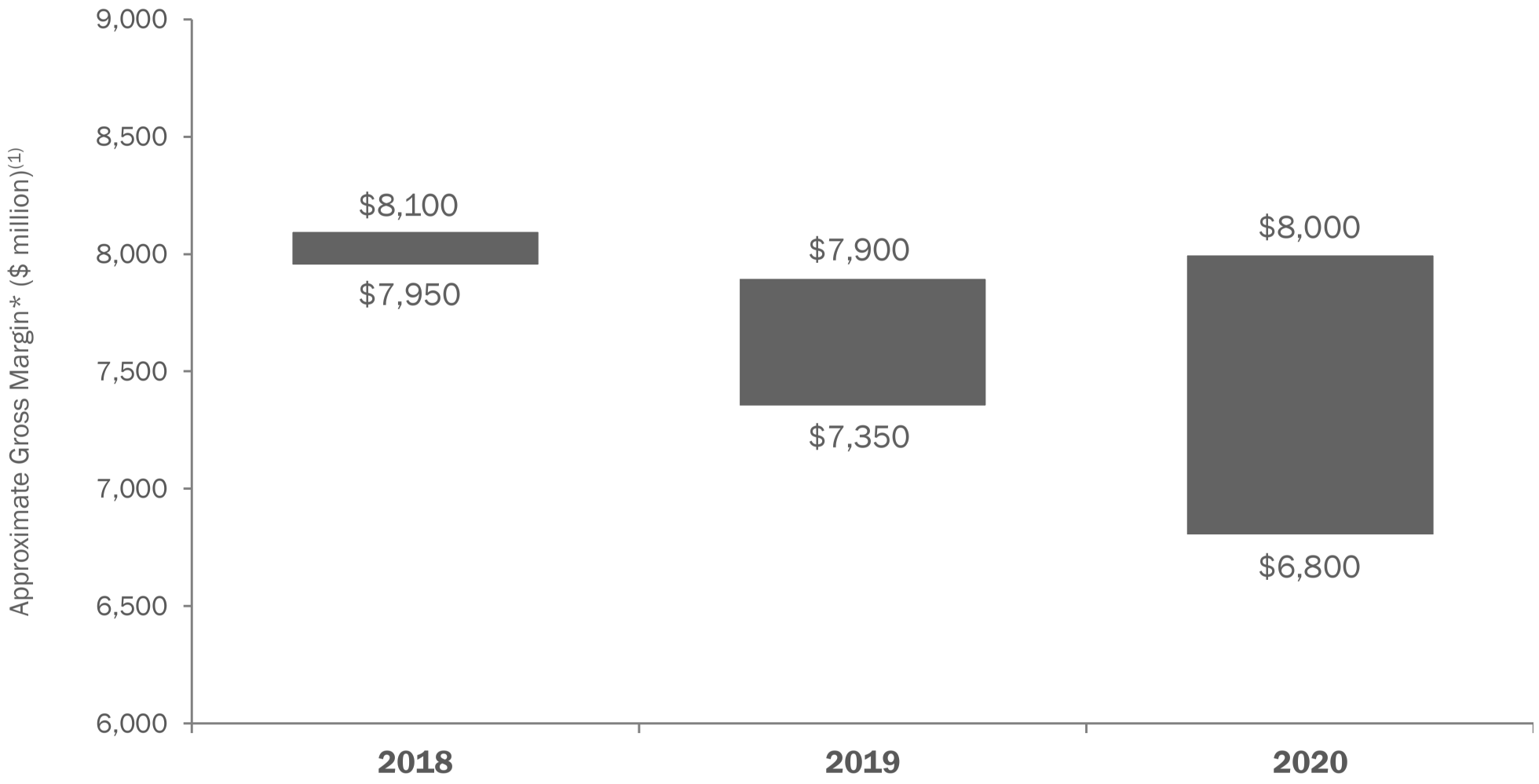
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01856

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.05 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.1	54.1	25.9	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	69.5%	82.5%	75.5%	76.5%	34.5%	
(E=C*D)	Hedged Volume (TWh)	67.5	44.6	19.6	12.7	3.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.00	$3.50	$33.00	$1.50	
(G)	Reference Price ($/MWh)	$26.04	$31.38	$9.70	$28.21	$5.12	
(H=F-G)	Difference ($/MWh)	$2.96	$6.62	($6.20)	$4.79	($3.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$200	$295	($120)	$60	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,500					
(K)	Power New Business / To Go ($ million)	$600					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,600 million**					

(1) Mark-to-market rounded to the nearest $5M

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,075**	**$7,750**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,600**	**$7,300**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01858

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01859

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Certain merger and integration costs
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01860

GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

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GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$700	$1,475	$625	$1,100	$4,250	$175	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$700**	**$1,475**	**$625**	**$1,100**	**$3,975**	**$175**	**$8,050**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$325	$900	($0)	$450	($1,075)	($125)	$475
Dividends paid on common stock	$200	$450	$300	$300	$1,000	($950)	$1,325
Financing Cash Flow	**$525**	**$1,375**	**$300**	**$750**	**($75)**	**($1,050)**	**$1,800**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$600
Adjusted Ending Cash Balance[3]	$2,050
Adjustment for Cash Collateral Posted	($550)
GAAP Ending Cash Balance	**$1,525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01863

GAAP to Non-GAAP Reconciliations

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,375**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(125)
Adjusted O&M (Non-GAAP)	**$4,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,375**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(125)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,625**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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Fall/Winter 2018 Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Third Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 42 of this presentation.

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Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

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Key Updates

Cost Reductions

Committing to $200M in additional cost reductions with a targeted run-rate date of 2021:

- $100M at ExGen
- $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen

Savings due to our focus on improving efficiencies, eliminating redundancies, and leveraging innovation and technologies

More than $900M in announced savings between 2015 – 2021 relative to original plan

ZECS

Seventh and Second Circuit Court of Appeals Uphold ZEC Programs:

- On September 13, the Seventh Circuit Court of Appeals affirmed the dismissal of the Illinois ZEC complaint, upholding the legality of the program
- On September 27, the Second Circuit affirmed dismissal of New York ZEC complaint
- On October 9, the Seventh Circuit denied the petitioners' request for rehearing

New Jersey:

- Board of Public Utilities completed meetings and hearings on implementation of ZEC program
- On September 20, utilities filed tariff changes to recover ZEC related charges
- ZEC applications are due on December 19

Market Reforms

FERC Capacity Market Proceeding:

- On October 2, stakeholders filed comments in response to FERC's request in its June order
- Exelon joined a coalition proposal supported by rate payer advocates, attorneys general, environmental organizations, renewable advocates and other nuclear generators
- Reply comments submitted on November 6
- PJM requests FERC action in January 2019 to provide adequate time for the August 2019 PJM capacity auction

Fast Start:

- PJM fast start pricing has been fully briefed; awaiting decision from FERC

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Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6K mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

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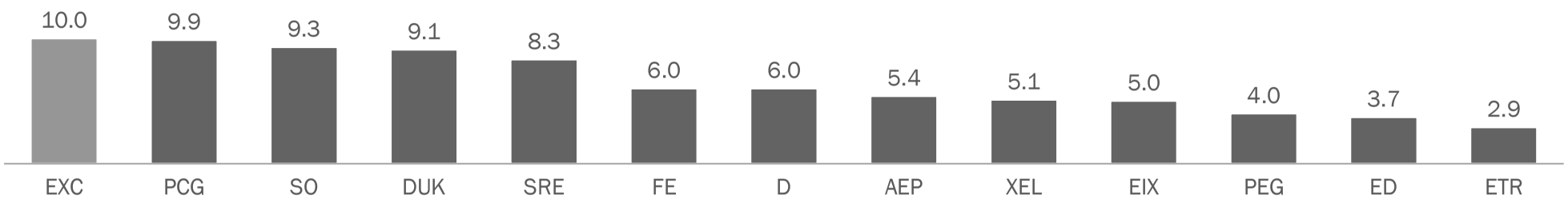
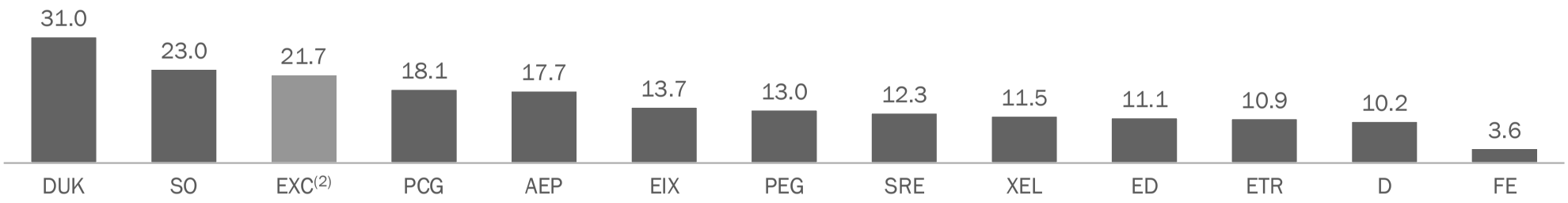
Exelon Utilities are an Industry Leader

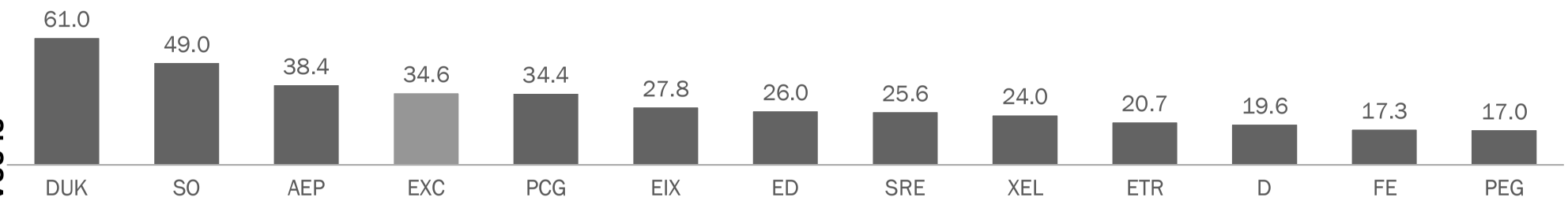
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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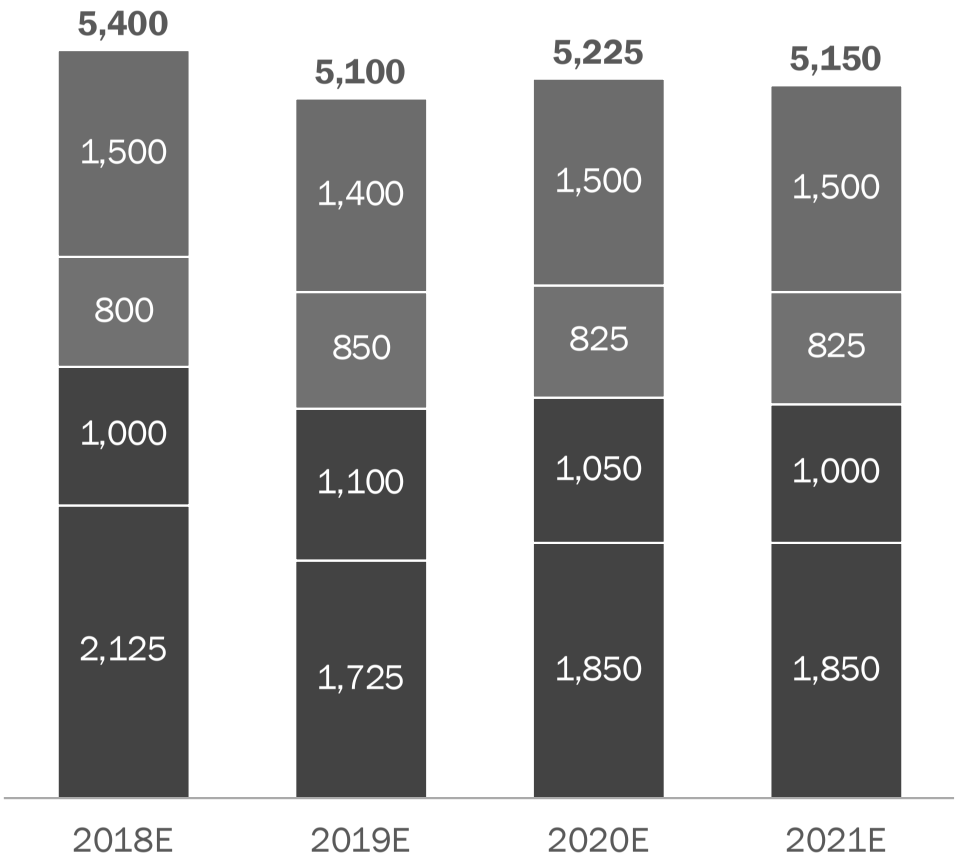
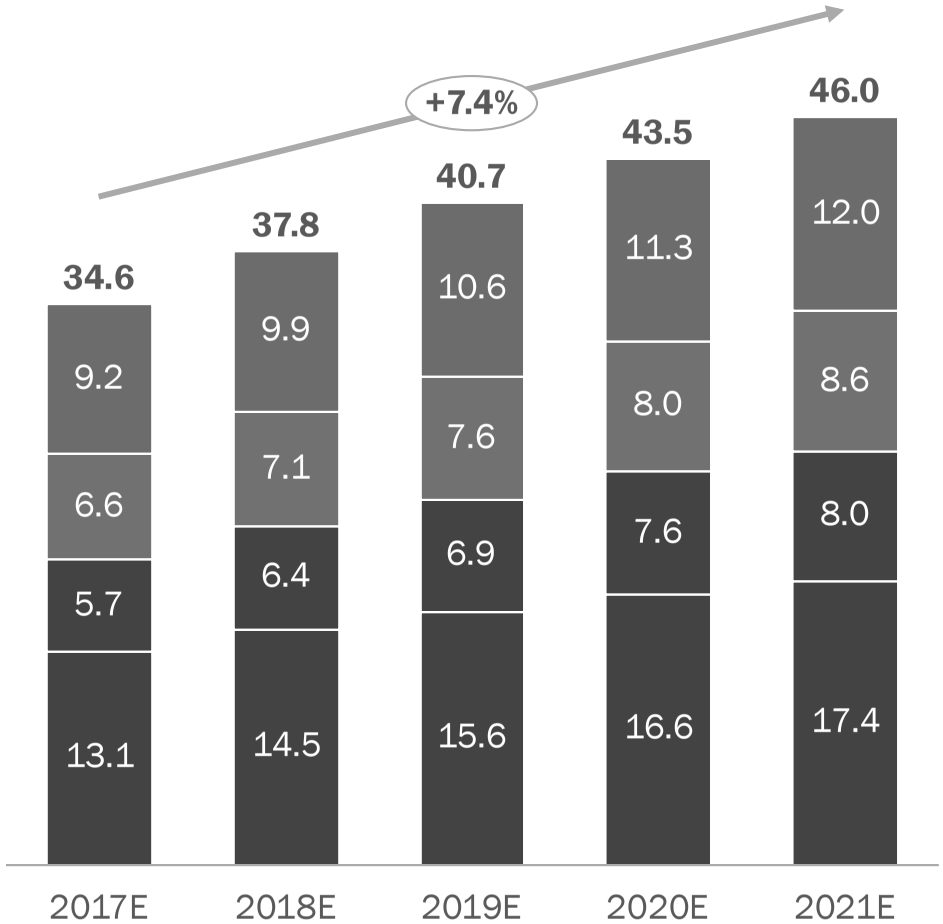
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

Exelon.

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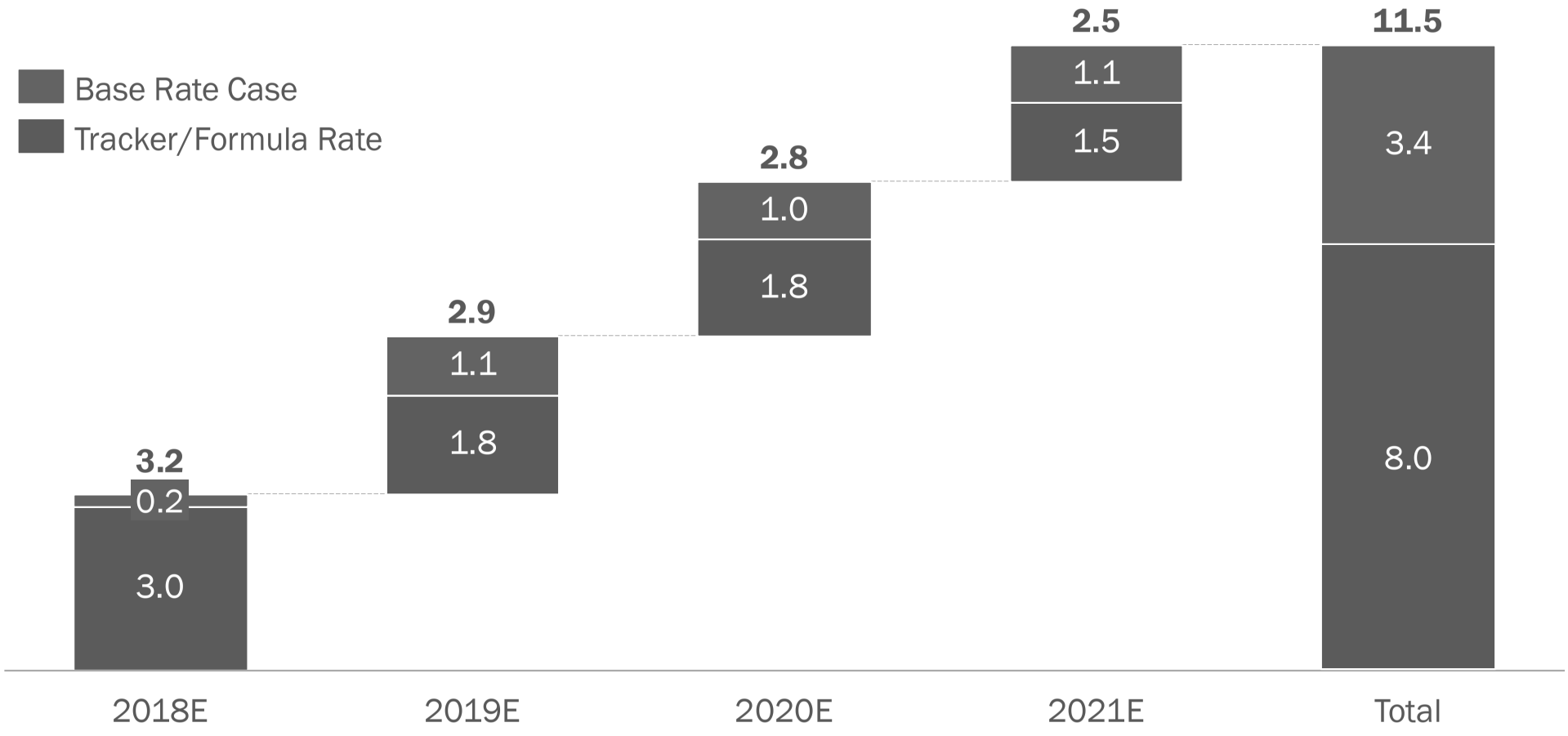
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q3 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Reliability performance remains strong in CAIDI and SAIFI across the utilities, while safety performance continues to improve
- Gas odor response remains strong in top decile across the utilities
- Customer operation metrics are strong across all utilities with BGE and ComEd performing in top decile for Customer Satisfaction and PHI in top decile for Service Level

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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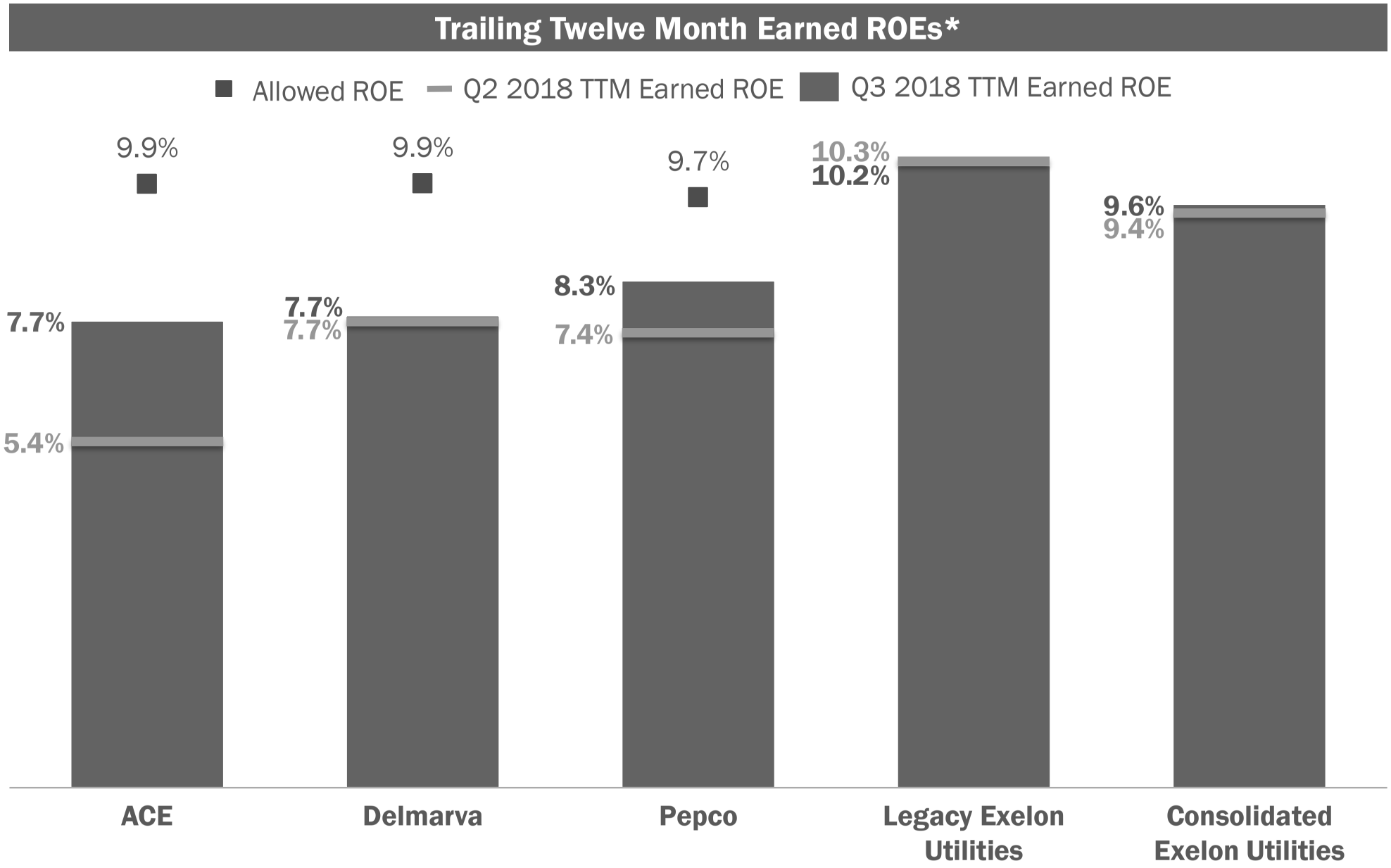
Trailing Twelve Month Earned ROEs* vs Allowed ROE



Note: Represents the twelve-month periods ending June 30, 2018 and September 30, 2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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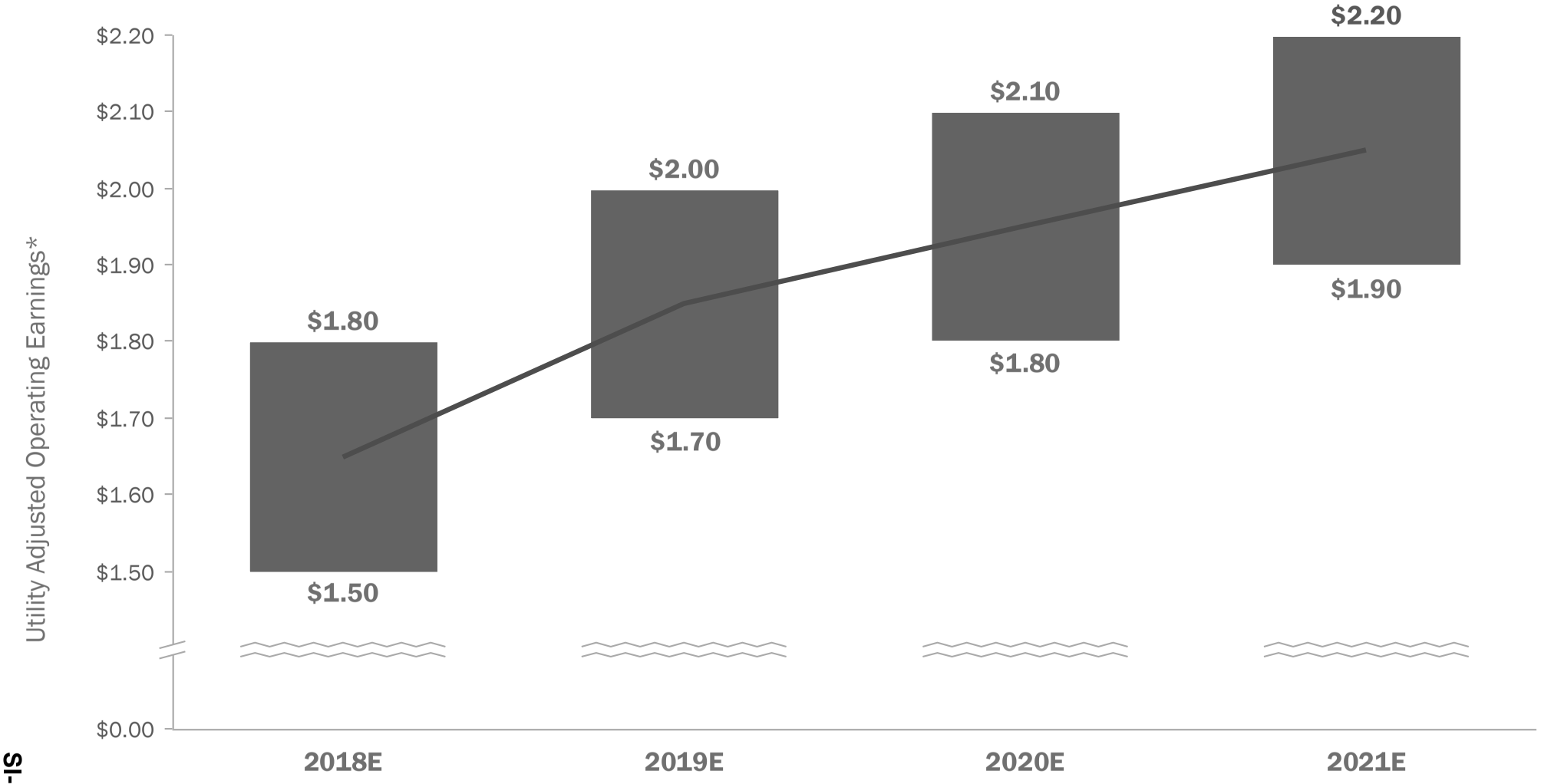
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($24.1M)[1,8]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH SA			FO							($3.5M)[1,4]	9.70% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,10]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$25M[1,5,9]	N/A	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$82.4M[6]	10.5% / 52.85%[6]	Jan 2019
ACE[7]		CF			IT	RT		EH	IB RB				$109.3M[1]	10.10% / 50.22%	Q3 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(5) On October 18, 2018, the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2018.
(6) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(7) Procedural schedule as proposed by the Company. ACE plans to put interim rates in effect nine months after the filing date, subject to refund, as allowed by the regulations.
(8) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.
(9) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit
(10) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

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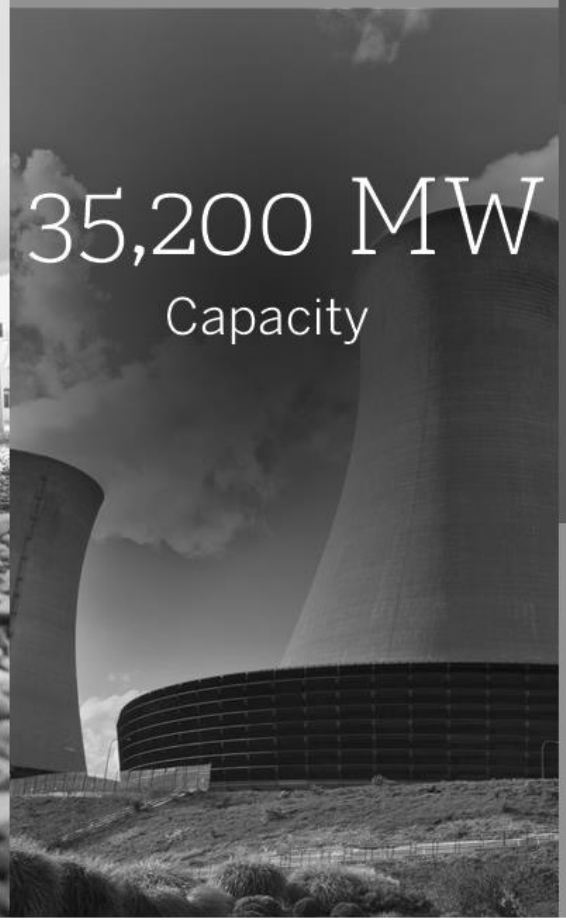
Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

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Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-01884

Exelon Generation: Gross Margin Update

	September 30, 2018			Change from June 30, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,800	$4,300	$3,900	$100	$250	$100
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	-	-
Mark-to-Market of Hedges[2,3]	$350	$250	$250	$(50)	$(150)	$(50)
Power New Business / To Go	$100	$550	$800	$(50)	$(50)	-
Non-Power Margins Executed	$400	$200	$150	$50	$50	$50
Non-Power New Business / To Go	$100	$300	$350	$(50)	$(50)	$(50)
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**	**-**	**$50**	**$50**

Recent Developments

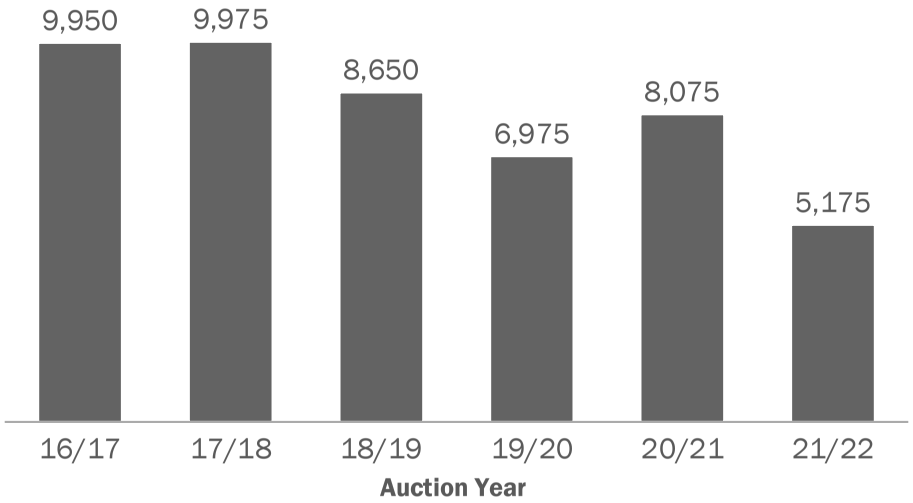
- Open Gross Margin ("OGM") is up in 2018 due to higher NiHub, West Hub, and NY Zone A prices, partly offset by weaker ERCOT spark spreads
- 2019 and 2020 OGM is up due to stronger ERCOT spark spreads and higher West Hub prices; 2019 OGM is also up on higher NiHub and New York Zone A prices
- Mark-to-Market of Hedges is down in all years on higher prices, offset by the execution of Power New Business in 2018/2019
- Executed $50M of Non-Power New Business in all years
- Behind ratable hedging position reflects the upside we see in power prices
  - ~9-12% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

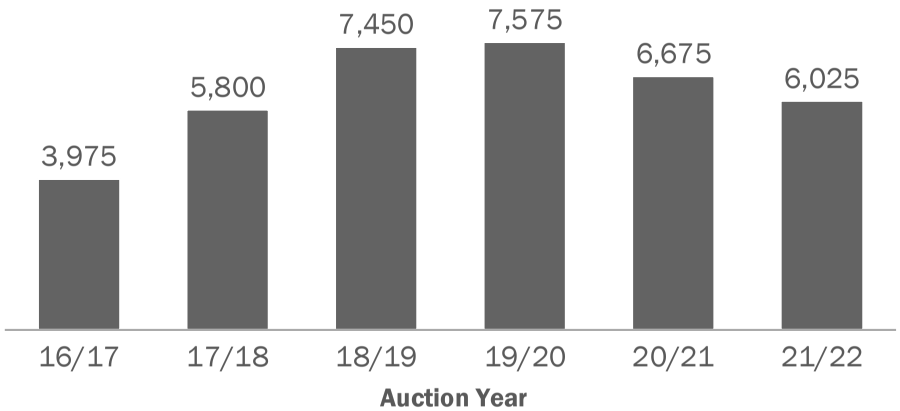
SI-SSA-0015-01885

Capacity Market: PJM

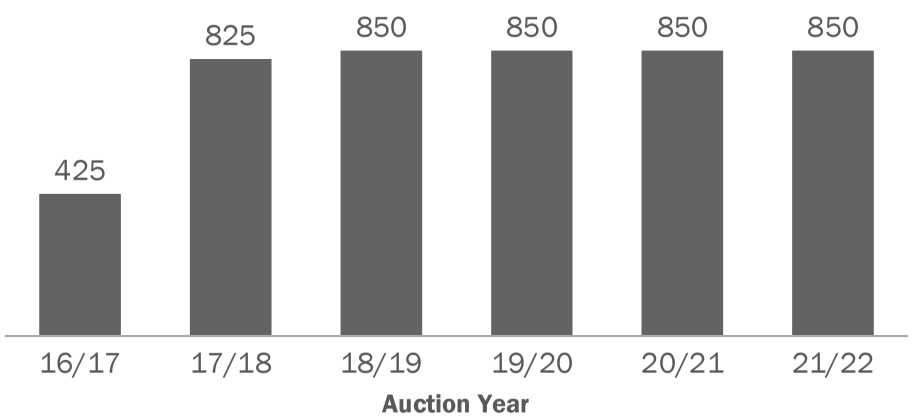
ComEd Cleared Volumes (MW)



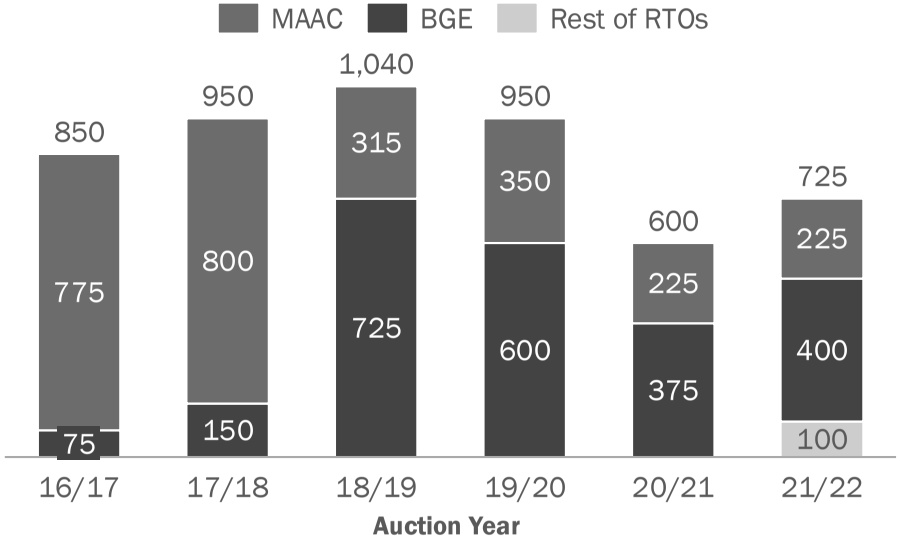
EMAAC Cleared Volumes (MW)



SWMAAC Cleared Volumes (MW)



MAAC, BGE, and Rest of RTO Cleared Volumes (MW)



Note: Reflects 50.01% ownership at CENG and volumes at ownership are rounded. 16/17 and 17/18 are volumes cleared in the capacity performance transition auctions.

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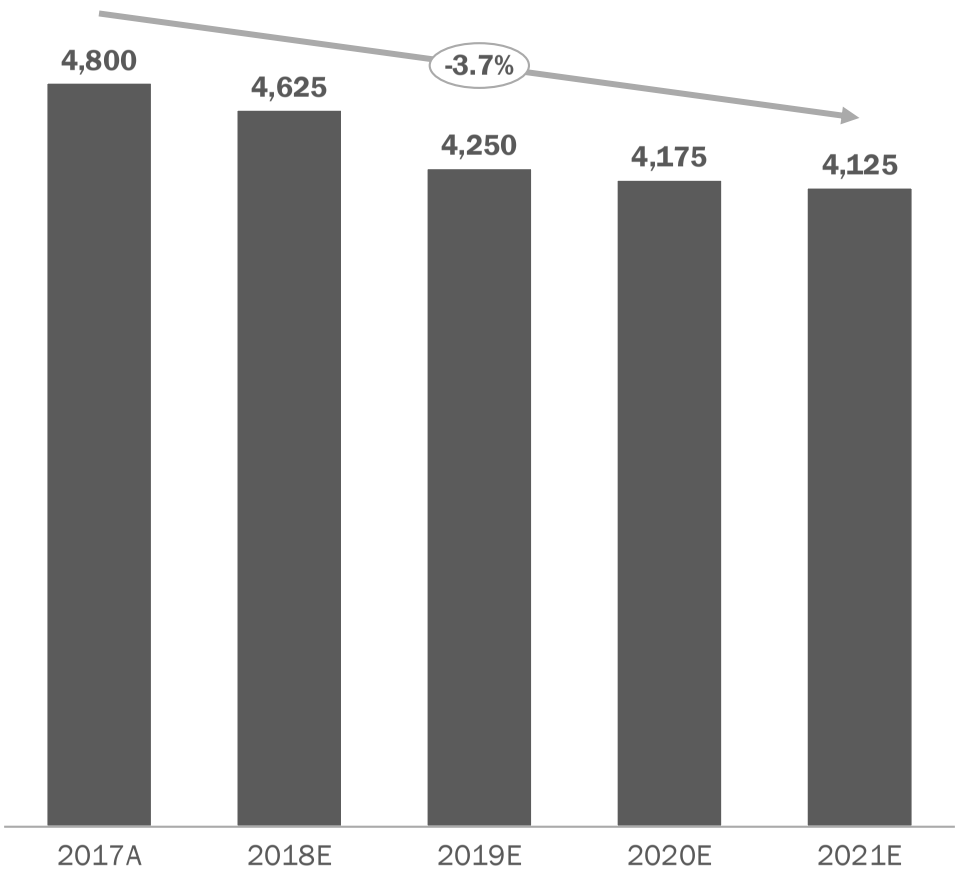
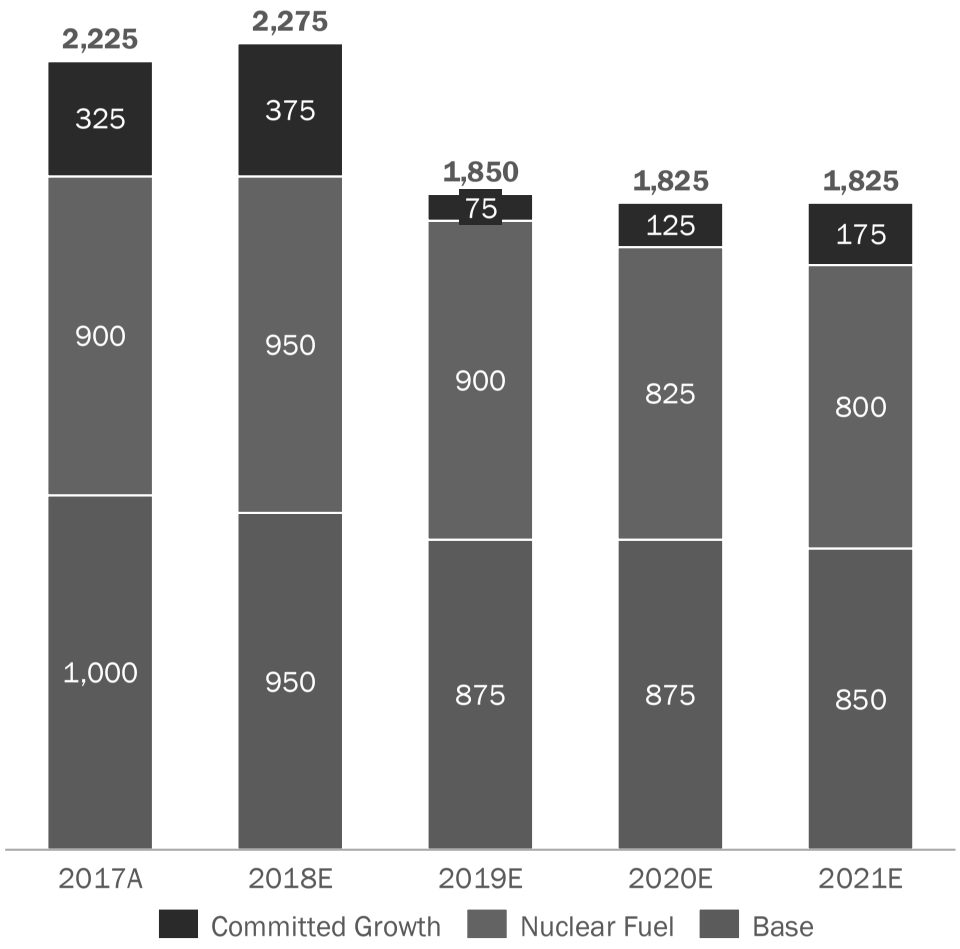
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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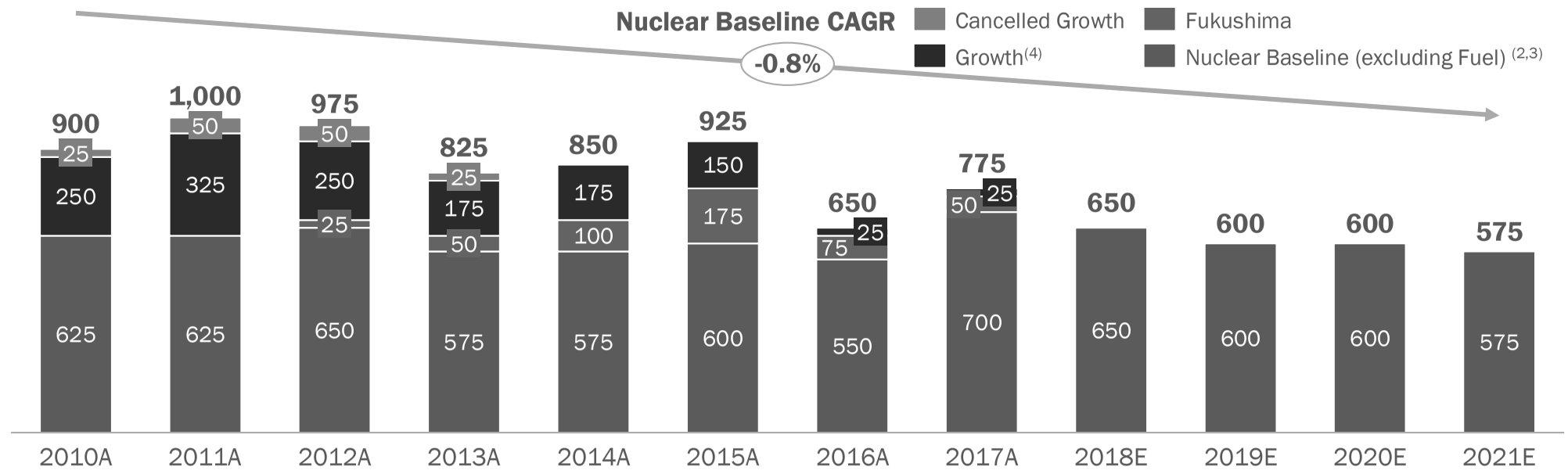
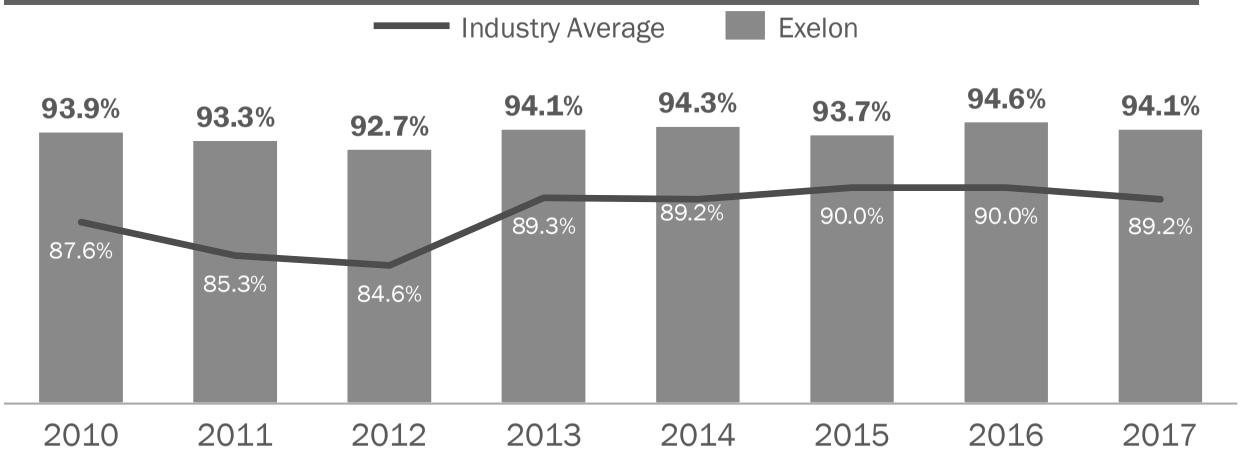
Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5,6]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) Industry average is for major operators excluding Exelon and includes 3 months of Fitzpatrick prior to Exelon acquisition

SI-SSA-0015-01888

Exelon

Financial Overview

SI-SSA-0015-01889

Raising Lower End of 2018 Guidance Range

Note: Amounts may not sum due to rounding

(1) 2018 Adjusted Operating Earnings* guidance based on expected average outstanding shares of 969M

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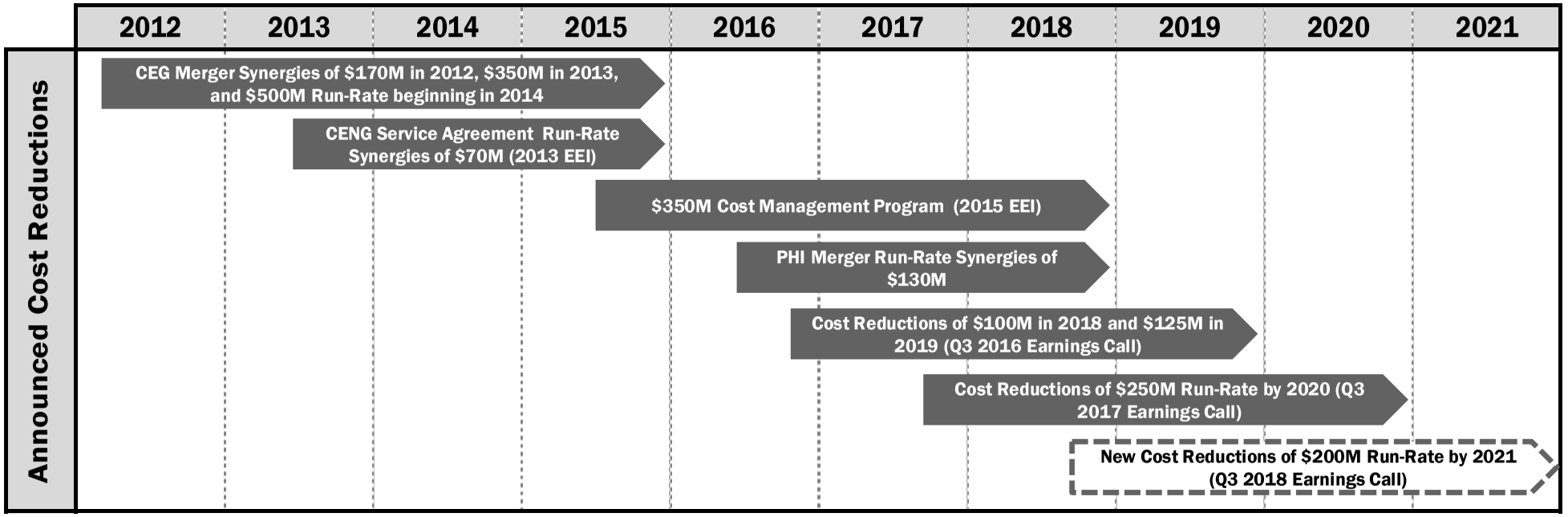
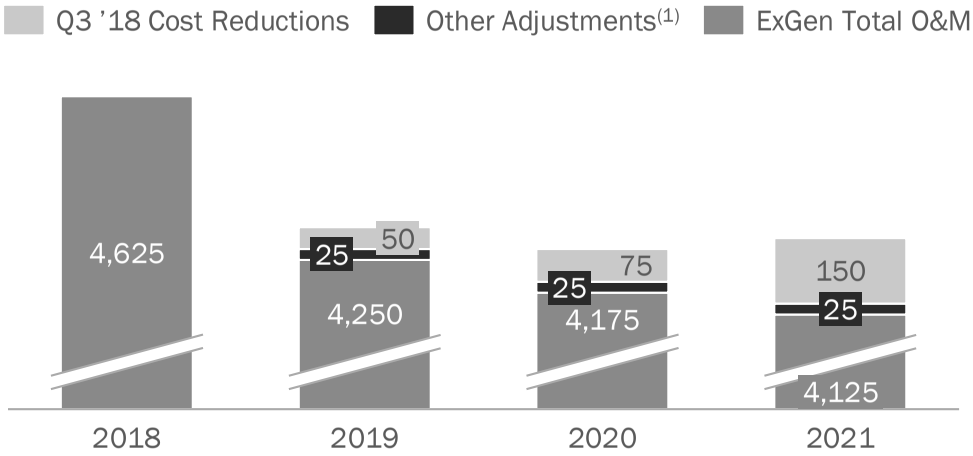
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2018 ($M)



(1) Primarily pension updates due to higher interest rates

Key Commentary

- Committing to $200M in additional cost reductions
  - $100M at ExGen
  - $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen
- **Since 2015, Exelon has announced more than $900M of cost reductions**

Exelon.

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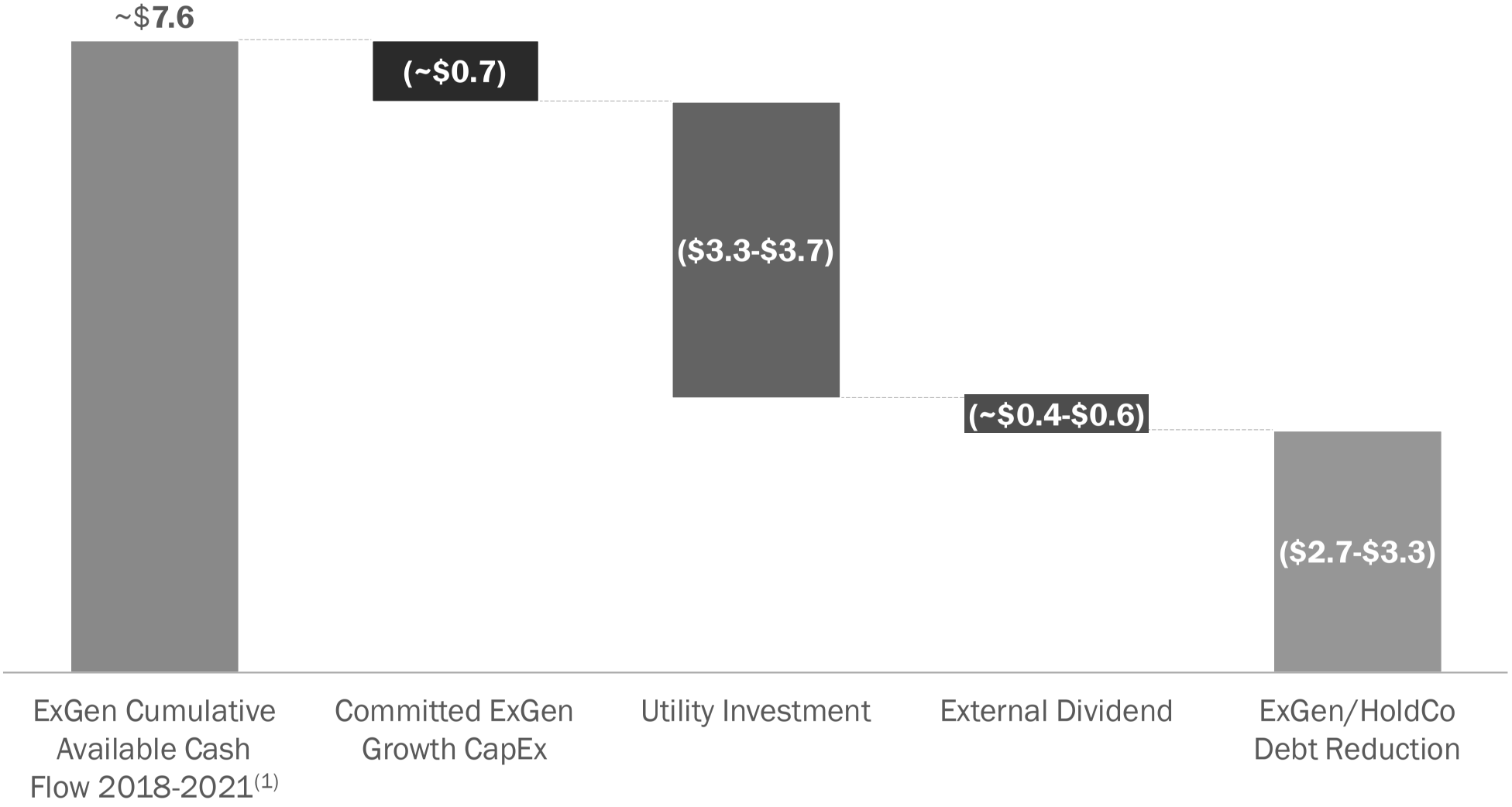
ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

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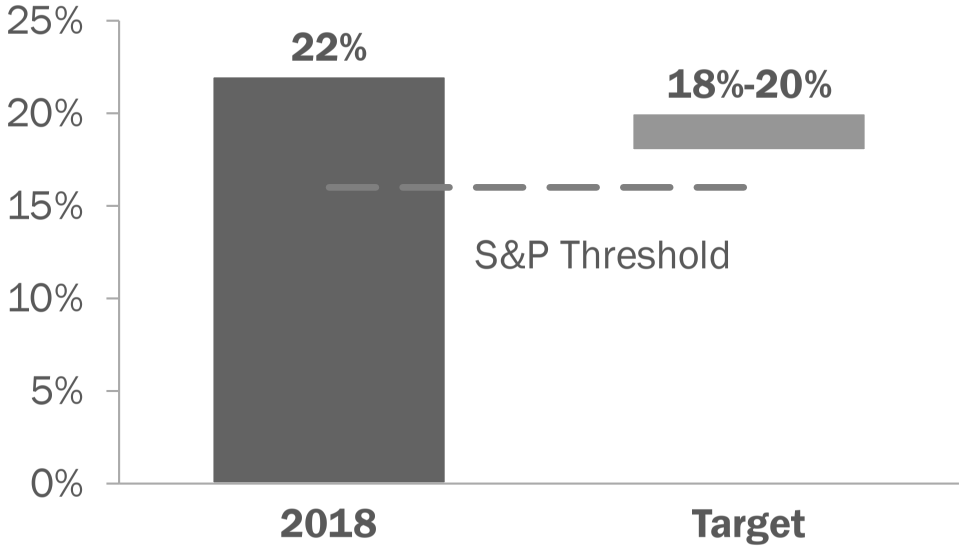
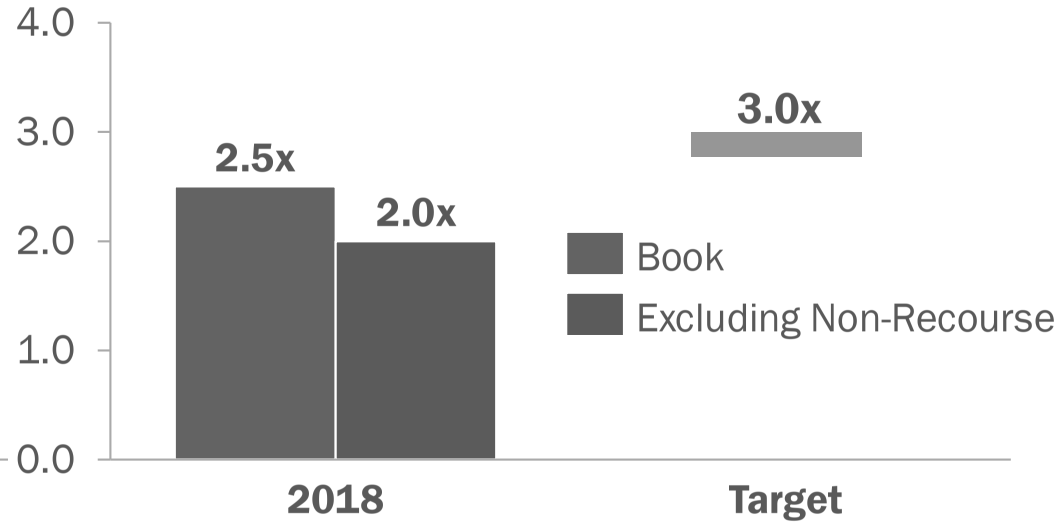
Exelon.

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4)



ExGen Debt/EBITDA Ratio*(5)



Credit Ratings by Operating Company

Current Ratings (2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3(3)	A2	A2
S&P	BBB-(3)	BBB(3)	A-(3)	A-(3)	A-(3)	A(3)	A(3)	A(3)
Fitch	BBB(3)	BBB	A	A(3)	A-(3)	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of November 1, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon Corp and all subsidiaries are on "Positive" outlook at S&P; Exelon Corp, PECO, and and BGE are on "Positive" outlook at Fitch; ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

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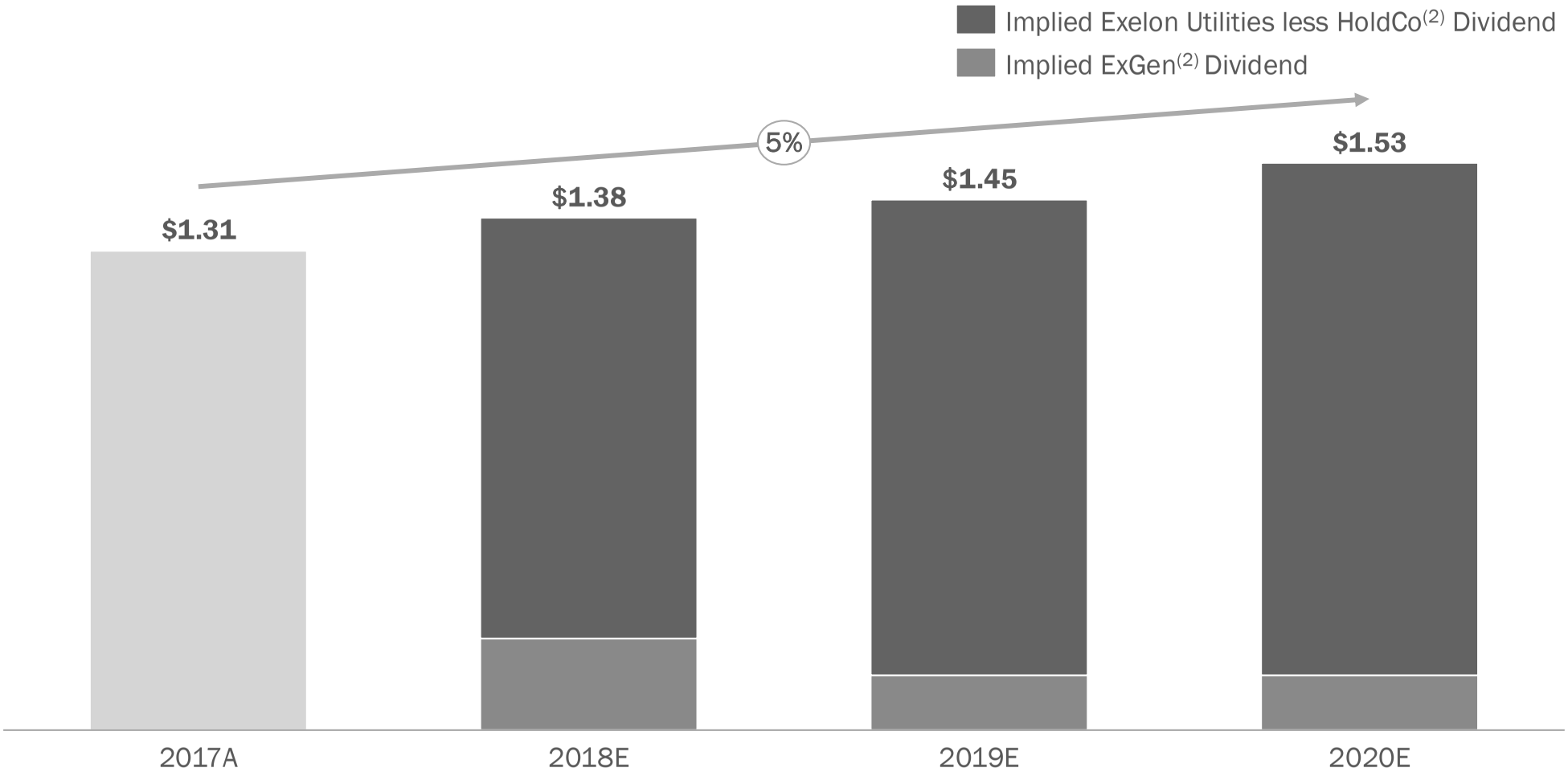
Exelon.

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

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Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 13th consecutive year.

Newsweek Magazine's Green Rankings
The Newsweek Green Rankings evaluate corporate sustainability and environmental performance. Exelon ranked in the top three among utilities, No. 12 on the U.S. 500 and No. 24 on the Global 500 list among the world's largest publicly traded companies.

Land for People Award 2017
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation.

Diversity and Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improve the retention of women at Exelon by 2020.

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses.

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected.

Community Engagement

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours.

Points of Light, "The Civic 50" 2017
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service.

2017 Laurie D. Zelon Pro Bono Award
Exelon's legal department was honored by the Pro Bono Institute (PBI) with the 2017 Laurie D. Zelon Pro Bono Award.

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America.

Workforce

DiversityInc Top 50 Companies 2018
Exelon ranked No. 32 on DiversityInc's list of Top 50 companies for diversity and 4th for the top 18 companies in hiring for veterans.

Indeed.com "50 Best Places to Work" 2017
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" 2011-2018
Exelon earned the designation of "Best Place to Work" on HRC's Corporate Equality Index for a seventh consecutive year in 2018, receiving a perfect score of 100.

The Military Times Best for Vets 2013-2018
For the sixth year in a row, Exelon received this recognition for its commitment to providing opportunities to America's veterans.

Historically Black Engineering Schools 2013-2017
Exelon was recognized as a top corporate supporter of the nation's historically black engineering programs.

SI-SSA-0015-01895

Climate Leadership Council - Founding Members

Exelon is a founding member of the Climate Leadership Council (CLC) – an effort to promote a carbon fee-and-dividend program.

Corporate Founding Members

AECOM, Allianz, bp, Exelon, ExxonMobil, GM, Johnson & Johnson, MetLife, P&G, PEPSICO, Santander, Schneider Electric, Shell, TOTAL, Unilever

NGO Founding Members

CONSERVATION INTERNATIONAL, The Nature Conservancy

The Four Pillars of a Carbon Dividends Plan:

- **Gradually Increasing Carbon Tax**: Fee would be applied at the point where fossil fuels enter the economy (i.e. wellhead, mine, refinery or port), start at $40/ton and increase 5% a year (the increase could be 10% for years when emissions fail to fall aggressively enough)
- **Carbon Dividends**: Americans would receive a monthly dividend check -- ~$2,000/year to begin, gradually increasing over time as revenue increases; 70% of Americans would be net beneficiaries
- **Border Carbon Adjustments:** Imports and exports would be subject to a border adjustment
- **Significant Regulatory Rollback:** Much of EPA's regulatory authority over greenhouse gases would be phased out. Carbon emitters would be protected against federal and state tort liability suit to the extent emissions are covered (e.g., carbon but not methane)

SI-SSA-0015-01896

Appendix

SI-SSA-0015-01897

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	750	1,650	650	1,100	4,175	3,800	175	8,150	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(50)	(2,025)	
Free Cash Flow*	**750**	**1,650**	**650**	**1,100**	**4,175**	**1,825**	**125**	**6,125**	
Debt Issuances	300	1,350	700	750	3,100	0	0	3,100	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	500	50	350	1,000	0	(1,000)	0	
Other Financing[4]	50	0	50	(125)	(25)	50	(50)	(25)	
Financing*[5]	**475**	**1,000**	**300**	**700**	**2,475**	**(50)**	**(1,050)**	**1,375**	
Total Free Cash Flow and Financing	**1,225**	**2,650**	**950**	**1,800**	**6,625**	**1,775**	**(925)**	**7,475**	
Utility Investment	(1,000)	(2,125)	(850)	(1,500)	(5,475)	0	0	(5,475)	
ExGen Growth[3,6]	0	0	0	0	0	(350)	0	(350)	
Acquisitions and Divestitures	0	0	0	0	0	(25)	0	(25)	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,500)**	**(5,475)**	**(400)**	**(1,325)**	**(7,225)**	
Total Cash Flow	**225**	**525**	**100**	**275**	**1,150**	**1,375**	**(2,250)**	**275**	
Ending Cash Balance*[2]									**1,725**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes commercial paper, expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.8B at ExGen and $4.2B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.5B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

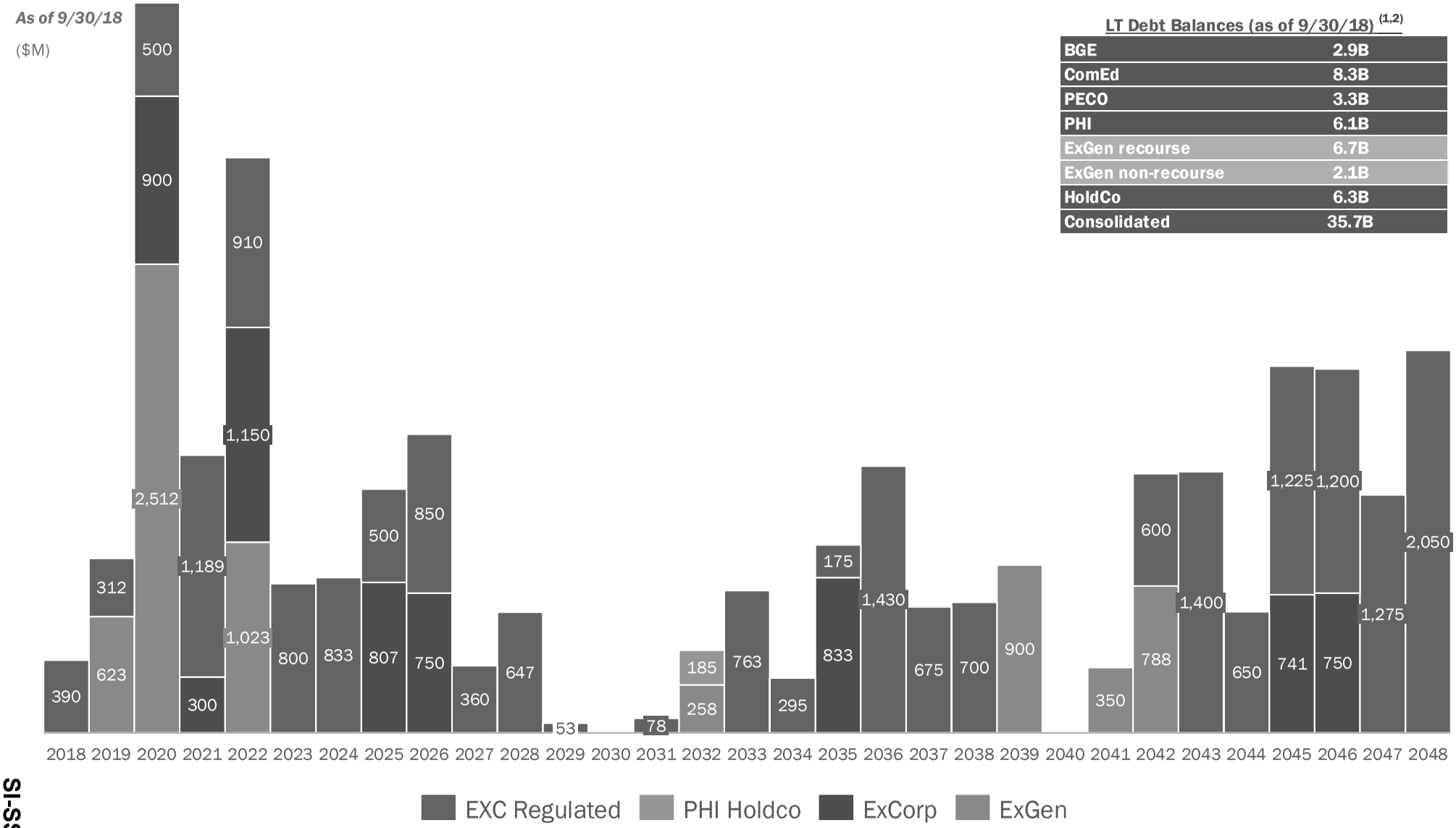
Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

Note: Numbers may not add due to rounding

SI-SSA-0015-01898

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 9/30/18) [1,2]	
BGE	2.9B
ComEd	8.3B
PECO	3.3B
PHI	6.1B
ExGen recourse	6.7B
ExGen non-recourse	2.1B
HoldCo	6.3B
Consolidated	35.7B

Exelon's weighted average LTD maturity is approximately 15 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q3 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

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EPS Sensitivities

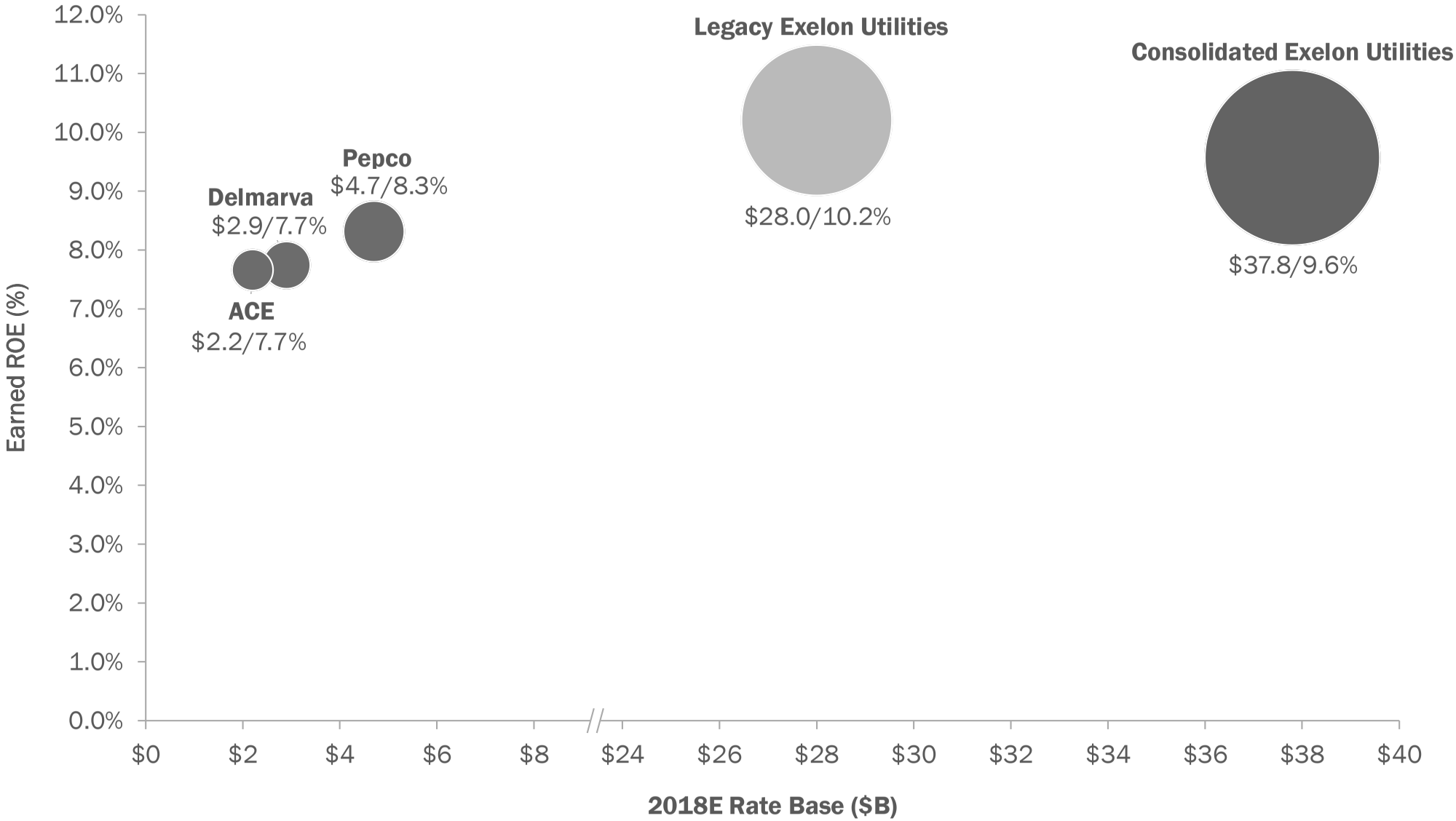
		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	($0.01)	$0.15	$0.34
	- $1/MMBtu	$0.02	($0.11)	($0.30)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.00	$0.08	$0.20
	- $5/MWh	$0.00	($0.08)	($0.20)
	PJM-W ATC Energy Price			
	+ $5/MWh	($0.00)	$0.02	$0.07
	- $5/MWh	$0.00	$0.00	($0.07)
Interest Rate Sensitivity to +50	ComEd ROE	$0.02	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on September 30, 2018, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-01900

Exelon Utilities Trailing Twelve Month Earned ROEs*

Q3 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the twelve-month period ending September 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

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Exelon Generation Disclosures

Data as of September 30, 2018
These disclosures were presented on November 1, 2018, and are not being updated at this time

SI-SSA-0015-01902

Portfolio Management Strategy

Strategic Policy Alignment

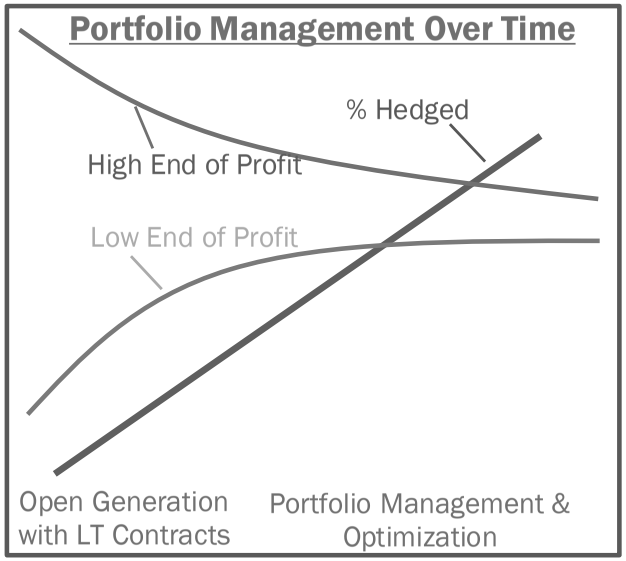
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

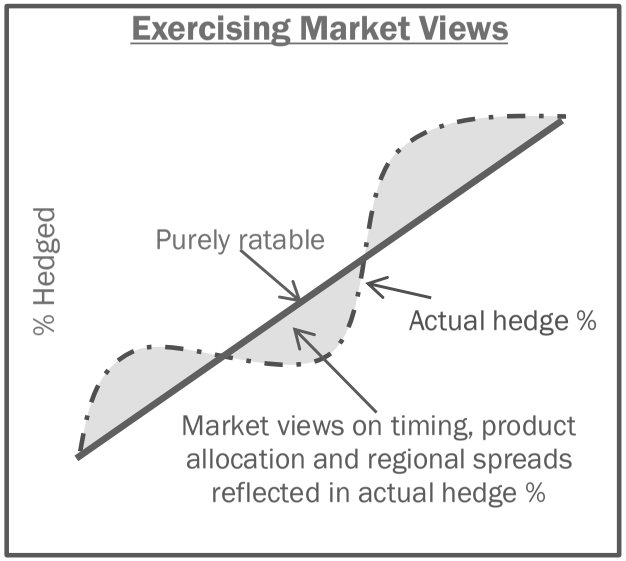
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,800	$4,300	$3,900
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$350	$250	$250
Power New Business / To Go	$100	$550	$800
Non-Power Margins Executed	$400	$200	$150
Non-Power New Business / To Go	$100	$300	$350
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.94	$2.78	$2.65
Midwest: NiHub ATC prices ($/MWh)	$27.62	$26.24	$24.92
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$36.54	$33.53	$31.59
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.06	$11.50	$10.30
New York: NY Zone A ($/MWh)	$31.86	$29.49	$27.89
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$6.80	$6.88	$6.27

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

SI-SSA-0015-01904

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**196,300**	**201,900**	**192,900**
Midwest	96,600	97,000	96,500
Mid-Atlantic[2,6]	60,300	54,000	48,500
ERCOT	16,900	25,500	23,700
New York[2,6]	16,200	16,600	15,600
New England	6,300	8,800	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**82%-85%**	**48%-51%**
Midwest	98%-101%	79%-82%	44%-47%
Mid-Atlantic[2,6]	100%-103%	94%-97%	61%-64%
ERCOT	98%-101%	78%-81%	49%-52%
New York[2,6]	98%-101%	93%-96%	57%-60%
New England	78%-81%	23%-26%	13%-16%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$28.50	$28.00
Mid-Atlantic[2,6]	$39.00	$37.50	$37.00
ERCOT[5]	($2.00)	$2.00	$1.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$7.00	$6.00	$25.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.3%, 94.6% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(10)	$190	$445
- $1/MMBtu	$20	$(145)	$(395)
NiHub ATC Energy Price			
+ $5/MWh	-	$100	$265
- $5/MWh	-	$(100)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$20	$95
- $5/MWh	$5	-	$(90)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	-	$30
- $5/MWh	-	$(5)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $30

(1) Based on September 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-01906

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,125**	**$7,800**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,650**	**$7,350**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	22.0%

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01907

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01908

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Non-cash impacts pursuant to the annual update of asset retirement obligations
  - Adjustment to the remeasurement of deferred income taxes as a result of the Tax Cuts and Jobs Act (TCJA) and changes in forecasted apportionment
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

SI-SSA-0015-01910

GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

SI-SSA-0015-01911

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$750	$1,650	$650	$1,100	$4,250	$175	$8,600
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	($175)	-	($175)
Adjusted Cash Flow from Operations	**$750**	**$1,650**	**$650**	**$1,100**	**$3,800**	**$175**	**$8,150**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$275	$550	$0	$375	($1,050)	($100)	$50
Dividends paid on common stock	$200	$450	$300	$325	$1,000	($950)	$1,325
Financing Cash Flow	**$475**	**$1,000**	**$300**	**$700**	**($50)**	**($1,050)**	**$1,375**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$275
Adjusted Ending Cash Balance[3]	$1,725
Adjustment for Cash Collateral Posted	($375)
GAAP Ending Cash Balance	**$1,350**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-01912

GAAP to Non-GAAP Reconciliations

Q3 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$103	$191	$1,407	$1,778
Operating Exclusions	$5	$8	$24	$2	$40
Adjusted Operating Earnings	$82	$111	$215	$1,409	$1,817
Average Equity	$1,065	$1,434	$2,590	$13,808	$18,898
Operating ROE (Adjusted Operating Earnings/Average Equity)	**7.7%**	**7.7%**	**8.3%**	**10.2%**	**9.6%**

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Note: Items may not sum due to rounding

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020	2021
GAAP O&M	**$6,350**	**$5,475**	**$4,925**	**$4,825**	**$4,750**
Decommissioning[2]	25	50	50	50	50
TMI Retirement	(100)	-	-	-	-
EGTP Impairment	(450)	-	-	-	-
Oyster Creek Retirement[5]	-	(100)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(450)	(275)	(275)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(400)	(425)	(425)
Other	(150)	(125)	(50)	(25)	-
Adjusted O&M (Non-GAAP)	**$4,800**	**$4,625**	**$4,250**	**$4,175**	**$4,125**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[6]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments
(5) 2018 Decommissioning costs include $75M of asset retirement obligations for Oyster Creek retirement acceleration
(6) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-01914

June 2018 Investor Meetings

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's First Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-01916

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-01917

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 44 of this presentation.

SI-SSA-0015-01918

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01920

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-01921

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

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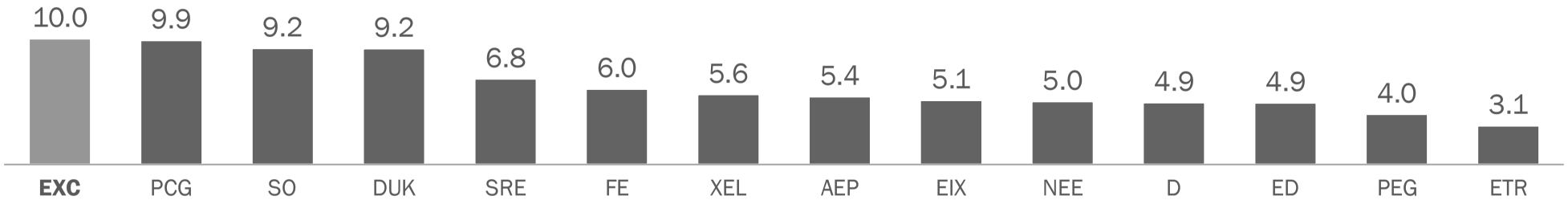
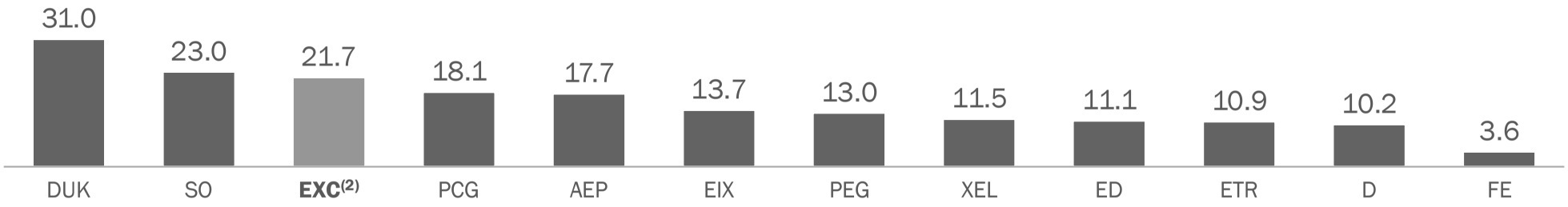
Exelon Utilities are an Industry Leader

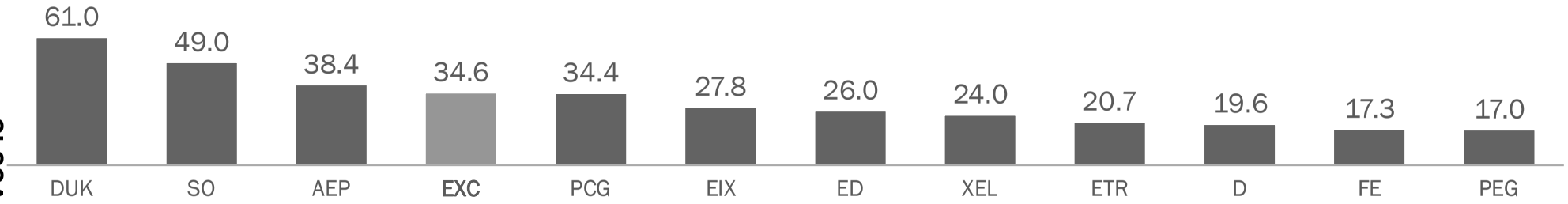
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

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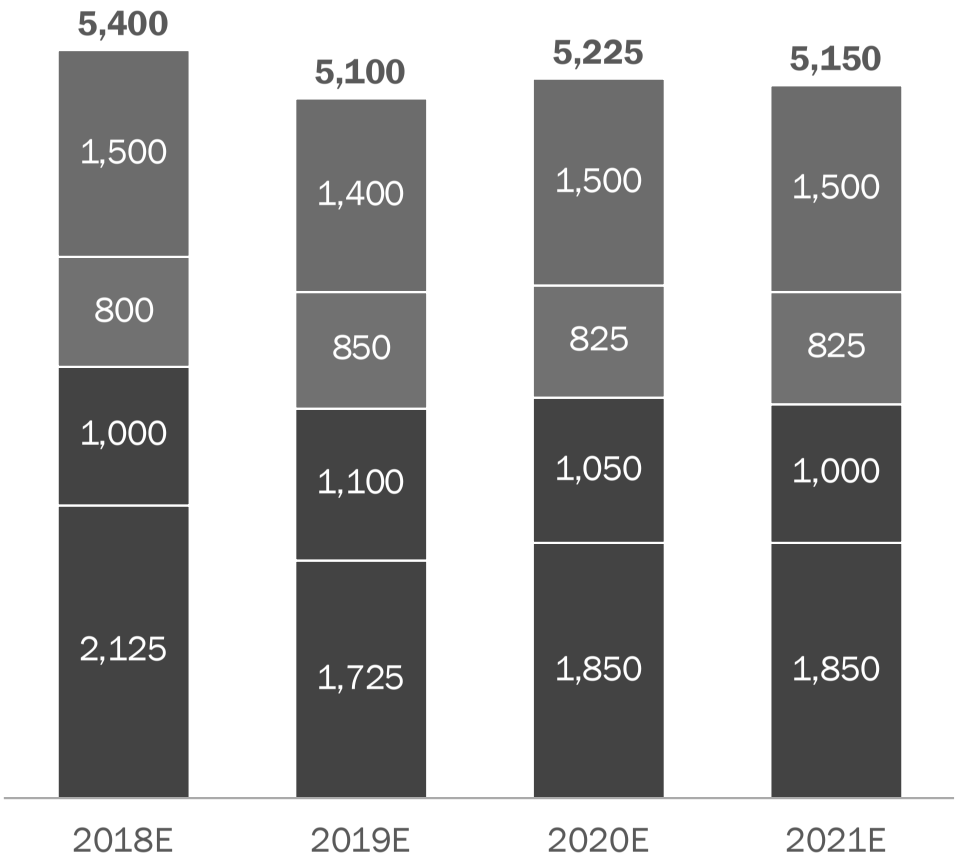
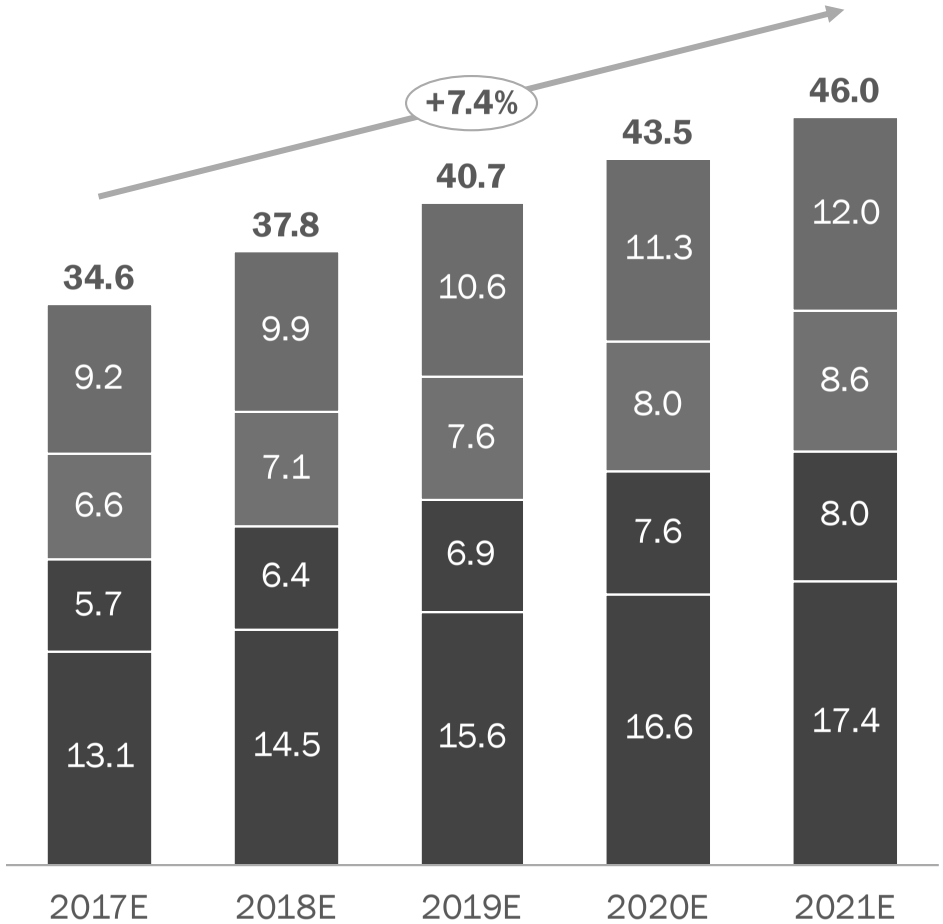
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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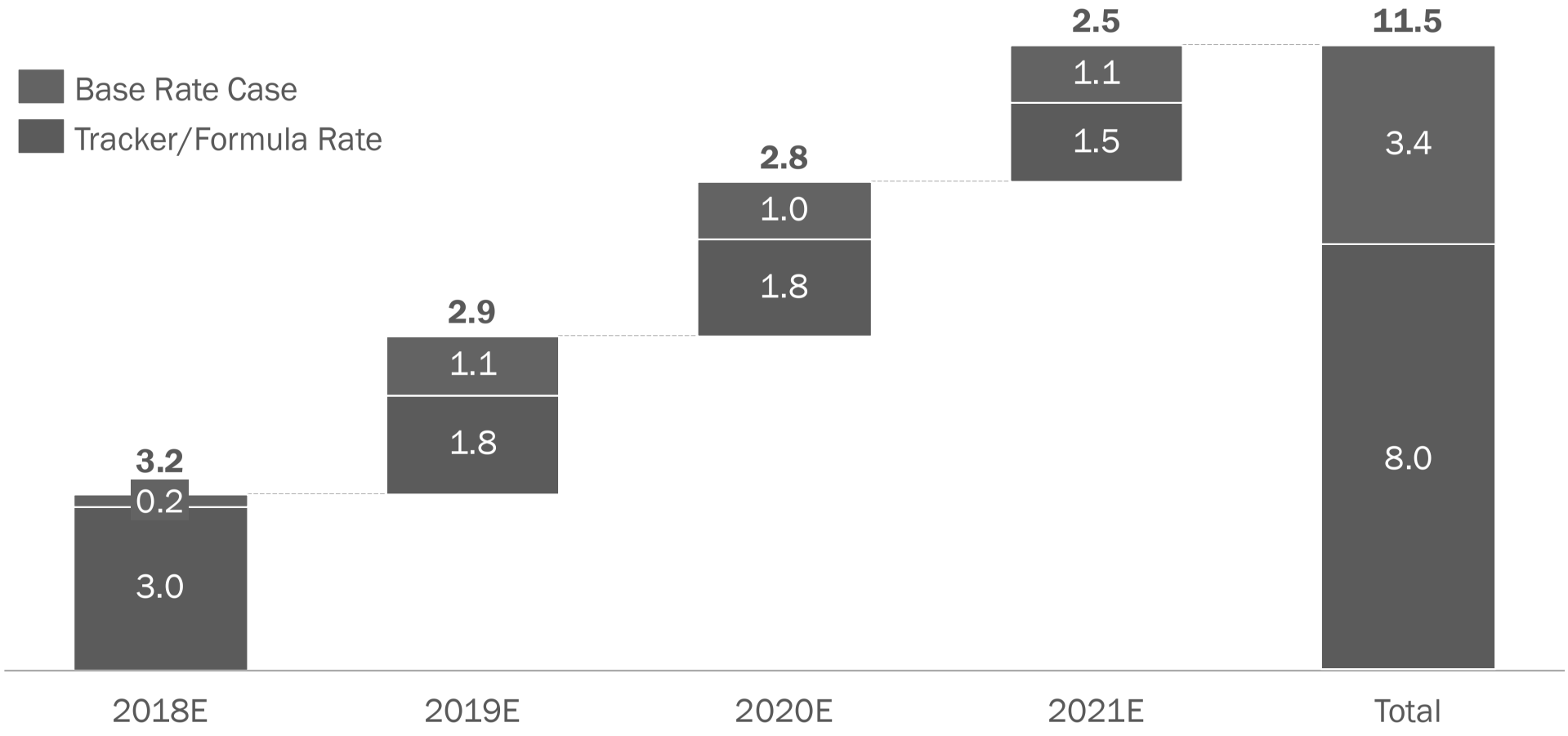
Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				N/A
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th

Q1 2018			
BGE	ComEd	PECO	PHI
	No Gas Operations		

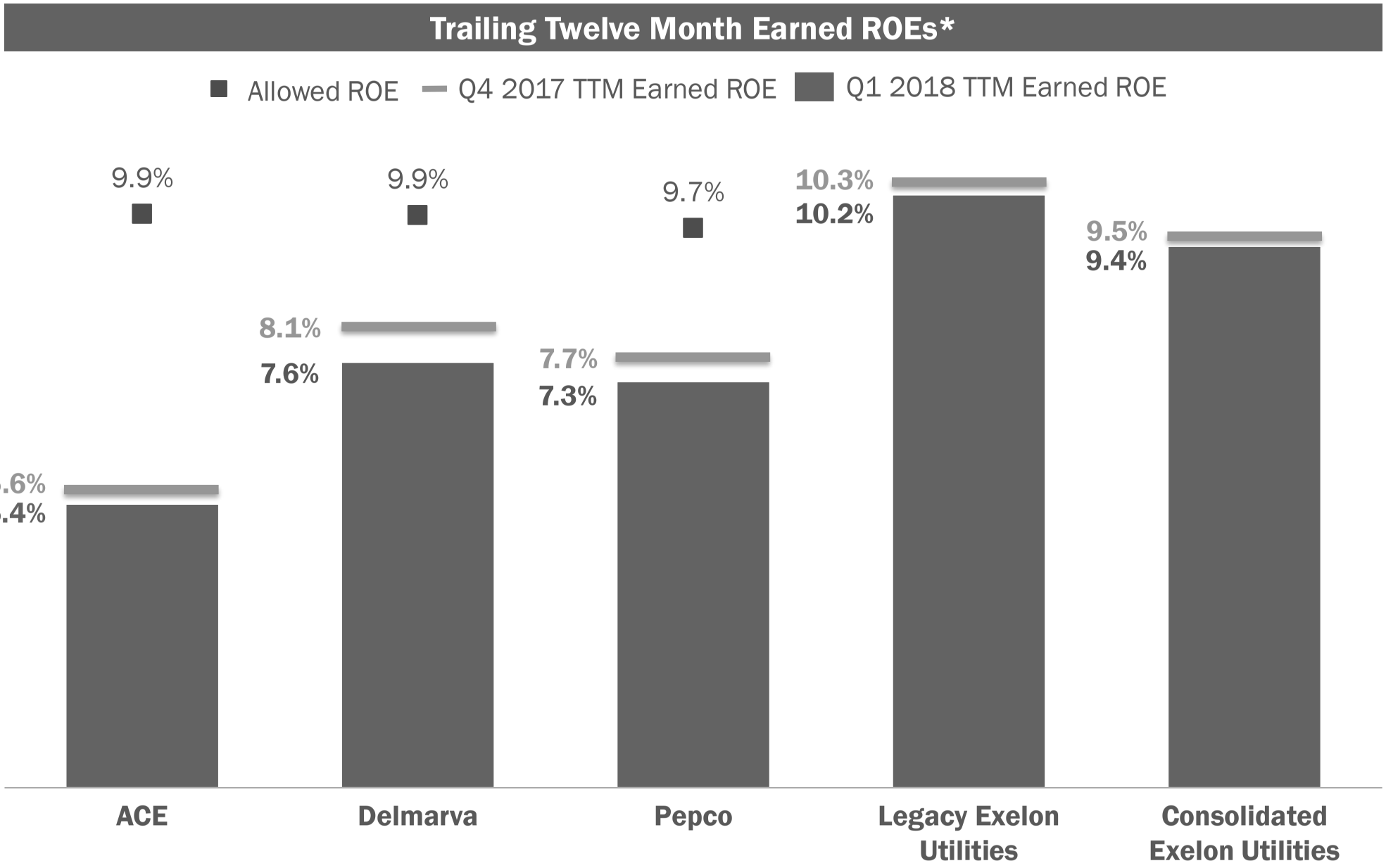
Performance Quartiles	
Q1	Q2
Q3	Q4

- Reliability performance year to date was strong across the utilities, adjusted for normal storm events
- Customer operation metrics reflect solid performance across the utilities
- Safety performance year to date has been disappointing; safety improvement plans have been implemented to improve performance going forward

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

SI-SSA-0015-01926

Trailing 12 Month ROEs* vs Allowed ROE



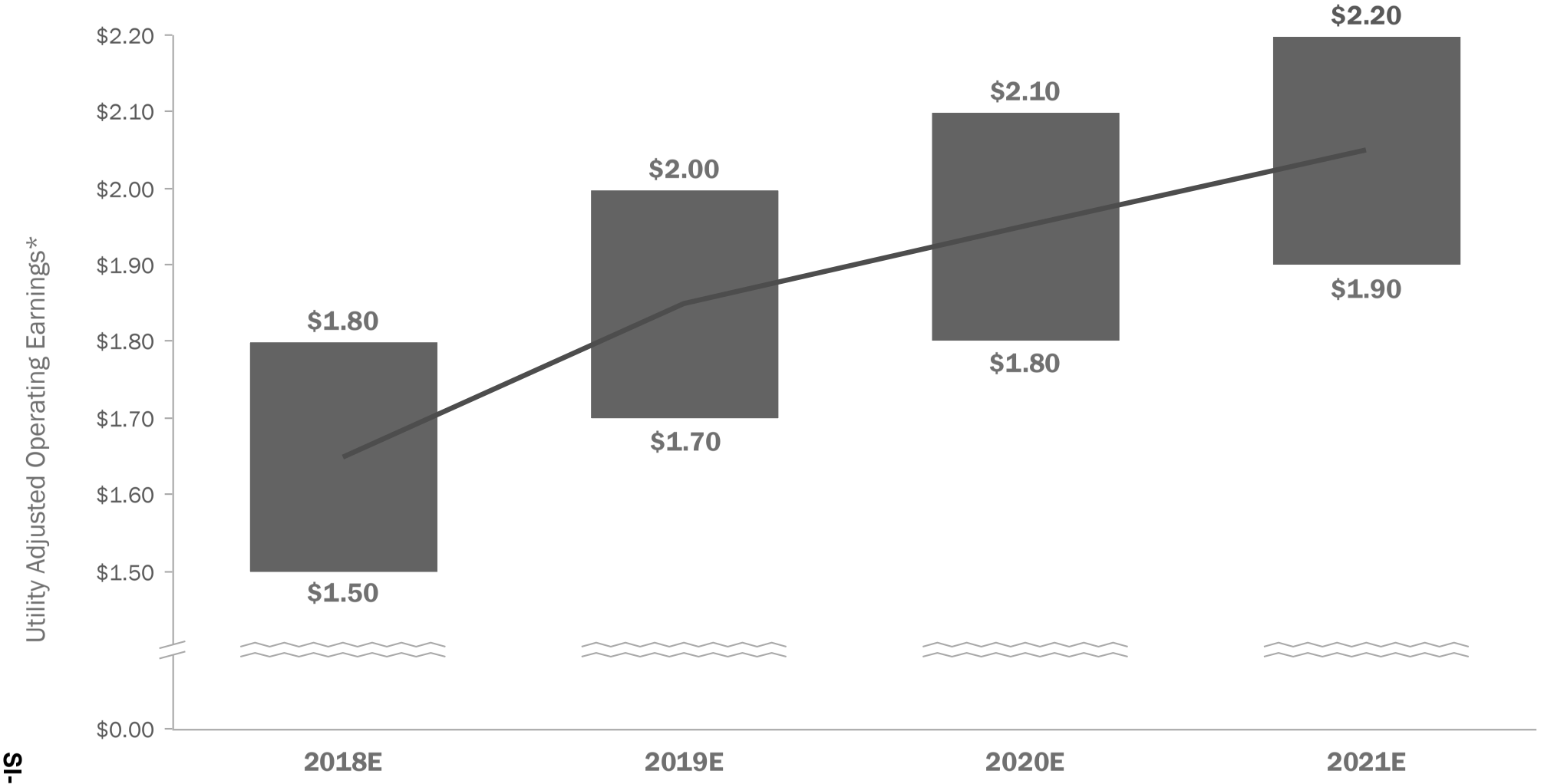
Note: Represents the 12-month periods ending 3/31/2017 and 3/31/2018, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Transmission). Includes 20 bps and 10 bps impact to TTM earned ROEs from FAS 109 and winter storms, respectively.

SI-SSA-0015-01927

Exelon.

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

SI-SSA-0015-01928

Exelon.

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
Delmarva (MD)		FO											Authorized: $13.4M	Authorized:[6] 9.50%/NA	Feb 9, 2018
ComEd[2]				CF		IT	RT	EH	IB RB			FO	$(22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)			IT		RT	EH	IB	RB	FO				$12.6M[1,3]	10.10% / 50.52%	Q3 2018
Delmarva Gas (DE)					IT		RT		EH	IB RB		FO	$3.9M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)				SA	IT RT EH	IB	FO						$(24.1)M[1,7]	9.525% / 50.44%[7]	July 1, 2018[7]
Pepco Electric (MD)	CF			SA IT	EH	FO							$(15.0)M[1,7]	9.50% / 50.44%[7]	June 1, 2018[7]
PECO[2] Electric			CF			IT	RT	EH	IB RB			FO	$82M[1,5]	10.95% / 53%	Dec 2018

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement Agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, District of Columbia Public Service Commission, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other cots where applicable, which have no impact on pre-tax earnings
(2) Anticipated schedule; actual dates will be determined by ALJ at pre-hearing conference
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(6) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(7) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Expected orders are based on requested rate effective dates. Includes tax benefits from Tax Cuts and Jobs Act.

SI-SSA-0015-01929

Exelon

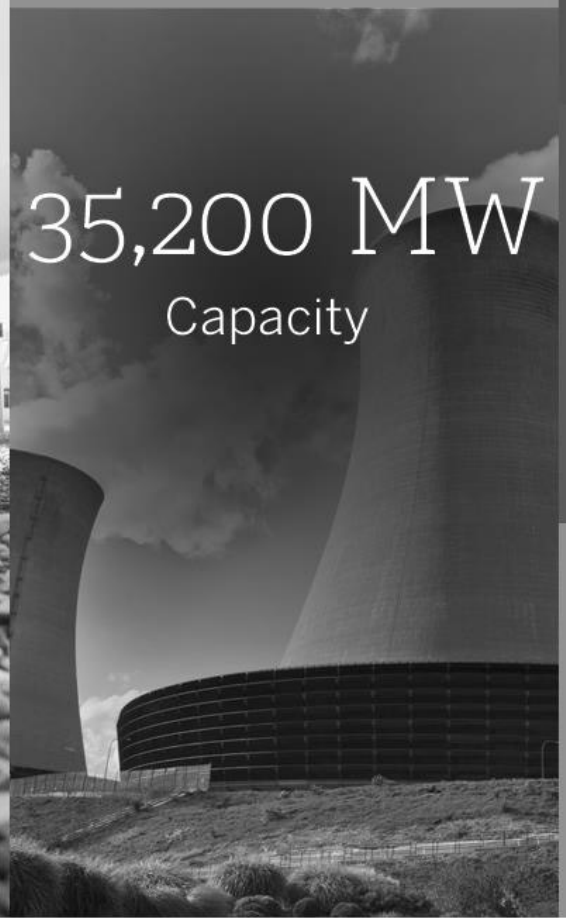
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-01930

Exelon.

Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-0015-01931

Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-01932

Exelon Generation: Gross Margin Update as of May 2, 2018

Gross Margin Category ($M)[1]	March 31, 2018			Change from December 31, 2017		
	2018	2019	2020	2018	2019	2020
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,600	$3,950	$3,800	$250	$50	$50
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-	-
Mark-to-Market of Hedges[2,3]	$300	$450	$250	$(50)	$50	-
Power New Business / To Go	$350	$650	$850	$(200)	$(100)	$(50)
Non-Power Margins Executed	$300	$150	$100	$100	$50	-
Non-Power New Business / To Go	$200	$350	$400	$(100)	$(50)	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**-**	**-**

Recent Developments

- Open Gross Margin is up in all years due to strengthening ERCOT spark spreads, partly offset by lower NiHub prices
- Mark-to-Market of Hedges is down in all years due to higher prices, mostly offset by the execution of Power New Business
- Executed $200M and $100M of Power New Business in 2018 and 2019, respectively
- Behind ratable hedging position reflects the upside we see in power prices
  - ~8-11% behind ratable in 2019 when considering cross commodity hedges

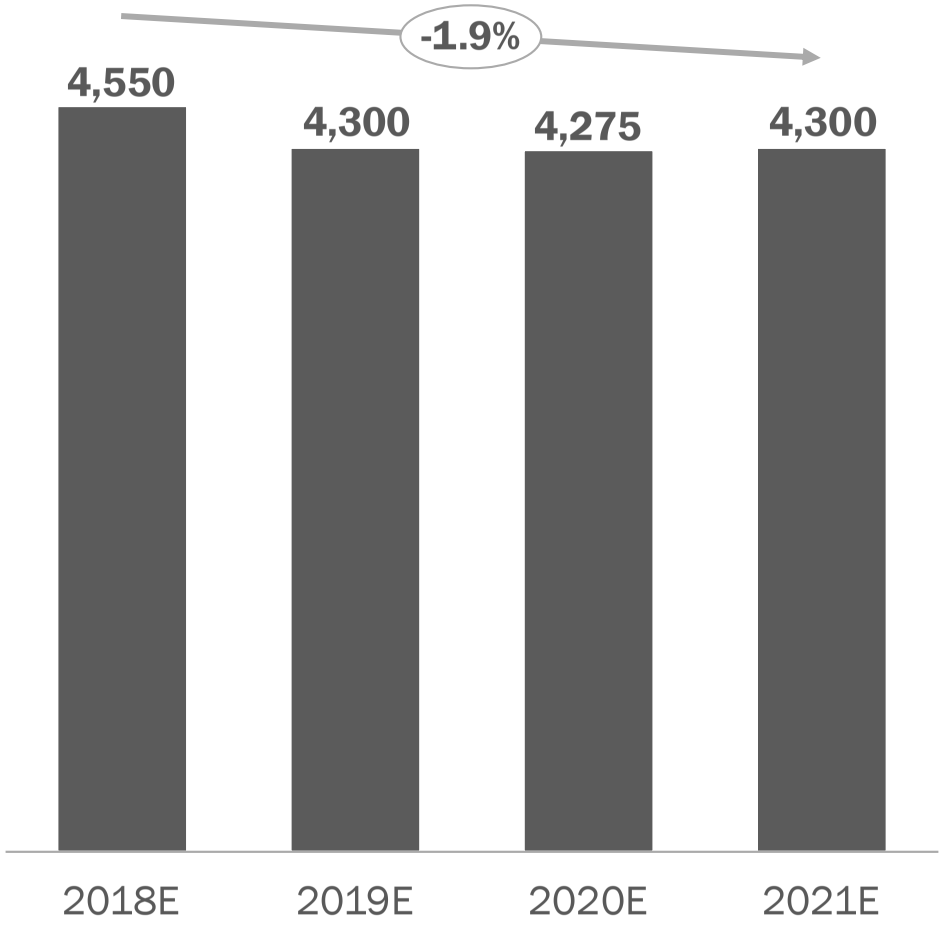
Note: Data as of March 31, 2018 – These disclosures were presented on May 2, 2018 and are not being updated at this time
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

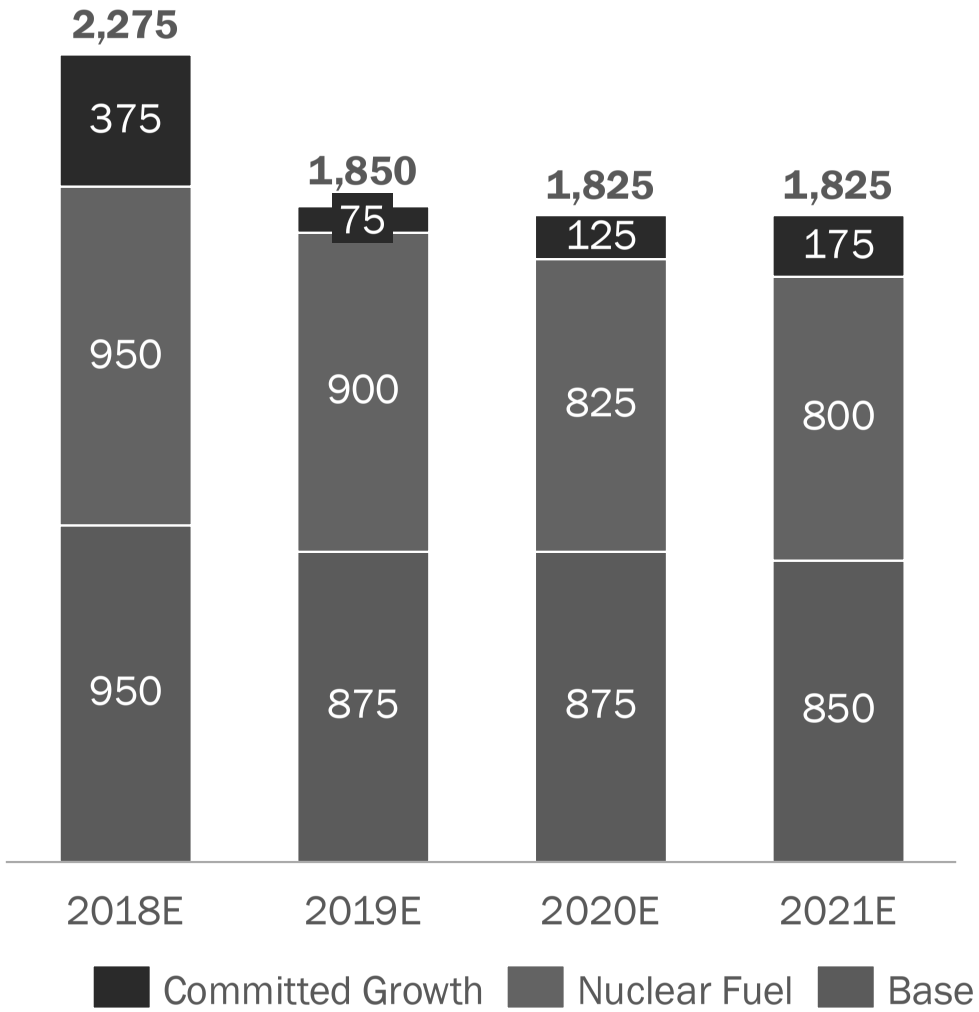
SI-SSA-0015-01933

Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

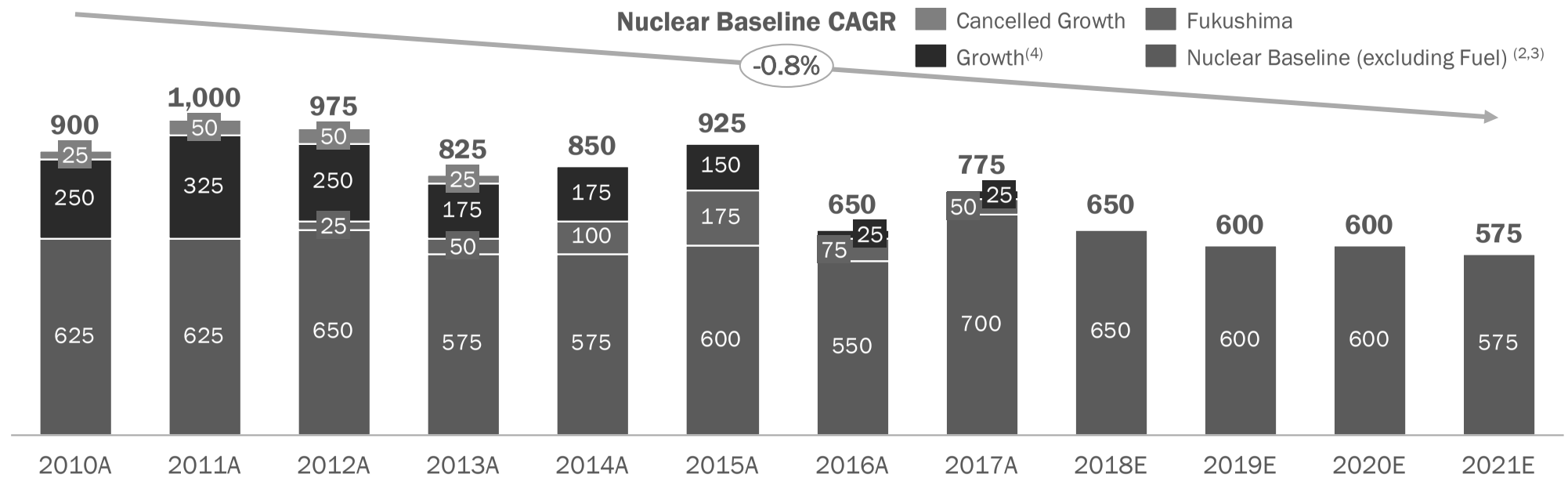
(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

Exelon.

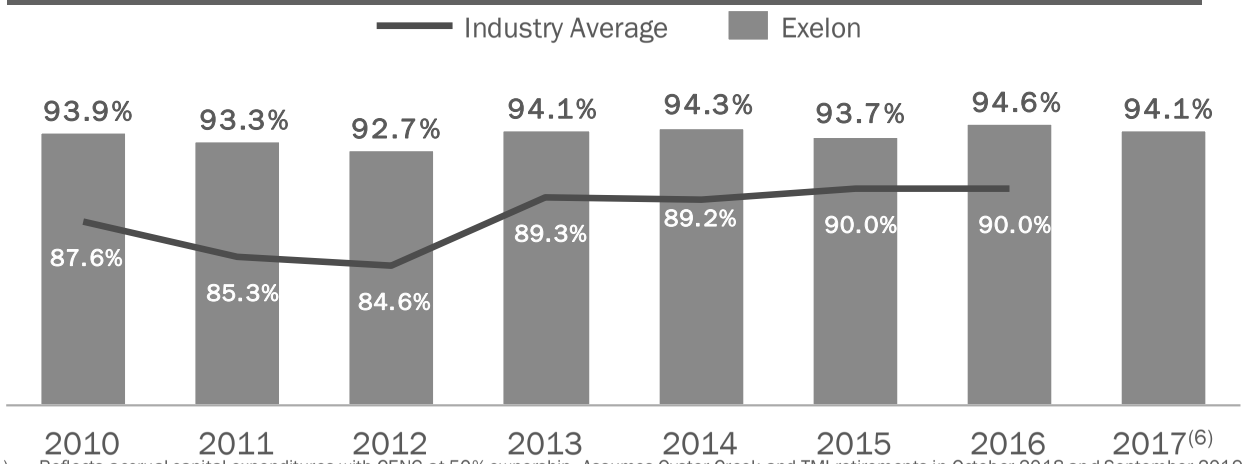
SI-SSA-0015-01934

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

Exelon.

SI-SSA-0015-01935

ZEC & Policy Updates

New Jersey ZEC

- On April 12, 2018, the NJ ZEC bill passed both the Senate and Assembly with bipartisan support
- Governor Murphy signed the bill on May 23rd
- With the Governor's signature, the BPU will begin the process of implementing the bill, including approving utility tariffs, developing a selection methodology, and reviewing applications for participation in the program
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois & New York ZEC Legal Challenges

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018 – Judge requested supplemental briefings from parties
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- Parties are awaiting response from the U.S. Solicitor General and further action by the court

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

PJM Price Formation

Fast Start:

- Fast start NOPR was initiated by FERC (docket # EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September
  - If FERC approves by September, PJM believes it could implement the changes for the 2018/2019 winter

Baseload:

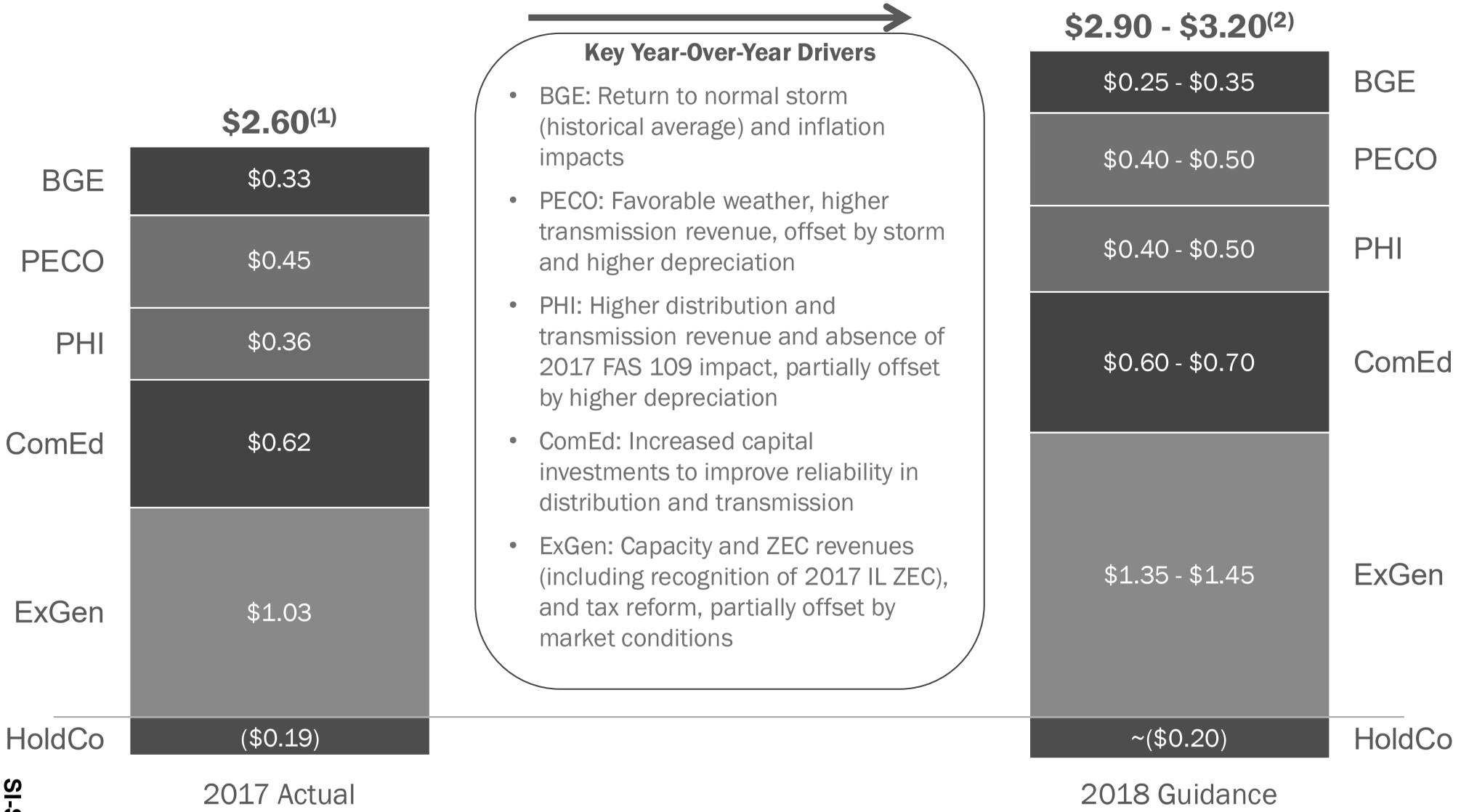
- PJM is in the midst of a stakeholder process scheduled to conclude in the 3rd quarter
- After completing the stakeholder process and receiving FERC's decision on the fast start docket, PJM will announce its process for moving forward

SI-SSA-0015-01936

Financial Overview

SI-SSA-0015-01937

2018 Adjusted Operating Earnings* Guidance as of May 2, 2018



Expect Q2 2018 Adjusted Operating Earnings* of $0.55 - $0.65 per share

Note: Guidance as presented on May 2, 2018. We are not updating guidance at this time. Amounts may not add due to rounding

(1) 2017 results based on 2017 average outstanding shares of 949M

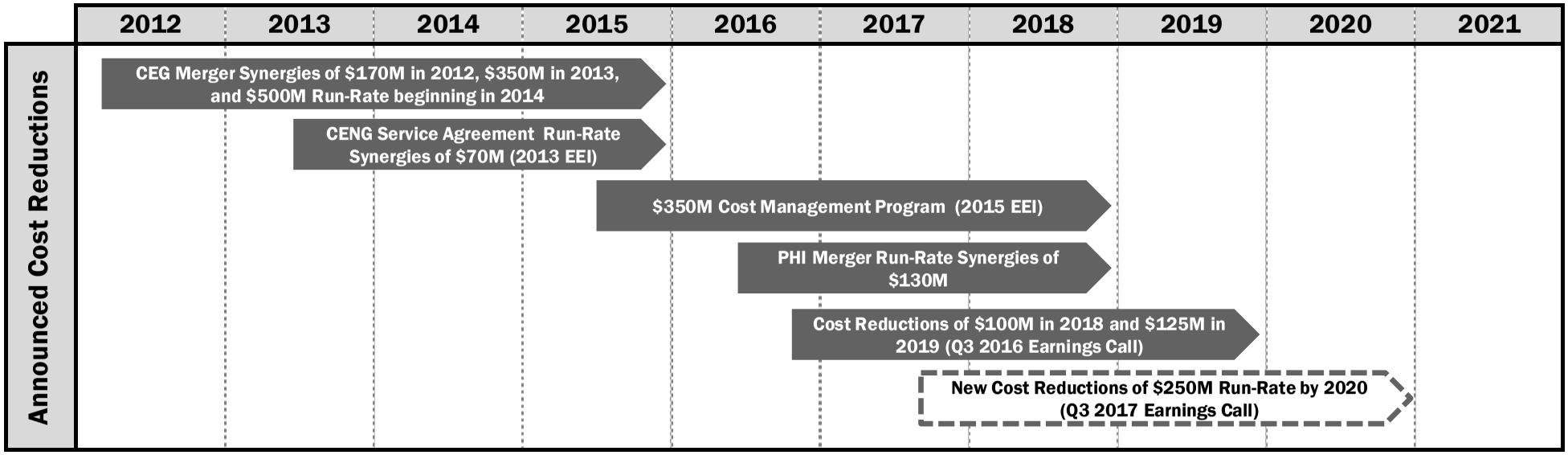
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-01938

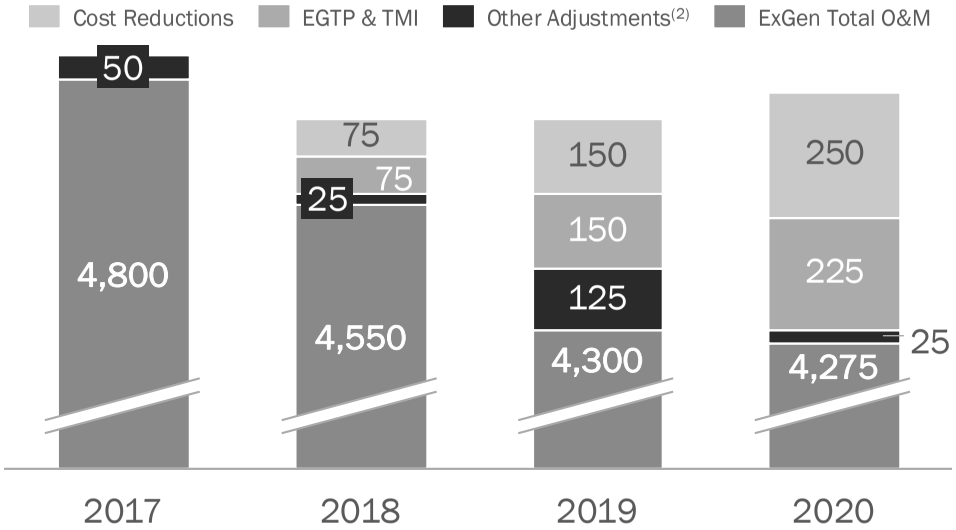
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

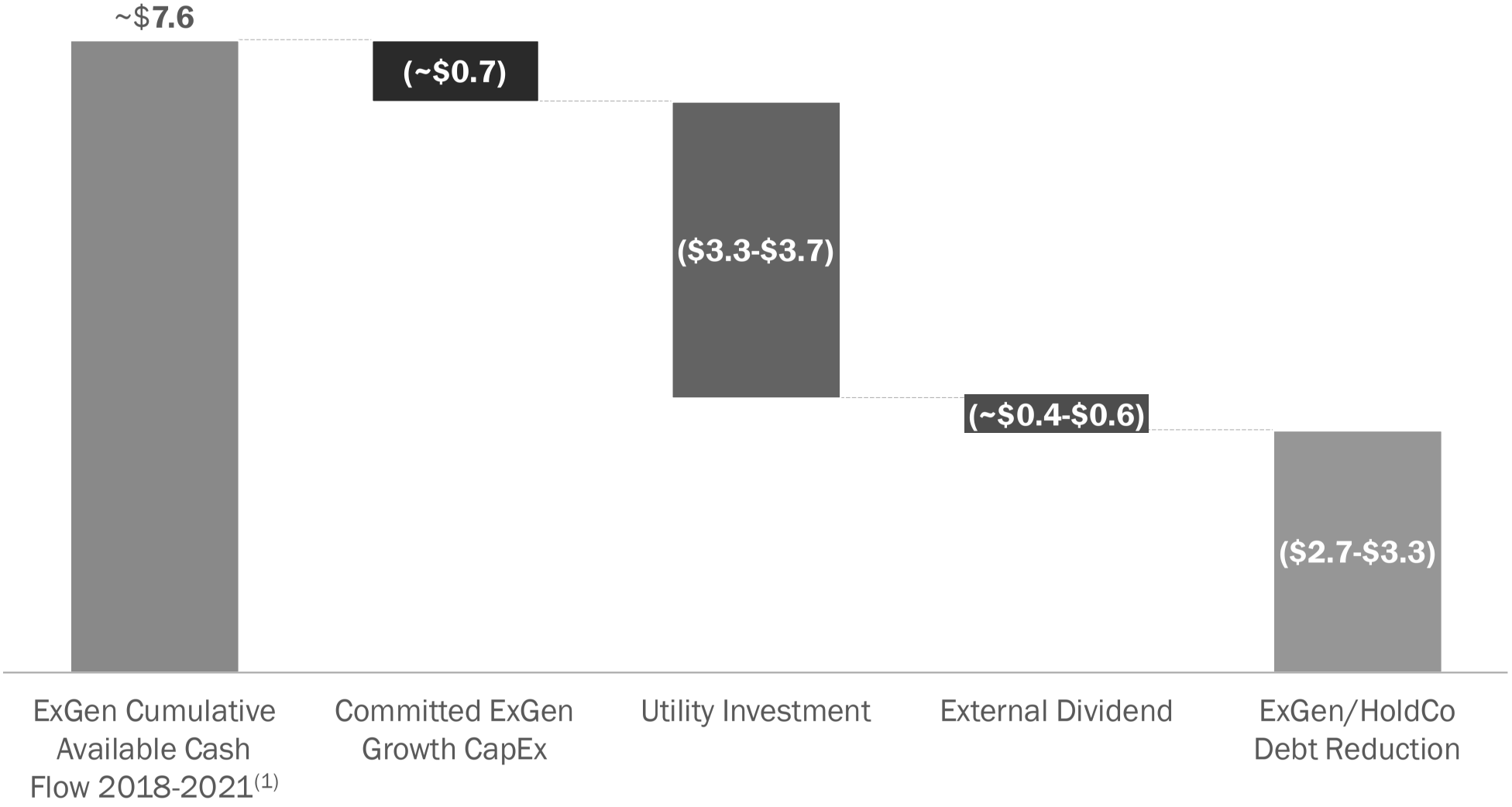
(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-01939

Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-01940

Exelon.

Impacts from Tax Reform

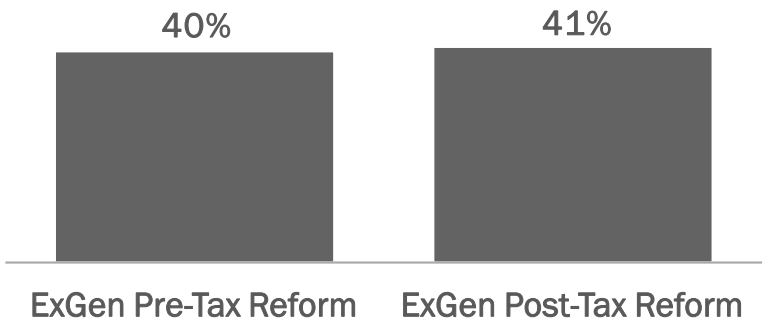
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

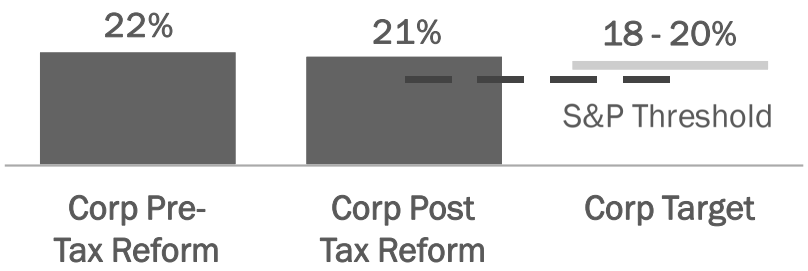
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

SI-SSA-0015-01941

Tax Reform Yields Significant Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
  - $3.86 decrease on the average residential monthly bill
- DPL has filed plans with DE PSC to provide **$26M** in annual tax savings to customers
  - $2.99 and $4.77 decrease on the average residential monthly bill for Electric and Gas, respectively

ACE

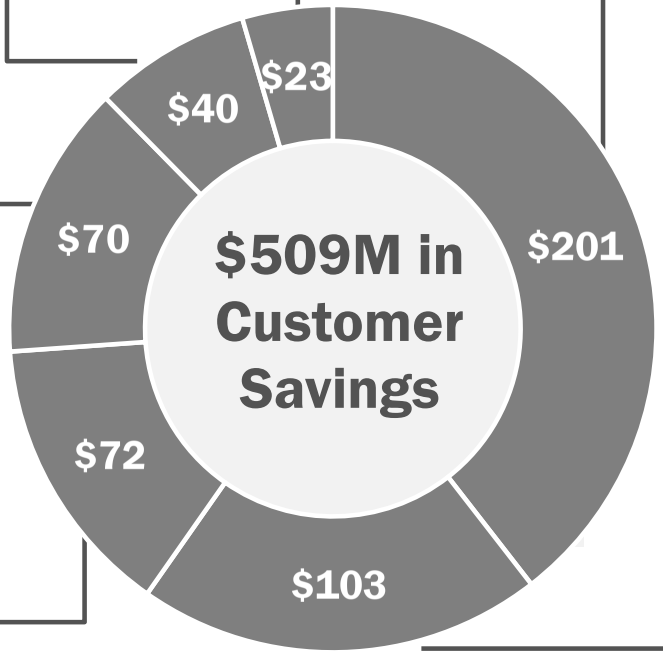
- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

PECO

- Approximately **$72M** in annual tax savings to customers

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved bill adjustments

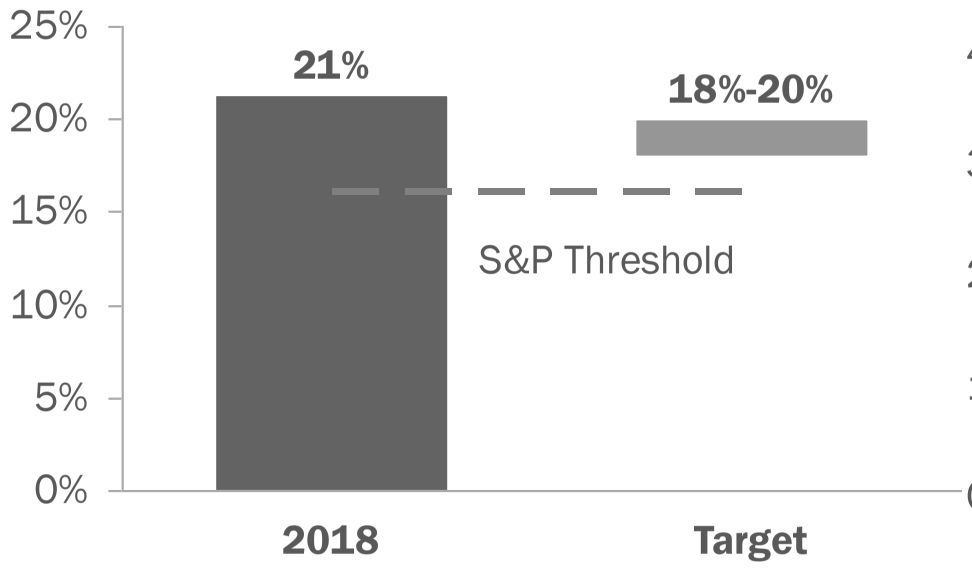
Note: Currently includes only distribution-related customer savings amounts

Exelon.

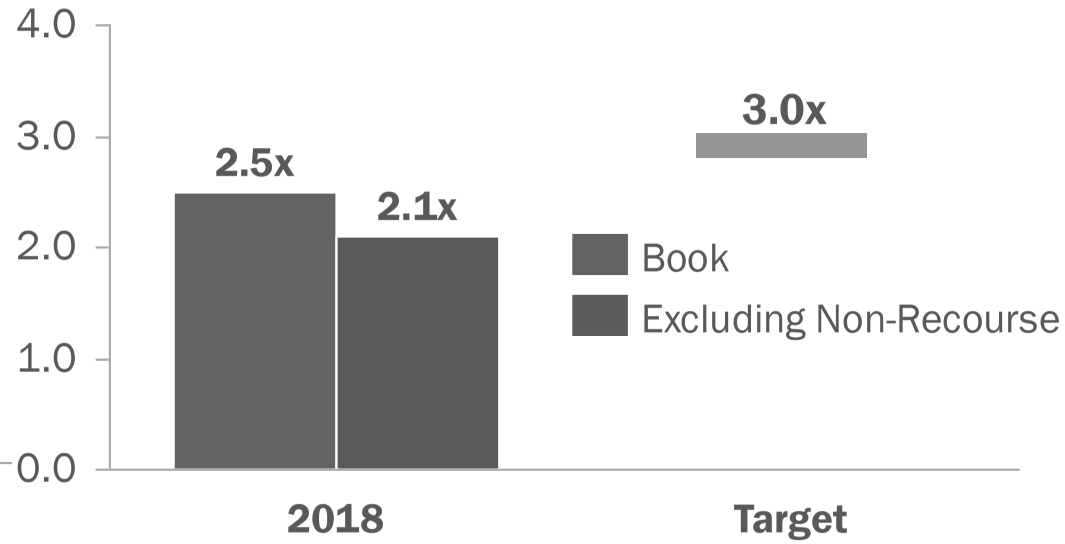
SI-SSA-0015-01942

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

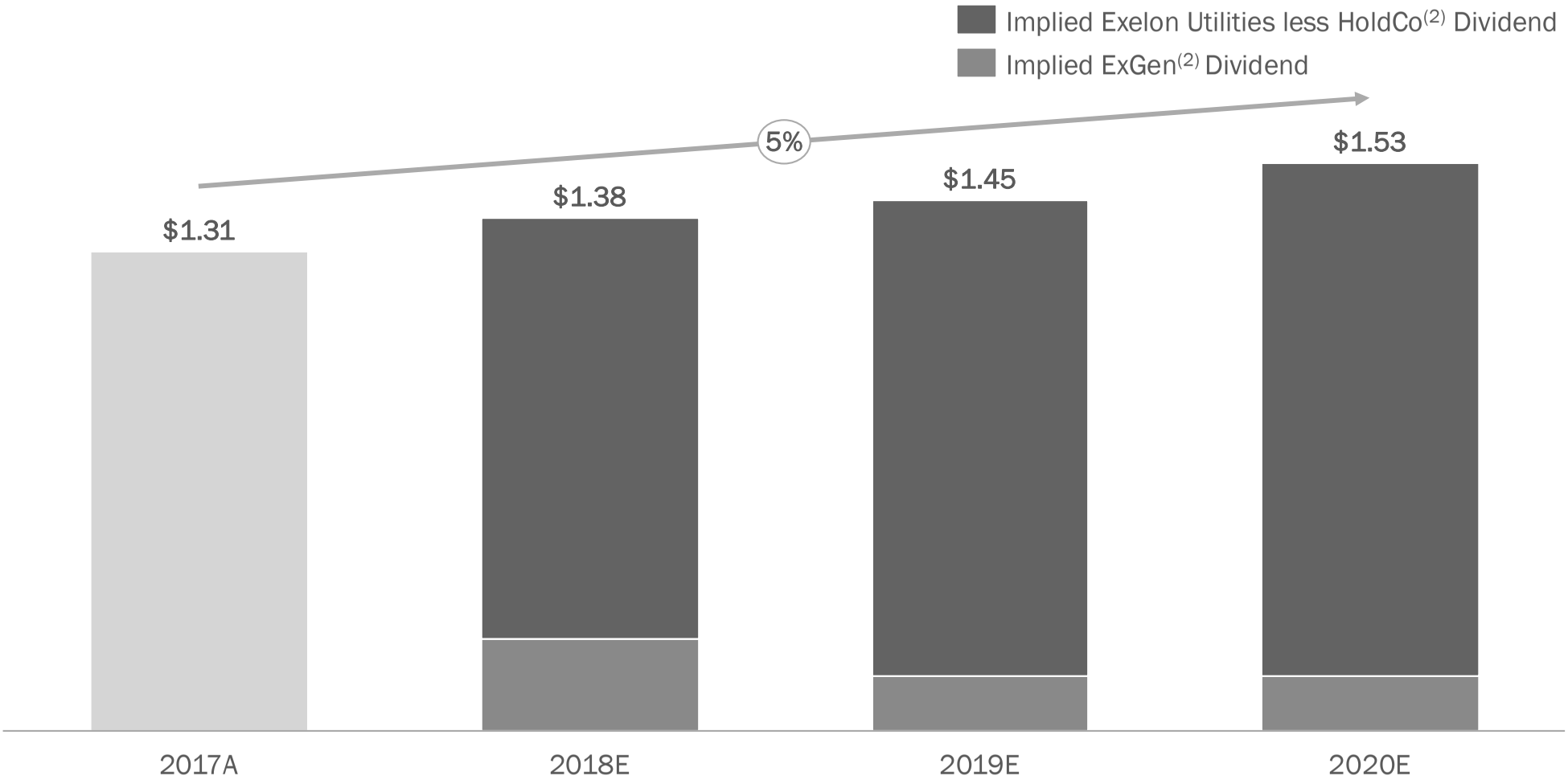
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of May 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook, with the exception of ACE, which is on "Positive" outlook for Moody's
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-01943

Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-01944

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

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Appendix

SI-SSA-0015-01946

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	675	1,550	625	1,225	4,050	3,850	200	8,125	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**675**	**1,550**	**625**	**1,225**	**4,050**	**1,900**	**150**	**6,125**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	325	925	0	(925)	0	
Other Financing[4]	150	375	25	(200)	375	(100)	100	375	
Financing*[5]	**550**	**1,300**	**275**	**600**	**2,725**	**(200)**	**(825)**	**1,700**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**900**	**1,825**	**6,775**	**1,700**	**(675)**	**7,825**	
Utility Investment	(1,000)	(2,125)	(850)	(1,525)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,525)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**50**	**275**	**1,275**	**1,300**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**2,025**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.9B at ExGen and $4.1B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

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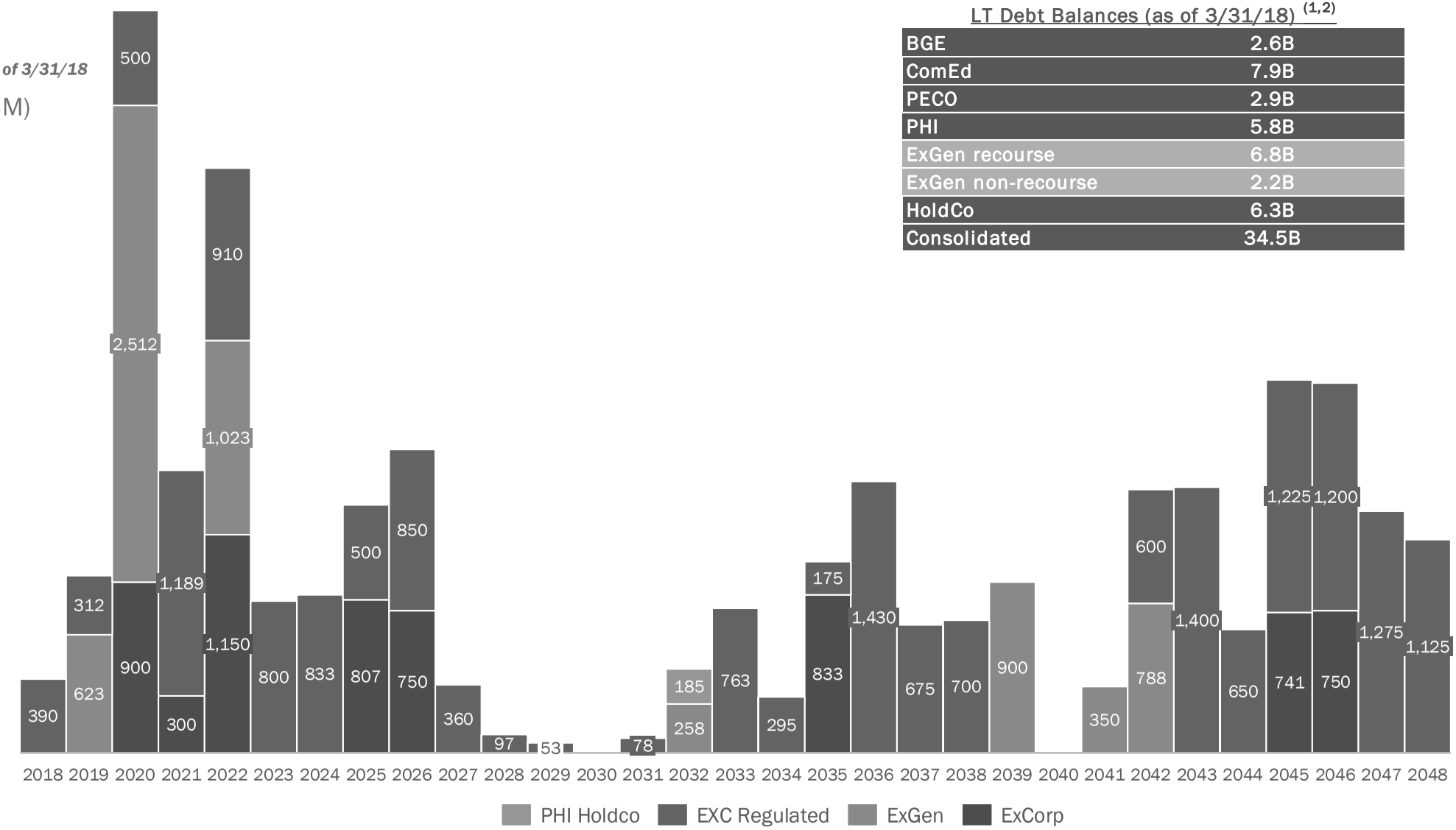
Exelon Debt Maturity Profile[1]

As of 3/31/18

($M)



LT Debt Balances (as of 3/31/18) [1,2]

BGE	2.6B
ComEd	7.9B
PECO	2.9B
PHI	5.8B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.5B

Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q1 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

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SI-SSA-0015-01948

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-01949

Exelon Generation Disclosures

Data as of March 31, 2018
These disclosures were presented on May 2, 2018, and are not being updated at this time

SI-SSA-0015-01950

Portfolio Management Strategy

Strategic Policy Alignment

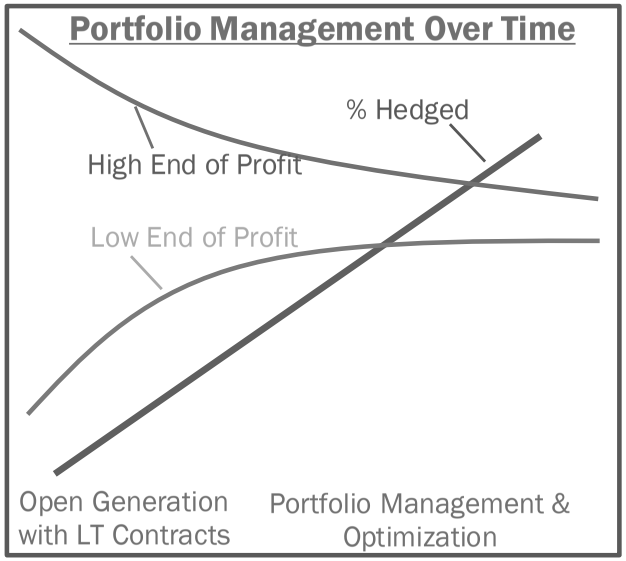
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

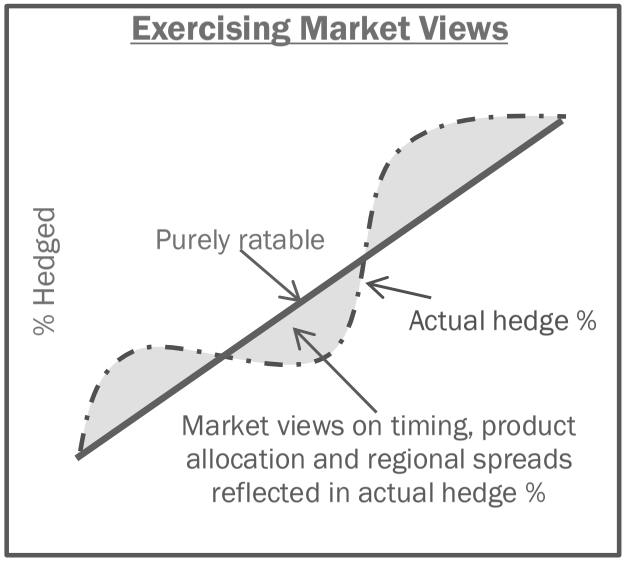
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,600	$3,950	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$300	$450	$250
Power New Business / To Go	$350	$650	$850
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.87	$2.79	$2.78
Midwest: NiHub ATC prices ($/MWh)	$26.48	$26.12	$26.21
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$34.11	$30.85	$30.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$13.67	$9.85	$8.08
New York: NY Zone A ($/MWh)	$28.22	$26.00	$26.16
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.86	$5.06	$5.11

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-01953

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**202,200**	**203,300**	**192,800**
Midwest	96,500	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,300	48,700
ERCOT	24,000	26,400	23,200
New York[2,6]	15,700	16,600	15,500
New England	6,400	8,800	8,700
% of Expected Generation Hedged[3]	**91%-94%**	**63%-66%**	**33%-36%**
Midwest	89%-92%	58%-61%	28%-31%
Mid-Atlantic[2,6]	98%-101%	74%-77%	41%-44%
ERCOT	81%-84%	61%-64%	34%-37%
New York[2,6]	99%-102%	73%-76%	39%-42%
New England	81%-84%	32%-35%	39%-42%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.00	$29.00	$30.00
Mid-Atlantic[2,6]	$38.00	$38.50	$39.50
ERCOT[5]	$0.00	$2.00	$1.00
New York[2,6]	$35.50	$31.50	$29.00
New England[5]	$5.50	$4.00	$10.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.9%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01954

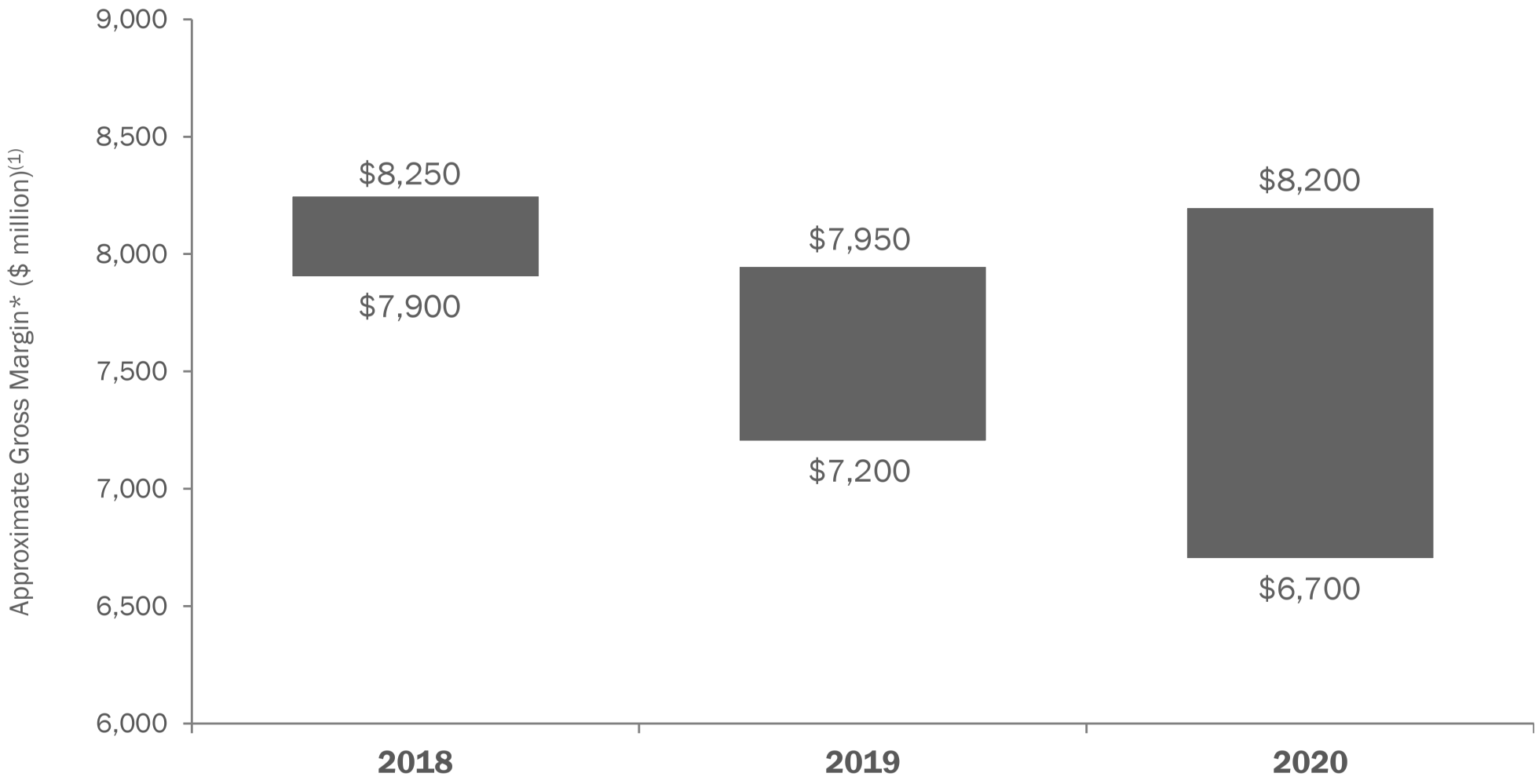
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$95	$385	$635
- $1/MMBtu	$(70)	$(360)	$(595)
NiHub ATC Energy Price			
+ $5/MWh	$40	$190	$330
- $5/MWh	$(40)	$(185)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$150
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $35	+/- $35

(1) Based on March 31, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-01955

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-01956

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.95 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.3	26.4	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	59.5%	75.5%	62.5%	74.5%	33.5%	
(E=C*D)	Hedged Volume (TWh)	57.8	41.0	16.5	12.4	2.9	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.50	$2.00	$31.50	$4.00	
(G)	Reference Price ($/MWh)	$26.12	$30.85	$9.85	$26.00	$5.06	
(H=F-G)	Difference ($/MWh)	$2.88	$7.65	($7.85)	$5.50	($1.06)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$165	$315	($130)	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,400					
(K)	Power New Business / To Go ($ million)	$650					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,550 million**					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,025**	**$7,700**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-01958

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-01959

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain merger and integration costs
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-01960

GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,525
Depreciation & Amortization	$3,850
EBITDA	$7,375
+/- Non-operating activities and nonrecurring items[3]	$275
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$50
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,650**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,000
Short-Term Debt	$1,175
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,125)
+/- Other S&P Adjustments[4]	($525)
= Adjusted Debt (b)	**$35,675**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects adjustment for non-recourse project debt per S&P guidelines
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01961

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]

$$\frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}} = 41\%$$

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-01962

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
= Net Debt (a)	**$7,950**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,875**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
= Operating EBITDA (b)	**$3,125**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,850**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.1x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Reflects Exelon nuclear plants at ownership

SI-SSA-0015-01963

GAAP to Non-GAAP Reconciliations

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

Q4 2017 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

SI-SSA-0015-01964

GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$675	$1,550	$625	$1,225	$4,075	$200	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	75	-	75
Adjusted Cash Flow from Operations	**$675**	**$1,550**	**$625**	**$1,225**	**$3,850**	**$200**	**$8,125**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$350	$850	($25)	$300	($950)	($150)	$375
Dividends paid on common stock	$200	$450	$300	$300	$750	($675)	$1,325
Financing Cash Flow	**$550**	**$1,300**	**$275**	**$600**	**($200)**	**($825)**	**$1,700**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$2,025
Adjustment for Cash Collateral Posted	($600)
GAAP Ending Cash Balance	**$1,425**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(50)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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June 2018 Investor Meetings

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's First Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 44 of this presentation.

SI-SSA-0015-01970

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-01972

2018 Business Priorities and Commitments

- Maintain industry leading operational excellence
- Effectively deploy ~$5.4B of 2018 utility capex
- Advance PJM power price formation changes in 2018
- Prevail on legal challenges to the NY and IL ZEC programs
- Seek fair compensation for at-risk plants in NJ and PA
- Grow dividend at 5% rate
- Continued commitment to corporate responsibility

SI-SSA-0015-01973

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi²
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

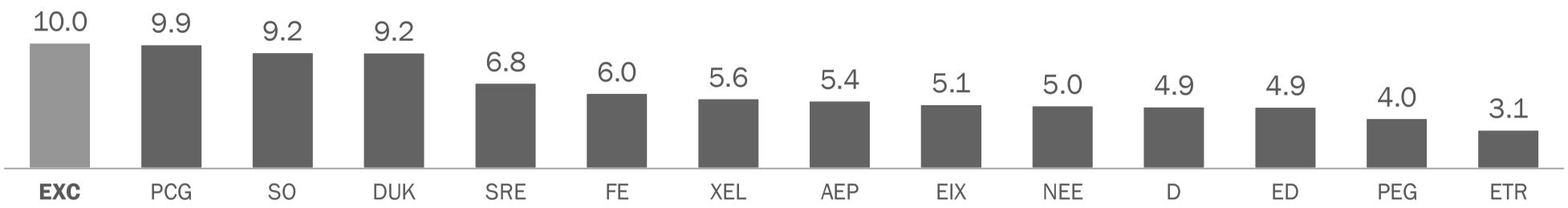
11,470
Transmission line miles (circuit)

Note: All numbers reflect year-end 2017

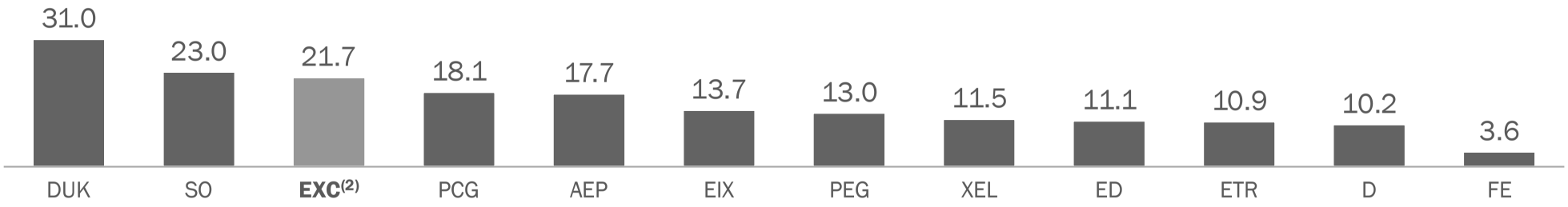
SI-SSA-0015-01974

Exelon Utilities are an Industry Leader

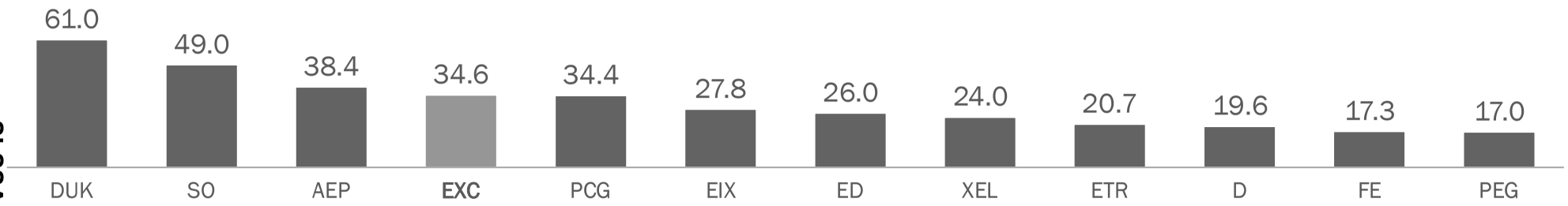
US Utility Customers (millions)



Total Capital Expenditures 2018-2020 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) Includes $15.7B of utility capital expenditures and $6.0B of generation capital expenditures

Exelon.

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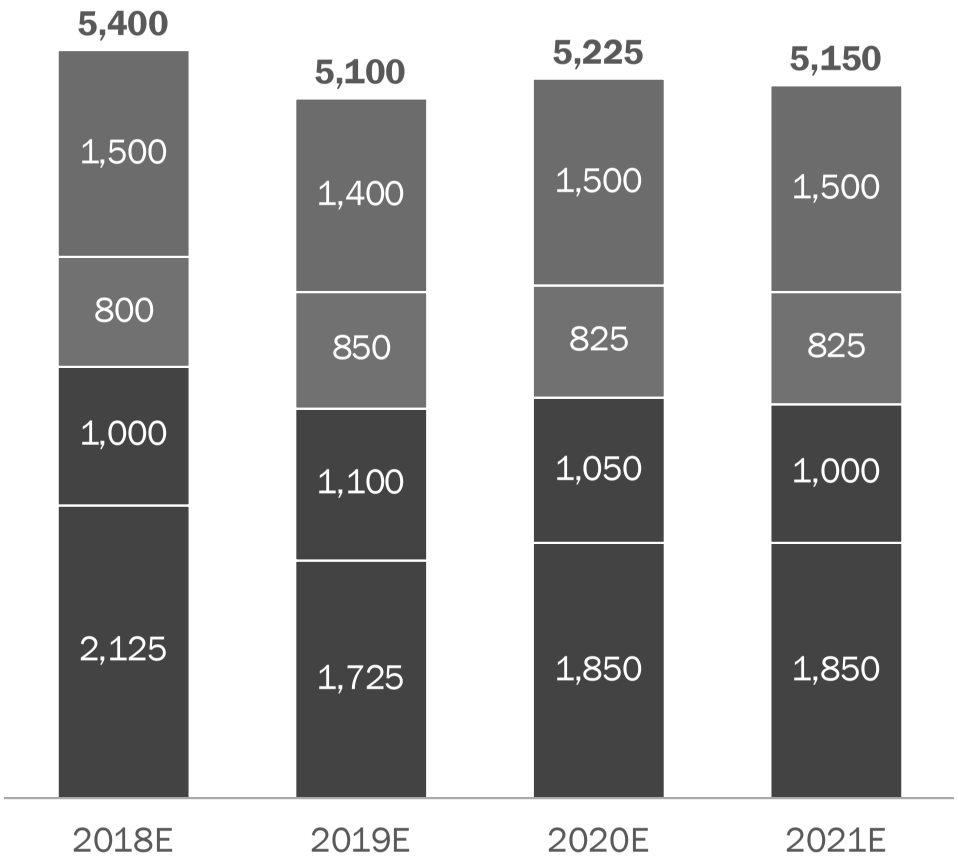
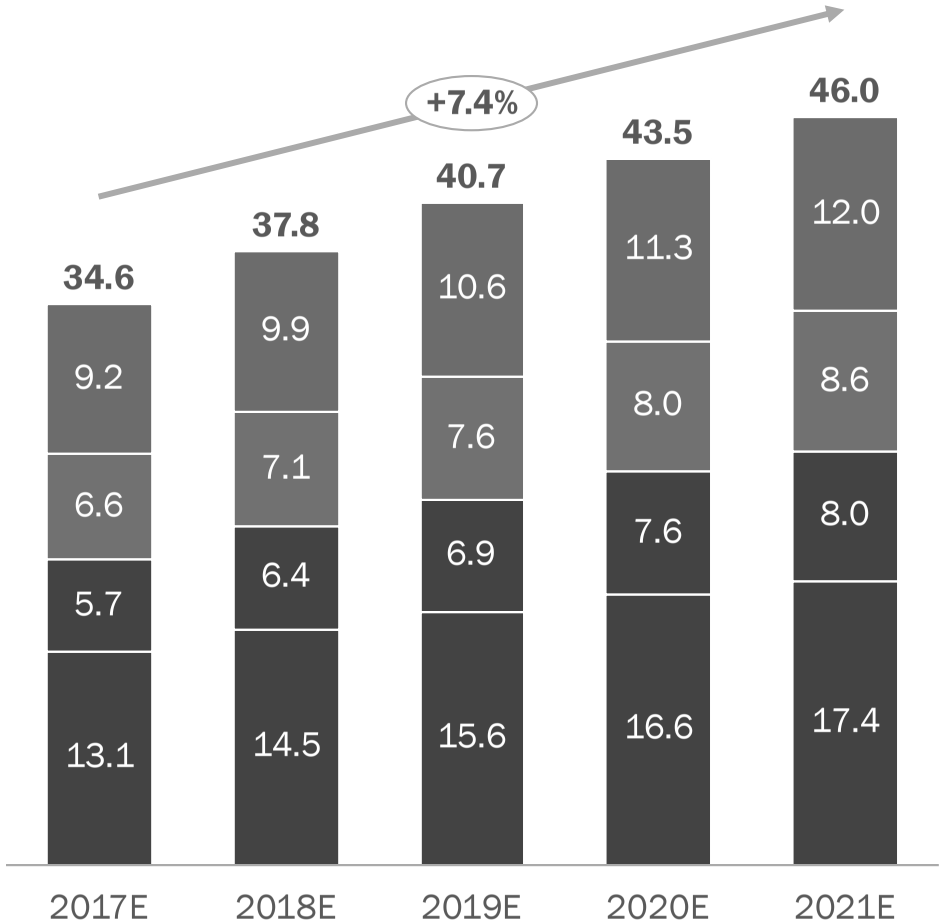
Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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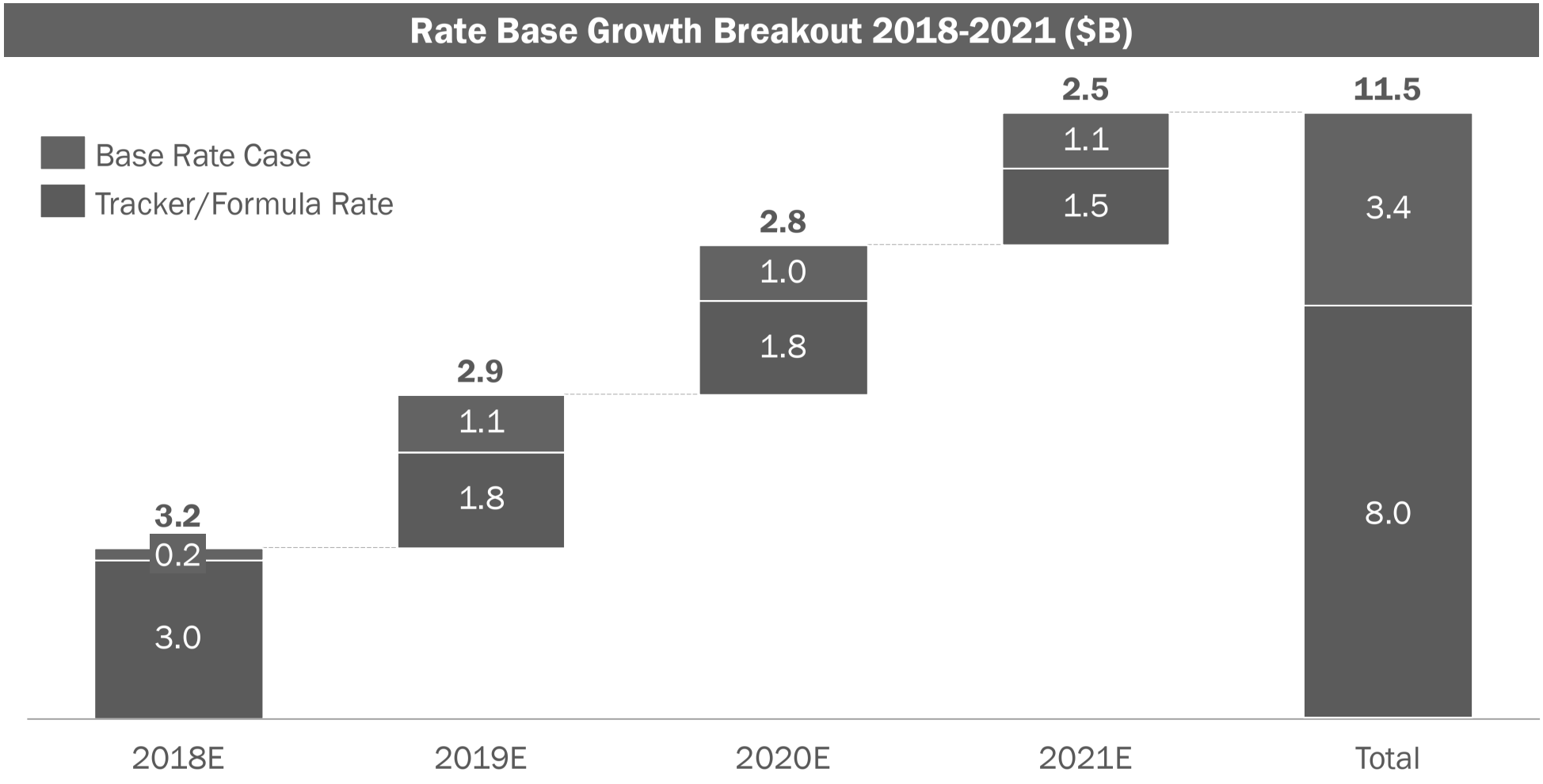
Mechanisms Cover Bulk of Rate Base Growth



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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Operating Highlights

Operations	Metric	At CEG Merger (2012)			2015	Q1 2018			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)[1]								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[2]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Reliability performance year to date was strong across the utilities, adjusted for normal storm events
- Customer operation metrics reflect solid performance across the utilities
- Safety performance year to date has been disappointing; safety improvement plans have been implemented to improve performance going forward

(1) 2.5 Beta SAIFI is YE projection
(2) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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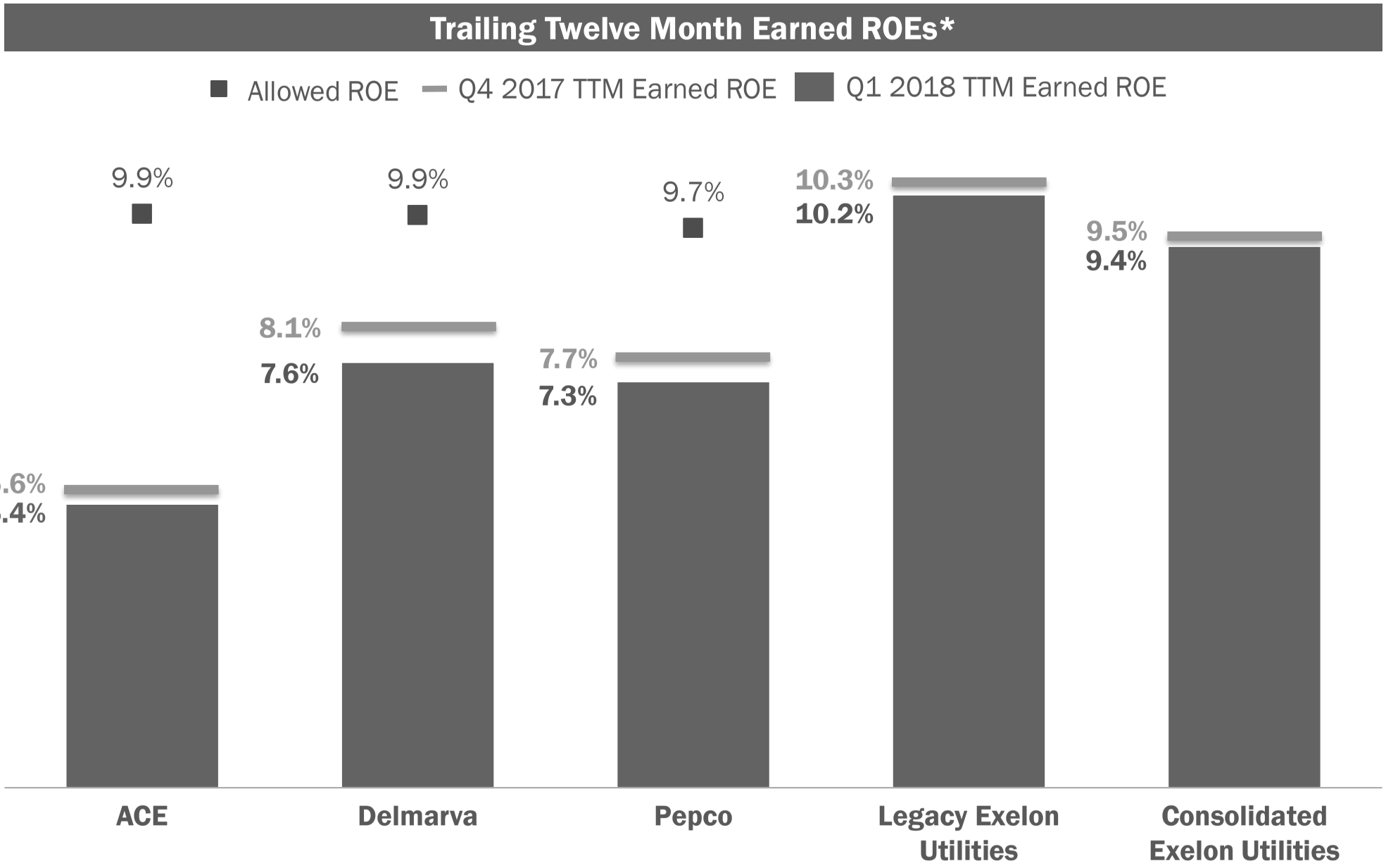
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2017 and 3/31/2018, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Transmission). Includes 20 bps and 10 bps impact to TTM earned ROEs from FAS 109 and winter storms, respectively.

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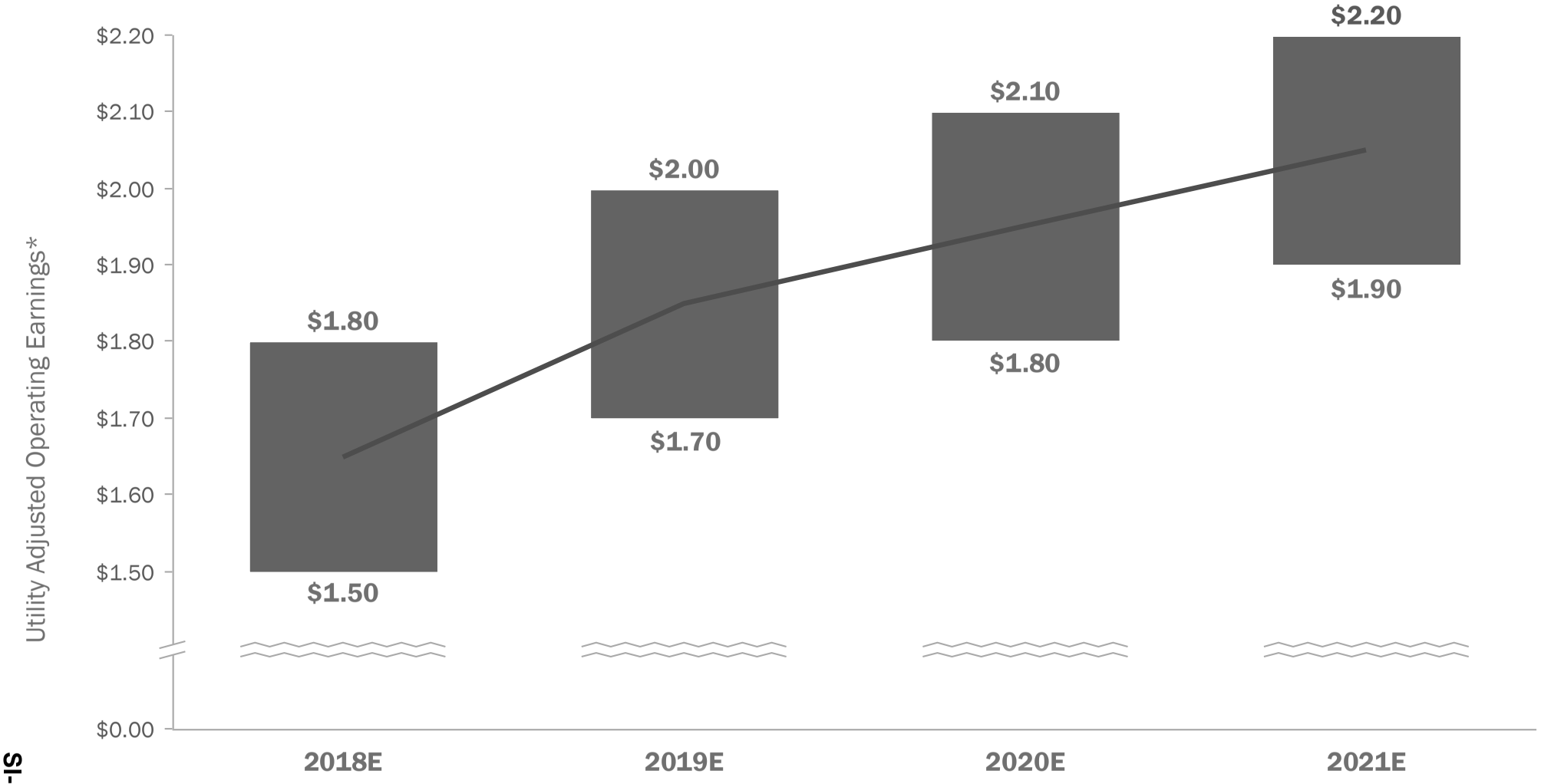
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
Delmarva (MD)		FO											Authorized: $13.4M	Authorized:[6] 9.50%/NA	Feb 9, 2018
ComEd[2]				CF		IT	RT	EH	IB RB			FO	$(22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)			IT		RT	EH	IB	RB	FO				$12.6M[1,3]	10.10% / 50.52%	Q3 2018
Delmarva Gas (DE)					IT		RT		EH	IB RB		FO	$3.9M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)				SA	IT RT EH	IB	FO						$(24.1)M[1,7]	9.525% / 50.44%[7]	July 1, 2018[7]
Pepco Electric (MD)	CF			SA IT	EH	FO							$(15.0)M[1,7]	9.50% / 50.44%[7]	June 1, 2018[7]
PECO[2] Electric			CF			IT	RT	EH	IB RB			FO	$82M[1,5]	10.95% / 53%	Dec 2018

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement Agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, District of Columbia Public Service Commission, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other cots where applicable, which have no impact on pre-tax earnings
(2) Anticipated schedule; actual dates will be determined by ALJ at pre-hearing conference
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(6) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(7) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Expected orders are based on requested rate effective dates. Includes tax benefits from Tax Cuts and Jobs Act.

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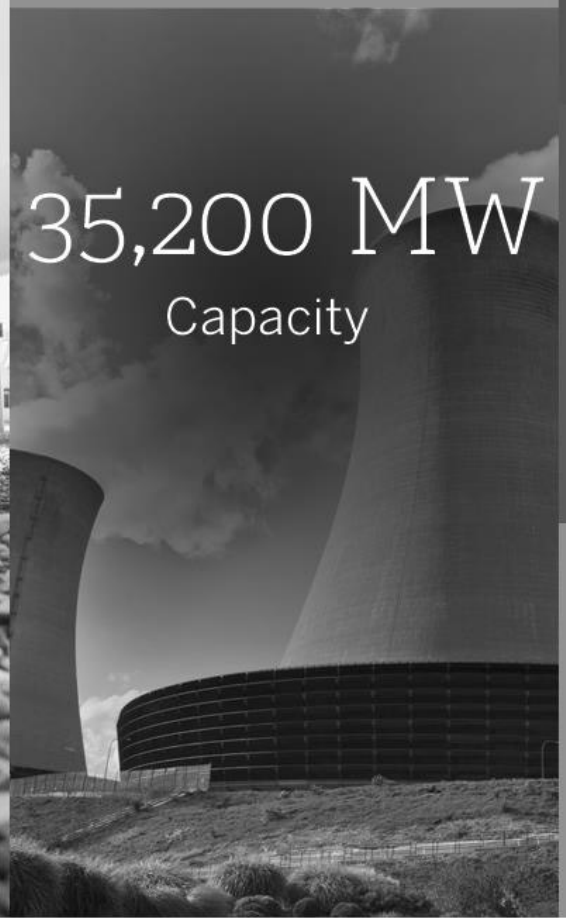
Exelon Generation Overview

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

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Constellation Overview

2,200
Employees

2 M
(Approx.)
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.2 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

35,600
Volunteer Hours

210 TWH
Customer Load Served

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

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Exelon Generation: Gross Margin Update as of May 2, 2018

Gross Margin Category ($M)[1]	March 31, 2018			Change from December 31, 2017		
	2018	2019	2020	2018	2019	2020
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,600	$3,950	$3,800	$250	$50	$50
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-	-
Mark-to-Market of Hedges[2,3]	$300	$450	$250	$(50)	$50	-
Power New Business / To Go	$350	$650	$850	$(200)	$(100)	$(50)
Non-Power Margins Executed	$300	$150	$100	$100	$50	-
Non-Power New Business / To Go	$200	$350	$400	$(100)	$(50)	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**-**	**-**

Recent Developments

- Open Gross Margin is up in all years due to strengthening ERCOT spark spreads, partly offset by lower NiHub prices
- Mark-to-Market of Hedges is down in all years due to higher prices, mostly offset by the execution of Power New Business
- Executed $200M and $100M of Power New Business in 2018 and 2019, respectively
- Behind ratable hedging position reflects the upside we see in power prices
  - ~8-11% behind ratable in 2019 when considering cross commodity hedges

Note: Data as of March 31, 2018 – These disclosures were presented on May 2, 2018 and are not being updated at this time
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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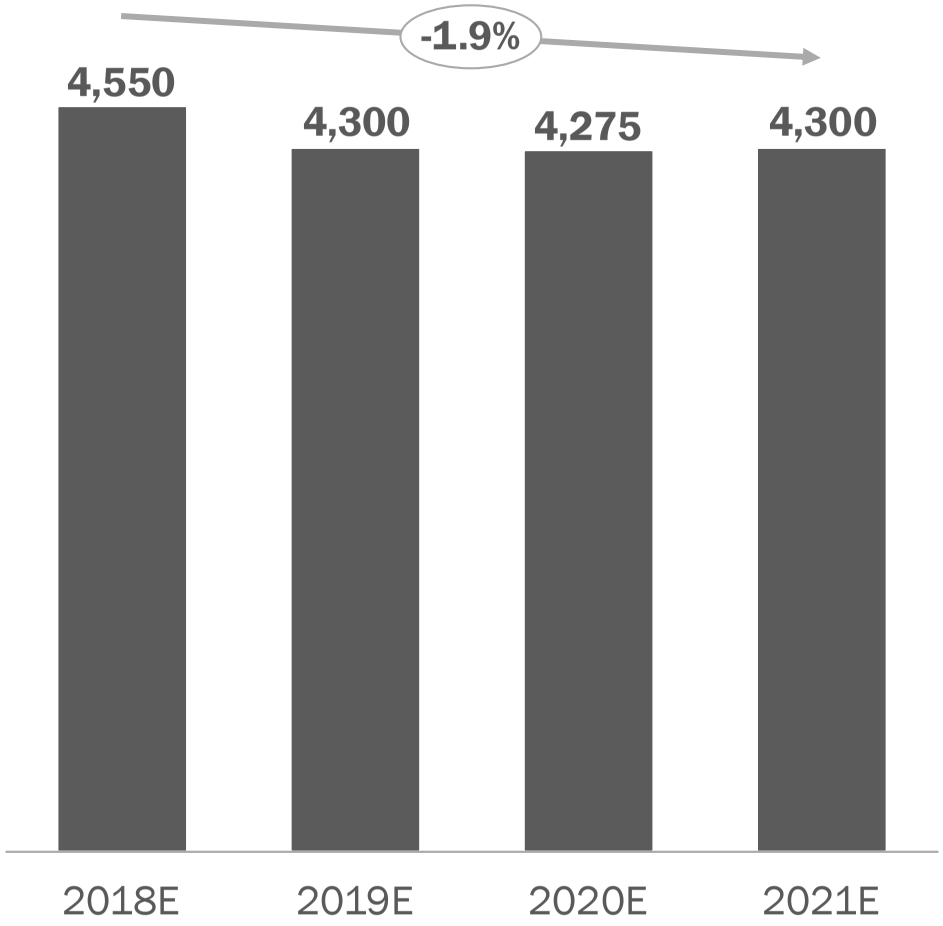
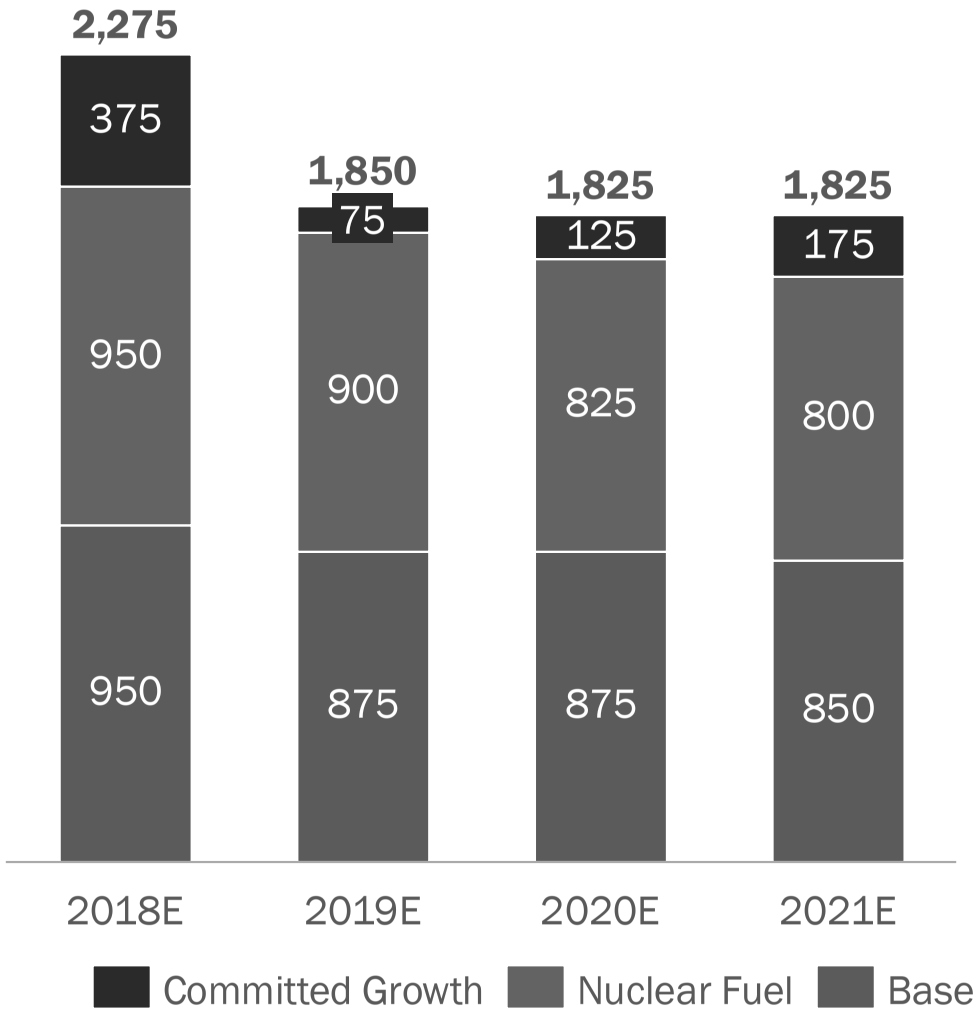
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and is adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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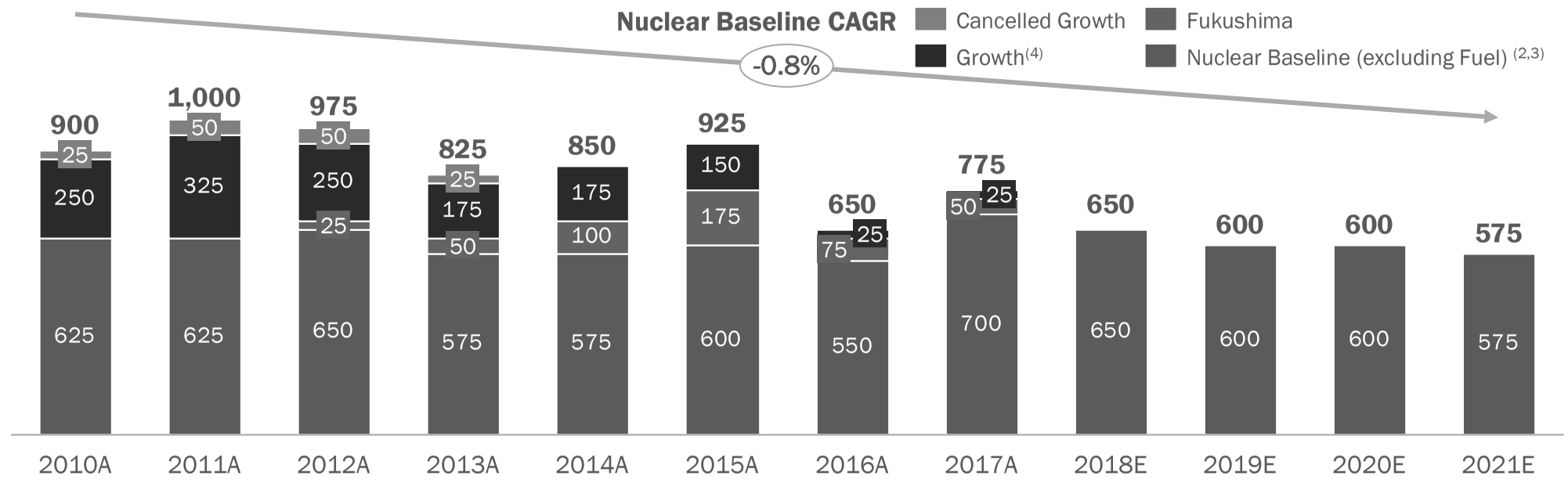
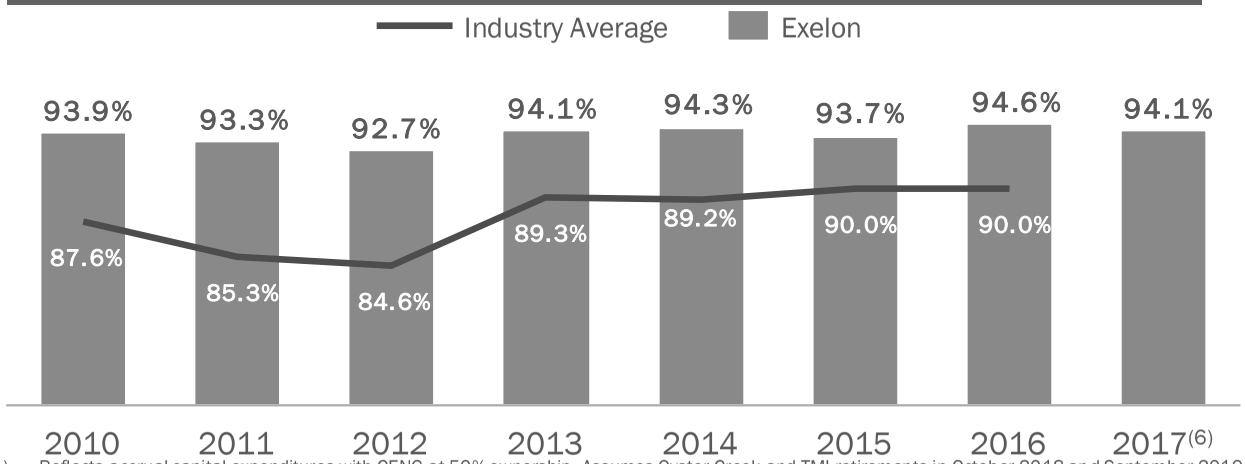
Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

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ZEC & Policy Updates

New Jersey ZEC

- On April 12, 2018, the NJ ZEC bill passed both the Senate and Assembly with bipartisan support
- Governor Murphy signed the bill on May 23rd
- With the Governor's signature, the BPU will begin the process of implementing the bill, including approving utility tariffs, developing a selection methodology, and reviewing applications for participation in the program
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois & New York ZEC Legal Challenges

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018 – Judge requested supplemental briefings from parties
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

PJM Price Formation

Fast Start:

- Fast start NOPR was initiated by FERC (docket # EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September
  - If FERC approves by September, PJM believes it could implement the changes for the 2018/2019 winter

Baseload:

- PJM is in the midst of a stakeholder process scheduled to conclude in the 3rd quarter
- After completing the stakeholder process and receiving FERC's decision on the fast start docket, PJM will announce its process for moving forward

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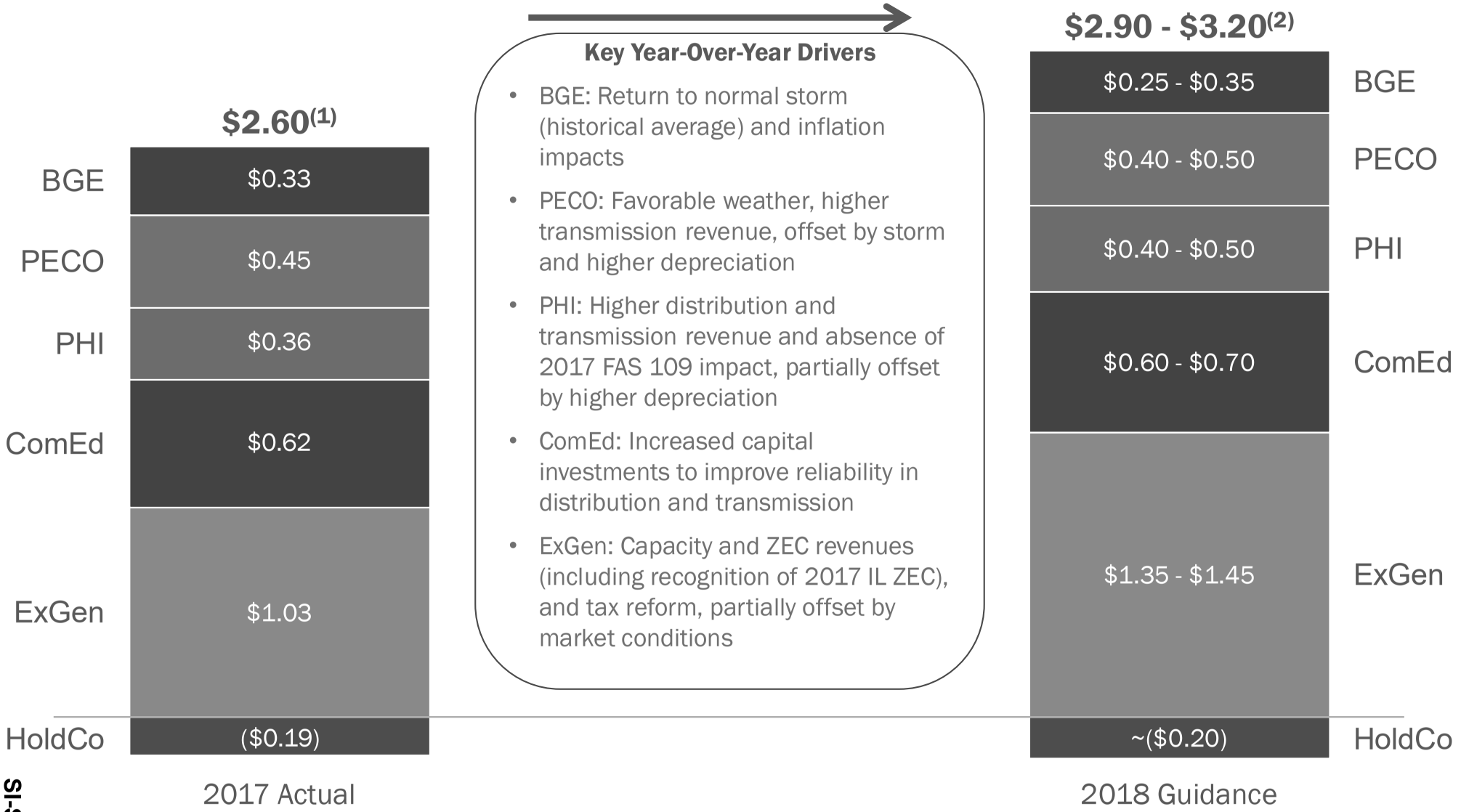
Financial Overview

SI-SSA-0015-01989

2018 Adjusted Operating Earnings* Guidance as of May 2, 2018



Expect Q2 2018 Adjusted Operating Earnings* of $0.55 - $0.65 per share

Note: Guidance as presented on May 2, 2018. We are not updating guidance at this time. Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

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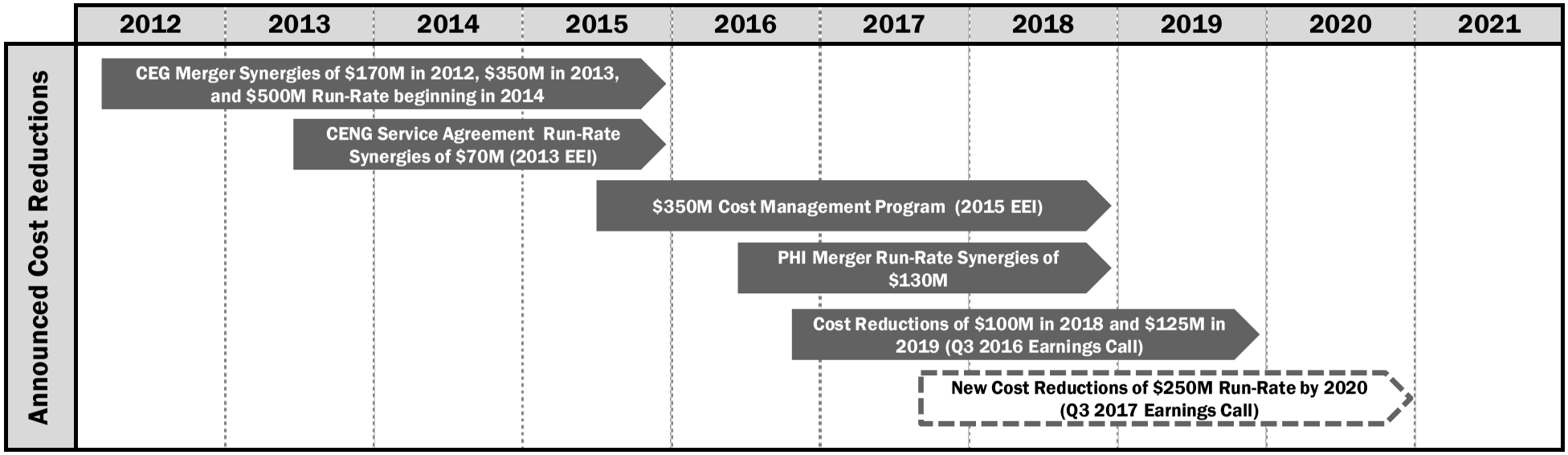
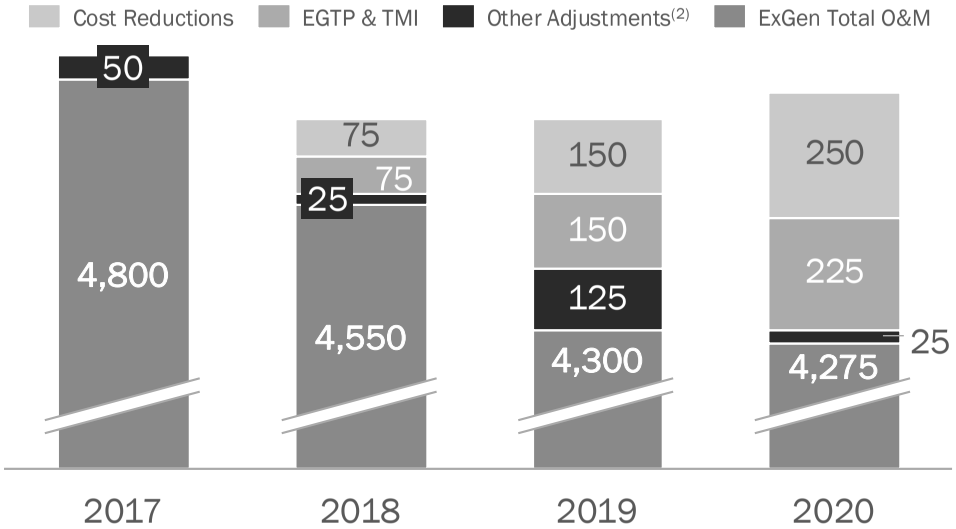
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

(1) Adjusted for retaining Handley Generating Station and TMI retirement, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

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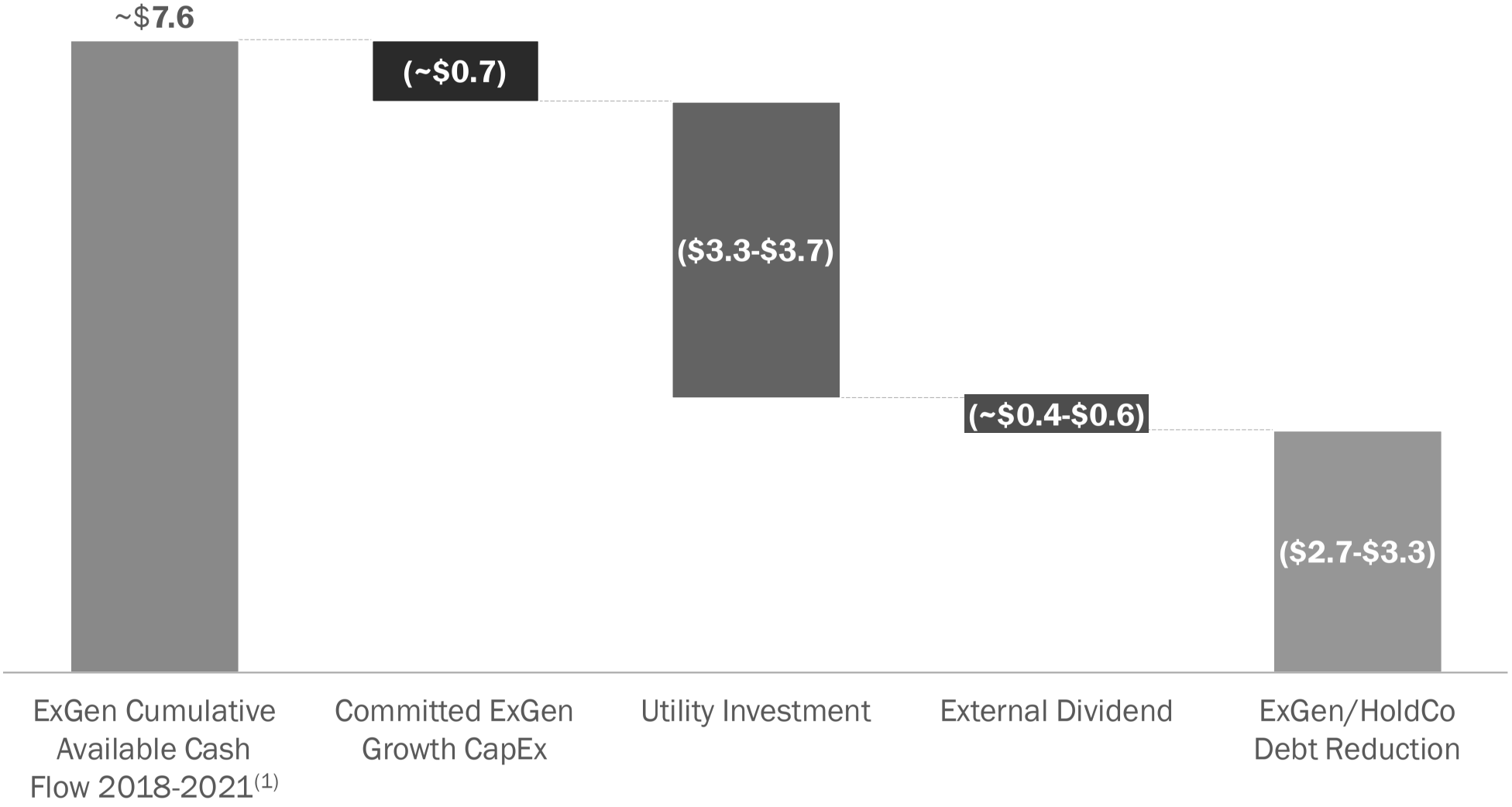
Exelon.

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

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Impacts from Tax Reform

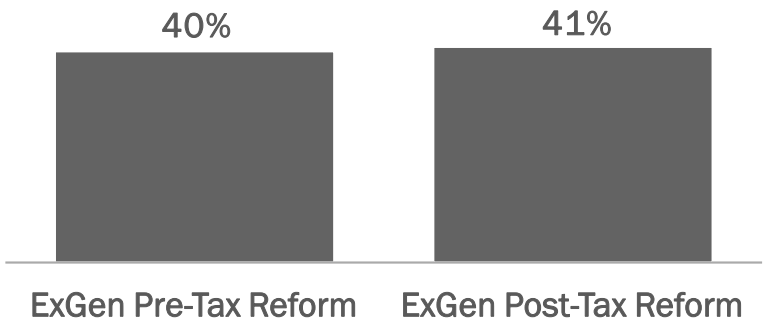
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

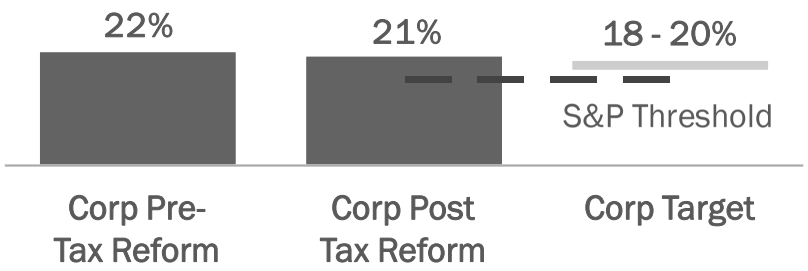
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow* as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

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Tax Reform Yields Significant Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
  - $3.86 decrease on the average residential monthly bill
- DPL has filed plans with DE PSC to provide **$26M** in annual tax savings to customers
  - $2.99 and $4.77 decrease on the average residential monthly bill for Electric and Gas, respectively

ACE

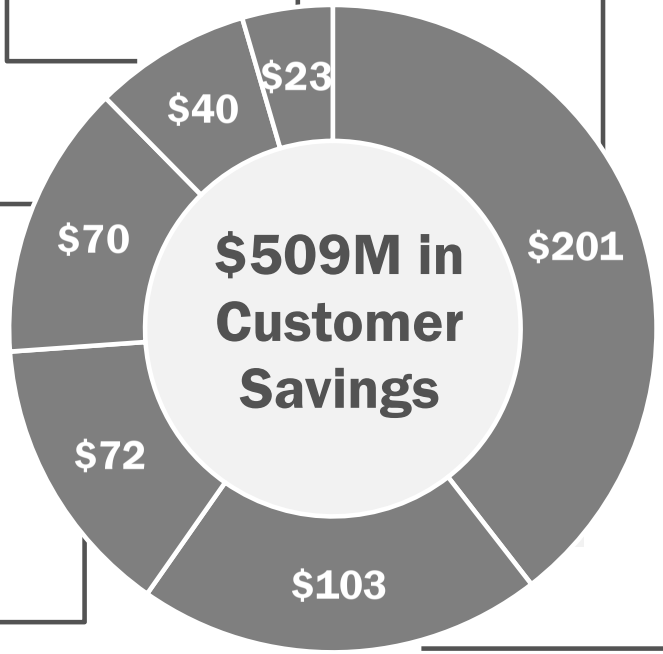
- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

PECO

- Approximately **$72M** in annual tax savings to customers

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved bill adjustments

Note: Currently includes only distribution-related customer savings amounts

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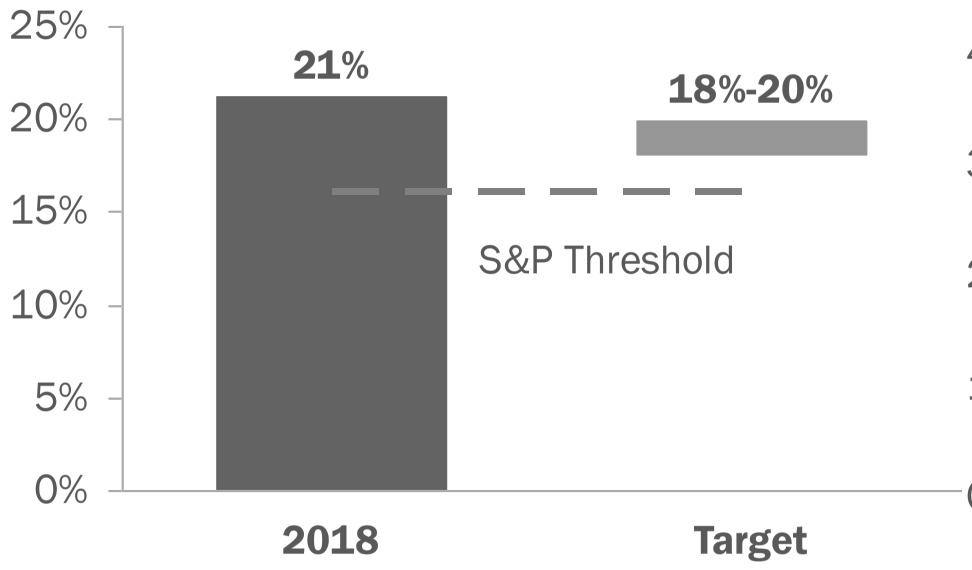
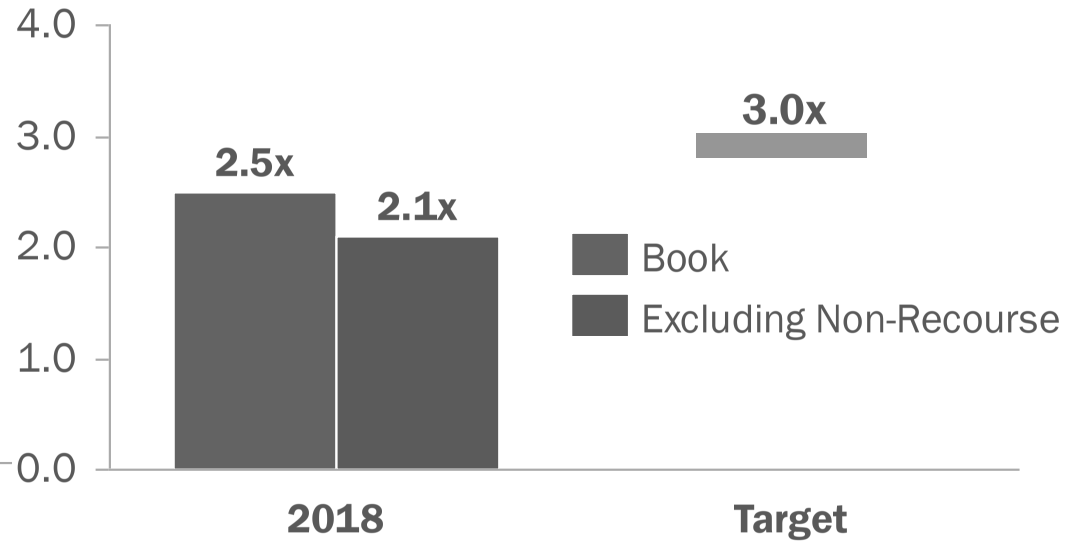
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

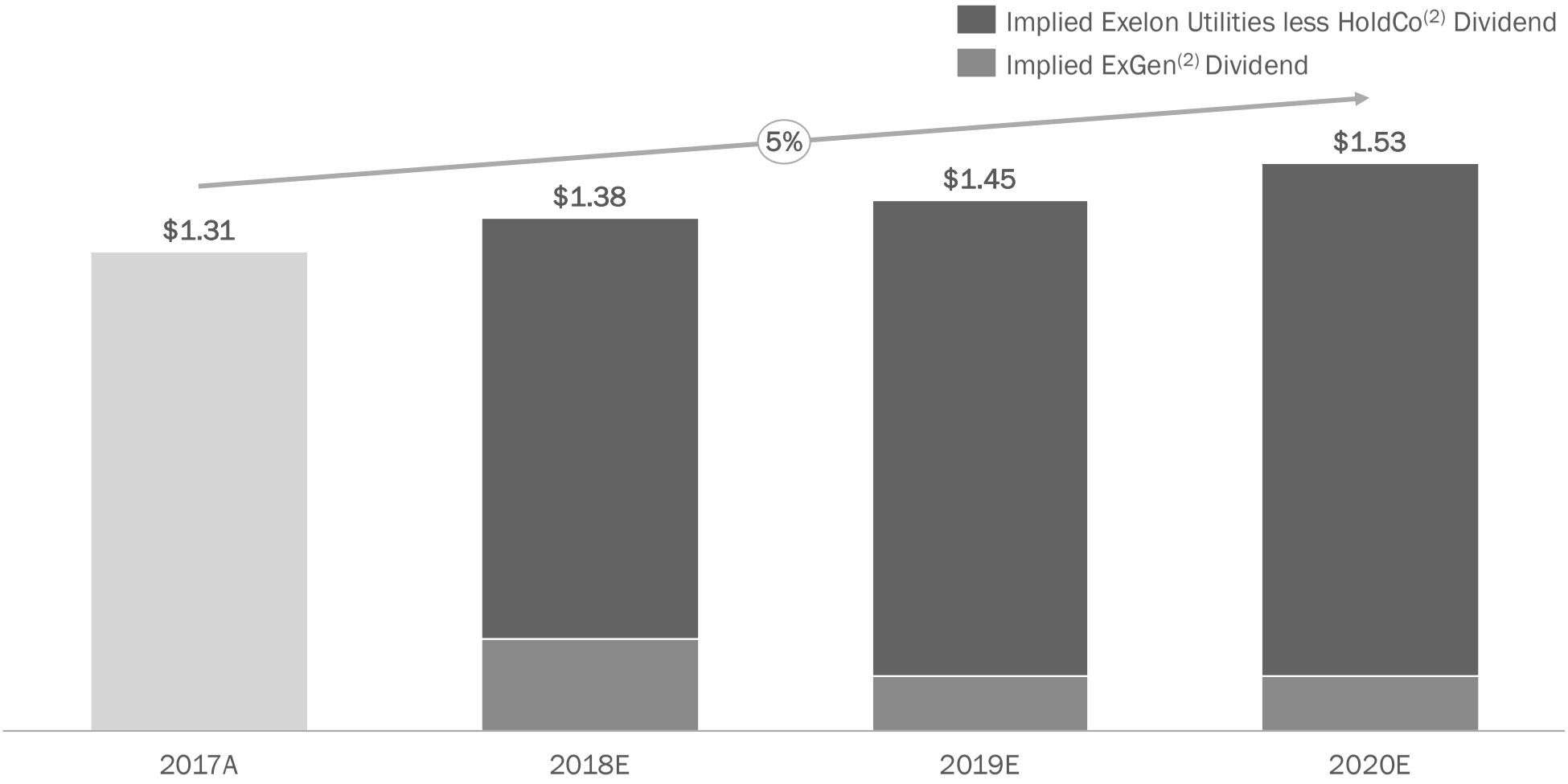
Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of May 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook, with the exception of ACE, which is on "Positive" outlook for Moody's
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-01995

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

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2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-01997

Exelon.

Appendix

SI-SSA-0015-01998

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	675	1,550	625	1,225	4,050	3,850	200	8,125	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**675**	**1,550**	**625**	**1,225**	**4,050**	**1,900**	**150**	**6,125**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	325	925	0	(925)	0	
Other Financing[4]	150	375	25	(200)	375	(100)	100	375	
Financing*[5]	**550**	**1,300**	**275**	**600**	**2,725**	**(200)**	**(825)**	**1,700**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**900**	**1,825**	**6,775**	**1,700**	**(675)**	**7,825**	
Utility Investment	(1,000)	(2,125)	(850)	(1,525)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,525)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**50**	**275**	**1,275**	**1,300**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**2,025**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.9B at ExGen and $4.1B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

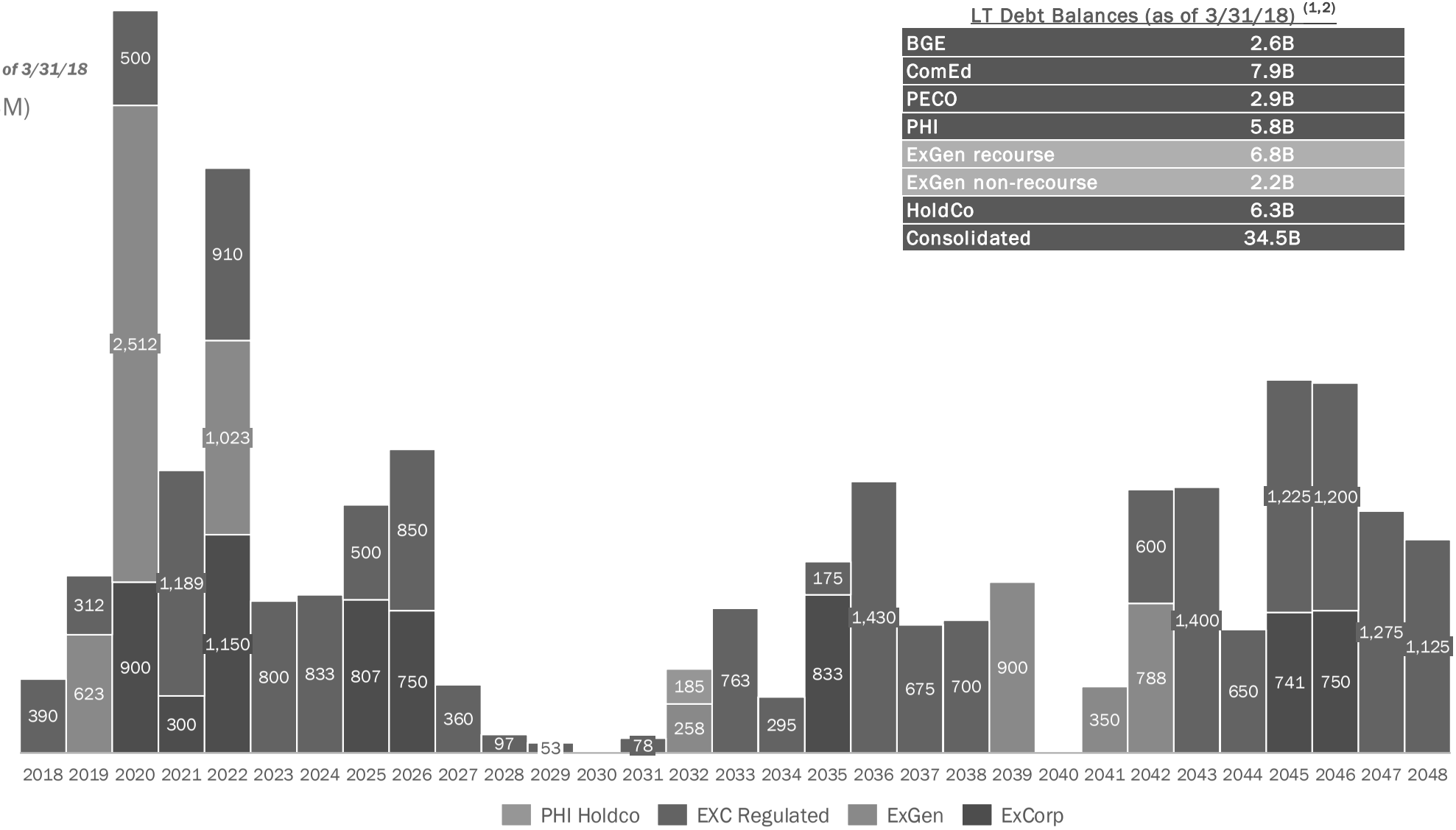
- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

SI-SSA-0015-01999

Exelon Debt Maturity Profile[1]

As of 3/31/18

($M)



LT Debt Balances (as of 3/31/18) [1,2]

BGE	2.6B
ComEd	7.9B
PECO	2.9B
PHI	5.8B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.5B

Exelon's weighted average LTD maturity is approximately 14 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect Q1 2018 10-Q GAAP financials; ExGen debt includes legacy CEG debt

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EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-02001

Exelon Generation Disclosures

Data as of March 31, 2018
These disclosures were presented on May 2, 2018, and are not being updated at this time

SI-SSA-0015-02002

Portfolio Management Strategy

Strategic Policy Alignment

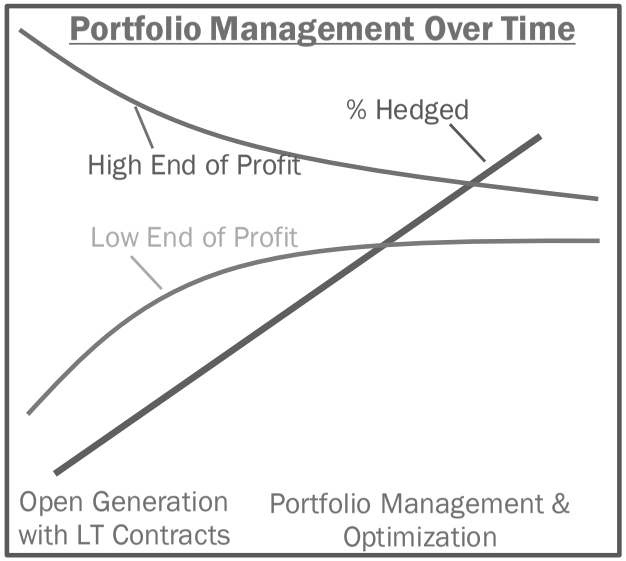
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

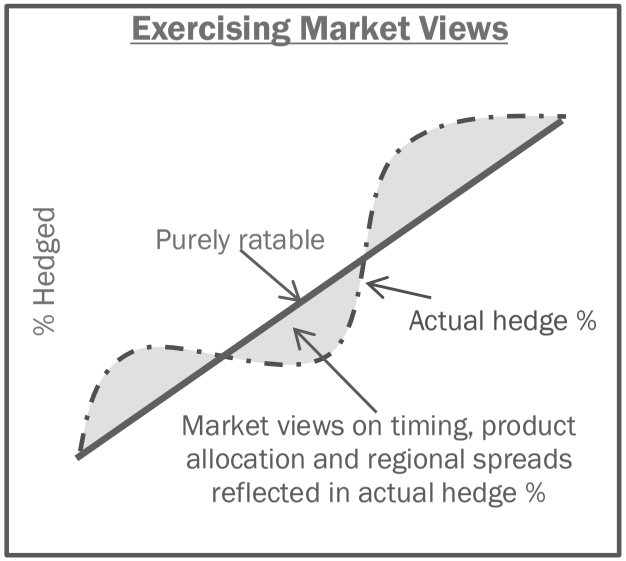
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02003

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,600	$3,950	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$300	$450	$250
Power New Business / To Go	$350	$650	$850
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.87	$2.79	$2.78
Midwest: NiHub ATC prices ($/MWh)	$26.48	$26.12	$26.21
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$34.11	$30.85	$30.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$13.67	$9.85	$8.08
New York: NY Zone A ($/MWh)	$28.22	$26.00	$26.16
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.86	$5.06	$5.11

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**202,200**	**203,300**	**192,800**
Midwest	96,500	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,300	48,700
ERCOT	24,000	26,400	23,200
New York[2,6]	15,700	16,600	15,500
New England	6,400	8,800	8,700
% of Expected Generation Hedged[3]	**91%-94%**	**63%-66%**	**33%-36%**
Midwest	89%-92%	58%-61%	28%-31%
Mid-Atlantic[2,6]	98%-101%	74%-77%	41%-44%
ERCOT	81%-84%	61%-64%	34%-37%
New York[2,6]	99%-102%	73%-76%	39%-42%
New England	81%-84%	32%-35%	39%-42%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.00	$29.00	$30.00
Mid-Atlantic[2,6]	$38.00	$38.50	$39.50
ERCOT[5]	$0.00	$2.00	$1.00
New York[2,6]	$35.50	$31.50	$29.00
New England[5]	$5.50	$4.00	$10.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.9%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$95	$385	$635
- $1/MMBtu	$(70)	$(360)	$(595)
NiHub ATC Energy Price			
+ $5/MWh	$40	$190	$330
- $5/MWh	$(40)	$(185)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$150
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $35	+/- $35

(1) Based on March 31, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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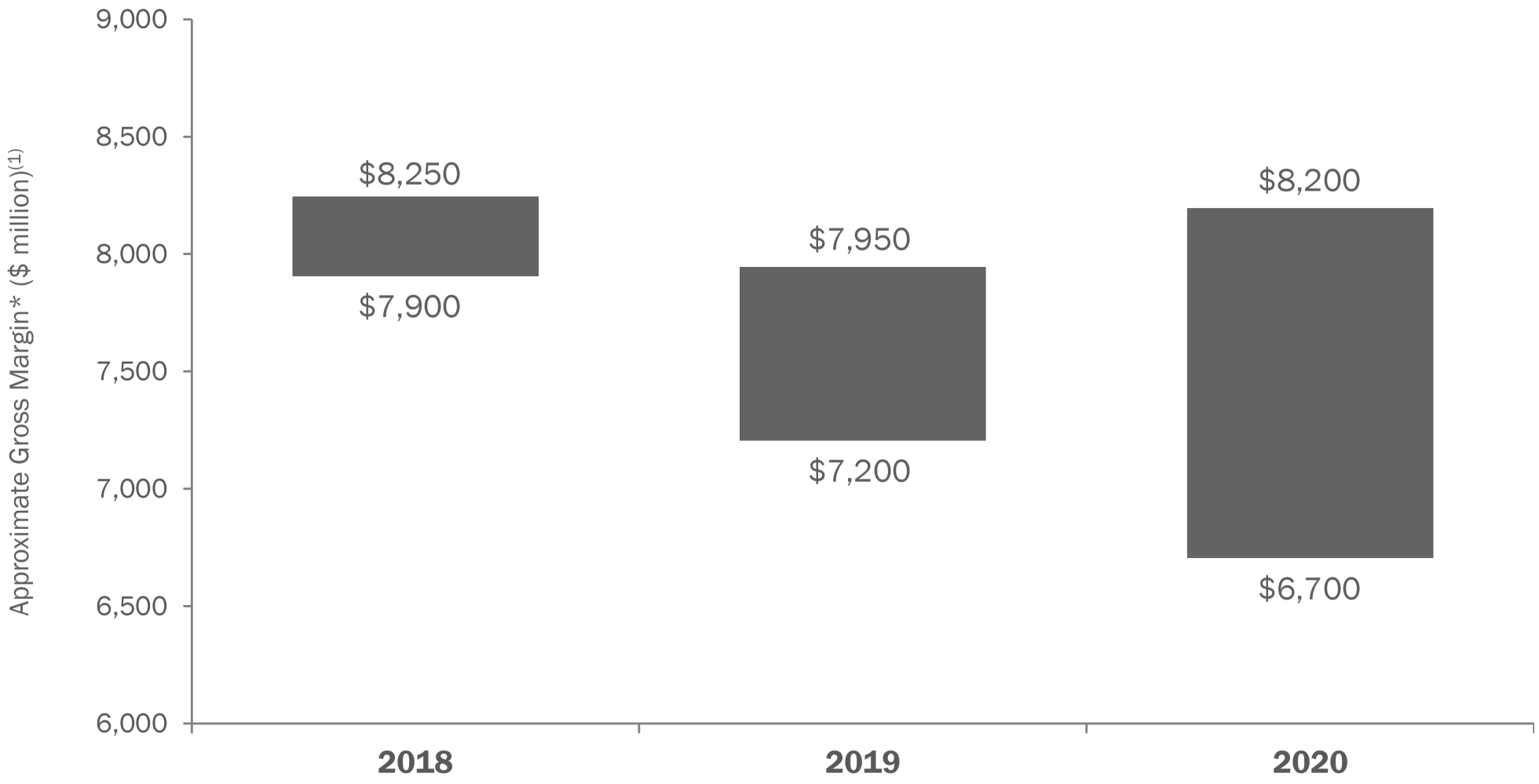
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

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Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.95 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.3	26.4	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	59.5%	75.5%	62.5%	74.5%	33.5%	
(E=C*D)	Hedged Volume (TWh)	57.8	41.0	16.5	12.4	2.9	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.50	$2.00	$31.50	$4.00	
(G)	Reference Price ($/MWh)	$26.12	$30.85	$9.85	$26.00	$5.06	
(H=F-G)	Difference ($/MWh)	$2.88	$7.65	($7.85)	$5.50	($1.06)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$165	$315	($130)	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,400					
(K)	Power New Business / To Go ($ million)	$650					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,550 million**					

(1) Mark-to-market rounded to the nearest $5 million

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Exelon.

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,025**	**$7,700**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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Appendix

Reconciliation of Non-GAAP Measures

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain merger and integration costs
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,525
Depreciation & Amortization	$3,850
EBITDA	$7,375
+/- Non-operating activities and nonrecurring items[3]	$275
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$50
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,650**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,000
Short-Term Debt	$1,175
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,125)
+/- Other S&P Adjustments[4]	($525)
= Adjusted Debt (b)	**$35,675**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects adjustment for non-recourse project debt per S&P guidelines
(8) Reflects 75% of excess cash applied against balance of LTD

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]

$$\frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}} = 41\%$$

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
= Net Debt (a)	**$7,950**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,875**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
= Operating EBITDA (b)	**$3,125**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,850**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.1x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Reflects Exelon nuclear plants at ownership

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GAAP to Non-GAAP Reconciliations

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

Q4 2017 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$675	$1,550	$625	$1,225	$4,075	$200	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	75	-	75
Adjusted Cash Flow from Operations	**$675**	**$1,550**	**$625**	**$1,225**	**$3,850**	**$200**	**$8,125**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$350	$850	($25)	$300	($950)	($150)	$375
Dividends paid on common stock	$200	$450	$300	$300	$750	($675)	$1,325
Financing Cash Flow	**$550**	**$1,300**	**$275**	**$600**	**($200)**	**($825)**	**$1,700**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$2,025
Adjustment for Cash Collateral Posted	($600)
GAAP Ending Cash Balance	**$1,425**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-02017

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	50	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(50)	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-02018

February / March 2018
Investor Meetings

Exelon®

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02020

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02021

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 46 of this presentation.

SI-SSA-0015-02022

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,600
employees

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

11,470
transmission line miles for utilities

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017

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SI-SSA-0015-02023

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02024

2017 Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-02025

2018 Business Priorities and Commitments

Maintain industry leading operational excellence

Effectively deploy $5.4B of 2018 utility capex

Advance PJM power price formation changes in 2018

Prevail on legal challenges to the NY and IL ZEC programs

Seek fair compensation for at-risk plants in NJ and PA

Grow dividend at 5% rate

Continued commitment to corporate responsibility

SI-SSA-0015-02026

Exelon Utilities Overview

16,300
Employees

$34.6B
2017 Rate Base

$16.3B
In Revenue

25.6M mi^2
Combined Service Territory

10M
Customers

9.5M
Smart Meters Installed

11,470
Transmission line miles (circuit)

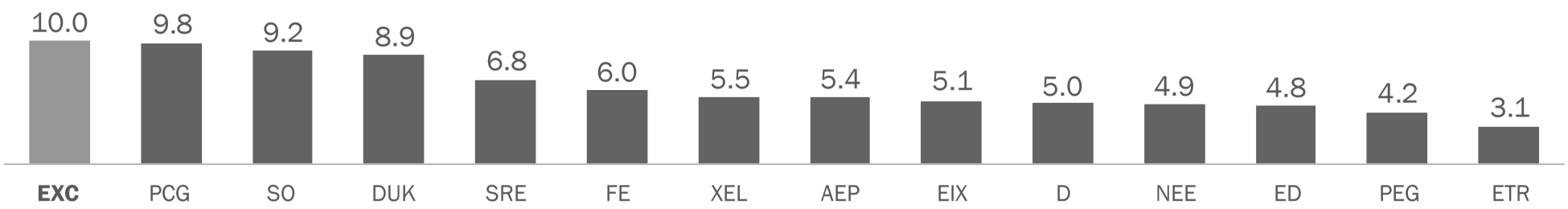
Note: All numbers reflect year-end 2017

SI-SSA-0015-02027

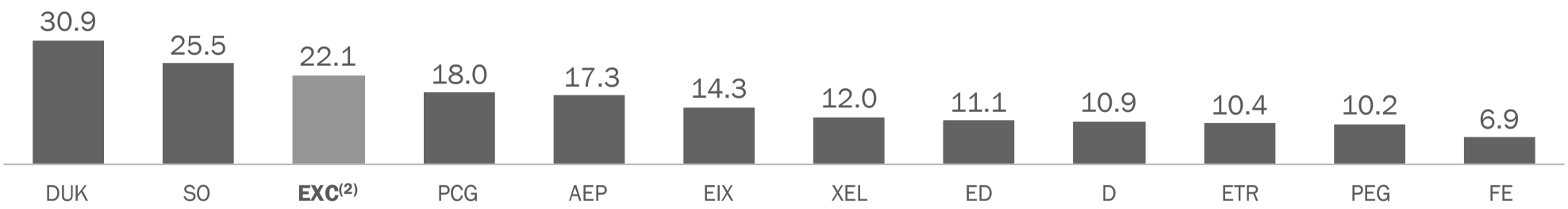
Exelon.

Exelon Utilities are an Industry Leader

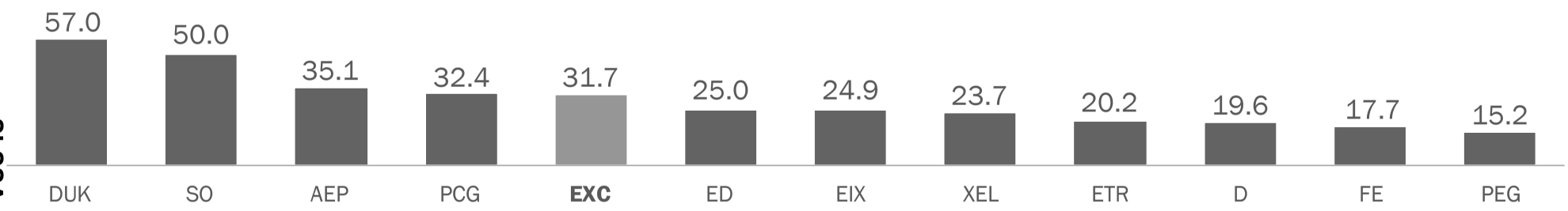
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



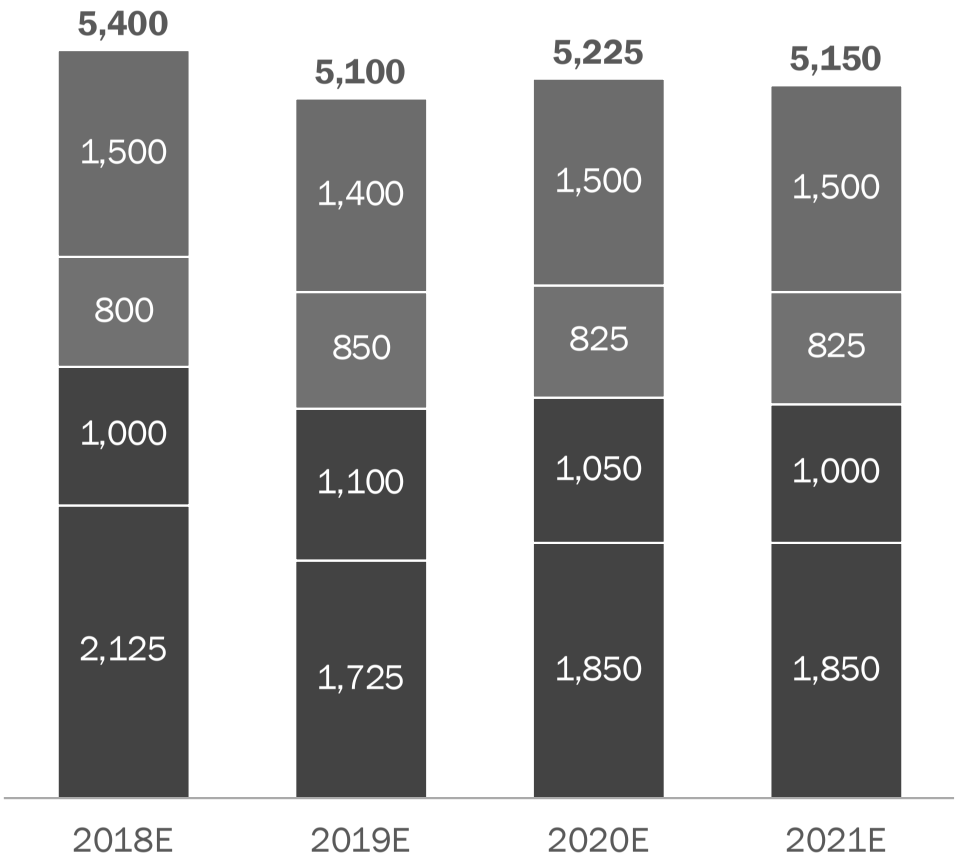
Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

Exelon.

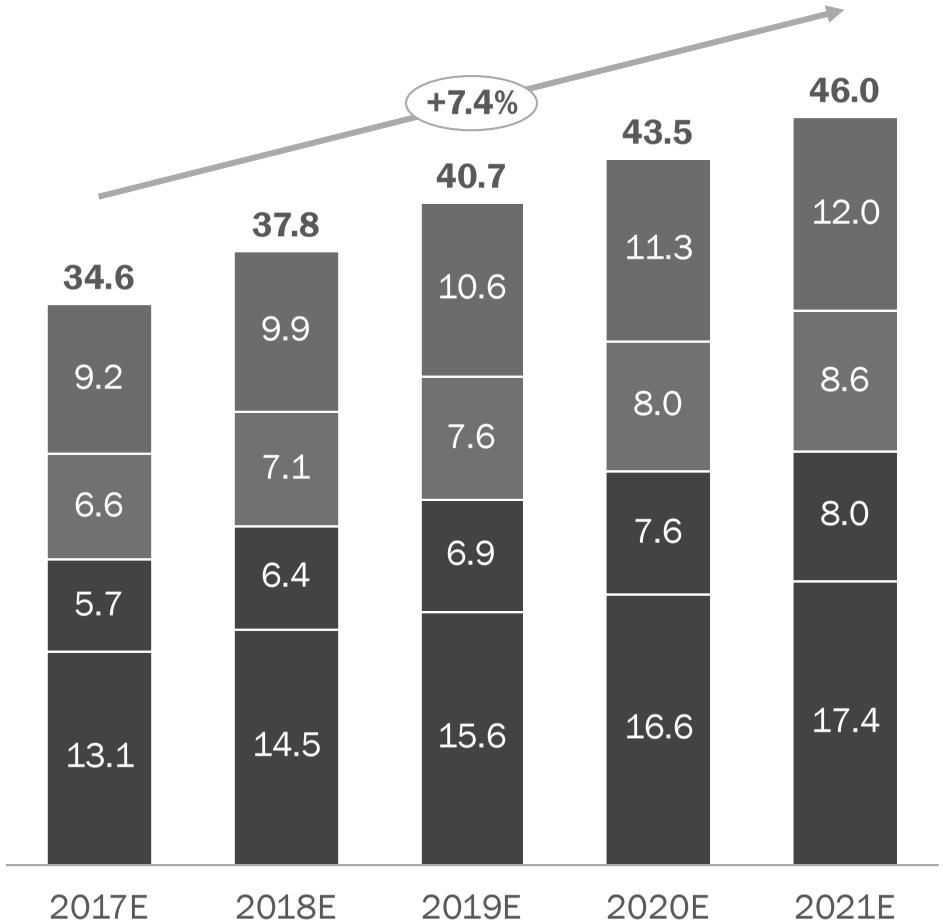
SI-SSA-0015-02028

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

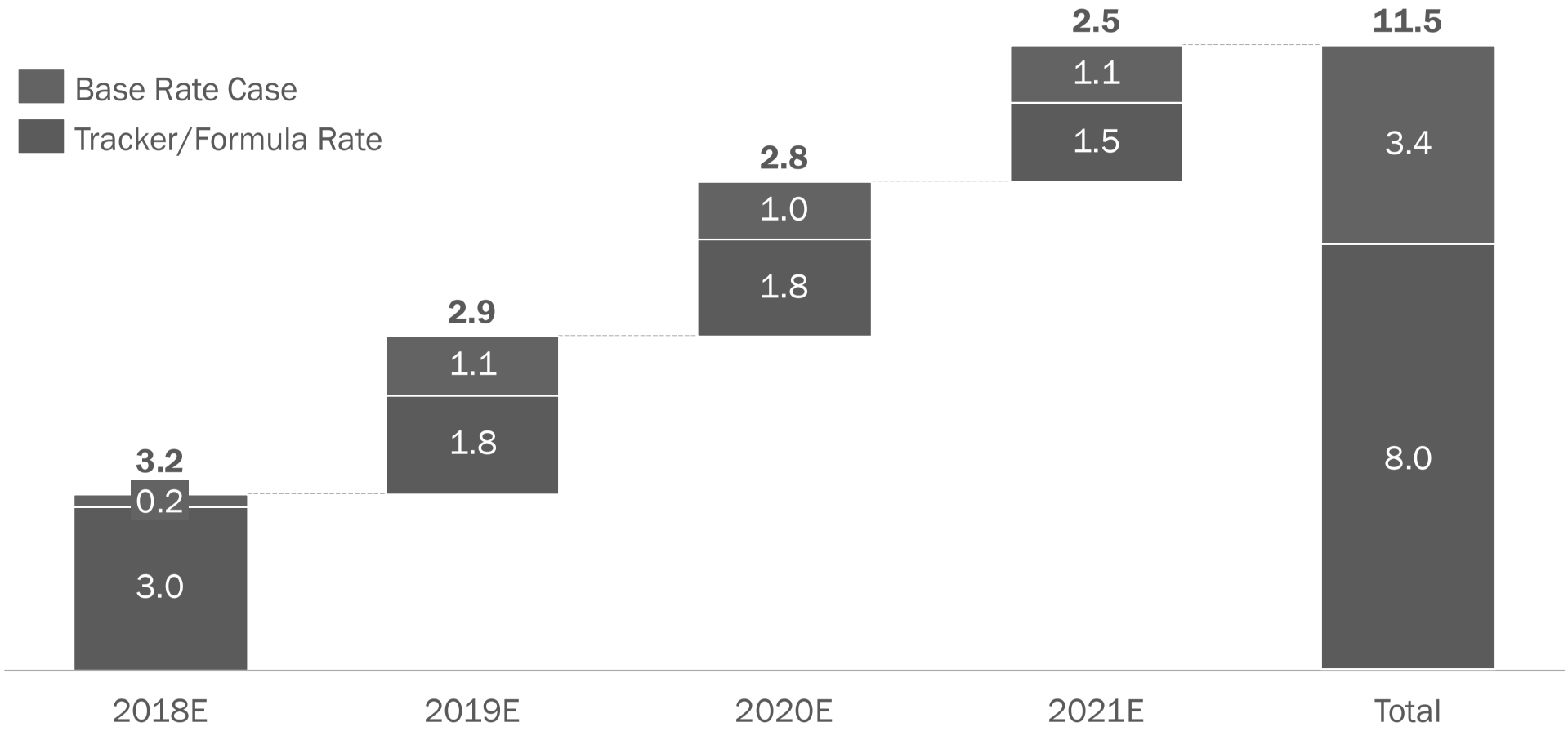
Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

SI-SSA-0015-02029

Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

Exelon.

SI-SSA-0015-02030

Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities(1)	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

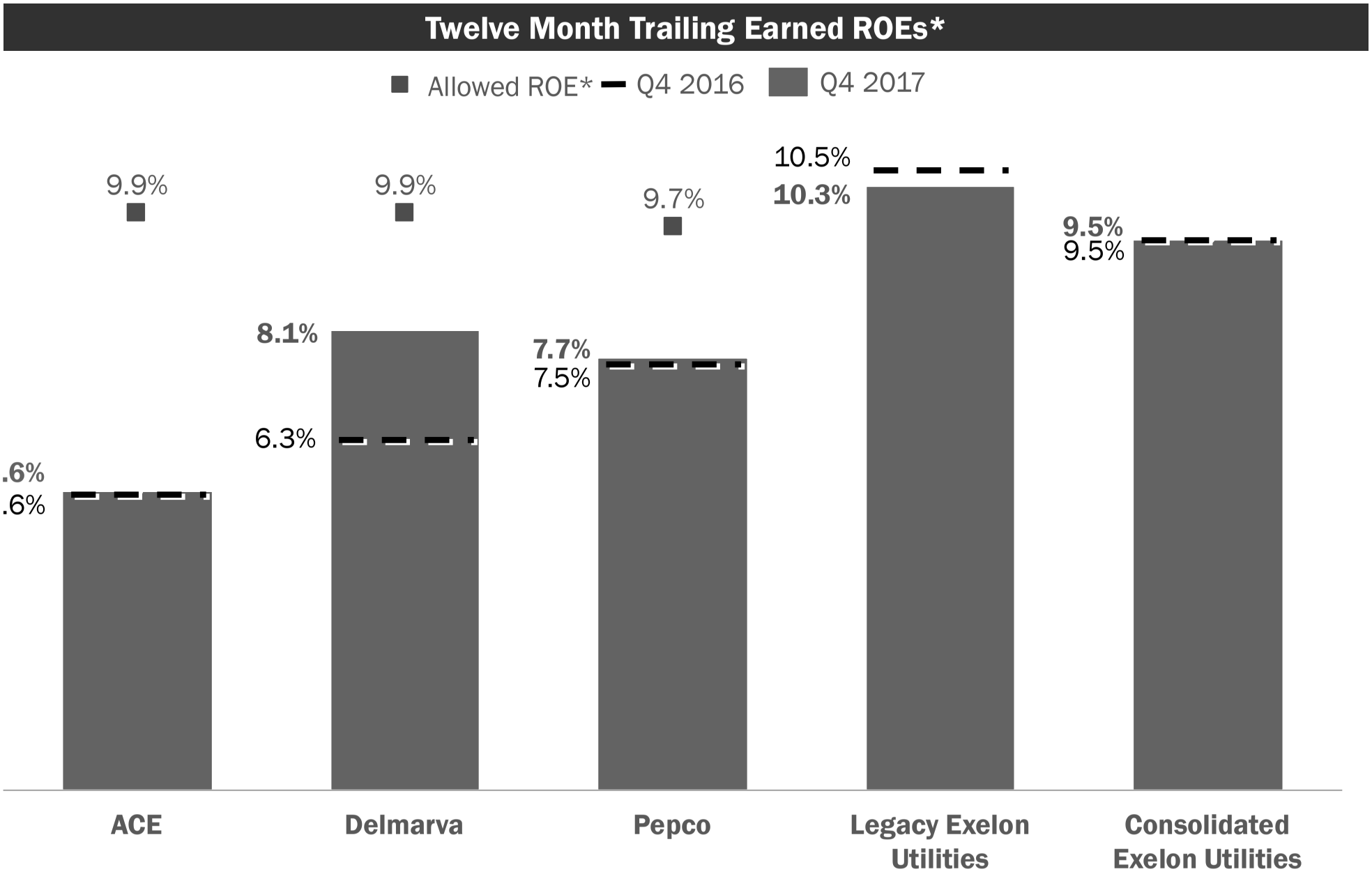
- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

Exelon.

SI-SSA-0015-02031

Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

SI-SSA-0015-02032

Exelon.

Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Authorized Revenue Requirement Increase[1]	$13.4M
Authorized ROE	9.50%[3]
Common Equity Ratio	N/A
Order Received	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$12.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$3.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$65.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

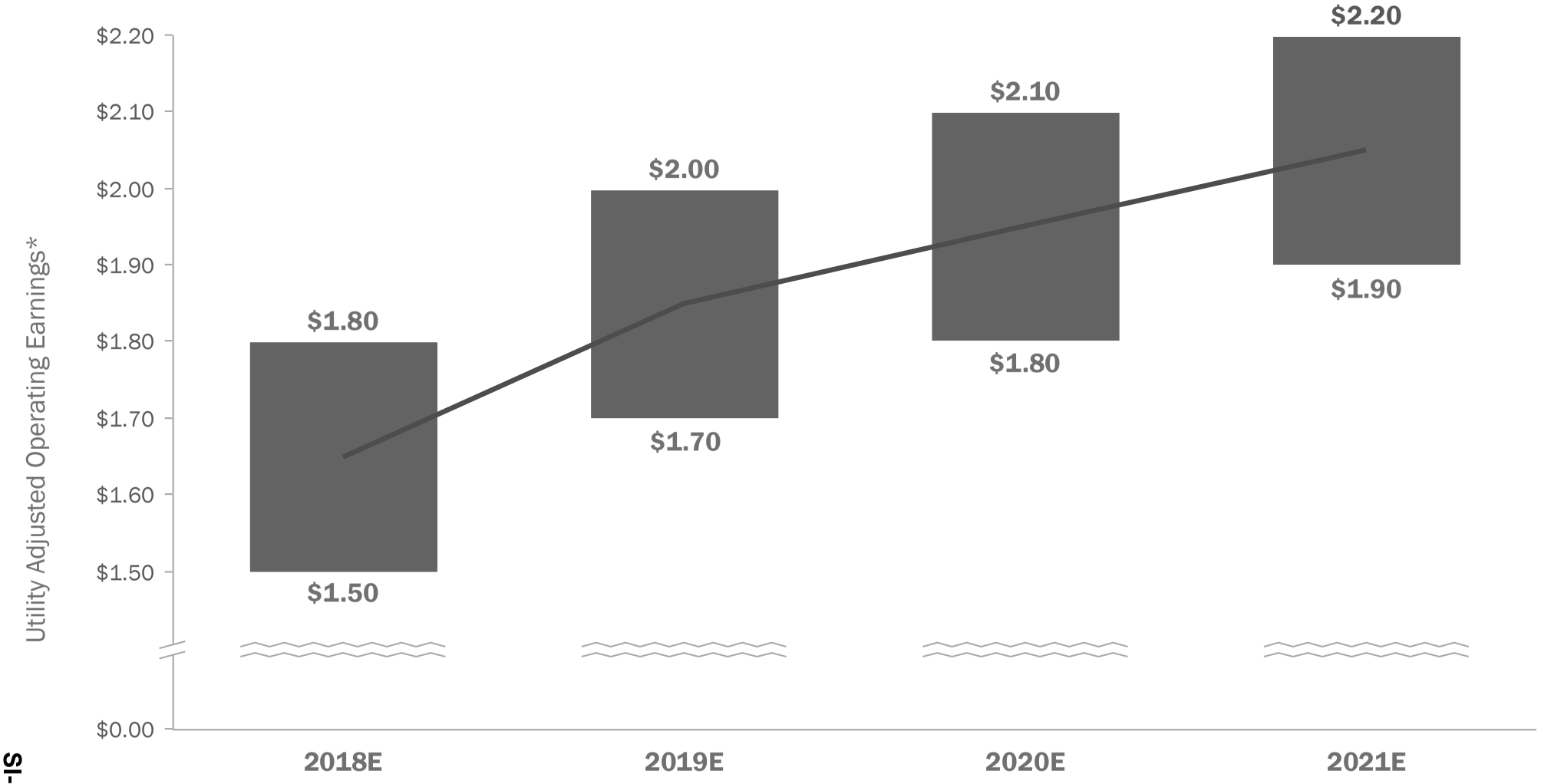
(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

Exelon

SI-SSA-0015-02033

Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

SI-SSA-0015-02034

Exelon

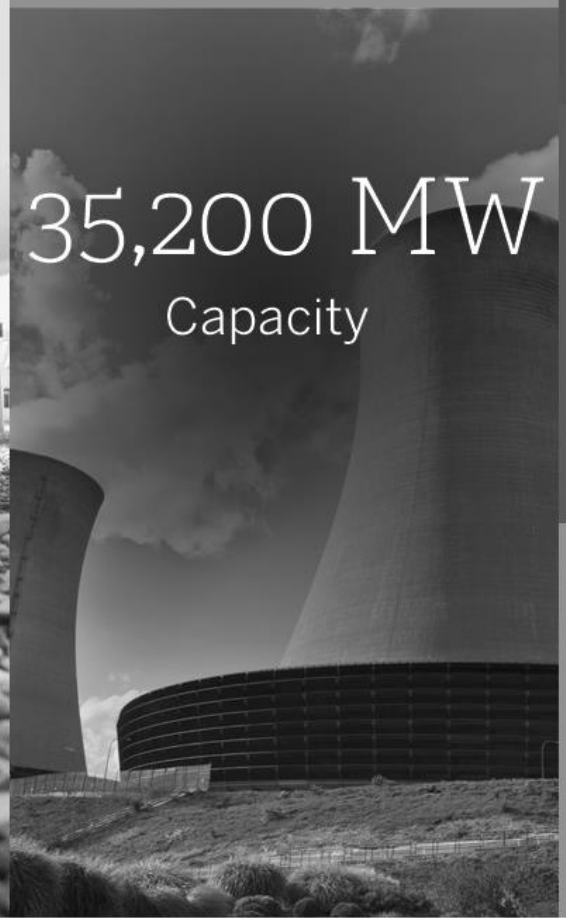
Exelon Generation Overview

15,000
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

210 TWh
Customer Load Served



35,200 MW
Capacity

94.1%[1]
Nuclear Capacity Factor in 2017

98.8%
Gas and Hydro Dispatch Match in 2017

Top 10
gas marketer

213 TWh
Generation Output

Note: All numbers reflect year-end 2017
(1) Capacity factor excludes impacts of Salem

SI-SSA-0015-02035

Exelon.

Constellation Overview

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.7 TCF
Gas Delivered

In 2017, procured
2.8 million
RECs for customers, enabling them to avoid approximately
1.52 million[1]
metric tons of GHG emissions and support the development of renewable power generation

48
Operate in 48 States

35,600
Volunteer Hours

Note: All numbers reflect year-end 2017
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-0015-02036

Exelon.

Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%(1)
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs(2)
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

SI-SSA-0015-02037

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

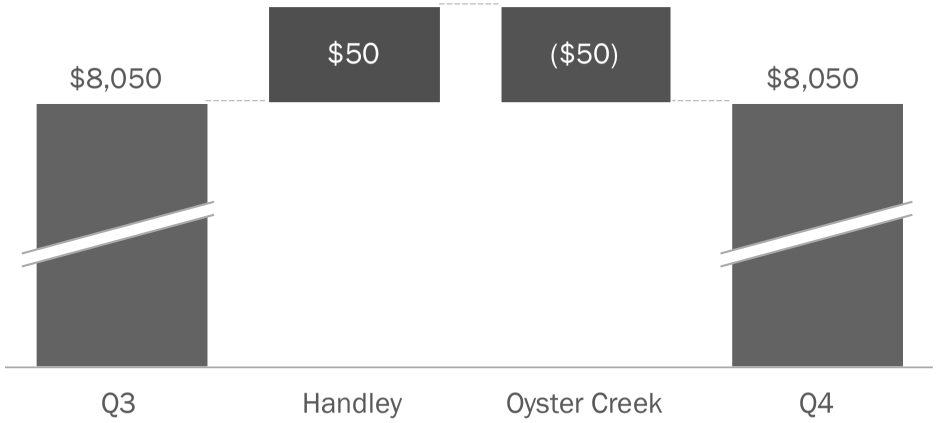
- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-02038

ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]

Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

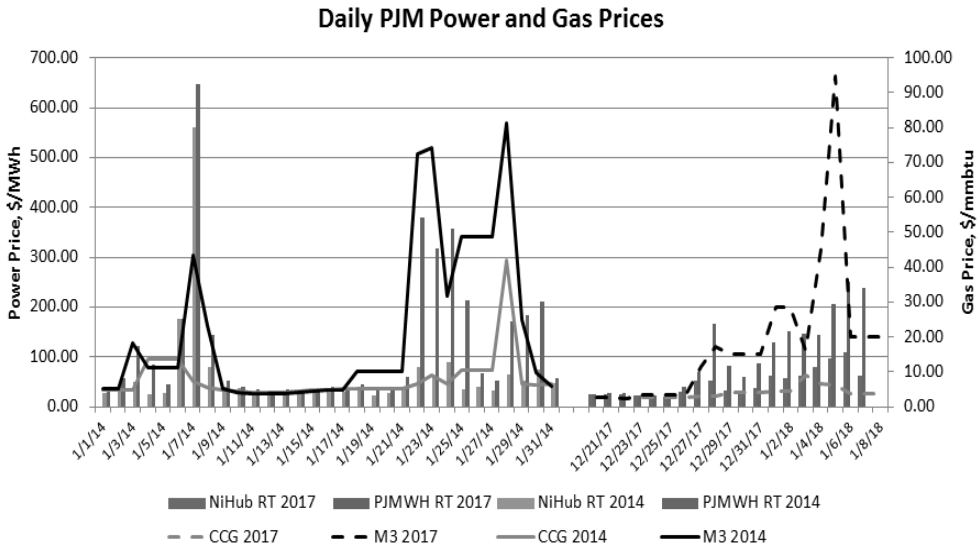
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

SI-SSA-0015-02039

Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

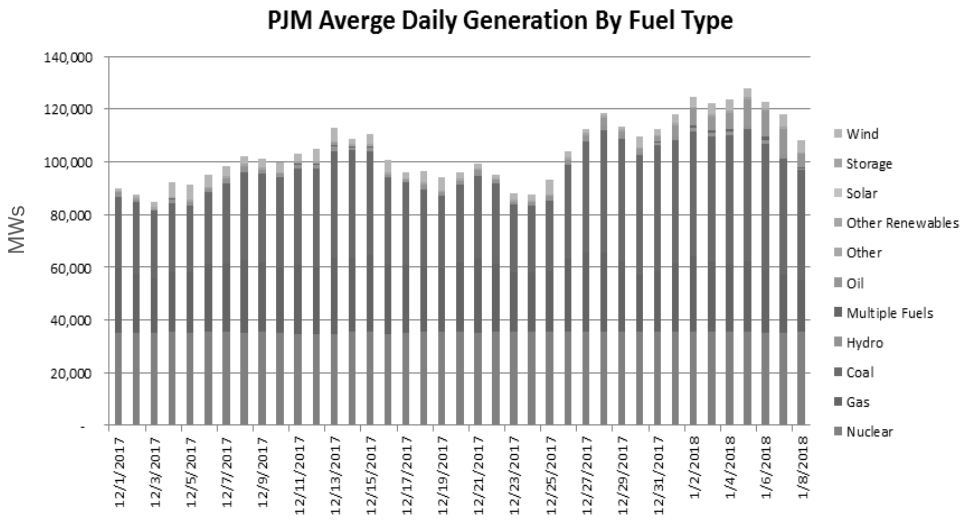


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

SI-SSA-0015-02040

Exelon

Exelon's Policy Priorities

SI-SSA-0015-02041

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-02042

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

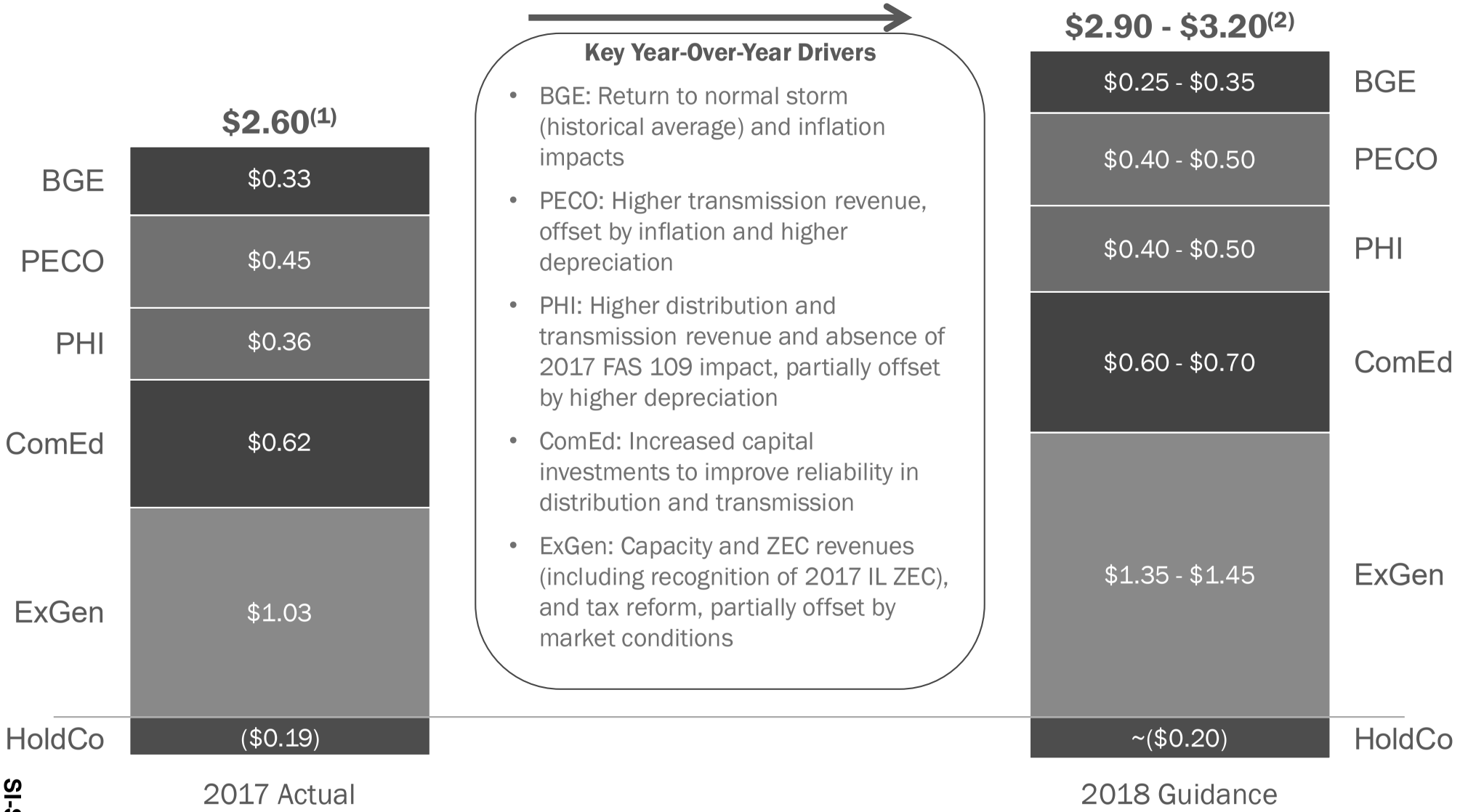
- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-02043

Financial Overview

SI-SSA-0015-02044

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

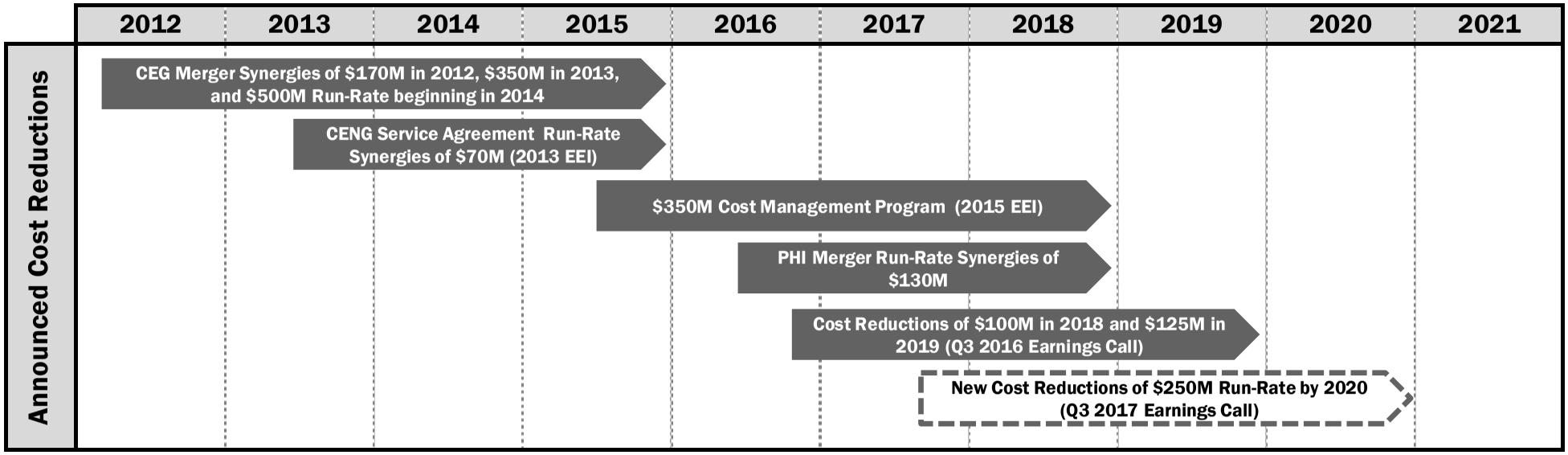
Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-02045

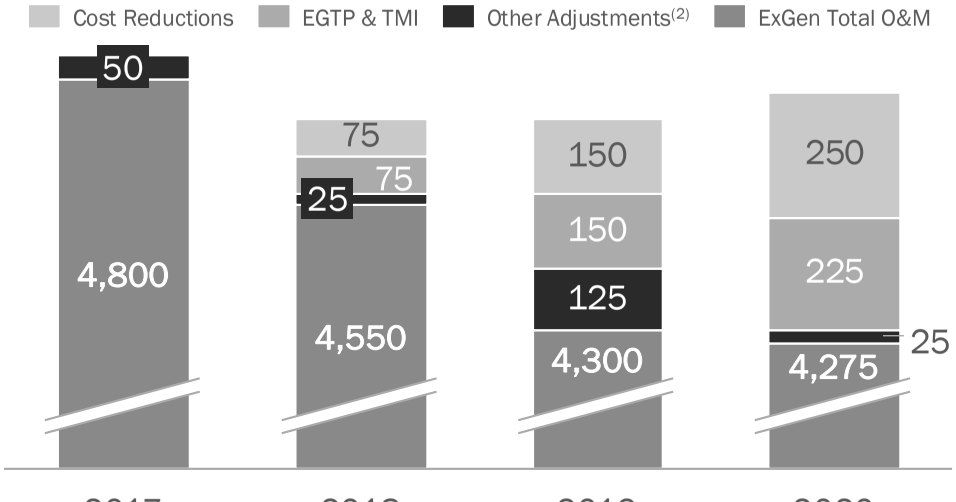
Exelon.

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q4 2017 ($M)[1]



ExGen Forecast O&M*: Q4 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($75)	($150)	($225)	-
Other Adjustments[2]	($50)	($25)	($125)	($25)	-
Q4 '17 O&M before Cost Savings	**$4,800**	**$4,625**	**$4,450**	**$4,525**	**-1.9%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q4 2017 O&M	**$4,800**	**$4,550**	**$4,300**	**$4,275**	**-3.8%**

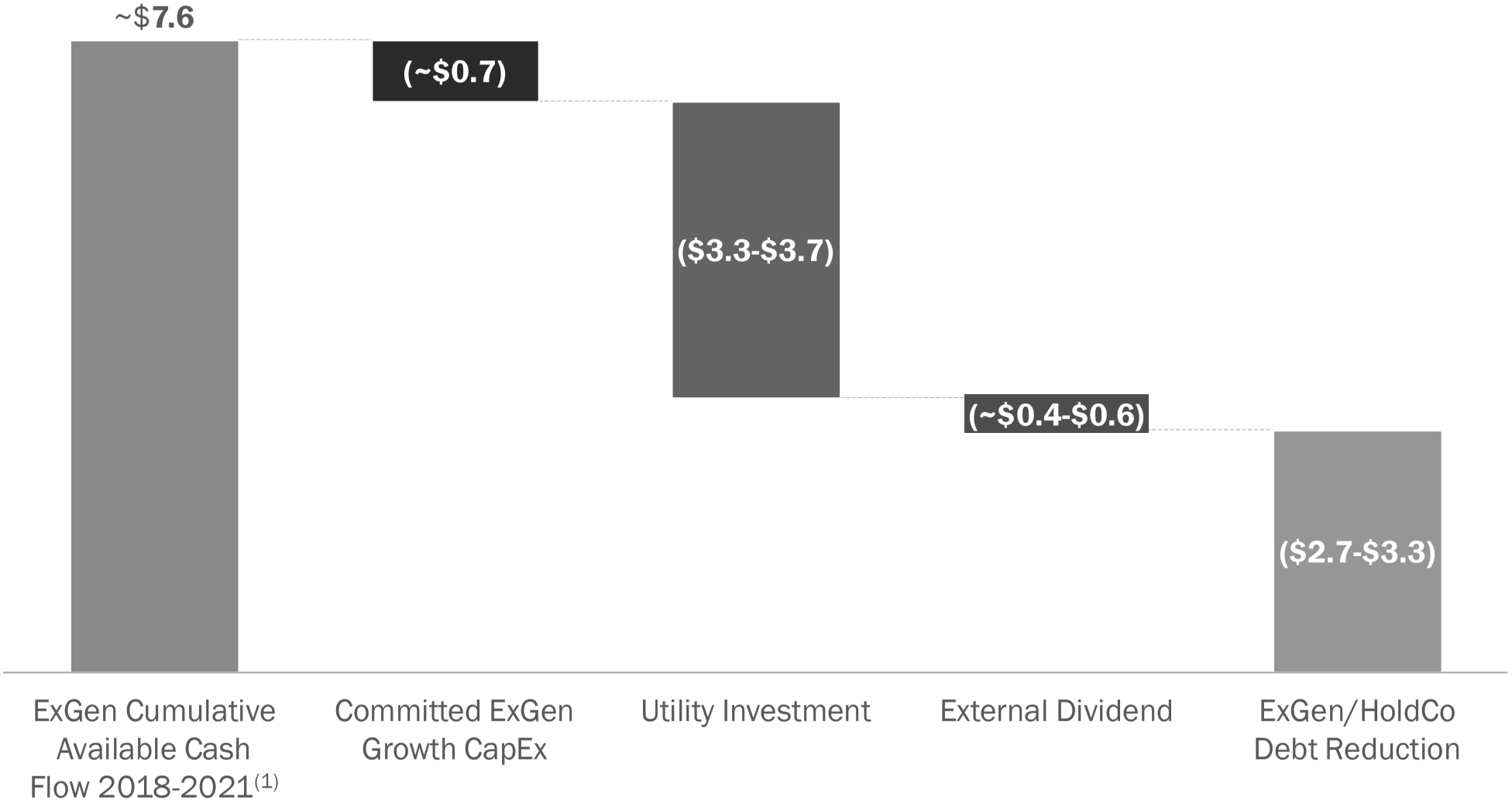
(1) Adjusted for retaining Handley Generating Station, TMI retirement and removal of EGTP, net of other expenses
(2) Primarily includes adjustments for the early retirement of Oyster Creek (2018-2020) in addition to adjustments for retaining Handley Generating Station (2018-2020) and NEIL credits (2017).

SI-SSA-0015-02046

Exelon

ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

SI-SSA-0015-02047

Exelon

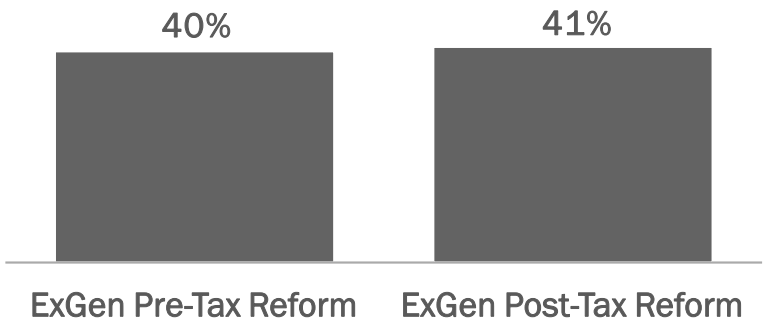
Impacts from Tax Reform

Tax Impacts	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

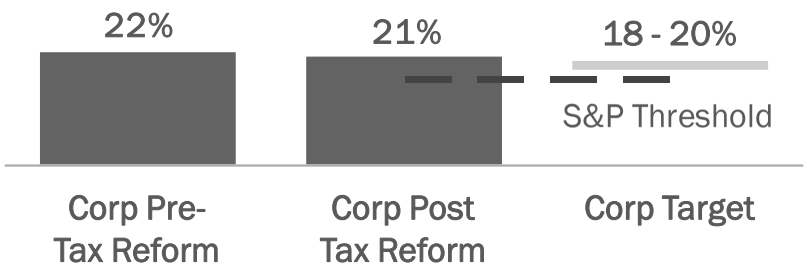
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

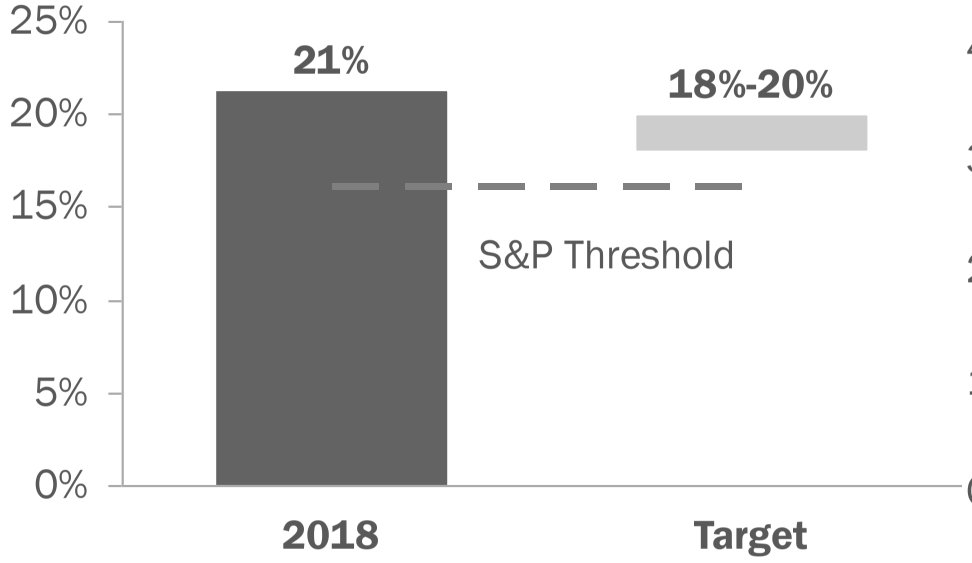
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

Exelon.

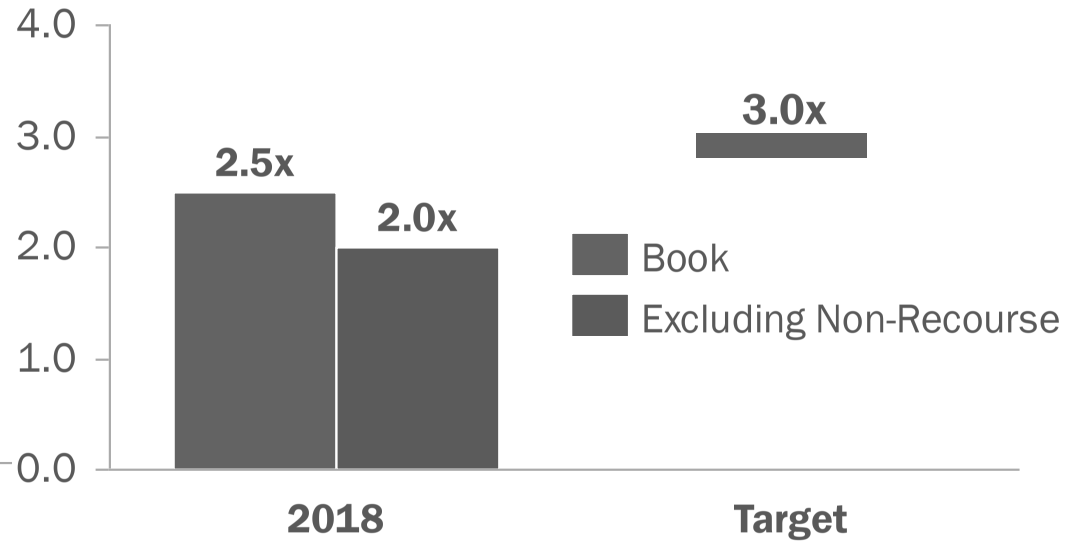
SI-SSA-0015-02048

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

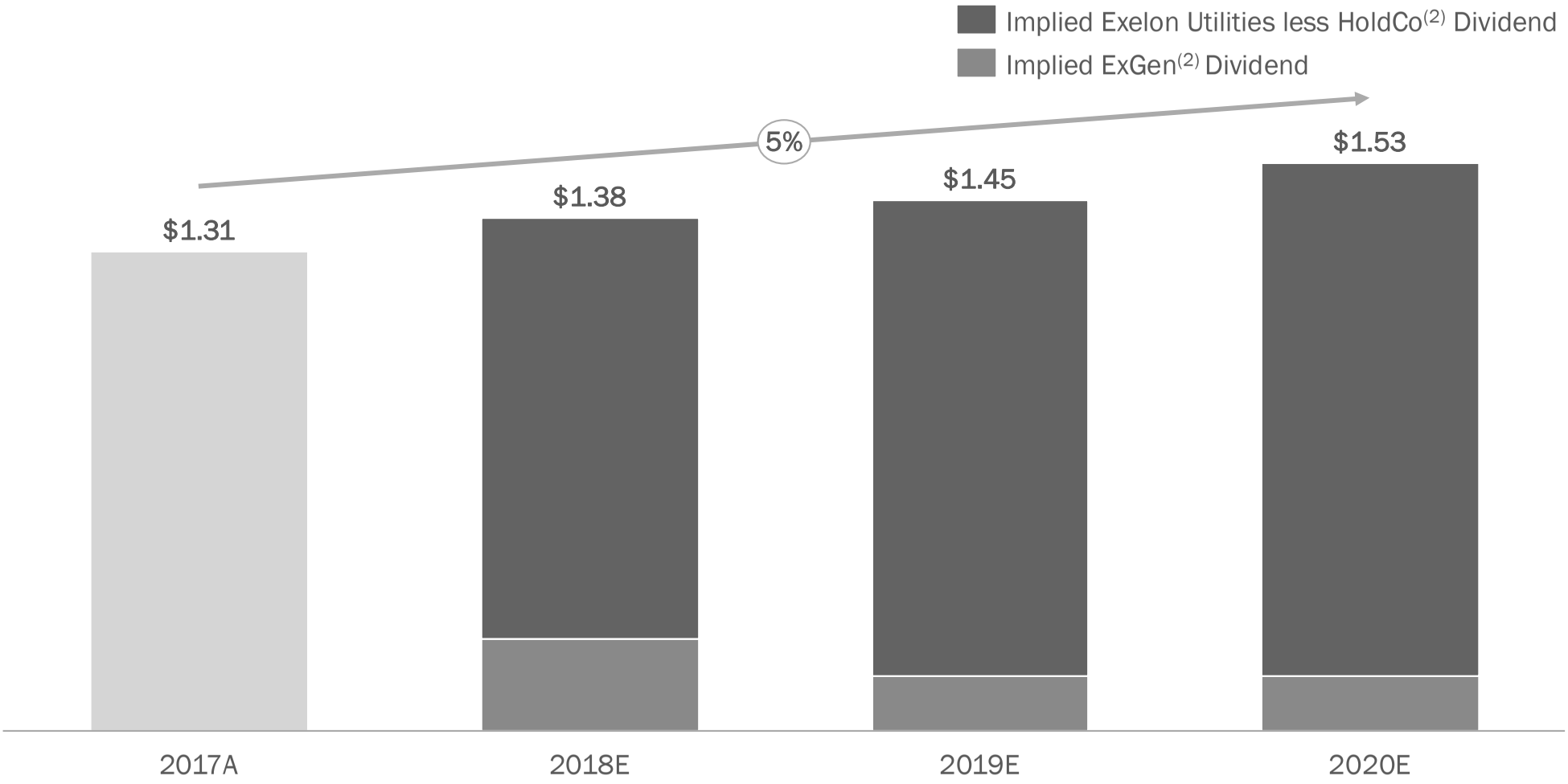
(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-02049

Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-02050

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-02051

Exelon

Appendix

SI-SSA-0015-02052

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

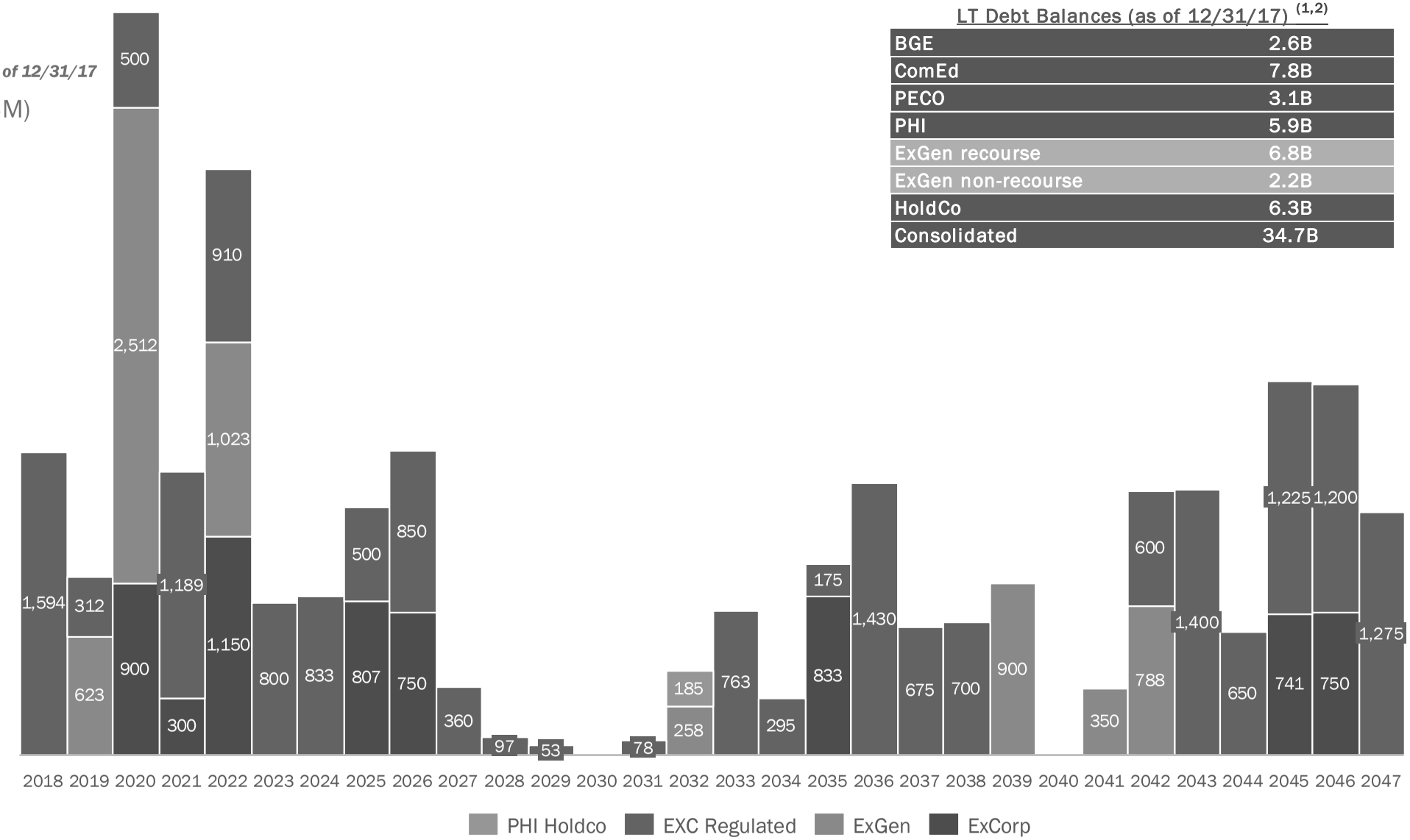
SI-SSA-0015-02053

Exelon

Exelon Debt Maturity Profile[1]

As of 12/31/17

($M)



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-02054

Exelon

EPS Sensitivities

		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

SI-SSA-0015-02055

Exelon Generation Disclosures

Data as of December 31, 2017
These disclosures were presented on February 7, 2018 and are not being updated at this time

SI-SSA-0015-02056

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

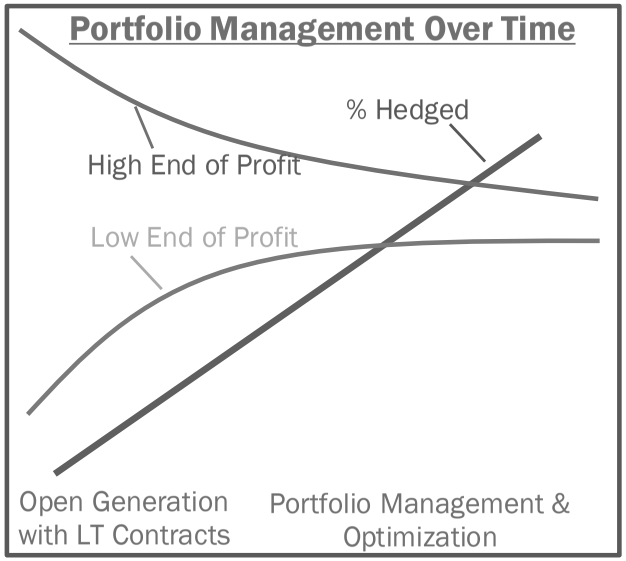
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

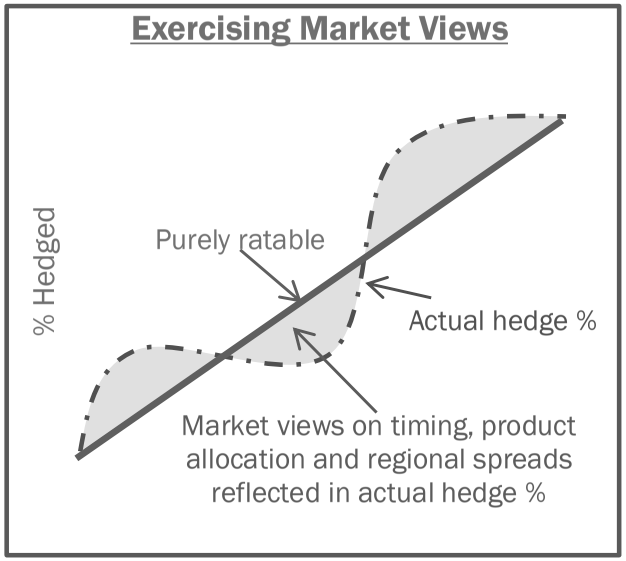
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02057

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02058

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-02059

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-02060

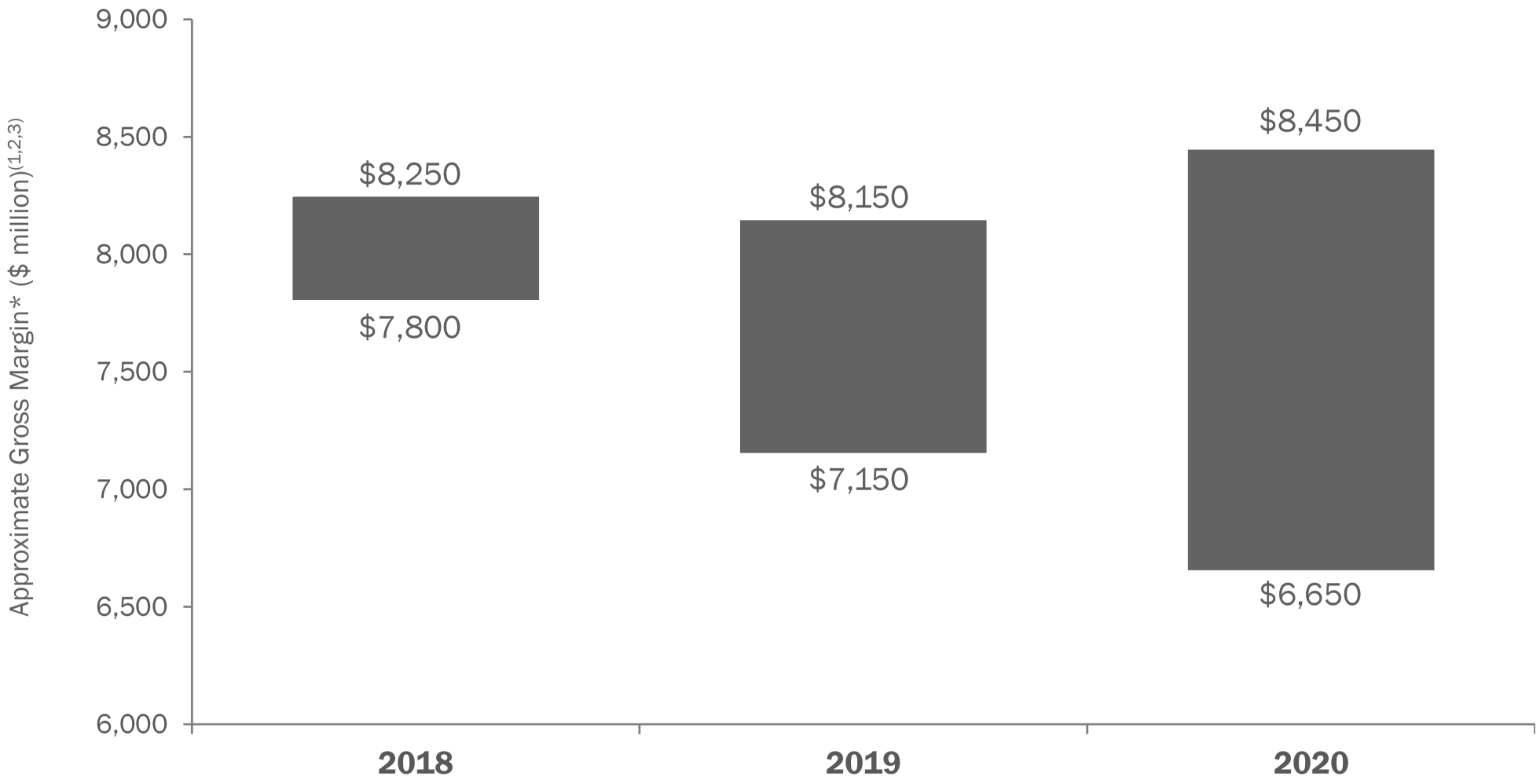
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-02061

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-02062

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

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Exelon

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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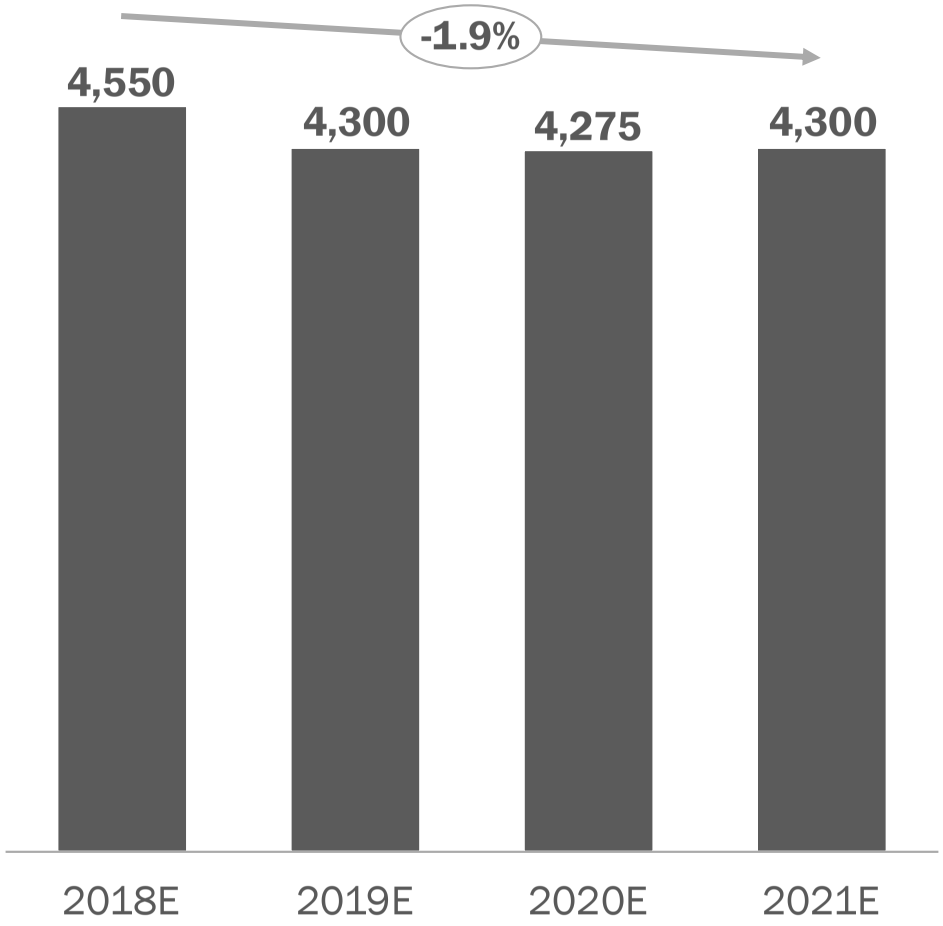
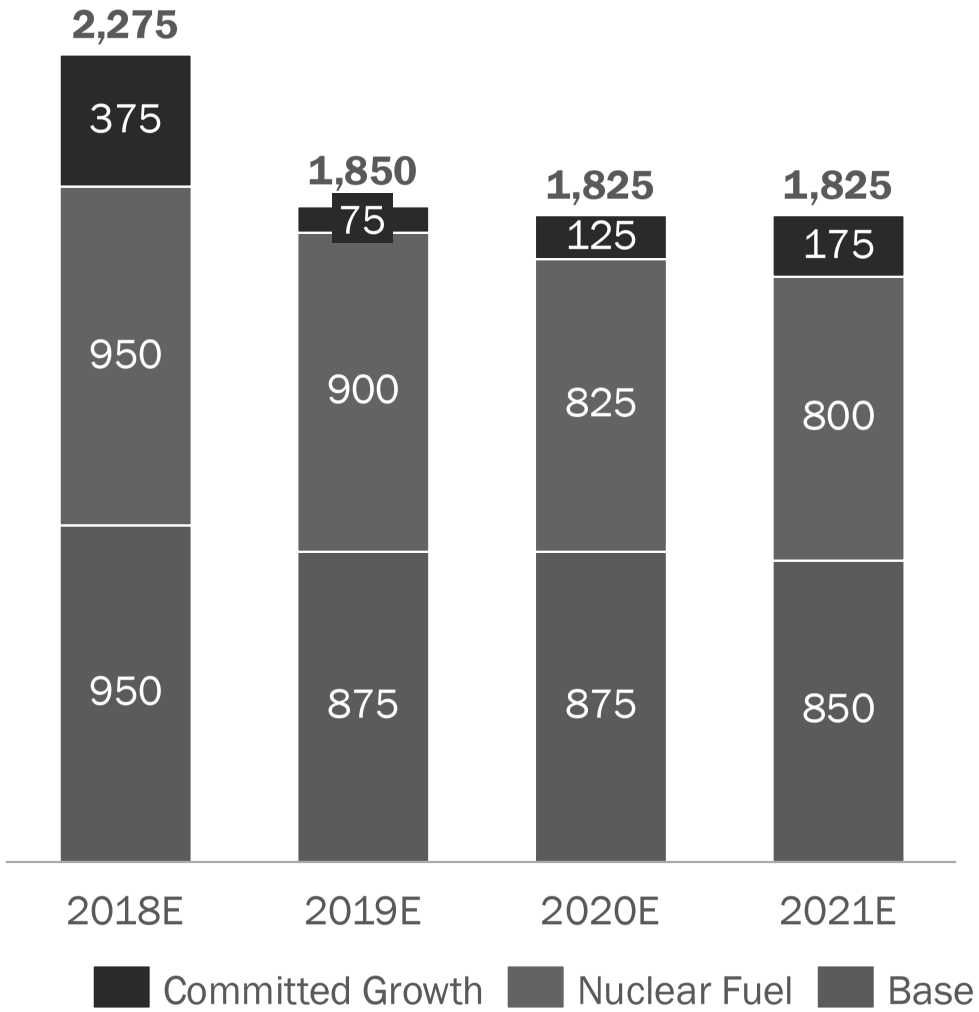
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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Appendix

Reconciliation of Non-GAAP Measures

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-02072

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-02073

Earnings Conference Call
1st Quarter 2016

May 6, 2016

Exelon

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC (PHI), Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23; (2) PHI's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 16; and (3) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Combined Company at a Glance

EXC

Exelon is headquarted in Chicago and trades on the NYSE under EXC.

Exelon is the #1 utility company on the FORTUNE 500.

Exelon is America's #1 zero-carbon nuclear energy provider.

$34.5B

Operating revenue in 2015

Presence in 48 states.

Exelon is a FORTUNE 150 company that works in every stage of the energy business: power generation, competitive energy sales, transmission and delivery.

10M

Electric and natural gas utility customers

Exelon's Constellation business serves approx. 2 million residential, public sector and business customers.

Exelon was named to Fortune magazine's 2015 list of the "World's Most Admired Companies."

32,700

Megawatts of total power generation

19,500

Megawatts of nuclear generation

$37M

In 2015, Exelon gave approx. $37 million to charitable and community causes.

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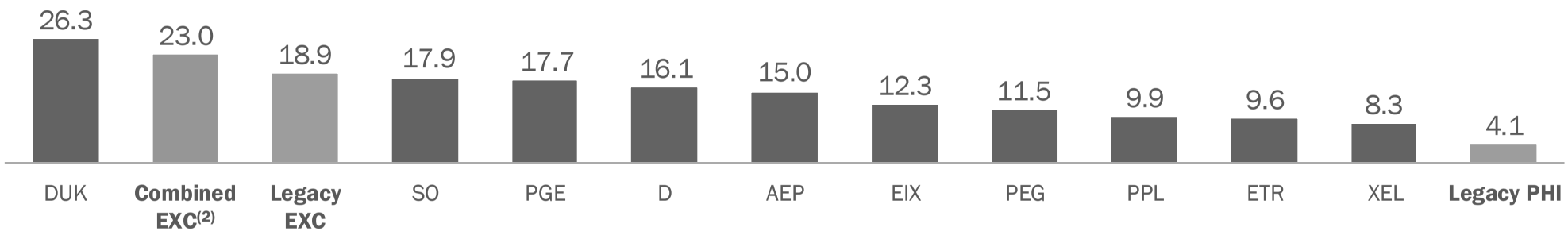
Exelon.

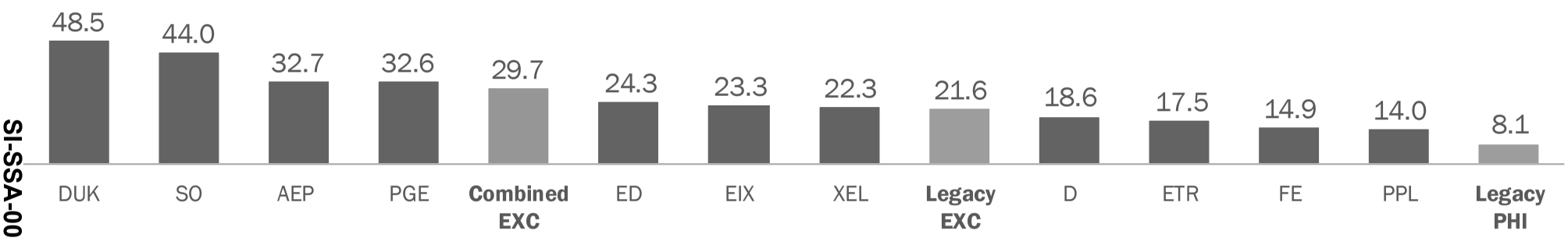
Exelon Utilities are an Industry Leader

US Utility Customers (millions)

Total Capital Expenditures 2016-2018 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.6B of utility capital expenditures and $7.4B of generation capital expenditures

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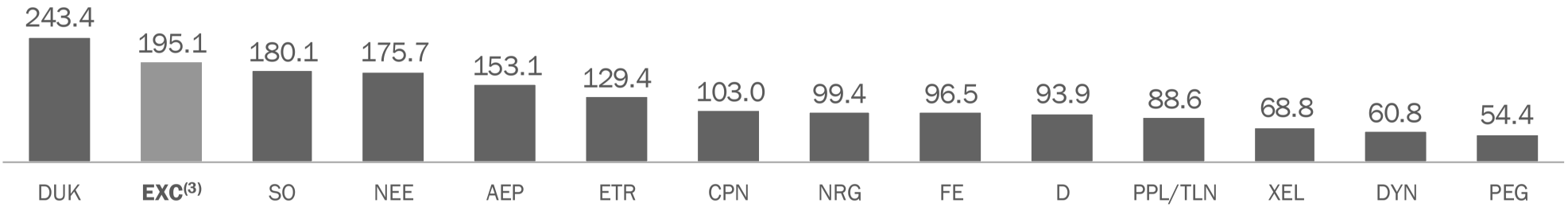
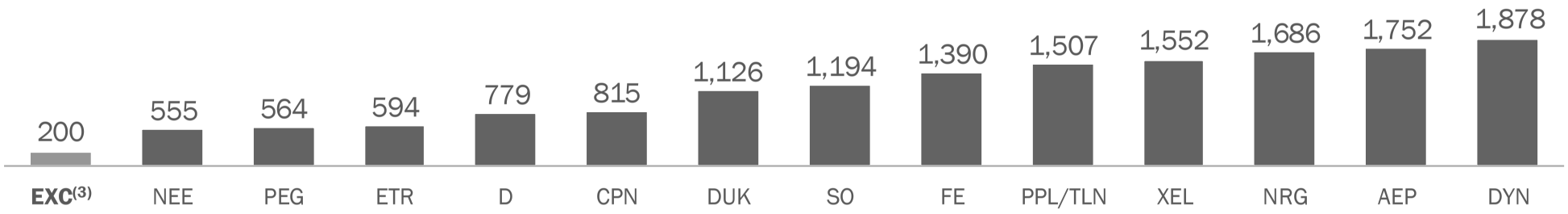
Exelon.

Exelon Generation is an Industry Leader

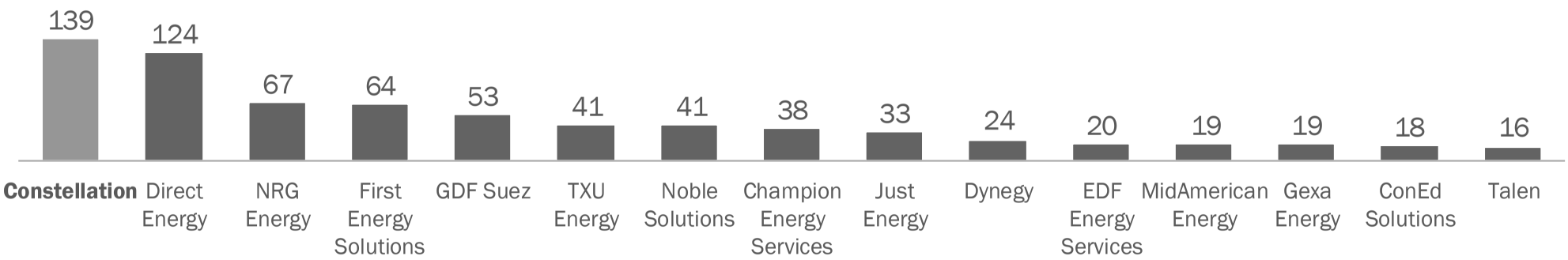
Total Generation Output (TWh)[1]



Carbon Intensity (lb/MWh)[1]



Retail Load Served (TWhs)[2]



(1) Includes regulated and non-regulated generation. Source: Benchmarking Air Emissions, July 2015; http://mjbradley.com/sites/default/files/Benchmarking-Air-Emissions-2015.pdf
(2) Source: DNV GL Retail Landscape April 2016
(3) Excludes EDF's equity ownership share of the CENG Joint Venture

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Best in Class Operations

Legacy Exelon Utilities Operational Metrics

Operations	Metric	2015 YE		
		BGE	PECO	ComEd
Electric Operations	OSHA Recordable Rate			
	2.5 Beta SAIFI (Outage Frequency)			
	2.5 Beta CAIDI (Outage Duration)			
Customer Operations	Customer Satisfaction			
	Service Level % of Calls Answered in <30 sec			
	Abandon Rate			
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations
Overall Rank	Electric Utility Panel of 24 Utilities	3rd	2nd	3rd

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

Q1	Q2
Q3	Q4

ExGen Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Q1 Nuclear Capacity Factor: 95.8%
  - Q1 average refueling outage duration of 24 days versus industry average refueling outage duration of 36 days
- Strong performance across our Fossil and Renewable fleet:
  - Q1 Renewables energy capture: 96.2%
  - Q1 Power dispatch match: 93.5%
  - No employee OSHA or DART recordable events in Q1

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Exelon

Early Retirement of Clinton and Quad Cities

We will shut down Clinton Power Station on June 1, 2017 and Quad Cities Generating Station on June 1, 2018 if Illinois does not pass adequate legislation by May 31, 2016 and if Quad Cities does not clear the 19/20 PJM capacity auction in May

Impact on Illinois of Plant Closures[1]

- The gross impact of shutting down Clinton and Quad Cities would be:
  - $1.2 billion annually in lost economic activity in Illinois
  - 4,200 jobs lost, many of which are highly skilled, good paying jobs
- According to independent analyses by PJM and MISO, there would be a significant increase in electricity prices for Illinois residents and businesses
- Economic damages associated with an incremental increase in the release of carbon dioxide emissions would cost Illinois consumers nearly $10 billion over 10 years

Nuclear Plant Economics Deteriorating

- Illinois legislation aimed at leveling the playing field for zero carbon resources has failed to advance in the past two legislative sessions
- PJM power prices hit 15 year record low in March
- Illinois forward energy prices have declined by roughly 10% in the last year
- From 2009 to 2015, Quad Cities and Clinton have sustained more than $800 million in cash flow losses on a pre-tax basis[2]

(1) Source: January 5, 2015 Response to the IL General Assembly Concerning House Resolution 1146 prepared by Illinois Commerce Commission, Illinois Power Agency, Illinois Environmental Protection Agency, and Illinois Department of Commerce and Economic Opportunity

(2) Revenues include realized energy and capacity revenue excluding any hedges; costs include all site expenses (including taxes other than income taxes), DOE spent fuel fees prior to their suspension in mid-2014, charged and allocated overhead, fuel capex, and non-fuel capex. Losses only reflect the extent to which revenues fell short of cash costs and do not reflect the absence of expected investor return on investment

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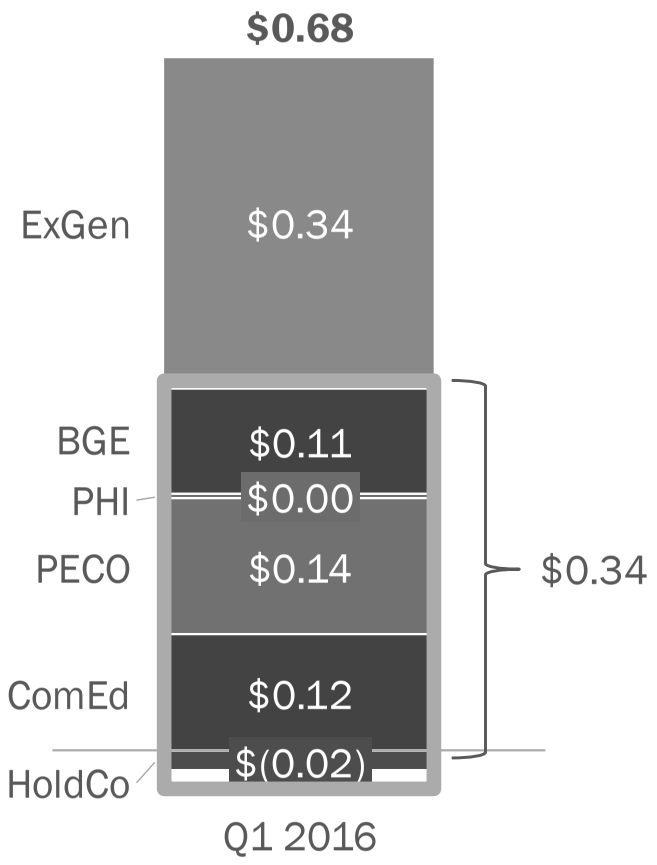
Q1 2016 Financial Results

- Delivered adjusted (non-GAAP) operating earnings in Q1 of $0.68/share near the top of our guidance range of $0.60-$0.70/share

- Utilities
  - ⬆ Lower bad debt expense
  - ⬇ Unfavorable weather
  - ⬇ Higher storm costs

- ExGen
  - ⬆ Lower cost to serve load
  - ⬆ Strong performance at Constellation
  - ⬆ Lower O&M primarily timing within the year

Adjusted Operating EPS Results (1,2)



Expect Q2 2016 Adjusted Operating Earnings of $0.50 - $0.60 per share

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding.

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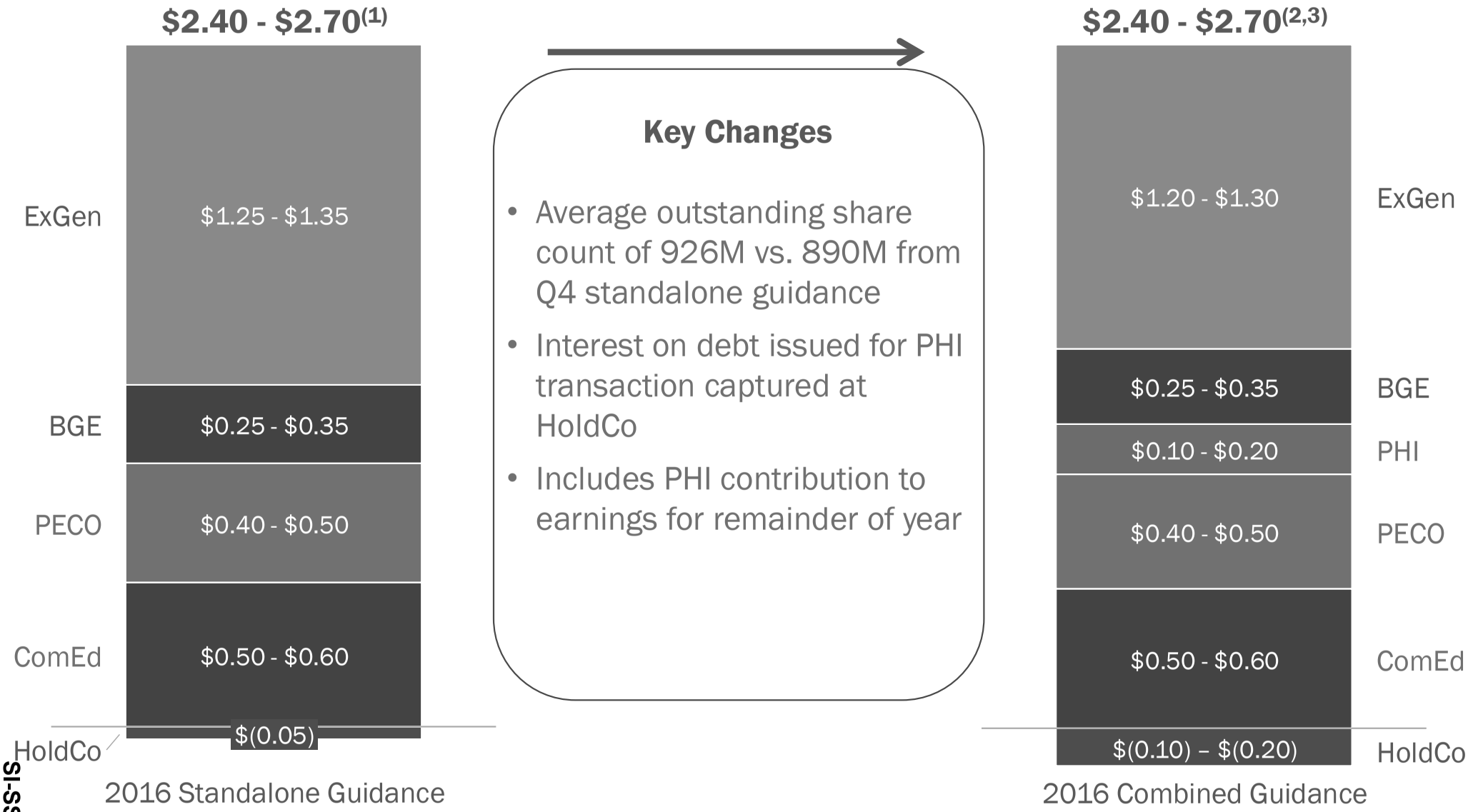
2016 Adjusted Operating Earnings Guidance



Confirming full-year guidance range of $2.40 - $2.70/share(2,3)

(1) 2016 standalone earnings guidance was based on expected average outstanding shares of 890M and assumed that equity and debt issued for Pepco Holdings acquisition was unwound in 2016. Earnings guidance for OpCos may not add up to consolidated EPS guidance. Refer to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.
(2) 2016 combined earnings guidance is based on expected average outstanding shares of 926M. Earnings guidance for OpCos may not add up to consolidated EPS guidance.
(3) ComEd ROE based on 30 Year average Treasury yield of 2.67% as of 3/31/16. 25 basis point move in 30 Year Treasury Rate equates to +/-$0.01 impact to EPS.

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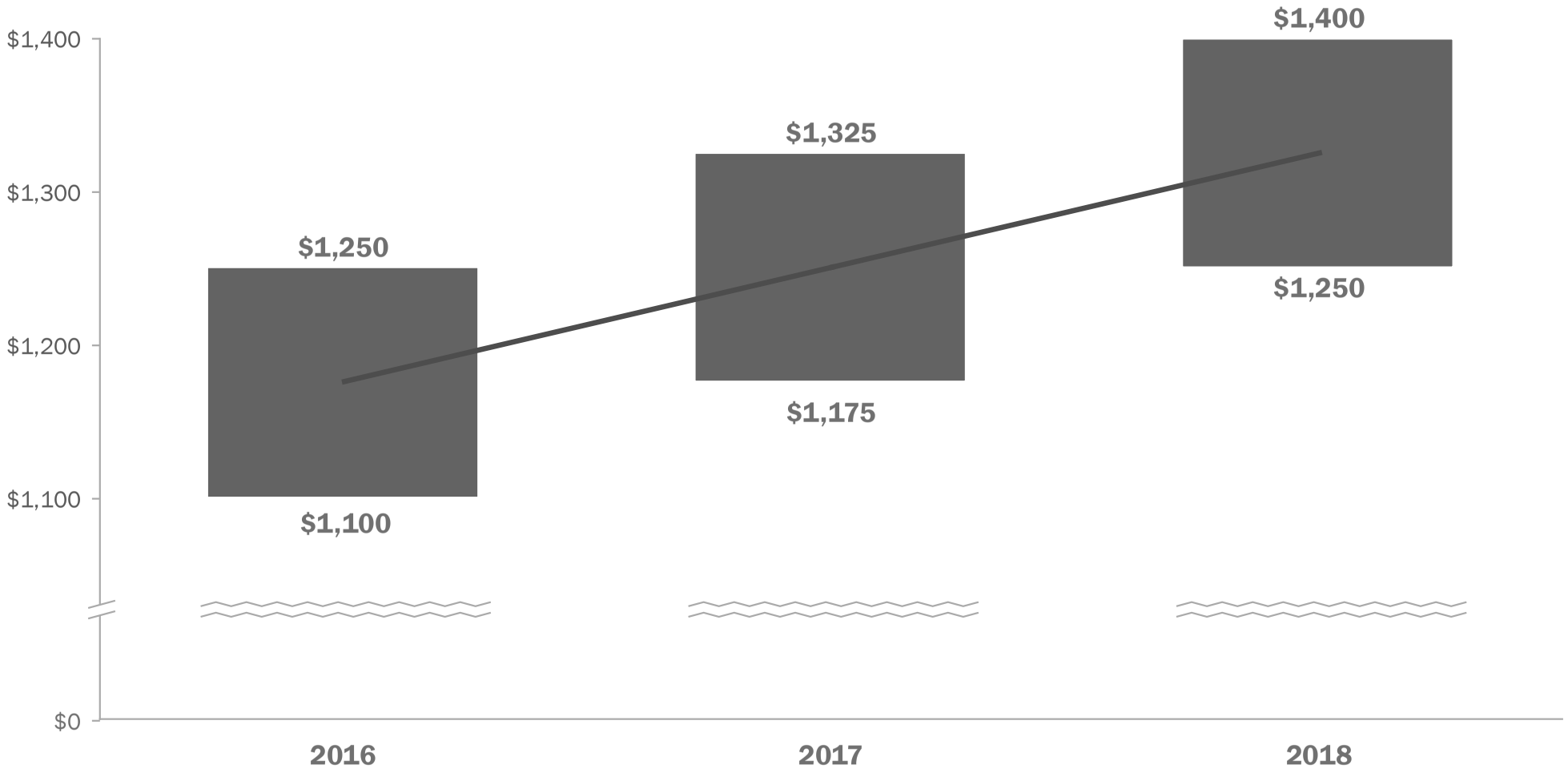
Reaffirming Legacy Exelon Utilities Net Income Outlook

Exelon Utilities Net Income ($M)[1,2]



Legacy Exelon Utilities projected average earnings growth is still in the 7-9% range per year from 2015-2018

(1) Numbers rounded to nearest $25M
(2) Does not include PHI net income and represents adjusted (non-GAAP) operating earnings. Refer to slide 41 for a list of adjustments from GAAP EPS to adjusted (non-GAAP) operating earnings.

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Exelon.

Exelon Utilities Distribution Rate Case Schedule

	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
BGE Electric and Gas Distribution Rates	MD Rate Case Filed November 6		Final Order Expected June			
ComEd Electric Distribution Formula Rate			IL Formula Rate Case Filed April 13		Final Order Expected December	
ACE Electric Distribution Rates		NJ Rate Case Filed March 22				Final Order Expected Q1/Q2
Pepco Electric Distribution Rates - MD			MD Rate Case Filed April 19		Final Order Expected December	
Pepco Electric Distribution Rates - DC			DC Rate Case Filing Planned Q2/Q3			
Delmarva Electric and Gas Distribution Rates - DE			DE Rate Case Filing Planned			Final Order Expected
Delmarva Electric Distribution Rates - MD				MD Rate Case Filing Planned		Final Order Expected

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Exelon Generation: Gross Margin Update

	March 31, 2016			Change from Dec. 31, 2015		
Gross Margin Category ($M) [1]	**2016**	**2017**	**2018**	**2016**	**2017**	**2018**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$4,450	$5,350	$5,800	$(750)	$(450)	$(350)
Mark-to-Market of Hedges[3,4]	$2,650	$1,150	$400	$950	$350	$150
Power New Business / To Go	$250	$750	$1,000	$(200)	$(50)	-
Non-Power Margins Executed	$350	$150	$100	$100	-	-
Non-Power New Business / To Go	$100	$300	$400	$(100)	-	-
Total Gross Margin[2]	**$7,800**	**$7,700**	**$7,700**	**-**	**$(150)**	**$(200)**

Recent Developments

- Executed $200M of Power New Business and $100M of Non-Power New Business in Q1
- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - Generation ~28-31% open in 2017
  - Power position ~5-8% behind ratable, considering cross-commodity hedges

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes Pepco Energy Services. See Slide 26 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages

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Financial Developments Since Q4 2015

Incremental Combined Company Tax Impacts[1]

	2017	2018	2019
EPS	$(0.00) - $(0.02)	$(0.06) - $(0.08)	$(0.00) - $(0.01)
Cash Flow	$50M-$100M	$200M-$300M	$400M-$500M
Consolidated Tax Rate	33%	34%	32%
Cash Tax Rate	5%	5%	10%

- ExGen earnings are lower as increased cash tax benefits reduce the Domestic Production Activities Deduction (DPAD) in 2018 but should normalize in 2019
- PHI increases cash flow by $700M-$850M for 2017-19 due to bonus depreciation and legacy NOLs
- Consolidated tax rate increases by as much as 200 bps through 2018 due to lower DPAD, but is expected to normalize to ~32% in 2019

ComEd ROE Sensitivity to Interest Rates[2]

	2017	2018	2019
ComEd EPS - 30 Year Treasury Rate			
+25 basis points	$0.01	$0.01	$0.01
-25 basis points	$(0.01)	$(0.01)	$(0.01)

- ComEd allowed ROEs are calculated at the 30-Year Treasury + 580 bps with every 25 bps move in the 30-Year impacting EPS by +/- $0.01

(1) Tax impacts are incremental to the standalone bonus depreciation impacts disclosed on the Q4 2015 earnings call for earnings in 2016: ($0.09), 2017: ($0.11), and 2018: ($0.06); and for cash in 2016: $625M, 2017: $675M, and 2018: $600M

(2) ComEd ROE based on 30 Year average Treasury yield of 2.67% as of 3/31/16

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Delivering Value to Shareholders Through a Defined Capital Allocation Policy

- Our **strong balance sheet** underpins our capital allocation policy
- Capital decisions are made to **maximize value to our customers and shareholders**
- We are **harvesting free cash flow** from Exelon Generation to:
  - First, **invest in utilities** where we can earn an appropriate return,
  - **Invest in contracted assets** where we can meet return thresholds, and/or
  - **Return capital** to shareholders by retiring debt, repurchasing our shares, or increasing our dividend
- We are **committed to maintaining an attractive dividend**(1), increasing the dividend by 2.5% annually through 2018

(1) Quarterly dividends are subject to declaration by the board of directors.

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Quarter over Quarter Disclosures

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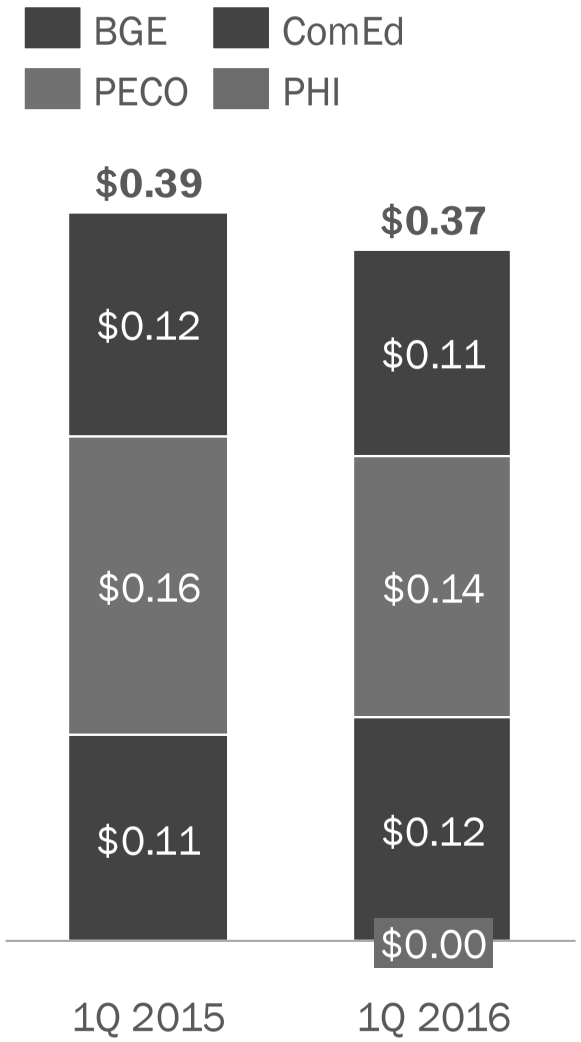
Exelon Utilities Adjusted Operating EPS Contribution[1]



Key Drivers – 1Q16[2] vs. 1Q15:

BGE (-0.01):

- Increased storm costs: ($0.01)

PECO (-0.02):

- Unfavorable weather (RNF): $(0.04)
- Increased electric distribution rates: $0.02

ComEd (+0.01):

- Unfavorable weather[3]: $(0.01)
- Increased distribution and transmission earnings due to increased capital investment[3]: $0.02

PHI (+0.00):

- PHI actual results from the period of March 24, 2016 to March 31, 2016 were not a significant driver: $(0.00)

Numbers may not add due to rounding.

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) There is a $(0.02) share differential impact spread across the utilities in Q1 2016.

(3) Due to the distribution formula rate, changes in ComEd's earnings are driven primarily by changes in 30-year U.S. Treasury rates (inclusive of ROE), rate base and capital structure in addition to weather, load and changes in customer mix.

SI-SSA-0015-02089

ExGen Adjusted Operating EPS Contribution[1]

Key Drivers – Q1 2016 vs. Q1 2015

ExGen (-0.01)

- Unfavorable RNF primarily due to lower realized energy prices in the Midwest, New York, and New England regions, partially offset by nuclear refueling outage timing, fewer non-refueling outage days, and increased capacity pricing: $(0.02)
- Higher depreciation costs primarily due to increased nuclear decommissioning amortization and ongoing capital expenditures: $(0.02)
- Other: $0.03

(excludes Salem)	Q1 2015 Actual	Q1 2016 Actual
Planned Refueling Outage Days	89	70
Non-refueling Outage Days	32	10
Nuclear Capacity Factor	92.7%	95.8%

Numbers may not add due to rounding

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS

SI-SSA-0015-02090

Exelon Generation Disclosures

March 31, 2016

SI-SSA-0015-02091

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Portfolio Management Strategy

Strategic Policy Alignment

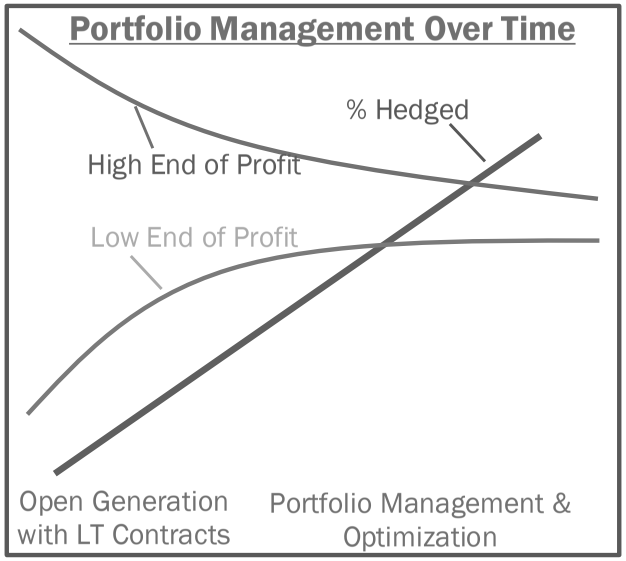
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

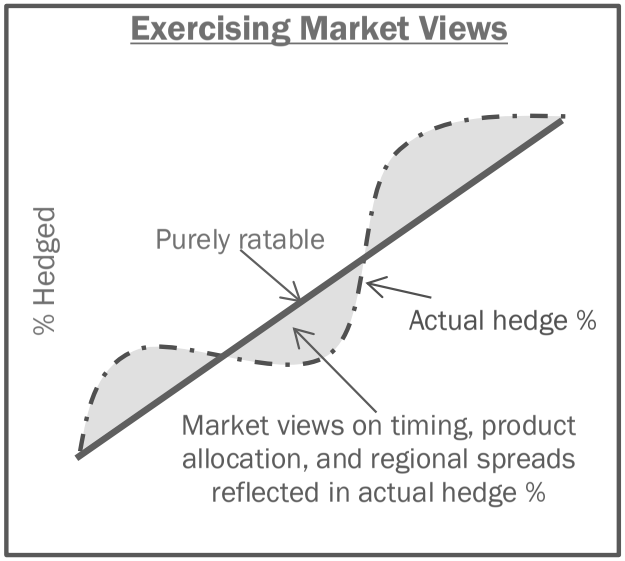
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Exploration and Production[4]
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Gross margin from other business activities

"Non-Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non-Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada regions will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02093

ExGen Disclosures

Gross Margin Category ($M)[1]	2016	2017	2018
Open Gross Margin (including South, West & Canada hedged GM)[3]	$4,450	$5,350	$5,800
Mark-to-Market of Hedges[3,4]	$2,650	$1,150	$400
Power New Business / To Go	$250	$750	$1,000
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin[2]	**$7,800**	**$7,700**	**$7,700**

Reference Prices[5]	2016	2017	2018
Henry Hub Natural Gas ($/MMbtu)	$2.19	$2.77	$2.87
Midwest: NiHub ATC prices ($/MWh)	$24.00	$27.10	$27.26
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$29.31	$33.59	$32.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.57	$4.28	$4.39
New York: NY Zone A ($/MWh)	$26.25	$33.23	$32.66
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$6.65	$8.65	$9.28

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes Pepco Energy Services. See Slide 26 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(5) Based on March 31, 2016 market conditions

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Generation and Hedges	2016	2017	2018
Exp. Gen (GWh)[1]	**200,100**	**205,400**	**206,600**
Midwest	97,700	96,300	96,700
Mid-Atlantic[2]	63,300	61,300	60,600
ERCOT	17,200	26,000	30,800
New York[2]	9,300	9,200	9,100
New England	12,600	12,600	9,400
% of Expected Generation Hedged[3]	**96%-99%**	**69%-72%**	**37%-40%**
Midwest	92%-95%	65%-68%	31%-34%
Mid-Atlantic[2]	105%-108%	77%-80%	45%-48%
ERCOT	95%-98%	73%-76%	39%-42%
New York[2]	91%-94%	64%-67%	52%-55%
New England	79%-82%	53%-56%	24%-27%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$34.00	$33.00	$31.50
Mid-Atlantic[2]	$45.50	$45.00	$41.00
ERCOT[5]	$11.50	$7.50	$4.00
New York[2]	$61.00	$50.50	$42.50
New England[5]	$27.50	$18.00	$9.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 12 refueling outages in 2016, 15 in 2017, and 14 in 2018 at Exelon-operated nuclear plants, and Salem. Expected generation assumes capacity factors of 94.1%, 93.4% and 93.7% in 2016, 2017 and 2018 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2017 and 2018 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years. (2) Excludes EDF's equity ownership share of CENG Joint Venture. (3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps. (4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges. (5) Spark spreads shown for ERCOT and New England.

SI-SSA-0015-02095

ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2016	2017	2018
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$20	$270	$570
- $1/Mmbtu	$60	$(300)	$(580)
NiHub ATC Energy Price			
+ $5/MWh	$35	$185	$350
- $5/MWh	$(30)	$(180)	$(345)
PJM-W ATC Energy Price			
+ $5/MWh	$(15)	$65	$160
- $5/MWh	$20	$(80)	$(165)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$15	$20
- $5/MWh	-	$(15)	$(20)
Nuclear Capacity Factor			
+/- 1%	+/- $25	+/- $35	+/- $35

(1) Based on March 31, 2016 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power prices sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture

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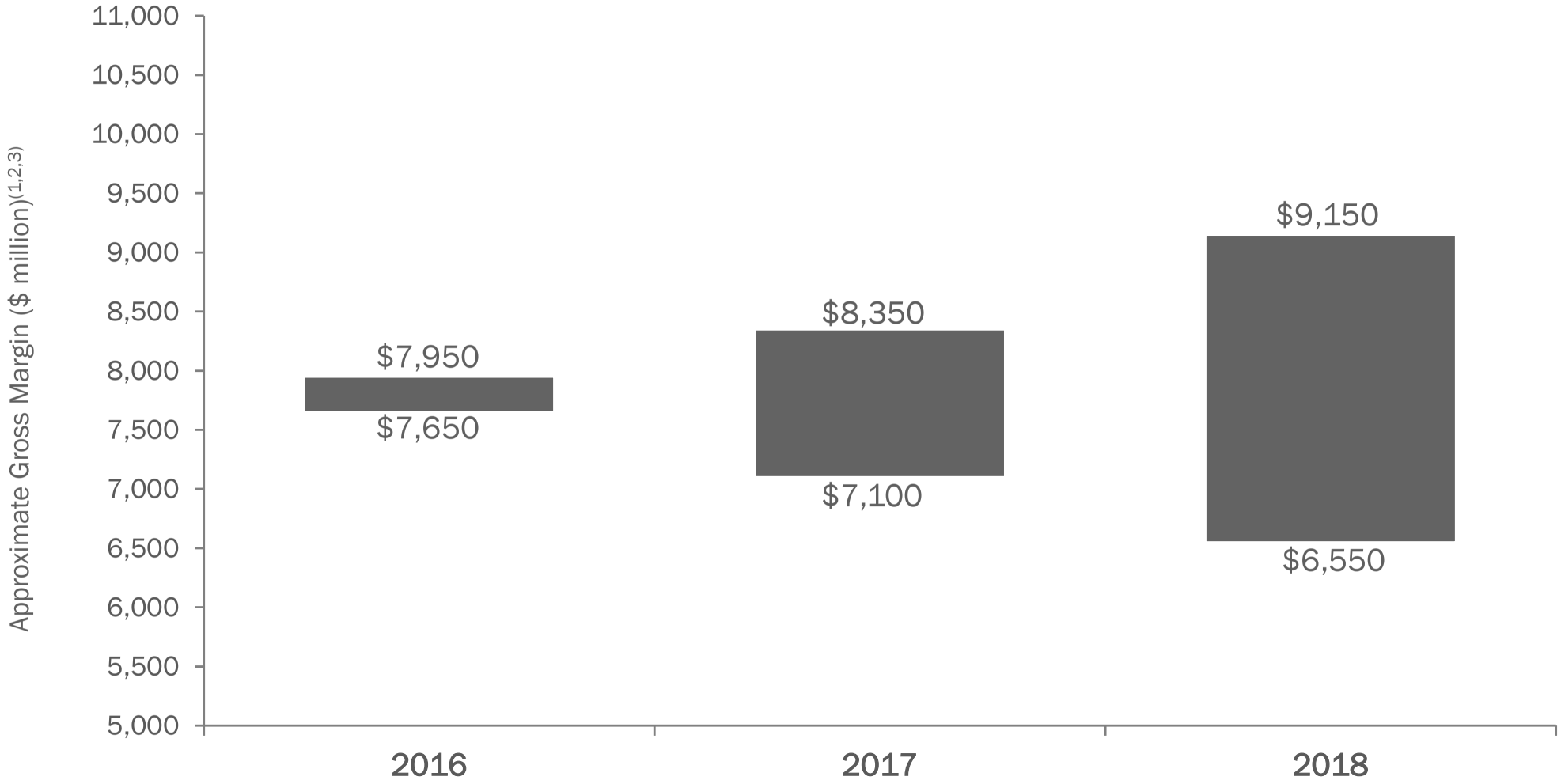
ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2017 and 2018 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2016

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes Pepco Energy Services. See Slide 26 for a Non-GAAP to GAAP reconciliation of Total Gross Margin. Excludes EDF's equity ownership share of the CENG Joint Venture.

SI-SSA-0015-02097

Illustrative Example of Modeling Exelon Generation 2017 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.35 billion →					
(B)	Expected Generation (TWh)	96.3	61.3	26.0	9.2	12.6	
(C)	Hedge % (assuming mid-point of range)	66.5%	78.5%	74.5%	65.5%	54.5%	
(D=B*C)	Hedged Volume (TWh)	64.0	48.1	19.4	6.0	6.9	
(E)	Effective Realized Energy Price ($/MWh)	$33.00	$45.00	$7.50	$50.50	$18.00	
(F)	Reference Price ($/MWh)	$27.10	$33.59	$4.28	$33.23	$8.65	
(G=E-F)	Difference ($/MWh)	$5.90	$11.41	$3.22	$17.27	$9.35	
(H=D*G)	Mark-to-market value of hedges ($ million)[1]	$380	$550	$60	$105	$65	
(I=A+H)	Hedged Gross Margin ($ million)	$6,500					
(J)	Power New Business / To Go ($ million)	$750					
(K)	Non-Power Margins Executed ($ million)	$150					
(L)	Non-Power New Business / To Go ($ million)	$300					
(N=I+J+K+L)	Total Gross Margin[2]	$7,700 million					

(1) Mark-to-market rounded to the nearest $5 million

(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes Pepco Energy Services. See Slide 26 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2016	2017	2018
Revenue Net of Purchased Power and Fuel Expense[2][3]	**$8,425**	**$8,325**	**$8,325**
Other Revenues[4]	$(325)	$(325)	$(325)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[5]	$(300)	$(300)	$(300)
Total Gross Margin (Non-GAAP, as shown on slide 11)	**$7,800**	**$7,700**	**$7,700**

Key ExGen Modeling Inputs (in $M)[1][6]	2016
Other Revenues (excluding Gross Receipts Tax)[4]	$200
O&M[7]	$(4,475)
Taxes Other Than Income (TOTI)[8]	$(350)
Depreciation & Amortization[9]	$(1,075)
Interest Expense	$(375)
Effective Tax Rate	**34.0%**

(1) All amounts rounded to the nearest $25M. Excludes Pepco Energy Services.
(2) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense. ExGen does not forecast the GAAP components of RNF separately. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the mark-to-market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices.
(4) Other revenues reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues.
(5) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation. Excludes Pepco Energy Services.
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture.
(7) ExGen adjusted O&M excludes direct cost of sales for certain Constellation business, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities. Refer to the Appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M
(8) TOTI excludes gross receipts tax of $125M
(9) Depreciation & Amortization excludes the cost of sales impact of ExGen's non-power businesses of $25M

SI-SSA-0015-02099

Illinois Nuclear Plant Details

Clinton	
Capacity	1,069 MW
Generation Output[2]	8,700 GWh
Start of Operations	1987
License Expiration	2026
Refueling Cycle	12 month
Commited to Run Through	May 31, 2017
Employees	~700

Quad Cities[1]	
Capacity	1,403 MW
Generation Output[2]	11,700 GWh
Start of Operations	1973
License Expiration	2032
Refueling Cycle (per unit)	24 month
Commited to Run Through	May 31, 2018
Employees	~800

(1) Capacity and generation output reflect proportionate ownership share

(2) 2015 actuals

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Additional Disclosures

SI-SSA-0015-02101

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Exelon Utilities Overview

Operating Statistics

Commonwealth Edison	
Customers:	3,800,000
Service Territory:	11,400 sq. miles
Peak Load:	23,753 MW
2015 Rate Base:	$10.6 bn

Potomac Electric Power	
Customers:	842,000
Service Territory:	640 sq. miles
Peak Load:	7,023 MW
2015 Rate Base:	$3.9 bn

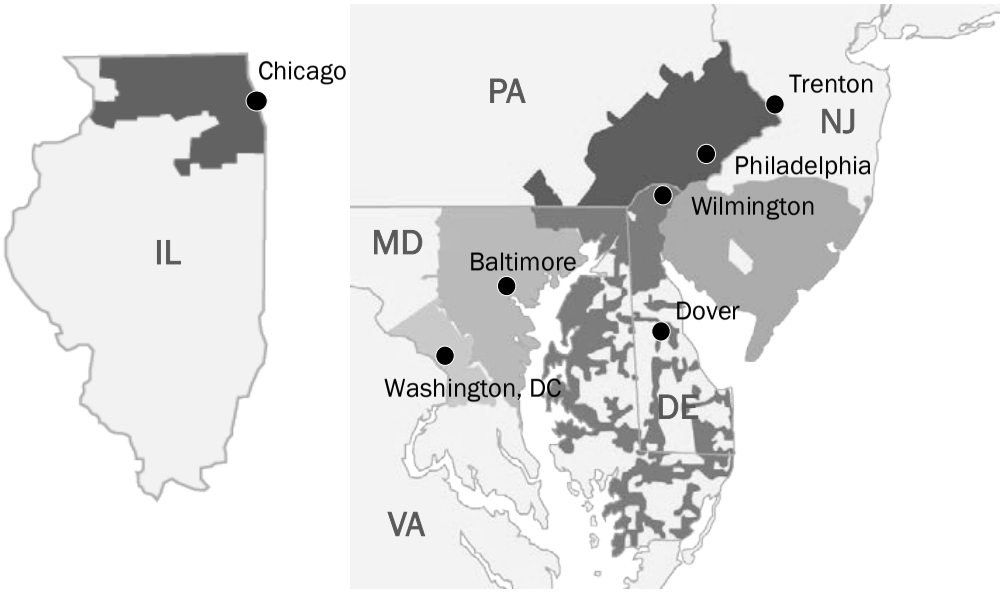
PECO Energy	
Customers:	2,100,000
Service Territory:	2,100 sq. miles
Peak Load:	8,983 MW
2015 Rate Base:	$6.0 bn

Atlantic City Electric	
Customers:	547,000
Service Territory:	2,700 sq. miles
Peak Load:	3,009 MW
2015 Rate Base:	$1.8 bn

Baltimore Gas and Electric	
Customers:	1,900,000
Service Territory:	2,300 sq. miles
Peak Load:	7,236 MW
2015 Rate Base:	$5.0 bn

Delmarva Power & Light	
Customers:	645,000
Service Territory:	5,000 sq. miles
Peak Load:	4,288 MW
2015 Rate Base:	$2.4 bn

Combined Service Territory



- Atlantic City Electric Service Territory
- Baltimore Gas and Electric Service Territory
- ComEd Service Territory
- Delmarva Power & Light Service Territory
- PECO Energy Service Territory
- Potomac Electric Power Service Territory

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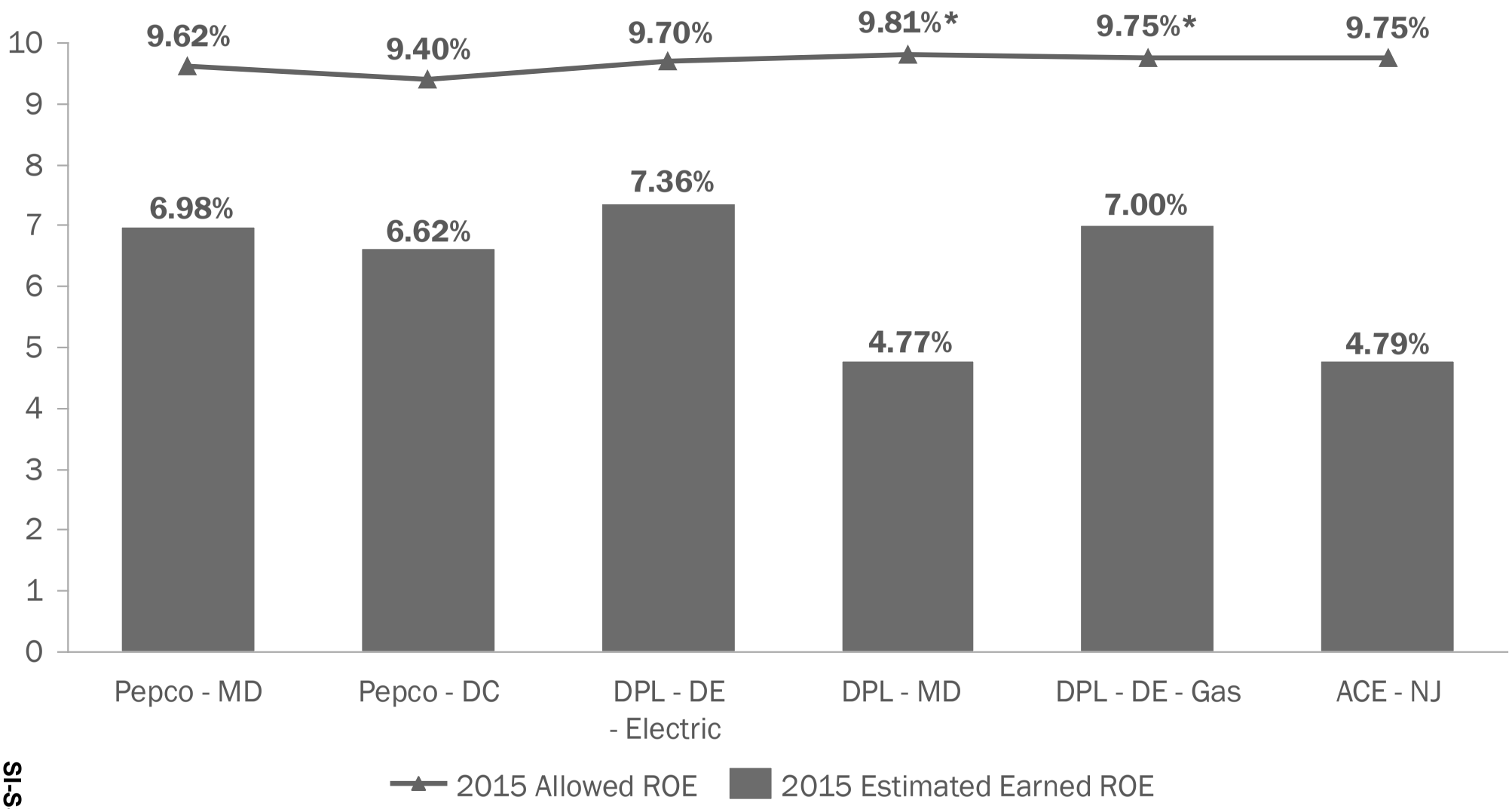
2015 Earned vs. Allowed ROE at PHI Utilities



Significant Opportunity for Earned ROE Improvement at PHI Utilities

* ROE for purposes of calculating AFUDC and regulatory asset carrying costs.

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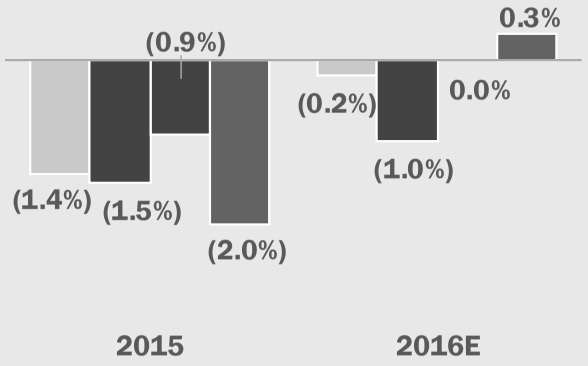
Exelon Utilities Load

All Customers | Residential | Small C&I | Large C&I

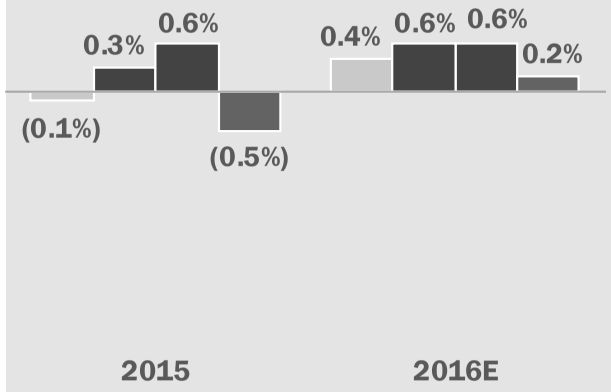
ComEd



Chicago GMP	1.5%
Chicago Unemployment	6.3%

2016 load is driven by impacts of energy efficiency partially offset by slowly improving economy

PECO



Philadelphia GMP	2.1%
Philadelphia Unemployment	4.5%

2016 load growth is driven by slowly improving economic conditions coupled with solid residential customer growth, partially offset by energy efficiency

BGE

Baltimore GMP	1.1%
Baltimore Unemployment	5.0%

2016 load growth is driven by the impacts of energy efficiency and a weaker economic outlook , partially offset by moderate customer growth

Notes: Data is weather normalized and not adjusted for leap year. Source of economic outlook data is IHS (March 2016). Assumes 2016 GDP of 2.3% and U.S. unemployment of 5.0%. ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. BGE amounts have been adjusted for prior quarter true-ups.

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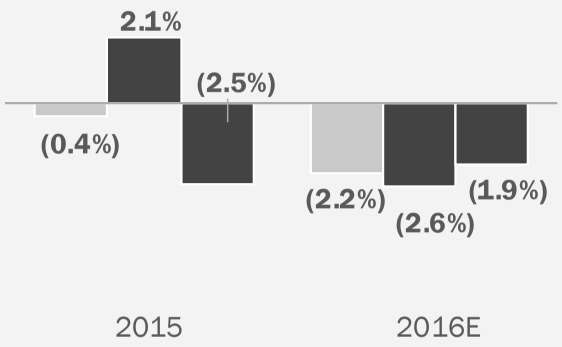
Exelon Utilities Load (cont'd)

All Customers | Residential | C&I

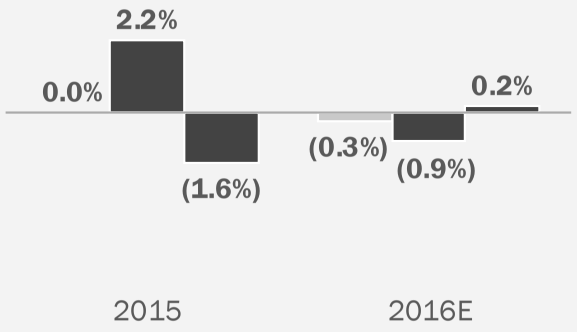
ACE



ACE GMP	**0.3%**
ACE Unemployment	**7.3%**

2016 load is driven by the impacts of energy efficiency and distributed energy partially offset by improving residential and commercial customer growth.

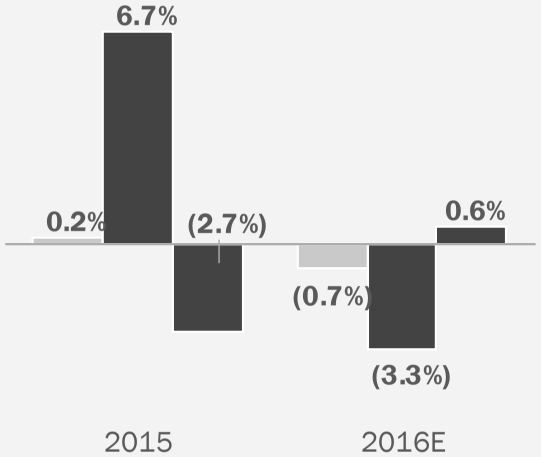
Delmarva



DPL GMP	**2.2%**
DPL Unemployment	**4.8%**

2016 load is driven by the impacts of energy efficiency and distributed energy partially offset by improved employment and residential, commercial & industrial customer growth.

Pepco



Pepco GMP	**2.2%**
Pepco Unemployment	**5.3%**

2016 load is driven by the impacts of energy efficiency and distributed energy partially offset by improved commercial usage and residential customer growth.

Notes: Data is weather normalized using 20-year historical average and not adjusted for leap year. Starting with 2Q16, PHI will be moving to 30-year historical average for weather normalization. Source of economic outlook data is IHS (March 2016). Assumes 2016 GDP of 2.3% and U.S. unemployment rate of 5.0%. Pepco and DPL MD are decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. ACE includes Atlantic City, Vineland and Ocean City MSAs (Metropolitan Statistical Area). DPL MSA includes Wilmington Division, Dover MSA and Salisbury MSA. Pepco MSA includes the city of Washington DC and Silver Spring/Frederick Division.

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PHI Jurisdiction Comparison

Rate Cases	District of Columbia	Maryland	Delaware	New Jersey
Partially Forecasted Test Year	Yes[1]	Yes	Yes	Yes
Required to update test year to actual	No	Yes	No	Yes
Timing for Rate Implementation	No statute; target to complete cases within 9 months of filing	Statute - 7 months; rates automatically go into effect subject to refund	Statute - 7 months; company files request to implement rates, subject to refund	Statute - 9 months; company files request to implement rates, subject to refund[2]
Time Restrictions on Initiating Subsequent Rate Filings	No	No	No	No
Staff Party to Case	No	Yes	Yes	Yes
Commissions				
Full Time/Part Time	Full-Time	Full-Time	Part-Time	Full-Time
Appointed/Elected	Appointed	Appointed	Appointed	Appointed
Length of Term	4 years	5 years	5 years	6 years
Commissioners[3]				
Name (Term Expiration)	**Betty Ann Kane (2018)** Joanne Doddy Fort (2016) Willie L. Phillips (2018)	**Kevin Hughes (2018)** Harold Williams (2017) Anne Hoskins (2016) Jeannette M. Mills (2019) Michael T. Richard (2020)	**Dallas Winslow (2020)** Joann Conaway (2020) Harold Gray (2020) Kim Drexler (2020) Manubhai Karia (2020)	**Richard S. Mroz (2021)** Diane Solomon (2018) Joseph L. Fiordaliso (2019) Mary-Anna Holden (2017) Upendra J. Chivukula (2019)

(1) The District of Columbia PSC allows rates to be developed using a partially forecasted test period. The Company is required to update the test period to actual within 180 days of the completion of the rate proceeding
(2) The statutory deadline for NJBPU decisions has not been successfully enforced by a utility; fully litigated cases can take 12 months or more for decision
(3) Chairperson denoted in bold

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BGE Electric and Gas Distribution Rate Case

	Electric	Gas
Docket #	**9406**	
Test Year	**December 2014- November 2015**	
Common Equity Ratio (1)	**53.7%**	
Requested ROE	**10.60%**	**10.50%**
Requested Rate of Return	**7.95%**	**7.90%**
Rate Base (adjusted)	**$3.0B**	**$1.2B**
Revenue Requirement Increase (1)	**$117.6M**	**$79.1M**
Proposed Distribution Increase as % of overall bill	**~3%**	**~9%**
Notes	• 11/06/15 BGE filed application with the MDPSC seeking increases in electric & gas distribution base rates; request was subsequently revised in Q1 to reflect impact of additional actual data • $141M or ~72% of the total $197M distribution rate increase is for recovery of Smart Grid investment • Requested incremental conduit fees of $31M be recovered through a rider • 210 Day Proceeding • June 2016 - PSC order expected • New rates are in effect shortly after the final order	

(1) Based on the 12 months ended 11/30/2015.

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ComEd April 2016 Distribution Formula Rate

The 2016 distribution formula rate filing established the net revenue requirement used to set the rates that will take effect in January 2017 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2015 costs and 2016 projected plant additions.
- Annual Reconciliation: For 2015, this amount reconciles the revenue requirement reflected in rates in effect during 2015 to the actual costs for that year. The annual reconciliation impacts cash flow in 2017 but the earnings impact has been recorded in 2015 as a regulatory asset.

Docket #	16-0259
Filing Year	**2015 Calendar Year Actual Costs and 2016 Projected Net Plant Additions** are used to set the rates for calendar year 2017. Rates currently in effect (docket 15-0287) for calendar year 2016 were based on 2014 actual costs and 2015 projected net plant additions
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2015 to 2015 Actual Costs Incurred.** Revenue requirement for 2015 is based on docket 14-0312 (2013 actual costs and 2014 projected net plant additions) approved in December 2014.
Common Equity Ratio	**~ 46%** for both the filing and reconciliation year
ROE	**8.64%** for the filing year (2015 30-yr Treasury Yield of 2.84% + 580 basis point risk premium) and **8.59%** for the reconciliation year (2015 30-yr Treasury Yield of 2.79% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2016 and 2017, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~ 7%** for both the filing and reconciliation years
Rate Base	**$8,830 million–** Filing year (represents projected year-end rate base using 2015 actual plus 2016 projected capital additions). 2016 and 2017 earnings will reflect 2016 and 2017 year-end rate base respectively. $7,780 million - Reconciliation year (represents year-end rate base for 2015)
Revenue Requirement Increase	**$138M increase** ($1M decrease due to the 2015 reconciliation and collar adjustment offset by a $139M increase related to the filing year). The 2015 reconciliation impact on net income was recorded in 2015 as a regulatory asset.
Timeline	• 04/13/16 Filing Date • 240 Day Proceeding

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

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ACE Electric Distribution Rate Case

Docket #	ER16030252
Test Year	2015 Calendar Year
Test Period	Partially Forecasted Test Period (9 months actual & 3 months forecasted)
Requested Common Equity Ratio	49.5%
Requested Rate of Return	ROE: 10.60%; ROR: 8.06%
Proposed Rate Base	$1.4B
Requested Revenue Requirement Increase	$84.4M
Residential Total Bill % Increase	6.3%
Notes	• 3/22/16 ACE filed application with the NJBPU seeking increase in electric distribution base rates • 12 month forward looking reliability and other plant additions from January 2016 through December 2016 ($15.2M of revenue) included in revenue requirement request • PowerAhead Program to fund accelerated investments in grid resiliency, incremental to the five year capital plan (not included in revenue requirement request): Capital $176 million (Distribution Line Hardening $108 million; Storm Response $35 million; and Other Programs $33 million) • 9 month statutory deadline for NJBPU decisions has not been successfully enforced by a utility; fully litigated cases can take 12 months or more for decision • NJBPU order expected first half of 2017

SI-SSA-0015-02109

Pepco MD Electric Distribution Rate Case

Docket #	9418
Test Year	2015 Calendar Year
Test Period	Partially Forecasted Test Period (9 months actual & 3 months forecasted)
Requested Common Equity Ratio	49.6%
Requested Rate of Return	ROE: 10.60%; ROR: 8.01%
Proposed Rate Base	$1.8B
Requested Revenue Requirement Increase	$126.8M
Residential Total Bill % Increase	10.4%
Notes	• 4/19/16 Pepco MD filed application with the MDPSC seeking increase in electric distribution base rates • Size of ask is driven by 2 years of capital investment, recovery of AMI investments and new depreciation rates. • 12 month forward looking reliability and other plant additions from January 2016 through December 2016 ($20.7M of revenue); included in revenue requirement request • Extension of the Grid Resiliency Program to fund accelerated investments in grid resiliency, incremental to the capital plan (not included in revenue requirement request) • Capital $31.6 million (Feeder Work $24.0 million and Reclosing Devices $7.6 million) in 2017-2018 • 7 Month Proceeding • Q42016 - PSC order expected • New rates are in effect shortly after the final order

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02111

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1Q 2015 YTD GAAP EPS Reconciliation

Three Months Ended March 31, 2015	ExGen	ComEd	PECO	BGE	Other	Exelon
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.35**	**$0.11**	**$0.16**	**$0.12**	**$(0.03)**	**$0.71**
Mark-to-market impact of economic hedging activities	(0.11)	-	-	-	-	(0.11)
Unrealized gains related to NDT fund investments	0.03	-	-	-	-	0.03
Merger and integration costs	(0.01)	-	-	-	(0.01)	(0.02)
Mark-to-market impact of PHI merger related interest swaps	-	-	-	-	(0.06)	(0.06)
Amortization of commodity contract intangibles	0.03	-	-	-	-	0.03
Midwest Generation bankruptcy recoveries	0.01	-	-	-	-	0.01
CENG non-controlling interest	(0.01)	-	-	-	-	(0.01)
1Q 2015 GAAP Earnings Per Share	**$0.51**	**$0.11**	**$0.16**	**$0.12**	**($0.10)**	**$0.80**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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1Q 2016 YTD GAAP EPS Reconciliation (continued)

Three Months Ended March 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.34**	**$0.12**	**$0.14**	**$0.11**	**$0.00**	**$(0.02)**	**$0.68**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	-	0.07
Unrealized gains related to NDT fund investments	0.03	-	-	-	-	-	0.03
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	(0.01)	0.01	-	-	(0.04)	(0.05)	(0.08)
Merger commitments	-	-	-	-	(0.30)	(0.12)	(0.42)
Long-lived asset impairment	(0.08)	-	-	-	-	-	(0.08)
Reassessment of state deferred income taxes	(0.01)	-	-	-	-	0.01	-
Cost management program	(0.01)	-	-	-	-	-	(0.02)
CENG non-controlling interest	(0.01)	-	-	-	-	-	(0.01)
1Q 2016 GAAP Earnings (Loss) Per Share	**$0.33**	**$0.13**	**$0.14**	**$0.11**	**$(0.34)**	**$(0.18)**	**$0.18**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02113

Exelon

GAAP to Operating Adjustments

- **Exelon's Q1 2016 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014
  - Certain costs incurred associated with PHI acquisition
  - Merger commitments related to settlement of PHI acquisition
  - Impairment of certain upstream assets
  - Non-cash impact of the remeasurement of state deferred income taxes, primarily as a result of PHI acquisition
  - Costs incurred related to cost management initiatives
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-02114

Earnings Conference Call
1st Quarter 2017

May 3, 2017

Exelon®

SI-SSA-0015-02115

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's First Quarter 2017 Quarterly Report on Form 10-Q (to be filed on May 3, 2017) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02116

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** or ***free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by simple equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02117

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

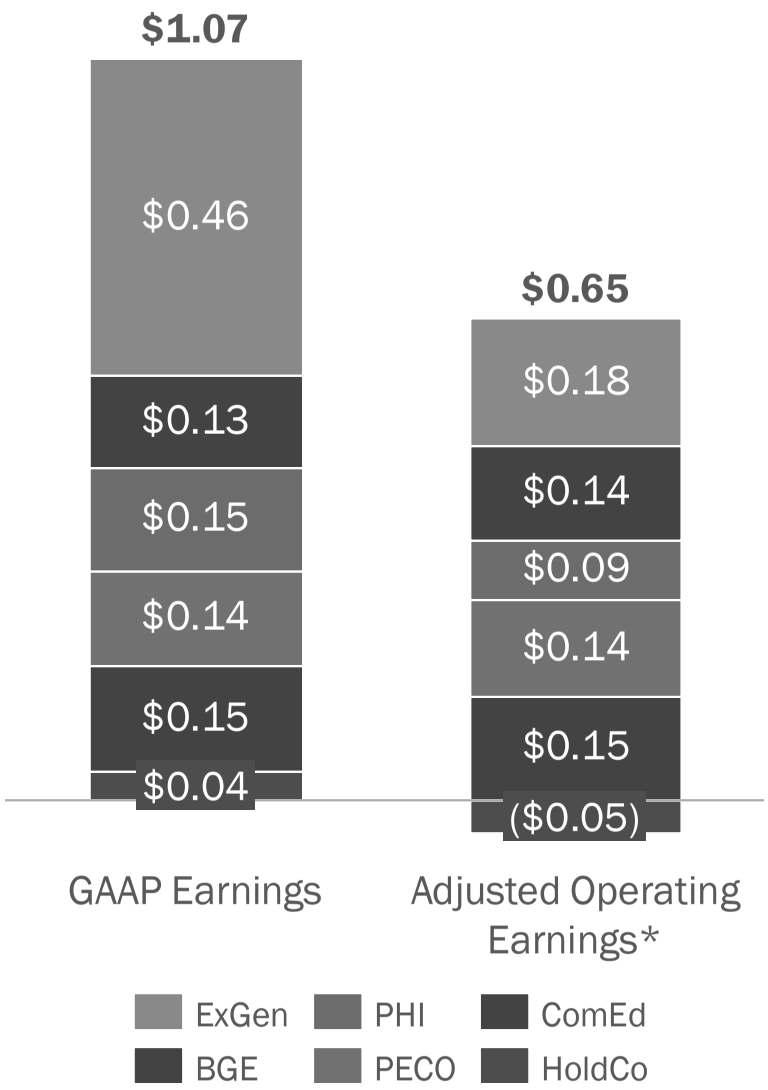
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 27 of this presentation.

SI-SSA-0015-02118

Strong 1st Quarter Results

Q1 2017 EPS Results



- GAAP earnings were $1.07/share in Q1 2017 vs. $0.19/share in Q1 2016
- Adjusted operating earnings* were $0.65/share in Q1 2017 vs. $0.68/share in Q1 2016, at the top of our guidance range of $0.55-$0.65/share

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

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Best in Class Operations

Exelon Utilities Operational Metrics

Operations	Metric	Q1 2017			
		BGE	PECO	ComEd	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)(1)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations	

- PHI Service Level represents best on record
- PECO Customer Satisfaction on track for best year ever
- BGE is experiencing their best ever CAIDI and SAIFI performance

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Q1 Nuclear Capacity Factor: 94.0%
  - Q1 average refueling outage duration of 26 days versus industry average of 36 days(2)
  - Shortest refueling outage duration record set for Calvert Cliffs 2
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.7%
  - Power dispatch match: 99.1%

(1) 2.5 Beta SAIFI is YE projection
(2) 2016 industry average

Q1	Q2
Q3	Q4

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SI-SSA-0015-02120

Update on Key Ongoing Items

New York ZEC Legal Challenges

- Hearings on motion to dismiss held on March 29
- Currently awaiting decision; no defined timeline
- Outcome on motion to dismiss will determine next steps
- ZEC program went effective on April 1, 2017

IL ZEC Legal Challenges

- Plaintiffs filed for a preliminary injunction on March 31
- Motion to dismiss filed April 10
- Preliminary injunction held by judge while he receives full briefing on motion to dismiss
- Plaintiffs filed their responses on April 24 and defendant replies are due on or before May 15
- Judge will inform parties of his intentions on May 22
- The Illinois law becomes effective on June 1, 2017

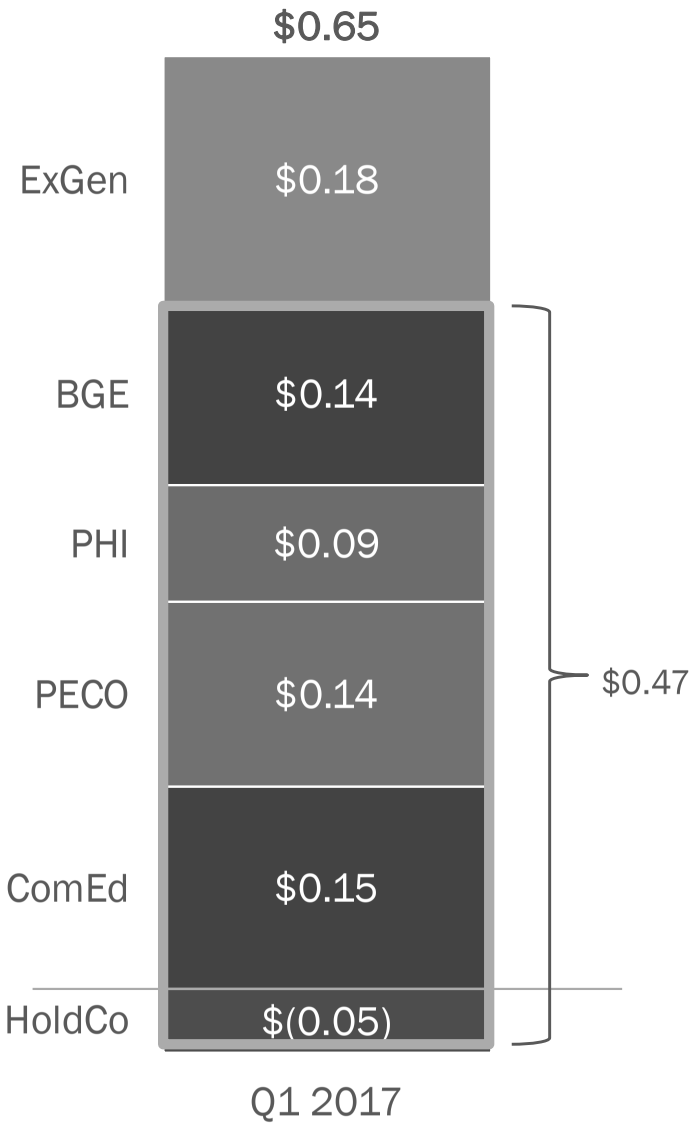
Capacity Market Update

- Transition to 100% Capacity Performance could lead to more responsible bidding
- Tightening of CETL numbers for ComEd and EMAAC LDAs could signal a more constrained market
- Lower PJM demand forecast and higher new build risk are potential headwinds to clearing prices

SI-SSA-0015-02121

1st Quarter Adjusted Operating Earnings* Drivers

Q1 2017 Adjusted Operating EPS* Results



Q1 2017 vs. Guidance of $0.55 - $0.65

Exelon Utilities

- ⬆ Timing of O&M
- ⬇ Unfavorable weather

Exelon Generation

- ⬆ Generation performance
- ⬆ Timing of O&M

Note: Amounts may not sum due to rounding

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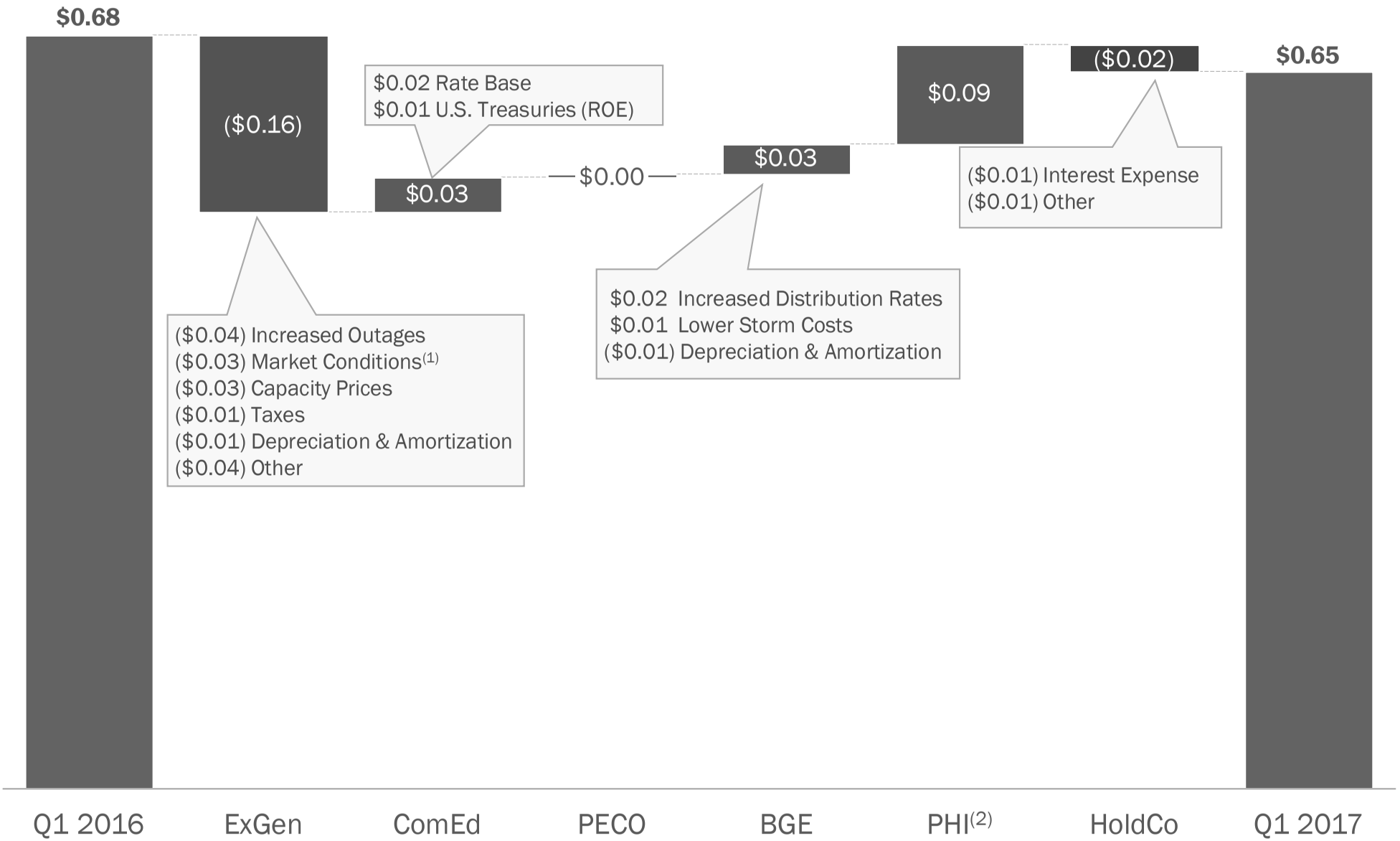
Q1 Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impact of declining natural gas prices on Generation's natural gas portfolio and lower realized energy prices as well as the favorable impact of the Ginna Reliability Support Services Agreement in 2017

(2) PHI reflects full quarter of earnings in 2017 versus 8 days of earnings from March 23, 2016 through March 31, 2016

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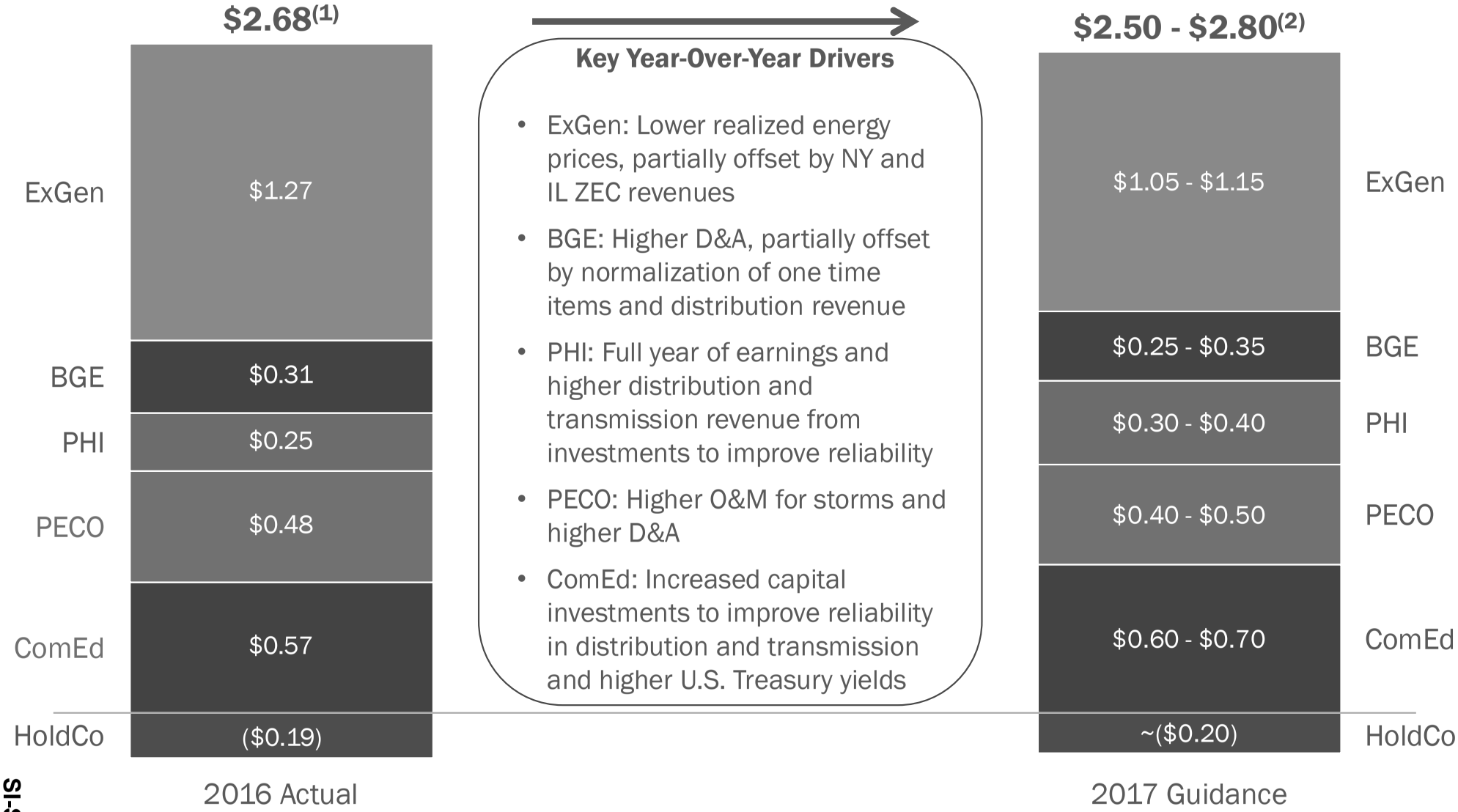
SI-SSA-0015-02123

Reaffirming 2017 Adjusted Operating Earnings* Guidance



Key Year-Over-Year Drivers

- ExGen: Lower realized energy prices, partially offset by NY and IL ZEC revenues
- BGE: Higher D&A, partially offset by normalization of one time items and distribution revenue
- PHI: Full year of earnings and higher distribution and transmission revenue from investments to improve reliability
- PECO: Higher O&M for storms and higher D&A
- ComEd: Increased capital investments to improve reliability in distribution and transmission and higher U.S. Treasury yields

Expect Q2 2017 Adjusted Operating Earnings* of $0.45 - $0.55 per share

(1) 2016 results based on 2016 average outstanding shares of 927M
(2) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.

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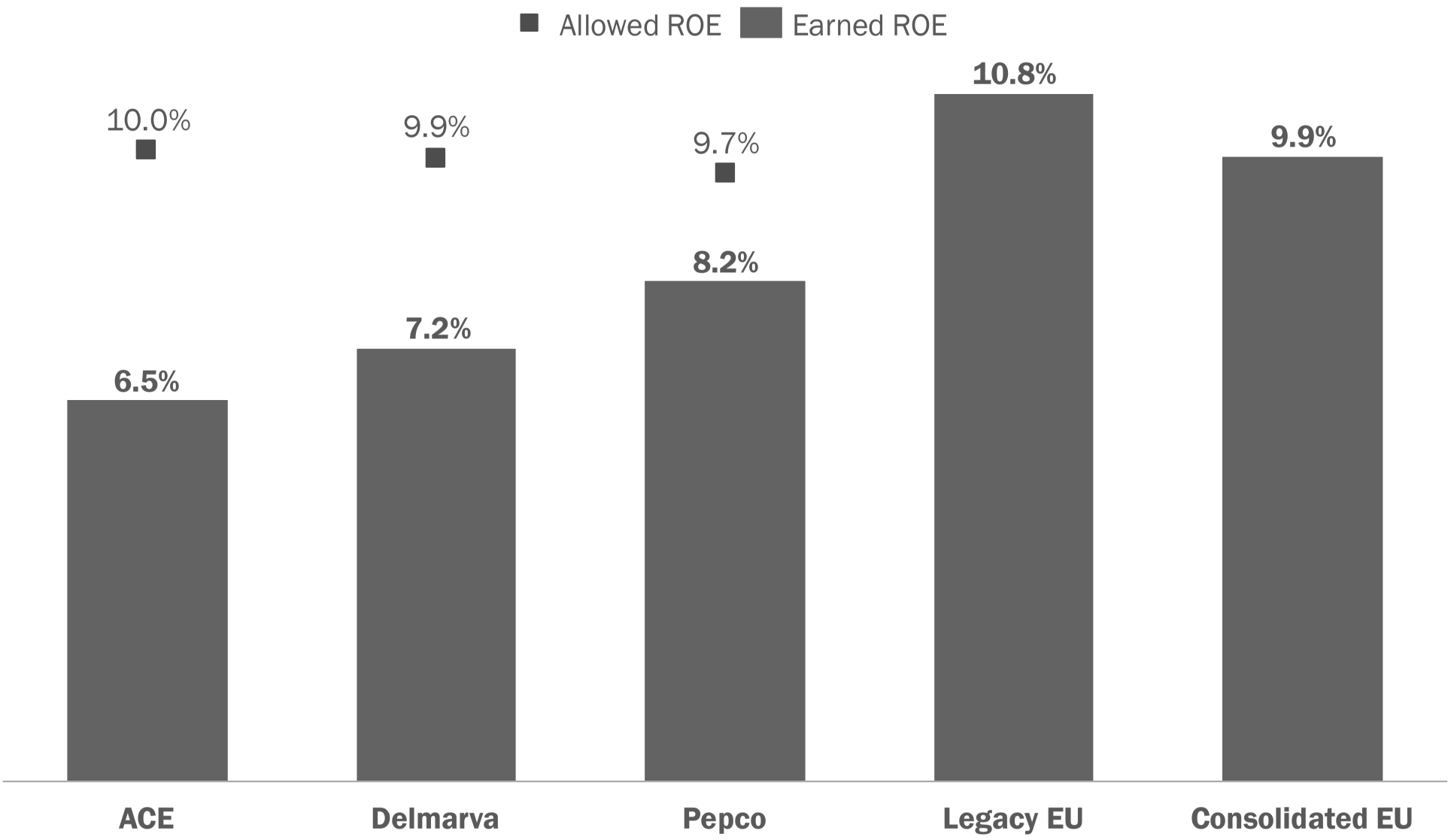
SI-SSA-0015-02124

Trailing 12 Month ROE vs Allowed ROE

Twelve Month Trailing Earned ROEs*



Note: Represents the period from 3/31/16 to 3/31/17 and reflects all lines of business (Electric Distribution, Gas Distribution, and Transmission)

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SI-SSA-0015-02125

Exelon Utilities Distribution Rate Case Summary

Delmarva MD Order	
Authorized Revenue Requirement Increase[1]	$38.3M
Authorized ROE	9.60%
Common Equity Ratio	49.10%
Order Received	2/15/17

Pepco MD Filing	
Requested Revenue Requirement Increase[1]	$68.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.15%
Order Expected	Q4 2017

Delmarva DE Electric Filing	
Revenue Requirement Increase (per pending settlement)[1]	$31.5M
ROE (per pending settlement)	9.70%
Common Equity Ratio	49.44%
Order Expected	Q2 2017

ACE Filing	
Requested Revenue Requirement Increase[1]	$70.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.14%
Order Expected	Q1 2018

Delmarva DE Gas Filing	
Revenue Requirement Increase (per pending settlement)[1]	$4.9M
ROE (per pending settlement)	9.70%
Common Equity Ratio	49.44%
Order Expected	Q2 2017

ComEd Filing	
Requested Revenue Requirement Increase[1]	$96.3M
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

Pepco DC Filing	
Requested Revenue Requirement Increase[1]	$76.8M
Requested ROE	10.60%
Requested Common Equity Ratio	49.14%
Order Expected	7/25/17

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings

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SI-SSA-0015-02126

Exelon Generation: Gross Margin Update

	March 31, 2017			Change from Dec 31, 2016		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2] (including South, West, Canada hedged gross margin)	$3,850	$4,150	$3,950	$(250)	$(50)	$(100)
Capacity and ZEC Revenues[2]	$1,850	$2,250	$2,050	-	-	-
Mark-to-Market of Hedges[2,3]	$1,600	$500	$400	$400	$50	$50
Power New Business / To Go	$400	$850	$950	$(150)	$(50)	-
Non-Power Margins Executed	$250	$150	$100	$50	$50	$50
Non-Power New Business / To Go	$200	$350	$400	$(50)	$(50)	$(50)
Total Gross Margin*[4,5]	**$8,150**	**$8,250**	**$7,850**	**-**	**$(50)**	**$(50)**

Recent Developments

- Executed $150M and $50M of Power New Business in 2017 and 2018, respectively
- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - ~12-15% behind ratable in 2018

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on March 31, 2017, market conditions
5) Reflects Oyster Creek retirement in December 2019

SI-SSA-0015-02127

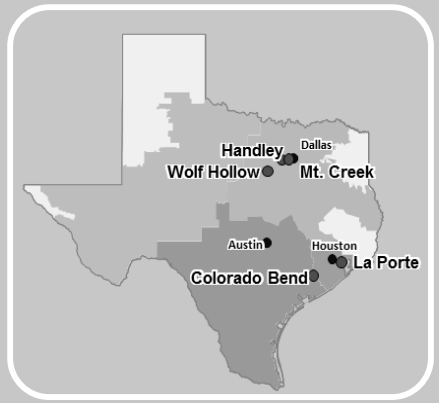
Summary of Recent Key Transactions

Exelon Generation Renewables JV

- $400M of pre-tax proceeds from Hancock, representing an EV/EBITDA multiple greater than 10x
- 1,296 MW of renewable generation capacity
- Option to drop additional projects into the JV
- Proceeds will be used to accelerate debt reduction strategy

FitzPatrick Nuclear Station

- Acquisition completed on March 31, 2017
- Adds 838 MW of nuclear capacity to the portfolio
- Part of NY ZEC Program and started realizing benefit of ZEC payments on April 1, 2017



ExGen Texas Power

- 3,476 MW ERCOT conventional power portfolio consisting of CCGTs and Simple Cycles
- Plants economically challenged due to downturn in ERCOT power prices
- Reached agreement with lenders to pursue a potential sale of the assets

Mystic 8 & 9

- No longer pursuing sale of assets
- No impact to our commitments on Debt/EBITDA and debt reduction

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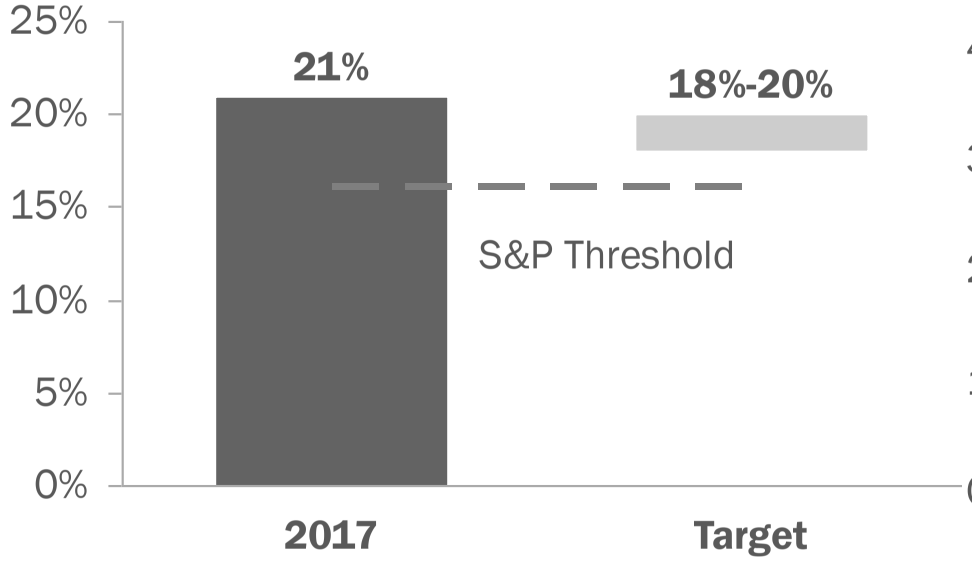
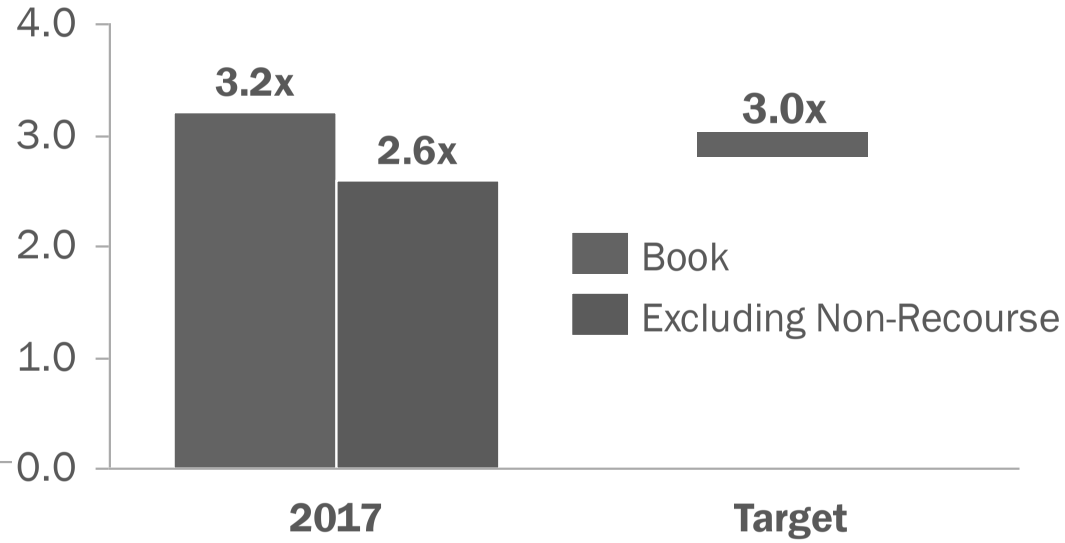
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A2	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of March 31, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Moody's has ComEd on "Positive" outlook. All other ratings have "Stable" outlook.
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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Additional Disclosures

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2017 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[9]	Exelon 2017E	Cash Balance
Beginning Cash Balance*[2]									**1,050**
Adjusted Cash Flow from Operations*[3]	725	725	725	1,225	3,425	3,525	125	7,075	
Base CapEx and Nuclear Fuel[4]	0	0	0	0	0	(2,050)	(50)	(2,125)	
Free Cash Flow*	**725**	**725**	**725**	**1,225**	**3,425**	**1,475**	**50**	**4,950**	
Debt Issuances	0	1,000	325	200	1,525	750	1,150	3,425	
Debt Retirements	(50)	(425)	0	(150)	(625)	(700)	(1,700)	(3,025)	
Project Financing	n/a	n/a	n/a	n/a	n/a	275	n/a	275	
Equity Issuance/Share Buyback	0	0	0	0	0	0	1,150	1,150	
Contribution from Parent	150	650	0	775	1,575	0	(1,575)	0	
Other Financing[5]	275	625	150	(375)	650	350	375	1,375	
Financing*[6]	**375**	**1,850**	**475**	**450**	**3,150**	**675**	**(625)**	**3,200**	
Total Free Cash Flow and Financing	**1,125**	**2,575**	**1,200**	**1,650**	**6,550**	**2,150**	**(550)**	**8,150**	
Utility Investment	(925)	(2,200)	(775)	(1,375)	(5,250)	0	0	(5,250)	
ExGen Growth[4,7]	0	0	0	0	0	(850)	0	(850)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(50)	0	(50)	
Dividend[8]	0	0	0	0	0	0	(1,225)	(1,225)	
Other CapEx and Dividend	**(925)**	**(2,200)**	**(775)**	**(1,375)**	**(5,250)**	**(925)**	**(1,225)**	**(7,425)**	
Total Cash Flow	**200**	**400**	**450**	**275**	**1,300**	**1,225**	**(1,800)**	**725**	
Ending Cash Balance*[2]									**1,775**

(1) All amounts rounded to the nearest $25M. Figures may not sum due to rounding.
(2) Gross of posted counterparty collateral
(3) Excludes counterparty collateral activity
(4) Figures reflect cash CapEx and CENG fleet at 100%
(5) Other Financing includes expected changes in short-term debt, money pool borrowings, tax sharing from the parent, debt issue costs, CENG borrowing from Sumitomo, tax equity cash flows, capital leases, proceeds from ExGen Renewables JV, and CENG tax distributions to EDF
(6) Financing cash flow excludes intercompany dividends and other intercompany financing activities
(7) ExGen Growth CapEx primarily includes Texas CCGTs, West Medway, AGE, Nuclear Uprates, and Retail Solar
(8) Dividends are subject to declaration by the Board of Directors
(9) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $5.0B of free cash flow* before growth, including $1.5B at ExGen and $3.4B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ Plan to issue $1.5B of long-term debt at the utilities to support continued growth
- ✓ Retiring $700M debt to begin strategy of de-levering ExGen

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $6.1B, with $5.3B at the Utilities and $0.9B at ExGen

SI-SSA-0015-02132

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Exelon Generation Disclosures

March 31, 2017

SI-SSA-0015-02133

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Portfolio Management Strategy

Strategic Policy Alignment

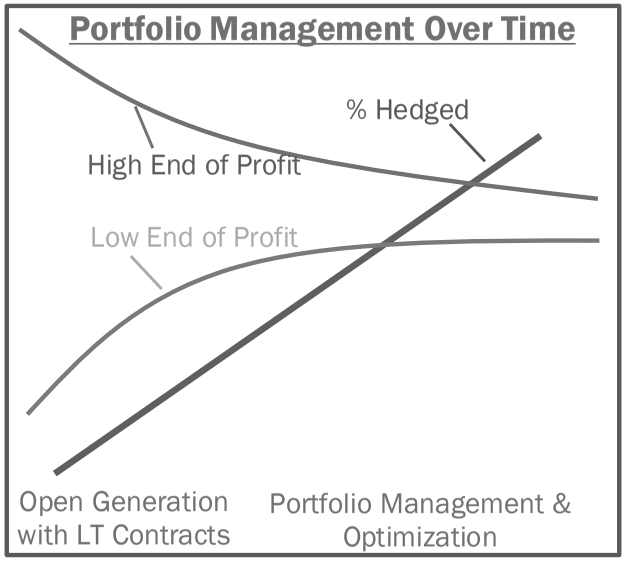
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

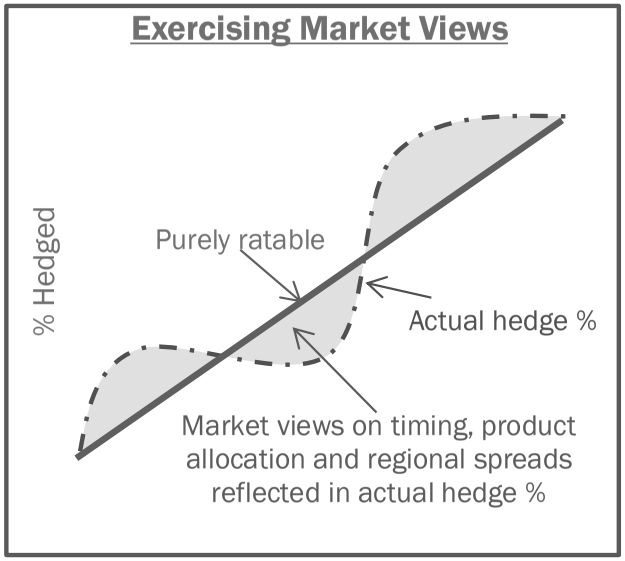
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
4) Gross margin for these businesses are net of direct "cost of sales"
5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02135

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2]	$3,850	$4,150	$3,950
Capacity and ZEC Revenues[2]	$1,850	$2,250	$2,050
Mark-to-Market of Hedges[2,3]	$1,600	$500	$400
Power New Business / To Go	$400	$850	$950
Non-Power Margins Executed	$250	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[5]	**$8,150**	**$8,250**	**$7,850**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMbtu)	$3.31	$3.03	$2.83
Midwest: NiHub ATC prices ($/MWh)	$27.72	$27.82	$26.39
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$31.10	$32.07	$30.21
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$0.66	$1.66	$1.95
New York: NY Zone A ($/MWh)	$27.15	$29.40	$28.38
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.91	$5.12	$6.01

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on March 31, 2017, market conditions
5) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

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SI-SSA-0015-02136

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**203,400**	**208,700**	**212,200**
Midwest	95,700	96,000	97,000
Mid-Atlantic[2,6]	60,300	60,400	60,100
ERCOT	21,000	28,500	29,500
New York[2]	14,600	15,400	16,600
New England	11,800	8,400	9,000
% of Expected Generation Hedged[3]	97%-100%	60%-63%	30%-33%
Midwest	94%-97%	55%-58%	27%-30%
Mid-Atlantic[2,6]	105%-108%	71%-74%	35%-38%
ERCOT	91%-94%	62%-65%	26%-29%
New York[2]	91%-94%	46%-49%	35%-38%
New England	99%-102%	68%-71%	36%-39%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$32.00	$30.00	$29.50
Mid-Atlantic[2,6]	$42.50	$38.00	$41.00
ERCOT[5]	$8.00	$4.50	$3.00
New York[2]	$40.50	$39.00	$30.50
New England[5]	$18.50	$4.50	$4.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 12 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.3% and 94.5% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

SI-SSA-0015-02137

ExGen Hedged Gross Margin* Sensitivities

Gross Margin Sensitivities (with Existing Hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$15	$285	$520
- $1/Mmbtu	$60	$(270)	$(490)
NiHub ATC Energy Price			
+ $5/MWh	$10	$200	$335
- $5/MWh	$(10)	$(200)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	$(15)	$85	$195
- $5/MWh	$25	$(95)	$(185)
NYPP Zone A ATC Energy Price			
+ $5/MWh	$10	$45	$50
- $5/MWh	$(5)	$(40)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $40	+/- $35

(1) Based on March 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture.

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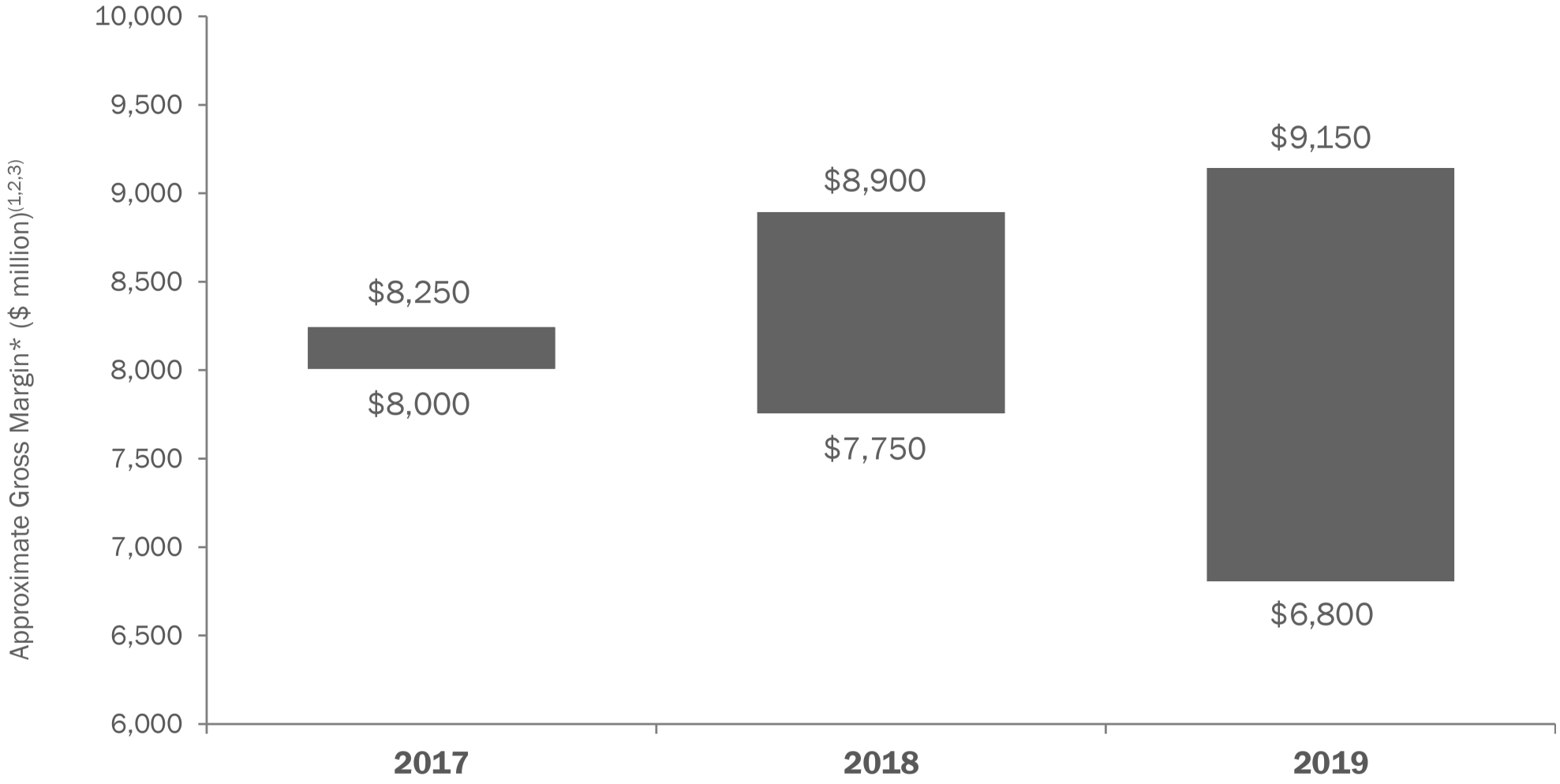
SI-SSA-0015-02138

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2017.

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

SI-SSA-0015-02139

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.15 billion →					
(B)	Capacity and ZEC	← $2.25 billion →					
(C)	Expected Generation (TWh)	96.0	60.4	28.5	15.4	8.4	
(D)	Hedge % (assuming mid-point of range)	56.5%	72.5%	63.5%	47.5%	69.5%	
(E=C*D)	Hedged Volume (TWh)	54.2	43.8	18.1	7.3	5.8	
(F)	Effective Realized Energy Price ($/MWh)	$30.00	$38.00	$4.50	$39.00	$4.50	
(G)	Reference Price ($/MWh)	$27.82	$32.07	$1.66	$29.40	$5.12	
(H=F-G)	Difference ($/MWh)	$2.18	$5.93	$2.84	$9.60	($0.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$120	$260	$50	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,900					
(K)	Power New Business / To Go ($ million)	$850					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	Total Gross Margin*	$8,250 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-02140

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,725**	**$8,875**	**$8,450**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(200)	$(225)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[5]	$(425)	$(400)	$(400)
Total Gross Margin* (Non-GAAP)	**$8,150**	**$8,250**	**$7,850**

Key ExGen Modeling Inputs (in $M)[1,6]	2017
Other[7]	$175
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[8]	$(375)
Depreciation & Amortization[9]	$(1,125)
Interest Expense[10]	$(425)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) Reflects the cost of sales of certain Constellation and Power businesses
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(8) TOTI excludes gross receipts tax of $100M
(9) Excludes P&L neutral decommissioning depreciation
(10) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants going into service in May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

SI-SSA-0015-02141

Exelon Utilities Rate Case Filing Summaries

SI-SSA-0015-02142

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Exelon Utilities Distribution Rate Case Schedule

	3/17	4/17	5/17	6/17	7/17	8/17	9/17
ComEd Electric Distribution Formula Rate		2017 FRU Filing April 13			Rebuttal Testimony Mid-July		
Pepco Electric Distribution Rates - DC	Evidentiary Hearings Mar 15-21	Final Reply Briefs April 24			Commission Order Expected July 25		
Delmarva Electric Distribution Rates - DE	Settlement Filed Mar 8						
Delmarva Gas Distribution Rates - DE		Settlement Filed April 6					
Pepco Electric Distribution Rates - MD	Rate Case Filed Mar 24			Intervenor Direct Testimony June 30		Rebuttal Testimony Aug 1	Evidentiary Hearings Sep 5-15
ACE Electric Distribution Rates - NJ	Rate Case Filed Mar 30						

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, DC Public Service Commission and Delaware Public Service Commission and are subject to change

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SI-SSA-0015-02143

ComEd April 2017 Distribution Formula Rate

The 2017 distribution formula rate filing established the net revenue requirement used to set the rates that took effect in January 2018 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2016 costs and 2017 projected plant additions
- Annual Reconciliation: For 2016, this amount reconciles the revenue requirement reflected in rates in effect during 2016 to the actual costs for that year. The annual reconciliation impacts cash flow in 2018 but the earnings impact has been recorded in 2016 as a regulatory asset.

Docket #	**17-0196**
Filing Year	**2016 Calendar Year Actual Costs and 2017 Projected Net Plant Additions** are used to set the rates for calendar year 2018. Rates currently in effect (docket 16-0259) for calendar year 2017 were based on 2015 actual costs and 2016 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2016 to 2016 Actual Costs Incurred.** Revenue requirement for 2016 is based on docket 15-0287 (2014 actual costs and 2015 projected net plant additions) approved in December 2015.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.40%** for the filing year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium) and **8.34%** for the reconciliation year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium – 6 basis points performance metrics penalty). For 2017 and 2018, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~6.5%** for both the filing and reconciliation years
Rate Base	**$9,662 million–** Filing year (represents projected year-end rate base using 2016 actual plus 2017 projected capital additions). 2017 and 2018 earnings will reflect 2017 and 2018 year-end rate base respectively. $8,807 million - Reconciliation year (represents year-end rate base for 2016)
Revenue Requirement Increase	**$96M increase** ($18M increase due to the 2016 reconciliation and collar adjustment in addition to a $78M increase related to the filing year). The 2016 reconciliation impact on net income was recorded in 2016 as a regulatory asset.
Timeline	• 04/13/17 Filing Date • 240 Day Proceeding

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

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Atlantic City Electric NJ Rate Case Filing

BPU Docket No.	ER17030308
Test Year	August 1, 2016 – July 31, 2017
Test Period	5 months actual and 7 months estimated
Requested Common Equity Ratio	50.14%
Requested Rate of Return	ROE: 10.10%; ROR: 7.83%
Proposed Rate Base (Adjusted)	$1.37B
Requested Revenue Requirement Increase(1)	$70.2M
Residential Total Bill % Increase	6.57%
Notes	• 3/30/17 ACE filed application with the New Jersey Board of Public Utilities (NJBPU) seeking increase in electric distribution base rates • Recovery of investment in infrastructure to maintain and harden the electric distribution system • Ratemaking adjustments to address declining sales • 8 month forward-looking reliability and other plant additions from August 2017 through March 2018 ($8.4M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Proposal of a Non-Incremental System Renewal Recovery Charge for recovery of non-incremental reliability spend over four years (2018-2021) of $376 million

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

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SI-SSA-0015-02145

Pepco MD Rate Case Filing

Formal Case No.	9443
Test Year	May 1, 2016 – April 30, 2017
Test Period	8 months actual and 4 months estimated
Requested Common Equity Ratio	50.15%
Requested Rate of Return	ROE: 10.10%; ROR: 7.79%
Proposed Rate Base (Adjusted)	$1.71B
Requested Revenue Requirement Increase[1]	$68.6M
Residential Total Bill % Increase	5.52%
Notes	• 3/24/17 Pepco MD filed application with the Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • Size of ask is driven by Continued Investments in the electric distribution system to maintain and increase reliability and customer service • Normalization of tax benefits on pre-1981 removal costs • 8 month forward looking reliability and other plant additions from May 2017 through December 2017 ($13.3M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Company is seeking recovery of the restoration portion of the Supplemental Executive Retirement Plan (SERP) Procedural Schedule: • Intervenor Direct Testimony Due: 6/30/17 • Rebuttal Testimony Due: 8/1/17 • Evidentiary Hearings: 9/5/17 – 9/15/17 • Brief Due: 10/3/17 • Commission Order Expected: 10/20/17

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02146

Delmarva DE (Electric) Distribution Rate Case

Docket #	16-0649	Black Box Settlement Terms
Test Year	2015 Calendar Year	
Test Period	12 months actual	
Common Equity Ratio	49.44%	
Rate of Return	ROE: 10.60%; ROR: 7.19%	ROE: 9.70%
Rate Base	$839M	
Revenue Requirement Increase (Updated on March 8, 2017)(1,2)	$60.2M	$31.5M Revenue increase includes approx. $7.5M of new depreciation and amortization expense
Residential Total Bill % Increase	7.25%	TBD
Notes	• 5/17/16 DPL DE filed application with the Delaware Public Service Commission (DPSC) seeking increase in electric distribution base rates • 18 month forward-looking reliability and other plant additions from January 2016 through June 2017 ($8.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • Includes the Pay as You Go Program, a proposed pilot program that would be cooperatively designed to use the capability of the AMI meters to offer a voluntary pre-paid metering option for customers	• 3/8/17 Unanimous settlement filed with the DPSC • New depreciation rates included in the revenue increase • Recovery of $28.6M of direct load control and dynamic pricing regulatory assets to be amortized over 10 years • Approval to establish regulatory asset for costs to achieve synergy savings, amortized over 5 years • Actual synergy savings and costs to achieve will be reviewed in next base rate proceeding • Rates will go into effect 30 days after DPSC approval

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $29.6M on December 17, 2016, subject to refund

(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

SI-SSA-0015-02147

Delmarva DE (Gas) Distribution Rate Case

Docket #	16-0650	Black Box Settlement Terms
Test Year	2015 Calendar Year	
Test Period	12 months actual	
Common Equity Ratio	49.44%	
Rate of Return	ROE: 10.60%; ROR: 7.19%	ROE: 9.70%
Rate Base	$362M	
Revenue Requirement Increase(1,2)	$22.2M	$4.9M Revenue increase includes net reduction of $4.8M in new depreciation and amortization expense
Residential Total Bill % Increase	10.40%	TBD
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in gas distribution base rates Intervenor Positions: • Staff revenue decrease of $3.1M based on 9.20% ROE • Division of the Public Advocate (DPA) revenue decrease of $2.1M based on 9.00% ROE	• 4/6/17 Unanimous settlement filed with the DPSC • New depreciation rates included in the revenue increase • Incremental labor costs for the Interface Management Unit (IMU) battery replacement project deferred into a regulatory asset for review in a future proceeding • Approval to establish regulatory asset for costs to achieve synergy savings, amortized over 5 years • Projected synergy savings and costs to achieve will be reviewed against actuals in next base rate proceeding • Rates will go into effect 30 days after DPSC approval

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $10.4M on December 17, 2016, subject to refund

(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

SI-SSA-0015-02148

Pepco DC Distribution Rate Case

Formal Case No.	1139
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%
Proposed Rate Base (Adjusted)	$1.7B
Requested Revenue Requirement Increase(1) (Updated on February 1, 2017)	$76.8M
Residential Total Bill % Increase(2)	4.62%
Notes	• 6/30/16 Pepco-DC filed application with the District of Columbia Public Service Commission (DCPSC) seeking increase in electric distribution base rates Intervenor Positions: • Office of the People's Council (OPC) revenue increase of $25.8M based on 8.60% ROE • Apartment and Office Building Association (AOBA) revenue increase of $62.2M based on 9.25% ROE • Healthcare Council of the National Capital Area (HCNCA) revenue increase of $16.8M based on 8.75% ROE • District of Columbia Water and Sewer Authority (DC Water) revenue increase of $52.7M based on 9.10% ROE Remaining Procedural Schedule: • Final Briefs Filed: 4/26/17 • Commission Order Expected: 7/25/17

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings
(2) As proposed by the Company, the full allocation of the CBRC to Residential and MMA customers, along with the proposal for a $1M Incremental Offset for residential customers, will ensure that residential customers do not receive an increase on the distribution portion of their bill until approximately January 2019 (February 2019 for MMA customers). Upon expiration of the CBRC and Incremental Offset proposed by the Company, this rate increase would translate to a 4.62% total bill increase for a residential customer.

SI-SSA-0015-02149

Delmarva MD Distribution Rate Case – Final Order

Formal Case No.	9424
Authorized Common Equity Ratio	49.1%
Authorized Rate of Return	ROE: 9.60%; ROR: 6.74%
Authorized Rate Base (Adjusted)	$707M
Authorized Revenue Requirement Increase(1)	$38.3M Revenue increase includes net reduction of $11.8M in new depreciation and amortization expense
Residential Total Bill % Increase	7.3%
Notes	• Advanced Metering ("AMI") system deemed cost-beneficial, and recovery to begin • Legacy meter recovery approved over 10 years, with no return • Post-test period reliability capital placed in service through September 2016 approved • Extension of the Grid Resiliency Program in 2017-2018 was not approved • Disallowance of 100% of Supplemental Executive Retirement Plan (SERP) • Commission Final Order Received: 2/15/17

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02150

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02151

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1Q YTD GAAP EPS Reconciliation

Three Months Ended March 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.34**	**$0.13**	**$0.14**	**$0.11**	**$(0.34)**	**$(0.18)**	**$0.19**
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	-	(0.07)
Unrealized gains related to NDT fund investments	(0.03)	-	-	-	-	-	(0.03)
Amortization of commodity contract intangibles	(0.01)	-	-	-	-	-	(0.01)
Merger and integration costs	0.01	(0.01)	-	-	0.04	0.05	0.08
Merger commitments	-	-	-	-	0.30	0.12	0.42
Long-lived asset impairments	0.07	-	-	-	-	-	0.07
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.01	-	-	-	-	-	0.02
CENG non-controlling interest	0.01	-	-	-	-	-	0.01
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.34**	**$0.12**	**$0.14**	**$0.11**	**$0.00**	**$(0.02)**	**$0.68**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not sum due to rounding.

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1Q YTD GAAP EPS Reconciliation (continued)

Three Months Ended March 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$0.46**	**$0.15**	**$0.14**	**$0.13**	**$0.15**	**$0.04**	**$1.07**
Mark-to-market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.10)	-	-	-	-	-	(0.10)
Merger and integration costs	0.02	-	-	0.01	-	-	0.03
Merger commitments	(0.02)	-	-	-	(0.06)	(0.07)	(0.15)
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
CENG non-controlling interest	0.04	-	-	-	-	-	0.04
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.18**	**$0.15**	**$0.14**	**$0.14**	**$0.09**	**($0.05)**	**0.65**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not sum due to rounding.

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Exelon.

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings exclude the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions acquisition date
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Non-cash impact of the remeasurement of state deferred income taxes, related to a change in the statutory tax rate
  - Costs incurred related to a cost management program
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's non-controlling interest related to CENG exclusion items

SI-SSA-0015-02154

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$4,300
Depreciation & Amortization	$3,200
EBITDA	$7,500
+/- Non-operating activities and nonrecurring items[3]	$200
- Interest Expense	($1,425)
+ Current Income Tax (Expense)/Benefit	($75)
+ Nuclear Fuel Amortization	$1,050
+/- Other S&P Adjustments[4]	$375
= FFO (a)	**$7,625**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$32,650
Short-Term Debt	$1,575
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$3,450
- Off-Credit Treatment of Debt[8]	($2,225)
- Surplus Cash Adjustment[9]	($650)
+/- Other S&P Adjustments[4]	$300
= Adjusted Debt (b)	**$36,325**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD

SI-SSA-0015-02155

GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$9,550
Short-Term Debt	$650
- Surplus Cash Adjustment	($375)
= Net Debt (a)	**$9,825**

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$9,550
Short-Term Debt	$650
- Surplus Cash Adjustment	($375)
- Nonrecourse Debt	($2,550)
= Net Debt (a)	**$7,275**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$1,550
Depreciation & Amortization	$1,200
EBITDA	$2,750
+/- Non-operating activities and nonrecurring items[2]	$300
= Operating EBITDA (b)	**$3,050**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$1,550
Depreciation & Amortization	$1,200
EBITDA	$2,750
+/- Non-operating activities and nonrecurring items[2]	$300
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,800**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.2x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.6x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA

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GAAP to Non-GAAP Reconciliations

Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$87	$120	$208	$1,156	$1,571
Operating Exclusions	($24)	($31)	($28)	$160	$77
Adjusted Operating Earnings[1]	$63	$89	$180	$1,316	$1,648
Average Equity	$970	$1,240	$2,210	$12,176	$16,597
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.5%**	**7.2%**	**8.2%**	**10.8%**	**9.9%**

ExGen Adjusted O&M Reconciliation ($M)[2]	2017
GAAP O&M	**$5,800**
Decommissioning[3]	25
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[4]	(425)
O&M for managed plants that are partially owned	(425)
Other	(100)
Adjusted O&M (Non-GAAP)	**$4,850**

(1) ACE, Delmarva, and Pepco represents full year of earnings
(2) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(3) Reflects earnings neutral O&M
(4) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

SI-SSA-0015-02157

GAAP to Non-GAAP Reconciliations

2017 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,075	$725	$700	$1,225	$3,300	($225)	$6,825
Other cash from investing activities	-	-	$25	-	($275)	-	($250)
Intercompany receivable adjustment	($350)	-	-	-	-	$350	-
Counterparty collateral activity	-	-	-	-	$475	-	$475
Adjusted Cash Flow from Operations	**$725**	**$725**	**$725**	**$1,225**	**$3,525**	**$125**	**$7,075**

2017 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$1,075	$175	$175	$125	$25	$375	$1,975
Dividends paid on common stock	$425	$300	$200	$325	$650	($650)	$1,225
Intercompany receivable adjustment	$350	-	-	-	-	($350)	-
Financing Cash Flow	**$1,850**	**$475**	**$375**	**$450**	**$675**	**($625)**	**$3,200**

Exelon Total Cash Flow Reconciliation[1]	2017
GAAP Beginning Cash Balance	**$650**
Adjustment for Cash Collateral Posted	$400
Adjusted Beginning Cash Balance[3]	$1,050
Net Change in Cash (GAAP)[2]	$725
Adjusted Ending Cash Balance[3]	$1,775
Adjustment for Cash Collateral Posted	($900)
GAAP Ending Cash Balance	**$875**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

Exelon.

SI-SSA-0015-02158

Earnings Conference Call
1st Quarter 2018

May 2, 2018

Exelon®

SI-SSA-0015-02159

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's First Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02160

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02161

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

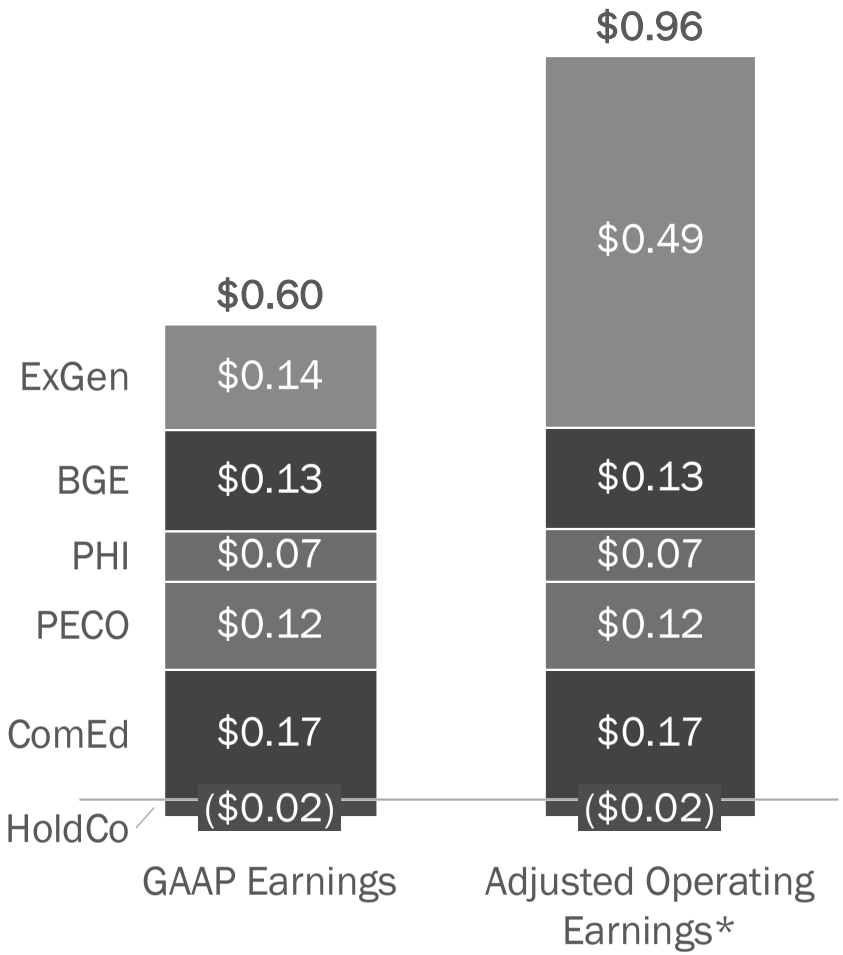
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 36 of this presentation.

SI-SSA-0015-02162

1st Quarter Results

Q1 2018 EPS Results(1,2)



- GAAP earnings were $0.60/share in Q1 2018 vs. $1.06/share in Q1 2017
- Adjusted operating earnings* were $0.96/share in Q1 2018 vs. $0.64/share in Q1 2017, which is within our guidance range of $0.90-$1.00/share

(1) Amounts may not add due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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SI-SSA-0015-02163

Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q1 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)(1)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

- Reliability performance year to date was strong across the utilities, adjusted for normal storm events
- Customer operation metrics reflect solid performance across the utilities
- Safety performance year to date has been disappointing; safety improvement plans have been implemented to improve performance going forward

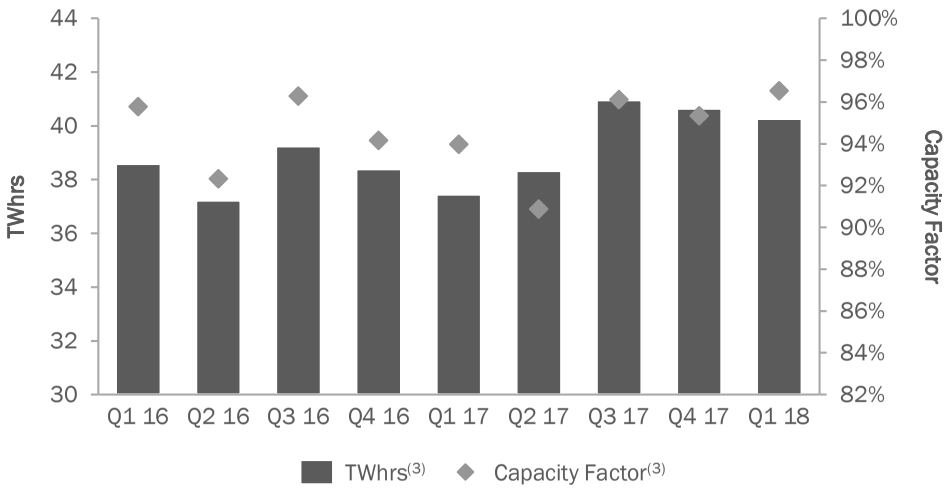
Q1	Q2
Q3	Q4

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem
(3) Excludes EDF's equity ownership share of the CENG Joint Venture

Exelon Generation Operational Performance

Exelon Nuclear Fleet

- Continued best in class performance across our Nuclear fleet:
  - Q1 Nuclear Capacity Factor: 96.5%(2)
  - Owned and operated Q1 production of 40 TWh(2)



Fossil and Renewable Fleet

- Strong performance across our Fossil and Renewable fleet:
  - Q1 Renewables energy capture: 95.2%
  - Q1 Power dispatch match: 98.1%

SI-SSA-0015-02164

Exelon

Our Scale Benefitted Customers Through Winter Storms

- **Three Nor'easters – Riley, Quinn and Toby – in March 2018 were the most damaging storms to hit the mid-Atlantic in the last six years**
  - Our East Cost utilities – ACE, BGE, DPL, Pepco and PECO – faced widespread outages due to the storms with a total of 1.7 million customers losing service at some point
  - Total operating and capital storm restoration expenditures of about $200 million
- **Exelon Utilities' scale and thoughtful pre-positioning expedited return to service for our customers**
  - ComEd dispatched 1,200 crews and contractors to our East Coast utilities to support storm response efforts
  - Common work protocols allowed for more efficient recovery efforts, speeding up service restoration for our customers

Exelon Utilities' scale allowed for quicker customer outage recovery during the recent winter storms

SI-SSA-0015-02165

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Tax Reform Yields Significant Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
  - $3.86 decrease on the average residential monthly bill
- DPL has filed plans with DE PSC to provide **$26M** in annual tax savings to customers
  - $2.99 and $4.77 decrease on the average residential monthly bill for Electric and Gas, respectively

ACE

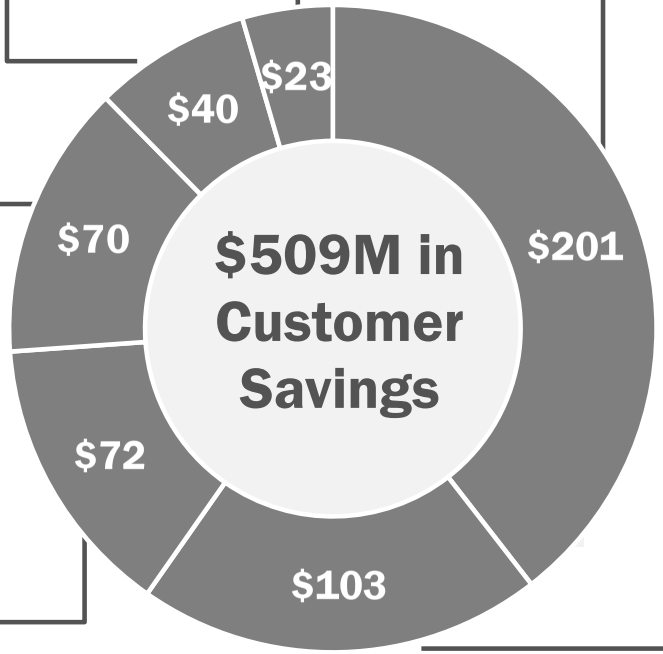
- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

PECO

- Approximately **$72M** in annual tax savings to customers

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved bill adjustments

Note: Currently includes only distribution-related customer savings amounts

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SI-SSA-0015-02166

ZEC & Policy Updates

New Jersey ZEC

- On April 12, 2018, the NJ ZEC bill passed both the Senate and Assembly with bipartisan support
- Bill is now before Governor Murphy, who has 45 days to sign
- Upon the Governor's signature, the BPU will begin the process of implementing the bill, including approving utility tariffs, developing a selection methodology, and reviewing applications for participation in the program
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois & New York ZEC Legal Challenges

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018 – Judge requested supplemental briefings from parties
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- Parties are awaiting response from the U.S. Solicitor General and further action by the court

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

PJM Price Formation

Fast Start:

- Fast start NOPR was initiated by FERC (docket # EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September
  - If FERC approves by September, PJM believes it could implement the changes for the 2018/2019 winter

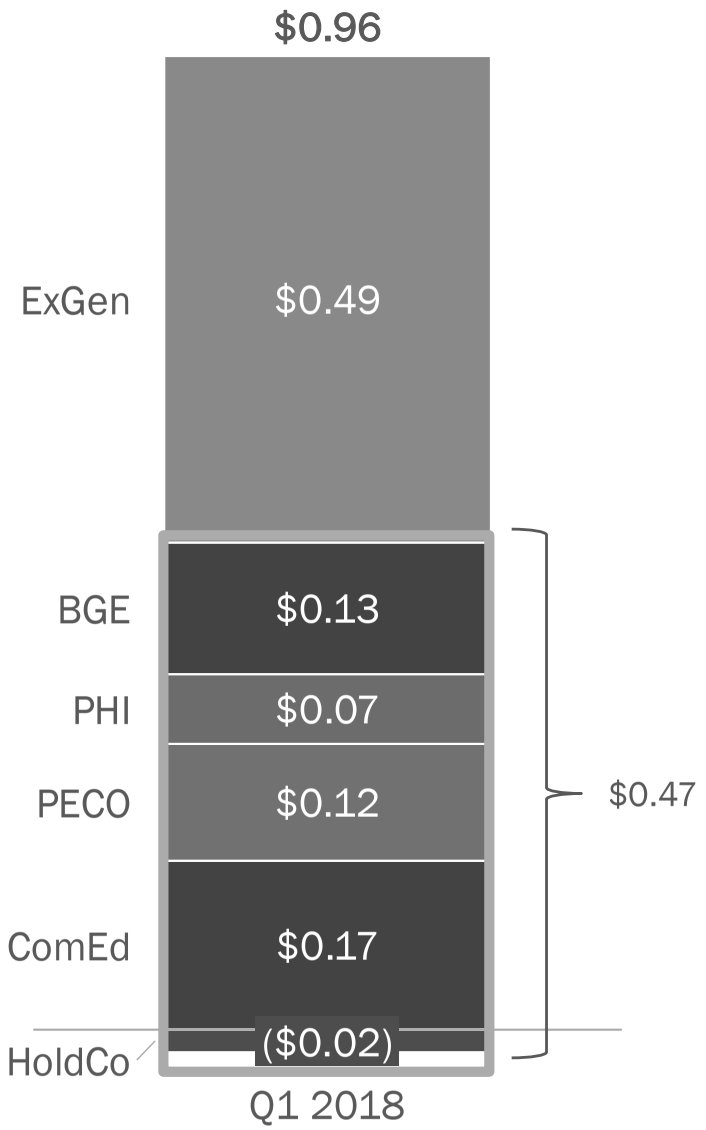
Baseload:

- PJM is in the midst of a stakeholder process scheduled to conclude in the 3rd quarter
- After completing the stakeholder process and receiving FERC's decision on the fast start docket, PJM will announce its process for moving forward

SI-SSA-0015-02167

1st Quarter Adjusted Operating Earnings* Drivers

Q1 2018 Adjusted Operating EPS* Results



Q1 2018 vs. Guidance of $0.90 - $1.00

Exelon Utilities

- ⬇ Storm costs
- ⬆ ComEd ROE

Exelon Generation

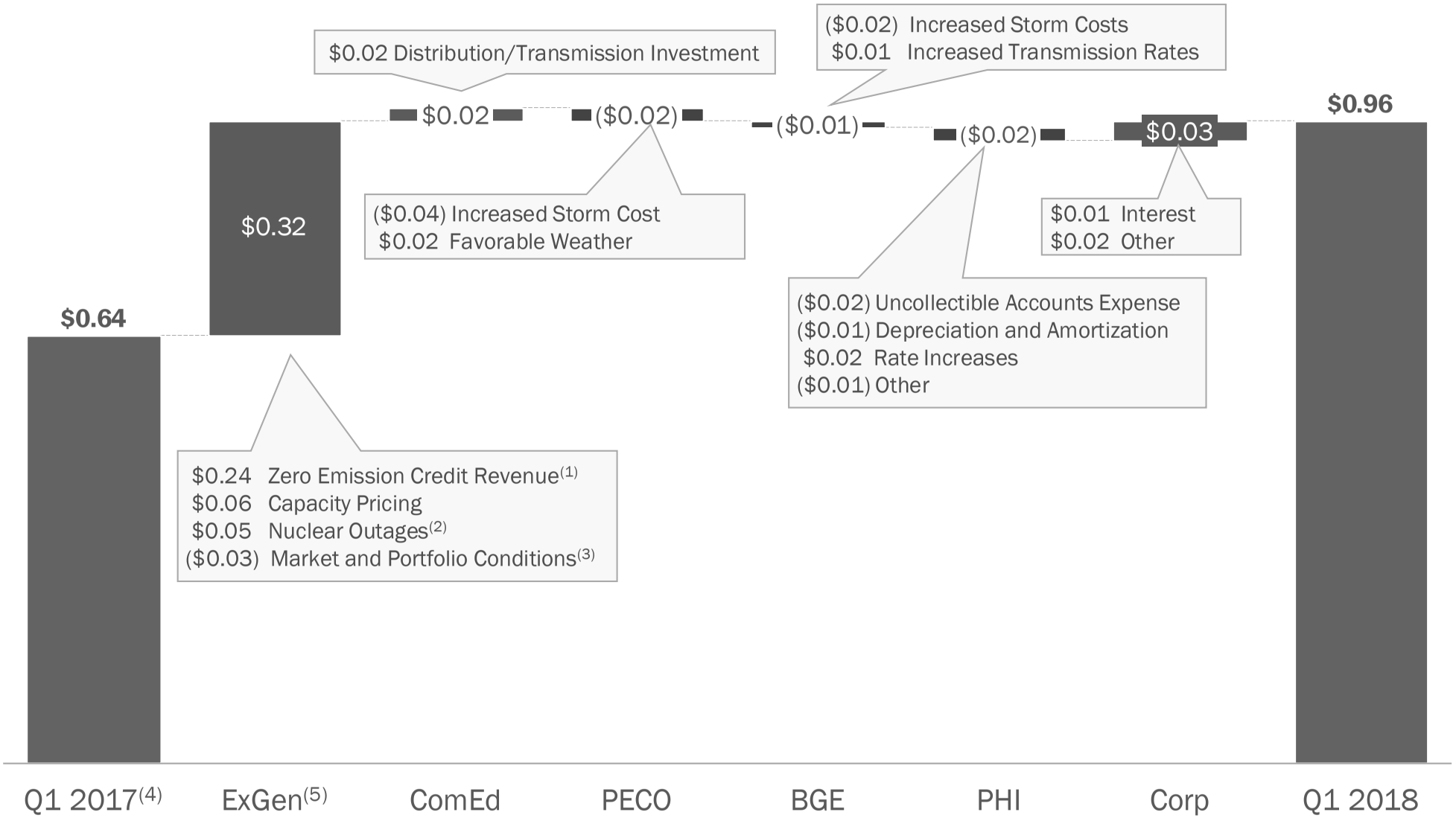
- ⬆ Favorable O&M
- ⬆ Generation performance

Note: Amounts may not sum due to rounding

Exelon.

SI-SSA-0015-02168

QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017, through December 31, 2017

(2) Driven by lower nuclear outage days in 2018; excludes Salem

(3) Includes the unfavorable impact of the conclusion of the Ginna Reliability Support Services Agreement and lower realized energy prices, partially offset by the addition of two combined-cycle gas turbines in Texas

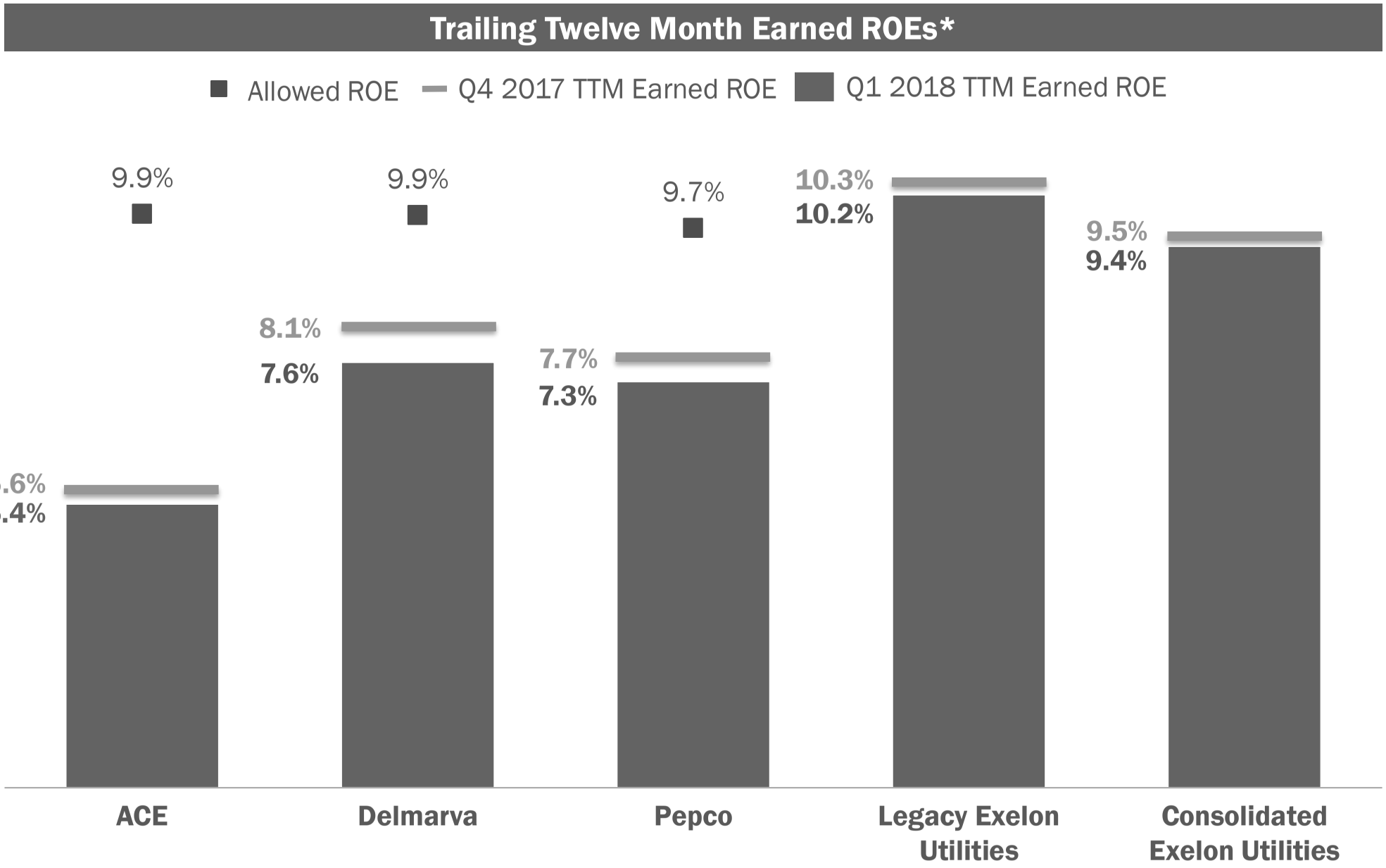
(4) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(5) Reflects CENG ownership at 100%

Exelon.

SI-SSA-0015-02169

Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2017 and 3/31/2018, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Transmission). Includes 20 bps and 10 bps impact to TTM earned ROEs from FAS 109 and winter storms, respectively.

Exelon.

SI-SSA-0015-02170

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
Delmarva (MD)		FO											Authorized: $13.4M	Authorized:[6] 9.50%/NA	Feb 9, 2018
ComEd[2]				CF		IT	RT	EH	IB RB			FO	$(22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)			IT		RT	EH	IB	RB	FO				$12.6M[1,3]	10.10% / 50.52%	Q3 2018
Delmarva Gas (DE)					IT		RT		EH	IB RB		FO	$3.9M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)				SA	IT RT EH	IB	FO						$(24.1)M[1,7]	9.525% / 50.44%[7]	July 1, 2018[7]
Pepco Electric (MD)	CF			SA IT	EH	FO							$(15.0)M[1,7]	9.50% / 50.44%[7]	June 1, 2018[7]
PECO[2] Electric			CF			IT	RT	EH	IB RB			FO	$82M[1,5]	10.95% / 53%	Dec 2018

CF Rate case filed
IT Intervenor direct testimony
RT Rebuttal testimony
EH Evidentiary hearings
IB Initial briefs
RB Reply briefs
FO Final commission order
SA Settlement Agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, District of Columbia Public Service Commission, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other cots where applicable, which have no impact on pre-tax earnings
(2) Anticipated schedule; actual dates will be determined by ALJ at pre-hearing conference
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(6) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(7) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Expected orders are based on requested rate effective dates. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02171

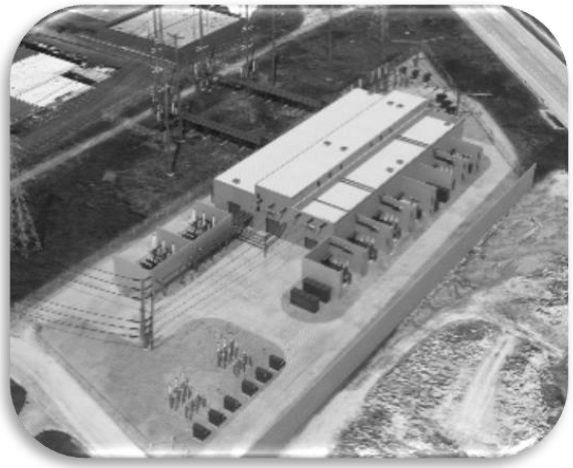
Utility CapEx Update

DPL's Cedar Creek to Milford Transmission Rebuild

- Forecasted project cost:
  - $75 million
- In service date:
  - May 31, 2018
- Project scope:
  - Replace ~43 miles of 230 kV transmission poles as well as new conductor and optical ground wire
  - 230 kV line is a back-bone for the transmission network in the Delmarva region and one of the vital lines for north-south power flow within the Delmarva region
  - Improves reliability by eliminating the potential for outages due to structural failure of the line

ComEd's New Substation to Meet Data Center Growth

- Forecasted project cost:
  - $90 million
- In service date:
  - Q3 2021
- Project scope:
  - New green-field substation serving transmission and distribution loads; project to add over 300 MW of additional new capacity to the area
  - Supports transmission line reliability and projected data center growth in the Elk Grove Village area



Exelon Utilities remain committed to effectively deploying capital to the benefit of their customers

SI-SSA-0015-02172

Exelon

Exelon Generation: Gross Margin Update

Gross Margin Category ($M)[1]	March 31, 2018			Change from December 31, 2017		
	2018	2019	2020	2018	2019	2020
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,600	$3,950	$3,800	$250	$50	$50
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-	-
Mark-to-Market of Hedges[2,3]	$300	$450	$250	$(50)	$50	-
Power New Business / To Go	$350	$650	$850	$(200)	$(100)	$(50)
Non-Power Margins Executed	$300	$150	$100	$100	$50	-
Non-Power New Business / To Go	$200	$350	$400	$(100)	$(50)	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**-**	**-**

Recent Developments

- Open Gross Margin is up in all years due to strengthening ERCOT spark spreads, partly offset by lower NiHub prices
- Mark-to-Market of Hedges is down in all years due to higher prices, mostly offset by the execution of Power New Business
- Executed $200M and $100M of Power New Business in 2018 and 2019, respectively
- Behind ratable hedging position reflects the upside we see in power prices
  - ~8-11% behind ratable in 2019 when considering cross commodity hedges

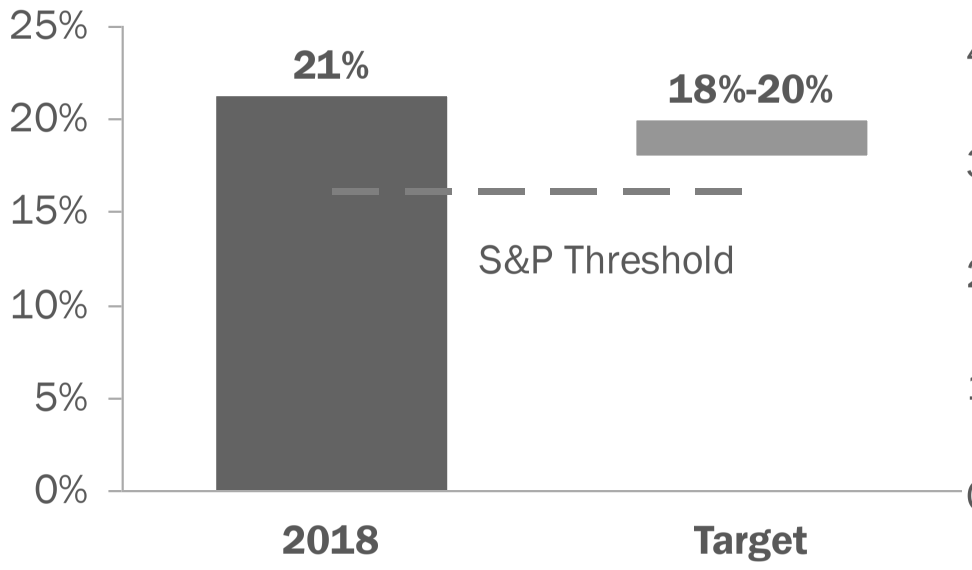
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

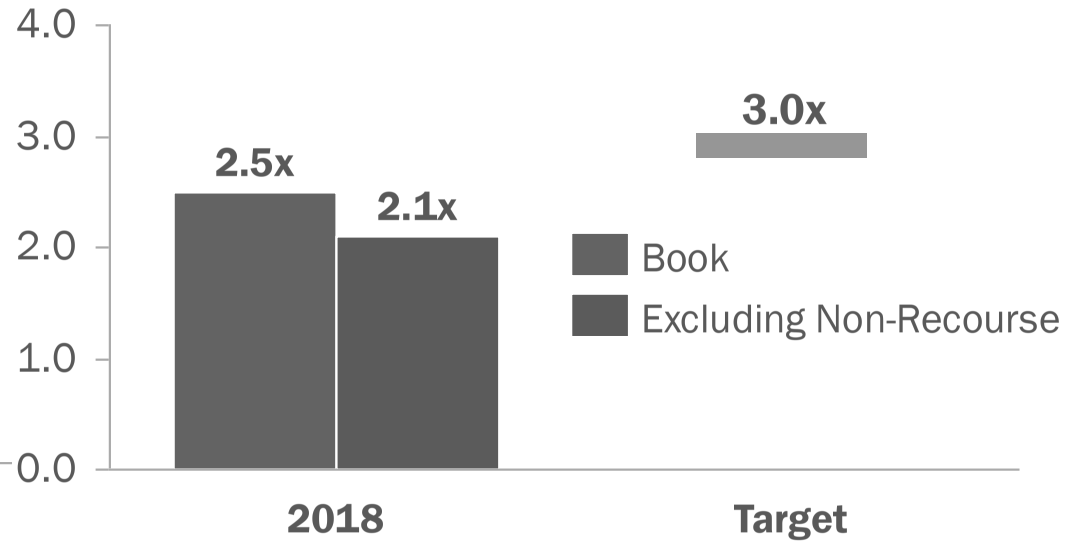
SI-SSA-0015-02173

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of May 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook, with the exception of ACE, which is on "Positive" outlook for Moody's
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon

SI-SSA-0015-02174

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

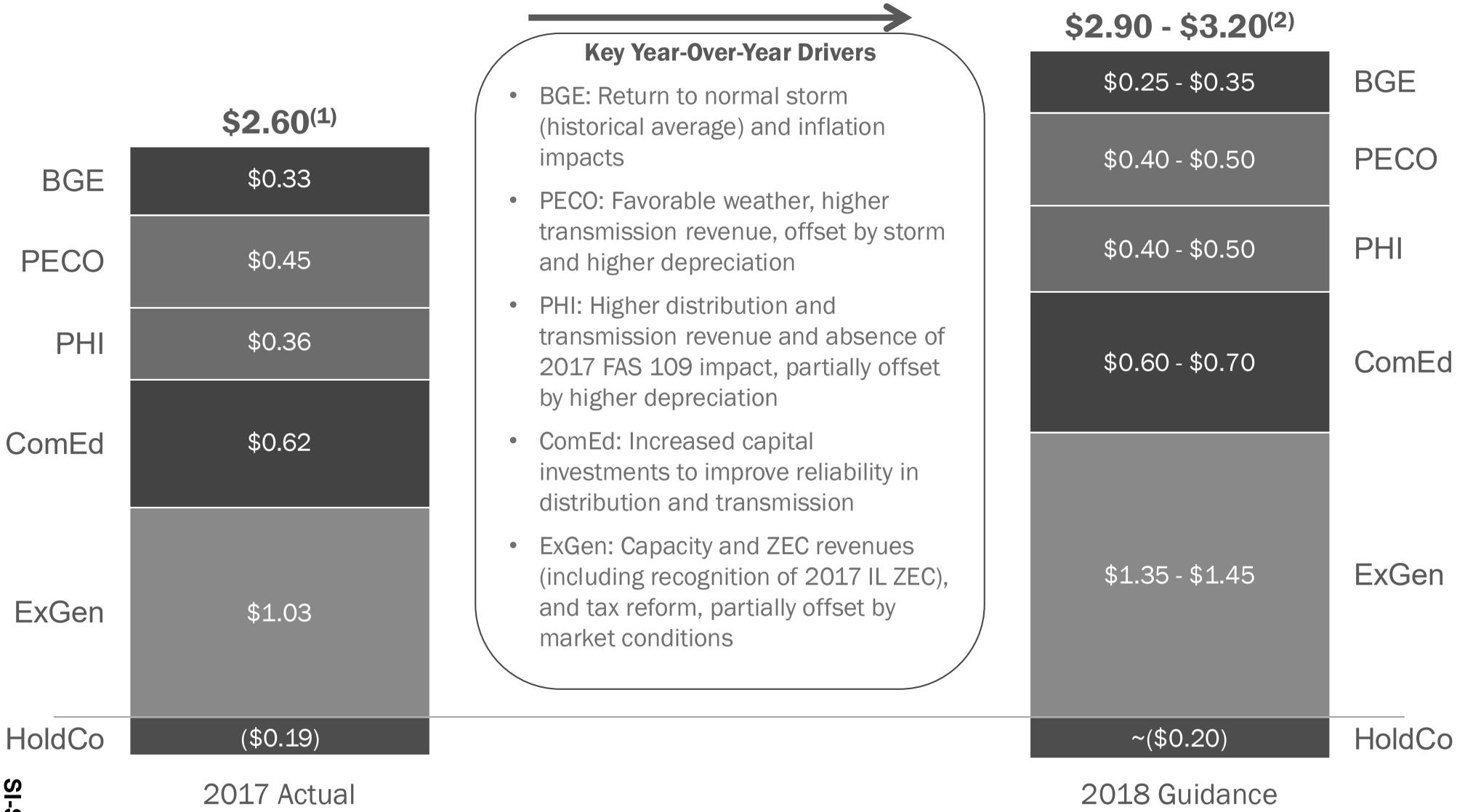
(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02175

Additional Disclosures

SI-SSA-0015-02176

2018 Adjusted Operating Earnings* Guidance



Expect Q2 2018 Adjusted Operating Earnings* of $0.55 - $0.65 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

SI-SSA-0015-02177

Exelon.

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	675	1,550	625	1,225	4,050	3,850	200	8,125	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**675**	**1,550**	**625**	**1,225**	**4,050**	**1,900**	**150**	**6,125**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	325	925	0	(925)	0	
Other Financing[4]	150	375	25	(200)	375	(100)	100	375	
Financing*[5]	**550**	**1,300**	**275**	**600**	**2,725**	**(200)**	**(825)**	**1,700**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**900**	**1,825**	**6,775**	**1,700**	**(675)**	**7,825**	
Utility Investment	(1,000)	(2,125)	(850)	(1,525)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,525)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**50**	**275**	**1,275**	**1,300**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**2,025**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.9B at ExGen and $4.1B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

SI-SSA-0015-02178

Exelon

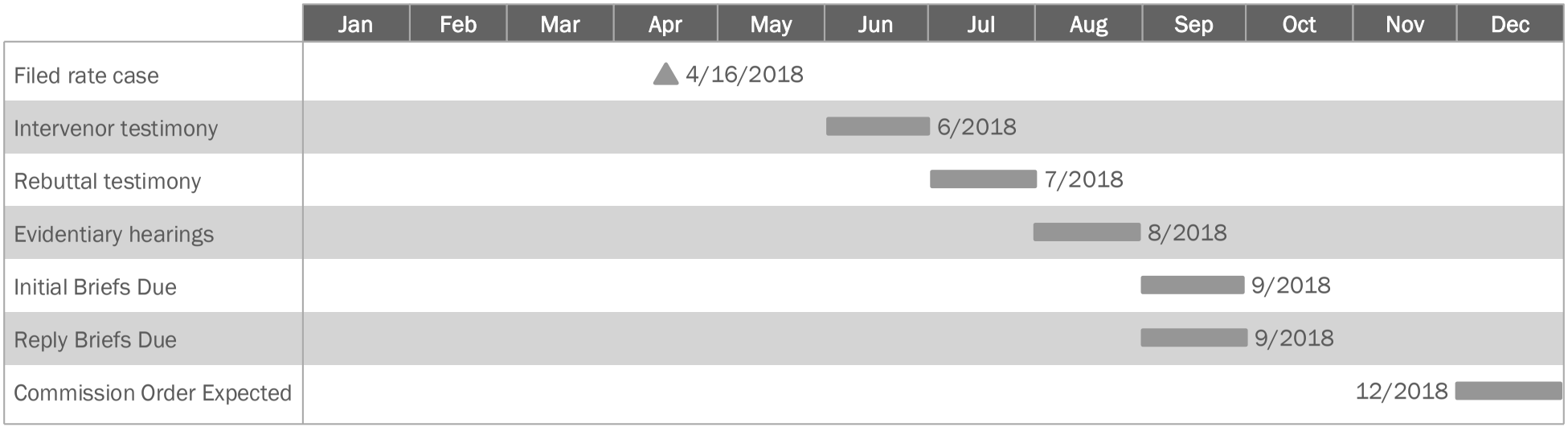
Exelon Utilities

SI-SSA-0015-02179

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual Distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($22.9M)	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule(1)



(1) Anticipated schedule, actual dates will be determined by ALJ at pre-hearing conference

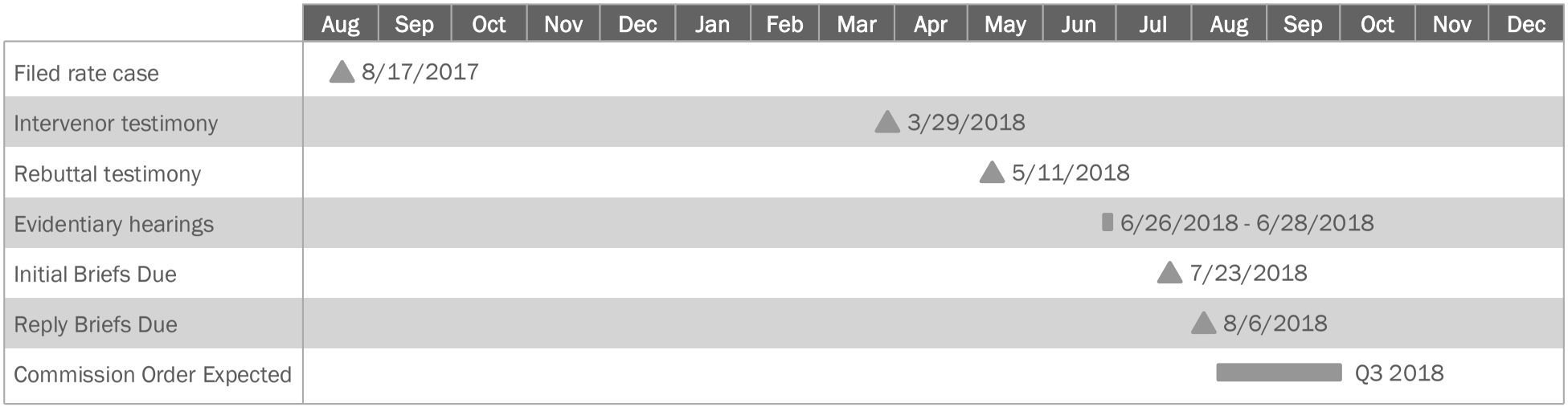
Exelon.

SI-SSA-0015-02180

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%	
Proposed Rate Base (Adjusted)	$811M	
Requested Revenue Requirement Increase	$12.6M(1,2)	
Residential Total Bill % Increase	2.1%	

Detailed Rate Case Schedule



(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund

(2) Updated on February 9, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02181

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($1.0M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%	
Proposed Rate Base (Adjusted)	$347M	
Requested Revenue Requirement Increase	$3.9M(1,2)	
Residential Total Bill % Increase	4.0%	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Evidentiary hearings										9/11/2018 – 9/14/2018							
Initial Briefs Due															▲ 10/8/2018		
Reply Briefs Due															▲ 10/22/2018		
Commission Order Expected														Q4 2018			

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund

(2) Updated on February 9, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02182

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of $(24.1)M[1] • Settling Parties have proposed a procedural schedule that would place rates in effect by July 1, 2018[1]
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement decrease	$(24.1)M[1]	
Residential Total Bill % decrease	(0.7)%[1]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 12/19/2017											
Settlement agreement					▲ 4/17/2018								
Settlement support testimony						▲ 5/7/2018							
Reply testimony						▲ 5/18/2018							
Evidentiary hearings							▲ 5/31/2018						
Briefs due							▲ 6/14/2018						
Commission order expected								▲ 7/1/2018					

(1) Per non-unanimous Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.

Exelon.

SI-SSA-0015-02183

Pepco MD (Electric) Distribution Rate Case Filing

	Rate Case Filing Details
Docket No.	9472
Test Year	January 1, 2017 – December 31, 2017
Test Period	12 months actual update
Requested Common Equity Ratio	50.44%
Requested Rate of Return	ROE: 9.50%; ROR: 7.44%(1)
Proposed Rate Base (Adjusted)	N/A(1)
Requested Revenue Requirement Increase	$(15.0)M(1)
Residential Total Bill % Increase	(1.3)%(1)

Notes

- January 2, 2018, Pepco MD filed an application with Maryland Public Service Commission (MDPSC) seeking an increase in electric distribution base rates
- Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service
- April 20, 2018, Pepco MD filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of $(15.0)M(1)
- Settling Parties have proposed a procedural schedule that would place rates in effect by June 1, 2018(1)

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 1/2/2018											
Settlement agreement					▲ 4/20/2018								
Settlement support testimony						▲ 4/27/2018							
Evidentiary hearings						▲ 5/16/2018							
Commission order expected							▲ 6/1/2018						

(1) Per non-unanimous Settlement Agreement filed on April 20, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.

Exelon.

SI-SSA-0015-02184

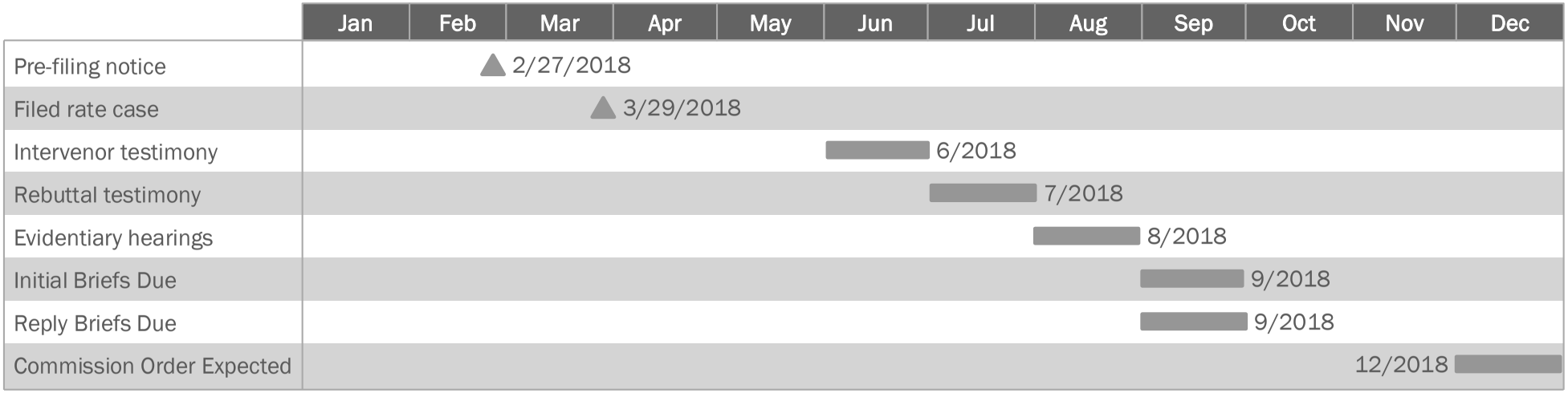
PECO Distribution Rate Case Filing

Rate Case Filing Details	
Docket No.	R-2018-3000164
Test Year	January 1, 2019 – December 31, 2019
Test Period	12 Months Budget
Requested Common Equity Ratio	53%
Requested Rate of Return	ROE: 10.95%; ROR: 7.79%
Proposed Rate Base	$4,846M
Requested Revenue Requirement Increase	$82M[1]
Residential Total Bill % Increase	3.1%

Notes

- PECO filed an electric distribution base rate case on March 29, 2018
- Since January 1, 2016, through the Fully Projected Future Test Year (2019):
  - Relatively flat load growth
  - Operating expenses essentially flat
  - Capital investment of $1.9B
- Proposed investments would maintain strong reliability performance, strengthen system resiliency, and support physical security and cybersecurity

Detailed Rate Case Schedule[2]



(1) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit
(2) Anticipated schedule, actual dates will be determined by ALJ at pre-hearing conference

Exelon.

SI-SSA-0015-02185

Exelon Generation Disclosures

March 31, 2018

SI-SSA-0015-02186

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

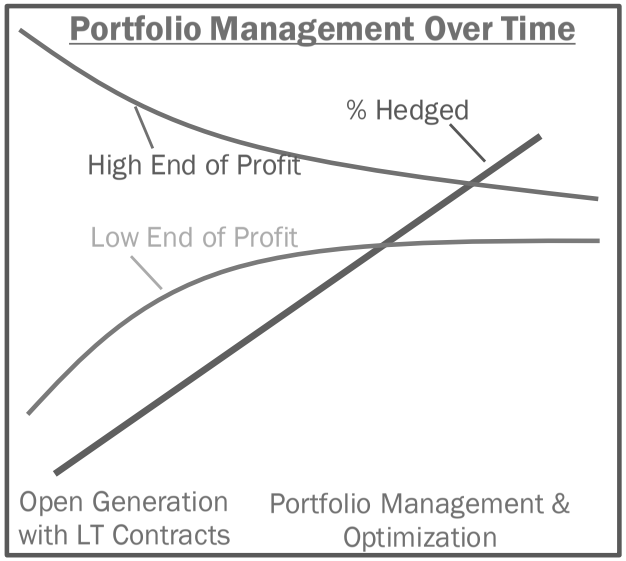
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

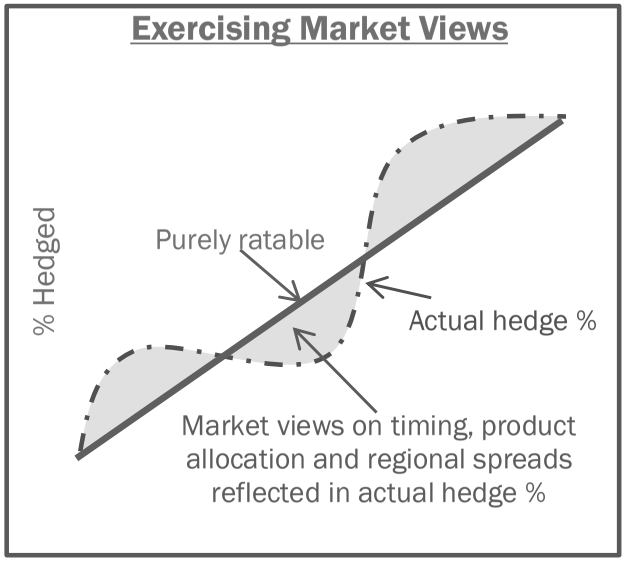
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,600	$3,950	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$300	$450	$250
Power New Business / To Go	$350	$650	$850
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$200	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.87	$2.79	$2.78
Midwest: NiHub ATC prices ($/MWh)	$26.48	$26.12	$26.21
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$34.11	$30.85	$30.52
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$13.67	$9.85	$8.08
New York: NY Zone A ($/MWh)	$28.22	$26.00	$26.16
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.86	$5.06	$5.11

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on March 31, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-02189

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**202,200**	**203,300**	**192,800**
Midwest	96,500	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,300	48,700
ERCOT	24,000	26,400	23,200
New York[2,6]	15,700	16,600	15,500
New England	6,400	8,800	8,700
% of Expected Generation Hedged[3]	**91%-94%**	**63%-66%**	**33%-36%**
Midwest	89%-92%	58%-61%	28%-31%
Mid-Atlantic[2,6]	98%-101%	74%-77%	41%-44%
ERCOT	81%-84%	61%-64%	34%-37%
New York[2,6]	99%-102%	73%-76%	39%-42%
New England	81%-84%	32%-35%	39%-42%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.00	$29.00	$30.00
Mid-Atlantic[2,6]	$38.00	$38.50	$39.50
ERCOT[5]	$0.00	$2.00	$1.00
New York[2,6]	$35.50	$31.50	$29.00
New England[5]	$5.50	$4.00	$10.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.9%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$95	$385	$635
- $1/MMBtu	$(70)	$(360)	$(595)
NiHub ATC Energy Price			
+ $5/MWh	$40	$190	$330
- $5/MWh	$(40)	$(185)	$(330)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$150
- $5/MWh	$10	$(55)	$(140)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $30	+/- $35	+/- $35

(1) Based on March 31, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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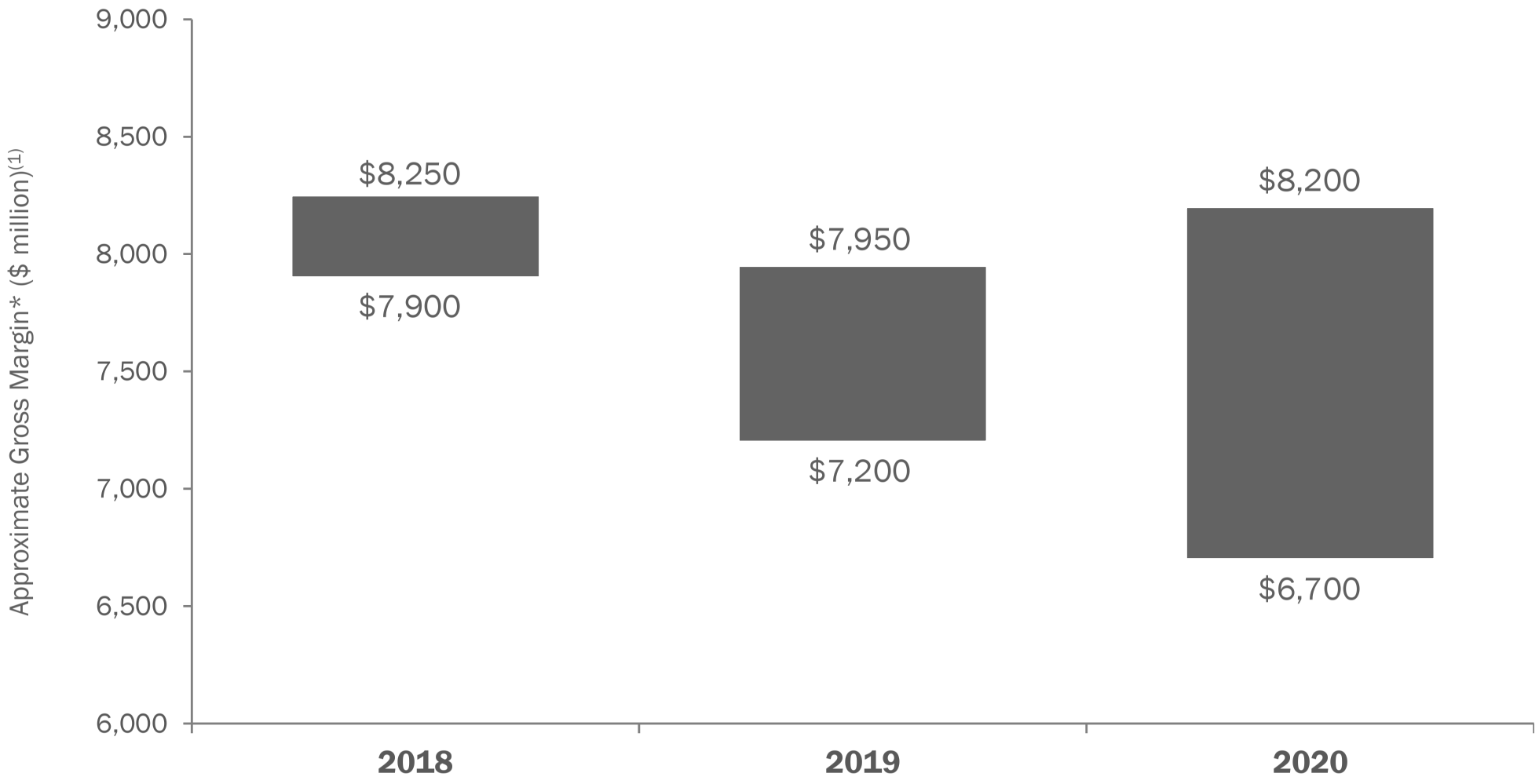
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

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Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.95 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.3	26.4	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	59.5%	75.5%	62.5%	74.5%	33.5%	
(E=C*D)	Hedged Volume (TWh)	57.8	41.0	16.5	12.4	2.9	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.50	$2.00	$31.50	$4.00	
(G)	Reference Price ($/MWh)	$26.12	$30.85	$9.85	$26.00	$5.06	
(H=F-G)	Difference ($/MWh)	$2.88	$7.65	($7.85)	$5.50	($1.06)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$165	$315	($130)	$70	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,400					
(K)	Power New Business / To Go ($ million)	$650					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,550 million**					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,025**	**$7,700**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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Appendix

Reconciliation of Non-GAAP Measures

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Q1 QTD GAAP EPS Reconciliation

Three Months Ended March 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.45**	**$0.15**	**$0.14**	**$0.13**	**$0.15**	**$0.04**	**$1.06**
Mark-to-market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.10)	-	-	-	-	-	(0.10)
Merger and integration costs	0.02	-	-	0.01	-	-	0.03
Merger commitments	(0.02)	-	-	-	(0.06)	(0.07)	(0.15)
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
CENG non-controlling interest	0.04	-	-	-	-	-	0.04
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.17**	**$0.15**	**$0.14**	**$0.14**	**$0.09**	**($0.05)**	**0.64**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows, Consolidated Balance Sheets and Consolidated Statements of Changes in Shareholders' Equity have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-02196

Q1 QTD GAAP EPS Reconciliation (continued)

Three Months Ended March 31, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.14**	**$0.17**	**$0.12**	**$0.13**	**$0.07**	**($0.02)**	**$0.60**
Mark-to-market impact of economic hedging activities	0.20	-	-	-	-	-	0.20
Unrealized losses related to NDT fund investments	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Plant retirements and divestitures	0.10	-	-	-	-	-	0.10
Noncontrolling interests	(0.02)	-	-	-	-	-	(0.02)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.49**	**$0.17**	**$0.12**	**$0.13**	**$0.07**	**($0.02)**	**$0.96**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Certain merger and integration costs
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,525
Depreciation & Amortization	$3,850
EBITDA	$7,375
+/- Non-operating activities and nonrecurring items[3]	$275
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$50
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,650**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,000
Short-Term Debt	$1,175
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,125)
+/- Other S&P Adjustments[4]	($525)
= Adjusted Debt (b)	**$35,675**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects adjustment for non-recourse project debt per S&P guidelines
(8) Reflects 75% of excess cash applied against balance of LTD

SI-SSA-0015-02199

GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
= Net Debt (a)	**$7,950**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($900)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,875**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
= Operating EBITDA (b)	**$3,125**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$1,025
Depreciation & Amortization[3]	$1,725
EBITDA[3]	$2,750
+/- Non-operating activities and nonrecurring items[2]	$375
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,850**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.1x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Reflects Exelon nuclear plants at ownership

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GAAP to Non-GAAP Reconciliations

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

Q4 2017 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,225**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(50)
Adjusted O&M (Non-GAAP)	**$4,550**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$675	$1,550	$625	$1,225	$4,075	$200	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	75	-	75
Adjusted Cash Flow from Operations	**$675**	**$1,550**	**$625**	**$1,225**	**$3,850**	**$200**	**$8,125**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$350	$850	($25)	$300	($950)	($150)	$375
Dividends paid on common stock	$200	$450	$300	$300	$750	($675)	$1,325
Financing Cash Flow	**$550**	**$1,300**	**$275**	**$600**	**($200)**	**($825)**	**$1,700**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$2,025
Adjustment for Cash Collateral Posted	($600)
GAAP Ending Cash Balance	**$1,425**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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SI-SSA-0015-02202

Earnings Conference Call
2nd Quarter 2017

August 2, 2017

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Second Quarter 2017 Quarterly Report on Form 10-Q (to be filed on August 2, 2017) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02204

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02205

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

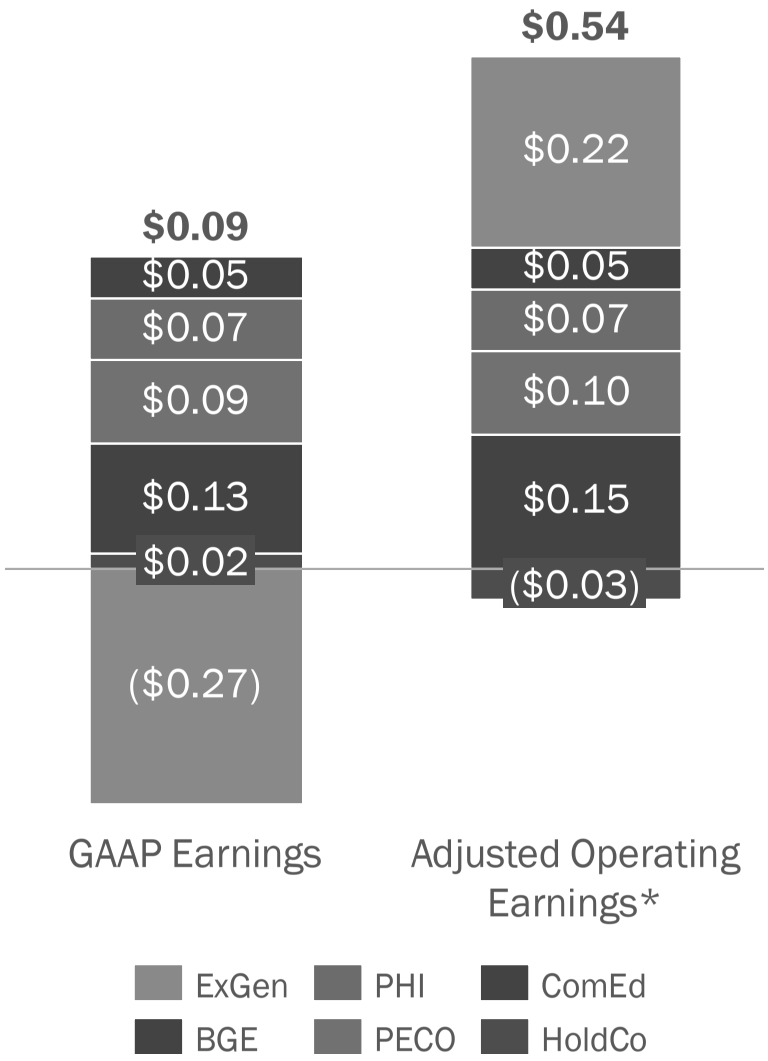
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 33 of this presentation.

SI-SSA-0015-02206

Strong 2nd Quarter Results

Q2 2017 EPS Results



- GAAP earnings were $0.09/share in Q2 2017 vs. $0.29/share in Q2 2016
- Adjusted operating earnings* were $0.54/share in Q2 2017 vs. $0.65/share in Q2 2016, near the top end of our guidance range of $0.45-$0.55/share

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

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Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q2 2017			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)(1)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

- BGE and ComEd are meeting 1st decile performance in CAIDI
- BGE's CAIDI and SAIFI performance was best on record
- ComEd's SAIFI performance was best on record
- Pepco identified in JD Power customer satisfaction study as one of the most improved utilities for 2017 vs 2016

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem
(3) 2016 industry average

Q1	Q2
Q3	Q4

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Q2 Nuclear Capacity Factor: 90.9%(2)
  - Q2 average refueling outage duration of 24 days versus industry average of 36 days(3)
  - Shortest refueling outage duration record set for Nine Mile Point 1
- Strong performance across our Fossil and Renewable fleet:
  - Q2 Renewables energy capture: 95.5%
  - Q2 Power dispatch match: 99.0%

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Key Developments from the Second Quarter

- ZEC Litigation Updates
- PHI Rate Case Progress
- PJM Capacity Auction
- TMI Shutdown Decision

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Key Market Policy Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy."
- The plaintiffs are expected to appeal to the US Court of Appeals for the 2nd Circuit
- The 2nd Circuit will set the briefing schedule after the appeal is filed

State Case:

- Motions to dismiss procedural challenges filed in NY State court were briefed in 1Q17
- The court heard oral arguments on June 19, 2017
- Currently awaiting decision; next step determined by outcome

IL ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act."
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
    - Plaintiff-Appellant Opening Brief due Aug 28
    - Defendant-Respondents Response Brief due Sep 27
    - Reply Briefs due Oct 27
    - Expect oral argument to follow

DOE Report and PJM Reforms

DOE Energy Report

- On April 14, 2017, Secretary of Energy Rick Perry ordered a review of the U.S. electrical grid, to determine if current policies are hastening the retirement of baseload plants and threatening power system resilience and reliability.
- "Nuclear power is a key component of our all-of-the-above energy strategy. Zero emissions, always on."– Secretary Rick Perry

Proposed PJM Reforms

- Recognize value of resiliency by instituting operational reforms in which PJM would commit additional reserves to account for the consumer impact from the most significant potential disruption
- Refine price formation to recognize the critical contribution of all resources, including "baseload" nuclear resources

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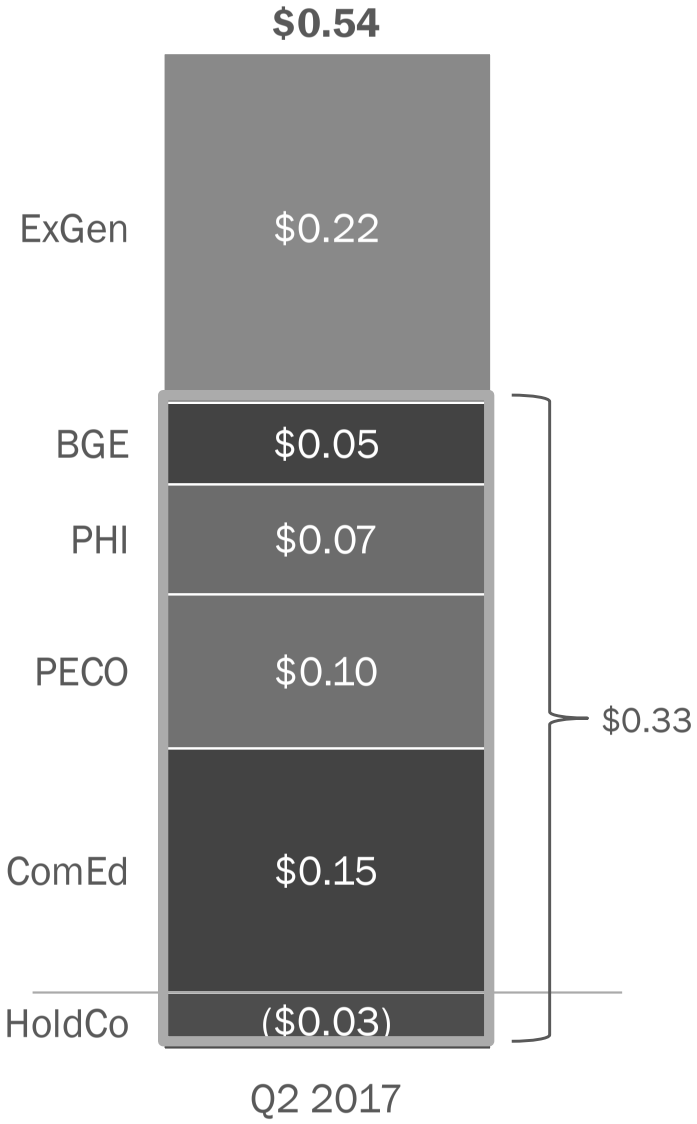
2nd Quarter Adjusted Operating Earnings* Drivers

Q2 2017 Adjusted Operating EPS* Results



Q2 2017 vs. Guidance of $0.45 - $0.55

Exelon Utilities

- ⬆ Timing of O&M

Exelon Generation

- ⬆ Timing of O&M
- ⬆ NDT realized gains(1)

Note: Amounts may not sum due to rounding
(1) Gains related to unregulated sites

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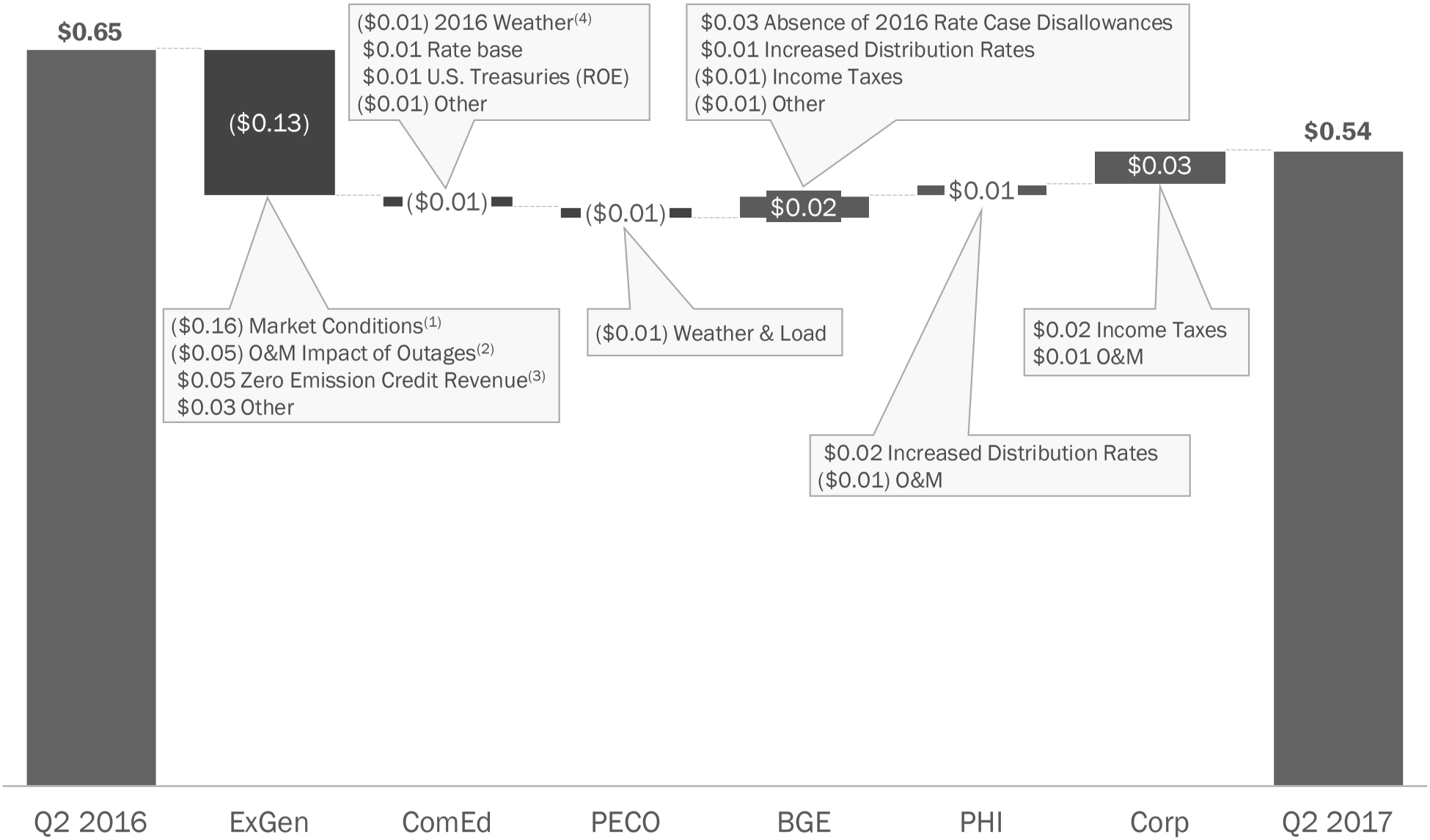
Q2 Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impact of the conclusion of the Ginna Reliability Support Services Agreement, lower realized energy prices and lower optimization in Generation's natural gas portfolio

(2) Driven by higher planned outages in 2017; excludes Salem

(3) Reflects the impact of the New York Clean Energy Standard

(4) Pursuant to the Illinois Future Energy Jobs Act, beginning in 2017, customer rates for ComEd are adjusted to eliminate the favorable and unfavorable impacts of weather and customer usage patterns on distribution volumes

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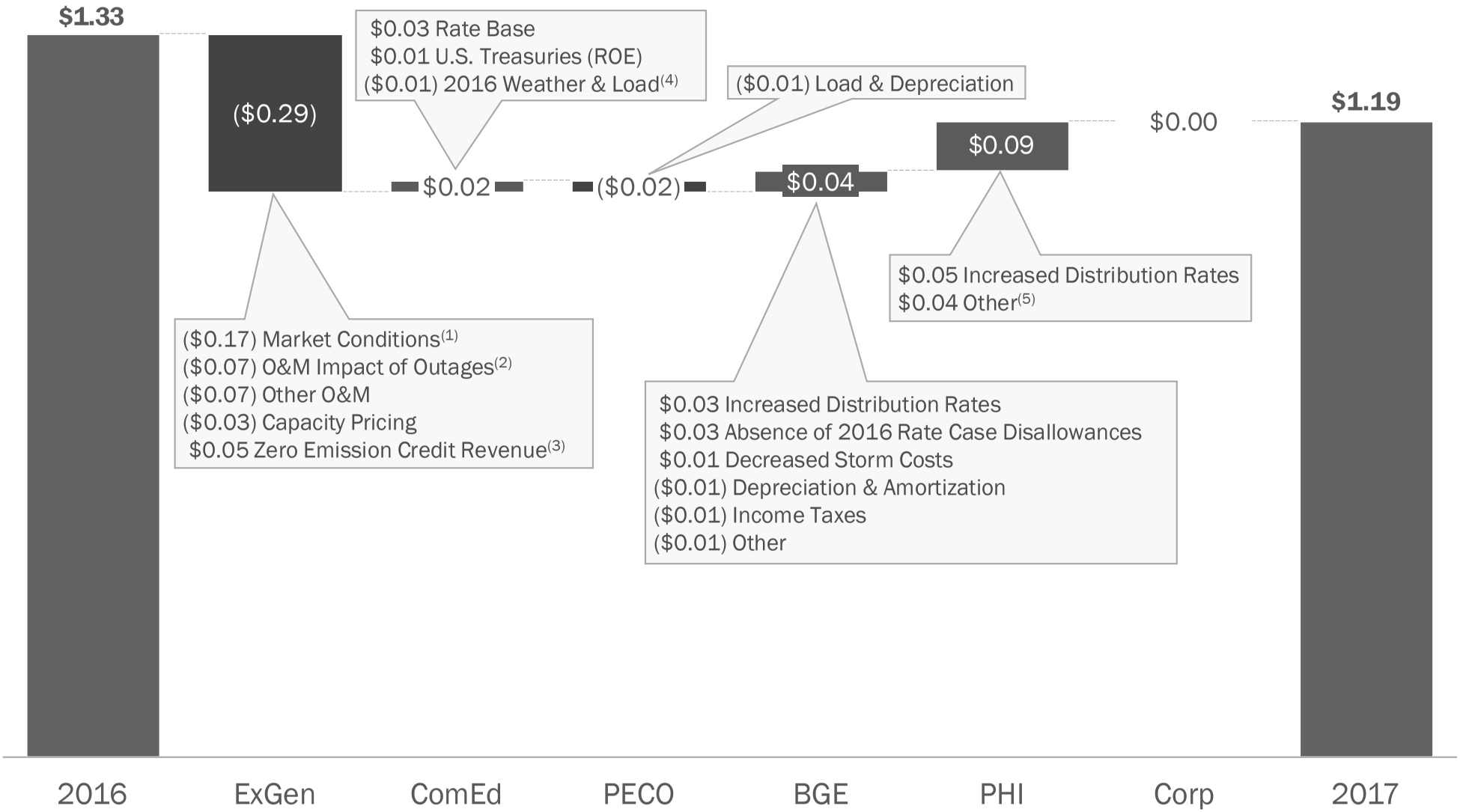
YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impacts of declining natural gas prices and lower optimization in Generation's natural gas portfolio, the conclusion of the Ginna Reliability Support Services Agreement and lower realized energy prices, partially offset by the absence of oil inventory write downs that occurred in 2016

(2) Driven by higher planned outages in 2017; excludes Salem

(3) Reflects the impact of the New York Clean Energy Standard

(4) Pursuant to the Illinois Future Energy Jobs Act, beginning in 2017, customer rates for ComEd are adjusted to eliminate the favorable and unfavorable impacts of weather and customer usage patterns on distribution volumes

(5) PHI reflects full six months of earnings in 2017 versus earnings from March 24, 2016 through June 30, 2016

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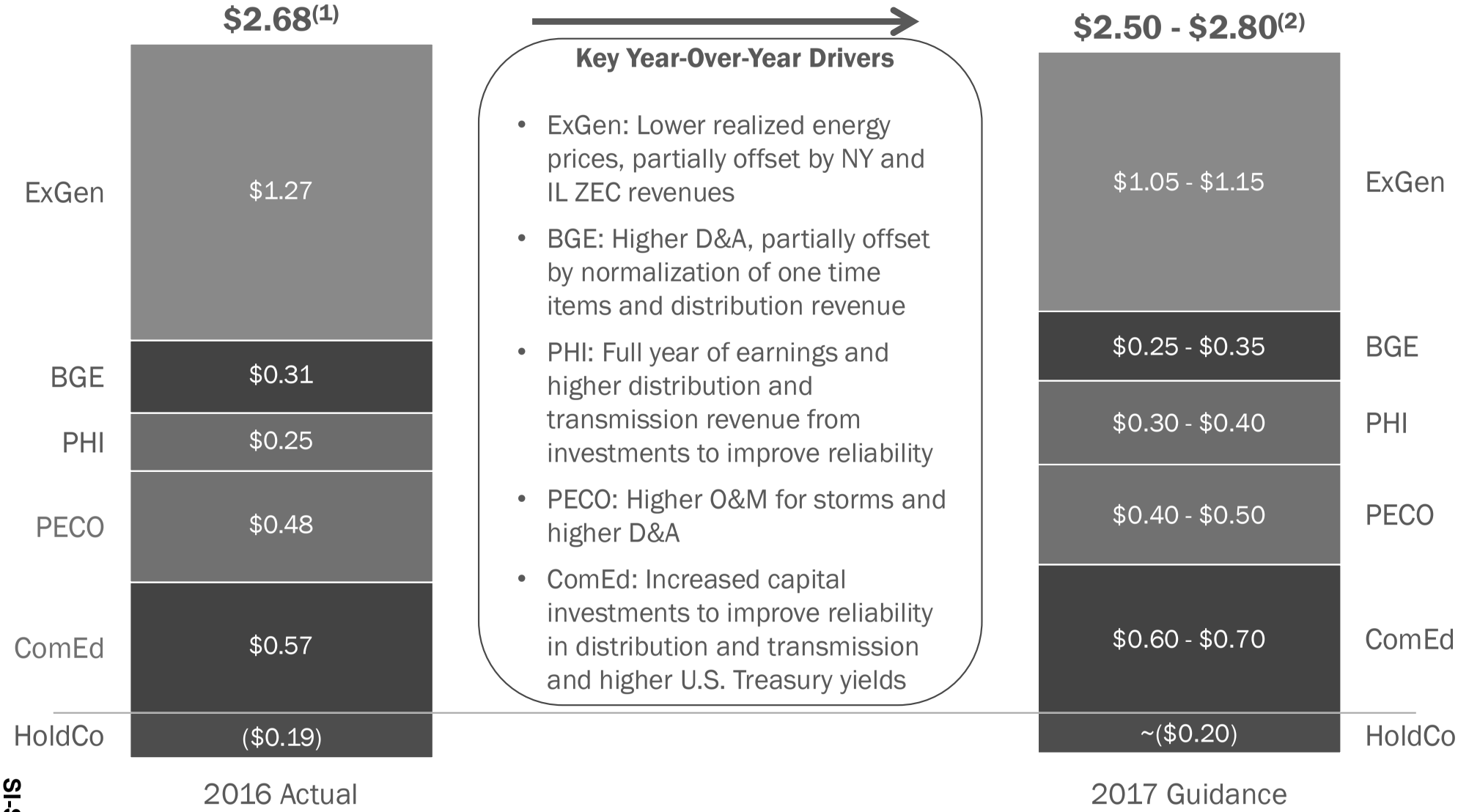
Reaffirming 2017 Adjusted Operating Earnings* Guidance



Key Year-Over-Year Drivers

- ExGen: Lower realized energy prices, partially offset by NY and IL ZEC revenues
- BGE: Higher D&A, partially offset by normalization of one time items and distribution revenue
- PHI: Full year of earnings and higher distribution and transmission revenue from investments to improve reliability
- PECO: Higher O&M for storms and higher D&A
- ComEd: Increased capital investments to improve reliability in distribution and transmission and higher U.S. Treasury yields

Expect Q3 2017 Adjusted Operating Earnings* of $0.80 - $0.90 per share

(1) 2016 results based on 2016 average outstanding shares of 927M
(2) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.

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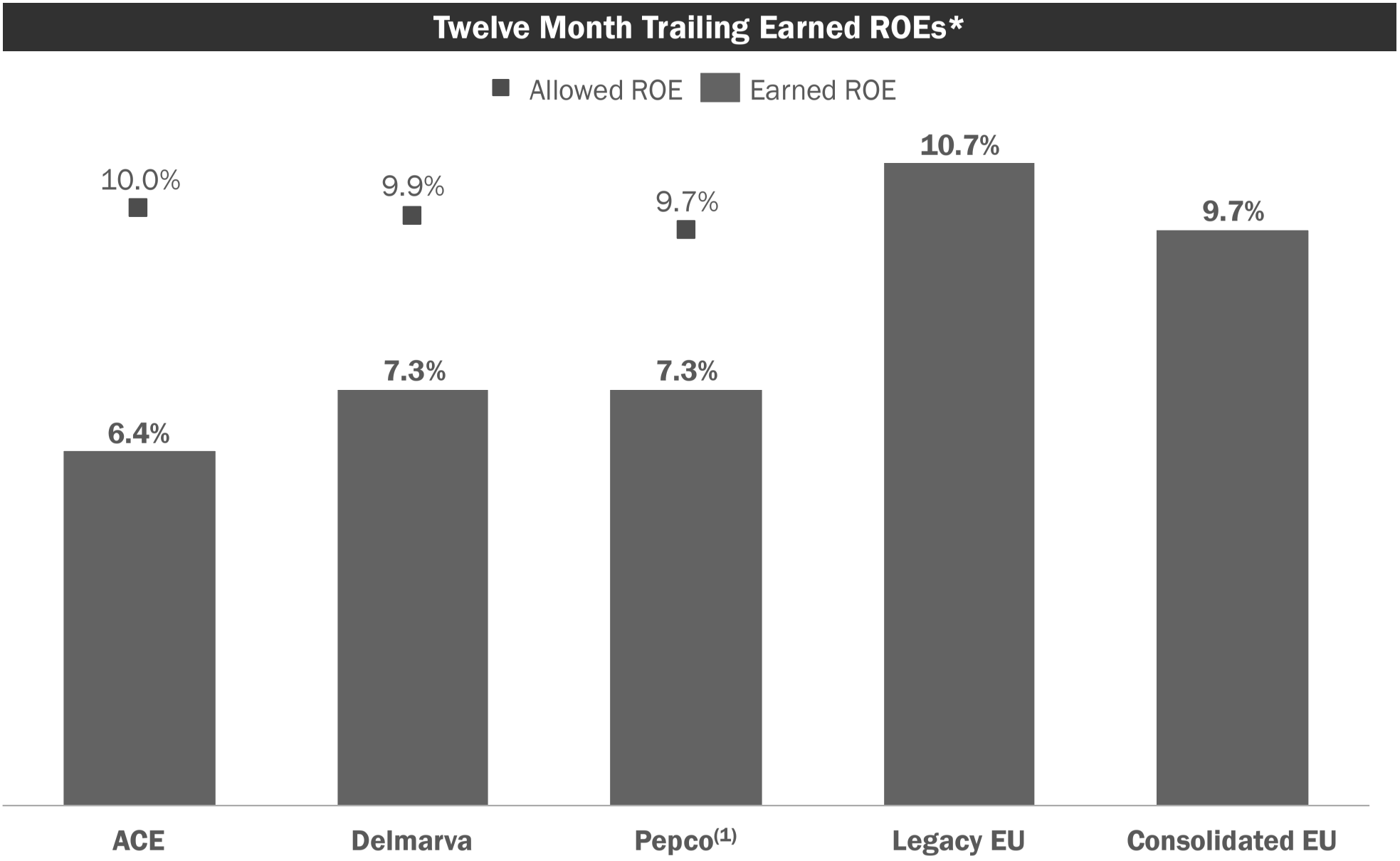
Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 6/30/16 to 6/30/17 and reflects all lines of business (Electric Distribution, Gas Distribution, and Transmission)
(1) Pepco DC Distribution allowed ROE is based on authorized ROE of 9.4% for the rates that were in effect during the trailing twelve month period. The order issued on 7/25/17 authorized an ROE of 9.5%.

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Exelon Utilities Distribution Rate Case Summary

Delmarva MD Order	
Authorized Revenue Requirement Increase[1]	$38.3M
Authorized ROE	9.60%
Common Equity Ratio	49.10%
Order Received	2/15/17

Pepco MD Filing	
Requested Revenue Requirement Increase[1]	$68.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.15%
Order Expected	10/20/17

Delmarva DE Electric Order	
Authorized Revenue Requirement Increase[1]	$31.5M
Authorized ROE	9.70%
Common Equity Ratio	N/A
Order Received	5/23/17

ACE Filing	
Requested Revenue Requirement Increase[1]	$72.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.14%
Order Expected	Q1 2018

Delmarva DE Gas Order	
Authorized Revenue Requirement Increase[1]	$4.9M
Authorized ROE	9.70%
Common Equity Ratio	N/A
Order Received	6/6/17

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$27.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.68%
Order Expected	2/14/18

Pepco DC Order	
Authorized Revenue Requirement Increase[1]	$36.9M
Authorized ROE	9.50%
Common Equity Ratio	49.14%
Order Received	7/25/17

ComEd Filing	
Requested Revenue Requirement Increase[1]	$95.6M[2]
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017

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Updates: RPM Results and TMI Closure

PJM 2020/2021 Capacity Auction

- Cleared 16.2 GW of generation capacity in 2020/2021 PJM base residual auction
- The bulk of cleared capacity was in the ComEd and EMAAC zones, which cleared above rest of RTO pricing at $188/MW-d
- Despite volatility in PJM capacity market, capacity revenues have met or exceeded $1B annually

TMI Closure

- Exelon announced that it will retire TMI in September 2019, absent needed policy reforms
- Announcement comes after TMI failed to clear PJM base residual auctions for the third consecutive year
- Financial impact[1] of TMI retirement is annual accretive EPS impact of $0.04-$0.07 and cumulative cash flow impact of ~$225M through 2021

(1) Based on May 31, 2017, pricing and exclude decommissioning impacts

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Exelon Generation: Gross Margin Update

	June 30, 2017			Change from Mar 31, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,750	$4,000	$3,800	$(100)	$(150)	$(150)
Capacity and ZEC Revenues[2,5]	$1,850	$2,200	$2,050	-	$(50)	-
Mark-to-Market of Hedges[2,3]	$1,900	$550	$400	$300	$50	-
Power New Business / To Go	$200	$850	$950	$(200)	-	-
Non-Power Margins Executed	$300	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,150**	**$8,100**	**$7,700**	**-**	**$(150)**	**$(150)**

Recent Developments

- Executed $200M of Power New Business in 2017
- Reflects removal of EGTP[5] and TMI[5]
- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on June 30, 2017, market conditions
5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019. EGTP removal results in $100M reduction to gross margin in 2018 and 2019 with positive EPS impacts of $0.02-$0.03.T MI retirement results in $50M reduction in gross margin in 2019.

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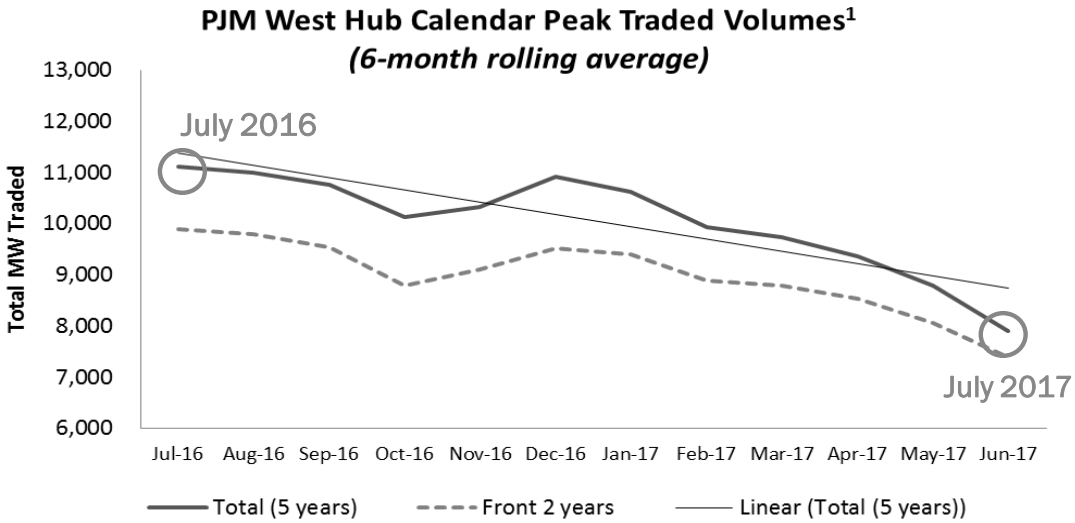
Forward Market Liquidity

Overall liquidity is declining



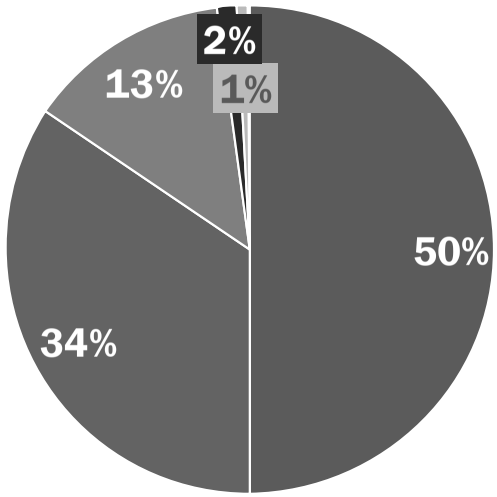
Total calendar peak traded volumes for the rolling 5-year window have been trending lower over the past year

Calendar peak traded volumes beyond prompt year +1 account for less than 10% of total traded volumes

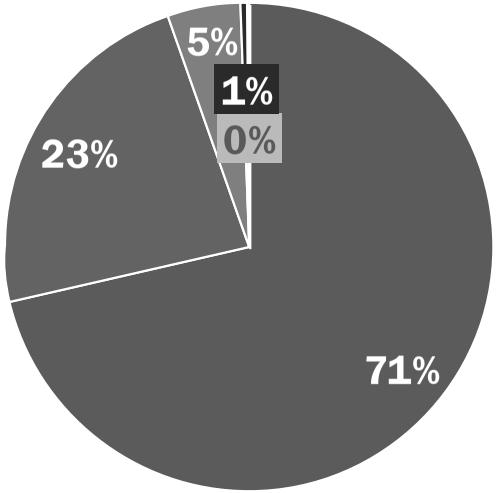
** Please note that hedging strategy utilizes various price points (i.e. NIHUB, ERCOT), channels to market (i.e. Origination, Mid-Marketing, Retail, OTC), products (i.e. calendar, seasonal), and other exchanges*

Limited liquidity in the outer years

July 2016 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



July 2017 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



(1) Total monthly traded volumes for rolling prompt year + 4 years on ICE and NASDAQ Exchanges only

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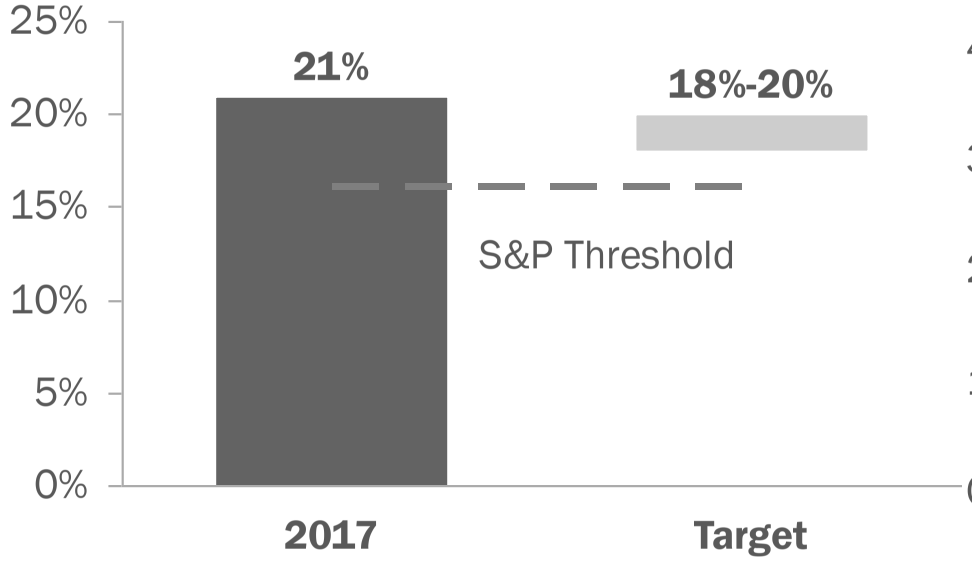
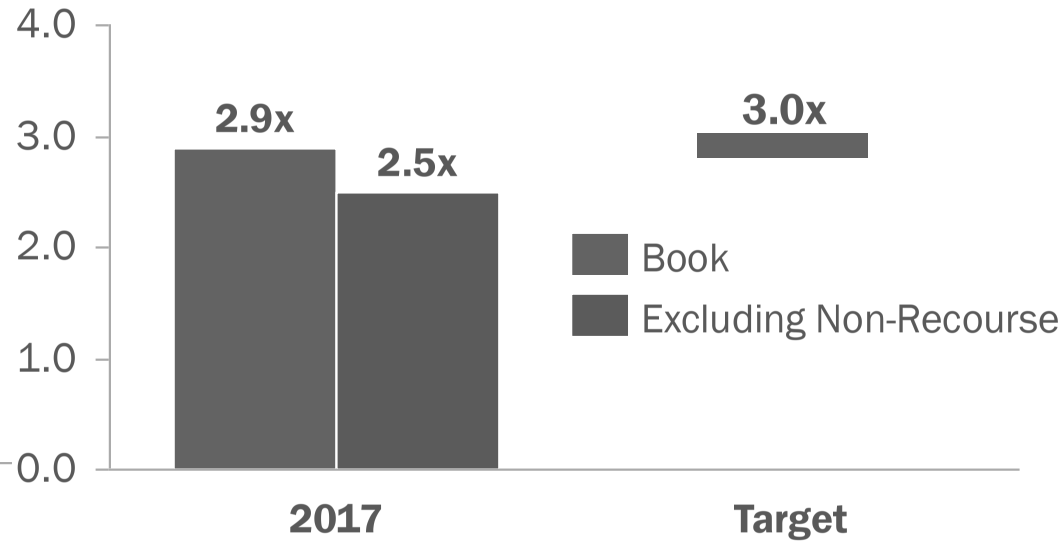
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6)



ExGen Debt/EBITDA Ratio*(5,6)



Credit Ratings by Operating Company

Current Ratings (2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of July 26, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP

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Exelon

Innovation Expo Highlights

- Our 2017 Innovation Expo in Washington, D.C. showcased the latest advanced technology products and processes Exelon is deploying to deliver on our commitment to provide safe, reliable, affordable and clean energy
- Exelon employees, vendors and industry experts explored how technology can solve challenges affecting the energy industry and our customers at our biggest event to date

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Exelon

Recognition for Stewardship and Employee Engagement

Supplier Diversity: Exelon is the only utility and energy company to be inducted into the Billion Dollar Roundtable, which recognizes corporations that have achieved spending of $1 billion with minority and women-owned suppliers; our 2016 spend was nearly $2B

Civic 50: Points of Light named Exelon utility sector leader in its annual ranking of the nation's most community-minded public and private companies

Top 50 Companies for Diversity: National recognition from DiversityInc, first year in Top 50 after being named a DiversityInc "Top Utility" in 2015 and 2016

Best Places to Work in 2017: Ranked No. 18 on Indeed.com survey of Fortune 500 companies based on employee reviews

CEO Action for Diversity & Inclusion™: Joined 150 leading companies in the largest CEO-driven business commitment to advance diversity and inclusion

Top 50 Most Energy-Efficient Utilities: American Council for an Energy-Efficient Economy ranks BGE and ComEd in the top 10 with PECO also making the list

Lowest Carbon Emissions: 2017 Air Emissions Benchmarking Report notes Exelon's nuclear facilities had the lowest carbon dioxide emissions of the top 20 privately held and investor-owned energy producers

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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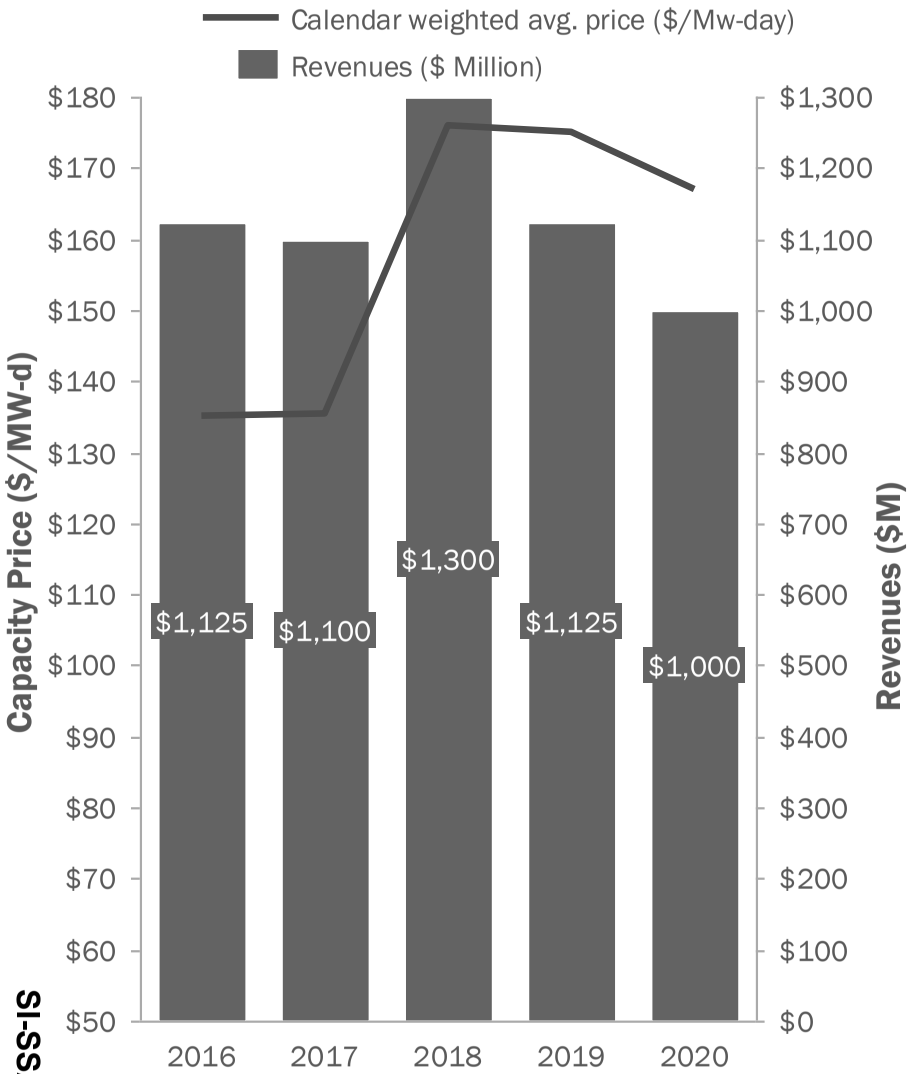
Additional Disclosures

SI-SSA-0015-02224

Capacity Market: PJM

PJM Capacity Revenues(1,2,3)



Cleared Volumes (MW)(4)	2019/2020				2020/2021	
	CP	Price	Base	Price	CP	Price
Comed						
Nuclear	6,925	$203	-	$183	8,075	$188
Fossil/Other	-	$203	50	$183	-	$188
Subtotal	**6,925**		**50**		**8,075**	
EMAAC						
Nuclear	4,375	$120	-	$100	4,350	$188
Fossil/Other	1,525	$120	1,675	$100	2,325	$188
Subtotal	**5,900**		**1,675**		**6,675**	
SWMAAC						
Nuclear	850	$100	-	$80	850	$86
Fossil/Other	-	$100	-	$80	-	$86
Subtotal	**850**		**-**		**850**	
MAAC						
Nuclear	-		-		-	$86
Fossil/Other	-		-		225	$86
Subtotal	**-**		**-**		**225**	
BGE						
Nuclear	-	$100	-	$80	-	$86
Fossil/Other	375	$100	225	$80	375	$86
Subtotal	**375**		**225**		**375**	
Rest of RTO						
Nuclear	-	$100	-	$80	-	$77
Fossil/Other	275	$100	75	$80	-	$77
Subtotal	**275**		**75**		**-**	
PJM Total						
Nuclear	12,150		-		13,275	
Fossil/Other	2,175		2,025		2,925	
Grand Total	**14,325**		**2,025**		**16,200**	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

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2017 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[9]	Exelon 2017E	Cash Balance
Beginning Cash Balance*[2]									**1,050**
Adjusted Cash Flow from Operations*[3]	700	800	750	1,150	3,425	3,425	100	6,950	
Base CapEx and Nuclear Fuel[4]	0	0	0	0	0	(2,025)	(50)	(2,075)	
Free Cash Flow*	**700**	**800**	**750**	**1,150**	**3,425**	**1,400**	**50**	**4,875**	
Debt Issuances	250	1,000	325	200	1,775	750	1,150	3,675	
Debt Retirements	(300)	(425)	0	(150)	(875)	(700)	(1,700)	(3,275)	
Project Financing	n/a	n/a	n/a	n/a	n/a	275	n/a	275	
Equity Issuance/Share Buyback	0	0	0	0	0	0	1,150	1,150	
Contribution from Parent	150	675	0	825	1,650	0	(1,650)	(25)	
Other Financing[5]	300	525	150	(375)	600	75	425	1,100	
Financing*[6]	**400**	**1,775**	**475**	**500**	**3,150**	**375**	**(650)**	**2,875**	
Total Free Cash Flow and Financing	**1,125**	**2,575**	**1,200**	**1,650**	**6,550**	**1,775**	**(600)**	**7,750**	
Utility Investment	(925)	(2,200)	(775)	(1,375)	(5,250)	0	0	(5,250)	
ExGen Growth[4,7]	0	0	0	0	0	(825)	0	(825)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(50)	0	(50)	
Dividend[8]	0	0	0	0	0	0	(1,225)	(1,225)	
Other CapEx and Dividend	**(925)**	**(2,200)**	**(775)**	**(1,375)**	**(5,250)**	**(875)**	**(1,225)**	**(7,375)**	
Total Cash Flow	**200**	**400**	**450**	**275**	**1,300**	**900**	**(1,825)**	**375**	
Ending Cash Balance*[2]									**1,425**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Excludes counterparty collateral activity

(4) Figures reflect cash CapEx and CENG fleet at 100%

(5) Other Financing includes expected changes in short-term debt, money pool borrowings, tax sharing from the parent, debt issue costs, CENG credit facility, tax equity cash flows, Renewable JV, and capital leases

(6) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(7) ExGen Growth CapEx primarily includes Texas CCGTs, AGE, W. Medway, Retail Solar, and Retail Growth

(8) Dividends are subject to declaration by the Board of Directors

(9) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $4.9B of free cash flow, including $1.4B at ExGen and $3.4B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ Plan to issue $0.9B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $6.0B, with $5.3B at the Utilities and $0.8B at ExGen

SI-SSA-0015-02226

Exelon

Exelon Generation Disclosures

June 30, 2017

SI-SSA-0015-02227

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Portfolio Management Strategy

Strategic Policy Alignment

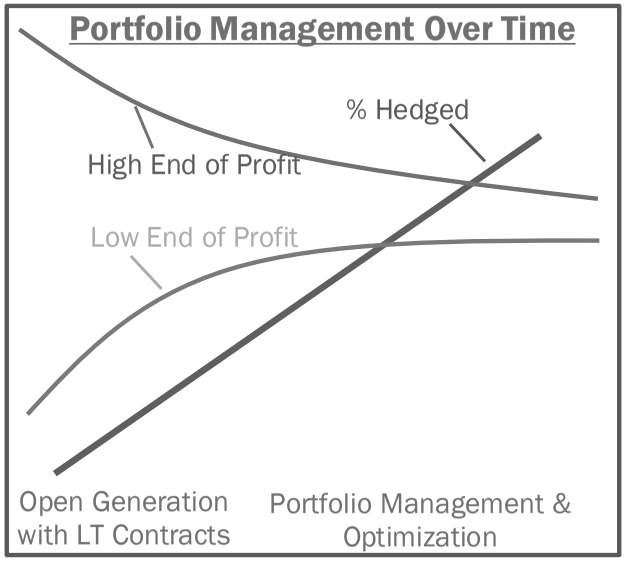
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

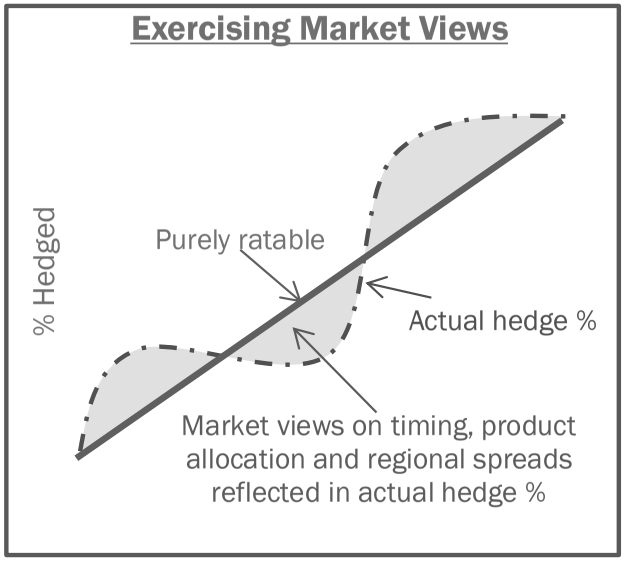
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02228

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02229

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,750	$4,000	$3,800
Capacity and ZEC Revenues[2,5]	$1,850	$2,200	$2,050
Mark-to-Market of Hedges[2,3]	$1,900	$550	$400
Power New Business / To Go	$200	$850	$950
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[5]	**$8,150**	**$8,100**	**$7,700**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMbtu)	$3.17	$2.99	$2.85
Midwest: NiHub ATC prices ($/MWh)	$26.97	$27.81	$26.90
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.94	$30.55	$29.31
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$0.69	$2.26	$3.33
New York: NY Zone A ($/MWh)	$25.70	$27.95	$27.13
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.62	$4.90	$5.00

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on June 30, 2017, market conditions
5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02230

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**203,500**	**200,700**	**202,500**
Midwest	96,000	96,000	97,000
Mid-Atlantic[2,6]	60,500	60,300	58,500
ERCOT	20,400	20,700	21,600
New York[2,6]	14,600	15,400	16,600
New England	12,000	8,300	8,800
% of Expected Generation Hedged[3]	**96%-99%**	**71%-74%**	**39%-42%**
Midwest	96%-99%	66%-69%	34%-37%
Mid-Atlantic[2,6]	100%-103%	80%-83%	45%-48%
ERCOT	86%-89%	65%-68%	46%-49%
New York[2,6]	94%-97%	72%-75%	38%-41%
New England	97%-100%	81%-84%	44%-47%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$42.50	$37.00	$39.50
ERCOT[5]	$9.00	$3.00	$3.00
New York[2,6]	$41.50	$34.50	$31.00
New England[5]	$20.00	$4.50	$3.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.3% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02231

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ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with Existing Hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$25	$240	$555
- $1/Mmbtu	$30	$(220)	$(540)
NiHub ATC Energy Price			
+ $5/MWh	-	$145	$300
- $5/MWh	-	$(145)	$(295)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$165
- $5/MWh	$5	$(70)	$(155)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	$(5)	$(20)	$(50)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $35

(1) Based on June 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-02232

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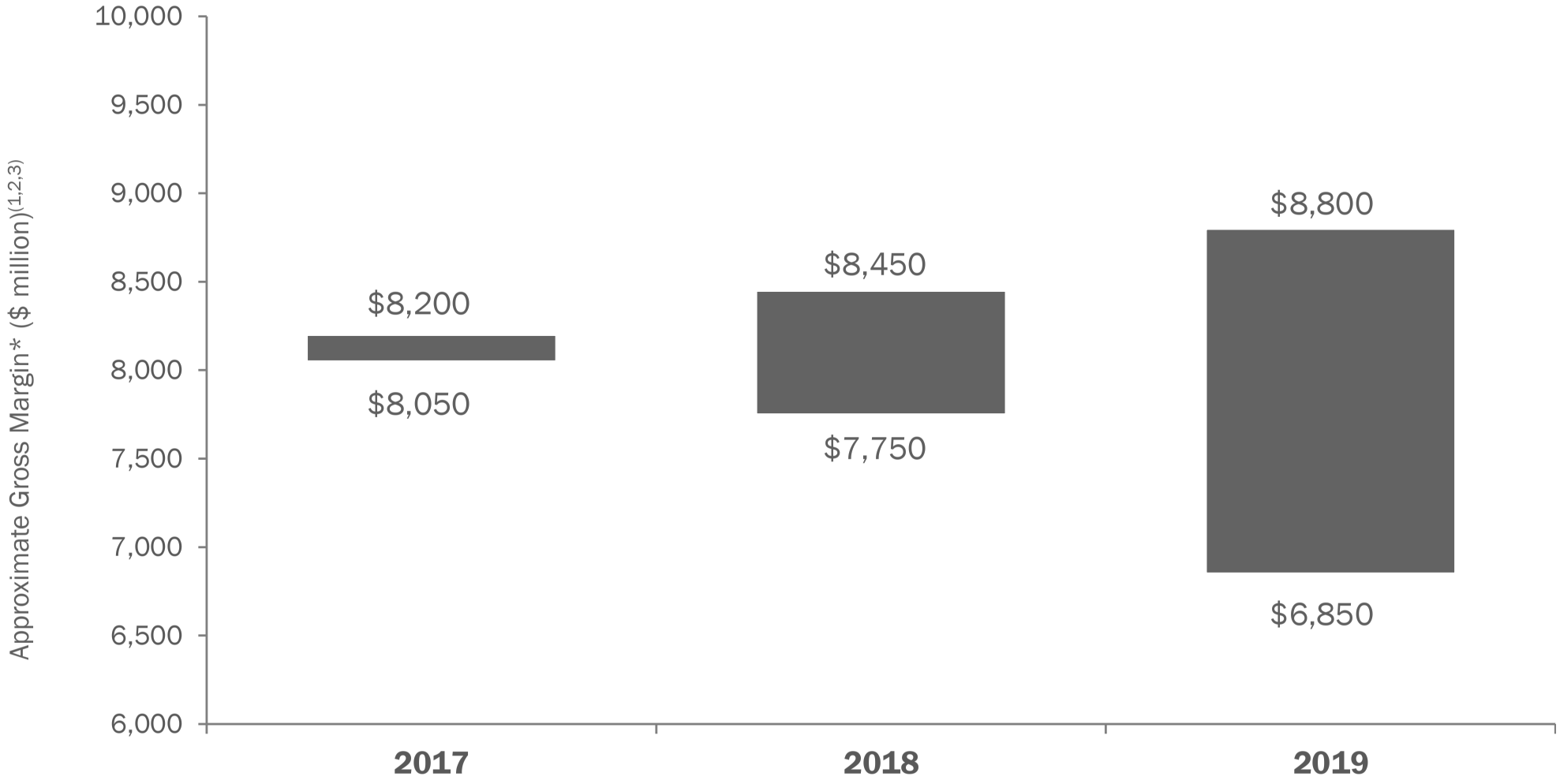
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

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SI-SSA-0015-02233

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4 billion →					
(B)	Capacity and ZEC	← $2.2 billion →					
(C)	Expected Generation (TWh)	96.0	60.3	20.7	15.4	8.3	
(D)	Hedge % (assuming mid-point of range)	67.5%	81.5%	66.5%	73.5%	82.5%	
(E=C*D)	Hedged Volume (TWh)	64.8	49.1	13.8	11.3	6.8	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.00	$34.50	$4.50	
(G)	Reference Price ($/MWh)	$27.81	$30.55	$2.26	$27.95	$4.90	
(H=F-G)	Difference ($/MWh)	$1.69	$6.45	$0.74	$6.55	($0.40)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$110	$315	$10	$75	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,750					
(K)	Power New Business / To Go ($ million)	$850					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	Total Gross Margin*	$8,100 million					

(1) Mark-to-market rounded to the nearest $5 million

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,675**	**$8,725**	**$8,300**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(225)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[5]	$(425)	$(400)	$(400)
Total Gross Margin* (Non-GAAP)	**$8,150**	**$8,100**	**$7,700**

Key ExGen Modeling Inputs (in $M)[1,6]	2017
Other[7]	$150
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[8]	$(375)
Depreciation & Amortization[9]	$(1,100)
Interest Expense[10]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) Reflects the cost of sales of certain Constellation and Power businesses
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(8) TOTI excludes gross receipts tax of $150M
(9) Excludes P&L neutral decommissioning depreciation
(10) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

SI-SSA-0015-02235

Exelon Utilities Rate Case Filing Summaries

SI-SSA-0015-02236

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Exelon Utilities Distribution Rate Case Schedule

	6/17	7/17	8/17	9/17	10/17	11/17	12/17
ComEd Electric Distribution Formula Rate		Rebuttal Testimony Mid-July	Hearings August 28		Proposed Order October 19		Commission Order Expected December 9
Pepco Electric Distribution Rates - DC		Commission Order Received July 25					
Pepco Electric Distribution Rates - MD	Intervenor Direct Testimony June 30		Rebuttal Testimony Aug. 1	Evidentiary Hearings Sept. 5-15	Commission Order Expected Oct. 20		
Delmarva Electric Distribution Rates - MD		Rate Case Filed July 14					
ACE Electric Distribution Rates - NJ			Intervenor Direct Testimony Aug. 1	Rebuttal Testimony Sept. 6	Evidentiary Hearings Oct. 2-13		

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, and Delaware Public Service Commission and are subject to change

SI-SSA-0015-02237

Exelon

Delmarva DE (Electric) Distribution Rate Case Final Order

Docket #	16-0649	Approved Black Box Settlement
Test Year	2015 Calendar Year	
Test Period	12 months actual	
Authorized Common Equity Ratio	49.44%	
Authorized Rate of Return	ROE: 10.60%; ROR: 7.19%	ROE: 9.70%
Rate Base(1)	$839M	
Authorized Revenue Requirement Increase(2,3)	$60.2M	$31.5M Revenue increase includes approx. $7.5M of new depreciation and amortization expense
Residential Total Bill % Increase	7.25%	4.80%
Notes	• 5/17/16 DPL DE filed application with the Delaware Public Service Commission (DPSC) seeking increase in electric distribution base rates • 18 month forward-looking reliability and other plant additions from January 2016 through June 2017 ($8.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • Includes the Pay as You Go Program, a proposed pilot program that would be cooperatively designed to use the capability of the AMI meters to offer a voluntary pre-paid metering option for customers	• 3/8/17 Unanimous settlement filed with the DPSC • New depreciation rates included in the revenue increase • Recovery of $28.6M of direct load control and dynamic pricing regulatory assets to be amortized over 10 years • Approval to establish regulatory asset for costs to achieve synergy savings, amortized over 5 years • Actual synergy savings and costs to achieve will be reviewed in next base rate proceeding • Commission Approved Settlement: 5/23/17 • Rates effective June 1; no interim rate refunds

(1) The Settlement is a partial "black box settlement" meaning that the Settling Parties have agreed to some terms in the Settlement, but not others. No adjusted rate base or earnings were documented.
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $29.6M on December 17, 2016, subject to refund
(3) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

SI-SSA-0015-02238

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Delmarva DE (Gas) Distribution Rate Case Final Order

Docket #	16-0650	Approved Black Box Settlement
Test Year	2015 Calendar Year	
Test Period	12 months actual	
Common Equity Ratio	49.44%	
Rate of Return	ROE: 10.60%; ROR: 7.19%	ROE: 9.70%
Rate Base(1)	$362M	
Revenue Requirement Increase(2,3)	$22.2M	$4.9M Revenue increase includes net reduction of $4.8M in new depreciation and amortization expense
Residential Total Bill % Increase	10.40%	2.70%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in gas distribution base rates	• 4/6/17 Unanimous settlement filed with the DPSC • New depreciation rates included in the revenue increase • Incremental labor costs for the Interface Management Unit (IMU) battery replacement project deferred into a regulatory asset for review in a future proceeding • Approval to establish regulatory asset for costs to achieve synergy savings, amortized over 5 years • Actual synergy savings and costs to achieve will be reviewed against actuals in next base rate proceeding • Commission approved settlement: 6/6/17 • Rates effective July 1 • Refund will be issued for amounts collected, under interim rates, in excess of $4.9M revenue requirement increase

(1) The Settlement is a partial "black box settlement" meaning that the Settling Parties have agreed to some terms in the Settlement, but not others. No adjusted rate base or earnings were documented.
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $10.4M on December 17, 2016, subject to refund
(3) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

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SI-SSA-0015-02239

Pepco DC Rate Case Final Order

Formal Case No.	1139	Per Commission Order
Test Year	April 1, 2015 – March 31, 2016	
Test Period	12 months actual	
Requested Common Equity Ratio	49.14%	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%	ROE: 9.50%; ROR: 7.46%
Proposed Rate Base (Adjusted)	$1.7B	$1.6B
Requested Revenue Requirement Increase	$76.8M(1)	$36.9M EBIT impact is currently estimated at $39M related to new items per the Order
Residential Total Bill % Increase	4.62%	2.52%

Notes	• 6/30/16 Pepco filed application with District of Columbia Public Service Commission (DCPSC) seeking increase in electric distribution base rates
	Intervenor Positions:
	• Office of People's Council (OPC) revenue increase of $25.8M based on 8.60% ROE
	• Apartment and Office Building Association (AOBA) revenue increase of $62.2M based on 9.25% ROE
	• Healthcare Council of the National Capital Area (HCNCA) revenue increase of $16.8M based on 8.75% ROE
	• District of Columbia Water and Sewer Authority (DC Water) revenue increase of $52.7M based on 9.10% ROE
		• 7/25/17 DCPSC issued Final Order
		• Bill Stabilization Adjustment (BSA) remains unchanged
		• Approval to establish regulatory asset for costs to achieve (CTA)
		• Customer Base Rate Credit (CBRC) will offset monthly bill increases
		  • $15M allocated to residential customers
		  • $2.3M designated to certain small commercial customers
		  • $6-7M reserved for disabled and senior citizens on fixed incomes in future rate cases
		• Recovery of $27.4M of AMI, direct load control and dynamic pricing regulatory assets to be amortized over 5 years

(1) Revenue requirement includes changes in amortization expense, which has no impact on pre-tax earnings

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SI-SSA-0015-02240

Pepco MD Rate Case Filing

Formal Case No.	9443
Test Year	May 1, 2016 – April 30, 2017
Test Period	8 months actual and 4 months estimated
Requested Common Equity Ratio	50.15%
Requested Rate of Return	ROE: 10.10%; ROR: 7.74%
Proposed Rate Base (Adjusted)	$1.7B
Requested Revenue Requirement Increase[1]	$68.6M
Residential Total Bill % Increase	5.6%
Notes	• 3/24/17 Pepco MD filed application with the Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • Size of ask is driven by Continued Investments in the electric distribution system to maintain and increase reliability and customer service • Normalization of tax benefits on pre-1981 removal costs • 8 month forward looking reliability and other plant additions from May 2017 through December 2017 ($13.3M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Company is seeking recovery of the restoration portion of the Supplemental Executive Retirement Plan (SERP) Procedural Schedule: • Intervenor Direct Testimony Due: 6/30/17 • Rebuttal Testimony Due: 8/1/17 • Evidentiary Hearings: 9/5/17 – 9/15/17 • Brief Due: 10/3/17 • Commission Order Expected: 10/20/17

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings. Updated June 7, 2017.

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SI-SSA-0015-02241

Atlantic City Electric NJ Rate Case Filing

BPU Docket No.	ER17030308
Test Year	August 1, 2016 – July 31, 2017
Test Period	5 months actual and 7 months estimated
Requested Common Equity Ratio	50.14%
Requested Rate of Return	ROE: 10.10%; ROR: 7.83%
Proposed Rate Base (Adjusted)	$1.4B
Requested Revenue Requirement Increase(1)	$72.6M
Residential Total Bill % Increase	6.57%
Notes	• 3/30/17 ACE filed application with the New Jersey Board of Public Utilities (NJBPU) seeking increase in electric distribution base rates • Recovery of investment in infrastructure to maintain and harden the electric distribution system • Ratemaking adjustments to address declining sales • 8 month forward-looking reliability and other plant additions from August 2017 through March 2018 ($8.4M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Proposal of a Non-Incremental System Renewal Recovery Charge for recovery of non-incremental reliability spend over four years (2018-2021) of $376 million. Procedural Schedule: • Settlement Meeting: 7/17/17 • Intervenor Direct Testimony Due: 8/1/17 • Rebuttal Testimony Due: 9/6/17 • Evidentiary Hearings: 10/2/17 – 10/13/17 • Commission Order Expected: March 2018

(1) Updated on July 14, 2017

SI-SSA-0015-02242

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Delmarva Power & Light MD Rate Case Filing

Formal Case No.	9455
Test Year	October 1, 2016 – September 30, 2017
Test Period	7 months actual and 5 months estimated
Requested Common Equity Ratio	50.68%
Requested Rate of Return	ROE: 10.10%; ROR: 7.05%
Proposed Rate Base (Adjusted)	$791M
Requested Revenue Requirement Increase	$27.0M
Residential Total Bill % Increase	1.9%
Notes	• 7/14/17 DPL MD filed application with the Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • Size of ask is driven by continued investments in the electric distribution system to maintain and increase reliability and customer service • Forward looking reliability and other plant additions through April 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Requested year end rate base treatment ($4.1M of Revenue Requirement based on 10.10% ROE) • Commission Order expected: 2/14/18

SI-SSA-0015-02243

ComEd April 2017 Distribution Formula Rate

The 2017 distribution formula rate filing established the net revenue requirement used to set the rates that will take effect in January 2018 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2016 costs and 2017 projected plant additions
- Annual Reconciliation: For 2016, this amount reconciles the revenue requirement reflected in rates in effect during 2016 to the actual costs for that year. The annual reconciliation impacts cash flow in 2018 but the earnings impact has been recorded in 2016 as a regulatory asset.

Docket #	**17-0196**
Filing Year	**2016 Calendar Year Actual Costs and 2017 Projected Net Plant Additions** are used to set the rates for calendar year 2018. Rates currently in effect (docket 16-0259) for calendar year 2017 were based on 2015 actual costs and 2016 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2016 to 2016 Actual Costs Incurred.** Revenue requirement for 2016 is based on docket 15-0287 (2014 actual costs and 2015 projected net plant additions) approved in December 2015.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.40%** for the filing year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium) and **8.34%** for the reconciliation year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium – 6 basis points performance metrics penalty). For 2017 and 2018, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~6.5%** for both the filing and reconciliation years
Rate Base(1)	**$9,662 million–** Filing year (represents projected year-end rate base using 2016 actual plus 2017 projected capital additions). 2017 and 2018 earnings will reflect 2017 and 2018 year-end rate base respectively. $8,807 million - Reconciliation year (represents year-end rate base for 2016)
Revenue Requirement Increase(1)	**$95.6M increase** ($17.5M increase due to the 2016 reconciliation and collar adjustment in addition to a $78.1M increase related to the filing year). The 2016 reconciliation impact on net income was recorded in 2016 as a regulatory asset.
Timeline	• 04/13/17 Filing Date • 240 Day Proceeding • ICC Order on FRU expected to be issued by December 9, 2017

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

(1) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017

SI-SSA-0015-02244

Exelon.

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02245

Exelon.

Q2 2016 QTD GAAP EPS Reconciliation

Three Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.00**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**($0.06)**	**$0.29**
Mark-to-market impact of economic hedging activities	0.20	-	-	-	-	-	0.20
Unrealized gains related to NDT fund investments	(0.03)	-	-	-	-	-	(0.03)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Long-Lived asset impairments	0.02	-	-	-	-	-	0.02
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Cost management program	-	-	-	-	-	-	0.01
CENG noncontrolling interest	0.01	-	-	-	-	-	0.01
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.35**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**$(0.06)**	**$0.65**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02246

Exelon.

Q2 2017 QTD GAAP EPS Reconciliation (continued)

Three Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share	**($0.27)**	**$0.13**	**$0.09**	**$0.05**	**$0.07**	**$0.02**	**$0.09**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.05)	-	-	-	-	-	(0.05)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.01
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.22**	**$0.15**	**$0.10**	**$0.05**	**$0.07**	**$(0.03)**	**$0.54**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02247

Exelon.

Q2 2016 YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.31**	**$0.28**	**$0.25**	**$0.14**	**($0.28)**	**$(0.23)**	**$0.48**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.09
Merger commitments	-	-	-	-	0.30	0.12	0.43
Long-lived asset impairments	0.10	-	-	-	-	-	0.10
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.02
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.69**	**$0.28**	**$0.25**	**$0.14**	**$0.06**	**$(0.08)**	**$1.33**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02248

Exelon.

Q2 2017 YTD GAAP EPS Reconciliation (continued)

Six Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$0.19**	**$0.28**	**$0.23**	**$0.18**	**$0.22**	**$0.06**	**$1.15**
Mark-to-market impact of economic hedging activities	0.15	-	-	-	-	-	0.15
Unrealized gains related to NDT fund investments	(0.15)	-	-	-	-	-	(0.15)
Amortization of commodity contract intangibles	0.02	-	-	-	-	-	0.02
Merger and integration costs	0.04	-	-	-	-	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Cost management program	0.01	-	-	-	-	-	0.01
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
CENG noncontrolling interest	0.06	-	-	-	-	-	0.06
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.40**	**$0.30**	**$0.23**	**$0.18**	**$0.15**	**($0.08)**	**$1.19**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02249

Exelon.

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments of certain wind projects at Generation and impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to a change in the statutory tax rate
  - Costs incurred related to a cost management program
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Generation's non-controlling interest, primarily related to CENG exclusion items

SI-SSA-0015-02250

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,375
EBITDA	$6,825
+/- Non-operating activities and nonrecurring items[3]	$550
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$25
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$375
= FFO (a)	**$7,400**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$32,025
Short-Term Debt	$1,225
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$3,450
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($550)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$35,925**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD

SI-SSA-0015-02251

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GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$8,875
Short-Term Debt	$375
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,950**

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$8,875
Short-Term Debt	$375
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,900)
= Net Debt (a)	**$7,050**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,400
EBITDA	$2,175
+/- Non-operating activities and nonrecurring items[2]	$875
= Operating EBITDA (b)	**$3,050**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,400
EBITDA	$2,175
+/- Non-operating activities and nonrecurring items[2]	$875
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,800**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.9x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA

SI-SSA-0015-02252

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GAAP to Non-GAAP Reconciliations

Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

ExGen Adjusted O&M Reconciliation ($M)[2]	2017
GAAP O&M	**$6,300**
Decommissioning[3]	25
TMI Retirement	(100)
EGTP Impairment	(425)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[4]	(425)
O&M for managed plants that are partially owned	(425)
Other	(100)
Adjusted O&M (Non-GAAP)	**$4,850**

(1) ACE, Delmarva, and Pepco represents full year of earnings
(2) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(3) Reflects earnings neutral O&M
(4) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

SI-SSA-0015-02253

GAAP to Non-GAAP Reconciliations

2017 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,150	$750	$700	$1,150	$3,450	($250)	$6,975
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	($350)	-	-	-	-	$350	-
Counterparty collateral activity	-	-	-	-	$225	-	$225
Adjusted Cash Flow from Operations	**$800**	**$750**	**$700**	**$1,150**	**$3,425**	**$100**	**$6,950**

2017 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$1,000	$175	$200	$175	($275)	$350	$1,625
Dividends paid on common stock	$425	$300	$200	$325	$650	($650)	$1,250
Intercompany receivable adjustment	$350	-	-	-	-	($350)	-
Financing Cash Flow	**$1,775**	**$475**	**$400**	**$500**	**$375**	**($650)**	**$2,875**

Exelon Total Cash Flow Reconciliation[1]	2017
GAAP Beginning Cash Balance	**$650**
Adjustment for Cash Collateral Posted	$400
Adjusted Beginning Cash Balance[3]	$1,050
Net Change in Cash (GAAP)[2]	$375
Adjusted Ending Cash Balance[3]	$1,425
Adjustment for Cash Collateral Posted	($625)
GAAP Ending Cash Balance	**$775**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

Exelon

SI-SSA-0015-02254

Earnings Conference Call
2nd Quarter 2018

August 2, 2018

Exelon®

SI-SSA-0015-02255

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02256

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02257

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

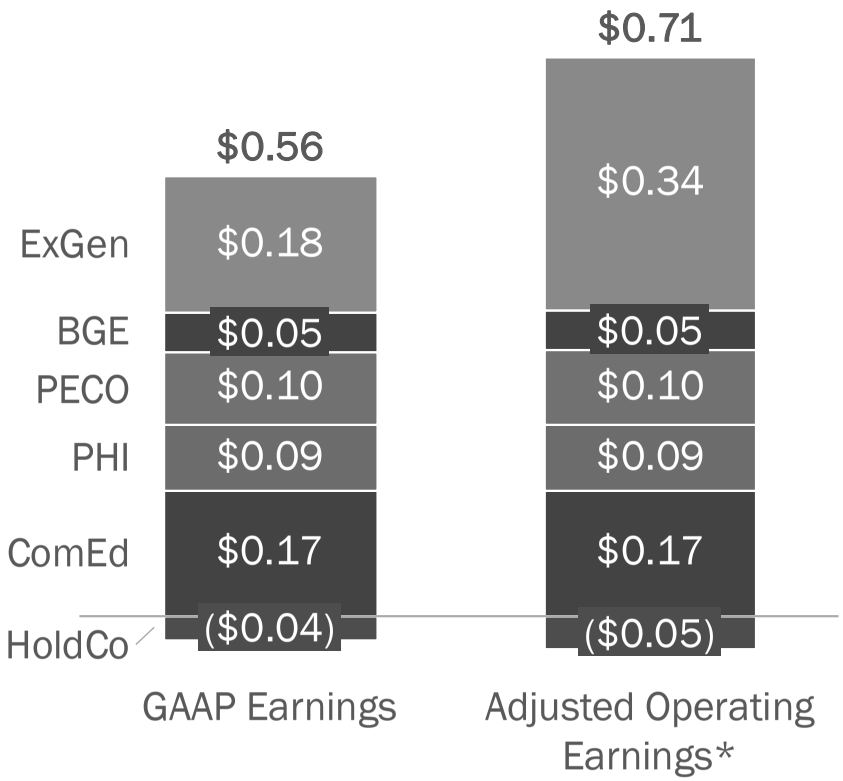
These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 42 of this presentation.

SI-SSA-0015-02258

2nd Quarter Results

Q2 2018 EPS Results[1,2]



- GAAP earnings were $0.56/share in Q2 2018 vs. $0.10/share in Q2 2017
- Adjusted operating earnings* were $0.71/share in Q2 2018 vs. $0.56/share in Q2 2017, exceeding our guidance range of $0.55-$0.65/share

(1) Amounts may not add due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-02259

Exelon

Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q2 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

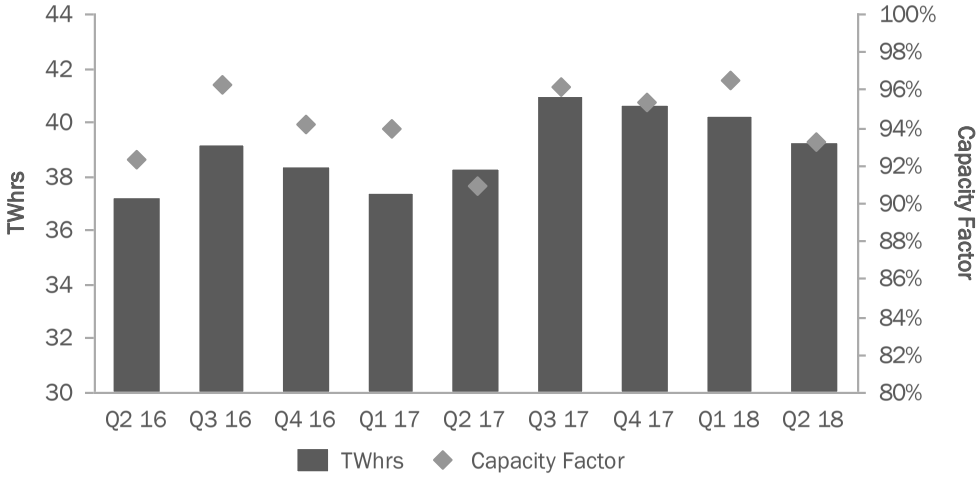
- Continued top tier reliability performance, with top decile performance in CAIDI and gas odor
- Customer performance metrics continue to be strong across all utilities

Q1	Q2
Q3	Q4

Exelon Generation Operational Performance

Exelon Nuclear Fleet[2]

- Continued best in class performance across our Nuclear fleet:
  - Q2 2018 Nuclear Capacity Factor: 93.2%
  - 96 outage days in Q2 2018 compared to 137 in Q2 2017



Fossil and Renewable Fleet

- Strong performance across our Fossil and Renewable fleet:
  - Q2 2018 Renewables energy capture: 95.1%
  - Q2 2018 Power dispatch match: 97.8%

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem and EDF's equity ownership share of the CENG Joint Venture

Exelon

SI-SSA-0015-02260

Tax Reform Producing Significant Customer Bill Savings

DPL

- DPL has filed to provide over **$40M** in annual distribution tax savings to customers
- DPL has also filed to provide **$12M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ACE

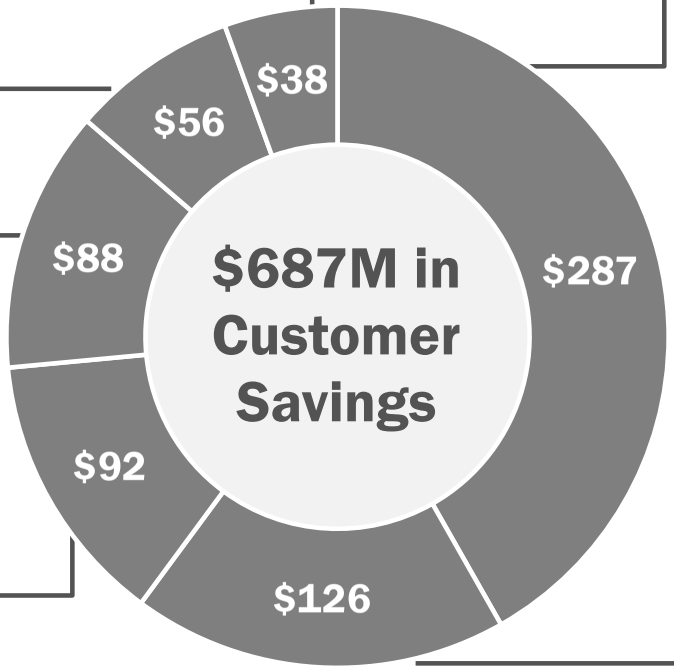
- ACE has filed to provide **$23M** in annual distribution tax savings to customers
- ACE has also filed to provide **$11M** in annual transmission tax savings, in addition to another **$4M** pending approval from FERC

ComEd

- ComEd has filed to provide **$201M** in annual distribution tax savings to customers
- ComEd has also filed to provide **$69M** in annual transmission tax savings, in addition to another **$17M** pending approval from FERC

Pepco

- Pepco has filed to provide over **$70M** in annual distribution tax savings to customers
- Pepco has also filed to provide **$13M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC



BGE

- BGE has filed to provide **$103M** in annual distribution tax savings to customers
- BGE has also filed to provide **$18M** in annual transmission tax savings, in addition to another **$5M** pending approval from FERC

PECO

- PECO has filed to provide **$72M** in annual distribution tax savings to customers
- PECO has also filed to provide **$20M** in annual transmission tax savings

Utility customers across our jurisdictions will benefit from tax reform, saving over $675M annually through planned and approved transmission and distribution bill adjustments

SI-SSA-0015-02261

Exelon.

Constructive Legislation for Our Utilities

Delaware

- On June 14, Governor Carney signed Senate Bill 80, which enacted the Distribution System Investment Charge (DSIC) legislation
- The DSIC tracker establishes a system improvement charge that provides a mechanism to recover infrastructure investments, allowing for:
  - Gradual rate increases; and
  - Limiting frequency of rate cases
- DPL DE expects to make its first filing under the DSIC rules in Q4 2018, with the new charge appearing on customer bills by Q1 2019

Pennsylvania

- On June 28, Governor Wolf signed House Bill (HB) 1782
- HB 1782 authorizes the PA PUC to review and approve utility-proposed alternative rate mechanisms
  - Alternative methods include options such as decoupling mechanisms, formula rates, multi-year rate plans, and performance based rates
- HB 1782 will ensure that our utilities and state regulators have a full range of options to consider to meet PA's future infrastructure needs

Recent passage of legislation in DE and PA will support needed infrastructure investment that includes utility of the future initiatives to the benefit of our customers, while also allowing for timely recovery on those investments

SI-SSA-0015-02262

ZEC & Energy Policy Updates

ZEC Updates

New Jersey:

- Governor Murphy signed the NJ ZEC bill into law on May 23rd
- Implementation of the program is scheduled to be completed around the end of Q1 2019

Illinois:

- Oral arguments for the 7th Circuit occurred on January 3, 2018, with requests for supplemental briefings
- Supplemental briefings were filed on January 26, 2018
- Court issued order on February 21, 2018, inviting the U.S. Government to provide its views
- U.S. Solicitor General responded in support of the case on May 29th
- Currently awaiting court decision

New York:

- Oral arguments for the 2nd Circuit occurred on March 12, 2018
- No outstanding items following oral arguments
- Currently awaiting court decision

FERC Capacity Order

- On June 29, 2018, FERC issued an order rejecting both capacity repricing and MOPREx, but finding that the existing tariff is not just and reasonable
- FERC established a paper hearing proceeding to develop a new, two-part approach:
  - **Alternative FRR**: enables states to establish asset specific FRR arrangements that would allow them to compensate those assets directly and remove the associated load from the RPM auction
  - **MOPR**: if FRR is not elected, an expanded MOPR would apply to all existing and new resources with out-of-market support, with no or few exceptions
- FERC has required comments within 60 days, with replies 30 days later
- FERC aims to reach a final decision by January 4, 2019

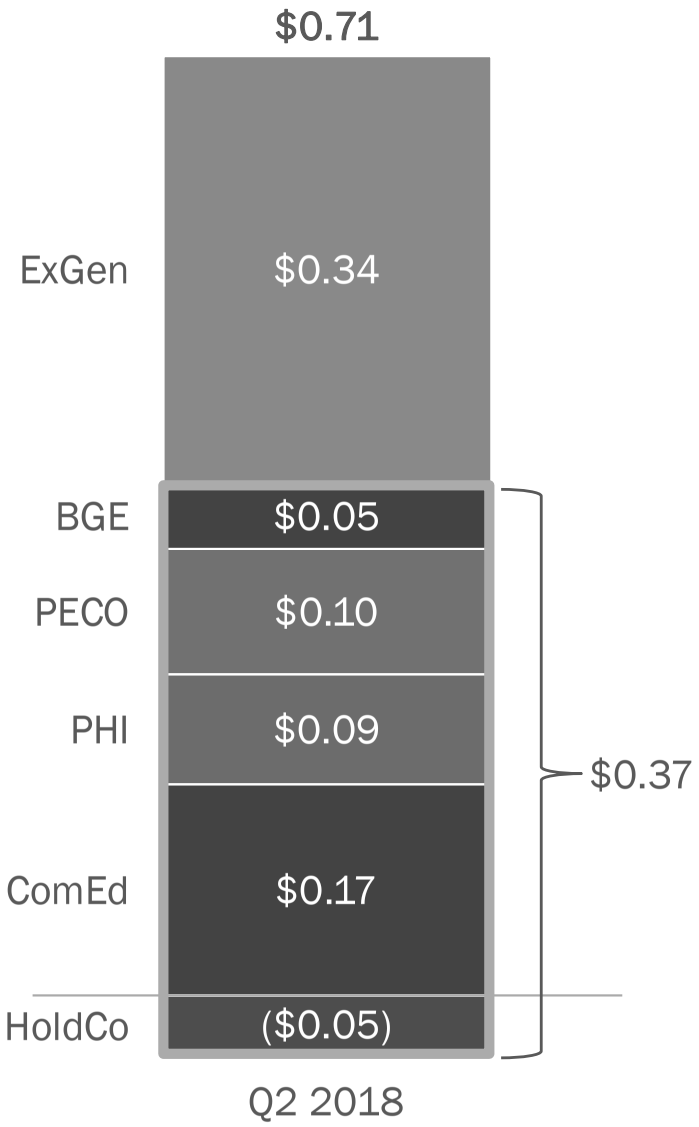
PJM Price Formation

- PJM fast start proceeding was initiated by FERC (Docket No. EL18-34) and has now been fully briefed
- FERC has committed to providing a decision in September 2018
  - If FERC approves in September, without changes, then PJM could implement the changes in winter 2018/2019
- After assessing FERC's fast start decision, PJM will determine path forward for full integer relaxation
  - PJM has not set a definitive timeline for stakeholder deliberations
- Deliberations regarding scarcity pricing and reserves reforms are ongoing in Q3 and Q4 for early 2019 action

SI-SSA-0015-02263

2nd Quarter Adjusted Operating Earnings* Drivers

Q2 2018 Adjusted Operating EPS* Results



Q2 2018 vs. Guidance of $0.55 - $0.65

Exelon Utilities

- ⬆ Higher distribution and transmission revenue
- ⬆ Favorable weather

Exelon Generation

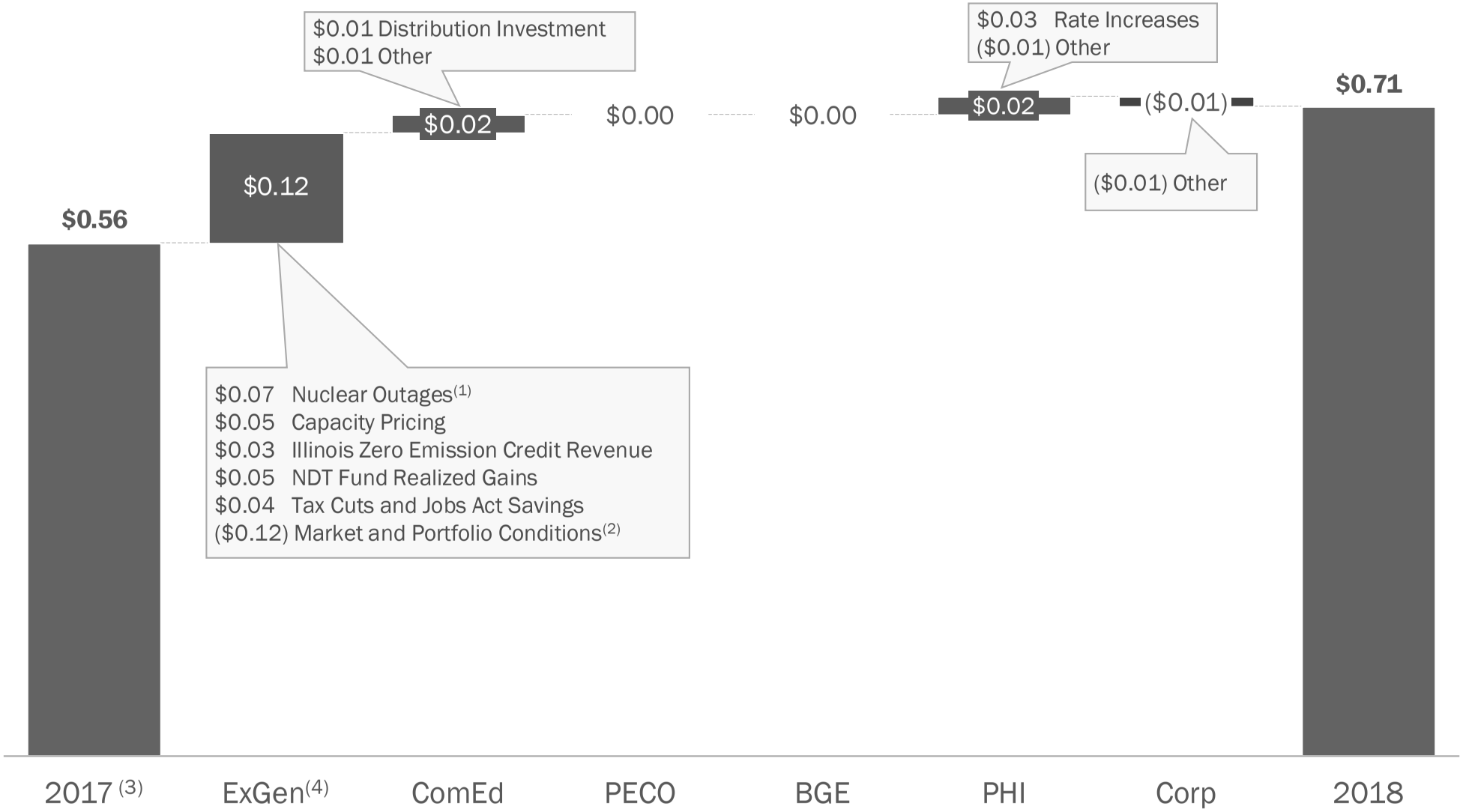
- ⬆ NDT realized gains(1)
- ⬆ Generation performance
- ⬆ Favorable market conditions
- ⬇ Higher transmission costs
- ⬇ Other

Note: Amounts may not sum due to rounding
(1) Gains related to unregulated sites

SI-SSA-0015-02264

Exelon

QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(2) Primarily lower realized energy prices, partially offset by the favorable impact of Generation's natural gas portfolio

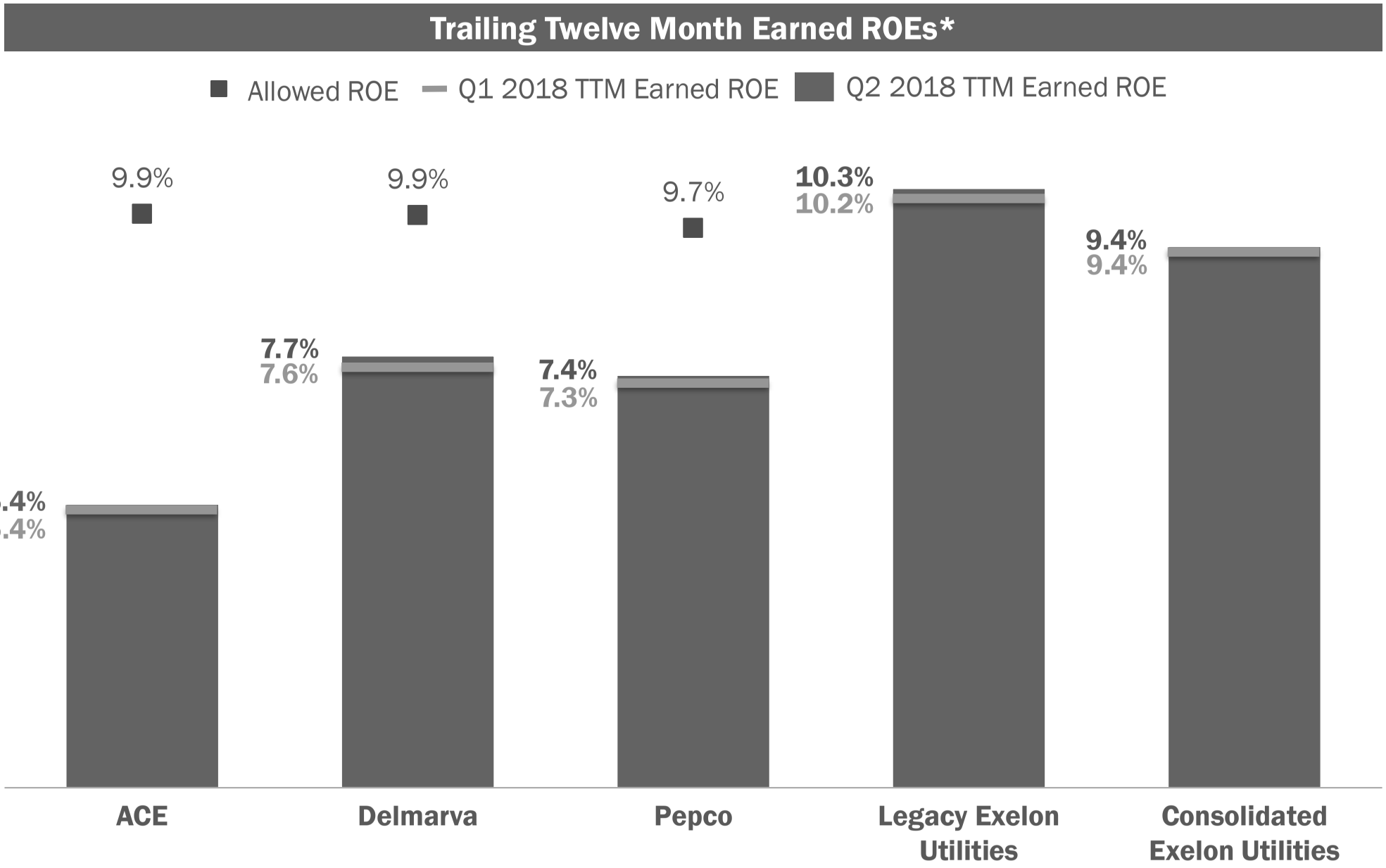
(3) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(4) Reflects CENG ownership at 100%

Exelon.

SI-SSA-0015-02265

Trailing 12 Month Earned ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 3/31/2018 and 6/30/2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

Exelon.

SI-SSA-0015-02266

Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	CF		IT	RT	EH	IB RB			FO				($22.9M)[1]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		RT	SA EH			FO							($6.9M)[1,3]	9.70% / 50.52%	Q3 2018
Delmarva Gas (DE)		IT		RT		EH	IB RB		FO				$3.8M[1,4]	10.10% / 50.52%	Q4 2018
Pepco Electric (DC)	SA		IB			FO							($24.1M)[1,5]	9.525% / 50.44%	Q3 2018
Pepco Electric (MD)	SA	EH FO											($15.0M)[1,5]	9.50% / 50.44%	May 31, 2018
PECO Electric			IT	RT	EH	IB RB			FO				$82M[1]	10.95% / 53.39%	Dec 2018
BGE[2] Gas			CF			IT	RT	EH IB	RB	FO			$85M[6]	10.50% / 53.40%	Jan 2019

CF Rate case filed
IT Intervenor direct testimony
RT Rebuttal testimony
EH Evidentiary hearings
IB Initial briefs
RB Reply briefs
FO Final commission order
SA Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Includes tax benefits from Tax Cuts and Jobs Act.
(5) Per non-unanimous Settlement Agreement filed on April 17, 2018, for Pepco DC and April 20, 2018, for Pepco MD. Includes tax benefits from Tax Cuts and Jobs Act.
(6) Reflects $63M increase and $22M STRIDE reset

SI-SSA-0015-02267

Exelon.

Utility CapEx Update

PECO's Gas Main and Service Replacement Program

- **Forecasted project cost:**
  - $2.3 billion of spend remaining
- **In service date:**
  - Multiple in service dates based on work plans with local townships
- **Project scope:**
  - Replace remaining 289 miles of gas services lines by end of 2022 and remaining 967 miles of main by end of 2035
  - Approximately 520 miles of mains and gas services lines have been replaced since 2010 at a cost of $381 million
  - Reduces risk on distribution system by replacing leak and break susceptible materials

BGE's Investment in Trade Point Atlantic

- **Forecasted project cost:**
  - $150 million investment in transmission & distribution over 5 years including the new 93 MW Fitzell substation
- **In service date:**
  - Fitzell substation: December 2020; electric and gas distribution investment: ongoing
- **Project scope:**
  - New substation as well as distribution infrastructure to support the new 3,100 acre Commercial & Industrial Trade Point Atlantic ("TPA") development
  - TPA is projected to generate 17,000 jobs, plus an additional 21,000 during construction; economic development is projected to be greater than $3 billion when completed[1]

(1) Economic data based on Sage Policy Group, Inc. report dated October 2016

SI-SSA-0015-02268

Exelon Generation: Gross Margin Update

	June 30, 2018			Change from March 31, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,700	$4,050	$3,800	$100	$100	-
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	$50	$50
Mark-to-Market of Hedges[2,3]	$400	$400	$300	$100	$(50)	$50
Power New Business / To Go	$150	$600	$800	$(200)	$(50)	$(50)
Non-Power Margins Executed	$350	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**	**-**	**$50**	**$50**

Recent Developments

- Strong second quarter executing $200M of Power New Business in 2018 and $50M in both 2019 and 2020
- Capacity and ZEC Revenues include the favorable impact of NJ ZEC revenues in 2019 and 2020
- Behind ratable hedging position reflects the upside we see in power prices
  - ~10-13% behind ratable in 2019 when considering cross commodity hedges

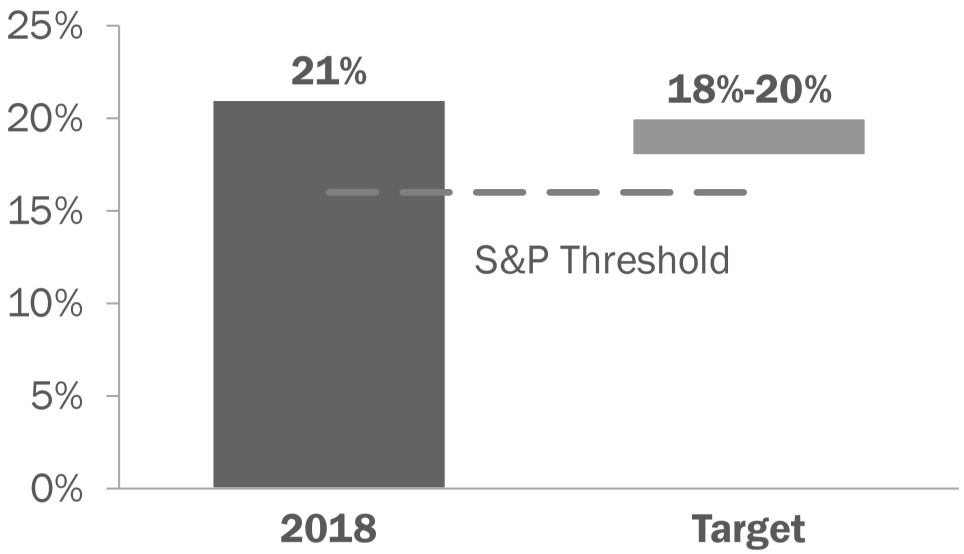
(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

Exelon.

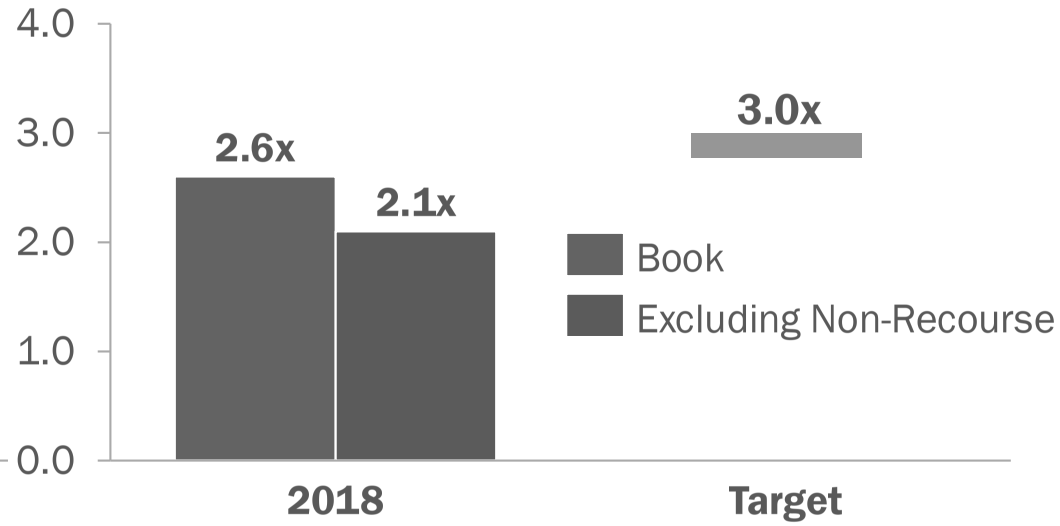
SI-SSA-0015-02269

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of August 2, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon, PECO, and BGE are on "Positive" outlook at Fitch, and ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

Exelon

SI-SSA-0015-02270

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

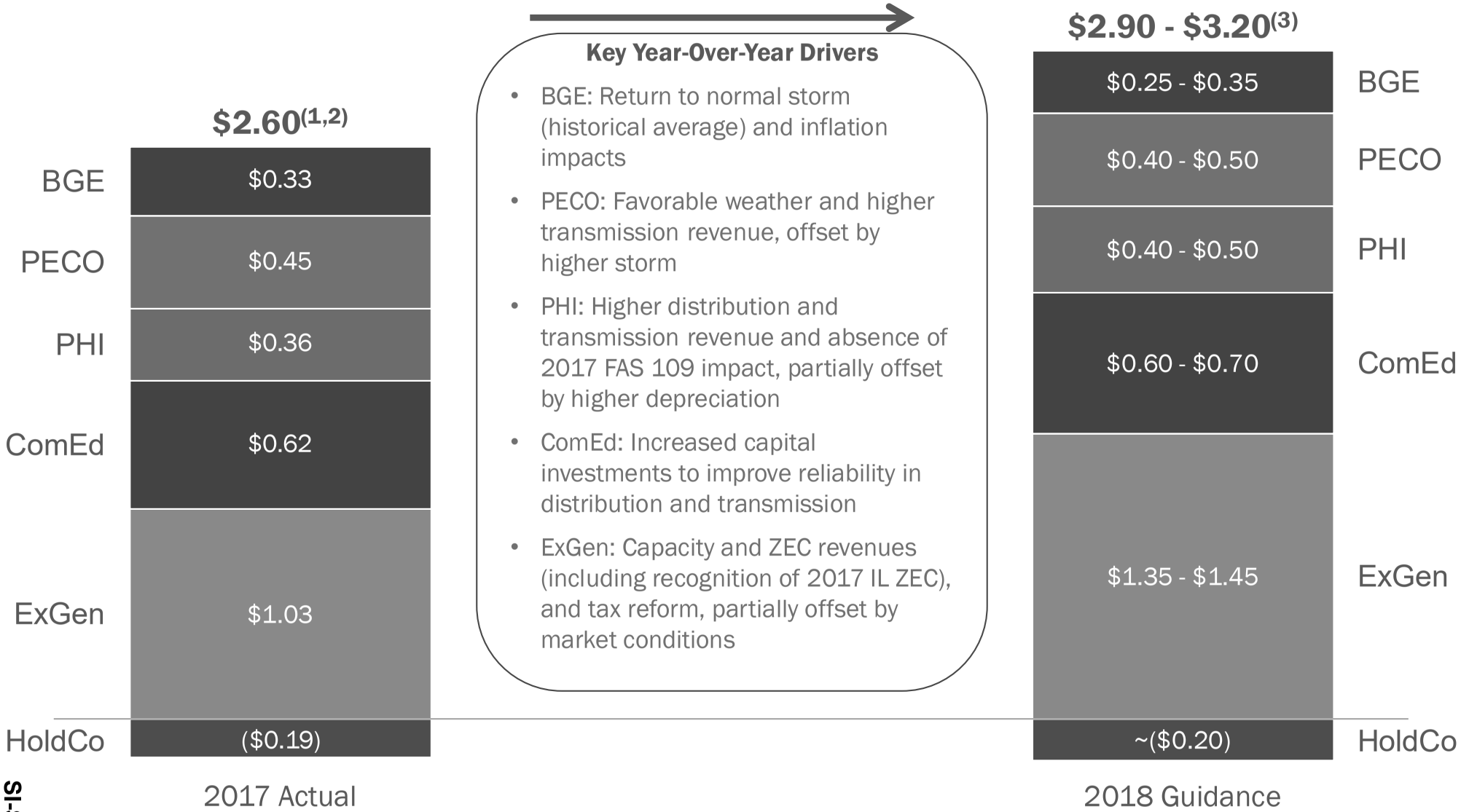
(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02271

Additional Disclosures

SI-SSA-0015-02272

2018 Adjusted Operating Earnings* Guidance



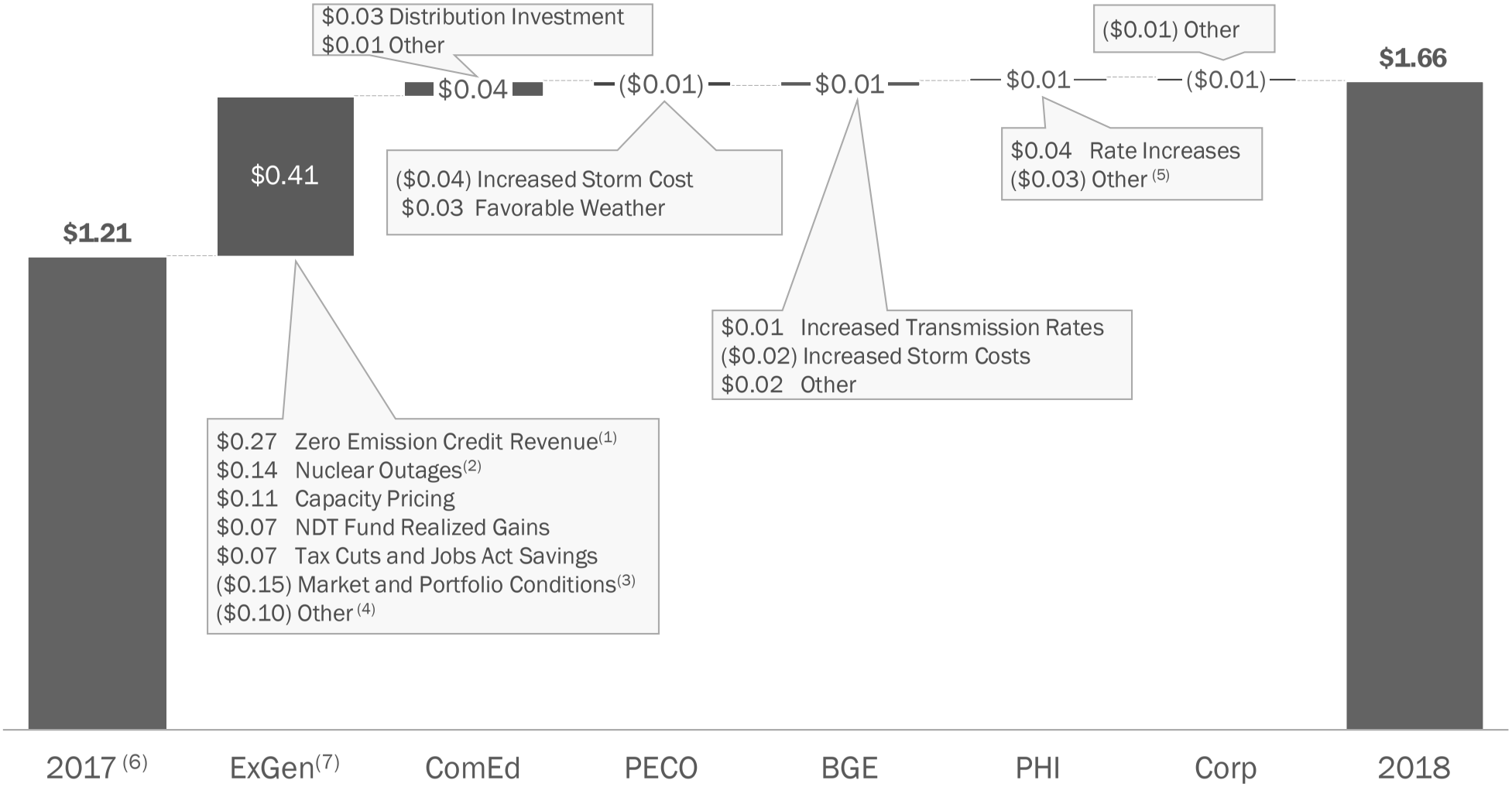
Expect Q3 2018 Adjusted Operating Earnings* of $0.80 - $0.90 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) The Registrants' 2017 Adjusted Operating Earnings* have not been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018
(3) 2018 earnings guidance based on expected average outstanding shares of 969M

Exelon.

SI-SSA-0015-02273

YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017 through December 31, 2017

(2) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(3) Primarily lower realized energy prices, the impact of the deconsolidation of EGTP and the conclusion of the Ginna Reliability Support Services Agreement, partially offset by the favorable impacts of Generation's natural gas portfolio

(4) Primarily reflects noncontrolling interest, partially offset by lower operating and maintenance expense primarily due to the impact of a supplemental NEIL insurance distribution, fewer outage days at Salem, decreased costs related to the sale of Generation's electrical contracting business

(5) Primarily due to increase in labor and contracting expense

(6) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(7) Reflects CENG ownership at 100%

Exelon.

SI-SSA-0015-02274

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	700	1,475	625	1,100	3,900	3,975	175	8,050	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(25)	(2,000)	
Free Cash Flow*	**700**	**1,475**	**625**	**1,100**	**3,900**	**2,000**	**150**	**6,050**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	125	450	50	350	975	0	(950)	0	
Other Financing[4]	100	450	50	(75)	550	25	(100)	475	
Financing*[5]	**525**	**1,375**	**300**	**750**	**2,925**	**(75)**	**(1,050)**	**1,800**	
Total Free Cash Flow and Financing	**1,225**	**2,825**	**925**	**1,850**	**6,825**	**1,950**	**(900)**	**7,875**	
Utility Investment	(1,000)	(2,125)	(850)	(1,550)	(5,525)	0	0	(5,525)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,550)**	**(5,525)**	**(400)**	**(1,325)**	**(7,250)**	
Total Cash Flow	**225**	**700**	**75**	**300**	**1,300**	**1,550**	**(2,250)**	**600**	
Ending Cash Balance*[2]									**2,050**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding
(2) Gross of posted counterparty collateral
(3) Figures reflect cash CapEx and CENG fleet at 100%
(4) Other Financing primarily includes expected changes in tax sharing from the parent, money pool borrowings, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
(5) Financing cash flow excludes intercompany dividends
(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
(7) Dividends are subject to declaration by the Board of Directors
(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $2B at ExGen and $3.9B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

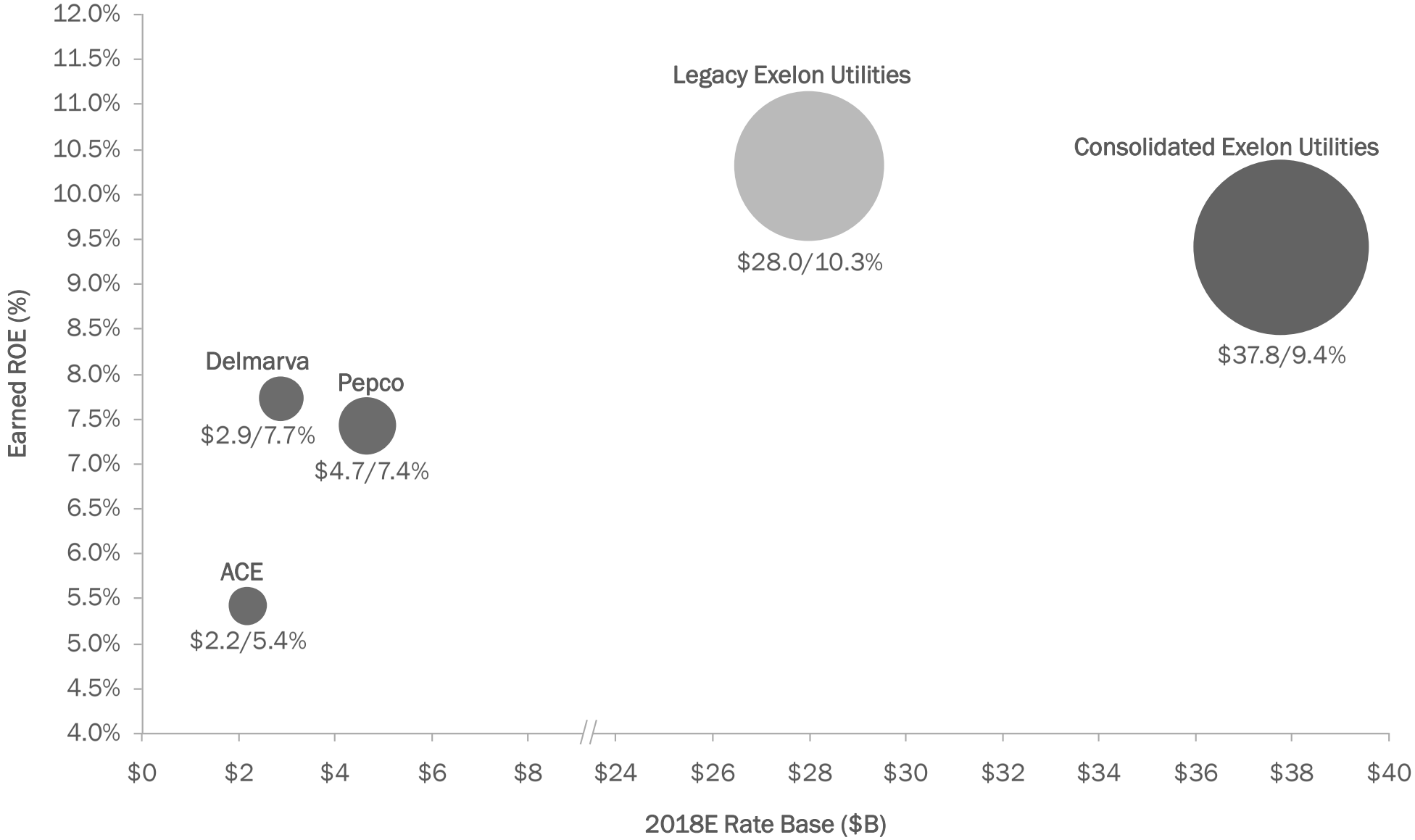
Note: Numbers may not add due to rounding

SI-SSA-0015-02275

Exelon

Exelon Utilities Trailing 12 Month Earned ROEs*

Q2 2018: Trailing Twelve Month Earned ROEs*



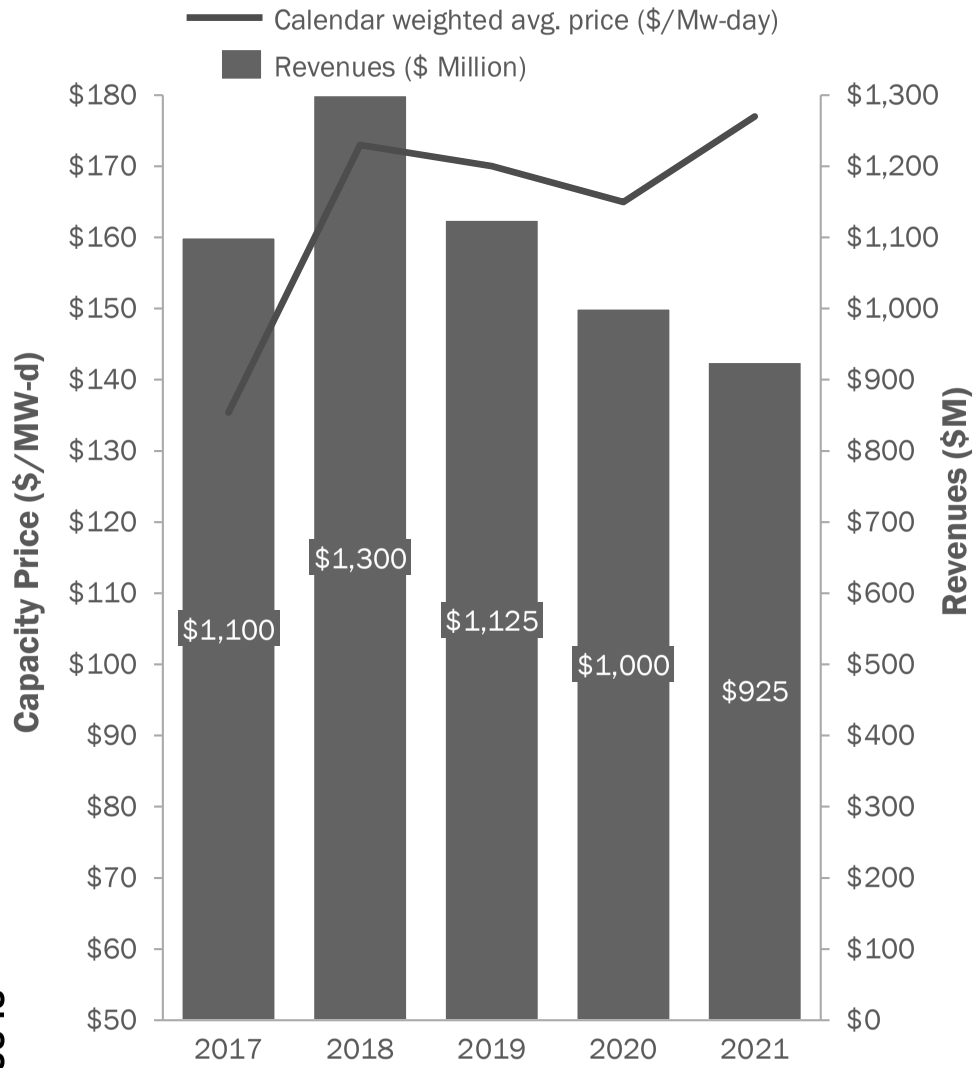
Note: Represents the 12-month period ending June 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

Exelon.

SI-SSA-0015-02276

Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

Recent BRA Results

Cleared Volumes (MW)[4]	2020/2021 CP	2020/2021 Price	2021/2022 CP	2021/2022 Price
ComEd				
Nuclear	8,075	$188	5,175	$196
Fossil/Other	-	$188	-	$196
Subtotal	**8,075**		**5,175**	
EMAAC				
Nuclear	4,350	$188	3,925	$166
Fossil/Other	2,325	$188	2,100	$166
Subtotal	**6,675**		**6,025**	
SWMAAC				
Nuclear	850	$86	850	$140
Fossil/Other	-	$86	-	$140
Subtotal	**850**		**850**	
MAAC				
Nuclear	-	$86	-	$140
Fossil/Other	225	$86	225	$140
Subtotal	**225**		**225**	
BGE				
Nuclear	-	$86	-	$200
Fossil/Other	375	$86	400	$200
Subtotal	**375**		**400**	
Rest of RTO				
Nuclear	-	$77	-	$140
Fossil/Other	-	$77	100	$140
Subtotal	**-**		**100**	
PJM Total				
Nuclear	13,275		9,950	
Fossil/Other	2,925		2,825	
Grand Total	**16,200**		**12,775**	

SI-SSA-0015-02277

Exelon.

Tax Reform: Distribution-Related Customer Bill Savings

DPL

- MD PSC accepted DPL's proposal to provide **$14M** in annual tax savings to customers
- DPL has filed plans with DE PSC to provide over **$26M** in annual tax savings to customers

ACE

- ACE has filed a request with NJ BPU to provide **$23M** in annual tax savings to customers; expected to be approved by July
  - $2.37 savings on residential monthly bills

ComEd

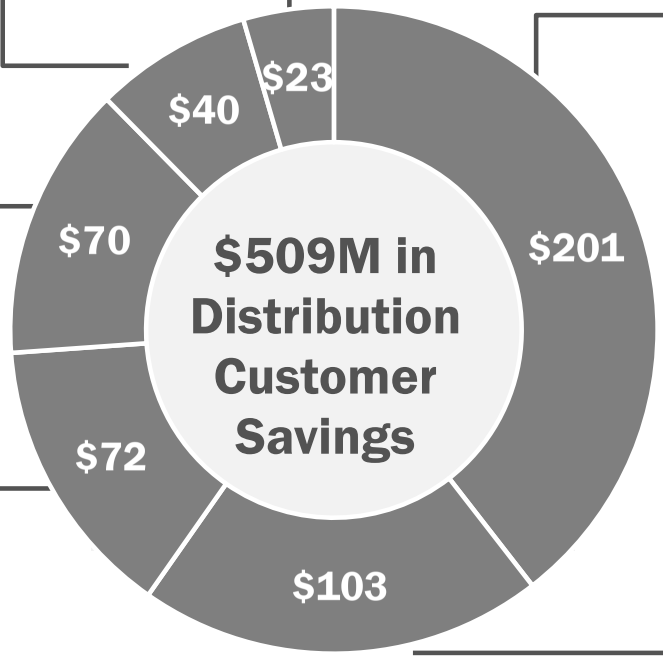
- ICC approved ComEd's petition seeking approval to pass along approximately **$201M** in annual tax savings to customers
  - ~$3.00 decrease on the average residential monthly bill

Pepco

- Pepco has filed a request with the DC & MD PSC to provide over **$70M** in annual tax savings to customers
- Pepco has filed settlements which include these savings as adjusted in its proposals to the commission

PECO

- Approximately **$72M** in annual tax savings to customers



BGE

- MD PSC accepted BGE's proposal to provide approximately **$103M** in annual tax savings to customers
  - $2.91 decrease on the average residential monthly electric bill
  - $5.41 decrease on the average residential combined natural gas and electric bill

Utility customers across our jurisdictions will benefit from tax reform, saving over $500M annually through planned and approved distribution bill adjustments

Note: Includes only distribution-related customer savings amounts

Exelon.

SI-SSA-0015-02278

Tax Reform: Transmission-Related Customer Bill Savings

DPL

- DPL has filed to provide **$12M** in annual transmission tax savings to customers. DPL also has a filing pending approval from FERC for an additional **$4M** in annual savings
  - Combined $1.00 and $1.10 decrease on the DE and MD average residential monthly bills, respectively

ACE

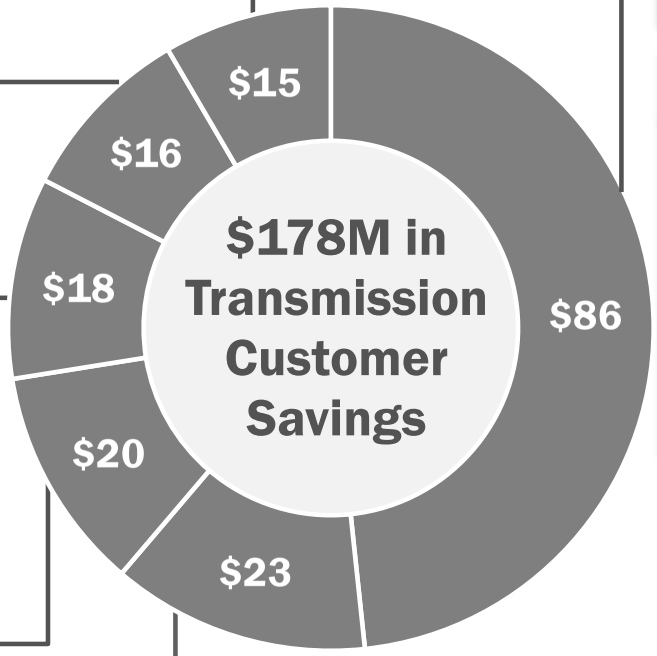
- ACE has filed to provide **$11M** in annual transmission tax savings to customers. ACE also has a filing pending approval from FERC for an additional **$4M** in annual savings
  - Combined $1.70 decrease on the average residential monthly bill

ComEd

- ComEd has filed to provide **$69M** in annual transmission tax savings to customers. ComEd also has a filing pending approval from FERC for an additional **$17M** in annual savings
  - Combined ~$0.80 decrease on the average residential monthly bill

Pepco

- Pepco has filed to provide **$13M** in annual transmission tax savings to customers. Pepco also has a filing pending approval from FERC for an additional **$5M** in annual savings
  - Combined $0.50 and $0.70 decrease on the DC and MD average residential monthly bills, respectively



BGE

- BGE has filed to provide **$18M** in annual transmission tax savings to customers. BGE also has a filing pending approval from FERC for an additional **$5M** in annual savings
  - Combined $0.88 decrease on the average residential monthly bill

PECO

- PECO has filed to provide **$20M** in annual transmission tax savings to customers
  - $0.56 decrease on the average residential monthly bill

Utility customers across our jurisdictions will benefit from tax reform, saving over $175M annually through planned and approved transmission bill adjustments

Note: Includes only transmission-related customer savings amounts

Exelon.

SI-SSA-0015-02279

Exelon Utilities

SI-SSA-0015-02280

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($22.9M)	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case				4/16/2018								
Intervenor testimony						6/28/2018						
Rebuttal testimony							7/23/2018					
Evidentiary hearings								8/28/2018				
Initial briefs due									9/11/208			
Reply briefs due									9/25/2018			
Commission order expected											12/2018	

SI-SSA-0015-02281

Exelon

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977 – Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • June 27, 2018, Delmarva DE filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($6.9M)[2]
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%[2]	
Requested Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Proposed Rate Base (Adjusted)	N/A[2]	
Requested Revenue Requirement Increase	($6.9M)[1,2]	
Residential Total Bill % Increase	(1.2%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Settlement agreement											▲ 6/27/2018						
Settlement support testimony											▲ 6/27/2018						
Evidentiary hearings											▲ 6/27/2018						
Commission order expected													▬ Q3 2018				

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund

(2) Per non-unanimous Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02282

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through September 2018 ($1.2M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%	
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%(2)	
Proposed Rate Base (Adjusted)	$355M(2)	
Requested Revenue Requirement Increase	$3.8M(1,2)	
Residential Total Bill % Increase	4.3%	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Evidentiary hearings										9/11/2018 – 9/14/2018							
Initial briefs due															▲ 10/8/2018		
Reply briefs due															▲ 10/22/2018		
Commission order expected														Q4 2018			

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund

(2) Updated on July 6, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02283

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151 – Per Settlement (Black Box)	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($24.1M)[1] • Commission order expected to be approved in Q3 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement decrease	($24.1M)[1]	
Residential Total Bill % decrease	(0.7%)[1,2]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		12/19/2017											
Settlement agreement					4/17/2018								
Settlement support testimony						5/7/2018							
Reply testimony						5/18/2018							
Initial briefs due							6/14/2018						
Commission order expected								Q3 2018					

(1) Per non-unanimous Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act. Expected order is based on requested rate effective date.
(2) Modified/Extended Customer Base Rate Credit (CBRC)

Exelon.

SI-SSA-0015-02284

Pepco MD (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	9472 – Per Settlement (Black Box)	• January 2, 2018, Pepco MD filed an application with Maryland Public Service Commission (MDPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 20, 2018, Pepco MD filed a non-unanimous settlement agreement and requested a decrease in revenue requirement of ($15.0M)[1] • May 31, 2018, MDPSC approved the settlement, which placed rates into effect on and after June 1, 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	12 months actual update	
Requested Common Equity Ratio	50.44%[1]	
Requested Rate of Return	ROE: 9.50%; ROR: 7.44%[1]	
Proposed Rate Base (Adjusted)	N/A[1]	
Requested Revenue Requirement Increase	($15.0M)[1]	
Residential Total Bill % Increase	(1.3%)[1]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 1/2/2018											
Settlement agreement					▲ 4/20/2018								
Settlement support testimony						▲ 4/27/2018							
Evidentiary hearings							▲ 5/16/2018						
Commission order							▲ 5/31/2018						

(1) Per non-unanimous Settlement Agreement filed on April 20, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02285

PECO Distribution Rate Case Filing

Rate Case Filing Details	
Docket No.	R-2018-3000164
Test Year	January 1, 2019 – December 31, 2019
Test Period	12 Months Budget
Requested Common Equity Ratio	53.39%
Requested Rate of Return	ROE: 10.95%; ROR: 7.79%
Proposed Rate Base	$4,846M
Requested Revenue Requirement Increase	$82M[1]
Residential Total Bill % Increase	3.1%

Notes

- PECO filed an electric distribution base rate case on March 29, 2018
- Since January 1, 2016, through the Fully Projected Future Test Year (2019):
  - Relatively flat load growth
  - Operating expenses essentially flat
  - Capital investment of $1.9B
- Proposed investments would maintain strong reliability performance, strengthen system resiliency, and support physical security and cybersecurity

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pre-filing notice			2/27/2018									
Filed rate case				3/29/2018								
Intervenor testimony						6/26/2018						
Rebuttal testimony							7/24/2018					
Evidentiary hearings								8/20/2018 – 8/22/2018				
Initial briefs due									9/07/2018			
Reply briefs due									9/17/2018			
Commission order expected											12/2018	

(1) Reflects $153M revenue requirement less an estimated $71M in 2019 tax benefit

Exelon.

SI-SSA-0015-02286

BGE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	Case No. 9484	• Case filed on June 8, 2018 seeking an increase in gas distribution revenues only • The increase is primarily driven by infrastructure investments since 2015/2016, and includes moving revenues currently being recovered via the STRIDE surcharge into base rates
Test Year	August 1, 2017 – July 31, 2018	
Test Period	9 months actual and 3 months estimated	
Requested Common Equity Ratio	53.40%	
Requested Rate of Return	ROE: 10.50%; ROR: 7.42%	
Proposed Rate Base (Adjusted)	$1.7B	
Requested Revenue Requirement Increase	$85M(1)	
Residential Total Bill % Increase	~3.5%(2)	

Detailed Rate Case Schedule

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Filed rate case				▲ 06/08/2018								
Intervenor testimony							▲ by 09/14/2018					
Rebuttal testimony								▲ by 10/12/2018				
Evidentiary hearings									▬ 11/2/2018 – 11/16/2018			
Initial briefs due(3)									▬ 11/2018			
Reply briefs due										▬ 12/2018		
Commission order expected											▲ 01/04/2019	

(1) Reflects $63M increase and $22M STRIDE reset
(2) Increase expressed as a percentage of a combined electric and gas residential customer total bill
(3) Briefing schedule will be determined during or at the end of the evidentiary hearing

Exelon.

SI-SSA-0015-02287

Exelon Generation Disclosures

June 30, 2018

SI-SSA-0015-02288

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

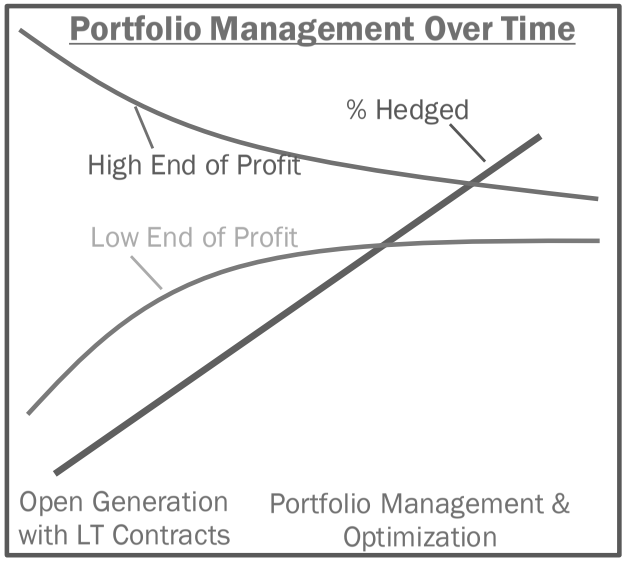
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

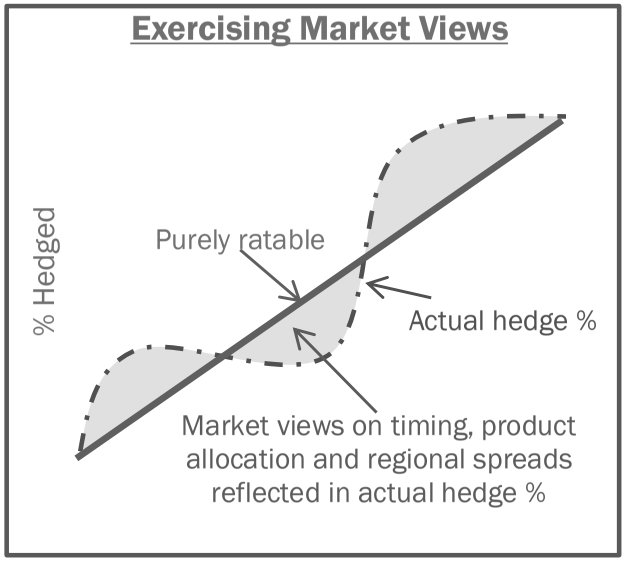
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02289

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02290

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,700	$4,050	$3,800
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$400	$400	$300
Power New Business / To Go	$150	$600	$800
Non-Power Margins Executed	$350	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,600**	**$7,300**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.93	$2.81	$2.68
Midwest: NiHub ATC prices ($/MWh)	$27.39	$26.04	$25.16
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$35.93	$31.38	$30.36
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$8.91	$9.70	$8.43
New York: NY Zone A ($/MWh)	$30.80	$28.21	$28.55
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.89	$5.12	$5.83

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on June 30, 2018, market conditions
(5) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

Exelon.

SI-SSA-0015-02291

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**199,000**	**202,400**	**193,100**
Midwest	96,700	97,100	96,700
Mid-Atlantic[2,6]	60,100	54,100	48,600
ERCOT	20,000	25,900	23,600
New York[2,6]	15,900	16,600	15,500
New England	6,300	8,700	8,700
% of Expected Generation Hedged[3]	**97%-100%**	**71%-74%**	**41%-44%**
Midwest	95%-98%	68%-71%	35%-38%
Mid-Atlantic[2,6]	102%-105%	81%-84%	50%-53%
ERCOT	98%-101%	74%-77%	45%-48%
New York[2,6]	97%-100%	75%-78%	52%-55%
New England	77%-80%	33%-36%	27%-30%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$29.00	$29.00
Mid-Atlantic[2,6]	$39.50	$38.00	$38.00
ERCOT[5]	$1.00	$3.50	$2.50
New York[2,6]	$37.00	$33.00	$30.00
New England[5]	$6.00	$1.50	$12.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.2%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-02292

ExGen Hedged Gross Margin* Sensitivities

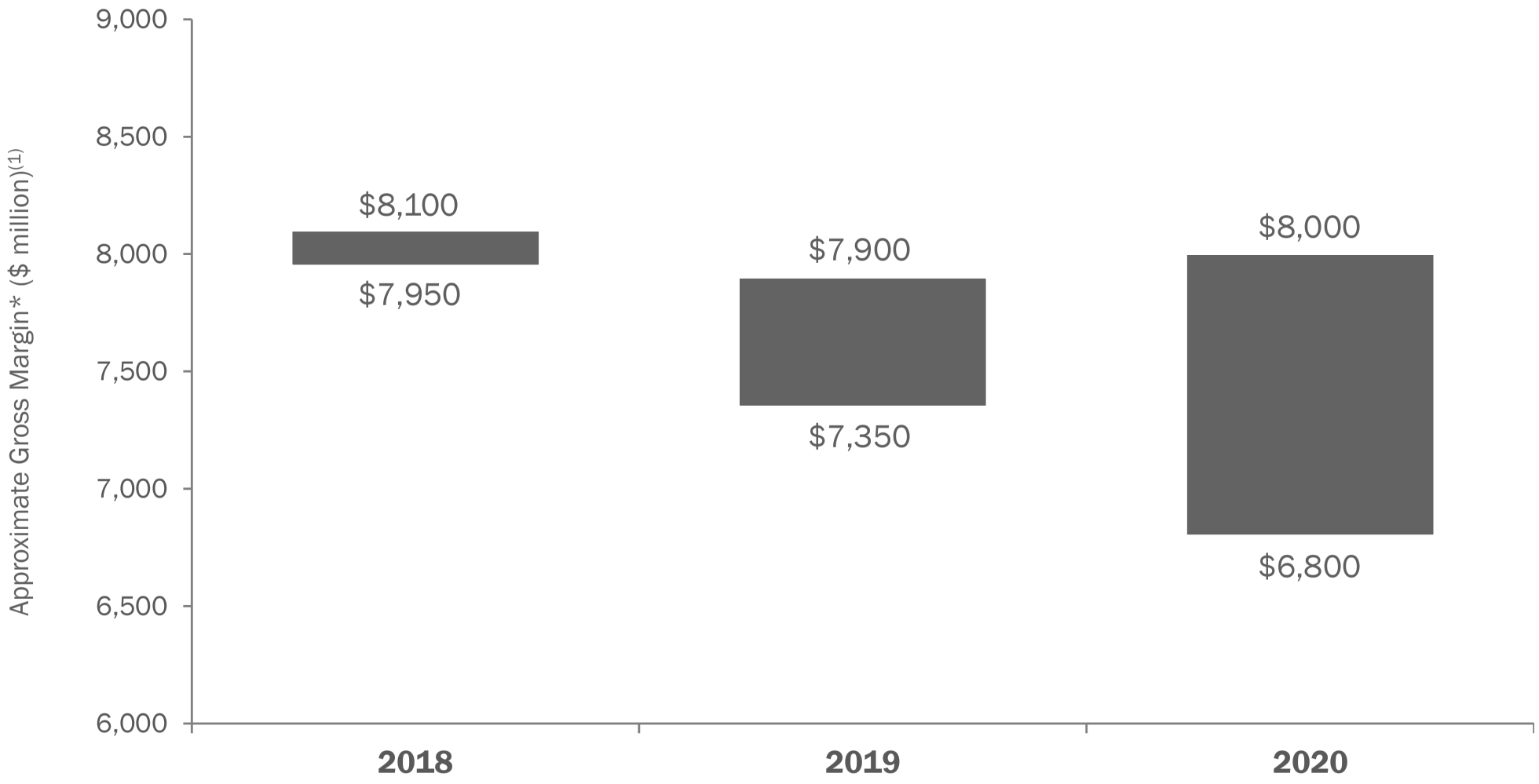
Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$25	$335	$580
- $1/MMBtu	-	$(295)	$(535)
NiHub ATC Energy Price			
+ $5/MWh	$5	$155	$305
- $5/MWh	$(5)	$(155)	$(305)
PJM-W ATC Energy Price			
+ $5/MWh	$(10)	$60	$125
- $5/MWh	$15	$(40)	$(115)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$10	$35
- $5/MWh	-	$(15)	$(35)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $30

(1) Based on June 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

Exelon.

SI-SSA-0015-02293

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek and TMI retirements by October 2018 and September 2019, respectively. 2018, 2019 and 2020 are adjusted for retaining Handley Generating Station.

SI-SSA-0015-02294

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.05 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.1	54.1	25.9	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	69.5%	82.5%	75.5%	76.5%	34.5%	
(E=C*D)	Hedged Volume (TWh)	67.5	44.6	19.6	12.7	3.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.00	$38.00	$3.50	$33.00	$1.50	
(G)	Reference Price ($/MWh)	$26.04	$31.38	$9.70	$28.21	$5.12	
(H=F-G)	Difference ($/MWh)	$2.96	$6.62	($6.20)	$4.79	($3.62)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$200	$295	($120)	$60	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,500					
(K)	Power New Business / To Go ($ million)	$600					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	**Total Gross Margin***	**$7,600 million**					

(1) Mark-to-market rounded to the nearest $5M

SI-SSA-0015-02295

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,075**	**$7,750**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,600**	**$7,300**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-02296

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02297

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Q2 QTD GAAP EPS Reconciliation

Three Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share[1]	**($0.25)**	**$0.13**	**$0.09**	**$0.05**	**$0.07**	**$0.02**	**$0.10**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.05)	-	-	-	-	-	(0.05)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.02
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.23**	**$0.15**	**$0.10**	**$0.05**	**$0.07**	**$(0.03)**	**$0.56**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

SI-SSA-0015-02298

Q2 QTD GAAP EPS Reconciliation (continued)

Three Months Ended June 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.18**	**$0.17**	**$0.10**	**$0.05**	**$0.09**	**($0.04)**	**$0.56**
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	-	(0.07)
Unrealized losses related to NDT fund investments	0.08	-	-	-	-	-	0.08
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Cost management program	0.01	-	-	-	-	-	0.01
Change in environmental liabilities	0.01	-	-	-	-	-	0.01
Reassessment of deferred income taxes	-	-	-	-	-	(0.01)	(0.01)
Noncontrolling interests	(0.04)	-	-	-	-	-	(0.04)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.34**	**$0.17**	**$0.10**	**$0.05**	**$0.09**	**($0.05)**	**$0.71**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02299

Q2 YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.20**	**$0.28**	**$0.23**	**$0.18**	**$0.22**	**$0.06**	**$1.17**
Mark-to-market impact of economic hedging activities	0.15	-	-	-	-	-	0.15
Unrealized gains related to NDT fund investments	(0.15)	-	-	-	-	-	(0.15)
Amortization of commodity contract intangibles	0.02	-	-	-	-	-	0.02
Merger and integration costs	0.04	-	-	-	-	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	0.01	-	-	-	-	-	0.01
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Reassessment of deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Noncontrolling interest	0.06	-	-	-	-	-	0.06
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.41**	**$0.30**	**$0.23**	**$0.18**	**$0.15**	**($0.08)**	**$1.21**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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Q2 YTD GAAP EPS Reconciliation (continued)

Six Months Ended June 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.32**	**$0.34**	**$0.22**	**$0.18**	**$0.15**	**($0.06)**	**$1.16**
Mark-to-market impact of economic hedging activities	0.13	-	-	-	-	-	0.13
Unrealized losses related to NDT fund investments	0.15	-	-	-	-	-	0.15
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.23	-	-	-	-	-	0.23
Cost management program	0.01	-	-	-	-	-	0.02
Change in environmental liabilities	0.01	-	-	-	-	-	0.01
Reassessment of deferred income taxes	-	-	-	-	-	(0.01)	(0.01)
Noncontrolling interests	(0.06)	-	-	-	-	-	(0.06)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.83**	**$0.34**	**$0.22**	**$0.19**	**$0.16**	**($0.07)**	**$1.66**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Certain merger and integration costs
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

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GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

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GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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GAAP to Non-GAAP Reconciliations

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Q1 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$56	$94	$178	$1,321	$1,650
Operating Exclusions	$0	$7	($1)	$26	$32
Adjusted Operating Earnings	$56	$101	$177	$1,347	$1,682
Average Equity	$1,046	$1,341	$2,433	$13,164	$17,985
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.6%**	**7.3%**	**10.2%**	**9.4%**

ExGen Adjusted O&M Reconciliation ($M)[1]	2018
GAAP O&M	**$5,375**
Decommissioning[2]	50
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)
O&M for managed plants that are partially owned	(400)
Other	(125)
Adjusted O&M (Non-GAAP)	**$4,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$700	$1,475	$625	$1,100	$4,250	$175	$8,325
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$700**	**$1,475**	**$625**	**$1,100**	**$3,975**	**$175**	**$8,050**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$325	$900	($0)	$450	($1,075)	($125)	$475
Dividends paid on common stock	$200	$450	$300	$300	$1,000	($950)	$1,325
Financing Cash Flow	**$525**	**$1,375**	**$300**	**$750**	**($75)**	**($1,050)**	**$1,800**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$600
Adjusted Ending Cash Balance[3]	$2,050
Adjustment for Cash Collateral Posted	($550)
GAAP Ending Cash Balance	**$1,525**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

SI-SSA-0015-02306

Earnings Conference Call
Third Quarter 2017

November 2, 2017

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q (to be filed on November 2, 2017) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 34 of this presentation.

SI-SSA-0015-02310

Strong Third Quarter Results

Q3 2017 EPS Results

- GAAP earnings were $0.85/share in Q3 2017 vs. $0.53/share in Q3 2016
- Adjusted operating earnings* were $0.85/share in Q3 2017 vs. $0.91/share in Q3 2016, at the mid-point of our guidance range of $0.80-$0.90/share

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

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Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q3 2017			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)(1)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

- BGE and ComEd are meeting 1st decile performance in CAIDI
- BGE, ComEd and PECO are on track for 1st decile performance in SAIFI
- ComEd and PHI are meeting 1st decile performance in Service Level

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem

Q1	Q2
Q3	Q4

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Q3 Nuclear Capacity Factor: 96.1%(2)
  - Owned and operated Q3 production of 41 TWh was best on record
- Strong performance across our Fossil and Renewable fleet:
  - Q3 Renewables energy capture: 95.9%
  - Q3 Power dispatch match: 98.4%

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Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is prepared to implement its reforms allowing all resources to set LMP by mid-2018
- "FERC should expedite its efforts with states, RTO/ISOs, and other stakeholders to improve energy price formation in centrally-organized wholesale electricity markets." – DOE Staff Report, August 2017
- The Commission should focus "first and foremost on the optimization of price formation in the energy and ancillary service markets." Ill. Commerce Comm'n Comments at 7
- "PJM staff is proposing to reform the existing pricing model in order to ensure that the cost of serving load is reflected in LMP to the fullest extent possible… This follows the principles of sound market design." - William W. Hogan, October 23, 2017

Resiliency

- "Accurately valuing resilience is not a zero-sum game. Compensating base-load generation does not equate to destruction of markets. On the contrary, I think it's a step toward accurately pricing contributions of all market participants." – FERC Chairman Neil Chatterjee, October 13, 2017
- "The unknowns are what we're going to have to deal with: if there was a physical attack, if you had [an explosion like the one on the Spectra pipeline that wasn't] fixed in a timely manner heading into the winter heating season, central Pennsylvania would have had potential issues. . . So now the conversation's gotten broader around these cascading events, and then how do you price resiliency? That conversation needs to take place." FERC Commissioner Rob Powelson, October 27, 2017
- "We used to talk about equipment failure and outages caused by storms. Now, the threat profile has changed, the considerations are broader. There could be intentional attacks – cyber or physical. Those concerns lead us beyond reliability and into resilience." PJM CEO and President Andrew L. Ott, September 20, 2017

Exelon recommends that FERC:

1. Immediately require PJM to submit its energy price formation proposal
2. Require the affected RTOs to submit detailed information on the grid's vulnerabilities to enable the development of a design basis threat analysis that can inform cost-effective market reforms, and
3. State that it will not interfere with state programs that value resilient resources like nuclear plants

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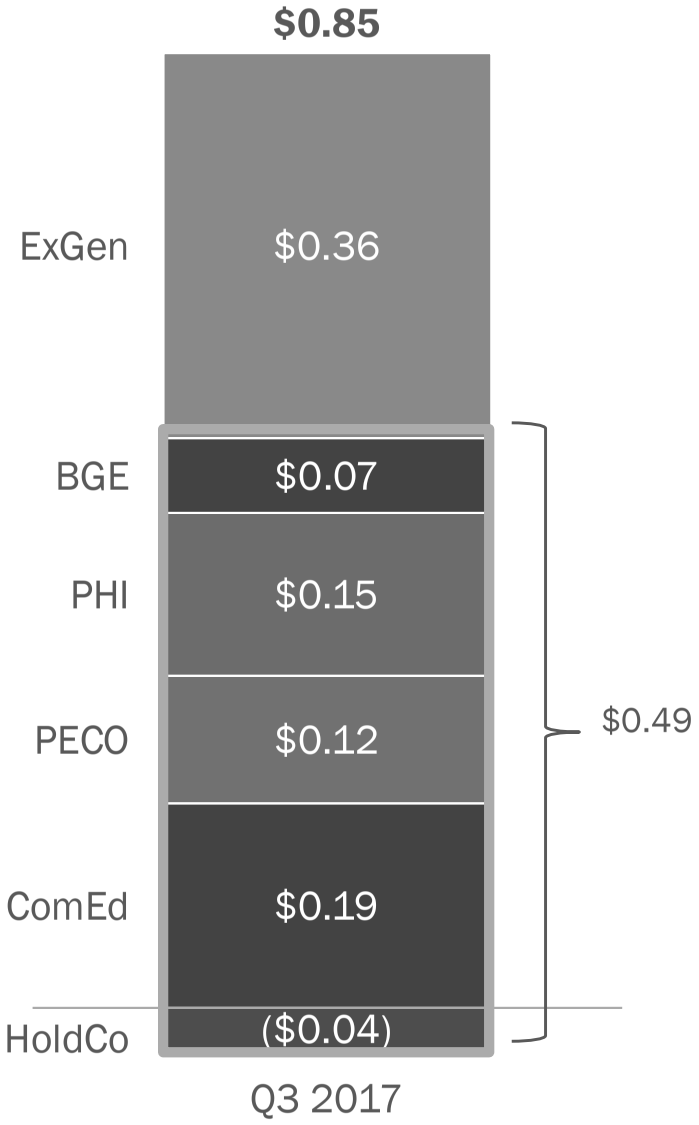
Third Quarter Adjusted Operating Earnings* Drivers

Q3 2017 Adjusted Operating EPS* Results



Q3 2017 vs. Guidance of $0.80 - $0.90

Exelon Utilities

- ⬆ Reduced storm activity
- ⬆ Lower O&M

Exelon Generation

- ⬇ Constellation Gross Margin
- ⬆ Timing of O&M

Note: Amounts may not sum due to rounding

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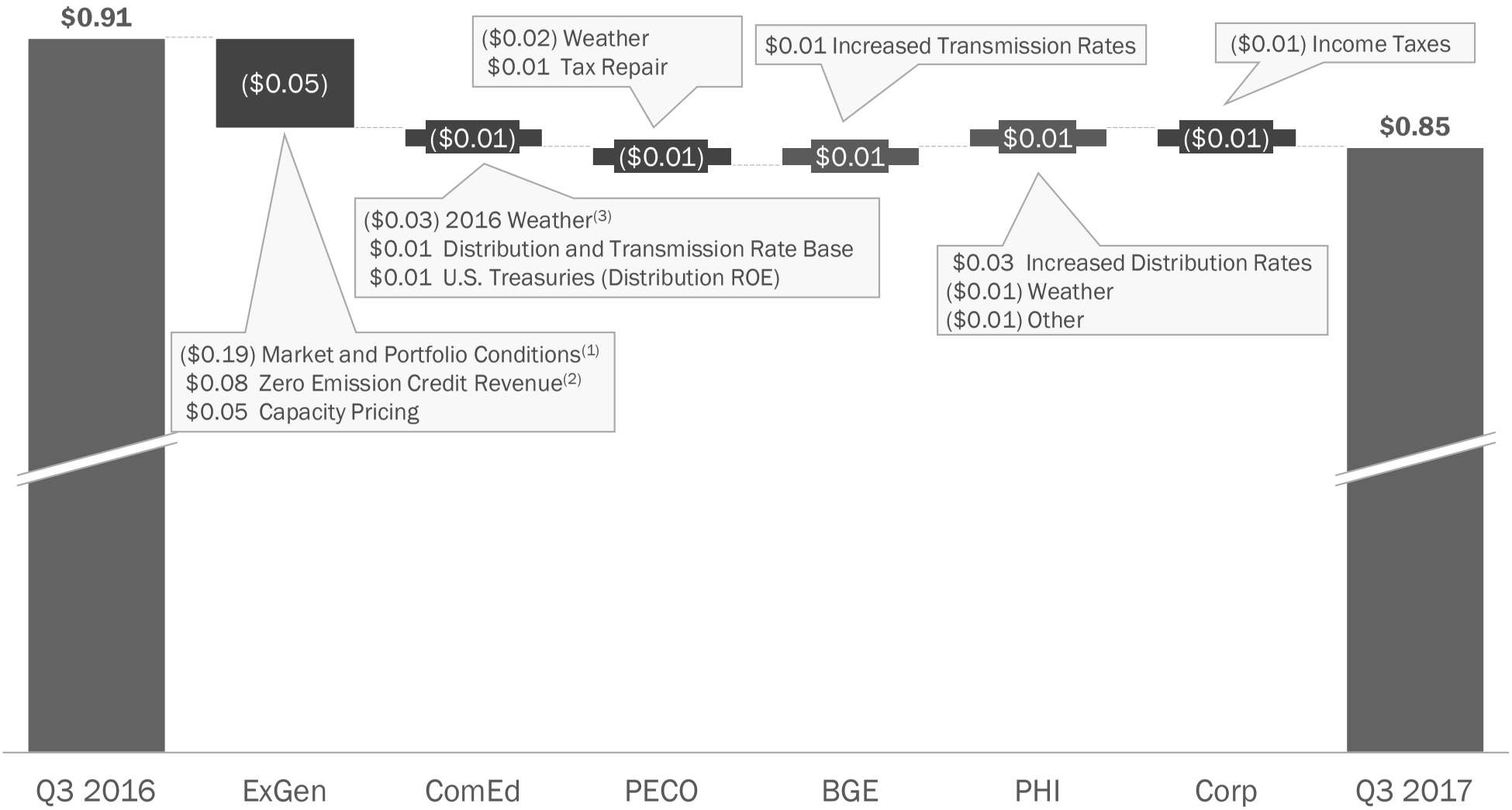
QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impacts of lower load volumes delivered due to mild weather and lower realized energy prices related to Exelon's ratable hedging strategy

(2) Reflects the impact of the New York Clean Energy Standard

(3) Pursuant to the Illinois Future Energy Jobs Act, beginning in 2017, customer rates for ComEd are adjusted to eliminate the favorable and unfavorable impacts of weather and customer usage patterns on distribution volumes

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Narrowing 2017 Adjusted Operating Earnings* Guidance Range

(1) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.
(2) Revised guidance reflects delay in Illinois ZEC revenue recognition for 2017 until 2018, shifting $0.09 of EPS

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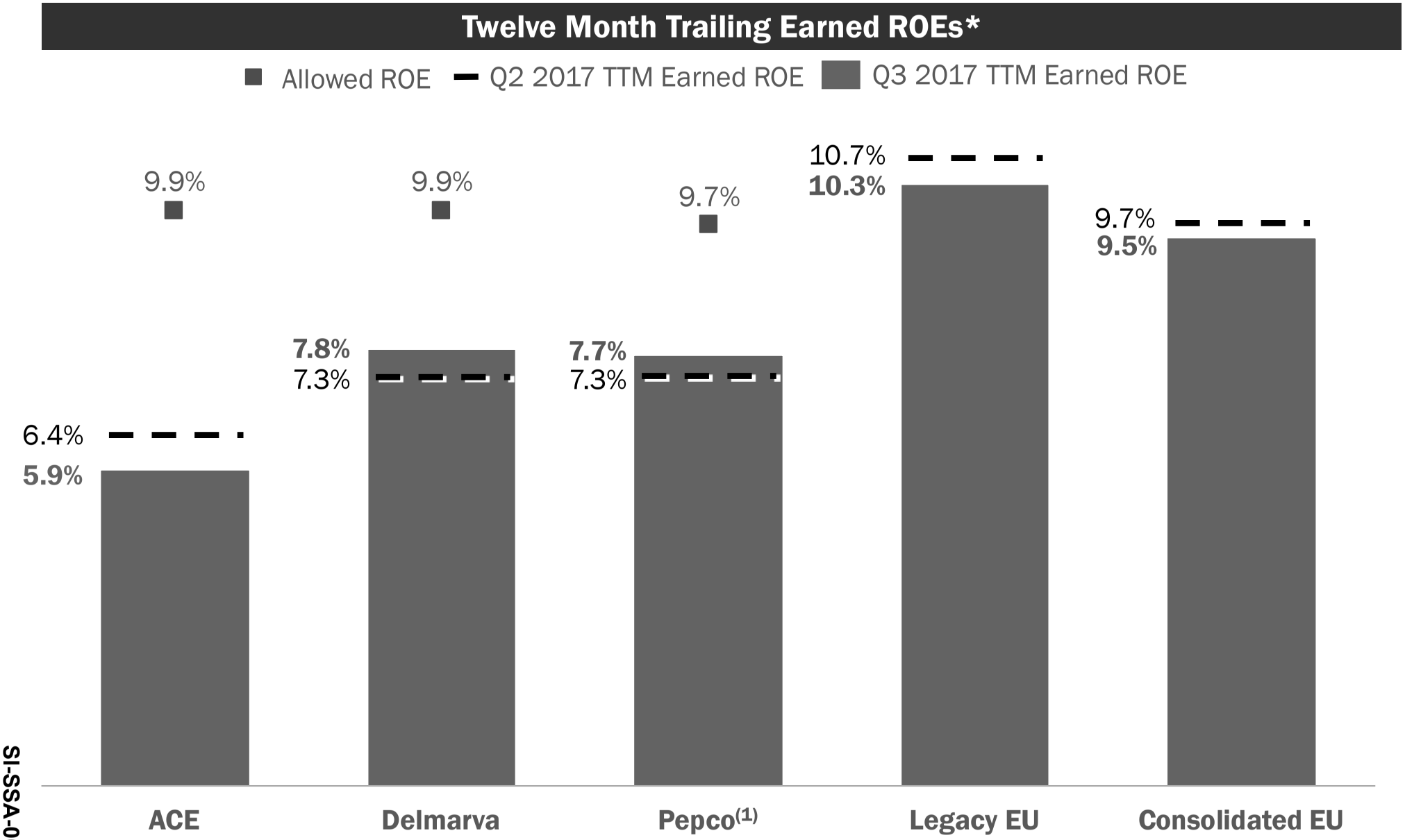
Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 10/1/2016 to 9/30/2017. ROEs represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

(1) Pepco MD Distribution allowed ROE is based on authorized ROE of 9.55% for the rates that were in effect during the trailing twelve month period. The order issued on 10/20/17 authorized an ROE of 9.50%.

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Exelon Utilities' Distribution Rate Case Updates

Pepco DC Order	
Authorized Revenue Requirement Increase[1]	$36.9M
Authorized ROE	9.50%
Common Equity Ratio	49.14%
Order Received	7/25/17

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Requested Revenue Requirement Increase[1]	$95.6M[2]
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$21.6M[4]
Requested ROE	10.10%
Requested Common Equity Ratio	50.68%
Order Expected	2/14/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,3]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,3]	$12.9M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017
(3) As permitted by Delaware law, Delmarva Power will implement interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(4) Amount represents adjusted requested revenue requirement filed on September 28, 2017

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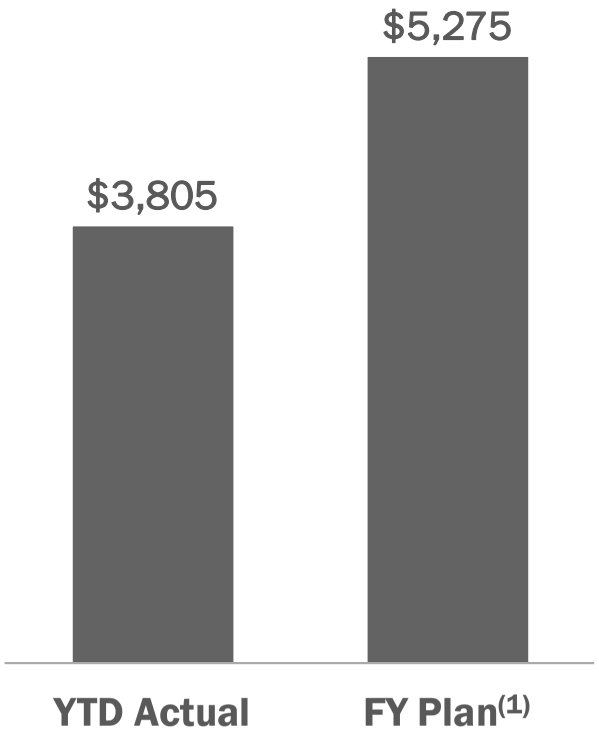
Utility CapEx Update

2017 Exelon Utilities CapEx Spend ($M)



Notable Projects

- **Pepco's Waterfront Substation**
  - $182 million invested to date. Expected completion by end of 2017
  - Part of "Capital Grid" project
  - Replaces aging infrastructure and improves substation performance
  - Will support existing customers and planned development in the Capitol Riverfront and Southwest Waterfront areas
- **ComEd's Grand Prairie Gateway transmission line**
  - $203 million investment
  - 60-mile, 345kV line through four northern Illinois counties
  - Energized April 2017
  - Estimated customer savings of $121 to $325 million, net of construct costs, within the first 15 years
  - Reduces carbon emissions by nearly 500,000 tons within the first 15 years

Exelon Utilities on track to meet their 2017 capital investment commitments to the benefit of customers

(1) FY Plan rounded to the nearest $25M

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Exelon Generation: Gross Margin Update

	September 30, 2017			Change from June 30, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,600	$3,900	$3,700	$(150)	$(100)	$(100)
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000	$(150)	$100	$(50)
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450	$250	$100	$50
Power New Business / To Go	$100	$700	$850	$(100)	$(150)	$(100)
Non-Power Margins Executed	$350	$200	$100	$50	$50	-
Non-Power New Business / To Go	$100	$300	$400	$(50)	$(50)	-
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**	**$(150)**	**$(50)**	**$(200)**

Recent Developments

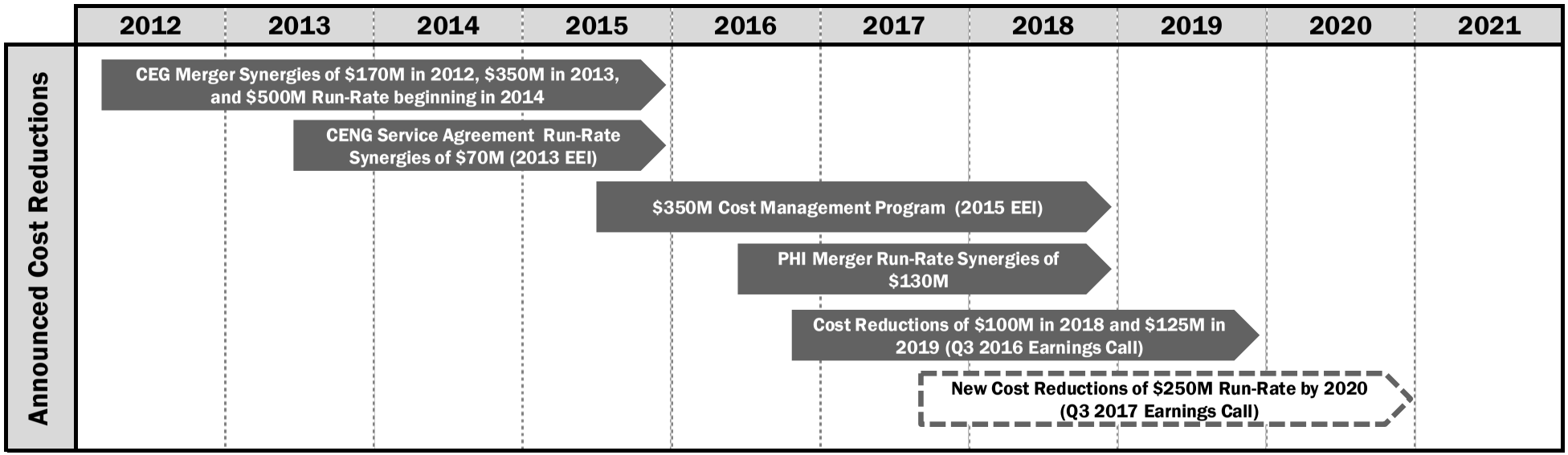
- Delay in recognition of Illinois ZEC revenues lowers the Capacity and ZEC Revenues line in 2017 by $150M and increases the 2018 line by $150M – see slide 21 for details
- Excluding impact of Illinois ZEC timing:
  - In 2017, $50M reduction in Power New Business targets
  - In both 2018 and 2019, $100M reduction due to lower power and capacity prices and $100M reduction to Power New Business Targets
- Behind ratable hedging position reflects the upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

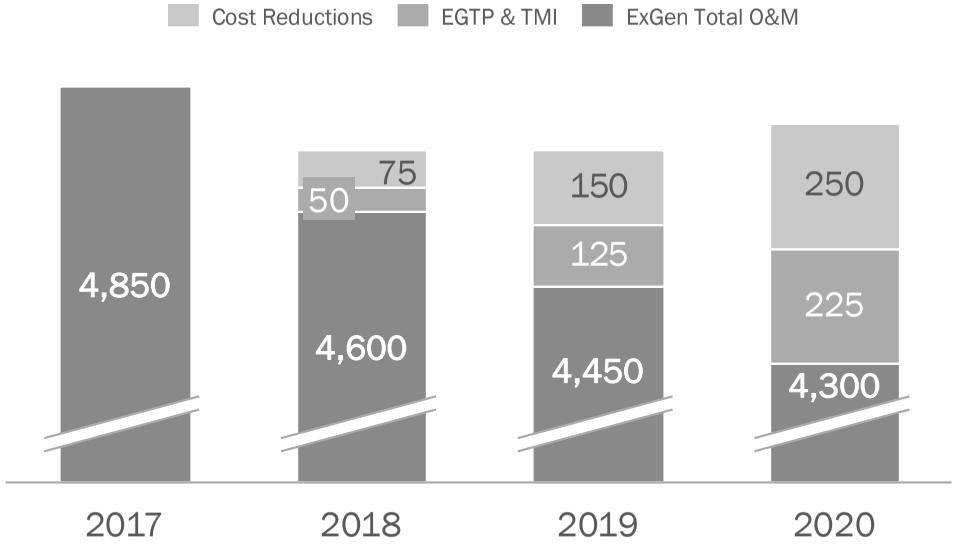
SI-SSA-0015-02320

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2017 ($M)[1]



ExGen Forecast O&M*: Q3 2017 vs. Q4 2016[1]

ExGen O&M ($M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	$4,850	$4,725	$4,725	$4,775	- 0.5%
EGTP & TMI	($0)	($50)	($125)	($225)	-
Q4 '16 O&M, Net of EGTP & TMI	**$4,850**	**$4,675**	**$4,600**	**$4,550**	**-2.1%**
Cost Savings	($0)	($75)	($150)	($250)	-
Q3 2017 O&M	**$4,850**	**$4,600**	**$4,450**	**$4,300**	**-3.9%**

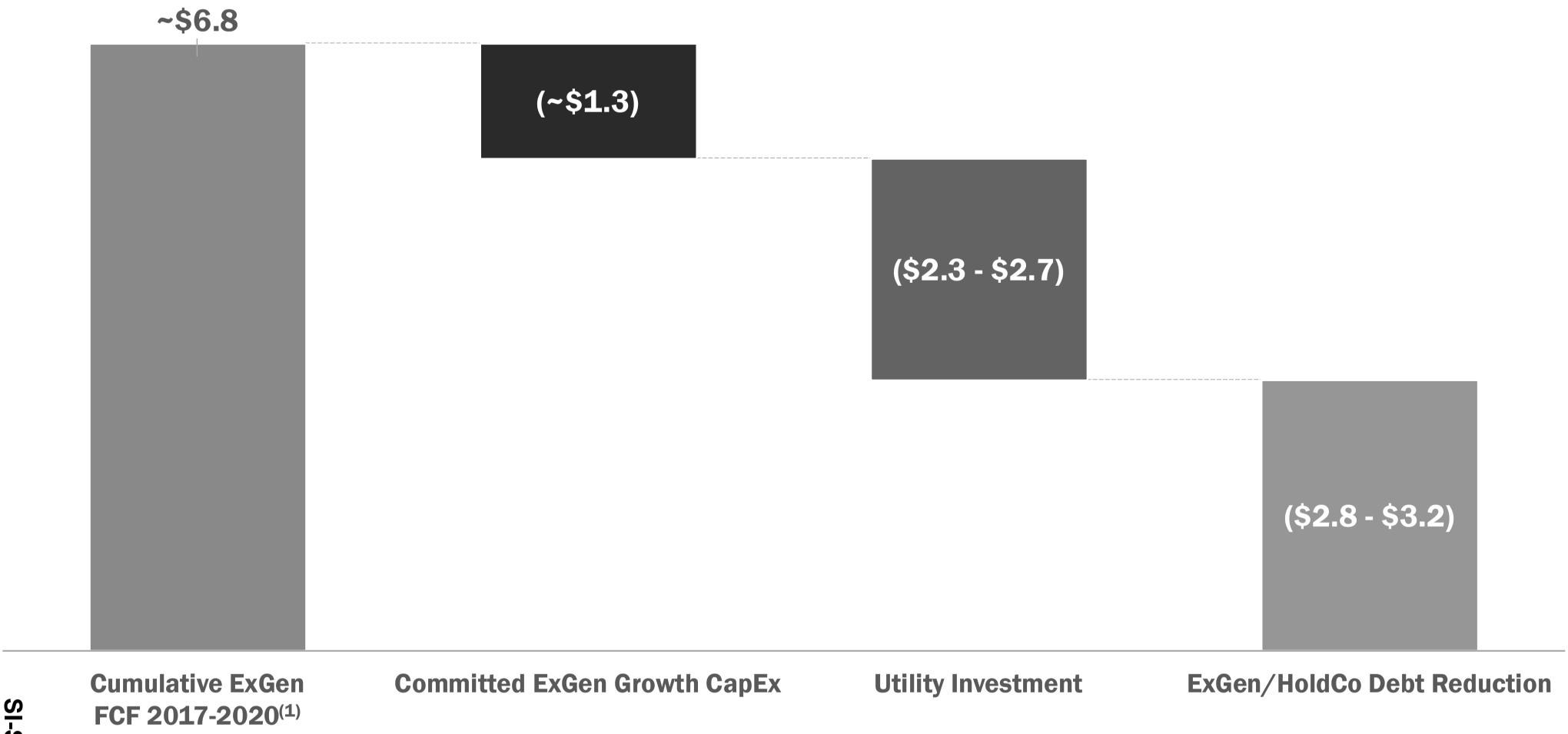
(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

SI-SSA-0015-02321

Exelon.

ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow* and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

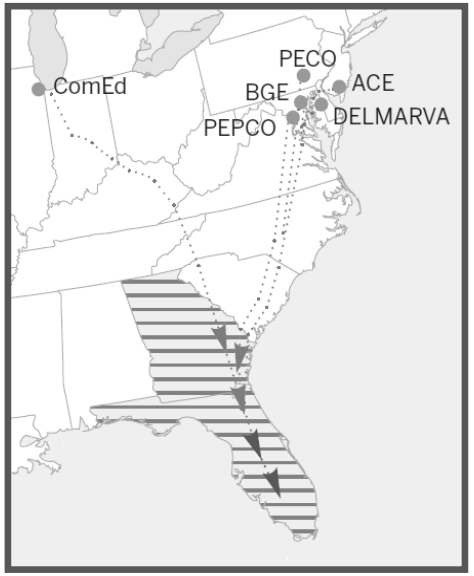
(1) Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures

SI-SSA-0015-02322

Exelon.

Hurricane Support

- More than 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma
  - Exelon teams shared our experience with severe weather restoration efforts and industry-leading best practices to lead one of the largest contingents of support nationally
  - Crews deployed for more than two weeks helping to restore power to nearly eight million customers in Florida and Georgia
- Approximately 250 Exelon employee volunteers logged over 1,300 hours for disaster relief activities
- Exelon and its employees contributed approximately $820,000 in disaster relief



SI-SSA-0015-02323

Exelon.

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

Exelon.

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Additional Disclosures

SI-SSA-0015-02325

2017 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2017E	Cash Balance
Beginning Cash Balance*[2]									**1,050**
Adjusted Cash Flow from Operations*[2]	775	1,025	750	1,175	3,750	3,350	75	7,150	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,950)	(50)	(2,025)	
Free Cash Flow*	**775**	**1,025**	**750**	**1,175**	**3,750**	**1,375**	**0**	**5,125**	
Debt Issuances	300	1,000	325	200	1,825	750	1,150	3,725	
Debt Retirements	(300)	(425)	0	(150)	(875)	(700)	(1,700)	(3,275)	
Project Financing	n/a	n/a	n/a	n/a	n/a	275	n/a	275	
Equity Issuance/Share Buyback	0	0	0	0	0	0	1,150	1,150	
Contribution from Parent	175	675	0	800	1,650	0	(1,625)	25	
Other Financing[4]	150	350	150	(375)	275	50	425	725	
Financing*[5]	**350**	**1,600**	**475**	**450**	**2,875**	**350**	**(625)**	**2,625**	
Total Free Cash Flow and Financing	**1,125**	**2,625**	**1,225**	**1,650**	**6,600**	**1,750**	**(600)**	**7,750**	
Utility Investment	(925)	(2,200)	(775)	(1,375)	(5,250)	0	0	(5,250)	
ExGen Growth[3,6]	0	0	0	0	0	(800)	0	(800)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(50)	0	(50)	
Dividend[7]	0	0	0	0	0	0	(1,225)	(1,225)	
Other CapEx and Dividend	**(925)**	**(2,200)**	**(775)**	**(1,375)**	**(5,250)**	**(875)**	**(1,225)**	**(7,350)**	
Total Cash Flow	**200**	**450**	**450**	**250**	**1,350**	**875**	**(1,850)**	**400**	
Ending Cash Balance*[2]									**1,450**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing includes primarily expected changes in short-term debt, money pool borrowings, tax sharing from the parent, debt issue costs, CENG borrowing from Sumitomo, tax equity cash flows, capital leases, and renewable JV proceeds

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, AGE, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $5.1B of free cash flow, including $1.4B at ExGen and $3.8B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $0.9B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $6.1B, with $5.3B at the Utilities and $0.8B at ExGen

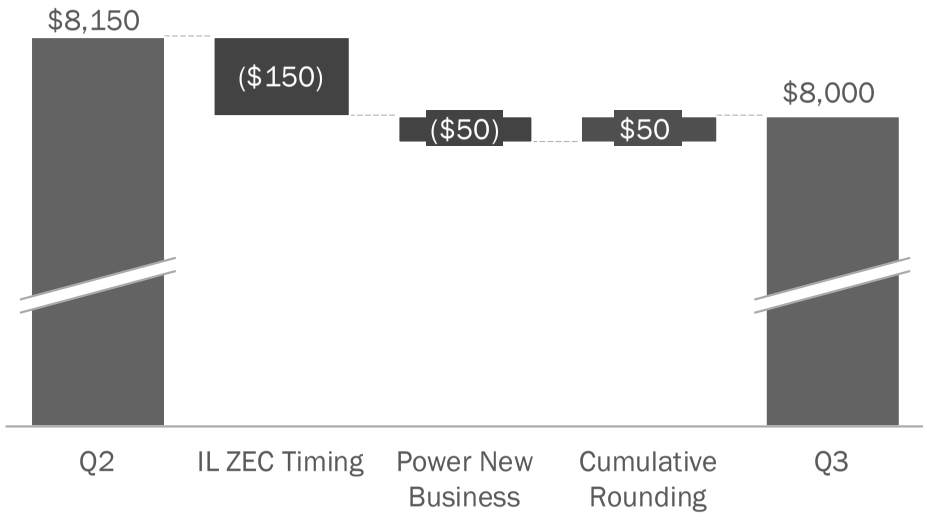
Note: Numbers may not add due to rounding

SI-SSA-0015-02326

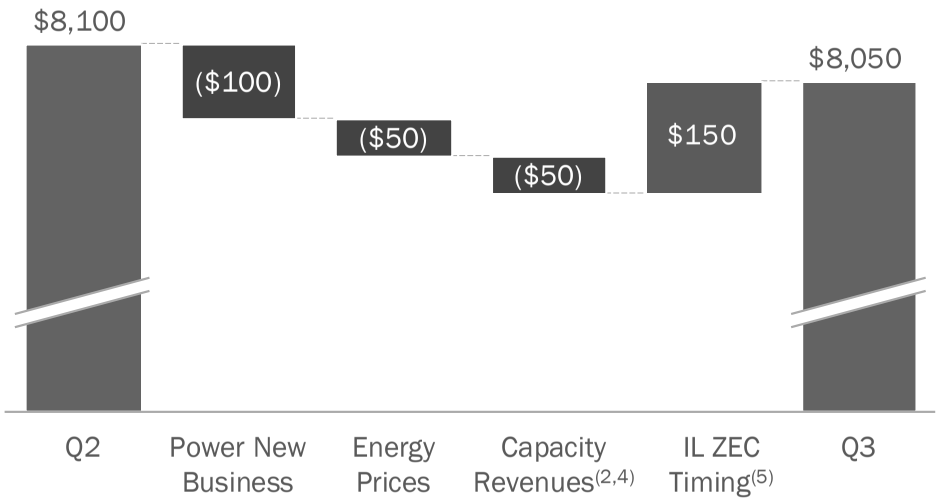
Exelon

ExGen Forward Total Gross Margin* Walk: Q3 2017 vs. Q2 2017

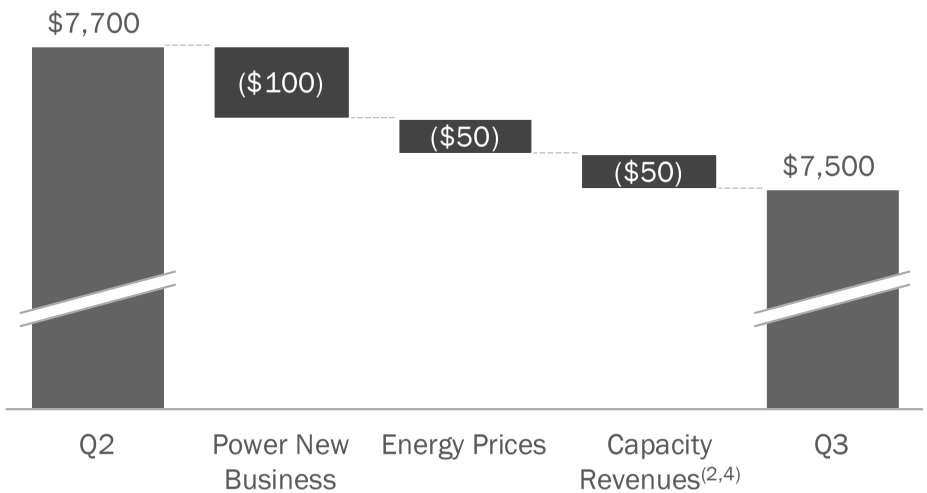
FY 2017 ($M)[1,3,4]



FY 2018 ($M)[1,3,4]



FY 2019 ($M)[1,3,4]



Key Takeaways

- Change in timing of Illinois ZEC contract finalization results in 2017 reduction of $150M on a rounded basis and 2018 increase of $150M
- Aggressive bidding by market participants in a low volatility period is pressuring Wholesale margins and limiting C&I Retail growth; reduce Power New Business To Go by $100M in 2018 and 2019 to reflect continuation of current, low discipline market bidding behavior
- Lower energy prices reduce Open Gross Margin by $50M in 2018 and 2019; October price recovery offsets 2019 declines
- Lower observed capacity prices in NY and MISO reduce Capacity Revenues by $50M on a rounded basis in 2018 and 2019

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on September 30, 2017, market conditions
(4) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

Exelon.

SI-SSA-0015-02327

YTD Earnings Results

YTD 2017 EPS Results

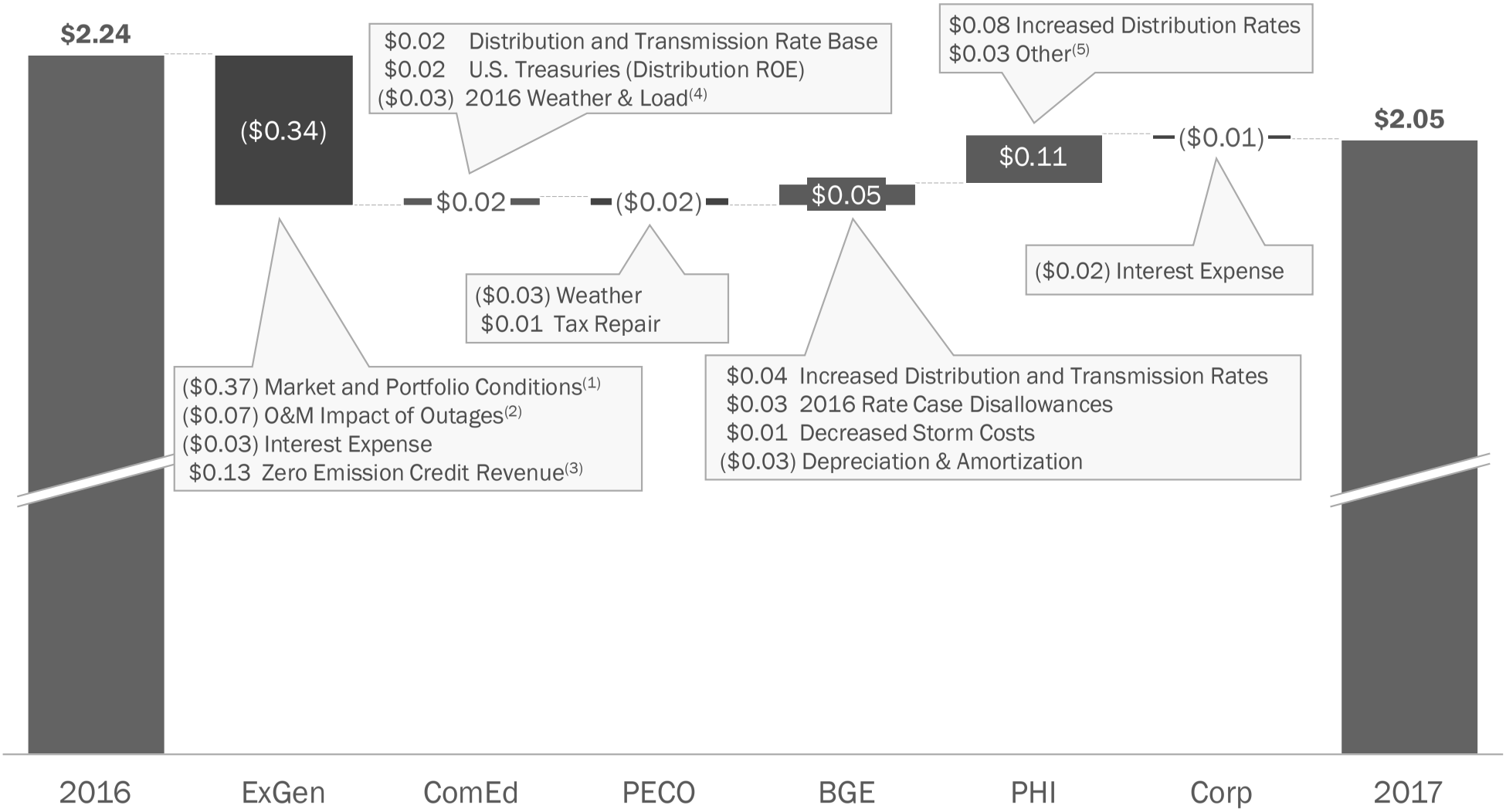
- GAAP earnings were $2.01/share YTD 2017 vs. $1.00/share YTD 2016
- Adjusted operating earnings* were $2.05/share YTD 2017 vs. $2.24/share YTD 2016

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

SI-SSA-0015-02328

Exelon.

YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impact of the conclusion of the Ginna Reliability Support Services Agreement, the impacts of declining natural gas prices on Generation's natural gas portfolio, the impacts of lower load volumes delivered due to mild weather and lower realized energy prices related to Exelon's ratable hedging strategy

(2) Driven by higher planned nuclear outages in 2017; excludes Salem

(3) Reflects the impact of the New York Clean Energy Standard

(4) Pursuant to the Illinois Future Energy Jobs Act, beginning in 2017, customer rates for ComEd are adjusted to eliminate the favorable and unfavorable impacts of weather and customer usage patterns on distribution volumes

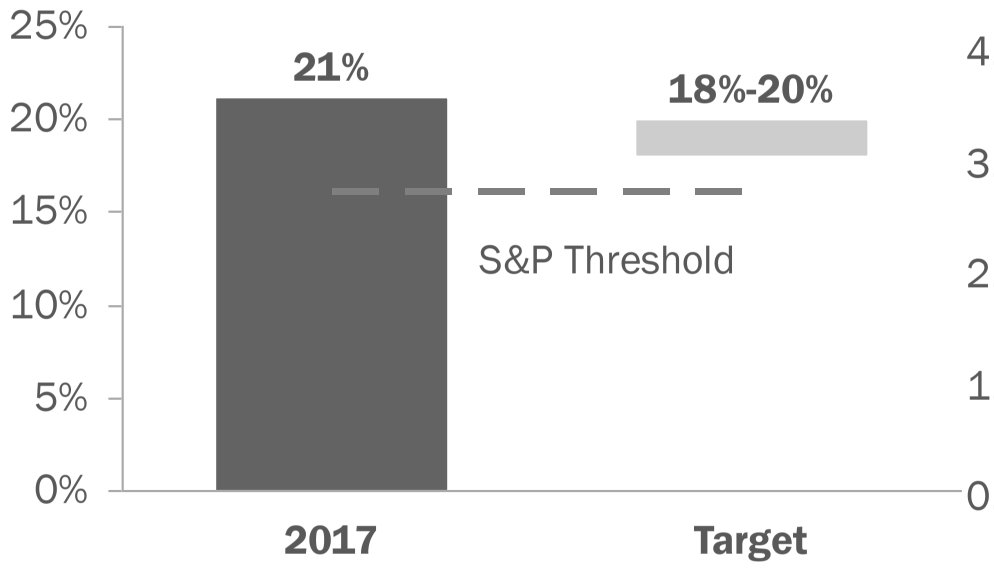
(5) PHI reflects full nine months of earnings in 2017 versus earnings from March 24, 2016, through September 30, 2016

Exelon.

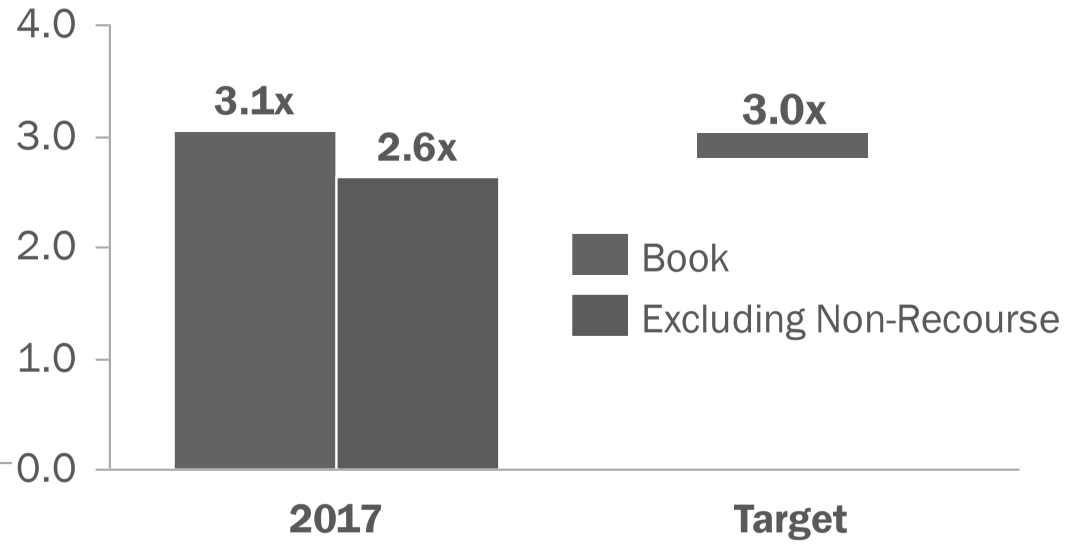
SI-SSA-0015-02329

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6,7)



ExGen Debt/EBITDA Ratio*(5,6,7)



Credit Ratings by Operating Company

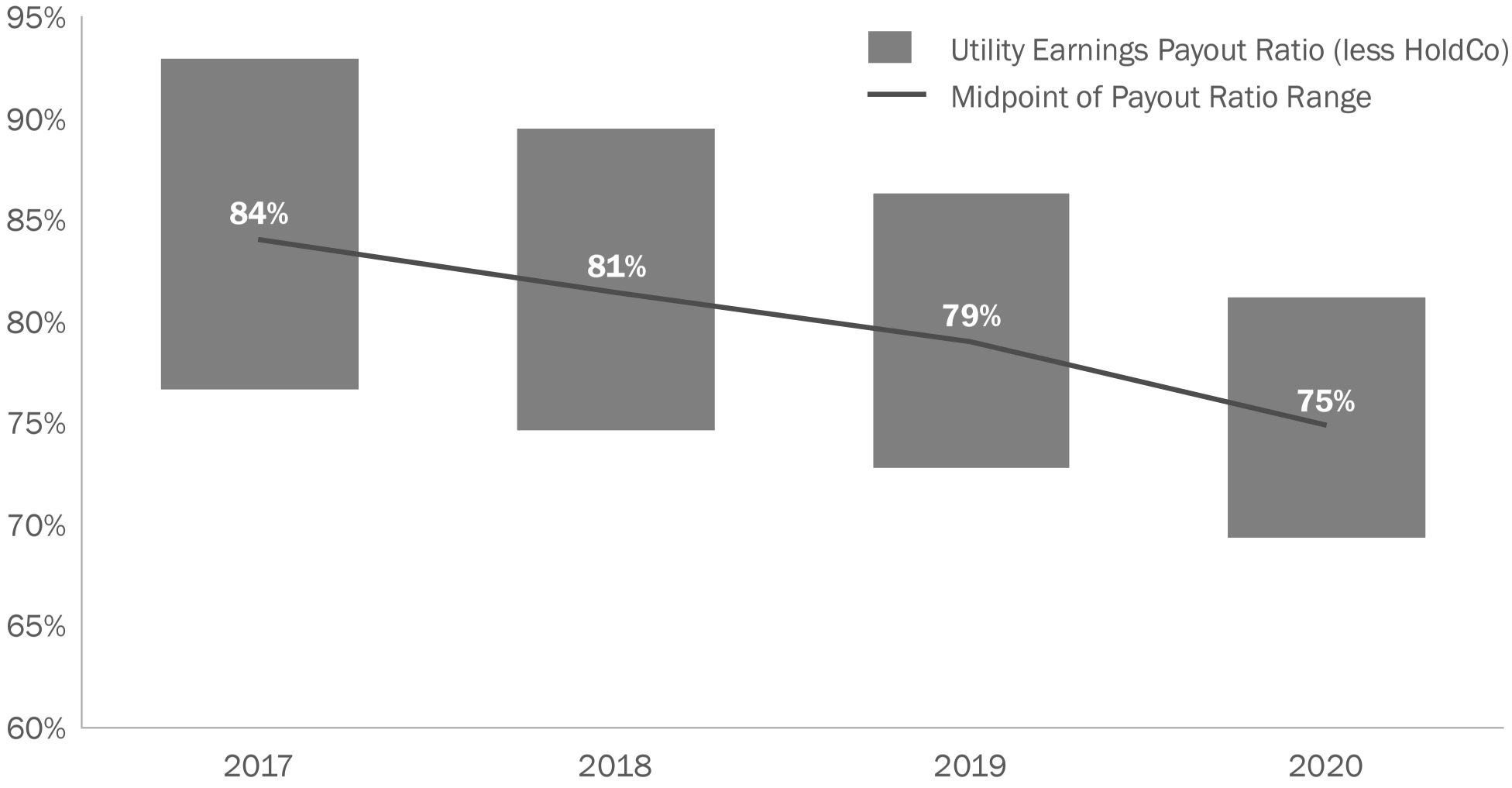
Current Ratings(2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of October 24, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP
(7) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-02330

Exelon

Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year through 2020, although the board has not yet established dividend policy for periods after 2018. Quarterly dividends are subject to declaration by the board of directors.

SI-SSA-0015-02331

Exelon Generation Disclosures

September 30, 2017

SI-SSA-0015-02332

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

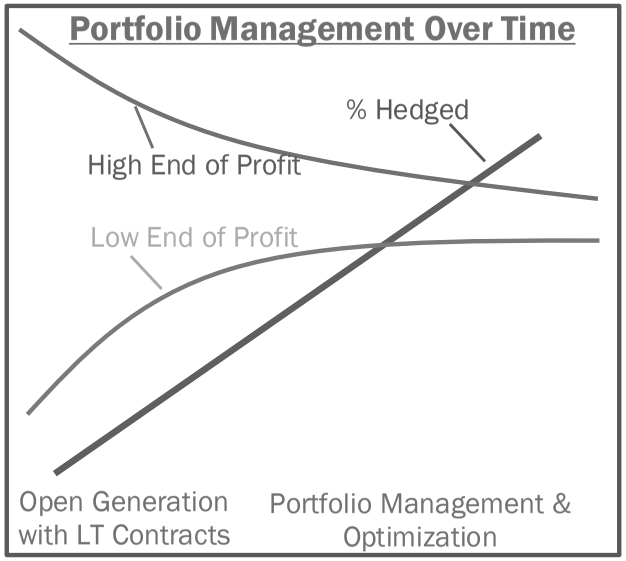
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

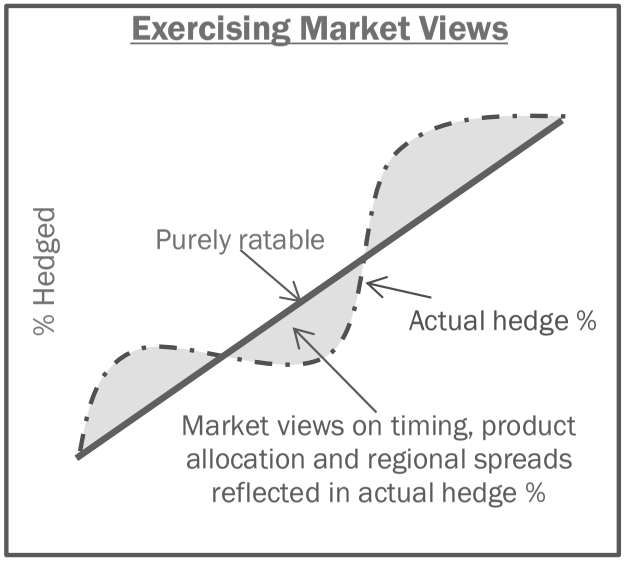
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02333

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02334

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,600	$3,900	$3,700
Capacity and ZEC Revenues[2,5,6]	$1,700	$2,300	$2,000
Mark-to-Market of Hedges[2,3]	$2,150	$650	$450
Power New Business / To Go	$100	$700	$850
Non-Power Margins Executed	$350	$200	$100
Non-Power New Business / To Go	$100	$300	$400
Total Gross Margin*[4,5]	**$8,000**	**$8,050**	**$7,500**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)	$3.14	$3.05	$2.89
Midwest: NiHub ATC prices ($/MWh)	$26.52	$27.45	$26.36
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.81	$30.77	$29.22
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	($0.78)	$1.22	$2.65
New York: NY Zone A ($/MWh)	$24.38	$27.29	$26.67
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.36	$3.99	$4.24

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2017, market conditions
(5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-02335

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**200,200**	**199,300**	**202,000**
Midwest	95,900	95,800	97,000
Mid-Atlantic[2,6]	60,700	60,500	59,000
ERCOT	17,800	19,500	20,800
New York[2,6]	14,700	15,500	16,600
New England	11,100	8,000	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**79%-82%**	**45%-48%**
Midwest	97%-100%	74%-77%	41%-44%
Mid-Atlantic[2,6]	98%-101%	90%-93%	51%-54%
ERCOT	97%-100%	77%-80%	44%-47%
New York[2,6]	99%-102%	71%-74%	43%-46%
New England	103%-106%	86%-89%	52%-55%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$44.00	$37.00	$39.00
ERCOT[5]	$11.00	$3.50	$3.50
New York[2,6]	$41.50	$37.50	$32.00
New England[5]	$20.00	$2.50	$3.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.2% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02336

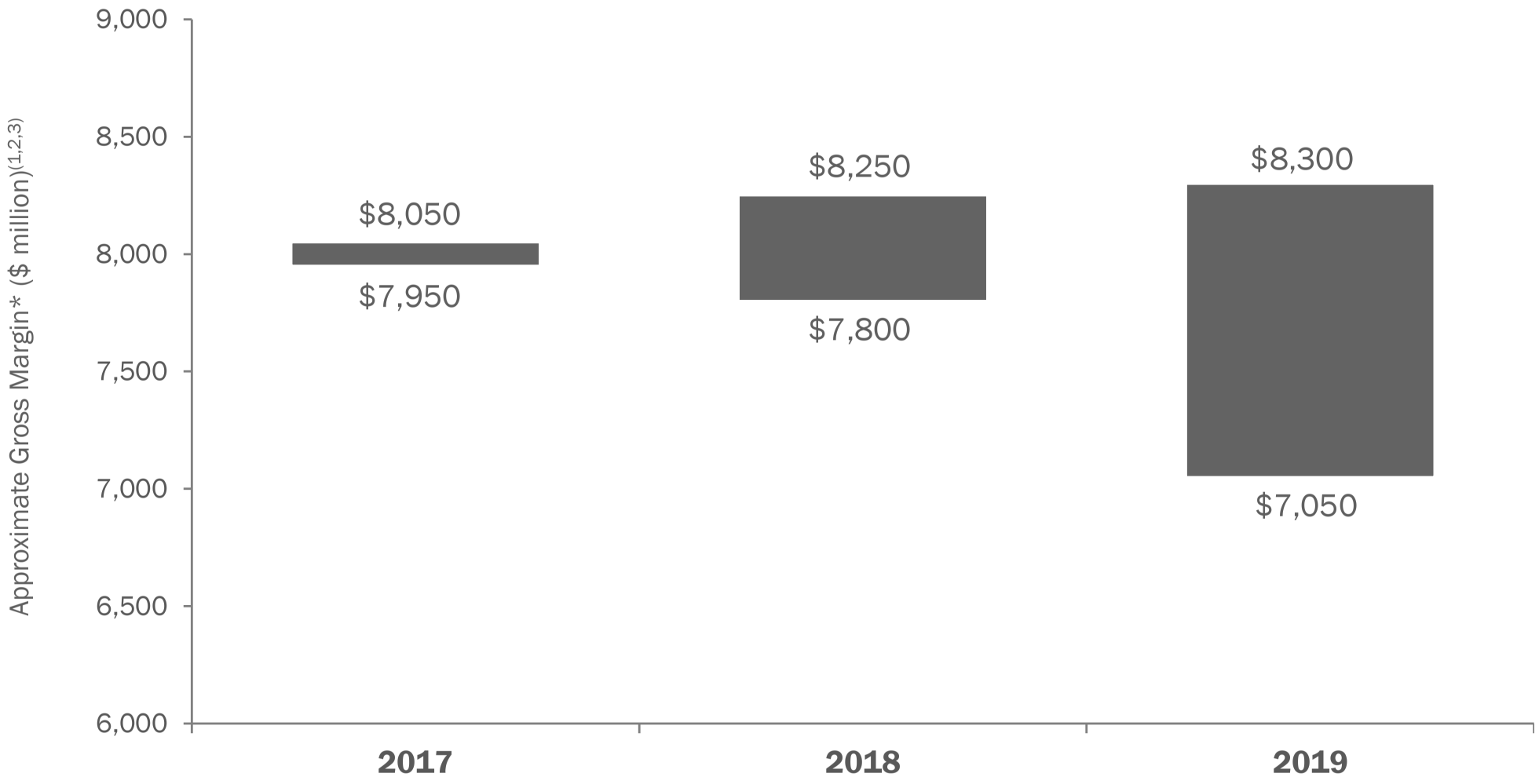
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(20)	$140	$515
- $1/MMBtu	$(10)	$(210)	$(500)
NiHub ATC Energy Price			
+ $5/MWh	-	$120	$265
- $5/MWh	-	$(115)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	-	$10	$150
- $5/MWh	$5	$(40)	$(145)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$25	$40
- $5/MWh	-	$(20)	$(45)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $35

(1) Based on September 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-02337

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02338

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2.3 billion →					
(C)	Expected Generation (TWh)	95.8	60.5	19.5	15.5	8.0	
(D)	Hedge % (assuming mid-point of range)	75.5%	91.5%	78.5%	72.5%	87.5%	
(E=C*D)	Hedged Volume (TWh)	72.3	55.4	15.3	11.2	7.0	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.50	$37.50	$2.50	
(G)	Reference Price ($/MWh)	$27.45	$30.77	$1.22	$27.29	$3.99	
(H=F-G)	Difference ($/MWh)	$2.05	$6.23	$2.28	$10.21	($1.49)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$150	$345	$35	$115	($10)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,850					
(K)	Power New Business / To Go ($ million)	$700					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	Total Gross Margin*	$8,050 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-02339

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,575**	**$8,575**	**$8,025**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(200)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(475)	$(325)	$(325)
Total Gross Margin* (Non-GAAP)	**$8,000**	**$8,050**	**$7,500**

Key ExGen Modeling Inputs (in $M)[1,5]	2017
Other[6]	$175
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[7]	$(400)
Depreciation & Amortization[8]	$(1,075)
Interest Expense[9]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $125M
(8) Excludes P&L neutral decommissioning depreciation
(9) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

SI-SSA-0015-02340

Exelon Utilities' Rate Case Filing Summaries

SI-SSA-0015-02341

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Exelon Utilities' Distribution Rate Case Schedule

	9/17	10/17	11/17	12/17	1/18	2/18	3/18
ACE Electric Distribution Rates - NJ	Settlement approved by NJBPU Sept 22						
Pepco Electric Distribution Rates - MD	Evidentiary Hearings Sept 5-15	Commission Order Received Oct 20					
ComEd Electric Distribution Formula Rate		Proposed Order Oct 19		Commission Order Expected Dec 9			
Delmarva – MD Electric Distribution Rates		Intervenor Direct Testimony Oct 16	Rebuttal Testimony Nov 16	Evidentiary Hearing Dec 11-20		Commission Order Expected Feb 14	
Delmarva – DE Electric Distribution Rates				Intervenor Direct Testimony Dec 6	Rebuttal Testimony Jan 12	Evidentiary Hearing Feb 20-22	
Delmarva – DE Gas Distribution Rates					Intervenor Direct Testimony Jan 16		Rebuttal Testimony Mar 5

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, and Delaware Public Service Commission and are subject to change

Exelon.

SI-SSA-0015-02342

Delmarva DE (Gas) Distribution Rate Case Filing

Docket No.	17-0978
Test Year	January 1, 2017– December 31, 2017
Test Period	3 months actual and 9 months estimated
Requested Common Equity Ratio	50.52%
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%
Proposed Rate Base (Adjusted)	$348M
Requested Revenue Requirement Increase	$12.9M(1)
Residential Total Bill % Increase	9.9%
Notes	• August 17, 2017, Delmarva DE filed application with Delaware Public Service Commission (DPSC) seeking increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($1.0M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Procedural Schedule • Intervenor Direct Testimony Due: January 16, 2018 • Rebuttal Testimony Due: March 5, 2018 • Evidentiary Hearings: April 24-26, 2018 • Initial Briefs Due: May 14, 2018 • Reply Briefs Due: May 29, 2018 • Commission Order Expected: Q3 2018

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and will implement full allowable rates on March 17, 2018, subject to refund

Exelon.

SI-SSA-0015-02343

Delmarva DE (Electric) Distribution Rate Case Filing

Docket No.	17-0977
Test Year	January 1, 2017 – December 31, 2017
Test Period	3 months actual and 9 months estimated
Requested Common Equity Ratio	50.52%
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%
Proposed Rate Base (Adjusted)	$805M
Requested Revenue Requirement Increase	$31.2M(1)
Residential Total Bill % Increase	4.6%
Notes	• August 17, 2017, Delmarva DE filed application with DPSC seeking increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Potential delay due to Staff and Division of the Public Advocate (DPA) joint motion to dismiss the application, which states that the increase of the requested increase to $31.2 million required additional time to review Procedural Schedule: • Intervenor Direct Testimony Due: December 6, 2017 • Rebuttal Testimony Due: January 12, 2018 • Evidentiary Hearings: February 20-22, 2018 • Initial Briefs Due: March 16, 2018 • Reply Briefs Due: March 30, 2018 • Commission Order Expected: Q3 2018

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and will implement full allowable rates on March 17, 2018, subject to refund

SI-SSA-0015-02344

Delmarva MD (Electric) Distribution Rate Case Filing

Formal Case No.	9455
Test Year	October 1, 2016 – September 30, 2017
Test Period	7 months actual and 5 months estimated
Requested Common Equity Ratio	50.68%
Requested Rate of Return	ROE: 10.10%; ROR: 7.05%
Proposed Rate Base (Adjusted) (Updated on Sept. 28, 2017)	$775M
Requested Revenue Requirement Increase (Updated on Sept. 28, 2017)	$21.6M(1)
Residential Total Bill % Increase	1.8%
Notes	• July 14, 2017, Delmarva MD filed application with Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • Forward looking reliability and other plant additions through April 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Intervenor Positions: • Office of People's Council (OPC) revenue increase of $5.0M or $7.2M based on 8.65% or 9.0% ROE, respectively • Staff revenue increase of $11.1M based on 9.30% ROE Procedural Schedule: • Intervenor Direct Testimony Due: October 16, 2017 • Rebuttal Testimony Due: November 16, 2017 • Evidentiary Hearings: December 11 – 20, 2017 • Briefs due: January 9, 2018 • Commission Order Expected: February 14, 2018

(1) Amount represents adjusted requested revenue requirement filed on September 28, 2017

Exelon.

SI-SSA-0015-02345

ComEd April 2017 Distribution Formula Rate

The 2017 distribution formula rate filing established the net revenue requirement used to set the rates that will take effect in January 2018 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2016 costs and 2017 projected plant additions
- Annual Reconciliation: For 2016, this amount reconciles the revenue requirement reflected in rates in effect during 2016 to the actual costs for that year. The annual reconciliation impacts cash flow in 2018 but the earnings impact has been recorded in 2016 as a regulatory asset.

Docket #	**17-0196**
Filing Year	**2016 Calendar Year Actual Costs and 2017 Projected Net Plant Additions** are used to set the rates for calendar year 2018. Rates currently in effect (docket 16-0259) for calendar year 2017 were based on 2015 actual costs and 2016 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2016 to 2016 Actual Costs Incurred.** Revenue requirement for 2016 is based on docket 15-0287 (2014 actual costs and 2015 projected net plant additions) approved in December 2015.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.40%** for the filing year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium) and **8.34%** for the reconciliation year (2016 30-yr Treasury Yield of 2.60% + 580 basis point risk premium – 6 basis points performance metrics penalty). For 2017 and 2018, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~6.5%** for both the filing and reconciliation years
Rate Base(1)	**$9,662 million–** Filing year (represents projected year-end rate base using 2016 actual plus 2017 projected capital additions). 2017 and 2018 earnings will reflect 2017 and 2018 year-end rate base respectively. $8,807 million - Reconciliation year (represents year-end rate base for 2016)
Revenue Requirement Increase(1)	**$95.6M increase** ($17.5M increase due to the 2016 reconciliation and collar adjustment in addition to a $78.1M increase related to the filing year). The 2016 reconciliation impact on net income was recorded in 2016 as a regulatory asset.
Timeline	• 04/13/17 Filing Date • 240 Day Proceeding • ICC Order expected to be issued by December 9, 2017

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

(1) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017

SI-SSA-0015-02346

Exelon.

Pepco MD Distribution Rate Case Final Order

Formal Case No.	9443	Per Commission Order
Test Year	May 1, 2016 – April 30, 2017	
Test Period	8 months actual and 4 months estimated (Updated on August 24, 2017)	
Requested Common Equity Ratio	50.15%	50.15%
Requested Rate of Return	ROE: 10.10%; ROR: 7.74%	ROE: 9.50%; ROR: 7.43%
Proposed Rate Base (Adjusted)	$1.7B	$1.6B
Requested Revenue Requirement Increase	$67.0M	$32.4M
Residential Total Bill % Increase	5.6%	2.99%
Notes	• March 24, 2017, Pepco MD filed application with MDPSC seeking increase in electric distribution base rates • Normalization of tax benefits on pre-1981 removal costs • 8 month forward looking reliability and other plant additions from May 2017 through December 2017 ($13.3M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Intervenor Positions: • Office of People's Council (OPC) revenue increase of $9.95M or $13.44M based on 8.75% or 9.0% ROE, respectively • Apartment and Office Building Association (AOBA) revenue increase of $24.76M based on 9.10% ROE • Commission Technical Staff (Staff) revenue increase of $25.76M based on 9.39% ROE • Commission Order Expected: October 20, 2017	• Order received on October 20th • Two months of post-test period reliability capital placed in service through June 2017 approved • Remaining deferred balance of storm costs for Sandy and Derecho to be amortized over 12 months • Expansion of test year to a minimum of 6 months of forecasted data was denied • Pepco's proposal to normalize tax benefits for pre-1981 removal costs to be addressed in the next base rate case • Approximately $400K of AIP expense was excluded from recovery as a result of the Company not achieving its 2016 SAIFI merger target

SI-SSA-0015-02347

Exelon.

Atlantic City Electric NJ Rate Case Final Order

BPU Docket No.	ER17030308	Per Settlement
Test Year	August 1, 2016 – July 31, 2017 (Updated on July 14, 2017)	
Test Period	5 months actual and 7 months forecasted	
Stipulated Common Equity Ratio	Requested 50.14%	50.47%
Stipulated Rate of Return	ROE: 10.10%; ROR: 7.83%	ROE: 9.60% ROR: 7.60%
Stipulated Rate Base (Adjusted)	$1.4B	$1.3B
Stipulated Revenue Requirement Increase	$72.6M	$43.0M
Stipulated Residential Total Bill % Increase	6.57%	4.03%
Notes	• March 30, 2017, Atlantic City Electric filed application with New Jersey Board of Public Utilities (NJBPU) seeking increase in electric distribution base rates • Recovery of investment in infrastructure to maintain and harden electric distribution system • Ratemaking adjustments to address declining sales • Proposal of a Non-Incremental System Renewal Recovery Charge for recovery of non-incremental reliability spend over four years (2018-2021) of $376M	• Settlement Approved by NJBPU: September 22, 2017 • Rate Effective Date: October 1, 2017 • Approval for regulatory asset treatment of costs to achieve • Company agreed to withdraw its request to implement a System Renewal Recovery Charge • Company agreed to prepare proposal for phasing out accelerated reliability spending in Reliability Improvement Plan

SI-SSA-0015-02348

Exelon.

Pepco DC Distribution Rate Case Final Order

Formal Case No.	1139	Per Commission Order
Test Year	April 1, 2015 – March 31, 2016	
Test Period	12 months actual	
Requested Common Equity Ratio	49.14%	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%	ROE: 9.50%; ROR: 7.46%
Proposed Rate Base (Adjusted)	$1.7B	$1.6B
Requested Revenue Requirement Increase	$77.5M(1)	$36.9M
Residential Total Bill % Increase	4.62%	2.52%

Notes	• June 30, 2016, Pepco filed application with District of Columbia Public Service Commission (DCPSC) seeking increase in electric distribution base rates
	Intervenor Positions:
	• Office of People's Council (OPC) revenue increase of $25.8M based on 8.60% ROE
	• Apartment and Office Building Association (AOBA) revenue increase of $62.2M based on 9.25% ROE
	• Healthcare Council of the National Capital Area (HCNCA) revenue increase of $16.8M based on 8.75% ROE
	• District of Columbia Water and Sewer Authority (DC Water) revenue increase of $52.7M based on 9.10% ROE
		• July 25, 2017, DCPSC issued Final Order
		• Bill Stabilization Adjustment (BSA) remains unchanged
		• Approval to establish regulatory asset for costs to achieve (CTA)
		• Customer Base Rate Credit (CBRC) will offset monthly bill increases
		  • $15M allocated to residential customers
		  • $2.3M designated to certain small commercial customers
		  • $6-7M reserved for disabled and senior citizens on fixed incomes in future rate cases
		• Recovery of $27.4M of AMI, direct load control and dynamic pricing regulatory assets to be amortized over 5 years

(1) Revenue requirement includes changes in amortization expense, which has no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02349

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02350

Exelon.

Q3 2016 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.25**	**$0.04**	**$0.13**	**$0.06**	**$0.18**	**($0.13)**	**$0.53**
Mark-to-market impact of economic hedging activities	(0.06)	-	-	-	-	-	(0.06)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.01
Merger commitments	-	-	-	-	(0.04)	0.05	0.01
Long-Lived asset impairments	0.01	-	-	-	-	-	0.01
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Cost management program	0.01	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG noncontrolling interest	0.03	-	-	-	-	-	0.03
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.41**	**$0.20**	**$0.13**	**$0.06**	**$0.14**	**$(0.03)**	**$0.91**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02351

Exelon.

Q3 2017 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share	**$0.32**	**$0.20**	**$0.12**	**$0.06**	**$0.16**	**($0.00)**	**$0.85**
Mark-to-market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	(0.01)	-	-
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.08	-	-	-	-	-	0.08
Cost management program	0.01	-	-	-	-	-	0.01
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.04)	(0.02)
Bargain purchase gain	(0.01)	-	-	-	-	-	(0.01)
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.19**	**$0.12**	**$0.07**	**$0.15**	**($0.04)**	**$0.85**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02352

Exelon.

Q3 2016 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.58**	**$0.32**	**$0.37**	**$0.20**	**($0.10)**	**$(0.37)**	**$1.00**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	-	0.07
Unrealized gains related to NDT fund investments	(0.13)	-	-	-	-	-	(0.13)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.10
Merger commitments	-	-	-	-	0.26	0.17	0.43
Long-lived asset impairments	0.11	-	-	-	-	-	0.11
Plant retirements and divestitures	0.37	-	-	-	-	-	0.37
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.03
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG noncontrolling interest	0.04	-	-	-	-	-	0.04
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.10**	**$0.48**	**$0.37**	**$0.20**	**$0.20**	**$(0.11)**	**$2.24**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02353

Exelon.

Q3 2017 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$0.51**	**$0.47**	**$0.35**	**$0.24**	**$0.38**	**$0.06**	**$2.01**
Mark-to-market impact of economic hedging activities	0.10	-	-	-	-	-	0.10
Unrealized gains related to NDT fund investments	(0.22)	-	-	-	-	-	(0.22)
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.31	-	-	-	-	-	0.31
Plant retirements and divestitures	0.15	-	-	-	-	-	0.15
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.06)	(0.04)
Cost management program	0.02	-	-	-	-	-	0.03
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Asset retirement obligation	-	-	-	-	-	-	-
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
CENG noncontrolling interest	0.08	-	-	-	-	-	0.08
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.76**	**$0.50**	**$0.35**	**$0.25**	**$0.31**	**($0.12)**	**$2.05**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02354

Exelon.

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to changes in statutory tax rates and changes in forecasted apportionment
  - Costs incurred related to a cost management program
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Non-cash benefit pursuant to the annual update of the Generation nuclear decommissioning obligation related to the non-regulatory units
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's noncontrolling interest, primarily related to CENG exclusion items

SI-SSA-0015-02355

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2,10,11]	
GAAP Operating Income	$3,500
Depreciation & Amortization	$3,350
EBITDA	$6,850
+/- Non-operating activities and nonrecurring items[3]	$450
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$325
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$350
= FFO (a)	**$7,600**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2,10]	
Long-Term Debt (including current maturities)	$32,050
Short-Term Debt	$1,125
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$4,100
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($600)
+/- Other S&P Adjustments[4]	($650)
= Adjusted Debt (b)	**$35,525**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD
(10) Reflects removal of EGTP
(11) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-02356

GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,825**

YE 2017 ExGen Net Debt Calculation ($M)[1,3]	
Long-Term Debt (including current maturities)	$8,775
Short-Term Debt	$350
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,925)
= Net Debt (a)	**$6,900**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
= Operating EBITDA (b)	**$2,875**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1,3,4]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,375
EBITDA	$2,150
+/- Non-operating activities and nonrecurring items[2]	$725
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,625**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.1x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.6x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA
(3) Reflects removal of EGTP
(4) Reflects delay in Illinois ZEC revenue recognition from 2017 to 2018

SI-SSA-0015-02357

Exelon.

GAAP to Non-GAAP Reconciliations

Q3 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$85	$114	$210	$1,281	$1,690
Operating Exclusions	($23)	($12)	($25)	$34	($25)
Adjusted Operating Earnings[1]	$63	$103	$185	$1,315	$1,665
Average Equity	$1,061	$1,323	$2,419	$12,750	$17,554
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.9%**	**7.8%**	**7.7%**	**10.3%**	**9.5%**

Q2 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

(1) ACE, Delmarva, and Pepco represents full year of earnings

Exelon.

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GAAP to Non-GAAP Reconciliations

2017 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,375	$750	$775	$1,175	$3,400	($250)	$7,225
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	($350)	-	-	-	-	$350	-
Counterparty collateral activity	-	-	-	-	$200	-	$200
Adjusted Cash Flow from Operations	**$1,025**	**$750**	**$775**	**$1,175**	**$3,350**	**$75**	**$7,150**

2017 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$825	$175	$150	$125	($300)	$400	$1,375
Dividends paid on common stock	$425	$300	$200	$325	$650	($675)	$1,225
Intercompany receivable adjustment	$350	-	-	-	-	($350)	-
Financing Cash Flow	**$1,600**	**$475**	**$350**	**$450**	**$350**	**($625)**	**$2,625**

Exelon Total Cash Flow Reconciliation[1]	2017
GAAP Beginning Cash Balance	**$650**
Adjustment for Cash Collateral Posted	$400
Adjusted Beginning Cash Balance[3]	$1,050
Net Change in Cash (GAAP)[2]	$400
Adjusted Ending Cash Balance[3]	$1,450
Adjustment for Cash Collateral Posted	($625)
GAAP Ending Cash Balance	**$825**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$6,325**	**$5,300**	**$5,150**	**$5,025**
Decommissioning[2]	25	50	50	50
TMI Retirement	(75)	-	-	-
EGTP Impairment	(450)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(425)	(325)	(325)	(325)
O&M for managed plants that are partially owned	(425)	(425)	(400)	(425)
Other	(125)	(25)	(25)	(25)
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,600**	**$4,450**	**$4,300**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-02360

Earnings Conference Call
3rd Quarter 2016

October 26, 2016

Exelon®

SI-SSA-0015-02361

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC (PHI), Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23; (2) PHI's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 16; (3) Exelon's Third Quarter 2016 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (4) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including adjusted (non-GAAP) operating earnings, adjusted (non-GAAP) operating and maintenance expense, total gross margin, and adjusted cash flow from operations (non-GAAP) or free cash flow. Adjusted (non-GAAP) operating earnings exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments merger and integration costs, certain costs incurred associated with the PHI acquisition, merger commitments related to the settlement of the PHI acquisition, the impairment of certain long-lived assets, plant retirements and divestitures, costs related to the cost management program, and the non-controlling interest in CENG. Adjusted (non-GAAP) operating and maintenance expense excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation businesses, decommissioning costs that do not affect profit and loss, and the impact from operating and maintenance expense related to variable interest entities at Generation. Total gross margin (non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, the operating services agreement with Fort Calhoun, variable interest entities and net of direct cost of sales for certain Constellation businesses. Adjusted cash flow from operations (non-GAAP) or free cash flow primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures at ownership and nuclear fuel expense. Due to the forward-looking nature of any forecasted non-GAAP measures, information to reconcile the forecast adjusted (non-GAAP) measures to the most directly comparable GAAP measure is not currently available, as management is unable to project all of these items for future periods.

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Non-GAAP Financial Measures Continued

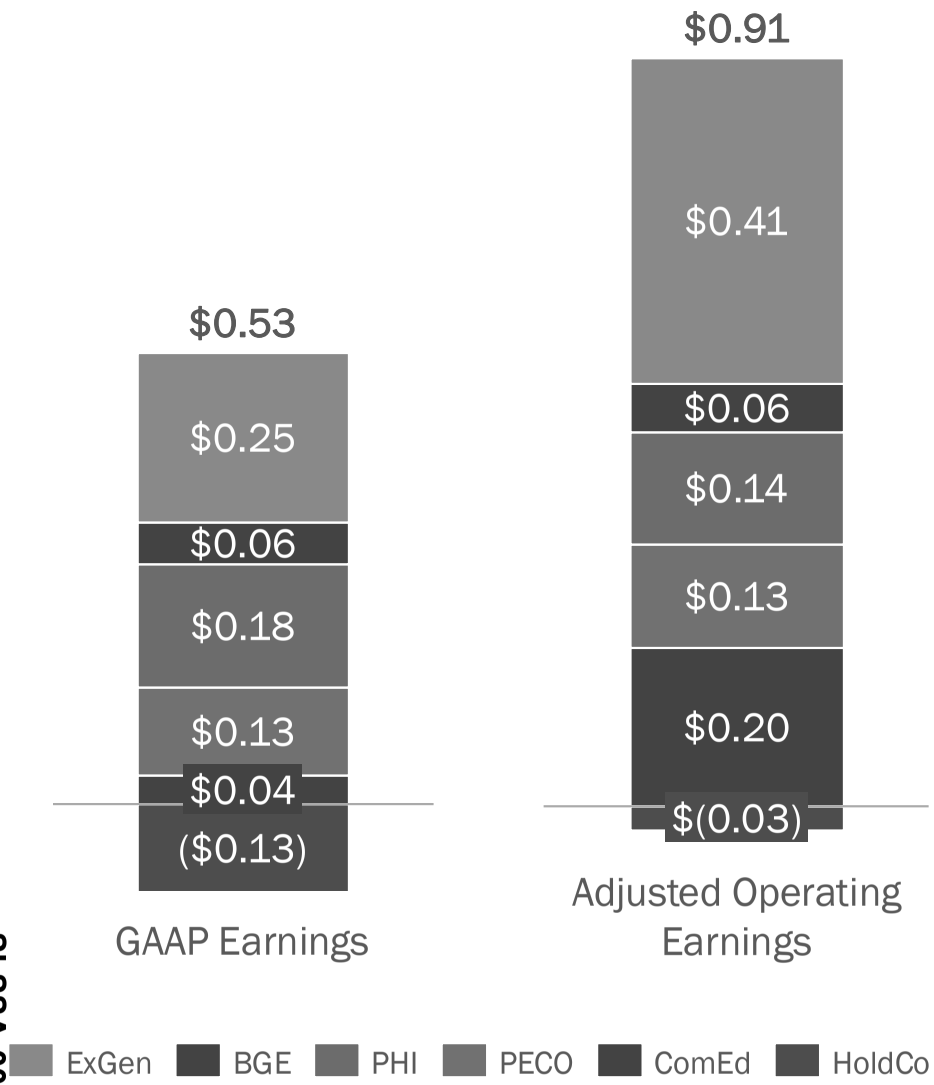
This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the footnotes, appendices and attachments to this presentation.

SI-SSA-0015-02364

Strong 3rd Quarter Results

Q3 EPS Results[1,2]



- GAAP earnings were $0.53/share in Q3 2016 vs. $0.69/share in Q3 2015
- Adjusted (non-GAAP) operating earnings were $0.91/share in Q3 2016 vs. $0.83/share in Q3 2015, exceeding our guidance range of $0.65-$0.75/share

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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Best in Class Operations

Exelon Utilities Operational Metrics

Operations	Metric	YTD 2016[1]			
		BGE	PECO	ComEd	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				N/A
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations	

[1]Note: 2.5 Beta SAIFI is YE projection

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

Q1	Q2
Q3	Q4

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Q3 Capacity Factor of 96.3%
  - Most MWhs ever produced in a quarter
  - No unplanned outages in Q3
- Strong performance across our Fossil and Renewable fleet:
  - Q3 Renewables energy capture: 95.2%
  - Q3 Power dispatch match: 97.9%
- Closed on ConEdison Solutions transaction, adding more than 560,000 customers

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Exelon

Exelon Utilities Distribution Rate Case Summary

ACE Electric Settlement	
Authorized Revenue Requirement Increase[1]	$45M
Authorized ROE	9.75%
Common Equity Ratio	49.48%
Commission Approved Settlement	8/24/16

Pepco DC Filing	
Requested Revenue Requirement Increase[1]	$82.1M
Requested ROE	10.60%
Requested Common Equity Ratio	49.14%
Order Expected	7/25/17

Pepco MD Filing	
Requested Revenue Requirement Increase[1]	$102.8M
Requested ROE	10.60%
Requested Common Equity Ratio	49.60%
Order Expected	11/15/16

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1]	$62.8M
Requested ROE	10.60%
Requested Common Equity Ratio	49.40%
Order Expected	Q3 2017

ComEd Filing	
Requested Revenue Requirement Increase[2]	$132M
Requested ROE	8.64%
Requested Common Equity Ratio	46%
Order Expected	Dec 2016

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1]	$21.5M
Requested ROE	10.60%
Requested Common Equity Ratio	49.40%
Order Expected	Q3 2017

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$57.0M
Requested ROE	10.60%
Requested Common Equity Ratio	49.10%
Order Expected	2/17/17

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amounts represent ComEd's position filed in surrebuttal testimony on August 19, 2016

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Status of New York and Illinois Nuclear Plants

New York Nuclear Plants: Nine Mile Point, Ginna, FitzPatrick

- EPS uplift of $0.08-0.10 per share and $350M of additional after-tax cash flow through 2020 (Ginna and Nine Mile Point I & II)(1)
- Federal court challenge filed on October 19
- FitzPatrick acquisition(3):
  - EPS contribution of $0.02-0.08 per share
  - NY PSC approval expected in November
  - FERC approval requested for November
  - NRC approval expected Q1 2017
  - Refueling planned for January 2017
- NYSERDA contracts for all 3 plants expected to be signed in November

Illinois Nuclear Plants: Clinton and Quad Cities

- 2019 EPS run rate of up to $0.07 per share and up to $75M of pre-tax cash flow(2)
- June 22: Notification to NRC on intent to close Clinton and Quad Cities stations
- July 7: Notification to PJM on intent to retire Quad Cities station and not offer it into 20/21 capacity auction
- On or about December 1: Notification due to MISO on intent to retire Clinton
- Illinois Legislature veto session scheduled November 15-17 and November 29 - December 1

(1) $350M is solely from implementation of CES program and does not include additional cash benefits from CENG loan repayment and special distribution
(2) Impacts based on February 29, 2016 pricing and excludes decommissioning costs
(3) Estimates are subject to change based on final purchase accounting and April 1, 2017 closing date, and equates to an EPS of $0.02-0.08

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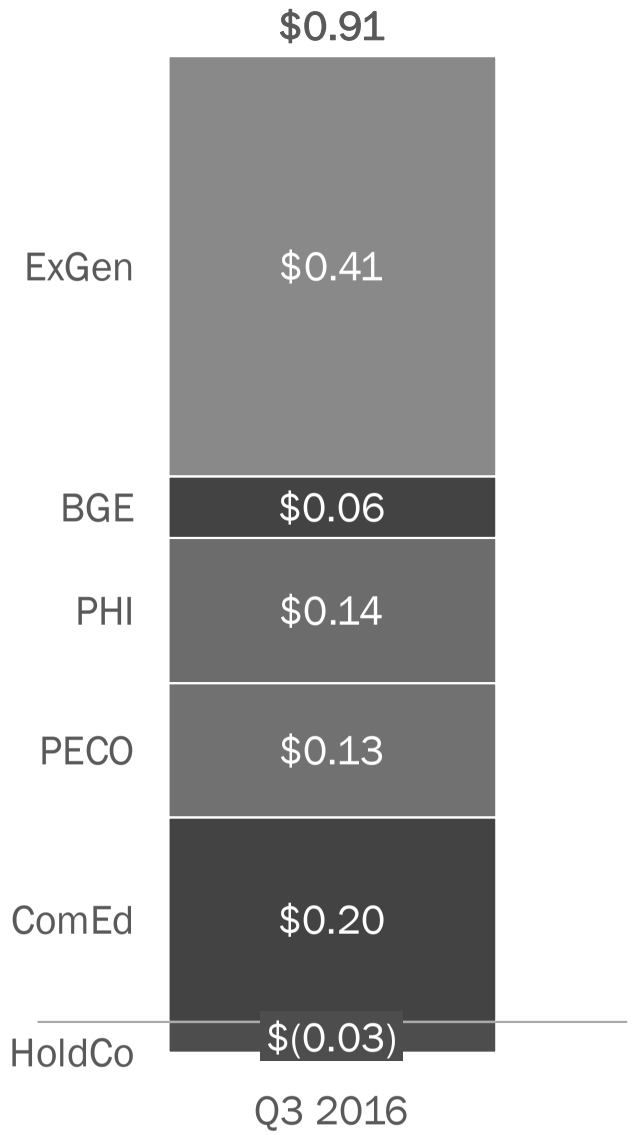
3rd Quarter Adjusted Operating Earnings Drivers

Q3 Adjusted Operating EPS Results(1,2)



Q3 2016 vs. Guidance ($0.65 - $0.75)

Exelon Utilities

- Favorable weather
- Reduced Storm Activity
- Lower O&M

Exelon Generation

- Lower cost to serve
- Strong performance at Constellation

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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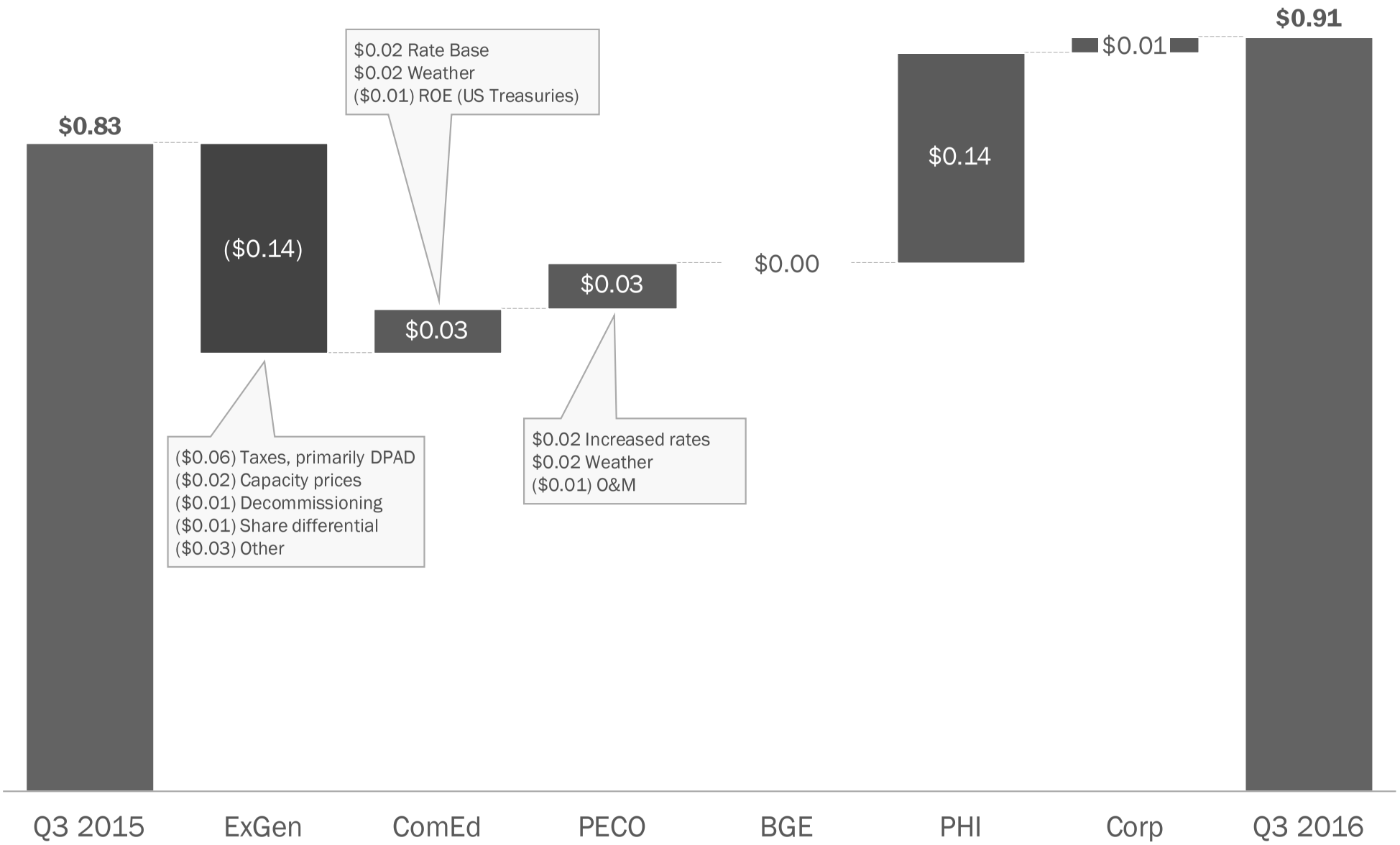
3rd Quarter Adjusted Operating Earnings Waterfall (1,2)



(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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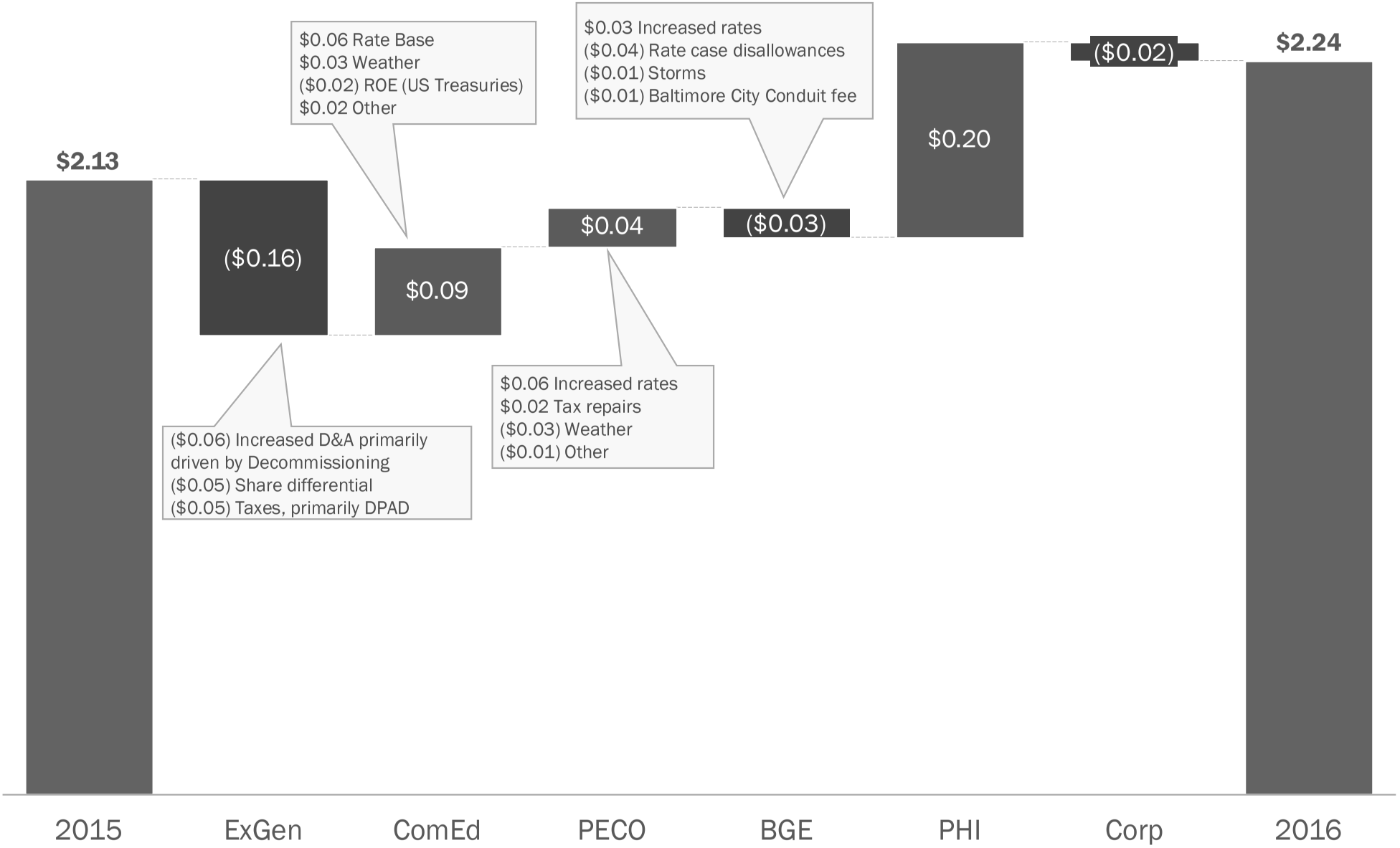
YTD Adjusted Operating Earnings Waterfall (1,2)



(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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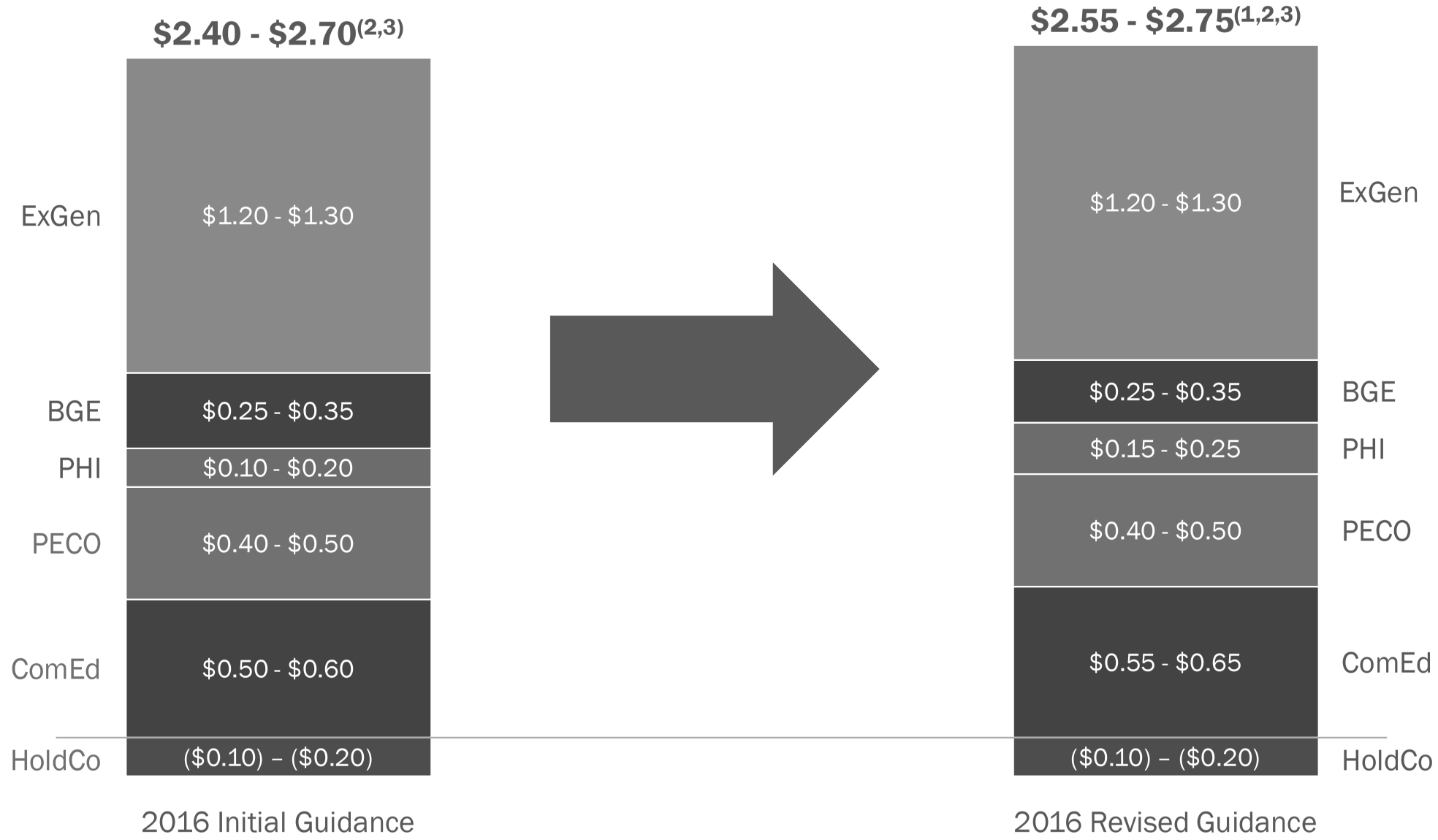
Raising 2016 Full-Year Guidance on Strong Utility Results

2016 Adjusted Operating Earnings



(1) ComEd ROE based on 30-year average Treasury yield of 2.47% as of 9/30/16
(2) 2016 earnings guidance based on expected average outstanding shares of 926M. Refer to Appendix for a reconciliation of adjusted non-GAAP operating EPS guidance to GAAP EPS.
(3) Amounts may not add due to rounding

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Exelon Utilities Distribution Rate Case Schedule

	10/16	11/16	12/16	1/17	2/17	3/17	4/17
ComEd Electric Distribution Formula Rate	Proposed Order Oct 20		Final Order Expected by Dec 9				
Pepco Electric Distribution Rates - MD	Final Reply Briefs Oct 26	Final Order Expected Nov 15					
Pepco Electric Distribution Rates - DC			Intervenor Direct Due Dec 14		Rebuttal Testimony Due Feb 1	Evidentiary Hearings Mar 15-21	Final Reply Briefs Apr 24
Delmarva Electric Distribution Rates - DE		Intervenor Direct Due Nov 23		Rebuttal Testimony Due Jan 11		Evidentiary Hearings Mar 7-9	
Delmarva Gas Distribution Rates - DE			Intervenor Direct Due Dec 9		Rebuttal Testimony Due Feb 10		Evidentiary Hearings Apr 5-7
Delmarva Electric Distribution Rates - MD	Rebuttal Testimony Due Oct 18	Evidentiary Hearings Nov 2-10	Final Reply Briefs Dec 14		Commission Order Expected Feb 17		

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, DC Public Service Commission and Delaware Public Service Commission and is subject to change

Exelon.

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Exelon Generation: Gross Margin Update

	September 30, 2016				Change from June 30, 2016		
Gross Margin Category ($M) [1]	**2016**	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$4,450	$5,200	$5,350	$5,050	$(300)	$(450)	$(550)
Mark-to-Market of Hedges[3,4]	$2,900	$1,250	$500	$300	$450	$450	$300
Power New Business / To Go	$50	$600	$900	$950	$(100)	$(100)	-
Non-Power Margins Executed	$400	$150	$100	$50	$50	-	-
Non-Power New Business / To Go	$50	$300	$400	$450	$(50)	-	-
Total Gross Margin[2,5,6]	**$7,850**	**$7,500**	**$7,250**	**$6,800**	**$50**	**$(100)**	**$(250)**
CES Gross Margin (GINNA, Nine Mile Point I & II)[7]	**$0**	**$100**	**$150**	**$200**			
FitzPatrick Gross Margin[5,8]	**$0**	**$200**	**$250**	**$300**			
Total Gross Margin including CES and FitzPatrick	**$7,850**	**$7,800**	**$7,650**	**$7,300**			

Recent Developments

- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - Generation ~12-15% open in 2017
  - Power position ~7-10% behind ratable, considering cross-commodity hedges in 2017

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. See Slide 26 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
5) Based on September 30, 2016 market conditions
6) Excludes Clinton, Quad Cities, and Oyster Creek starting in June 2017, June 2018, and December 2019, respectively. Does not include the impact of the CES program in NY or the acquisition of FitzPatrick.
7) 2019 ZEC value based on September 30, 2016 pricing
8) Estimates are subject to change based on final purchase accounting and April 1, 2017 closing date, and equates to an EPS of $0.02-0.08

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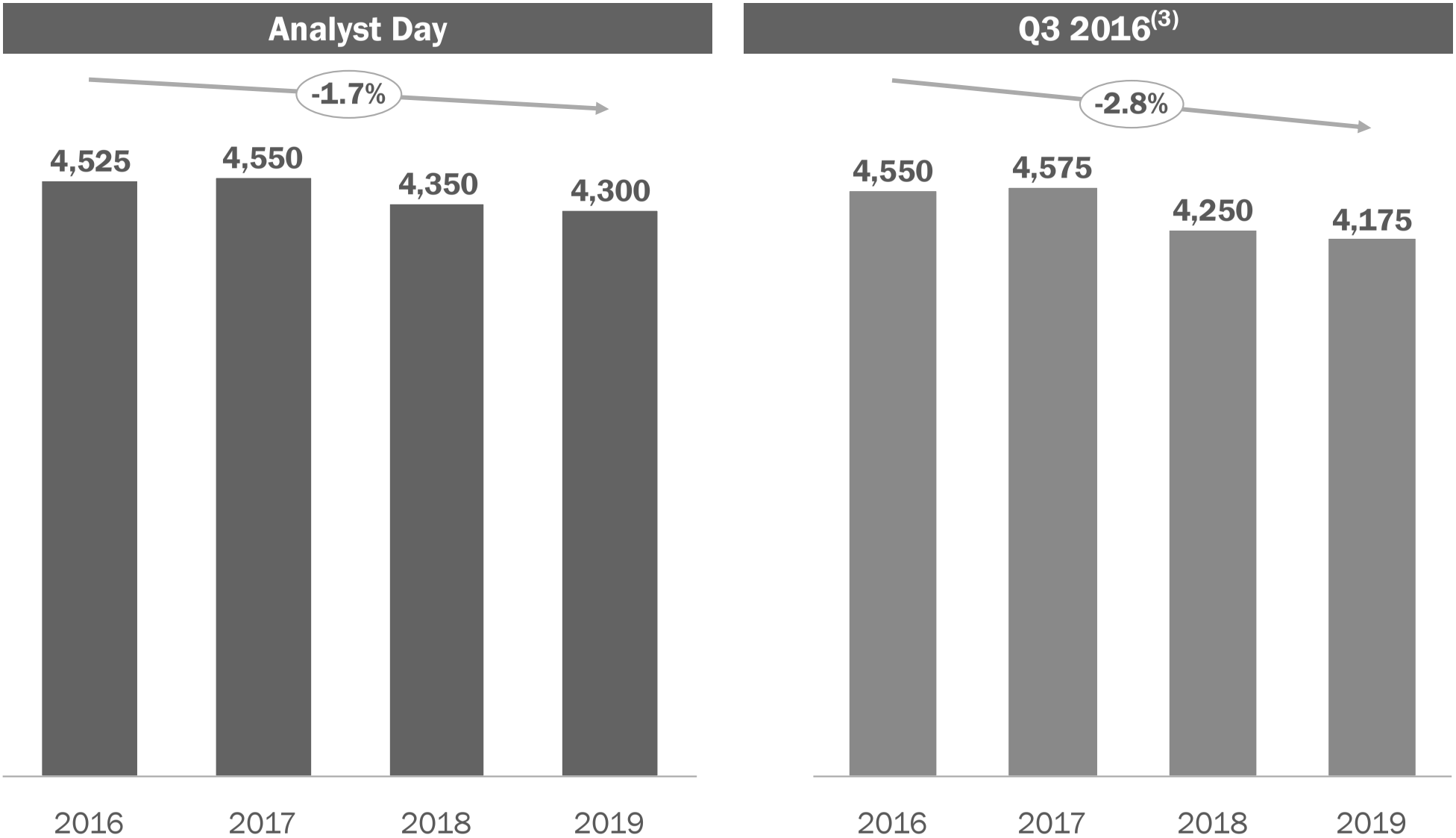
Further Reducing O&M at ExGen[1,2]



Finding additional savings at ExGen -- O&M down $100M in 2018 and $125M in 2019

(1) O&M reflects the retirement of Clinton and Quad Cities. In addition, the run rate of D&A and TOTI declines by $100M with the retirements.
(2) O&M does not include cost of FitzPatrick acquisition
(3) Refer to slide 42 in the appendix for a reconciliation of adjusted {non-GAAP) O&M to GAAP O&M

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2016 Projected Sources and Uses of Cash

($ in millions) [1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[9]	Exelon 2016E	Cash Balance
Beginning Cash Balance[2][10]									**8,100**
Adjusted Cash Flow from Operations[3,4]	700	1,525	775	775	3,775	3,600	(525)	6,850	
Base CapEx and Nuclear Fuel[5]	0	0	0	0	0	(2,325)	(100)	(2,425)	
Free Cash Flow	**700**	**1,525**	**775**	**775**	**3,775**	**1,275**	**(625)**	**4,425**	
Debt Issuances	850	1,200	300	175	2,525	1,000	1,800	5,325	
Debt Retirements	(575)	(675)	(300)	(325)	(1,875)	0	0	(1,875)	
Project Financing	0	0	0	0	0	275	0	275	
PHI Purchase	0	0	0	0	0	0	(6,925)	(6,925)	
Contribution from Parent	25	625	0	1,300	1,950	0	(1,950)	0	
Other Financing[6]	50	250	25	(875)	(550)	(700)	1,225	(25)	
Financing	**350**	**1,400**	**25**	**275**	**2,050**	**575**	**(5,850)**	**(3,225)**	
Total Free Cash Flow and Financing Growth	**1,050**	**2,925**	**800**	**1,050**	**5,825**	**1,850**	**(6,475)**	**1,200**	
Utility Investment	(850)	(2,625)	(650)	(1,050)	(5,175)	0	0	(5,175)	
ExGen Growth[5],[7]	0	0	0	0	0	(1,100)	0	(1,100)	
Acquisitions and Divestitures	0	0	0	0	0	(250)	0	(250)	
Equity Investments	0	0	0	0	0	(100)	0	(100)	
Dividend[8]	0	0	0	0	0	0	(1,175)	(1,175)	
Other CapEx and Dividend	**(850)**	**(2,625)**	**(650)**	**(1,050)**	**(5,175)**	**(1,450)**	**(1,175)**	**(7,800)**	
Total Cash Flow	**200**	**300**	**150**	**0**	**650**	**400**	**(7,650)**	**(6,600)**	
Ending Cash Balance[1][2]									**1,500**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Excludes counterparty collateral activity

(4) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net M&A, and equity investments. Please refer to slide 41 for reconciliations to GAAP cash flow measures.

(5) Figures reflect cash CapEx and CENG fleet at 100%

(6) Other Financing primarily includes expected changes in short-term debt, money pool borrowings, and tax sharing from the parent

(7) ExGen Growth CapEx includes Texas CCGTs, West Medway, AGE, Nuclear relicensing, Nuclear Uprates, Merger Commitments excl. Solar, Retail Growth & Distributed Energy, Michigan Wind 3, Bluestem Wind, and Clinton Battery Storage

(8) Dividends are subject to declaration by the Board of Directors

(9) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

(10) Includes PHI cash on hand at time of merger close

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating ~$4.4B of free cash flow, including $1.3B at ExGen and $3.8B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ Completed $6.9B merger with PHI
- ✓ HoldCo issued $1.8B of Long-term debt in April
- ✓ ExGen plans to issue $1.0B of Long-term debt to fund dividend to parent to support LKE

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $6.3B, with $5.2B at the Utilities and $1.1B at ExGen

SI-SSA-0015-02376

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 7-9% annually from 2016-2020 and rate base growth of 6.1%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 5 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02377

Exelon Generation Disclosures

September 30, 2016

SI-SSA-0015-02378

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Portfolio Management Strategy

Strategic Policy Alignment

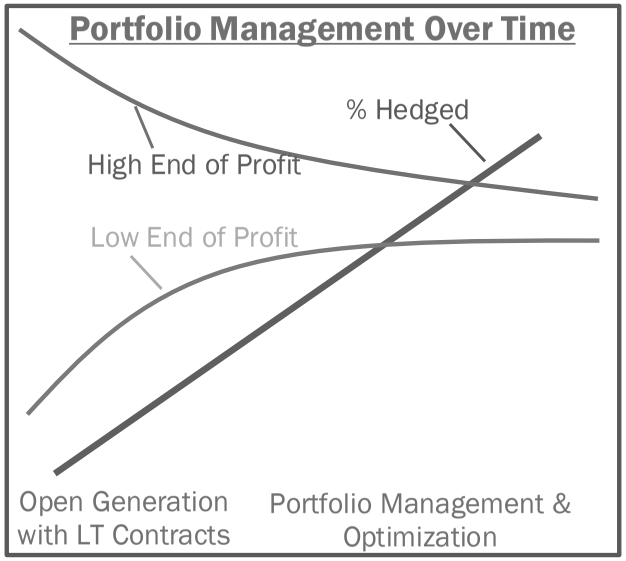
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

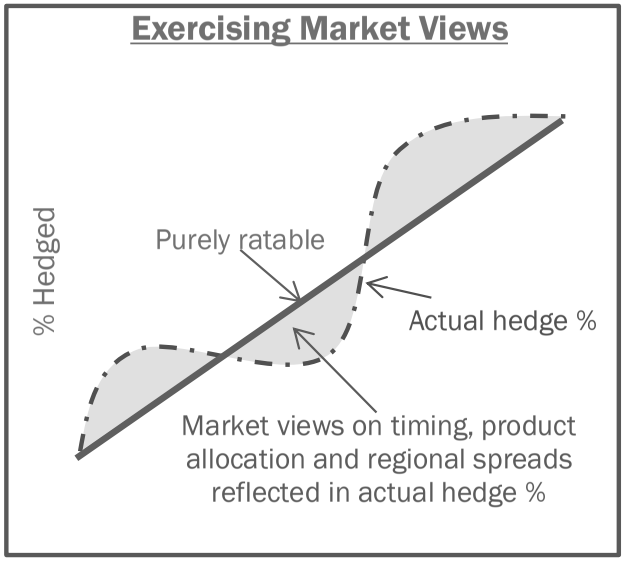
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02379

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Components of Gross Margin Categories

Gross margin linked to power production and sales			Gross margin from other business activities	
Open Gross Margin	**MtM of Hedges[2]**	**"Power" New Business**	**"Non Power" Executed**	**"Non Power" New Business**
• Generation Gross Margin at current market prices, including capacity and ancillary revenues, nuclear fuel amortization and fossils fuels expense • Power Purchase Agreement (PPA) Costs and Revenues • Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])	• Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions • Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation	• Retail, Wholesale planned electric sales • Portfolio Management new business • Mid marketing new business	• Retail, Wholesale executed gas sales • Energy Efficiency[4] • BGE Home[4] • Distributed Solar	• Retail, Wholesale planned gas sales • Energy Efficiency[4] • BGE Home[4] • Distributed Solar • Portfolio Management / origination fuels new business • Proprietary trading[3]

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin, and no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

Gross Margin Category ($M)[1]	2016	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[3]	$4,450	$5,200	$5,350	$5,050
Mark-to-Market of Hedges[3,4]	$2,900	$1,250	$500	$300
Power New Business / To Go	$50	$600	$900	$950
Non-Power Margins Executed	$400	$150	$100	$50
Non-Power New Business / To Go	$50	$300	$400	$450
Total Gross Margin[2,6]	**$7,850**	**$7,500**	**$7,250**	**$6,800**

Reference Prices[5]	2016	2017	2018	2019
Henry Hub Natural Gas ($/MMbtu)	$2.46	$3.09	$2.91	$2.81
Midwest: NiHub ATC prices ($/MWh)	$25.87	$28.49	$27.78	$27.66
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.84	$32.84	$31.08	$30.44
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$1.54	$3.13	$3.28	$3.57
New York: NY Zone A ($/MWh)	$26.51	$32.28	$31.43	$31.23
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.52	$7.10	$7.29	$7.81

(1) Gross margin categories rounded to nearest $50M
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 26 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.
(3) Excludes EDF's equity ownership share of the CENG Joint Venture
(4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(5) Based on September 30, 2016 market conditions
(6) Excludes Clinton and Quad Cities starting in June 2017 and June 2018 respectively. Does not include the impact of the CES program or FitzPatrick acquisition in NY.

SI-SSA-0015-02381

ExGen Disclosures

Generation and Hedges	2016	2017	2018	2019
Exp. Gen (GWh)[1]	**191,800**	**196,600**	**188,700**	**186,200**
Midwest[6]	98,000	90,800	81,000	77,500
Mid-Atlantic[2]	61,300	60,400	60,200	60,000
ERCOT	12,100	24,200	29,700	30,100
New York[2]	9,500	9,200	9,000	9,400
New England	10,900	12,000	8,800	9,200
% of Expected Generation Hedged[3]	**98%-101%**	**85%-88%**	**54%-57%**	**23%-26%**
Midwest[6]	97%-100%	79%-82%	48%-51%	18%-21%
Mid-Atlantic[2]	99%-102%	91%-94%	59%-62%	27%-30%
ERCOT	99%-102%	84%-87%	54%-57%	28%-31%
New York[2]	96%-99%	93%-96%	68%-71%	23%-26%
New England	100%-103%	90%-93%	49%-52%	22%-25%
Effective Realized Energy Price ($/MWh)[4]				
Midwest[6]	$35.50	$32.50	$30.50	$30.50
Mid-Atlantic[2]	$48.00	$43.50	$39.50	$42.00
ERCOT[5]	$18.50	$7.50	$4.50	$3.00
New York[2]	$59.50	$48.50	$39.00	$35.00
New England[5]	$28.50	$15.50	$8.50	$8.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 12 refueling outages in 2016, 14 in 2017, 12 in 2018, and 10 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.6%, 93.6%, 93.5% and 94.6% in 2016, 2017, 2018 and 2019 respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2017, 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture and acquisition of FitzPatrick

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs and RPM capacity revenue, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Excludes Clinton and Quad Cities starting in June 2017 and June 2018, respectively. Does not include the impact of the ZEC program.

SI-SSA-0015-02382

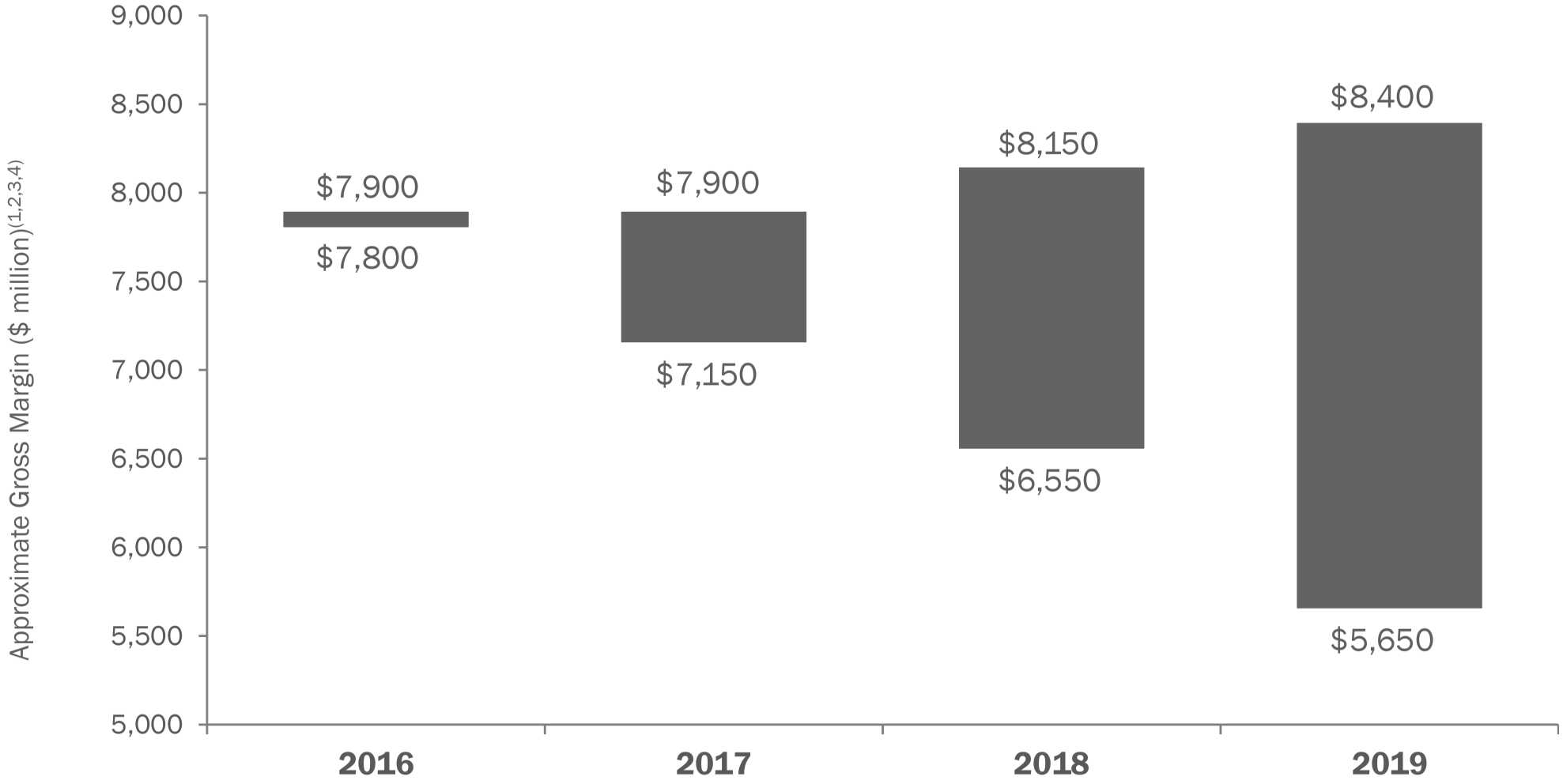
ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (With Existing Hedges)[1]	2016	2017	2018	2019
Henry Hub Natural Gas ($/Mmbtu)				
+ $1/Mmbtu	$(10)	$75	$275	$400
- $1/Mmbtu	$40	$(55)	$(260)	$(365)
NiHub ATC Energy Price				
+ $5/MWh	$5	$100	$220	$300
- $5/MWh	$(5)	$(100)	$(220)	$(295)
PJM-W ATC Energy Price				
+ $5/MWh	$(5)	$30	$120	$220
- $5/MWh	$5	$(15)	$(125)	$(215)
NYPP Zone A ATC Energy Price				
+ $5/MWh	-	-	$15	$35
- $5/MWh	-	-	$(15)	$(35)
Nuclear Capacity Factor				
+/- 1%	+/- $10	+/- $35	+/- $30	+/- $30

(1) Based on September 30, 2016 market conditions and hedged position; Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; Power price sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; Due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; Sensitivities based on commodity exposure which includes open generation and all committed transactions; Excludes EDF's equity share of CENG Joint Venture. Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 26 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

SI-SSA-0015-02383

ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; Approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; These ranges of approximate gross margin in 2017 and 2018 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; The price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2016

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Excludes EDF's equity ownership share of the CENG Joint Venture. Refer to slide 26 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

(4) Excludes Clinton, Quad Cities, and Oyster Creek starting in June 2017, June 2018 and December 2019, respectively. Does not include the impact of the CES program or FitzPatrick acquisition in NY.

SI-SSA-0015-02384

Illustrative Example of Modeling Exelon Generation 2017 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $5.2 billion →					
(B)	Expected Generation (TWh)	90.8	60.4	24.2	9.2	12.0	
(C)	Hedge % (assuming mid-point of range)	80.5%	92.5%	85.5%	94.5%	91.5%	
(D=B*C)	Hedged Volume (TWh)	73.1	55.9	20.7	8.7	11.0	
(E)	Effective Realized Energy Price ($/MWh)	$32.50	$43.50	$7.50	$48.50	$15.50	
(F)	Reference Price ($/MWh)	$28.49	$32.84	$3.13	$32.28	$7.10	
(G=E-F)	Difference ($/MWh)	$4.01	$10.66	$4.37	$16.22	$8.40	
(H=D*G)	Mark-to-market value of hedges ($ million)[1]	$295	$595	$90	$140	$90	
(I=A+H)	Hedged Gross Margin ($ million)	$6,450					
(J)	Power New Business / To Go ($ million)	$600					
(K)	Non-Power Margins Executed ($ million)	$150					
(L)	Non-Power New Business / To Go ($ million)	$300					
(N=I+J+K+L)	Total Gross Margin[2,3]	$7,500 million					

(1) Mark-to-market rounded to the nearest $5 million
(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation businesses. Refer to slide 26 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.
(3) Excludes Clinton starting in June 2017. Does not include the impact of the CES program or FitzPatrick acquisition in NY.

SI-SSA-0015-02385

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2016	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense[2][3]	**$8,625**	**$8,200**	**$7,975**	**$7,525**
Other Revenues[4]	$(300)	$(300)	$(300)	$(300)
Direct cost of sales incurred to generate revenues for certain Constellation businesses[5]	$(475)	$(400)	$(425)	$(425)
Total Gross Margin (Non-GAAP)	**$7,850**	**$7,500**	**$7,250**	**$6,800**

Key ExGen Modeling Inputs (in $M)[1][6]	2016
Other Revenues (excluding Gross Receipts Tax)[4]	$175
Adjusted O&M[7]	$(4,550)
Taxes Other Than Income (TOTI)[8]	$(350)
Depreciation & Amortization[9]	$(1,025)
Interest Expense	$(350)
Effective Tax Rate	**34.0%**

(1) All amounts rounded to the nearest $25M
(2) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense. ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the mark-to-market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other revenues reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues
(5) Reflects the cost of sales and depreciation expense of certain Constellation businesses of Generation
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) ExGen adjusted O&M excludes direct cost of sales for certain Constellation business, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities. Refer to slide 42 for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M.
(8) TOTI excludes gross receipts tax of $100M
(9) Depreciation & Amortization excludes the cost of sales impact of ExGen's non-power businesses of $25M

SI-SSA-0015-02386

Additional Disclosures

SI-SSA-0015-02387

ComEd April 2016 Distribution Formula Rate

The 2016 distribution formula rate filing established the net revenue requirement used to set the rates that will take effect in January 2017 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2015 costs and 2016 projected plant additions.
- Annual Reconciliation: For 2015, this amount reconciles the revenue requirement reflected in rates in effect during 2015 to the actual costs for that year. The annual reconciliation impacts cash flow in 2017 but the earnings impact has been recorded in 2015 as a regulatory asset.

Docket #	**16-0259**
Filing Year	**2015 Calendar Year Actual Costs and 2016 Projected Net Plant Additions** are used to set the rates for calendar year 2017. Rates currently in effect (docket 15-0287) for calendar year 2016 were based on 2014 actual costs and 2015 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2015 to 2015 Actual Costs Incurred.** Revenue requirement for 2015 is based on docket 14-0312 (2013 actual costs and 2014 projected net plant additions) approved in December 2014.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.64%** for the filing year (2015 30-yr Treasury Yield of 2.84% + 580 basis point risk premium) and **8.59%** for the reconciliation year (2015 30-yr Treasury Yield of 2.79% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2016 and 2017, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~7%** for both the filing and reconciliation years
Rate Base[1]	**$8,831 million–** Filing year (represents projected year-end rate base using 2015 actual plus 2016 projected capital additions). 2016 and 2017 earnings will reflect 2016 and 2017 year-end rate base respectively. $7,781 million - Reconciliation year (represents year-end rate base for 2015)
Revenue Requirement Increase[1]	**$132M increase** ($4M decrease due to the 2015 reconciliation and collar adjustment offset by a $136M increase related to the filing year). The 2015 reconciliation impact on net income was recorded in 2015 as a regulatory asset.
Timeline	• 04/13/16 Filing Date • 240 Day Proceeding

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

[1] Amounts represent ComEd's position filed in surrebuttal testimony on August 19, 2016

Note: Disallowance of any items in the 2016 distribution formula rate filing could impact 2016 earnings in the form of a regulatory asset adjustment

SI-SSA-0015-02388

Exelon

Pepco MD Electric Distribution Rate Case

Case No.	9418
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.6%
Requested Rate of Return	ROE: 10.60%; ROR: 8.01%
Proposed Rate Base (Adjusted)	$1.7B
Requested Revenue Requirement Increase (Updated on September 8, 2016)	$102.8M(1)
Residential Total Bill % Increase	8.71%
Notes	• 4/19/16 Pepco MD filed application with the MDPSC seeking increase in electric distribution base rates • Size of ask is driven by 2 years of capital investment, recovery of AMI investments and new depreciation rates • 12 month forward looking reliability and other plant additions from January 2016 through December 2016 ($17.9M of Revenue Requirement based on a 10.60% ROE) included in revenue requirement request • Extension of the Grid Resiliency Program to fund accelerated investments in grid resiliency, incremental to the capital plan (not included in revenue requirement request) • Capital $31.6 million (Feeder Work $24.0 million and Reclosing Devices $7.6 million) in 2017-2018 Procedural Schedule: • Evidentiary Hearings Completed (9/13/16 – 9/23/16) • Final Reply Briefs: 10/26/16 • Commission Order Expected: 11/15/16 • New rates are in effect shortly after the final order

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02389

DPL DE (Electric) Distribution Rate Case

Docket #	16-0649
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.4%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$846M
Requested Revenue Requirement Increase	$62.8M(1)(2)
Residential Total Bill % Increase	7.25%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in electric distribution base rates • 18 month forward looking reliability and other plant additions from January 2016 through June 2017 ($8.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • Includes the Pay as You Go Program, a proposed pilot program that would be cooperatively designed to use the capability of the AMI meters to offer a voluntary pre-paid metering option for customers Procedural Schedule: • Evidentiary Hearings: 3/7/17 – 3/9/17 • Commission Order Expected: Q3 2017

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016, subject to refund

(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02390

DPL DE (Gas) Distribution Rate Case

Docket #	16-0650
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.4%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$362M
Requested Revenue Requirement Increase	$21.5M(1)(2)
Residential Total Bill % Increase	10.40%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in gas distribution base rates • 18 month forward looking reliability and other plant additions from January 2016 through June 2017 ($3.4M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request Procedural Schedule: • Evidentiary Hearings: 4/5/17 – 4/7/17 • Commission Order Expected: Q3 2017

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016 and will implement full allowable rates on December 17, 2016, subject to refund

(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02391

Pepco DC Distribution Rate Case

Formal Case No.	1139
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%
Proposed Rate Base (Adjusted)	$1.7B
Requested Revenue Requirement Increase (Updated on October 14, 2016)	$82.1M(1)
Residential Total Bill % Increase	5.15%(2)
Notes	• 6/30/16 Pepco DC filed application with the DCPSC seeking increase in electric distribution base rates • Size of ask is driven by 3 years of capital investments • 18 month forward looking reliability and other plant additions from April 2016 through September 2017 ($26.7M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request • The Merger Order provides for a Customer Base Rate Credit (CBRC) in the amount of $25.6M, which can be used to offset rate increases approved by the DCPSC; the parties will be provided an opportunity to propose how the CRBC and Incremental Offset be allocated and over what period of time • The DCPSC will ultimately decide how to allocate the CBRC Procedural Schedule: • Evidentiary Hearings: 3/15/17 – 3/21/17 • Final Briefs: 4/24/17 • Commission Order Expected: 7/25/17

(1) Revenue requirement includes changes in amortization expense, which has no impact on pre-tax earnings

(2) As proposed by the Company, the full allocation of the CBRC to Residential and MMA customers, along with the proposal for a $1M Incremental Offset for residential customers, will ensure that residential customers do not receive an increase on the distribution portion of their bill until approximately January 2019 (February 2019 for MMA customers). Upon expiration of the CBRC and Incremental Offset proposed by the Company, this rate increase would translate to a 5.25% total bill increase for a residential customer.

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SI-SSA-0015-02392

DPL MD Distribution Rate Case

Case No.	9424
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.1%
Requested Rate of Return	ROE: 10.60%; ROR: 7.24%
Proposed Rate Base	$727M
Requested Revenue Requirement Increase (Updated on October 18, 2016)	$57.0M (1)
Residential Total Bill % Increase	12.5%
Notes	• 7/20/16 DPL MD filed application with the MDPSC seeking increase in electric distribution base rates • Size of ask is driven by 3 years of capital investment, recovery of AMI investments and new depreciation rates • Extension of the Grid Resiliency Program to fund accelerated investments in grid resiliency, incremental to the capital plan (not included in revenue requirement request) Capital $9.2 million (Feeder Work $4.2 million and Reclosing Devices $5.0 million) in 2017-2018 • 10 month forward looking reliability and other plant additions from April 2016 through January 2017 ($5.0M of Revenue Requirement based on 10.60% ROE) included in revenue requirement request Procedural Schedule: • Evidentiary Hearings: 11/2/16 – 11/10/16 • Final Briefs: 12/14/16 • Commission Order Expected: 2/17/17 • New rates are in effect shortly after the final order

(1) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

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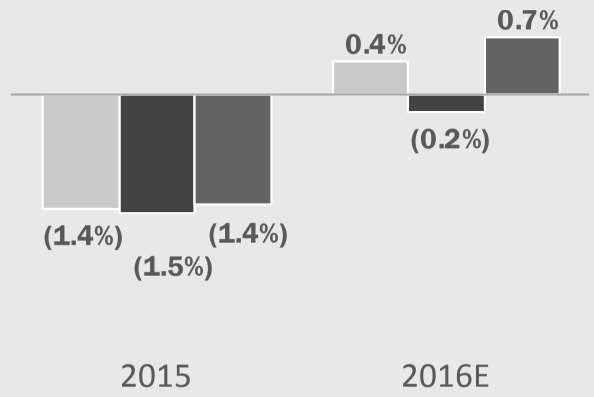
SI-SSA-0015-02393

Exelon Utilities Load

All Customers | Residential | Commercial & Industrial

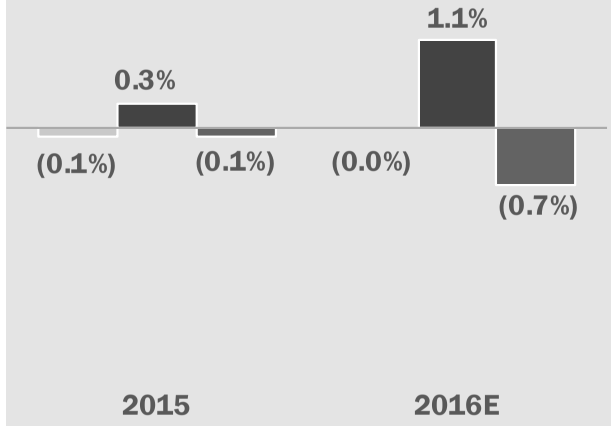
ComEd



Chicago GMP	1.3%
Chicago Unemployment	5.3%

2016 load is driven by slowly improving economy offset by impacts of energy efficiency

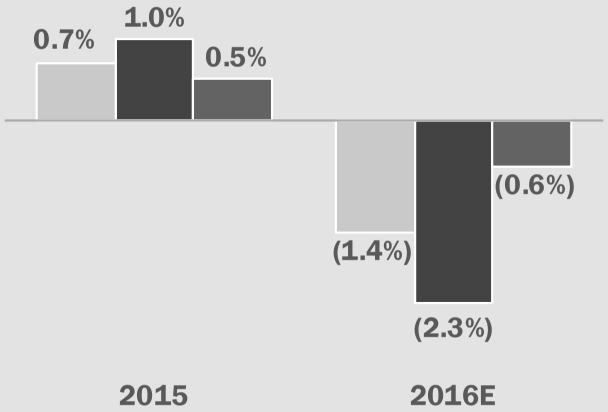
PECO



Philadelphia GMP	2.0%
Philadelphia Unemployment	5.0%

2016 load growth is driven by improving economic conditions coupled with solid Residential customer growth, partially offset by weak Non-Petroleum sector Industrial Sales & EE

BGE



Baltimore GMP	1.5%
Baltimore Unemployment	4.8%

2016 load growth is lower than 2015 driven by the impacts of energy efficiency partially offset by moderate customer growth

Notes: Data is weather normalized and not adjusted for leap year. Source of economic outlook data is IHS and US Department of Labor (September 2016) . Assumes 2016 U.S. GDP of 1.5% and U.S. unemployment of 5.0%. ComEd has the ROE collar as part of the distribution formula rate and BGE is decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. BGE amounts have been adjusted for prior quarter true-ups.

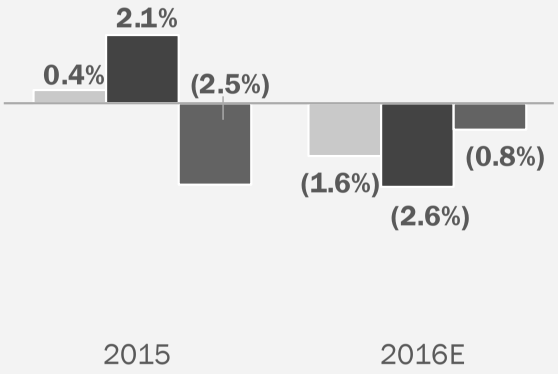
Exelon

SI-SSA-0015-02394

Exelon Utilities Load (cont'd)

All Customers | Residential | Commercial & Industrial

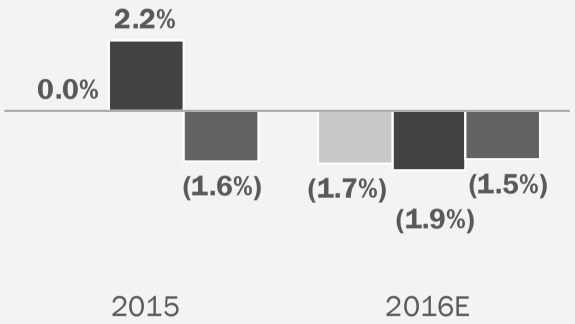
ACE



ACE GMP	0.4%
ACE Unemployment	8.0%

2016 load is driven by the impacts of energy efficiency and distributed generation, partially offset by modest customer growth driven by improvements in economic conditions

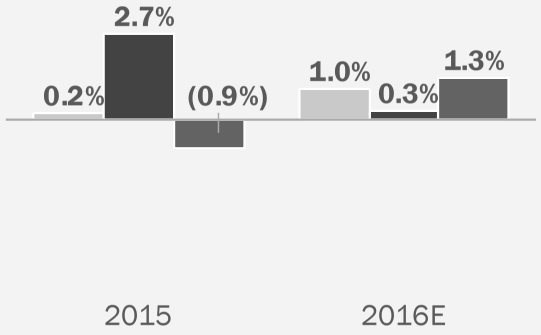
Delmarva



DPL GMP	3.6%
DPL Unemployment	5.0%

2016 load is driven by the impacts of lower usage at significant industrial customers and energy efficiency partially offset by improved employment and customer growth

Pepco



Pepco GMP	1.2%
Pepco Unemployment	4.8%

2016 load is driven by stronger commercial usage and residential customer growth partially offset by the impacts of energy efficiency and distributed generation

~65% of 2016 forecast distribution revenue is decoupled for PHI

Notes: Data is weather normalized using 20-year historical average and not adjusted for leap year. Source of economic outlook data is IHS (September 2016). Assumes 2016 GDP of 1.5% and U.S. unemployment rate of 5.0%. Pepco and DPL MD are decoupled which mitigates the load risk. QTD and YTD actual data can be found in earnings release tables. ACE includes Atlantic City, Vineland and Ocean City MSAs (Metropolitan Statistical Area). DPL MSA includes Wilmington Division, Dover MSA and Salisbury MSA. Pepco MSA includes the city of Washington DC and Silver Spring/Frederick Division. Pepco reclassified certain customer classes in DC from C&I to Residential in 2015. Including the impacts of the re-class, 2015 Residential load growth would have been 6.7% and C&I load growth would have been (2.7%).

Exelon.

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Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02396

Exelon.

3Q QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2015	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2015 GAAP Earnings (Loss) Per Share	**$0.41**	**$0.17**	**$0.10**	**$0.06**	**$0.00**	**$(0.04)**	**$0.69**
Mark-to-market impact of economic hedging activities	0.09	-	-	-	-	-	0.09
Unrealized losses related to NDT fund investments	0.15	-	-	-	-	-	0.15
Amortization of commodity contract intangibles	-	-	-	-	-	-	-
Merger and integration costs	0.02	-	-	-	-	-	0.02
Asset retirement obligation	(0.01)	-	-	-	-	-	(0.01)
Tax settlements	(0.06)	-	-	-	-	-	(0.06)
CENG non-controlling interest	(0.05)	-	-	-	-	-	(0.05)
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.55**	**$0.17**	**$0.10**	**$0.06**	**$0.00**	**$(0.04)**	**$0.83**

Three Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.25**	**$0.04**	**$0.13**	**$0.06**	**$0.18**	**($0.13)**	**$0.53**
Mark-to-market impact of economic hedging activities	(0.06)	-	-	-	-	-	(0.06)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.01
Merger commitments	-	-	-	-	(0.04)	0.05	0.01
Long-lived asset impairments	0.01	-	-	-	-	-	0.01
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Cost management program	0.01	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG non-controlling interest	0.03	-	-	-	-	-	0.03
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.41**	**$0.20**	**$0.13**	**$0.06**	**$0.14**	**$(0.03)**	**$0.91**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

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3Q YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2015	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2015 GAAP Earnings (Loss) Per Share	**$1.38**	**$0.38**	**$0.34**	**$0.23**	-	**$(0.11)**	**$2.22**
Mark-to-market impact of economic hedging activities	(0.18)	-	-	-	-	-	(0.18)
Unrealized losses related to NDT fund investments	0.19	-	-	-	-	-	0.19
Amortization of commodity contract intangibles	(0.01)	-	-	-	-	-	(0.01)
Merger and integration costs	0.02	0.01	-	-	-	0.03	0.06
Long-lived asset impairments	-	-	-	-	-	0.02	0.02
Asset retirement obligation	(0.01)	-	-	-	-	-	(0.01)
Tax settlements	(0.06)	-	-	-	-	-	(0.06)
Mark-to-market impact of PHI merger related interest rate swap	-	-	-	-	-	(0.03)	(0.03)
Midwest Generation bankruptcy recoveries	(0.01)	-	-	-	-	-	(0.01)
CENG non-controlling interest	(0.06)	-	-	-	-	-	(0.06)
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.26**	**$0.39**	**$0.34**	**$0.23**	**-**	**$(0.09)**	**$2.13**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Exelon.

3Q YTD GAAP EPS Reconciliation (continued)

Nine Months Ended September 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.58**	**$0.32**	**$0.37**	**$0.20**	**($0.10)**	**($0.37)**	**$1.00**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	-	0.07
Unrealized gains related to NDT fund investments	(0.13)	-	-	-	-	-	(0.13)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.10
Merger commitments	-	-	-	-	0.26	0.17	0.43
Long-lived asset impairments	0.11	-	-	-	-	-	0.11
Plant retirements and divestitures	0.37	-	-	-	-	-	0.37
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.03
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
CENG non-controlling interest	0.04	-	-	-	-	-	0.04
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.10**	**$0.48**	**$0.37**	**$0.20**	**$0.20**	**($0.11)**	**$2.24**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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GAAP to Operating Adjustments

- **Exelon's Q3 2016 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014 and ConEdison Solutions in 2016
  - Certain costs incurred associated with PHI and FitzPatrick acquisitions
  - Adjustments to merger commitments costs related to settlement of PHI acquisition
  - Impairments of upstream assets
  - Plant retirements and divestitures at Generation
  - Costs incurred related to cost management program
  - Like-kind exchange tax position at Exelon and ComEd
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

2016 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,875	$775	$700	$800	$4,100	($875)	$7,375
Other cash from investing activities	-	-	-	($25)	($125)	-	($150)
Intercompany receivable adjustment	($350)	-	-	-	-	$350	-
Counterparty collateral activity	-	-	-	-	($375)		($375)
Adjusted Cash Flow from Operations	**$1,525**	**$775**	**$700**	**$775**	**$3,600**	**($525)**	**$6,850**

2016 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$675	($250)	$175	$25	($350)	$2,250	$2,525
Dividends paid on common stock	$375	$275	$175	$250	$925	($825)	$1,175
Intercompany receivable adjustment	$350	-	-	-	-	($350)	
Purchase of PHI (including cash acquired)	-	-	-	-	-	($6,925)	($6,925)
Financing Cash Flow	**$1,400**	**$25**	**$350**	**$275**	**$575**	**($5,850)**	**($3,225)**

Exelon Total Cash Flow Reconciliation[1]	2016
GAAP Beginning Cash Balance	**$6,800**
Adjustment for Cash Collateral Posted	$1,300
Adjusted Beginning Cash Balance[3]	$8,100
Net Change in Cash (GAAP)[2]	$(6,600)
Adjusted Ending Cash Balance[3]	$1,500
Adjustment for Cash Collateral Posted	($900)
GAAP Ending Cash Balance	**$600**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

Exelon

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2016	2017	2018	2019
GAAP O&M	**$5,775**	**$5,225**	**$5,000**	**$4,975**
Decommissioning[2]	125	200	125	50
Costs associated with early nuclear plant retirements	(150)	-	-	-
Long-lived asset impairment costs	(175)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(450)	(400)	(425)	(425)
O&M for managed plants that are partially owned	(400)	(425)	(425)	(425)
Other	(175)	(25)	(25)	-
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,575**	**$4,250**	**$4,175**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin, a non-GAAP measure

SI-SSA-0015-02402

Earnings Conference Call
3rd Quarter 2018

November 1, 2018

Exelon®

SI-SSA-0015-02403

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Third Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02405

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 39 of this presentation.

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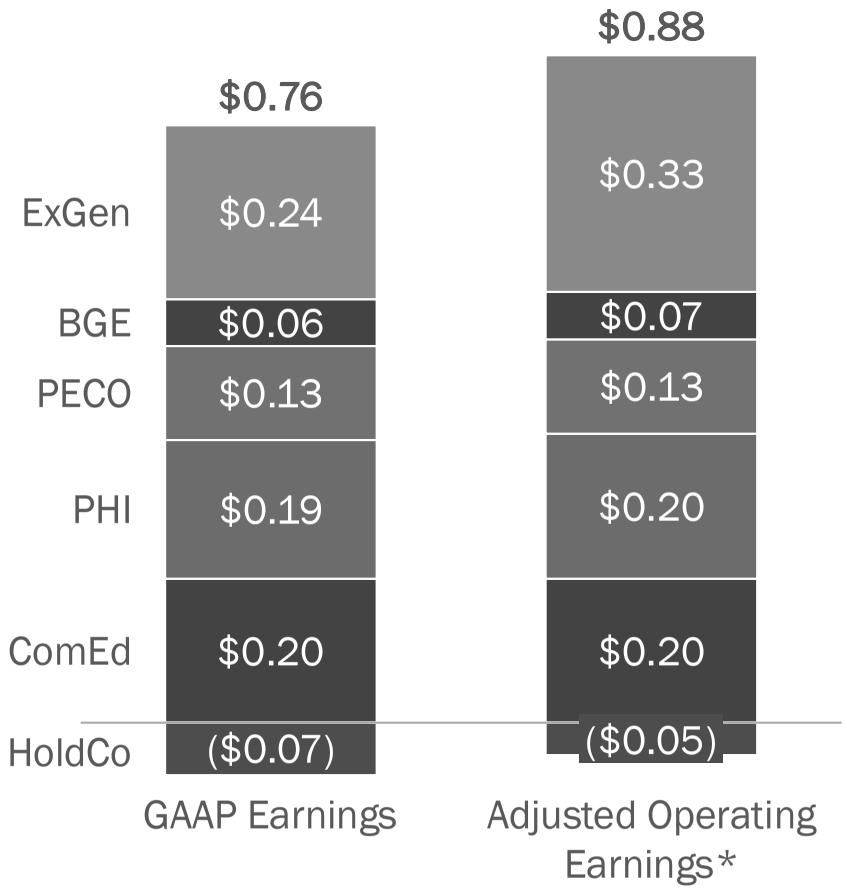
3rd Quarter Results

Q3 2018 EPS Results(1,2)



- GAAP earnings were $0.76/share in Q3 2018 vs. $0.85/share in Q3 2017
- Adjusted operating earnings* were $0.88/share in Q3 2018 vs. $0.85/share in Q3 2017, which is at the upper end of our guidance range of $0.80-$0.90/share

(1) Amounts may not sum due to rounding
(2) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

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Operating Highlights

Exelon Utilities Operational Metrics

Operations	Metric	Q3 2018			
		BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)[1]				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations		

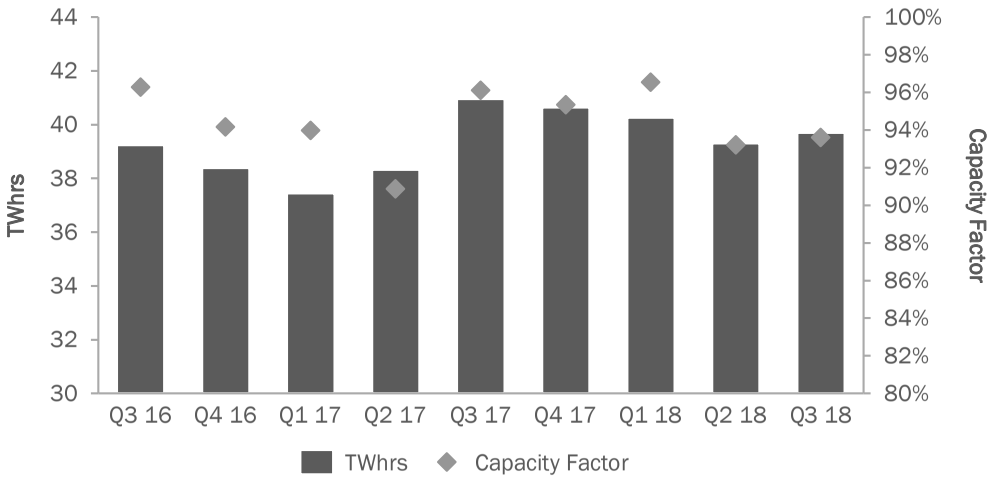
- Reliability performance remains strong in CAIDI and SAIFI across the utilities, while safety performance continues to improve
- Gas odor response remains strong in top decile across the utilities
- Customer operation metrics are strong across all utilities with BGE and ComEd performing in top decile for Customer Satisfaction and PHI in top decile for Service Level

Q1	Q2
Q3	Q4

Exelon Generation Operational Performance

Exelon Nuclear Fleet[2]

- Best in class performance across our Nuclear fleet:
  - Q3 2018 Nuclear Capacity Factor: 93.6%
  - Owned and operated Q3 2018 production of 39.7 TWh[2]



Fossil and Renewable Fleet

- Q3 2018 Renewables energy capture: 95.7%
- Q3 2018 Power dispatch match: 95.8%
- Wolf Hollow II and Colorado Bend unit 7 have returned to service. Colorado Bend unit 8 will return to service in early November.

(1) 2.5 Beta SAIFI is YE projection
(2) Excludes Salem and EDF's equity ownership share of the CENG Joint Venture

Exelon

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Key Updates

Cost Reductions

Committing to $200M in additional cost reductions with a targeted run-rate date of 2021:

- $100M at ExGen
- $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen

Savings due to our focus on improving efficiencies, eliminating redundancies, and leveraging innovation and technologies

More than $900M in announced savings between 2015 – 2021 relative to original plan

ZECS

Seventh and Second Circuit Court of Appeals Uphold ZEC Programs:

- On September 13, the Seventh Circuit Court of Appeals affirmed the dismissal of the Illinois ZEC complaint, upholding the legality of the program
- On September 27, the Second Circuit affirmed dismissal of New York ZEC complaint
- On October 9, the Seventh Circuit denied the petitioners' request for rehearing

New Jersey:

- Board of Public Utilities completed meetings and hearings on implementation of ZEC program
- On September 20, utilities filed tariff changes to recover ZEC related charges
- ZEC applications are due on December 19

Market Reforms

FERC Capacity Market Proceeding:

- On October 2, stakeholders filed comments in response to FERC's request in its June order
- Exelon joined a coalition proposal supported by rate payer advocates, attorneys general, environmental organizations, renewable advocates and other nuclear generators
- Reply comments are due on November 6
- PJM requests FERC action in January 2019 to provide adequate time for the August 2019 PJM capacity auction

Fast Start:

- PJM fast start pricing has been fully briefed; awaiting decision from FERC

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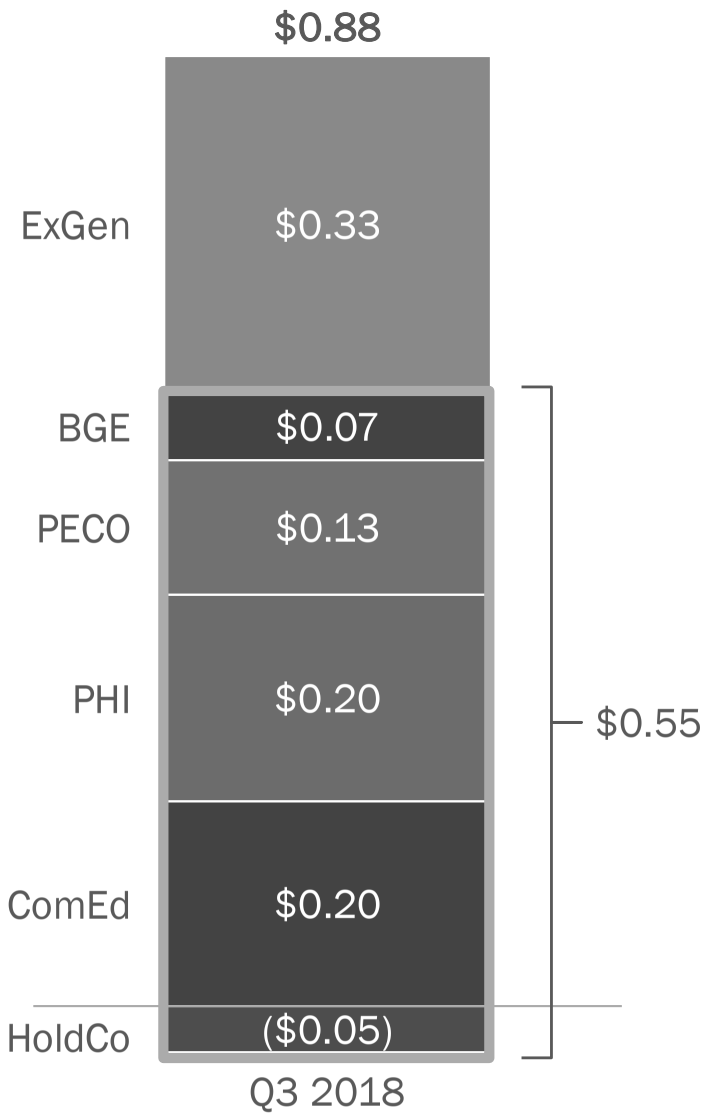
3rd Quarter Adjusted Operating Earnings* Drivers

Q3 2018 Adjusted Operating EPS* Results



Q3 2018 vs. Guidance of $0.80 - $0.90

Exelon Utilities

- ⬆ Favorable weather
- ⬆ Reduced storm activity

Exelon Generation

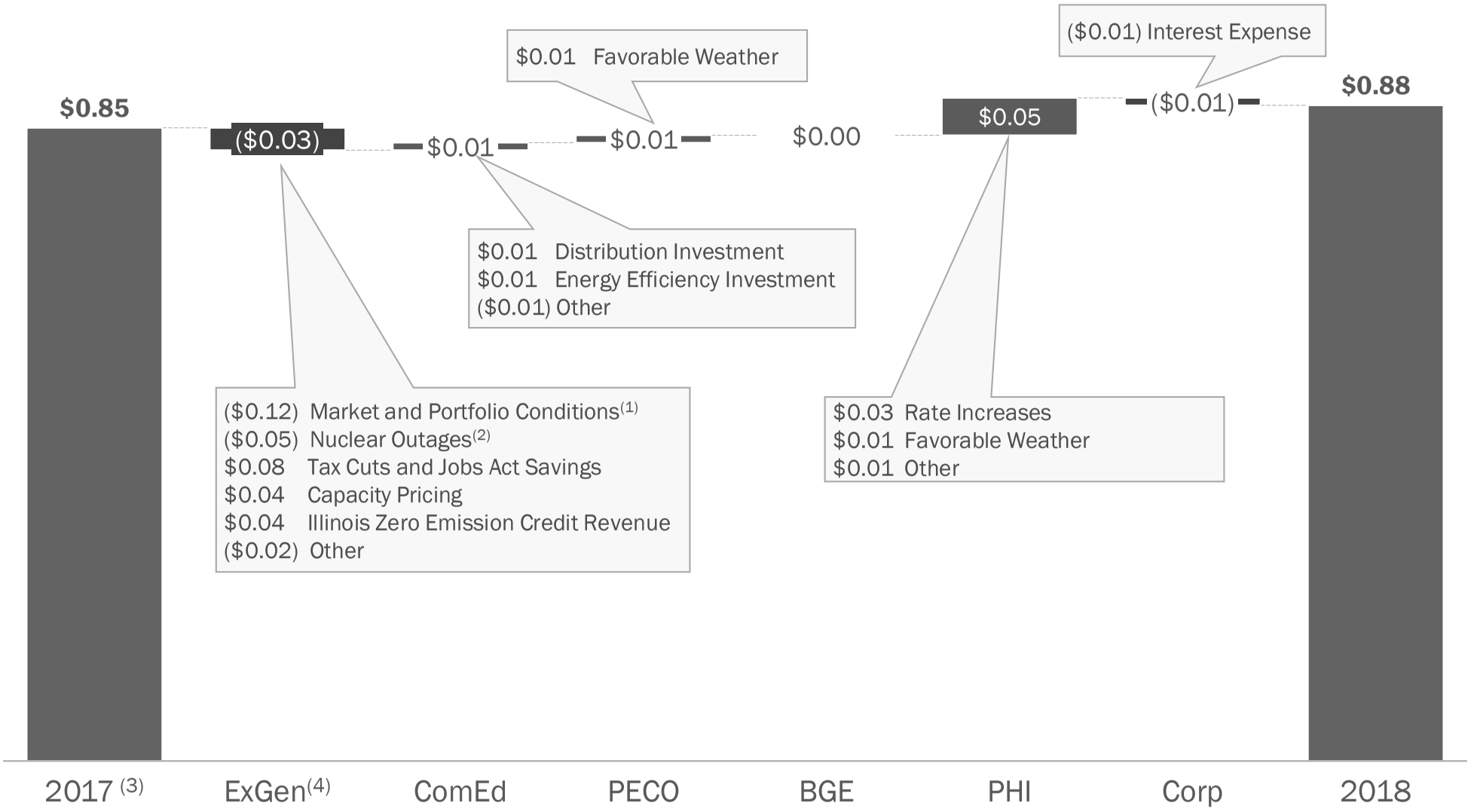
- ⬆ NDT realized gains(1)
- ⬇ Generation performance
- ⬇ Market conditions
- ⬇ Higher transmission costs

Note: Amounts may not sum due to rounding
(1) Gains related to unregulated sites

SI-SSA-0015-02410

Exelon

QTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Primarily the absence of EGTP revenues net of purchased power and fuel expense resulting from its deconsolidation in the fourth quarter of 2017 and lower realized energy prices

(2) Decrease in volume due to an increase in outage days in 2018; additionally operating and maintenance expense increased due to an increase in outage days in 2018, excluding Salem

(3) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(4) Drivers reflect CENG ownership at 100%

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Raising Lower End of 2018 Guidance Range

Note: Amounts may not sum due to rounding

(1) 2018 Adjusted Operating Earnings* guidance based on expected average outstanding shares of 969M

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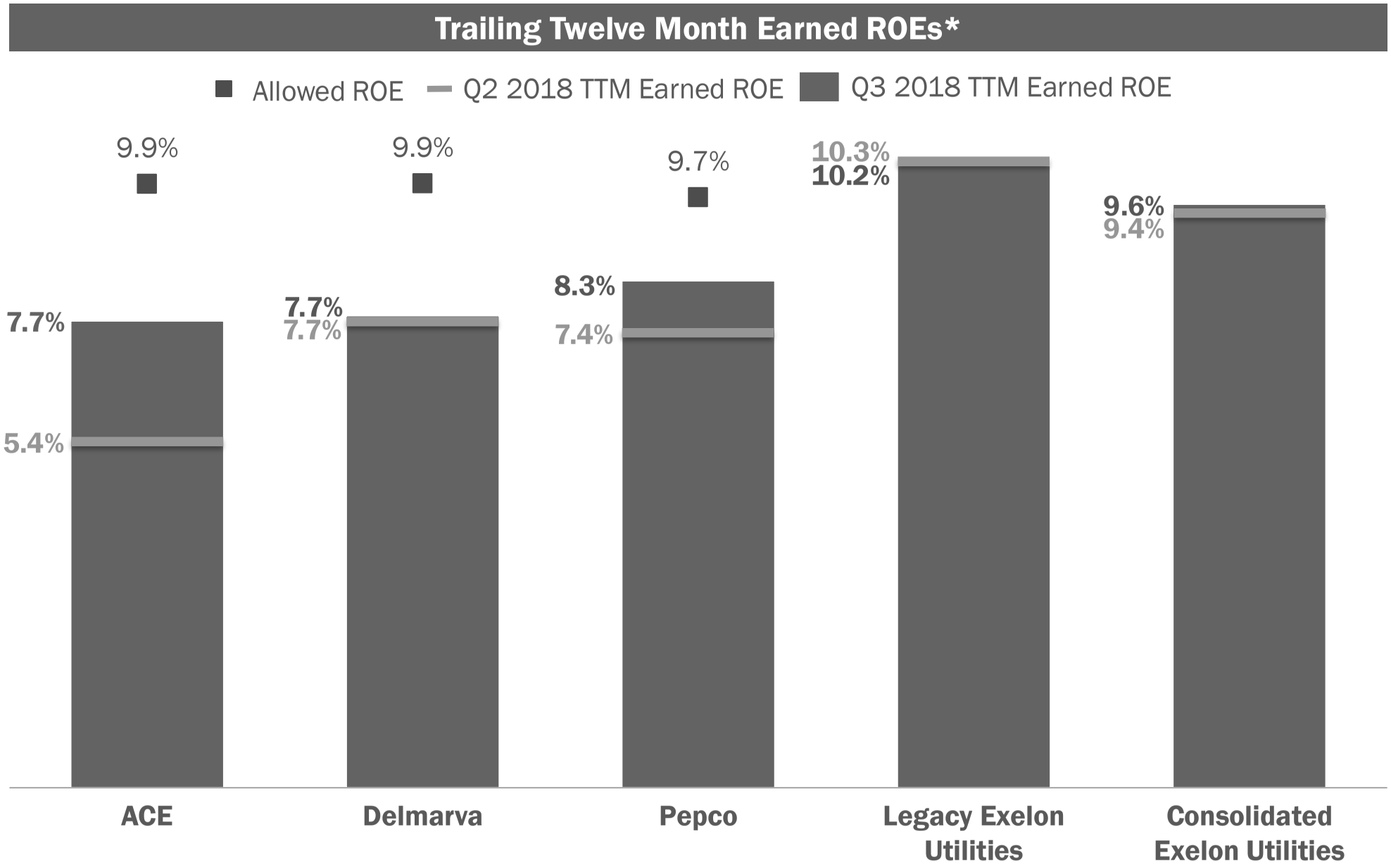
Trailing Twelve Month Earned ROEs* vs Allowed ROE



Note: Represents the twelve-month periods ending June 30, 2018 and September 30, 2018, respectively. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution and Electric Transmission).

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Exelon Utilities' Distribution Rate Case Updates

Rate Case Schedule and Key Terms

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Revenue Requirement	Requested ROE / Equity Ratio	Expected Order
ComEd	RT	EH	IB RB			FO							($24.1M)[1,8]	8.69% / 47.11%	Dec 2018
Delmarva Electric (DE)		FO											($6.9M)[1,3]	9.70% / 50.52%	August 21, 2018
Delmarva Gas (DE)	RT		EH SA			FO							($3.5M)[1,4]	9.70% / 50.52%	Q4 2018
Pepco Electric (DC)		FO											($24.1M)[1,10]	9.525% / 50.44%	August 9, 2018
PECO Electric	RT	EH SA	IB RB			FO							$25M[1,5,9]	N/A	Dec 2018
BGE[2] Gas			IT	RT	EH IB	RB	FO						$82.4M[6]	10.5% / 52.85%[6]	Jan 2019
ACE[7]		CF			IT	RT		EH	IB RB				$109.3M[1]	10.10% / 50.22%	Q3 2019

CF	Rate case filed	RT	Rebuttal testimony	IB	Initial briefs	FO	Final commission order
IT	Intervenor direct testimony	EH	Evidentiary hearings	RB	Reply briefs	SA	Settlement agreement

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, Delaware Public Service Commission, Public Service Commission of the District of Columbia, New Jersey Board of Public Utilities, and Pennsylvania Public Utility Commission and are subject to change

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) BGE briefing schedule will be determined during or at the end of the evidentiary hearing
(3) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(4) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(5) On October 18, 2018, the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2018.
(6) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(7) Procedural schedule as proposed by the Company. ACE plans to put interim rates in effect nine months after the filing date, subject to refund, as allowed by the regulations.
(8) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.
(9) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit
(10) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

SI-SSA-0015-02414

Utility CapEx Update

ComEd Completes AMI Smart Meter Installations

- **Forecasted project capital cost:**
  - $920M; more than $20M under budget
  - AMI installations are part of the broader $2.6B Energy Infrastructure Modernization Act program
- **In service date:**
  - Over 4M meters have been exchanged as of September 2018, which is 3 years ahead of the original schedule
- **Project scope:**
  - Replaces existing legacy electric meters with digital smart meters and a wireless communications network
  - AMI improves grid reliability and enables operational efficiencies, while also empowering customers to take greater control of their energy consumption using online management tools and programs that offer efficiency and savings opportunities
  - Customers enrolled in the Peak Time Savings and Hourly Pricing programs have saved more than $5.6M and $19.5M, respectively

ACE's Churchtown Substation Expansion Project

- **Forecasted project cost:**
  - $50M
- **In service date:**
  - Improvements completed in April 2018; retirement of Deepwater Substation completed in October 2018
- **Project scope:**
  - Includes equipment upgrades for reliability and 230, 138 and 69 kV expansion for additional transmission capacity
  - Expansion improves reliability for our customers by replacing and upgrading obsolete equipment and by expanding regional transmission capacity

SI-SSA-0015-02415

Exelon Generation: Gross Margin Update

	September 30, 2018			Change from June 30, 2018		
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,800	$4,300	$3,900	$100	$250	$100
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900	-	-	-
Mark-to-Market of Hedges[2,3]	$350	$250	$250	$(50)	$(150)	$(50)
Power New Business / To Go	$100	$550	$800	$(50)	$(50)	-
Non-Power Margins Executed	$400	$200	$150	$50	$50	$50
Non-Power New Business / To Go	$100	$300	$350	$(50)	$(50)	$(50)
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**	**-**	**$50**	**$50**

Recent Developments

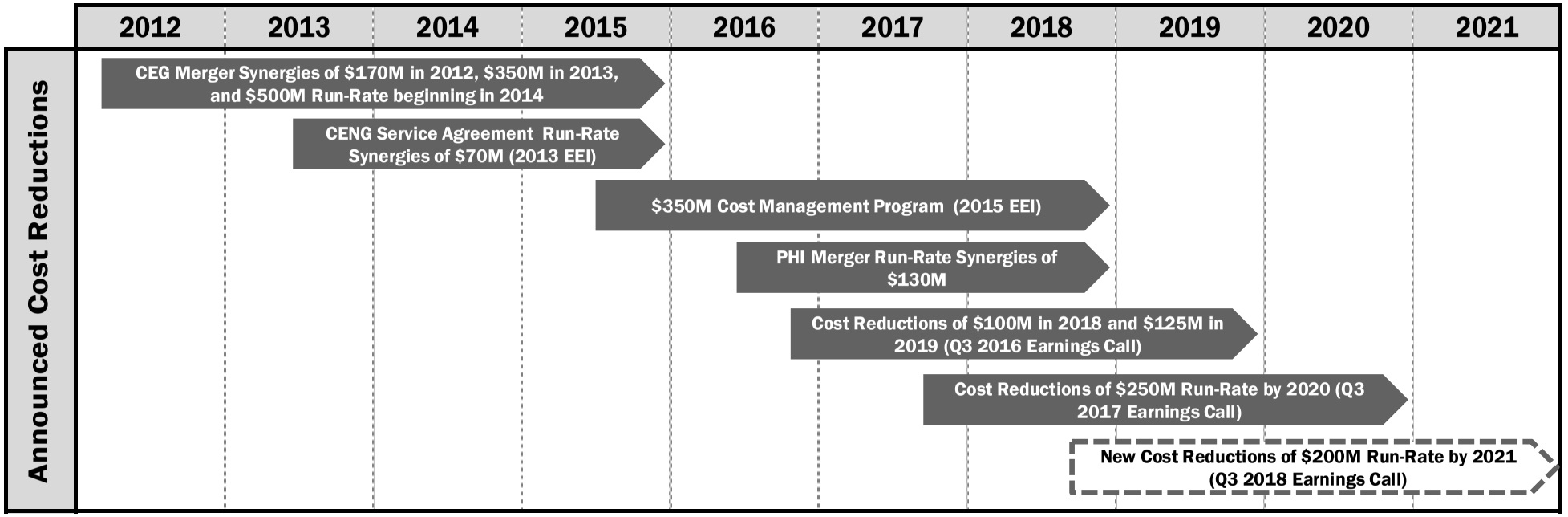
- Open Gross Margin ("OGM") is up in 2018 due to higher NiHub, West Hub, and NY Zone A prices, partly offset by weaker ERCOT spark spreads
- 2019 and 2020 OGM is up due to stronger ERCOT spark spreads and higher West Hub prices; 2019 OGM is also up on higher NiHub and New York Zone A prices
- Mark-to-Market of Hedges is down in all years on higher prices, offset by the execution of Power New Business in 2018/2019
- Executed $50M of Non-Power New Business in all years
- Behind ratable hedging position reflects the upside we see in power prices
  - ~9-12% behind ratable in 2019 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

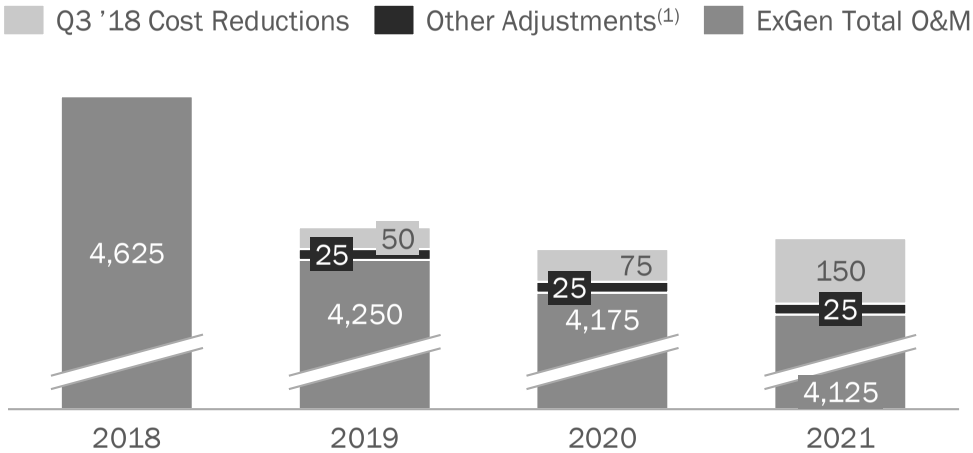
SI-SSA-0015-02416

Cost Management is Integral to Our Business Strategy

ExGen and BSC Cost Reductions Since Constellation Merger



ExGen Forecast O&M* Q3 2018 ($M)



(1) Primarily pension updates due to higher interest rates

Key Commentary

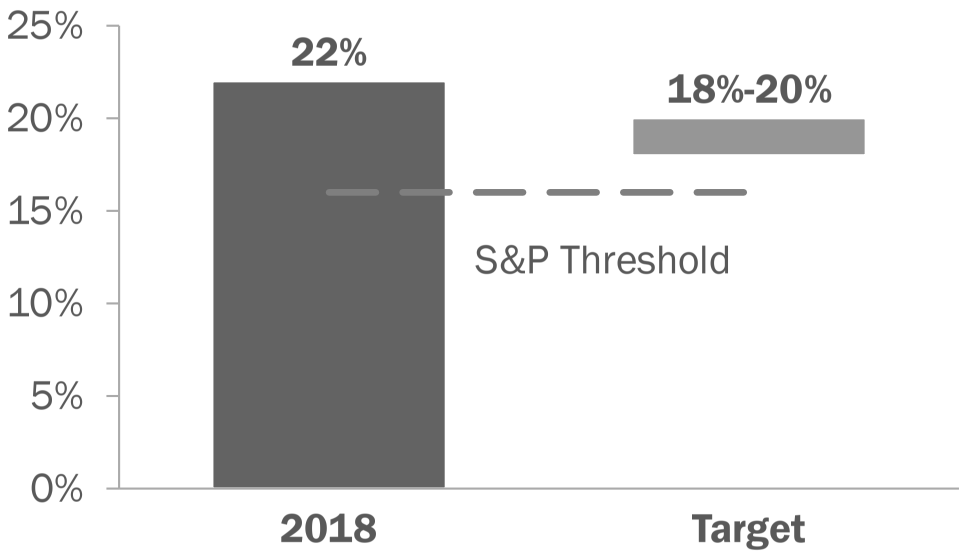
- Committing to $200M in additional cost reductions
  - $100M at ExGen
  - $100M at Business Services Company – approximately 50% of savings will be allocated to ExGen
- **Since 2015, Exelon has announced more than $900M of cost reductions**

Exelon.

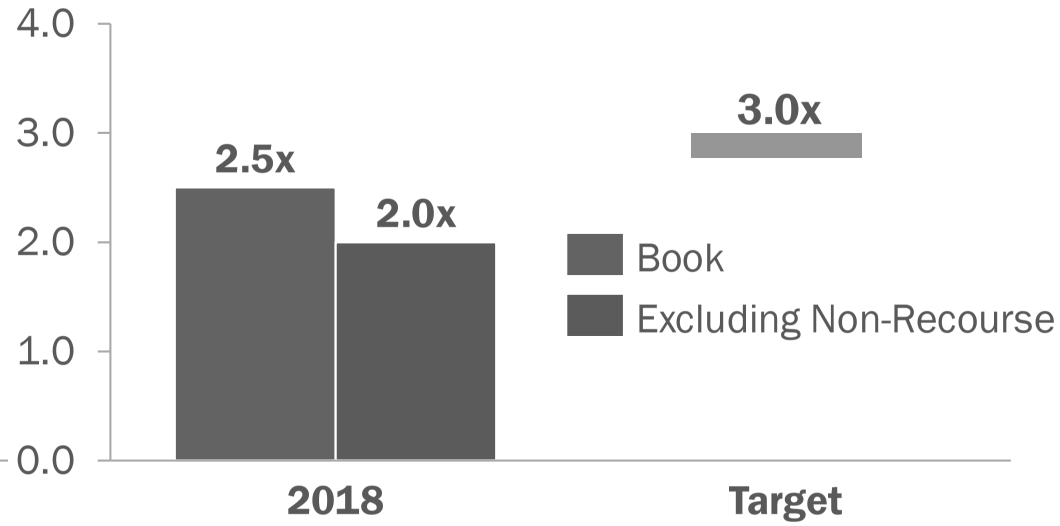
SI-SSA-0015-02417

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3[3]	A2	A2
S&P	BBB-[3]	BBB[3]	A-[3]	A-[3]	A-[3]	A[3]	A[3]	A[3]
Fitch	BBB[3]	BBB	A	A[3]	A-[3]	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of November 1, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Exelon Corp and all subsidiaries are on "Positive" outlook at S&P; Exelon Corp, PECO, and and BGE are on "Positive" outlook at Fitch; ACE is on "Positive" outlook at Moody's; all other ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

SI-SSA-0015-02418

Exelon

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[(1)],
  - Debt reduction; and,
  - Modest contracted generation investments

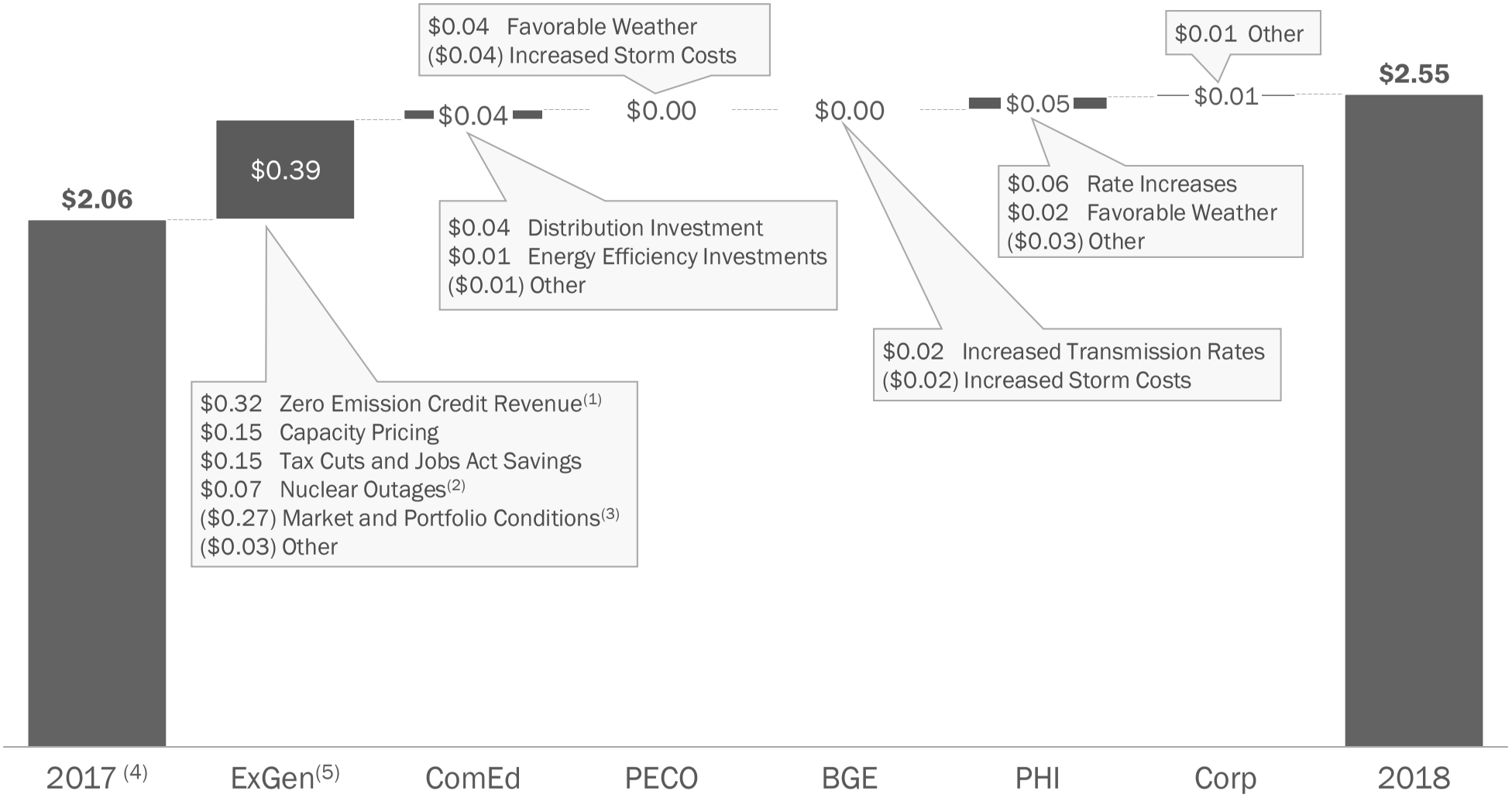
(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02419

Additional Disclosures

SI-SSA-0015-02420

YTD Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Reflects the impacts of the New York Clean Energy and Illinois Zero Emission Standards, including the impact of zero emission credits generated in Illinois from June 1, 2017 through December 31, 2017

(2) Increase in volume due to a decrease in outage days in 2018; additionally operating and maintenance expense decreased due to a decrease in outage days in 2018, excluding Salem

(3) Primarily lower realized energy prices and the absence of EGTP revenues net of purchased power and fuel expense resulting from its deconsolidation in the fourth quarter of 2017

(4) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recast to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

(5) Drivers reflect CENG ownership at 100%

Exelon.

SI-SSA-0015-02421

2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,450**
Adjusted Cash Flow from Operations*[2]	750	1,650	650	1,100	4,175	3,800	175	8,150	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(1,975)	(50)	(2,025)	
Free Cash Flow*	**750**	**1,650**	**650**	**1,100**	**4,175**	**1,825**	**125**	**6,125**	
Debt Issuances	300	1,350	700	750	3,100	0	0	3,100	
Debt Retirements	0	(850)	(500)	(275)	(1,625)	0	0	(1,625)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	500	50	350	1,000	0	(1,000)	0	
Other Financing[4]	50	0	50	(125)	(25)	50	(50)	(25)	
Financing*[5]	**475**	**1,000**	**300**	**700**	**2,475**	**(50)**	**(1,050)**	**1,375**	
Total Free Cash Flow and Financing	**1,225**	**2,650**	**950**	**1,800**	**6,625**	**1,775**	**(925)**	**7,475**	
Utility Investment	(1,000)	(2,125)	(850)	(1,500)	(5,475)	0	0	(5,475)	
ExGen Growth[3,6]	0	0	0	0	0	(350)	0	(350)	
Acquisitions and Divestitures	0	0	0	0	0	(25)	0	(25)	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(850)**	**(1,500)**	**(5,475)**	**(400)**	**(1,325)**	**(7,225)**	
Total Cash Flow	**225**	**525**	**100**	**275**	**1,150**	**1,375**	**(2,250)**	**275**	
Ending Cash Balance*[2]									**1,725**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes commercial paper, expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow*, including $1.8B at ExGen and $4.2B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.5B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

Creating value for customers, communities and shareholders

- ✓ Investing $5.9B of growth capex, with $5.5B at the Utilities and $0.4B at ExGen

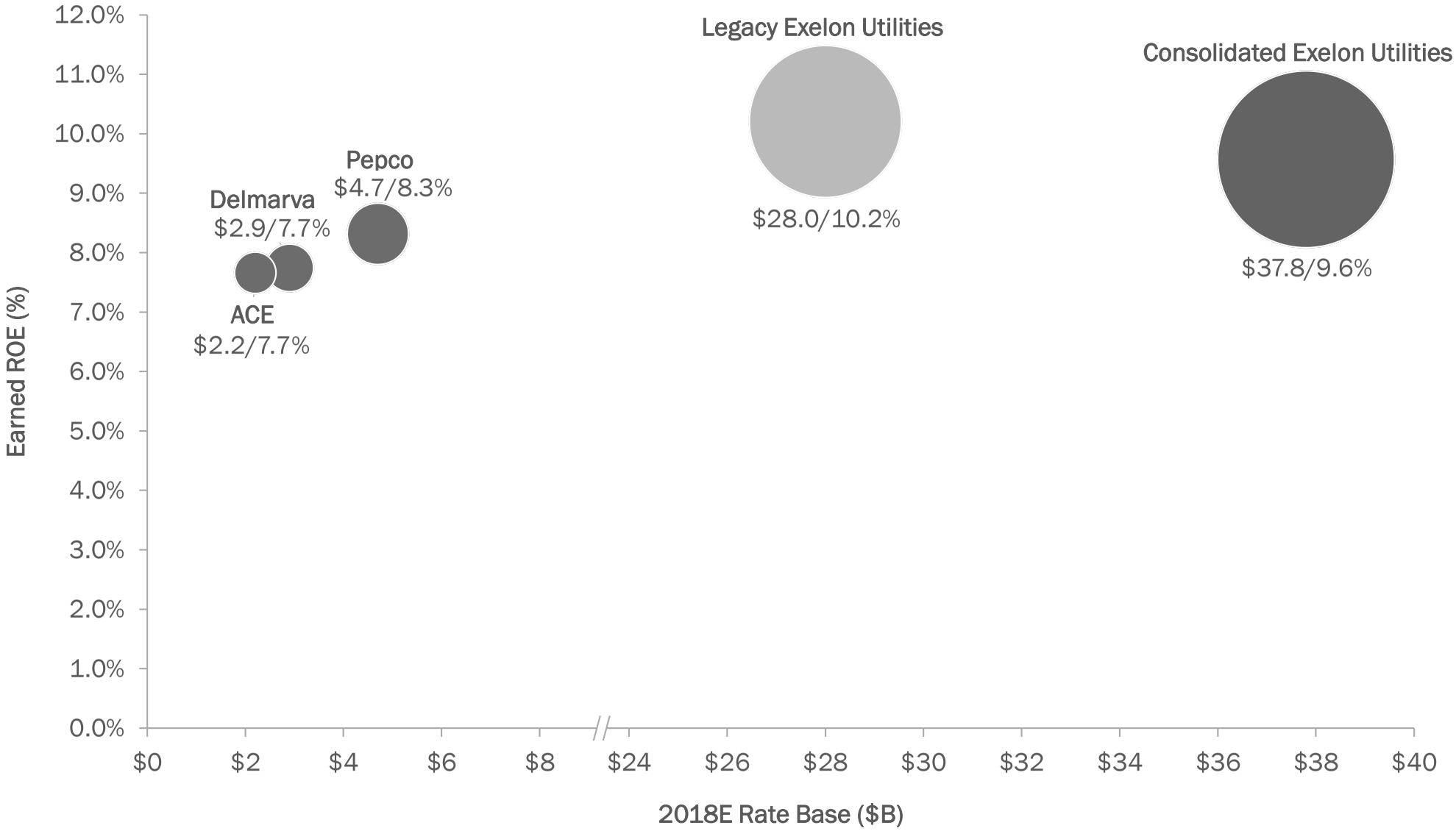
Note: Numbers may not add due to rounding

SI-SSA-0015-02422

Exelon

Exelon Utilities Trailing Twelve Month Earned ROEs*

Q3 2018: Trailing Twelve Month Earned ROEs*



Note: Represents the twelve-month period ending September 30, 2018. Earned ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Electric Transmission). Size of bubble based on rate base.

Exelon.

SI-SSA-0015-02423

Shared Principles for FRR-RS Have Broad Support From Many Sectors

Renewable Community

SEIA Solar Energy Industries Association®

MAREC Mid-Atlantic Renewable Energy Coalition

AWEA American Wind Energy Association

Consumer Advocates

OPC-DC Office of the People's Counsel — Advocacy | Education | Protection

Citizens Utility Board — Fighting for Illinois Consumers

DPA Delaware Division of the Public Advocate

District of Columbia Office of the Attorney General

State of West Virginia

Maryland Office of People's Counsel

Shared Principles

An FRR-RS mechanism should:

- Protect customers from paying duplicate capacity
- Preserve states' abilities to achieve clean energy policy goals

FERC should:

- Require Fixed Resource Requirement – Resource Specific (FRR-RS) to allow load serving entities to buy capacity from all state-incentivized resources and receive full capacity credit for doing so
- Allow for a smooth transition by giving states enough time to work through any difficult implementation issues before fully imposing the MOPR

Industry Stakeholders

PSEG

Talen Energy

American Public Power Association

NEI Nuclear Energy Institute

Exelon

FirstEnergy Solutions

Environmental NGOs

NRDC

Sierra Club

Earthjustice — Because the Earth needs a good lawyer

Numerous parties endorsed a shared set of principles and many others favorably cited those principles in their comments in Docket EL18-178

SI-SSA-0015-02424

Exelon

Exelon Utilities

SI-SSA-0015-02425

Exelon.

ACE Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	ER-18080925	• August 21 2018, ACE filed a distribution base rate case with the New Jersey Board of Public Utilities (BPU) to increase distribution base rates • Size of ask is primarily driven by increased depreciation expense, continued investment in infrastructure to maintain and improve reliability and customer satisfaction, and higher O&M costs • Forward looking additions through June 2019 ($9.8M of revenue requirement based on 10.10% ROE) included in revenue requirement request • Interim rates expected to go in effect in May 2019, subject to refund, as allowed by the regulations
Test Year	January 1, 2018 – December 31, 2018	
Test Period	6 months actual and 6 months estimated	
Requested Common Equity Ratio	50.22%	
Requested Rate of Return	ROE: 10.10%; ROR: 7.45%	
Proposed Rate Base (Adjusted)	$1.6B	
Requested Revenue Requirement Increase	$109.3M(1)	
Residential Total Bill % Increase	9.55%	

Detailed Rate Case Schedule(2)

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Filed rate case	▲ 8/21/2018												
Intervenor testimony				▲ 11/19/2018									
Rebuttal testimony					▲ 12/21/2018								
Evidentiary hearings							▬ 2/4/2019 – 2/15/2019						
Initial briefs due								▲ 3/8/2019					
Reply briefs due								▲ 3/22/2019					
Commission order expected													Q3 2019 ▲

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Procedural schedule as proposed by the Company

Exelon.

SI-SSA-0015-02426

BGE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	Case No. 9484	• Case filed on June 8, 2018 seeking an increase in gas distribution revenues only • The increase is primarily driven by infrastructure investments since 2015/2016, and includes moving revenues currently being recovered via the STRIDE surcharge into base rates
Test Year	August 1, 2017 – July 31, 2018	
Test Period	12 months actual	
Requested Common Equity Ratio	52.85%(1)	
Requested Rate of Return	ROE: 10.5%; ROR: 7.46%(1)	
Proposed Rate Base (Adjusted)	$1.7B	
Requested Revenue Requirement Increase	$82.4M(1)	
Residential Total Bill % Increase	~3.4%(2)	

Detailed Rate Case Schedule

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Filed rate case				▲ 06/08/2018								
Intervenor testimony							▲ 09/14/2018					
Rebuttal testimony								▲ 10/12/2018				
Evidentiary hearings									11/2/2018 – 11/16/2018			
Initial briefs due(3)									11/2018			
Reply briefs due(3)										12/2018		
Commission order expected											▲ 01/04/2019	

(1) Reflects $60.7M increase and $21.7M STRIDE reset. Test year updated for May-July 2018 actuals and reflects long-term debt issuance made in September 2018.
(2) Increase expressed as a percentage of a combined electric and gas residential customer total bill
(3) Briefing schedule will be determined during or at the end of the evidentiary hearing

Exelon.

SI-SSA-0015-02427

ComEd Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	18-0808	• April 16, 2018, ComEd filed its annual distribution formula rate update with the Illinois Commerce Commission seeking a decrease to distribution base rates • The decrease is primarily driven by an adjustment for forecasted tax benefits resulting from federal tax reform, partially offset by continued investment in the electric grid, state tax rate increase, elimination of bonus depreciation and weather/economic impacts
Test Year	January 1, 2017 – December 31, 2017	
Test Period	2017 Actual Costs + 2018 Projected Plant Additions	
Requested Common Equity Ratio	47.11%	
Requested Rate of Return	ROE: 8.69%; ROR: 6.52%	
Proposed Rate Base (Adjusted)	$10,675M	
Requested Revenue Requirement Decrease	($24.1M)[1,2]	
Residential Total Bill % Decrease	(1%)	

Detailed Rate Case Schedule

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case				4/16/2018								
Intervenor testimony						6/28/2018						
Rebuttal testimony							7/23/2018					
Evidentiary hearings								8/28/2018				
Initial briefs due									9/11/208			
Reply briefs due									9/25/2018			
Commission order expected											12/2018	

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Original filing amount was ($22.9M). Recent discovery period removed additional ($1.2M) of revenue requirement to limit issues in the proceeding.

Exelon.

SI-SSA-0015-02428

Delmarva DE (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0977 – Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • June 27, 2018, Delmarva DE filed a Settlement Agreement and requested a decrease in revenue requirement of ($6.9M)[2] • August 21, 2018, DPSC approved the settlement
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Common Equity Ratio	50.52%[2]	
Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Rate Base (Adjusted)	N/A	
Revenue Requirement Decrease	($6.9M)[1,2]	
Residential Total Bill % Decrease	(1.2%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Settlement agreement											▲ 6/27/2018						
Settlement support testimony											▲ 6/27/2018						
Evidentiary hearings											▲ 6/27/2018						
Commission order													▲ 8/21/2018				

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on October 16, 2017, and implemented $5.8M full allowable rates on March 17, 2018, subject to refund. Per Settlement Agreement filed on June 27, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

Exelon.

SI-SSA-0015-02429

Delmarva DE (Gas) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	17-0978 - Per Settlement (Black Box)	• August 17, 2017, Delmarva DE filed an application with Delaware Public Service Commission (DPSC) seeking an increase in gas distribution base rates • September 7, 2018, Delmarva Power filed a partial gas Settlement Agreement and requested a decrease in revenue requirement of ($3.5M)[2] • The partial Settlement Agreement resolves all issues except a $3.5M regulatory asset related to the Interface Management Unit (IMU) batteries
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.52%[2]	
Requested Rate of Return	ROE: 9.70%; ROR: 6.78%[2]	
Proposed Rate Base (Adjusted)	N/A	
Requested Revenue Requirement Decrease	($3.5M)[1,2]	
Residential Total Bill % Decrease	(2.6%)[2]	

Detailed Rate Case Schedule

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case	▲ 8/17/2017																
Intervenor testimony										▲ 5/7/2018							
Rebuttal testimony												▲ 7/6/2018					
Settlement agreement														▲ 9/7/2018			
Settlement support testimony														▲ 9/7/2018			
Evidentiary hearings														▲ 9/7/2018			
Commission order expected															Q4 2018		

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M on November 1, 2017, and implemented $3.9M full allowable rates on March 17, 2018, subject to refund. Per partial Settlement Agreement filed on September 7, 2018. Includes tax benefits from Tax Cuts and Jobs Act.

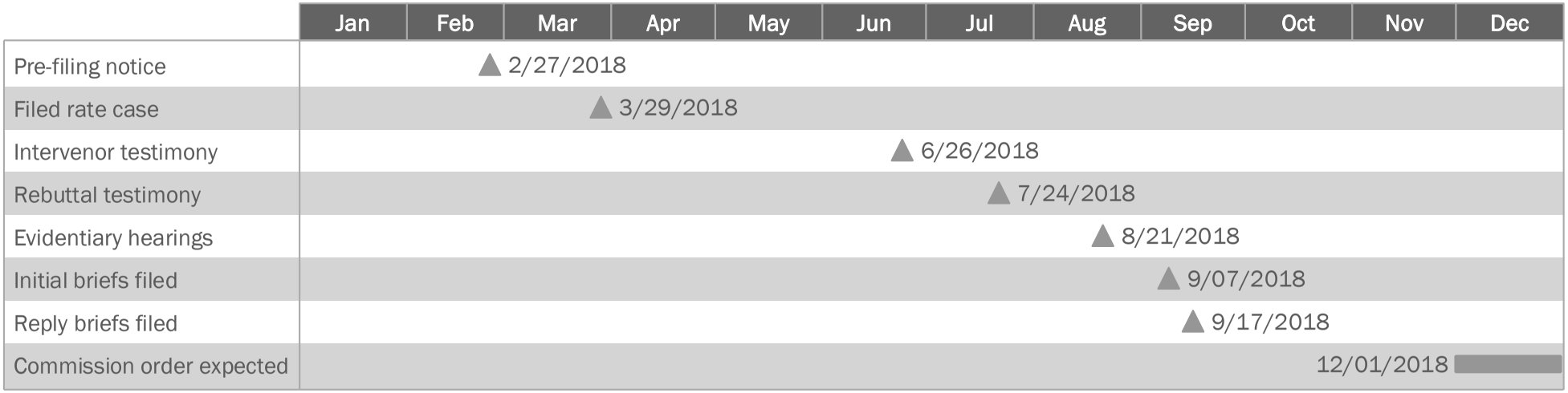
Exelon.

SI-SSA-0015-02430

PECO Distribution Rate Case Filing

	Rate Case Settlement Details	Notes
Docket No.	R-2018-3000164	• PECO filed an electric distribution base rate case on March 29, 2018 • On October 18, 2018 the presiding Administrative Law Judges issued the Recommended Decision that the Settlement Agreement reached with all active parties be approved without modification. The black box settlement does not stipulate any ROE, Equity Ratio and Rate Base. • The rate case settlement agreement is subject to PaPUC approval expected in December, with rates effective January 1, 2019 • The settlement amount of $96M[2] represents 63% of the $153M ask. This is in line with prior PA electric distribution rate case outcomes.
Test Year	January 1, 2019 – December 31, 2019	
Test Period	12 Months Budget	
Common Equity Ratio	N/A	
Rate of Return	ROE: N/A; ROR: N/A	
Rate Base	N/A	
Revenue Requirement Increase	$25M[1,2]	
Residential Total Bill % Increase	1.2%	

Detailed Rate Case Schedule



(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Reflects $96M revenue requirement less an estimated $71M in 2019 tax benefit

Exelon.

SI-SSA-0015-02431

Pepco DC (Electric) Distribution Rate Case Filing

	Rate Case Filing Details	Notes
Docket No.	1150 & 1151 – Per Settlement (Black Box)	• December 19, 2017, Pepco DC filed an application with Public Service Commission of the District of Columbia (PSCDC) seeking an increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • April 17, 2018, Pepco DC filed a settlement agreement and requested a decrease in revenue requirement of ($24.1M)[2] • August 9, 2018, PSCDC approved settlement agreement which placed rates in effect on August 13, 2018
Test Year	January 1, 2017 – December 31, 2017	
Test Period	8 months actual and 4 months estimated	
Requested Common Equity Ratio	50.44%[2]	
Requested Rate of Return	ROE: 9.525%; ROR: 7.45%[2]	
Proposed Rate Base (Adjusted)	N/A	
Requested Revenue Requirement Decrease	($24.1M)[1,2]	
Residential Total Bill % Decrease	(0.7%)[2,3]	

Detailed Rate Case Schedule

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Filed rate case		▲ 12/19/2017											
Settlement agreement					▲ 4/17/2018								
Settlement support testimony						▲ 5/7/2018							
Reply testimony						▲ 5/18/2018							
Initial briefs							▲ 6/14/2018						
Commission order									▲ 8/9/2018				

(1) Revenue requirement includes changes in depreciation and amortization expense and other costs where applicable, which have no impact on pre-tax earnings
(2) Per Settlement Agreement filed on April 17, 2018. Includes tax benefits from Tax Cuts and Jobs Act.
(3) Modified/Extended Customer Base Rate Credit (CBRC)

Exelon.

SI-SSA-0015-02432

Exelon Generation Disclosures

September 30, 2018

SI-SSA-0015-02433

Exelon.

Portfolio Management Strategy

Strategic Policy Alignment

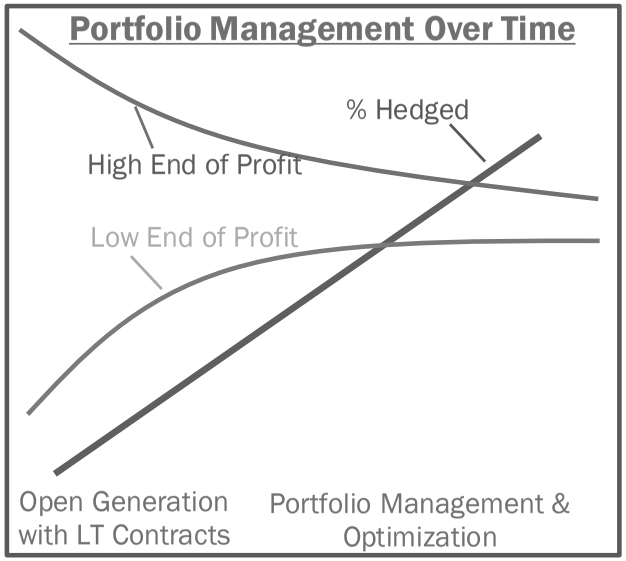
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

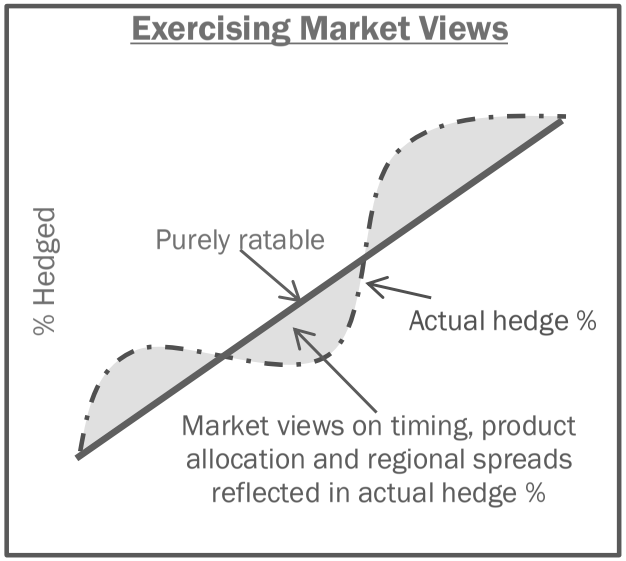
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02435

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,800	$4,300	$3,900
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,050	$1,900
Mark-to-Market of Hedges[2,3]	$350	$250	$250
Power New Business / To Go	$100	$550	$800
Non-Power Margins Executed	$400	$200	$150
Non-Power New Business / To Go	$100	$300	$350
Total Gross Margin*[4,5]	**$8,050**	**$7,650**	**$7,350**

Reference Prices[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.94	$2.78	$2.65
Midwest: NiHub ATC prices ($/MWh)	$27.62	$26.24	$24.92
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$36.54	$33.53	$31.59
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$4.06	$11.50	$10.30
New York: NY Zone A ($/MWh)	$31.86	$29.49	$27.89
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$6.80	$6.88	$6.27

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on September 30, 2018, market conditions
(5) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production. 2019 and 2020 include the favorable impact of NJ ZEC revenues.

SI-SSA-0015-02436

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**196,300**	**201,900**	**192,900**
Midwest	96,600	97,000	96,500
Mid-Atlantic[2,6]	60,300	54,000	48,500
ERCOT	16,900	25,500	23,700
New York[2,6]	16,200	16,600	15,600
New England	6,300	8,800	8,600
% of Expected Generation Hedged[3]	**98%-101%**	**82%-85%**	**48%-51%**
Midwest	98%-101%	79%-82%	44%-47%
Mid-Atlantic[2,6]	100%-103%	94%-97%	61%-64%
ERCOT	98%-101%	78%-81%	49%-52%
New York[2,6]	98%-101%	93%-96%	57%-60%
New England	78%-81%	23%-26%	13%-16%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$30.00	$28.50	$28.00
Mid-Atlantic[2,6]	$39.00	$37.50	$37.00
ERCOT[5]	($2.00)	$2.00	$1.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$7.00	$6.00	$25.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 94.3%, 94.6% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.
(2) Excludes EDF's equity ownership share of CENG Joint Venture
(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.
(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.
(5) Spark spreads shown for ERCOT and New England
(6) Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

SI-SSA-0015-02437

ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$(10)	$190	$445
- $1/MMBtu	$20	$(145)	$(395)
NiHub ATC Energy Price			
+ $5/MWh	-	$100	$265
- $5/MWh	-	$(100)	$(265)
PJM-W ATC Energy Price			
+ $5/MWh	$(5)	$20	$95
- $5/MWh	$5	-	$(90)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	-	$30
- $5/MWh	-	$(5)	$(30)
Nuclear Capacity Factor			
+/- 1%	+/- $10	+/- $35	+/- $30

(1) Based on September 30, 2018, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

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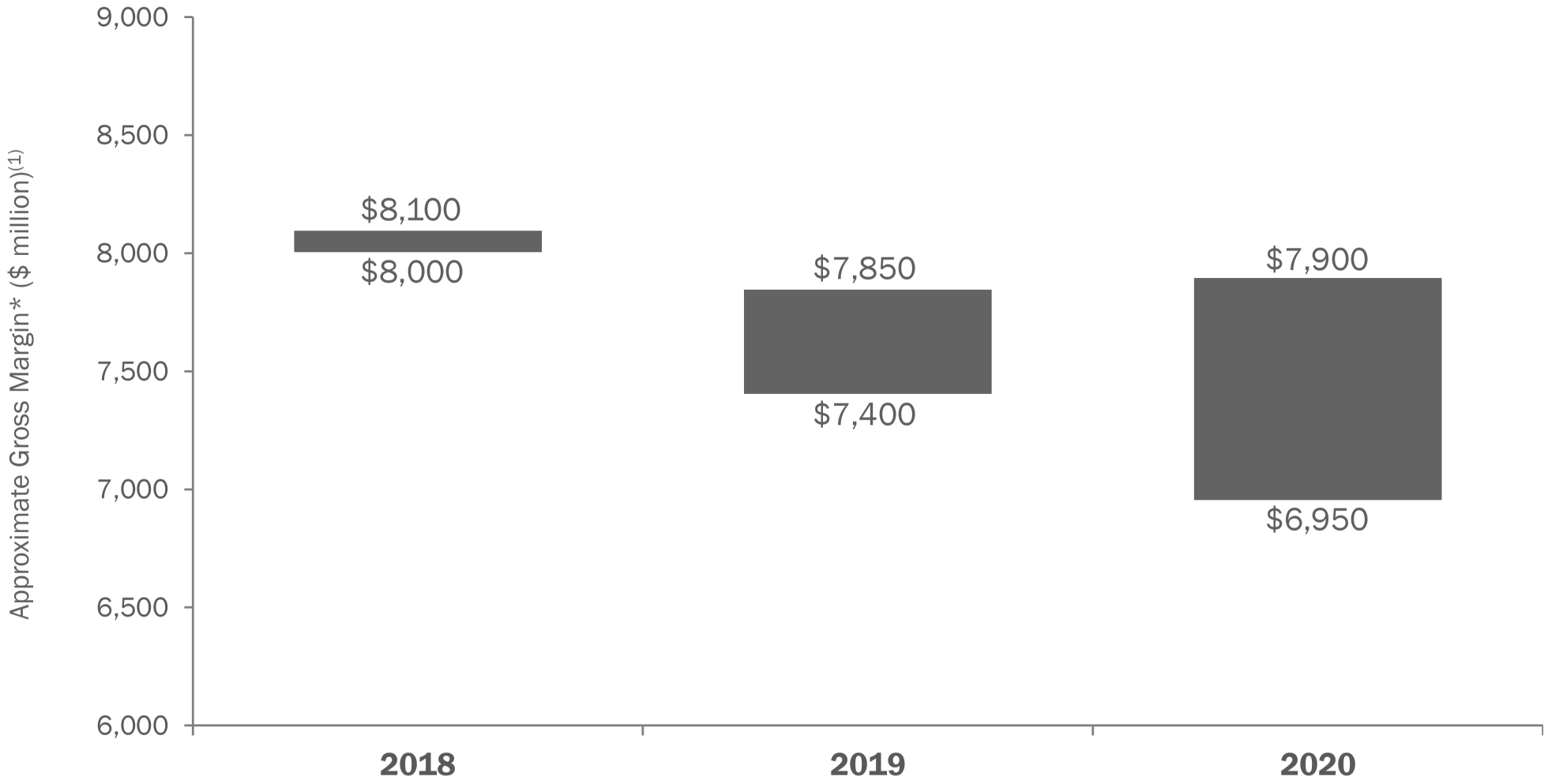
ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of September 30, 2018. Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions. Reflects Oyster Creek retirement in September 2018 and TMI retirement by September 2019

SI-SSA-0015-02439

Illustrative Example of Modeling Exelon Generation 2019 Total Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.3 billion →					
(B)	Capacity and ZEC	← $2.05 billion →					
(C)	Expected Generation (TWh)	97.0	54.0	25.5	16.6	8.8	
(D)	Hedge % (assuming mid-point of range)	80.5%	95.5%	79.5%	94.5%	24.5%	
(E=C*D)	Hedged Volume (TWh)	78.1	51.6	20.3	15.7	2.2	
(F)	Effective Realized Energy Price ($/MWh)	$28.50	$37.50	$2.00	$32.00	$6.00	
(G)	Reference Price ($/MWh)	$26.24	$33.53	$11.50	$29.49	$6.88	
(H=F-G)	Difference ($/MWh)	$2.26	$3.97	($9.50)	$2.51	($0.88)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$175	$205	($195)	$40	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,600					
(K)	Power New Business / To Go ($ million)	$550					
(L)	Non-Power Margins Executed ($ million)	$200					
(M)	Non-Power New Business / To Go ($ million)	$300					
(N=J+K+L+M)	**Total Gross Margin***	**$7,650 million**					

(1) Mark-to-market rounded to the nearest $5M

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,525**	**$8,125**	**$7,800**
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(275)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,650**	**$7,350**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$250
Adjusted O&M*	$(4,625)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization*[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	22.0%

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, includes nuclear decommissioning trust fund earnings from unregulated sites, and includes the minority interest in ExGen Renewables JV and Bloom. Other for 2018 is favorable due to NDTF realized gains that may not occur in 2019 and 2020.
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

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Appendix

Reconciliation of Non-GAAP Measures

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Q3 QTD GAAP EPS Reconciliation

Three Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.32**	**$0.20**	**$0.12**	**$0.06**	**$0.16**	**$0.00**	**$0.85**
Mark-to-market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	(0.01)	-	-
Long-lived asset impairments	0.03	-	-	-	-	-	0.03
Plant retirements and divestitures	0.08	-	-	-	-	-	0.08
Cost management program	0.01	-	-	-	-	-	0.01
Bargain purchase gain	(0.01)	-	-	-	-	-	(0.01)
Reassessment of deferred income taxes	0.02	-	-	-	-	(0.04)	(0.02)
Noncontrolling interests	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.36**	**$0.19**	**$0.12**	**$0.07**	**$0.15**	**($0.04)**	**$0.85**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

Exelon.

SI-SSA-0015-02443

Q3 QTD GAAP EPS Reconciliation (continued)

Three Months Ended September 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.24**	**$0.20**	**$0.13**	**$0.06**	**$0.19**	**($0.07)**	**$0.76**
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	0.01	(0.06)
Unrealized gains related to NDT fund investments	(0.06)	-	-	-	-	-	(0.06)
Long-lived asset impairments	0.01	-	-	-	-	-	0.01
Plant retirements and divestitures	0.21	-	-	-	-	-	0.21
Cost management program	0.01	-	-	-	-	-	0.01
Asset retirement obligation	-	-	-	-	0.02	-	0.02
Change in environmental liabilities	(0.01)	-	-	-	-	-	(0.01)
Reassessment of deferred income taxes	(0.03)	-	-	-	(0.01)	0.02	(0.02)
Noncontrolling interests	0.02	-	-	-	-	-	0.02
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.33**	**$0.20**	**$0.13**	**$0.07**	**$0.20**	**($0.05)**	**$0.88**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

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Q3 YTD GAAP EPS Reconciliation

Nine Months Ended September 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings Per Share[1]	**$0.52**	**$0.47**	**$0.35**	**$0.24**	**$0.38**	**$0.06**	**$2.02**
Mark-to-market impact of economic hedging activities	0.10	-	-	-	-	-	0.10
Unrealized gains related to NDT fund investments	(0.22)	-	-	-	-	-	(0.22)
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.31	-	-	-	-	-	0.31
Plant retirements and divestitures	0.15	-	-	-	-	-	0.15
Cost management program	0.02	-	-	-	-	-	0.03
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Reassessment of deferred income taxes	0.02	-	-	-	-	(0.06)	(0.04)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Noncontrolling interests	0.08	-	-	-	-	-	0.08
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.77**	**$0.50**	**$0.35**	**$0.25**	**$0.31**	**($0.12)**	**$2.06**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

(1) Certain immaterial prior year amounts in the Registrants' Consolidated Statements of Operations and Comprehensive Income have been recasted to reflect new accounting standards issued by the FASB and adopted as of January 1, 2018

Exelon.

SI-SSA-0015-02445

Q3 YTD GAAP EPS Reconciliation (continued)

Nine Months Ended September 30, 2018	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2018 GAAP Earnings (Loss) Per Share	**$0.56**	**$0.54**	**$0.35**	**$0.25**	**$0.35**	**($0.13)**	**$1.92**
Mark-to-market impact of economic hedging activities	0.07	-	-	-	-	0.01	0.08
Unrealized losses related to NDT fund investments	0.10	-	-	-	-	-	0.10
Long-lived asset impairments	0.04	-	-	-	-	-	0.04
Plant retirements and divestitures	0.44	-	-	-	-	-	0.43
Cost management program	0.02	-	-	-	-	-	0.03
Asset retirement obligation	-	-	-	-	0.02	-	0.02
Reassessment of deferred income taxes	(0.03)	-	-	-	(0.01)	0.01	(0.03)
Noncontrolling interests	(0.04)	-	-	-	-	-	(0.04)
2018 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.16**	**$0.54**	**$0.35**	**$0.25**	**$0.36**	**($0.11)**	**$2.55**

Note: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02446

Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments
  - Impairments of certain wind projects at Generation
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Non-cash impacts pursuant to the annual update of asset retirement obligations
  - Adjustment to the remeasurement of deferred income taxes as a result of the Tax Cuts and Jobs Act (TCJA) and changes in forecasted apportionment
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - One-time impacts of adopting new accounting standards
  - Other unusual items

SI-SSA-0015-02447

GAAP to Non-GAAP Reconciliations[1]

$$\text{Exelon FFO/Debt}^{(2)} = \frac{\text{FFO (a)}}{\text{Adjusted Debt (b)}}$$

Exelon FFO Calculation[2]

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
- GAAP Interest Expense
+/- GAAP Current Income Tax (Expense)/Benefit
+ Nuclear Fuel Amortization
+/- GAAP to Operating Adjustments
+/- Other S&P Adjustments
= FFO (a)

Exelon Adjusted Debt Calculation[1]

Long-Term Debt (including current maturities)
+ Short-Term Debt
+ Purchase Power Agreement and Operating Lease Imputed Debt
+ Pension/OPEB Imputed Debt (after-tax)
- Off-Credit Treatment of Non-Recourse Debt
- Cash on Balance Sheet * 75%
+/- Other S&P Adjustments
= Adjusted Debt (b)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

SI-SSA-0015-02448

GAAP to Non-GAAP Reconciliations[1]

$$\text{ExGen Debt/EBITDA} = \frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}}$$

$$\text{ExGen Debt/EBITDA Excluding Non-Recourse} = \frac{\text{Net Debt (c)}}{\text{Operating EBITDA (d)}}$$

ExGen Net Debt Calculation

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
= Net Debt (a)

ExGen Net Debt Calculation Excluding Non-Recourse

Long-Term Debt (including current maturities)
+ Short-Term Debt
- Cash on Balance Sheet
- Non-Recourse Debt
= Net Debt Excluding Non-Recourse (c)

ExGen Operating EBITDA Calculation

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
= Operating EBITDA (b)

ExGen Operating EBITDA Calculation Excluding Non-Recourse

GAAP Operating Income
+ Depreciation & Amortization
= EBITDA
+/- GAAP to Operating Adjustments
- EBITDA from Projects Financed by Non-Recourse Debt
= Operating EBITDA Excluding Non-Recourse (d)

(1) Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available; therefore, management is unable to reconcile these measures

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SI-SSA-0015-02449

GAAP to Non-GAAP Reconciliations

Q3 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$77	$103	$191	$1,407	$1,778
Operating Exclusions	$5	$8	$24	$2	$40
Adjusted Operating Earnings	$82	$111	$215	$1,409	$1,817
Average Equity	$1,065	$1,434	$2,590	$13,808	$18,898
Operating ROE (Adjusted Operating Earnings/Average Equity)	**7.7%**	**7.7%**	**8.3%**	**10.2%**	**9.6%**

Q2 2018 Operating ROE Reconciliation ($M)	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)	$57	$102	$189	$1,384	$1,731
Operating Exclusions	$0	$8	$3	$2	$13
Adjusted Operating Earnings	$57	$109	$192	$1,386	$1,744
Average Equity	$1,044	$1,425	$2,577	$13,439	$18,485
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.4%**	**7.7%**	**7.4%**	**10.3%**	**9.4%**

Note: Items may not sum due to rounding

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$750	$1,650	$650	$1,100	$4,250	$175	$8,600
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Counterparty collateral activity	-	-	-	-	($175)	-	($175)
Adjusted Cash Flow from Operations	**$750**	**$1,650**	**$650**	**$1,100**	**$3,800**	**$175**	**$8,150**

2018 Cash From Financing Calculation ($M)[1]	BGE	ComEd	PECO	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$275	$550	$0	$375	($1,050)	($100)	$50
Dividends paid on common stock	$200	$450	$300	$325	$1,000	($950)	$1,325
Financing Cash Flow	**$475**	**$1,000**	**$300**	**$700**	**($50)**	**($1,050)**	**$1,375**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$550
Adjusted Beginning Cash Balance[3]	$1,450
Net Change in Cash (GAAP)[2]	$275
Adjusted Ending Cash Balance[3]	$1,725
Adjustment for Cash Collateral Posted	($375)
GAAP Ending Cash Balance	**$1,350**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,475**	**$4,925**	**$4,825**	**$4,750**
Decommissioning[2]	50	50	50	50
Oyster Creek Retirement[5]	(100)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(275)	(275)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	(125)	(50)	(25)	-
Adjusted O&M (Non-GAAP)	**$4,625**	**$4,250**	**$4,175**	**$4,125**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments
(5) 2018 Decommissioning costs include $75M of asset retirement obligations for Oyster Creek retirement acceleration

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Earnings Conference Call
4th Quarter 2016

February 8, 2017

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC (PHI), Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23; (2) PHI's 2015 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 16; (3) Exelon's Third Quarter 2016 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (4) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this presentation. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including adjusted (non-GAAP) operating earnings, adjusted (non-GAAP) operating and maintenance expense, total gross margin, and adjusted cash flow from operations (non-GAAP) or free cash flow. Adjusted (non-GAAP) operating earnings exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration costs, certain costs incurred associated with the PHI acquisition, merger commitments related to the settlement of the PHI acquisition, the impairment of certain long-lived assets, plant retirements and divestitures, costs related to the cost management program, the non-controlling interest in CENG, and other items as set forth in the reconciliation in the Appendix. Adjusted (non-GAAP) operating and maintenance expense excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, and other items as set forth in the reconciliation in the Appendix. Total gross margin (non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, the operating services agreement with Fort Calhoun, variable interest entities and net of direct cost of sales for certain Constellation businesses. Adjusted cash flow from operations (non-GAAP) or free cash flow primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments. Due to the forward-looking nature of any forecasted non-GAAP measures, information to reconcile the forecast adjusted (non-GAAP) measures to the most directly comparable GAAP measure is not currently available, as management is unable to project all of these items for future periods.

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the footnotes, appendices and attachments to this presentation.

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2016 Milestone Accomplishments

Financial

- Delivered FY 2016 GAAP earnings of $1.22 and adjusted operating earnings of $2.68 per share, within our guidance range[1]
- Implemented 2.5% annual dividend growth strategy through 2018
- Named as the only Utility on the Fortune 100 list
- Exelon's diverse supplier spend reached $1.9B in 2016, up 202% since 2011

Growth

- Completed the acquisition of PHI, adding $8.3B of rate base
- Invested $5.2B of capital to improve reliability at our regulated Utilities excluding the merger
- Completed acquisition of ConEd Solutions
- Pending acquisition of the FitzPatrick nuclear power station

Regulatory & Policy

- IL and NY ZEC Programs will preserve five nuclear plants at risk of closure
- IL Legislation provides ComEd a fair return on energy efficiency investments that benefit our customers and also extends EIMA formula rate to 2022
- Completed distribution rate cases providing $317M in revenue increases with another $80M for FERC transmission

Employees & Community

- Commitment to our workforce through best in industry parental leave program and first utility to sign the Equal Pay pledge
- Exelon employees donated 171,341 hours to volunteer initiatives and Exelon donated $46M to our local communities

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS

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Best in Class Utility Operations

Exelon Utilities Operational Metrics

Operations	Metric	2016			
		BGE	PECO	ComEd	PHI
Electric Operations	OSHA Recordable Rate				
	2.5 Beta SAIFI (Outage Frequency)				
	2.5 Beta CAIDI (Outage Duration)				
Customer Operations	Customer Satisfaction				N/A
	Service Level % of Calls Answered in <30 sec				
	Abandon Rate				
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations	

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance
- Customer Care

Q1	Q2
Q3	Q4

Comments

- Operationally, the utilities ended the year with strong results across key metrics.
  - BGE, ComEd, and PECO achieved 1st decile performance in Customer Satisfaction Index (CSI) that was the best ever performance for each utility
  - PECO achieved 1st decile performance in OSHA Recordable Rate
  - ComEd and PECO achieved 1st decile performance for outage frequency. ComEd's results were best on record and best in class.
  - PHI outage frequency performance was best ever on record

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity Factor of 94.6% is the highest ever for Exelon
  - Most power ever generated at 153M MWh[1]
  - All-time shortest refueling outage duration average of 22 days
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.6%
  - Power dispatch match: 97.2%

Constellation Metrics

77% retail power customer renewal rate

28% power new customer win rate

91% natural gas customer retention rate

25 month average power contract term

Average customer duration of more than **5** years

Stable Retail Margins

Closed on ConEdison Solutions transaction, adding more than 560,000 customers

(1) Reflects generation output at ownership

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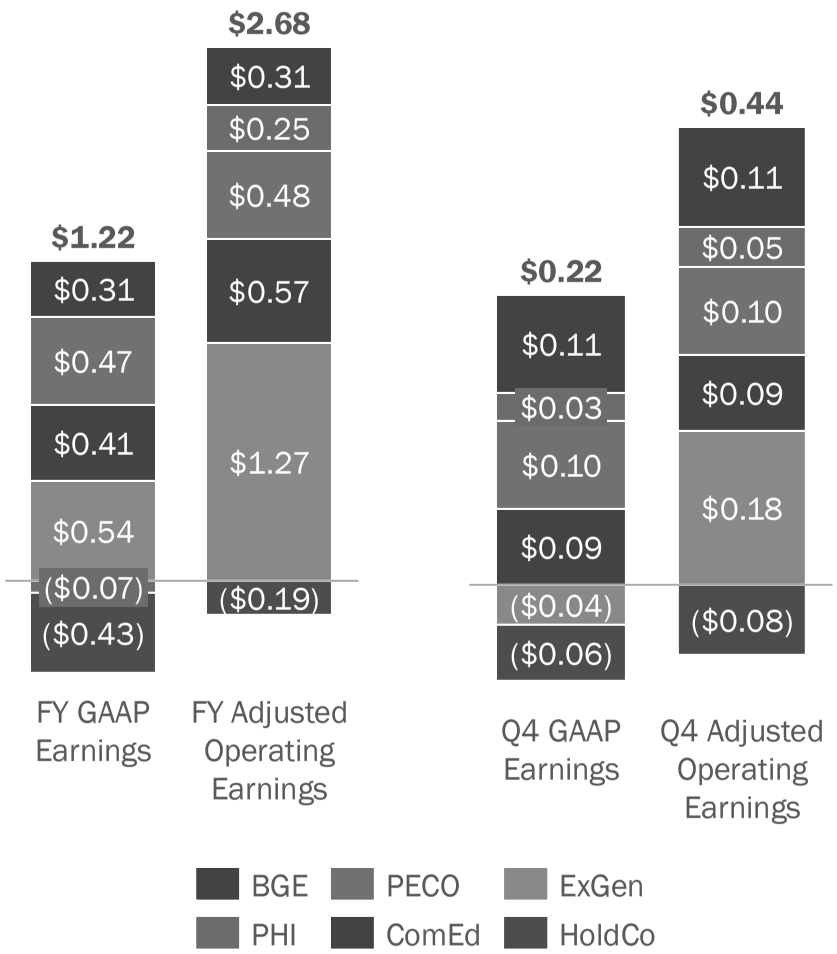
Strong 2016 Financial Results

2016 EPS Results[1,2]



- Adjusted (non-GAAP) operating earnings full year drivers versus guidance:

Utilities

- ↑ Weather
- ↑ Lower O&M

Exelon Generation

- ↑ Lower cost to serve
- ↑ Nuclear Generation Output

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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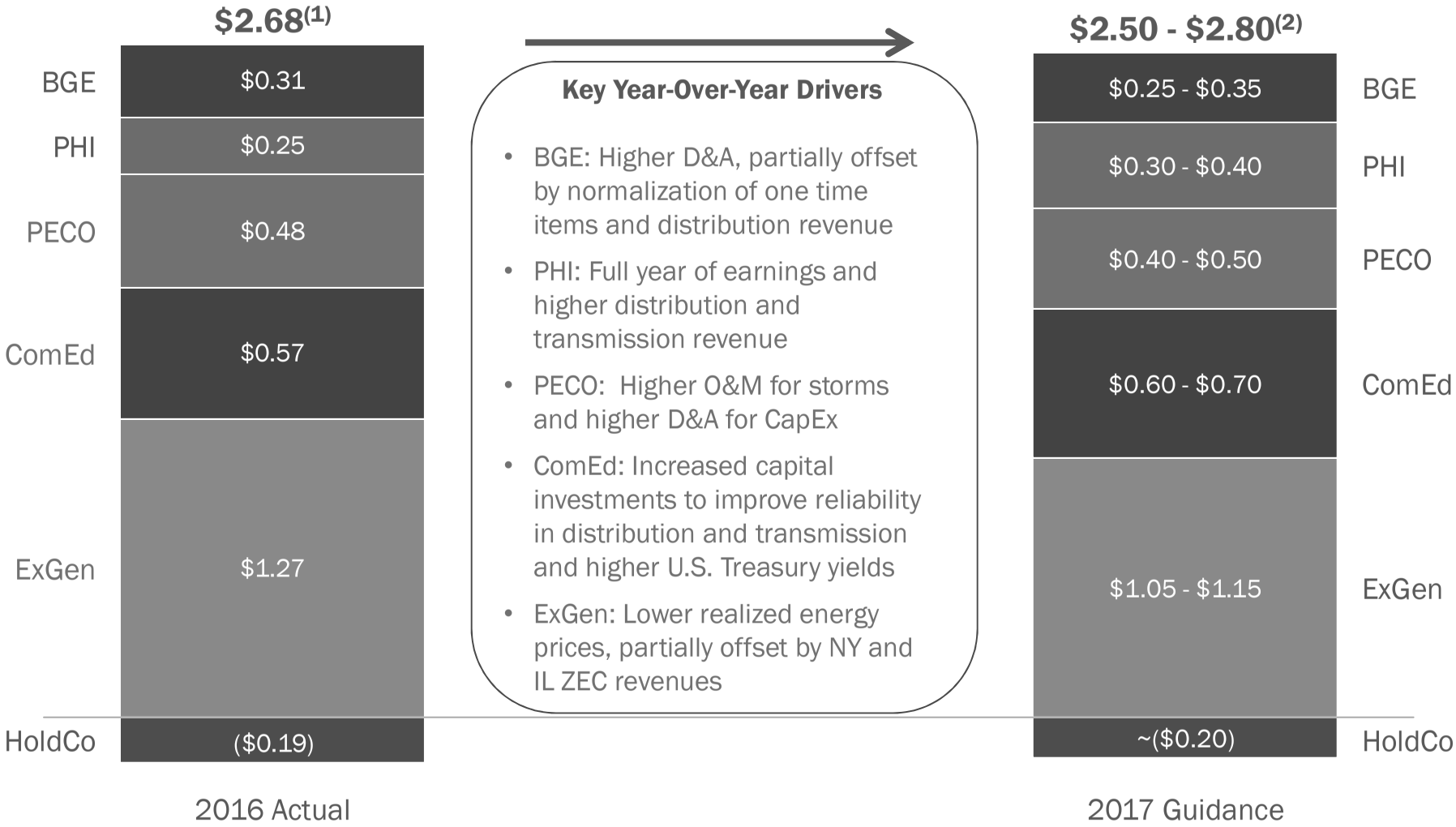
2017 Adjusted Operating Earnings Guidance



Expect Q1 2017 Adjusted Operating Earnings of $0.55 - $0.65 per share

(1) 2016 results based on 2016 average outstanding shares of 927M. Refer to Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS.

(2) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not add up to consolidated EPS guidance. Refer to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.

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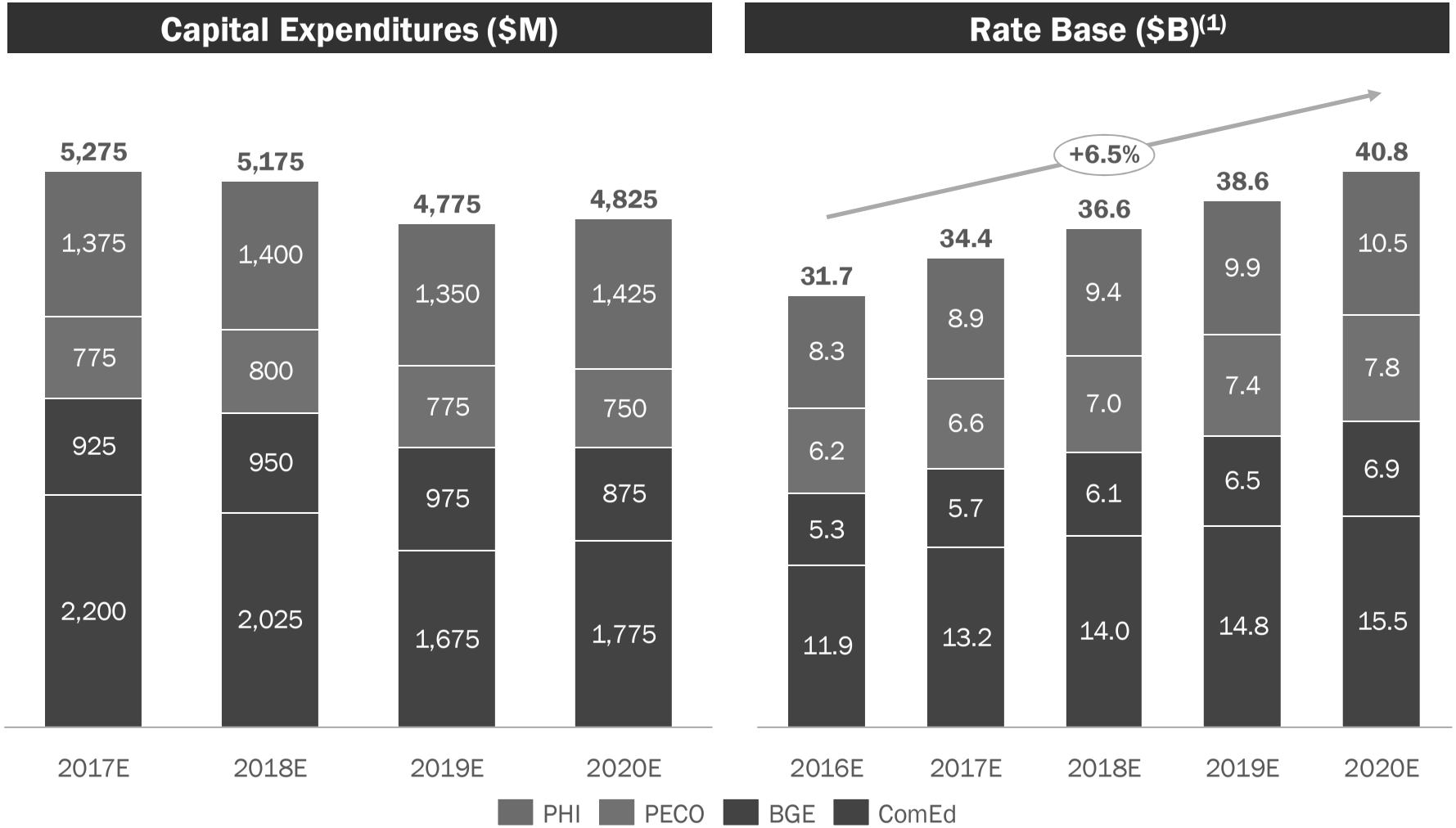
Our Capital Plan Drives Stable Earnings Growth



Over $20B of capital is being invested at utilities from 2017-2020 to improve reliability

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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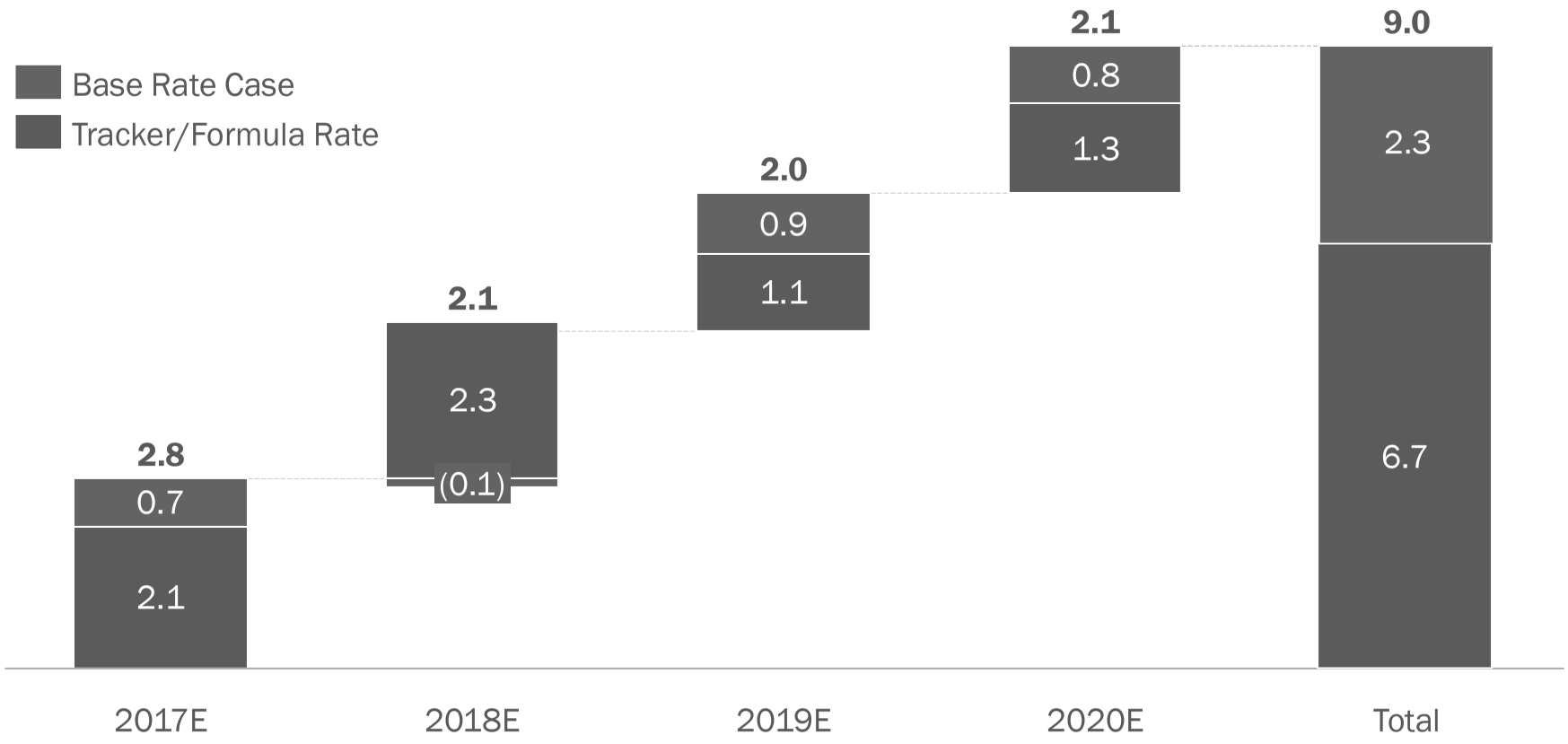
Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2017-2020 ($B)[1]



Of the approximately $9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding
(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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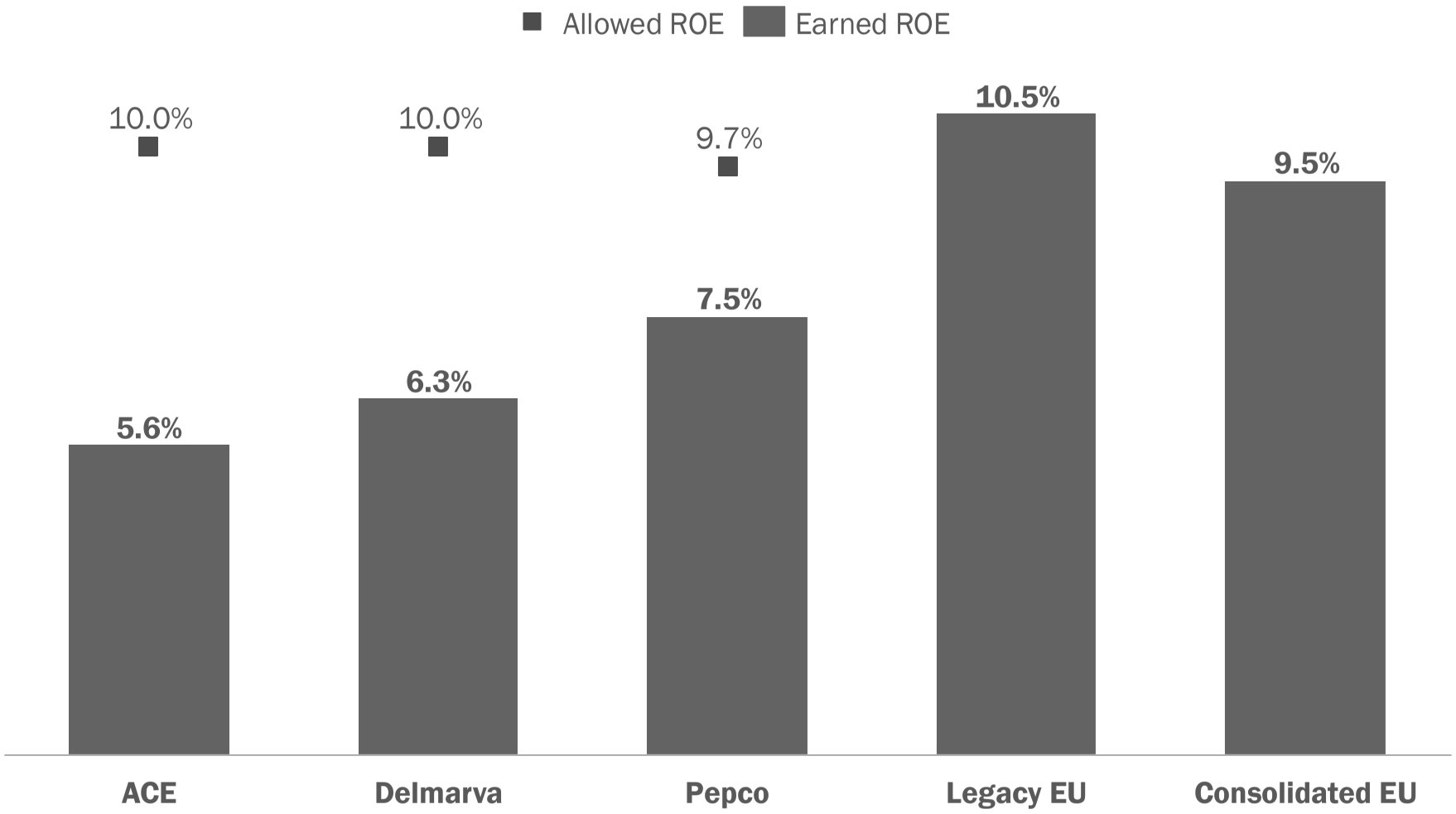
Weighted Average Allowed vs Earned ROE Comparison

Twelve Month Trailing Earned ROEs[1,2]



(1) Operating ROE is calculated using operating net income divided by simple average equity for the period 12/31/15 – 12/31/16. The operating net income is reflective of all lines of business (Electric Distribution, Gas Distribution, Transmission).

(2) For a reconciliation of operating ROE, which is a non-GAAP measure derived from adjusted operating earnings, please refer to slide 78 in the Appendix

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Exelon Utilities Distribution Rate Case Summary

BGE Final Order	
Authorized Revenue Requirement Increase[1,3]	$92M
Authorized ROE	9.75% (9.65% Gas)
Common Equity Ratio	51.90%
Order Received[3]	6/3/16

ACE Electric Final Order	
Authorized Revenue Requirement Increase[1]	$45M
Authorized ROE	9.75%
Common Equity Ratio	49.48%
Commission Approved Settlement	8/24/16

Pepco MD Final Order	
Requested Revenue Requirement Increase[1]	$52.5M
Requested ROE	9.55%
Requested Common Equity Ratio	49.55%
Order Received	11/15/16

ComEd Final Order	
Requested Revenue Requirement Increase[2]	$127M
Authorized ROE	8.64%
Common Equity Ratio	46%
Order Received	12/6/16

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$57M
Requested ROE	10.60%
Requested Common Equity Ratio	49.10%
Order Expected	2/17/17

Pepco DC Filing	
Requested Revenue Requirement Increase[1]	$76.8M
Requested ROE	10.60%
Requested Common Equity Ratio	49.14%
Order Expected	7/25/17

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1]	$60.2M
Requested ROE	10.60%
Requested Common Equity Ratio	49.44%
Order Expected	Q3 2017

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1]	$21.5M
Requested ROE	10.60%
Requested Common Equity Ratio	49.44%
Order Expected	Q3 2017

Cumulative Final Orders	
Authorized Revenue Requirement Increase[1]	$317M

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amounts represents the Illinois Commerce Commission's approved revenue requirement amount in the December 6th Final Order. The ICC also ordered rehearing on one narrow topic that ComEd expects to result in a further reduction to the revenue requirement of $17.5M.
(3) On July 29, 2016, BGE received a PSC order on rehearing, which is reflected in the revenue requirement increase
(4) ComEd Authorized ROE is tied to the 30 year Treasury yield plus 580bps

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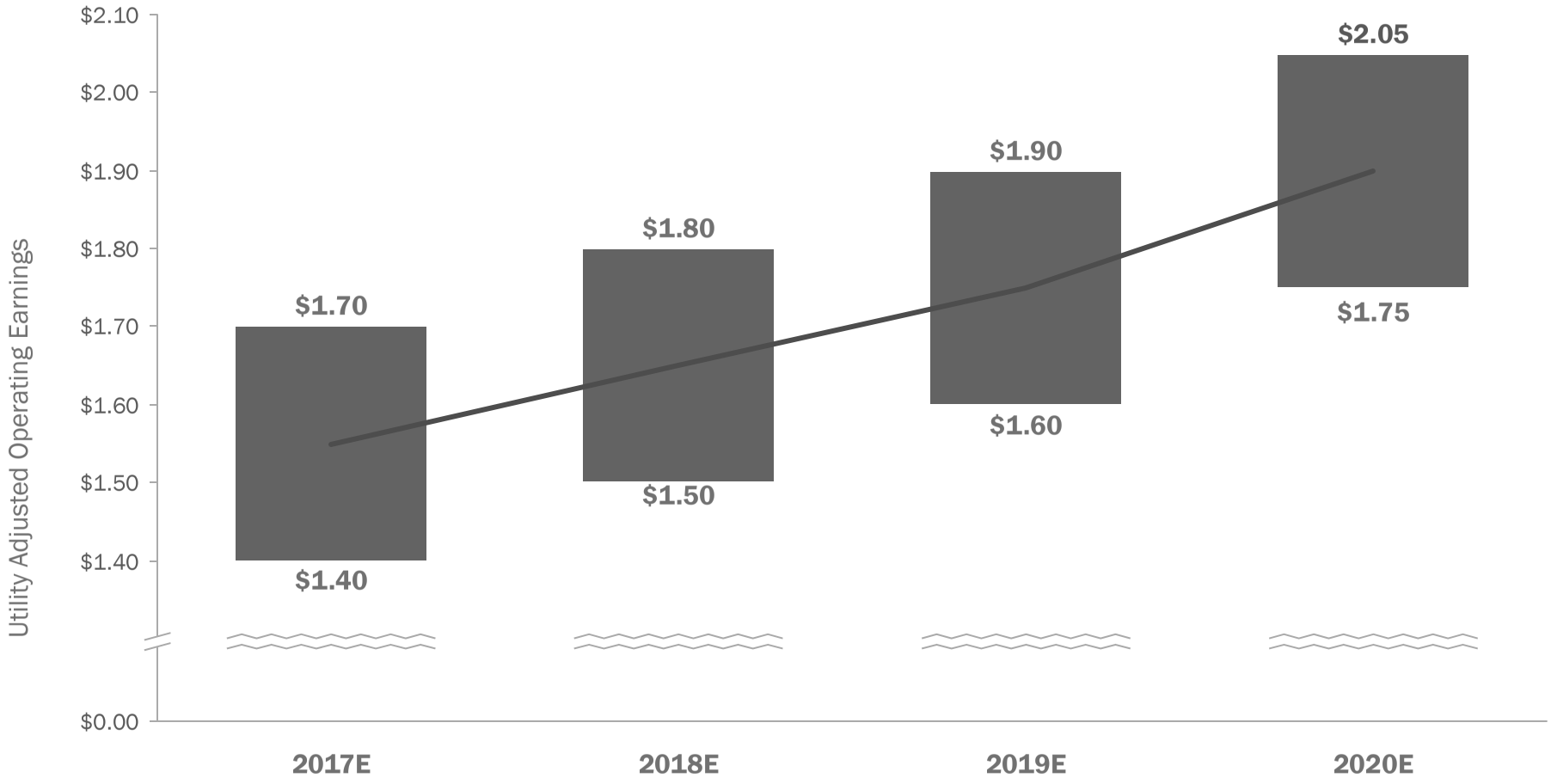
Exelon Utilities EPS Growth of 6-8% to 2020

Exelon Utilities Operating Earnings 2017-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.

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Exelon Generation: Gross Margin Update

	December 31, 2016			Change from Sep 30, 2016[7]		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$4,100	$4,200	$4,050	$300	$550	$450
Capacity and ZEC Revenues[3]	$1,850	$2,250	$2,050	$400	$550	$600
Mark-to-Market of Hedges[3,4]	$1,200	$450	$350	-	$(50)	$50
Power New Business / To Go	$550	$900	$950	$(50)	-	-
Non-Power Margins Executed	$200	$100	$50	$50	-	-
Non-Power New Business / To Go	$250	$400	$450	$(50)	-	-
Total Gross Margin[2,5,6]	**$8,150**	**$8,300**	**$7,900**	**$650**	**$1,050**	**$1,100**

Recent Developments

- Gross Margin disclosure now includes impacts of NY and IL ZECs, pending FitzPatrick acquisition, and reversal of the IL plant closures
- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - Generation ~6-9% open in 2017

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. See Slide 50 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
5) Based on December 31, 2016 market conditions
6) Reflects Oyster Creek retirement in December 2019
7) Variance to September 30, 2016 are on a pro-forma basis. See slide 44 for a full pro-forma of the September 30, 2016 gross margin in new format.

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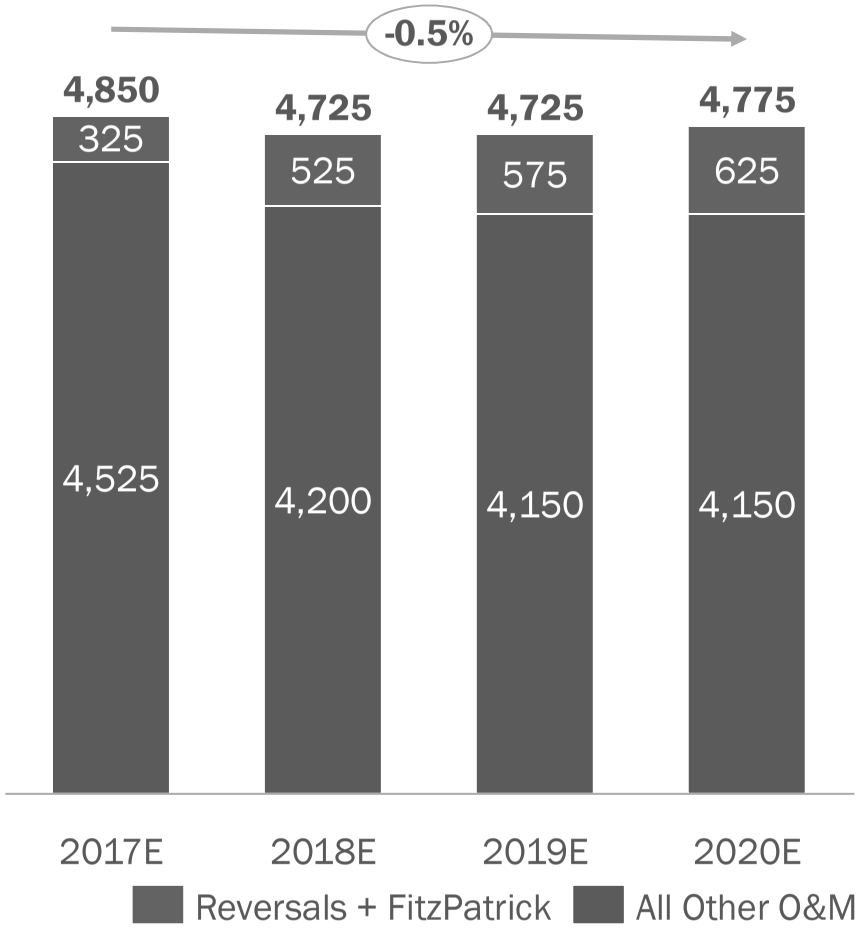
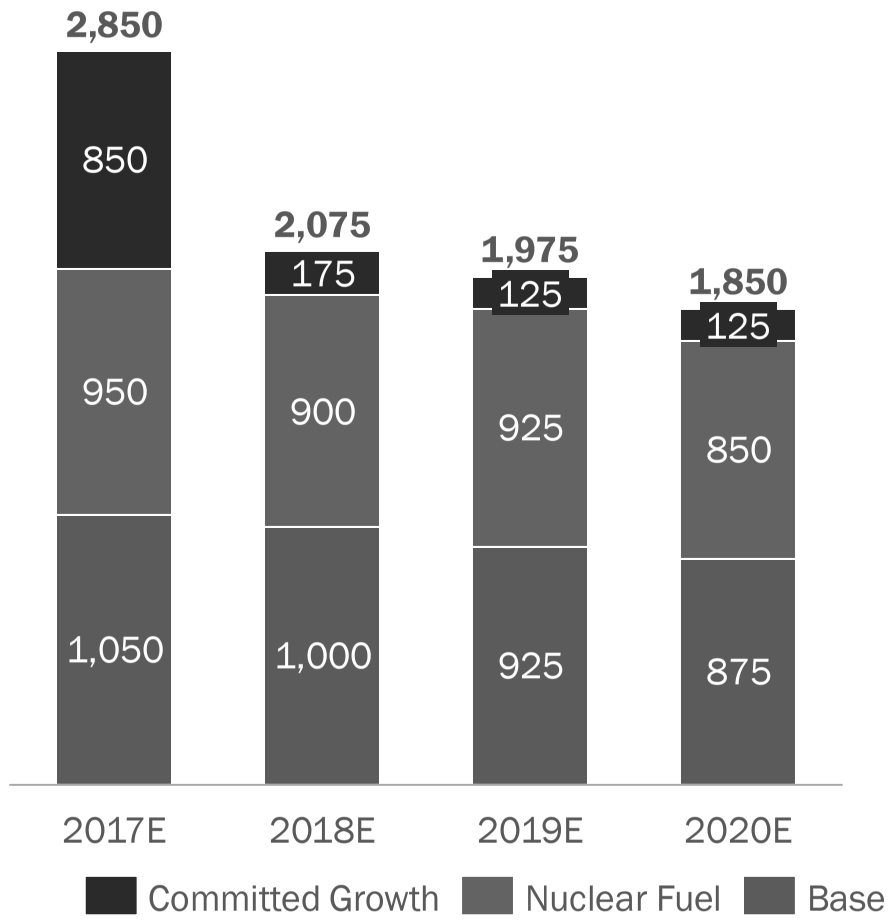
Driving Cost and Capital Out of the Generation Business

Adjusted O&M ($M)[1,2,3]



Capital Expenditures ($M)[1,4]



Negative O&M CAGR reflects benefits of cost optimization program

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect reversal of Quad Cities and Clinton retirement decisions and includes FitzPatrick
(3) Refer to slide 77 in the Appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M
(4) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments; incremental CapEx (Base and Fuel) impact from nuclear reversals and adding FitzPatrick for 2017, 2018, 2019, and 2020 at Q4 is $250M, $300M, $225M, and $275M, respectively

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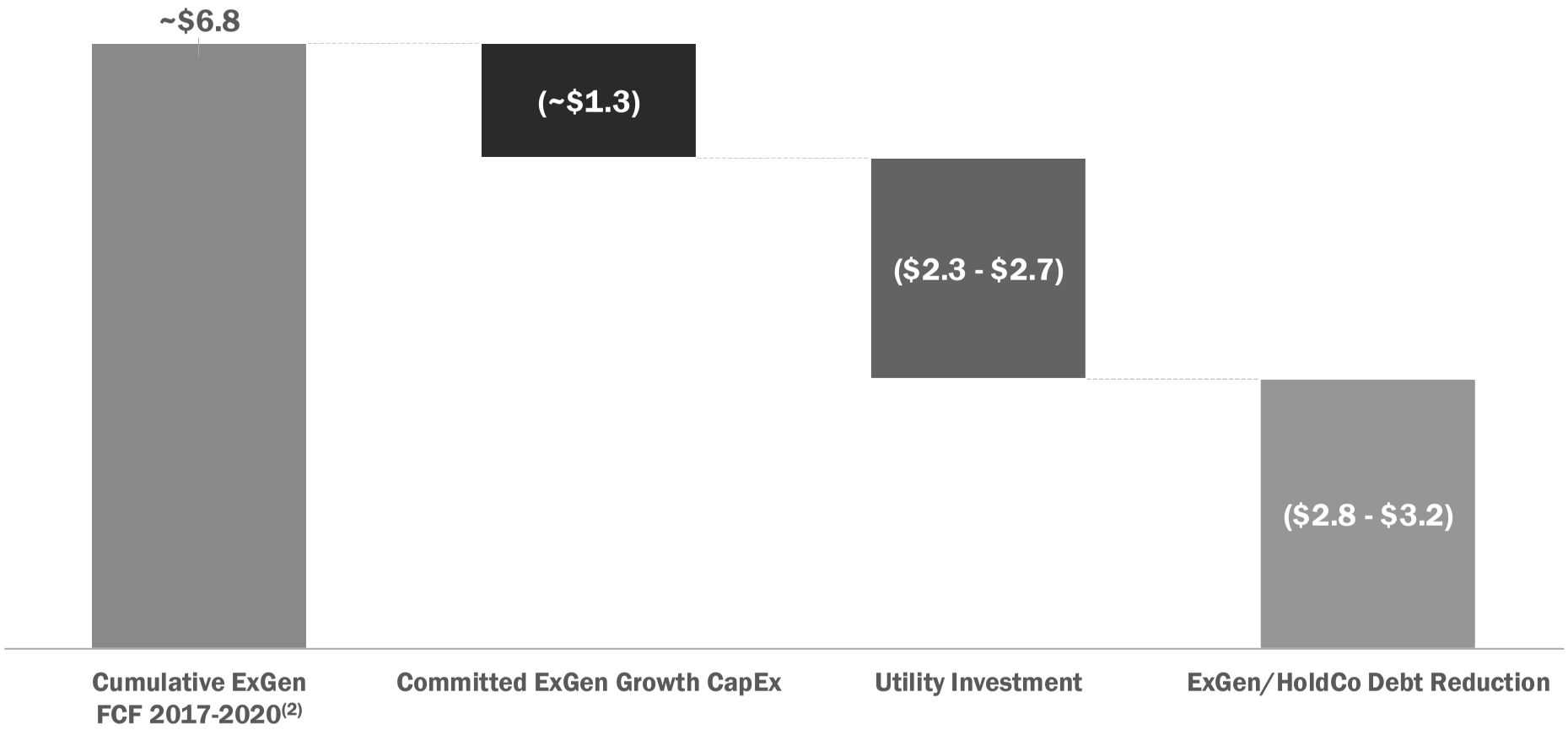
ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow[1] and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Free Cash Flow is a non-GAAP Measure. See slide 77 for a reconciliation of free cash flow to the most comparable GAAP measures.
(2) Cumulative Free Cash Flow is a midpoint of a range based on December 31, 2016 market prices. Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.

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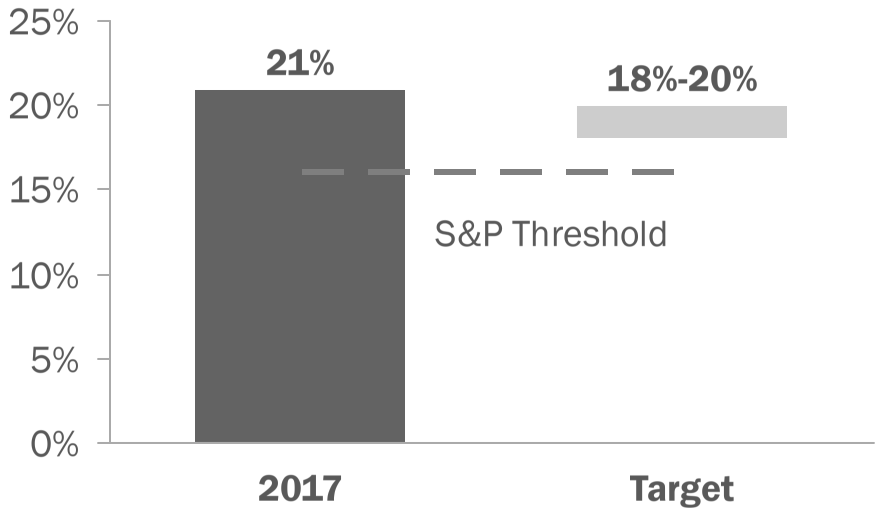
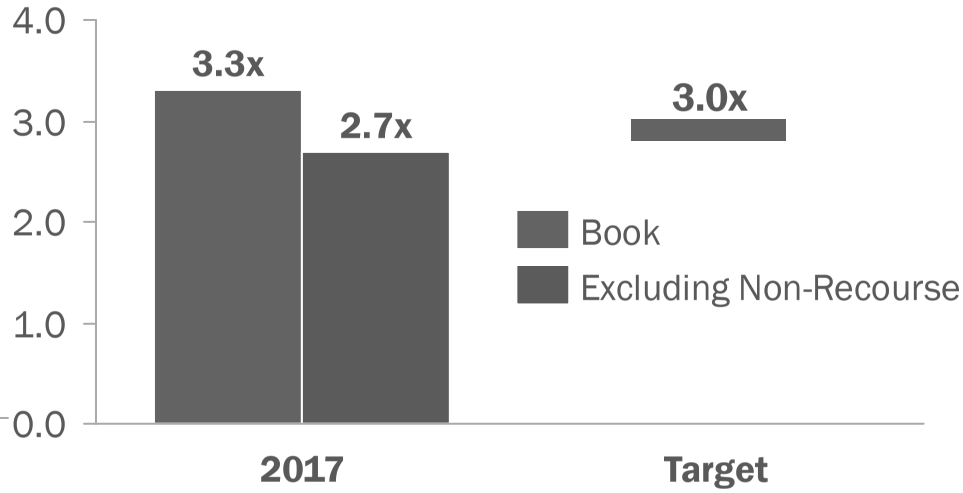
Maintaining Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %[1][4]



ExGen Debt/EBITDA Ratio[5]



Credit Ratings by Operating Company

Current Ratings [2][3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A2	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment. FFO/Debt is a non-GAAP measure. Please refer to slide 73 in the appendix for a reconciliation of FFO/Debt to the most comparable GAAP measure.
(2) Current senior unsecured ratings as of December 31, 2016 for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) Moody's has ComEd on "Positive" outlook. All other ratings have "Stable" outlook.
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA. EBITDA, a non-GAAP measure, is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense. Please refer to slide 74 in the appendix for a reconciliation of Debt/EBITDA to the most comparable GAAP measure.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

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Additional Disclosures

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Key Provisions of the Future Energy Jobs Bill

- **Zero Emission Standard**: Requires the Illinois Power Agency to procure contracts with zero emission facilities for zero emission credits (ZECs) equal to 16% of the actual electricity delivered in 2014. Cost of the program is capped at 1.65% of rates (about $235 million per year) for 10-year program duration and payments may be reduced by up to 10% if certain customer cost caps are exceeded.
  - ZEC payment calculation (subject to the caps):

- **Energy Efficiency:** ComEd will increase spending to ~$400M at the peak of the program. This spending will be treated as traditional asset investment and ComEd will be able to earn a return on it.
- **Formula Rate:** Extends the ComEd Distribution formula rate until 2022
- **Decoupling:** Revenue is decoupled from energy usage by eliminating the +/- 50 basis point collar in the formula rate
- **Renewable Portfolio Standard**: RPS is restructured to generate more renewable development, particularly, the law allows ComEd to propose developing a low-income community solar project and also will fund and place in rate base a solar rebate program for commercial and community solar developers
- **Overall Cost Caps**: Creates separate cost caps for residential, C&I, and large C&I customers that limit potential increases due to investment as a result of the legislation. Sets forth processes and remedies if projected or actual costs exceed the limitations specified in the legislation for the relevant customer class.

(1) Social cost of carbon remains flat for first six years and then escalates at $1/MWH per year thereafter

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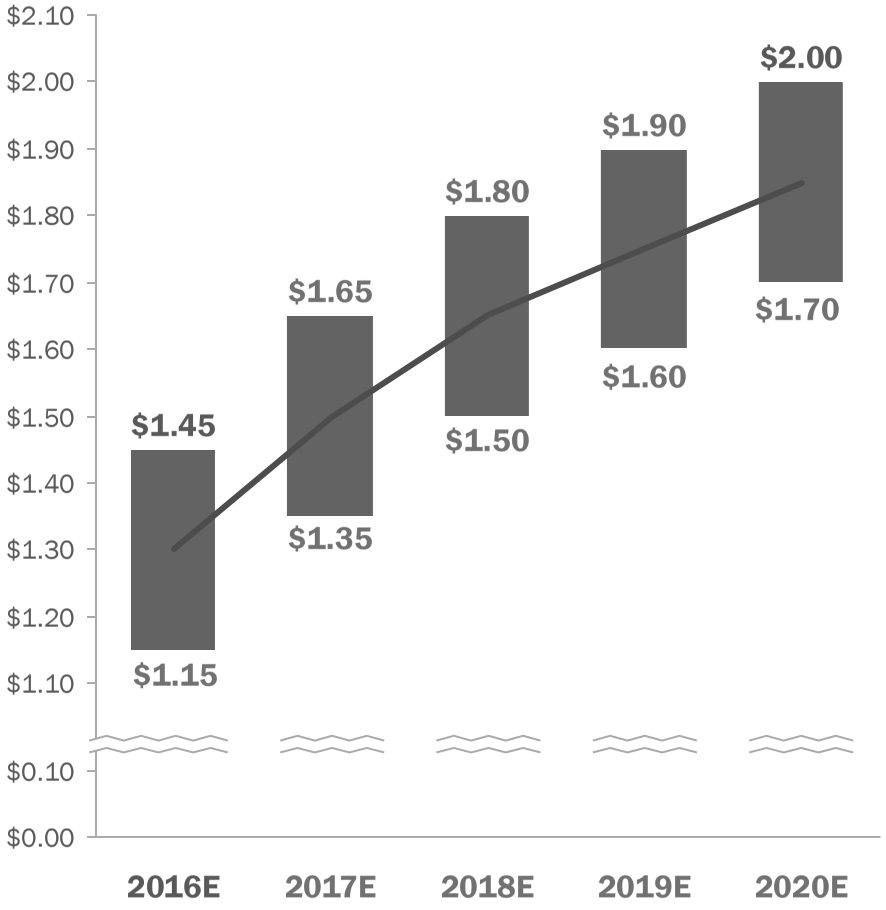
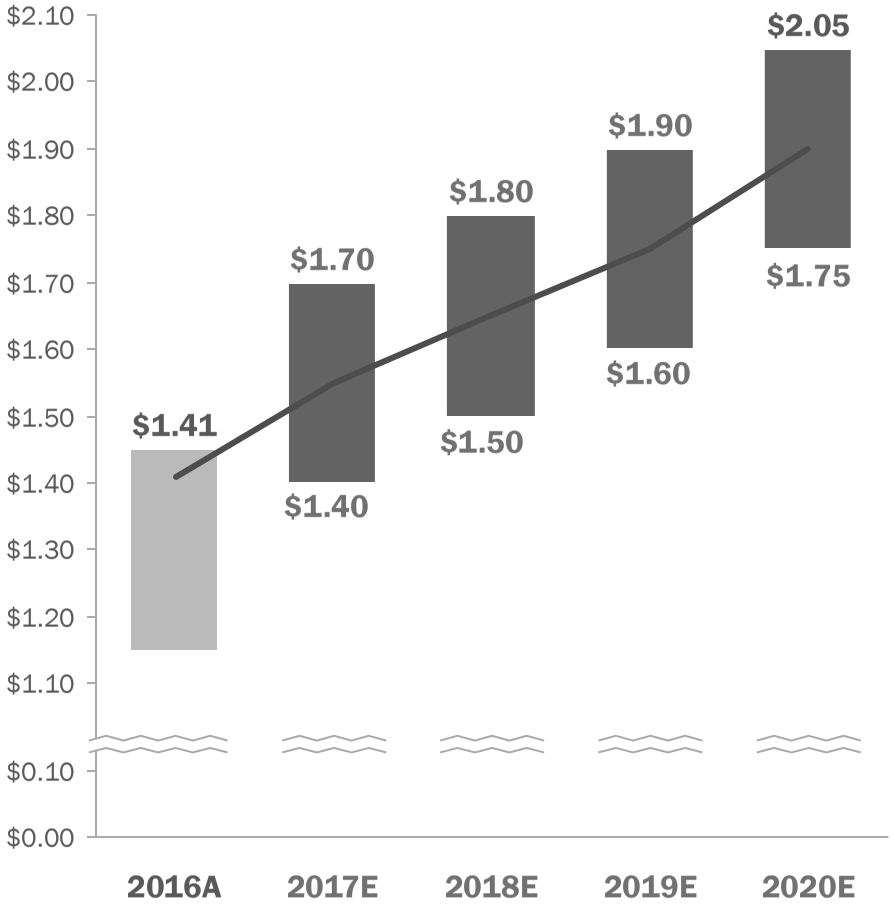
Exelon Utilities EPS Growth of 6-8% from 2017-2020

Analyst Day



Q4 Earnings



Utility growth rate is still at 6-8% despite higher earnings in 2017

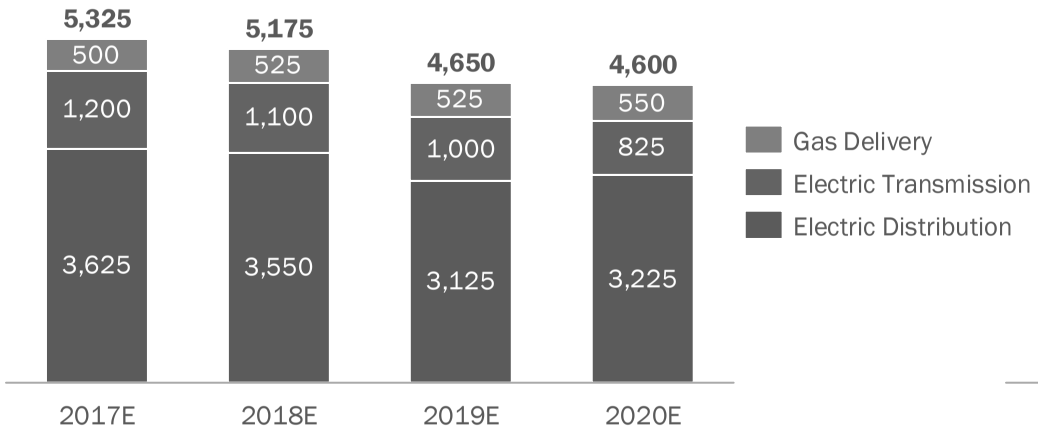
Note: Analyst day reflects GAAP operating earnings. Q4 Earnings reflects GAAP operating earnings except for 2016A and 2017. For 2016A please refer to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt costs associated with utility investment.

Exelon.

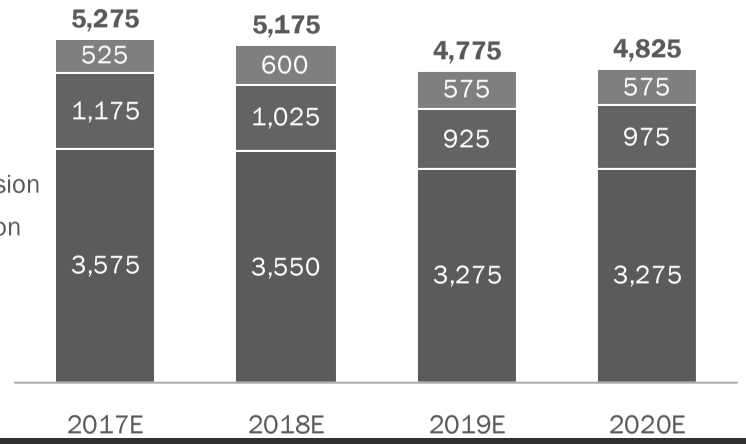
SI-SSA-0015-02474

Utility Capex and Rate Base vs. Previous Disclosure

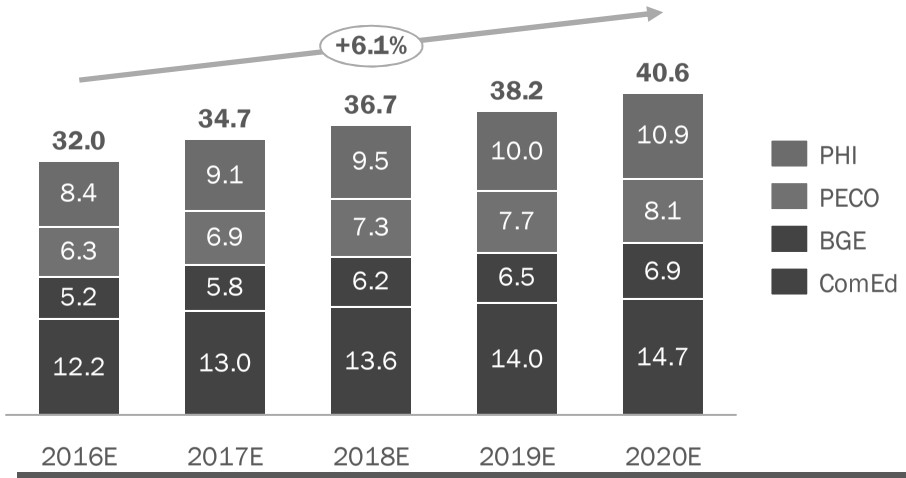
Analyst Day Rate Base CapEx ($M)



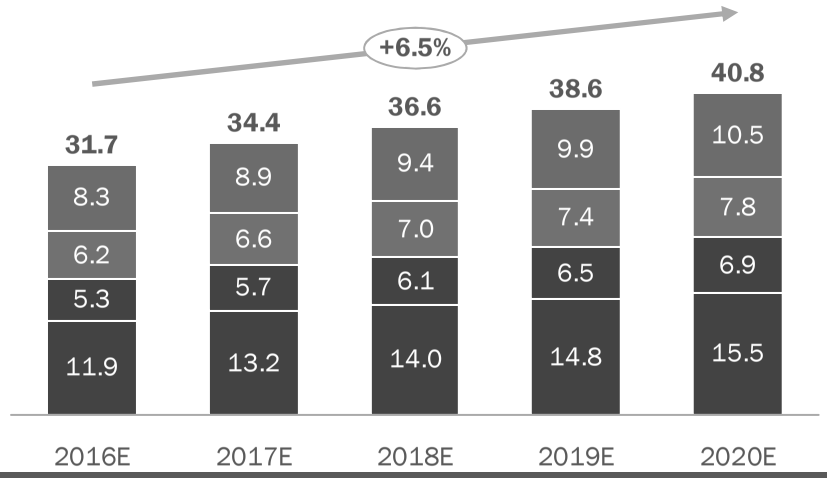
Q4 2016 CapEx ($M)



Analyst Day Rate Base ($B)



Q4 2016 Rate Base ($B)



Over $20B of capital is being invested in utilities from 2017-2020 and rate base is growing at 6.5% from 2016-2020

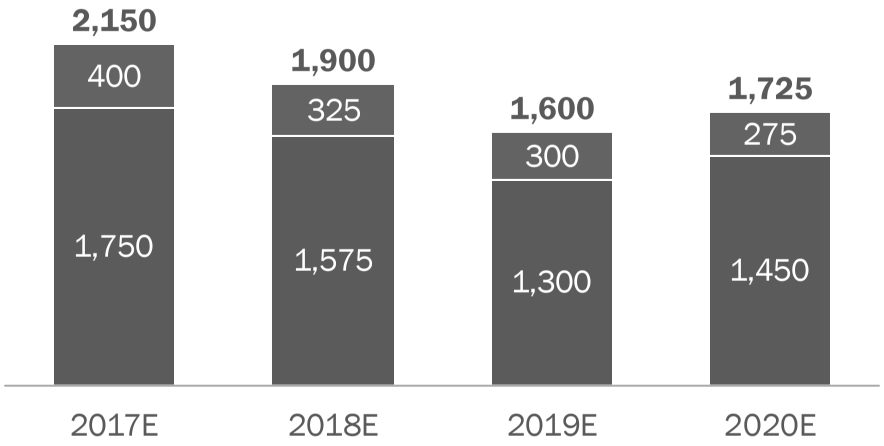
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

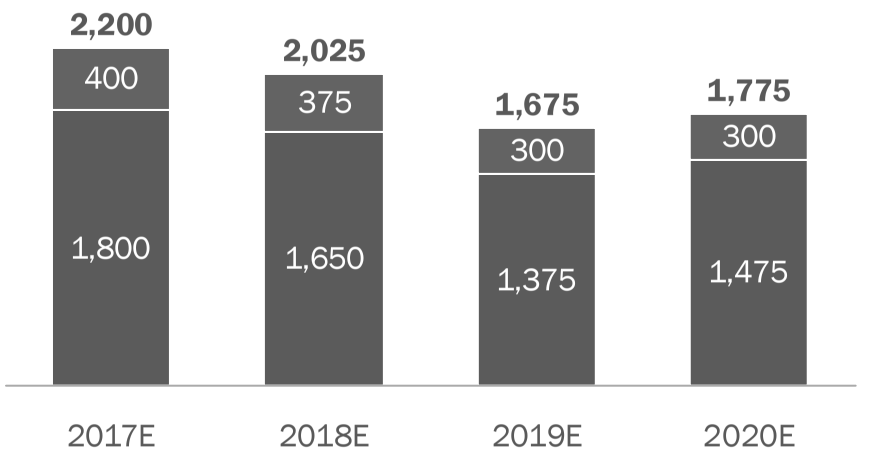
SI-SSA-0015-02475

ComEd Capital Expenditure and Rate Base Forecast

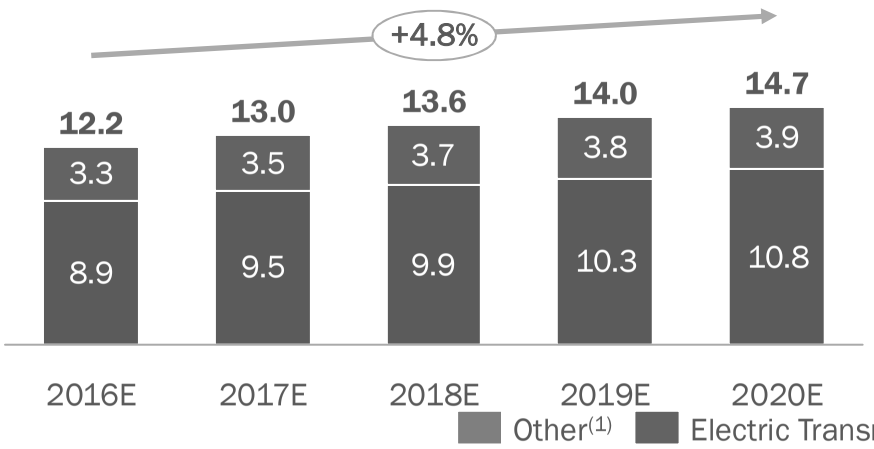
Analyst Day Capital Expenditures ($M)



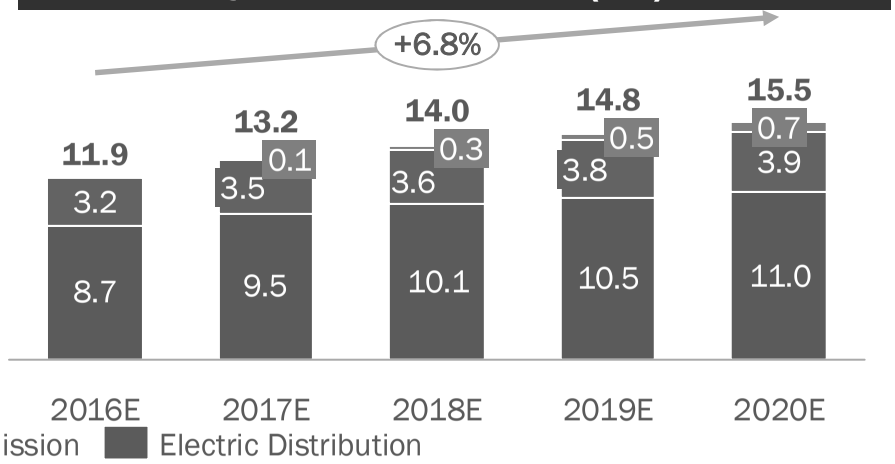
Q4 2016 Capital Expenditures ($M)



Analyst Day Rate Base ($B)



Q4 2016 Rate Base ($B)[2]



~$7.7B of Capital being invested from 2017-2020

Note: Numbers rounded to nearest $25M and may not add due to rounding

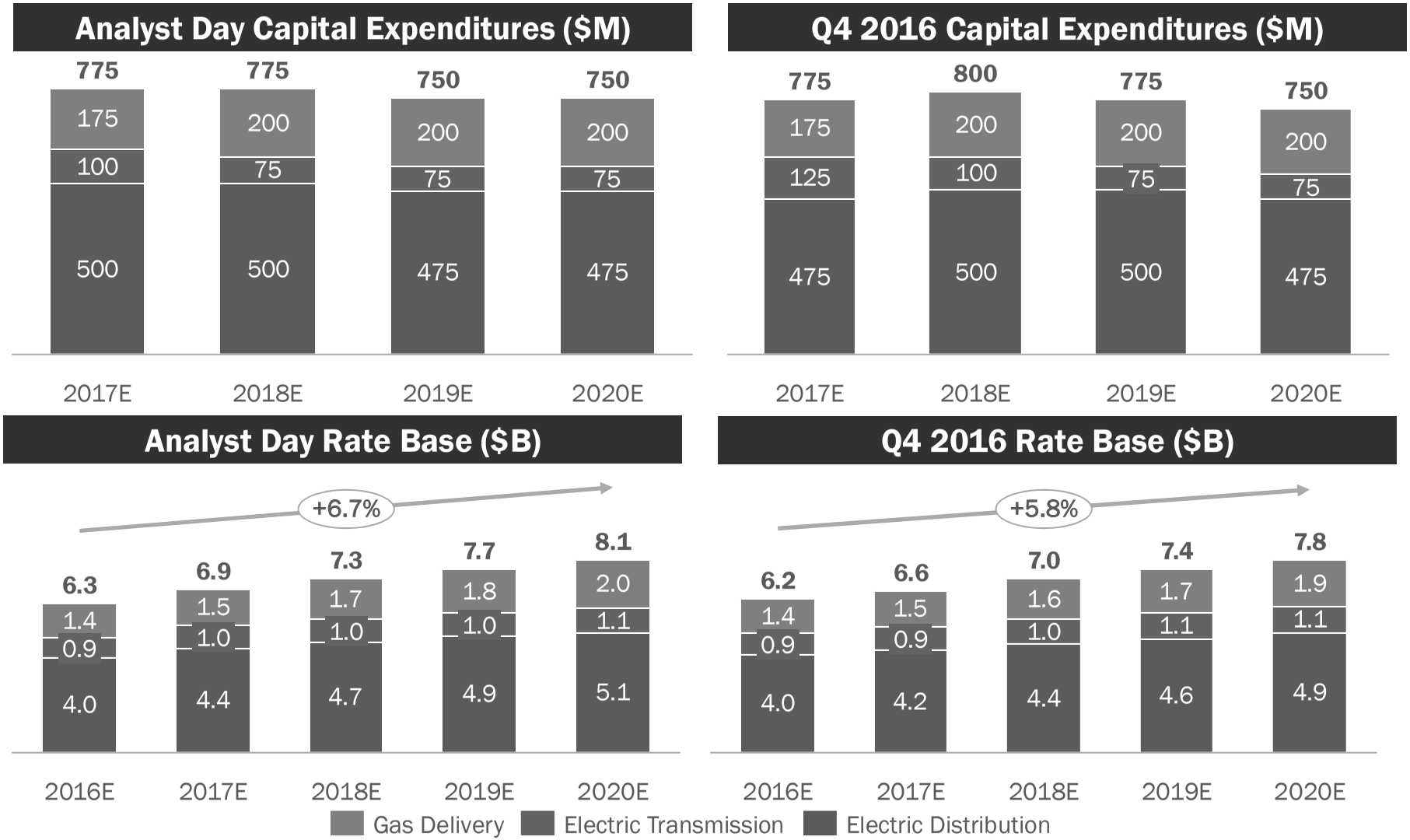
(1) Other includes long-term regulatory assets, which earn a return consistent with rate base, including Energy Efficiency and the Solar Rebate Program

(2) Rate base reflects year-end estimates

Exelon.

SI-SSA-0015-02476

PECO Capital Expenditure and Rate Base Forecast



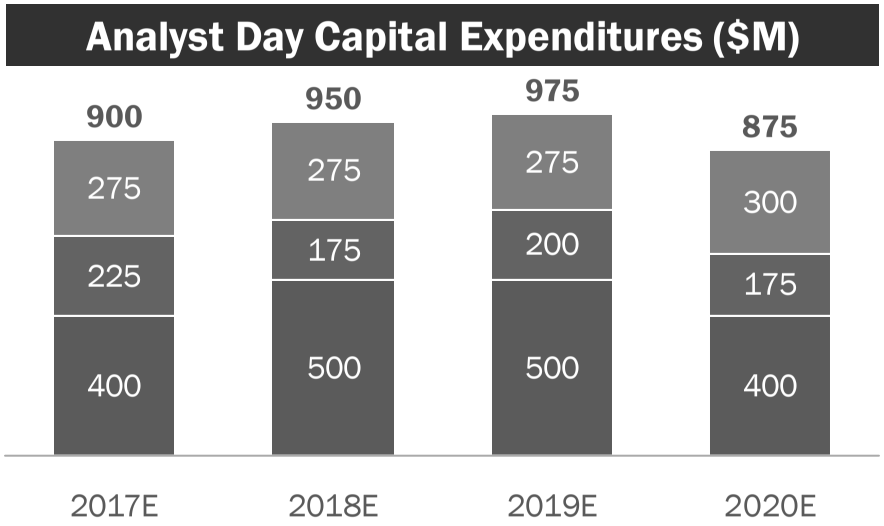
~$3.1B of Capital being invested from 2017-2020

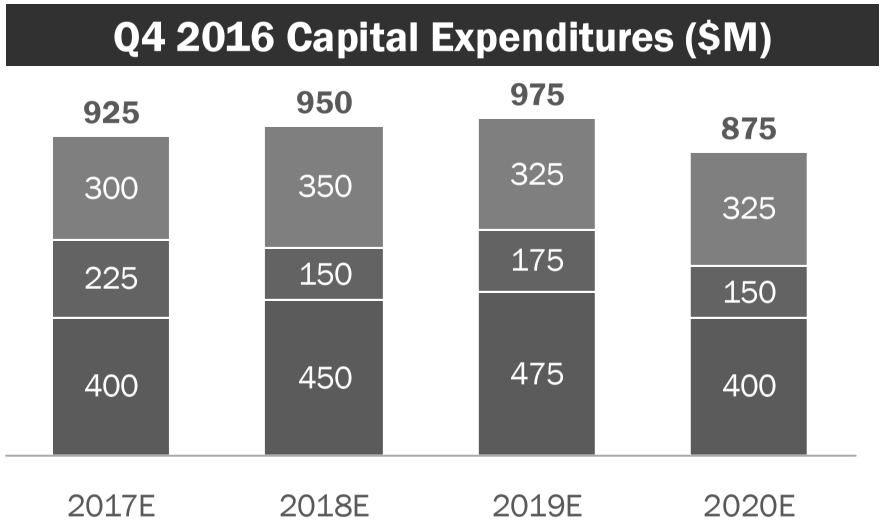
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

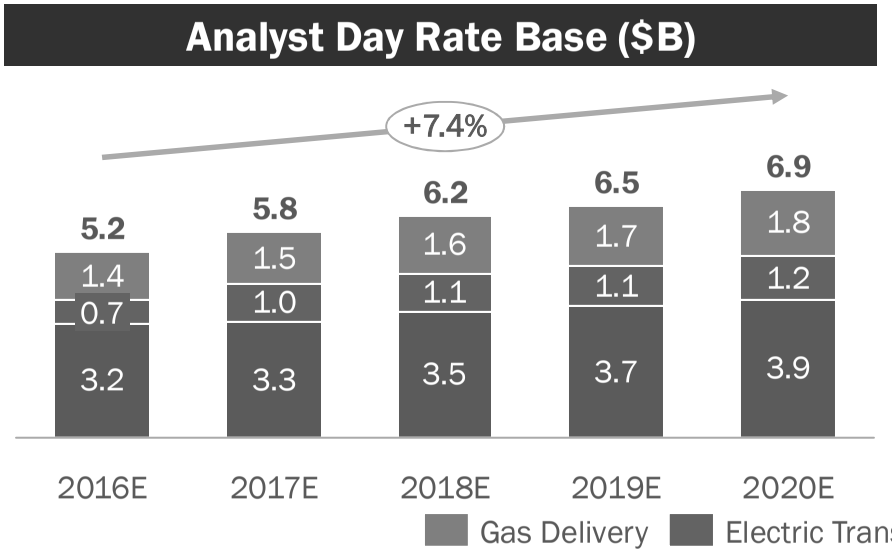
Exelon.

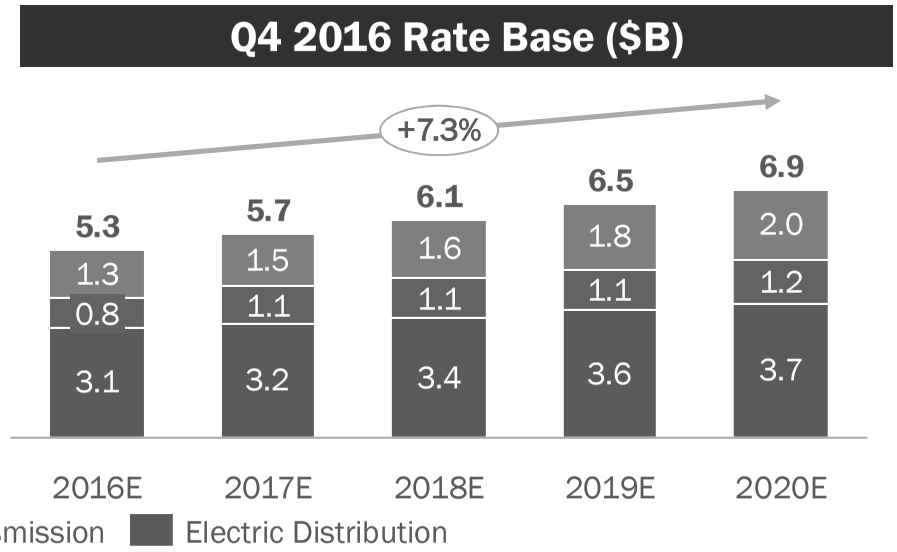
SI-SSA-0015-02477

BGE Capital Expenditure and Rate Base Forecast









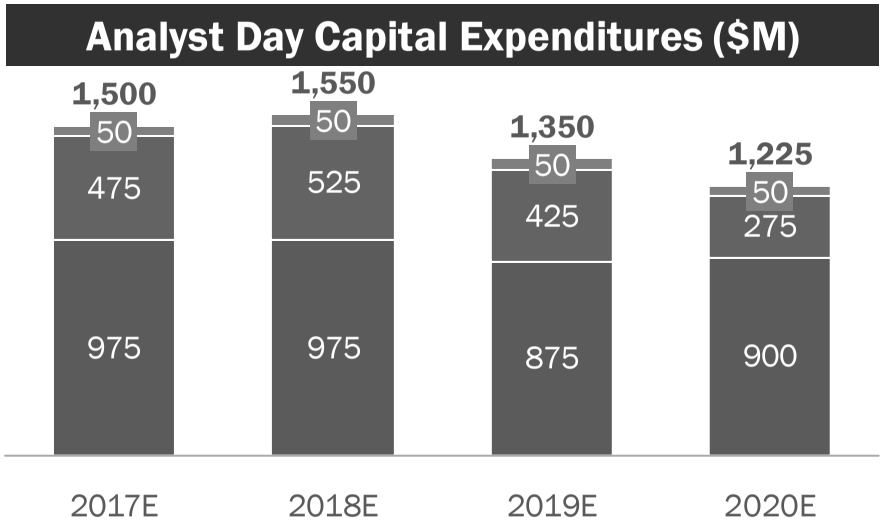
~$3.7B of Capital being invested from 2017-2020

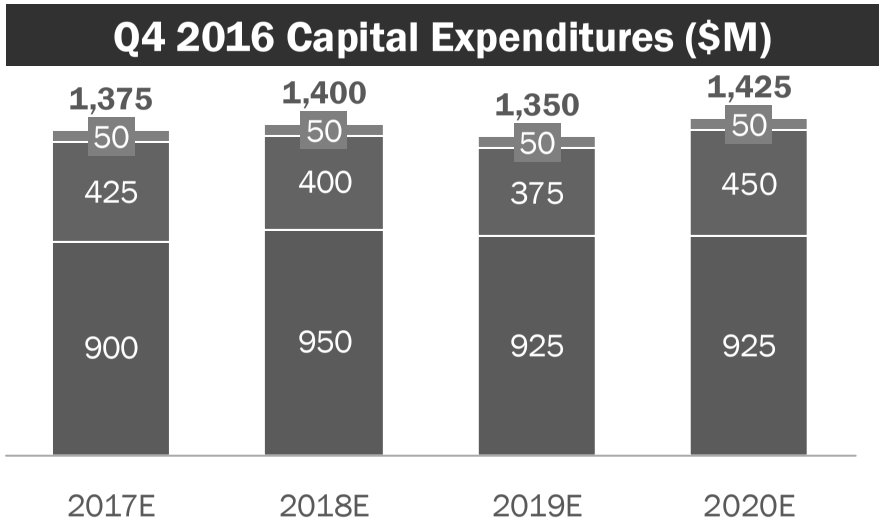
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

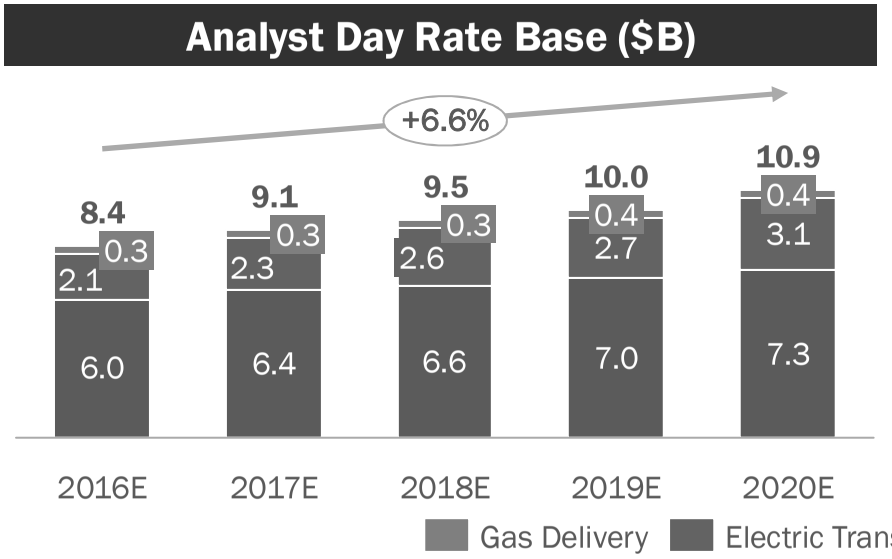
Exelon.

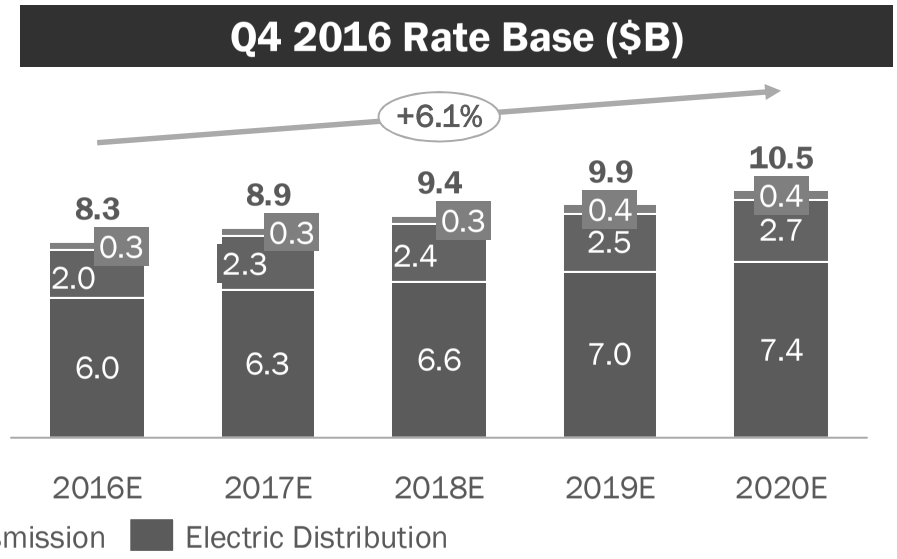
SI-SSA-0015-02478

PHI Consolidated Capital Expenditure and Rate Base Forecast









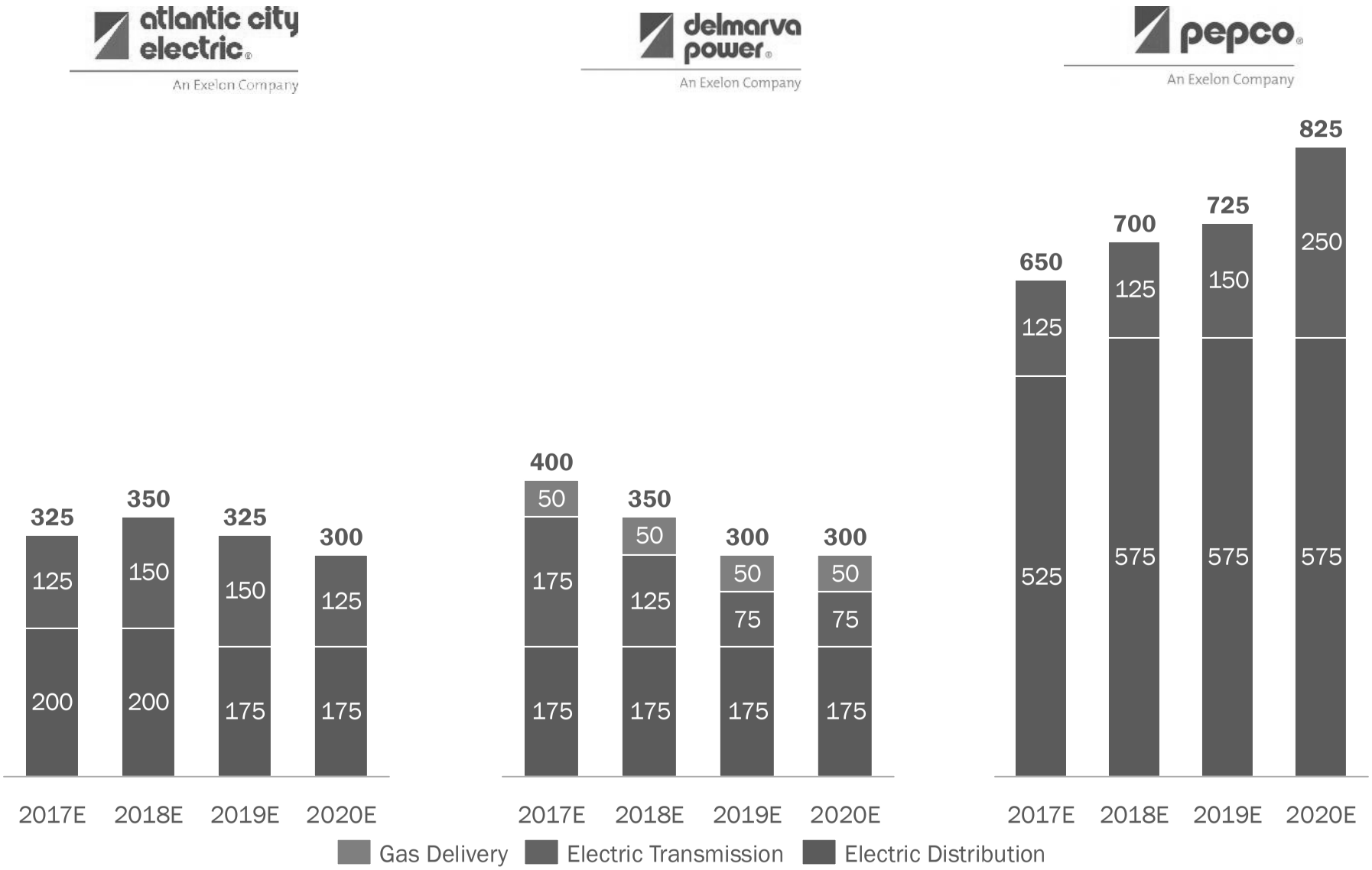
~$5.5B of Capital being invested from 2017-2020

Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

SI-SSA-0015-02479

Pepco Holdings Capital Expenditures

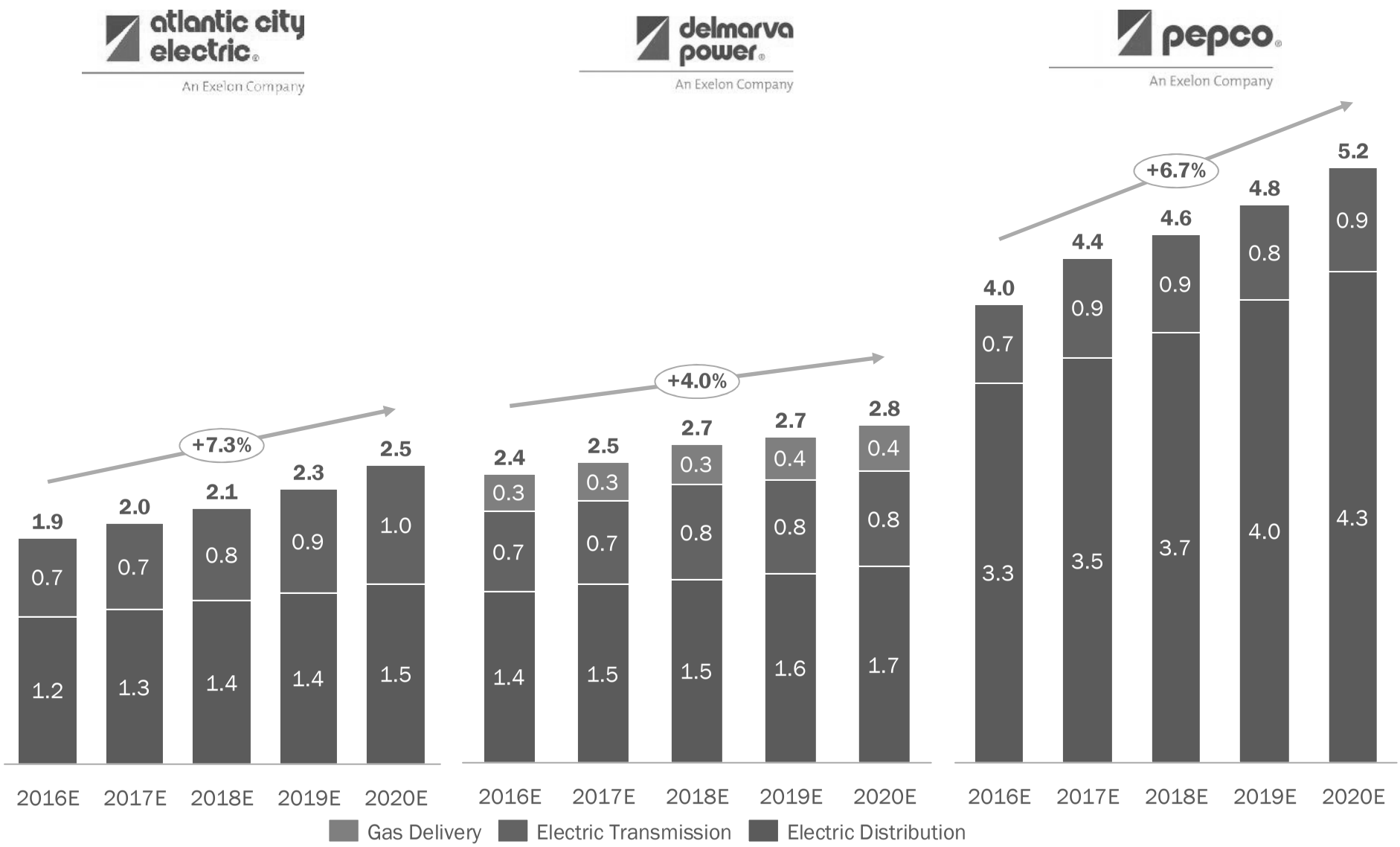


Note: Numbers rounded to nearest $25M and may not add due to rounding

Exelon.

SI-SSA-0015-02480

Pepco Holdings Rate Base Outlook



Note: All numbers denote year-end rate base and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

SI-SSA-0015-02481

Exelon Utilities Distribution Rate Case Schedule

	1/17	2/17	3/17	4/17	5/17	6/17	7/17
ComEd Electric Distribution Formula Rate				2017 FRU Filing Mid-April			Rebuttal Testimory Mid-July
Pepco Electric Distribution Rates - DC		Rebuttal Testimony Feb 1	Evidentiary Hearings Mar 15-21	Final Reply Briefs Apr 24			Commission Order Expected July 25
Delmarva Electric Distribution Rates - DE	Rebuttal Testimony Jan 11		Evidentiary Hearings Mar 7-9				
Delmarva Gas Distribution Rates - DE		Rebuttal Testimony Due Feb 10		Evidentiary Hearings Apr 5-7			
Delmarva Electric Distribution Rates - MD		Commission Order Expected Feb 17					

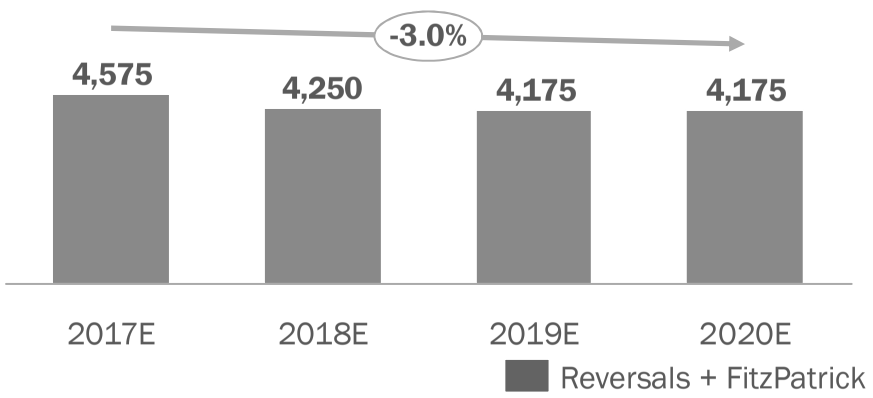
Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, DC Public Service Commission and Delaware Public Service Commission and are subject to change

Exelon.

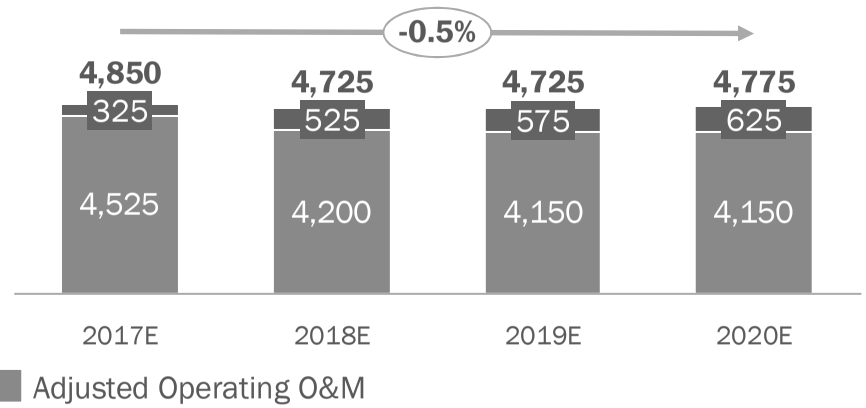
SI-SSA-0015-02482

ExGen O&M and Capex vs. Previous Disclosure

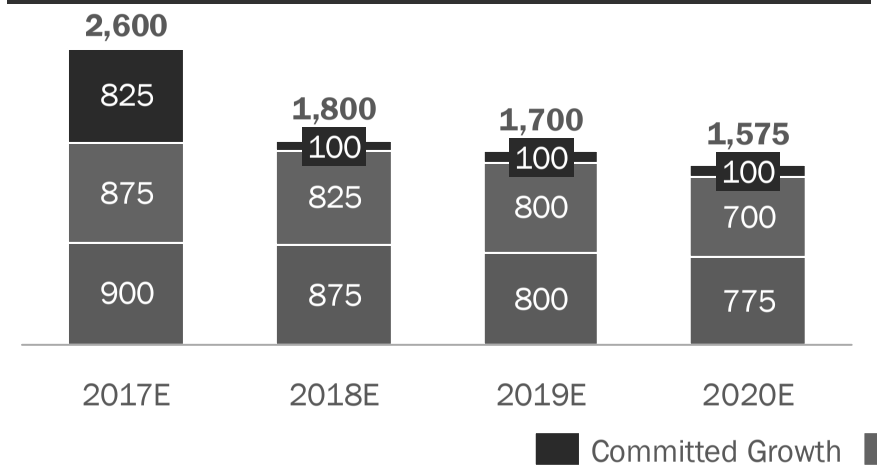
Adjusted O&M – Q3 2016 ($M)[1,2]



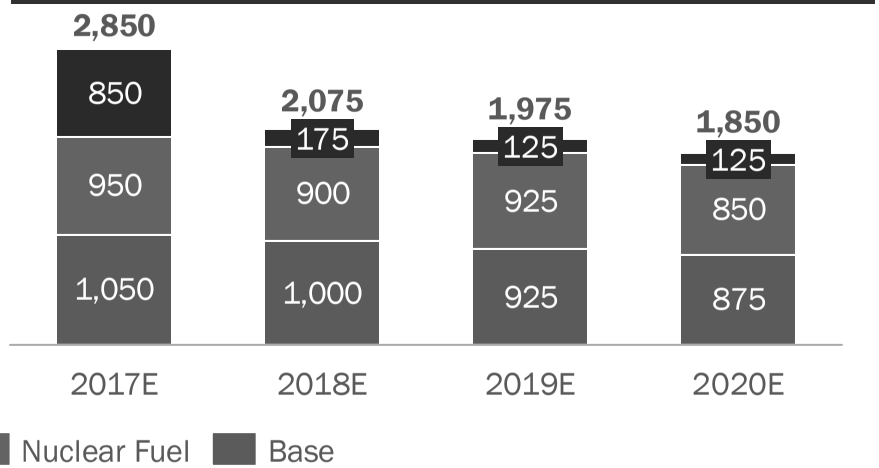
Adjusted O&M - Q4 2016 ($M)[2]



Capex - Analyst Day ($M)[1,3]



Capex - Q4 2016 ($M)[3,4]



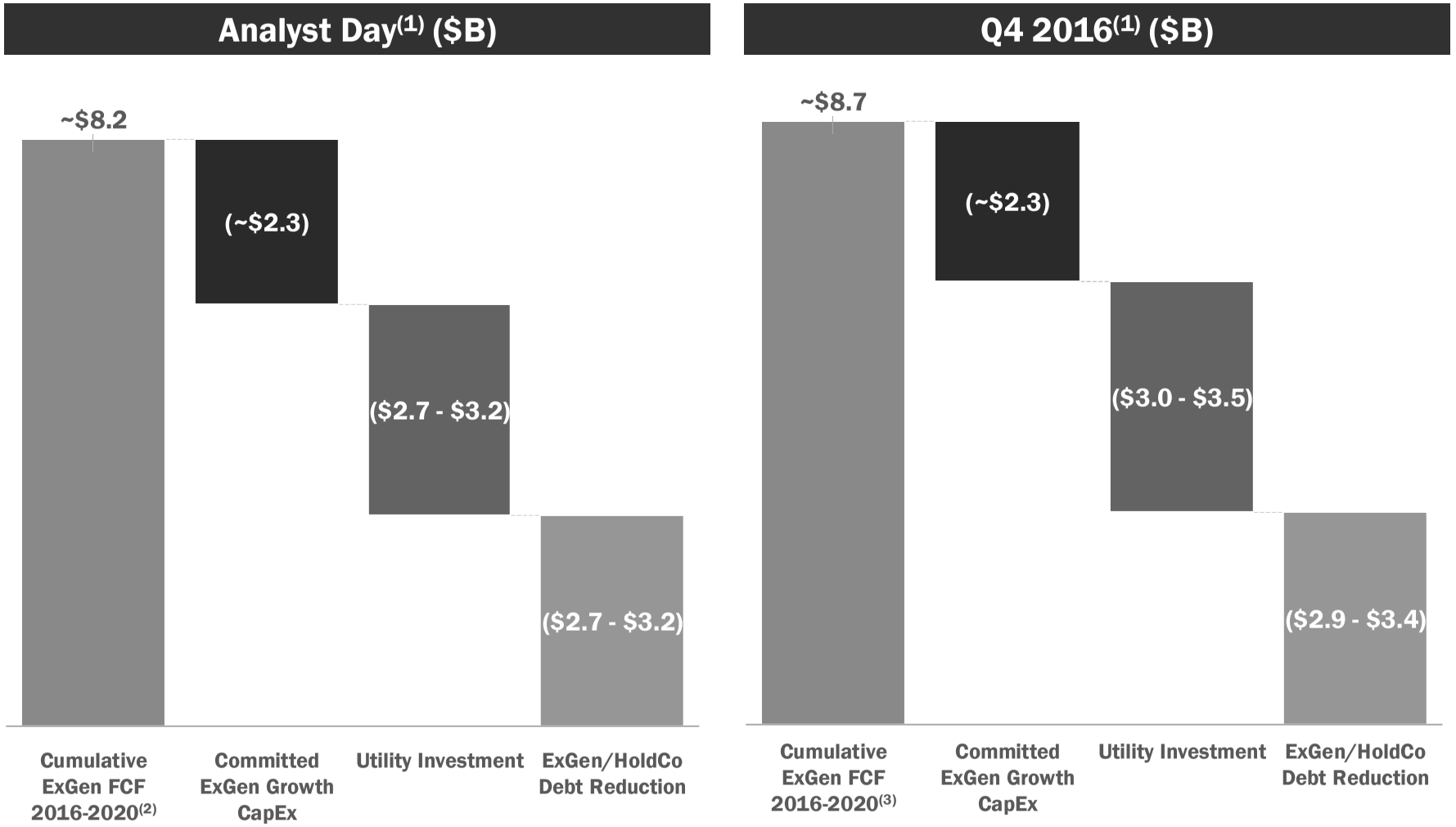
Capital and O&M now reflect reversal of IL plant closures and addition of FitzPatrick

(1) O&M and capital reflect the retirement of Clinton and Quad Cities and does not include cost of FitzPatrick acquisition
(2) Refer to slide 77 in the appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) Incremental CapEx impact of nuclear reversals and adding FitzPatrick for 2017, 2018, 2019, and 2020 at Q4 is $250M, $300M, $225M, and $275M, respectively

Exelon.

SI-SSA-0015-02483

2016-2020 Exelon Generation Free Cash Flow and Uses of Cash



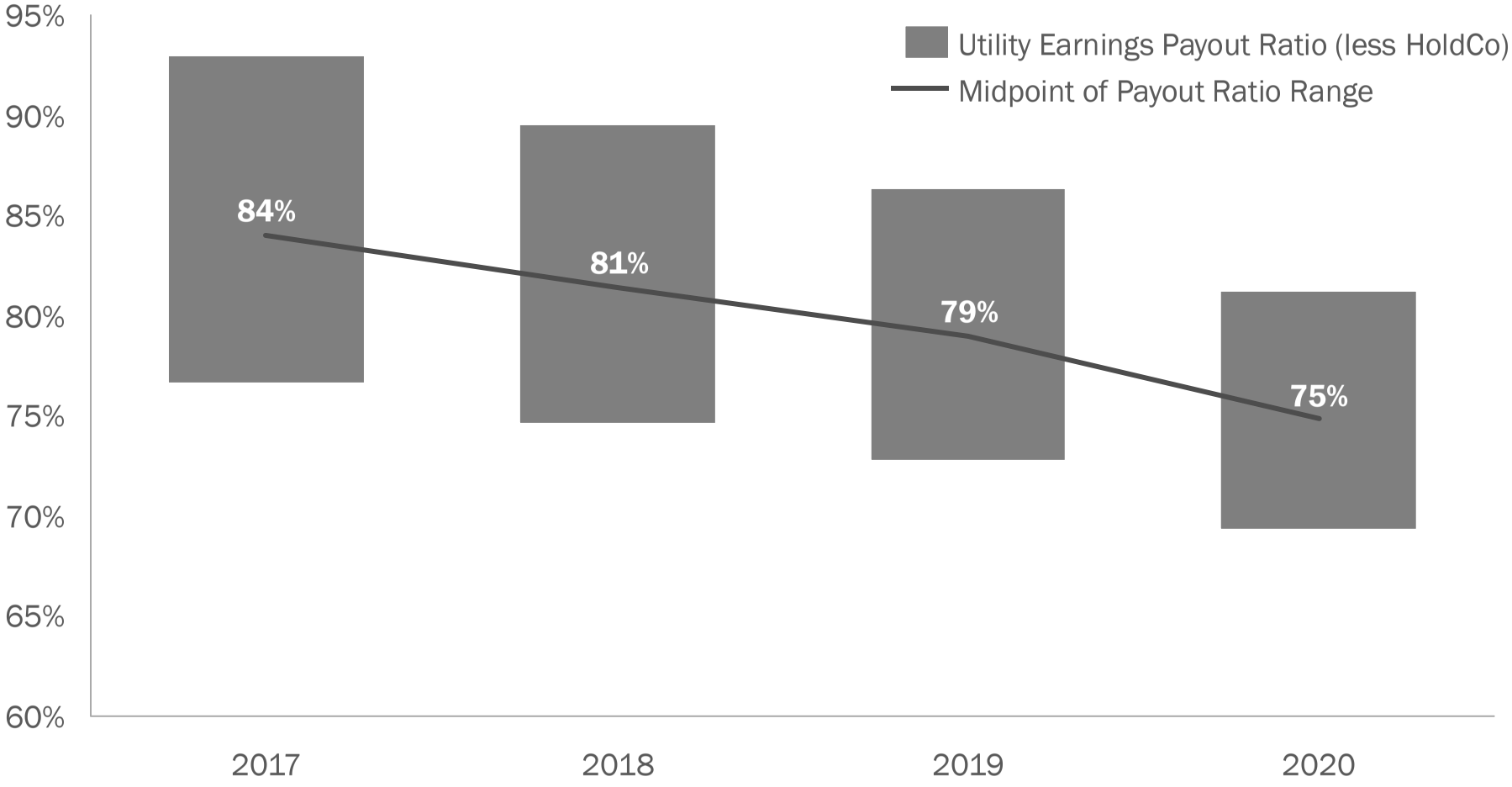
Redeploying Exelon Generation's free cash flow to maximize shareholder value

(1) Free Cash Flow is a non-GAAP Measure. See slide 77 for a reconciliation of free cash flow to the most comparable GAAP measures.
(2) Cumulative Free Cash Flow is a midpoint of a range based on June 30, 2016 market prices. It includes sources including change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.
(3) Cumulative Free Cash Flow is a midpoint of a range based on December 31, 2016 market prices. It includes sources including change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.

Exelon.

SI-SSA-0015-02484

Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

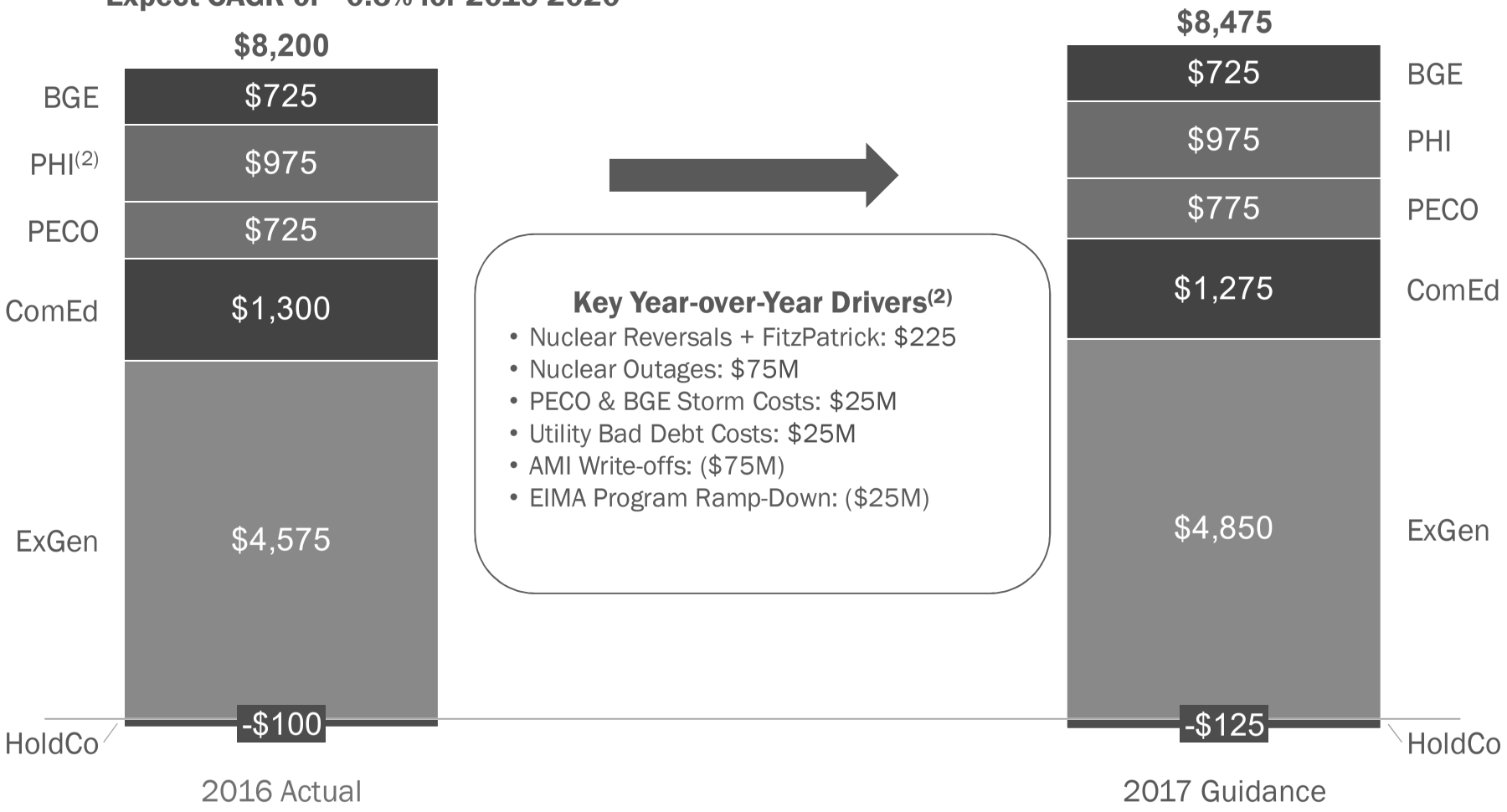
(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year 2019 and 2020; this does not signal a change in Board policy at this time. Quarterly dividends are subject to declaration by the board of directors.

Exelon.

SI-SSA-0015-02485

Adjusted O&M Forecast

- **2017 forecast of $8.5B[1]**
- **Expect CAGR of ~0.5% for 2016-2020**



(1) All amounts rounded to the nearest $25M
(2) Refer to the Appendix for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M. The Utilities adjusted O&M excludes regulatory O&M costs that are P&L neutral. ExGen adjusted O&M excludes direct cost of sales for certain Constellation businesses, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities.
(3) PHI Adjusted Operating O&M represents full year of spend

Exelon.

SI-SSA-0015-02486

2017 Projected Sources and Uses of Cash

($ in millions) [1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[9]	Exelon 2017E	Cash Balance
Beginning Cash Balance[2]									**1,025**
Adjusted Cash Flow from Operations[3,4]	725	600	725	1,125	3,150	3,625	50	6,825	
Base CapEx and Nuclear Fuel[5]	0	0	0	0	0	(2,050)	(50)	(2,125)	
Free Cash Flow	**725**	**600**	**725**	**1,125**	**3,150**	**1,550**	**0**	**4,725**	
Debt Issuances	0	1,050	325	200	1,575	750	1,150	3,475	
Debt Retirements	0	(425)	0	(150)	(550)	(700)	(1,700)	(2,950)	
Project Financing	n/a	n/a	n/a	n/a	n/a	275	n/a	275	
Equity Issuance/Share Buyback	0	0	0	0	0	0	1,150	1,150	
Contribution from Parent	150	700	0	775	1,625	0	(1,625)	0	
Other Financing[6]	225	650	150	(450)	575	150	525	1,250	
Financing	**400**	**1,975**	**475**	**375**	**3,225**	**475**	**(500)**	**3,175**	
Total Free Cash Flow and Financing	**1,125**	**2,575**	**1,200**	**1,500**	**6,400**	**2,025**	**(525)**	**7,900**	
Utility Investment	(925)	(2,200)	(775)	(1,375)	(5,250)	0	0	(5,250)	
ExGen Growth[5,7]	0	0	0	0	0	(850)	0	(850)	
Acquisitions and Divestitures	0	0	0	0	0	50	0	50	
Equity Investments	0	0	0	0	0	(50)	0	(50)	
Dividend[8]	0	0	0	0	0	0	(1,225)	(1,225)	
Other CapEx and Dividend	**(925)**	**(2,200)**	**(775)**	**(1,375)**	**(5,250)**	**(875)**	**(1,225)**	**(7,350)**	
Total Cash Flow	**200**	**400**	**425**	**125**	**1,150**	**1,150**	**(1,750)**	**550**	
Ending Cash Balance[2]									**1,575**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Excludes counterparty collateral activity

(4) Adjusted Cash Flow from Operations (non-GAAP) primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net M&A, and equity investments. Please refer to slide 76 for reconciliations to GAAP cash flow measures.

(5) Figures reflect cash CapEx and CENG fleet at 100%

(6) Other Financing includes expected changes in short-term debt, money pool borrowings, tax sharing from the parent, debt issue costs, CENG borrowing from Sumitomo, tax equity cash flows, capital leases, and CENG tax distributions to EDF

(7) ExGen Growth CapEx includes Phoenix, West Medway, AGE, Nuclear relicensing, Nuclear Uprates, and Retail Solar

(8) Dividends are subject to declaration by the Board of Directors.

(9) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $4.7B of free cash flow, including $1.6B at ExGen and $3.2B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ ExGen plans to issue $0.8B of long-term debt to fund dividend to parent to support LKE

Enable growth & value creation

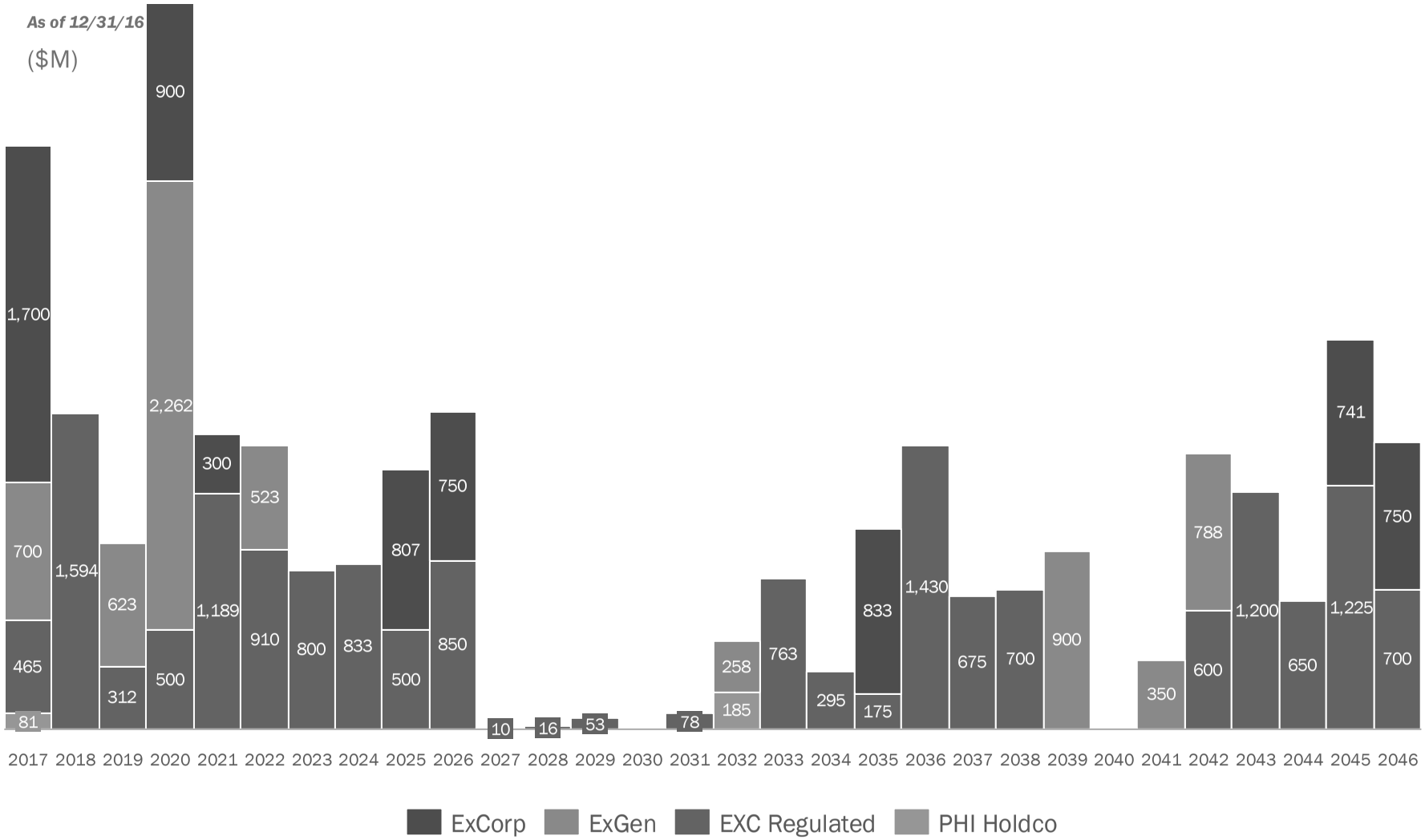
Creating value for customers, communities and shareholders

- ✓ Investing $6.1B, with $5.3B at the Utilities and $0.9B at ExGen

Exelon.

SI-SSA-0015-02487

Exelon Debt Maturity Profile



Exelon's weighted average LTD maturity is approximately 13 years

Note: ExCorp debt includes $1,150M mandatory convertible units remarketing in 2017; ExGen debt includes legacy CEG debt; excludes securitized debt and non-recourse debt

Exelon.

SI-SSA-0015-02488

Pension and OPEB Contributions and Expense

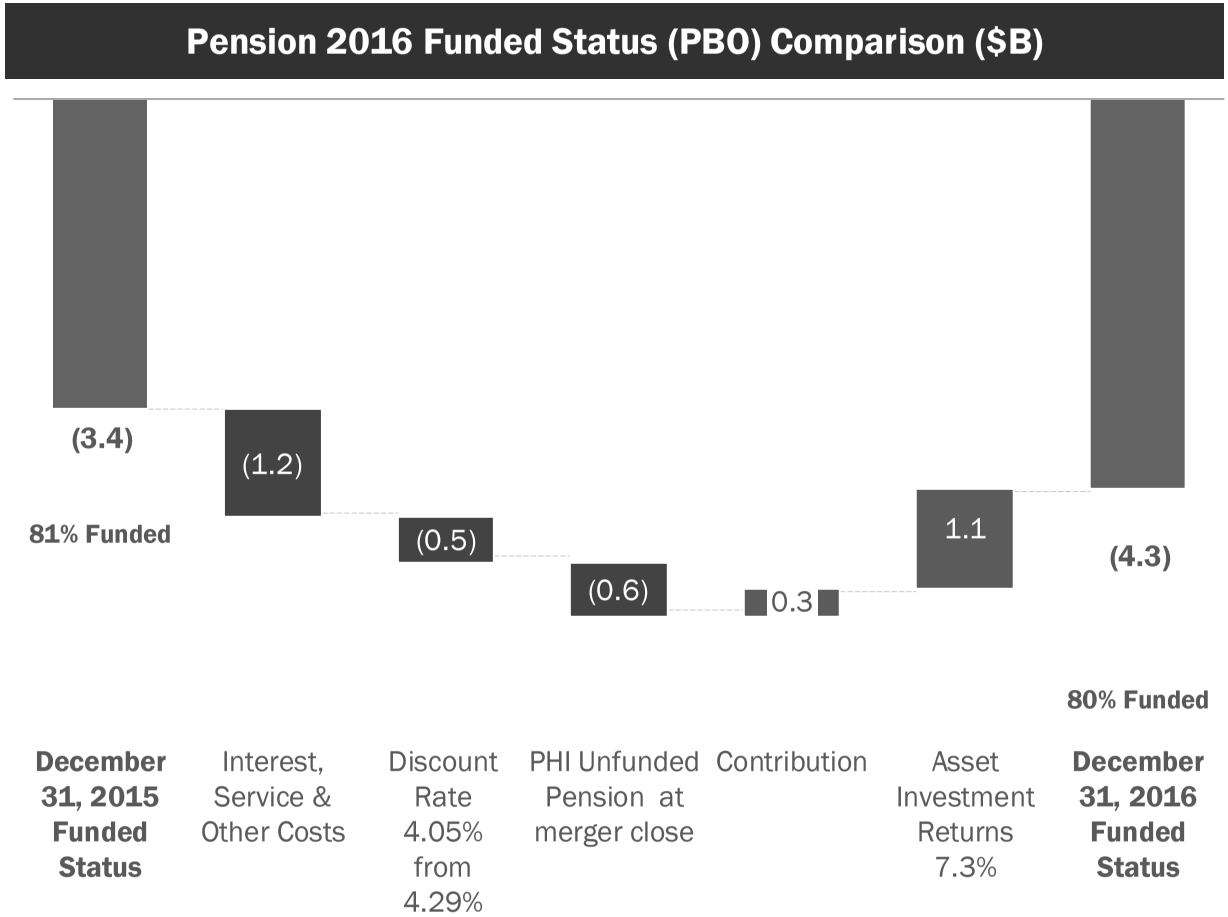
	2016[1]		2017	
(in $M)	Pre-Tax Expense[2]	Contributions	Pre-Tax Expense[2]	Contributions
Qualified Pension [3,4,5]	$410	$310	$435	$310
Non-Qualified Pension	20	35	20	25
OPEB[4,5]	5	50	(5)	45
Total	**$435**	**$395**	**$450**	**$380**

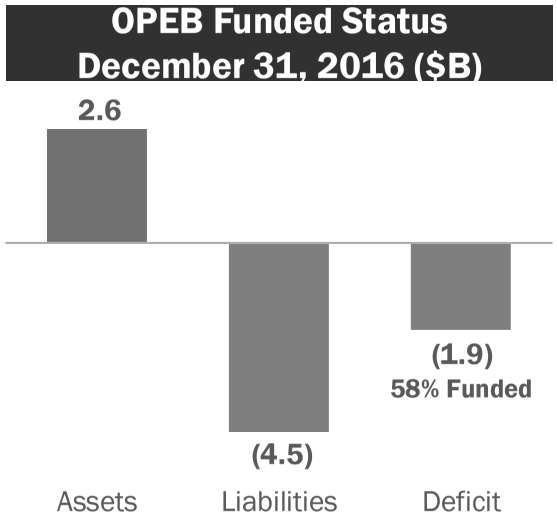
(1) PHI expense is included for the post-merger period (March 24 - December 31, 2016)
(2) Pension and OPEB expenses assume a 30% and 27% capitalization rate for 2016 and 2017, respectively
(3) The Balanced Funding Strategy for the Qualified Plans provides pension funding of the greater of $250M or minimum required contributions plus amounts required to avoid benefit restrictions and at-risk status for the legacy Exelon plans. PHI qualified plan contributions are $60M.
(4) Expected return on assets for pension is 7.00% and for OPEB is 6.70%
(5) Pension and OPEB discount rates are 4.29% for legacy Exelon plans and ~4% for PHI for 2016. Discount rates are 4.04% and ~4.11% for Exelon and PHI, respectively, for 2017.

Exelon.

SI-SSA-0015-02489

Pension and OPEB – Funded Status and Performance





- Based on estimates from Goldman Sachs, the aggregate funded status for pension plans in S&P 500 companies is 82% at the end of 2016
- Exelon is funded status for funding purposes (PPA) is significantly higher than PBO/GAAP funded status, which results in no required material pension contributions over the LRP period

Exelon.

SI-SSA-0015-02490

EPS Sensitivities

		2017	2018	2019
ExGen EPS Impact(1,2)	Henry Hub Natural Gas			
	+$1/MMBtu	$0.02	$0.16	$0.22
	-$1/MMBtu	$0.02	($0.14)	($0.20)
	NiHub ATC Energy Price			
	+$5/MWh	$0.03	$0.16	$0.23
	-$5/MWh	($0.03)	($0.16)	($0.23)
	PJM-W ATC Energy Price			
	+$5/MWh	$0.00	$0.05	$0.12
	-$5/MWh	$0.00	($0.06)	($0.12)
ComEd EPS Impact	**30 Year Treasury Rate**			
	+50 basis points	$0.02	$0.02	$0.03
	-50 basis points	($0.02)	($0.02)	($0.03)
	Share Count *(millions)*	949	968	972
	Effective Tax Rate	~34%	~34%	~33%

(1) Based on December 31, 2016 market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

(2) Represents adjusted (non-GAAP) operating earnings. Refer to slide 72 for a list of adjustments from GAAP EPS to adjusted (non-GAAP) operating earnings.

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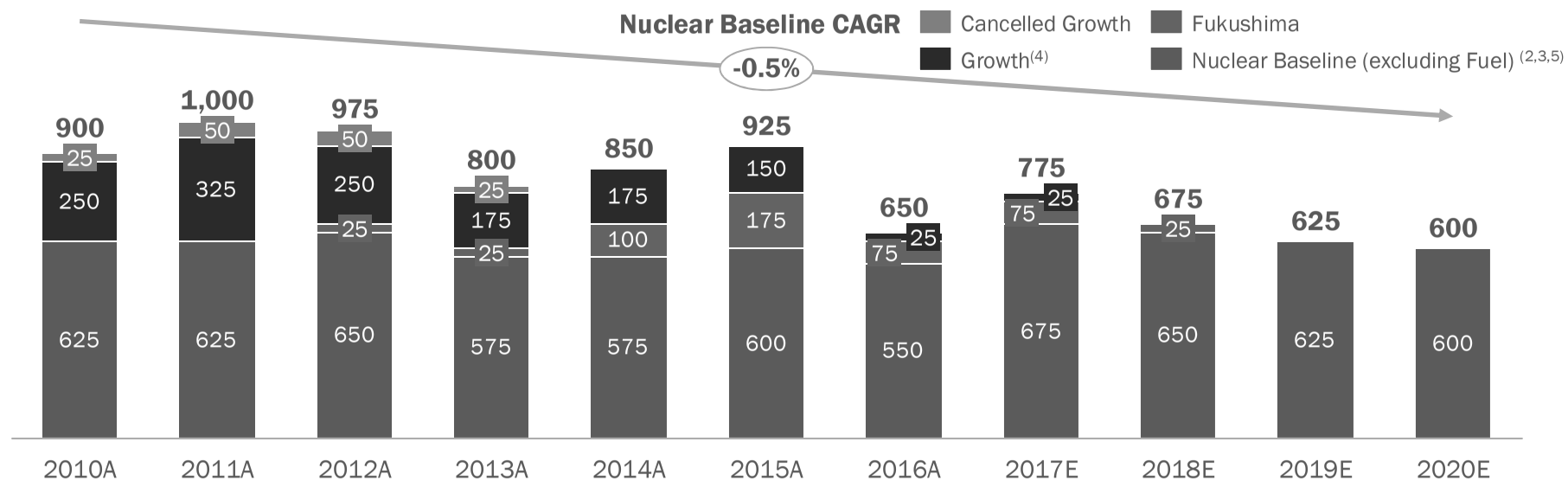
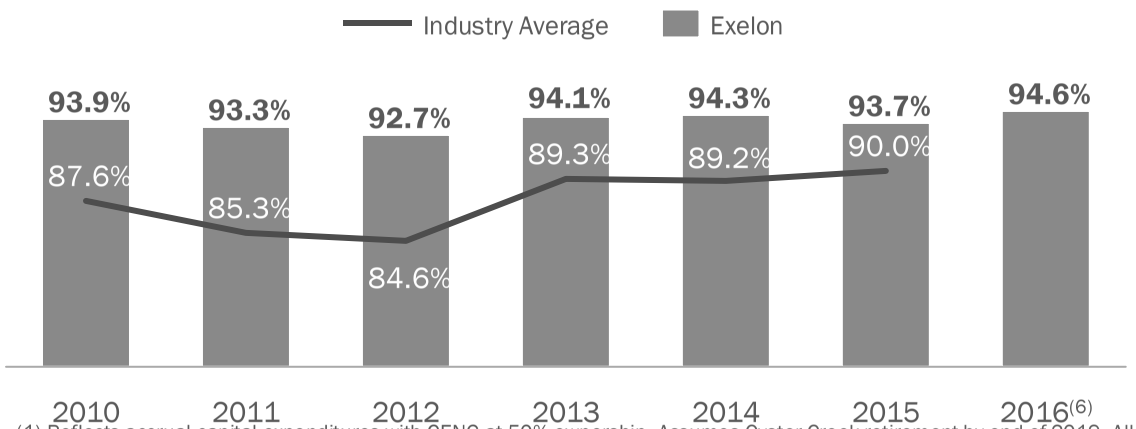
Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as levering reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.5%, even with net addition of 3 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek retirement by end of 2019. All numbers rounded to $25M. (2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year) (3) FitzPatrick included starting in 2017 (9 months only) (4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals) (5) Includes CENG beginning in April 2014, excludes Salem and Fort Calhoun (6) 2016 industry average excluding Exelon was not available at time of publication

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Exelon Generation Disclosures

December 31, 2016

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Portfolio Management Strategy

Strategic Policy Alignment

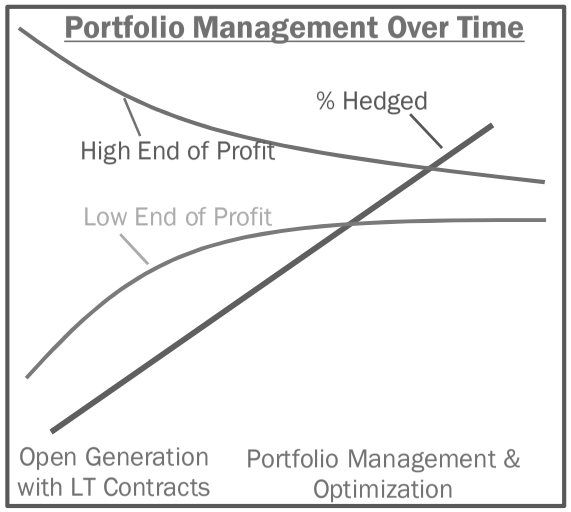
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

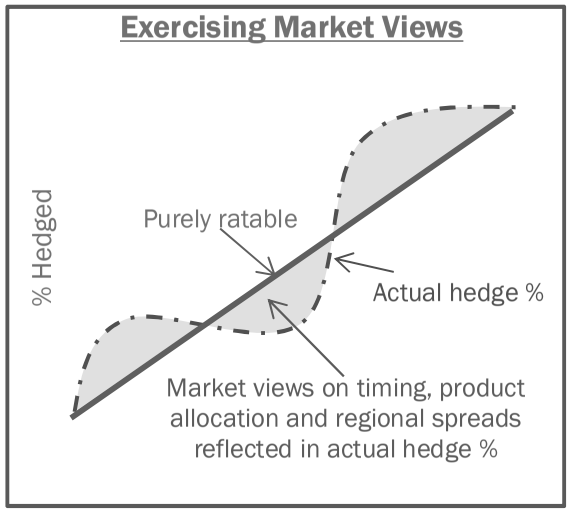
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

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ExGen Disclosures

	December 31, 2016			September 30, 2016			Change from Sep 30, 2016		
Gross Margin Category ($M) [1]	**2017**	**2018**	**2019**				**2017**	**2018**	**2019**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$4,100	$4,200	$4,050	$3,800	$3,650	$3,600	$300	$550	$450
Capacity and ZEC Revenues[3]	$1,850	$2,250	$2,050	$1,450	$1,700	$1,450	$400	$550	$600
Mark-to-Market of Hedges[3,4]	$1,200	$450	$350	$1,200	$500	$300	-	$(50)	$50
Power New Business / To Go	$550	$900	$950	$600	$900	$950	$(50)	-	-
Non-Power Margins Executed	$200	$100	$50	$150	$100	$50	$50	-	-
Non-Power New Business / To Go	$250	$400	$450	$300	$400	$450	$(50)	-	-
Total Gross Margin[2,5,6]	**$8,150**	**$8,300**	**$7,900**	**$7,500**	**$7,250**	**$6,800**	**$650**	**$1,050**	**$1,100**

Reference Prices[5]	**2017**	**2018**	**2019**
Henry Hub Natural Gas ($/MMbtu)	$3.63	$3.14	$2.87
Midwest: NiHub ATC prices ($/MWh)	$28.95	$27.76	$26.76
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.26	$32.02	$30.32
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$2.51	$2.48	$2.73
New York: NY Zone A ($/MWh)	$30.93	$30.63	$30.37
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.68	$5.93	$5.03

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. See Slide 50 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
5) Based on December 31, 2016 market conditions
6) Reflects Oyster Creek retirement in December 2019

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ExGen Disclosures

	Previous Format September 30, 2016			New Format September 30, 2016		
Gross Margin Category ($M) [1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[3] (including South, West, Canada hedged gross margin)	$5,250	$5,350	$5,050	$3,800	$3,650	$3,600
Capacity and ZEC Revenues[3]	$0	$0	$0	$1,450	$1,700	$1,450
Mark-to-Market of Hedges[3,4]	$1,200	$500	$300	$1,200	$500	$300
Power New Business / To Go	$600	$900	$950	$600	$900	$950
Non-Power Margins Executed	$150	$100	$50	$150	$100	$50
Non-Power New Business / To Go	$300	$400	$450	$300	$400	$450
Total Gross Margin[2,5,6]	**$7,500**	**$7,250**	**$6,800**	**$7,500**	**$7,250**	**$6,800**

1) Gross margin categories rounded to nearest $50M
2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. See Slide 50 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.
3) Excludes EDF's equity ownership share of the CENG Joint Venture
4) Mark-to-Market of Hedges assumes mid-point of hedge percentages
5) Based on December 31, 2016 market conditions
6) Reflects Oyster Creek retirement in December 2019

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ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**204,800**	**208,300**	**211,700**
Midwest	95,400	95,900	96,900
Mid-Atlantic[2,6]	60,200	60,300	60,000
ERCOT	23,000	28,100	29,100
New York[2]	14,500	15,400	16,600
New England	11,700	8,600	9,100
% of Expected Generation Hedged[3]	**91%-94%**	**56%-59%**	**28%-31%**
Midwest	88%-91%	47%-50%	21%-24%
Mid-Atlantic[2,6]	98%-101%	67%-70%	37%-40%
ERCOT	85%-88%	60%-63%	32%-35%
New York[2]	92%-95%	51%-54%	34%-37%
New England	97%-100%	66%-69%	33%-36%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$32.00	$30.00	$29.50
Mid-Atlantic[2,6]	$43.50	$38.50	$40.00
ERCOT[5]	$6.50	$4.50	$3.50
New York[2]	$42.00	$35.00	$31.50
New England[5]	$15.00	$6.50	$6.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 12 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.3% and 94.5% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek retirement in December 2019

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ExGen Hedged Gross Margin Sensitivities

Gross Margin Sensitivities (with Existing Hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$35	$250	$345
- $1/Mmbtu	$25	$(225)	$(310)
NiHub ATC Energy Price			
+ $5/MWh	$45	$250	$360
- $5/MWh	$(45)	$(245)	$(360)
PJM-W ATC Energy Price			
+ $5/MWh	$5	$85	$195
- $5/MWh	$5	$(90)	$(185)
NYPP Zone A ATC Energy Price			
+ $5/MWh	$5	$40	$50
- $5/MWh	$(10)	$(35)	$(50)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $40	+/- $35

(1) Based on December 31, 2016 market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture. Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. Refer to slide 50 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

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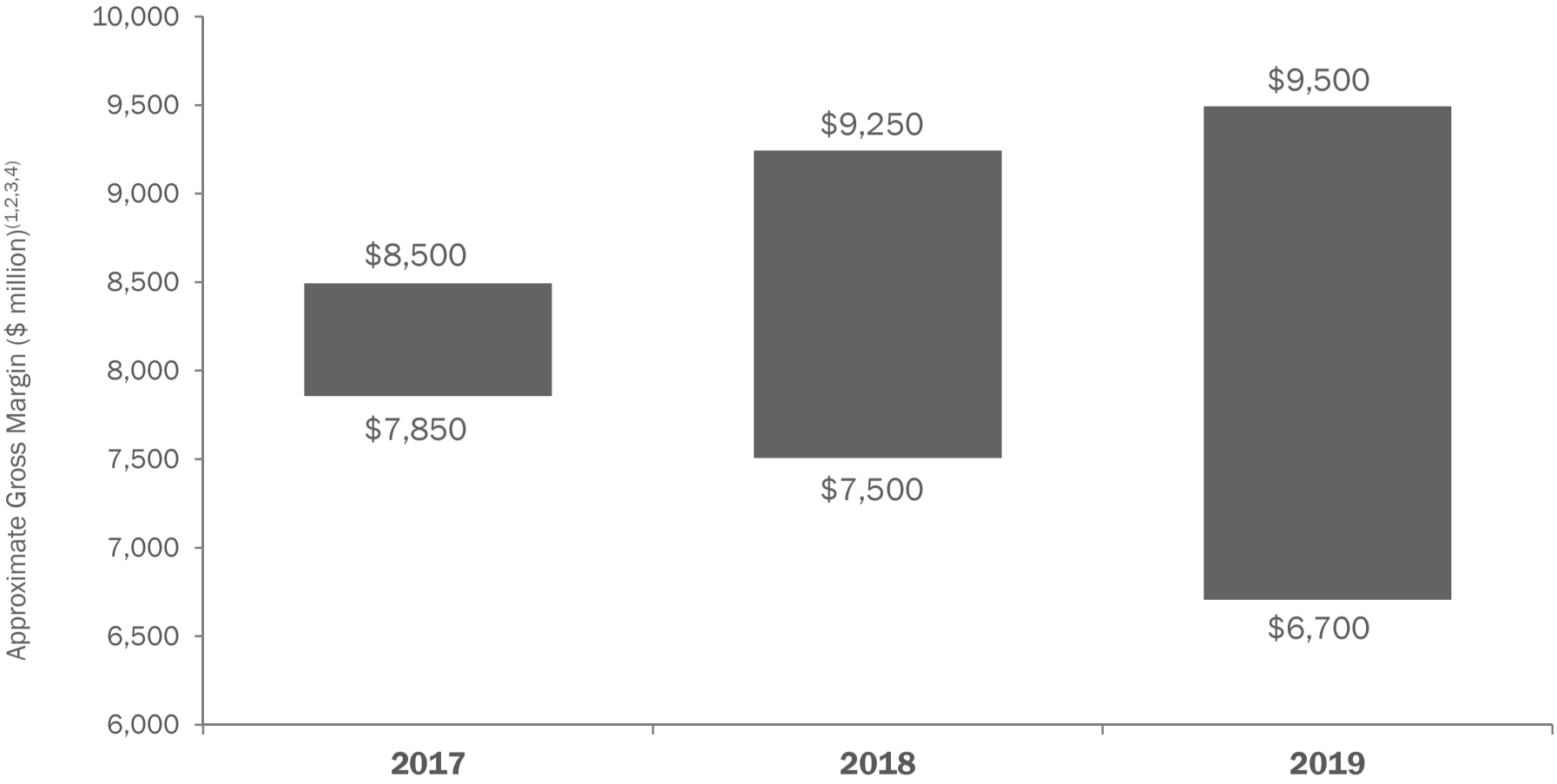
ExGen Hedged Gross Margin Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2016.

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. Excludes EDF's equity ownership share of the CENG Joint Venture. Refer to slide 50 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

(4) Reflects Oyster Creek retirement in December 2019

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Illustrative Example of Modeling Exelon Generation 2018 Gross Margin

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4.2 billion →					
(B)	Capacity and ZEC	← $2.25 billion →					
(C)	Expected Generation (TWh)	95.9	60.3	28.1	15.4	8.6	
(D)	Hedge % (assuming mid-point of range)	48.5%	68.5%	61.5%	52.5%	67.5%	
(E=C*D)	Hedged Volume (TWh)	46.5	41.3	17.3	8.1	5.8	
(F)	Effective Realized Energy Price ($/MWh)	$30.00	$38.50	$4.50	$35.00	$6.50	
(G)	Reference Price ($/MWh)	$27.76	$32.02	$2.48	$30.63	$5.93	
(H=F-G)	Difference ($/MWh)	$2.24	$6.48	$2.02	$4.37	$0.57	
(I=E*H)	Mark-to-market value of hedges ($ million)[1]	$105	$270	$35	$35	$5	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,900					
(K)	Power New Business / To Go ($ million)	$900					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin[2]	$8,300 million					

(1) Mark-to-market rounded to the nearest $5 million

(2) Total Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. Refer to slide 50 for a reconciliation of Total Gross Margin to the most comparable GAAP measure.

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense[2,3]	**$8,850**	**$8,975**	**$8,575**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(350)	$(275)	$(275)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[5]	$(400)	$(400)	$(400)
Total Gross Margin (Non-GAAP)	**$8,150**	**$8,300**	**$7,900**

Key ExGen Modeling Inputs (in $M)[1,6]	2017
Other Revenues (excluding Gross Receipts Tax)[4]	$200
Adjusted O&M[7]	$(4,850)
Taxes Other Than Income (TOTI)[8]	$(375)
Depreciation & Amortization	$(1,150)
Interest Expense[9]	$(425)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) Revenue net of purchased power and fuel expense (RNF), a non-GAAP measure, is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense. ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other revenues reflects revenues from operating services agreement with Fort Calhoun, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates and gross receipts tax revenues
(5) Reflects the cost of sales of certain Constellation businesses of Generation
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) ExGen adjusted O&M excludes direct cost of sales for certain Constellation business, P&L neutral decommissioning costs and the impact from O&M related to variable interest entities. Refer to slide 75 for a reconciliation of adjusted (non-GAAP) O&M to GAAP O&M.
(8) TOTI excludes gross receipts tax of $100M
(9) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants going into service in May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

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2016A Earnings Waterfalls

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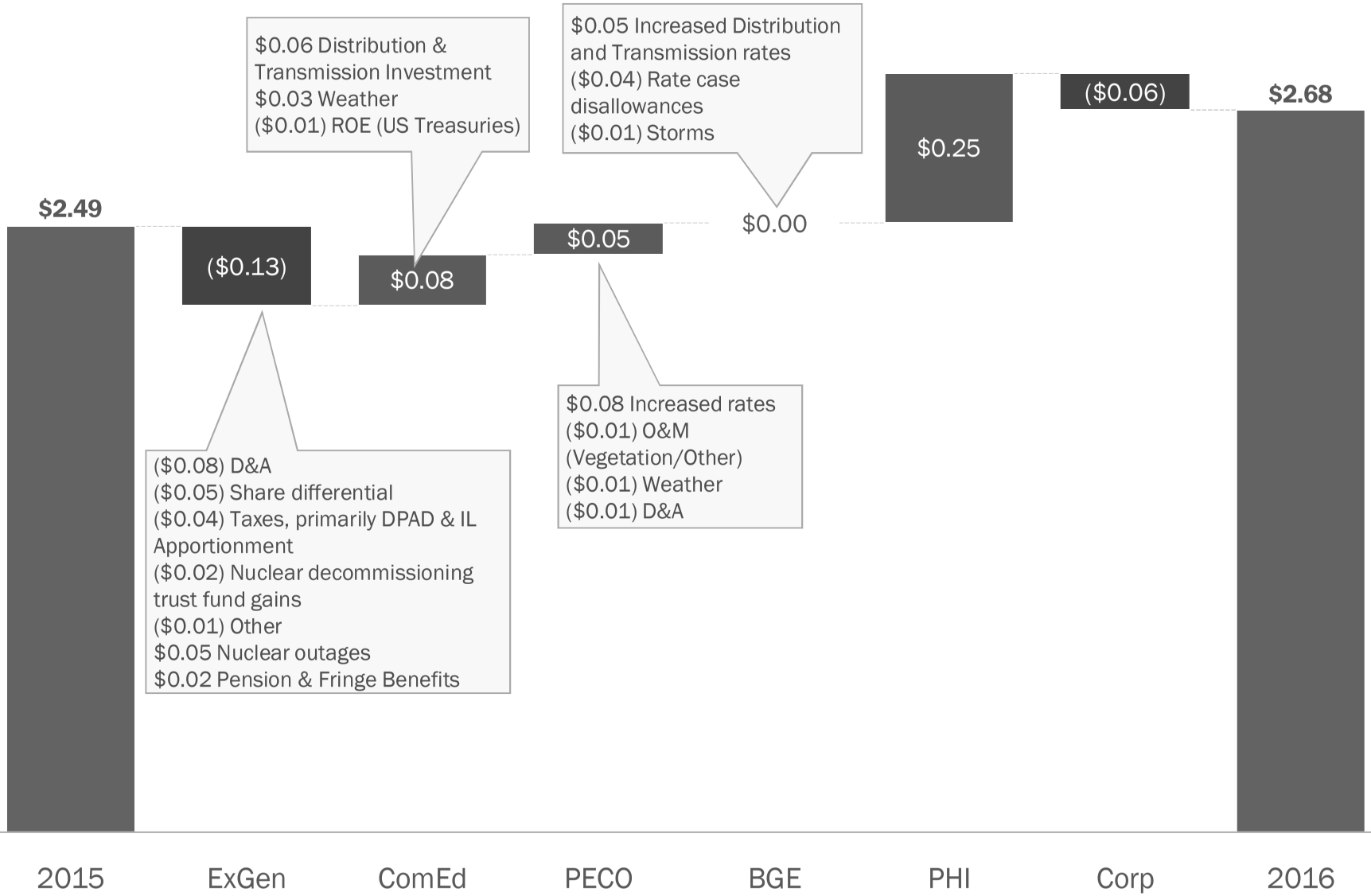
FY Adjusted Operating Earnings Waterfall (1,2)



(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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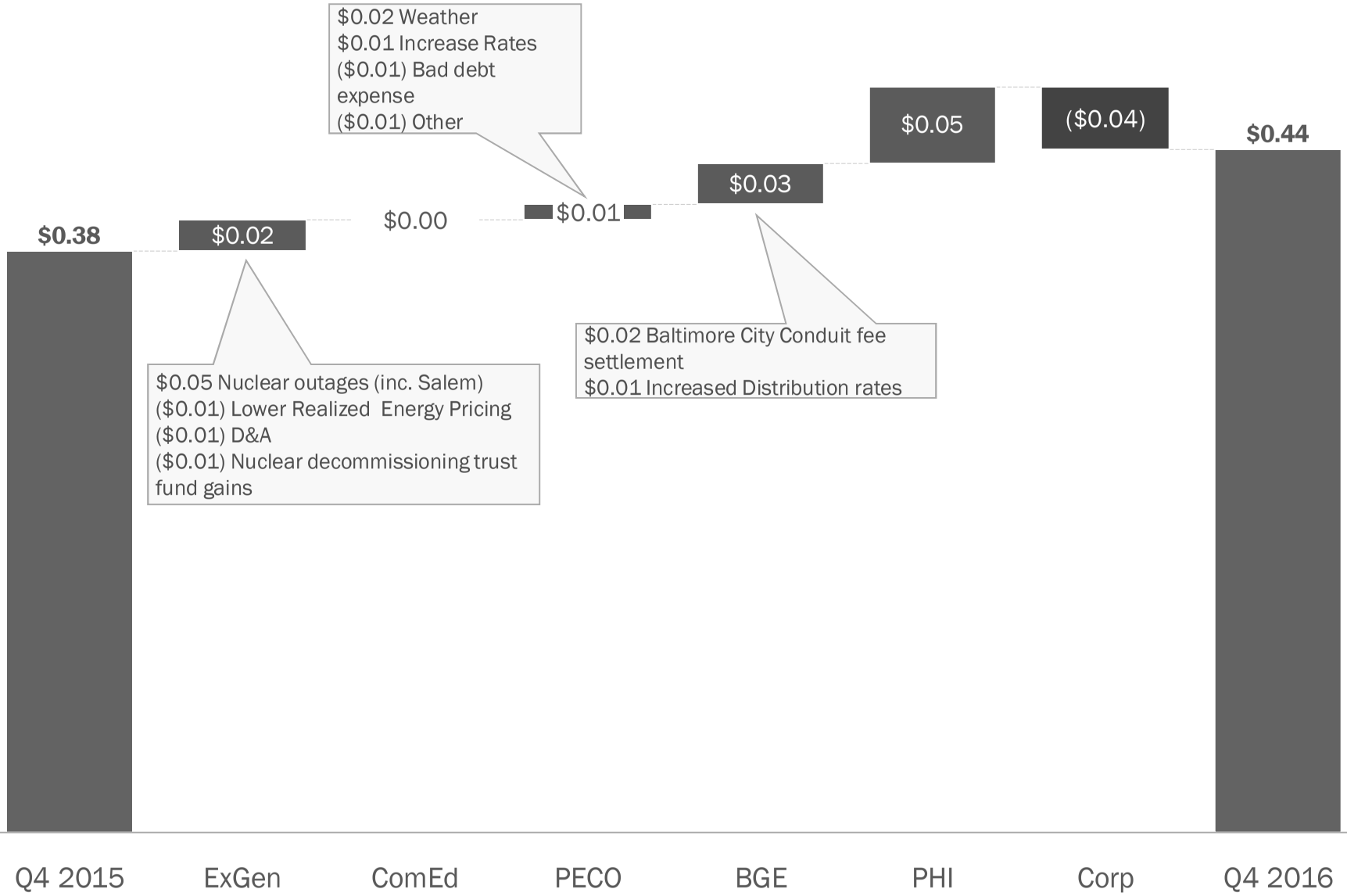
SI-SSA-0015-02504

Q4 Adjusted Operating Earnings Waterfall (1,2)



(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Amounts may not add due to rounding

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2017E Earnings Waterfalls

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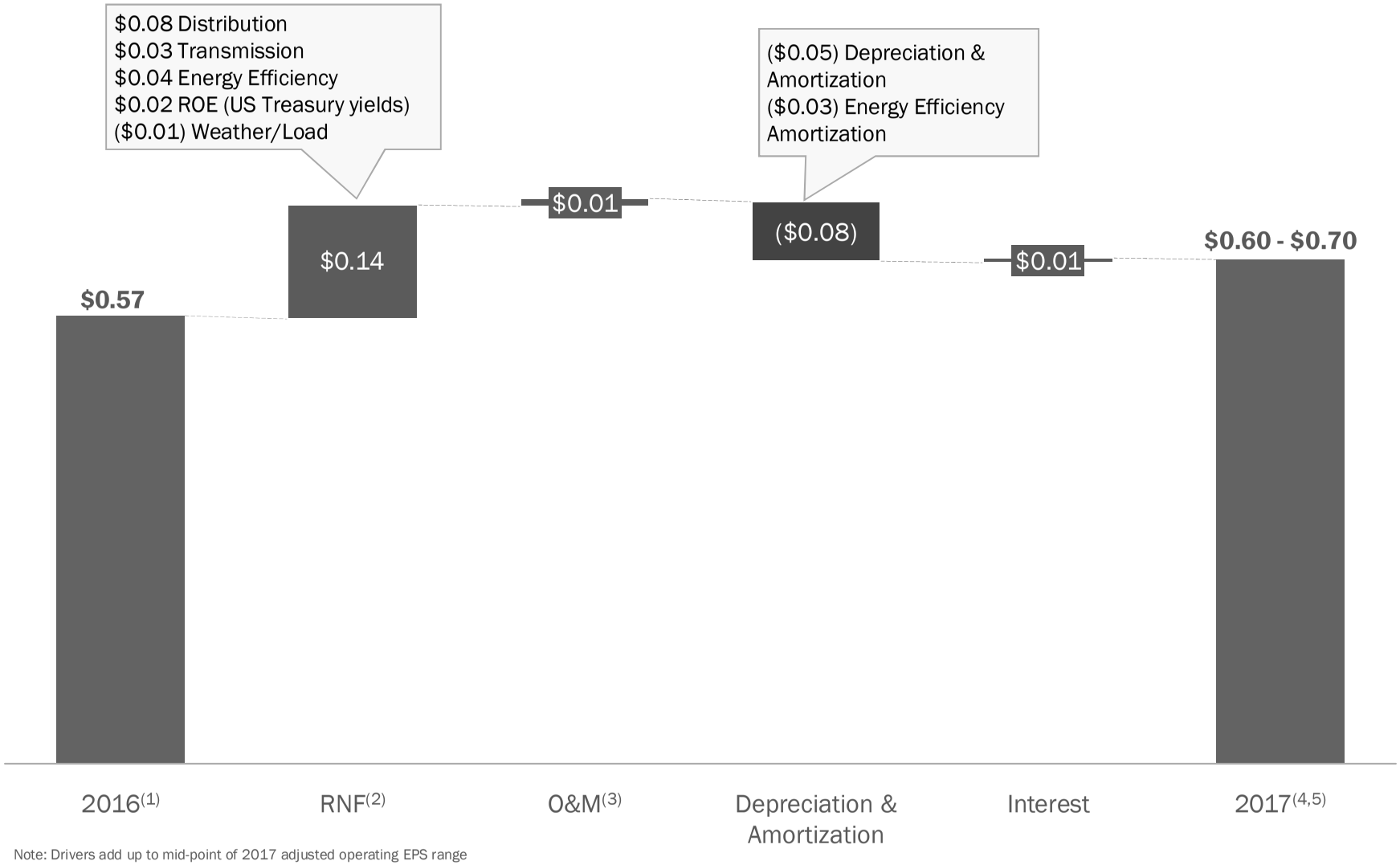
ComEd Adjusted Operating EPS Bridge 2016 to 2017



Note: Drivers add up to mid-point of 2017 adjusted operating EPS range
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(3) O&M excludes regulatory items that are P&L neutral
(4) Shares Outstanding (diluted) are 927M in 2016 and 949M in 2017. Refer to slide 72 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS
(5) Guidance assumes an effective tax rate for 2017 of 39.9%.

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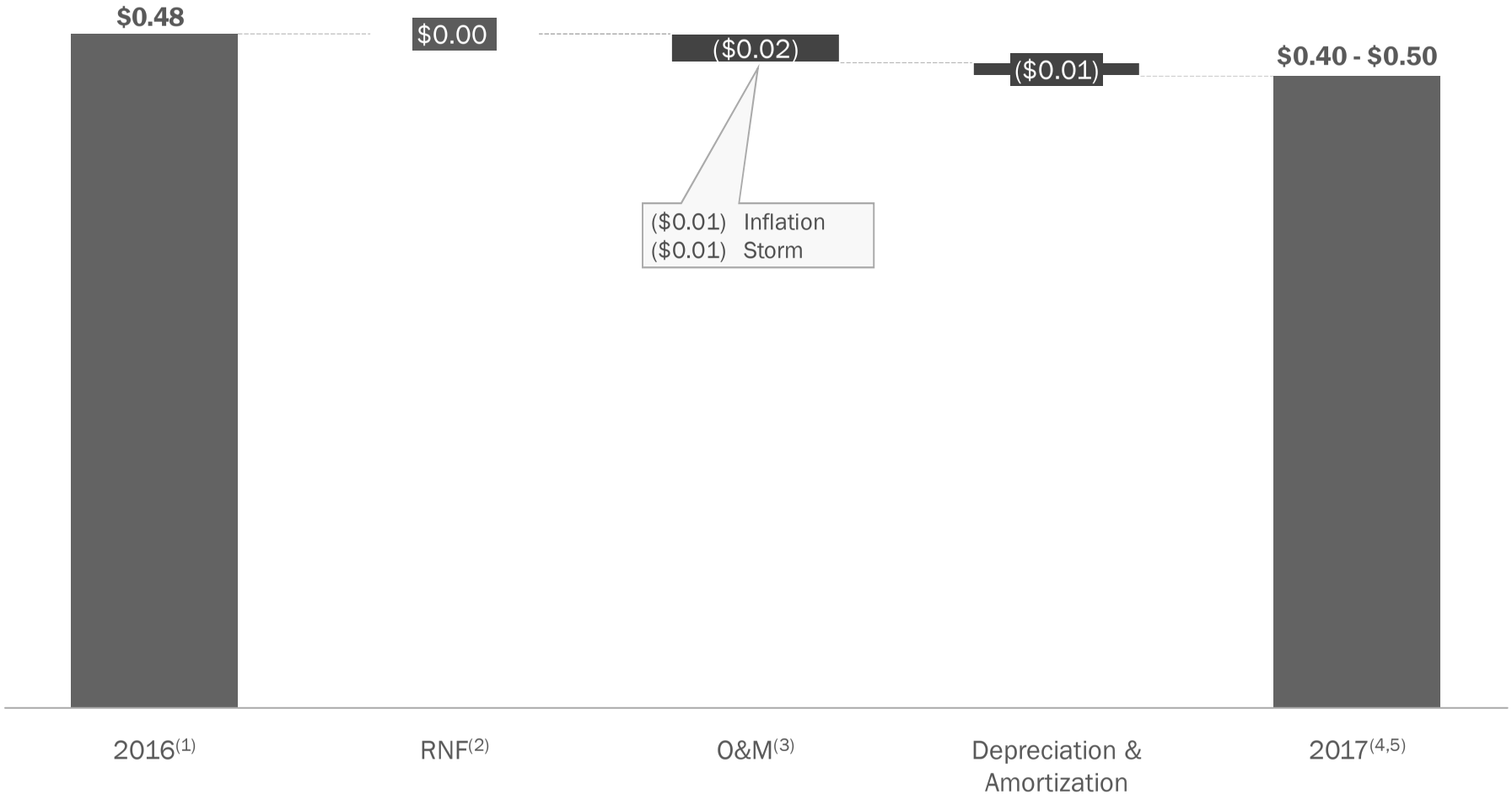
PECO Adjusted Operating EPS Bridge 2016 to 2017



Note: Drivers add up to mid-point of 2017 adjusted operating EPS range
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(3) O&M excludes regulatory items that are P&L neutral
(4) Shares Outstanding (diluted) are 927M in 2016 and 949M in 2017. Refer to slide 72 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS
(5) Guidance assumes an effective tax rate for 2017 of 21.8%

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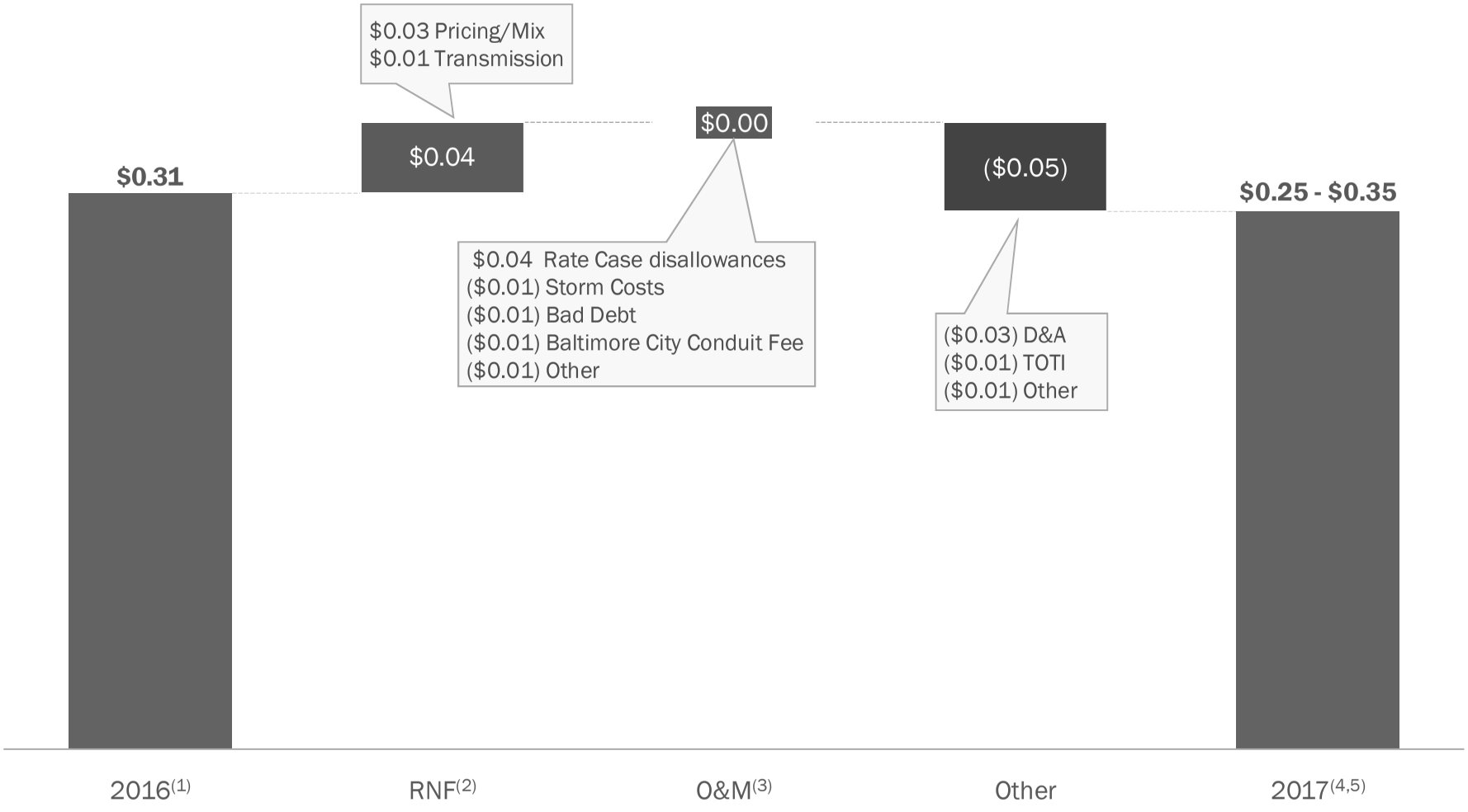
BGE Adjusted Operating EPS Bridge 2016 to 2017



Note: Drivers add up to mid-point of 2017 adjusted operating EPS range
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(3) O&M excludes regulatory items that are P&L neutral
(4) Shares Outstanding (diluted) are 927M in 2016 and 949M in 2017. Refer to slide 72 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS
(5) Guidance assumes an effective tax rate for 2017 of 39.5%

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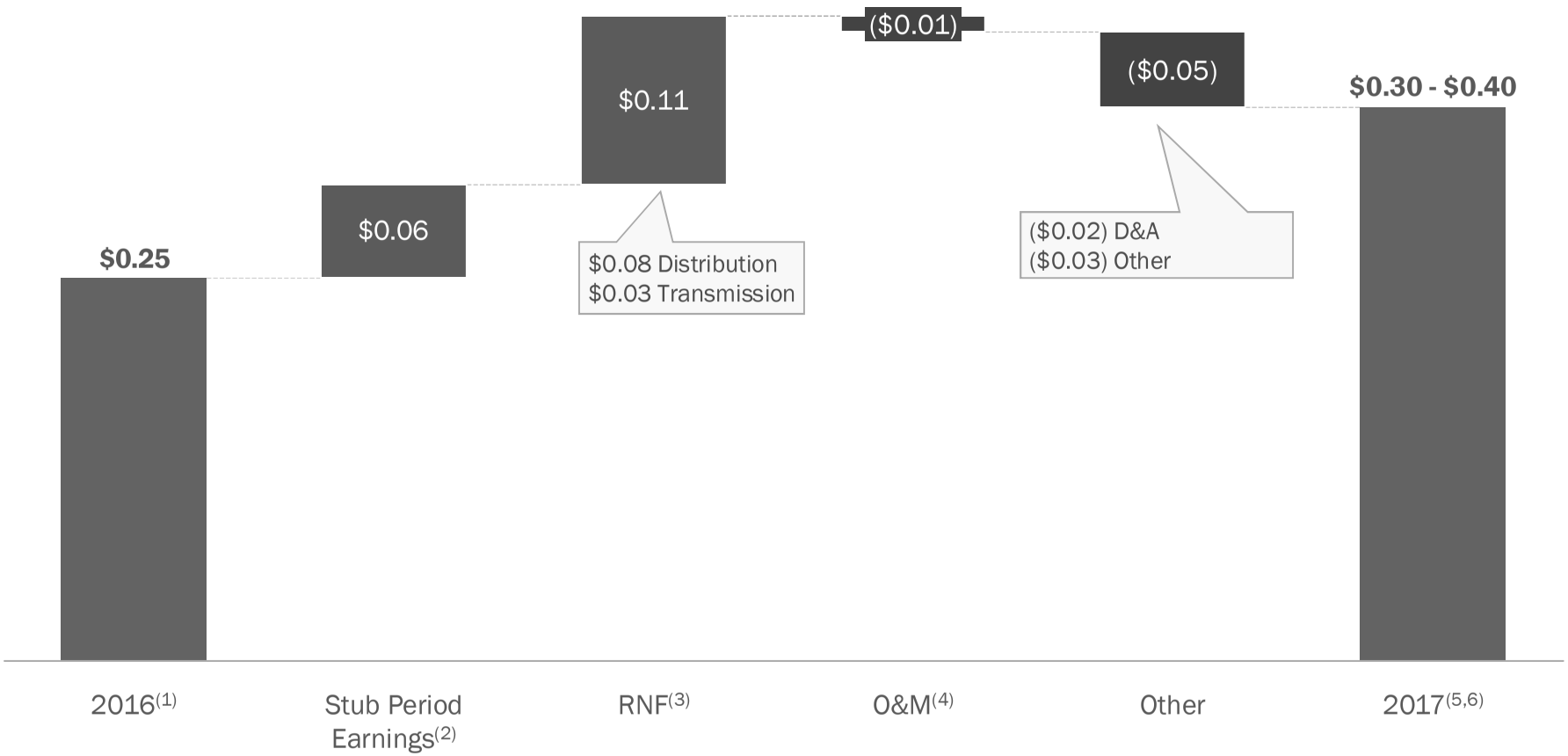
PHI Adjusted Operating EPS Bridge 2016 to 2017

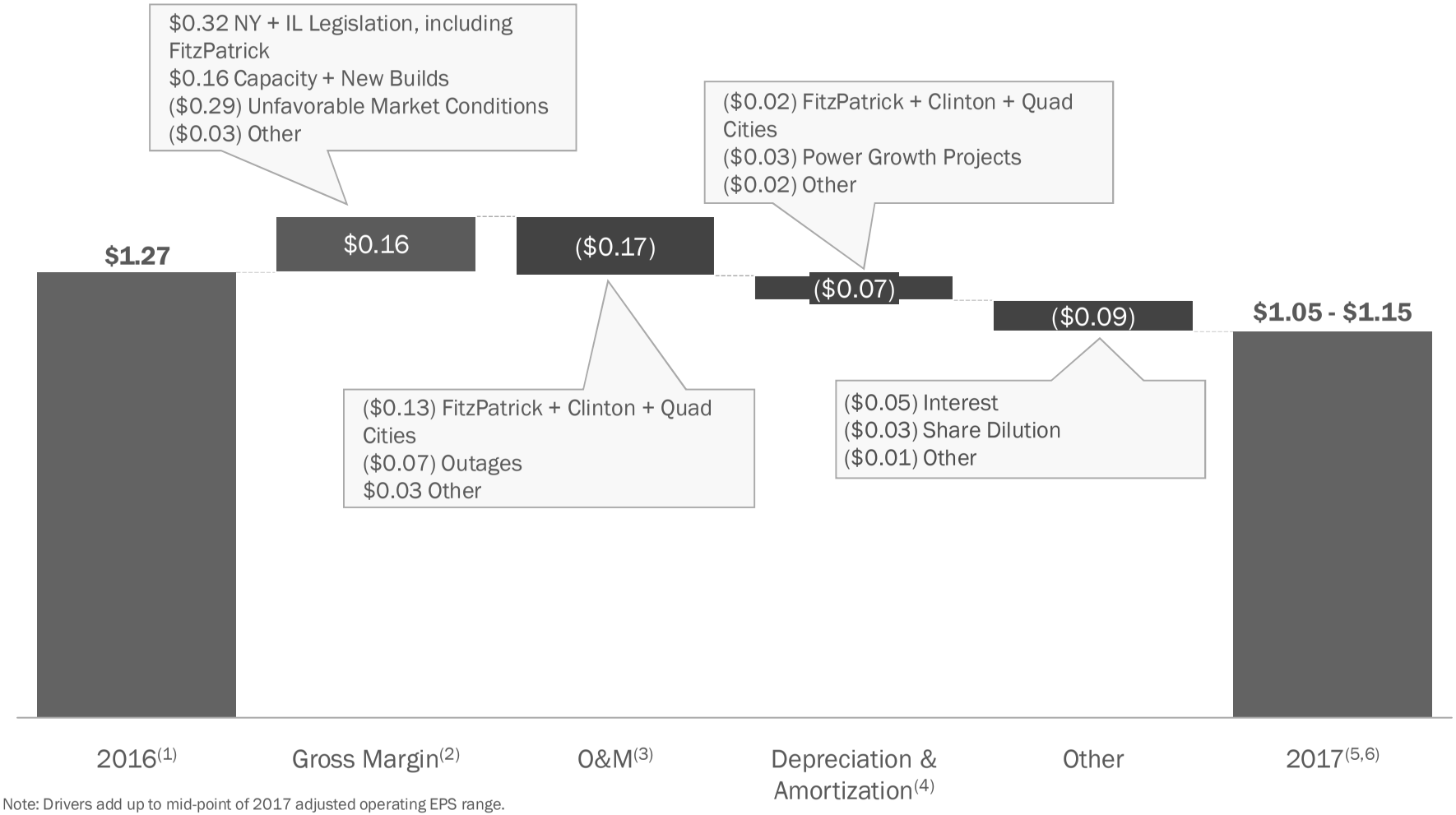


Note: Drivers add up to mid-point of 2017 adjusted operating EPS range
(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS
(2) Stub period earnings reflect earnings prior to merger close date of March 23, 2016
(3) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(4) O&M excludes regulatory items that are P&L neutral
(5) Shares Outstanding (diluted) are 927M in 2016 and 949M in 2017. Refer to slide 72 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.
(6) Guidance assumes an effective tax rate for 2017 of 35.6%

Exelon.

SI-SSA-0015-02510

ExGen Adjusted Operating EPS Bridge 2016 to 2017



Note: Drivers add up to mid-point of 2017 adjusted operating EPS range.

(1) Refer to the Earnings Release Attachments for additional details and to the Appendix for a reconciliation of adjusted (non-GAAP) operating EPS to GAAP EPS

(2) Gross Margin (Non-GAAP) is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, operating services agreement with Fort Calhoun and variable interest entities. Total Gross Margin is also net of direct cost of sales for certain Constellation and Power businesses. See Slide 50 for a Non-GAAP to GAAP reconciliation of Total Gross Margin.

(3) O&M excludes items that are P&L neutral (including decommissioning costs and variable interest entities) and direct cost of sales for certain Constellation businesses

(4) Depreciation & Amortization excludes cost of sales for certain Constellation businesses, which are included in gross margin

(5) Shares Outstanding (diluted) are 927M in 2016 and 949M in 2017. Refer to slide 72 for a reconciliation of adjusted (non-GAAP) operating EPS guidance to GAAP EPS.

(6) Guidance assumes an effective tax rate for 2017 of 32%

Exelon.

SI-SSA-0015-02511

Exelon Utilities Rate Case Filing Summaries

Exelon.

SI-SSA-0015-02512

ComEd April 2016 Distribution Formula Rate

The 2016 distribution formula rate filing established the net revenue requirement used to set the rates that took effect in January 2017 after the Illinois Commerce Commission's (ICC's) review. There are two components to the annual distribution formula rate filing:

- Filing Year: Based on 2015 costs and 2016 projected plant additions.
- Annual Reconciliation: For 2015, this amount reconciles the revenue requirement reflected in rates in effect during 2015 to the actual costs for that year. The annual reconciliation impacts cash flow in 2017 but the earnings impact has been recorded in 2015 as a regulatory asset.

Docket #	**16-0259**
Filing Year	**2015 Calendar Year Actual Costs and 2016 Projected Net Plant Additions** are used to set the rates for calendar year 2017. Rates currently in effect (docket 15-0287) for calendar year 2016 were based on 2014 actual costs and 2015 projected net plant additions.
Reconciliation Year	**Reconciles Revenue Requirement reflected in rates during 2015 to 2015 Actual Costs Incurred.** Revenue requirement for 2015 is based on docket 14-0312 (2013 actual costs and 2014 projected net plant additions) approved in December 2014.
Common Equity Ratio	**~46%** for both the filing and reconciliation year
ROE	**8.64%** for the filing year (2015 30-yr Treasury Yield of 2.84% + 580 basis point risk premium) and **8.59%** for the reconciliation year (2015 30-yr Treasury Yield of 2.79% + 580 basis point risk premium – 5 basis points performance metrics penalty). For 2016 and 2017, the actual allowed ROE reflected in net income will ultimately be based on the average of the 30-year Treasury Yield during the respective years plus 580 basis point spread, absent any metric penalties
Requested Rate of Return	**~7%** for both the filing and reconciliation years
Rate Base(1)	**$8,831 million–** Filing year (represents projected year-end rate base using 2015 actual plus 2016 projected capital additions). 2016 and 2017 earnings will reflect 2016 and 2017 year-end rate base respectively. $7,782 million - Reconciliation year (represents year-end rate base for 2015)
Revenue Requirement Increase(1)	**$127M increase** ($7M decrease due to the 2015 reconciliation and collar adjustment offset by a $134M increase related to the filing year). The 2015 reconciliation impact on net income was recorded in 2015 as a regulatory asset.
Timeline	• 04/13/16 Filing Date • 240 Day Proceeding

Given the retroactive ratemaking provision in the Energy Infrastructure Modernization Act (EIMA) legislation, ComEd net income during the year will be based on actual costs with a regulatory asset/liability recorded to reflect any under/over recovery reflected in rates. Revenue Requirement in rate filings impacts cash flow.

(1) Amounts represent the approved amounts within the Illinois Commerce Commission's final order, received on December 6, 2016. The ICC ordered rehearing on one narrow topic that ComEd expects to result in a further $17.5M reduction to the revenue requirement.

Exelon.

SI-SSA-0015-02513

Pepco MD Electric Distribution Rate Case – Final Order

Docket #	9418
Test Year	2015 Calendar Year
Test Period	12 months actual
Authorized Common Equity Ratio	49.55%
Authorized Rate of Return	ROE: 9.55%; ROR: 7.49%
Authorized Rate Base	Rate Base: $1.64B
Authorized Revenue Requirement Increase	Revenue Increase: $52.5M Revenue increase includes approximately $32.1M of new depreciation and amortization expense.
Residential Total Bill % Increase	4.76%
Notes	• Order received on November 15 • Advanced Metering (AMI) system deemed cost-beneficial and recovery to begin • Post-test period AMI costs deferred to new regulatory asset • Legacy meter recovery approved over 10 years with no return • Post-test period reliability capital placed in service through March 2016 approved with some disallowance • Extension of the Grid Resiliency Program in 2017-2018 was not approved

Exelon.

SI-SSA-0015-02514

DPL DE (Electric) Distribution Rate Case

Docket #	16-0649
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.44%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$839M
Requested Revenue Requirement Increase (Updated on January 11, 2017)	$60.2M(1)(2)
Residential Total Bill % Increase	7.25%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in electric distribution base rates Intervenor Positions: • Staff $9.5M revenue increase based on 9.20% ROE • Division of the Public Advocate (DPA) $12.9M revenue increase based on 9.00% ROE Procedural Schedule: • Evidentiary Hearings: 3/7/17 – 3/9/17 • Commission Order Expected: Q3 2017

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $29.6M on December 17, 2016, subject to refund
(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02515

DPL DE (Gas) Distribution Rate Case

Docket #	16-0650
Test Year	2015 Calendar Year
Test Period	12 months actual
Requested Common Equity Ratio	49.44%
Requested Rate of Return	ROE: 10.60%; ROR: 7.19%
Proposed Rate Base (Adjusted)	$362M
Requested Revenue Requirement Increase	$21.5M(1)(2)
Residential Total Bill % Increase	10.40%
Notes	• 5/17/16 DPL DE filed application with the DPSC seeking increase in gas distribution base rates Intervenor Positions: • Staff revenue decrease of $3.1M based on 9.20% ROE • Division of the Public Advocate (DPA) revenue decrease of $2.1M based on 9.00% ROE Procedural Schedule: • Evidentiary Hearings: 4/5/17 – 4/7/17 • Commission Order Expected: Q3 2017

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on July 16, 2016, and implemented an incremental $10.4M on December 17, 2016, subject to refund

(2) Revenue requirement includes changes in depreciation and amortization expense, which have no impact on pre-tax earnings

Exelon.

SI-SSA-0015-02516

Pepco DC Distribution Rate Case

Formal Case No.	1139
Test Year	April 1, 2015 – March 31, 2016
Test Period	12 months actual
Requested Common Equity Ratio	49.14%
Requested Rate of Return	ROE: 10.60%; ROR: 8.00%
Proposed Rate Base (Adjusted)	$1.7B
Requested Revenue Requirement Increase (Updated on February 1, 2017)	$76.8M(1)
Residential Total Bill % Increase	4.62%(2)
Notes	• 6/30/16 Pepco DC filed application with the DCPSC seeking increase in electric distribution base rates Intervenor Positions: • Office of the People's Council (OPC) revenue increase of $20.1M based on 8.60% ROE • Apartment and Office Building Association (AOBA) revenue increase of $62.2M based on 9.25% ROE • Healthcare Council of the National Capital Area (HCNCA) revenue increase of $16.8M based on 8.75% ROE • District of Columbia Water and Sewer Authority (DC Water) revenue increase of $52.7M based on 9.10% ROE Procedural Schedule: • Evidentiary Hearings: 3/15/17 – 3/21/17 • Final Briefs: 4/24/17 • Commission Order Expected: 7/25/17

(1) Revenue requirement includes changes in amortization expense, which has no impact on pre-tax earnings

(2) As proposed by the Company, the full allocation of the CBRC to Residential and MMA customers, along with the proposal for a $1M Incremental Offset for residential customers, will ensure that residential customers do not receive an increase on the distribution portion of their bill until approximately January 2019 (February 2019 for MMA customers). Upon expiration of the CBRC and Incremental Offset proposed by the Company, this rate increase would translate to a 4.62% total bill increase for a residential customer.

Exelon.

SI-SSA-0015-02517

DPL MD Distribution Rate Case

Case No. 9424	Company's Filed Position	Chief Public Utility Law Judge (CPULJ)
Test Year	April 1, 2015 – March 31, 2016	
Test Period	12 months actual	
Requested Common Equity Ratio	49.1%	49.1%
Requested Rate of Return	ROE: 10.60%; ROR: 7.24%	ROE: 9.48%; ROR: 6.69%
Proposed Rate Base (Adjusted)	$727M	$706M
Requested Revenue Requirement Increase (Updated on October 18, 2016)	$57M	$34.1M
Residential Total Bill % Increase	14.5%	6.53%
Notes	• 7/20/16 DPL MD filed application with the MDPSC seeking increase in electric distribution base rates Intervenor Positions: • Staff revenue increase of $37.4M based on 9.48% ROE • Office of the People's Council (OPC) revenue increase of $22.9M based on 8.60% ROE • Intervenors: Staff, OPC, Maryland Energy Group and Hanover Foods Procedural Schedule: • CPULJ Proposed Order Received: 1/4/17 • Commission Order Expected: 2/17/17	• 1/4/17 the CPULJ issued a proposed order • Advanced Metering ("AMI") system deemed cost-beneficial, and recovery to begin • Legacy meter recovery approved over 10 years, with no return • Post-test period reliability capital placed in service through September 2016 approved • Extension of the Grid Resiliency Program in 2017-2018 was not approved • The Company filed an appeal on January 18

Exelon.

SI-SSA-0015-02518

Appendix

Reconciliation of Non-GAAP Measures

Exelon.

SI-SSA-0015-02519

4Q QTD GAAP EPS Reconciliation

Three Months Ended December 31, 2015	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2015 GAAP Earnings (Loss) Per Share	**$0.17**	**$0.09**	**$0.09**	**$0.08**	**$0.00**	**$(0.09)**	**$0.33**
Unrealized gains related to NDT fund investments	(0.05)	-	-	-	-	-	(0.05)
Merger and integration costs	-	-	-	-	-	0.01	0.01
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Long-Lived asset impairments	0.01	-	-	-	-	-	0.01
Reassessment of state deferred income taxes	0.01	-	-	-	-	0.03	0.05
Reduction in state income tax reserve	(0.01)	-	-	-	-	-	(0.01)
PHI merger related redeemable debt exchange	-	-	-	-	-	0.01	0.01
CENG non-controlling interest	0.02	-	-	-	-	-	0.02
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.15**	**$0.09**	**$0.09**	**$0.08**	**$0.00**	**$(0.04)**	**$0.38**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02520

4Q QTD GAAP EPS Reconciliation (continued)

Three Months Ended December 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP (Loss) Earnings Per Share	**$(0.04)**	**$0.09**	**$0.10**	**$0.11**	**$0.03**	**$(0.06)**	**$0.22**
Mark-to-Market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized losses related to NDT fund investments	0.01	-	-	-	-	-	0.01
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.02	-	-	-	-	-	0.02
Reassessment of state deferred income taxes	0.02	-	-	-	-	-	0.01
Asset retirement obligation	(0.08)	-	-	-	-	-	(0.08)
Merger commitments	0.04	-	-	-	0.01	(0.01)	0.04
Plant retirements and divestitures	0.10	-	-	-	-	-	0.10
Cost management program	0.01	-	-	-	-	-	0.01
Curtailment of Generation growth and development activities	0.06	-	-	-	-	-	0.06
CENG non-controlling interest	0.07	-	-	-	-	-	0.07
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.18**	**$0.09**	**$0.10**	**$0.11**	**$0.05**	**$(0.08)**	**$0.44**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02521

4Q YTD GAAP EPS Reconciliation

Twelve Months Ended December 31, 2015	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2015 GAAP Earnings (Loss) Per Share	**$1.54**	**$0.48**	**$0.42**	**$0.31**	**$0.00**	**$(0.20)**	**$2.54**
Mark-to-Market impact of economic hedging activities	(0.18)	-	-	-	-	-	(0.18)
Unrealized losses related to NDT fund investments	0.13	-	-	-	-	-	0.13
Merger and integration costs	0.02	0.01	-	-	-	0.03	0.07
Mark-to-market impact of PHI merger related interest rate swap	-	-	-	-	-	0.02	0.02
Long-lived asset impairments	0.01	-	-	-	-	0.02	0.02
Asset retirement obligation	(0.01)	-	-	-	-	-	(0.01)
Tax settlements	(0.06)	-	-	-	-	-	(0.06)
Midwest generation bankruptcy recoveries	(0.01)	-	-	-	-	-	(0.01)
PHI merger related redeemable debt exchange	-	-	-	-	-	0.01	0.01
Reassessment of state deferred income taxes	0.01	-	-	-	-	0.03	0.05
Reduction in state income tax reserve	(0.01)	-	-	-	-	-	(0.01)
CENG non-controlling interest	(0.04)	-	-	-	-	-	(0.04)
2015 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.40**	**$0.48**	**$0.43**	**$0.31**	**$0.00**	**$(0.13)**	**$2.49**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02522

4Q YTD GAAP EPS Reconciliation (continued)

Twelve Months Ended December 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.54**	**$0.41**	**$0.47**	**$0.31**	**($0.07)**	**($0.44)**	**$1.22**
Mark-to-Market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.13)	-	-	-	-	-	(0.13)
Amortization of commodity contract intangibles	0.04	-	-	-	-	-	0.04
Merger and integration costs	0.04	-	-	-	0.05	0.04	0.12
Long-lived asset impairments	0.11	-	-	-	-	-	0.11
Asset retirement obligation	(0.08)	-	-	-	-	-	(0.08)
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.01)	0.01
Merger commitments	0.05	-	-	-	0.27	0.16	0.47
Plant retirements and divestitures	0.47	-	-	-	-	-	0.47
Cost management program	0.03	-	-	-	-	-	0.04
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
Curtailment of Generation growth and development activities	0.06	-	-	-	-	-	0.06
CENG non-controlling interest	0.11	-	-	-	-	-	0.11
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.27**	**$0.57**	**$0.48**	**$0.31**	**$0.25**	**($0.20)**	**$2.68**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

Exelon.

SI-SSA-0015-02523

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-Market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the date of acquisition of Integrys in 2014 and ConEdison Solutions in 2016
  - Certain costs incurred associated with the PHI acquisition and pending FitzPatrick acquisition
  - Costs incurred related to a cost management program
  - Generation's non-controlling interest related to CENG exclusion items
  - Other unusual items

SI-SSA-0015-02524

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1]	
GAAP Operating Income	$4,400
Depreciation & Amortization	$2,875
EBITDA	$7,275
+/- Non-operating activities and nonrecurring items[3]	$375
- Interest Expense	($1,425)
+ Current Income Tax (Expense)/Benefit	($125)
+ Nuclear Fuel Amortization	$1,050
+/- Other S&P FFO Adjustments[4]	$425
= FFO (a)	**$7,575**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$32,700
Short-Term Debt	$1,875
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$850
+ Pension/OPEB Imputed Debt[7]	$3,450
- Off-Credit Treatment of Debt[8]	($2,225)
- Surplus Cash Adjustment[9]	($550)
+/- Other S&P FFO Adjustments[4]	$300
= Adjusted Debt (b)	**$36,750**

YE 2017 Exelon FFO/Debt[2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA. Refer to slide 72 for a list of operating adjustments to GAAP.
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt and mandatory convertible equity units
(9) Applies 75% of excess cash against balance of LTD

Exelon.

SI-SSA-0015-02525

GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$9,525
Short-Term Debt	$825
- Surplus Cash Adjustment	($375)
= Net Debt (a)	**$9,975**

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$9,525
Short-Term Debt	$825
- Surplus Cash Adjustment	($375)
- Nonrecourse Debt	($2,550)
= Net Debt (a)	**$7,425**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$1,225
Depreciation & Amortization	$1,200
EBITDA	$2,425
+/- Non-operating activities and nonrecurring items[2]	$600
= Operating EBITDA (b)	**$3,025**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$1,225
Depreciation & Amortization	$1,200
EBITDA	$2,425
+/- Non-operating activities and nonrecurring items[2]	$600
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,775**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 3.3x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.7x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact operating adjustments on GAAP EBITDA. Refer to slide 72 for a list of operating adjustments to GAAP.

Exelon.

SI-SSA-0015-02526

GAAP to Non-GAAP Reconciliations

2016 Adjusted O&M Reconciliation ($M)[1]	ExGen	ComEd	PECO	BGE	PHI[4]	Other	Exelon
GAAP O&M	**$5,650**	**$1,525**	**$800**	**$725**	**$1,525**	**$100**	**$10,325**
Regulatory O&M[2]	-	(225)	(75)	-	(100)	-	(400)
Long-lived asset impairment costs	(175)	-	-	-	-	-	(175)
Merger commitments and costs to achieve	-	-	-	-	(475)	(200)	(675)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(475)	-	-	-	-	-	(475)
O&M for managed plants that are partially owned	(400)	-	-	-	-	-	(400)
Other	(25)	-	-	-	25	-	-
Adjusted O&M (Non-GAAP)	**$4,575**	**$1,300**	**$725**	**$725**	**$975**	**$(100)**	**$8,200**

2017 Adjusted O&M Reconciliation ($M)[1]	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
GAAP O&M	**$5,775**	**$1,300**	**$850**	**$750**	**$1,100**	**($125)**	**$9,650**
Regulatory O&M[2]	-	(25)	(75)	($25)	(100)	-	(225)
Decommissioning[2]	25	-	-	-	-	-	25
Long-lived asset impairment costs	-	-	-	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(400)	-	-	-	-	-	(400)
O&M for managed plants that are partially owned	(425)	-	-	-	-	-	(425)
Other	(125)	-	-	-	(25)	-	(150)
Adjusted O&M (Non-GAAP)	**$4,850**	**$1,275**	**$775**	**$725**	**$975**	**$(125)**	**$8,475**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain Constellation and Power businesses of Generation, which are included in Total Gross Margin
(4) All amounts represent full year of spend at PHI

Exelon.

SI-SSA-0015-02527

GAAP to Non-GAAP Reconciliations

2017 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$950	$725	$700	$1,125	$3,475	($300)	$6,650
Other cash from investing activities	-	-	$25	-	($275)	-	($250)
Intercompany receivable adjustment	($350)	-	-	-	-	$350	-
Counterparty collateral activity	-	-	-	-	$425	-	$425
Adjusted Cash Flow from Operations	**$600**	**$725**	**$725**	**$1,125**	**$3,625**	**$50**	**$6,825**

2017 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$1,200	$175	$200	$125	($200)	$425	$1,950
Dividends paid on common stock	$425	$300	$200	$250	$650	($575)	$1,225
Intercompany receivable adjustment	$350	-	-	-	-	($350)	-
Financing Cash Flow	**$1,975**	**$475**	**$400**	**$375**	**$475**	**($500)**	**$3,175**

Exelon Total Cash Flow Reconciliation[1]	2017
GAAP Beginning Cash Balance	**$650**
Adjustment for Cash Collateral Posted	$375
Adjusted Beginning Cash Balance[3]	$1,025
Net Change in Cash (GAAP)[2]	$550
Adjusted Ending Cash Balance[3]	$1,575
Adjustment for Cash Collateral Posted	($800)
GAAP Ending Cash Balance	**$775**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

Exelon.

SI-SSA-0015-02528

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$5,775**	**$5,525**	**$5,500**	**$5,575**
Decommissioning[2]	25	50	50	50
Costs associated with early nuclear plant retirements	-	-	-	-
Long-lived asset impairment costs	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(400)	(400)	(400)	(400)
O&M for managed plants that are partially owned	(425)	(425)	(425)	(450)
Other	(125)	-	-	-
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,725**	**$4,725**	**$4,775**

2016-2020 ExGen FCF Calculation – Analyst Day ($M)[1]	
Cash from Operations (GAAP)	$17,975
Other Cash from Investing Activities	($600)
Baseline Capital Expenditures[4]	($4,625)
Nuclear Fuel Capital Expenditures	($4,525)
Free Cash Flow before Growth CapEx and Dividend	**$8,225**

2016-2020 ExGen FCF Calculation - Q4 2016 ($M)[1]	
Cash from Operations (GAAP)	$19,575
Other Cash from Investing Activities	($950)
Baseline Capital Expenditures[4]	($5,025)
Nuclear Fuel Capital Expenditures	($4,850)
Free Cash Flow before Growth CapEx and Dividend	**$8,750**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin, a non-GAAP measure
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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GAAP to Non-GAAP Reconciliations

Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

(1) ACE, Delmarva, and Pepco represents full year of earnings

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Earnings Conference Call
4th Quarter 2017

February 7, 2018

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Third Quarter 2017 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 18; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

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Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 54 of this presentation.

SI-SSA-0015-02534

Milestones and Accomplishments

Financial

- Delivered FY 2017 GAAP earnings per share of $3.97 and adjusted operating earnings per share* of $2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3rd quarter 2017 will save an incremental $250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested $5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%(1) nuclear capacity factor, producing a record 157 TWhs of nuclear generation

Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created "Grid Resilience in Regional Transmission Organizations and Independent System Operators" order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing $283M in revenue increases and another $114M of rate increases for FERC transmission assets

Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over $52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12th consecutive year and by NewsWeek Green rankings for 9th consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities(1)	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

- Best on record SAIFI and CAIDI performance for BGE, ComEd and PHI
- Best on record Customer Satisfaction performance for BGE, ComEd and PECO
- BGE, ComEd and PECO achieved 1st decile performance in SAIFI
- BGE and ComEd achieved 1st decile performance in CAIDI
- For the 5th consecutive year, BGE and PECO achieved top decile performance in Gas Odor Response. PHI improved by moving from 1st quartile in 2016 to top decile in 2017.

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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Best in Class at ExGen and Constellation

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%[1]
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs[2]
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

Constellation Metrics

- 74% retail power customer renewal rate
- 24% power new customer win rate
- 90% natural gas customer retention rate
- 25 month average power contract term
- Average customer duration of more than 5 years
- Stable Retail Margins

Note: Statistics represent full year 2017 results
(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem
(2) Reflects generation output at ownership

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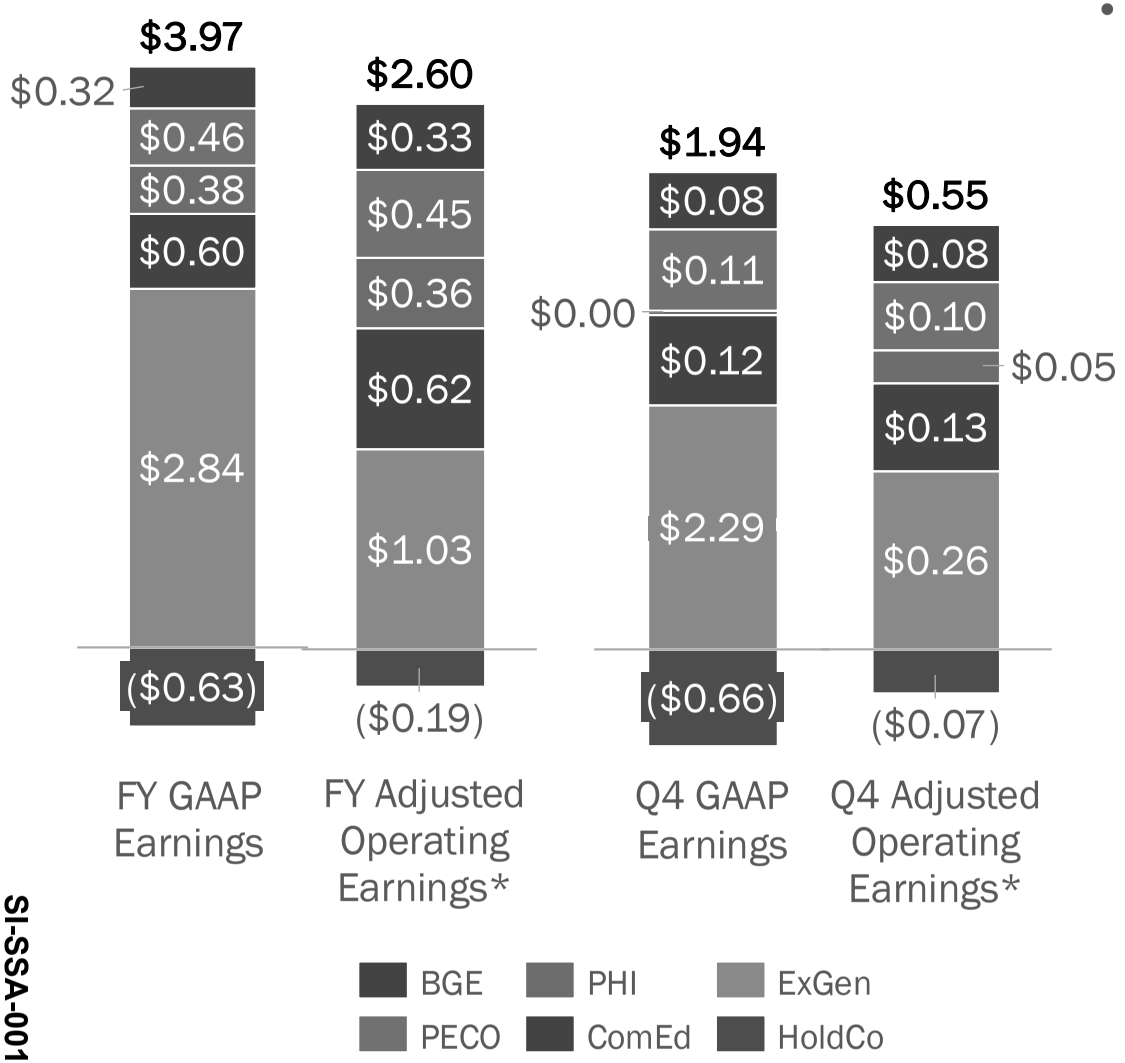
2017 Financial Results

2017 EPS Results[1]



- Adjusted (non-GAAP) operating earnings* full year drivers versus $2.55 - $2.75 guidance:

Utilities

- ↑ Reduced storm activity
- ↑ Lower O&M
- ↓ FAS 109 Reg. Asset Impairment

Exelon Generation

- ↓ IL ZEC Timing

(1) Amounts may not add due to rounding

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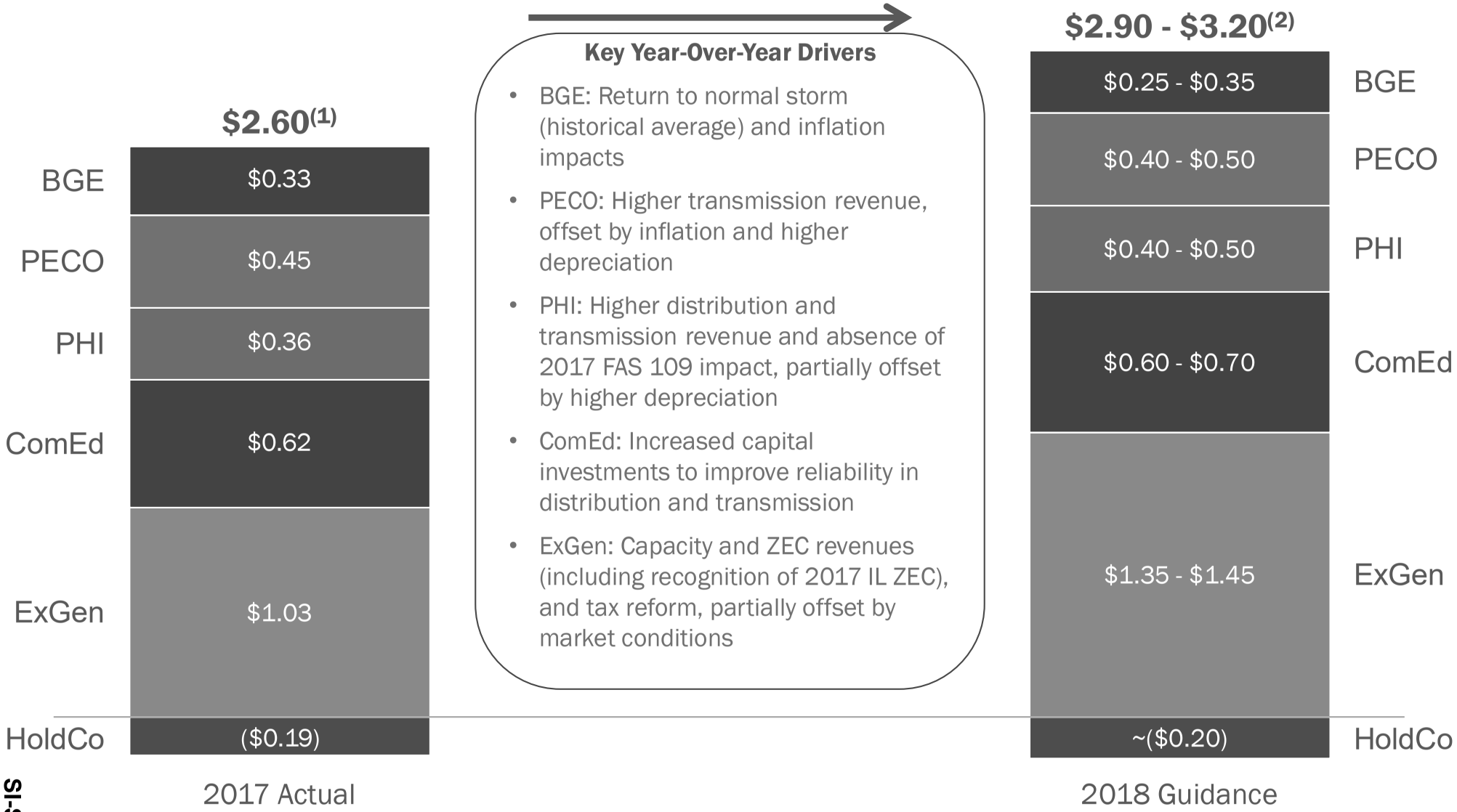
Exelon

2018 Adjusted Operating Earnings* Guidance



Expect Q1 2018 Adjusted Operating Earnings* of $0.90 - $1.00 per share

Note: Amounts may not add due to rounding
(1) 2017 results based on 2017 average outstanding shares of 949M
(2) 2018 earnings guidance based on expected average outstanding shares of 969M

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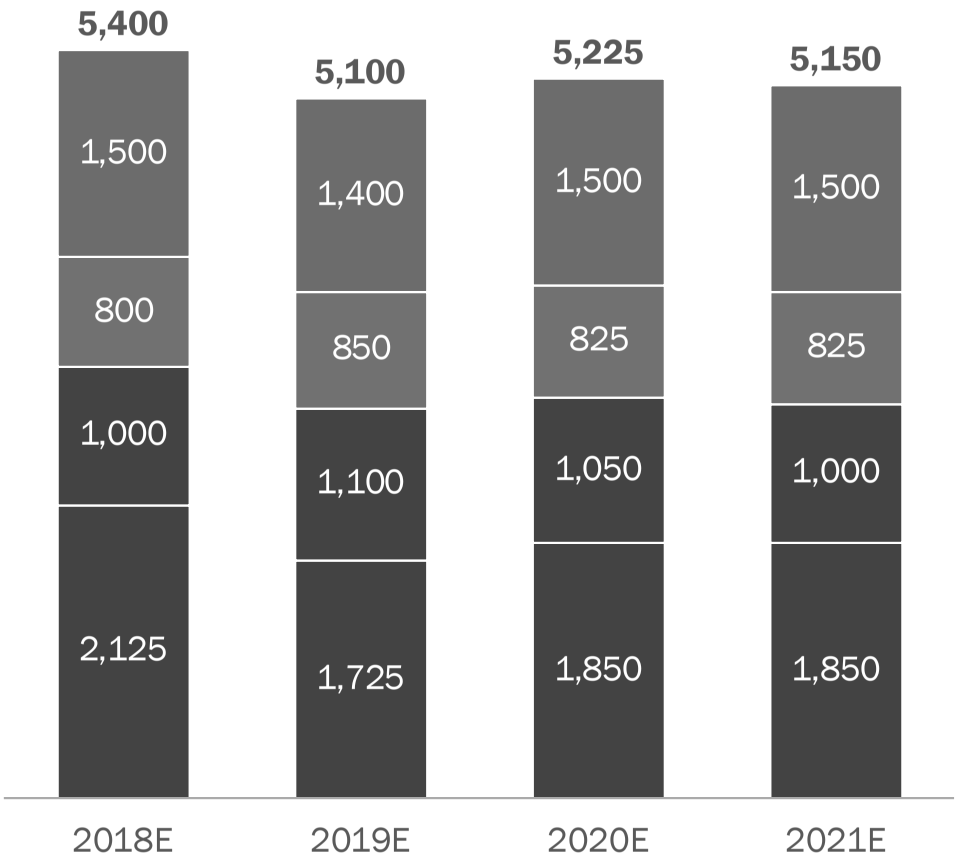
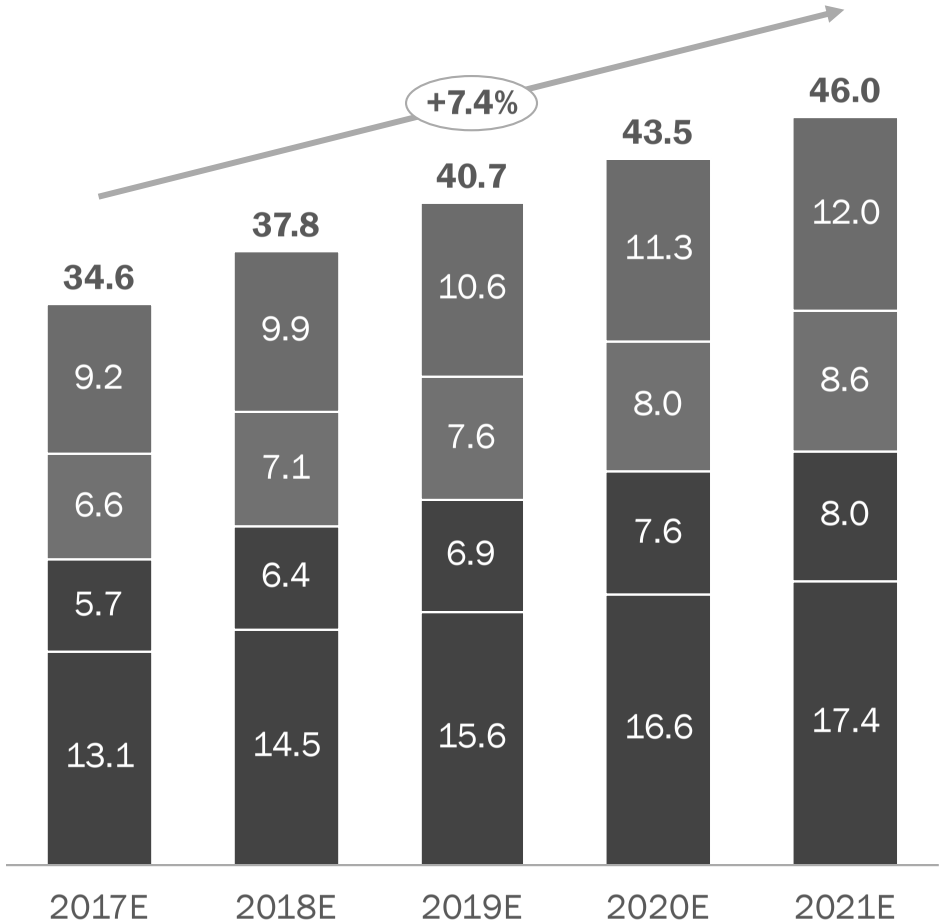
Exelon.

Our Capital Plan Drives Leading Rate Base Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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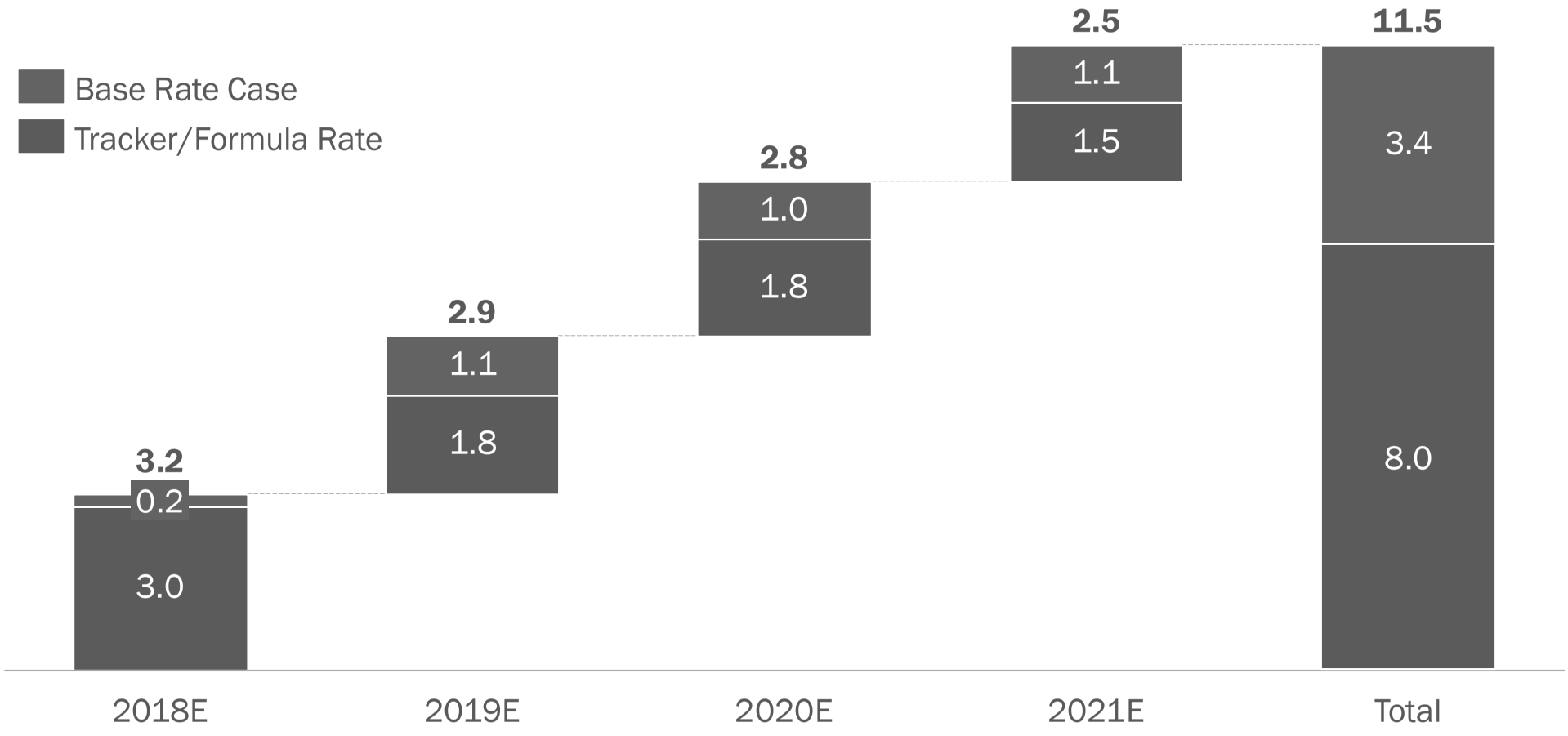
Exelon.

Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2018-2021 ($B)



Of the approximately $11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding

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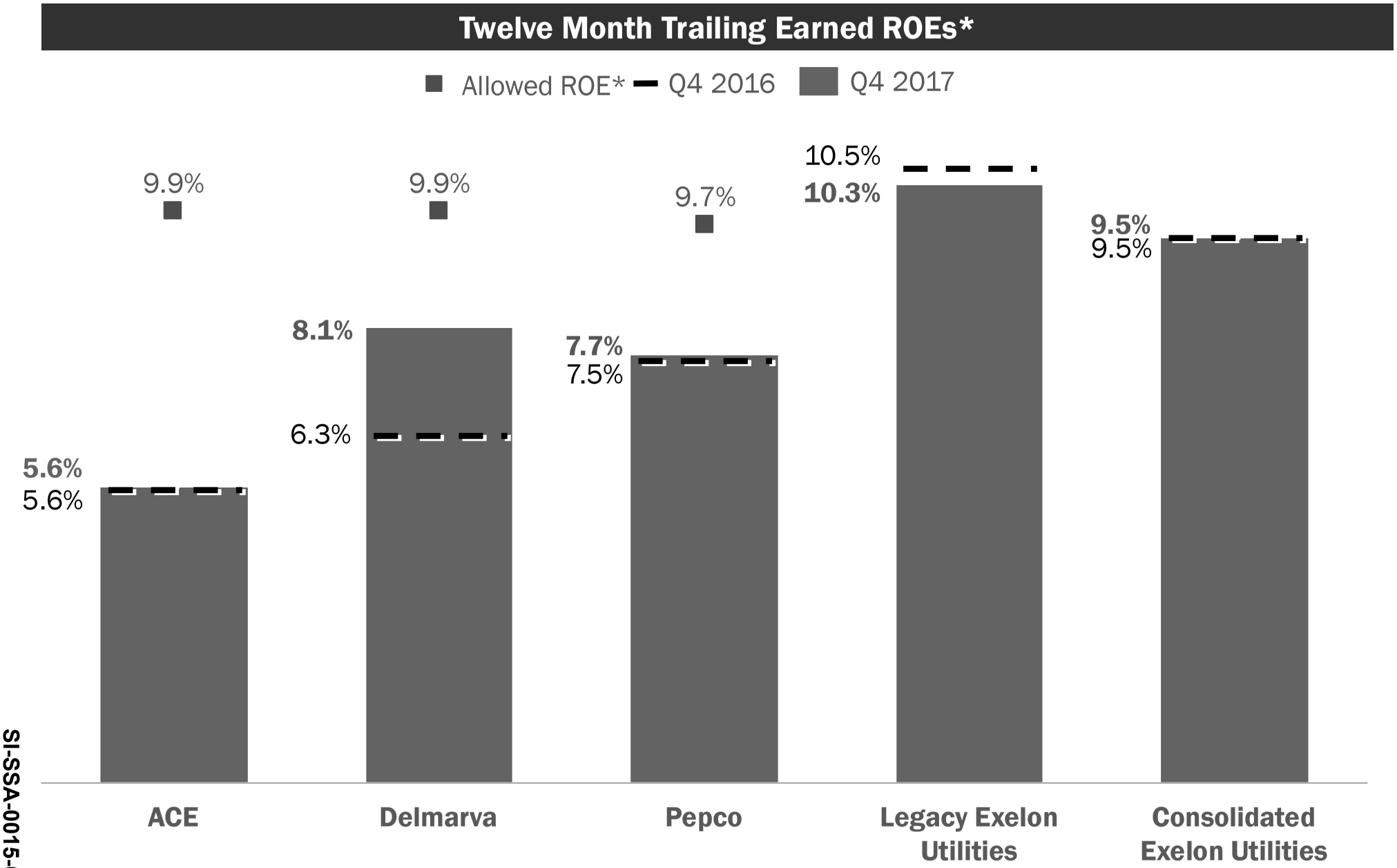
Trailing 12 Month ROEs* vs Allowed ROE



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

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Exelon Utilities' Distribution Rate Case Updates

ACE NJ Order	
Authorized Revenue Requirement Increase[1]	$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

Pepco MD Order	
Authorized Revenue Requirement Increase[1]	$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

ComEd Filing	
Authorized Revenue Requirement Increase[1]	$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

Delmarva MD Filing	
Per Settlement Revenue Requirement Increase[1]	$13.4M
Per Settlement ROE	9.50%[3]
Per Settlement Common Equity Ratio	N/A
Order Expected	2/9/18

Delmarva DE Electric Filing	
Requested Revenue Requirement Increase[1,2]	$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

Delmarva DE Gas Filing	
Requested Revenue Requirement Increase[1,2]	$11.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

Pepco DC Electric Filing	
Requested Revenue Requirement Increase[1]	$66.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

Pepco MD Electric Filing	
Requested Revenue Requirement Increase[1,4]	$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund
(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs
(4) On February 5, 2018, Pepco filed with the MDPSC an update to its current distribution rate case to reflect approximately $30.7 million in annual tax savings resulting from the enactment of the TCJA

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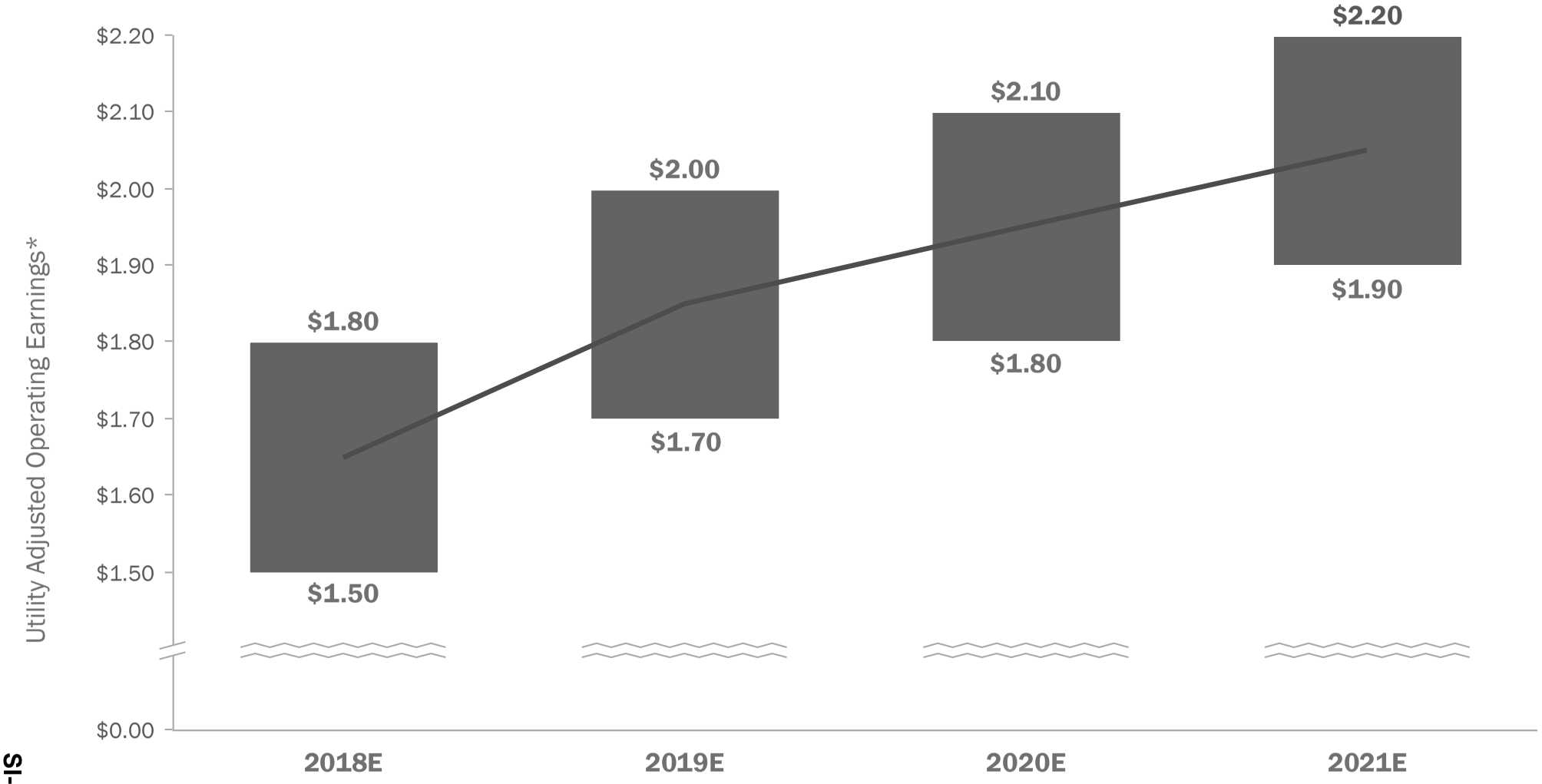
Exelon Utilities EPS* Growth of 6-8% to 2021

Exelon Utilities Operating Earnings* 2018-2021



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

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Exelon

Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category ($M)[1]	**2018**	**2019**	**2020**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$4,350	$3,900	$3,750	$450	$200
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850	-	-
Mark-to-Market of Hedges[2,3]	$350	$400	$250	$(300)	$(50)
Power New Business / To Go	$550	$750	$900	$(150)	$(100)
Non-Power Margins Executed	$200	$100	$100	-	-
Non-Power New Business / To Go	$300	$400	$400	-	-
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**	**-**	**$50**

Recent Developments

- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding $50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by $50M
- In 2019, Total Gross Margin is up $150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by $100M
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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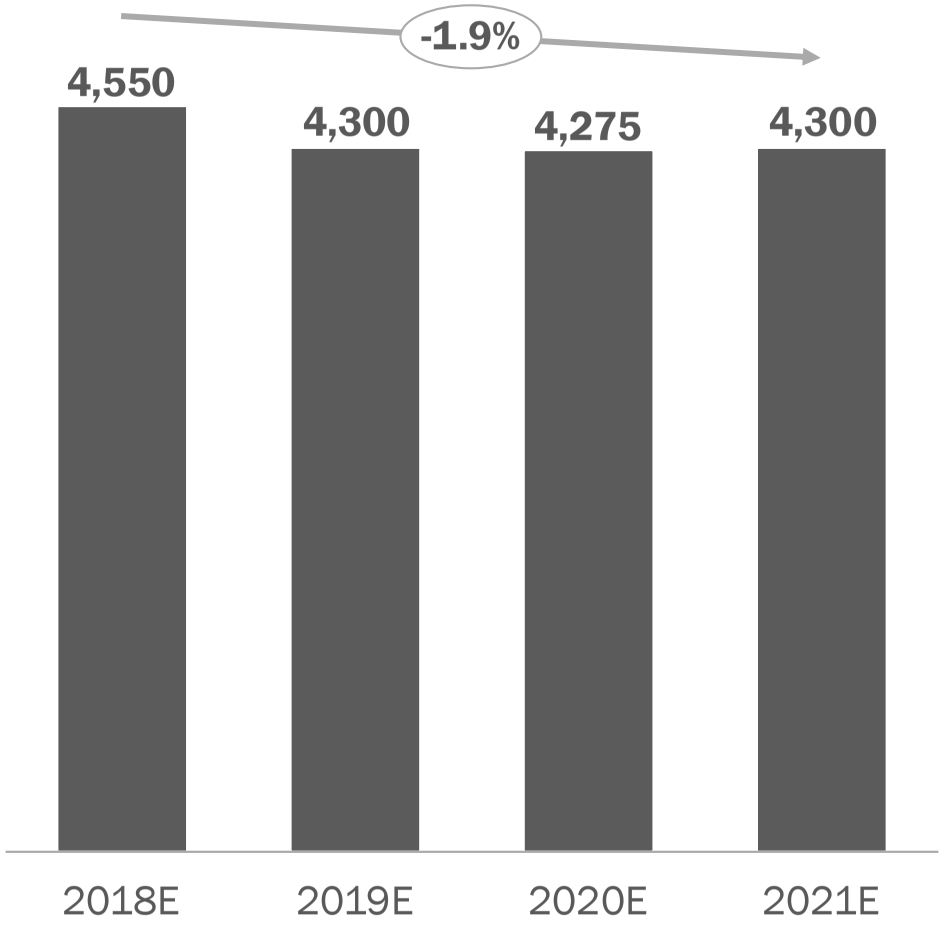
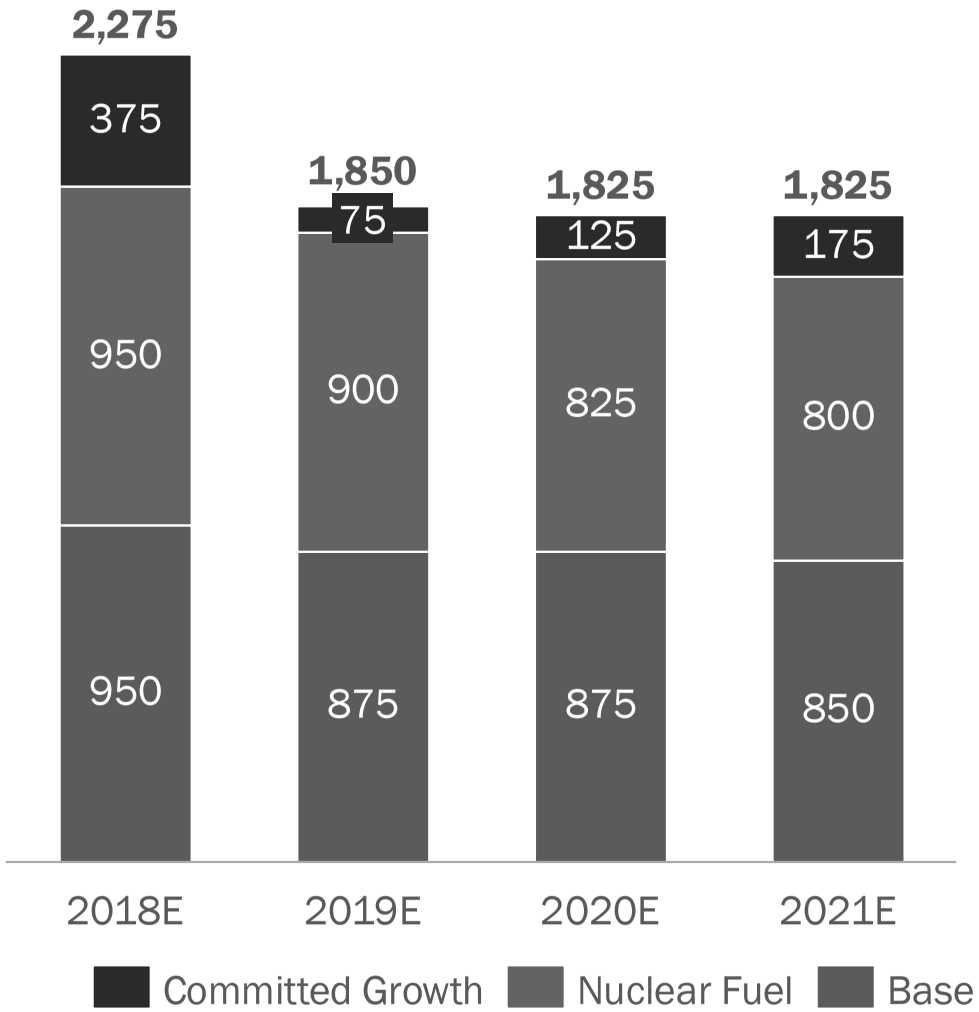
Driving Costs and Capital Out of the Generation Business

Adjusted O&M* ($M)[1,2]



Capital Expenditures ($M)[1,3,4]



Cost optimization programs and planned nuclear plant closures drive lower total O&M

(1) All amounts rounded to the nearest $25M
(2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(4) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

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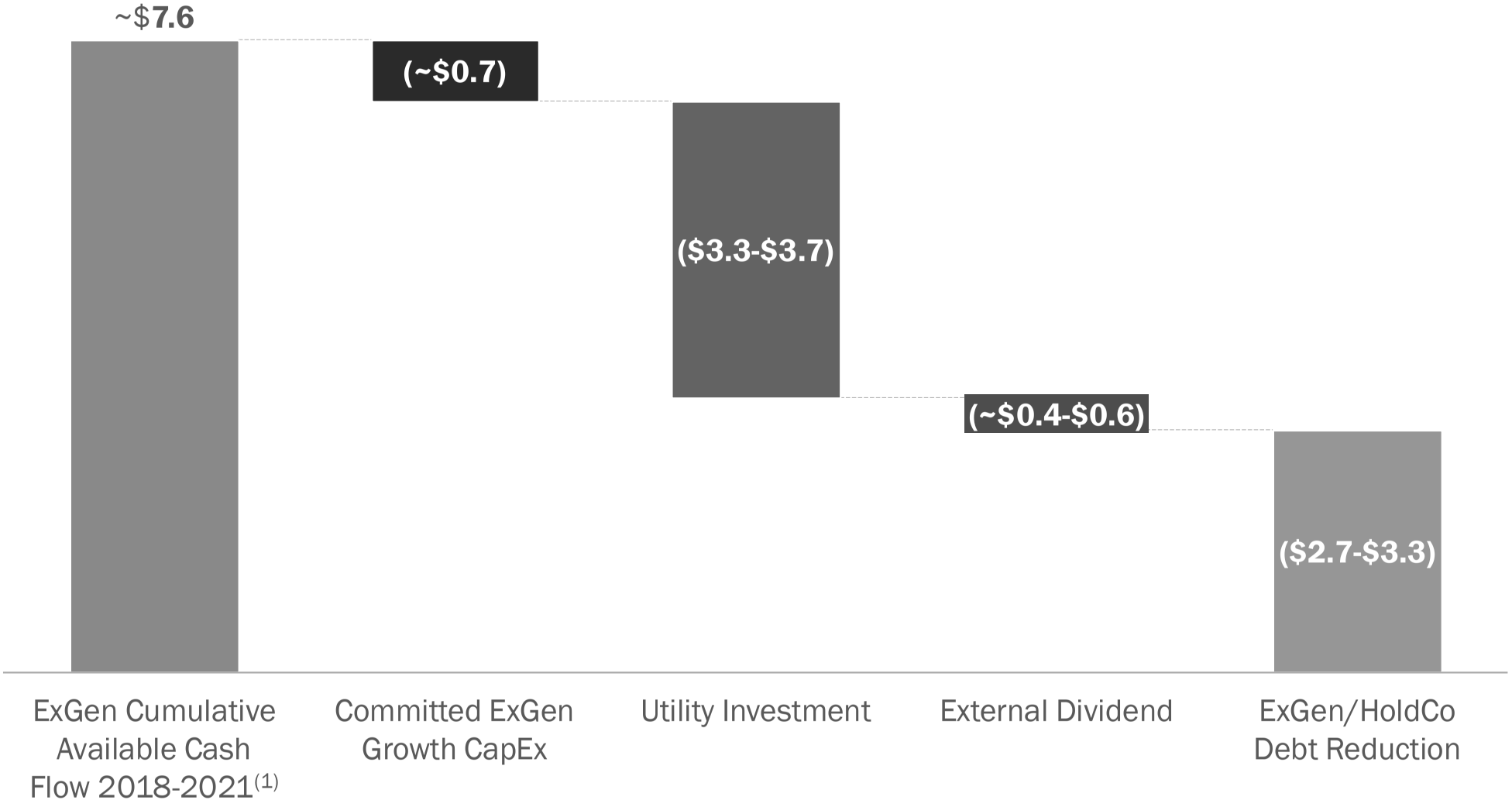
ExGen's Strong Available Cash Flow* Supports Utility Growth and Debt Reduction

2018-2021 Exelon Generation Available Cash Flow and Uses of Cash* ($B)



Redeploying Exelon Generation's available cash flow* to maximize shareholder value

(1) Cumulative Available Cash Flow* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

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Impacts from Tax Reform

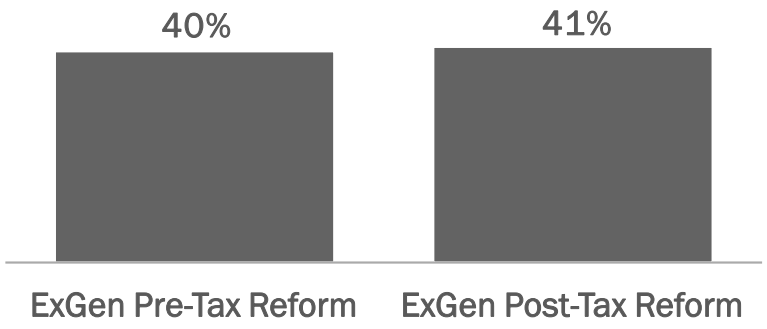
Tax Impacts

	2018	2019	2020	2021
Cumulative Incremental Rate Base from Tax Policy Changes	$0.9	$1.4	$1.7	$2.0
ExGen Effective Tax Rate	22%	22%	22%	21%
Consolidated Effective Tax Rate	18%	19%	20%	20%
Consolidated Cash Tax Rate	1%	4%	3%	3%

Key Takeaways

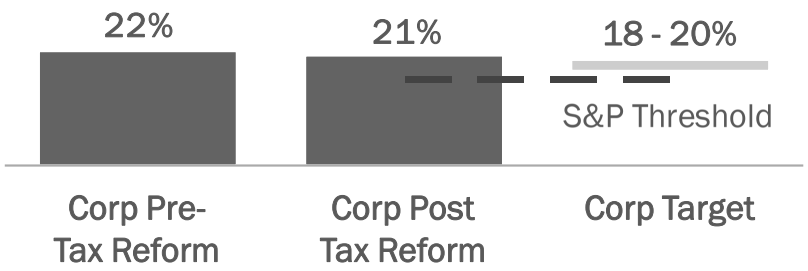
- Changes in federal tax policy are expected to increase run-rate EPS by $0.10 per share in 2019
- Utility rate base is expected to be $1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

2018 ExGen S&P FFO/Debt %*



Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

2018 Exelon S&P FFO/Debt %*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

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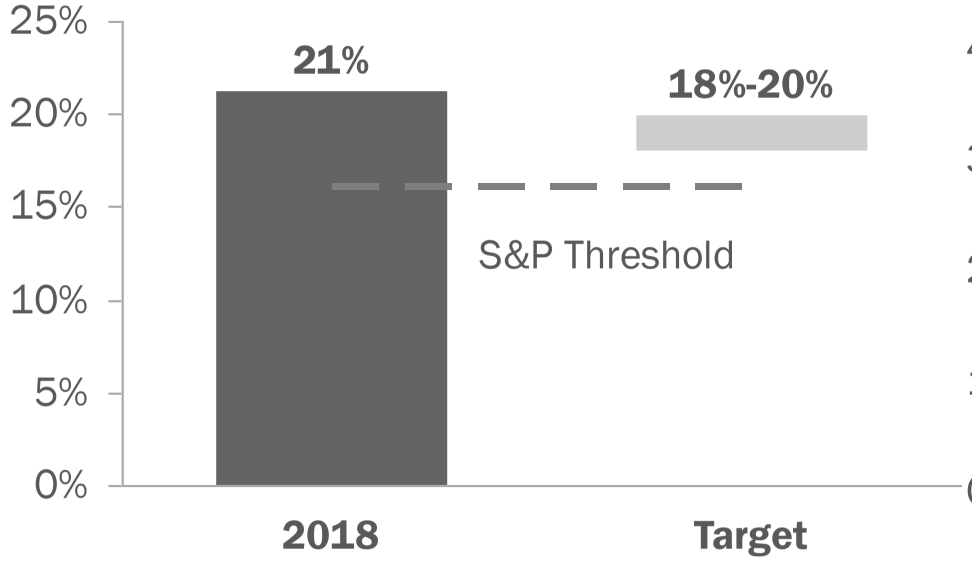
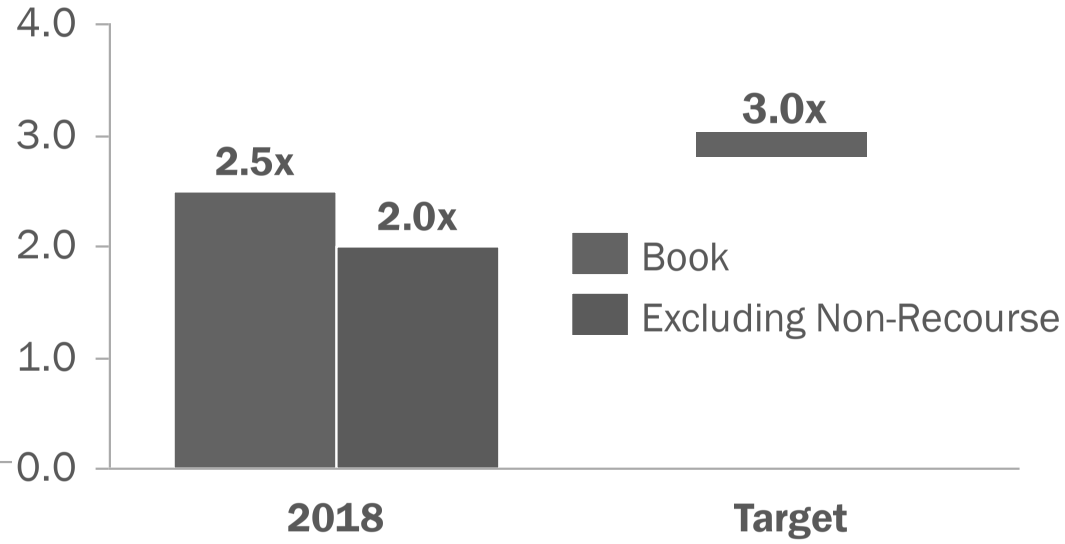
Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*[1,4]



ExGen Debt/EBITDA Ratio*[5]



Credit Ratings by Operating Company

Current Ratings [2,3]	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have a "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*

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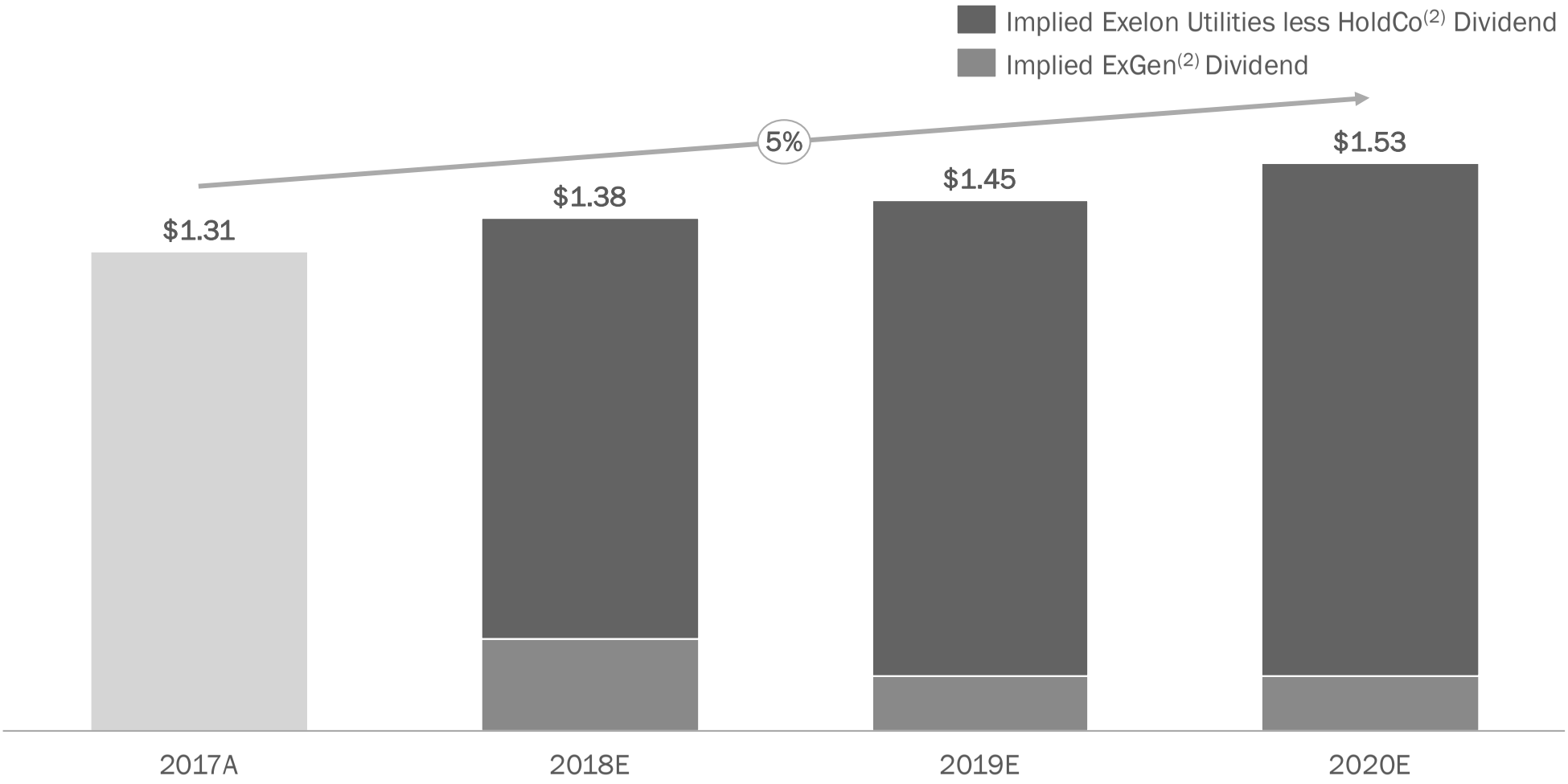
Exelon

Raising Dividend Growth Rate to 5% Annually through 2020

Dividends per Share[1]



Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow

(1) Quarterly dividends are subject to declaration by the board of directors
(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

Exelon.

SI-SSA-0015-02550

Resiliency and Energy Market Reform

Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued "Proposed Enhancements to Energy Price Formation" whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- "One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner." - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

Resiliency

- FERC issued "Grid Reliability and Resilience Pricing" order on January 8, 2018, to open new docket on resilience
- "The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country's economic and national security." – January 8 order at 1
- "[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context" - January 8 order at 7
- "As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often -- it is a declared priority of the Commission " - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet

SI-SSA-0015-02551

Exelon.

ZEC Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy"
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act"
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

New Jersey ZEC

- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

SI-SSA-0015-02552

The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02553

2018 Business Priorities and Commitments

Maintain industry leading operational excellence

Effectively deploy $5.4B of 2018 utility capex

Advance PJM power price formation changes in 2018

Prevail on legal challenges to the NY and IL ZEC programs

Seek fair compensation for at-risk plants in NJ and PA

Grow dividend at 5% rate

Continued commitment to corporate responsibility

SI-SSA-0015-02554

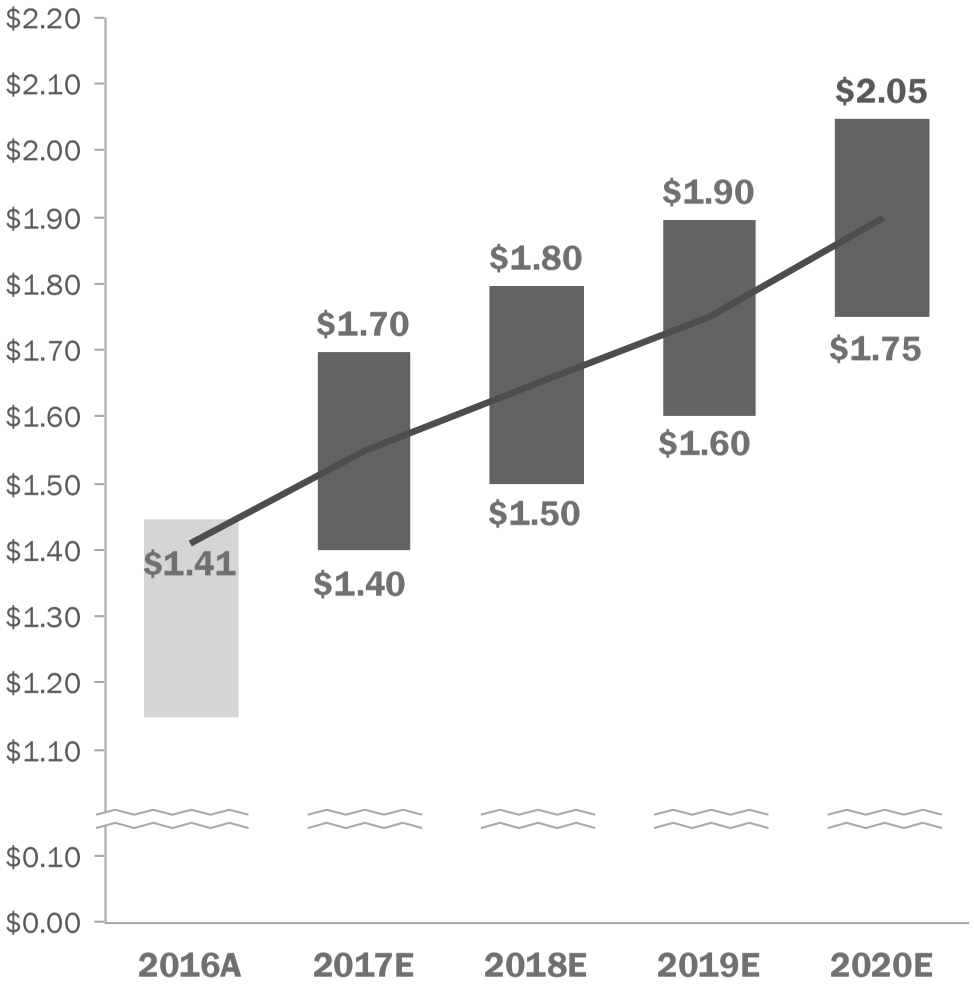
Exelon.

Additional Disclosures

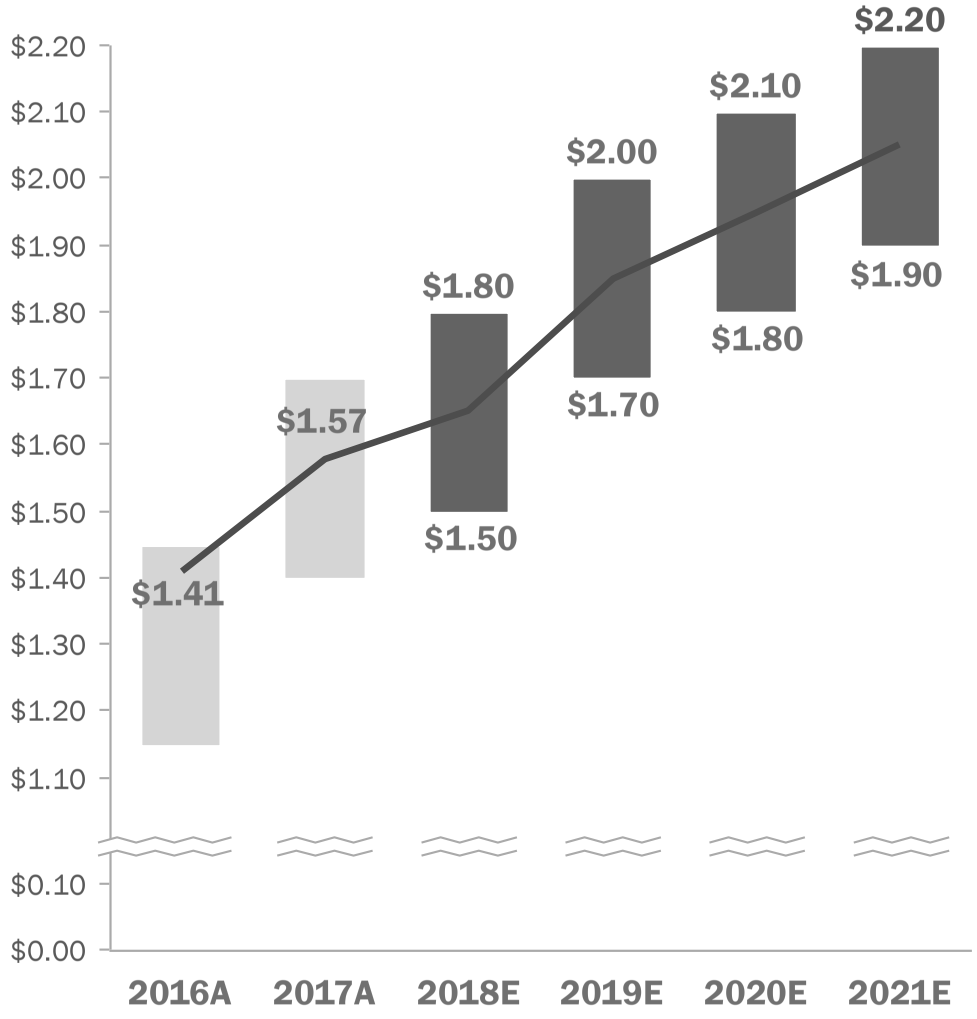
SI-SSA-0015-02555

Exelon Utilities EPS Growth of 6-8% from 2018-2021

Q4 2016 Operating Earnings*



Q4 2017 Operating Earnings*



Utility growth rate remains 6-8%, driven by rate base growth and improving PHI ROEs

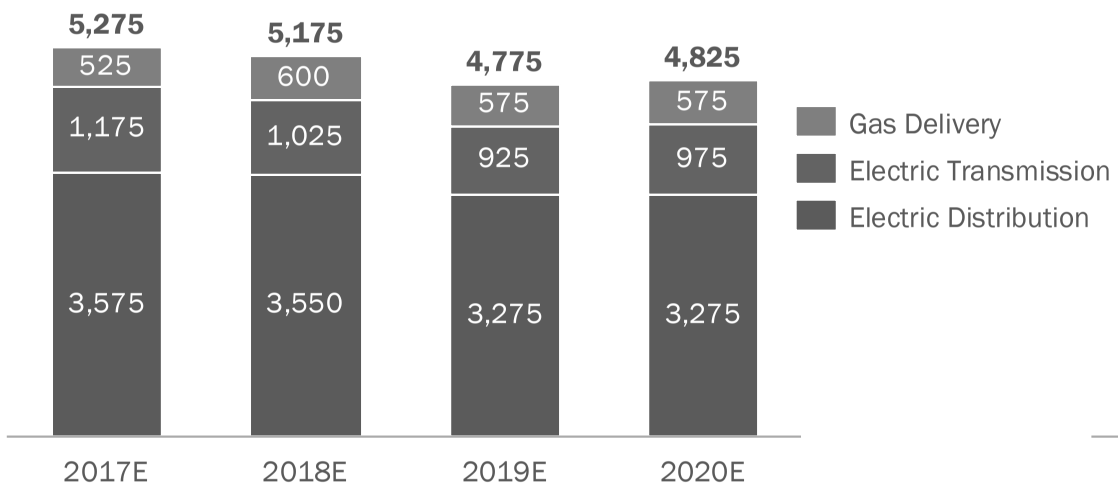
Note: Includes after-tax interest expense held at Corporate for debt costs associated with utility investment.

SI-SSA-0015-02556

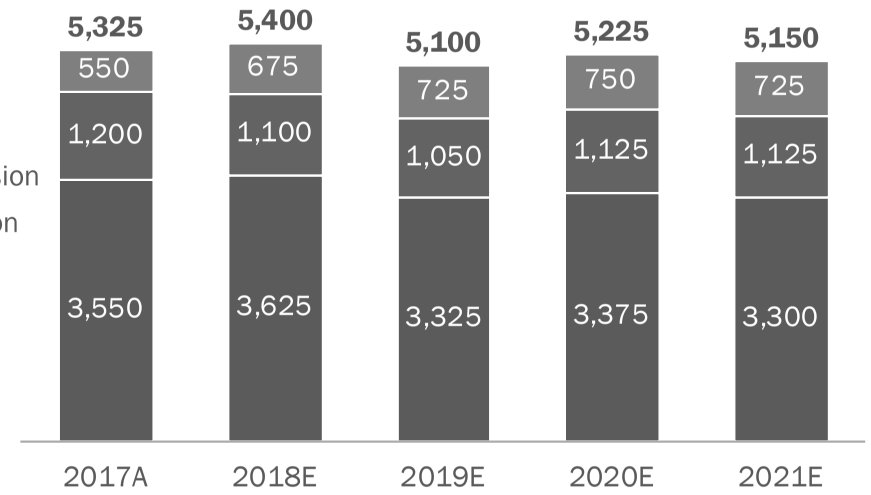
Exelon

Utility Capex and Rate Base vs. Previous Disclosure

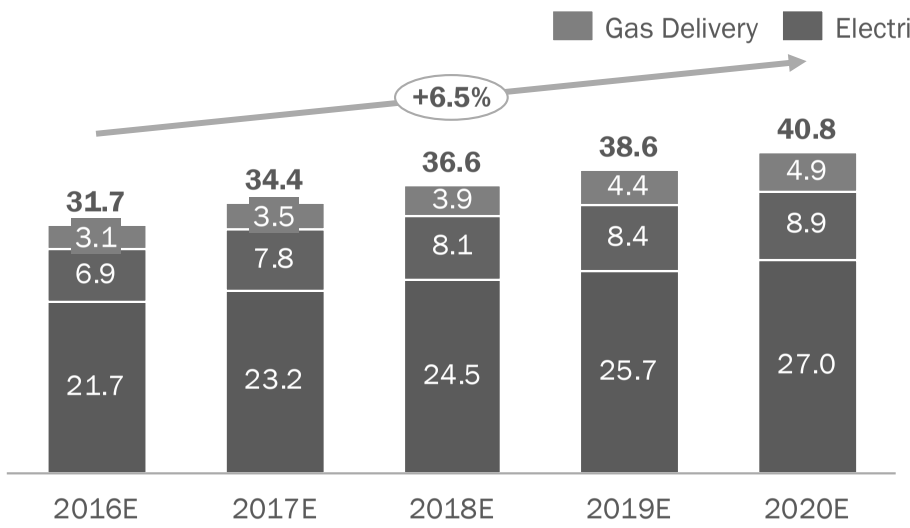
Q4 2016 Capital Expenditures ($M)



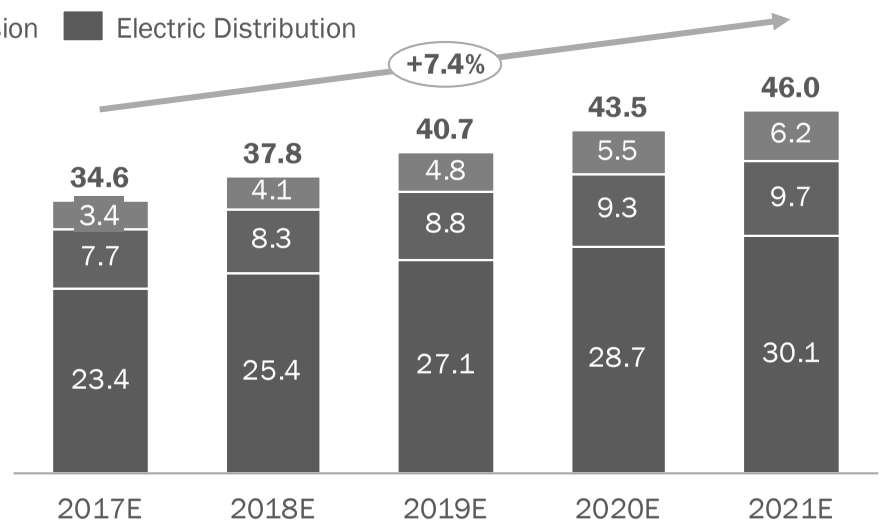
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



We will invest $21B of capital in utilities from 2018-2021, supporting rate base growth of 7.4% from 2017-2021

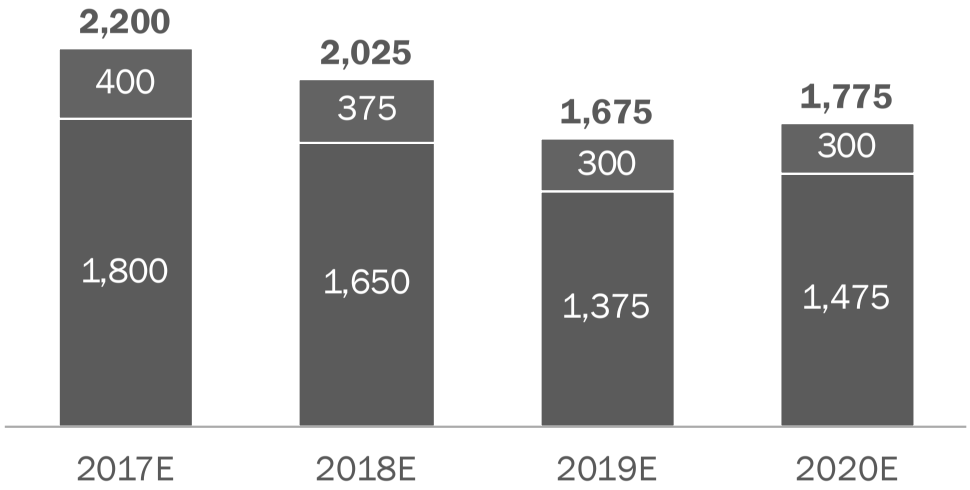
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

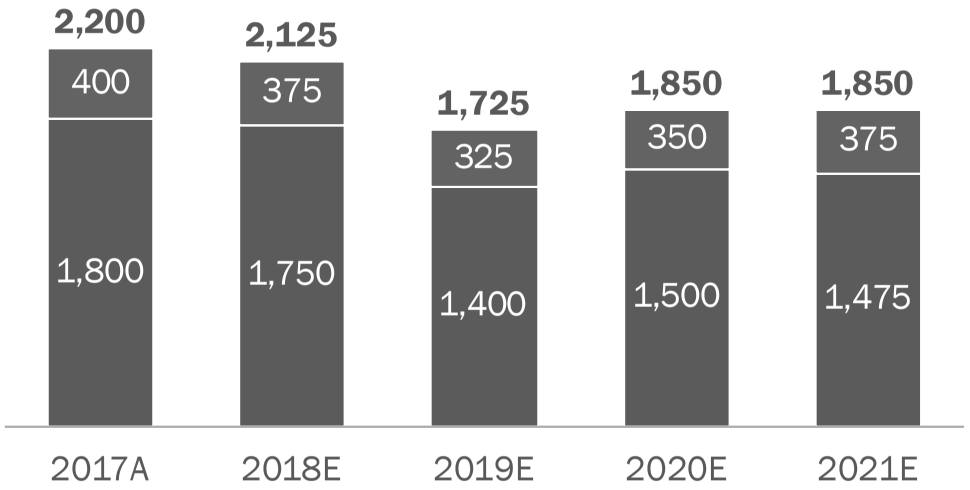
SI-SSA-0015-02557

ComEd Capital Expenditure and Rate Base Forecast

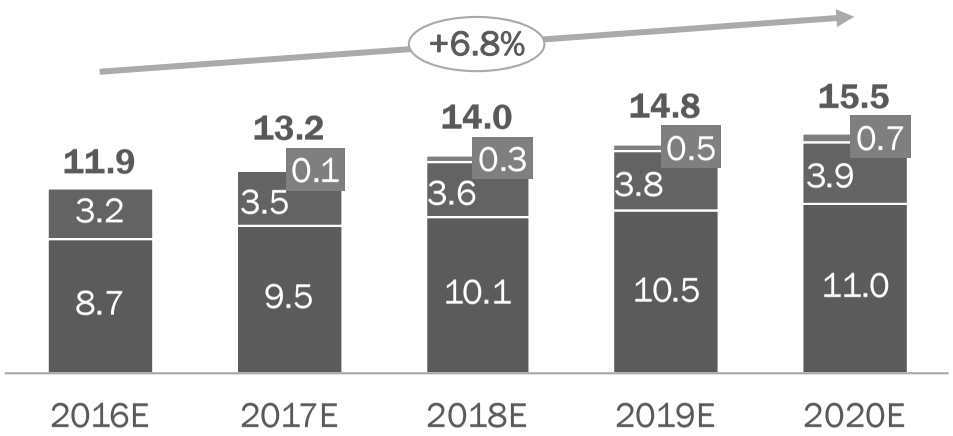
Q4 2016 Capital Expenditures ($M)



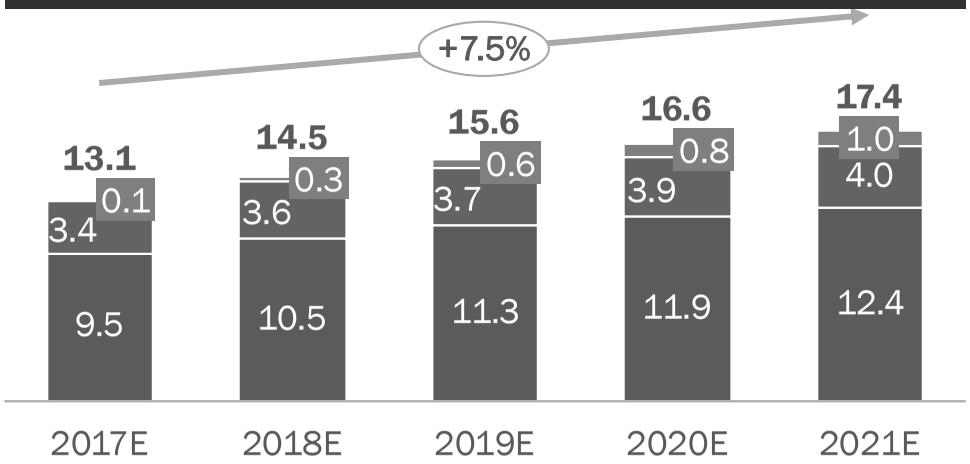
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Other[1] Electric Transmission Electric Distribution

~$7.6B of Capital being invested from 2018-2021

Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

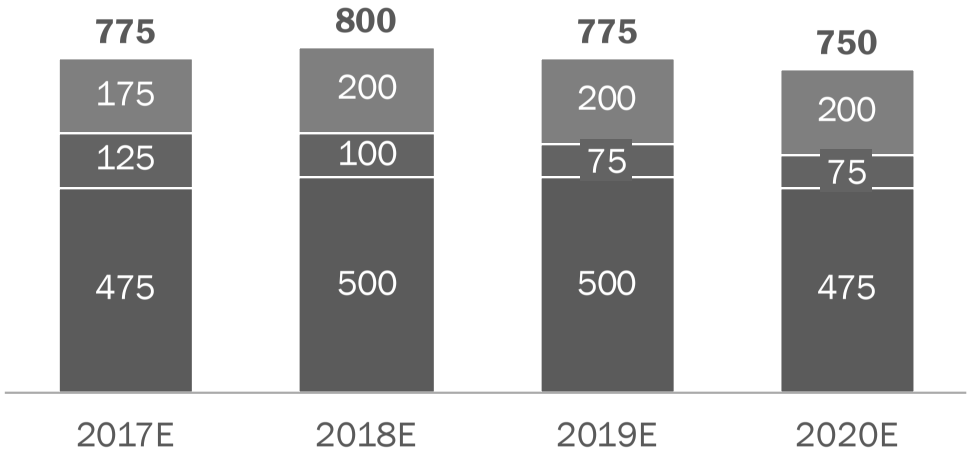
(1) Other includes long-term regulatory assets, which earn a return consistent with rate base, including Energy Efficiency and the Solar Rebate Program

SI-SSA-0015-02558

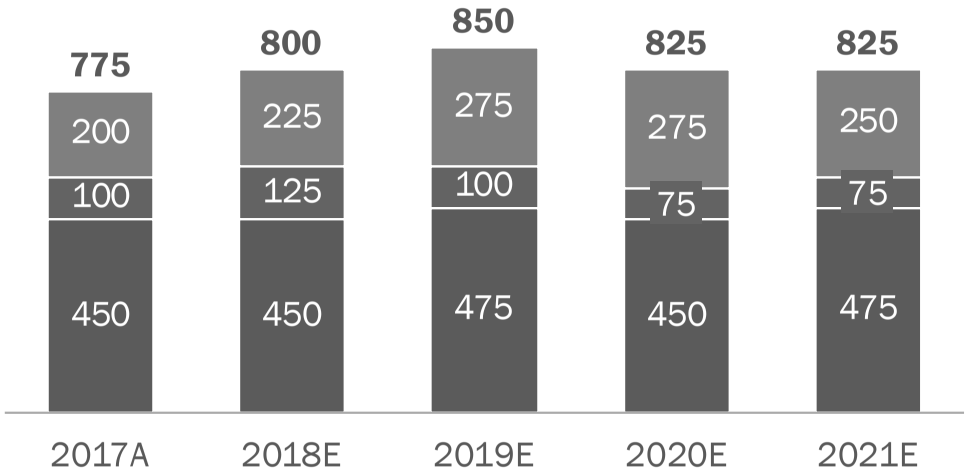
Exelon

PECO Capital Expenditure and Rate Base Forecast

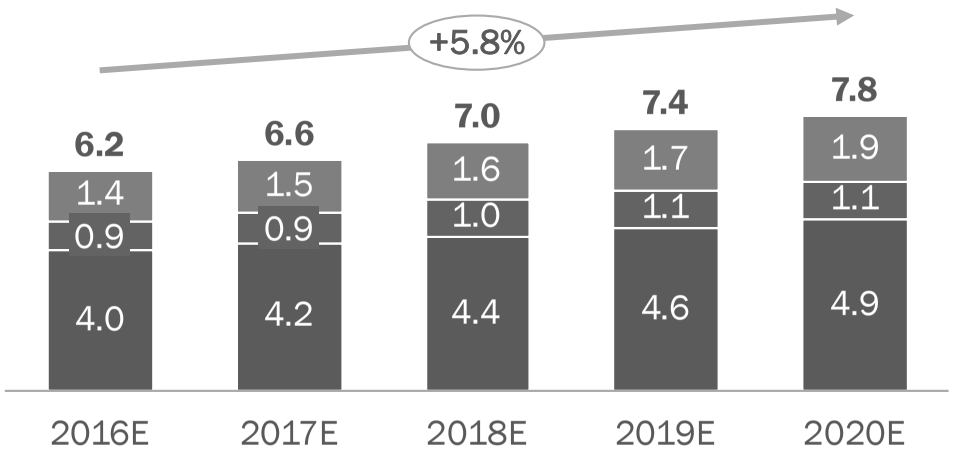
Q4 2016 Capital Expenditures ($M)



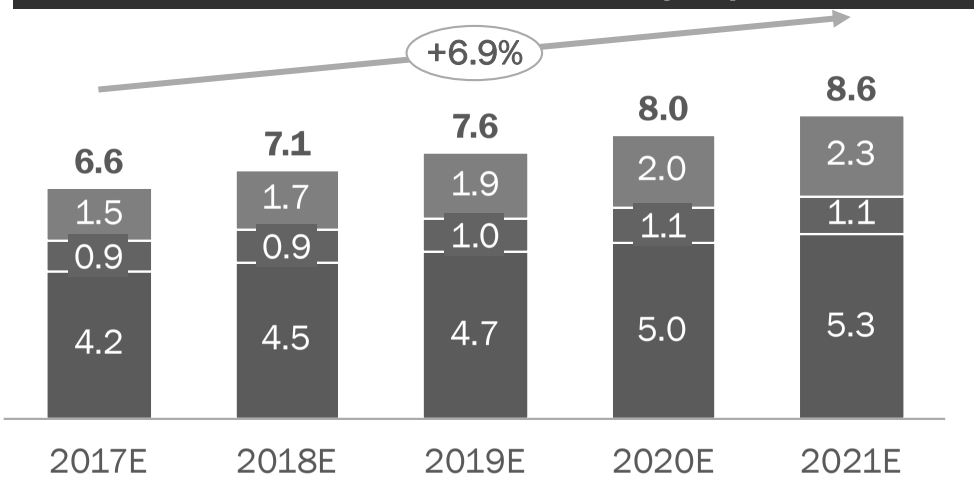
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Gas Delivery | Electric Transmission | Electric Distribution

~$3.3B of Capital being invested from 2018-2021

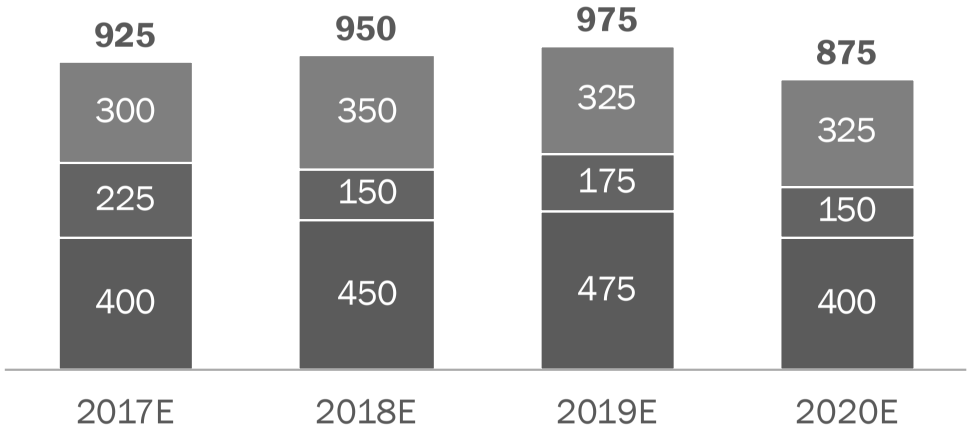
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

SI-SSA-0015-02559

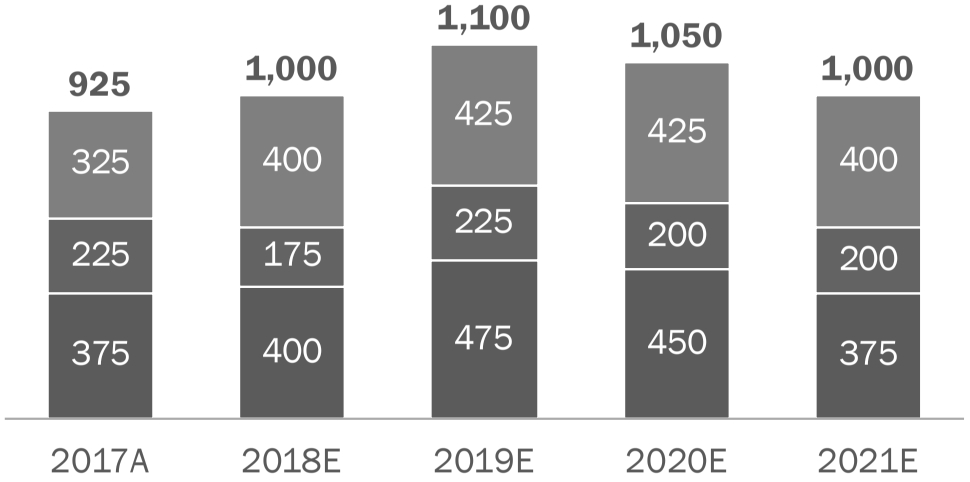
Exelon.

BGE Capital Expenditure and Rate Base Forecast

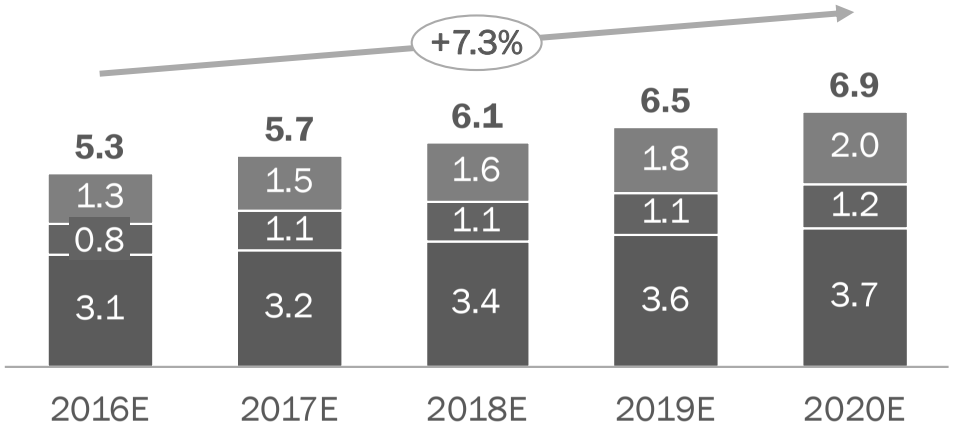
Q4 2016 Capital Expenditures ($M)



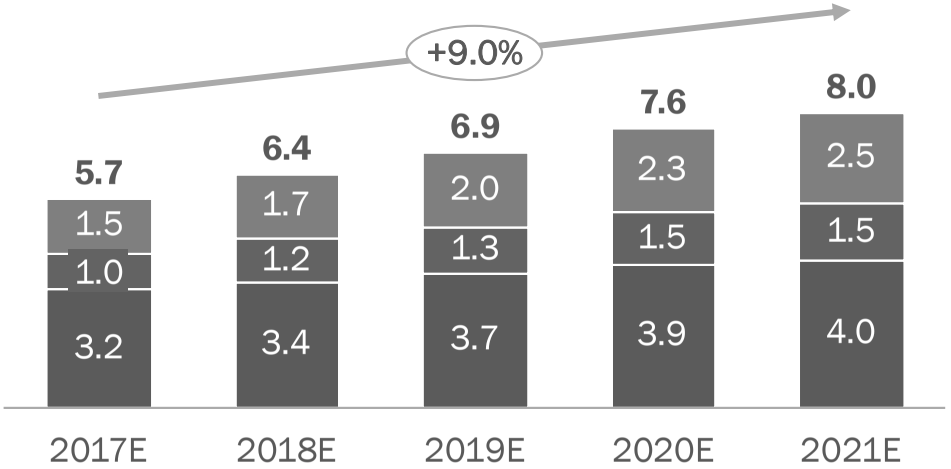
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Gas Delivery | Electric Transmission | Electric Distribution

~$4.2B of Capital being invested from 2018-2021

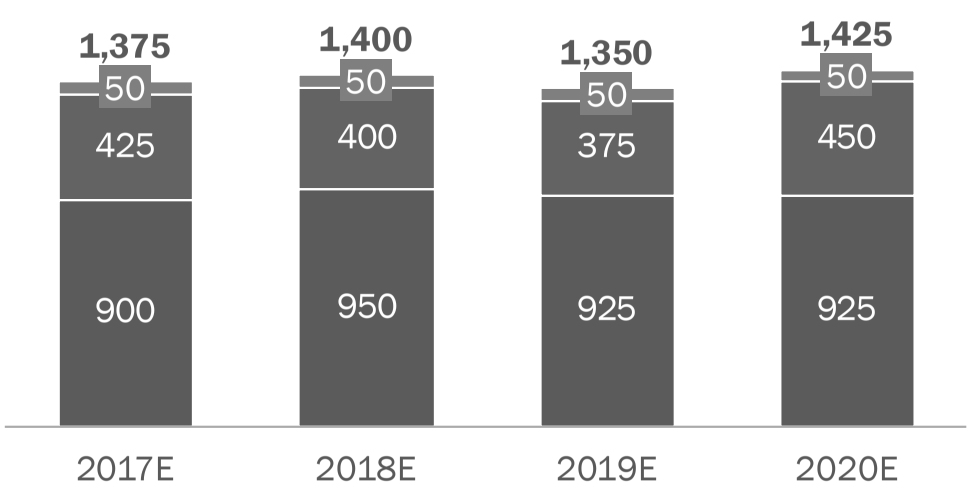
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

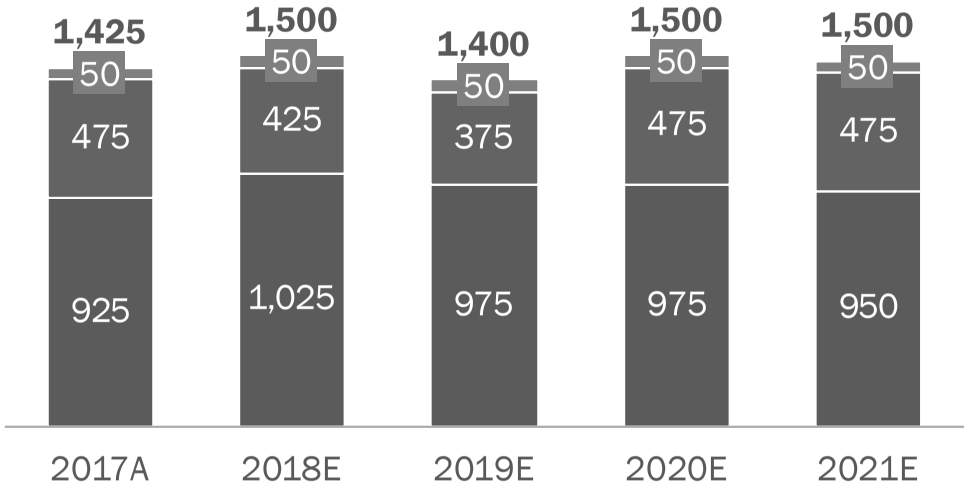
SI-SSA-0015-02560

PHI Consolidated Capital Expenditure and Rate Base Forecast

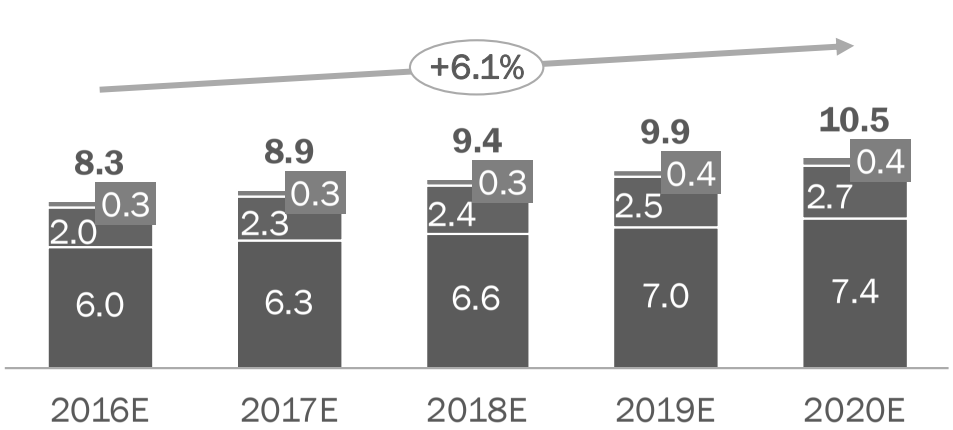
Q4 2016 Capital Expenditures ($M)



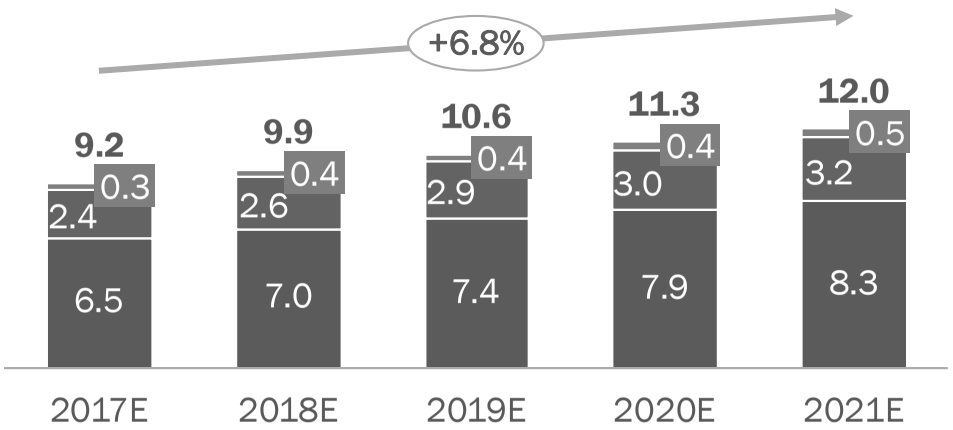
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Gas Delivery | Electric Transmission | Electric Distribution

~$5.9B of Capital being invested from 2018-2021

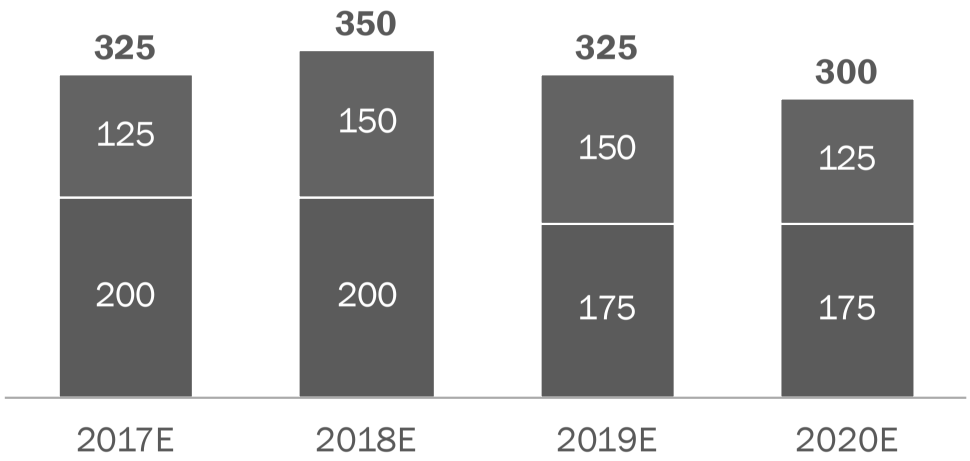
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

SI-SSA-0015-02561

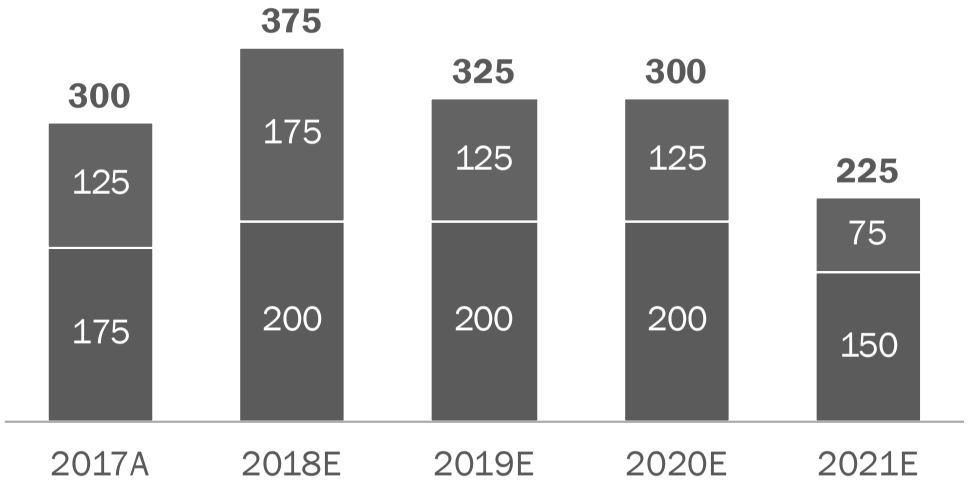
Exelon.

ACE Capital Expenditure and Rate Base Forecast

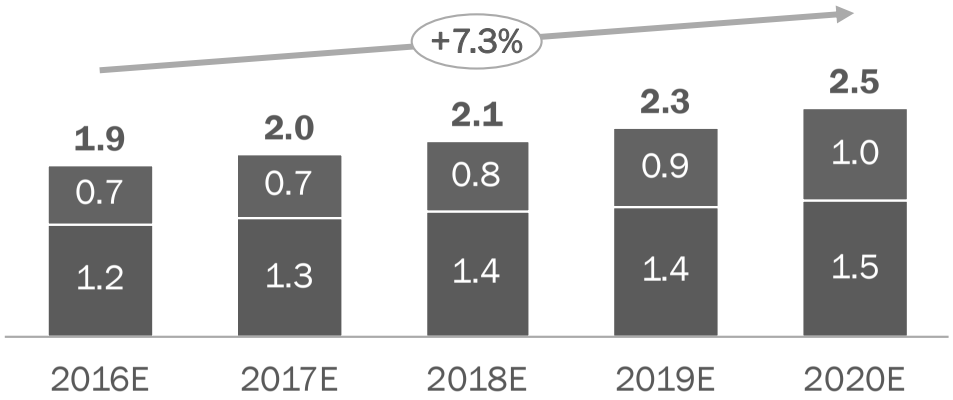
Q4 2016 Capital Expenditures ($M)



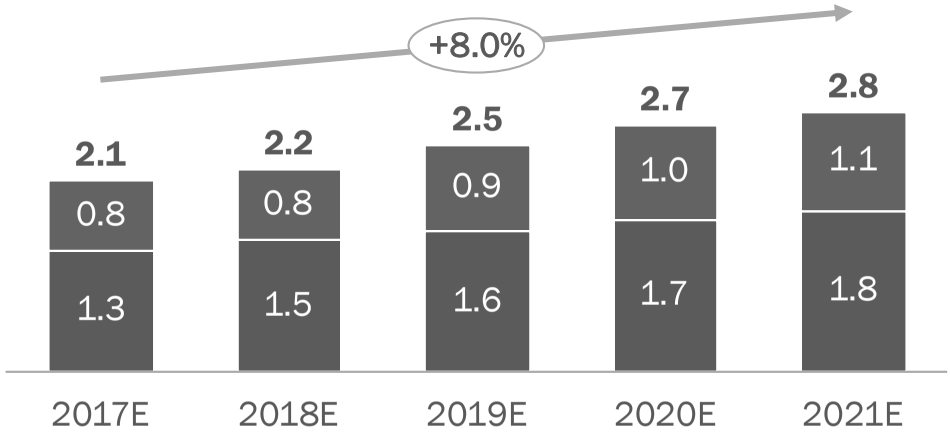
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Electric Transmission Electric Distribution

~$1.2B of Capital being invested from 2018-2021

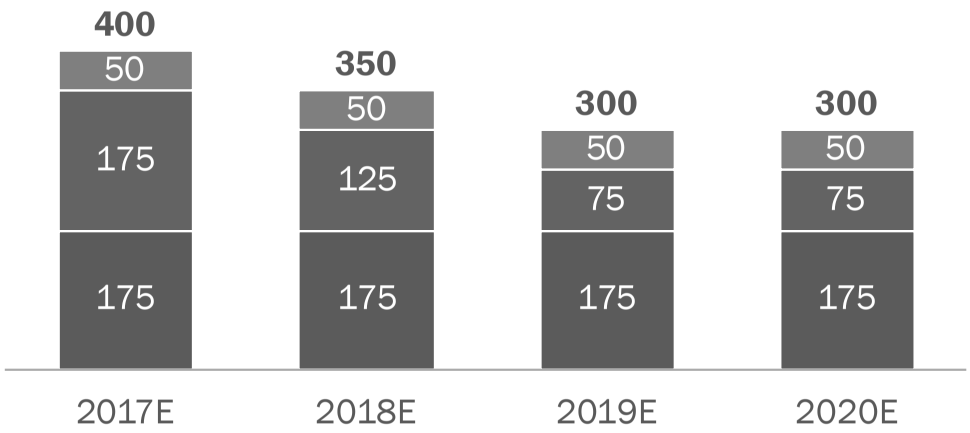
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

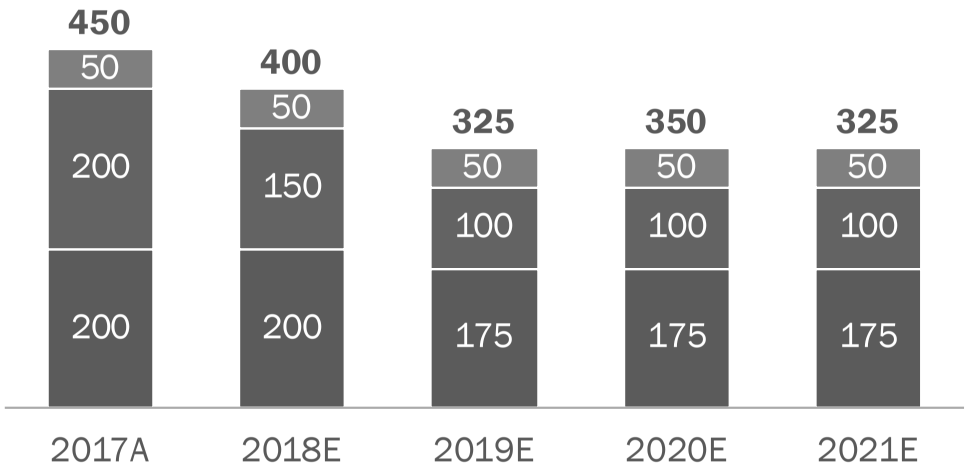
SI-SSA-0015-02562

Delmarva Capital Expenditure and Rate Base Forecast

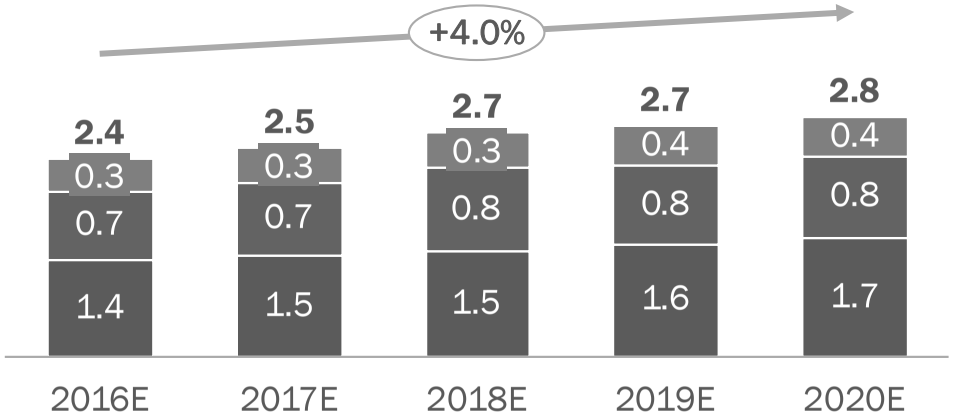
Q4 2016 Capital Expenditures ($M)



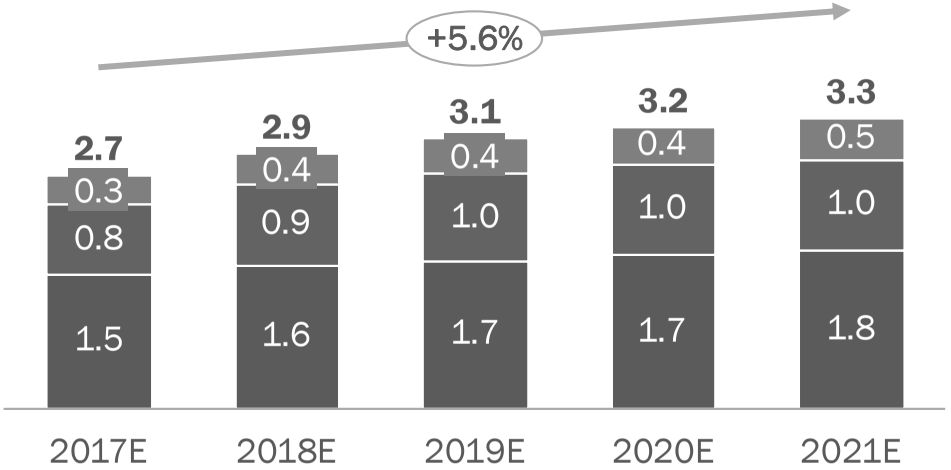
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Gas Delivery | Electric Transmission | Electric Distribution

~$1.4B of Capital being invested from 2018-2021

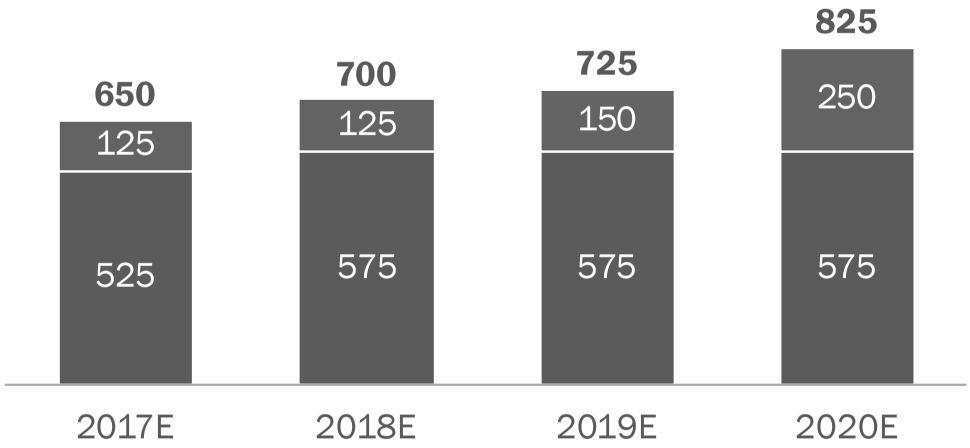
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

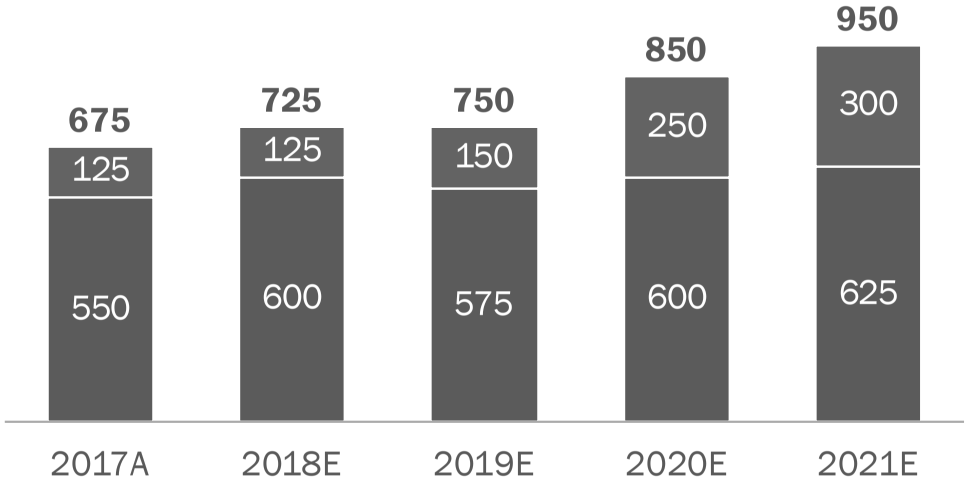
SI-SSA-0015-02563

Pepco Capital Expenditure and Rate Base Forecast

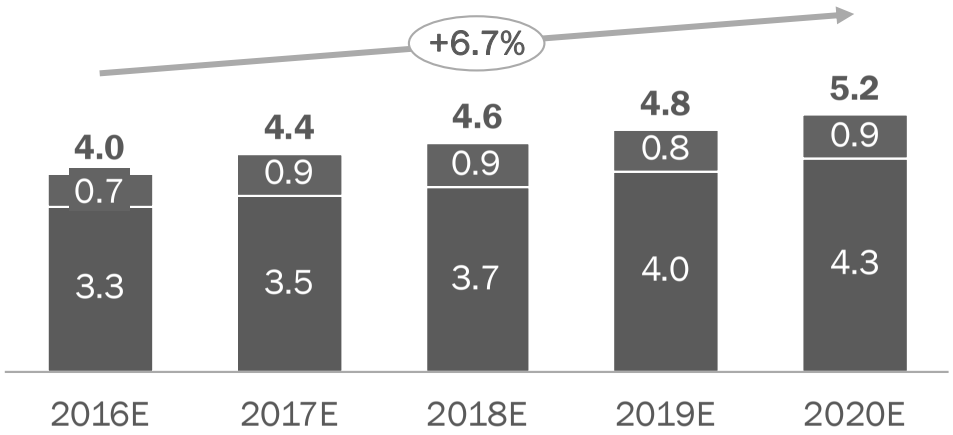
Q4 2016 Capital Expenditures ($M)



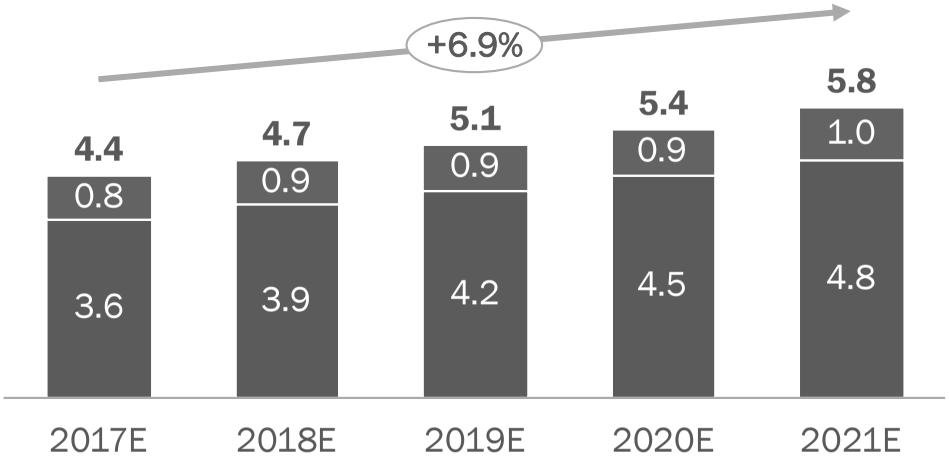
Q4 2017 Capital Expenditures ($M)



Q4 2016 Rate Base ($B)



Q4 2017 Rate Base ($B)



Electric Transmission Electric Distribution

~$3.3B of Capital being invested from 2018-2021

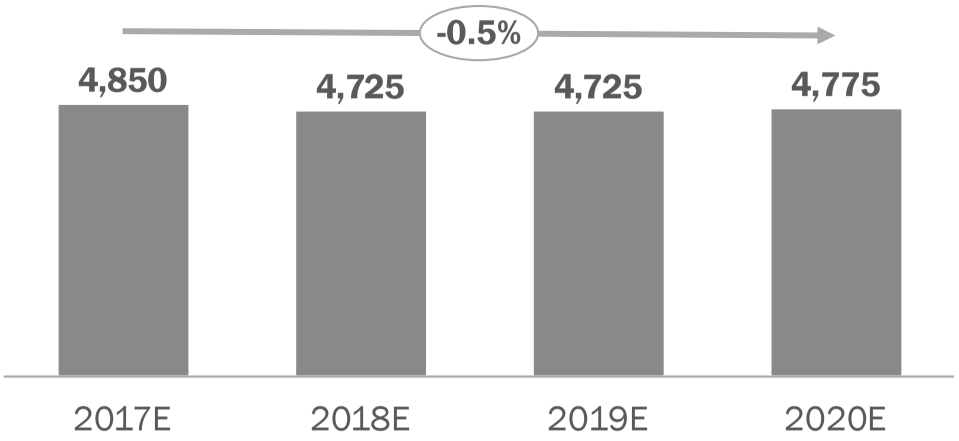
Note: Numbers rounded to nearest $25M and may not add due to rounding. Rate base reflects year-end estimates.

Exelon.

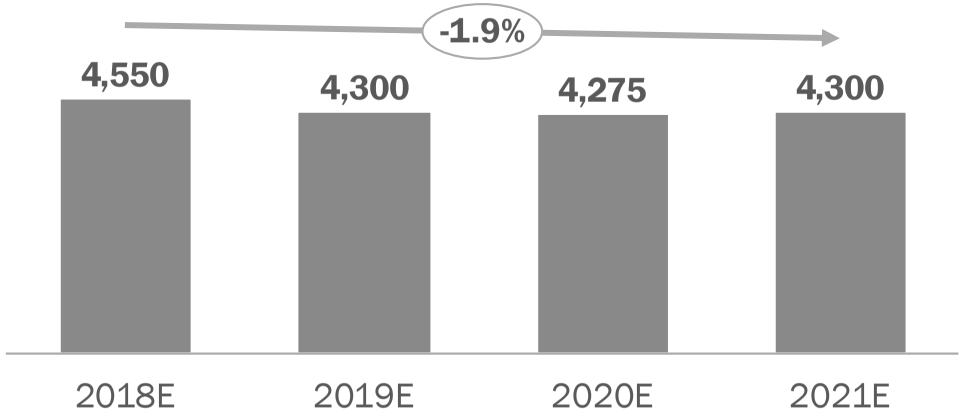
SI-SSA-0015-02564

ExGen O&M and Capex vs. Previous Disclosure

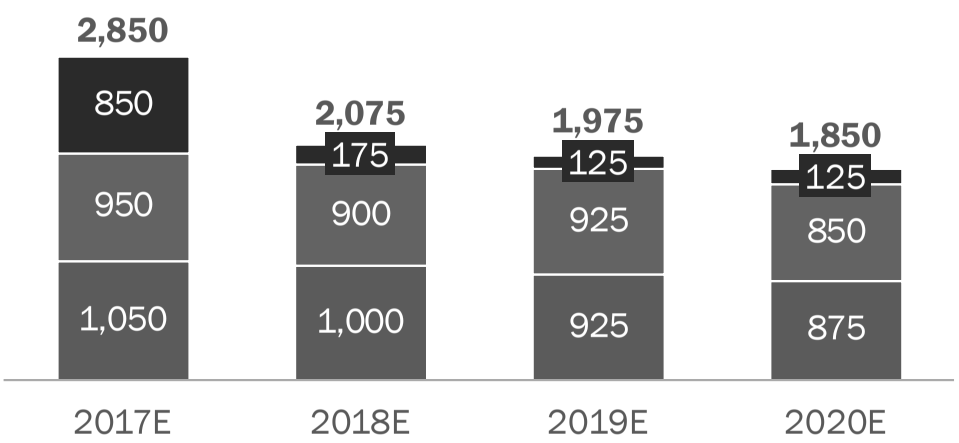
Adjusted O&M* - Q4 2016 ($M)



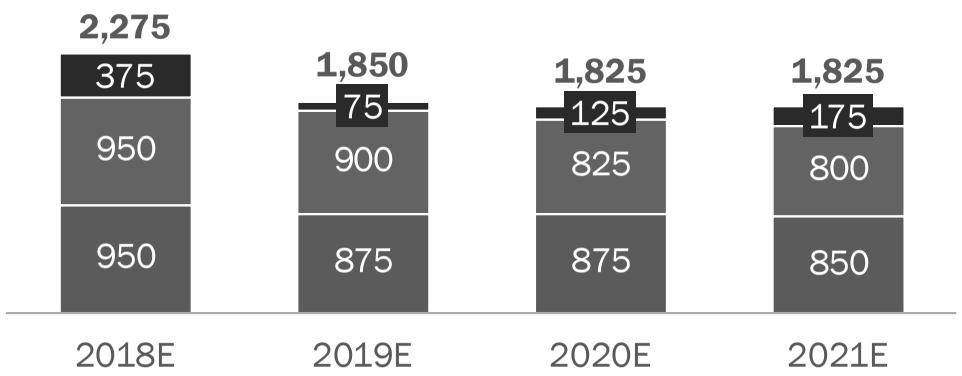
Adjusted O&M* – Q4 2017 ($M)[1]



Capex - Q4 2016 ($M)[2]



Capex – Q4 2017 ($M)[1,2,3]



Committed Growth | Nuclear Fuel | Base

Capital and O&M now reflect removal of EGTP[4], Oyster Creek, and TMI

(1) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
(2) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
(3) 2018E growth capital expenditures reflects a ~$175M shift of cash outlay from 2017A to 2018E related to the CCGT projects in Texas
(4) Adjusted for retaining Handley Generating Station

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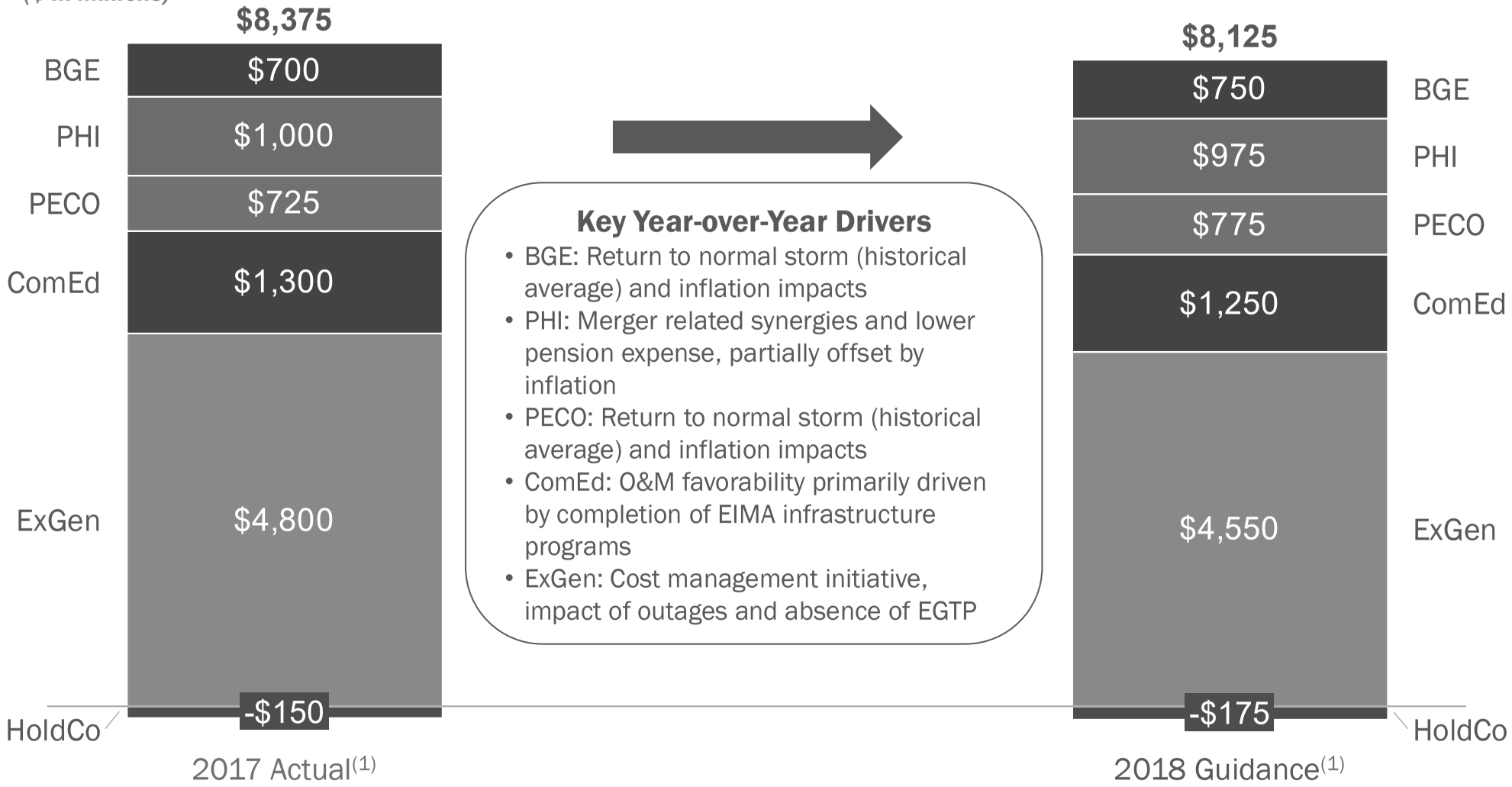
Adjusted O&M* Forecast

- **Expect Compound Annual Growth Rate of -1.1% for 2018-2021**

($ in millions)



Key Year-over-Year Drivers

- BGE: Return to normal storm (historical average) and inflation impacts
- PHI: Merger related synergies and lower pension expense, partially offset by inflation
- PECO: Return to normal storm (historical average) and inflation impacts
- ComEd: O&M favorability primarily driven by completion of EIMA infrastructure programs
- ExGen: Cost management initiative, impact of outages and absence of EGTP

(1) All amounts rounded to the nearest $25M and may not add due to rounding

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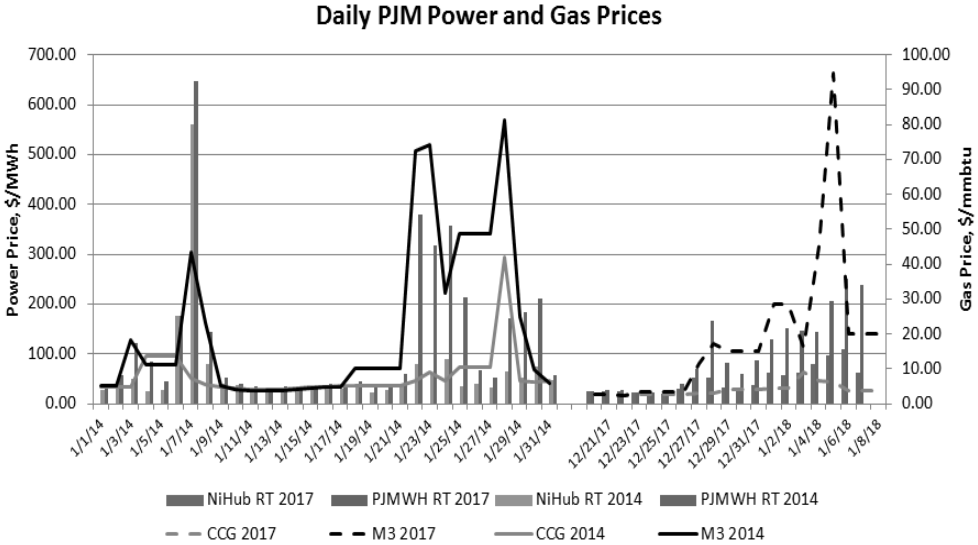
Comparing Winter 2017/2018 and the 2014 Polar Vortex

2014 Polar Vortex vs. 2017/2018 Winter

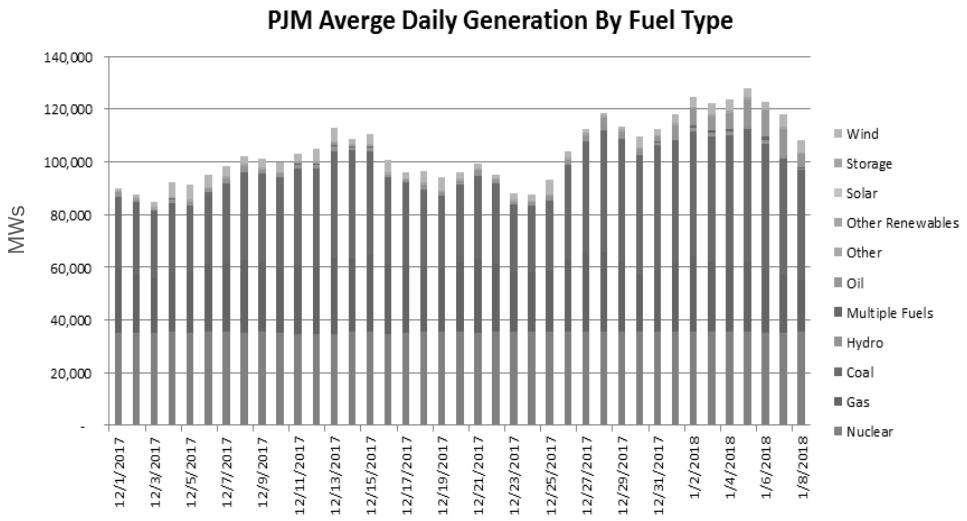


Generation Forced Outages[1]

	Polar Vortex 1/7/2014		Winter 2017/2018 1/5/2018		Winter 2017/2018 1/6/2018	
Fuel Type	MW	%	MW	%	MW	%
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW Improvement

Generation Fuel Mix (MW)[2]



Key Takeaways

- PJM power prices cleared at times over ~$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018
(2) Source: PJM

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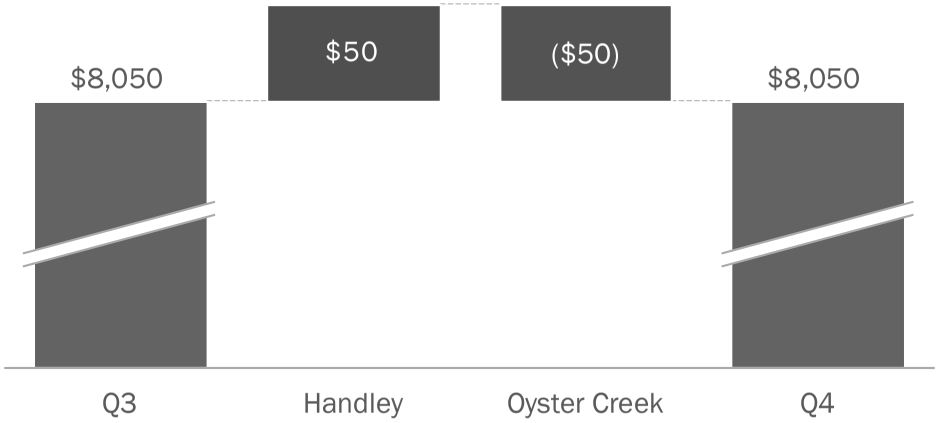
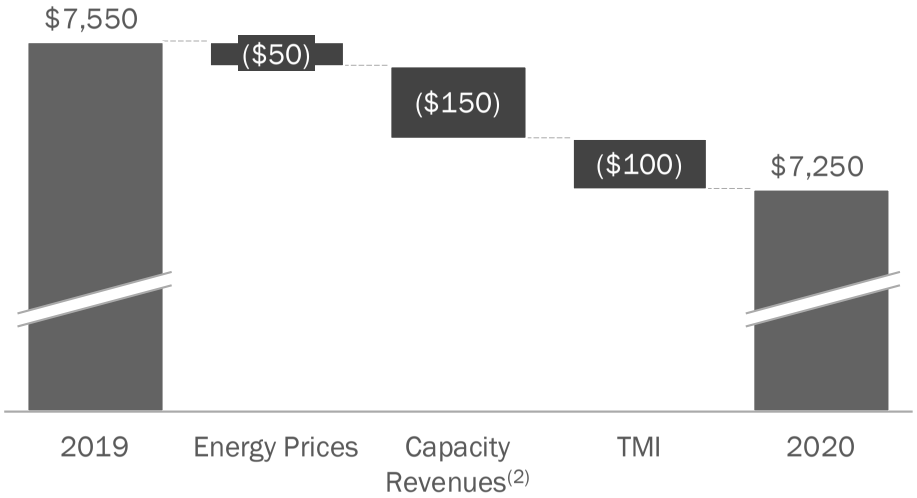
ExGen Forward Total Gross Margin* Walk: Q4 2017 vs. Q3 2017

FY 2018 ($M)[1,3,4,5]



FY 2019 ($M)[1,3,4]

FY 2020 versus FY 2019 ($M)[1,3,4]



Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a $50M increase from retention of Handley Generating Station, and $50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on $150M of power new business
- In 2019, total gross margin is up $50M, reflecting $100M increase on higher power prices and strengthening ERCOT spark spreads plus $50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by $300M:
  - $150M lower primarily driven by Open Gross Margin related to TMI retirement
  - $150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Based on December 31, 2017, market conditions
(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.
(5) 2018 includes $150M of IL ZEC revenues associated with 2017 production

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2018 Projected Sources and Uses of Cash

($M)[1]	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp[8]	Exelon 2018E	Cash Balance
Beginning Cash Balance*[2]									**1,400**
Adjusted Cash Flow from Operations*[2]	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel[3]	0	0	0	0	0	(2,000)	(25)	(2,025)	
Free Cash Flow*	**625**	**1,625**	**600**	**1,125**	**3,975**	**1,875**	**225**	**6,075**	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing[4]	175	300	25	(75)	425	(100)	(50)	275	
Financing*[5]	**600**	**1,200**	**275**	**650**	**2,725**	**(200)**	**(900)**	**1,625**	
Total Free Cash Flow and Financing	**1,200**	**2,850**	**875**	**1,775**	**6,700**	**1,675**	**(675)**	**7,700**	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth[3,6]	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend[7]	0	0	0	0	0	0	(1,325)	(1,325)	
Other CapEx and Dividend	**(1,000)**	**(2,125)**	**(800)**	**(1,500)**	**(5,400)**	**(400)**	**(1,325)**	**(7,125)**	
Total Cash Flow	**225**	**700**	**75**	**275**	**1,300**	**1,275**	**(2,000)**	**575**	
Ending Cash Balance*[2]									**1,975**

(1) All amounts rounded to the nearest $25M. Figures may not add due to rounding.

(2) Gross of posted counterparty collateral

(3) Figures reflect cash CapEx and CENG fleet at 100%

(4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions

(5) Financing cash flow excludes intercompany dividends and other intercompany financing activities

(6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar

(7) Dividends are subject to declaration by the Board of Directors

(8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

Consistent and reliable free cash flows

Operational excellence and financial discipline drives free cash flow reliability

- ✓ Generating $6.1B of free cash flow, including $1.9B at ExGen and $4.0B at the Utilities

Supported by a strong balance sheet

Strong balance sheet enables flexibility to raise and deploy capital for growth

- ✓ $1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

Enable growth & value creation

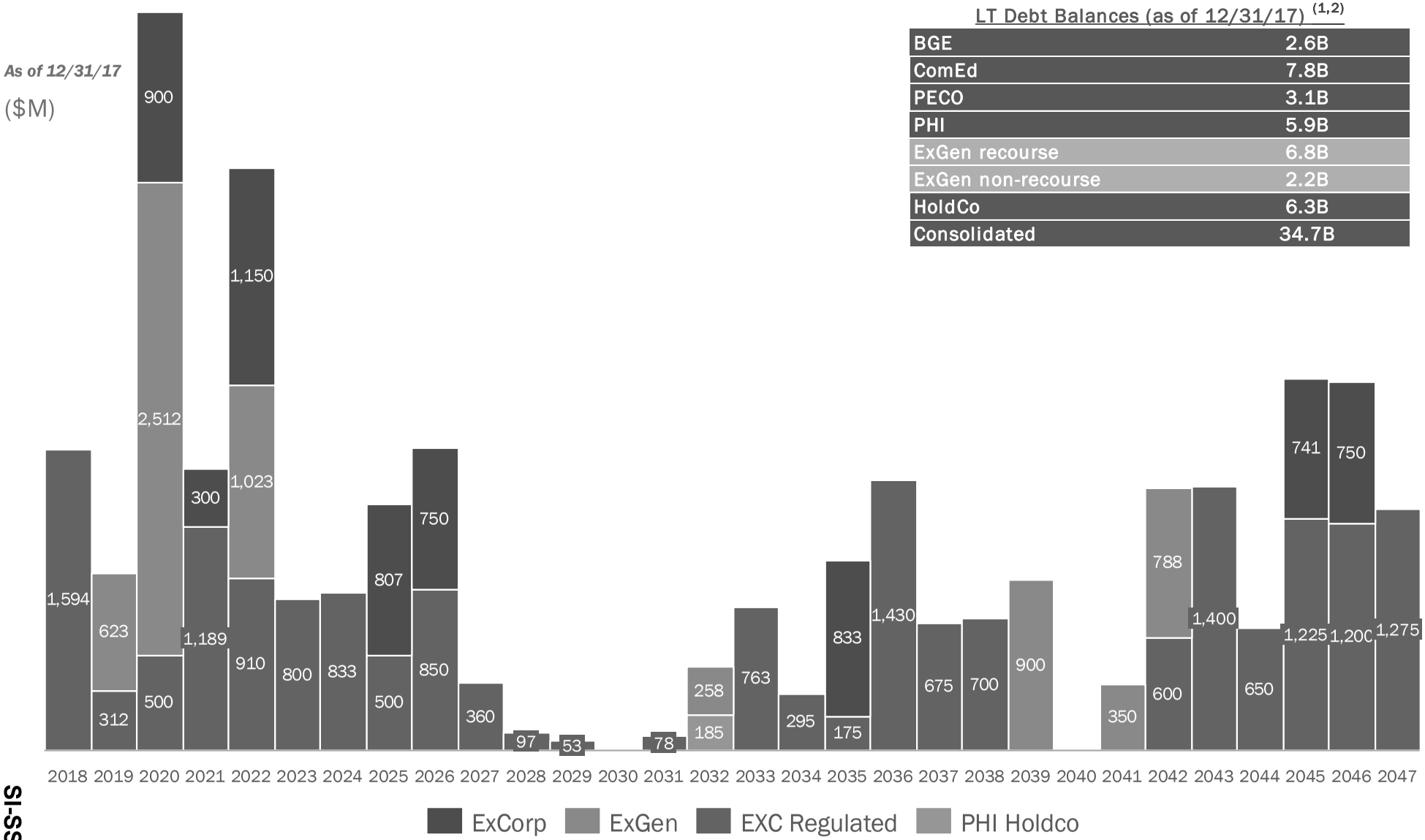
Creating value for customers, communities and shareholders

- ✓ Investing $5.8B of growth capex, with $5.4B at the Utilities and $0.4B at ExGen

SI-SSA-0015-02569

Exelon

Exelon Debt Maturity Profile[1]



LT Debt Balances (as of 12/31/17) [1,2]

BGE	2.6B
ComEd	7.8B
PECO	3.1B
PHI	5.9B
ExGen recourse	6.8B
ExGen non-recourse	2.2B
HoldCo	6.3B
Consolidated	34.7B

Exelon's weighted average LTD maturity is approximately 13 years

(1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium
(2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

SI-SSA-0015-02570

Exelon

Pension and OPEB Contributions and Expense

	2017		2018	
(in $M)	Pre-Tax Expense[1]	Contributions	Pre-Tax Expense (Benefit) [1]	Contributions
Qualified Pension [2] [3] [4]	$445	$315	$420	$300
Non-Qualified Pension	20	25	25	30
OPEB[3][4]	-	65	(5)	45
Total	**$465**	**$405**	**$440**	**$375**

(1) Pension and OPEB expenses assume a 30% and 25% capitalization rate in 2017 and 2018, respectively
(2) The Balanced Funding Strategy for the Qualified Plans provides pension funding of the greater of $250M or minimum required contributions plus amounts required to avoid benefit restrictions and at-risk status for the legacy Exelon plans. PHI qualified plan contributions were $60M in 2017 and are expected to be $50M in 2018.
(3) Expected return on pension and OPEB plan assets is 7.00% and 6.60%, respectively, for both 2017 and 2018
(4) The discount rates used to determine costs for the majority of Exelon's pension and OPEB plans were 4.04% and 3.62% for 2017 and 2018, respectively

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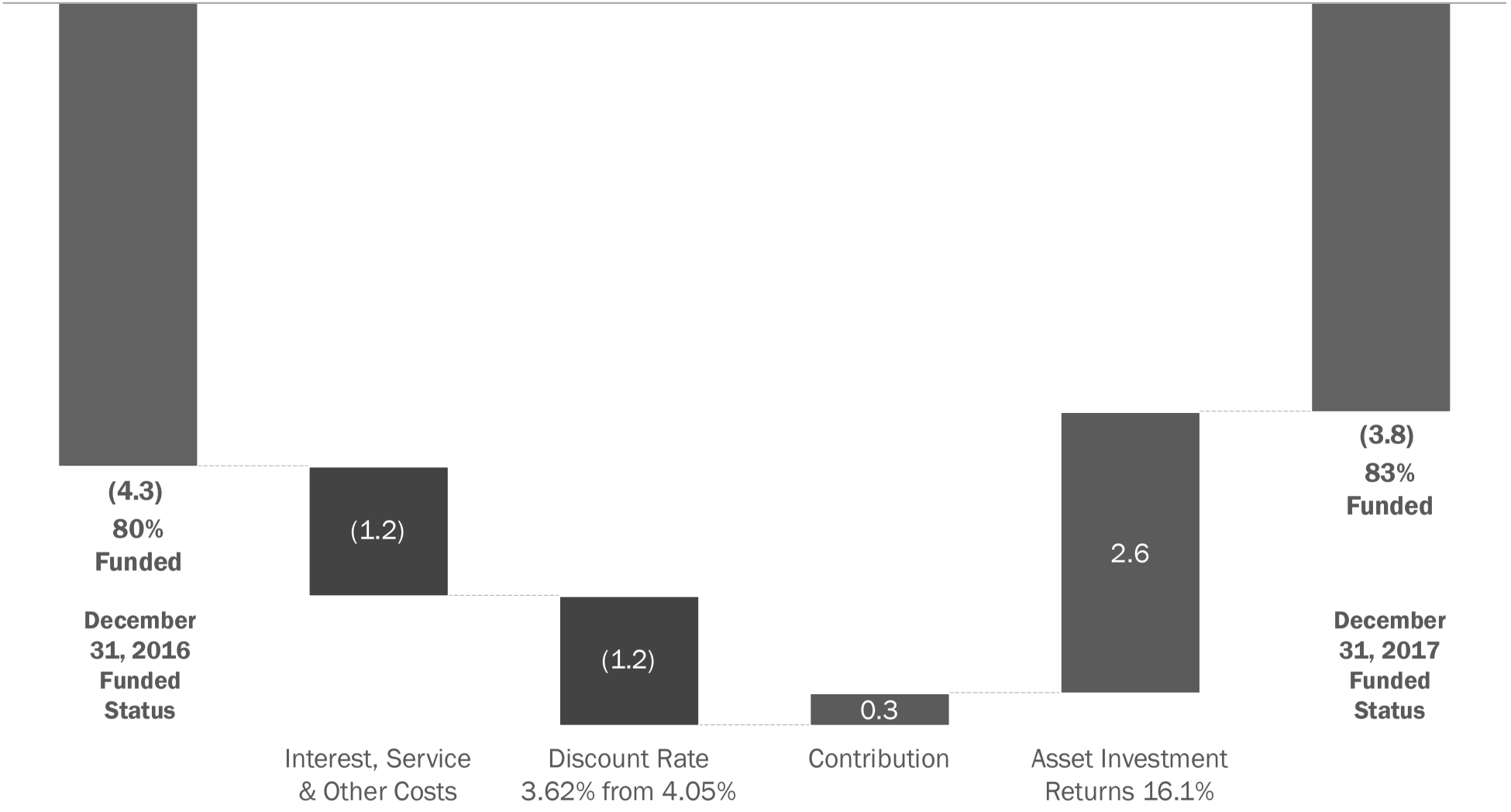
SI-SSA-0015-02571

Pension – Funded Status and Performance

Pension 2017 Funded Status (PBO) Comparison ($B)



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EPS Sensitivities

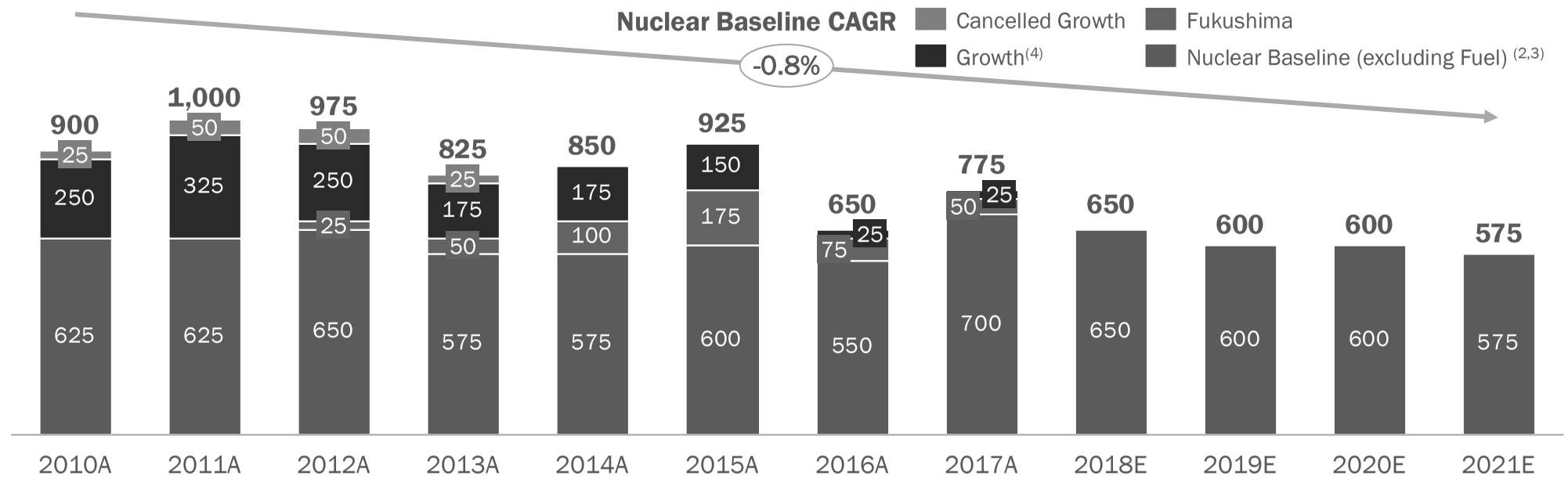
		2018	2019	2020
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ $1/MMBtu	$0.15	$0.32	$0.50
	- $1/MMBtu	($0.15)	($0.31)	($0.47)
	NiHub ATC Energy Price			
	+ $5/MWh	$0.06	$0.16	$0.26
	- $5/MWh	($0.05)	($0.16)	($0.26)
	PJM-W ATC Energy Price			
	+ $5/MWh	$0.02	$0.08	$0.13
	- $5/MWh	($0.01)	($0.07)	($0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	$0.03	$0.03	$0.04
	Pension Expense	-	$0.03	$0.03
	Cost of Debt	($0.00)	($0.00)	($0.01)
	Share count (millions)	969	972	975
	Exelon Consolidated Effective Tax Rate	18%	19%	20%

(1) Based on December 31, 2017, market conditions and hedged position. Gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically. Power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

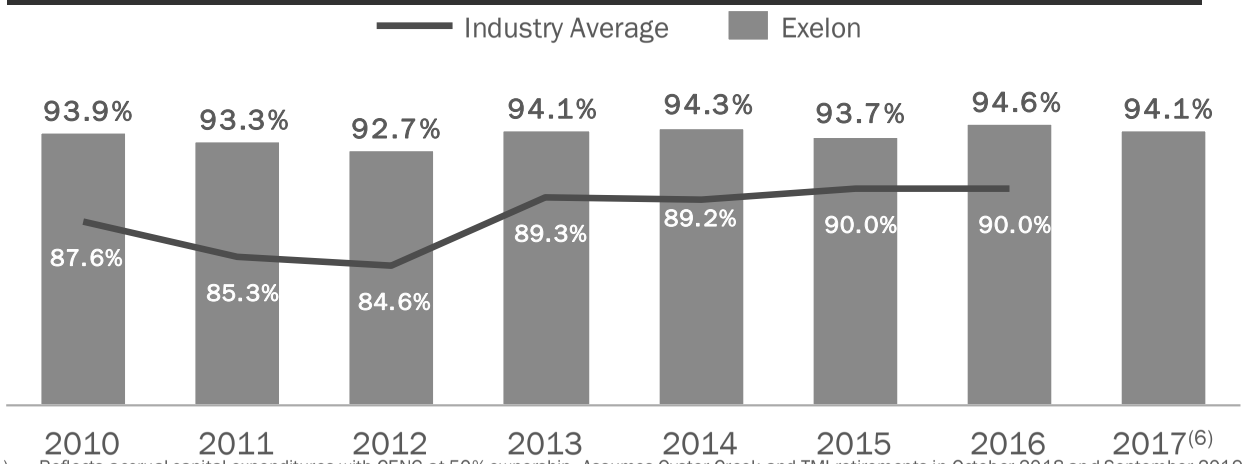
SI-SSA-0015-02573

Historical Nuclear Capital Investment

Nuclear Non-Fuel Capital Expenditures[1] ($M)



Nuclear Capacity Factor[5]



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

(1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to $25M.
(2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)
(3) FitzPatrick included starting in 2017 (9 months only)
(4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)
(5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun
(6) 2017 industry average excluding Exelon was not available at time of publication

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SI-SSA-0015-02574

2017 Exelon Recognition and Partnerships

Sustainability

Dow Jones Sustainability Index
Exelon named to Dow Jones Sustainability Index for 12th consecutive year

Newsweek Magazine's Green Rankings
Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500

Carbon Reduction
A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies

Land for People Award
Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

Corporate & Foundation Giving

$52.1 million
Last year, Exelon and its employees set all-time records, committing more than $52.1 million to non-profit organizations and volunteering more than 210,000 hours

Civic 50
Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

Corporate Recognition

2017 Laurie D. Zelon Pro Bono Award
For exemplary pro bono service and leadership

Kids in Need of Defense Innovation Award
Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

Diversity & Inclusion

HeforShe
Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a $3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020

Billion Dollar Roundtable
Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving $1 billion or more in annual direct spending with minority and women-owned businesses

CEO Action for Diversity & Inclusion
Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™ , the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

Workforce

DiversityInc Top 50
DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.

Indeed.com "50 Best Places to Work"
Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."

Human Rights Campaign "Best Places to Work" For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ

2017 U.S. Veterans Magazine's "Best of the Best"
Most veteran-friendly companies

Historically Black Engineering Schools
Top Supporter recognition for five consecutive years

SI-SSA-0015-02575

Exelon

Exelon Generation Disclosures

December 31, 2017

SI-SSA-0015-02576

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Portfolio Management Strategy

Strategic Policy Alignment

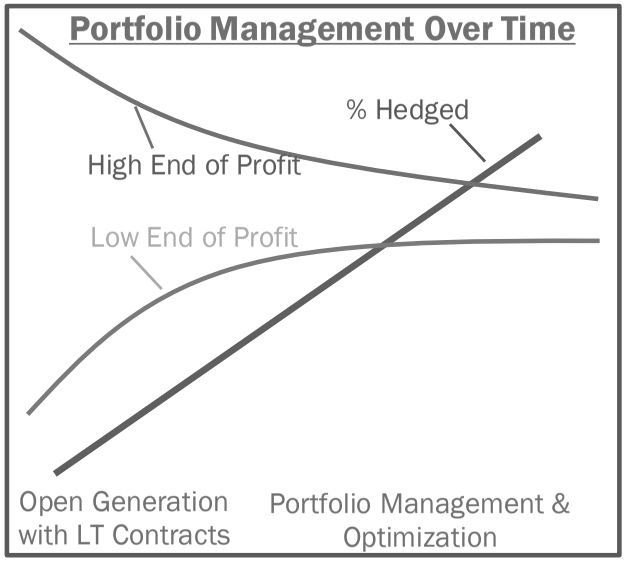
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

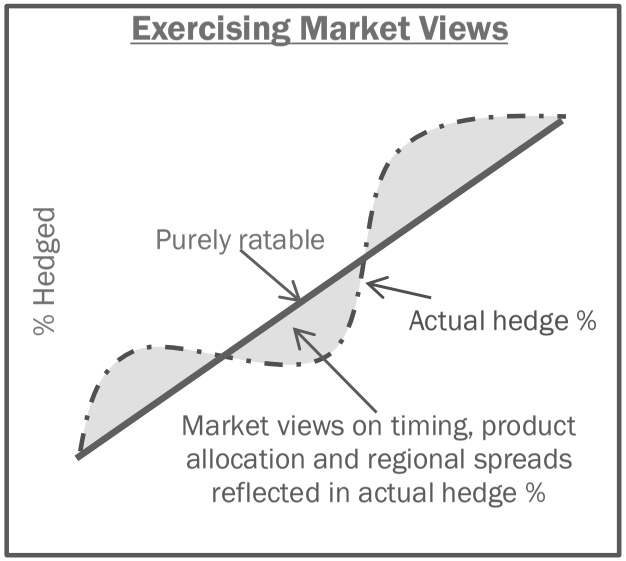
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

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Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02578

ExGen Disclosures

Gross Margin Category ($M)[1]	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$4,350	$3,900	$3,750
Capacity and ZEC Revenues[2,5,6]	$2,300	$2,000	$1,850
Mark-to-Market of Hedges[2,3]	$350	$400	$250
Power New Business / To Go	$550	$750	$900
Non-Power Margins Executed	$200	$100	$100
Non-Power New Business / To Go	$300	$400	$400
Total Gross Margin*[4,5]	**$8,050**	**$7,550**	**$7,250**

Reference Prices[4]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)	$2.83	$2.81	$2.82
Midwest: NiHub ATC prices ($/MWh)	$27.93	$26.94	$26.91
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$33.51	$30.72	$30.12
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$6.21	$5.85	$5.30
New York: NY Zone A ($/MWh)	$29.14	$26.15	$25.48
New England: Mass Hub ATC Spark Spread ($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$5.84	$5.10	$5.63

(1) Gross margin categories rounded to nearest $50M
(2) Excludes EDF's equity ownership share of the CENG Joint Venture
(3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
(4) Based on December 31, 2017, market conditions
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.
(6) 2018 includes $150M of IL ZEC revenues associated with 2017 production

SI-SSA-0015-02579

ExGen Disclosures

Generation and Hedges	2018	2019	2020
Exp. Gen (GWh)[1]	**201,500**	**201,200**	**191,400**
Midwest	95,900	97,200	96,700
Mid-Atlantic[2,6]	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York[2,6]	15,400	16,600	15,500
New England	6,400	8,700	8,600
% of Expected Generation Hedged[3]	**85%-88%**	**55%-58%**	**26%-29%**
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic[2,6]	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York[2,6]	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$29.50	$29.50	$31.00
Mid-Atlantic[2,6]	$36.00	$37.50	$38.50
ERCOT[5]	$4.50	$3.50	$2.00
New York[2,6]	$36.00	$32.00	$30.00
New England[5]	$1.00	$5.00	$9.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-02580

ExGen Hedged Gross Margin* Sensitivities

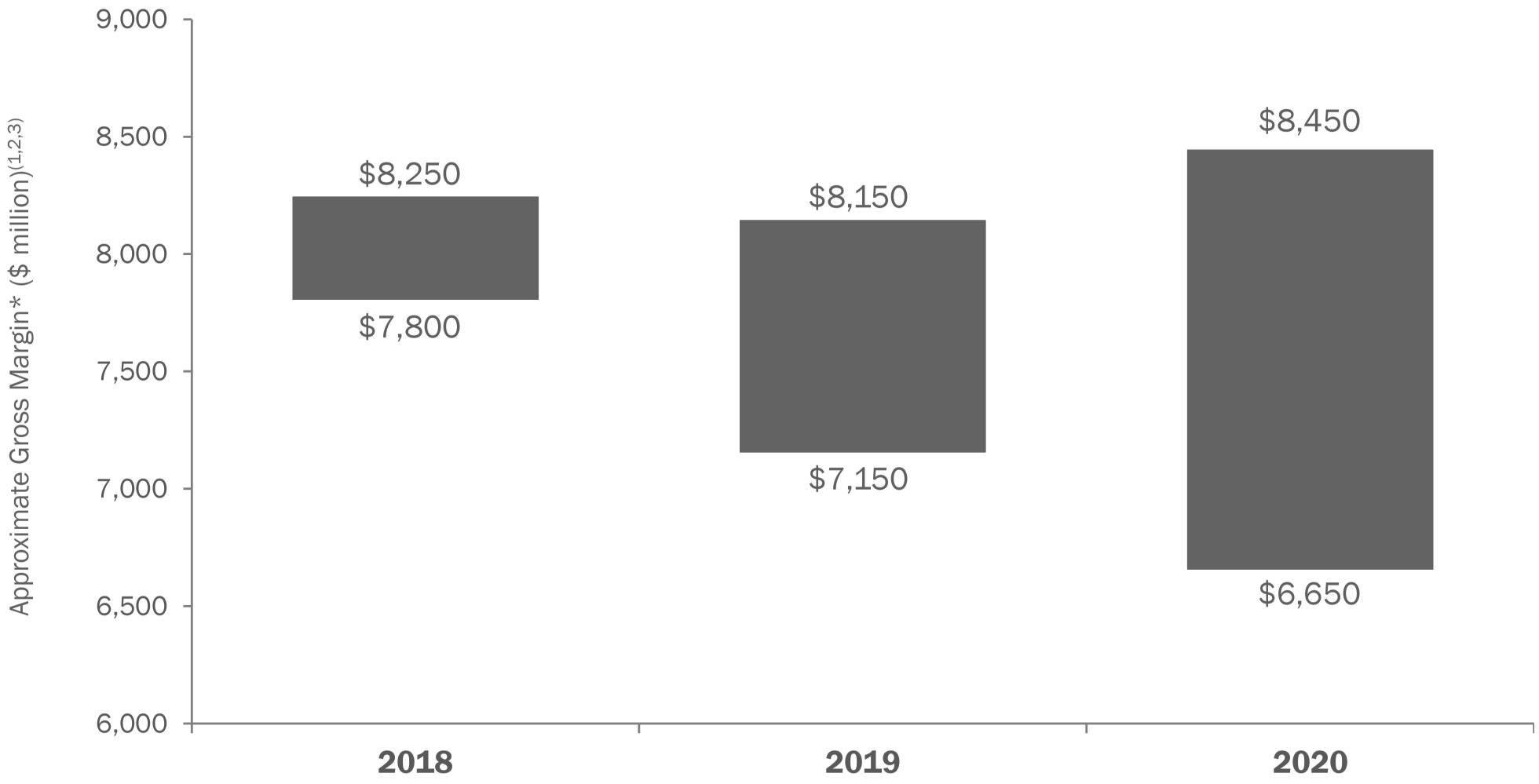
Gross Margin* Sensitivities (with existing hedges)[1]	2018	2019	2020
Henry Hub Natural Gas ($/MMBtu)			
+ $1/MMBtu	$190	$410	$645
- $1/MMBtu	$(190)	$(400)	$(615)
NiHub ATC Energy Price			
+ $5/MWh	$75	$210	$345
- $5/MWh	$(70)	$(210)	$(340)
PJM-W ATC Energy Price			
+ $5/MWh	$30	$100	$165
- $5/MWh	$(15)	$(90)	$(160)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$30	$55
- $5/MWh	-	$(35)	$(55)
Nuclear Capacity Factor			
+/- 1%	+/- $40	+/- $35	+/- $35

(1) Based on December 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

Exelon.

SI-SSA-0015-02581

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of December 31, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

SI-SSA-0015-02582

Illustrative Example of Modeling Exelon Generation 2019 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $3.9 billion →					
(B)	Capacity and ZEC	← $2 billion →					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.50	$3.50	$32.00	$5.00	
(G)	Reference Price ($/MWh)	$26.94	$30.72	$5.85	$26.15	$5.10	
(H=F-G)	Difference ($/MWh)	$2.56	$6.78	($2.35)	$5.85	($0.10)	
(I=E*H)	Mark-to-Market value of hedges ($ million)[1]	$130	$245	($30)	$55	$0	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,300					
(K)	Power New Business / To Go ($ million)	$750					
(L)	Non-Power Margins Executed ($ million)	$100					
(M)	Non-Power New Business / To Go ($ million)	$400					
(N=J+K+L+M)	Total Gross Margin*	$7,550 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-02583

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Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,500**	**$8,025**	**$7,700**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues[4]	$(200)	$(175)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	$(250)	$(300)	$(250)
Total Gross Margin* (Non-GAAP)	**$8,050**	**$7,550**	**$7,250**

Key ExGen Modeling Inputs (in $M)[1,5]	2018
Other[6]	$150
Adjusted O&M*	$(4,550)
Taxes Other Than Income (TOTI)[7]	$(375)
Depreciation & Amortization[8]	$(1,125)
Interest Expense	$(400)
Effective Tax Rate	**22.0%**

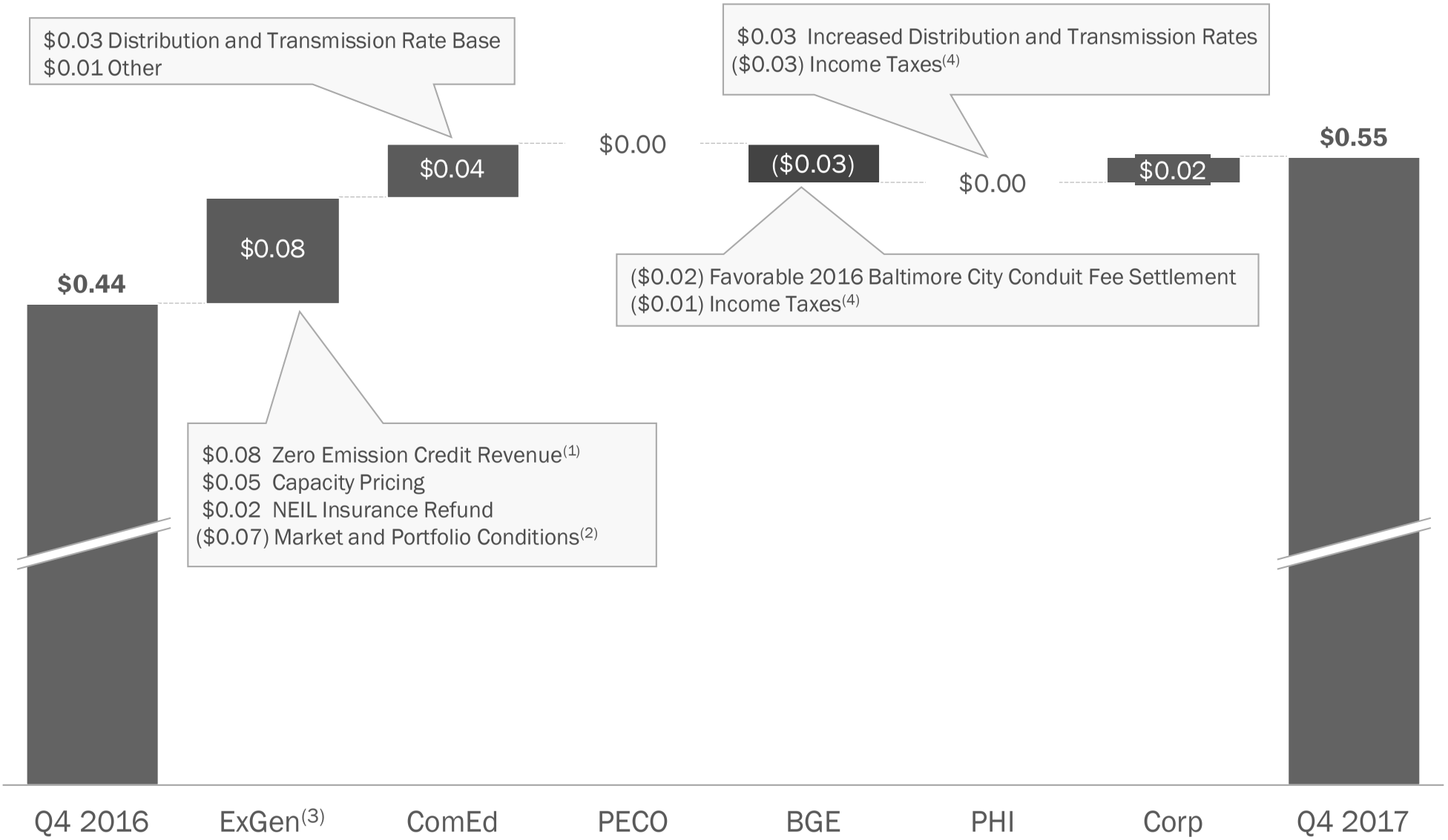
(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects primarily revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(6) Other reflects Other Revenues excluding gross receipts tax revenues, and includes nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(7) TOTI excludes gross receipts tax of $150M
(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable $50M due to nuclear plant retirements

SI-SSA-0015-02584

2017A Earnings Waterfalls

SI-SSA-0015-02585

QTD Adjusted Operating Earnings* Waterfall

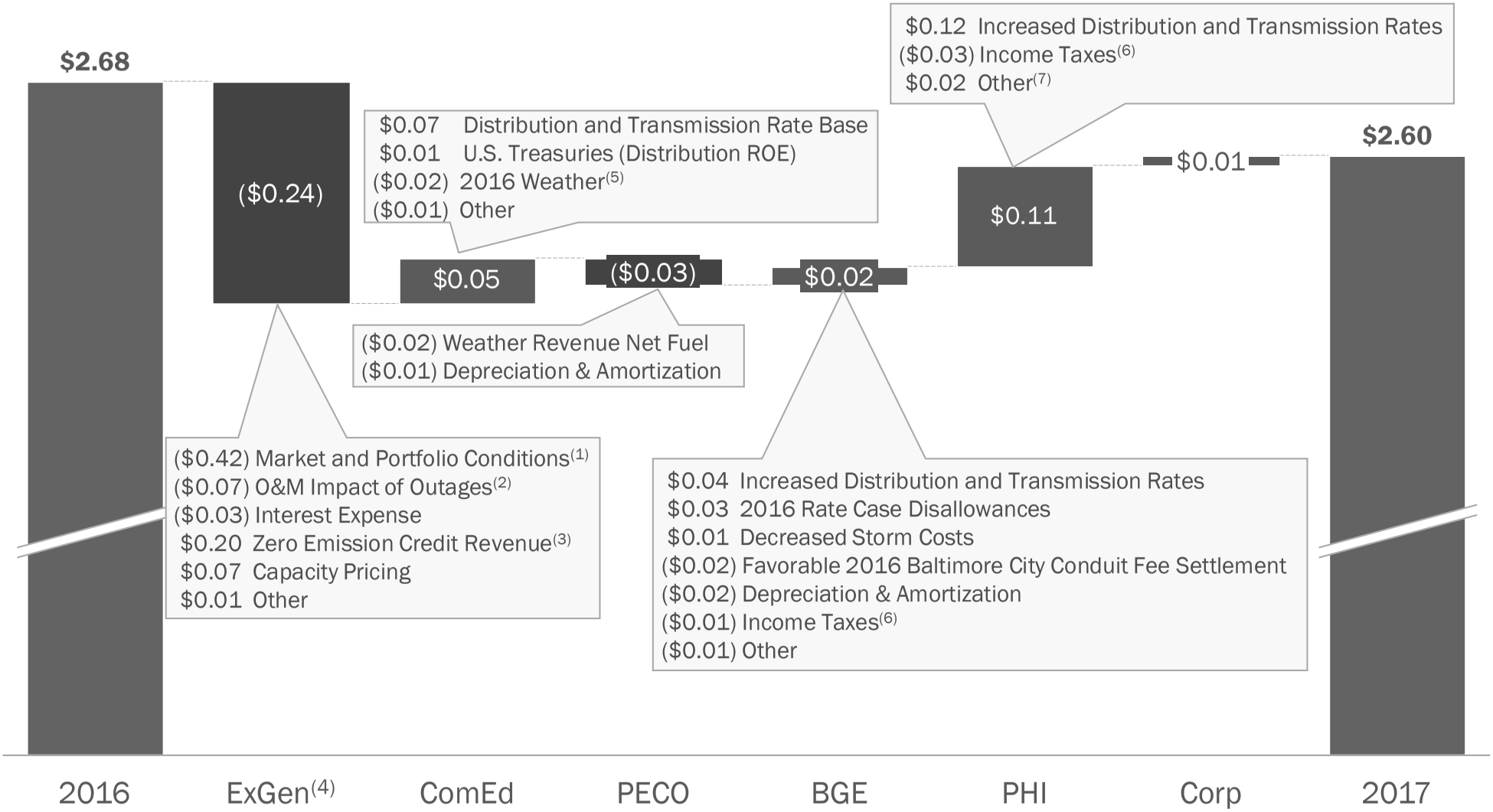


Note: Amounts may not sum due to rounding
(1) Reflects the impact of the New York ZECs
(2) Includes the unfavorable impact of lower realized energy prices and the conclusion of the Ginna Reliability Support Services Agreement
(3) Reflects CENG ownership at 100%
(4) Reflects a 2017 impairment of certain transmission-related income tax regulatory assets

Exelon.

SI-SSA-0015-02586

FY Adjusted Operating Earnings* Waterfall



Note: Amounts may not sum due to rounding

(1) Includes the unfavorable impact of lower realized energy prices, the impacts of lower load volumes delivered due to mild weather in the third quarter 2017, the conclusion of the Ginna Reliability Support Services Agreement and the impact of declining natural gas prices on Generation's natural gas portfolio

(2) Driven by higher planned nuclear outage days in 2017; excludes Salem

(3) Reflects the impact of the New York ZECs

(4) Reflects CENG ownership at 100%

(5) Beginning in 2017 for ComEd, customer rates are adjusted to eliminate the impacts of weather and customer usage on distribution volumes.

(6) Reflects a 2016 favorable adjustment at BGE, and 2017 impairments at BGE and PHI, of certain transmission-related income tax regulatory assets

(7) PHI reflects full year of earnings in 2017 versus earnings from March 24, 2016, through December 31, 2016

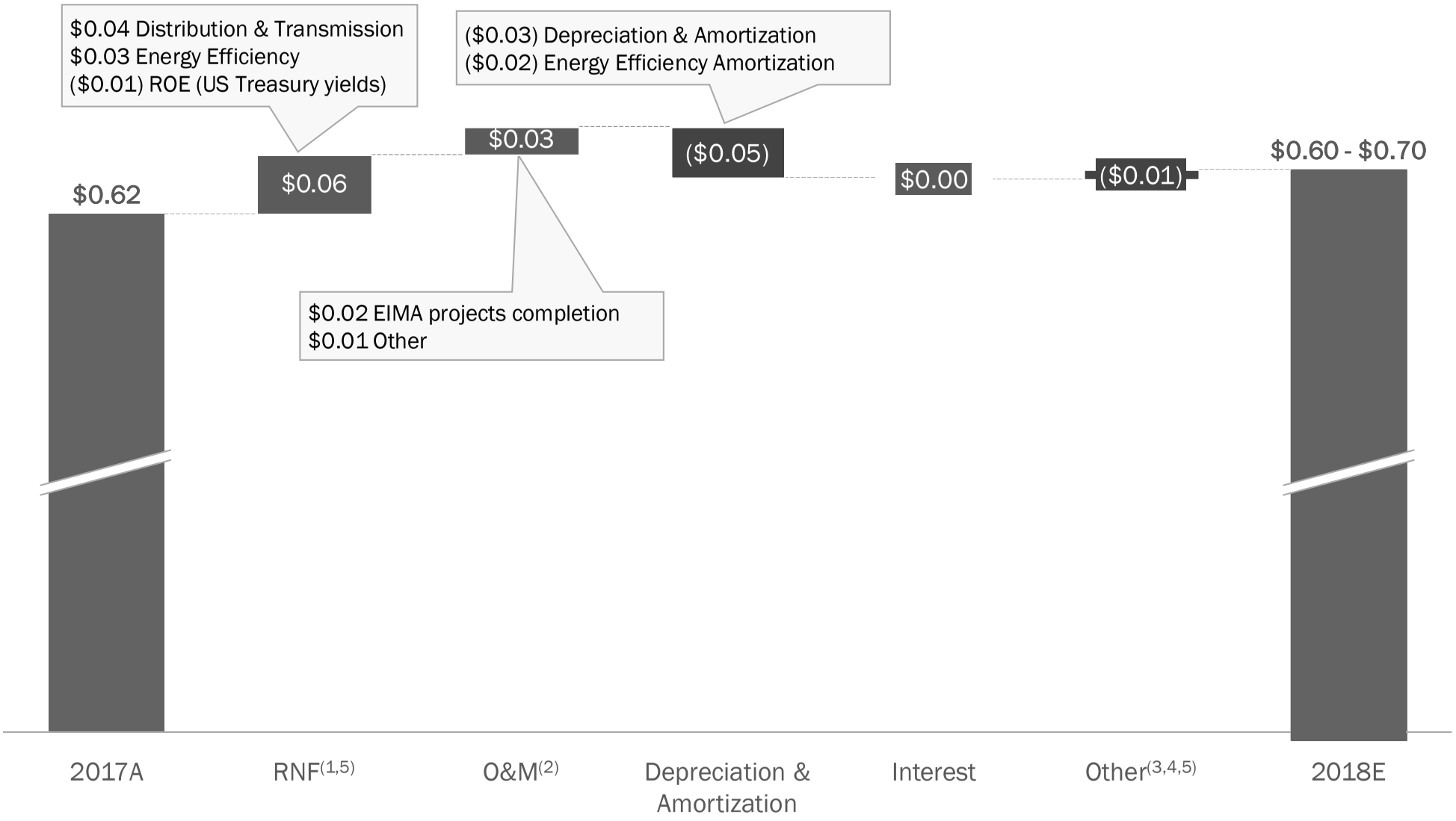
Exelon.

SI-SSA-0015-02587

2018E Earnings Waterfalls

SI-SSA-0015-02588

ComEd Adjusted Operating EPS* Bridge 2017 to 2018



Note: Drivers add up to mid-point of 2018 adjusted operating EPS range
(1) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(2) O&M excludes regulatory items that are P&L neutral
(3) Shares Outstanding (diluted) are 949M in 2017 and 969M in 2018
(4) Guidance assumes an effective tax rate for 2018 of 20.7%
(5) Excludes the reductions to revenue related to tax reform that are directly offset by lower income tax expense

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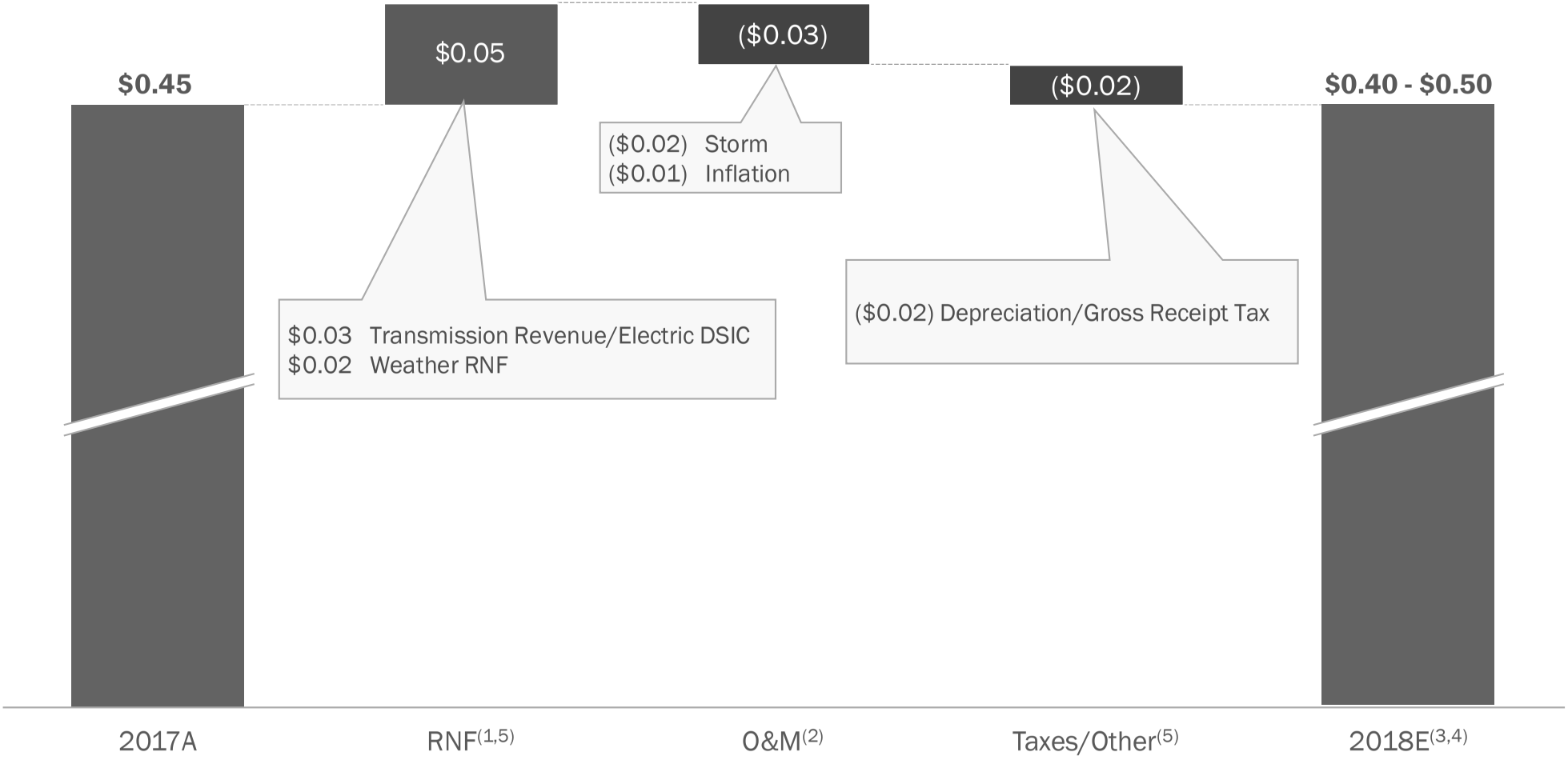
SI-SSA-0015-02589

PECO Adjusted Operating EPS* Bridge 2017 to 2018



Note: Drivers add up to mid-point of 2018 adjusted operating EPS range
(1) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(2) O&M excludes regulatory items that are P&L neutral
(3) Shares Outstanding (diluted) are 949M in 2017 and 969M in 2018
(4) Guidance assumes an effective tax rate for 2018 of 3.6%
(5) Excludes the reductions to revenue related to tax reform that are directly offset by lower income tax expense

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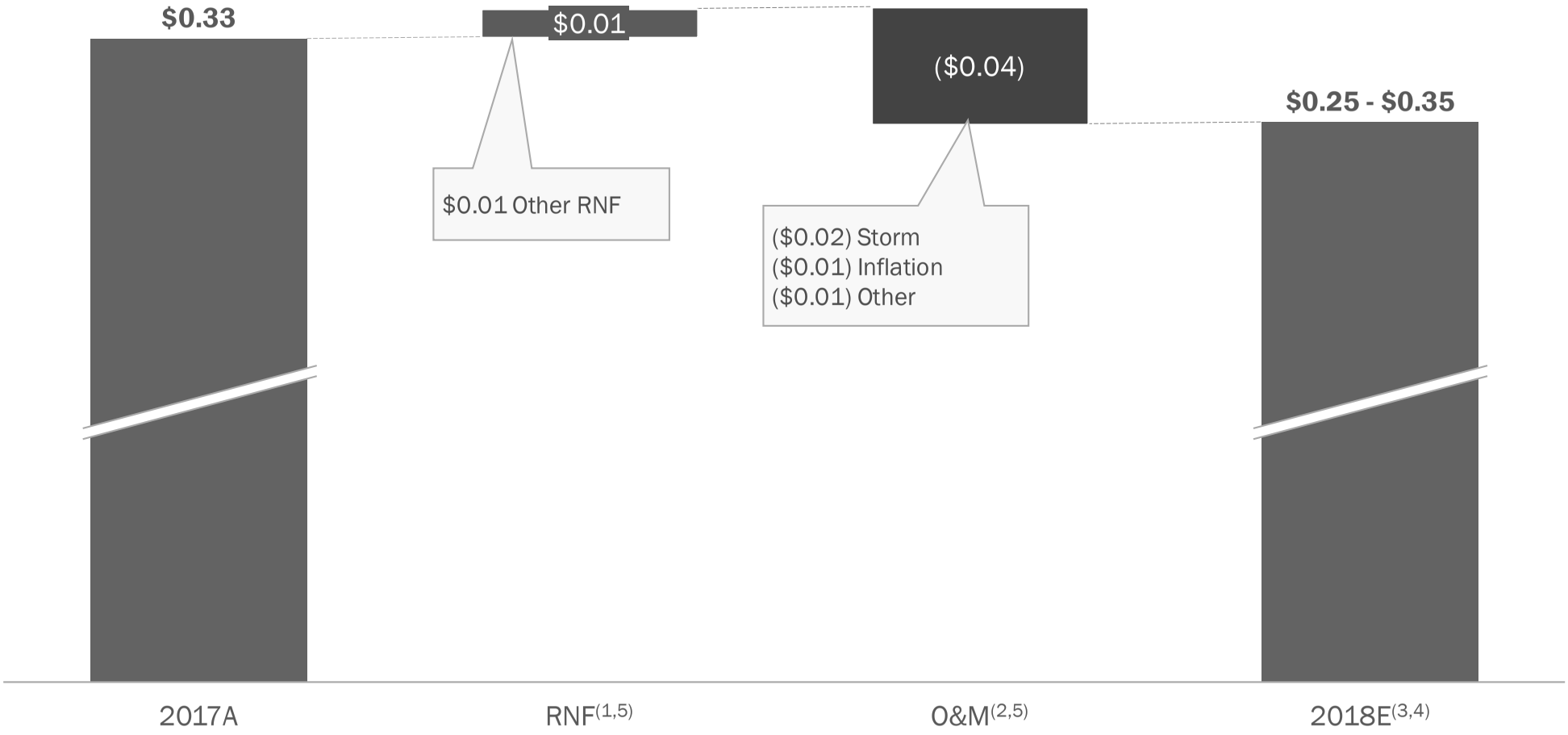
BGE Adjusted Operating EPS* Bridge 2017 to 2018



Note: Drivers add up to mid-point of 2018 adjusted operating EPS range
(1) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(2) O&M excludes regulatory items that are P&L neutral
(3) Shares Outstanding (diluted) are 949M in 2017 and 969M in 2018
(4) Guidance assumes an effective tax rate for 2018 of 19.8%
(5) Excludes the reductions to revenue related to tax reform that are directly offset by lower income tax expense

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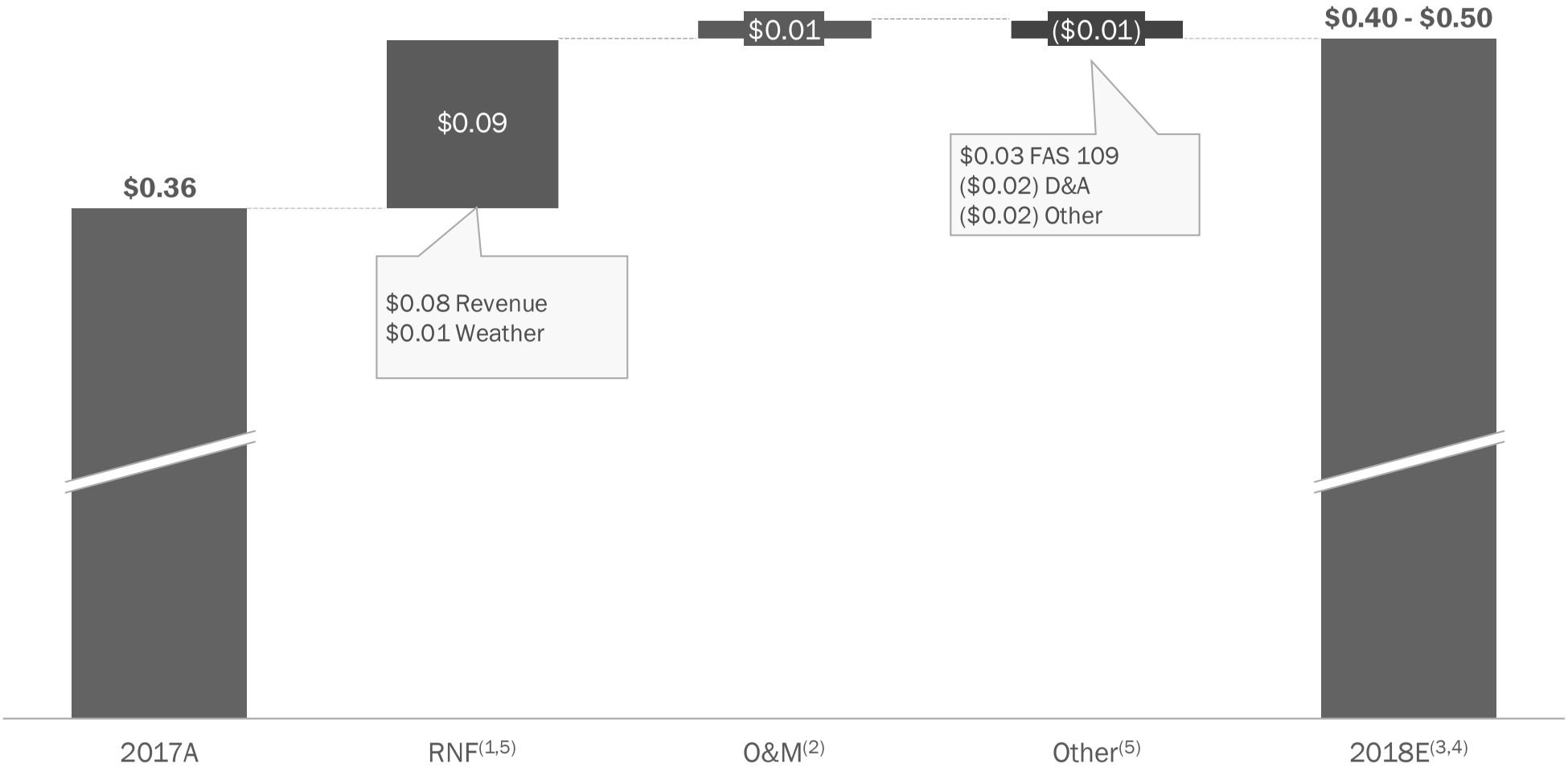
SI-SSA-0015-02591

PHI Adjusted Operating EPS* Bridge 2017 to 2018



Note: Drivers add up to mid-point of 2018 adjusted operating EPS range
(1) Revenue net fuel (RNF) is defined as operating revenues less purchased power and fuel expense
(2) O&M excludes regulatory items that are P&L neutral
(3) Shares Outstanding (diluted) are 949M in 2017 and 969M in 2018
(4) Guidance assumes an effective tax rate for 2018 of 13.2%
(5) Excludes the reductions to revenue related to tax reform that are directly offset by lower income tax expense

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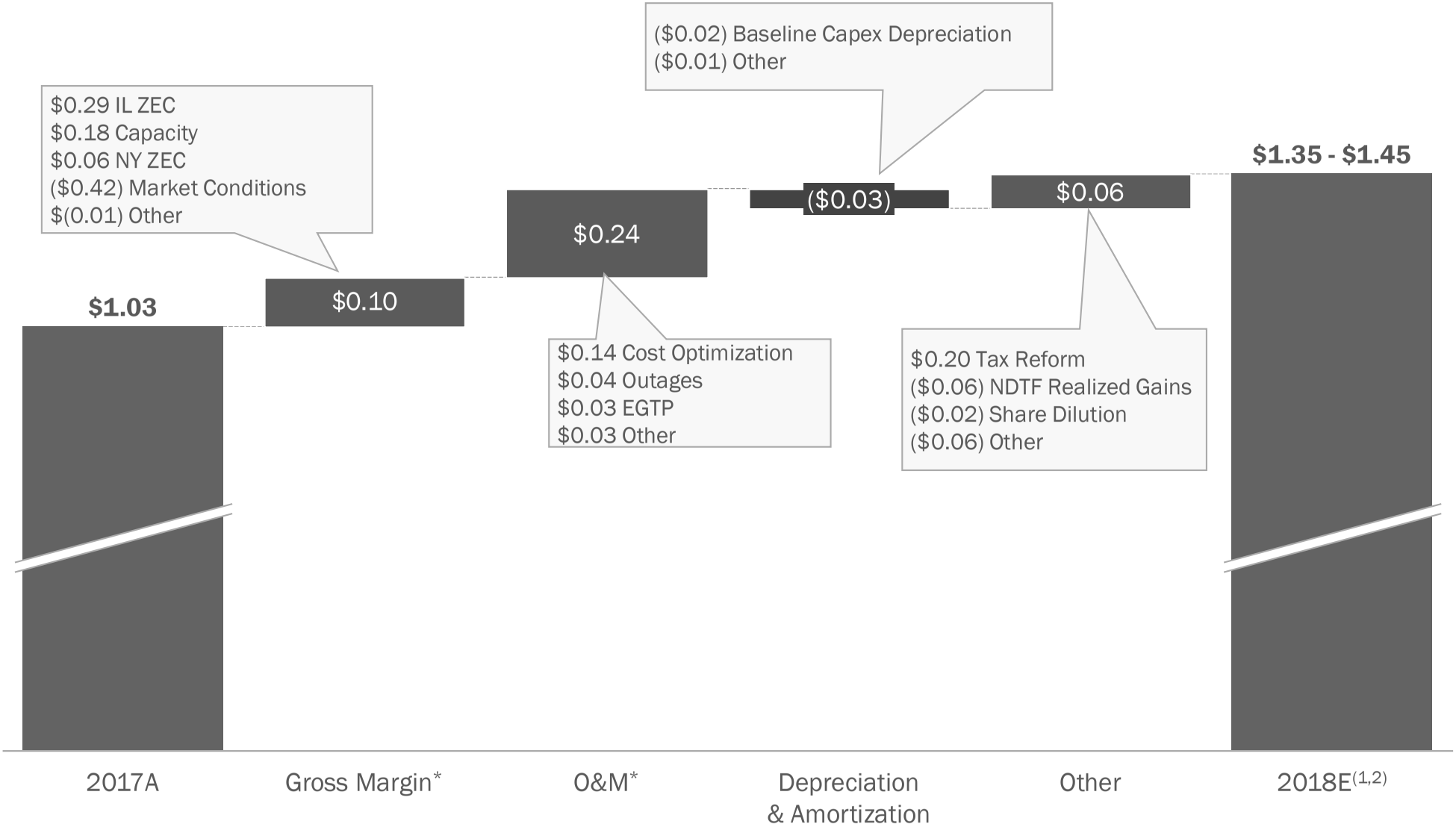
SI-SSA-0015-02592

ExGen Adjusted Operating EPS* Bridge 2017 to 2018



Note: Drivers add up to mid-point of 2018 adjusted operating EPS range
(1) Shares Outstanding (diluted) are 949M in 2017 and 969M in 2018
(2) Guidance assumes a marginal tax rate of 25.1% for 2018

SI-SSA-0015-02593

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Exelon Utilities Rate Case Filing Summaries

SI-SSA-0015-02594

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Exelon Utilities' Distribution Rate Case Schedule

	12/17	1/18	2/18	3/18	4/18	5/18	6/18
ComEd Electric Distribution Formula Rate	Commission Order Received Dec 6				2018 Formula Rate Update Filing April		
Delmarva – MD Electric Distribution Rates	Settlement Filed Dec 18		Commission Order Expected Feb 9				
Delmarva – DE Electric Distribution Rates			Intervenor Direct Testimony Feb 21		Rebuttal Testimony Apr 6	Evidentiary Hearings May 15-17	Initial Briefs June 20 Reply Briefs June 29
Delmarva – DE Gas Distribution Rates				Intervenor Direct Testimony Mar 13		Rebuttal Testimony May 8	
Pepco Electric Distribution Rates - DC	Case Filed Dec 19						
Pepco Electric Distribution Rates - MD		Case Filed Jan 2			Intervenor Direct Testimony Apr 13	Rebuttal Testimony May 11	Evidentiary Hearings June 4-13

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, and Delaware Public Service Commission and are subject to change

Exelon

SI-SSA-0015-02595

Pepco MD (Electric) Distribution Rate Case Filing

Formal Case No.	9472
Test Year	January 1, 2017 – December 31, 2017
Test Period	8 months actual and 4 months estimated
Requested Common Equity Ratio	50.28%
Requested Rate of Return	ROE: 10.10%; ROR: 7.74%
Proposed Rate Base (Adjusted)	$1.8B
Requested Revenue Requirement Increase (Updated on February 5, 2018)	$10.7M
Residential Total Bill % Increase	1.81%
Notes	• January 2, 2018, Pepco MD filed application with Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • On February 5, 2018, Pepco filed with the MDPSC an update to its current distribution rate case to reflect approximately $30.7 million in annual tax savings resulting from the enactment of the TCJA • Forward looking reliability plant additions through June 2018 ($7.8M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request • Request for Rate Phase-In of $14.9M on $126M of plant (to cover reliability capital May 2018 to April 2019) and commitment to not file new case before January 1, 2020 Procedural Schedule: • Intervenor Direct Testimony Due: April 13, 2018 • Rebuttal Testimony Due: May 11, 2018 • Evidentiary Hearings: June 4-13, 2018 • Initial Briefs due: June 28, 2018 • Final Briefs due: July 13, 2018 • Commission Order Expected: July 31, 2018

SI-SSA-0015-02596

Exelon.

Pepco DC (Electric) Distribution Rate Case Filing

Formal Case No.	1150
Test Year	January 1, 2017 – December 31, 2017
Test Period	8 months actual and 4 months estimated
Requested Common Equity Ratio	50.28%
Requested Rate of Return	ROE: 10.10%; ROR: 7.74%
Proposed Rate Base (Adjusted)	$1.9B
Requested Revenue Requirement Increase	$66.2M
Residential Total Bill % Increase	9.24%
Notes	• December 19, 2017, Pepco DC filed application with Public Service Commission of the District of Columbia (PSCDC) seeking increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through December 2018 ($7.9M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Procedural Schedule: • Commission Order Expected: December 2018

SI-SSA-0015-02597

Exelon.

Delmarva DE (Gas) Distribution Rate Case Filing

Docket No.	17-0978
Test Year	January 1, 2017– December 31, 2017
Test Period	6 months actual and 6 months estimated
Requested Common Equity Ratio	50.52%
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%
Proposed Rate Base (Adjusted)	$345M
Requested Revenue Requirement Increase (Updated on November 7, 2017)	$11.0M(1)
Residential Total Bill % Increase	9.9%
Notes	• August 17, 2017, Delmarva DE filed application with Delaware Public Service Commission (DPSC) seeking increase in gas distribution base rates • Size of ask is driven by continued investments in gas distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($1.0M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Procedural Schedule • Intervenor Direct Testimony Due: March 13, 2018 • Rebuttal Testimony Due: May 8, 2018 • Evidentiary Hearings: July 17-19, 2018 • Initial Briefs Due: August 23, 2018 • Reply Briefs Due: September 6, 2018 • Commission Order Expected: Q4 2018

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on November 1, 2017, and will implement full allowable rates on March 17, 2018, subject to refund

SI-SSA-0015-02598

Delmarva DE (Electric) Distribution Rate Case Filing

Docket No.	17-0977
Test Year	January 1, 2017 – December 31, 2017
Test Period	6 months actual and 6 months estimated
Requested Common Equity Ratio	50.52%
Requested Rate of Return	ROE: 10.10%; ROR: 6.98%
Proposed Rate Base (Adjusted)	$805M
Requested Revenue Requirement Increase	$31.2M(1)
Residential Total Bill % Increase (Updated on October 18, 2017)	4.7%
Notes	• August 17, 2017, Delmarva DE filed application with DPSC seeking increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • Forward looking reliability plant additions through August 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Procedural Schedule: • Intervenor Direct Testimony Due: February 21, 2018 • Rebuttal Testimony Due: April 6, 2018 • Evidentiary Hearings: May 15-17, 2018 • Initial Briefs Due: June 20, 2018 • Reply Briefs Due: June 29, 2018 • Commission Order Expected: Q3 2018

(1) As permitted by Delaware law, Delmarva Power implemented interim rate increases of $2.5 million on October 16, 2017, and will implement full allowable rates on March 17, 2018, subject to refund

Exelon.

SI-SSA-0015-02599

Delmarva MD (Electric) Distribution Rate Case Filing

Formal Case No.	9455	Per Filed Settlement
Test Year	October 1, 2016 – September 30, 2017	
Test Period	7 months actual and 5 months estimated (Updated to 12+0 on November 16, 2017)	
Requested Common Equity Ratio	50.68%	
Requested Rate of Return	ROE: 10.10%; ROR: 7.05%	ROE: 9.50%(1)
Proposed Rate Base (Adjusted)	$741M	
Requested Revenue Requirement Increase (Updated on Nov. 16, 2017)	$19.3M	$13.4M
Residential Total Bill % Increase	1.8%	1.9%
Notes	• July 14, 2017, Delmarva MD filed application with Maryland Public Service Commission (MDPSC) seeking increase in electric distribution base rates • Forward looking reliability and other plant additions through April 2018 ($3.1M of Revenue Requirement based on 10.10% ROE) included in revenue requirement request Intervenor Positions: • Office of People's Council (OPC) revenue increase of $5.0M or $7.2M based on 8.65% or 9.0% ROE, respectively • Staff revenue increase of $11.1M based on 9.30% ROE Procedural Schedule: • Commission Order Expected: February 9, 2018	• Settlement filed December 18, 2017, and evidentiary hearings held on January 5, 2018 Key Settlement Provisions: • Regulatory asset/liability treatment related to costs/savings for Winter Storm Stella, AMI savings and Costs to Achieve • Staff will convene a work group with DPL & OPC reps to evaluate DPL's MD reliability spend and projected reliability performance from 2017 through 2020 • Prior to next filing, DPL will provide Staff and OPC education and training sessions addressing how Class Cost of Service Study (CCOSS) model functions

(1) Settlement states cost of equity solely for purposes of calculating AFUDC (Allowance for Funds Used During Construction) and regulatory asset carrying costs shall be 9.50%

Exelon.

SI-SSA-0015-02600

ComEd Distribution Rate Case Filing

Docket #	17-0196
Filing Year	• 2016 Calendar Year Actual Costs and 2017 Projected Net Plant Additions are used to set the rates for calendar year 2018. Rates currently in effect (docket 16-0259) for calendar year 2017 were based on 2015 actual costs and 2016 projected net plant additions.
Reconciliation Year	• Reconciles Revenue Requirement reflected in rates during 2016 to 2016 Actual Costs Incurred. Revenue requirement for 2016 is based on docket 15-0287 (2014 actual costs and 2015 projected net plant additions) approved in December 2015.
Requested Common Equity Ratio	45.89%
Requested Rate of Return	~ROE: 8.40%; ROR: ~6.50%
Proposed Rate Base (Adjusted)	~$9.7B
Requested Revenue Requirement Increase	$95.6M
Residential Total Bill % Increase	0.8%
Notes	• April 13, 2017, ComEd filed application with Illinois Commerce Commission seeking increase in electric distribution base rates • Size of ask is driven by continued investments in electric distribution system to maintain and increase reliability and customer service • $9,662 million– Filing year (represents projected year-end rate base using 2016 actual plus 2017 projected capital additions). 2017 and 2018 earnings will reflect 2017 and 2018 year-end rate base respectively. • $8,807 million - Reconciliation year (represents year-end rate base for 2016) • $95.6M increase ($17.5M increase due to the 2016 reconciliation and collar adjustment in addition to a $78.1M increase related to the filing year). The 2016 reconciliation impact on net income was recorded in 2016 as a regulatory asset. Procedural Schedule: • Commission Order Received: December 06, 2017 • Rates are effective January 1, 2018

SI-SSA-0015-02601

Exelon.

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02602

Exelon.

Q4 QTD GAAP EPS Reconciliation

Three Months Ended December 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP (Loss) Earnings Per Share	**$(0.04)**	**$0.09**	**$0.10**	**$0.11**	**$0.03**	**$(0.06)**	**$0.22**
Mark-to-market impact of economic hedging activities	(0.05)	-	-	-	-	-	(0.05)
Unrealized losses related to NDT fund investments	0.01	-	-	-	-	-	0.01
Amortization of commodity contract intangibles	0.03	-	-	-	-	-	0.03
Merger and integration costs	0.02	-	-	-	-	-	0.02
Reassessment of state deferred income taxes	0.02	-	-	-	-	-	0.01
Asset retirement obligation	(0.08)	-	-	-	-	-	(0.08)
Merger commitments	0.04	-	-	-	0.01	(0.01)	0.04
Plant retirements and divestitures	0.10	-	-	-	-	-	0.10
Cost management program	0.01	-	-	-	-	-	0.01
Curtailment of Generation growth and development activities	0.06	-	-	-	-	-	0.06
Noncontrolling interests	0.07	-	-	-	-	-	0.07
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.18**	**$0.09**	**$0.10**	**$0.11**	**$0.05**	**$(0.08)**	**$0.44**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02603

Exelon.

Q4 QTD GAAP EPS Reconciliation (continued)

Three Months Ended December 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share	**$2.29**	**$0.12**	**$0.11**	**$0.08**	**$0.00**	**($0.66)**	**$1.94**
Mark-to-market impact of economic hedging activities	0.01	-	-	-	-	-	0.01
Unrealized gains related to NDT fund investments	(0.12)	-	-	-	-	-	(0.12)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	-	-	-	-	-	-	-
Long-lived asset impairments	0.01	-	-	-	0.02	-	0.03
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	0.01	-	-	-	-	-	0.01
Reassessment of state deferred income taxes	(1.94)	-	(0.01)	0.01	0.03	0.61	(1.30)
Asset retirement obligation	-	-	-	-	-	-	-
Gain on deconsolidation of business	(0.14)	-	-	-	-	-	(0.14)
Vacation policy change	(0.03)	-	-	-	(0.01)	-	(0.03)
Change in environmental remediation liabilities	0.03	-	-	-	-	-	0.03
Noncontrolling interests	0.04	-	-	-	-	-	0.04
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.26**	**$0.13**	**$0.10**	**$0.08**	**$0.05**	**($0.07)**	**$0.55**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02604

Exelon

Q4 YTD GAAP EPS Reconciliation

Twelve Months Ended December 31, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.54**	**$0.41**	**$0.47**	**$0.31**	**($0.07)**	**($0.44)**	**$1.22**
Mark-to-market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.13)	-	-	-	-	-	(0.13)
Amortization of commodity contract intangibles	0.04	-	-	-	-	-	0.04
Merger and integration costs	0.04	-	-	-	0.05	0.04	0.12
Long-lived asset impairments	0.11	-	-	-	-	-	0.11
Asset retirement obligation	(0.08)	-	-	-	-	-	(0.08)
Reassessment of state deferred income taxes	0.02	-	-	-	-	(0.01)	0.01
Merger commitments	0.05	-	-	-	0.27	0.16	0.47
Plant retirements and divestitures	0.47	-	-	-	-	-	0.47
Cost management program	0.03	-	-	-	-	-	0.04
Like-kind exchange tax position	-	0.16	-	-	-	0.05	0.21
Curtailment of Generation growth and development activities	0.06	-	-	-	-	-	0.06
Noncontrolling interests	0.11	-	-	-	-	-	0.11
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.27**	**$0.57**	**$0.48**	**$0.31**	**$0.25**	**($0.20)**	**$2.68**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Q4 YTD GAAP EPS Reconciliation (continued)

Twelve Months Ended December 31, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$2.84**	**$0.60**	**$0.46**	**$0.32**	**$0.38**	**($0.63)**	**$3.97**
Mark-to-market impact of economic hedging activities	0.11	-	-	-	-	-	0.11
Unrealized gains related to NDT fund investments	(0.34)	-	-	-	-	-	(0.34)
Amortization of commodity contract intangibles	0.04	-	-	-	-	-	0.04
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.14)
Long-lived asset impairments	0.32	-	-	-	0.02	-	0.34
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Reassessment of state deferred income taxes	(1.96)	-	(0.01)	0.01	0.04	0.56	(1.37)
Cost management program	0.03	-	-	0.01	-	-	0.04
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
Gain on deconsolidation of business	(0.14)	-	-	-	-	-	(0.14)
Vacation policy change	(0.03)	-	-	-	(0.01)	-	(0.03)
Change in Environmental Remediation Liabilities	0.03	-	-	-	-	-	0.03
Noncontrolling interests	0.12	-	-	-	-	-	0.12
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$1.03**	**$0.62**	**$0.45**	**$0.33**	**$0.36**	**($0.19)**	**$2.60**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

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Projected GAAP to Operating Adjustments

- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

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GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,850
EBITDA	$7,300
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($1,400)
+ Current Income Tax (Expense)/Benefit	$100
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$275
= FFO (a)	**$7,700**

YE 2018 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$33,075
Short-Term Debt	$1,125
+ PPA and Operating Lease Imputed Debt[5]	$1,025
+ Pension/OPEB Imputed Debt[6]	$4,000
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($1,075)
+/- Other S&P Adjustments[4]	($250)
= Adjusted Debt (b)	**$36,025**

YE 2018 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation ($M)[1,2]	
GAAP Operating Income	$1,025
Depreciation & Amortization	$1,800
EBITDA	$2,825
+/- Non-operating activities and nonrecurring items[3]	$350
- Interest Expense	($400)
+ Current Income Tax (Expense)/Benefit	($225)
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$75
= FFO (a)	**$3,700**

YE 2018 ExGen Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
+ PPA and Operating Lease Imputed Debt[5]	$700
+ Pension/OPEB Imputed Debt[6]	$1,700
- Off-Credit Treatment of Debt[7]	($1,875)
- Surplus Cash Adjustment[8]	($700)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$8,950**

YE 2018 ExGen FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	41%

(1) All amounts rounded to the nearest $25M and may not add due to rounding
(2) Calculated using S&P Methodology
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Reflects other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments
(6) Reflects after-tax underfunded pension/OPEB
(7) Reflects non-recourse project debt
(8) Reflects 75% of excess cash applied against balance of LTD

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GAAP to Non-GAAP Reconciliations

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
= Net Debt (a)	**$7,900**

YE 2018 ExGen Net Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$8,850
Short-Term Debt	$0
- Surplus Cash Adjustment	($950)
- Nonrecourse Debt	($2,075)
= Net Debt (a)	**$5,825**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
= Operating EBITDA (b)	**$3,175**

YE 2018 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income[3]	$950
Depreciation & Amortization[3]	$1,700
EBITDA[3]	$2,650
+/- Non-operating activities and nonrecurring items[2]	$525
- EBITDA from projects financed by nonrecourse debt	($275)
= Operating EBITDA (b)	**$2,900**

YE 2018 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

YE 2018 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.0x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA
(3) Includes Exelon-operated nuclear plants, at ownership

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GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$77	$121	$205	$1,308	$1,711
Operating Exclusions	($20)	($13)	($20)	$28	($24)
Adjusted Operating Earnings[1]	$58	$108	$185	$1,336	$1,687
Average Equity	$1,038	$1,330	$2,417	$13,003	$17,787
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**8.1%**	**7.7%**	**10.3%**	**9.5%**

Q4 2016 Operating ROE Reconciliation[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	($42)	($9)	$42	$1,102	$1,103
Operating exclusions	$99	$89	$127	$146	$461
Adjusted Operating Earnings[1]	$57	$80	$170	$1,258	$1,564
Average Equity	$1,017	$1,282	$2,270	$11,951	$16,523
Operating ROE (Adjusted Operating Earnings/Average Equity)	**5.6%**	**6.3%**	**7.5%**	**10.5%**	**9.5%**

Note: Amounts may not sum due to rounding

(1) ACE, Delmarva, and Pepco represents full year of earnings

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GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	$1,625	$600	$625	$1,125	$4,125	$275	$8,375
Other cash from investing activities	-	-	-	-	($275)	-	($275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
Adjusted Cash Flow from Operations	**$1,625**	**$600**	**$625**	**$1,125**	**$3,875**	**$275**	**$8,100**

2018 Cash From Financing Calculation ($M)[1]	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	$750	($25)	$400	$350	($950)	($225)	$300
Dividends paid on common stock	$450	$300	$200	$300	$750	($675)	$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
Financing Cash Flow	**$1,200**	**$275**	**$600**	**$650**	**($200)**	**($900)**	**$1,625**

Exelon Total Cash Flow Reconciliation[1]	2018
GAAP Beginning Cash Balance	**$900**
Adjustment for Cash Collateral Posted	$500
Adjusted Beginning Cash Balance[3]	$1,400
Net Change in Cash (GAAP)[2]	$575
Adjusted Ending Cash Balance[3]	$1,975
Adjustment for Cash Collateral Posted	($525)
GAAP Ending Cash Balance	**$1,475**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.
(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

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GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2018	2019	2020	2021
GAAP O&M	**$5,225**	**$5,000**	**$4,925**	**$4,950**
Decommissioning[2]	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
Adjusted O&M (Non-GAAP)	**$4,550**	**$4,300**	**$4,275**	**$4,300**

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,975
Other Cash from Investing and Financing Activities	($1,200)
Baseline Capital Expenditures[4]	($3,675)
Nuclear Fuel Capital Expenditures	($3,450)
Free Cash Flow before Growth CapEx and Dividend	**$7,625**

(1) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

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September 2017 Investor Meetings

Exelon®

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Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's Second Quarter 2017 Quarterly Report on Form 10-Q (to be filed on August 2, 2017) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

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Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02616

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 41 of this presentation.

SI-SSA-0015-02617

Exelon: An Industry Leader

$20B
Being invested in utilities through 2020

$46M
In 2016, Exelon gave approx. $46 million to charitable and community causes

#1
zero-carbon energy provider in America

205 TWh
Customer load served

32,700
Megawatts of total power generation capacity

10M
Six utilities serving 10M electric and gas customers, the most in the U.S.

34,400
employees

$31.4B
Operating revenue in 2016

FORTUNE 100
Exelon is a FORTUNE 100 company and was named to Fortune Magazine's list of "World's Most Admired Companies"

2.2M+
Exelon's Constellation business serves residential, public sector and business customers

11,430
transmission line miles for utilities

8.5M
Smart meters installed

Note: All numbers reflect year-end 2016; revenue accounts for PHI as of the merger effective date of March 24, 2016 through December 31, 2016.

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The Exelon Value Proposition

- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02619

Exelon Utilities Overview

19,700
Employees

$31.7B
2016 Rate Base

$15.1B
In Revenue

24.9
Thousand mi²
Combined
Service Territory

10 M
Customers

8.5 M
Smart Meters
Installed

11,430
Transmission line
miles (circuit)

Note: All numbers reflect year-end 2016; revenue number accounts for PHI revenue as of March 24, 2016 merger date.

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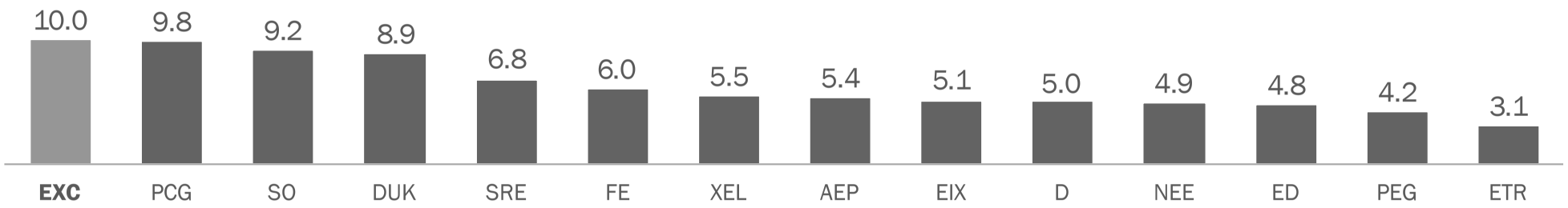
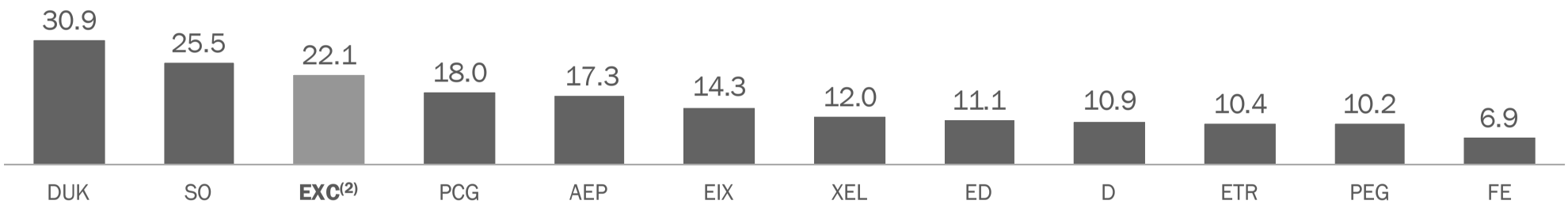
Exelon Utilities are an Industry Leader

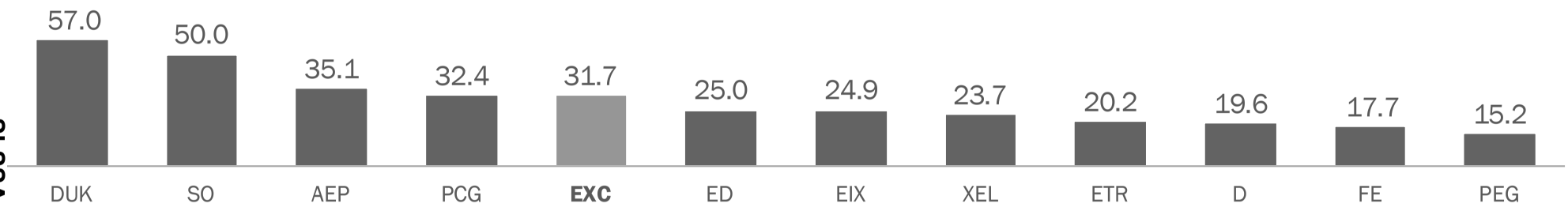
US Utility Customers (millions)



Total Capital Expenditures 2017-2019 ($B)[1]



Total Utility Rate Base ($B)[1]



Source: Company Filings
(1) Includes utility and generation
(2) $23B includes $15.2B of utility capital expenditures and $6.9B of generation capital expenditures

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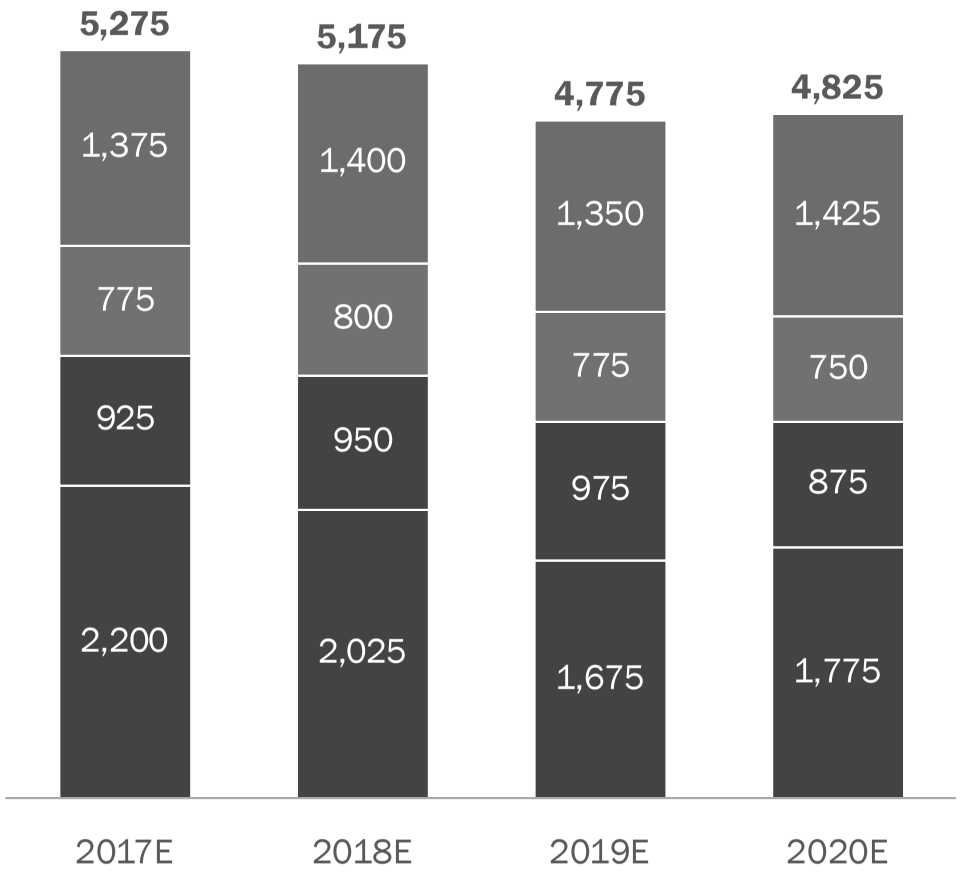
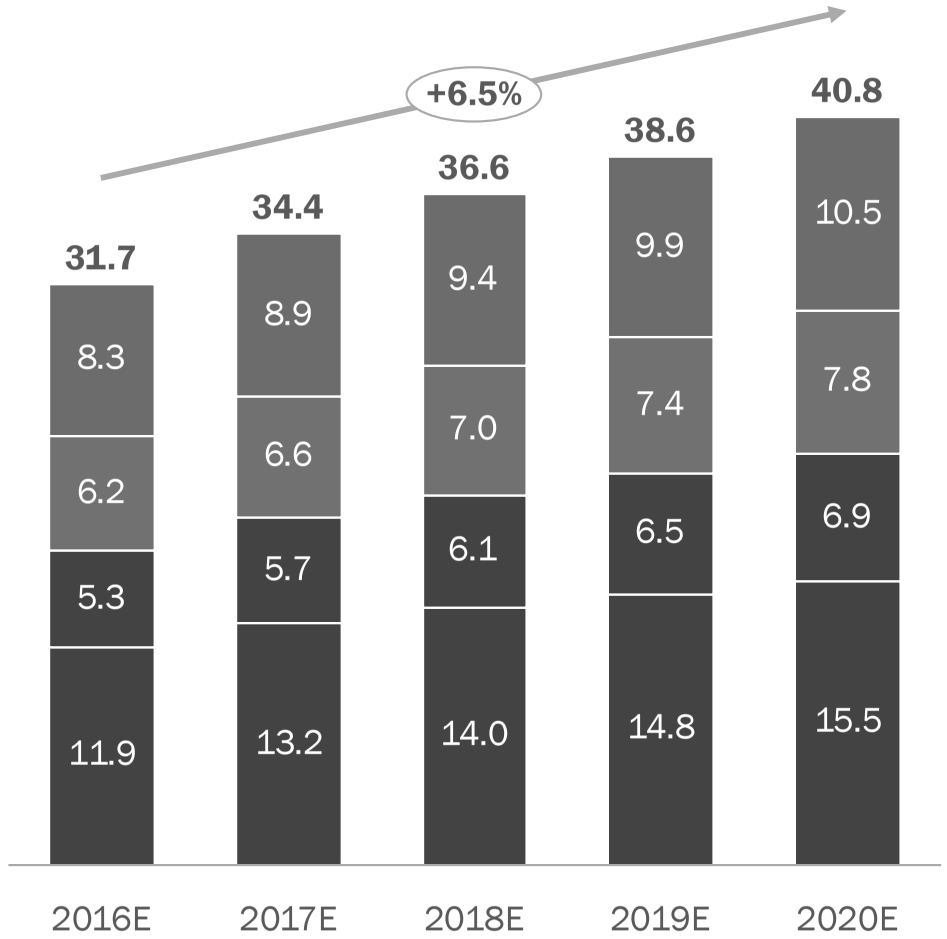
Exelon.

Our Capital Plan Drives Stable Earnings Growth

Capital Expenditures ($M)



Rate Base ($B)[1]



PHI PECO BGE ComEd

Over $20B of capital is being invested at utilities from 2017-2020 to improve reliability

Note: CapEx numbers are rounded to nearest $25M and numbers may not add due to rounding
(1) Rate base reflects year-end estimates

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Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q2 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour		No Gas Operations				No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities[1]	23rd	2nd	2nd	18th				

Performance Quartiles		
	Q1	Q2
	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

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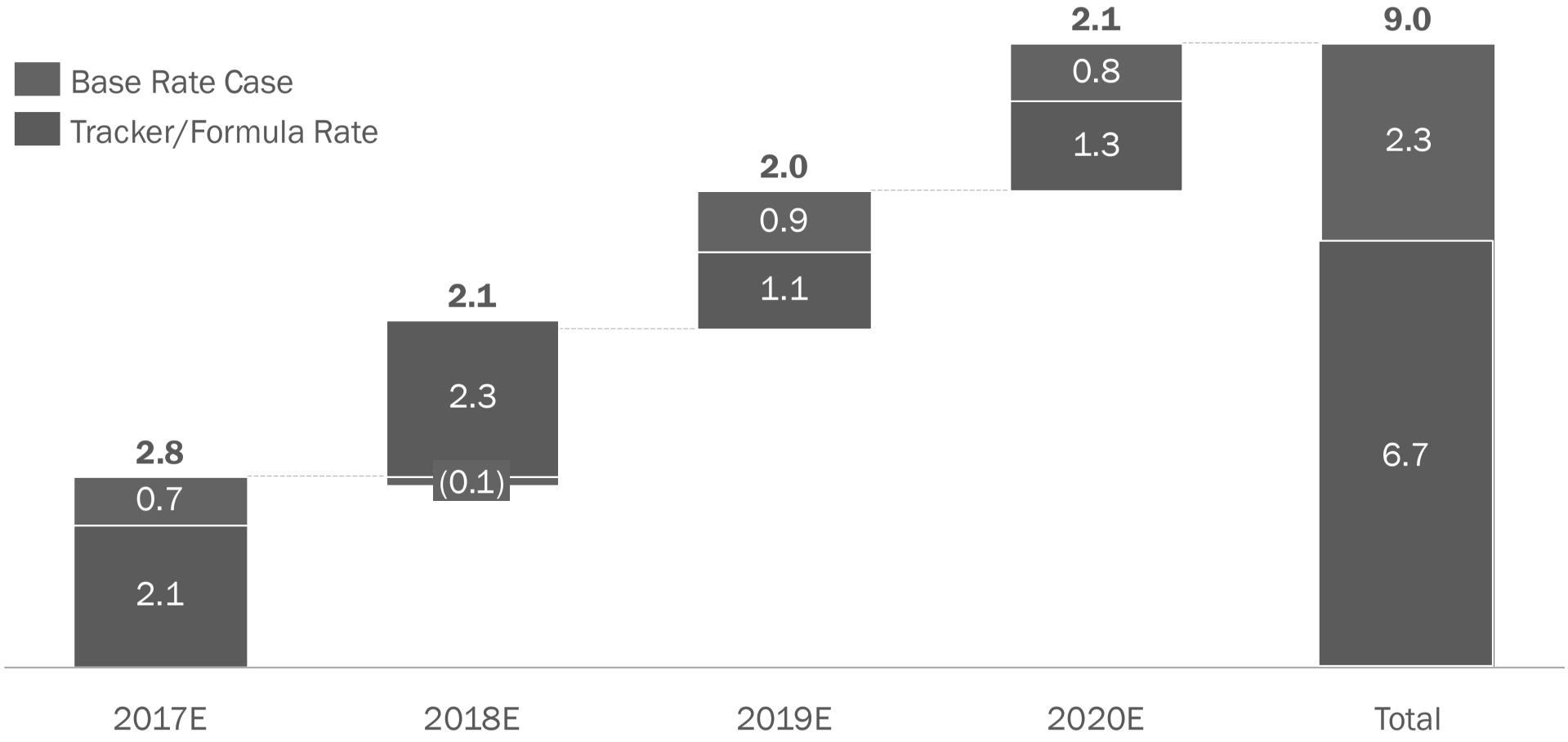
Formulaic Mechanisms Cover Bulk of Rate Base Growth

Rate Base Growth Breakout 2017-2020 ($B)[1]



Of the approximately $9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms

Note: Numbers may not add due to rounding
(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

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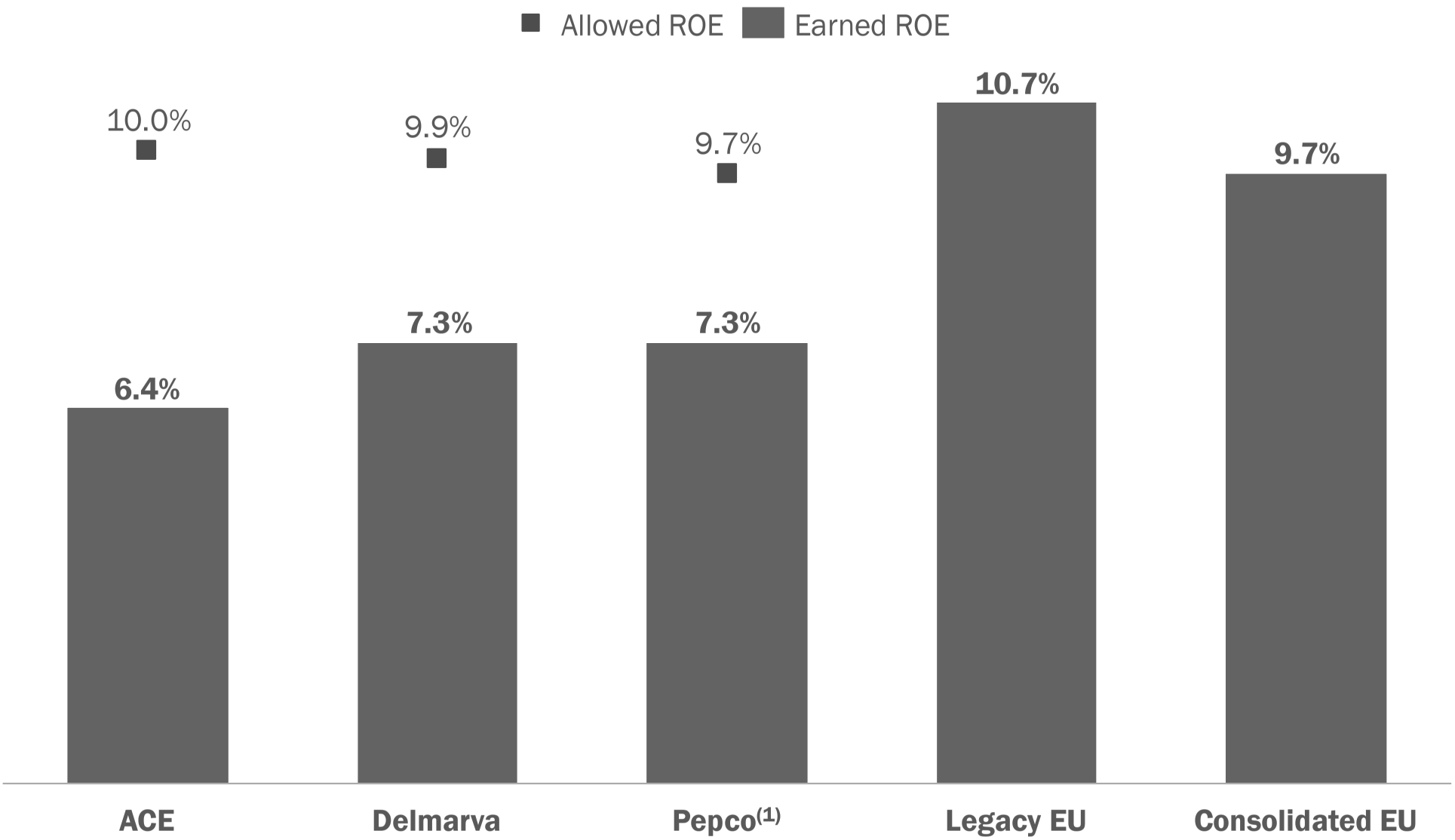
Trailing 12 Month ROE vs Allowed ROE

Twelve Month Trailing Earned ROEs*



Note: Represents the period from 6/30/16 to 6/30/17 and reflects all lines of business (Electric Distribution, Gas Distribution, and Transmission)
(1) Pepco DC Distribution allowed ROE is based on authorized ROE of 9.4% for the rates that were in effect during the trailing twelve month period. The order issued on 7/25/17 authorized an ROE of 9.5%.

Exelon.

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Exelon Utilities Distribution Rate Case Summary

Delmarva MD Order	
Authorized Revenue Requirement Increase[1]	$38.3M
Authorized ROE	9.60%
Common Equity Ratio	49.10%
Order Received	2/15/17

Pepco MD Filing	
Requested Revenue Requirement Increase[1]	$68.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.15%
Order Expected	10/20/17

Delmarva DE Electric Order	
Authorized Revenue Requirement Increase[1]	$31.5M
Authorized ROE	9.70%
Common Equity Ratio	N/A
Order Received	5/23/17

ACE Filing	
Requested Revenue Requirement Increase[1]	$72.6M
Requested ROE	10.10%
Requested Common Equity Ratio	50.14%
Order Expected	Q1 2018

Delmarva DE Gas Order	
Authorized Revenue Requirement Increase[1]	$4.9M
Authorized ROE	9.70%
Common Equity Ratio	N/A
Order Received	6/6/17

Delmarva MD Filing	
Requested Revenue Requirement Increase[1]	$27.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.68%
Order Expected	2/14/18

Pepco DC Order	
Authorized Revenue Requirement Increase[1]	$36.9M
Authorized ROE	9.50%
Common Equity Ratio	49.14%
Order Received	7/25/17

ComEd Filing	
Requested Revenue Requirement Increase[1]	$95.6M[2]
Requested ROE	8.40%
Requested Common Equity Ratio	45.89%
Order Expected	Q4 2017

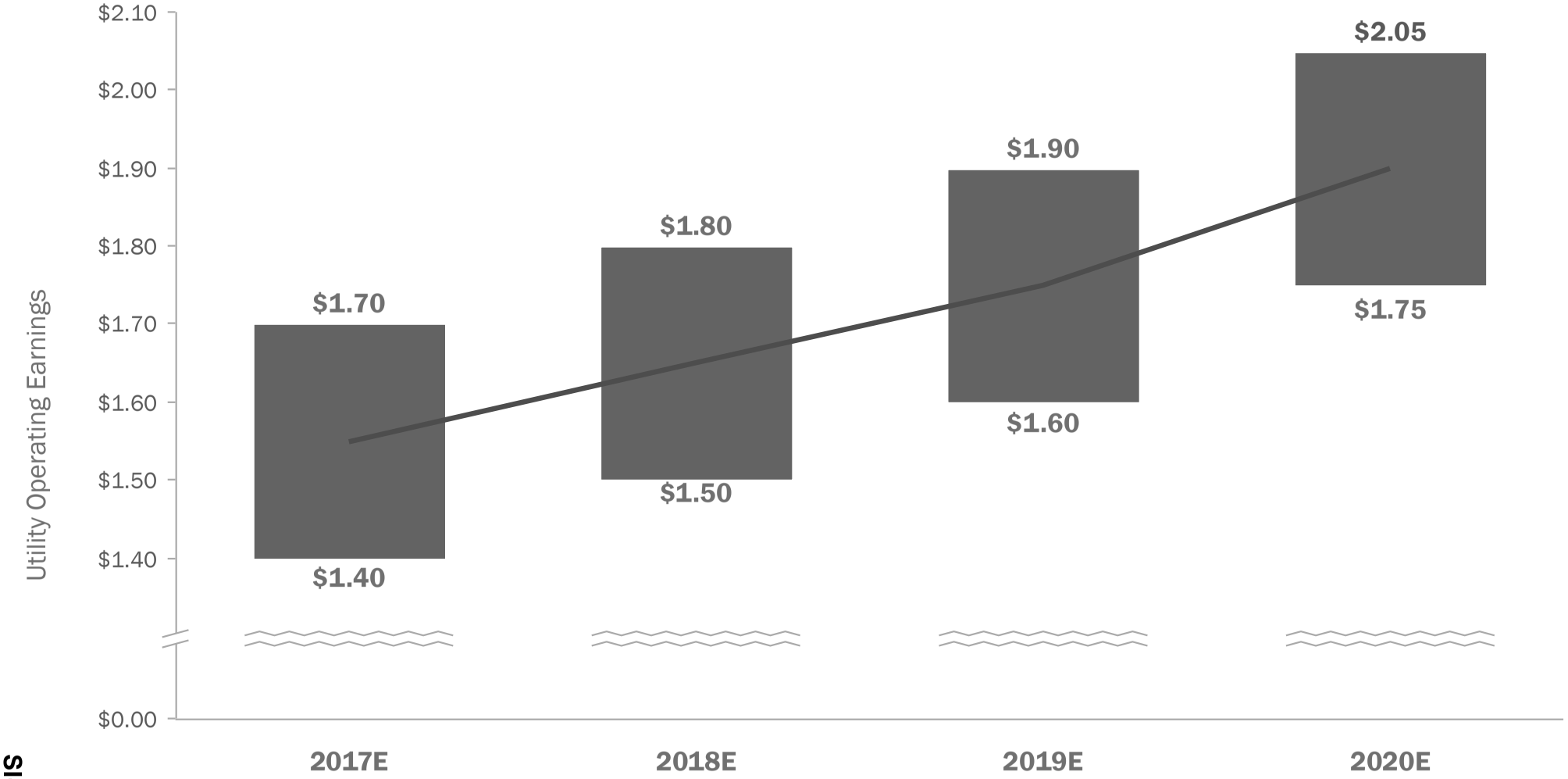
(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings
(2) Amount represents ComEd's position filed in Rebuttal testimony on July 21, 2017

Exelon.

SI-SSA-0015-02626

Exelon Utilities EPS Growth of 6-8% to 2020

Exelon Utilities Operating Earnings 2017-2020



Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be $1.35 to $1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude $0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.

SI-SSA-0015-02627

Exelon

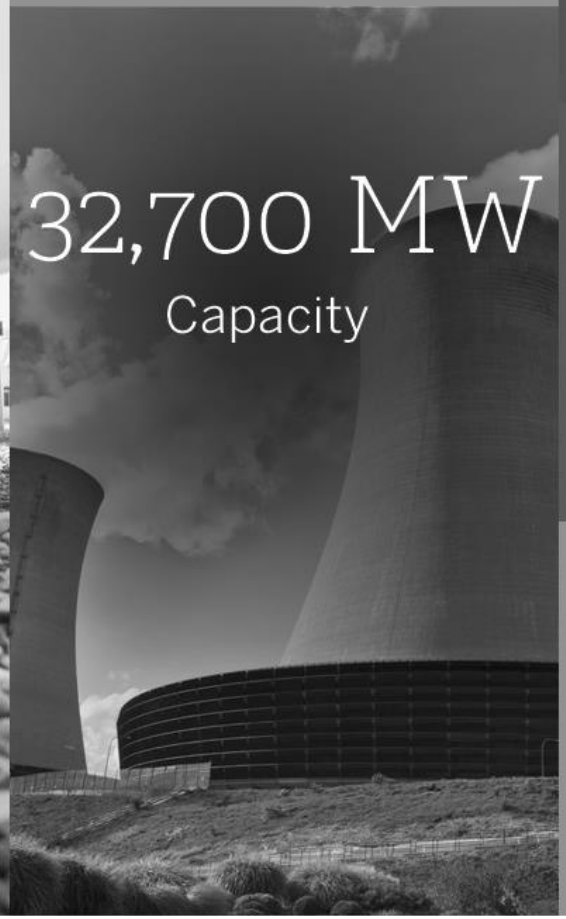
Exelon Generation Overview

14,700
Employees

#1
Lowest carbon intensity among large power generators

#1
Retail electricity provider in the country

205 TWh
Customer Load Served



32,700 MW
Capacity

94.6%
Nuclear Capacity Factor in 2016

97.2%
Gas and Hydro Dispatch Match in 2016

8th
largest gas provider

203 TWh
Generation Output

Note: All numbers reflect year-end 2016

SI-SSA-0015-02628

Exelon.

Constellation Overview

2,200
Employees

2.2 M+
Customers Served

#1 Retail
Retail Electricity Provider in the U.S

Among the top 10 largest gas providers in the U.S.

1.6 TCF
Gas Delivered

In 2016, procured
2.9 million
RECs for customers, enabling them to avoid approximately
1.51 million[1]
metric tons of GHG emissions and support the development of renewable power generation

Served 2/3
of the Fortune 100

48
Operate in 48 States

27,000
Volunteer Hours

205 TWH
Customer Load Served

Note: All numbers reflect year-end 2016
(1) As calculated based on the national average generation supply mix used in EPA eGRID2014.

SI-SSA-0015-02629

Exelon.

Best in Class at ExGen and Constellation in 2016

Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity Factor of 94.6% is the highest ever for Exelon
  - Most power ever generated at 153M MWh[1]
  - All-time shortest refueling outage duration average of 22 days
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.6%
  - Power dispatch match: 97.2%

Constellation Metrics

77% retail power customer renewal rate

28% power new customer win rate

91% natural gas customer retention rate

25 month average power contract term

Average customer duration of more than **5** years

Stable Retail Margins

Closed on ConEdison Solutions transaction, adding more than 560,000 customers

(1) Reflects generation output at ownership

SI-SSA-0015-02630

Exelon

Exelon Generation: Gross Margin Update

	June 30, 2017			Change from Mar 31, 2017		
Gross Margin Category ($M)[1]	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Open Gross Margin[2,5] (including South, West, Canada hedged gross margin)	$3,750	$4,000	$3,800	$(100)	$(150)	$(150)
Capacity and ZEC Revenues[2,5]	$1,850	$2,200	$2,050	-	$(50)	-
Mark-to-Market of Hedges[2,3]	$1,900	$550	$400	$300	$50	-
Power New Business / To Go	$200	$850	$950	$(200)	-	-
Non-Power Margins Executed	$300	$150	$100	$50	-	-
Non-Power New Business / To Go	$150	$350	$400	$(50)	-	-
Total Gross Margin*[4,5]	**$8,150**	**$8,100**	**$7,700**	**-**	**$(150)**	**$(150)**

Recent Developments

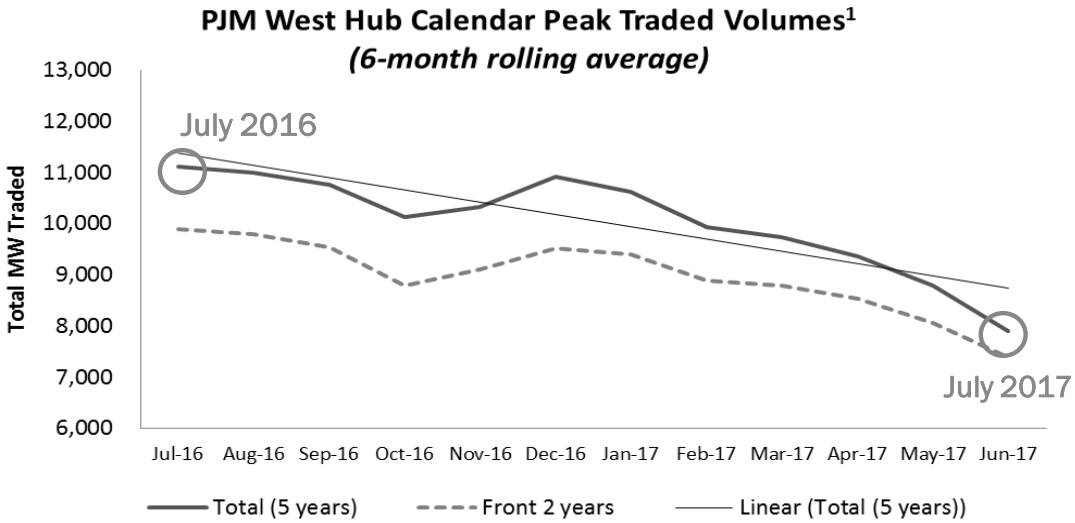
- Executed $200M of Power New Business in 2017
- Reflects removal of EGTP[5] and TMI[5]
- Behind ratable hedging position reflects the fundamental upside we see in power prices
  - ~11-14% behind ratable in 2018 when considering cross commodity hedges

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on June 30, 2017, market conditions
5) Reflects TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019. EGTP removal results in $100M reduction to gross margin in 2018 and 2019 with positive EPS impacts of $0.02-$0.03.T MI retirement results in $50M reduction in gross margin in 2019.

SI-SSA-0015-02631

Forward Market Liquidity

Overall liquidity is declining



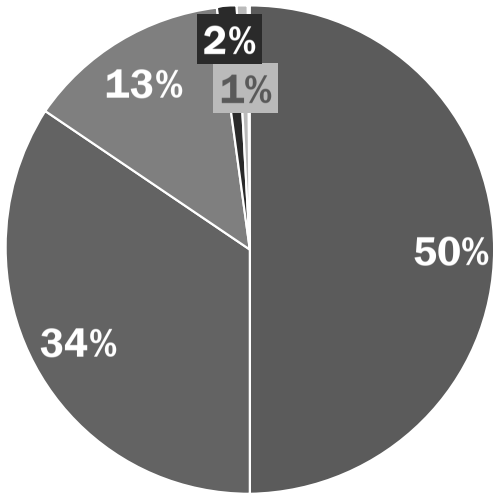
Total calendar peak traded volumes for the rolling 5-year window have been trending lower over the past year

Calendar peak traded volumes beyond prompt year +1 account for less than 10% of total traded volumes

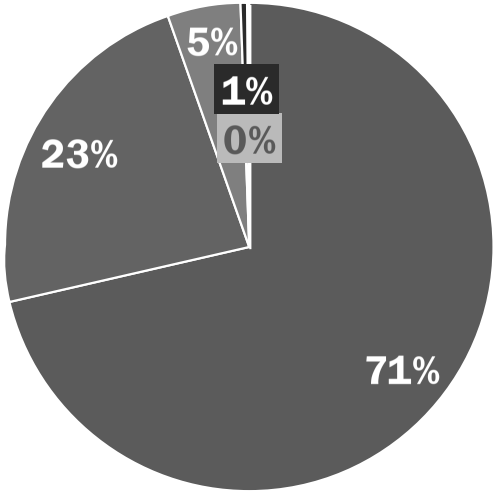
** Please note that hedging strategy utilizes various price points (i.e. NIHUB, ERCOT), channels to market (i.e. Origination, Mid-Marketing, Retail, OTC), products (i.e. calendar, seasonal), and other exchanges*

Limited liquidity in the outer years

July 2016 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



July 2017 PJM West Hub Calendar Peak Traded Volumes(1) (by year)



(1) Total monthly traded volumes for rolling prompt year + 4 years on ICE and NASDAQ Exchanges only

Exelon.

SI-SSA-0015-02632

Updates: RPM Results and TMI Closure

PJM 2020/2021 Capacity Auction

- Cleared 16.2 GW of generation capacity in 2020/2021 PJM base residual auction
- The bulk of cleared capacity was in the ComEd and EMAAC zones, which cleared above rest of RTO pricing at $188/MW-d
- Despite volatility in PJM capacity market, capacity revenues have met or exceeded $1B annually

TMI Closure

- Exelon announced that it will retire TMI in September 2019, absent needed policy reforms
- Announcement comes after TMI failed to clear PJM base residual auctions for the third consecutive year
- Financial impact[1] of TMI retirement is annual accretive EPS impact of $0.04-$0.07 and cumulative cash flow impact of ~$225M through 2021

(1) Based on May 31, 2017, pricing and exclude decommissioning impacts

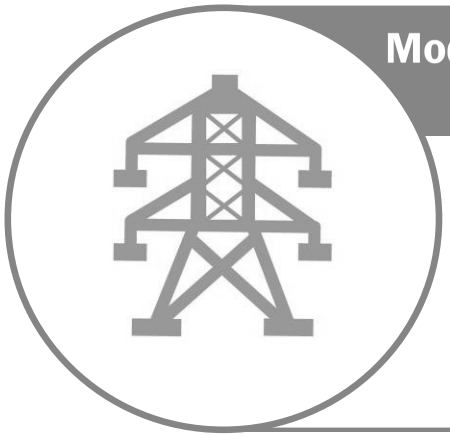
Exelon.

SI-SSA-0015-02633

Exelon's Policy Priorities

SI-SSA-0015-02634

Exelon Policy Priorities

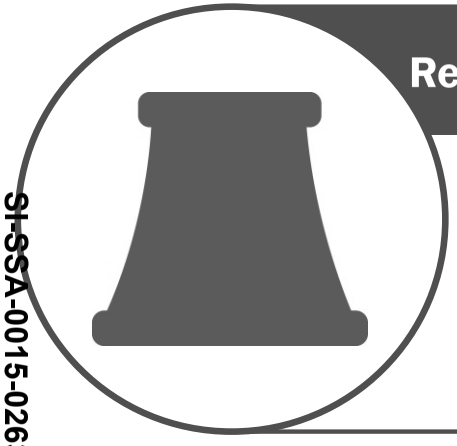


Modernize Utility Ratemaking to Ensure Appropriate Recovery

- Invest in infrastructure that provides customer benefit through grid resiliency and efficiency
- Ensure fair rate structures to support new technologies

Secure Proper Policies to Enable Innovative Technologies

- Providing new technologies to respond to customer needs
- Open adjacent customer facing markets to sales and services



Recognize the Value of Zero-Carbon Electricity

- Create support for current challenged plants through federal and state initiatives
- Support the ultimate pricing of carbon in the market on a regional or national level

Regulatory and policy structure that supports clean, affordable and reliable options for all customers

SI-SSA-0015-02635

Our Carbon Policy Principles

- **Exelon believes in our nation's ability to transition the generation fleet to a zero-carbon future while maintaining affordable and reliable electric service for consumers**
- For the foreseeable future, the most cost-effective carbon solution for our customers will be the continued operation of our nation's nuclear fleet
- Exelon believes competitive markets produce superior results for consumers and drive innovation. However, those markets do not currently incorporate appropriate pricing for environmental attributes.
- **Exelon is pursuing a two-part strategy for moving toward a more competitive treatment of CO_2 emissions:**
  - **First, we must maintain nuclear units that provide a cost-effective form of CO_2 abatement.** The New York ZEC program demonstrates that as long as the clean energy payment required to maintain operations at existing nuclear units is lower than the social cost of CO_2 emissions and the cost of CO_2 abatement being paid to other zero carbon resources, maintaining nuclear capacity should be selected as the most competitive source of CO_2 abatement.
  - **Second, we must continue to work toward a technology neutral price of CO_2 abatement.** Exelon is pursuing approaches to reflect a uniform price on CO_2 in wholesale markets as an eventual substitute for technology-specific subsidies. As these approaches are phased in, the ZEC programs have been designed to automatically reduce ZEC payments in response to higher energy prices.

SI-SSA-0015-02636

Key Market Policy Updates

New York ZEC Legal Challenges

Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- "The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy."
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- The 2nd Circuit will set the briefing schedule.

State Case:

- Motions to dismiss procedural challenges filed in NY State court were briefed in 1Q17
- The court heard oral arguments on June 19, 2017
- Currently awaiting decision; next step determined by outcome

IL ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- "The ZEC program does not conflict with the Federal Power Act."
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
    - Plaintiff-Appellant Opening Brief filed Aug 28
    - Defendant-Respondents Response Brief due Sep 27
    - Reply Briefs due Oct 27
    - Expect oral argument to follow

DOE Report and PJM Reforms

DOE Energy Report

- On August 23, 2017, the DOE released their report of the U.S electrical grid.
- The DOE concluded that "Society places value on attributes of electricity provision beyond those compensated by the current design of the wholesale market" and recommended that "FERC should expedite its effort with states, RTO/ISOs, and other stakeholders to improve energy price formation…"

Proposed PJM Reforms

- Recognize value of resiliency by instituting operational reforms in which PJM would commit additional reserves to account for the consumer impact from the most significant potential disruption
- Refine price formation to recognize the critical contribution of all resources, including "baseload" nuclear resources

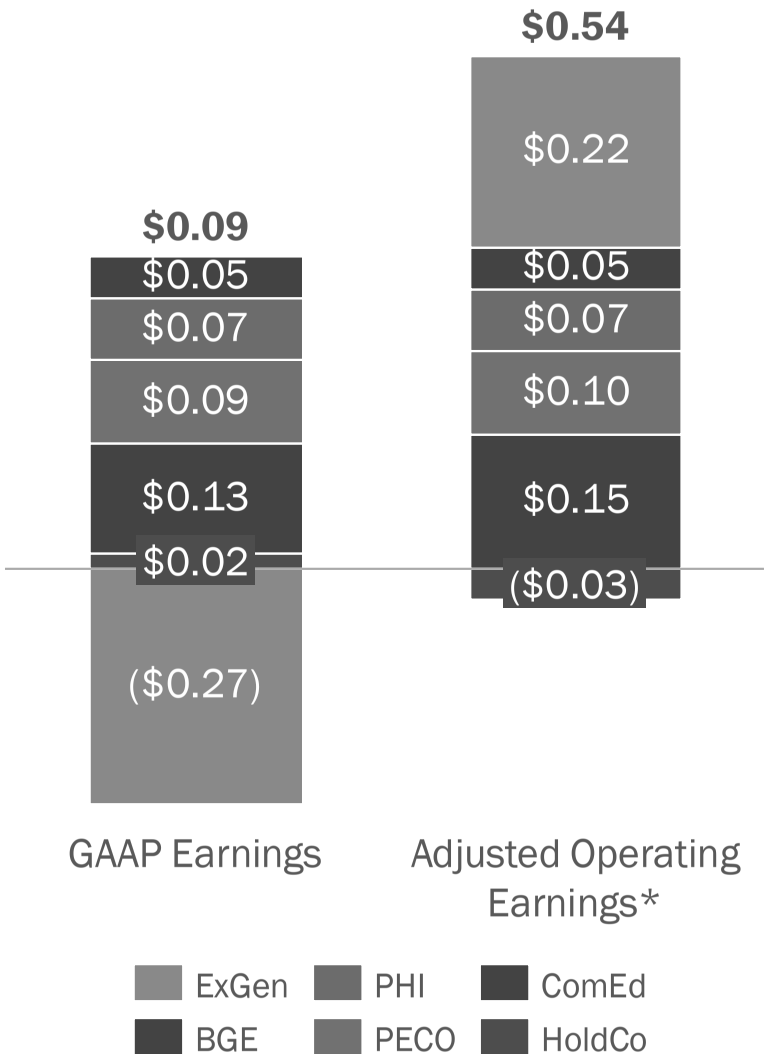
SI-SSA-0015-02637

Financial Overview

SI-SSA-0015-02638

Strong 2nd Quarter Results

Q2 2017 EPS Results



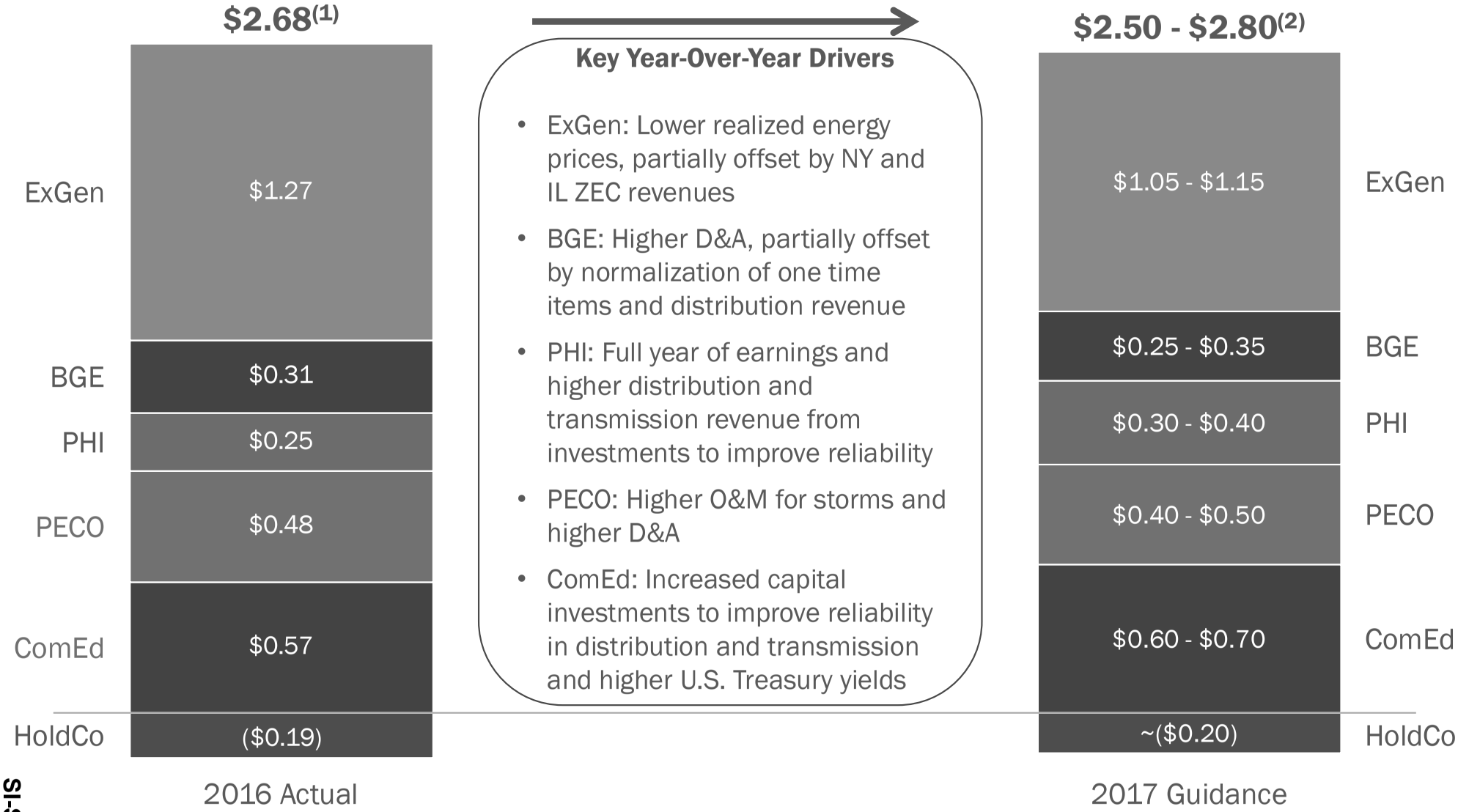
- GAAP earnings were $0.09/share in Q2 2017 vs. $0.29/share in Q2 2016
- Adjusted operating earnings* were $0.54/share in Q2 2017 vs. $0.65/share in Q2 2016, near the top end of our guidance range of $0.45-$0.55/share

Note: Amounts may not sum due to rounding
* Refer to pages 3 and 4 for information regarding non-GAAP financial measures

Exelon.

SI-SSA-0015-02639

Reaffirming 2017 Adjusted Operating Earnings* Guidance



Key Year-Over-Year Drivers

- ExGen: Lower realized energy prices, partially offset by NY and IL ZEC revenues
- BGE: Higher D&A, partially offset by normalization of one time items and distribution revenue
- PHI: Full year of earnings and higher distribution and transmission revenue from investments to improve reliability
- PECO: Higher O&M for storms and higher D&A
- ComEd: Increased capital investments to improve reliability in distribution and transmission and higher U.S. Treasury yields

Expect Q3 2017 Adjusted Operating Earnings* of $0.80 - $0.90 per share

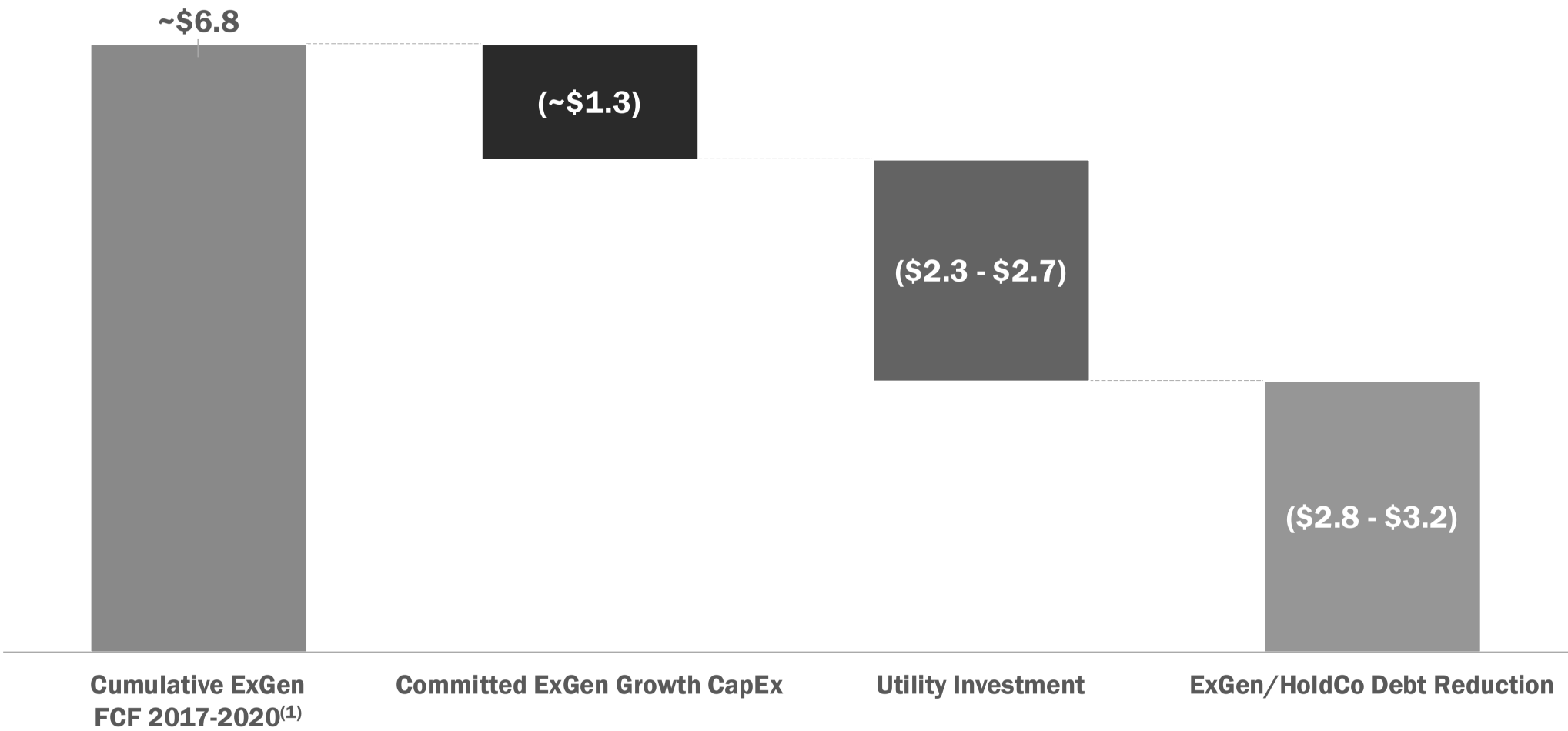
(1) 2016 results based on 2016 average outstanding shares of 927M
(2) 2017 earnings guidance based on expected average outstanding shares of 949M. Earnings guidance for OpCos may not sum up to consolidated EPS guidance.

Exelon.

SI-SSA-0015-02640

ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

2017-2020 Exelon Generation Free Cash Flow* and Uses of Cash ($B)



Redeploying Exelon Generation's free cash flow to maximize shareholder value

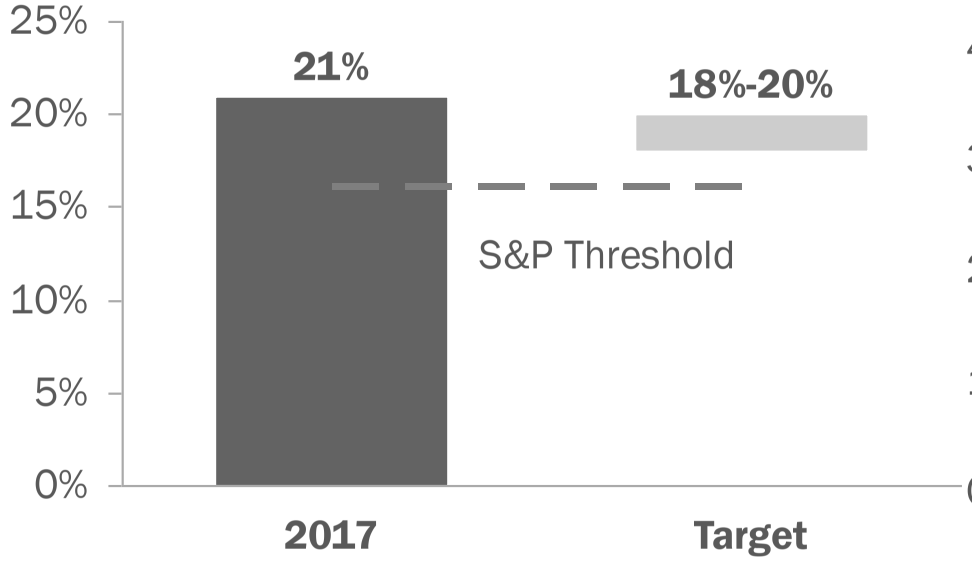
(1) Cumulative Free Cash Flow is a midpoint of a range based on December 31, 2016 market prices. Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.

Exelon.

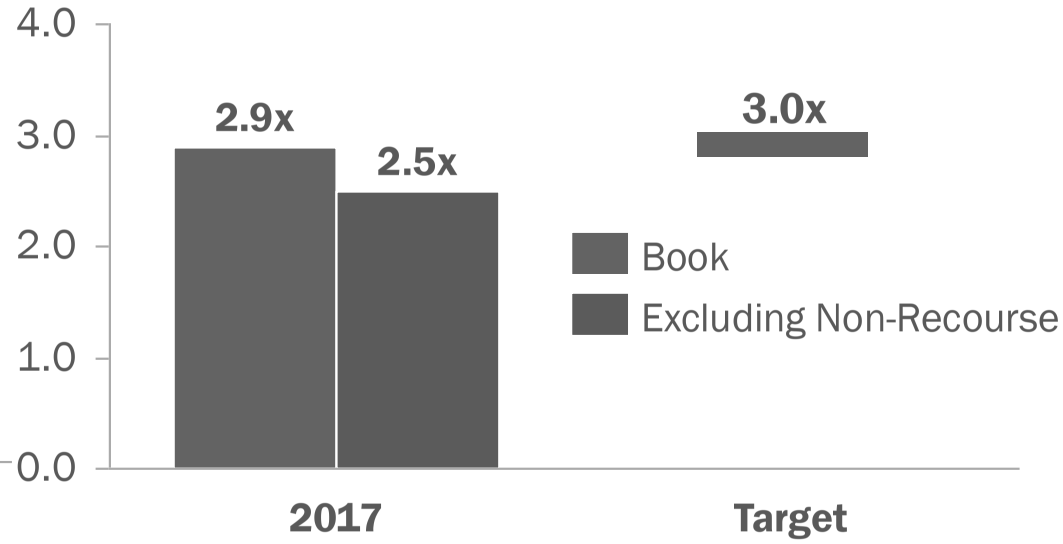
SI-SSA-0015-02641

Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

Exelon S&P FFO/Debt %*(1,4,6)



ExGen Debt/EBITDA Ratio*(5,6)



Credit Ratings by Operating Company

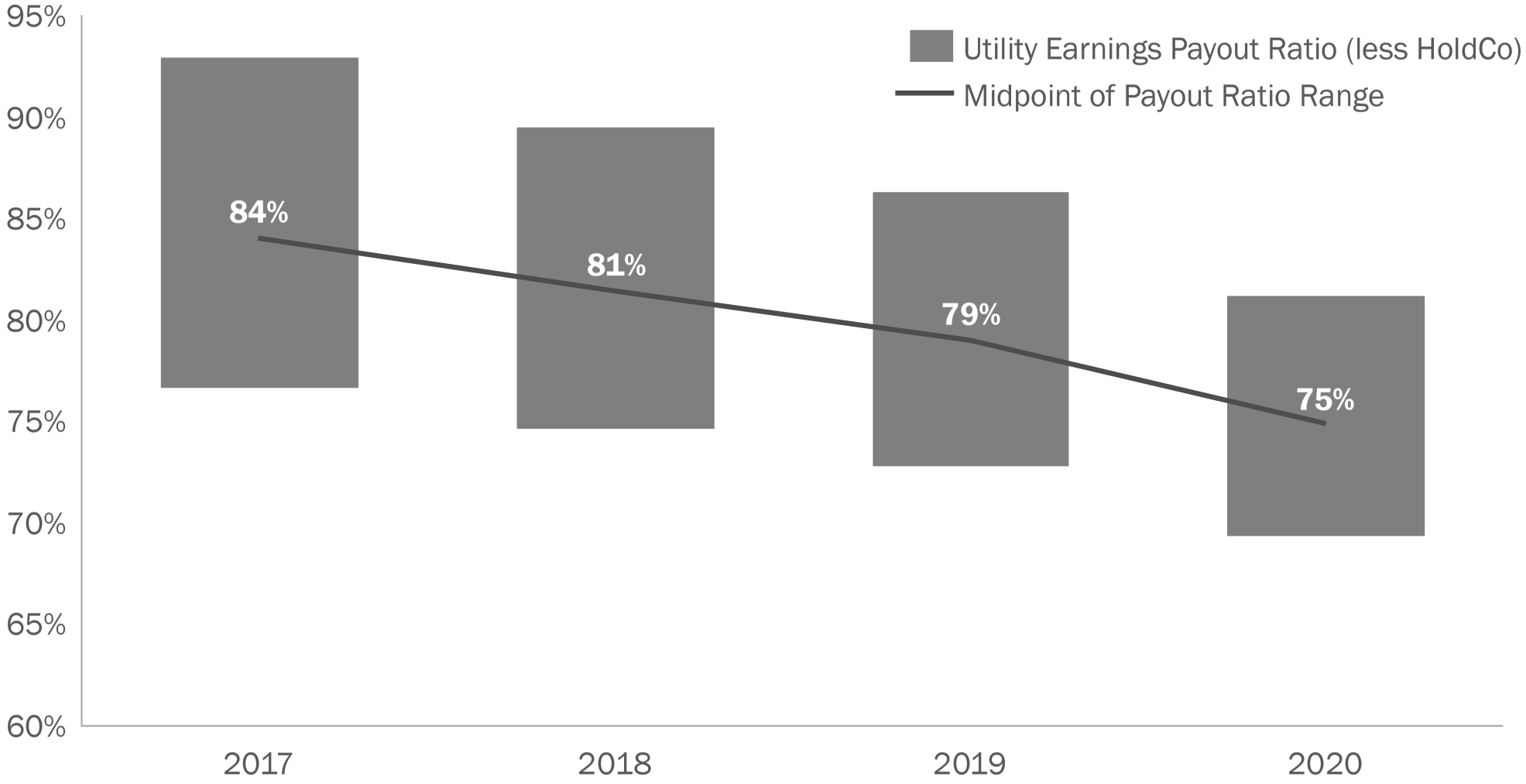
Current Ratings (2,3)	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
Moody's	Baa2	Baa2	A1	Aa3	A3	A3	A2	A2
S&P	BBB-	BBB	A-	A-	A-	A	A	A
Fitch	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment
(2) Current senior unsecured ratings as of July 26, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco
(3) All ratings have "Stable" outlook
(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp
(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA*
(6) Reflects removal of EGTP

Exelon.

SI-SSA-0015-02642

Theoretical Dividend Affordability from Utility less HoldCo[1,2]



Utility less HoldCo payout ratio falling consistently even as dividend grows

(1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.

(2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year 2019 and 2020; this does not signal a change in Board policy at this time. Quarterly dividends are subject to declaration by the board of directors.

Exelon.

SI-SSA-0015-02643

Recognition for Stewardship and Employee Engagement

Supplier Diversity: Exelon is the only utility and energy company to be inducted into the Billion Dollar Roundtable, which recognizes corporations that have achieved spending of $1 billion with minority and women-owned suppliers; our 2016 spend was nearly $2B

Civic 50: Points of Light named Exelon utility sector leader in its annual ranking of the nation's most community-minded public and private companies

Top 50 Companies for Diversity: National recognition from DiversityInc, first year in Top 50 after being named a DiversityInc "Top Utility" in 2015 and 2016

Best Places to Work in 2017: Ranked No. 18 on Indeed.com survey of Fortune 500 companies based on employee reviews

CEO Action for Diversity & Inclusion™: Joined 150 leading companies in the largest CEO-driven business commitment to advance diversity and inclusion

Top 50 Most Energy-Efficient Utilities: American Council for an Energy-Efficient Economy ranks BGE and ComEd in the top 10 with PECO also making the list

Lowest Carbon Emissions: 2017 Air Emissions Benchmarking Report notes Exelon's generation fleet had the lowest carbon dioxide emissions of the top 20 privately held and investor-owned energy producers

SI-SSA-0015-02644

Exelon.

Appendix

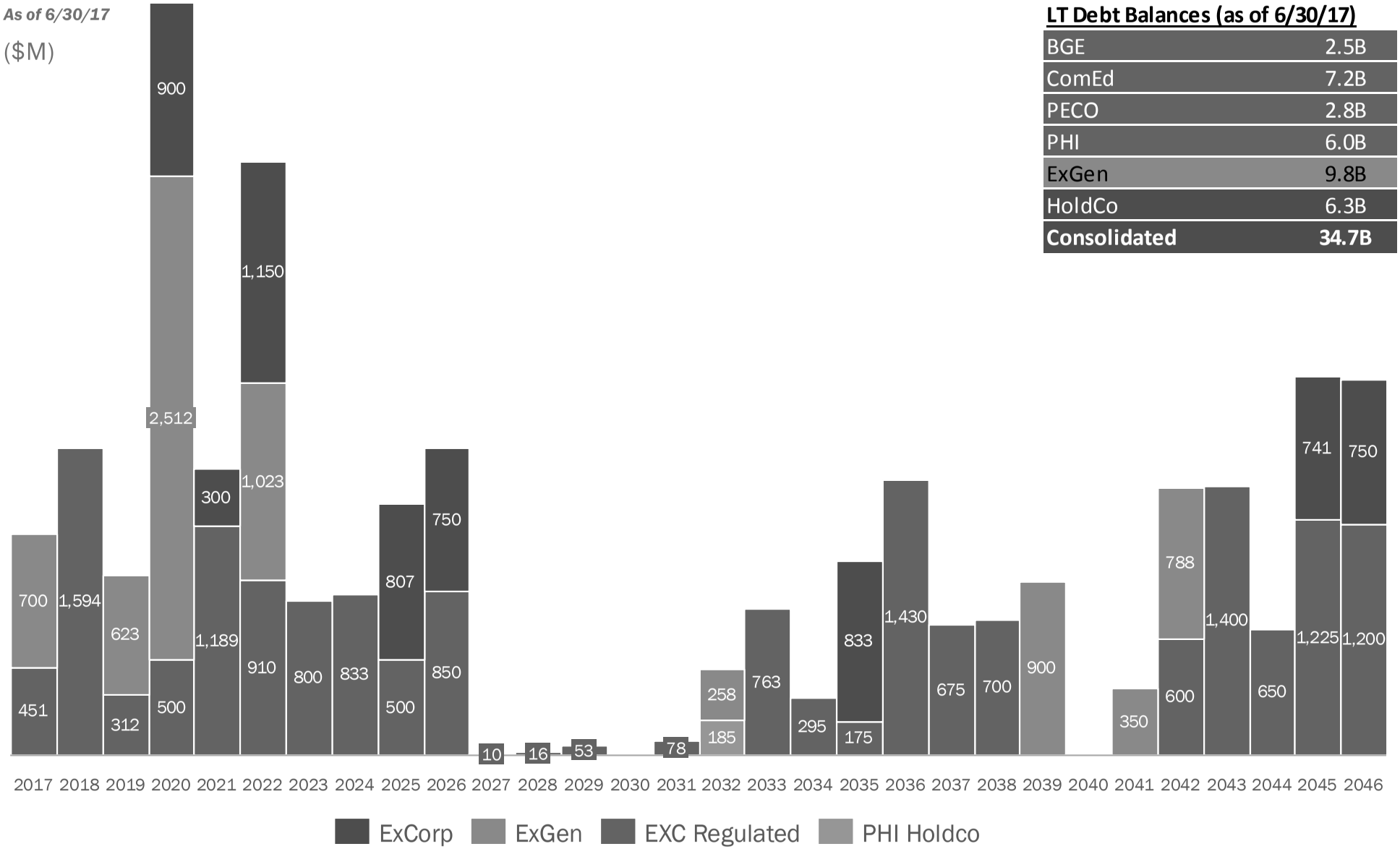
SI-SSA-0015-02645

Exelon Debt Maturity Profile[1]

As of 6/30/17

($M)

LT Debt Balances (as of 6/30/17)	
BGE	2.5B
ComEd	7.2B
PECO	2.8B
PHI	6.0B
ExGen	9.8B
HoldCo	6.3B
Consolidated	**34.7B**



Exelon's weighted average LTD maturity is approximately 13 years

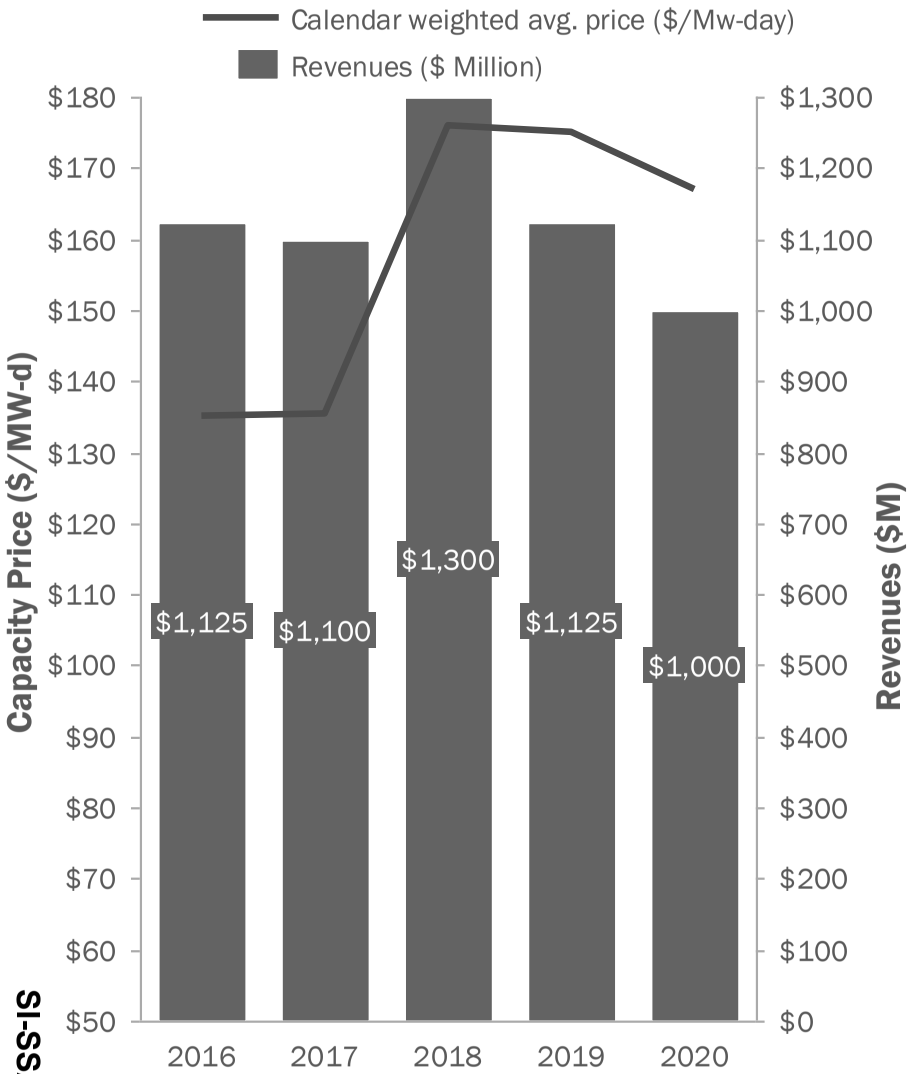
(1) ExGen debt includes legacy CEG debt; Excludes securitized debt and non-recourse debt

Exelon.

SI-SSA-0015-02646

Capacity Market: PJM

PJM Capacity Revenues[1,2,3]



Cleared Volumes (MW)[4]	2019/2020				2020/2021	
	CP	Price	Base	Price	CP	Price
Comed						
Nuclear	6,925	$203	-	$183	8,075	$188
Fossil/Other	-	$203	50	$183	-	$188
Subtotal	**6,925**		**50**		**8,075**	
EMAAC						
Nuclear	4,375	$120	-	$100	4,350	$188
Fossil/Other	1,525	$120	1,675	$100	2,325	$188
Subtotal	**5,900**		**1,675**		**6,675**	
SWMAAC						
Nuclear	850	$100	-	$80	850	$86
Fossil/Other	-	$100	-	$80	-	$86
Subtotal	**850**		**-**		**850**	
MAAC						
Nuclear	-		-		-	$86
Fossil/Other	-		-		225	$86
Subtotal	**-**		**-**		**225**	
BGE						
Nuclear	-	$100	-	$80	-	$86
Fossil/Other	375	$100	225	$80	375	$86
Subtotal	**375**		**225**		**375**	
Rest of RTO						
Nuclear	-	$100	-	$80	-	$77
Fossil/Other	275	$100	75	$80	-	$77
Subtotal	**275**		**75**		**-**	
PJM Total						
Nuclear	12,150		-		13,275	
Fossil/Other	2,175		2,025		2,925	
Grand Total	**14,325**		**2,025**		**16,200**	

(1) Revenues reflect capacity cleared in Base, CP transitional & incremental auctions and are for calendar years
(2) Revenues reflect owned and contracted generation
(3) Reflects 50.01% ownership at CENG
(4) Volumes at ownership and rounded

SI-SSA-0015-02647

Exelon

Portfolio Management Strategy

Strategic Policy Alignment

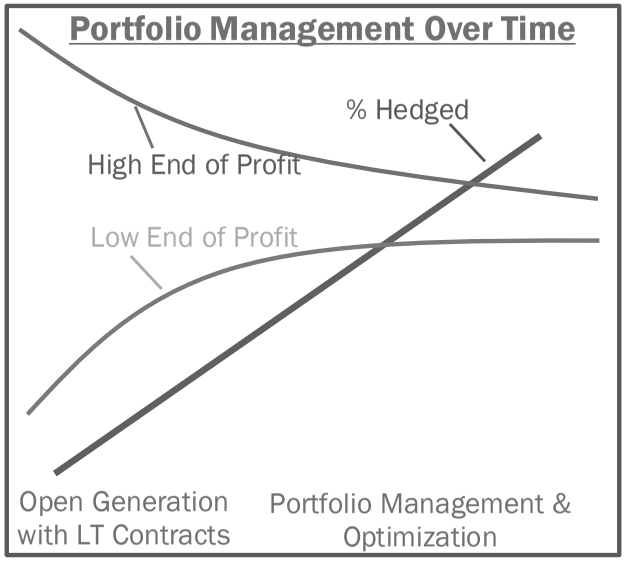
- Aligns hedging program with financial policies and financial outlook
  - Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
  - Hedge enough commodity risk to meet future cash requirements under a stress scenario

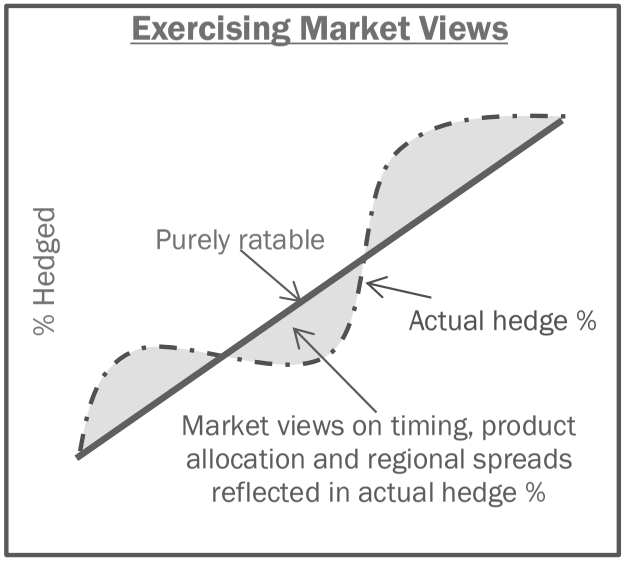
Three-Year Ratable Hedging

- Ensure stability in near-term cash flows and earnings
  - Disciplined approach to hedging
  - Tenor aligns with customer preferences and market liquidity
  - Multiple channels to market that allow us to maximize margins
  - Large open position in outer years to benefit from price upside

Bull / Bear Program

- Ability to exercise fundamental market views to create value within the ratable framework
  - Modified timing of hedges versus purely ratable
  - Cross-commodity hedging (heat rate positions, options, etc.)
  - Delivery locations, regional and zonal spread relationships





Protect Balance Sheet | **Ensure Earnings Stability** | **Create Value**

SI-SSA-0015-02648

Exelon.

Components of Gross Margin Categories

Gross margin linked to power production and sales

Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada[1])

Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

MtM of Hedges[2]

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

"Power" New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed[5]

Gross margin from other business activities

"Non Power" Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar

"Non Power" New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency[4]
- BGE Home[4]
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading[3]

Margins move from "Non power new business" to "Non power executed" over the course of the year

(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region
(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh
(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion
(4) Gross margin for these businesses are net of direct "cost of sales"
(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

SI-SSA-0015-02649

ExGen Disclosures

Gross Margin Category ($M)[1]	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM)[2,5]	$3,750	$4,000	$3,800
Capacity and ZEC Revenues[2,5]	$1,850	$2,200	$2,050
Mark-to-Market of Hedges[2,3]	$1,900	$550	$400
Power New Business / To Go	$200	$850	$950
Non-Power Margins Executed	$300	$150	$100
Non-Power New Business / To Go	$150	$350	$400
Total Gross Margin*[5]	**$8,150**	**$8,100**	**$7,700**

Reference Prices[4]	2017	2018	2019
Henry Hub Natural Gas ($/MMbtu)	$3.17	$2.99	$2.85
Midwest: NiHub ATC prices ($/MWh)	$26.97	$27.81	$26.90
Mid-Atlantic: PJM-W ATC prices ($/MWh)	$28.94	$30.55	$29.31
ERCOT-N ATC Spark Spread ($/MWh) *HSC Gas, 7.2HR, $2.50 VOM*	$0.69	$2.26	$3.33
New York: NY Zone A ($/MWh)	$25.70	$27.95	$27.13
New England: Mass Hub ATC Spark Spread($/MWh) *ALQN Gas, 7.5HR, $0.50 VOM*	$4.62	$4.90	$5.00

1) Gross margin categories rounded to nearest $50M
2) Excludes EDF's equity ownership share of the CENG Joint Venture
3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
4) Based on June 30, 2017, market conditions
5) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02650

ExGen Disclosures

Generation and Hedges	2017	2018	2019
Exp. Gen (GWh)[1]	**203,500**	**200,700**	**202,500**
Midwest	96,000	96,000	97,000
Mid-Atlantic[2,6]	60,500	60,300	58,500
ERCOT	20,400	20,700	21,600
New York[2,6]	14,600	15,400	16,600
New England	12,000	8,300	8,800
% of Expected Generation Hedged[3]	**96%-99%**	**71%-74%**	**39%-42%**
Midwest	96%-99%	66%-69%	34%-37%
Mid-Atlantic[2,6]	100%-103%	80%-83%	45%-48%
ERCOT	86%-89%	65%-68%	46%-49%
New York[2,6]	94%-97%	72%-75%	38%-41%
New England	97%-100%	81%-84%	44%-47%
Effective Realized Energy Price ($/MWh)[4]			
Midwest	$33.00	$29.50	$29.50
Mid-Atlantic[2,6]	$42.50	$37.00	$39.50
ERCOT[5]	$9.00	$3.00	$3.00
New York[2,6]	$41.50	$34.50	$31.00
New England[5]	$20.00	$4.50	$3.50

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 11 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.3% and 94.7% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

(6) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02651

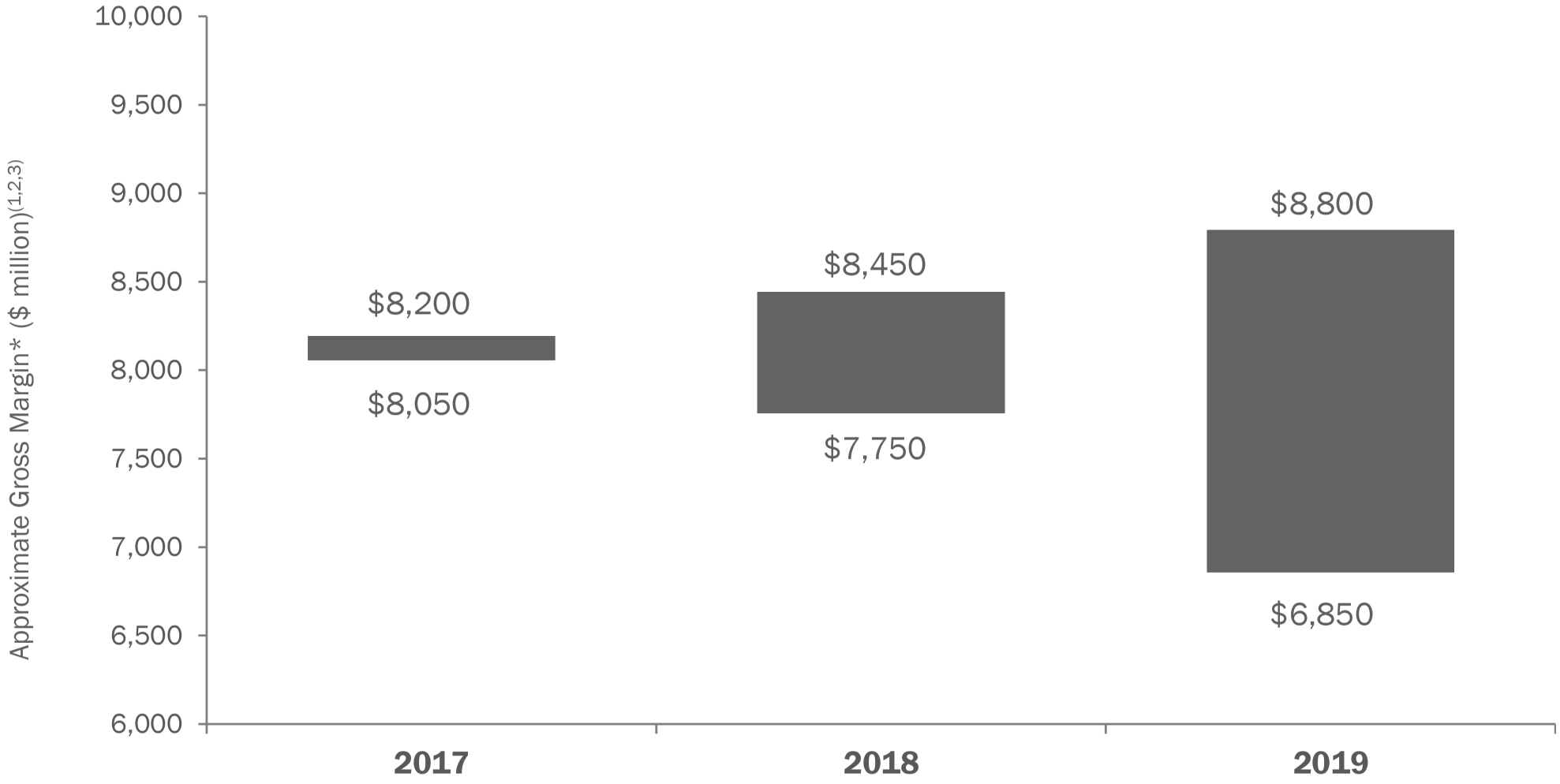
ExGen Hedged Gross Margin* Sensitivities

Gross Margin* Sensitivities (with Existing Hedges)[1]	2017	2018	2019
Henry Hub Natural Gas ($/Mmbtu)			
+ $1/Mmbtu	$25	$240	$555
- $1/Mmbtu	$30	$(220)	$(540)
NiHub ATC Energy Price			
+ $5/MWh	-	$145	$300
- $5/MWh	-	$(145)	$(295)
PJM-W ATC Energy Price			
+ $5/MWh	-	$65	$165
- $5/MWh	$5	$(70)	$(155)
NYPP Zone A ATC Energy Price			
+ $5/MWh	-	$20	$45
- $5/MWh	$(5)	$(20)	$(50)
Nuclear Capacity Factor			
+/- 1%	+/- $20	+/- $35	+/- $35

(1) Based on June 30, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other price inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture

SI-SSA-0015-02652

ExGen Hedged Gross Margin* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of June 30, 2017

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and TMI and Oyster Creek retirements in September 2019 and December 2019, respectively. EGTP removal impacts partial year 2017 and full year 2018 and 2019.

SI-SSA-0015-02653

Illustrative Example of Modeling Exelon Generation 2018 Gross Margin*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← $4 billion →					
(B)	Capacity and ZEC	← $2.2 billion →					
(C)	Expected Generation (TWh)	96.0	60.3	20.7	15.4	8.3	
(D)	Hedge % (assuming mid-point of range)	67.5%	81.5%	66.5%	73.5%	82.5%	
(E=C*D)	Hedged Volume (TWh)	64.8	49.1	13.8	11.3	6.8	
(F)	Effective Realized Energy Price ($/MWh)	$29.50	$37.00	$3.00	$34.50	$4.50	
(G)	Reference Price ($/MWh)	$27.81	$30.55	$2.26	$27.95	$4.90	
(H=F-G)	Difference ($/MWh)	$1.69	$6.45	$0.74	$6.55	($0.40)	
(I=E*H)	Mark-to-Market value of hedges ($ million)(1)	$110	$315	$10	$75	($5)	
(J=A+B+I)	Hedged Gross Margin ($ million)	$6,750					
(K)	Power New Business / To Go ($ million)	$850					
(L)	Non-Power Margins Executed ($ million)	$150					
(M)	Non-Power New Business / To Go ($ million)	$350					
(N=J+K+L+M)	Total Gross Margin*	$8,100 million					

(1) Mark-to-market rounded to the nearest $5 million

SI-SSA-0015-02654

Exelon

Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in $M)[1]	2017	2018	2019
Revenue Net of Purchased Power and Fuel Expense*[2,3]	**$8,675**	**$8,725**	**$8,300**
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	$50	-	-
Other Revenues[4]	$(150)	$(225)	$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[5]	$(425)	$(400)	$(400)
Total Gross Margin* (Non-GAAP)	**$8,150**	**$8,100**	**$7,700**

Key ExGen Modeling Inputs (in $M)[1,6]	2017
Other[7]	$150
Adjusted O&M*	$(4,850)
Taxes Other Than Income (TOTI)[8]	$(375)
Depreciation & Amortization[9]	$(1,100)
Interest Expense[10]	$(400)
Effective Tax Rate	**32.0%**

(1) All amounts rounded to the nearest $25M
(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.
(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices
(4) Other Revenues reflects revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues
(5) Reflects the cost of sales of certain Constellation and Power businesses
(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture
(7) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom
(8) TOTI excludes gross receipts tax of $150M
(9) Excludes P&L neutral decommissioning depreciation
(10) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants in service as of May and June of 2017. Capitalized interest will be an additional ~$25M lower in 2018 as well due to this.

SI-SSA-0015-02655

Appendix

Reconciliation of Non-GAAP Measures

SI-SSA-0015-02656

Exelon.

Q2 2016 QTD GAAP EPS Reconciliation

Three Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.00**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**($0.06)**	**$0.29**
Mark-to-market impact of economic hedging activities	0.20	-	-	-	-	-	0.20
Unrealized gains related to NDT fund investments	(0.03)	-	-	-	-	-	(0.03)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Long-Lived asset impairments	0.02	-	-	-	-	-	0.02
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Cost management program	-	-	-	-	-	-	0.01
CENG noncontrolling interest	0.01	-	-	-	-	-	0.01
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.35**	**$0.16**	**$0.11**	**$0.03**	**$0.06**	**$(0.06)**	**$0.65**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02657

Exelon.

Q2 2017 QTD GAAP EPS Reconciliation (continued)

Three Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP (Loss) Earnings Per Share	**($0.27)**	**$0.13**	**$0.09**	**$0.05**	**$0.07**	**$0.02**	**$0.09**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.05)	-	-	-	-	-	(0.05)
Amortization of commodity contract intangibles	0.01	-	-	-	-	-	0.01
Merger and integration costs	0.01	-	-	-	-	-	0.01
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Cost management program	-	-	-	-	-	-	0.01
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.22**	**$0.15**	**$0.10**	**$0.05**	**$0.07**	**$(0.03)**	**$0.54**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02658

Exelon.

Q2 2016 YTD GAAP EPS Reconciliation

Six Months Ended June 30, 2016	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2016 GAAP Earnings (Loss) Per Share	**$0.31**	**$0.28**	**$0.25**	**$0.14**	**($0.28)**	**$(0.23)**	**$0.48**
Mark-to-market impact of economic hedging activities	0.12	-	-	-	-	-	0.12
Unrealized gains related to NDT fund investments	(0.07)	-	-	-	-	-	(0.07)
Merger and integration costs	0.02	-	-	-	0.04	0.04	0.09
Merger commitments	-	-	-	-	0.30	0.12	0.43
Long-lived asset impairments	0.10	-	-	-	-	-	0.10
Plant retirements and divestitures	0.14	-	-	-	-	-	0.14
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.02	-	-	-	-	-	0.02
CENG noncontrolling interest	0.02	-	-	-	-	-	0.02
2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.69**	**$0.28**	**$0.25**	**$0.14**	**$0.06**	**$(0.08)**	**$1.33**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02659

Exelon.

Q2 2017 YTD GAAP EPS Reconciliation (continued)

Six Months Ended June 30, 2017	ExGen	ComEd	PECO	BGE	PHI	Other	Exelon
2017 GAAP Earnings (Loss) Per Share	**$0.19**	**$0.28**	**$0.23**	**$0.18**	**$0.22**	**$0.06**	**$1.15**
Mark-to-market impact of economic hedging activities	0.15	-	-	-	-	-	0.15
Unrealized gains related to NDT fund investments	(0.15)	-	-	-	-	-	(0.15)
Amortization of commodity contract intangibles	0.02	-	-	-	-	-	0.02
Merger and integration costs	0.04	-	-	-	-	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.15)
Long-lived asset impairments	0.29	-	-	-	-	-	0.29
Plant retirements and divestitures	0.07	-	-	-	-	-	0.07
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Cost management program	0.01	-	-	-	-	-	0.01
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
CENG noncontrolling interest	0.06	-	-	-	-	-	0.06
2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share	**$0.40**	**$0.30**	**$0.23**	**$0.18**	**$0.15**	**($0.08)**	**$1.19**

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not add due to rounding.

SI-SSA-0015-02660

Exelon.

GAAP to Operating Adjustments

- **Exelon's 2017 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Impairments of certain wind projects at Generation and impairments as a result of the ExGen Texas Power, LLC assets held for sale
  - Plant retirements and divestitures at Generation
  - Non-cash impact of the remeasurement of state deferred income taxes, related to a change in the statutory tax rate
  - Costs incurred related to a cost management program
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Certain adjustments related to Exelon's like-kind exchange tax position
  - Generation's non-controlling interest, primarily related to CENG exclusion items

SI-SSA-0015-02661

GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation ($M)[1,2]	
GAAP Operating Income	$3,450
Depreciation & Amortization	$3,375
EBITDA	$6,825
+/- Non-operating activities and nonrecurring items[3]	$550
- Interest Expense	($1,450)
+ Current Income Tax (Expense)/Benefit	$25
+ Nuclear Fuel Amortization	$1,075
+/- Other S&P Adjustments[4]	$375
= FFO (a)	**$7,400**

YE 2017 Exelon Adjusted Debt Calculation ($M)[1,2]	
Long-Term Debt (including current maturities)	$32,025
Short-Term Debt	$1,225
+ PPA Imputed Debt[5]	$350
+ Operating Lease Imputed Debt[6]	$875
+ Pension/OPEB Imputed Debt[7]	$3,450
- Off-Credit Treatment of Debt[8]	($1,725)
- Surplus Cash Adjustment[9]	($550)
+/- Other S&P Adjustments[4]	$275
= Adjusted Debt (b)	**$35,925**

YE 2017 Exelon FFO/Debt[1,2]		
FFO (a) / Adjusted Debt (b)	=	21%

(1) All amounts rounded to the nearest $25M
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.
(3) Reflects impact of operating adjustments on GAAP EBITDA
(4) Includes other adjustments as prescribed by S&P
(5) Reflects present value of net capacity purchases
(6) Reflects present value of minimum future operating lease payments
(7) Reflects after-tax unfunded pension/OPEB
(8) Includes non-recourse project debt
(9) Applies 75% of excess cash against balance of LTD

SI-SSA-0015-02662

GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$8,875
Short-Term Debt	$375
- Surplus Cash Adjustment	($300)
= Net Debt (a)	**$8,950**

YE 2017 ExGen Net Debt Calculation ($M)[1]	
Long-Term Debt (including current maturities)	$8,875
Short-Term Debt	$375
- Surplus Cash Adjustment	($300)
- Nonrecourse Debt	($1,900)
= Net Debt (a)	**$7,050**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,400
EBITDA	$2,175
+/- Non-operating activities and nonrecurring items[2]	$875
= Operating EBITDA (b)	**$3,050**

YE 2017 ExGen Operating EBITDA Calculation ($M)[1]	
GAAP Operating Income	$775
Depreciation & Amortization	$1,400
EBITDA	$2,175
+/- Non-operating activities and nonrecurring items[2]	$875
- EBITDA from projects financed by nonrecourse debt	($250)
= Operating EBITDA (b)	**$2,800**

YE 2017 Book Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.9x$$

YE 2017 Recourse Debt / EBITDA

$$\frac{\text{Net Debt (a)}}{\text{Operating EBITDA (b)}} = 2.5x$$

(1) All amounts rounded to the nearest $25M
(2) Reflects impact of operating adjustments on GAAP EBITDA

SI-SSA-0015-02663

Exelon

GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation ($M)[1]	2017	2018	2019	2020
GAAP O&M	**$5,775**	**$5,525**	**$5,500**	**$5,575**
Decommissioning[2]	25	50	50	50
Costs associated with early nuclear plant retirements	-	-	-	-
Long-lived asset impairment costs	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[3]	(400)	(400)	(400)	(400)
O&M for managed plants that are partially owned	(425)	(425)	(425)	(450)
Other	(125)	-	-	-
Adjusted O&M (Non-GAAP)	**$4,850**	**$4,725**	**$4,725**	**$4,775**

2017-2020 ExGen Free Cash Flow Calculation ($M)[1]	
Cash from Operations (GAAP)	$15,150
Other Cash from Investing and Activities	($650)
Baseline Capital Expenditures[4]	($4,025)
Nuclear Fuel Capital Expenditures	($3,625)
Free Cash Flow before Growth CapEx and Dividend	**$6,825**

(1) All amounts rounded to the nearest $25M
(2) Reflects earnings neutral O&M
(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin, a non-GAAP measure
(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

SI-SSA-0015-02664

GAAP to Non-GAAP Reconciliations

Operating ROE Reconciliation ($M)[1]	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP)[1]	$91	$127	$203	$1,132	$1,548
Operating Exclusions	($25)	($32)	($29)	$186	$105
Adjusted Operating Earnings[1]	$66	$95	$174	$1,318	$1,653
Average Equity	$1,039	$1,300	$2,390	$12,308	$17,038
Operating ROE (Adjusted Operating Earnings/Average Equity)	**6.4%**	**7.3%**	**7.3%**	**10.7%**	**9.7%**

ExGen Adjusted O&M Reconciliation ($M)[2]	2017
GAAP O&M	**$6,300**
Decommissioning[3]	25
TMI Retirement	(100)
EGTP Impairment	(425)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses[4]	(425)
O&M for managed plants that are partially owned	(425)
Other	(100)
Adjusted O&M (Non-GAAP)	**$4,850**

(1) ACE, Delmarva, and Pepco represents full year of earnings
(2) All amounts rounded to the nearest $25M. Items may not sum due to rounding.
(3) Reflects earnings neutral O&M
(4) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin*

SI-SSA-0015-02665

Exelon®

Nuclear Energy in Competitive Markets

Kathleen L. Barrón

Senior Vice President, Government and Regulatory Affairs and Public Policy

October 3, 2018

SI-SSA-0015-02666

Cautionary Statements Regarding Forward-Looking Information

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2017 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 23, Commitments and Contingencies; (2) Exelon's Second Quarter 2018 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

SI-SSA-0015-02667

Non-GAAP Financial Measures

Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- ***Adjusted operating earnings*** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- ***Adjusted operating and maintenance expense*** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, and other items as set forth in the reconciliation in the Appendix
- ***Total gross margin*** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- ***Adjusted cash flow from operations*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- ***Free cash flow*** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- ***Operating ROE*** is calculated using operating net income divided by average equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- ***EBITDA*** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- ***Revenue net of purchased power and fuel expense*** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

SI-SSA-0015-02668

Non-GAAP Financial Measures Continued

This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measures as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin.

SI-SSA-0015-02669

Exelon: An Industry Leader

$21B
Being invested in utilities through 2021

$52M
In 2017, Exelon gave approx. $52 million to charitable and community causes

#1
zero-carbon energy provider in America

210 TWh
Customer load served

35,200
Megawatts of total power generation capacity

10M
Six utilities serving 9M electric and gas customers, the most in the U.S.

34,600
employees

11,470
transmission line miles for utilities

$33.5B
Operating revenue in 2017

FORTUNE 100
Exelon is a FORTUNE 100 company

2M (Approx.)
Exelon's Constellation business serves residential, public sector and business customers

9.5M
Smart meters installed

Note: All numbers reflect year-end 2017.

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Exelon.

The Exelon Value Proposition

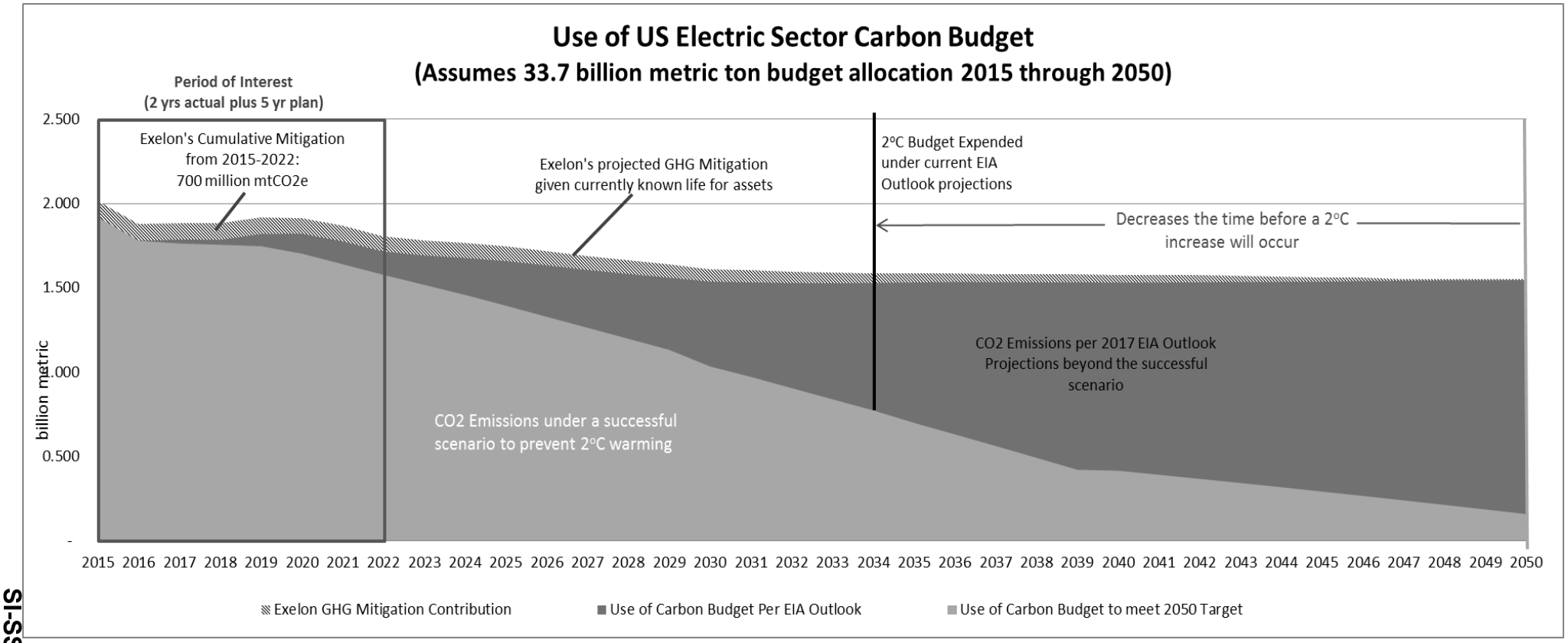
- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2021 planning horizon
- **Capital allocation priorities targeting**:
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020[1],
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

SI-SSA-0015-02671

Electric Sector Contribution to Meeting 2-degree C Target

- The red shaded area depicts the work yet to be done for the electric sector to reach needed societal carbon goals to avoid a 2-degree C increase in global temperatures.
- Exelon is contributing over 700 million metric tons of GHG mitigation from 2015 through 2022, which helps close the electricity sector GHG emissions gap[1] through 2022 by ~50%.



Why a 2°C target? A 2°C global average temperature increase is the internationally agreed upon threshold representing the measure beyond which significant climatic changes would occur and be disruptive to earth's systems currently relied on to meet basic societal needs. Two degrees of warming is twice the historical global average variation over the past 10,000 years.

1 – Based on the Science-based Target Initiative's Sector Decarbonization Model for meeting a successful 2°C pathway.

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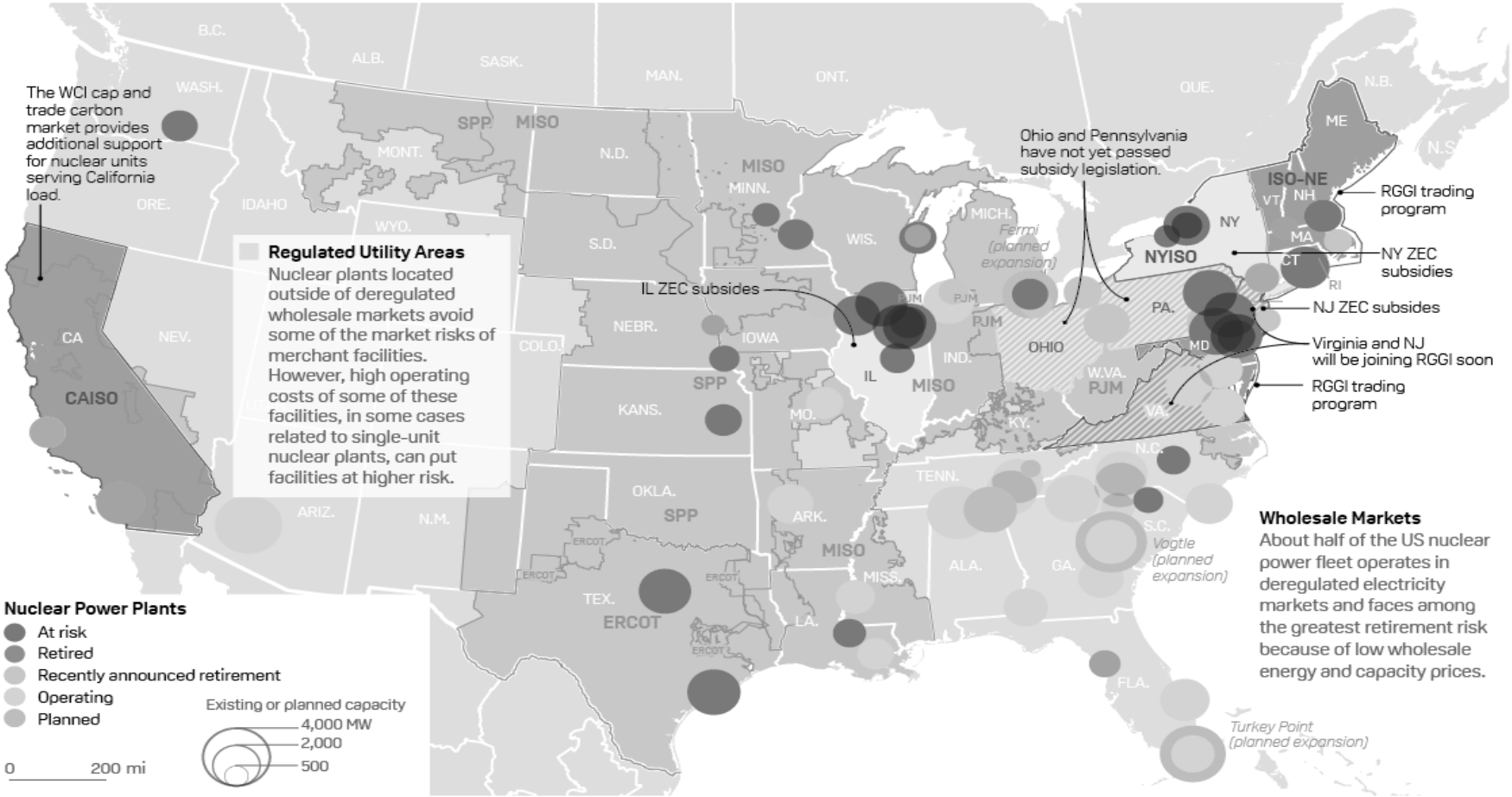
US Nuclear Fleet Retirements



- *In 2012, the US had 104 nuclear units (107.6 GW)*
- *By 2016, six units (4.7 GW) closed for technical and economic reasons*
- *By 2025, an additional 13 units (12.1 GW) will deactivate*
- *Half of the US nuclear units are at risk of premature retirement*

Source: Platts MegaWatt Daily August 12, 2018

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Exelon.

State Policies to Address Nuclear Plant Challenges

New York's Public Service Commission approved the clean energy standard, a 12-year plan that values the environmental, reliability, and economic contributions of nuclear energy and helps ensure the continued operation of three nuclear plants in New York.

Illinois legislators passed and Governor Rauner signed into law an energy bill that compensates nuclear plants at risk of early retirement for emission-free attributes, via a 10-year zero emission standard beginning in June 2017.

Connecticut legislature enacted a bill to support Connecticut nuclear generation in October 2017.

New Jersey legislature enacted a comprehensive clean energy and energy efficiency bill that included zero emission credits in May 2018.

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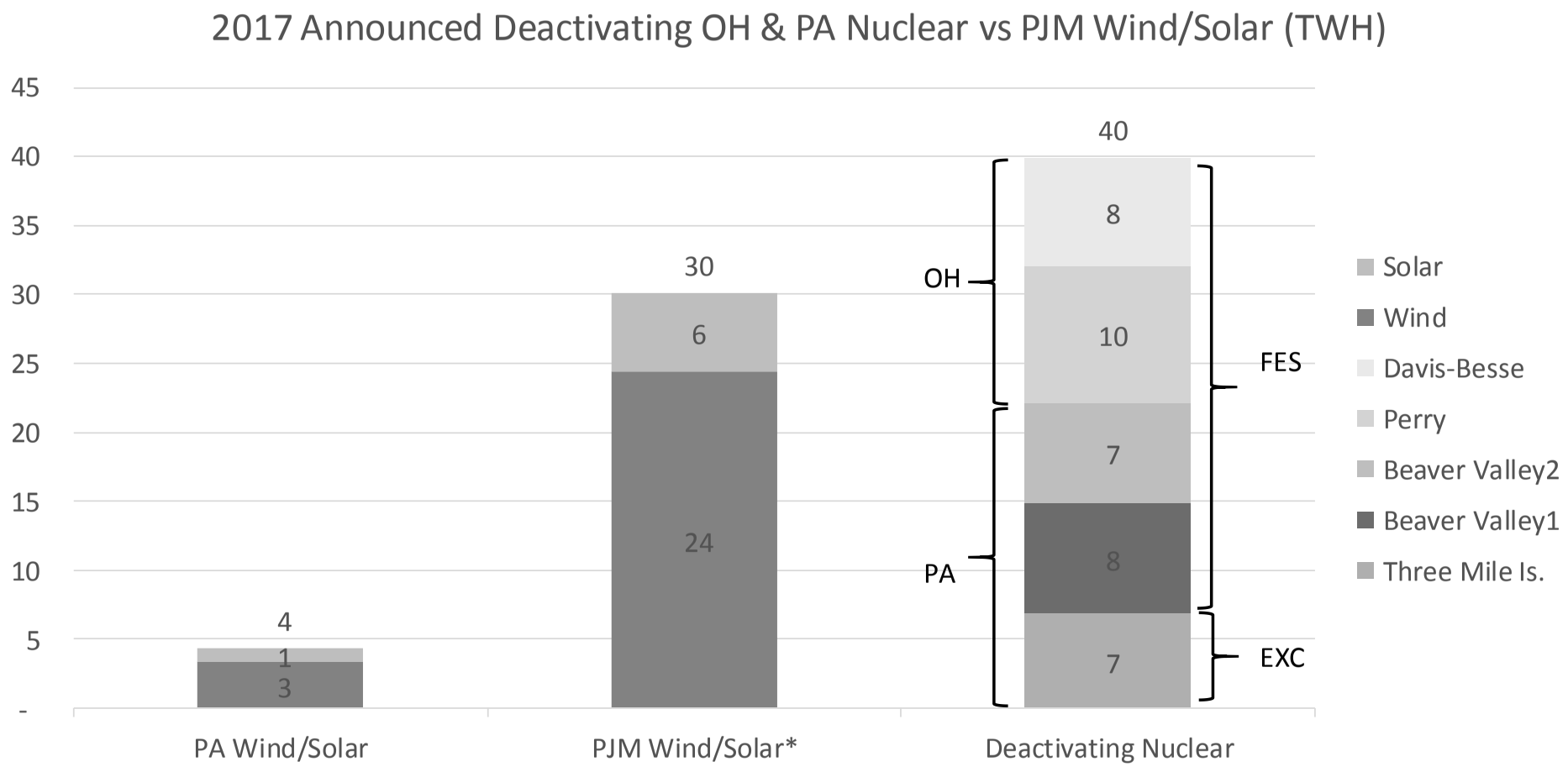
Shutdown of Announced Nuclear in OH and PA

- The four announced deactivating nuclear plants in Ohio and Pennsylvania generated more energy in 2017 than all of the wind and solar generation in PJM.



Sources: EIA-923, PJM GATS, EIA Electric Power Monthly
*Note: Includes all wind and solar physically located in PJM plus generators that have been certified to serve an RPS in a PJM state; for example, RECs from adjoining states can be used for compliance in the Illinois RPS.

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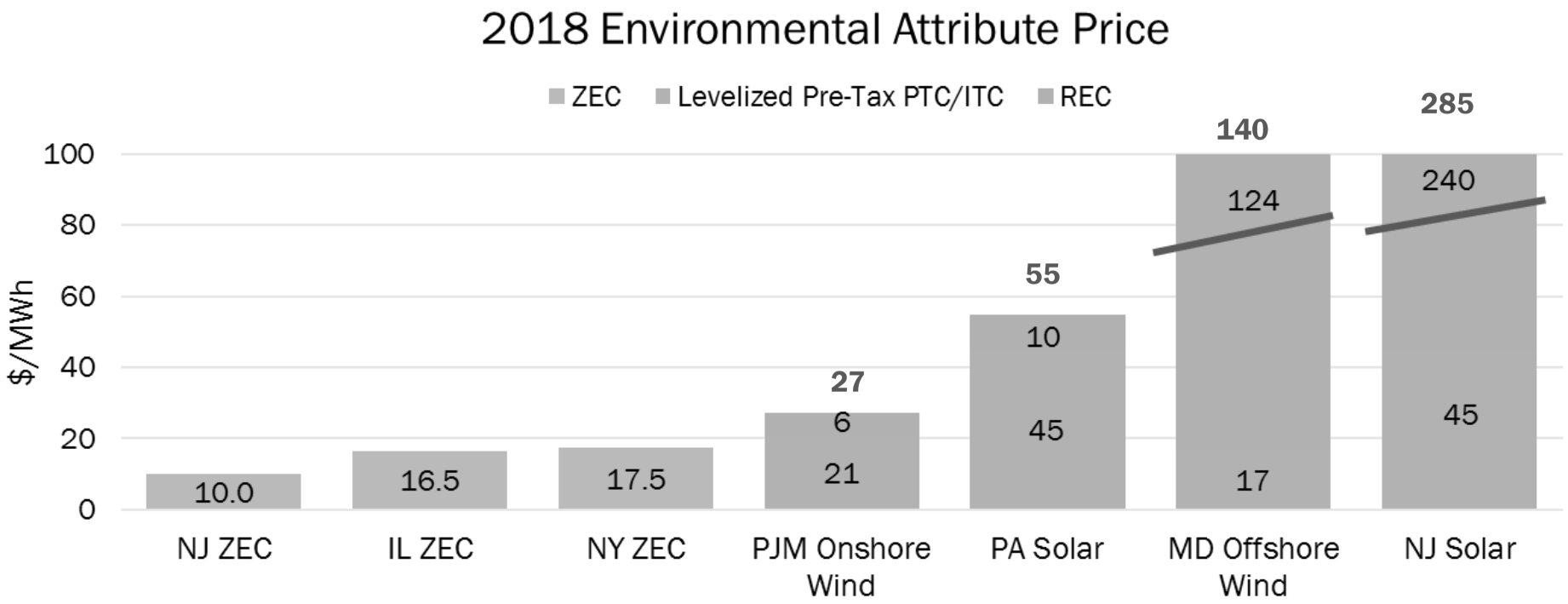
Environmental Attribute Price Comparison

- How much do other resources get paid for the carbon-free attribute?
  - $27/MWh combined attribute price for PJM on-shore wind
  - $55/MWh combined attribute price for Pennsylvania solar
  - $140/MWh combined attribute price for Maryland off-shore wind
  - $285/MWh combined attribute price for New Jersey solar



Notes: REC prices as of 4/18/2018. Wind PTC = $23.75/MWh in 2017; converted to pretax using 1/(1-21%); escalated 2% per year for 10 years; levelized over 25 years at 8% WACC. Solar ITC = 30% ITC; $2000/kw capital, 20 year life, 18% capacity factor, 8% WACC. Maryland offshore wind per Maryland PSC Order 5/11/2017, with PTC 20% step-down.

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Zero Emission Credits (ZECs) are Like Renewable Energy Credits (RECs)

The ZEC programs build on renewable energy credit programs that exist in the majority of states

- Both credits are for environmental attributes to meet a state environmental goal.
- Both RECs and ZECs are credits certifying that electricity was created using emission-free technology.

ZECs (and thus RECs) have withstood legal challenges in the 7th and 2nd Circuits:

- ZECs are "unbundled" from the energy and sold separately and not a charge in connection with a wholesale sale.
- ZECs are payments for the environmental attributes of production not for electricity sold in the wholesale markets.
- Payment for ZECs is not "tethered" to action in a FERC jurisdictional market.

But FERC has declared that PJM's capacity construct is not just and reasonable because it has been "untenably threatened by out of market payments provided or required by certain states for the purpose of supporting the entry or continued operation of preferred generation resources."

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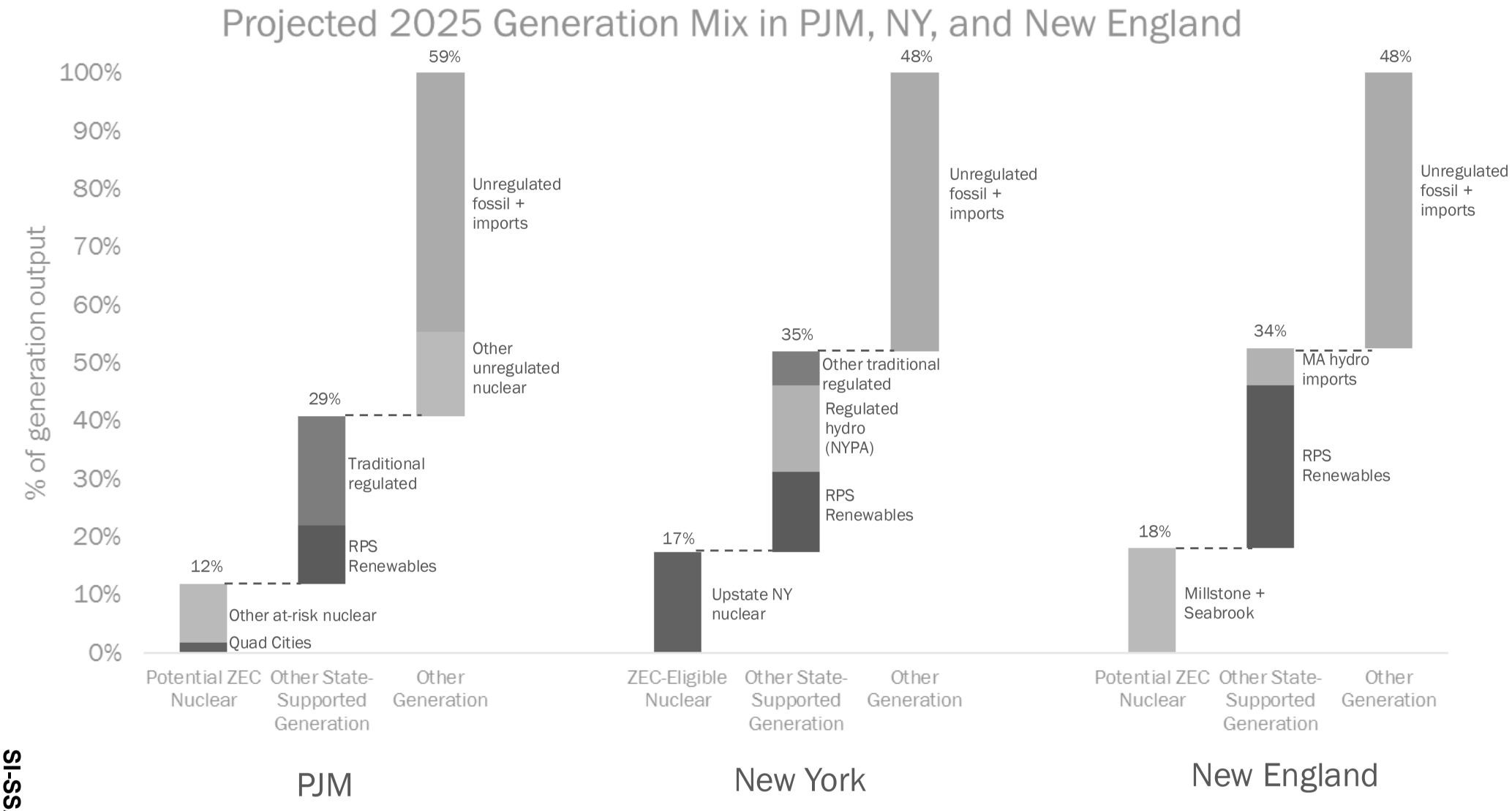
Exelon.

How "Competitive" are the Competitive Markets in the East?



Sources: 2016 ISO-NE CELT Report; 2015 New York Gold Book; 2016 PJM Load Forecast Report; FERC Form 1 filings for investor-owned utilities in PJM and NY; Projected RPS renewables based on existing RPS legislation in various states; MA hydro imports based on 9.45 TWh clean generation procurement target specified in MA H.N. 4568.

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PJM Capacity Mitigation & Partial FRR

FERC's June 29 order, by 3-2 vote:

- Rejected two alternative PJM proposals ("repricing" and "MOPREx") designed to protect the capacity market from the effect of state subsidies;
- Found PJM's existing capacity market rules to be unjust and unreasonable given the price suppressive effect of state-subsidized resources;
- Preliminarily found that PJM should implement a new bifurcated capacity construct:
  - Expand Fixed Resource Requirement applicable to specific resources (RS-FRR) wherein resources that receive state subsidies can be withdrawn from the capacity market (no RPM payment) along with the associated load (no RPM charges),
  - Apply MOPR to any new or existing resource that receives state support but does not participate in an RS-FRR plan, with "few or no" exemptions; and,
  - Established a paper hearing process to develop this bifurcated construct.

- A broad coalition of stakeholders believe the RS-FRR mechanism will provide states a workable means to continue to support preferred resources by allowing them to remove a corresponding amount of load from PJM's market. Coalition members include ratepayer advocates, environmental organizations, renewable organizations and other nuclear generators.
- Fossil generators and PJM will try to undermine RS-FRR by proposing, for example, repricing in the residual market (with opportunity cost payments to "in between" resources), lengthy stay-out periods, and difficult hurdles for RS-FRR resources to reenter RPM. Calpine's CEO reacted to FERC's order by declaring that it could "completely bankrupt competitive markets in the Eastern United States."

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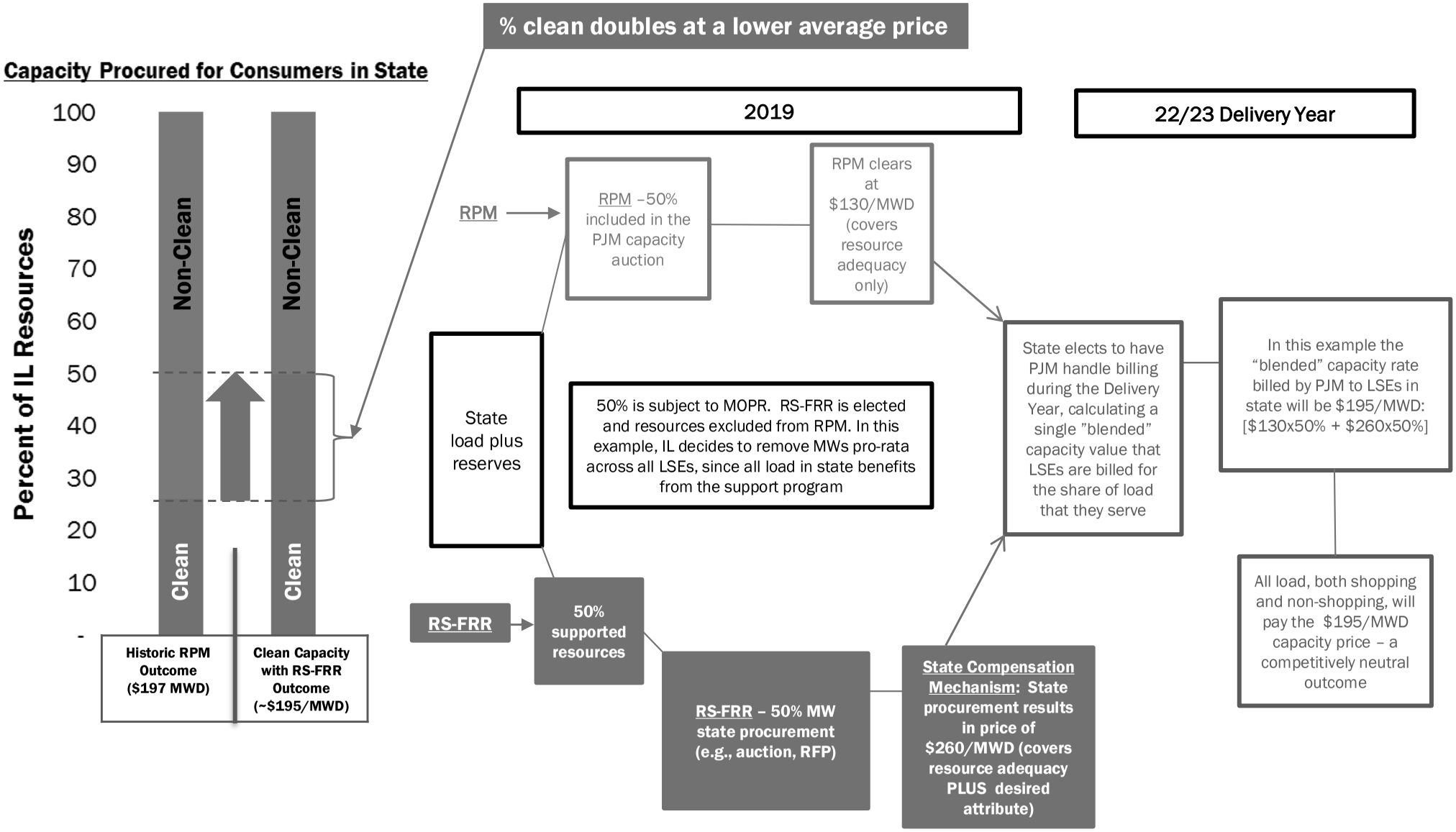
Clean Capacity RS-FRR Illustration



States can utilize RS-FRR structure to align capacity procurement and cost with state policies

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Exelon.

PSEG Bank Conference

Forsgate Country Club

May 30, 2013

SI-SSA-0015-02681

Presentation Agenda

Welcome	Brad Huntington
PSE&G - Sandy & Energy Strong	Jorge Cardenas
Break	
PSEG Update	Caroline Dorsa
PSEG Power – Update	Dan Cregg

SI-SSA-0015-02682

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in this report. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-02683

GAAP Disclaimer

- PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-02684

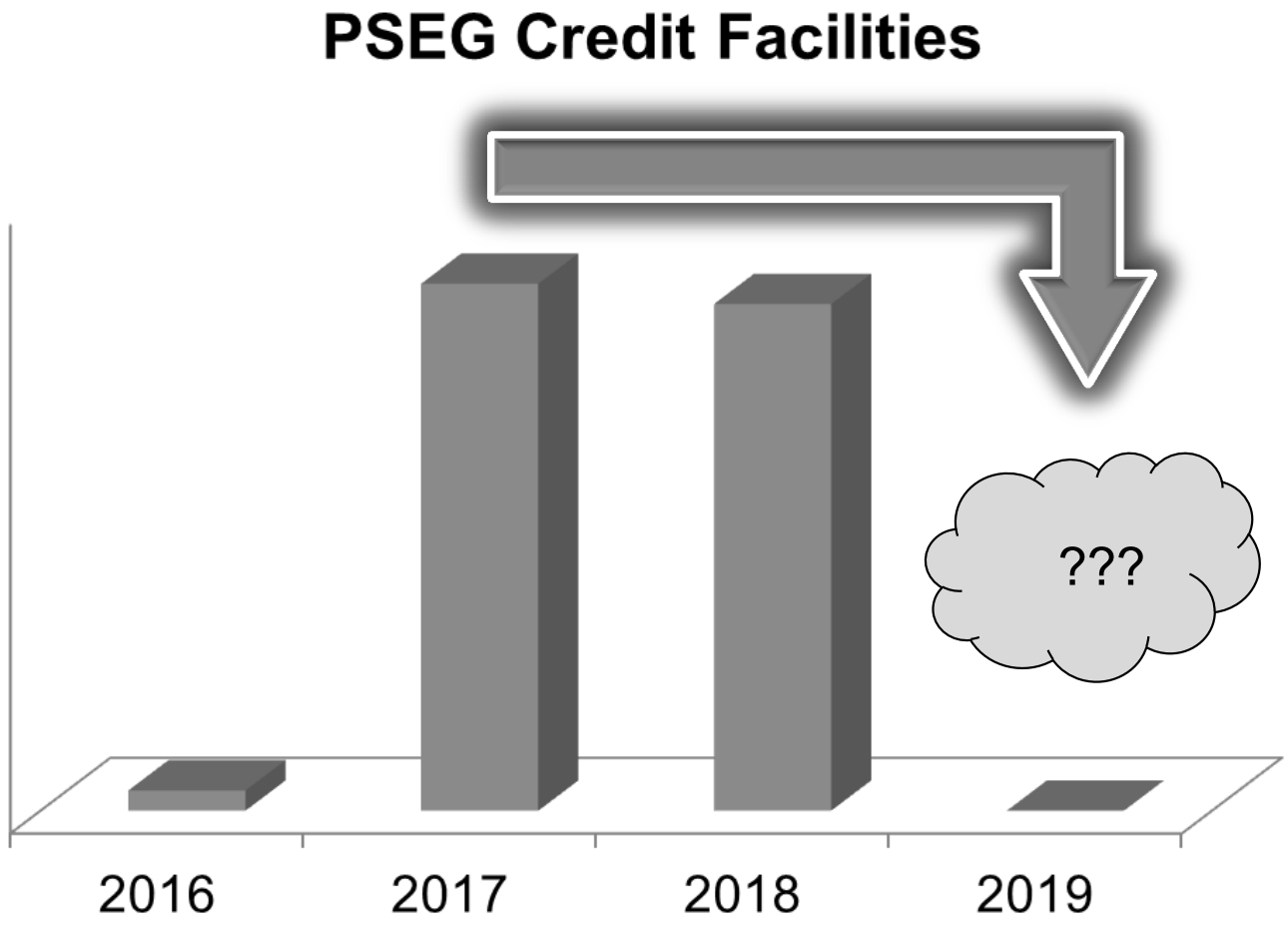
Welcome

Brad Huntington
Vice President & Treasurer

SI-SSA-00015-02685

PSEG

Thank You for Supporting our Credit Facilities!



Extended 2016 facilities to 2018 at lower pricing

SI-SSA-0015-02686

Thanks You for Delivering on our Debt Transactions!

PSEG

September 2012

$350M - 3.65% Secured MTN due 2042

PSEG

January 2013

$400M - 3.80% Secured MTN due 2043

PSEG

May 2013

$500M – 2.375% Secured MTN due 2023

Total Debt Issued = $1.25B

Total Fees Paid ~ $8.5 million

PSEG

The Role of the Treasury and Superstorm Sandy

Who runs American Express Travel?

Where can we house the foreign crews?

Please fold on the perforation below, detach and return with your payment

Do not staple or use paper clips

Payment Coupon

Account Number
XXXX-XXXXX8-83000

Please Pay By
12/10/12

BRADFORD HUNTINGTON
PSEG
80 PARK PLAZA T6
NEWARK NJ 07102-4109

Amount Due
$99,518.27

Mail Payment to:

AMERICAN EXPRESS
P.O. BOX 1270
NEWARK NJ 07101-1270

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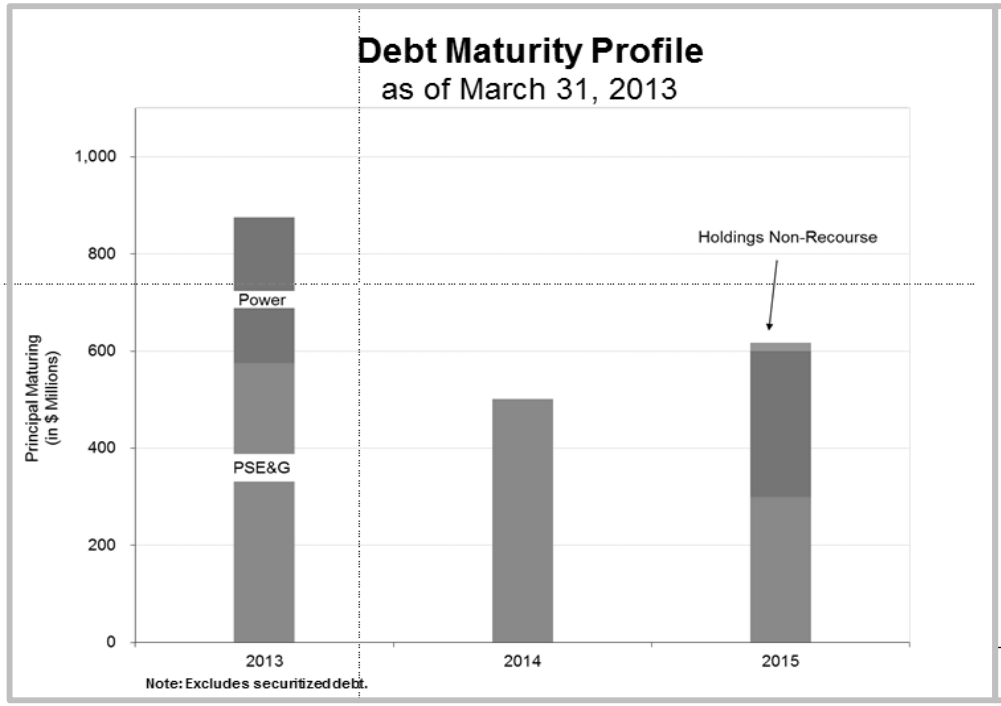
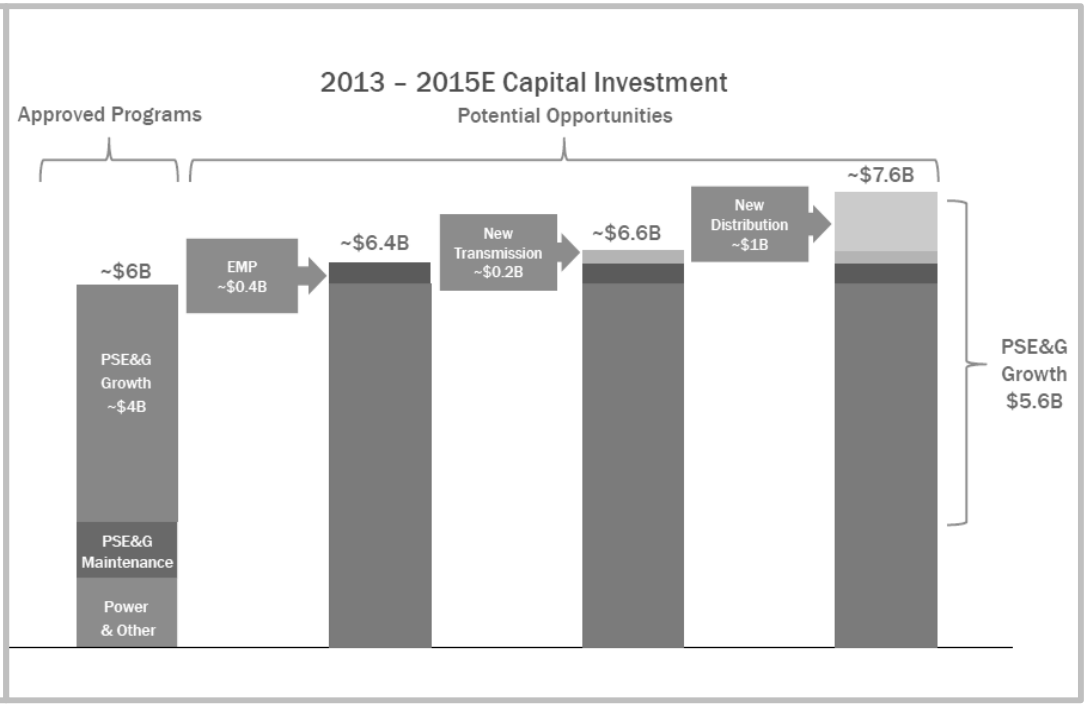
PSEG

The Role of the Treasury and Post-Superstorm Sandy





What are our debt financing plans?

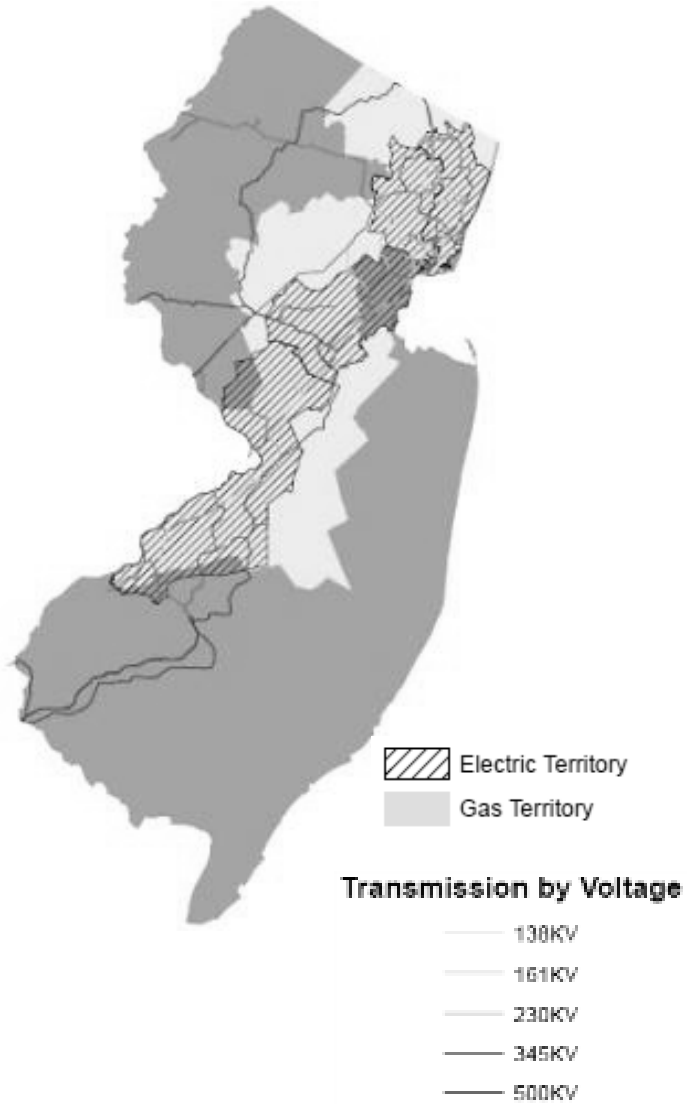
SI-SSA-0015-02689

PSE&G Sandy & Energy Strong

Jorge Cardenas
Vice-President Asset Management & Centralized Services

SI-SSA-0015-02690

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-02691

Preparations for the storm

SI-SSA-0015-02692

Pre-Storm Preparations

- Station Preparation
  - Block walls, Jersey barriers, concrete blocks and sandbags were deployed at 15 higher-risk switching and substation locations to prevent flooding
  - Diesel pumps were installed at high-risk locations in Palisades that have flooded in the last two storms
  - Other actions included removing and de-energizing equipment at risk and pumping manholes and transformer pits to alleviate flooding

Pre-Storm Preparations

- Pro-Active Tree Trimming of Critical Circuits
  - Palisades – 6 Circuits
  - Metro – 10 Circuits
  - Central – 2 Circuits
  - Southern – 2 Circuits
    - Regional Operations Intelligence Center feeds

SI-SSA-0015-02694

Pre-Storm Preparations

- Transmission
  - Aerial patrols of selected circuits
  - Inspect underground pumping stations to assure normal operations
  - Procuring a second helicopter to support aerial damage assessment
  - At North Central Reliability Project construction sites, matting was anchored to prevent movement from flooding

SI-SSA-0015-02695

Pre-Storm Preparations

- Gas Delivery
  - Identified locations from previously impacted areas and created SAP storm notifications in advance to expedite response
  - Established plan for additional field and dispatch resources to ensure associates were in place to respond
  - Rescheduled all non-essential Appliance Service (AS) work in advance of the storm to allow for AS focus on storm activities and not miss customer promised appointments
  - Reviewed meter and regulator inventory levels to ensure storm materials would be available when needed
  - Established storm command center at the Edison Training Center

SI-SSA-0015-02696

Pre-Storm Preparations

- Customer Operations
  - Backup generators were tested at Cranford as well as Bordentown call centers
  - Arrangements made with key vendors to provide additional storm support
  - Secured space on radio and in newspapers to communicate with customers
  - Pre-storm calls to all Boards of Education to confirm contact information
  - Pre-read meters enabling maximum personnel available for storm support while minimizing customer impacts
  - Preparations for all solar plants included, among other precautions, de-energizing the Linden site

SI-SSA-0015-02697

Superstorm Sandy

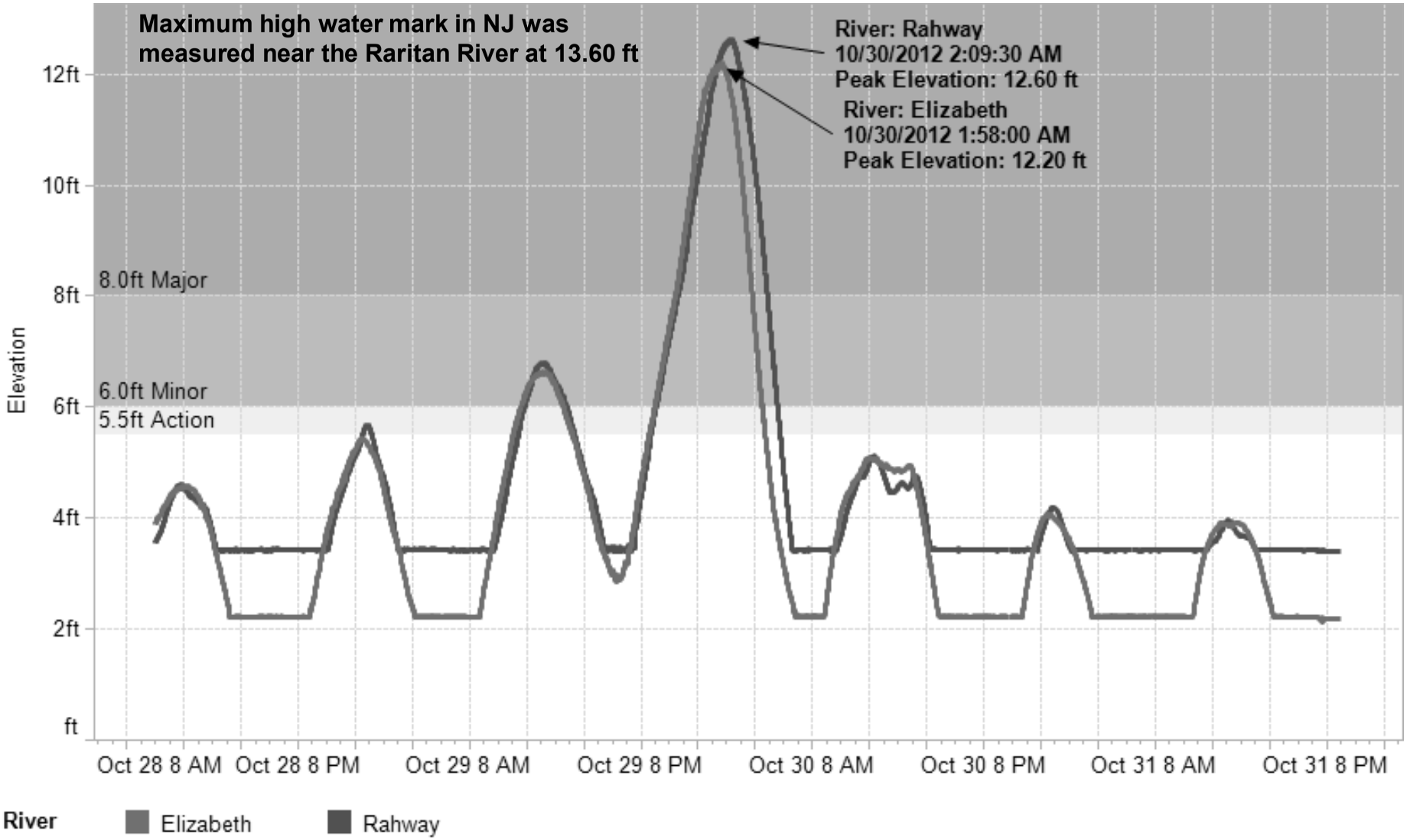
SI-SSA-0015-02698

Forecast vs. Actual

- Superstorm Sandy began south of Jamaica on October 22nd, in the Caribbean Sea
- **Forecasts** on October 29th at 6 pm called for:
  - Additional rainfall of another ¼ - ¾”
  - Winds through midnight will be sustained at 30-45 mph with gusts of 45-65 mph
  - Overnight winds will be sustained at 15-30 mph with gusts of 30-50 mph
  - Storm surge will be 3-6’ and will peak around midnight. Storm surge should recede by mid morning
- **Actual** weather from landfall at 8 pm through the early morning
  - Rainfall was consistent with forecast
  - Winds through the evening were 40-65 mph with gusts upon landfall of up to 90 mph
  - Winds were sustained through the night precluding storm restoration to begin until 7 am
  - Storm surge in the Newark Bay, Arthur Kill and other tributaries ranged from 11-13.6’, causing widespread flooding and devastation to the region

SI-SSA-0015-02699

Storm Surge

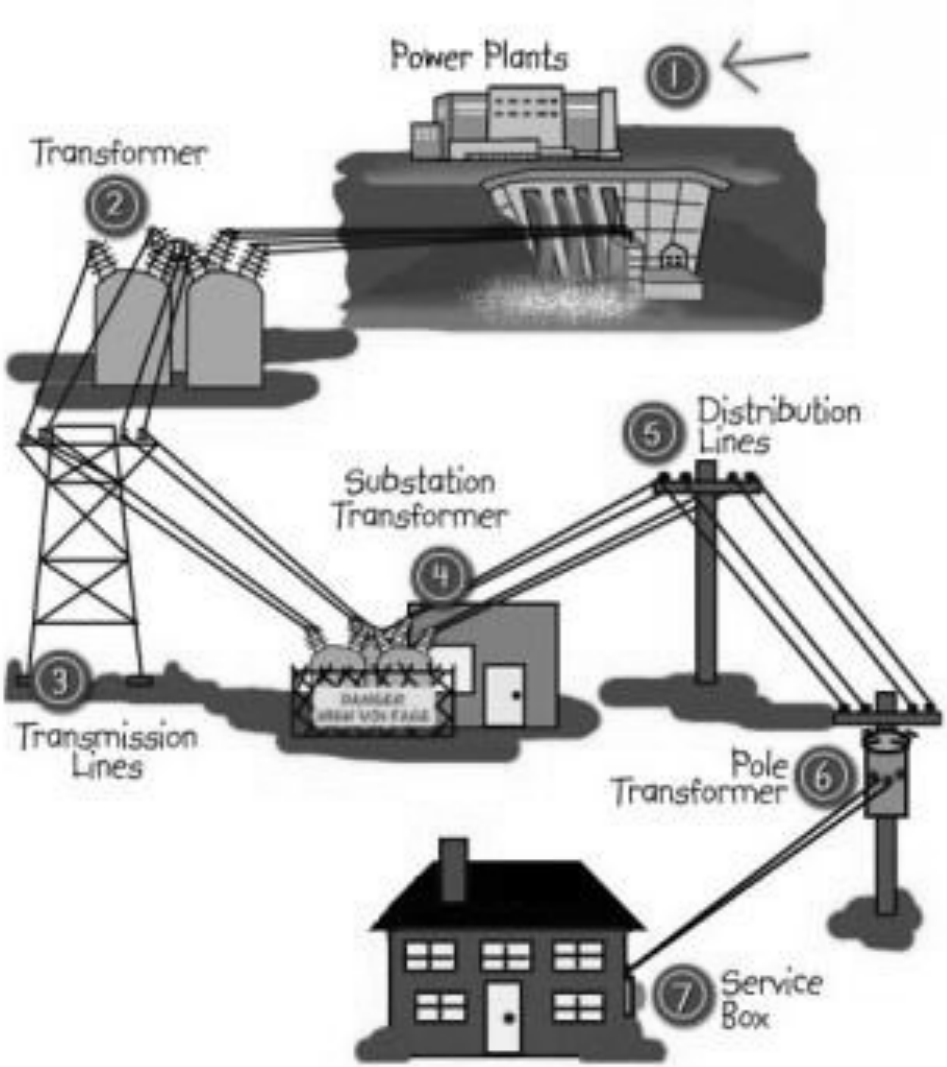


Source: NOAA, USGS

SI-SSA-0015-02700

System Restoration Process

- PSE&G must first restore power to the switching station transformers (2), transmission lines (3), and sub-stations (4), that feed power to neighborhoods and businesses
- Once these facilities are restored, PSE&G can restore power to neighborhoods impacted by damaged distribution lines and poles (5), pole transformers (6), and meters (7)



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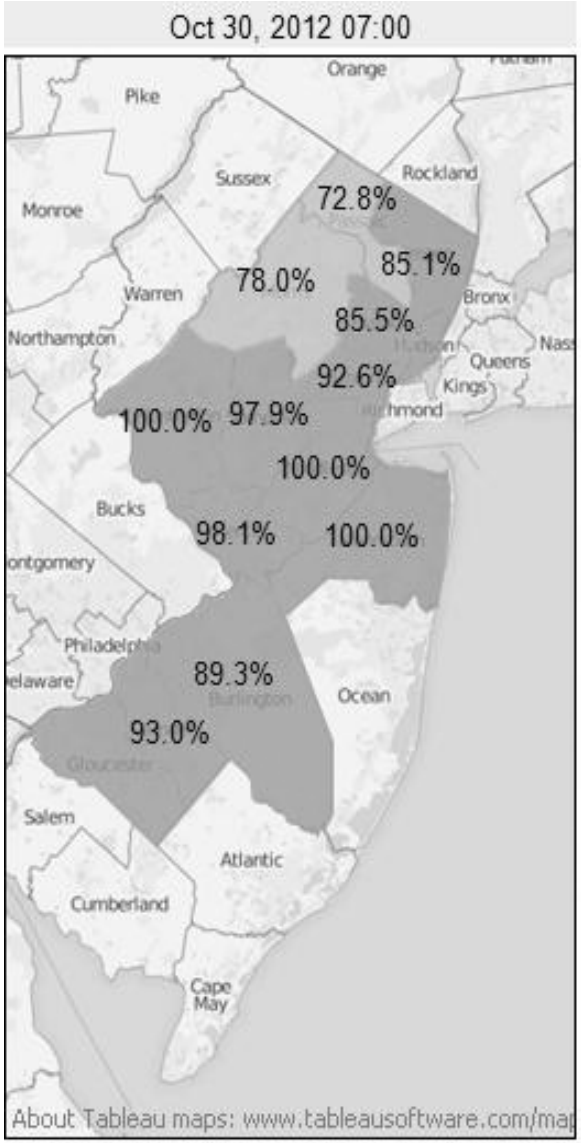
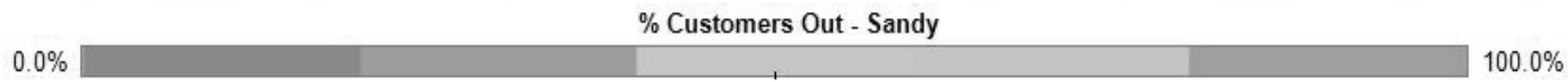
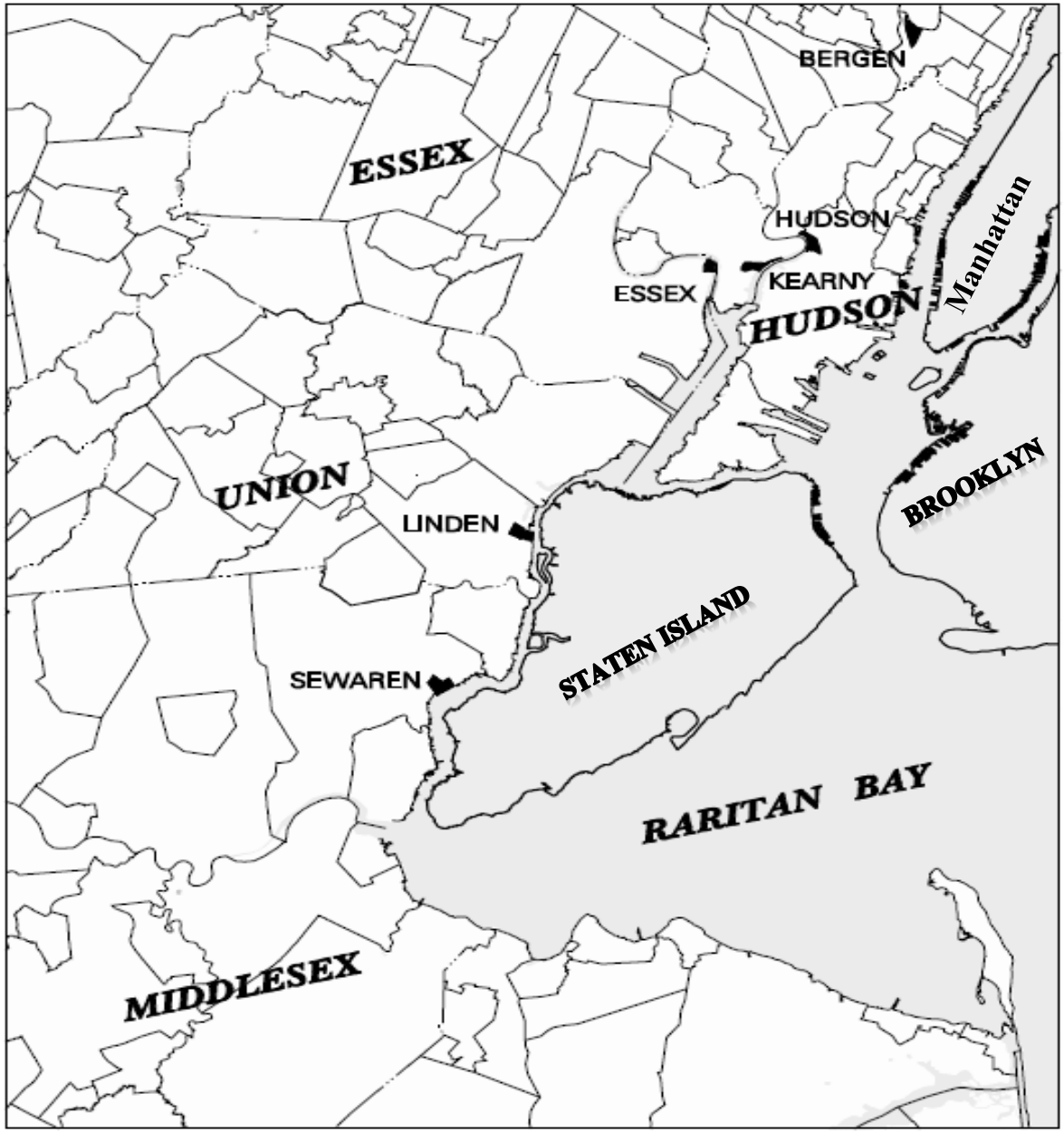
Impacts and Response



- Superstorm Sandy Impacts
  - 1.98 million Customers impacted
  - 90% lost power during the event
  - 14 Switching Stations affected – 33%
  - 51 transmission lines affected – 33%
  - 96 PSE&G Substations affected – 39%
- Planning immediately was focused on prioritizing transmission lines to be reenergized to restore switching and substations with the largest customer counts
- Work began immediately after water receded at the stations and once wind gusts dropped below 40 mph in the divisions
- Current estimate of the cost associated with the restoration is between $250 - $300 million



Area Impacted by Storm Surge



Station Impacts

Major Switching Stations Affected:

1. Bayonne
2. Bayway
3. Deans
4. Essex
5. Federal Square
6. Hudson
7. Jersey City
8. Kearny
9. Linden
10. Marion
11. Metuchen
12. Newark
13. Sewaren
14. South Waterfront

More than 100 PSE&G substations and customer substations affected by flooding or loss of supply

Impact:

- Station equipment experienced up to 72 inches of floodwater in switchyards and up to 30 inches in control houses

Restoration:

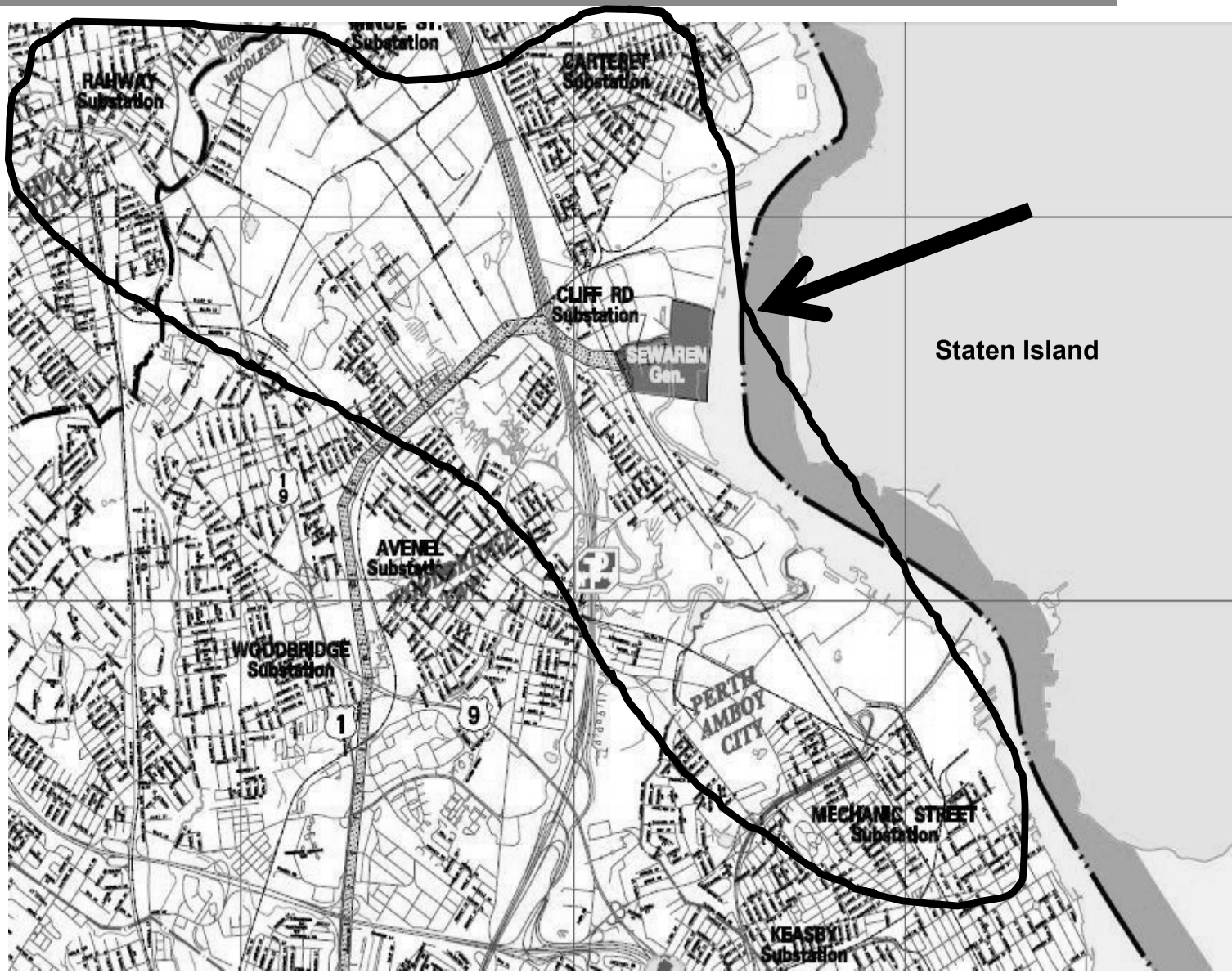
- Efforts included repairing, rebuilding, replacing, recalibrating and testing of:
  - Transformers
  - Circuit Breakers
  - Circuit Switchers
  - Switchgear
  - System Protection Relays
  - AC & DC Power Supply Systems

SI-SSA-0015-02704

Sewaren Switch – Time Out: 138 kV Monday, Oct. 29 @ 19:52; 230kV Monday, Oct. 29 @20:16

Customers Affected

Substation	
Carteret	4,057
Cliff Rd	692
Mechanic St	9,559
Rahway	7,497
Customer Total	21,805



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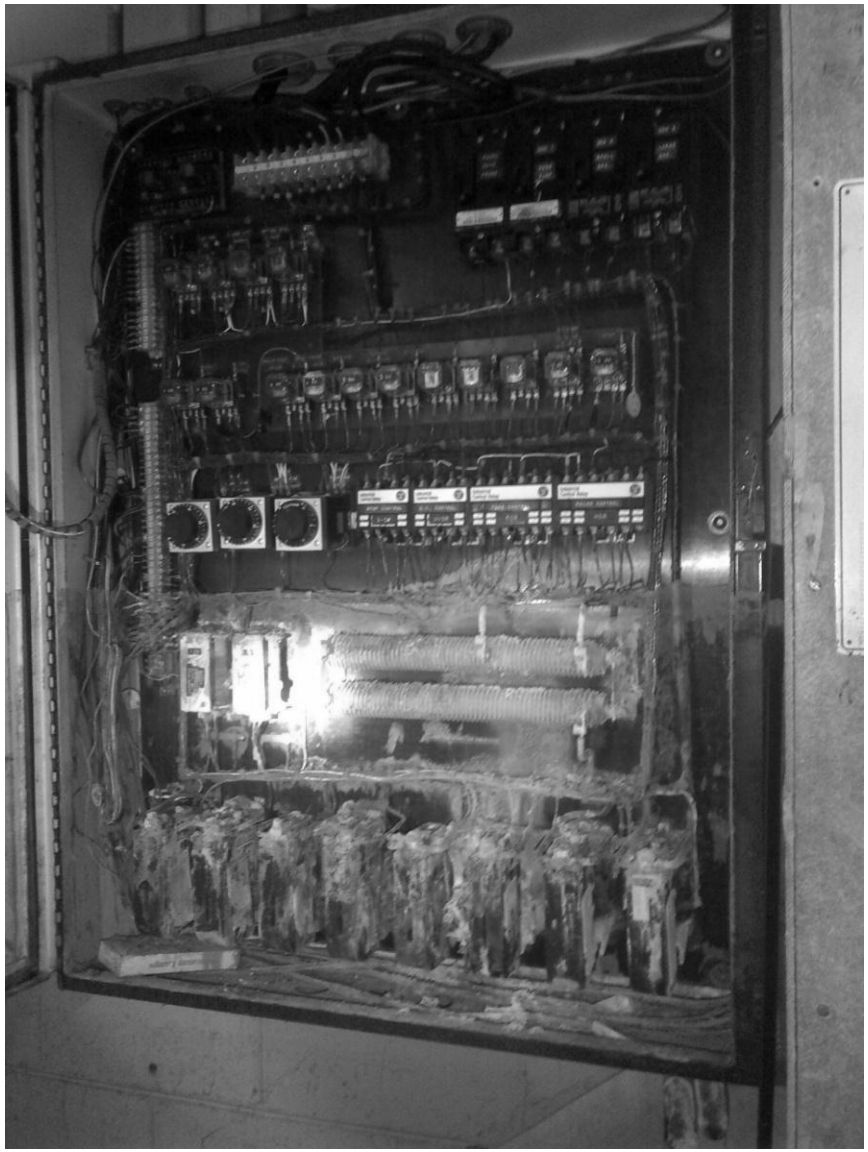
Damage to Inside Plant – Sewaren



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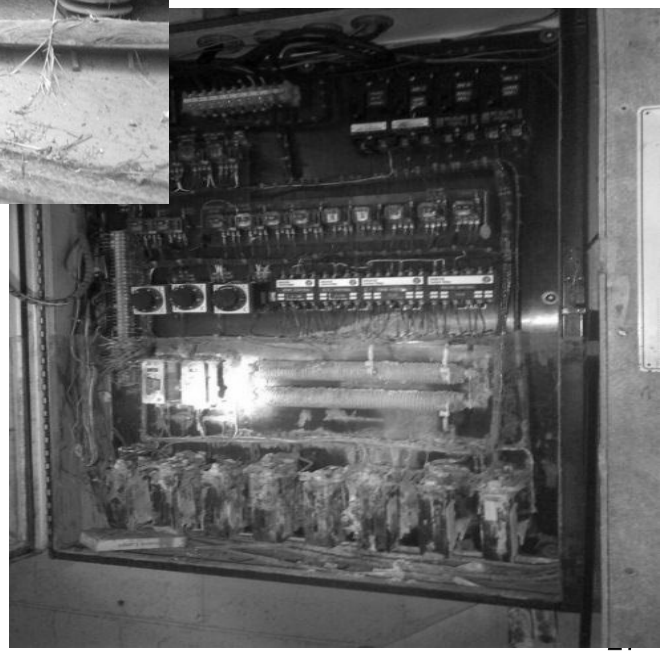
Station & Outside Plant Impacts

Impact:

- Station equipment experienced up to 72 inches of floodwater in switchyards and up to 30 inches in control houses

- Tree Locations 48,000
- Poles 2,400
- Circuits 2,900
- Services 8,300
- Lock Outs 2,900



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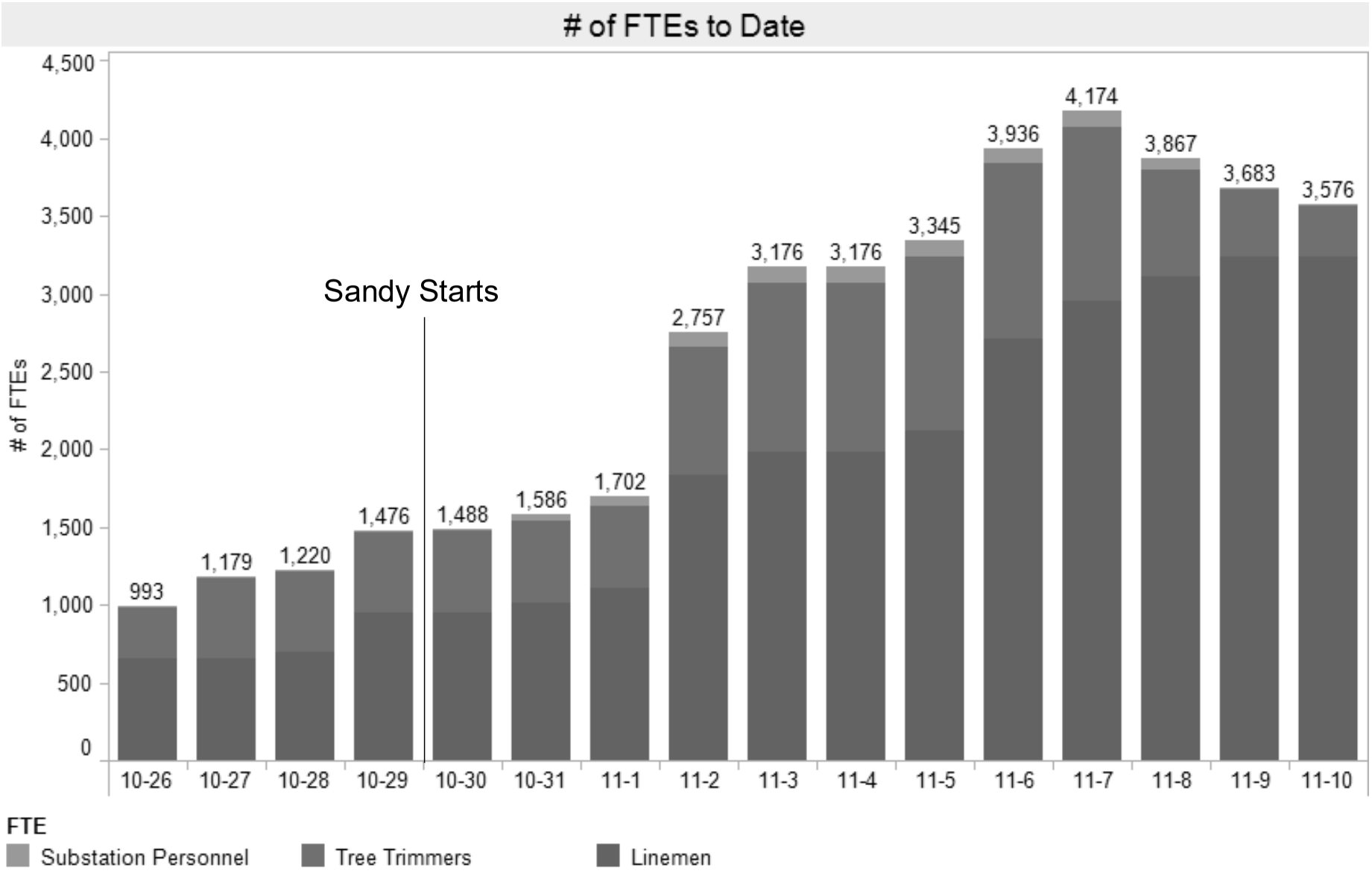
Mutual Assistance Timeline



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Mutual Assistance Origin

SI-SSA-0015-02709

Logistics

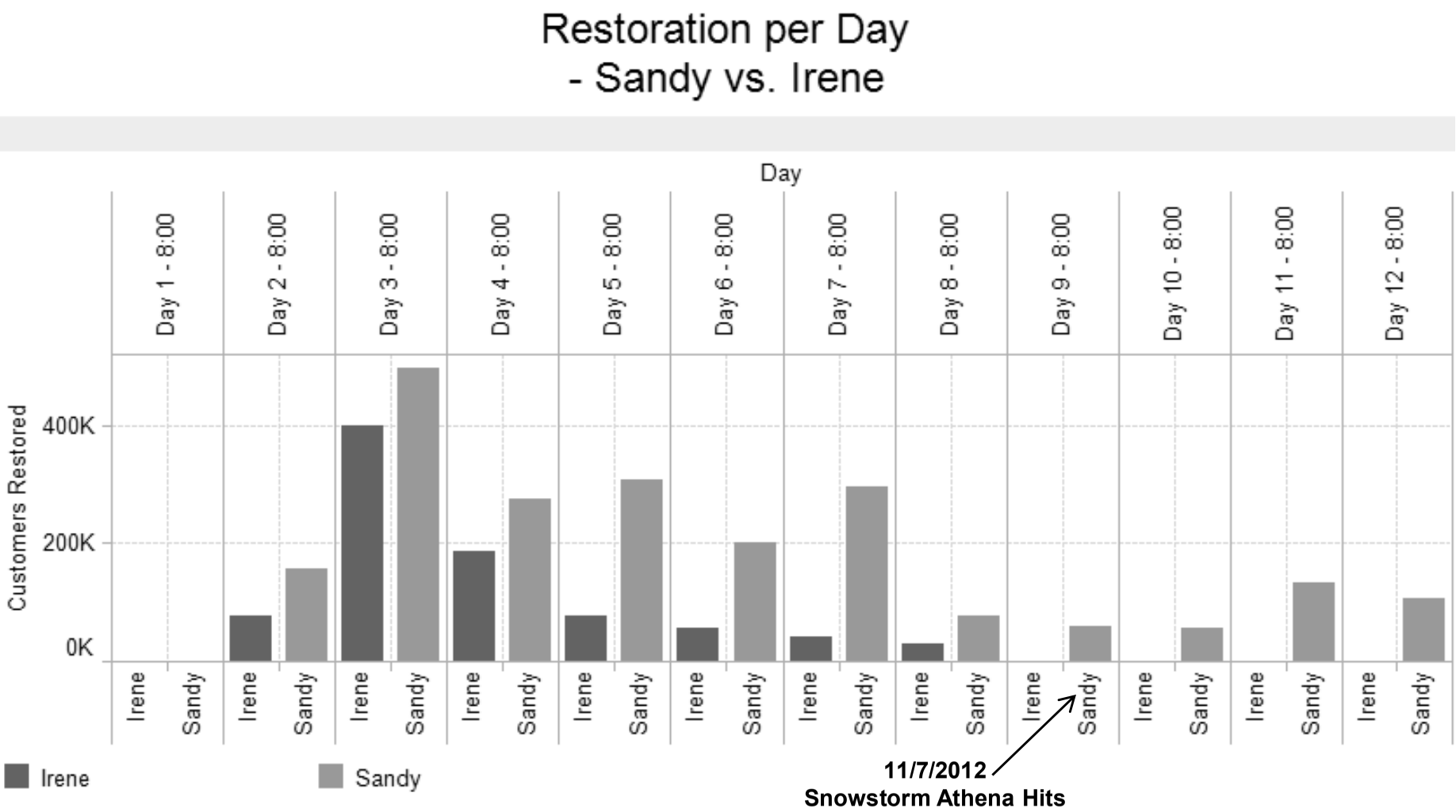
- 15 staging areas
  - Palisades: Garden State Plaza, Paramus Park Mall, The Meadowlands, Tilcon Quarry and two other locations in Paramus.
  - Metro: K-Mart, Essex Green
  - Central: Edison Training Center, and four locations in Somerset
  - Southern: Quakerbridge and Moorestown Malls

Materials and Logistics facts

- Procured for Storm Restoration
  - Over 2,500 utility poles
  - Over 1,500 transformers
  - Over 1.7 million feet of wire
  - Over 8,000 regulators
  - Almost 10,000 meters
  - Over 680,000 gallons of diesel and gasoline
  - Parking space and security for over 1,700 vehicles at 17 sites
  - Over 2,000 bus rides
  - More than 50 hotels utilized
  - Breakfasts, lunches and dinners provided for the workers

SI-SSA-0015-02711

Restoration Per Day



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Call Center Operations

- Incremental staffing secured from within the company in addition to contractors to assist with inbound and escalated calls
- Live agents answered 23.5% of incoming calls while technology handled 71.0% of the 2.2 million calls answered
- The total number of calls answered in 30 seconds were 1,914,194, with a 5.5% abandonment rate and 88.9% service level
- Nearly 29,000 live outbound calls were made to customers, clearing 5,428 active no-power orders
- At the conclusion of the storm, automated phone calls and emails were sent to all customers verifying their power had been restored

Storm Comparison	Superstorm Sandy	Superstorm Irene	Fall Snowstorm
Total Inbound Calls	2,350,711	859,069	885,078
Inbound Calls (Daily Average)	156,714	61,362	110,635
PSE&G CSRs (Daily Average FTEs)	385	213	262
Vendor CSRs (Daily Average Agents)	86	34	34

Customer Escalation Process

- Outreach to Public School Districts
  - Ongoing outbound call campaign for the duration of the storm to identify schools without power
- Formal Customer Escalation Process
  - Customer Operations Delivery Emergency Response Center (DERC) staffed 24/7 for the duration of the event
    - Handled inquiries received by PSE&G Executives, Public Affairs, and Large Customer Support
    - Verified that all escalated inquiries were scheduled to be worked
    - Provided critical customers with feedback on status of work
- County OEM Support
  - PSE&G County Office of Emergency Management (OEM) Liaisons provided Electric Divisions with direct input on escalated customer outages
  - Tracked the progress of the “high priority” escalated restoration jobs
- Gas Station Restoration Efforts
  - Worked with the Gasoline Retail Association to identify stations with outages to expedite restoration

SI-SSA-0015-02714

Local Outreach

- Mobile Command Centers
  - Customer Operations & Gas Delivery
  - 90,000 Bags of Ice
  - 57,000 Cases of Water
  - 32,000 MREs (Meals Ready to Eat)
  - Nine Centers
    - Hoboken, Moonachie, Paramus, Plainfield, Jersey City, Newark, West Orange, Elizabeth, Burlington
    - Staffed by associates from throughout PSEG
  - Larger locations included tented areas and generators, allowing customers to charge electronic equipment
  - Focal point for establishing gas inspection and electric and gas restoration efforts
  - Distribution channels for donations from a range of charities, businesses and individuals

SI-SSA-0015-02715

Communications

- In addition to traditional media releases, we established new processes
  - Daily conference calls between Divisions, Regional Public Affairs and Mayors throughout the storm to update on restoration planning and progress
  - COO of PSE&G held face-to-face meetings with over 100 State Legislative leaders and mayors throughout the state
  - Continuous dialogue with BPU President Robert Hanna
  - Two conference calls per day with Governor Chris Christie
  - Daily conference calls with reporters hosted by PSEG executives
  - Newsprint, radio, web ads and e-mail blasts were leveraged to communicate storm preparation, damage assessments, outage updates, restoration progress and inspection of gas appliances
  - Twitter

SI-SSA-0015-02716

Technology Enables a New Storm Communication Channel

	Storm Peak Day		Average Day	
	Page Views	% of Total	Page Views	% of Total
PSEG.com (Desktop)	456,991	39.5%	49,139	76.9%
PSEG.com (Mobile)	699,503	60.5%	14,730	23.1%
MyAccount (Desktop)	67,007	45.9%	69,732	83.2%
MyAccount (Mobile)	78,878	54.1%	14,072	16.8%

	Storm		Daily Average	
	Total	Peak Day	Storm	Typical Week
Twitter Impressions	53,667,331	8,700,244	3,577,822	20,325
Twitter Mentions	90,639	14,809	6,043	5
New Followers	52,944	12,411	3,530	12
Retweets	8,406	1,234	560	5

Twitter Impressions: ***Combined number of potential users that saw an interaction with the PSE&G username***
Twitter Mentions: ***The number of times the PSE&G twitter user name was used in a tweet***
New Followers: ***New accounts following the PSE&G channel***
Retweets: ***The forwarding of a message to followers***

Twitter provided instant feedback from customers on outage events as they occurred

SI-SSA-0015-02717

Gas Impacts - 25 towns were impacted by flood waters

Region	Municipality
Northern	Bogota
	East Rutherford
	Edgewater
	Hackensack
	Little Ferry
	Lyndhurst
	Moonachie
	New Milford
	Ridgefield Park
	River Edge
	South Hackensack
	Teaneck
	Wallington
Central	Bayonne
	Harrison
	Hoboken
	Jersey City
	Kearny
	Newark
Mid Central	East Brunswick
	Sayreville
	South Amboy
	South River

Region

Northern Central Mid Central

SI-SSA-0015-02718

Gas Statistics

- 41,547 premises had inspections performed by PSE&G employees
- It is estimated that 6,700 premises will have had one or more violations issued
- Approximately 9,500 gas meters were replaced
  - Additional 5,500 electric meters were replaced
  - Gas Infrastructure issues
  - Approximately 80,000 feet of gas main and service experienced water infiltration (All back in service)
  - 6 “pounds to utilization pressure” district regulators were impacted by flooding

SI-SSA-0015-02719

Gas Assistance and Core Business Requirements

- Over 200 Gas associates supported Electric on a daily basis, including foreign crew management
- Other Appliance Service statistics during the event
  - Approximately 20,500 No Heats received
  - Average response time for No Heats was 22 hours
  - 8,777 Gas emergencies (leaks, CO, fire, etc.)
  - 1,266 CO calls received

Gas – Hoboken Response

18th Street Field Command Center to support Hoboken

Meters removed from Hoboken

SI-SSA-0015-02721

Gas – Hoboken Response

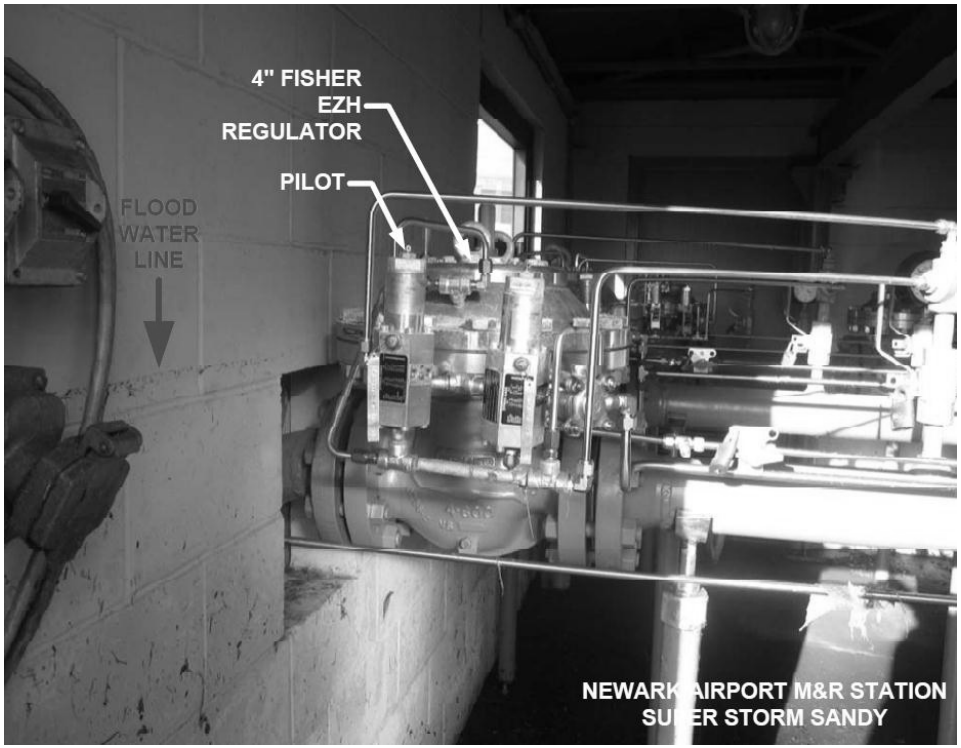
A High-Rise building in Hoboken with 326 meters that experienced flooding and all meters were replaced

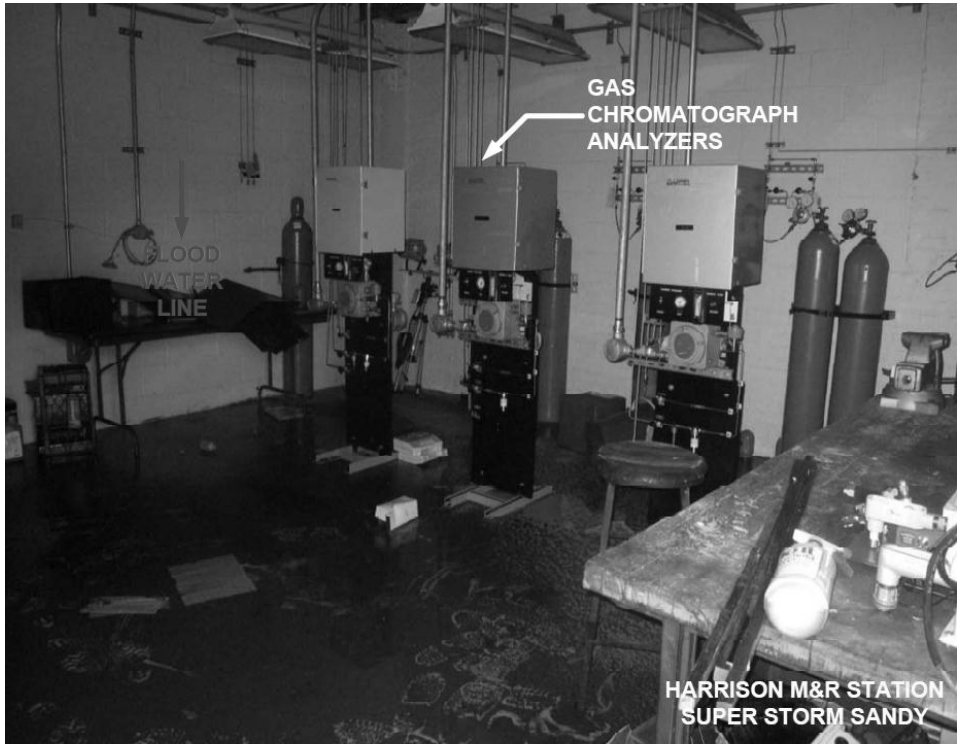
A Service Technician performing a safety inspection/start-up on a customer's boiler

SI-SSA-0015-02722

Gas M&R Stations

- 26 Meter & Regulating (M&R) locations lost communications with Gas System Operations Center (GSOC) during the height of the Storm
  - Critical stations were manned until communications were restored on November 3rd





SI-SSA-0015-02723

Gas Mutual Assistance

NJ Natural Gas

- 10 - 3 person distribution crews, a safety person, and 2 supervisors.
  - 33 Gas employees in total worked the period of 11/5 – 11/12 .

National Grid - Staten Island (eastern shoreline)

- 31- 2 person service teams and 6 supervisors
  - 68 Gas employees in total, worked the period of 11/28 – 12/7.
- 4 – 3 person distribution crews and 1 supervisor.
  - 13 Gas employees in total, worked the period of 12/5/2012 - 12/15/2012.

Scope of Work

- Work days were 16 hours long.
- Workers assessed and secured the integrity of the gas service and meter set on residences impacted by storm surge and flooding.
- Work performed consisted of gas meter and regulator assessments / replacements, plugging meters and the cutting of gas services at the main.

Gas Construction Mutual Aid - NJ Natural Gas

Mutual Aid to New Jersey Natural Gas

SI-SSA-0015-02725

Gas Construction Mutual Aid – National Grid

Mutual Aid National Grid – Staten Island

SI-SSA-0015-02726

Customer Comments

2. Mentions @PSEGdelivers

Megan @propernothings 31s
@PSEGdelivers Thank you so much for providing water & ice at Garden State Plaza today! Makes the outage easier to handle :)
Details

Dear PSEG, Nov. 8, 2012

Thank you so much for working long hours to give us back our power back during the horrible storm, Sandy. Thank you for being brave for climbing up those poles to fix the electricty. The whole school is counting on you. Thank you! :)

Sincerly, Katherine
(A School 13th Student)

Dear PSEG,

I want to thank you because you guys helped our school and our neighborhood. Some of us had no power because hurrican Sandy blew down some trees and poles some house still don't have eletricity. You guys should have a break. Please write back!

Thank You!

Sincerely,
Lilian

Zoe Kharpertian
@ZoeEnglish

@PSEGdelivers @ThomasSimpson Amazing work. Please, linemen, be careful!

4:46 PM - 29 Oct 12 · Twitter for iPhone

SI-SSA-0015-02727

Strengthening our System for the Future

PSE&G filed its Energy Strong Program with the NJBPU on February 20th.

- Hardening

  Electric Facilities
  - $1.7 billion to protect more than 30 switching and substations like Sewaren, Essex, Linden and Hoboken by raising some facilities; building storm walls and other remedies.
  - $340 million to make the pole distribution system stronger.
  - $60 million to move 20 miles of overhead electric distribution lines underground.

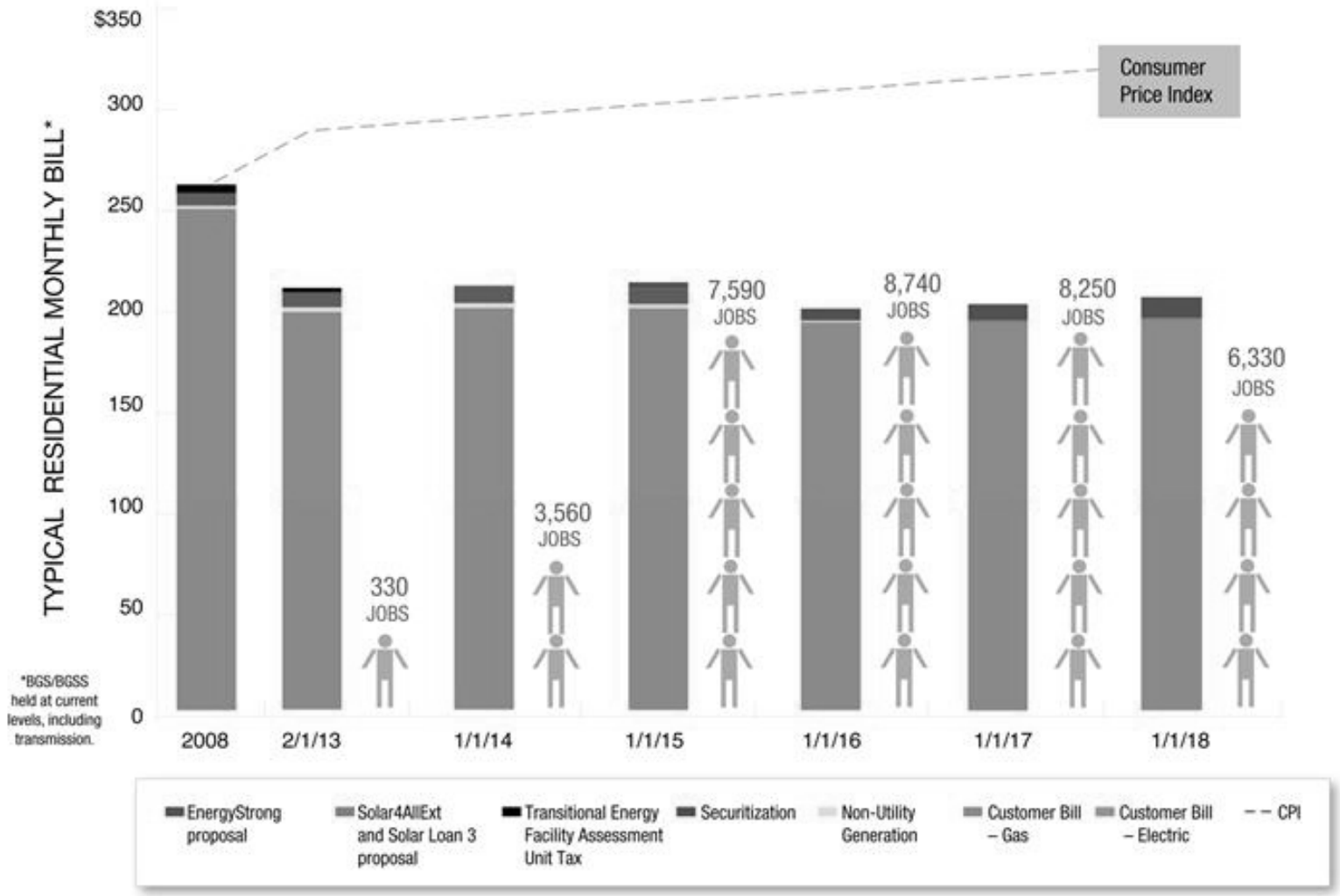
  Gas Facilities
  - $1.04 billion to upgrade 750 miles of the utility's cast iron gas distribution network in or near flood areas.
  - $140 million to protect 9 natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones.

- Resiliency
  - $451 million to deploy smart grid technologies. This would allow for enhanced monitoring of system operations, making it faster to identify problems, isolate the problem remotely, restore customers and reduce repair times.
  - $200 million to build redundancy by adding additional distribution lines and circuits. This would reduce outages by connecting customers to several circuits. If a problem developed on one circuit serving a customer power would continue to flow to the customer

Energy Strong – focused on enhancing reliability in severe weather for businesses and residences, while creating ~5,800 jobs and stimulating NJ's economy

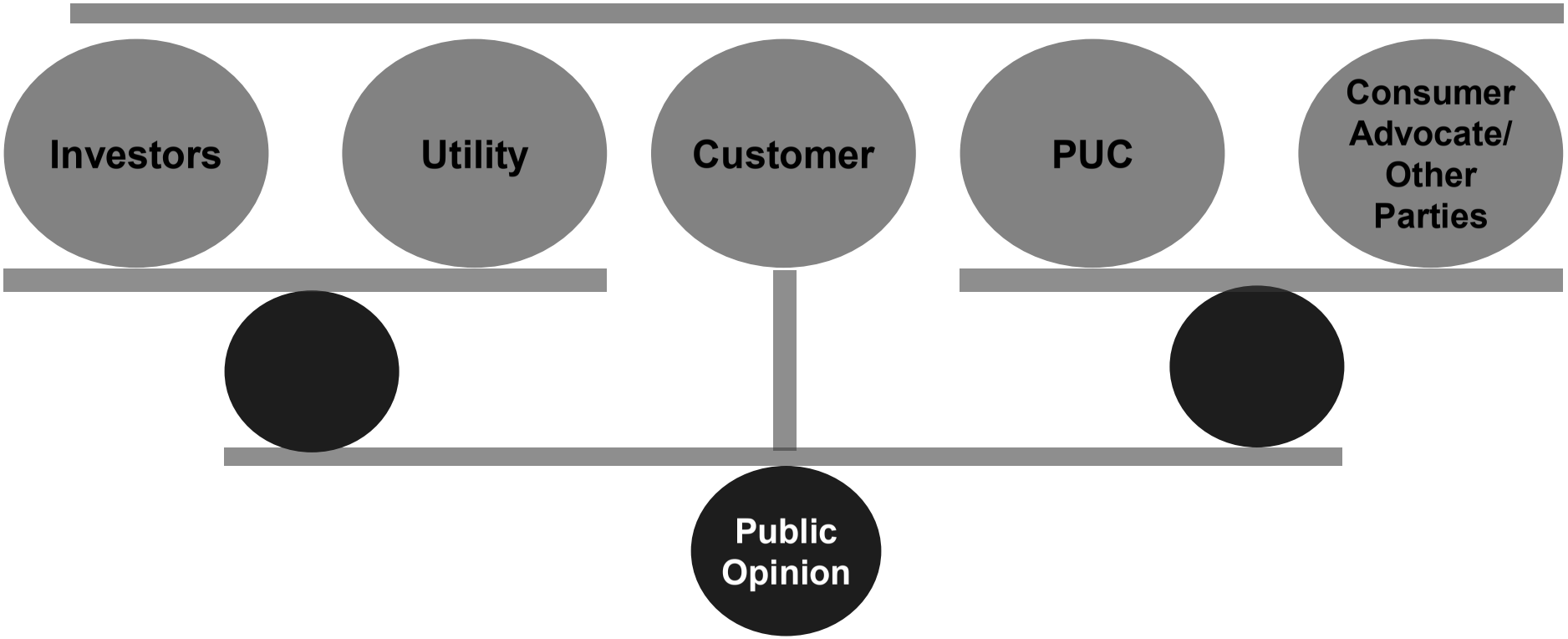
SI-SSA-0015-02728

Anticipated Residential Bill Impacts for Energy Strong



Due to the roll-off of market transition charges, Energy Strong can be funded prudently by re-investing a portion of the savings that ratepayers would receive.

The path to forward progress: Balancing the interests of all parties



- Customers tolerance for outages is diminishing as they become more and more dependent on utility services
- Investors desire mechanisms with more timely cost recovery
- Utilities want clear guidance for investment and investment recovery to assure certainty of recovery

Given that "doing nothing" is not an option, it is critical to get the rules right and balance the needs of all parties.

PSEG Update

Caroline Dorsa
Executive Vice President and
Chief Financial Officer

SI-SSA-00015-02731

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-02732

Value Proposition

- PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

- PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-02733

PSE&G's existing major transmission investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-02734

Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-02735

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar Settlement Reached

- Settlement reached with NJBPU Staff and certain other parties provides for investment of $446 million over a 3-year period, and a return on equity of 10%
- A decision by the New Jersey BPU is anticipated no later than May 31

Solar 4 All extension (S4Ae)	Solar Loan III (SL3)
Settlement to invest up to $247 million to develop new solar capacity on landfills, brownfields (42MW) and 3 MW in smaller pilot programs	Settlement to invest up to $199 million on 97.5 MW of new solar

SI-SSA-0015-02736

PSEG

We have also responded with a plan focused on infrastructure hardening and resiliency

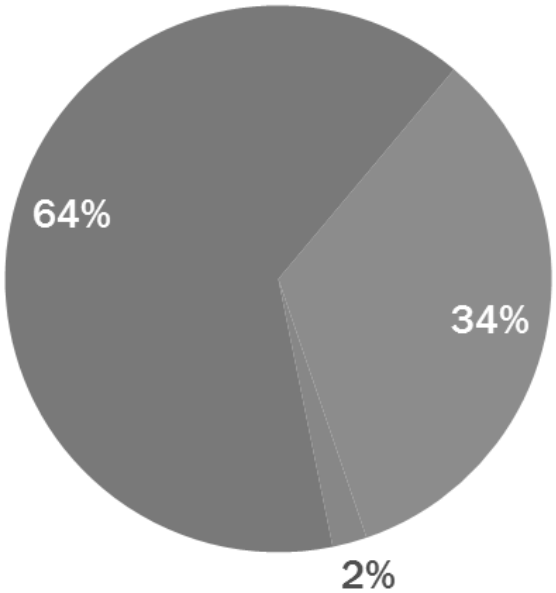
- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-02737

2013-2017 proposed investment plan would grow our current capital plan by up to 50%

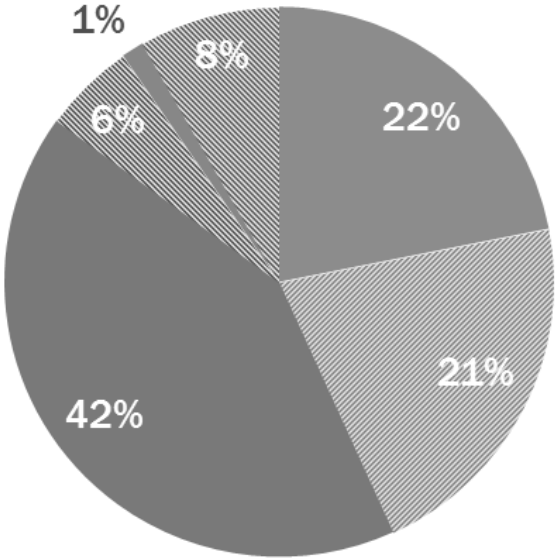
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

E = ESTIMATE

SI-SSA-0015-02738

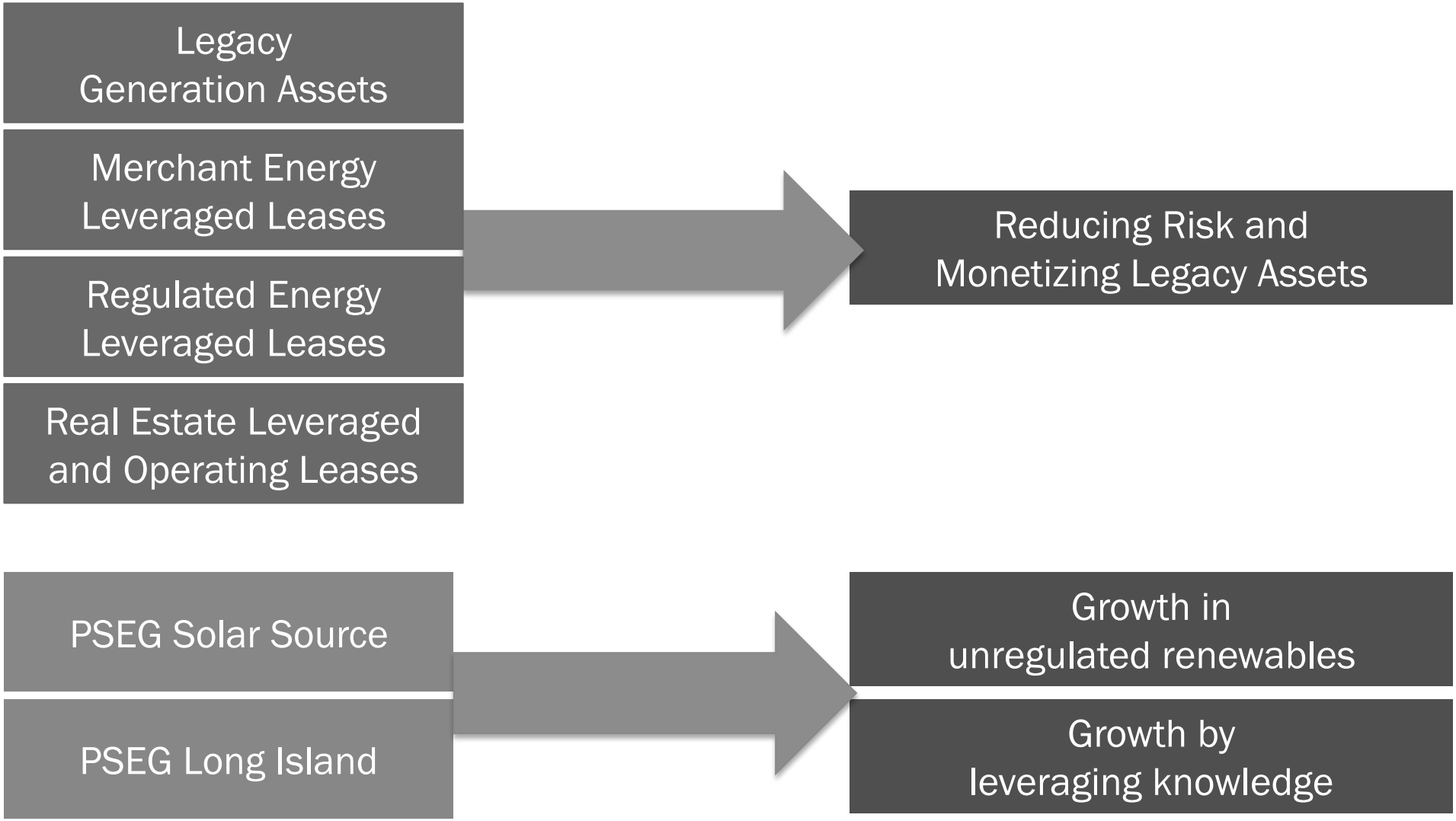
PSEG

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-02739

PSEG Energy Holdings



PSEG

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-02741

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

- Currently exploring modifications to the contract that could provide for greater operating oversight in exchange for incremental management fees

SI-SSA-0015-02742

PSEG

Strong Balance Sheet provides a platform for future growth investment

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

PSEG

In Q2, S&P upgraded the PSEG family while Moody's affirmed all of our entities

PSEG:	S&P	Moody's
Outlook	Stable	Stable
Corporate Credit Rating	BBB+	-
Commercial Paper	A2	P2
Management & Governance Rating	STRONG	N/A

PSE&G:		
Outlook	Stable	Stable
Corporate Credit Rating	BBB+	-
Mortgage Bonds	A	A1
Commercial Paper	A2	P2

Power:		
Outlook	Stable	Stable
Corporate Credit Rating	BBB+	-
Senior Unsecured Notes	BBB+	Baa1

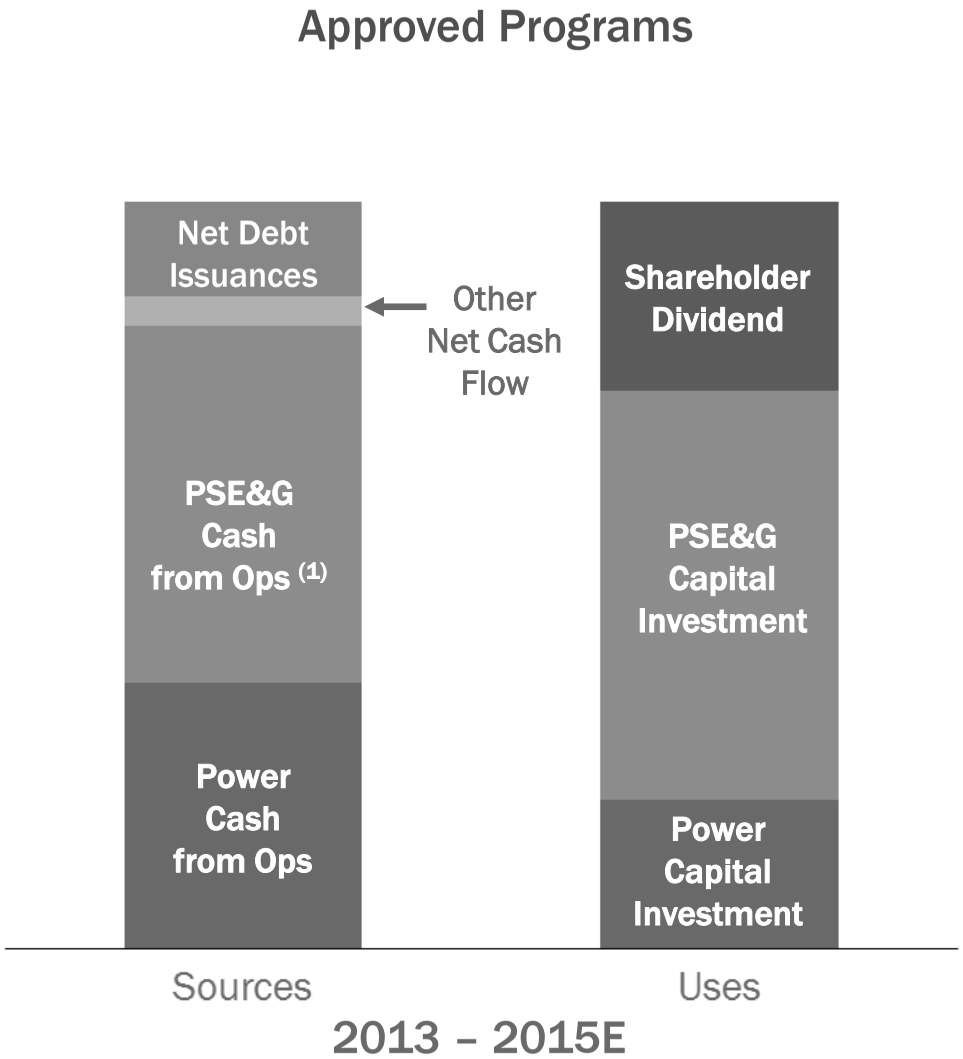
S&P Commentary

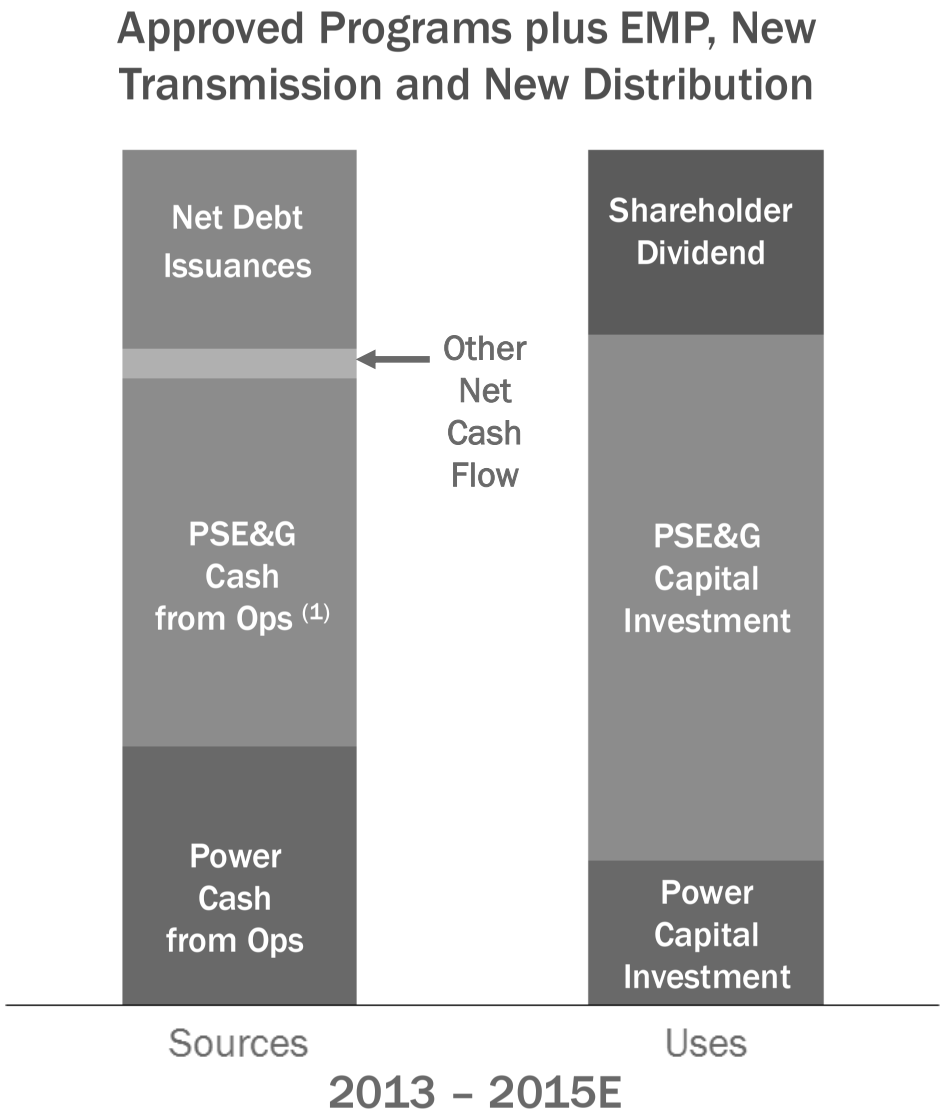
- "The upgrade reflects the growing positive influence on PSEG of the regulated utility."
- "The Energy Strong initiative … potentially enhances credit quality by possibly providing even greater momentum…"
- "While the unregulated operations are volatile by their nature, the merchant generation fleet has provided a substantial level of relatively consistent cash flow for many years…
- "..management responds proactively to anticipated regulatory requirements…while remaining strongly focused on preserving balance sheet strength"

Only ~6% of 2,190 evaluated North American companies were designated in the top Management and Governance category of "Strong" from S&P

SI-SSA-0015-02744

All scenarios can be financed without new equity





E = ESTIMATE

SI-SSA-0015-02745

Power Update

Dan Cregg
VP – Finance, PSEG Power

SI-SSA-00015-02746

PSEG

RPM results 2016/2017

- Pricing ($/mw-day)

	2015/2016	2016/2017
– RTO	$136	$ 59
– MAAC	$167	$119
– PS Zone	$167	$219
– ATSI	$357	$114

- Major changes from 2015/2016

BRA Delivery Year	New Generation	Generation Uprates	Imports	Demand Response	Energy Efficiency
2016/2017	4,281.6	1,181.3	7,482.7	12,408.1	1,117.3
2015/2016	4,898.9	447.4	3,935.3	14,832.8	922.5
2014/2015	415.5	341.1	3,016.5	14,118.4	822.1

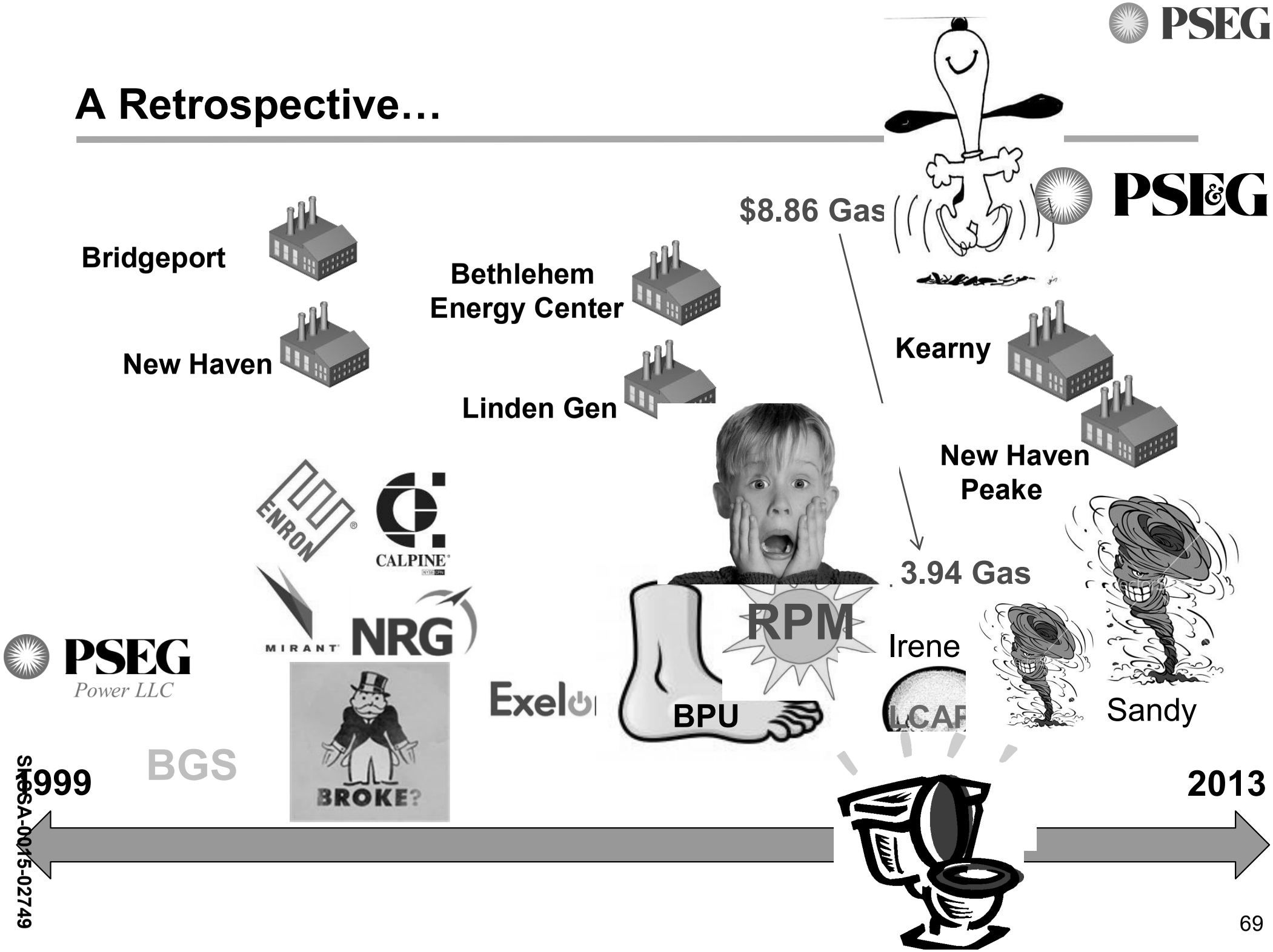
  – New Generation - mainly CC's, mainly in RTO
  – Imports - from west of RTO, upcoming FERC decision
  – Demand Response – down from prior years

PSEG

RPM results 2016/2017

- PS Zone
  - Import capability increases supply
  - HEDD reduces supply
  - DR reduces supply
- Power clears 8,637 MW at average price of $166/mw-day
- Other notable elements of auction
  - No new CC clears in EMAAC
  - No known new merchant CC in NJ or MD
  - Prices fall below all SOCA prices
  - NJ customer cost
    - 2015/2016 ~$165/mw-day
    - 2016/2017 ~$149/mw-day

A Retrospective…



PSEG
We make things work for you.

Dividend *fact* sheet 2014

NYSE: PEG

PSEG Dividends – 107 Years and Counting

PSEG is continuing its remarkable record of paying common dividends. The year 2014 represents the 107th consecutive year PSEG or its predecessor company will be paying dividends to the holders of its common stock. PSEG has paid dividends each year since 1907 – a record matched only by General Electric and Exxon Mobil.

The Board of Directors of PSEG declared an increase in the common stock dividend on February 18, 2014. The Board increased the quarterly dividend to 37 cents per share from 36 cents per share. The indicated annual common dividend rate is $1.48 per share for 2014, a 2.8% increase from the prior $1.44 per share level.

In addition to investing in long-term growth opportunities, returning cash to our shareholders remains a top priority and underscores our commitment to a disciplined approach to capital allocation.

PSEG's dividend payment history has also been accompanied by growth in the dividend. The recent approved change results in a compound annual rate of growth in the dividend of 3.0% over the past decade, and marks the 10th dividend increase in the last 11 years. An increase in the earnings contribution from PSEG's stable, regulated business, continued positive cash flow from our generation business and a strong balance sheet also places PSEG in a position to provide investors with the opportunity for consistent, sustainable growth in the dividend. All future common dividends are subject to Board approval.

PSEG Annual Dividend Rate

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Payout Ratio	70%	63%	66%	43%	44%	43%	44%	50%	58%	56%	56%*

*The 2014 payout ratio is based on the mid-point of PSEG's 2014 operating earnings guidance of $2.55 - $2.75 per share. Payout Ratio = percent of income paid to shareholders as common dividends. **Indicative annual rate for 2014.

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80 Park Plaza, Newark, NJ 07102
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www.pseg.com

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PUBLIC SERVICE ENTERPRISE GROUP

Delivering value by meeting the needs of customers and shareholders

Public Service Enterprise Group (NYSE: PEG) is a publicly traded, diversified energy holding company headquartered in Newark, New Jersey. With over $32.5 billion in assets, PSEG is among the nation's leading wholesale energy producers and most reliable electric and gas transmission and delivery utilities. PSEG's three operating subsidiaries are PSEG Power, Public Service Electric & Gas (PSE&G), and PSEG Long Island.

PSEG Power owns a 13,466 megawatt fleet of diverse, low-cost generating assets predominantly in the Northeast and Mid-Atlantic regions of the U.S. that is geographically well positioned and environmentally responsible. PSE&G provides electric and gas distribution and transmission service to 2.2 million electric and 1.8 million gas customers in a 2,600 square mile service territory in New Jersey, covering approximately 70% of the state's population. PSEG Long Island operates the Long Island Power Authority's electric distribution system serving 1.1 million customers primarily in Nassau and Suffolk counties under a 12-year management contract that began January 2014.

PSEG is pursuing an investment program that would advance New Jersey's energy and economic goals. PSE&G's Energy Strong proposal to modernize and fortify its electric and gas delivery systems will help communities to better withstand and recover from severe weather events. PSE&G, under Energy Strong, would invest $2.6 billion over 5 years, creating jobs and investment in the NJ economy. In addition, PSE&G plans to spend $1.5 billion over the next 10 years on transmission projects to harden and further improve the resiliency of the grid. PSEG's 2014-2018 capital spending plan totaling $11.8 billion is focused on growth, and our strong balance sheet and cash flow support this full capital program without the need to issue equity.

Assets *(as of 12/31/13)*: $32.5B
Market Capitalization *(as of 12/31/13)*: $16.2B

REGULATED ELECTRIC & GAS T&D
Assets: $19.7B

WHOLESALE ENERGY
Assets: $12.0B

FINANCIAL HIGHLIGHTS

Year Ended December 31,	2013	2012	2011
($ in millions, except per share data)			
Operating Revenues	$9,968	$9,781	$11,079
Operating Earnings* (non GAAP)	1,309	1,236	1,389
Net Income	1,243	1,275	1,503
Per Share (Diluted)			
EPS from Operating Earnings* (non GAAP)	$2.58	$2.44	$2.74
EPS as Reported	2.45	2.51	2.96
Dividend Paid Per Share	1.44	1.42	1.37
Book Value Per Share	22.95	21.31	20.30
Shares Outstanding (in millions)	508	507	507
Ratios (%)			
Debt to Capital	42.0	40.8	40.7
Return on Equity**	11.8	11.6	13.8
Return on Invested Capital**	8.0	8.1	9.2
Dividend Payout Ratio	56	58	50
Earnings Contribution** (%)			
PSEG Power	54	54	61
PSE&G	47	43	38
PSEG Energy Holdings & Other	(1)	3	1
Stock Performance – Price Per Share			
High	$36.61	$34.07	$35.48
Low	29.78	28.92	27.97
Year-End	32.04	30.60	33.01
Operating Earnings* ($ in millions)			
PSEG Power	$710	$663	$856
PSE&G	612	528	521
PSEG Energy Holdings/Enterprise	(13)	45	12

*See Operating Earnings to GAAP reconciliation in Presentations under the Investor tab at www.pseg.com
**Calculation based on Operating Earnings for 12-month period ended

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PSEG

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PSEG FOCUS

($millions, except as noted)

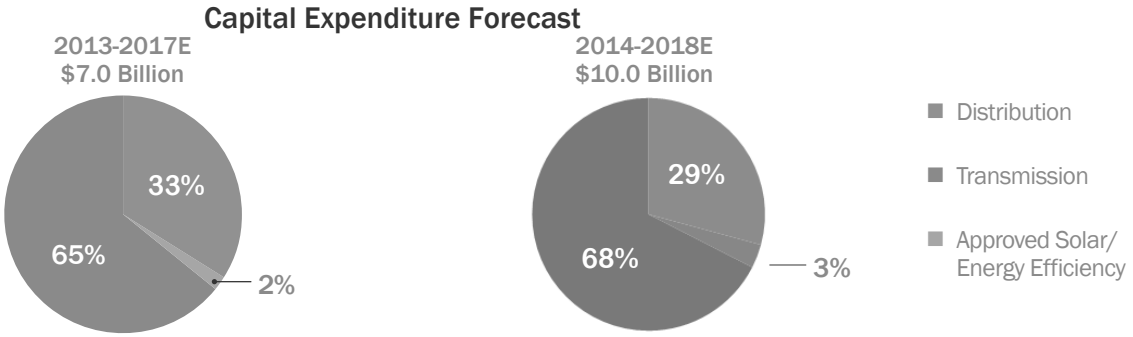
2008		2013
$2.91	Operating Earnings Per Share	$2.58
$70	PJM West RTC ($/MWh)	$38
• 2.4% (planned[1])	• O&M Growth per year	• 1.5% (actual[2])
• $866	• Transmission Rate Base	• $3,800
• $5,900	• E&G Distribution Rate Base	• $6,000
• $0	• Utility Solar & EE Rate Base	• $600
• 90%	• Combined Cycle Equivalent Availability	• 89%
• 29.3 TWh	• Nuclear Generation	• 29.5 TWh
• $0	• Solar Source Investment	• $295
$1.29	Common Dividend Per Share[3]	$1.44

(1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2013. (2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2013. (3) 2014 INDICATED ANNUAL DIVIDEND RATE IS $1.48 PER SHARE.

PSEG

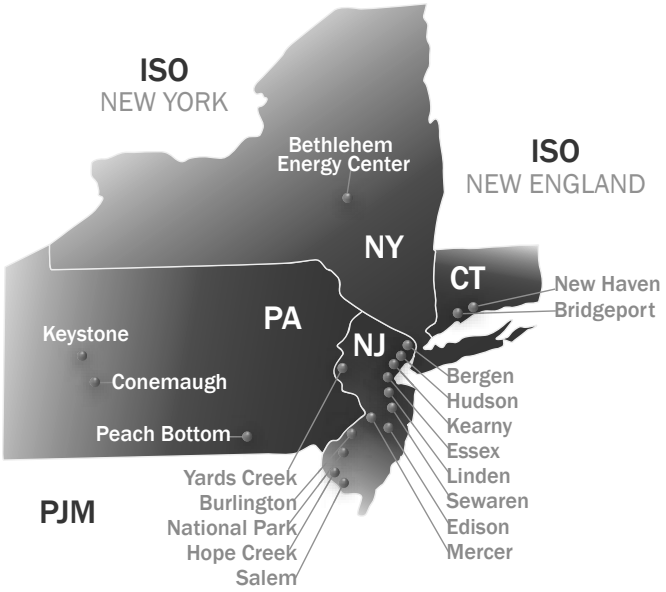
A 40% INCREASE TO $10 BILLION IN OUR 5-YEAR CAPITAL PROGRAM, WITH FURTHER OPPORTUNITY FROM ENERGY STRONG

Capital Expenditure Forecast

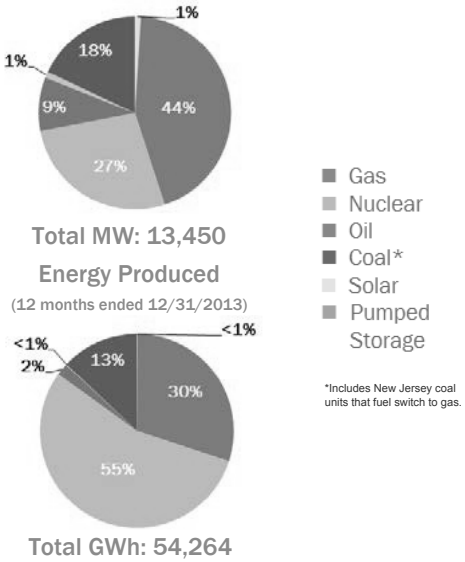


PSEG Power LLC

WELL POSITIONED GENERATING ASSETS IN THREE COMPETITIVE MARKETS



Fuel Diversity



*Includes New Jersey coal units that fuel switch to gas.

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PUBLIC SERVICE ENTERPRISE GROUP

Delivering value by meeting the needs of customers and shareholders

Public Service Enterprise Group (NYSE: PEG) is a publicly traded, diversified energy holding company headquartered in Newark, New Jersey. With over $35.3 billion in assets, PSEG is among the nation's leading wholesale energy producers and most reliable electric and gas transmission and delivery utilities. PSEG's three operating subsidiaries are PSEG Power, Public Service Electric & Gas (PSE&G), and PSEG Long Island.

PSEG Power owns a 13,250 megawatt fleet of diverse, low-cost generating assets predominantly in the Northeast and Mid-Atlantic regions of the U.S. that is geographically well positioned and environmentally responsible. PSE&G provides electric and gas distribution and transmission service to 2.2 million electric and 1.8 million gas customers in a 2,600 square mile service territory in New Jersey, covering approximately 70% of the state's population. PSEG Long Island operates the Long Island Power Authority's electric distribution system serving 1.1 million customers primarily in Nassau and Suffolk counties under a 12-year management contract that began January 2014.

PSEG is pursuing an investment program that would advance New Jersey's energy and economic goals. PSE&G's Energy Strong proposal to modernize and fortify its electric and gas delivery systems will help communities to better withstand and recover from severe weather events. PSE&G, under Energy Strong, is investing $1.22 billion over 3 years, creating jobs and investment in the NJ economy. In addition, PSE&G plans to spend ~$6.7 billion over the next five years on transmission projects to harden and further improve the resiliency of the grid. PSEG's 2015-2019 capital spending plan totaling $13 billion is focused on growth, and our strong balance sheet and cash flow support this full capital program without the need to issue equity.

Assets *(as of 12/31/14)*: $35.3B
Market Capitalization *(as of 12/31/14)*: $21.0B

REGULATED ELECTRIC & GAS T&D
Assets: $22.2B

Power LLC

WHOLESALE ENERGY
Assets: $12.1B

FINANCIAL HIGHLIGHTS

Year Ended December 31,	2014	2013	2012
($ in millions, except per share data)			
Operating Revenues	$10,886	$9,968	$9,781
Operating Earnings* (non GAAP)	1,400	1,309	1,236
Net Income	1,518	1,243	1,275
Per Share (Diluted)			
EPS from Operating Earnings*(non GAAP)	$2.76	$2.58	$2.44
EPS as Reported	2.99	2.45	2.51
Dividend Paid Per Share	1.48	1.44	1.42
Book Value Per Share	24.09	22.95	21.31
Shares Outstanding (in millions)	**508**	**508**	**507**
Ratios (%)			
Debt to Capital	42	42	40.8
Return on Equity**	11.8	11.8	11.6
Return on Invested Capital**	8	8	8
Dividend Payout Ratio	54	56	58
Earnings Contribution (%)**			
PSE&G	52	47	43
PSEG Power	46	54	54
PSEG Energy Holdings & Other	2	(1)	3
Stock Performance – Price Per Share			
High	$43.77	$36.61	$34.07
Low	31.25	29.78	28.92
Year-End	41.41	32.04	30.6
Operating Earnings* ($ in millions)			
PSE&G	$725	$612	$528
PSEG Power	642	710	663
PSEG Enterprise/Other	33	(13)	45
Number of Employees	**12,689**	**9,887**	**9,798**

*See Operating Earnings to GAAP reconciliation under the Investor tab at www.pseg.com

**Calculation based on Operating Earnings for 12-month period ended

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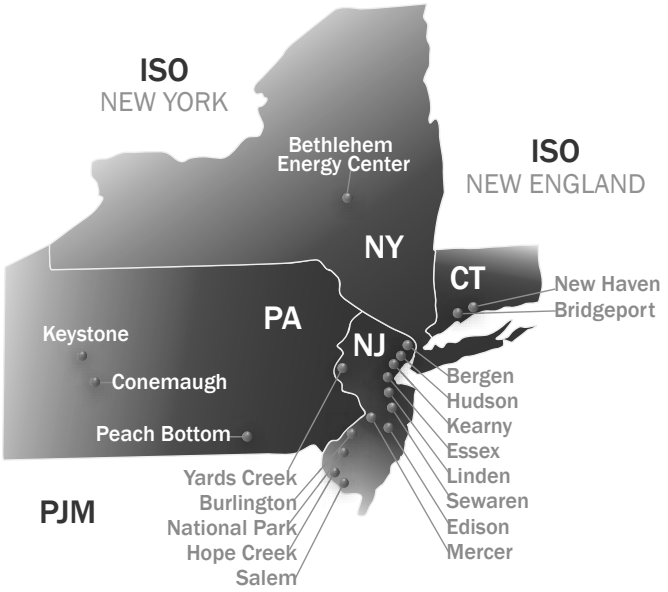
PSEG

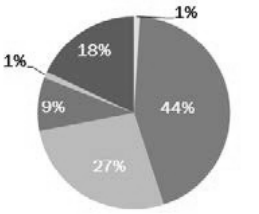
A 40% INCREASE TO $10 BILLION IN OUR 5-YEAR CAPITAL PROGRAM, WITH FURTHER OPPORTUNITY FROM ENERGY STRONG

PSEG Power LLC

WELL POSITIONED GENERATING ASSETS IN THREE COMPETITIVE MARKETS



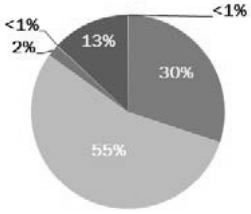
Fuel Diversity



Total MW: 13,450

Energy Produced

(12 months ended 12/31/2013)



Total GWh: 54,264

- Gas
- Nuclear
- Oil
- Coal*
- Solar
- Pumped Storage

*Includes New Jersey coal units that fuel switch to gas.

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PSE&G provides electric and gas distribution and transmission service to 2.2 million electric and 1.8 million gas customers in a 2,600 square mile service territory in New Jersey, covering approximately 70% of the state's population. PSEG Power owns an 11,782 megawatt (MW) fleet of diverse, low-cost generating assets predominantly in the Northeast and Mid-Atlantic regions of the U.S. that is geographically well positioned and environmentally responsible. PSEG Long Island operates the Long Island Power Authority's electric distribution system serving 1.1 million customers primarily in Nassau and Suffolk counties under a 12-year management contract that began January 2014.

Our business model is working the way it should: Operational excellence is producing the financial strength that allows us to invest in a disciplined way for growth. PSEG's robust 5-year, $16 billion capital investment program will direct ~75% of this expenditure toward PSE&G's infrastructure investment in reliability/resiliency/replacement programs and the balance at PSEG Power. The majority of Power's investments will be dedicated toward funding the construction of three new combined-cycle gas plants representing an investment of approxiately $2 billion and producing ~1,800 MW of clean, efficient capacity in Maryland, New Jersey, and Connecticut. These units are expected to be in operation in 2018 (Keys and Sewaren) and 2019 (Bridgeport Harbor). We are executing well on our capital investments and our strong balance sheet allows us to pursue additional growth opportunities beyond our current program.

PSEG

Assets *(as of 12/31/15)*: $37.5B
Market Capitalization *(as of 12/31/15)*: $19.7B

PSE&G

REGULATED ELECTRIC & GAS T&D
Assets: $23.7B

PSEG Power LLC

WHOLESALE ENERGY
Assets: $12.3B

FINANCIAL HIGHLIGHTS

Year Ended December 31,	2015	2014	2013
($ in millions, except per share data)			
Operating Revenues	$10,415	$10,886	$9,968
Operating Earnings* (non GAAP)	1,476	1,400	1,309
Net Income	1,679	1,518	1,243
Per Share (Diluted)			
EPS from Operating Earnings*(non GAAP)	$2.91	$2.76	$2.58
EPS as Reported	3.30	2.99	2.45
Dividend Paid Per Share	1.56	1.48	1.44
Book Value Per Share	25.86	24.09	22.95
Shares Outstanding (in millions)	**508**	**508**	**508**
Ratios (%)			
Debt to Capital	43	42	42
Return on Equity**	11.6	11.8	11.8
Return on Invested Capital**	7.8	7.9	8.0
Dividend Payout Ratio	54	54	56
Earnings Contribution (%)**			
PSE&G	53	52	47
PSEG Power	44	46	54
PSEG Energy Holdings & Other	3	2	(1)
Stock Performance – Price Per Share			
High	$44.45	$43.77	$36.61
Low	36.80	31.25	29.78
Year-End	38.69	41.41	32.04
Operating Earnings* ($ in millions)			
PSE&G	$787	$725	$612
PSEG Power	653	642	710
PSEG Enterprise/Other	36	33	(13)
Number of Employees	**13,025**	**12,689**	**9,887**

*See Operating Earnings to GAAP reconciliation under the Investor tab at www.pseg.com

**Calculation based on Operating Earnings for 12-month period ended

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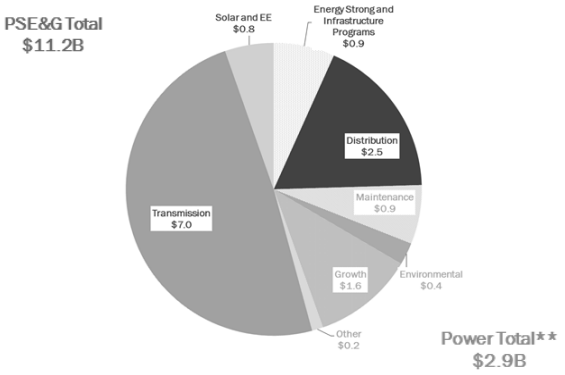
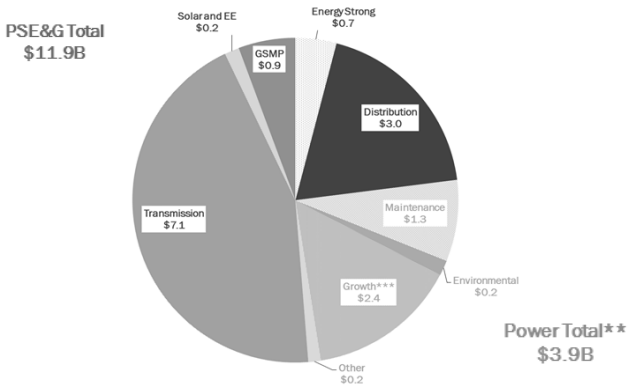
PSEG Capital Spending

2011-2015: ~$14.3 Billion

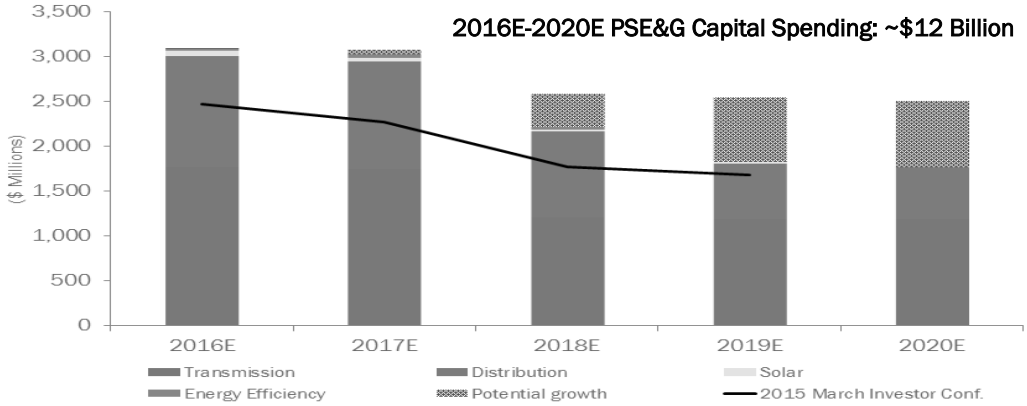
2016E-2020E*: ~$16 Billion





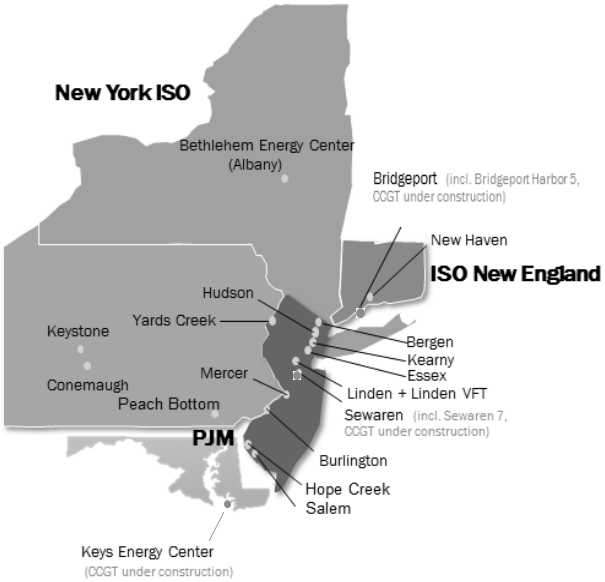
PSEG

CONTINUED IDENTIFICATION OF INVESTMENT OPPORTUNITIES FOCUSED ON IMPROVING RELIABILITY FOR OUR CUSTOMERS



PSEG Power LLC

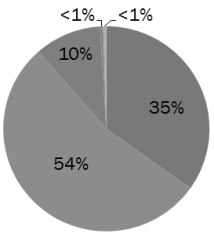
WELL POSITIONED GENERATING ASSETS IN THREE COMPETITIVE MARKETS



Energy Produced*

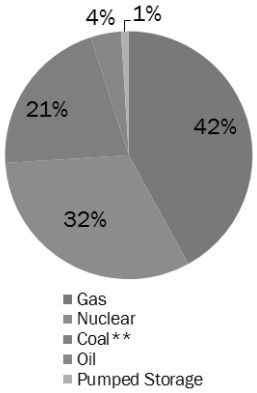
(12 months ended 12/31/2015)

Total GWh: 55,213



Fuel Diversity*

Total MW: 11,678



*Excludes Solar and Kalaeloa.
**Includes New Jersey coal units that fuel switch to gas.

Public Service Enterprise Group
80 Park Plaza, Newark, NJ 07102
Investor Relations: 973.430.6565
www.pseg.com

*Includes all planned spending. **Power capital spending excludes nuclear fuel.
***Includes PennEast pipeline equity investment of $0.1B. E=ESTIMATE

PSEG
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PSEG Investor Summary

2017 EEI FINANCIAL CONFERENCE
ORLANDO, FL • NOVEMBER 5-7, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-02757

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-02758

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-02759

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

SI-SSA-0015-02760

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

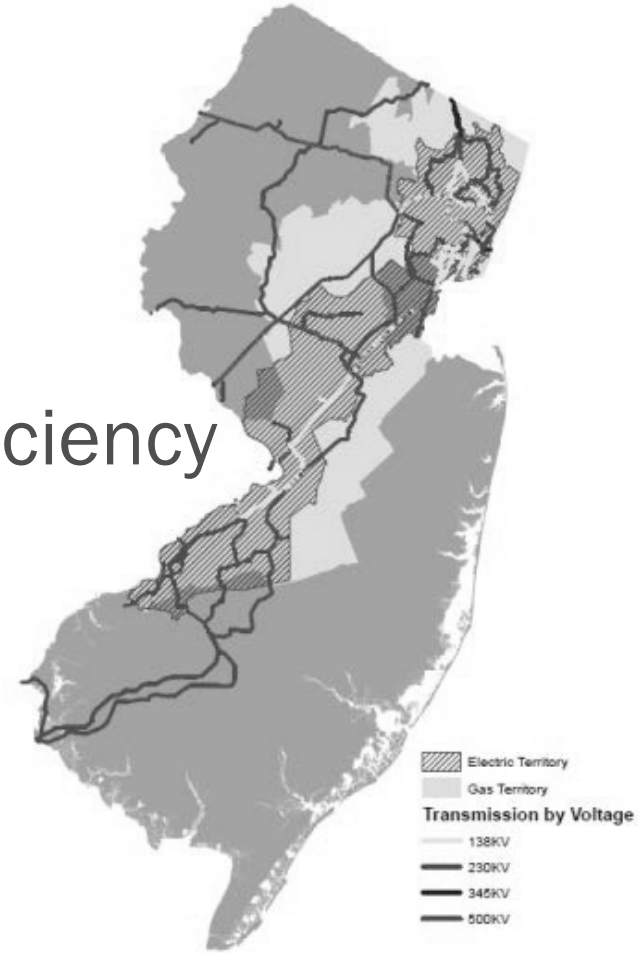
SI-SSA-0015-02761

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

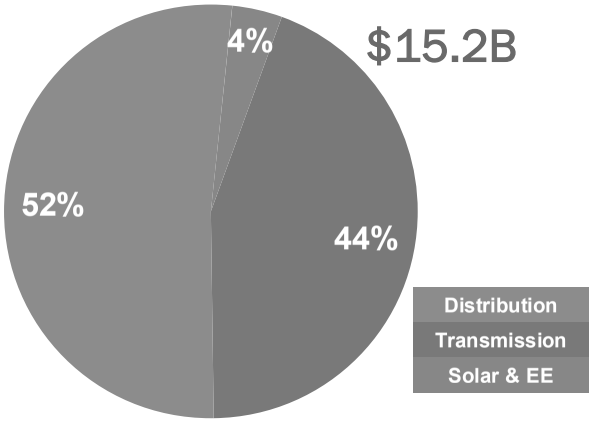
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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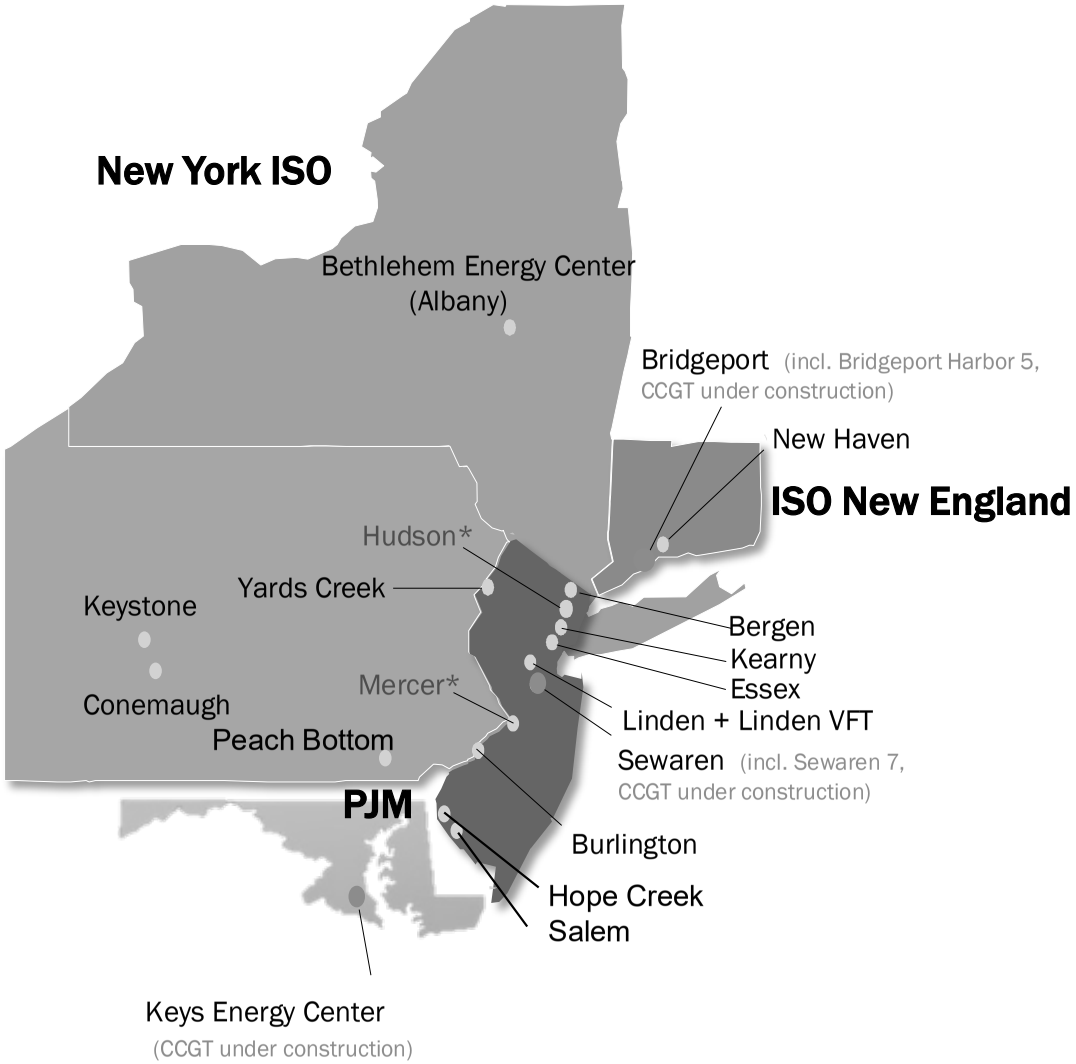
* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-02763

*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing by one month to no later than December 1, 2017

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- A final BPU decision on the Infrastructure Investment Program (IIP) providing for 5-year investment programs is expected by year-end
- PSE&G preparing a multi-year extension filing for Energy Strong in coming months
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- FERC/PJM considering DOE Notice of Proposed Rulemaking (NOPR) issues of Price Formation and fuel-secure resource preservation

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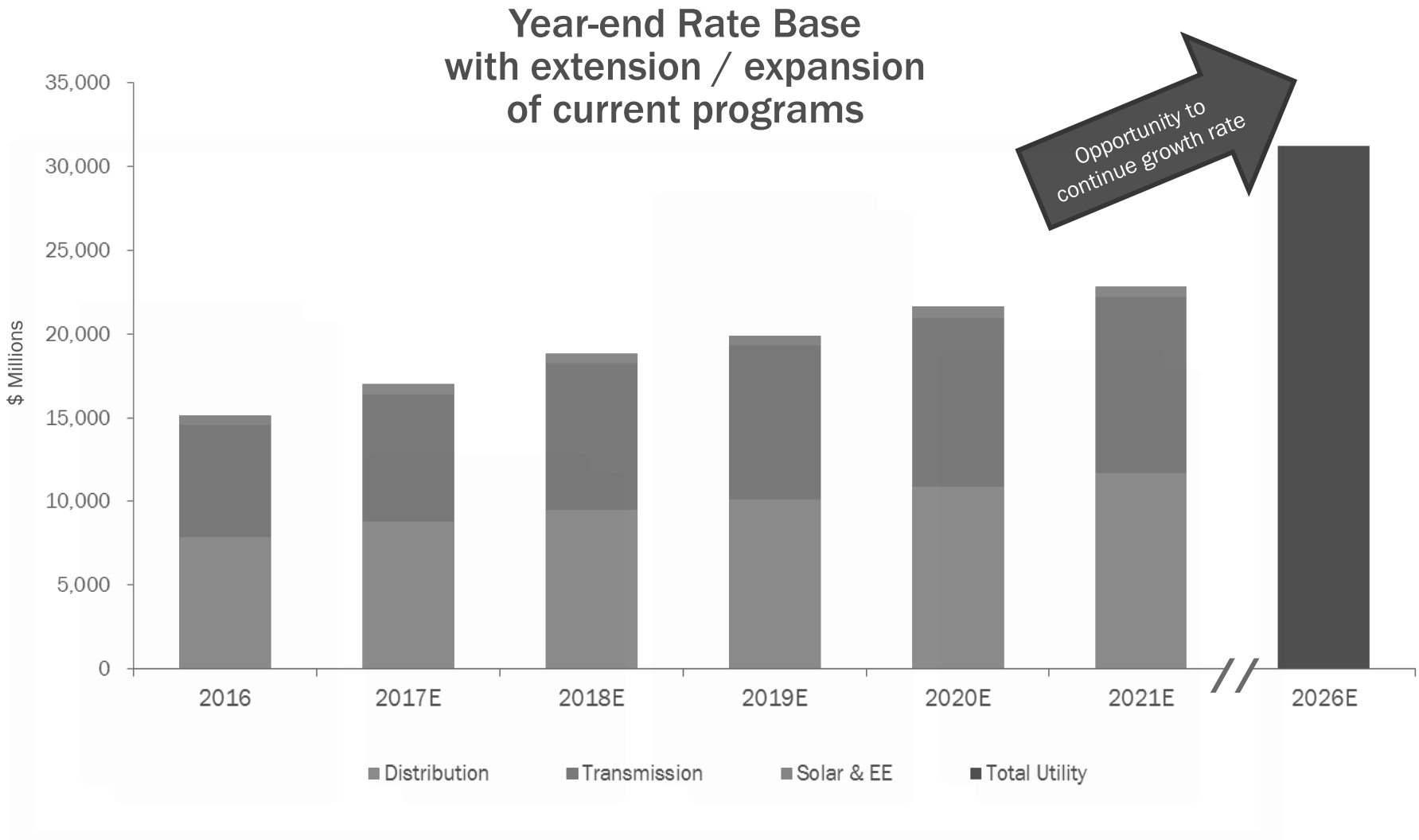
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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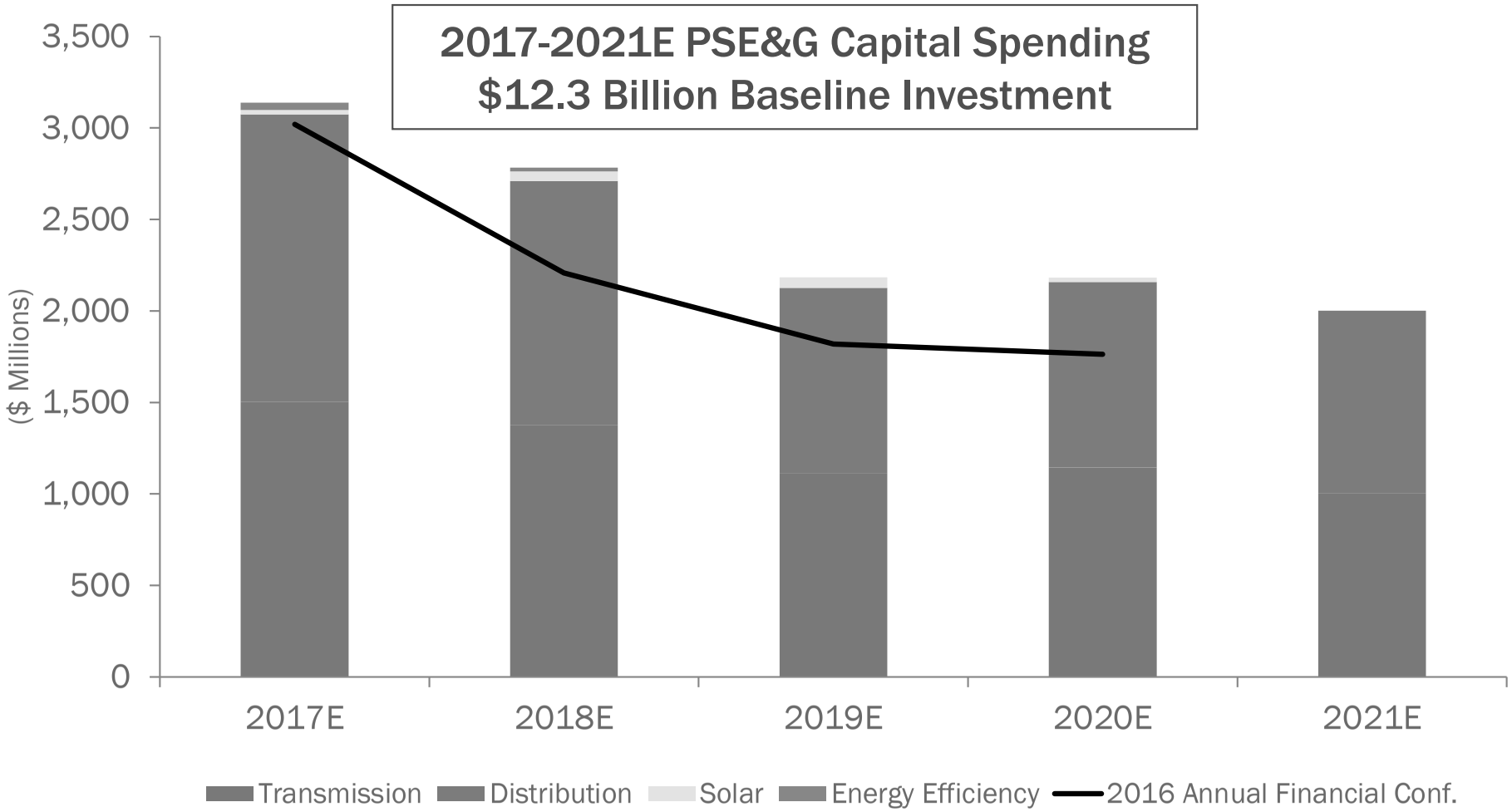
Baseline programs yield 7% compound annual growth in rate base



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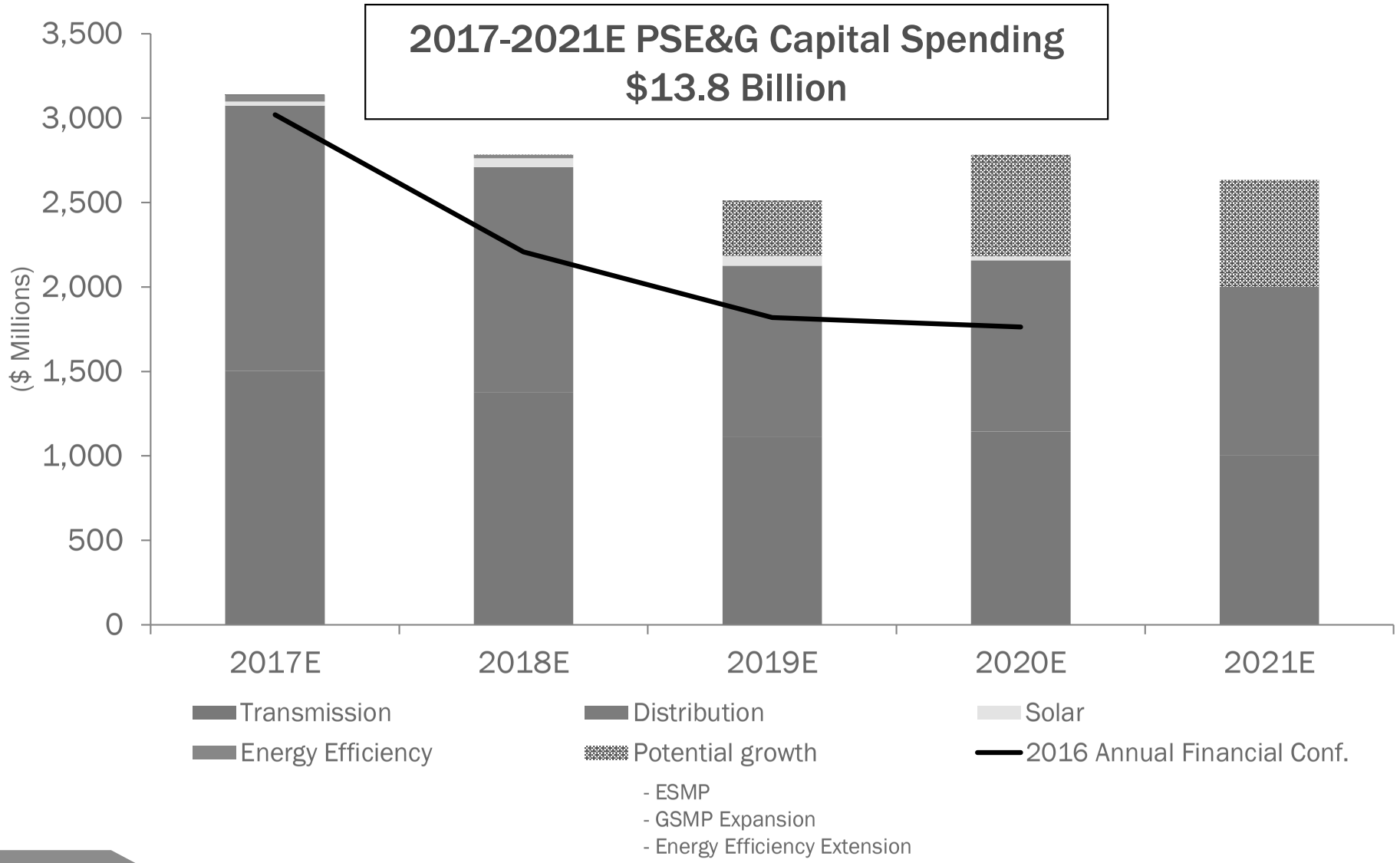
E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

Expansion/Extension of PSE&G's existing

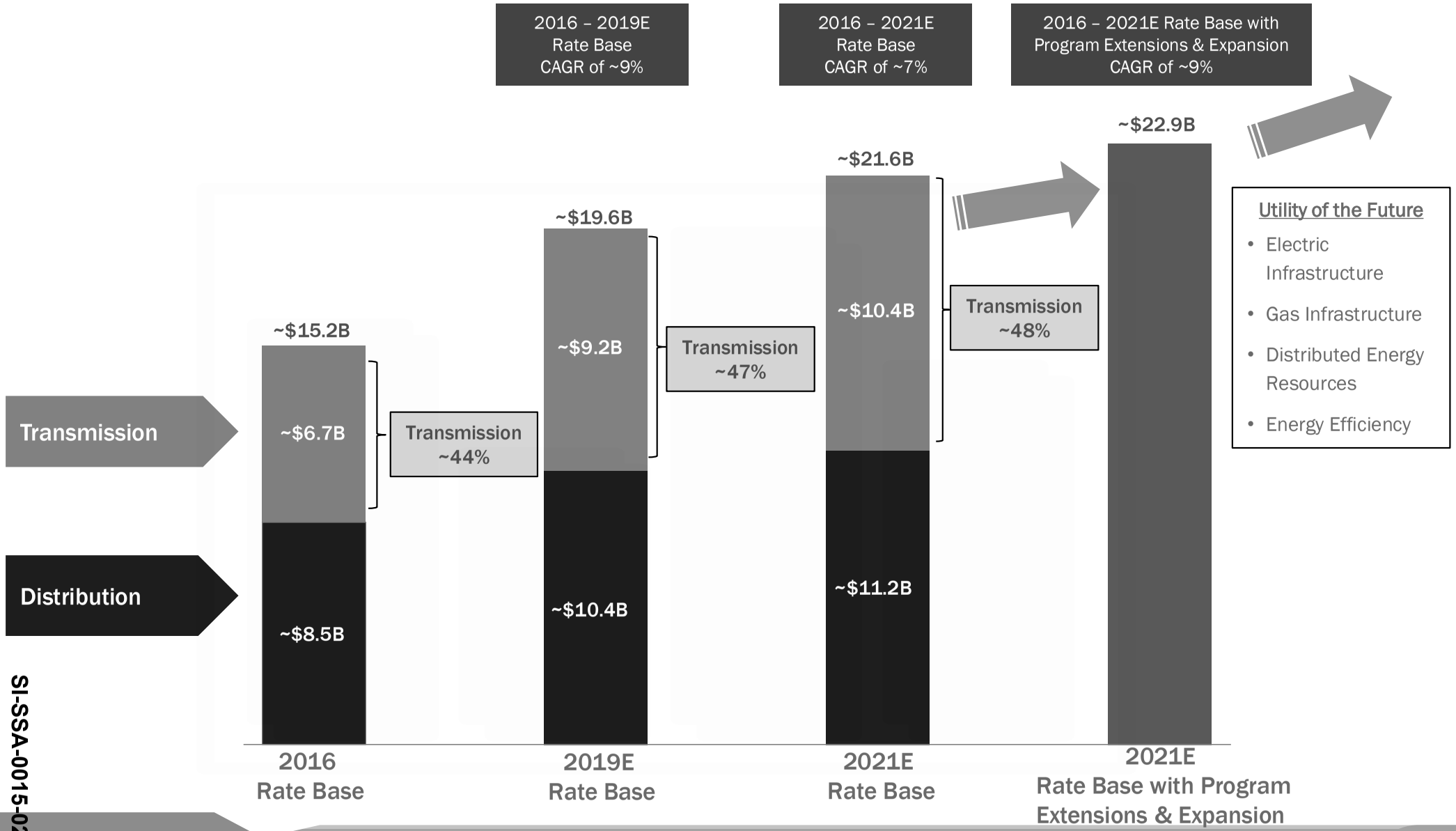
baseline programs yield increasing confidence in ~9% rate base CAGR



E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

SI-SSA-0015-02767

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

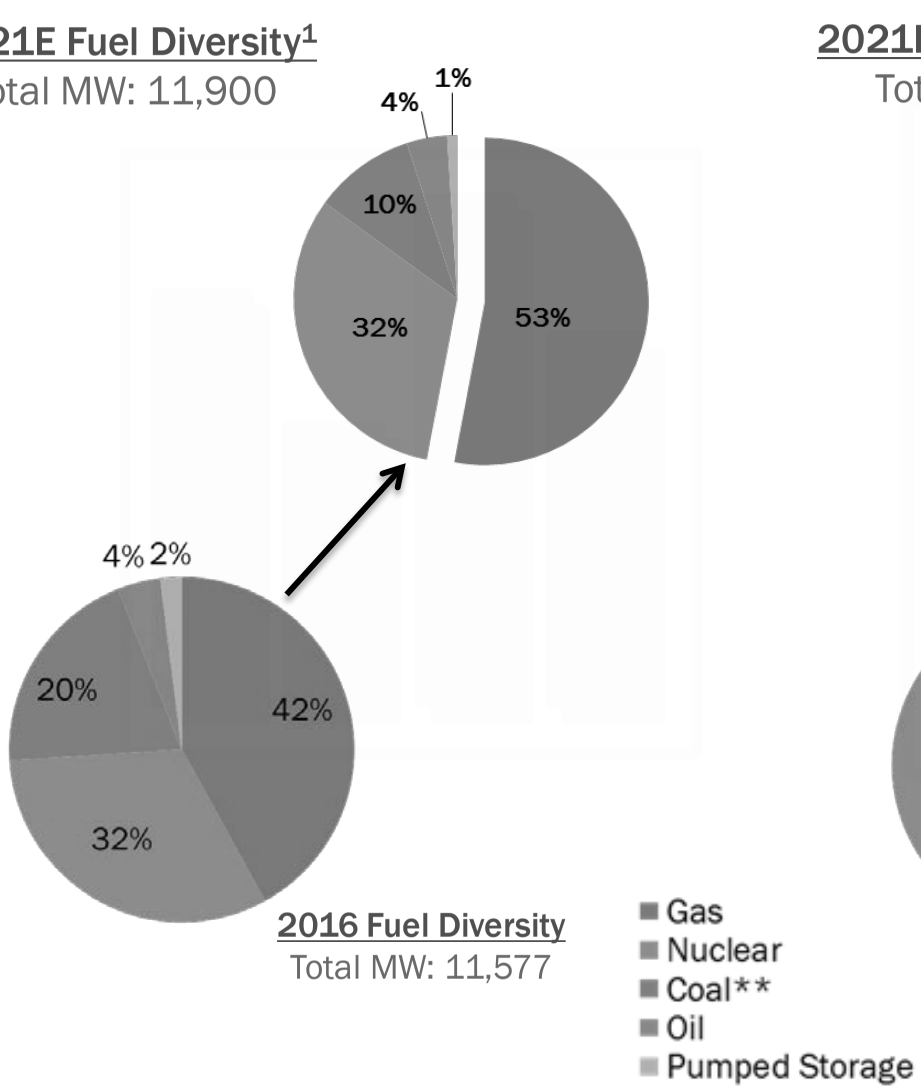
Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

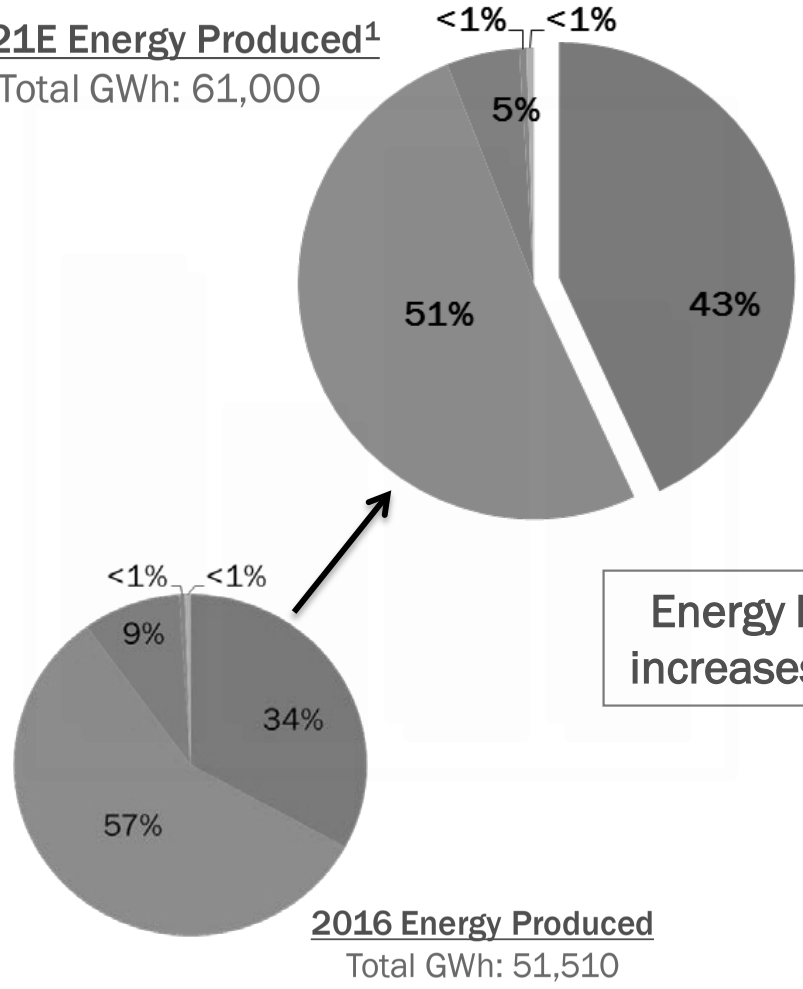
Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-02769

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





Energy Produced increases by >18%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-02770

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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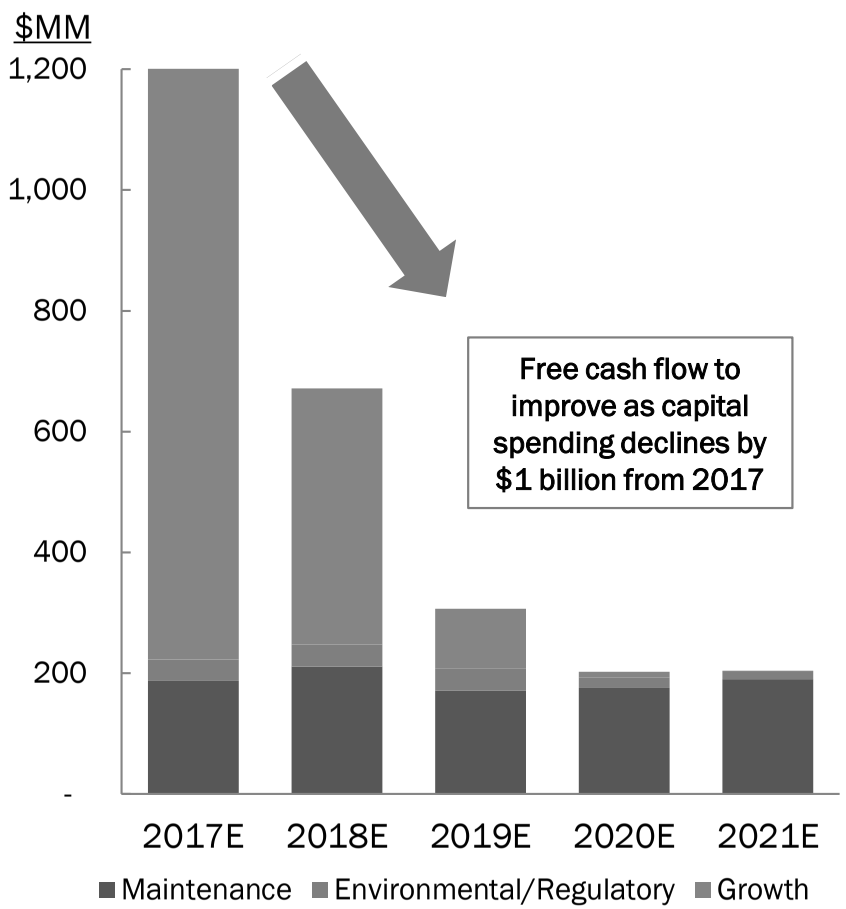
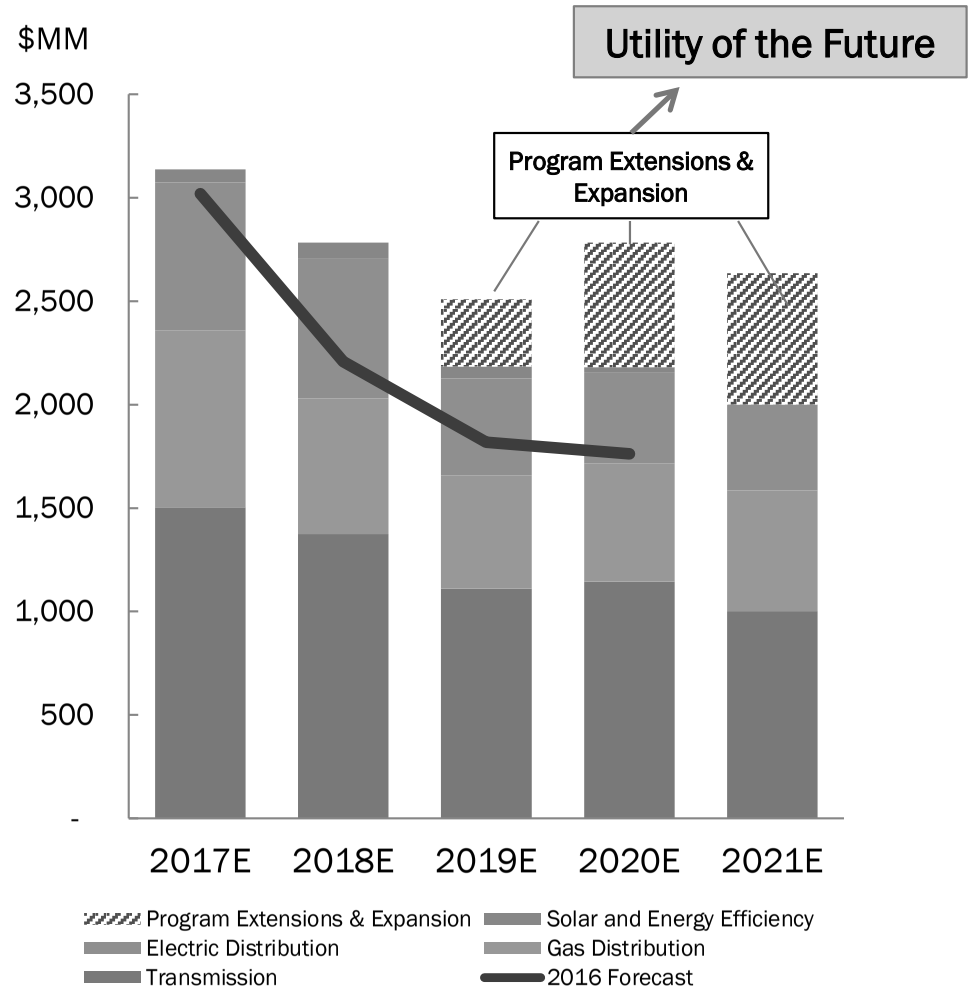
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



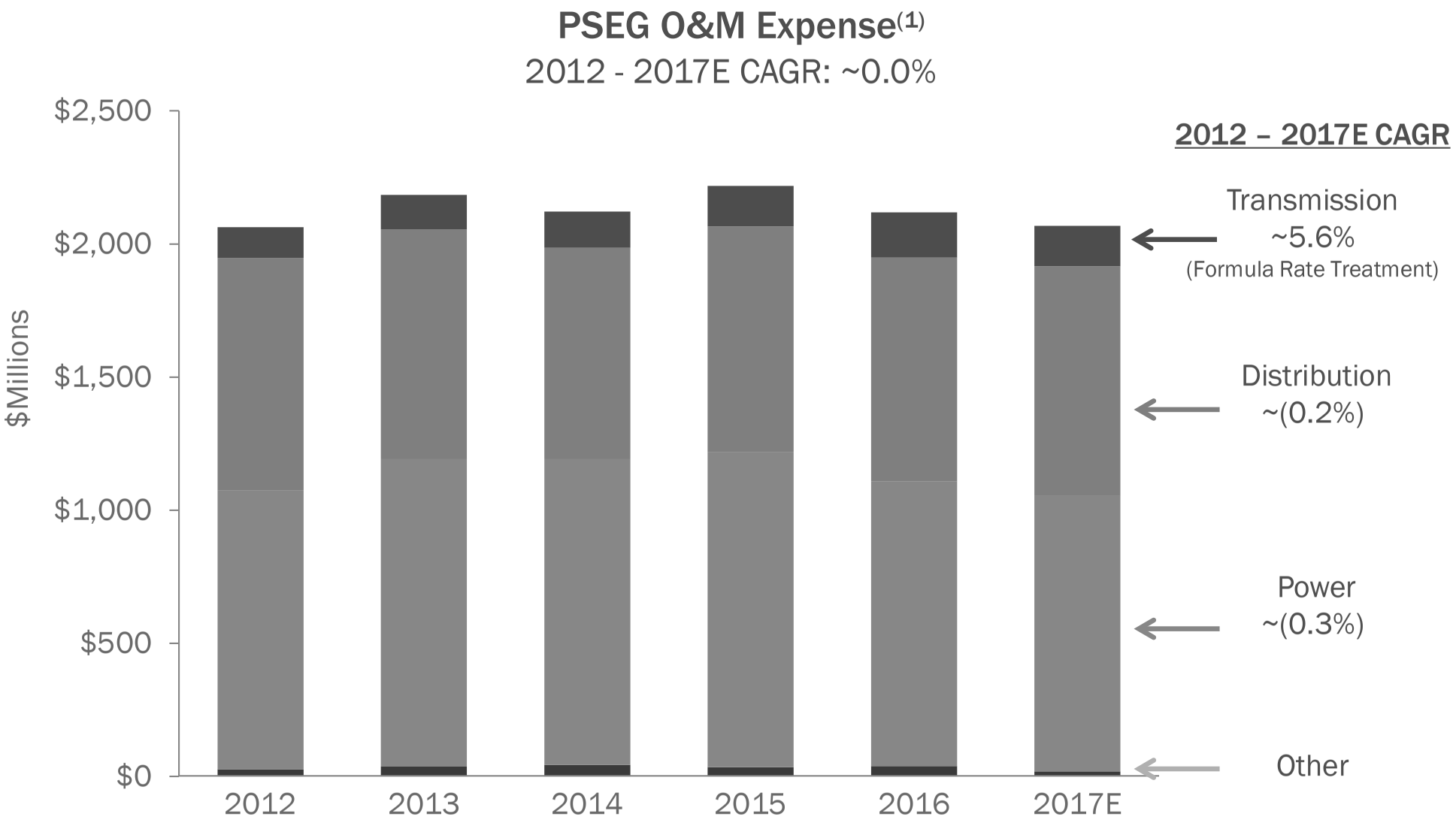
PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

SI-SSA-0015-02772

PSEG has demonstrated an ability to control O&M



SI-SSA-0015-02773

PSEG

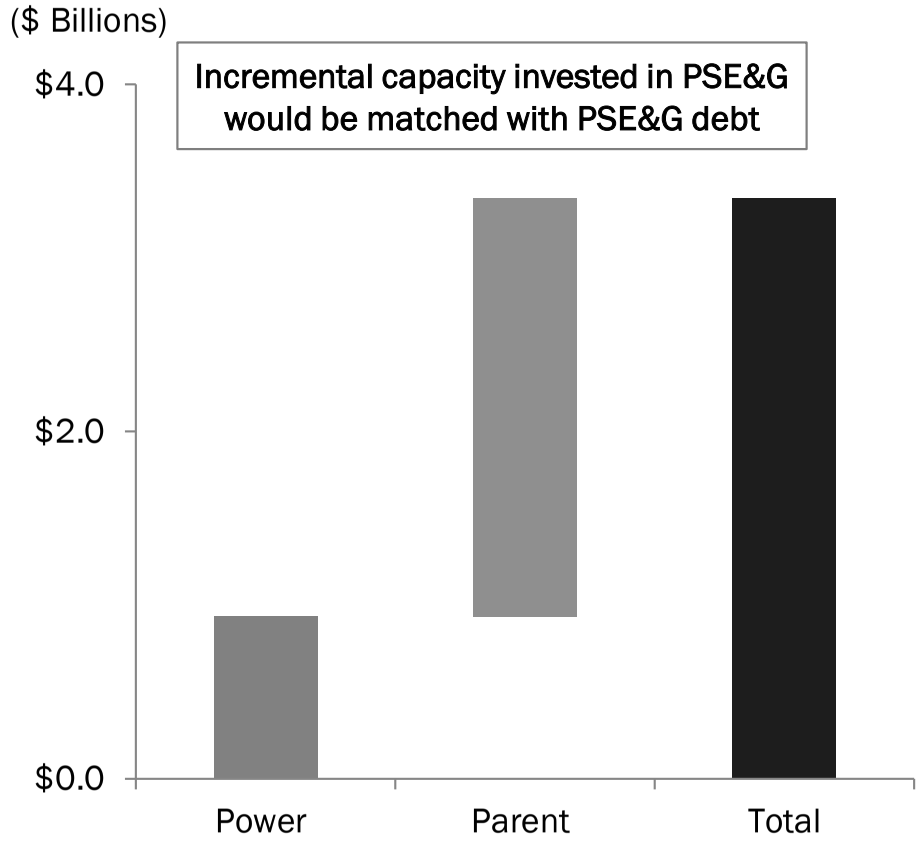
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Credit metrics remain strong as we fund growth and transition from bonus depreciation

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Existing bonus depreciation provision providing ~$300M in Funds from Operations in 2019 set to expire; this represents investment capacity of ~$1.8B

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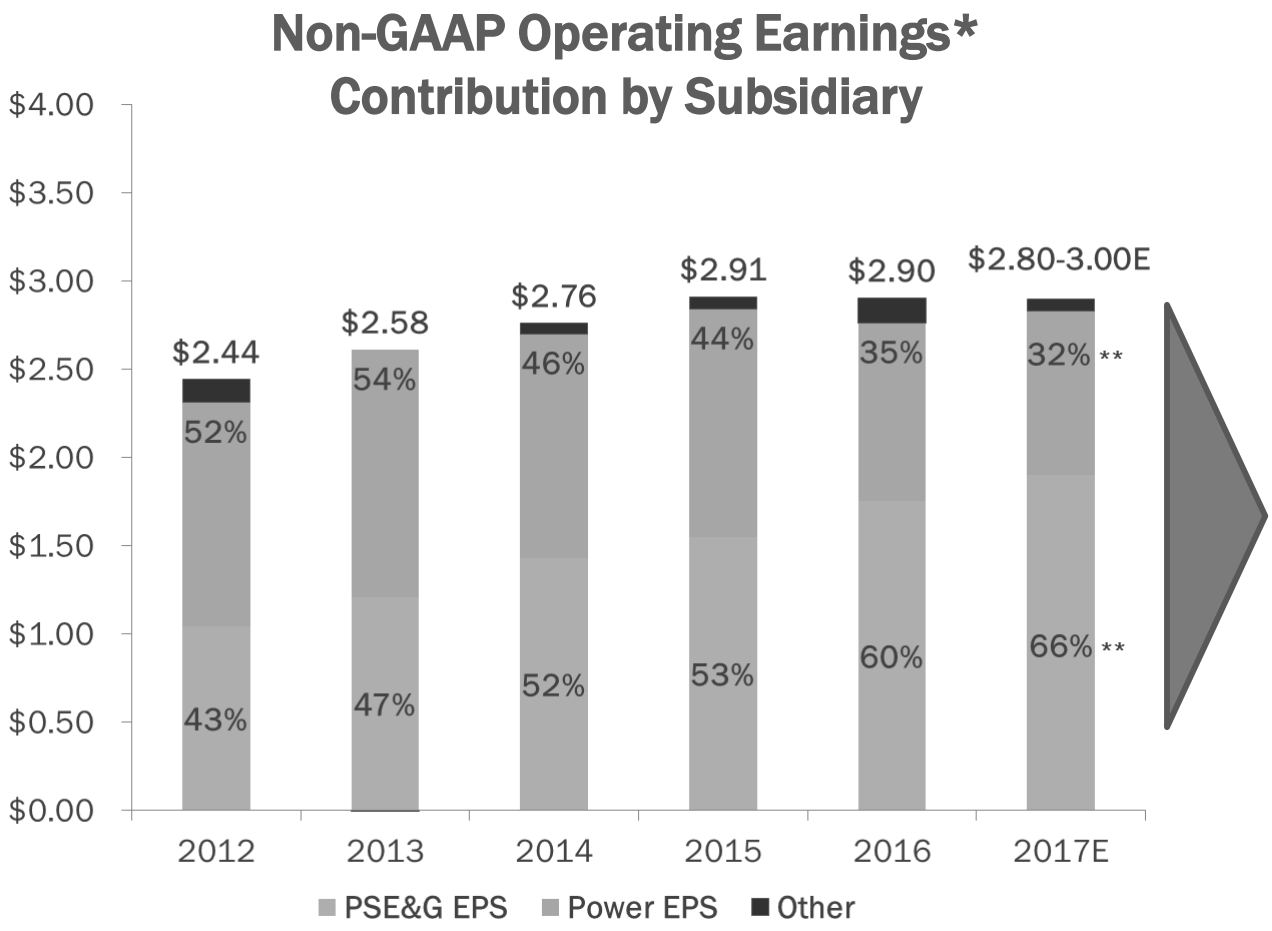
E=ESTIMATE.

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



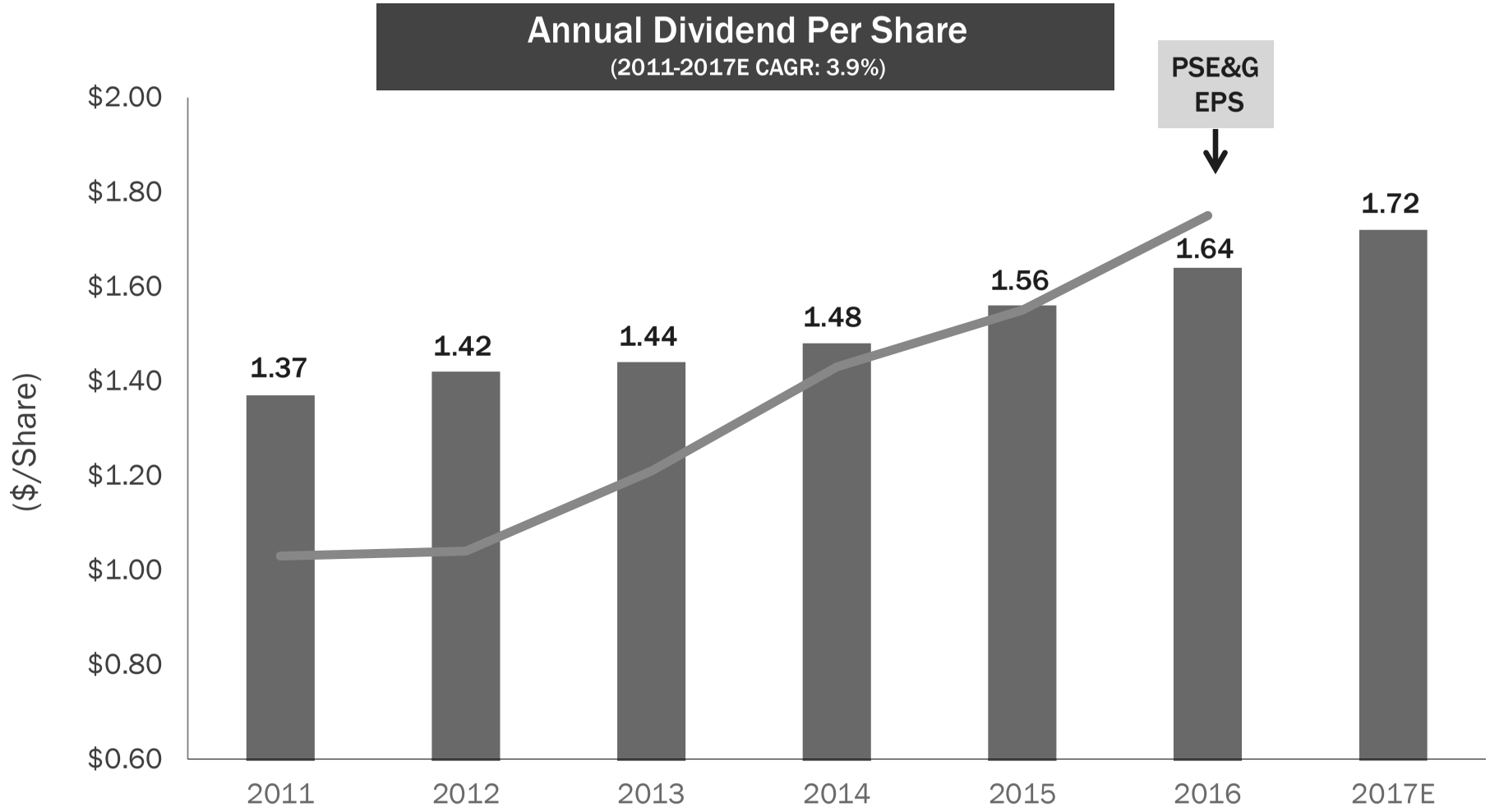
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-02775

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



SI-SSA-0015-02776

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-02777

PSEG FINANCIAL APPENDIX

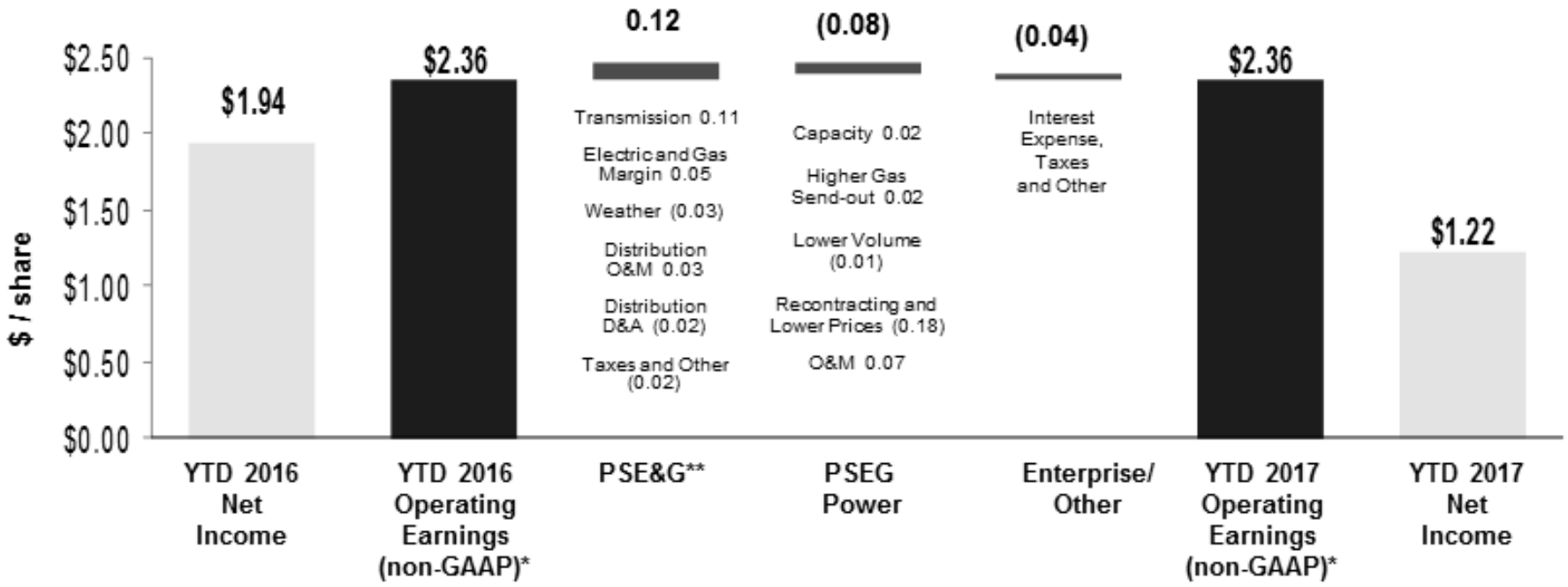
PSEG

We make things work for you.

SI-SSA-0015-02778

PSEG EPS Reconciliation – YTD 2017 versus YTD 2016

Utility investment and cost control drove year-to-date growth



SI-SSA-0015-02779

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – YTD Financial Results by Subsidiary

PSEG YTD EPS Summary – Nine months ended September 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ (0.26)	$ 0.63	$ (0.89)
PSEG Enterprise/Other	$ (0.01)	$ (0.06)	$ 0.05
Total PSEG	$ 1.22	$ 1.94	$ (0.72)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ 0.80	$ 0.88	$ (0.08)
PSEG Enterprise/Other	$ 0.07	$ 0.11	$ (0.04)
Total PSEG*	$ 2.36	$ 2.36	$ -

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-02780

Distribution Base Rate Case Filing Assumptions

- Test year – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- ROE request of 10.3%
- Capitalization structure includes 54% equity component
- O&M and sales are roughly flat to last rate case eight years ago
- Mid-single digit requested increase relative to overall *revenue*
- Return of and on incremental rate base not recovered through clauses
  - $255M of GSMP Stipulated Base;
  - ~$100M Energy Strong above $1B in clause;
  - Capital investments above depreciation levels;
  - New Business
- Seeking decoupling of revenues from sales volumes
  - Aligning with State, environmental and customer interests
  - Supporting larger energy efficiency programs
- Anticipate new rates effective October 2018

Overall rates, even after consideration of the expected mid-single digit request, would remain >10% lower than they were in 2010

SI-SSA-0015-02781

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

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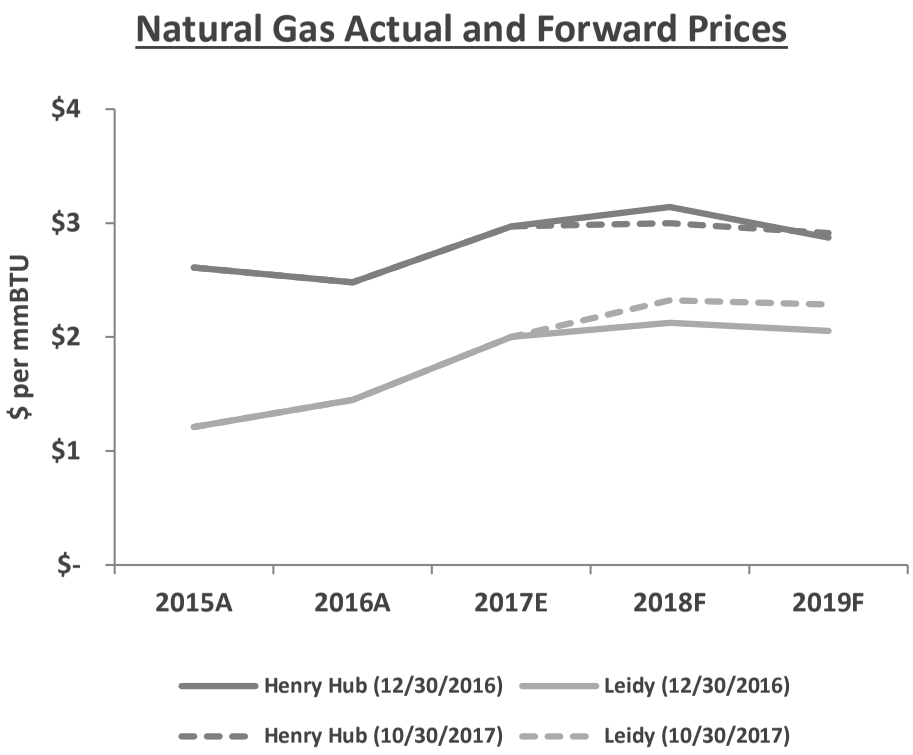
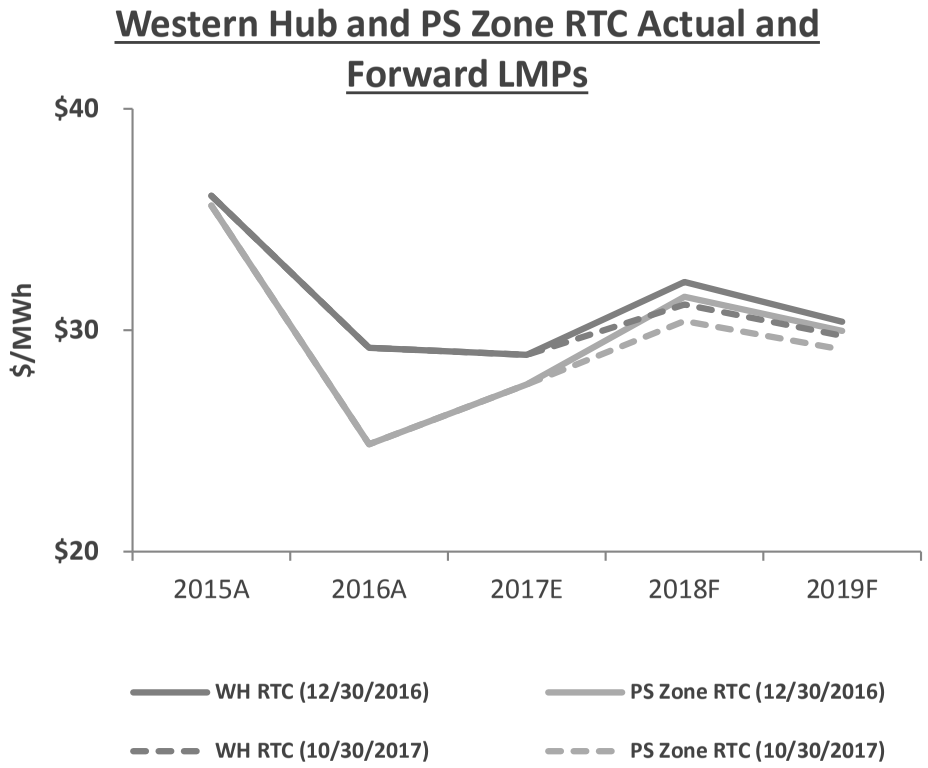
With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





While prices indicate some spark spread compression, electric basis for the PSEG Zone has shown improvement in the forward markets since 2016

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PSEG

E = WEIGHTED AVERAGE OF NINE MONTH ACTUALS AND 3 MONTH FORWARD DATA. A = ACTUAL F = FORWARD CURVE

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

NYSE: PEG

EEI Financial Conference

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November 11 - 13, 2018

SI-SSA-0015-02786

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies. Guidance provided herein is as of October 30, 2018.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

SI-SSA-0015-02788

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

SI-SSA-0015-02789

PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Named to Dow Jones Sustainability Index for **11** Years in a Row

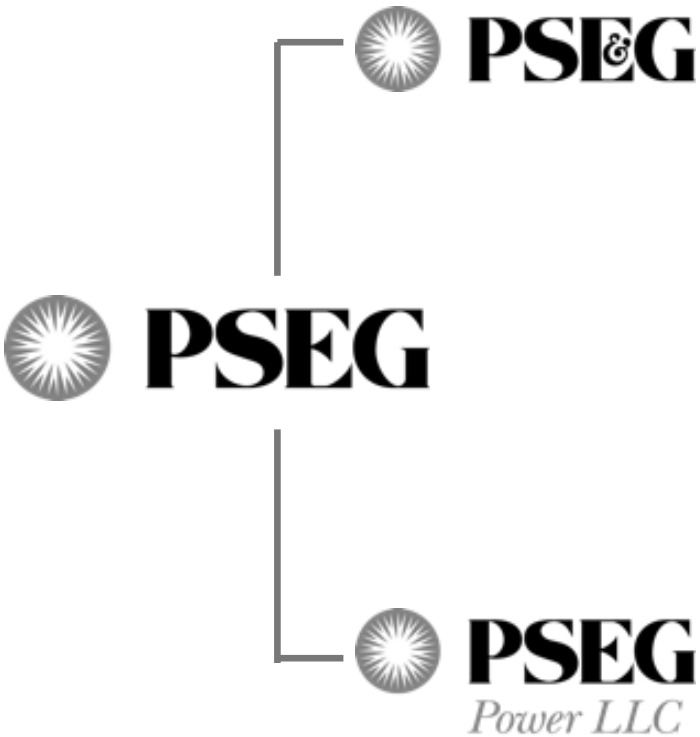
Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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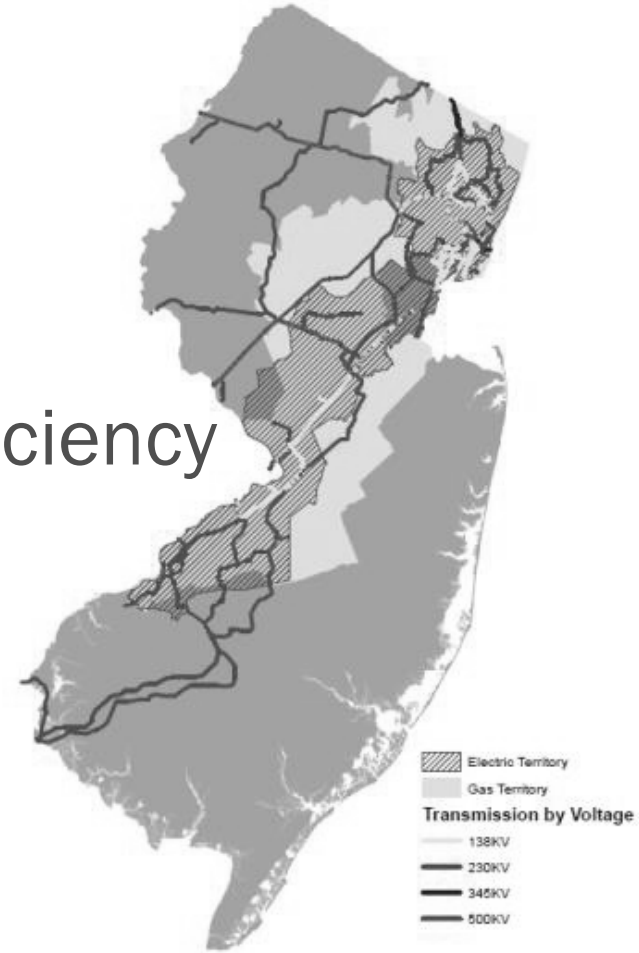
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS

*SEE SLIDE A FOR RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATION FOR PSE&G AND SLIDE C FOR RECONCILIATION FOR PSEG POWER.

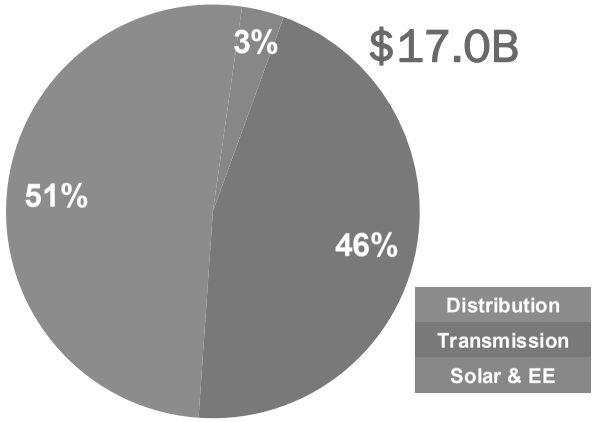
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Annual Customer Growth (2013–2017)	2.2 Million 0.6%	1.8 Million 0.5%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Annual Growth in Residential Use per Customer (Weather-Normalized) (2013-2017)	(1.1)%	0.3%
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

PSE&G 2017 Rate Base



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PSEG

* GAS FIRM SALES ONLY.

Regulatory and policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Settlement Approved

- Constructive outcome provides customers with rate stability and benefits PSE&G; new rates went into effect November 1st

NJ Regulators Endorsed Infrastructure Investment Program (IIP)

- GSMP II Approved; Energy Strong II Filed in June 2018

NJ Advances Clean Energy Future

- PSE&G filed Clean Energy Future programs in October 2018, consistent with NJ Clean Energy legislation, to invest in Energy Efficiency, Energy Storage, EVs and Energy Cloud – Advanced Metering Infrastructure (AMI)
- PSEG Power will apply for our NJ nuclear plants to receive Zero Emission Certificates (ZEC)

FERC/PJM Wholesale Market Reforms Underway

- FERC considering reforms to PJM's capacity market to accommodate resources supported by state public policies and to address price suppression
- Reform to PJM's fast-start market pricing rules pending at FERC; Other price formation reforms working through PJM stakeholder process

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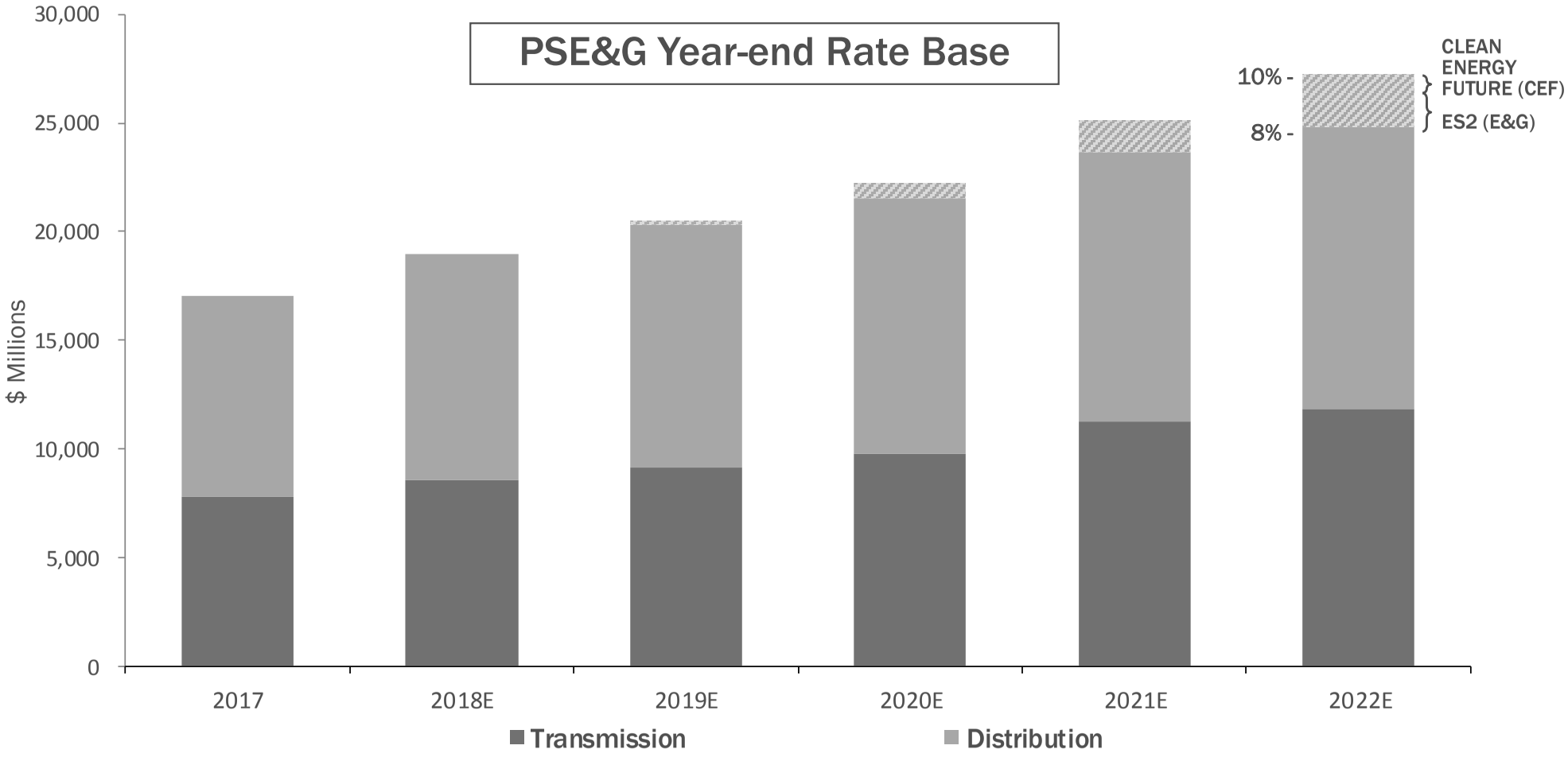
Expanded utility investment program of $12B - $16B provides opportunity for rate base growth of 8% - 10%



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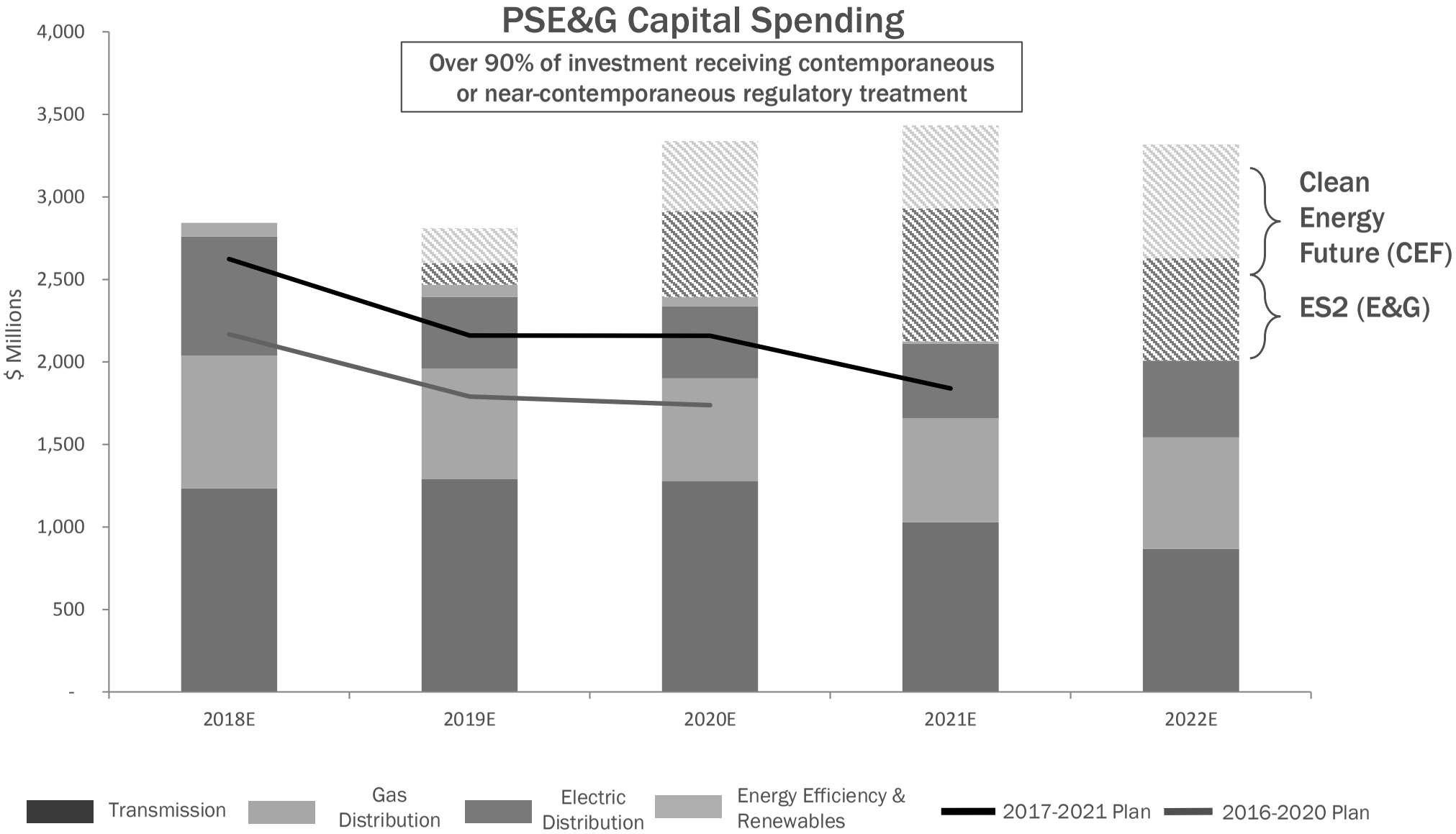
PSEG

HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS. E = ESTIMATE.

$12B-$16B investment program focused on grid modernization, reliability and clean energy



HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS. E = ESTIMATE.

SI-SSA-0015-02795

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012 - 2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV Infrastructure • Energy Storage • Energy Cloud – AMI Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication Regulated Renewables

SI-SSA-0015-02796

Distribution Rate Case Settlement Approved

- New rates went into effect November 1, 2018
- Bill impact is generally <1% per rate class. Combined, typical residential electric & gas customer bills are ~30% lower versus 2008 in nominal dollars

Key Terms

- ROE of 9.6%; 54% equity ratio
- Rate Base of $9.5B: $5.5B Electric and $4.0B Gas
- Base revenues include recovery of deferred storm costs (~$50M/year)
- Tax Adjustment Clause – Two tax items flowed back to customers, with a return on the portion related to rate base:
  1. Excess deferred taxes – Unprotected over five years; Protected via ARAM
  2. 'Safe Harbor Adjusted Repair Deduction' (SHARE) - Ongoing and 1/3 of historic balance
- Rate design changes:
  - Higher monthly fixed service charges for electric and gas bring us in line with other NJ utilities
  - Decoupling/lost revenues to be addressed in CEF filings

Annual Revenue Impact ($ Millions)	Electric	Gas	Total
Base Revenue	$89	$123	$212
Tax Adjustment Clause	(80)	(145)	(225)
Net Revenue Change	$9	$(22)	$(13)

ARAM = AVERAGE RATE ASSUMPTION METHOD
ROE = RETURN ON EQUITY.

SI-SSA-0015-02797

Energy Strong Program Filing

PSE&G filed its Energy Strong II infrastructure program (ES2) in June which seeks to invest $2.5 billion, over a five-year period to further strengthen the utility's electric and gas systems to better withstand storms, increase reliability and significantly enhance resiliency

Before

Electric:

- ✓ Provide flood mitigation for 16 stations within FEMA designated flood zones
- ✓ Rebuild 15 outdoor stations (most are pre-1956 vintage) in need of replacement
- ✓ Upgrade ~475 circuit miles
- ✓ Harden and increase redundancy/resiliency through circuit reconfiguration
- ✓ Modernize grid with an advanced distribution management system (ADMS) and fiber/mesh communication network

Gas:

- ✓ Improve the resiliency of PSE&G's gas distribution system to protect against potential interstate gas pipeline supply curtailments
- ✓ Rebuild and modernize seven gas Metering and Regulation stations

After

SI-SSA-0015-02798

Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

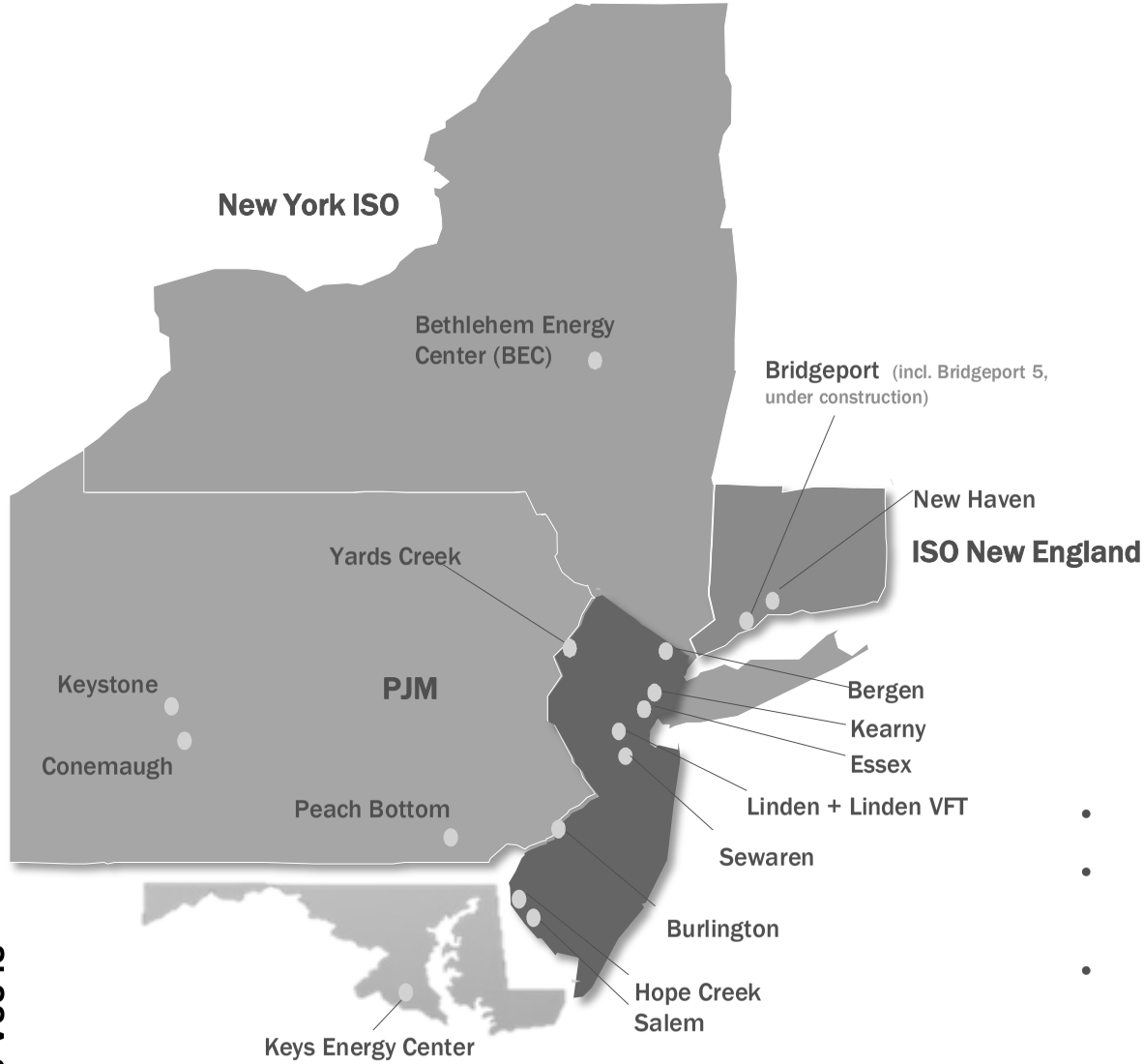
- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings support 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: AMI:** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

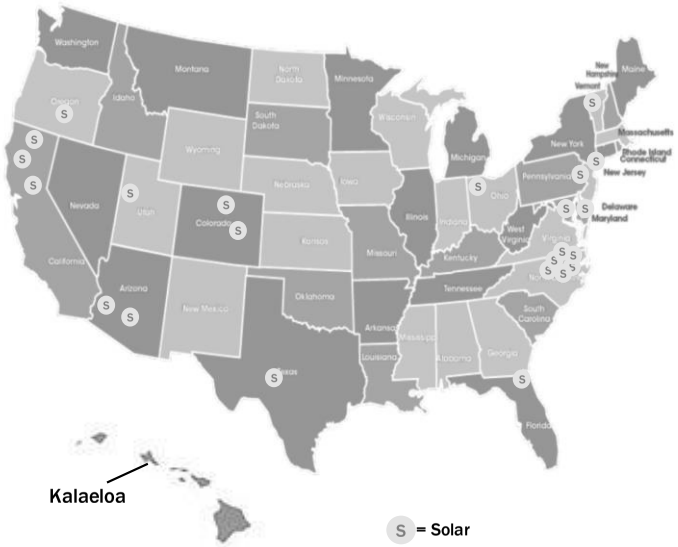
Program Investment	$ Billions
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

SI-SSA-0015-02799

Power's generating assets mainly located in three competitive markets





Power Ventures assets:

- Solar (414 MW_{DC}/325 MW_{AC})
- Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Completing construction program of three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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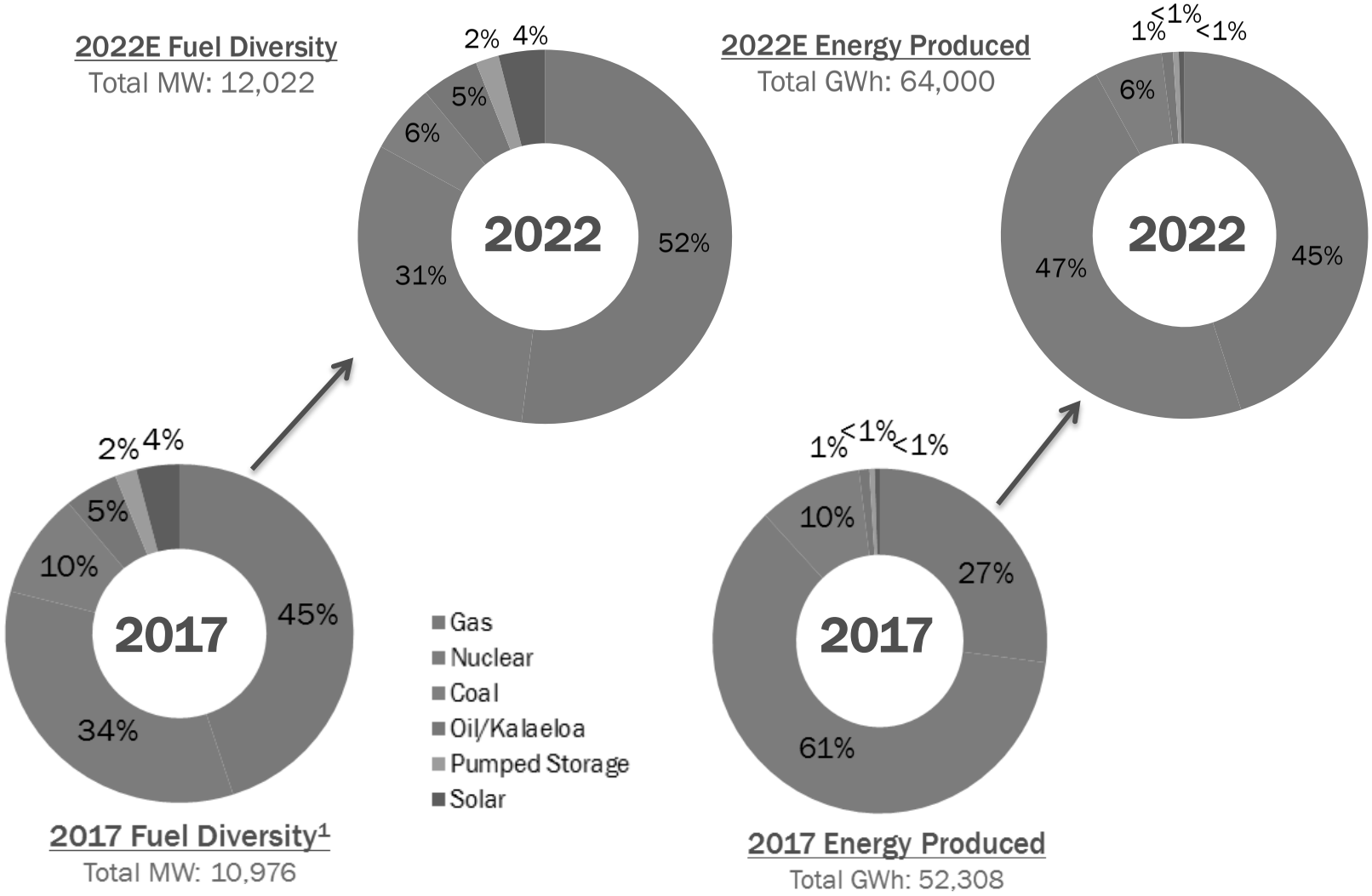
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

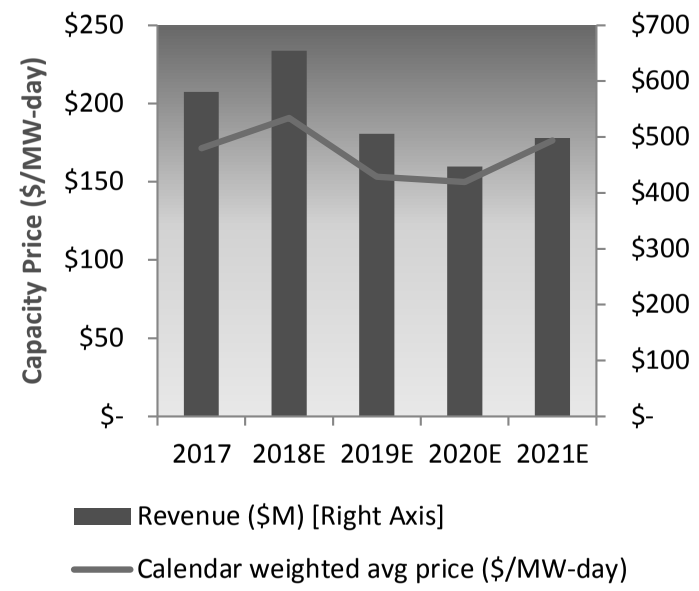
SI-SSA-0015-02801

Capacity markets provide a solid and continuing revenue stream in PJM

PJM's RPM Auction Results*

Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$171	$205	$116	$174	$178
RTO Prices ($/MW-day)	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)	$140 (CP)
Power's Cleared Capacity (MW)	9,700	9,200	8,900	7,800	7,700

PJM Capacity Revenue

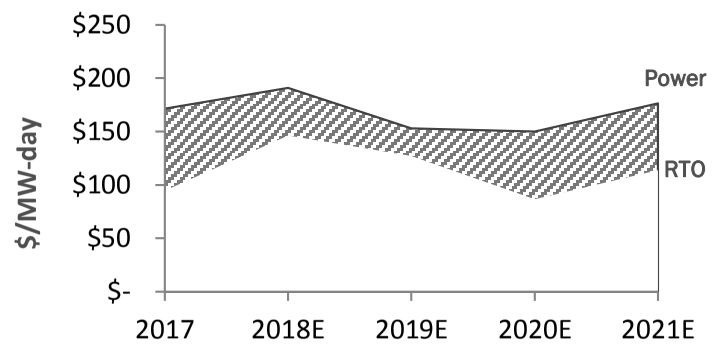


2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

FERC/PJM to address price suppression

PJM Calendar Weighted Average Price



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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

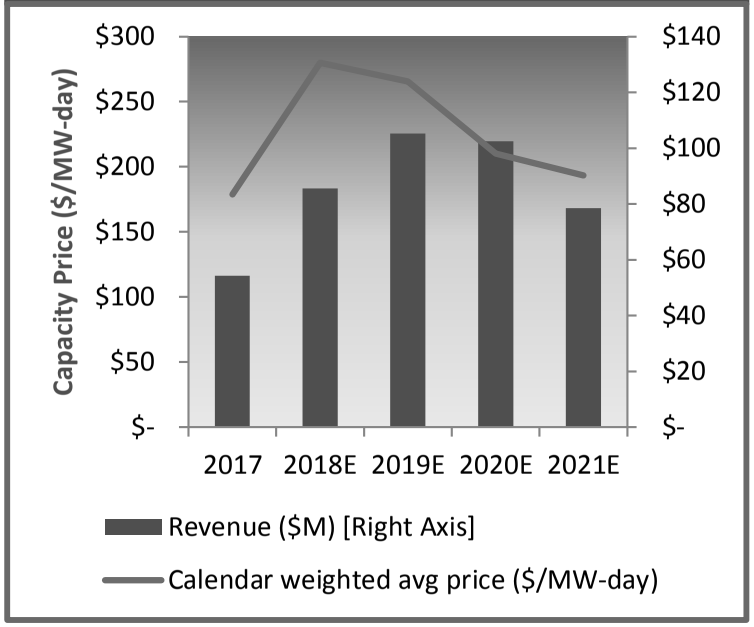
Capacity markets provide a solid and continuing revenue stream in ISO NE

ISO New England's Forward Capacity Market Auction Results

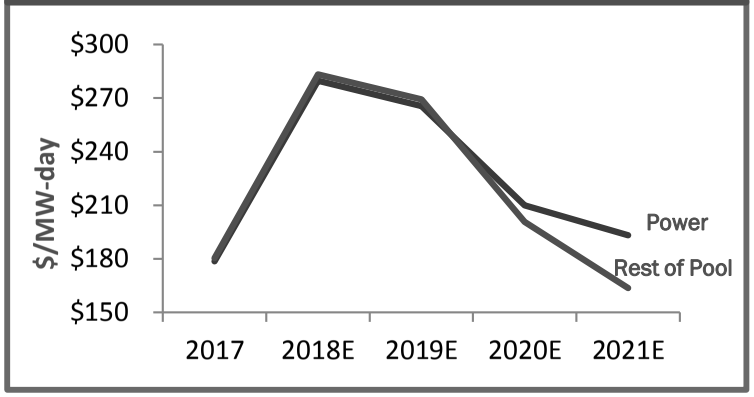
Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$231	$314	$231	$195	$192
Power's Cleared Capacity* (MW)	850	830	1,330	1,330	940

Power's average price reflects Bridgeport Harbor 5, which cleared the 2019/2020 auction at $231/MW-day for seven years, with escalations based on Handy-Whitman Index

ISO NE Capacity Revenue



ISO NE Calendar Weighted Average Price



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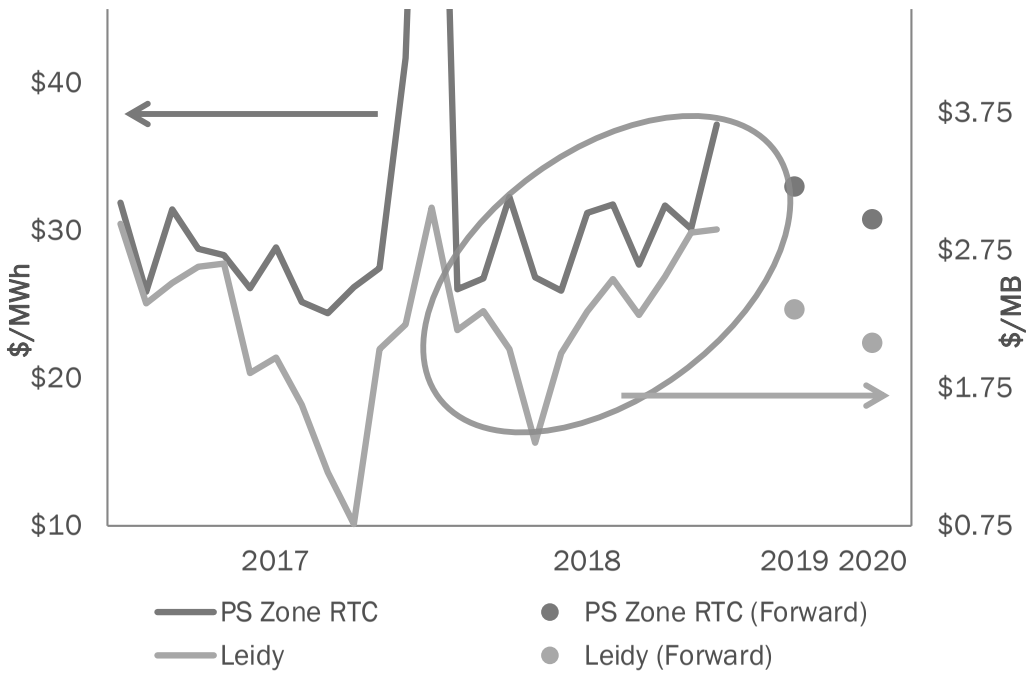
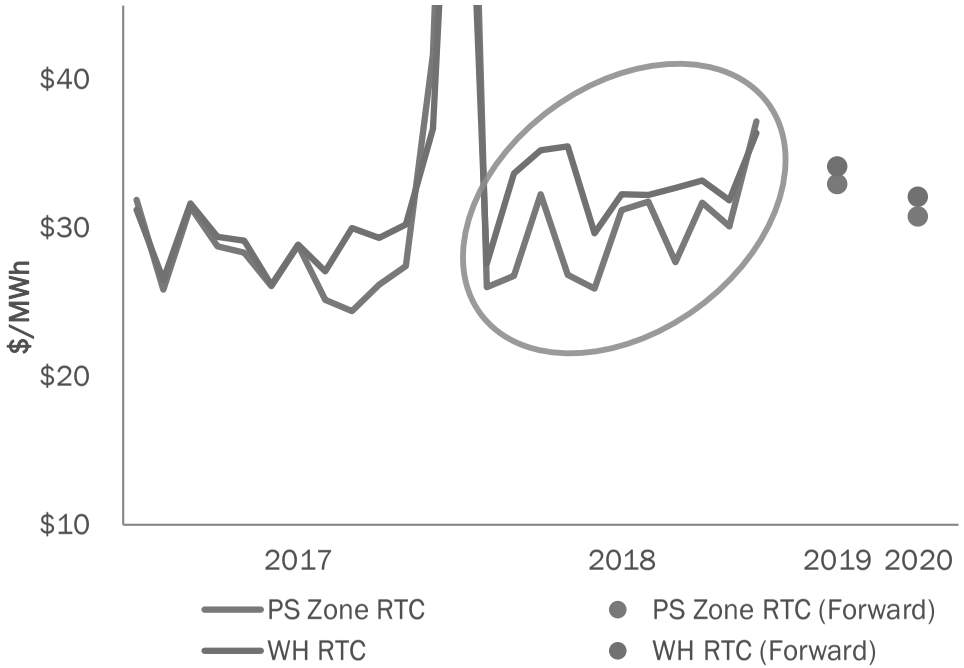
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BRIDGEPORT HARBOR 5 TARGETED ADDITION IN MID-2019 AND THE ANNOUNCED RETIREMENT OF BRIDGEPORT HARBOR 3 IN THE SUMMER OF 2021. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

Recent market dynamics have included spark spread compression and negative east-west electric basis differentials





2018 gas prices rose more than electric prices, compressing spark spreads

2018 electric price increases in PS Zone have not kept pace with PJM's Western Hub

These impacts, plus a decline of ~1 TWh from our forecasted generation, impacted Power's margins

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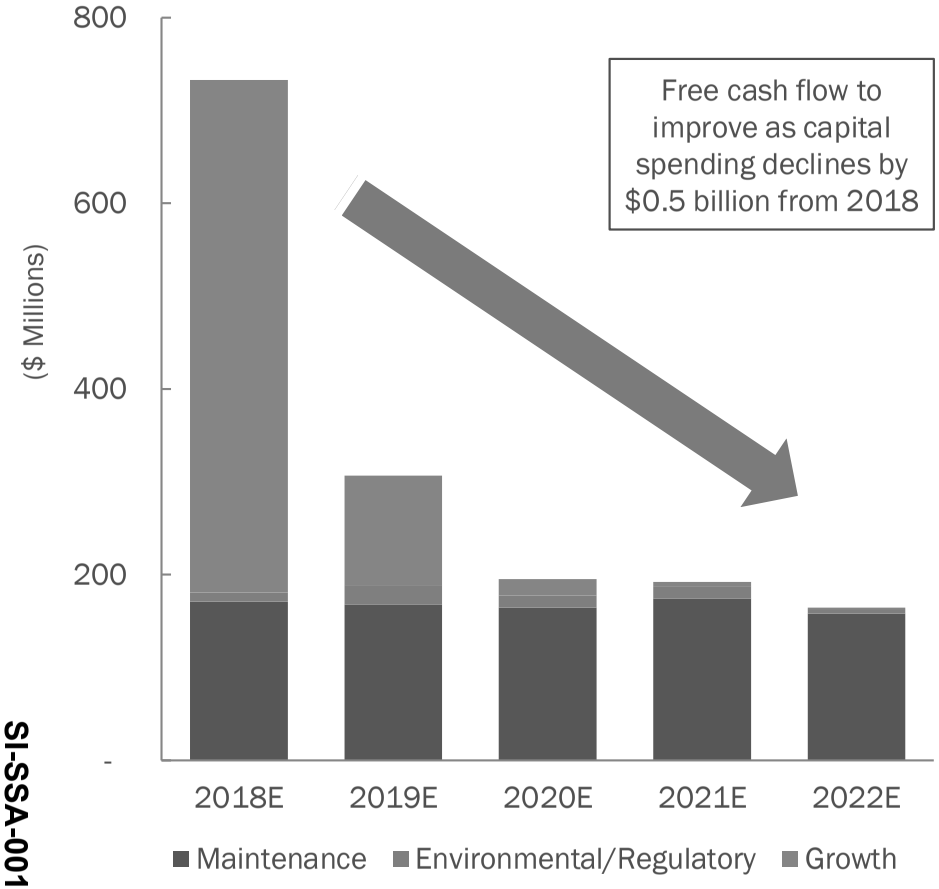
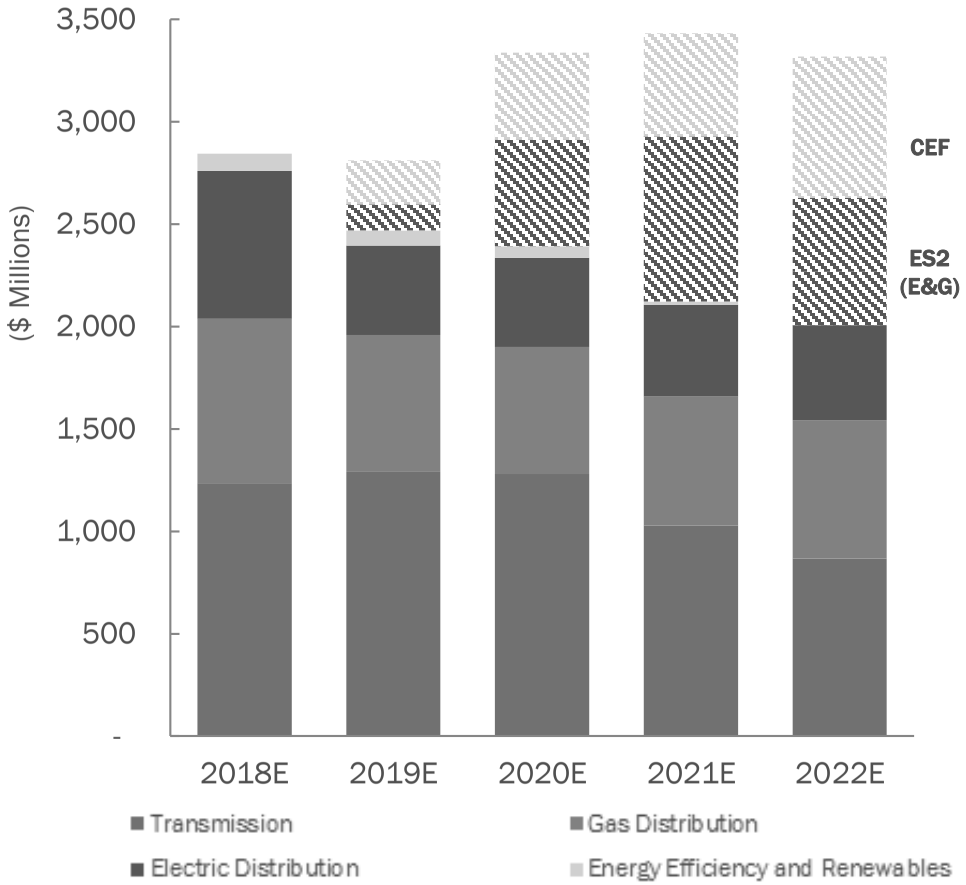
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1)CAPITAL INCLUDES IDC AND AFUDC.
2)HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
E = ESTIMATE

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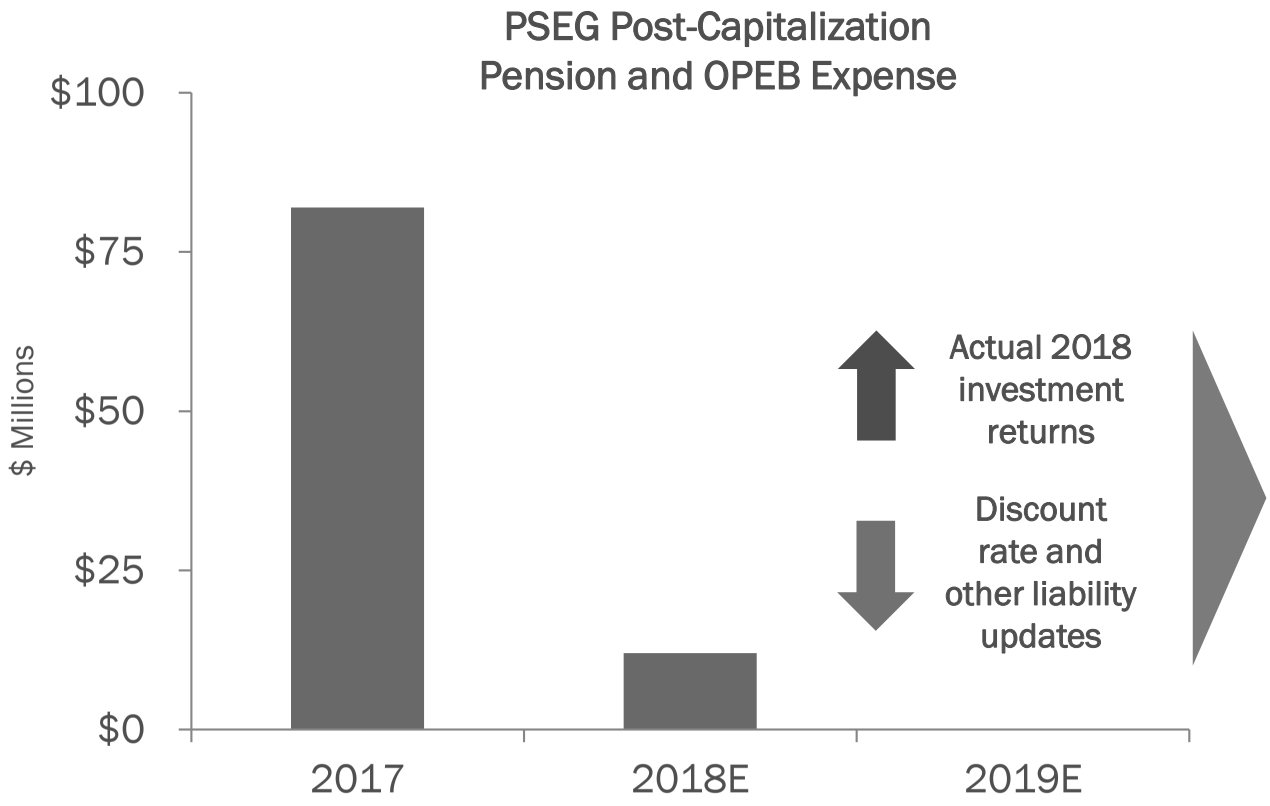
Manageable Pension and OPEB Expense



Pension & OPEB expense details will be updated at year-end and managed as part of overall O&M

- The estimated decrease in expense includes an approximate reduction of $60 million due to the adoption of a new accounting standard in 2018 which no longer allows the capitalization of non-service components of Pension and OPEB costs (credits)

E = ESTIMATE.

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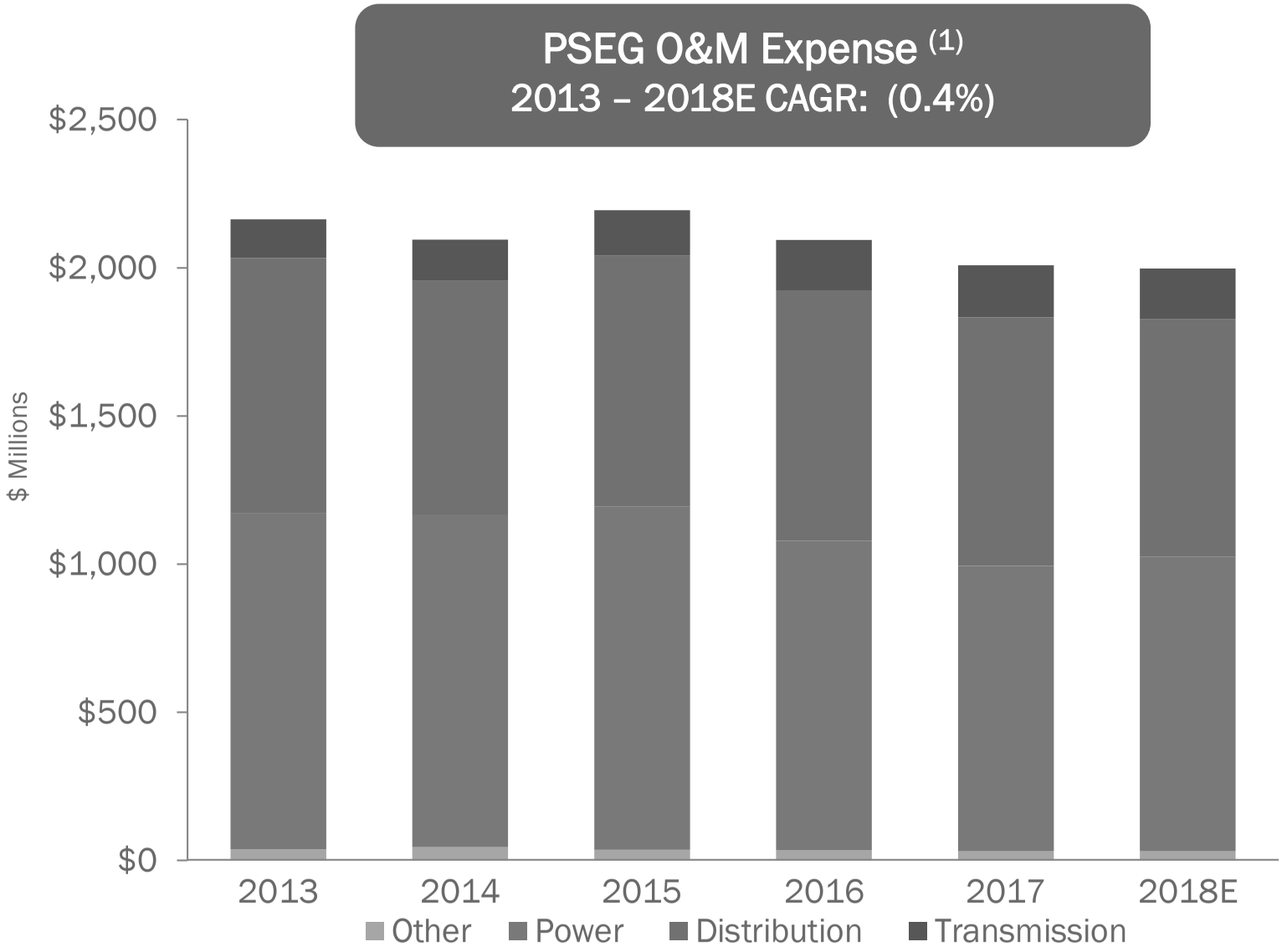
PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

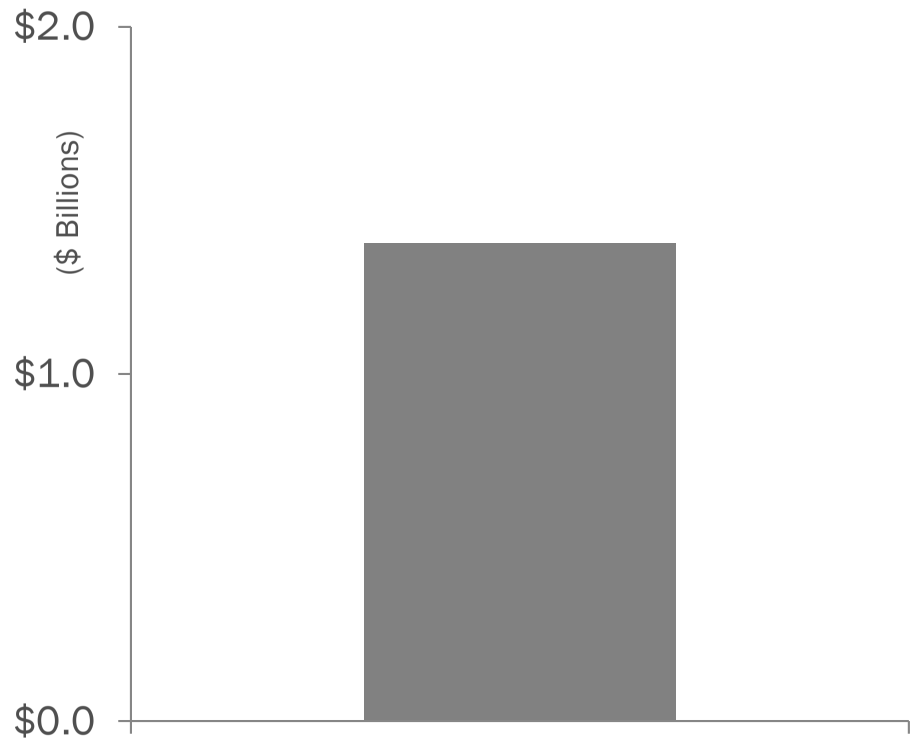
SI-SSA-0015-02807

Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt 2019E – 2021E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

Total Incremental Debt Capacity 2019E – 2021E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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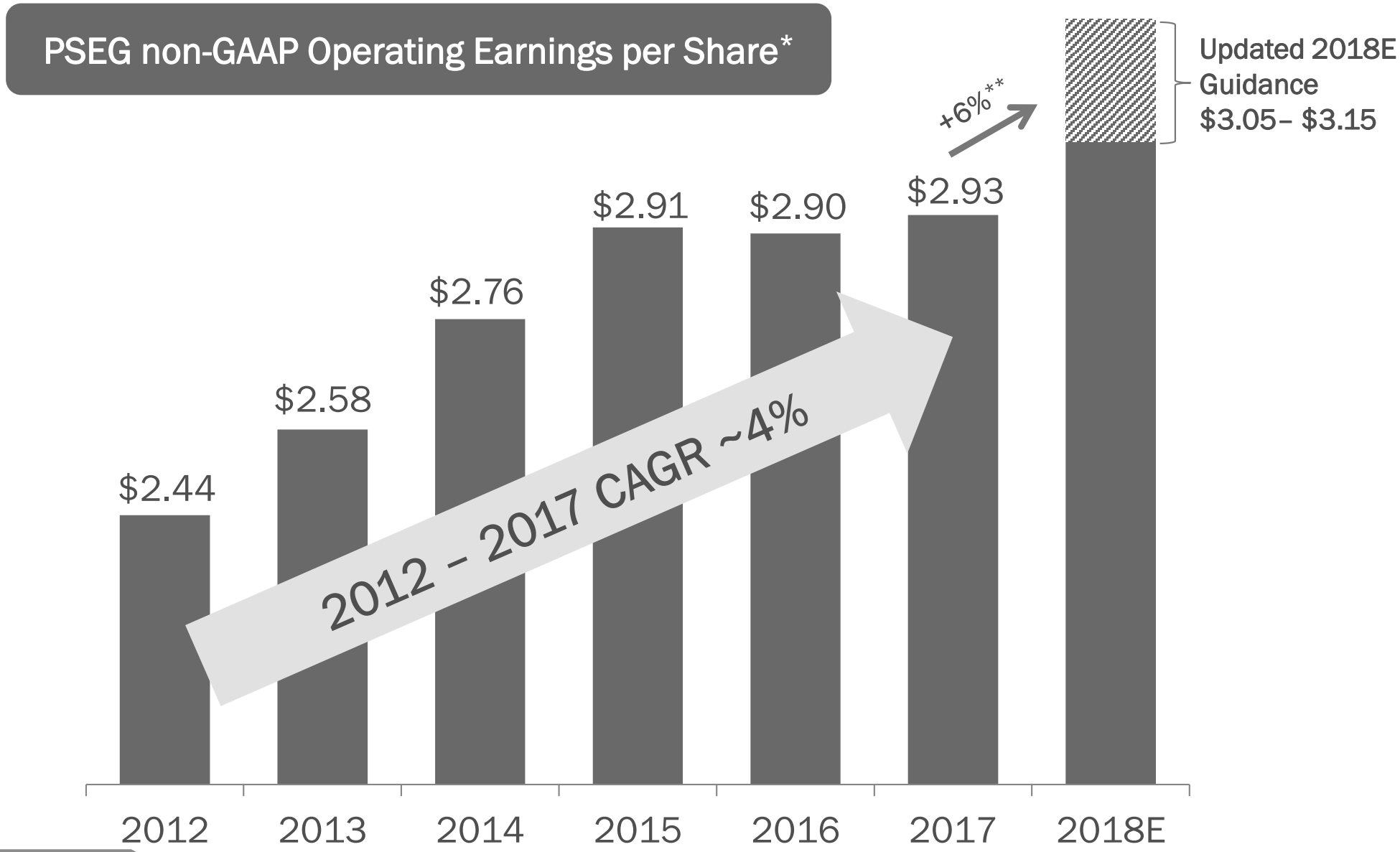
PSEG

NOTE: NORMALIZED FOR ANTICIPATED REMA TAX PAYMENT IN 2020E. INCLUDES ANTICIPATED ZEC REVENUES BEGINNING IN APRIL 2019. E=ESTIMATE

Strategic focus continues to deliver solid results



*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.05 TO $3.15 PER SHARE.
E= ESTIMATE.

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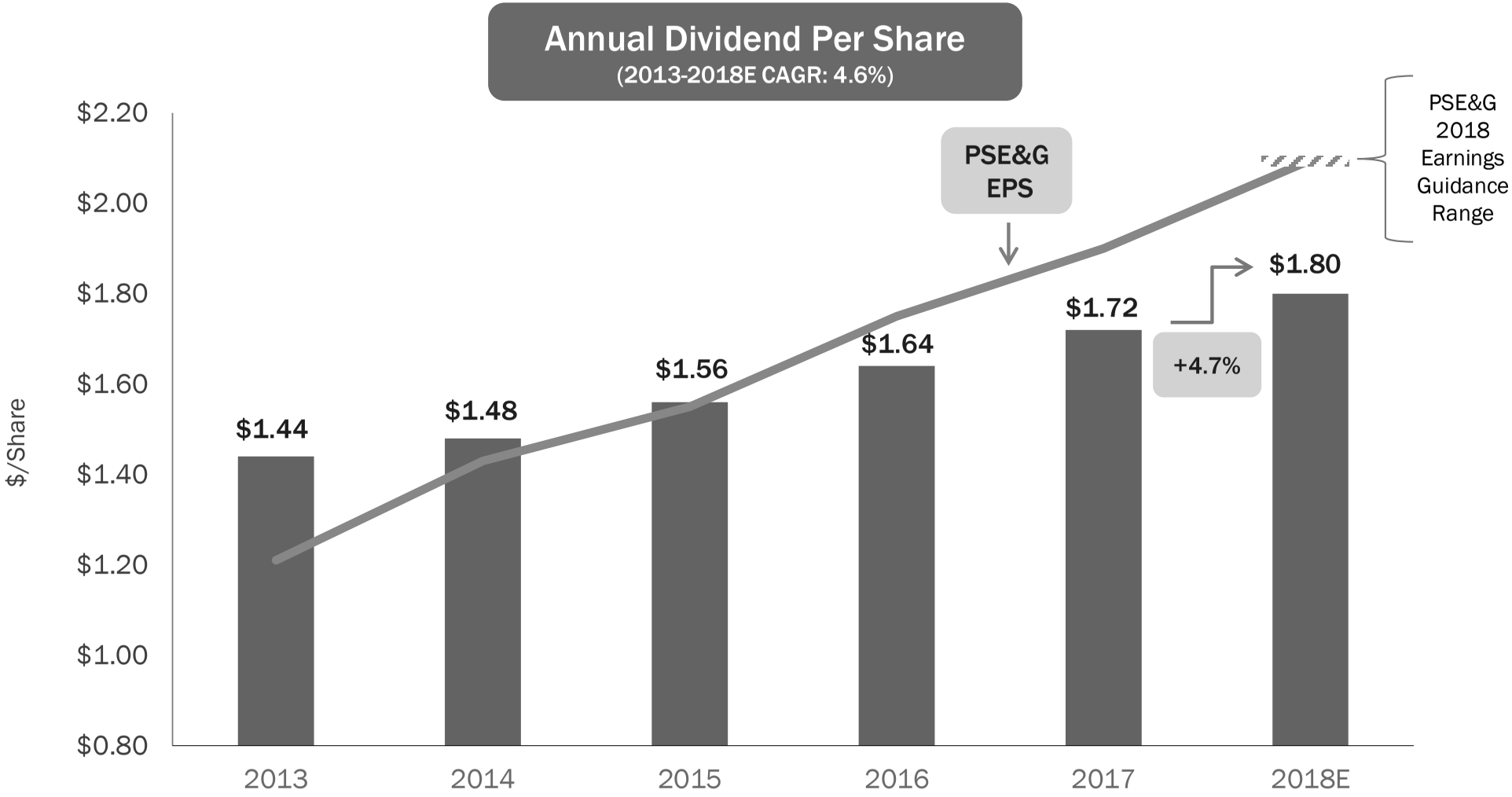
Opportunity for consistent and sustainable dividend growth



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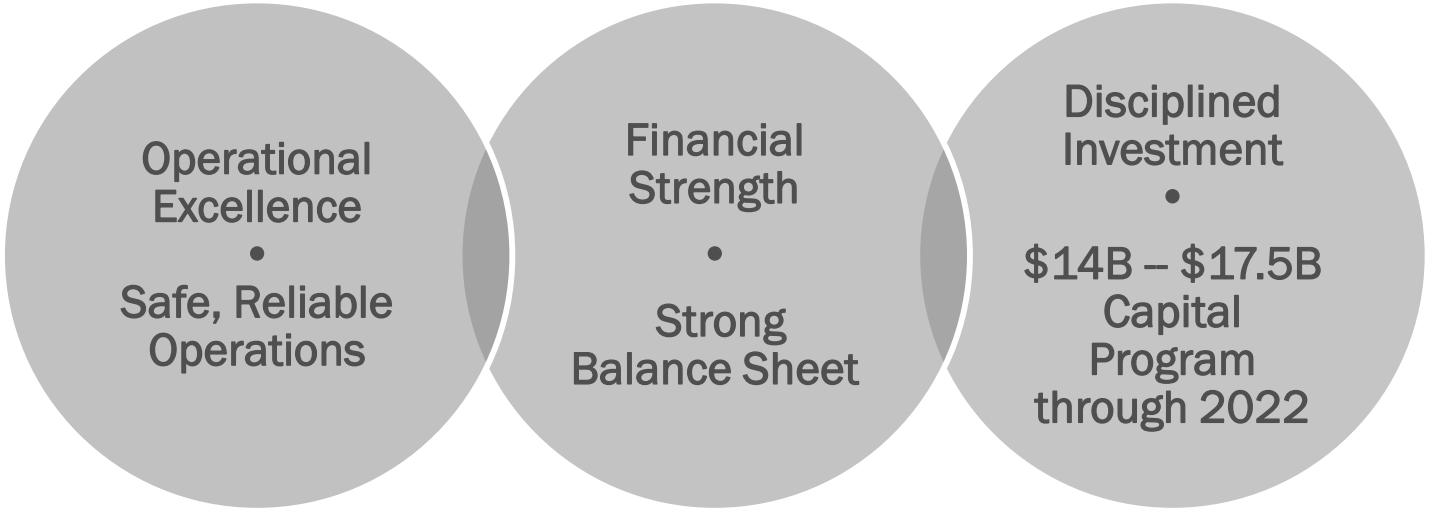
E=ESTIMATE; INDICATIVE ANNUAL RATE .

PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-02811

NOTE: PSEG 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS

PSEG 2018 EEI Meeting Takeaways

Enhanced Stability, Risk Mitigated

Regulatory & Policy Focus De-risks/Presents Opportunities

- Base distribution rate case completed; GSMP II approved; IIP adopted
- ZEC law aims to preserve nuclear; Clean Energy law cites lost revenues
- Power fleet efficiency & geographic diversity improved with new CCGTs
- Capacity market stability through May 2022

Regulated Growth Plan In Place

Among Highest Regulated Growth Rates

- Rate Base CAGR at 8%-10% (2018-2022) fueled by GSMP I and II, ES I and II, CEF filings, and transmission investment
- At Power, NJ ZECs and PJM Price Formation reforms pending
- Clean Energy Law has investable potential

Financial Strength

Financial Strength Remains Intact

- Stable credit metrics (FFO/Debt, credit ratings) enabling accelerated return of excess deferred taxes will also increase rate base
- Higher 54% equity ratio at PSE&G coming out of rate case
- No new equity needed to finance 2018-2022 capital plan
- Dividend policy: Opportunity for consistent & sustainable growth

SI-SSA-0015-02812

PSEG FINANCIAL APPENDIX

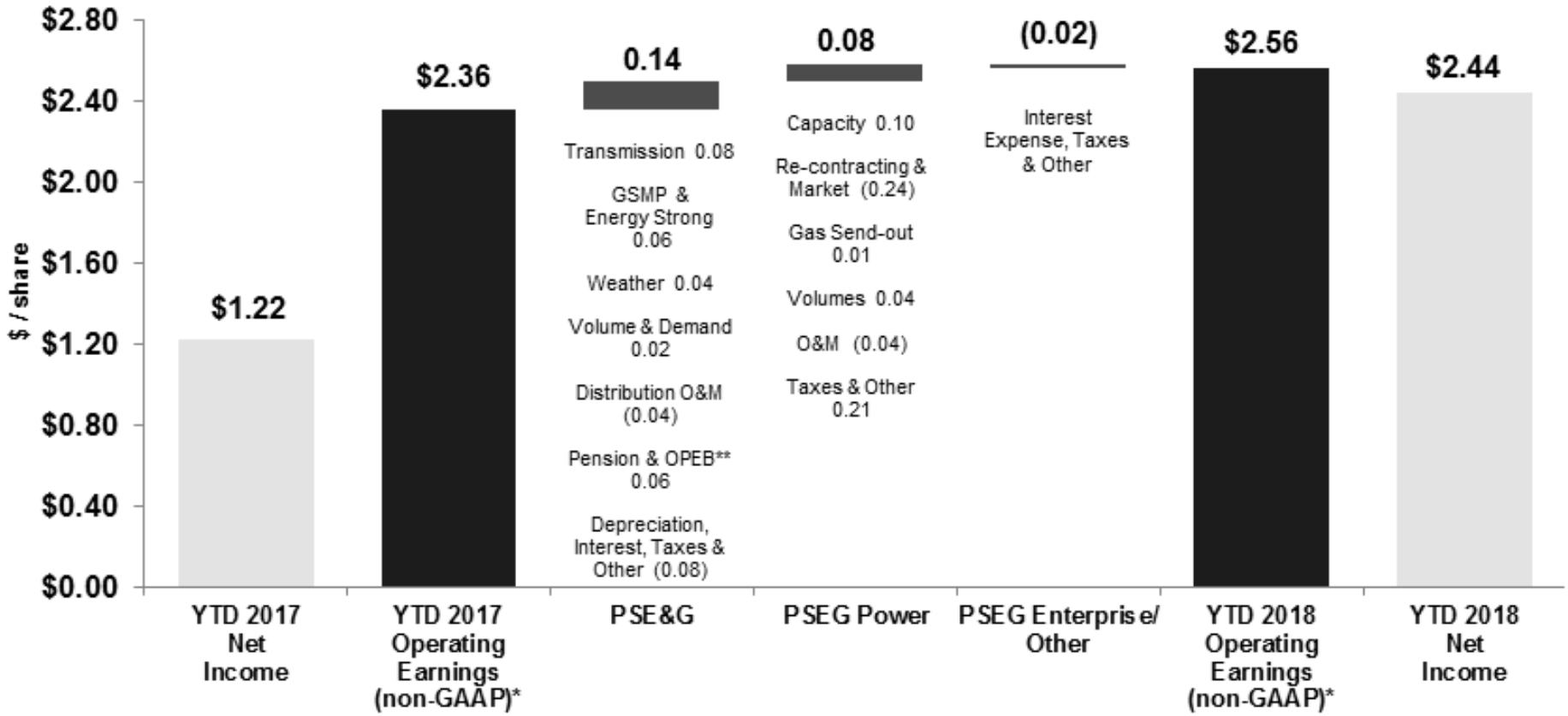
PSEG

We make things work for you.

SI-SSA-0015-02813

PSEG EPS Reconciliation – YTD 2018 versus YTD 2017

Utility investment and tax reform drove year-to-date growth



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS
**REFLECTS THE IMPACT OF NEW ACCOUNTING GUIDANCE EFFECTIVE JANUARY 1, 2018 WHICH NO LONGER ALLOWS CAPITALIZATION OF NON-SERVICE COMPONENTS OF PENSION AND OPEB COSTS AND REQUIRES THE RECLASSIFICATION OF THESE COSTS BELOW OPERATING INCOME.
NOTE: PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – YTD Financial Results by Subsidiary

PSEG YTD EPS Summary – Nine Months ended September 30			
GAAP Net Income/(Loss)	**2018**	**2017**	**Change**
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.79	$ (0.26)	$ 1.05
PSEG Enterprise/Other	$ 0.02	$ (0.01)	$ 0.03
Total PSEG	$ 2.44	$ 1.22	$ 1.22

Non-GAAP Operating Earnings*	**2018**	**2017**	**Change**
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.88	$ 0.80	$ 0.08
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG	$ 2.56	$ 2.36	$ 0.20

*SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, as noted)*

$ Millions (except EPS)	2018E	2017
PSE&G	$1,055 - $1,070	$963
PSEG Power (non-GAAP)*	$465 - $500	$505
PSEG Enterprise/Other	$25 - $25	$20
Operating Earnings (non-GAAP)*	$1,545 - $1,595	$1,488
Operating EPS (non-GAAP)*	**$3.05 - $3.15E**	**$2.93**

Adjusted EBITDA (non-GAAP)*

$ Millions	2018E	2017
PSEG Power	$1,045 - $1,100	$1,172

SI-SSA-0015-02816

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) AND SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) AND ADJUSTED EBITDA (NON-GAAP).
E = ESTIMATE.

PSEG EXECUTIVE PROFILES

SI-SSA-0015-02817

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities, he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented more than 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance, from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters) and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He also is on the advisory board for the University of Pennsylvania's School of Engineering and Applied Sciences Mechanical Engineering and Applied Mechanics Department, a member of the Board of Trustees of the Peddie School and Princeton University's Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at Massachusetts Institute of Technology and the CEO Action for Diversity and Inclusion. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-02818

Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

Mr. Cregg was named NJBIZ 2018 CFO of the Year.

SI-SSA-0015-02819

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 412	$ 395	$ 1,239	$ 618	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	9	3	960	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(18)	(387)	(427)
Tax Reform	-	-	-	-	(745)
Operating Earnings (non-GAAP)	$ 481	$ 417	$ 1,298	$ 1,199	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.81	$ 0.78	$ 2.44	$ 1.22	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.08)	(0.05)	(0.05)	(0.14)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.26	0.09	0.16	-	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.02	0.01	1.89	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	0.03	0.15	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.02)	(0.03)	(0.76)	(0.84)
Tax Reform	-	-	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.95	$ 0.82	$ 2.56	$ 2.36	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and Enterprise/Other

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 278	$ 246	$ 828	$ 753	$ 973
Tax Reform	-	-	-	-	(10)
Operating Earnings (non-GAAP)	$ 278	$ 246	$ 828	$ 753	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	$ 9	$ 13	$ 11	$ (4)	$ 122
Lease Related Activity, pre-tax	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	-	(6)	(32)	(32)
Tax Reform	-	-	-	-	(147)
Operating Earnings (non-GAAP)	$ 9	$ 13	$ 25	$ 41	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	**$ 125**	**$ 136**	**$ 400**	**$ (131)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on MTM, pre-tax [b]	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax	-	9	3	960	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(12)	(355)	(395)
Tax Reform	-	-	-	-	(588)
Operating Earnings (non-GAAP)	**$ 194**	**$ 158**	**$ 445**	**$ 405**	**$ 505**
Depreciation and Amortization, pre-tax [d]	91	77	253	256	333
Interest Expense, pre-tax [d] [e]	29	12	46	40	48
Income Taxes [d]	46	109	139	275	286
Adjusted EBITDA (non-GAAP)	**$ 360**	**$ 356**	**$ 883**	**$ 976**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

SI-SSA-0015-02822

PUBLIC SERVICE ENTERPRISE GROUP

Delivering value by meeting the needs of customers and shareholders

Public Service Enterprise Group (NYSE: PEG) is a publicly traded, diversified energy holding company headquartered in Newark, New Jersey. With total assets of approximately $43 billion, PSEG operates reliable electric and gas transmission and delivery utilities and is among the nation's leading wholesale energy producers. PSEG's three operating subsidiaries are Public Service Electric & Gas (PSE&G), PSEG Power and PSEG Long Island. PSEG is a Fortune 500 company and included in the S&P 500 Index, and was named to the Dow Jones Sustainability Index for the 10th year in a row in 2017.

PSE&G provides electric and gas distribution and transmission service to 2.2 million electric and 1.8 million gas customers in a 2,600 square mile service territory in New Jersey, covering approximately 70% of the state's population. In 2017, PSE&G was recognized as the most reliable utility in the Mid-Atlantic region for the 16th year in a row by PA Consulting, and named Investor Owned Utility of the Year by SEPA (the Smart Electric Power Alliance) for its efforts that add solar power to New Jersey's energy mix. PSEG Power owns a 10,562 megawatt (MW) fleet of diverse, low-cost generating assets predominantly in the Northeast and Mid-Atlantic regions of the United States that are geographically well positioned and environmentally responsible. PSEG Long Island operates the Long Island Power Authority's electric distribution system serving 1.1 million customers primarily in Nassau and Suffolk counties under a 12-year management contract that began in January 2014.

Our business model is working the way it should: Operational excellence is producing the financial strength that allows us to invest in a disciplined way for growth. PSEG's robust 5-year, $13 to $15 billion capital spending forecast will be mainly directed at PSE&G's capital program and the balance dedicated toward completing PSEG Power's construction of three new combined-cycle gas plants that will produce ~1,800 MW of clean, efficient capacity in Maryland, New Jersey, and Connecticut. These units are expected to be in operation mid-2018 (Keys and Sewaren) and mid-2019 (Bridgeport Harbor). We are executing well on our capital investments and our strong balance sheet allows us to pursue additional growth opportunities beyond our current program without the need to issue new equity.

FINANCIAL HIGHLIGHTS

PSEG

Total Assets (as of 12/31/17): $42.7B
Market Capitalization (as of 12/31/17): $26.1B

PSE&G

REGULATED ELECTRIC & GAS T&D
Assets: $28.6B

PSEG Power LLC

WHOLESALE ENERGY
Assets: $12.4B

Year Ended December 31,	2017	2016	2015
($ in millions, except per share data)			
Operating Revenues	$9,084	$9,061	$10,415
Net Income*	$1,574	$887	$1,679
Reconciling Items	($86)	$588	($203)
Operating Earnings (non-GAAP)**	$1,488	$1,475	$1,476
Per Share (Diluted)			
EPS from Net Income*	$3.10	$1.75	$3.30
EPS from Operating Earnings (non-GAAP) **	$2.93	$2.90	$2.91
Net Income/(Loss) Contribution by Subsidiary ($ in millions)			
PSE&G	$973	$889	$787
PSEG Power	479	18	856
PSEG Enterprise/Other	122	(20)	36
Operating Earnings (non-GAAP) Contribution by Subsidiary ($ in millions)**			
PSE&G	$963	$889	$787
PSEG Power	505	514	653
PSEG Enterprise/Other	20	72	36
Stock Performance – Price Per Share			
High	$53.28	$47.41	$44.45
Low	41.67	37.85	36.80
Year-End	51.50	43.88	38.69
Other Shareholder Information			
Common Dividend Paid Per Share	$1.72	$1.64	$1.56
Book Value Per Share	$27.45	$26.01	$25.86
Total Shareholder Return	21.8%	17.8%	-2.8%
Shares Outstanding (in millions)	**507**	**508**	**508**
Debt to Capital (%)	50	47	43
Number of Employees	**12.945**	**13,065**	**13,025**

*Includes after-tax expenses of $577 million (in 2017) and $396 million (in 2016) related to the early retirement of PSEG Power's Hudson and Mercer generating stations in June 2017 and after-tax charges totaling $45 million (in 2017) and $92 million (in 2016) related to investments in NRG REMA, LLC leveraged leases. **See items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) on Page 2.

THIS DOCUMENT CONTAINS FORWARD-LOOKING INFORMATION. ACTUAL RESULTS MAY DIFFER FROM THOSE ANTICIPATED. INFORMATION DESCRIBING THE SIGNIFICANT FACTORS THAT COULD CAUSE RESULTS TO DIFFER FROM THOSE ANTICIPATED ARE DESCRIBED IN PUBLIC SERVICE ENTERPRISE GROUP'S FILINGS WITH THE SEC, WHICH ARE AVAILABLE ON OUR WEBSITE HTTPS://INVESTOR.PSEG.COM. INFORMATION PROVIDED IS AS OF MARCH 29, 2018, ANY FORWARD–LOOKING STATEMENTS INCLUDED HEREIN REPRESENT OUR ESTIMATES AS OF THIS DATE, AND WE DISCLAIM ANY OBLIGATION TO UPDATE THE INFORMATION PROVIDED.

GAAP Disclaimer

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015
	($ millions, Unaudited)		
Net Income (Loss)	$ 1,574	$ 887	$ 1,679
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150
Tax Reform	(745)	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508
	$ Per Share Impact - Diluted, Unaudited		
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31
Tax Reform	(1.47)	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91

(a) Includes the financial impact from positions with forward delivery months.
combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015
	($ millions, Unaudited)		
Net Income (Loss)	$ 973	$ 889	$ 787
Tax Reform	(10)	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015
	($ millions, Unaudited)		
Net Income (Loss)	$ 479	$ 18	$ 856
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150
Tax Reform	(588)	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015
	($ millions, Unaudited)		
Net Income (Loss)	$ 122	$ (20)	$ 36
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-
Tax Reform	(147)	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group
80 Park Plaza, Newark, NJ 07102
Investor Relations: 973.430.6565
https://investor.pseg.com

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2018 PSEG Investor Conference
New York Stock Exchange • May 31, 2018

PSEG

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-02826

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-02827

2018 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
Regulatory & Policy Overview	Tamara Linde
Q&A Session	
PSE&G	Dave Daly
Q&A Session	
Break	
PSEG Power	Ralph LaRossa
Q&A Session	
Financial Review & Outlook	Daniel Cregg
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-02828

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-02829

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Promoting Sound Energy Policy

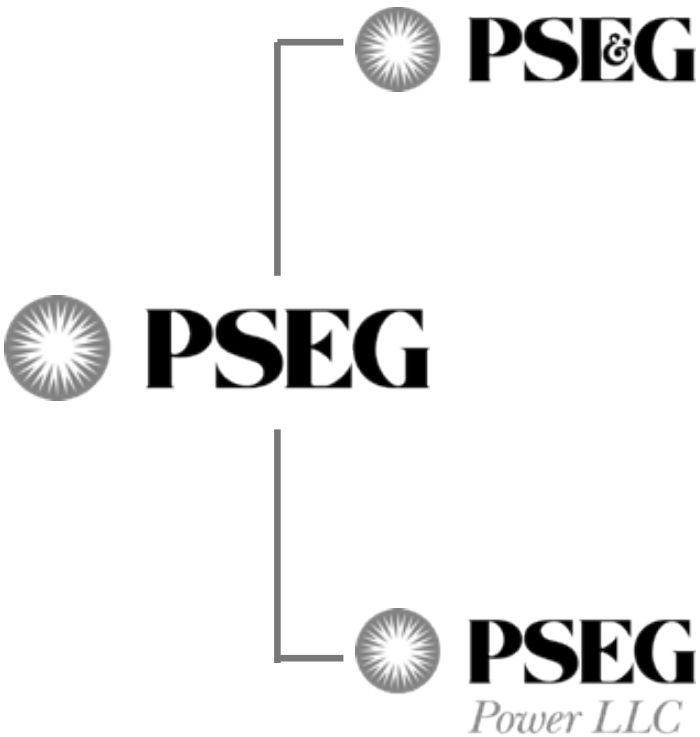
115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

SI-SSA-0015-02830

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $15.5 Billion infrastructure program expected to produce **8%-10%** annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

SI-SSA-0015-02831

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments, realizing growth

Operational Excellence

- PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region
- PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position
- PSEG Long Island: Improved customer service and reliability while managing costs
- PSEG: Maintaining focus on efficiency, resiliency, and ESG (environmental, social and governance)

Financial Strength

- 2018 non-GAAP Operating Earnings guidance of $3.00-$3.20 per share, +6% from $2.93 in 2017*
- Cash flows and business mix support credit ratings and ability to fully fund robust investment pipeline without the need to issue new equity
- PSEG is a net beneficiary of recent tax legislation
- Increased indicated common dividend by 4.7% to $1.80 per share in February 2018 – the 14th increase in the last 15 years

Disciplined Investment

- PSE&G capital program drives continued rate base growth over 2018-2022 with investments in Transmission, Electric & Gas Distribution, and Clean Energy
- Plans for additional investment in Energy Efficiency and increased use of technology to improve communication between Distribution Infrastructure and customers
- Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, improves fleet efficiency and geographic diversity

SI-SSA-0015-02832

* BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE. SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

SI-SSA-0015-02833

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

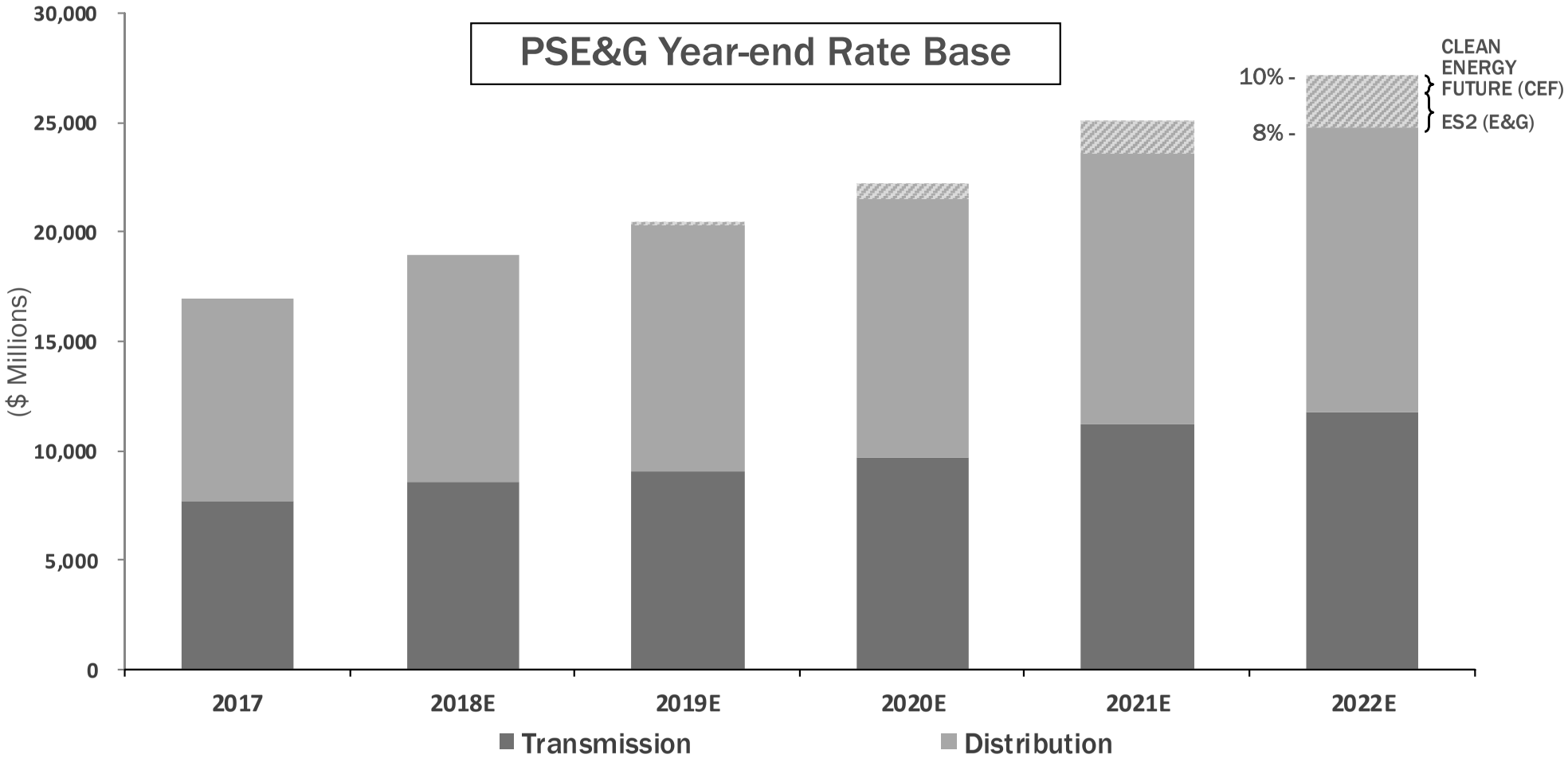
2018	PSEG 5-Year Capital Investment Program $14B - $17B

- ✓ Investing $12 Billion-$15.5 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-02834

Expanded utility investment program of $12B - $15.5B provides opportunity for rate base growth of 8% - 10%



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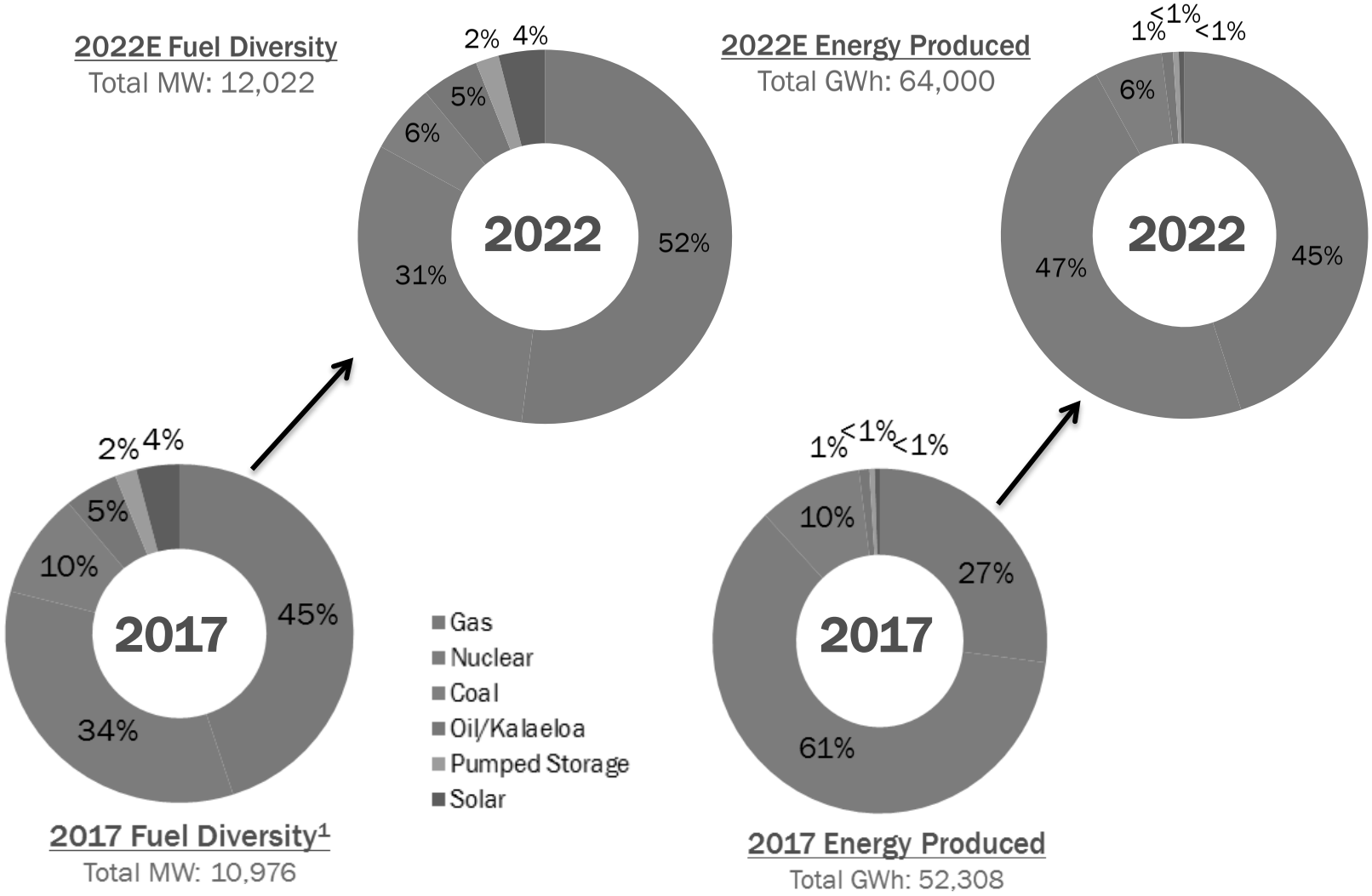
E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-02836

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ Starts a 330-Day process – NJ Board of Public Utilities to determine eligibility and selection of nuclear plants eligible for ZECs
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-02837

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication; AMI Regulated Renewables

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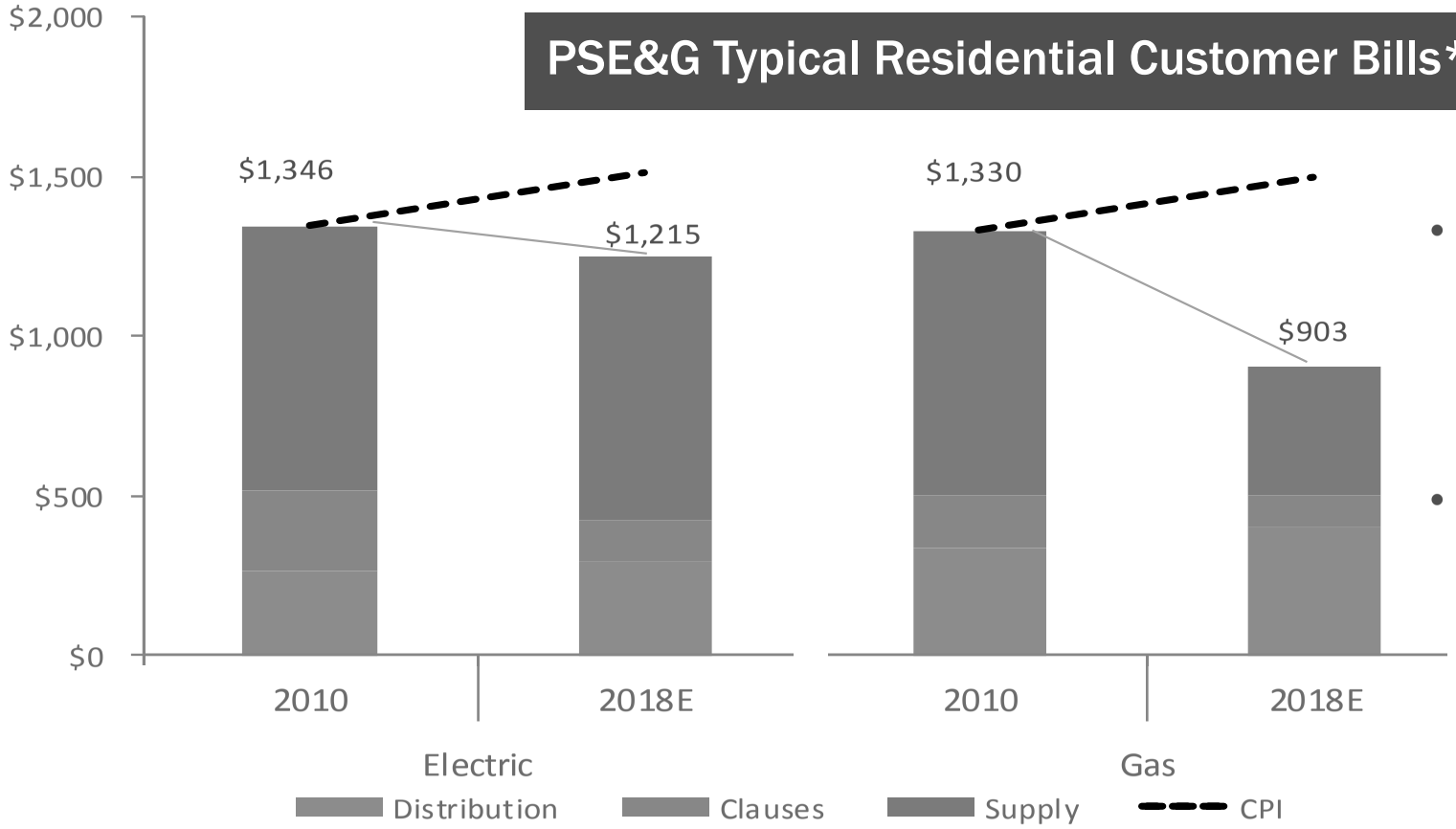
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

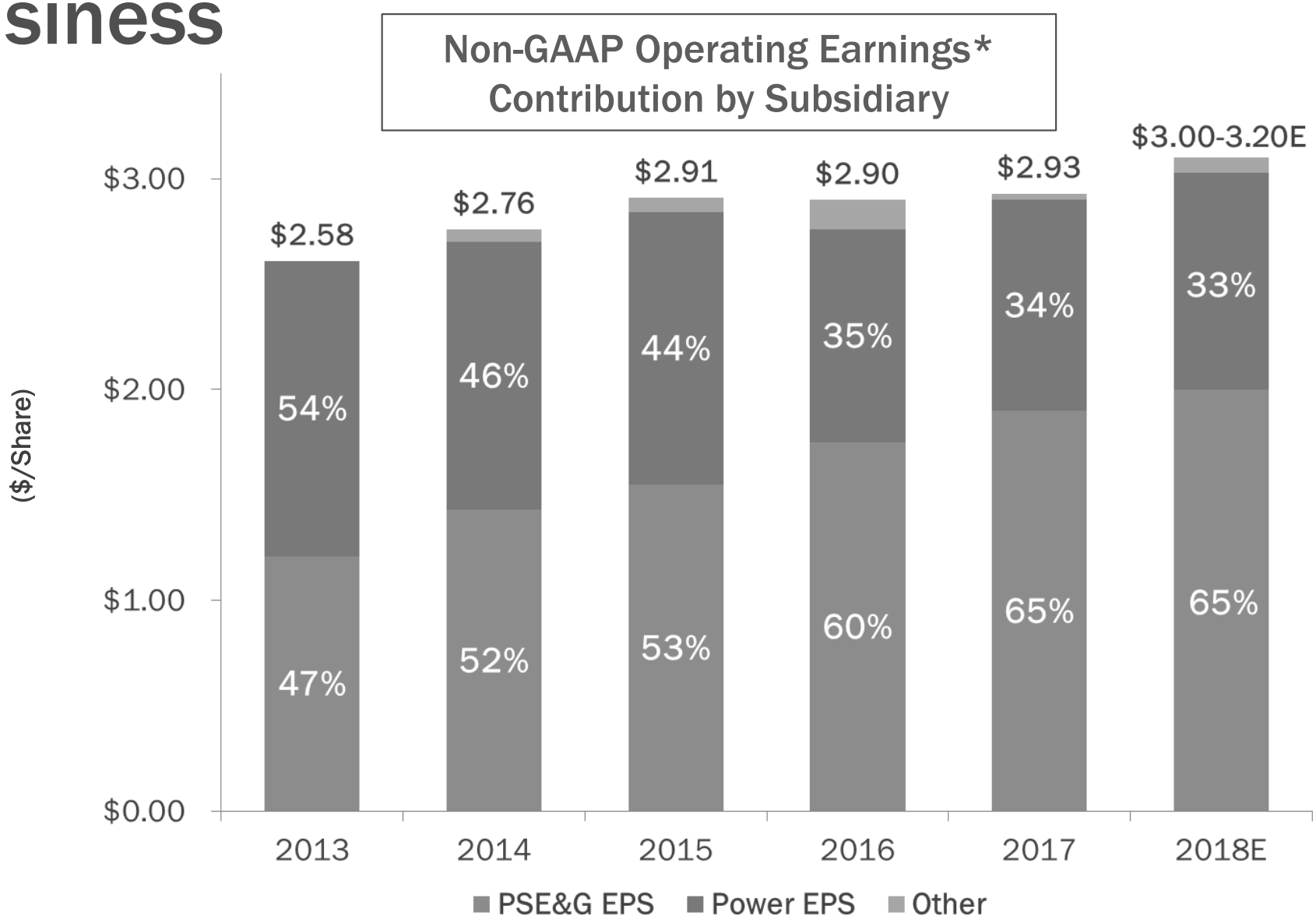
- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

SI-SSA-0015-02839

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Strategic focus generating growth in earnings with increased contribution from regulated business



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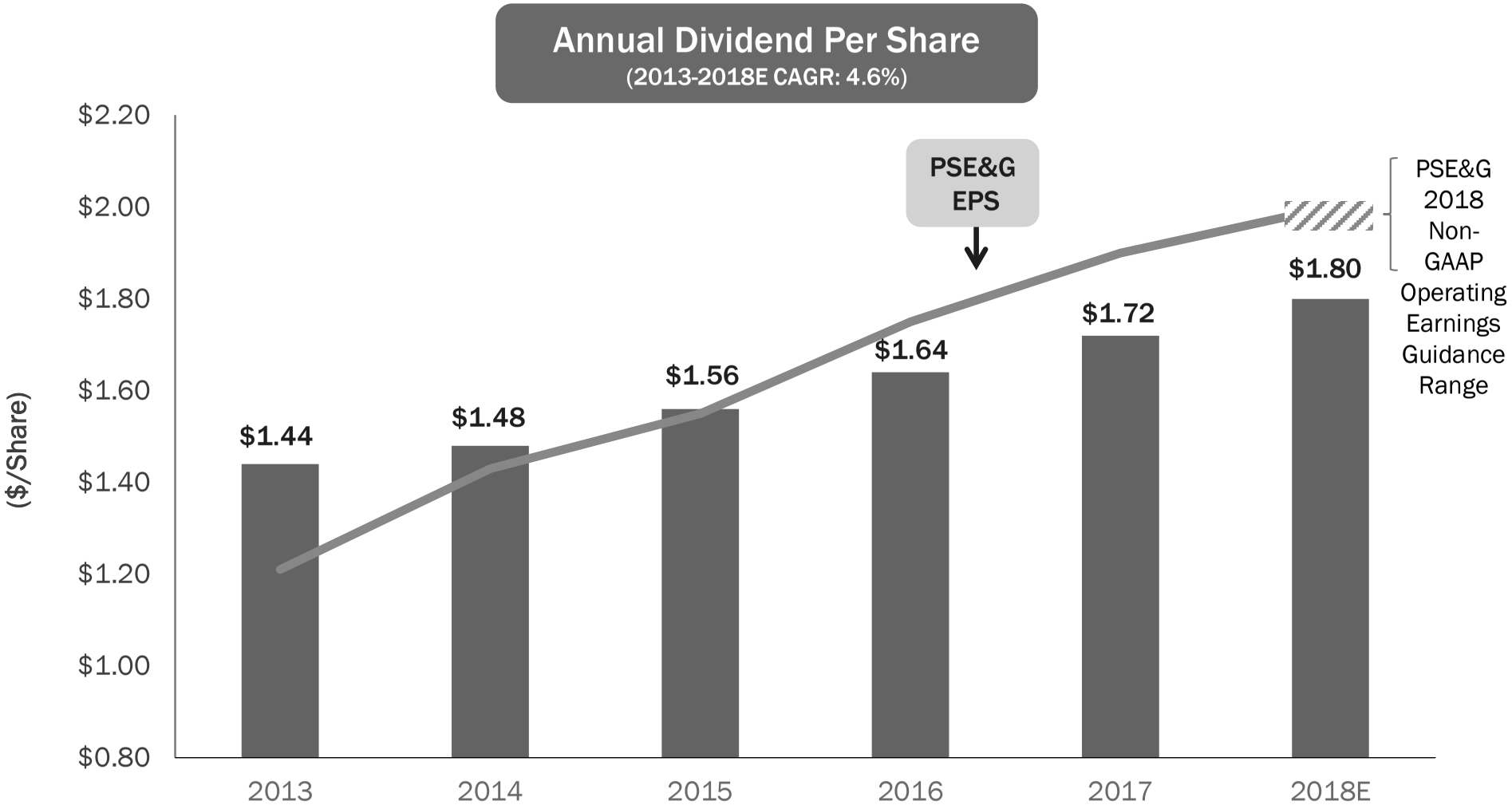
PSEG

*SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-02841

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels
- ✓ Named to the Dow Jones North America Sustainability Index for over a decade
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-02842

PSEG's commitment to its many stakeholders is widely recognized

Industry

POWERGRID INTERNATIONAL

Grid Optimization Project of the Year
Energy Strong - Advanced Technologies
D-SCADA Program - PSE&G (2018)

Long Island BusinessNEWS

Corporate Citizen of the Year, Large Business – PSEGLI (2017)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 16th consecutive year (2017)

POWER

Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

Smart Electric Power Alliance

Utility of the Year by SEPA - Solar 4 All (2017)

Employer

American Cancer Society®

Breast Cancer Walk Highest # of Participants PSEG LI - (2017)

20% BY 2020 WOMEN ON BOARDS

Recognized for Diversity by 2020 Women on Boards (2017)

Forbes | 2018 THE BEST EMPLOYERS for DIVERSITY POWERED BY STATISTA

America's Best Employers List (2018)

CIANJ

Commerce & Industry Association of NJ award Approved Employer by STEM Jobs (2017)

MARCH OF DIMES

March of Dimes Corporate Hero (2017)

MILITARY FRIENDLY® MF'18 AWARD EMPLOYER

Military-friendly employer (2018)

Business

PUBLIC UTILITIES FORTNIGHTLY "In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 10th consecutive year (2017)

FORTUNE WORLD'S MOST ADMIRED COMPANIES® 2017

Ranked 8th among electric and gas companies in the United States (2017)

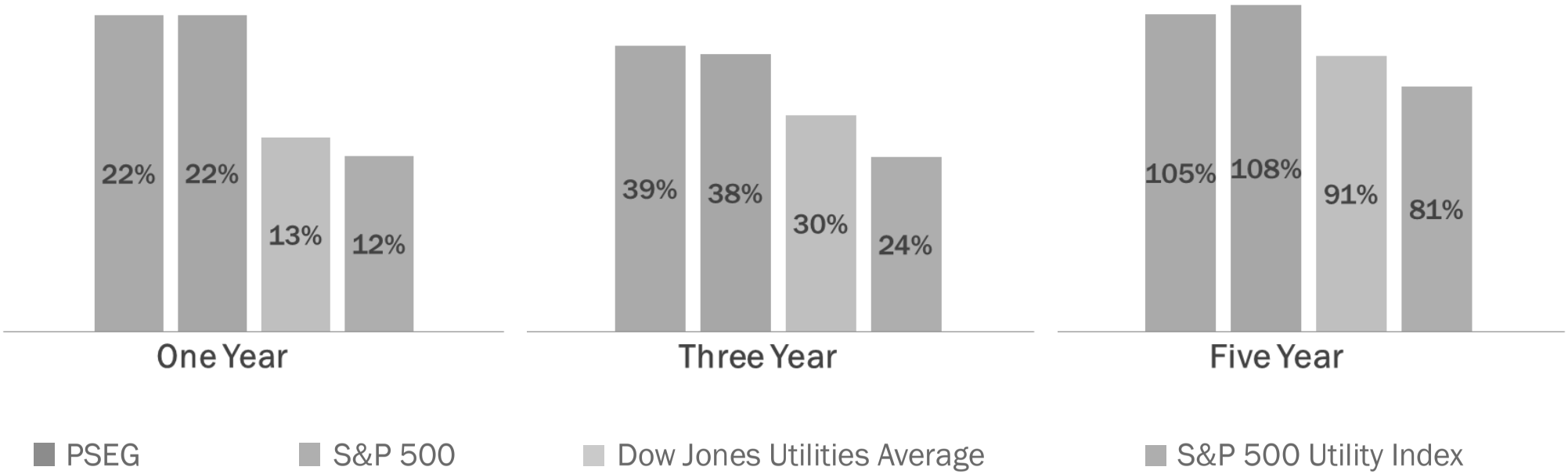
Forbes AMERICA'S MOST JUST COMPANIES JUST 2016

America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-02843

Successful execution of PSEG strategy recognized by the market

PSEG Comparative Market Performance
1/3/5 year Total Shareholder Returns
(For the periods ended December 31, 2017)



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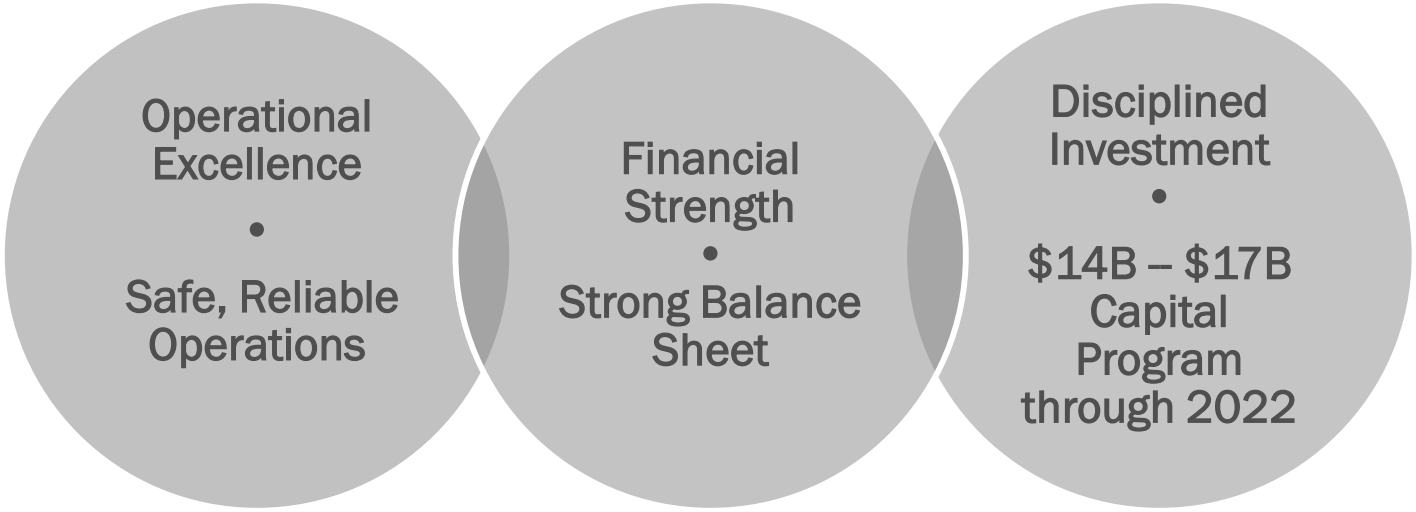
PSEG Value Proposition



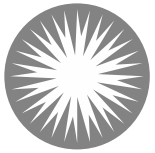
- PSE&G – Delivering on promise for rate base growth through safe operations, customer satisfaction, and disciplined investment
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-02845

PSEG STRATEGY: REVIEW OF REGULATORY AND POLICY INITIATIVES

Tammy Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL



PSEG

We make things work for you.

SI-SSA-0015-02846

Pursuing Critically Needed Market Reforms

Supporting NJ's Energy Agenda

Preserving NJ's Nuclear Energy

Infrastructure Investment Program Supports PSE&G Reliability & Resiliency

NJ Base Rate Case First Since 2010 has Modest 3% Request

PSEG

SI-SSA-0015-02847

Pursuing regulatory policies supporting investment and delivery of clean, affordable and resilient energy supply

What We Discussed in 2017		Results to Date 2018
NJ Distribution Base Rate Case	→	Progressing on filing schedule
Long-Term Infrastructure Regulatory Reform	→	Adopted January 2018; Model for GSMP II and future filings
Properly Value Nuclear Supply	→	Governor Murphy signed bill on May 23; Regulatory process now begins
Pursuit of Price Reform in Wholesale Energy Market	→	Underway at FERC and PJM

SI-SSA-0015-02848

PSE&G Base Rate Filing: A path to long-term rate stability

Base rate case filed January 2018 and updated in May 2018, calls for an overall increase in electric and gas revenue of 3%

Requested Amounts	Electric	Gas
Revenue Increase	$134 Million	$108 Million
Rate Base	$5.7 Billion	$4.2 Billion

- First base rate request since 2010
- Filing updated to reflect the April 1, 2018 rate reduction associated with decline in the federal corporate tax rate; Net of tax benefits, request is 1%
- Seeks return on and of increased levels of investment in rate base
- Incorporates an electric revenue de-coupling mechanism to support investments in energy efficiency
- Requests a change in depreciation
- Effect of Tax Reform on cash flow further supports capital structure request
- Schedule calls for Rate Counsel and other intervenors to file testimony July 2018; Hearings are scheduled for September - October 2018; Expect a decision in Q4 2018

SI-SSA-0015-02849

NJ addresses investment in energy infrastructure; Streamlined process reduces regulatory lag

Infrastructure Investment Program (IIP) Recovery Mechanism

- Adopted by NJBPU January 2018, streamlines regulatory planning process for long-term infrastructure programs related to safety, reliability and/or resiliency
- Endorses accelerated recovery of investment over and above baseline spend levels, reducing regulatory lag
- Program term not to exceed 5 years with nexus to base rate case at the end of the term

Gas System Modernization Program II

- NJBPU approved agreement May 22
- Provides $1.9 Billion to be invested over five years beginning 2019
- Clause mechanism provides semi-annual recovery of 84% ($315M) of annual spend
- ROE to be set in pending base rate review
- PSE&G will file a base rate case within five years of starting GSMP II

Energy Strong II Filing

- Expect to file with NJBPU shortly
- Extension and expansion of $1.2 Billion Energy Strong program
- Upgrading/hardening of substations
- Strengthen Gas system resiliency
- Grid modernization

SI-SSA-0015-02850

Broad based benefits from properly valuing nuclear…

- Seeks fair compensation for the environmental attributes of at-risk nuclear generating plants
- Bill approved by NJ Legislature on April 12, and signed by NJ Governor on May 23; NJBPU has 330 days to determine eligibility and select which nuclear power plants have been chosen to receive Zero Emission Certificates (ZEC)
- Would require NJ utilities to purchase ZECs from eligible nuclear plants at $0.004 per KWh on retail distribution customers (approximately $300 Million/year)
- NJBPU will rank nuclear plants based on assessment of financial need in addition to its impact on fuel diversity, air quality, and other environmental attributes to determine ZEC eligibility
- Eligible nuclear plants must be licensed to operate beyond 2030 and be located in PJM
- Opportunity to preserve a highly reliable, zero carbon generation resource as part of a diverse energy grid

SI-SSA-0015-02851

...As NJ advances a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

SI-SSA-0015-02852

PSEG Engaged in Wholesale Energy Market Reform … process moving slowly

Federal Energy Regulatory Commission (FERC)

- PSEG Power is an active participant in dialogue at FERC to expand the definition of resiliency to incorporate the impact on the bulk electric system from a loss of fuel diversity associated with the potential retirement of nuclear generation
- FERC is examining ISO efforts to ensure resilience of the bulk electric system

PJM Independent System Operator

- PSEG Power is an active participant in PJM discussions to improve price recognition of the cost of meeting demand and PJM stakeholder process on resiliency/ valuing fuel security
- FERC is pushing ISOs to improve market constructs and rules on energy pricing

  → Fast start pricing reform expected in 2018
- PSEG Power is an active participant in capacity market proceedings at PJM/FERC that integrate state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-02853

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filing Shortly

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage and EVs

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform expected in 2018

SI-SSA-0015-02854

PSEG Value Proposition

- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth

SI-SSA-0015-02855

PSE&G

Dave Daly

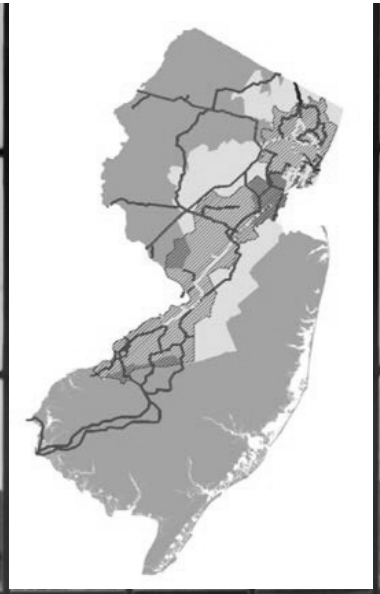
PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

CHAIRMAN OF THE BOARD, PSEG LONG ISLAND

PSEG

We make things work for you.

Named Most Reliable Electric Utility in The Mid-Atlantic Region for **16th** Consecutive Year



$6.2B of 2017 Revenue

~$1 Billion of 2017 Net Income

Supportive State Regulatory Environment

Approved **17** Programs Over Past **9** Years

5-Year Compound Annual Growth of **13%** in Net Income and Rate Base

Leader in NJ Clean Energy Investment

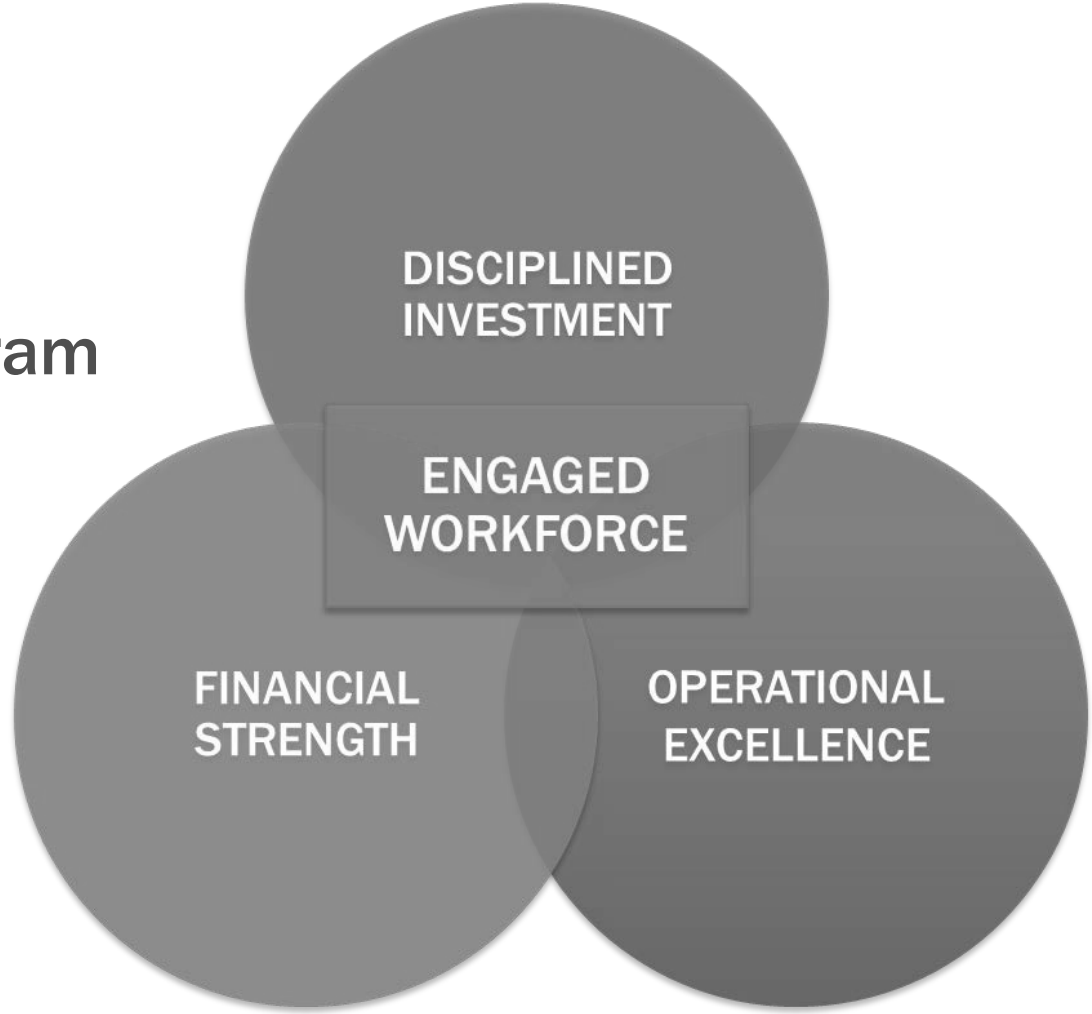
PSEG

SI-SSA-0015-02857

PSE&G Strategy: Building a sustainable platform that balances reliability, customer rates and public policy, realizing growth at reasonable returns

Discussion Topics

- Capital investment program
- Operational excellence
- Customer rates



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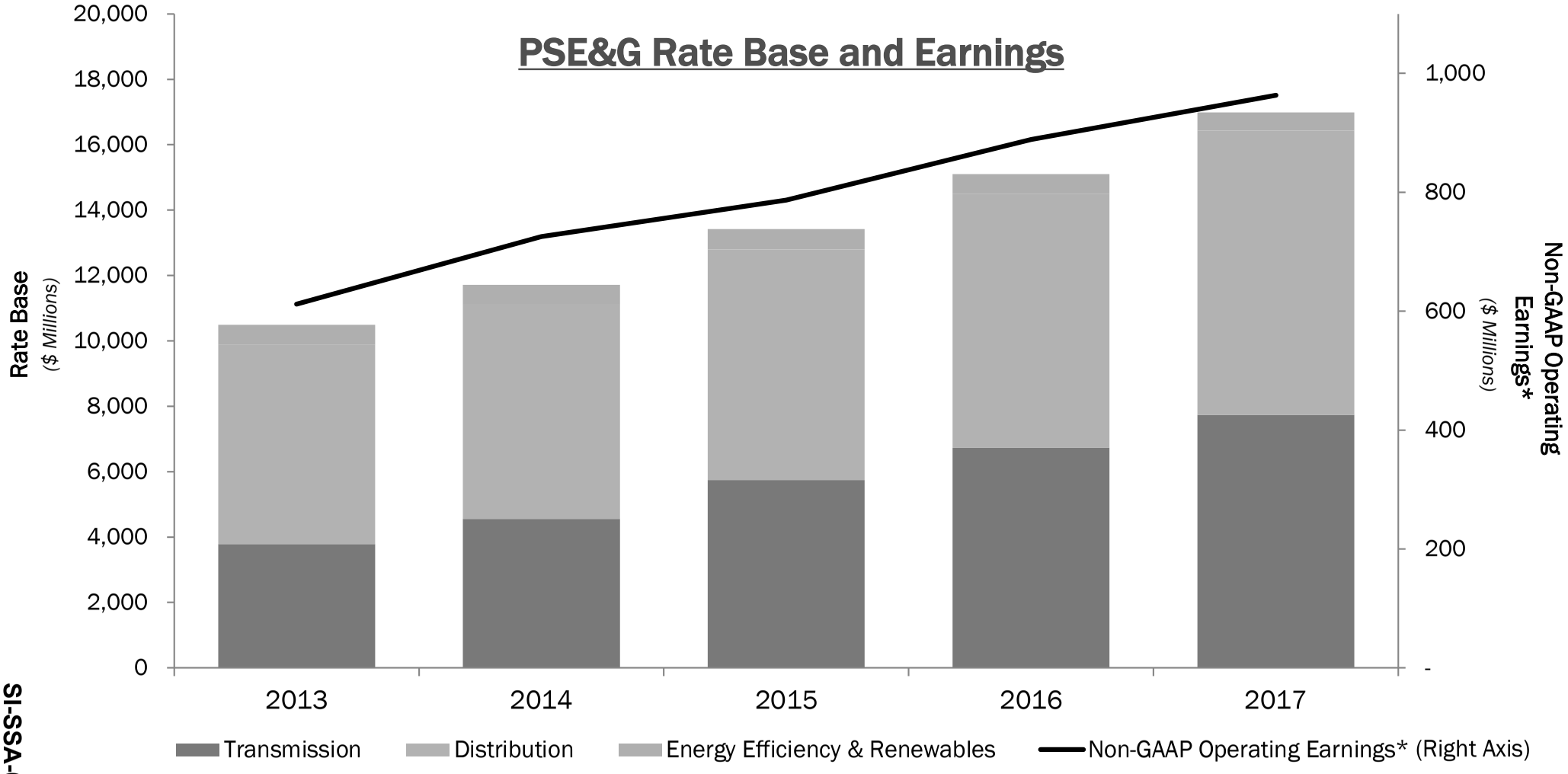
~$14B investment program delivered benefits to New Jersey and delivered 13% annual compound growth of rate base and earnings

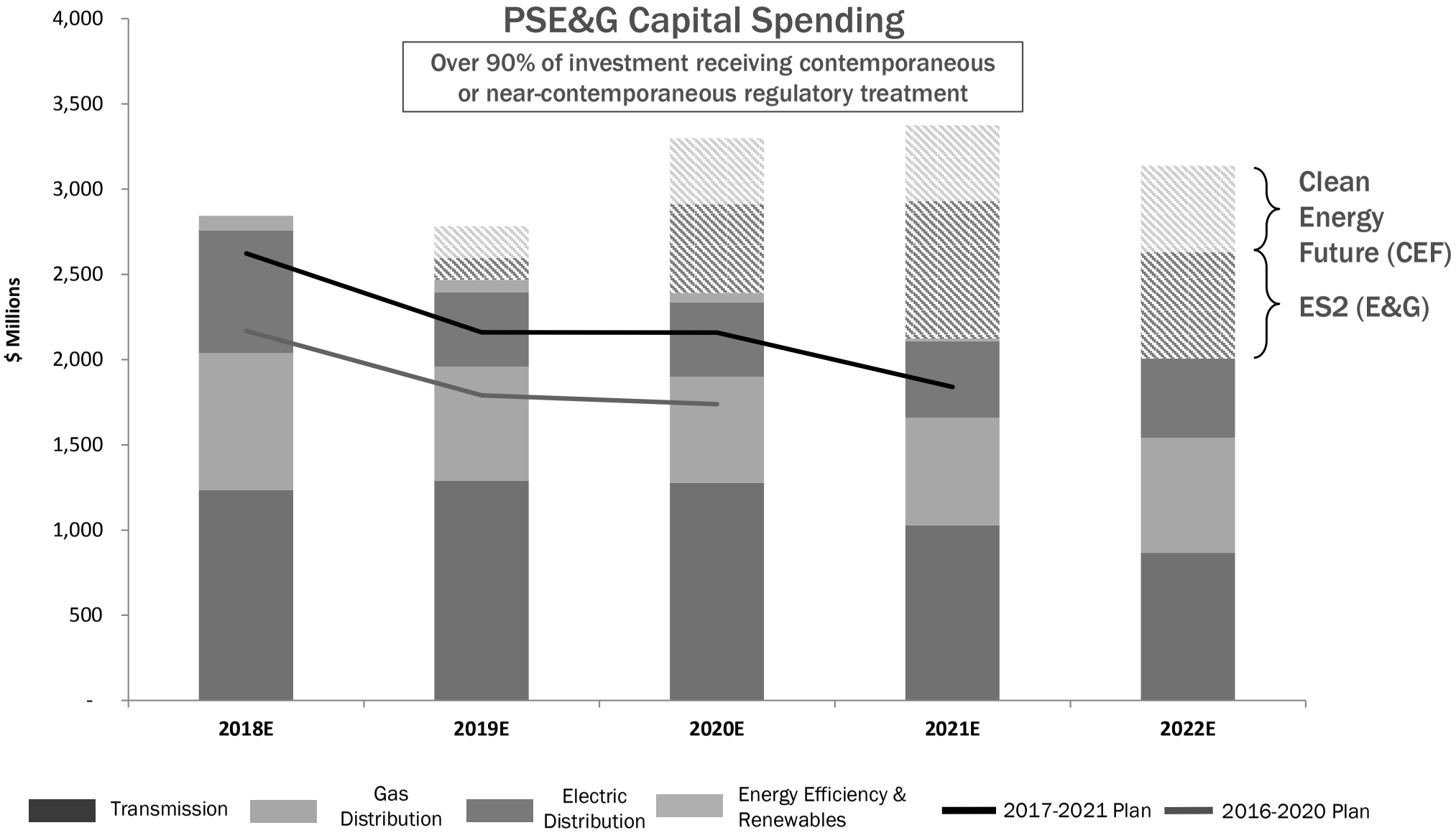


Our rate base is roughly balanced between federal and state jurisdictions

SI-SSA-0015-02859

* SEE SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSE&G

$12B-$15.5B investment program focused on grid modernization, reliability and clean energy



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-02860

Transmission: ~$6 Billion investment program focused on enhancing reliability and resiliency, and replacing aging infrastructure

Forward-looking Formula Rate recovery of capital and expenses

PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability

- **Reliability Criteria Violations:** upgrades to relieve network overloads
- **Transmission Hardening:** enhancements to system resiliency
- **Transmission Lifecycle:** asset end-of-life replacements to maintain system integrity
- **69kV System:** upgrades for system reliability and capacity for future load growth

SI-SSA-0015-02861

Gas Distribution: ~$3 Billion investment program focused on modernizing and replacing cast iron and unprotected steel main

GSMP I Program Delivered

- **Customer service**
  - Conversion from low to high pressure
  - Relocate inside meter sets outside
- **Environmental Collaboration** to consider methane leaks in work prioritization
- **Replaced >200 miles** in both 2016 and 2017

GSMP II program provides for replacement of 875 miles over five years

- $1.9 Billion investment beginning in 2019
- $1.6 Billion recovered through clause
- Improved terms, includes semi-annual recovery

Base capital and new business >$1 Billion over five years

SI-SSA-0015-02862

Electric Distribution and Energy Strong:

$3–$4 Billion of investments focused on reliability and resiliency

Energy Strong Program delivered reliability improvements through remote automation, communication and control; elevated sub-stations

- $1 Billion program will be completed in 2018

Energy Strong II program will request to invest ~$2.5 Billion

- **$1.5 Billion Electric:** Continuation of infrastructure programs
  - **Hardening** – raise 16 stations in flood zones, pole and circuit upgrades, and smart grid reclosers
  - **Aging Infrastructure** – lifecycle projects at 84 substations with an average age of 73 years
  - **Technology** – advanced distribution management system (ADMS) and fiber/mesh communication network
- **$1 Billion Gas:** Resiliency and lifecycle projects

Base capital and new business ~$2 Billion over five years

Before

After

SI-SSA-0015-02863

Partnership for a Clean Energy Future:

~$2.9 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

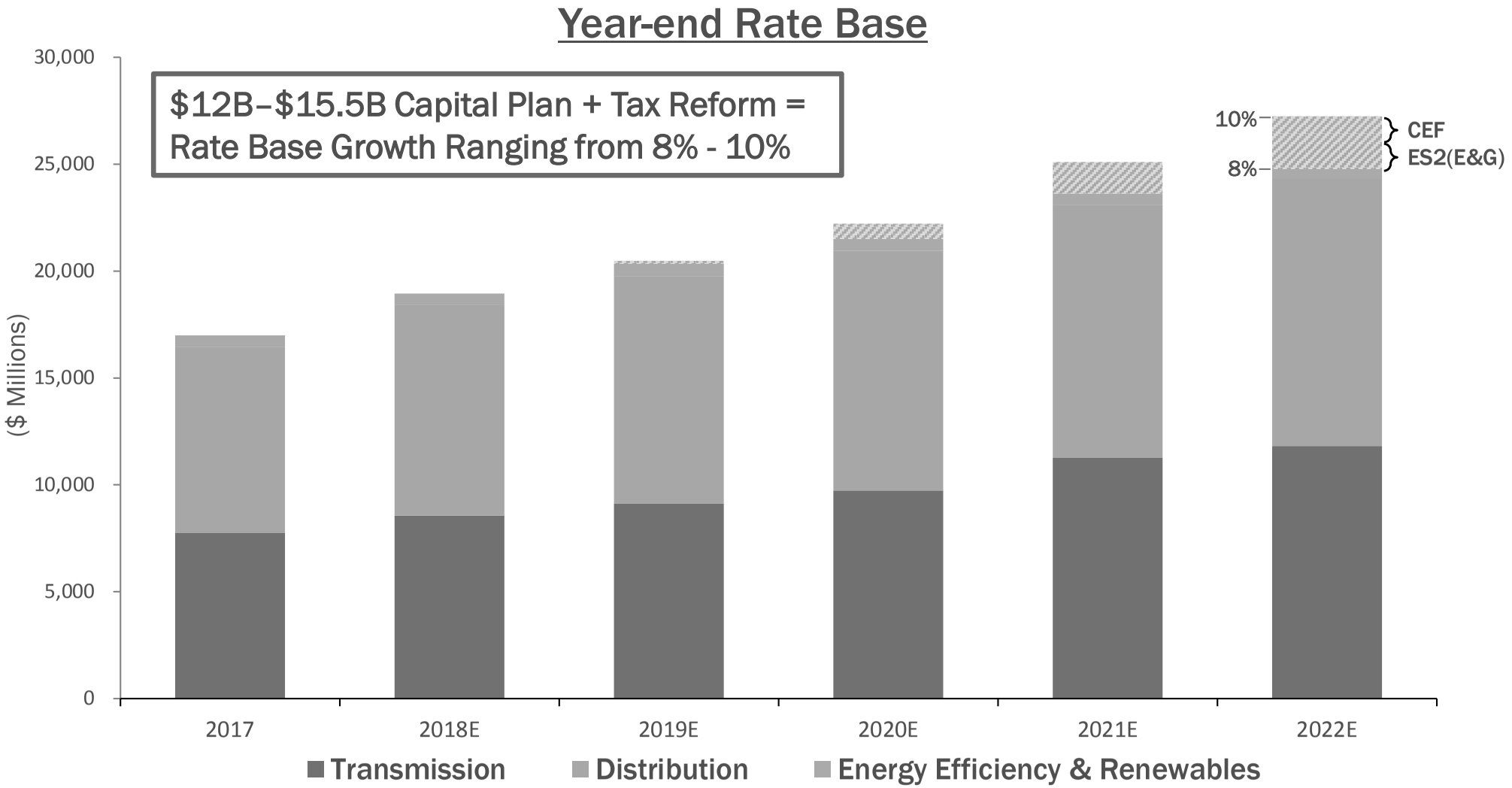
- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Battery Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Battery Storage	$0.1
Investment Total	$2.9

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of decoupling
- Expect to file in the near-term

SI-SSA-0015-02864

Investment programs provide opportunity for rate base growth

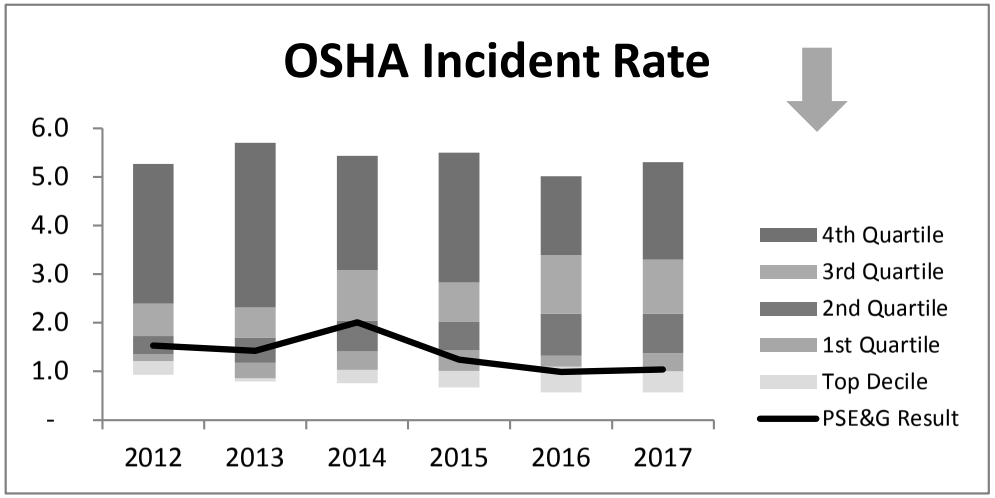


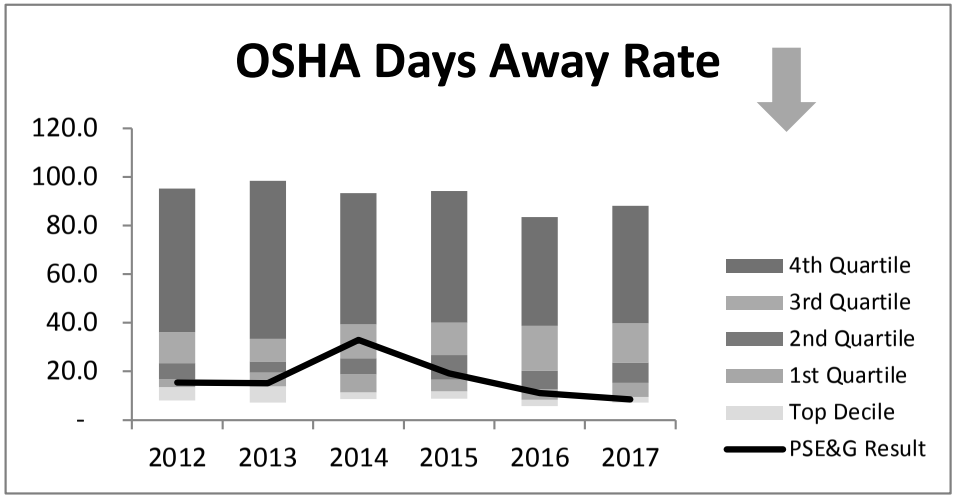
E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-02865

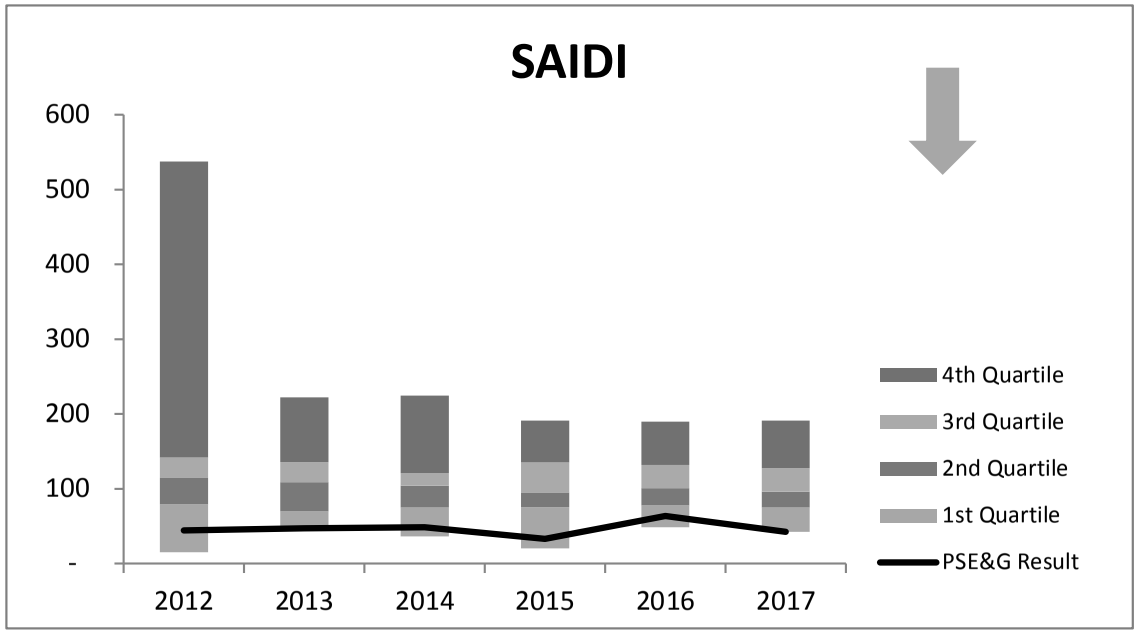
Operational Excellence: Safety & Reliability

Top decile safety performance in 2016 & 2017





PSE&G's System performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been ranked among the best performers



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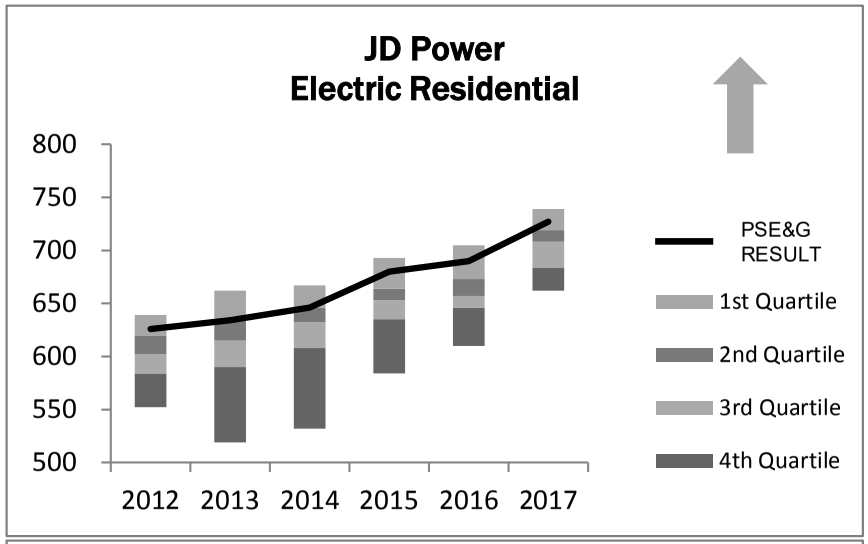
PSEG

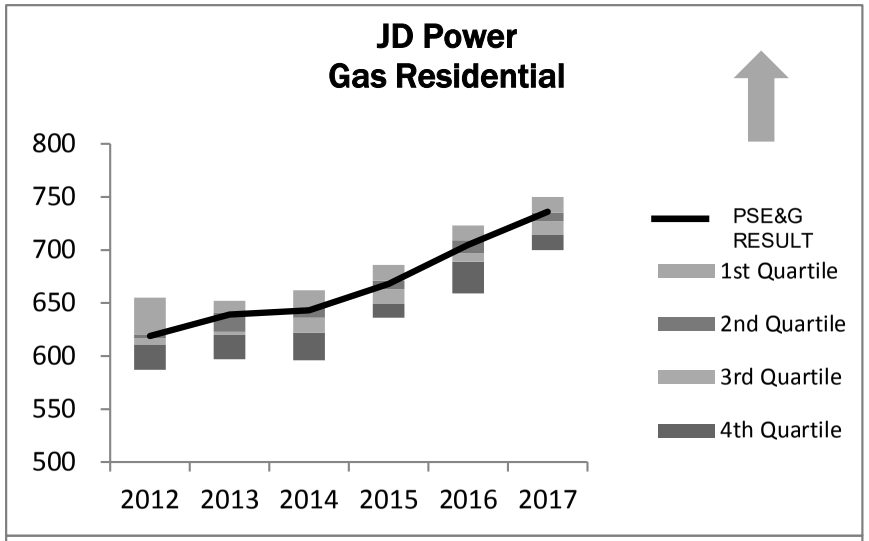
SOURCE: PSE&G

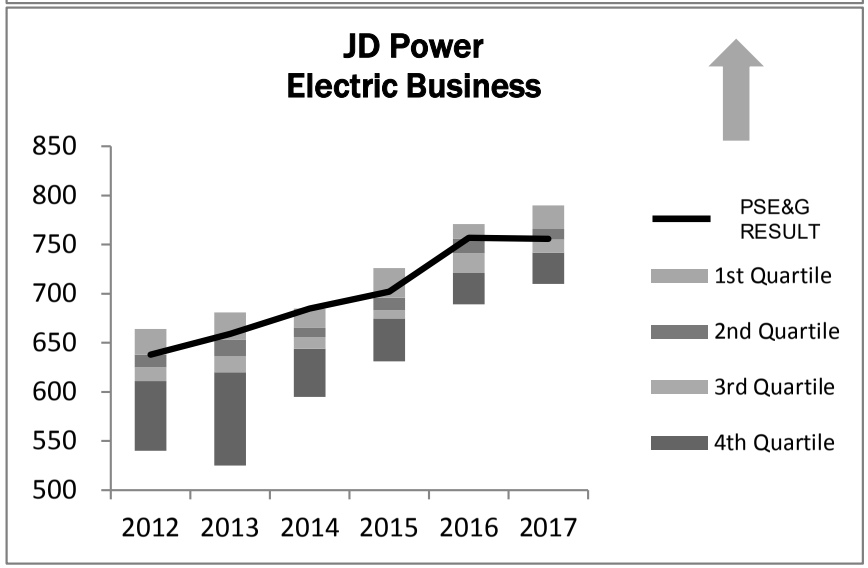
Operational Excellence: Customer Satisfaction

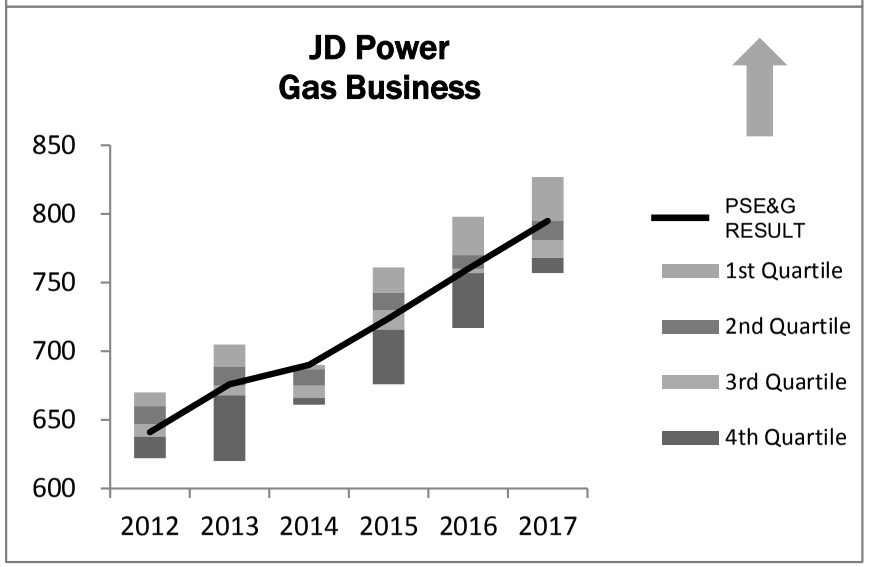
Achieved top quartile performance in 2017

JD Power Residential and Business Scores



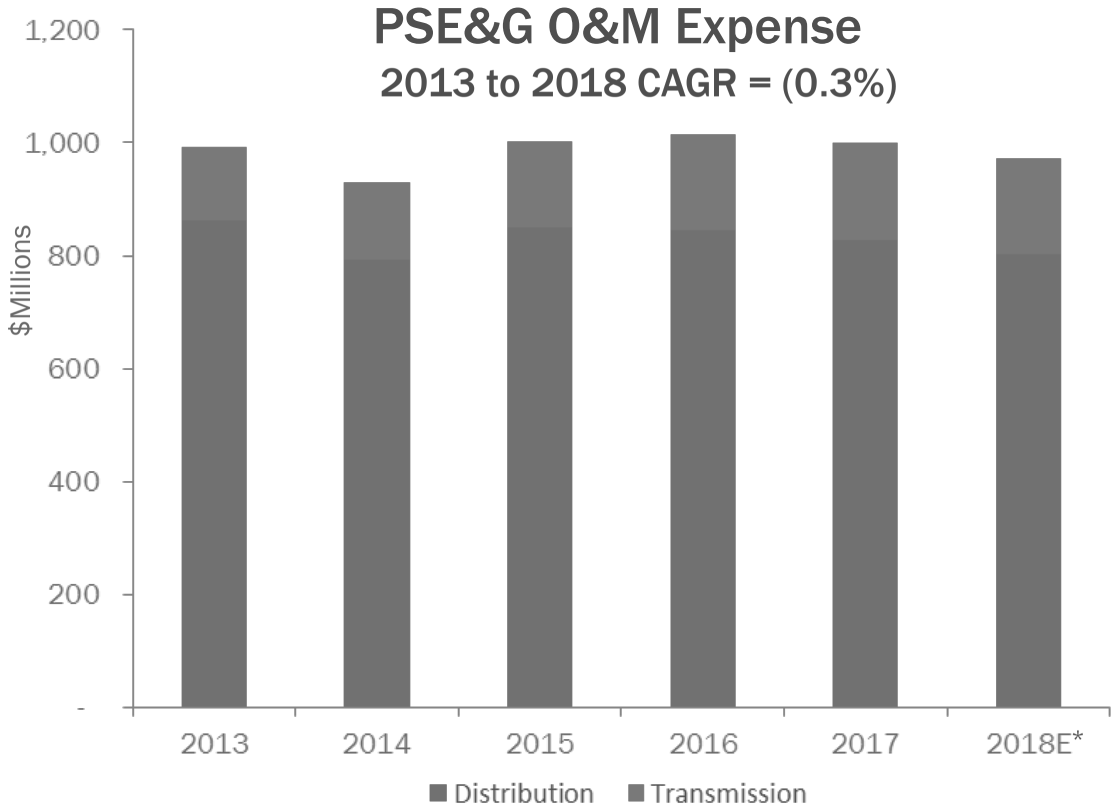






SOURCE: PSE&G

Operational Excellence: Demonstrated ability to contain growth in O&M



Ongoing focus on controlling costs:

- Keeps customer rates down
- Preserves earnings and returns

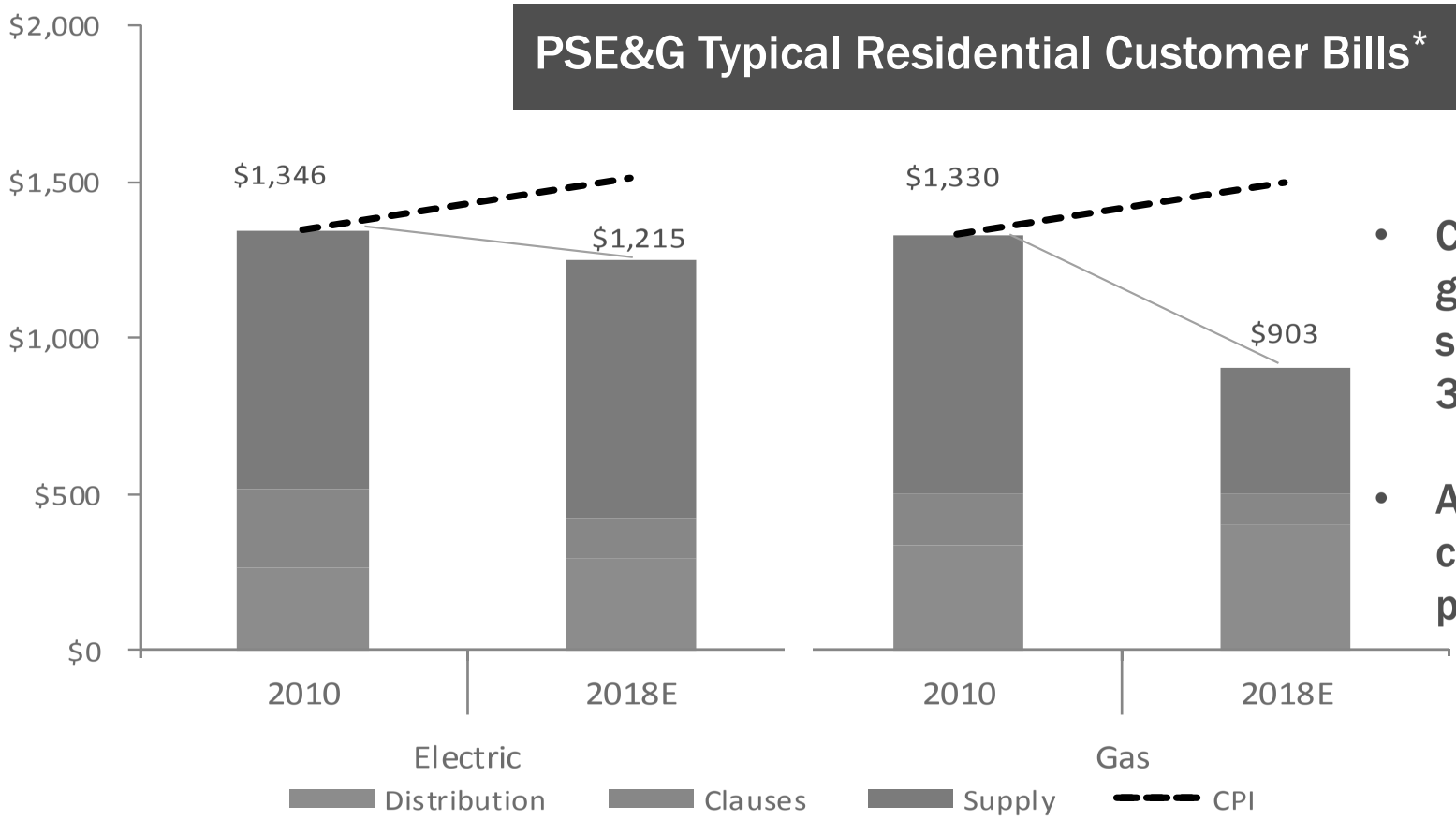
Cost control actions:

- 'Best practices' teams focused on improving performance while managing costs
- Regular organizational refinement to streamline processes
- Continued focus on vendors to ensure maximum value
- Successful management of pension

SI-SSA-0015-02868

E = ESTIMATE
*2018 INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS.

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

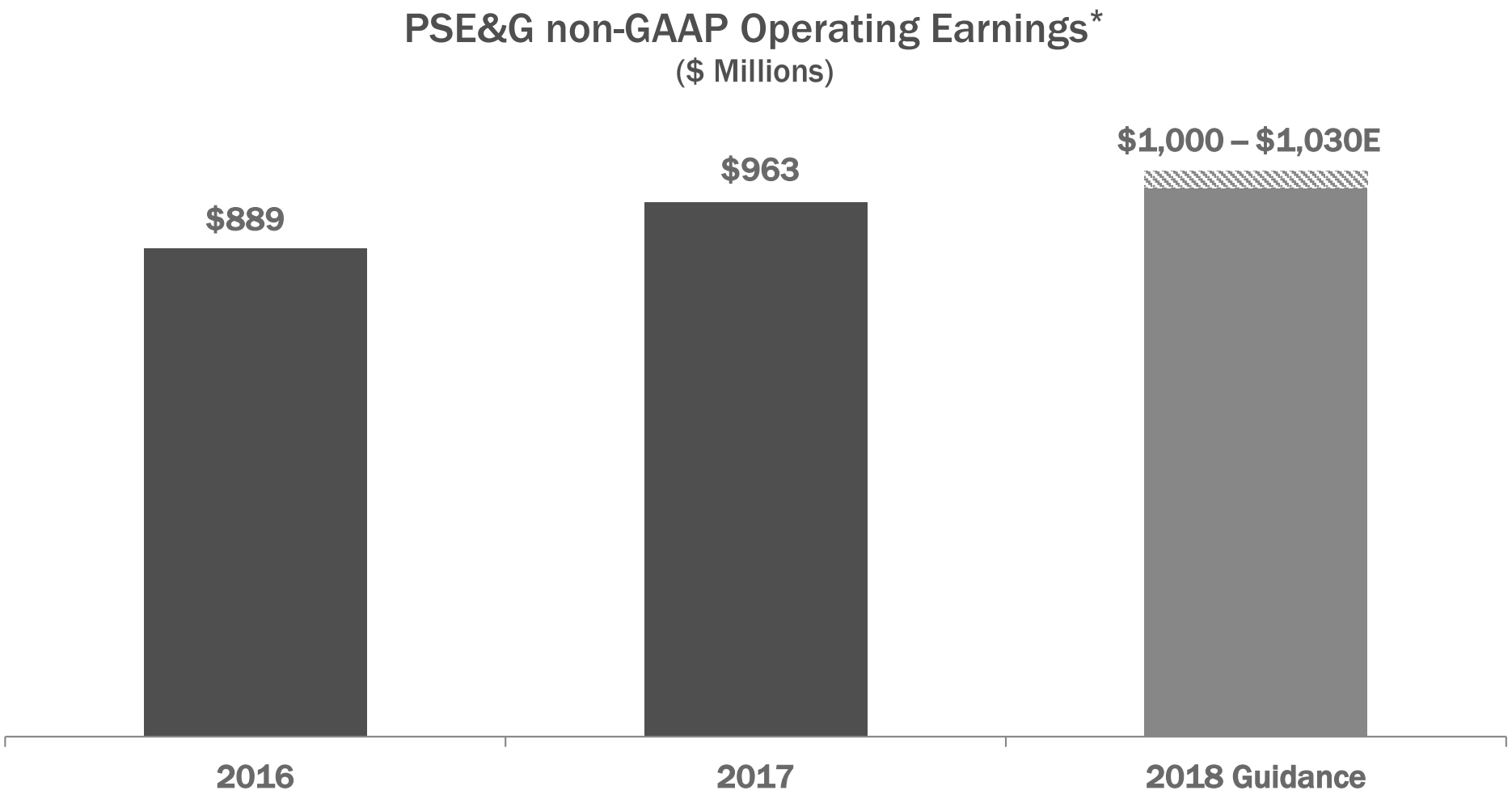
- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

SI-SSA-0015-02869

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2018 non-GAAP Operating Earnings* benefit from investment programs and cost control



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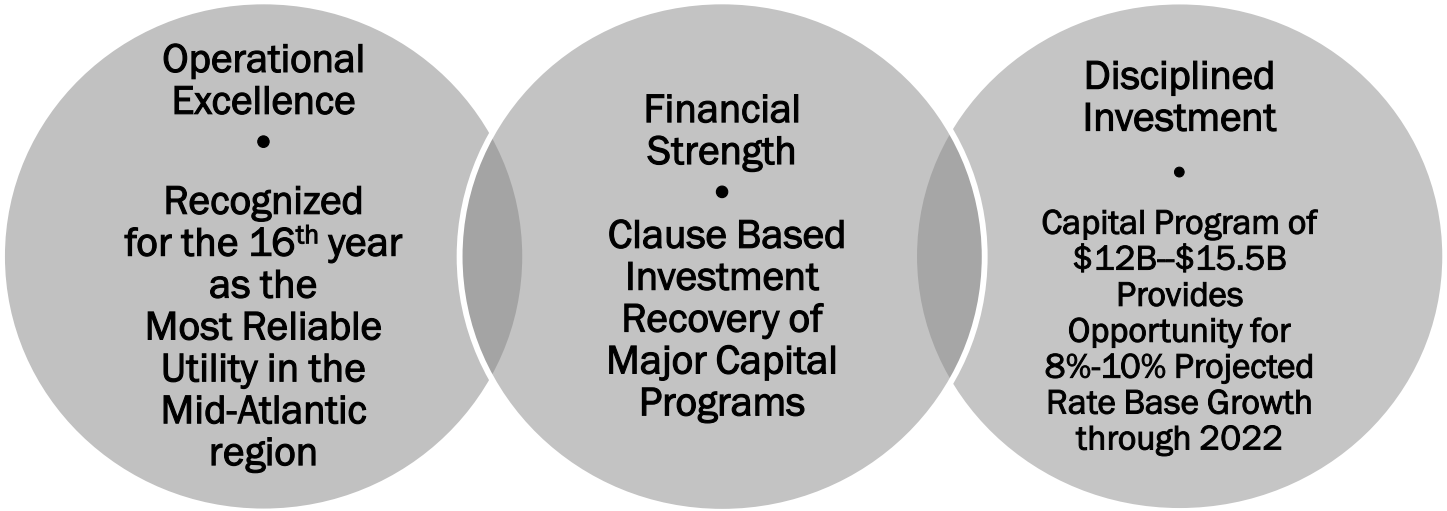
PSEG

*SEE SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSE&G.

PSE&G Value Proposition



- Highly reliable, electric and gas distribution utility
- Infrastructure investment programs focused on reliability and resiliency to meet customer requirements
- Rate base diversified between state and FERC jurisdictions
- Supportive regulatory mechanisms consisting of formula rate and clause based investment recovery
- Opportunity for double-digit, five-year annual growth in Net Income and Rate Base
- Solid, investment grade credit ratings

SI-SSA-0015-02871

PSEG LONG ISLAND

PSEG

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PSEG Long Island: Focused on improving customer service and reliability while managing costs

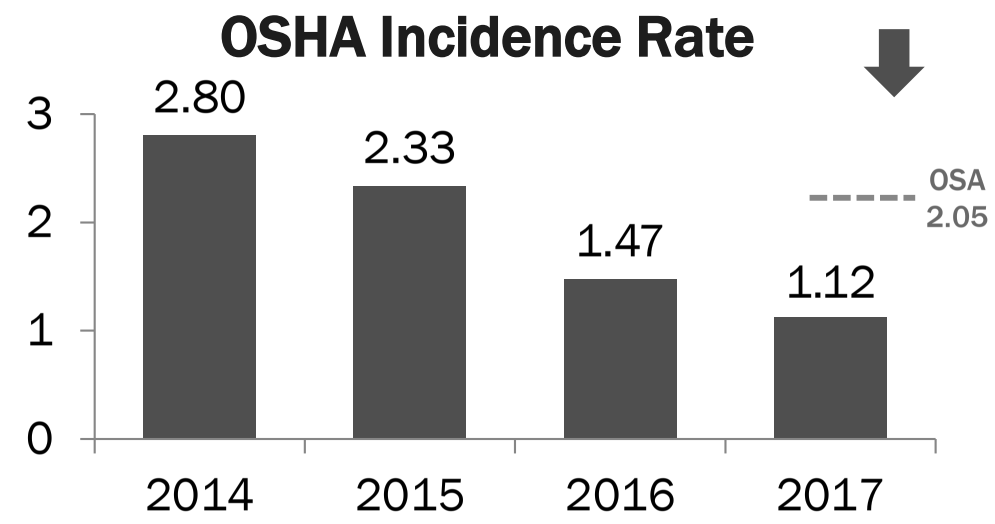
- 5th year of 12-year contract (with option to extend 8 years)
- 2017: Earned $0.08 per share*
  - ✓ Fixed fee of $65 Million/year, escalated for CPI
  - ✓ Incentive opportunity of 15%
  - ✓ PSEG Power has $20 Million/year energy management/fuel supply contract

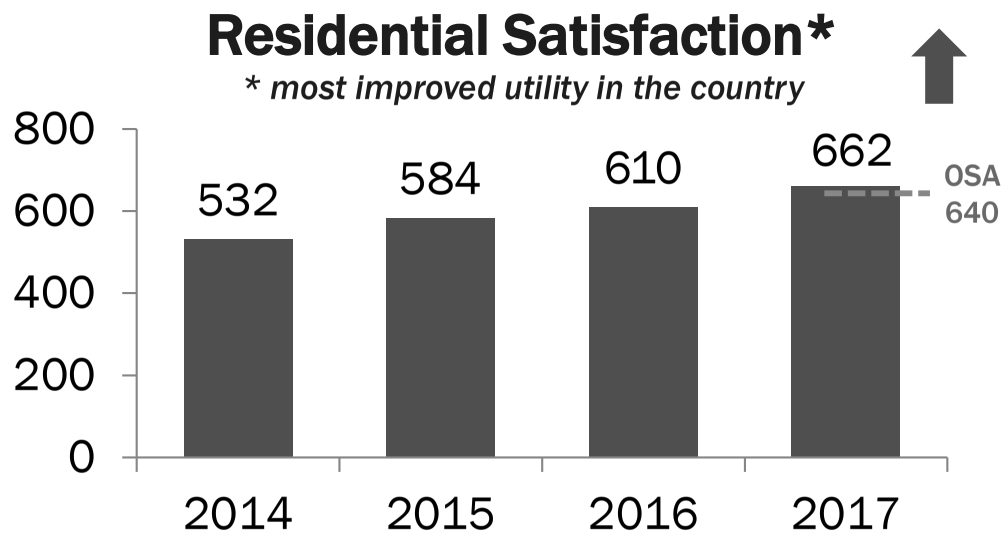
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting operational and financial expectations
- Realized >95% of incentive payment from 2014-2017

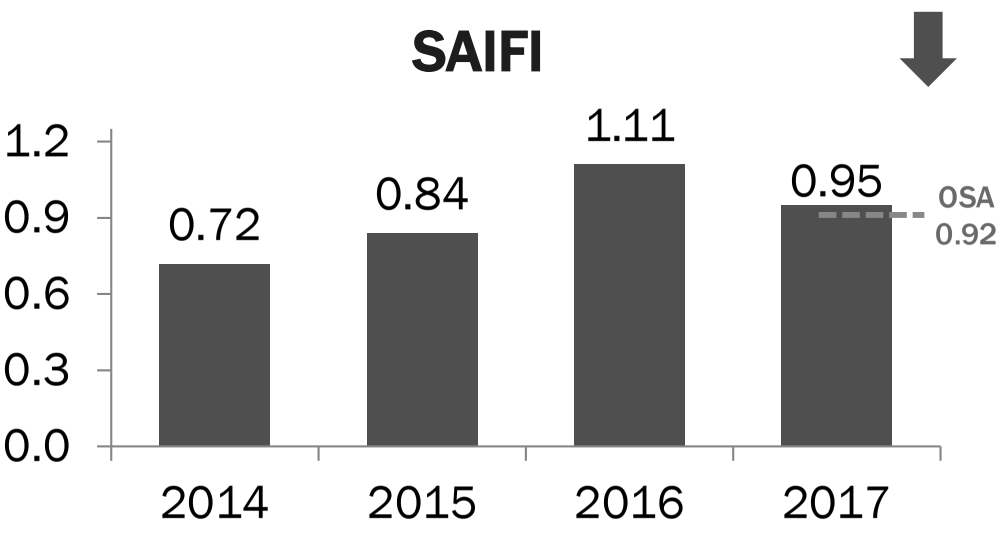
SI-SSA-0015-02873

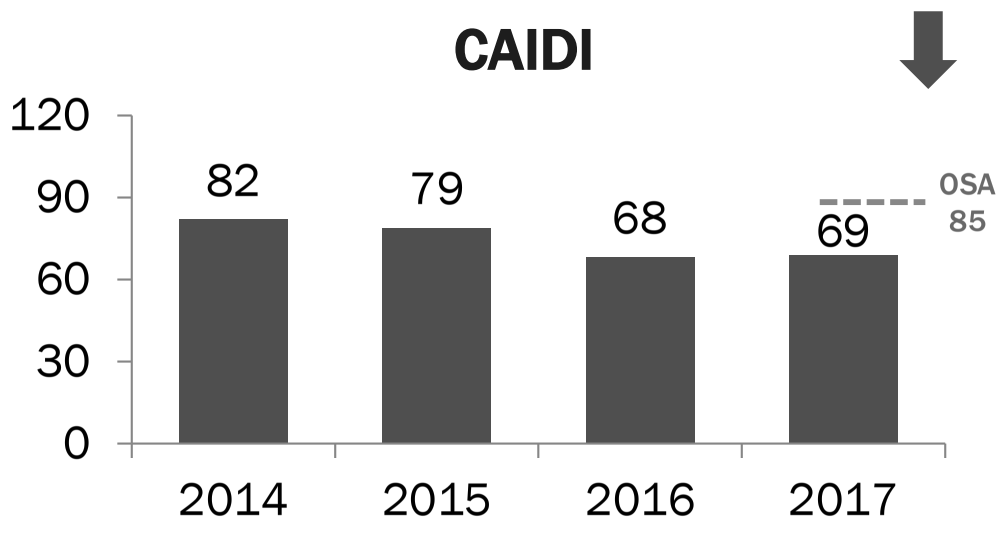
*INCLUDES RESULTS FOR PSEG LI OSA AND MANAGEMENT OF FUEL SUPPLIES BY PSEG POWER.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-02874

PSEG

OSA = OPERATING SERVICES AGREEMENT BETWEEN PSEG LONG ISLAND AND LIPA SETTING BENCHMARK INCENTIVE LEVELS. SOURCE: PSEG LONG ISLAND.

PSEG POWER

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

PSEG
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Cleaner, More Efficient Fleet of Flexible Assets

Free Cash Flow Improves with Completion of Construction Program

414 MW of Solar Under Long-Term Contracts

Preserving Nuclear Generation as a Zero-Carbon Resource

12,022 MW
2022E Generating Capacity

PSEG

SI-SSA-0015-02876

Power's portfolio is efficient and flexible

Asset Profile

- Focused on safe and reliable operations
- Completing construction of 1,800 MW of efficient, Combined Cycle Gas Turbine (CCGT) generation
- From 2012 through 2017, retired 3,197 MW of un-economic capacity

O&M

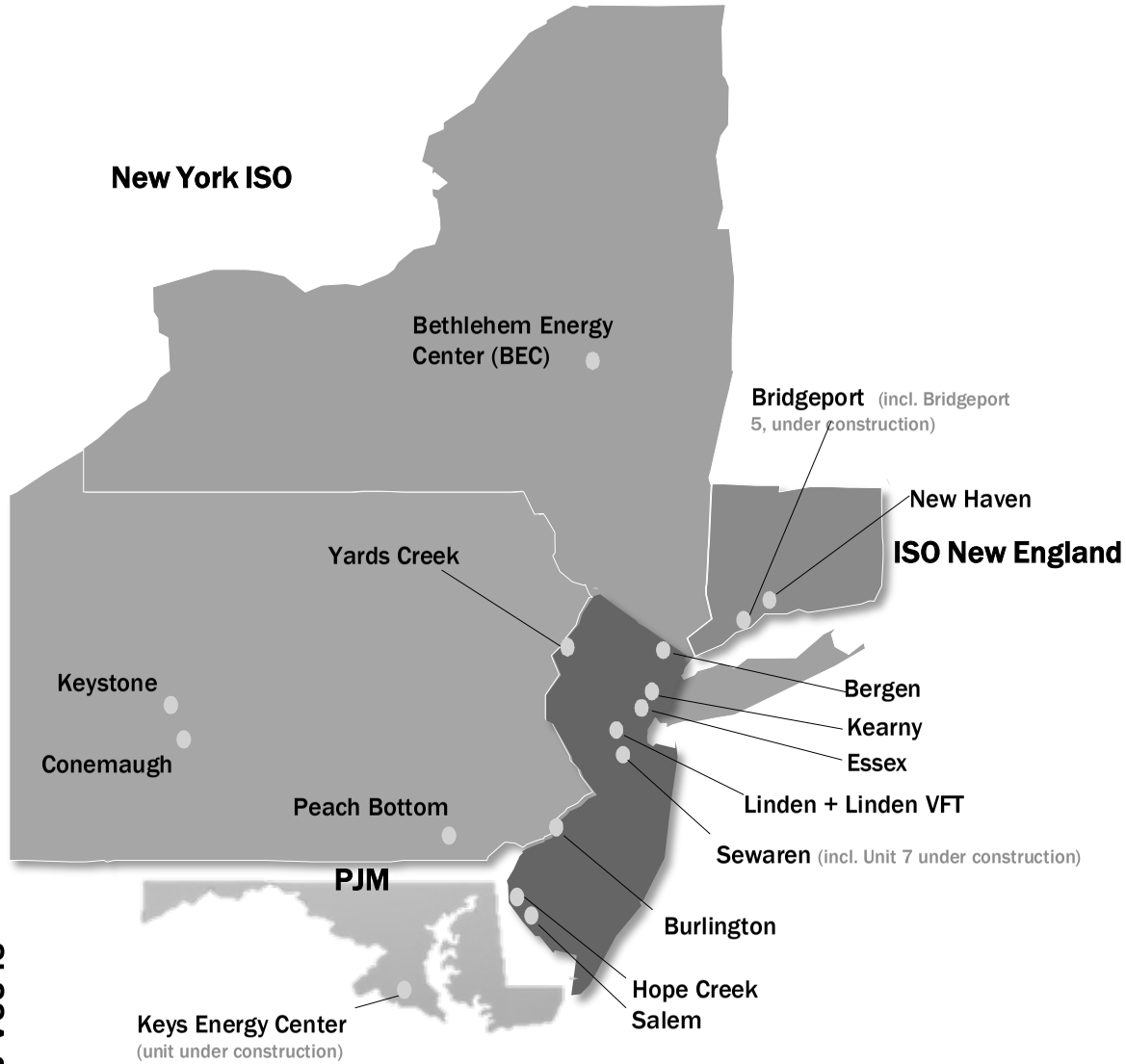
- History of controlling growth in O&M
- More efficient operations with new capacity

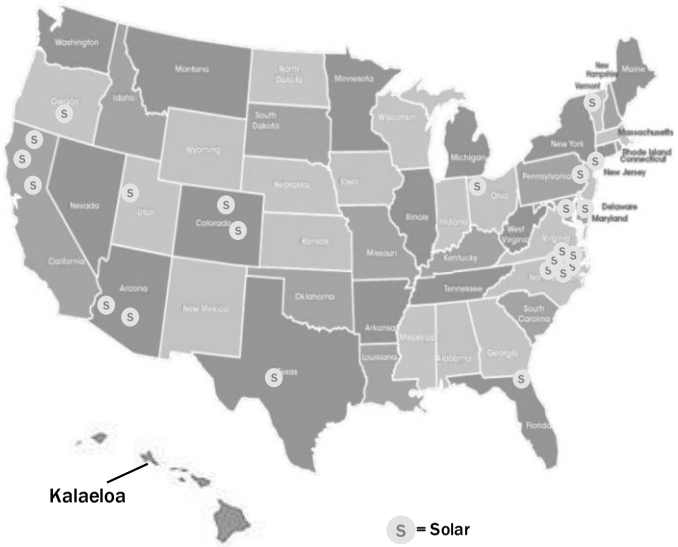
Free Cash Flow

- Seeking fair compensation for zero-carbon and fuel diversity attributes of nuclear capacity
- Capital spending declines after CCGT construction projects conclude in mid-2019
- Optimizing value with focus on efficiency, earnings and free cash flow

SI-SSA-0015-02877

Power's generating assets mainly located in three competitive markets





- Power Ventures assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

SI-SSA-0015-02878

Power nearing completion of ~1,300 MW of new, highly efficient CCGT capacity in PJM

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas combined cycle
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket
  - Pricing proximity to PJM West
  - Heat rate: 6,930 Btu/KWh

Keys Energy Center

2017 Average Spark Spread SWMAAC: ~$15/MWh

- **540 MW plant in Sewaren, New Jersey**
  - 1x1 dual fuel (natural gas & ultra-low sulfur diesel) combined cycle
- **Outlook**
  - Leverages existing infrastructure
  - Located in the PS Zone load pocket
  - Existing Sewaren units to retire upon completion
  - Heat rate: 6,510 Btu/KWh

Sewaren 7

2017 Average Spark Spread PS Zone: ~$17/MWh

*SWMAAC – SOUTHWEST MID-ATLANTIC AREA COUNCIL

SI-SSA-0015-02879

Bridgeport Harbor 5 CCGT under construction, on schedule for mid-2019 addition to ISO-NE

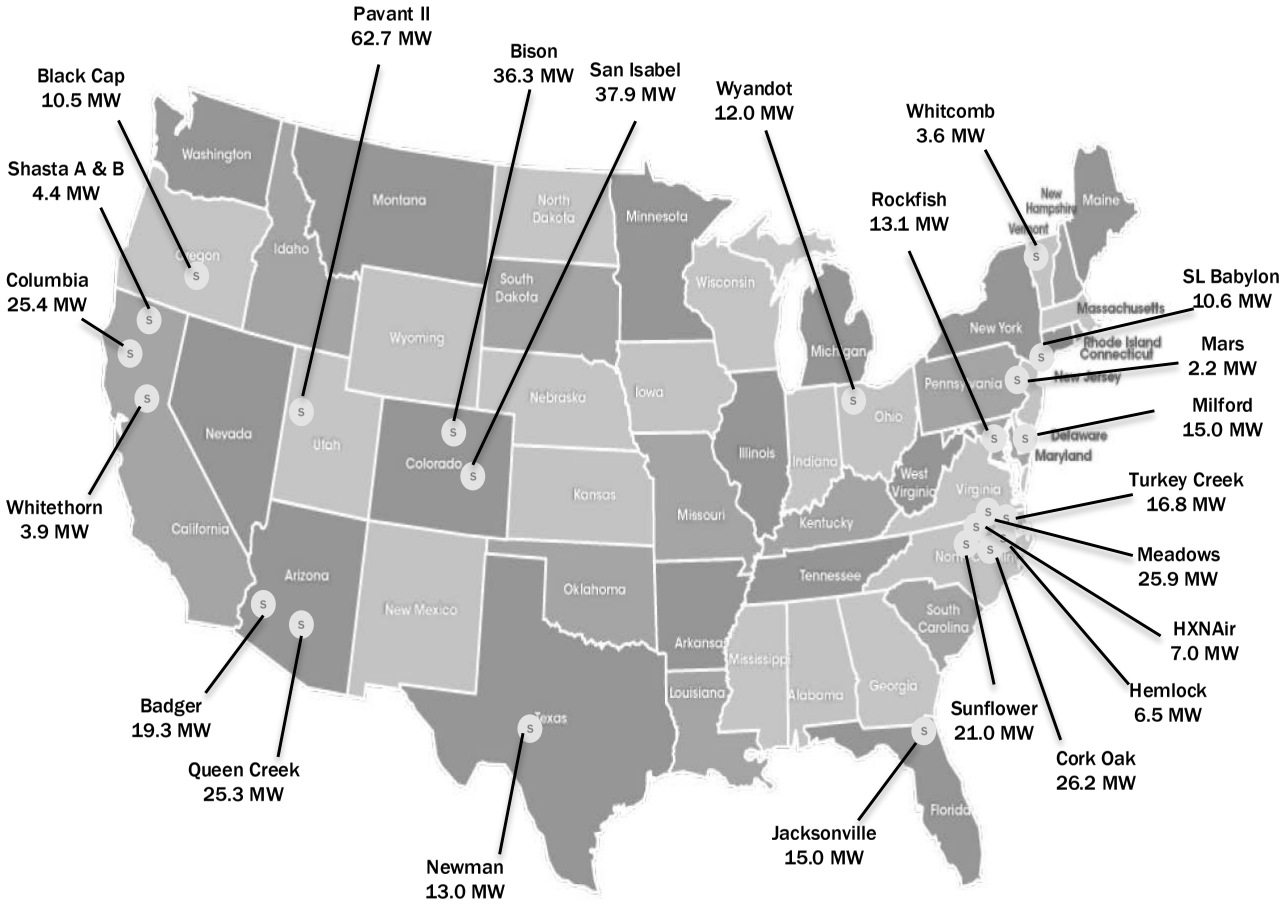
- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra-low sulfur diesel) combined cycle
- **Outlook**
  - Under construction on the existing PSEG Bridgeport Harbor site
  - Leveraging existing infrastructure
  - Bridgeport Harbor 3 (383 MW Coal) will retire in 2021
  - Located in SW Connecticut load pocket
  - Seven year capacity price lock
  - Heat rate: 6,530 Btu/KWh

Bridgeport Harbor Unit 5

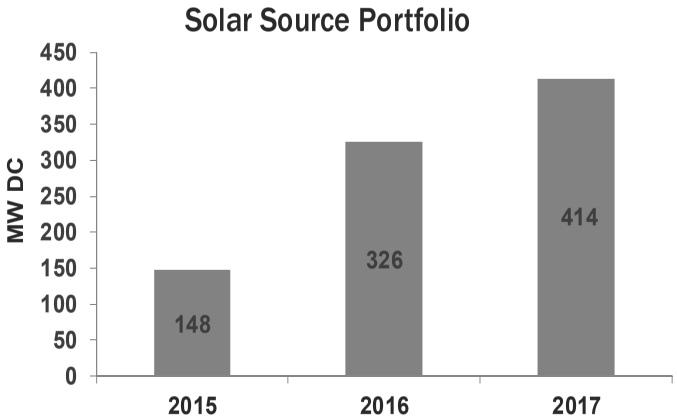
2017 Average Spark Spread ISONE: ~$14/MWh

SI-SSA-0015-02880

Solar Source has developed 414 MW_{DC} in the US

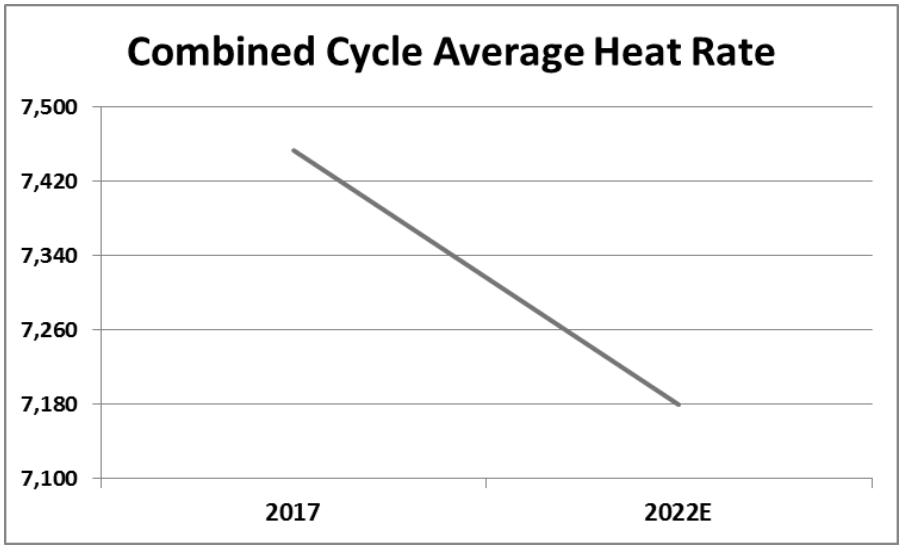


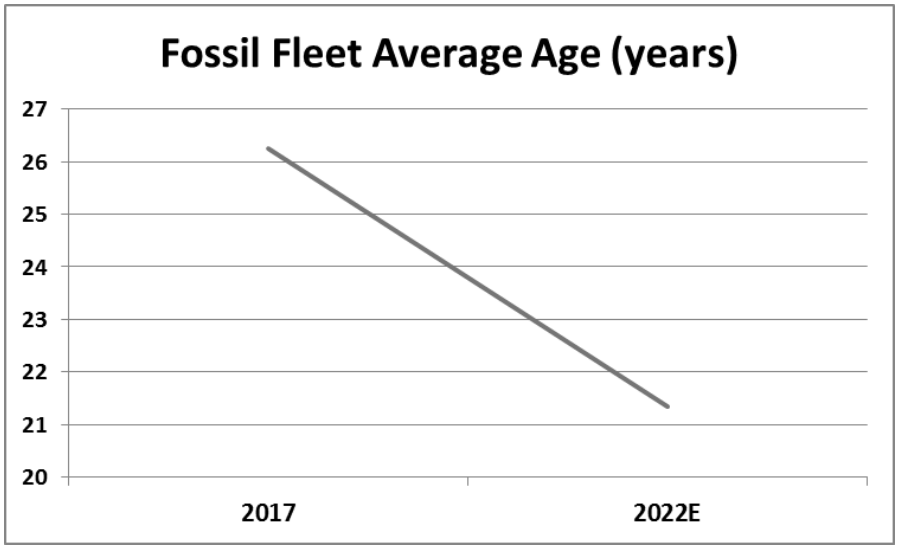
Solar capacity located in 14 States

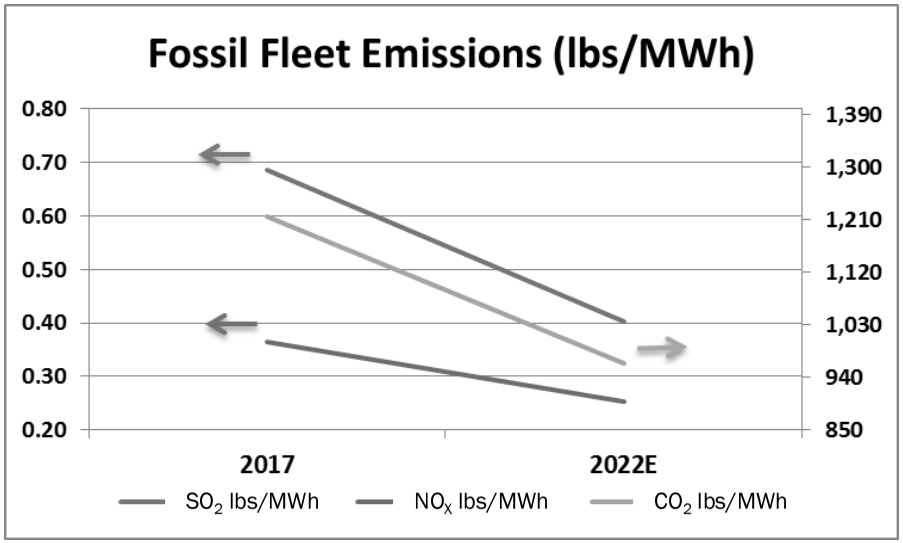


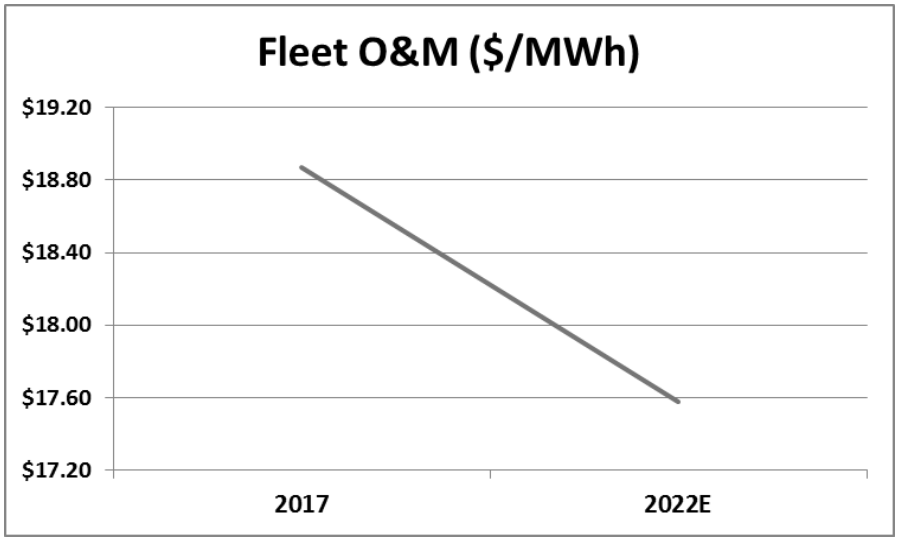
SI-SSA-0015-02881

Power's fleet is transitioning to be more efficient, productive and clean



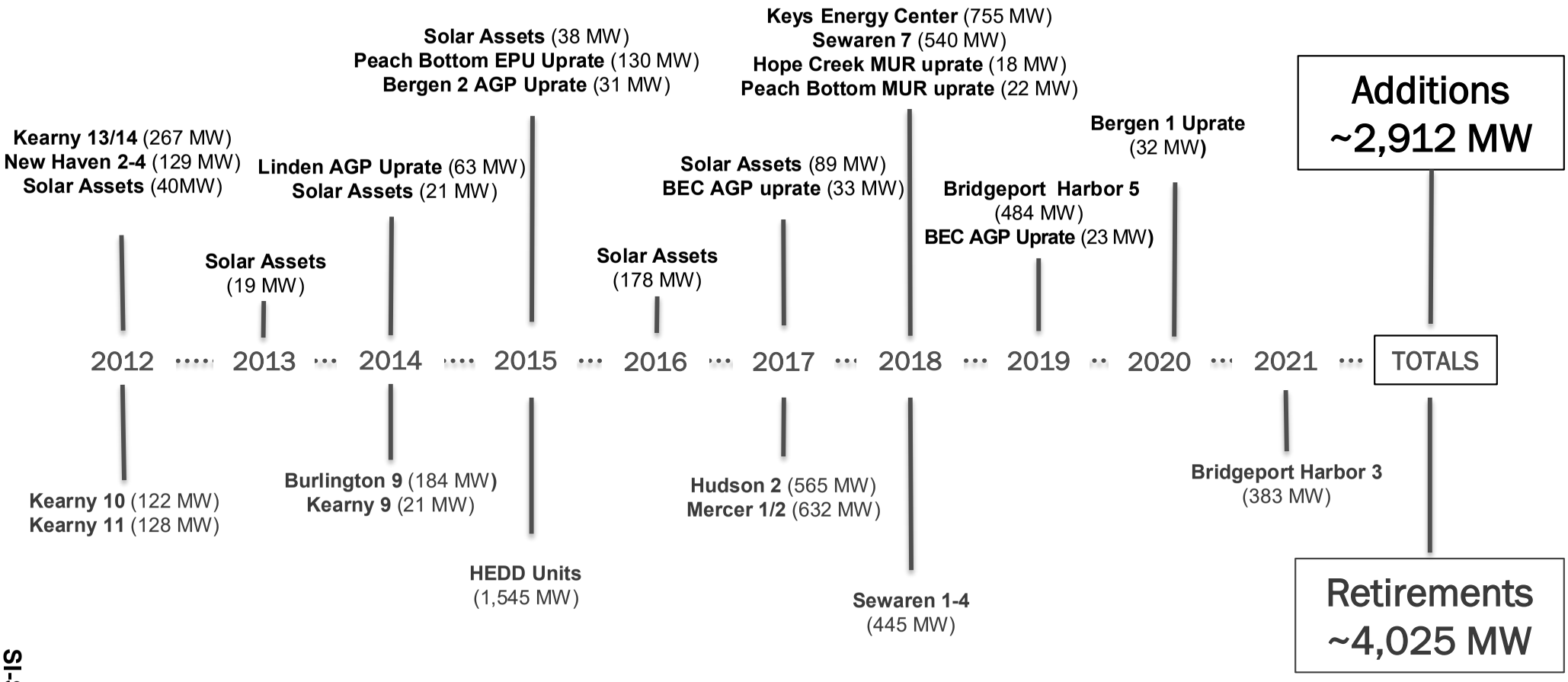






E = ESTIMATE.

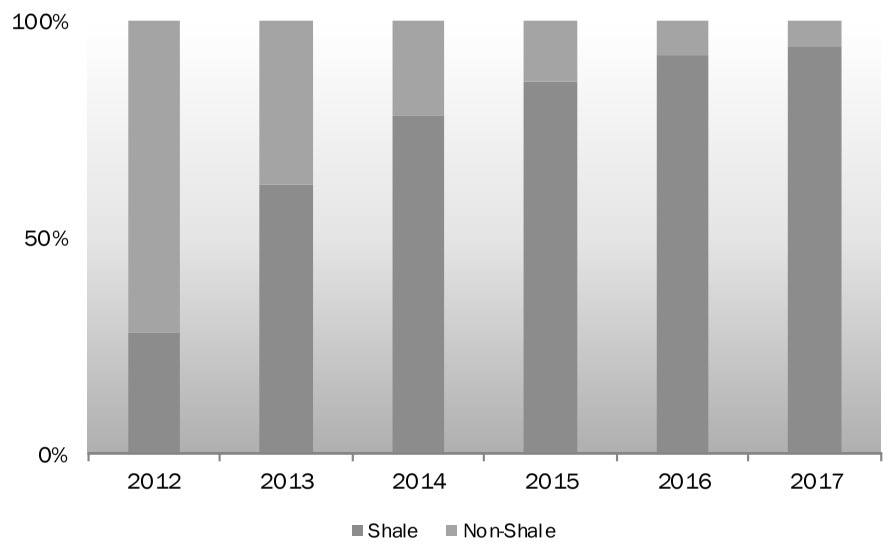
Power's fleet transformed with focus on improvement in efficiency



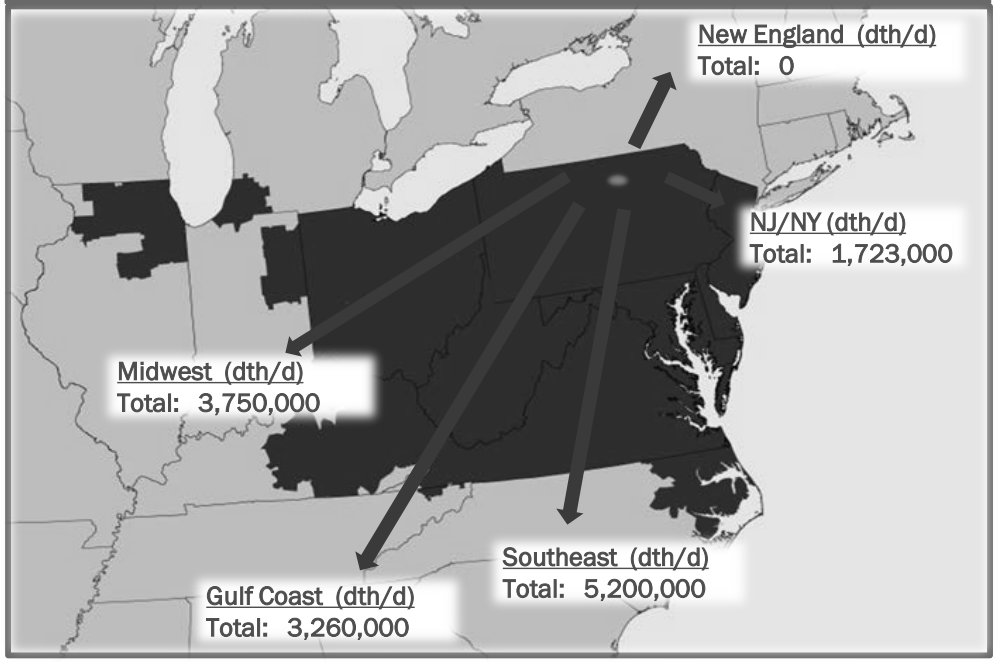
SI-SSA-0015-02883

Power's PJM gas fleet is well-located with access to shale gas production

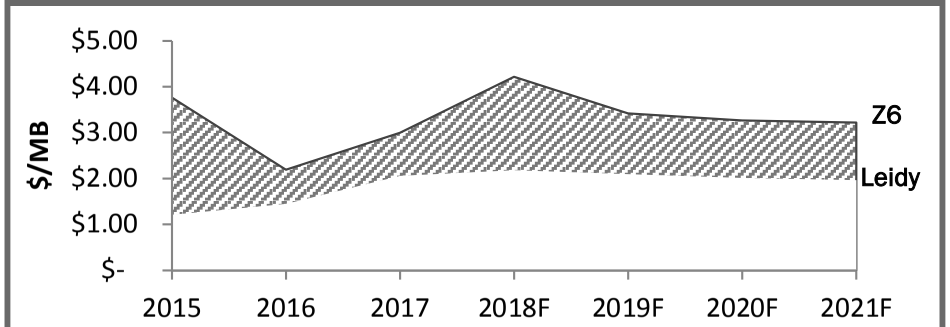
PSEG's Total PJM Gas Procurement



Additional Pipeline Takeaway Capacity (2018-2019)



Transco Z6 vs. Leidy Gas Prices



- PSEG Power's PJM gas fleet consumed ~65 BCF in 2017, of which >85% was supplied by Northeast shale gas
- Addition of new pipeline takeaway capacity over 2018-2019 expected to bring market closer to balance
- Spark spreads of New Jersey-based combined cycle generating fleet benefit from access to Leidy gas

F = FORWARDS AS OF 5-1-2018. 2018 IS AN AVERAGE OF FOUR MONTHS ACTUAL AND FORWARDS AS OF 5-1-18.

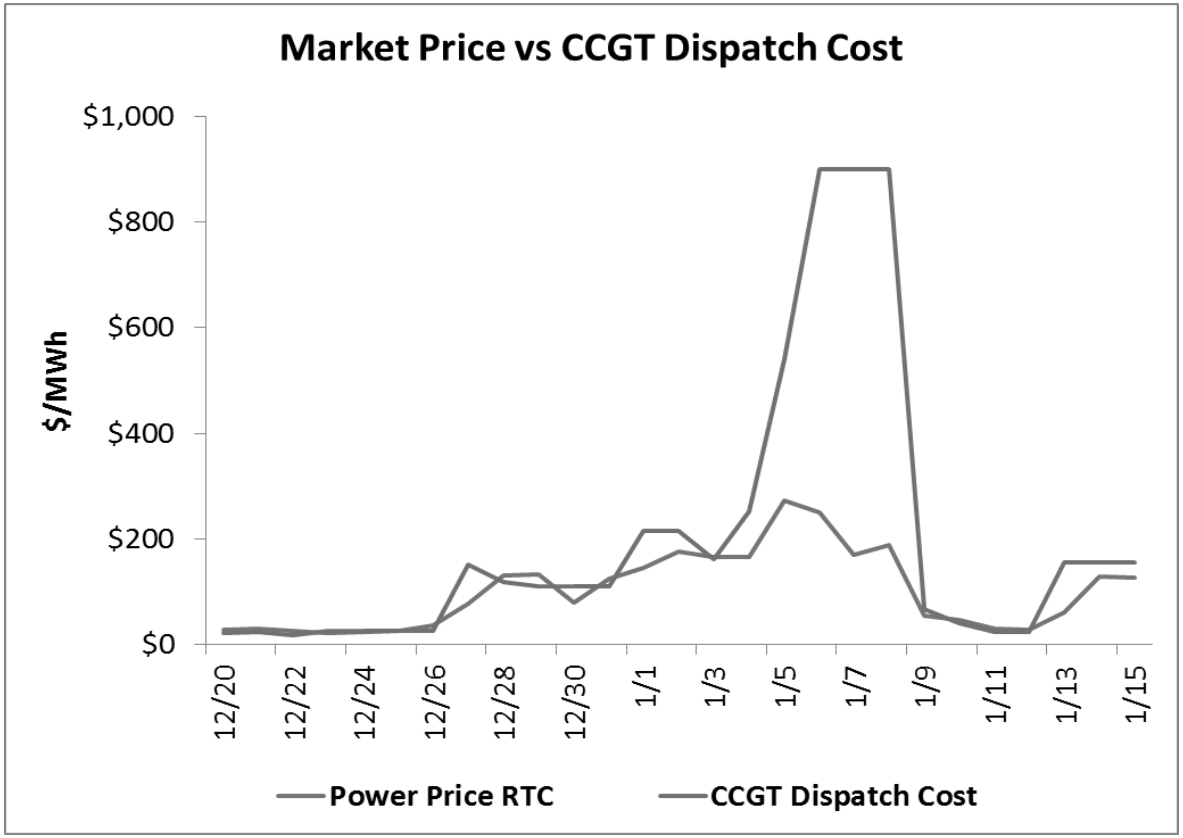
SI-SSA-0015-02884

PSEG Nuclear is vital to New Jersey; Salem and Hope Creek represent >90% of the State's zero carbon energy

Plant	Operator	PSEG Ownership	Total Capacity / PSEG Owned (MW)	License Expiration Year	Next Scheduled Refueling	Historical Average Capacity Factor (2014 - 2017)
Hope Creek	PSEG Nuclear	100%	1,180	2046	Fall 2019	94.1%
Salem 1	PSEG Nuclear	57%	2,282 / 1,310	2036	Spring 2019	83.9%
Salem 2	PSEG Nuclear	57%		2040	Fall 2018	82.0%
Peach Bottom 2	Exelon	50%	2,450 / 1,225	2033	Fall 2018	92.9%
Peach Bottom 3	Exelon	50%		2034	Spring 2019	95.1%

SI-SSA-0015-02885

Market response to severe winter weather in Q1 2018 demonstrates the importance of fuel diversity and the preservation of nuclear generation to New Jersey

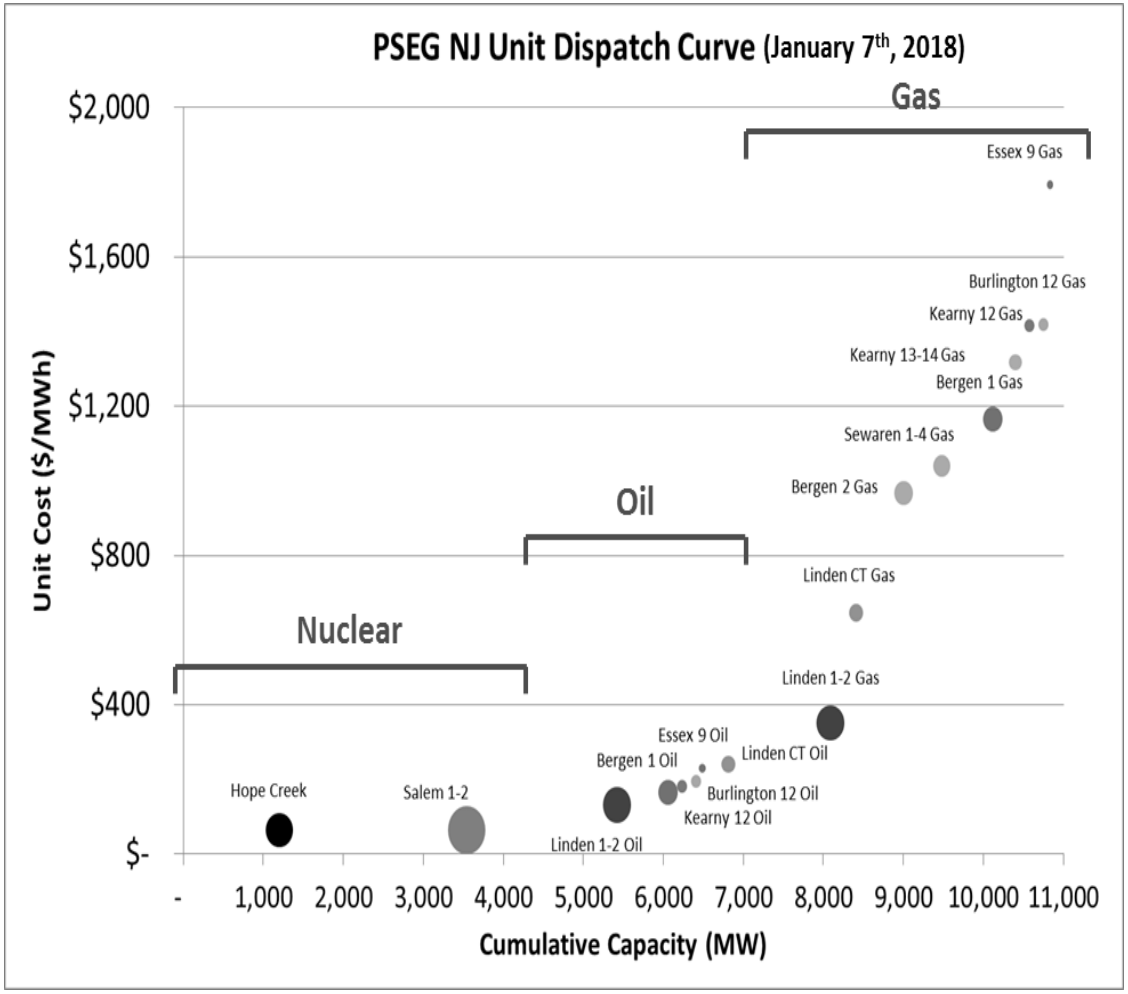


- As temperatures plummeted, gas prices rose faster than power prices
- This made even the most efficient combined cycle units uneconomic on gas
- Oil displaced gas

SI-SSA-0015-02886

DISPATCH COST SHOWN BASED ON GAS PRICES.

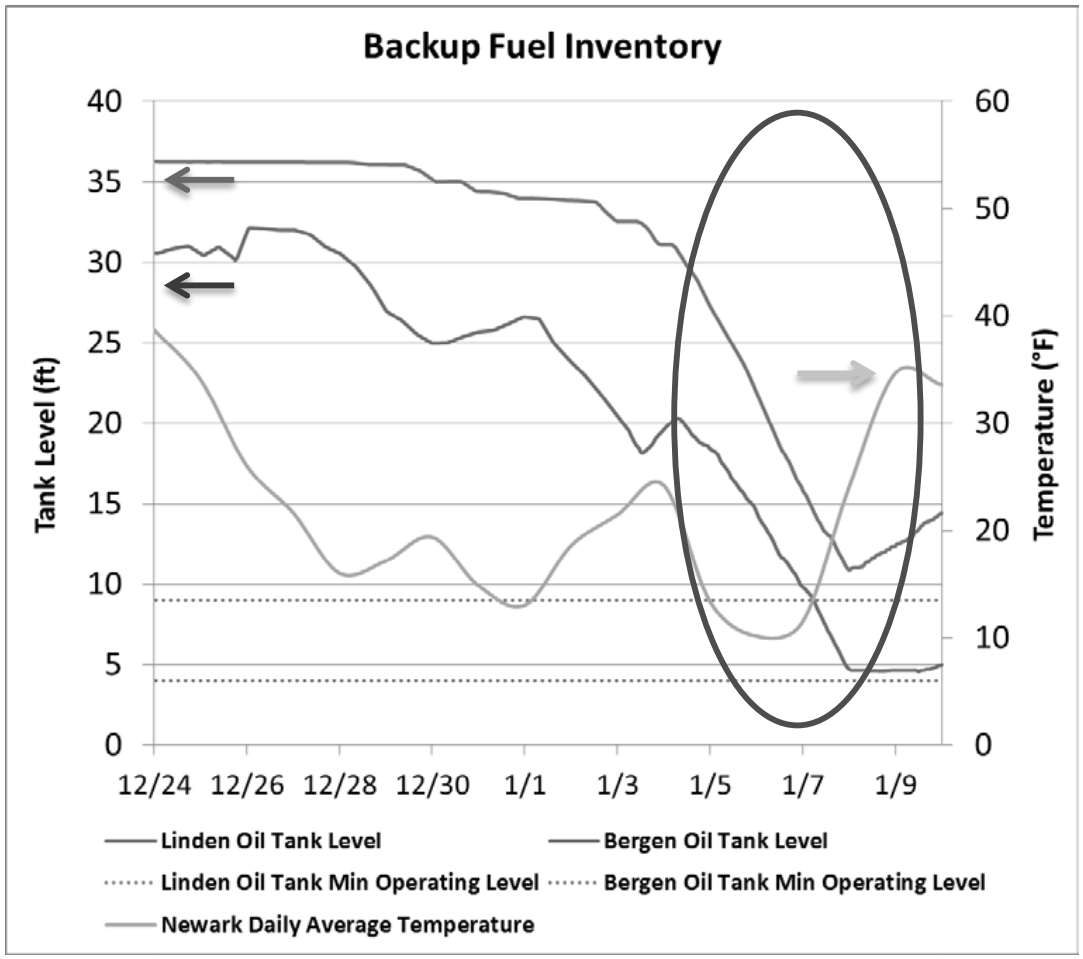
Had nuclear units not been available or had combined cycle units run out of their secondary fuel…



- Power prices would likely have skyrocketed
- Meeting demand would have been dependent on availability of gas
- Uncertain if sufficient gas for generation would have been available

SI-SSA-0015-02887

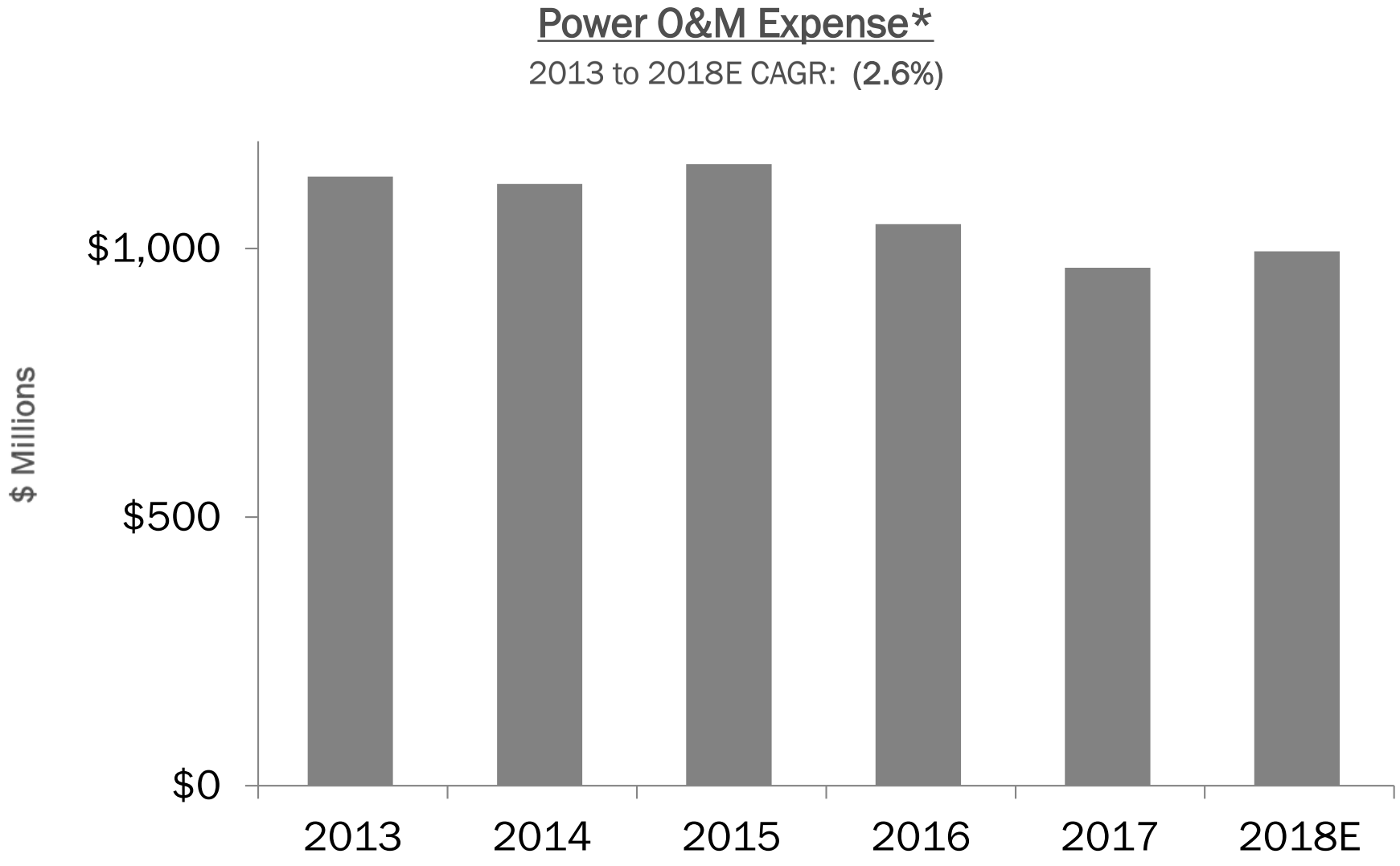
Available oil volumes were being depleted rapidly at the largest PSEG oil burning units despite ongoing oil deliveries at maximum capacity



- Cold snap in early January quickly depleted oil supply
- Delivery could not keep up with demand
- Reliable, low cost nuclear generation provided the bulk of the supply
- A change in the weather pattern averted a potential crisis

SI-SSA-0015-02888

Power has successfully controlled O&M

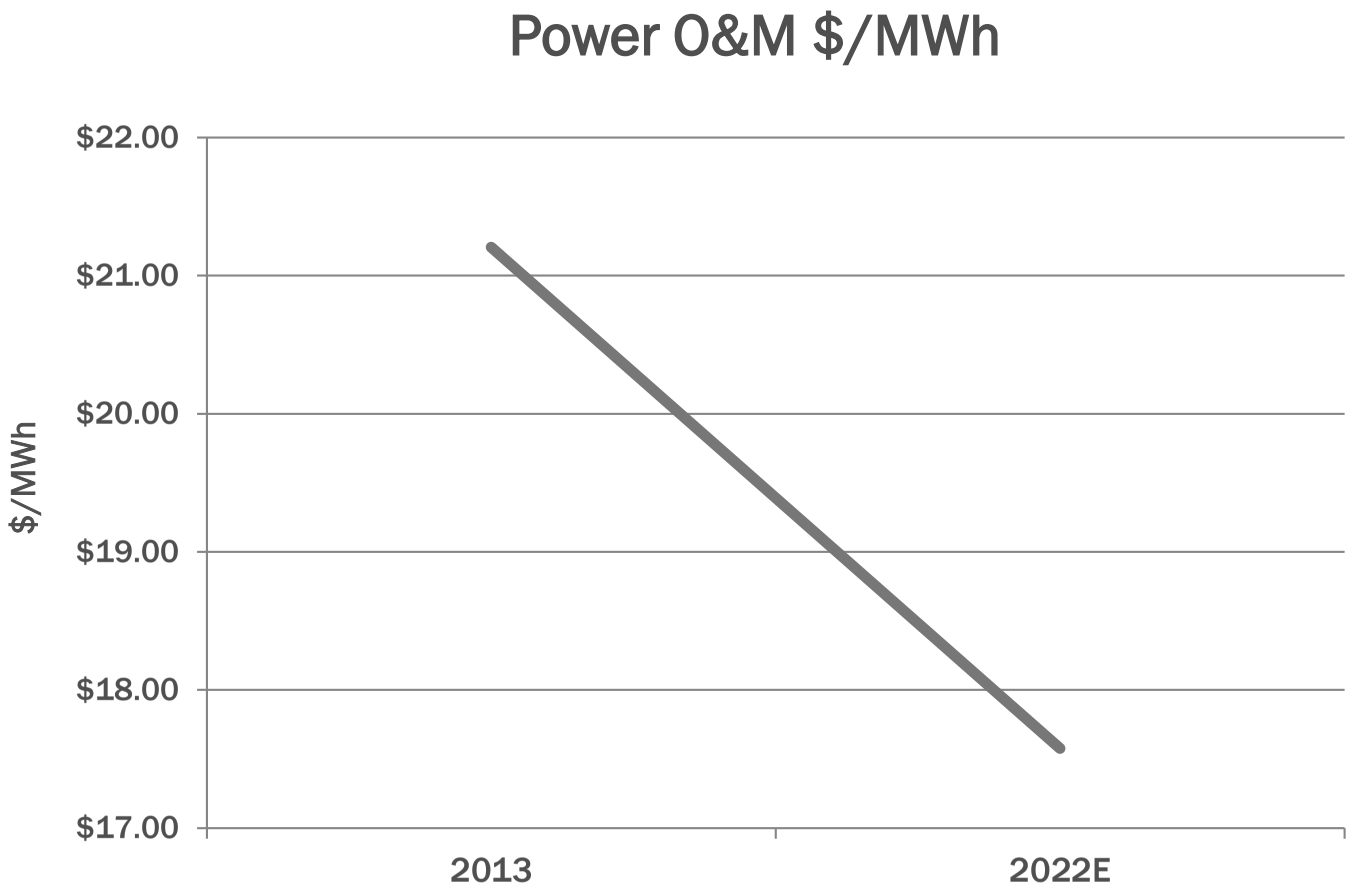


SI-SSA-0015-02889

PSEG

*EXCLUDES NUCLEAR ARO, IMPACTS FROM SANDY STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT AND INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE

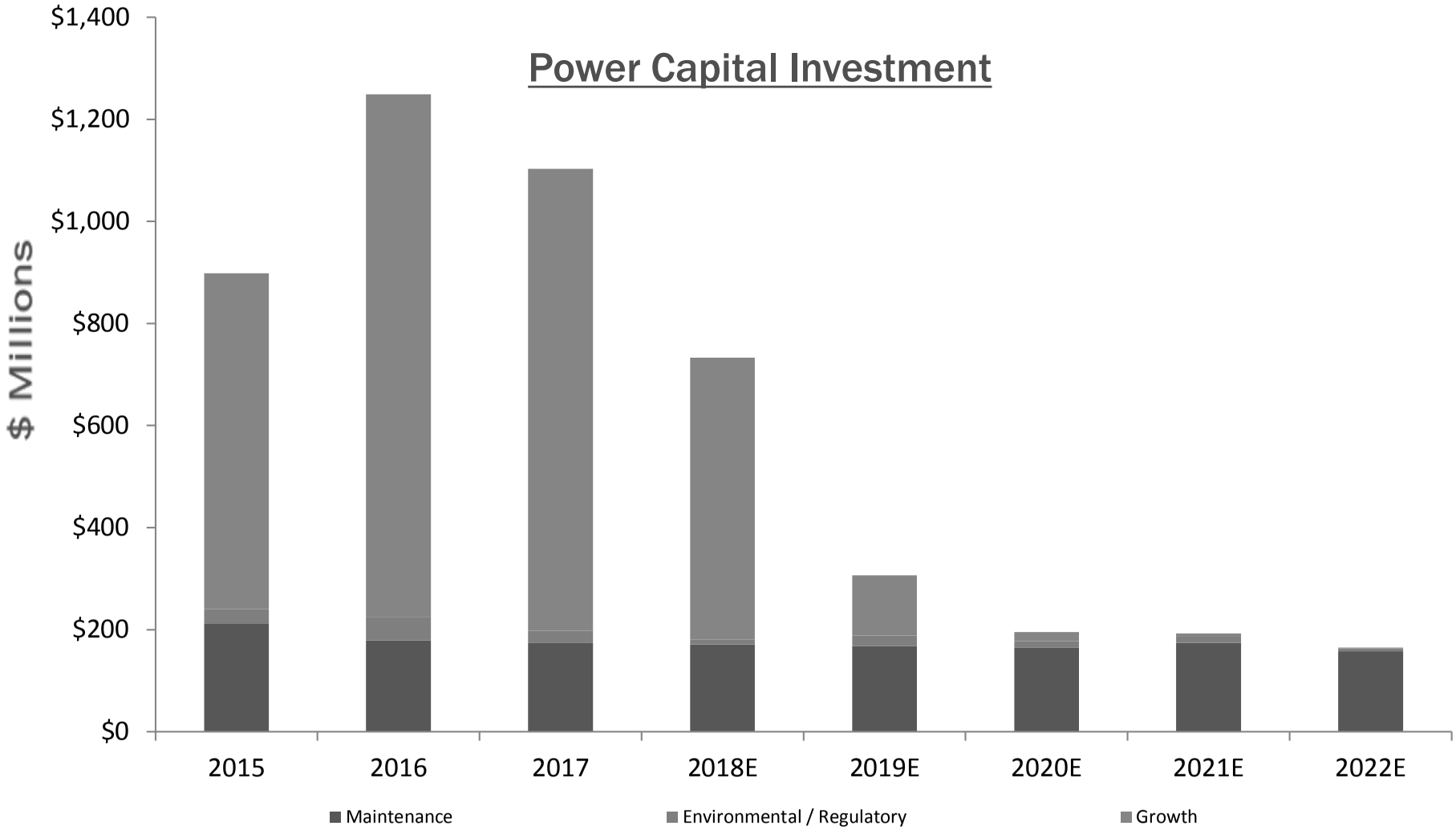
Power intends to continue to drive cost efficiencies to optimize free cash flow



E = ESTIMATE.

SI-SSA-0015-02890

Power's capital needs decline following construction of new capacity, enhancing free cash flow



SI-SSA-0015-02891

PSEG

E=ESTIMATE. DATA AS OF MAY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Hedging Strategy is designed to mitigate risk and secure free cash flow

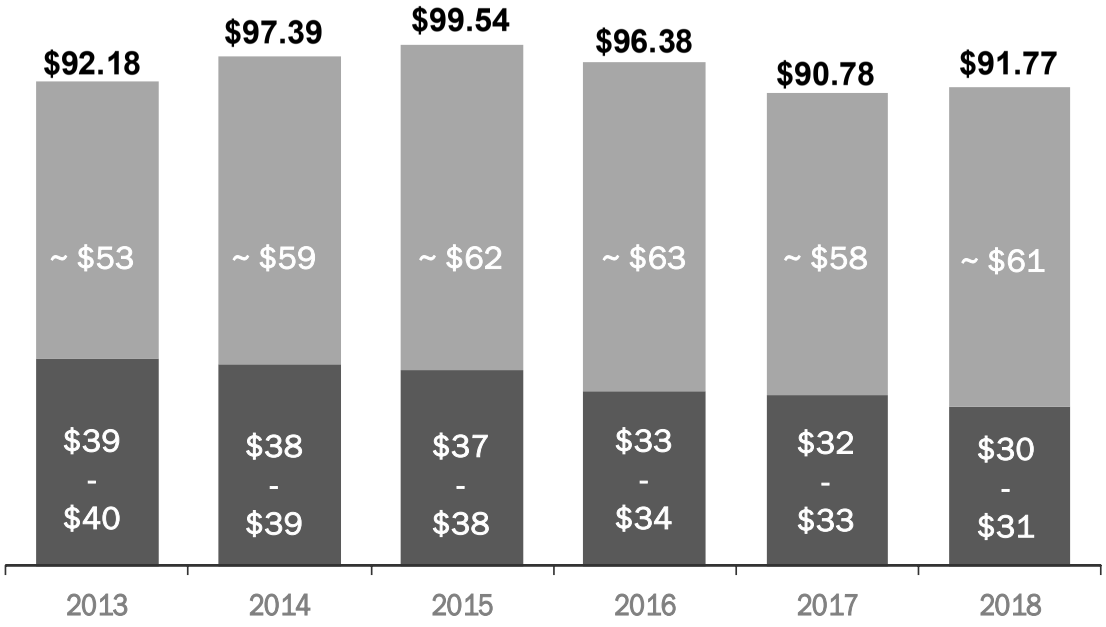
		(Apr - Dec) 2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	25	34	35
	% Hedged	100%	100%	65-70%
	Price $/MWh	$38	$37	$36
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18-20	25-27	28-30
	% Hedged	60-65%	10-15%	0%
	Price $/MWh	$38	$37	-
Total Generation	Volume TWh	43-45	59-61	63-65
	% Hedged	80-85%	60-65%	35-40%
	Price $/MWh	$38	$37	$36

* HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2018 AND REFLECT REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-02892

New Jersey BGS accounts for ~10 TWh of our hedging

NJ BGS RSCP Supply Pricing

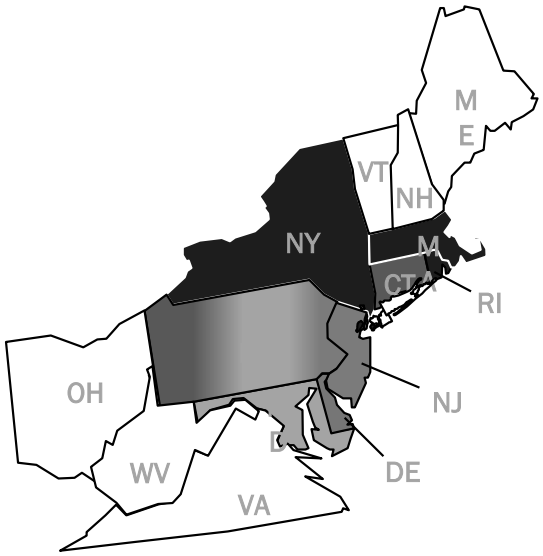


3 Year Average
Round the Clock PJM West
Forward Energy Price

+

- Ancillary services
- Capacity
- Congestion
- Green
- Load shape
- Risk premium
- Transmission
- Zonal Basis

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial & Industrial customers
- Remains focused on organic growth, but progress has been slow

$/MWH; BGS PRICES REFLECT PSE&G ZONE

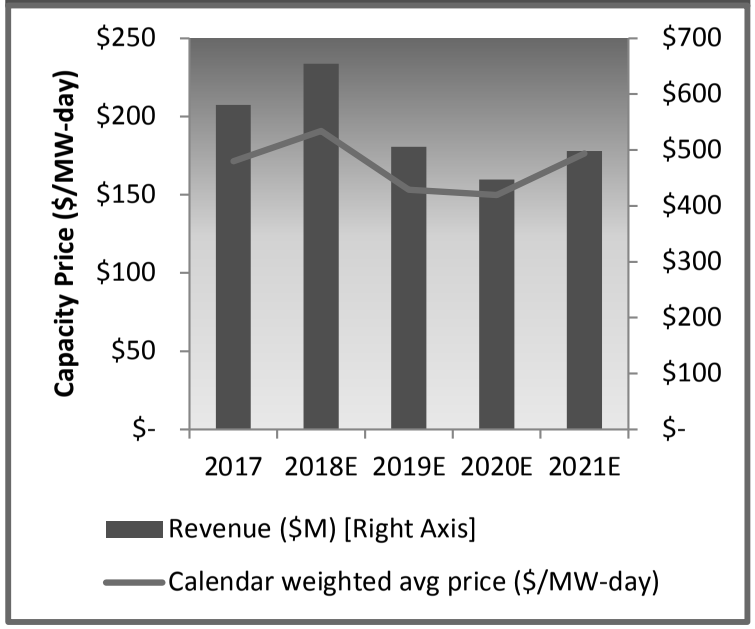
SI-SSA-0015-02893

Capacity markets provide a solid and continuing revenue stream in PJM

PJM's RPM Auction Results*

Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$171	$205	$116	$174	$178
RTO Prices ($/MW-day)	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)	$140 (CP)
Power's Cleared Capacity (MW)	9,700	9,200	8,900	7,800	7,700

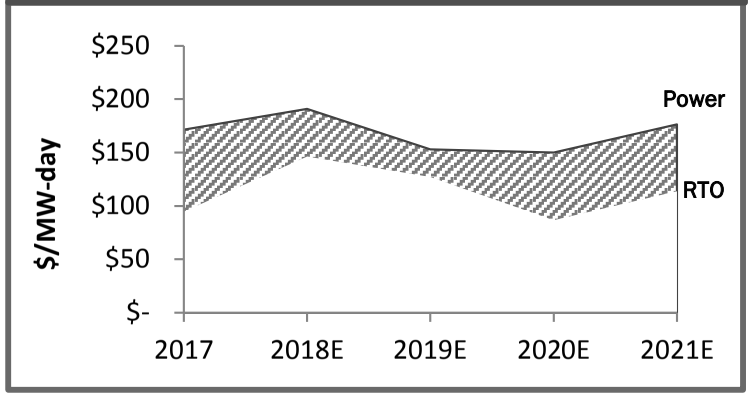
PJM Capacity Revenue



2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

PJM Calendar Weighted Average Price



SI-SSA-0015-02894

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

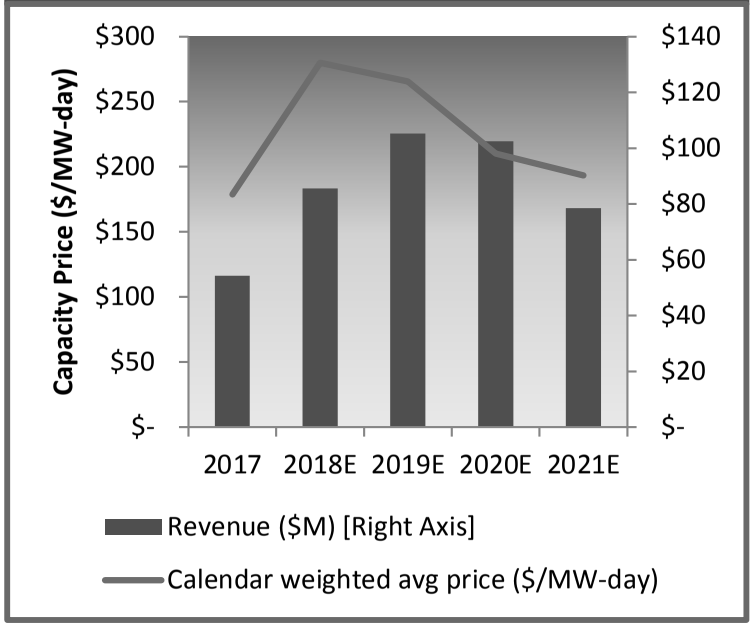
Capacity markets provide a solid and continuing revenue stream in ISO NE

ISO New England's Forward Capacity Market Auction Results

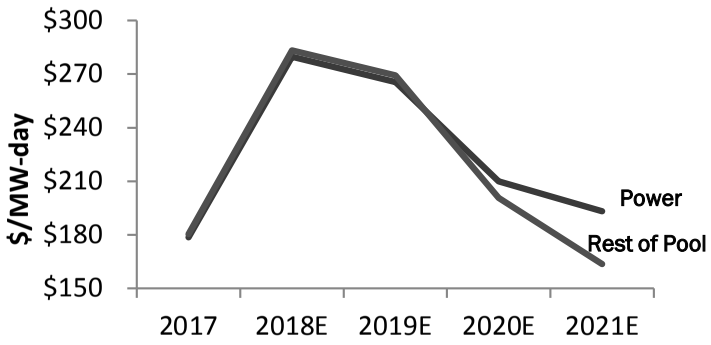
Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$231	$314	$231	$195	$192
Power's Cleared Capacity* (MW)	850	830	1,330	1,330	940

Power's average price reflects Bridgeport Harbor 5, which cleared the 2019/2020 auction at $231/MW-day for seven years, with escalations based on Handy-Whitman Index

ISO NE Capacity Revenue



ISO NE Calendar Weighted Average Price

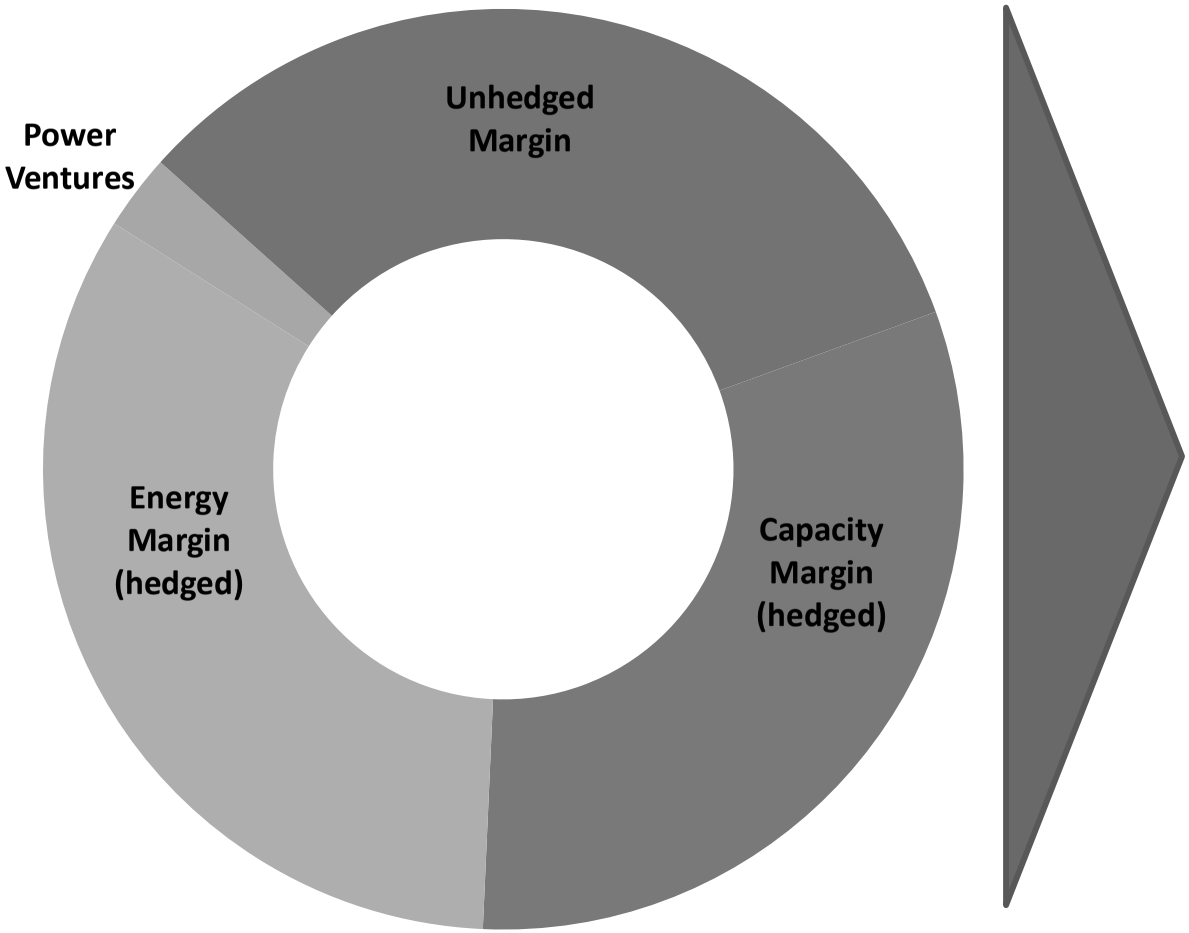


SI-SSA-0015-02895

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BRIDGEPORT HARBOR 5 TARGETED ADDITION IN MID-2019 AND THE ANNOUNCED RETIREMENT OF BRIDGEPORT HARBOR 3 IN THE SUMMER OF 2021. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

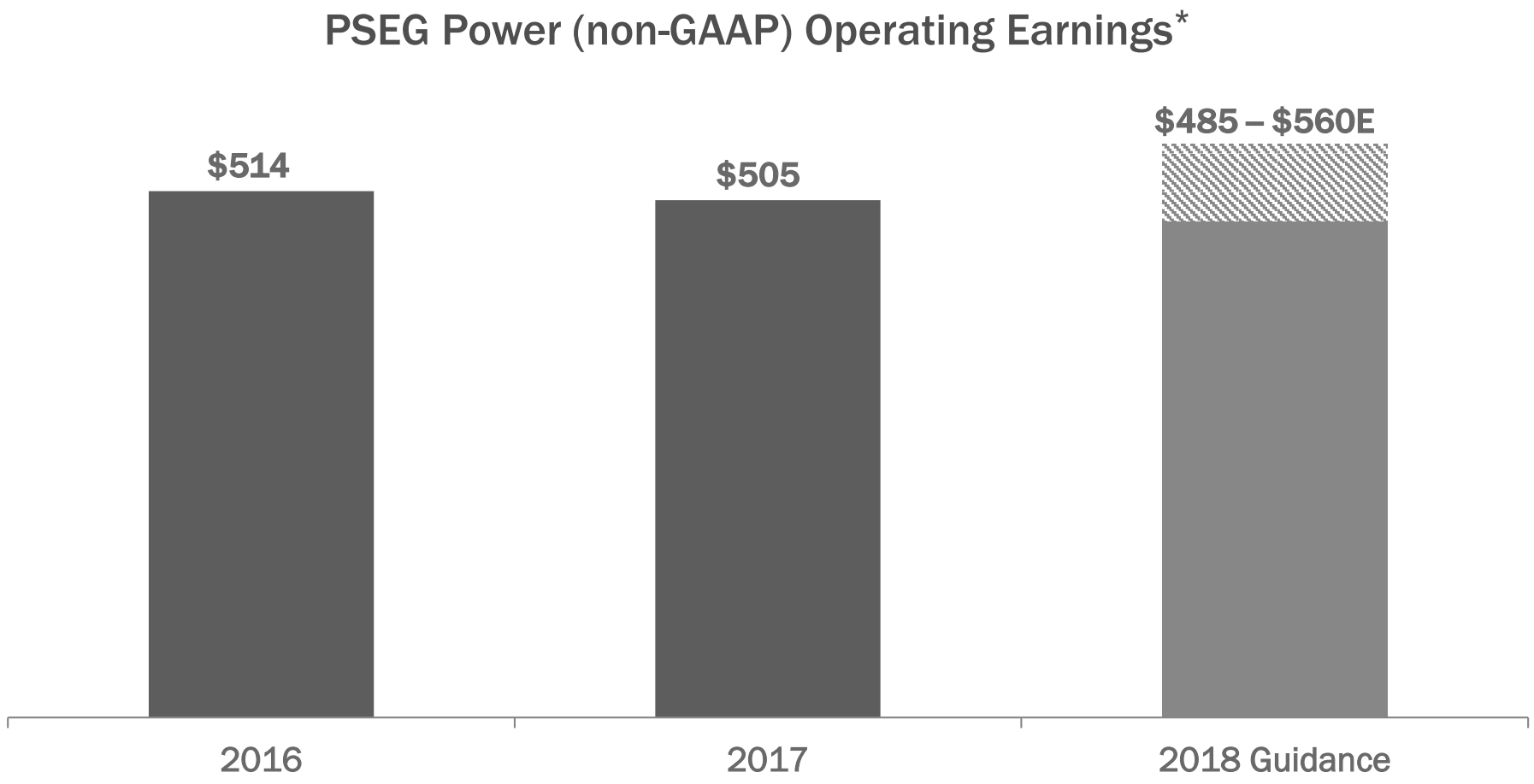
PSEG Power provides a stable return and free cash flow



- Expected three year cumulative gross margin over $6 billion from 2018 to 2020
- 65% - 70% of gross margin hedged over next three years
- Approximately $2 billion locked in through capacity auctions
- Completion of growth investment reduces capital requirement
- Free cash flow to Enterprise

SI-SSA-0015-02896

Power's 2018 non-GAAP Operating Earnings expected to benefit from tax reform

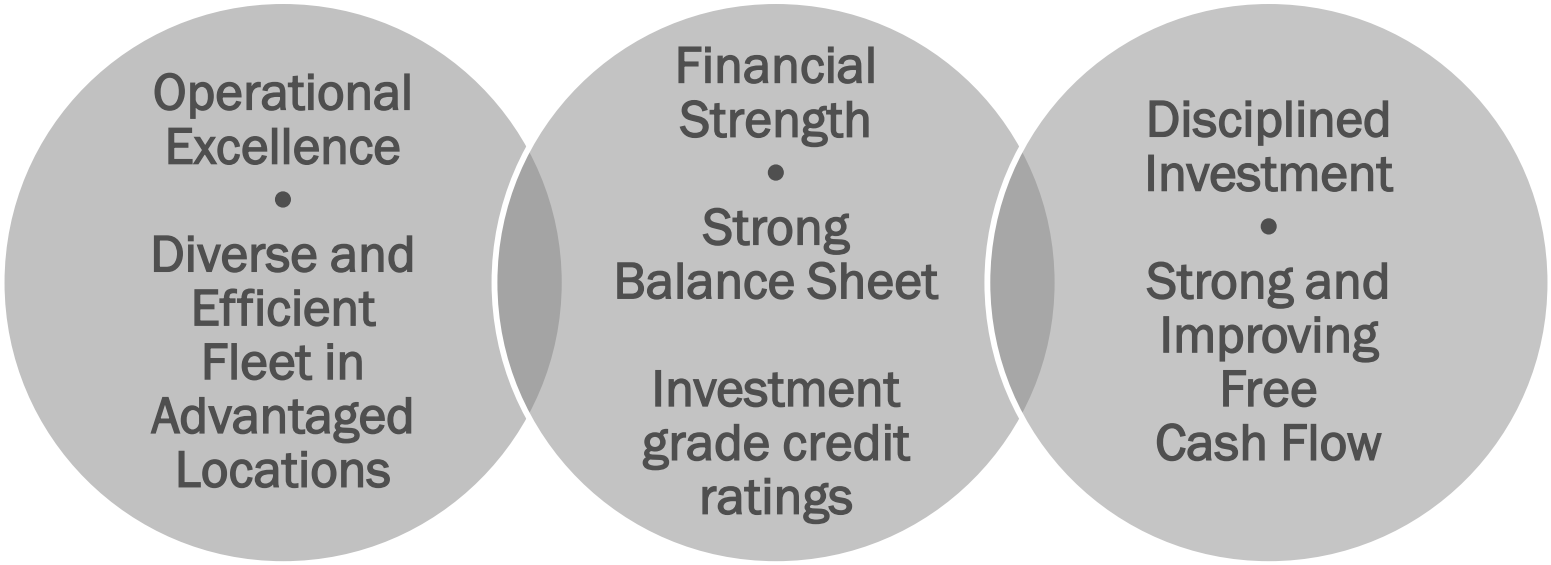


SI-SSA-0015-02897

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP)
E =ESTIMATE.

PSEG Power Value Proposition



- Well-positioned fleet of merchant generating assets in competitive markets
- Retirement of un-economic assets improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Promoting sound energy policy and market reforms
- Low capital requirements
- Hedging strategy protects value of assets, provides stable returns and free cash flow

SI-SSA-0015-02898

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel J. Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-02899

111
Years
of Paying a
Common
Dividend

PSE&G Represents **65%**
Of Non-GAAP Operating
Earnings

4.7% Increase in
2018 Common
Dividend

Free Cash Flow Improves
Following Completion of
CCGT Construction

Strong Free Cash
Flow Enables
Funding of Capital
Program Without
Need To Issue
Equity

5–Year Investment
Program Provides
Opportunity for
8%-10%
CAGR in PSE&G
Rate Base

PSEG

Strong financial position driven by PSE&G with meaningful contribution from Power

Earnings

- 2018 non-GAAP earnings guidance up 6% over 2017*
- Increased investment and the impact of tax reform expected to drive growth in 2018 non-GAAP Operating Earnings

Investment

- PSE&G investment continues with contemporaneous and near contem-poraneous returns for the majority of capital spending
- Power construction program nearing completion

Cash Flow and Credit Metrics

- Financial strength supports our current investment program with no need to issue equity
- Excess investment capacity enables funding of a broad set of PSE&G opportunities

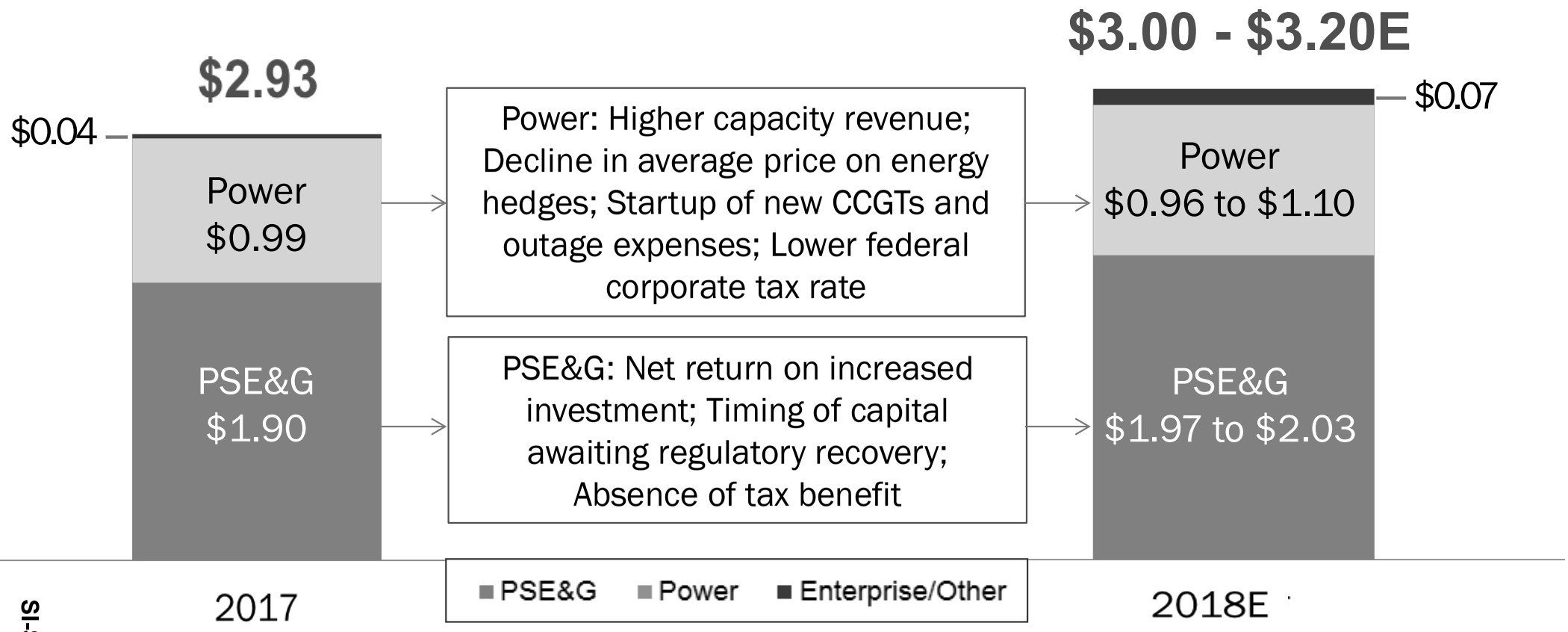
Dividends

- Increased 2018 indicative annual dividend by 4.7%
- Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-02901

*BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS; SLIDE B FOR A RECONCILIATION OF NET INCOME TO OPERATING EARNINGS FOR PSE&G AND PSEG POWER; AND SLIDE C FOR PSEG/OTHER . E= ESTIMATE.

Growth in utility infrastructure investment and tax reform expected to drive 6% increase in 2018 non-GAAP Operating Earnings*



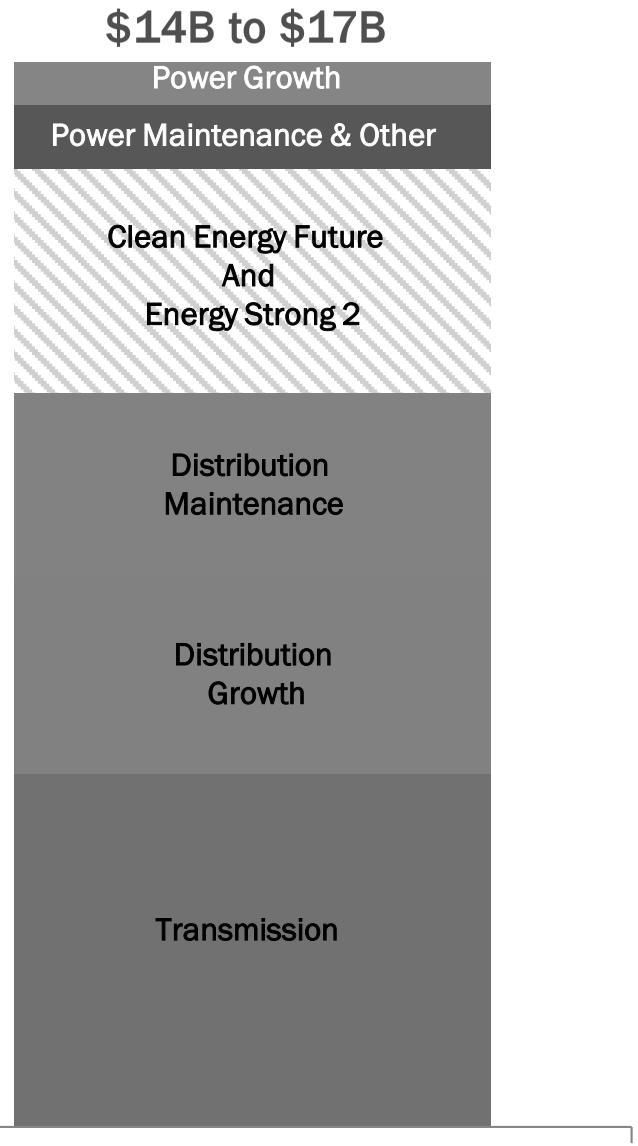
SI-SSA-0015-02902

PSEG

*BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS; SLIDE B FOR A RECONCILIATION OF NET INCOME TO OPERATING EARNINGS FOR PSE&G AND PSEG POWER; AND SLIDE C FOR PSEG ENTERPRISE/OTHER . E= ESTIMATE.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

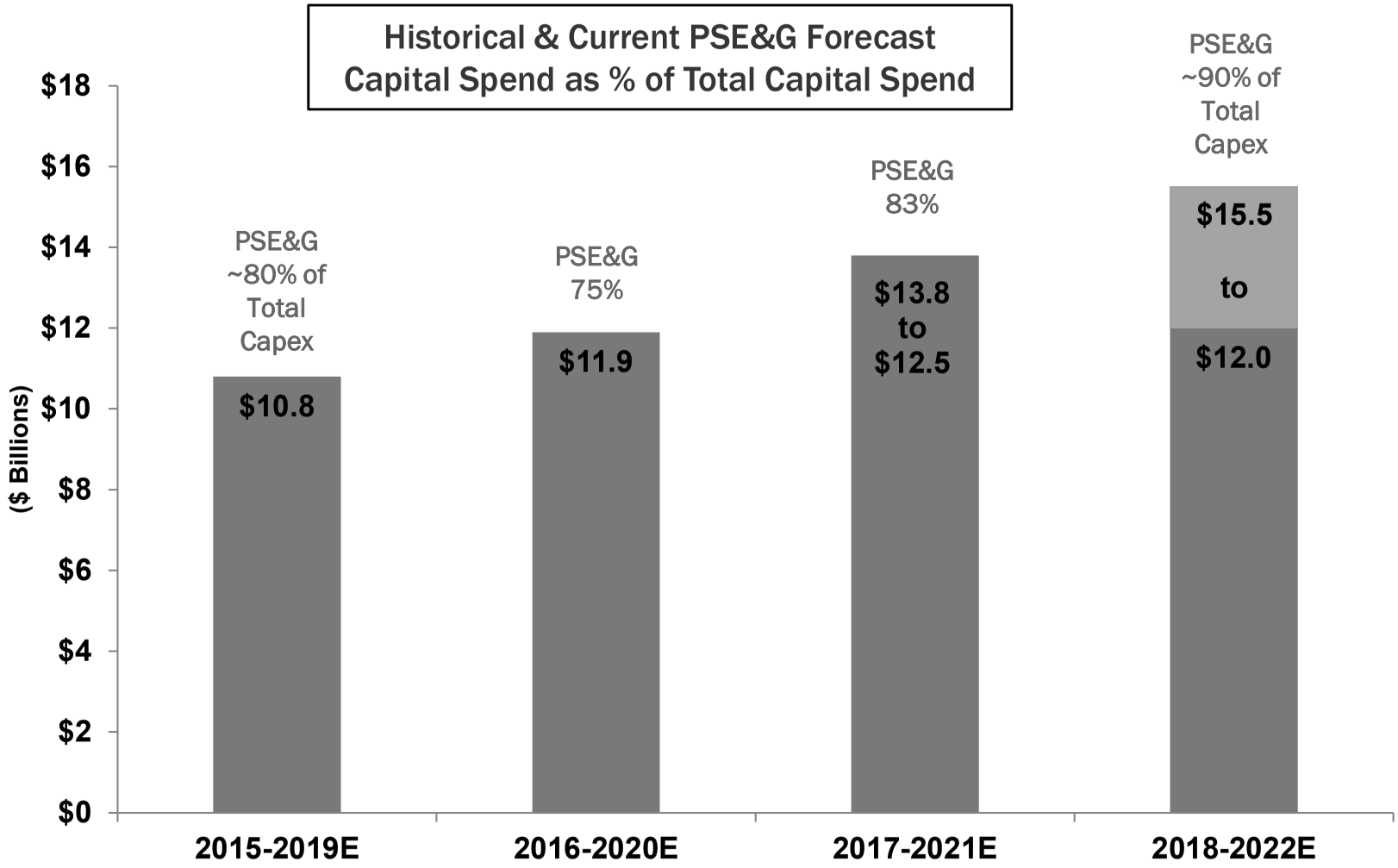


Investment in regulated business represents ~90% of capital program

CAPITAL INCLUDES IDC AND AFUDC
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E=ESTIMATE

SI-SSA-0015-02903

PSE&G's increased capital investment is growing consolidated results

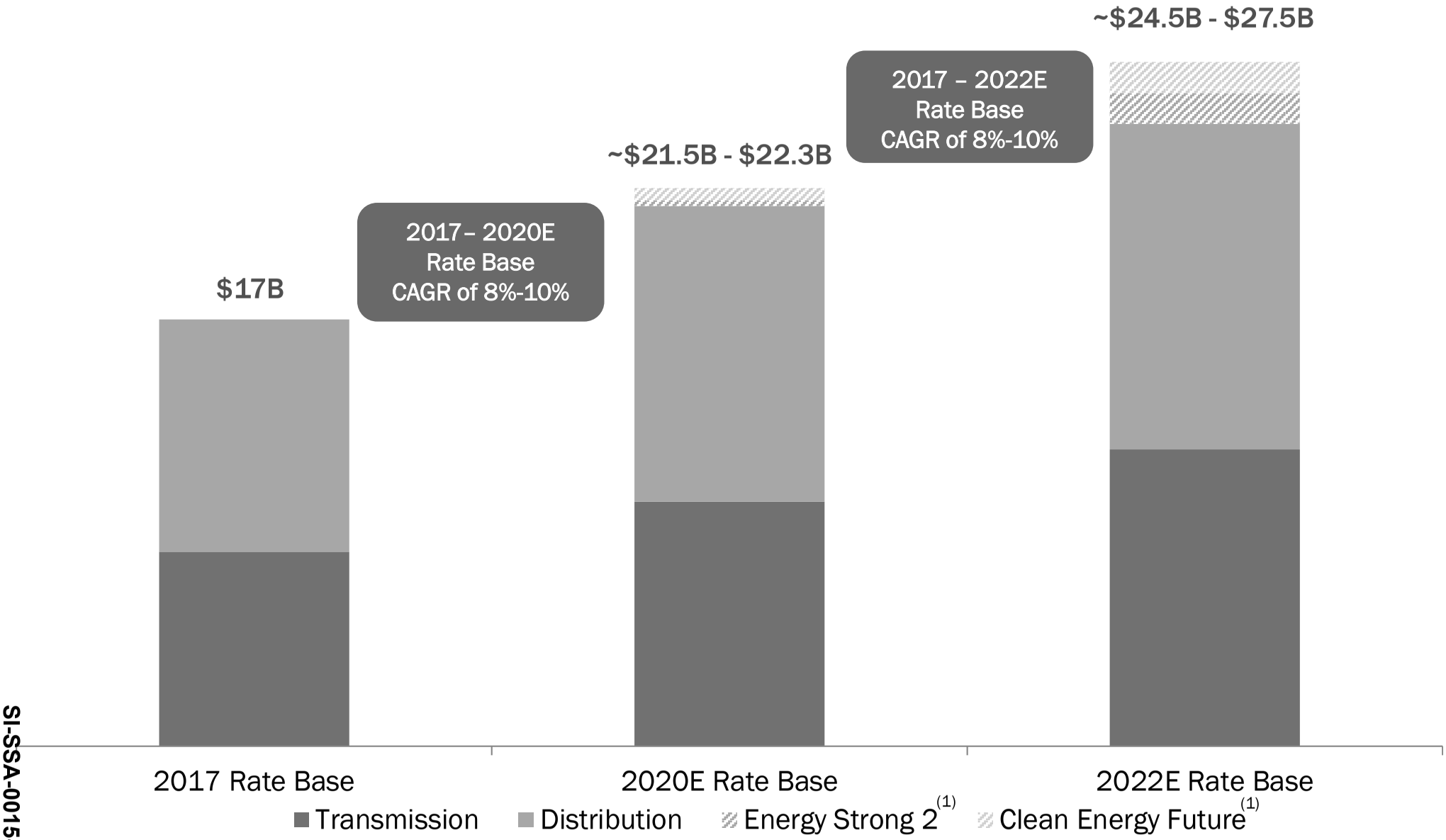


5-Year PSE&G Capital Spending Forecasts Provided at Annual Investor Conferences

SI-SSA-0015-02904

E=ESTIMATE

Five-year annual growth of 8%–10% expected in PSE&G's rate base



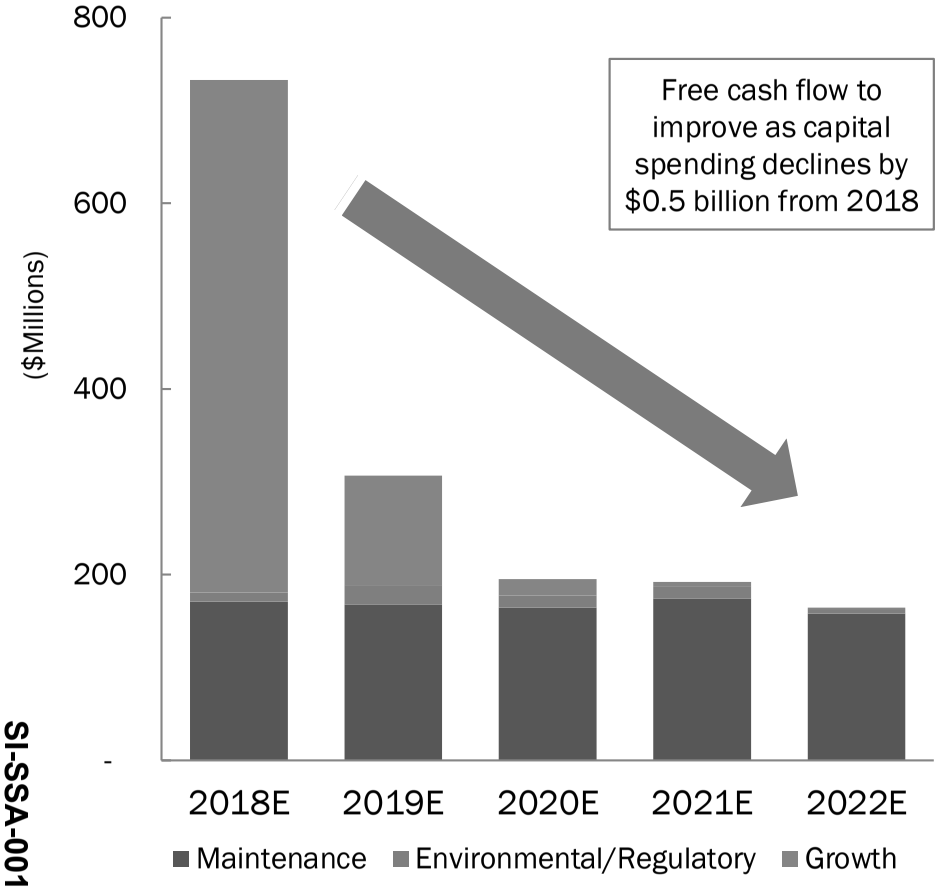
E = ESTIMATE.

1) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

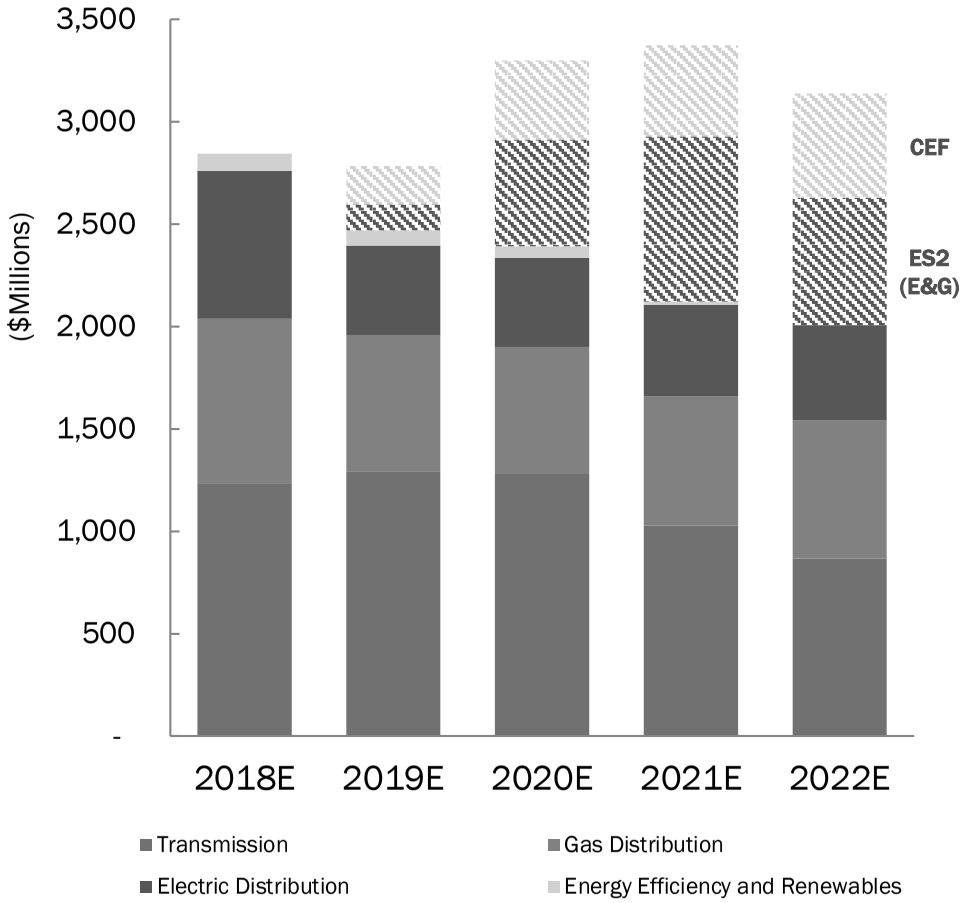
SI-SSA-0015-02905

Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



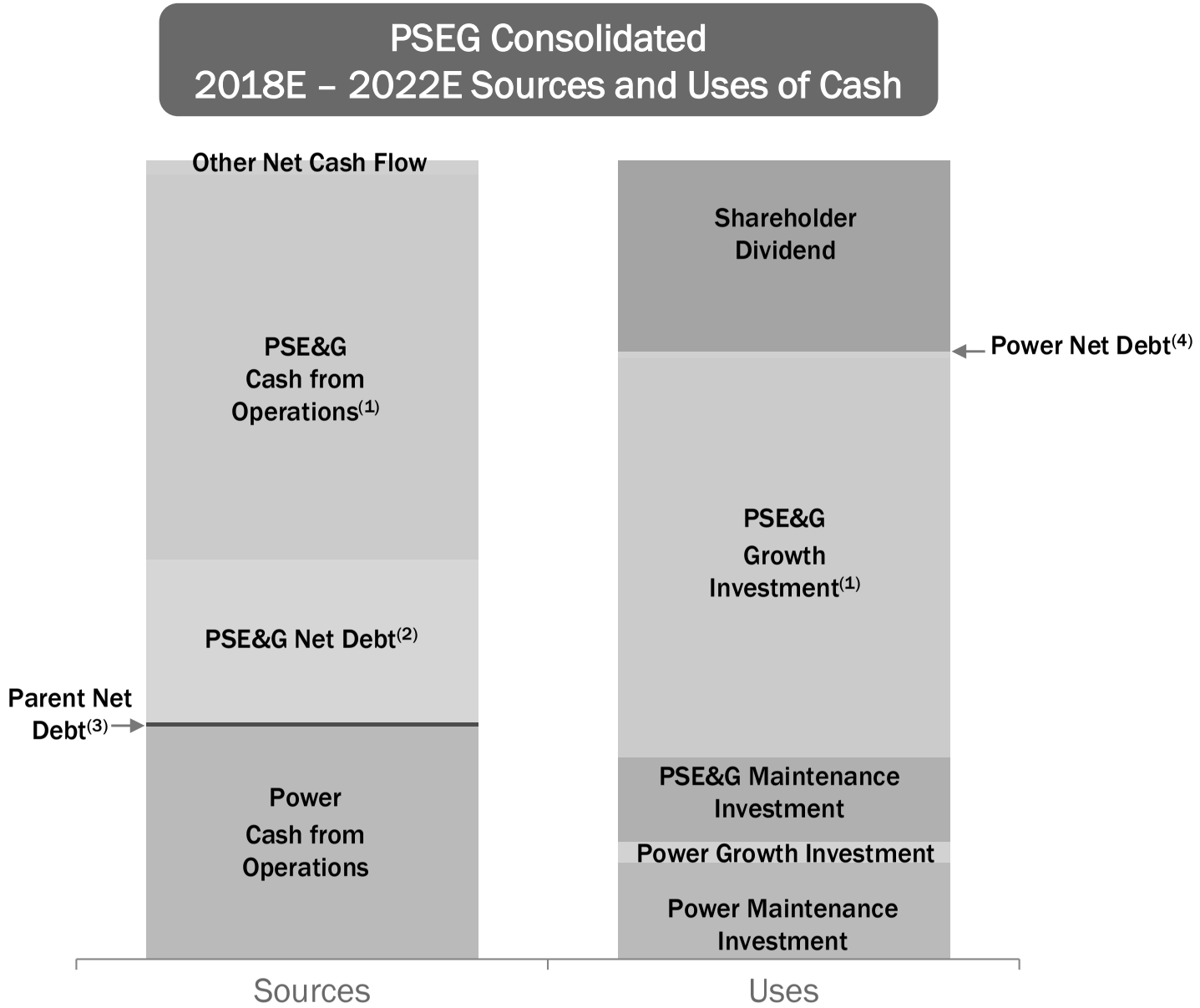
PSE&G
2018E – 2022E Capital Spending [1] [2]



1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE
2) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E = ESTIMATE.

SI-SSA-0015-02906

PSEG Cash from Operations exceeds investment



1) ADJUSTED TO SHIFT CUMULATIVE CLEAN ENERGY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
4) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING

E = ESTIMATE

SI-SSA-0015-02907

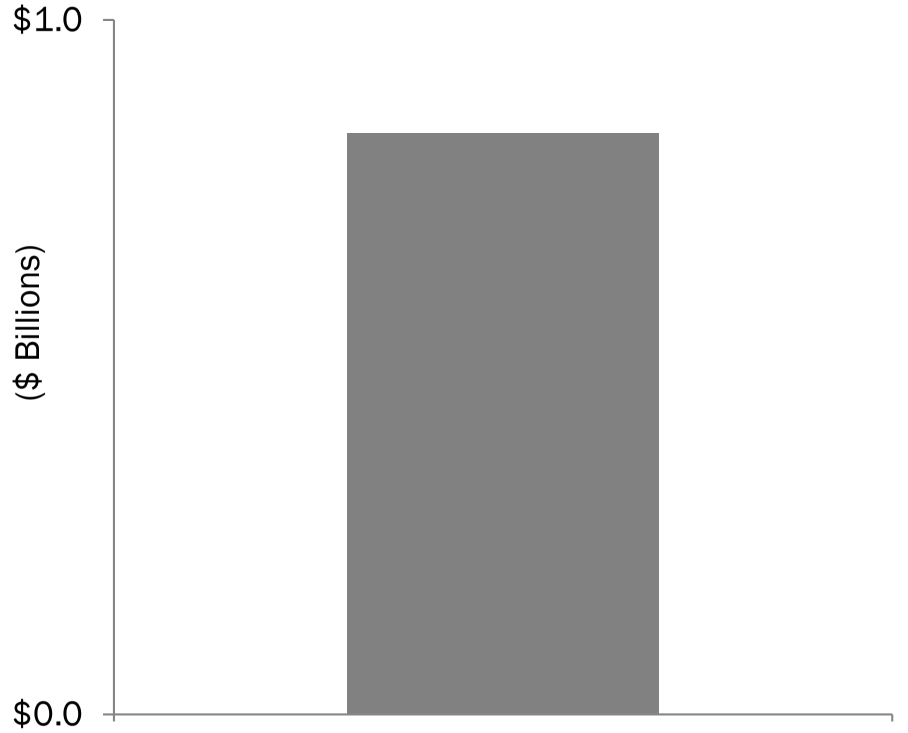
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

SI-SSA-0015-02908

Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

SI-SSA-0015-02909

Tax Reform benefits customers and PSEG

- ✓ Benefiting PSE&G customers with $262 million of annual rate reductions in 2018, expected to grow with return of excess deferred taxes
- ✓ Estimated to provide PSEG with uplift to earnings, including $0.16 per share in 2018

PSE&G Tax Impacts

- Lowers customer bill
- Increases 5-year rate base growth for same capital spend by ~1% per year
- Average earnings increase by $20M/year growing to $30M/year over 2019-2022
- Cadence of future rate reductions related to return of excess deferred taxes to be determined in base rate case

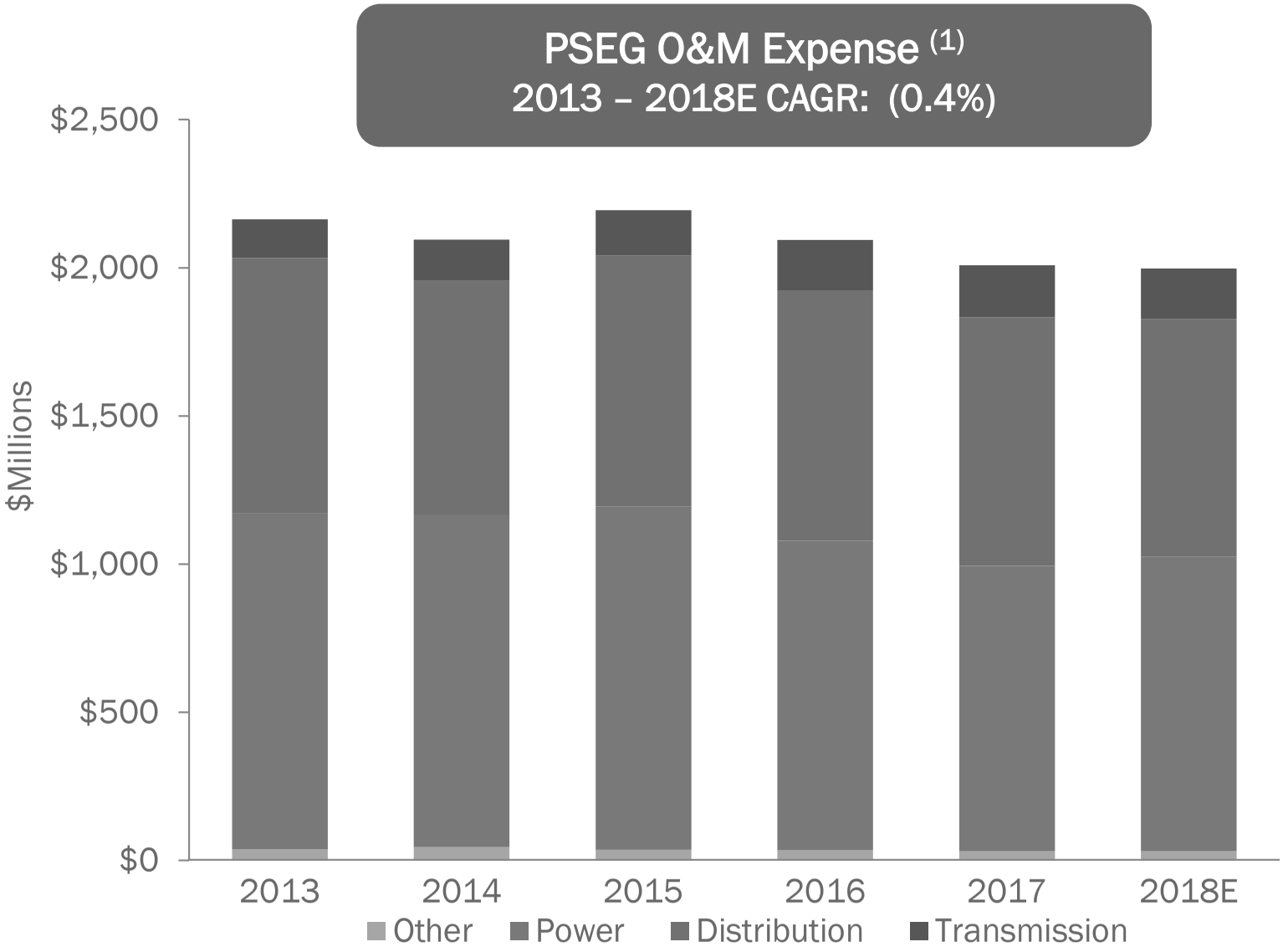
PSEG Power Tax Impacts

- After-tax earnings improve through lower federal corporate tax rate
- Cash flow increases with 100% expensing of capital
- Retains full interest expense deductibility based upon low debt balance

- ✓ After tax reform, PSEG retains investment capacity, has ability to grow the common dividend, with no need to issue equity to fund its investment program
- ✓ Lower customer bills extend opportunity to invest in system while minimizing rate impact

SI-SSA-0015-02910

PSEG has controlled O&M



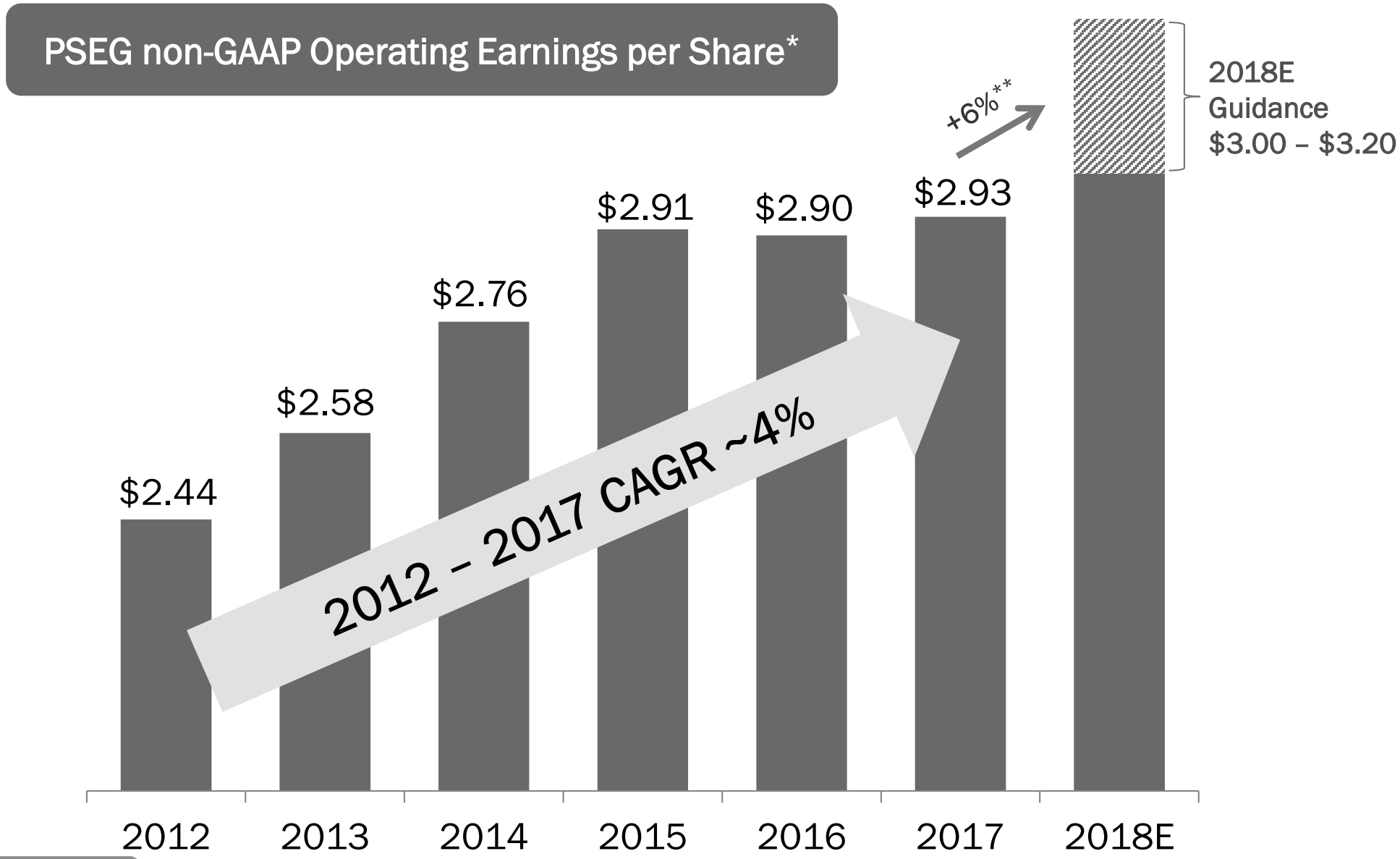
Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

SI-SSA-0015-02911

Strategic focus continues to deliver solid results



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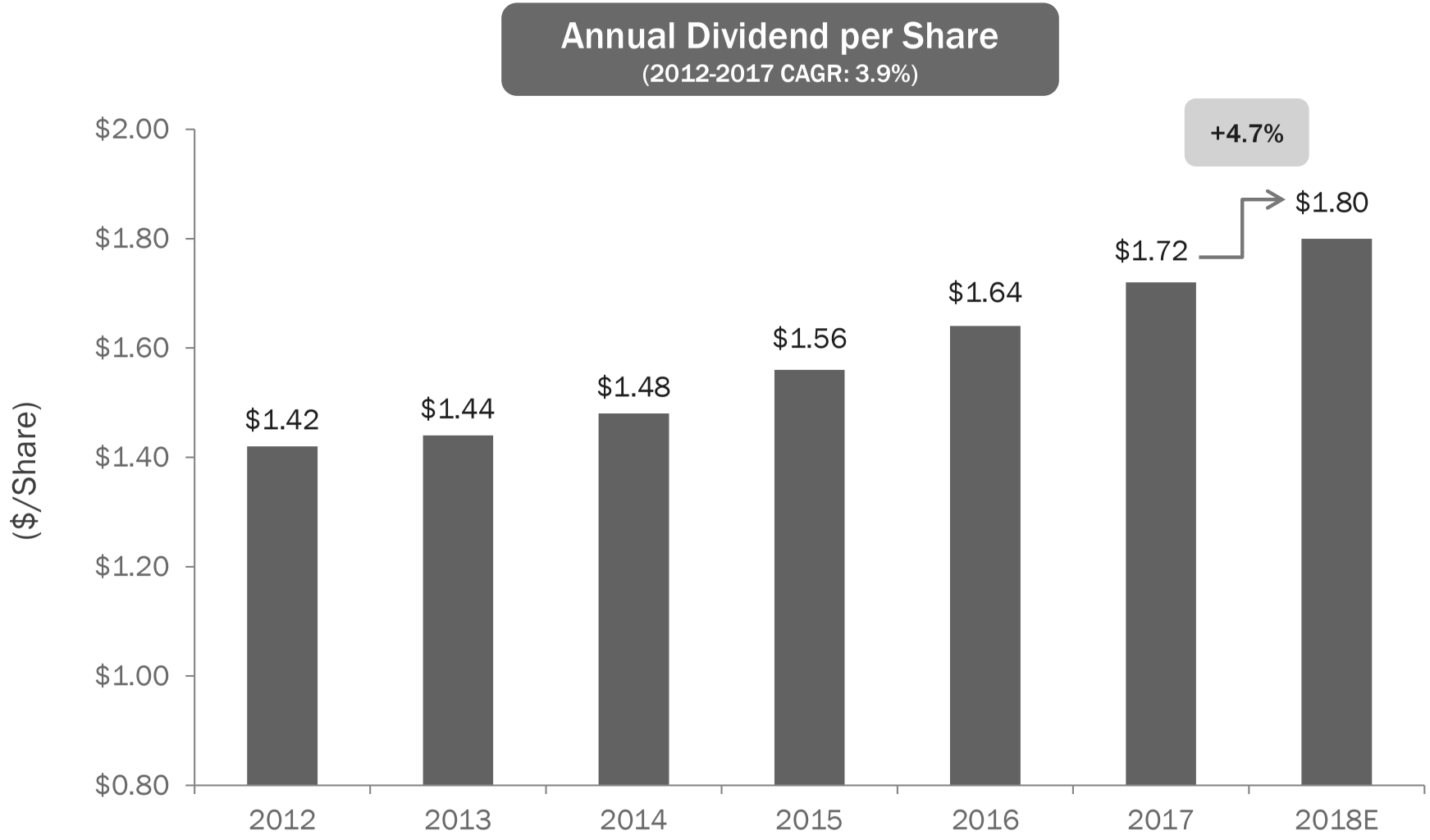
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE

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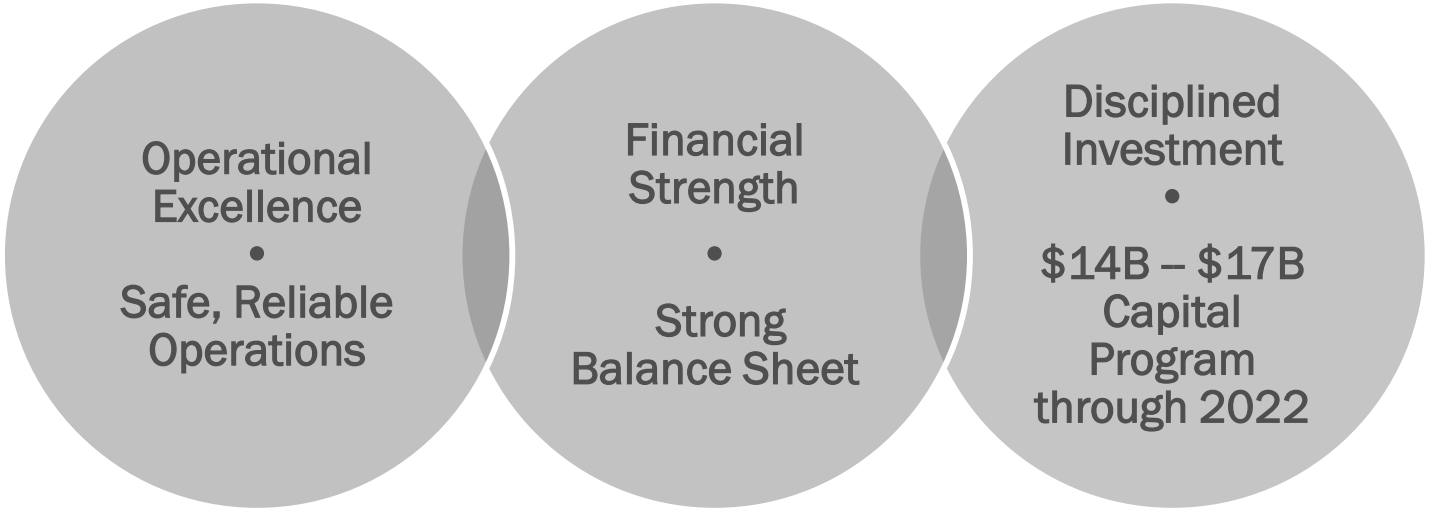
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-02914

PSEG APPENDIX

PSEG

We make things work for you.

SI-SSA-0015-02915

PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.9B ($5.7 Billion Electric; $4.2 Billion Gas) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~3% relative to overall revenue, 1% net of tax benefits
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower federal tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Filing Updates:**
  - ✓ **Taxes:** Lowered rates effective April 1 to accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - ✓ **9x3 update** filed May 14

Overall bill for the typical PSE&G residential customer, would remain ~20% lower than bills after last base rate case

SI-SSA-0015-02916

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

SI-SSA-0015-02917

2018 PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-02918

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-02919

John Paul Cowan

SENIOR VICE PRESIDENT - OPERATIONS

PSEG FOSSIL, LLC

John Paul Cowan was named Senior Vice President Operations in February 2011. Mr. Cowan joined PSEG in January 2009 as Director-Fossil Programs and Efficiency. In August 2009 he assumed the position of Vice President Operations. Prior to joining PSEG as an employee, Mr. Cowan provided Consultant Services to PSEG Fossil, LLC and PSEG Power, LLC. In these roles, Mr. Cowan served as the Executive Director for PSEG's New Nuclear Plant Development reporting to Bill Levis. Mr. Cowan also consulted to the President, PSEG Fossil, LLC for initial implementation of the Fossil Operational Excellence Model (OEM).

Prior to joining PSEG, Mr. Cowan held several executive positions including Executive Vice President and Chief Nuclear Officer-Nuclear Management Company, Vice President and Chief Nuclear Officer-Florida Power Corporation, Vice President Environmental Services-Carolina Power and Light, and Vice President-Operation Services for Carolina Power and Light. Mr. Cowan has worked for the Institute of Nuclear Power Operations (INPO) as a department head, assistant to the Chief Executive Officer and Secretary to the Board of Directors. He also spent 10 years with General Electric in technical, operational, and management positions.

Mr. Cowan is a graduate of the University of Wisconsin- Madison with a Bachelor's Degree in Nuclear Engineering. He has a Master's Degree in Business Management from Rensselaer Polytechnic Institute, and a Juris Doctor's Degree from Georgia State University. He is currently an active member of the Georgia State Bar Association and the American Bar Association. He is a recipient of the University of Wisconsin's Distinguished Service Award and has been a member of several electric industry groups including the Institute of Nuclear Power Operations, Nuclear Electric Institute, and Electric Power Research Institute.

SI-SSA-0015-02920

Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-02921

David M. Daly

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

David M. Daly was elected president and chief operating officer of Public Service Electric and Gas Company (PSE&G) effective October 2017. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. In addition, Mr. Daly will assume the role of Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which has been managing the electric transmission and distribution systems on Long Island and in the Rockaways since January 2014. PSEG Long Island serves 1.1 million customers.

Prior to his current position, Mr. Daly served as president and chief operating officer of PSEG Long Island. Previously he served as vice president and lead of the transition to PSEG Long Island.

Prior to his appointment to PSEG Long Island, Mr. Daly served as vice president - asset management and centralized services at PSE&G. Since joining PSE&G in 1983, Mr. Daly has held a variety of positions in utility operations and support services, including vice president of energy acquisition and technology, division manager - merger integration, director of utility operations services, director of corporate strategy, and general manager of transmission planning.

Earlier in his career, Mr. Daly held various first and second line supervisory positions in fossil generation plant operations, and was a senior consultant at Metzler & Associates and UMS Group. He has an electrical engineering degree from the State University of New York Maritime College, and a Master of Business Administration from Rutgers University.

SI-SSA-0015-02922

Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, The Board of the Military Park Partnership, the All Stars Project National Board, and is currently chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.

SI-SSA-0015-02923

Kim C. Hanemann

SENIOR VICE PRESIDENT – DELIVERY PROJECTS AND CONSTRUCTION

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

Kim C. Hanemann is Senior Vice President, Delivery Projects and Construction (DP&C), at Public Service Electric and Gas Company (PSE&G). Headquartered in Newark, New Jersey, PSE&G is one of the largest combined electric and gas companies in the United States and is also New Jersey's oldest and largest publicly owned utility. PSE&G is the largest subsidiary of Public Service Enterprise Group Incorporated (PSEG).

At PSE&G, Ms. Hanemann is responsible for ensuring the on time, on scope and on budget execution of the company's large transmission construction projects, which includes overseeing project management, project controls, licensing and permitting, and commissioning. Her organization also includes a mobile construction workforce. During the period 2017 through 2021, the portfolio under Ms. Hanemann's management will command a budget of approximately $6.0 billion.

Ms. Hanemann is also responsible for managing key components of PSE&G's Energy Strong program to increase the resiliency of 29 switching and substations, and to protect gas metering and regulating stations affected by Superstorm Sandy or located in flood zones. She also oversees a $630 million FEMA grant for hardening projects on facilities operated by PSEG Long Island.

Ms. Hanemann joined PSE&G as an engineer in 1986 and has held numerous leadership positions in both electric and gas field operations and in utility support operations. She was named a director in 2007, promoted to vice president in 2010, and to senior vice president in 2014. Under her leadership, DP&C has grown from a startup team of 40 in 2007 to a still growing team of over 800 today.

Ms. Hanemann is a member of the board of directors of Middlesex Water Company and Children's Specialized Hospital.

Ms. Hanemann is a graduate of Lehigh University, where she earned a bachelor's in mechanical engineering, and the Rutgers Graduate School of Management, where she earned a Masters of Business Administration.

SI-SSA-0015-02924

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

Ralph A. LaRossa was elected president and chief operating officer (COO) of PSEG's merchant generation business, PSEG Power, effective October 2017.

PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units). Its low-cost, load-following fleet is geographically well-positioned in competitive markets. Its approximately 12,000 megawatts represent a diverse fuel mix with different plant types.

Before being elected to his current position, Mr. LaRossa served as president and chief operating officer of Public Service Electric and Gas Company (PSE&G). In addition, Mr. LaRossa served as Chairman of the Board of PSEG Long Island. Previously he was vice president - electric delivery for PSE&G.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for Montclair State University and is also the immediate past chair of the American Gas Association (AGA).

SI-SSA-0015-02925

John R. Latka

SENIOR VICE PRESIDENT – ELECTRIC AND GAS OPERATIONS

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

John R. Latka was named Senior Vice President – Electric & Gas Operations in July 2014. He is a member of PSEG's Executive Officer Group. John is responsible for Transmission & Distribution of all electric and gas operations, safety and emergency preparedness initiatives. He is also responsible for implementing the natural gas pipe replacements in the GSMP Program and the electric system resiliency upgrades included in PSE&G's Energy Strong program.

Under his leadership, PSE&G has been named the most reliable utility in the nation five times, and the most reliable in the Mid-Atlantic region for the past 16 years.

In 2015, J.D. Power ranked PSE&G highest in business customer satisfaction for both electric and gas service. This is the first time in PSE&G's history to rank highest in business customer satisfaction for both electric and gas service.

Prior to his current role, Mr. Latka was Vice President-Electric Operations for PSE&G. Since joining PSE&G in 1982, Mr. Latka has held a variety of management positions in the utility.

Mr. Latka is a graduate of Tennessee Technological University. He is currently a board member for the Commerce and Industry Association of New Jersey. He is a Board of Trustee of the Partnership for a Drug-Free New Jersey and a member of the National Response Executive Committee. In 2014, he was appointed to the NJ Infrastructure Advisory Committee (IAC) as co-chair of the Energy Sector.

SI-SSA-0015-02926

Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She currently serves on the Board of the PSEG Foundation, the Community Foundation of New Jersey and the Mater Dei Prep High School Board. In addition, Ms. Linde is a member of the General Counsel Steering Committee of the National Association of Corporate Directors (NACD). She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-02927

Shahid Malik

PRESIDENT

PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed president of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for business development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as president & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included executive leadership positions with several energy companies in the U.S. and Europe. In addition, he served on the board of directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum .

SI-SSA-0015-02928

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is Immediate Past Chair of the Children's Specialized Hospital Board, a former member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-02929

Peter P. Sena III

PRESIDENT &
CHIEF NUCLEAR
OFFICER

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016 and Chief Nuclear Officer in July 2016. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

SI-SSA-0015-02930

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-02931

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-	25
Tax Reform	(147)	-	-	-	-	
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

SI-SSA-0015-02933

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Full Year 2017

February 23, 2018

SI-SSA-0015-02934

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-02935

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

SI-SSA-0015-02936

PSEG
2017 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-02937

PSEG – Exceeded mid-point of guidance in 2017, well positioned for 2018

- **Highlights**
  - ✓ Net Income of $1.88 vs. Net Loss of $(0.19) per share in Q4 2016; Net Income of $3.10 in 2017 vs. $1.75 per share in 2016 – Tax reform and early retirement of Hudson & Mercer influenced results
  - ✓ Non-GAAP Operating Earnings* results of $0.57 vs. $0.54 per share in Q4 2016; Full-year, non-GAAP Operating Earnings* of $2.93 vs. $2.90 per share in 2016 and 2017 guidance of $2.80 to $3.00 per share
  - ✓ PSE&G non-GAAP results up 8.6%, benefiting from increased investment in electric and gas T&D
  - ✓ PSEG Power results were at the top end of 2017 guidance, aided by cost control and improved nuclear performance

- **Operational Excellence**
  - ✓ Nuclear fleet capacity factor improved to 94%; Hope Creek attained 100% capacity factor & record output
  - ✓ PSE&G named most reliable Utility in the Mid-Atlantic region for the 16th year in a row

- **Disciplined Capital Investment**
  - ✓ PSE&G's investment program to upgrade transmission, replace cast-iron pipe and improve the resilience of electric distribution system totaled $3.1 billion in 2017; PSEG Power invested ~$1 billion constructing three new, highly efficient gas-fired CCGTs; Keys and Sewaren expected to be in-service mid-2018

- **Regulatory & Policy Focus**
  - ✓ Filed PSE&G NJ distribution base rate review seeking a modest 1% increase in revenue
  - ✓ PSE&G to return expected benefits of ~$275 million to customers related to lower tax rates plus returning excess deferred taxes
  - ✓ PSEG Power continues to work with key stakeholders in New Jersey on legislation supporting continued operation of nuclear capacity as part of a broader bill that aligns with the state's energy policy goals

* See Slides A, B and C for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-02938

PSEG Q4 Results Summary – Solid quarterly results

Quarter ended December 31

$ millions (except EPS)	2017	2016	Change
Net Income/(Loss)	$ 956	$ (98)	$ 1,054
Reconciling Items	(667)	377	(1,044)
Operating Earnings (non-GAAP)*	$ 289	$ 279	$ 10
EPS from Net Income/(Loss)	$ 1.88	$ (0.19)	$ 2.07
EPS from Operating Earnings (non-GAAP)*	$ 0.57	$ 0.54	$ 0.03

*See Slide A for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

Full Year Results – Exceeded midpoint of guidance

Twelve Months ended December 31

$ millions (except EPS)	2017	2016	Change
Net Income	$ 1,574	$ 887	$ 687
Reconciling Items	(86)	588	(674)
Operating Earnings (non-GAAP)*	$ 1,488	$ 1,475	$ 13
EPS from Net Income	$ 3.10	$ 1.75	$ 1.35
EPS from Operating Earnings (non-GAAP)*	$ 2.93	$ 2.90	$ 0.03

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG 2017 - Executing on Regulatory and Policy Initiatives

NJ Distribution Base Rate Proceeding

- Filed NJ base rate review January 12, 2018

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP II)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- In December, the BPU finalized its rule on the Infrastructure Investment Program (IIP) providing for 5-year investment programs
- PSE&G preparing a multi-year filing for the extension of Energy Strong
- PSE&G developing a large, multi-year EE investment program to bring benefits to a broader group of customers

Preserving the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensuring Federal Regulatory and Policy Framework

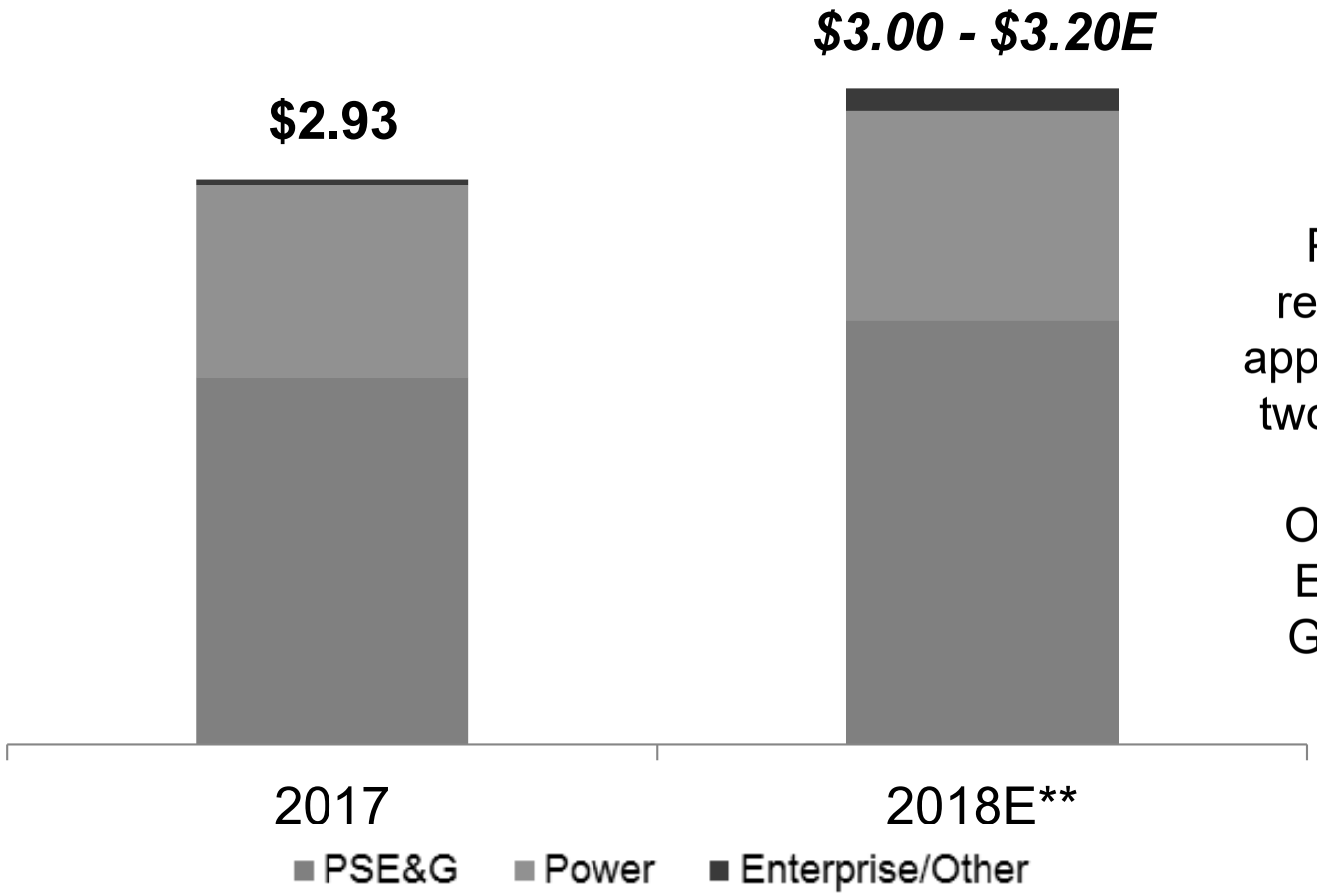
- PJM continuing reform of Price Formation on several issues
- FERC focus on electric system resiliency ongoing through continuing dialogue with RTOs

SI-SSA-0015-02941

PSEG – 2018 Non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



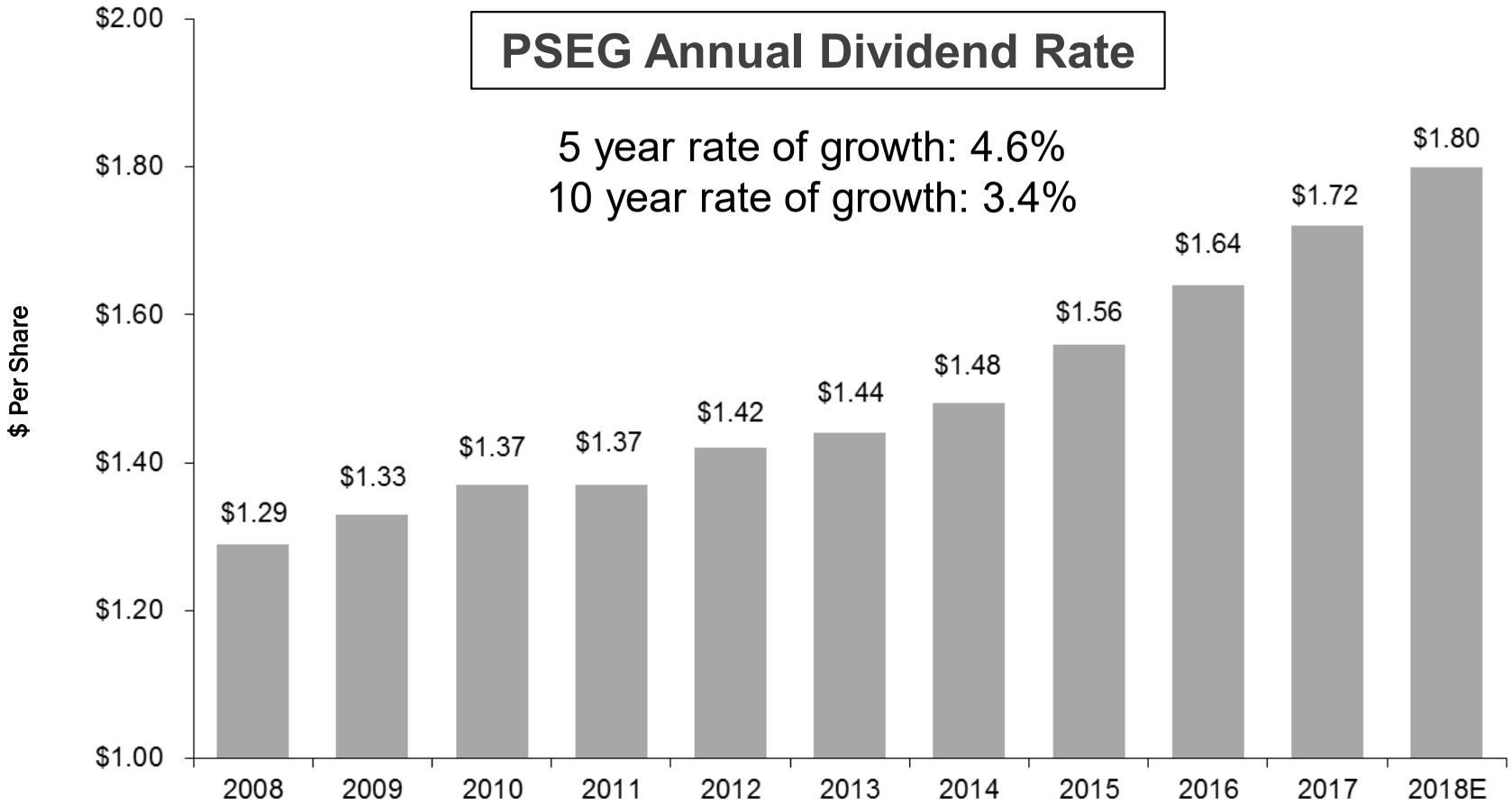
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

* See Slides A, B and C for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share. E = Estimate.

SI-SSA-0015-02942

PSEG Annual Dividend – Increased 4.7% to $1.80 per share

Building on a 111-year history of returning cash to our shareholders



Payout Ratio	44%	43%	44%	50%	58%	56%	54%	54%	57%	59%	58%**

*INDICATIVE ANNUAL 2018 PSEG COMMON DIVIDEND RATE PER SHARE. E=ESTIMATE.
**2018E PAYOUT RATIO REFLECTS THE INDICATIVE ANNUAL DIVIDEND RATE DIVIDED BY THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE.

PSEG
2017 Q4 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-02944

PSEG – Q4 Results by Subsidiary

PSEG Q4 EPS Summary – Quarter ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 0.43	$ 0.38	$ 0.05
PSEG Power	$ 1.20	$ (0.59)	$ 1.79
PSEG Enterprise/Other	$ 0.25	$ 0.02	$ 0.23
Total PSEG	$ 1.88	$ (0.19)	$ 2.07

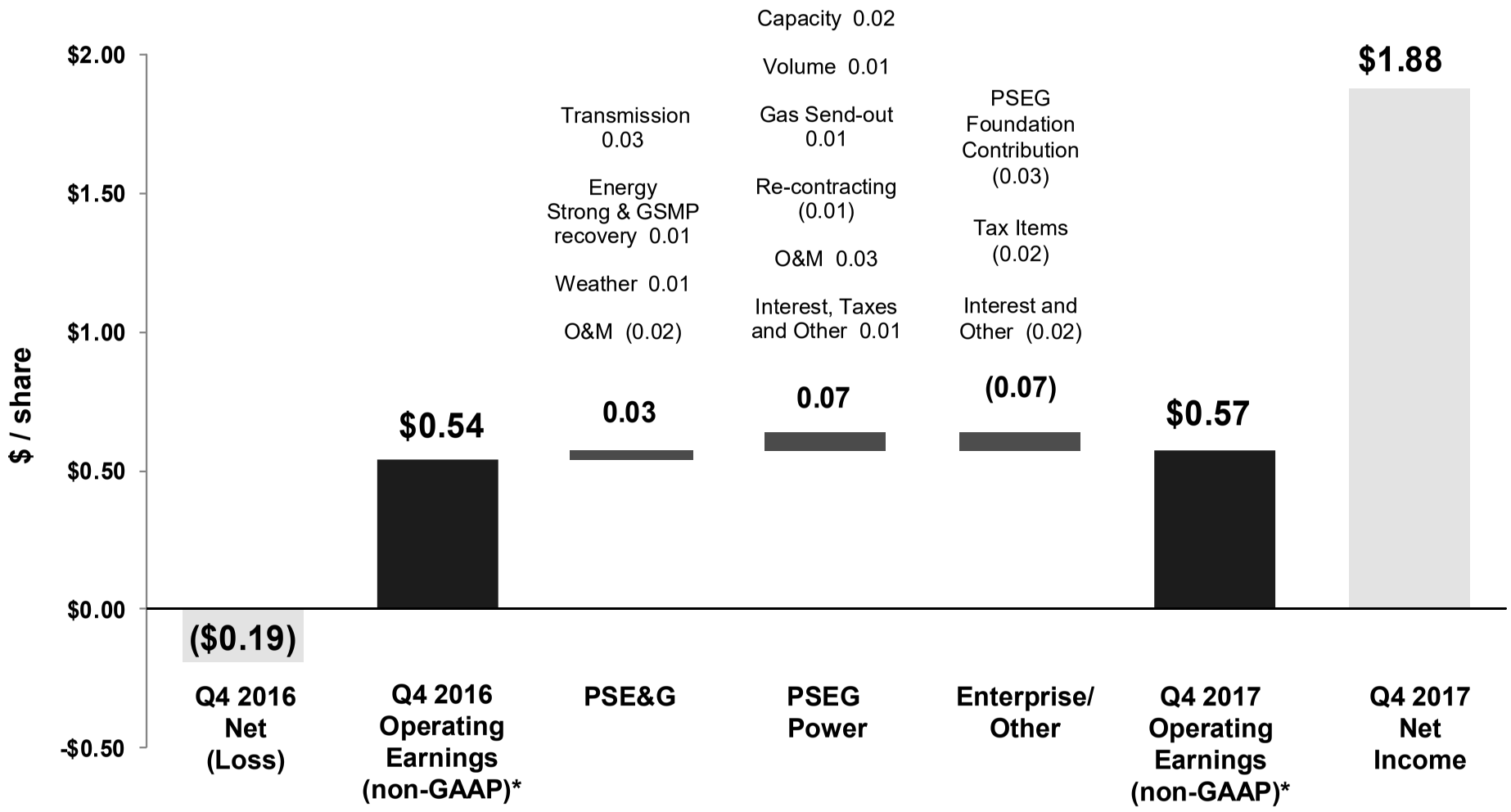
Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 0.41	$ 0.38	$ 0.03
PSEG Power	$ 0.20	$ 0.13	$ 0.07
PSEG Enterprise/Other	$ (0.04)	$ 0.03	$ (0.07)
Total PSEG*	$ 0.57	$ 0.54	$ 0.03

*See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-02945

PSEG EPS Reconciliation – Q4 2017 versus Q4 2016

Ongoing utility investment, cost control at Power and strong operations contributed to Q4 results



* See Slide A for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-02946

PSEG – Year-to-Date Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

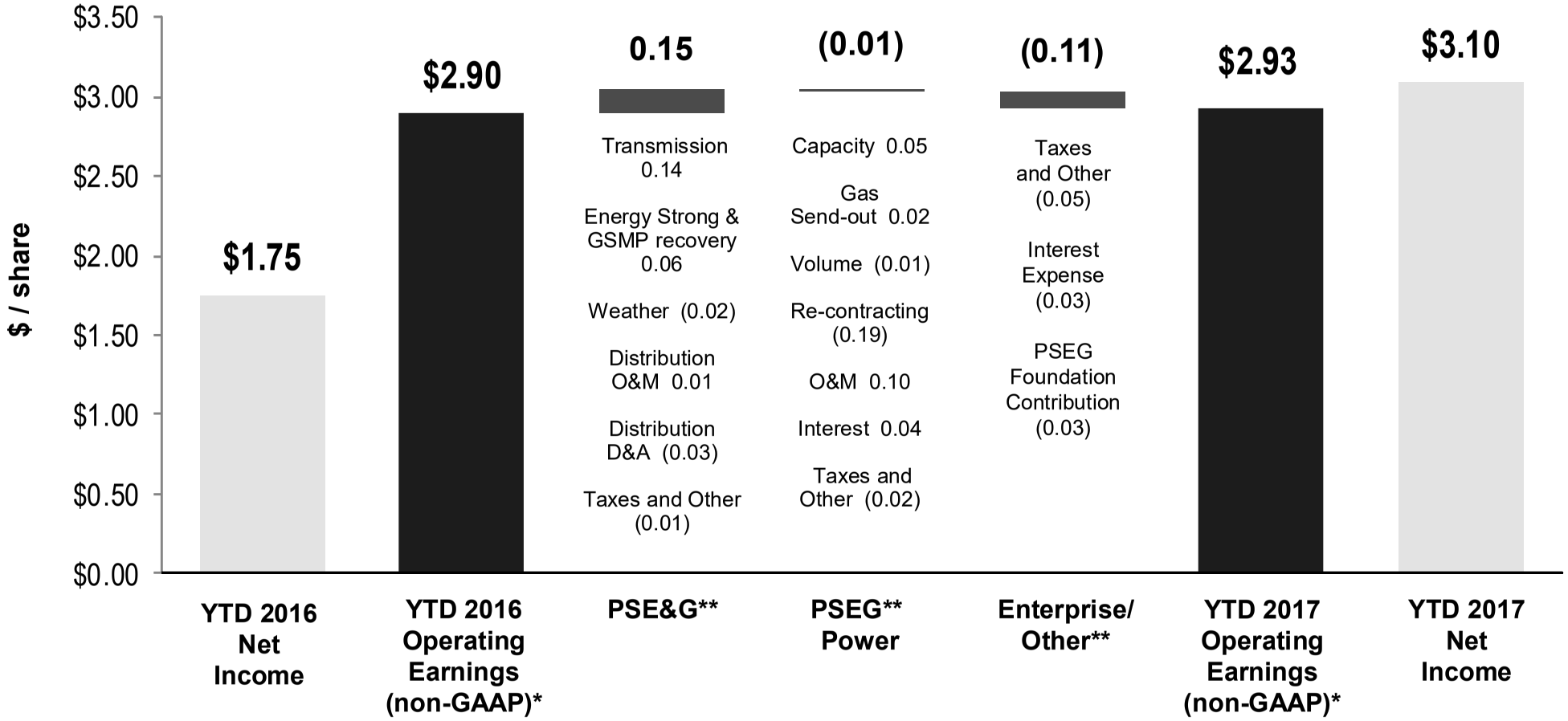
Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-02947

PSEG EPS Reconciliation – YTD 2017 versus YTD 2016

Utility investment and cost control drove full year 2017 results



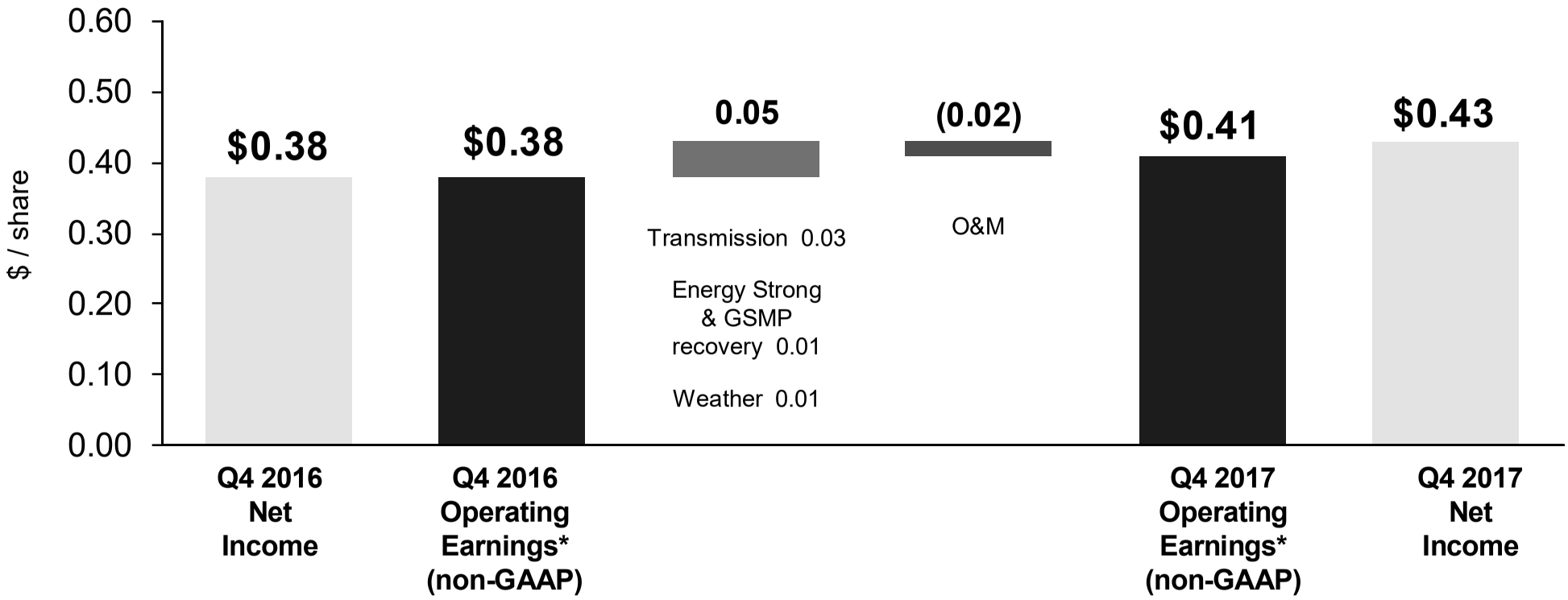
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).Year-to-date columns
**Prior quarter results may not add to year-to-date totals due to rounding.

SI-SSA-0015-02948

PSE&G
2017 Q4 Review

PSE&G EPS Reconciliation – Q4 2017 versus Q4 2016

Continued investment in reliability and resiliency offset higher O&M

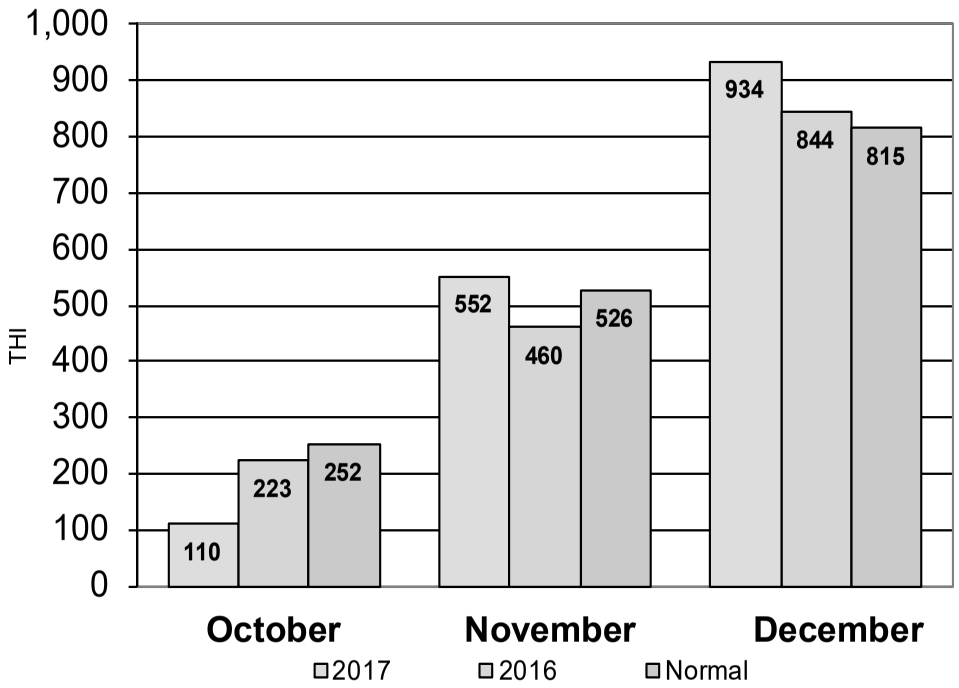


* See Slide B for Items excluded from Net Income to reconcile to non-GAAP Operating Earnings for PSE&G.

SI-SSA-0015-02950

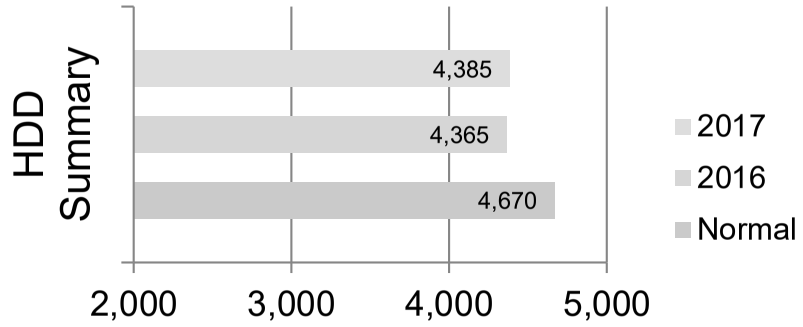
PSE&G – Q4 & Full Year Weather Summary

Monthly Heating Degree Days (HDD)
Q4 2017 vs. Q4 2016 vs. Q4 Normal



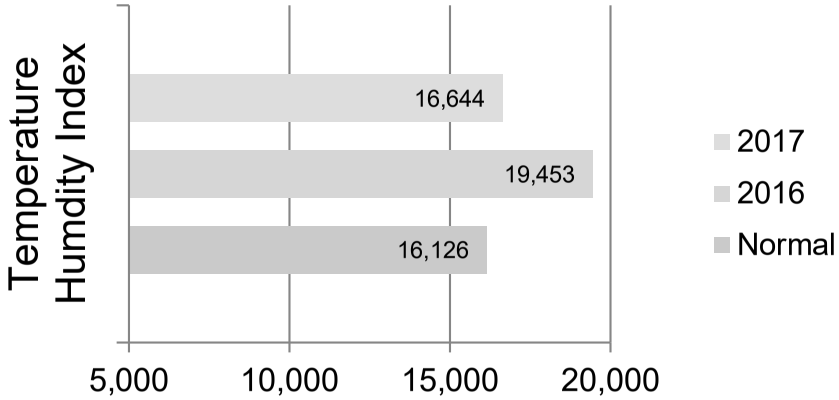
Q4 2017 winter weather, as defined by heating degree days, was ~5% colder than Q4 2016 and on par with a Normal Q4

Winter Weather Summary (HHD)
FY 2017 vs. FY 2016 vs. FY Normal



FY 2017 Winter weather was similar to 2016 and ~6% warmer than Normal.

Summer Weather Summary (THI)
FY 2017 vs. FY 2016 vs. FY Normal



FY 2017 Summer weather was ~14% cooler than 2016 and 3% warmer than Normal

SI-SSA-0015-02951

PSE&G 2018 Distribution Rate Case Filing Summary

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

SI-SSA-0015-02952

PSE&G – Q4 Highlights

Operations

- ✓ PSE&G named "Most Reliable Utility" in the Mid-Atlantic region by ReliabilityOne for 16th year in a row
- ✓ On a weather normalized basis, total electric sales were down (0.4%) for the year, as declines in Residential and Industrial sales more than offset growth in the Commercial segment
- ✓ Gas sales, adjusted for weather, were up 1.2%, led by the Commercial and Industrial segments

Regulatory and Market Environment

- ✓ PSE&G filed its distribution base rate case in mid-January
- ✓ BPU finalized rules related to the Infrastructure Investment Program (IIP) in December
- ✓ 2018 FERC transmission formula rates placed into effect January 1 were adjusted lower by $148 million to reflect benefits of tax reform; PSE&G anticipates returning $130 million to distribution customers resulting in a total of ~$275 million to be returned to customers related to tax reform
- ✓ Residential gas customers receiving BGSS bill credits totaling ~$100 million during Winter 2017-18
- ✓ Anticipate filing an Energy Strong extension and a sizable Clean Energy program during 2018

Financial

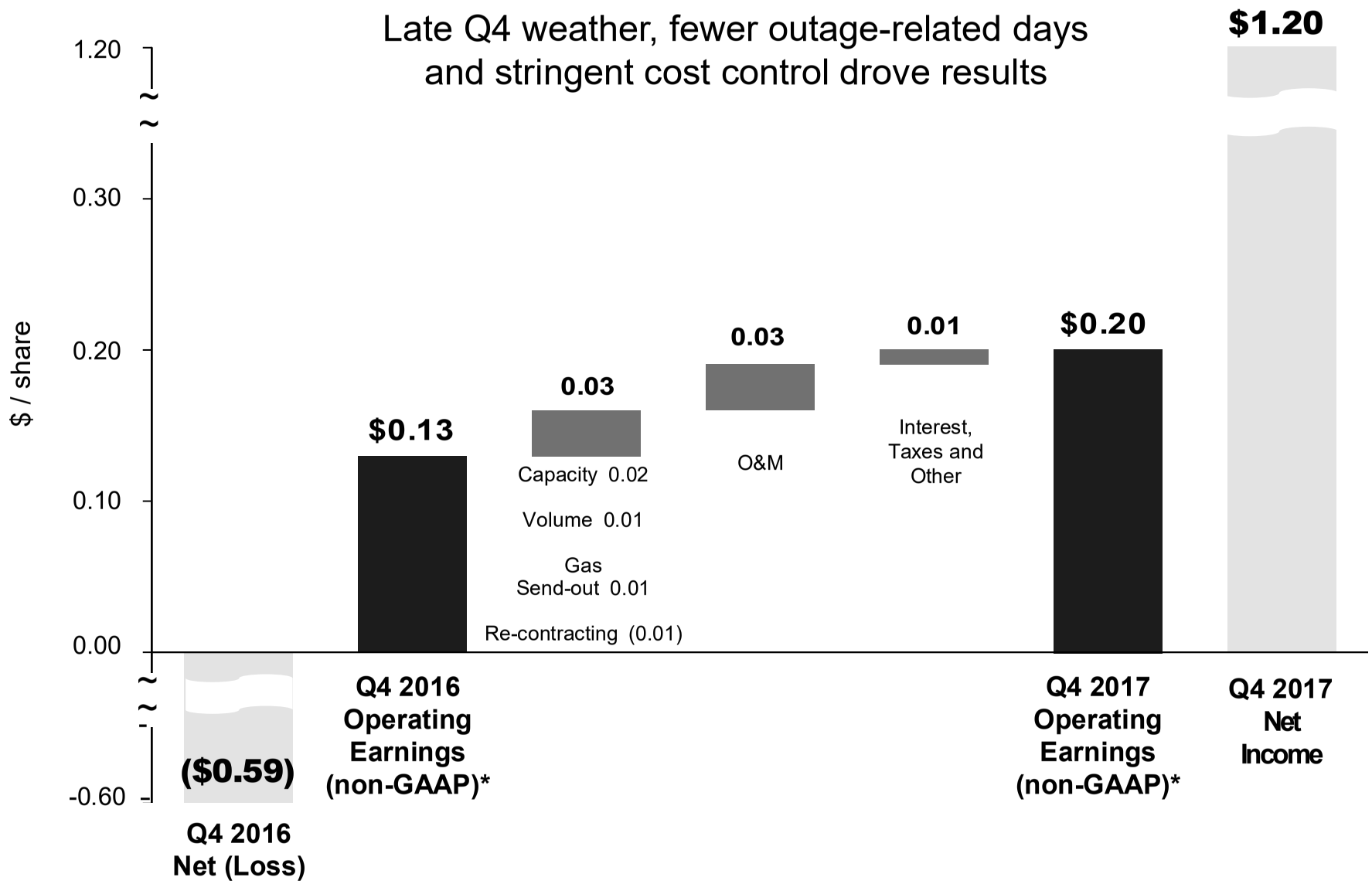
- ✓ PSE&G 2018 non-GAAP Operating Earnings guidance range is $1,000 - $1,030 million, a 5% increase over 2017 results of $963 million
- ✓ PSE&G invested $3.1 billion in 2017 capital expenditures to upgrade, expand and enhance the reliability and resiliency of the electric and gas T&D system
- ✓ Consolidated rate base grew by 12.5% to $17 billion

SI-SSA-0015-02953

PSEG Power
2017 Q4 Review

SI-SSA-0015-02954

PSEG Power EPS Reconciliation – Q4 2017 versus Q4 2016



* See Slide B for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

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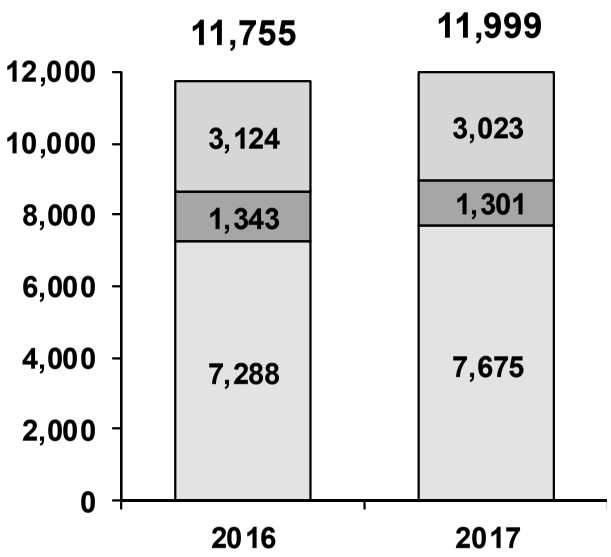
PSEG Power – Q4 Generation up 2% on improved nuclear output

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended December 31,	
	2016	2017
Combined Cycle		
PJM and NY	41.5%	39.6%
Coal**		
PA	74.5%	71.3%
CT	10.1%	12.2%
Nuclear	85.3%	89.9%

PSEG Power – Fuel Costs

	Quarter ended December 31,	
($ millions)	2016	2017
Gas	$ 58	$ 75
Coal	31	31
Total Fossil	89	106
Nuclear	49	47
Total Fuel Cost	$ 138	$ 153
Total Generation (GWh)	11,755	11,999
$ / MWh	11.74	12.75

Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

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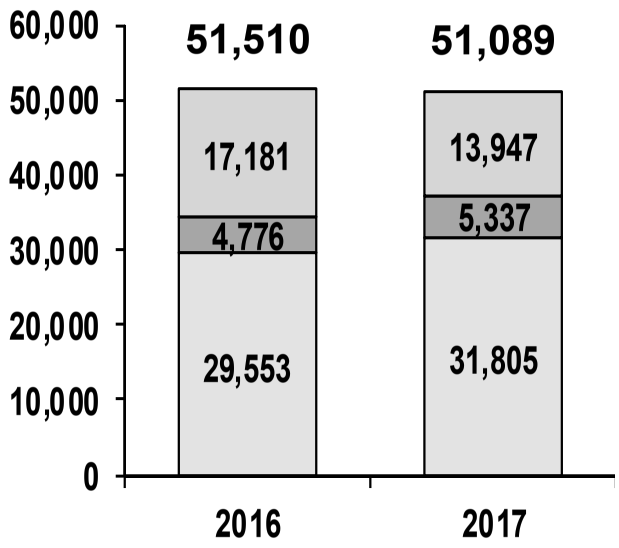
PSEG Power – YTD Generation down ~1% on mild Q1/Q3 weather

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Twelve months ended December 31,	
	2016	2017
Combined Cycle		
PJM and NY	57.2%	46.9%
Coal**		
PA	65.1%	77.5%
CT	5.4%	6.0%
Nuclear	86.9%	93.9%

PSEG Power – Fuel Costs

	Twelve months ended December 31,	
($ millions)	2016	2017
Gas	$ 272	$ 300
Coal	109	123
Total Fossil	381	423
Nuclear	203	200
Total Fuel Cost	$ 584	$ 623
Total Generation (GWh)	51,510	51,089
$ / MWh	11.34	12.19

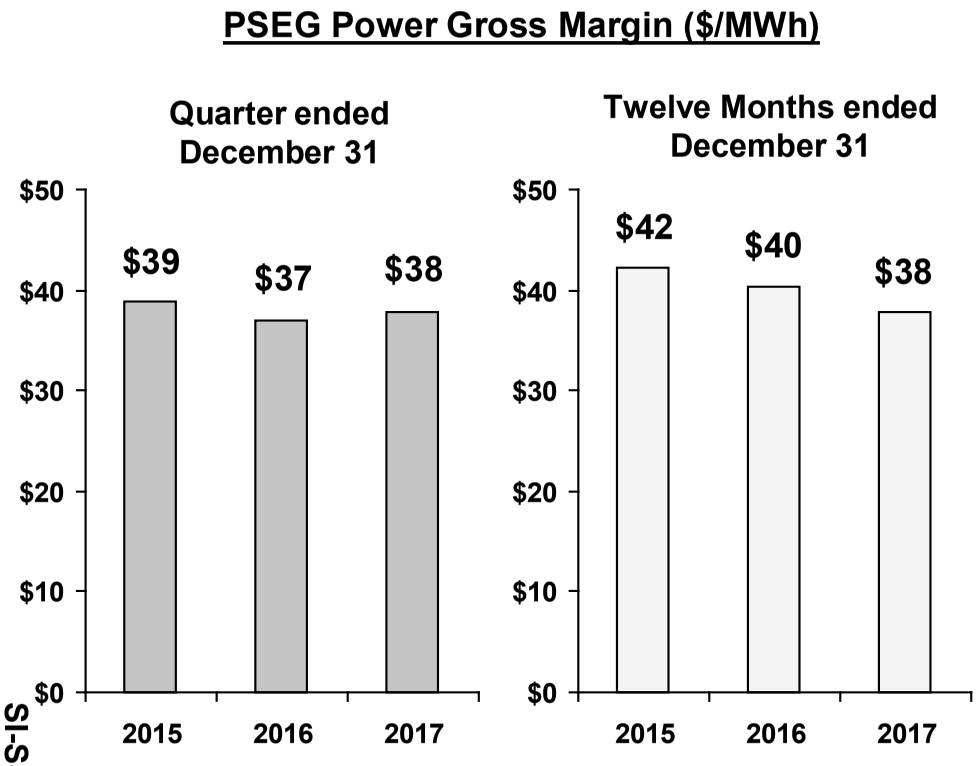
Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-02957

PSEG Power – Gross Margin Performance

- ✓ Market prices improved across PJM, NE and NY
- ✓ Capacity revenues step up June 2017 through May 2018



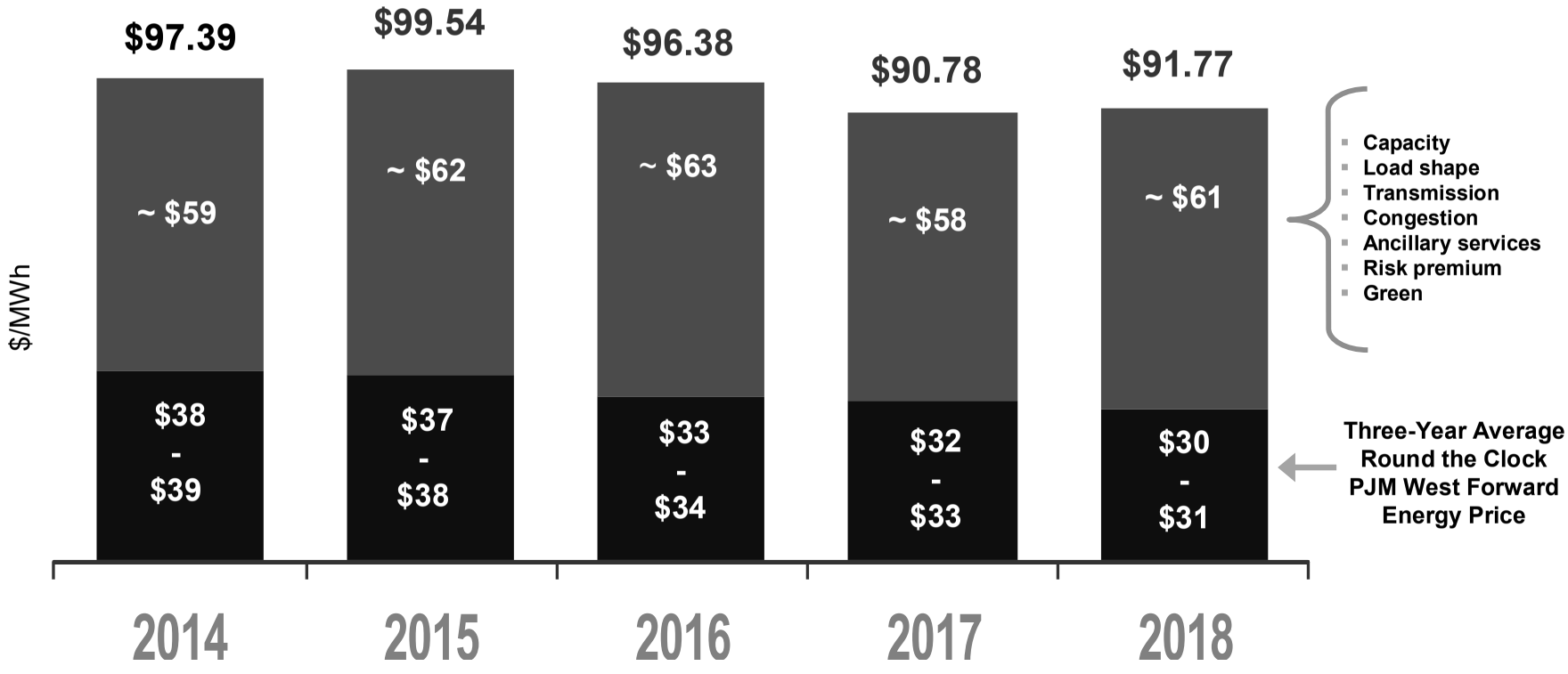
Regional Performance		
Region	**Q4 Gross Margin ($M)**	**Q4 2017 Performance**
PJM	$414	Higher market prices and generation output
New England	$27	Higher prices
New York	$13	Higher prices

SI-SSA-0015-02958

NJ Basic Generation Service (BGS) 2018 Auction Results

Increase in Full Requirements Component Due to:

Growing Renewable Energy/Transmission
Component for Market Risk
Offset by Decline in Energy and Capacity Prices



The BGS auction is a critical component of Power's annual hedging strategy, accounting for ~ 10 TWh

Note: BGS prices are quoted in $/MWh and reflect PSE&G Zone; results from the 2016-2018 auctions will be the new blended prices beginning June 1, 2018.

SI-SSA-0015-02959

Hedging Update – Reflects recent BGS auction

Contracted Energy*

		2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	34	35
	% Hedged	100%	95-100%	50-55%
	Price $/MWh	$40	$38	$38
Intermediate, Combined Cycle, Peaking	Volume TWh	20-22	25-27	28-30
	% Hedged	50-60%	10-15%	0%
	Price $/MWh	$40	$38	-
Total	Volume TWh	55-57	59-61	63-65
	% Hedged	80-85%	55-60%	25-30%
	Price $/MWh	$40	$38	$38

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 7, 2018 AND REFLECT REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power – Q4 Highlights

Operations

- ✓ Q4 output up 2% on higher nuclear production and higher energy prices; full-year 2017 generation of 51 TWh exceeded projected output of 49-50 TWh
- ✓ Nuclear fleet's average capacity factor was ~90% in Q4, producing 7.7 TWh of energy; Full-year 2017 capacity factor was ~94%, producing an all-time peak output of 31.8 TWh; Hope Creek achieved a 100% capacity factor for 2017
- ✓ CCGT fleet capacity factor was ~47% for the year, reflecting lower NJ market demand
- ✓ Coal production was up 12% for the full year, as competitiveness improved with higher gas prices

Regulatory and Market Environment

- ✓ NJ Legislature continues to evaluate supportive action to preserve nuclear's economic viability
- ✓ PJM price formation reform discussions continue on multiple issues
- ✓ BGS load for 2018 projected at 10 TWh; Recent BGS auction set a $91.77/MWh price for the PS Zone
- ✓ Keys Energy Center and Sewaren 7 targeted for mid-2018 in-service; Bridgeport Harbor 5 targeted for mid-2019 in-service

Financial

- ✓ Power invested $1,040 million in 2017 on construction projects at Keys, Sewaren 7 & Bridgeport Harbor 5
- ✓ Power's total debt as a percentage of capitalization at December 31 was 29%
- ✓ Power increased its ARO liability by $276 million to reflect increased risk of nuclear plant closure
- ✓ Power's 2018 non-GAAP Operating Earnings guidance range is $485 - $560 million; non-GAAP Adjusted EBITDA guidance for 2018 is $1,075 to $1,180 million

SI-SSA-0015-02961

PSEG

Tax Cuts and Jobs Act: PSEG well positioned

Positive non-utility contribution to earnings, strong balance sheet maintained and lower customer bills mitigate the impact of T&D investment

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

Our estimates and analysis are preliminary. The SEC has provided companies one year to finalize 2017 accounting requirements. Further adjustments in 2018 may be required.

SI-SSA-0015-02963

Initiating PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2018E	2017
PSE&G	$1,000 - $1,030	$963
PSEG Power	$485 - $560	$505
PSEG Enterprise/Other	$35 - $35	$20
Operating Earnings (non-GAAP)*	$1,520 - $1,625	$1,488
Operating EPS (non-GAAP)*	**$3.00 - $3.20E**	**$2.93**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2018E	2017
PSEG Power	$1,075 - $1,180	$1,172

* See Slides A and C for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-02964

PSEG Financial Highlights

- Initiating 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share
- PSE&G's return of tax benefits reduces the customer bill
- PSEG's 5-Year capital spending forecast of $13 - $15 billion over the 2018 – 2022 period mainly directed at PSE&G capital program
- PSE&G capital spend forecast of $11.5 - $13.2 billion (GSMP II, Transmission, upcoming filings for Energy Strong and Clean Energy, as well as benefits from tax reform) supports its five-year, 7 - 9% annual growth in rate base over 2018 - 2022
- PSEG Power's capital program, including completion of new generation, will improve fleet efficiency and geographic diversity
- Increased 2018 indicative common dividend by 4.7% to $1.80 per share
- Financial position remains strong:
  - ✓PSEG is a net beneficiary from the Tax Act
  - ✓Cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓Debt as a percentage of capitalization was 50% at December 31

SI-SSA-0015-02965

PSEG Liquidity as of December 31, 2017

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$15	$585
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$556	$944
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$39	$1,861
	3-year LC Facilities (Power)	Mar-20	$200	$112	$88
	Total Money Pool		$3,600	$707	$2,893
	Total		$4,200	$722	$3,478
				PSEG Money Pool ST Investment	$0
				PSE&G ST Investment	$223
				Total Liquidity Available	**$3,701**

SI-SSA-0015-02966

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 956	$ (98)	$ 1,574	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(64)	(9)	(133)	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	15	555	975	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(40)	(256)	(427)	(391)
Tax Reform	(745)	-	(745)	-
Operating Earnings (non-GAAP)	$ 289	$ 279	$ 1,488	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	$ 1.88	$ (0.19)	$ 3.10	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.12)	(0.02)	(0.26)	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.33	0.15	0.33	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.03	1.10	1.92	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.02	0.15	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(0.08)	(0.52)	(0.84)	(0.78)
Tax Reform	(1.47)	-	(1.47)	-
Operating Earnings (non-GAAP)	$ 0.57	$ 0.54	$ 2.93	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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

A

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income	$ 220	$ 193	$ 973	$ 889
Tax Reform	(10)	-	(10)	-
Operating Earnings (non-GAAP)	$ 210	$ 193	$ 963	$ 889
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 610	$ (302)	$ 479	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(64)	(9)	(133)	(5)
(Gain) Loss on MTM, pre-tax [a]	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax	15	555	975	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(40)	(252)	(395)	(336)
Tax Reform	(588)	-	(588)	-
Operating Earnings (non-GAAP)	$ 100	$ 69	$ 505	$ 514
Depreciation and Amortization, pre-tax [c]	77	85	333	329
Interest Expense, pre-tax [c] [d]	8	18	48	83
Income Taxes [c]	11	(17)	286	275
Adjusted EBITDA (non-GAAP)	$ 196	$ 155	$ 1,172	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

B

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

Reconciliation of Non-GAAP Operating Earnings

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 126	$ 11	$ 122	$ (20)
Lease Related Activity, pre-tax	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	(4)	(32)	(55)
Tax Reform	(147)	-	(147)	-
Operating Earnings (non-GAAP)	$ (21)	$ 17	$ 20	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

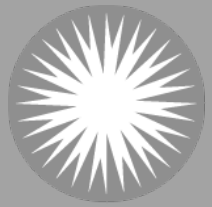
(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

C

PSEG Investor Presentation
AGA 2017 Financial Conference

MAY 21–23, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-02970

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-02971

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-02972

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-02973

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

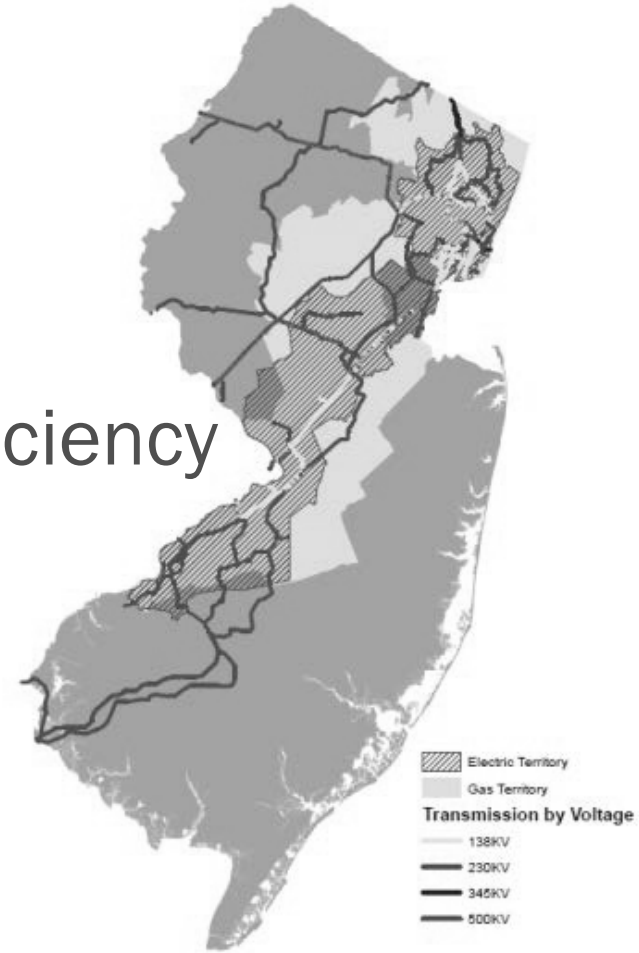
SI-SSA-0015-02974

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

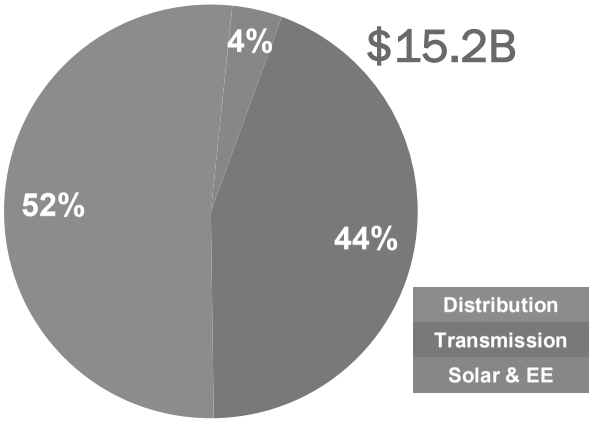
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

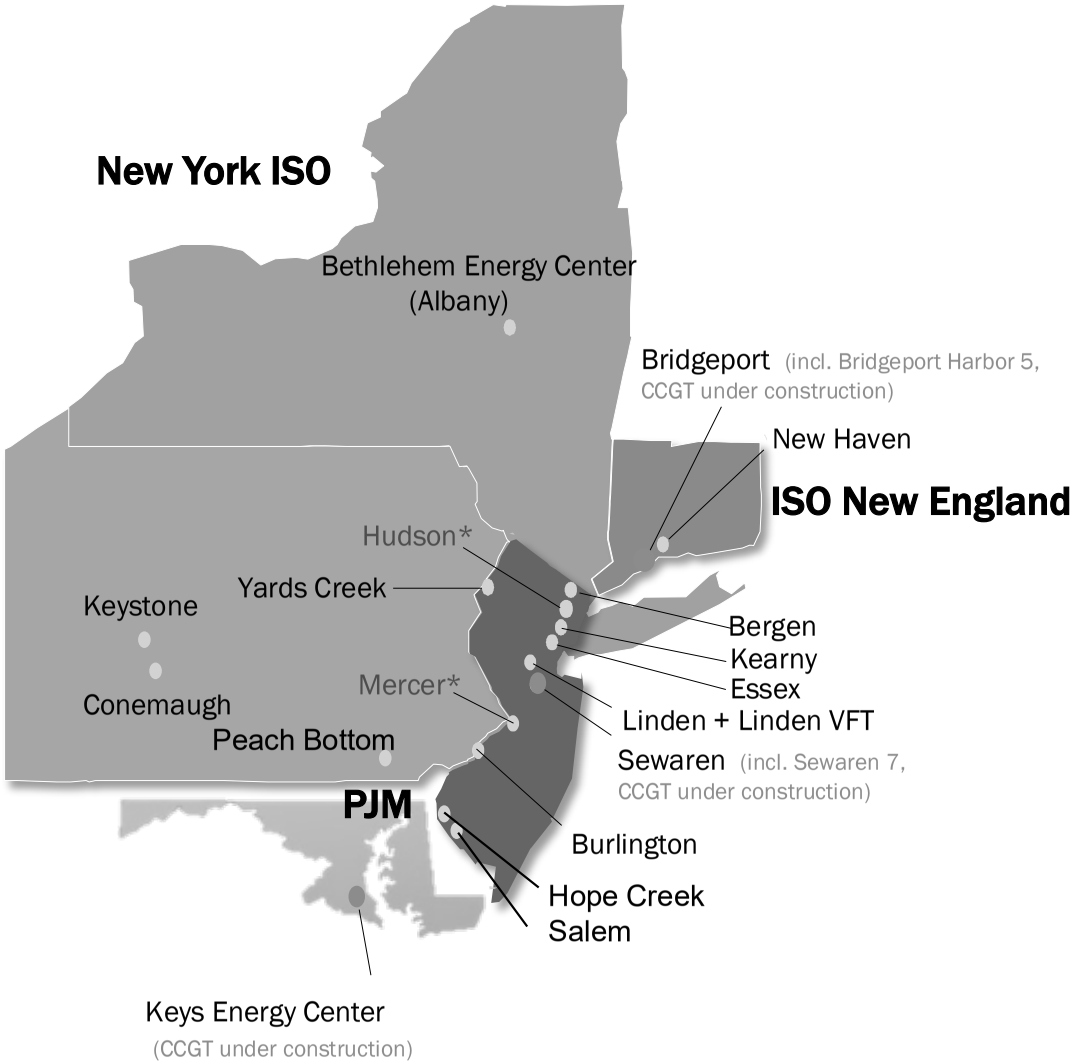


SI-SSA-0015-02975

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-02976

PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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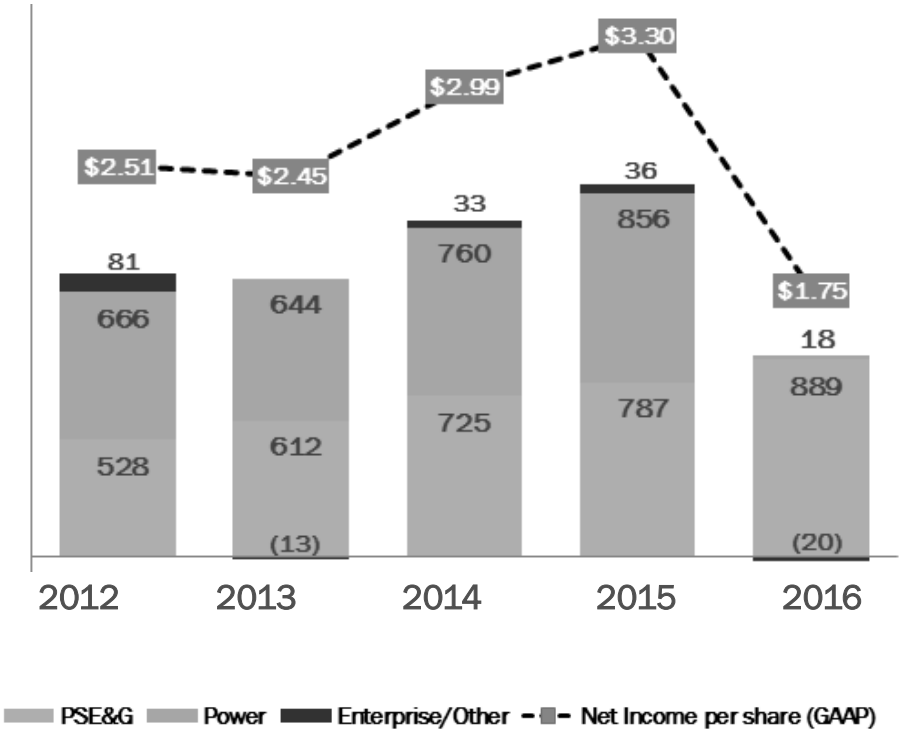
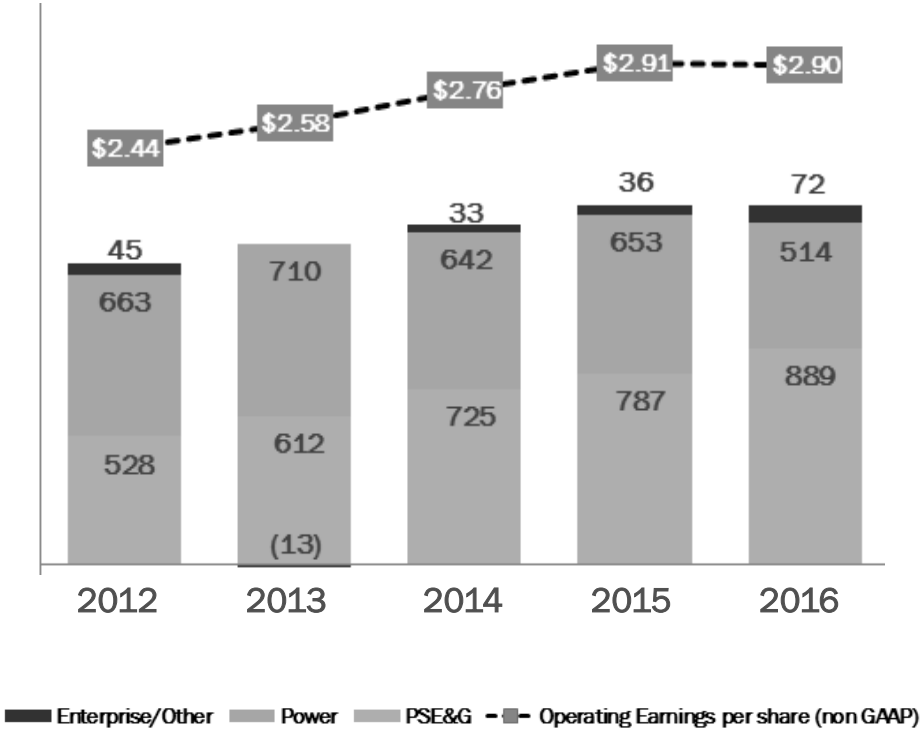
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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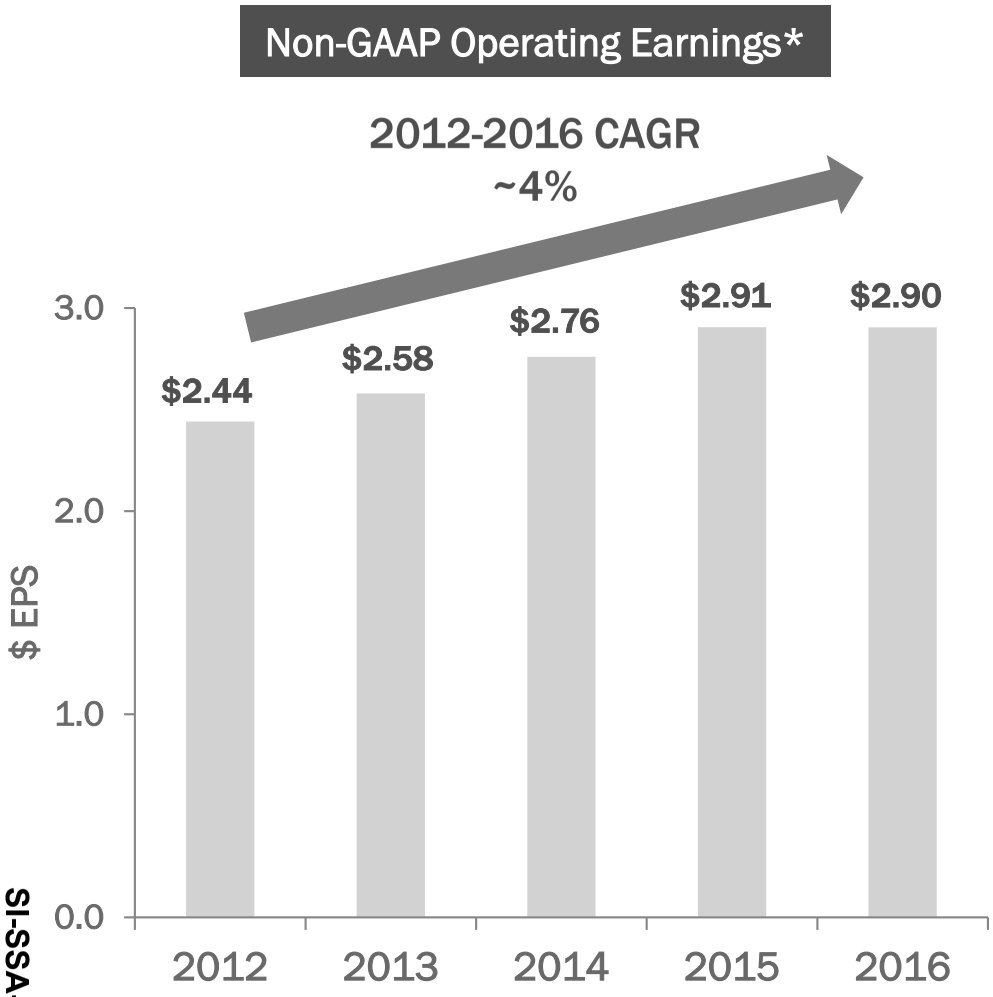
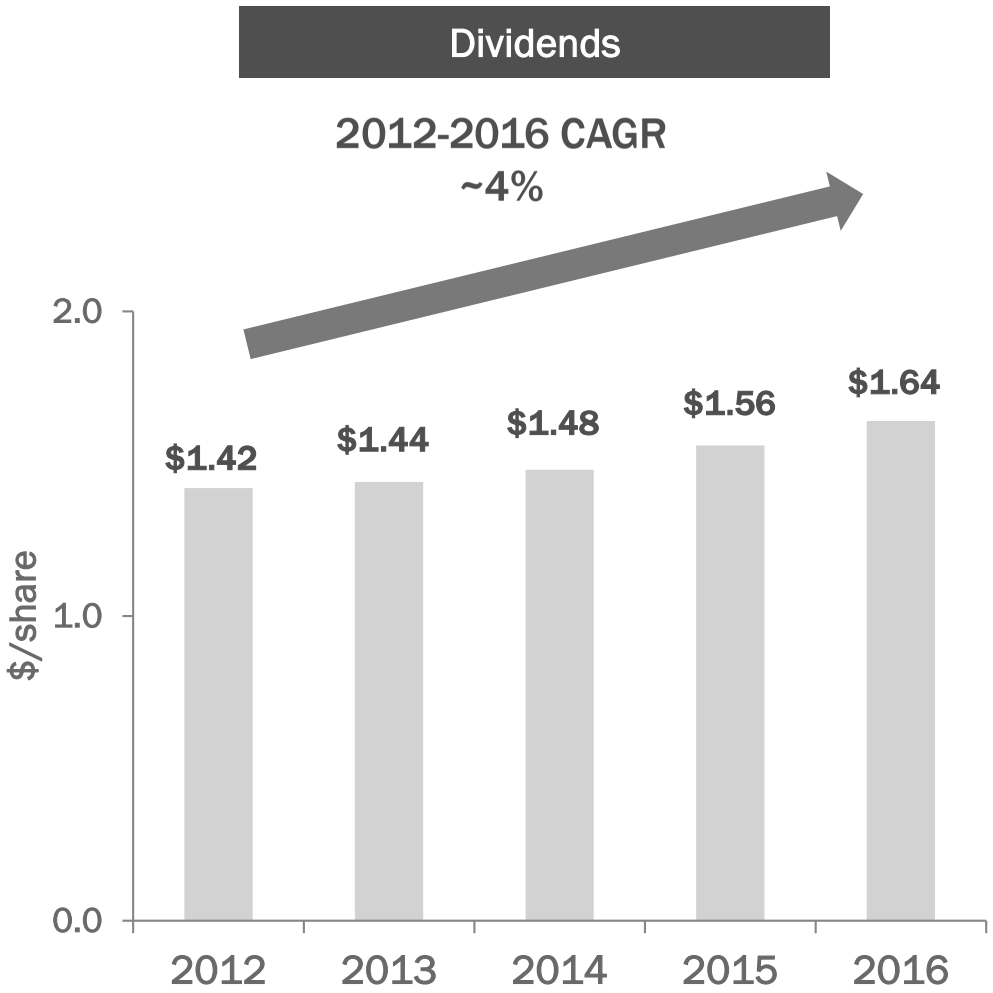
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

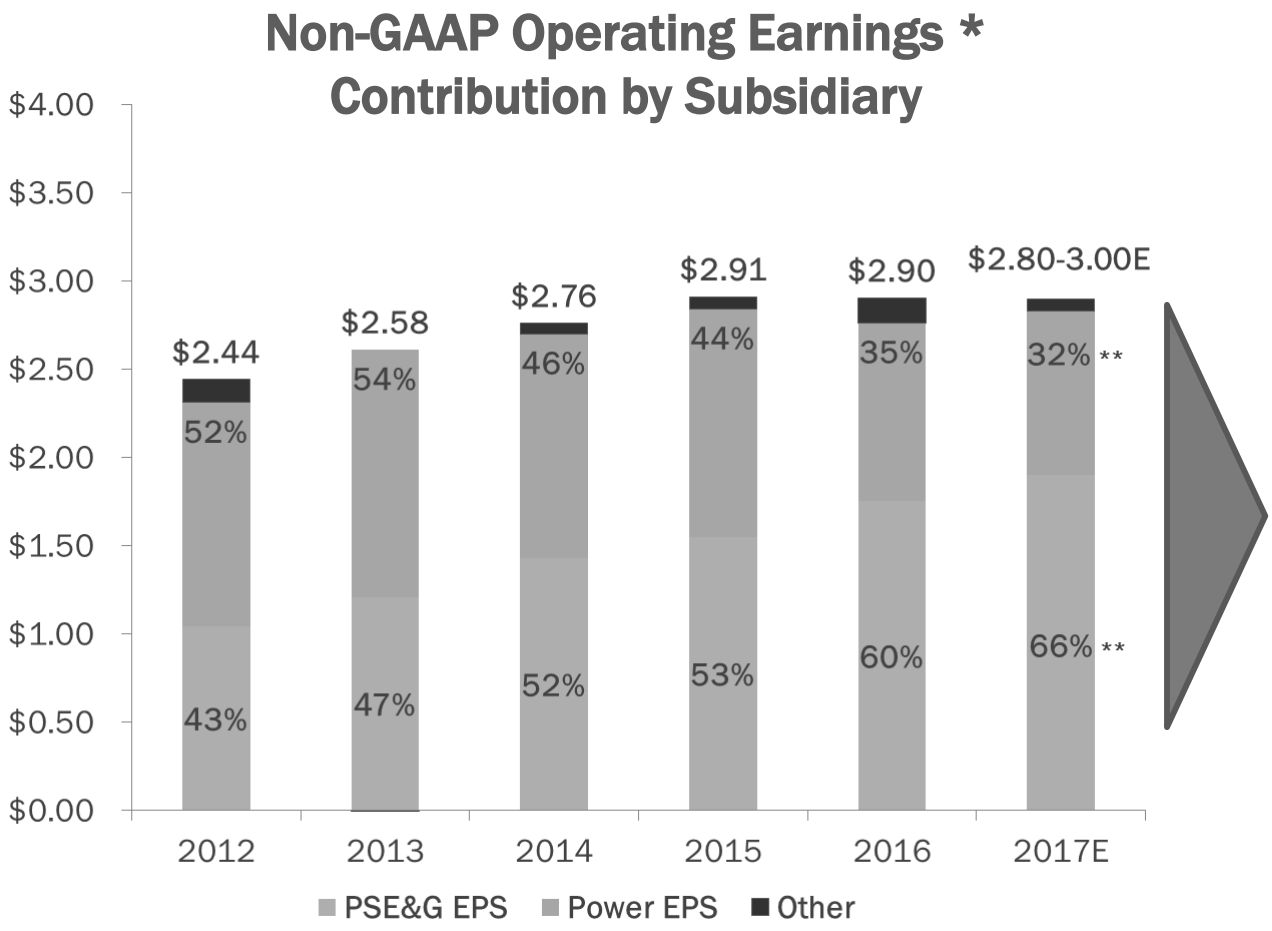




SI-SSA-0015-02979

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



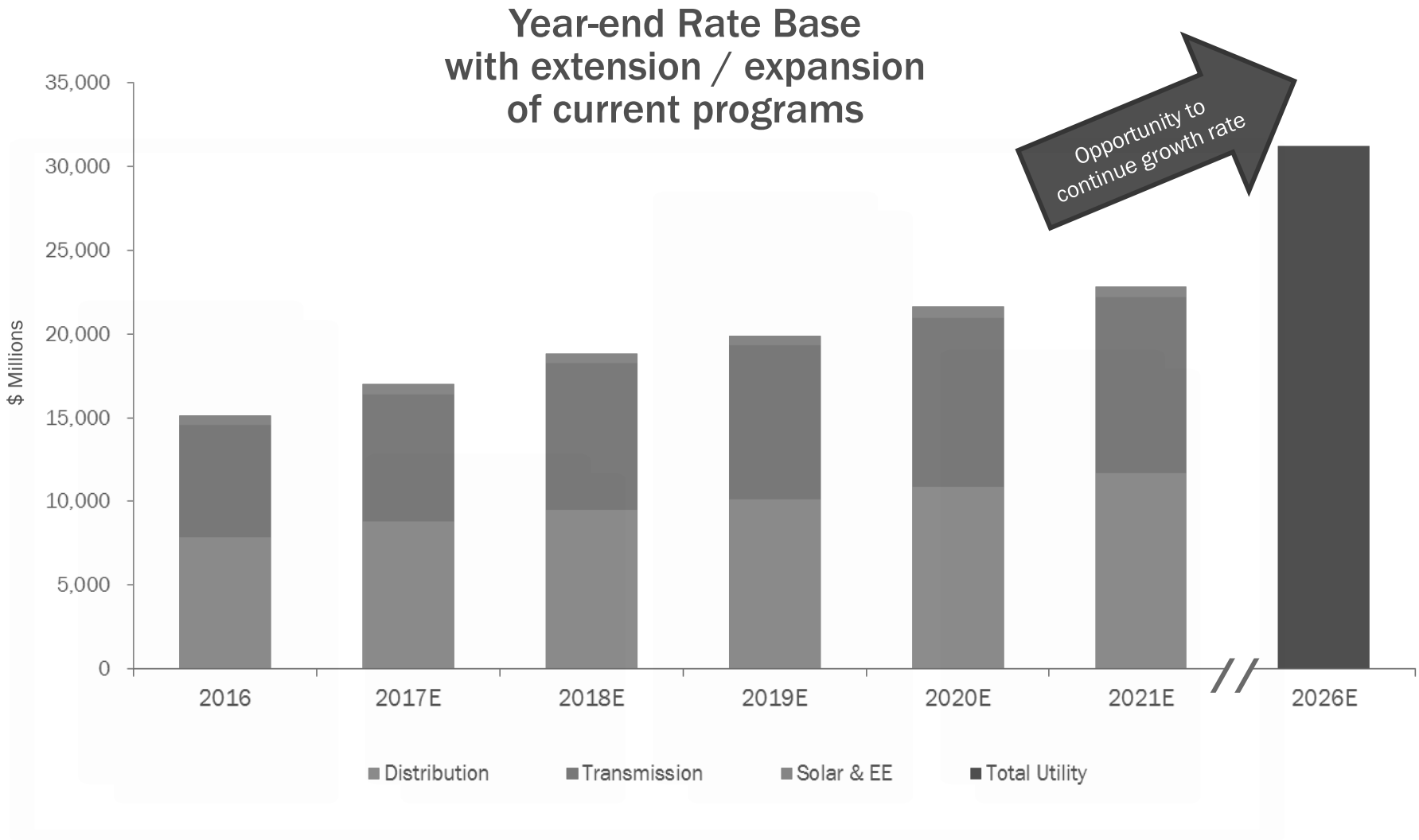
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-02980

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

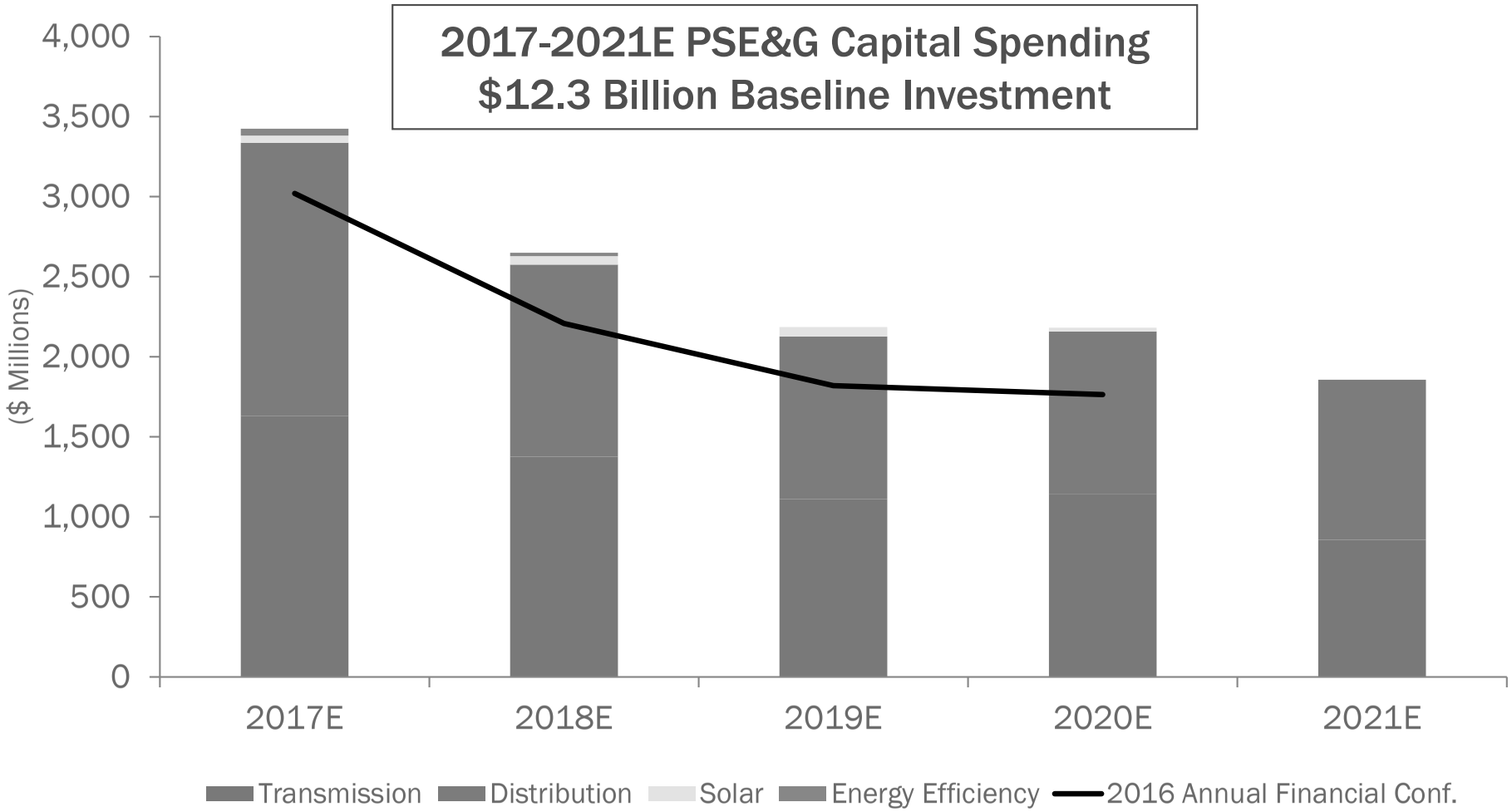
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-02981

Baseline programs yield 7% compound annual growth in rate base



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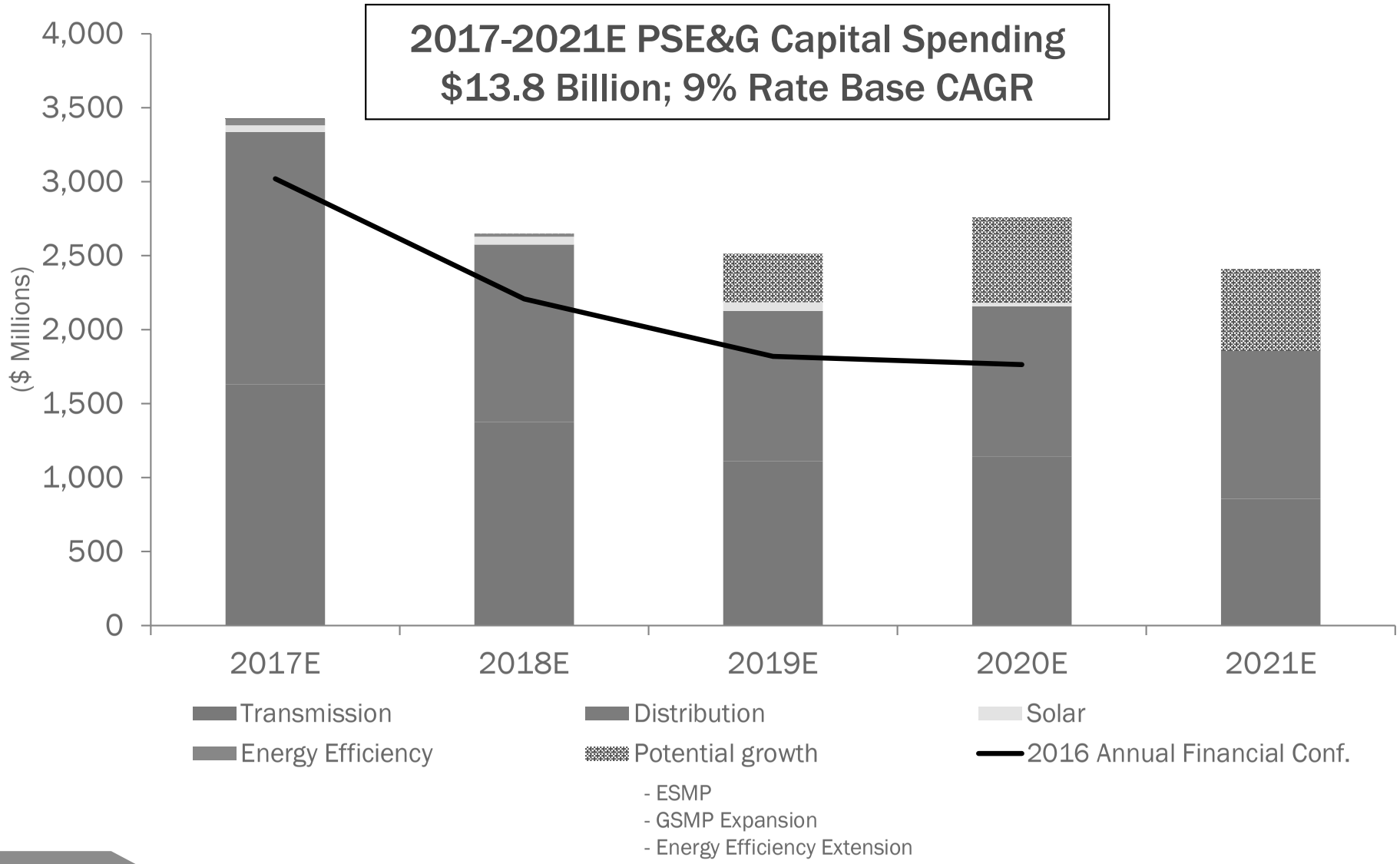
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-02983

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

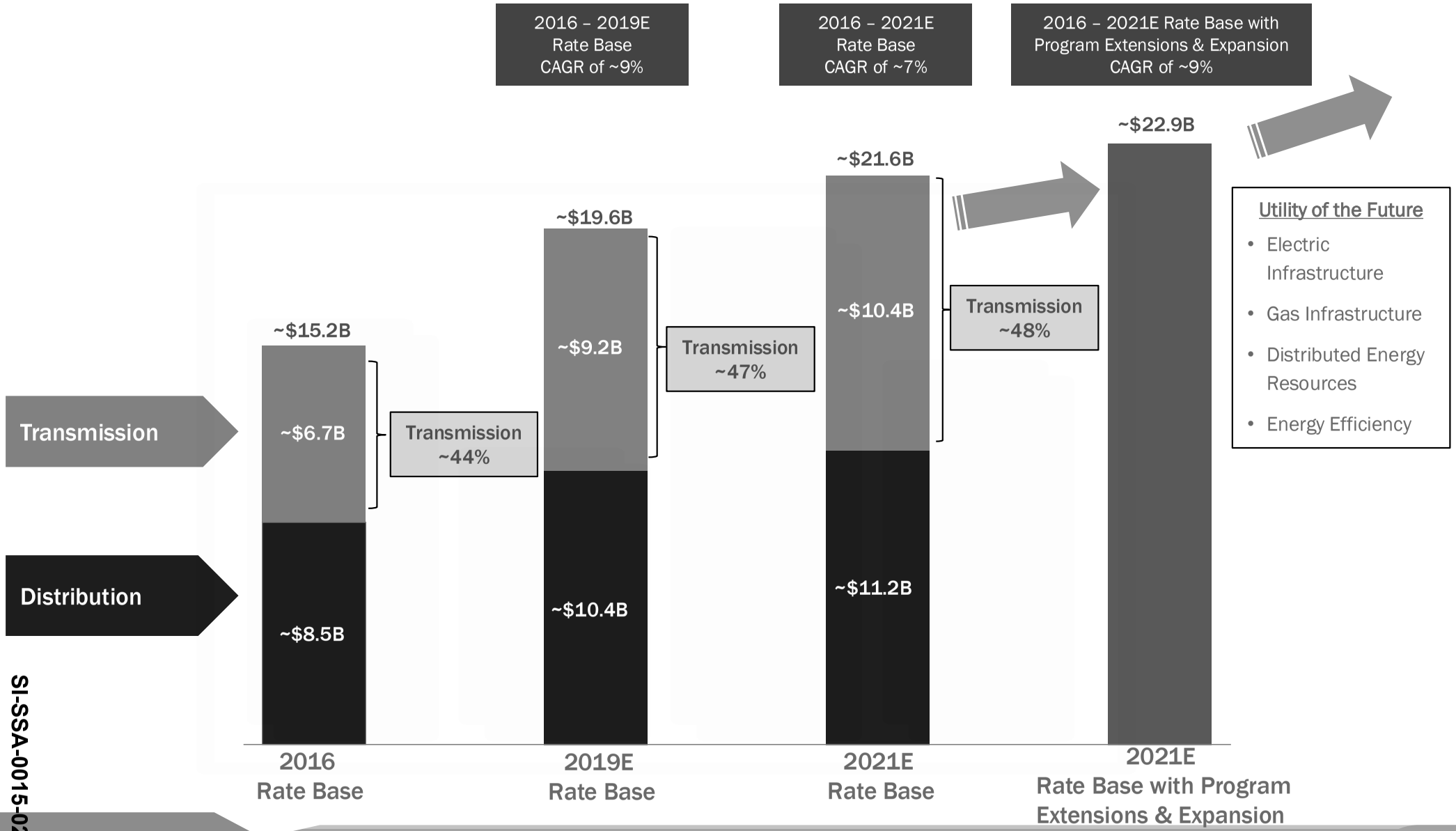
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-02984

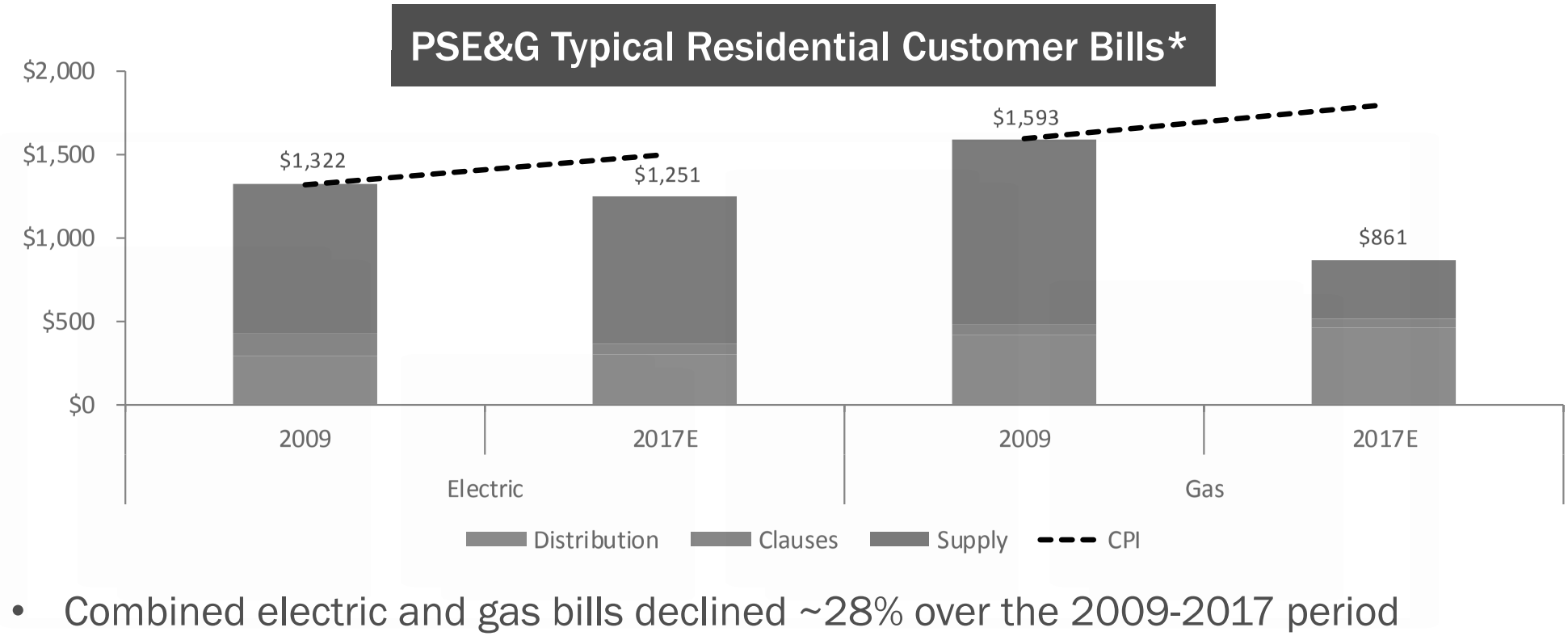
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-02985

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

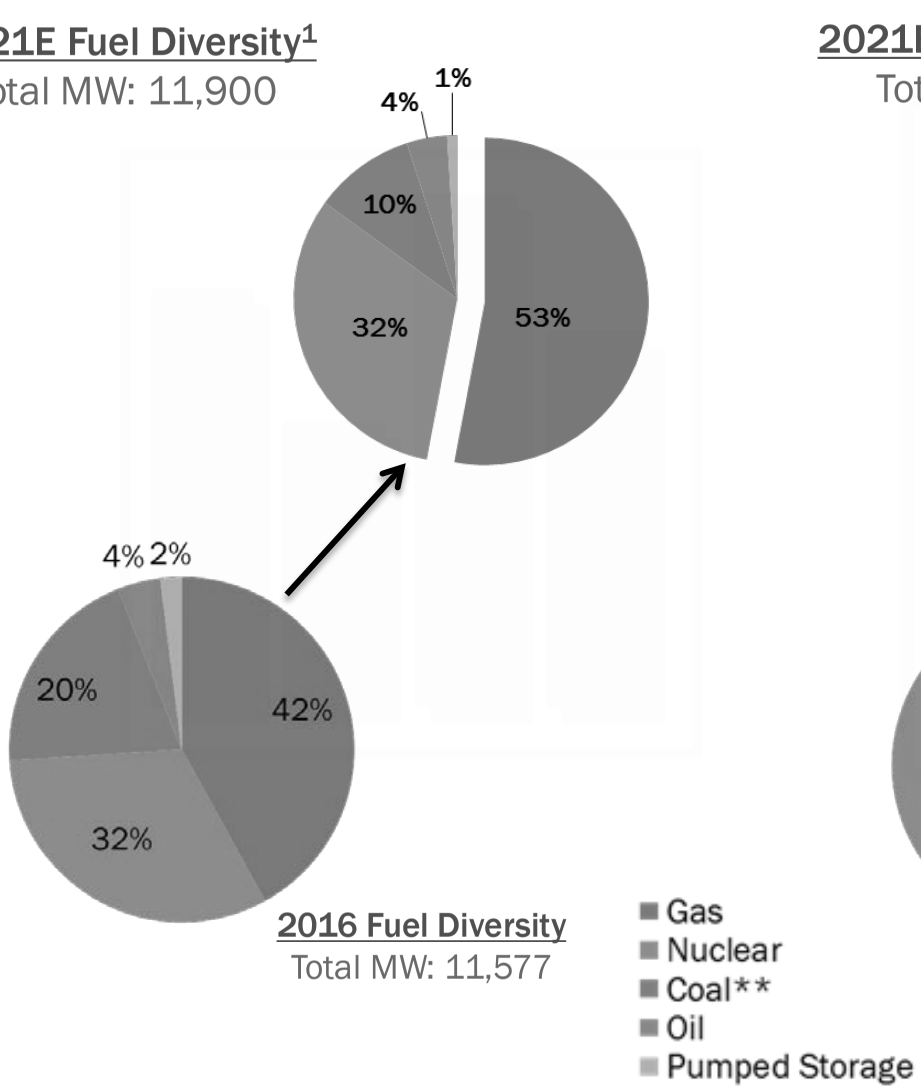
SI-SSA-0015-02986

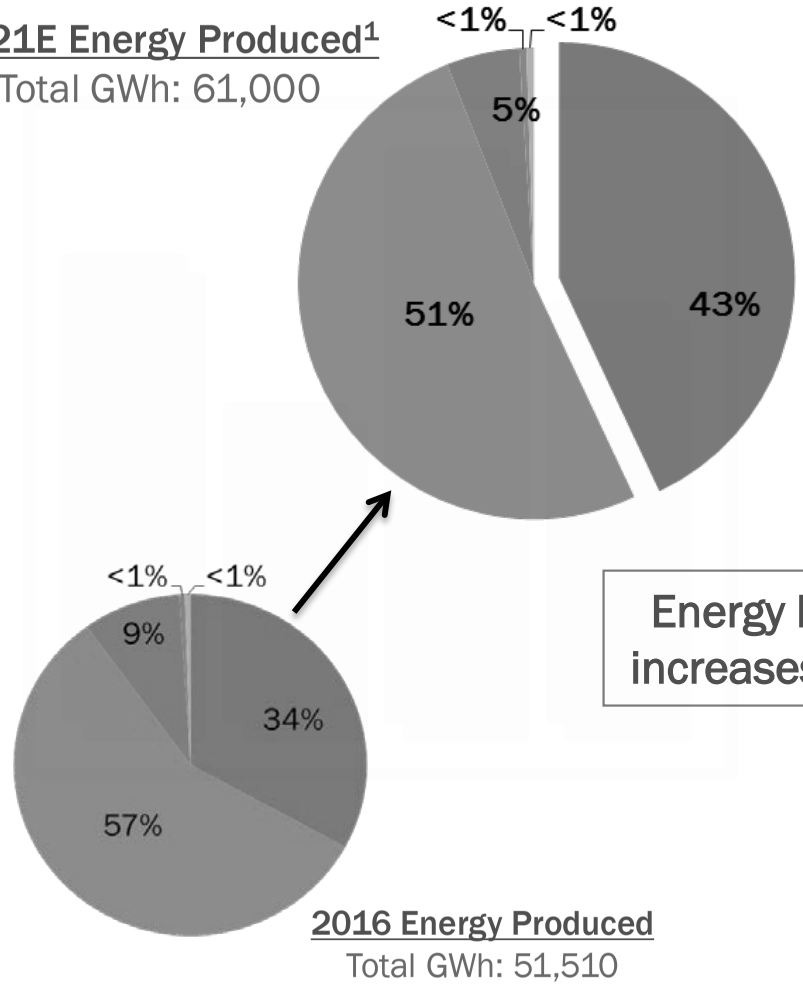
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





Energy Produced increases by >18%

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

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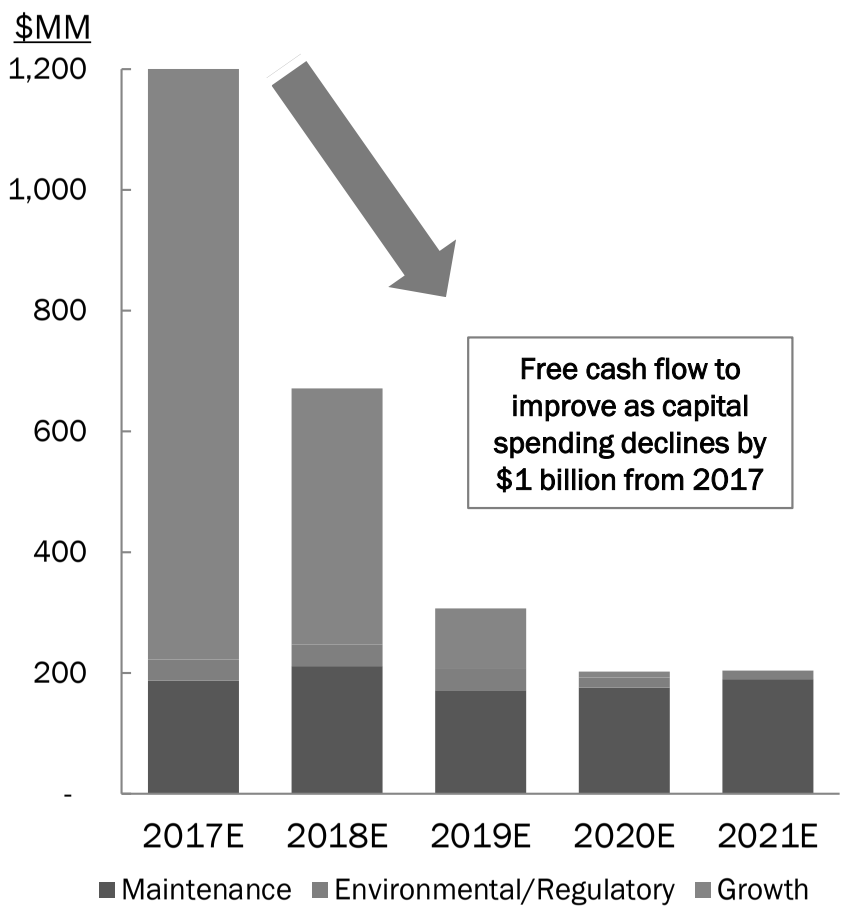
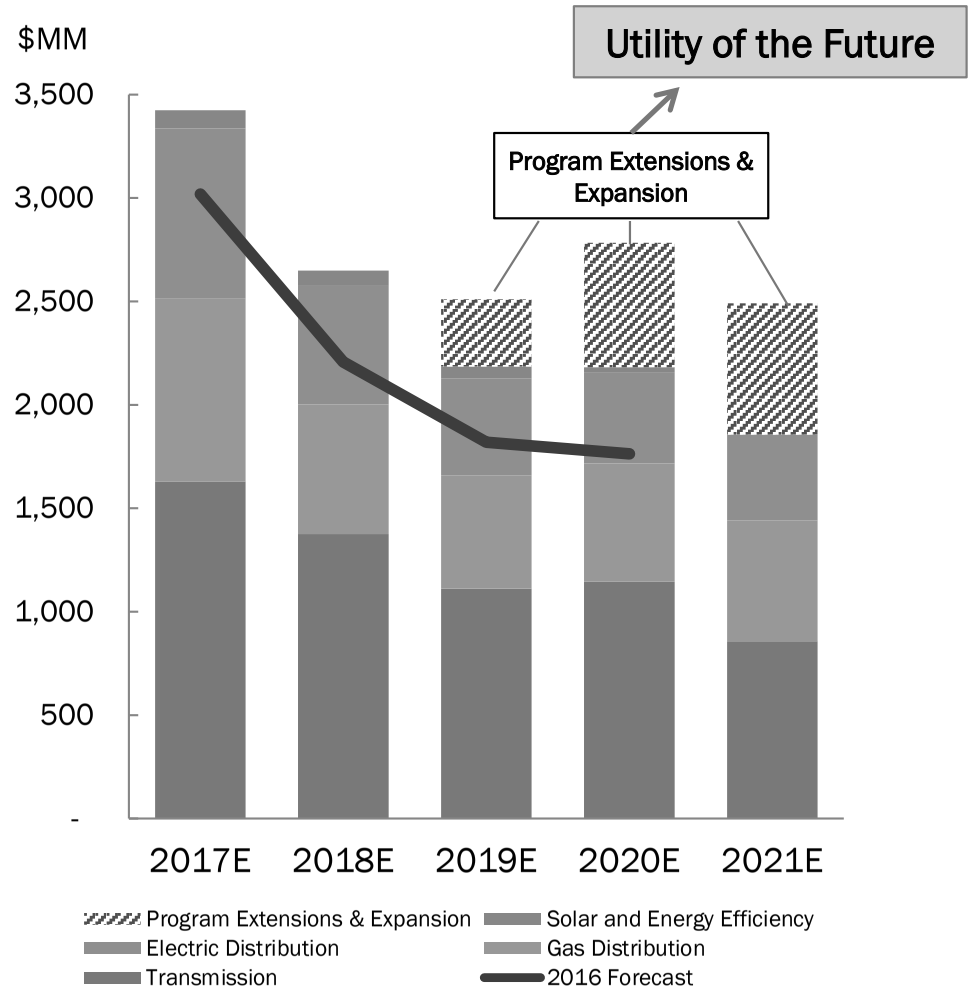
PSEG

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

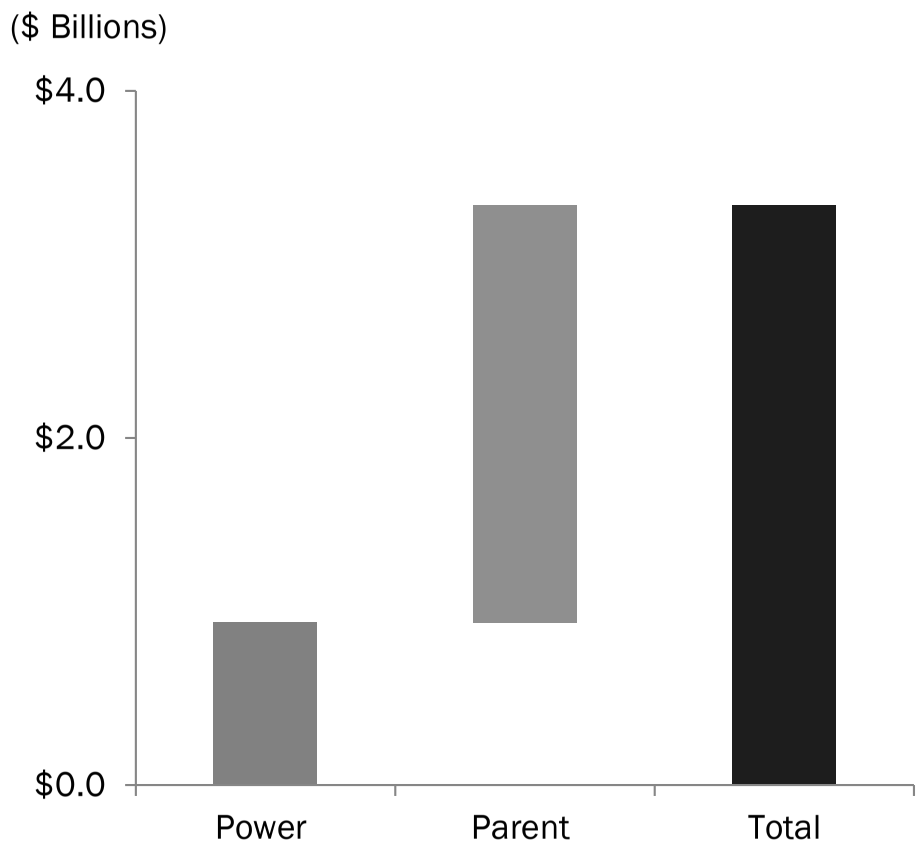
SI-SSA-0015-02988

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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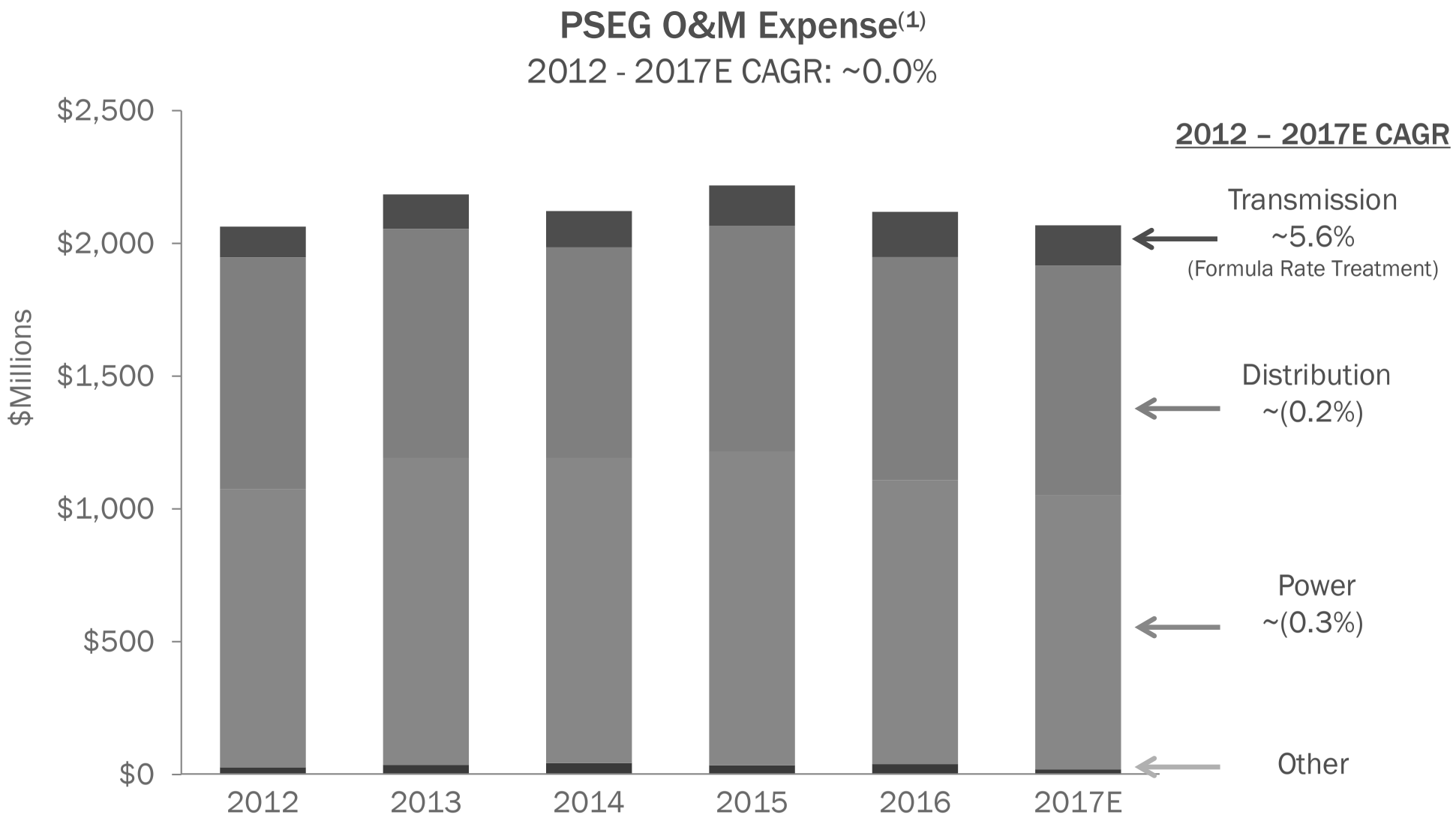
E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



SI-SSA-0015-02990

PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

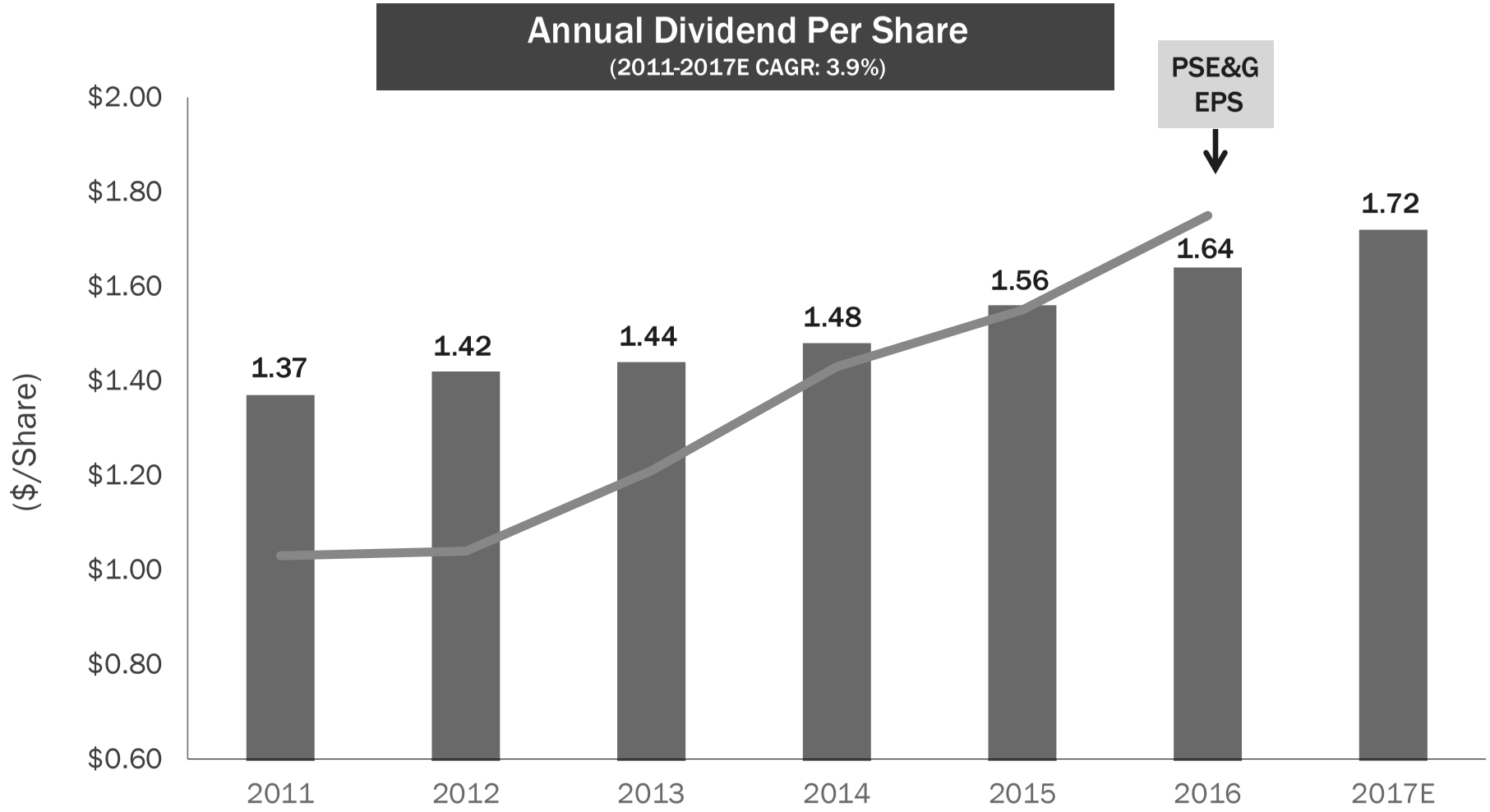
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-02991

Opportunity for meaningful and sustainable dividend growth



SI-SSA-0015-02992

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

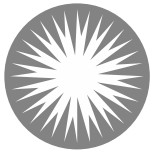
SI-SSA-0015-02993

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-02994

PSEG FINANCIAL APPENDIX



PSEG

We make things work for you.

Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

SI-SSA-0015-02996

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

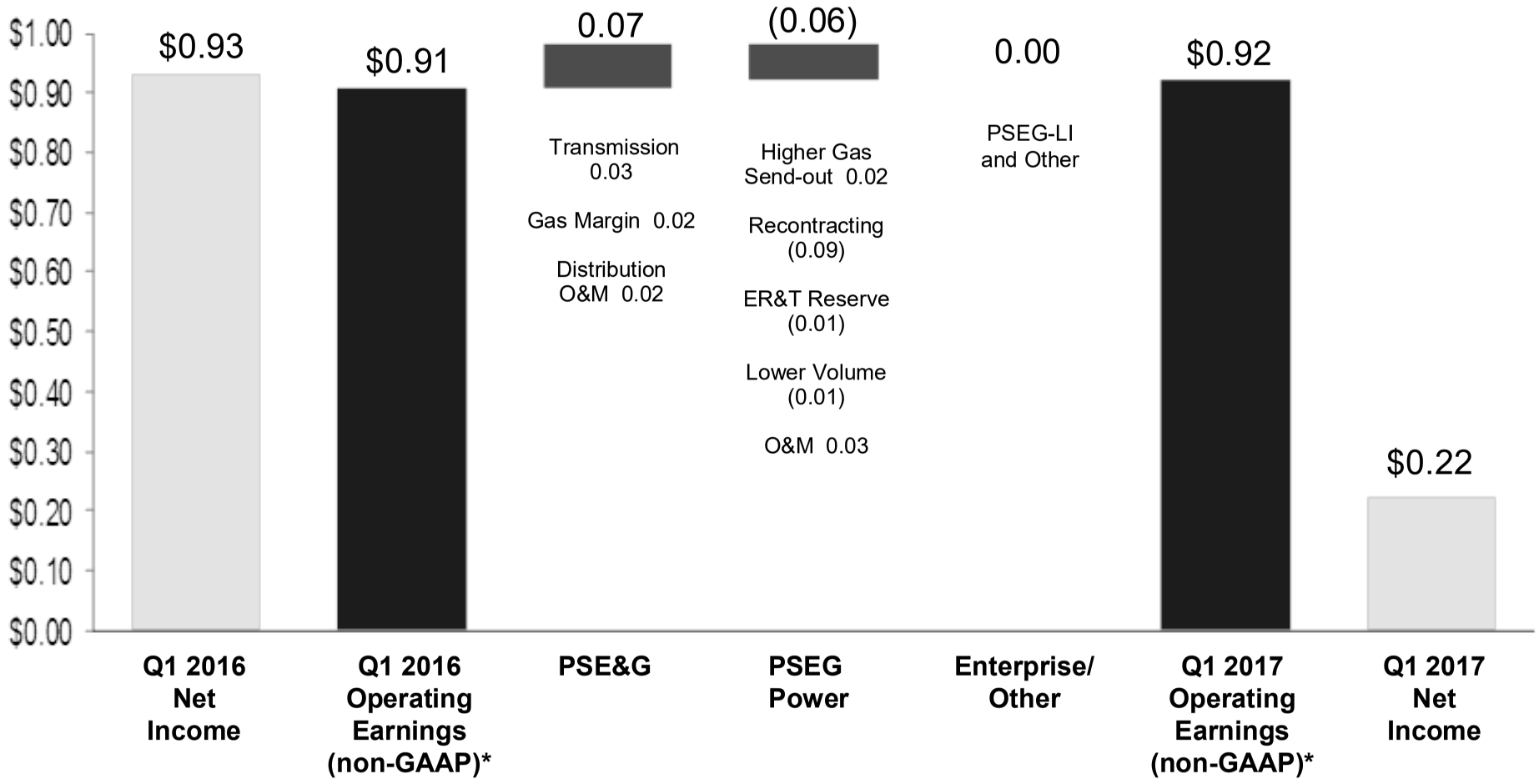
Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-02997

PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-02999

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

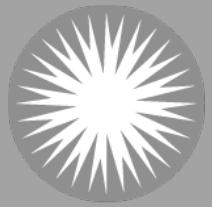
PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

American Gas Association 2016 Financial Forum

MAY 15-17, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03001

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-03002

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items.

PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03003

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-03004

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-03005

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-03006

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-03007

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-03008

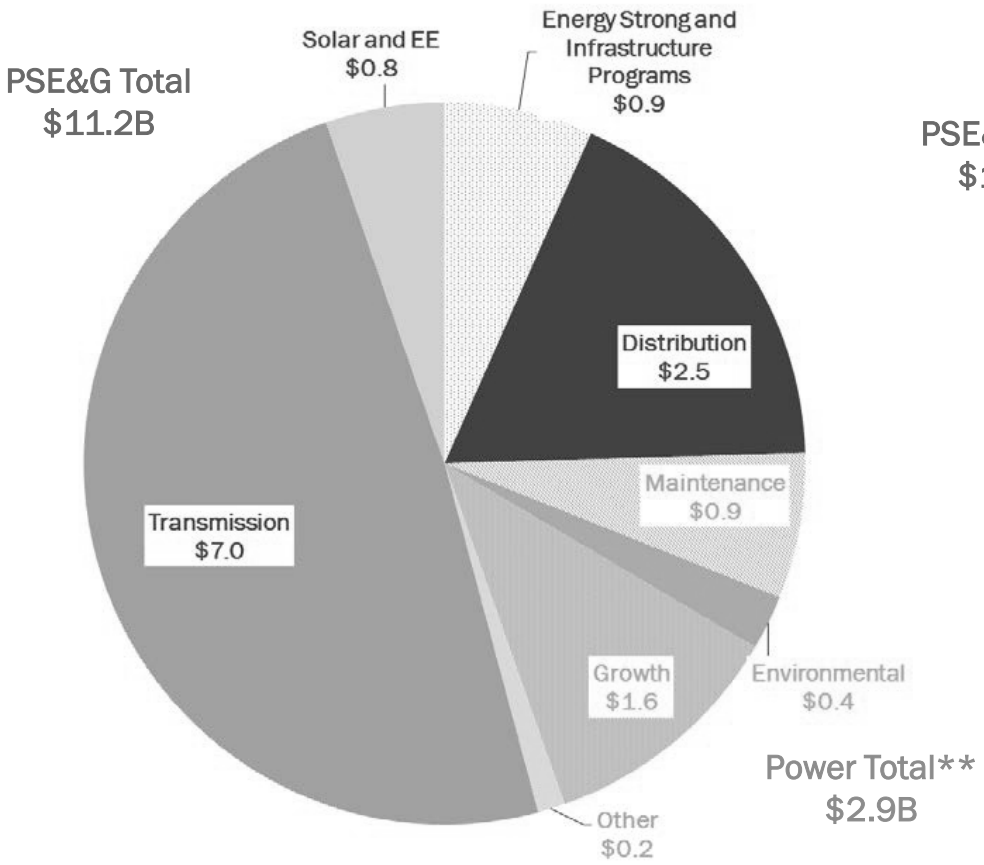
PSEG

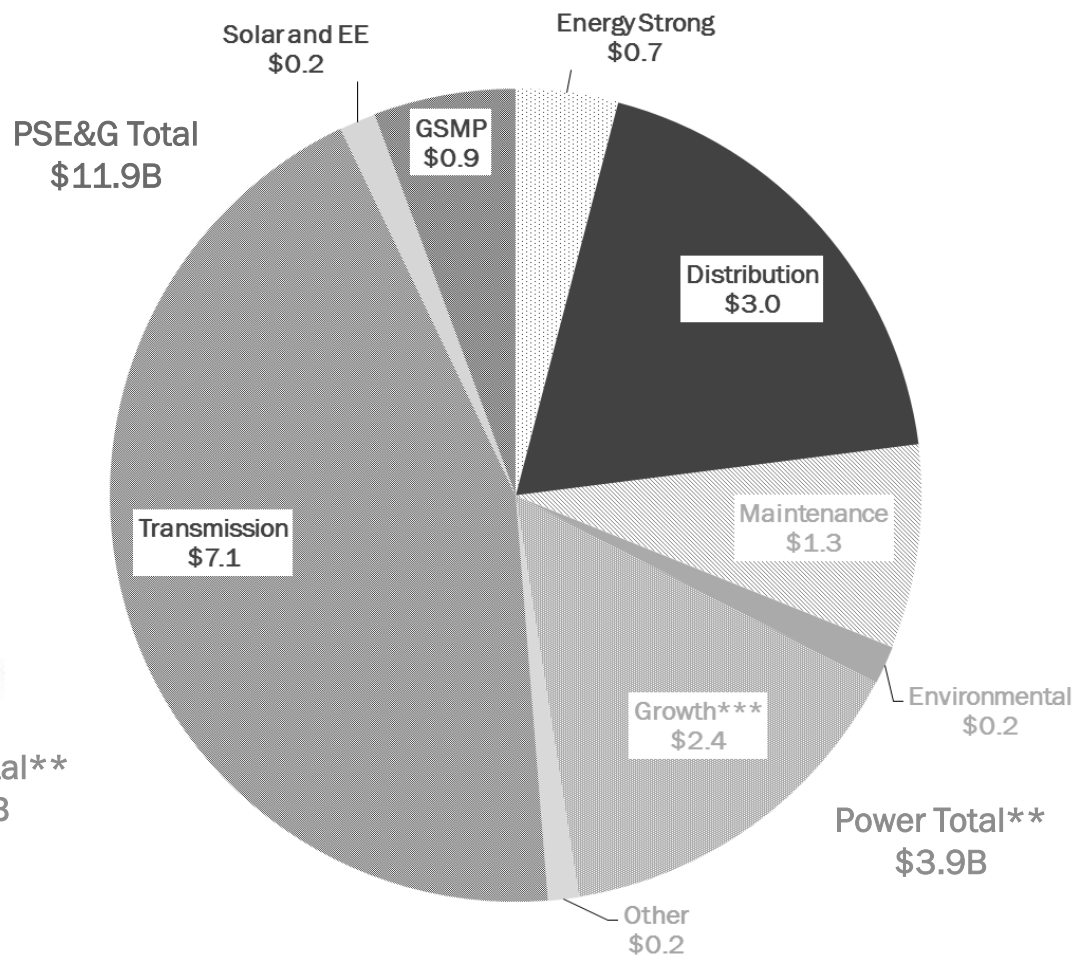
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-03009

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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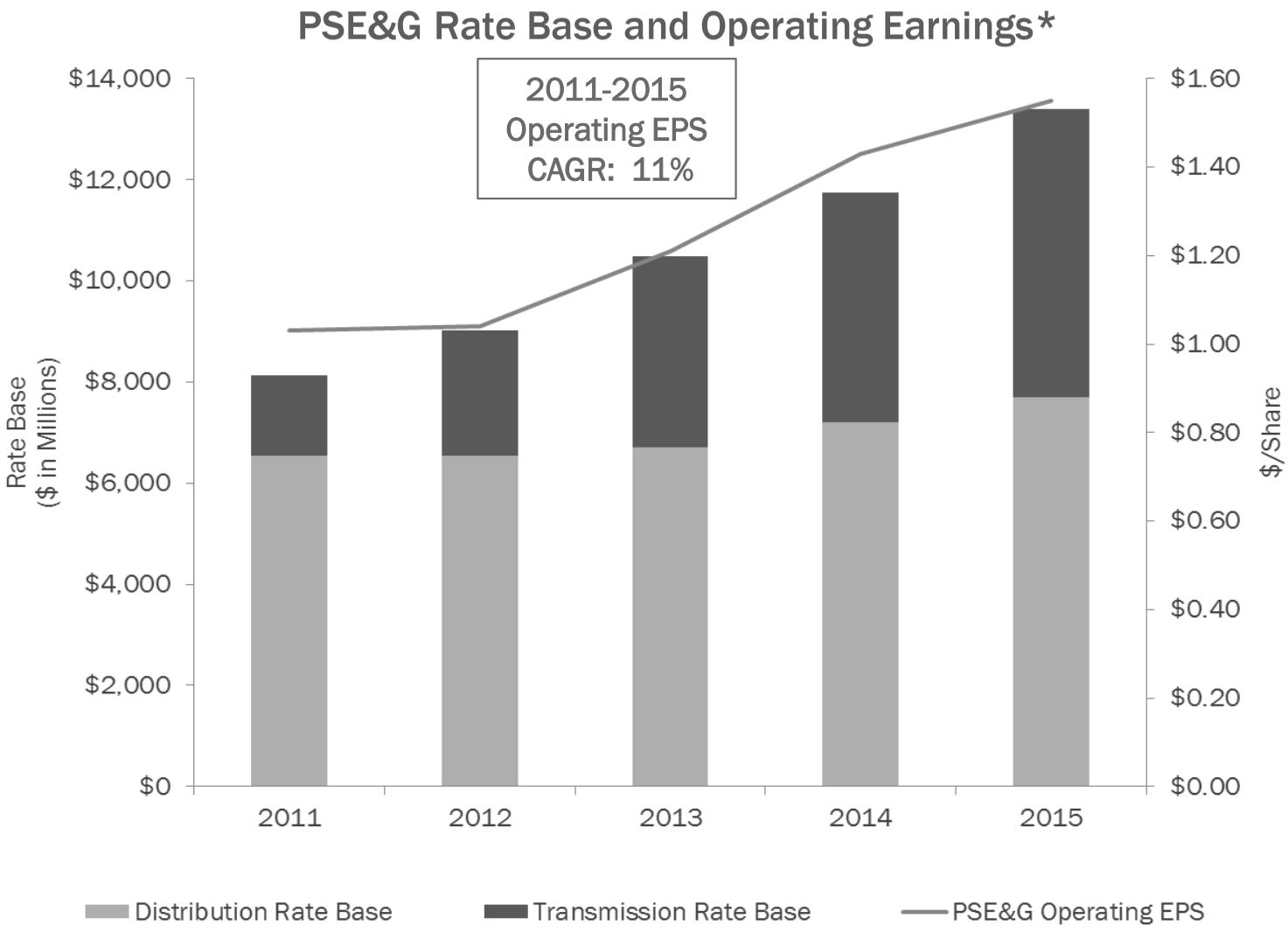
PSE&G's investment program

Meeting public policy goals and customer needs



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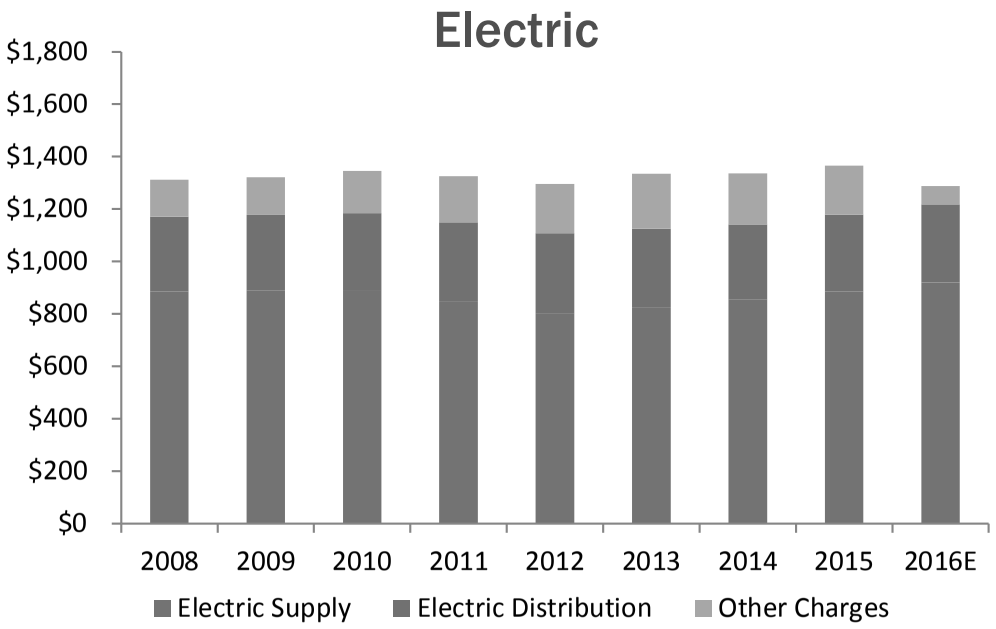
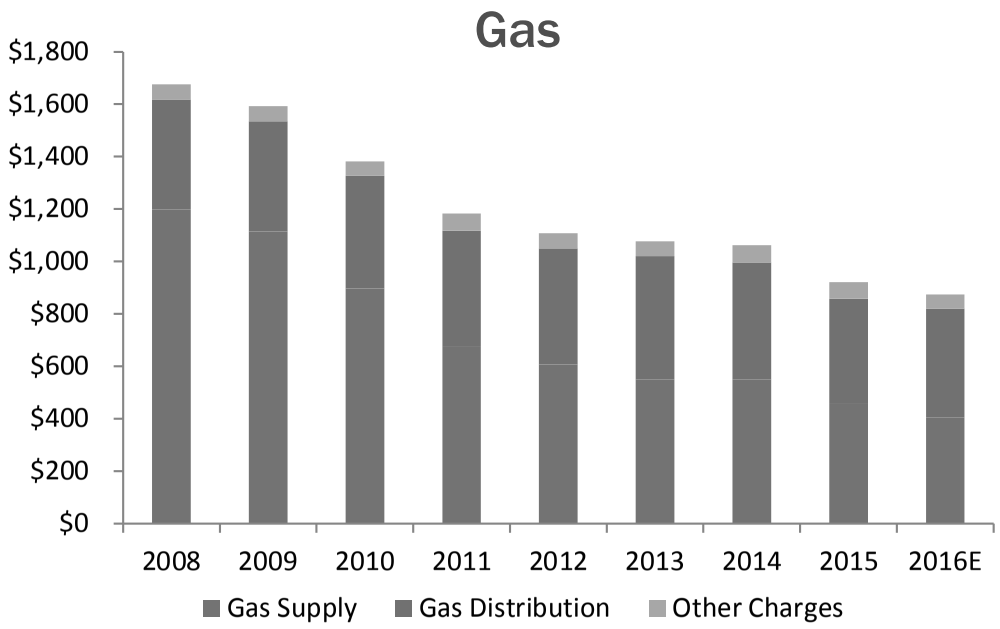
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-03012

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

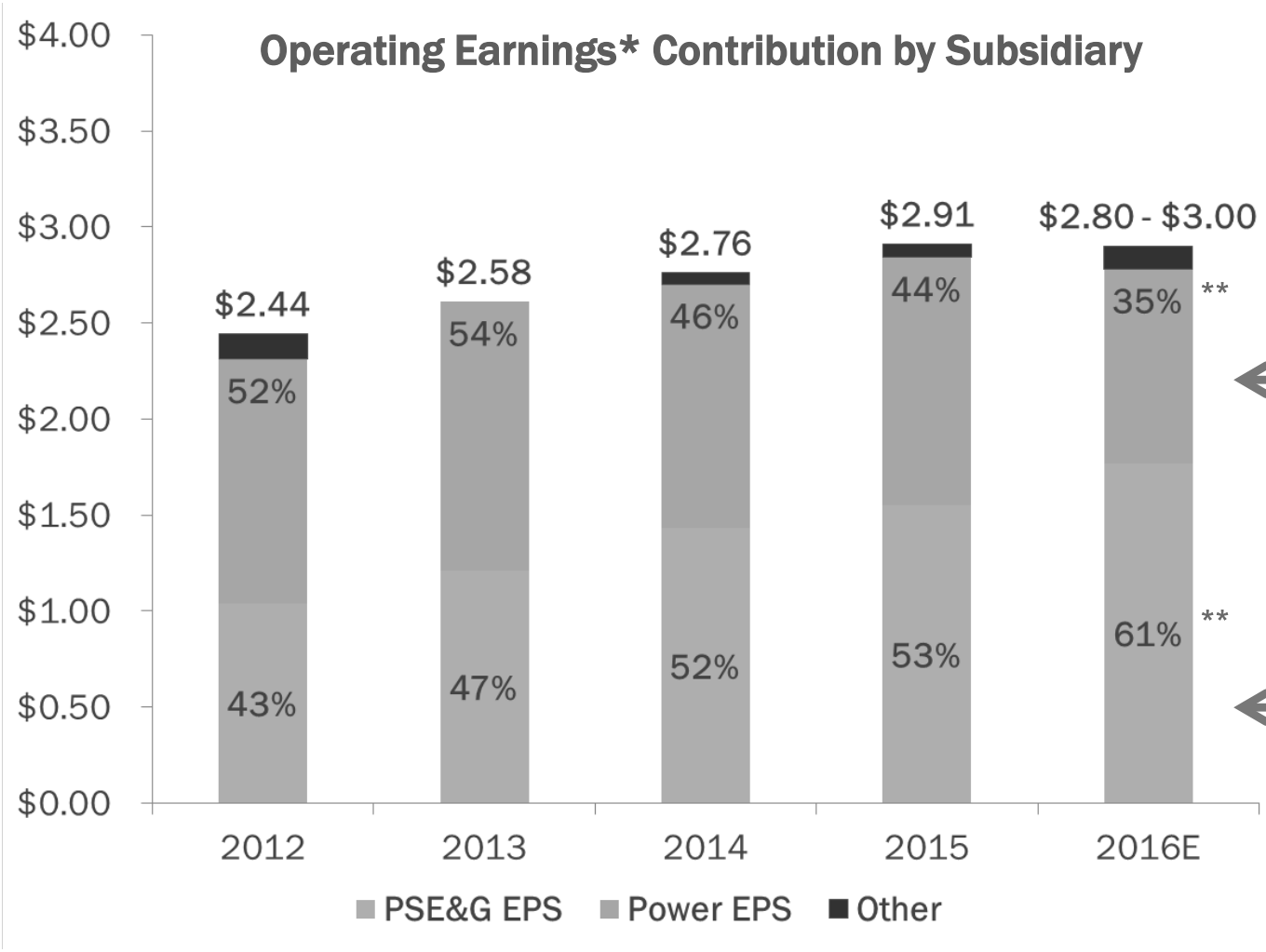
SI-SSA-0015-03013

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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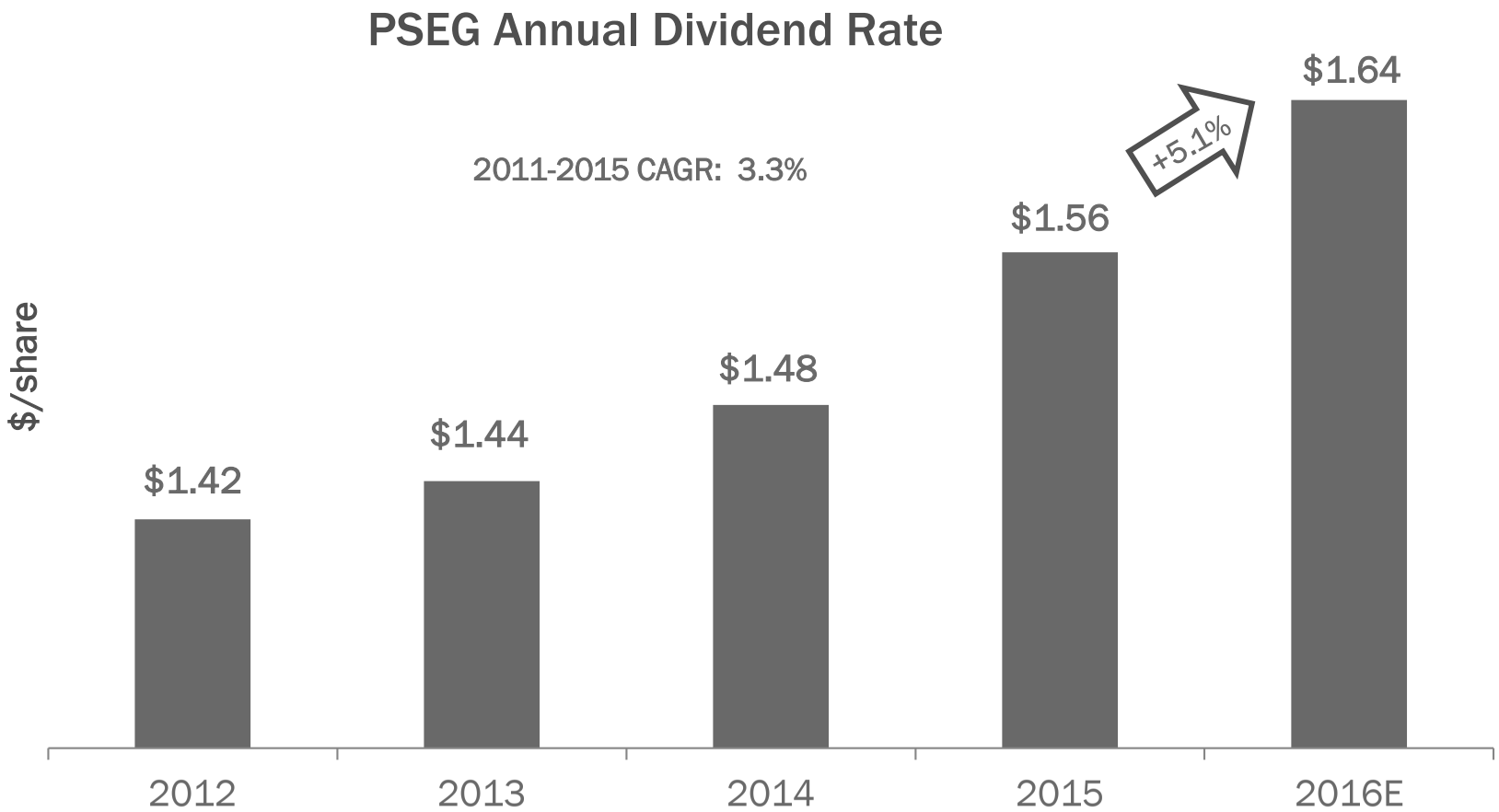
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-03015

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-03016

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-03017

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

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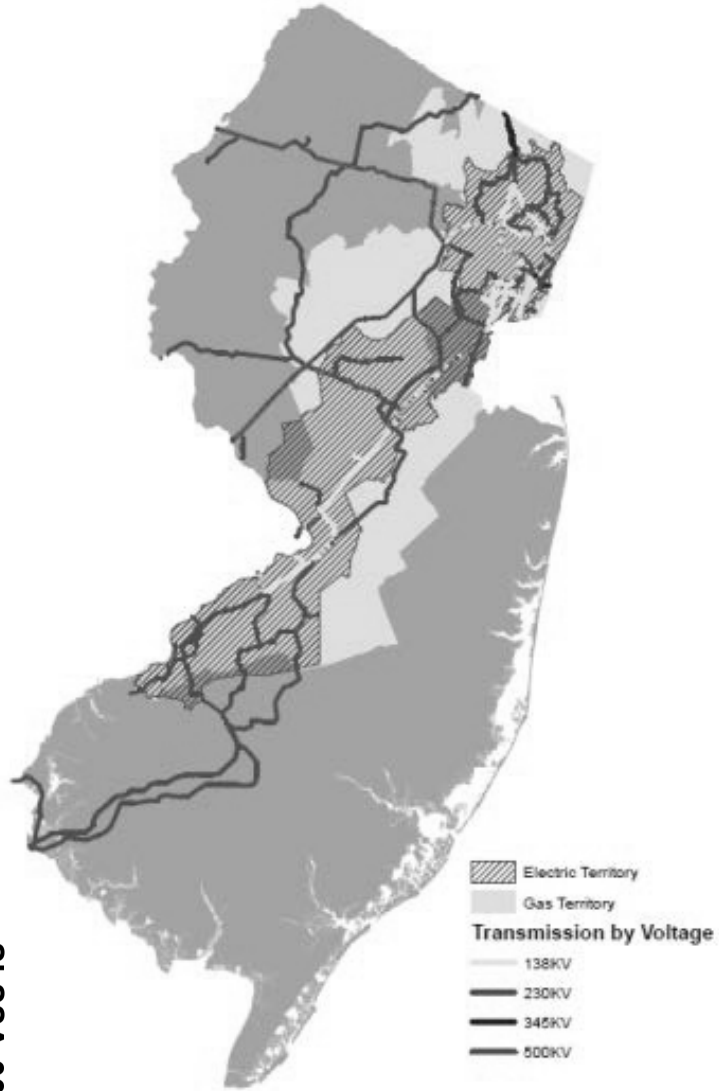
PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-03019

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03020

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

SI-SSA-0015-03021

PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-03022

Operational Excellence

Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

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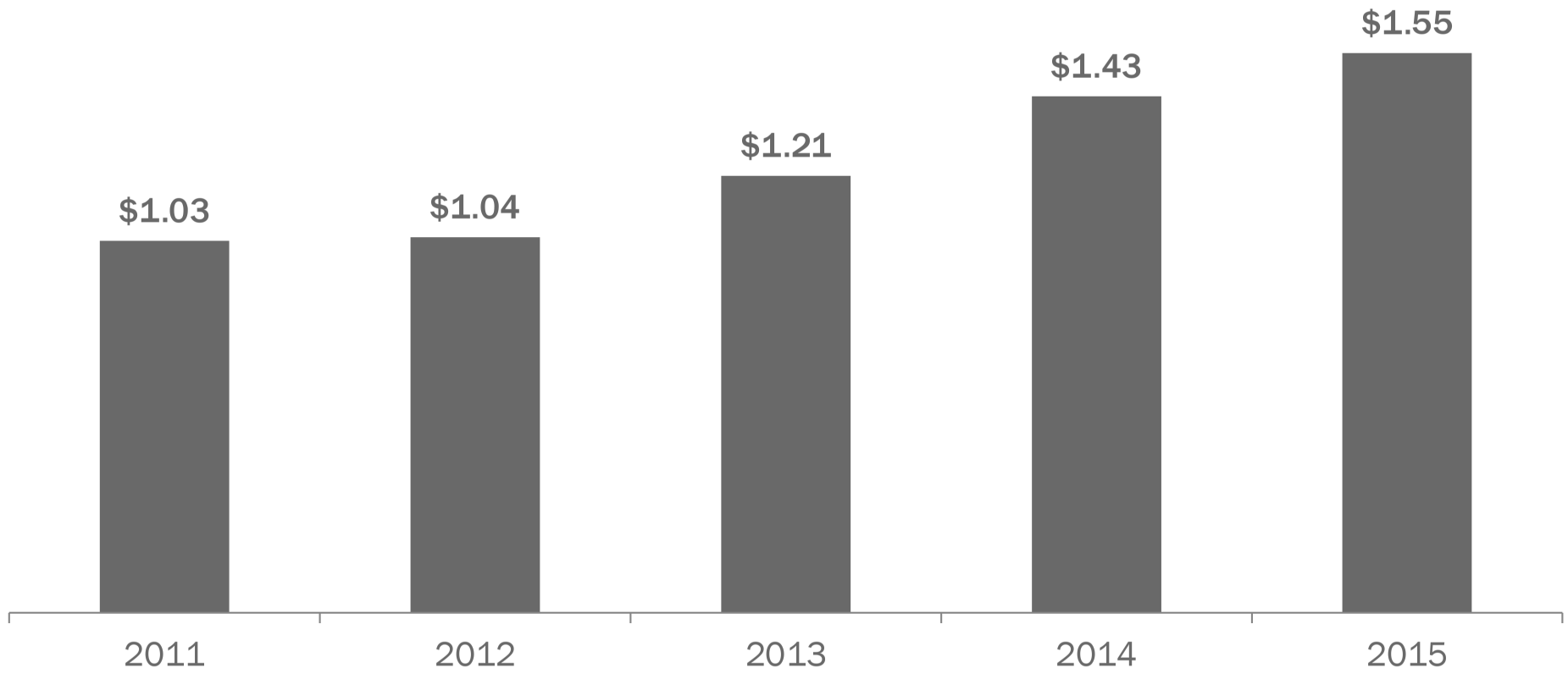
Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

PSE&G Operating Earnings Per Share



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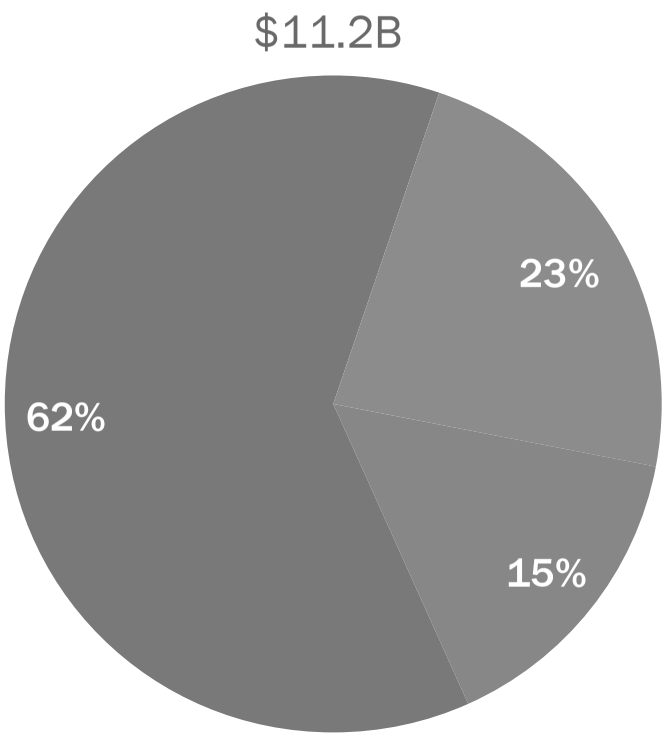
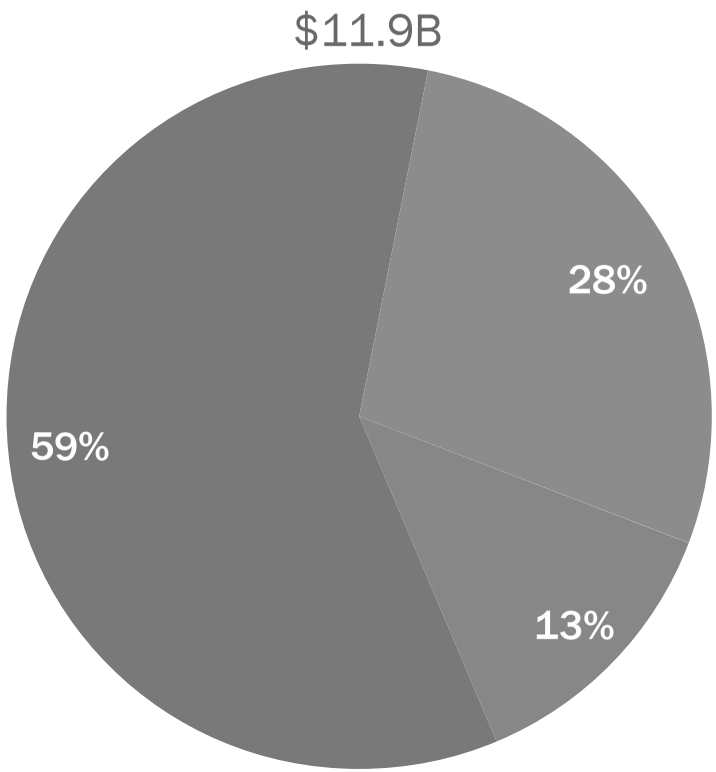
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-03025

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional $275 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

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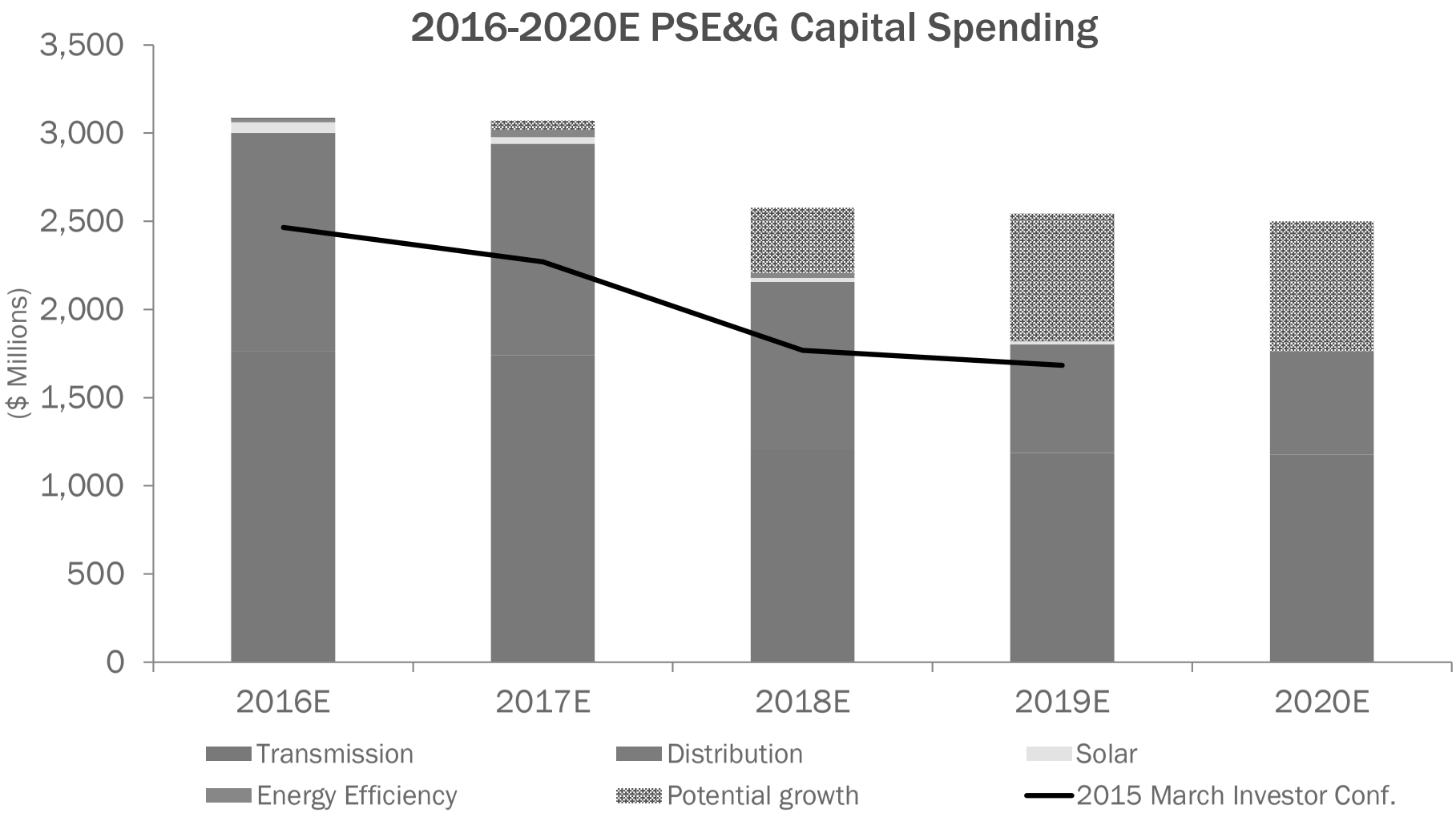
Continued identification of investment opportunities focused on improving reliability for our customers



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Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

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PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-03029

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• GSMP	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-03030

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest $275 million in a multi-year program filing
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-03031

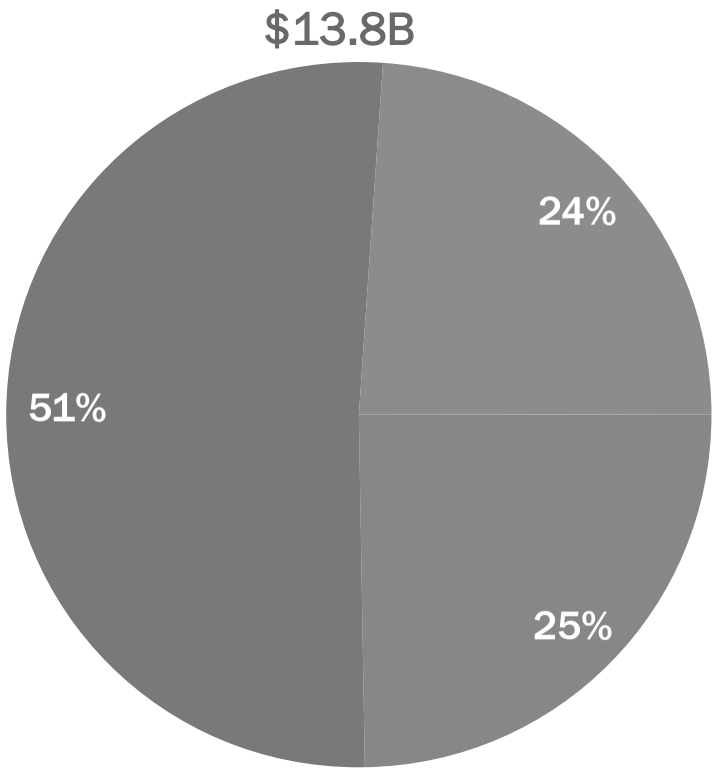
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-03032

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

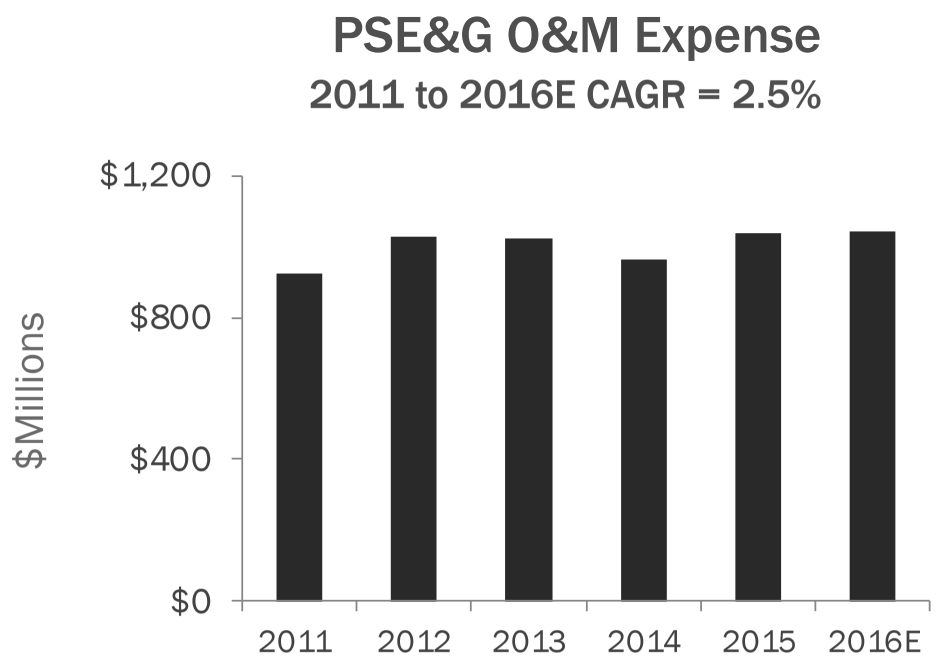
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-03033

Demonstrated ability to control O&M and plan to drive future efficiencies

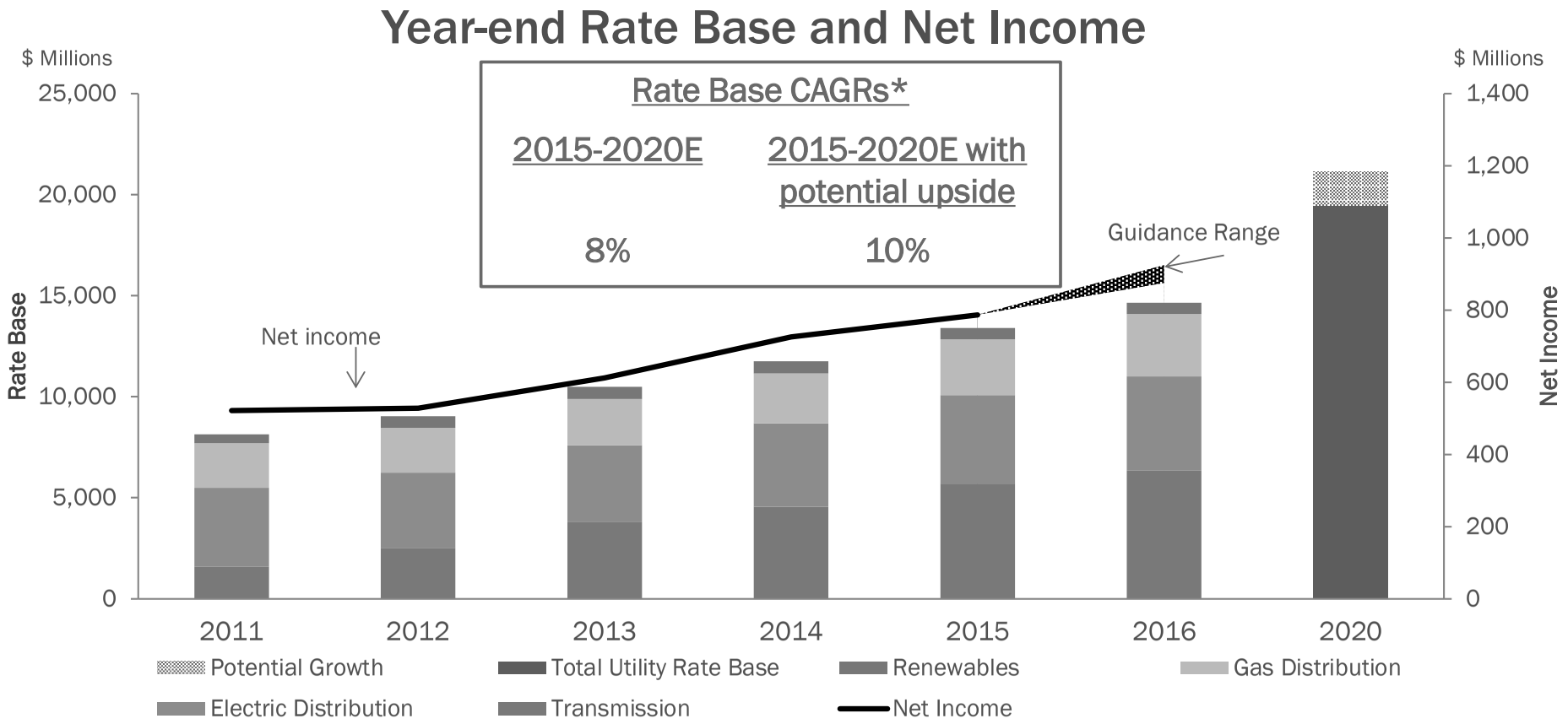


Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

SI-SSA-0015-03034

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

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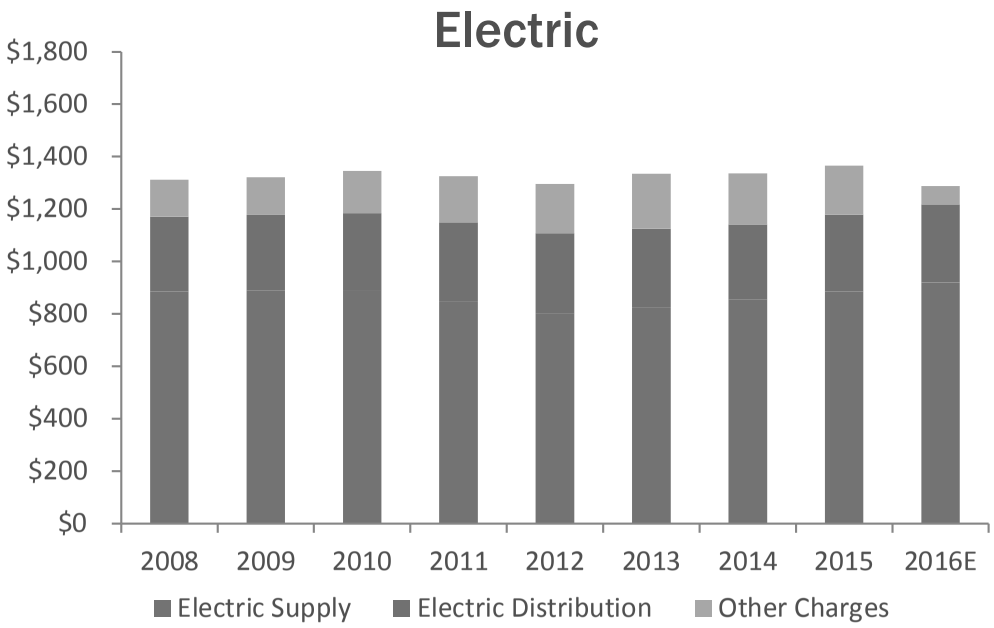
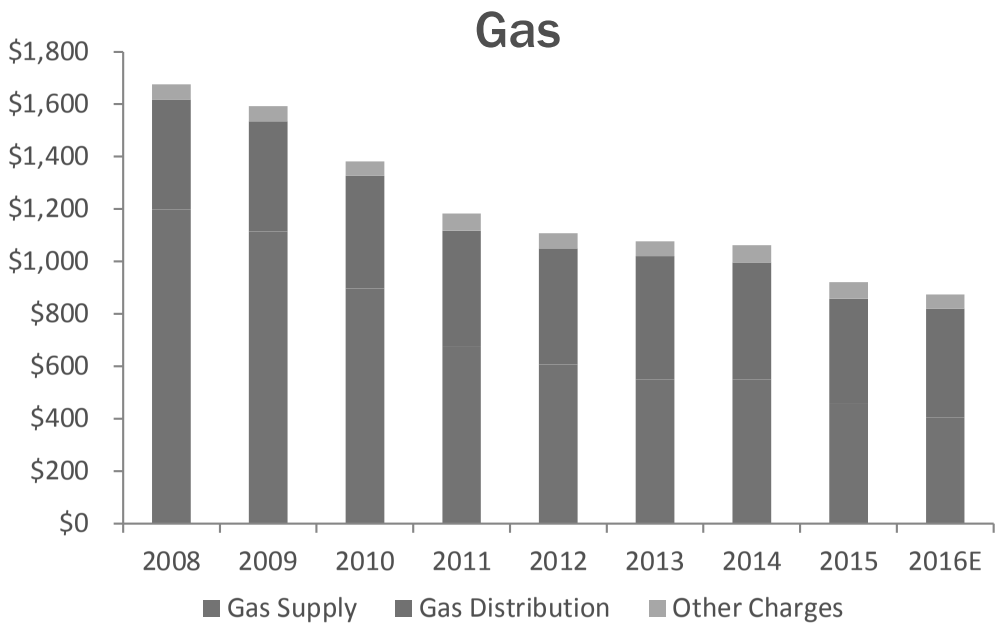
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-03036

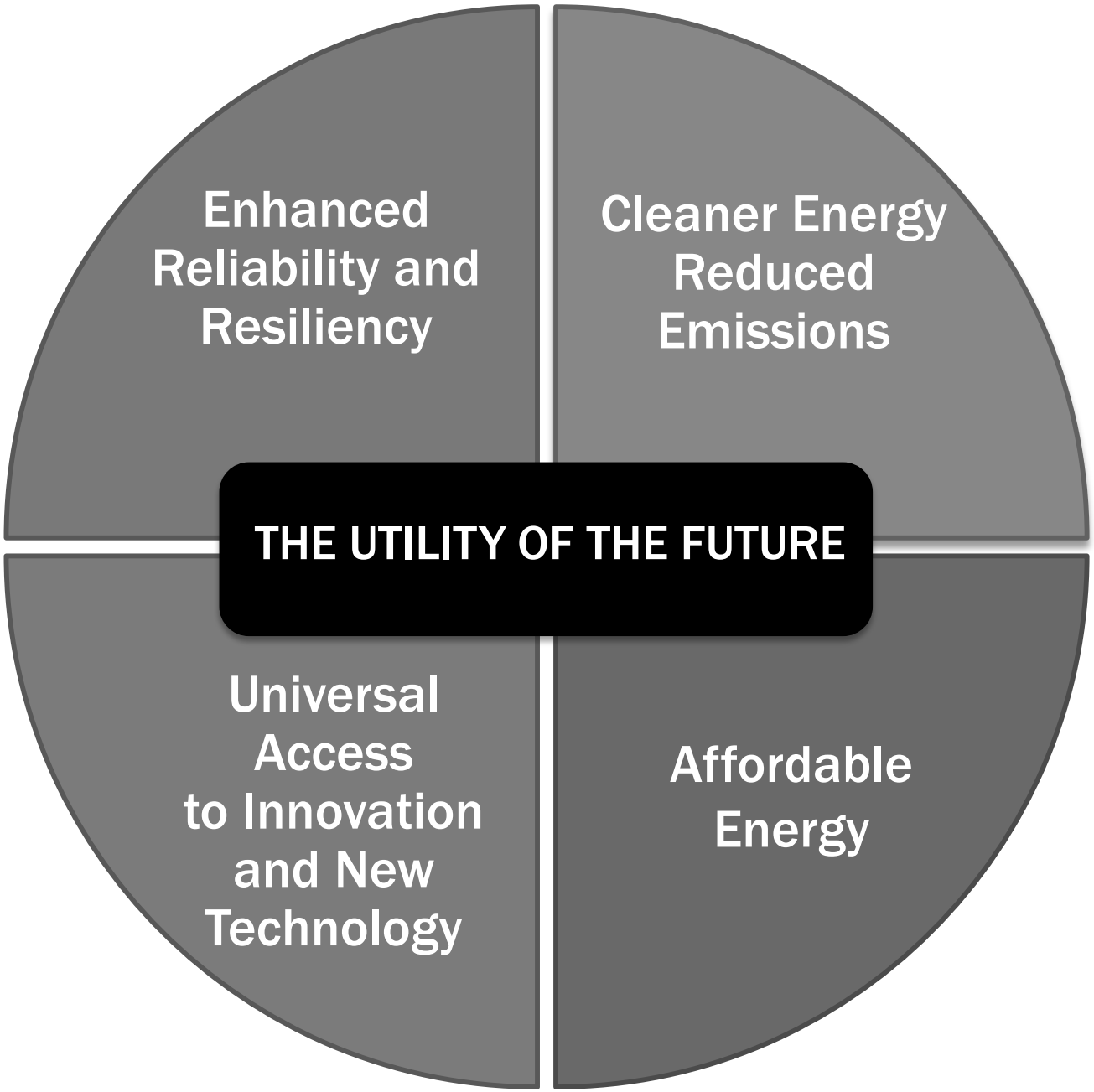
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

E =ESTIMATE.

SI-SSA-0015-03037



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PSEG LONG ISLAND

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We make things work for you.

SI-SSA-0015-03039

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-03040

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

PSEG

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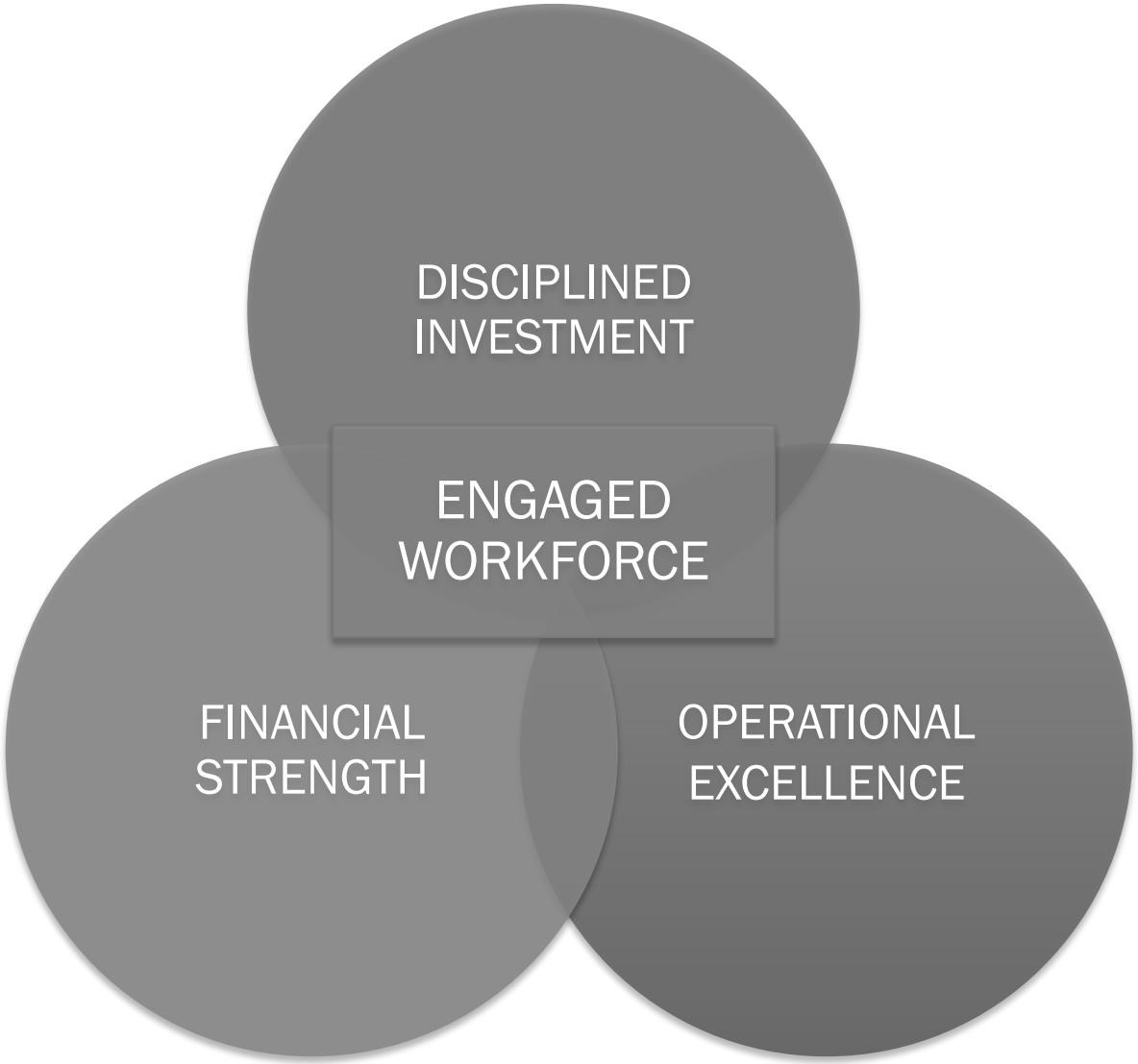
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-03042

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

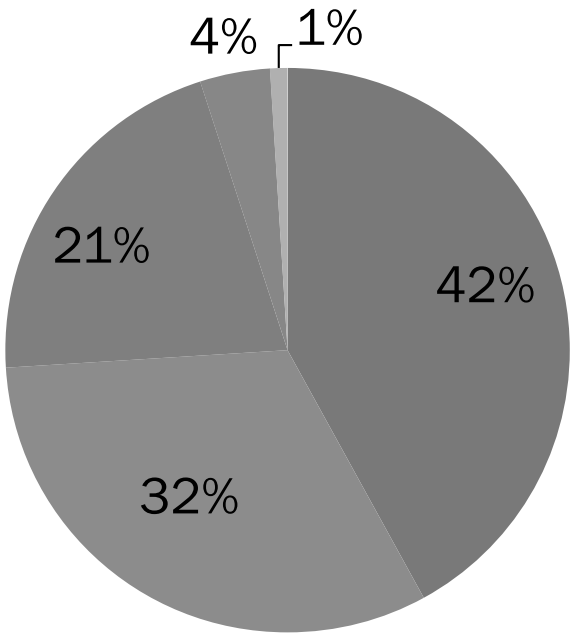
SI-SSA-0015-03043

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

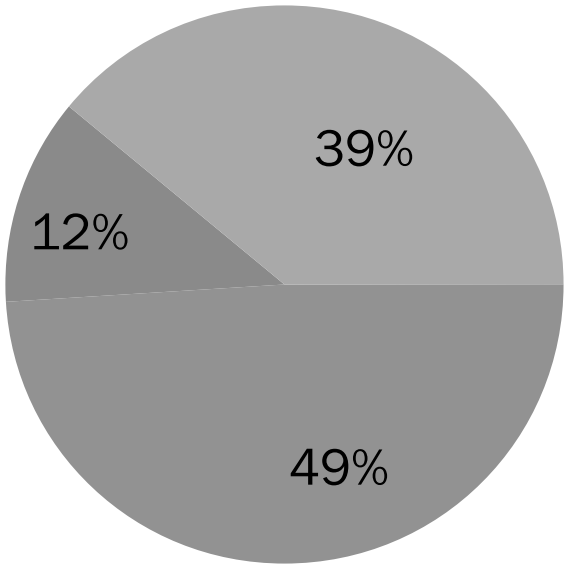
2015 Actual

Fuel Diversity*
Total MW: 11,678



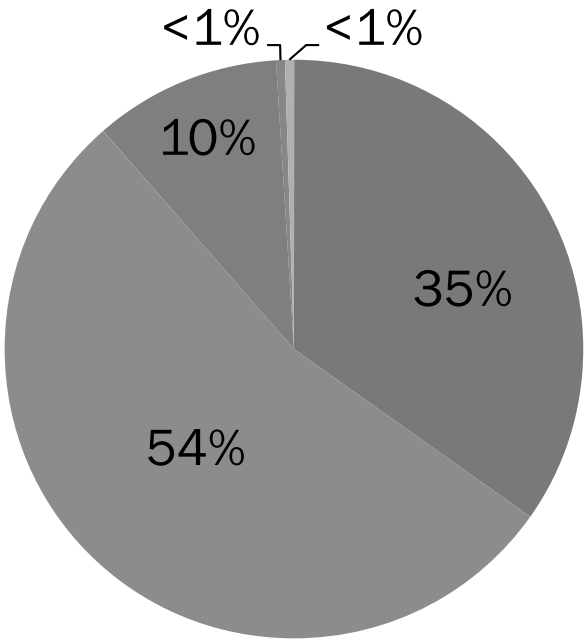
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213

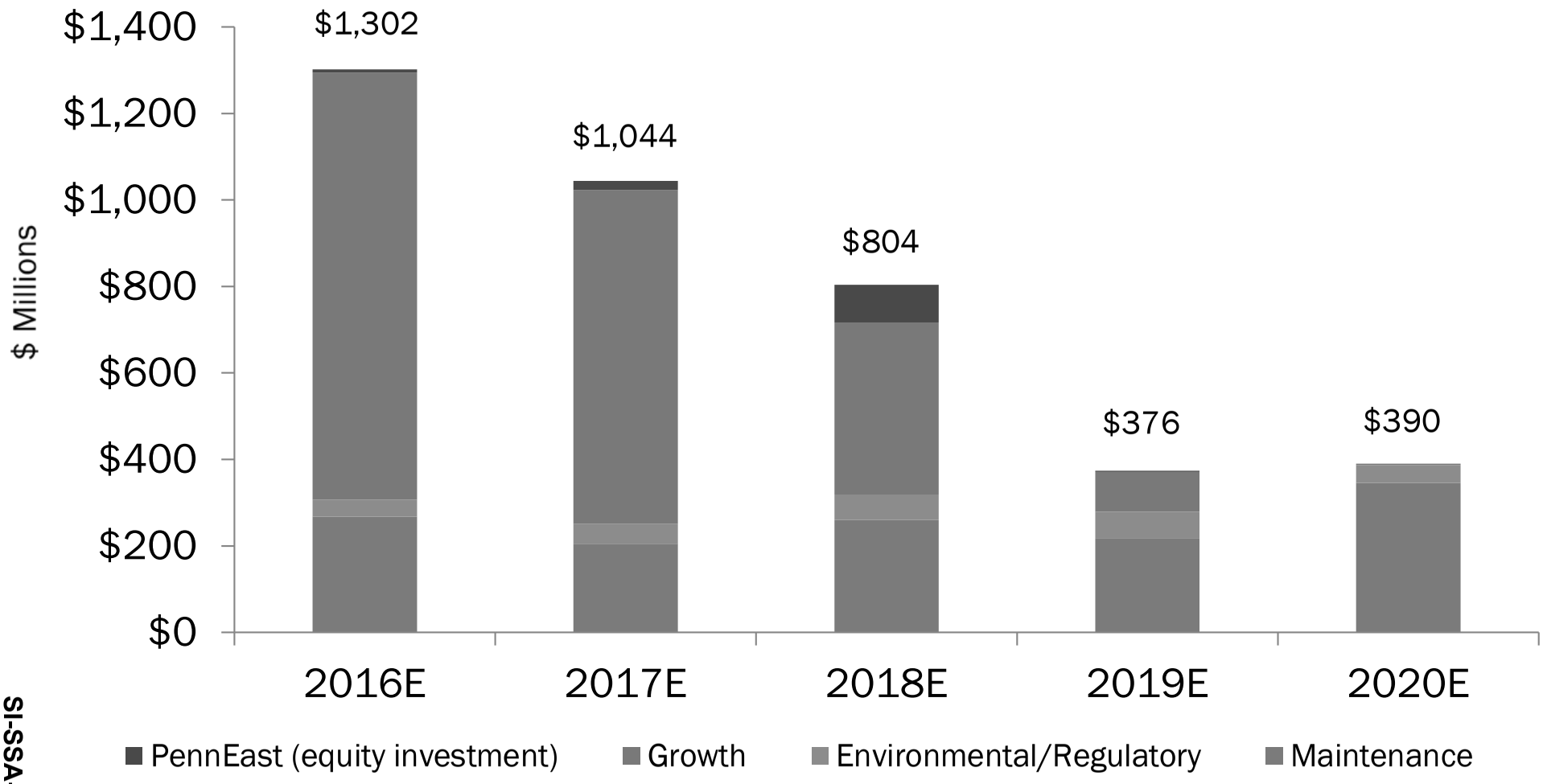


- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-03044

Power investing $2 billion of capital in new capacity



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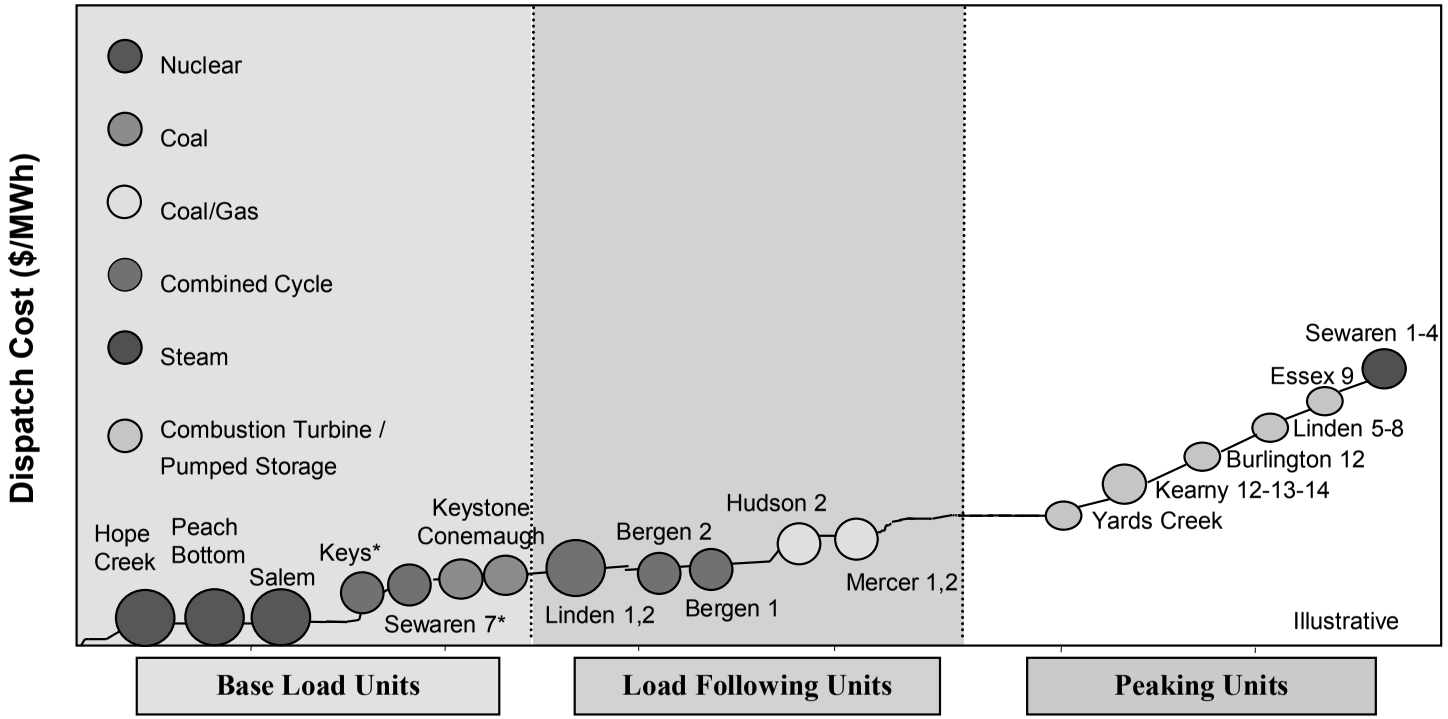
E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

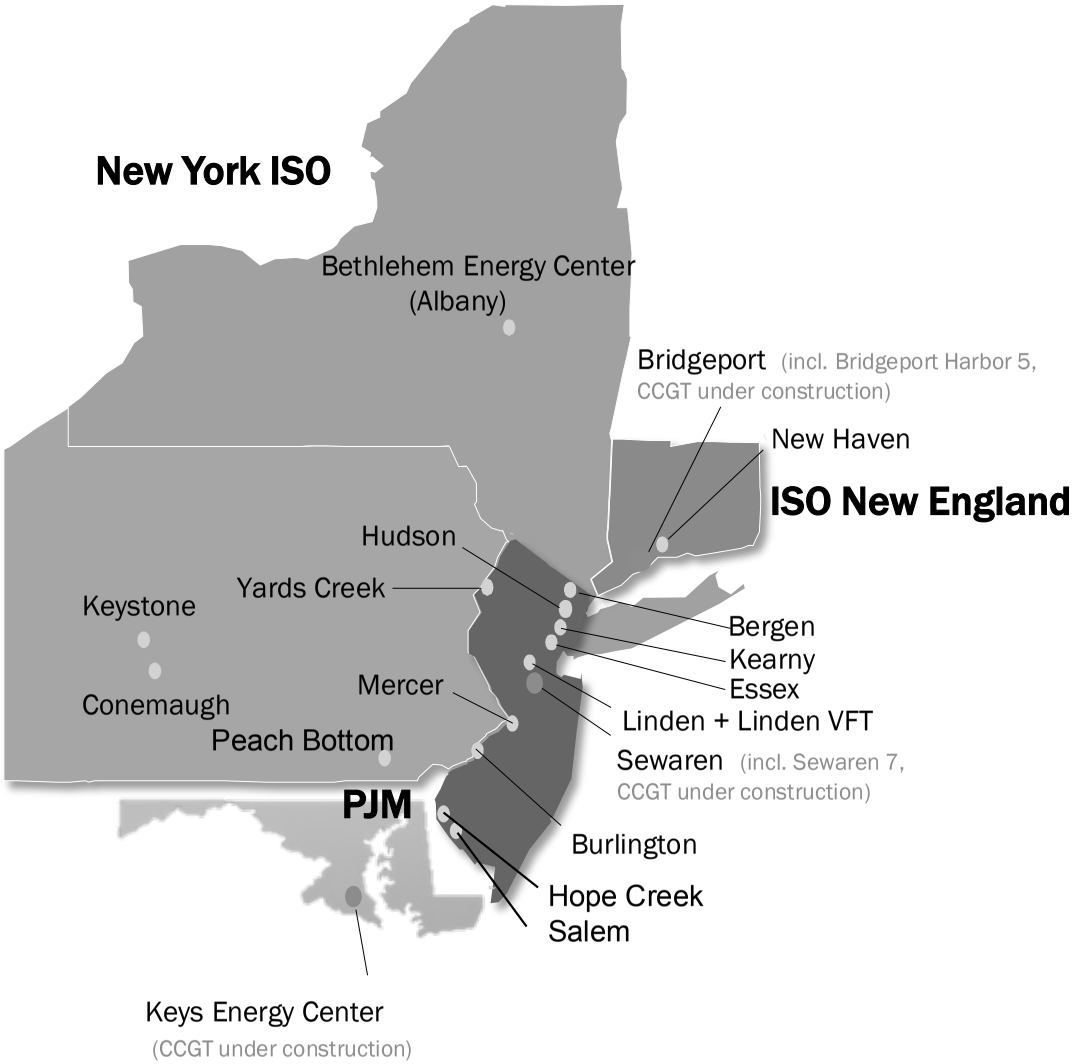
SI-SSA-0015-03046

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

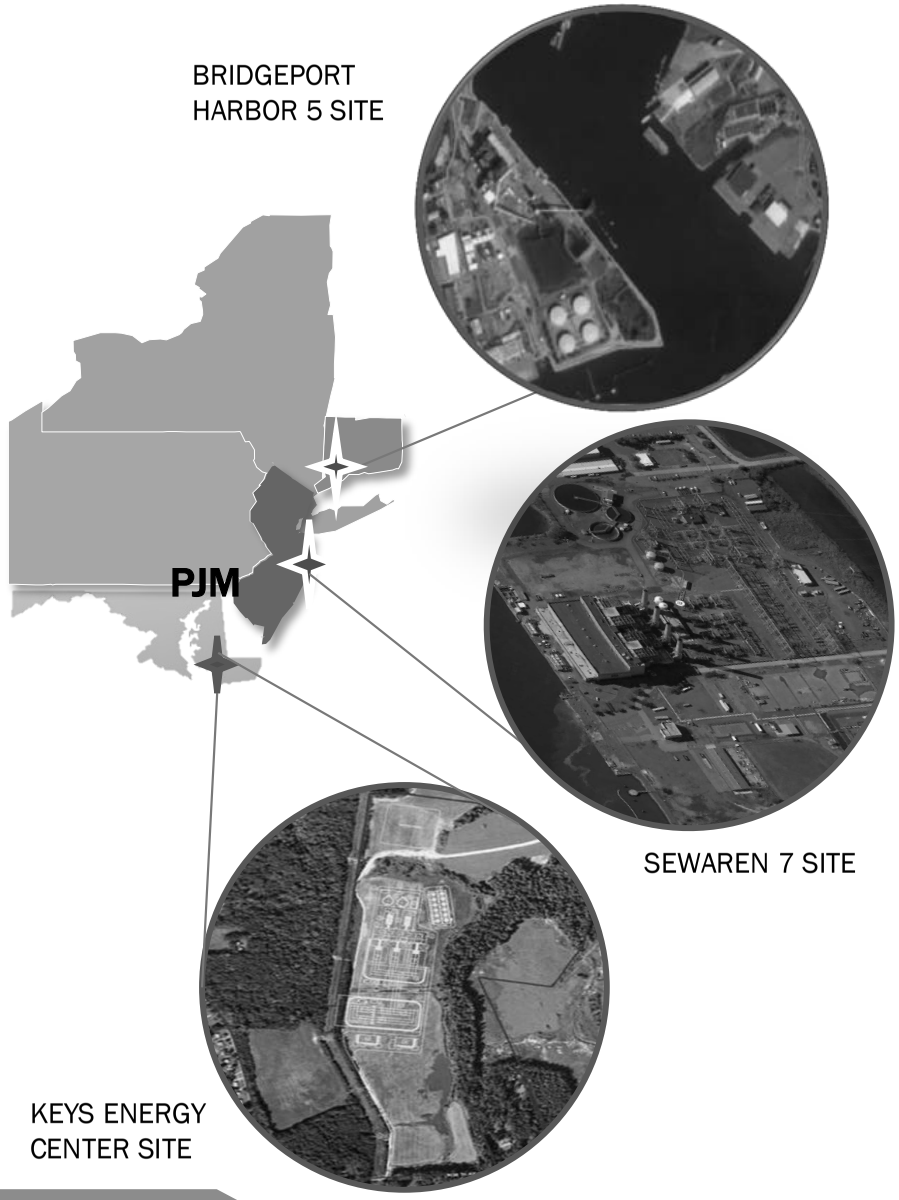
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-03047

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



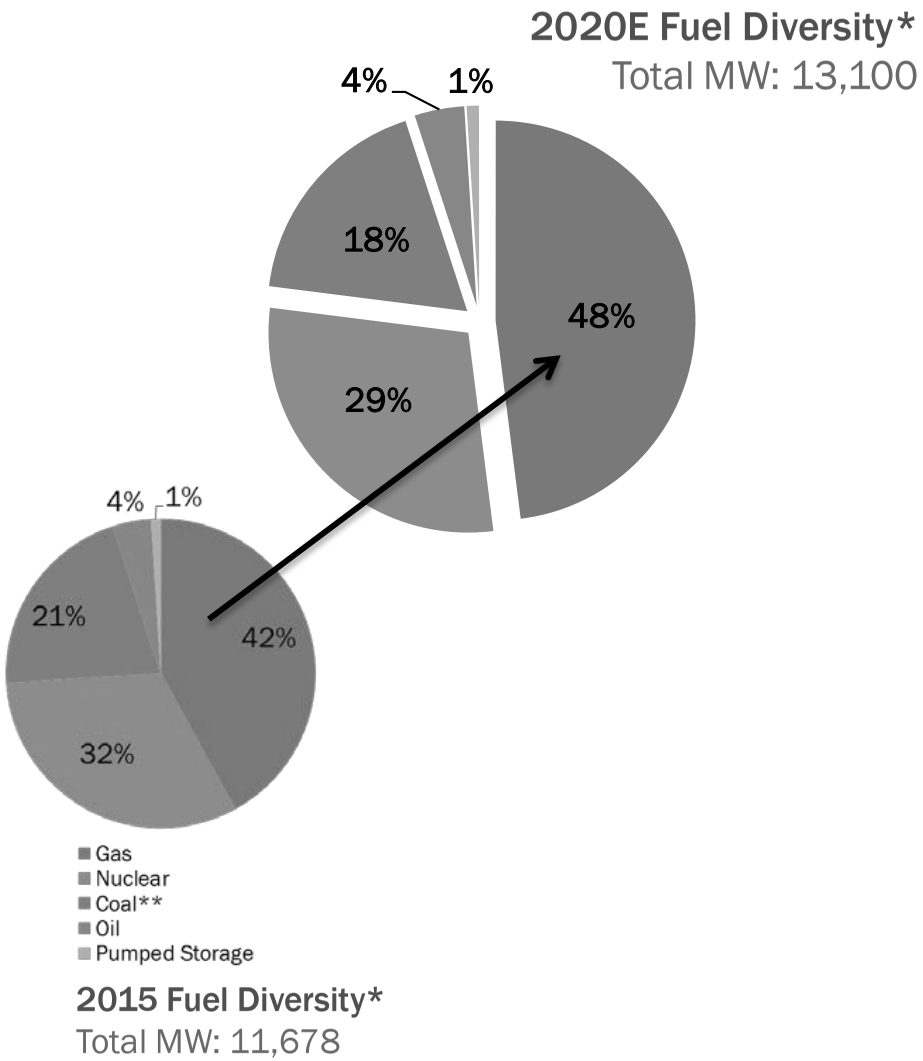
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

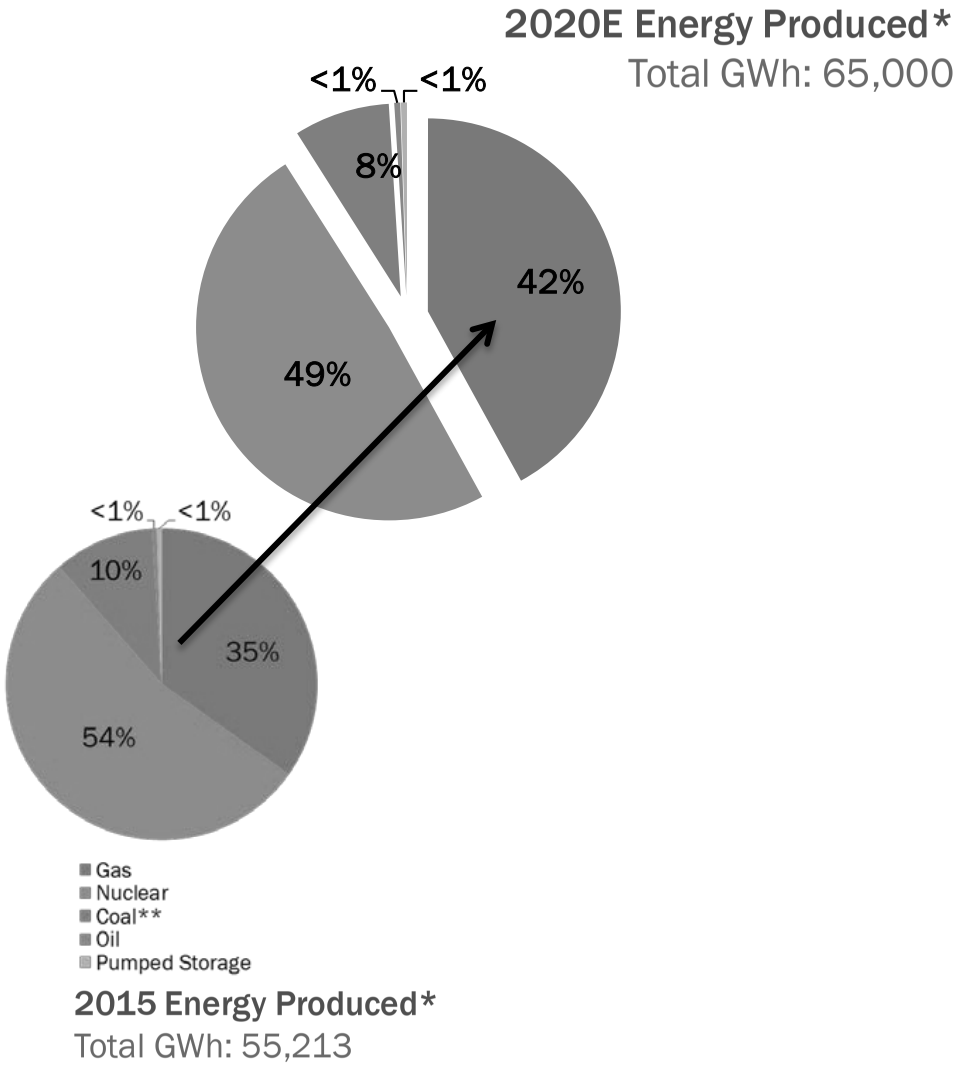
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-03048

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

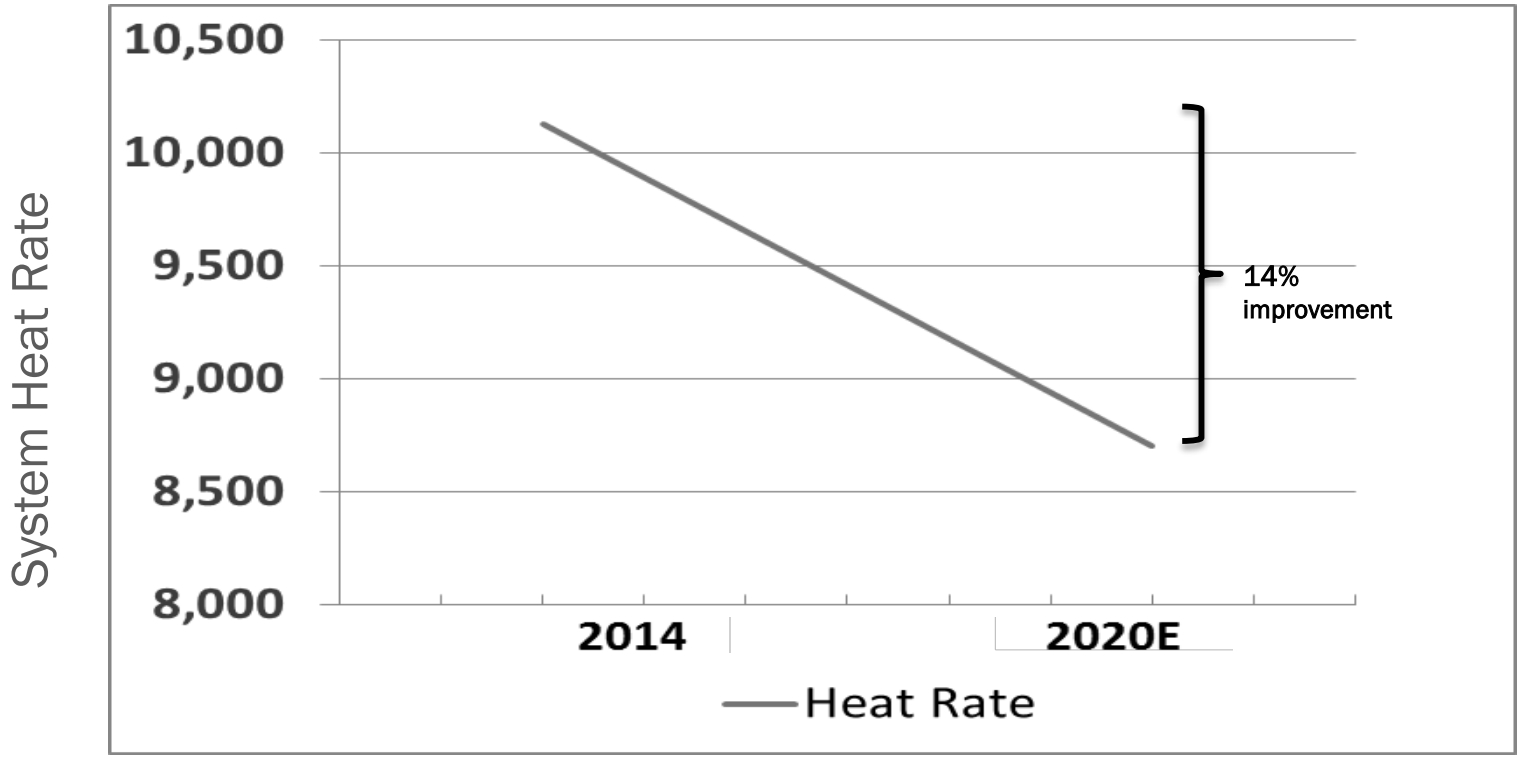




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-03049

PSEG Power's fossil fleet expected to see improvements in efficiency



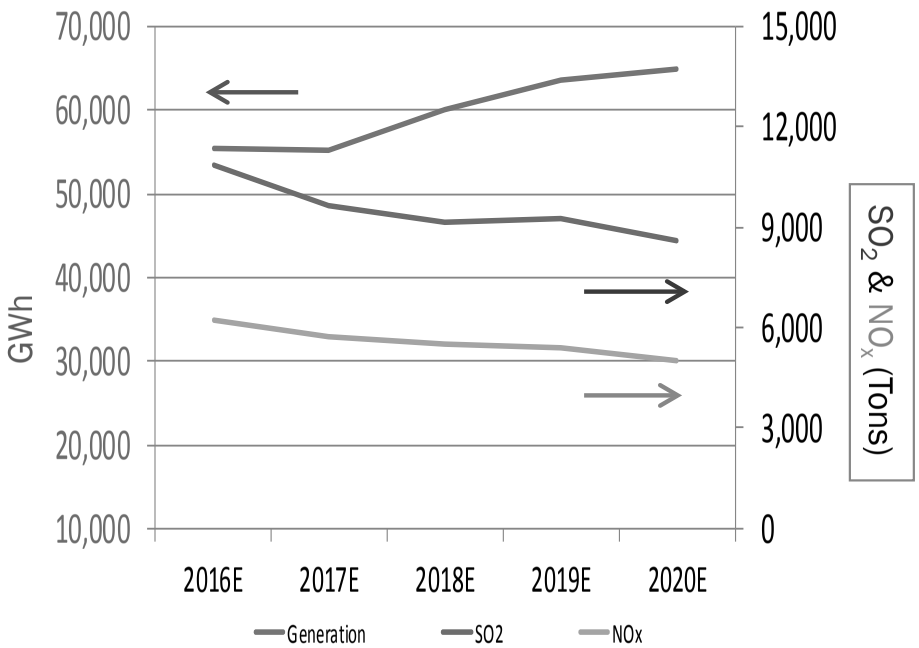
- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-03050

E = ESTIMATE

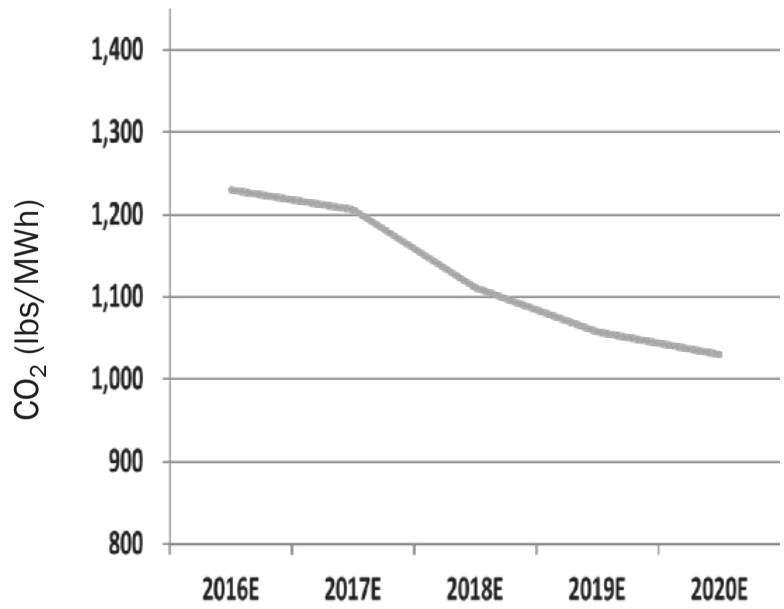
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-03051

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-03052

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-03053

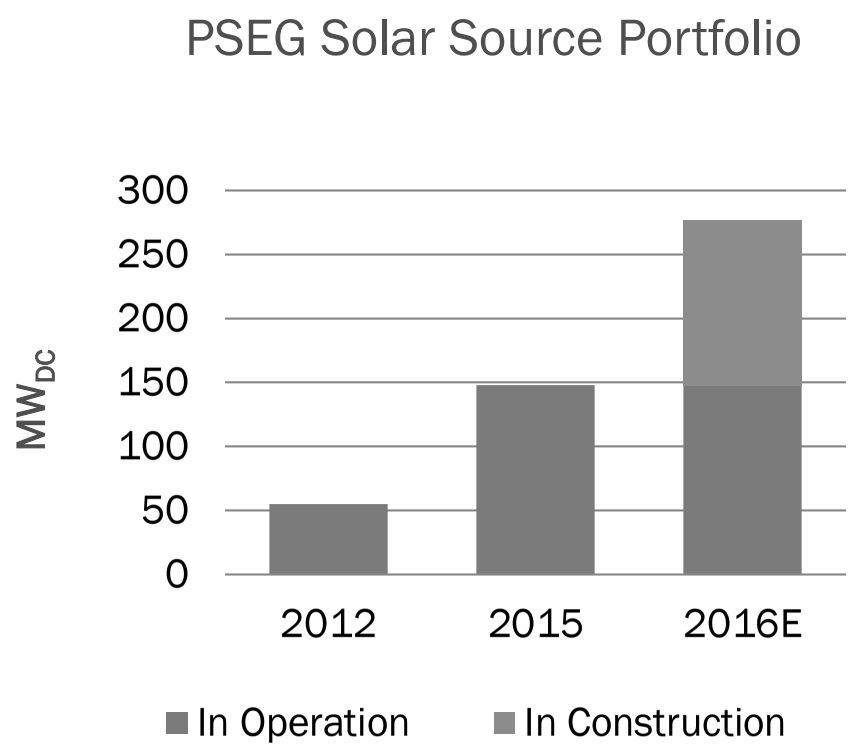
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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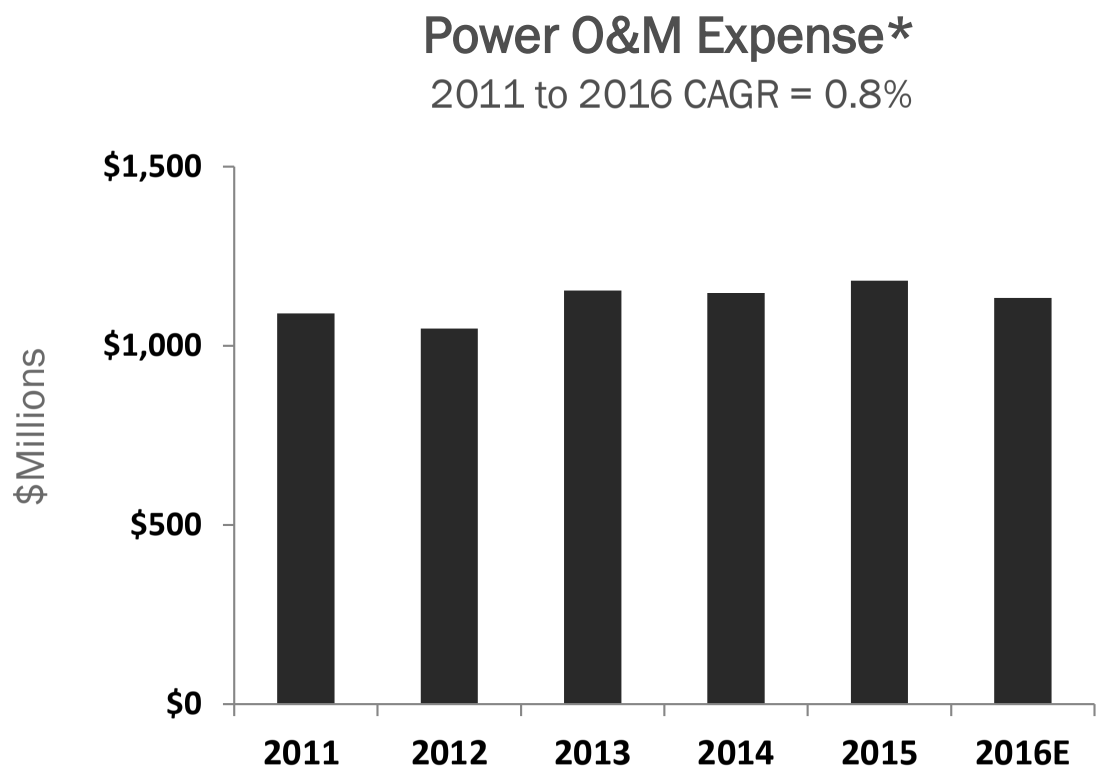
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-03056

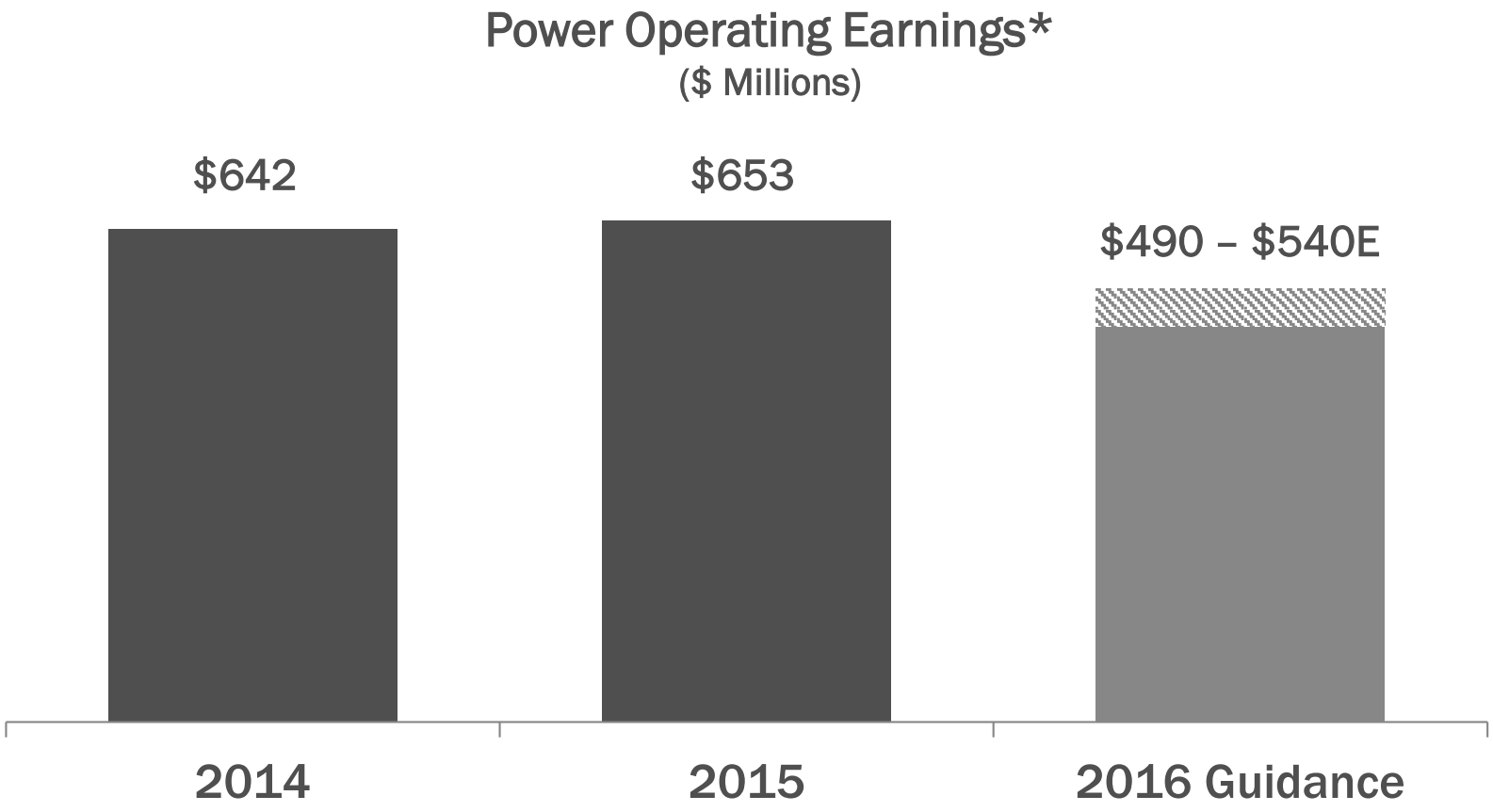
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-03057

Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



SI-SSA-0015-03058

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-03059

PSEG POWER
ER&T

SI-SSA-0015-03060

PSEG

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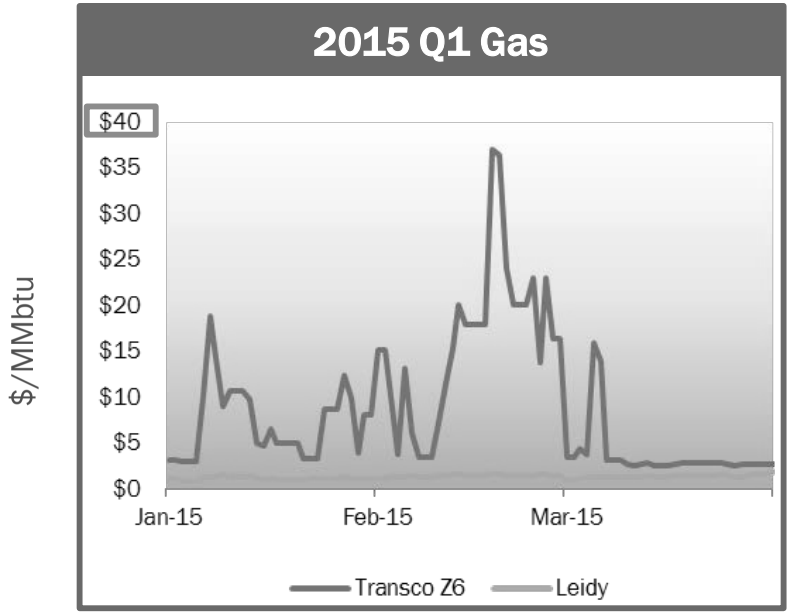
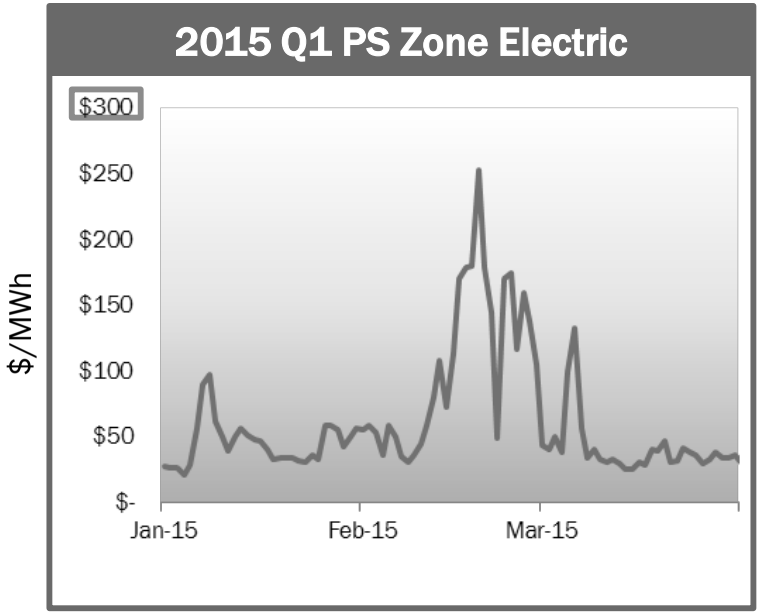
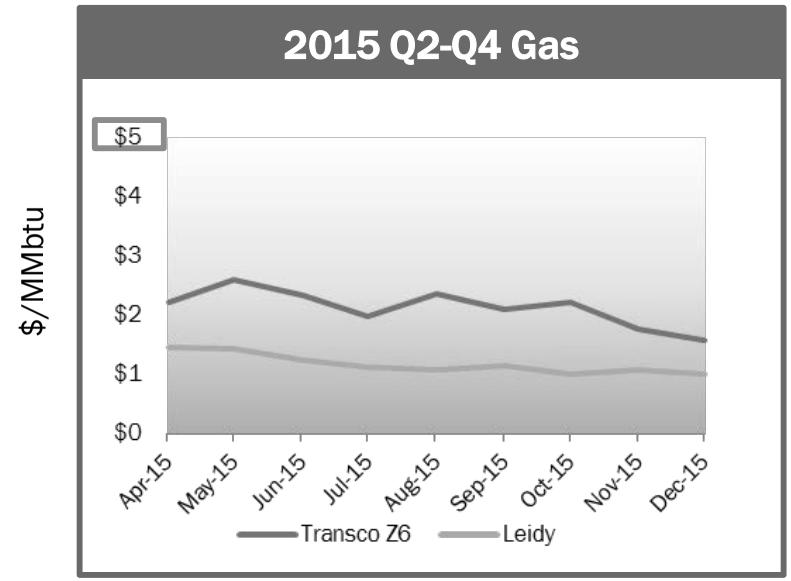
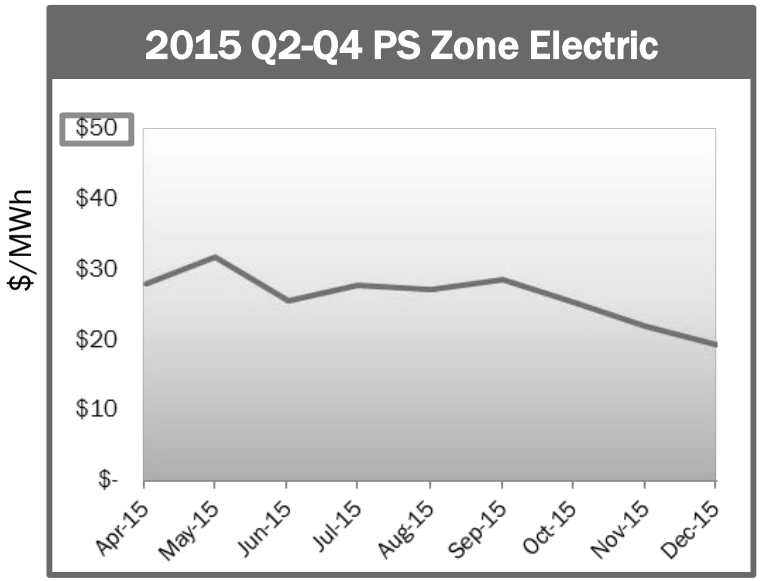
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

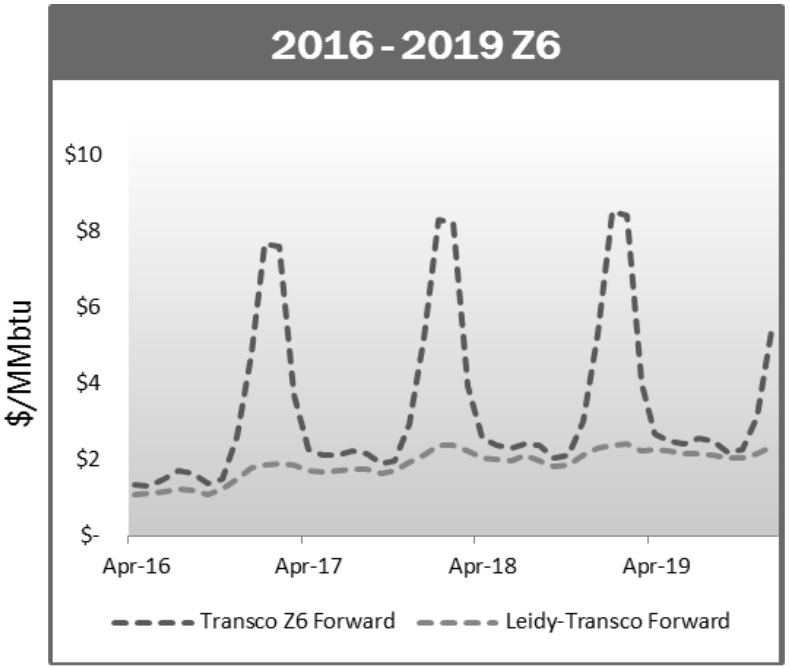


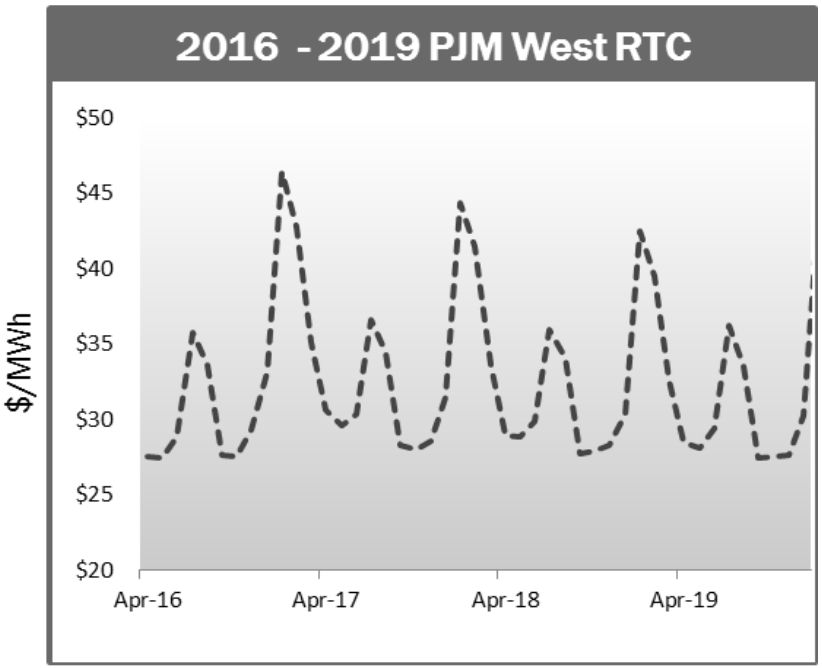


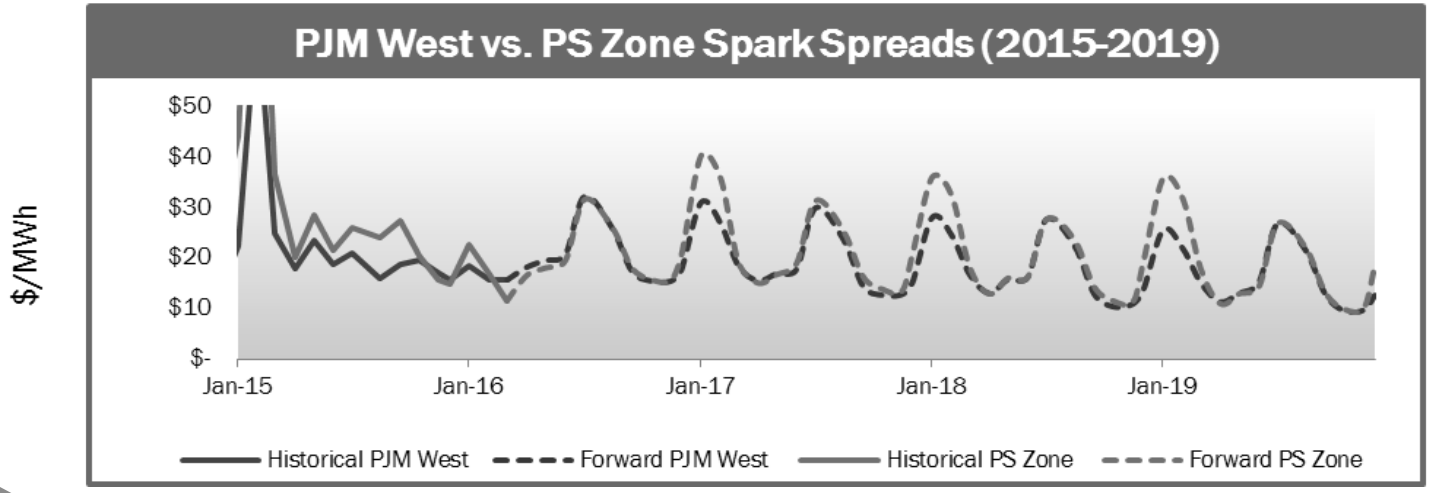
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-03061

Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

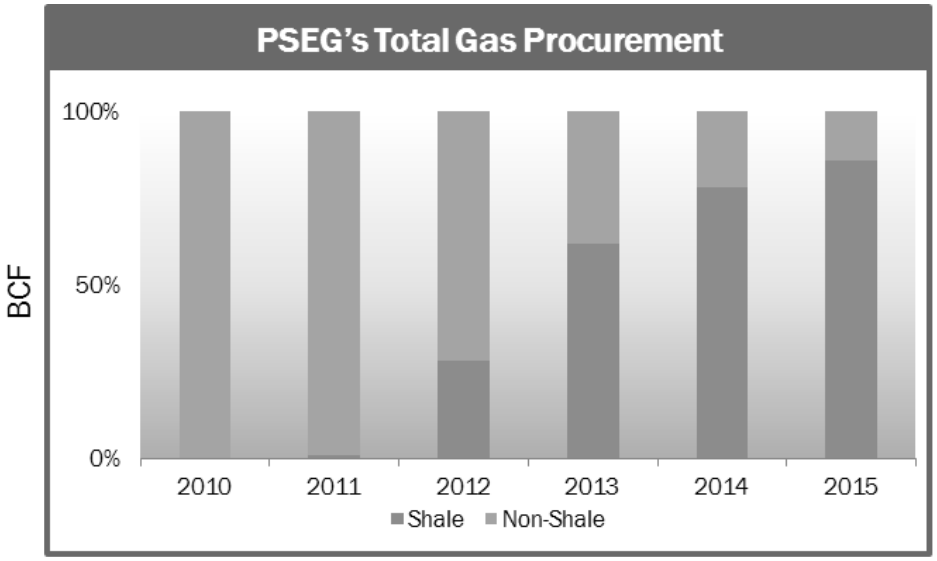


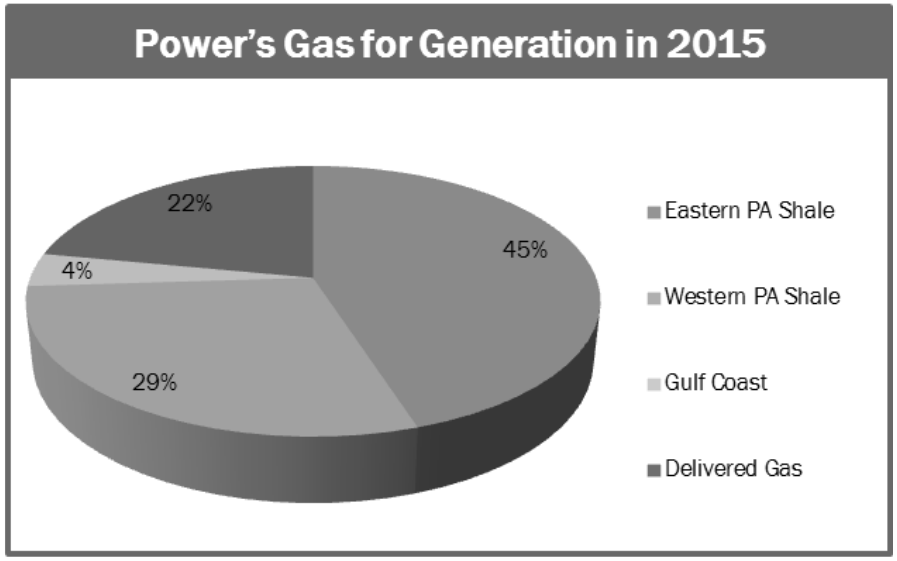




SI-SSA-0015-03062

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



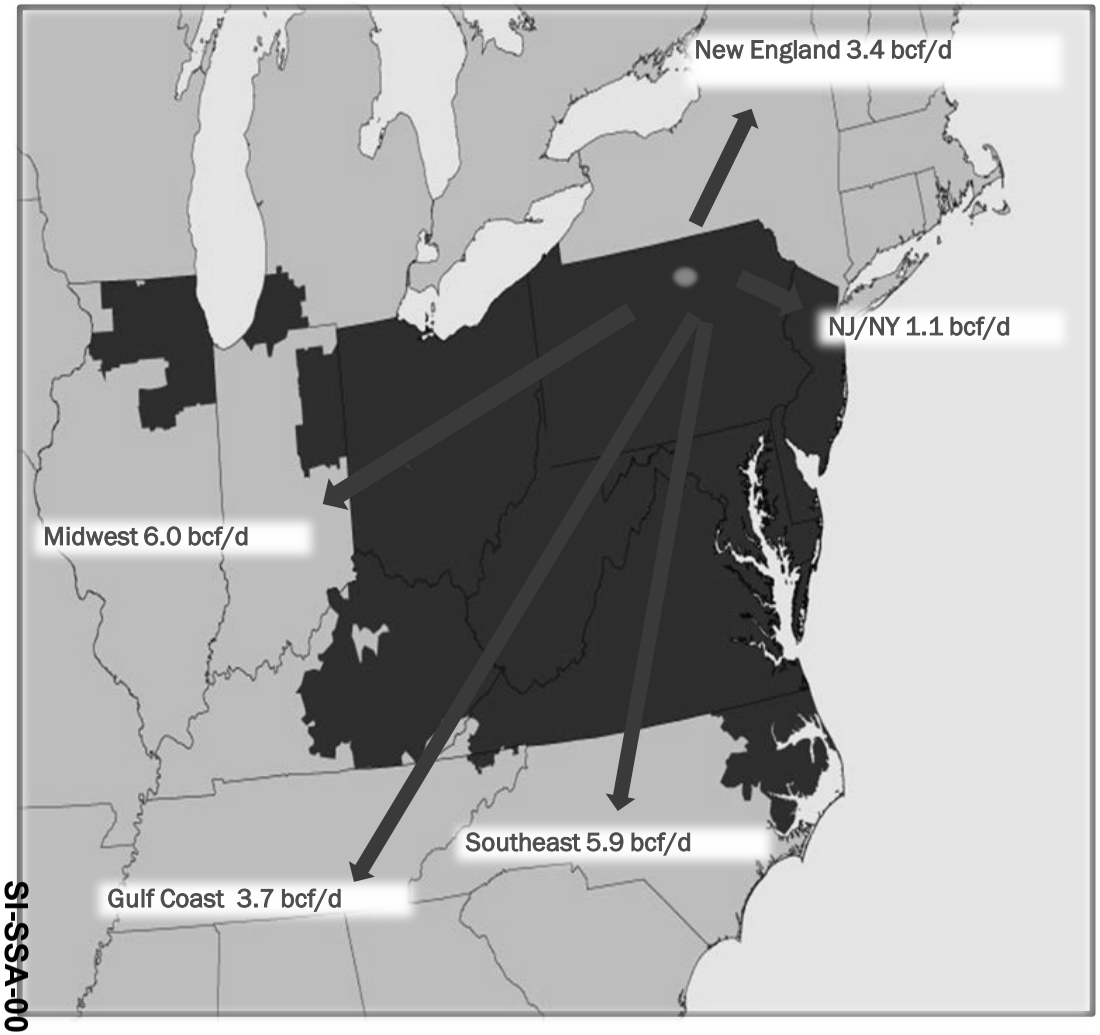


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-03063

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-03064

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

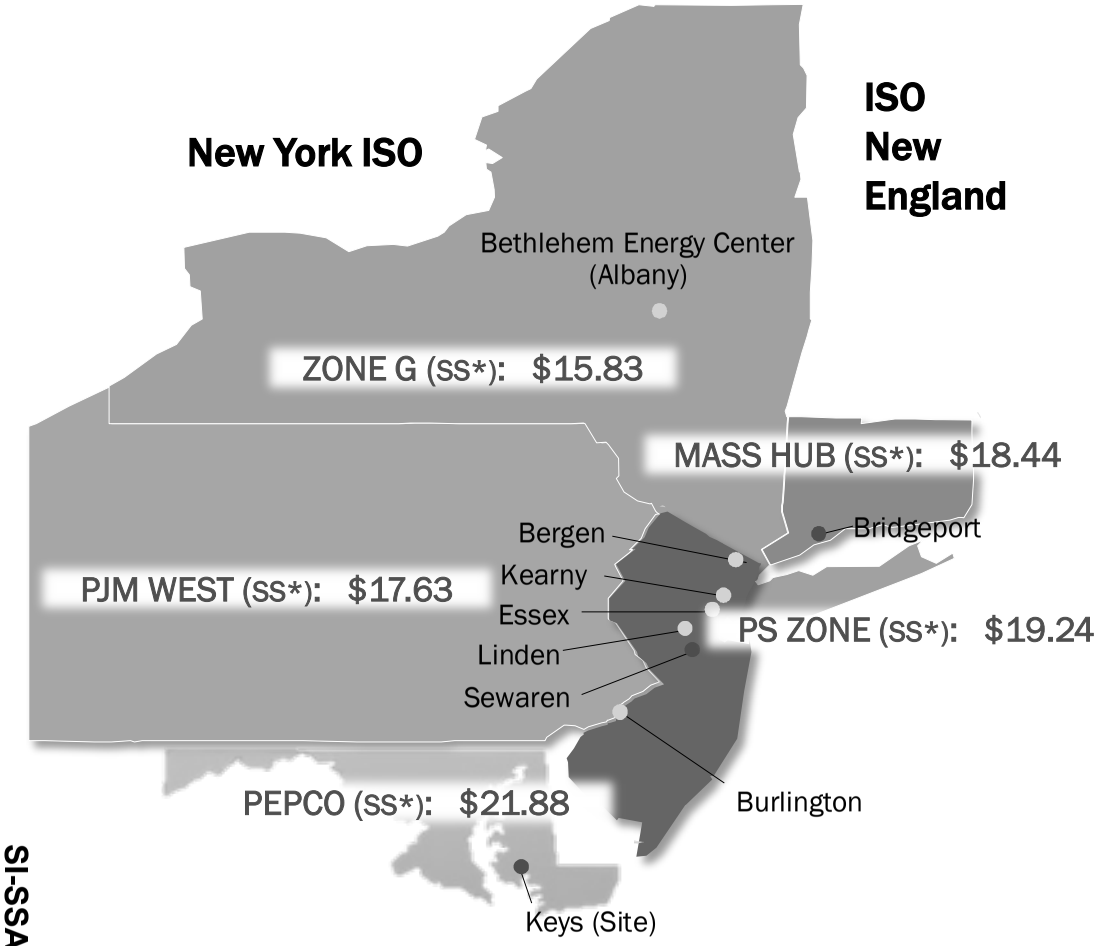
	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

SI-SSA-0015-03065

PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

SI-SSA-0015-03066

PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

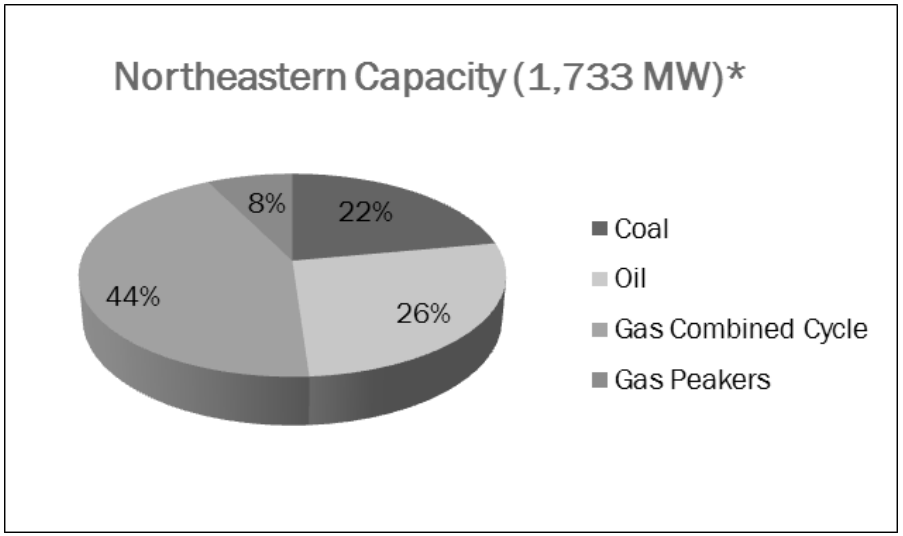
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-03067

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

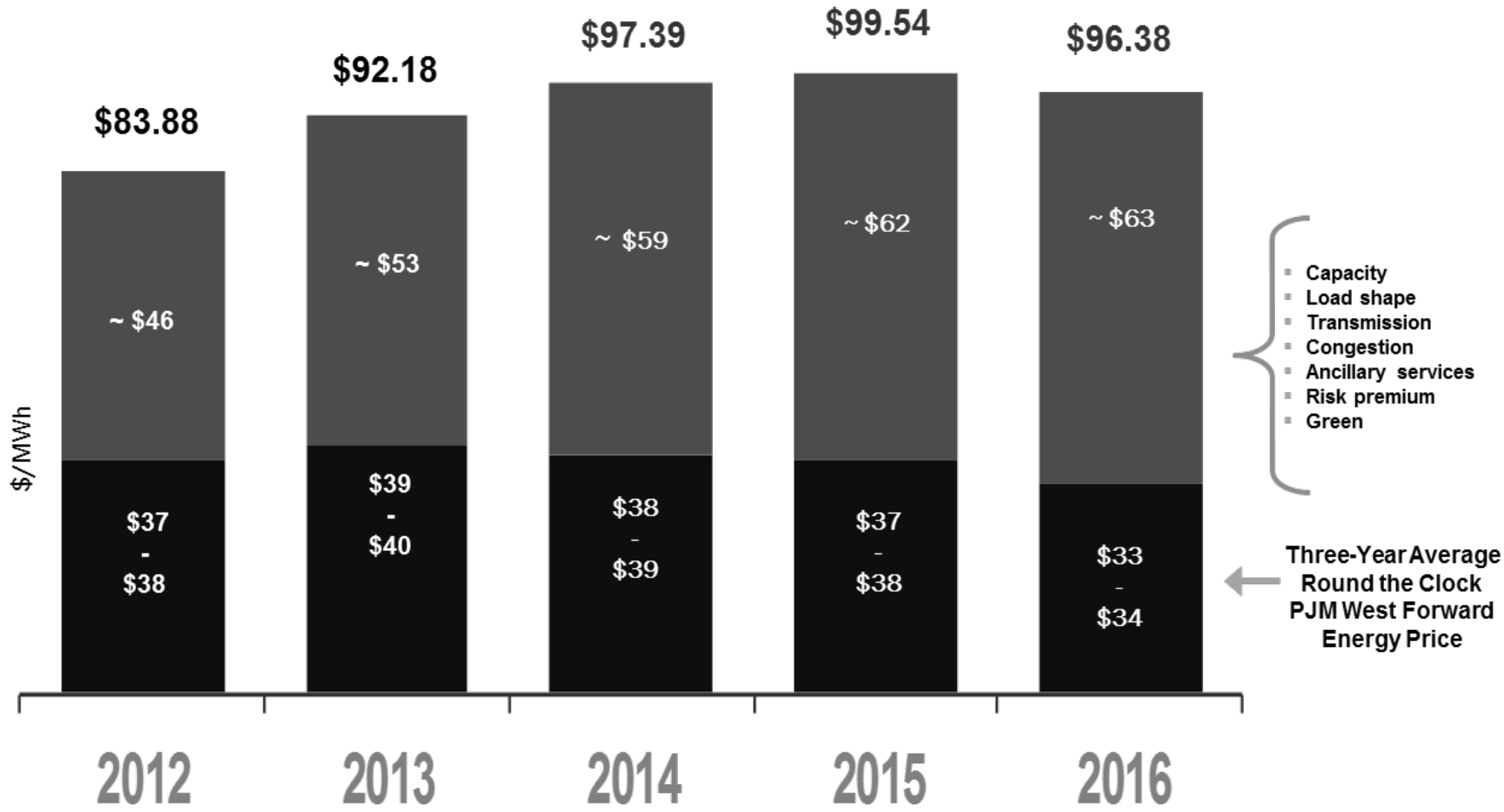
2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

SI-SSA-0015-03068

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-03069

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		April-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	36	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	14	19	24
	% Hedged	25-30%	0%	0%
	Price $/MWh	$49	-	-
Total	Volume TWh	39-41	54-56	59-61
	% Hedged	70-75%	50-55%	20-25%
	Price $/MWh	$49	$49	$49

SI-SSA-0015-03070

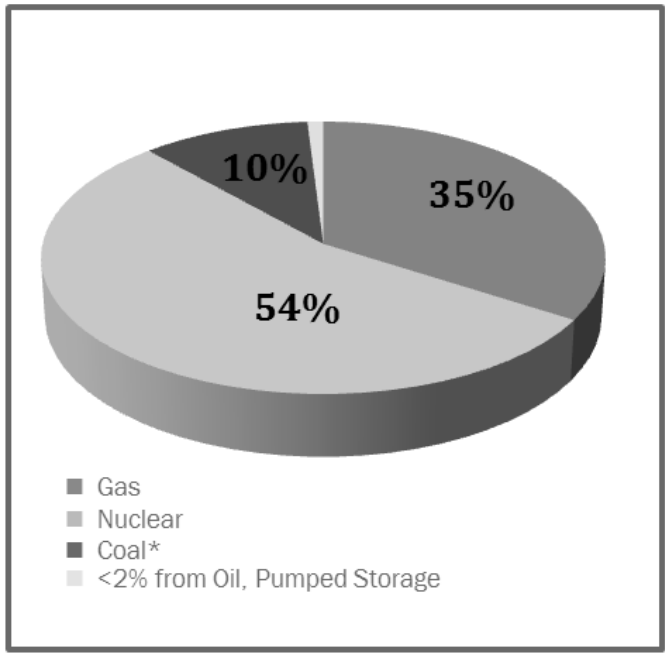
PSEG

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

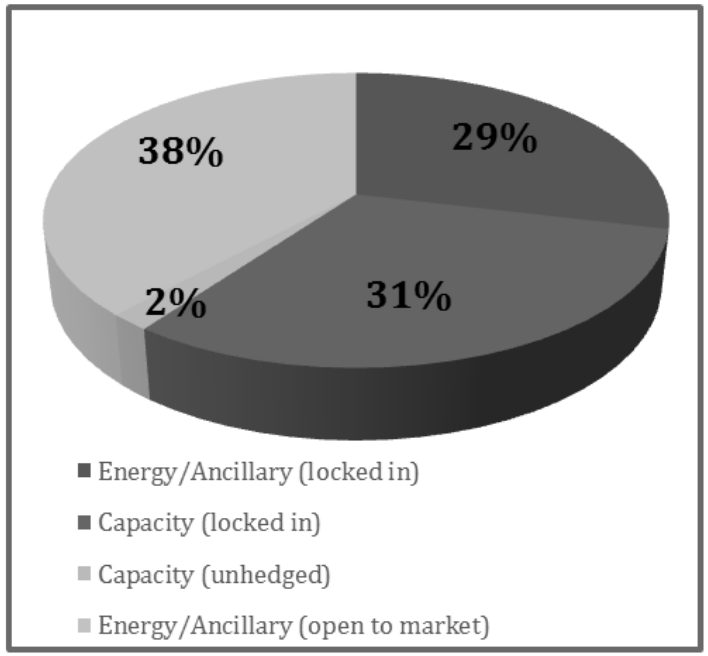
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



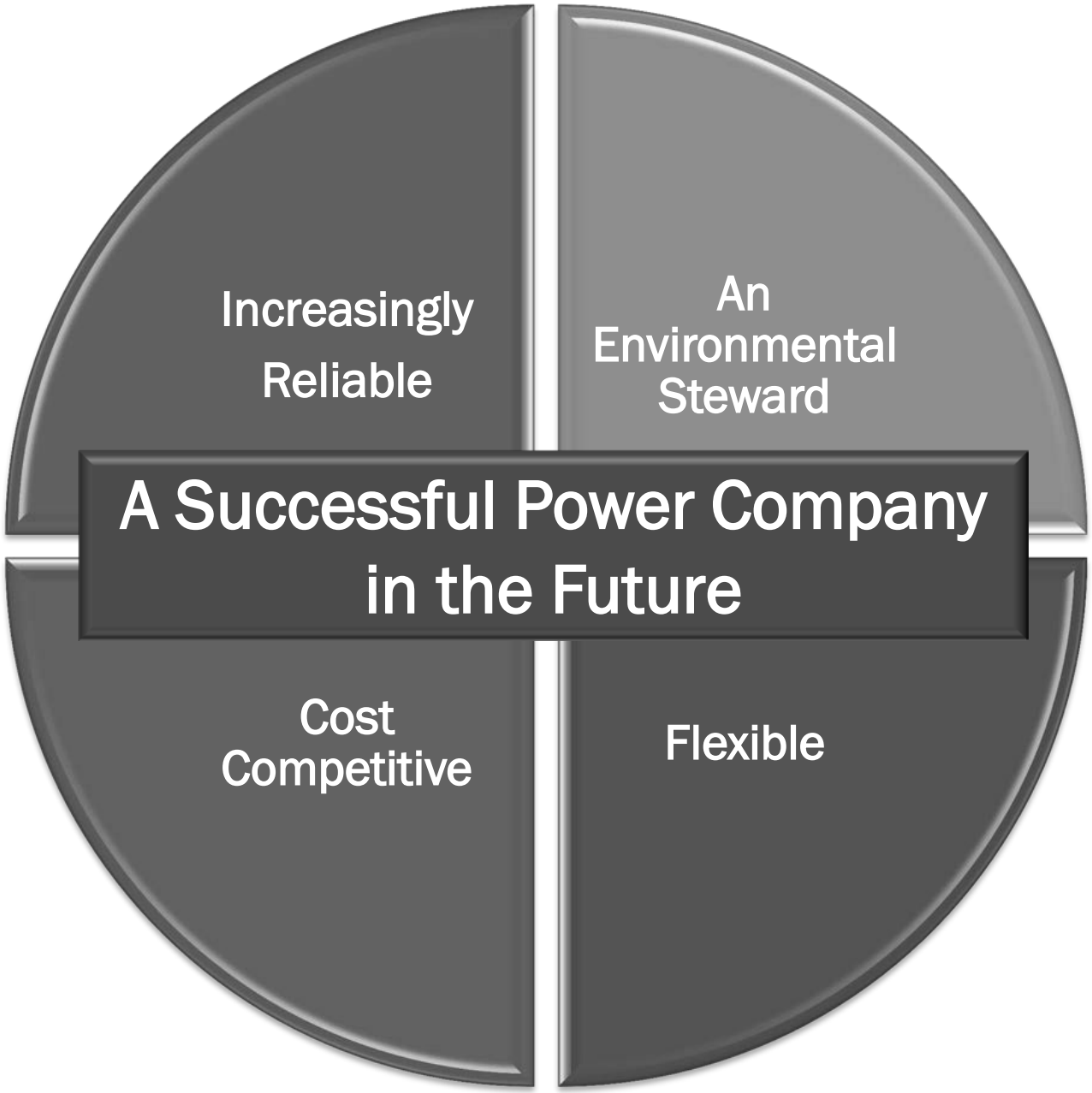
. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-03072



SI-SSA-0015-03073

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-03074

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-03075

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-03076

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-03077

PSEG

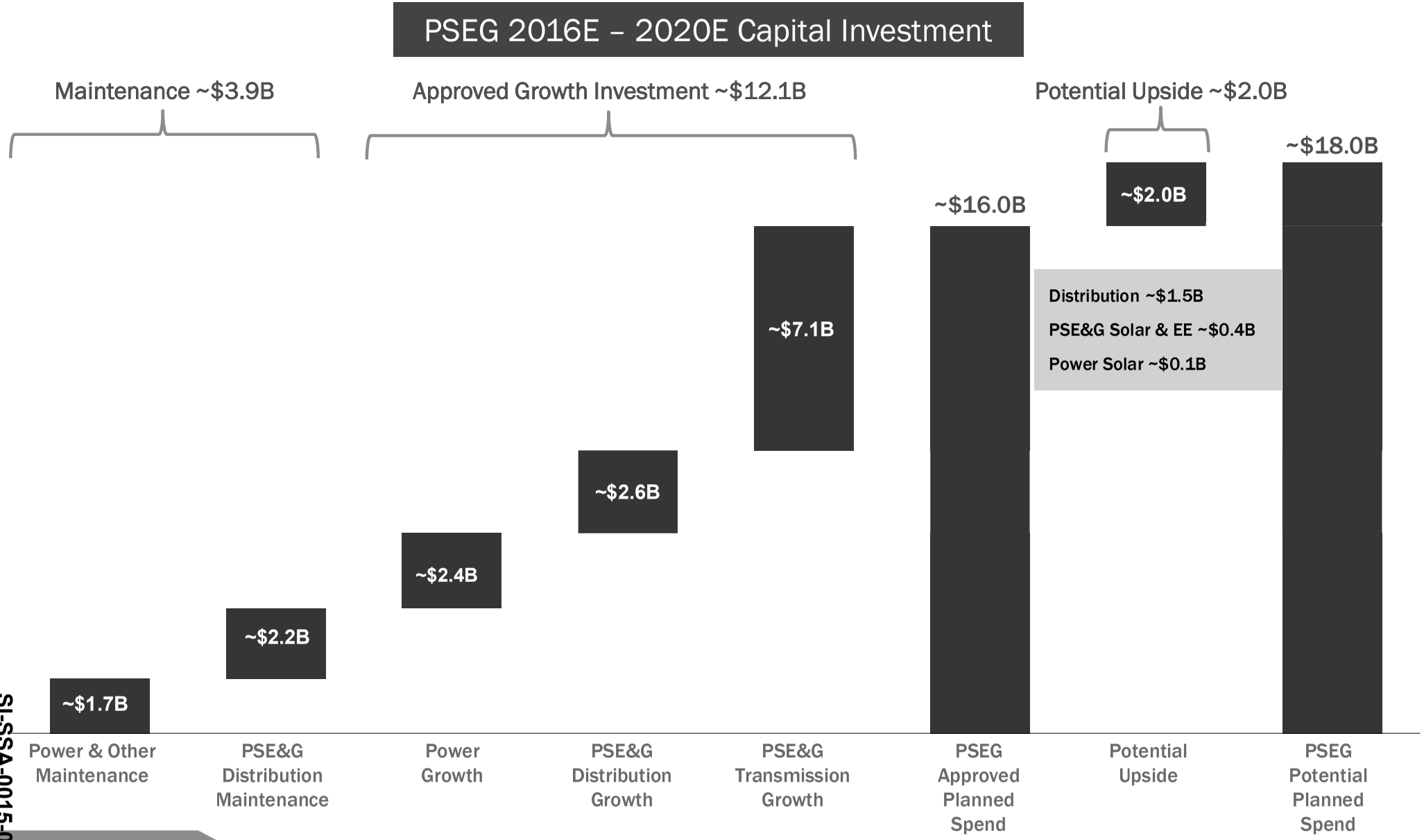
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-03078

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

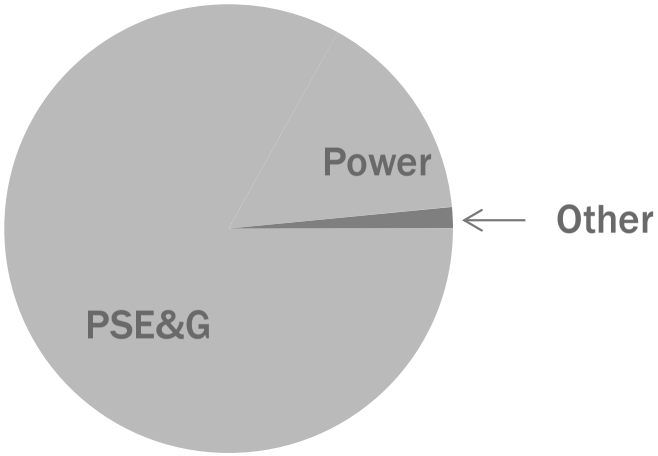
SI-SSA-0015-03079

We increased our Capital Program by $3B

since last year

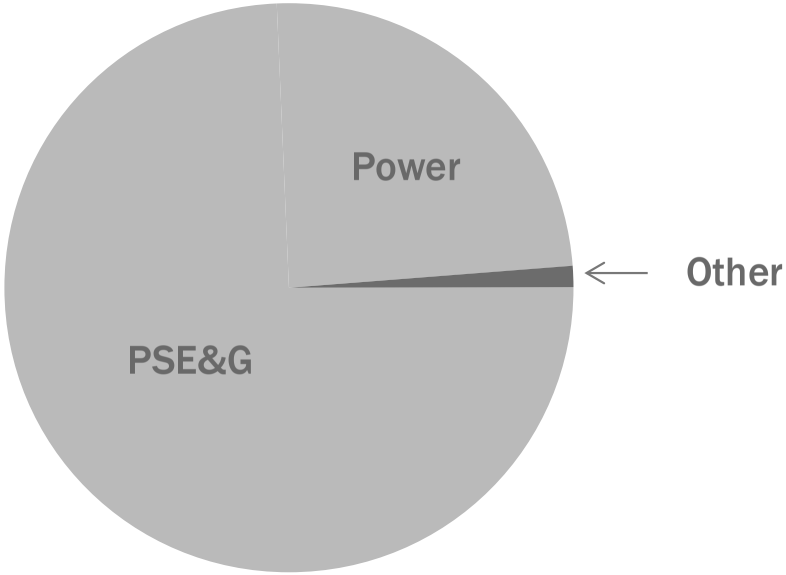
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

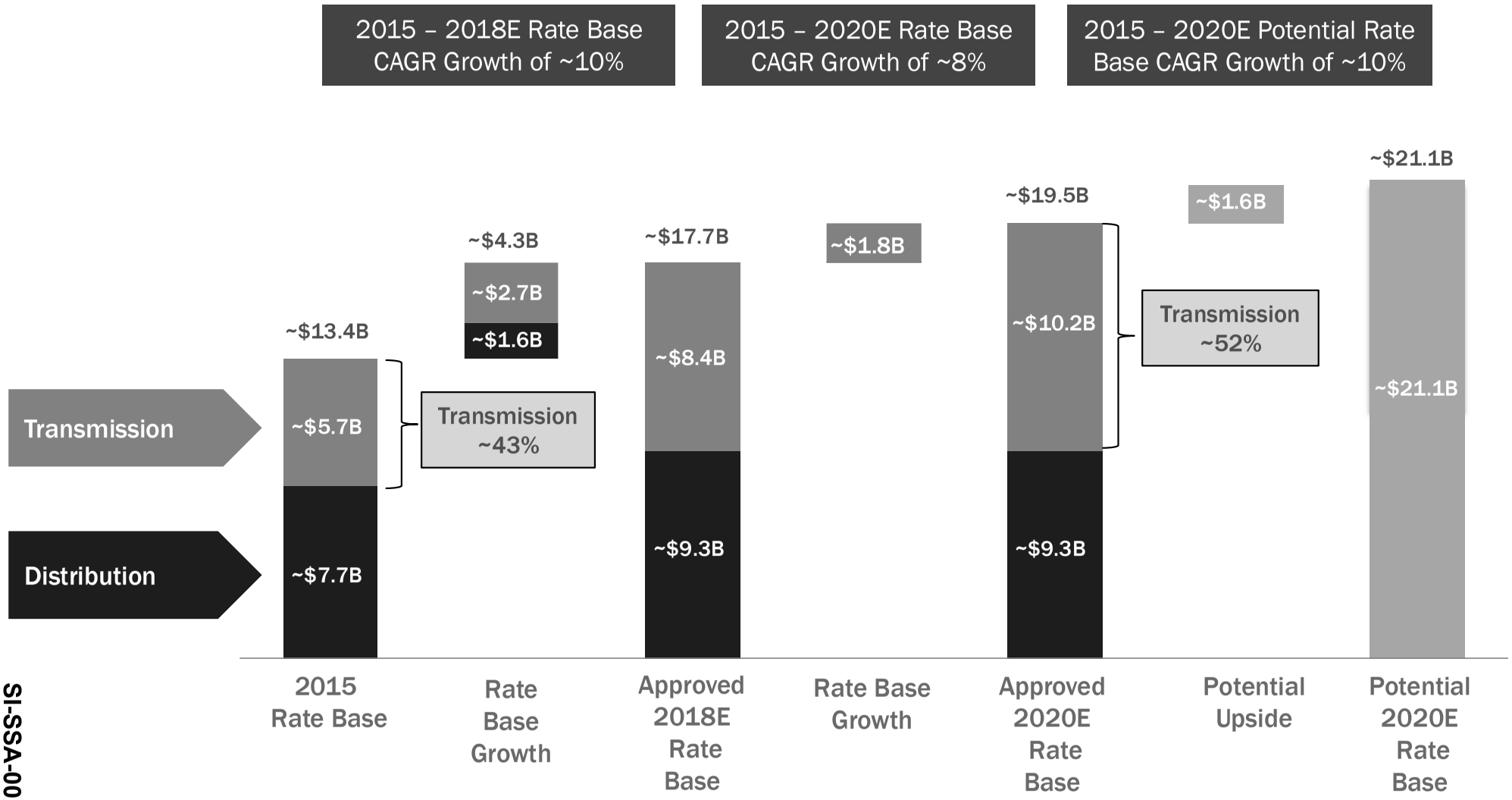


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-03080

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-03081

Bonus Depreciation adds $1.7B cash

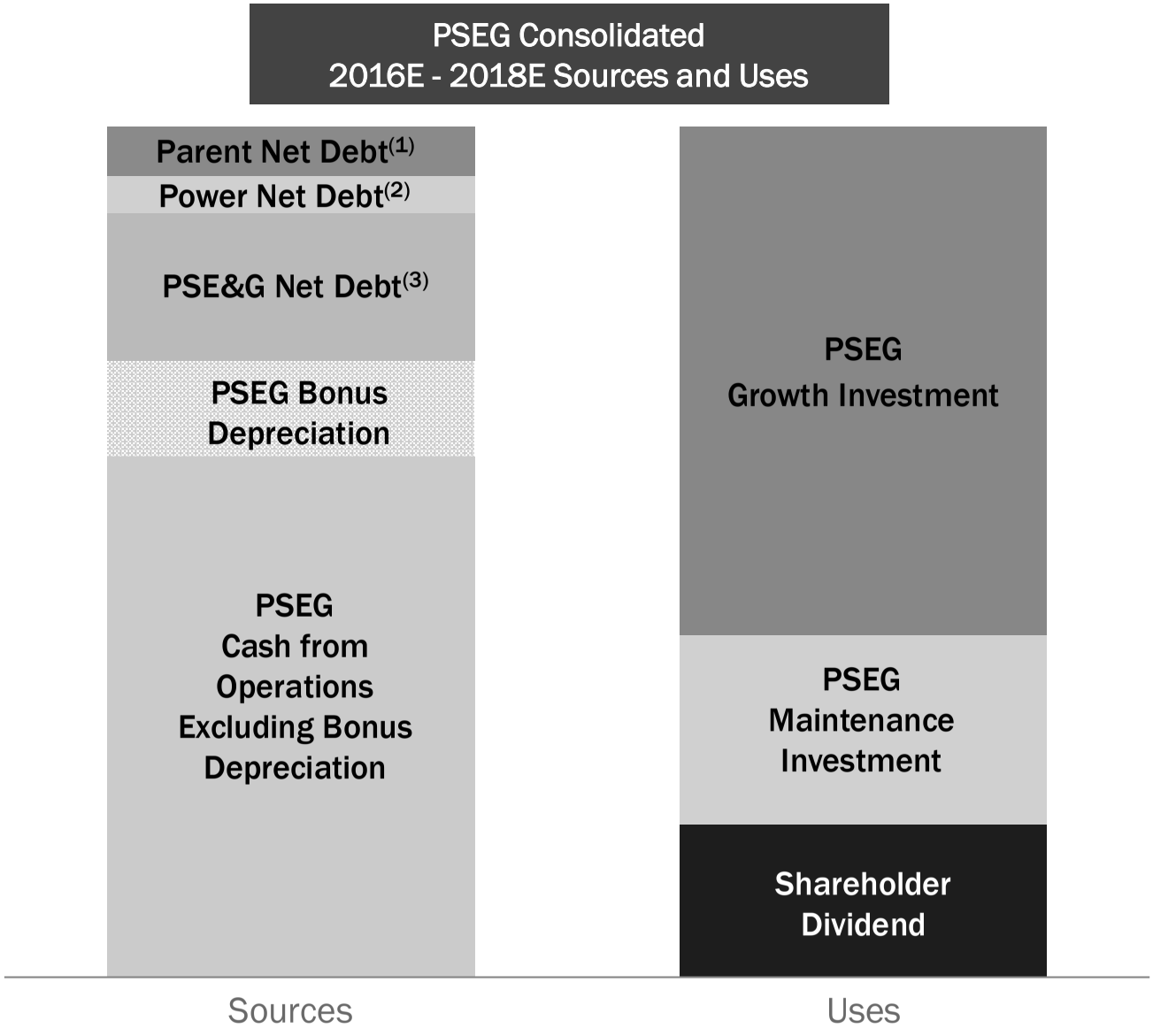
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-03082

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-03083

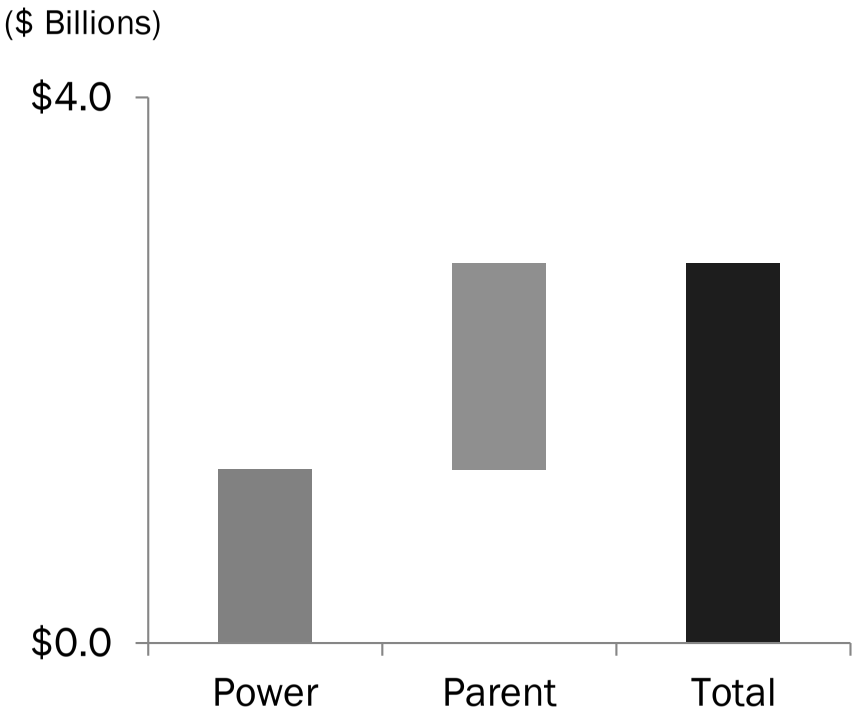
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

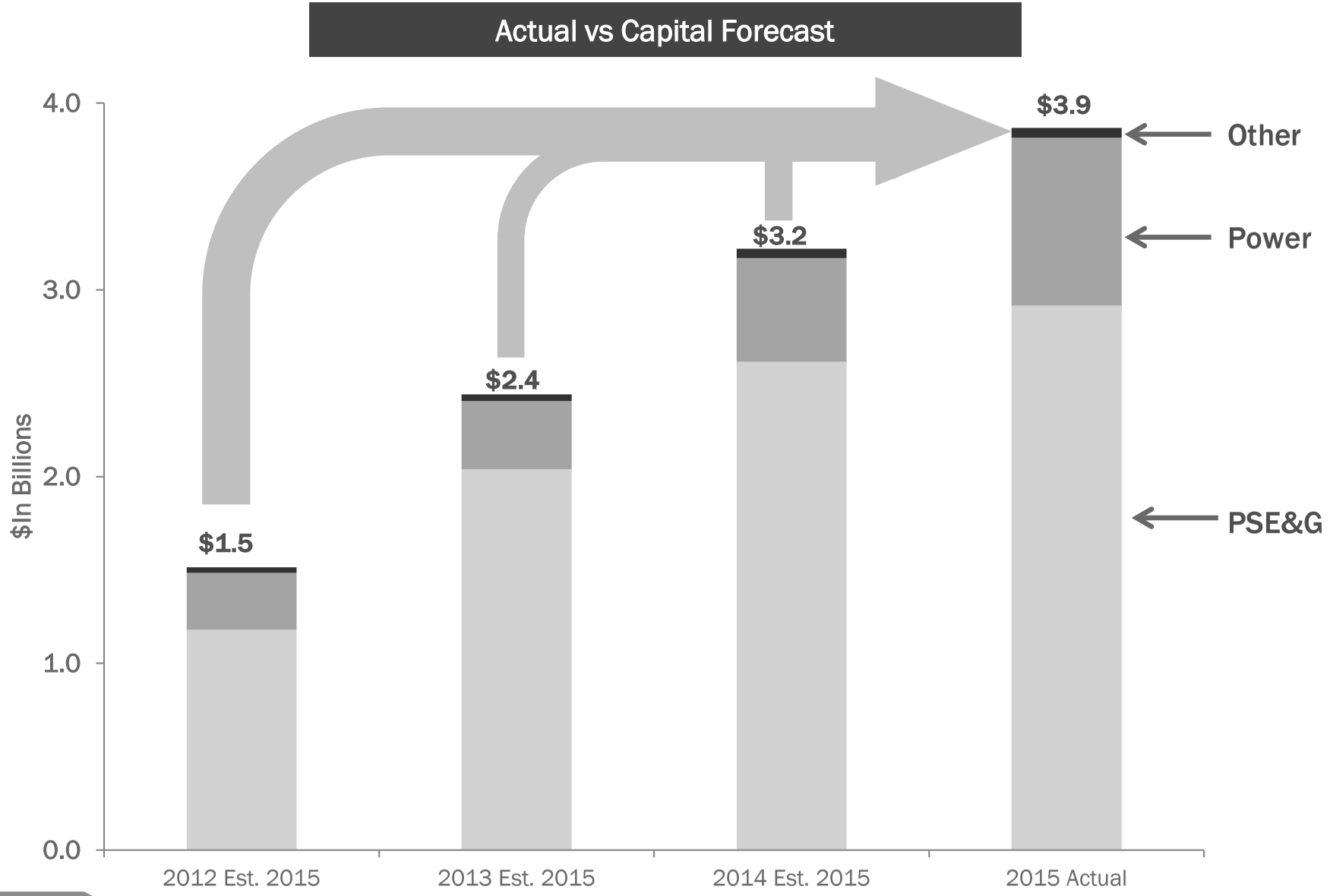
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

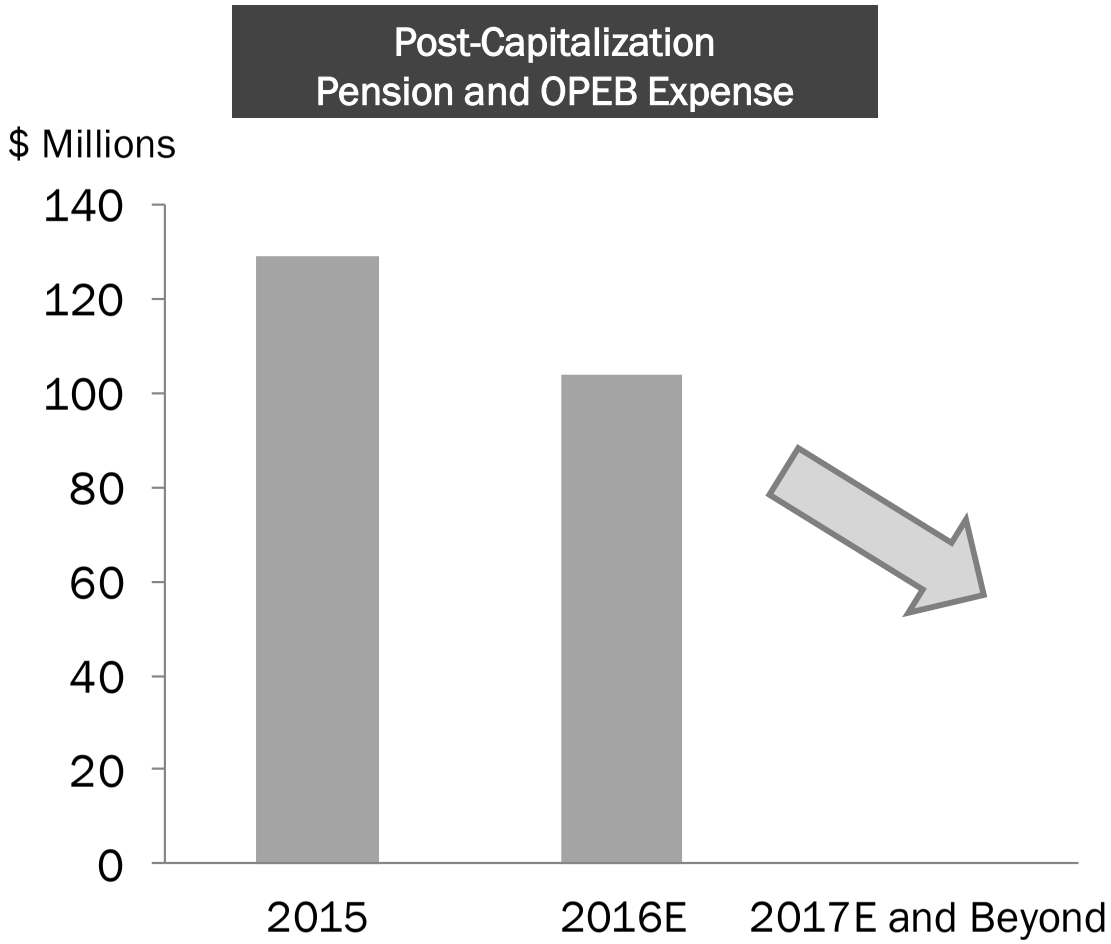
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-03085

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

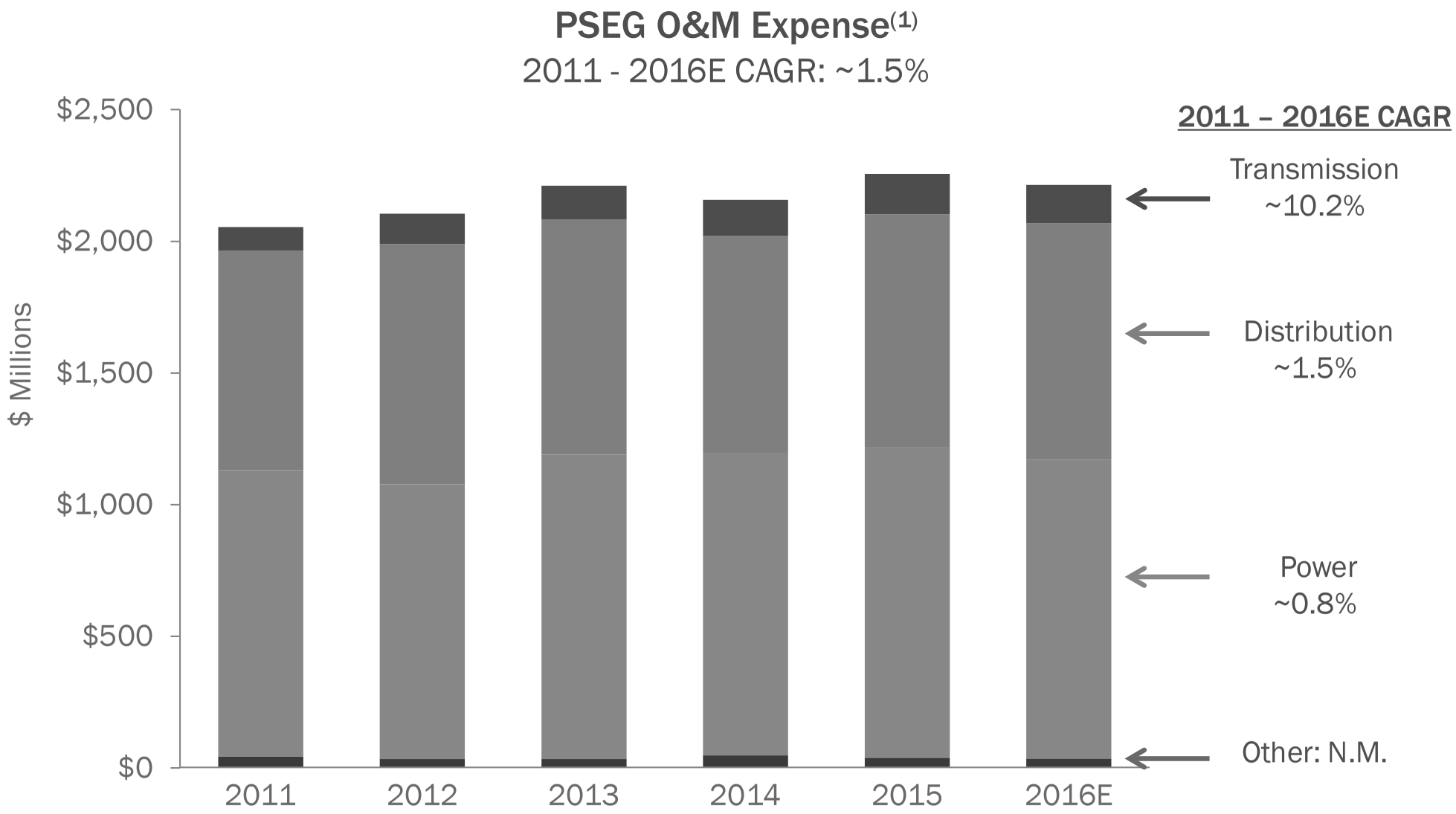


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-03086

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

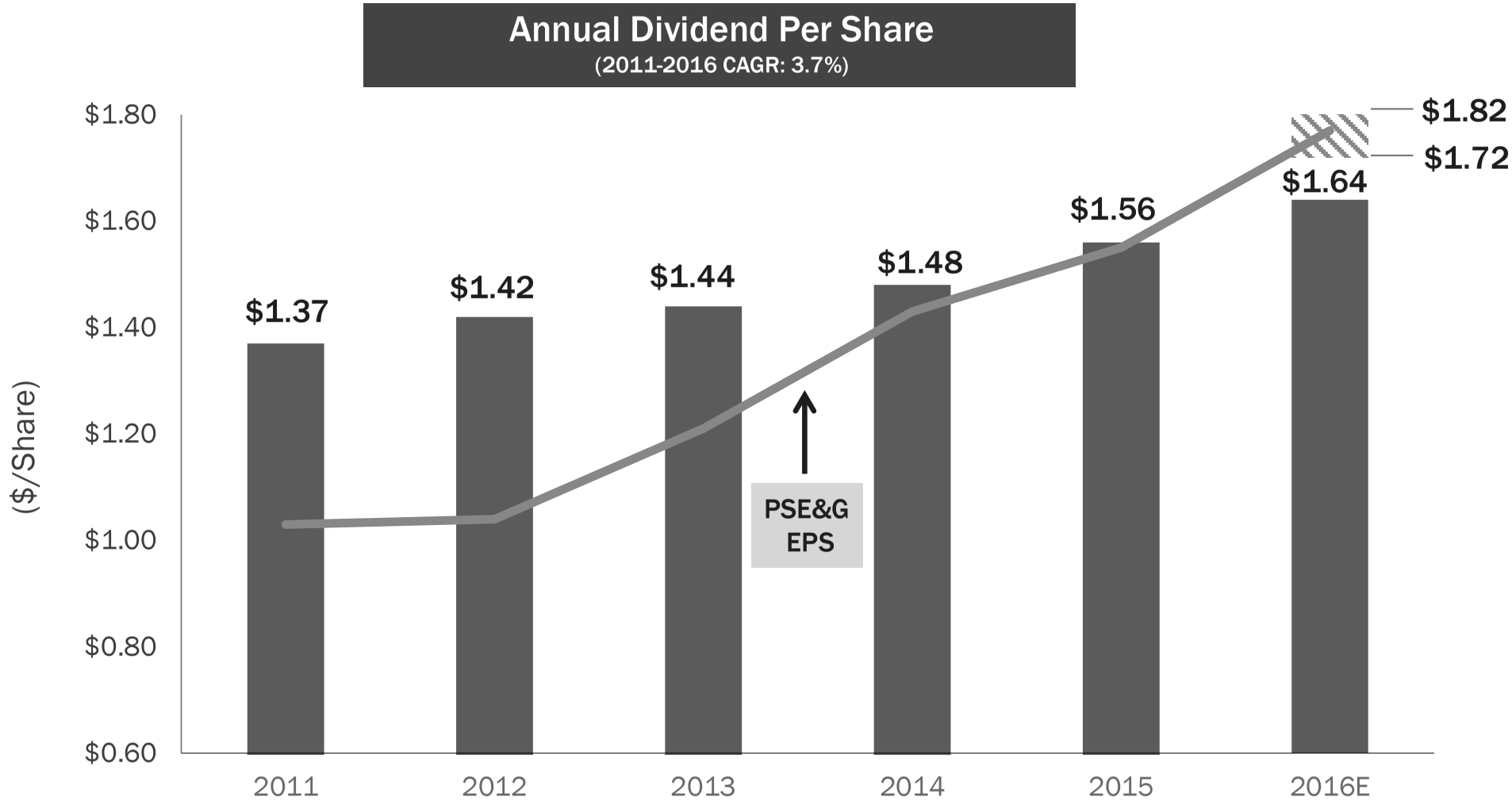


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

SI-SSA-0015-03087

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-03088

PSEG

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-03089

PSEG Summary

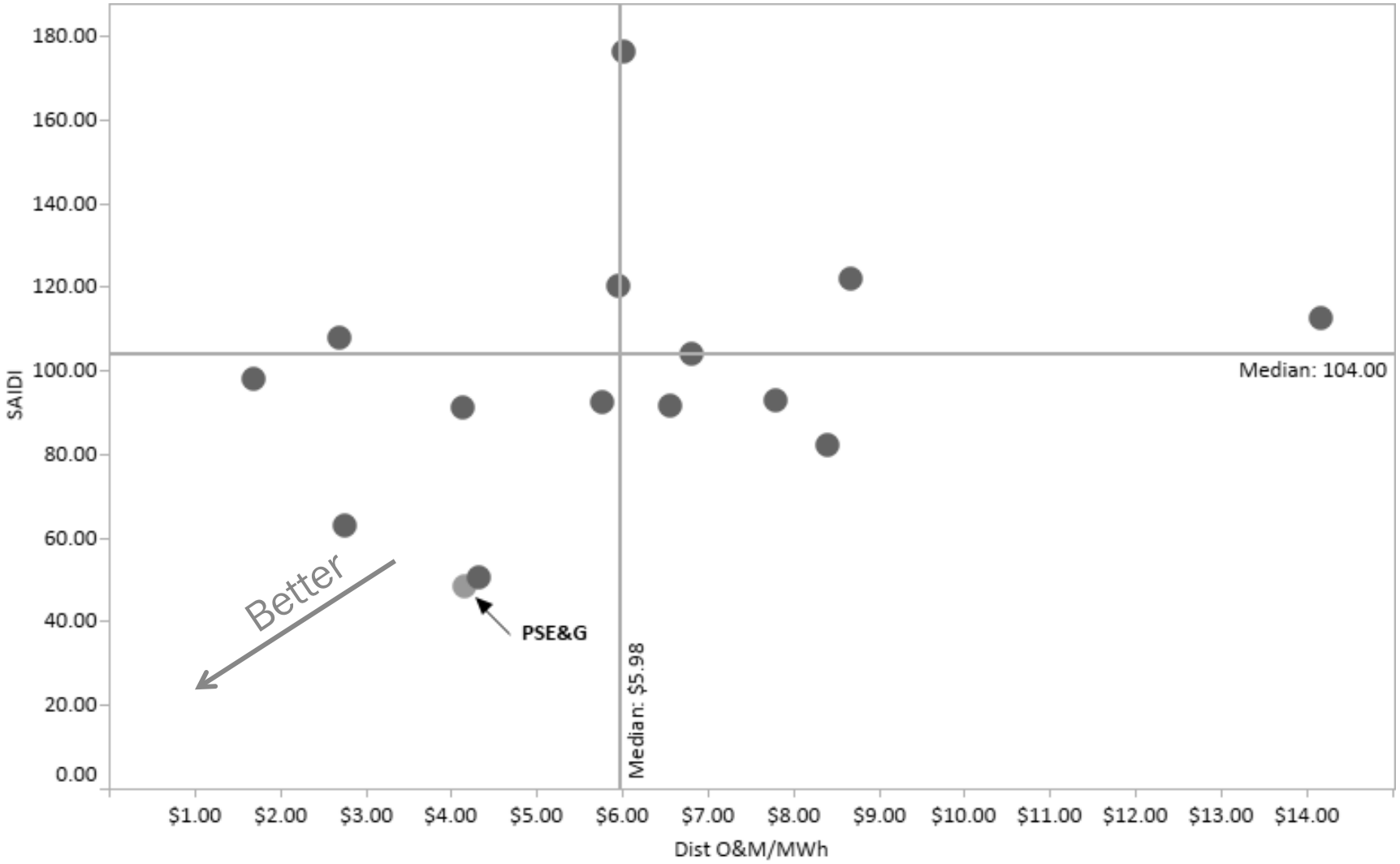
- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-03090

PSE&G APPENDIX

SI-SSA-0015-03091

PSE&G provides high reliability at below average cost which creates superior value for customers

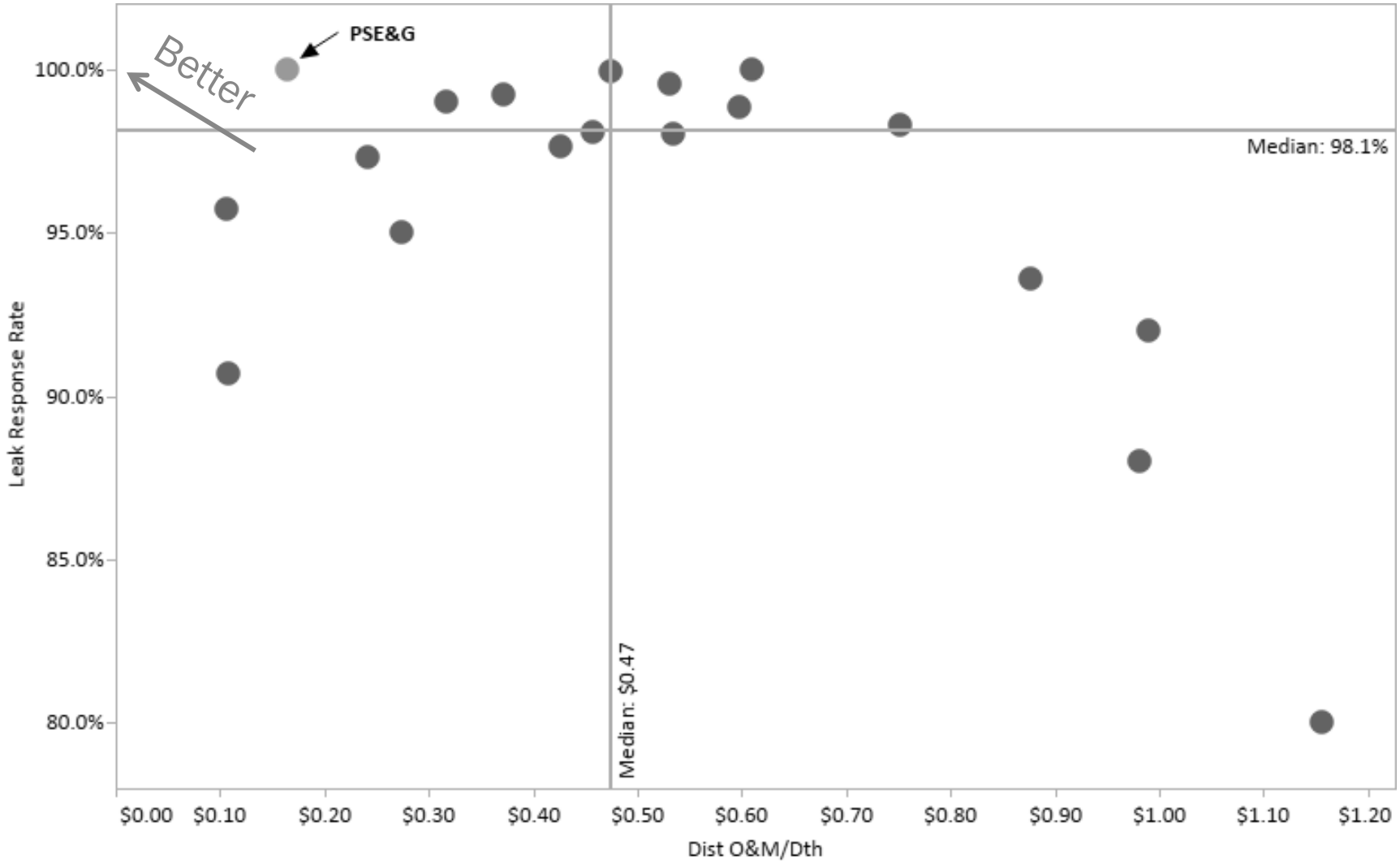


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-03092

PSE&G prioritizes public safety

while maintaining value for customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-03093

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-03094

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

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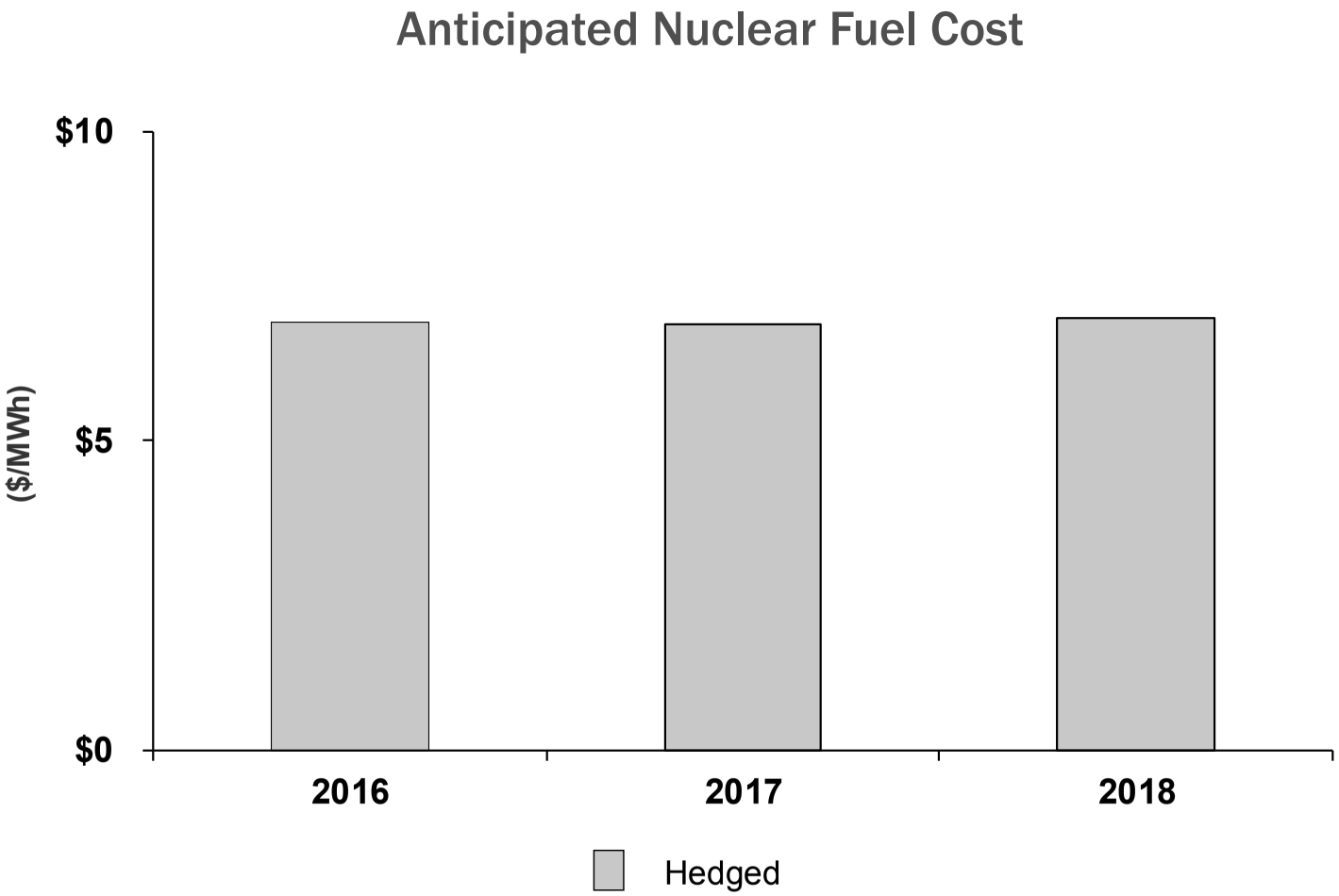
Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-03097

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03098

PSEG Financial Highlights

Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*
- ✓ PSEG Power: Salem Q2 refueling outage extended; testing of baffle bolts in reactor vessel complete, repair underway

Infrastructure spend

- ✓ PSE&G
  - Capital spending on T&D for 2016 expected to be $3 billion
  - Recently filed with NJBPU to extend the Solar 4 All program with an additional $275 million investment to develop 100 MW_{dc} of grid-connected, utility scale solar capacity
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

Financial position remains strong

- ✓ Strong operating cash flow at both businesses support dividend growth and fund capital spending program without the need to issue equity
- ✓ PSEG debt as a percentage of capitalization was 44% at March 31

Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Change in earnings mix supports opportunity for dividend growth

SI-SSA-0015-03099

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

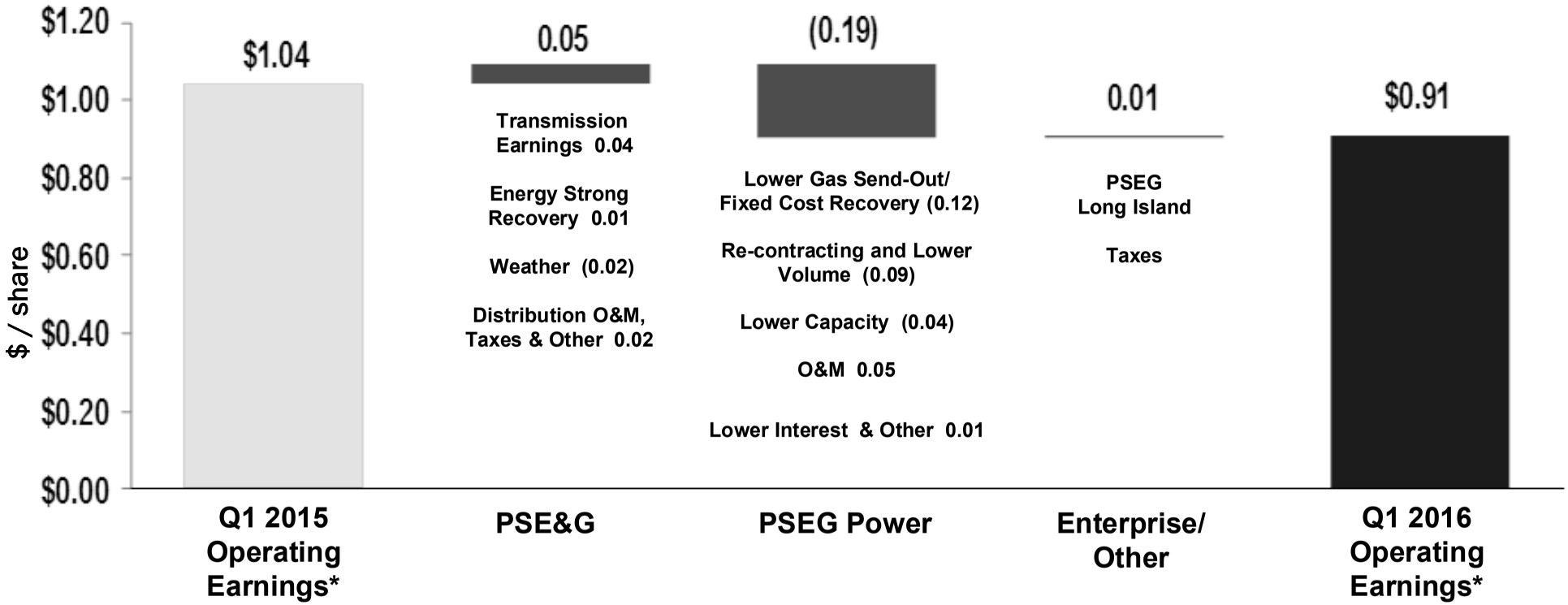
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 262	$ 242	$ 0.52	$ 0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$ 463	$ 529	$ 0.91	$ 1.04

SI-SSA-0015-03100

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.6	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	10.3	7.5	2.3
Common Equity	13.3	7.8	6.2
Total Capitalization	**$23.6**	**$15.3**	**$8.5**
Total Debt / Capitalization	**44%**	**49%**	**27%**

PSE&G Regulated Equity Ratio[1] 50.8%

SI-SSA-0015-03102

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of March 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$629 (A)	$14	$615
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$202	$1,398
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$9	$991
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$524 (C)	$12	$512
	Total Money Pool		$3,624	$233	$3,391
	Total		$4,253	$247	$4,006

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

PSEG Money Pool ST Investment	$0
PSE&G ST Investment	$521
Total Liquidity Available	**$4,527**

SI-SSA-0015-03103

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 03/31/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 156
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$839**

SI-SSA-0015-03104

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236	$ 1,389
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	$ 1,679	$ 1,518	$ 1,243	$ 1,275	$ 1,407
Discontinued Operations	-	-	-	-	96
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275	$ 1,503
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507	507
Per Share Impact (Diluted)					
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44	$ 2.74
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	$ 3.30	$ 2.99	$ 2.45	$ 2.51	$ 2.77
Discontinued Operations	-	-	-	-	0.19
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51	$ 2.96

[a]Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

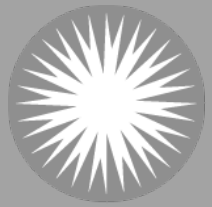
Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	**$ 463**	**$ 529**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	**$ 471**	**$ 586**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	**$ 0.91**	**$ 1.04**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[(a)] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	**$ 0.93**	**$ 1.15**	**$ 3.30**	**$ 2.99**

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

AGA – 2014 Financial Forum

MIAMI – MAY 18-20, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03107

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-03108

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03109

PSEG OVERVIEW

PSEG

We make things work for you.

SI-SSA-0015-03110

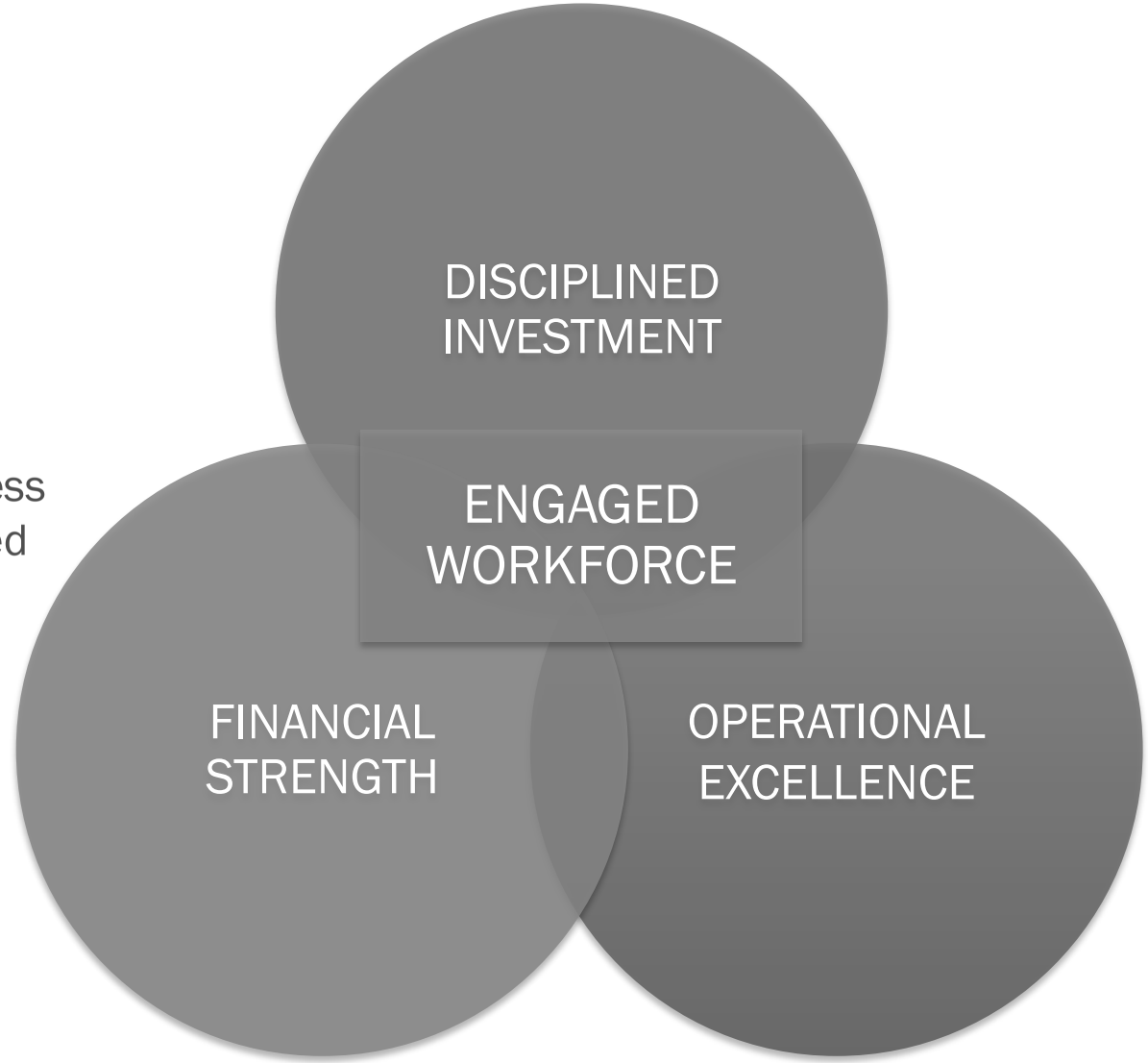
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $11.3 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-03112

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

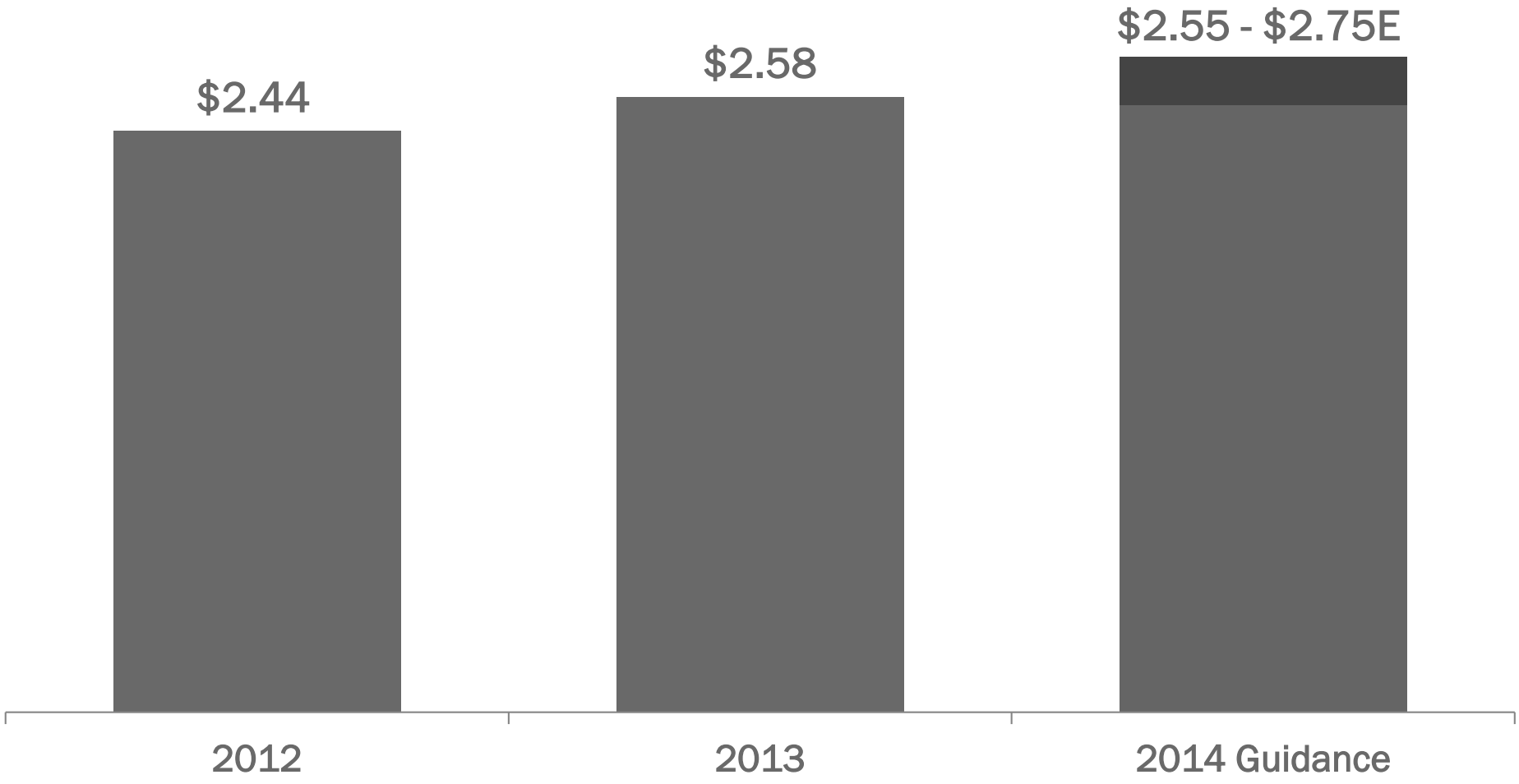
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong settlement ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-03113

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SI-SSA-0015-03114

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

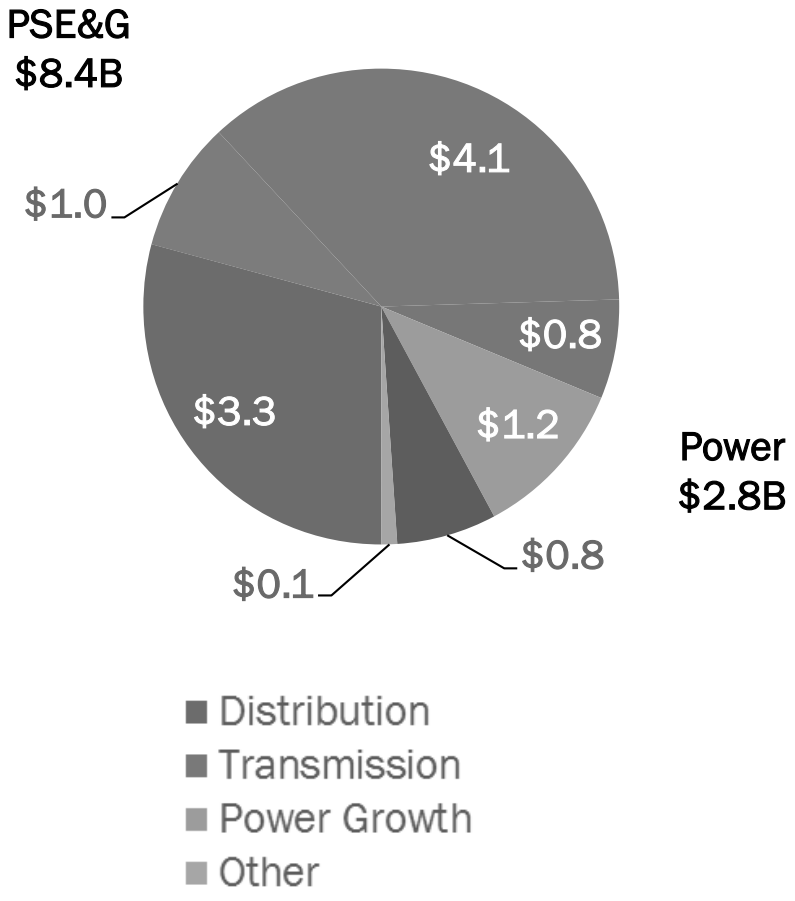
SI-SSA-0015-03115

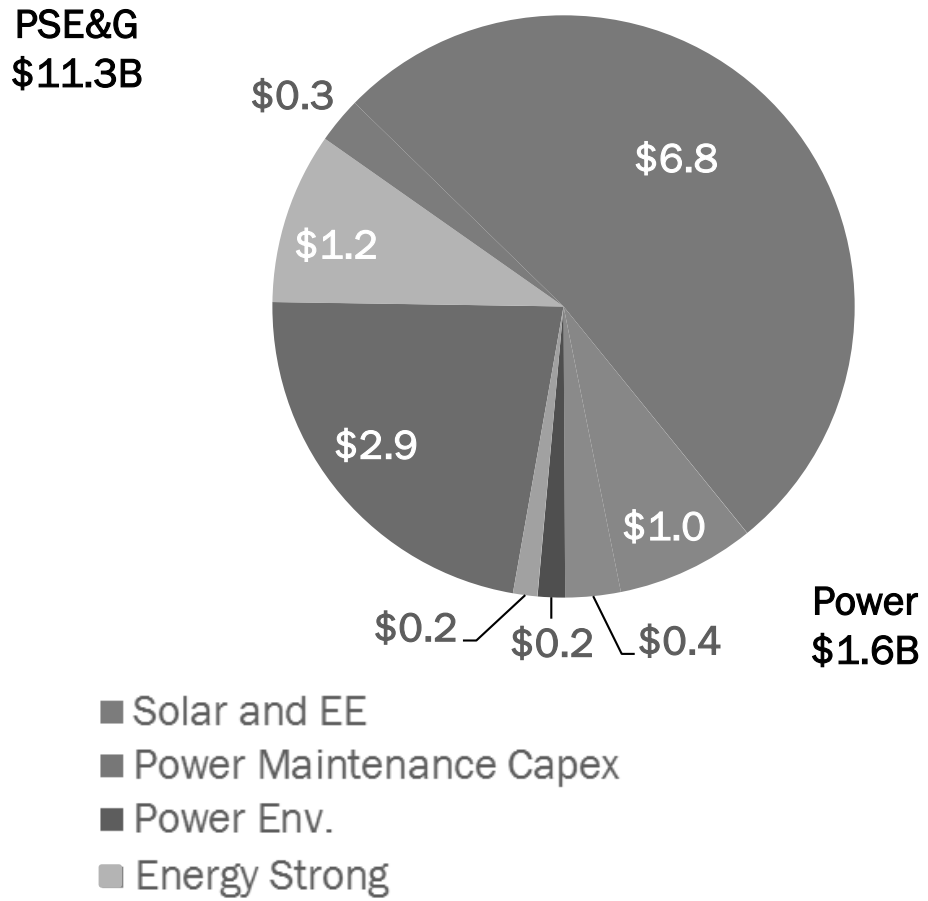
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

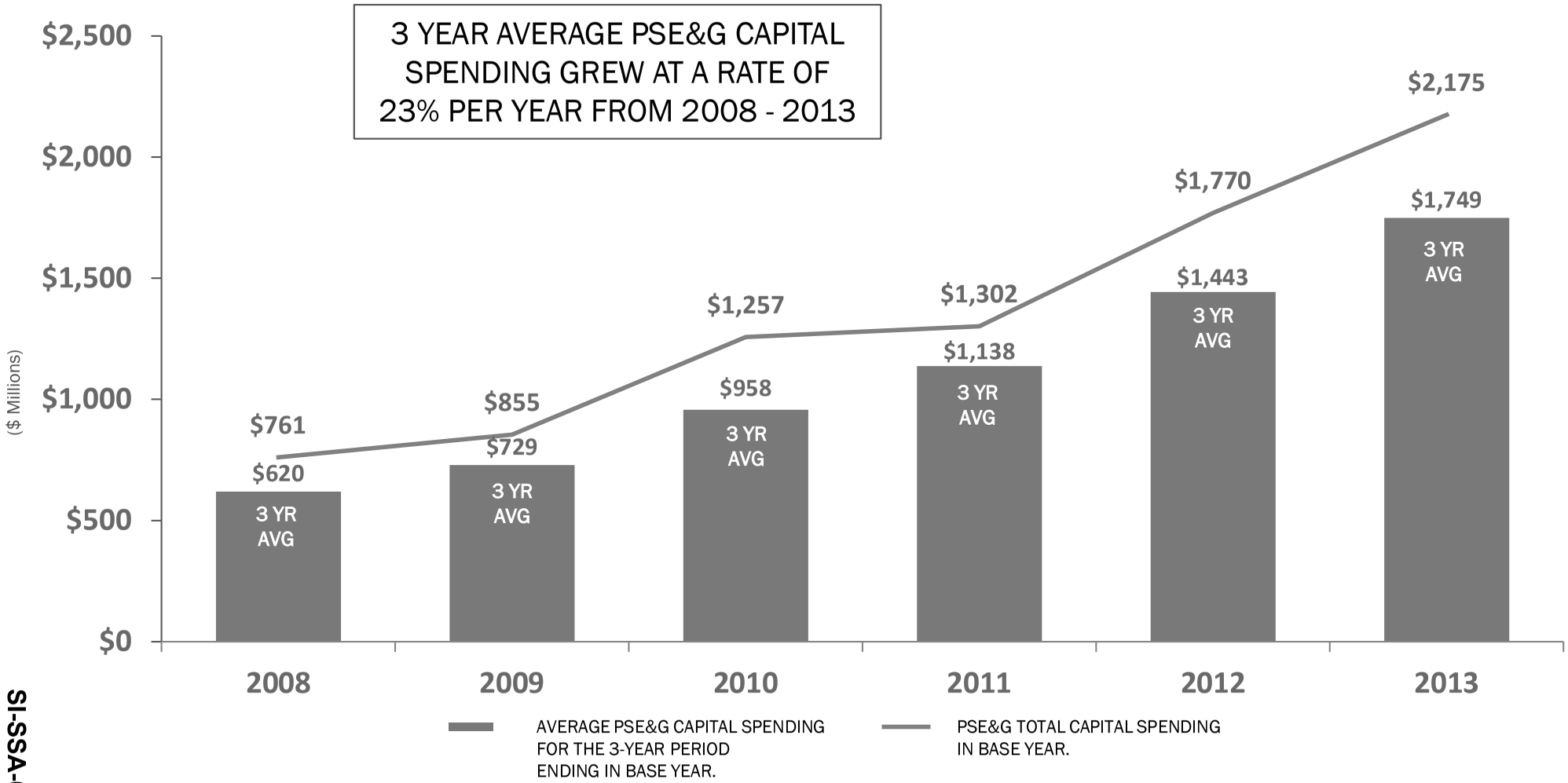




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-03116

PSEG's business profile has been transformed through significant growth in utility capital spending



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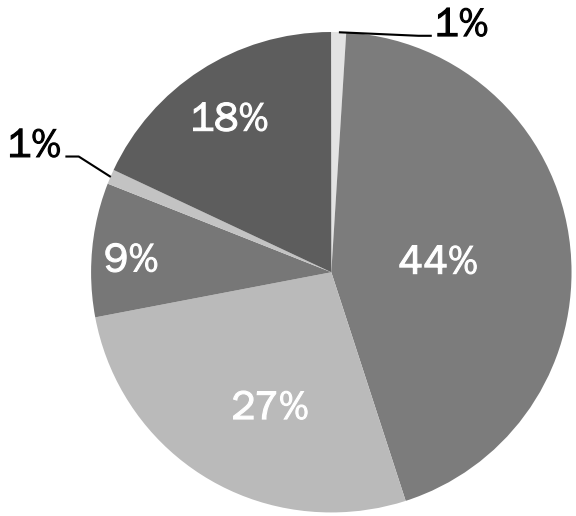
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered through mechanism
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Final NJBPU approval anticipated
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to pursue the initial phase of this robust capital program

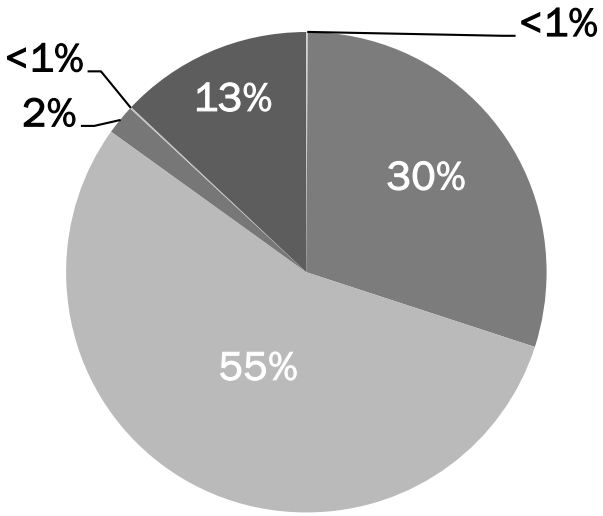
SI-SSA-0015-03118

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

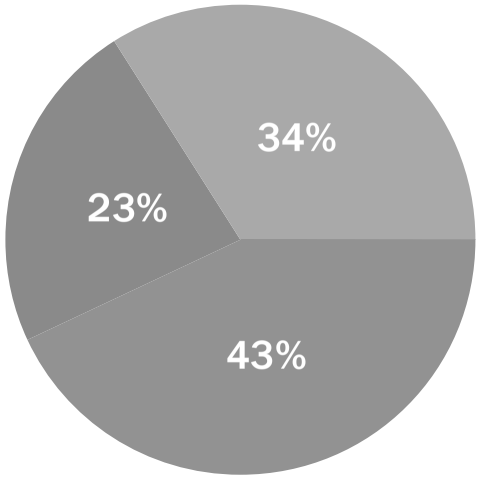
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

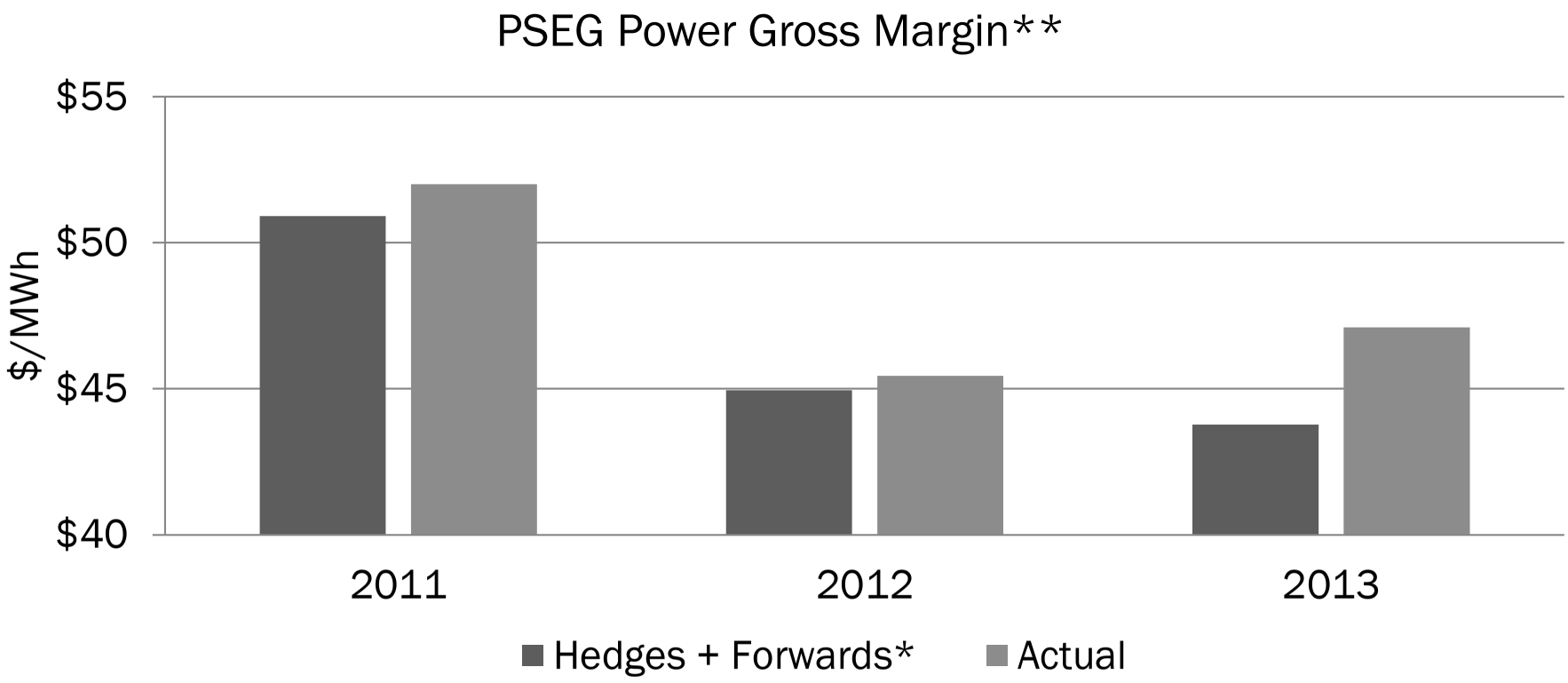


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-03119

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-03120

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-03121

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

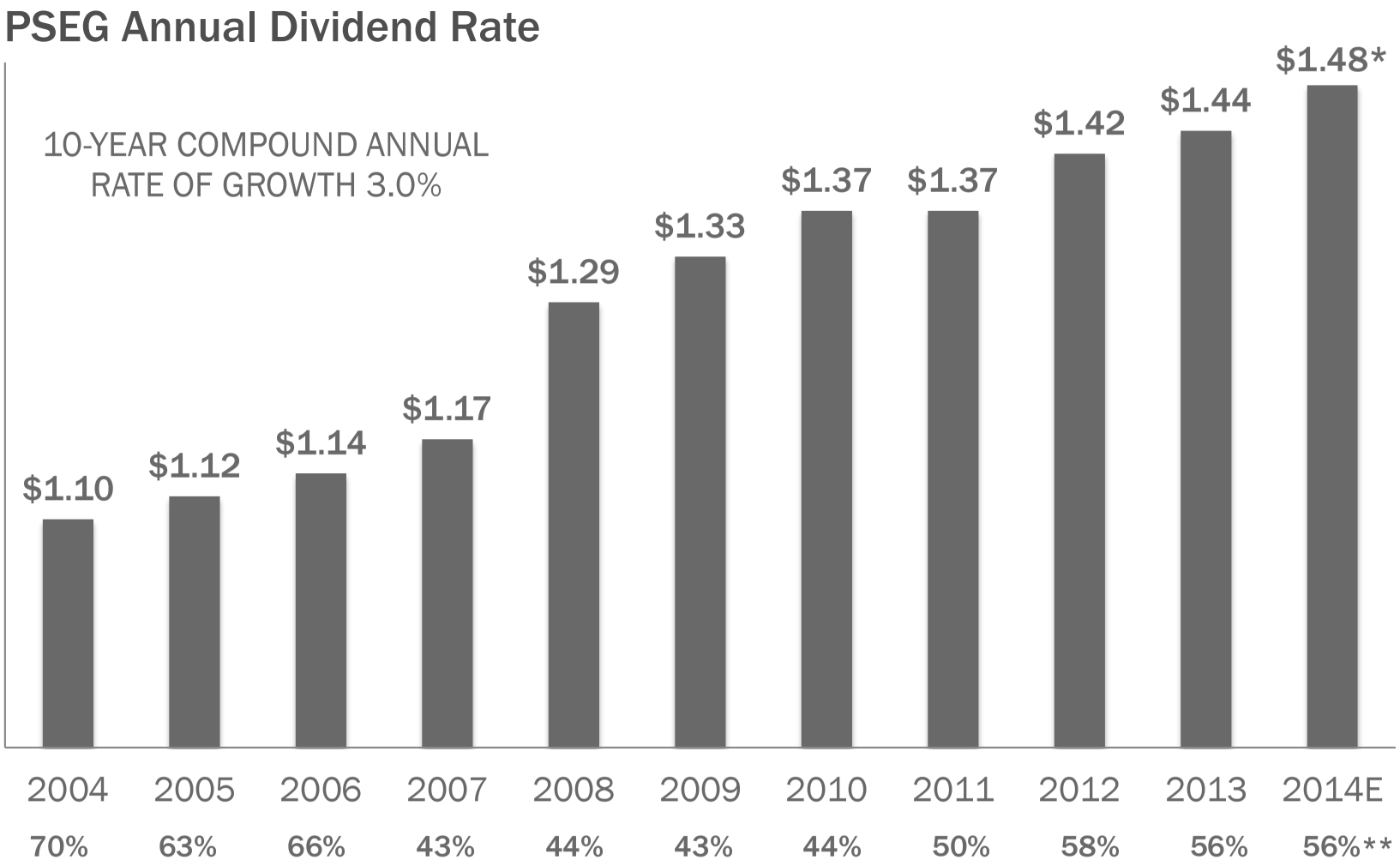
2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$44[6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.7%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $14,600
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $7,500
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 5/7/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-03122

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-03123

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018, awaiting final NJBPU approval

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-03124

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-03125

PSE&G

PSEG

We make things work for you.

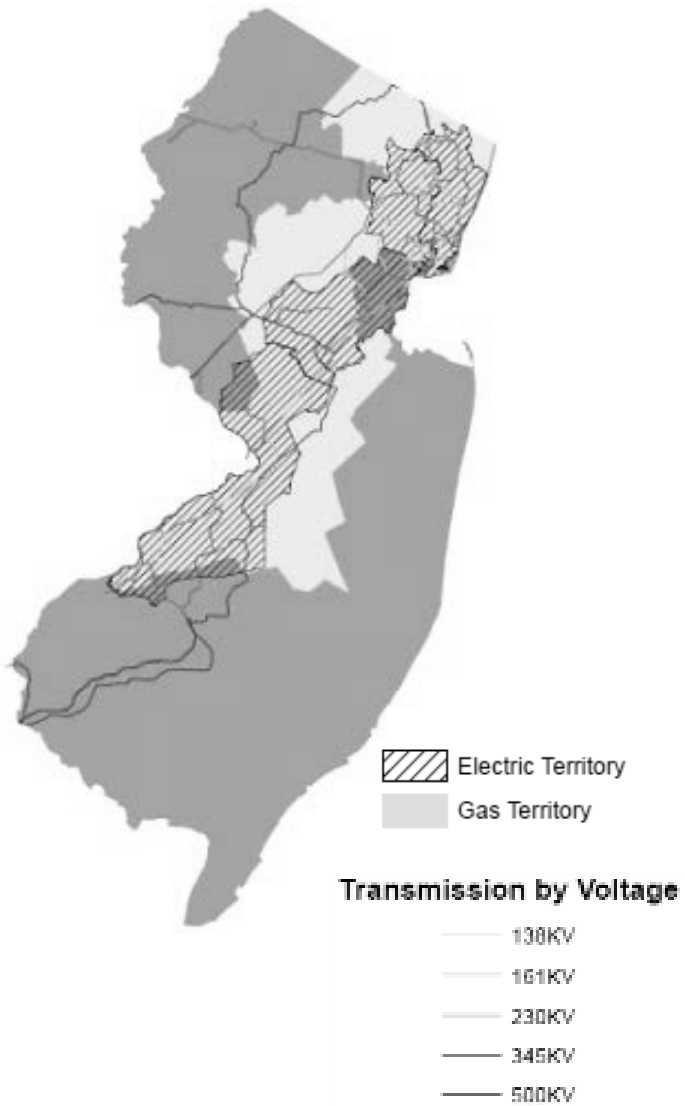
SI-SSA-0015-03126

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03127

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-03128

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-03129

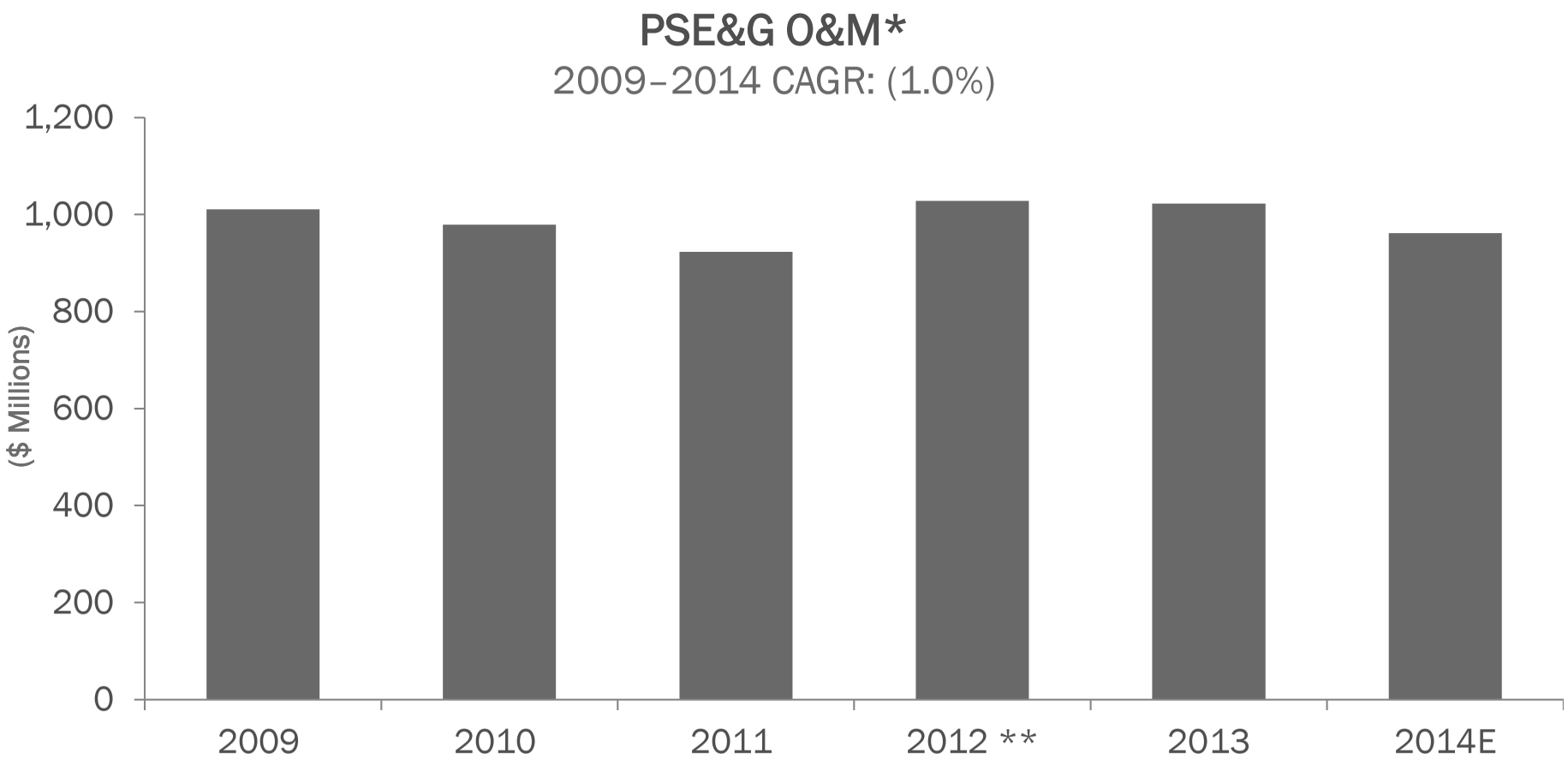
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-03130

Focus on controlling O&M and lower pension costs support decline in expenses



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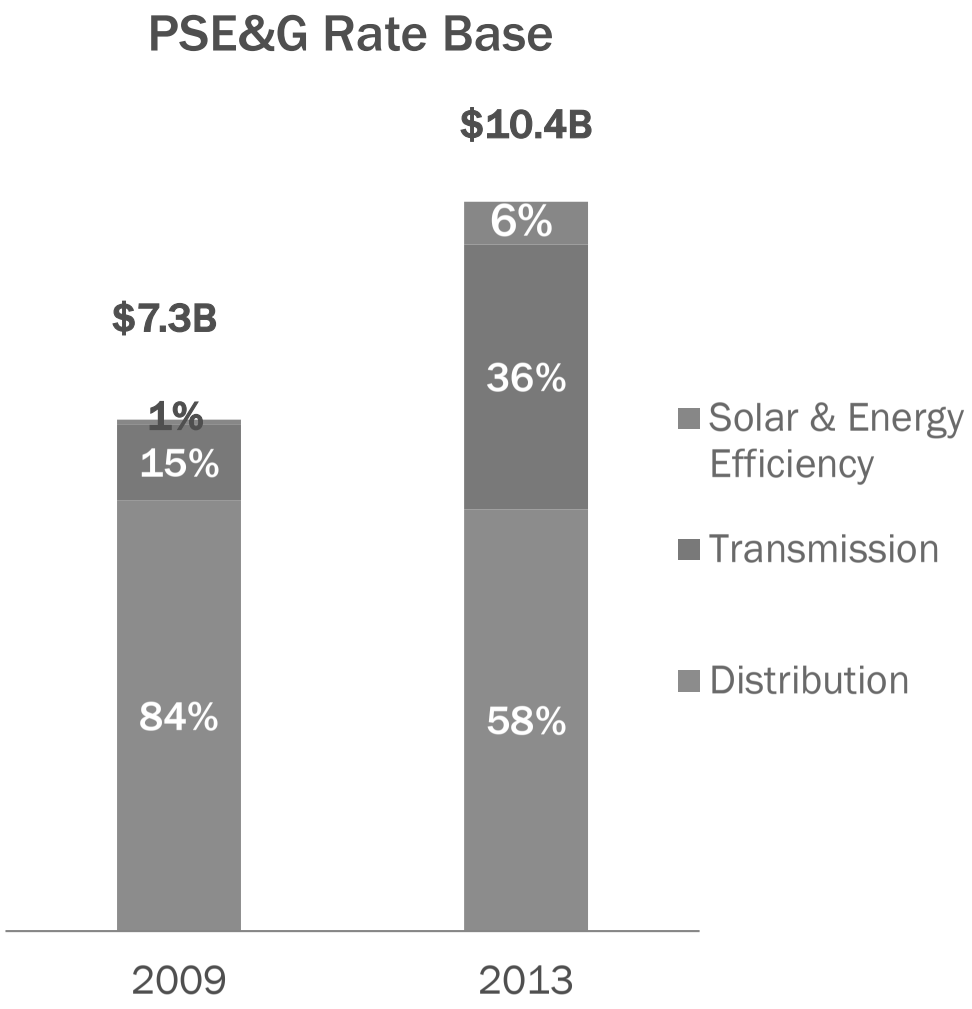
* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-03132

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

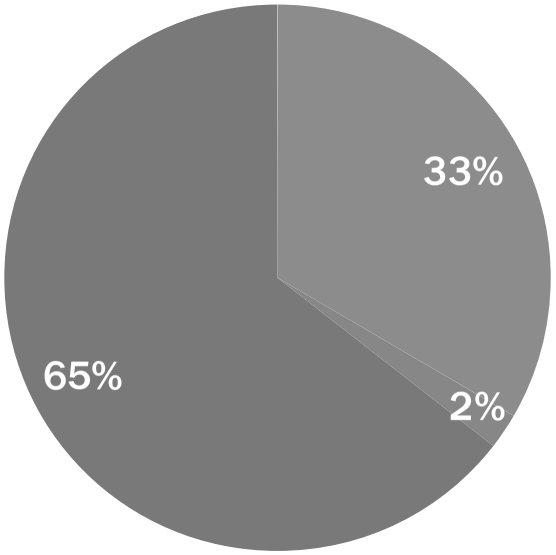
Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

SI-SSA-0015-03133

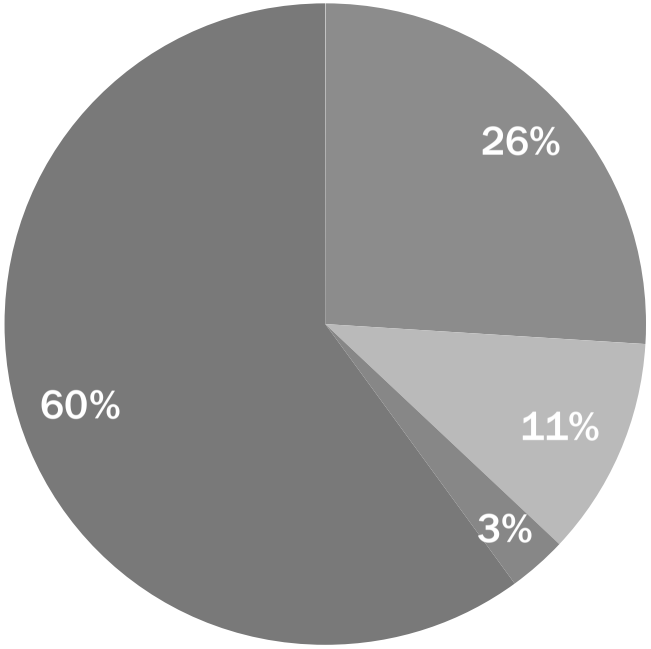
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

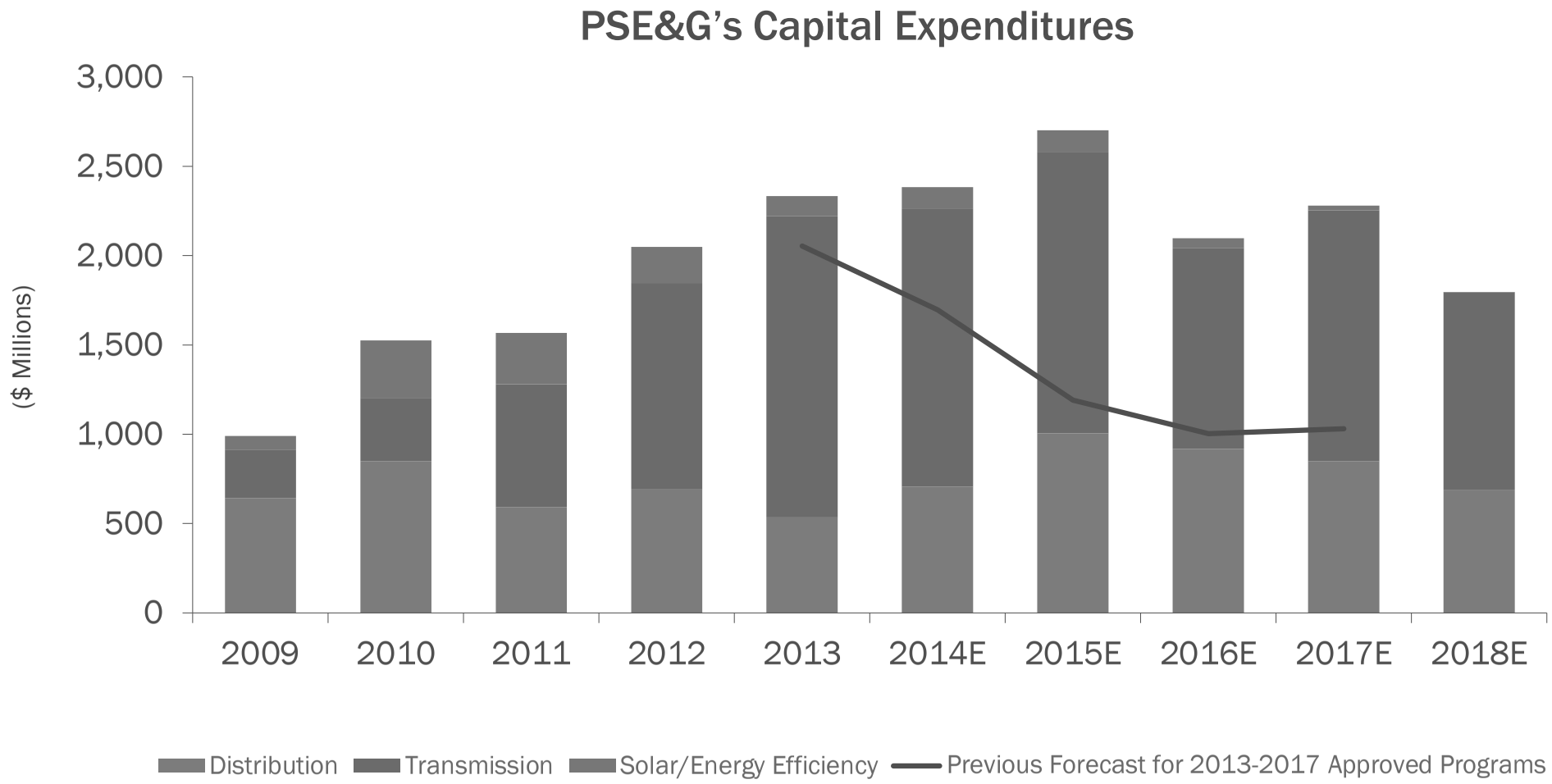


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-03134

PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-03135

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

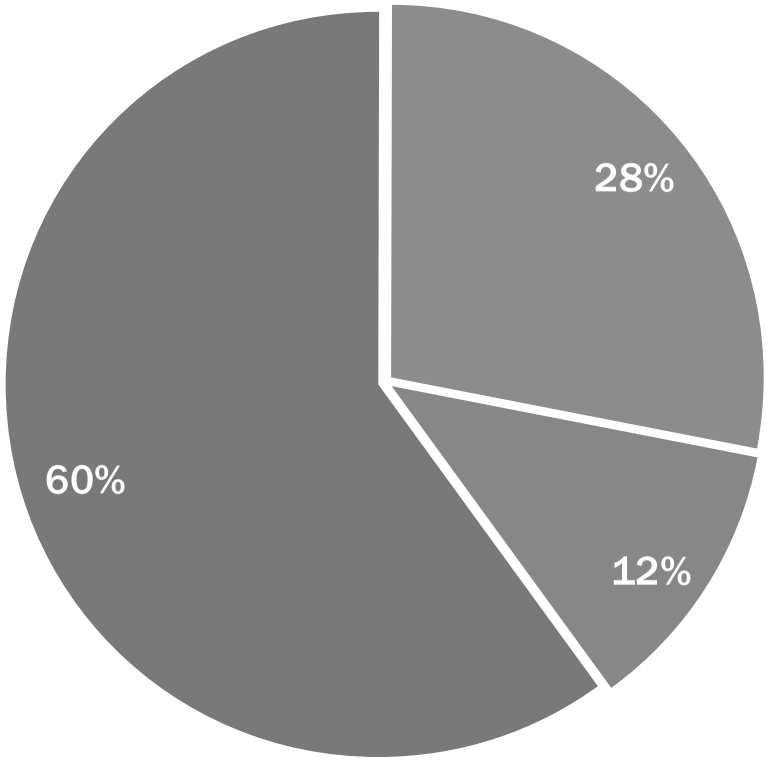
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-03136

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

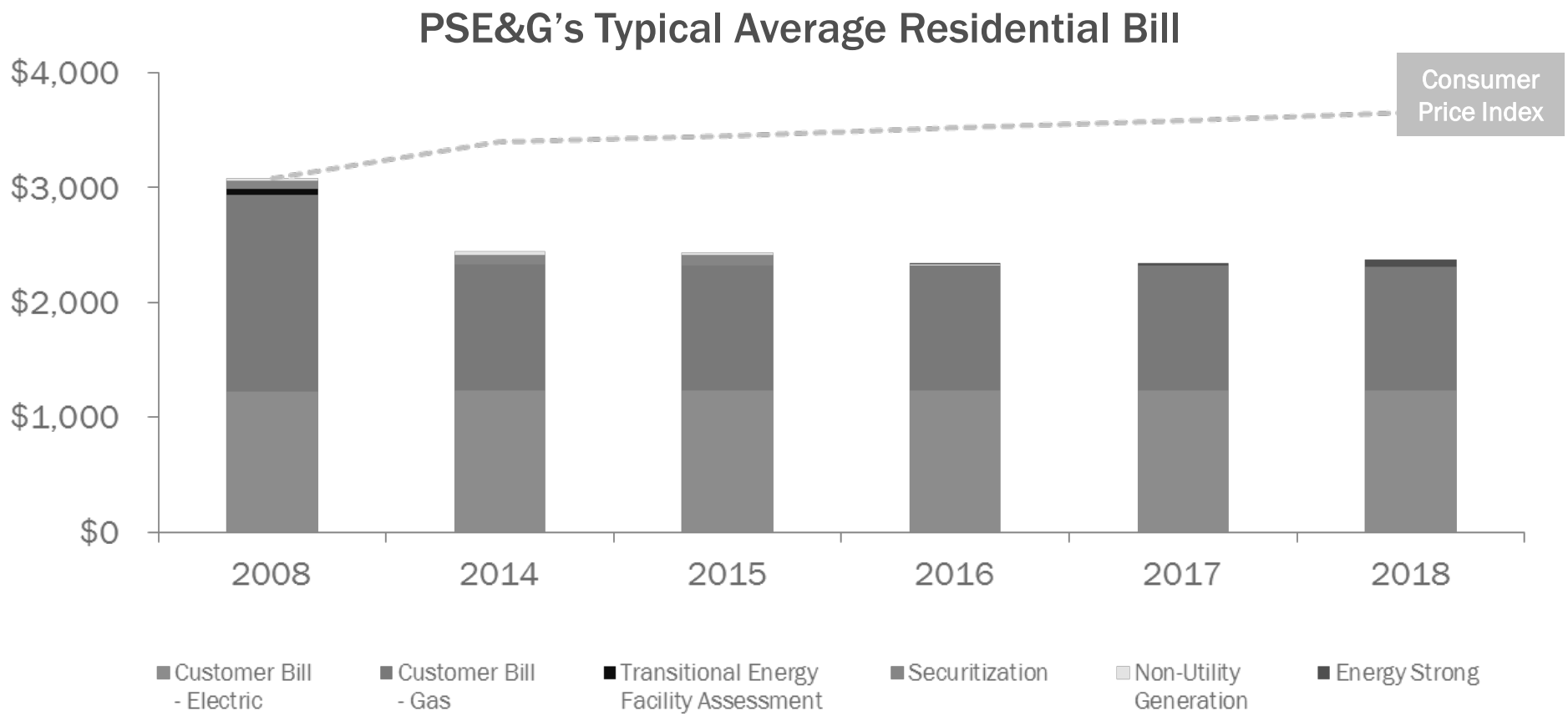
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-03137

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-03138

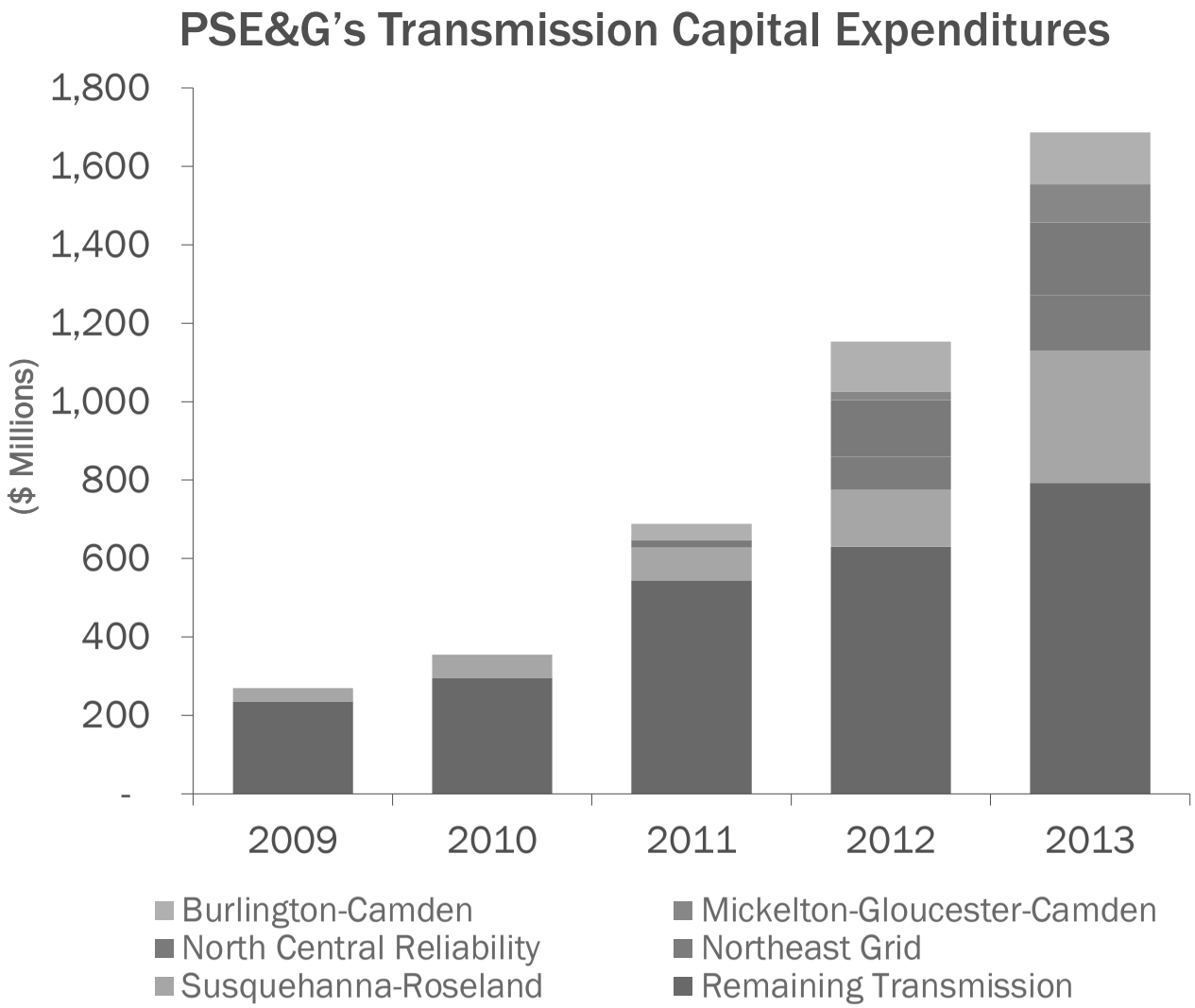
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-03139

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-03140

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-03141

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-03142

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-03143

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-03144

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-03145

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03146

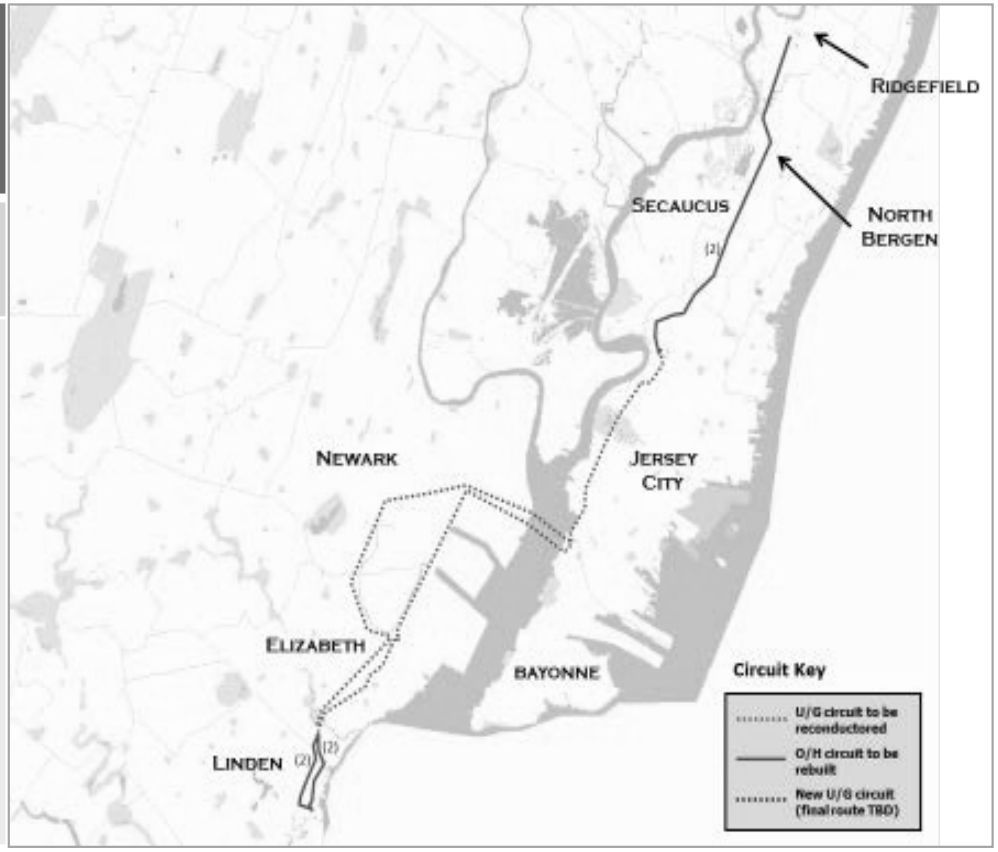
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

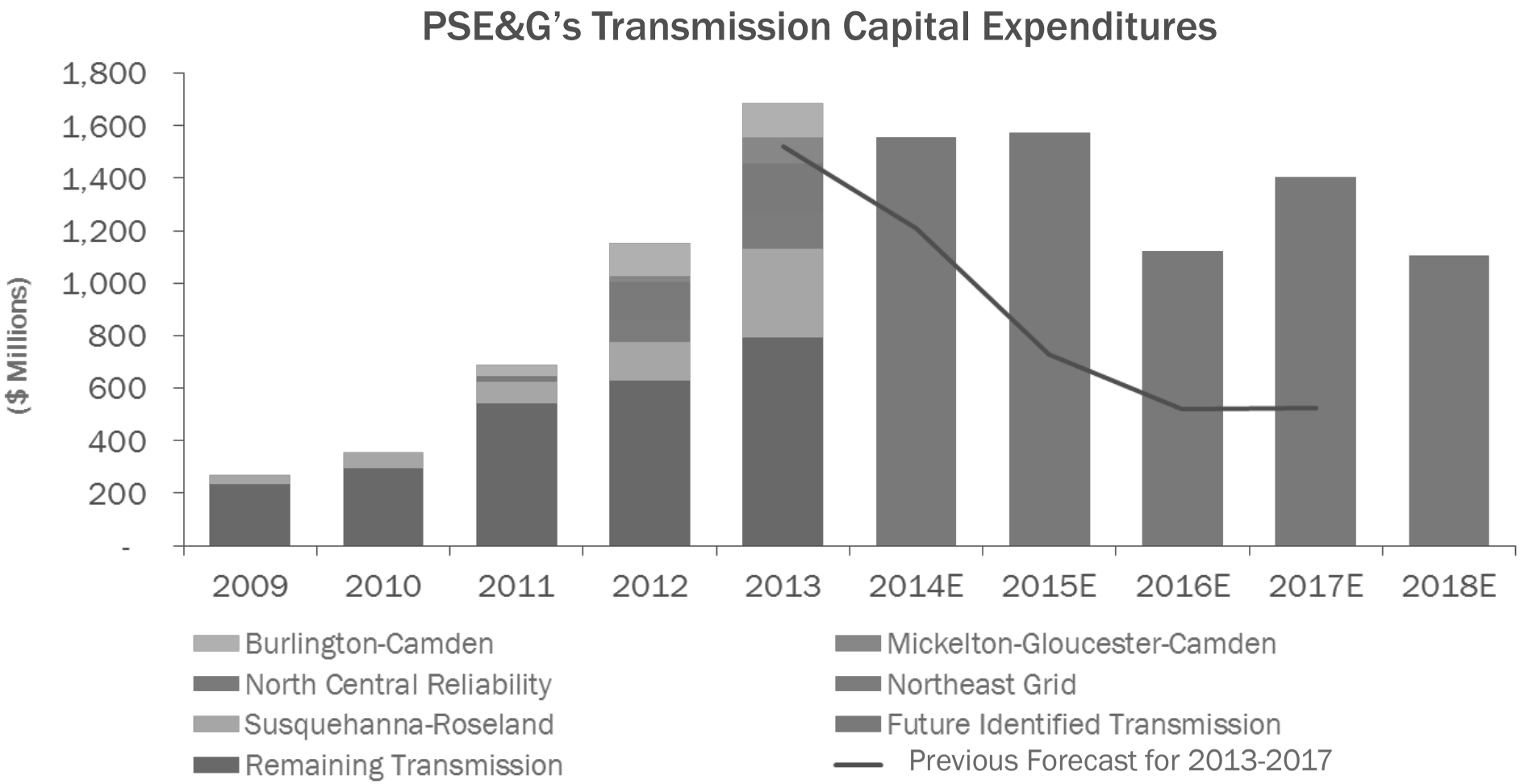
Project Status: Engineering



SI-SSA-0015-03147

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-03148

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-03149

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-03150

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-03151

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-03152

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-03153

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-03154

PSEG POWER

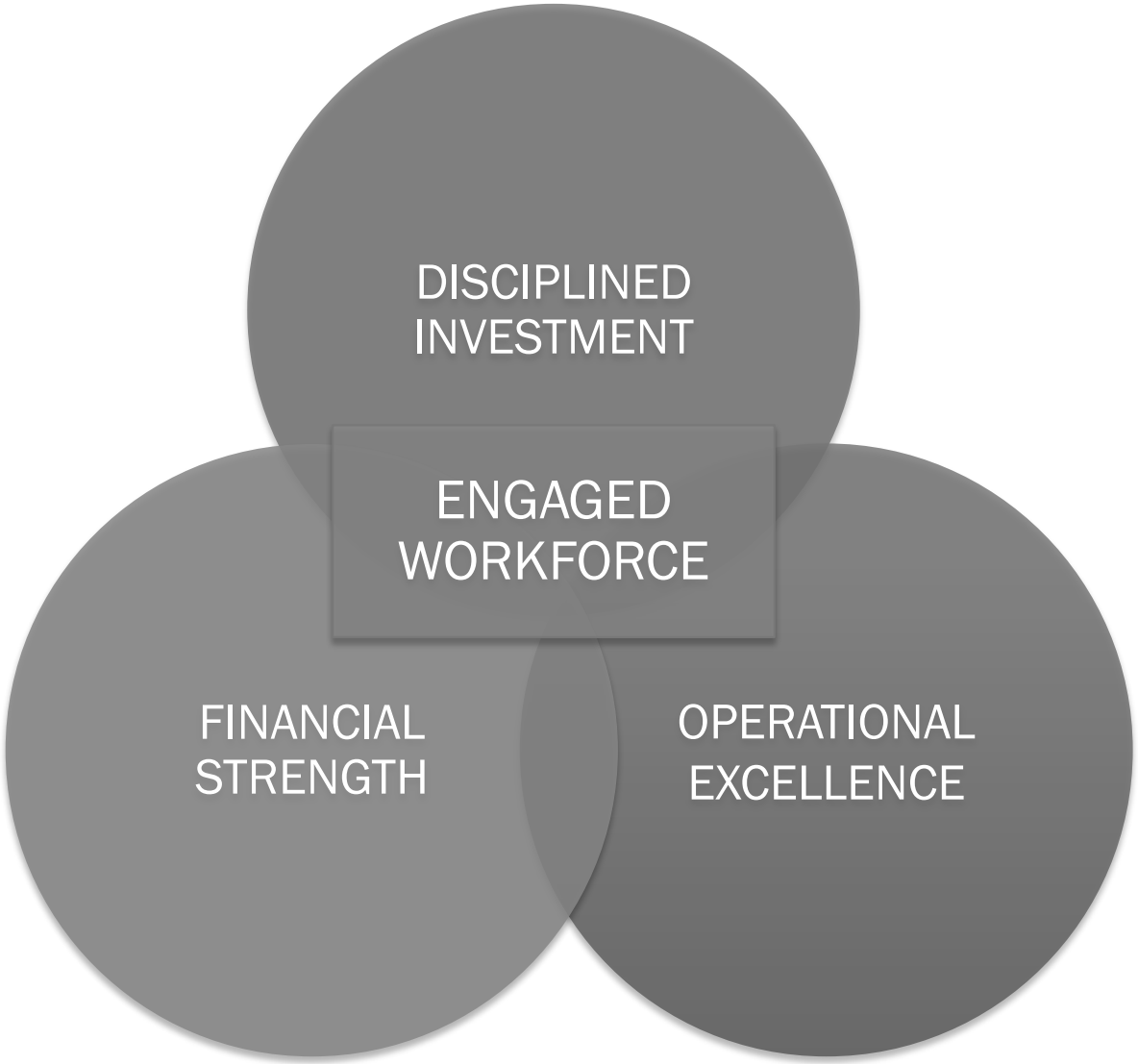
PSEG

We make things work for you.

SI-SSA-0015-03155

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-03156

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-03157

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-03158

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

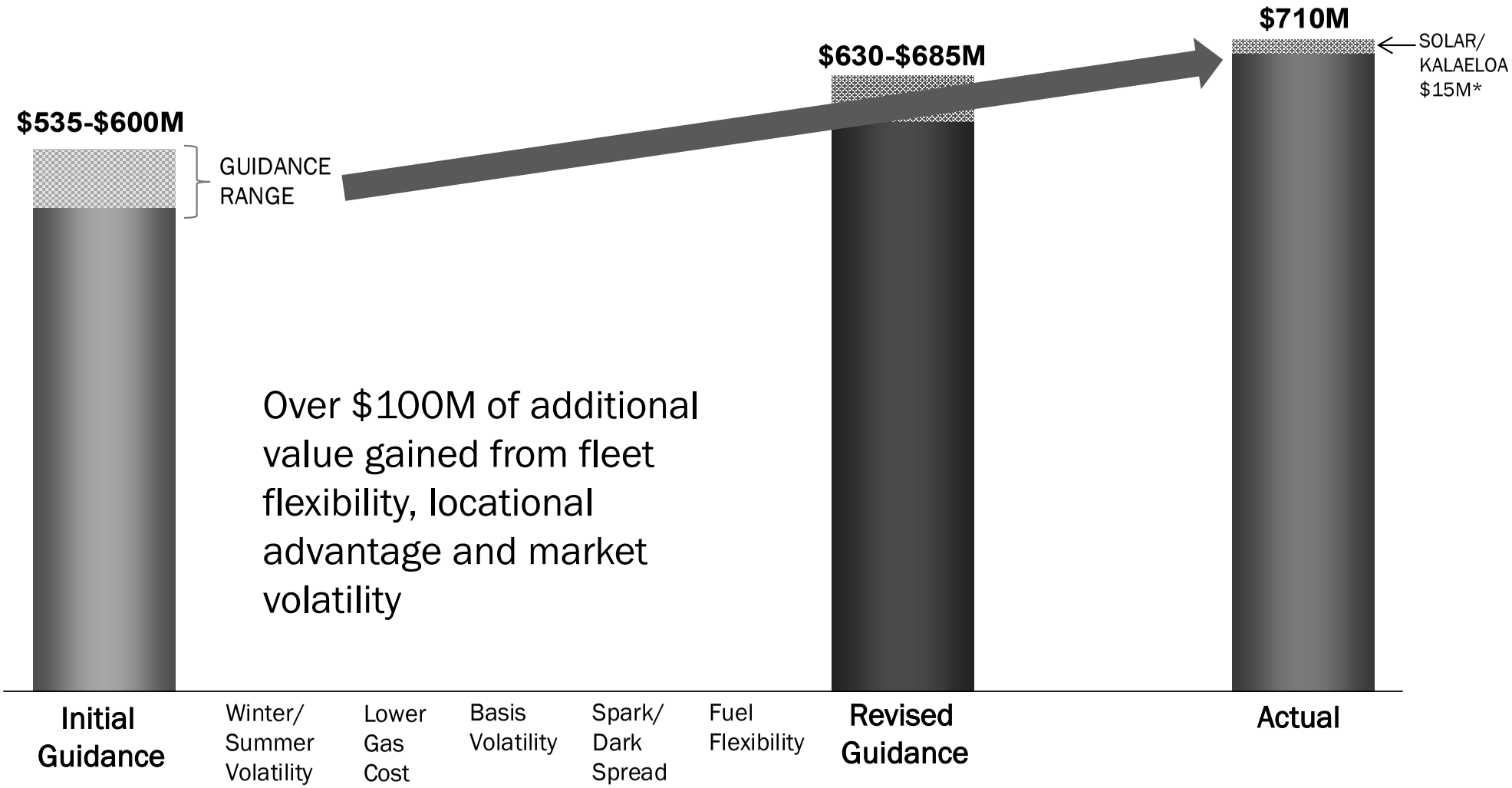
SI-SSA-0015-03159

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-03160

PSEG Power exceeded 2013's earnings guidance



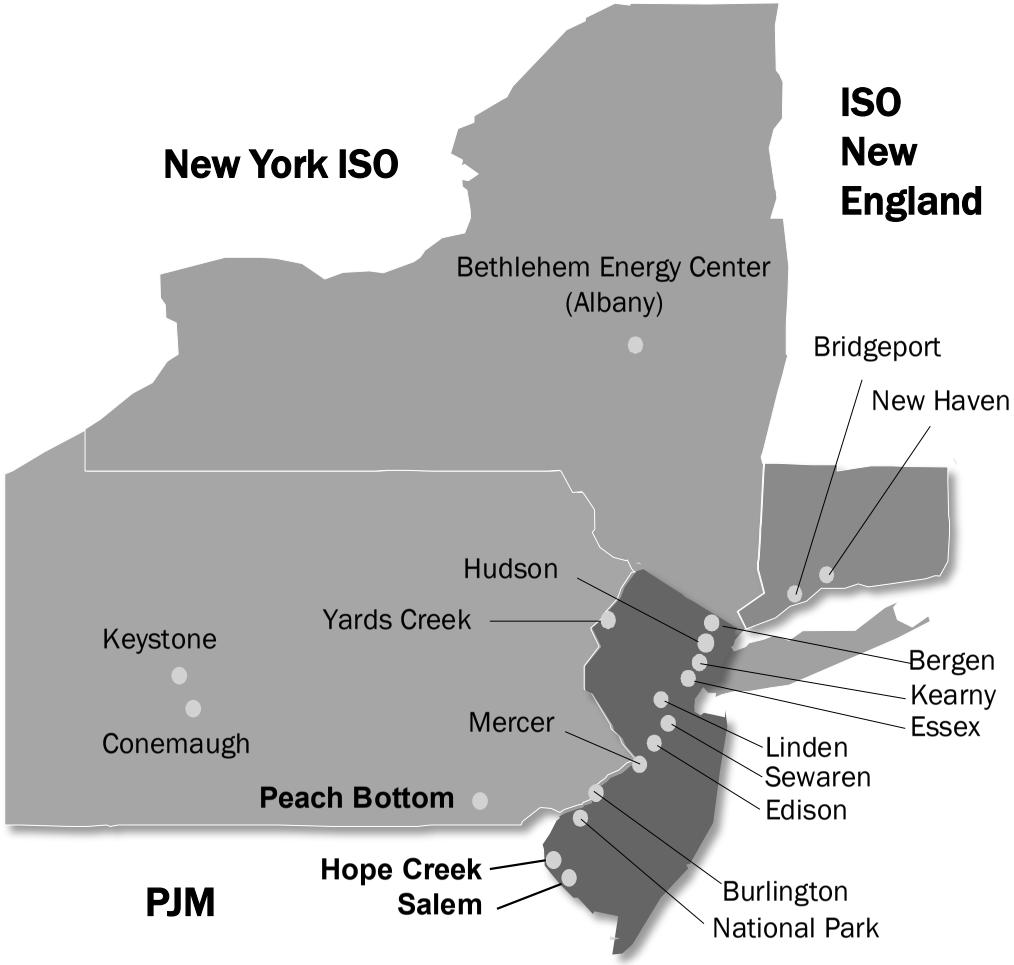
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-03161

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



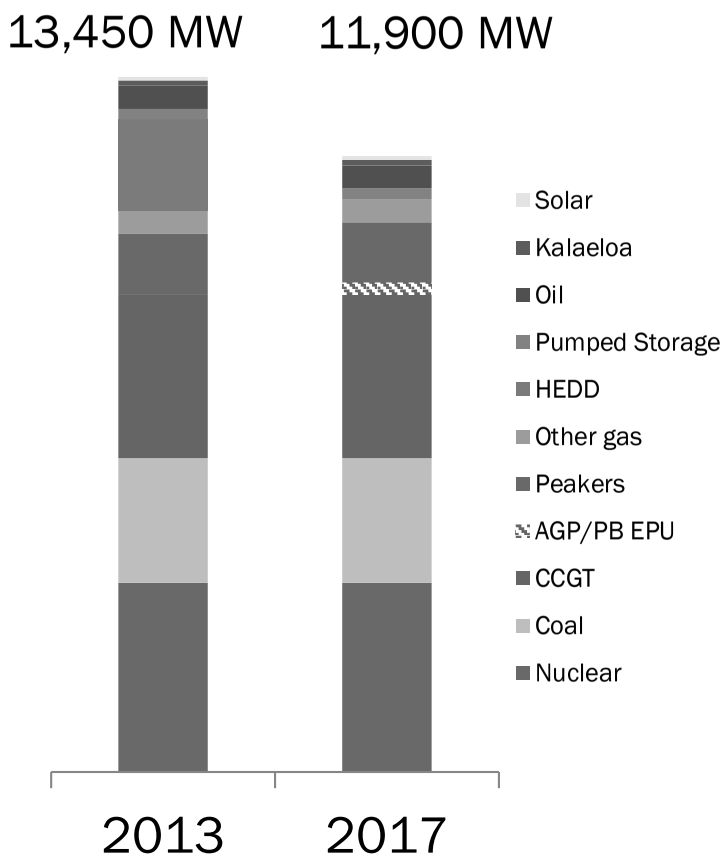
SI-SSA-0015-03162

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

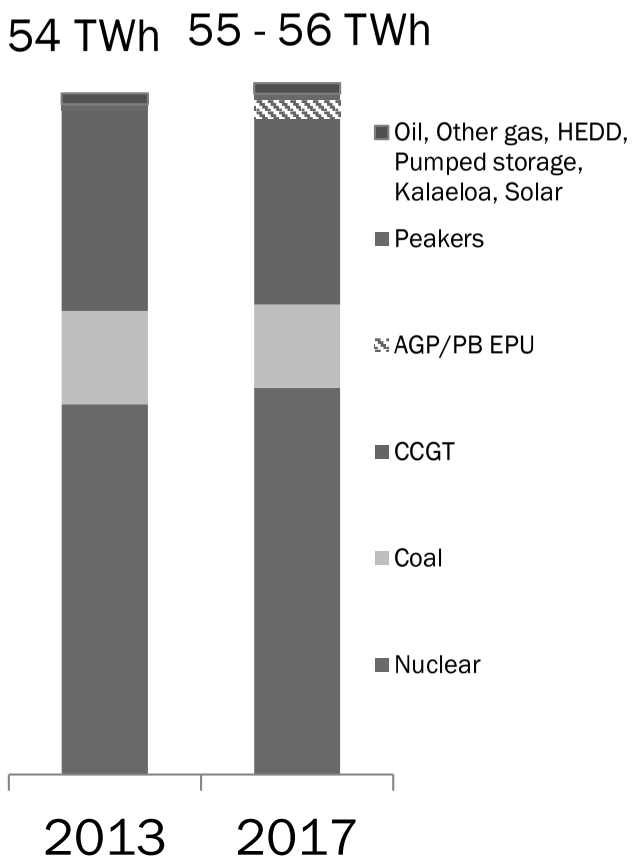
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

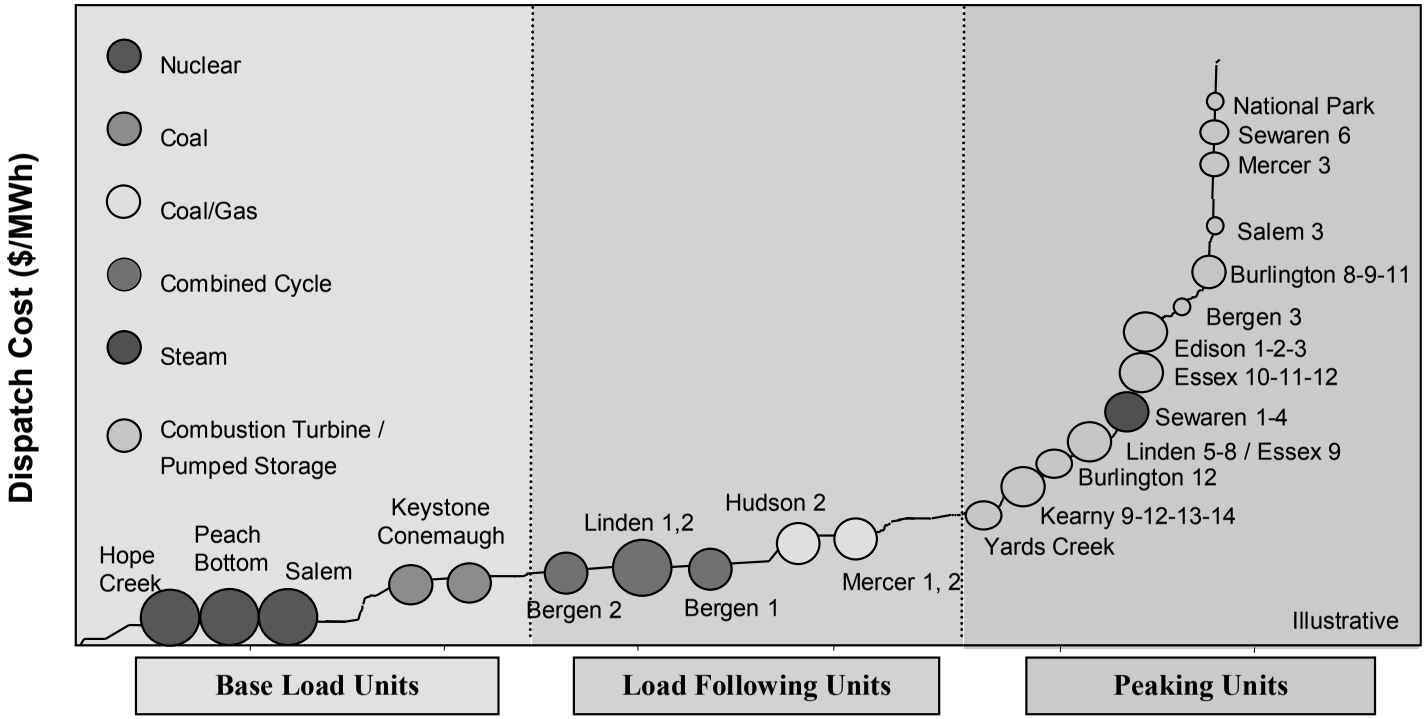


Energy Produced



SI-SSA-0015-03163

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-03164

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-03165

PSEG Power Nuclear is core to the fleet and has competitive advantages

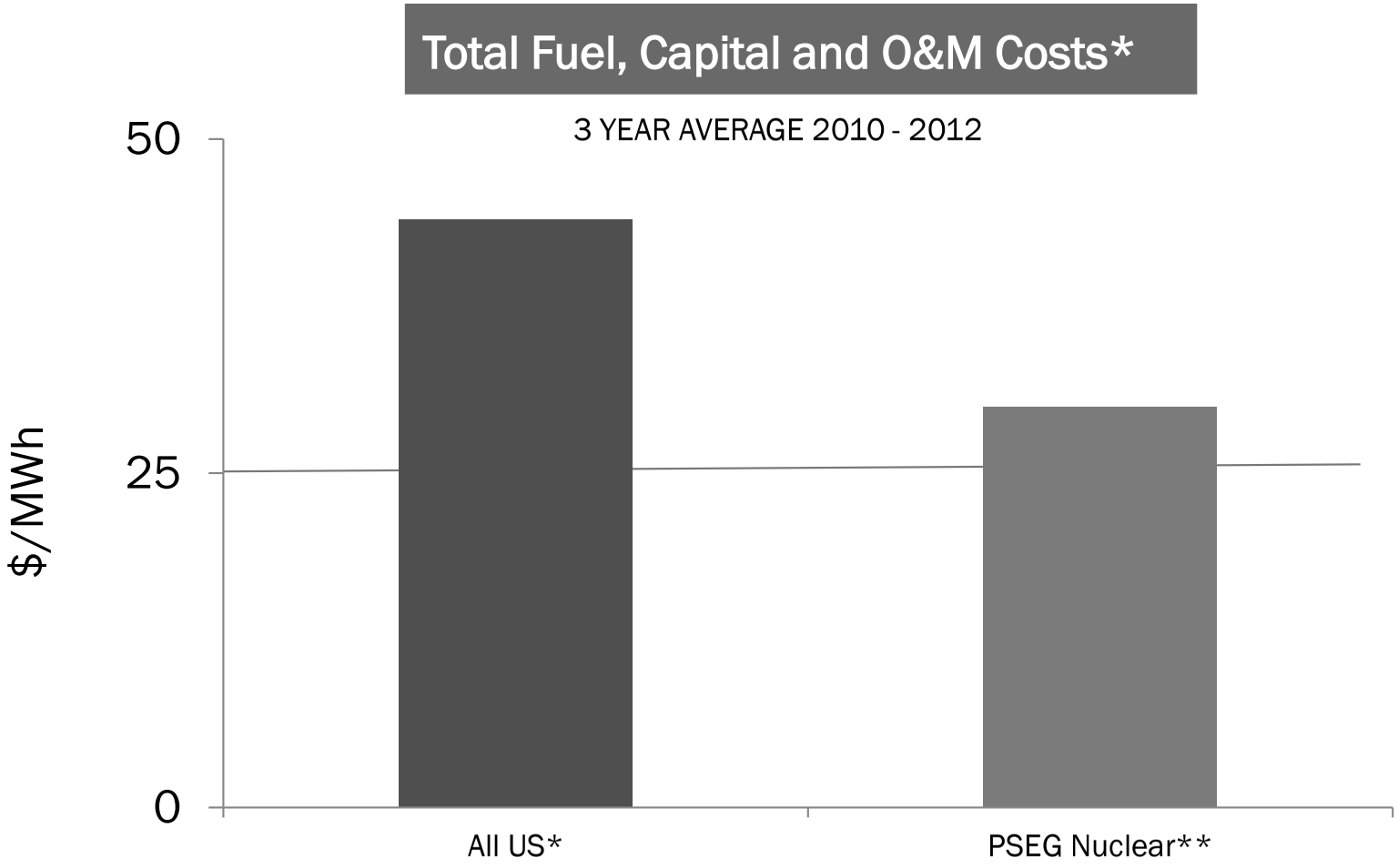
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-03166

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

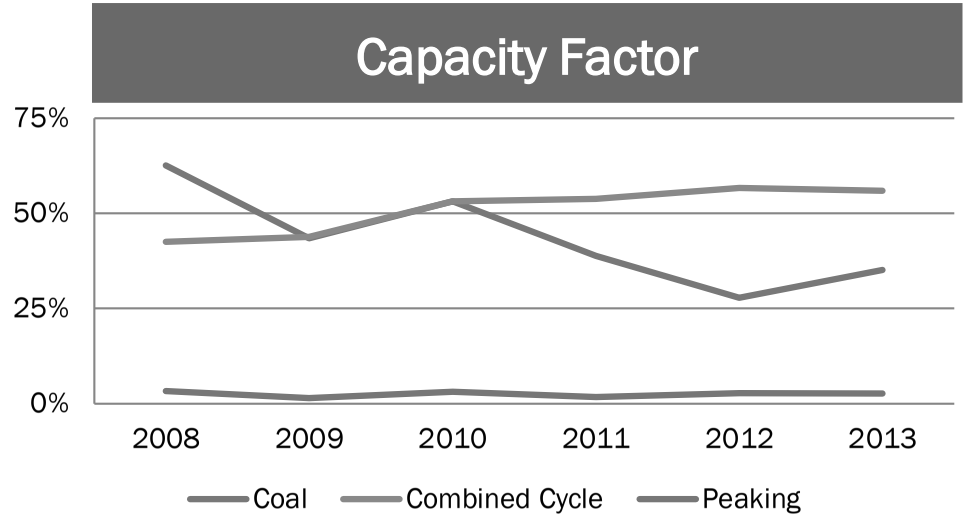


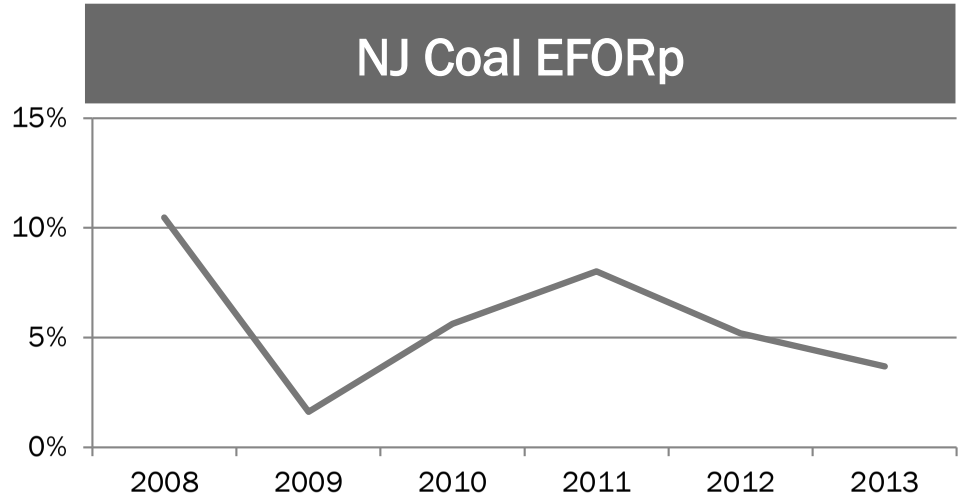
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

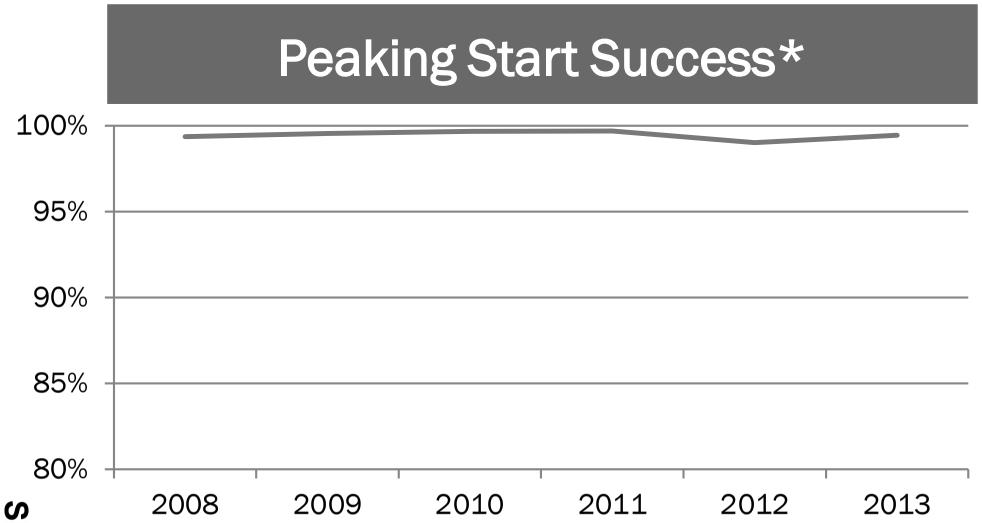
SI-SSA-0015-03167

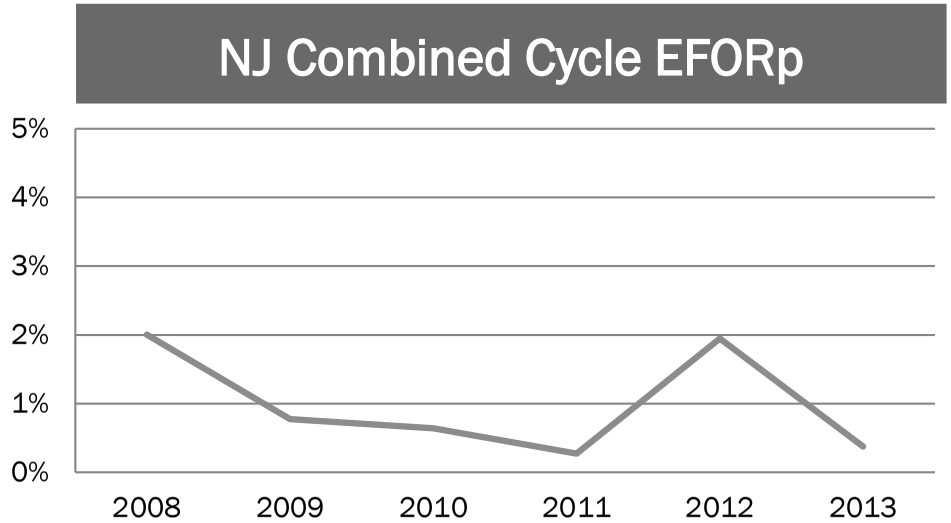
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

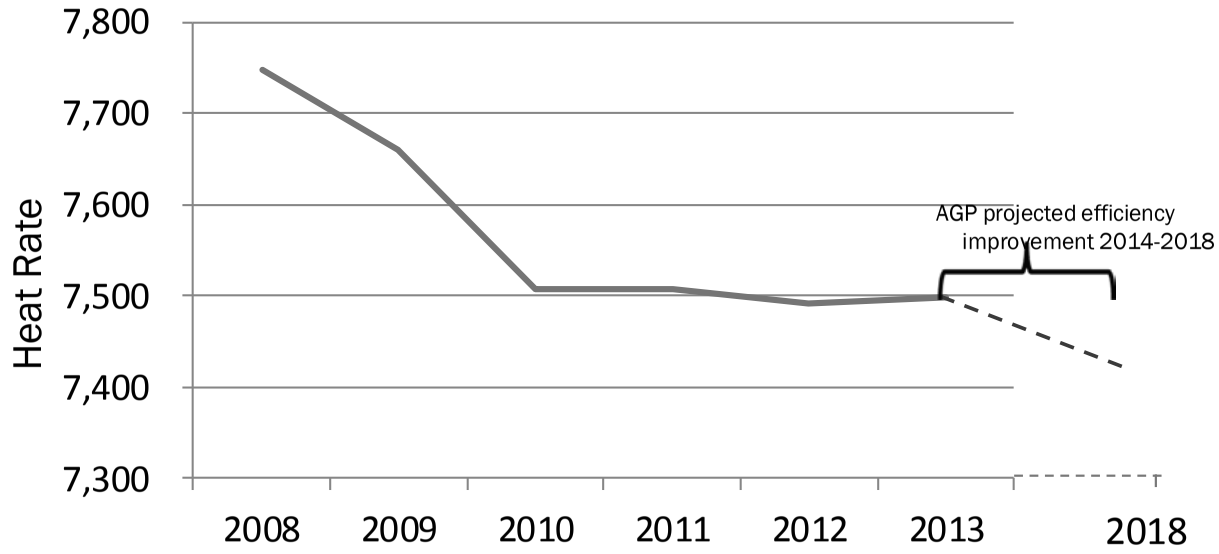
SI-SSA-0015-03168

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-03169

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

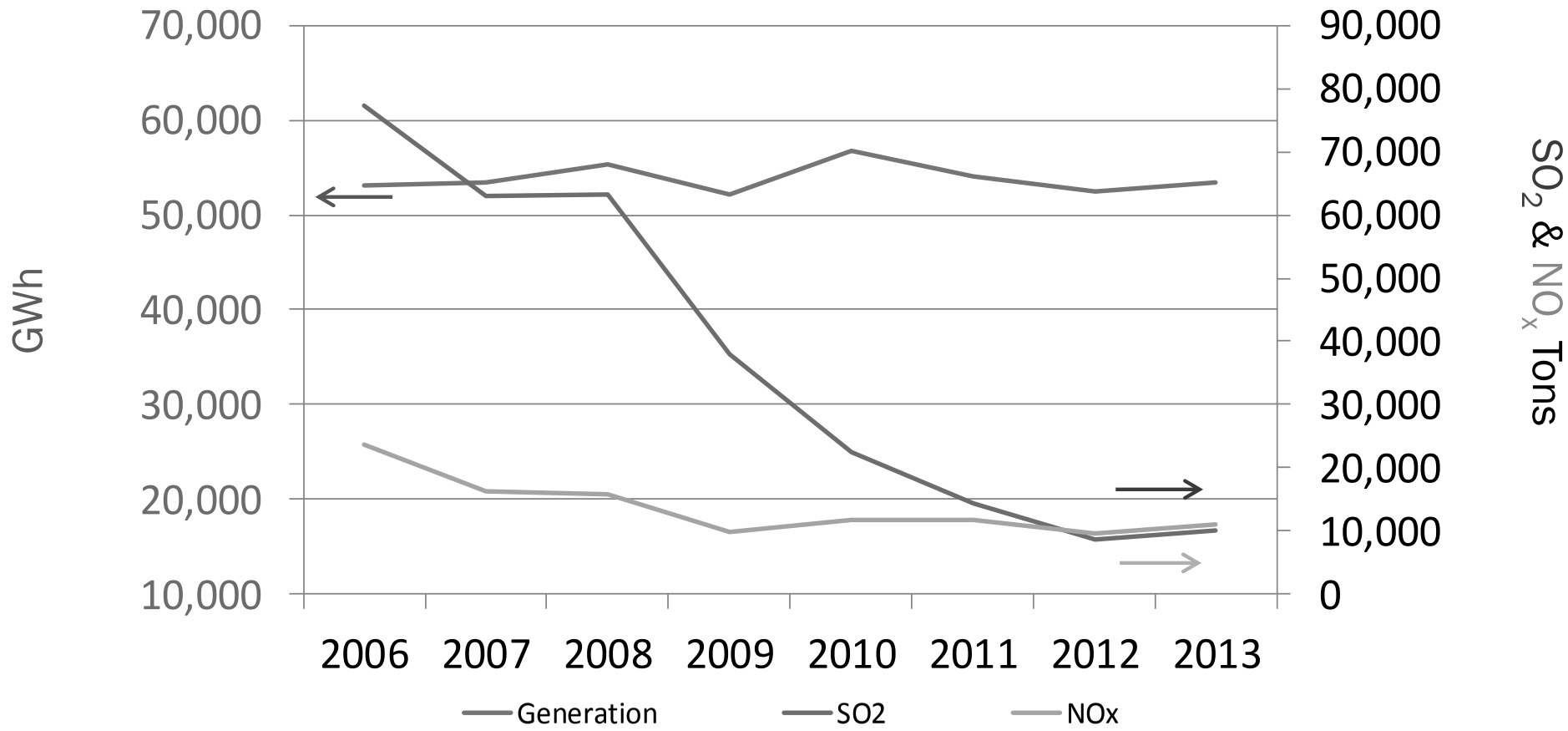
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-03170

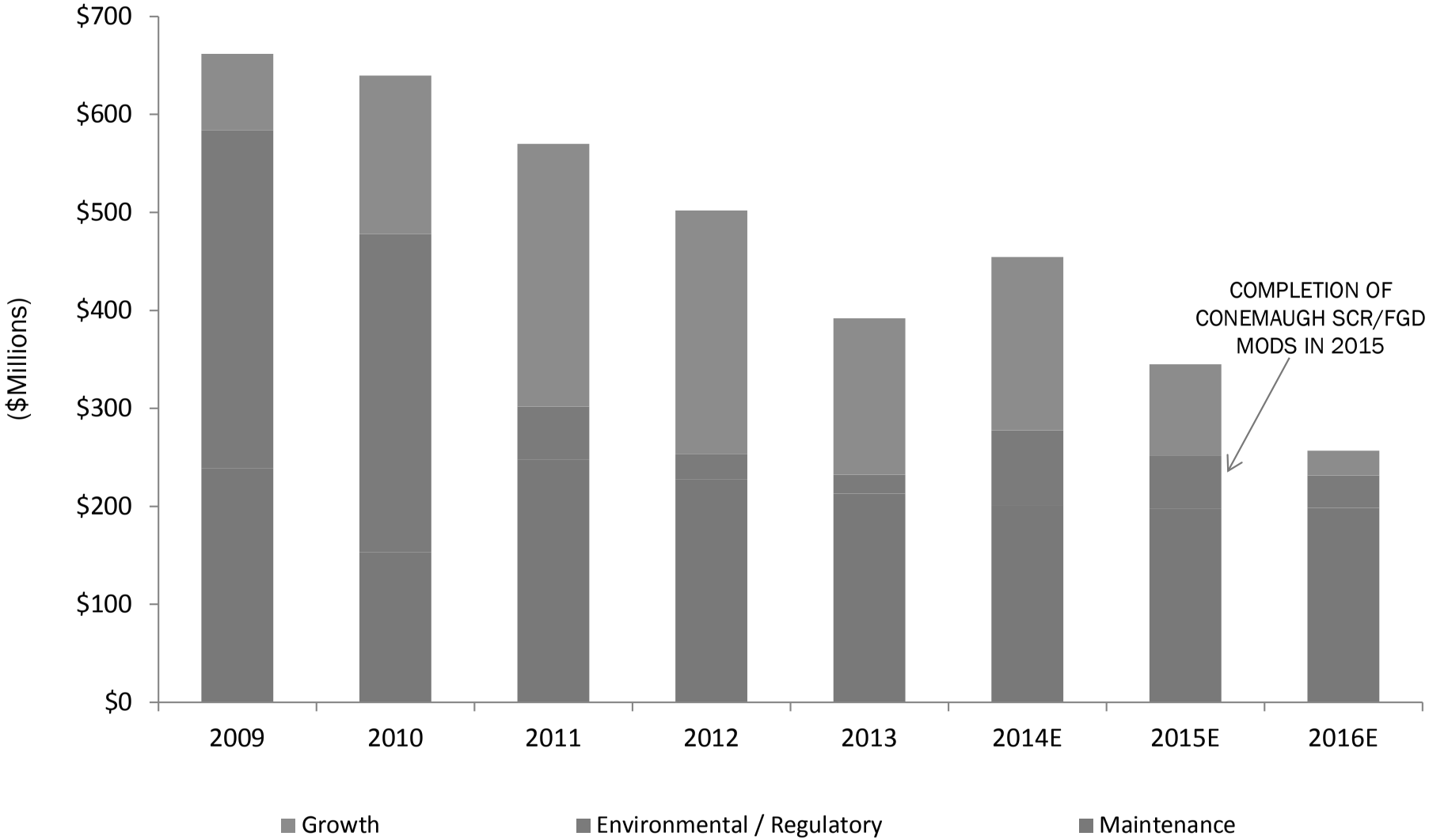
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-03171

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-03172

PSEG Power's focus on costs

has resulted in

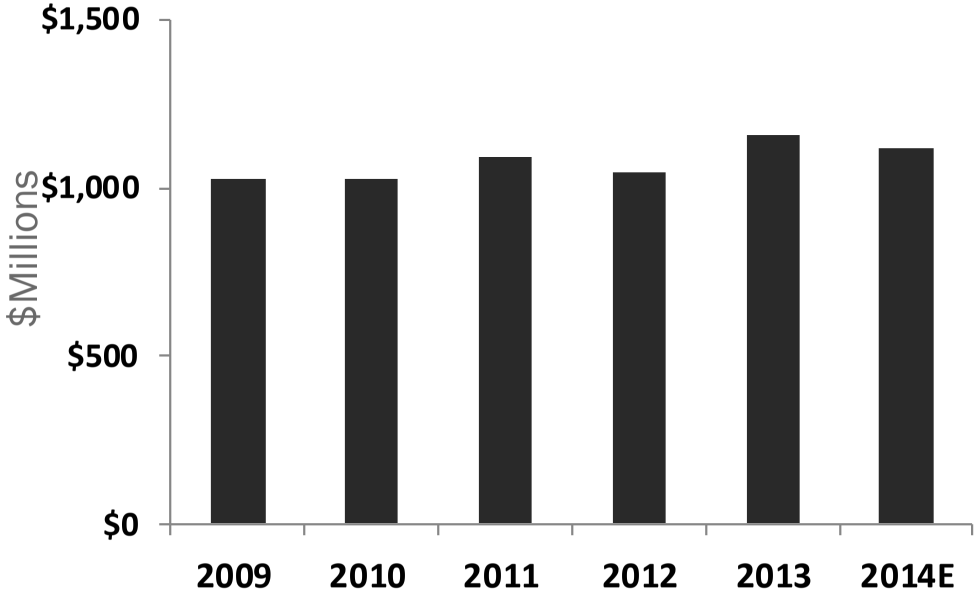
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

SI-SSA-0015-03173

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-03174

PSEG Solar Source owns 92 MW of operating solar facilities

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-03175

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-03176

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-03177

PSEG POWER
ER&T

PSEG

We make things work for you.

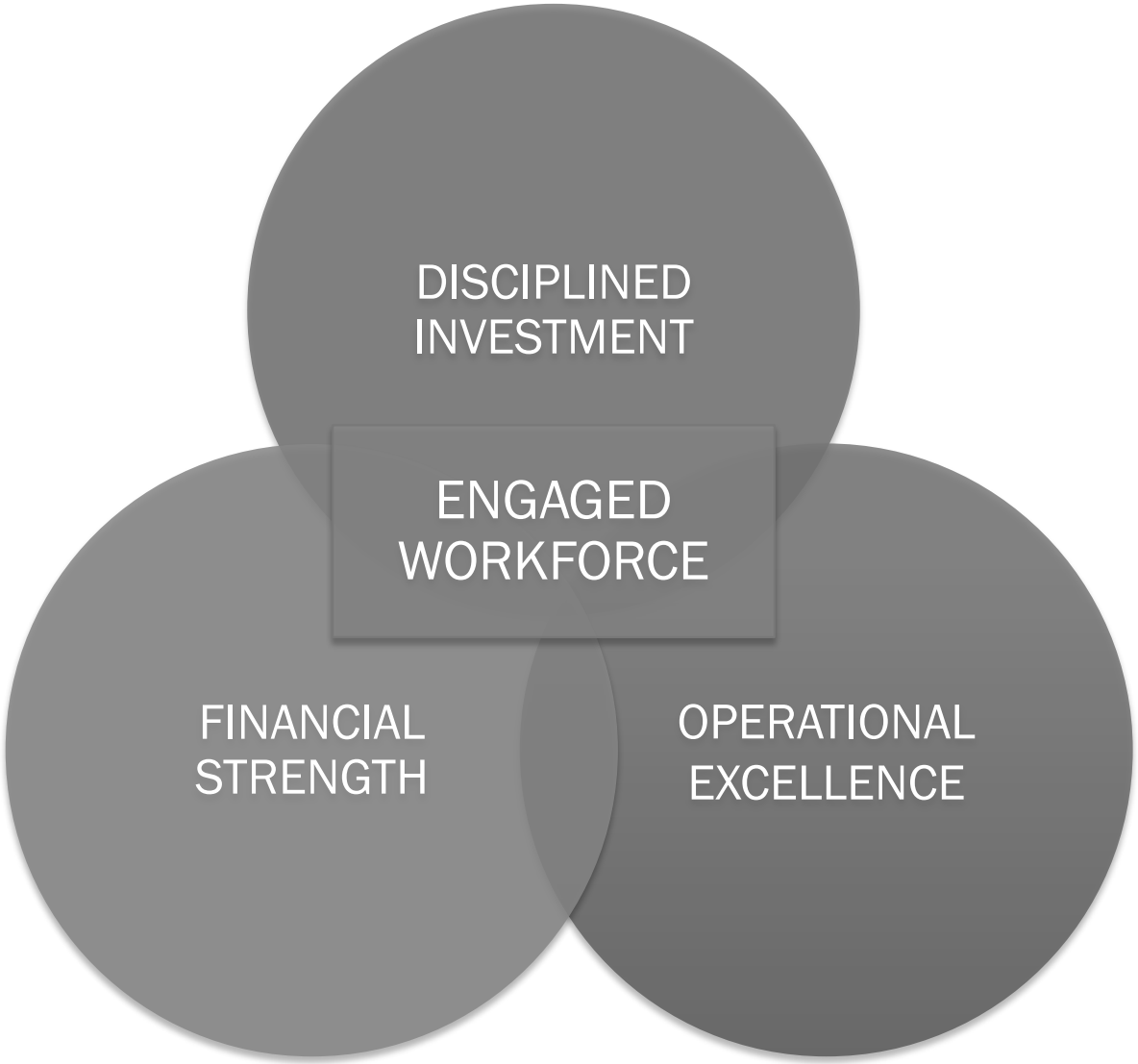
SI-SSA-0015-03178

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-03179

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

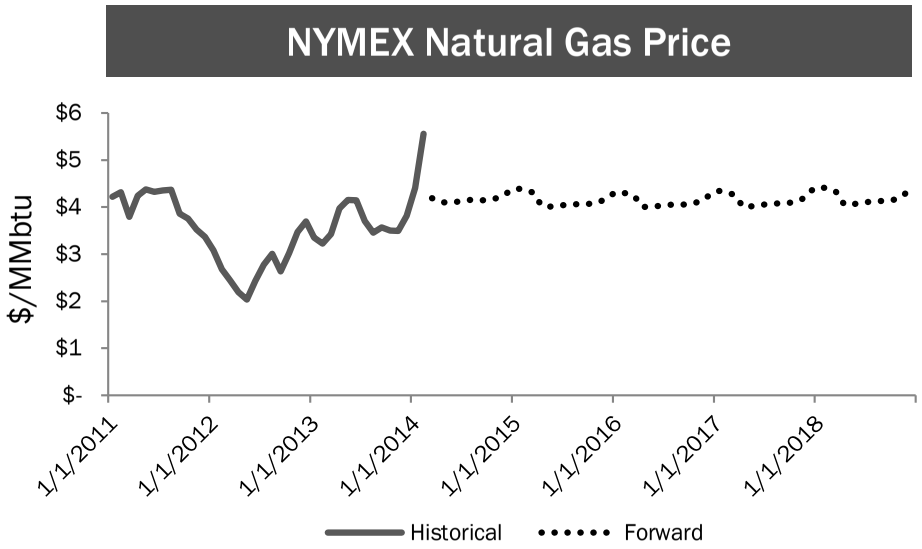
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

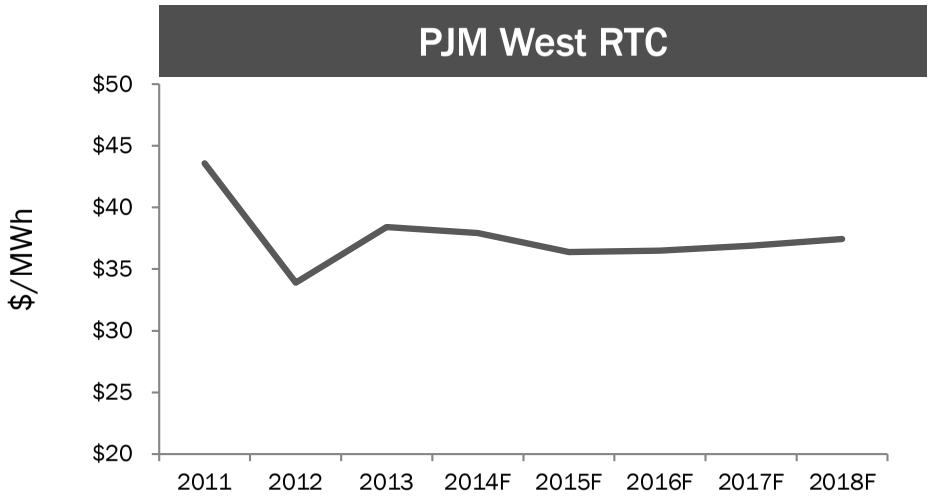
PSEG's Sustainable Advantage

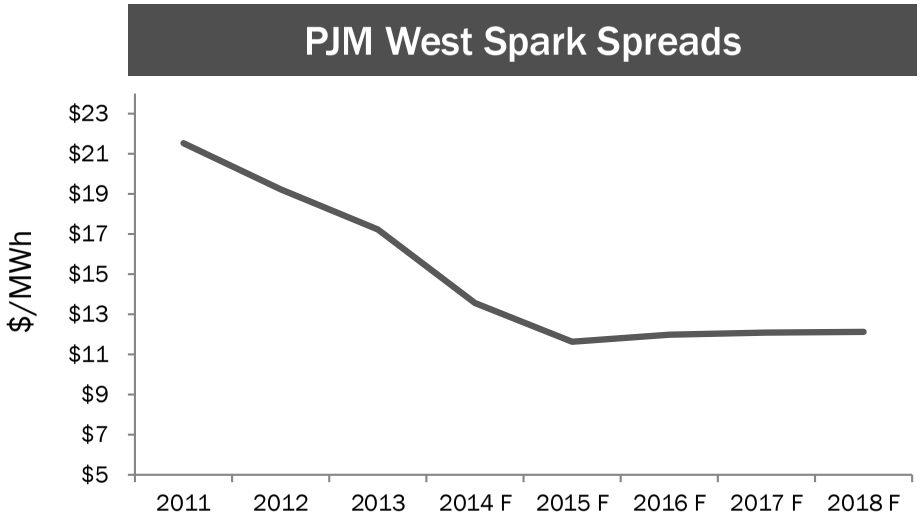
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-03180

Market Review: Prices have stabilized







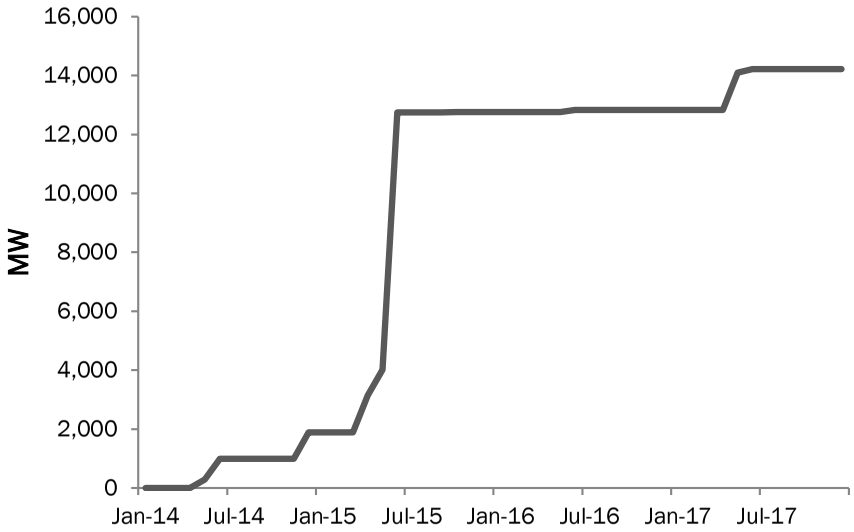
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-03181

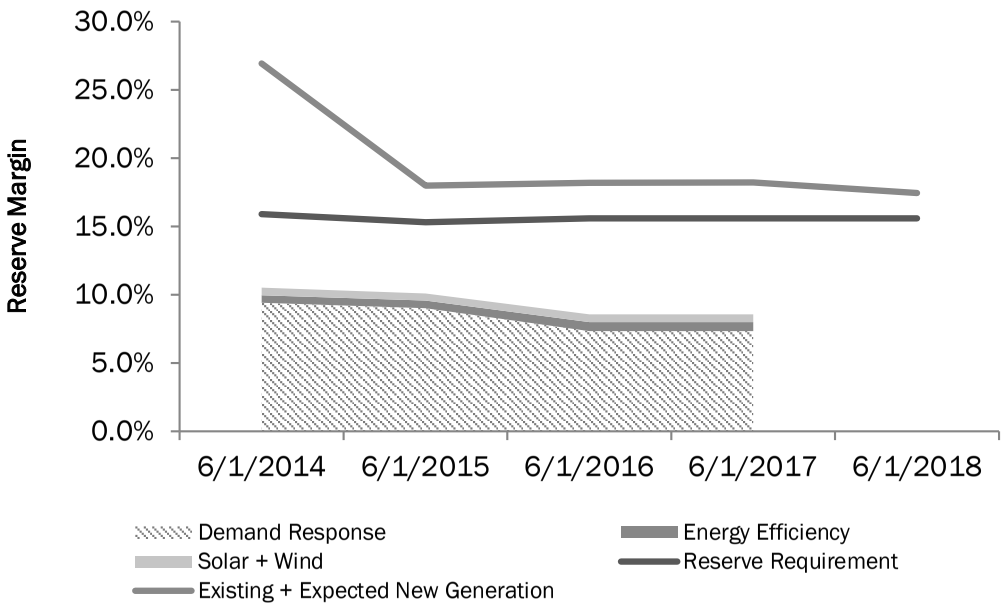
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-03182

PSEG

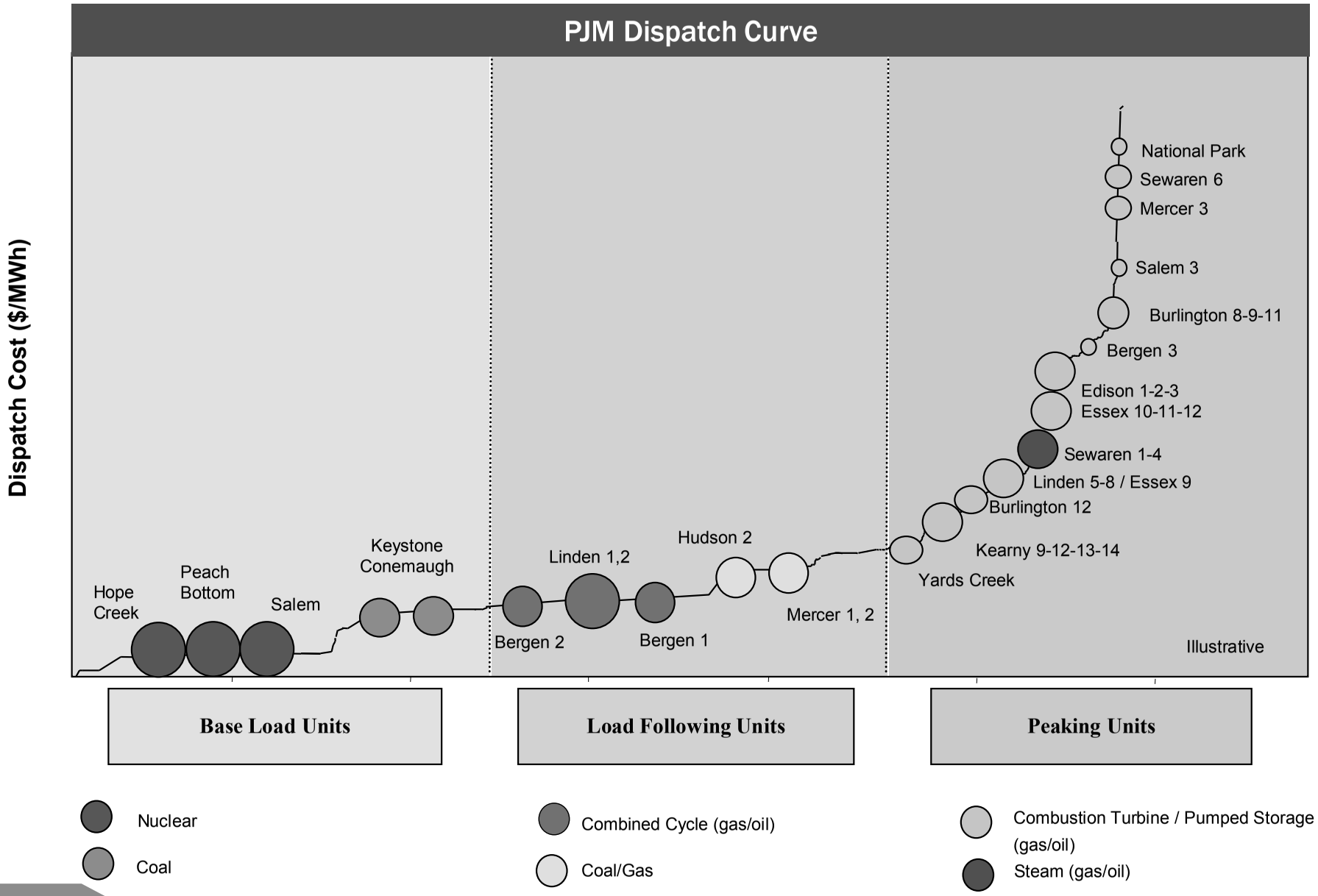
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

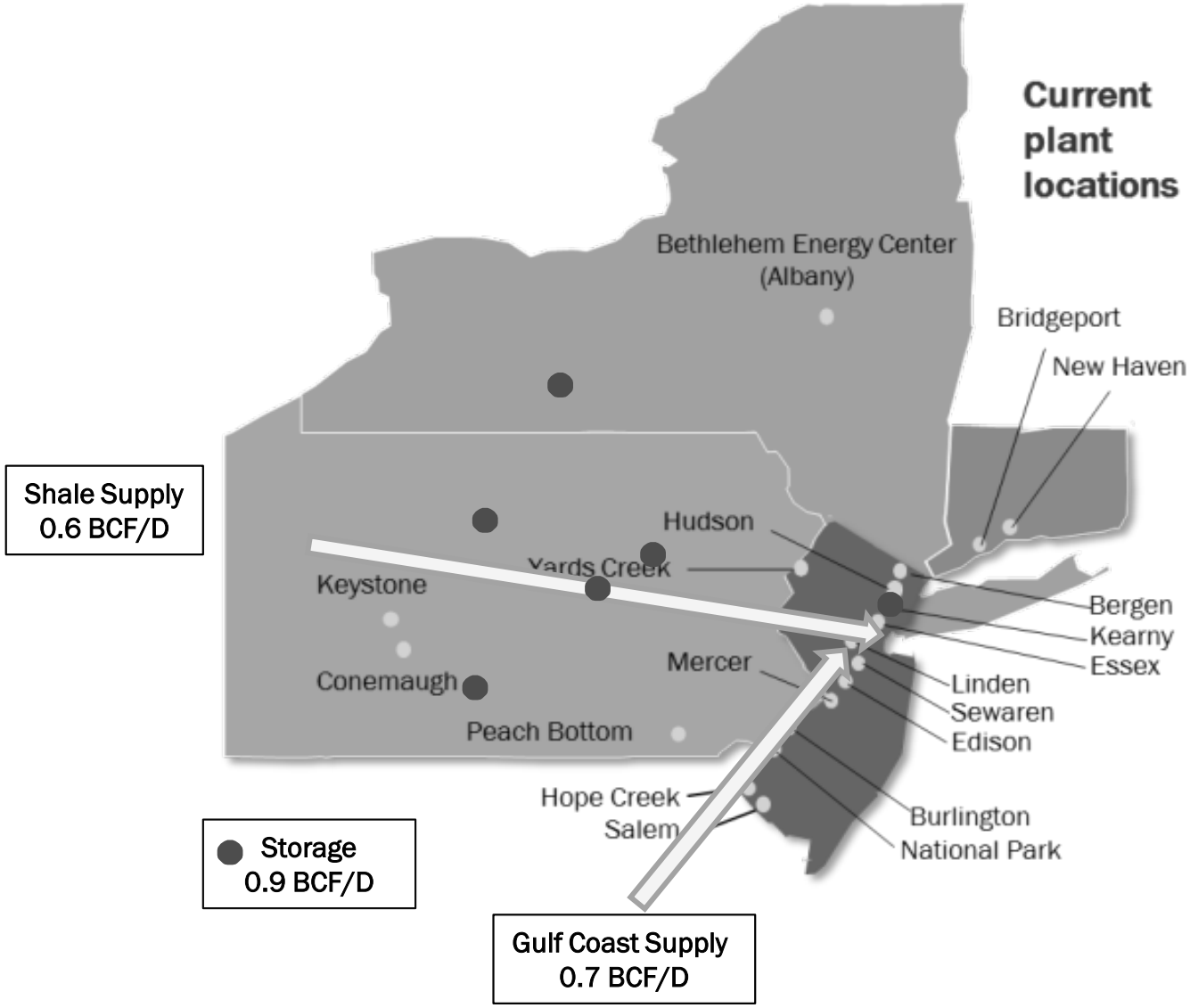
SI-SSA-0015-03183

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



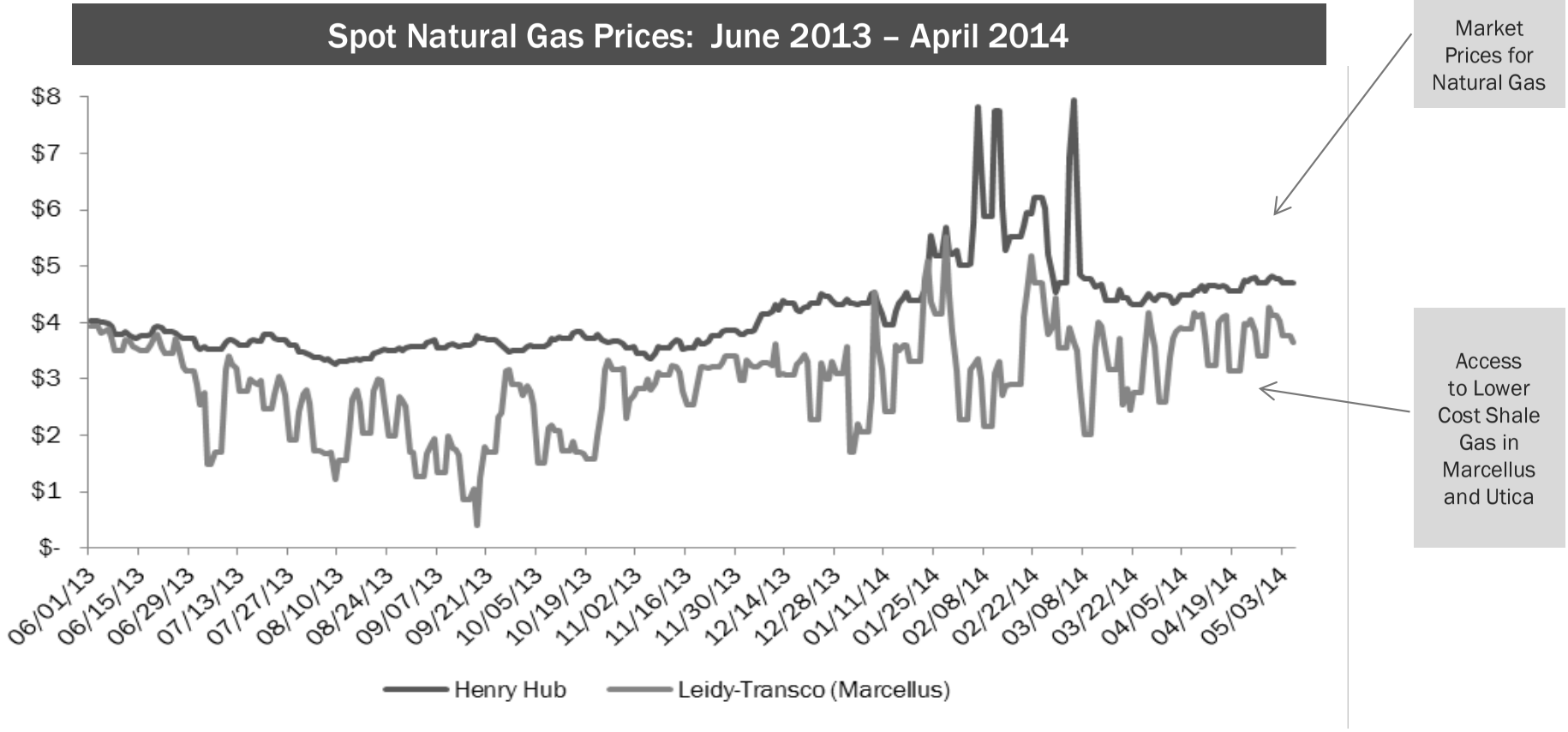
SI-SSA-0015-03184

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-03185

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

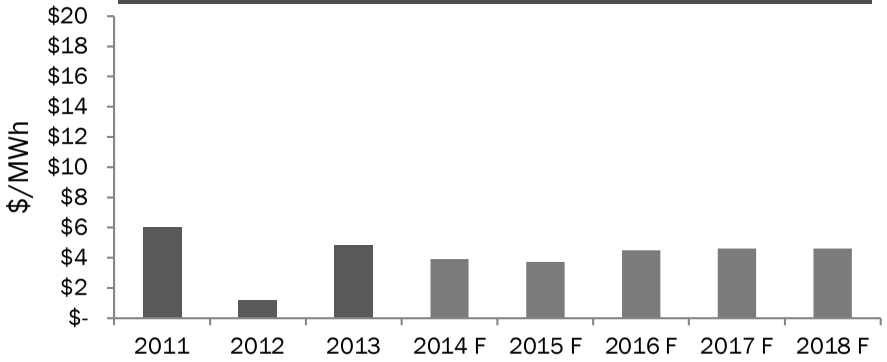


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

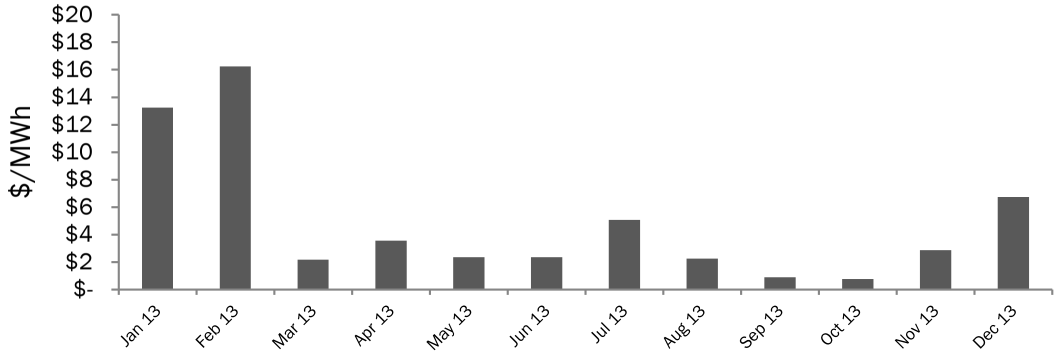
SI-SSA-0015-03186

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

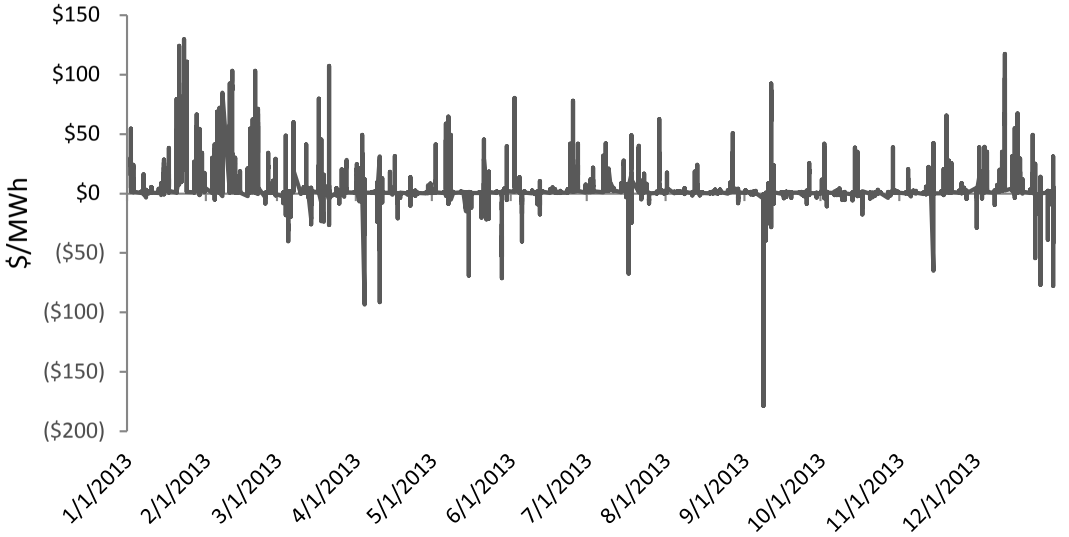


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

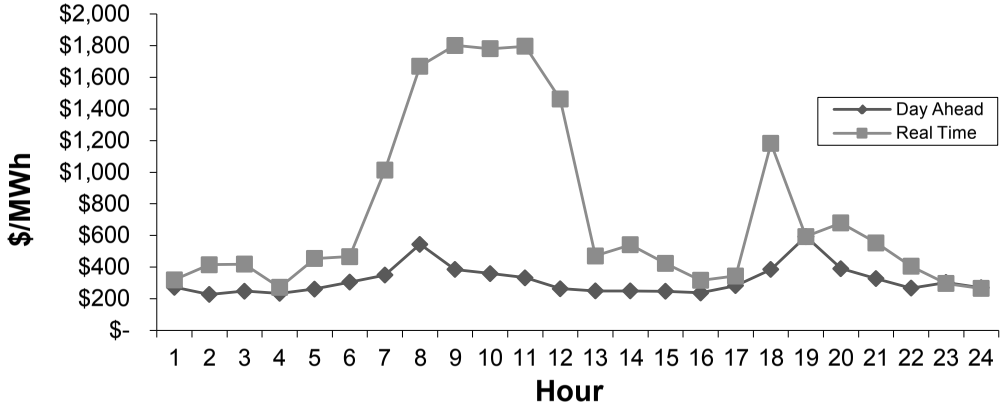
PS Zone Real Time On Peak Hourly Basis to PJM-W



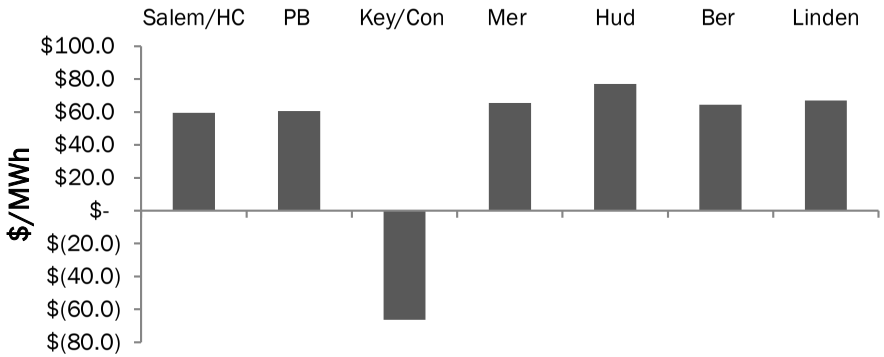
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

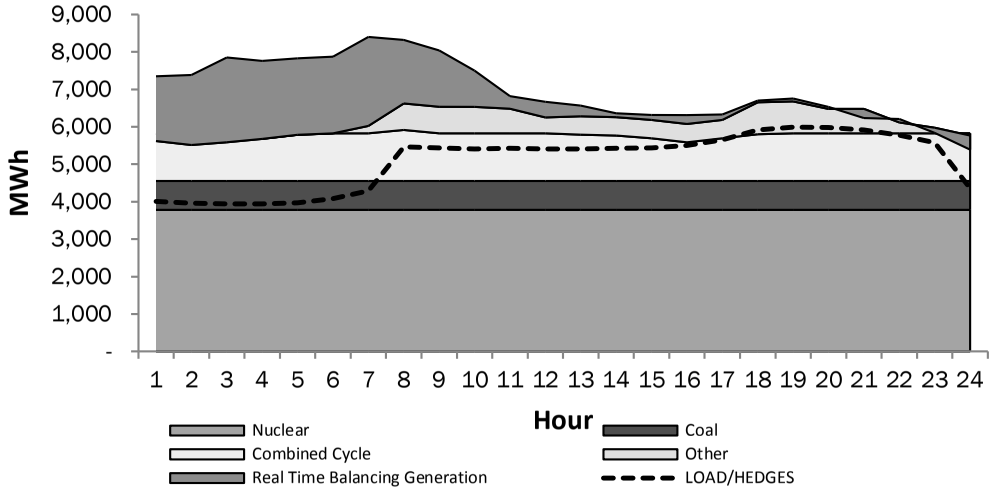
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

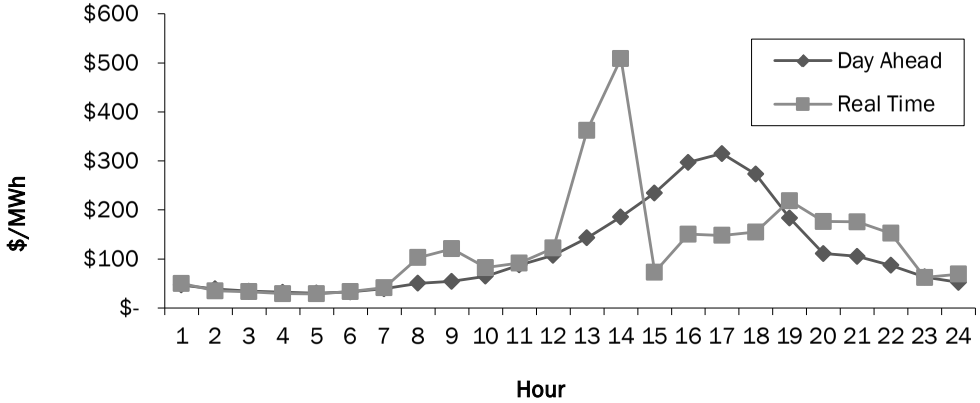


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

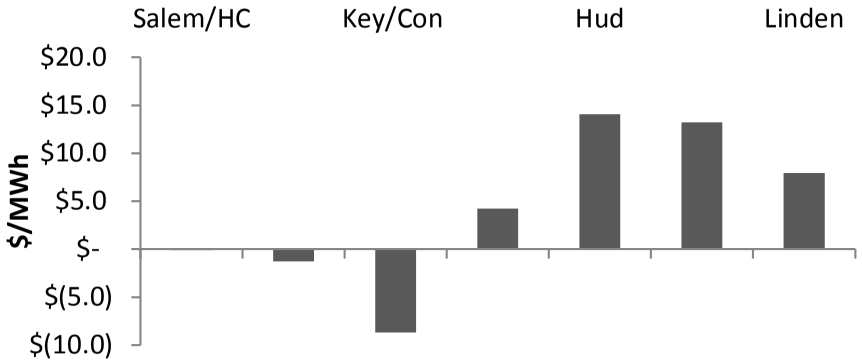
SI-SSA-0015-03188

Competitive Advantage: Trading & Asset Flexibility

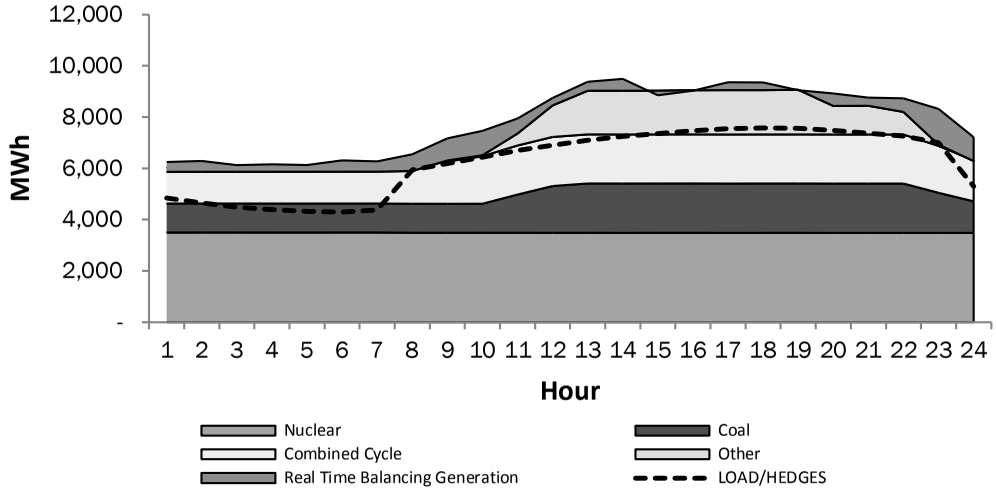
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



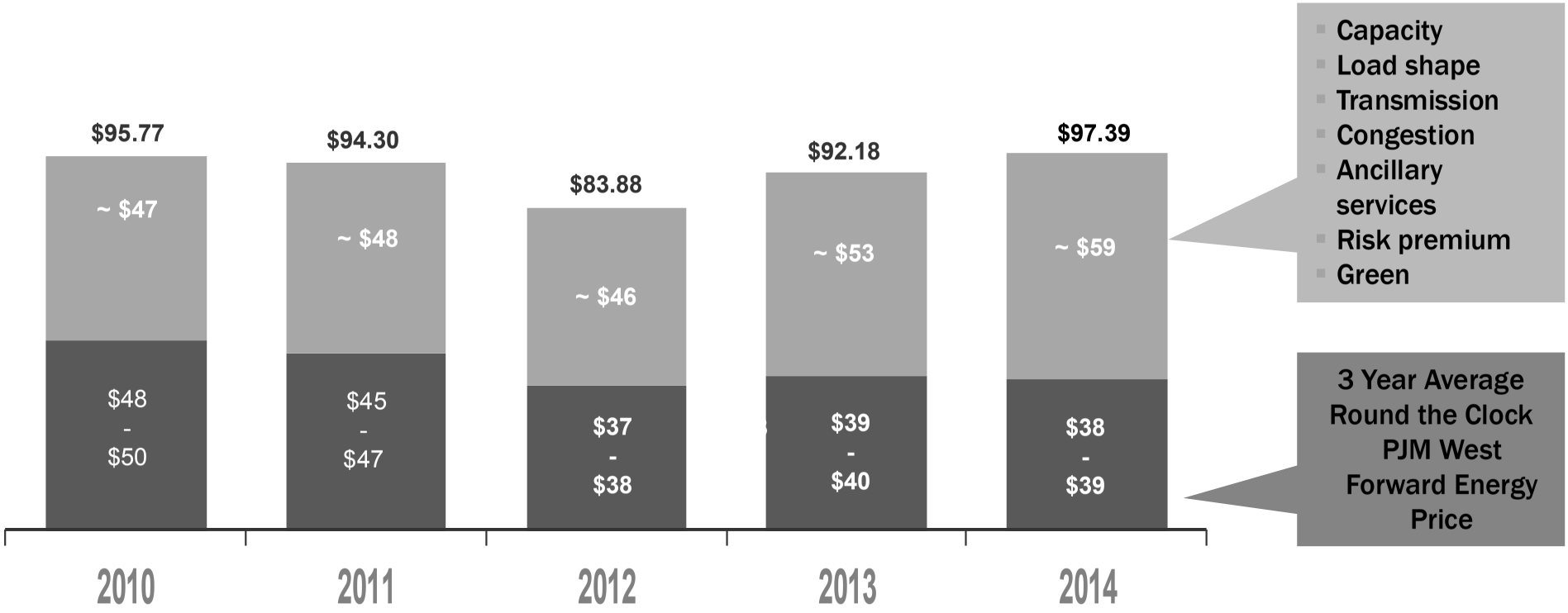
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-03189

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-03190

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

SI-SSA-0015-03191

PSEG

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

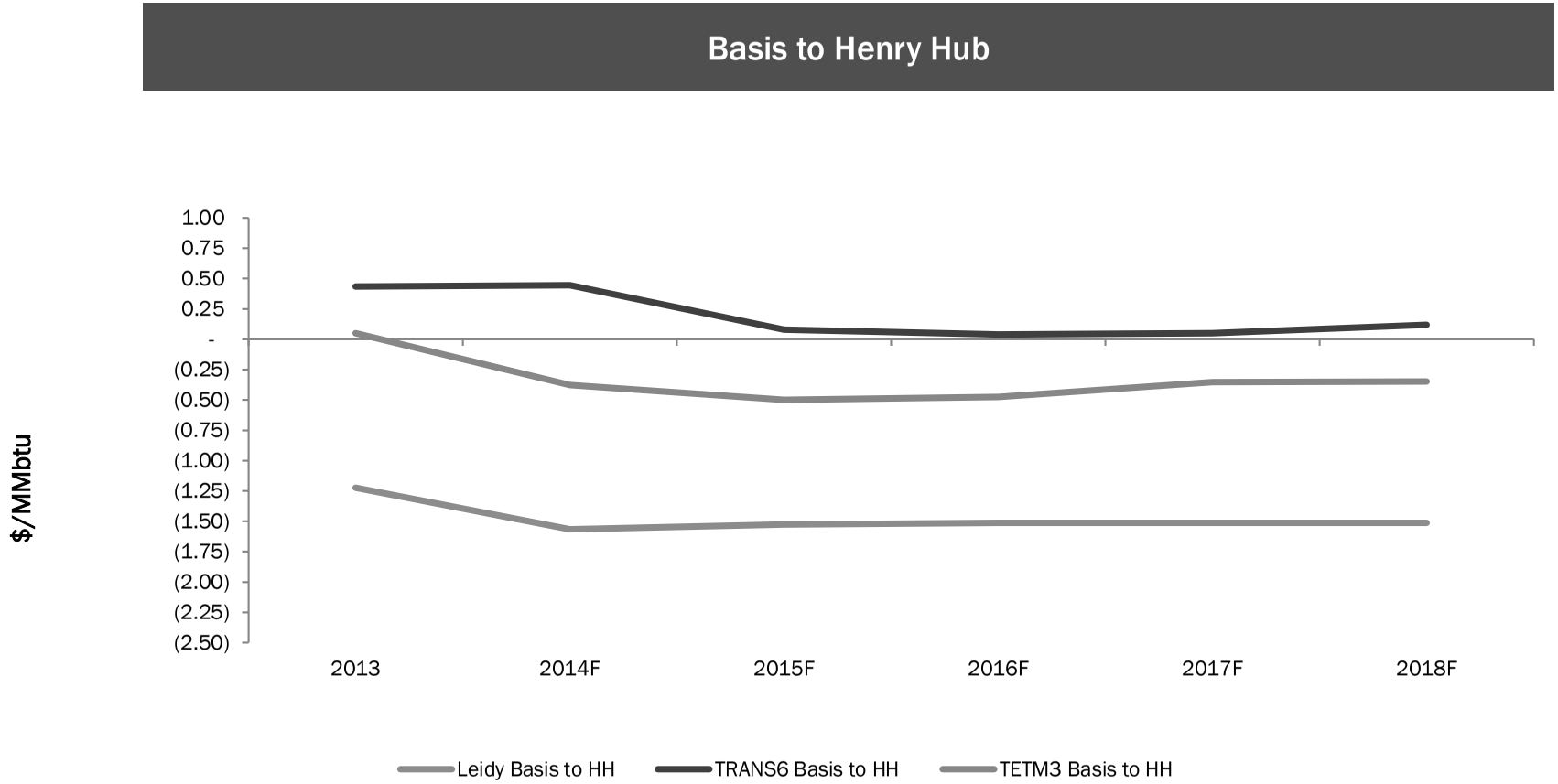
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-03192

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-03193

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-03194

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-03195

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-03196

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

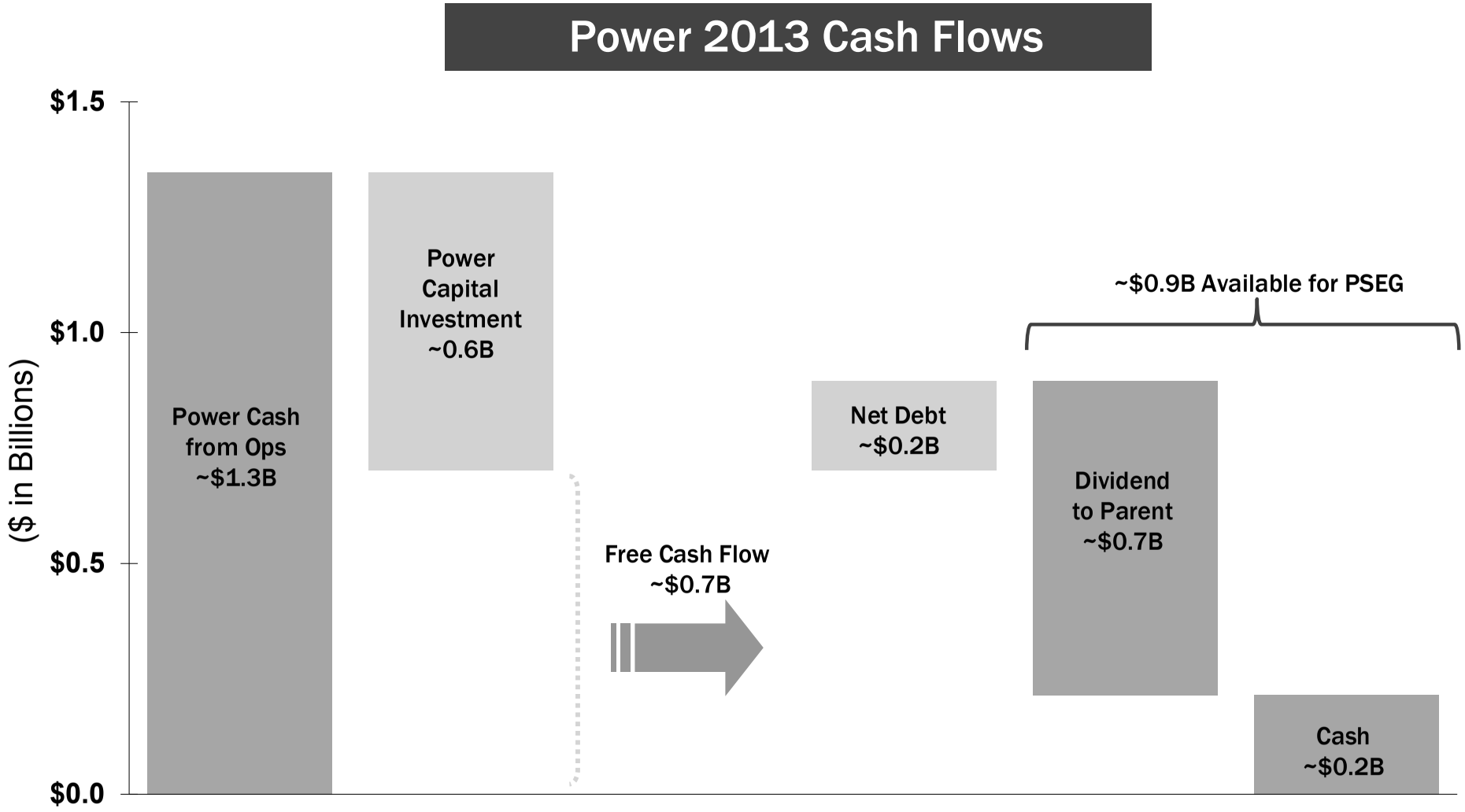
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

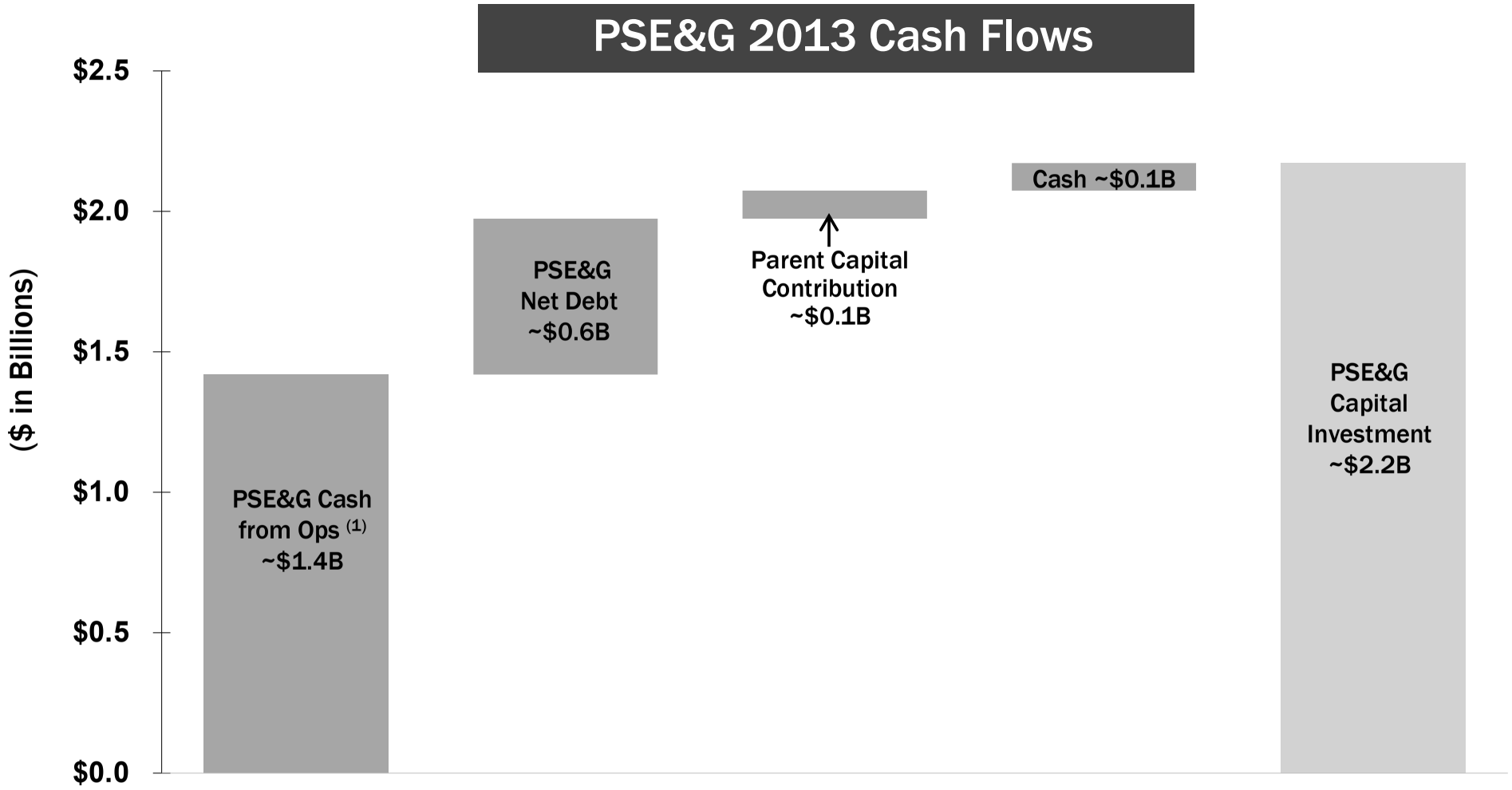
SI-SSA-0015-03197

In 2013, Power had significant free cash flow



SI-SSA-0015-03198

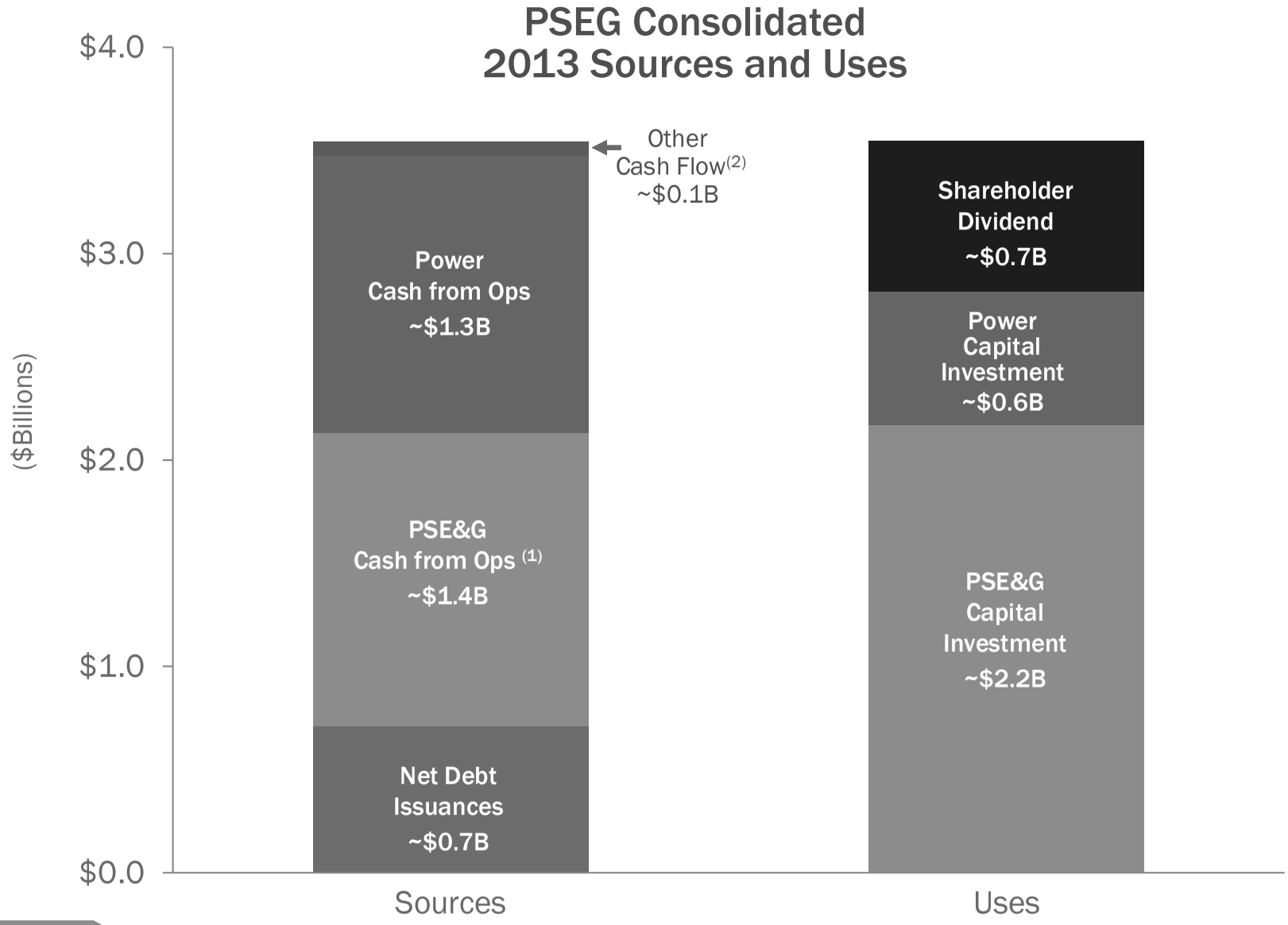
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-03199

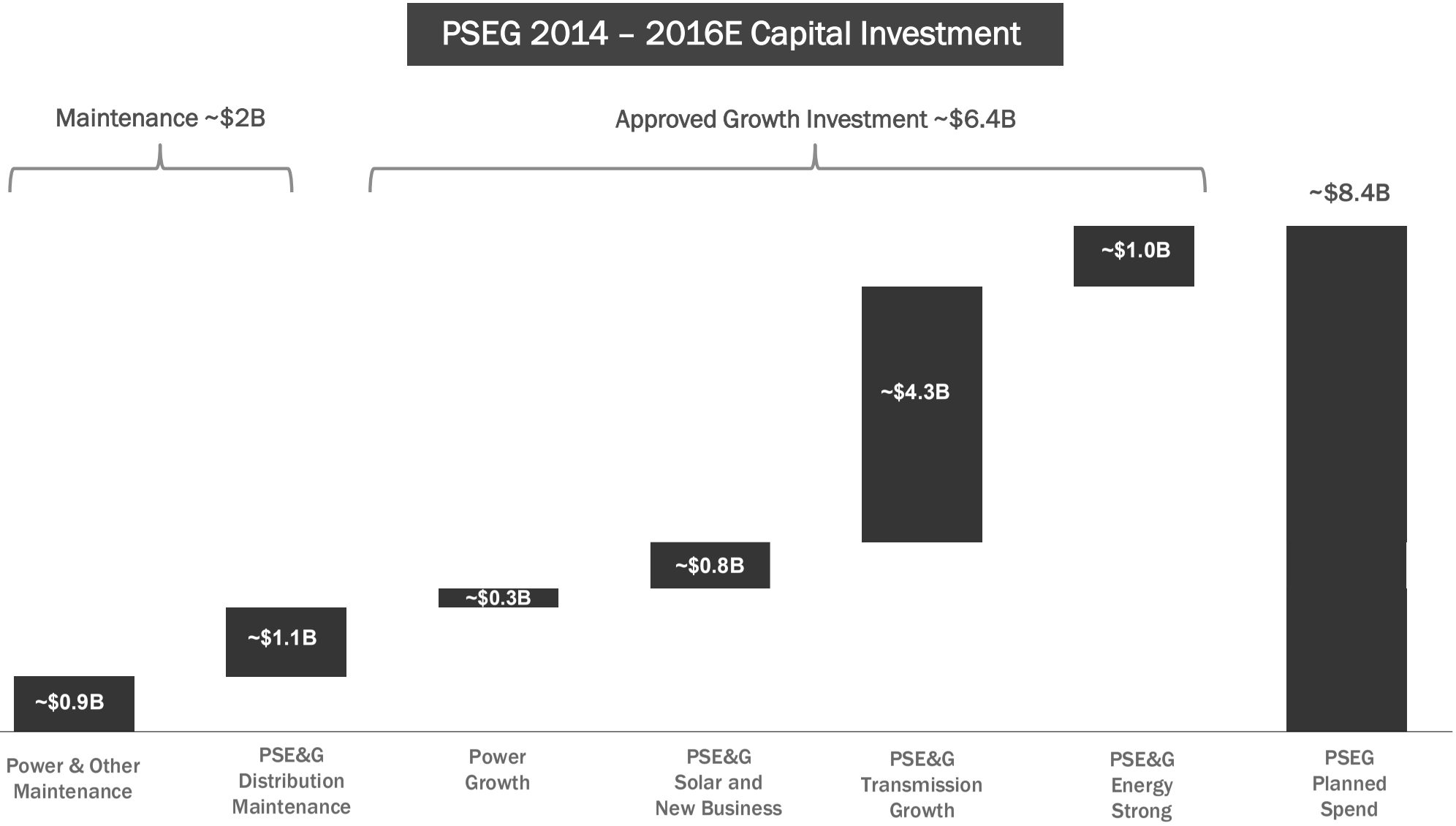
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-03200

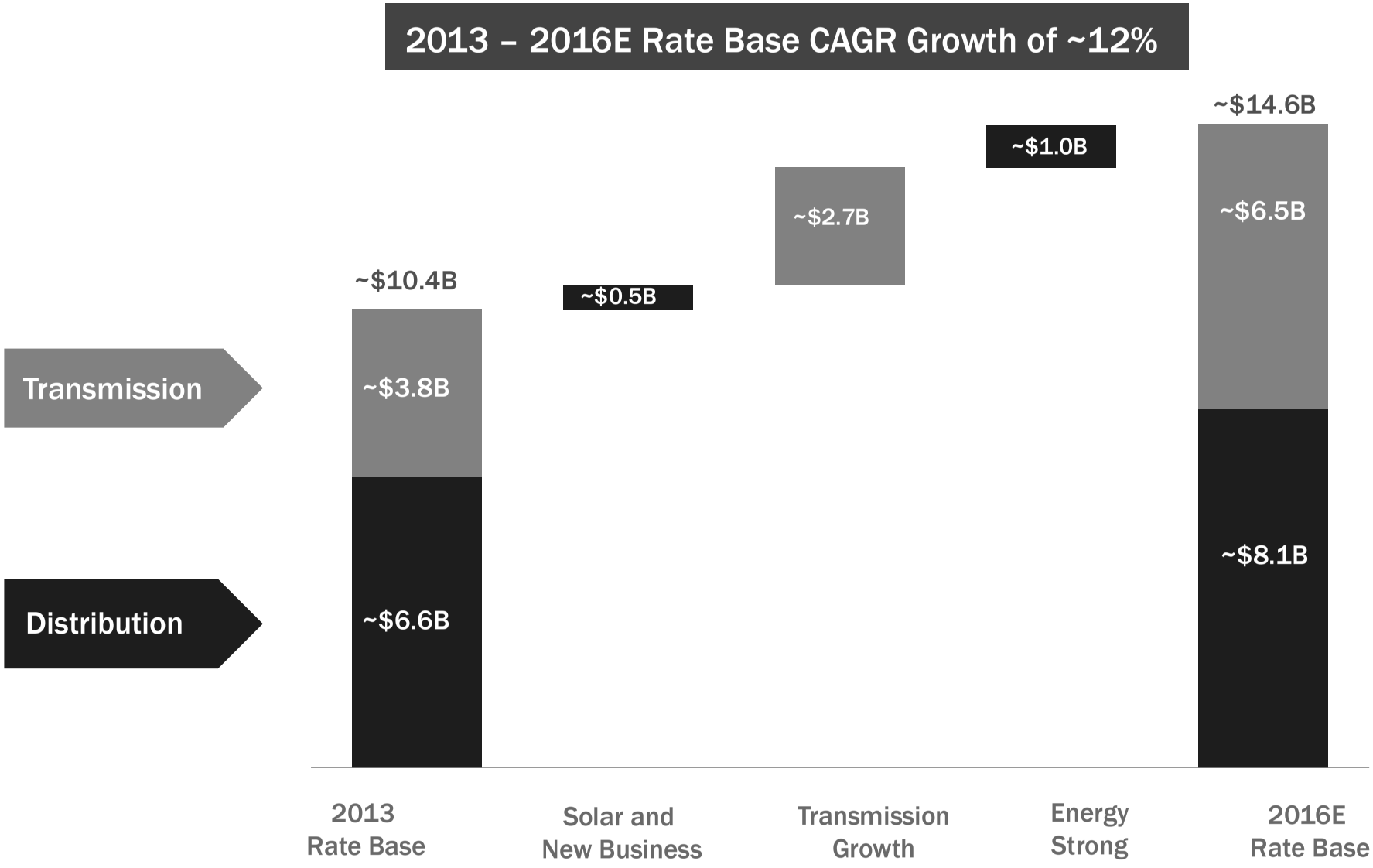
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-03201

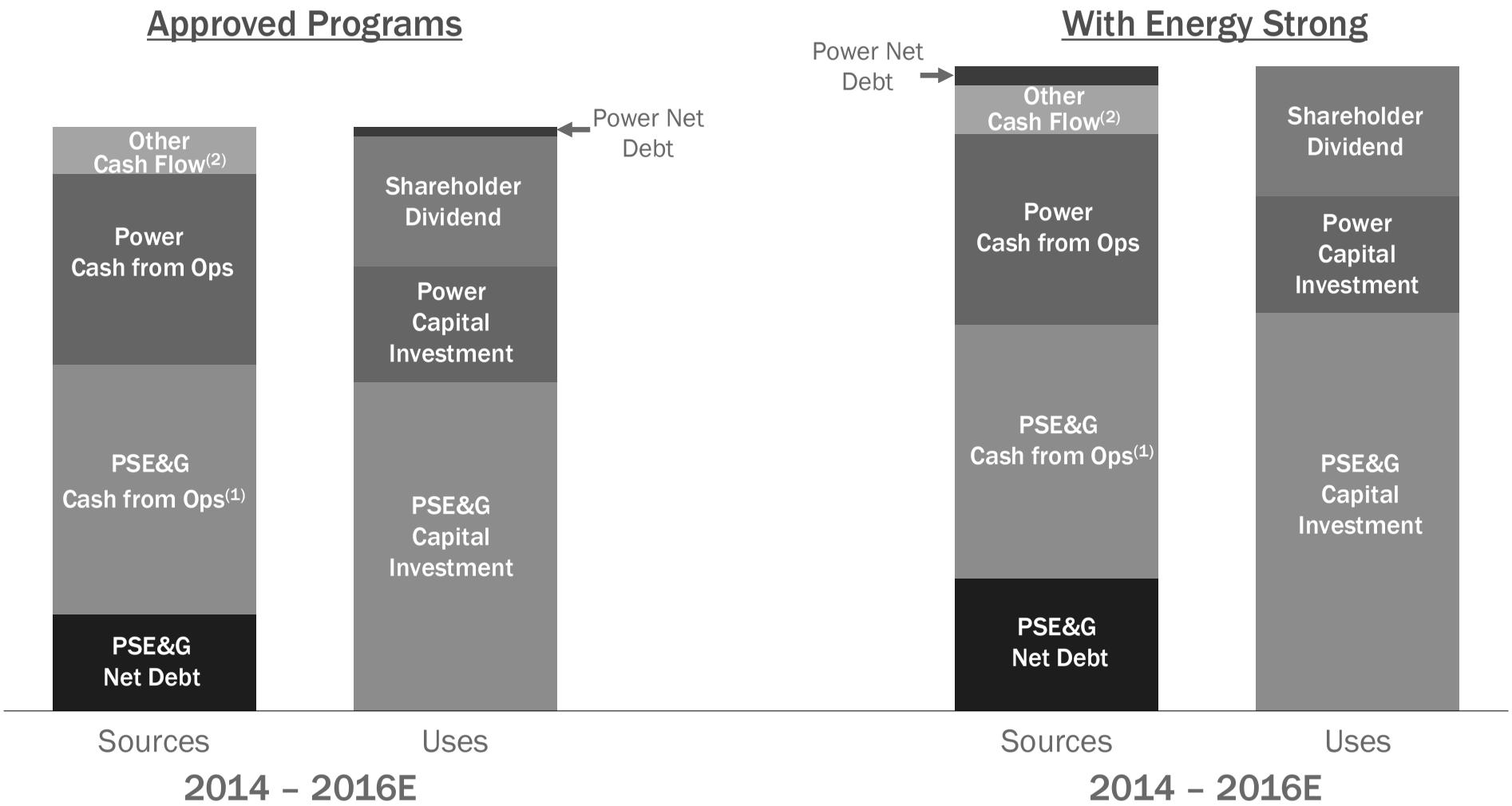
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-03202

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

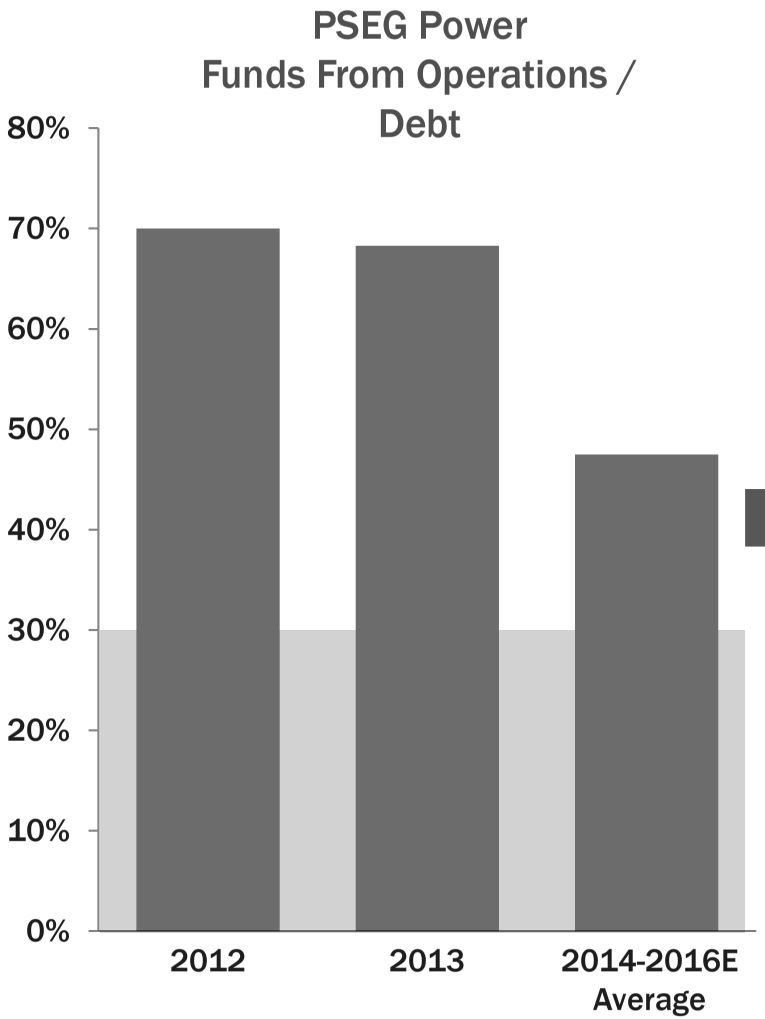
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-03203

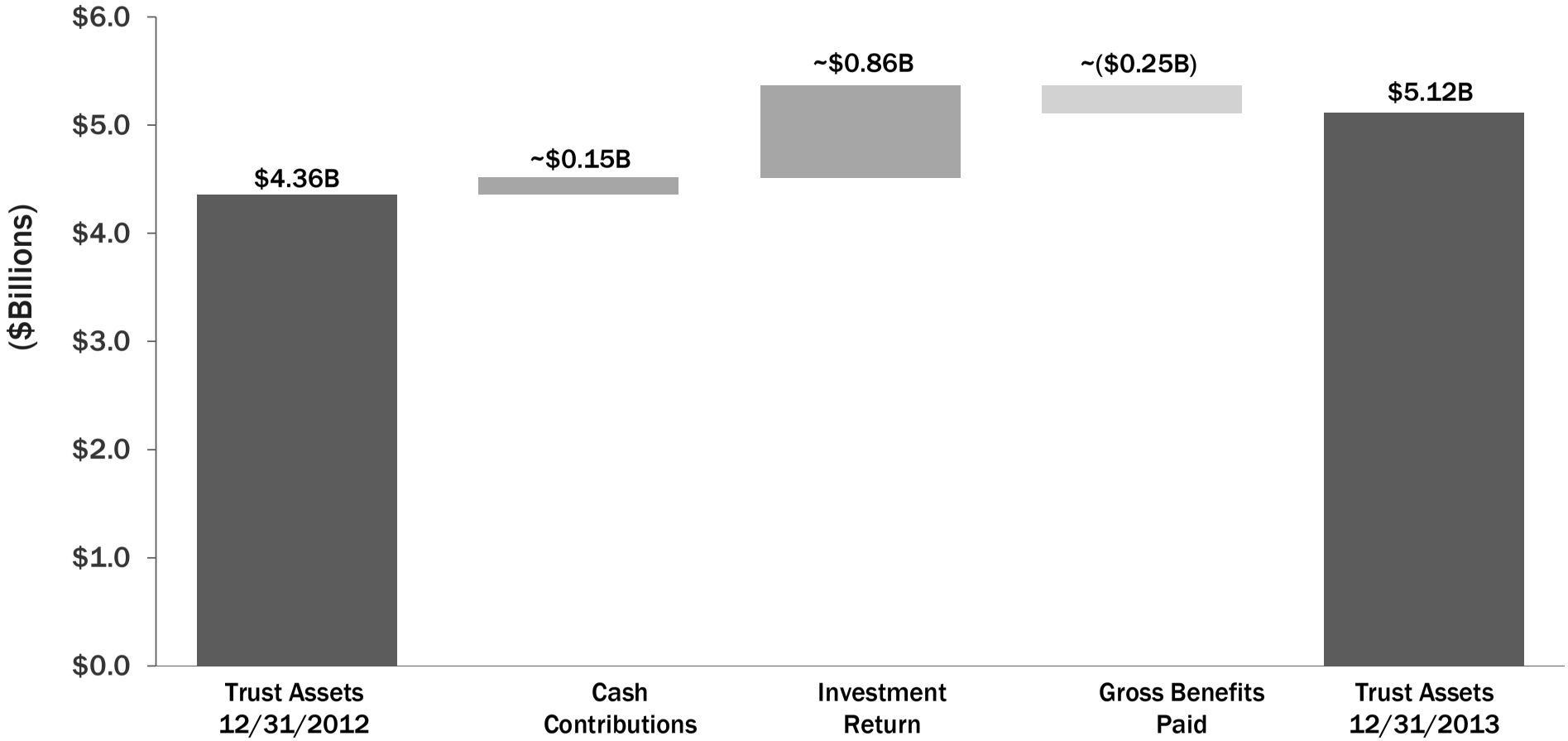
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-03204

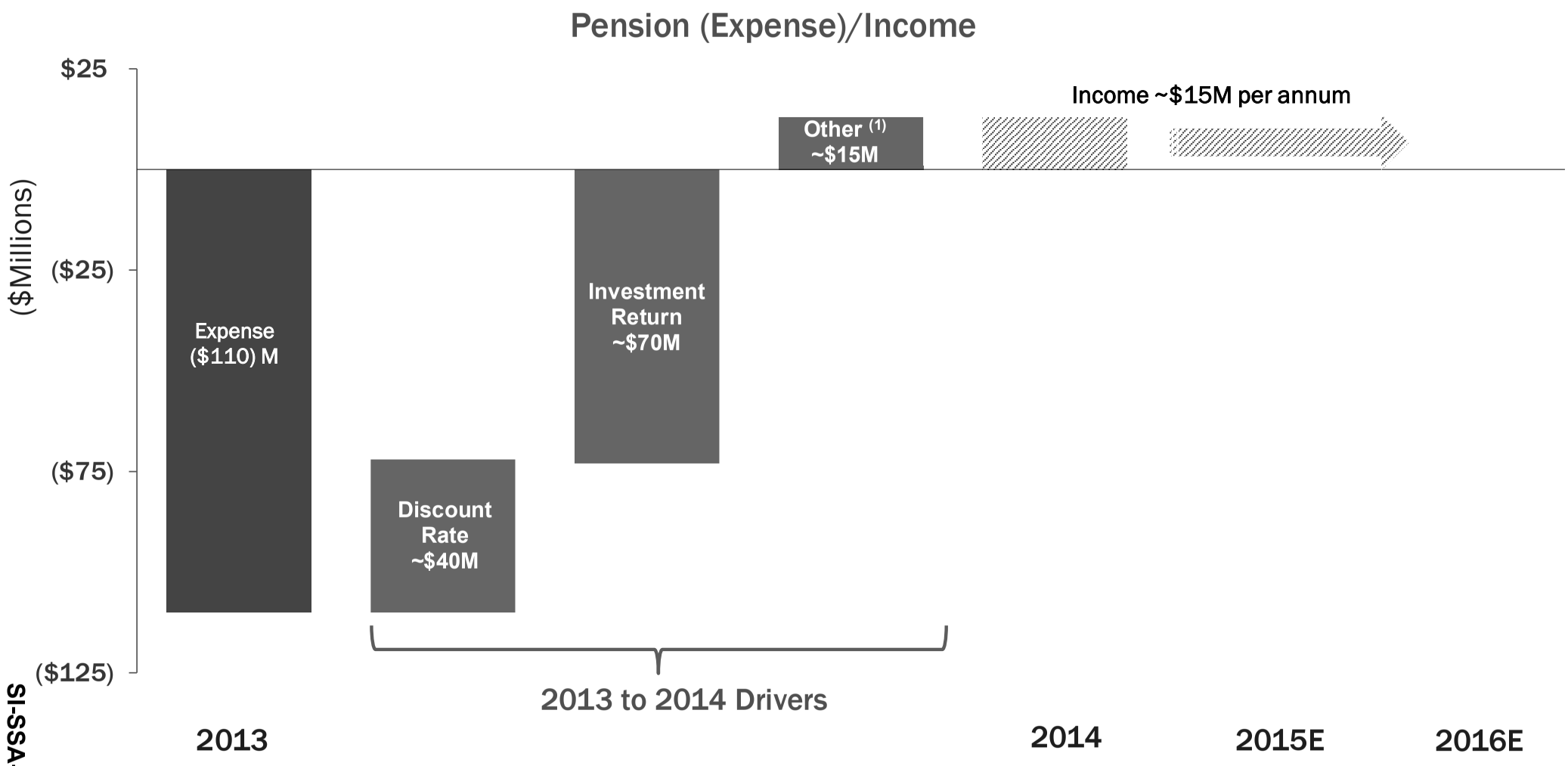
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-03205

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon

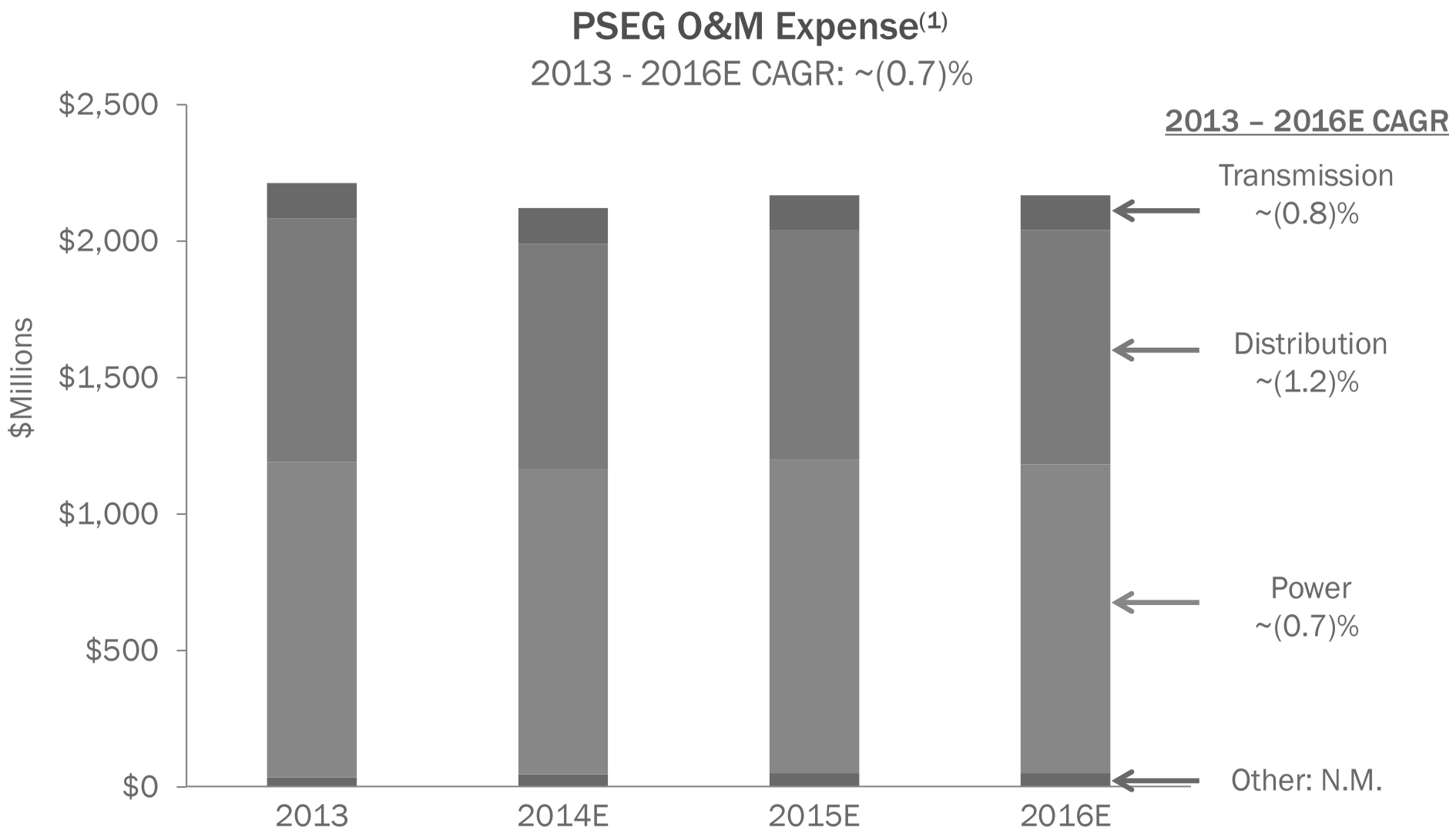


SI-SSA-0015-03206

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-03207

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

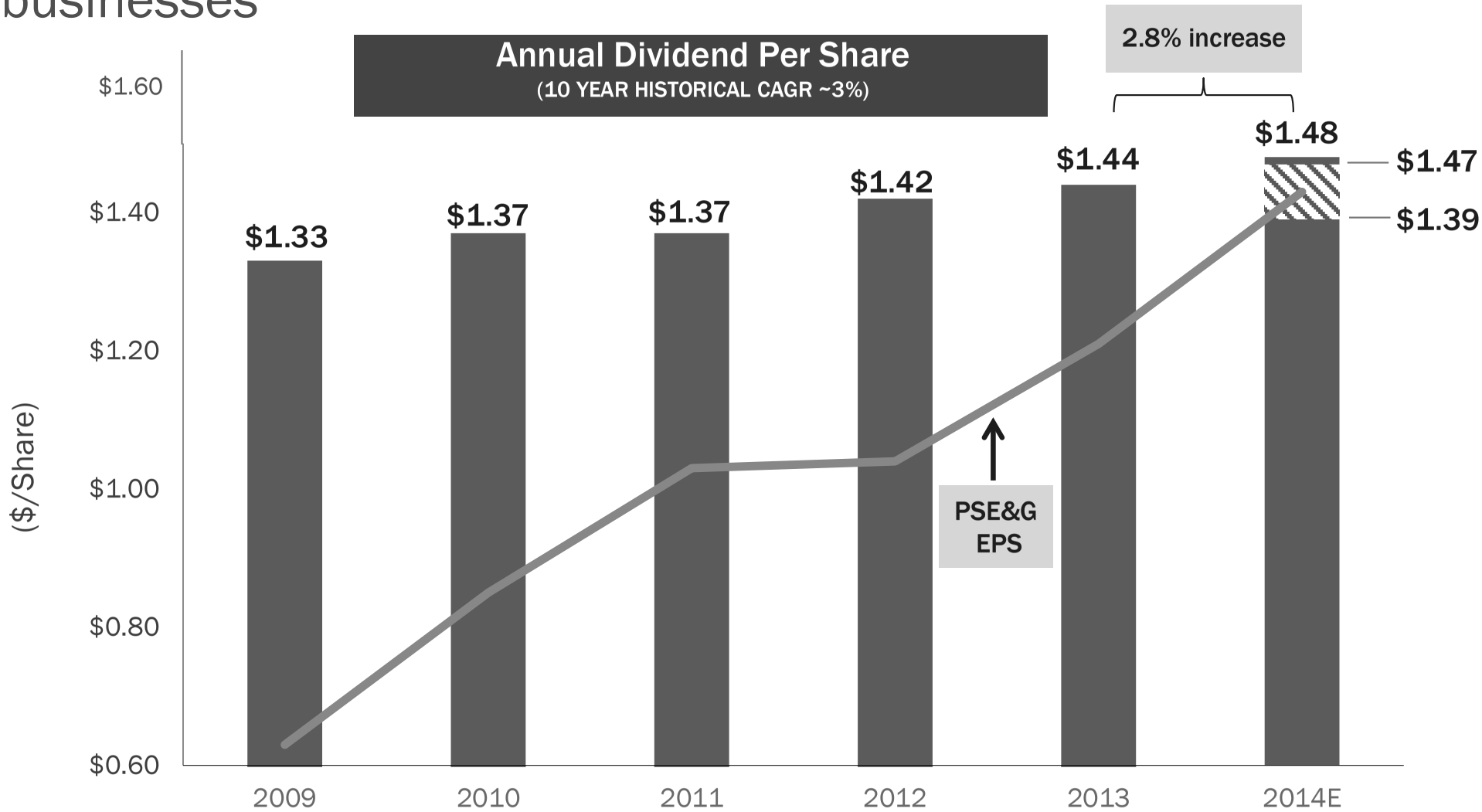
SI-SSA-0015-03208

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-03210

PSEG Summary

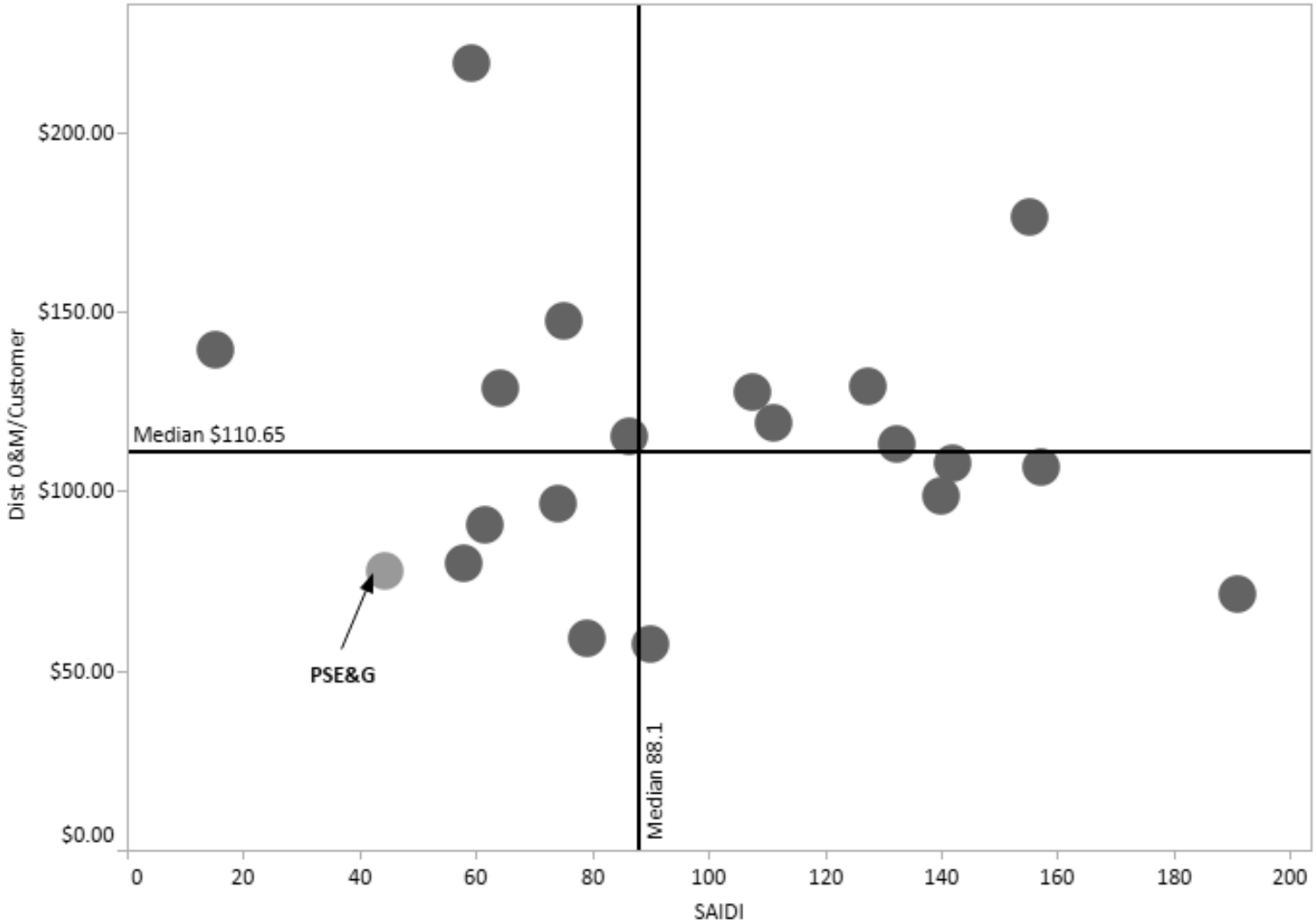
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-03211

PSE&G APPENDIX

SI-SSA-0015-03212

PSE&G provides high reliability at below average cost which creates superior value to customers



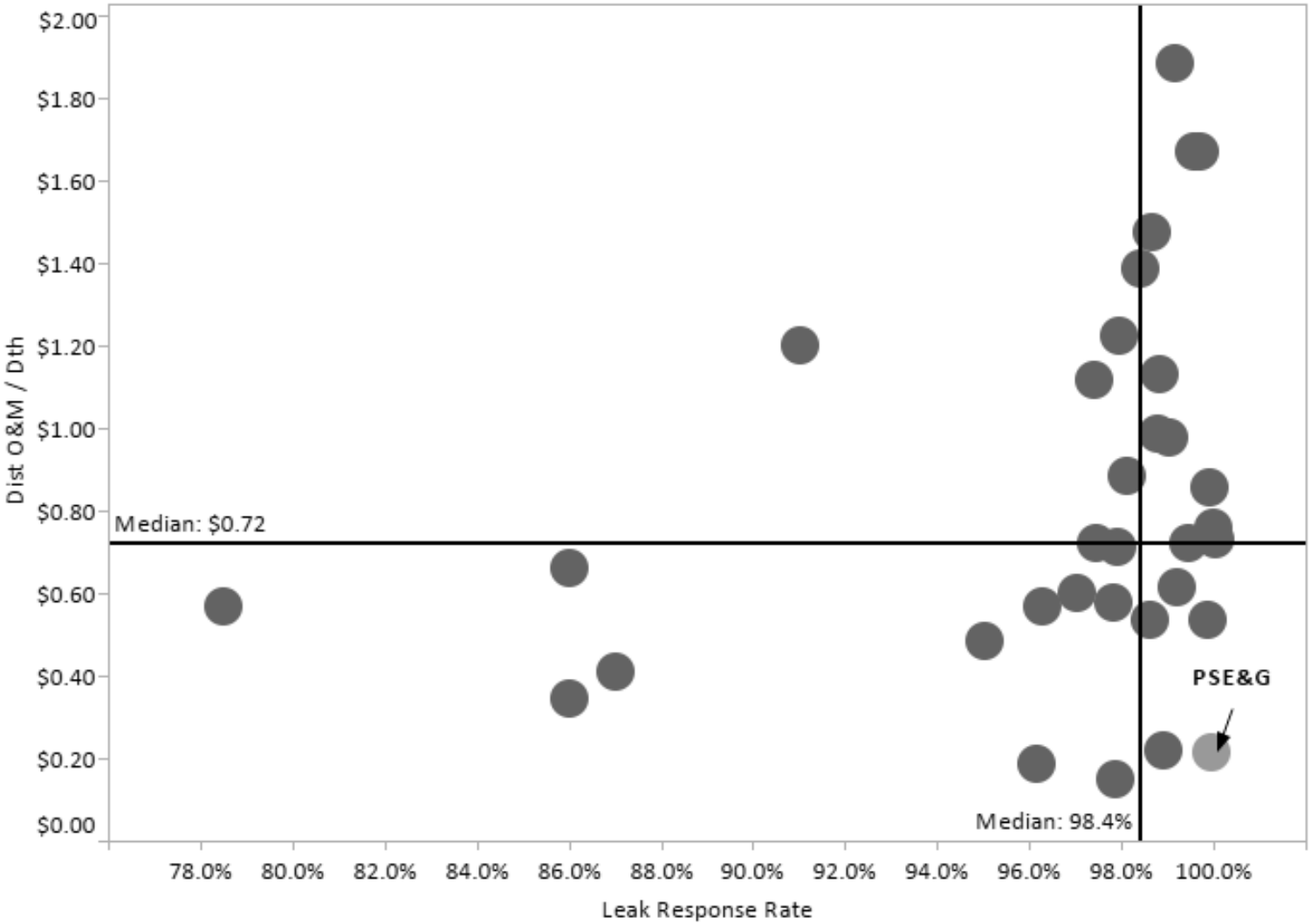
SI-SSA-0015-03213

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers

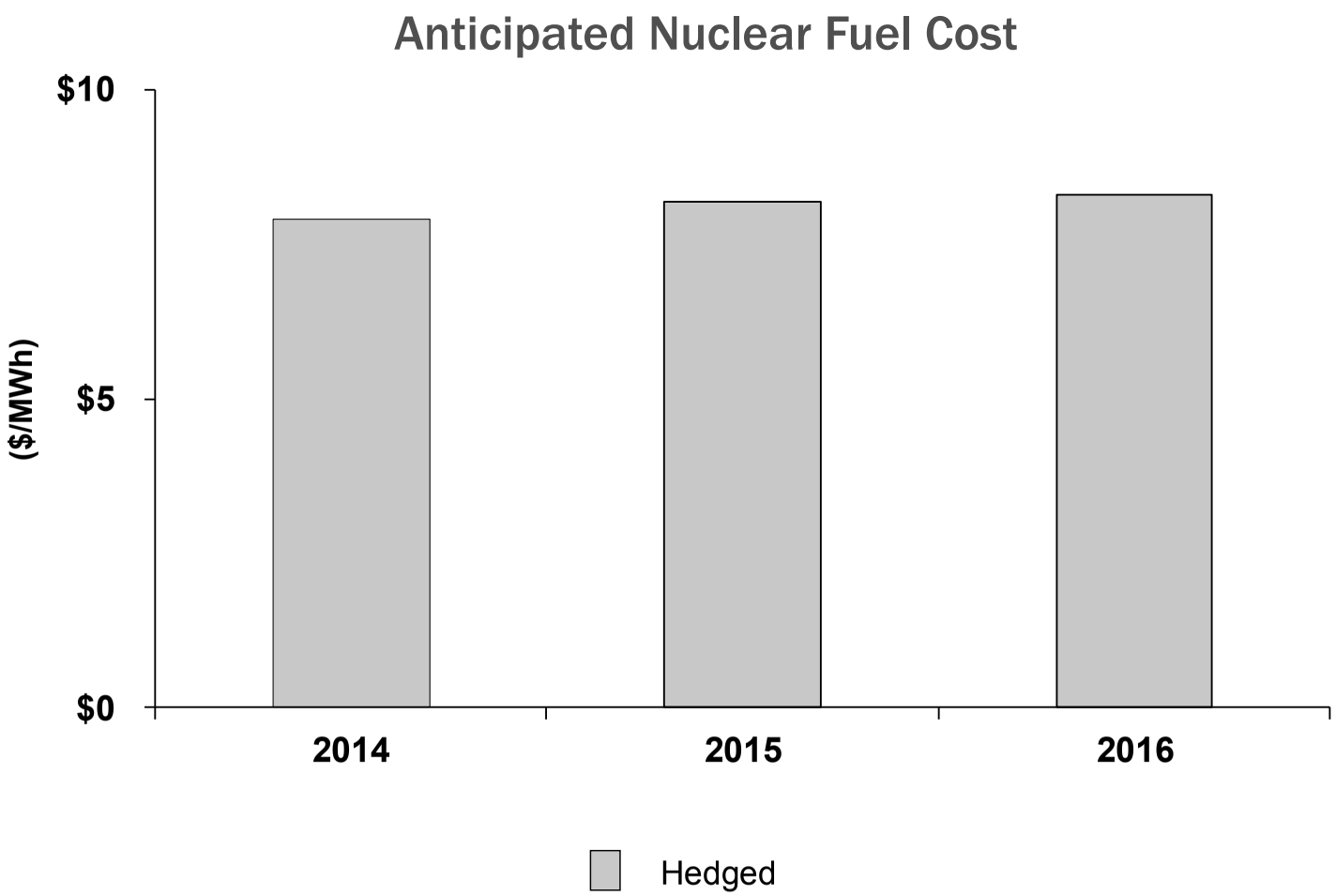


SI-SSA-0015-03214

PSEG POWER AND ER&T APPENDIX

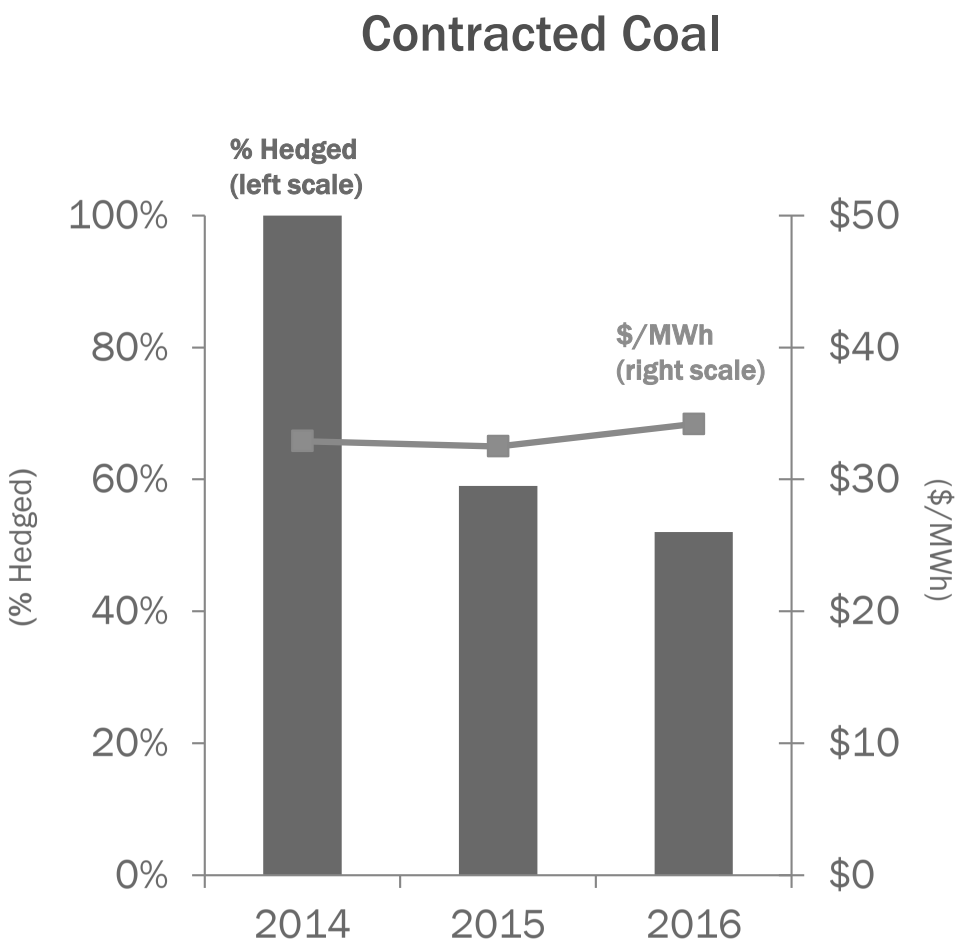
SI-SSA-0015-03215

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-03216

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-03217

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-03218

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03219

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

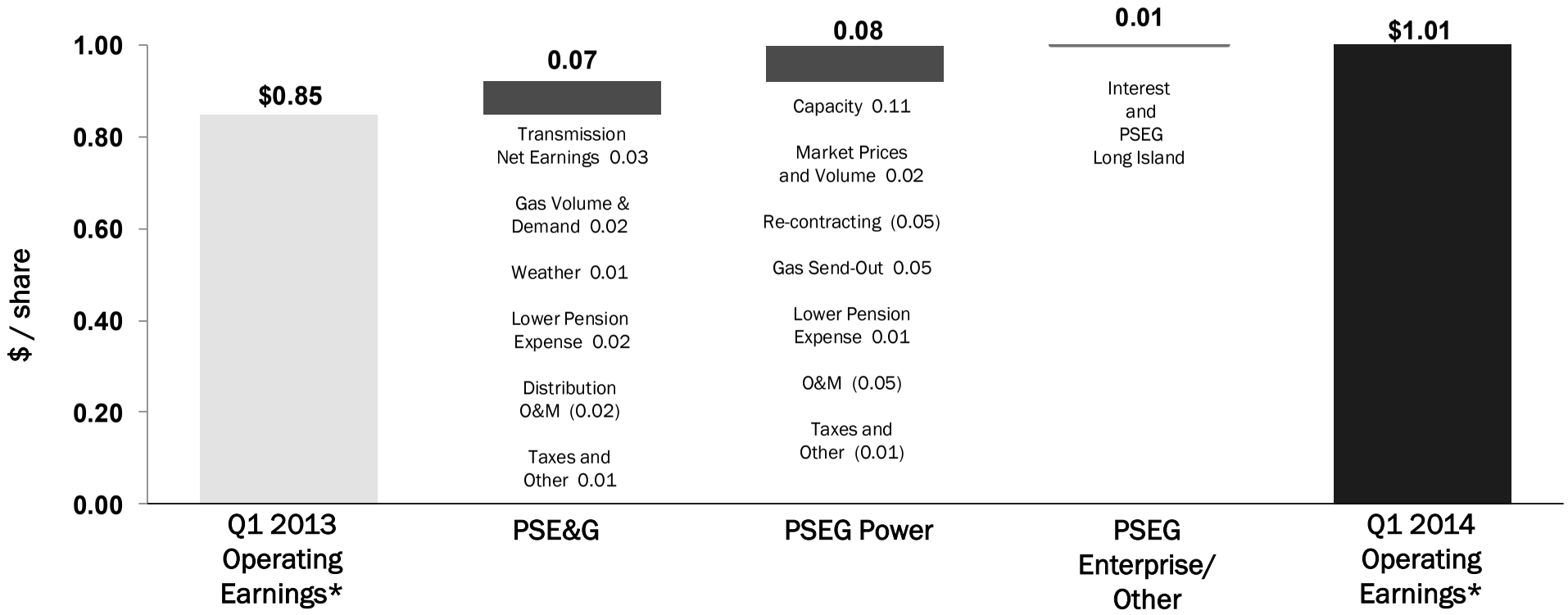
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-03220

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-03221

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

SI-SSA-0015-03222

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-03223

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-03224

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-03225

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a]Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-03227

2013 AGA Financial Forum

NAPLES, FLORIDA – MAY 5-7, 2013

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03228

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Ralph LaRossa

PRESIDENT AND
CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

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PSEG

We make things work for you.

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-03230

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-03231

PSEG OVERVIEW & OUTLOOK

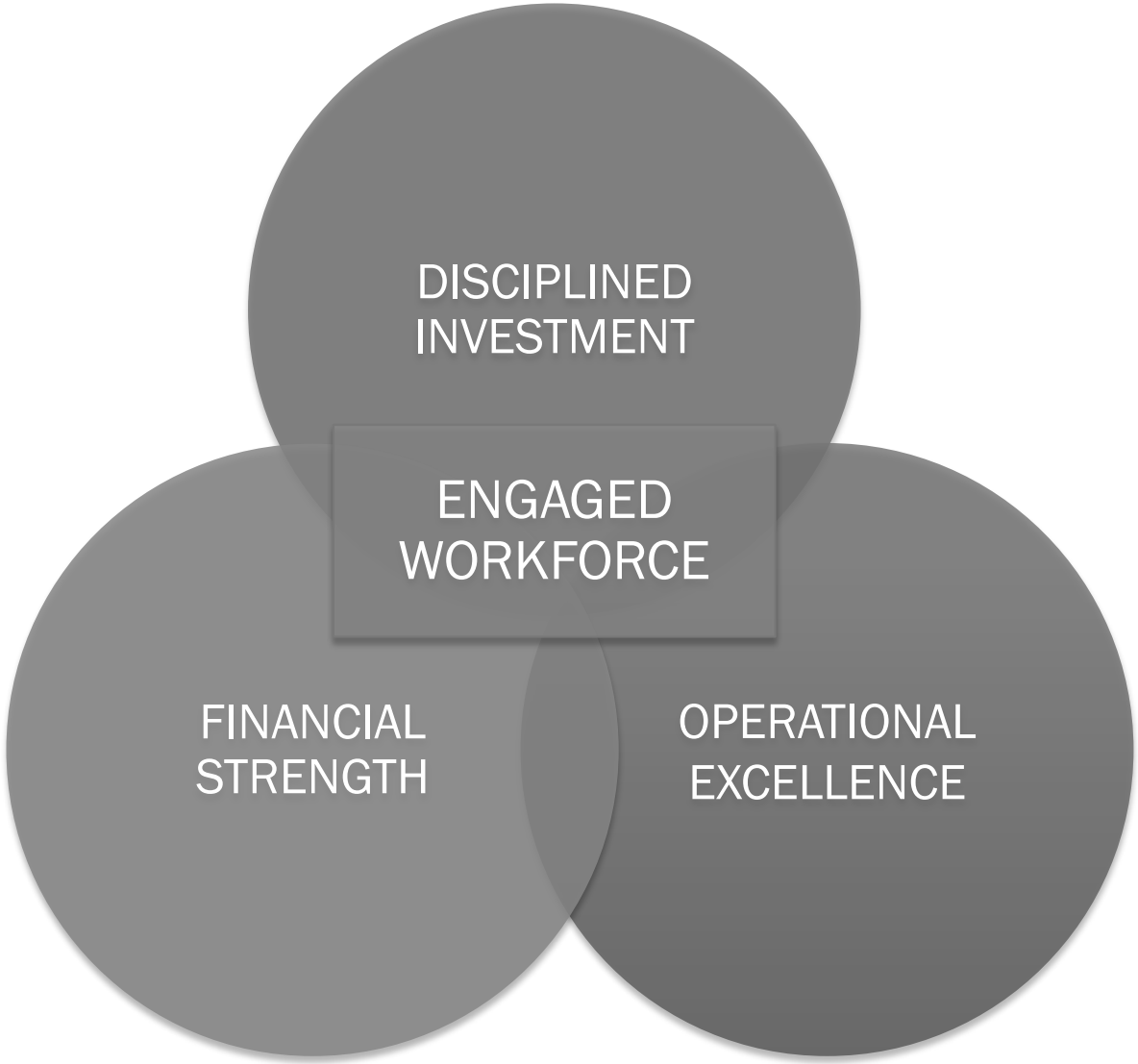
PSEG

We make things work for you.

SI-SSA-0015-03232

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-03234

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

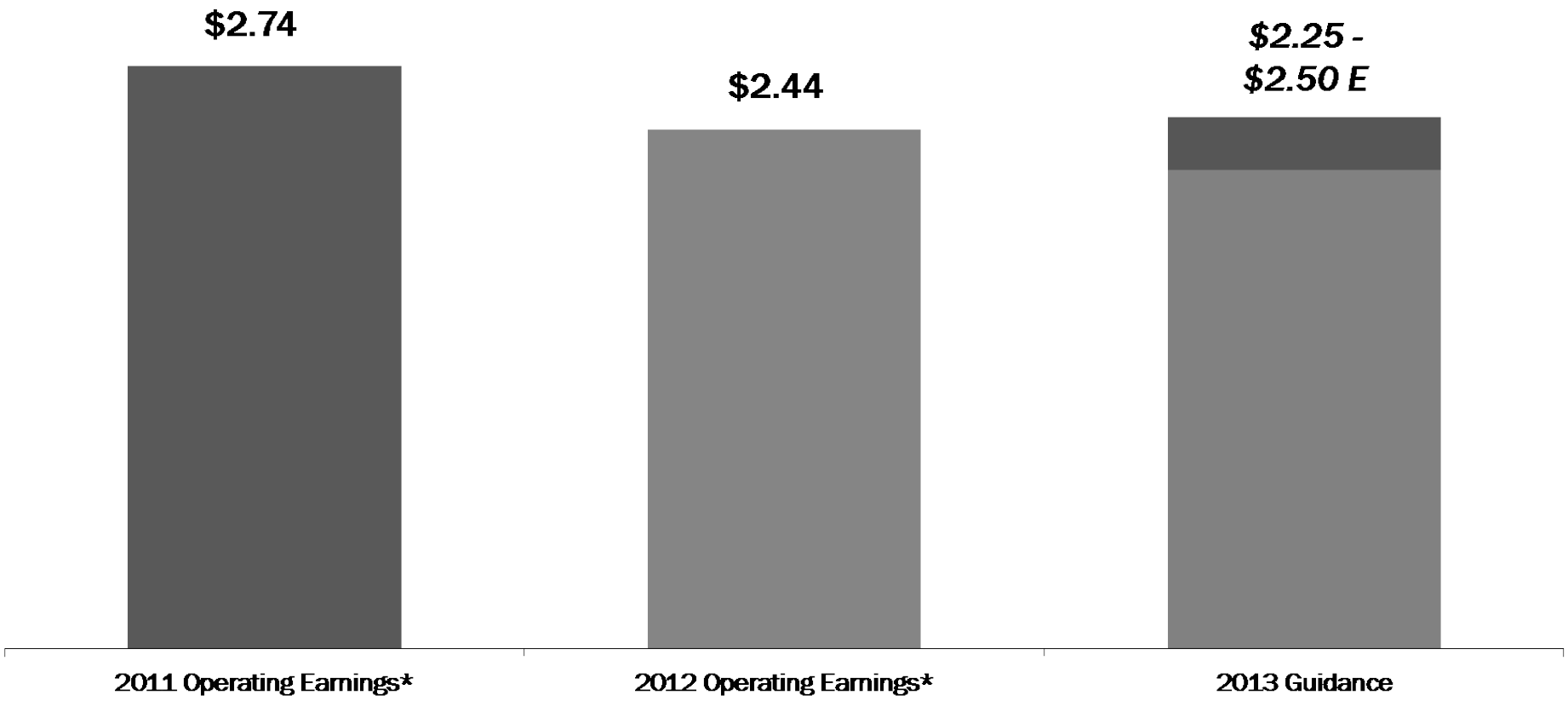
- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

SI-SSA-0015-03235

2013 Operating Earnings Guidance



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PSEG

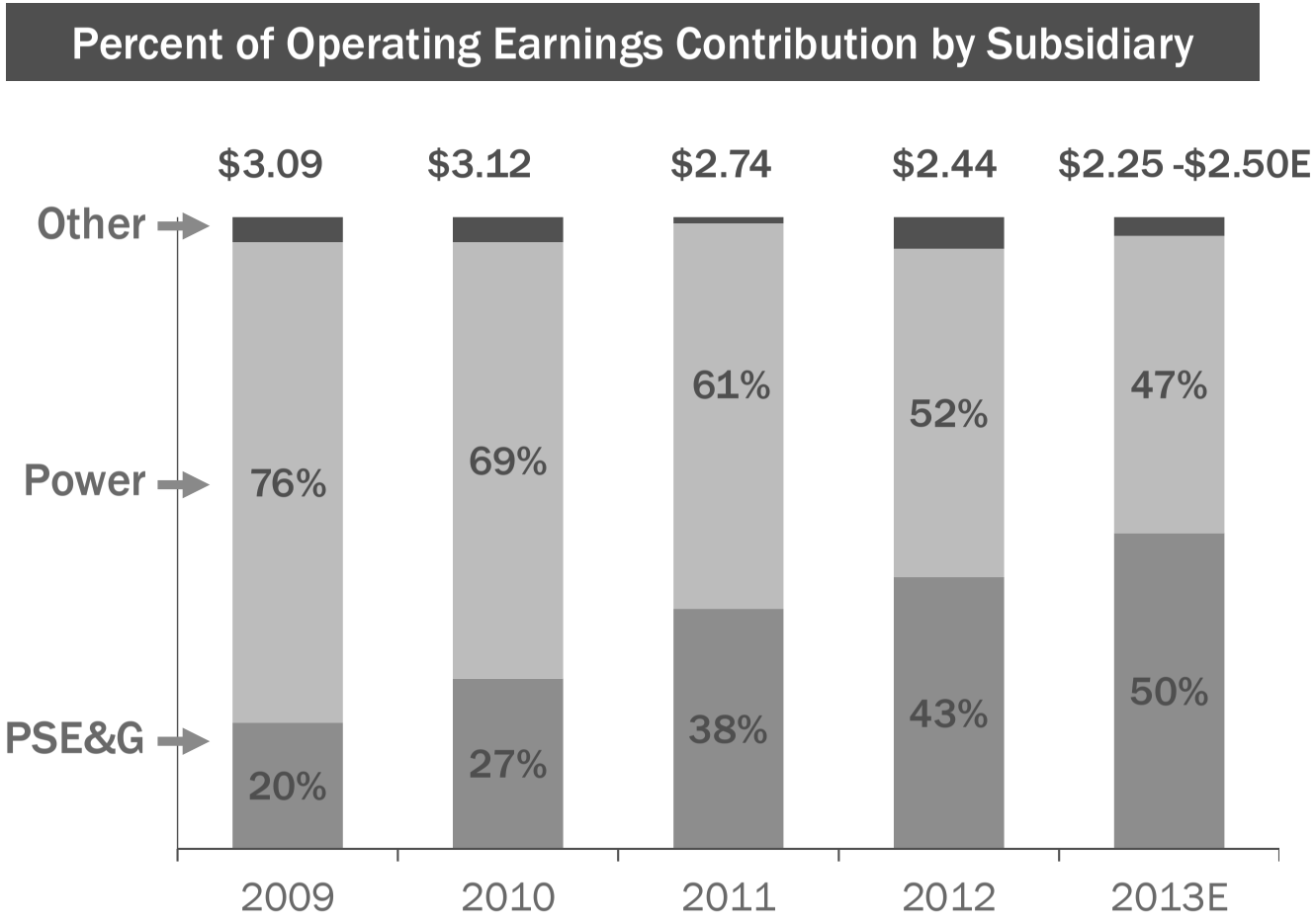
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012. (2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-03238

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

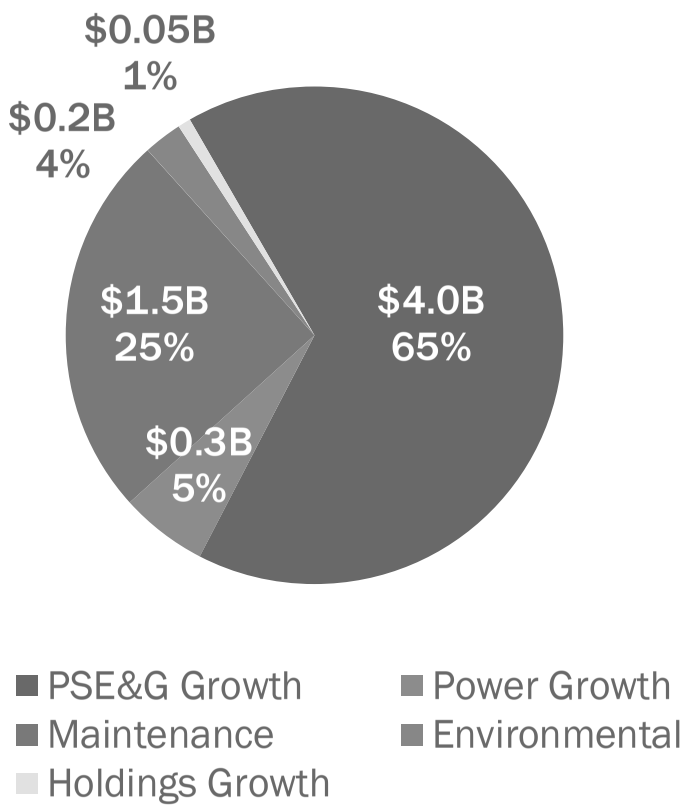
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

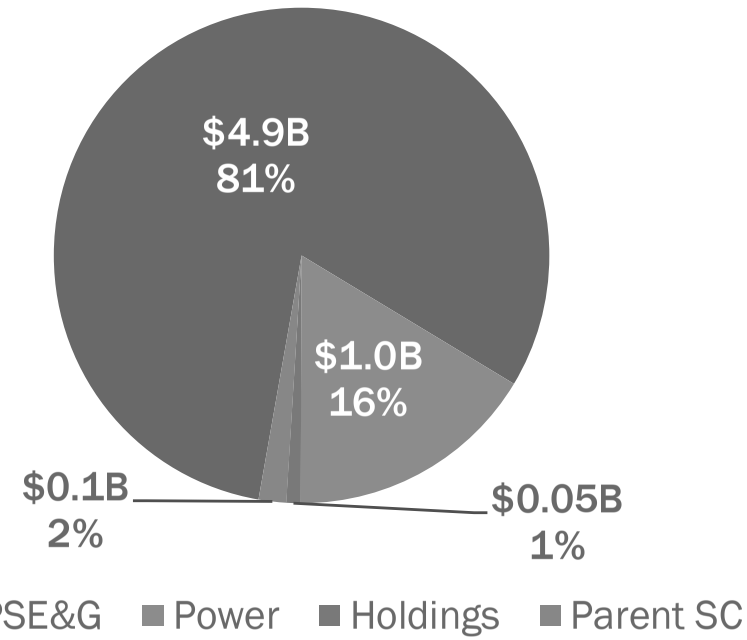
SI-SSA-0015-03239

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary

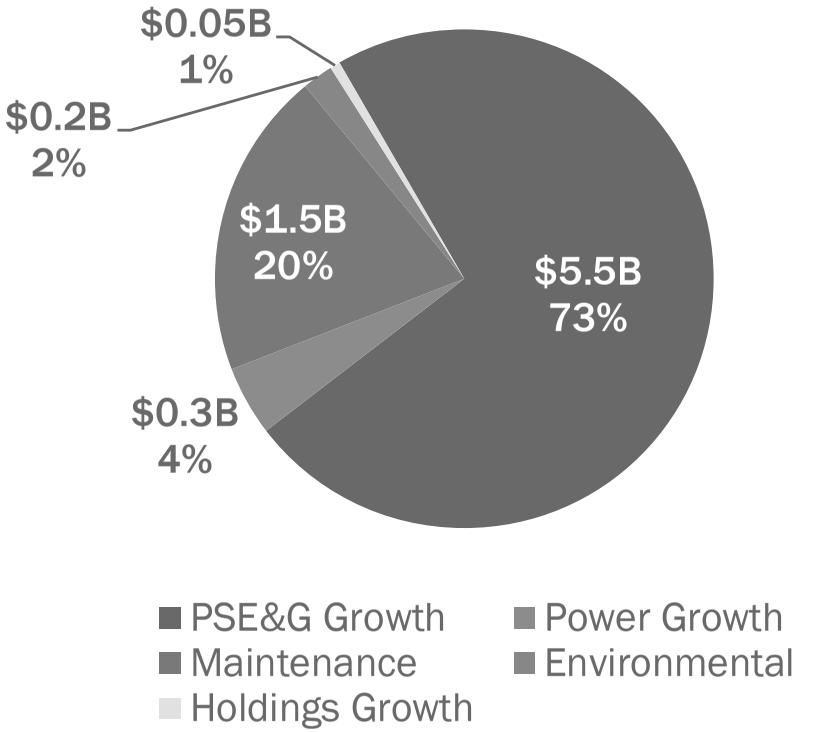


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

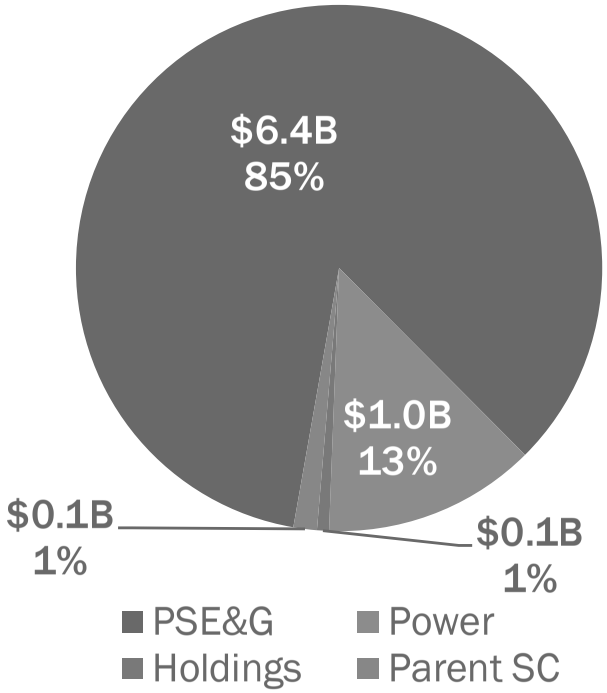
SI-SSA-0015-03240

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$454 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$415 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.1 Billion**)

- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-03242

34 Local NJ towns and 3 counties support

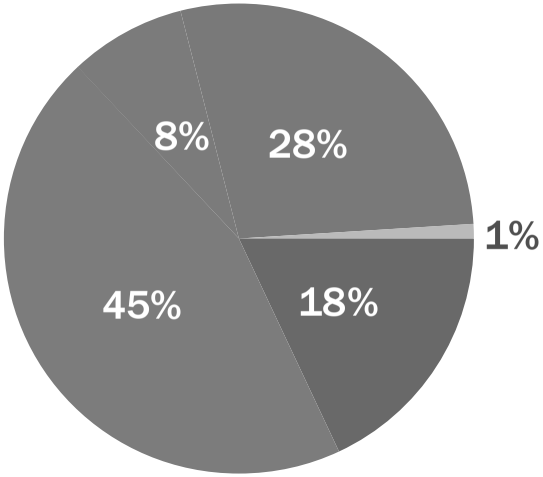
- 34 local NJ governments, and the counties of Hudson, Passaic and Somerset, have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

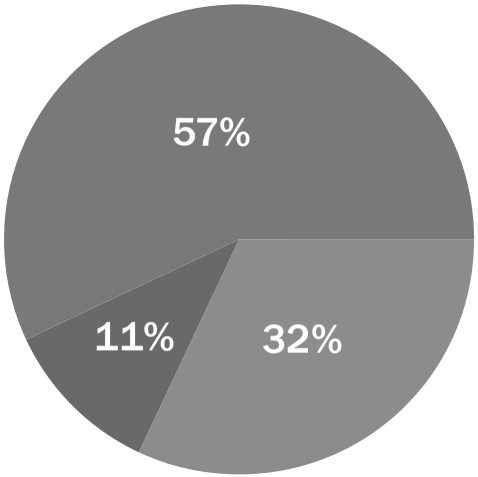
SI-SSA-0015-03243

PSEG Power value advantaged by asset diversity, fuel flexibility and location

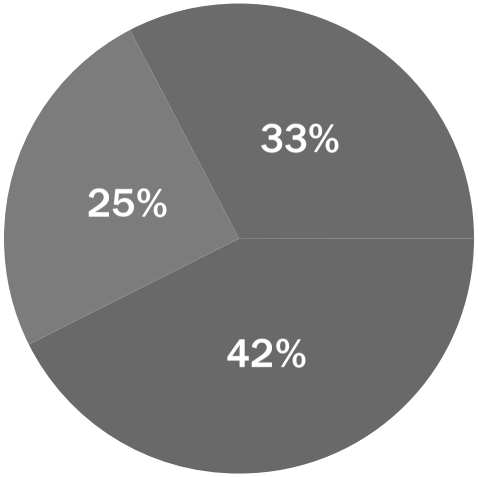
Fuel Diversity*
Total MW: 13,226



Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

- Intermediate
- Peaking
- Baseload

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-03244

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

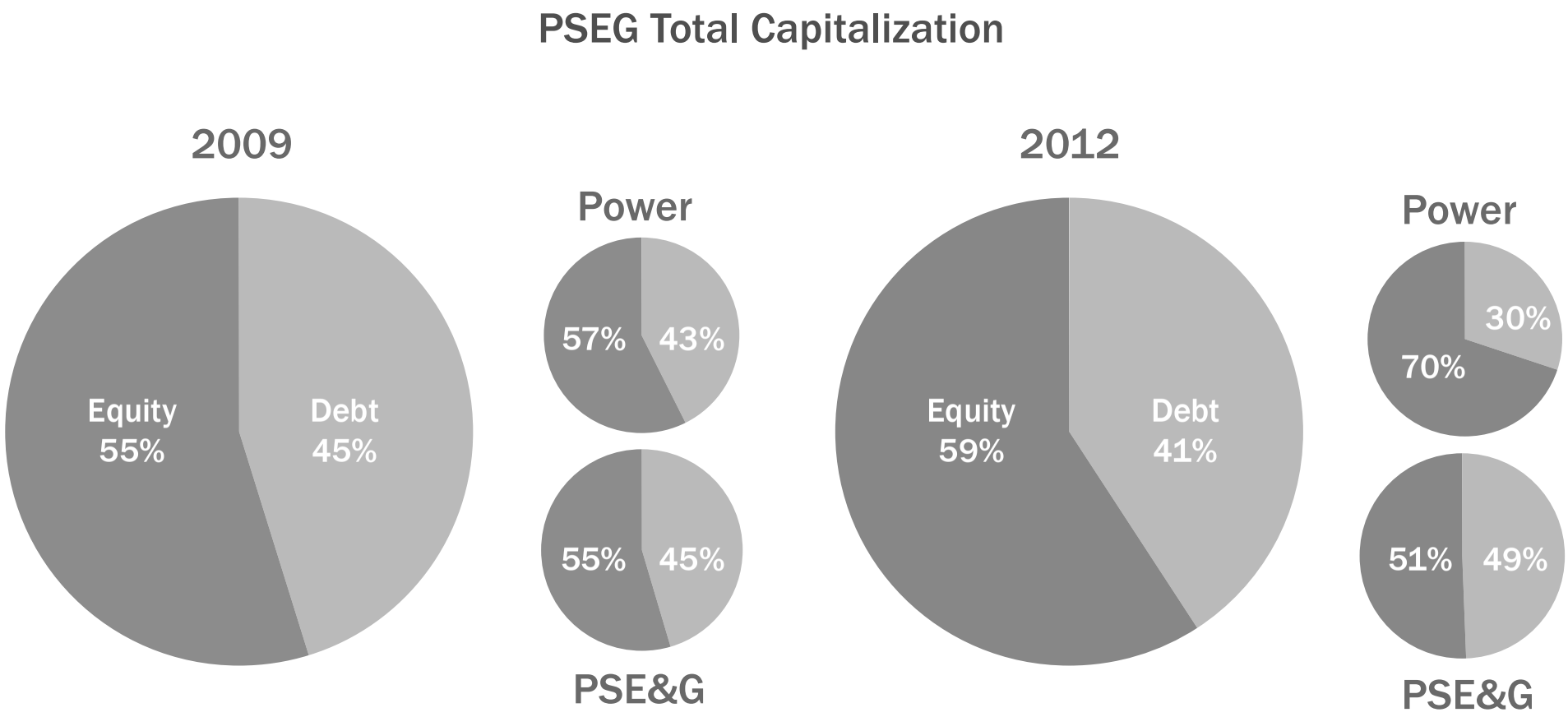
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-03245

Balance Sheet Strengthened

PSEG has reduced risk



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Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

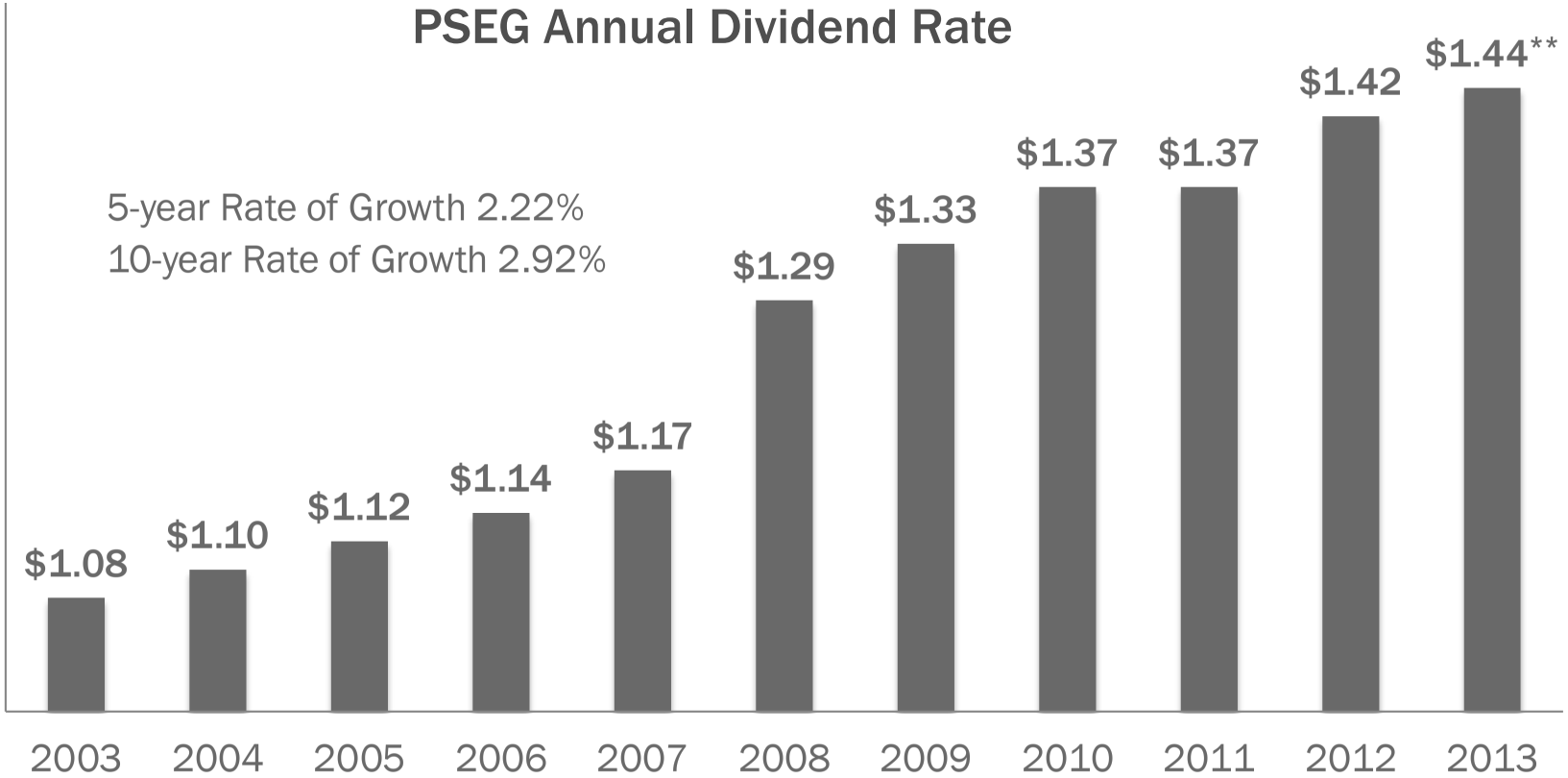
PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-03247

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-03248

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-03249

PSEG

We make things work for you.

PSE&G

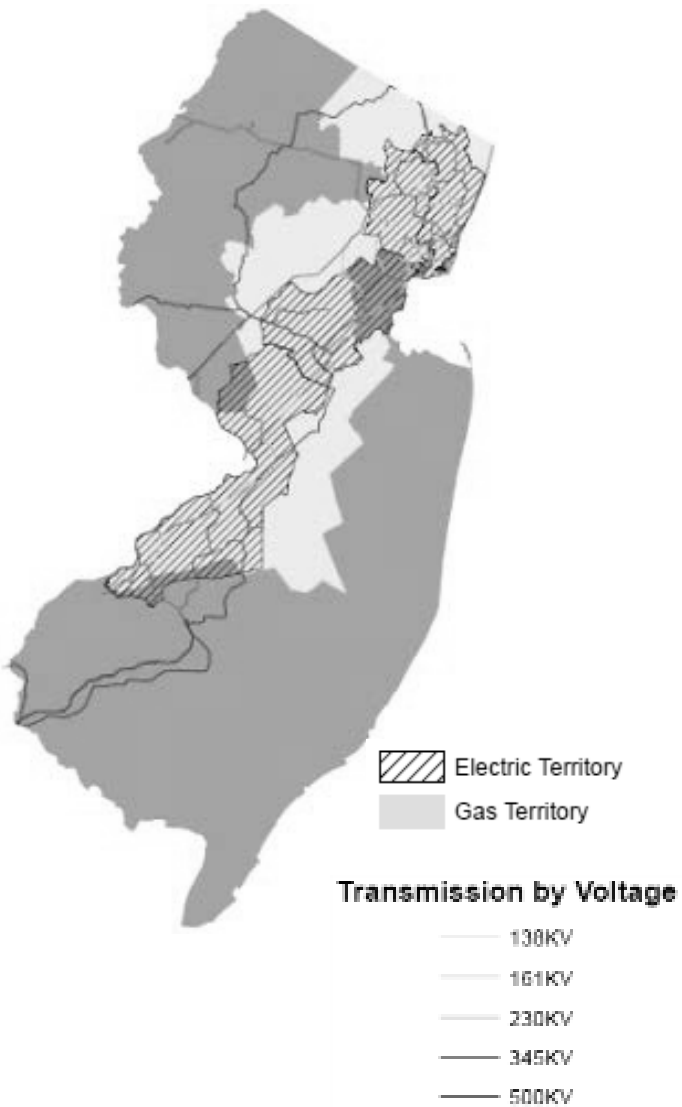
SI-SSA-0015-03250

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03251

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-03252

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

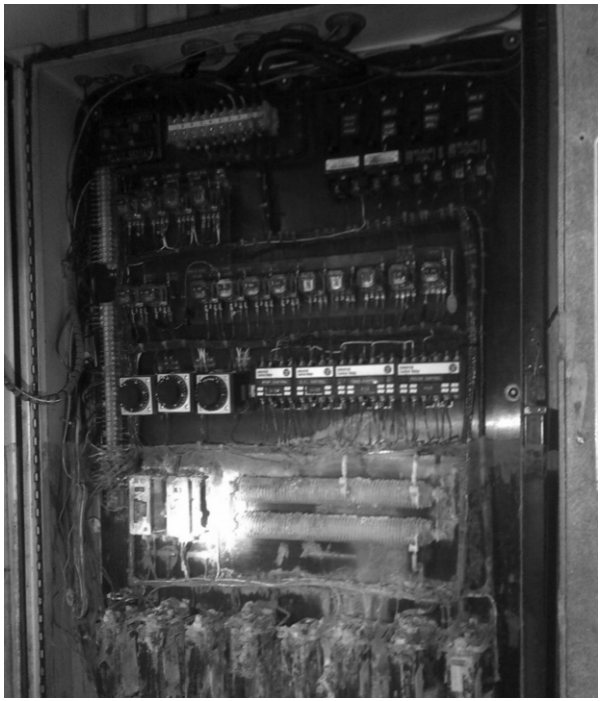
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-03253

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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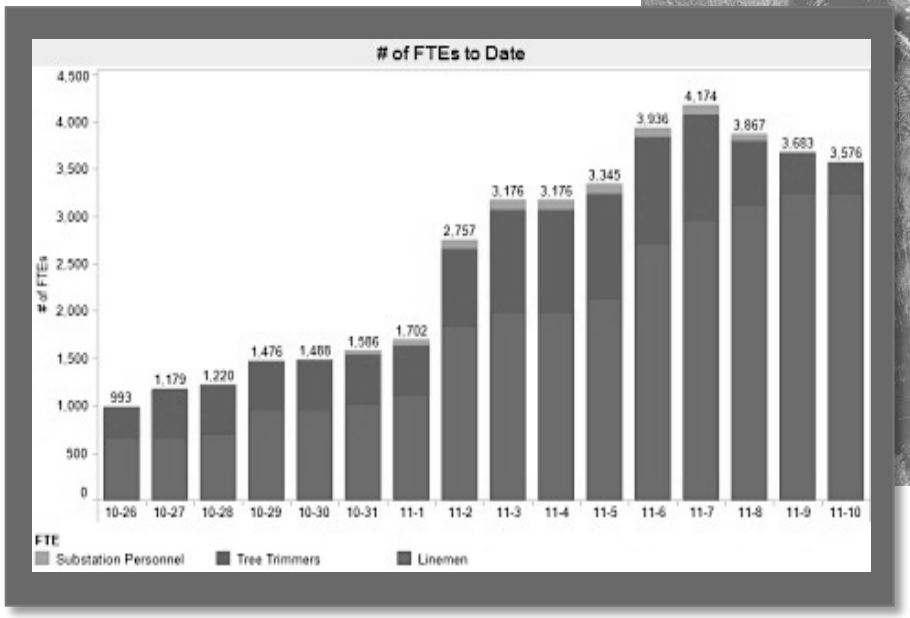
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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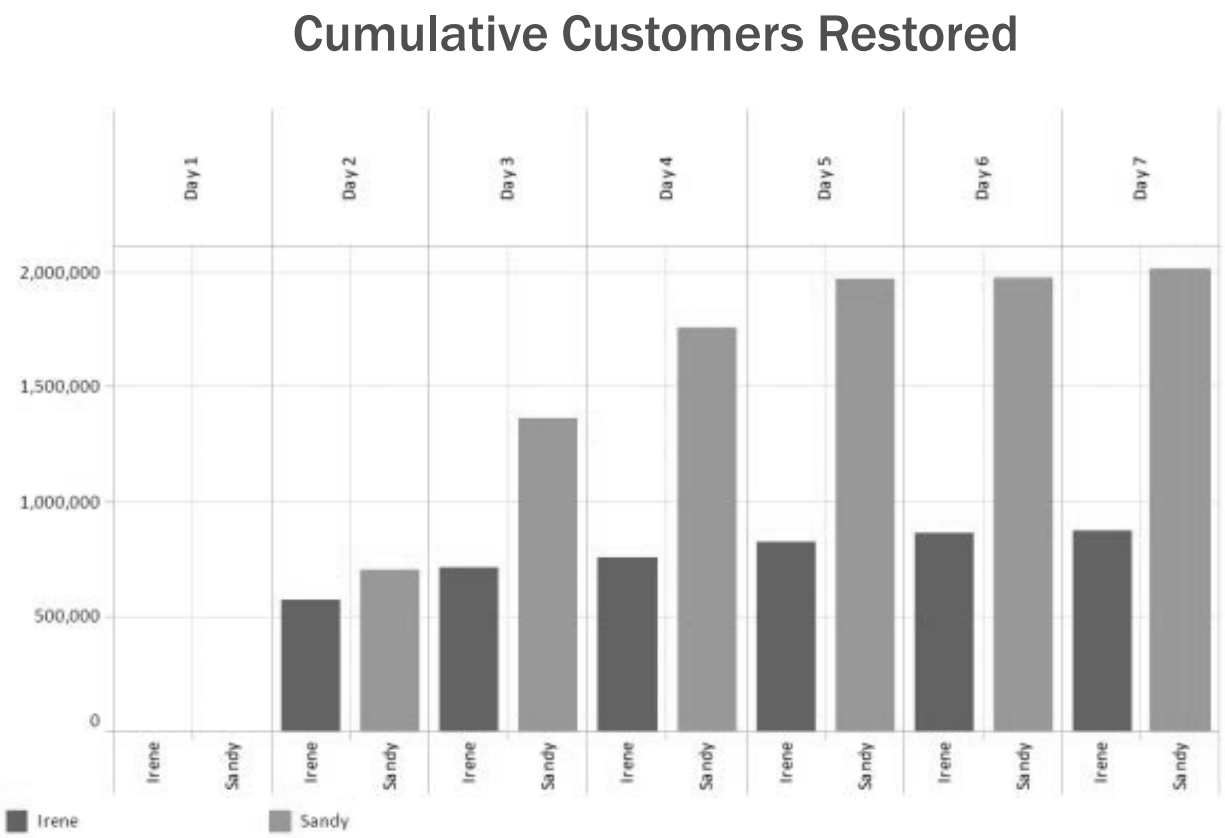
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



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PSE&G's operating earnings grew ~10%*

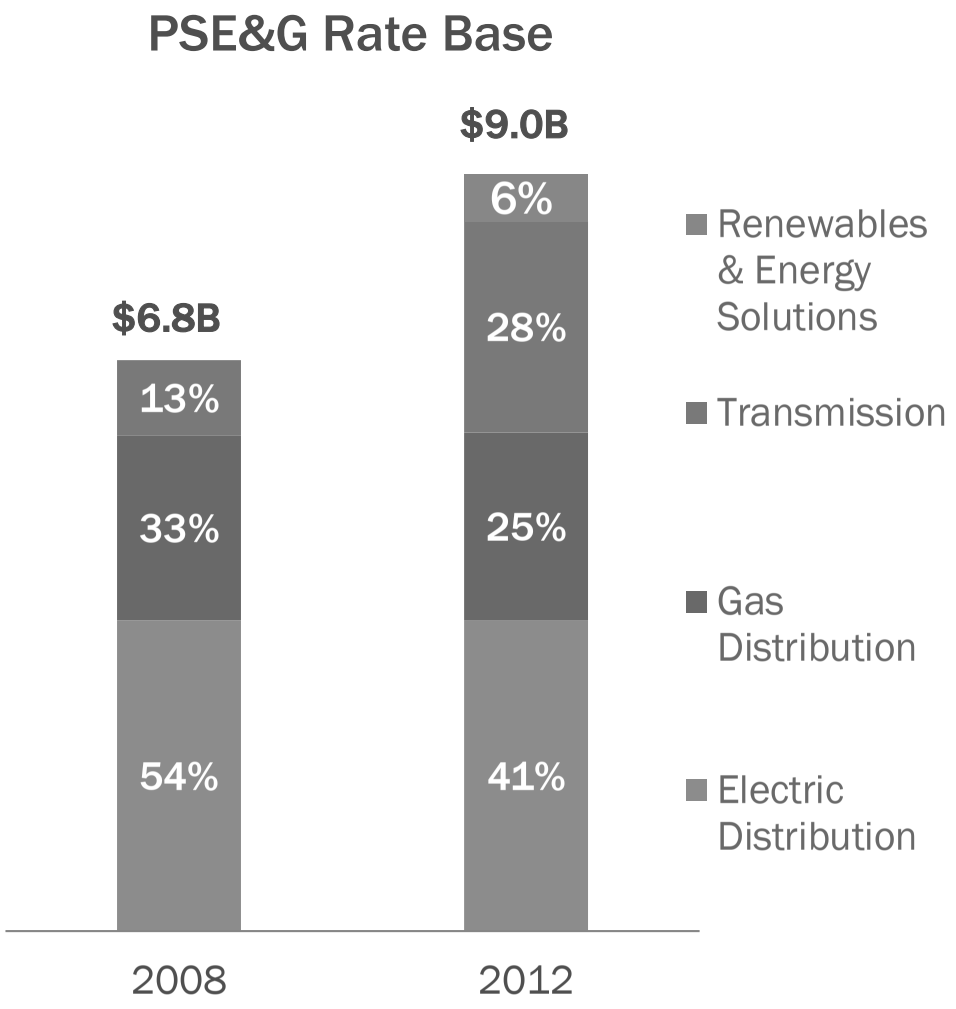
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-03257

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

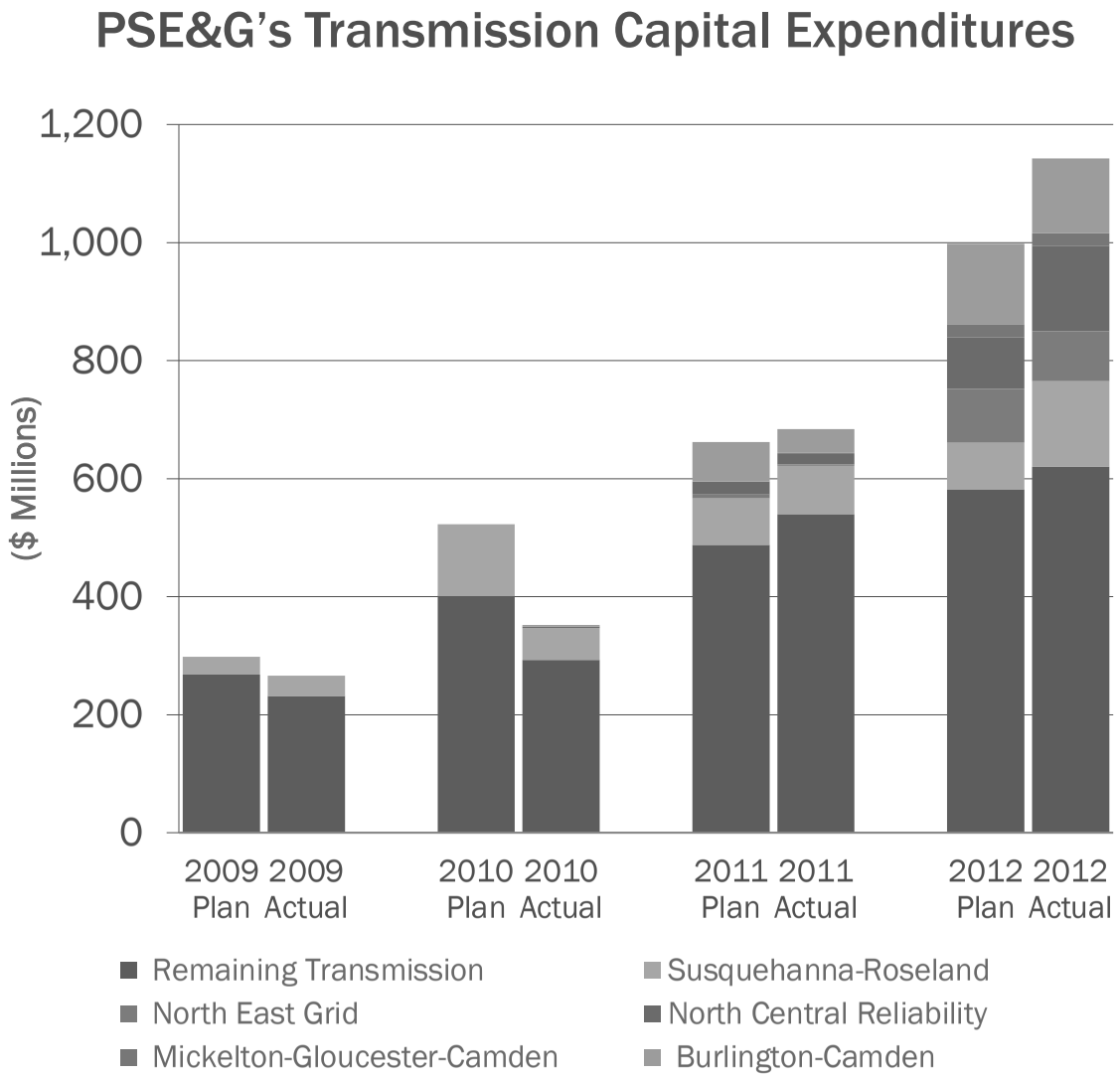
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-03258

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-03259

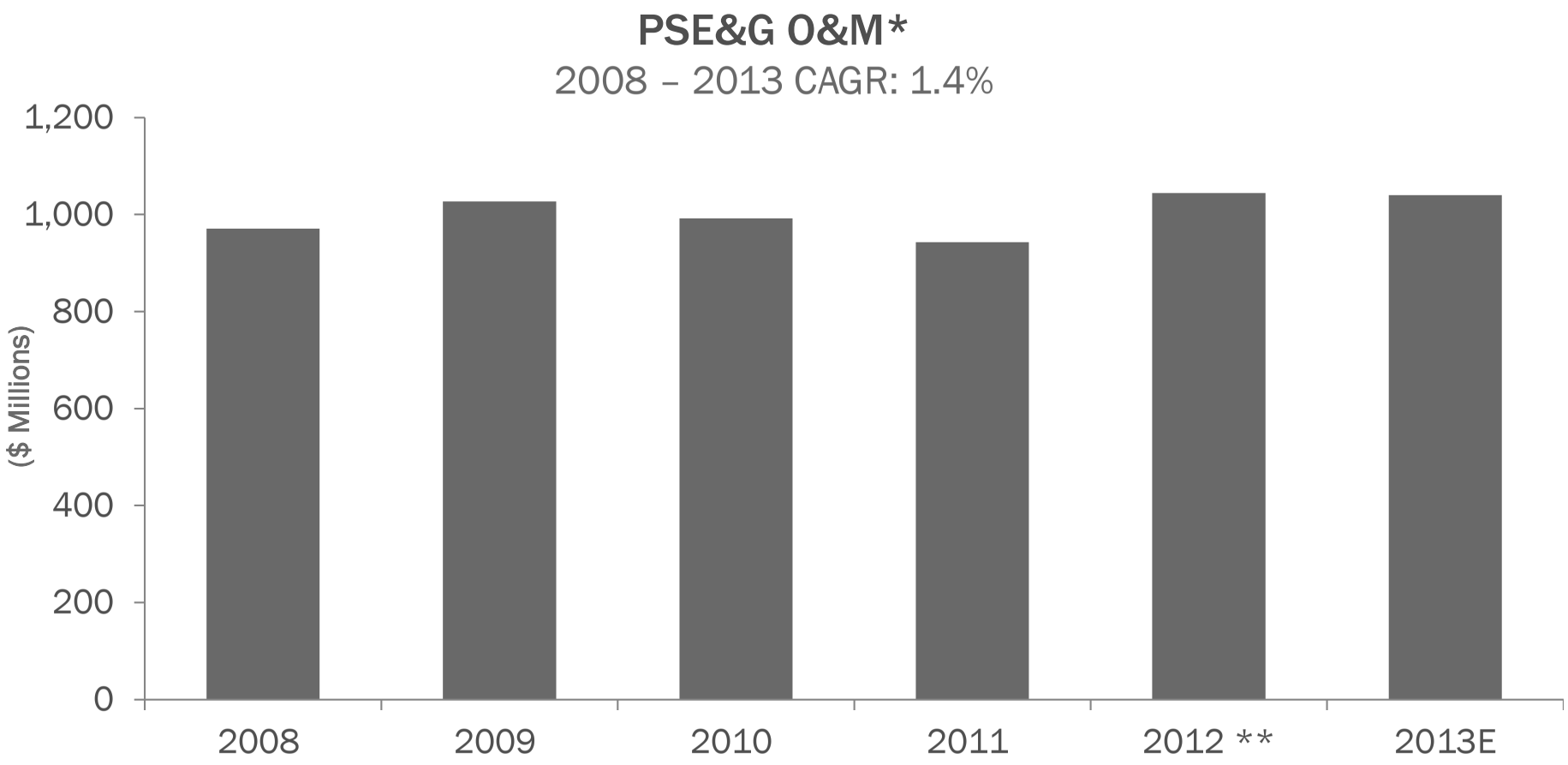
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-03260

Focus on controlling O&M allows us to earn our authorized return

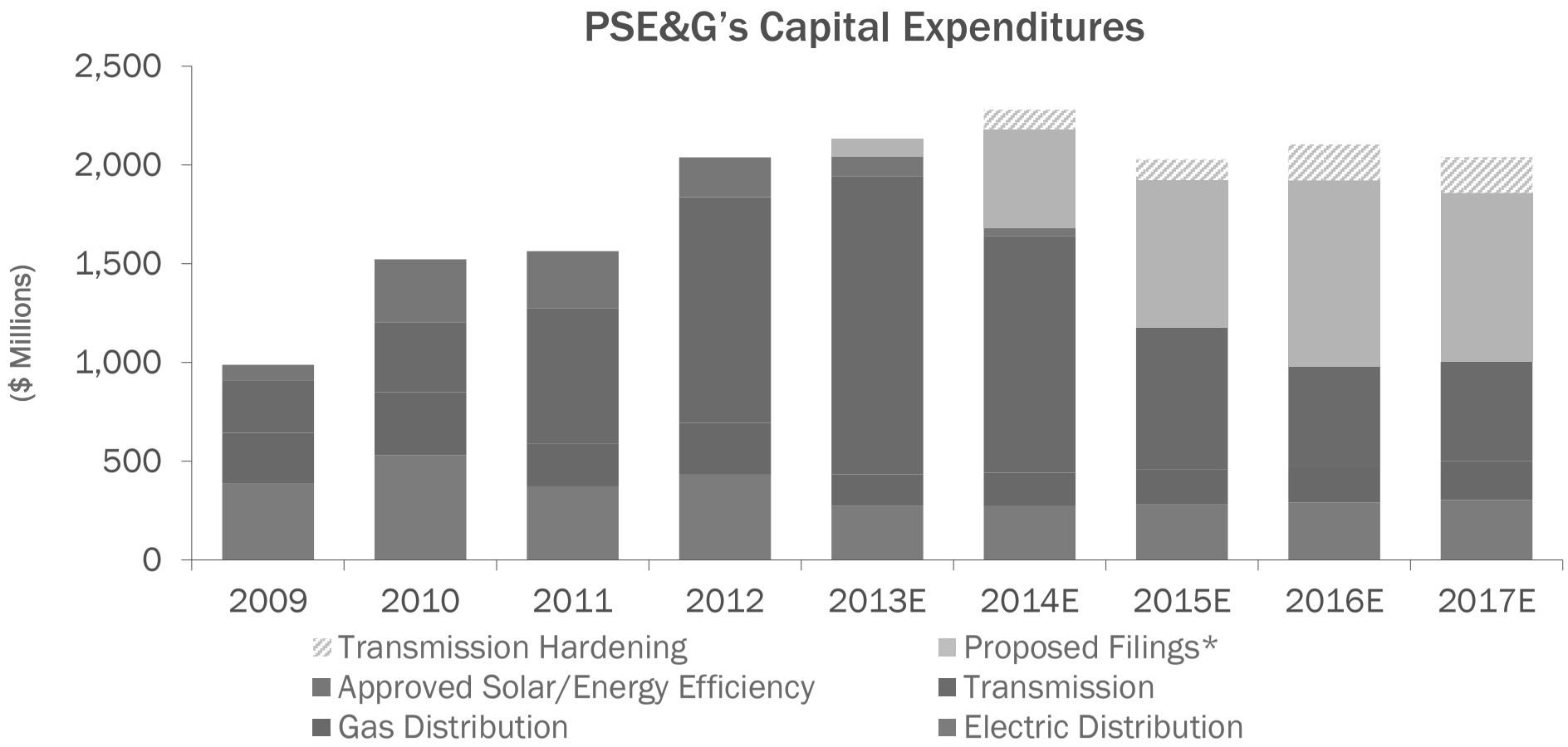


SI-SSA-0015-03261

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-03262

PSEG

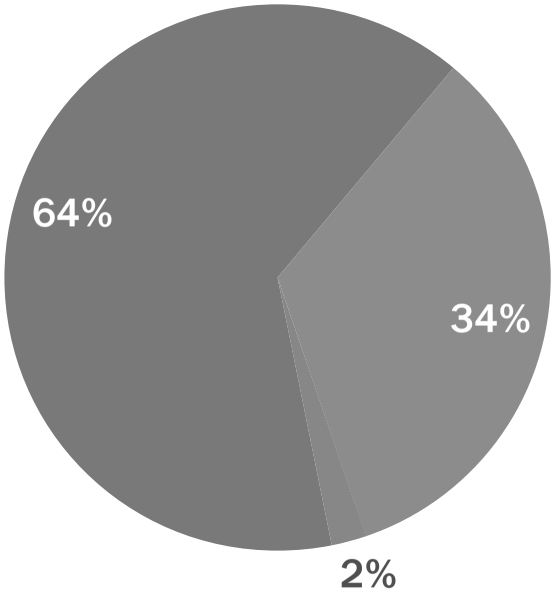
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

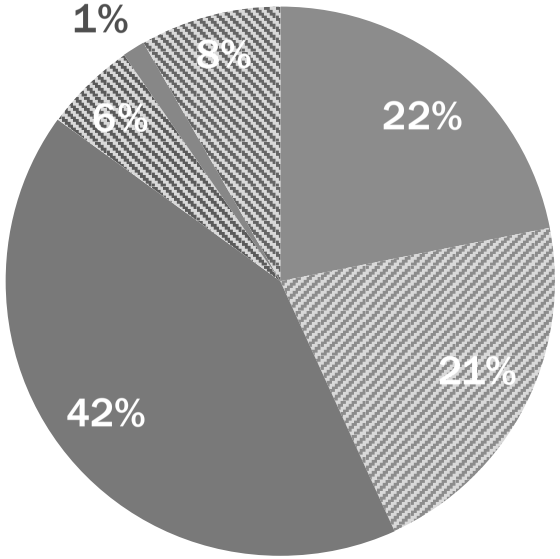
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

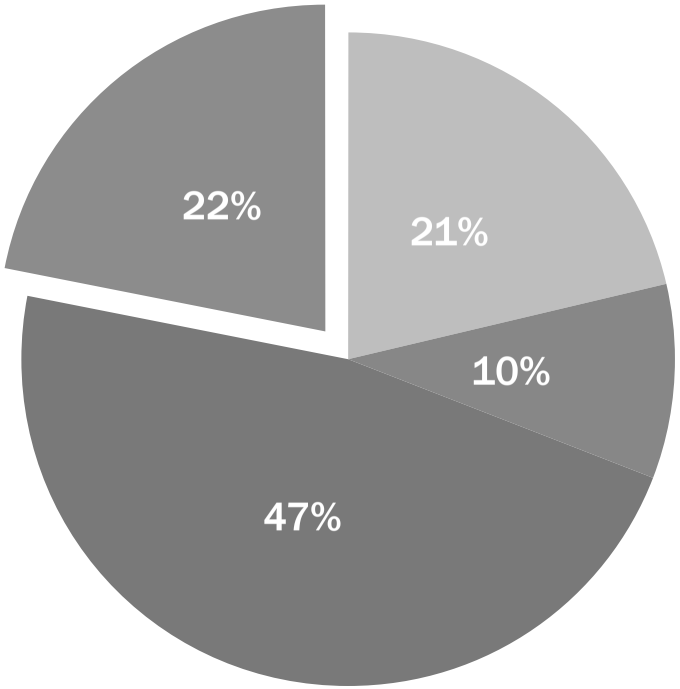
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-03263

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-03264

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-03265

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03266

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-03267

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03268

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03269

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03270

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-03271

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-03272

PSE&G is continuing to provide solutions

to assist New Jersey in achieving its EMP goals

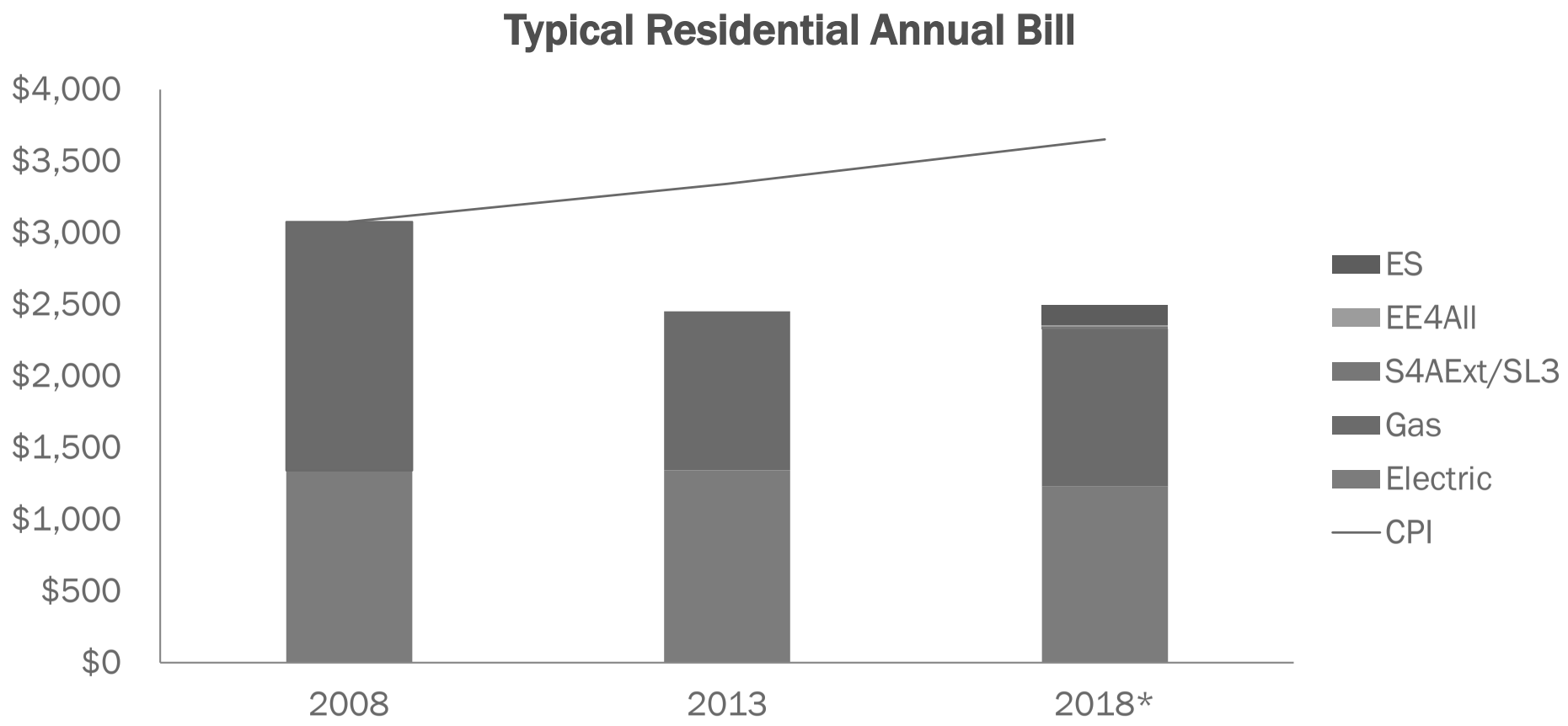
Solar Agreement Reached

- Agreement reached with NJBPU Staff and certain other parties provides for investment of $446 million over a 3-year period, and a return on equity of 10%
- A decision by the New Jersey BPU is anticipated no later than May 31

Solar 4 All extension (S4Ae)	Solar Loan III (SL3)
Agreement to invest up to $247 million to develop new solar capacity on landfills, brownfields (42MW) and 3 MW in smaller pilot programs	Agreement to invest up to $199 million on 97.5 MW of new solar

SI-SSA-0015-03273

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

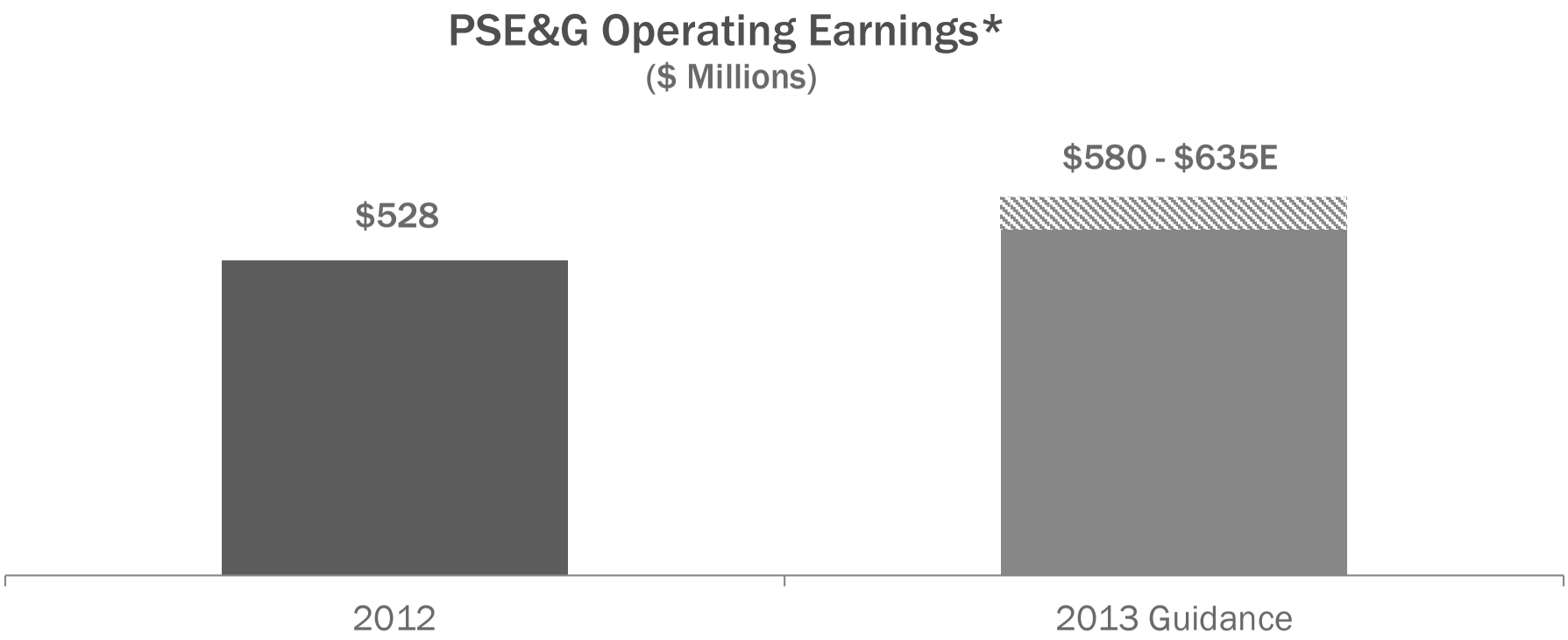


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-03274

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-03275

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-03276

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-03277

PSEG ENERGY HOLDINGS

PSEG

We make things work for you.

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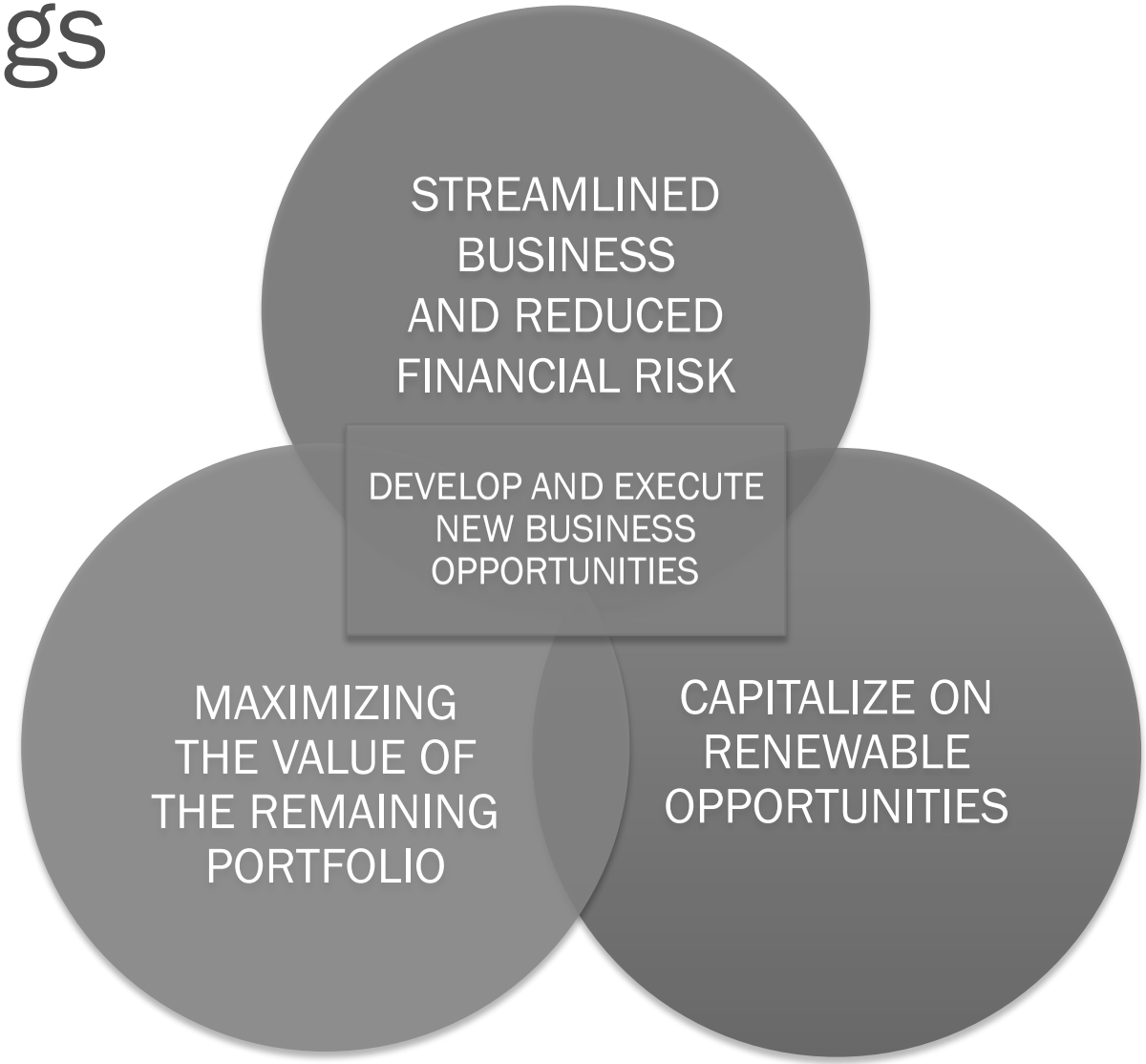
PSEG Energy Holdings strategy

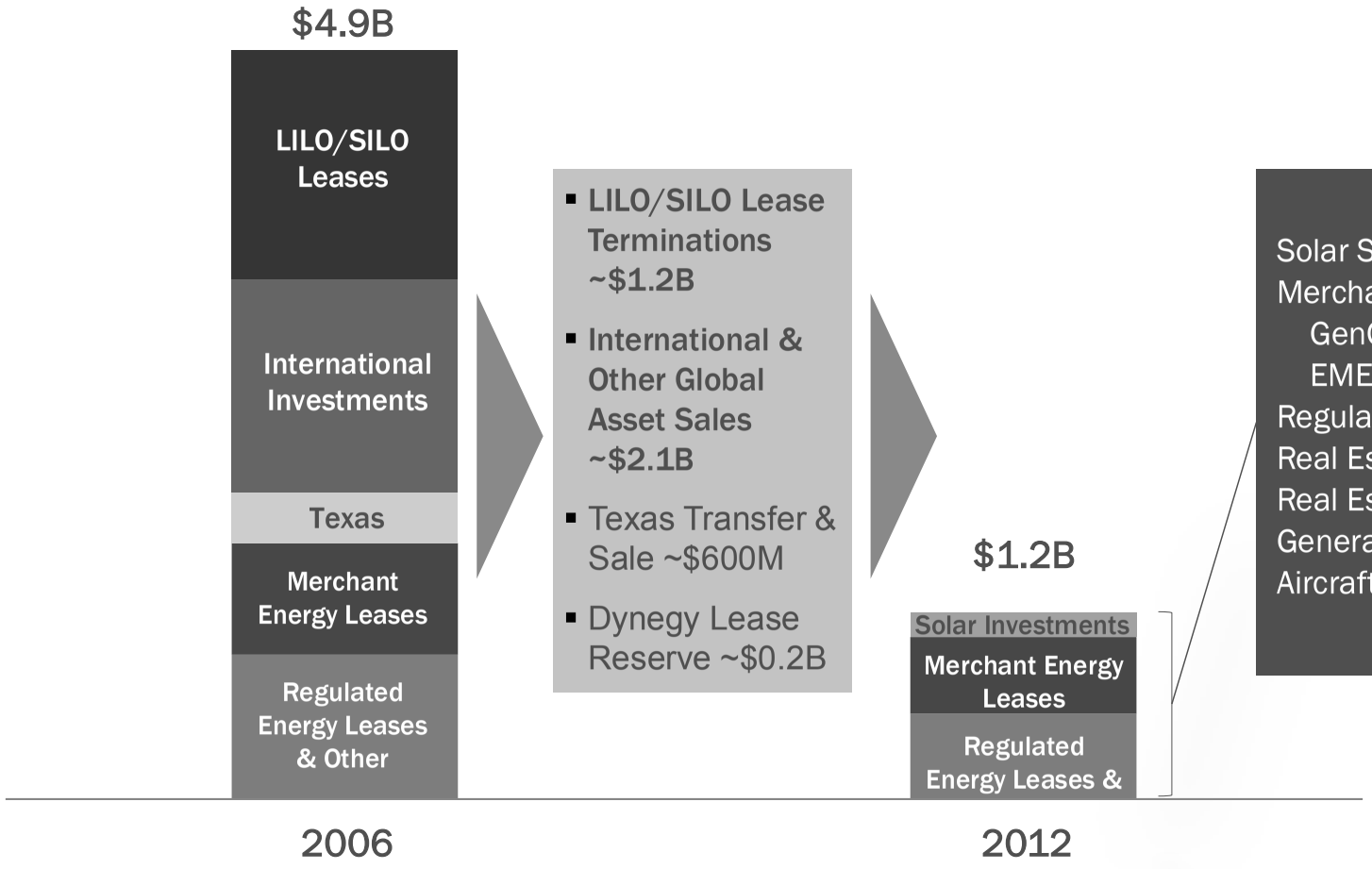
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-03279

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-03280

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-03281

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

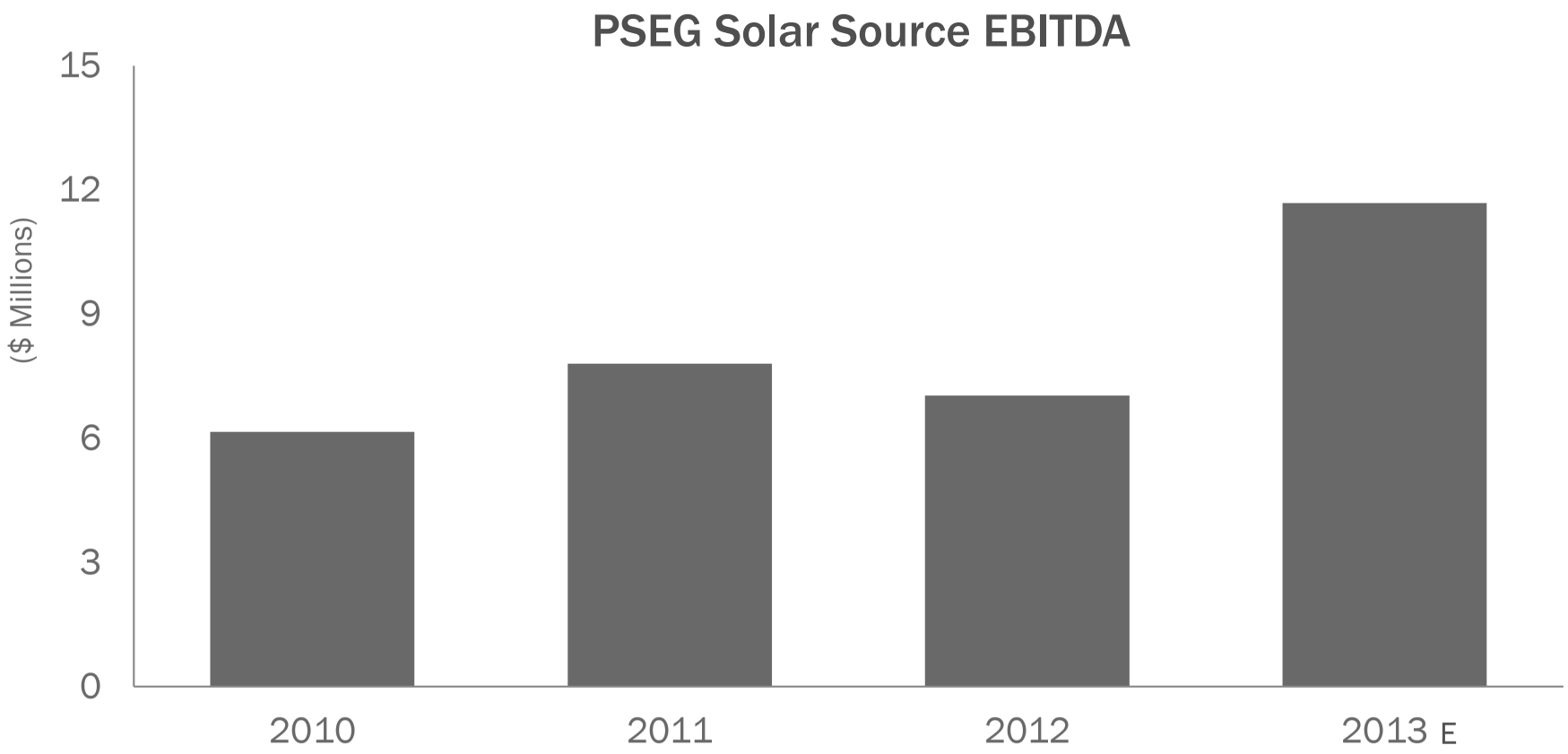
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-03282

PSEG Energy Holdings

These projects will produce steady results for PSEG

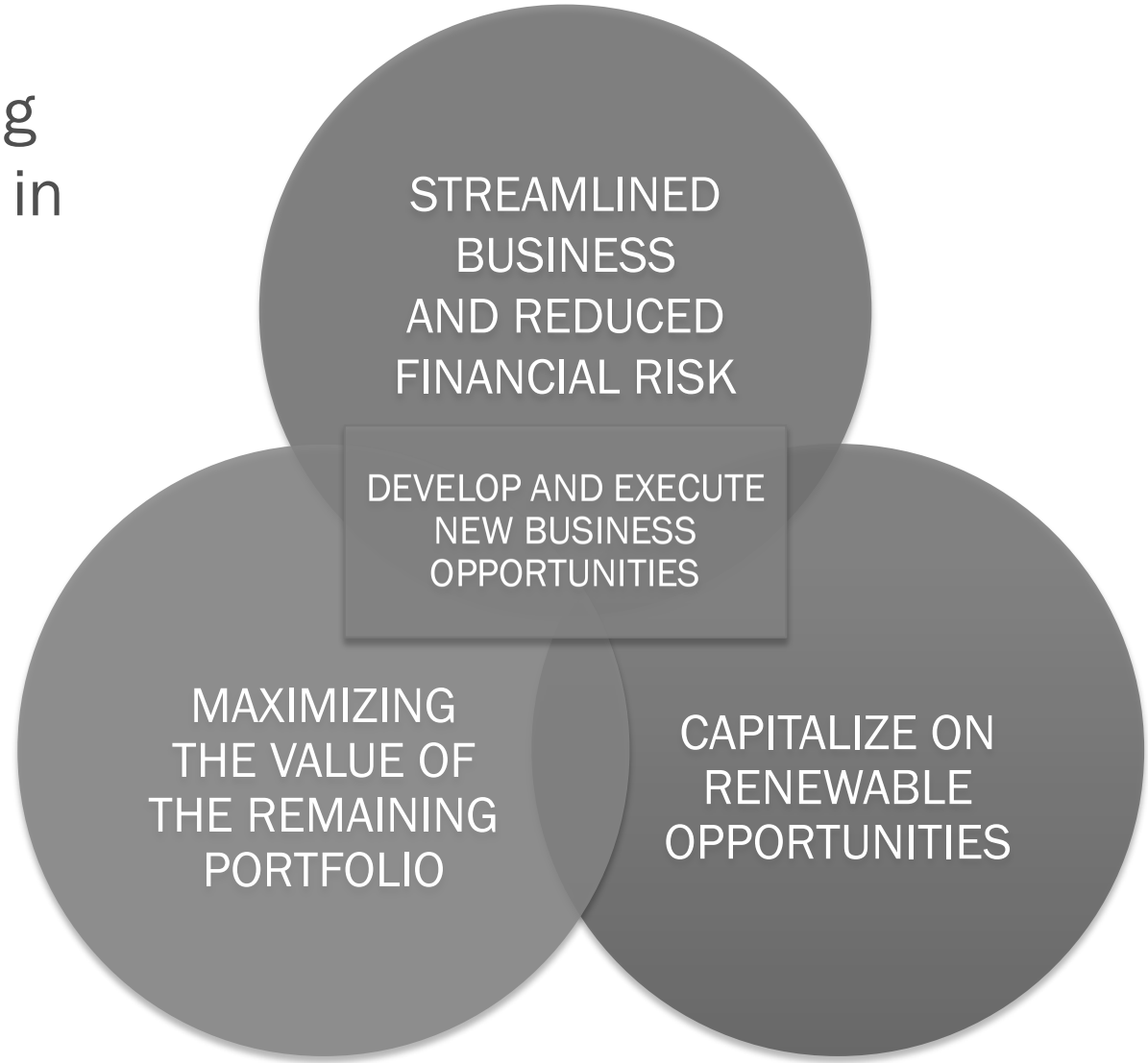


SI-SSA-0015-03283

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-03284

PSEG POWER

PSEG

We make things work for you.

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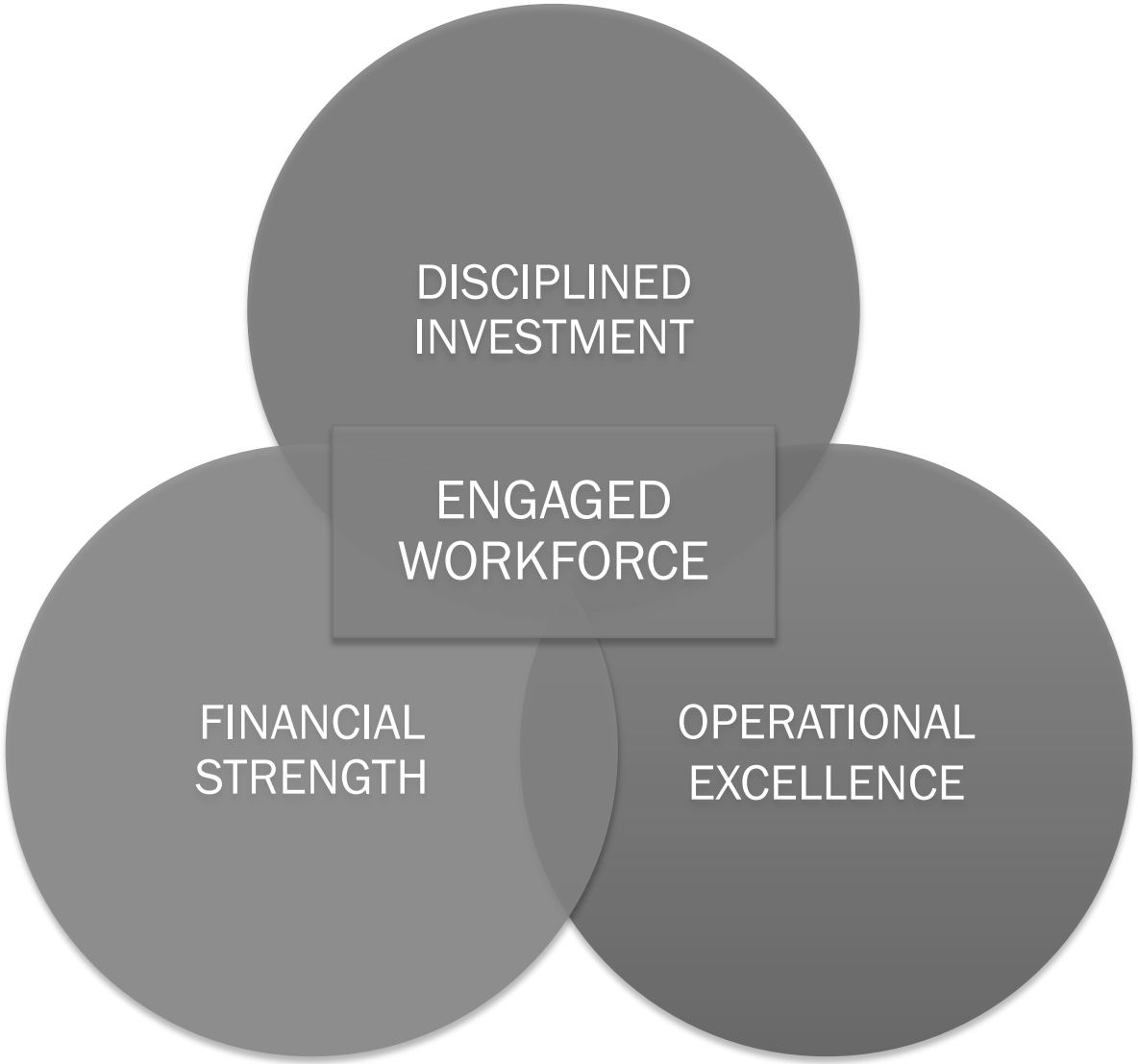
PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-03286

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-03287

PSEG Power delivered in 2012

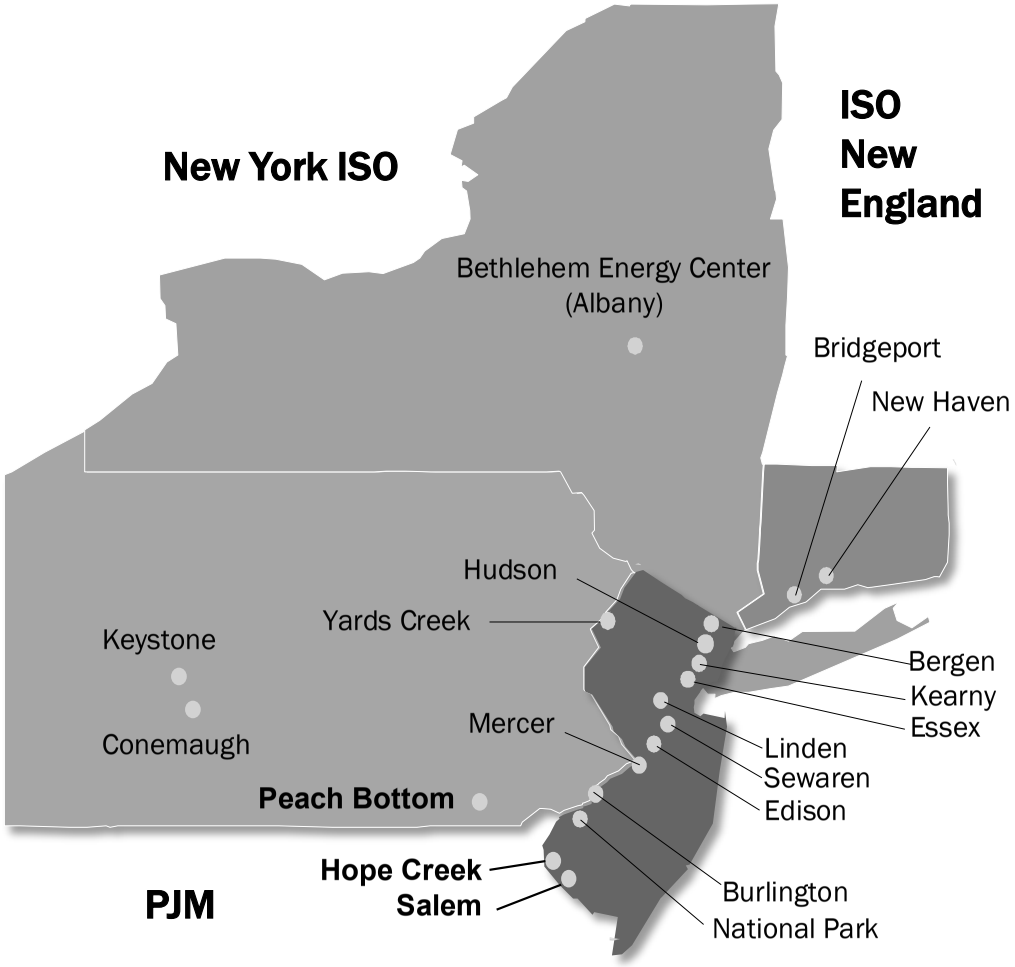
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-03288

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-03289

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-03290

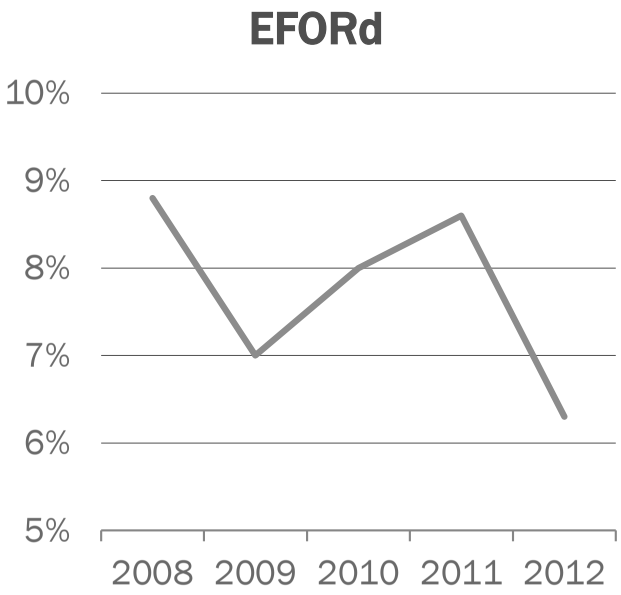
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

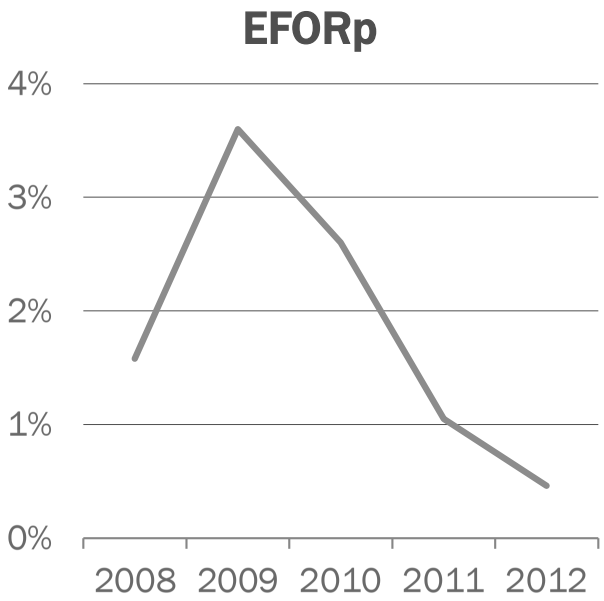
SI-SSA-0015-03291

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

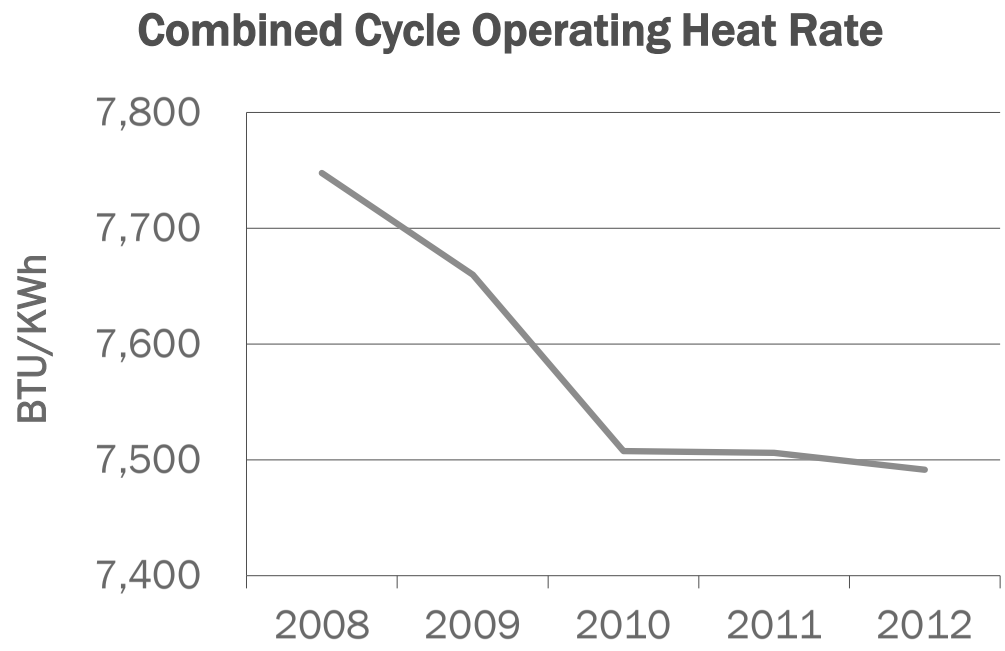


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-03292

PSEG Power improvements achieved in combined cycle fleet efficiency

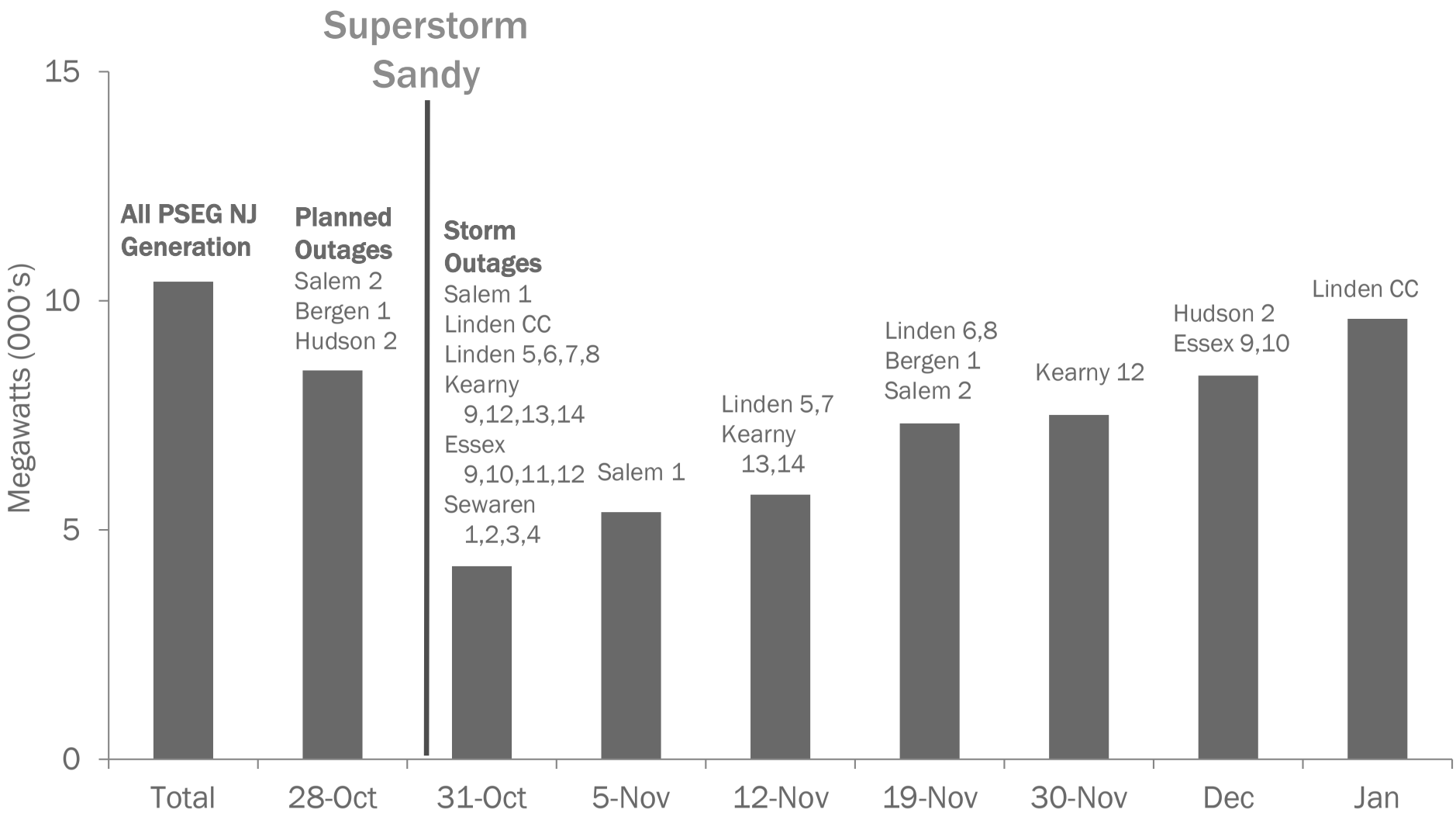


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-03293

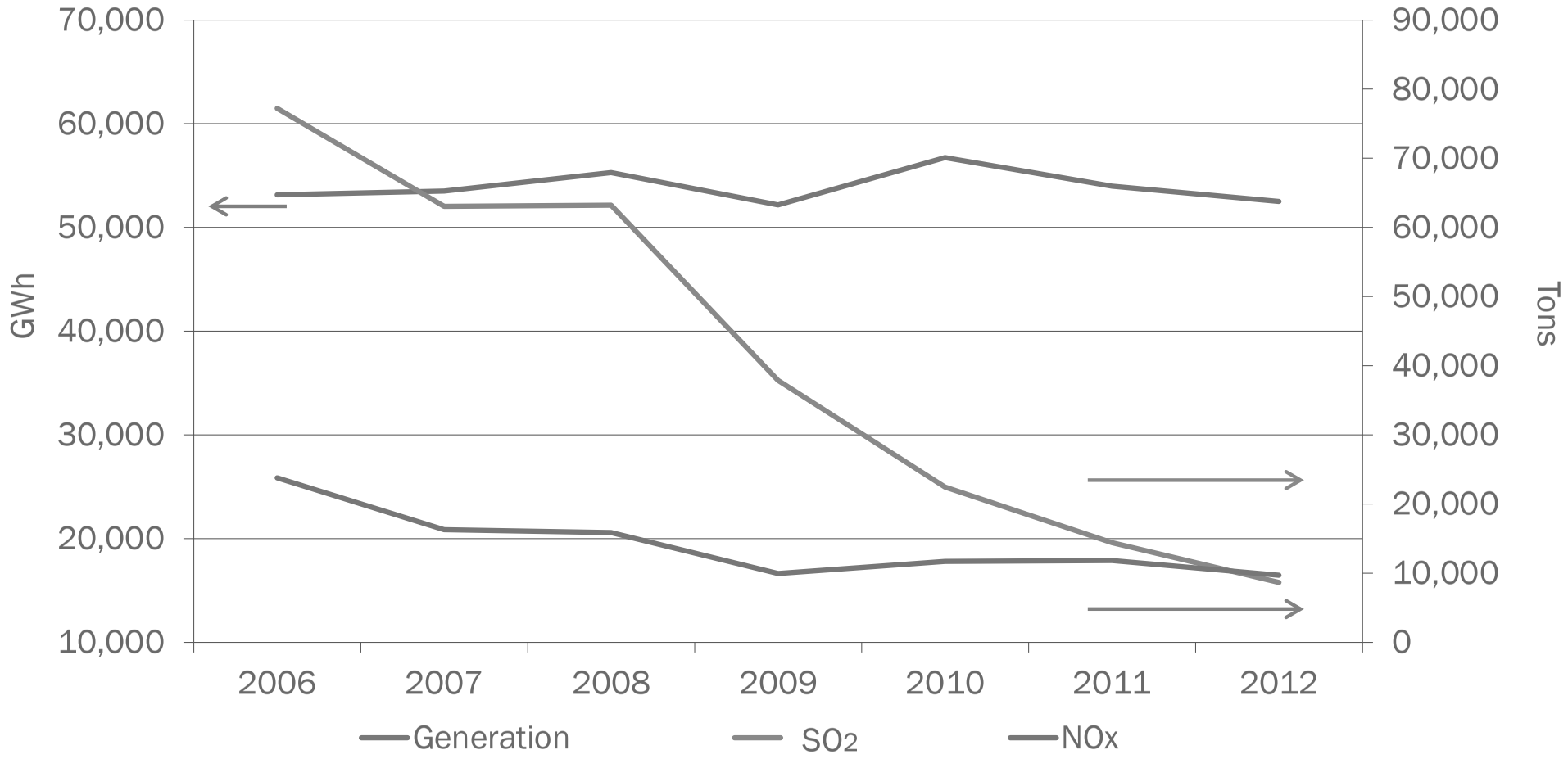
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-03294

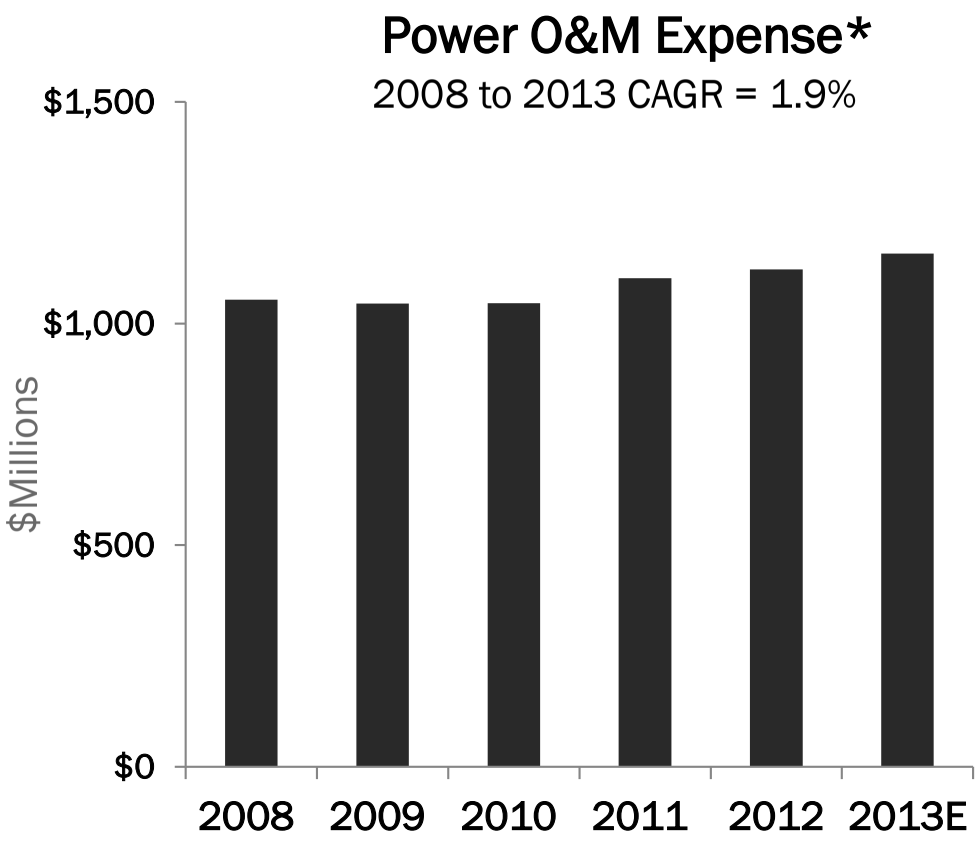
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-03295

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-03296

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

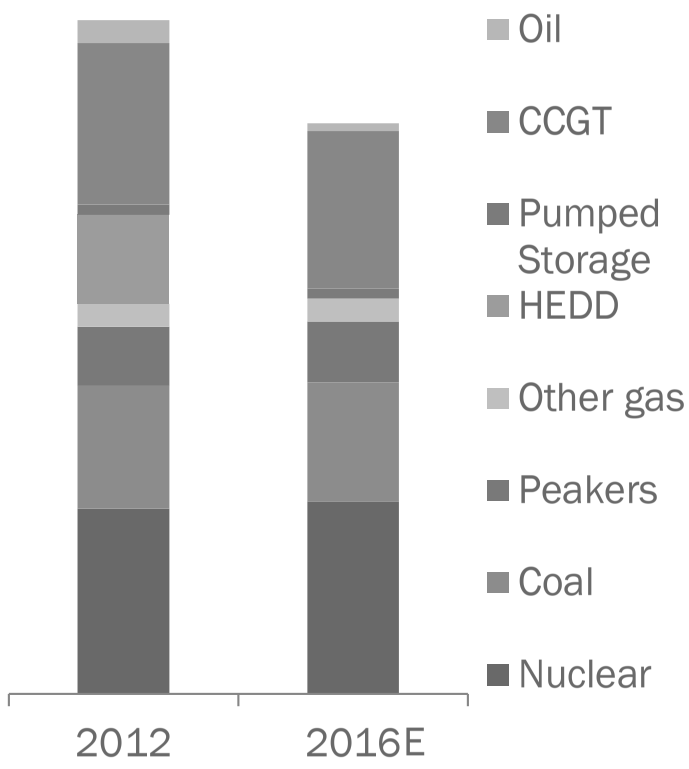
SI-SSA-0015-03297

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

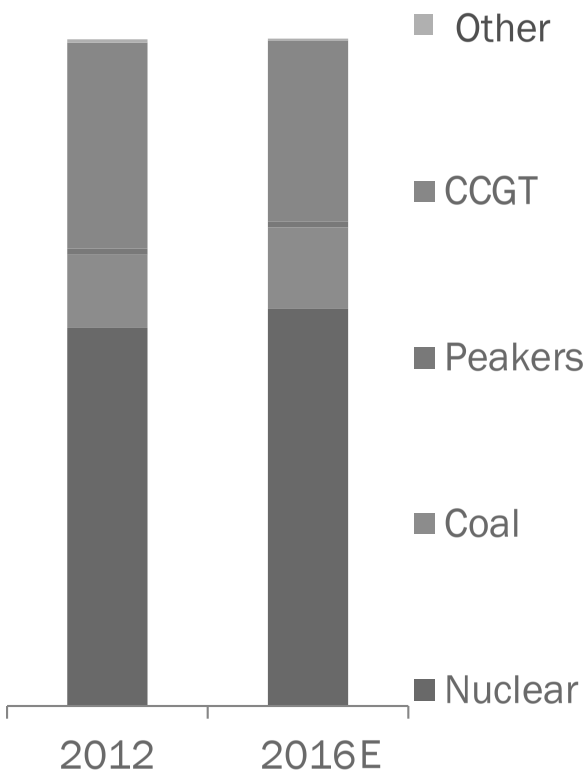
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-03298

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-03299

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-03300

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

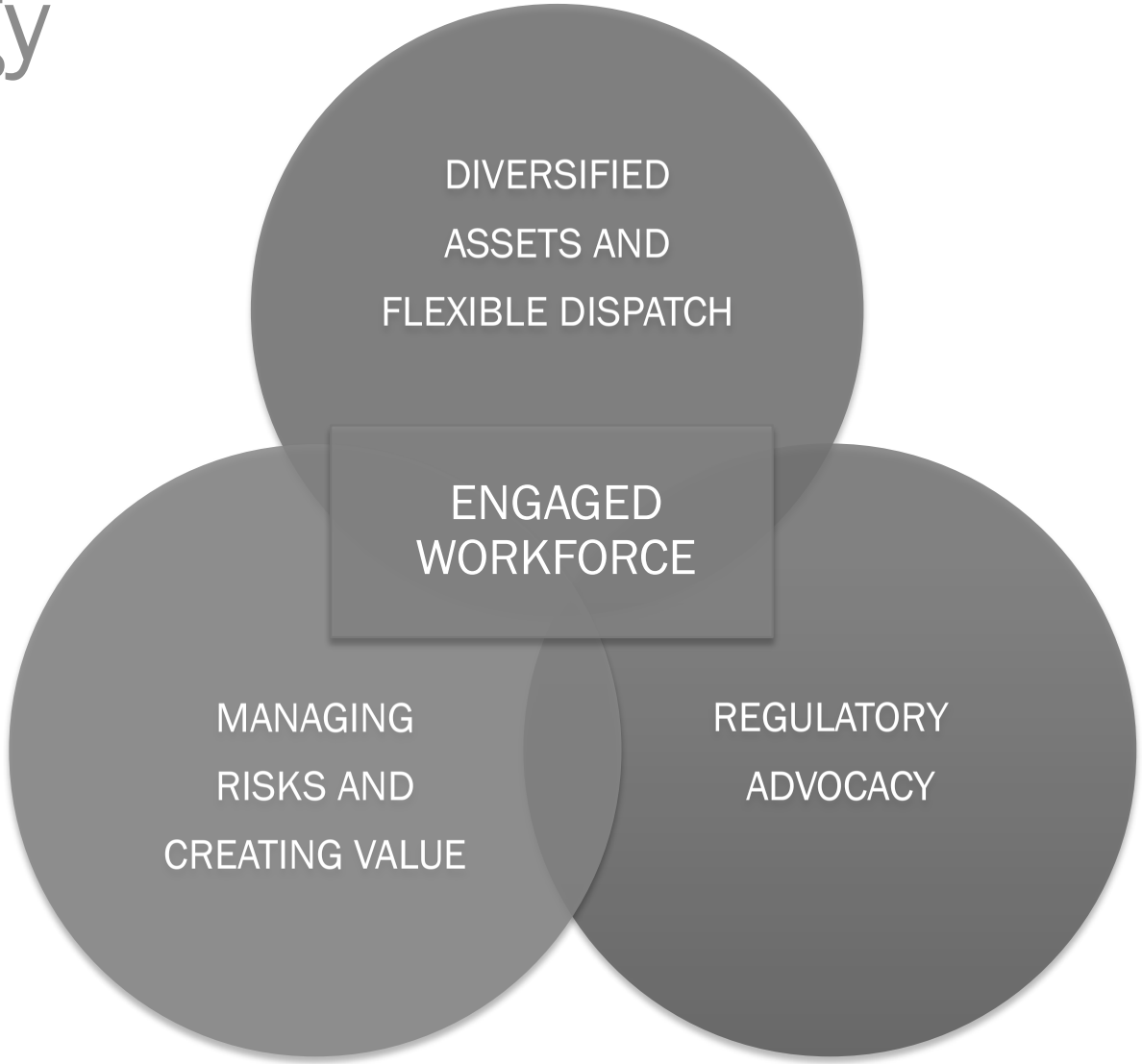
SI-SSA-0015-03301

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-03302

Diversified assets and flexible dispatch

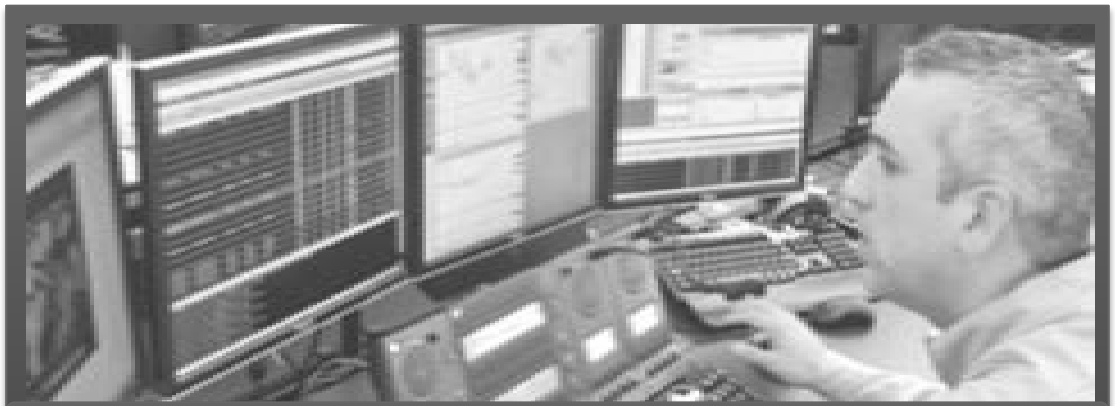
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

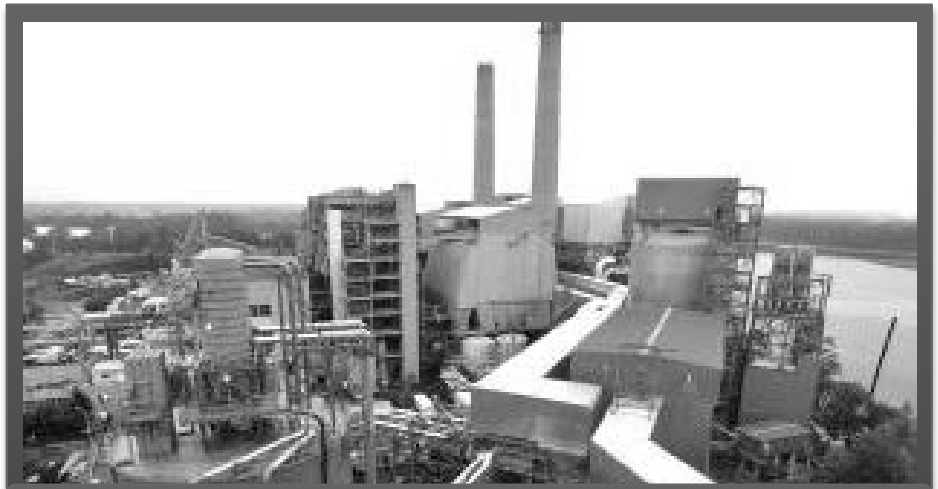
SI-SSA-0015-03303

Fleet capacity has been advanced by:

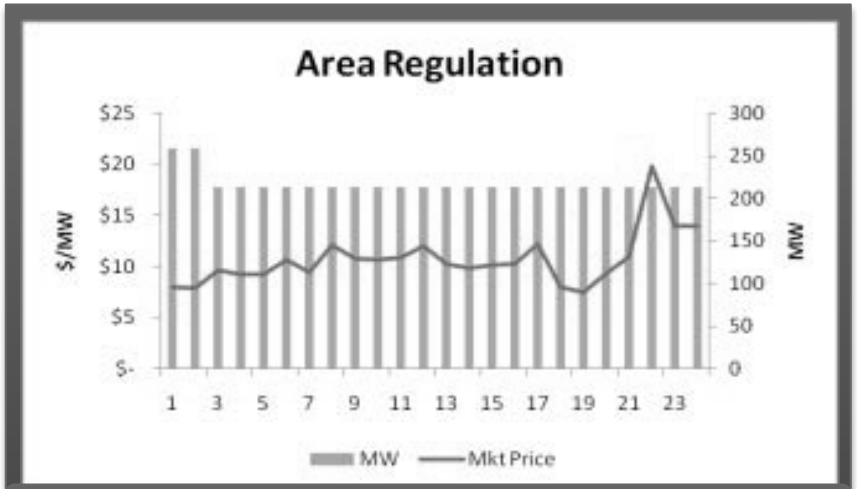
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



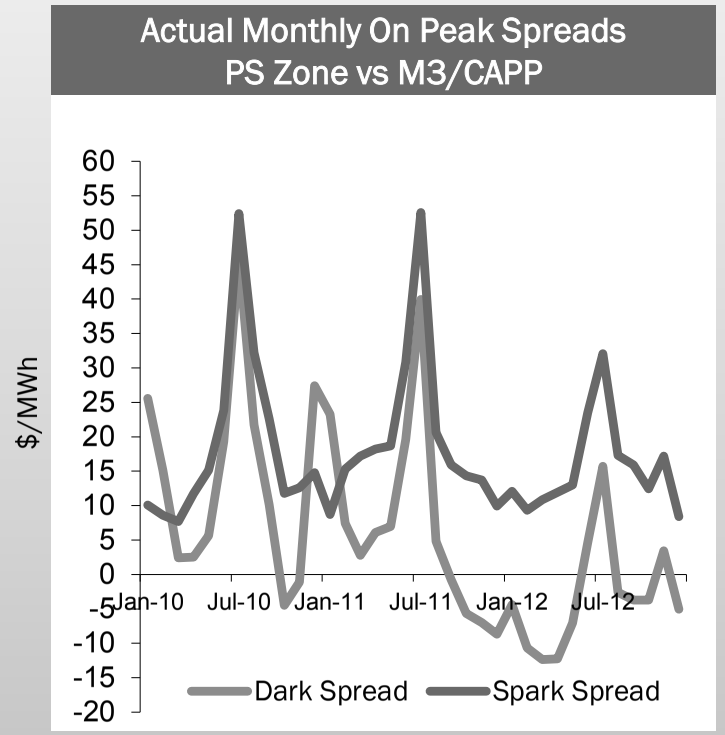
Reduced O&M and increased start-up success

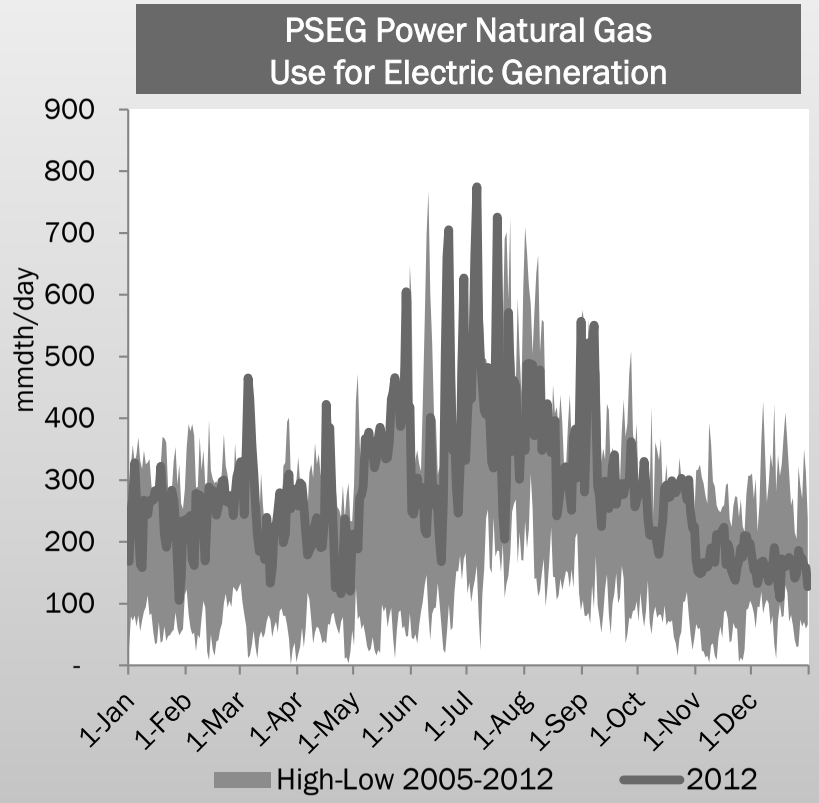


Capturing new products opportunity with minimal investment

SI-SSA-0015-03304

Spark spread replaces dark spread as major value driver

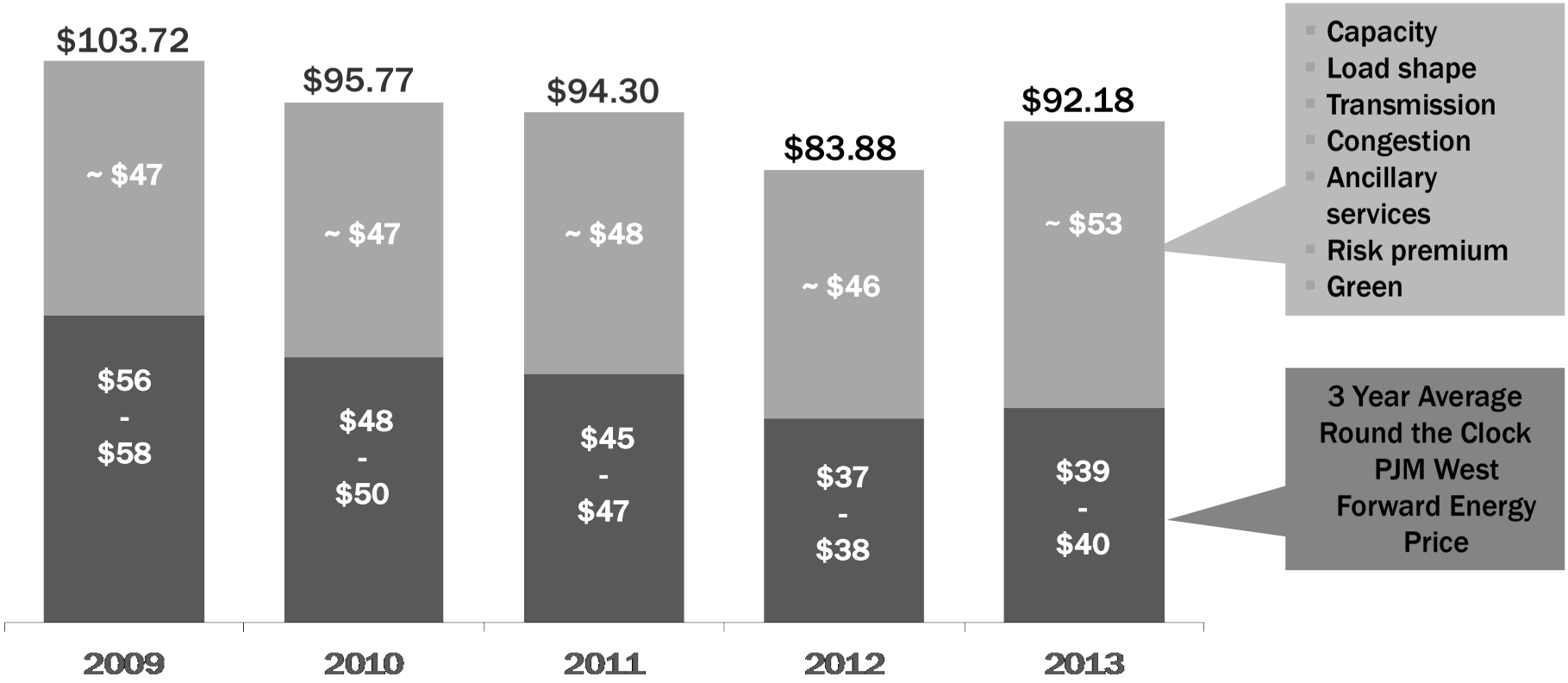




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-03305

2013 BGS Auction Results for PSE&G Zone



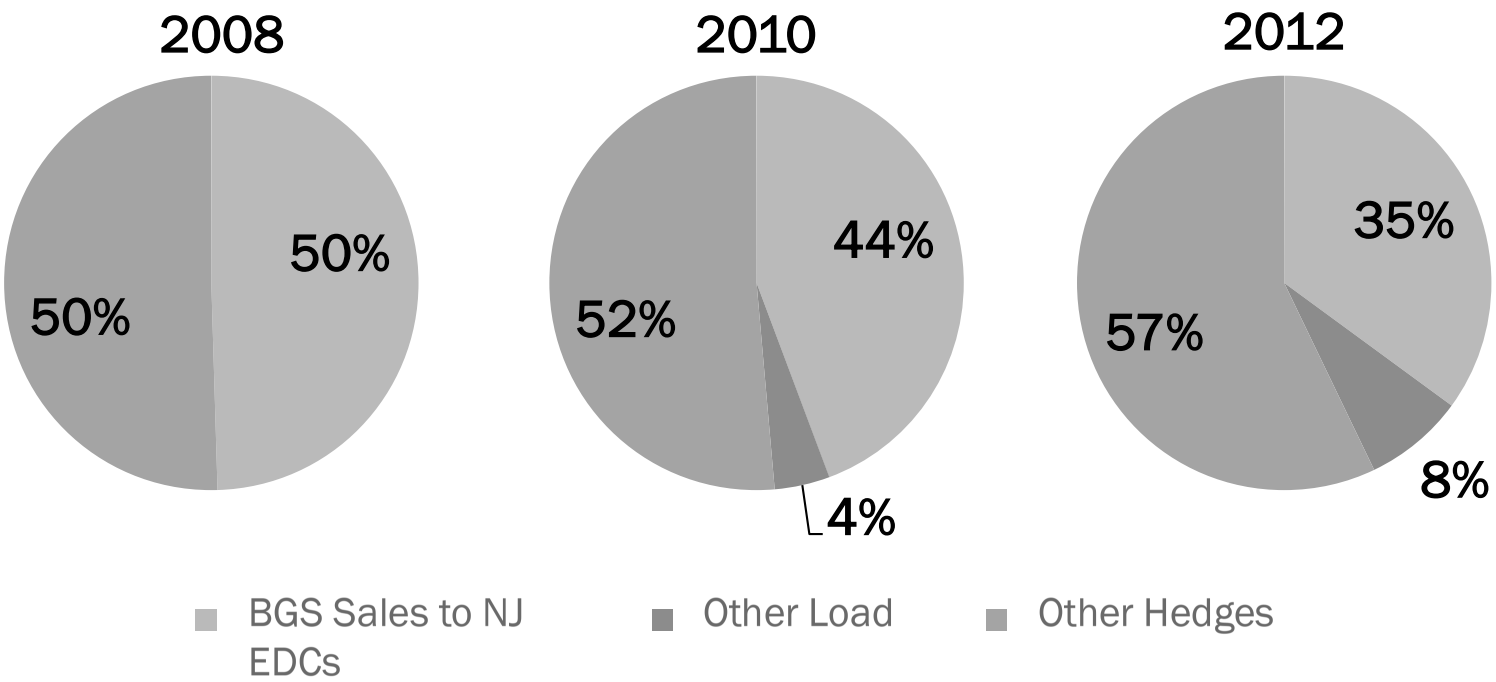
BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-03306

PSEG

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-03307

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

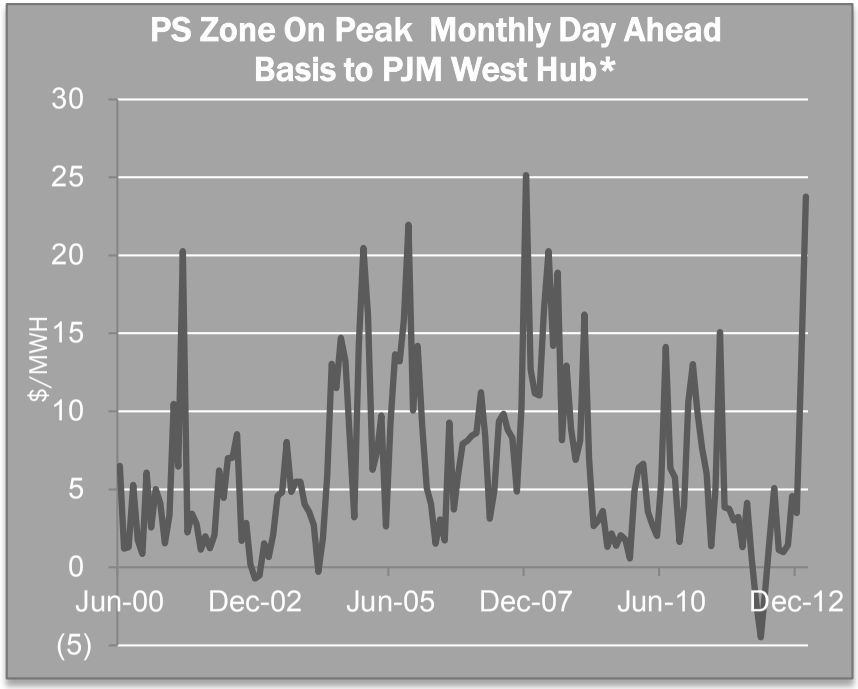
		Apr-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$50	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	15	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$50	$50
Total	Volume TWh	40-42	53-55	52-54
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$50	$50	$50

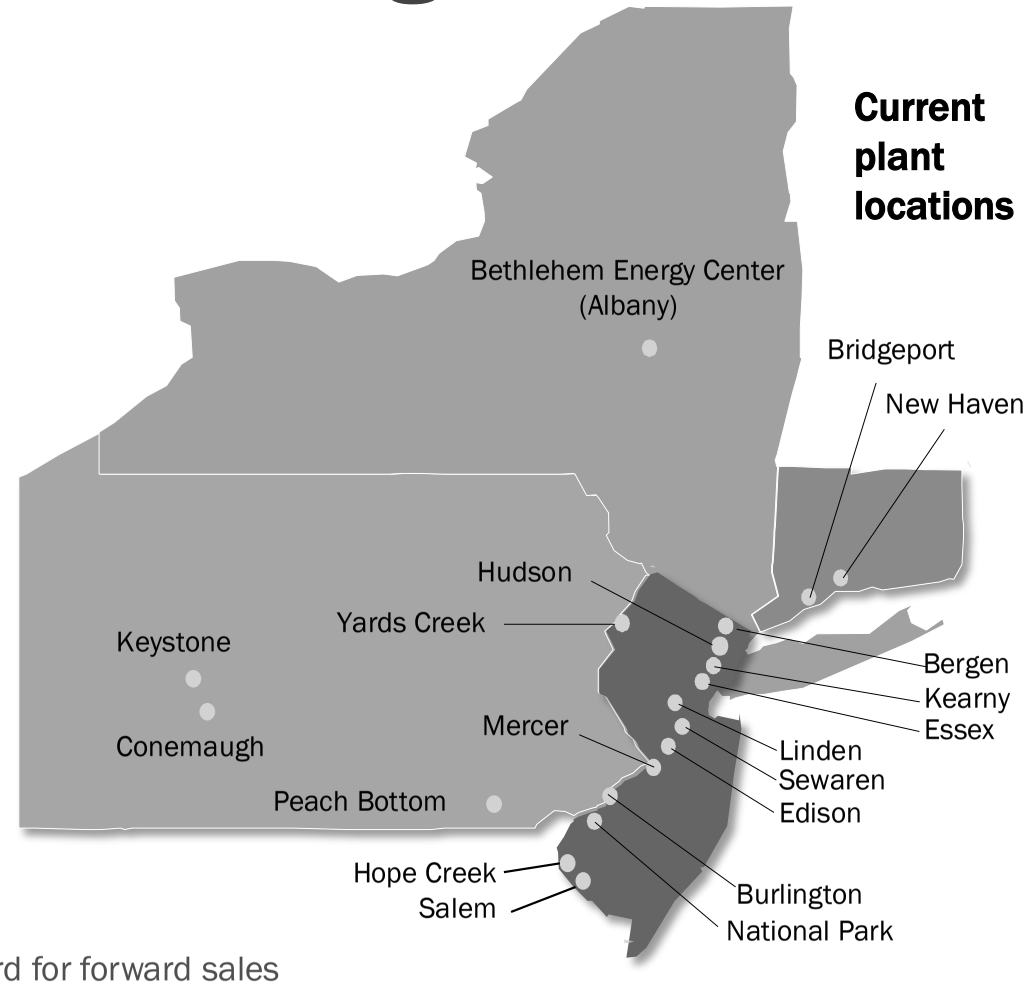
HEDGE PERCENTAGES AND PRICES AS OF MARCH 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-03308

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

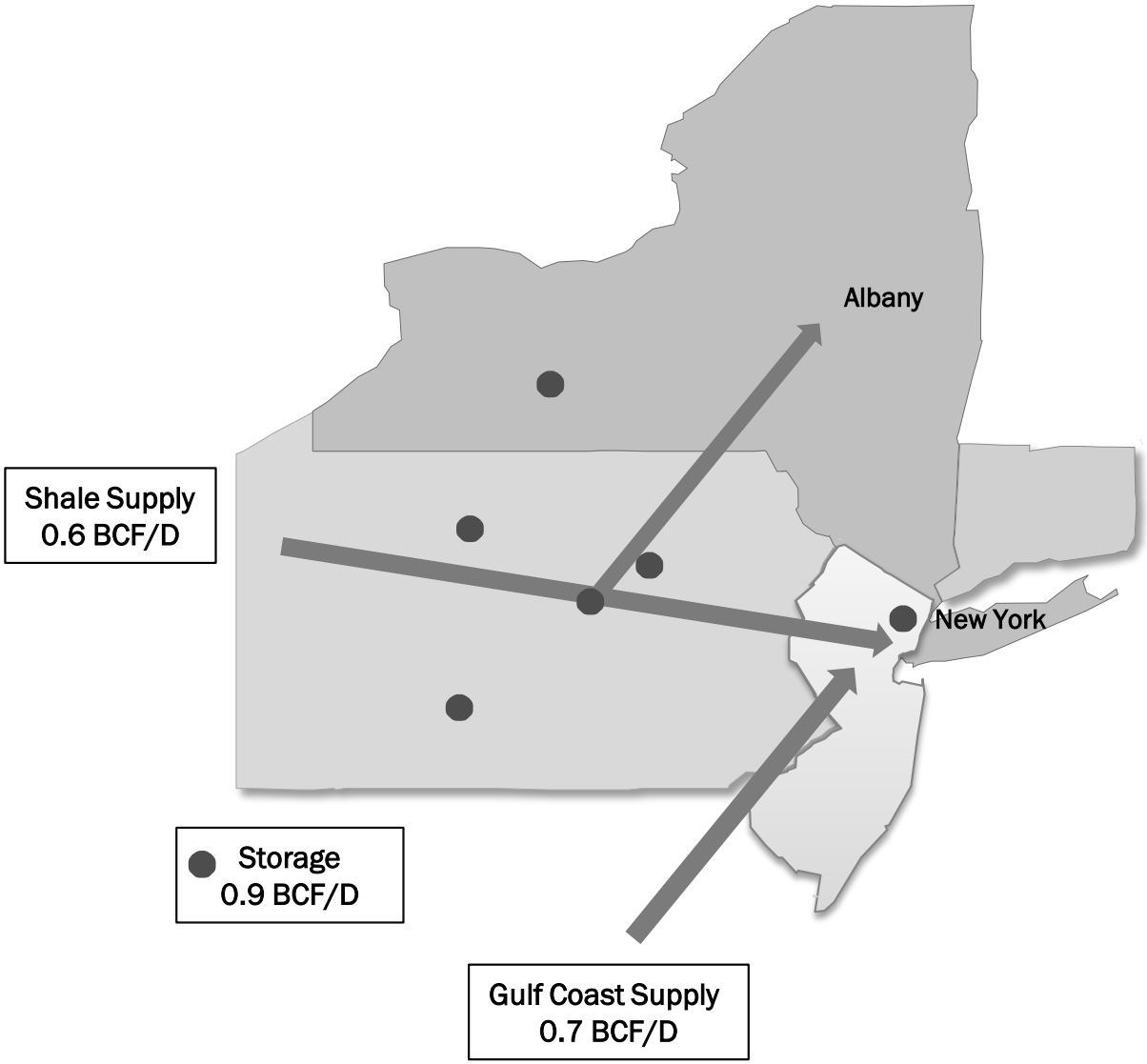
SI-SSA-0015-03309

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-03310

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

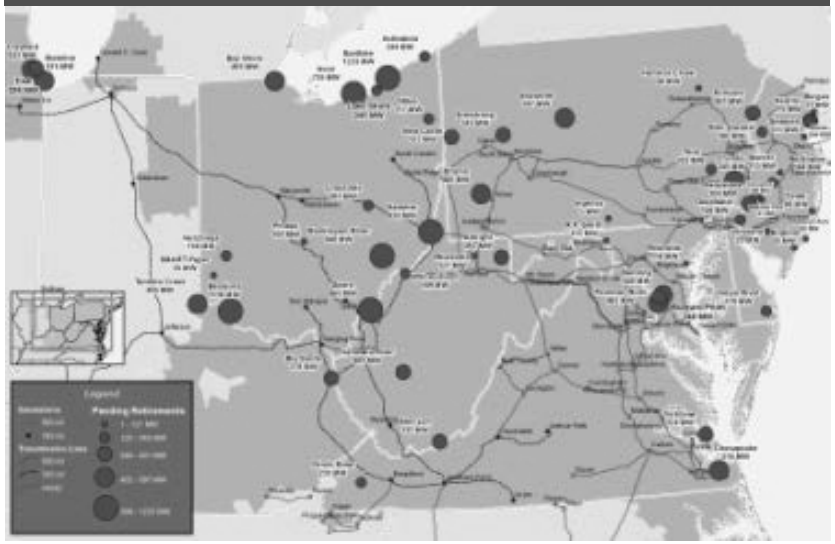
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-03311

Reserve margins in PJM declining with retirements

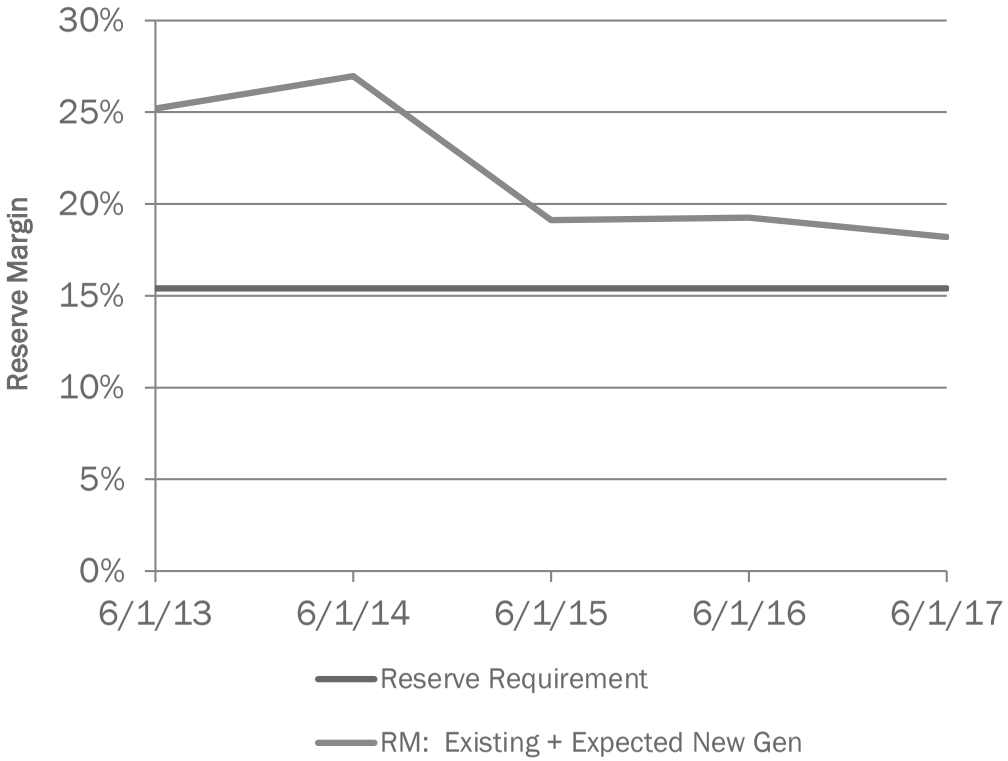
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-03312

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-03313

PSEG wholesale market strategy

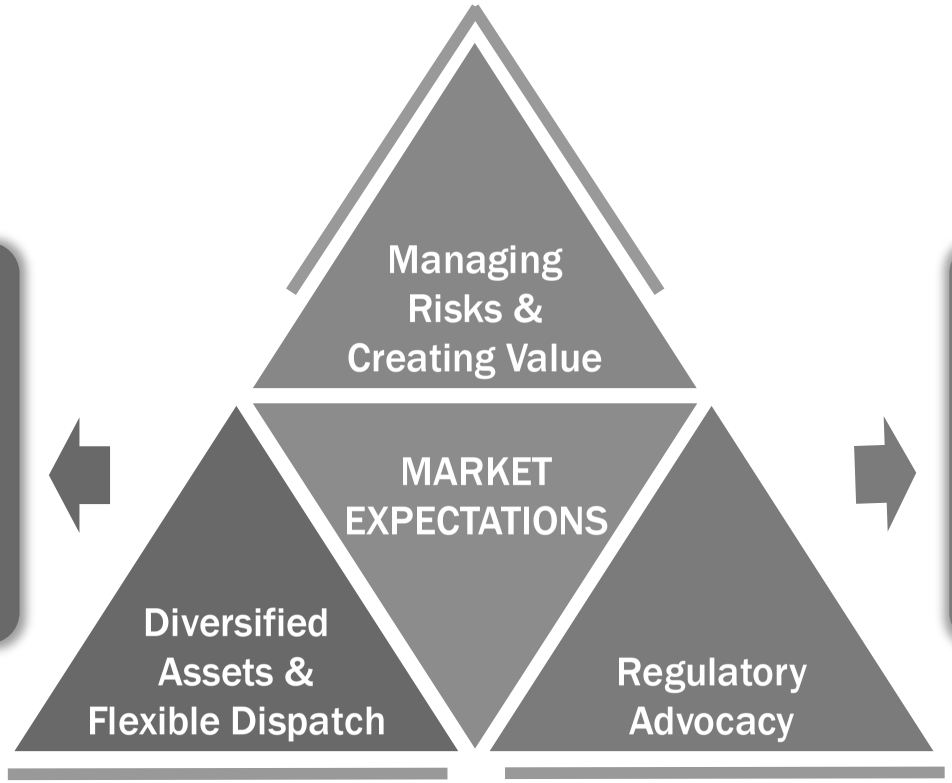
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-03314

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-03315

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-03316

Maintaining 2013 operating earnings guidance

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-03317

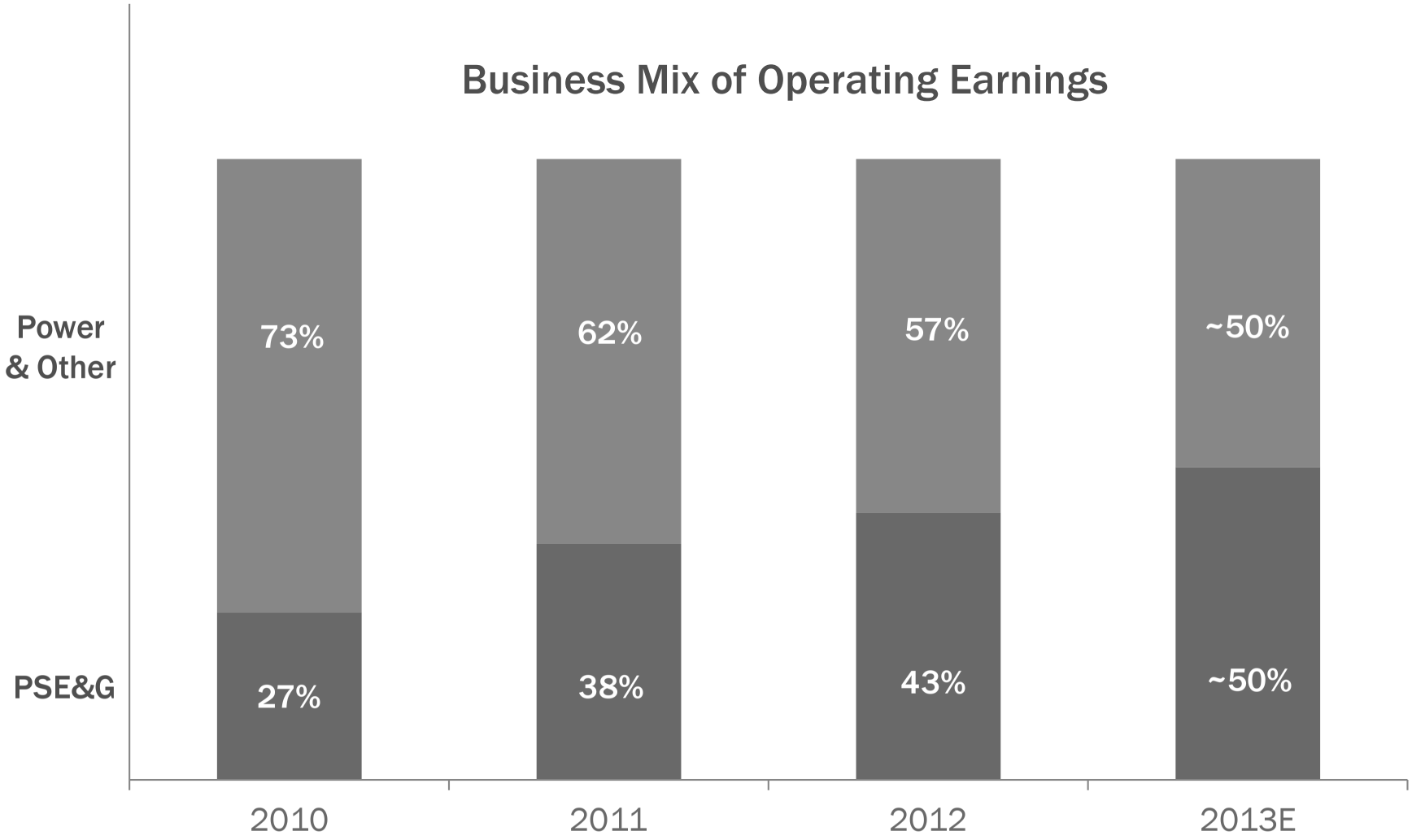
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings



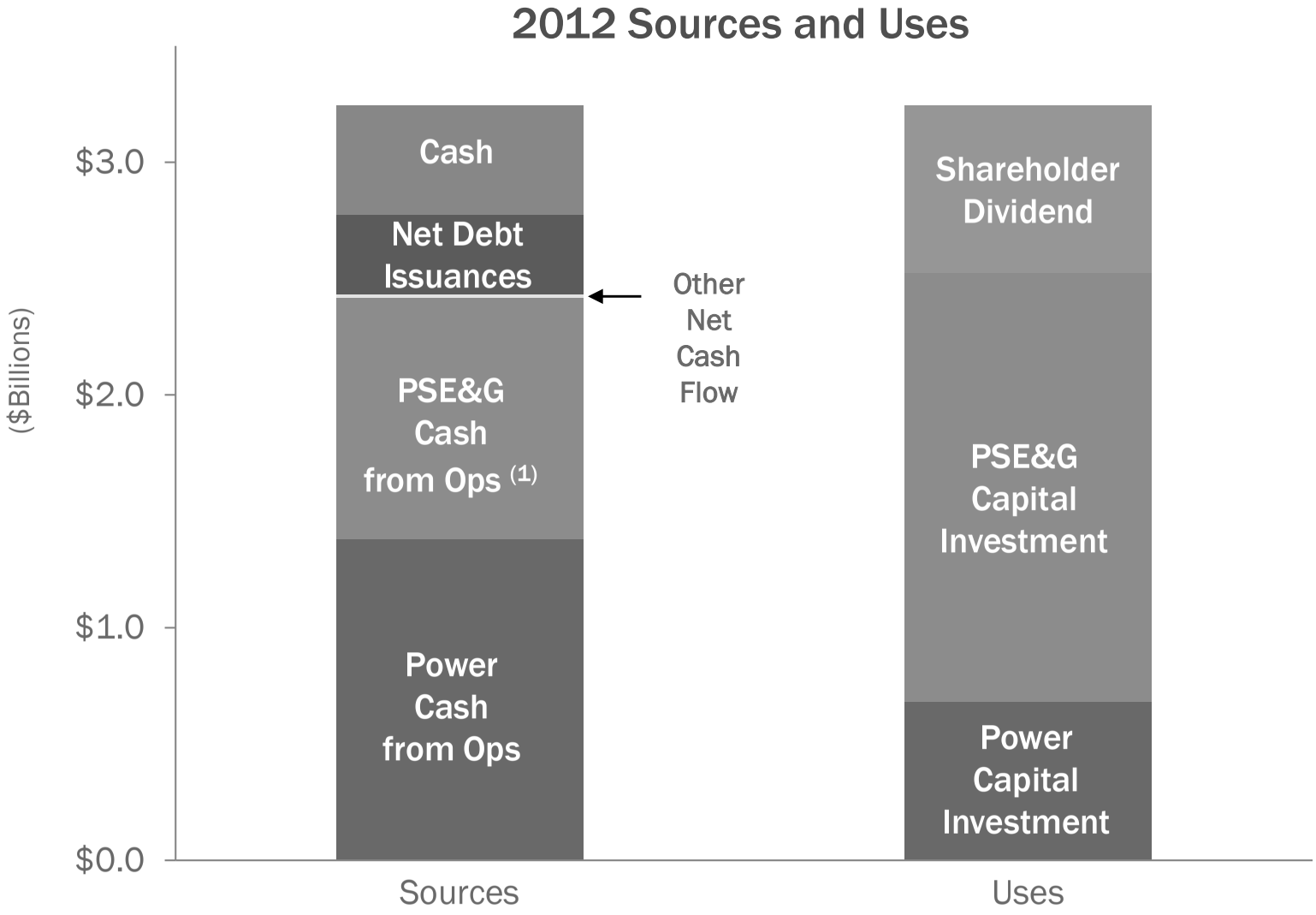
SI-SSA-0015-03318

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

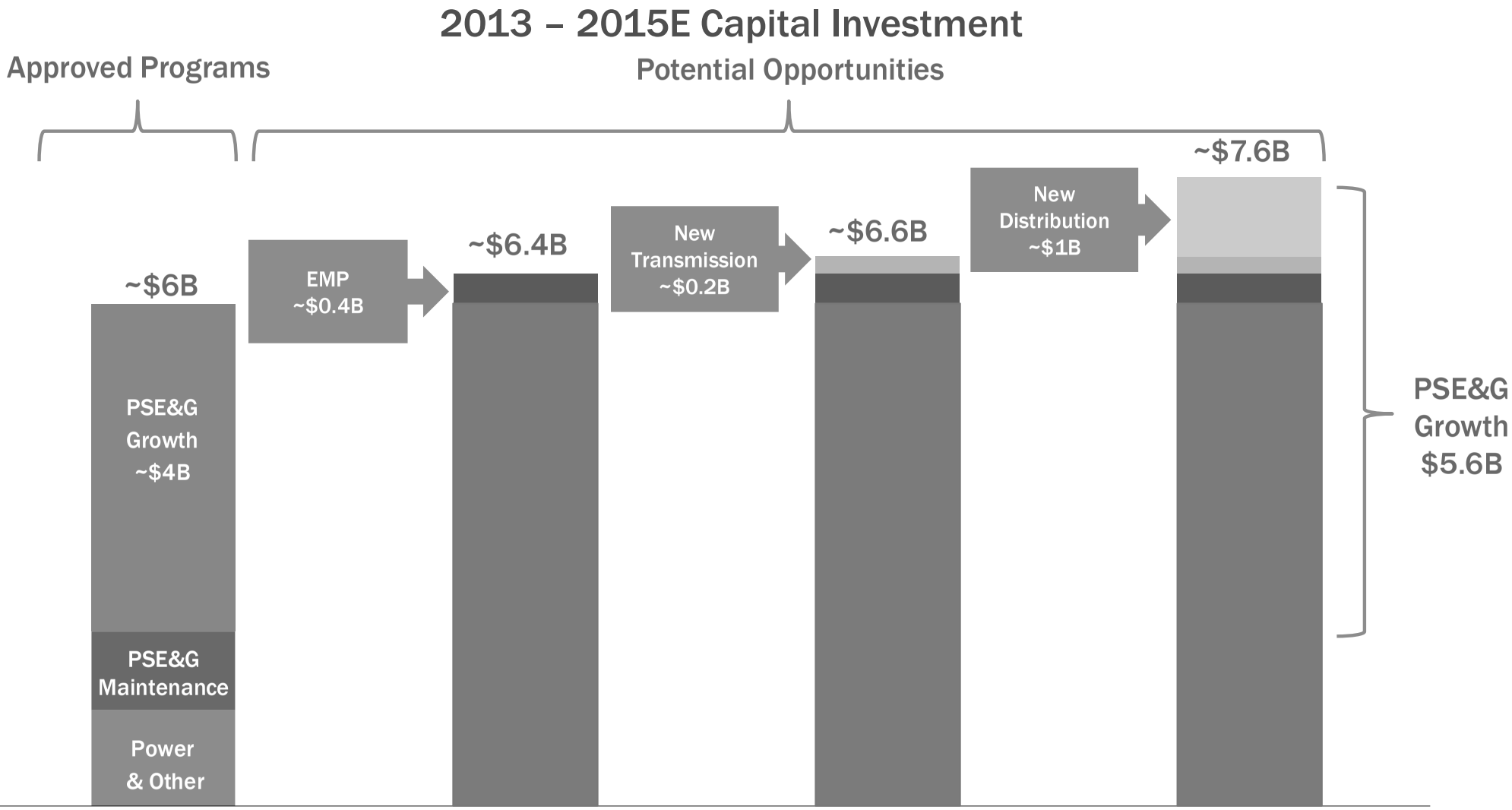
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

SI-SSA-0015-03319

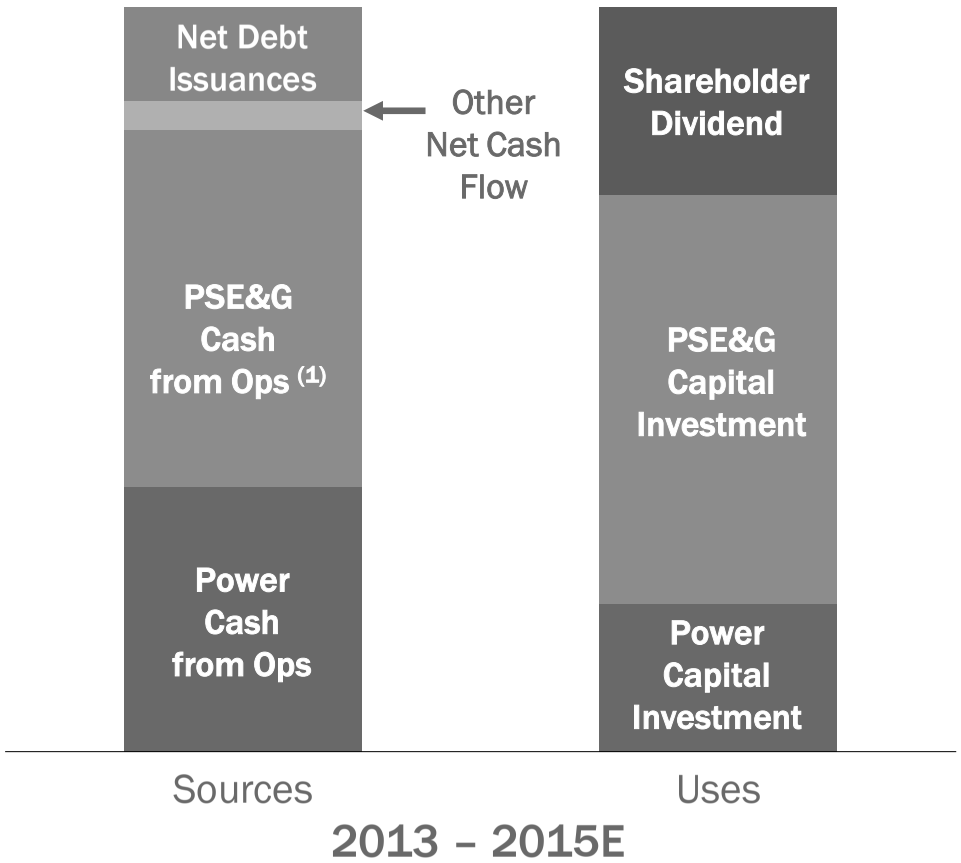
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



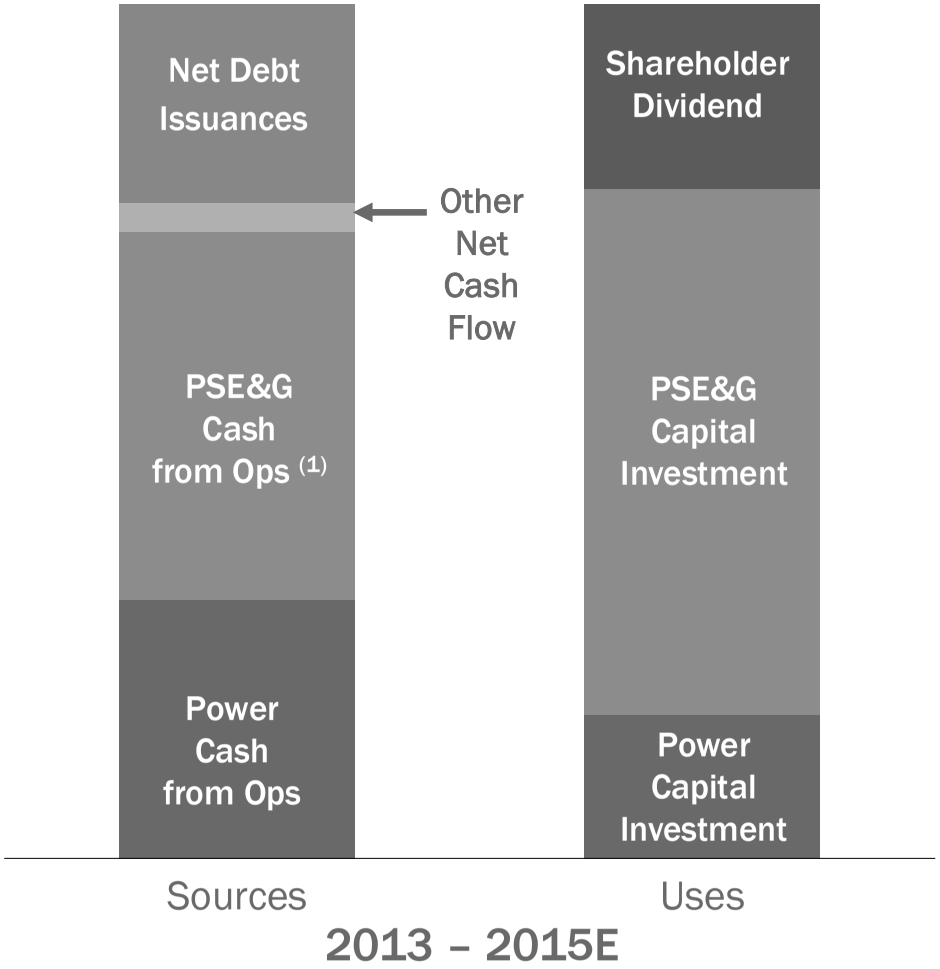
SI-SSA-0015-03320

All scenarios can be financed without new equity

Approved Programs



Approved Programs plus EMP, New Transmission and New Distribution



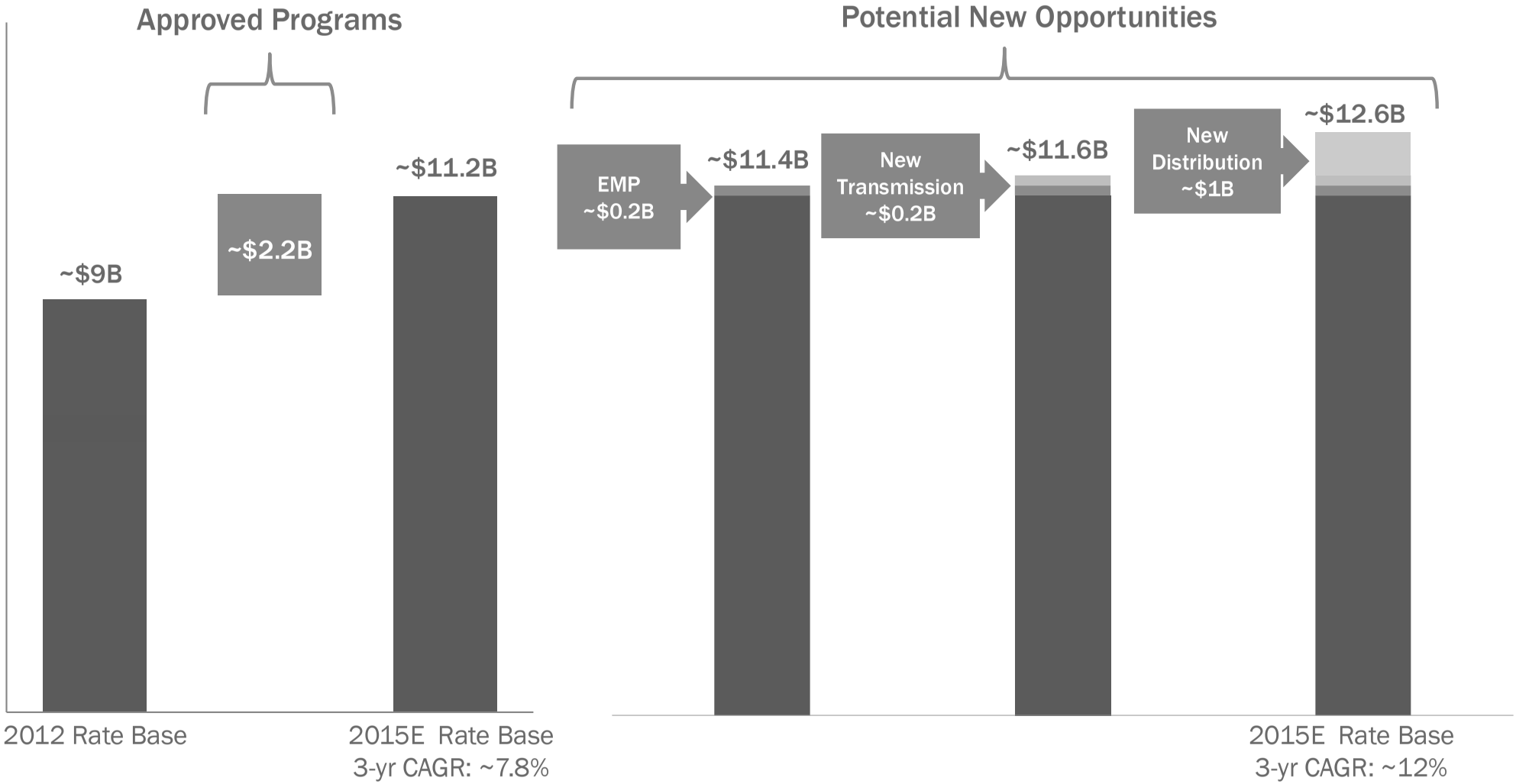
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-03321

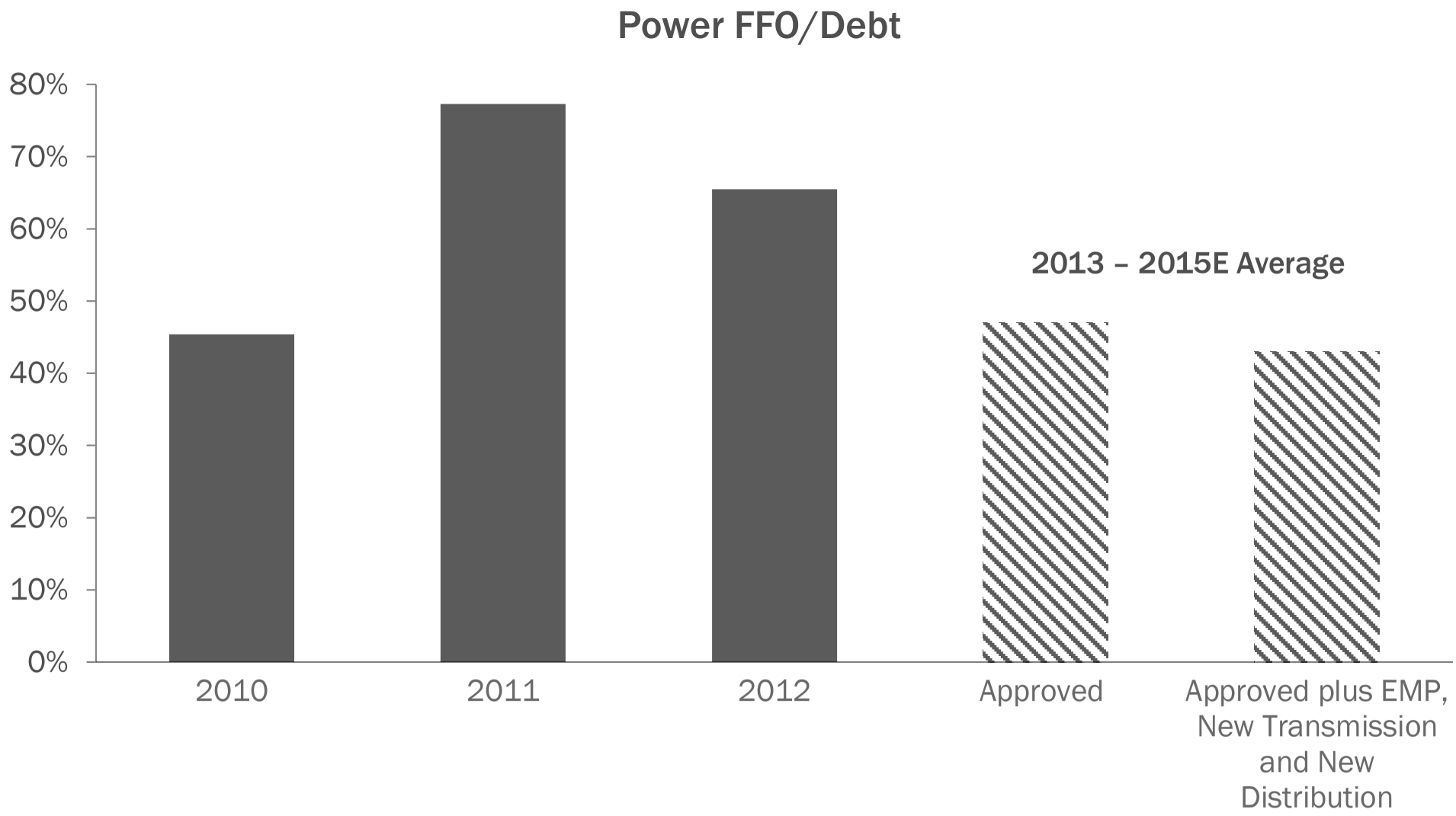
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-03322

Power's credit metrics are expected to remain strong



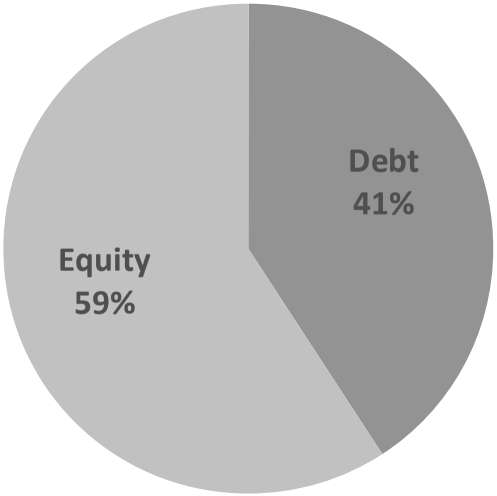
SI-SSA-0015-03323

Using PSEG's balance sheet strength

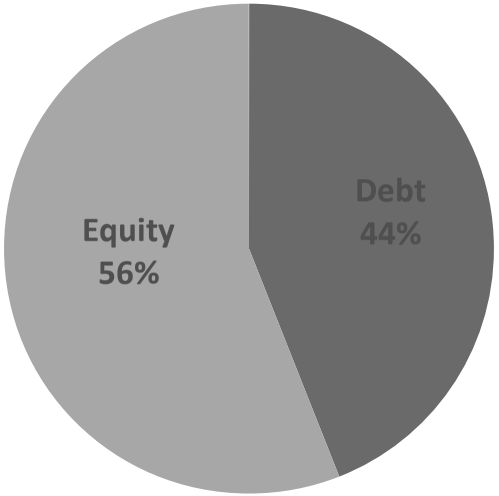
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-03324

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

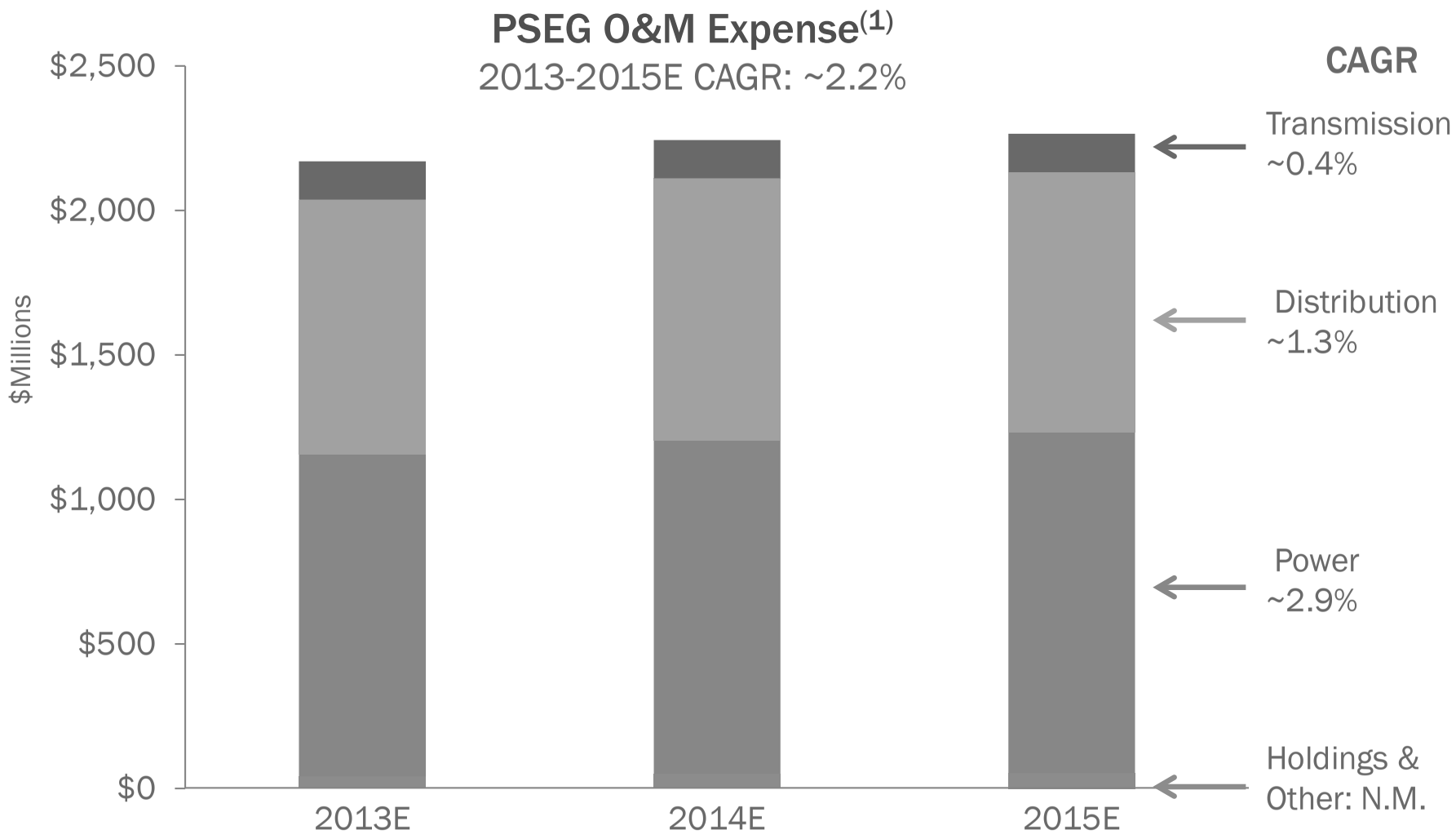
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-03325

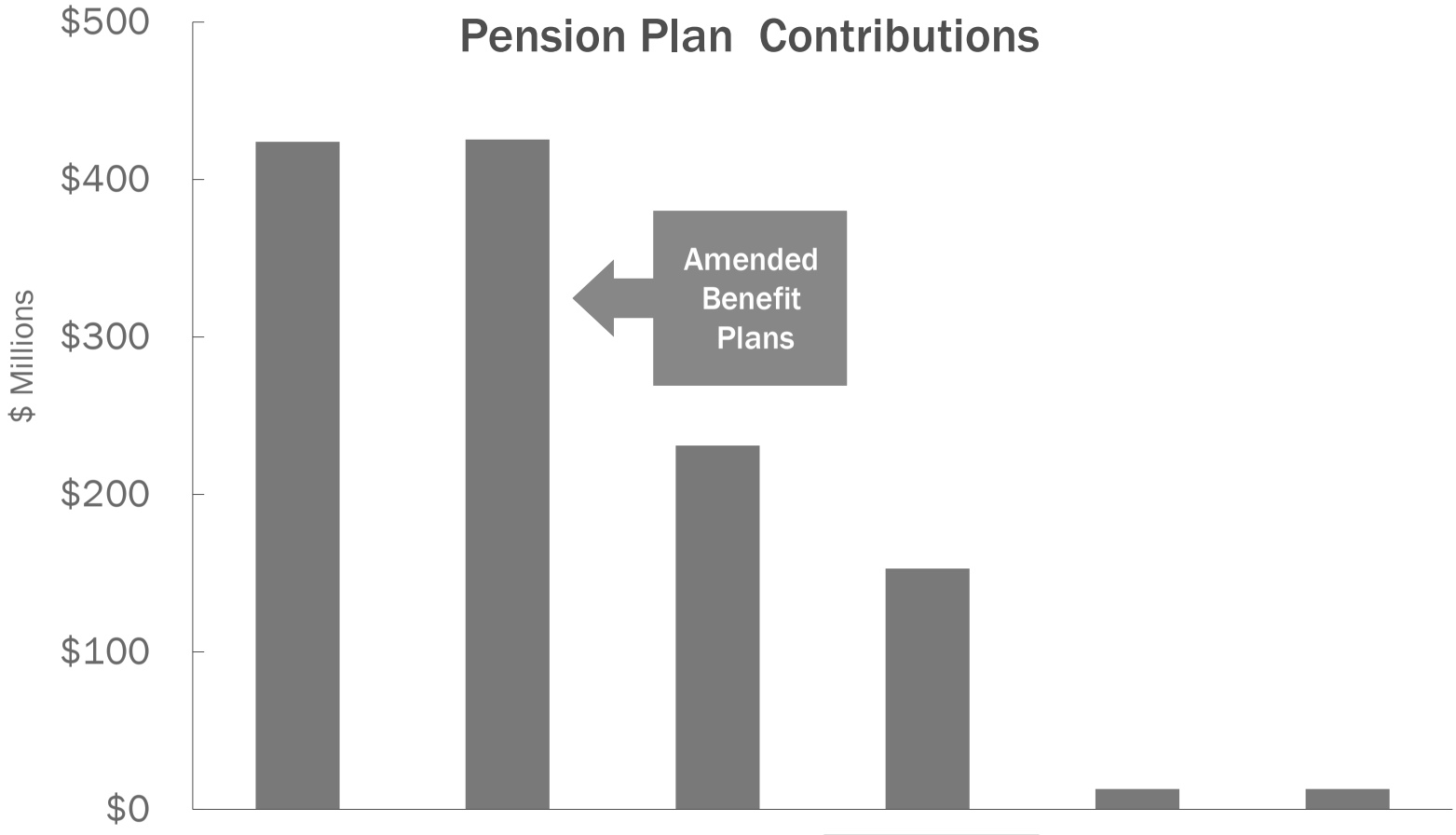
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-03326

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-03327

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

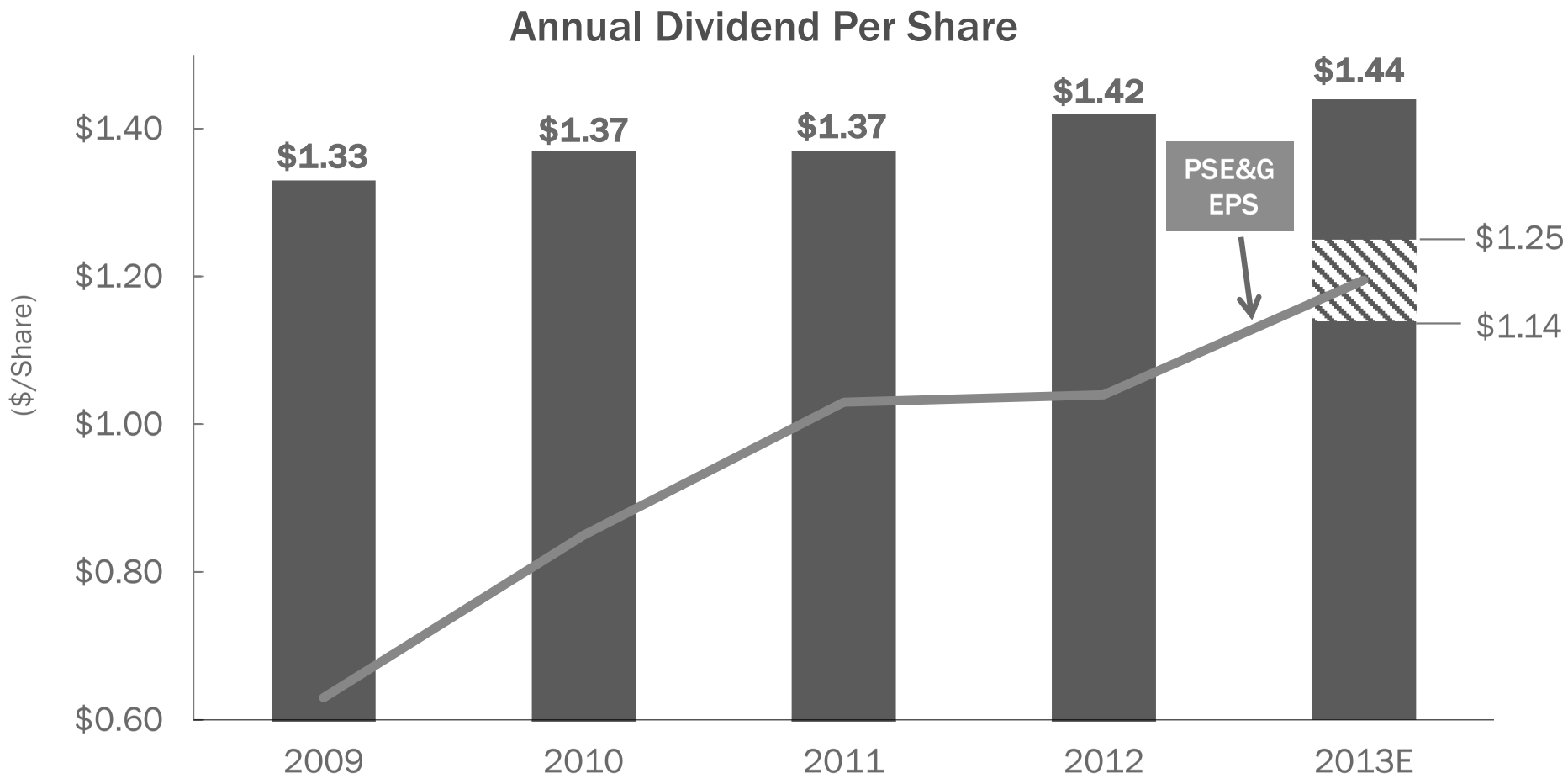
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-03328

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



E = ESTIMATE

SI-SSA-0015-03329

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share, with earnings mix shifting to ~50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-03330

APPENDIX

SI-SSA-0015-03331

Q1 2013 Operating Earnings by Subsidiary

Quarter ended March 31

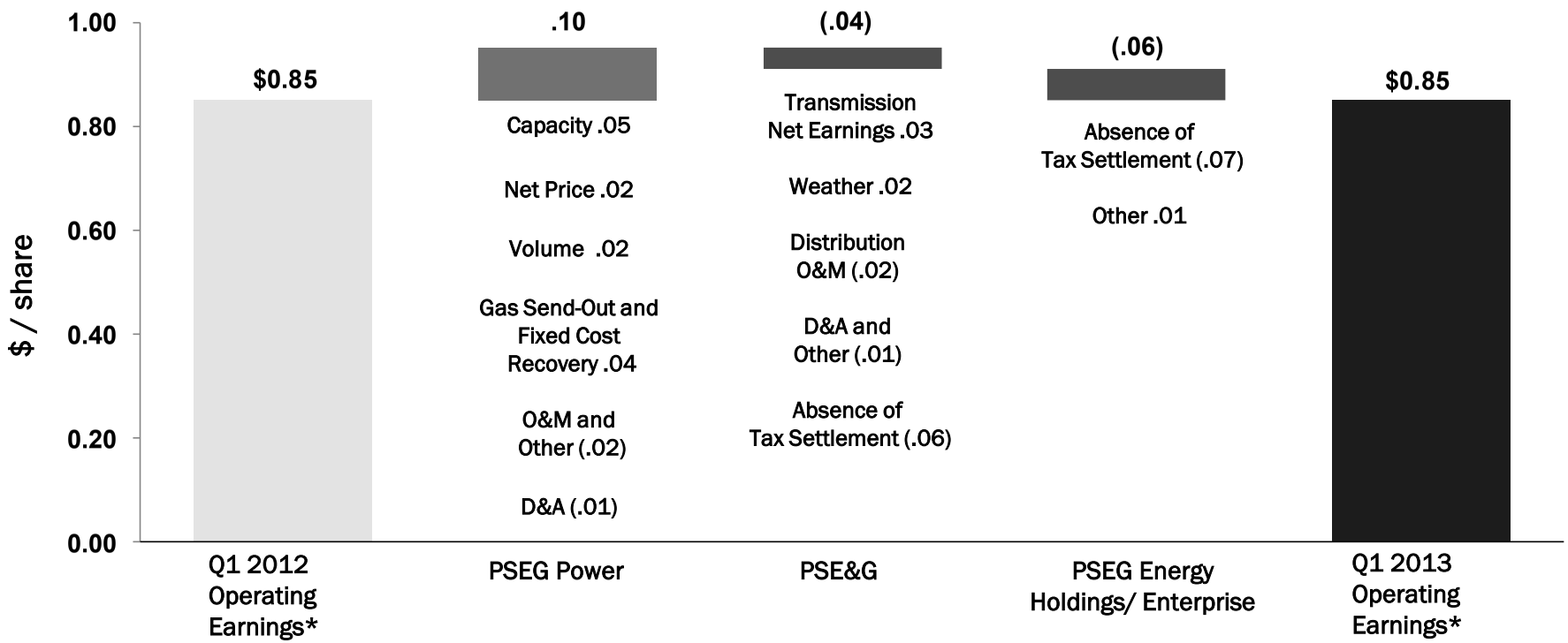
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 250	$ 196	$ 0.49	$ 0.39
PSE&G	179	197	0.35	0.39
PSEG Energy Holdings/ Enterprise	4	39	0.01	0.07
*Operating Earnings**	$ 433	$ 432	$ 0.85	$ 0.85

SI-SSA-0015-03332

PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2013 versus Q1 2012

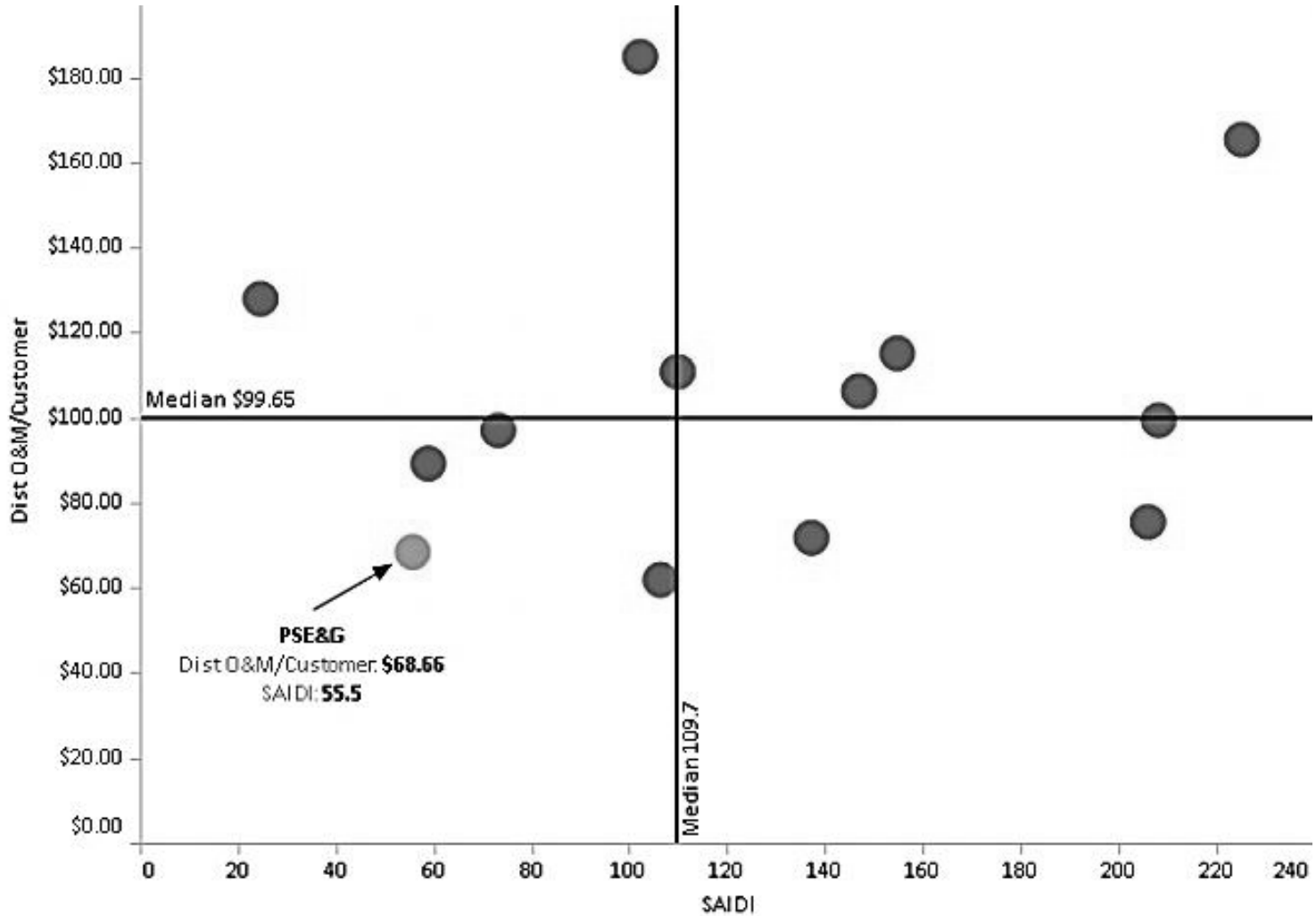


SI-SSA-0015-03333

PSEG

* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

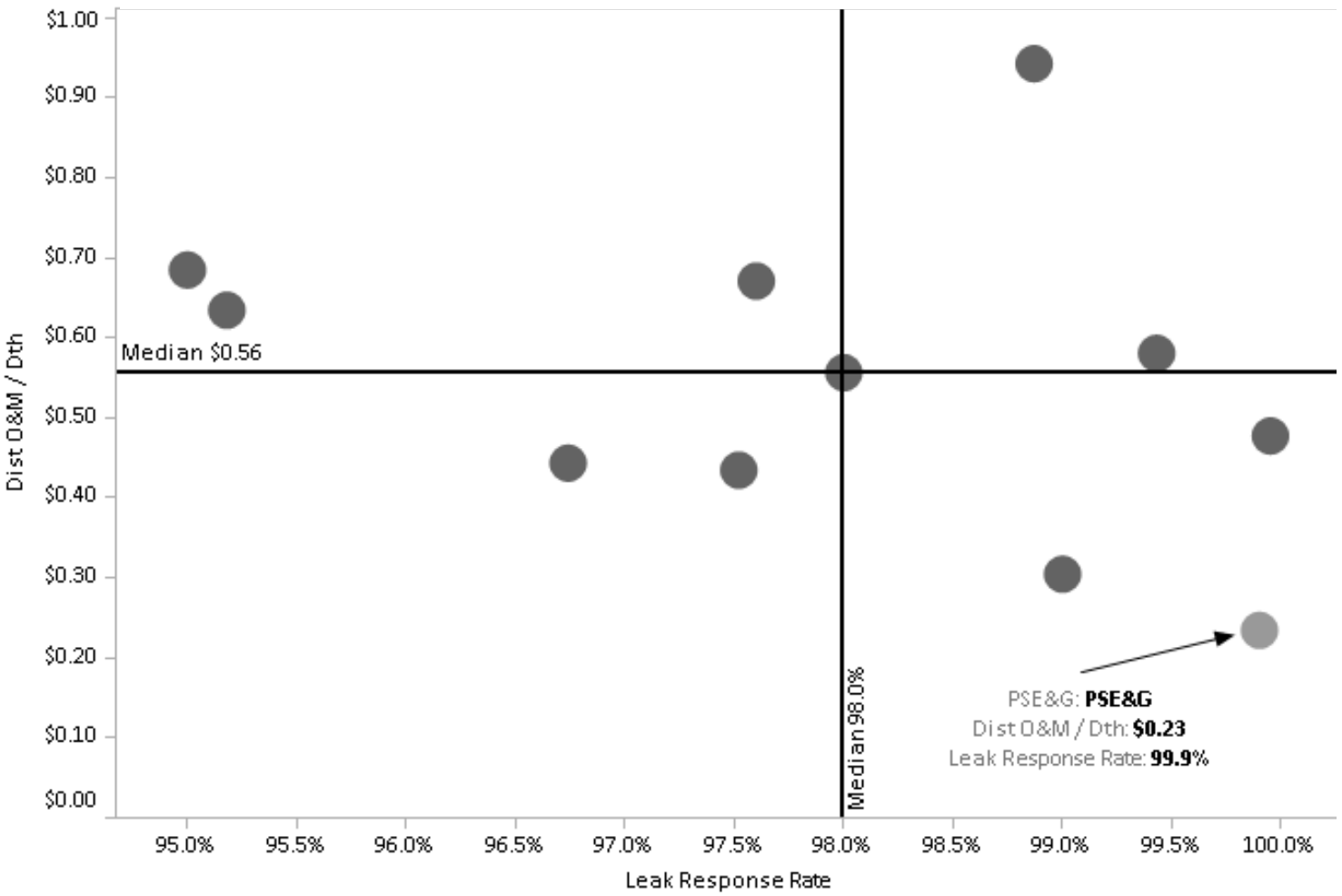
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-03335

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-03336

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.
  Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-03337

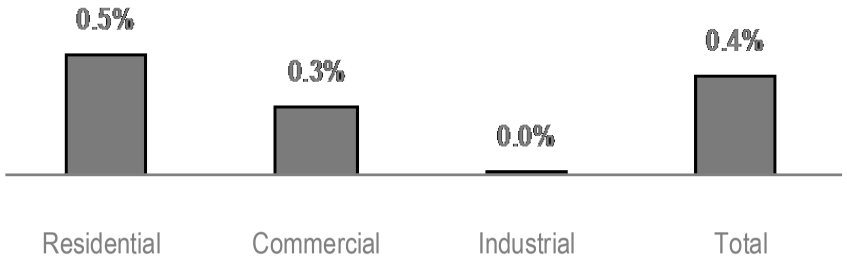
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

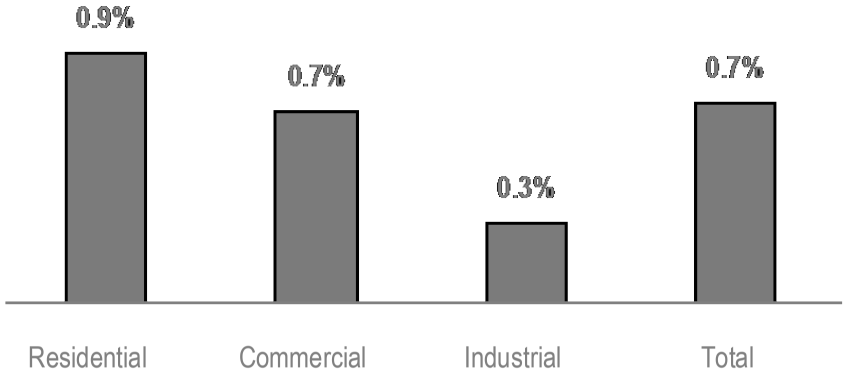
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-03338

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

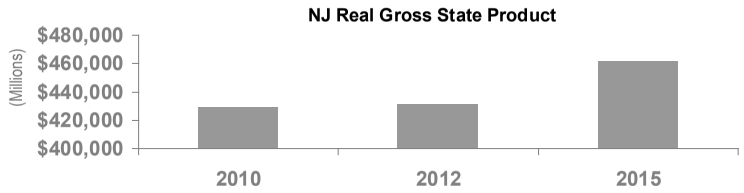
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

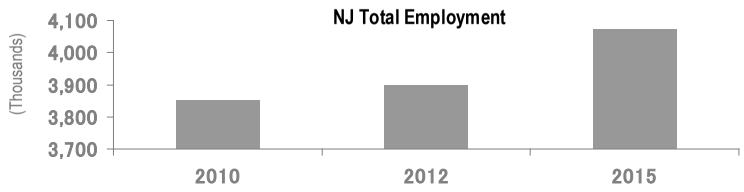
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

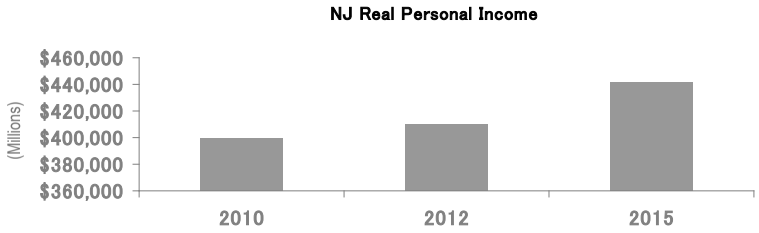
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

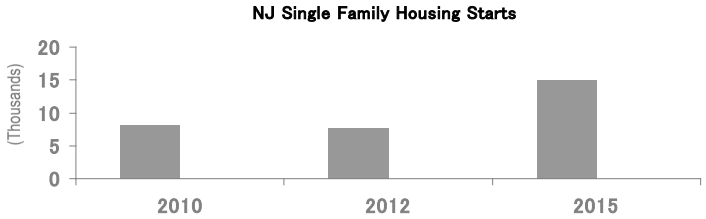
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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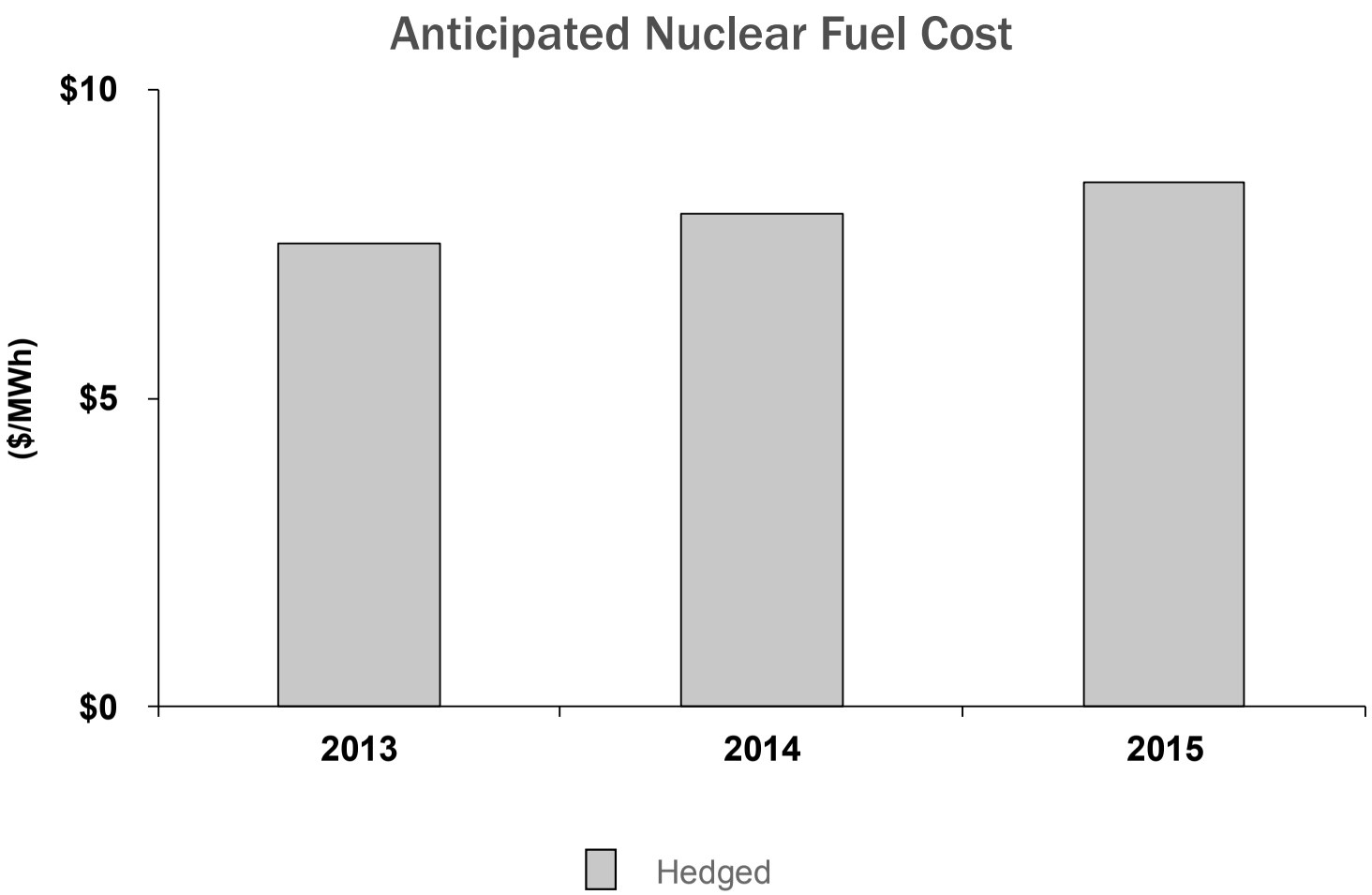
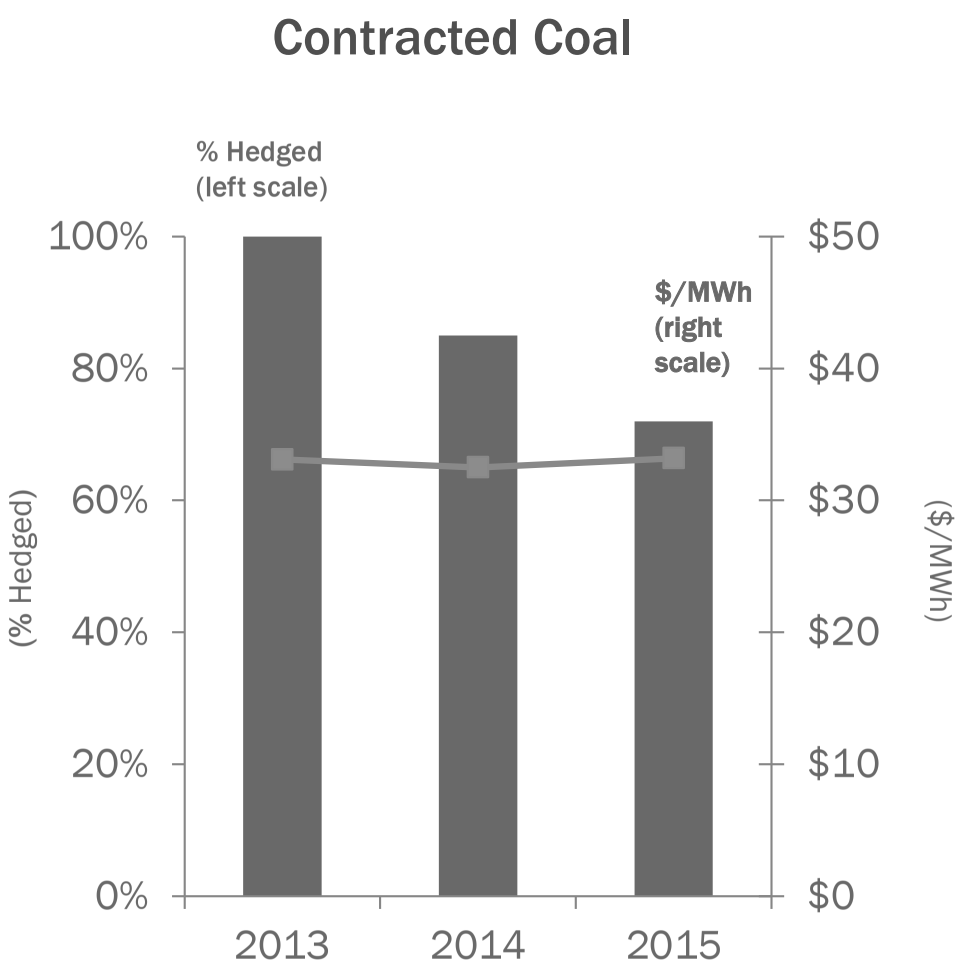
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-03340

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-03341

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	108
Hours per Year	8,760
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,000

SI-SSA-0015-03342

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-03343

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of March 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600	$178	$422
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	60	1,540
	5-Year Credit Facility (Power)	Mar-18	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Mar-18	500	0	500
		Total	$4,300	$342	$3,958
				PSEG Money Pool ST Investment	$289
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,247**
				Total Parent / Power Liquidity	**$3,825**

SI-SSA-0015-03344

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-03345

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

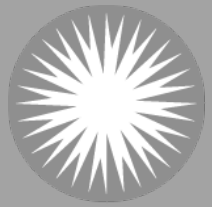
(Unaudited)

Pro-forma Adjustments, net of tax	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Earnings Impact ($ Millions)							
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(105)	52	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	4	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(17)	-	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	34	-	-	(13)
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)							
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.21)	0.10	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.01	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

PSEG Investor Presentation
AGA 2017 Financial Conference

MAY 21–23, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03347

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-03348

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-03349

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-03350

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

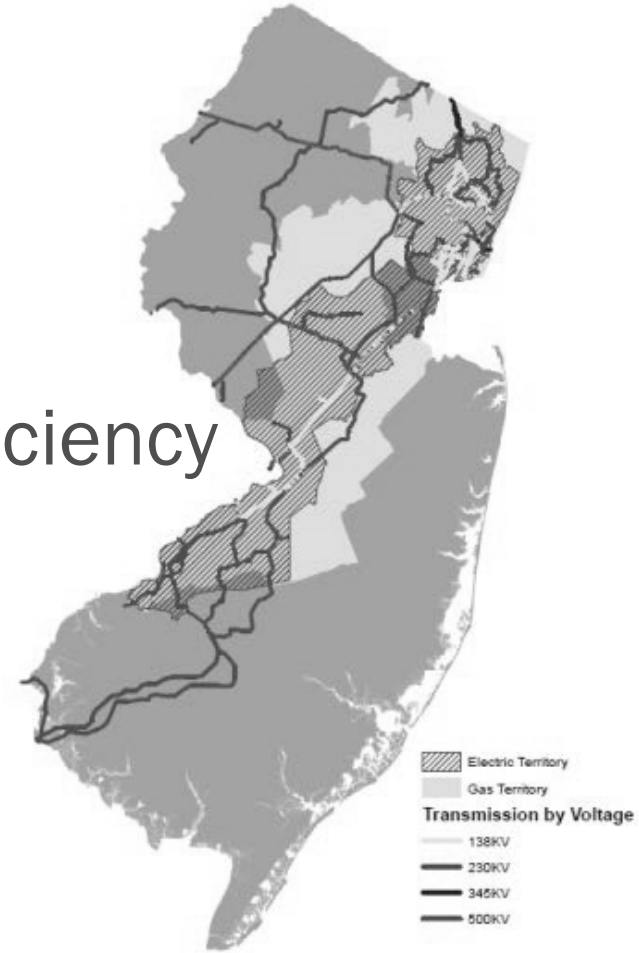
SI-SSA-0015-03351

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

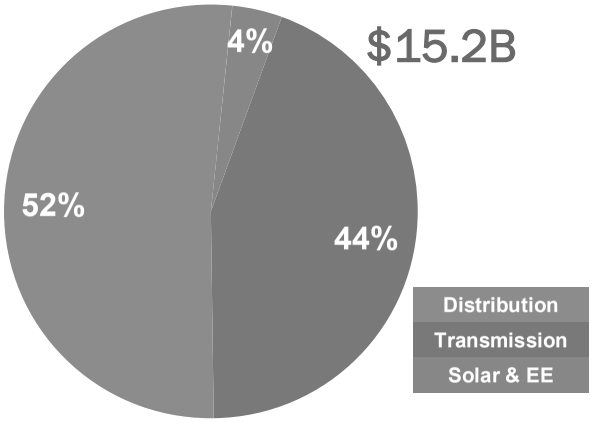
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

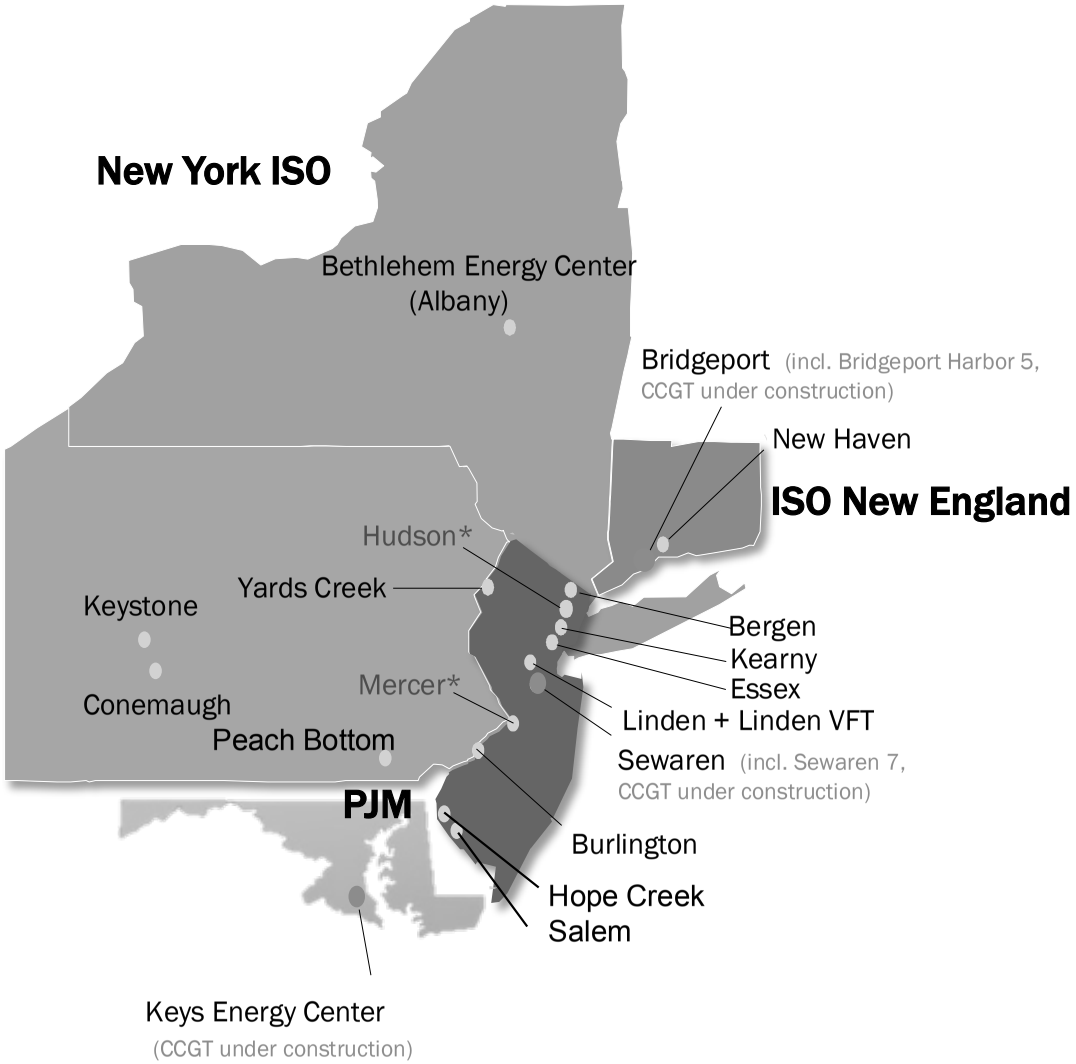


SI-SSA-0015-03352

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-03353

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

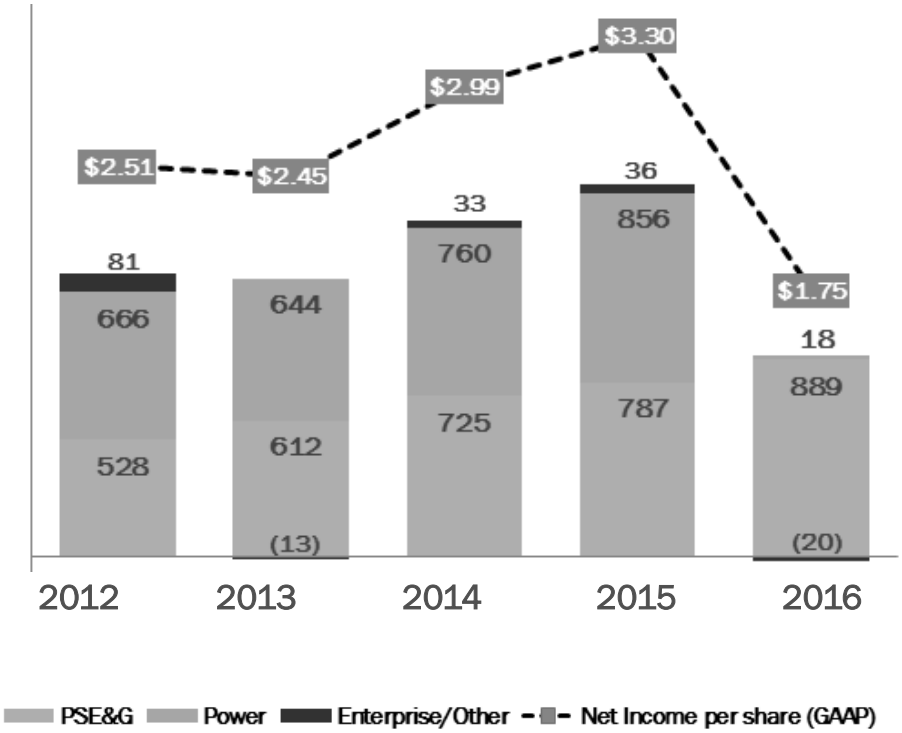
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

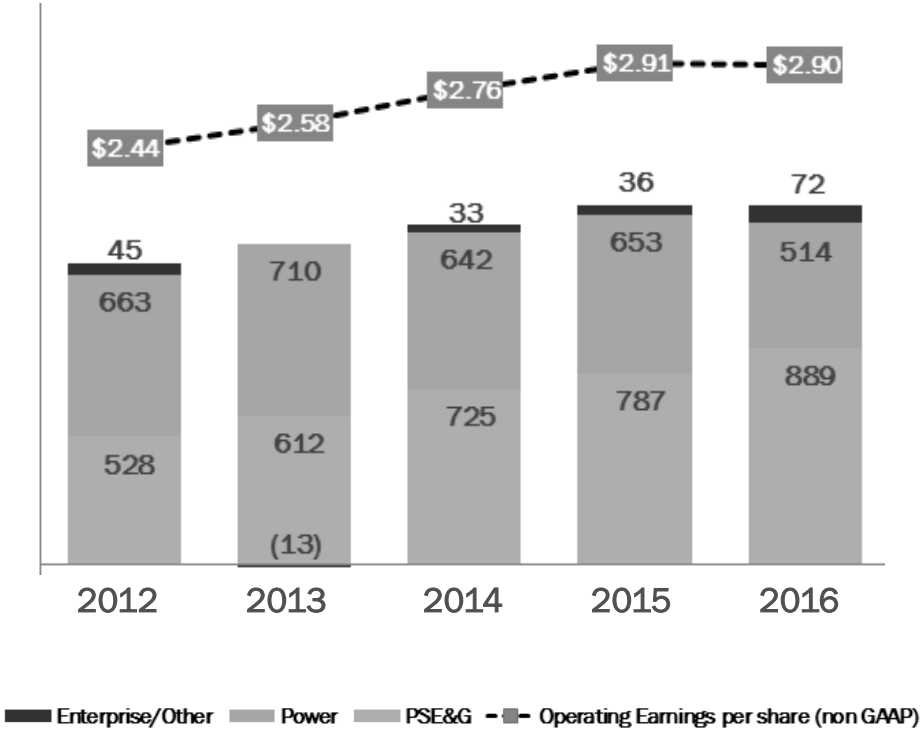
SI-SSA-0015-03354

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)

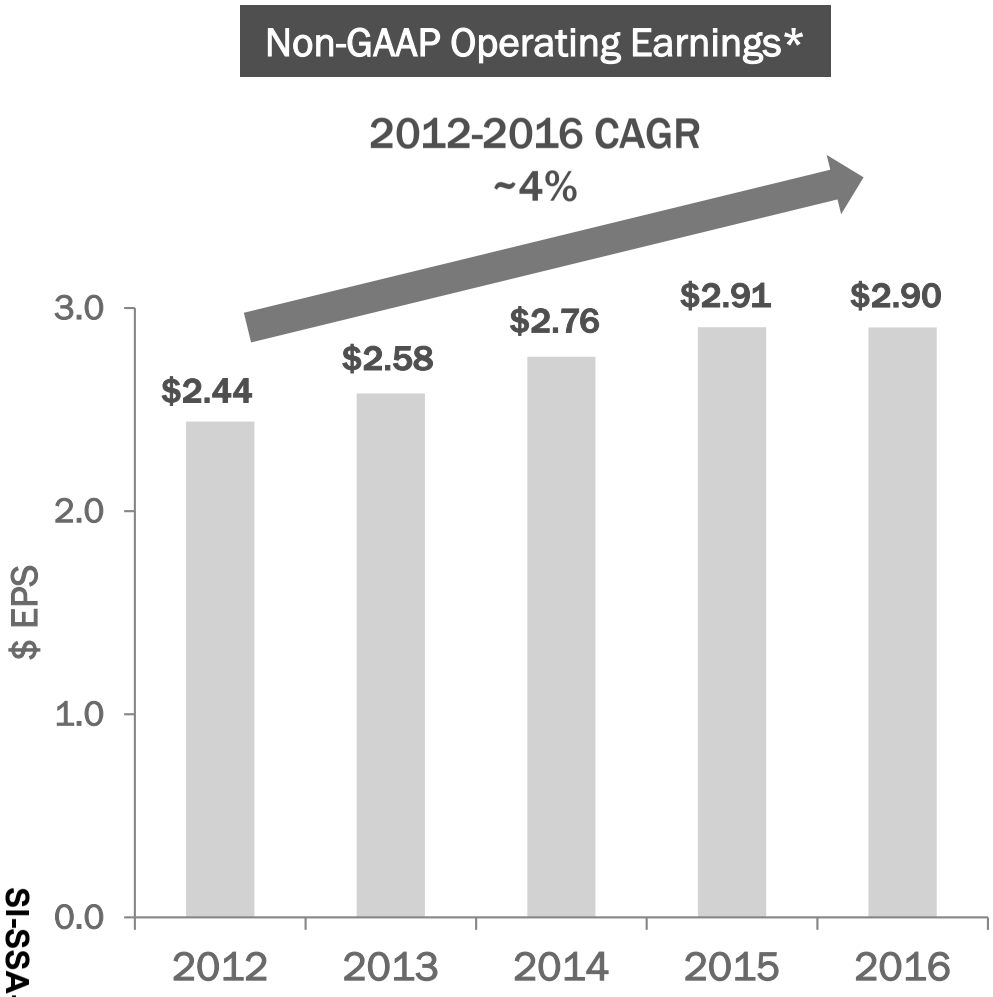


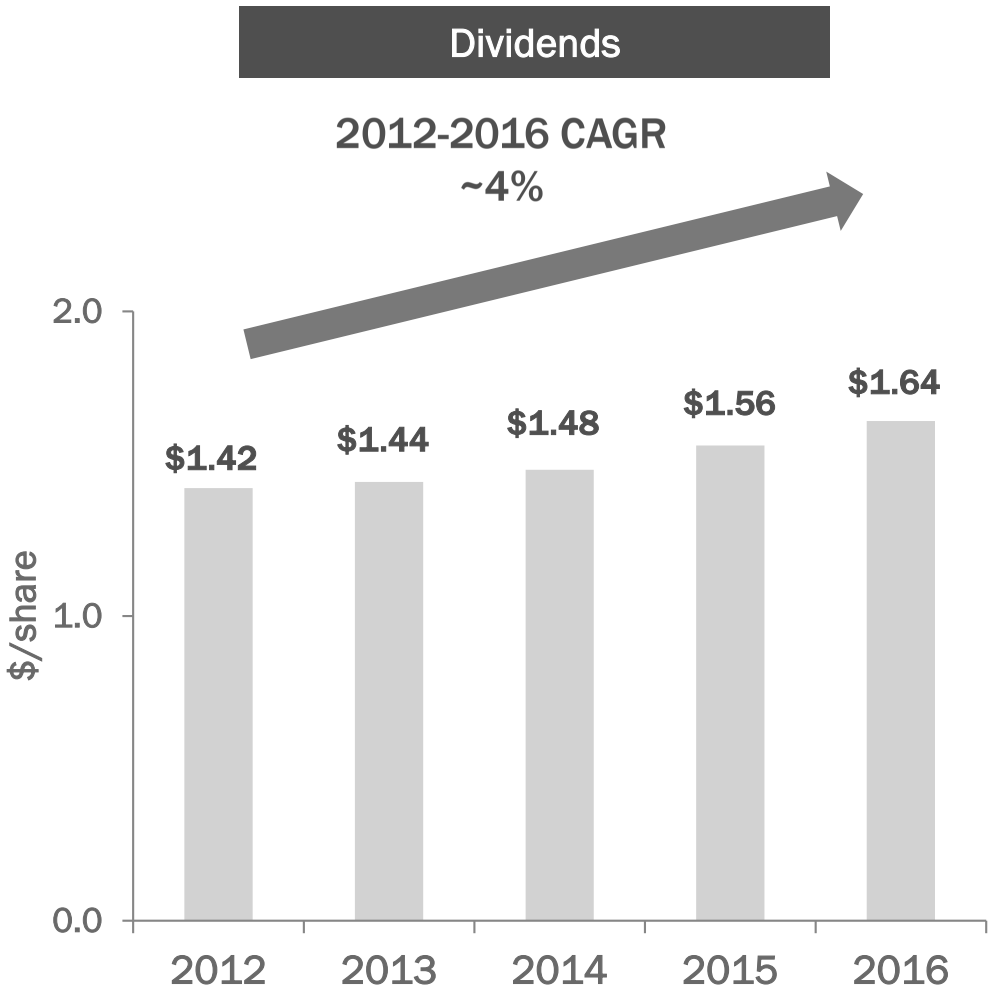
SI-SSA-0015-03355

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

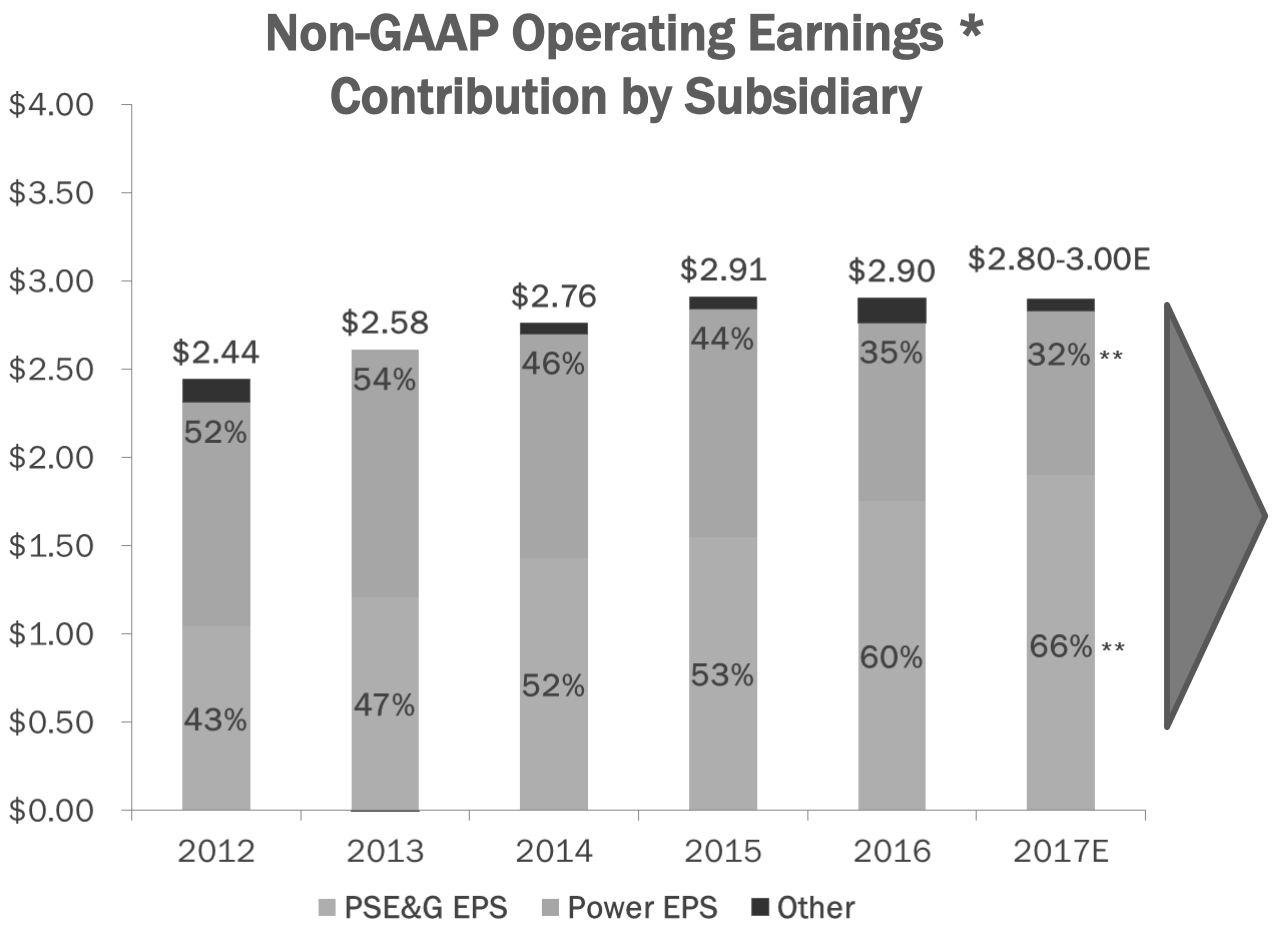




SI-SSA-0015-03356

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



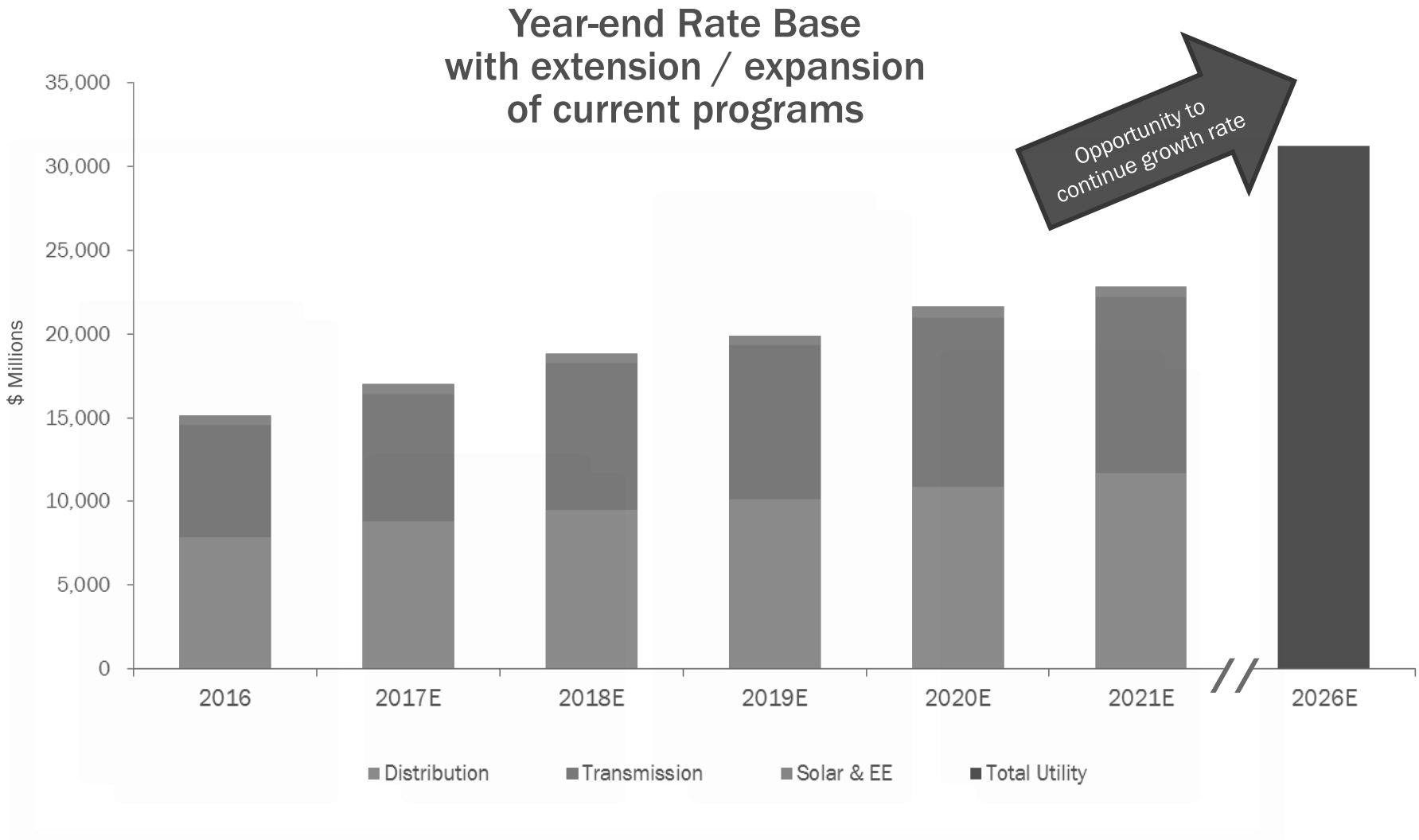
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-03357

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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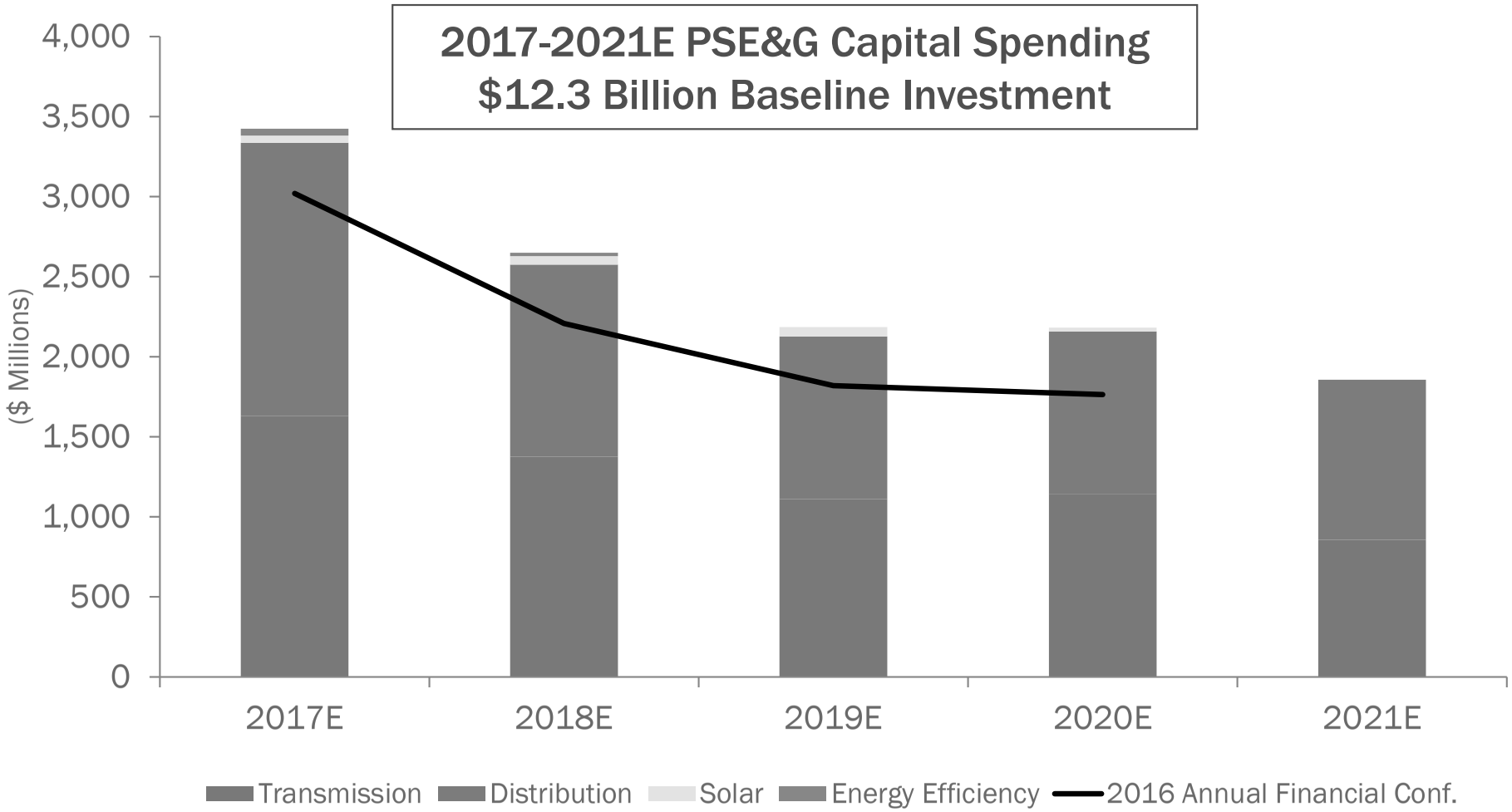
Baseline programs yield 7% compound annual growth in rate base

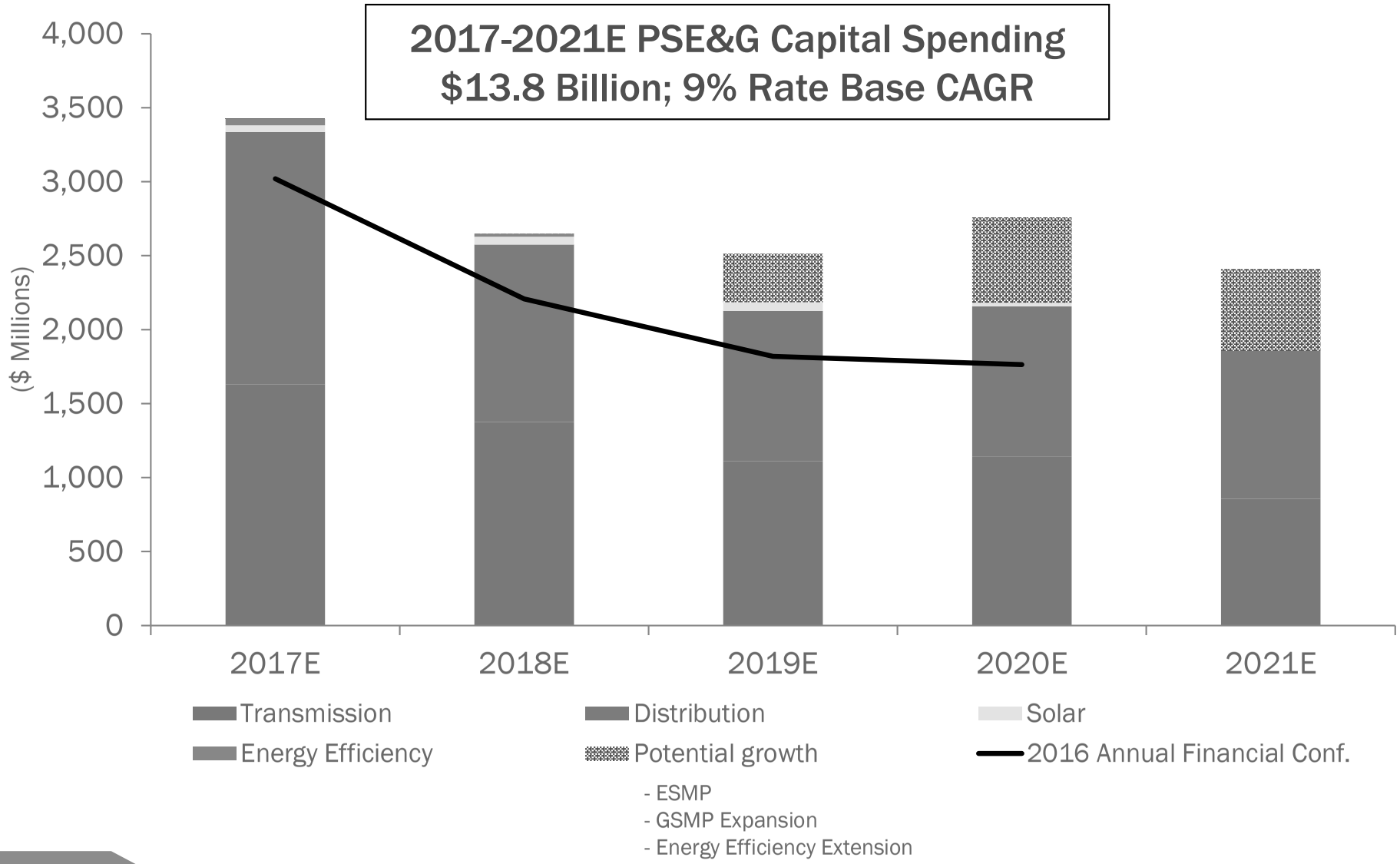


SI-SSA-0015-03359

PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-03360

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

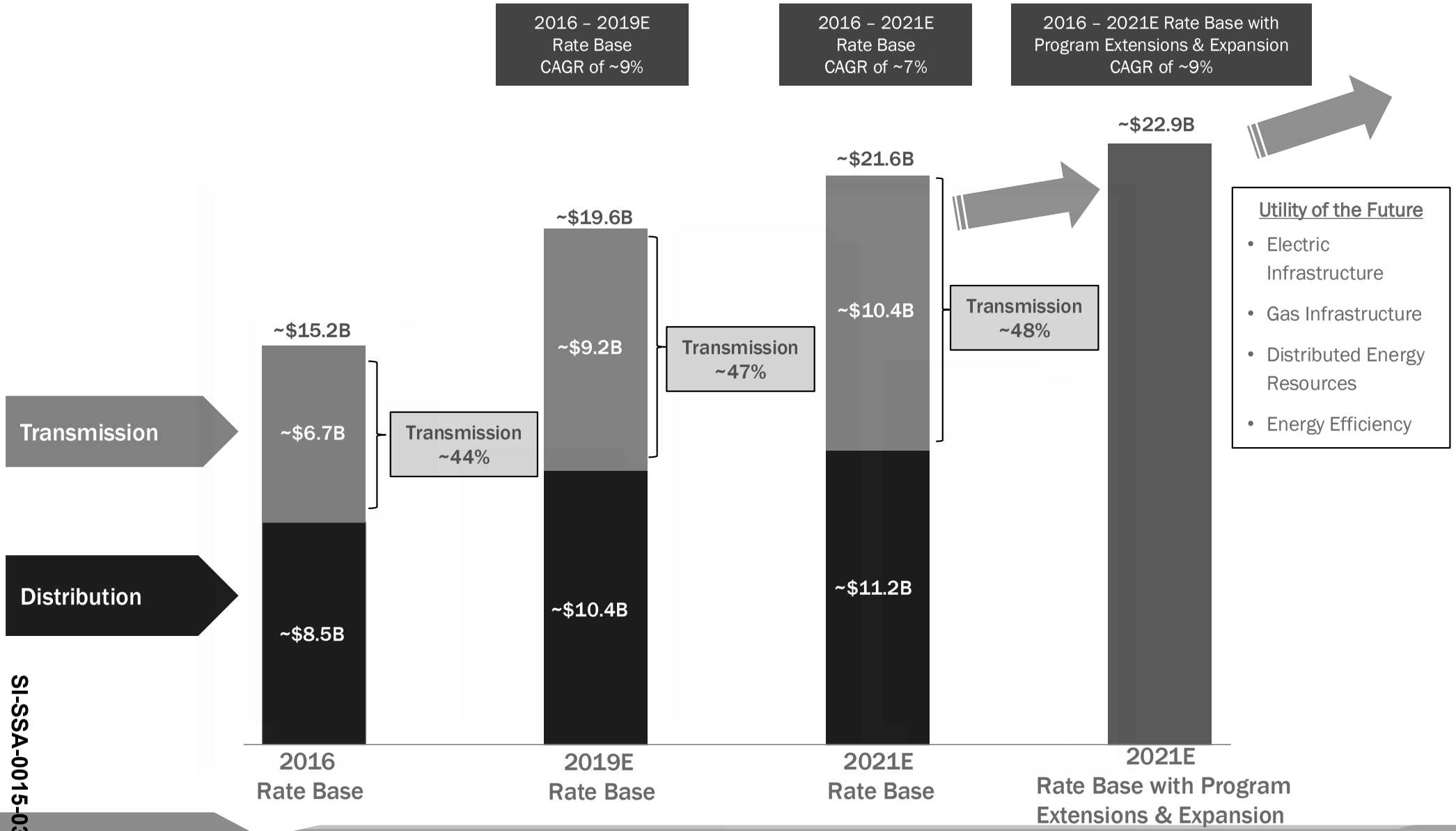
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-03361

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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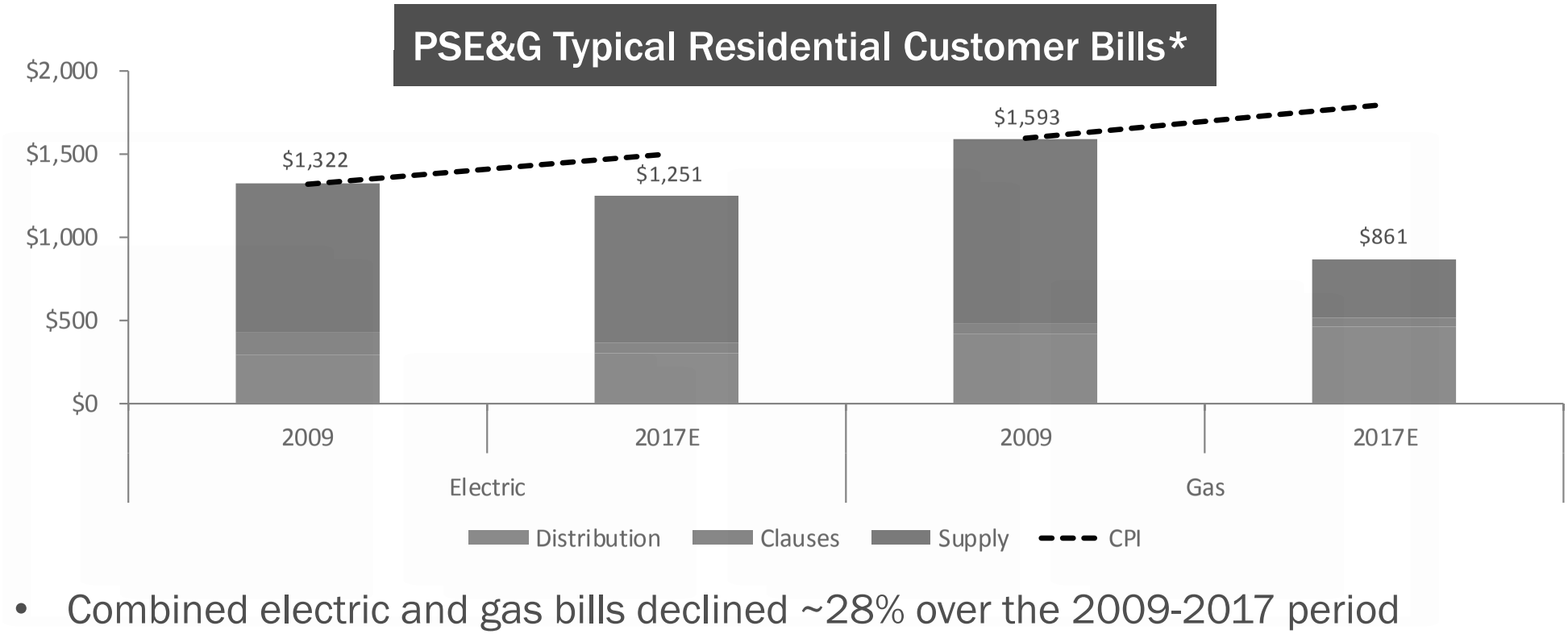
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

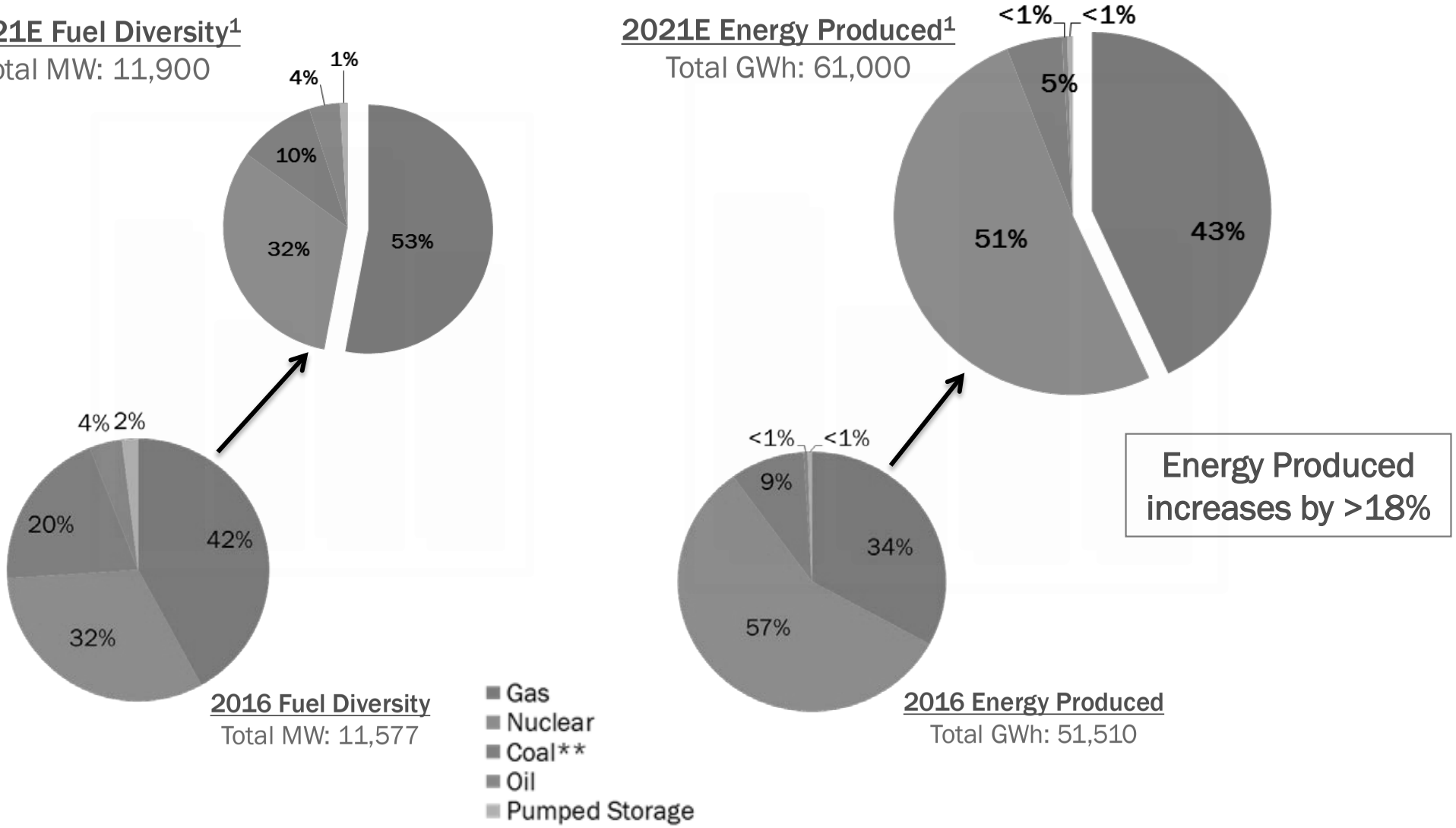
SI-SSA-0015-03363

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

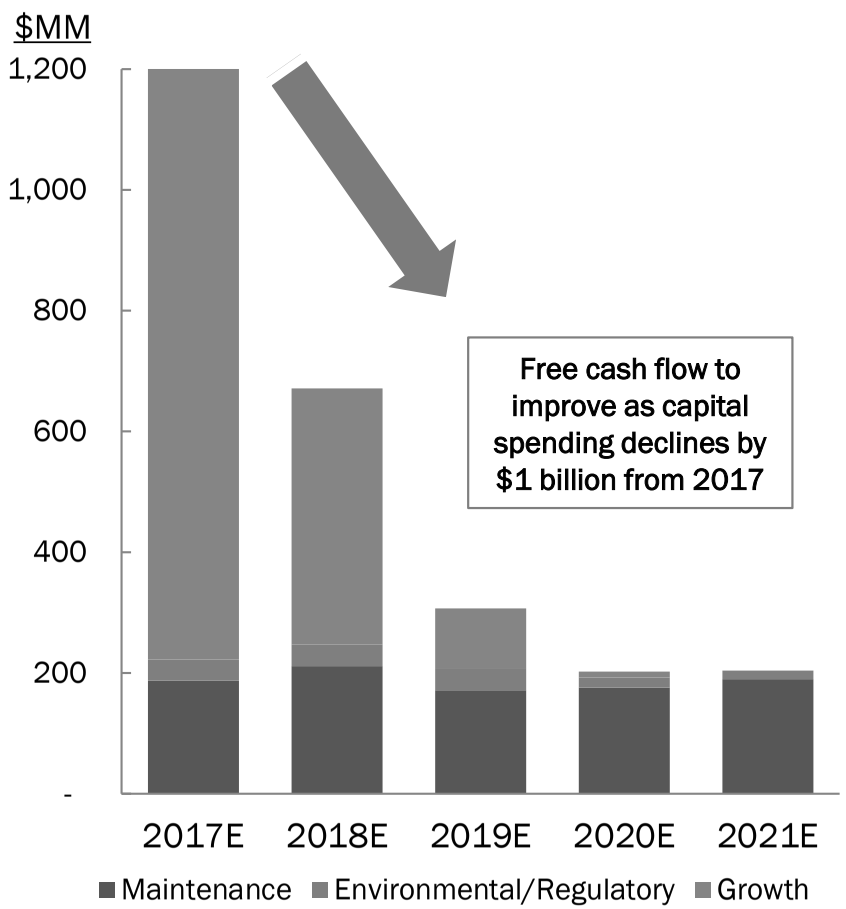


[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

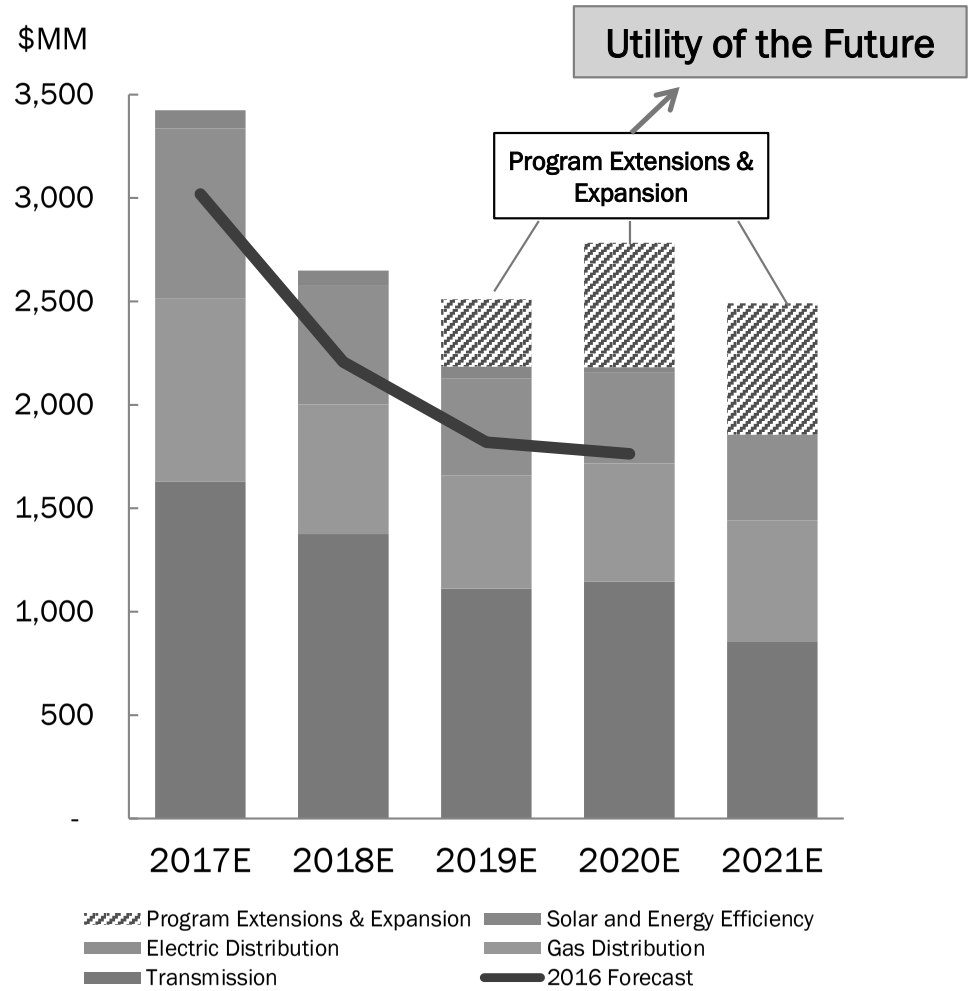
SI-SSA-0015-03364

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

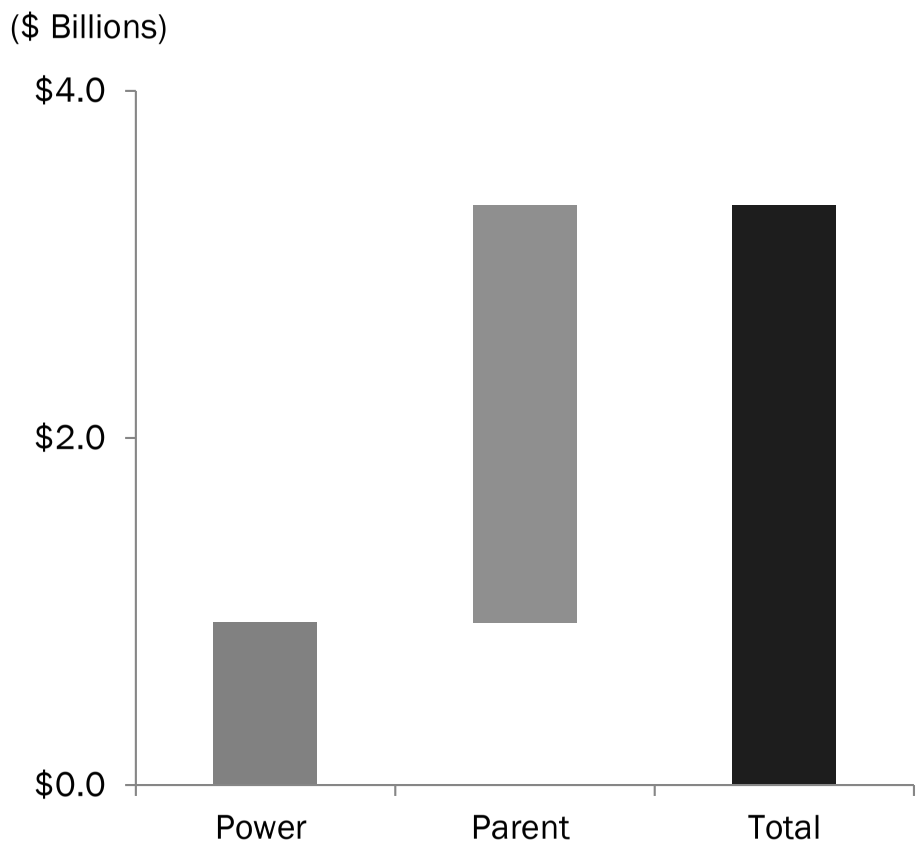
SI-SSA-0015-03365

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

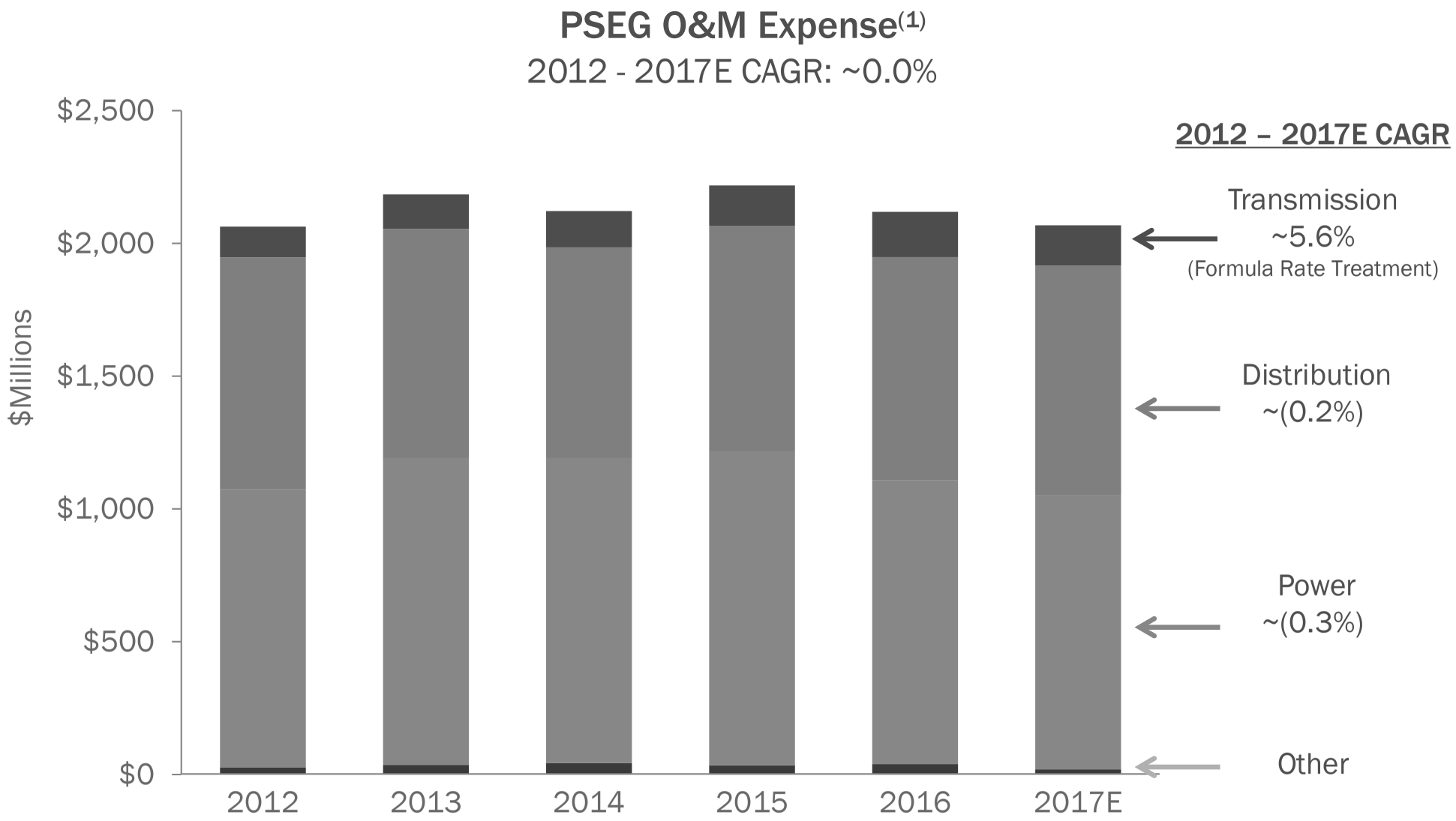
Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-03366

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-03367

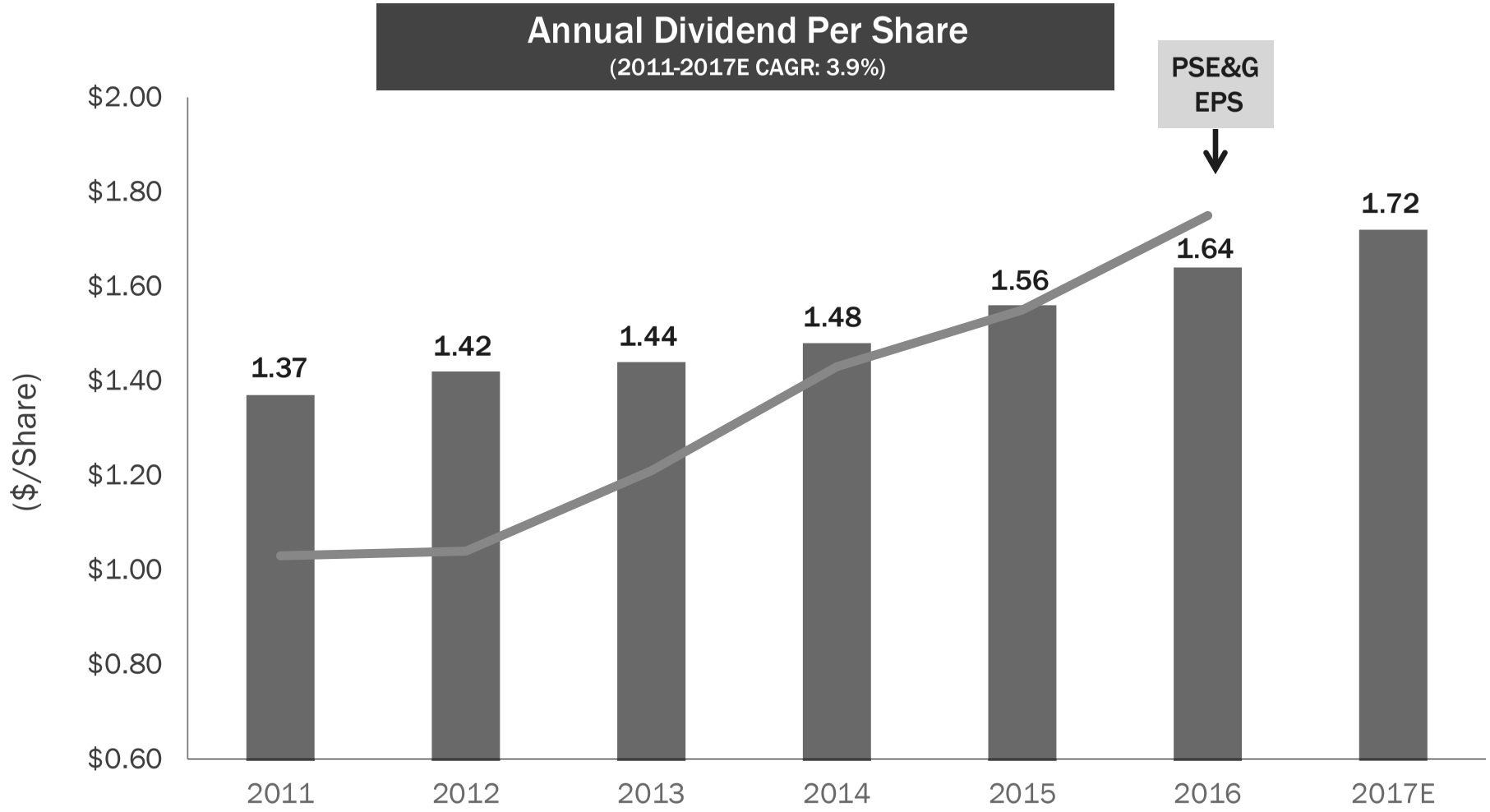
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-03368

Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-03370

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-03371

PSEG FINANCIAL APPENDIX

PSEG

We make things work for you.

SI-SSA-0015-03372

Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

SI-SSA-0015-03373

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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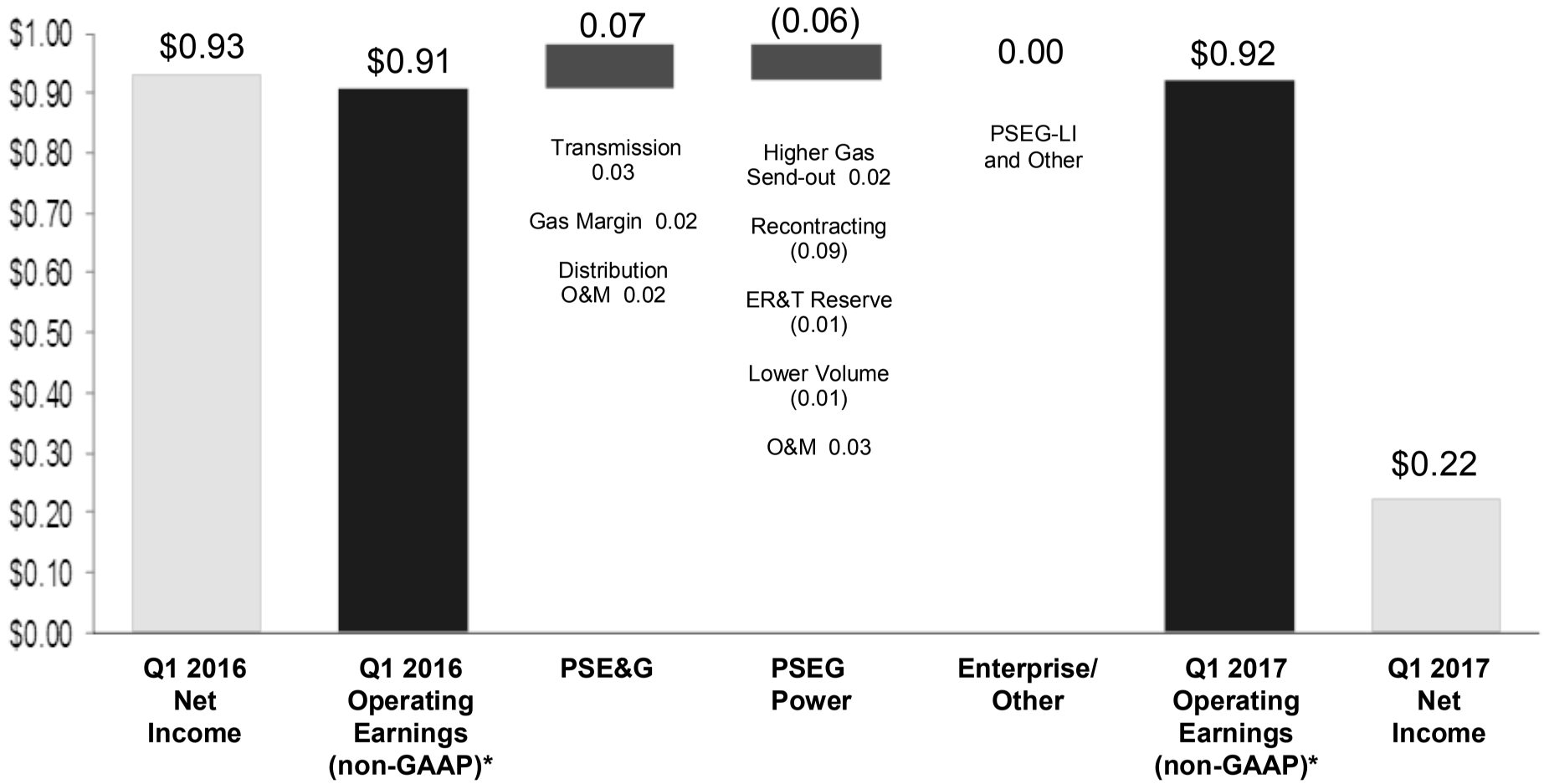
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-03376

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

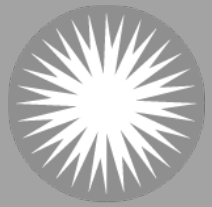
PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

2015 AGA Financial Forum

PALM DESERT, CA – MAY 18, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03378

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-03379

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03380

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-03381

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-03382

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 Assets $22B Operating Earnings $725M	2014 Assets $12B Operating Earnings $642M

SI-SSA-0015-03383

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source

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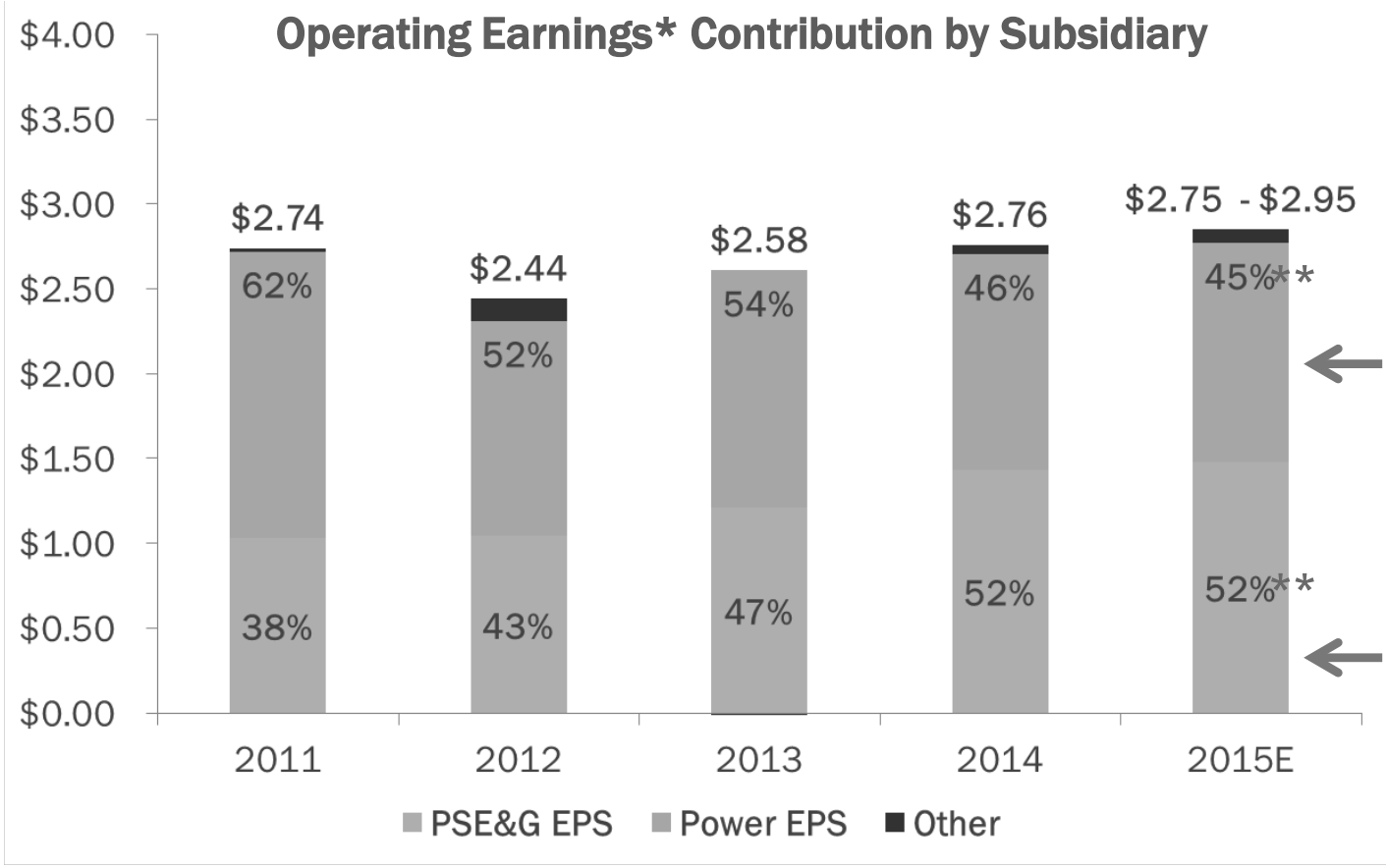
Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-03385

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

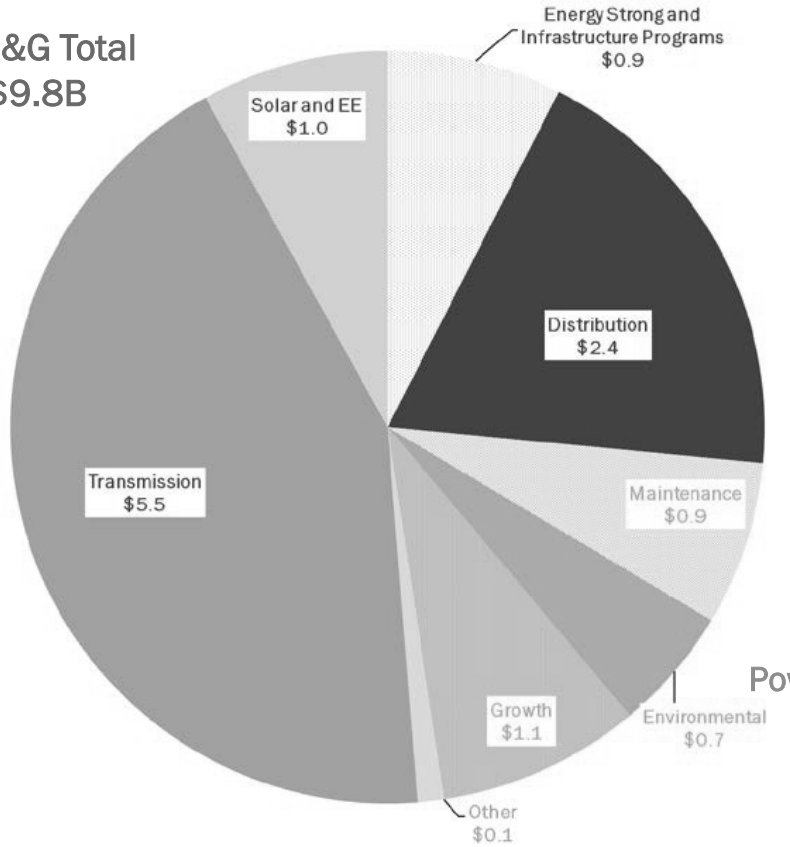
Robust pipeline of investment opportunities

supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion

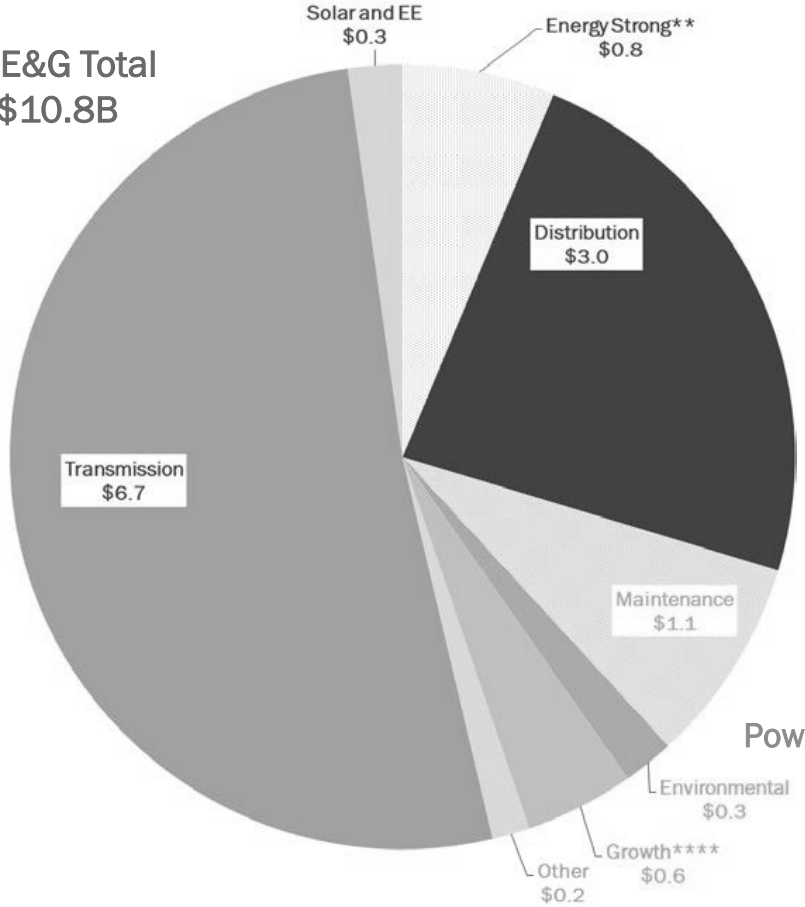
PSE&G Total
$9.8B



Power Total***
$2.7B

2015E - 2019E*: $13 Billion

PSE&G Total
$10.8B



Power Total***
$2.0B

2015E–2019E:

- $1.3B of capital for Gas System Modernization Program and Artificial Island would be incremental

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Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program and Artificial Island increase capital program by $1.3 billion through 2019 • Financial capability supports further expansion of the current capital plan

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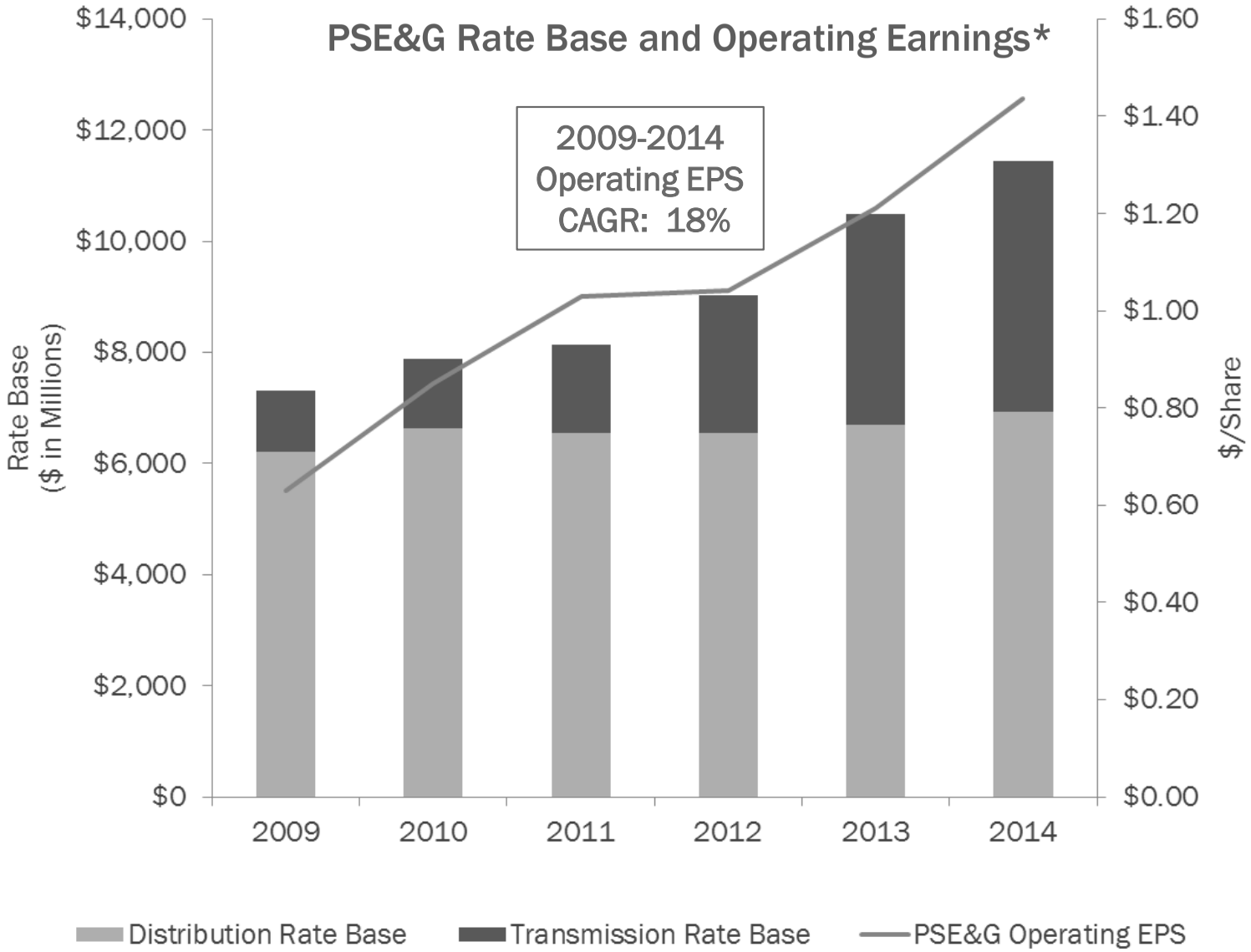
PSE&G's investment program

Meeting public policy goals and customer needs



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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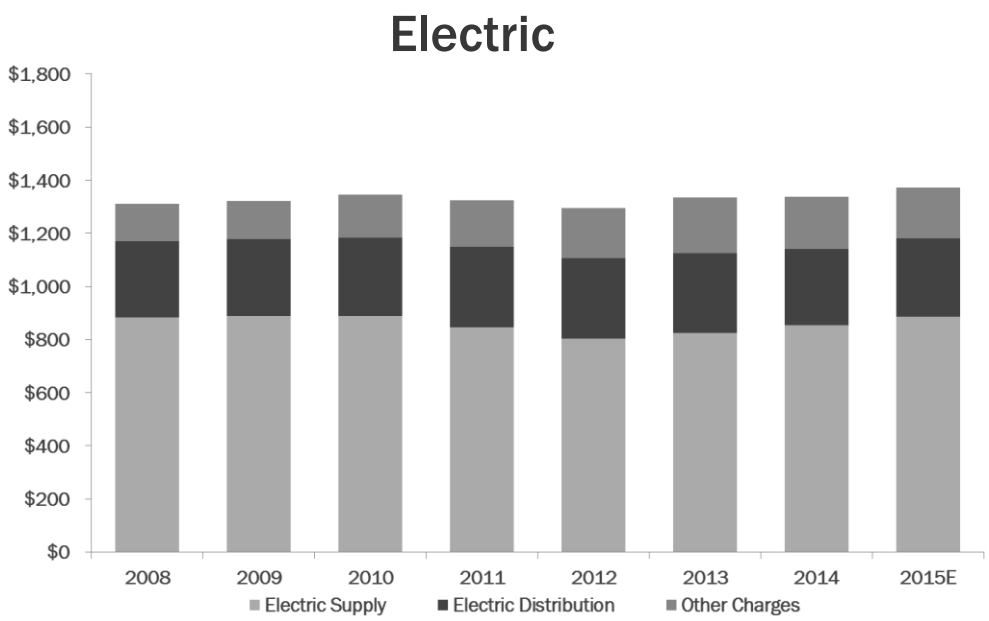
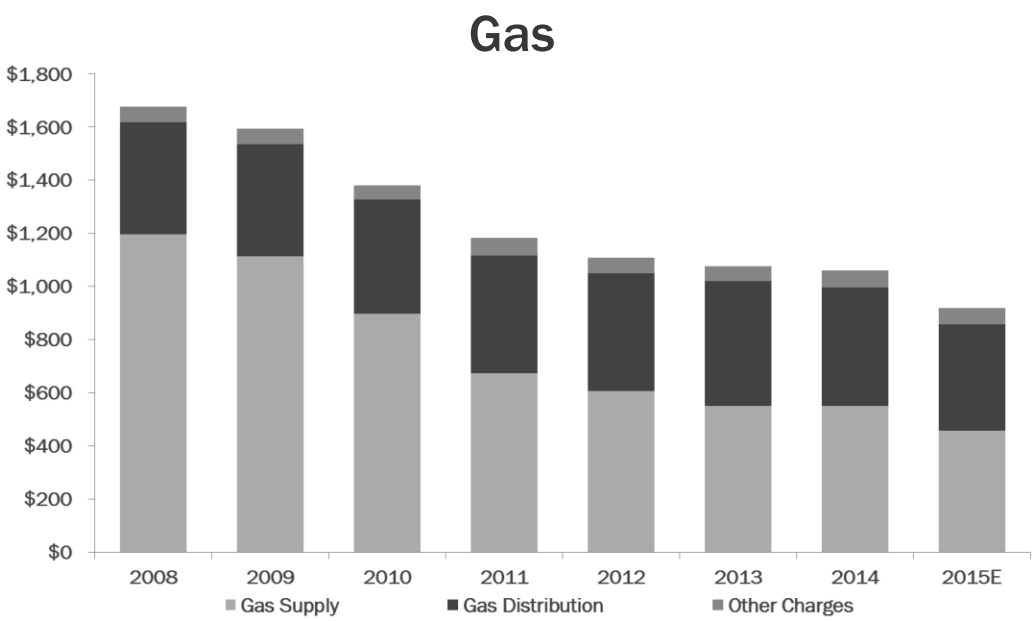
Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

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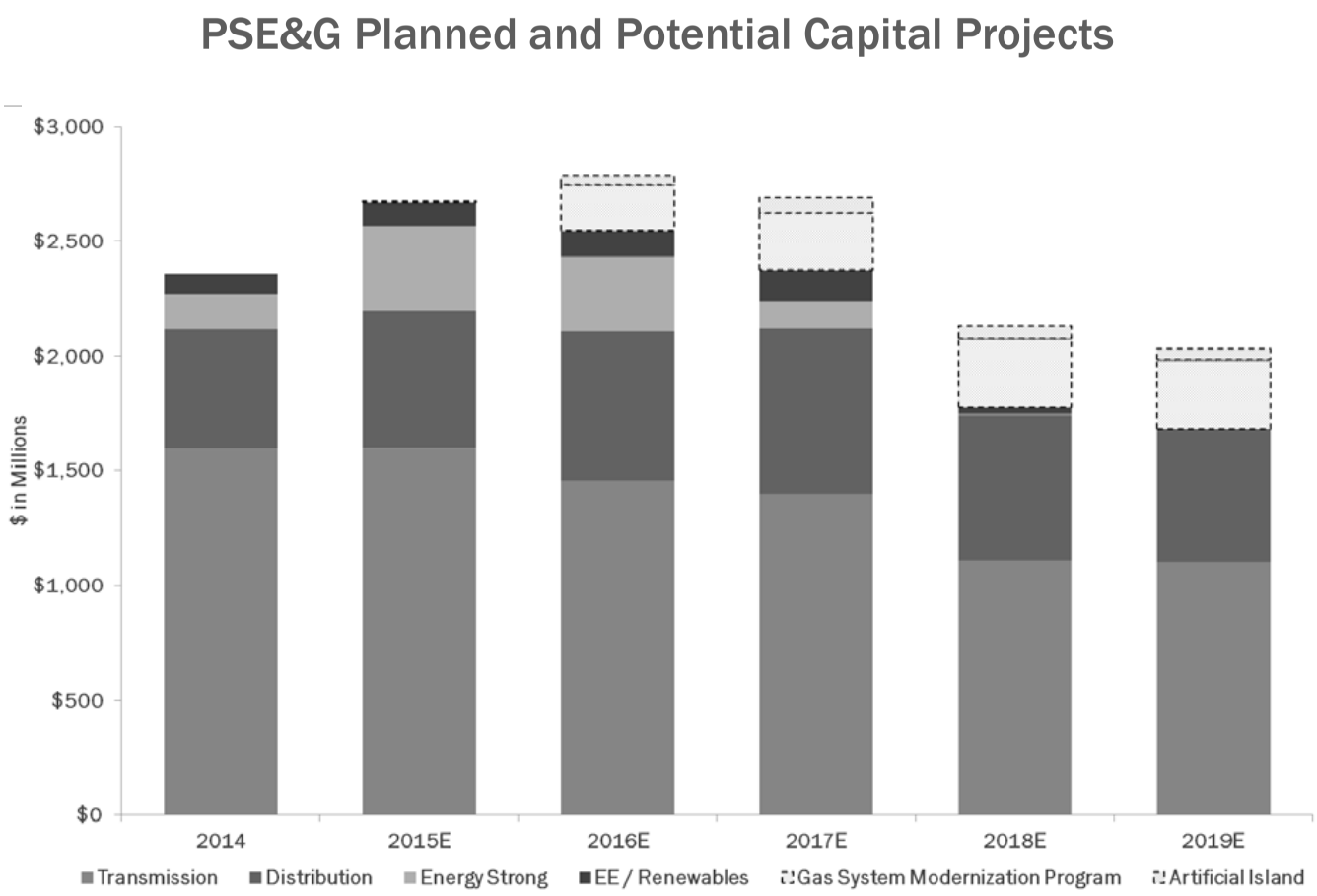
PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

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Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

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Power – Growing value by improving market rules and developing investment opportunities

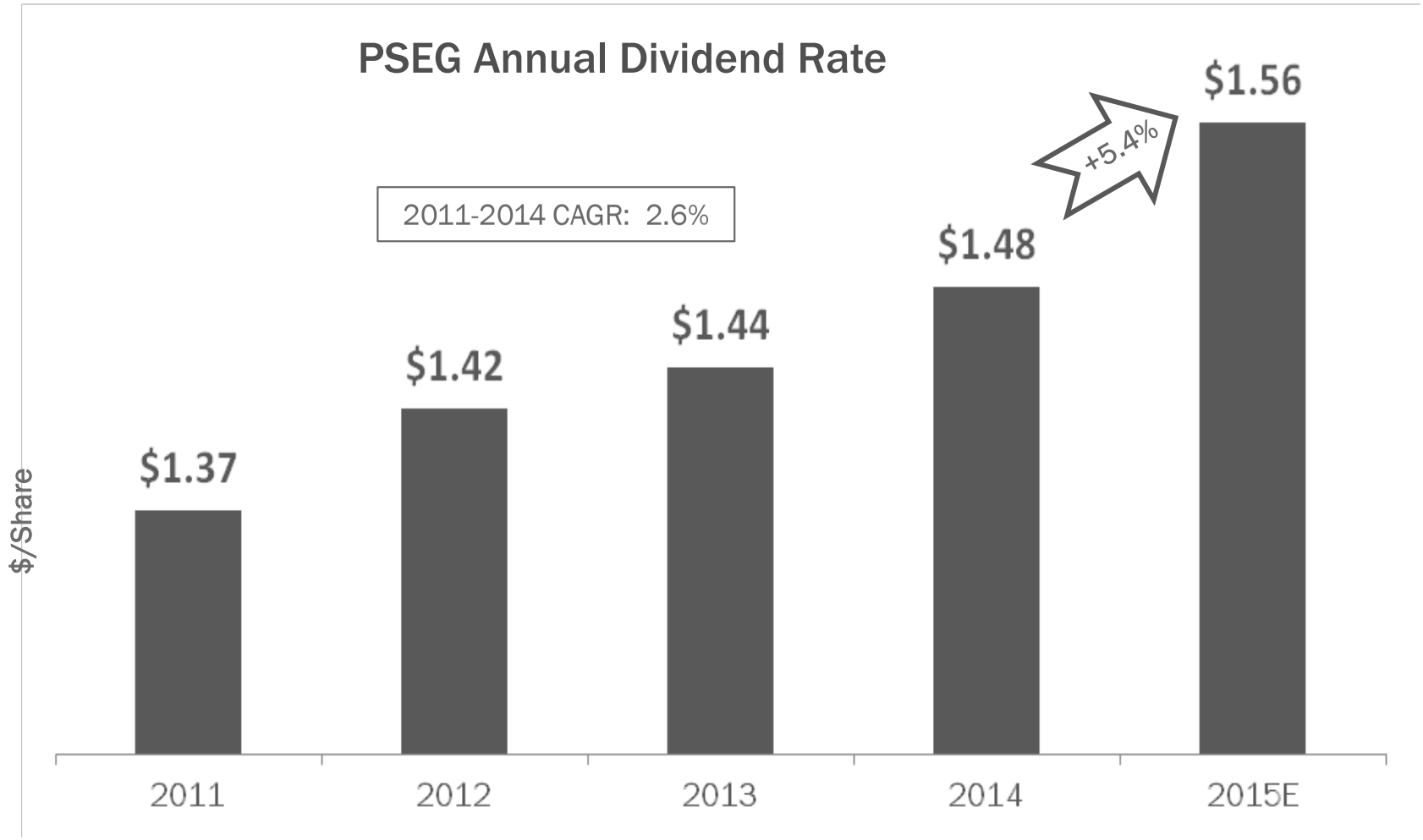
Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and 2015 Capacity Performance proposal • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates are underway • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~123 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.

SI-SSA-0015-03392

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

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Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities**

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-03395

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG

We make things work for you.

SI-SSA-0015-03396

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

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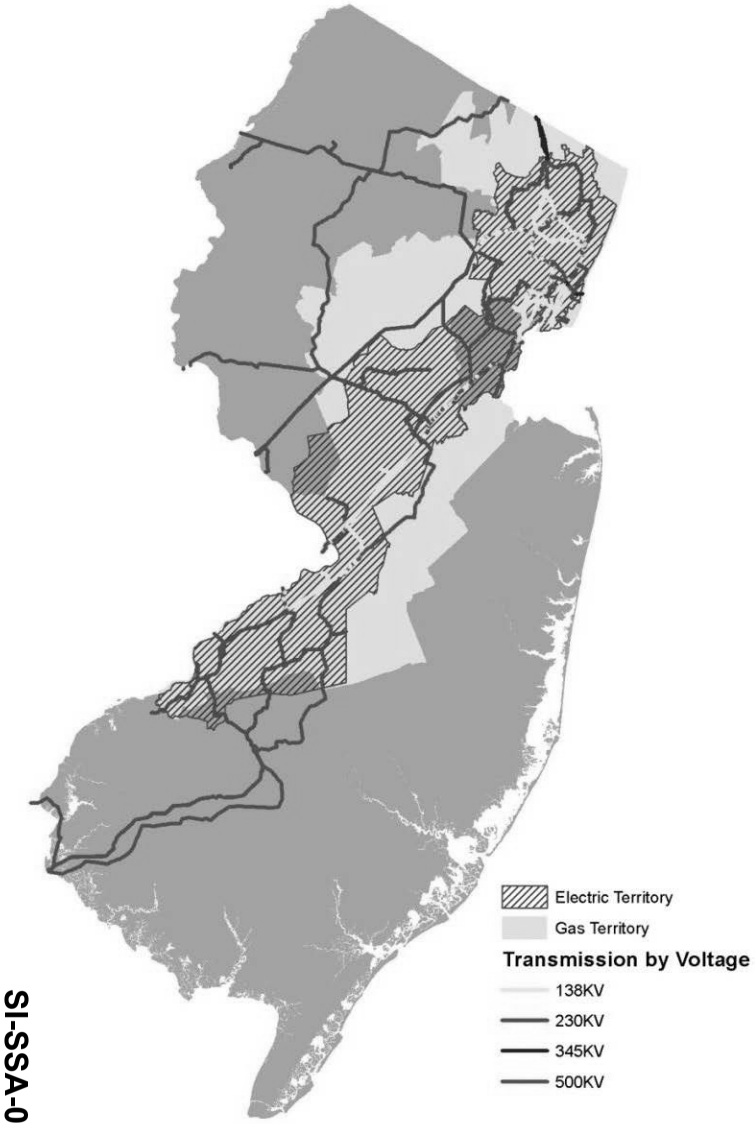
PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

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Mid-Atlantic ReliabilityOne award winner for 13 years in a row

SI-SSA-0015-03399

PSE&G's service and reliability is being recognized by customers

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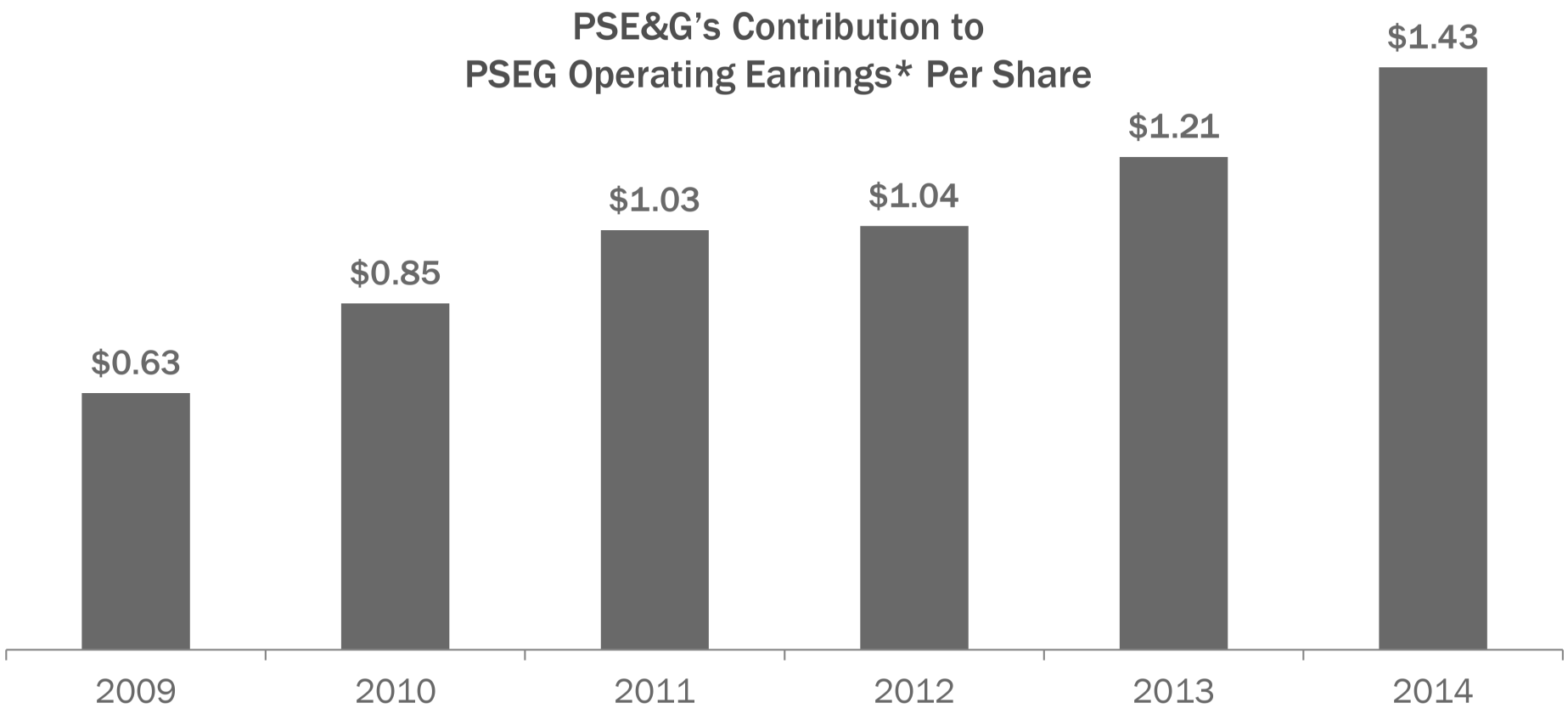
PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control



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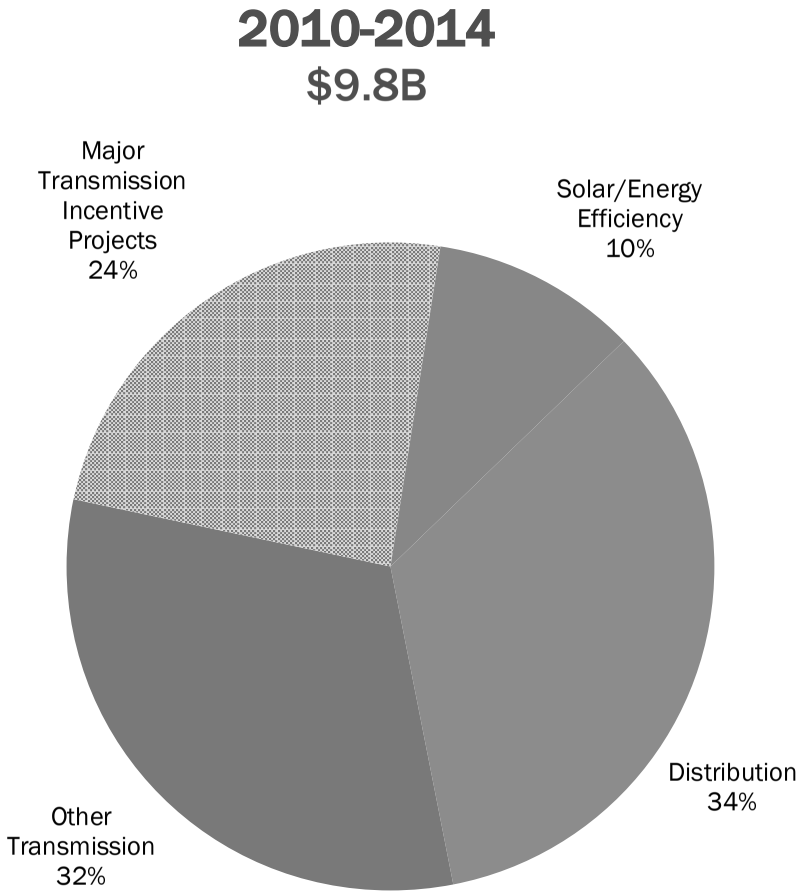
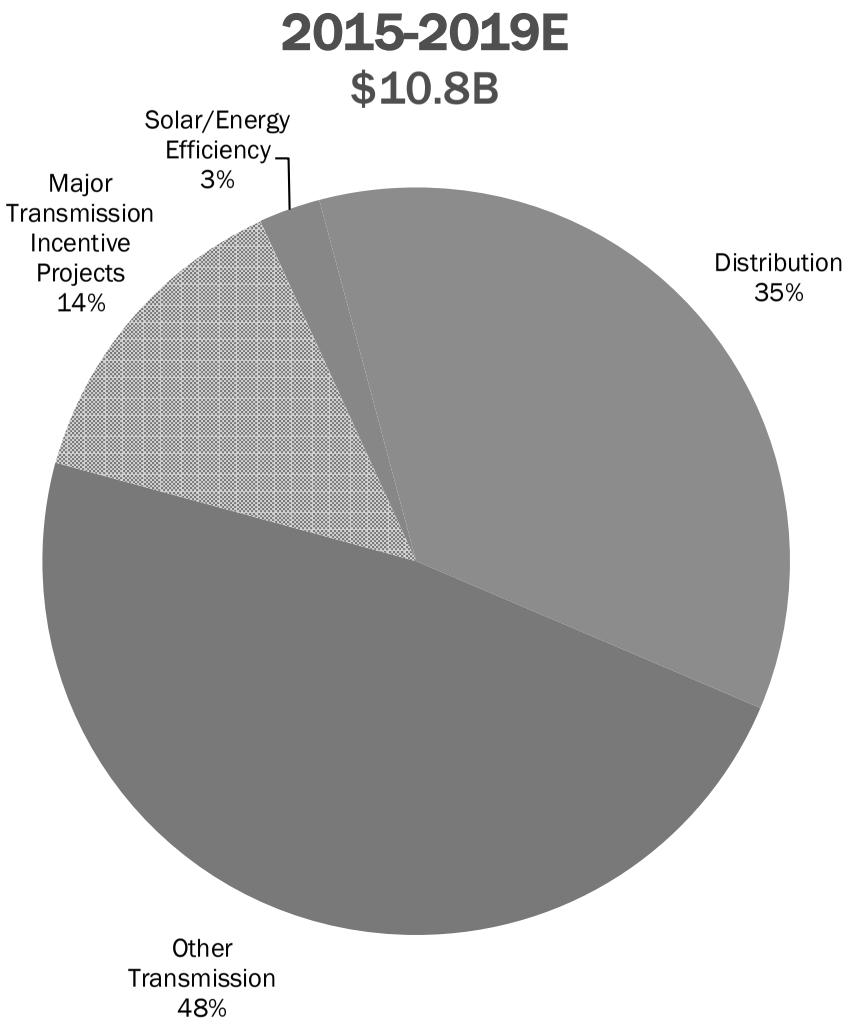
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

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PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

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A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-03405

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

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PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System Modernization Program would increase potential investment by ~$1.6B

SI-SSA-0015-03407

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-03408

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal unit (RTU) has been installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

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Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

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Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term replacement strategy
  - 30-year cast iron and unprotected steel replacement program
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Higher pressure system allows usage of high efficiency appliances by customers

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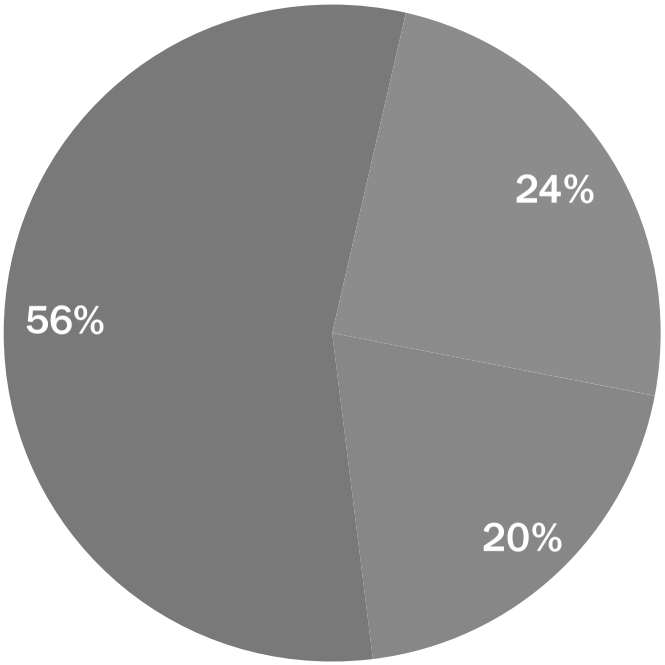
PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

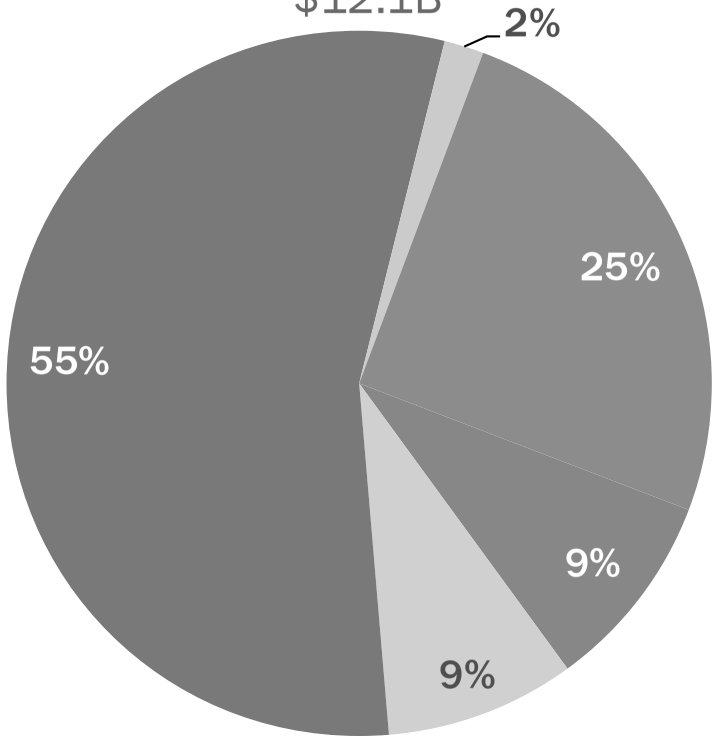
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

FERC Formula Rates
- Transmission
- Artificial Island

Traditional Recovery Mechanisms
- Distribution Base Rates

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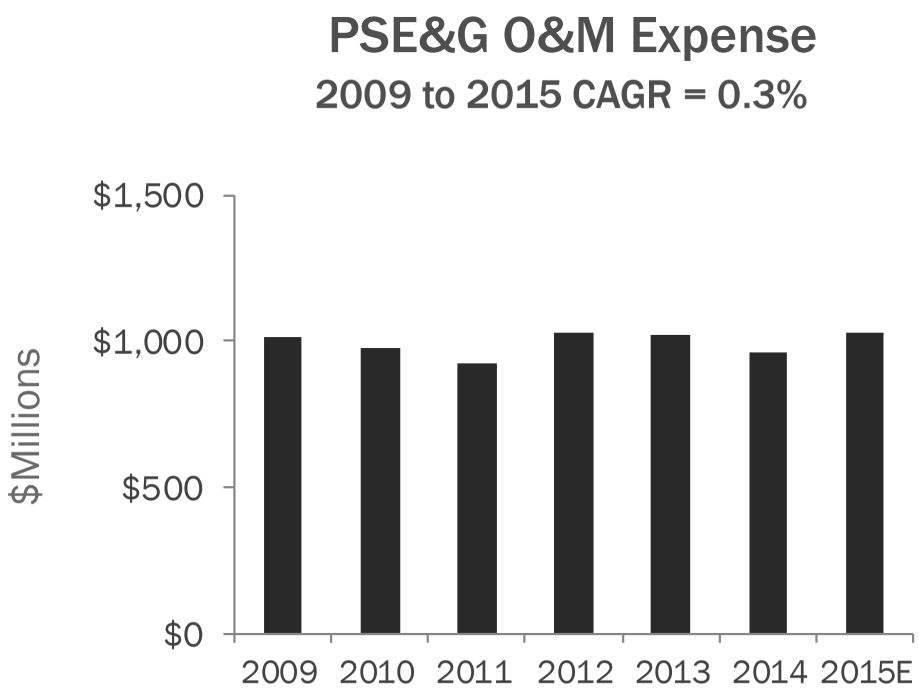
PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

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PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

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PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-03415

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-03416

PSEG POWER

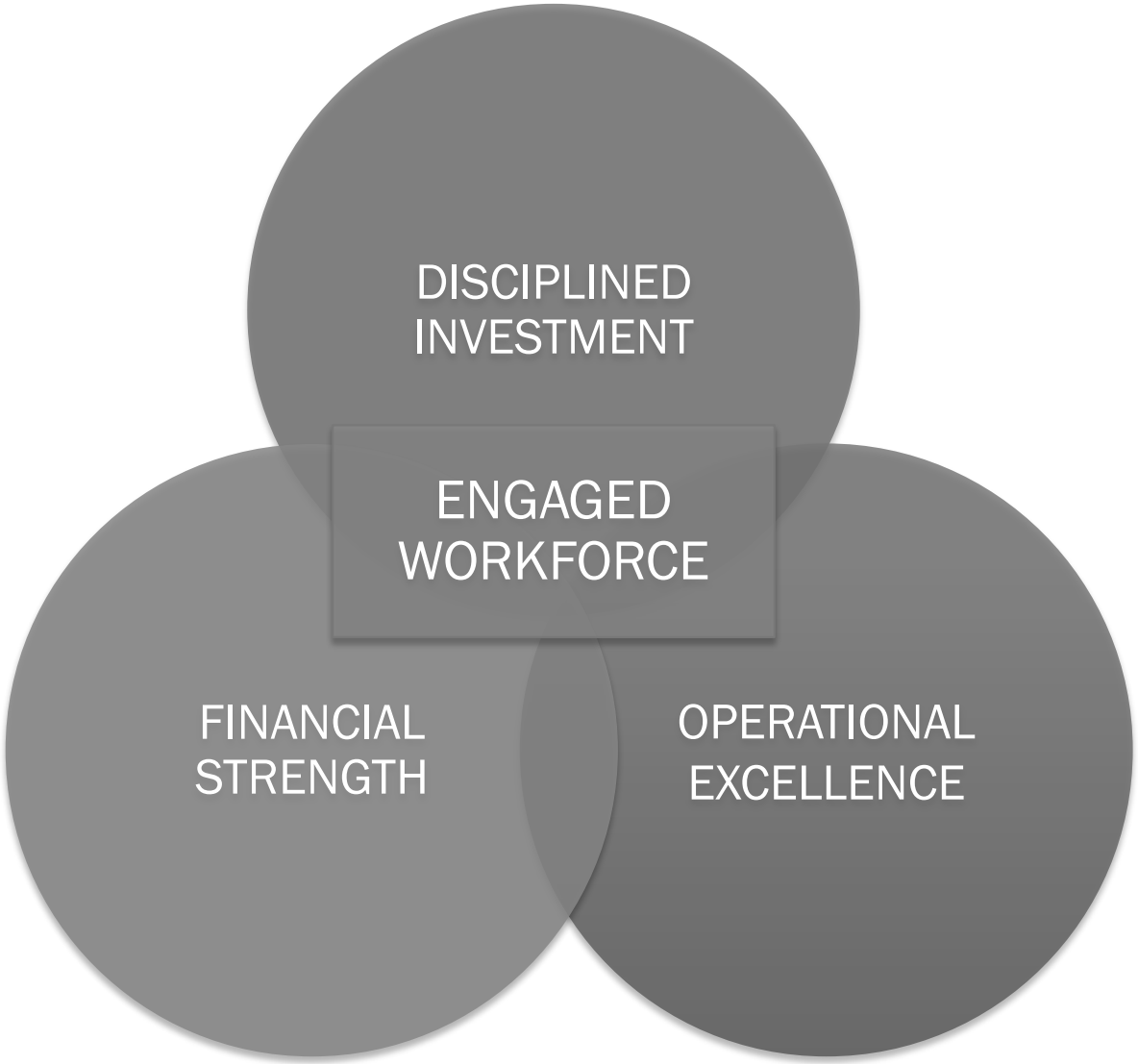
PSEG

We make things work for you.

SI-SSA-0015-03417

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



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PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-03419

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Completed three projects with one underway, bringing Solar Source's portfolio to 123 MW_{DC} • Nuclear ESP is expected in 2016

SI-SSA-0015-03420

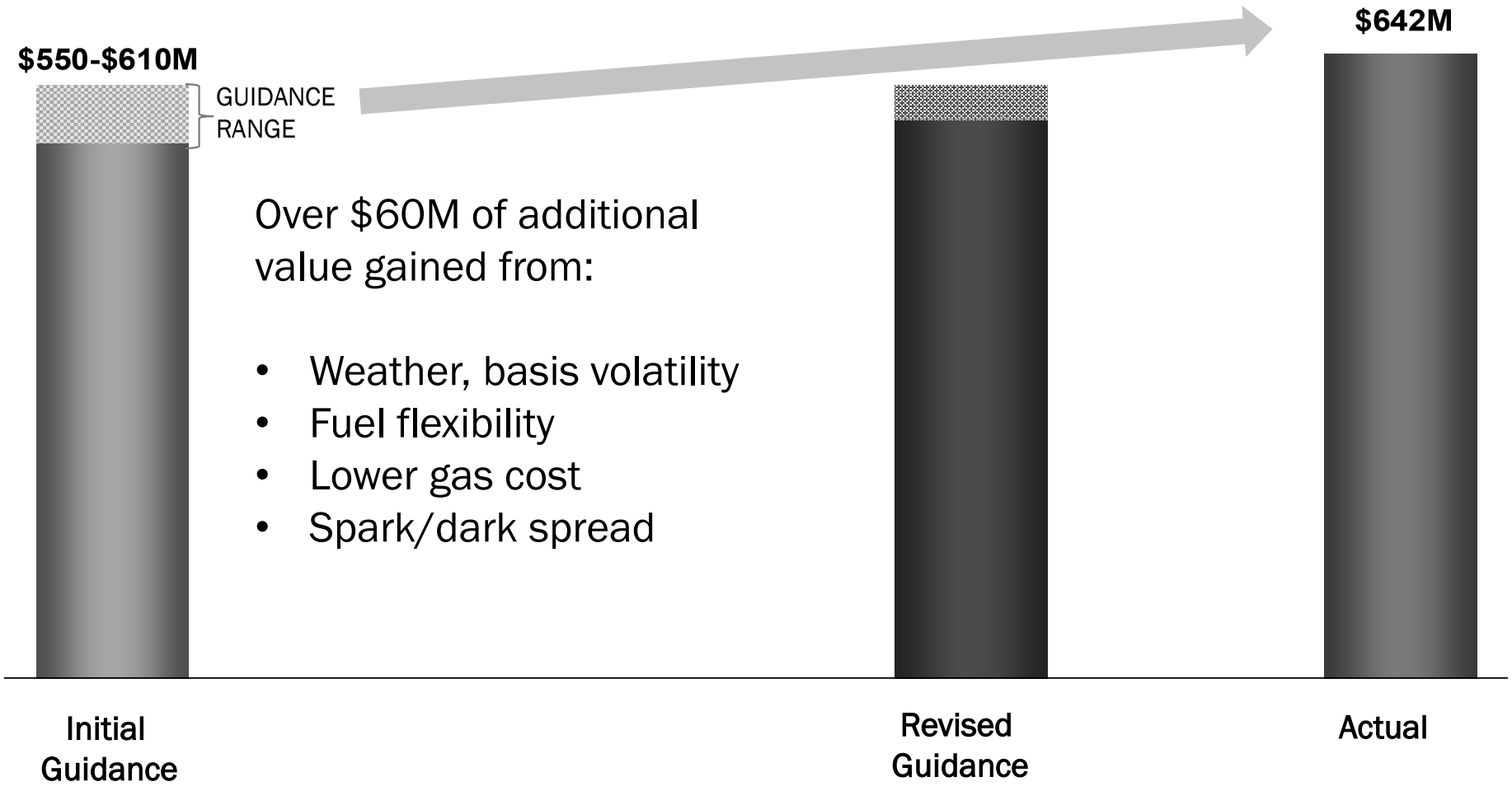
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-03421

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



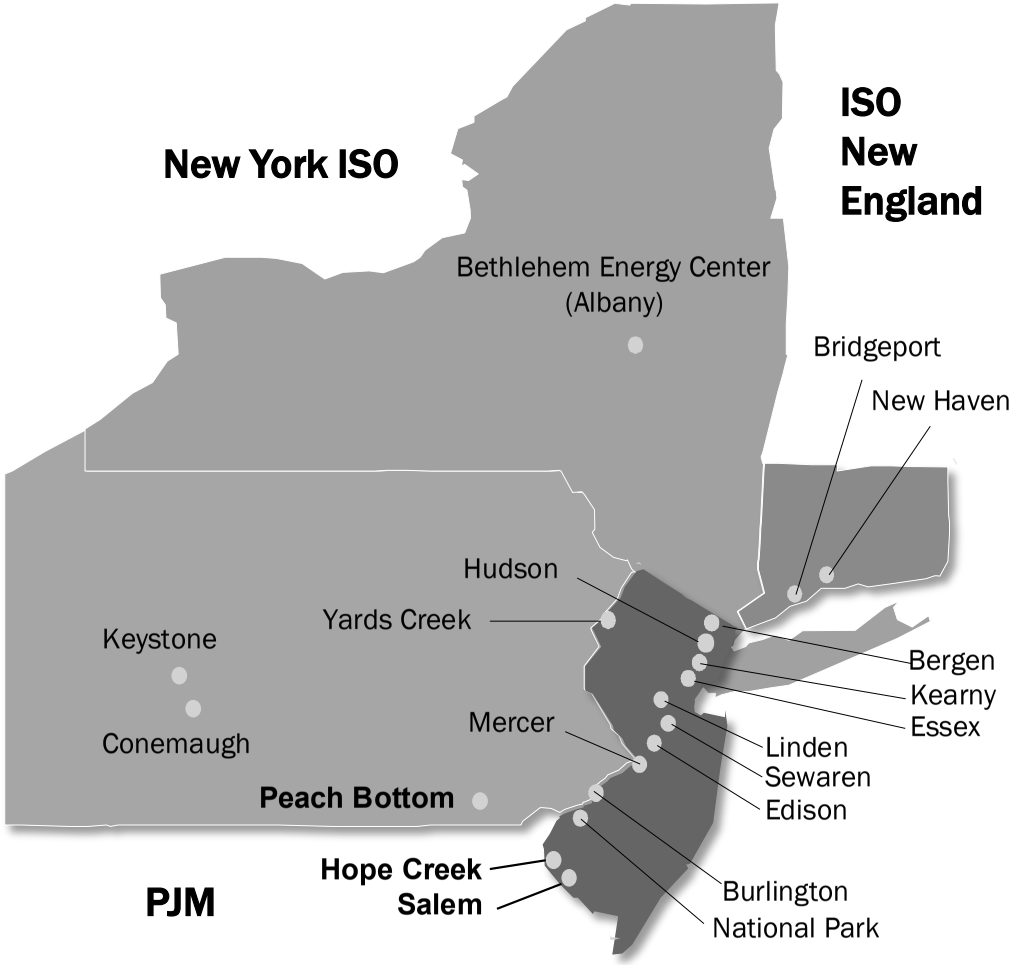
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-03422

PSEG Power has generating assets

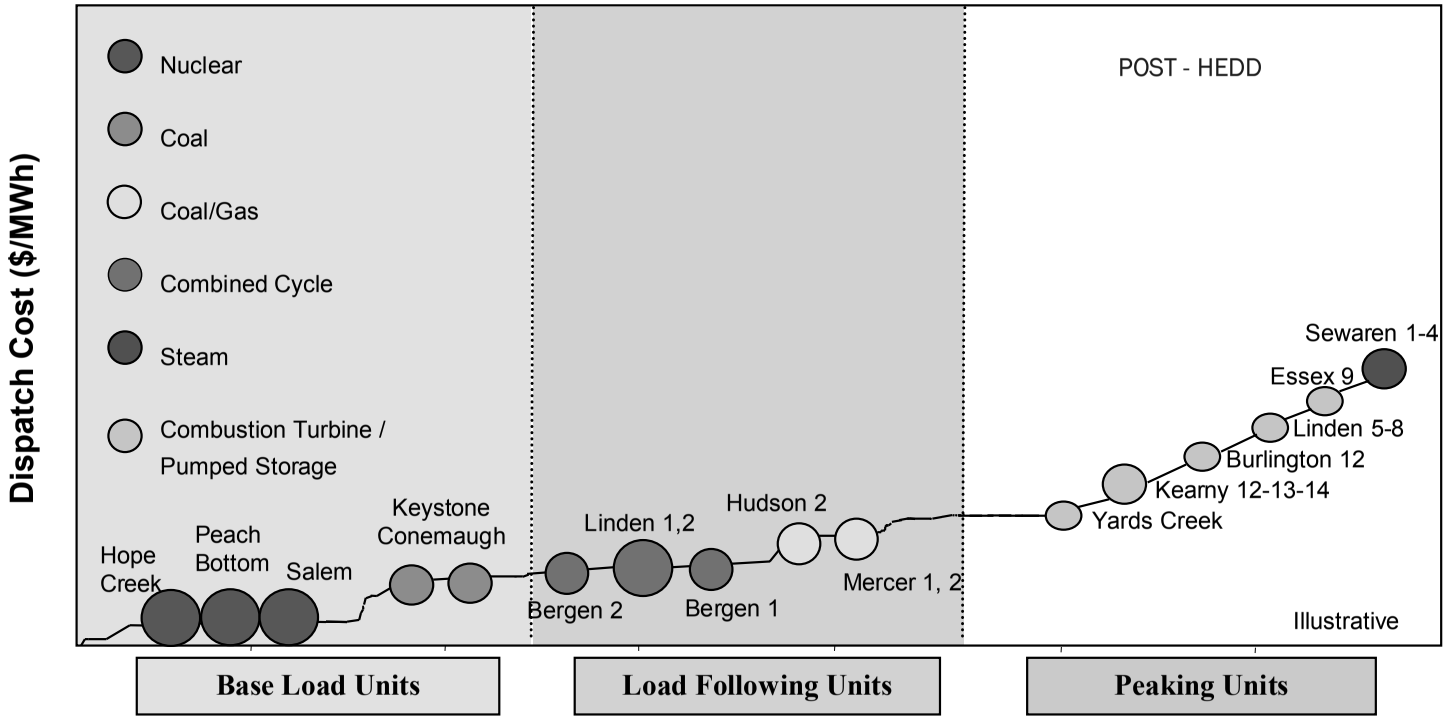
in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



SI-SSA-0015-03423

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

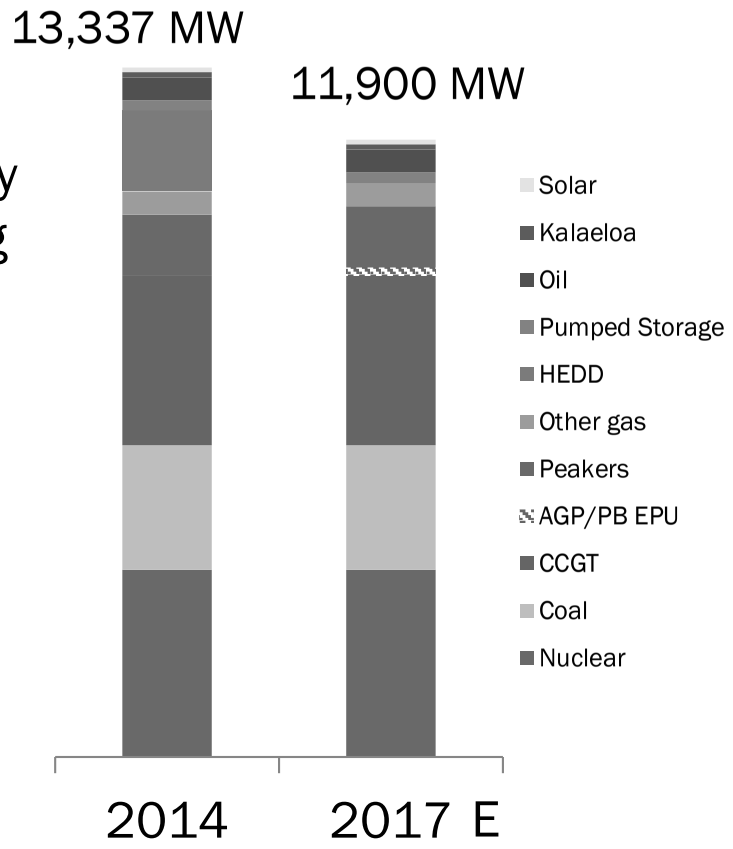
SI-SSA-0015-03424

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

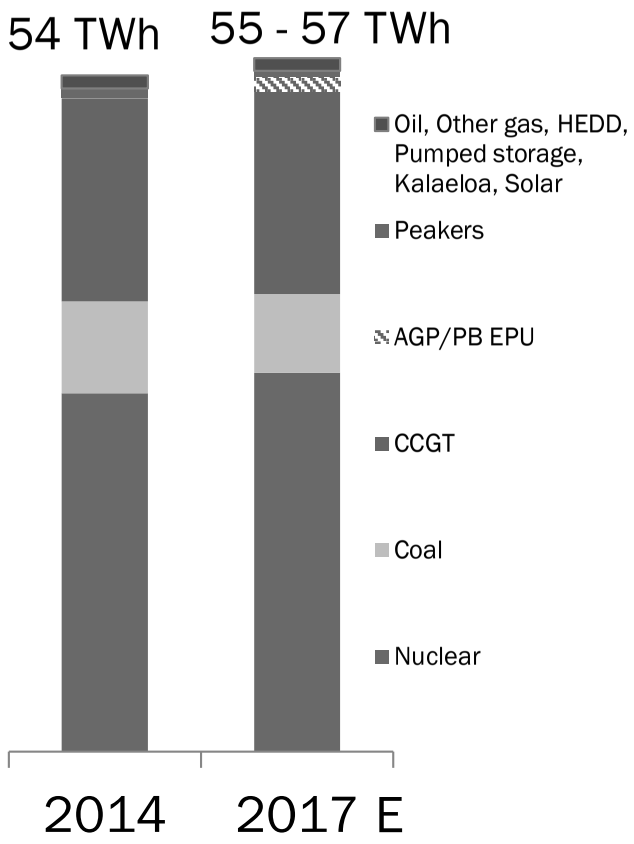
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



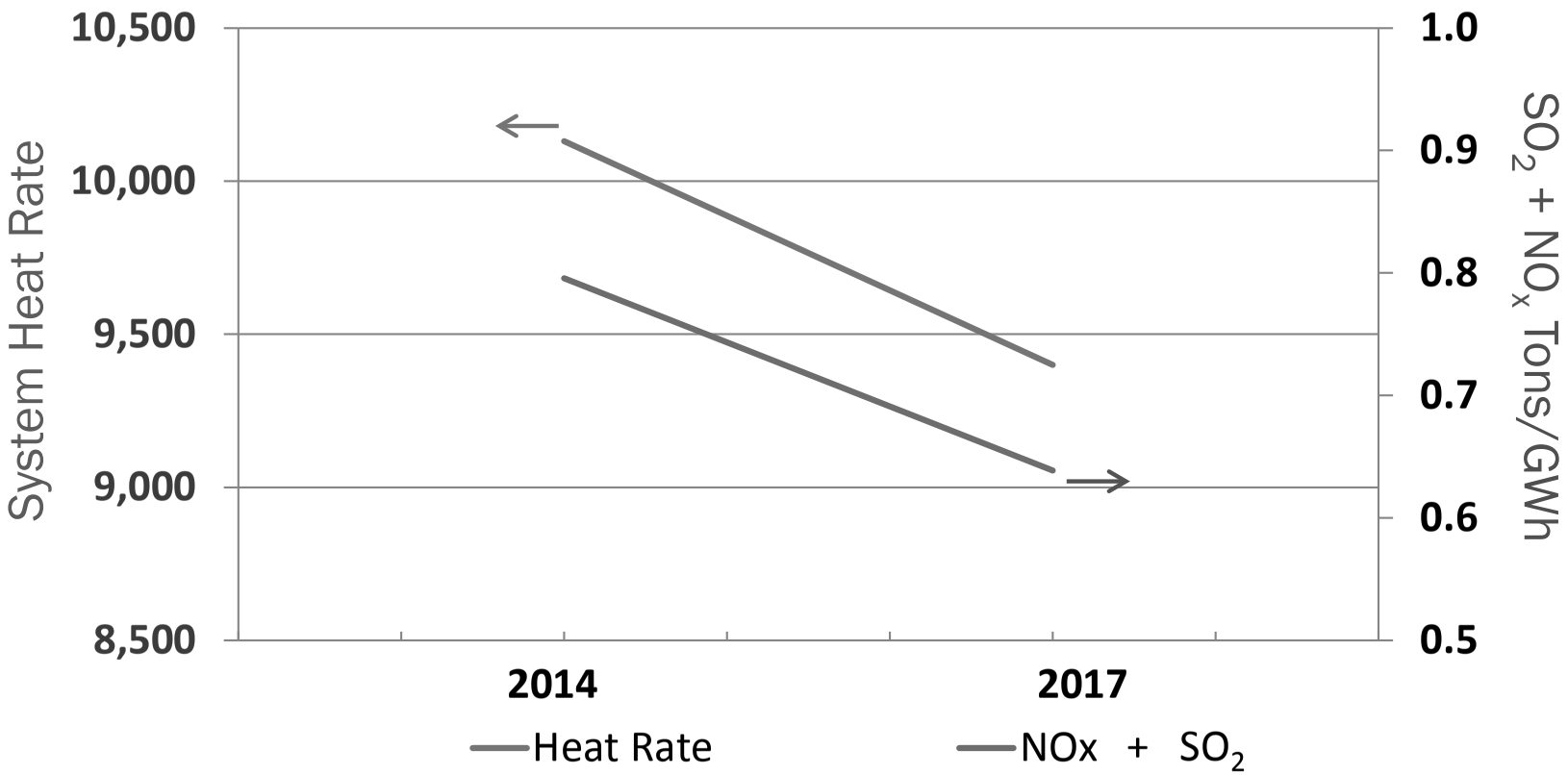
Energy Produced



E=ESTIMATE

SI-SSA-0015-03425

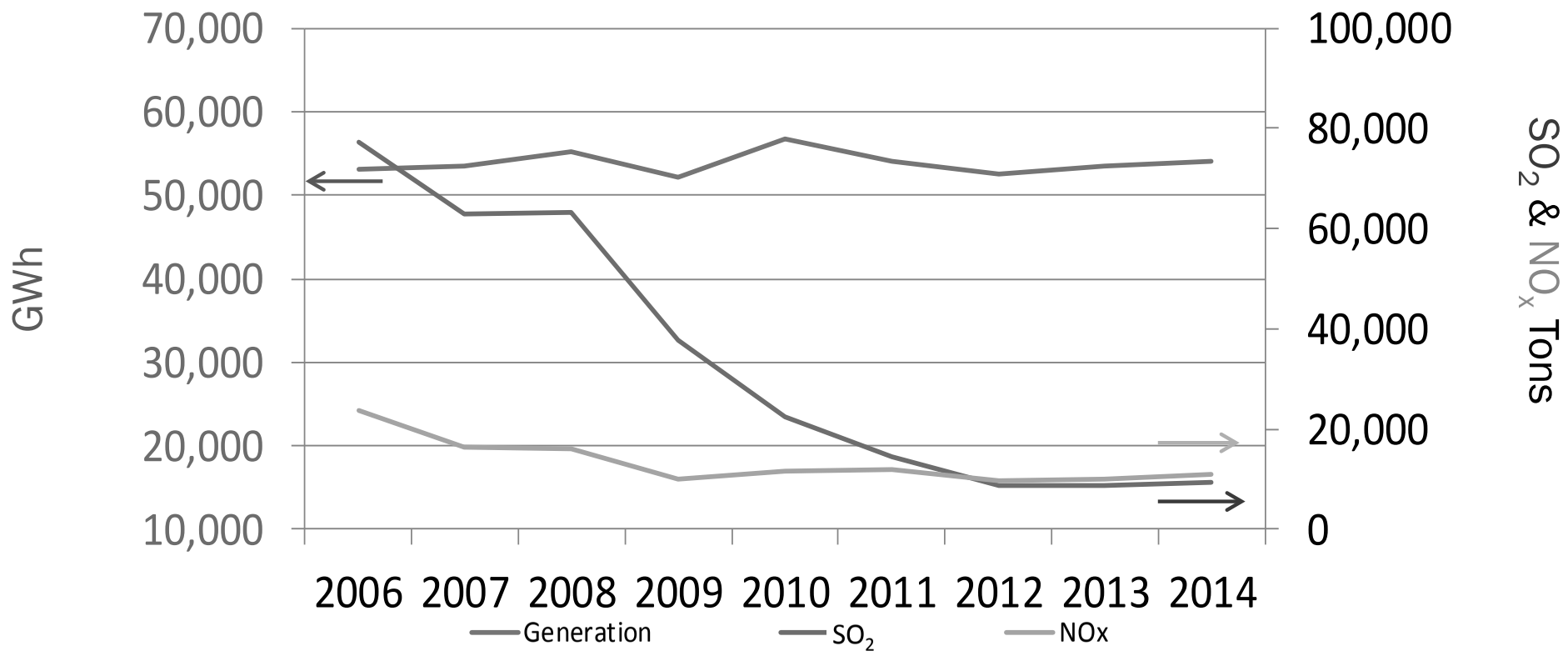
PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-03426

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-03427

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-03428

PSEG Power Nuclear has competitive advantages

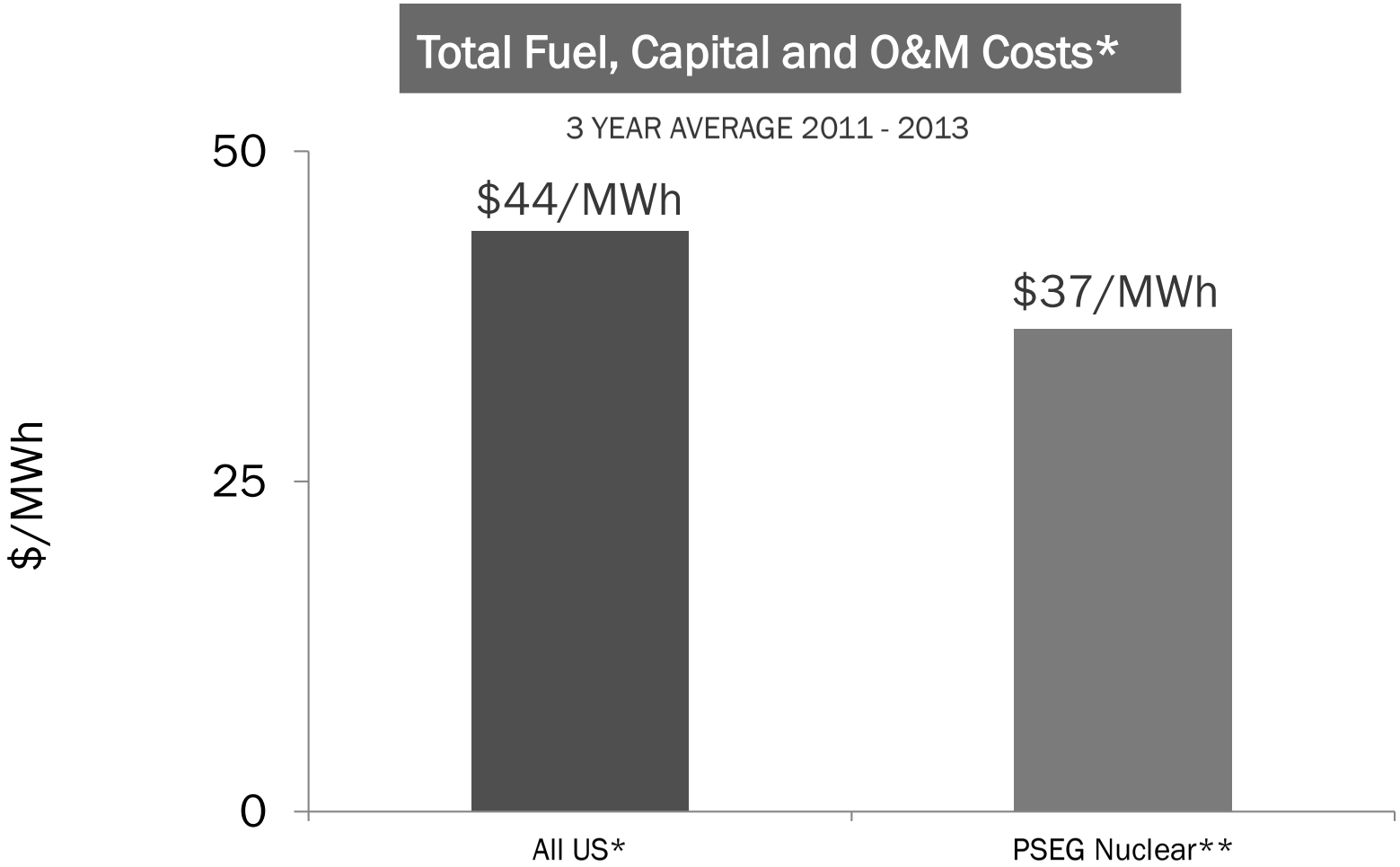
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-03429

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

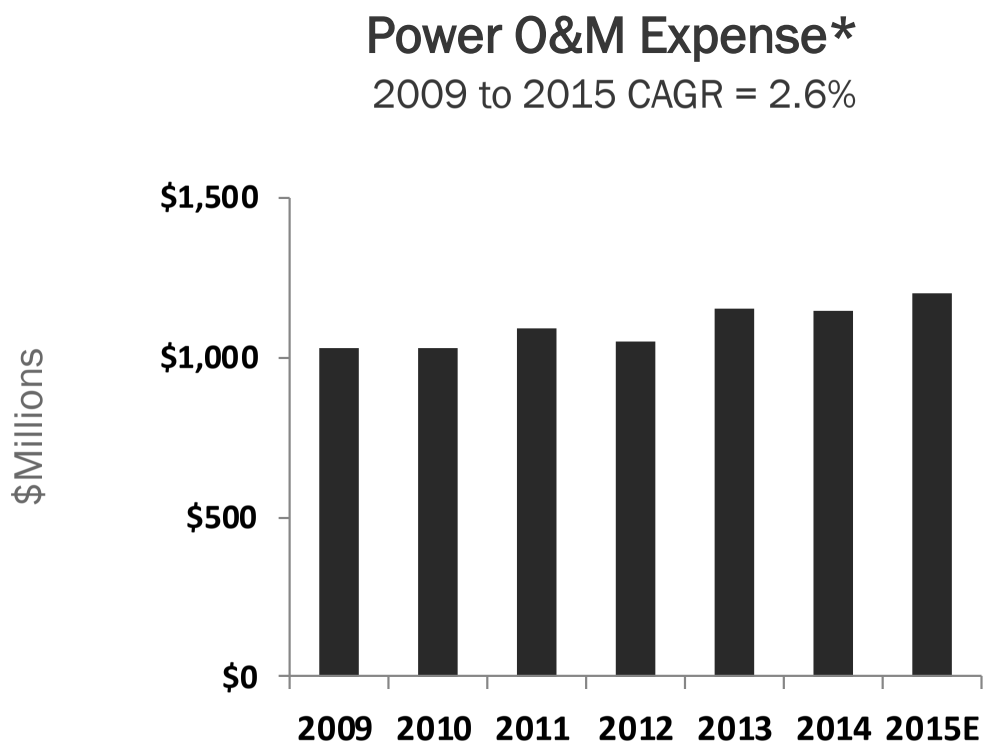


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-03430

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



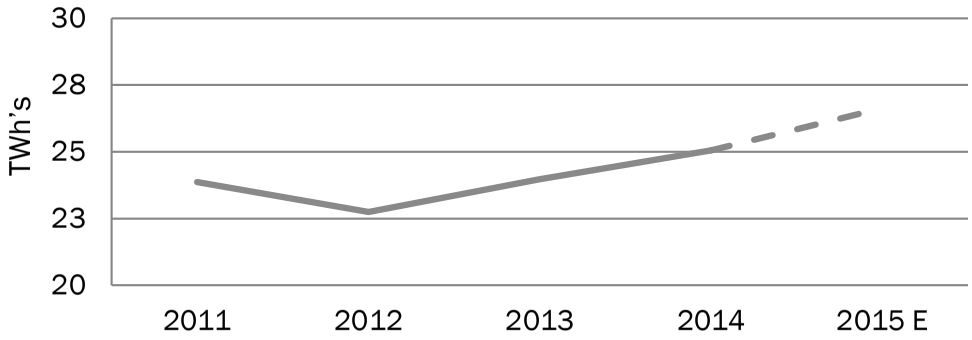
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

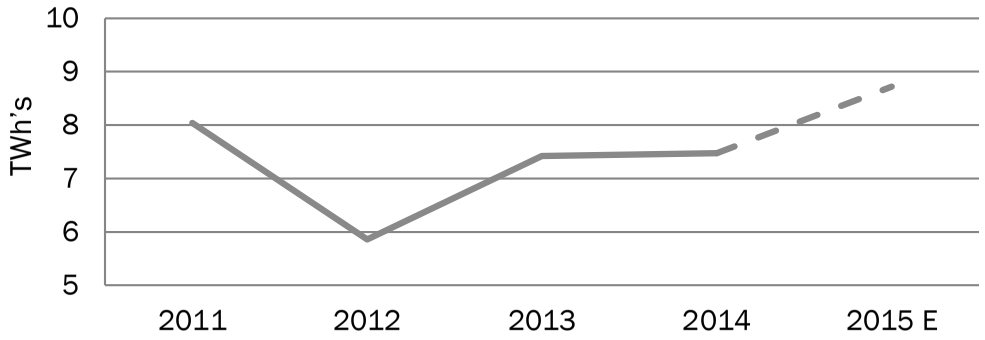
SI-SSA-0015-03431

PSEG Power's Fossil Fleet has shown improvement in performance

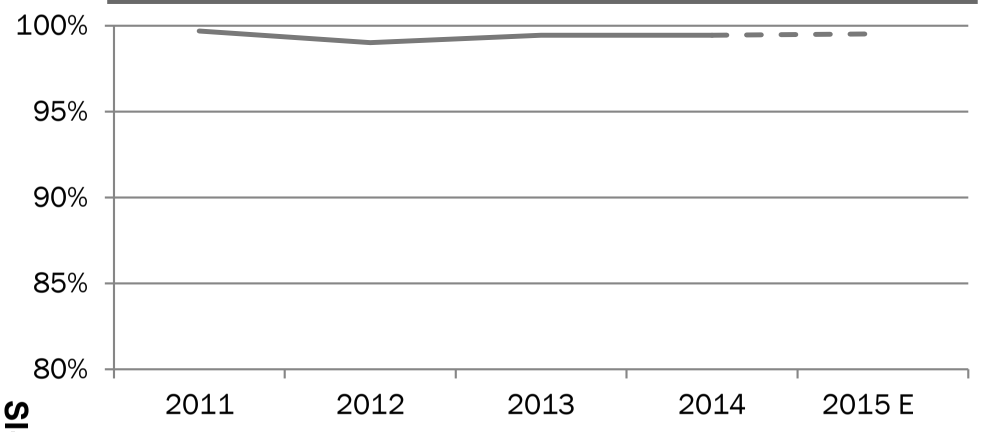
Fossil Generation



Coal Generation

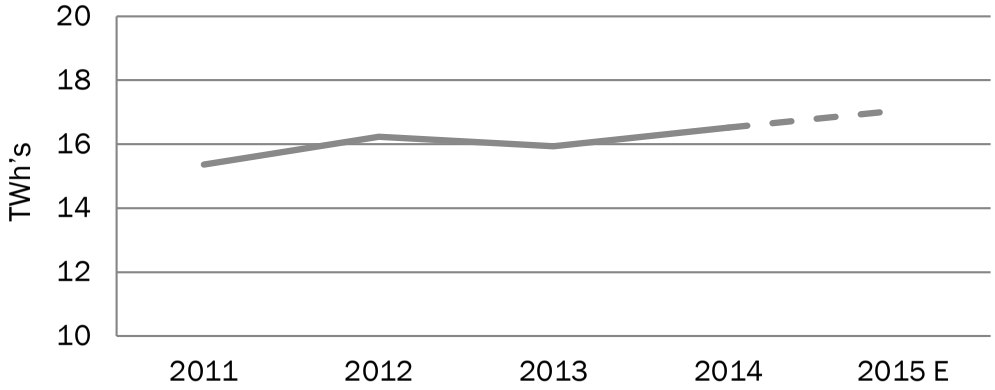


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

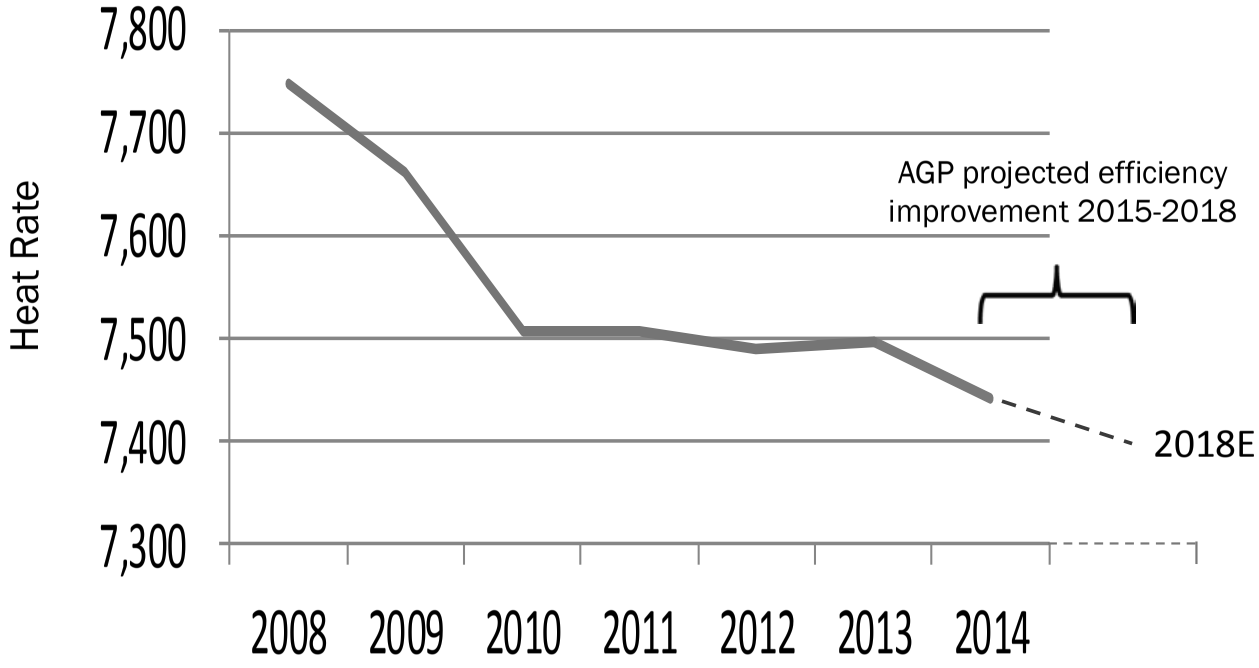
SI-SSA-0015-03432

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



SI-SSA-0015-03433

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

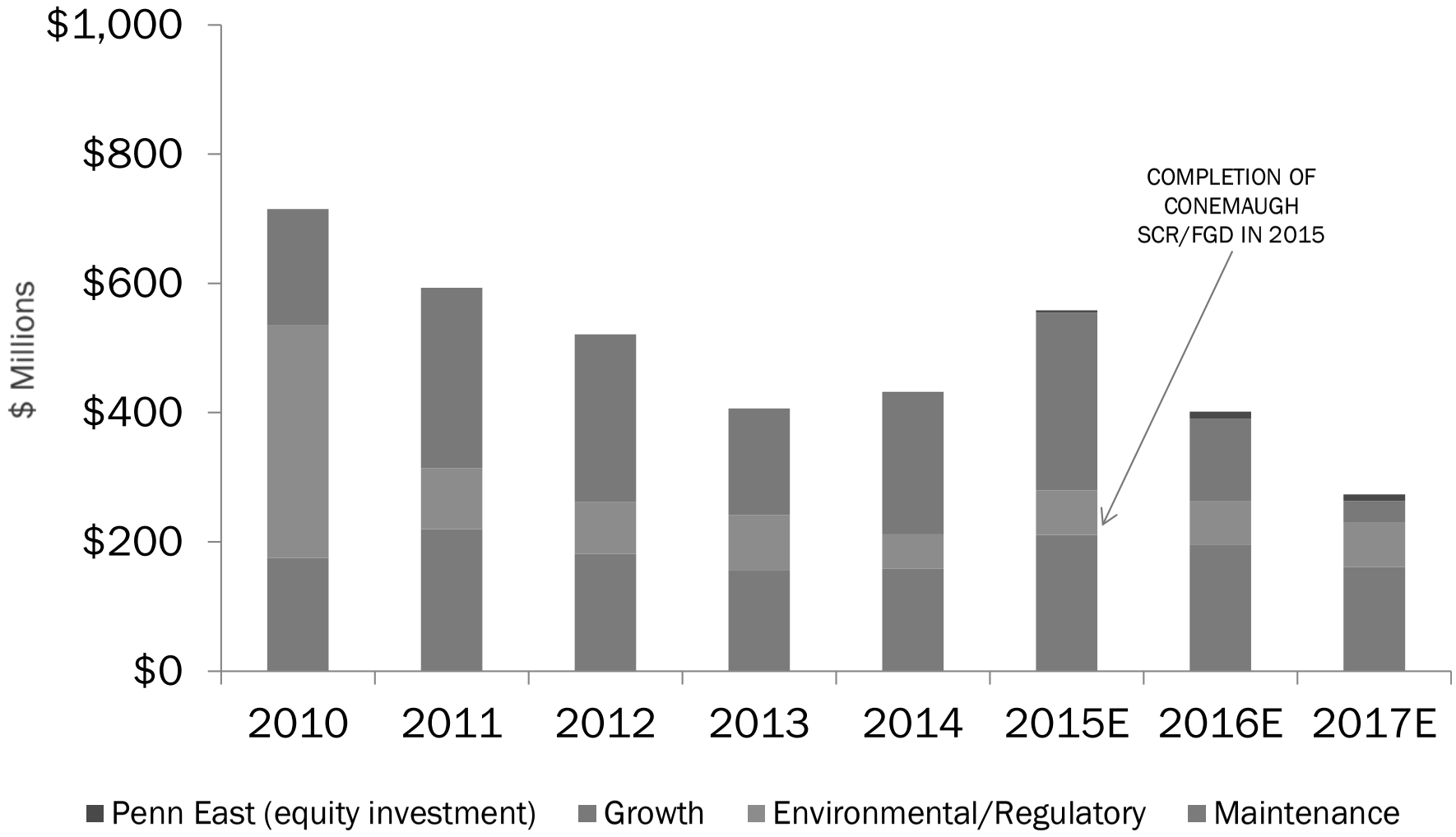
Capacity
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-03434

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF DECEMBER 31, 2014.

SI-SSA-0015-03435

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
Linden Kearny	Black Start: Linden 7/8 Kearny 12	$13	New ancillary revenue source: ~ $3 million per year	Linden Completed Kearny Underway
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 371 MW

SI-SSA-0015-03436

PSEG

* INTERCONNECTION SERVICE AGREEMENTS.

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

SI-SSA-0015-03437

PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-03438

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA Fuel and energy dispatch management

SI-SSA-0015-03439

PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

SI-SSA-0015-03440

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-03441

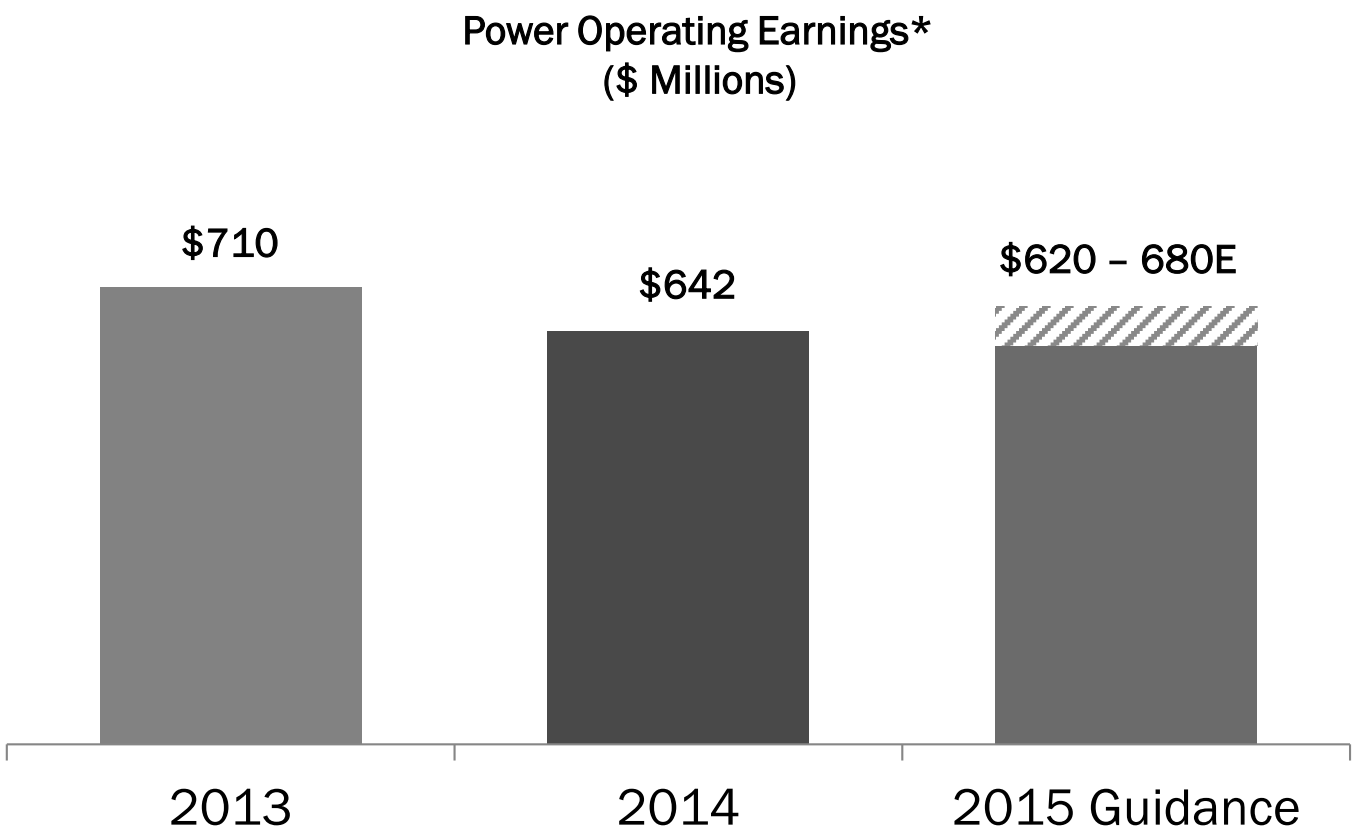
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-03442

Power's 2015 operating earnings

maintain solid performance



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-03443

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

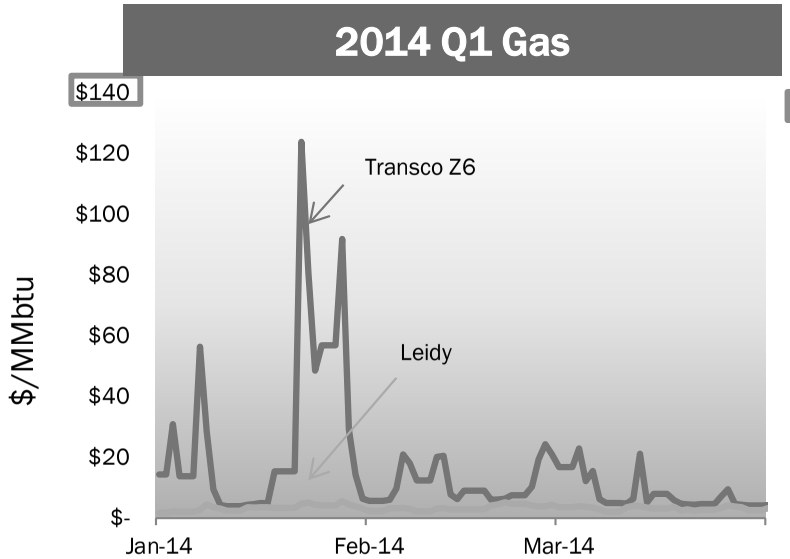
PSEG POWER
ER&T

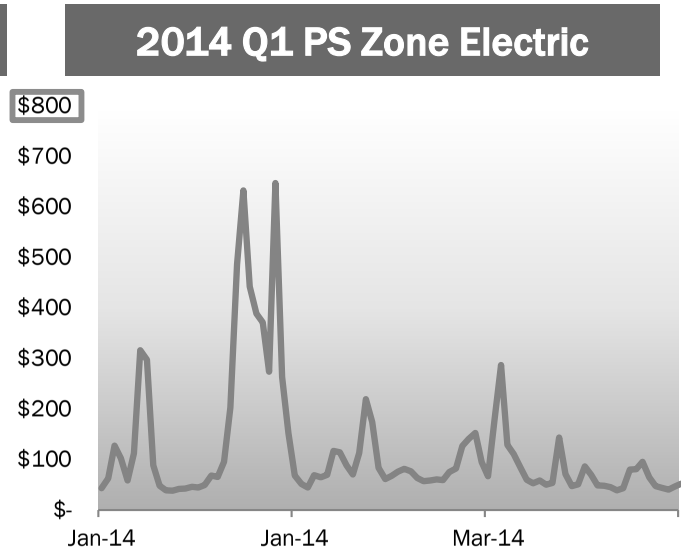
SI-SSA-0015-03444

PSEG

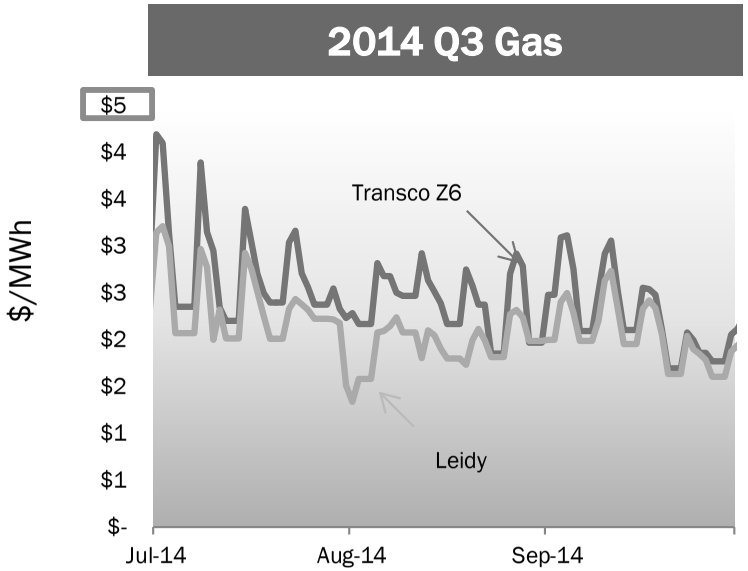
We make things work for you.

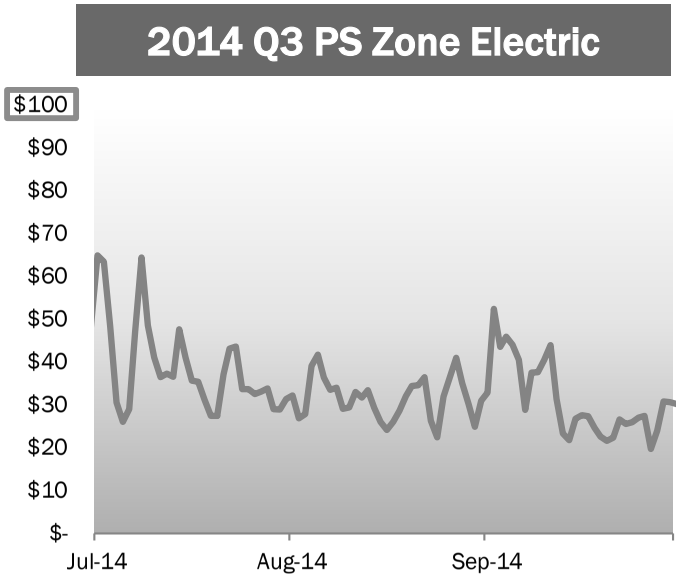
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



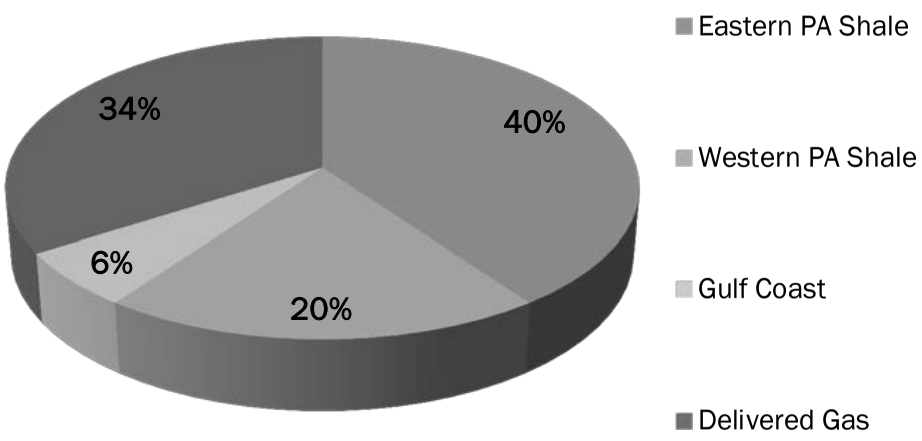


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-03445

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

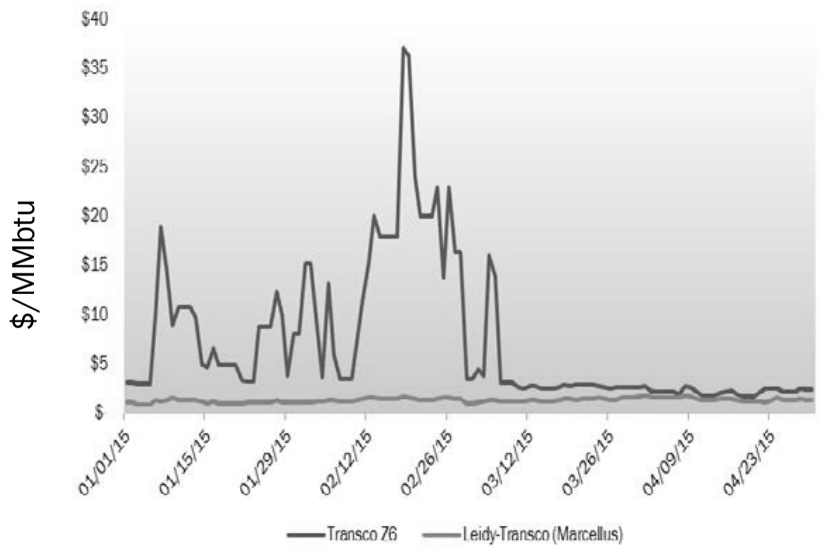


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

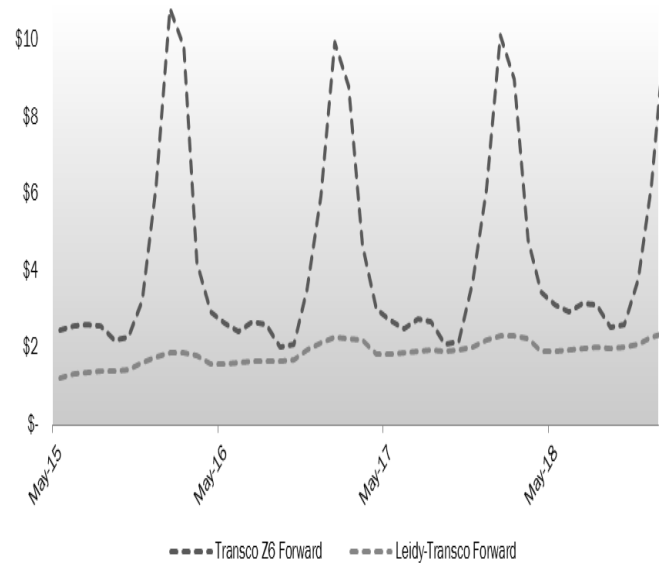
SI-SSA-0015-03446

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

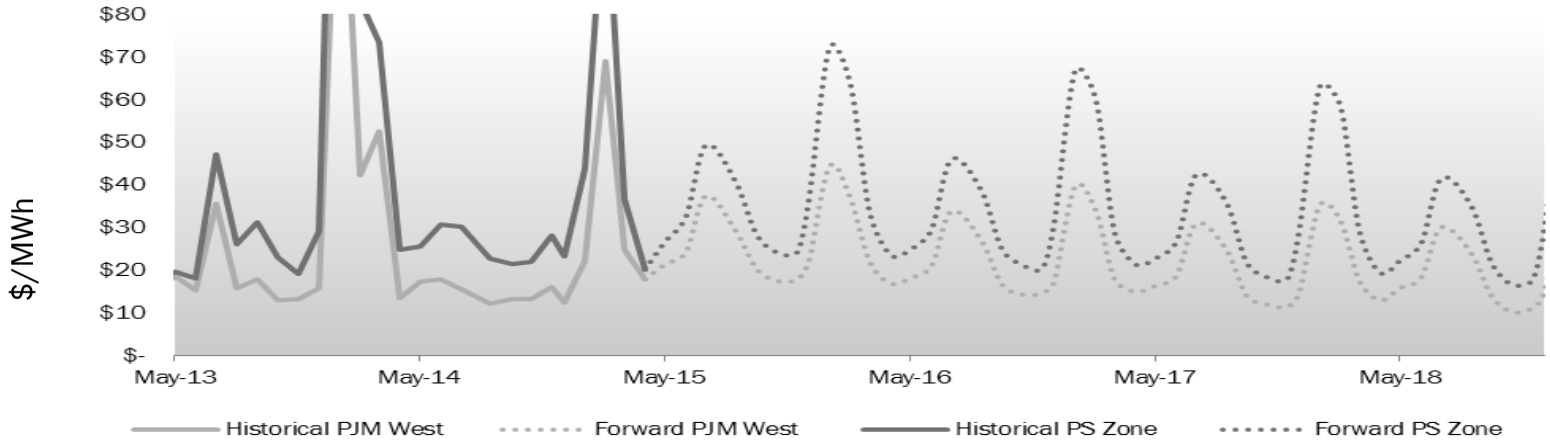
2015 YTD Z6



2015-2018 Z6



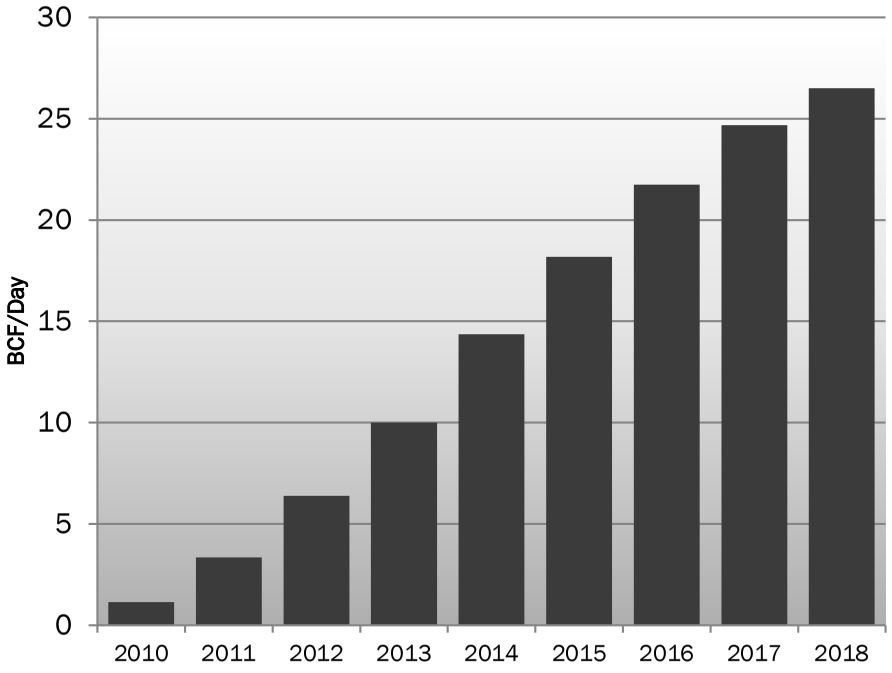
PJM West vs. PS Zone Spark Spreads (2013-2018)



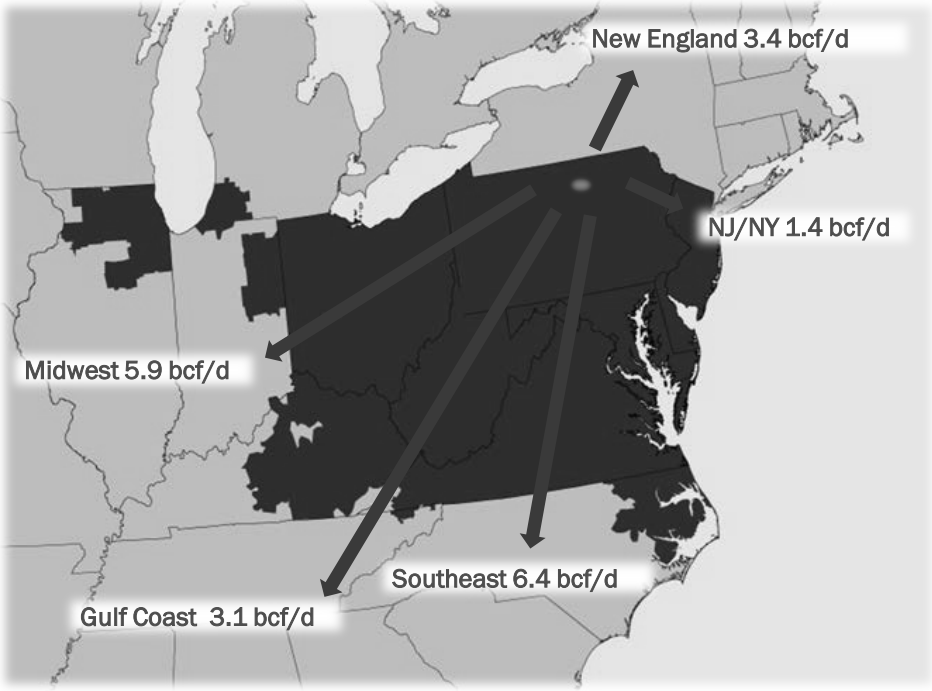
SI-SSA-0015-03447

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



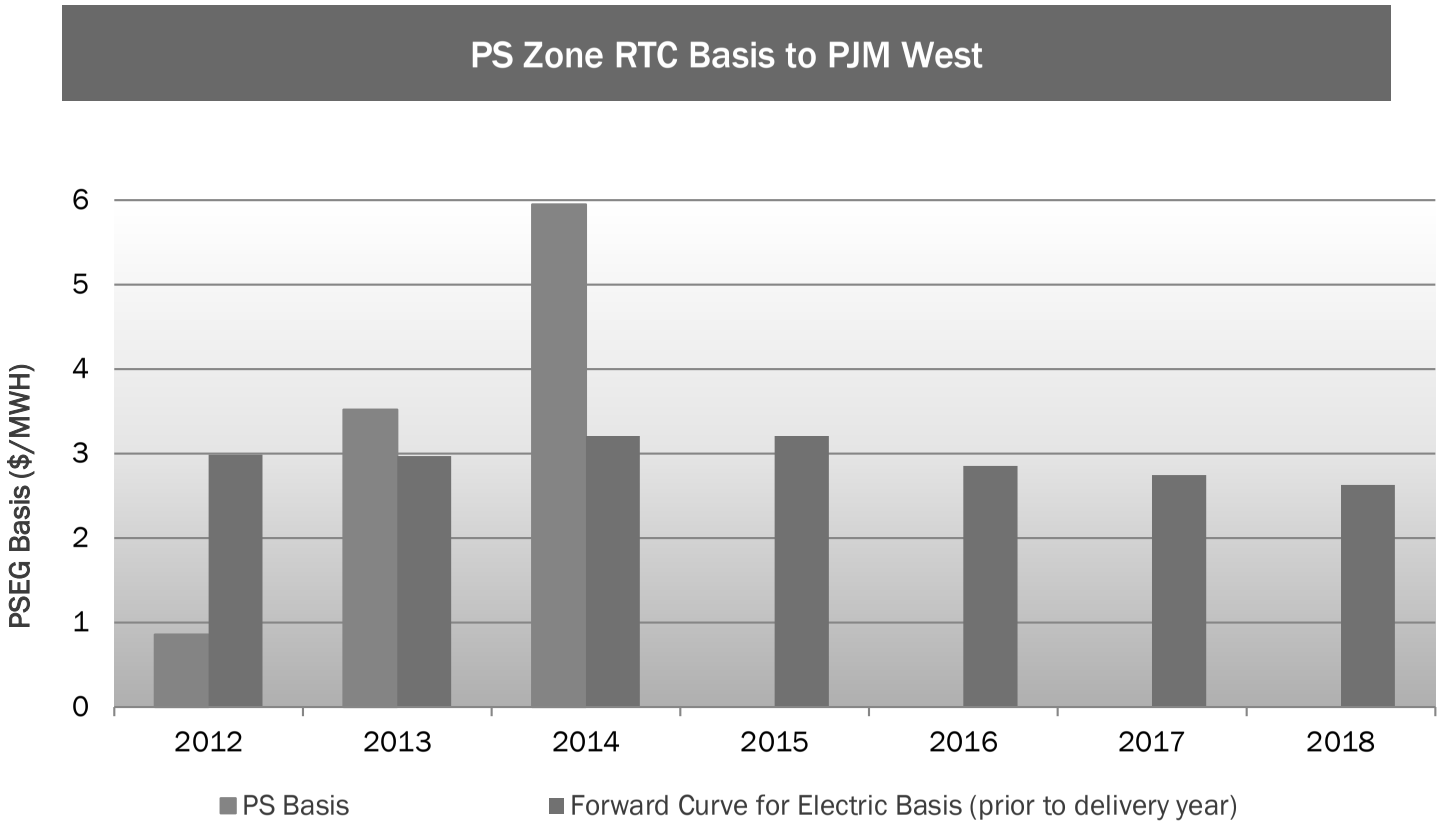
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-03448

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-03449

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications; US Supreme Court will hear case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-03450

PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places emphasis on reliability, given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

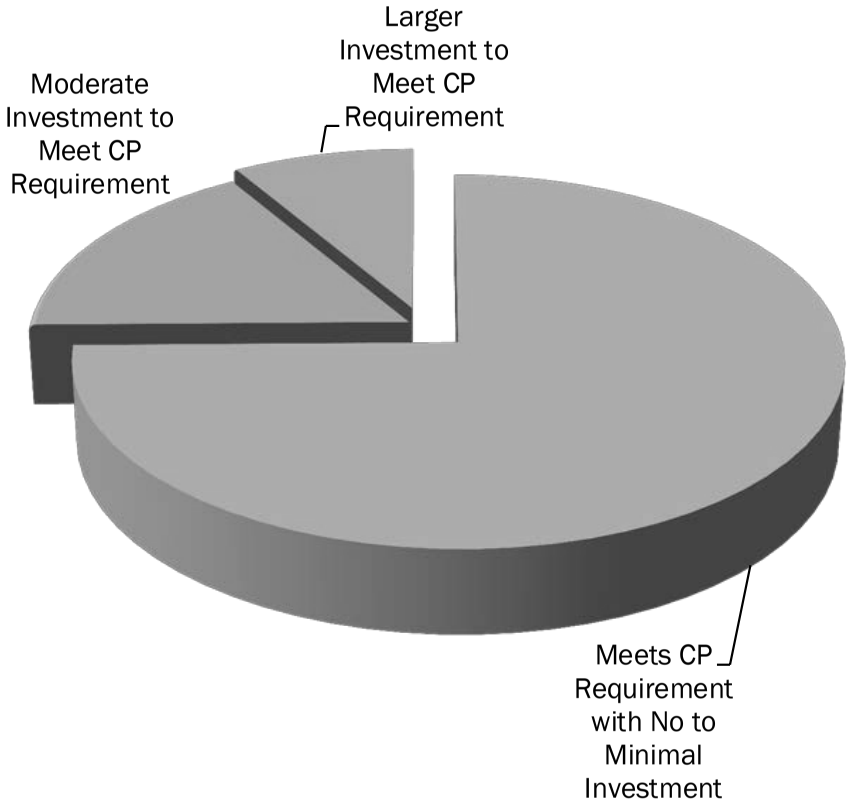
April 2015
Expected FERC Response
to PJM CP Proposal

FERC Granted Delay of
May 2015 RPM Auction for
2018/2019 Capacity Year

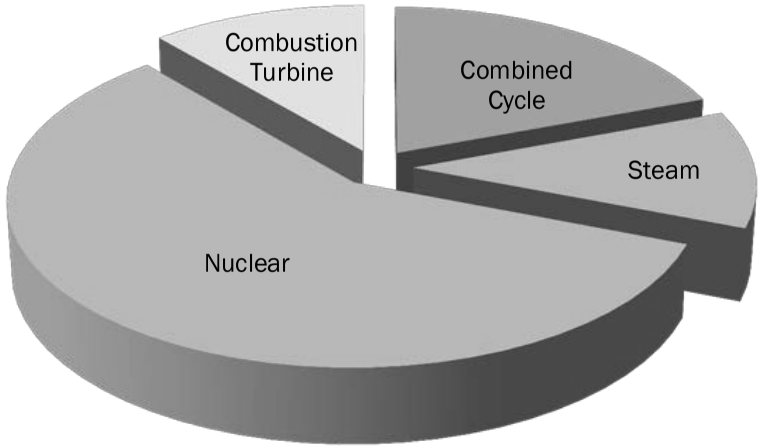
SI-SSA-0015-03451

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets



* EXCLUDES 205MW OF PUMPED STORAGE

SI-SSA-0015-03452

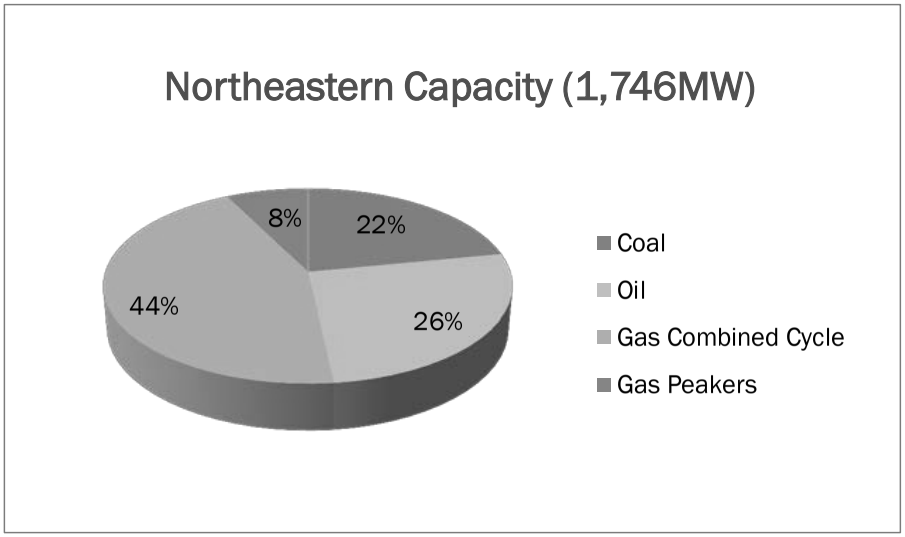
Northeast Portfolio: New York and New England

New England (972MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-03453

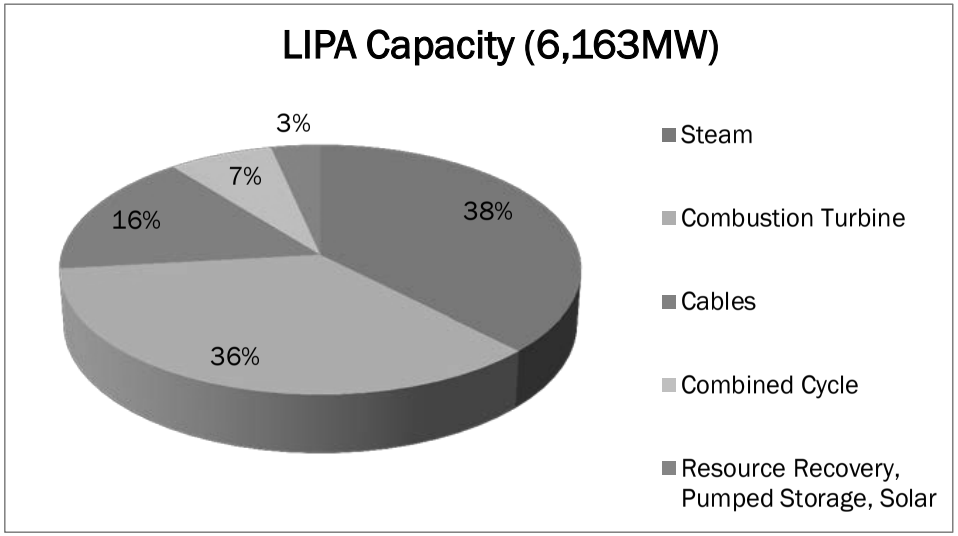
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-03454

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

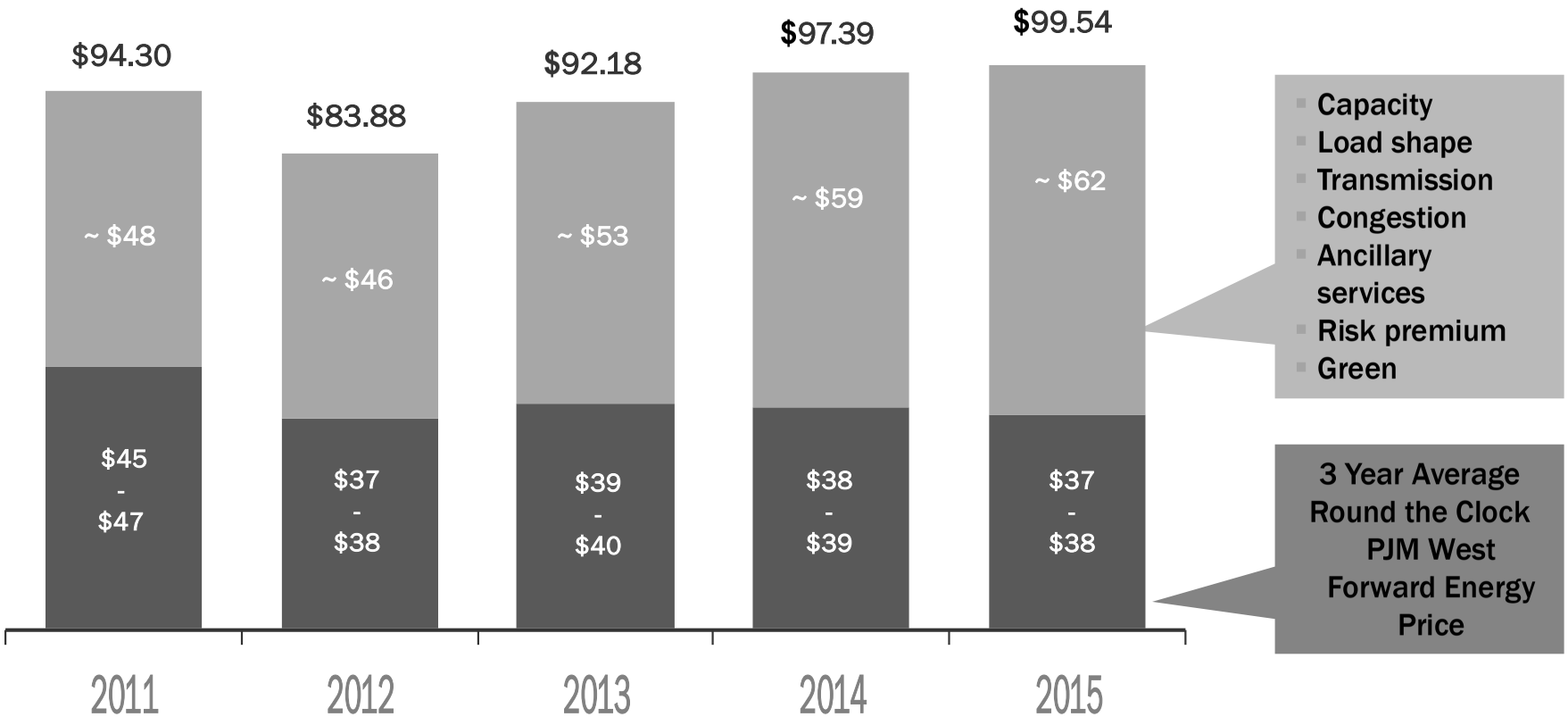
- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

SI-SSA-0015-03455

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-03456

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	37	37
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$51	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	17	20	20
	% Hedged	30-35%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	41-43	55-57	55-57
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$52	$51	$52

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-03457

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-03458

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-03459

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-03460

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

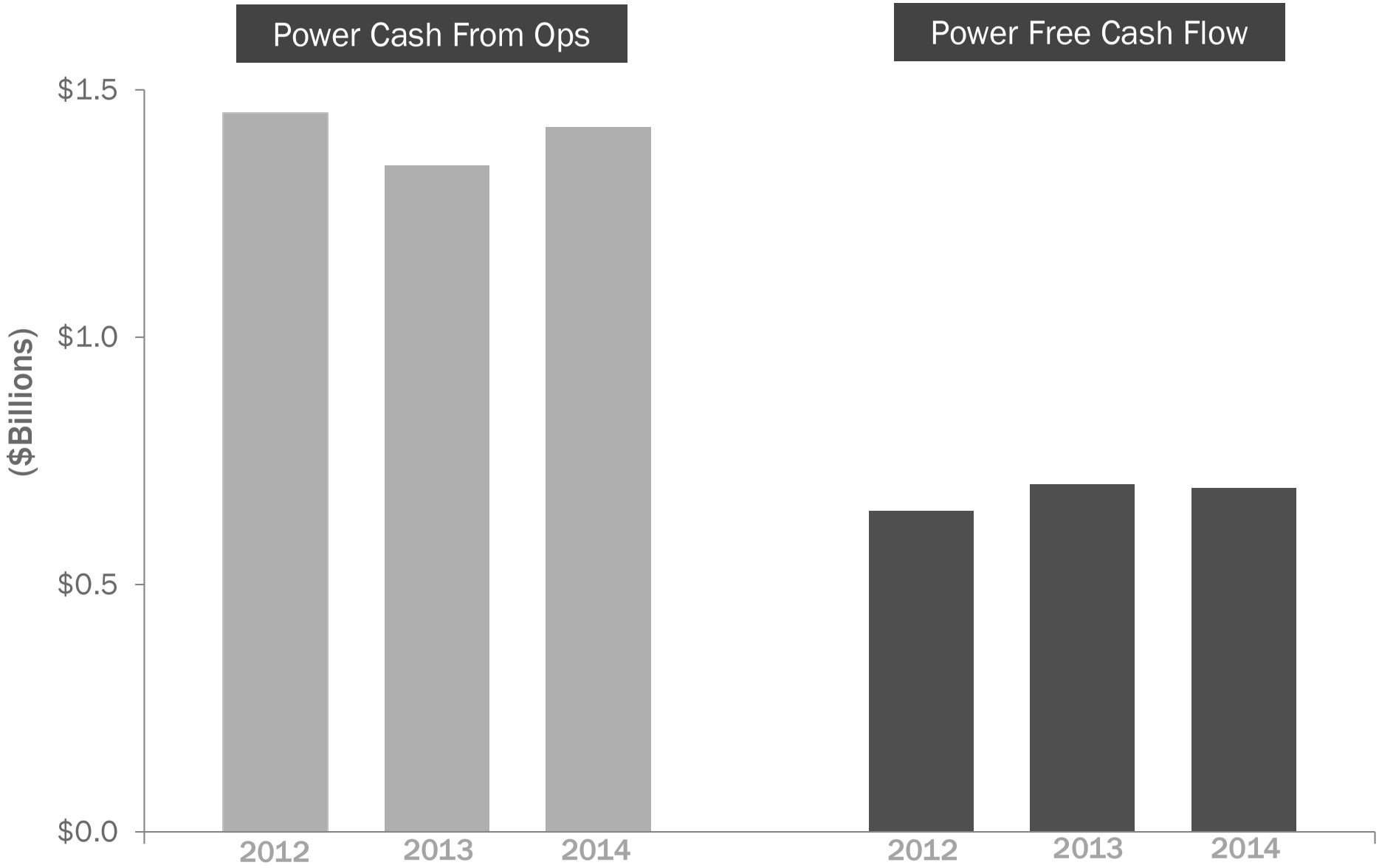
SI-SSA-0015-03461

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

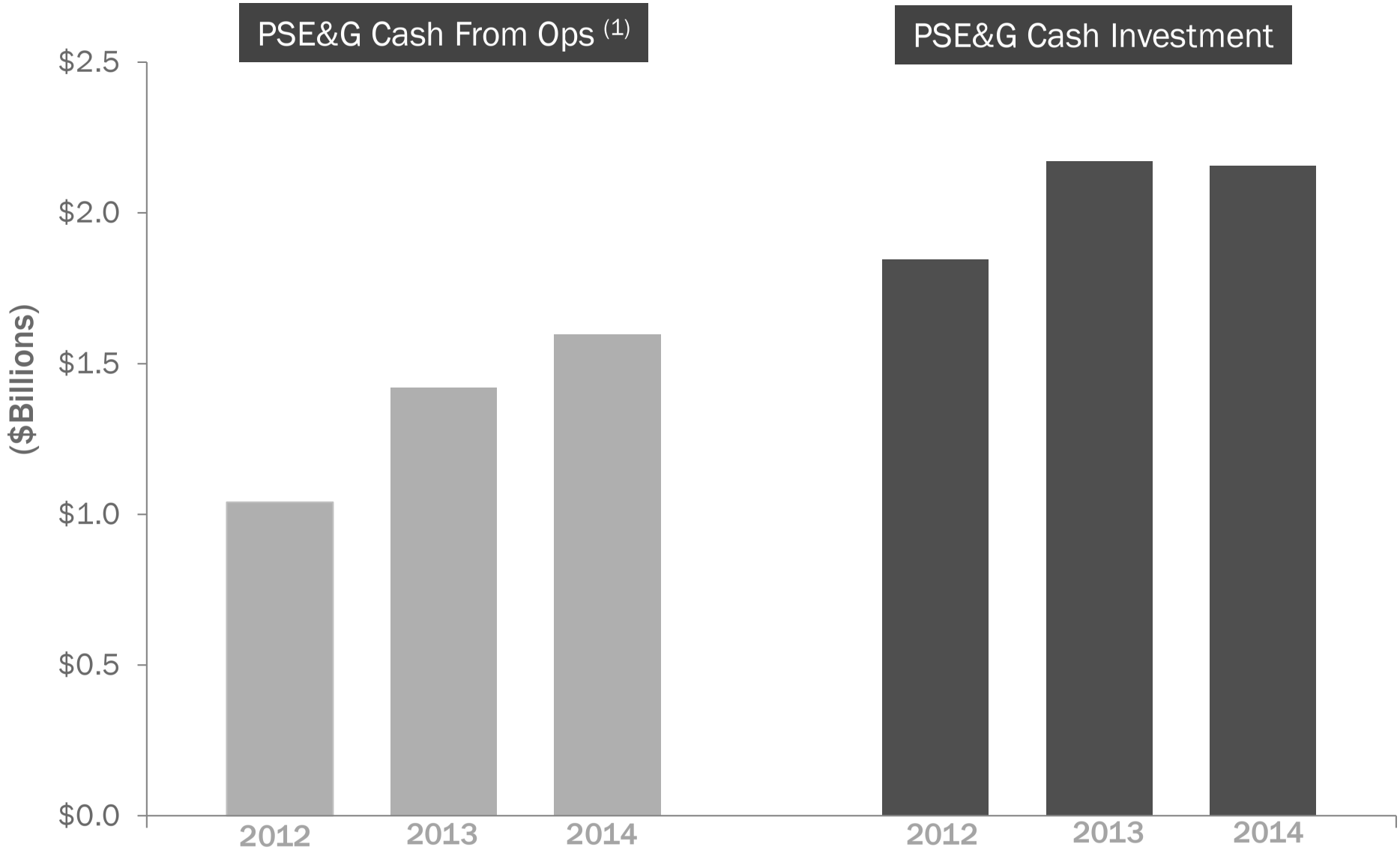
Power produced significant and consistent

Free Cash Flow



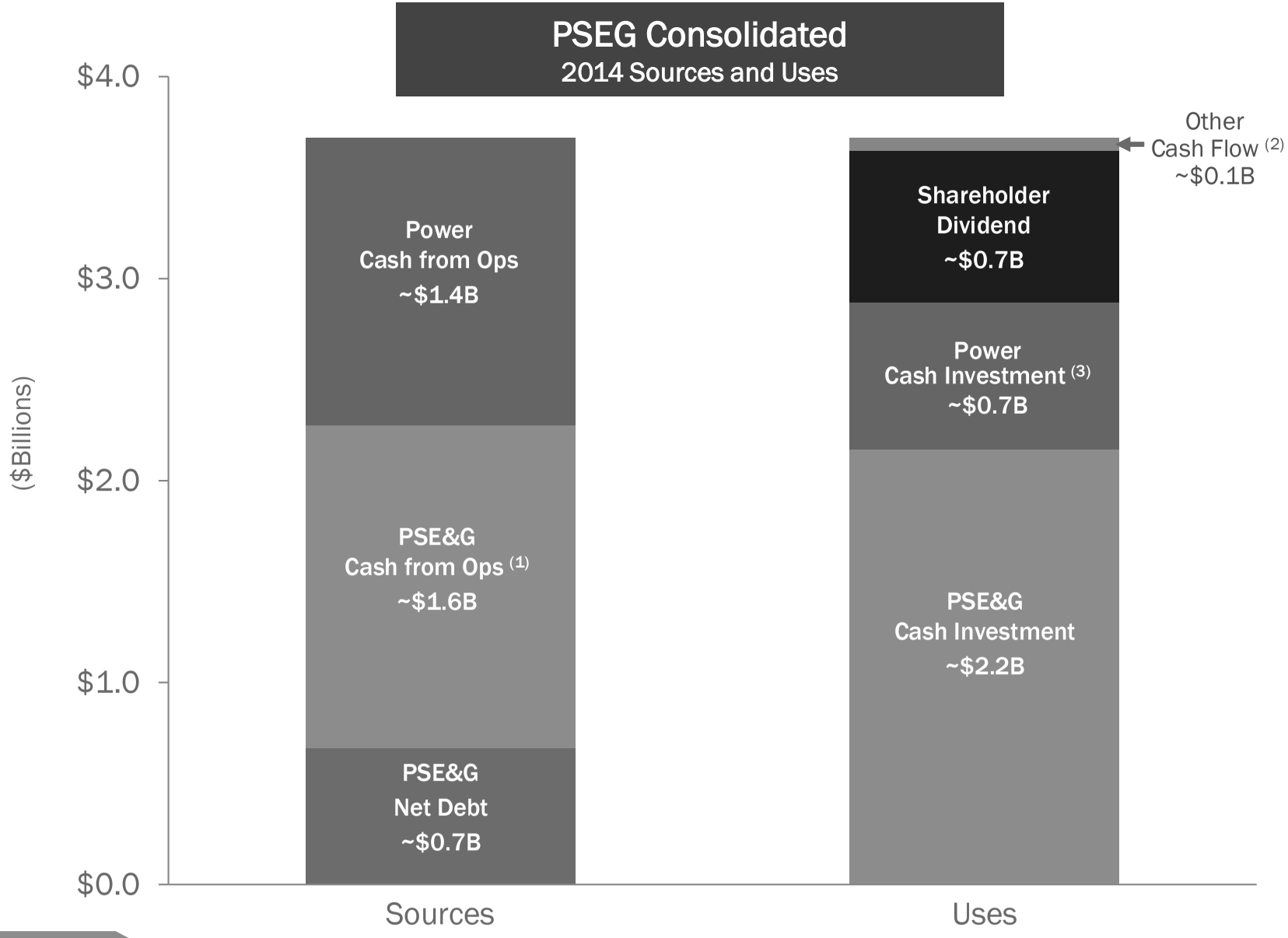
SI-SSA-0015-03462

PSE&G delivers increasing cash flow due to investment program



SI-SSA-0015-03463

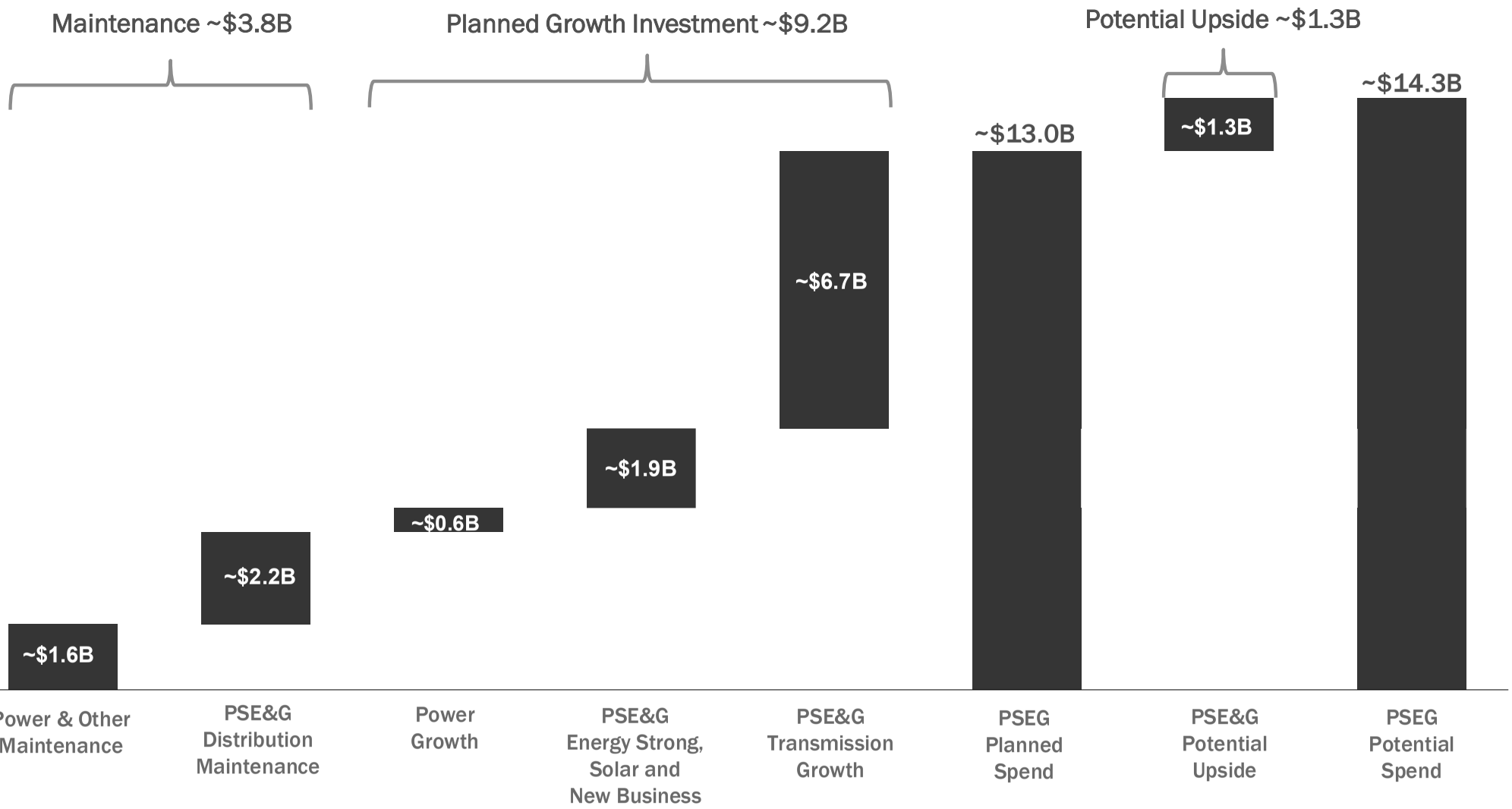
In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



SI-SSA-0015-03464

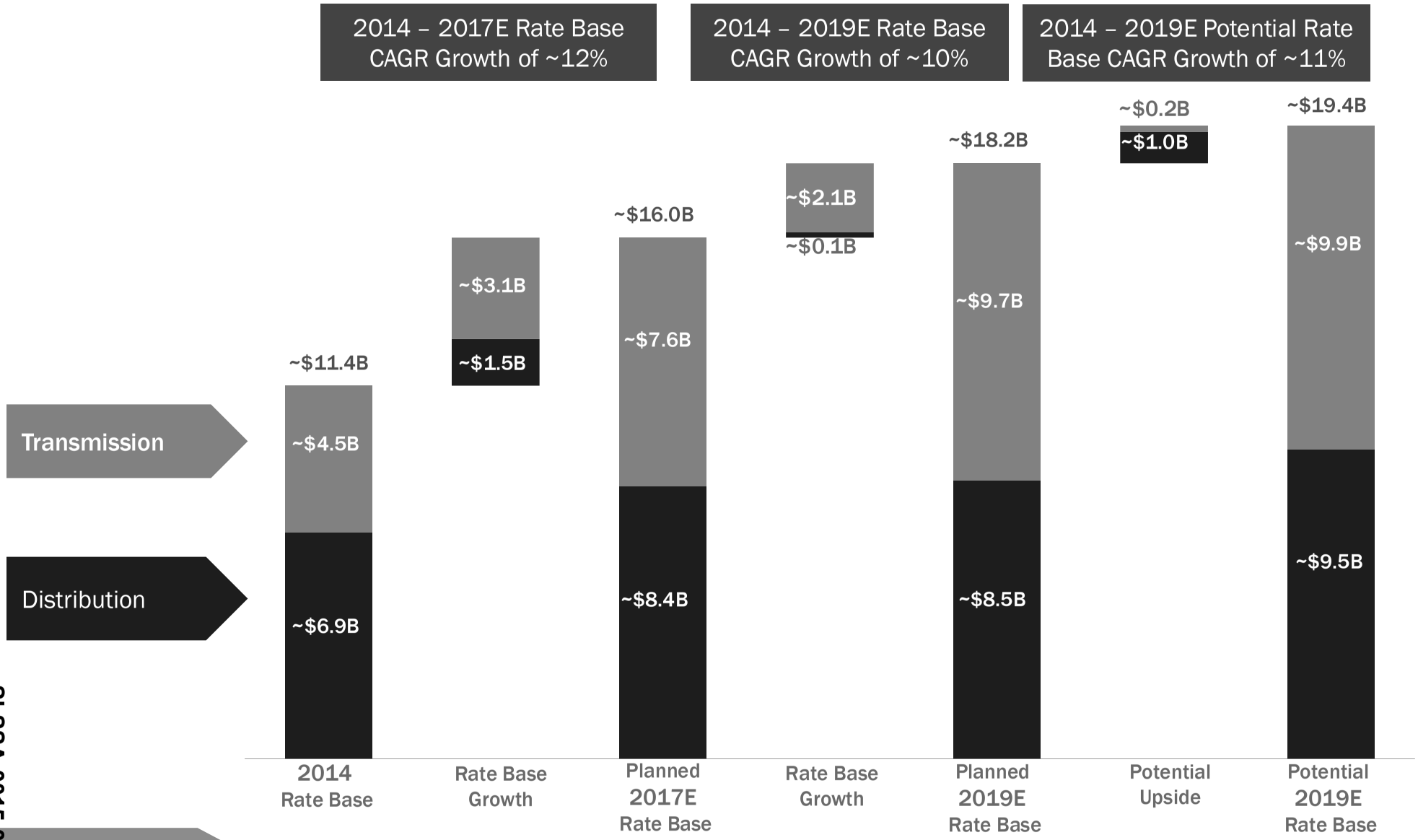
PSEG growth spend represents ~70% of total investment with new PSE&G investment opportunities of over $1B

PSEG 2015– 2019E Capital Expenditures[1]



SI-SSA-0015-03465

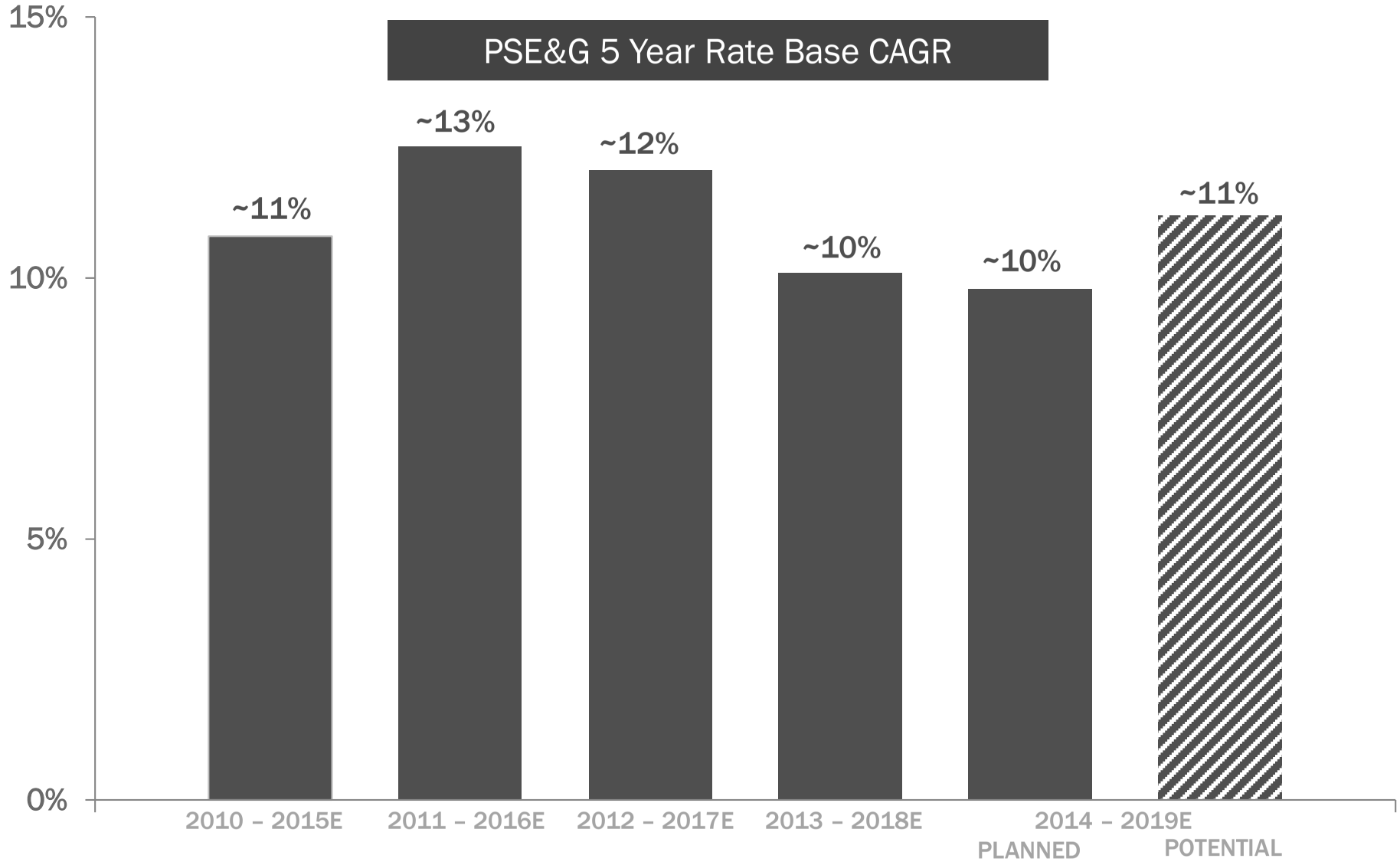
PSE&G's Capital Program drives double-digit growth in rate base through 2019



SI-SSA-0015-03466

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017

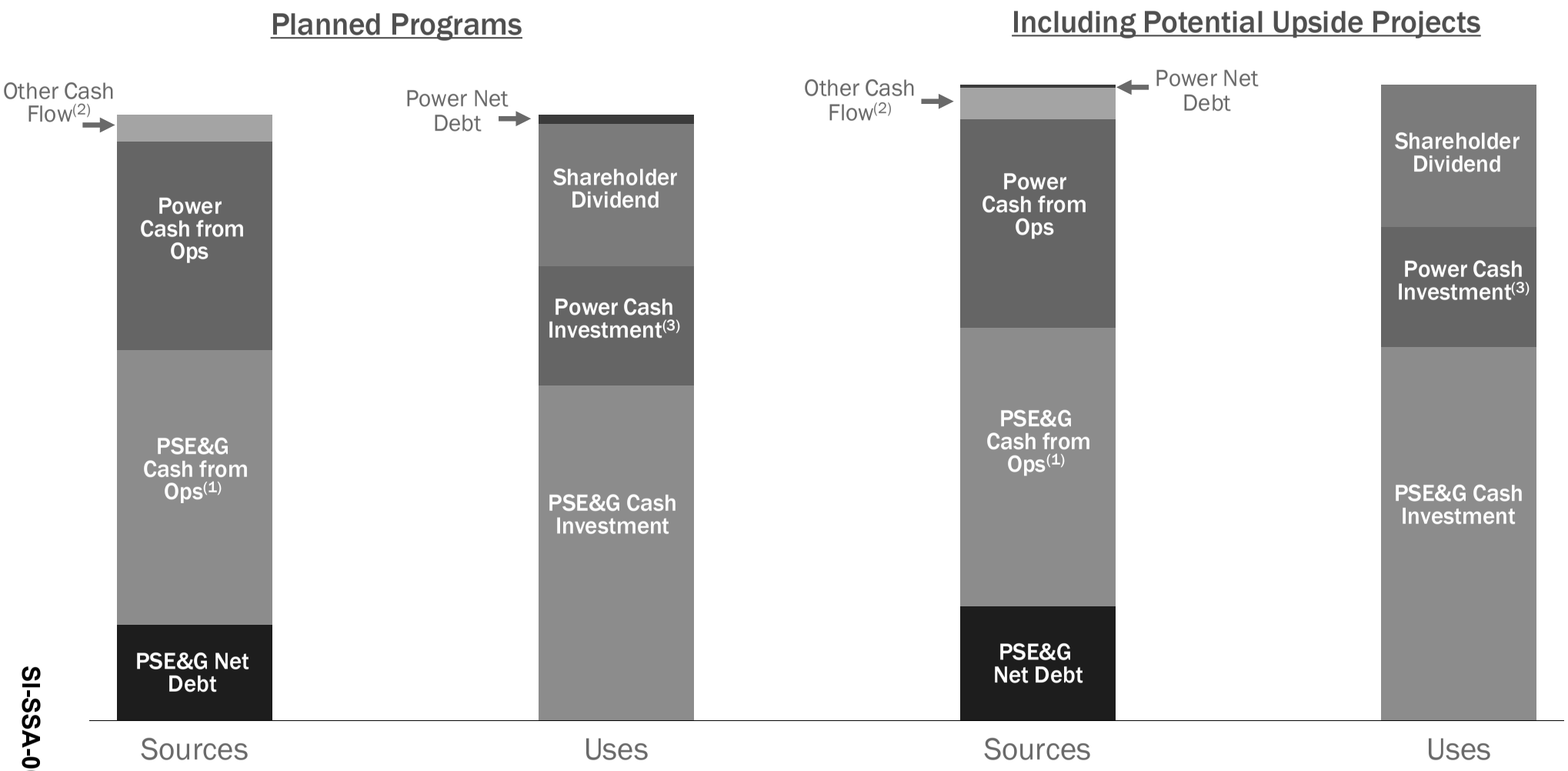


SI-SSA-0015-03467

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

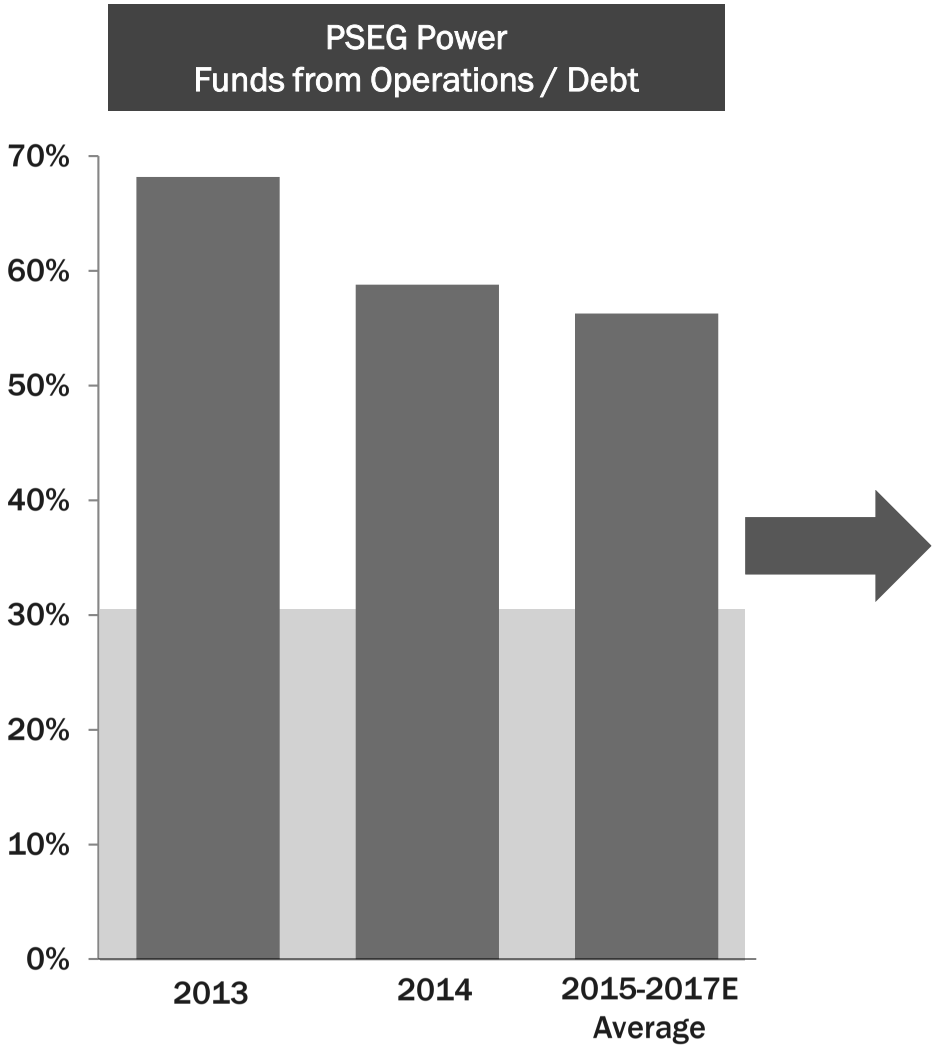
PSEG 2015 - 2019E Sources and Uses



SI-SSA-0015-03468

Power's key credit metric remains strong

providing opportunity for incremental investment



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

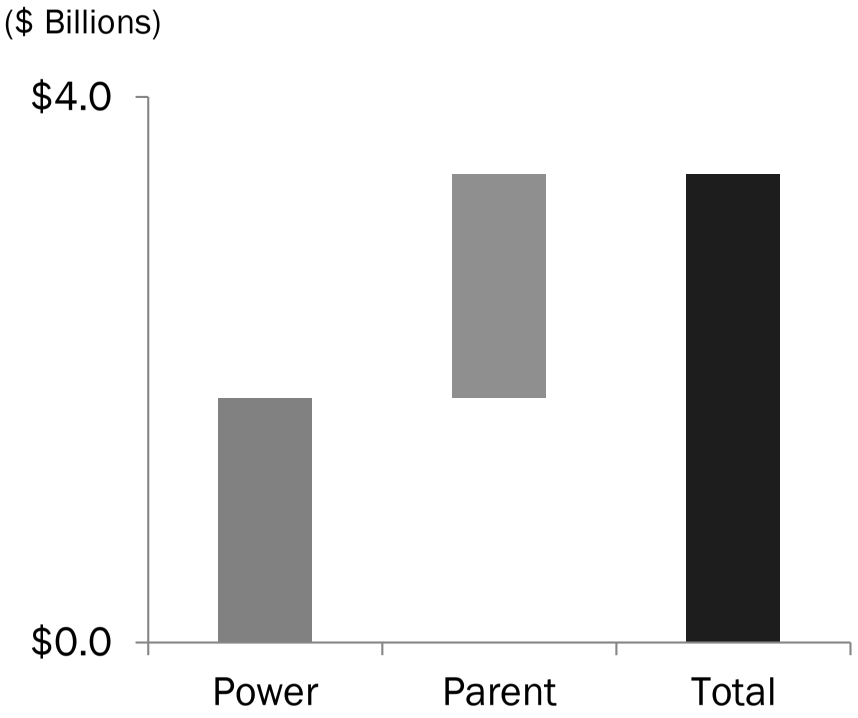
SI-SSA-0015-03469

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017

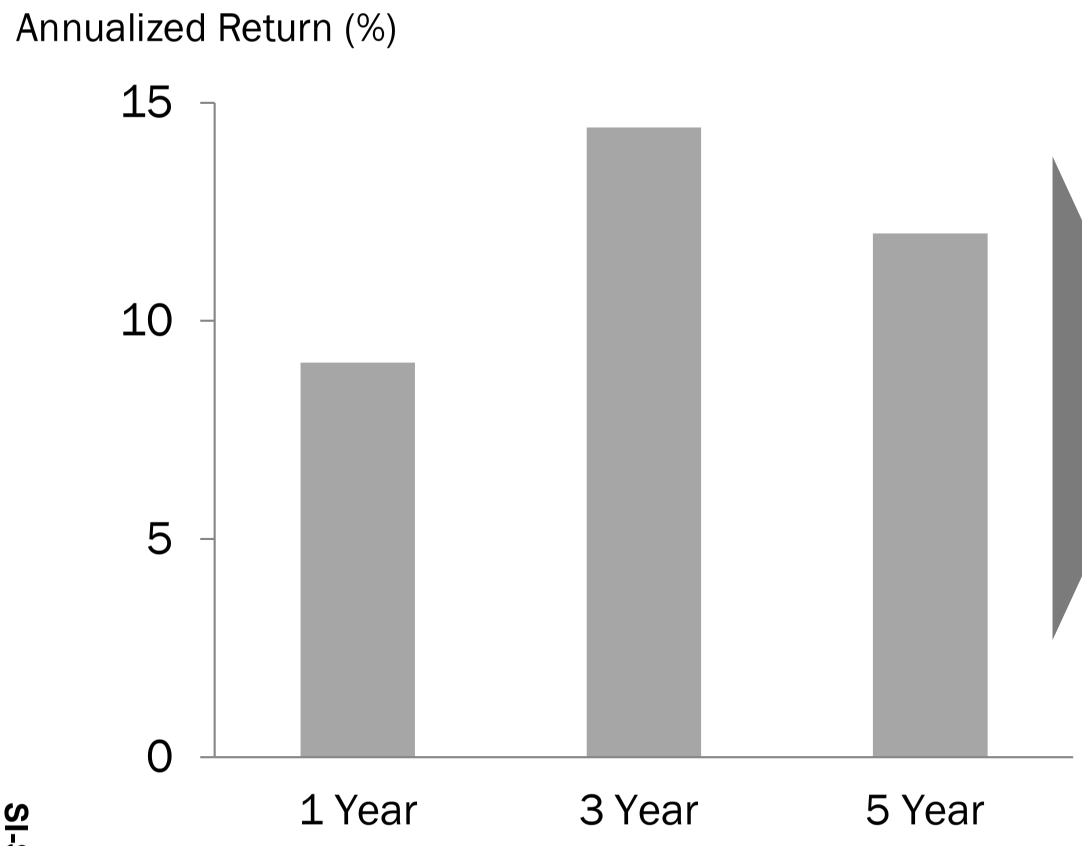


Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-03470

Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



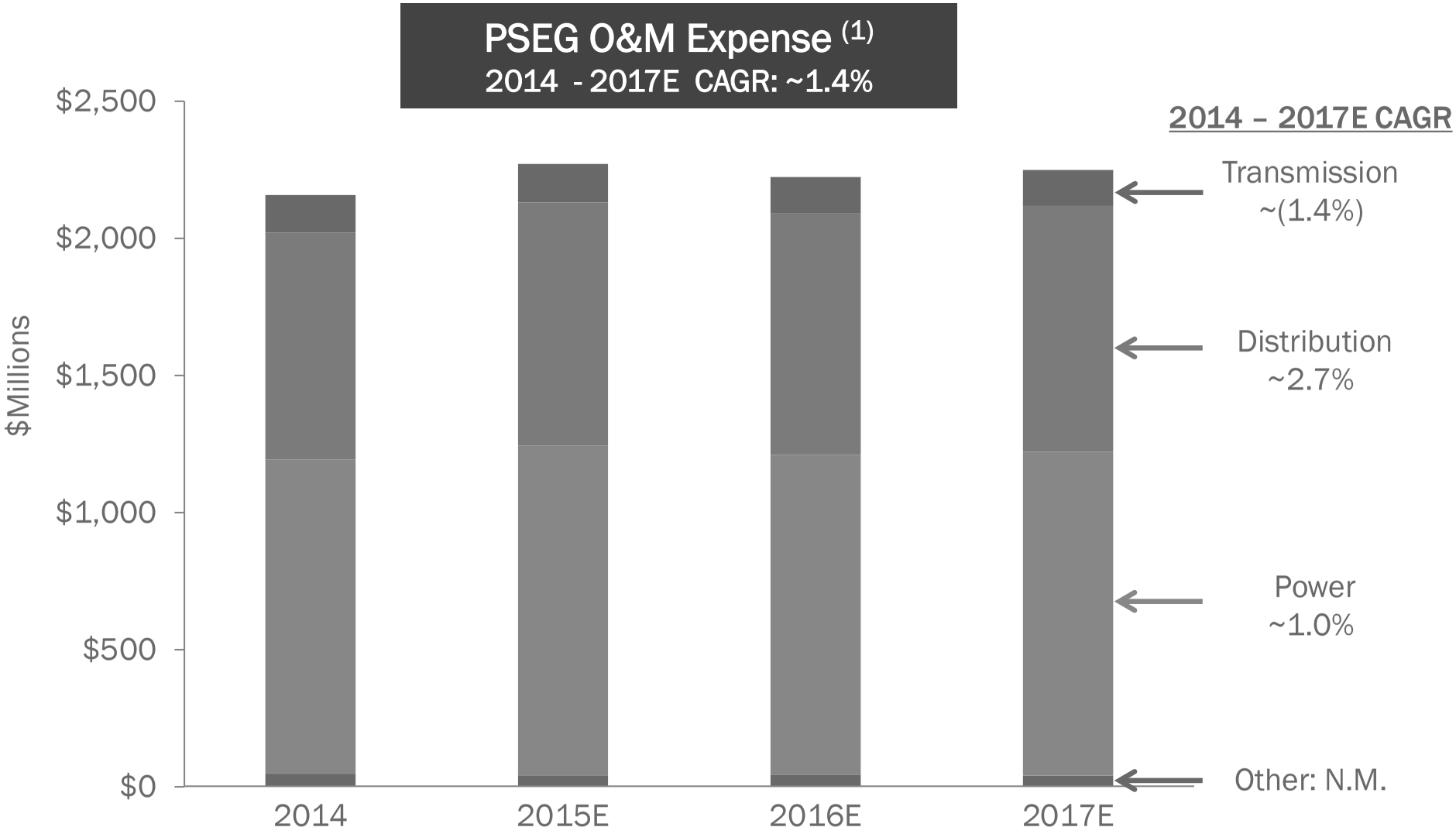
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

SI-SSA-0015-03471

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



SI-SSA-0015-03472

PSEG 2015 Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,395 - $1,500	$1,400
Earnings per Share	$2.75 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-03473

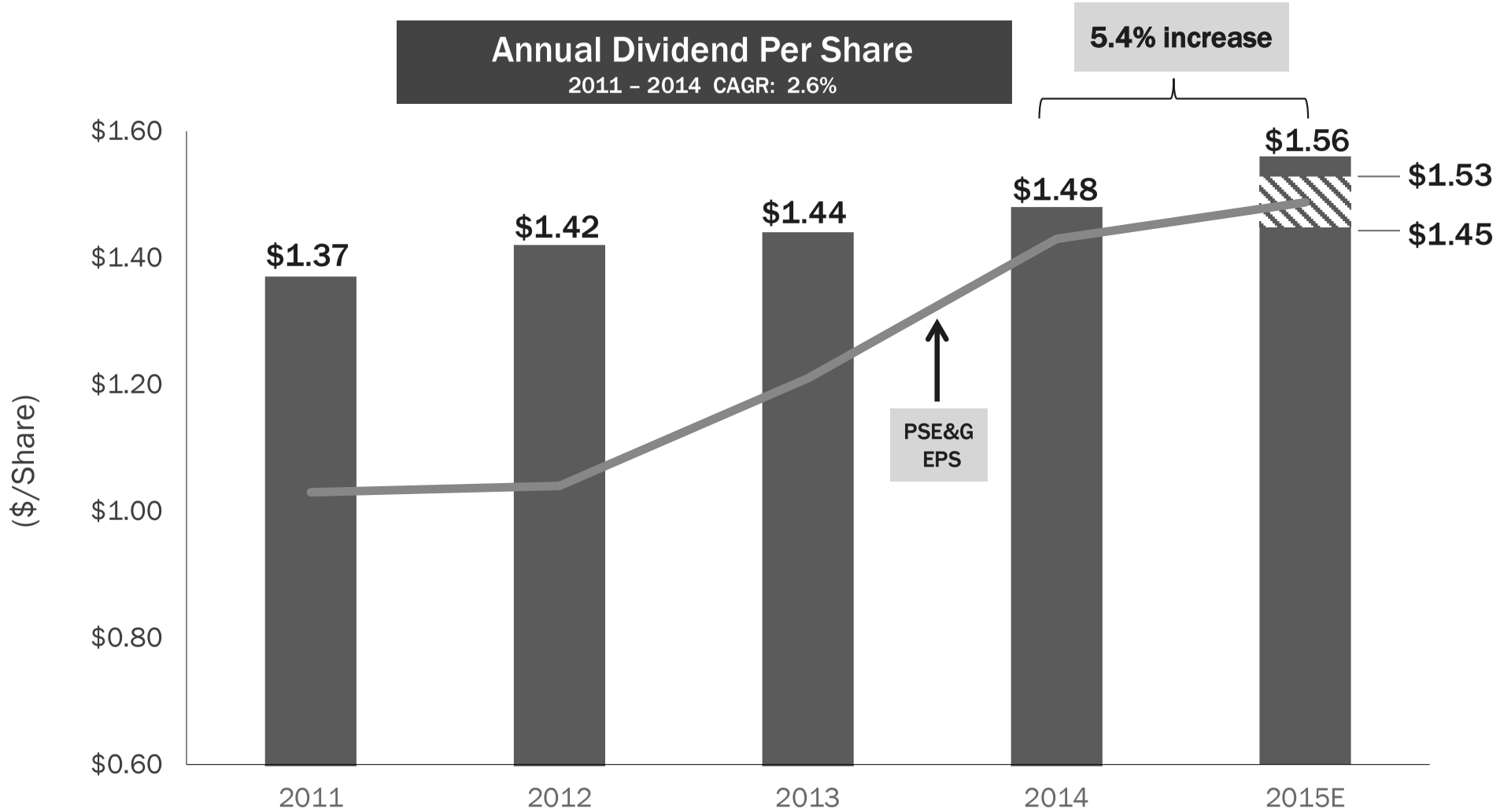
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

SI-SSA-0015-03474

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-03475

PSEG Summary

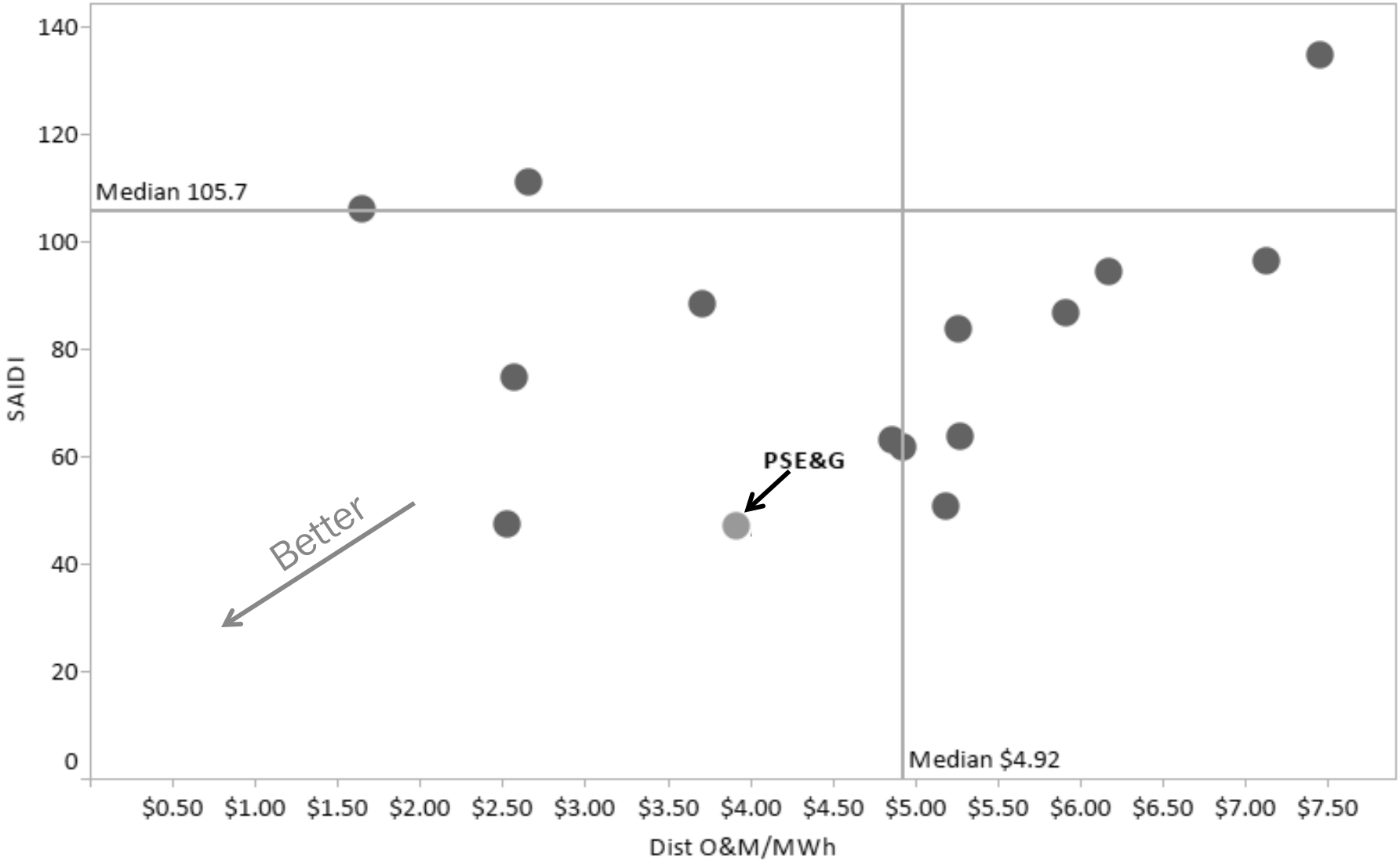
- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-03476

PSE&G APPENDIX

SI-SSA-0015-03477

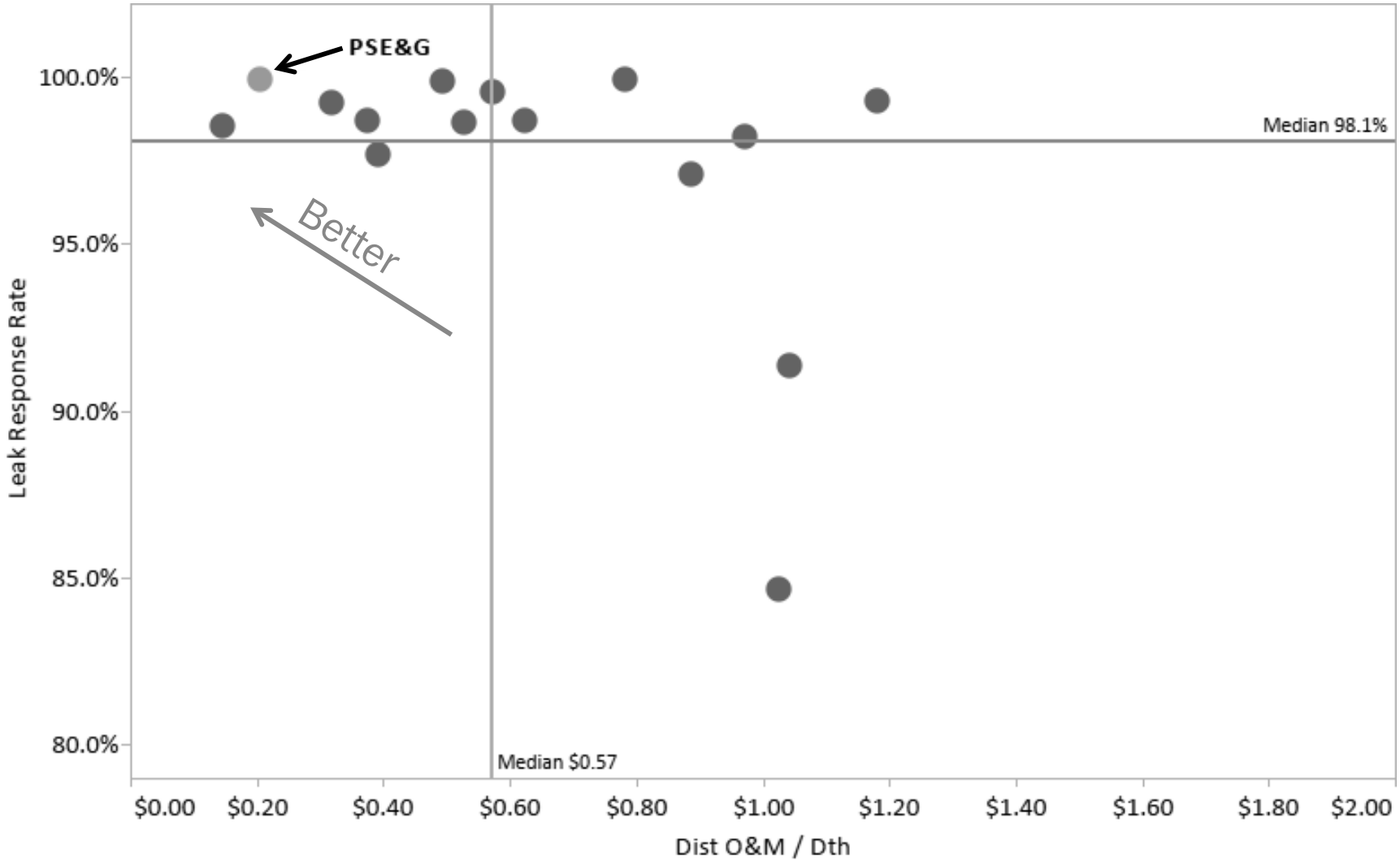
PSE&G provides high reliability at below average cost which creates superior value to customers



SI-SSA-0015-03478

PSE&G prioritizes public safety

while maintaining value to customers



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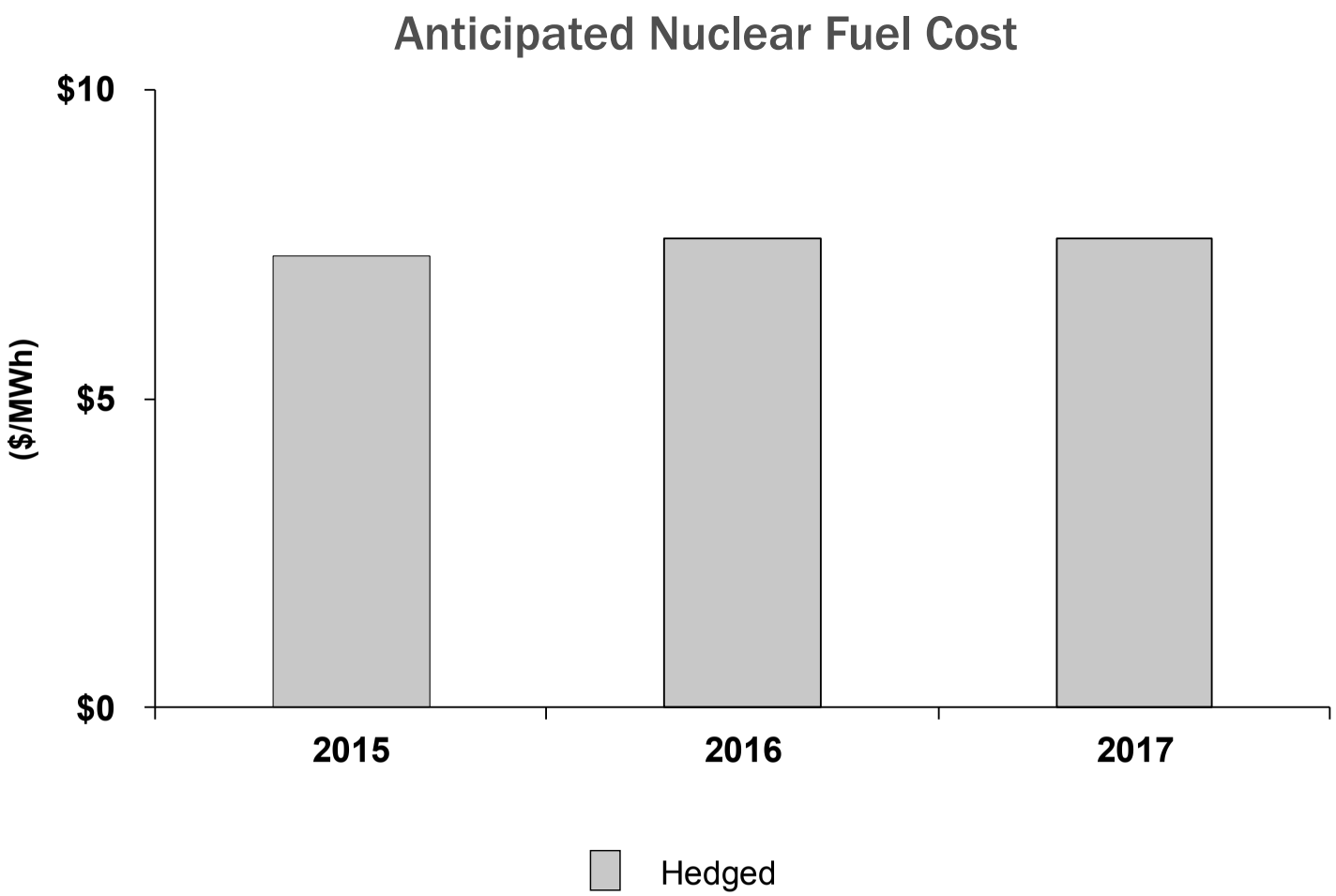
PSEG POWER AND ER&T APPENDIX

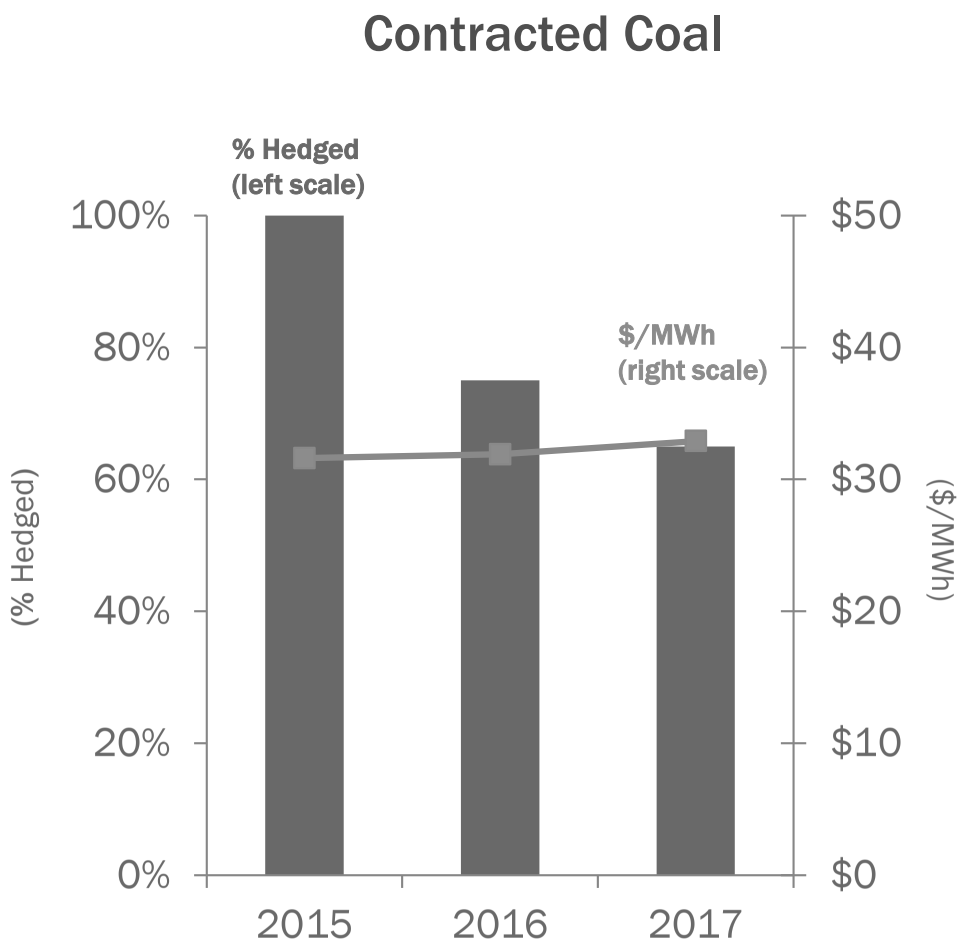
SI-SSA-0015-03480

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-03481

Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

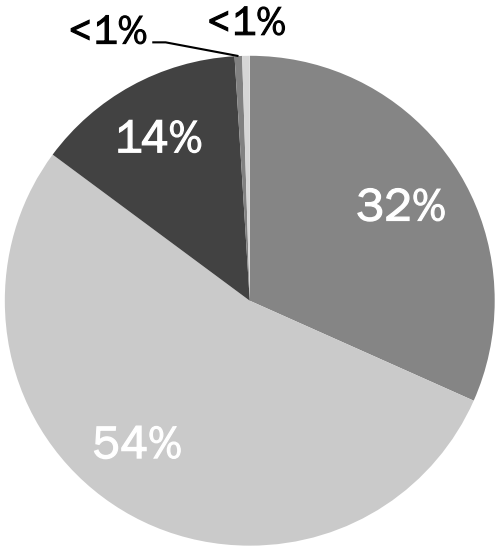
SI-SSA-0015-03482

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

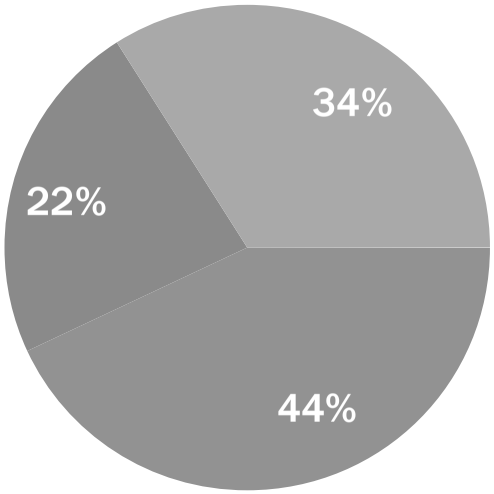
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

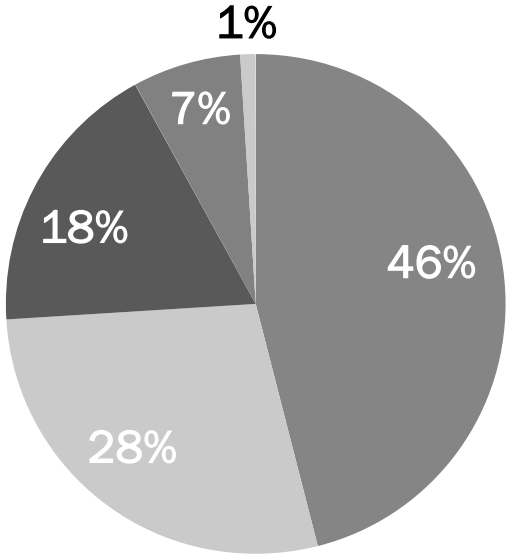
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

SI-SSA-0015-03483

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-03484

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03485

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

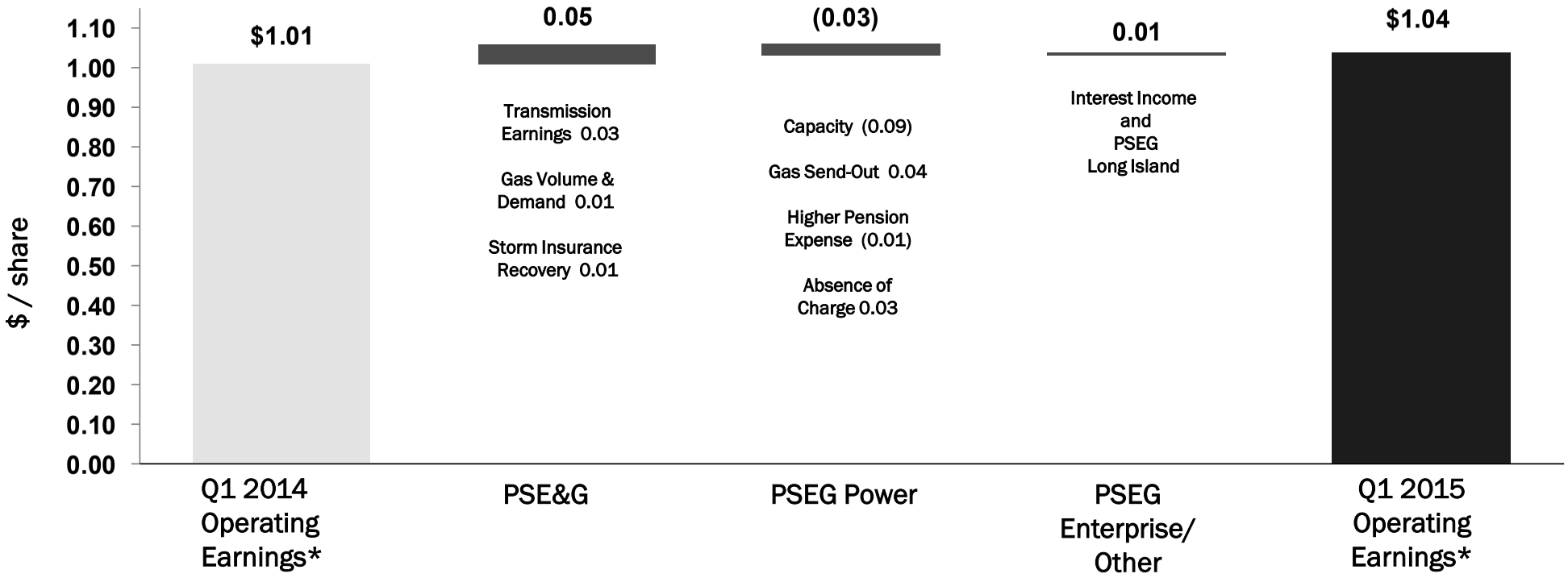
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 242	$ 214	$ 0.47	$ 0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$ 529	$ 515	$ 1.04	$ 1.01

SI-SSA-0015-03486

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2015 versus Q1 2014



SI-SSA-0015-03487

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$1.0	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	8.9	6.3	2.5
Common Equity	12.5	7.0	5.7
Total Capitalization	**$21.4**	**$13.3**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio(2) 52.3%

SI-SSA-0015-03488

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $201 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	Q1 2015	Q2 2015E	Total
PSEG Power	$44	$133	TBD	TBD
PSE&G	6	26**	TBD	TBD
PSEG	$50*	$159	~$54***	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

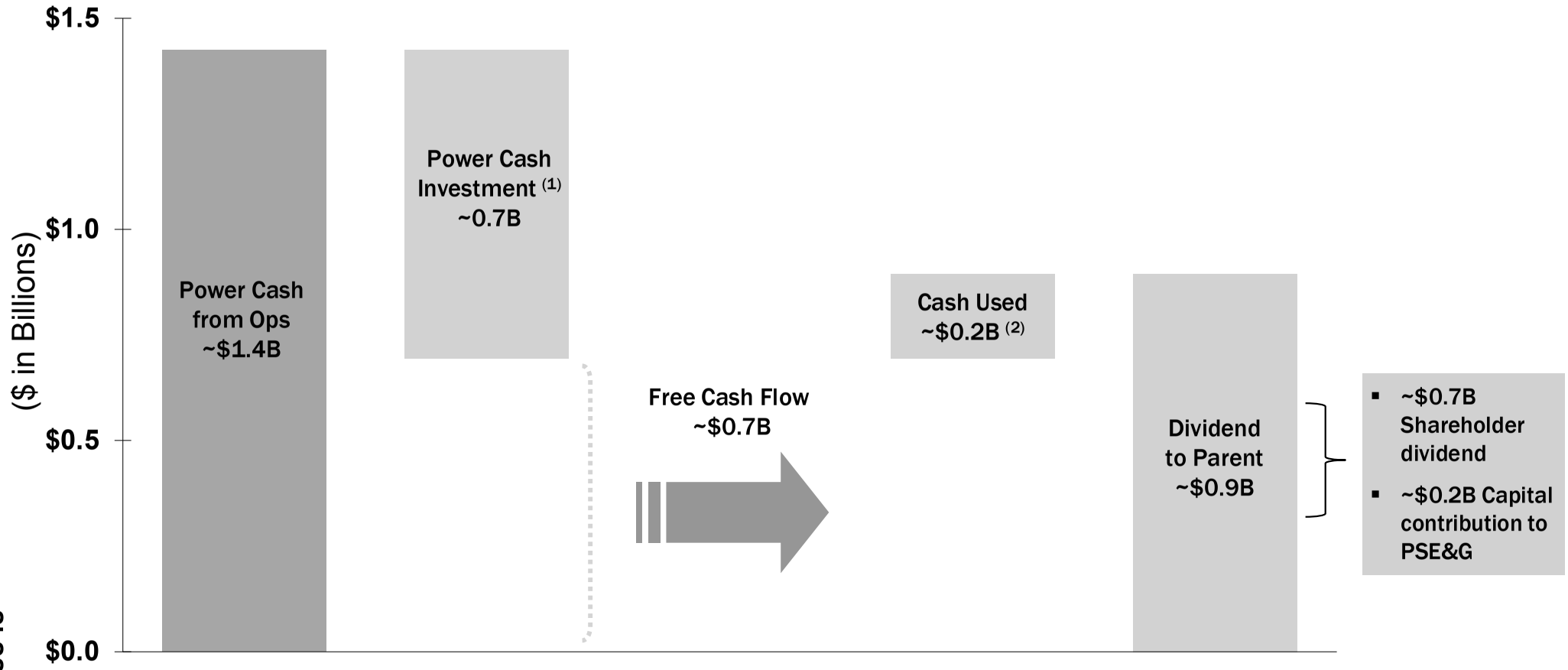
** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

***THE AMOUNTS TO BE RECORDED BY PSEG POWER AND PSE&G WILL BE DETERMINED IN SECOND QUARTER 2015. TBD = TO BE DETERMINED.

SI-SSA-0015-03489

In 2014, Power had significant free cash flow

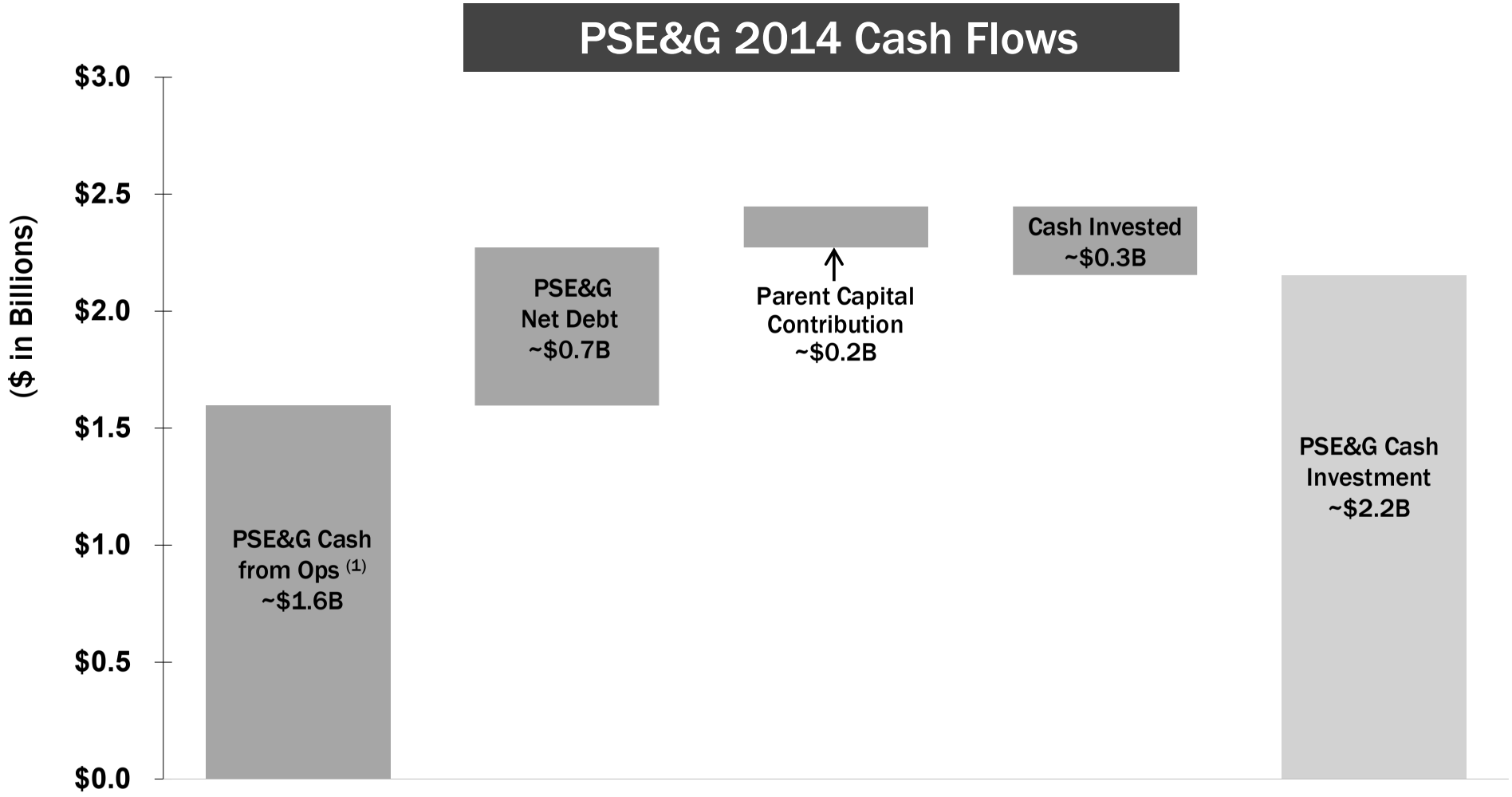
Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

SI-SSA-0015-03490

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-03491

PSEG Liquidity as of March 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 (A,C)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$178	$1,422
	5-Year Credit Facility (Power)	Mar-18	$1,000 (A,D)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 (A,B)	$0	$500
		Total	$4,300	$200	$4,100

PSEG Money Pool ST Investment	$636
PSE&G ST Investment	$316
Total Liquidity Available	**$5,052**
Total Parent / Power Liquidity	**$4,150**

(A) In April 2015, expiration dates of these facilities were extended to April 2020.

(B) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

(C) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018.

(D) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

SI-SSA-0015-03492

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 3/31/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	148
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	28
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	40
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$858**

SI-SSA-0015-03493

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-03494

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-03495

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2015	*2014*	*2014*
	($ Millions, Unaudited)		
Adjusted EBITDA	**$ 626**	**$ 651**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [b]	(77)	(73)	(291)
Interest Expense, pre-tax [b]	(31)	(31)	(120)
Income Taxes [b]	(191)	(196)	(387)
Operating Earnings	**$ 278**	**$ 293**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [a]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	**$ 335**	**$ 164**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

SI-SSA-0015-03496

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*	
	2015	*2014*
Earnings Impact ($ Millions)	**(Unaudited)**	
Operating Earnings	**$ 529**	**$ 515**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	75	(6)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 586**	**$ 386**
Discontinued Operations	**-**	**-**
Net Income	**$ 586**	**$ 386**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**
Per Share Impact (Diluted)		
Operating Earnings	**$ 1.04**	**$ 1.01**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	0.15	(0.01)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 1.15**	**$ 0.76**
Discontinued Operations	**-**	**-**
Net Income	**$ 1.15**	**$ 0.76**

[a]Includes the financial impact from positions with forward delivery months.

PSEG Investor Presentation
AGA 2017 Financial Conference

MAY 22, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03498

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-03499

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-03500

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-03501

Two strong businesses

A stable platform, each with growth opportunities

PSEG

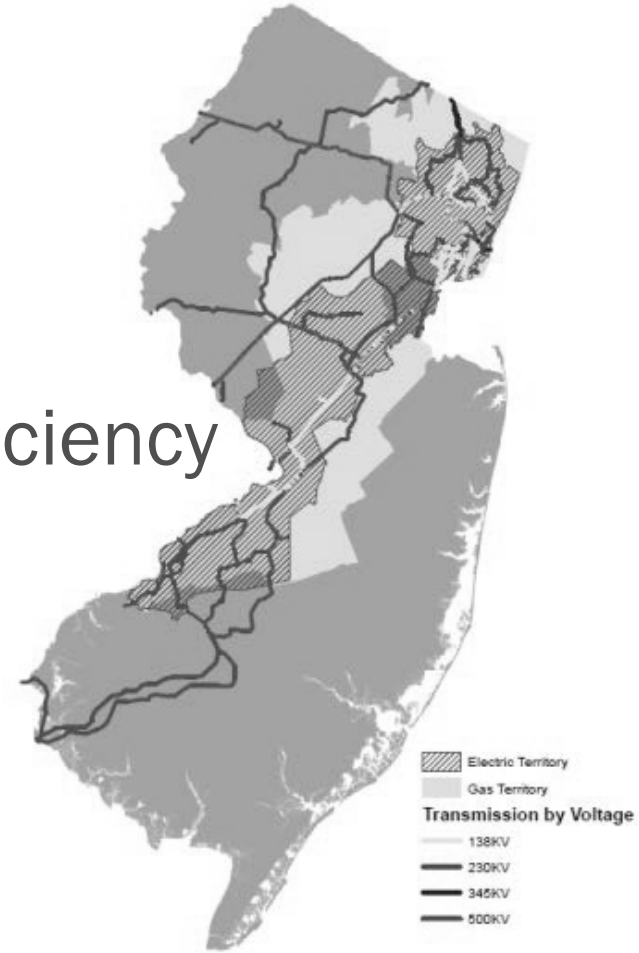
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-03502

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

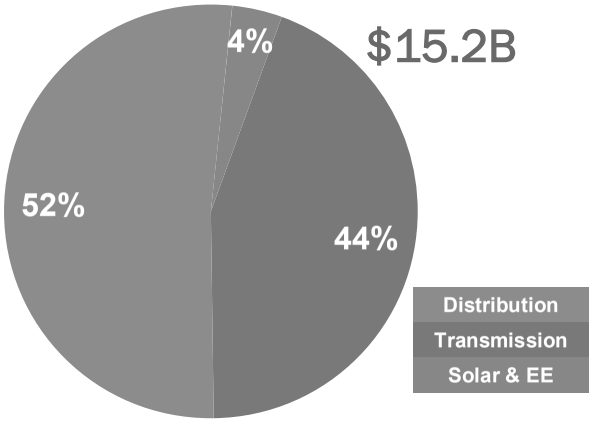
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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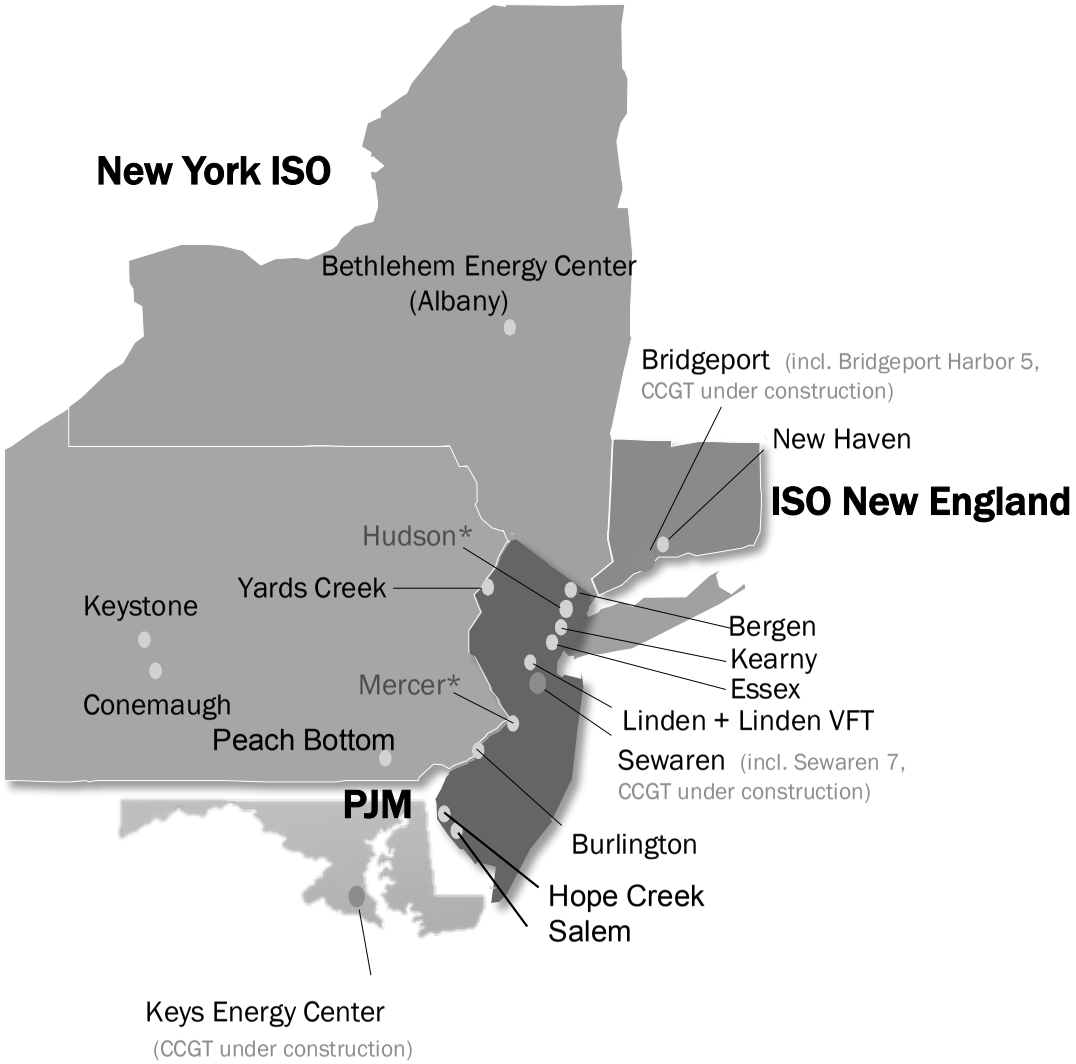
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-03504

PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

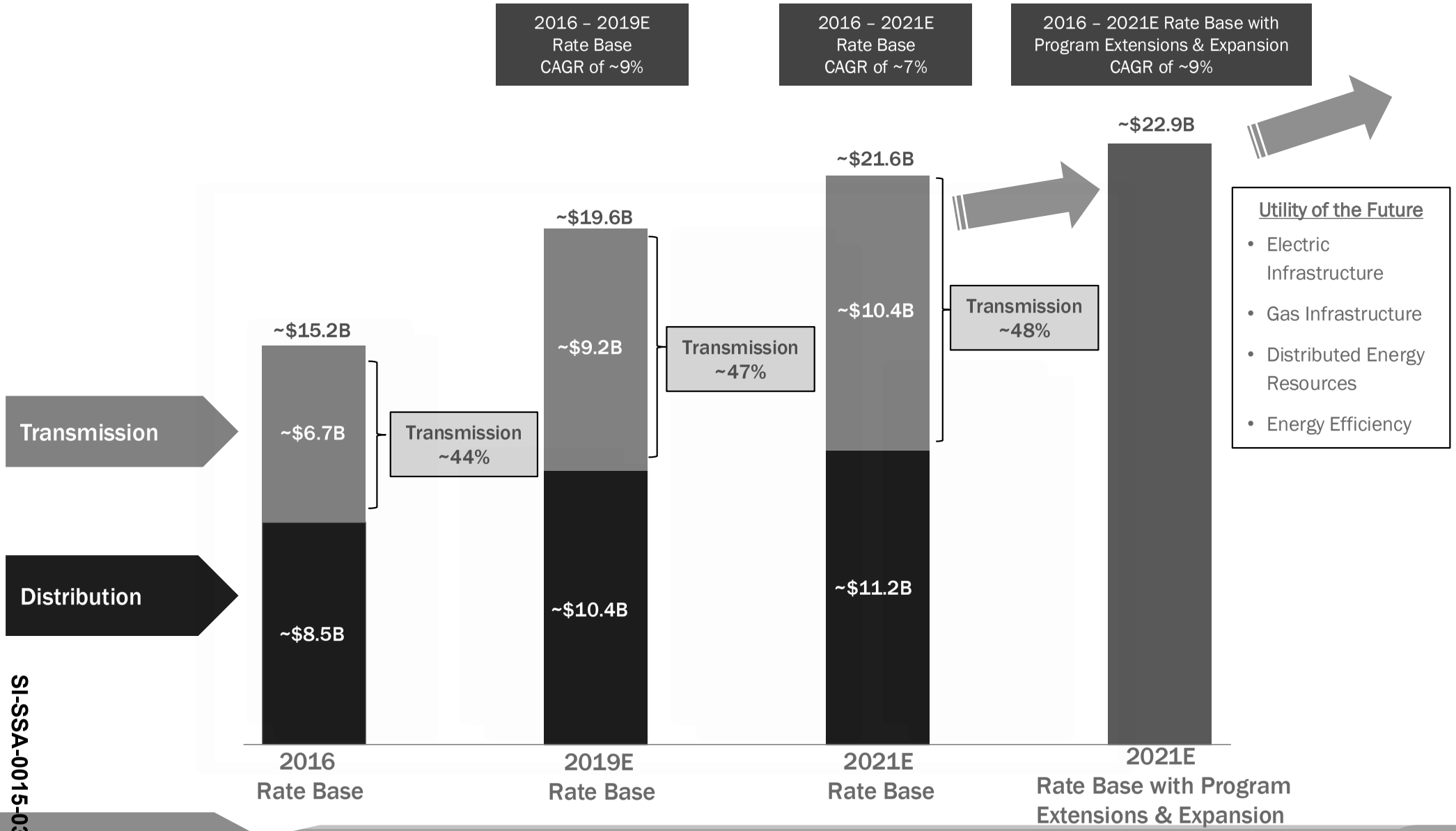
- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-03505

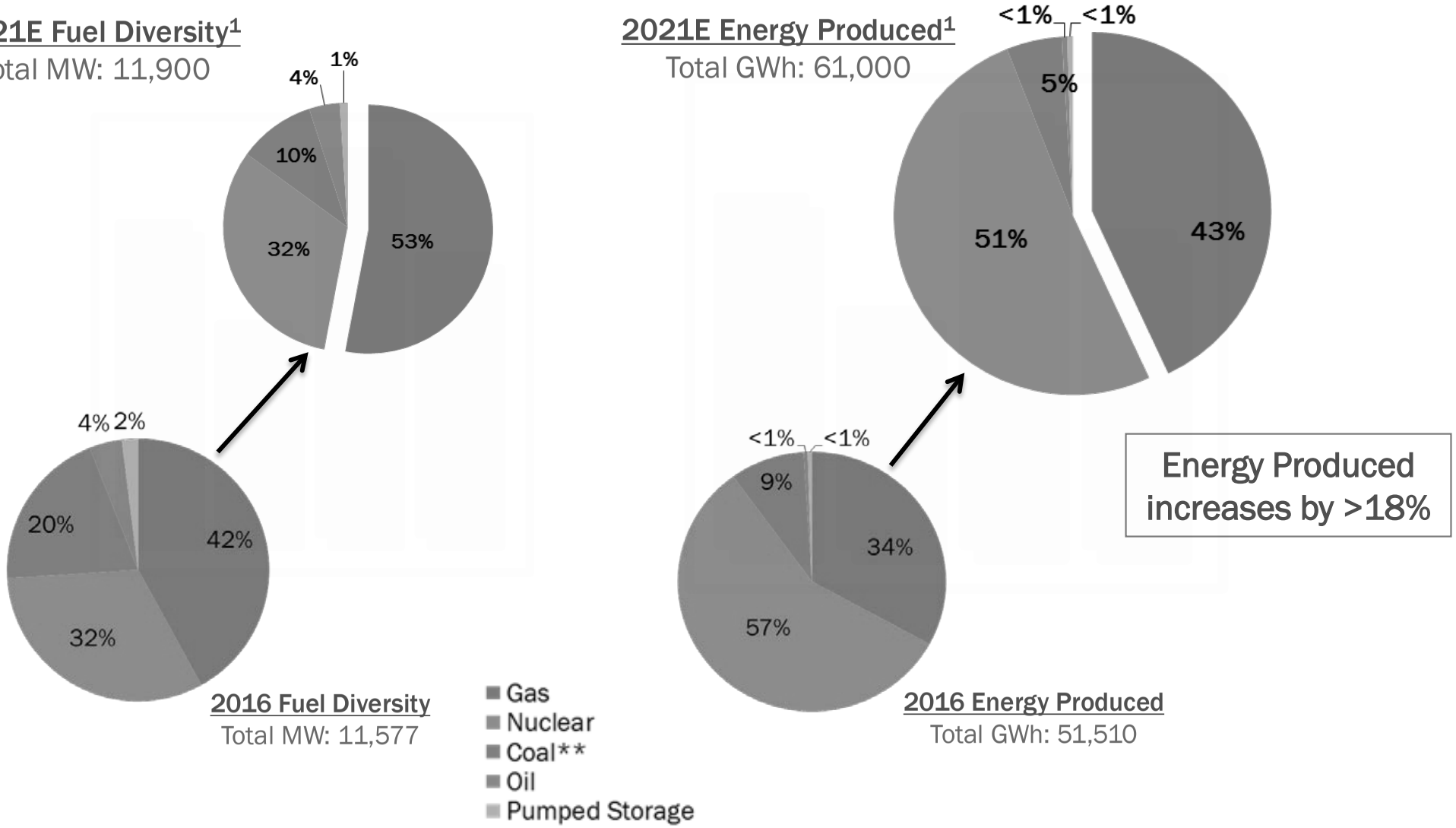
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

Power's fleet is being **transformed** with focus on improvement in efficiency

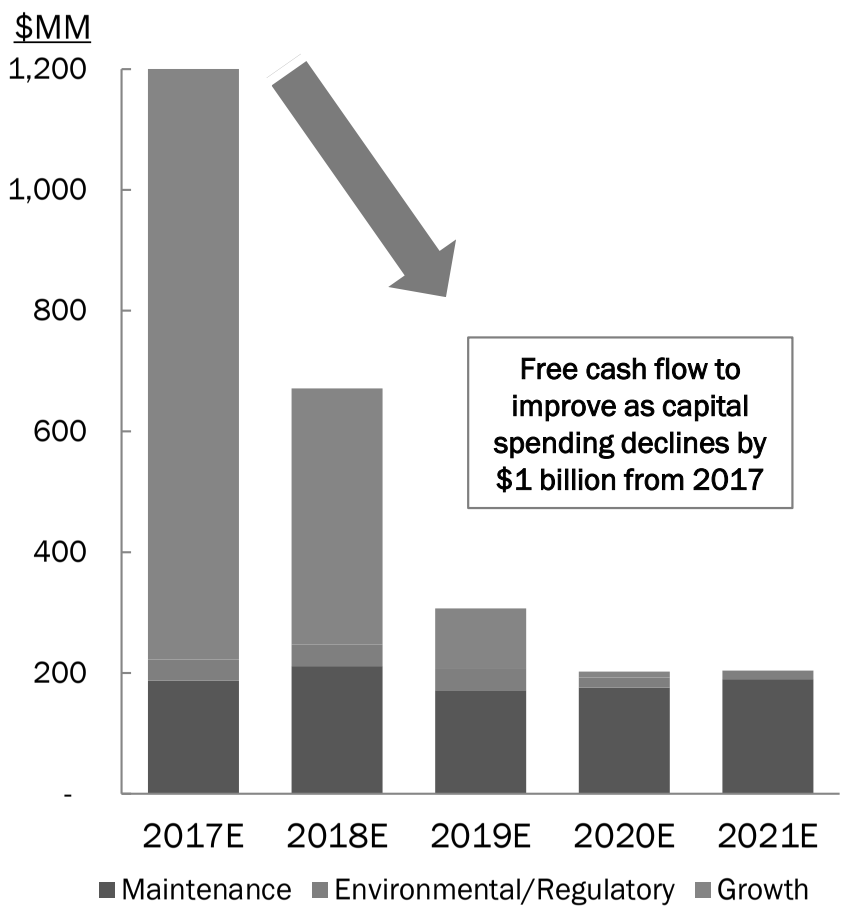
Projected Fleet Comparison 2016 to 2021E



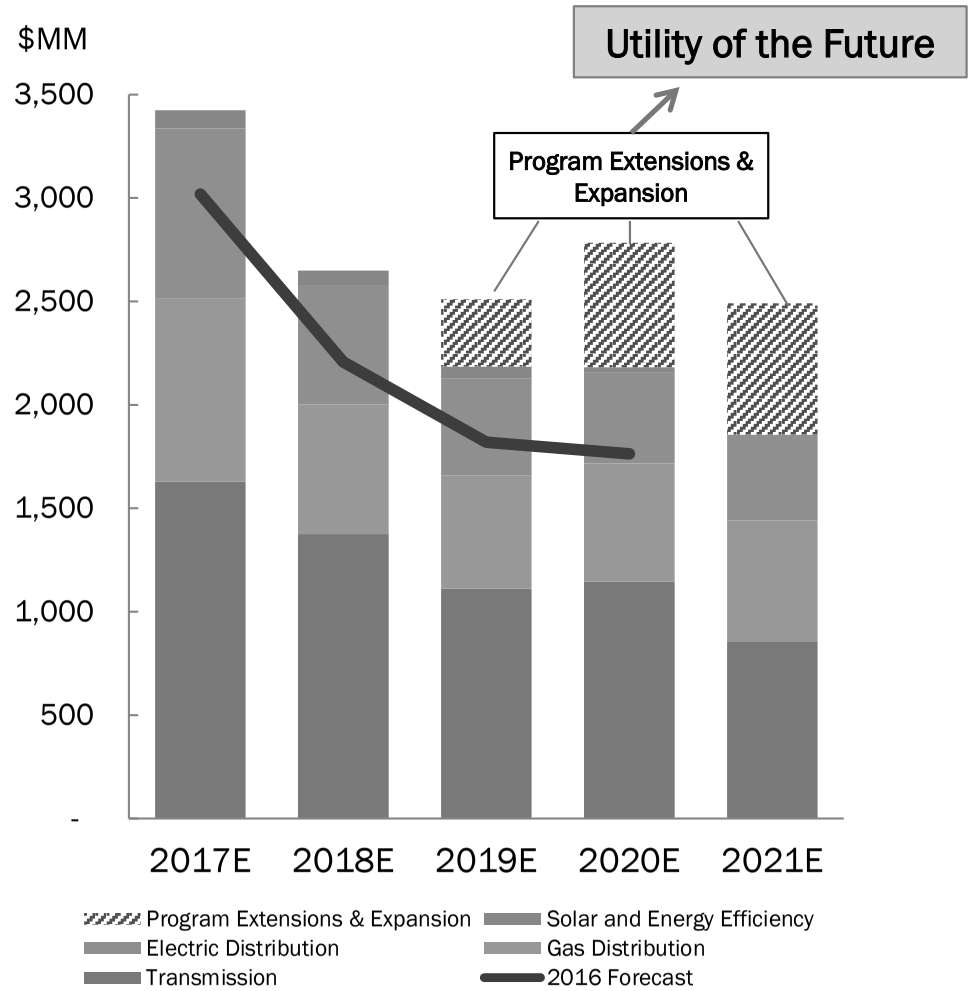
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



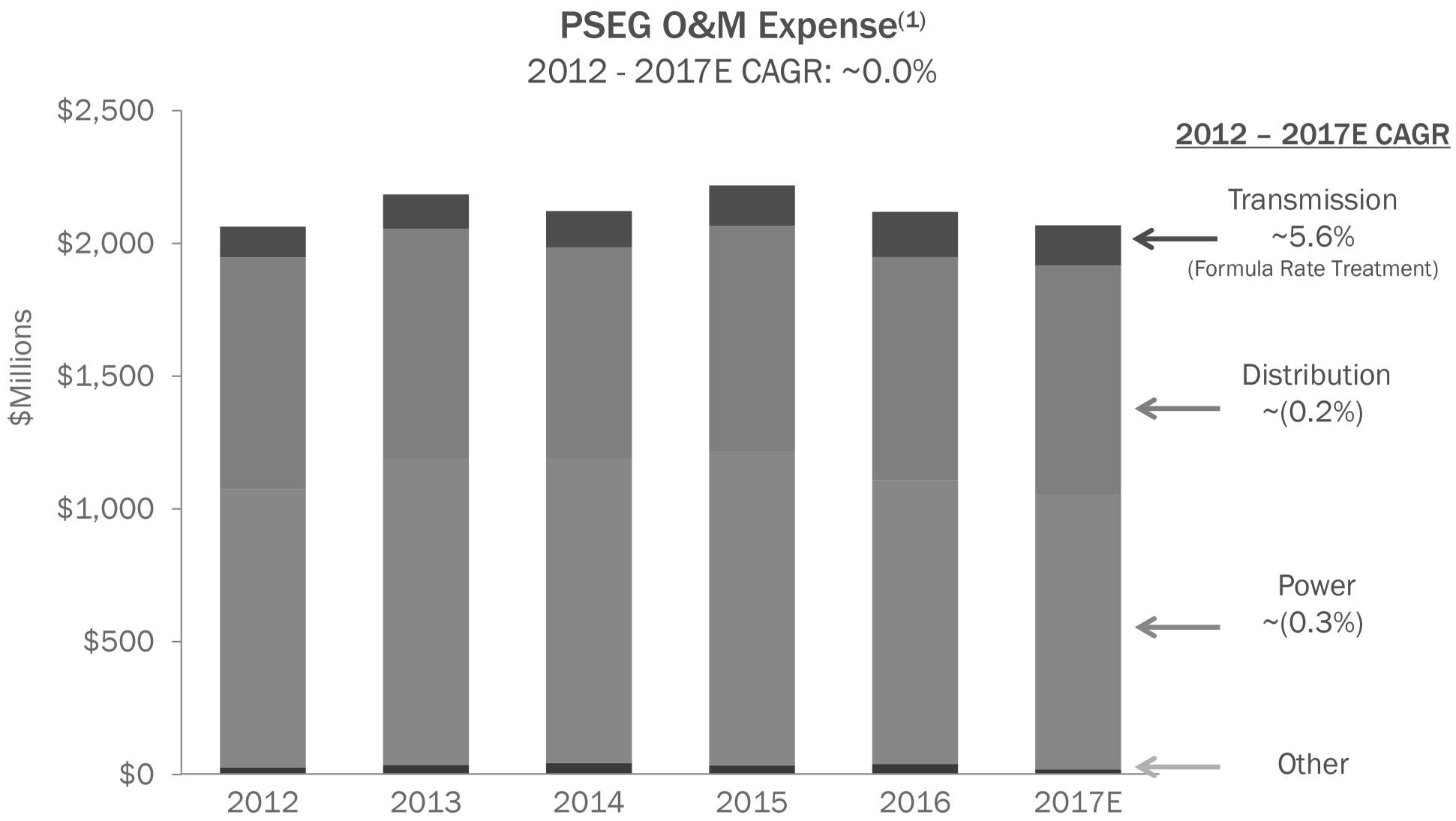
PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

SI-SSA-0015-03508

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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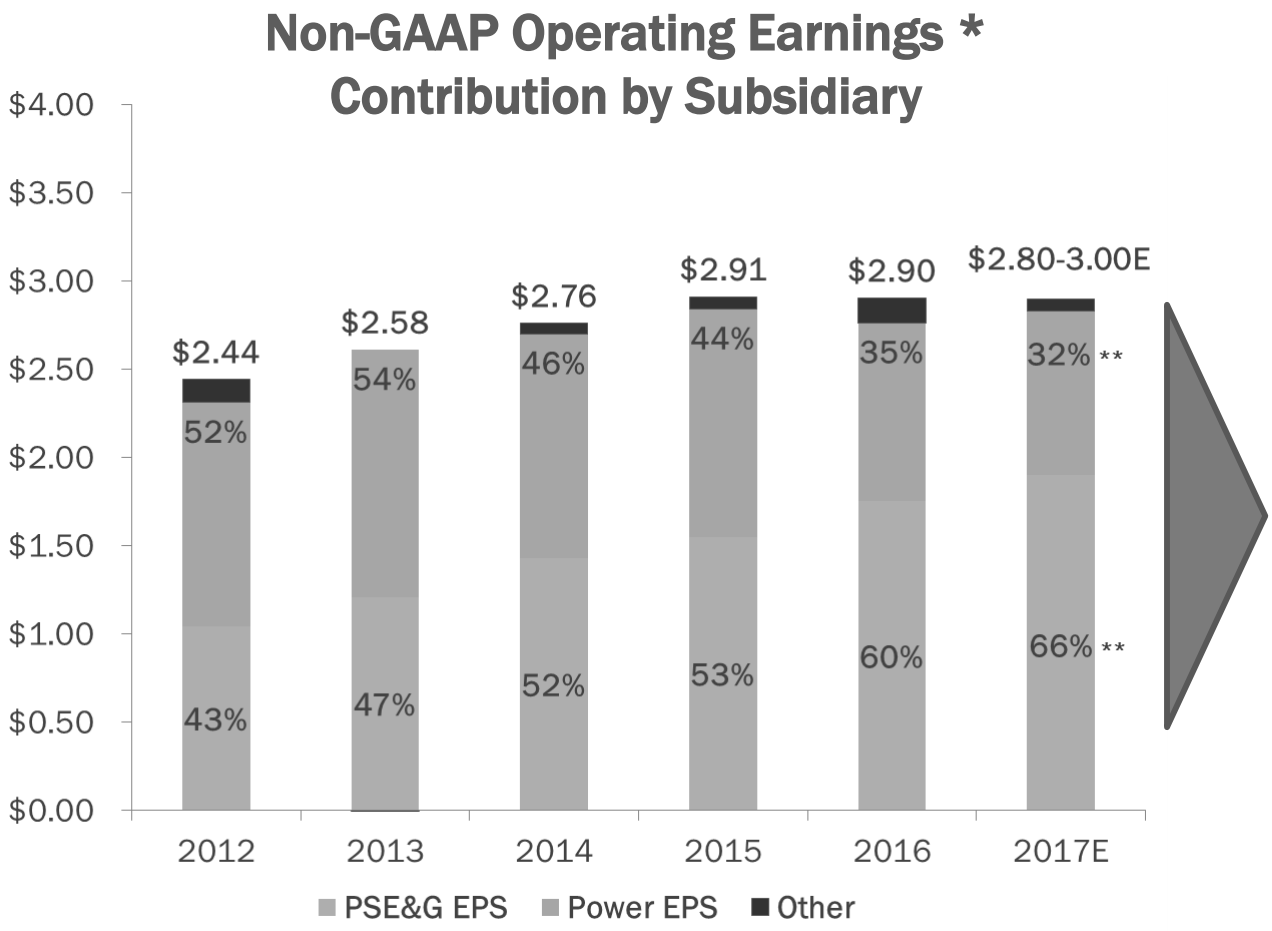
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



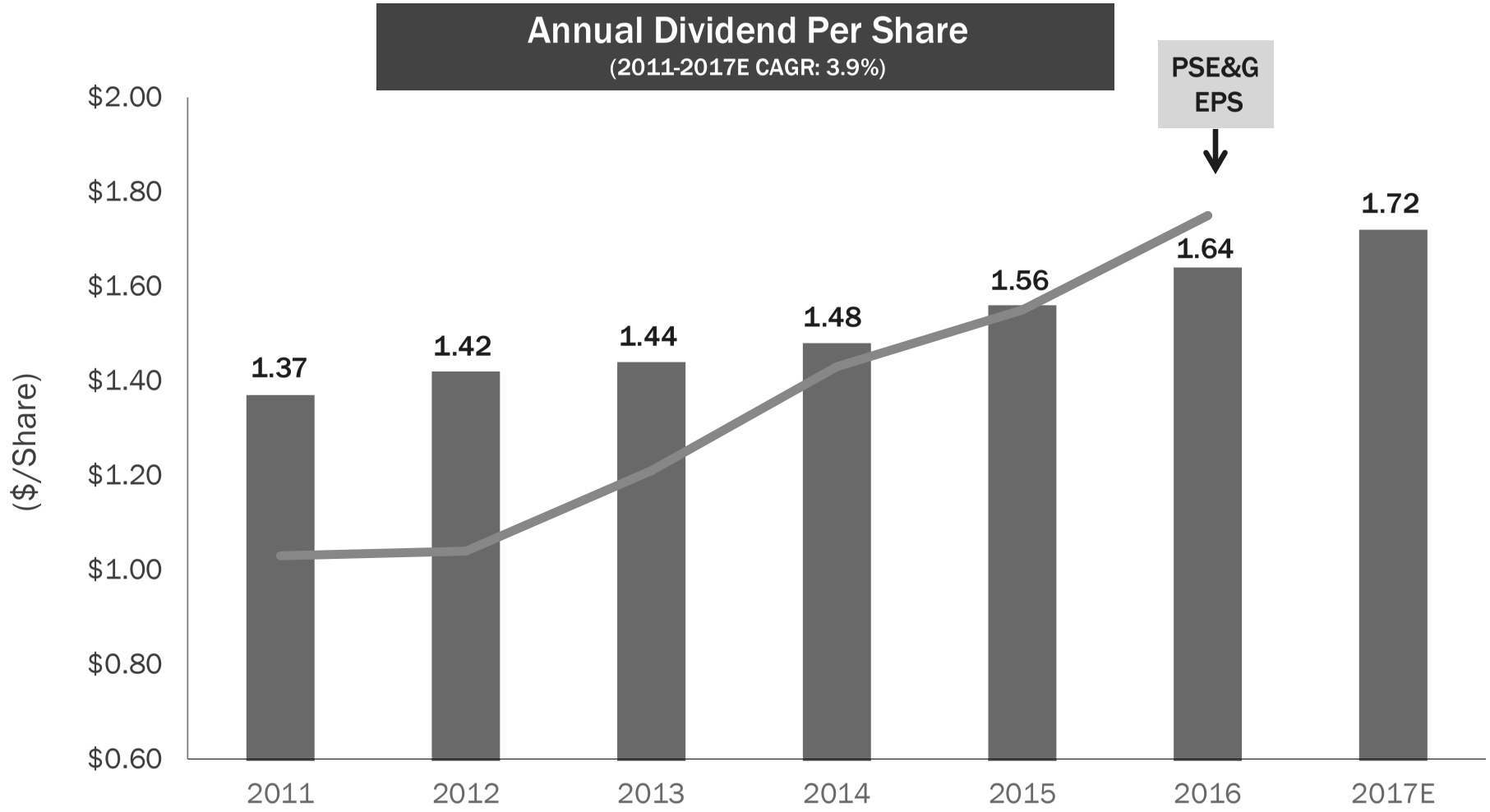
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-03510

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for meaningful and sustainable dividend growth



SI-SSA-0015-03511

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-03512

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-05-16
Event Description: AGA Financial Forum

Market Cap: 23,242.39
Current PX: 45.94
YTD Change($): +7.25
YTD Change(%): +18.739

Bloomberg Estimates - EPS
Current Quarter: 0.586
Current Year: 2.881
Bloomberg Estimates - Sales
Current Quarter: 2285.667
Current Year: 10068.923

AGA Financial Forum

Company Participants

- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Daniel J. Cregg

...PSEG presentation gave just a high level overview of the company. My name is Dan Cregg. I am EVP and CFO of the company. Of course, we start with the forward looking statements and the GAAP disclaimer. And there is a page – the last page of your document will go through the differences between the GAAP results and the operating earnings results.

So, at the highest level, if you think about PSEG, two main subsidiaries of the company. On the left-hand side, you see a depiction of PSE&G that is our regulated company, Electric and Gas. So we are converged already, and by virtue of the name, Public Service Electric & Gas, have been so for a very, very long time.

Single-state regulation from the distribution part of our business and FERC-regulated on transmission. Is about a $12 billion infrastructure program over the next five years that will continue our strong rate base growth, and I'll show you a little picture of what that looks like.

And then complementing that business, PSEG Power, a merchant generation company. Some changes going on with that company to make us more efficient, and I'll go into a little bit of that detail as we go forward.

So some improvements there. And you can see the relative size of the business. Our regulated side from an operating earnings perspective exceeds our generation side. We'll also show you a slide where that dynamic has changed over time. We've gotten a little bit more regulated as time has gone on.

And when we think about the companies, one of the basic tenets that we live by is seen by this depiction on the right-hand side of this slide here. It all starts with operational excellence. Absolutely key to what we do. I'll go through a couple of instances where you can see some indications of that. But the thought process is that if we can operate our assets excellently, it will build financial strength. That financial strength in turn can lead to disciplined investments that we will make and those investments are in assets that we will be able to operate excellently. And that circle can go on forever. And all backed up by a workforce that is engaged and we think one of the best in the industry.

From a results perspective, it's resulted in earnings growth over the last three years. Our EPS has grown. Dividend growth over time. And I'll give you a picture what that has looked like and a little bit about what that will look like on a go-forward basis. And strong rate base growth and a new combined cycle gas turbine fleet that will be coming online in the next couple of years as well.

So continuing on the same theme, we've delivered. And on the operational excellence side, PSE&G this year, for the 14th consecutive year has been named the Mid-Atlantic's Most Reliable Electric Utility, Electric Light & Power's Utility of the Year, just real strong response to Superstorm Sandy. I mean, that was a enormous impact to the business and to the customer to this day, and I think our results that we had against that backdrop, very, very strong and has changed the company. We are making some changes to our infrastructure as a result of that event.

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We continue to see increased output on the Power side of the business, both at nuclear and also on our combined cycle fleet. More and more of our output comes from there. And with the changeover and the incremental construction program that you see in the next couple of years, we'll continue to see that move forward.

And then a smaller part of our business, PSEG Long Island. So we have a contract to run LIPA's operations. And we have seen in that operation, improved customer service, which has been a big focus for that operation, and improved reliability. So that's an area where we step into a situation that needed some help and have really worked with the team at LIPA to improve that business, improve results and make things better in our neighboring state.

From a financial strength perspective, last year's earnings of $291 were at the upper end of our guidance. Both of our businesses throw up very strong cash flows, which enables the dividend policy that you see and we'll talk a little bit about that. And maybe more importantly, over the next five years we have a $16 billion capital program and we will move through that capital program without the need to issue equity. So that's a credit to the strength of the cash flows from both of the businesses that we have.

And then lastly from an investment perspective, capital programs both at PSE&G and at Power. At PSE&G, driving rate base growth 8% to 10% over the next five years and investments really across the board in Transmission. Energy Strong that you see referenced on the bottom of the page, that was the response to Superstorm Sandy. And also the Gas System Modernization Program; that's a more recent program, was approved last year and started at the beginning of this year. $300 million a year to replace one of the largest cast iron and bare steel gas systems in the country. That program at its current pace will continue for about 30 years or has a need for about 30 years' worth in investment to replace all that cast iron and bare steel that we have in our system. So that's an area where we expect to see continued investments for a long time to come.

And then on the Power side, we have in the past few years moved mainly with respect to the growth of the business at Nuclear with some uprates and Fossil also with some incremental uprates around the edges to improve the fleet as well as a single pipeline investment of PennEast and a Solar Source business which is a solar business on the Power side of our business responding to PPAs. And that capital program will change over time and be more focused on new build programs.

And that's what you see here in the following slide. So on the left-hand side of this next slide, it shows you the last five years from 2011 to 2015, and it shows the capital spending across PSEG. And it gives an indication of the mix of our spend and where our investments have gone between our two businesses. So the blue – the different shades of blue represent PSE&G and the orange represents Power. So you can see, there was roughly a 3:1 ratio of spend at the utility versus spend on the Power side of the business.

Moving to the right-hand side, from 2016 to 2020, a comparable business mix if you think about the investments that we are putting into the business. So about $12 billion going into PSE&G and about $4 billion going into Power. So while we are investing in a little bit of a different mix across the business, the general investments between the two companies has remained fairly constant across the last five years and as we look forward to the next five years. And, again that $16 billion investment program will be funded without any need for equity.

And just a quick look back at the last five years. And keeping with those same timeframes, we really simplified the business from 2011 to 2015. There was a third company that if we went back five years or so, we would have talked a little bit more about, PSEG Energy Holdings. Those investments have been largely monetized. It's thrown off incremental cash flow. And we've simplified the business really to just the two businesses that we are talking about now with PSE&G and Power.

The balance sheet strength also helps us to fund the dividend. And if you see on a go-forward basis, in 2016, we've continued the dividend growth. The dividend growth between 2015 and 2016 is up 5%. And the investments really are focused on reliability, resiliency and efficiency on both sides of the business.

So PSE&G, if we look at the utility, what you see here is the rate base growth that we have seen over the last five years. It's a stacked bar visual. And on the bottom, you see the distribution rate base; on top, you see the transmission rate base. So the growth in our business has been on both sides, but more pronounced on the transmission side of the

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business, a FERC-regulated business. So, again, while we are a one-state utility, two regulators have jurisdiction over the investments that we are making.

And as we move out to 2015, you can see that that balance between FERC regulation and New Jersey regulation has come closer in balance and is almost half and half. And again, these investments will move us to the – or these investments in the past will continue. And again, the rate base growth on a compounded annual growth rate is expected to be 8% to 10% as we move through the next three to five years.

The impact that that has on the customer bill is something that we always take into mind as well and being cognizant of what that's going to look like. What you see here is going back from 2008 to the current state of what the customer bill looks like on the electric side of the business on the left and the gas side of the business on the right. And largely due to the commodity price declines that we've seen in gas, but also due to some transition charges that have come off of the bill, you see that a combined customer has a 28% reduction in their bill from 2008 to 2016, and that's on a nominal basis. So that's not cost-adjusted for the years that are involved.

So as we move forward and pursue this rate base growth that we have, the impacts on the bill are manageable. And if we were to see a 2% increase on the bill over the next 14 years, we would get back to where we were 8 years ago. So that's just an indication of, 14 years from now somebody is going to know that they've had an increase of 2% every year as opposed to what happened in 2008. That's understood. But I think we have – we work off of the base of a declining bill, which gives us some headroom to do the investments that we do need for an aging infrastructure in New Jersey.

Then on the Power side of the business, three recent announcements for growing the business, all three combined cycle gas turbine investments that we are making, two in PJM and one in New England. So the first that you see here is a 755 megawatt combined cycle unit at the Keys Energy Center in Maryland. The second is a 540 megawatt combined cycle unit at Sewaren, New Jersey. Both of those units will be online in June of 2018.

And then complementing that in 2019, in New England we have our Bridgeport Harbor 5 unit, which would be just under 500 megawatts which will come online in 2019, and that Bridgeport unit just recently cleared last year's capacity auction in New England. By clearing that auction has a 7-year lock on its capacity revenue. And all three of these units will benefit from bonus depreciation as well.

And all in all, these new units will come on, will be very efficient new technology there. They are not repowerings of old units; they are new construction. And in two of the instances, both at Sewaren and at Bridgeport, we will be taking out older capacity to replace it with newer capacity. So from a supply-demand perspective, there's a netting of the two as we go forward.

What that looks like as a fleet overall is, on the left-hand side you see megawatts and on the right-hand side you see gigawatt hours. And you see what the fleet mix will look like as we go from 2015 on the bottom of the page to 2020 on the top of the page.

So, incremental megawatts, and as we look at the right-hand side from a gigawatt hour perspective, the gas contribution to the fleet will go from 35% to 42%, so a 20% increase in the efficient gas part of our fleet, balanced of course by a large nuclear output from the balance of the portfolio. And we'll go from roughly 55-terawatt hours to 65-terawatt hours as a fleet as a whole, so incremental production from those units coming online.

So, if you had looked back five years, we had a bunch of units which were nearing the end of their life; we often refer to those as the HEDD, High Electric Demand Day units. Those are some older peaking units that were still around. They would run on those days when absolutely needed, but generally not more than that. And they had served their time, and it was time for them to drift off into the sunset as may have seen outside yesterday. But as we move forward, we will have a more efficient fleet and a construction program that's underway that's going to serve us well for years to come.

So I talked a little bit earlier about the earnings contribution from each of the businesses, and this gives a depiction of exactly that. So if you go back to 2012, you can see on the bottom of the page, there's the PSE&G contribution to earnings per share and sitting on top of that is Power's contribution. So from 2012 to 2016, you'll see an increase in the

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regulated contribution to our business from 43%, growing based upon the earnings guidance that we've given by company to 61% as we move into 2016, providing a stable base for the business and representing the rate base growth that we talked about.

And again, both sides of the business generating very strong operating cash flows. That helps support the dividend that we have paid over the last few years. And just briefly here on page 15, you can see the growth in the dividend over that same timeframe as we've gone from 2012 at a $1.42 and grown by 2016 the indicative dividend of $1.64. That $1.64 is less than PSE&G's standalone guidance midpoint for 2016. So that dividend can – you can think about it as being covered solely by the regulated earnings of PSE&G. And what we said on a go-forward basis is that we feel very comfortable that we have the potential for consistent and sustainable growth in the dividend on a go-forward basis.

So, on both sides, again, operational excellence. Execution of the investment plans will be vital over the next few years as we go forward. And maybe just one other thing to touch on on this slide for each of the businesses. At PSE&G, we are looking to optimize the business environment by advocating for a regulatory framework that provides support for long-term infrastructure programs.

This is consistent with some of the other companies in our state as well. And as we have gone through the years, looking back maybe the past six, seven, eight years, there has been a host of infrastructure programs that we have put in place in working with the state and trying to align with state policy. And we have been successful in doing that.

But as we go forward, the ability to do that on a longer term basis as opposed to a series of shorter term programs, it seems like it's in the best interest of everybody. It helps the company plan a little better. It helps the workforce be developed a little better. It stops a demobilization, remobilization of the business. So one of the things that we think would be an advantage to the business is to enable a longer-term infrastructure program. And so, there's some discussions going on to pursue that on the Jersey side.

And then, at PSEG Power, continuing to advocate for constructive market rules. And there certainly have been some challenges there in the recent past. We've seen them years ago with the [ph] LCAP (16:06) rule in New Jersey. And then more recently further west from us there's been some activity that have challenged the market rules as well. So one of the things that we are trying to do is work in that direction to enhance the market rules and to maintain competitive markets as we step forward.

And then lastly, again, in Long Island, continued execution of a small but very good business where I think we've proven our ability to run another operation extremely well and make some much needed improvements in that business.

So in summary, a great platform, strong earnings and a very strong investment profile. I think clearly easy to say a best-in-class utility, and I would say a best-in-class power generation business as well. And a very strong balance sheet with very strong credit stats and the ability to finance a $16 billion, five-year investment program without equity.

So that in brief is our story. And I'd be happy to take any questions.

Q&A

<A - Daniel J. Cregg>: [ph] Frank (17:19).

<Q>: [Question Inaudible] (17:21 – 17:50).

<A - Daniel J. Cregg>: Yeah, the question is about the growth of Power and where it may come from on a go forward basis. And I would say that from what we have in front of us, it's a fairly ambitious program over the next couple years. So three major construction projects that we will work our way forward. My sense is that you will not see three more construction projects or really anything significant beyond what's there.

And I would say on the growth front, it would lead us more to an acquisition-based growth, but probably not big fleets. I think your areas that you mentioned of New England and New York and PJM, provided it's not very close to where our assets are right now, because sometimes we can have some [ph] worker (18:36) concentration issues there. Would be where we would go. I mean, we've always been a PJM-and-up focused company. So that's the geographic area. And

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as we look to asset acquisitions, probably on the smaller side, but we continue to look and pursue that. Yes.

<Q>: [Question Inaudible] (18:56 – 19:07).

<A - Daniel J. Cregg>: Yeah. And that's more of a state-oriented comment. And right now, I think for the immediate term, we will be watching as much as talking. There are others in our state who are in for regulatory re-ups. And as part of those filings, they are seeking the ability to go a little bit longer with some of their infrastructure builds. And again, I think it makes sense from the standpoint of being able to plan your work. I mean, just a simple example is that rather than hiring folks from the outside for short-term durations, we can hire employees, train them, and give people careers instead of giving folks jobs. That's just one simple example of why it seems to make sense. And maybe another example of the type of program where it fits so well is that Gas System Modernization Program I talked about earlier.

So we know we have over 4,000 miles of cast iron and bare steel in the ground. We know that they all need to come out of the ground and be replaced. And we know that at the current pace, it's going to take us about 30 years to do that.

So why are we planning for it in shorter bites rather than trying to put something in place on a longer-term basis? – So, to acquire the right equipment and the right people and it just – it seems to make sense to let that have a little bit of a longer view as to where we're going, and it would enable us to plan it and be more efficient with it. And I think everybody wins in that regard.

[ph] Frank (20:38).

<Q>: [Question Inaudible] (20:39 – 20:53).

<A - Daniel J. Cregg>: Yes. So the solar program has been a – the question is the solar program in New Jersey. And it's been a focus of the state for quite some time. We are not Arizona, right, so it is not nearly as – it doesn't naturally fit as well. But from an environmental perspective, it's an interest of the state and it's something that's been pursued by us in the past and by others. In fact, just recently, a couple days ago, we filed for a $275 million program called Solar 4 All. So it's a solar program where our utility-scale solar will be built on landfills and brownfields. So we are a little bit of a compressed state. So to take farmland and turn it into a solar farm doesn't work quite as well as to take a landfill and turn it into a solar farm.

So that's been the focus of that program. And we also think that utility-scale [indiscernible] (21:50) is the best cost-efficient manner to get solar in the state as well. So there definitely is an interest in the state. And like I said before, we've been trying to align with state policy and work with what they want to get done with respect to some of our filings. And what you saw the other day is a perfect example of that.

Any other questions? [ph] Frank (22:23).

<Q>: [Question Inaudible] (22:25 – 22:40).

<A - Daniel J. Cregg>: Yeah. So with respect to financing of the capital plan that we have, so you heard a couple times that there's no equity that's involved in it. On the PSE&G side, a pretty simple way to think about it; our regulated cap structure is [ph] 51 and change and 48 and change (22:58). So we'll kind of step forward that way, leveraging the cash flows of the business for the equity side of things and then going outside for the debt piece.

Power's program also has a element of debt that we anticipate going out for. We haven't given any specifics about it. But I would say that if you would look back historically to the way that we have financed the business, it's been fairly traditional. And I would expect that we would probably be in that same vein as we step forward.

So we will have some financing needs – some debt financing needs as we go forward with the program that we have. And it would be more along the traditional means that you've seen us do in the past. Yes.

<Q>: [Question Inaudible] (23:39 – 23:46).

<A - Daniel J. Cregg>: Yeah.

<Q>: [Question Inaudible] (23:47 – 23:59).

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<A - Daniel J. Cregg>: Yeah. So the question is really about net metering and what's going in the state in that front. I would say there are discussions around net metering more than there are advanced discussions about major changes to it right now. Our – the overall solar penetration in the state is fairly moderate from a net metering perspective. I think certainly, those customers that are net metered, it does create a little bit of an imbalance and it can be a little bit regressive.

So if you have those that have solar panels on their house, if they tend to be on the higher income side and they are going to benefit from an ITC and from a Solar REC which is upwards of $300 a megawatt hour and net metering takes their whole bill down on a full retail basis until they eclipse their own usage. So as a result, the balance of the grid is being funded by everybody else. And I think in time that will continue to be discussed and developed. But I would say, again, we are not as acute with respect to the magnitude of the effects in New Jersey. But I think as time moves on, that conversation probably rises a little [ph] bit (25:21).

You're welcome. Yes.

<Q>: [Question Inaudible] (25:29 – 25:41).

<A - Daniel J. Cregg>: Yeah. Great question. So it's a question about our Gas System Modernization Program. What's in the plan right now is $300 million a year for each of 2016, 2017, 2018. And the original ask with respect to that program was the same run rate, but five years. So I think it was $1.6 billion, so pretty close to that same run rate.

And when we talked before, I mentioned that over the next three to five years we would see 8% to 10% rate base growth. That five-year plan from identified investments is 8%, but we've identified some other investments that are not yet approved that we would anticipate could bring us up to 10%. And as a perfect example, those – a part that gets you there is years four and five at $300 million a year.

So, this is – we have done replacement of these pipes through a series of other infrastructure clauses that we've had in place. A piece of the Energy Strong program was really about targeting those pipes that needed to be more water-resistant. And in earlier programs, our capital infrastructure one, capital infrastructure two also had some elements to it.

But in those five years, you see about $300 million a year. That's probably the run rate that we would expect to have on an ongoing basis as well, just from the standpoint of labor sufficiency and infrastructure disruption. So you are digging up roads, there's a certain magnitude that you can do there. So it could be a little bit larger, but it's a good ballpark number to think about for that program.

Daniel J. Cregg

All right. Well, thank you very much for your time and attention and enjoy the rest of the conference.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-05-22
Event Description: American Gas Association Financial Forum

Market Cap: 22,294.08
Current PX: 44.07
YTD Change($): +.19
YTD Change(%): +.433

Bloomberg Estimates - EPS
Current Quarter: 0.580
Current Year: 2.900
Bloomberg Estimates - Sales
Current Quarter: 2247.750
Current Year: 9620.091

American Gas Association Financial Forum

Company Participants

- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Daniel J. Cregg

Okay. Good morning, everybody. I appreciate the opportunity to talk to you this morning a little bit about Public Service Enterprise Group. We have our forward-looking statements and GAAP disclaimer, which will bring us to our first slide. Really the company is made up of two strong businesses. On the left hand side you can see description of Public Service Electric & Gas Company, our regulated utility, it's electric and gas delivery, as well as transmission, New Jersey's largest utility.

And our growth really is fairly considerable at this point through infrastructure spend. We have the next five years a $12 billion to $14 billion infrastructure program. And as you take a look and roll that through from a rate base perspective, we anticipate that that will bring us high single-digit rate-base growth in the range of 7% to 9% over the next five years. And really our objective there is aligning with public policy goals, identifying especially in New Jersey what the state is looking to accomplish and working hand in glove with them to put capital to work to be able to address the customer needs that we have in New Jersey.

On the right hand side of the slide, PSEG Power. It's a regional competitive generation company, undergoing some changes really to improve our efficiency and competitive position. We're in the midst of a construction power to build out three combined cycle units, one in Maryland, one in New Jersey and one in Connecticut. In aggregate, over the next five years, about a $2.6 billion capital program at PSEG Power and that will roll off as we get to 2019, and I'll show you a little bit of color as to what that means from the standpoint of overall cash flow for the business. And whether it's that $12 billion to $14 billion growth plan and capital spend plan at the utility and about $2.6 billion at PSEG Power, about a 5:1 ratio of capital on the utility versus what we see on the Power side of the business.

Take a closer look at the two businesses, and we'll start with the utility. PSE&G really running down the center part of the state from the George Washington Bridge to the Ben Franklin Bridge if you will, electric and gas utility, so we are converged already, and have been for quite some time with a sizeable transmission business as well. For a single state utility, there is a fair bit of regulatory diversity because of magnitude of transmission spend that we have as regulated by the Federal Energy Regulatory Commission.

We also have some investments in renewables and energy efficiency, again working hand in glove with what the state is looking to accomplish from a policy perspective. You take a look at the bottom right hand side of this slide, slide 6, it gives you a pie chart as to what at the end of the last year, our overall rate base was made up of. About $15.2 billion in the aggregate. And on the distribution side, about 52% and 44% coming from transmission with the balance coming from solar and energy efficiency.

Let's step over to Power for a moment or two. We have generation in three competitive markets in New York, in New England, and the largest of our markets with the assets that we have is in PJM. We are close to load. We think we have generation in very good locations. And as I said, really positioned to improve our efficiency and competitive position with some newbuild that we're working on right now. The portfolio is rounded out as well, with some other interest – we have the solar business on the Power side as well, about 326 megawatts DC in that business and in other facility in Hawaii that rounds out the portfolio.

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We've been paying a fair bit of attention of late to a number of policy and regulatory issues, really all with a focus to improve quality service to customers. And really there're different assets and different means as part of some of these different elements that I'll speak to, but the same purpose really, which is to drive reliable, clean and affordable power for our customers. There is four listed on the page and I'll step through a little bit of details for each of them.

First being a rate case. So on our distribution business in New Jersey, we fought our last rate case in 2009 and came out of that case in 2010. So, it's been about seven years since we've been in a rate case in New Jersey on the distribution part of the business. As we think about the rate case, it'll be on the distribution side, and really will be all about updating the data that we have. So, it's been a while since we've been in. One of the elements that will come about within this rate case is there are some capital roll-ins that are scheduled to transpire within the rate case.

And in particular, if you think about some of the spend that we did for Superstorm Sandy back in 2012, the state had a generic proceeding to go through the prudency of that spend shortly after the spend was incurred, but that spend still awaits regulatory treatment. So that will be one component that will go into the rate case. In addition, two of our more recent clauses, one also related to Superstorm Sandy, but what came out of that was an energy strong program. So, that was a $1.22 billion program to enhance the resiliency of the grid in New Jersey, both on the electric and on the gas side. So, a good example of that was raising substations to avoid the impact of any flood conditions. That $1.22 billion program in the aggregate had about a $1 billion of clause roll-ins as that money was spent, but anything beyond that $1 billion awaits rate recovery until this next rate case. So, we'll see that come into the rate case.

And similarly the following program that we did which is a Gas System Modernization Program, which was replacing cast iron and bare steel pipes in the ground. There was a component of that spend as well, about $85 million a year that awaits rate treatment. So, knowing we have this rate case coming up, it was timely for us to take on that kind of capital spend and put some of that capital spend into rate treatment during this rate case. So, all spend that's been acknowledged and understood that was to be done and in the case of Superstorm Sandy, spend that has already been deemed prudent through a generic proceeding, but spend that will roll into this rate case.

And we'll also look to explore some rate design treatment during this rate case and the one example of that is decoupling. If you think about our business on the gas side of the business, we have a weather normalization clause on the gas side of the business, which works to moderate some of the weather impacts that we have on the gas side. On the electric side, we do not have a decoupling mechanism in place and we anticipate as we step into this rate case having discussions about decoupling, which has been a topic of discussion in the state especially related to some energy efficiency objectives that the state is looking to pursue. So, we'll file that rate case in November of 2017 and if history has any indication, it may take about a year's time until we come to a final determination on that case.

Separate and apart from that, in New Jersey, there is some activity that's going on to enhance the programs that we have for long-term infrastructure. So, if you go back to the 2008-2009 timeframe until where we are today, it's been about 15 programs that we have put in place related to infrastructure, related to solar development, related to energy efficiency that we have worked through on a clause-by-clause mechanism with the state. Those mechanisms have worked well to enable us to do some of the things that the state is trying to accomplish and that we need to accomplish for our own infrastructure within the system, but they've ended up being, I would say maybe more effort and work that has needed to be done to get to the point where the work can actually be done.

So instead of going through a series of shorter term clauses, we think it makes sense to try to put something in term of the longer term – put something in place for the longer term, so that we can have more line of sight on what needs to be done, avoid any demobilization and remobilization of the work, be able to take on full-time employees and acquire equipment as opposed to do some of this work through contractors and have better line of sight on the work.

So, there has been a strong proposal that's been put forth just within the last month or so by the BPU in New Jersey, looking to extend the length of time by which we can do some of these infrastructure programs and we think that makes a whole lot more sense. So, instead of going into two or three-year bites, we could go into more of a five-year horizon to do some of the work that we all agree needs to be done. So, that effort is progressing along, comments are continuing to be worked through that process, and I think within the next couple of months, we'll have a little bit more certainty there.

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In addition, preserving the value of nuclear supply is an item that's on the list. And I think folks are pretty well aware of the economic challenges that are being faced by nuclear facilities, we've had nuclear facilities that have closed in various places around the country. And we think that there are a lot of very important attributes that nuclear brings to the overall grid, from fuel diversity and resiliency as a result of that from the standpoint of being an emissions-free resource, also from being a low-cost unit within the overall dispatch. And then finally on a more localized basis, the economic engine that a nuclear plant brings to the area that's it's in brings some very considerable benefits. And in New Jersey in particular if you think about the amount of energy that is produced in New Jersey, nuclear is about 40% of it and it's about 97% of the emissions-free energy in New Jersey.

So, a lot of very important attributes that come from the facilities and we've had a number of discussions at the federal level, at the regional level and at the state level to make sure that folks understand, A, the economic challenges that these units are facing, and B, the attributes that they actually do bring to the grid.

In addition, separate and apart from that, we are working with the industry to try to do everything we can to ensure that these facilities are as efficient as they can be. And Bill Levis who runs our Power company is headed up within the industry something called Delivering the Nuclear Promise to ensure that everything we are doing within the facilities are being done as efficiently as we can and the rules that are imposed upon us allow us to do that.

So, as much effort as we can do to make the plants as efficient as they can be, while at the same time working with stakeholders to make sure they understand the importance of the attributes that are brought to bear by these facilities has been ongoing. Increasingly, if we take a look at where traction may happen in the nearer term, we think it's more likely on the state level, but over the longer term, the recognition of these attributes at the regional level, at the PJM level and at the federal level is something that we're also working towards.

And then finally from a market perspective, we're very actively involved in advocating for some market reforms, and maybe a good example of that in PJM are the efforts going on around price formation. And if you take a look at the way those markets are working, there is a host of different improvements that we think can be made and that are underway in discussions throughout a stakeholder process within PJM to try to enhance how those markets are working, how they are pricing electricity and how as a result the different participants in the markets are viewing those prices and moving forward.

So, we think in the near term, some improvements can be made from the standpoint of price formation. In the longer term, there is the potential for some of the attributes that I referenced before, and really in the interim trying to work through what could be the impact of some of the state actions that we have seen in Illinois, in New York, and how they can interplay within the markets.

So, moving on to look at PSE&G's rate base growth. This is a slide we've shown before that projects our rate base growth out into the future. I referenced earlier in 2016 the $15.2 billion aggregate rate base that we have at the utility. As we step through time, you can see how we anticipate that how much that will grow. And by 2019, within our base plan, we anticipate a 9% compounded annual growth rate in our rate base growing to $19.6 billion. Our base plan then steps into 2021, which would enable a 7% growth over that five-year period in total, growing to $21.6 billion. And you can see, as we step through time, there is a moderate increase in the amount of transmission that makes up the overall components of rate base for us.

You also see a fourth bar on this page, which shows what the rate base growth could look like with some expansion and extension of some programs that we have in place. And I'll spend just a minute to talk about what that entails. One element that entails is an expansion of our Gas System Modernization Program. So, I mentioned before what's in place, is for three years from 2016 to 2018 about a $300 million per year investment in replacing those cast iron and bare steel pipes. As we have been doing this work, we've identified that we can do an amount more than $300 million, and we will go in for an extension of this program later in the year to continue the work that would leave us on a pace to replace all those pipes over about a 30-year horizon, so that we have the largest cast iron and bare steel system in the country.

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As we have been doing that work and seeing that we can do more, taking that number from $300 million a year to $400 million a year would provide an increase over what's in that base plan that takes us to a seven-year – 7% CAGR as we move through 2021. So that's one component of that increase.

Another component of that increase would be the extension of our Energy Strong program. So again that was a $1.22 billion program that we put in place that is starting to come to an end of that existing program. But you may recall when we put that filing in initially it was for a $2.6 billion program, and we have about half of that, $1.22 billion approved. So there is incremental work that we see that gets us to that $2.6 billion amount, and that's compared to a backdrop of an aggregate amount of about $3.7 billion that were identified on the heels of Superstorm Sandy. So we think more work is available there to be done and we will go back and have that discussion with the BPU as we step forward later into the end of this year. That could be an amount of about $800 million, call that, $200 million to $300 million a year for the tail end of the plan. Not approved, but identified as incremental work that can be done.

And then lastly within the energy efficiency and solar area, there is call it $300 million or so that if we continue to do the nature of the work that we have been doing on the solar and on the energy efficiency front, that could be additive as well as we step into 2021. Those three areas combined would lift that 7% five year compounded annual growth rate up to about a 9% compounded annual growth rate. So, if the past is any indication as we have stepped forward into our plan and moved into the five year period that we talk about, we plan what we know and then we identify incremental capital spend as we step into that plan. These are the kind of things that would tend to lift that number up to what we anticipate being about a 9% compounded annual growth rate over the five year period.

A quick look at Power, this slide provides a look at really how the transformation of Power's fleet will take place over time. And what you see here on the left hand side is a megawatt snapshot of the Power fleet. On the bottom left looking at 2016 and on top of that looking at 2021. So, you don't see a very large growth in the number of megawatts between those two pies. And if you think about the nature of it, we've got about 2,000 megawatts that we're building in new combined cycle units, but we also have two of those locations at Sewaren as well as Bridgeport units that will be retiring as those units go in. So, that's replacement capacity at two of the three locations where we're building combined cycles. And in addition to earlier last year, we announced the closure of our Hudson and Mercer coal plants. So, really a change out of capacity as we go from 2016 and look out into the future.

On the right side of the page, those megawatts will be more efficient and will be more productive. So, we anticipate on a megawatt hour of output basis on the right side, an increase of about 18% of total production as we step through time and you can see from the blue component of that pie chart, we end up growing on a gas component from about 34% of our output up to about 43% of our output. So, increasingly a efficient and clean fleet as we step into the future and look at what our total output will be growing by in an amount of 18% as we step through to 2021.

And then a quick snapshot in looking at what the overall capital plan looks like for the two sides of the business and we can start on the left-hand side and take a look at Power's overall capital plan for the next five years. So, the left-hand side is really dominated by that orange sections – those orange parts of the bars that you see, that is the combined cycle, construction program that is currently in place. So, with two units going into service in 2018, that would be Keys and Sewaren and one unit going into service in 2019 that would be Bridgeport. That component of our capital plan declines as we step through 2019 and leaves us with a run rate of about $200 million of capital for the balance of Power across the five-year period. So, going from the high point of 2017 at $1.2 billion of capital spend down to a run rate of $200 million of capital spend, considerable cash flow comes off of the Power business. And I would say on that left side of the page, we're highly confident that that is what our capital plan will look like.

The right side of the page shows PSE&G. And if past is any indication, maybe we have a little less confidence in those numbers. And what I mean by that is as we have stepped into the out years of our plan, we have always identified incremental capital spend much like what I just described to you that fills in, if you will, the back part of our capital plan. And you can see that depicted here by the last three years have a hatched grey area and those are the programs that I referenced before that could bring us from that five-year rate base CAGR of 7% up to 9%.

So, PSE&G has considerable appetite for capital. The system has been around a very long-time and needs for replacement of existing older infrastructure. And so in taking a look at how the cash will flow as Power's program

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comes down and the cash needs decline there, the opportunity for Power to fuel growth through the equity component of [audio gap] (20:25) plant to be matched from the overall standpoint about one-to-one, if you think about a regulatory cap structure being roughly 50-50, the balance of that capital program will be funded by debt at PSE&G. So, good cash flow coming of the Power and good utilization at PSE&G for infrastructure growth.

And on the O&M side, we continue to focus on the efficiency of our operations. It is something that we do on a daily basis. It is a mantra, it is not a program oriented thing for us. It is something that we focus on every single day. And I think it – ultimately it shows in the results. If you take a look at our overall PSEG O&M, as you go back to 2012 and you look at where we are in 2017, the compounded annual growth rate in O&M across all those years is 0.0%.

And you can take a look in all areas. On the right-hand side we show what the CAGRs are for the different components of the business. Frankly, the only area that has a more sizeable growth is the transmission part of the business [audio gap] (21:35) comes from the fact that as we are doing some of this capital work, there are O&M components or components of those cost that fall into O&M, so it is by no means coming from any kind of an inefficiency of operation on the transmission part of the business, really it's a function of the nature of the capital work that we are doing.

So if you take a look at the overall earnings profile of the company, this shows a breakdown on the left-hand side of the page. And as we've moved through time, you will notice that we have an increasing regulatory contribution to our earnings mix. So we show in 2012, we had a 43% contribution coming from the regulated part of the business. As we look at the midpoint of 2017's guidance we're up to 66% of [audio gap] (22:25) regulated part of our business. And if you think about what we have been discussing and how we have been investing that really should be no surprise, it is very consistent with the capital mix we have been talking about as we move through 2017 and similarly as we talk about the 5:1 ratio that I referenced earlier as we step through the next five years on our capital plan, very consistent with the investment focus and also consistent with those investments having good regulatory recovery. So a little less than half of our overall rate base being on the transmission part of our business, our FERC formula rate has a contemporaneous return component to it. And as we have gone through a host of the different clauses that we have gone through since our last rate case, that has had [audio gap] (23:10) through time, all helping contribute to the earnings picture that you see there.

So the utility in particular has grown at a 11% earnings CAGR as we've moved through this period of time through 2016 and an 8.5% growth as we move from 2016 into 2017, and Power as well does continue to provide a considerable earnings contribution to the business, $514 million was Power's earnings in 2016. So a good cash flow generator, an important part of the overall earnings mix.

And then on the right side, we provide the components of guidance that we have for 2017, those are consistent with when we issued guidance earlier this year at $2.80 to $2.90 per share in the aggregate. [audio gap] (24:00) dividend that we have provided to our shareholders for years. If you go back and take a look through 2011 through today, a 3.9% CAGR on that dividend and in the last two years, a 5% increase at $0.08 per share for each of the last two years.

One of the things that we also have talked about of late, if you take a look at [audio gap] (24:25) that is PSE&G's earnings per share. So [audio gap] (24:30) dividend and our PSE&G earnings per share being north of that, the dividend can be thought of as being fully covered by PSE&G's earnings in 2016. And we see the increase into 2017 [audio gap] (24:48) increase in our earnings, and a 5% indicative dividend increase that should continue into the future. [audio gap] (24:58) dividend, it is not a formulaic approach but absolutely understand the importance of that dividend to shareholders and do anticipate continuing to have meaningful and sustainable dividend growth.

So in summary, if you take a look at our value proposition as a whole, I think our platform remains very stable, including a $15 billion infrastructure investment pipeline, which does enhance the ability for us to grow the business. At PSE&G, where most of that capital is going to take place it will provide for a rate base growth, and all again targeted towards state objectives, and ultimately customer satisfaction, safety and affordability.

At PSEG Power, we continue to advance the efficiency and competitive position of that business and having a low-cost and clean fleet. And again, the intense focus on our operational excellence, both from an O&M perspective, as well as delivering on this capital plan. 2017 will be the highest capital amount at $4.7 billion that we have spent as a company.

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So, delivering on that is vitally important, and is a part of what we're doing on a day-to-day basis as we at the same time, work through some of our regulatory issues that I mentioned earlier.

And for 110 years, we have been paying that [audio gap] (26:24) keep that dividend secure and growing, all while keeping a very strong balance sheet. So, that $12 billion to $14 billion at the utility and $2.6 billion at Power is all funded without the need for external equity, and balance sheet strength is an extremely important part of what we are all about and is an important part of the business.

So, with that, I'll be happy to take any questions everybody has.

Q&A

<Q>: Hi. Could you just comment a little bit on the prospects for revenue decoupling in the state and how open do you think commission will be in that regard? And you characterized it as discussions, I am just wondering what the process would be if you have success?

<A - Daniel J. Cregg>: Yeah. And I guess I would maybe start the answer by saying that we'll file the rate case on November 1 of 2017. So, in that regard their discussions as opposed to a formal process that's going on, and it'll be part of that rate case as we have those discussions.

I guess the other thing I would say is that, New Jersey has had an interest in energy efficiency and will continue to have an interest in energy efficiency. And I think from some of the legislators' actions as well, there is an understanding that as a good vessel to bring some energy efficiency spend to the state there is an understanding that energy efficiency obviously has an impact on aggregate volumes. So, it more incentivizes utilities to move forward on energy efficiency to the extent that you have decoupling.

So, I think we have not had a formal decoupling in New Jersey as yet. But I do think that given the interest in energy efficiency, there is a symbiotic relationship between moving forward with energy efficiency and moving forward with decoupling.

Daniel J. Cregg

All right, if there's no further questions, thank you very much.

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PSEG Investor Summary

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US UTILITY CORPORATE DAY
MARCH 12-13, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-03529

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT INVESTOR RELATIONS

SI-SSA-0015-03530

PSEG

We make things work for you.

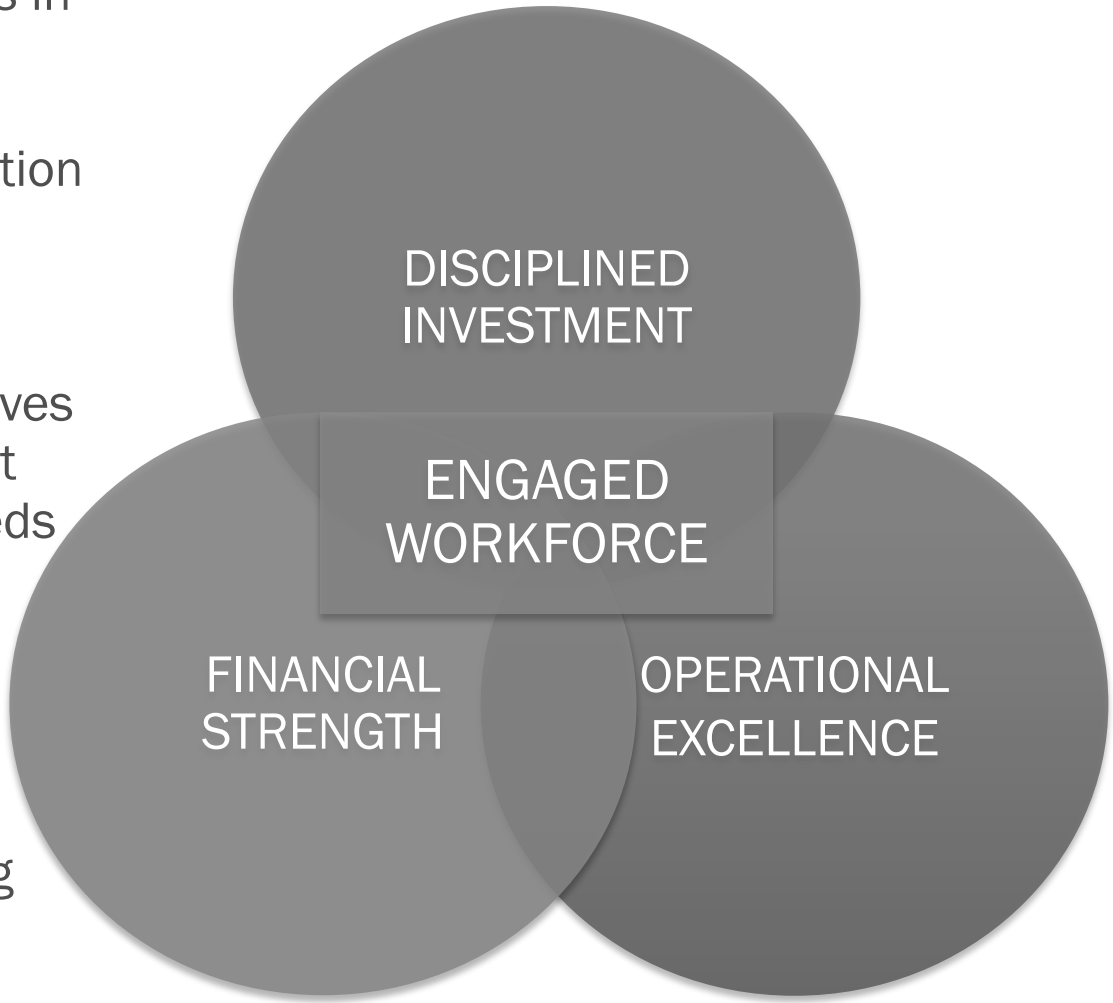
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



SI-SSA-0015-03531

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017 **Assets $29B** **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	2017 **Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

SI-SSA-0015-03532

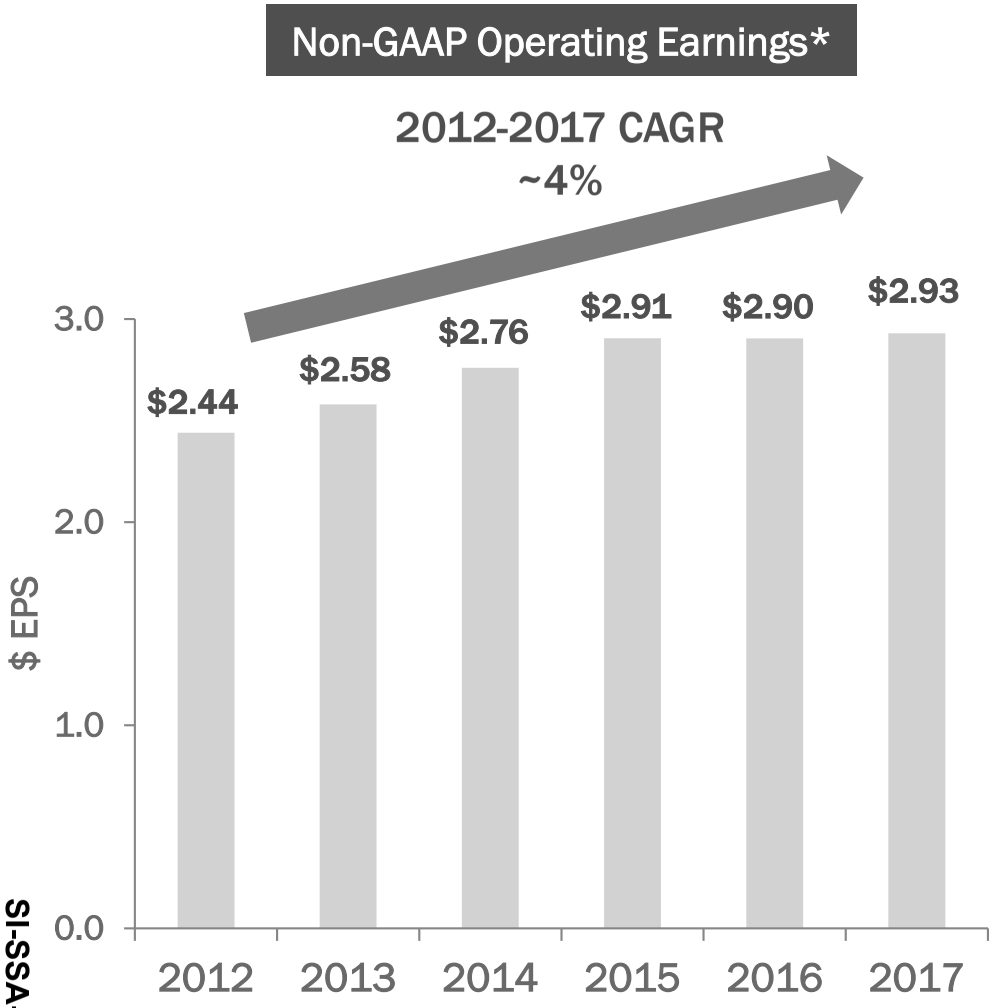
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

SI-SSA-0015-03533

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends



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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requested ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-03535

PUBLIC SERVICE ELECTRIC & GAS

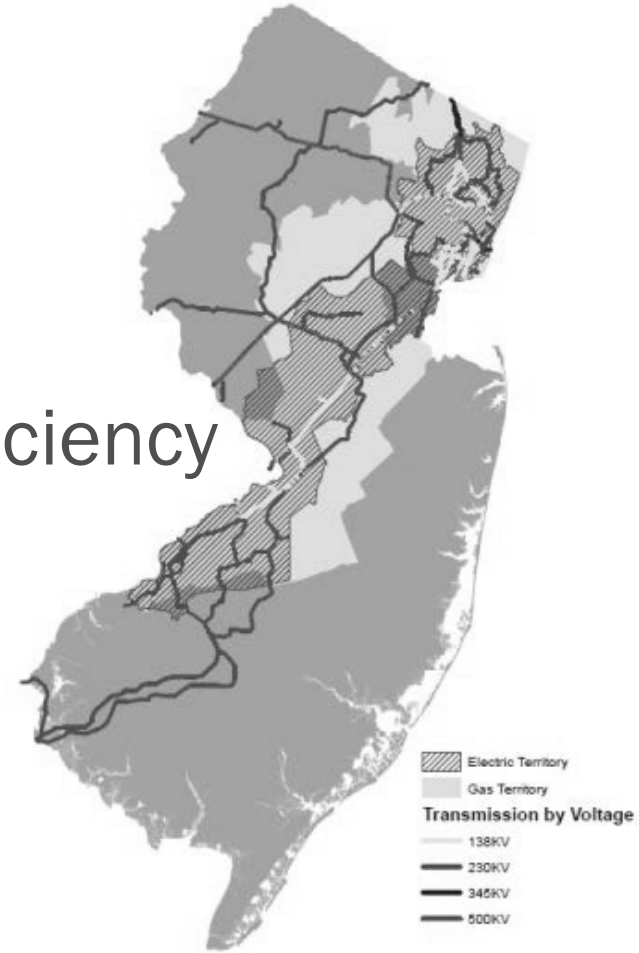
PSEG

We make things work for you.

SI-SSA-0015-03536

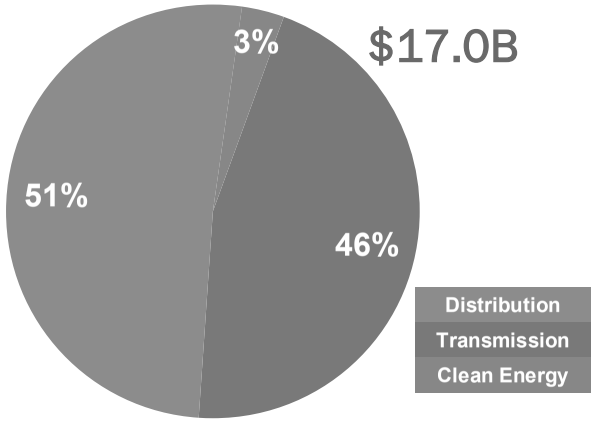
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

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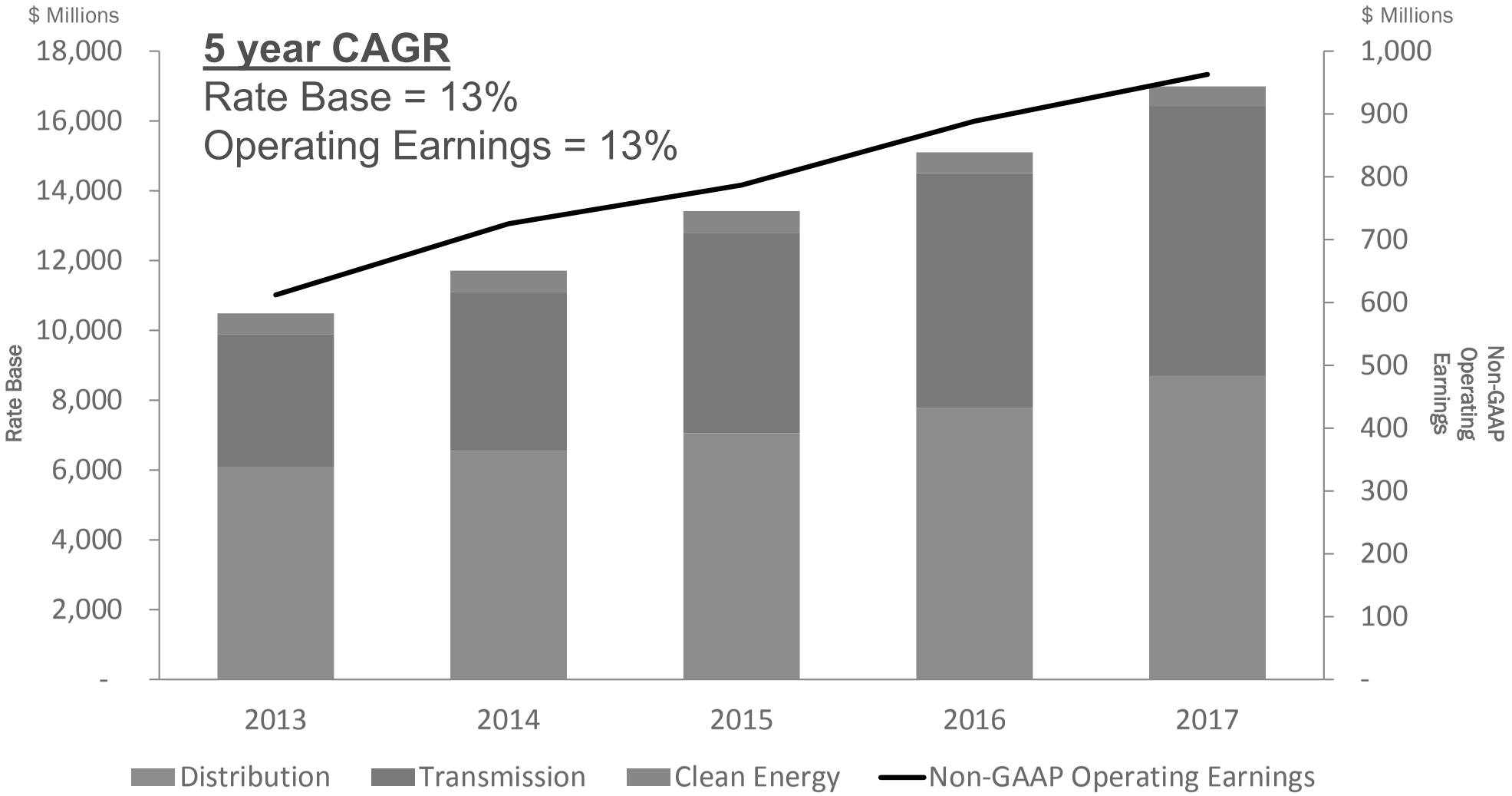
PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

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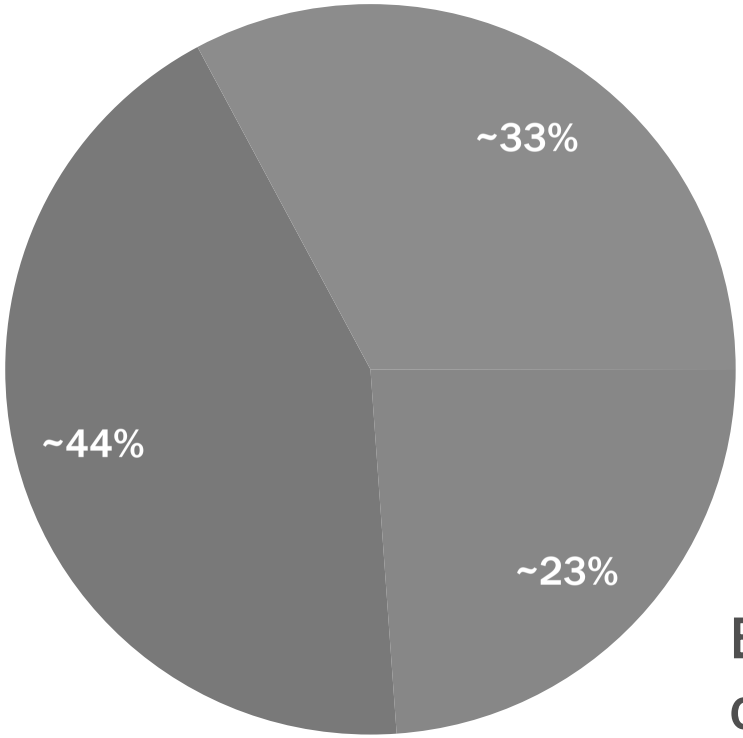
Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

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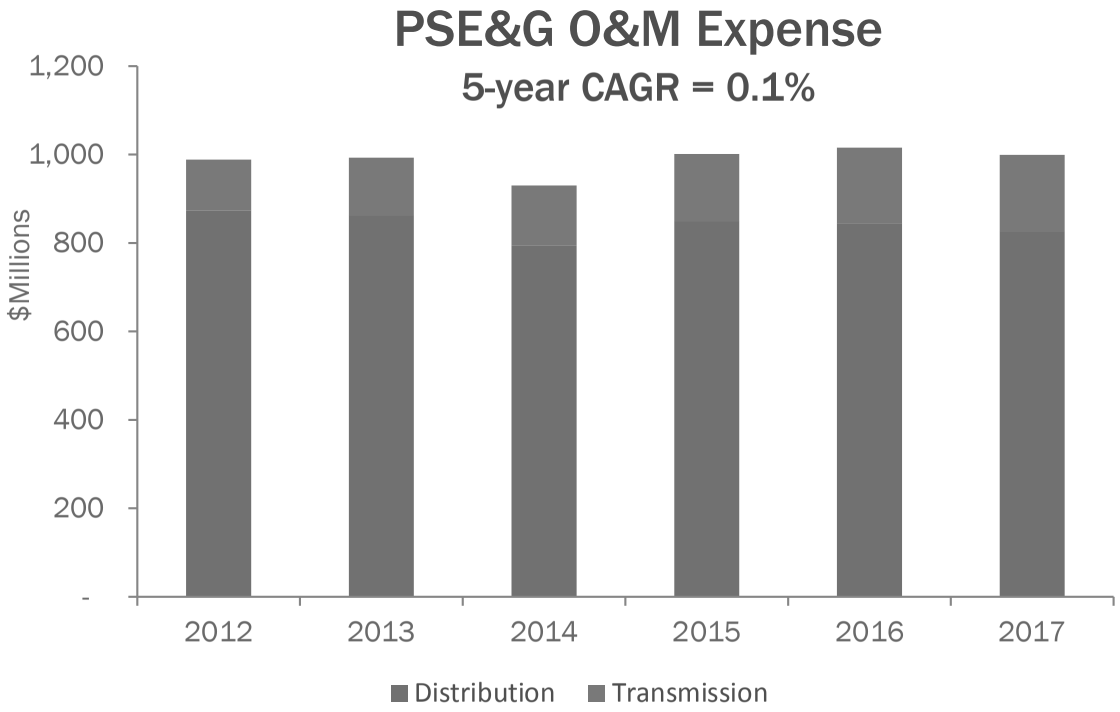
E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendors, ensuring maximum value
- Successful management of pension

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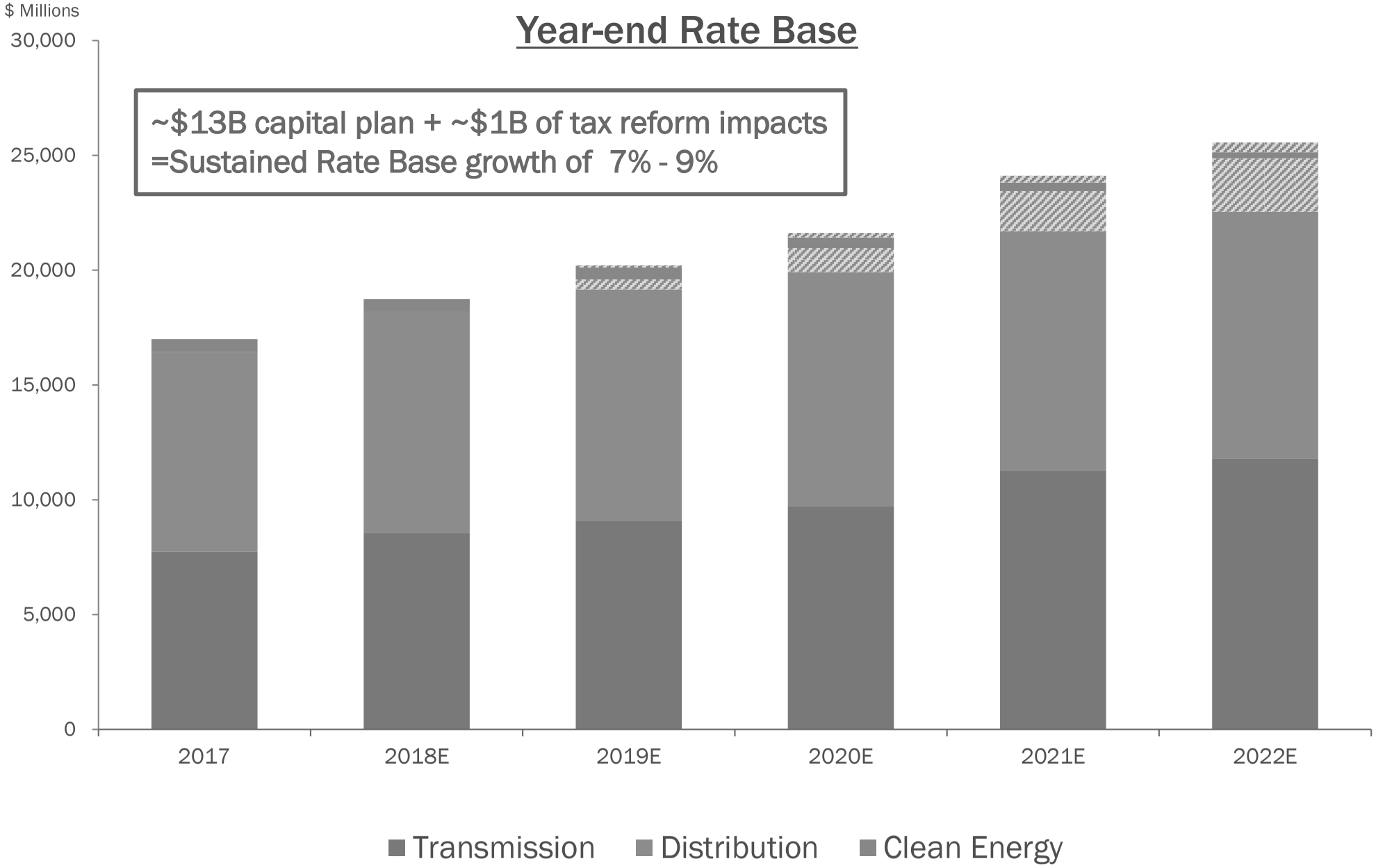
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-03541

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization, expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

EV Infrastructure and Battery storage

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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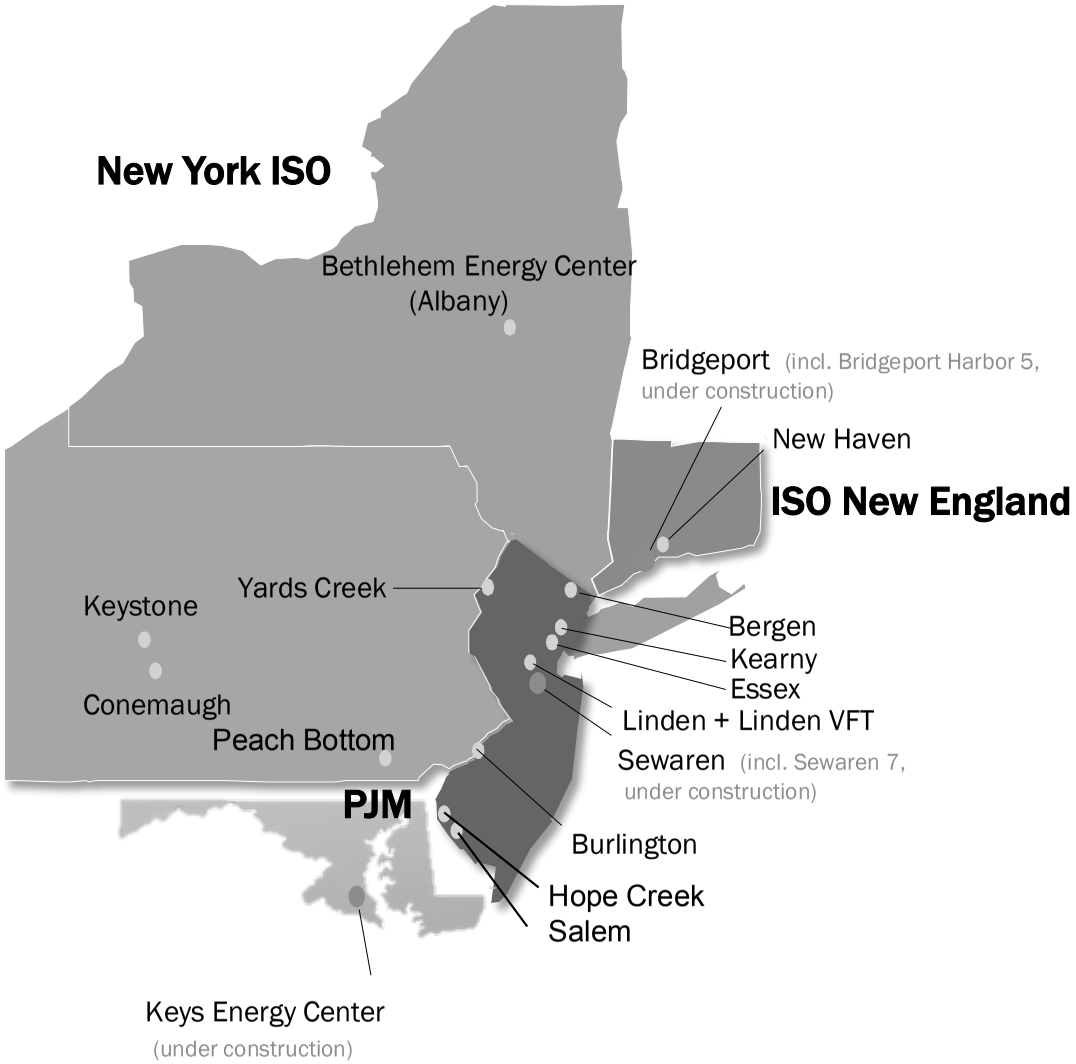
PSEG POWER

PSEG

We make things work for you.

SI-SSA-0015-03543

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

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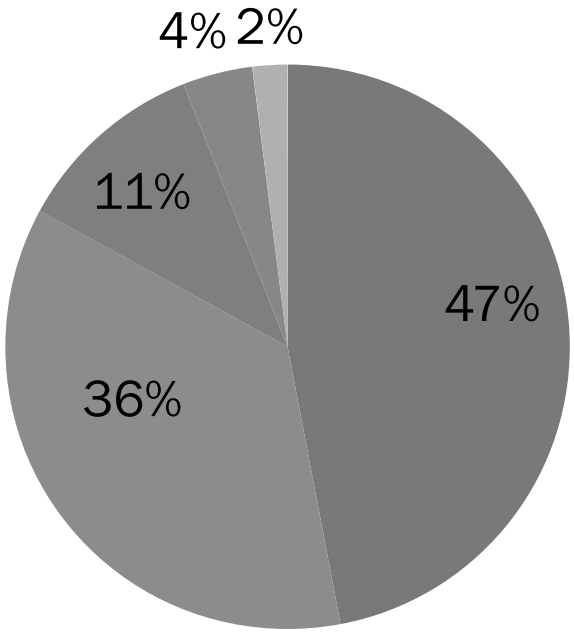
Power has a diverse fleet of generating assets which enables it to respond to market needs

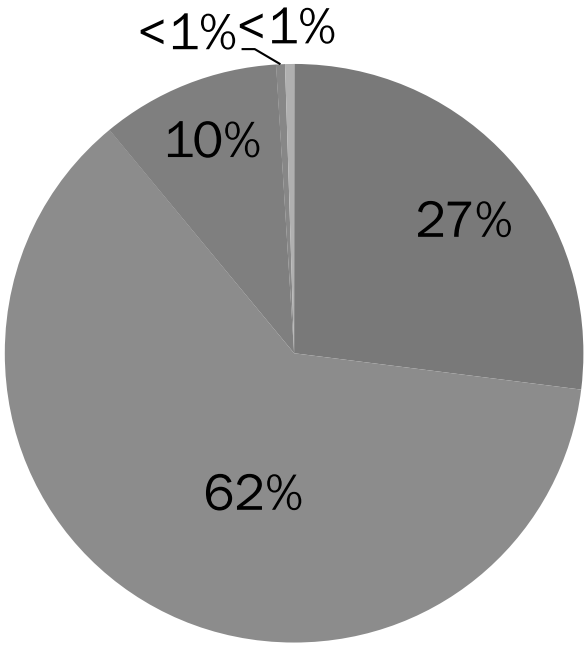
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

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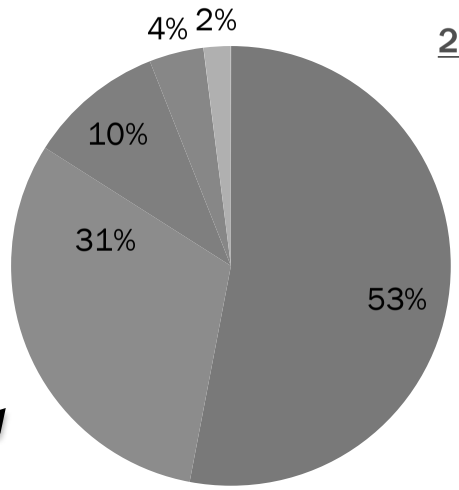
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

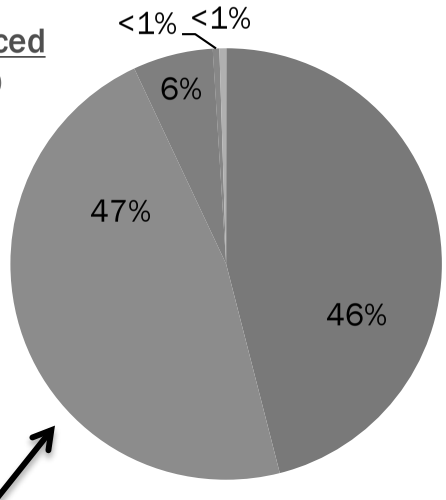
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2020E

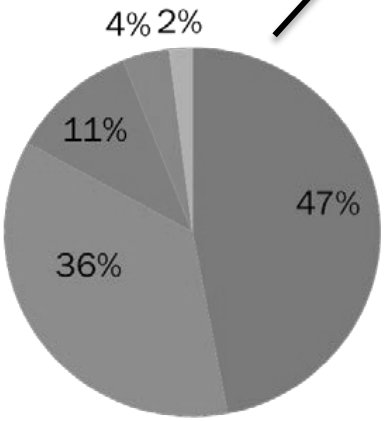
2020E Fuel Diversity
Total MW: 11,800



2020E Energy Produced
Total GWh: 65,500

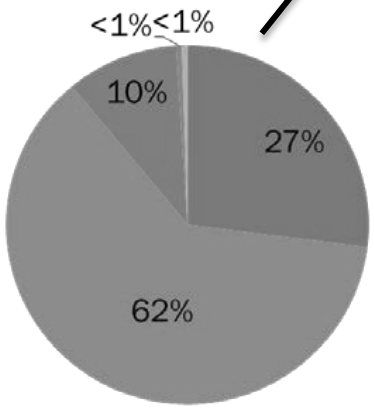


Energy hedging being moderated due to uncertainty around future operations of NJ nuclear units, given economic challenges



2017 Fuel Diversity[1]
Total MW: 10,458

- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

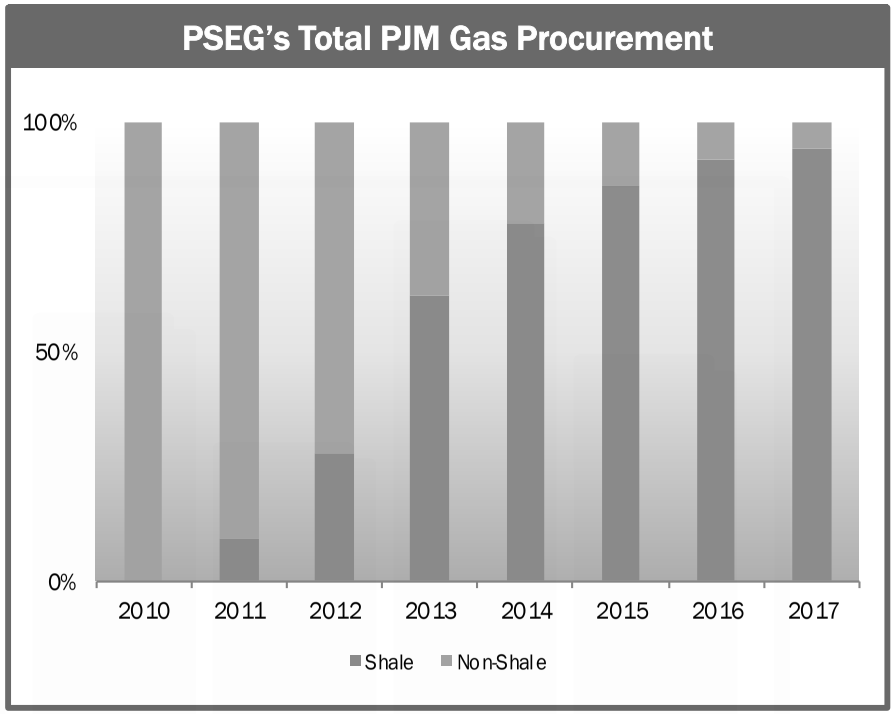


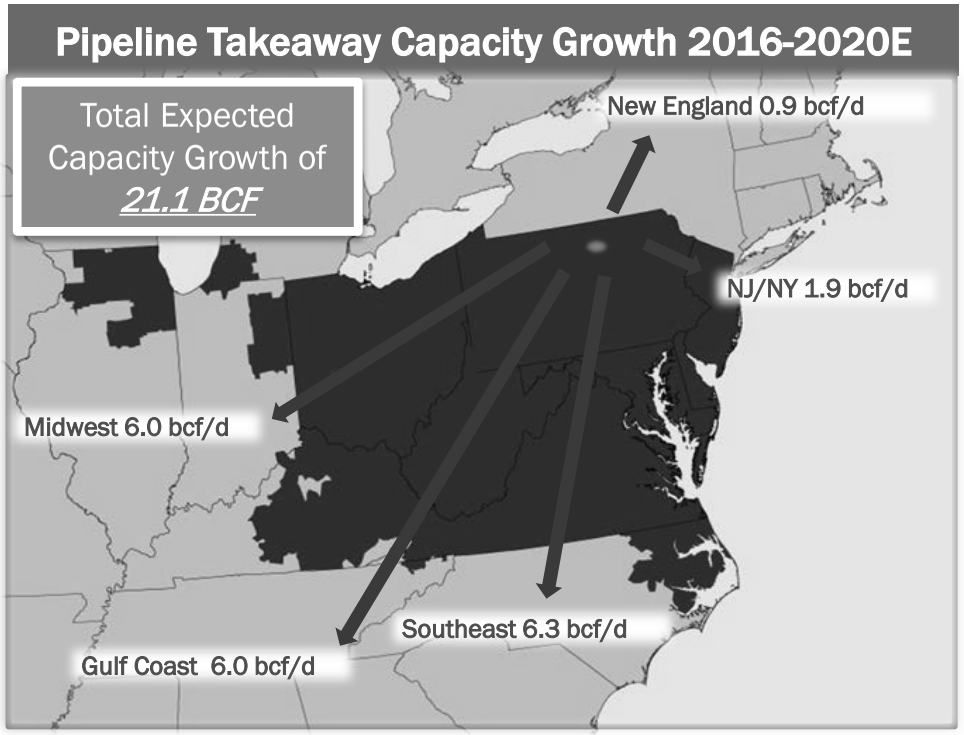
2017 Energy Produced[1]
Total GWh: 51,089

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

SI-SSA-0015-03546

Power's fleet is well-located with access to shale gas production





- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

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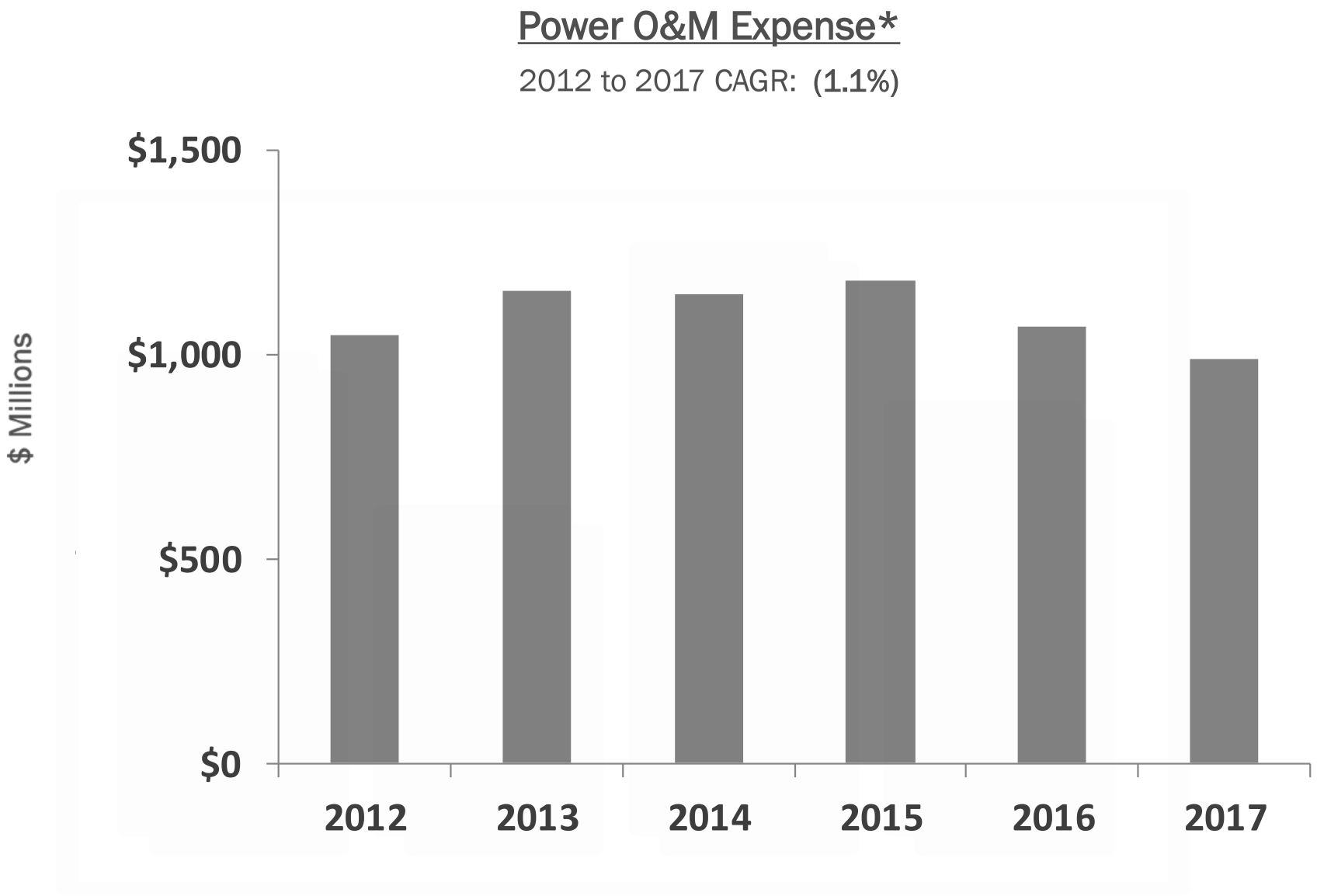
E = ESTIMATE.

Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

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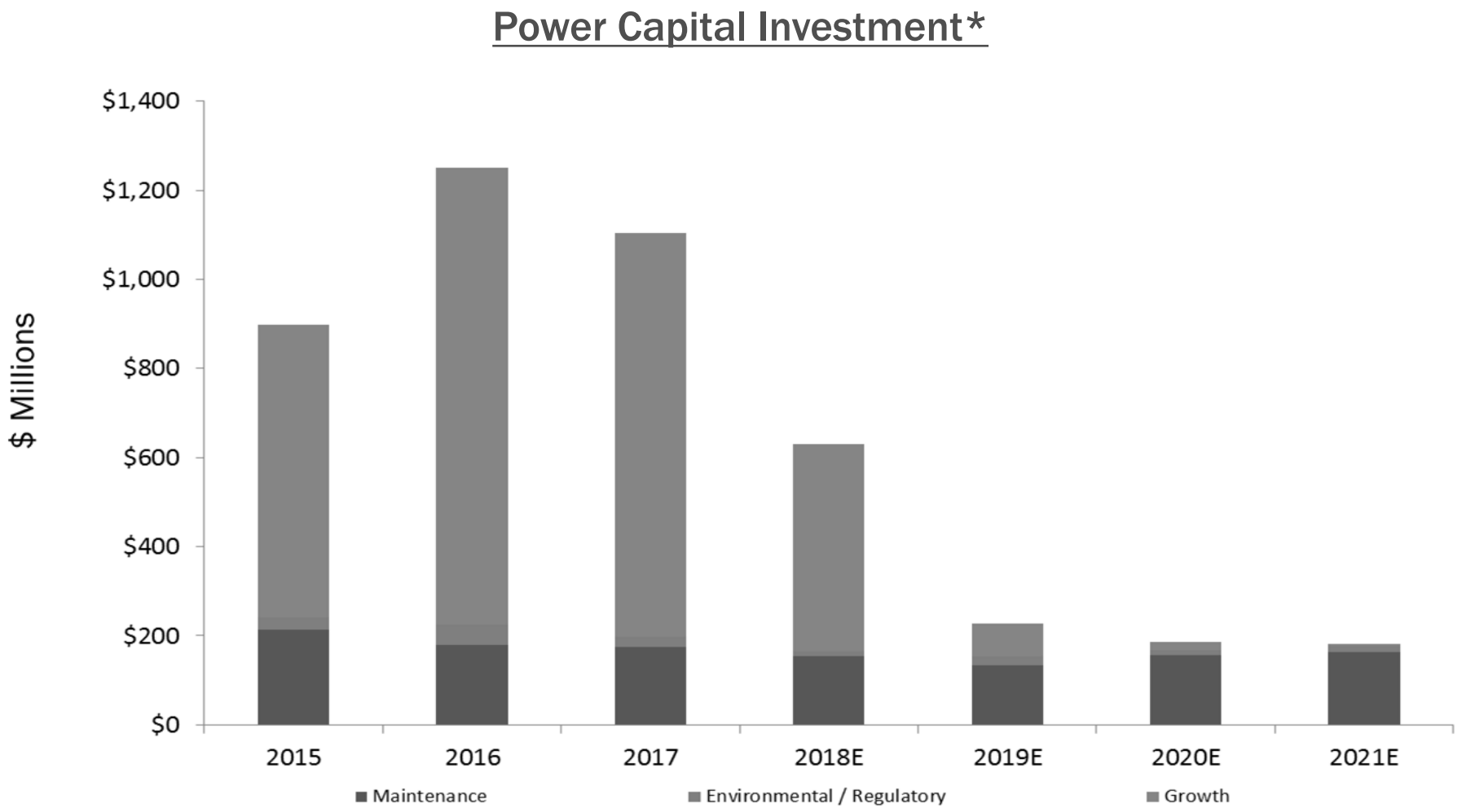
Power's capital needs decline following construction of new capacity, enhancing free cash flow



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PSEG

EXCLUDES NUCLEAR FUEL. INCLUDES IDC. E=ESTIMATE. DATA AS OF MARCH 9, 2018.
*UPDATED TO REFLECT RECENT CANCELLATION OF NUCLEAR CAPITAL PROJECTS AT SALEM THAT ARE NOT REQUIRED FOR REGULATORY COMPLIANCE OR SAFE OPERATION.

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-03550

PSEG

We make things work for you.

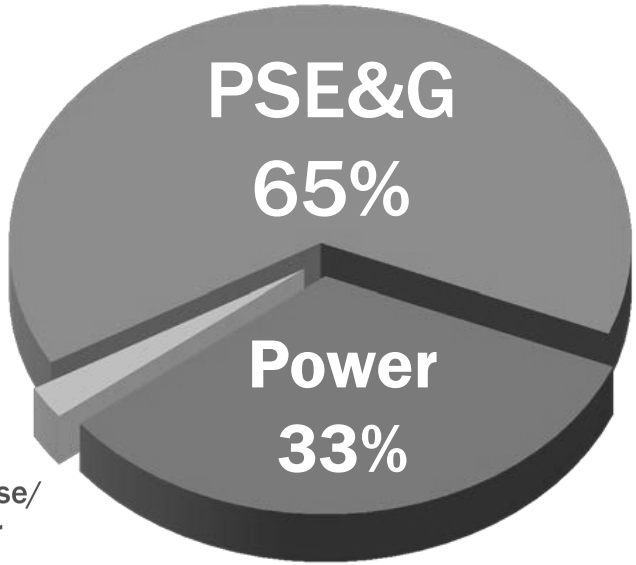
Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

SI-SSA-0015-03551

Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

Completion of capital program for new combined cycle plants

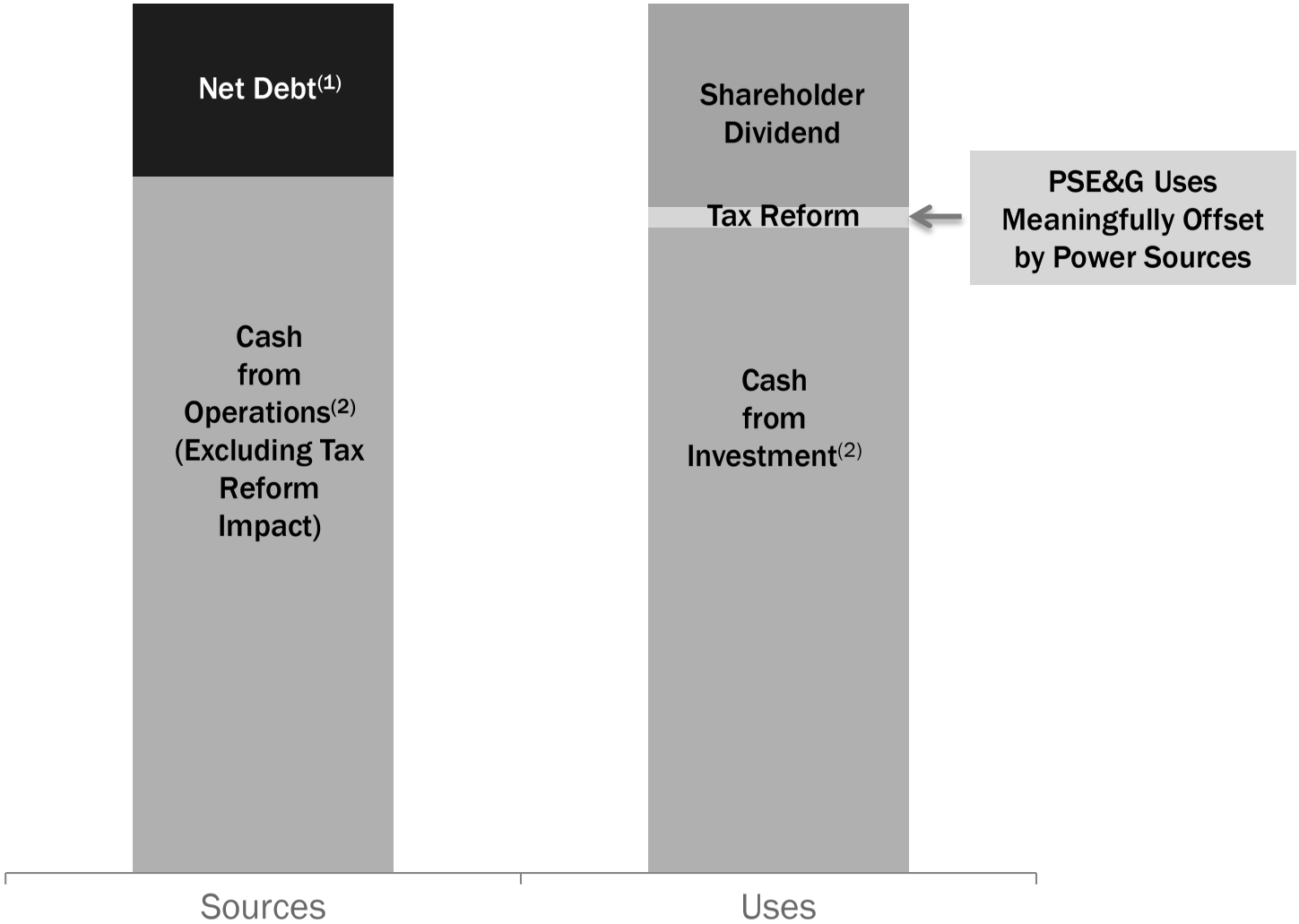
SI-SSA-0015-03552

PSEG

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

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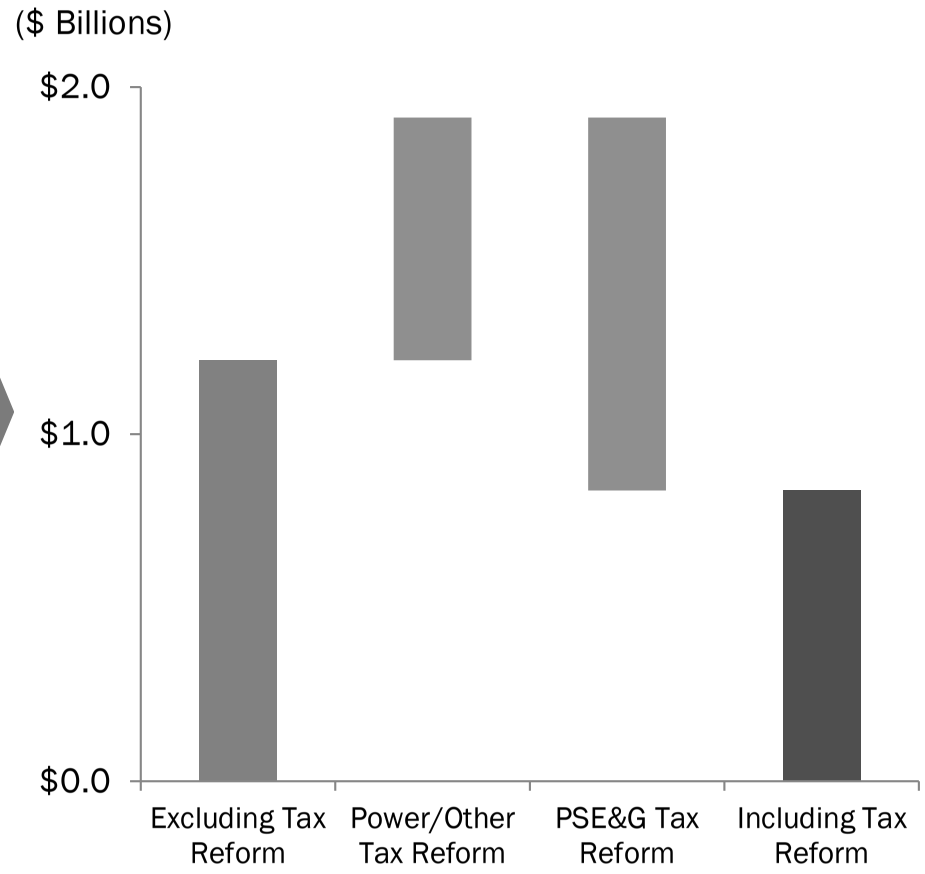
Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

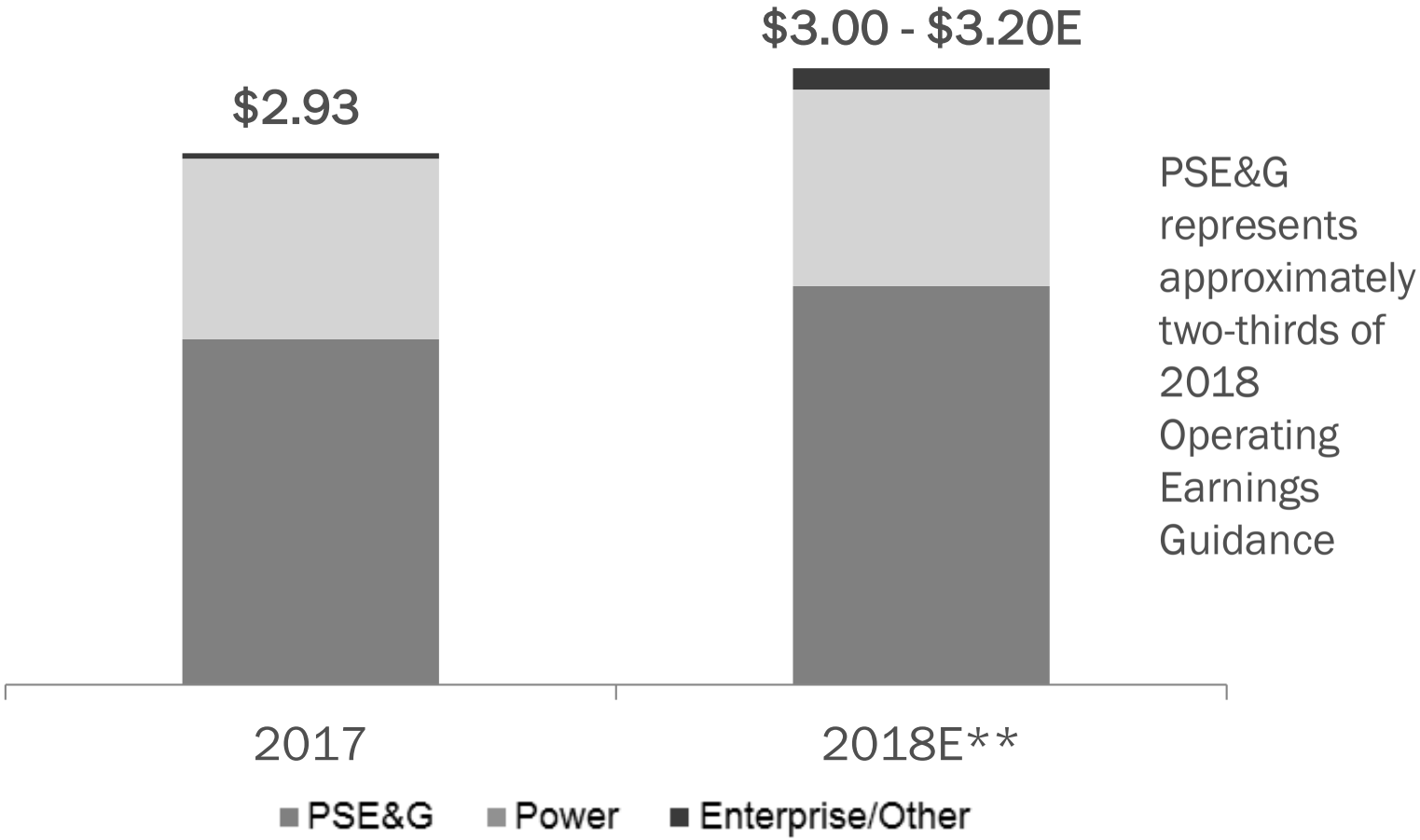
SI-SSA-0015-03554

E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



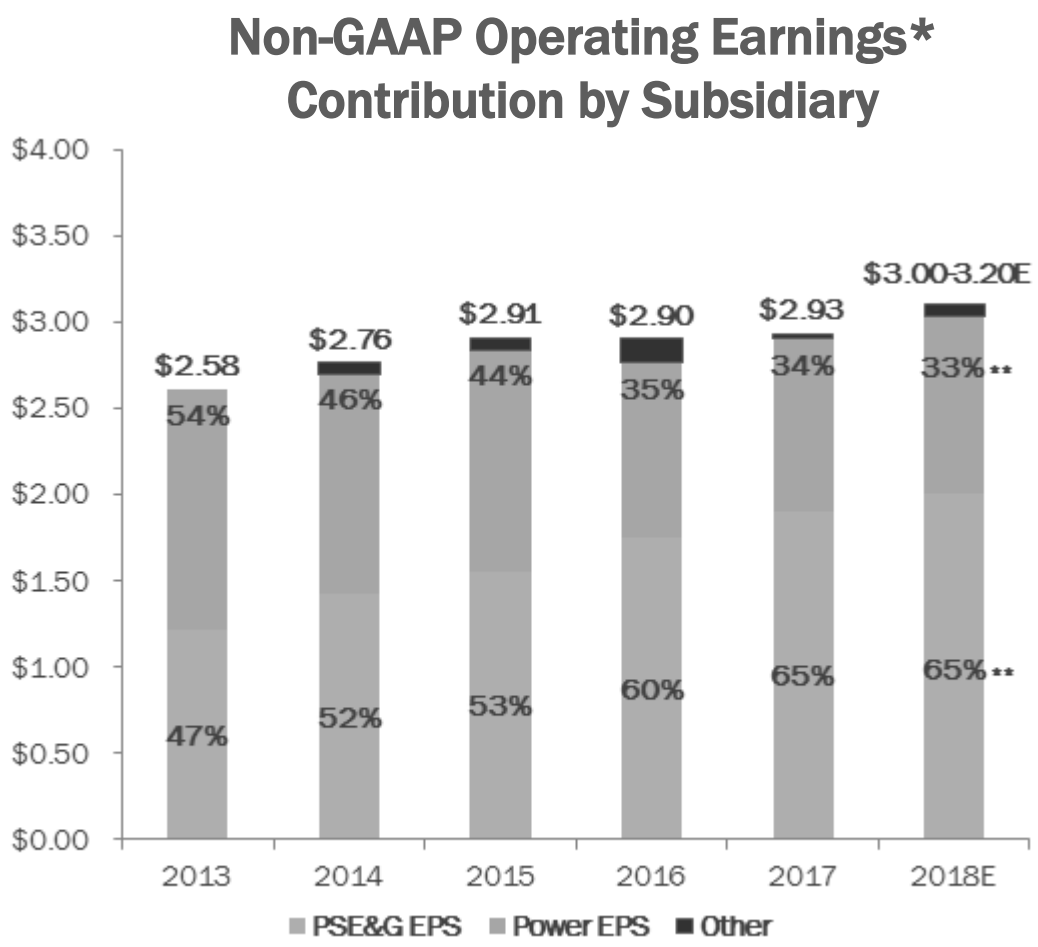
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-03555

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



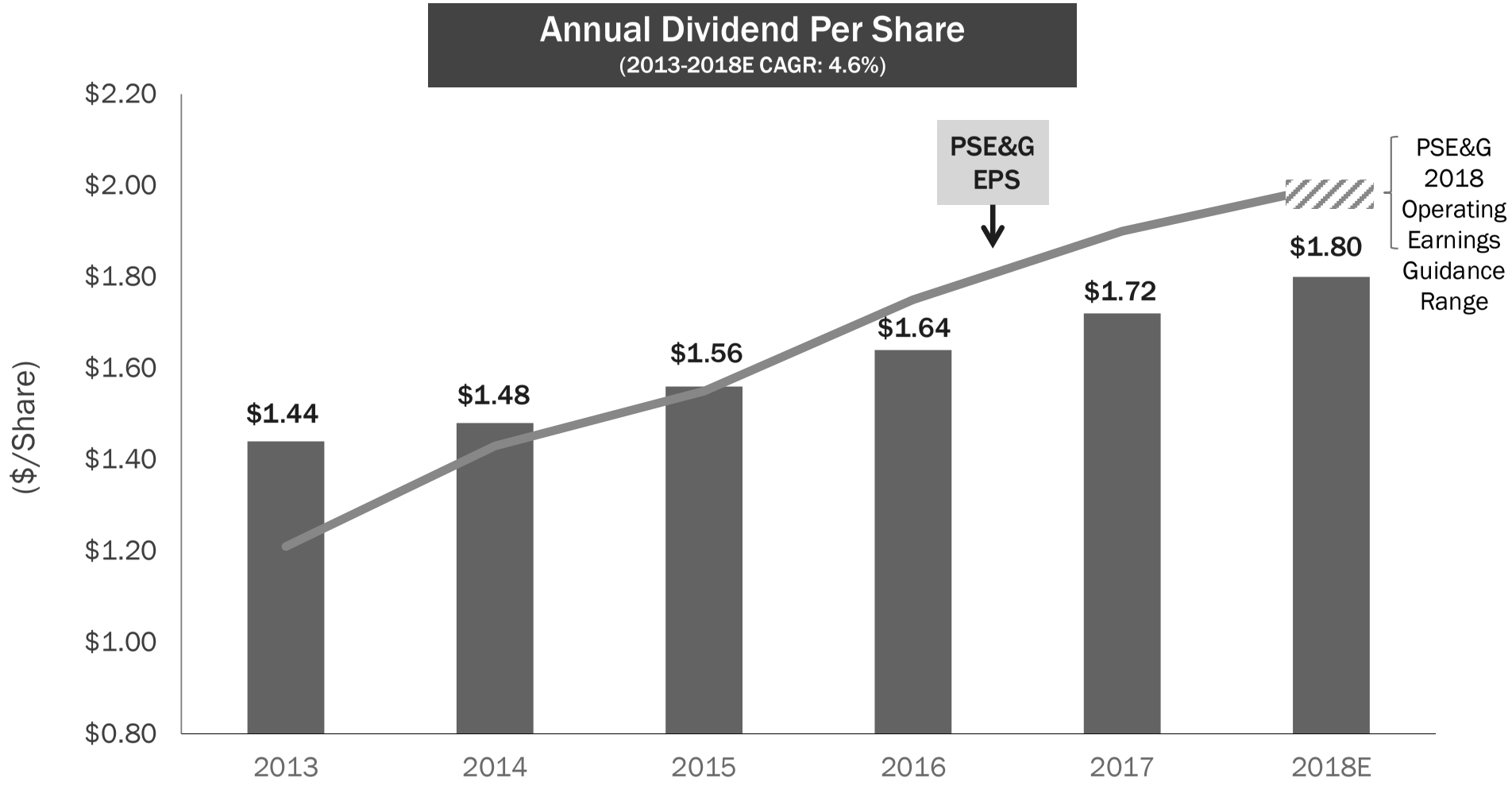
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-03556

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-03557

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-03558

PSEG APPENDIX

PSEG

We make things work for you.

SI-SSA-0015-03559

PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain ~20% lower than bills after last base rate case

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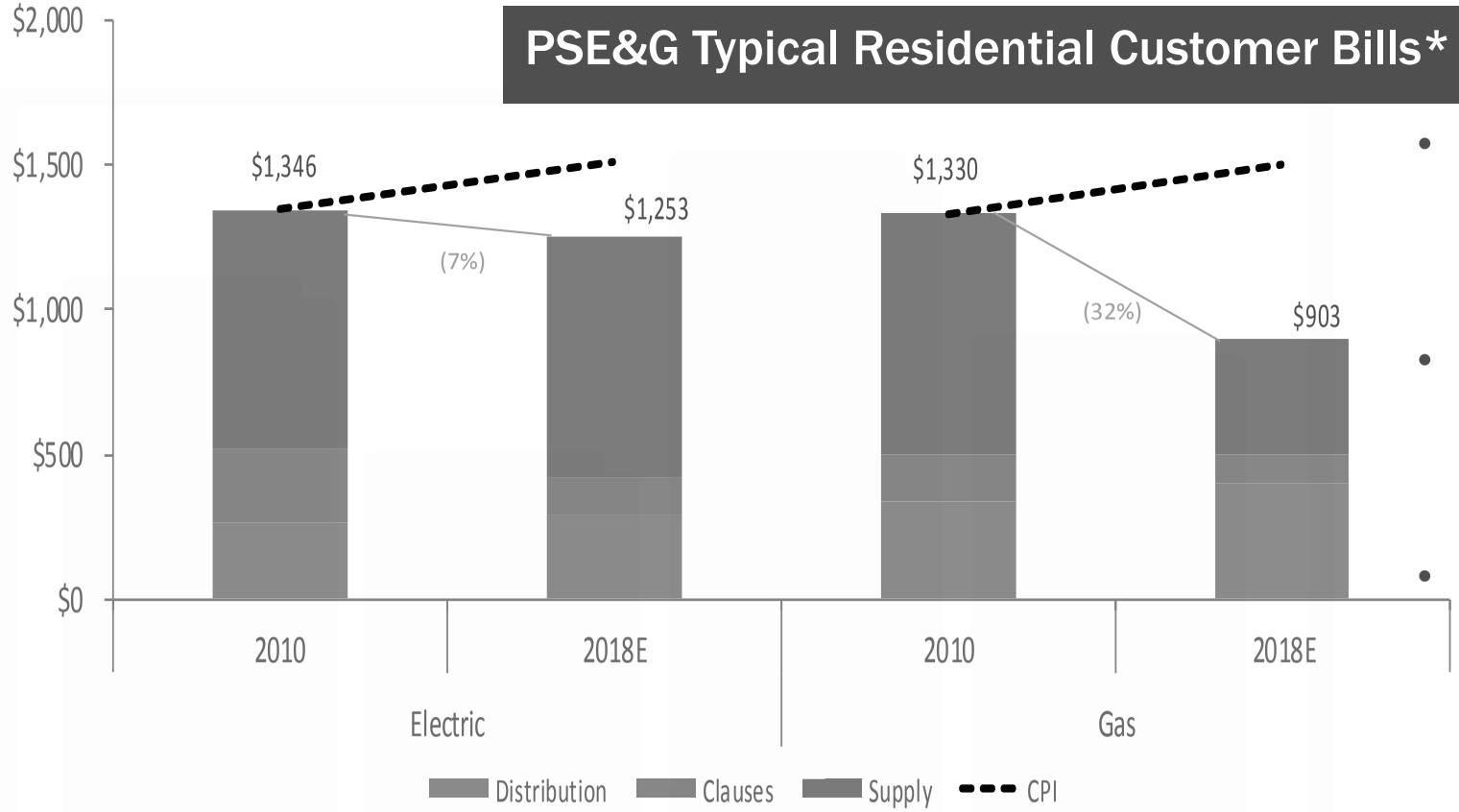
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

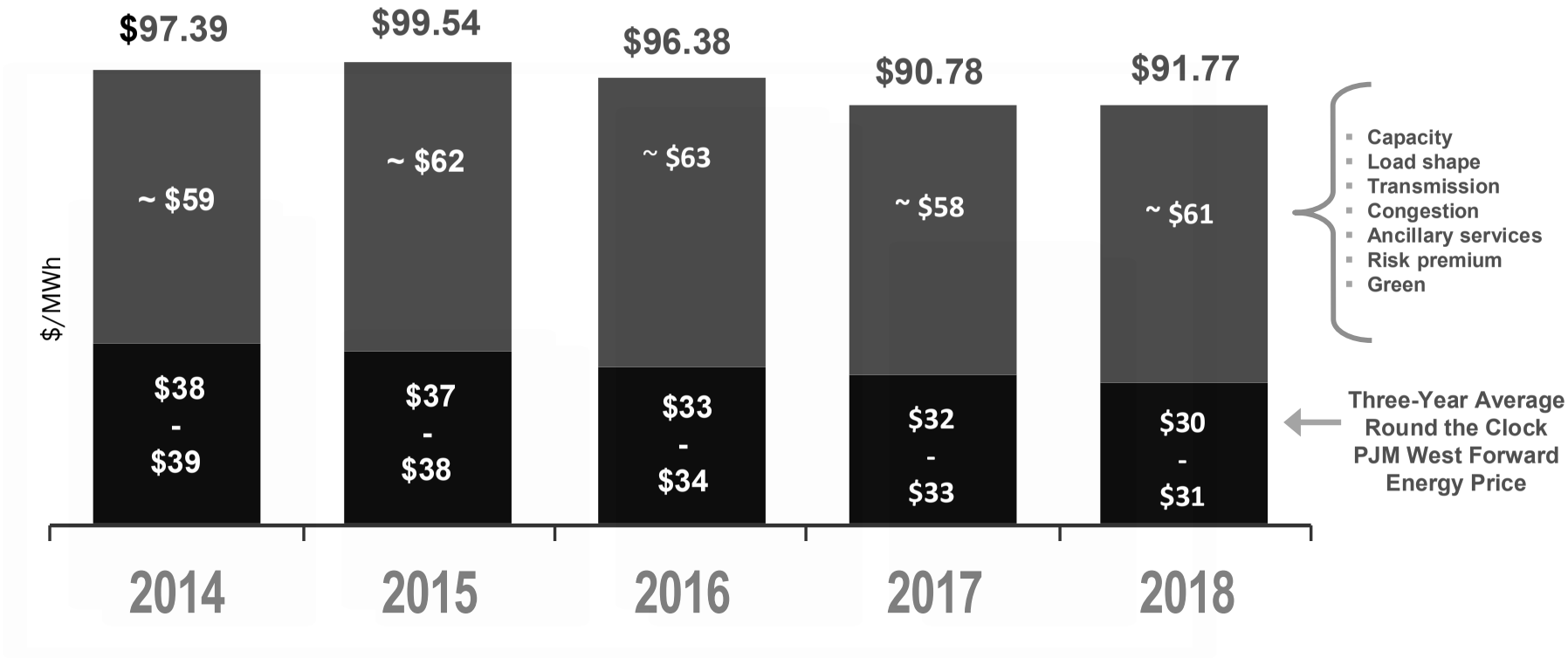
Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM

Growing Renewable Energy/Transmission

Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

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Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

SI-SSA-0015-03564

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

Tax Cuts and Jobs Act: PSEG is well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-03565

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022

✓ Investment program and metrics to support strong credit rating is maintained

SI-SSA-0015-03566

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-03567

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-03568

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-03569

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

PSEG Investor Summary

MIZUHO • US UTILITY CORPORATE DAY
MARCH 15-16, 2018

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03573

PSEG

We make things work for you.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-03574

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-03575

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT INVESTOR RELATIONS

SI-SSA-0015-03576

PSEG

We make things work for you.

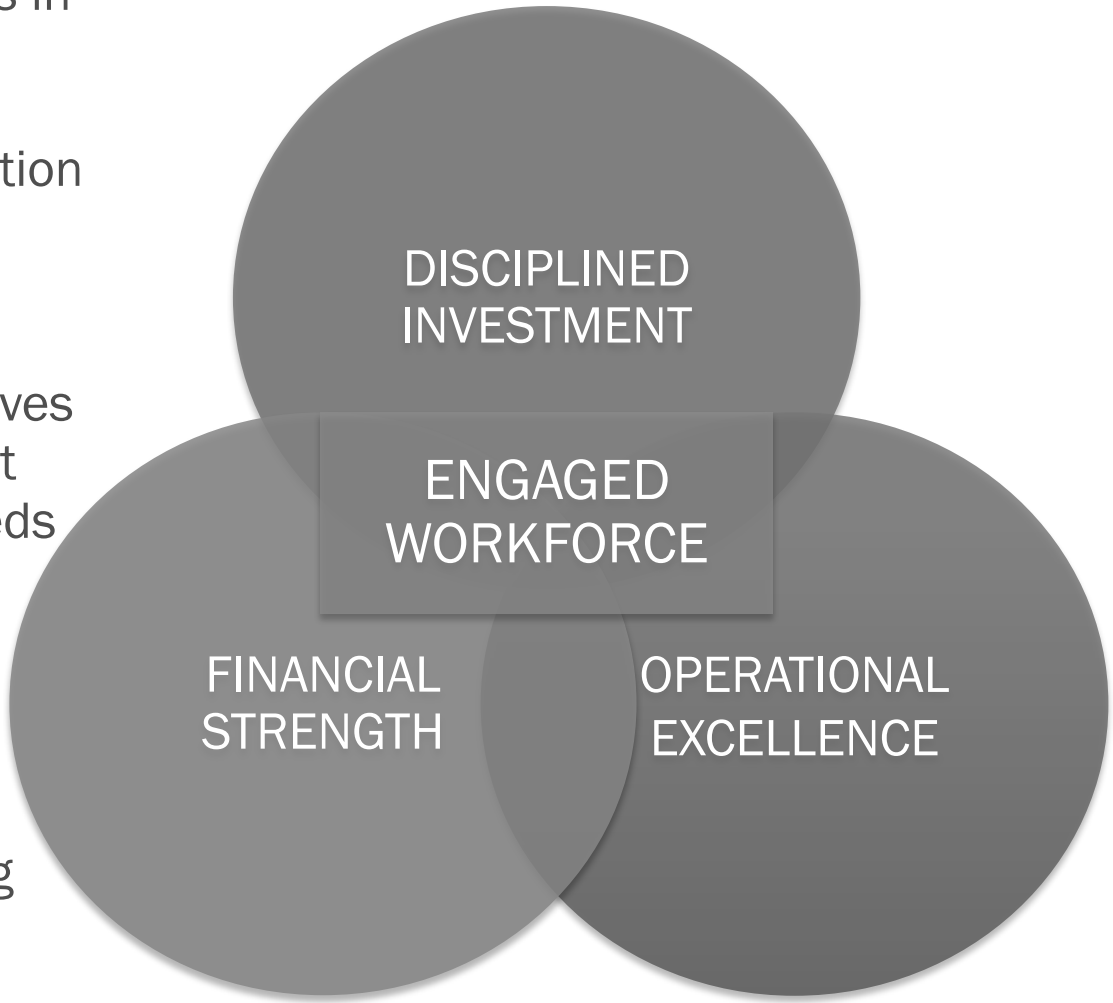
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



SI-SSA-0015-03577

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017 **Assets $29B** **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	2017 **Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

SI-SSA-0015-03578

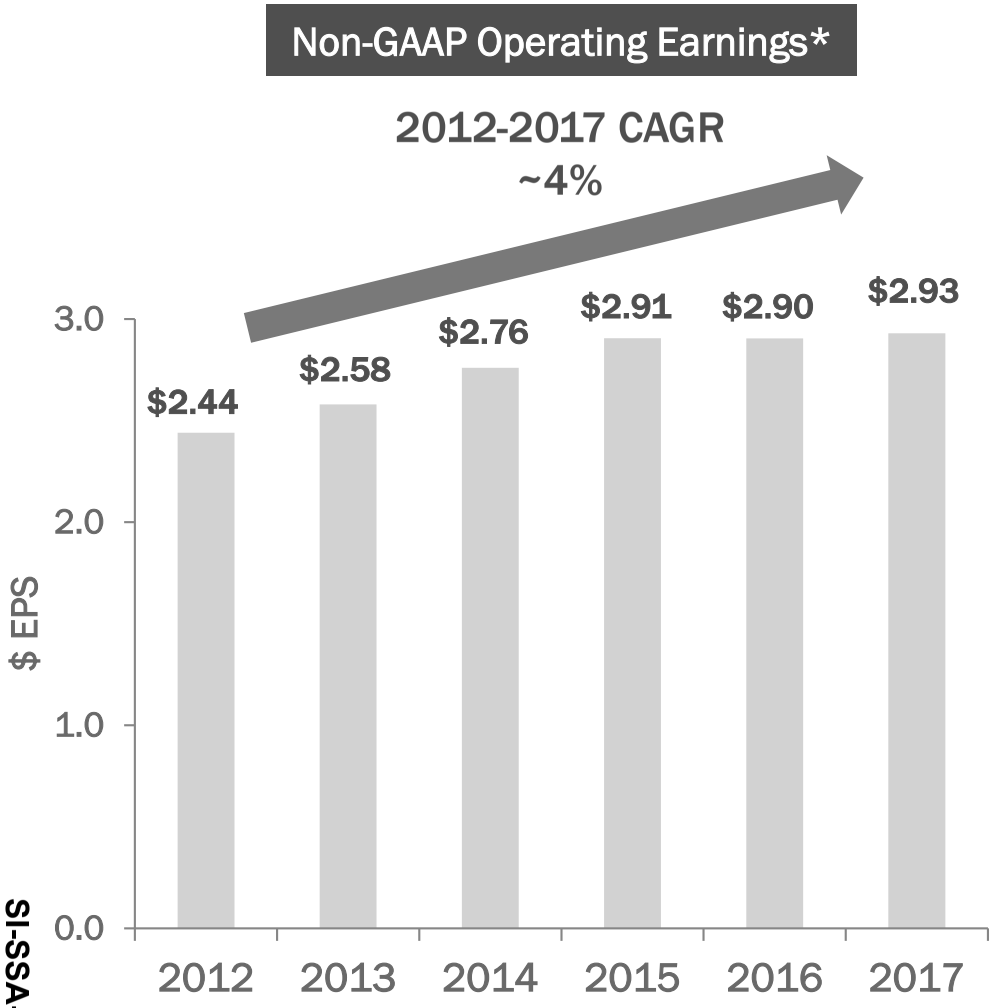
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

SI-SSA-0015-03579

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends



SI-SSA-0015-03580

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requested ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-03581

PUBLIC SERVICE ELECTRIC & GAS

PSEG

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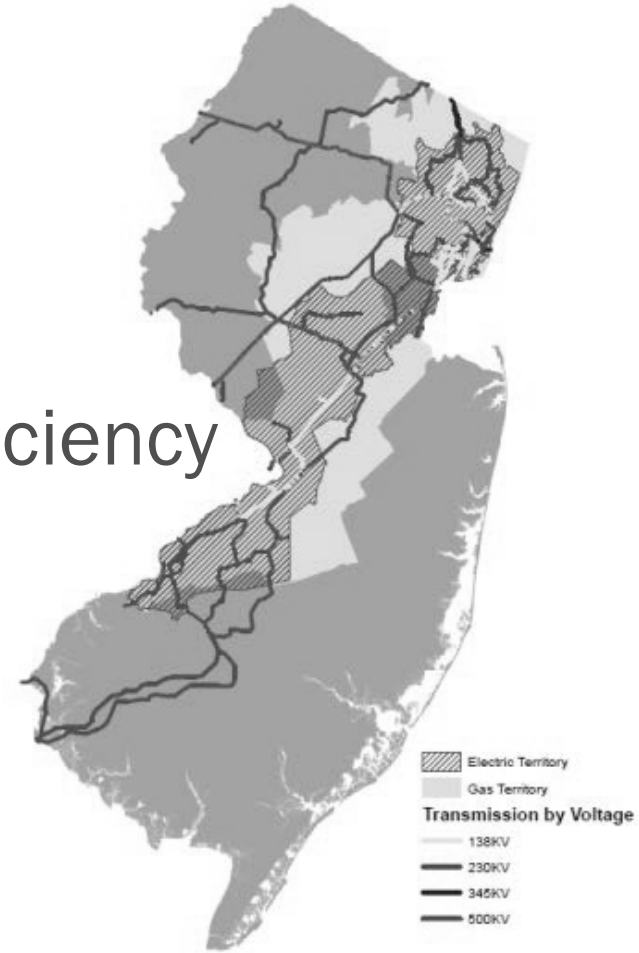
SI-SSA-0015-03582

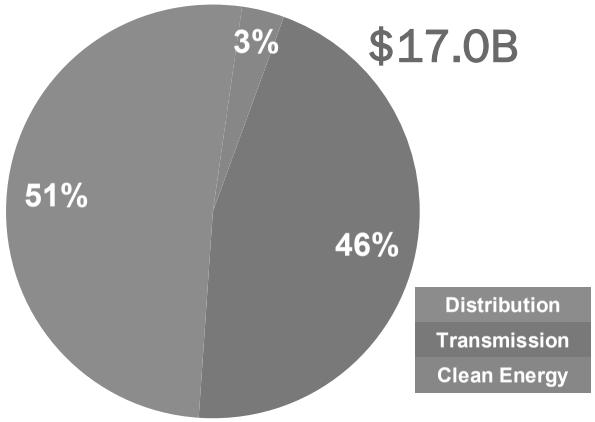
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

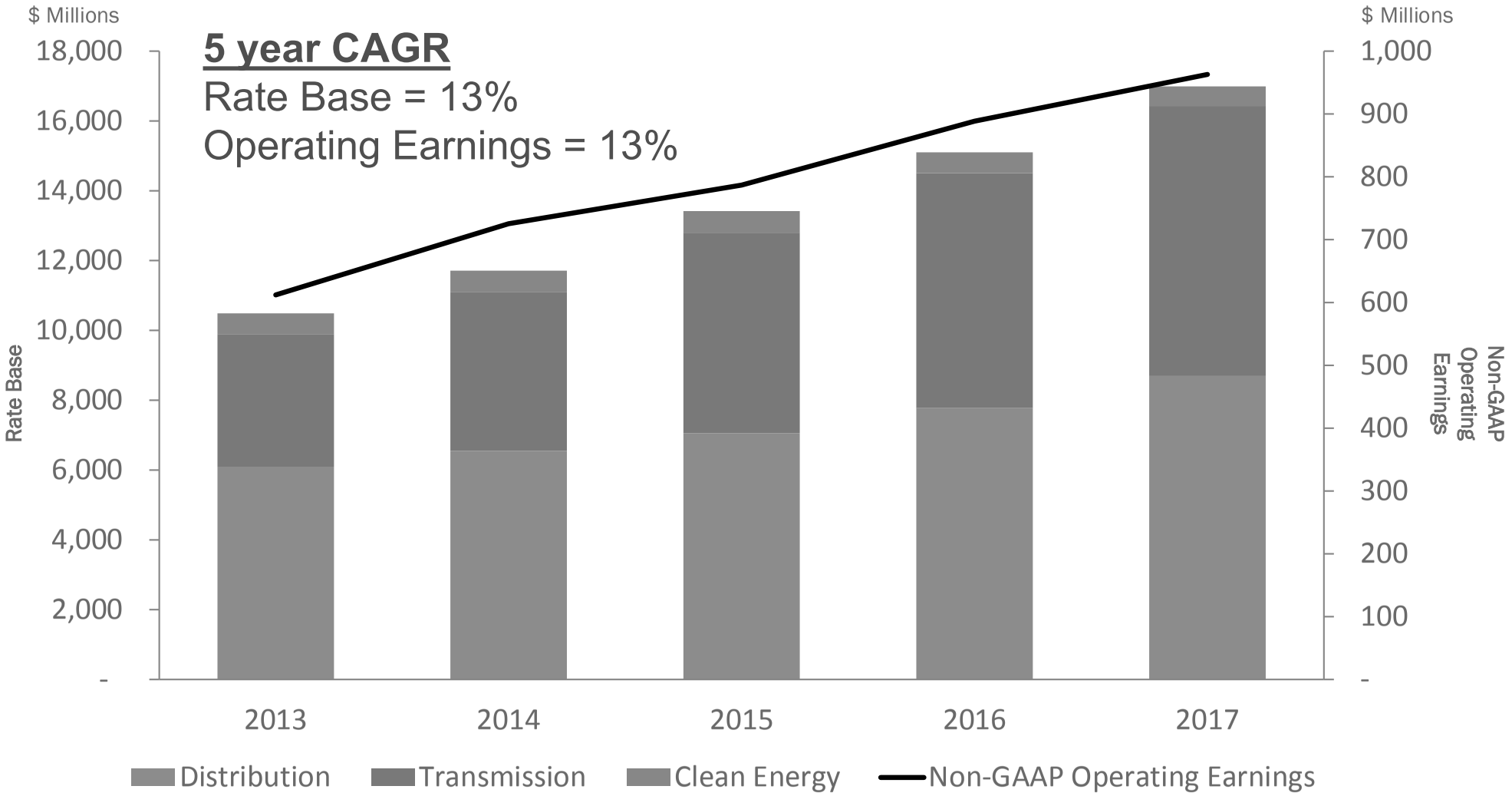
PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

SI-SSA-0015-03583

PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

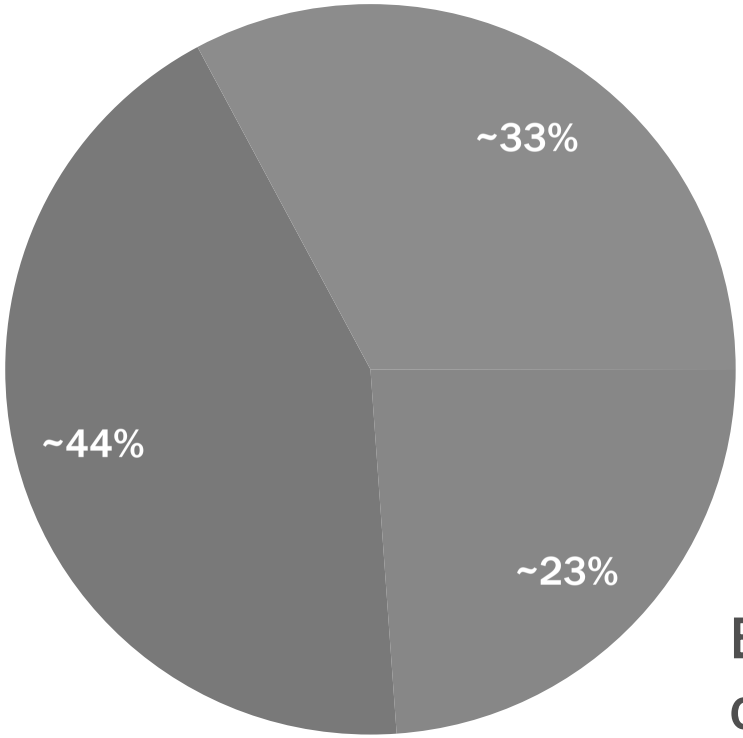
SI-SSA-0015-03584

Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

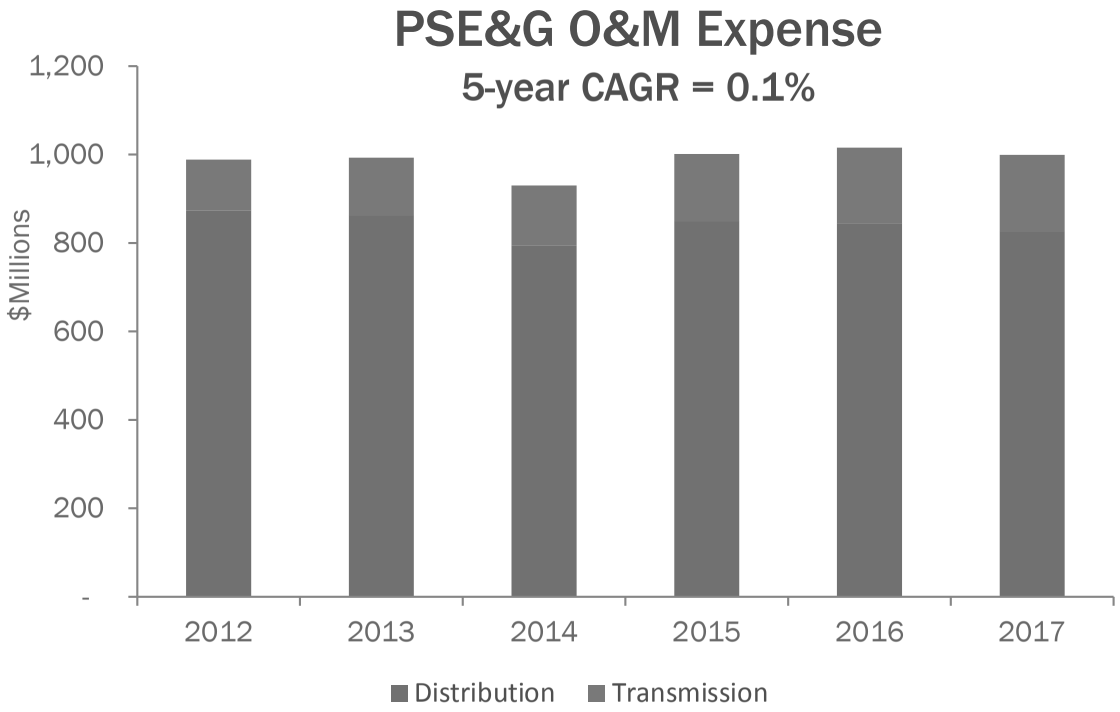
Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

SI-SSA-0015-03585

E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



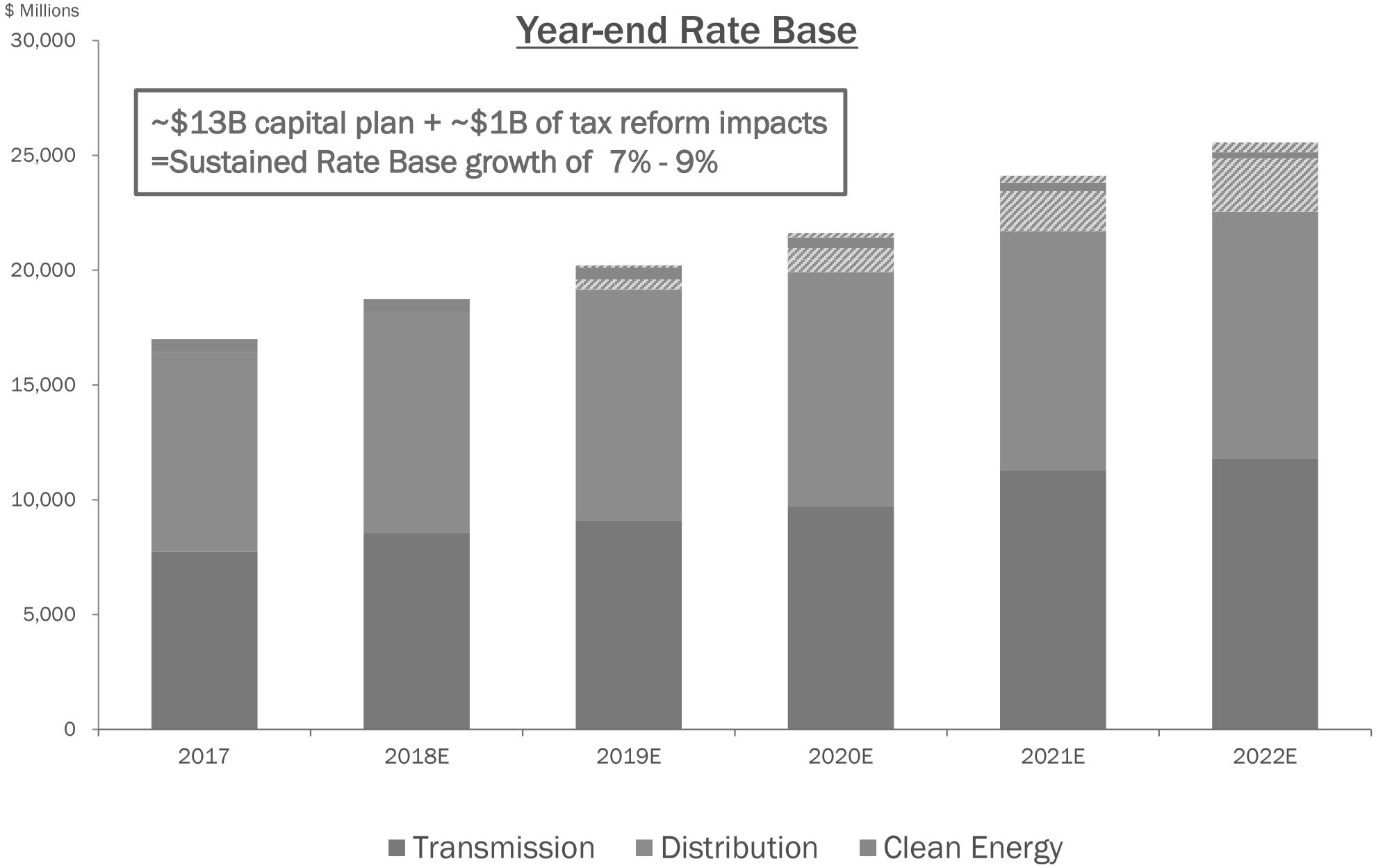
Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendors, ensuring maximum value
- Successful management of pension

SI-SSA-0015-03586

Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-03587

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization, expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

EV Infrastructure and Battery storage

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-03588

PSEG POWER

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We make things work for you.

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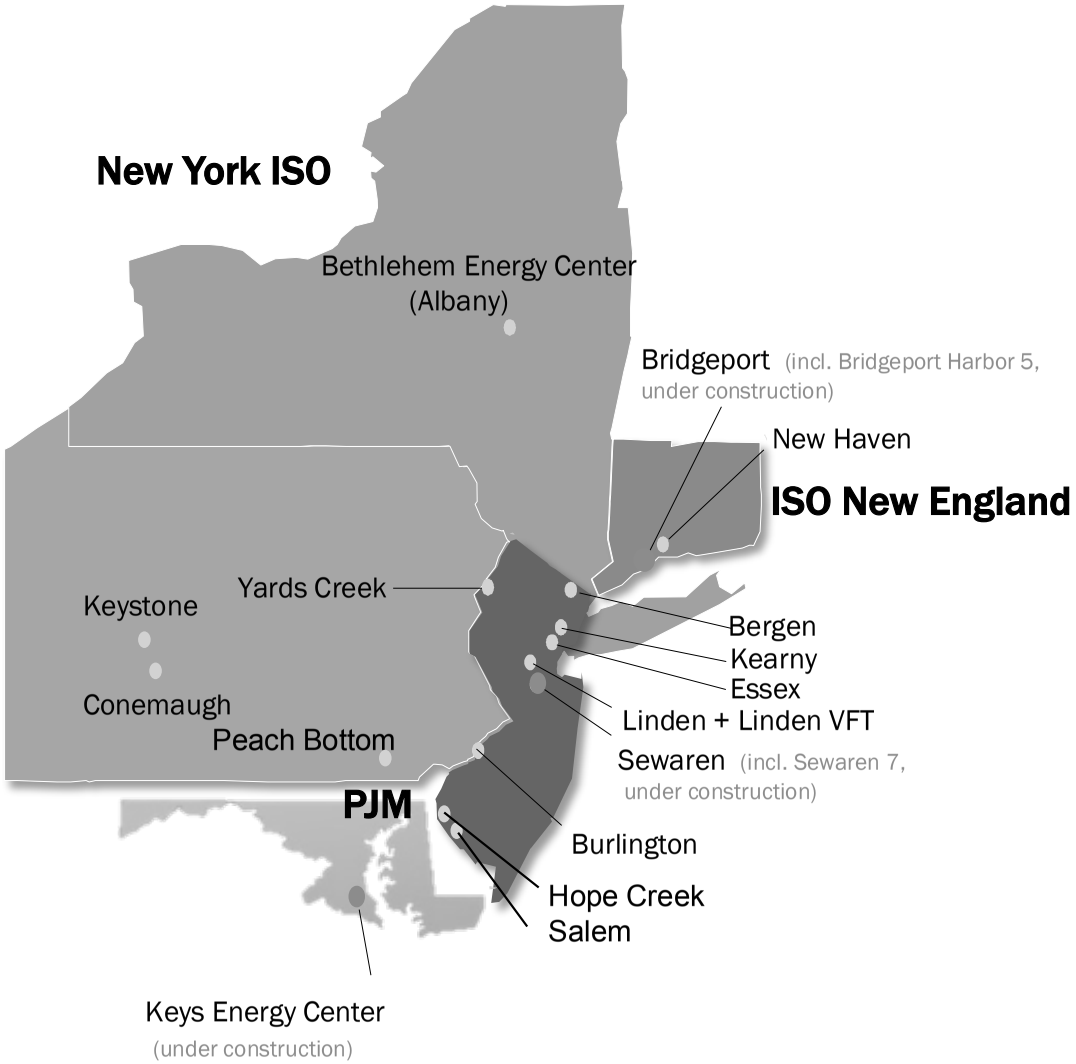
Power has generating assets in three competitive markets



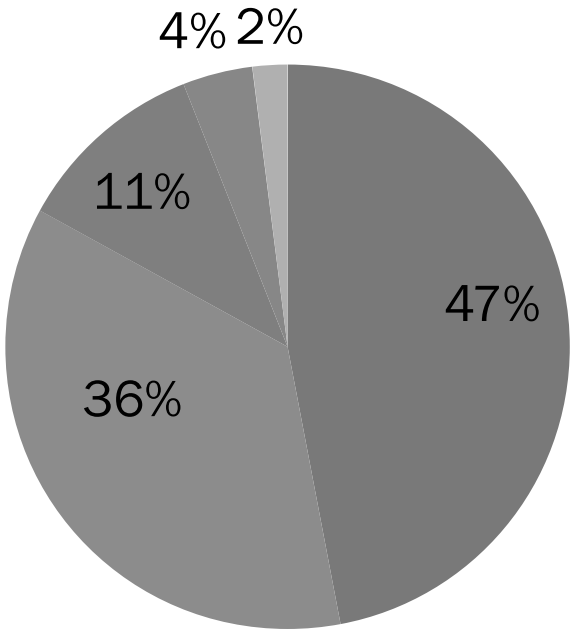
- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-03590

Power has a diverse fleet of generating assets which enables it to respond to market needs

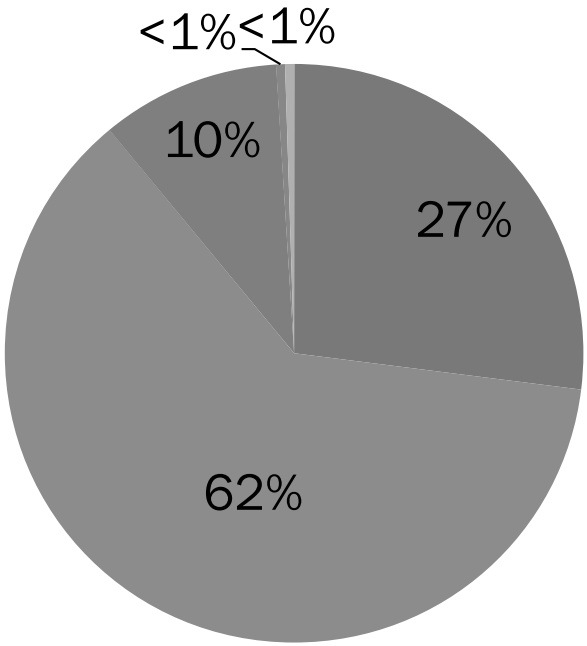
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

SI-SSA-0015-03591

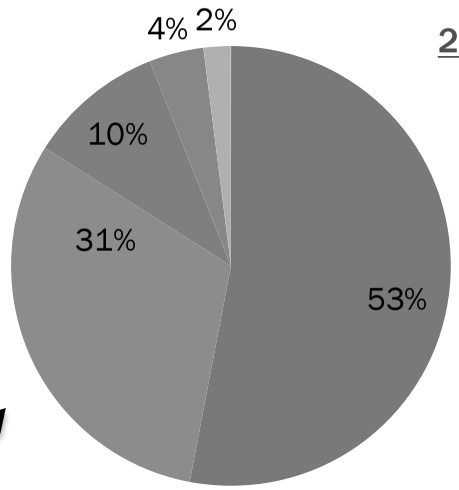
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

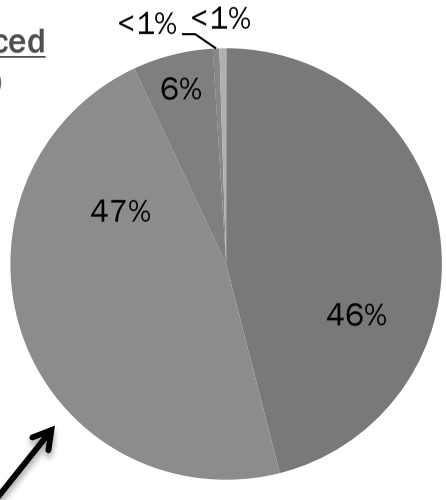
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2020E

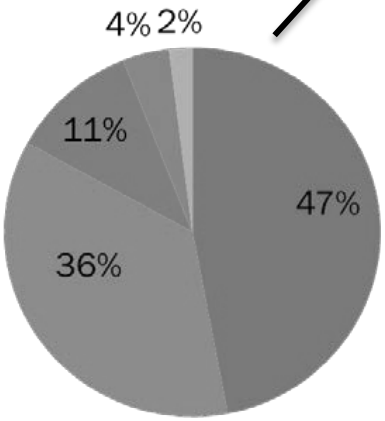
2020E Fuel Diversity
Total MW: 11,800



2020E Energy Produced
Total GWh: 65,500

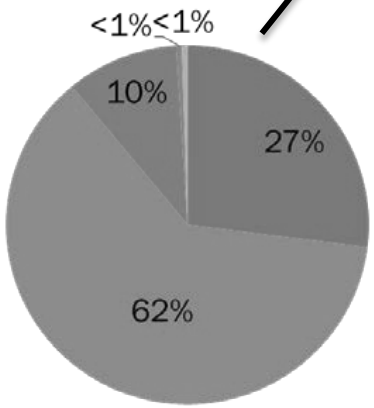


Energy hedging being moderated due to uncertainty around future operations of NJ nuclear units, given economic challenges



2017 Fuel Diversity[1]
Total MW: 10,458

- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

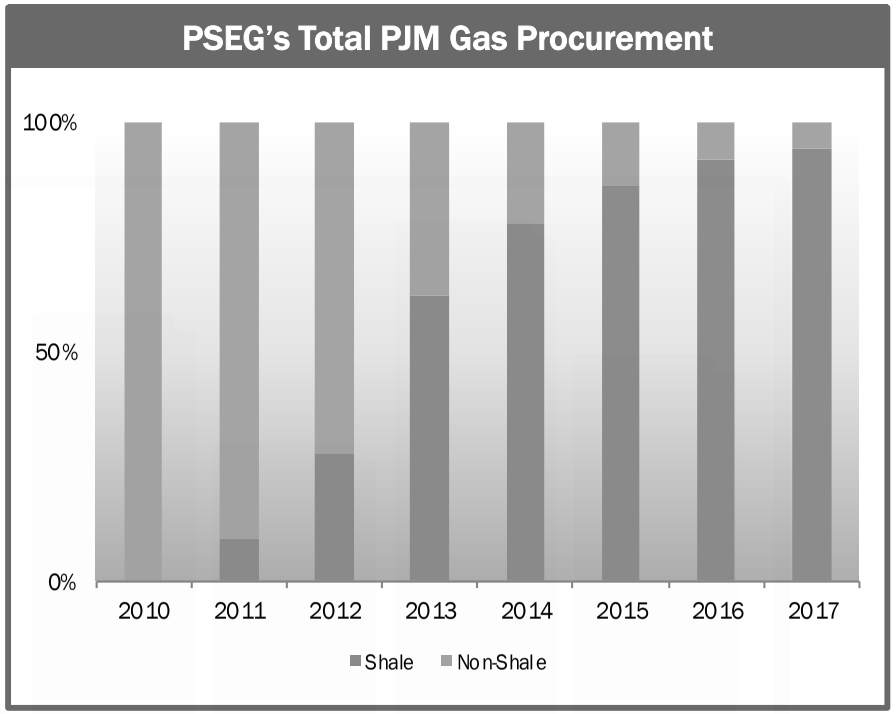


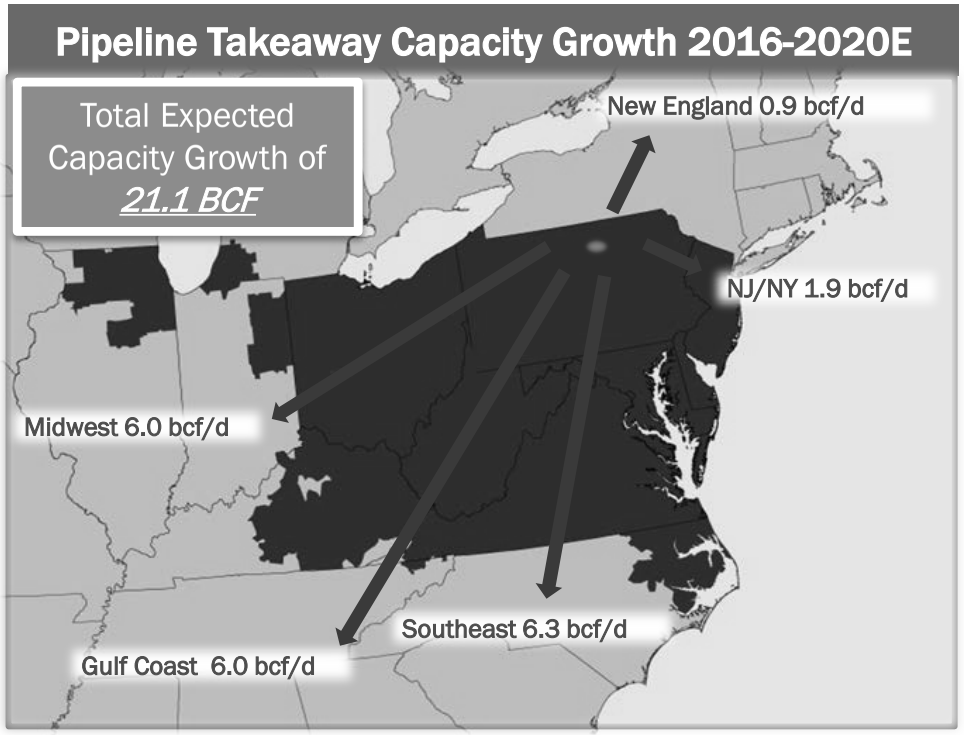
2017 Energy Produced[1]
Total GWh: 51,089

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

SI-SSA-0015-03592

Power's fleet is well-located with access to shale gas production





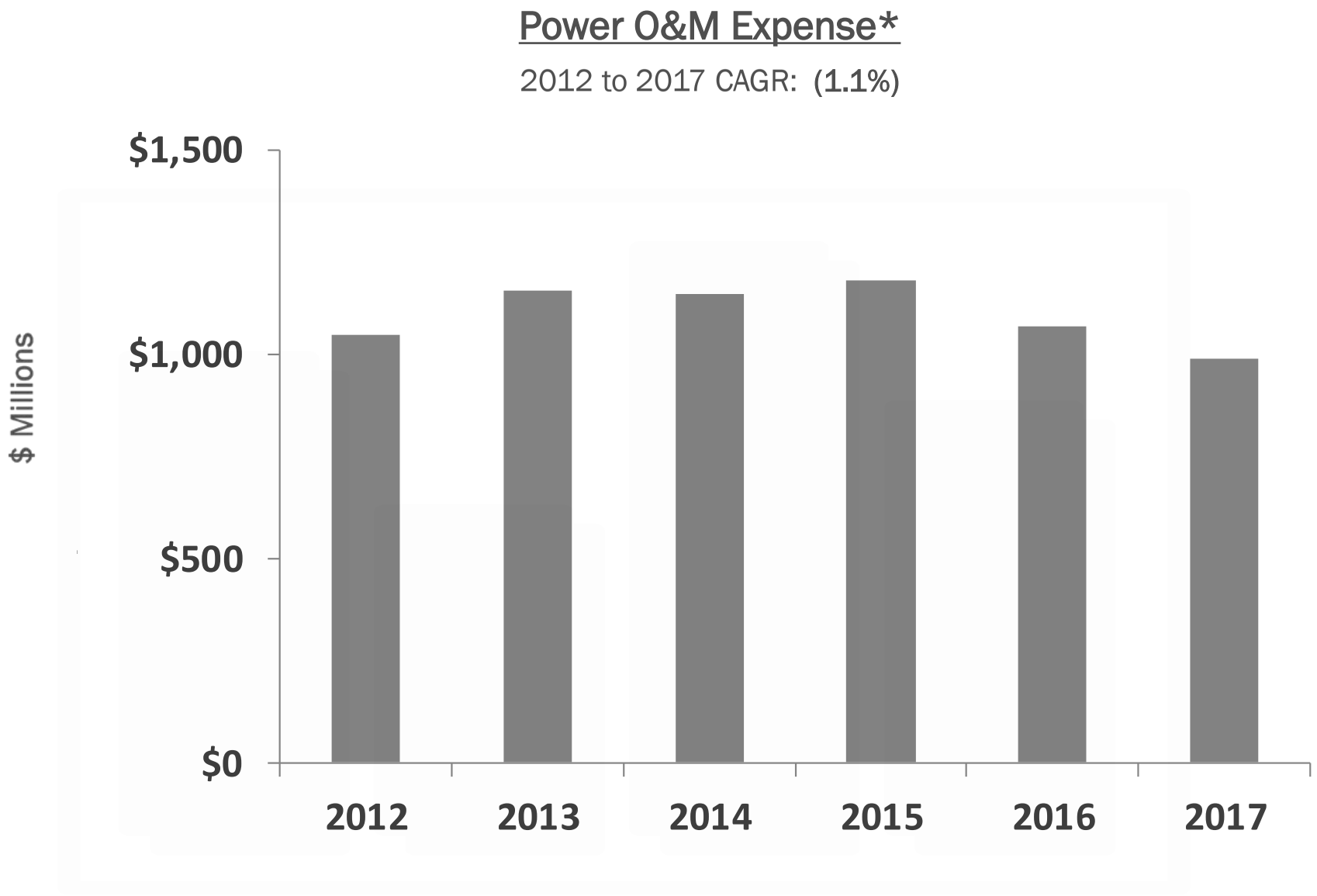
- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-03593

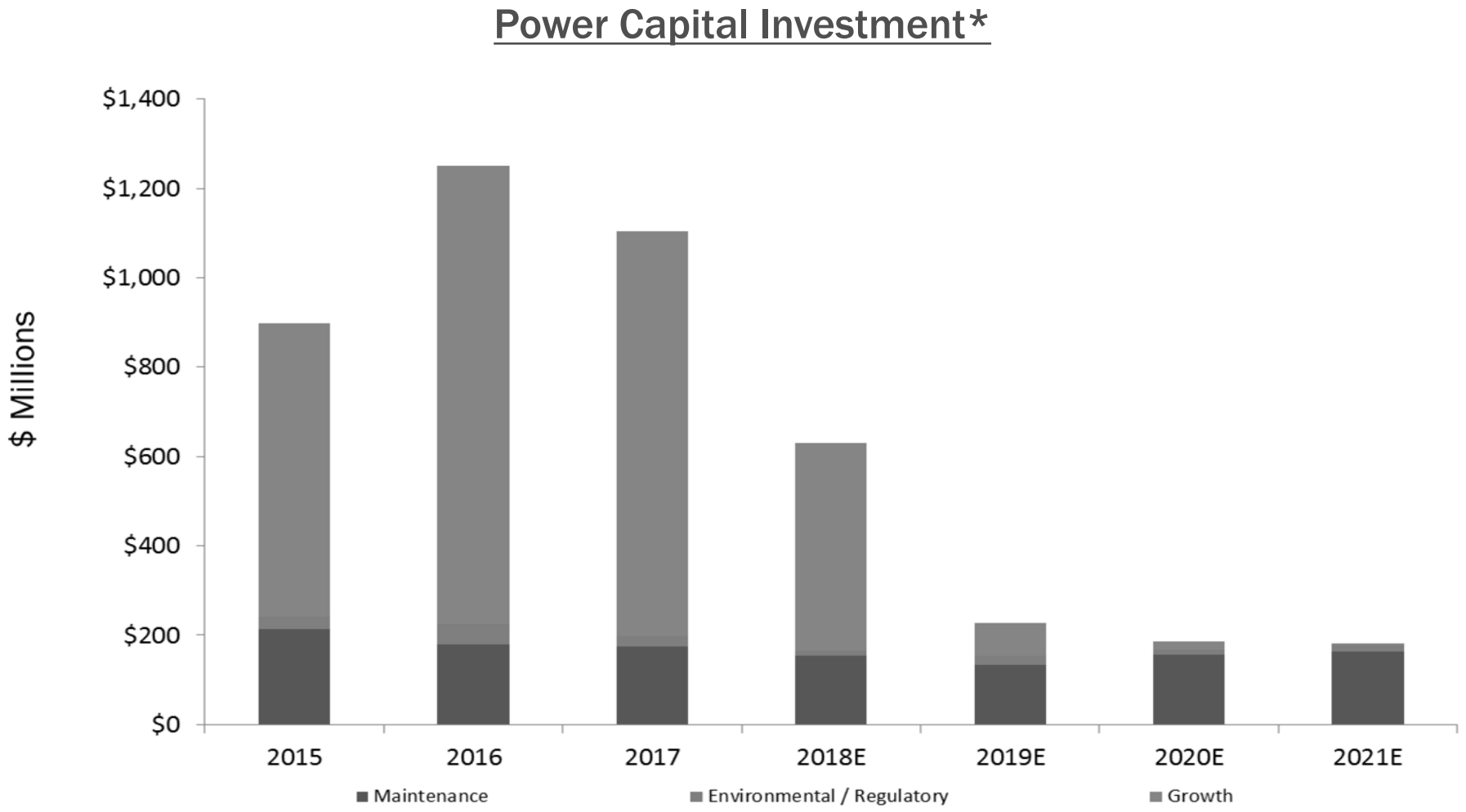
E = ESTIMATE.

Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

Power's capital needs decline following construction of new capacity, enhancing free cash flow



SI-SSA-0015-03595

PSEG

EXCLUDES NUCLEAR FUEL. INCLUDES IDC. E=ESTIMATE. DATA AS OF MARCH 9, 2018.
*UPDATED TO REFLECT RECENT CANCELLATION OF NUCLEAR CAPITAL PROJECTS AT SALEM THAT ARE NOT REQUIRED FOR REGULATORY COMPLIANCE OR SAFE OPERATION.

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-03596

PSEG

We make things work for you.

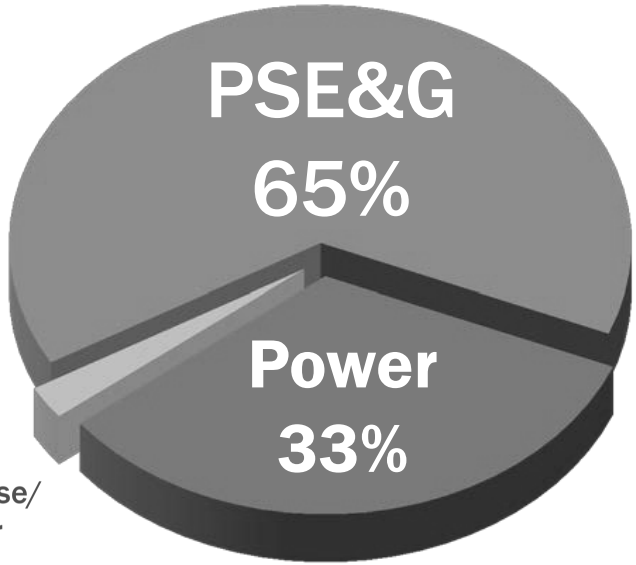
Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

SI-SSA-0015-03597

Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

Completion of capital program for new combined cycle plants

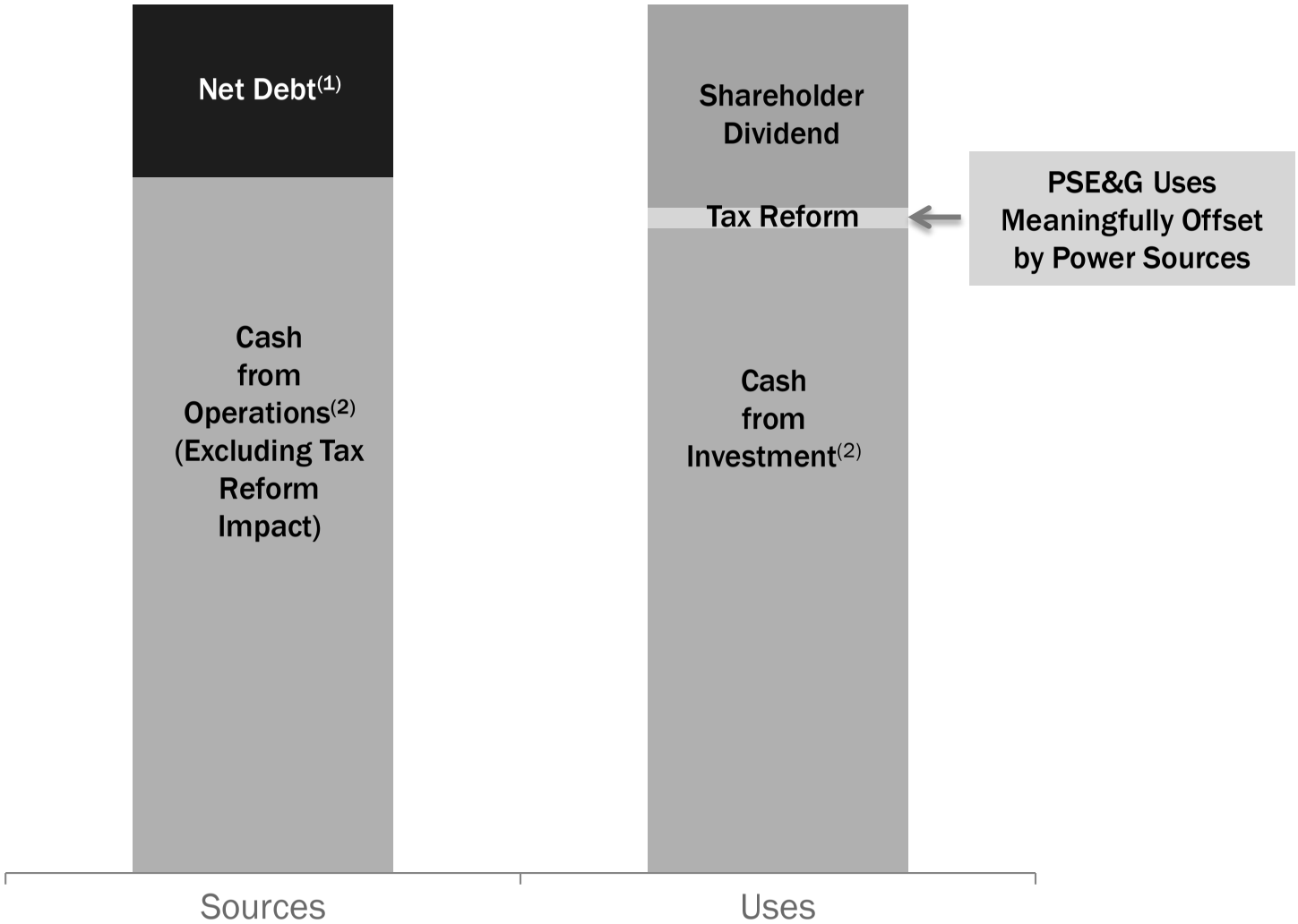
SI-SSA-0015-03598

PSEG

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

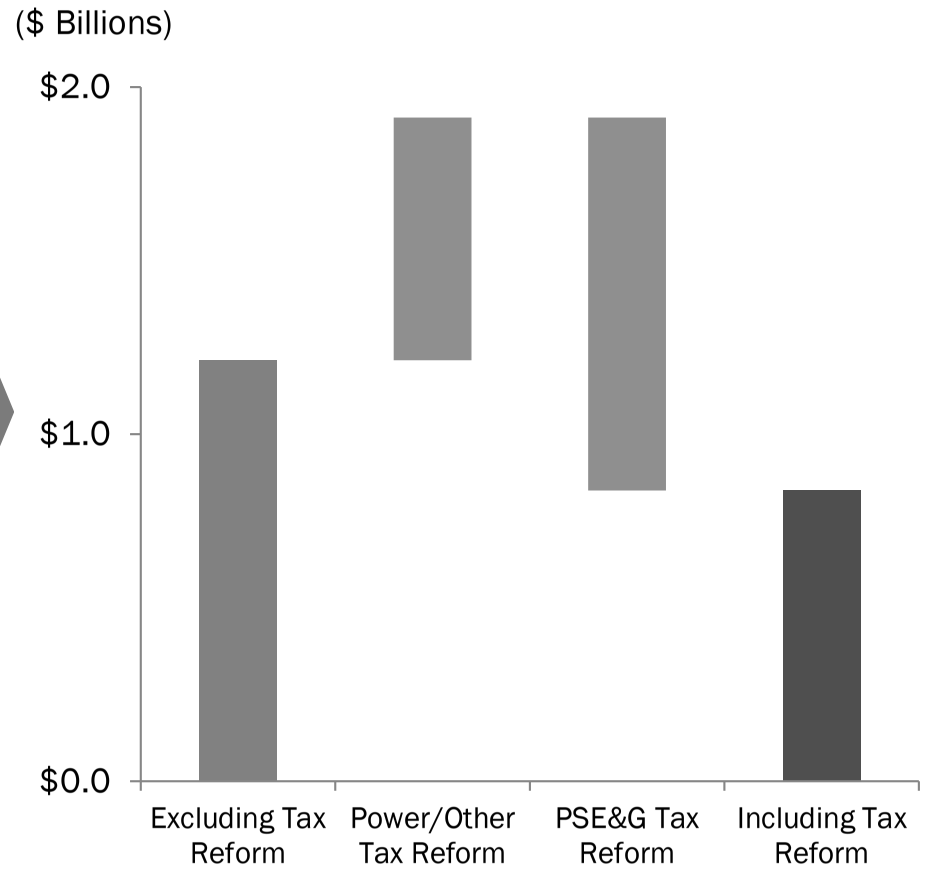
SI-SSA-0015-03599

Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

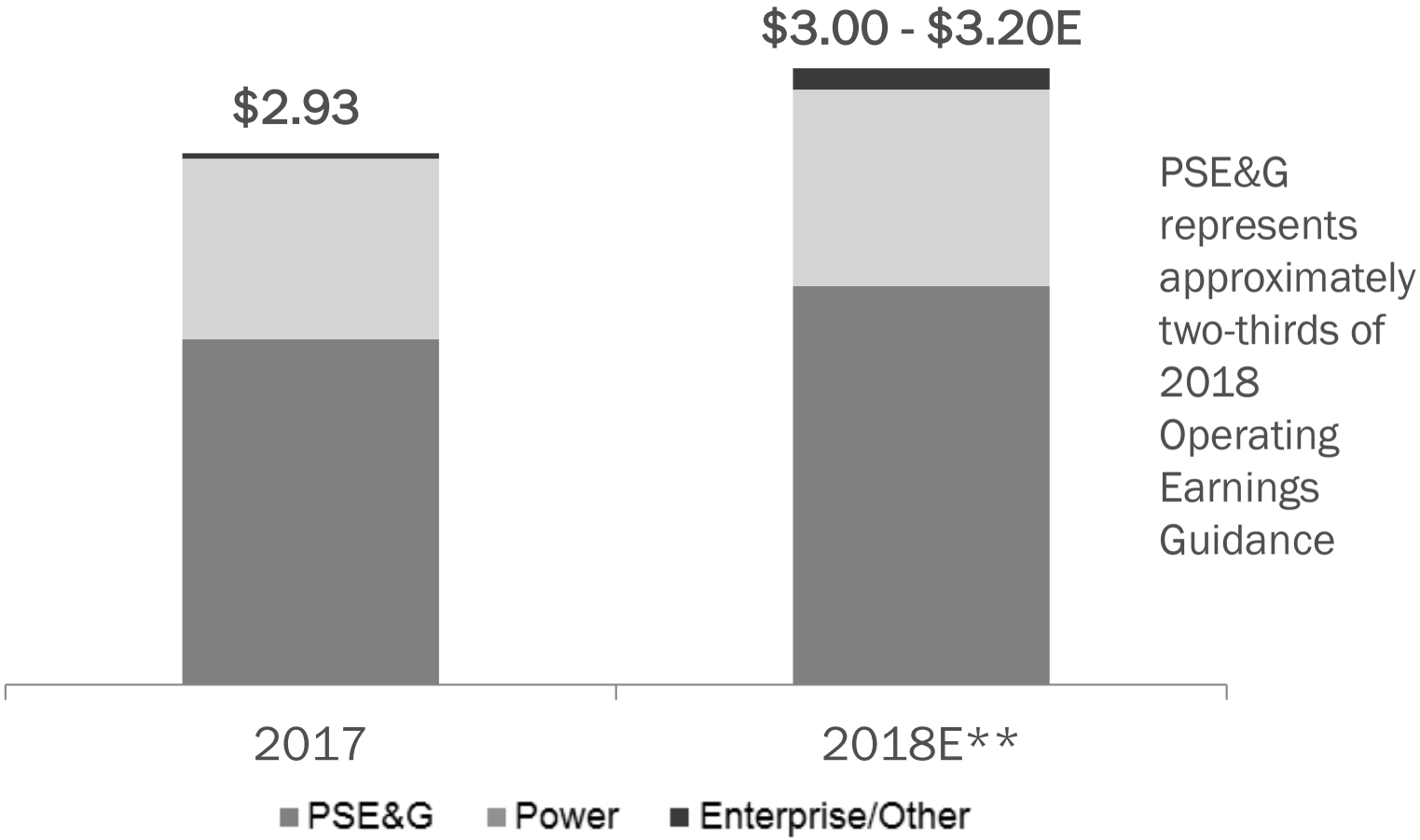
SI-SSA-0015-03600

E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



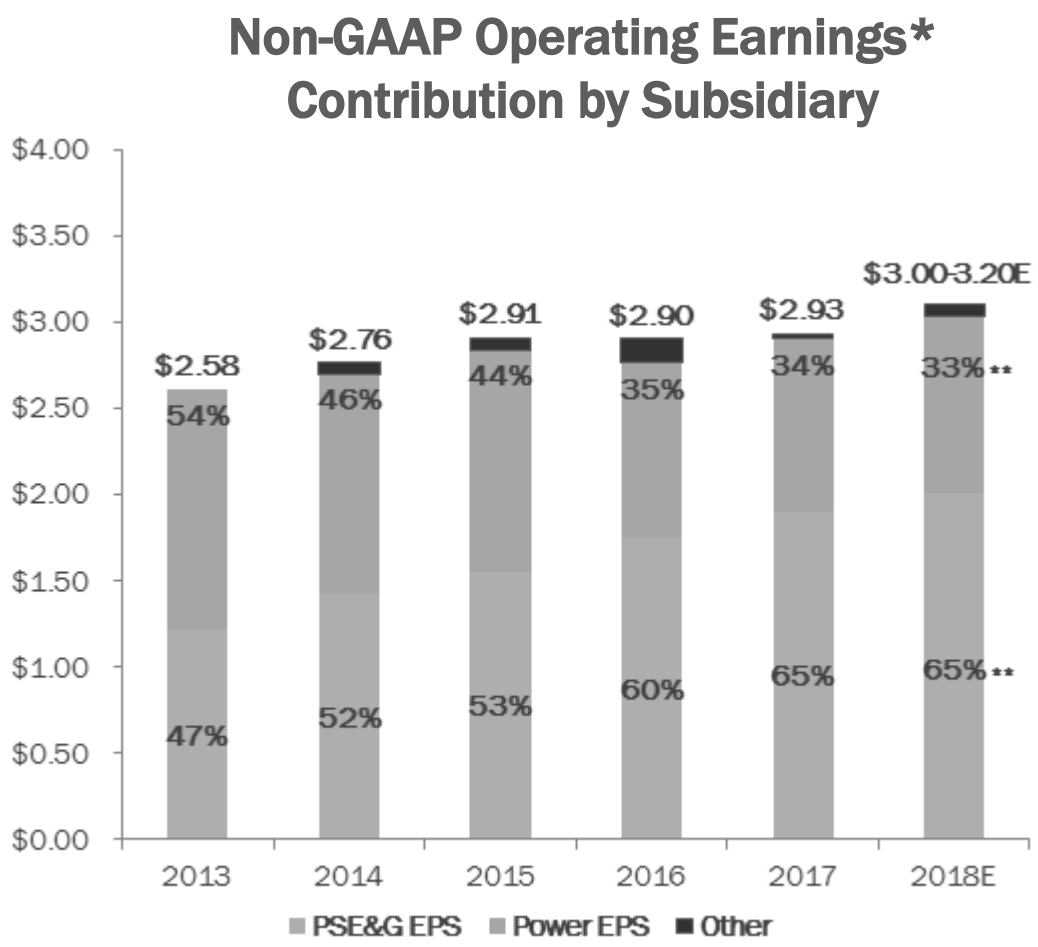
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-03601

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



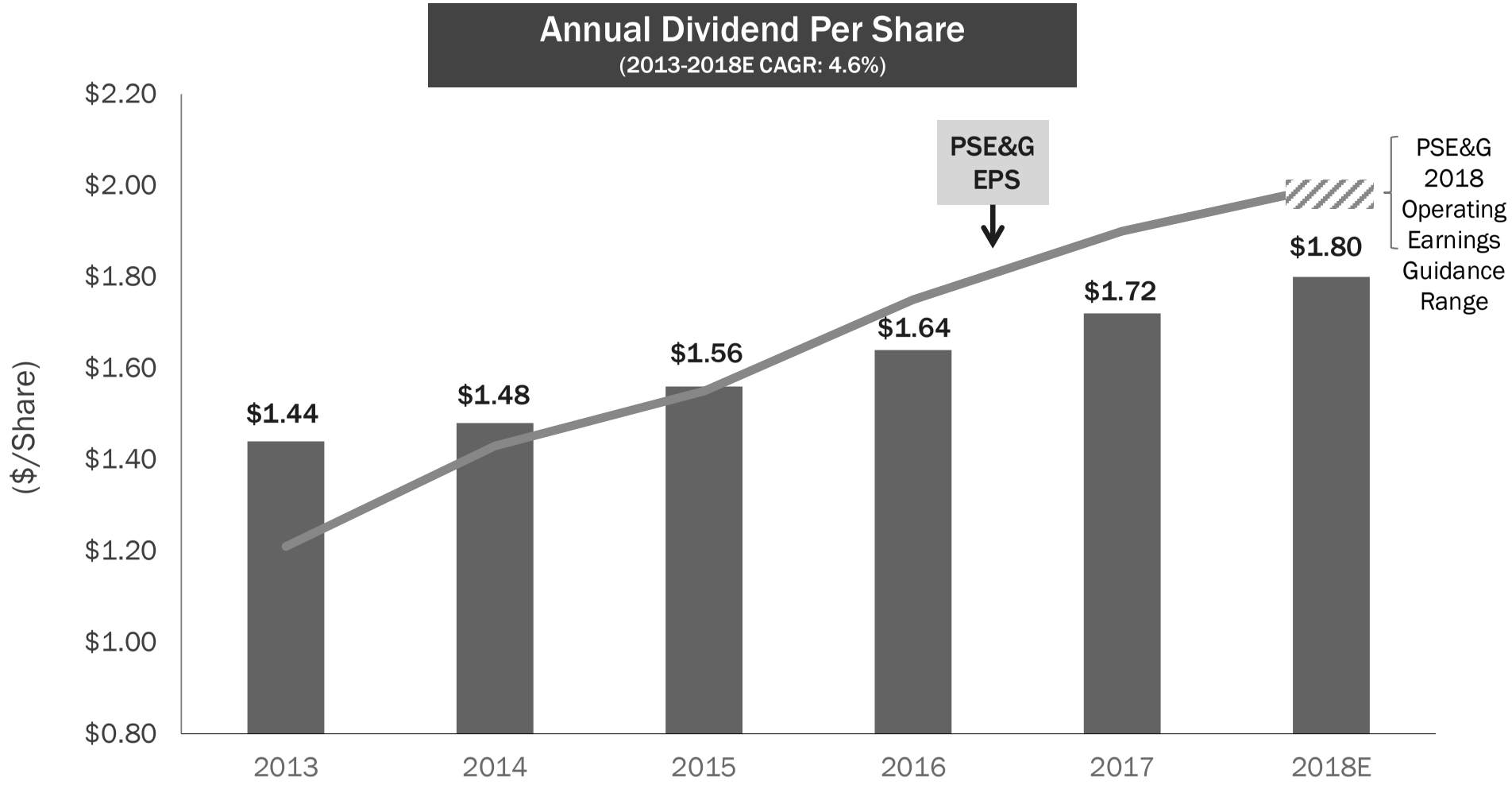
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-03602

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-03603

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-03604

PSEG APPENDIX

SI-SSA-0015-03605

PSEG

We make things work for you.

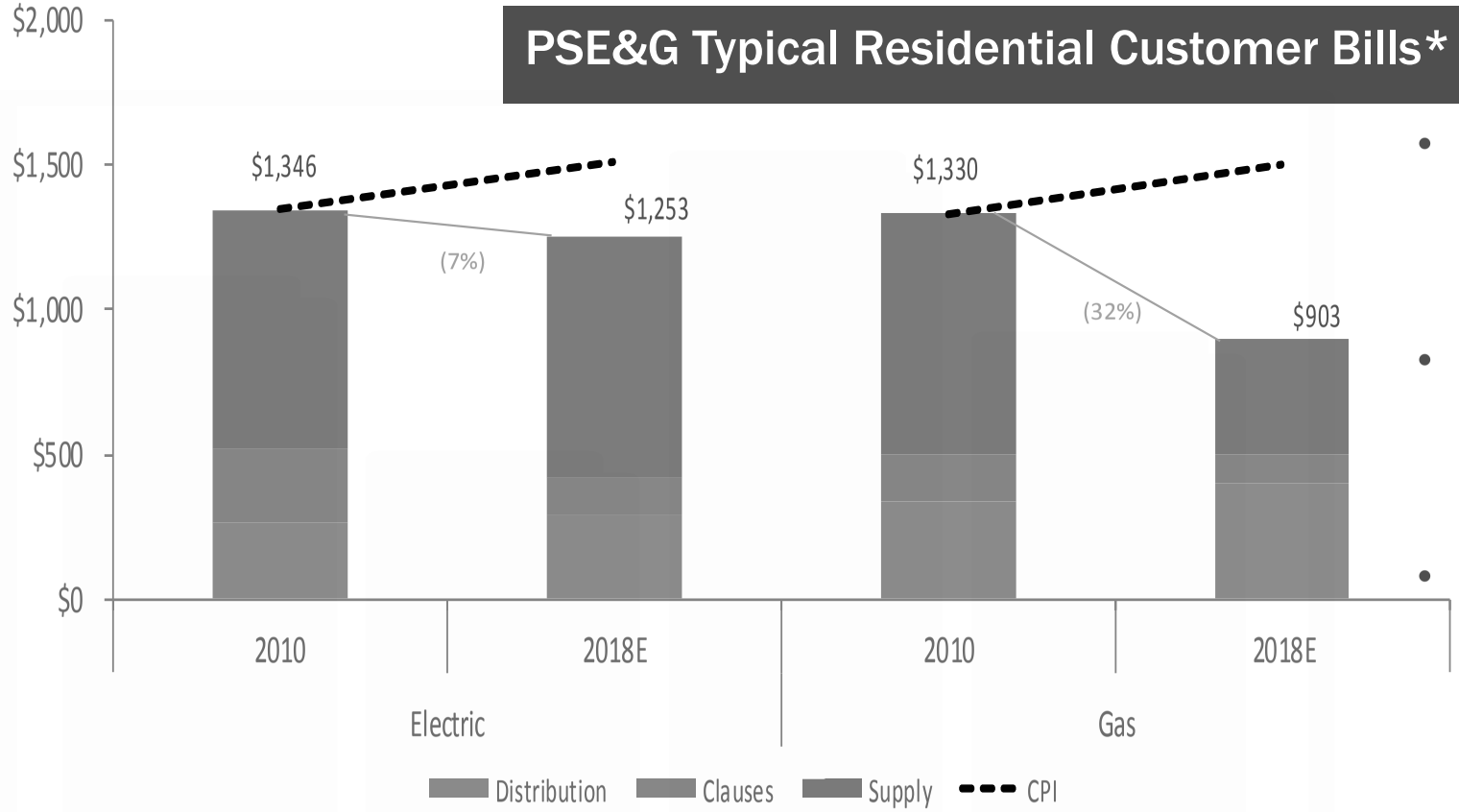
PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain ~20% lower than bills after last base rate case

SI-SSA-0015-03606

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

SI-SSA-0015-03607

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

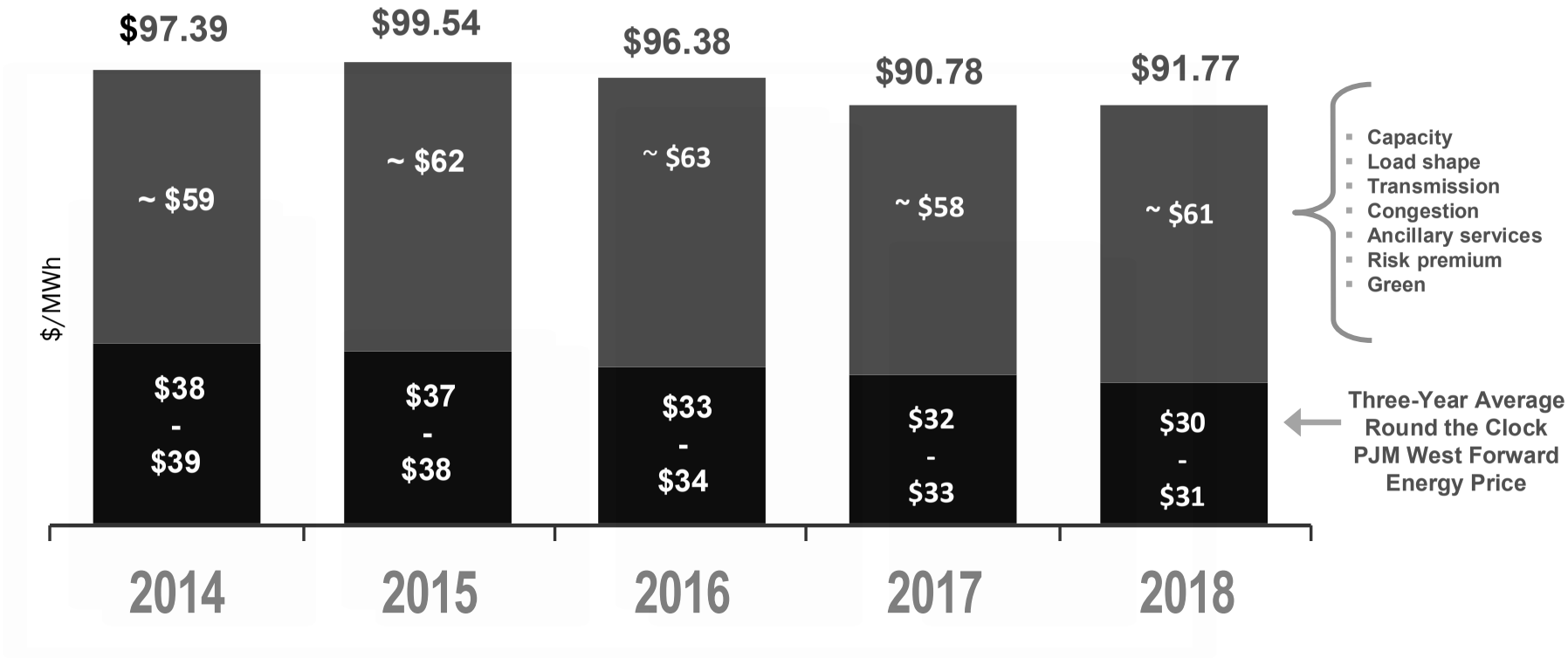
Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM

Growing Renewable Energy/Transmission

Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

SI-SSA-0015-03608

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-03609

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

SI-SSA-0015-03610

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

Tax Cuts and Jobs Act: PSEG is well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-03611

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ **Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022**

✓ **Investment program and metrics to support strong credit rating is maintained**

SI-SSA-0015-03612

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-03613

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-03614

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-03615

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

SI-SSA-0015-03618

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Investor Meetings

APRIL, 2014

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03619

PSEG

We make things work for you.

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-03620

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-03621

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-03622

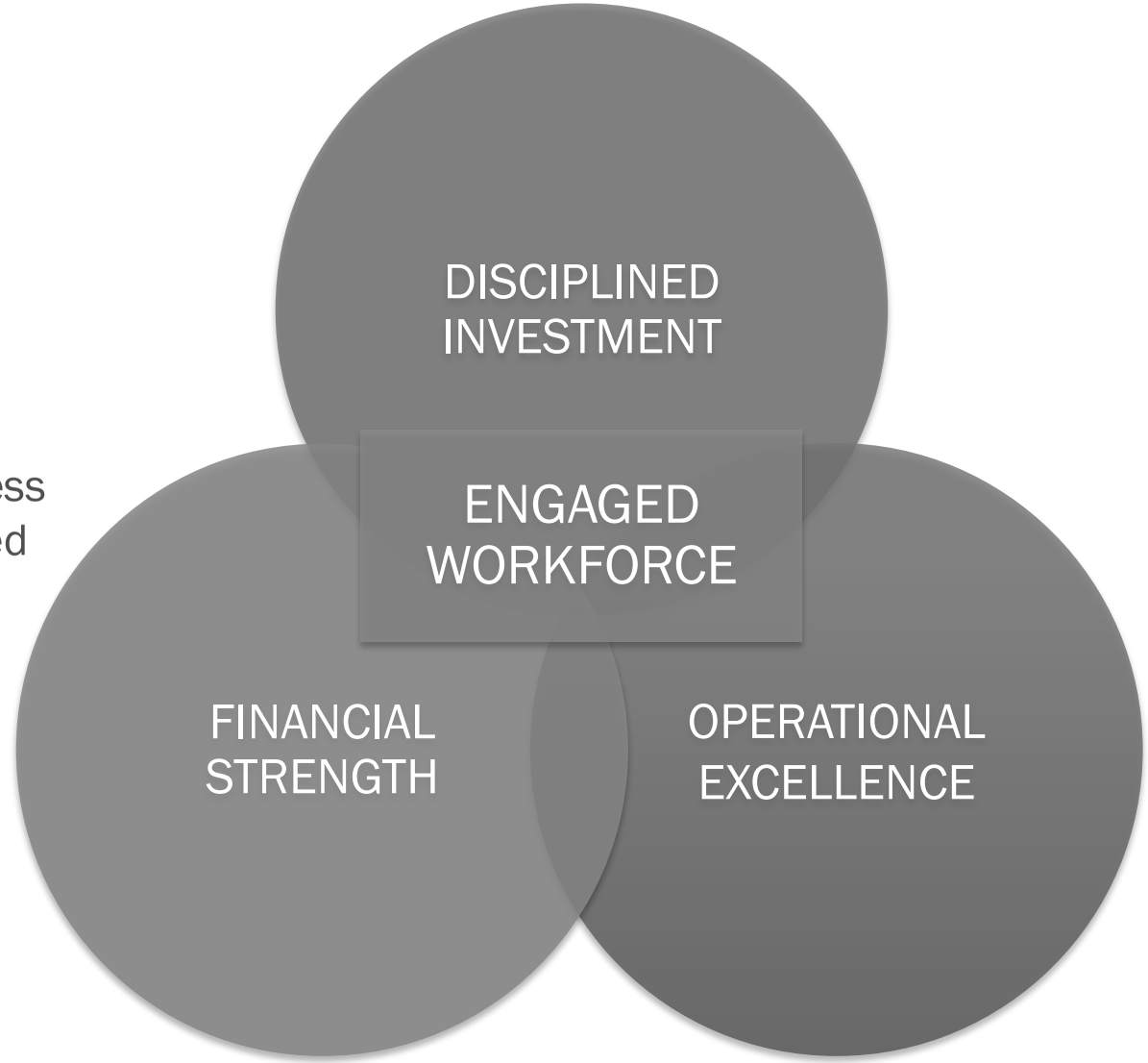
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-03623

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-03624

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

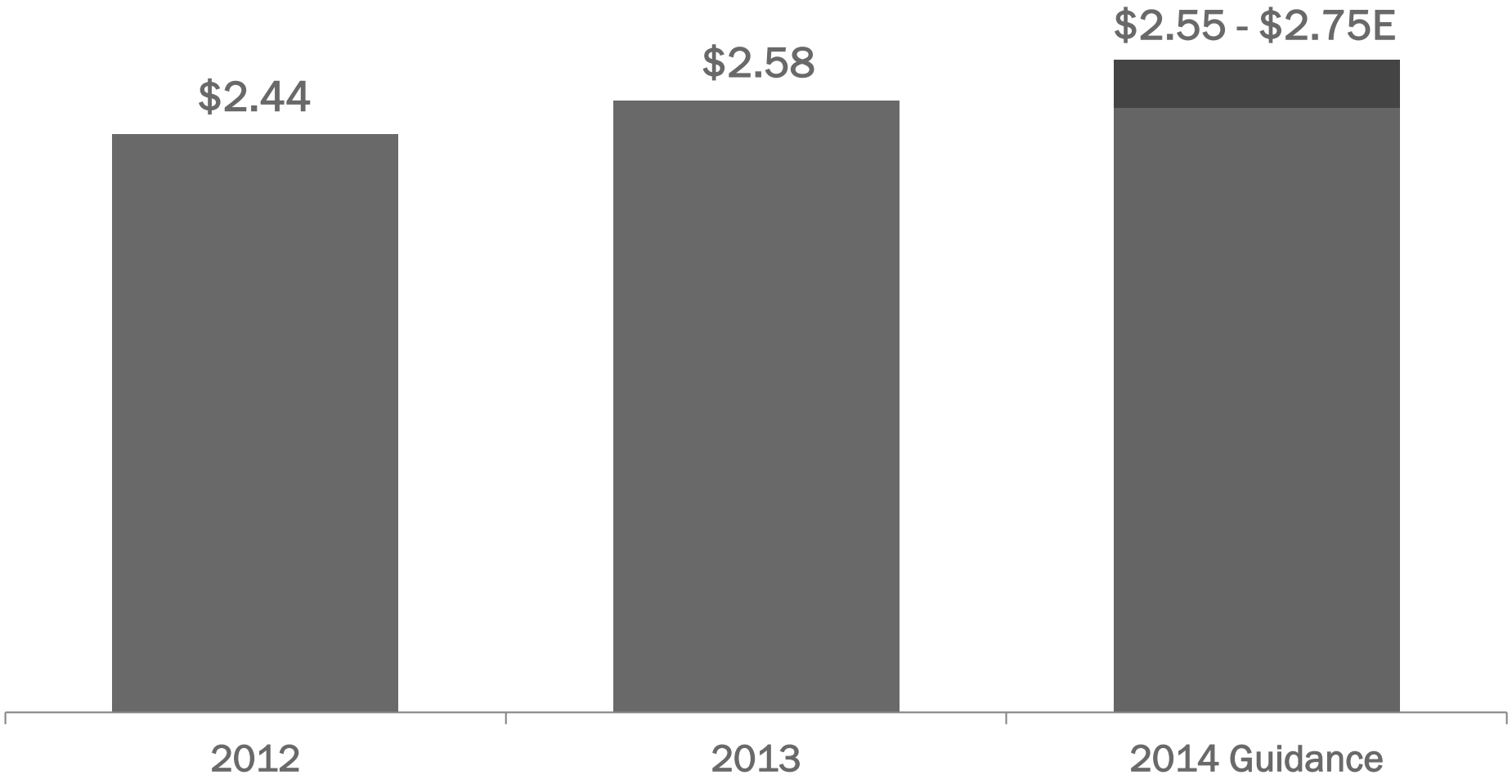
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong program under discussion ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-03625

Operating Earnings Guidance

Building on the successful implementation of our strategy



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PSEG

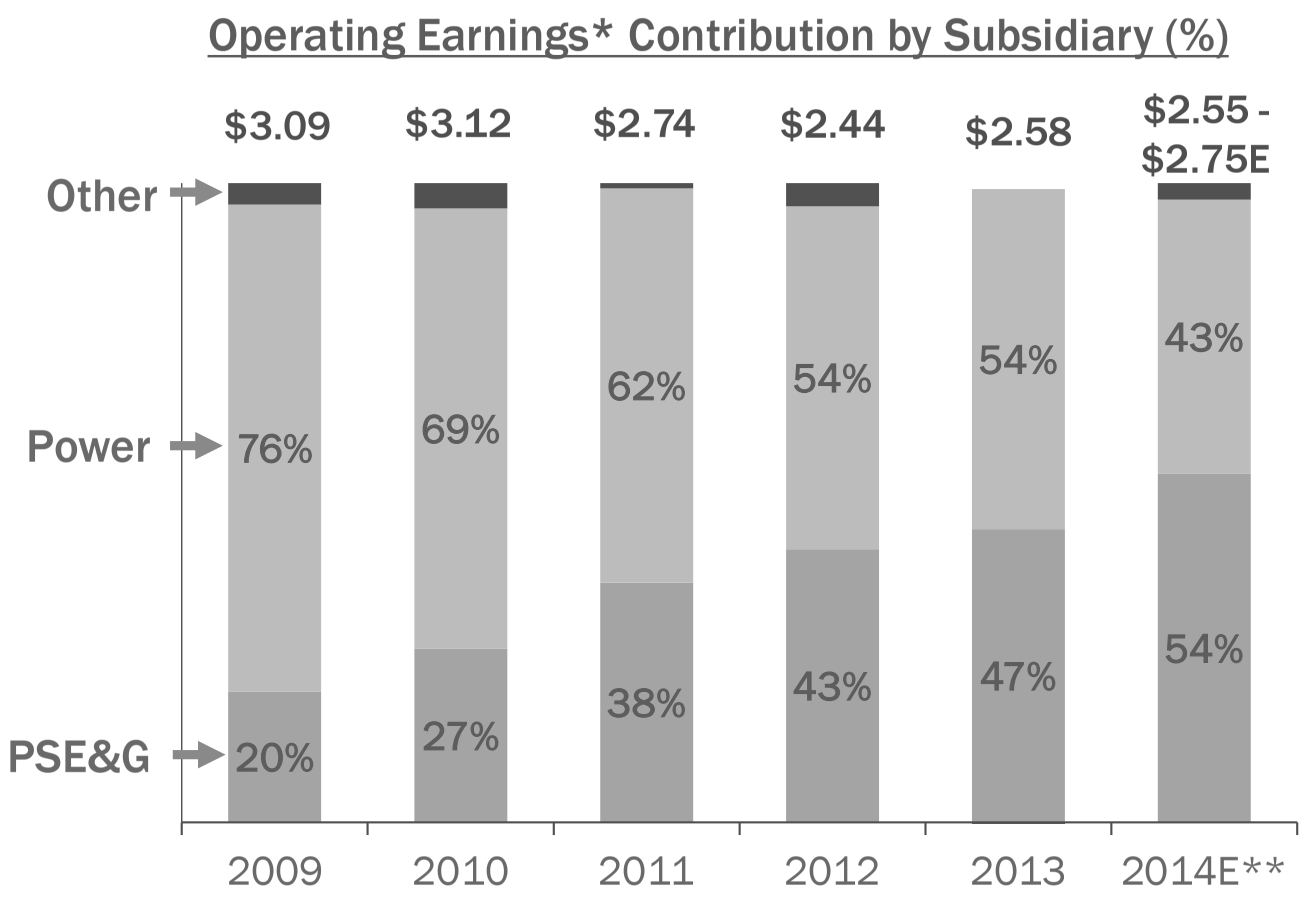
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

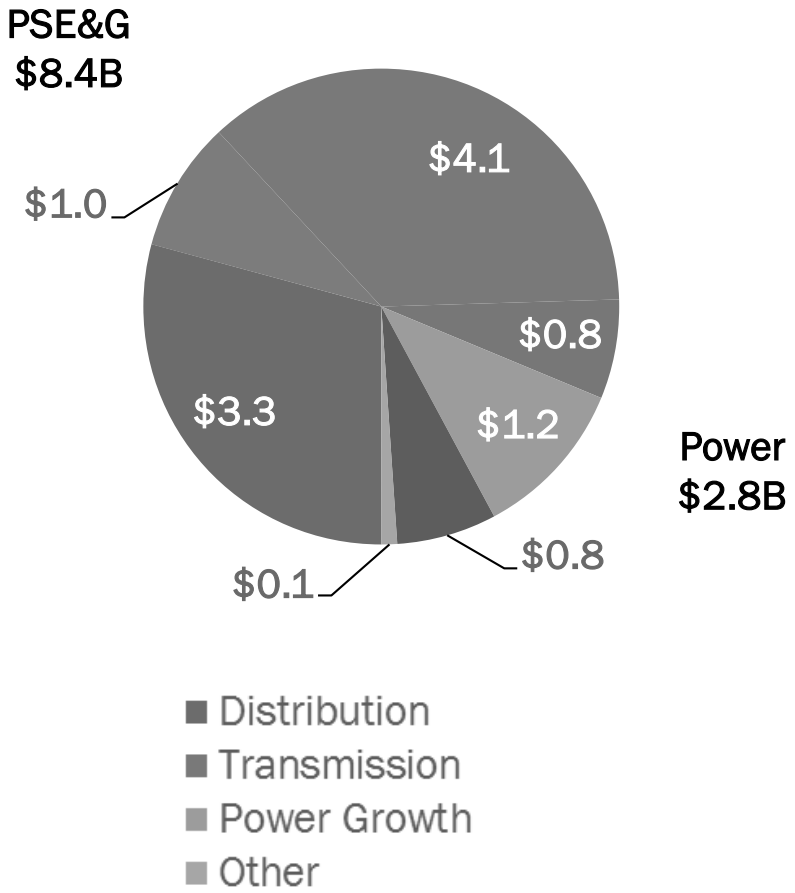


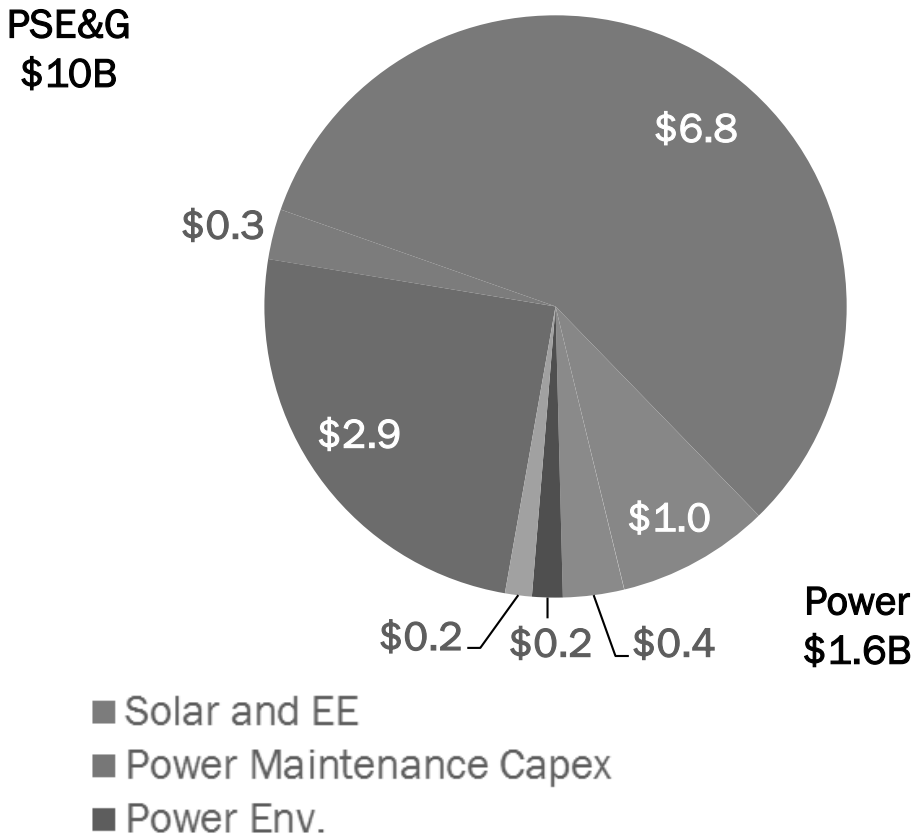
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

SI-SSA-0015-03627

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion

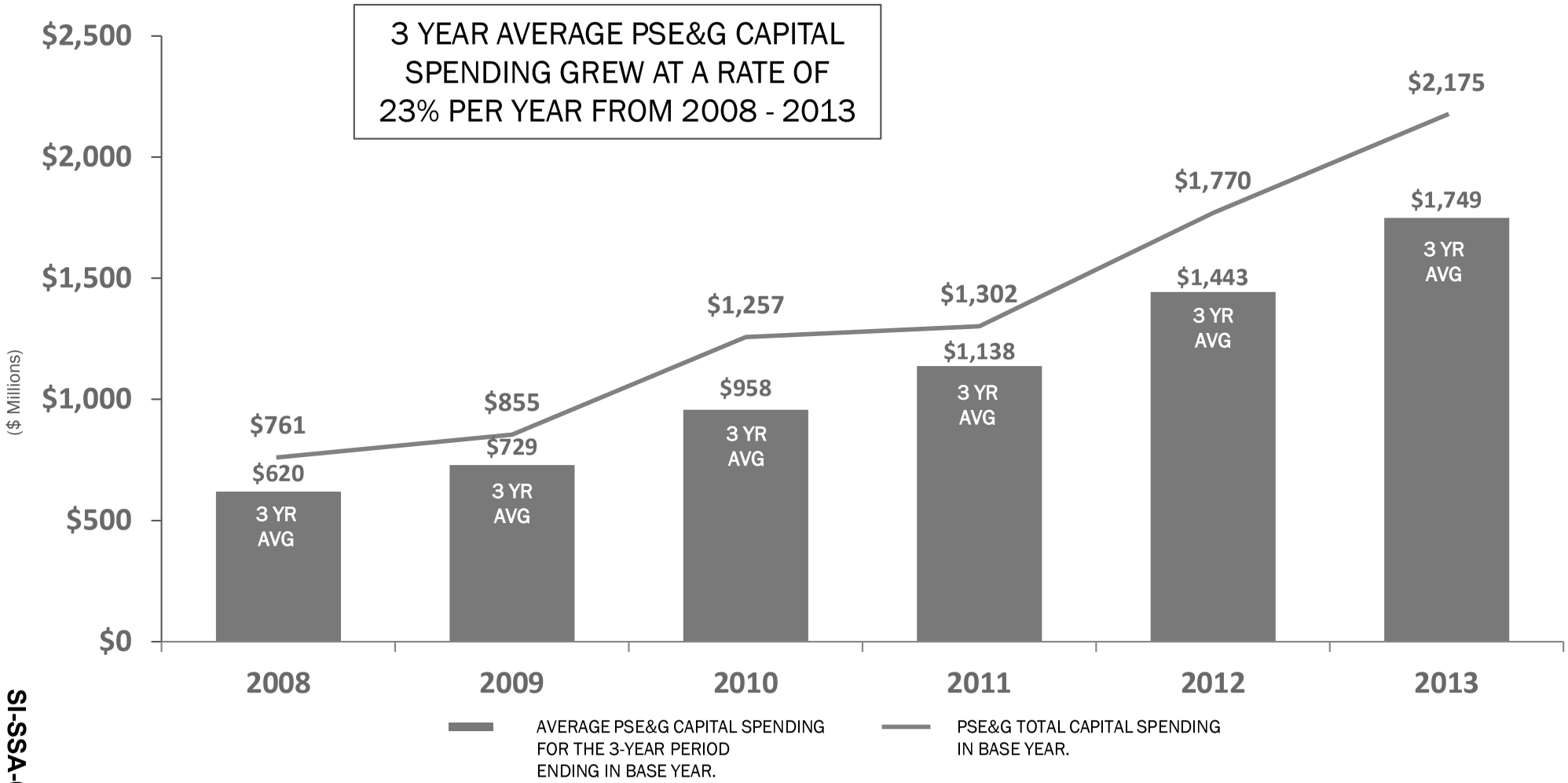




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-03628

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-03629

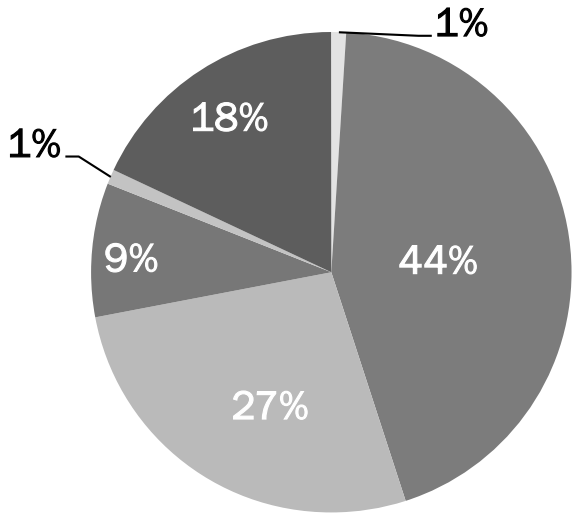
Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

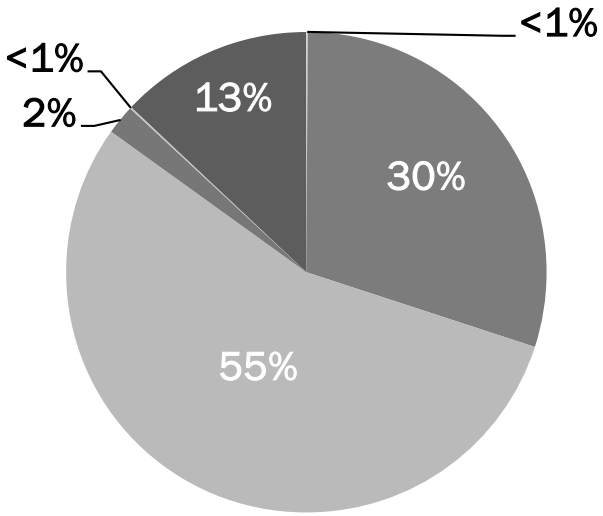
SI-SSA-0015-03630

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

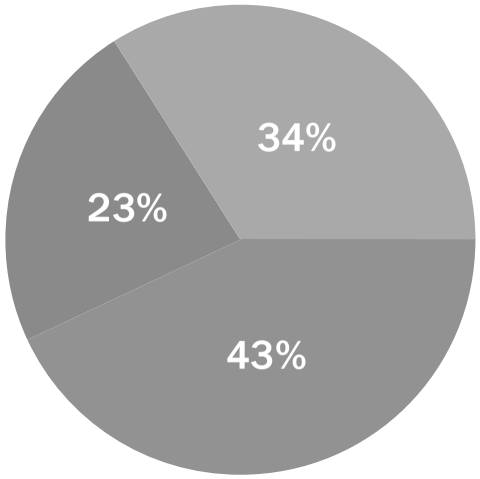
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

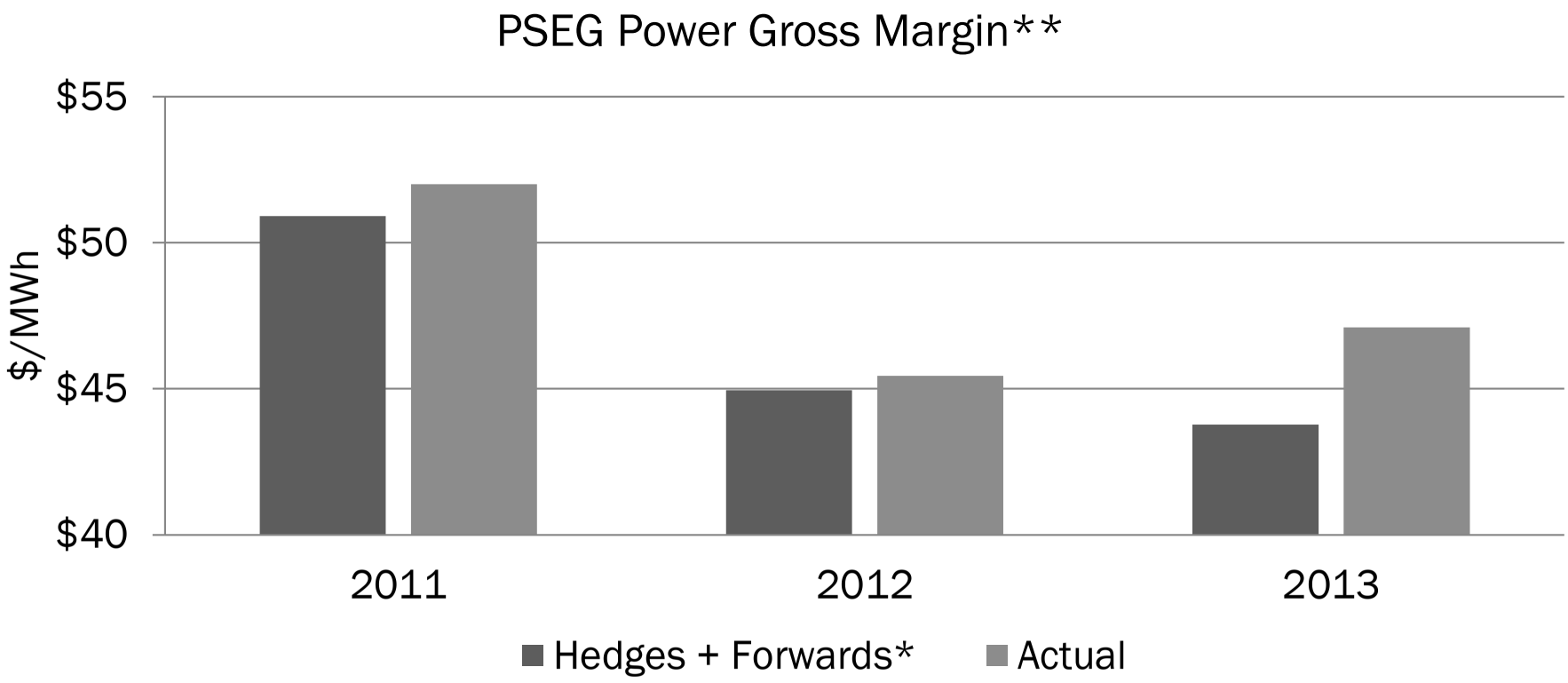


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-03631

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-03632

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-03633

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

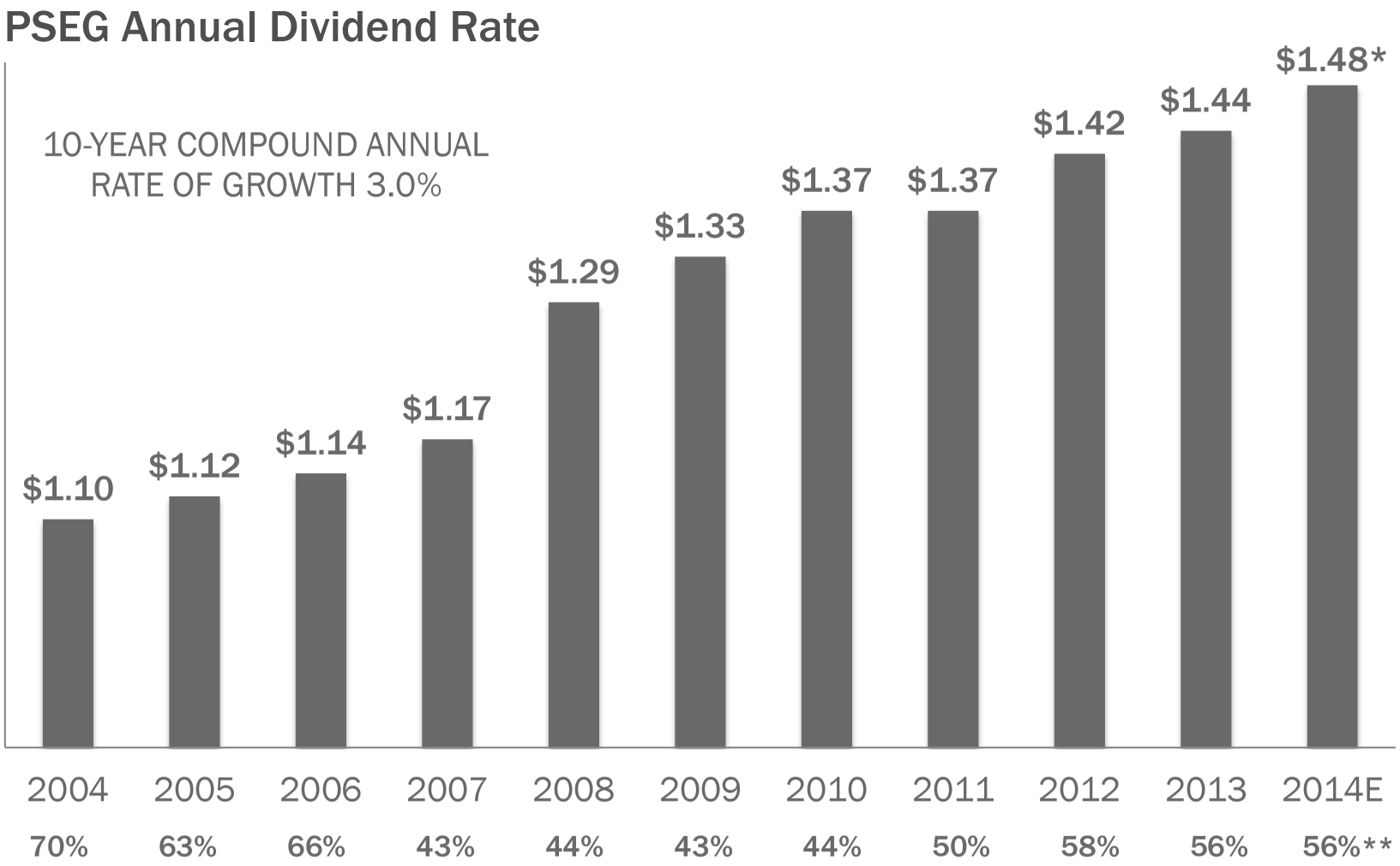
2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.5%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-03634

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-03635

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-03636

PSE&G

PSEG

We make things work for you.

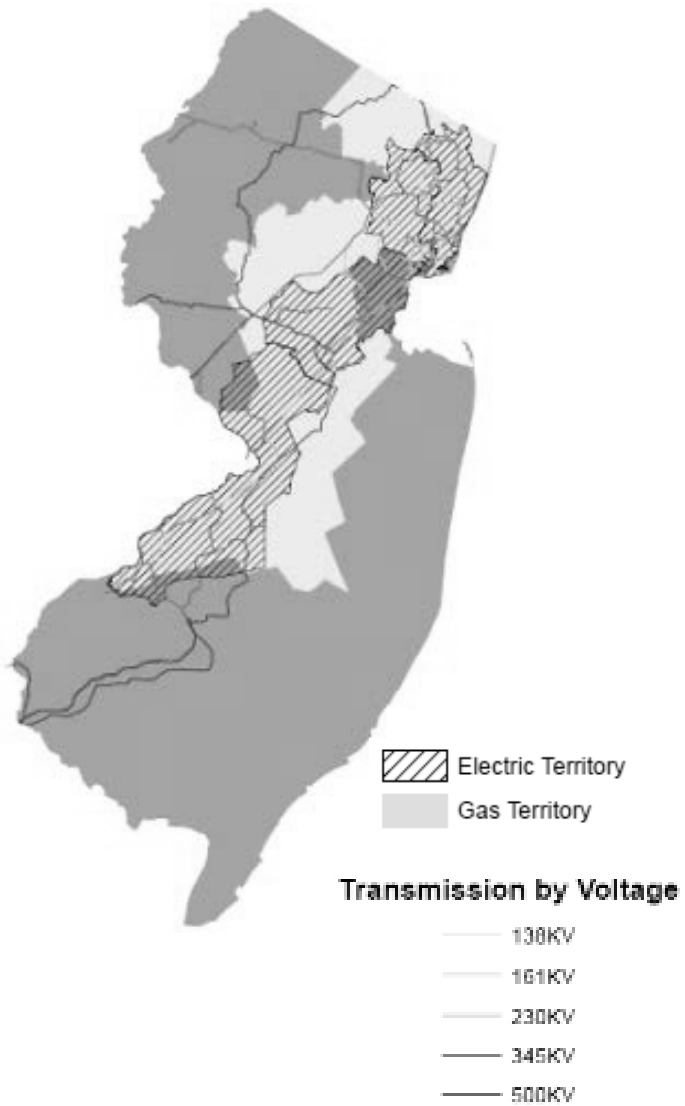
SI-SSA-0015-03637

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03638

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-03639

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-03640

PSE&G's operating earnings grew ~18%

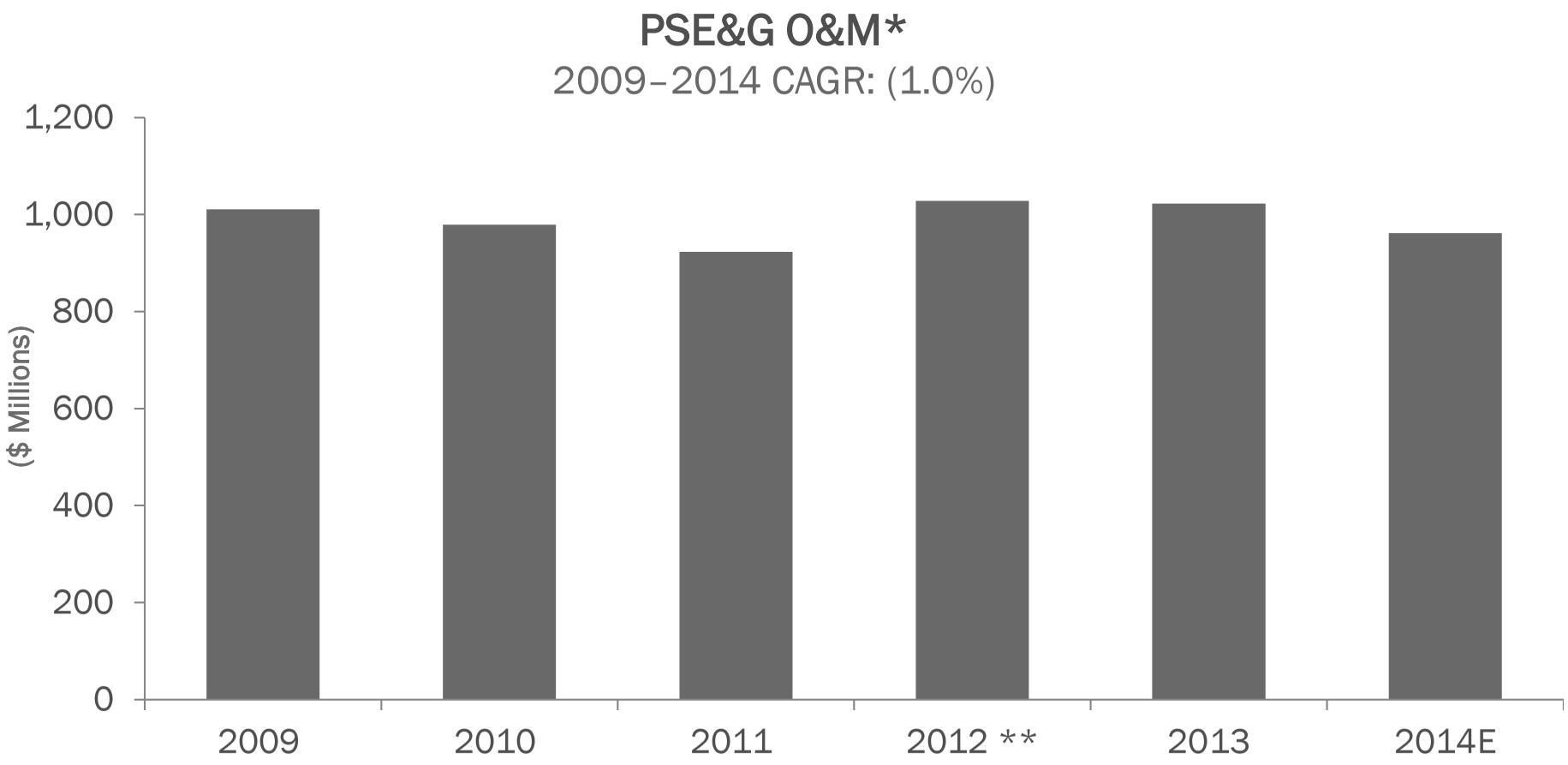
over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-03641

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on controlling O&M and lower pension costs support decline in expenses

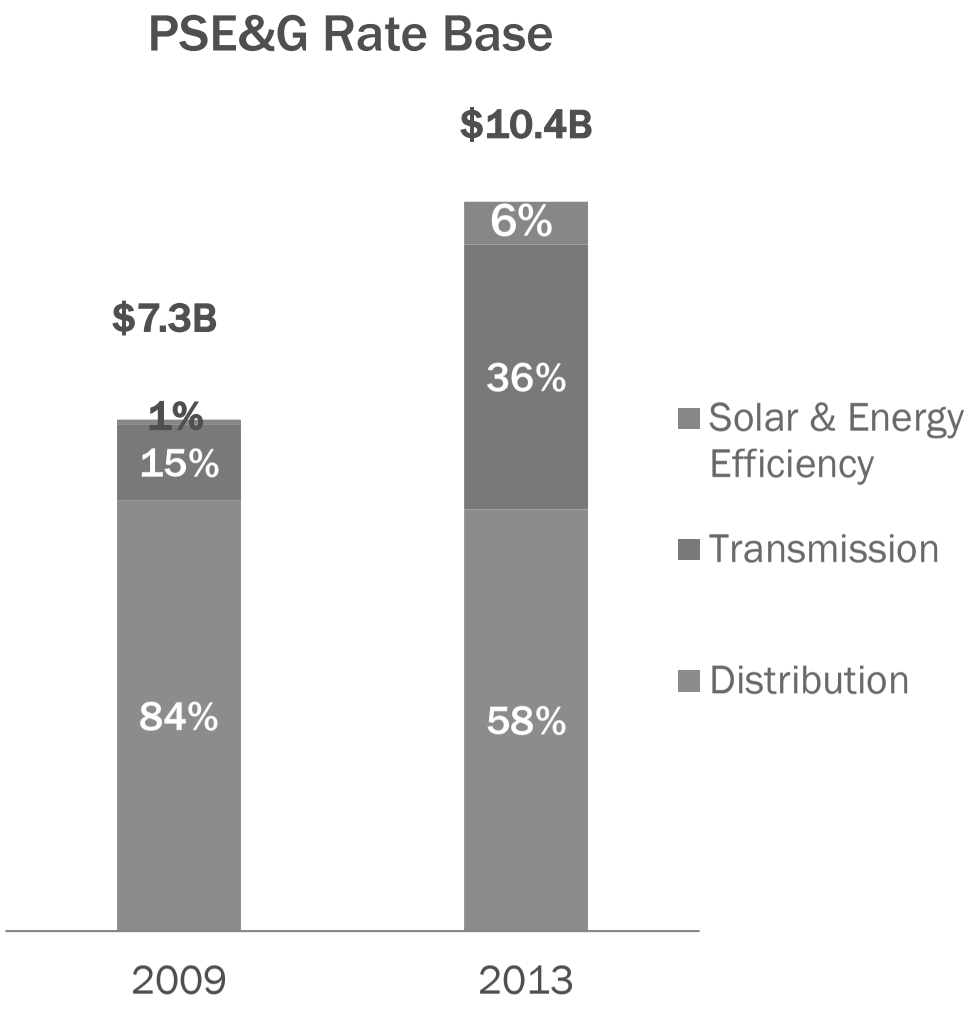


SI-SSA-0015-03642

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-03643

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

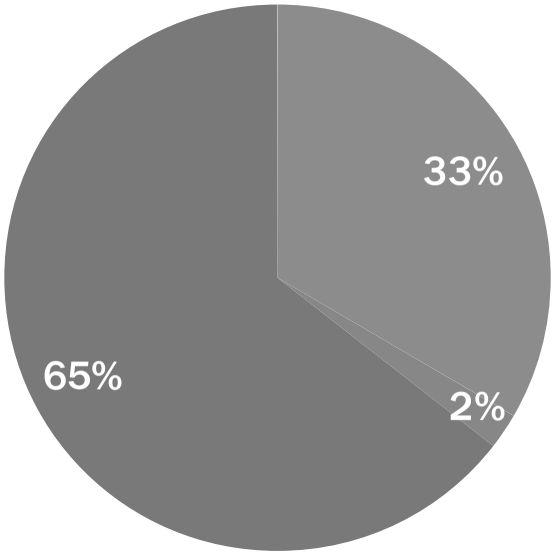
SI-SSA-0015-03644

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

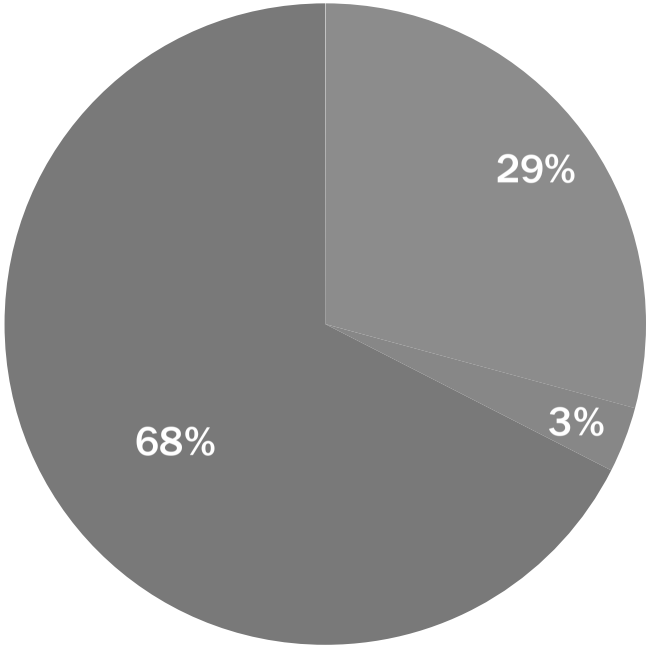
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



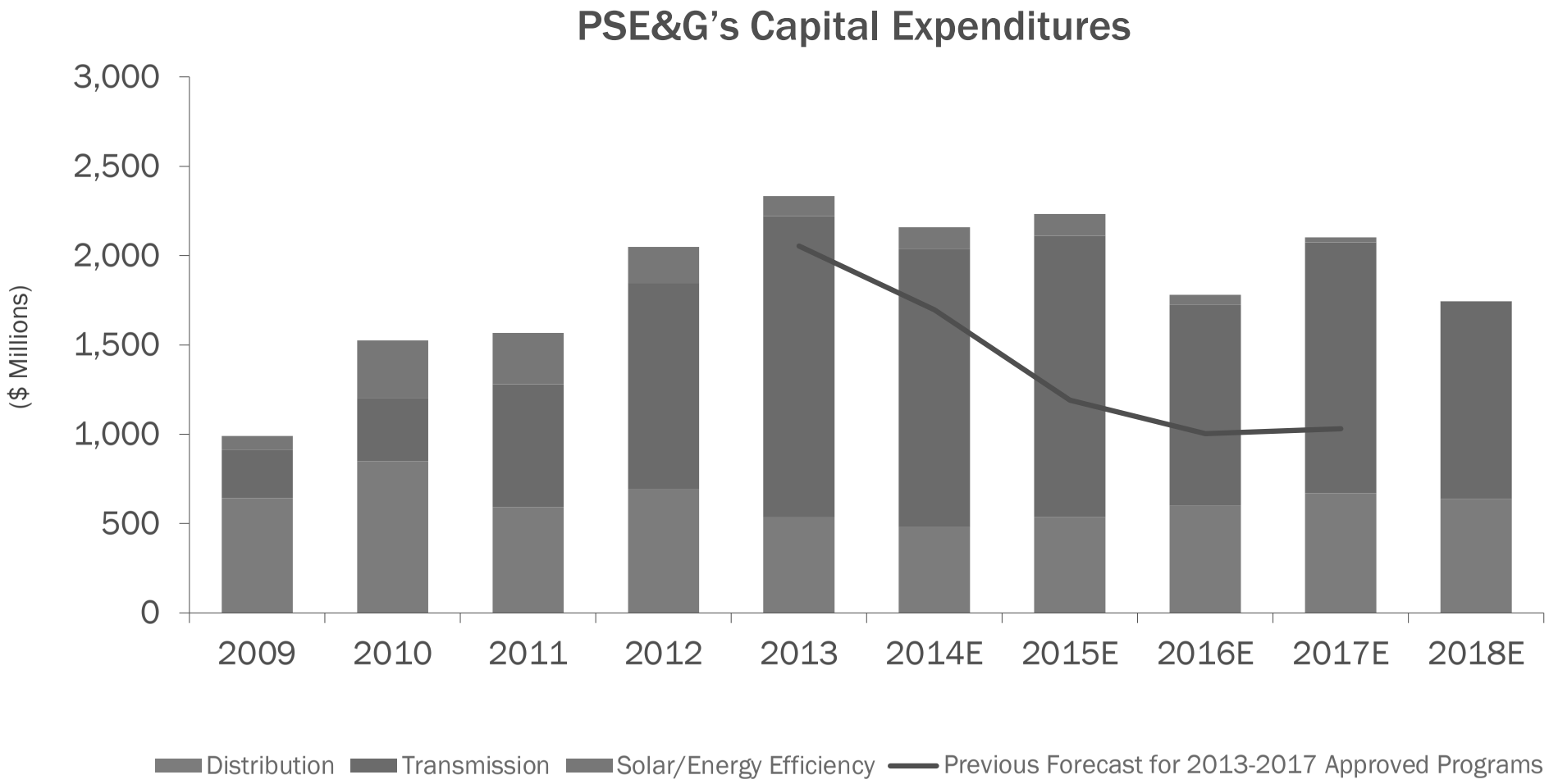
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

SI-SSA-0015-03645

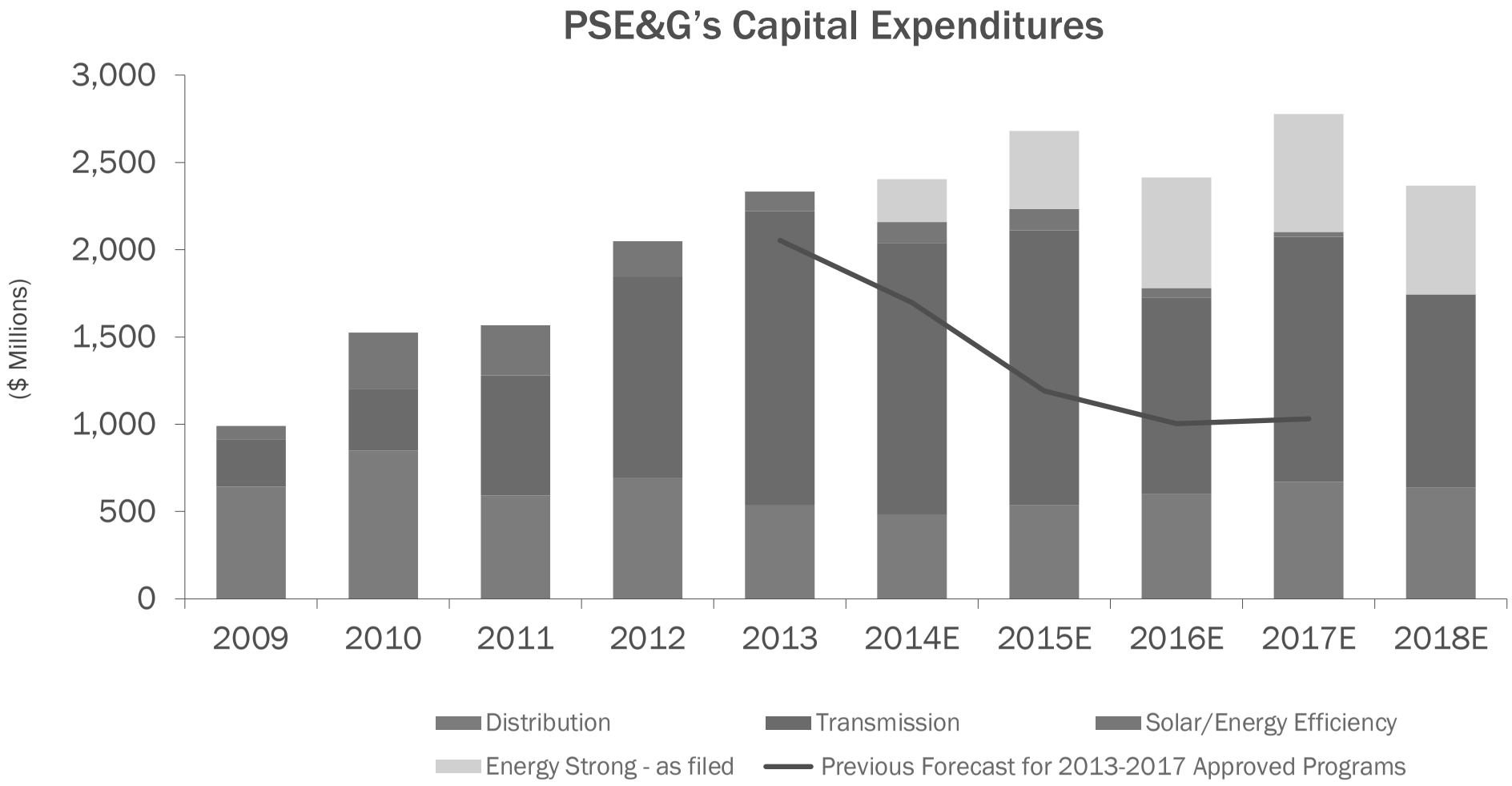
PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

SI-SSA-0015-03646

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-03647

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

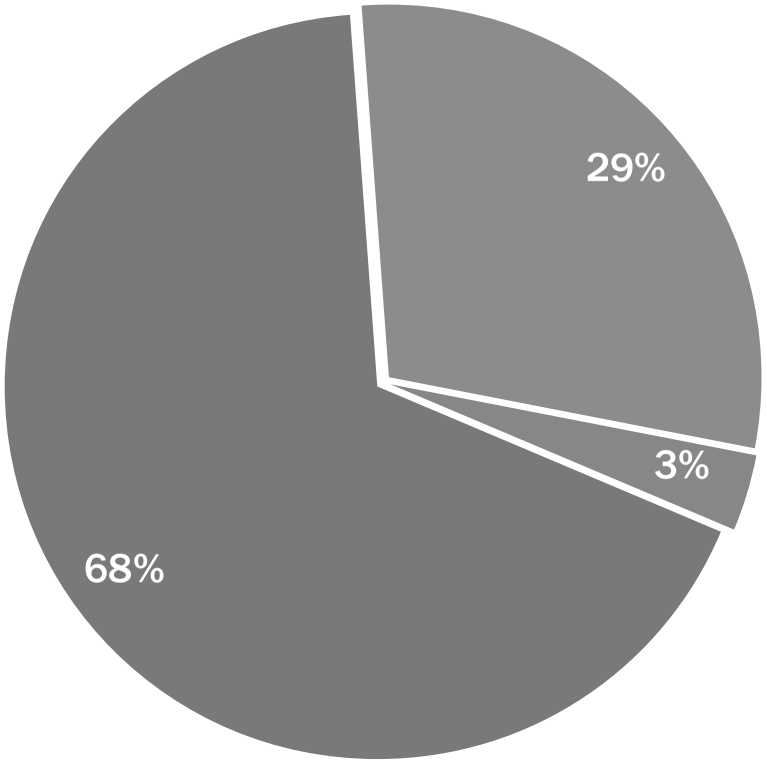
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-03648

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

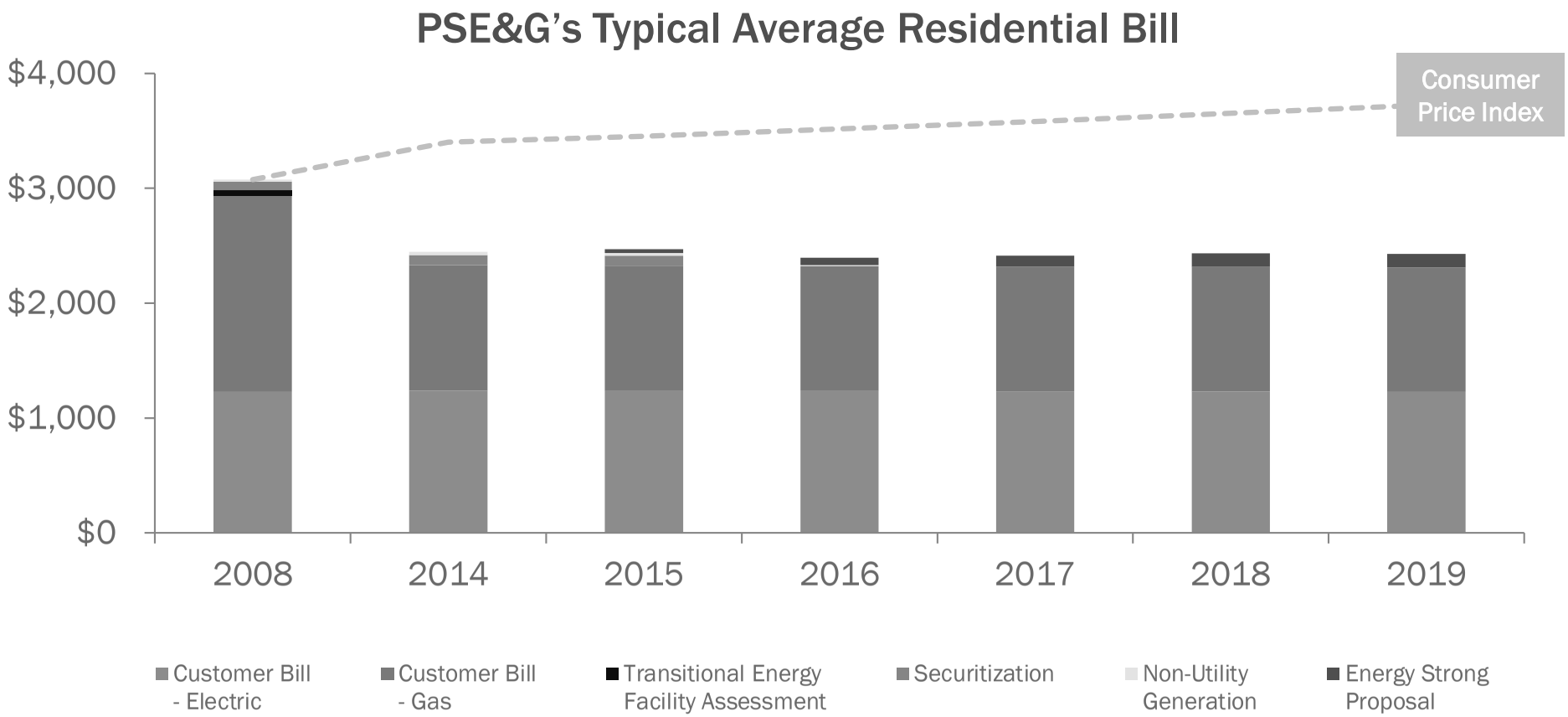
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-03649

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-03650

PSE&G TRANSMISSION

PSEG

We make things work for you.

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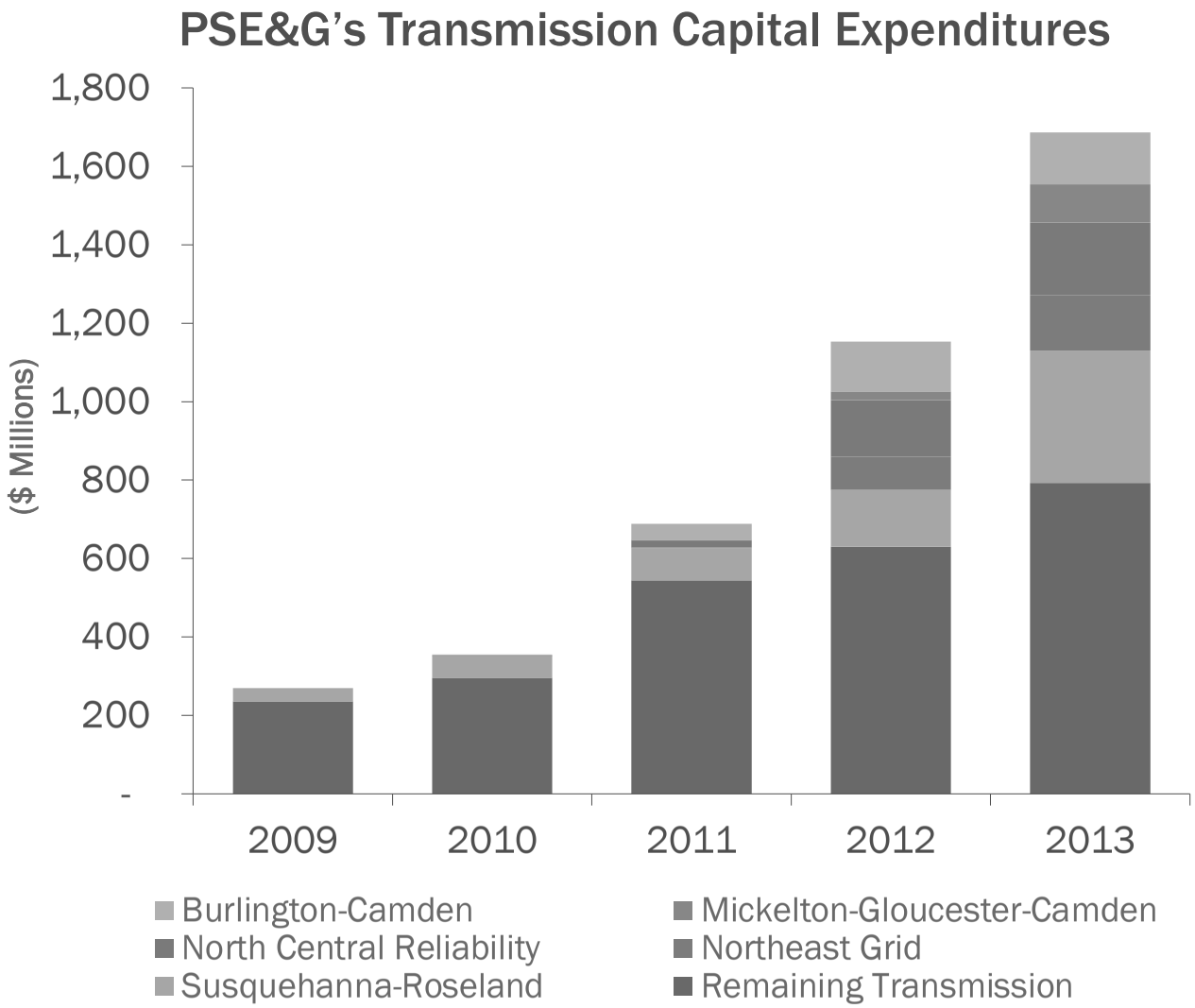
Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-03652

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-03653

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-03654

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-03655

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-03656

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-03657

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03658

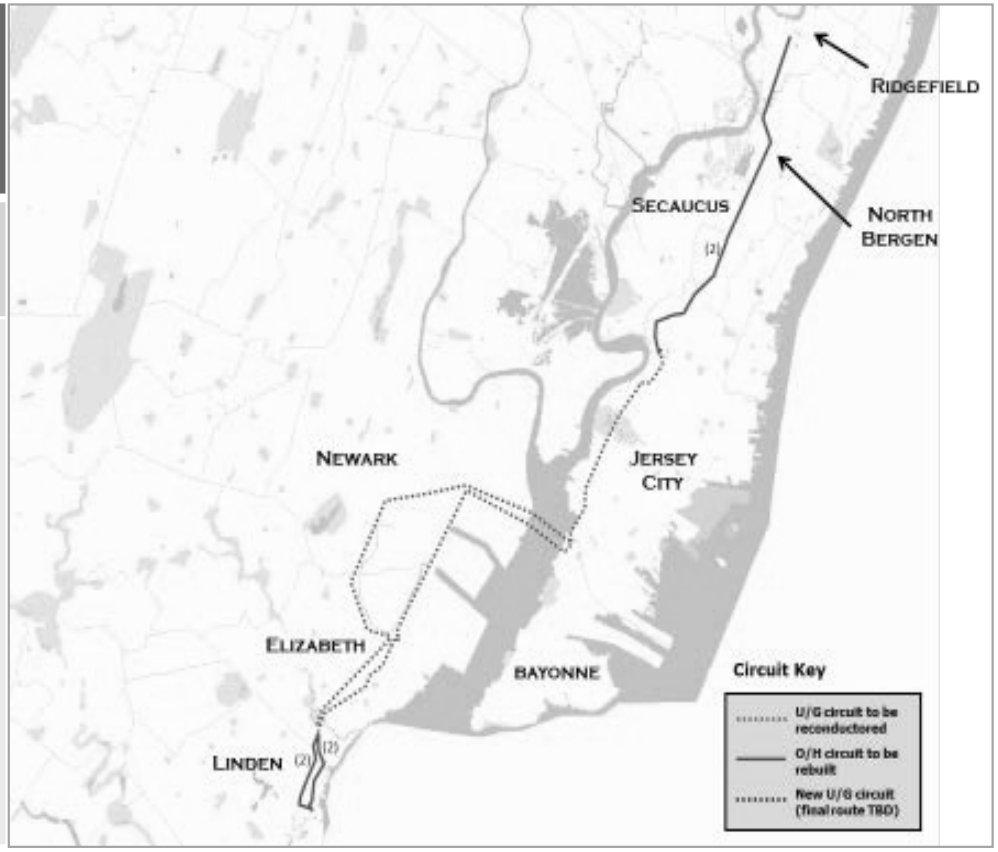
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

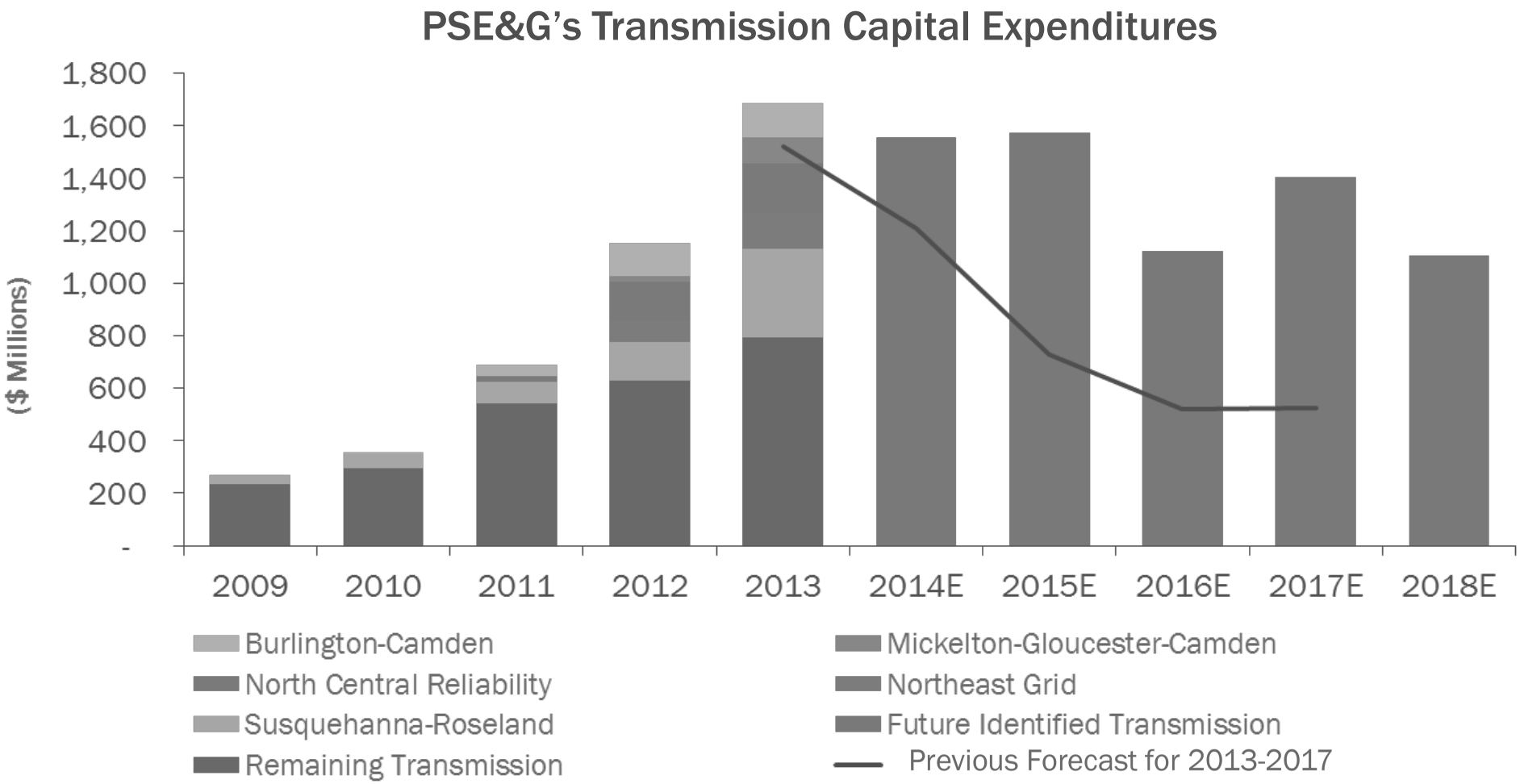
Project Status: Engineering



SI-SSA-0015-03659

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-03660

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-03661

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-03662

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-03663

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

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PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-03665

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-03666

PSEG POWER

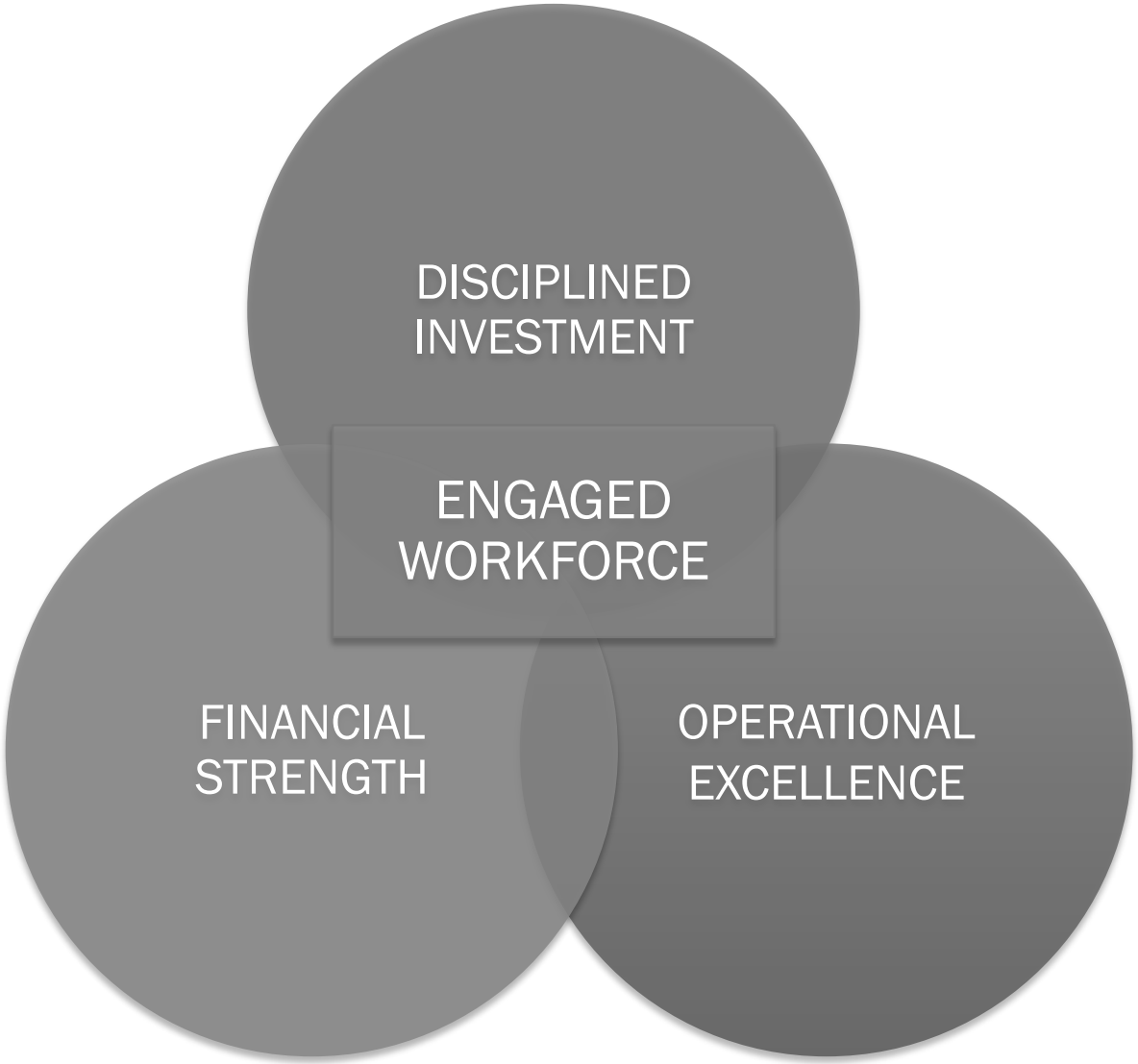
PSEG

We make things work for you.

SI-SSA-0015-03667

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-03668

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-03669

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-03670

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

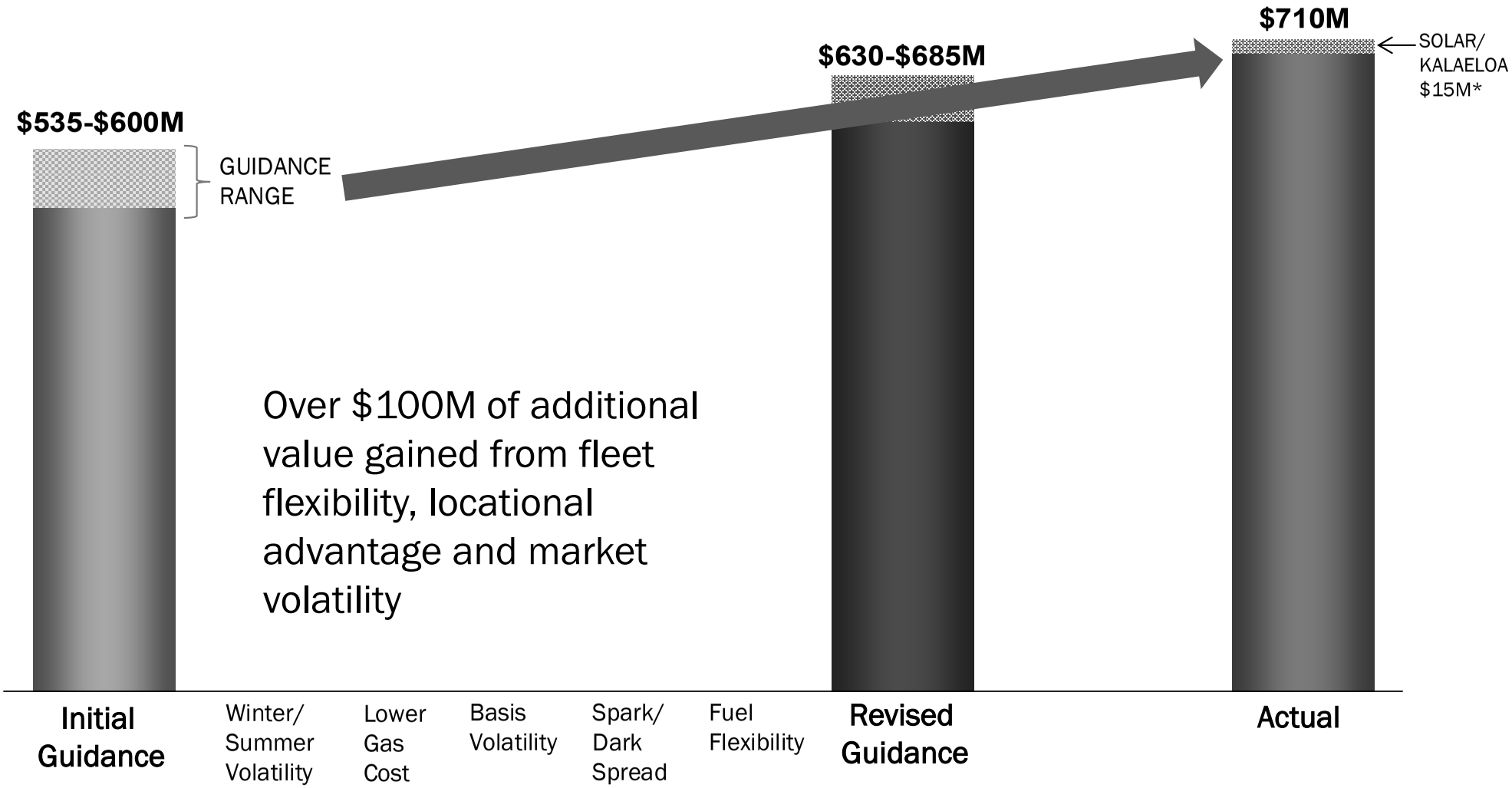
SI-SSA-0015-03671

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-03672

PSEG Power exceeded 2013's earnings guidance



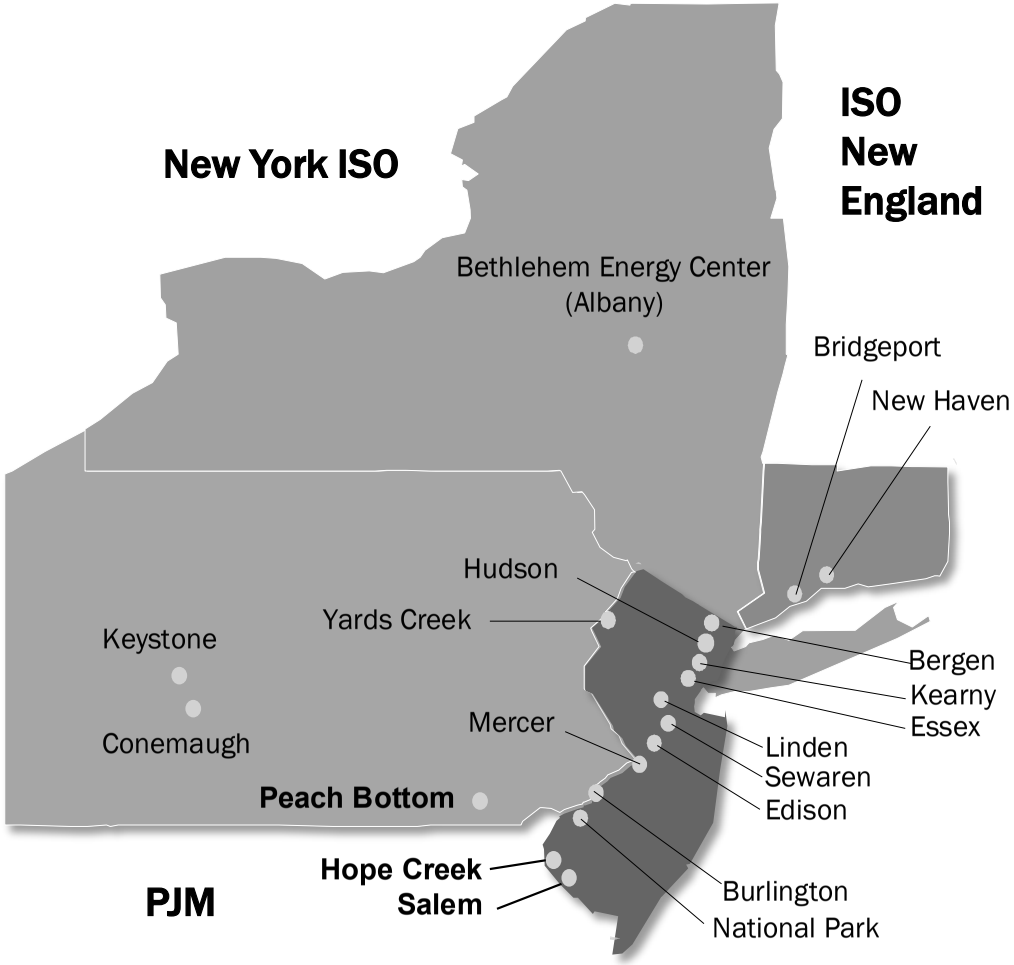
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-03673

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



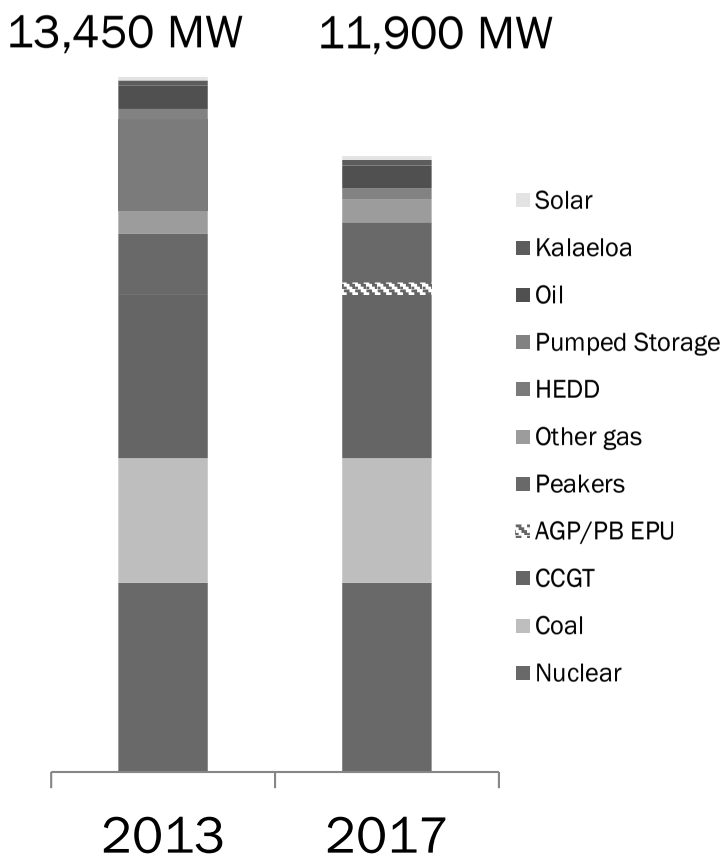
SI-SSA-0015-03674

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

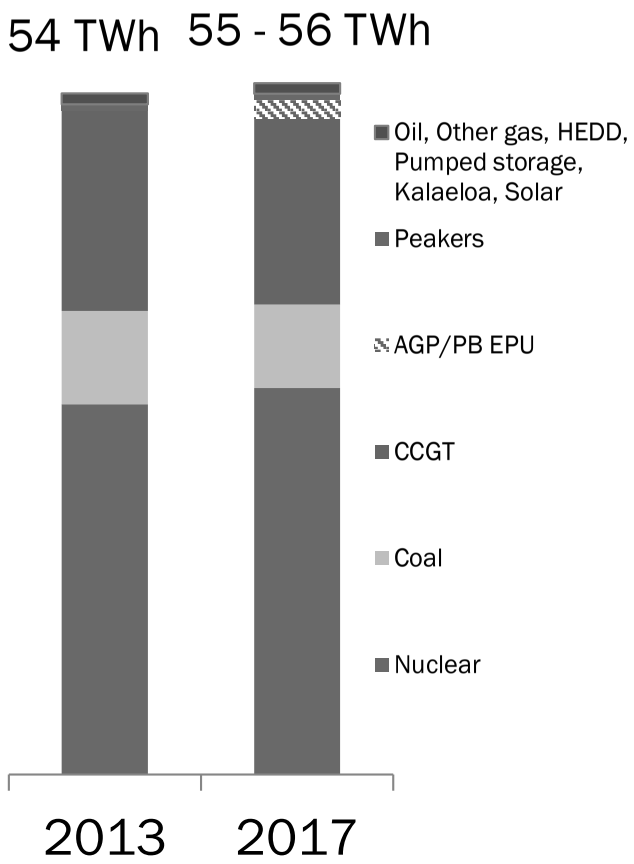
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

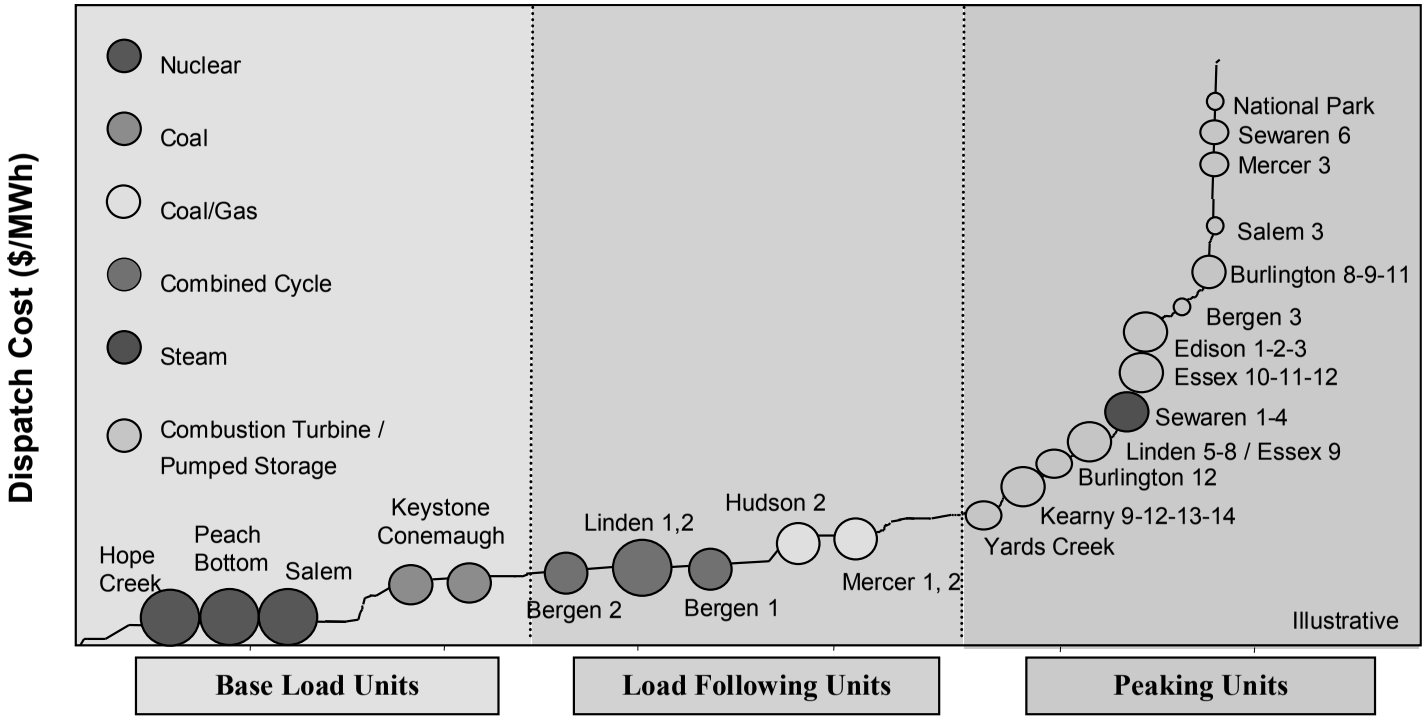


Energy Produced



SI-SSA-0015-03675

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-03676

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-03677

PSEG Power Nuclear is core to the fleet and has competitive advantages

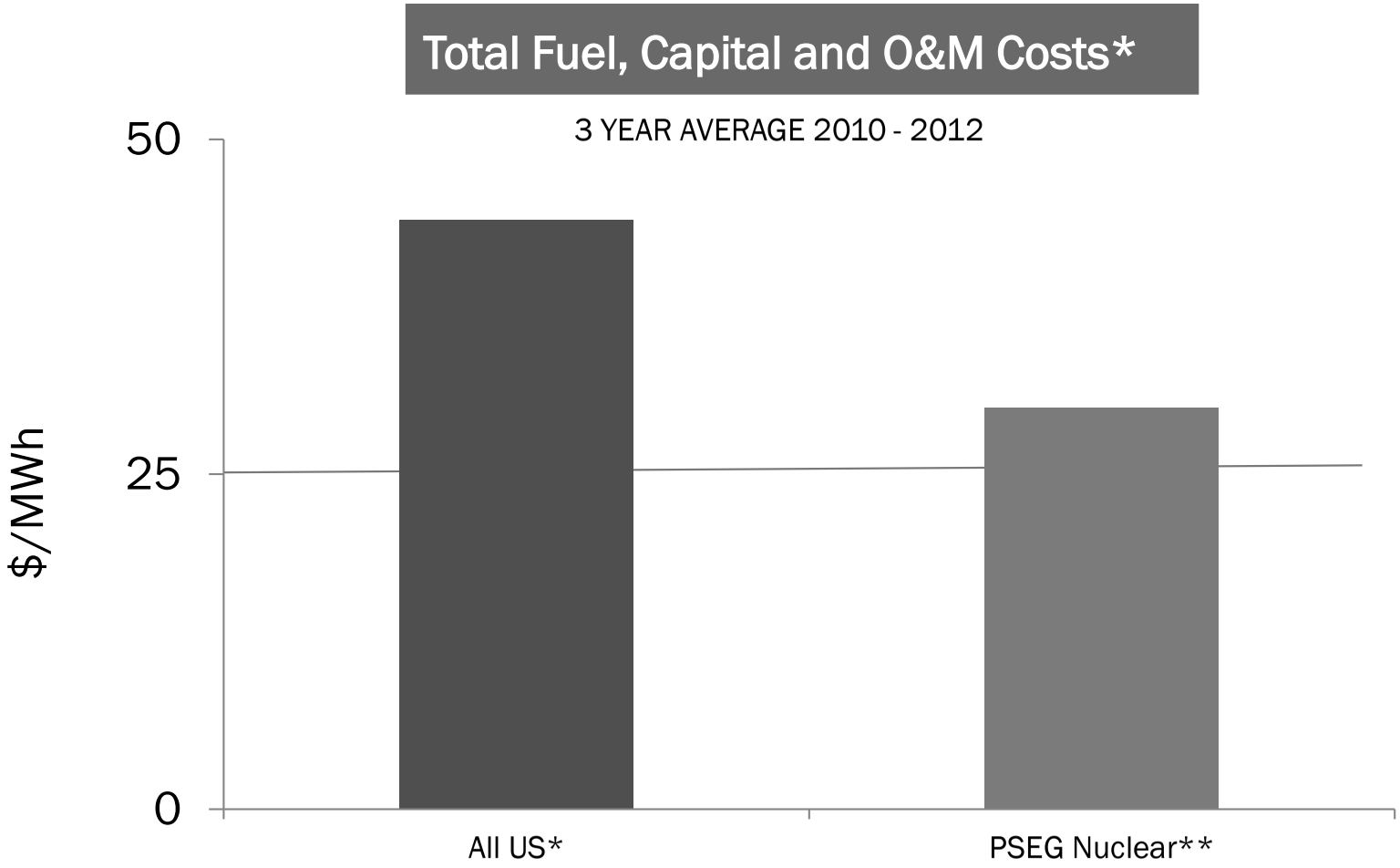
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-03678

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

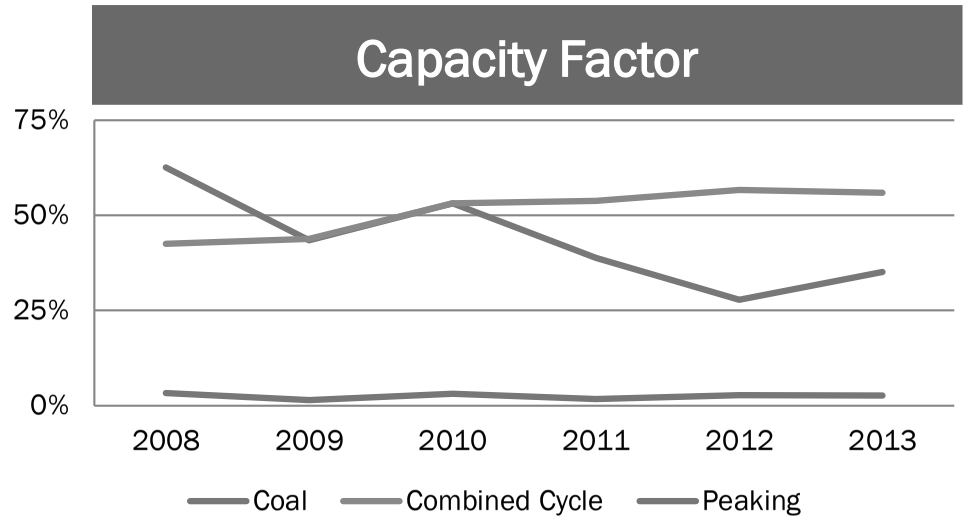


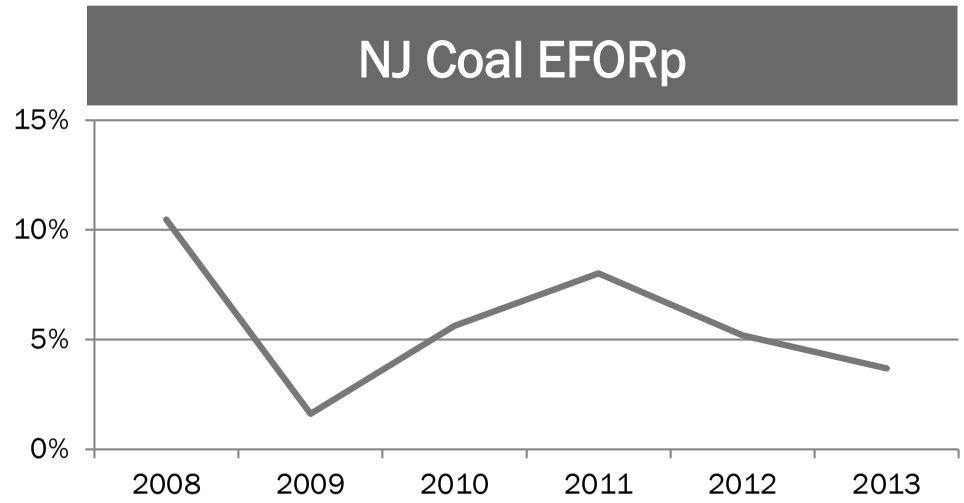
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

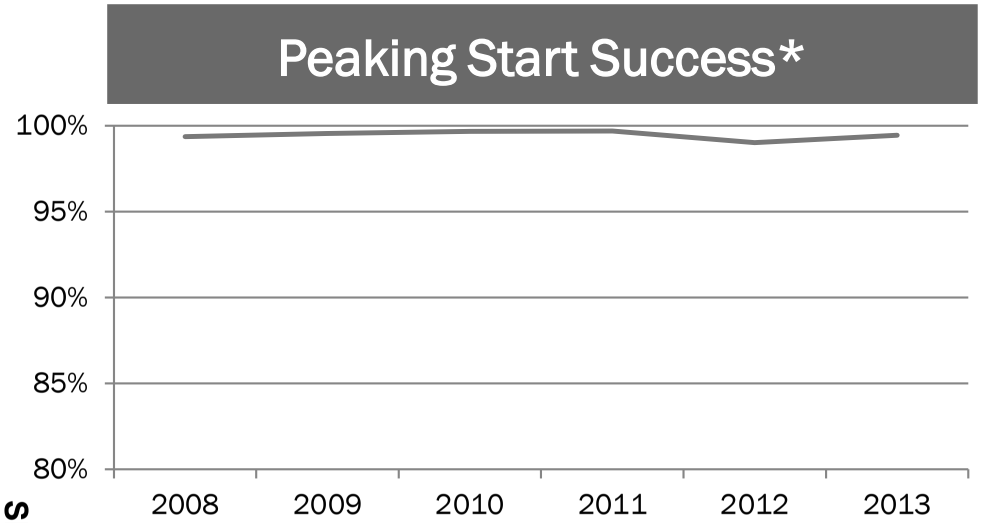
SI-SSA-0015-03679

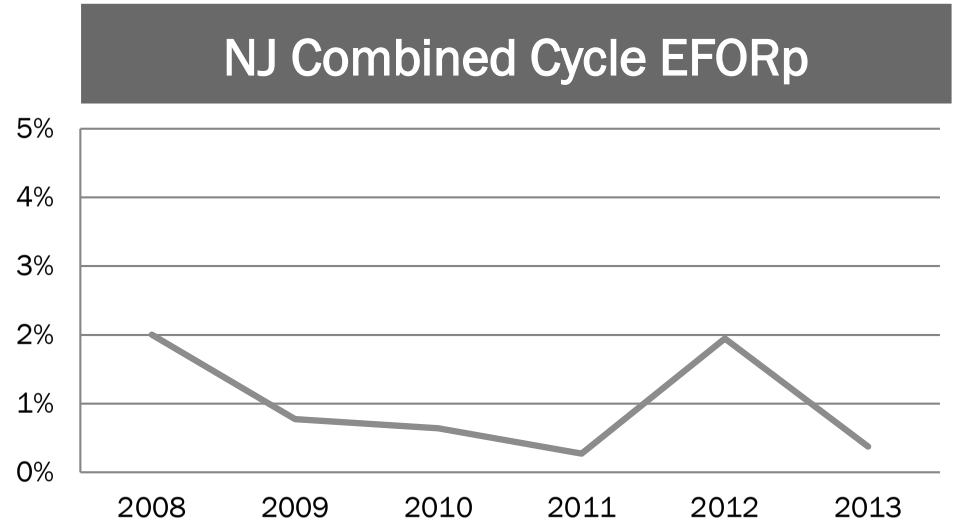
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

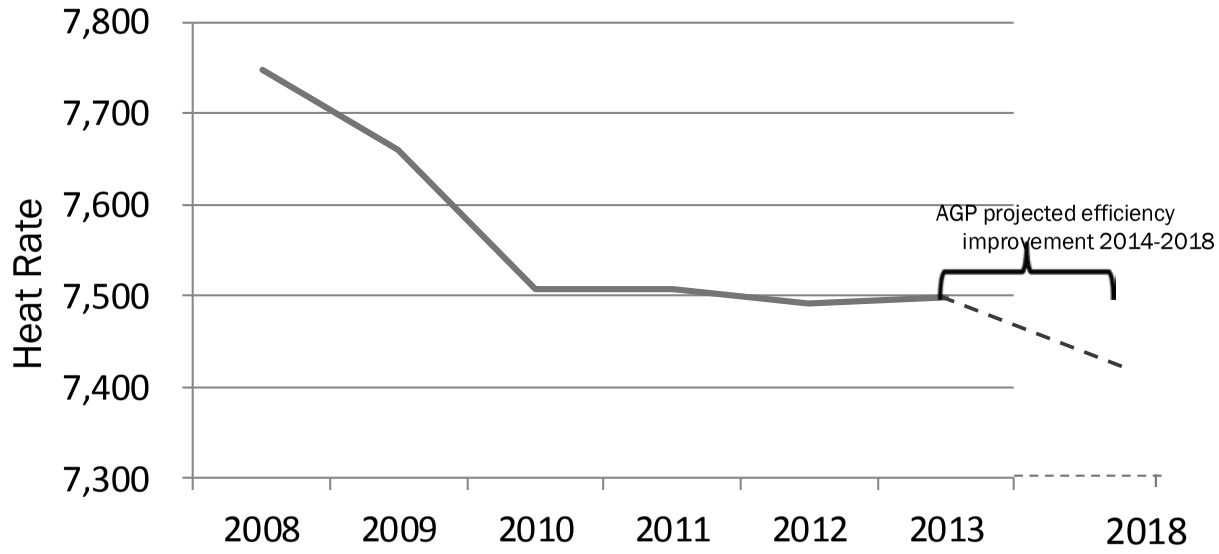
SI-SSA-0015-03680

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-03681

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

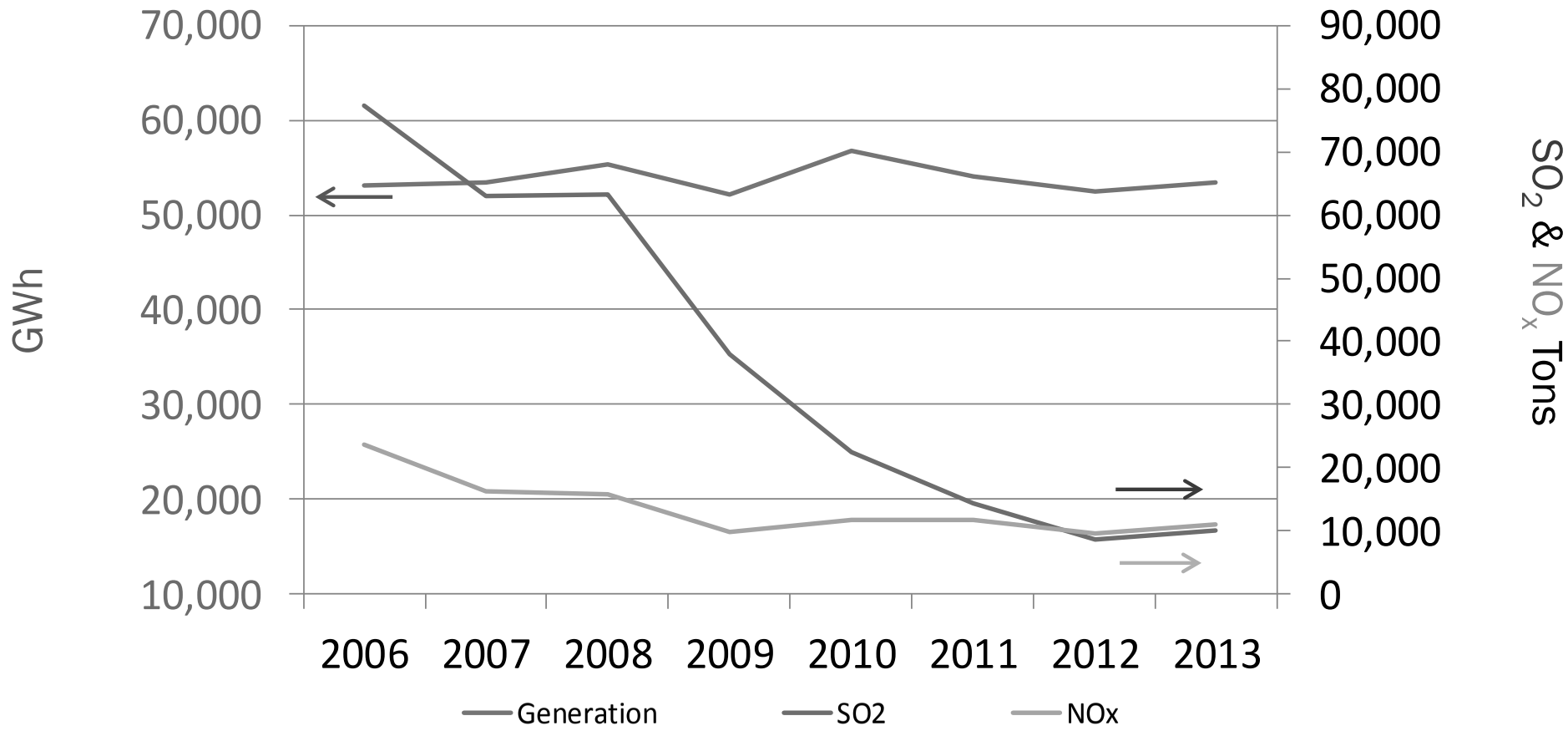
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-03682

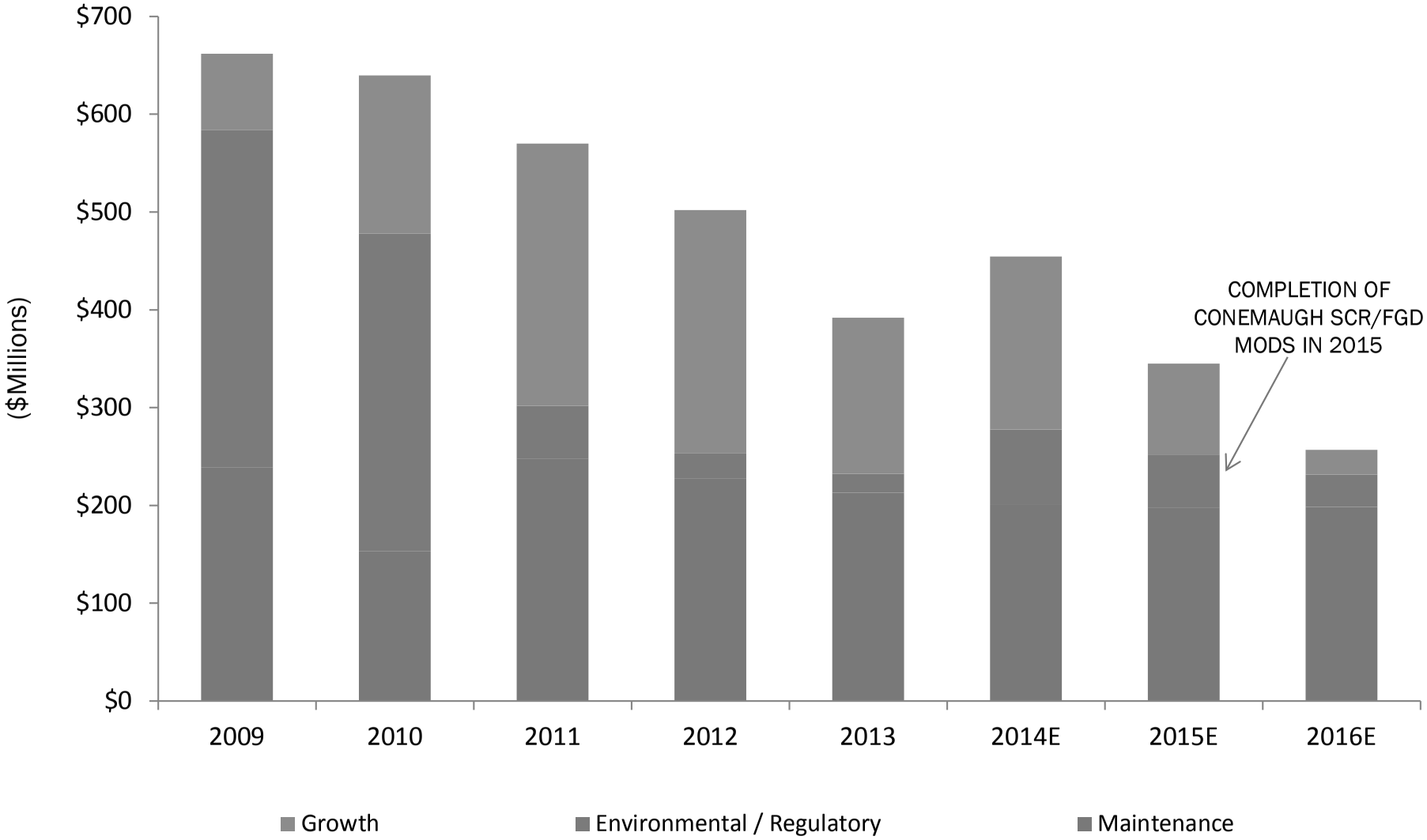
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-03683

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-03684

PSEG Power's focus on costs

has resulted in

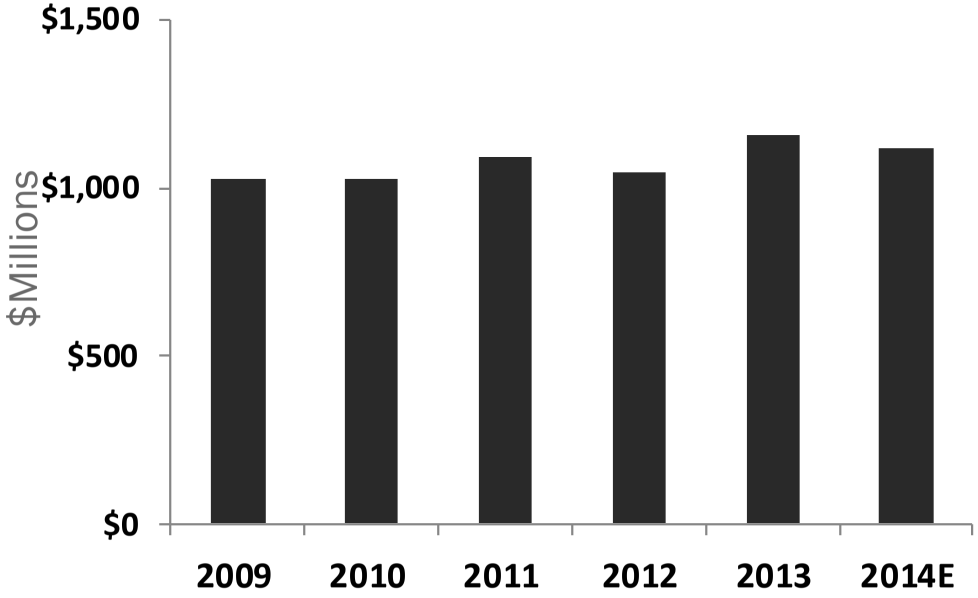
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-03685

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-03686

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-03687

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-03688

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-03689

PSEG POWER
ER&T

SI-SSA-0015-03690

PSEG

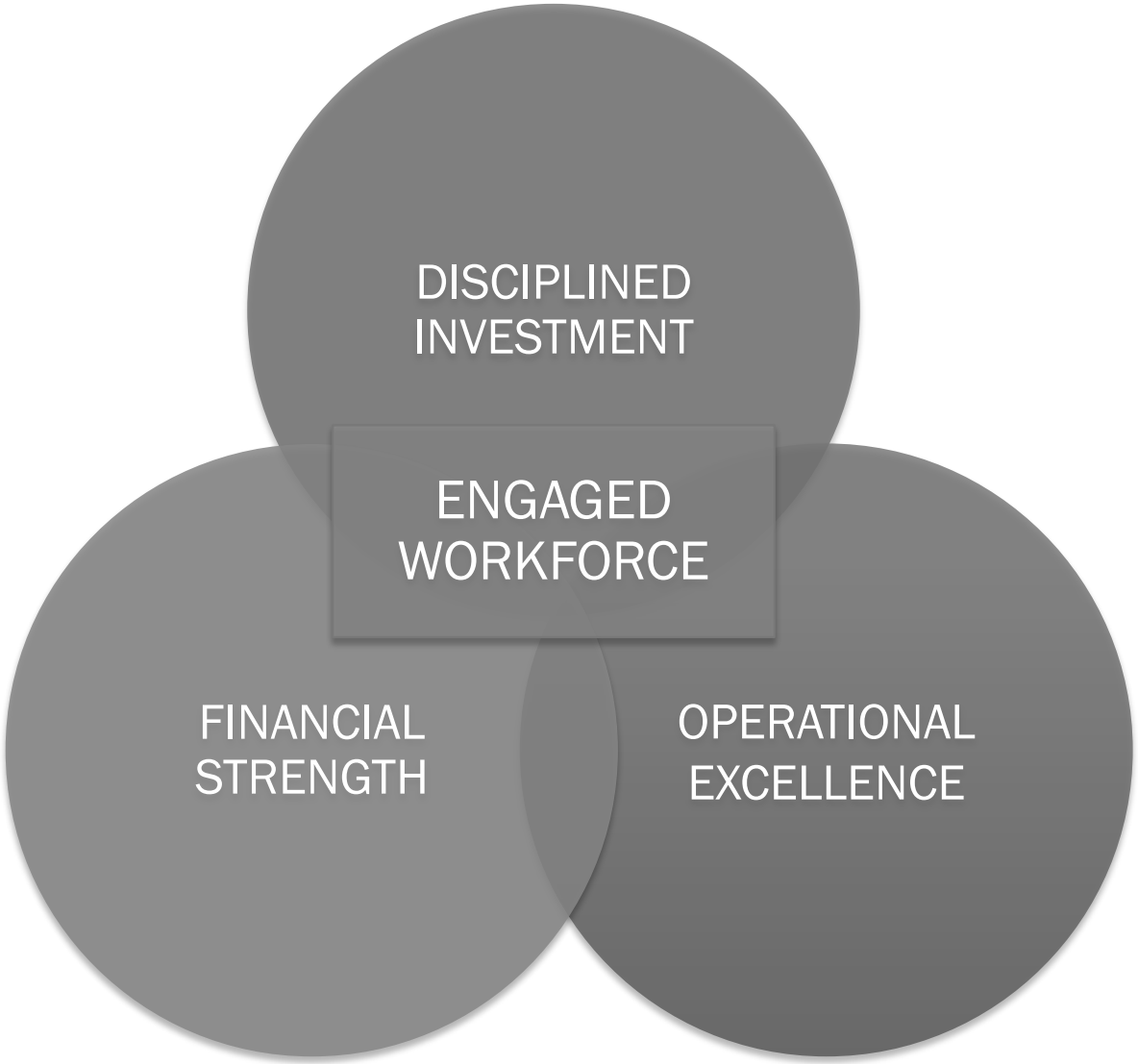
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-03691

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

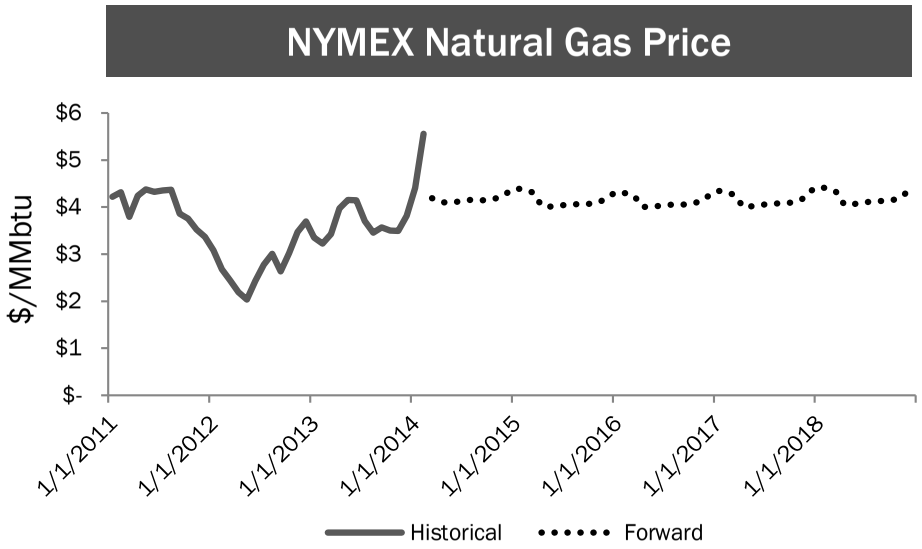
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

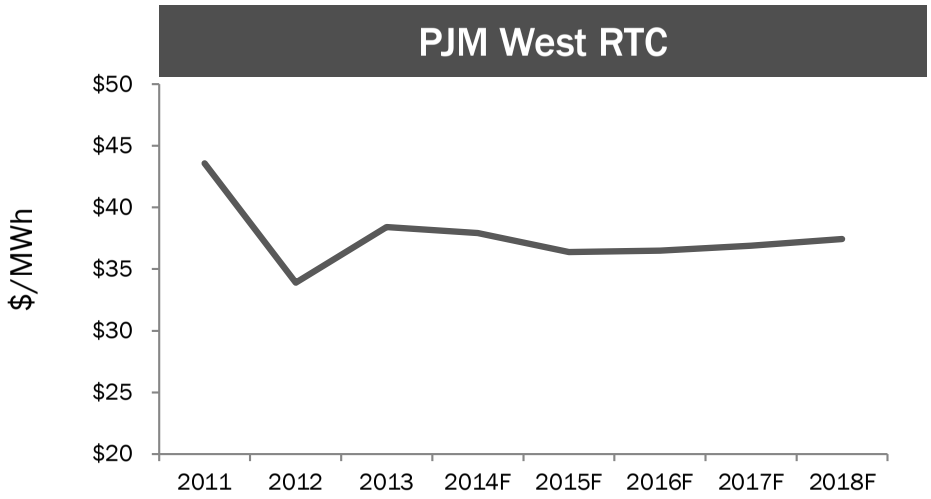
PSEG's Sustainable Advantage

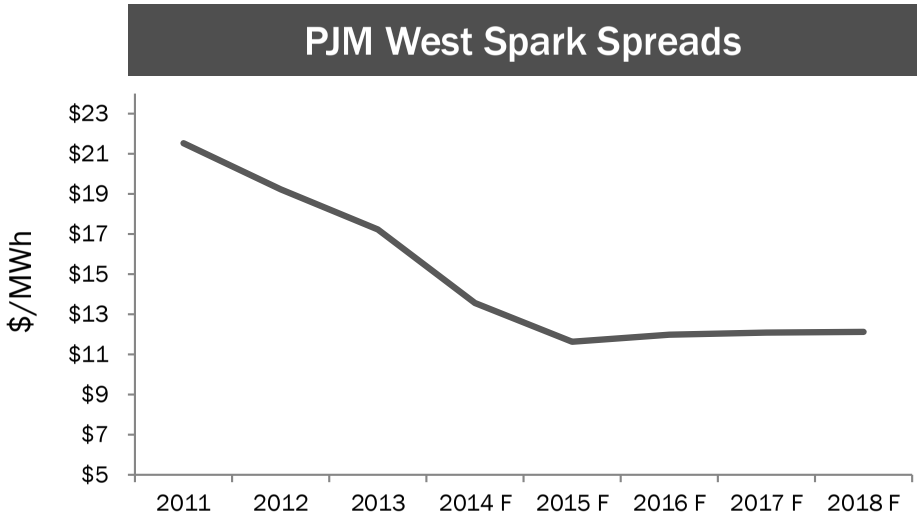
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-03692

Market Review: Prices have stabilized







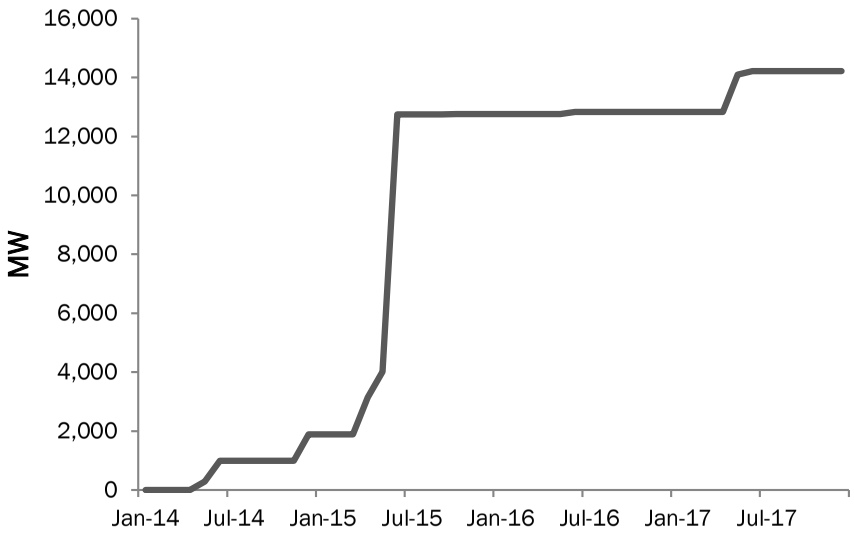
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-03693

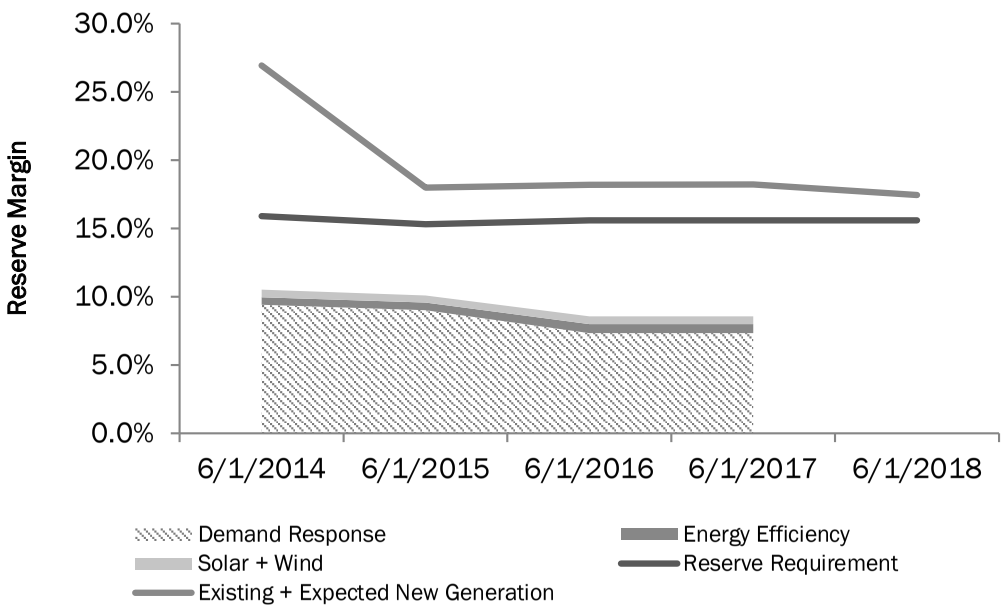
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-03694

PSEG

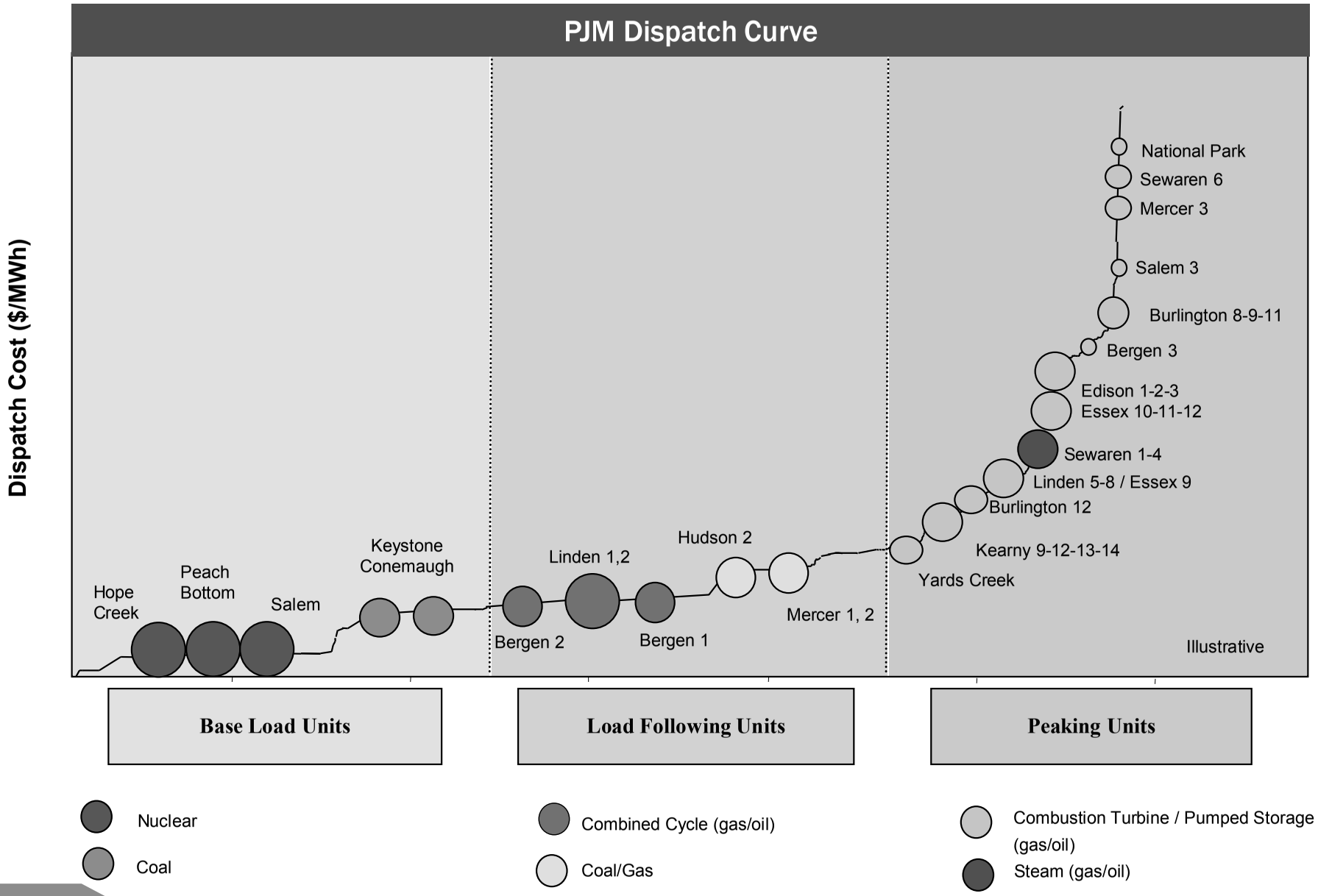
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

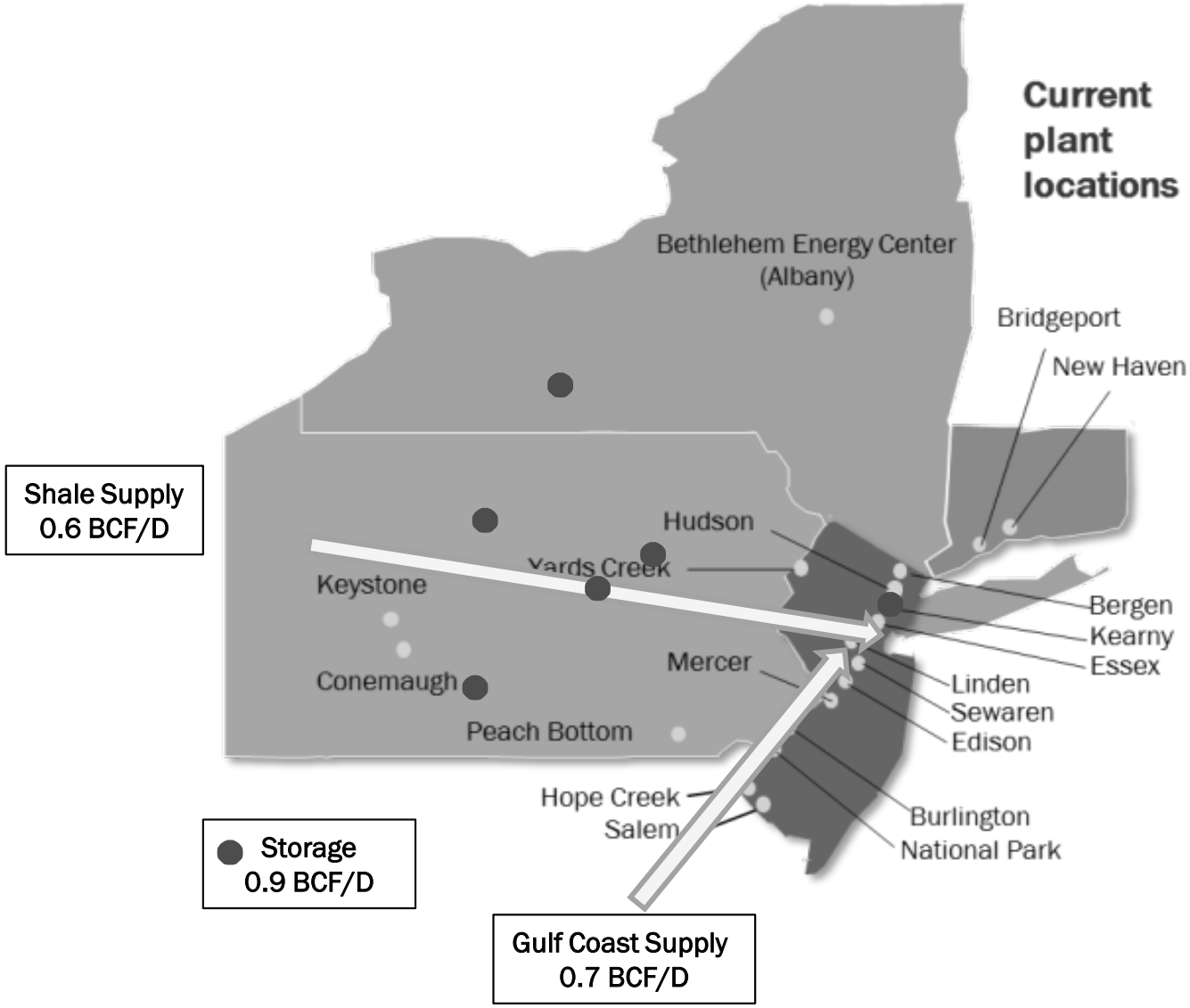
SI-SSA-0015-03695

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



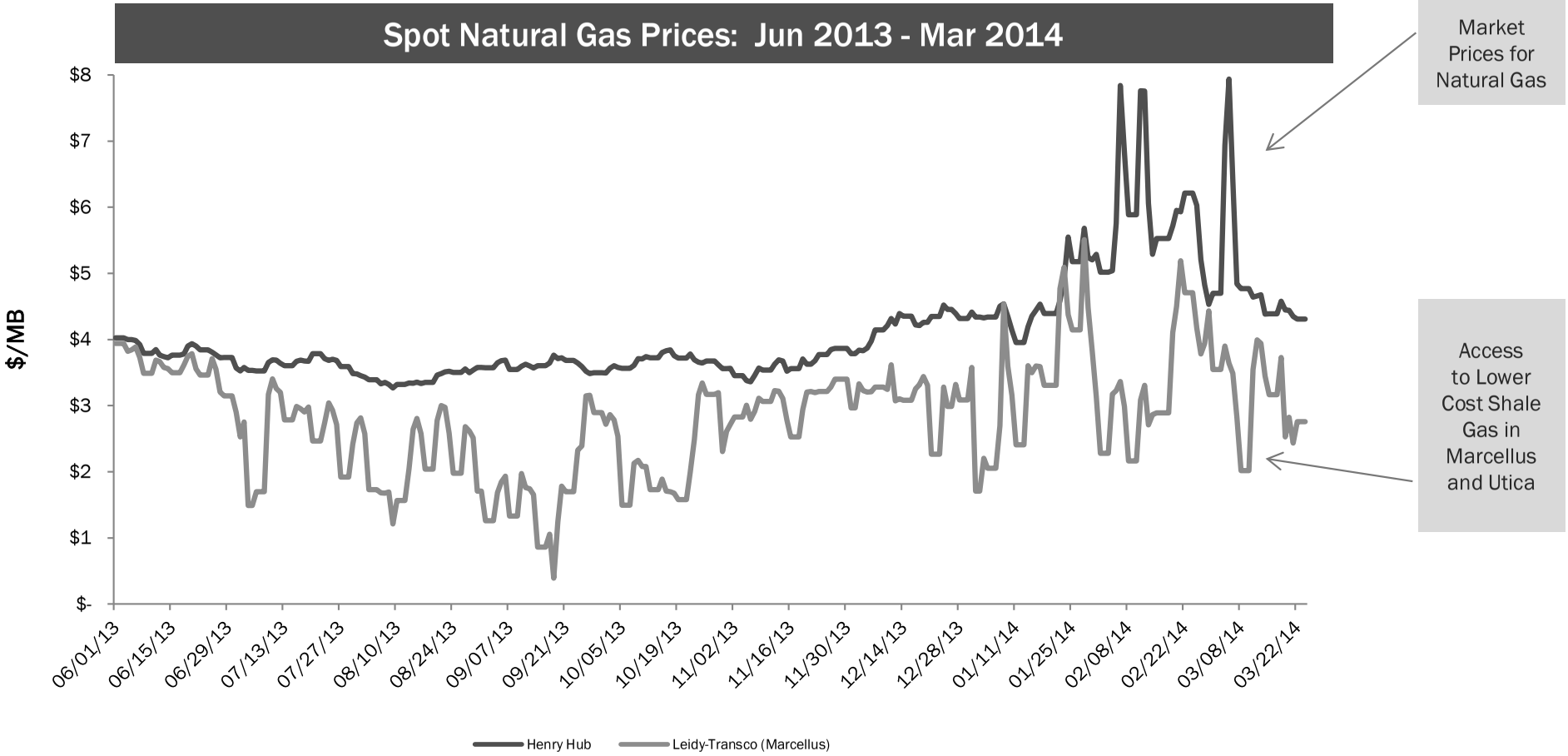
SI-SSA-0015-03696

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-03697

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

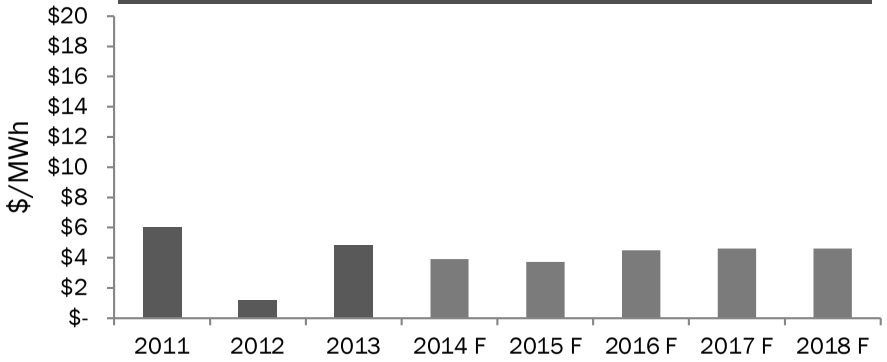


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

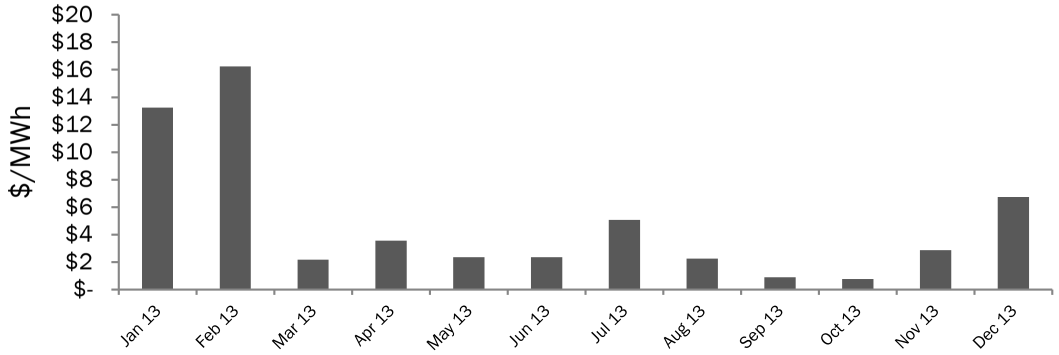
SI-SSA-0015-03698

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

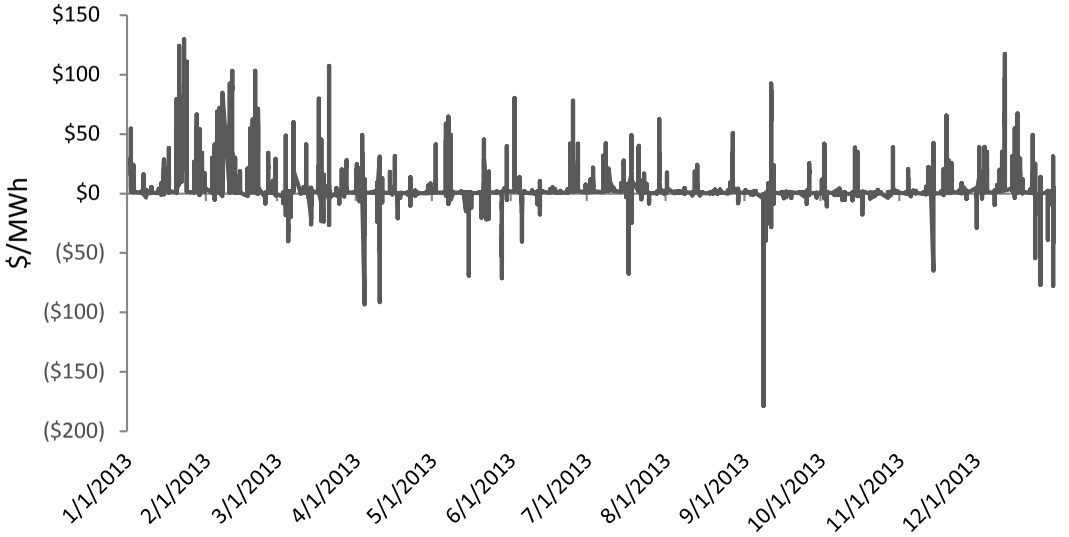


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W

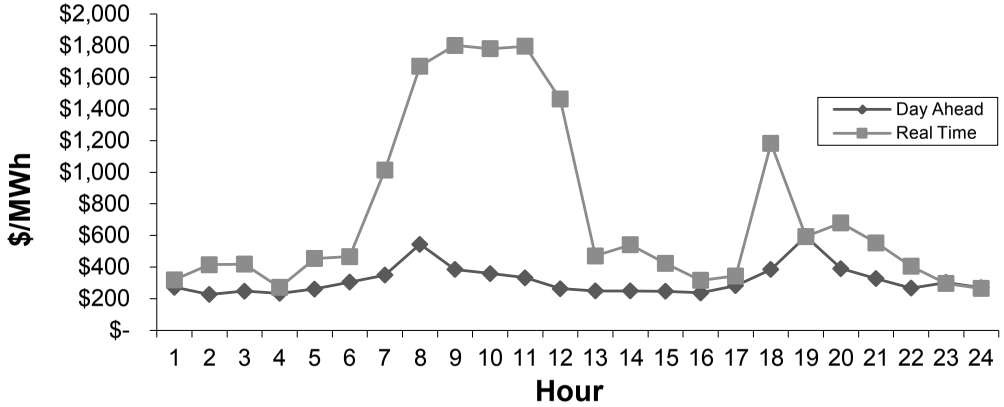


SI-SSA-0015-03699

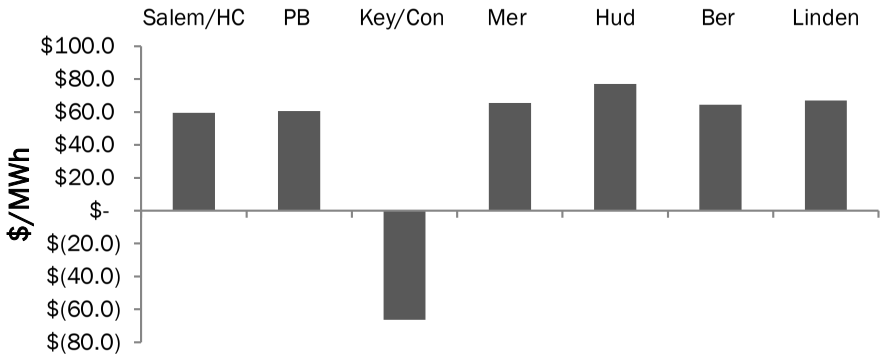
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

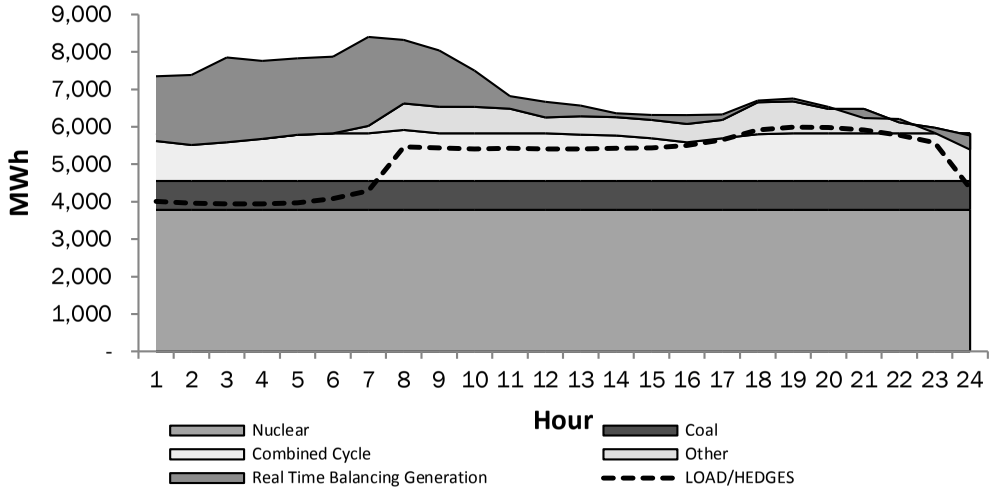
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

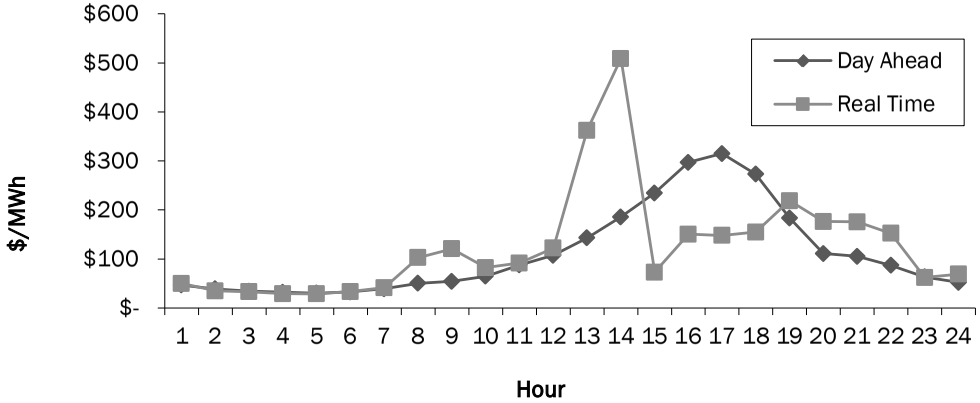


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

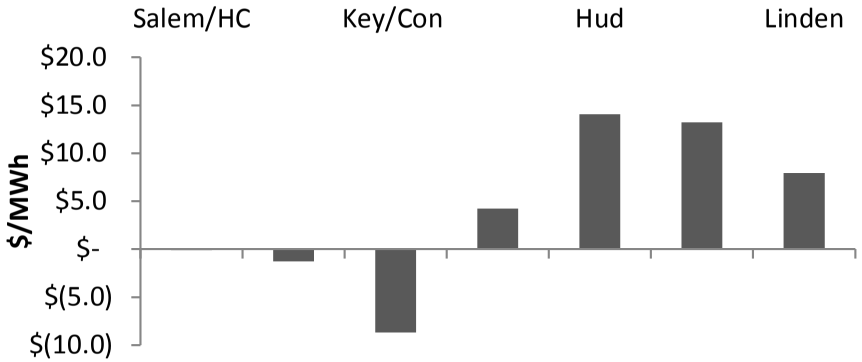
SI-SSA-0015-03700

Competitive Advantage: Trading & Asset Flexibility

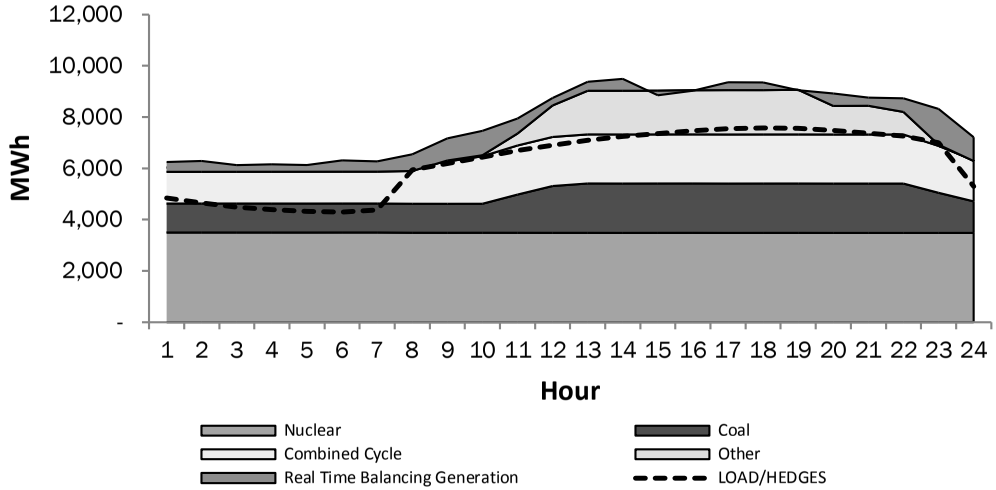
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



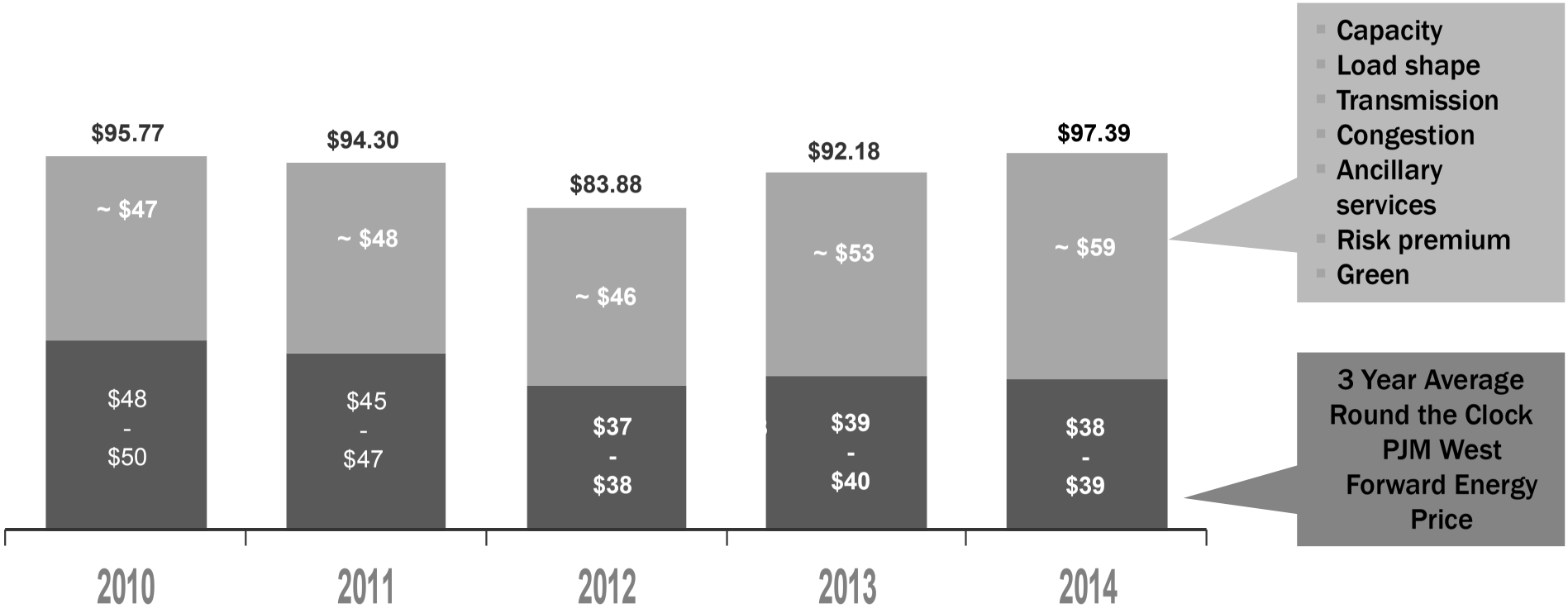
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-03701

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-03702

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-03703

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

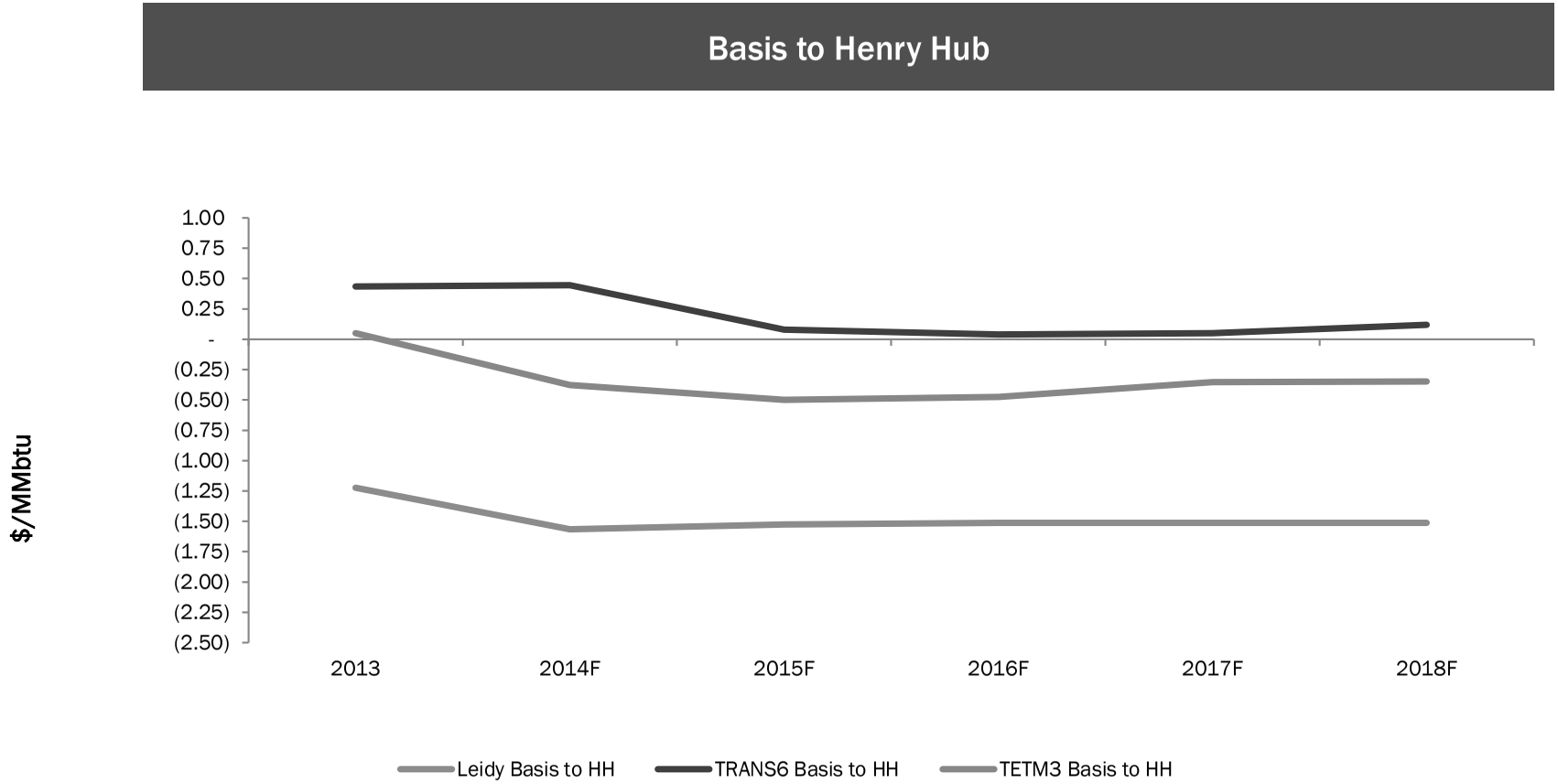
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-03704

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-03705

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-03706

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-03707

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-03708

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

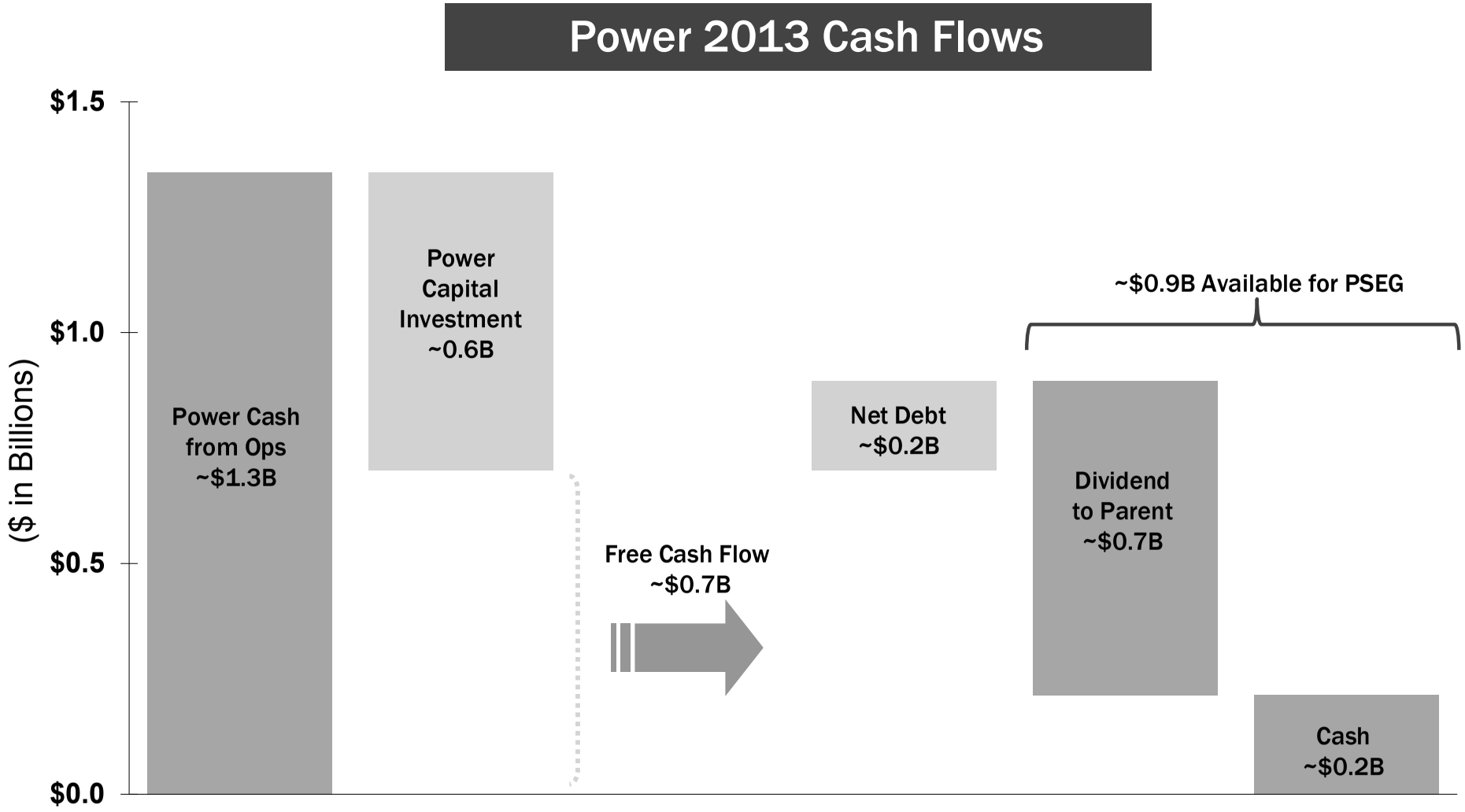
SI-SSA-0015-03709

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

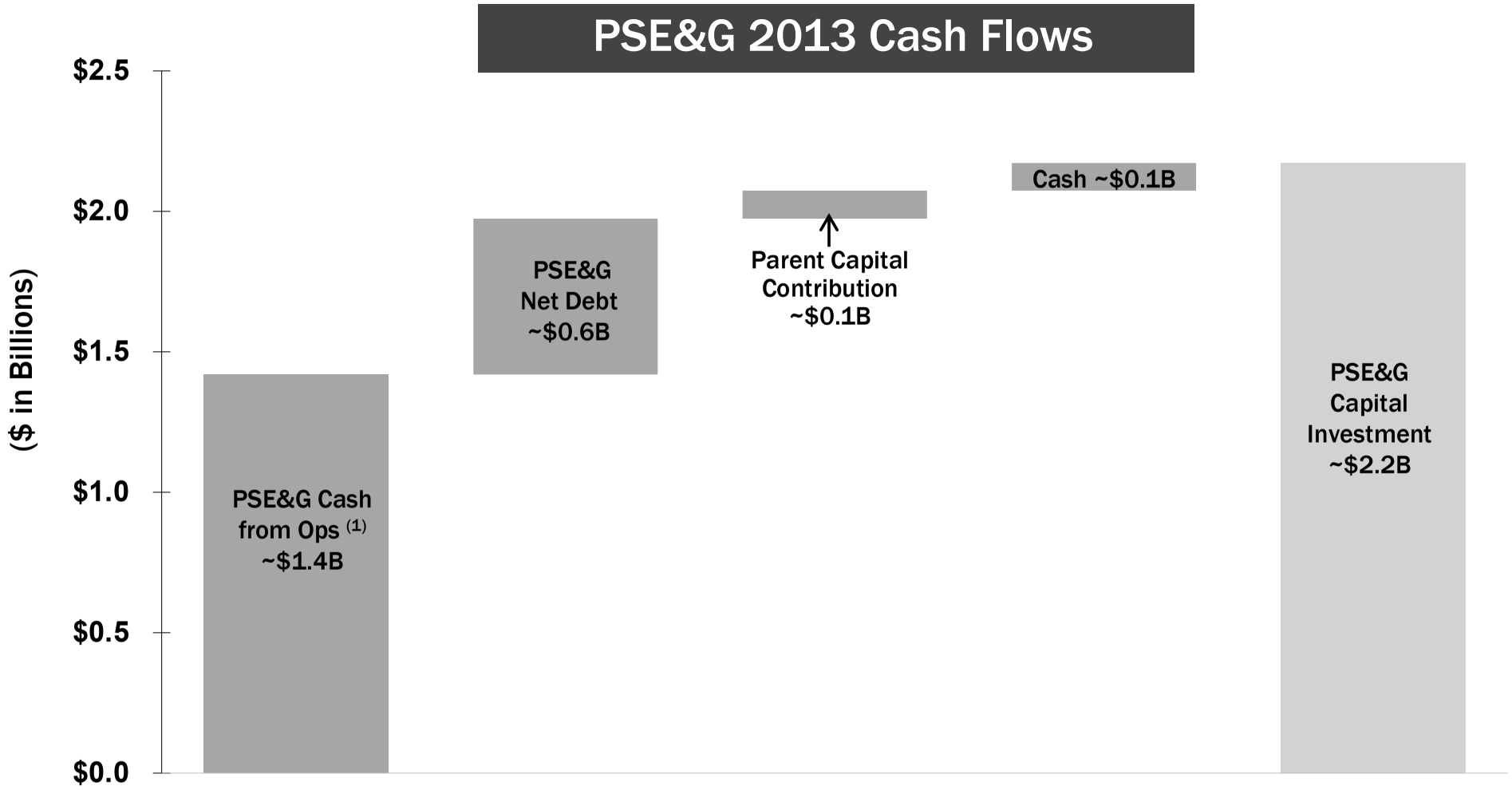
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-03710

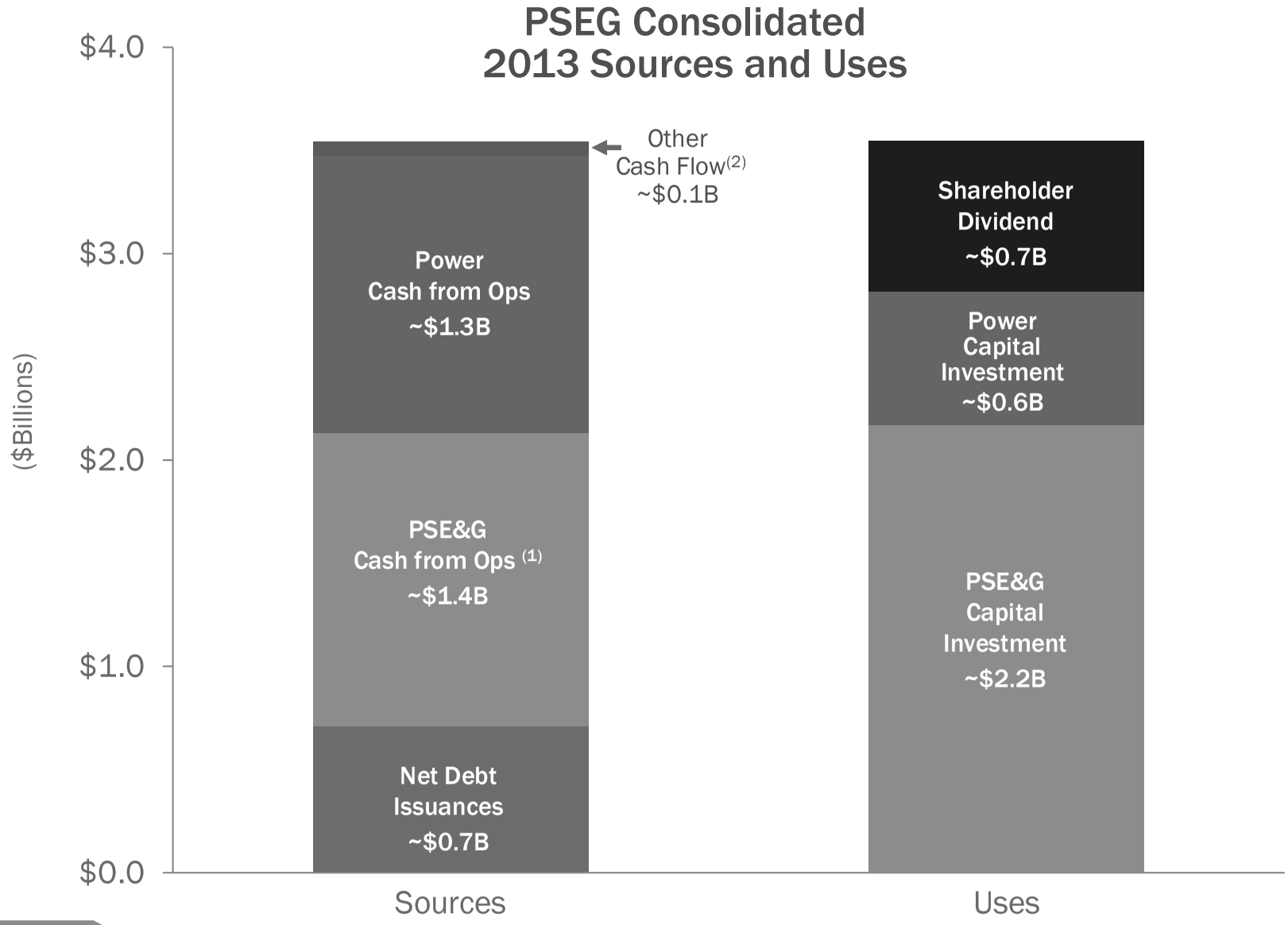
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-03711

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

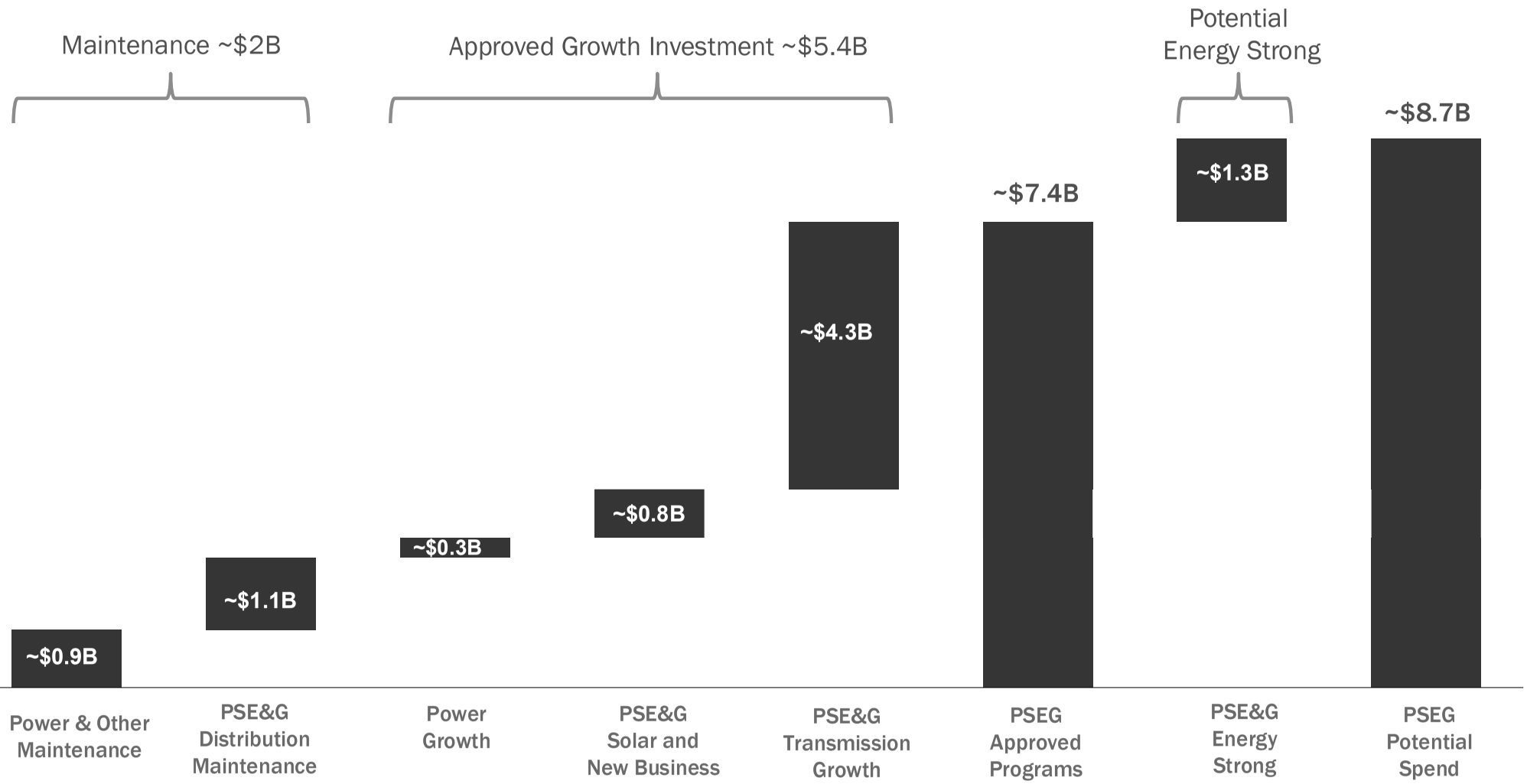


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-03712

PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

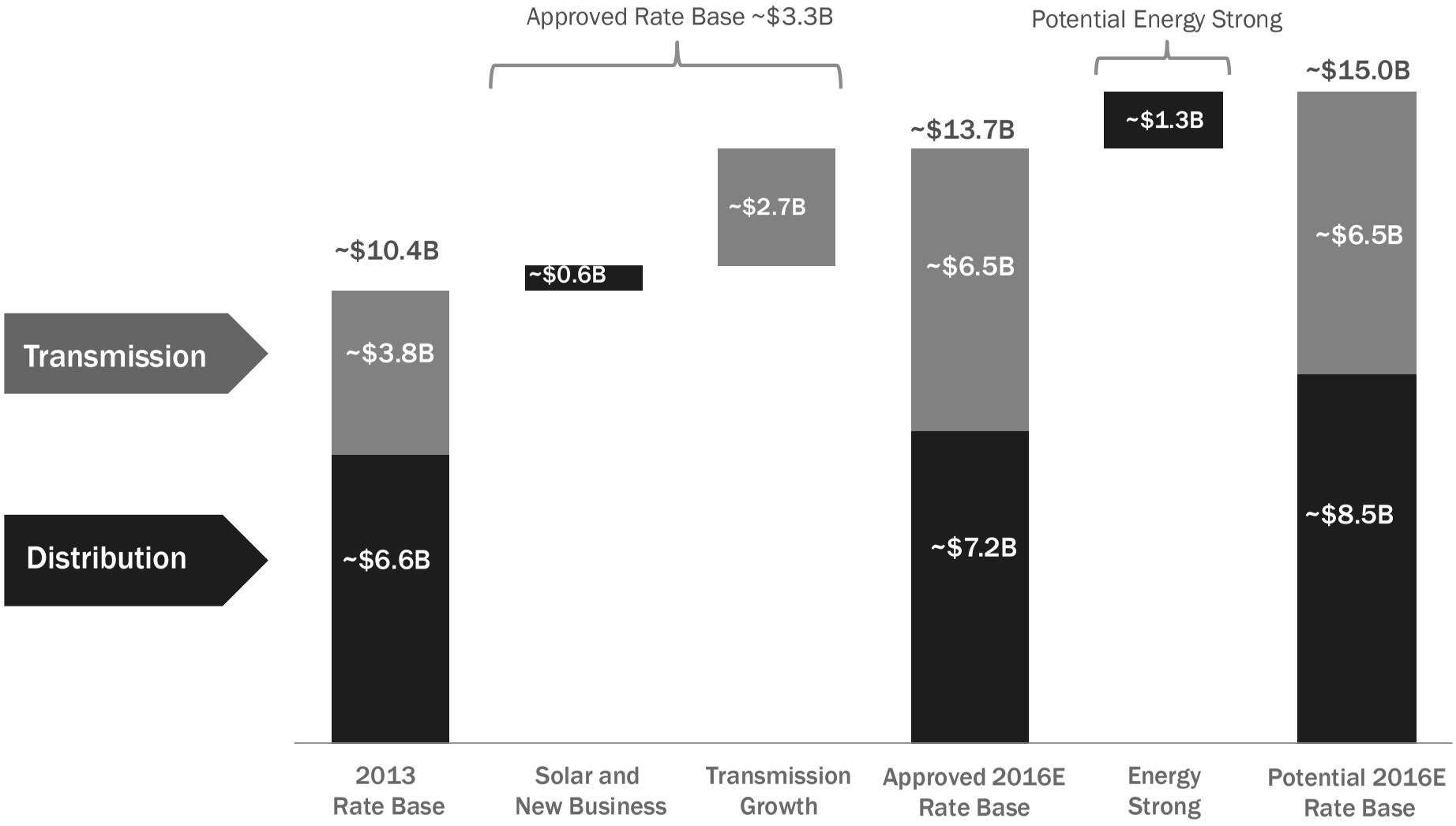


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-03713

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

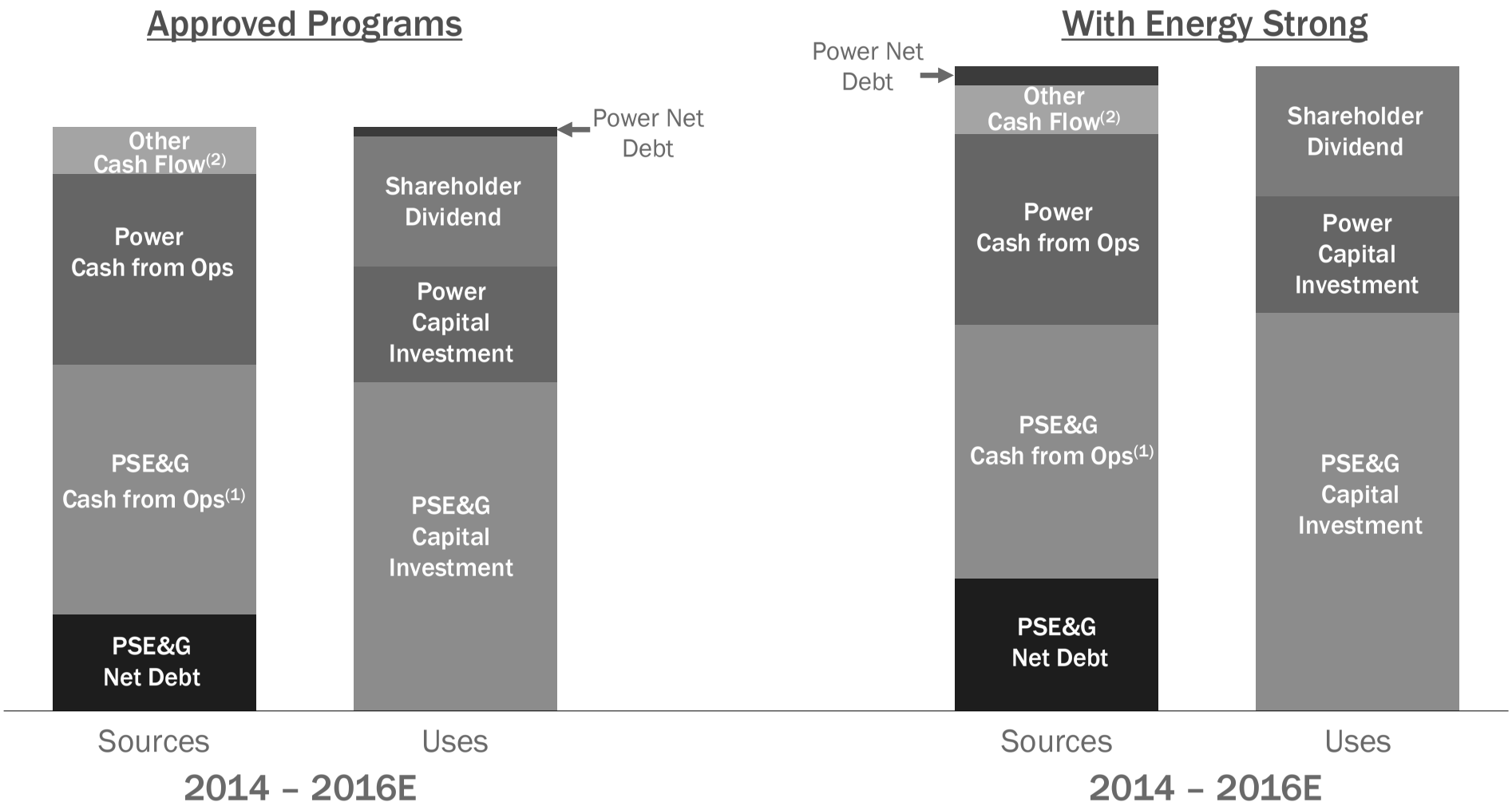
2013 – 2016E Rate Base CAGR in approved Growth of ~10%



SI-SSA-0015-03714

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

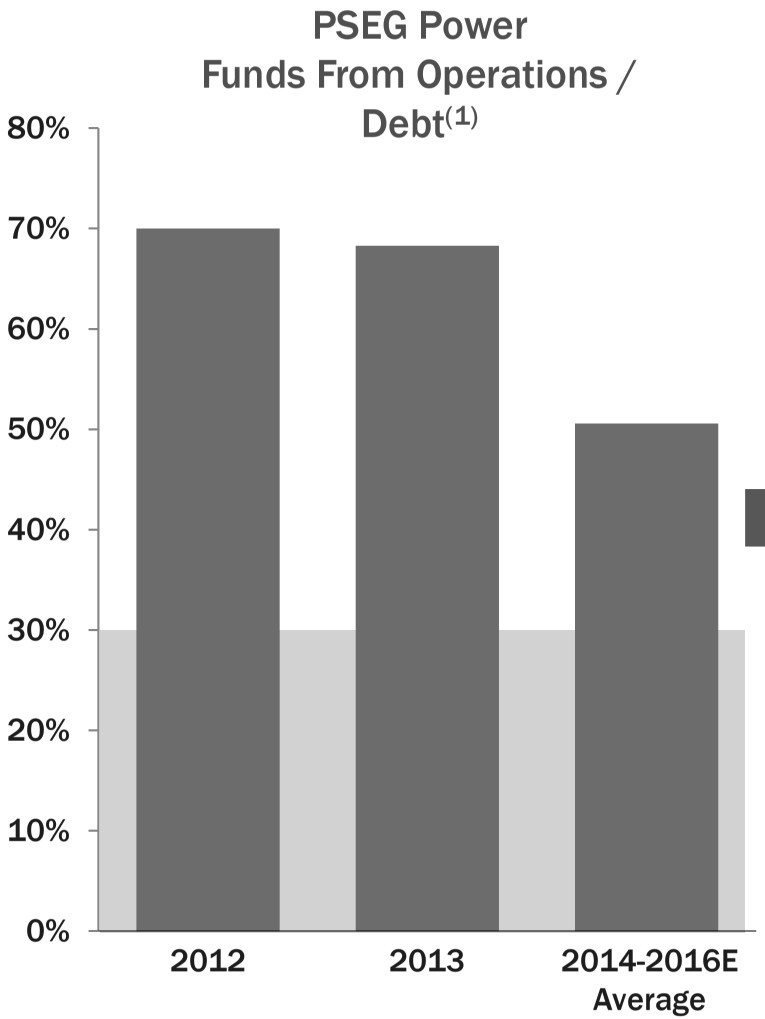
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-03715

Power's key credit metric supports incremental investment opportunities

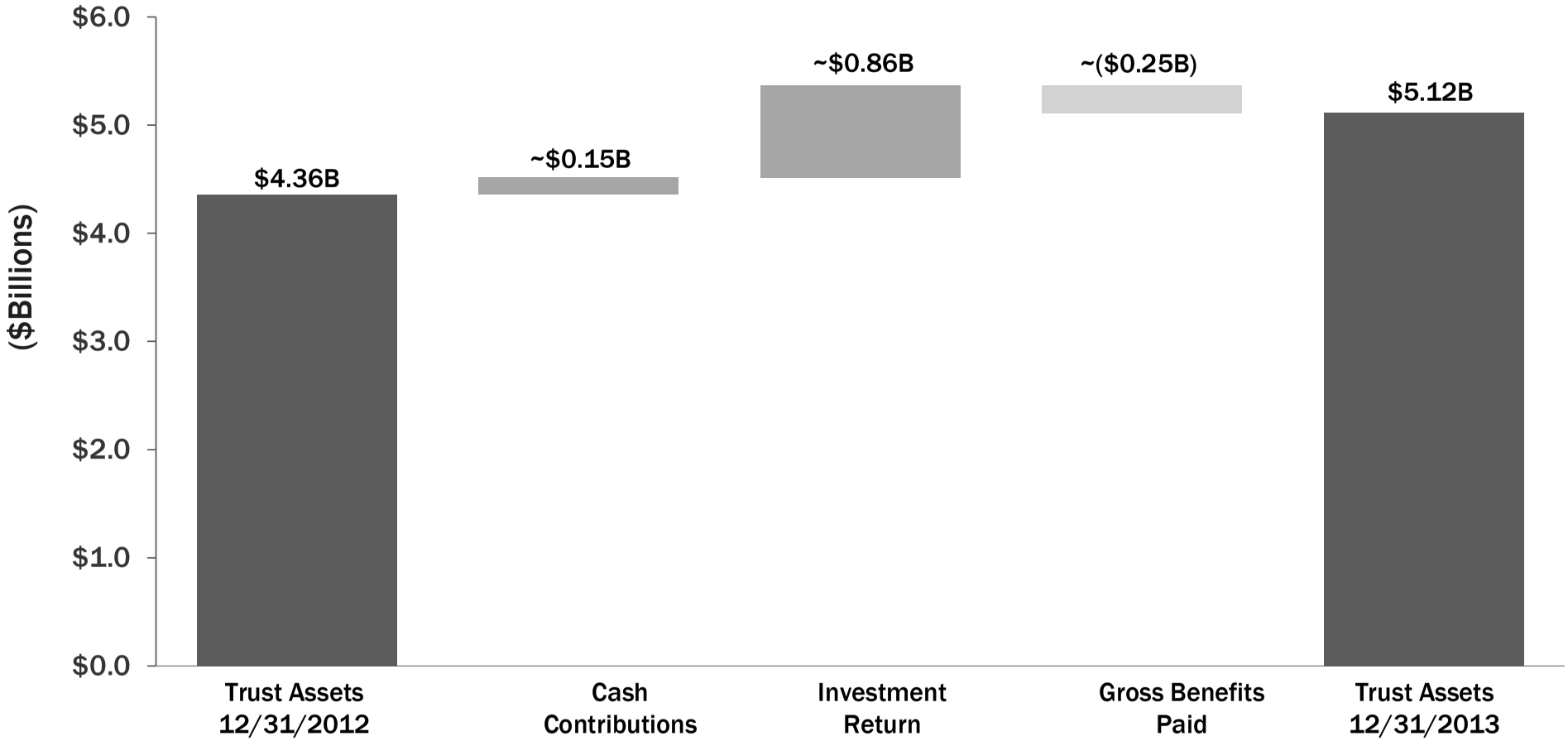


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-03716

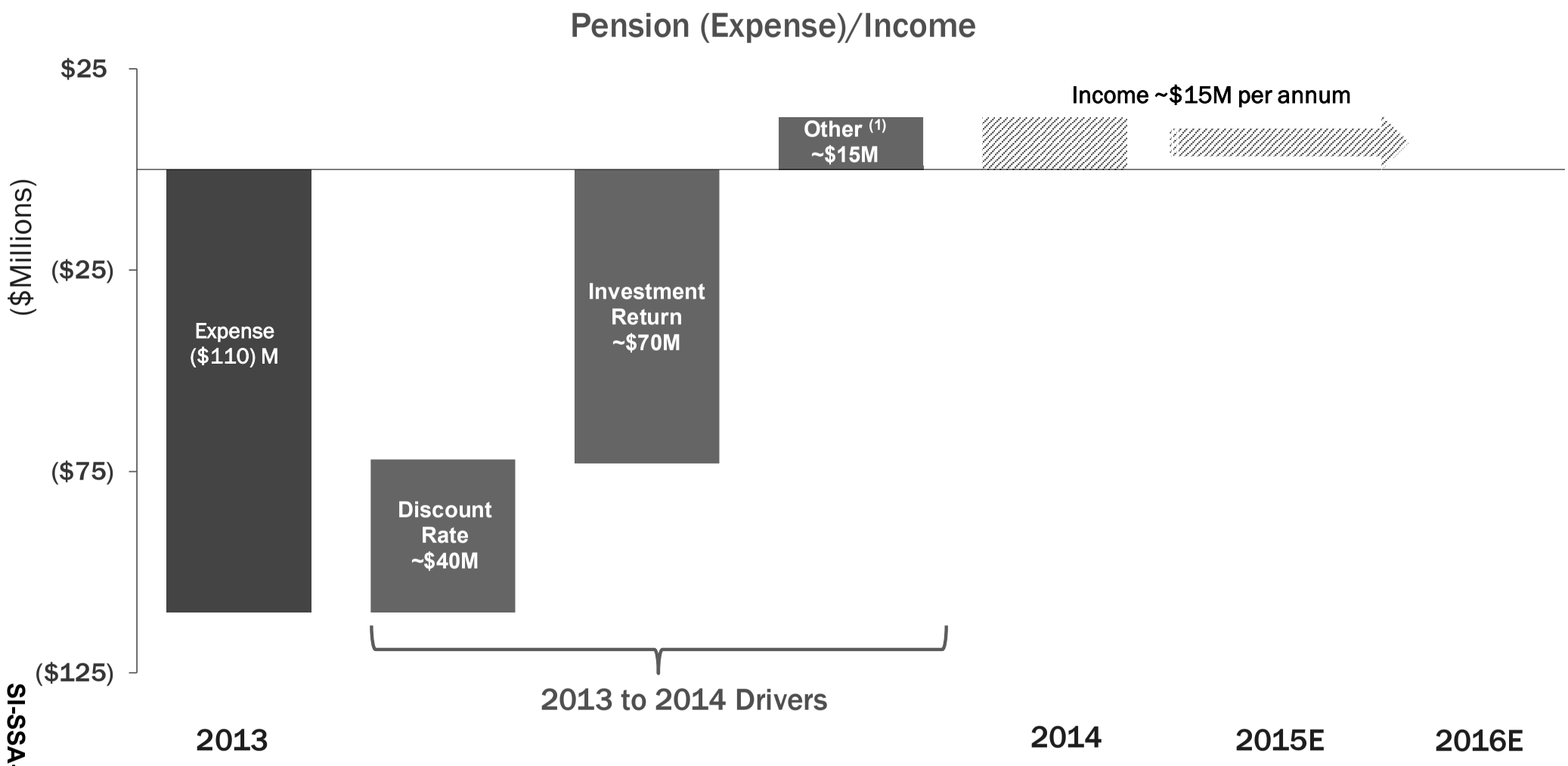
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-03717

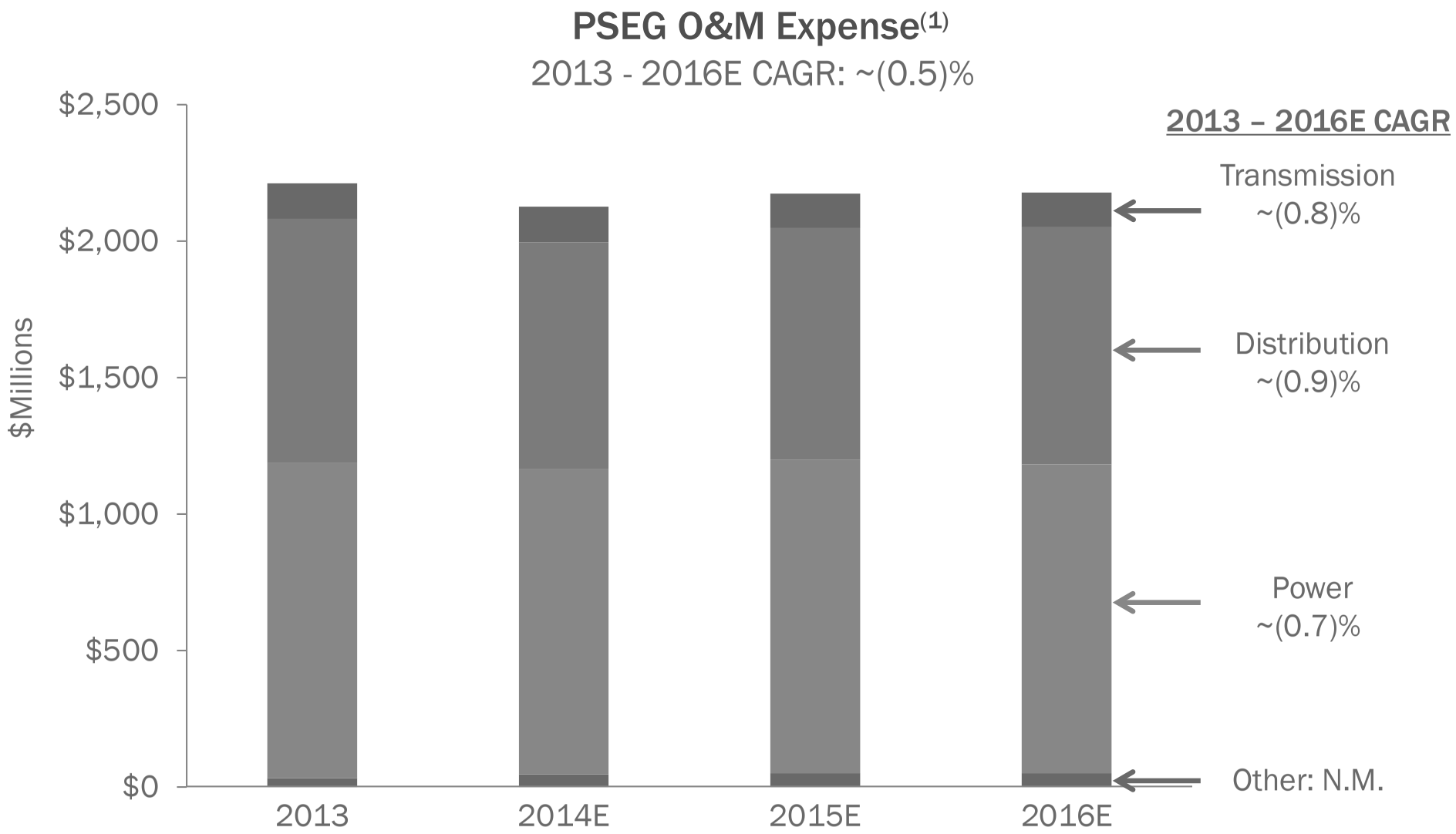
Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-03718

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-03719

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

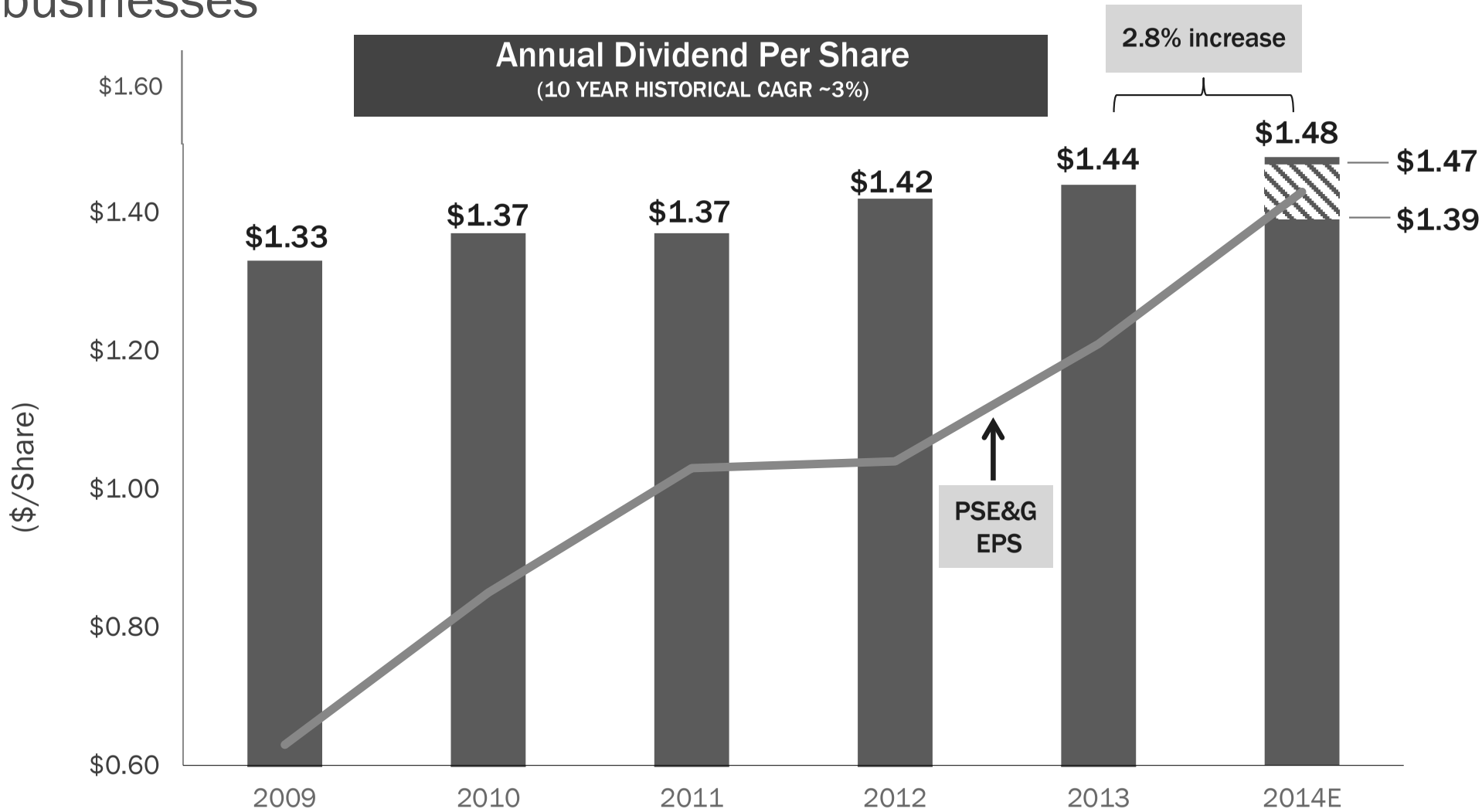
SI-SSA-0015-03720

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-03721

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-03722

PSEG Summary

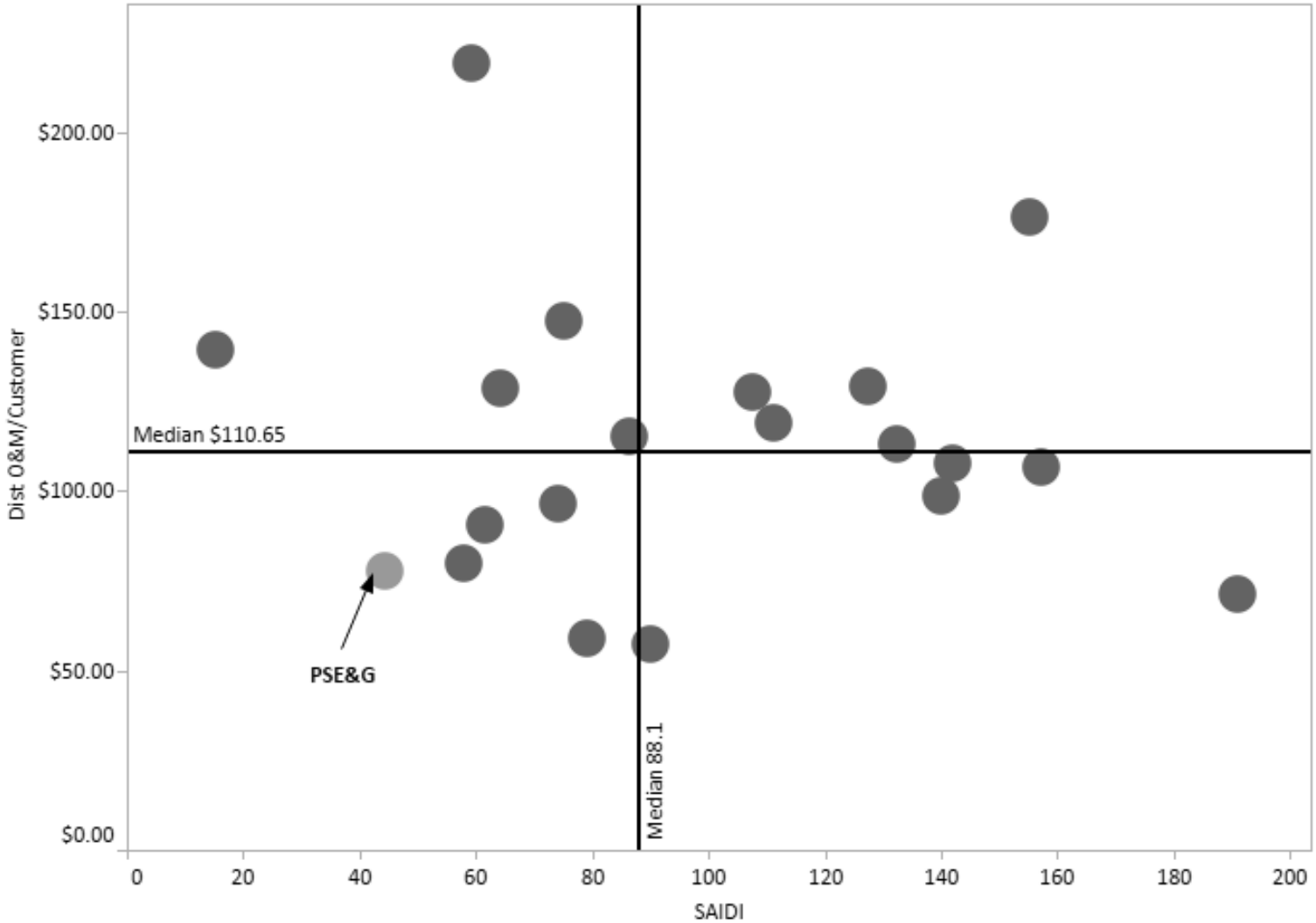
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-03723

PSE&G APPENDIX

SI-SSA-0015-03724

PSE&G provides high reliability at below average cost which creates superior value to customers



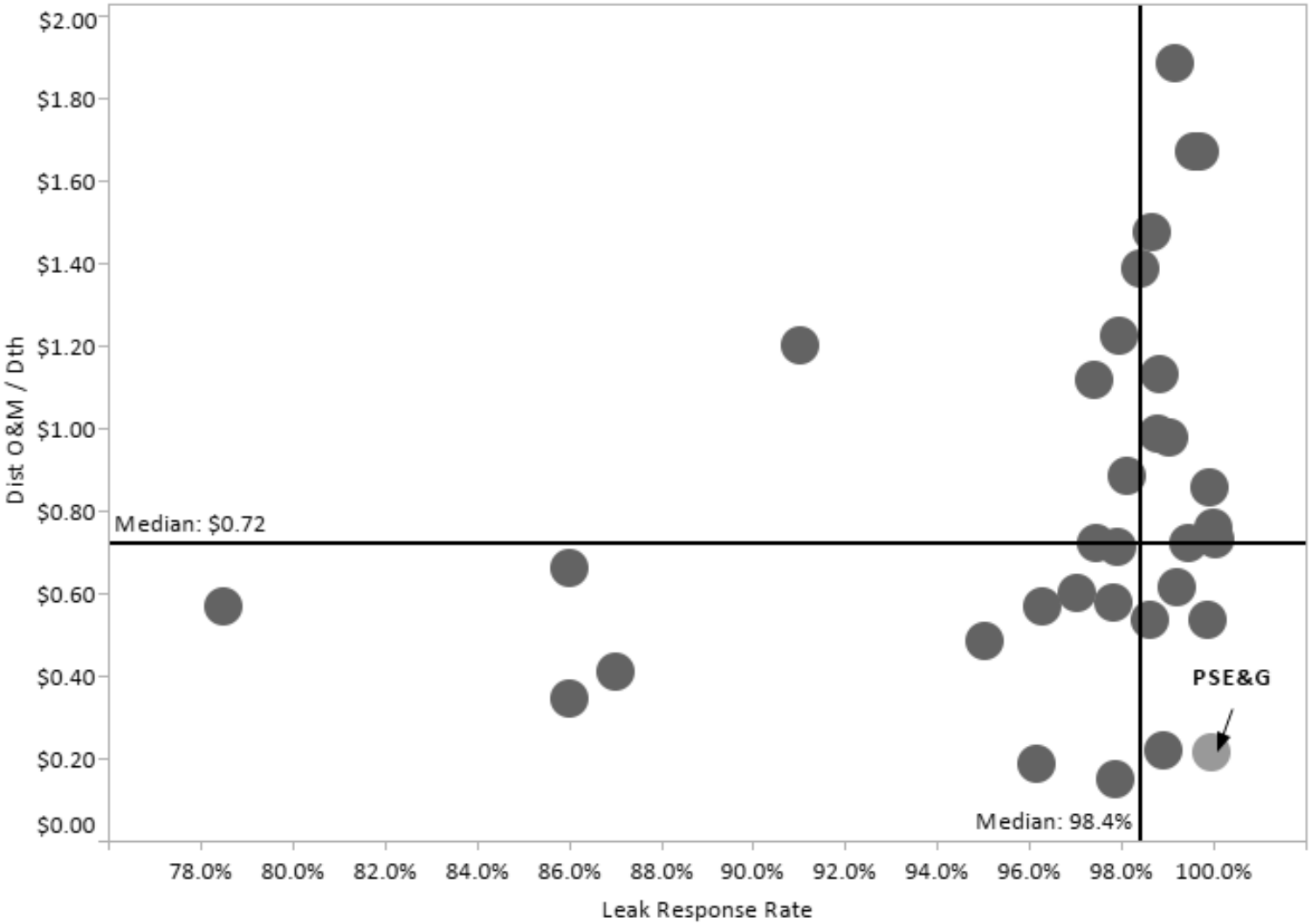
SI-SSA-0015-03725

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



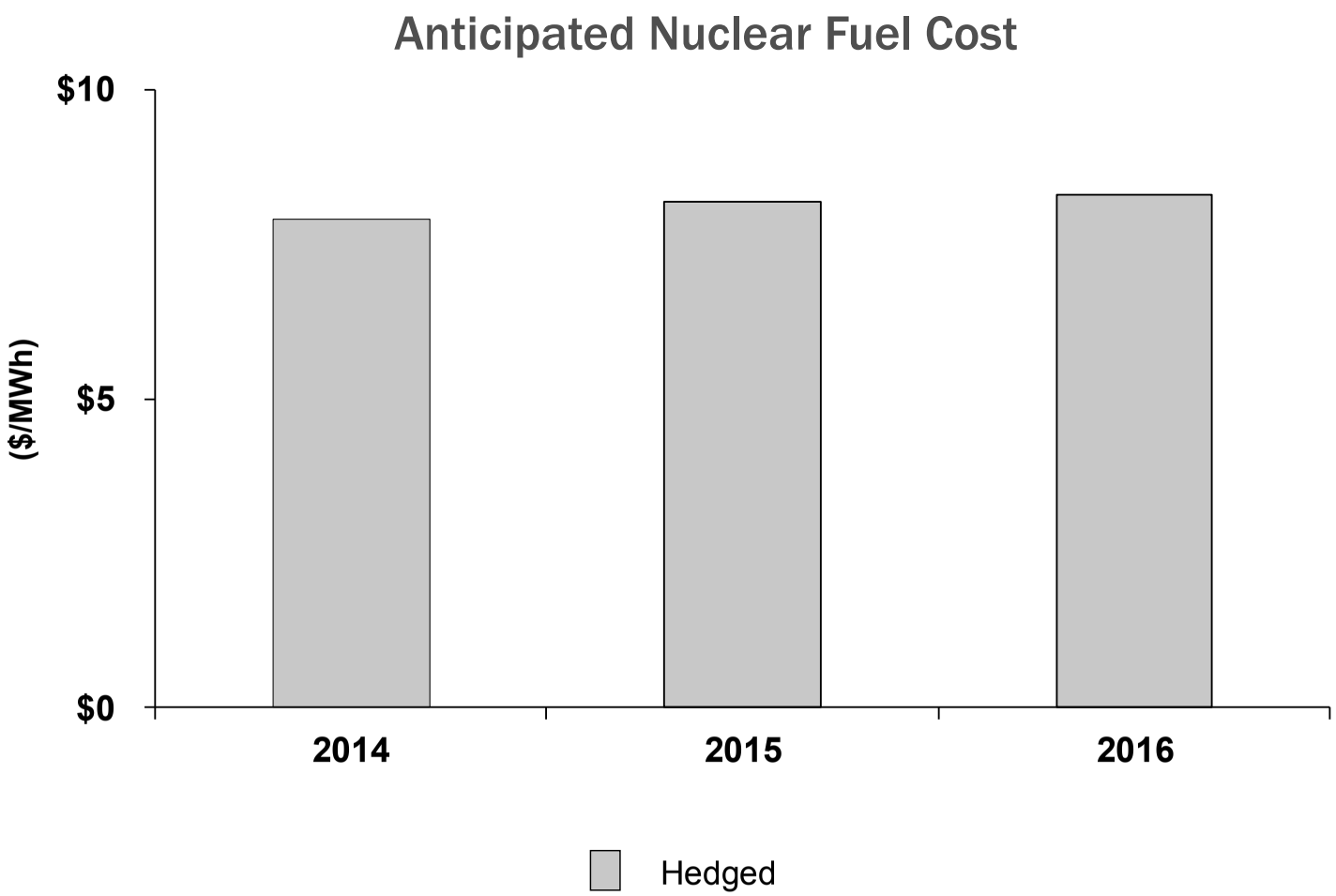
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-03726

PSEG POWER AND ER&T APPENDIX

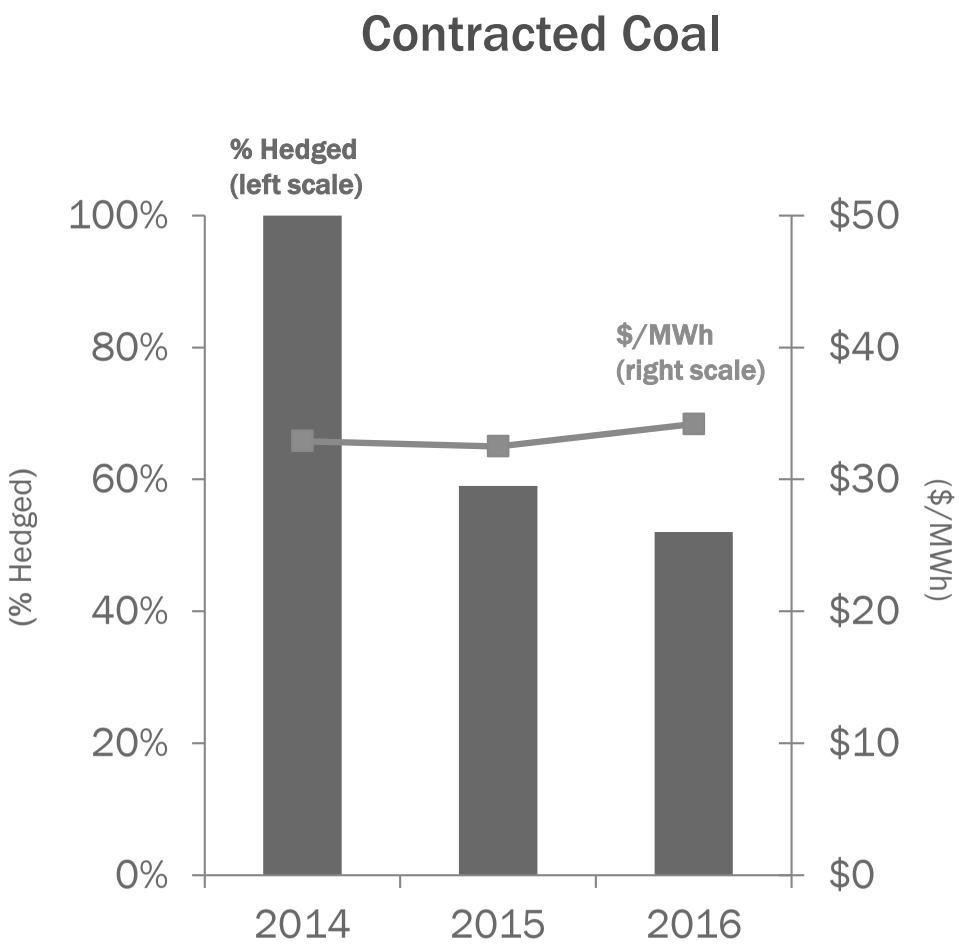
SI-SSA-0015-03727

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-03728

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-03729

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-03730

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03731

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-03732

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-03733

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-03734

Strong, full year 2013 operating earnings delivered

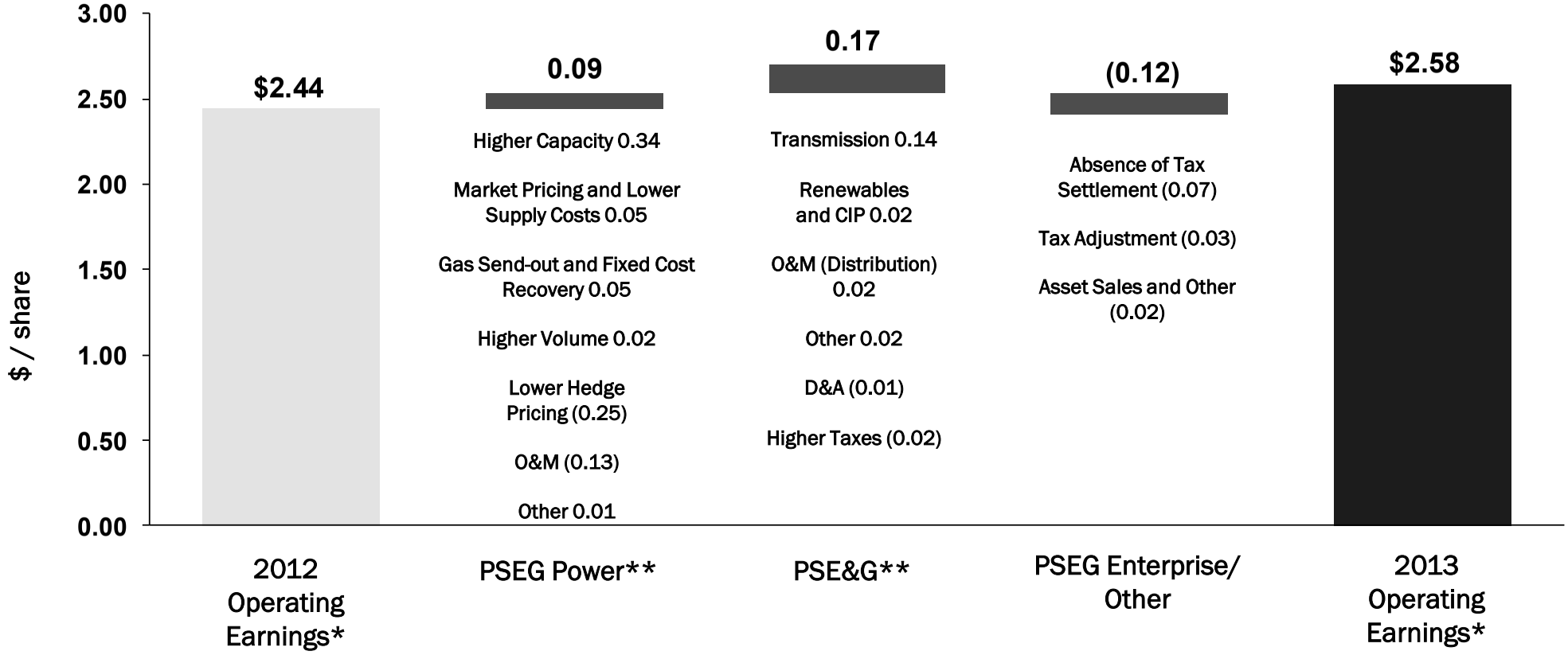
	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-03735

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



SI-SSA-0015-03736

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

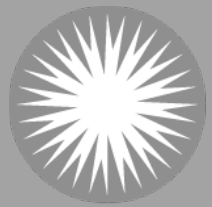
Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	**-**	**-**	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	**-**	**-**	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Bank of America – Merrill Lynch Power & Gas Leaders Conference

BOSTON – SEPTEMBER 17, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03738

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-03739

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03740

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

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PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-03742

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 Assets $22B Operating Earnings $725M	2014 Assets $12B Operating Earnings $642M

SI-SSA-0015-03743

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.80-$2.95 per share from $2.75-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = rate base growth of 11% over 5 years with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

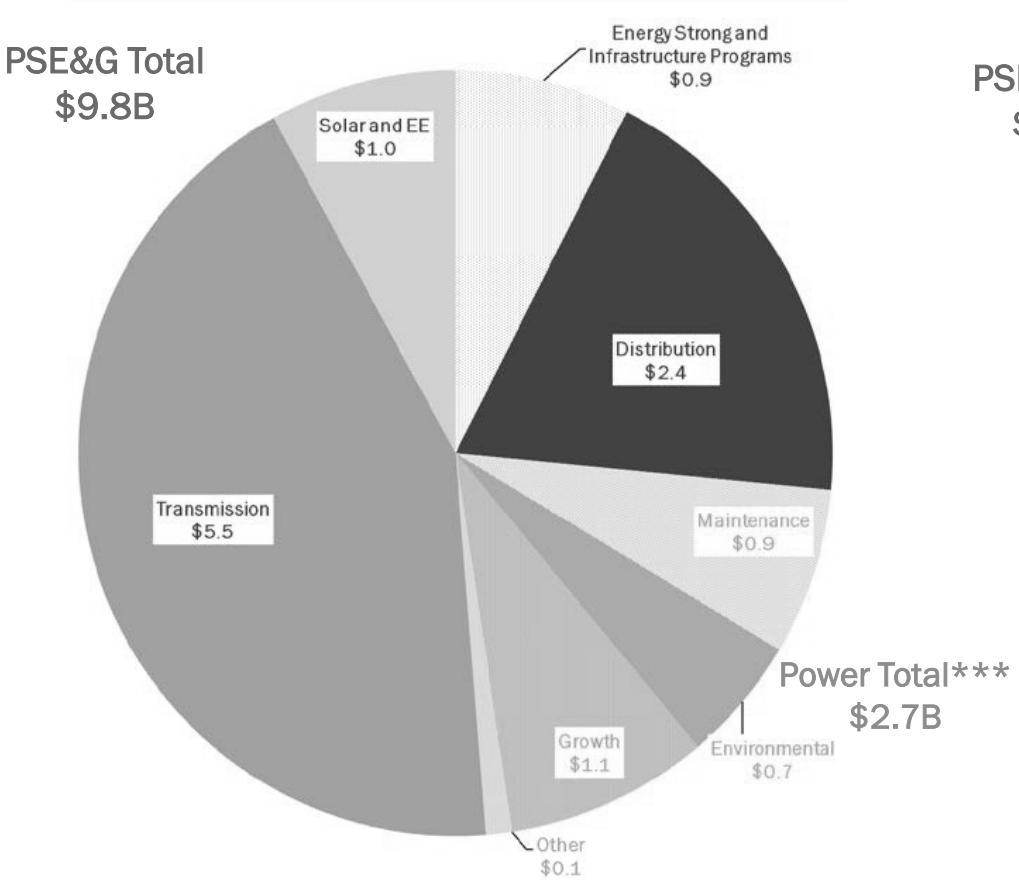
SI-SSA-0015-03744

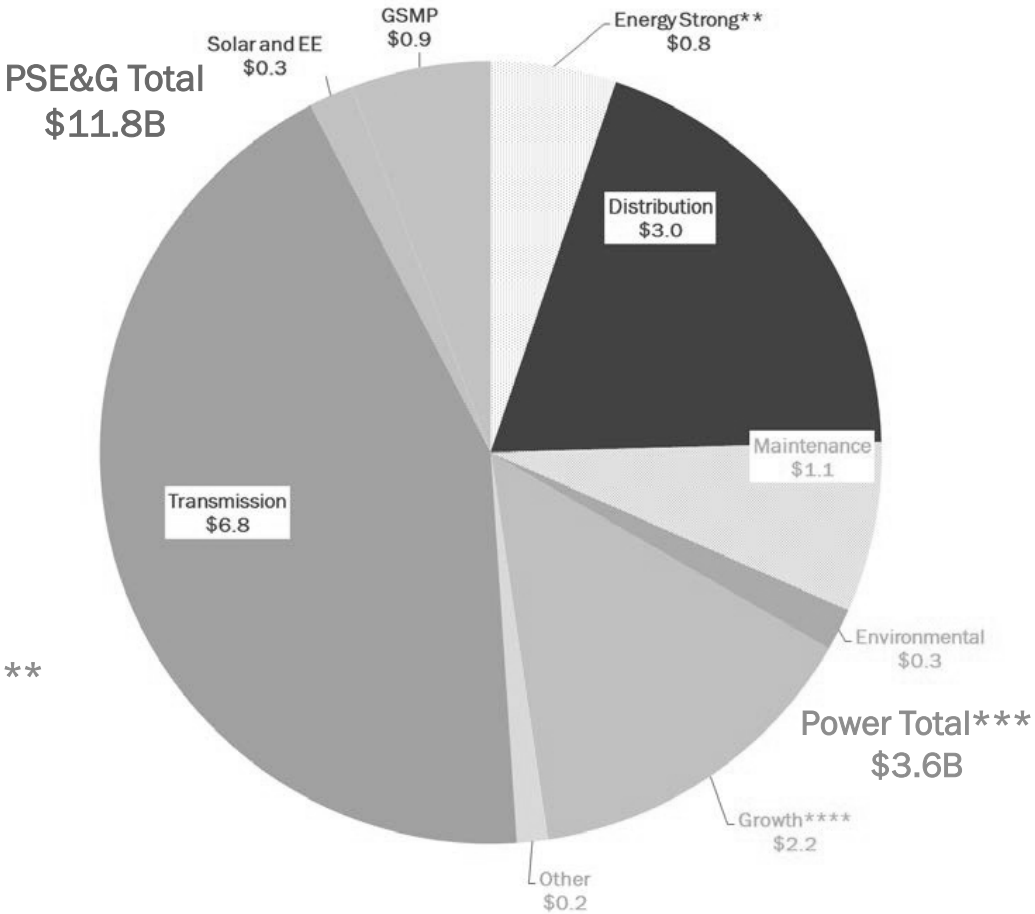
Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6Billion**





*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF SEPTEMBER 2015.

SI-SSA-0015-03745

Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • **$15.5 billion+** investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

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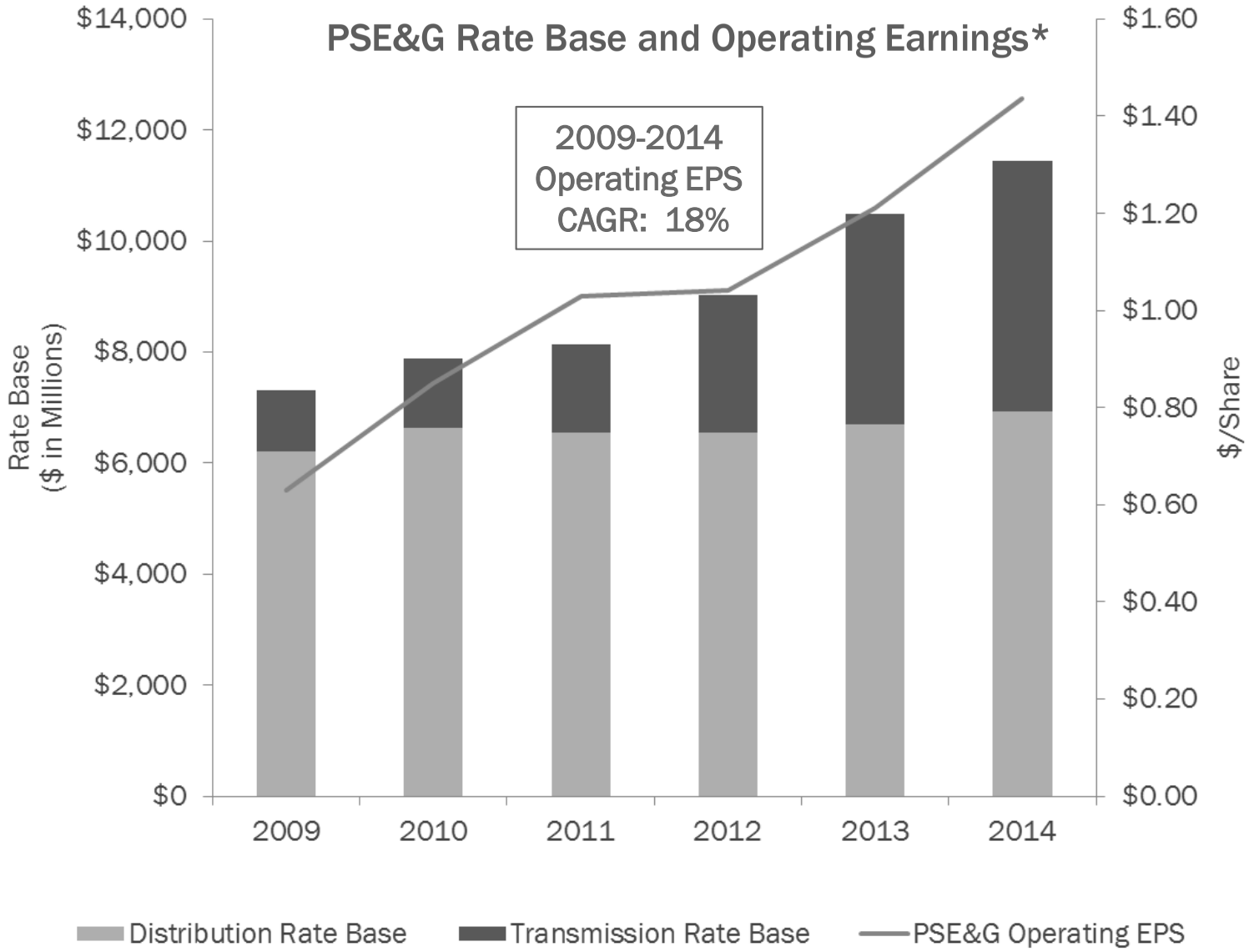
PSE&G's investment program

Meeting public policy goals and customer needs



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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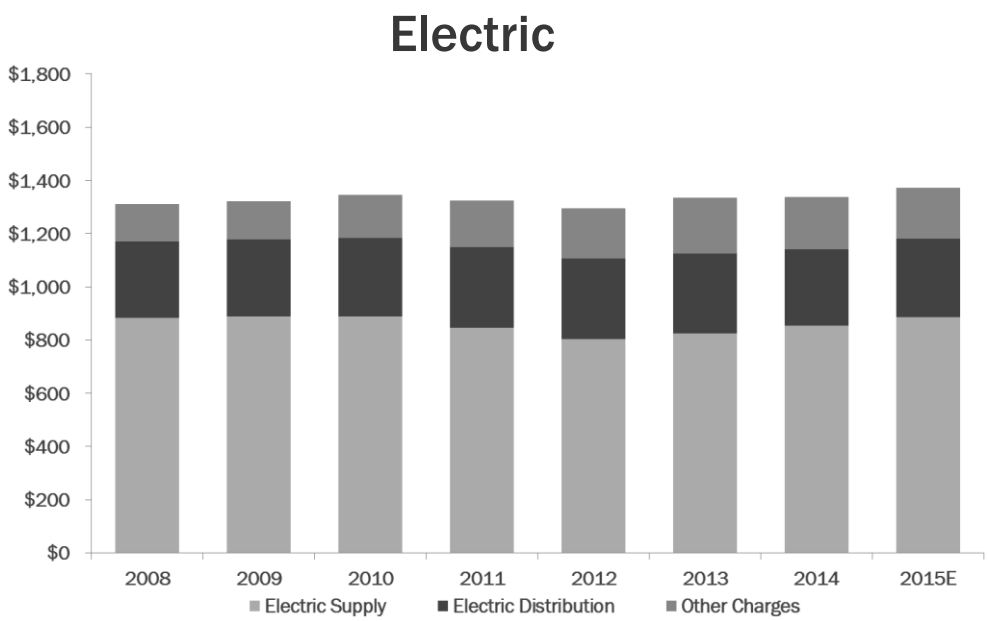
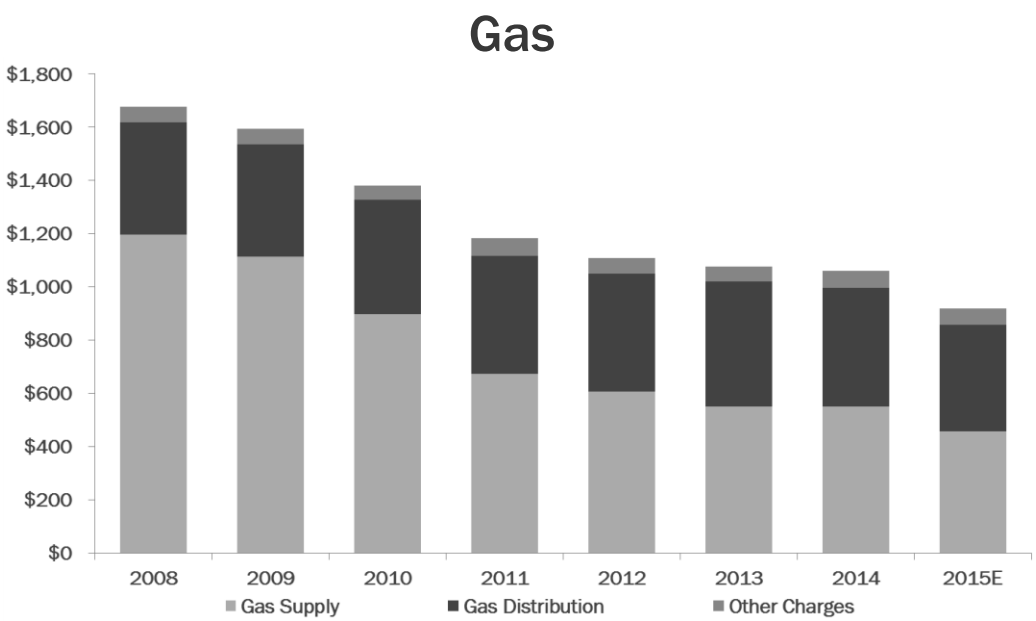
Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

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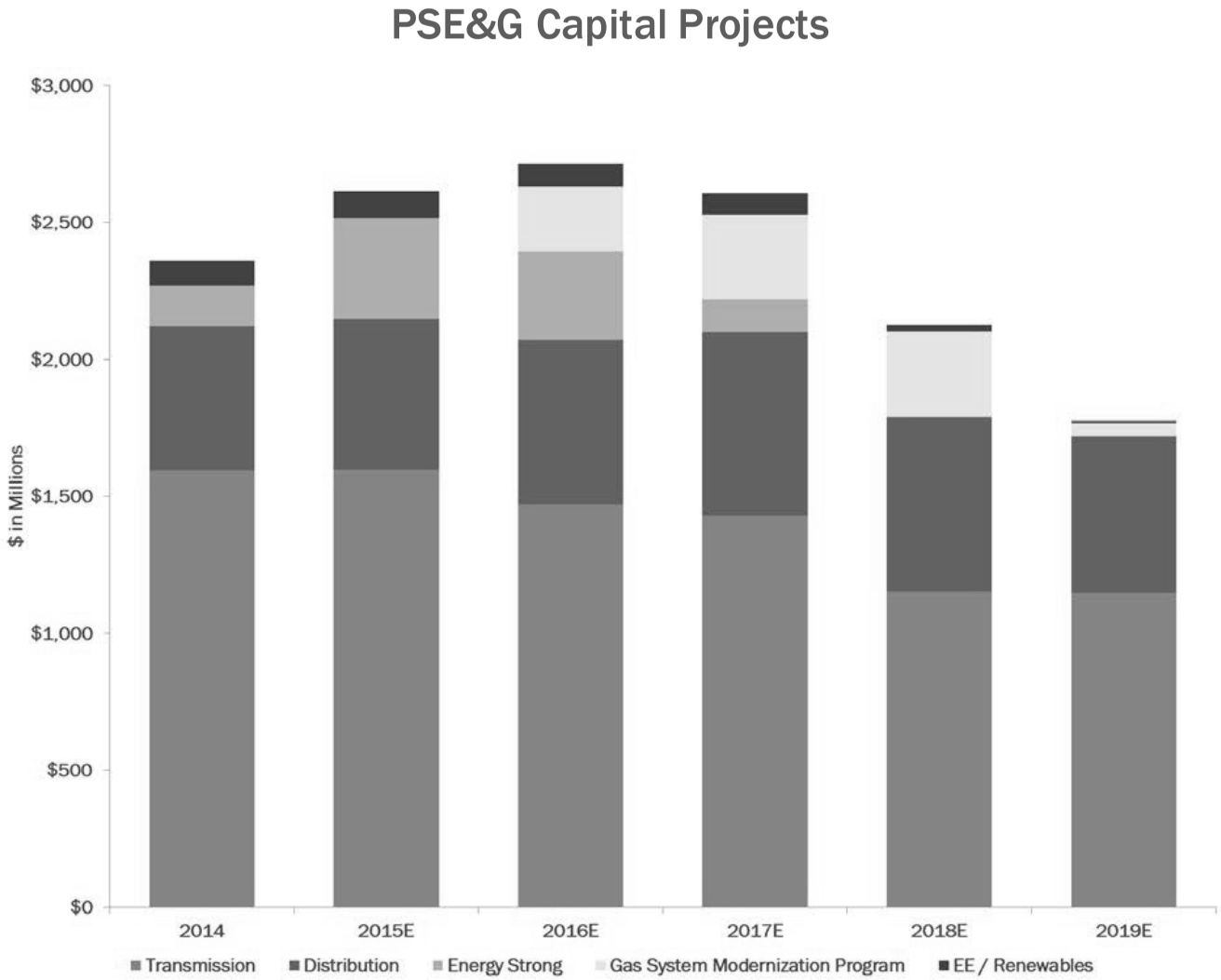
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019



- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

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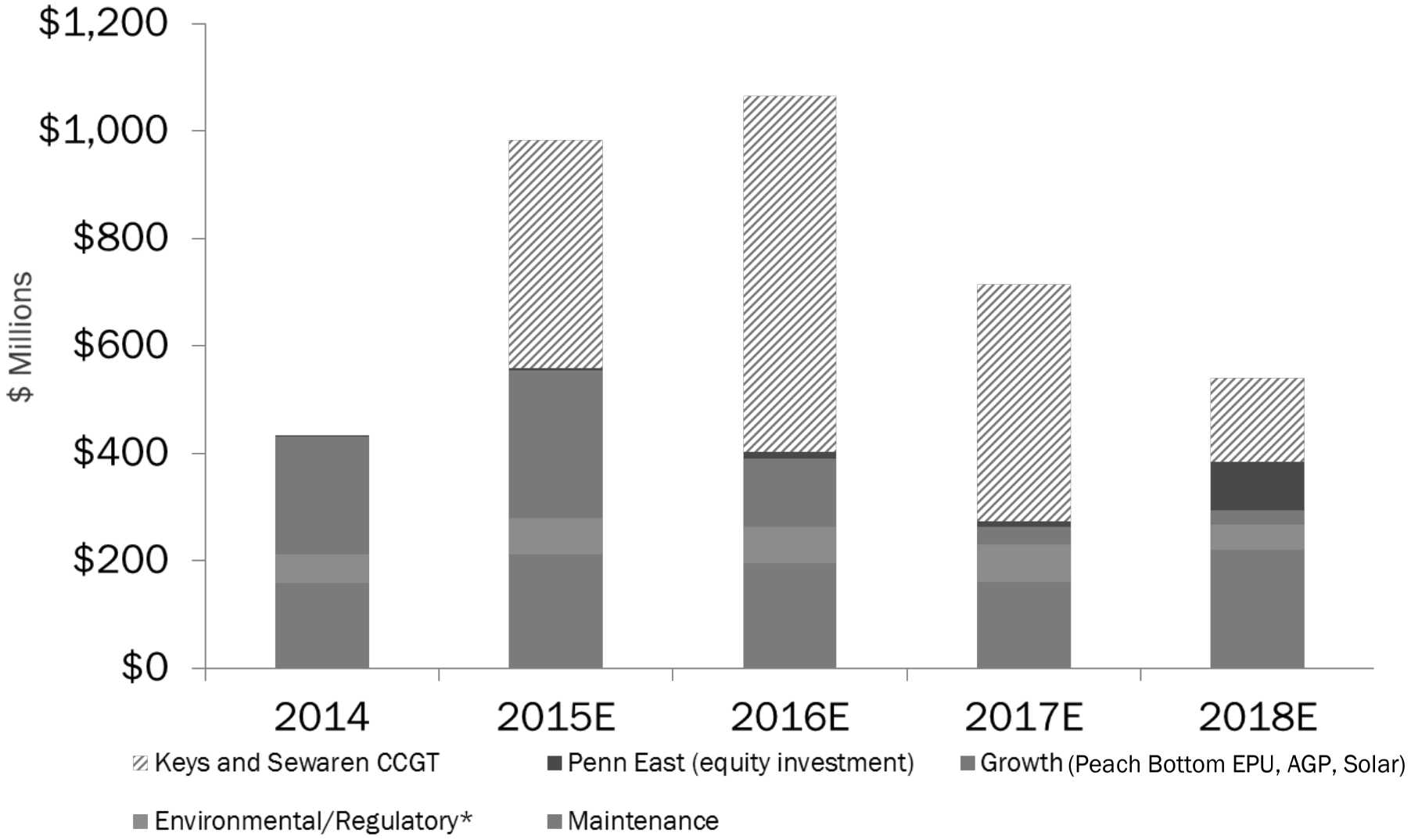
PSEG Power's capital expenditures

focused on improving efficiency and reliability



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

SI-SSA-0015-03750

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

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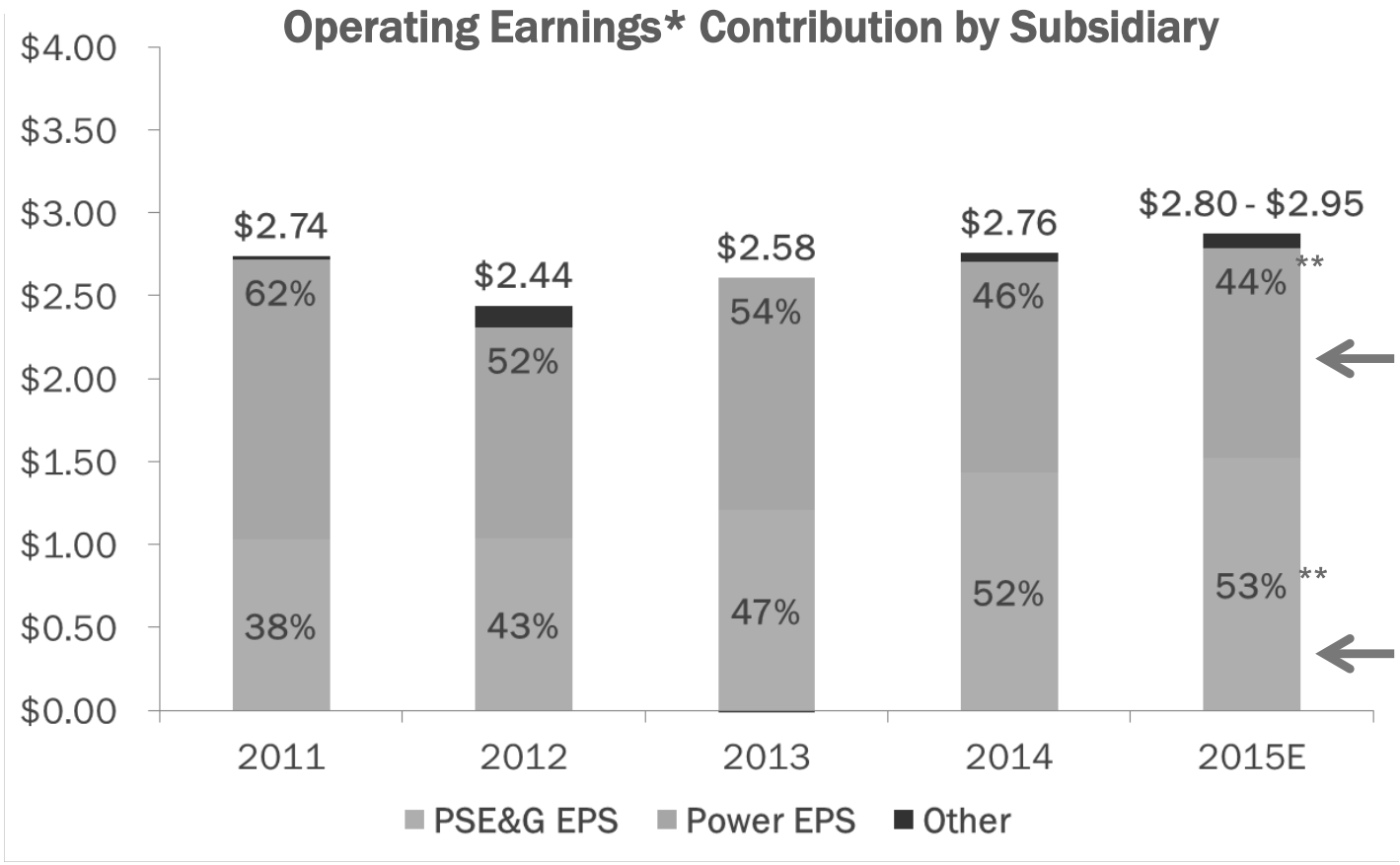
PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-03752

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations

Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway
	• New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC*
	• Brownfield expansions at existing sites
	  ➢ New peakers built at New Haven and Kearny sites
	  ➢ Continue to explore further opportunities
	• PennEast pipeline - equity investment and gas portfolio enhancement
	• Solar Source owns ~148 MW**, with significant project pipeline
	• Continue to seek opportunities to expand the fleet

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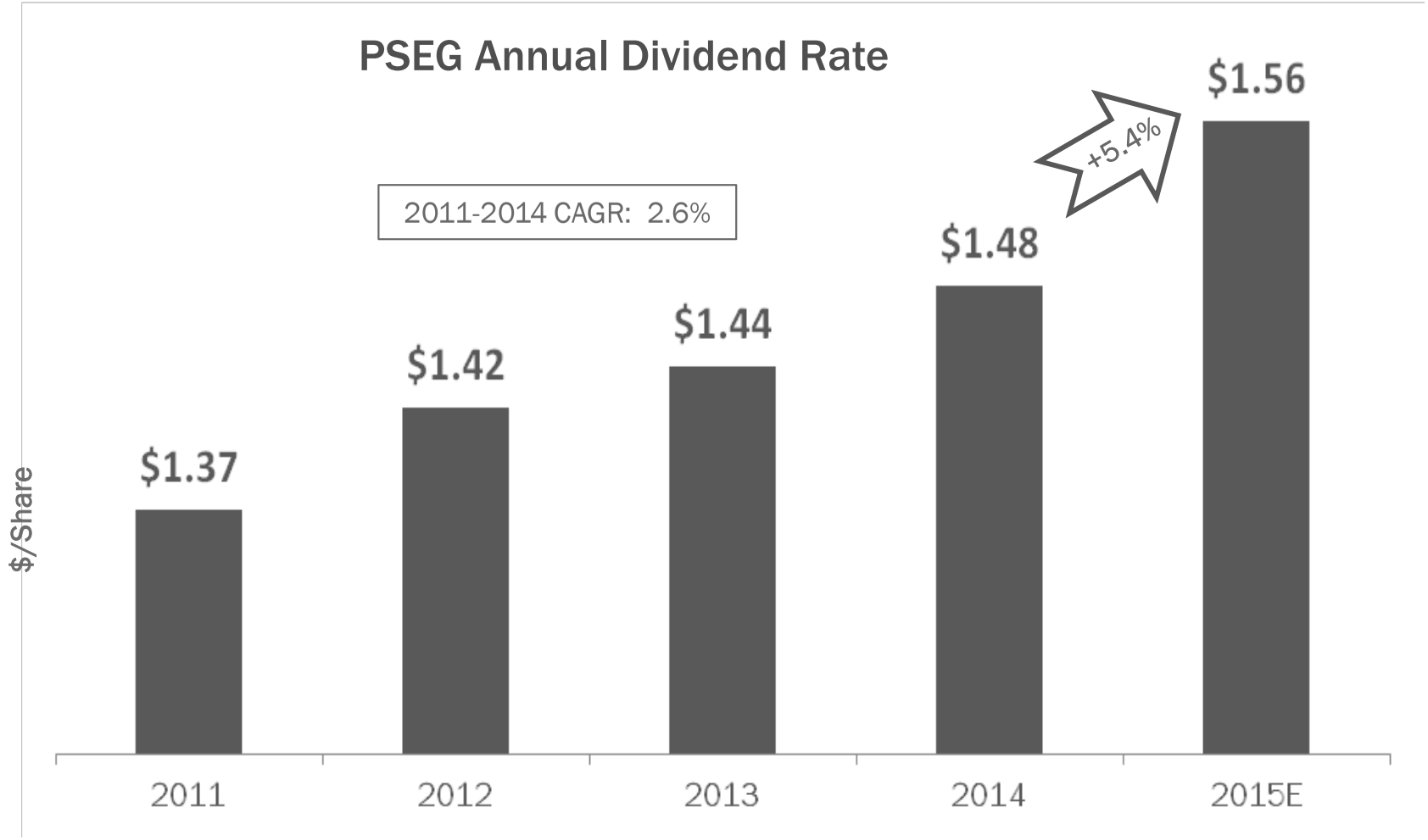
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-03754

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-03755

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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We make things work for you.

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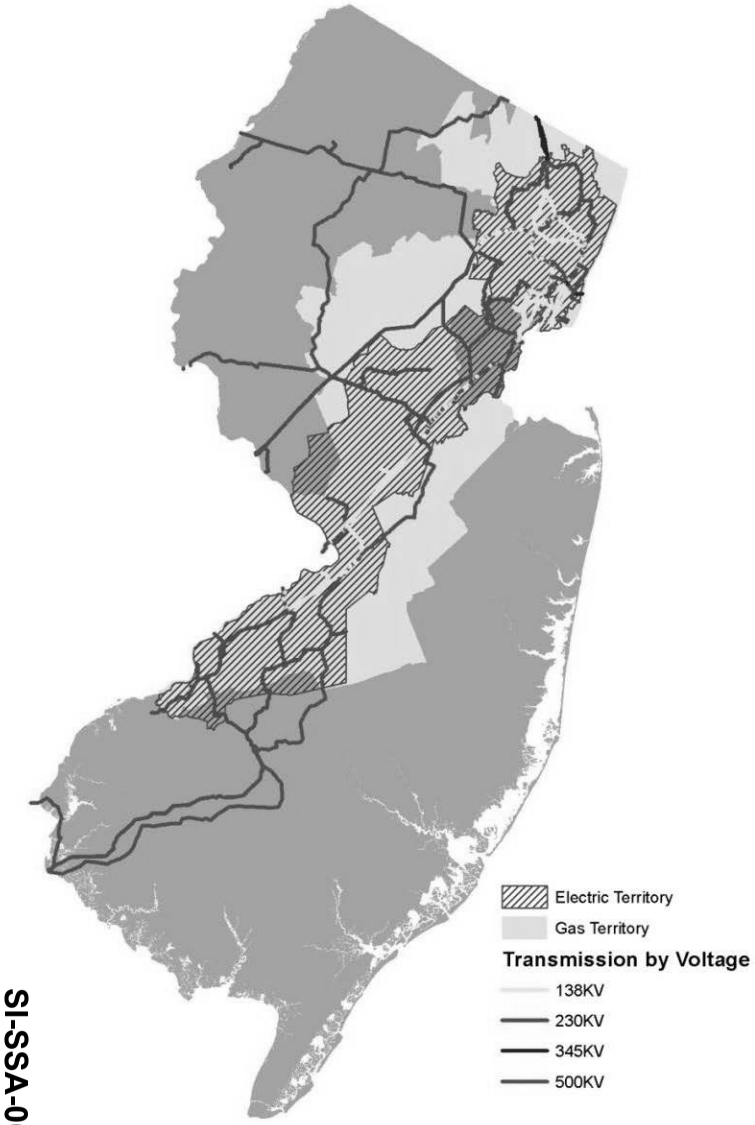
PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03758

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-03759

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

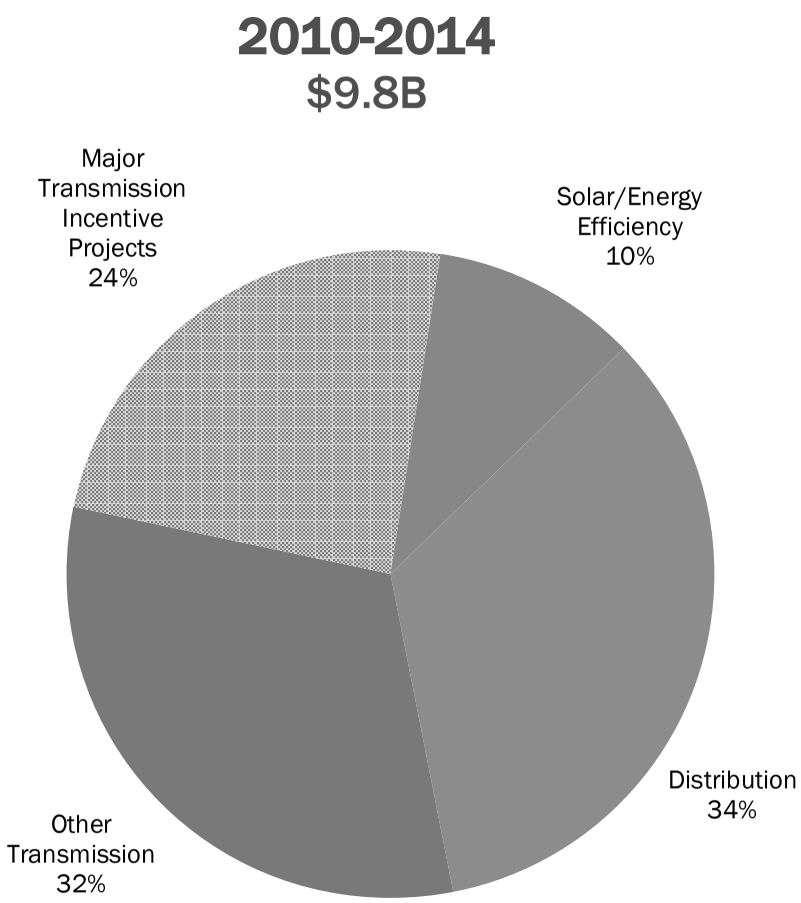
SI-SSA-0015-03760

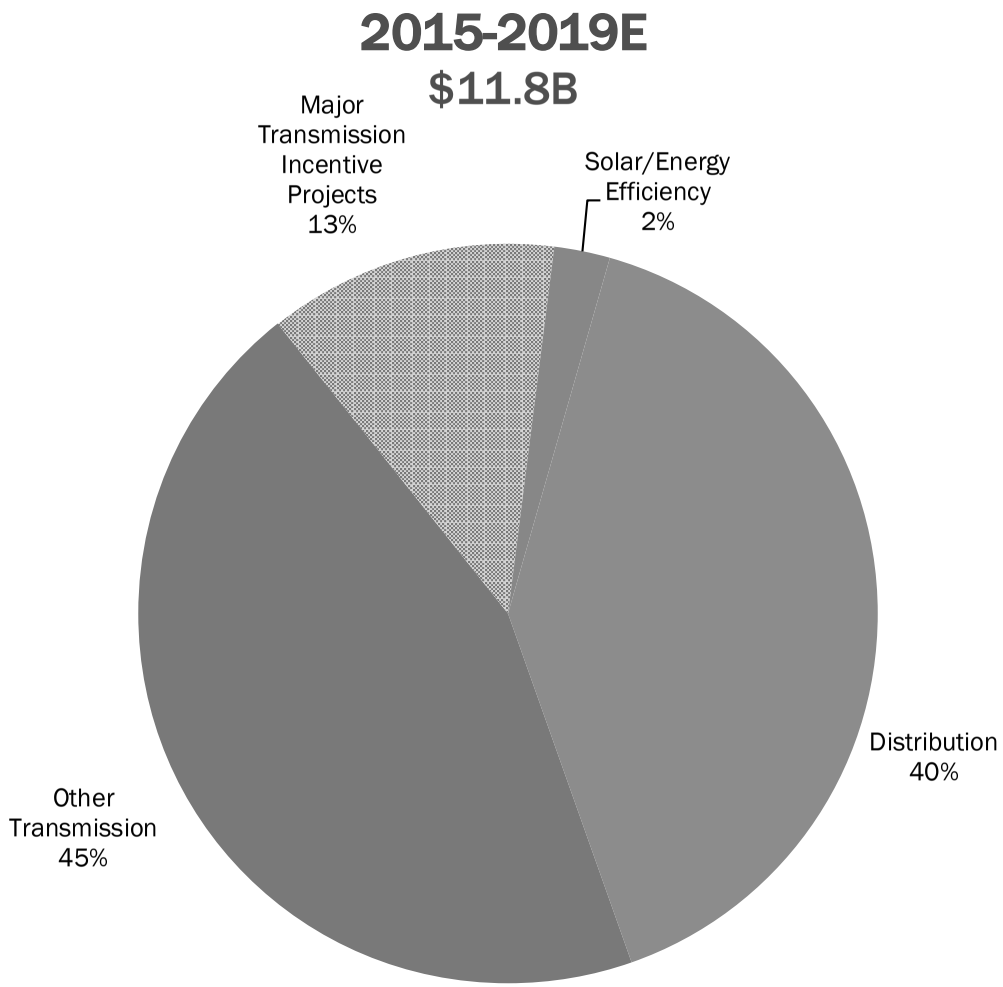
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-03761

PSE&G plans to invest $11.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-03762

PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-03763

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$907	Jun-Dec 2015
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

SI-SSA-0015-03764

PSEG

* PJM ESTIMATE

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-0015-03765

PSE&G is successfully executing on Energy Strong with ~$330M deployed

Program	Approved	Spend thru June 2015
Flood Mitigation	$620M	$56M
Electric Contingency Reconfiguration	$100M	$49M
Electric Advanced Technology	$100M	$32M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$185M
Gas Metering & Regulating (M&R)	$50M	$6M
TOTAL	$1,220M	$328M

SI-SSA-0015-03766

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-03767

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-03768

Settlement reached on Gas System Modernization Program for ~$900 million over three years

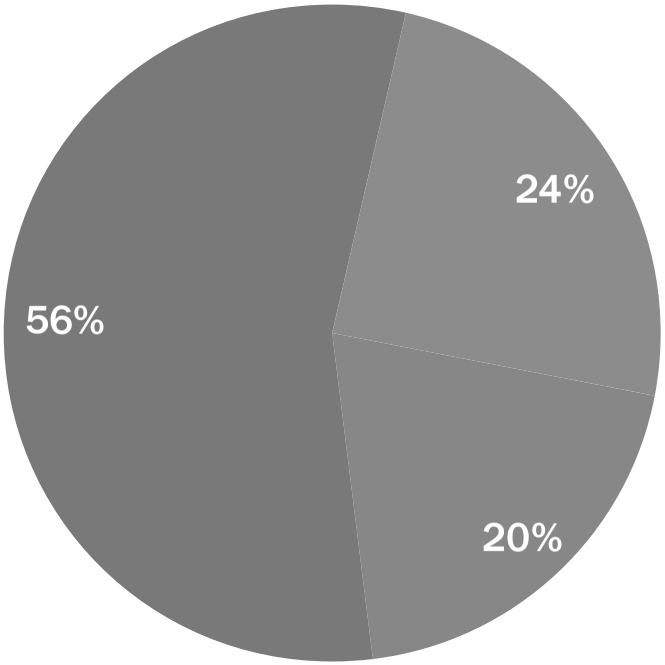
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed November 2017

SI-SSA-0015-03769

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

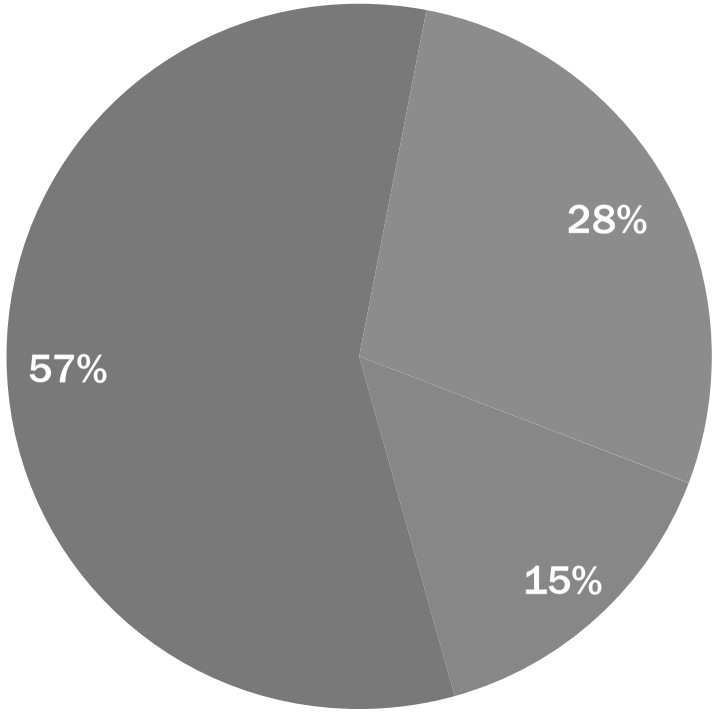
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

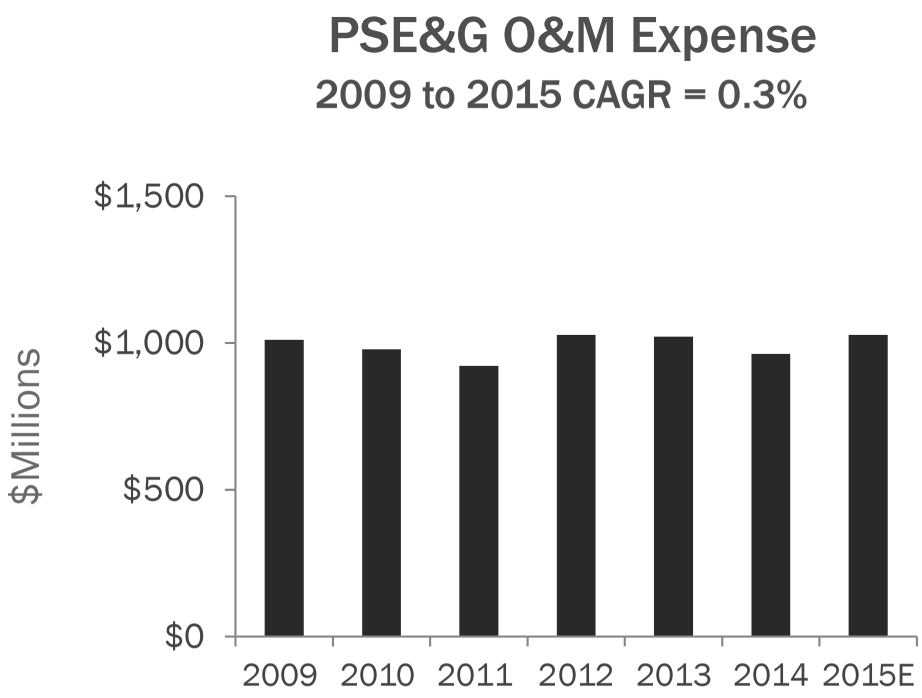
SI-SSA-0015-03770

PSEG

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-03771

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON JULY 31, 2015.

SI-SSA-0015-03772

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-03773

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-03774

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

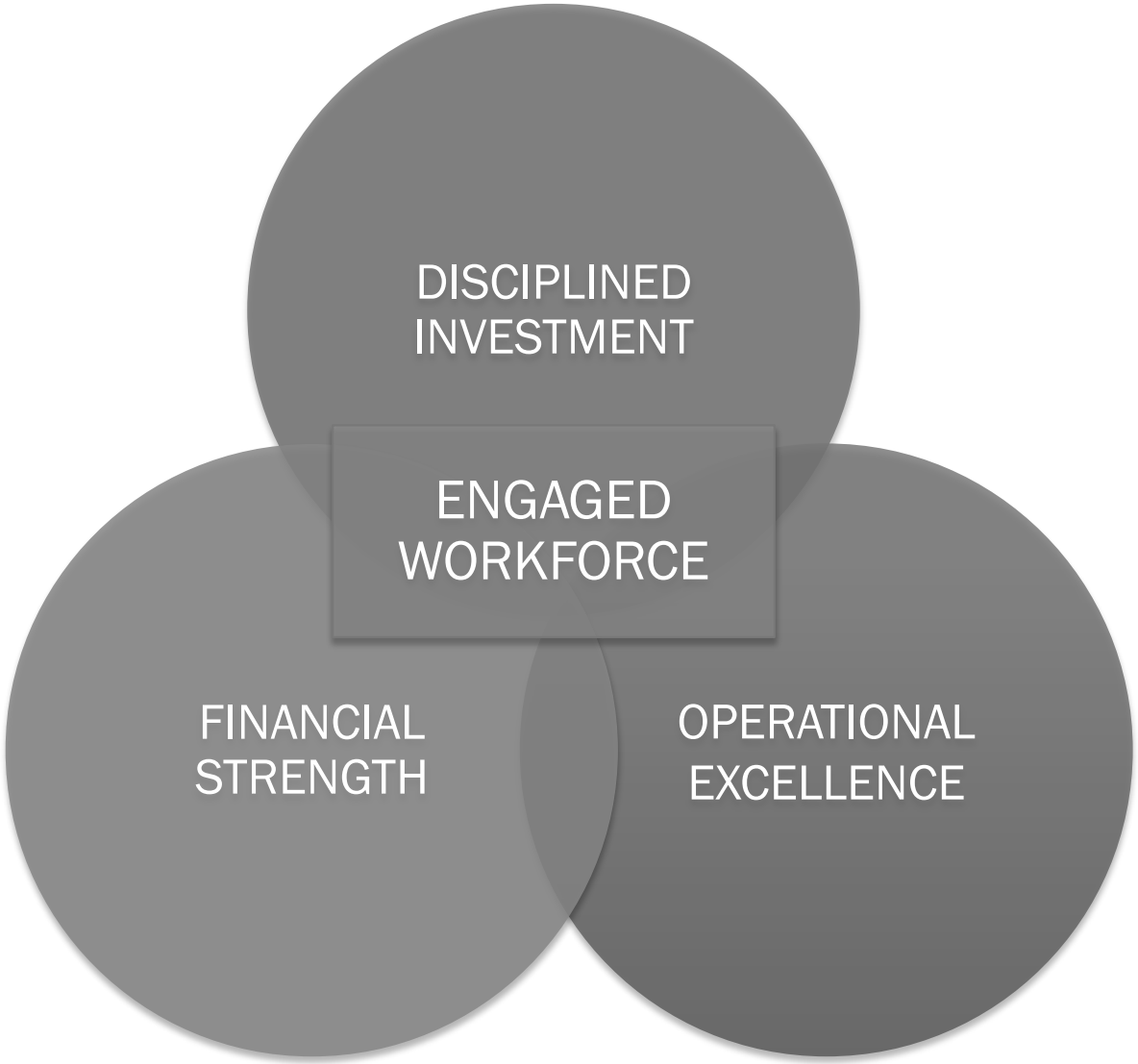
PSEG

We make things work for you.

SI-SSA-0015-03775

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-03776

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-03777

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 148 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-03778

PSEG Power met 2014's challenges

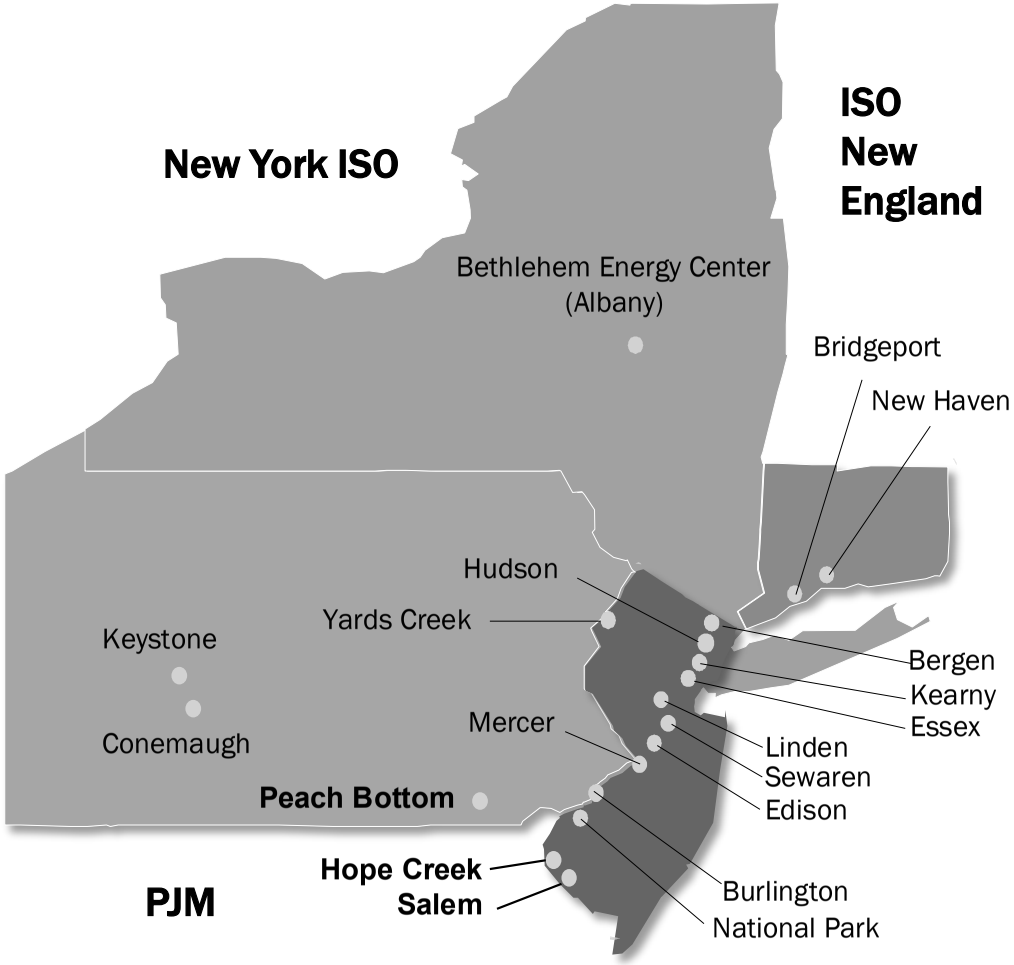
Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-03779

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



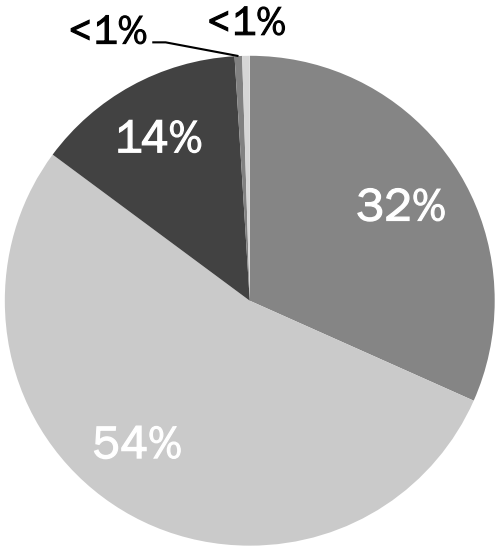
SI-SSA-0015-03780

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

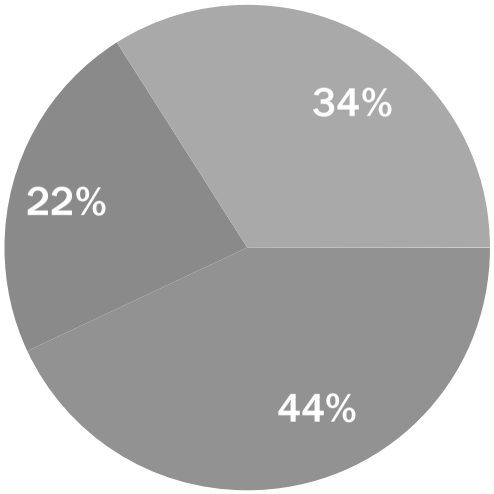
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

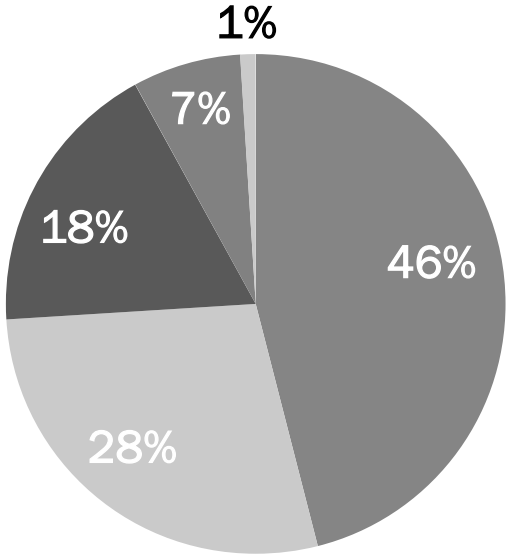
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146

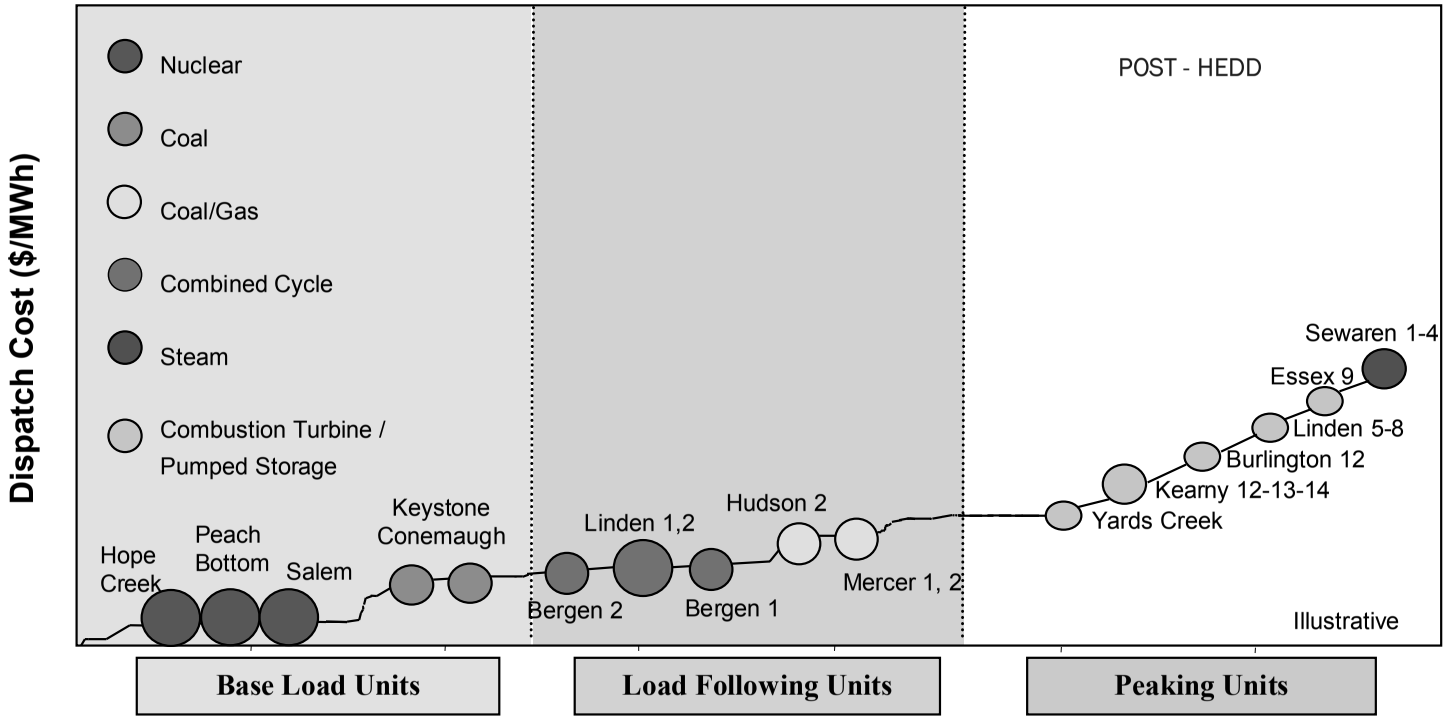


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-03781

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

SI-SSA-0015-03782

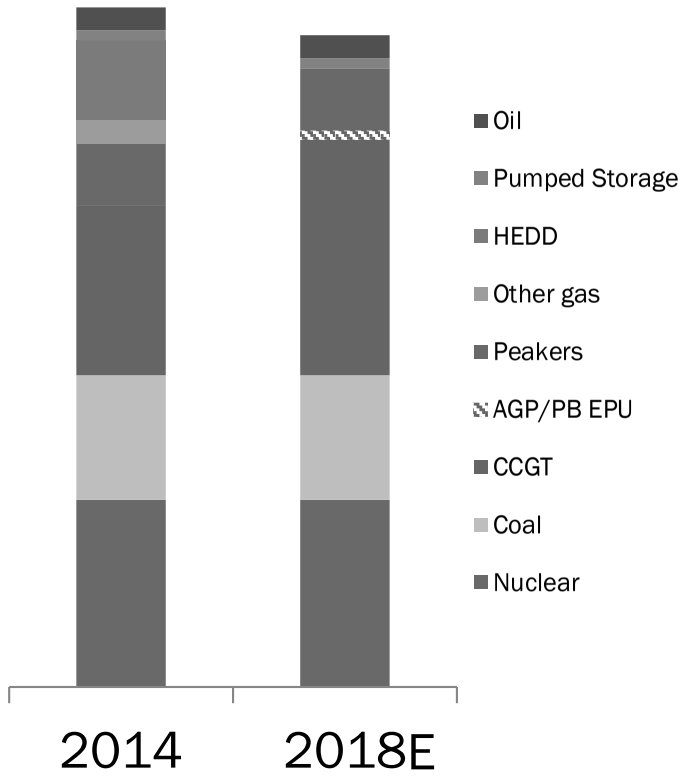
PSEG Power will maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren operational in 2018

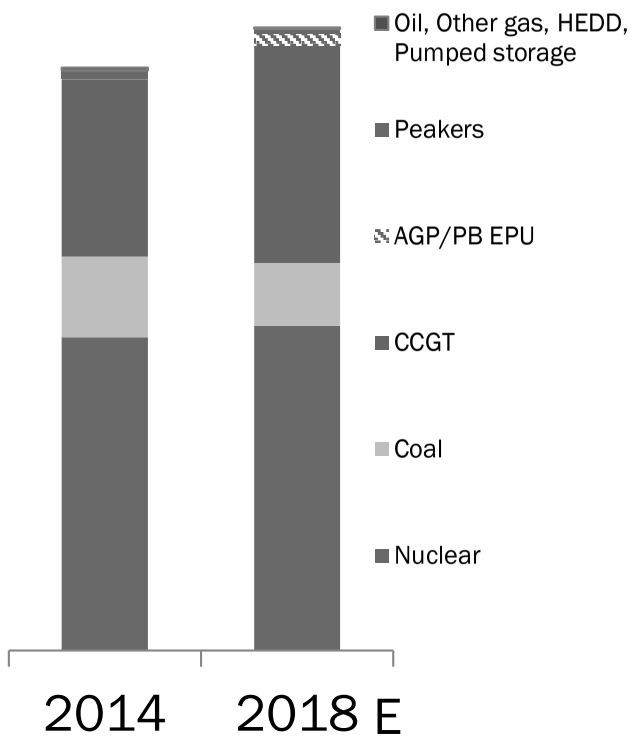
Fuel Diversity

13,146 MW 12,600 MW



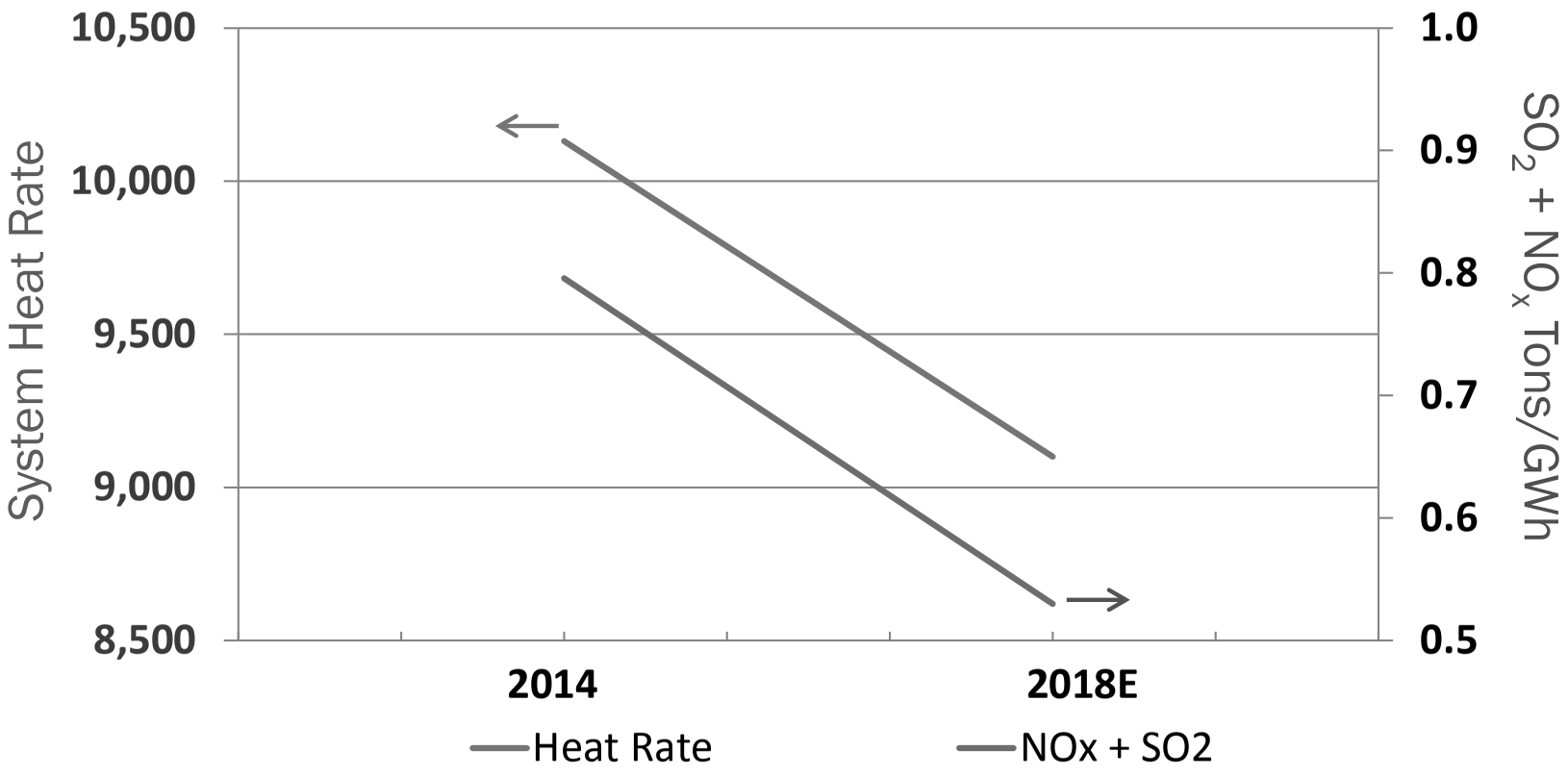
Energy Produced

54 TWh 57 - 59 TWh



E=ESTIMATE.

PSEG Power's fleet will experience heat rate and emissions improvements

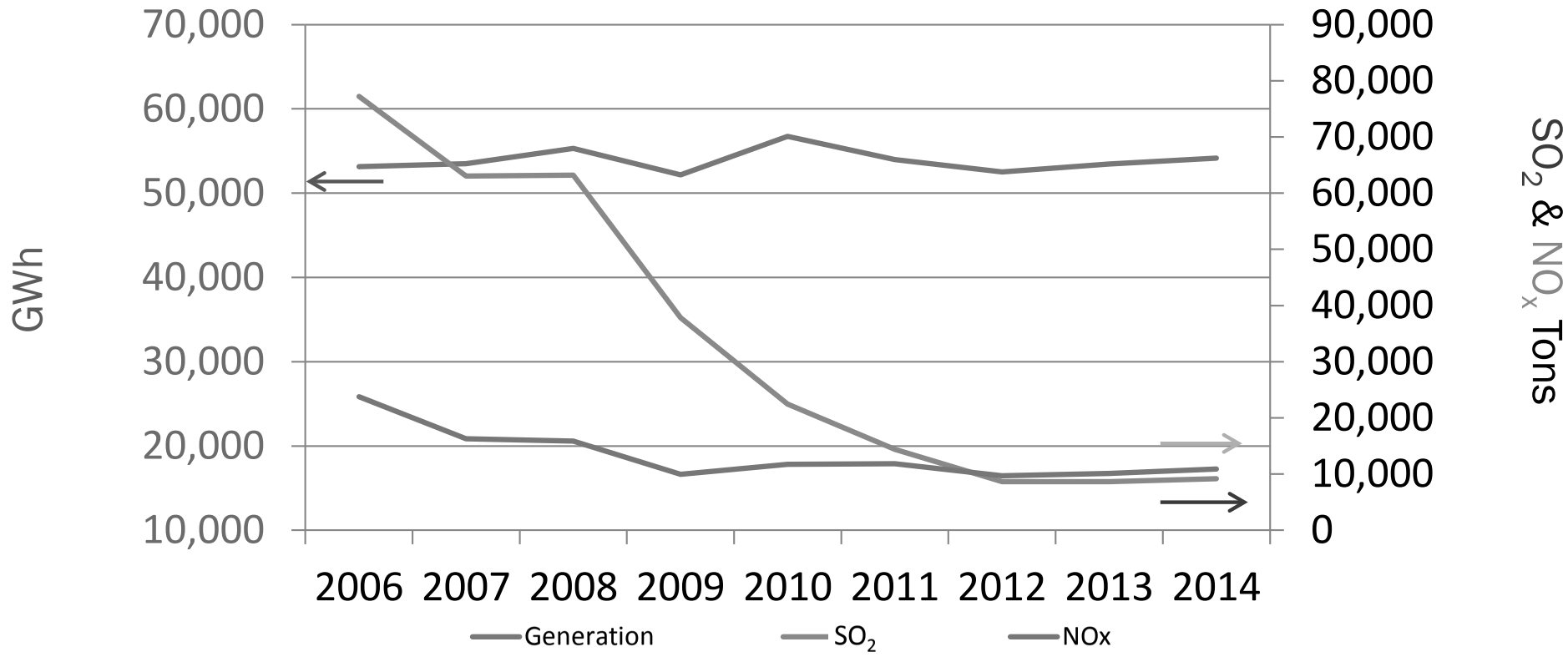


- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

E = ESTIMATE

SI-SSA-0015-03784

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-03785

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-03786

PSEG Power Nuclear has competitive advantages

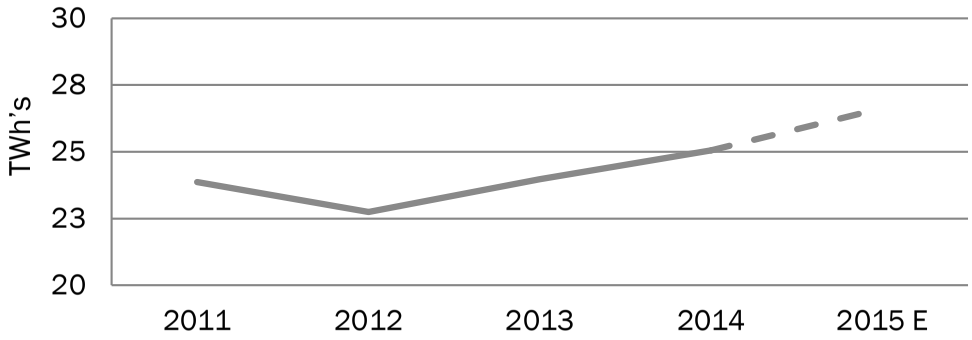
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

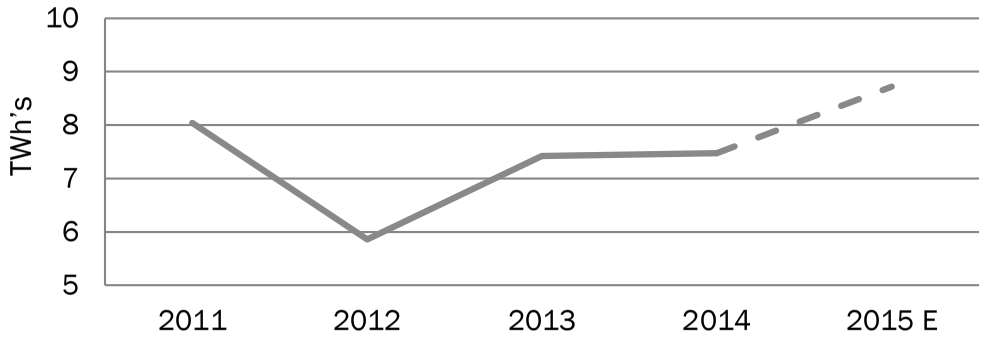
SI-SSA-0015-03787

PSEG Power's Fossil Fleet has shown improvement in performance

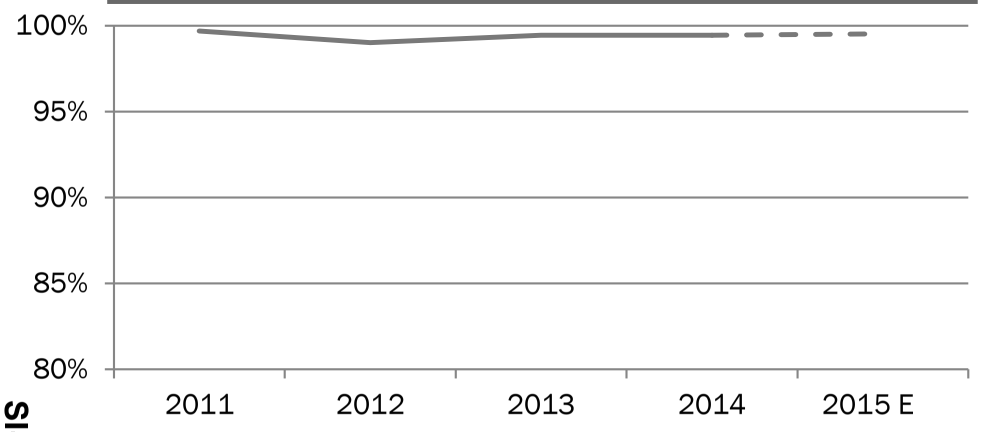
Fossil Generation



Coal Generation

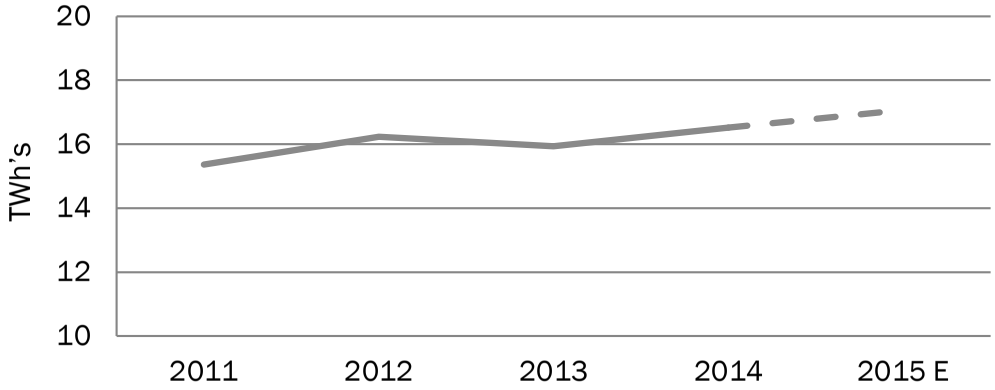


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

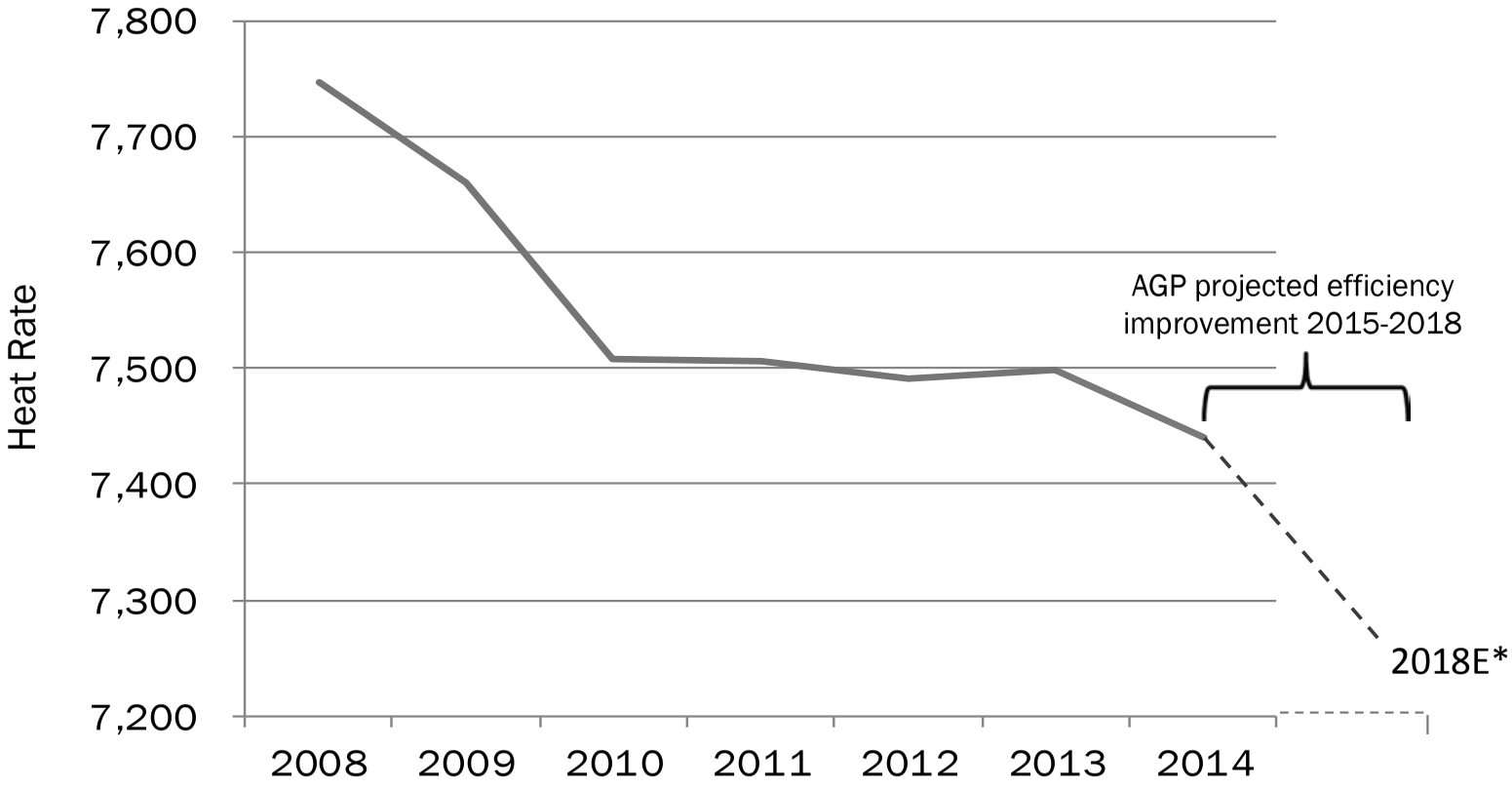
SI-SSA-0015-03788

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-03789

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

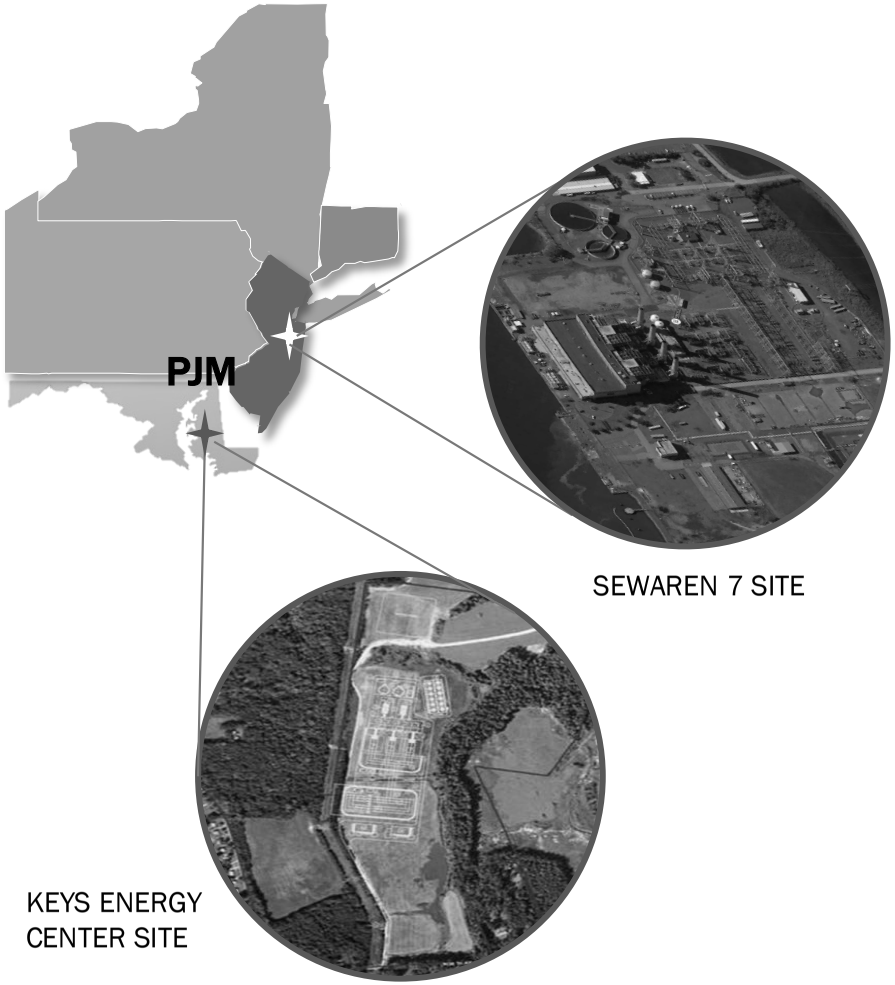
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-03790

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- **Construction of 755 MW Keys Energy Center to begin this Fall** to build a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of **$825 to $875 million**
- Power cleared a new **540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*)**, in the recent 2018/2019 RPM auction; the unit is expected to cost ~$600 million and is targeted to be in service in 2018; older Sewaren units will be retired upon completion of the new unit
- **PSEG Fossil** will oversee the construction and operation of both PSEG Keys Energy Center and Sewaren 7

SI-SSA-0015-03791

PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7 540 MW CCGT	$600	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-03792

PSEG

* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~148 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD Sept 2015 Est.
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-03793

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT)

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-03794

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-03795

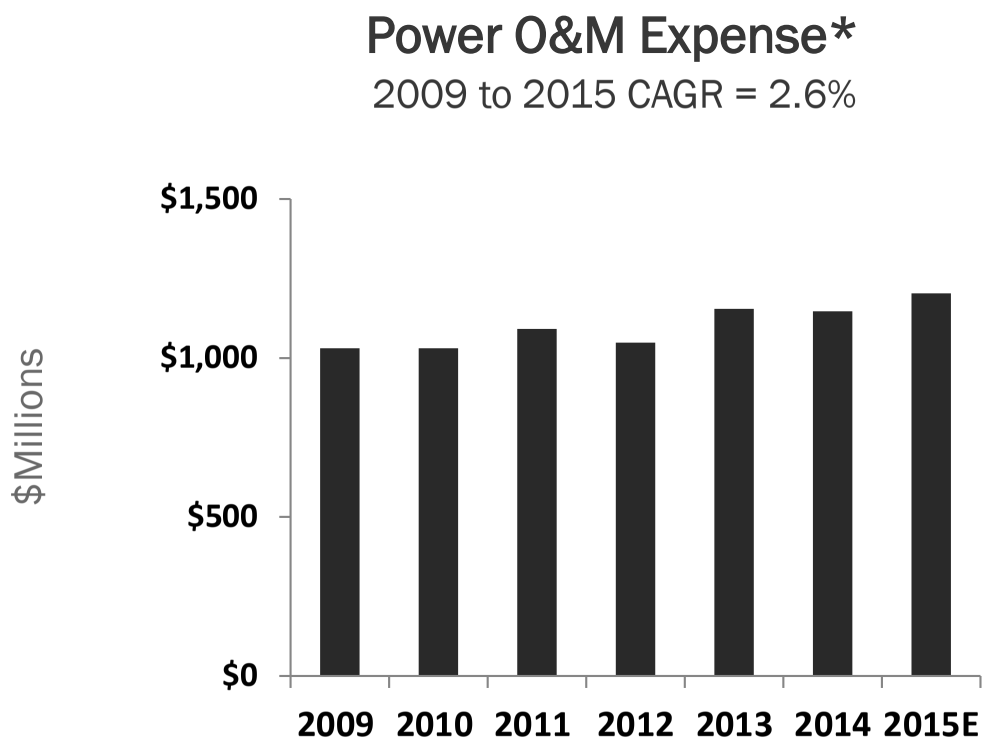
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-03796

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

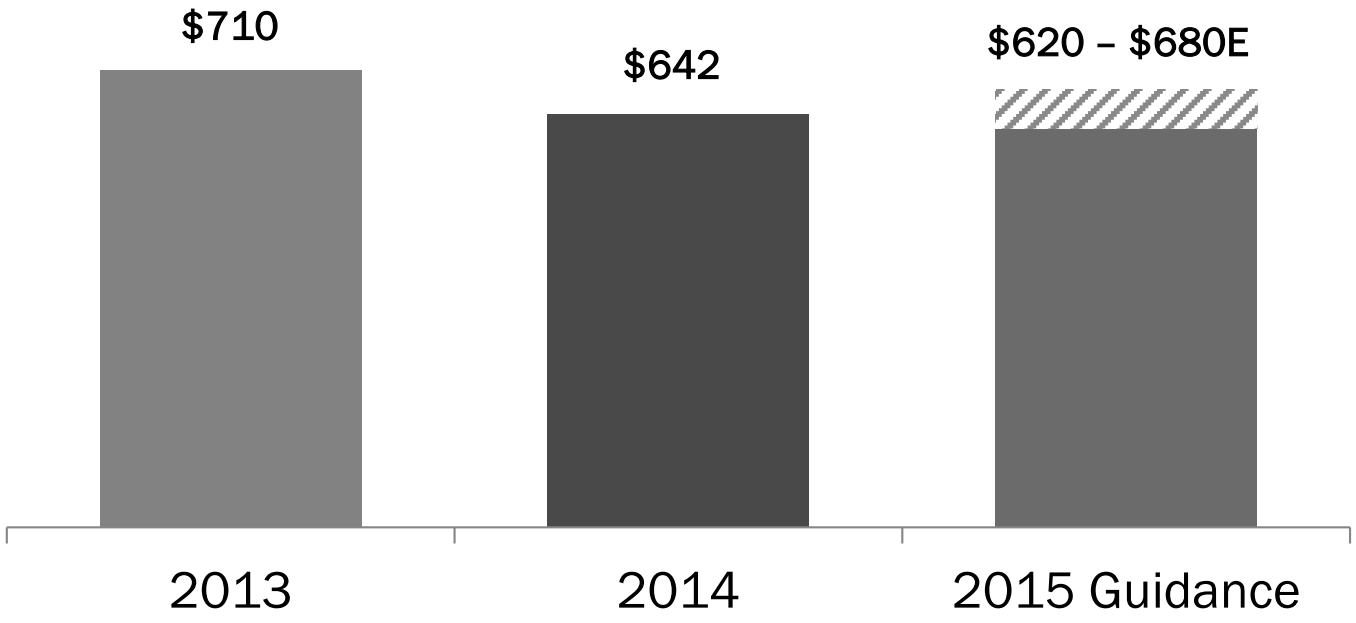
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-03797

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-03798

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG POWER
ER&T

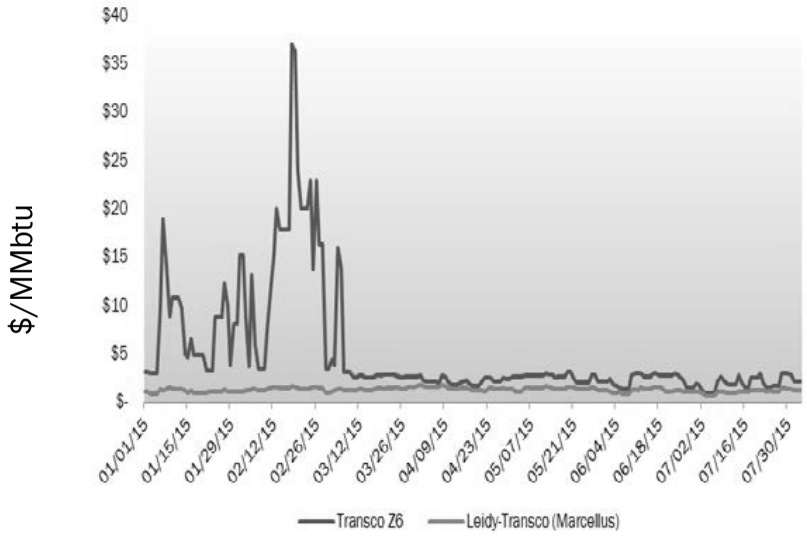
PSEG

We make things work for you.

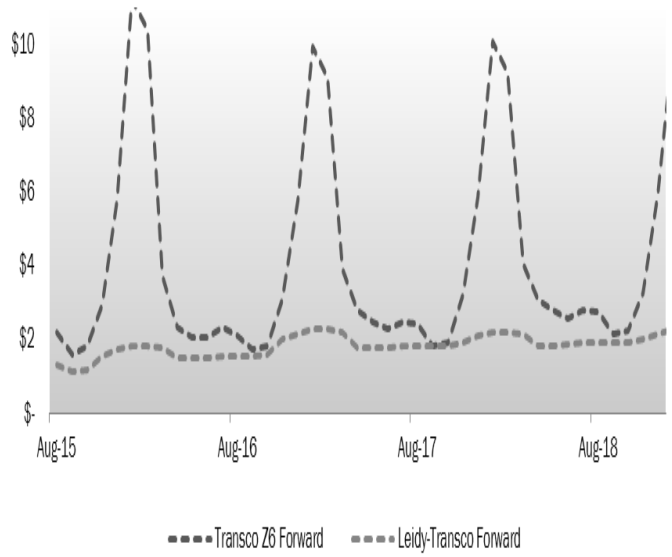
SI-SSA-0015-03799

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

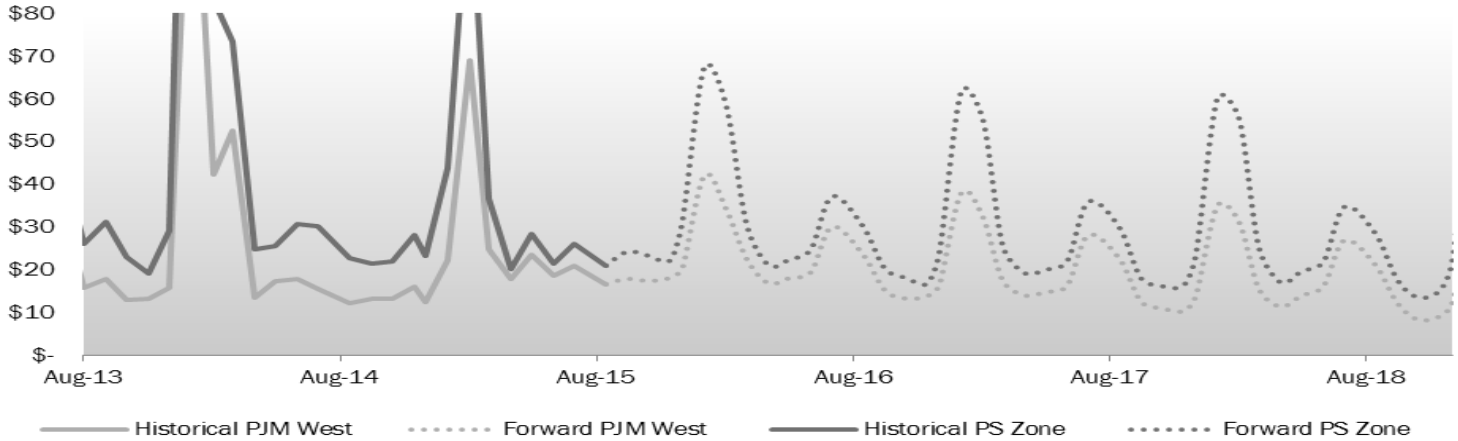
2015 YTD Z6



2015-2018 Z6

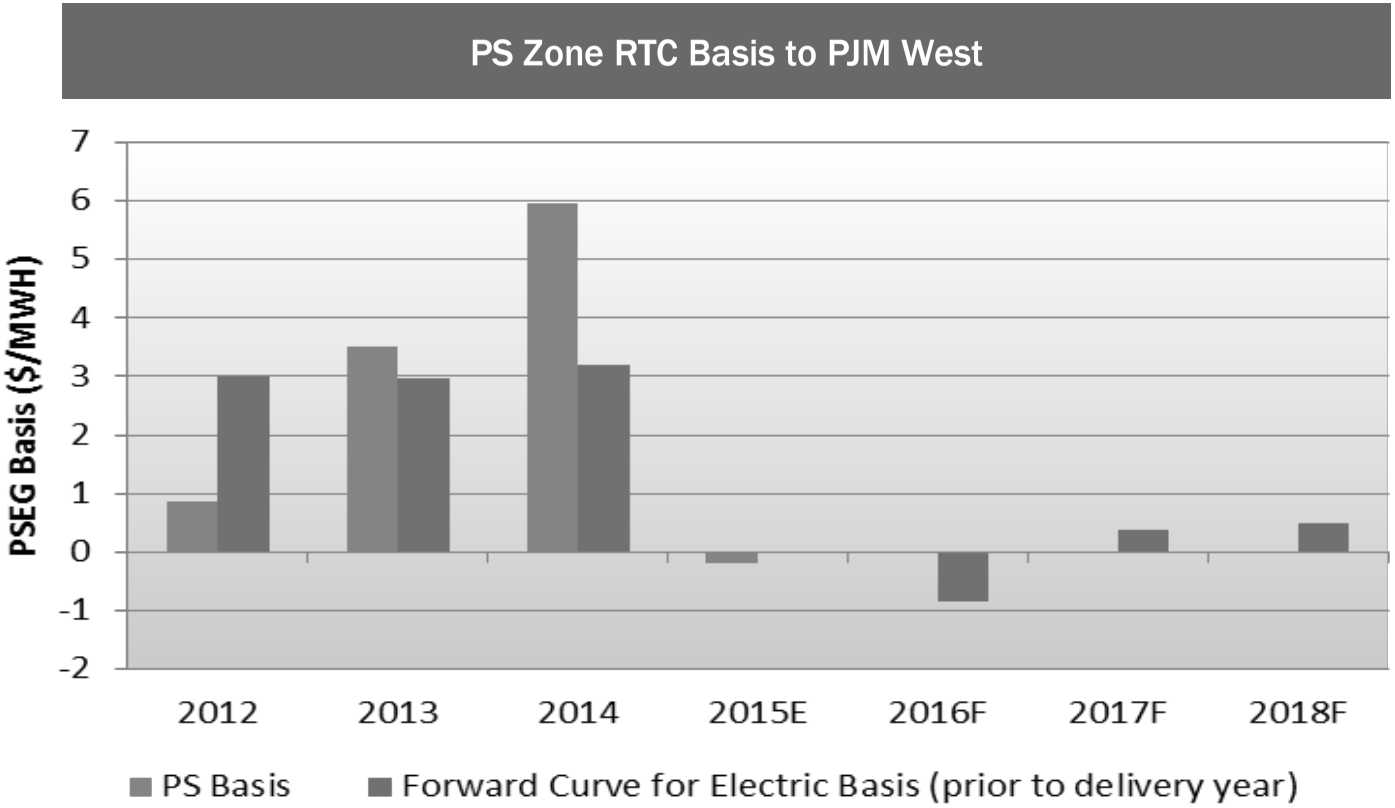


PJM West vs. PS Zone Spark Spreads (2013-2018)



SI-SSA-0015-03800

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

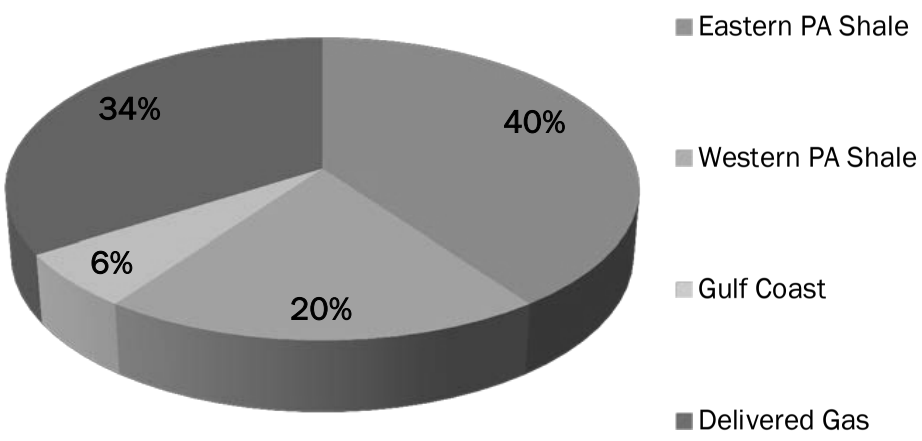
SI-SSA-0015-03801

PSEG

ANNUAL FORWARD BASIS TO PJM-WEST AS OF AUGUST 3, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

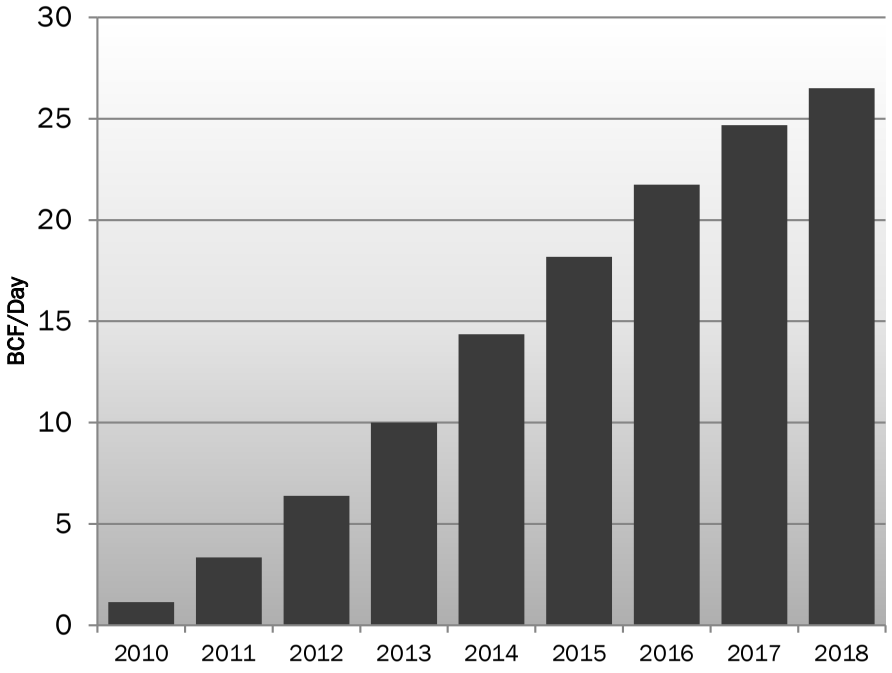


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

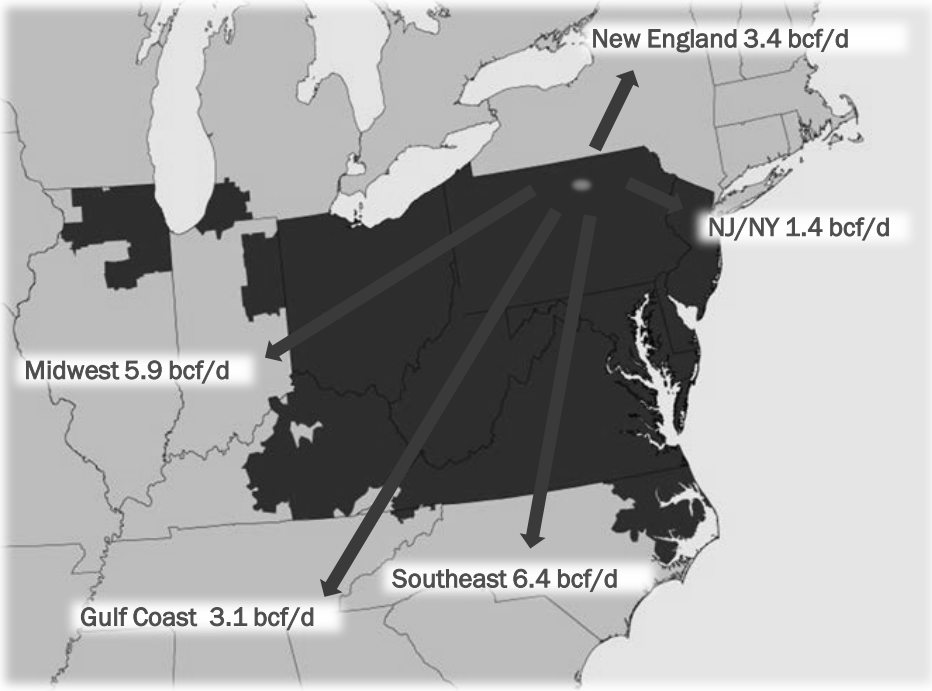
SI-SSA-0015-03802

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-03803

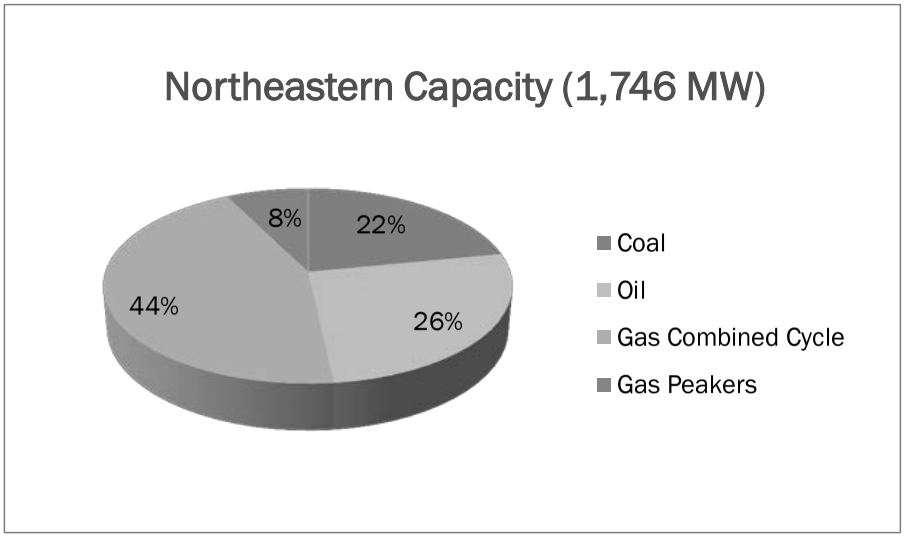
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-03804

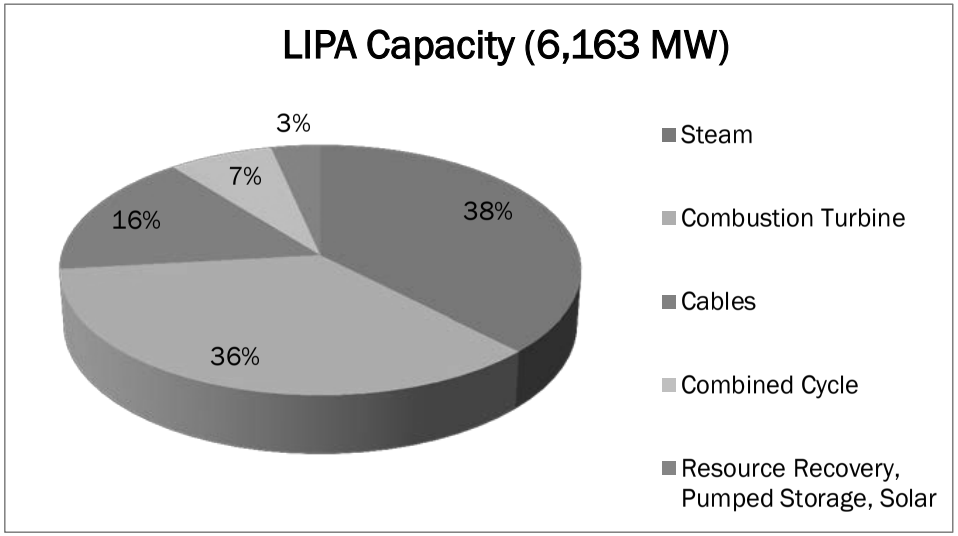
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-03805

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction **met the new CP standards**

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

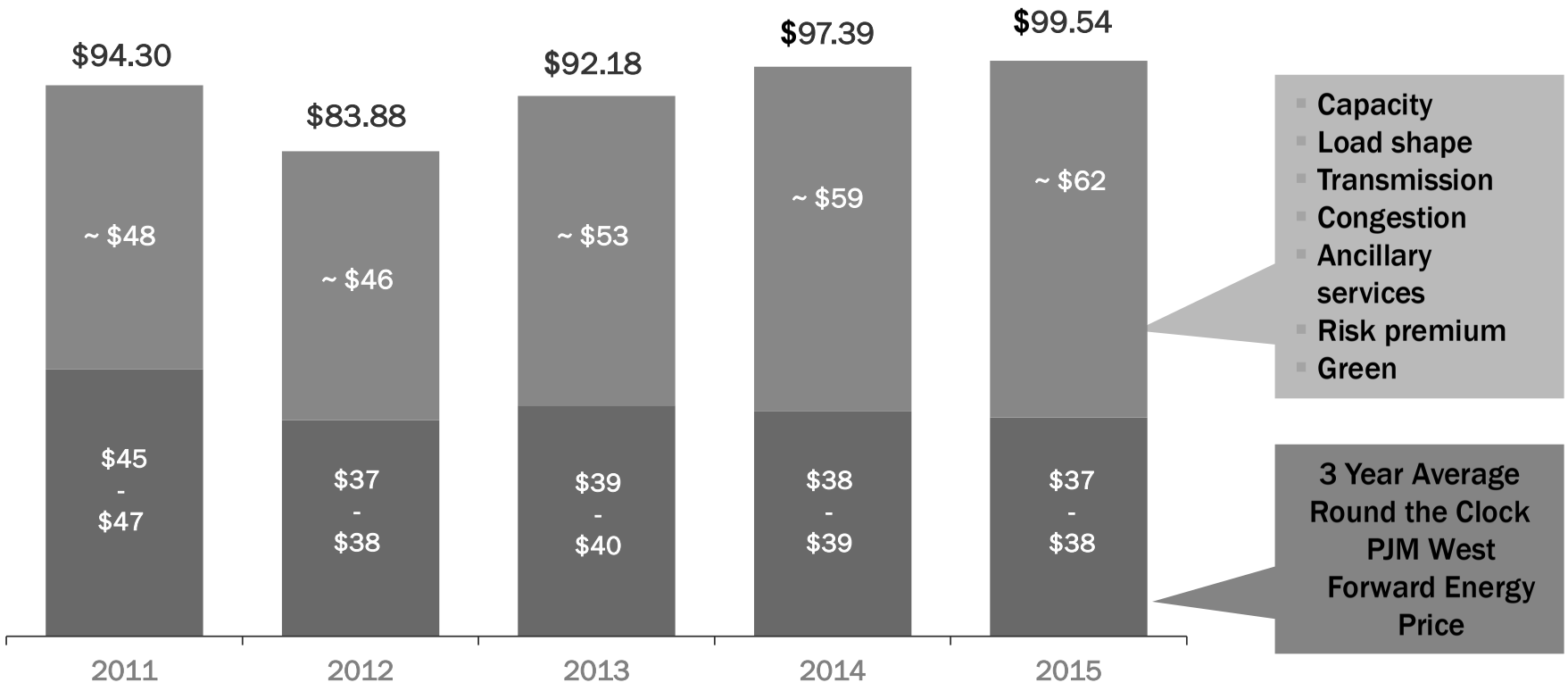
- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

SI-SSA-0015-03806

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-03807

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-03808

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-03809

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-03810

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-03811

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	**$760 - $775**	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	**$1,420 - $1,500**	**$1,400**
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-03812

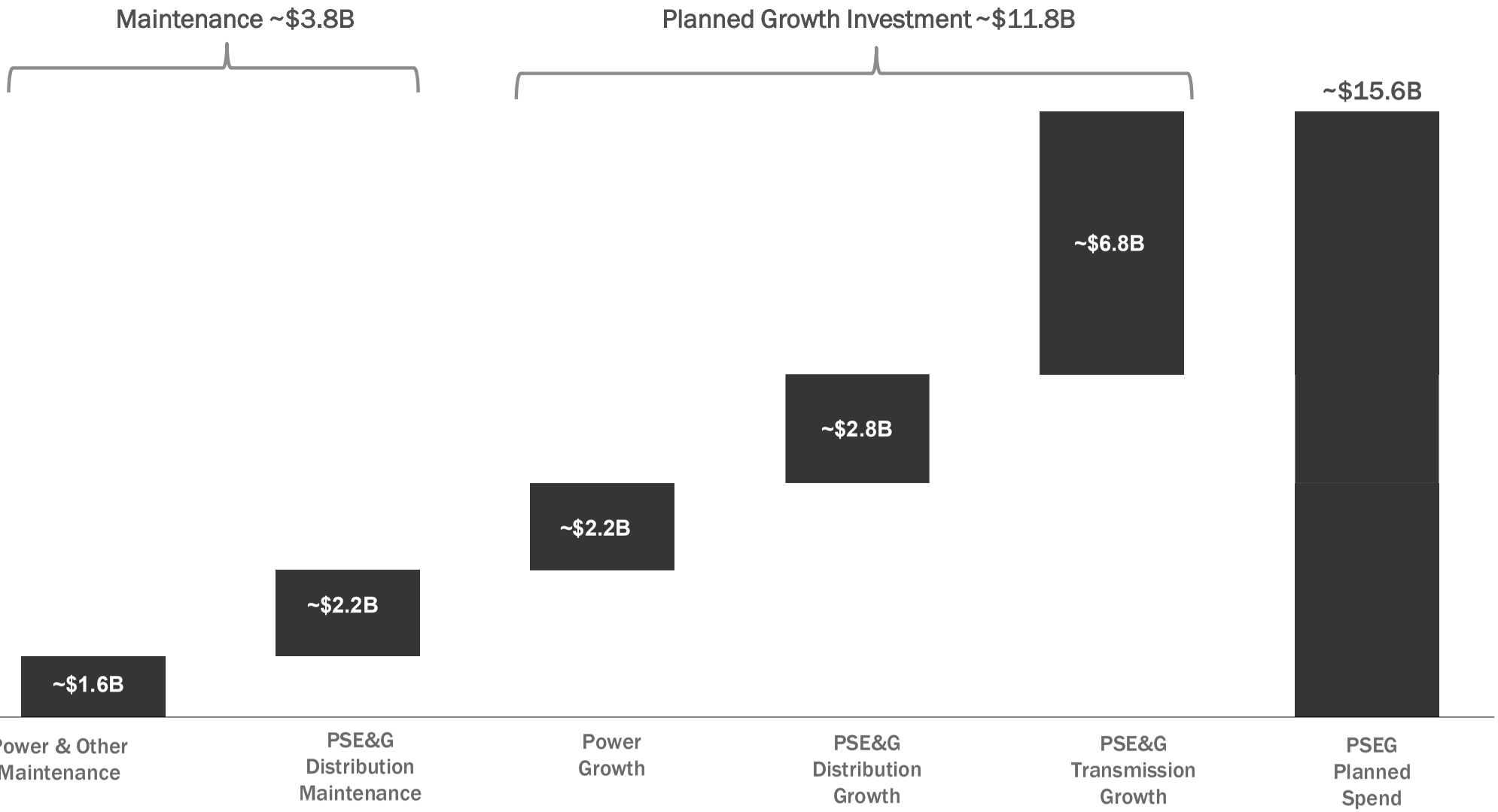
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

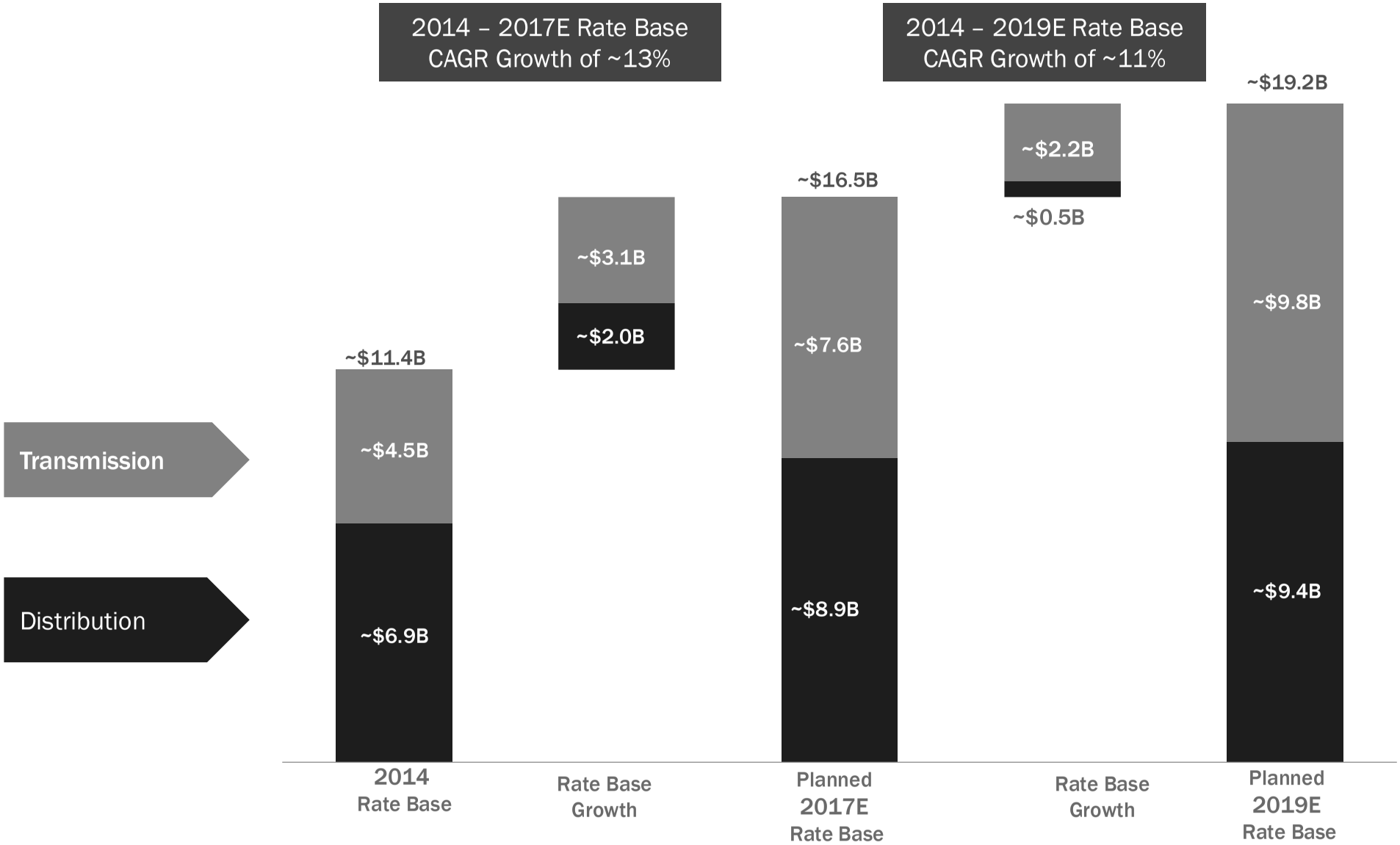
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-03813

PSE&G's Capital Program drives double-digit growth in rate base through 2019



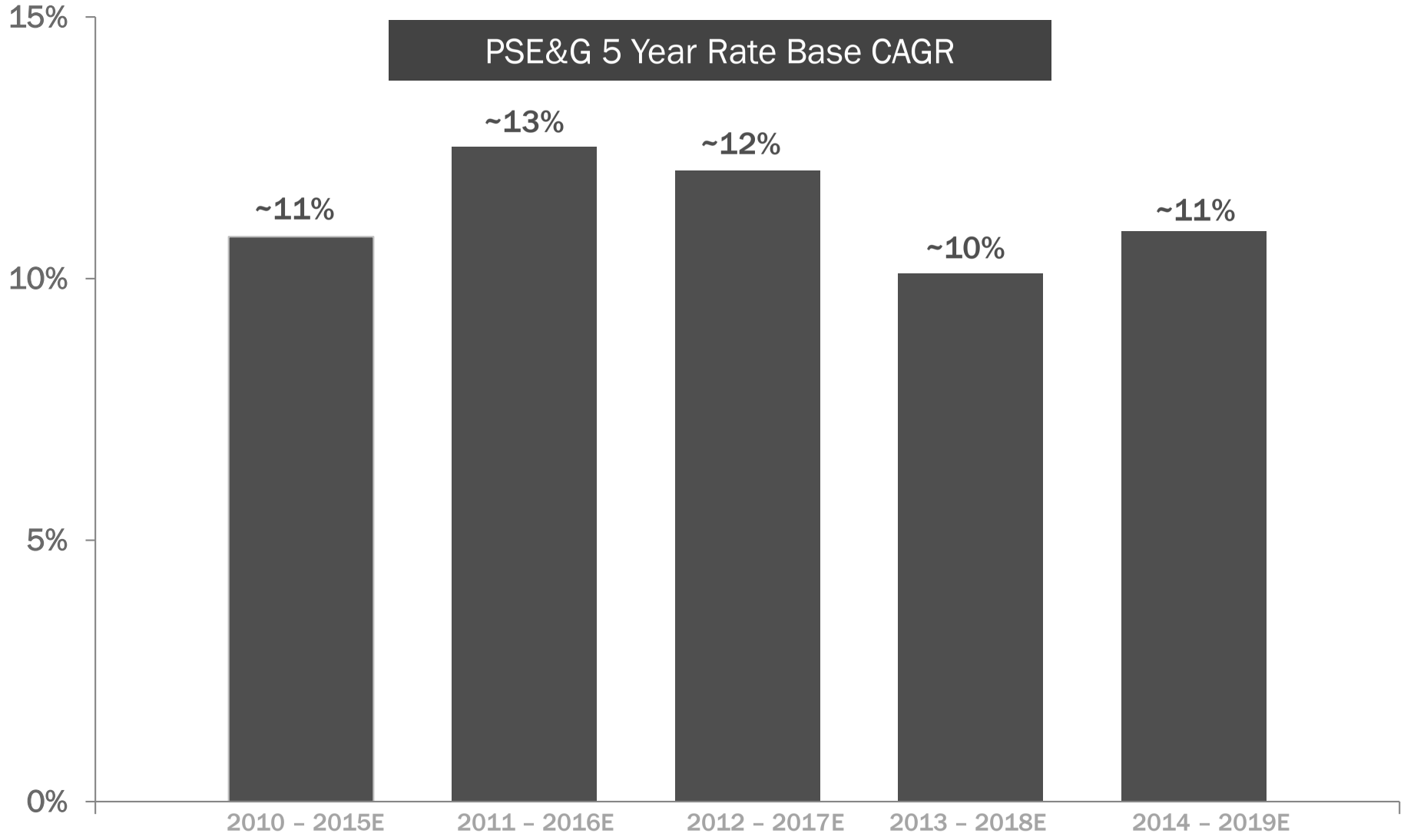
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-03814

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



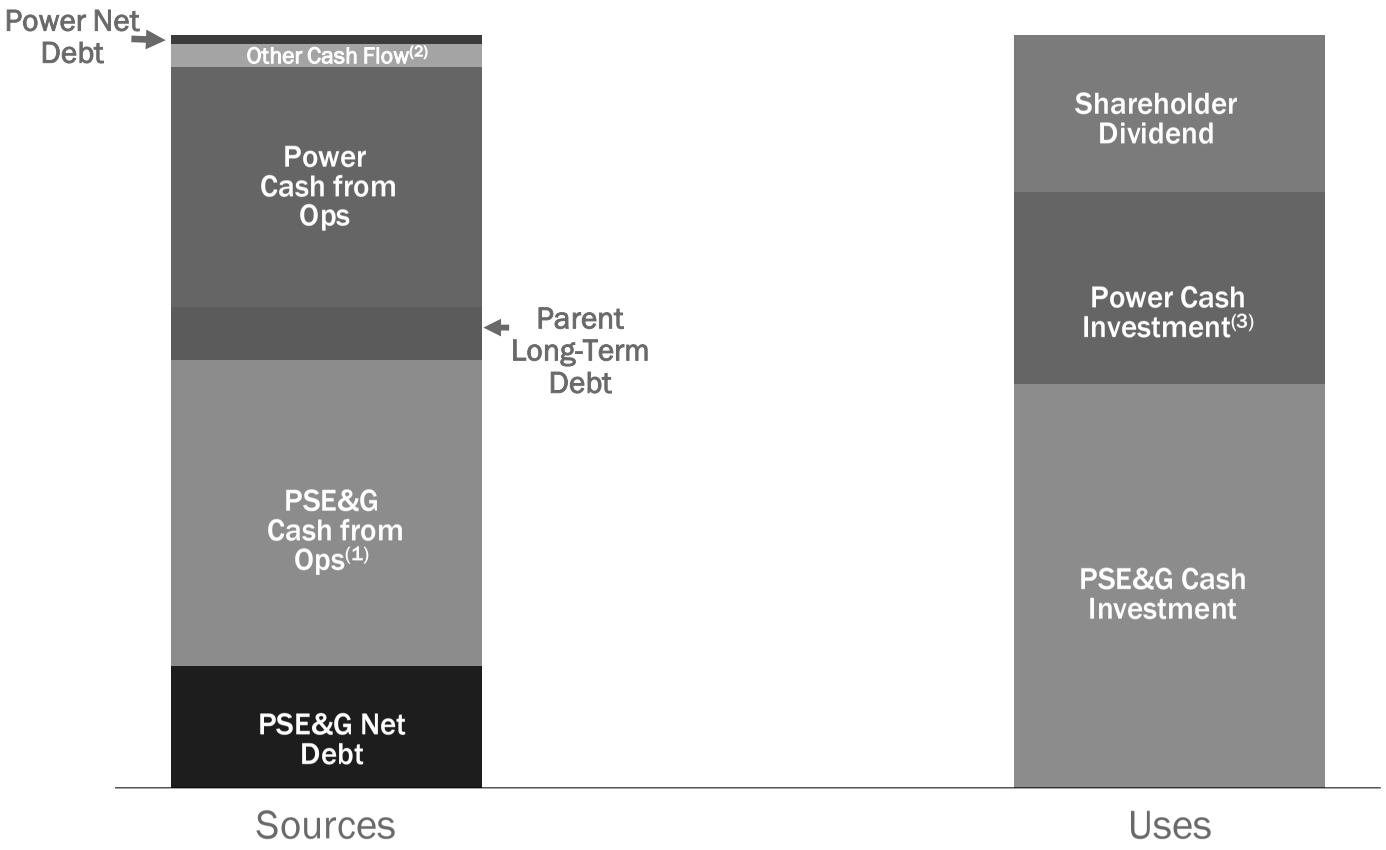
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-03815

Utilizing financial strength to issue debt at the parent level in support of regulated growth

PSEG 2015 - 2019E Sources and Uses

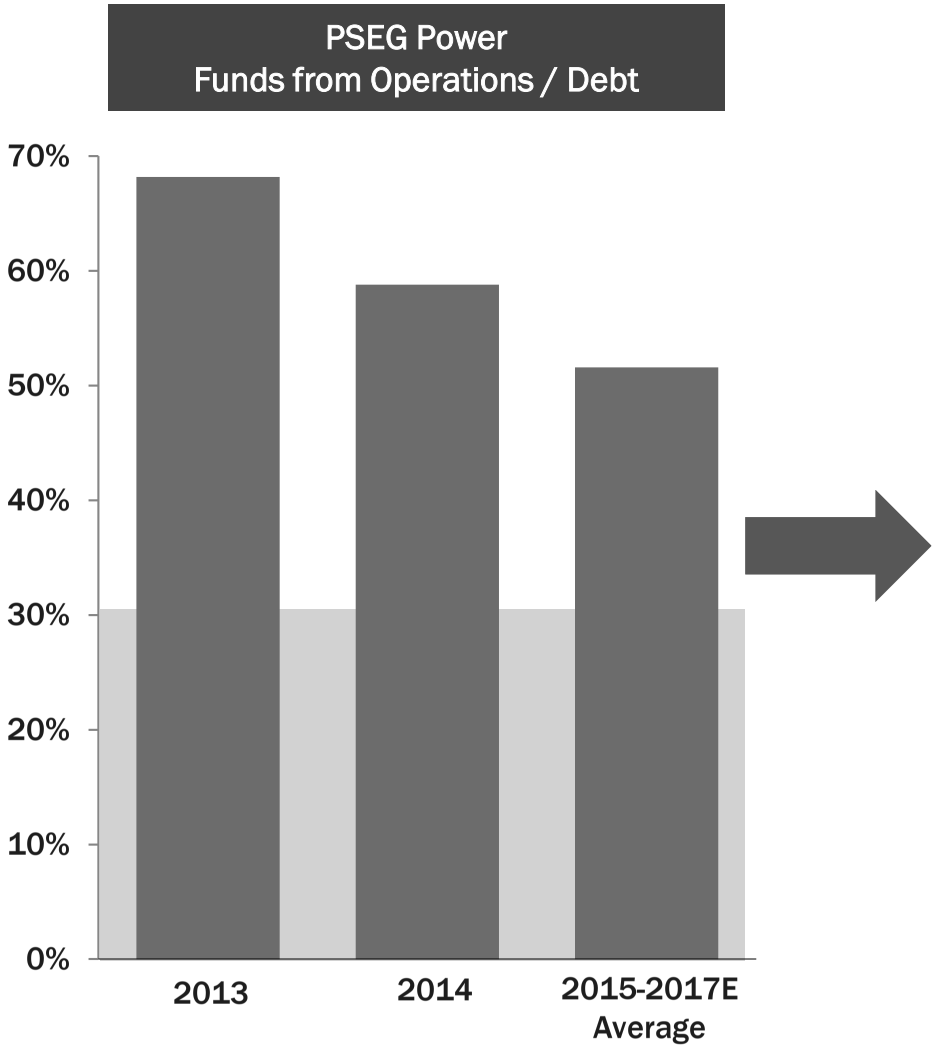


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-03816

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-03817

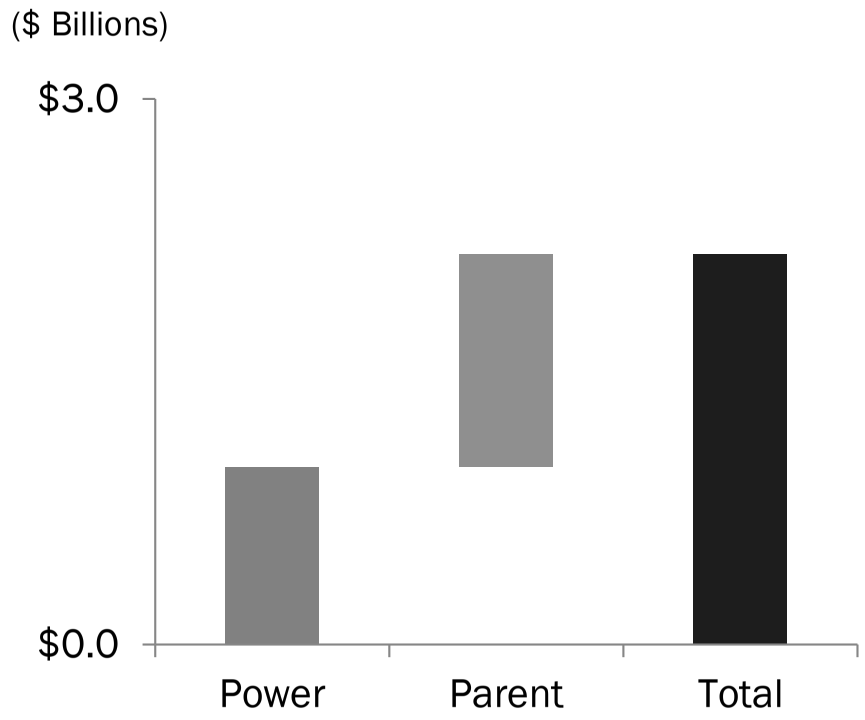
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



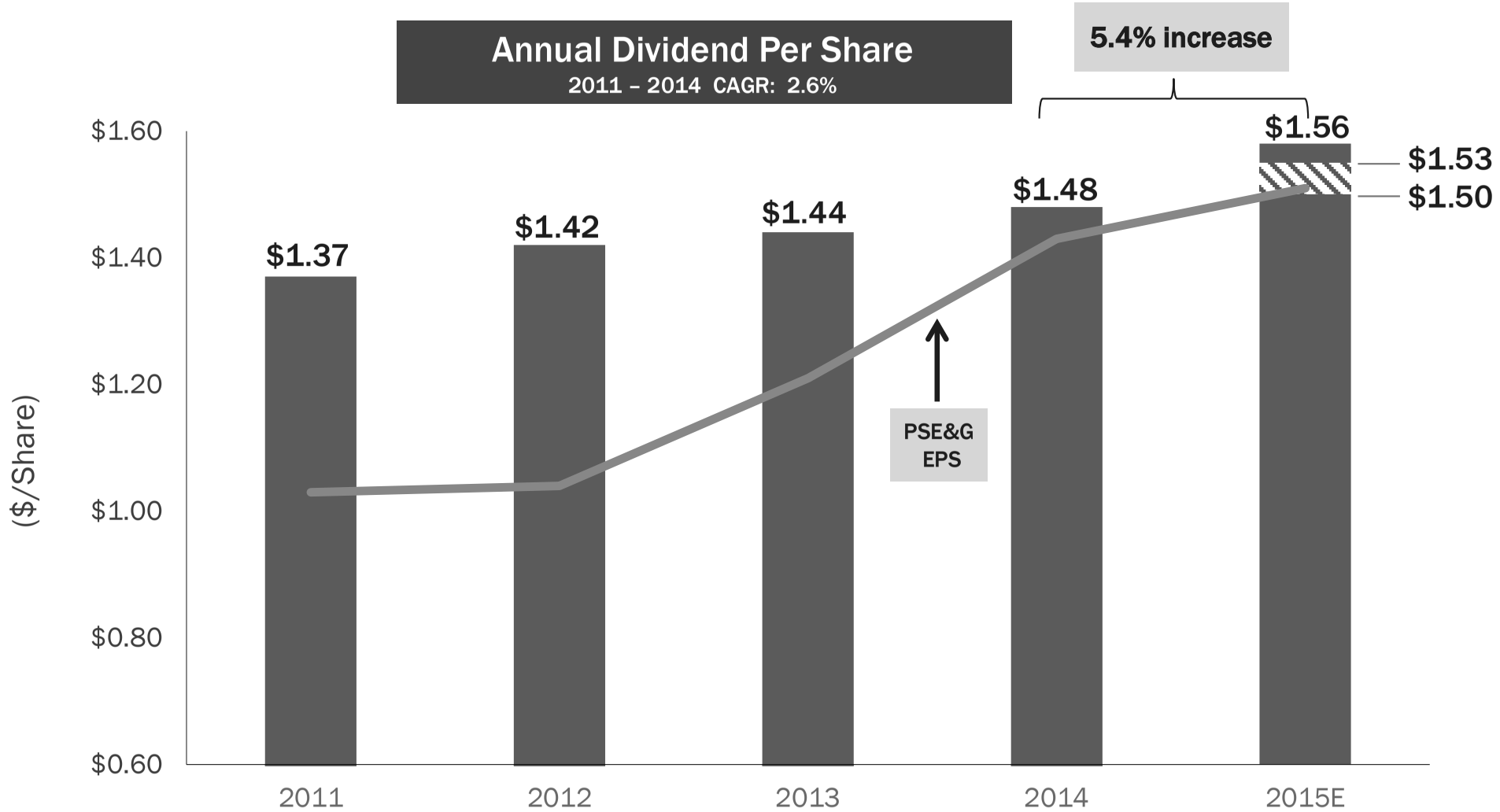
Our incremental investment capacity can support growth at both PSE&G and Power

SI-SSA-0015-03818

*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54% (1)

SI-SSA-0015-03819

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.80-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions. ** July-December 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-03820

PSEG Summary

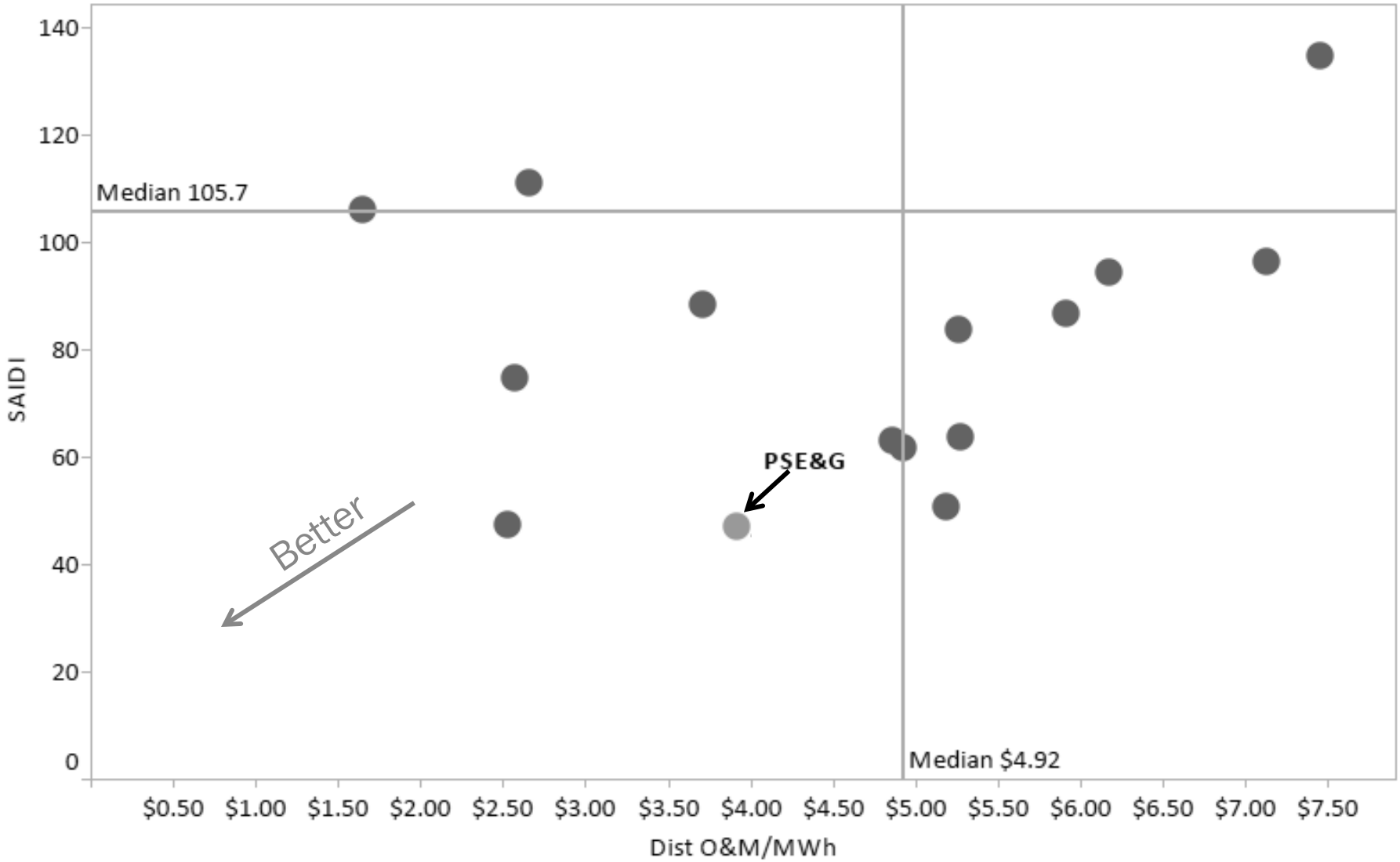
- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.80 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-03821

PSE&G APPENDIX

SI-SSA-0015-03822

PSE&G provides high reliability at below average cost which creates superior value to customers

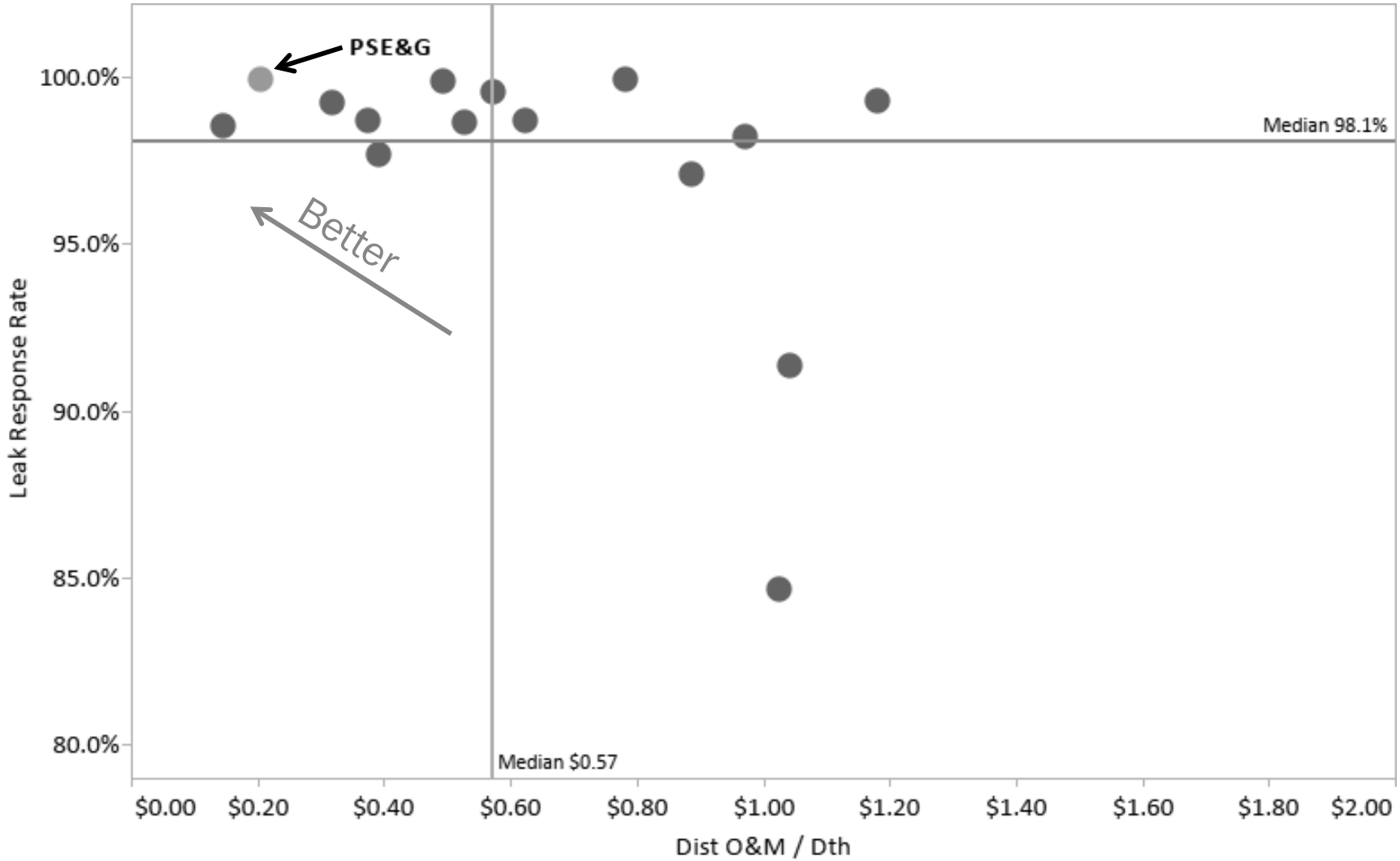


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-03823

PSE&G prioritizes public safety

while maintaining value to customers



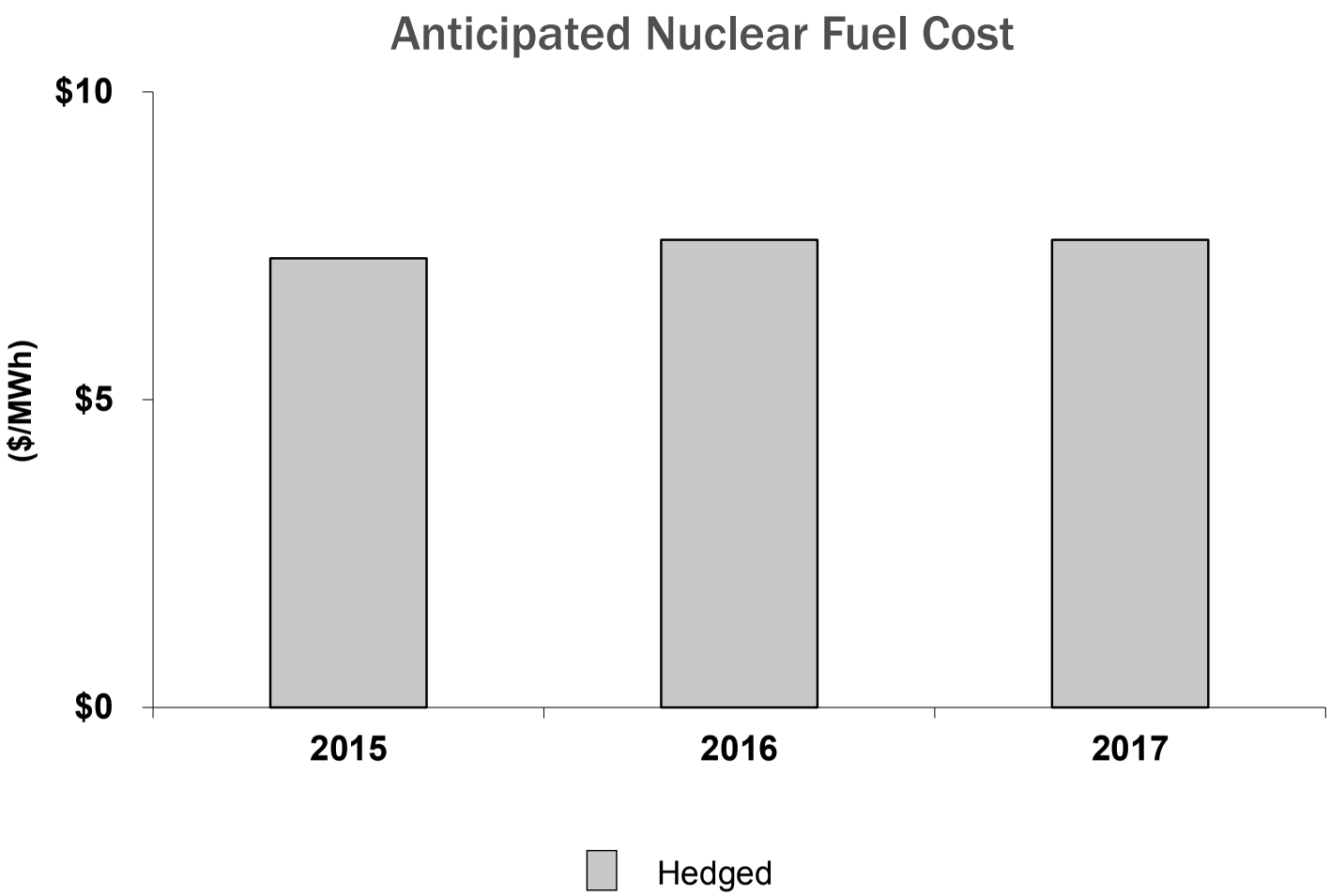
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-03824

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-03825

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-03826

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-03827

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03828

First Half Operating Earnings by Subsidiary

Six months ended June 30

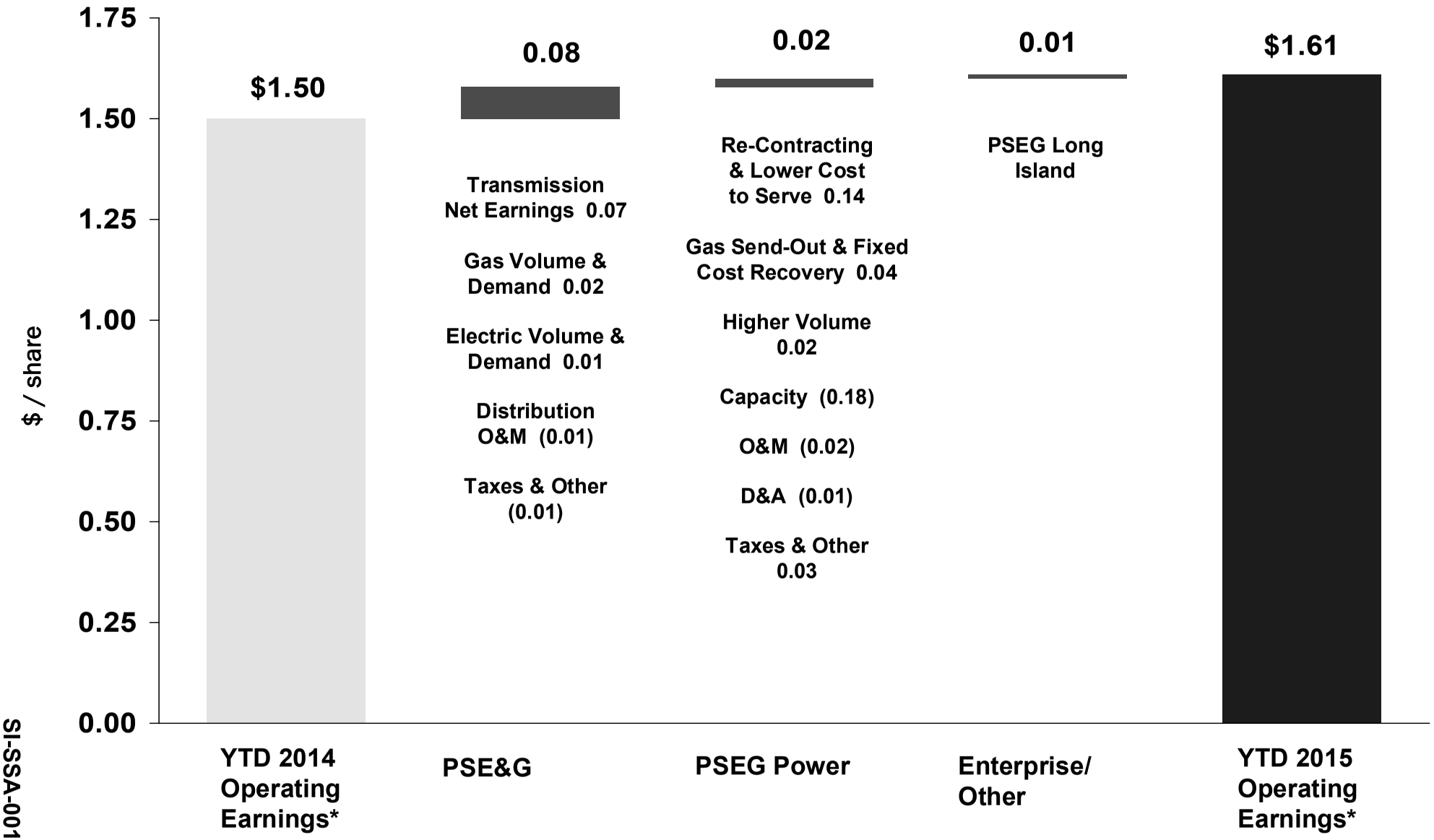
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

SI-SSA-0015-03829

PSEG

•SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



SI-SSA-0015-03830

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power's Adjusted EBITDA - Q2 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$110	$87	$388	$380	$620	$680
Add:						
Fossil Major Maintenance, pre-tax	52	49	101	107	115	115
Depreciation & Amortization, pre-tax	75	73	152	146	305	305
Interest Expense, pre-tax	32	29	63	60	125	125
Income Taxes	32	38	223	234	380	420
Adjusted EBITDA	**$301**	**$276**	**$927**	**$927**	**$1,545E**	**$1,645E**

* SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

** SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

SI-SSA-0015-03831

Our balance sheet remains strong

June 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.7	7.2	5.7
Total Capitalization	**$21.9**	**$13.8**	**$8.2**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio(2) 51.7%

SI-SSA-0015-03832

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $134 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	2015	Total
PSEG Power	$44	$179	$223**
PSE&G	6	35	41***
PSEG	$50*	$214	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

** POWER SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; INCREASED OTHER INCOME.

*** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

SI-SSA-0015-03833

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
			PSEG Money Pool ST Investment		$397
			PSE&G ST Investment		$151
			Total Liquidity Available		**$4,628**
			Total Parent / Power Liquidity		**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-03834

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 6/30/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	150
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	29
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	39
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$855**

SI-SSA-0015-03835

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-03836

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-03837

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**	**$ 2.99**	**$ 2.45**

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

SI-SSA-0015-03838

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

BofA Merrill Lynch Power & Gas Leaders Conference

BOSTON – SEPTEMBER 17, 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03839

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-03840

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03841

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-03842

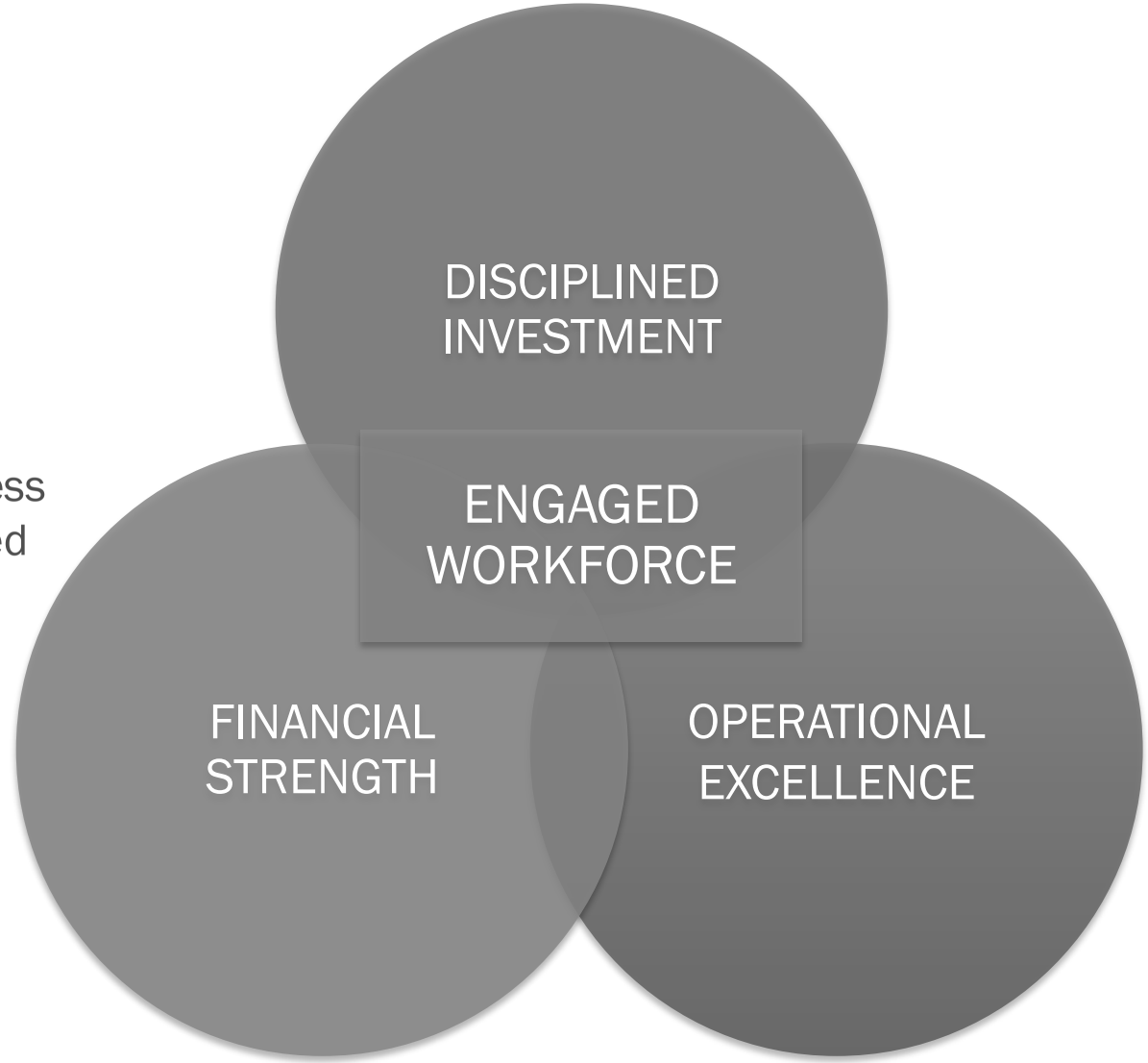
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-03843

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-03844

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

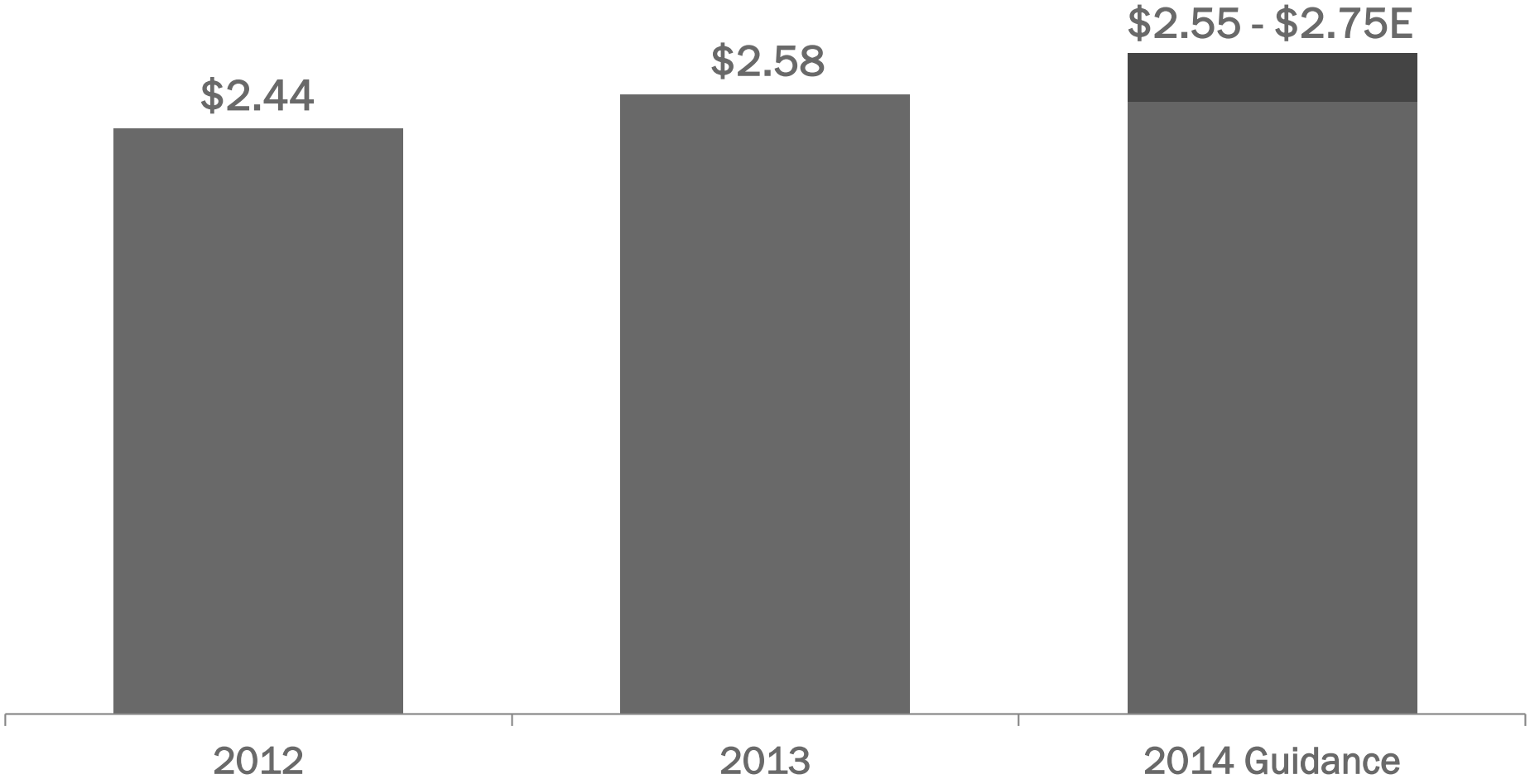
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-03845

PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

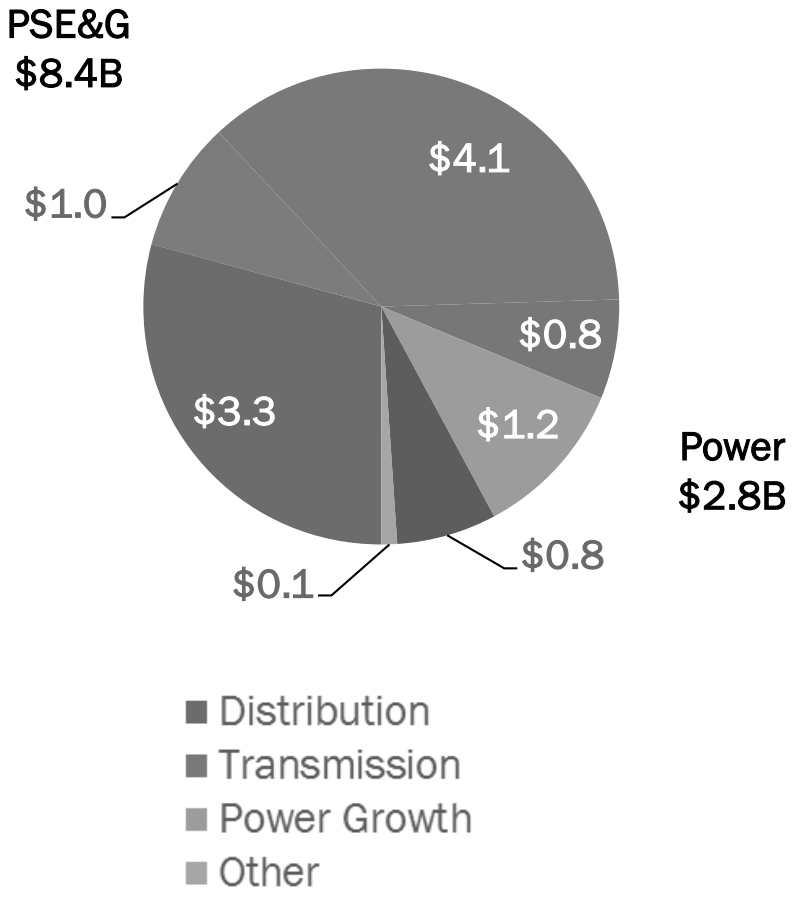
PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

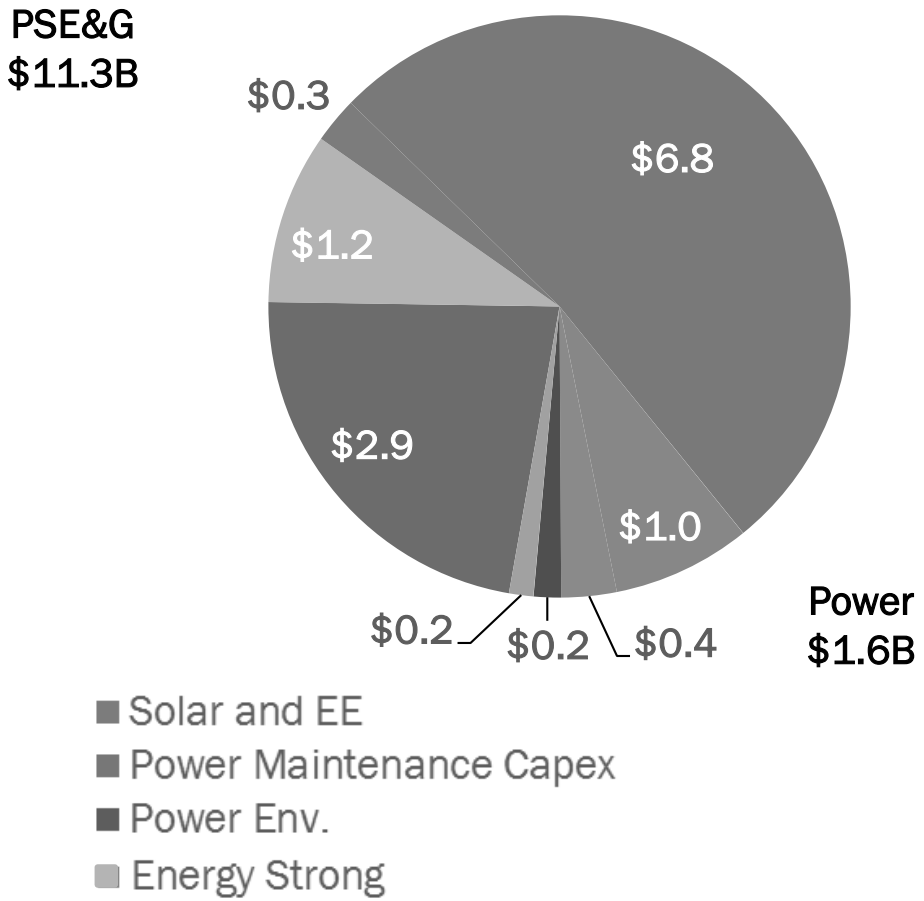
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

SI-SSA-0015-03847

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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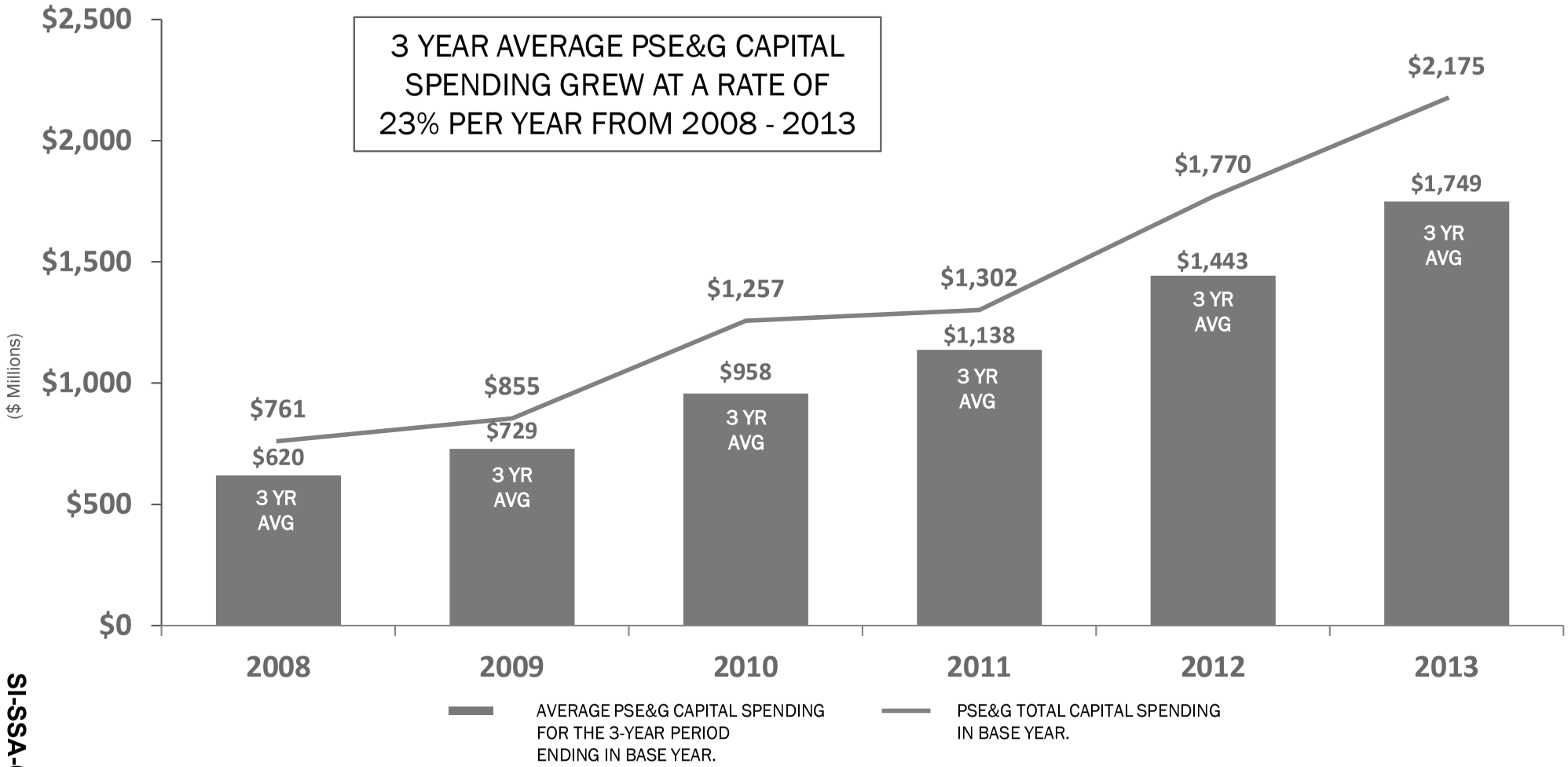
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed

through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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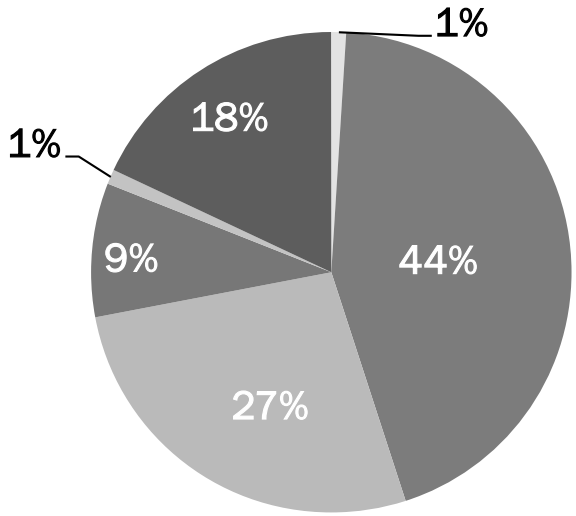
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

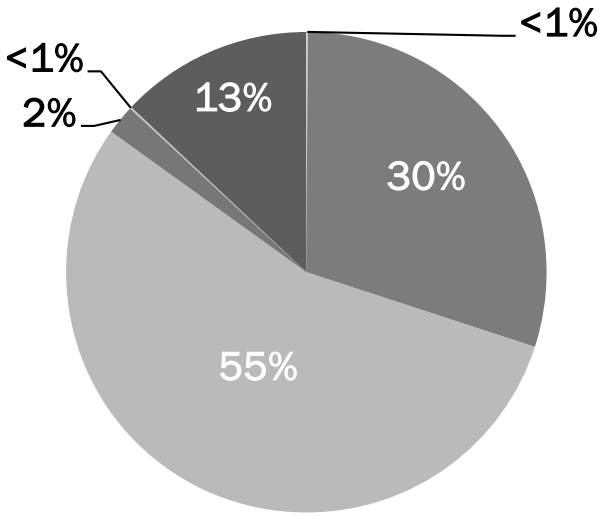
SI-SSA-0015-03850

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

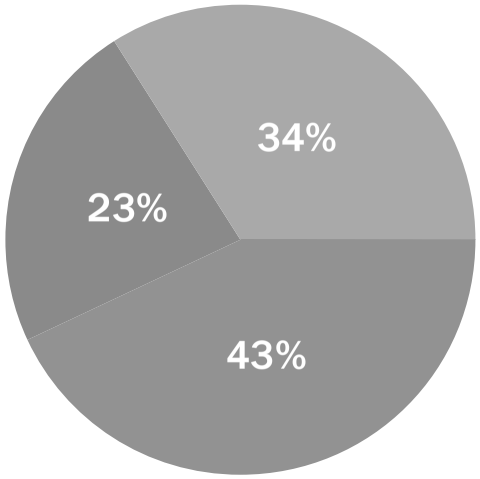
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-03851

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

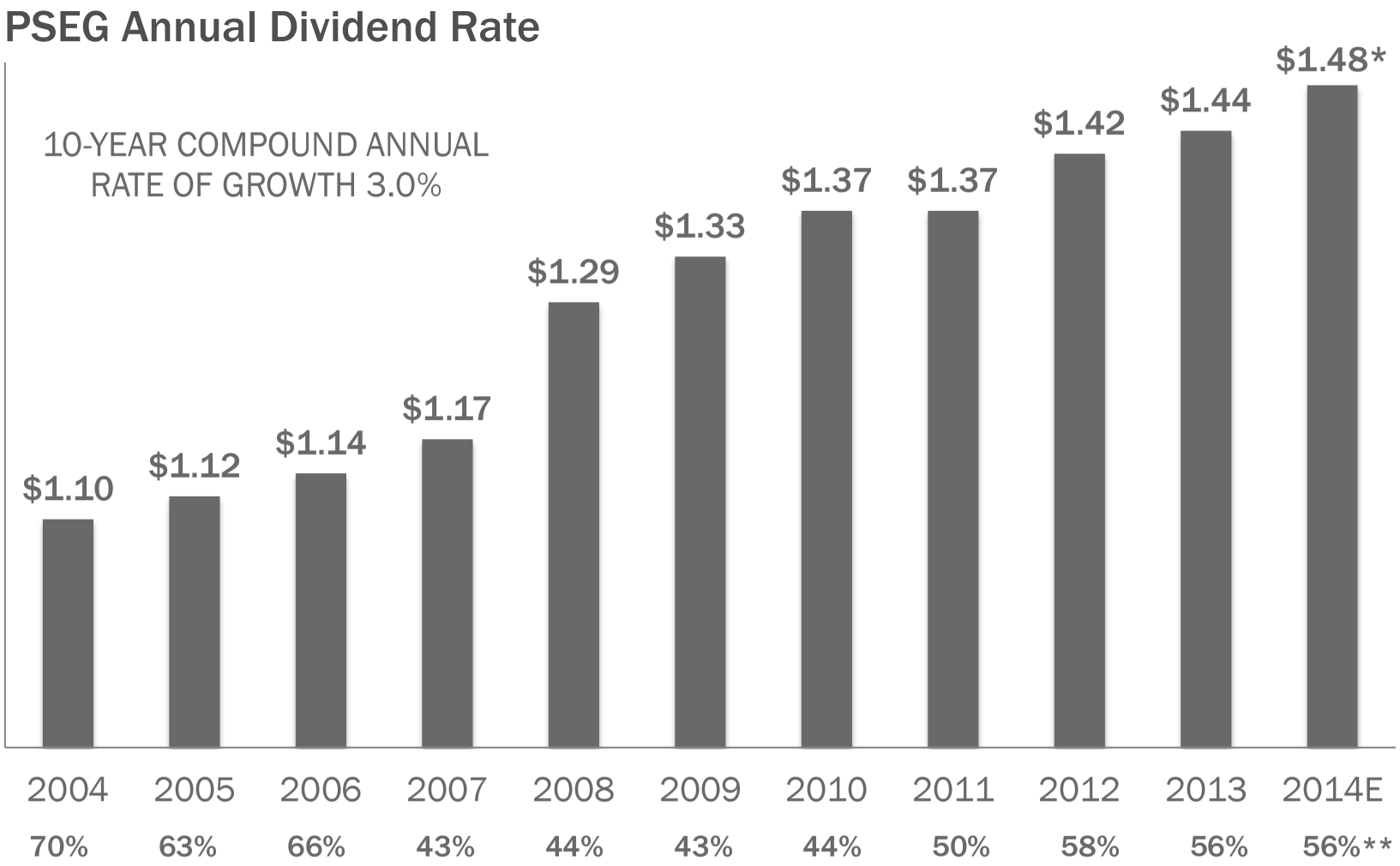
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-03852

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-03853

PSEG Q2 2014 Financial Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-03854

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-03855

PSE&G

PSEG

We make things work for you.

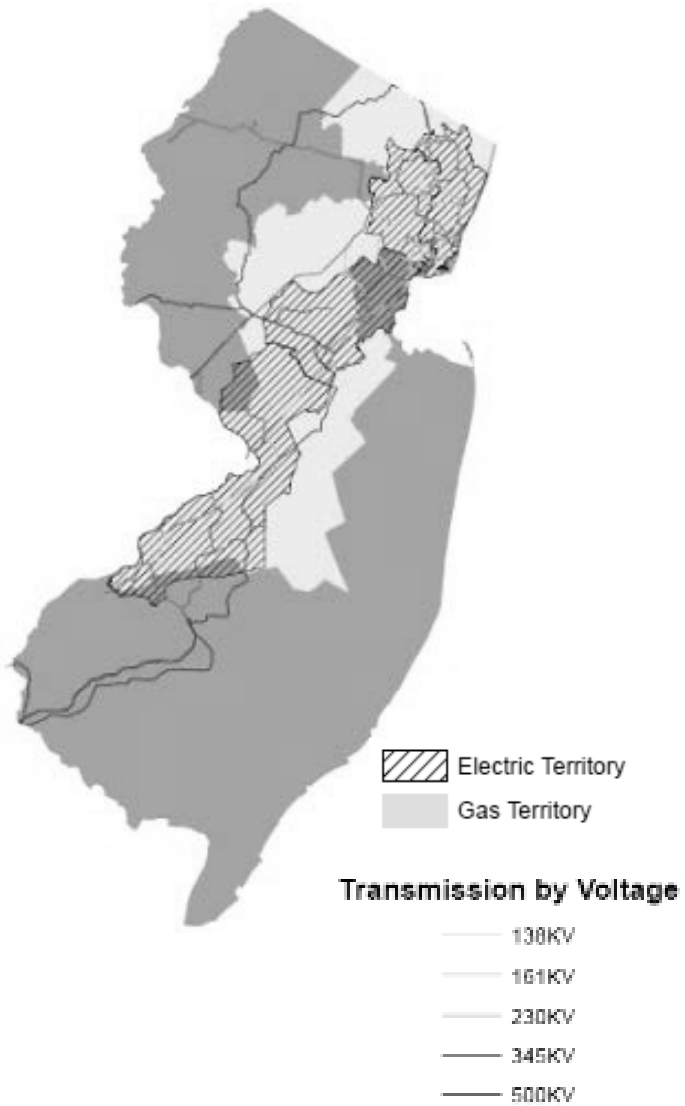
SI-SSA-0015-03856

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03857

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-03858

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-03859

PSE&G's operating earnings grew ~18%

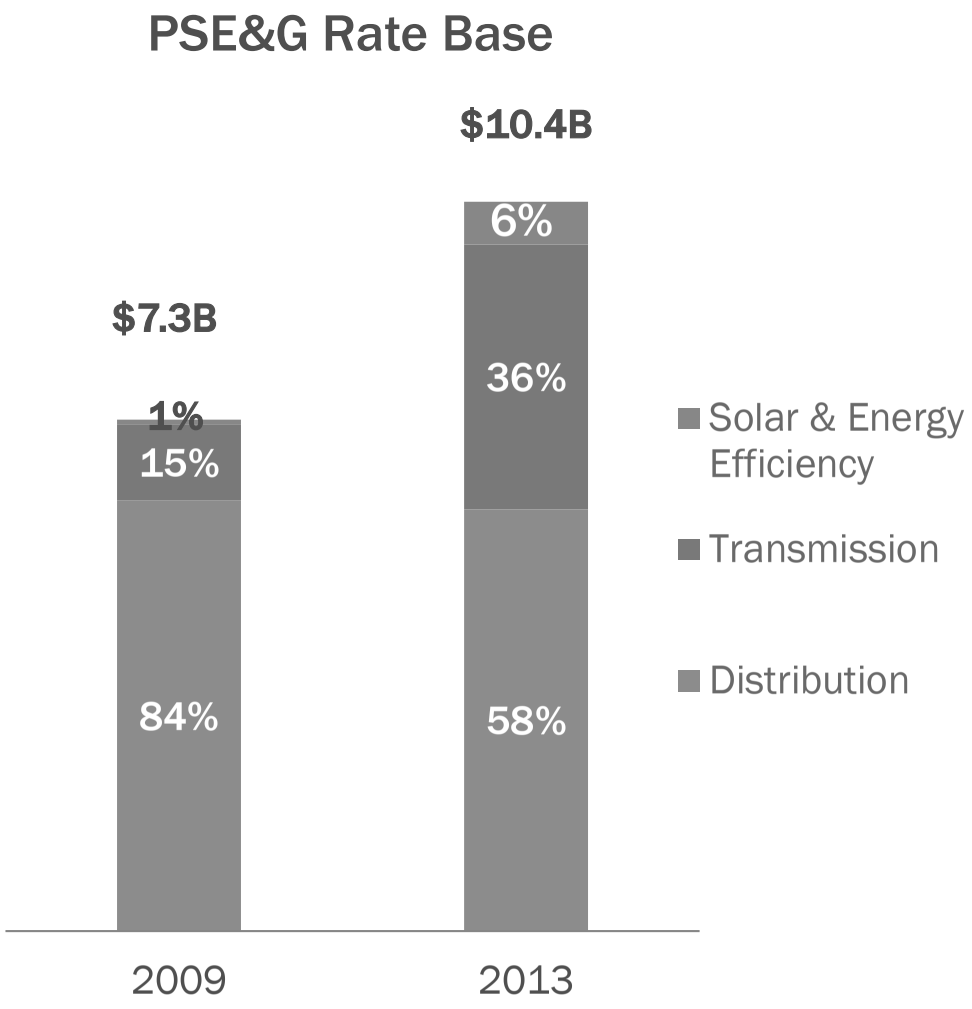
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-03860

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-03861

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

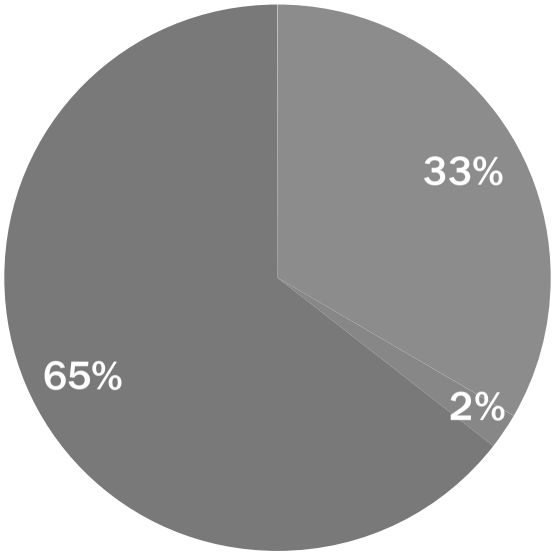
SI-SSA-0015-03862

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

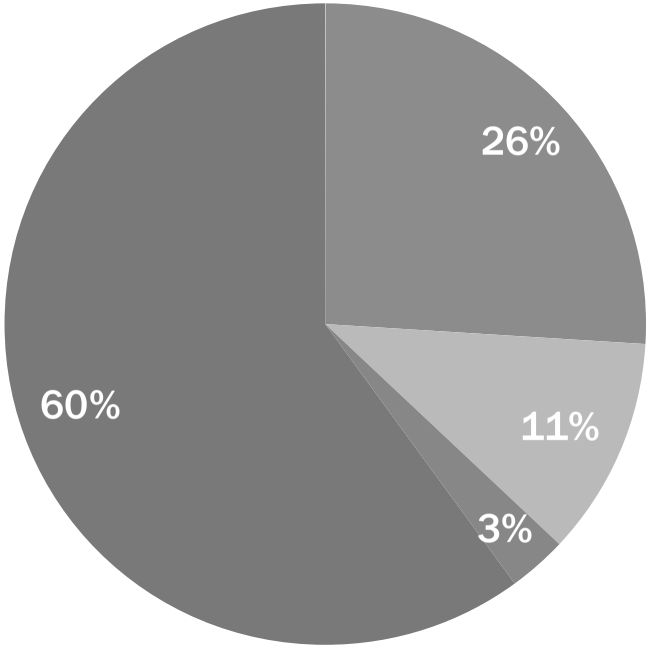
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-03863

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

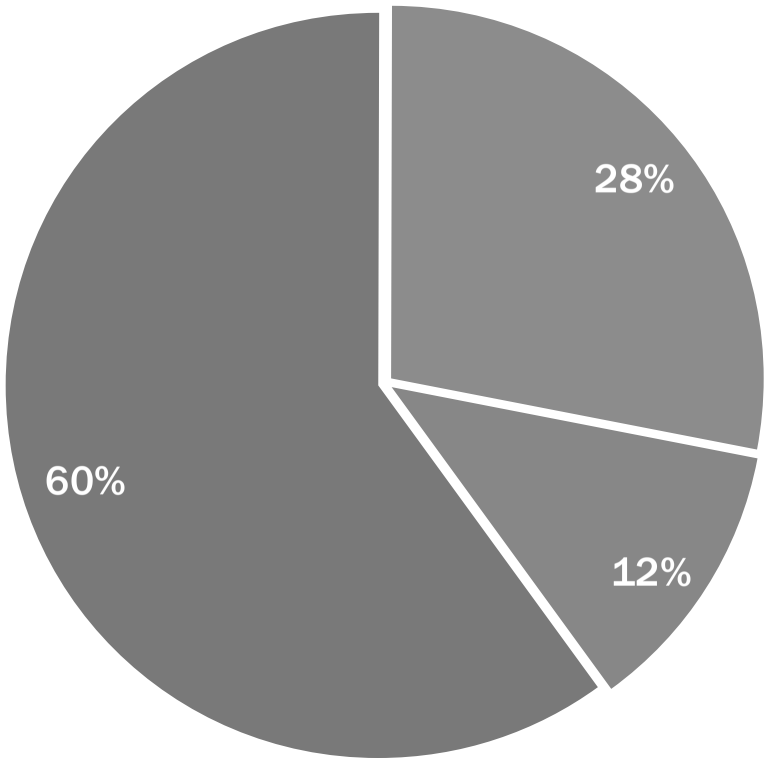
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-03864

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

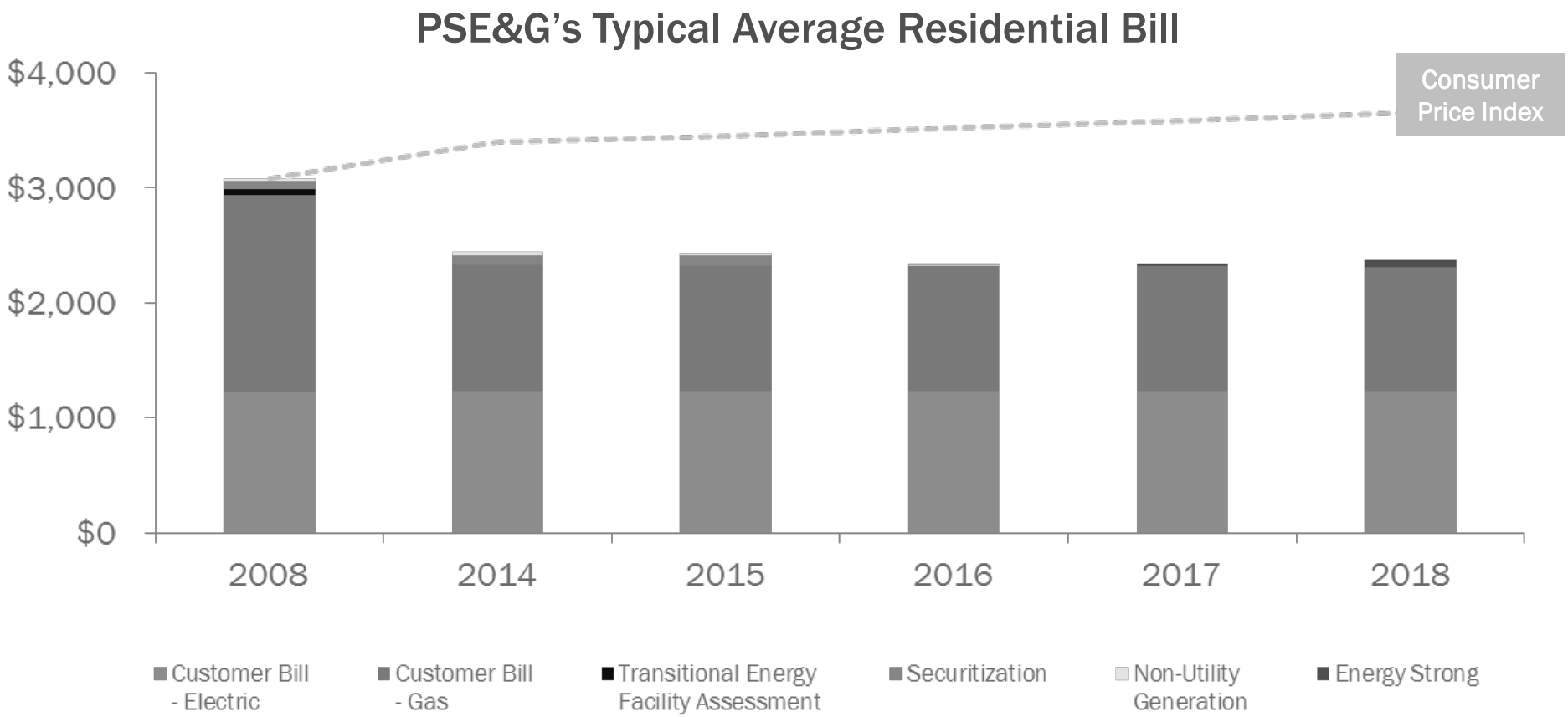
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-03865

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-03866

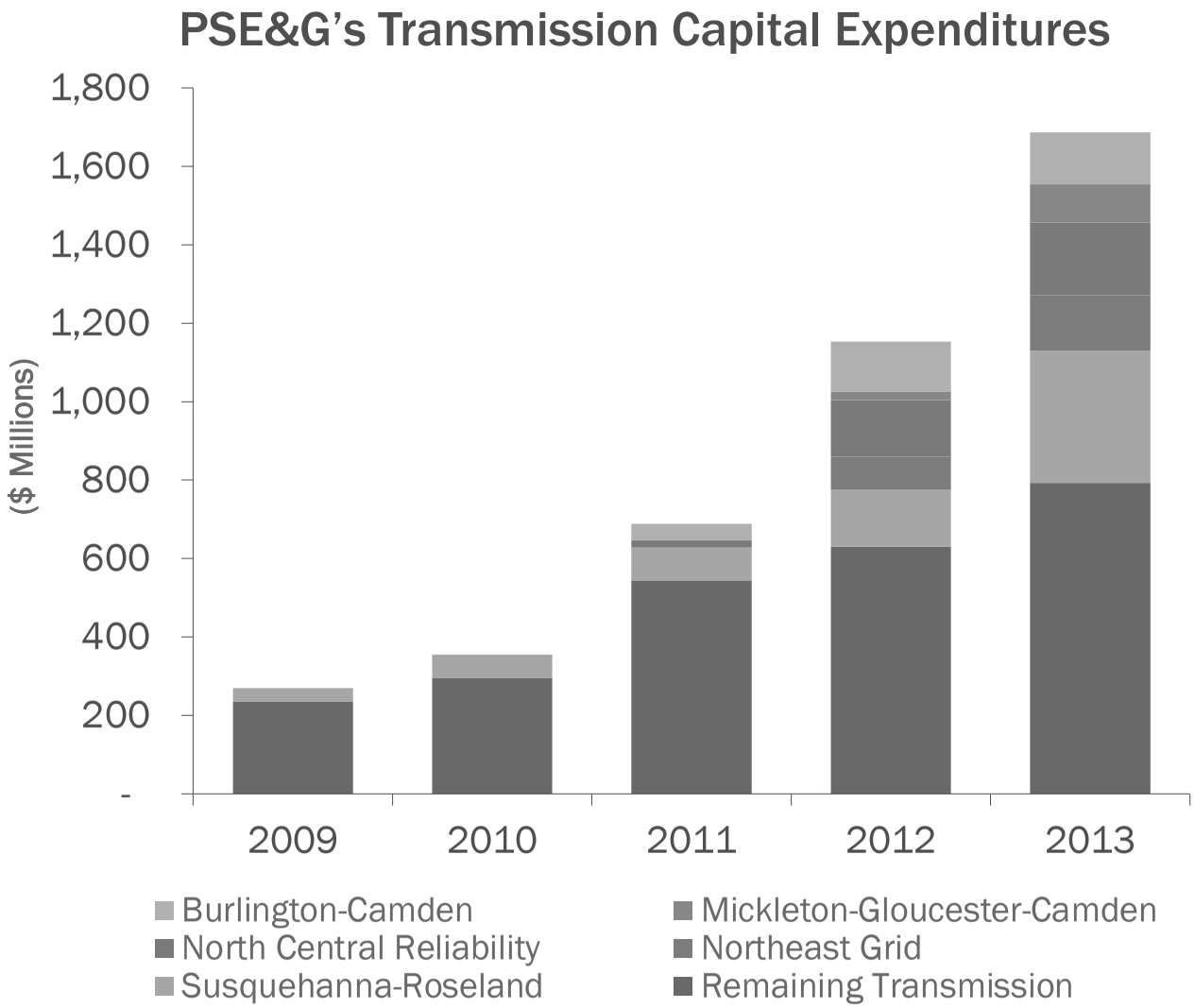
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-03867

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-03868

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-03869

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-03870

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-03871

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-03872

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-03873

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-03874

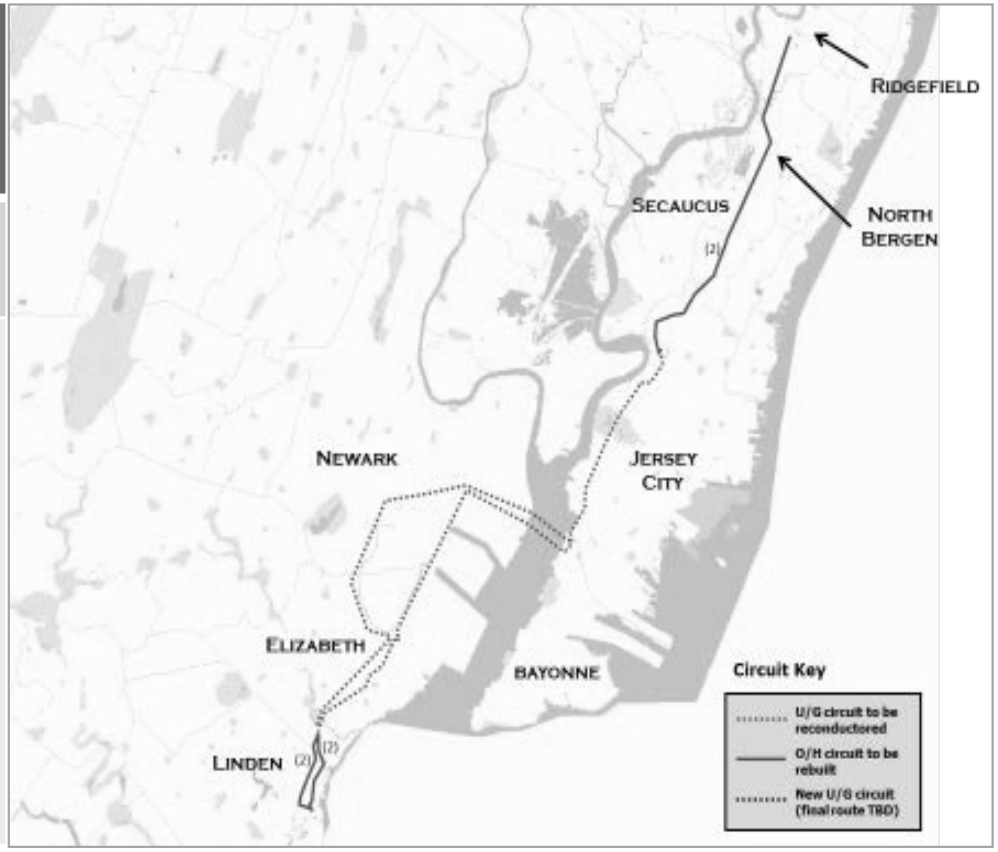
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

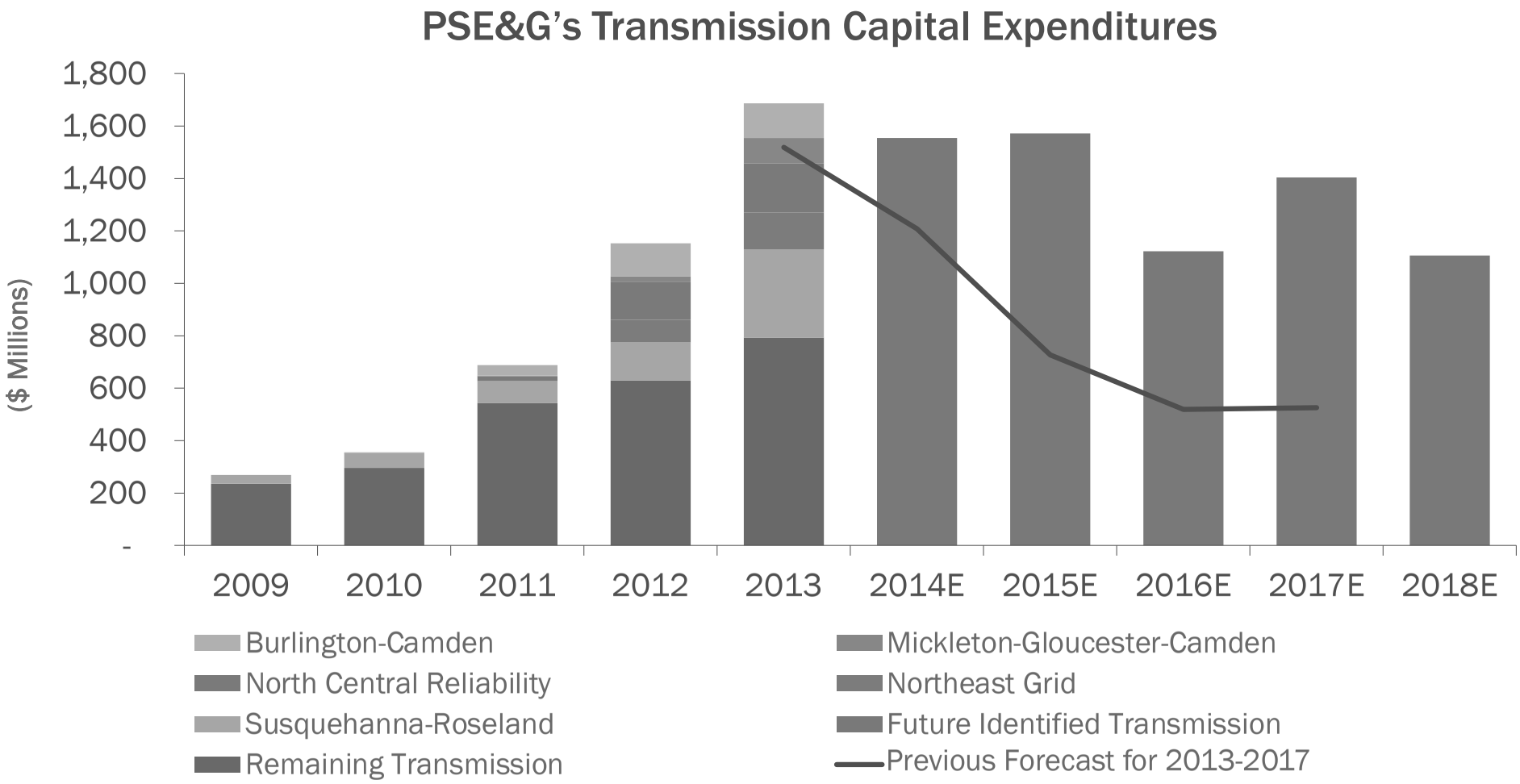
Project Status: Engineering



SI-SSA-0015-03875

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-03876

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-03877

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-03878

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-03879

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-03880

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-03881

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-03882

PSEG POWER

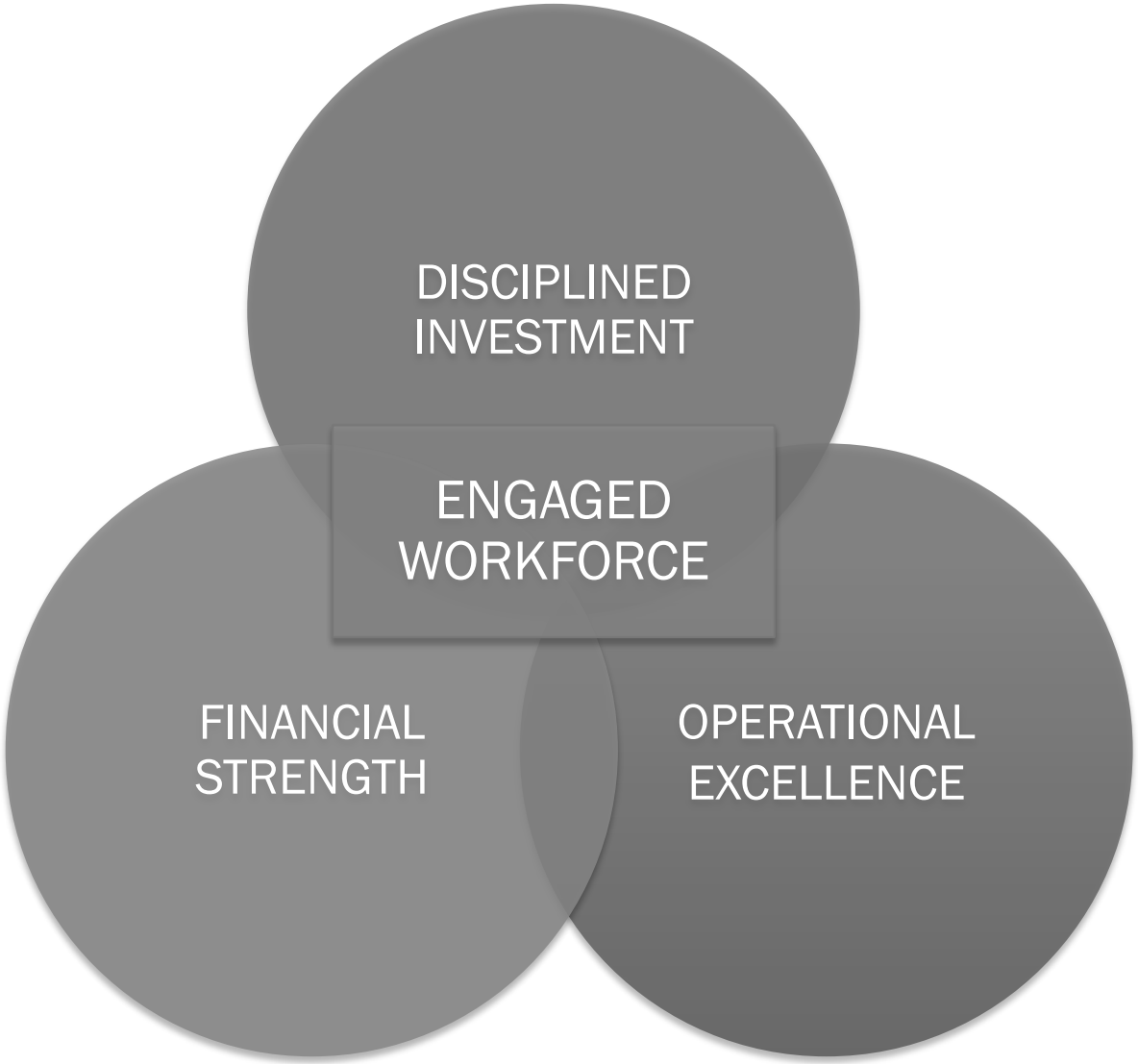
PSEG

We make things work for you.

SI-SSA-0015-03883

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-03884

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-03885

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

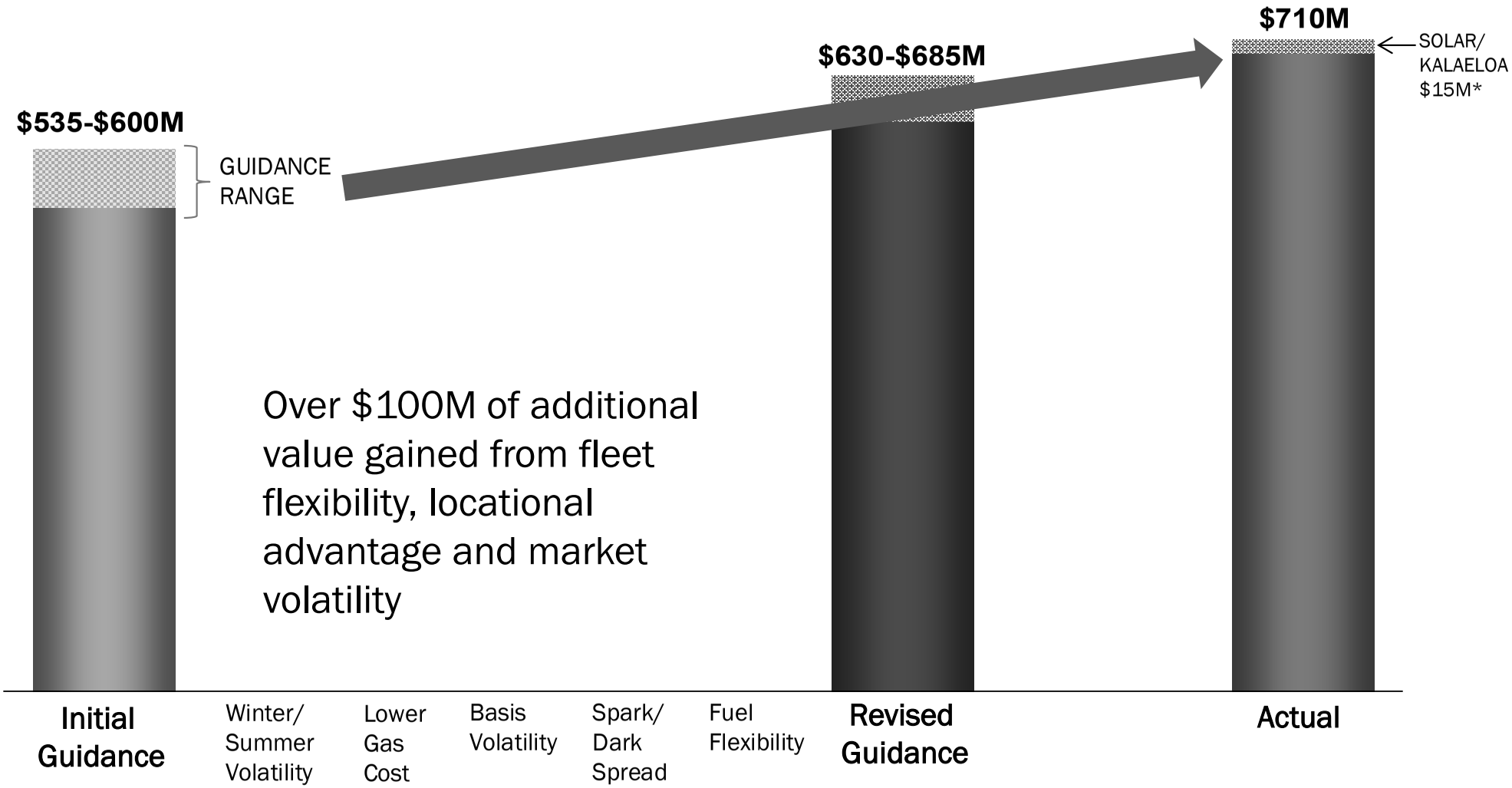
SI-SSA-0015-03886

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-03887

PSEG Power exceeded 2013's earnings guidance



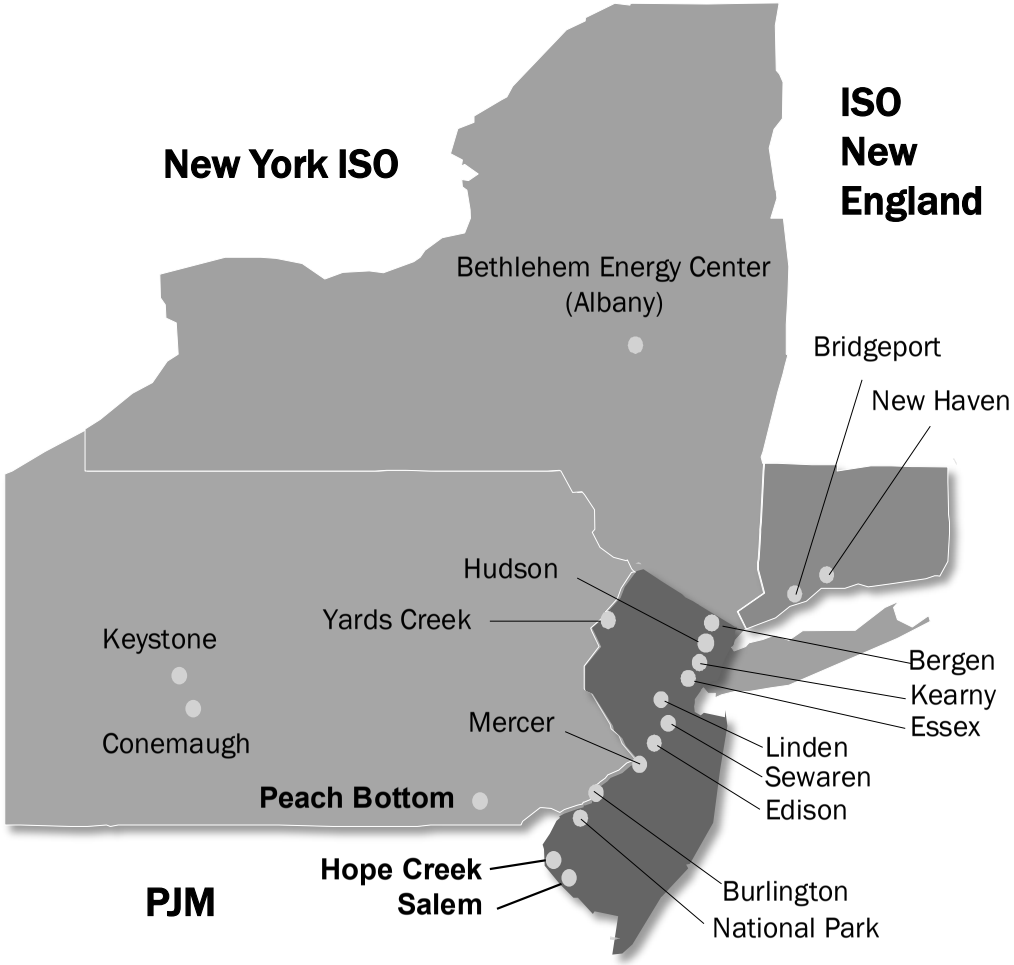
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-03888

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



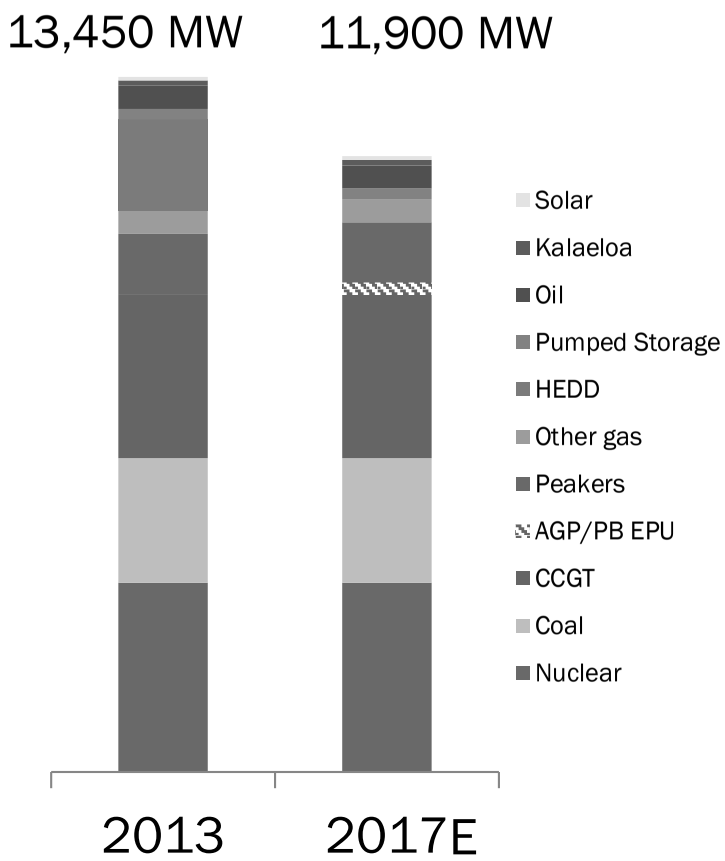
SI-SSA-0015-03889

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

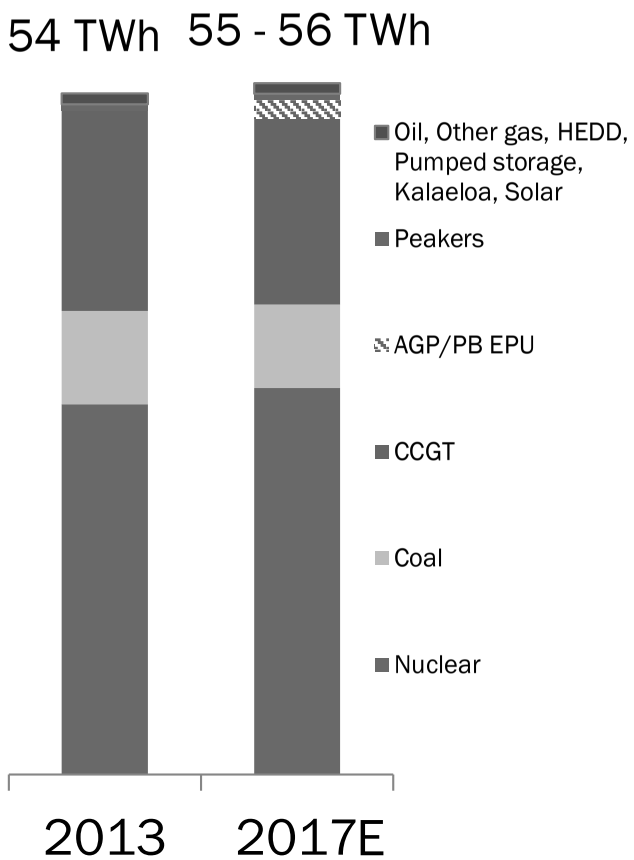
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



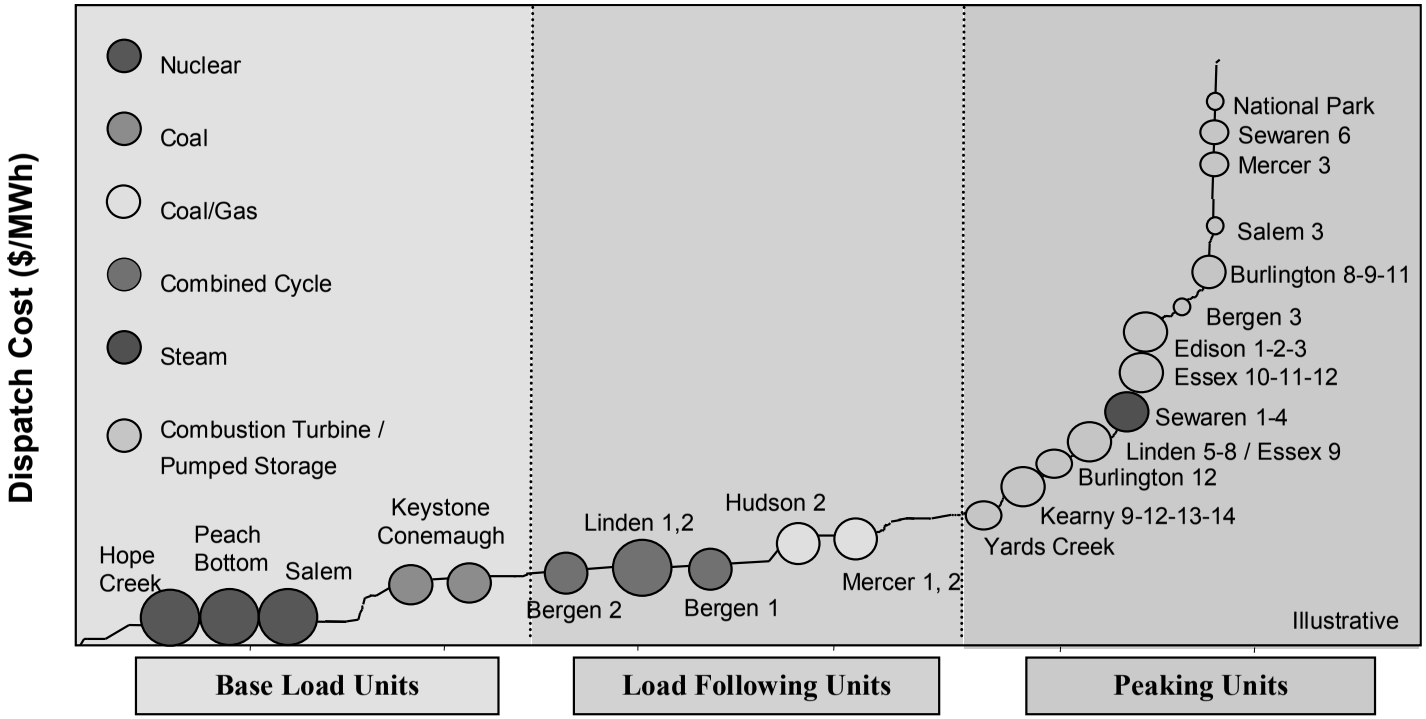
Energy Produced



E=ESTIMATE

SI-SSA-0015-03890

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-03891

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Fall 2014 ➢ Unit 2 – Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Fall 2014 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW in 2015/2016

SI-SSA-0015-03892

PSEG Power Nuclear is core to the fleet and has competitive advantages

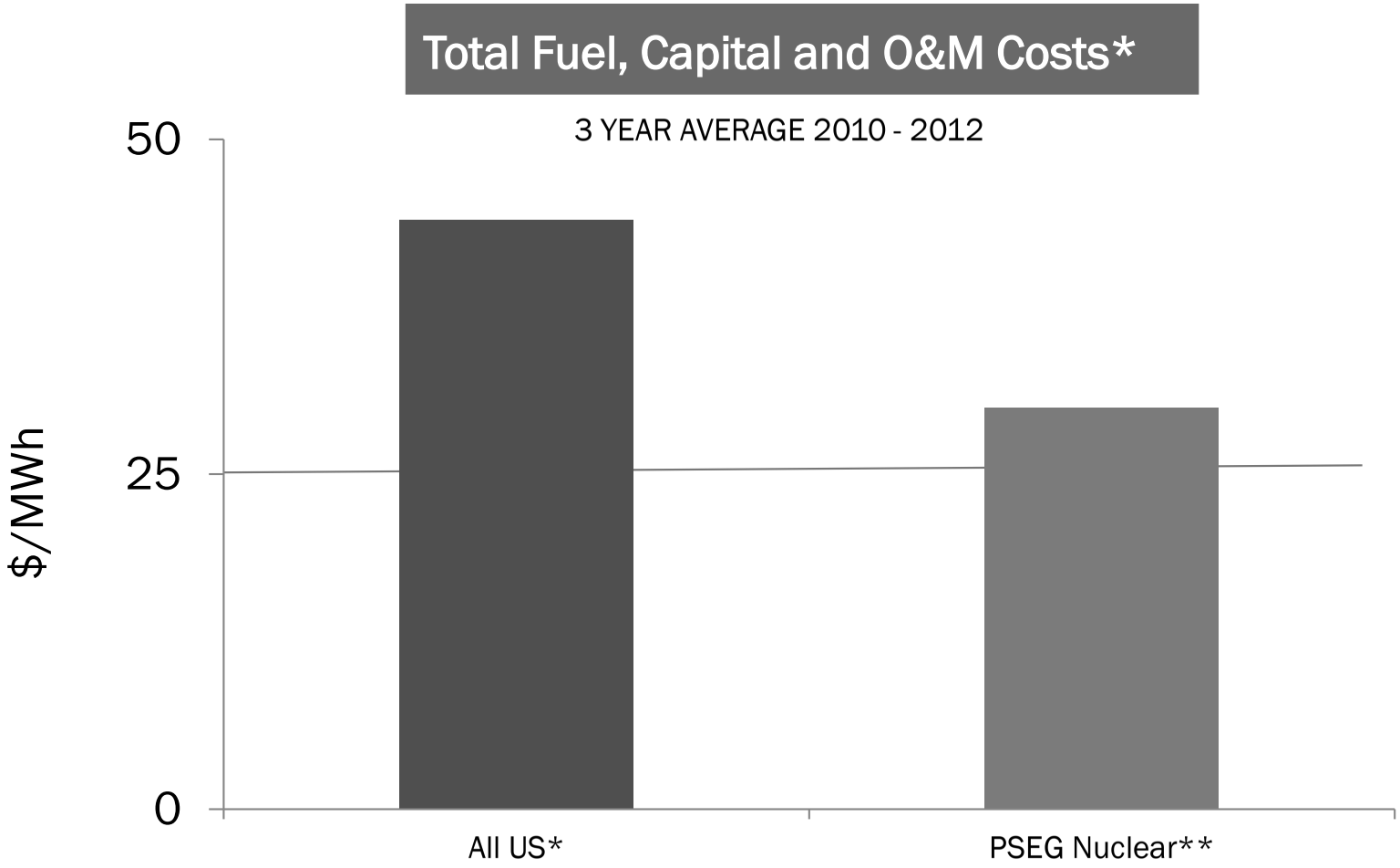
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-03893

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure



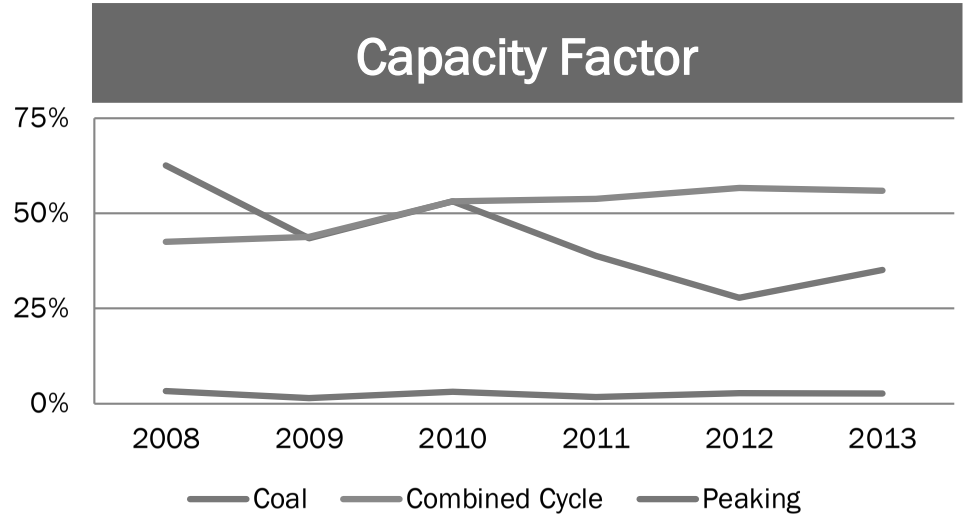
SI-SSA-0015-03894

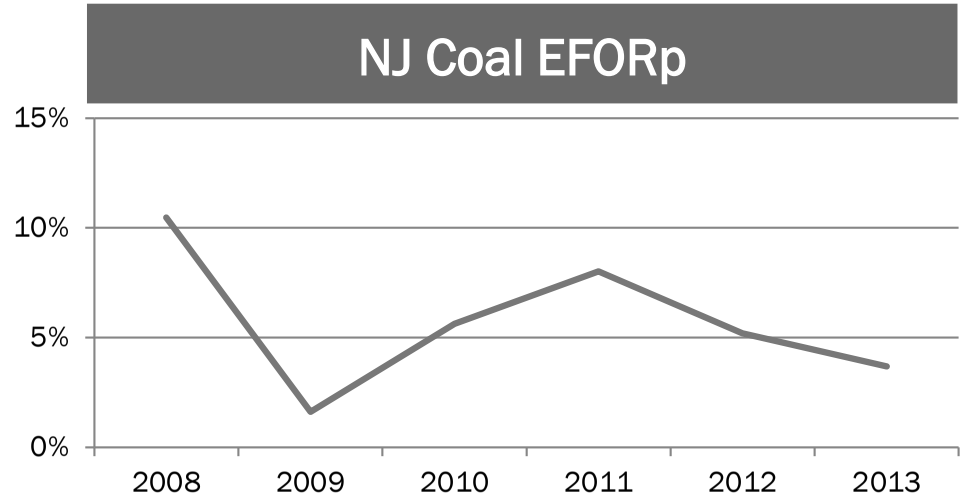
PSEG

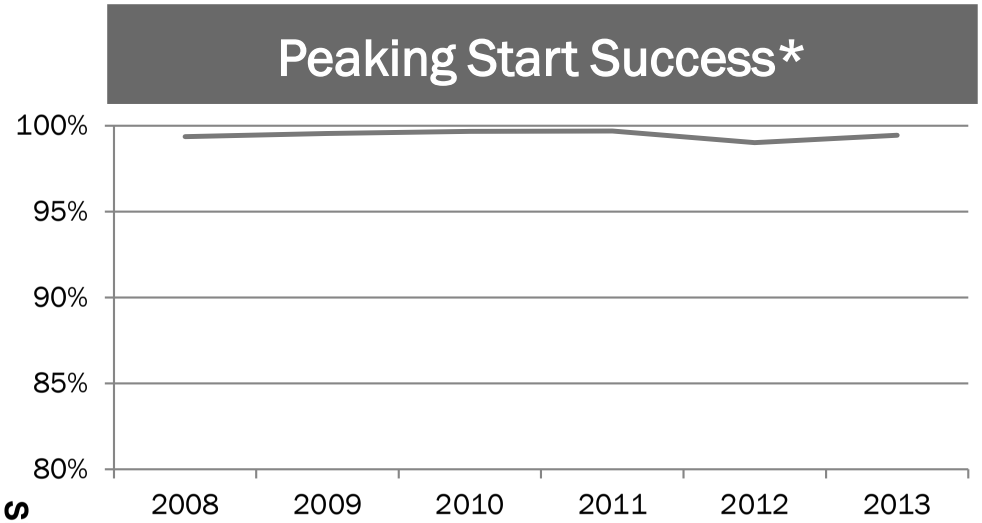
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

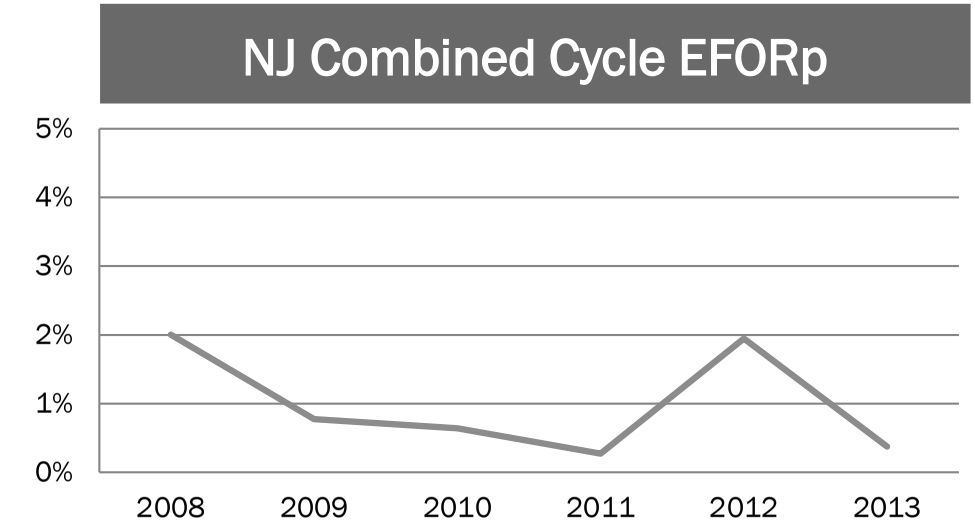
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

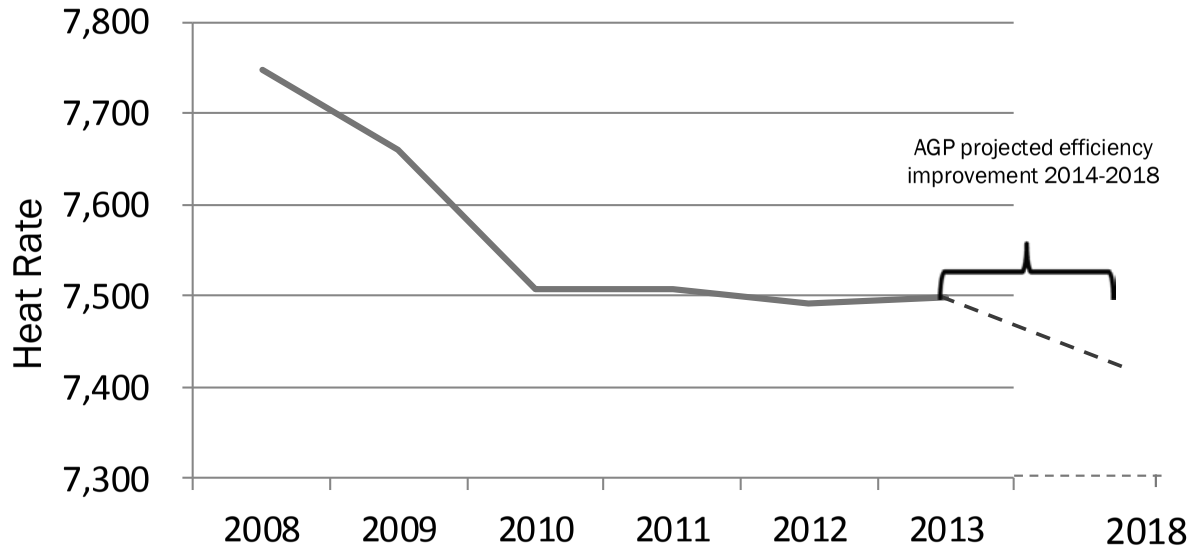
SI-SSA-0015-03895

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-03896

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

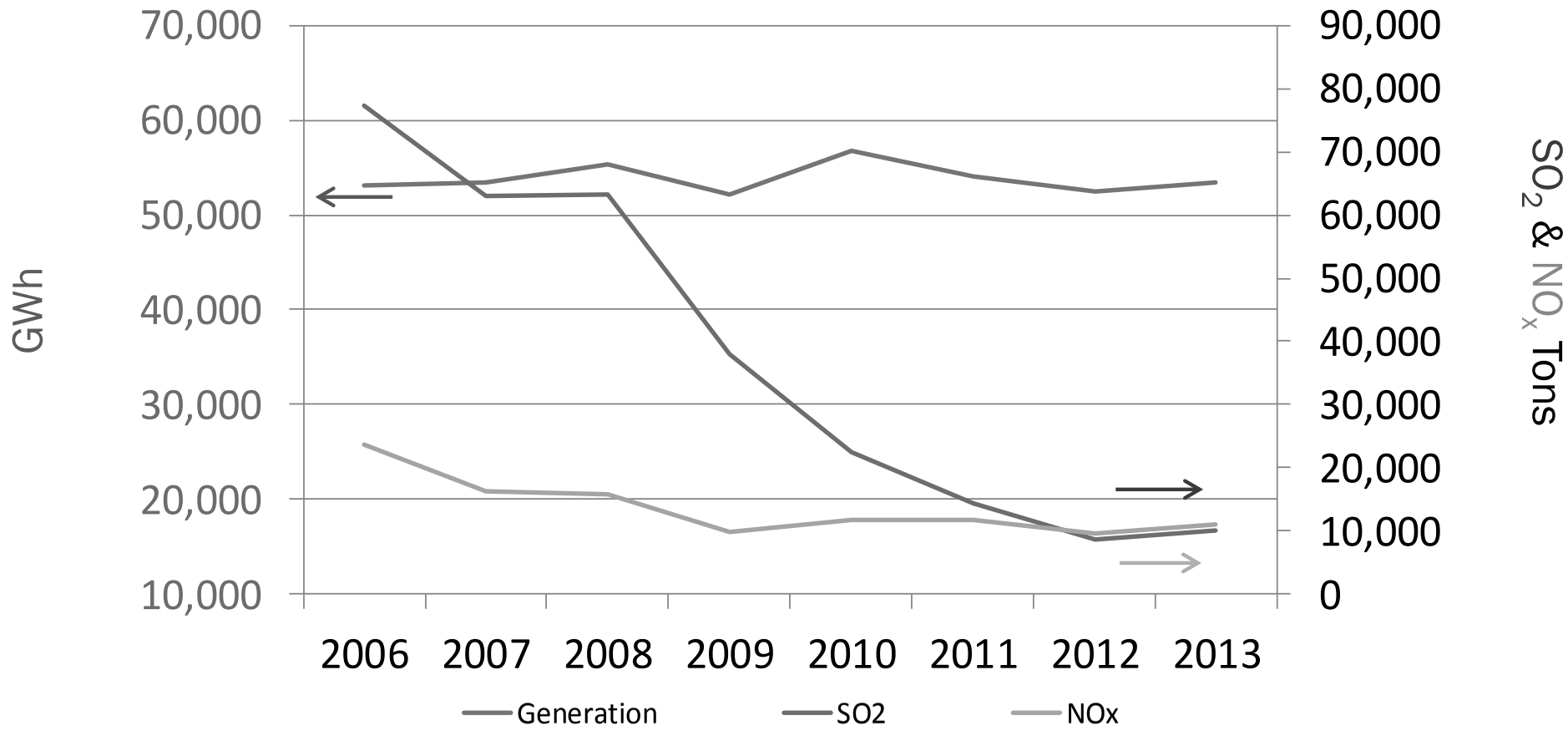
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-03897

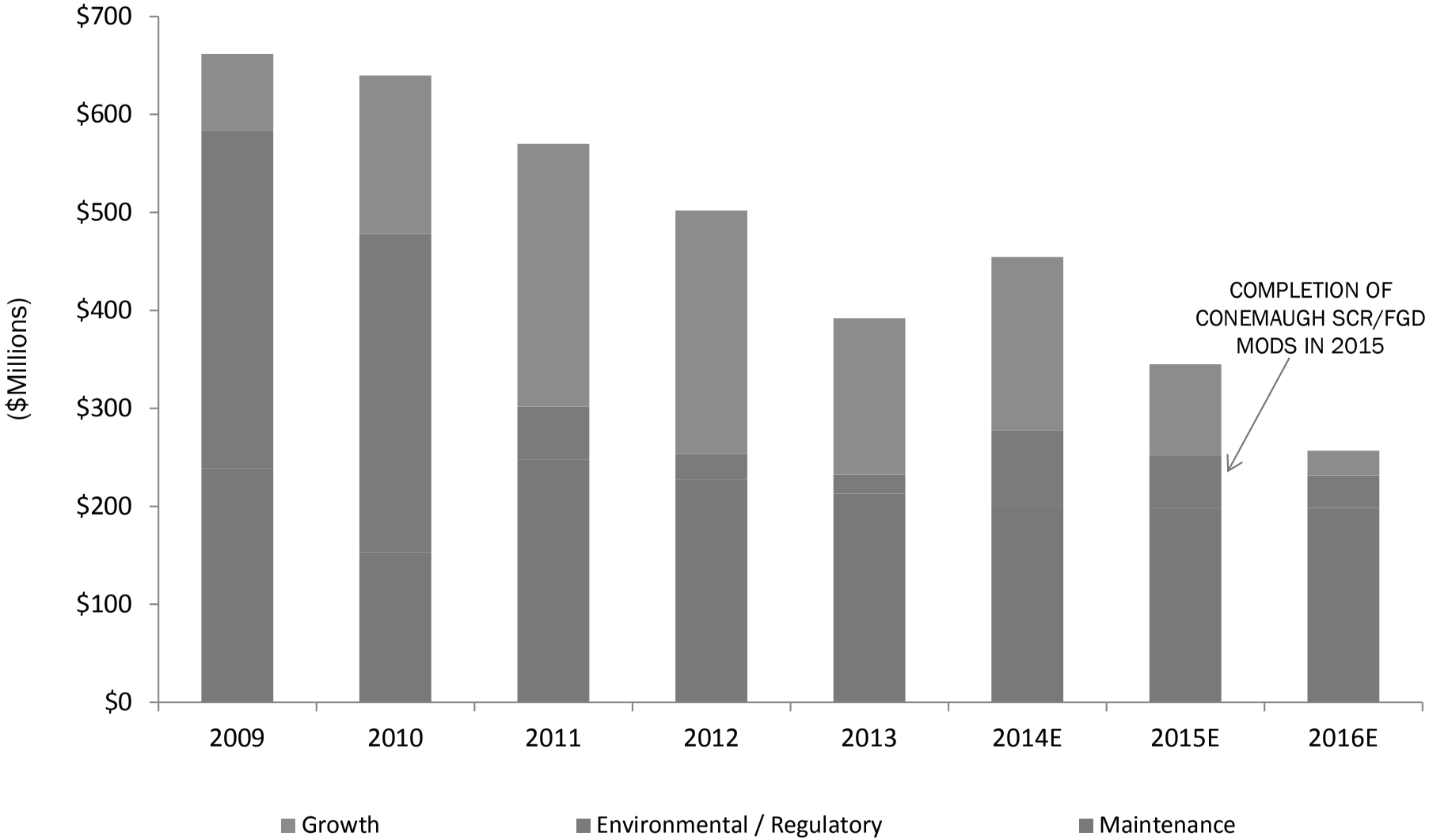
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-03898

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-03899

PSEG

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-03900

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

In Construction
Texas (13 MW)/COD YE 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

In Construction
Vermont (4 MW)/COD Oct 2014E
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-03901

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

SI-SSA-0015-03902

PSEG

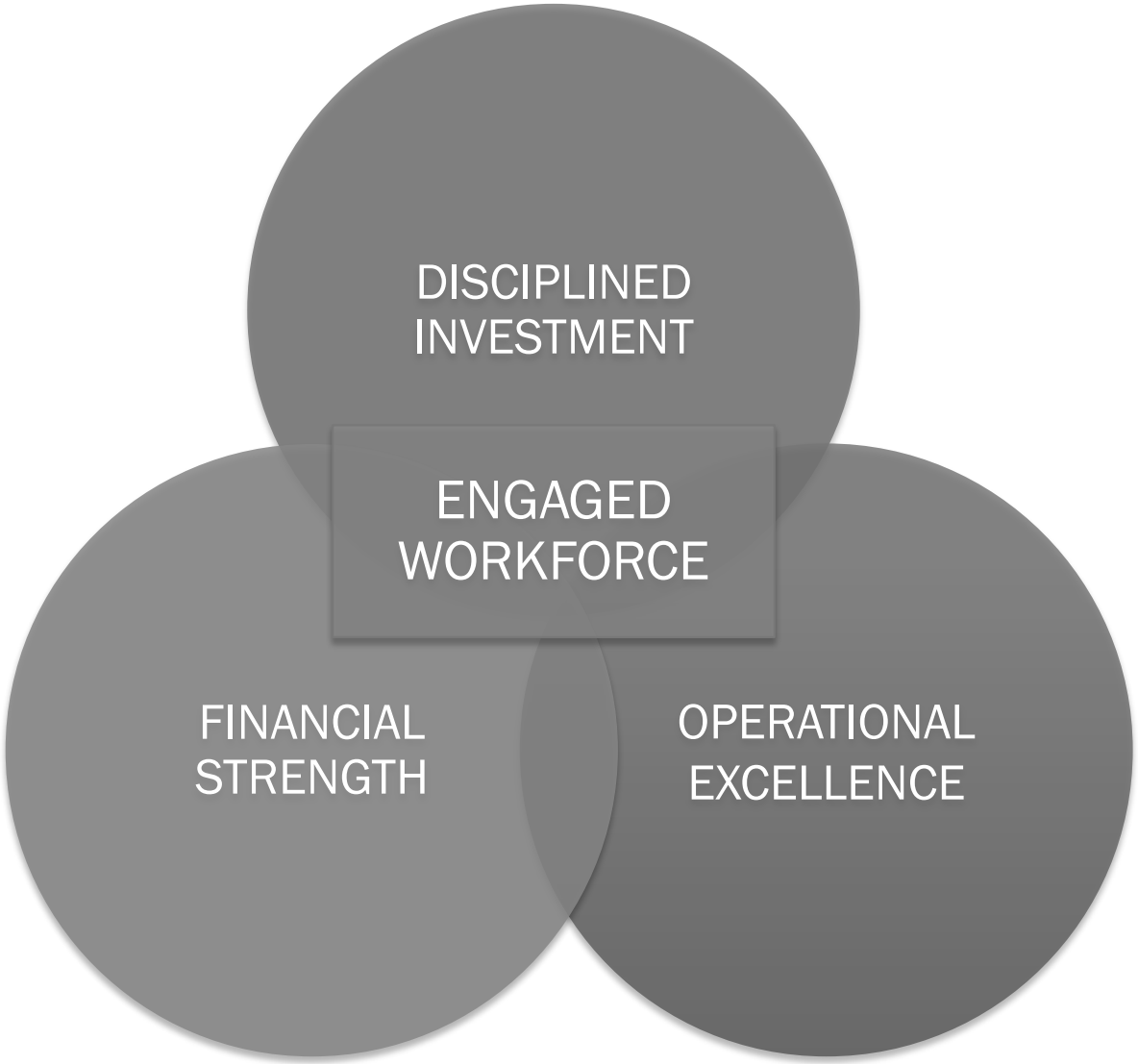
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-03903

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

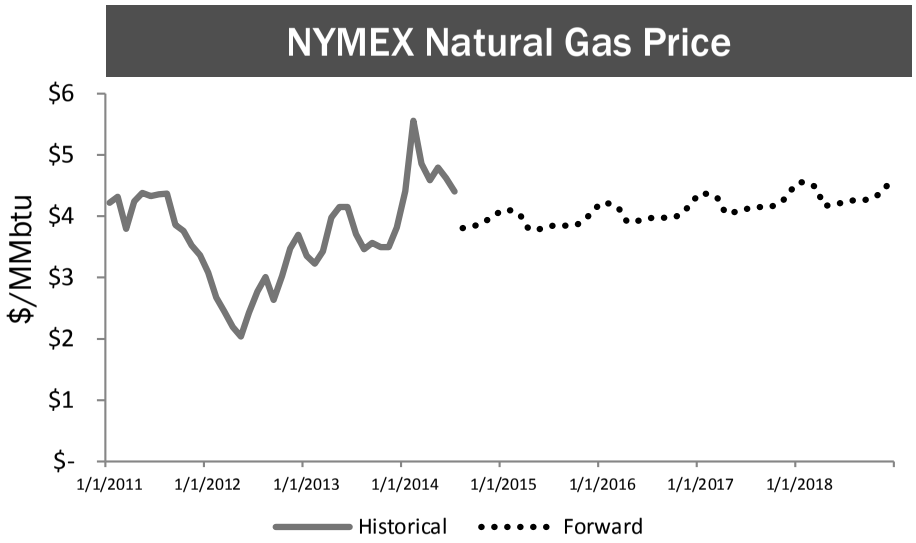
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

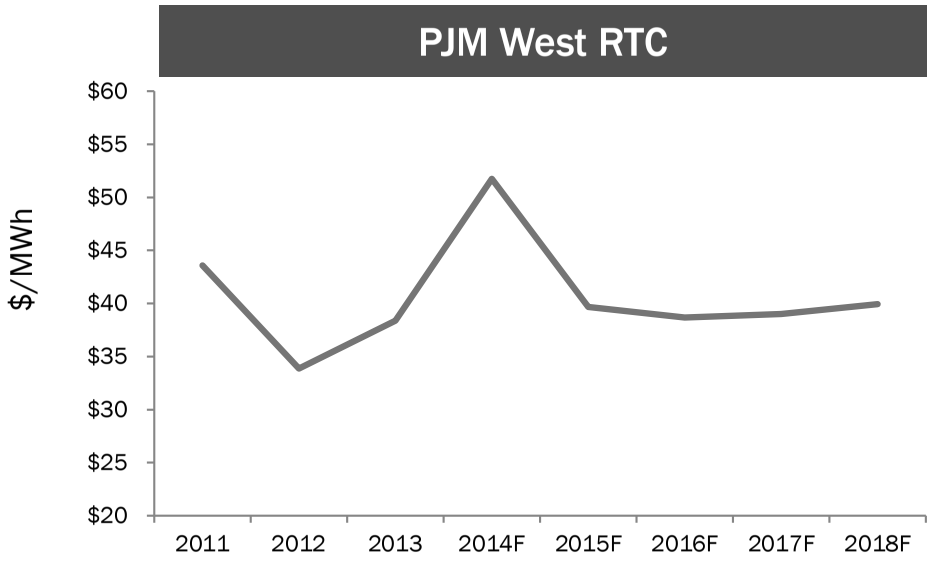
PSEG's Sustainable Advantage

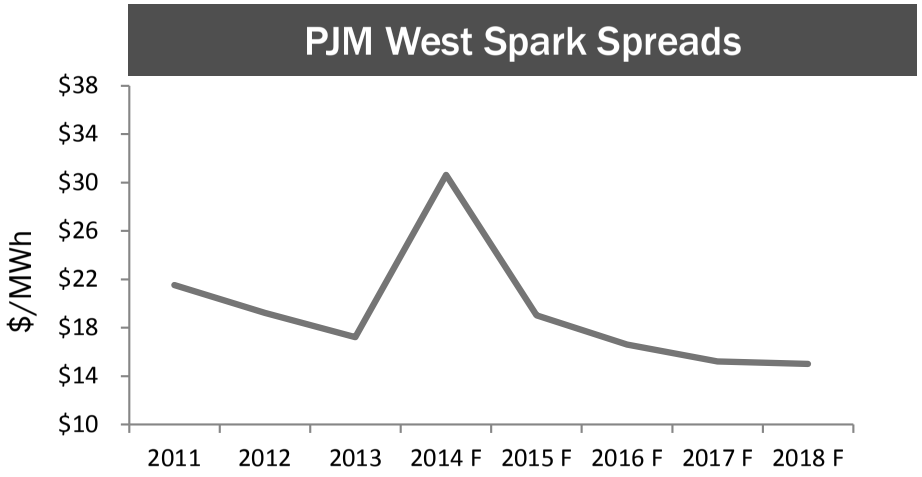
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-03904

Market Review: Long-term fundamentals remain sound







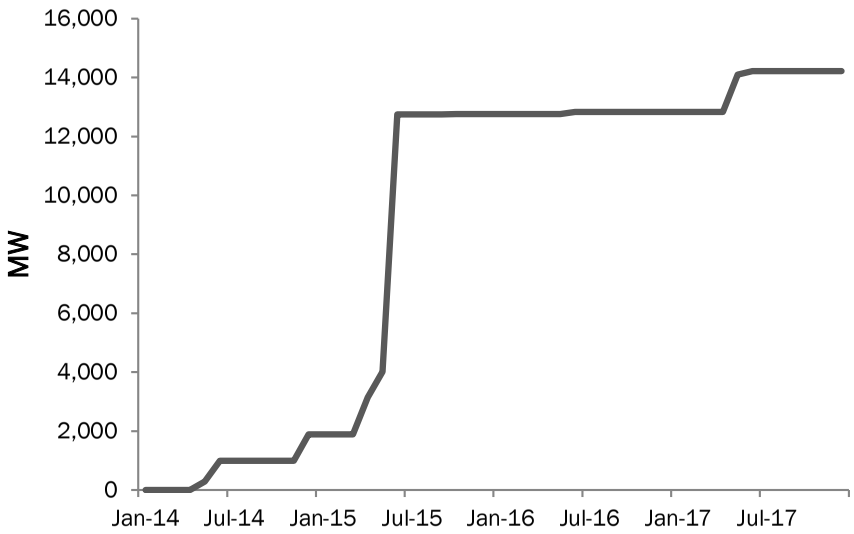
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-03905

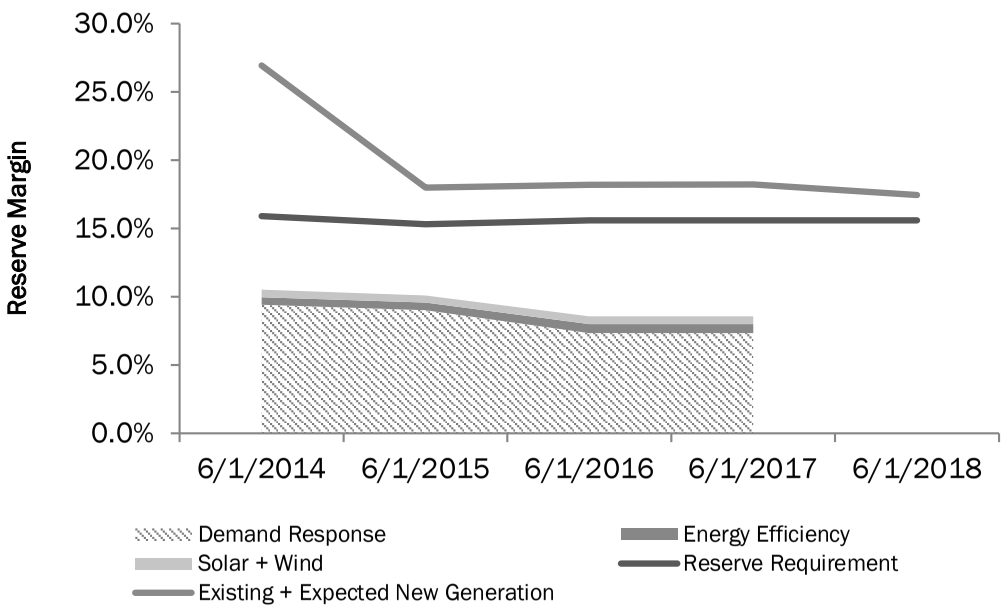
F=FORWARDS AS OF 8/13/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-03906

PSEG

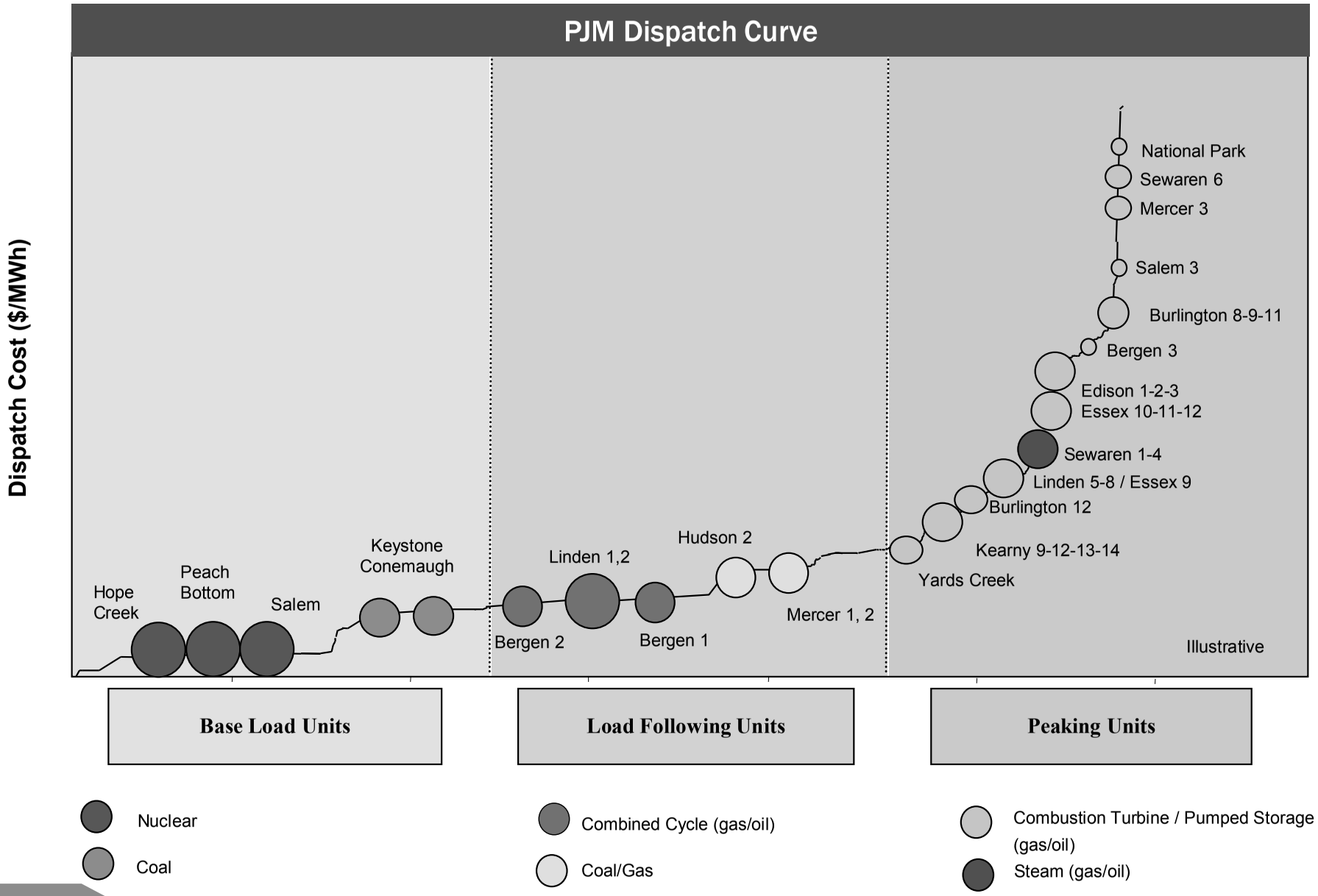
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

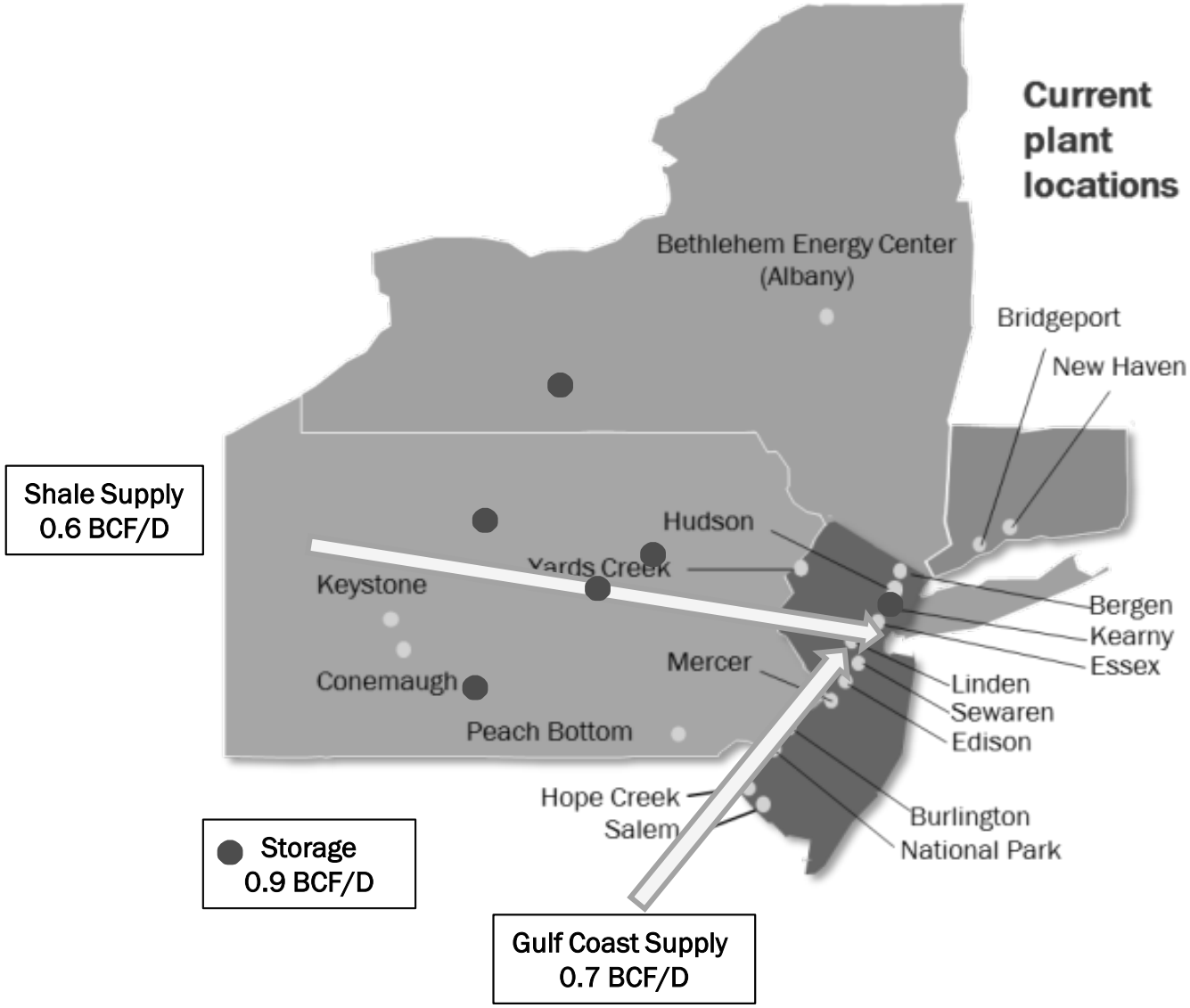
SI-SSA-0015-03907

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



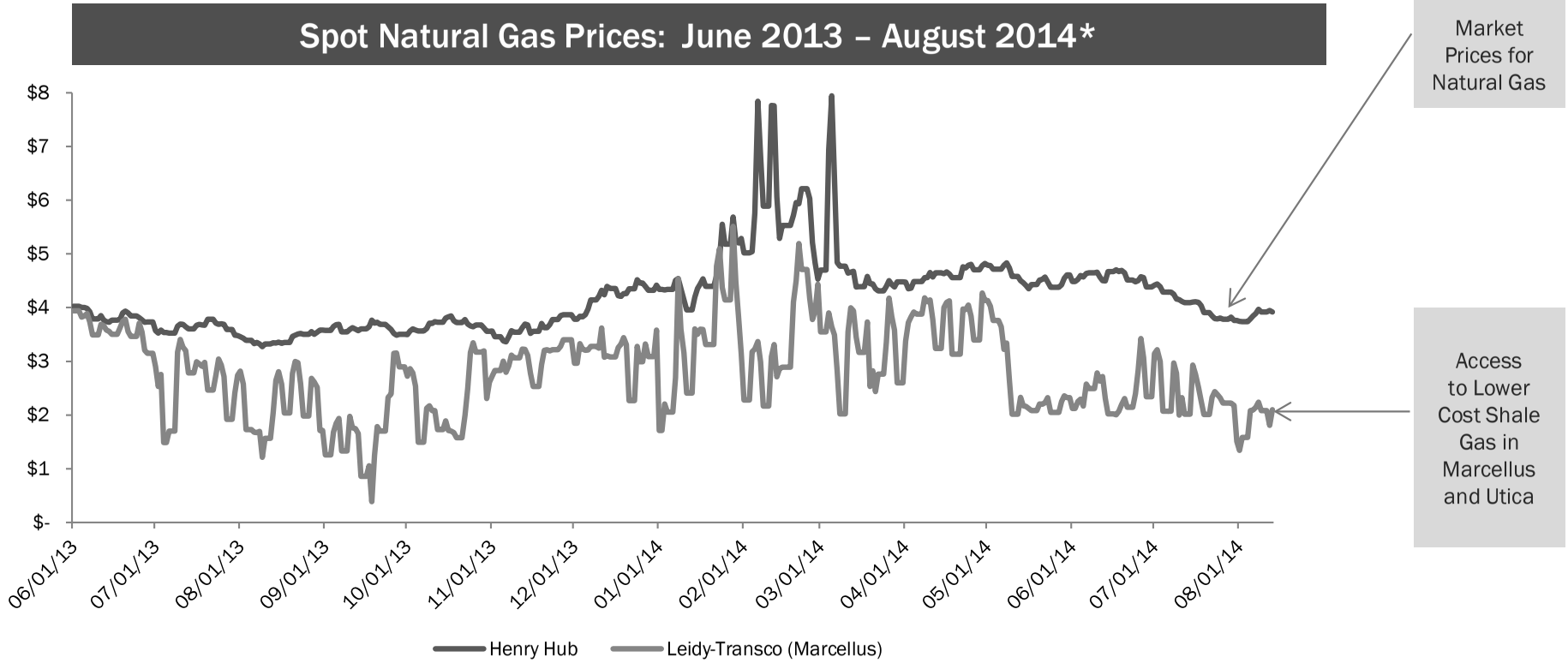
SI-SSA-0015-03908

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-03909

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

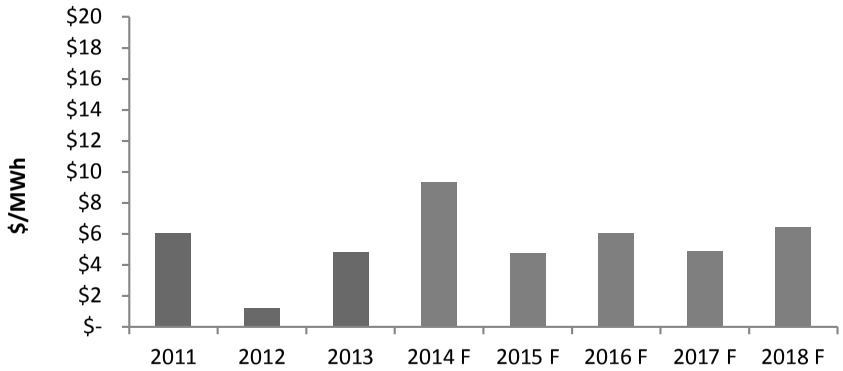
SI-SSA-0015-03910

PSEG

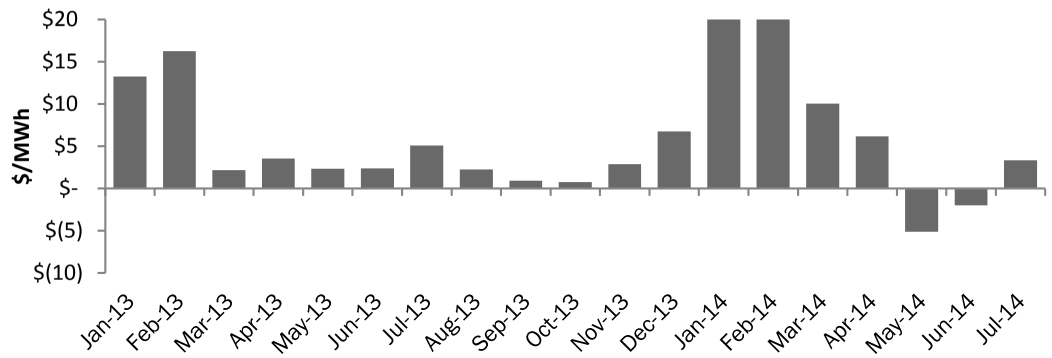
*AS OF 8/13/2014

Competitive Advantage: Locational advantage from short term basis volatility

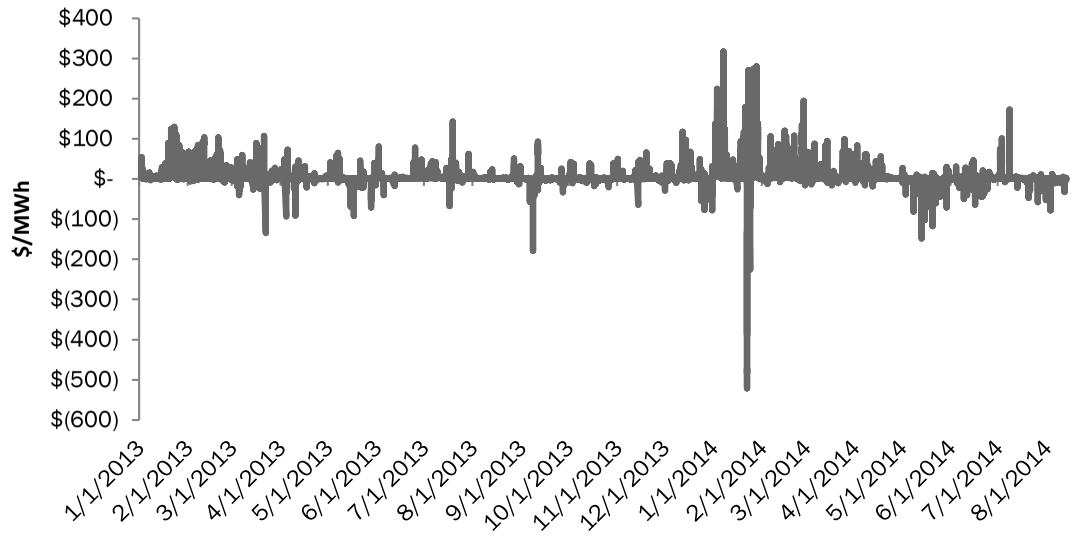
PS Zone Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W

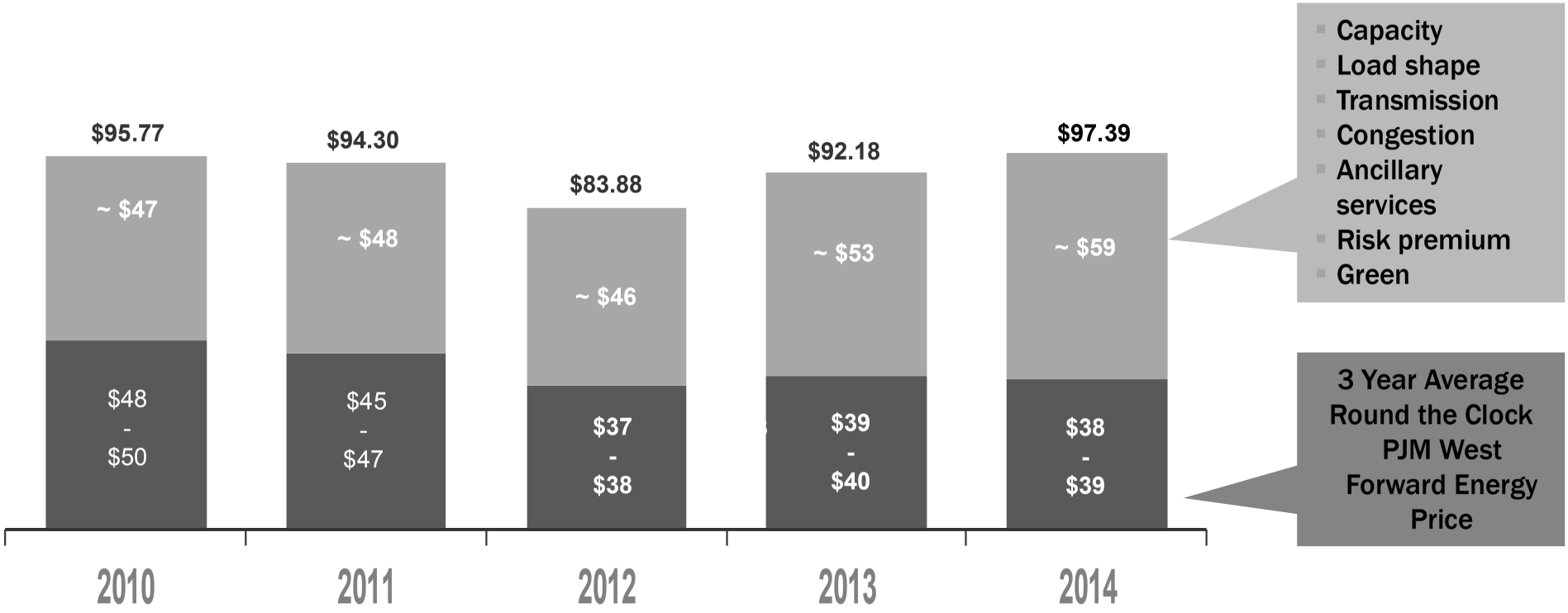


- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-03911

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 8/13/2014. 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-03912

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-03913

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

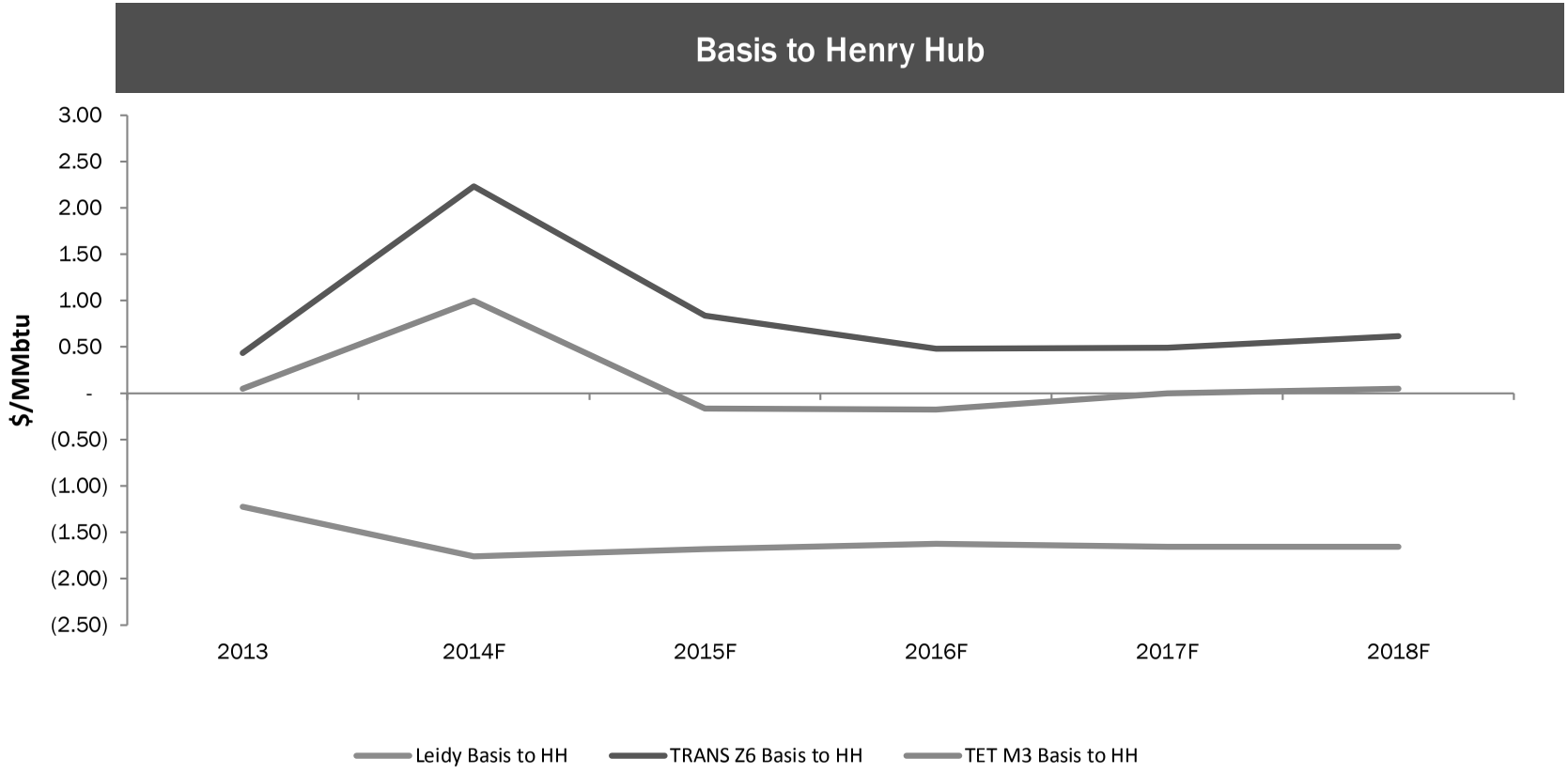
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-03914

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-03915

PSEG

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 8/13/14. 2014F INCLUDES HISTORY AND FORWARDS.
LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-03916

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-03917

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-03918

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

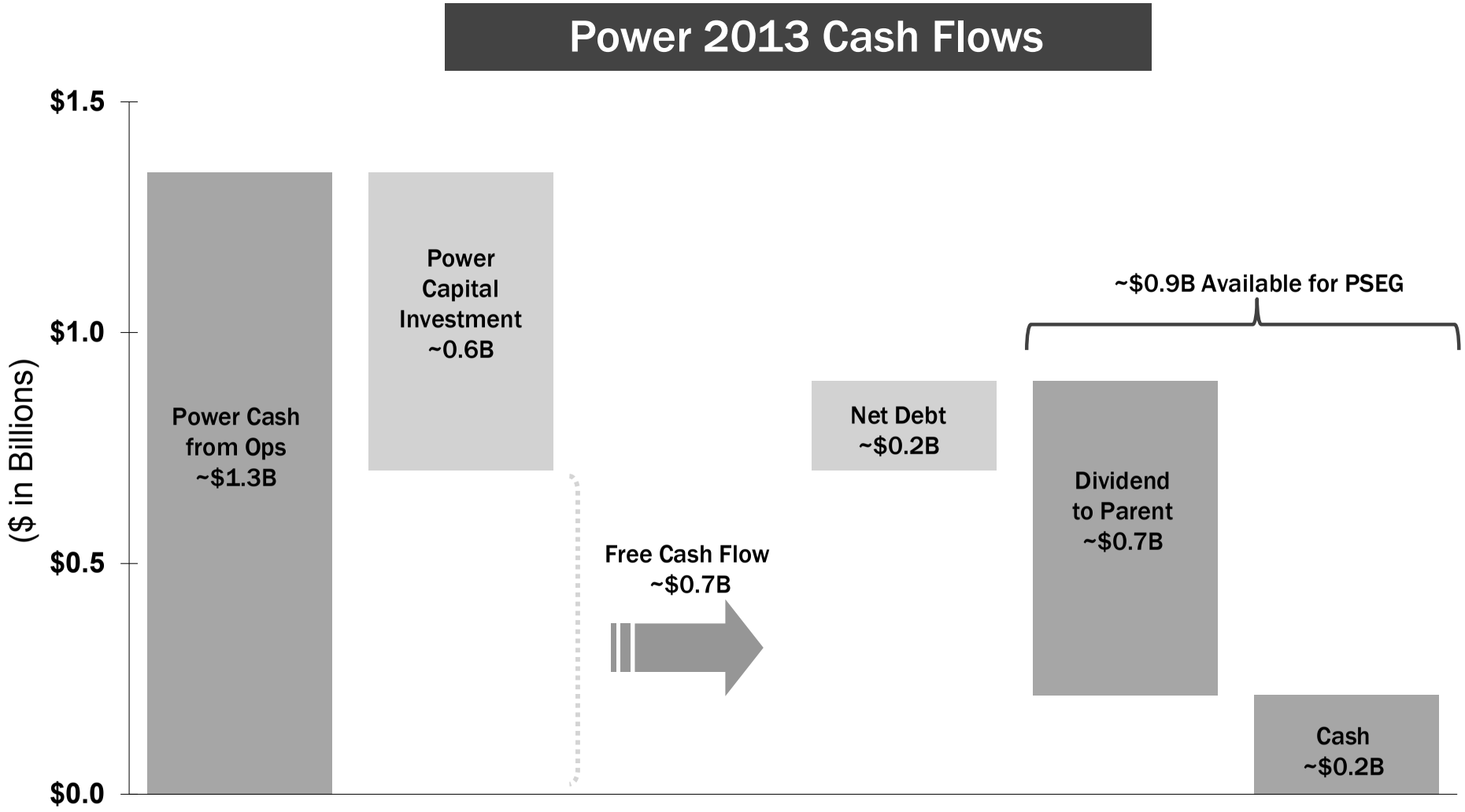
SI-SSA-0015-03919

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

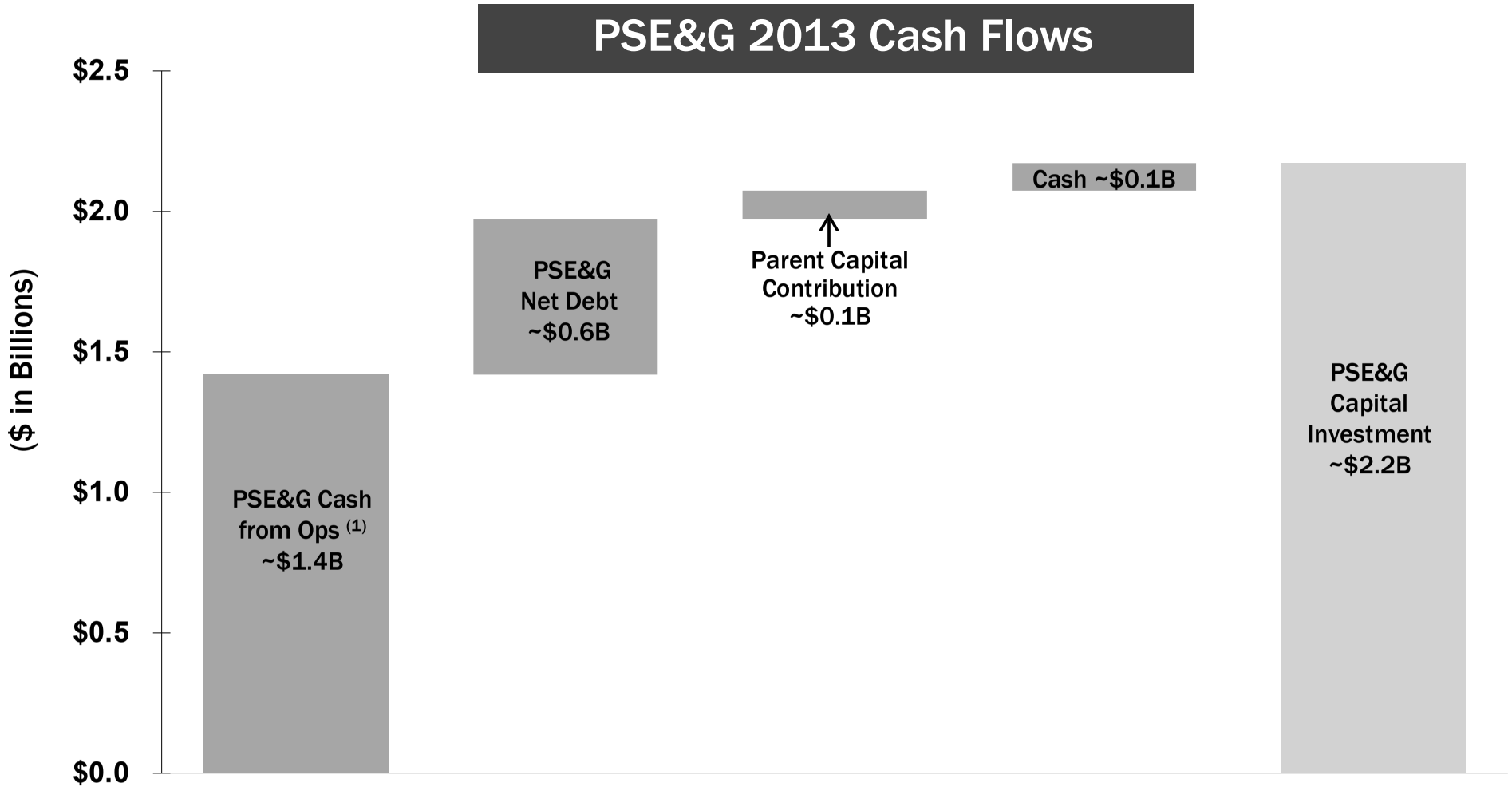
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-03920

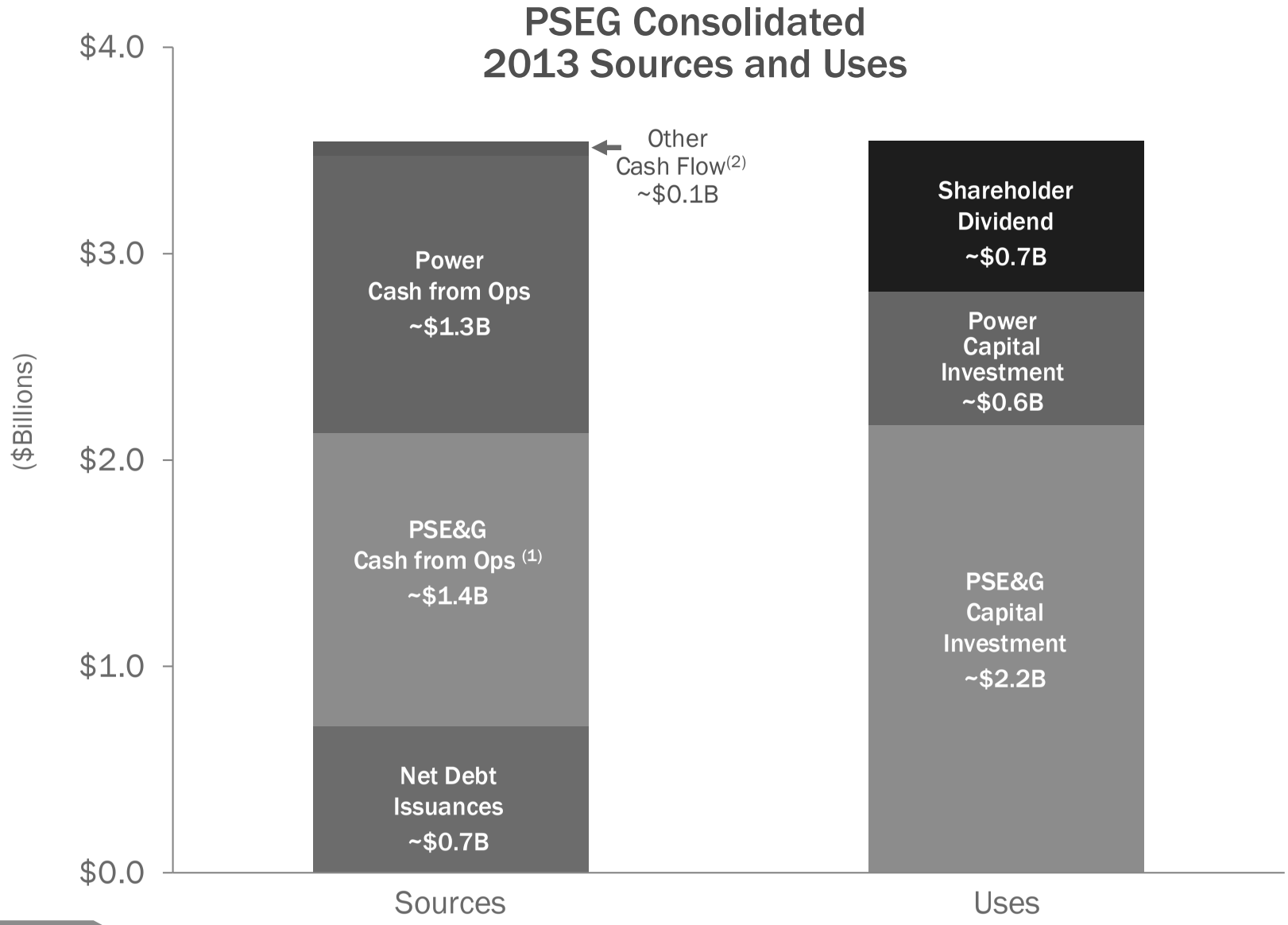
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-03921

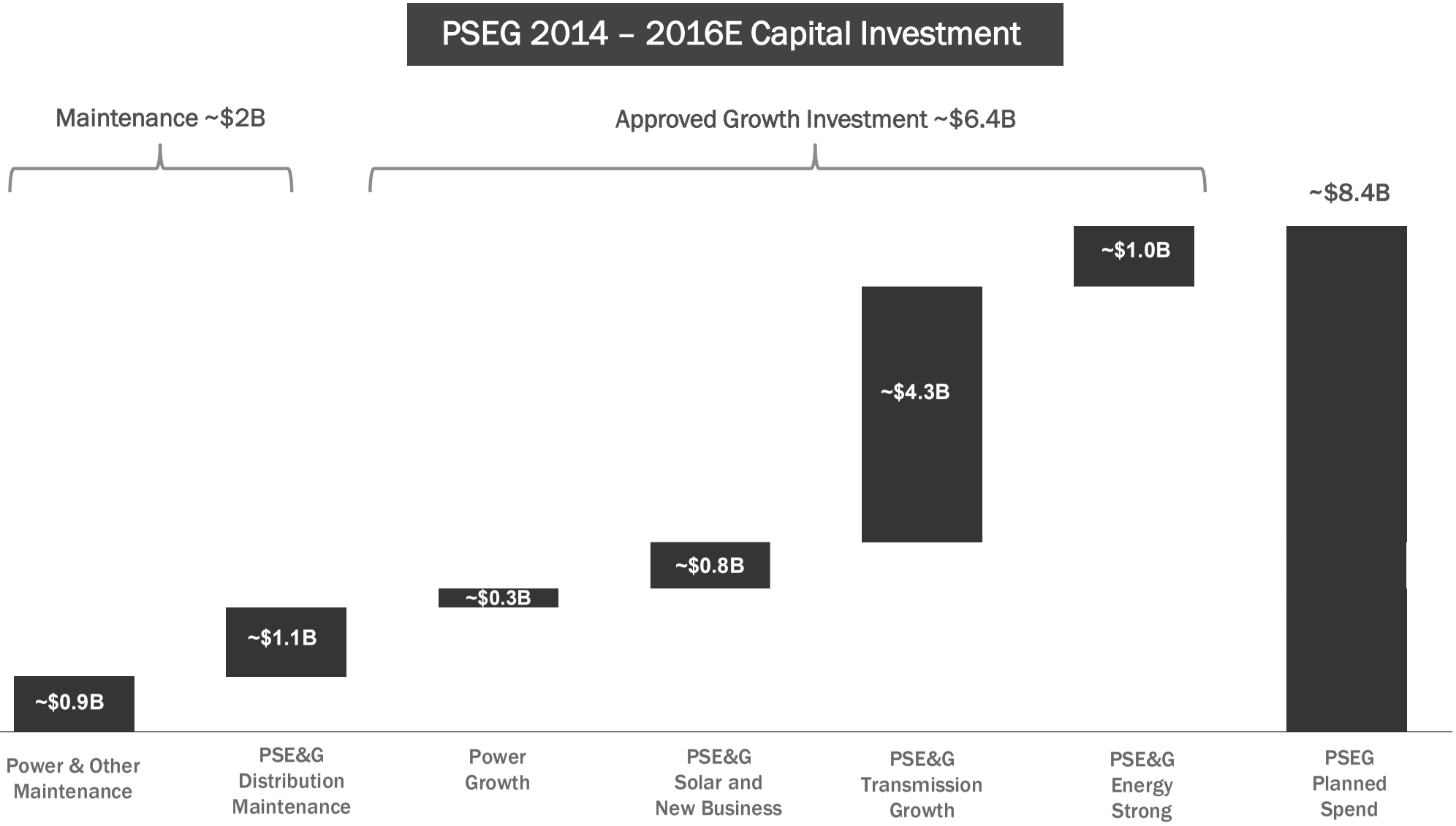
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-03922

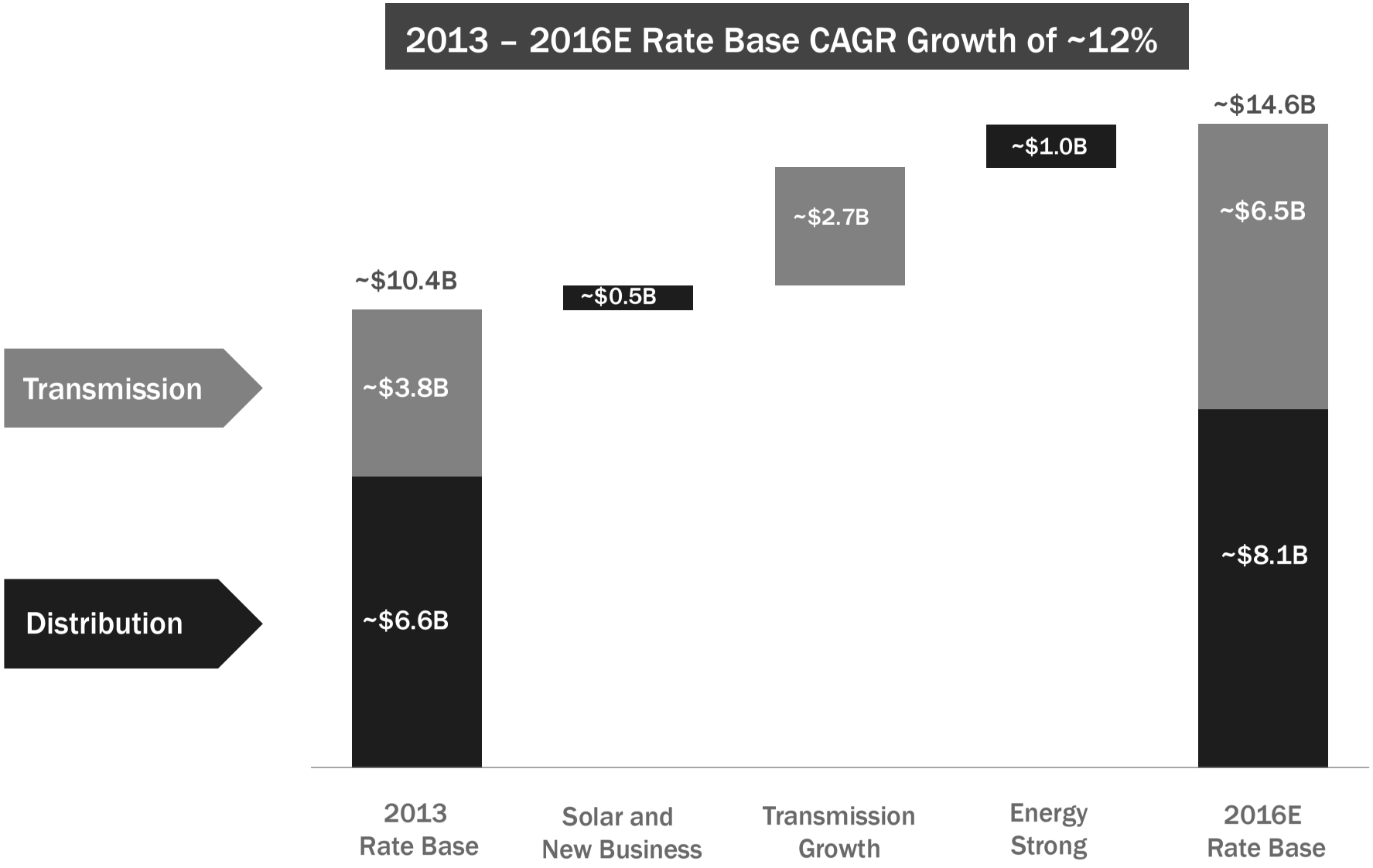
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

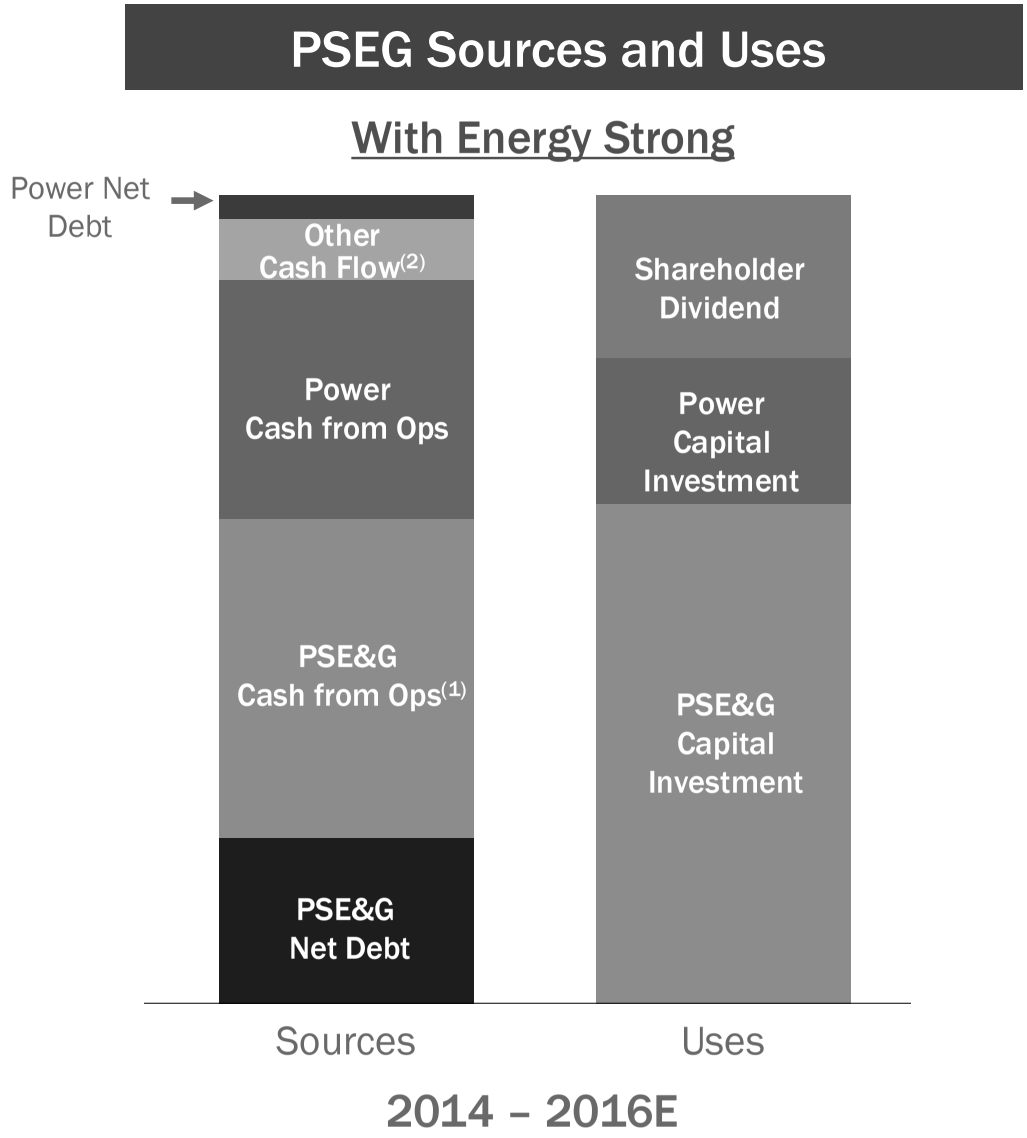
SI-SSA-0015-03923

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-03924

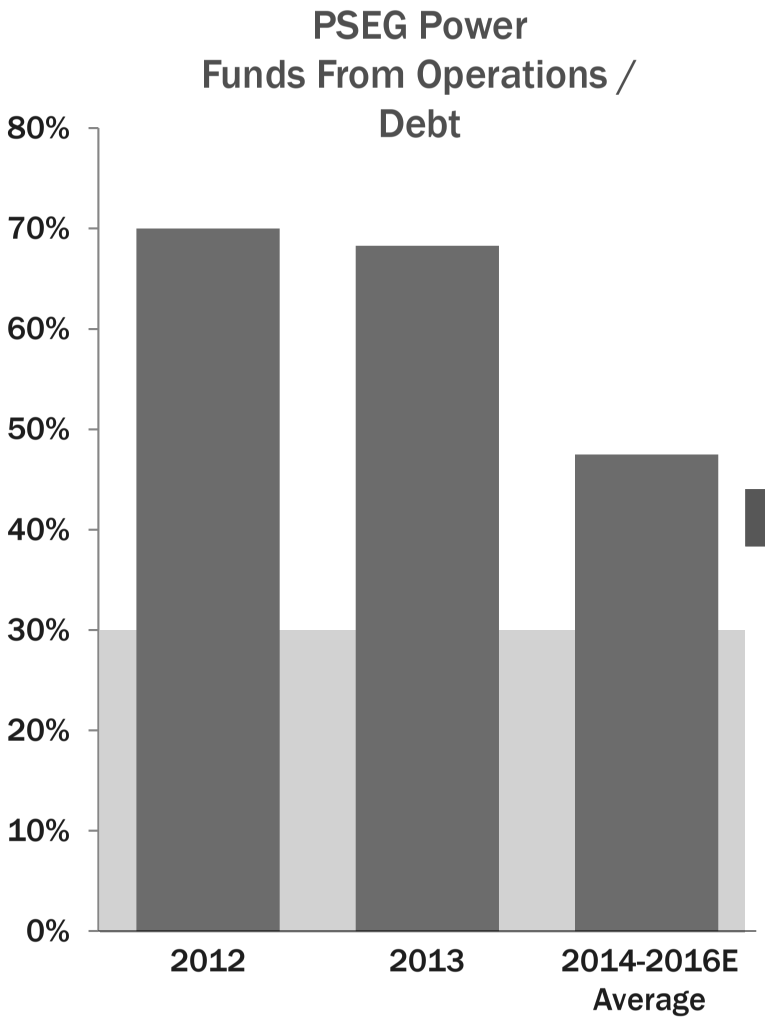
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-03925

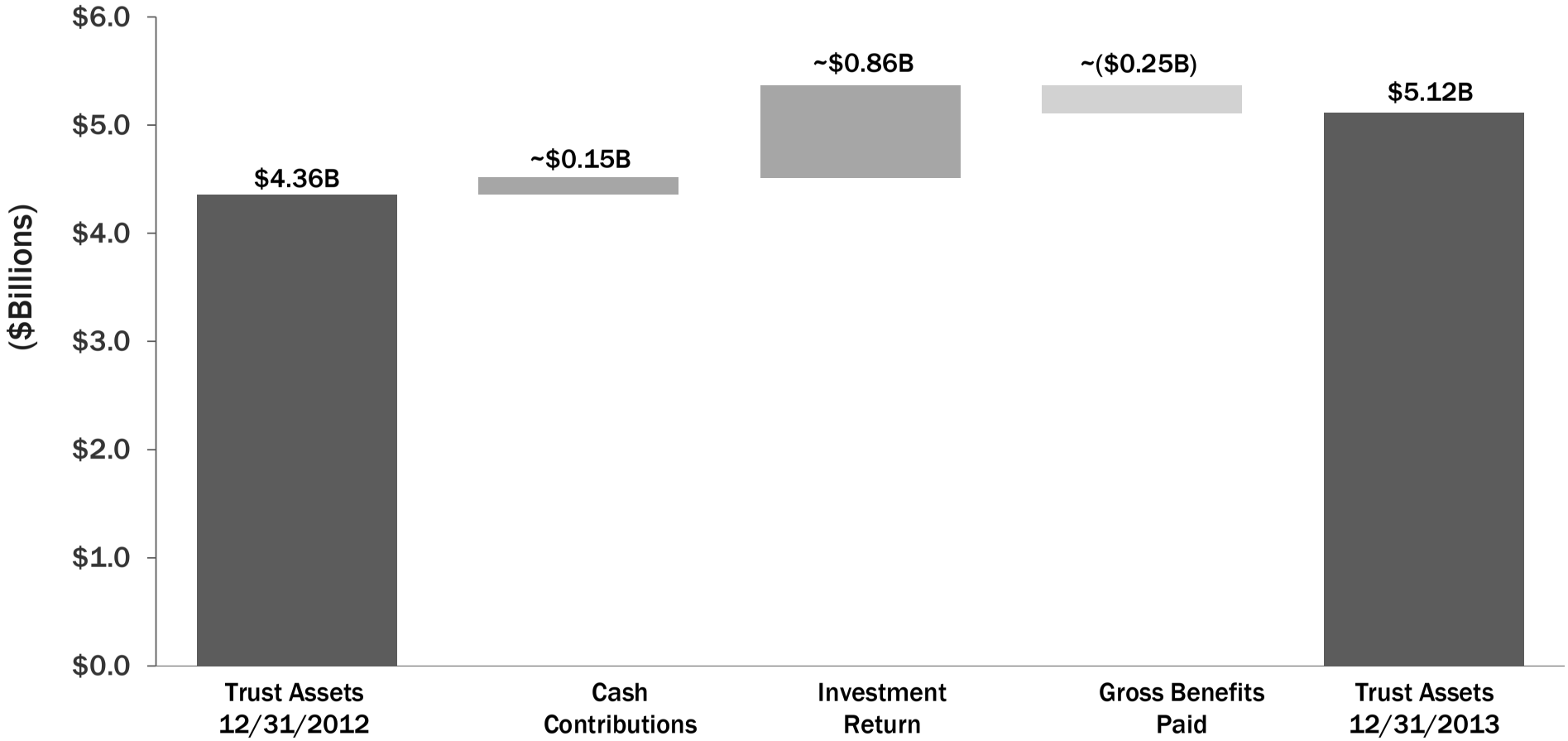
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-03926

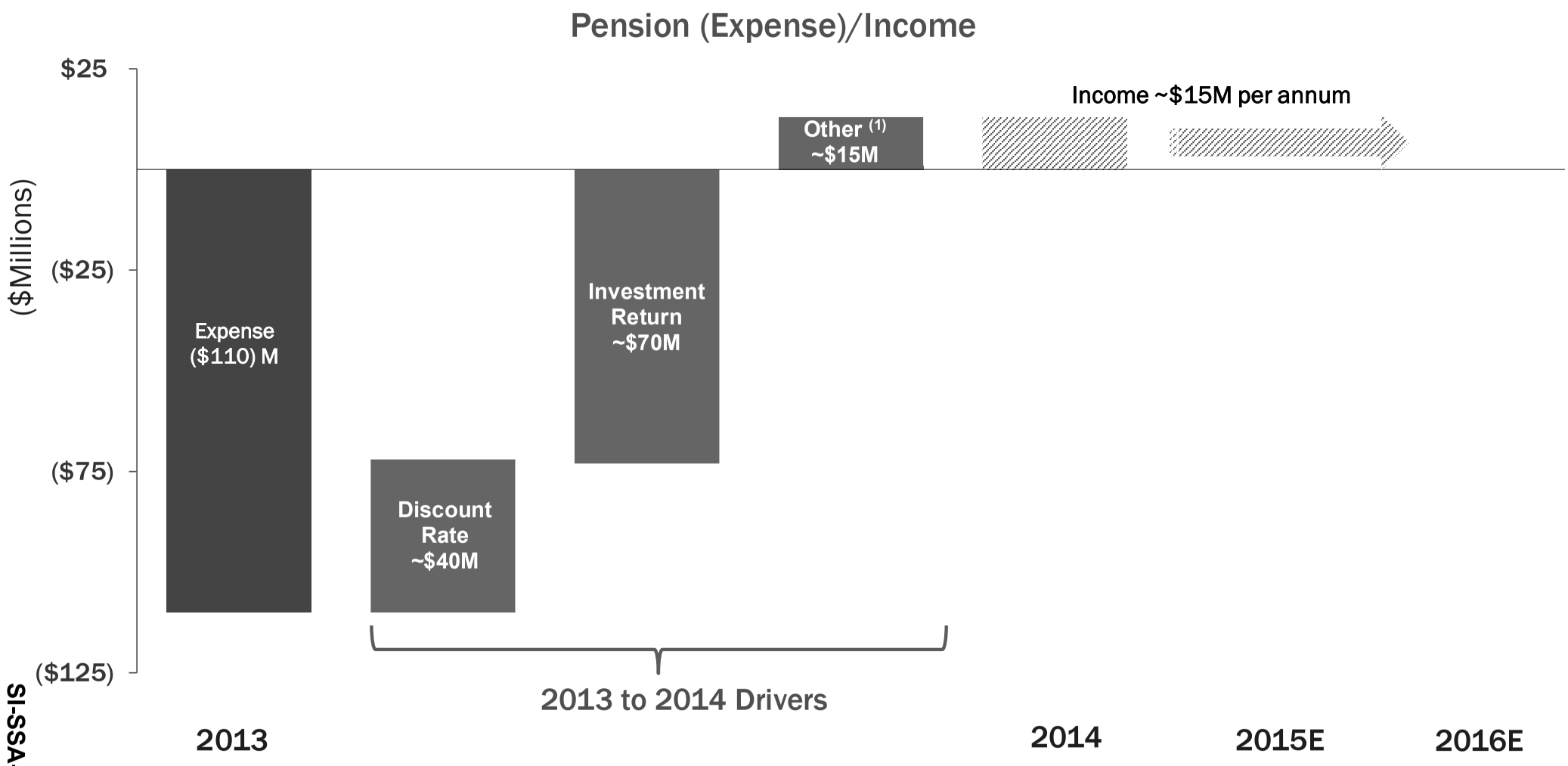
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-03927

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-03928

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Enterprise/Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

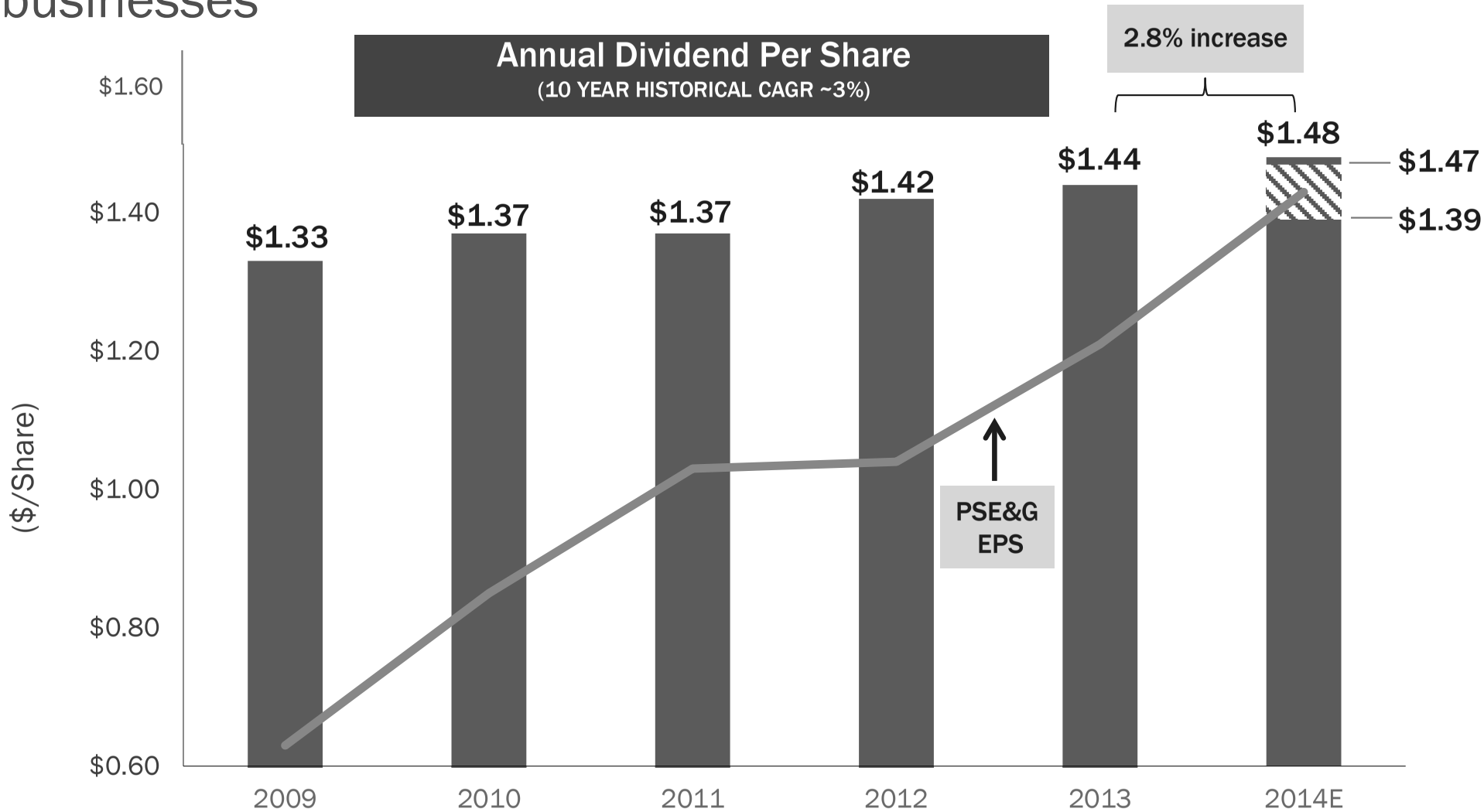
SI-SSA-0015-03929

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-03930

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00	$0.08 - $0.11
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-03931

PSEG Summary

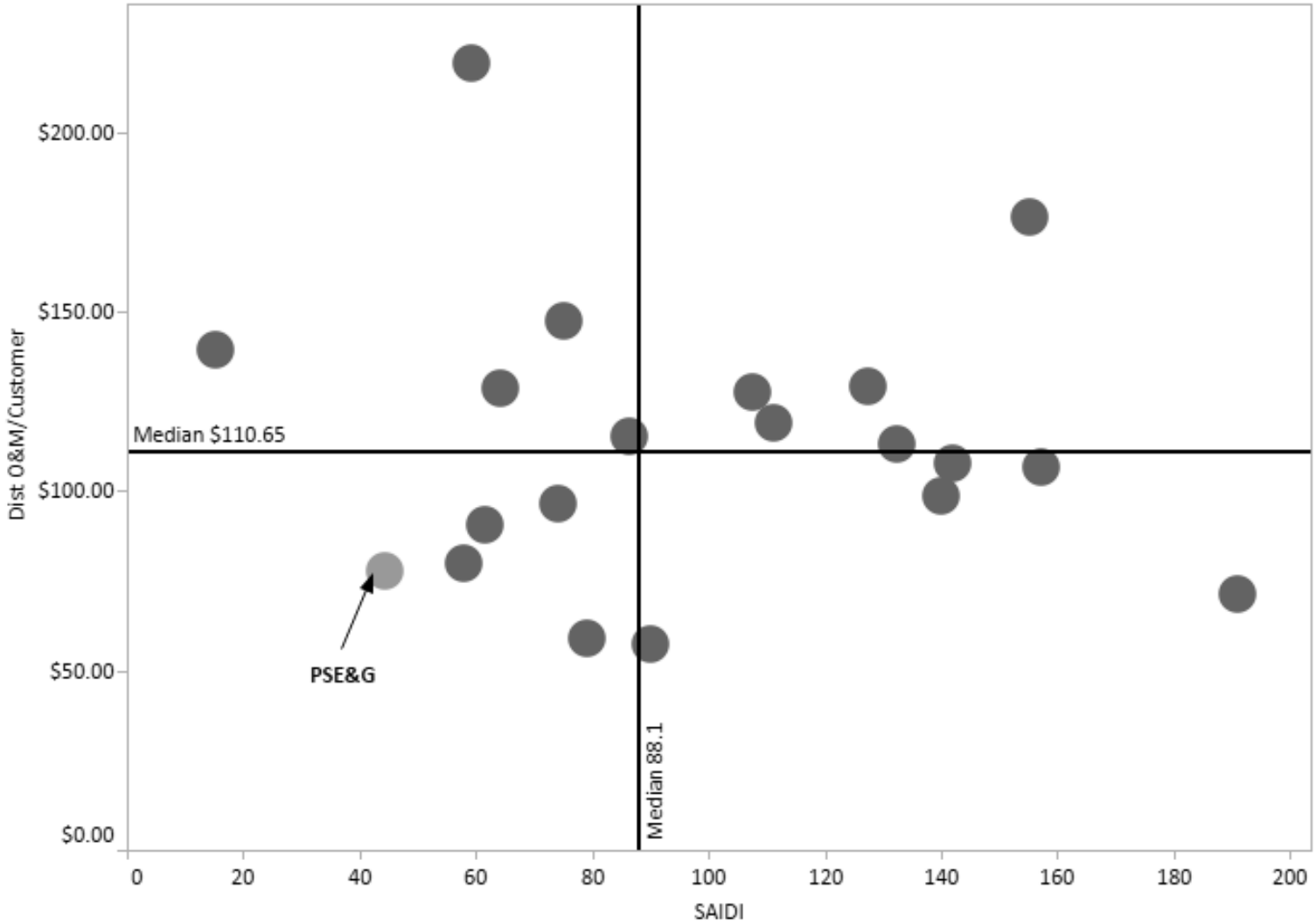
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-03932

PSE&G APPENDIX

SI-SSA-0015-03933

PSE&G provides high reliability at below average cost which creates superior value to customers



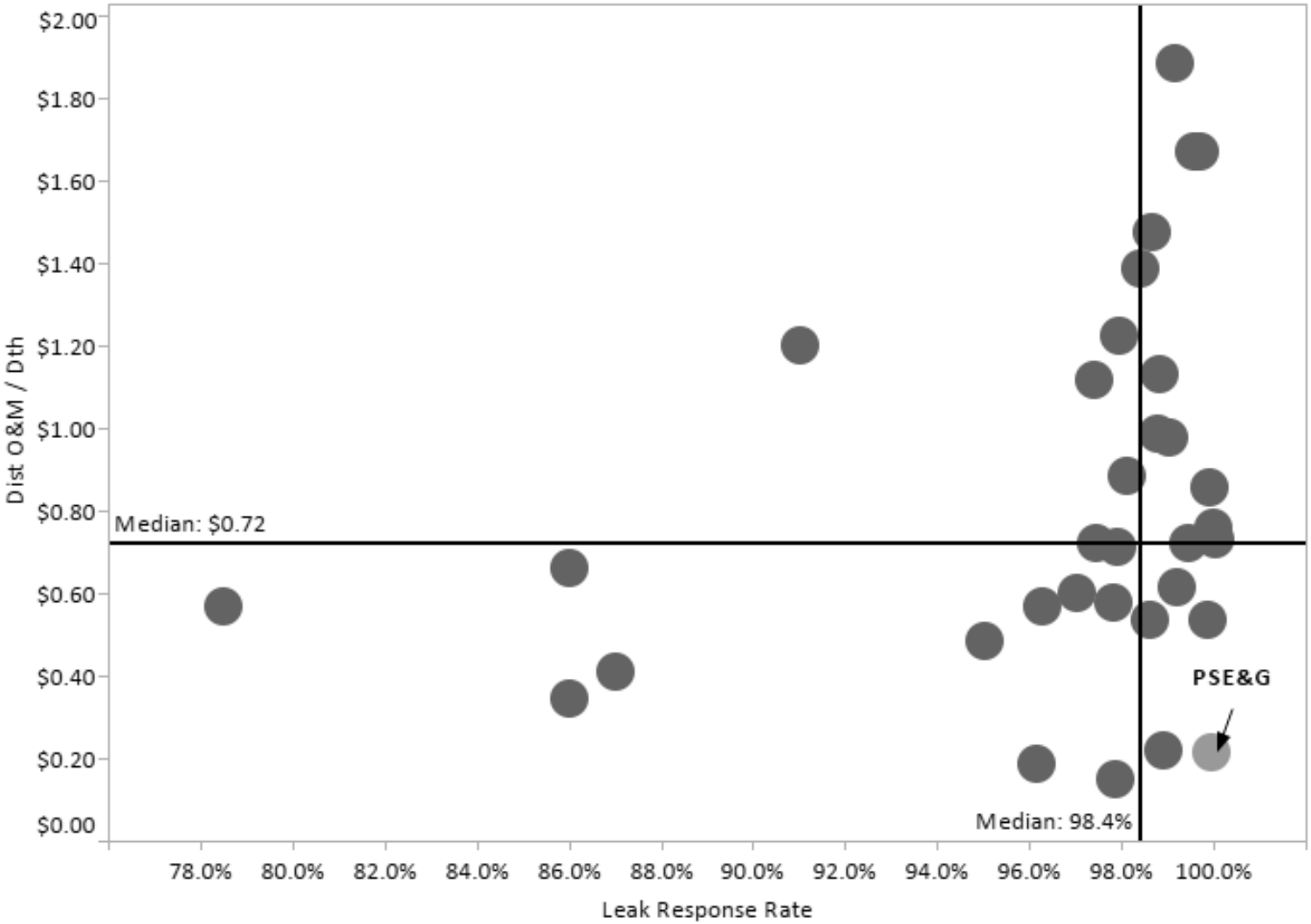
SI-SSA-0015-03934

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



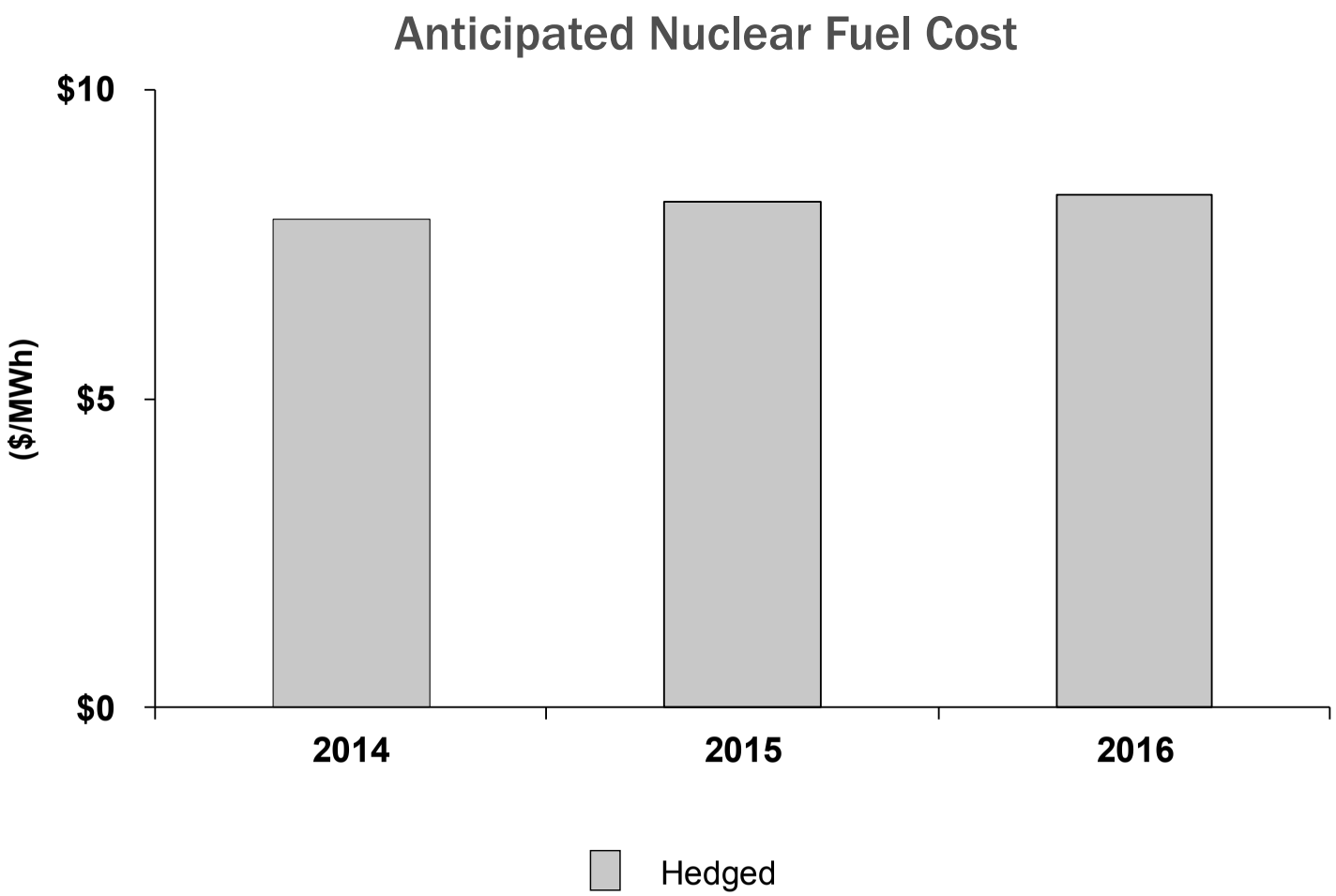
SI-SSA-0015-03935

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

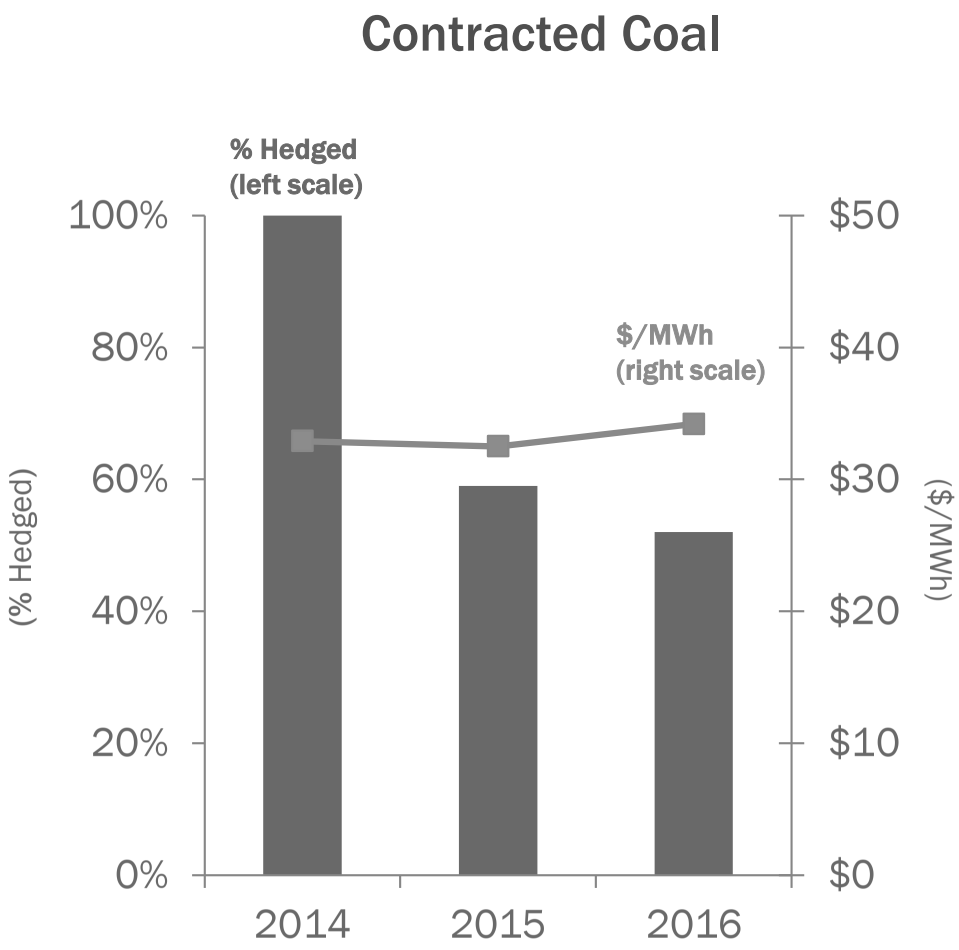
SI-SSA-0015-03936

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-03937

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-03938

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-03939

PSEG FINANCIAL APPENDIX

SI-SSA-0015-03940

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

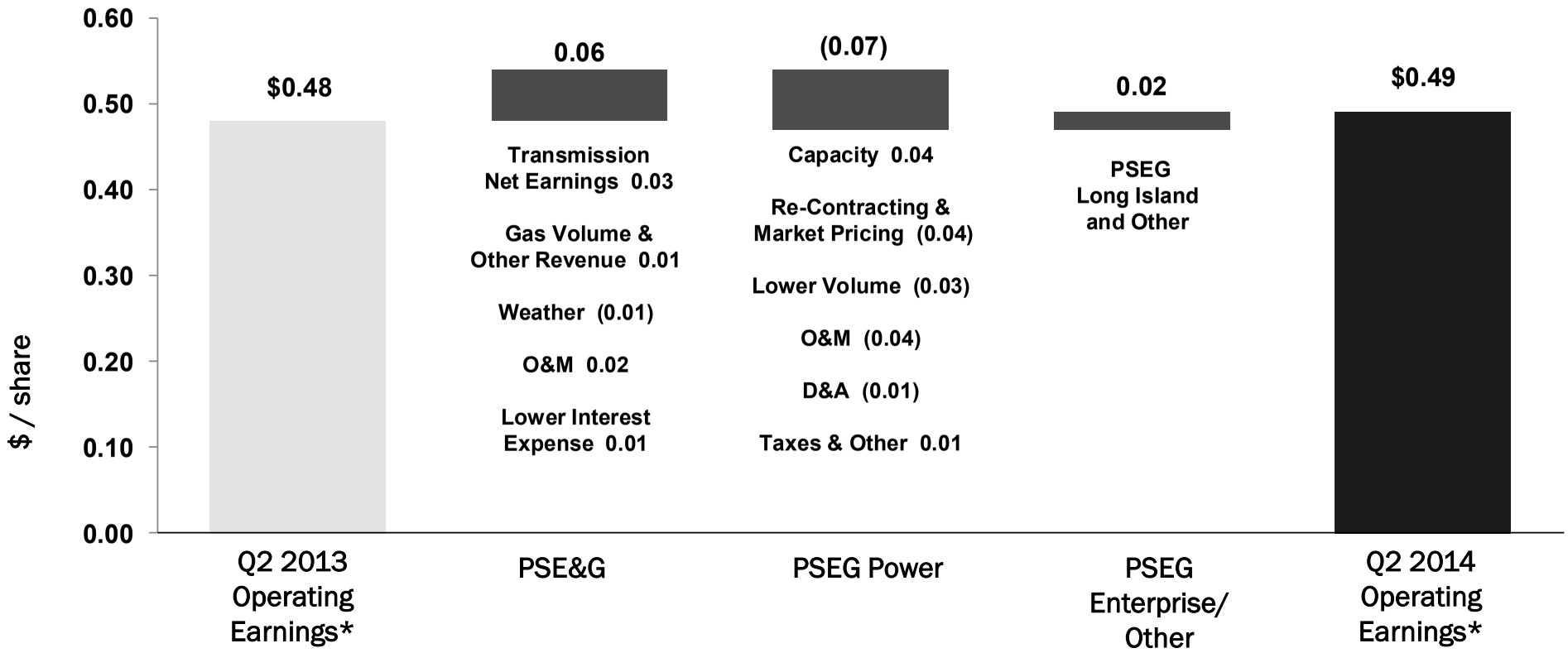
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
*Operating Earnings**	$ 245	$ 243	$ 0.49	$ 0.48

SI-SSA-0015-03941

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2014 vs. Q2 2013



SI-SSA-0015-03942

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

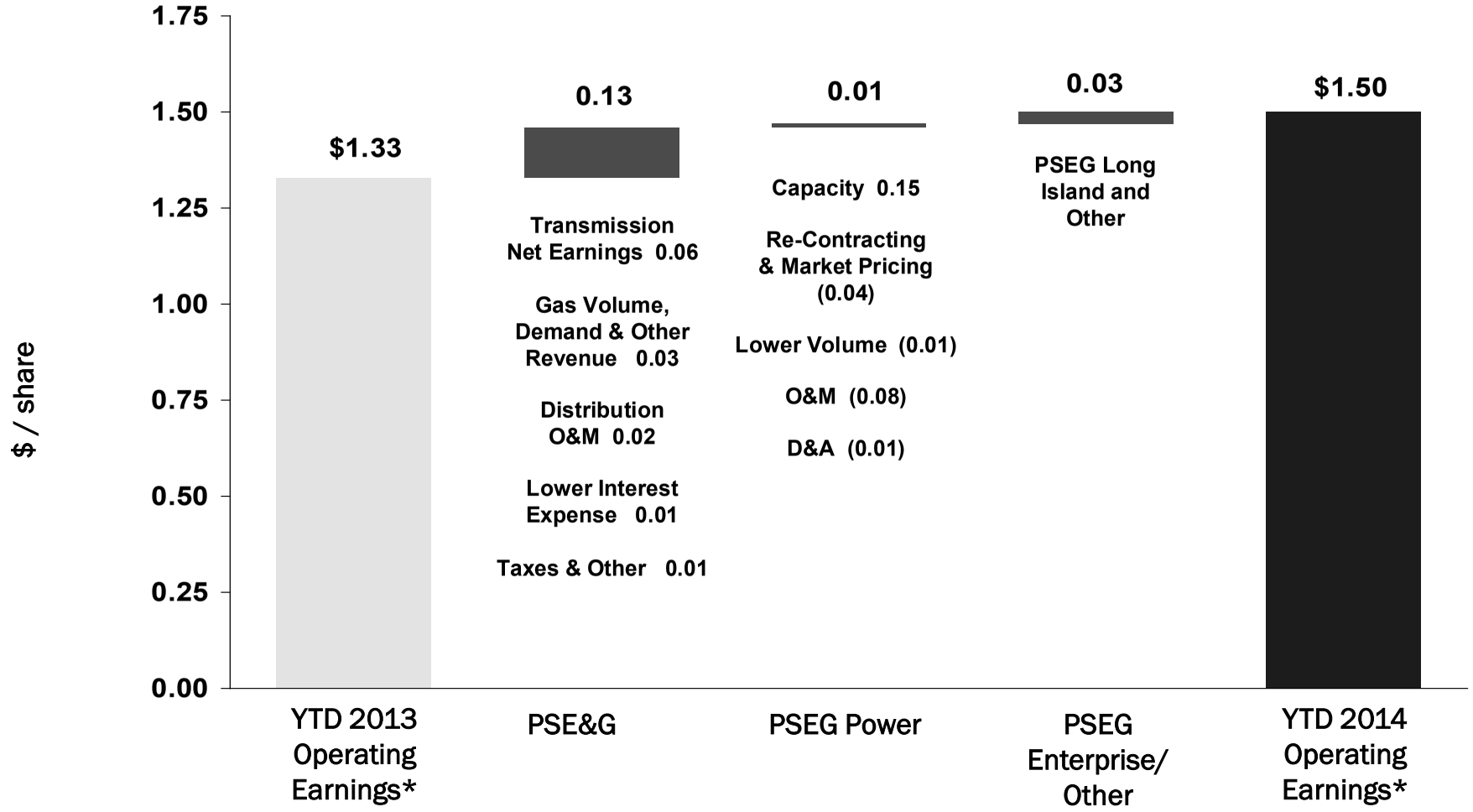
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
*Operating Earnings**	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-03943

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-03944

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	8.6	6.1	2.5
Common Equity	11.8	6.4	5.5
Total Capitalization	**$20.4**	**$12.5**	**$8.0**
Total Debt / Capitalization	**42%**	**49%**	**32%**

PSE&G Regulated Equity Ratio[1] 51%

SI-SSA-0015-03945

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT..
(2) DOES NOT INCLUDE SECURITIZATION DEBT OF $385 MILLION.

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
			PSEG Money Pool ST Investment		$278
			PSE&G ST Investment		$224
			Total Liquidity Available		**$4,567**
			Total Parent / Power Liquidity		**$3,756**

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

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

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

SI-SSA-0015-03946

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 6/30/2014 ($ Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$195
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$899**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-03947

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-03948

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-03949

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-03950

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc and Talen Energy Corp at Bank of America Power & Gas Leaders Conference "Deregulated Power Strategy Session: Integrated vs Independent"

EVENT DATE/TIME: SEPTEMBER 17, 2015 / 12:00PM GMT

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THOMSON REUTERS

CORPORATE PARTICIPANTS

Paul Farr *Talen Energy Supply LLC - President, CEO*

Ralph Izzo *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

CONFERENCE CALL PARTICIPANTS

Brian Chin *BofA Merrill Lynch - Analyst*

PRESENTATION

Brian Chin - *BofA Merrill Lynch - Analyst*

Good morning. Welcome to the second day of the Bank of America Power and Natural Gas Leaders Conference. I want to welcome all of you and thank you very much for coming.

We're going to kick things off this morning with a panel called deregulated power strategy session, integrated versus independent? And I am fortunate to be joined by two folks in the industry that come from very, very distinguished backgrounds. We have Public Service Enterprise Group represented by Ralph Izzo, Chairman, President and CEO, and we also are joined by Talen Energy Supply, Paul Farr, President and CEO. Gentlemen, welcome and thank you very much for coming. It's a pleasure to have you here.

Let me go ahead and kick things off here. Part of the reason why I wanted to have both of you gentlemen on the panel is because the path taken by your respective companies towards the current situation have been very unique, very different. Could you each describe just for a little bit the major strategic considerations over the last five years that have helped shaped how your companies got to where they are at today just to provide some context for the discussion? And maybe Paul, if we could start with you.

Paul Farr - *Talen Energy Supply LLC - President, CEO*

Sure. Thanks Brian. Good morning everyone. We had clearly been on a path at PPL going back to 2008 actually. We couldn't dislodge the Kentucky utilities until it came to about a year later from our first visits in Germany. But we had been on a path to try to derisk the enterprise and create more of a utility foundation for that enterprise. And at the same time that we were extremely successful in that first acquisition of the two Kentucky utilities, right on the back of the closing of that acquisition came the market news that the Midlands properties were available in the UK. We were successful in that very quick auction process as well, and at the same time that we were on that strategic realignment of the Company. Obviously we are now in year seven or eight of the decline in energy and capacity prices up until at the least auctions in the last few weeks' capacity. We went from a business that in 2010 was 70% merchant earnings, 30% regulated utility to 2014 95% regulated utility, 5% merchant. So very successful in the execution of that strategy, but it really made it very difficult to fund on a capital basis the merchant enterprise. And we were of the belief, I am of the belief, that if you're in any business, the business should have the capability to attract capital to grow, to diversify, to get scale, which is absolute critical in these big infrastructure businesses. And the only way to accomplish that given that we had huge transmission opportunities inside PPL, rate base generation, both environmental projects and combined cycles in Kentucky, a big construction program in the UK, smart stuff replacing dumb stuff. There was an opportunity for capital everywhere inside of that company and, you know, where their rate base growth and capital programs look like. We were basically when I was the CFO kind of fleecing the merchant business. We clearly took all that free cash flow, used it to support the corporate dividend, corporate debt, maintaining the cap structure of the utilities that were going through these big rate base build programs at the same time as we were pretty systematically and regularly undervalued when we looked at some of the parts. So that was good in that there was capital available, but it was bad in that the next step was when we took it we started to sell merchant generation assets and we were actually descaling the business, maintaining those high corporate overheads that wouldn't be there if it was separated. And so for us, it was a pretty clear, it was a pretty clear decision and a pretty clear strategic direction that, to create the opportunity for the business to grow, it had to be structurally separated from the Company. That's why we took the steps we did.

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Brian Chin - *BofA Merrill Lynch - Analyst*

Got you. Ralph?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

I think our present is really a function of our past as well. Remember our merchant generation fleet is largely a fleet that was built over many decades as part of an integrated utility, fully regulated. So when generation was deregulated 15 years ago now, it's hard to believe, we opted to keep it in-house but as a separate registrant. And it has performed pretty well. It's a combination of both the quality of the assets, the location of the assets, and their ability to serve load, which has helped us. And even our current forecast, which we publicly disclosed up for over $1.3 billion of FFO from the merchant generation business each of the next two or three years, I forget how far out we forecast that.

As I think about the benefits that we realize, there's been some huge synergies, the obvious SG&A support functions. There are to a lesser extent synergies operationally -- one period of time when we might have a group of project managers putting up a peaker and then that's done and then we will move them over, do some solar work, always within the regulatory limitations that exist in terms of charging people properly.

I think we've had some great synergies in terms of financing. When one is generating cash, the other one has needed cash. Probably some of the people don't pay as much attention to as we do is the complementary nature of that relationship on the customer bill. Quite honestly, in 2008, we weren't knocking on the regulator's door to increase the amount of infrastructure investment we make in a regulated company when gas is at $10. And as gas prices plummeted and as a combination utility, that's shown up in the bill. That's hurt the generation business, but we've then been able to simply point out to regulators if we don't fix this aging infrastructure now, we'll never have the opportunity. So there's been a whole series of both history, operational, financial synergies, and customer strategic advantages that motivated us to stay together.

I think the one issue that I grapple with what I talk to investors is that, from a pure financial theory point of view, you have your pure-plays. Paul's got a great company that's a pure-play generator. And then you have your pure-play regulateds that can't invest and diversify on their own. So we monitor now very, very carefully is what is our investor base? Do we see a strong bifurcation between those two groups? And we seem to enjoy an investor base that more total shareholder return or is a nice solid utility with some commodity exposure on the generation side.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. Just as a follow-up to that first question, as we've sort of taken an arm's-length look at where both companies started, I kind of think of it as both companies started as an integrated business model with generation assets and regulated utility in the same locations, but the divergent paths was sort of interesting. Is it perhaps maybe the assets, the location, the regulatory construct? What are some reasons why we think the companies went on different paths here if we can just take and arm's-length look at what happened? Any thoughts there?

Paul Farr - *Talen Energy Supply LLC - President, CEO*

I concur that there is a way to look at the, from a synergies perspective, some opportunities to be able to deploy common personnel. When I think about -- once the decision was made to liberate the assets and I think about the overhead structure that we can live with at the merchant generation business and the amount of additional scale that that IT and other infrastructure can handle, it's mammoth relative. It's big in terms of opportunity and much, much lower in cost than we could get at, and I oversaw most of the shared services pieces of PPL. Inside the company, yes it's an opportunity to spread that cost. But as PPL is borne out, they've been able to eliminate the cost on their side. We have been able to dramatically lower cost on the merchant generation piece. So when we think about the two pieces, the costs on an absolute basis much lower than they were when it was put together.

I think there are policy differences between what regulated utilities lobby for and would like to see happen as state and federal things take place, and there are positions that are in a lot of instances quite different. The BBB investment-grade credit rating that the merchant business had was simply driven by the fact that it was leaning on the corporate balance sheet. And when separated, if you talk to any of the rating agencies, and I

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don't know that any are here, but by definition merchant businesses are sub investment-grade unless they are attached to a regulated utility holding company.

So we thought about the cap structure being differences and credit rating differences being so different, the ability to lower costs, the ability to add scale, and then again, with an inability to raise and attract capital, we were doing the opposite of what any large infrastructure business would do is get scale, get geographic diversity. We were bearing all those same overheads and decreasing the asset base.

So I don't think there's -- I know Ralph is building some new generation, but by and large, if you look at -- on a net basis, if you look at the hybrid utilities, they are net reducing their asset base. It's either depreciating away or they are building something, but to build something, they are selling something. So I think that's relatively clear, other than Ralph's instance, that they are not building scale. They are not diversifying geographically on a markets basis. They are pretty -- they are where they are (multiple speakers)

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you. Ralph?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

If I think about the two companies, there's tremendous similarities in what's remained at PPL and PSC Group. I harass my team frequently that I am so tired of often showing up as number two in J.D. Power customer set to PPL. We've never ended up as number two to anyone else. There are a couple of times -- a couple of customer groups that may end up as number one, but they are both are very well run utilities and will be treated fairly by their regulators, all their different regulators.

Our economics are just fundamentally different from the other integrated merchant companies. The PS zone, Eastern Mac half been treated differently, economically in capacity auctions. I kind of get weary of the criticism that you've always been getting a rich price and just because GP is rewarding others now, that doesn't favor you. I was like, well, Okay. So we shouldn't be looked down upon because we've always been doing well. There's some inconsistency in that logic.

Basis differentials in energy markets have diminished tremendously, so that's been a bit of a headwind. But even with both of those in tandem, retractor capacity markets, reduced basis and energy markets, we are just a very, very healthy merchant generation business. I don't want to repeat what I said before, so the spin piece just doesn't jump out at me for us. And it may be unique to our location.

Brian Chin - *BofA Merrill Lynch - Analyst*

I wonder if, had other integrated utilities benefited from a geographic scarcity premium like PEG has enjoyed for some time, I wonder if more integrated utilities would have remained together.

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

It begs the question that Paul correctly raised, which is, long-term, if you believe that the generation business -- and I do believe is going to be subject to very slowly growing demand and therefore going to see most of its growth coming out of synergies captured in building scale, then what kind of strategic flexibility do you have if that generation business is kind of having to ask permission from states as a result of the sibling that it coexists with.

I do think longer-term -- now, of course I'm inviting the question what's longer-term, and I'm not going to answer that. I think longer-term that strategic flexibility will probably force more pure-play and consolidated pure-play.

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Paul Farr - *Talen Energy Supply LLC - President, CEO*

In thinking about the risks of the two enterprises, and it was always at the end -- I shouldn't say at the end, even like a year before the end at PPL, when a business is only 5% and not a much bigger percentage as Ralph has of the total business mix, it becomes a clear question of is it core or is it non-core? How do you get rid of it? Does anybody want it? How would you do it?

When I think about -- and I did put a lot of thought, both Jeremy and I did, as we were thinking about the businesses, one business has 30 years of completely predictable cash flows and earnings. The other business has one to three years, depending upon whether you're talking about the energy forward market in Texas or you're talking about capacity payments. And when you think about the resiliency of the balance sheet, the importance of scale, geographic diversification, market diversification, there was no other way to get there, again, inside of the reality that we were dealing with.

So, markets are good. If we go back four years, Texas was a great market, New England kind of sucked. CP comes, New England's great, no weather in Texas for three or four years, Texas is wonderful. PJM is great right now. It just may or may not have the staying power. Some of the right steps have been taken. We can debate whether the risk premiums were right, things like that, and I'm sure we might. But those are just two substantially different businesses. And the way you think about running them, the risk posture, that balance sheet that I mentioned earlier, the investor appetite for an understanding of those significant differences as you move through time was just -- we didn't think it could. In our instance, we could tell the story in a way that was compelling for both. Separated, we think we could create some compelling platforms for real.

Brian Chin - *BofA Merrill Lynch - Analyst*

Excellent, excellent. We've gotten a little bit into the conversation here. I do want to take a pause and see if there any questions from the audience. Any questions from the audience? And if not, I'm happy. I've got a long list of questions here to keep going.

Let's talk a little bit about consolidation in the industry. I've covered the IPPs for over 10 years as a senior analyst, and it seems like, every year, there are fewer integrated utilities. And I could use Talen being a very notable exception. Is the industry headed towards one or two major big deregulated players in 20 years? Will it be an integrated or an independent? Ralph, your earlier comments seem to think you might be thinking more independent.

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

Absolutely. I do think it is headed for just a couple. I don't know if a couple is two or three. And they will be independent, again, the primary reason being we're going to continue to see electric demand grow at a fraction of GDP growth. Investors won't be satisfied with companies that have, in their good years, 0.5% of growth and in their bad years negative growth. So you're going to have to have not only topline growth but you're going to have to have the cost structure. That's achieved through the scale that will be a byproduct of consolidation. So, I do see consolidation in a couple of majors. And as Paul said, run on a different balance sheet appealing to a different set of investors.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right. Paul?

Paul Farr - *Talen Energy Supply LLC - President, CEO*

It will be a few. I don't know what few as a number is. I don't know if that's three or that's four. When I think about the amount of -- well, the amount of generation that's been liberated and built so far, the existing enterprises who there's a lot of discussion about is going to liberate or trying to liberate if they can, from a market power perspective, that probably creates the single biggest impediment.

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The TEPS are clear in each of the RTOs as to what constitutes market power, and with the amount of aggregation that's just taking place so far, both within the confines of hybrid companies, so when FirstEnergy bought Allegheny and you think about the generation mix, when you think about the things that PPL required and built, what Ralph is building, it's already gotten really heavily concentrated.

So when we think about mergers, that's probably because the overhead piece is very easy to get at, combining to a single trade floor from two eliminating back offices, supply-chain benefits, IT infrastructure benefits. Those are clear. But it also has to be executable in the context of what the regulators will let happen. So that's why I just completely concur with Ralph's answer. It's just a matter of I don't think two or three can get by and deal with -- can get scale and be under the market power restrictions that we all face.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right, right, right, right. I want to touch a little bit on a trend that's happened over the last two years, the rapid, rapid decline in renewables costs. And as I look at how quickly we are seeing new contracts being signed, Nevada Energy signing $40 per megawatt hour renewables long-term contracts, I'm thinking to myself, okay, this adds a new element of the integrated versus IPP sort of story. Which business model is better positioned as renewable costs start to hit that inflection point of becoming really competitive with traditional forms of generation? How do we think about the pros and cons there?

Paul Farr - *Talen Energy Supply LLC - President, CEO*

Yes, so the costs have come down quite dramatically. I still think that when you look at -- even looking at a utility scale solar versus rooftop, which is much more expensive and much less effective from a carbon and other perspective, when you look at the fully loaded cost of that generation and add in whether it's storage or it's standby or peaking capacity, it's still a much more expensive resource than traditional generation. It clearly has a place from both a policy and reaching a cost perspective in certain markets, and those markets will deal with that and that generation will get built. But we are still going to need baseload generation for a significant period of time, even coal-fired. And when you listen to the comments that Tina McCarthy has made on how much in 2030 we are still going to have as a complement of 20% to 30% of the generation mix in terms of output coming from coal. There's a place for all of the generation and I think the markets have been able to -- either driven by RPS or driven by just outright economics -- have been able to absorb that.

We're going to continue to see growth in that we were as Talen, the XPPL energy supply business, had small renewable business in just under utility scale solar, a few megawatts at some sites, big rooftop on some pharmaceutical companies in New Jersey, a lot of landfill gas. We just weren't -- that wasn't a scale business. It was 65 megawatts in 20 different projects. We could find ourselves in renewables again that will be especially as a current taxpayer in something that would actually move the meter. Not just dabbling if we decide to do that.

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

I think if you're in the generation business, you have to consider -- where grid connected renewables is just another arrow in your quiver, and be willing to use it depending upon the resource concentration of the geography you are in. New Jersey, the Northeast are not particular good for wind, with the exception of offshore but with other competitions. Really solar is more policy-driven, and as those supportive policies either atrophy or go away, that technology horse race in terms of ending the price curve will matter a lot.

$0.04 of KWH is a very competitive number. I think in July we saw gas prices at Lighty at $0.75. So a 6,400 heat rate gas plant could sell power at $4.00 a megawatt hour.

Paul Farr - *Talen Energy Supply LLC - President, CEO*

$0.61 (multiple speakers).

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Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

So I think if you go into this with some sort of religious or ideological belief -- said, I don't know, coal is king or nuclear is grand or renewables will save, you're destined to fail. But if you look at them as I've got to use all options and I have to look at where environmental pressures are taking me and when I can and cannot capture policy support and make decisions accordingly, which will result, in my opinion, in a lot of gas plants being built and renewables being second.

Brian Chin - *BofA Merrill Lynch - Analyst*

It sounds like from both of your responses then, that the business model of having an integrated versus an independent power producer, there's really no difference in terms of how you look at the potential opportunities and threats from renewables. Is that the right way --

Paul Farr - *Talen Energy Supply LLC - President, CEO*

Policy decision-makers and customers will create demand for that resource. And I am of the belief that we are going to get some form of national carbon policy at the end of the day. I don't know what day it is and what the end exactly looks like, but we're going to need to preserve the existing nuclear capability to ever meet those targets. That's a given. We're going to burn a lot less coal. We're going to burn a lot more gas. And we are going to build as much renewables as makes economic sense. If economic sense is driven by continued decline in prices and going head-to-head with those other generation resources in the integrated mix, or whether they are subsidized from a policy or fiscal perspective, the market will have to absorb what it has to absorb. And we need all of those, to Ralph's point, to be able to be successful.

I do think -- I do worry about reliability. I worry about -- because at the end of the day, whenever there's a problem and the lights go out, if they go out, it will be the generator's fault. It will never be the policymakers. It will never be the RTOs. It will never be the take your pick who else could be complicit in the decision-making that resulted in reliability problems. So we are very cognizant of ensuring that, even if it's not our fault, that we have to do the right things to be able to make sure that the system stays reliable.

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you, got you. Another question about how different business models may react to a certain development, so I look at deregulated retail competition. I look at how NRG for long time has had a competitive retail arm. Calpine now has picked up Champion. Does being an integrated utility versus an IPP matter for whether you look at retail competition as a part of your business? Is it a factor? How do you think about that?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

I don't think it matters. For the benefit of those who haven't heard me speak about this before, I'm not a big fan of the retail electric business, primarily because I think you make money pennies at the time and if you make mistakes, you lose it dollars at a time. Having said that -- so that was an offensive sort of growth opportunity. I'm just not a fan of it.

Having said that, I am beginning to see with increased frequency challenges in terms of the liquidity of markets out past increasingly shorter time frames. I used to finish that sentence by saying two to three years. Now, I said 18 months. And if we were having this discussion next year, I don't know how to end that sentence. Maybe it will be 12 months. So it is a defensive strategy to be able to hedge the generation business, whether it's ensconced in an integrated company like ours or standalone. I can understand why some of our colleagues are turning to increasingly having a retail book to hedge that output.

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Paul Farr - *Talen Energy Supply LLC - President, CEO*

When the leadership of the legacy part of this business went inside the legacy company came and asked in a few different instances to buy retail companies, as the CFO, I wish I would've said yes, which I didn't for the reasons that Ralph gave. But that being said, we do have and have organically grown to a couple of thousand megawatts of retail base. It does serve a countercyclical benefit.

We will never have inside of Talen a retail business such that if we experience strong weather, which benefits either the unhedged or the generation side of the book, I know that, at the end of the day, we are going to benefit significantly there like we did in 2014 and 2015, and the retail book is going to look like you know what. And that's fine, because it's a hedge. The markets are so -- I think it depends upon a little bit of where your market emphasis is. In Texas, the wholesale market is liquid one year out. You can at least get two or three years of hedges off with retail. You are earn the retail margin, so when you're bumping along at low commodity prices with no capacity market out there, it makes sense to be in the retail business and the margins as a percent of total, the total opportunity get to be bigger. So I am in favor of it.

I don't think, at the end of the day, necessarily we will do anything to acquire retail. We have not had any really poor experiences and had those money losses other than just on a load profile basis as you experience extreme weather. So we have been really conservative in bidding customers. I think that will change and so I think we will definitely grow it organically. It helps with the amount of liquidity we need in terms of the mark-to-market on hedges, and it helps again in that countercyclical. It helps hedge basis. Very cleanly, to Ralph's point, a lot of our generation still serves the load that it was built to serve inside the regulated utility. So basis has become a bigger issue than it was historically. So that hedging capability to do it cleanly instead of with FTRs and other messier or not necessarily always correlated instruments, it helps on that front too.

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you. Got you. Let's touch base on another issue where the integrated versus the IPP business model may have a different point of view. Ohio, AEP and FirstEnergy and what they are trying to do in Ohio. If their proposal to contract their generation longer-term ends up going through, what implications do you think that has for other players in PJM? What implications does that have for the integrated versus IPP business model? And is one business model more advantaged than the other? Thoughts on that?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

We've fought -- are still fighting but I think the battle is nearing an end -- some market intrusions by the state of New Jersey and the state of Maryland. I was pleased to see yesterday the solicitor general filed a document with the US Supreme Court saying, hey, this has been litigated and decided in two District Courts and there's no need for the Supreme Court to look at this. What (technical difficulty) was naughty. So whether it's a private equity upstart, entrepreneurial company trying to circumvent the market through legislation as is the case in New Jersey, or a traditional century-old peer, we are going to follow very carefully the terms and conditions that those forays into distorting the market and take whatever appropriate action we would need to take at FERC and in the courts.

You can't have it both ways. Either you are a market participant or you are re-regulated. If they can put the genie back in the bottle there, I'm not second-guessing the wisdom of that. But you can't play a game of hey, I'll take the higher up market or what you contracted me, and then -- it's just too disruptive. So, a long-winded way of saying it depends on what the terms and conditions are of whatever gets agreed to there. I think we are far away from -- I am far away from knowing that.

Paul Farr - *Talen Energy Supply LLC - President, CEO*

We are very active. This is where there is a line between an IPP and a market facing hybrid in that we are actively against that. The argument that it even goes beyond this, that deregulation works -- and the definition of works is always changing. We are always faced with regulatory policy changes and capacity market design changes and things. That's dynamic. But to say that regulation works everywhere but in Ohio, oh wait, not just -- it works in Ohio, it just doesn't work for this 5,000 megawatts between these two companies is a bit ridiculous. Lots of generation has closed

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all over PJM as a result of low natural gas prices as a result of EPA policy decisions. So to try to defend individual facilities in the face of those is really quite ridiculous.

So jobs have been lost. Property tax bases have been impacted. But what Ohio got the benefit of sitting on the Utica three of the four or five plants that got bid in that cleared in 2018, 2019 cleared in Ohio. So they really faced -- and this is part of our message is you are worried about a loss of jobs and property tax based on one hand, but if you think that that's going to continue when people are going to take the risk of bidding generation in Ohio, and you're going to subsidize legacy investment that now has become either uneconomic, unpalatable, un-whatever, you're not going to continue to see the benefits of new construction.

So we think that, at the end of the day, they get to the right answer, which is not having to contract for differences and not shouldering the ratepayer with all of the risk of capacity pricing, commodity pricing, the potential benefits of lower gas prices as they extract from the Utica. That all gets lost to the extent that they subsidize generation at the end of the day. If it can't compete, you just go away.

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you. Got you. We've touched on a number of issues so far between quasi-re-regulation, renewables, retail competition. Let's take a moment here to see if the audience has any questions. Any questions from the audience on this? No? Okay. We'll keep going here.

One of the things that I think is interesting also that has happened in the last two years has been the rise of the yieldco model. In the rise of the yieldco model, there's been a lot of inbound questions on my desk. Has this affected the way the industry is contracting pricing and return willingness, and how has it affected third-party asset valuations? So when we think about this from the perspective of a market facing hybrid, and an independent power producer, have you started to see that lack of discipline from other players out there in the yieldco space?

Paul Farr - *Talen Energy Supply LLC - President, CEO*

I don't know that we've seen a lack of discipline. I think we've been approached in terms of as some of these contracted assets come off their contracts, some of the earlier wind type of things -- look. From a cost of capital perspective, there's no way that that Talen is going to compete against -- even with the correction in rising of the yields, which always mystified me that magically you could buy something at an 8% and put it in a 4%. Shouldn't the whole thing be 8% then if that's where all your growth is coming from?

But anyway, at the end of the day, we are very comfortable with taking commodity exposure. We had it on our renewables business. Only a small amount of that, 60-some megawatts, 65 megawatts, was contracted. So we can build and operate, contract later. If someone else has a much lower embedded cost of capital, we are happy to move those assets on and recycle capital. But I wouldn't see us participating other than that in a direct way. It's an interesting financing model.

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

You look at the MLP space for the tax reasons, for creating the equivalent of a yieldco, and you see the lessons they have learned about the proverbial feeding of the beast and how a couple of the major MLPs have let you buy in their MLPs and really go to an up C corporate structure. I would not have been able to predict for you when people would realize that was silly. I would have been able to predict for you that whenever they realized the rush to be the first one out of the house would have been an ugly -- you try to understand what the investor philosophy might be. And I guess in a generous mood, I would say, okay, so I've got an asset, and typically these are contracted assets. And the value proposition to the investors, I pledge all the cash streams of this asset to you. Because you shouldn't trust Izzo. He's going to take all that cash generated in power and he is going to decide for you to invest it in transmission and regulated utility. But I won't do that. I'll give you all of this cash flow. And then whenever I find a new project, I will come and ask you for equity. So I get it. That's not an unreasonable value proposition. But then to lay on top of that that I'm going to grow these dividends at -- pick a number. They all started in double-digit, somewhere some of them I guess 15%, 20%. Then they say all right, not only do I have to find projects to feed this bigger unitholder base, but each of these projects have to be even more profitable than the last one because I now have more mouths to feed and I've promised each mouth that they're going to see that dividend grow by 15%, 20%. That's not

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possible. If you remember your old mathematics and you do series of limitations of what happens when each term goes by 15%, what that end term needs to look like. So, short-term? Sure. It creates some dislocations when competing for contracted assets. But long-term I think it's silly.

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you. A very interesting perspective on that from both of you. I did want to ask a company -- a more company specific question. Ralph, you've used the cash flows of the deregulated generation business for now several years to finance the regulated growth side. But more recently, you've bought deregulated generation in Maryland, you've explored investing in the deregulated generation Bridgeport and Connecticut. It does bring up the question, does the signal that regulated growth opportunities relative to deregulated growth opportunities -- the mix has started to shift here from five years ago?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

No, it doesn't. I get asked frequently the question what's the ratio you want? My answer is always the ratio that makes sense. It depends on where we are in the cycle, of the commodity cycle, regulatory cycle, economic cycle. I think in the last five years, PSE&G deployed about $10 billion in capital. We just announced yesterday -- Tuesday -- a new $900 million gas replacement program. So if I look ahead five years, PSE&G will be deploying about $12 billion in capital, so that's a 20% growth for the last five years and the next five years.

And power, even with the growth projects that we have, is going to be deploying about $3 billion in capital. So it's still a four-to-one ratio utility for power.

There are some special situations that we saw opportunities that we have been looking at acquiring assets for a long time. We have and will continue to have a very disciplined view of the forward price curve and that is what matters in terms of winning and losing these bids.

What was unique about Keys is that -- what was maybe not equally important but significantly important is there was a greenfield project so you had to be able to manage construction risk. And we think we are good at that. So we were able to find a situation where our confidence and our own ability to manage construction uniquely positions us.

In the case of Sewaren, which just cleared the PJM auction space, basically repowering of existing 550 megawatts in the case of Bridgeport and existing sites. So we think we have unique cost advantages in those locations, in markets where we have a toehold and would like to make that a whole footprint as opposed to a toehold. It's not a shift in strategy at all.

Brian Chin - *BofA Merrill Lynch - Analyst*

Got you, got you. And then Paul, I did want to ask you also a little bit more of a specific question. This actually goes back to some of the comments that were made at the beginning of the panel. Talen has already announced acquisitions since its spin from PPL. And going back to your earlier comments about how the industry should inevitably continue to consolidate, is consolidation really one of the best ways to create value in the merchant generation space here as opposed organic growth? What are your thoughts on that here?

Paul Farr - *Talen Energy Supply LLC - President, CEO*

I think it comes down to looking at it. And Ralph it kind of mentioned discipline around the forward curves. And it's the discipline around the forward curves. It's the lack of liquidity around the forward curves, that from a risk perspective, in thinking about from a merchant generator standpoint. When we deployed the capital, - we were working on mock gen well before the spin, that negotiated transaction.

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What I think about any modest success with what we will do with Harper Halo there and I do think it's modest. Even the upper end of that 50 to 150 range, we paid sub $600 a kilowatt for -- to mine cycle gas in New York and New England, factoring in the use of the tax attributes as the current taxpayer.

So we can't come close to those types of returns on a new build.

If we have to move Harper Halo, which would be I think unfortunate for ratepayers maybe potentially in Arizona, we would be happy to do it. And we can create really strong returns. But that's at 500 kilowatts for 7,000 heat rate gas plants.

I think there's more opportunity to get at the immediate economic benefits without the delay from the construction standpoint, and get things at more compelling dollar per kilowatt values and that kind of augers for, with the right economics at the end of the day, constant capital is always a huge consideration at any company. But those would tend to be the things that we look at more so than just the onesie-twosie. And gas is the one thing that at least is only about 3.5 year proposition from permitting through construction. Anything else is much longer than that.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right, right. I guess one last question from me, and then we are going to be running out of time here on the panel. But I've covered the sector long enough where, to me, I feel as though I think most of the publicly traded entities in the space have actually got pretty good capital discipline. It's the smaller private players that I always worry about, where they all each think I am the one smart guy in the room that can see the power cycle tightening, so I am going to build a powerplant. And there's like 20 of those guys. And so it's just like the industry never ever really seems to tighten. Maybe that's just my perspective. Maybe I'm being too dire about it. But even with the polar vortex in 2014, I mean the system worked. Generation actually started coming in to some degree. And now you have a backwardated spark spread outlook. So what ultimately changes this industry dynamic? Am I just being too pessimistic about my observations here? What are your thoughts on that?

Ralph Izzo - *Public Service Enterprise Group, Inc. - Chairman, President, CEO*

I think you're actually being kind to some of us who you're suggesting have discipline (technical difficulty) there's more than a couple of plants that we built years ago that we sold for $0.50 on the dollar. So we've made our mistakes in the past. But certainly PJM this last auction I think people did show discipline. It may have been more borne out of, oh, I don't quite understand this risk I'm getting myself into than anything else. But we went into the generation business fully aware of its cyclicality, that when a plant was needed, five people would recognize it and three or four would build. And that is the nature of the business. But we are not making VCRs. We are not making black-and-white TVs. We are making electricity. So it's a business with long-term viability with people who are disciplined and make sure that they are not always the one buying high and selling low.

Brian Chin - *BofA Merrill Lynch - Analyst*

Yes.

Paul Farr - *Talen Energy Supply LLC - President, CEO*

And I think whether it's a project financed asset by a developer or a financial/smaller sponsor, or it's the balance sheet of a company that's got a fleet of assets, discipline is needed in both. We will be happy to be the second or third owner of some of those gas plants. That's fine because I don't think that when I look at the amount of leverage, the same thing with respect to the IPPs all of which have gone bankrupt except for Talen at some points in their lives. That happens because they take on too much leverage at the wrong point of a commodity cycle.

And so as we've seen a little bit of loss in some of the mezzanine equity and the release in equity layers and some of these project sponsored -- sponsor projects, we're going to see some more of that. I do think the increase in corporate bond yields, the less amount of availability of capital

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coming from the financial institutions to back some of this discipline on the part of even a thin layer of equity, that they will help mitigate that. We saw that in the much lower level. Even with increased prices in CT, we saw much lower levels of composed generation at those higher price levels, even with the potential, even though it's low on gas plants for penalties, we are starting to see discipline. I think I'm hopeful that that continues.

Brian Chin - *BofA Merrill Lynch - Analyst*

Excellent, excellent. Well, gentlemen, we've run out of time on the panel. Thank you very much. It's been very, very useful.

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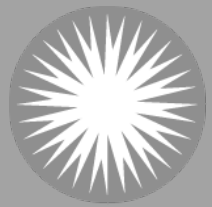
Barclays Capital European Investor Meetings

SEPTEMBER 29 – OCTOBER 2, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-03963

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-03964

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-03965

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

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PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-03967

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 **Assets $22B** **Operating Earnings $725M**	2014 **Assets $12B** **Operating Earnings $642M**

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ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.80-$2.95 per share from $2.75-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = rate base growth of 11% over 5 years with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

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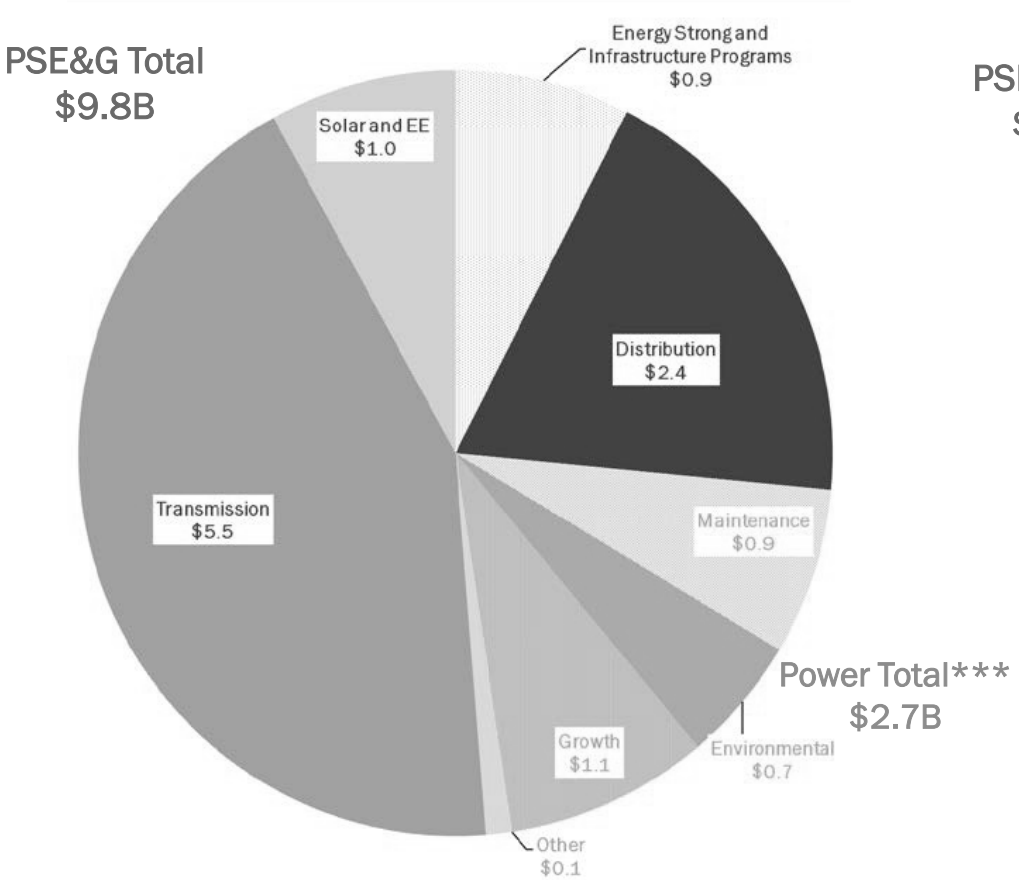
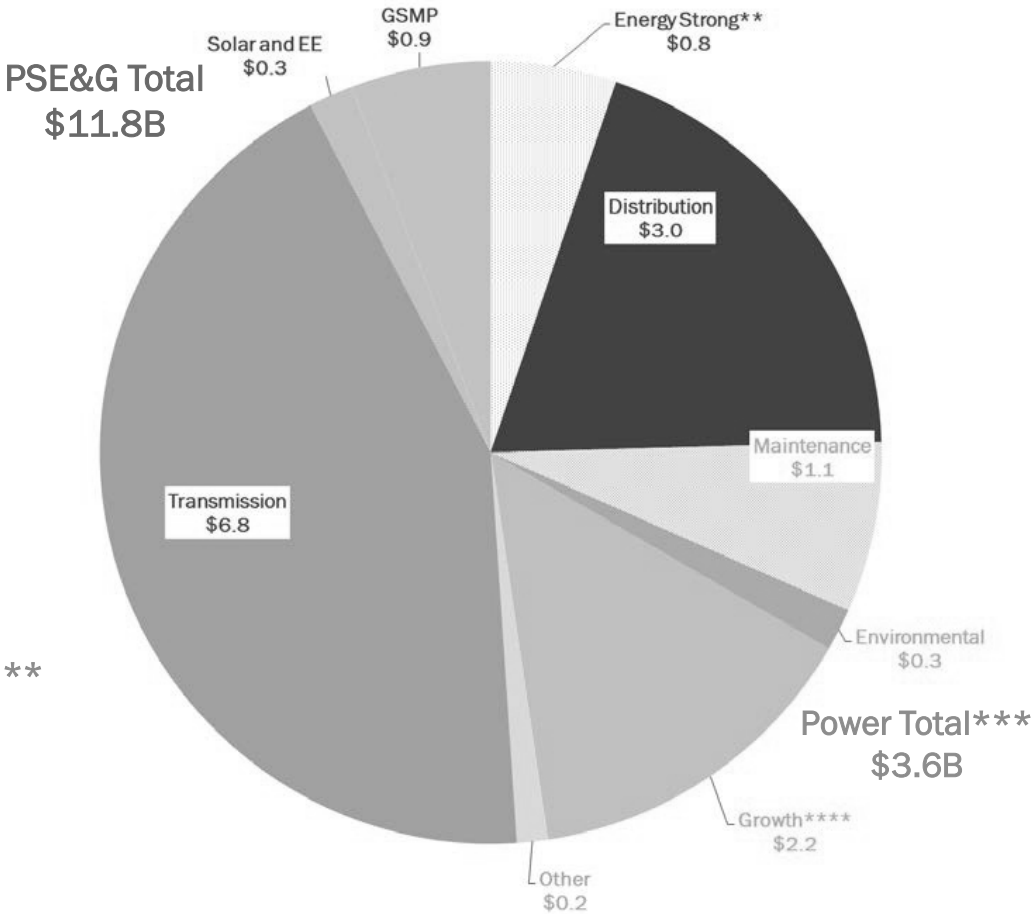
Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6 Billion**





*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF SEPTEMBER 2015.

SI-SSA-0015-03970

Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • **$15.5 billion+** investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

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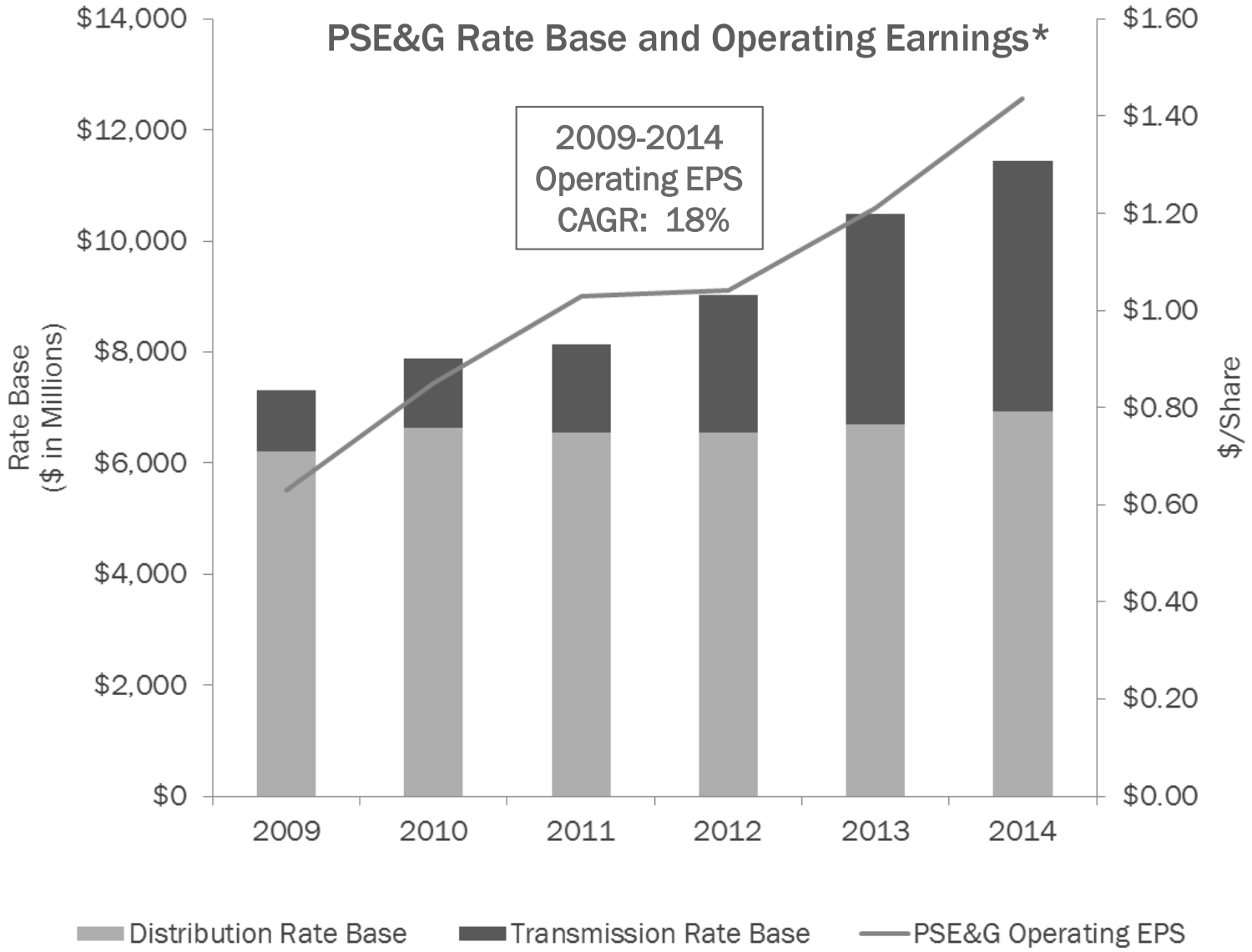
PSE&G's investment program

Meeting public policy goals and customer needs



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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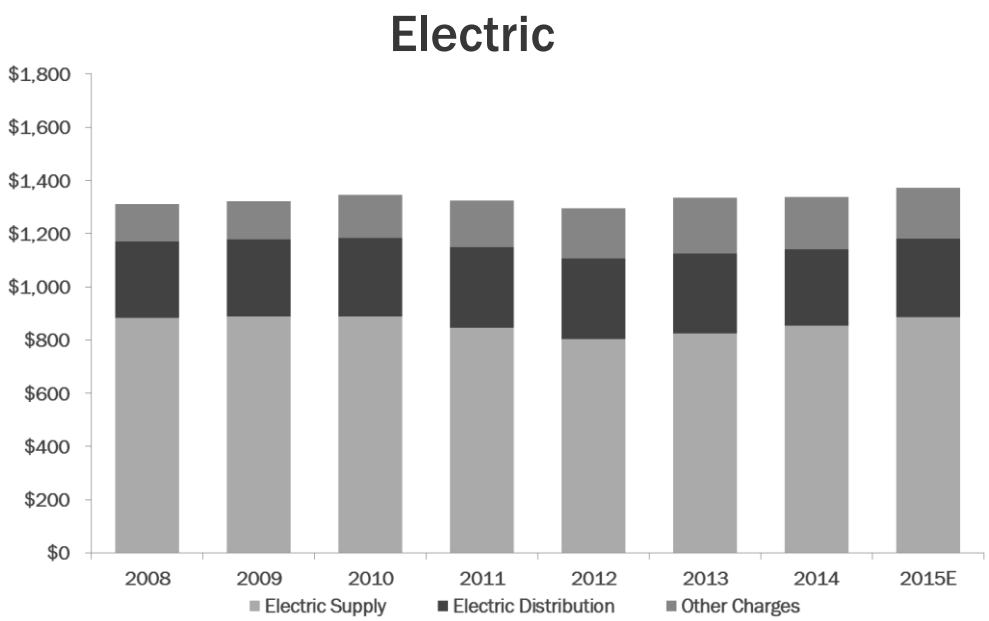
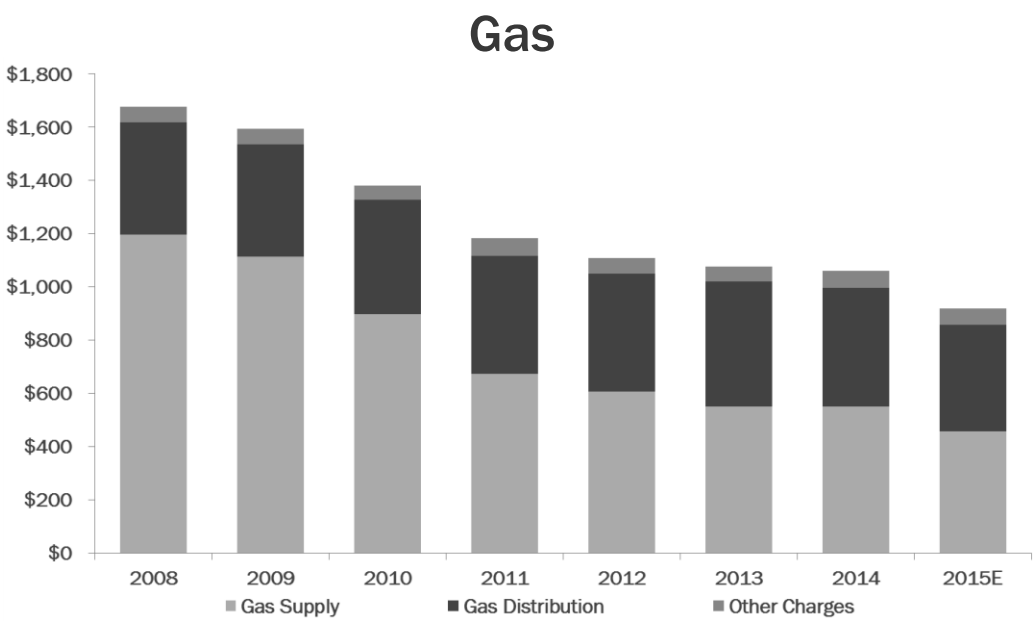
Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

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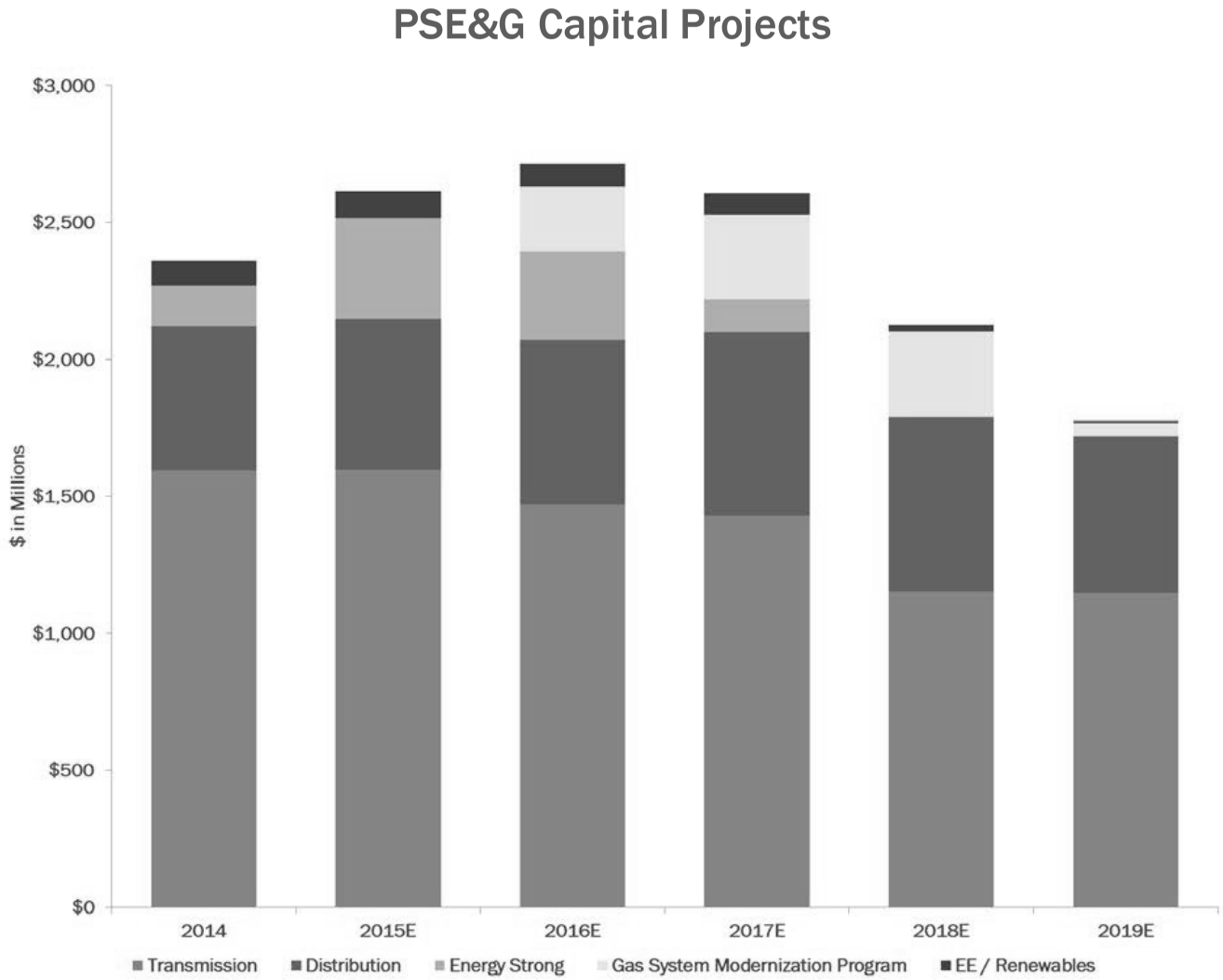
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019



- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

E=ESTIMATE

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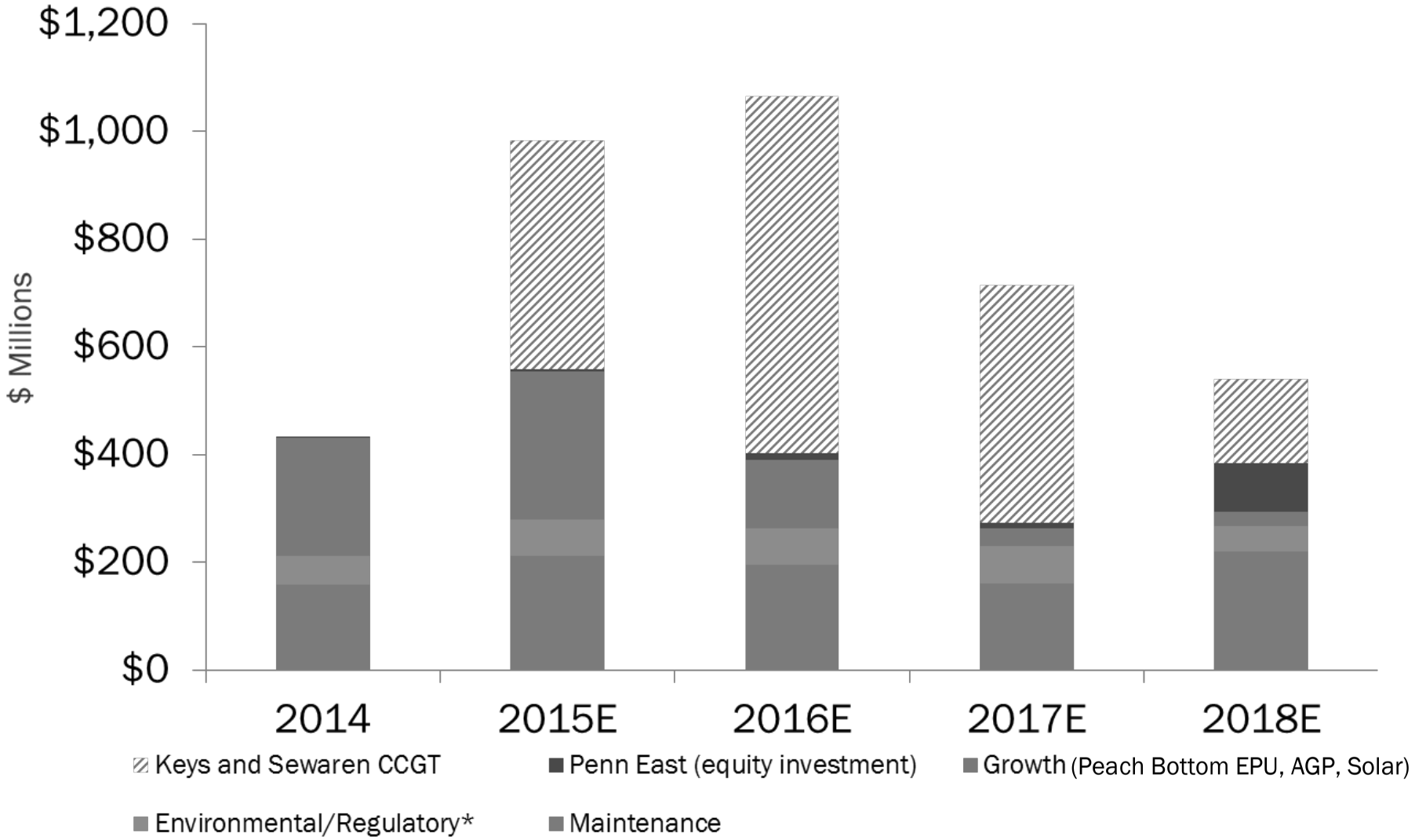
PSEG Power increased capital spending

by $1.6 billion with addition of new generating capacity focused on improving efficiency and reliability



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*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

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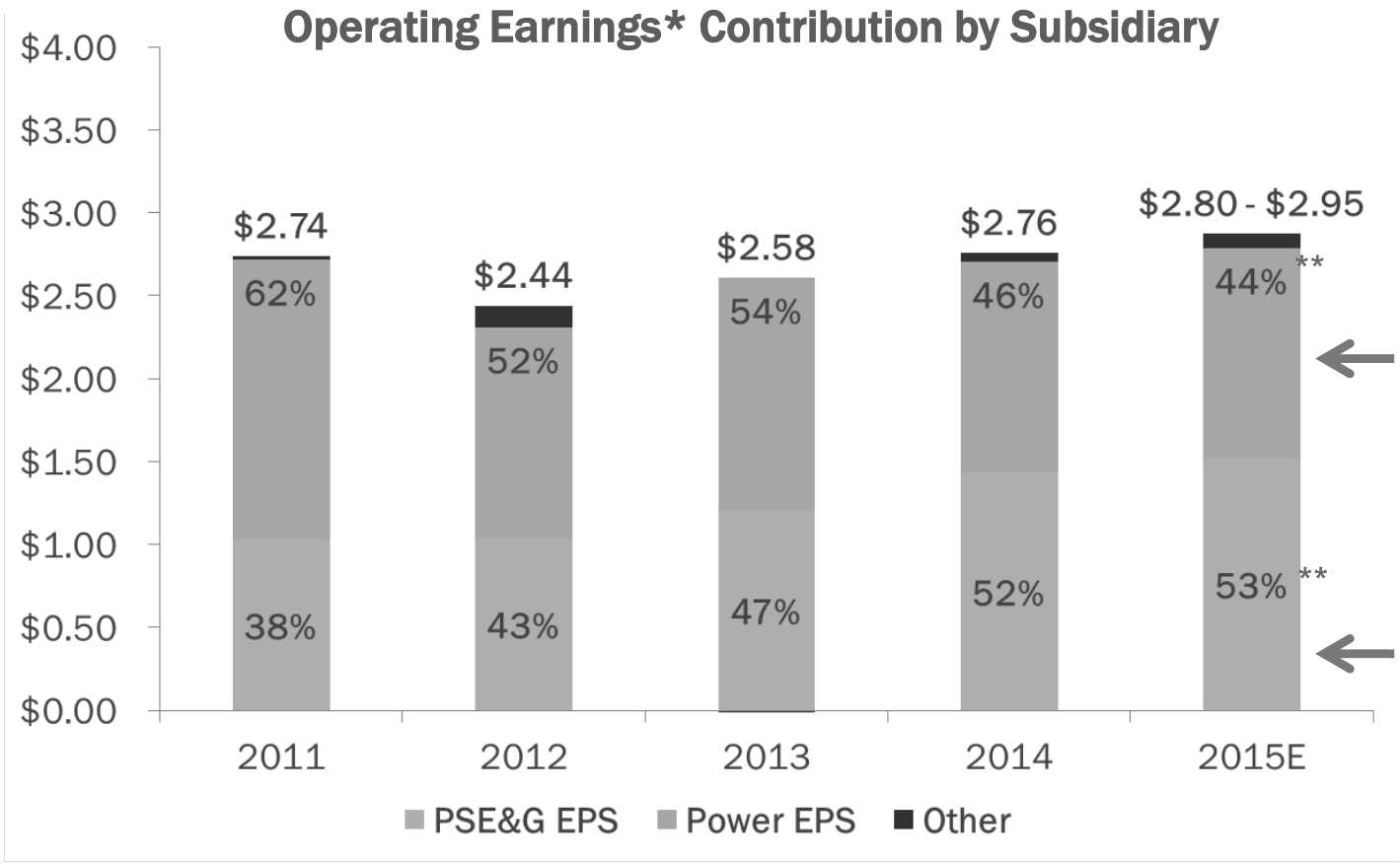
PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air quality standards via Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway • New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC* • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • ~148 MW** of utility-scale solar, with significant project pipeline • Continue to seek opportunities to expand the fleet

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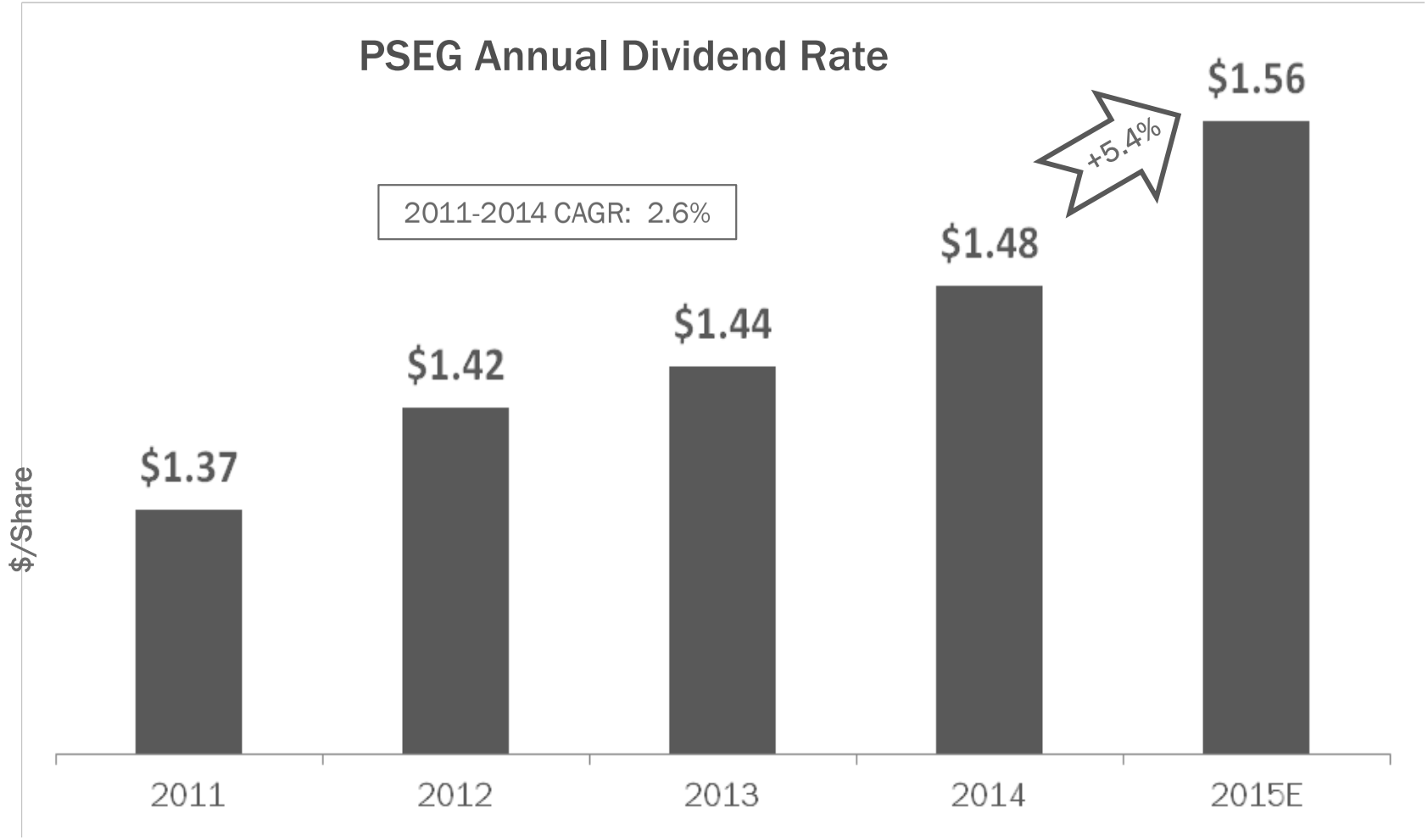
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-03979

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-03980

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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PSE&G

SI-SSA-0015-03982

PSEG

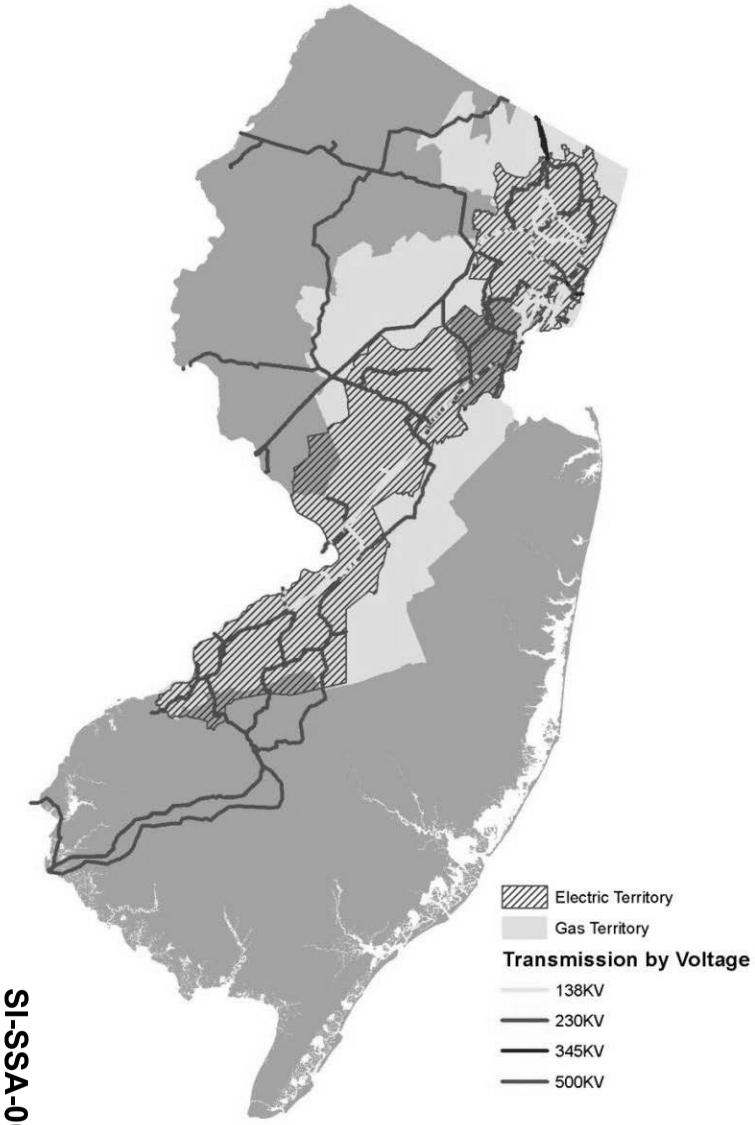
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-03983

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-03984

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

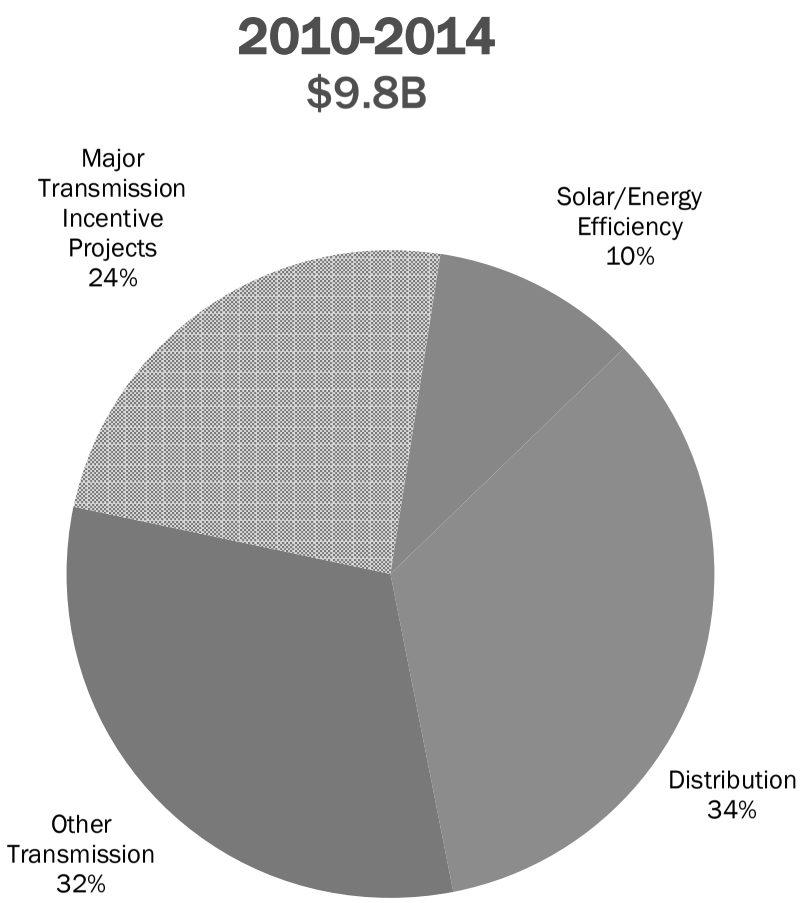
SI-SSA-0015-03985

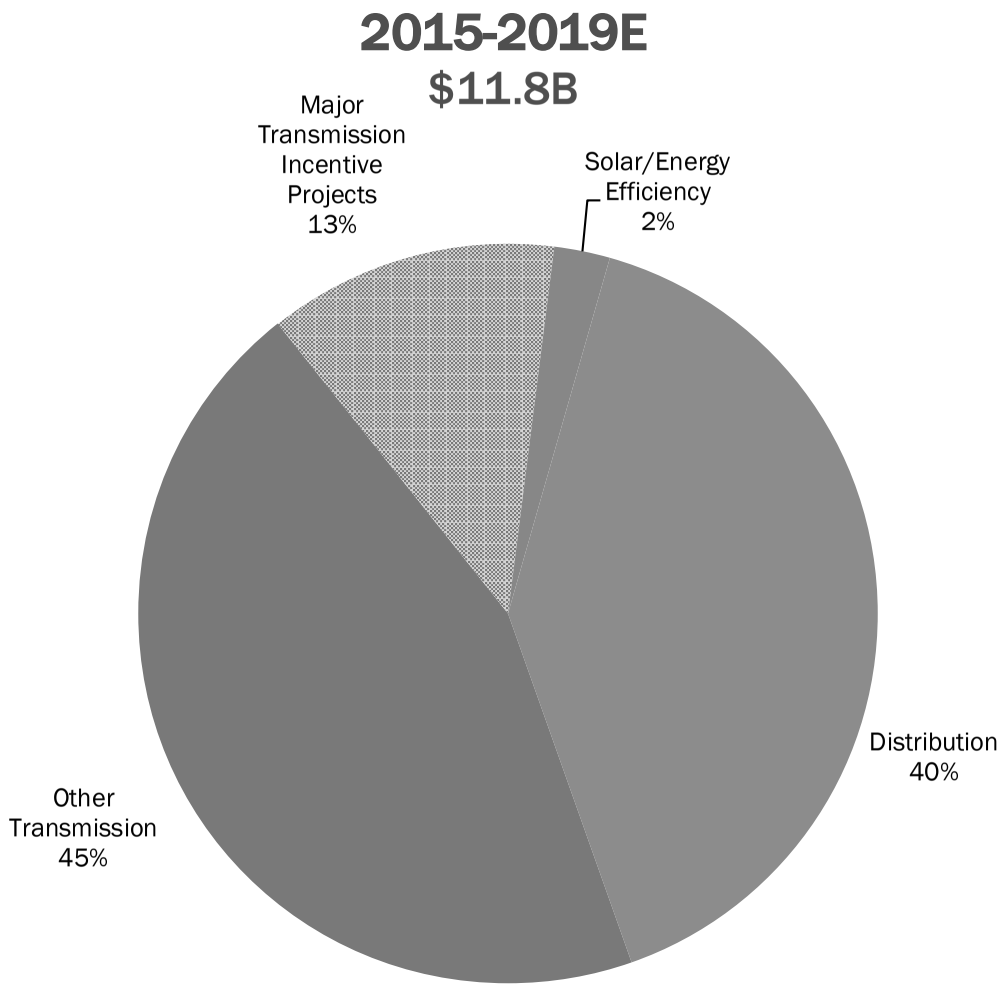
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-03986

PSE&G plans to invest $11.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

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PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-03988

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$907	Jun-Dec 2015
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

SI-SSA-0015-03989

PSEG

* PJM ESTIMATE

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-03990

PSE&G is successfully executing on Energy Strong with ~$330M deployed

Program	Approved	Spend thru June 2015
Flood Mitigation	$620M	$56M
Electric Contingency Reconfiguration	$100M	$49M
Electric Advanced Technology	$100M	$32M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$185M
Gas Metering & Regulating (M&R)	$50M	$6M
TOTAL	$1,220M	$328M

SI-SSA-0015-03991

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-03992

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-03993

Settlement reached on Gas System Modernization Program for ~$900 million over three years

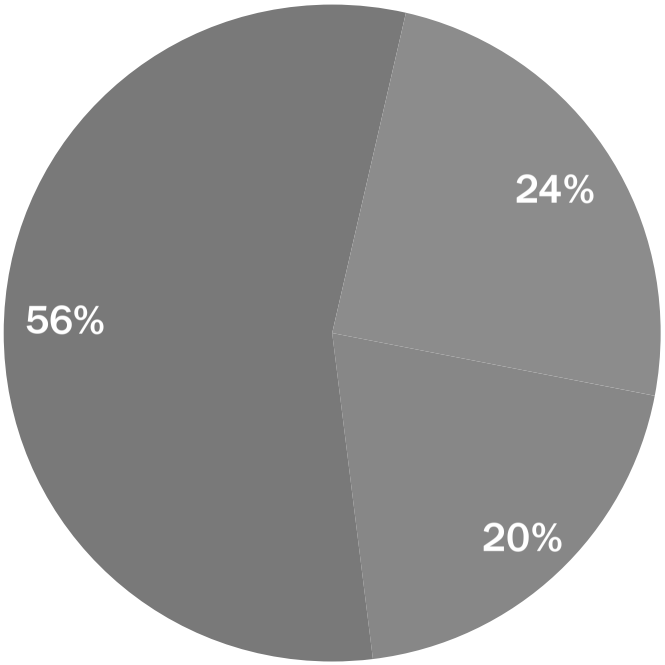
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed November 2017

SI-SSA-0015-03994

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

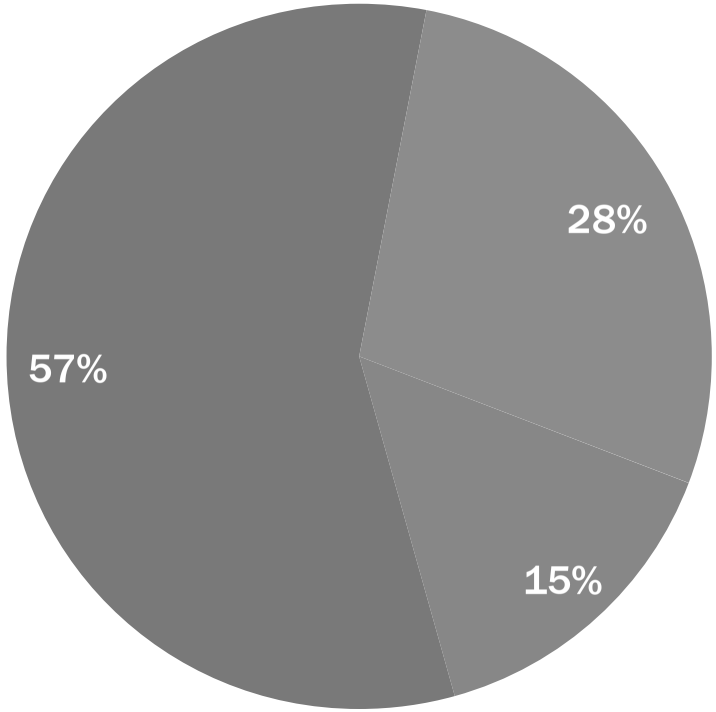
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

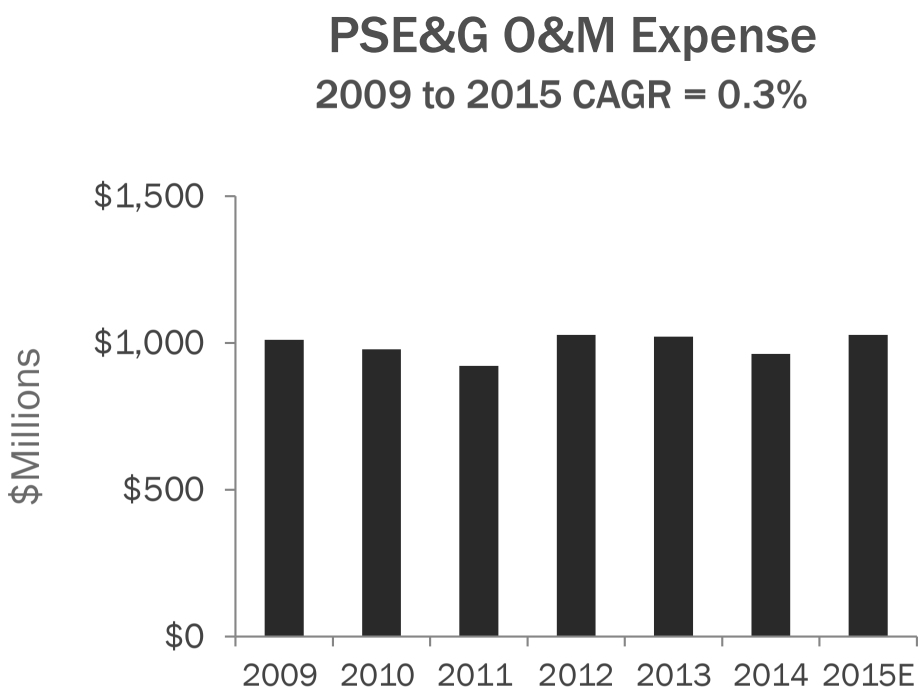
Traditional Recovery Mechanisms
- Distribution Base Rates

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

SI-SSA-0015-03995

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-03996

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON JULY 31, 2015.

SI-SSA-0015-03997

PSEG LONG ISLAND

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SI-SSA-0015-03998

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-03999

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

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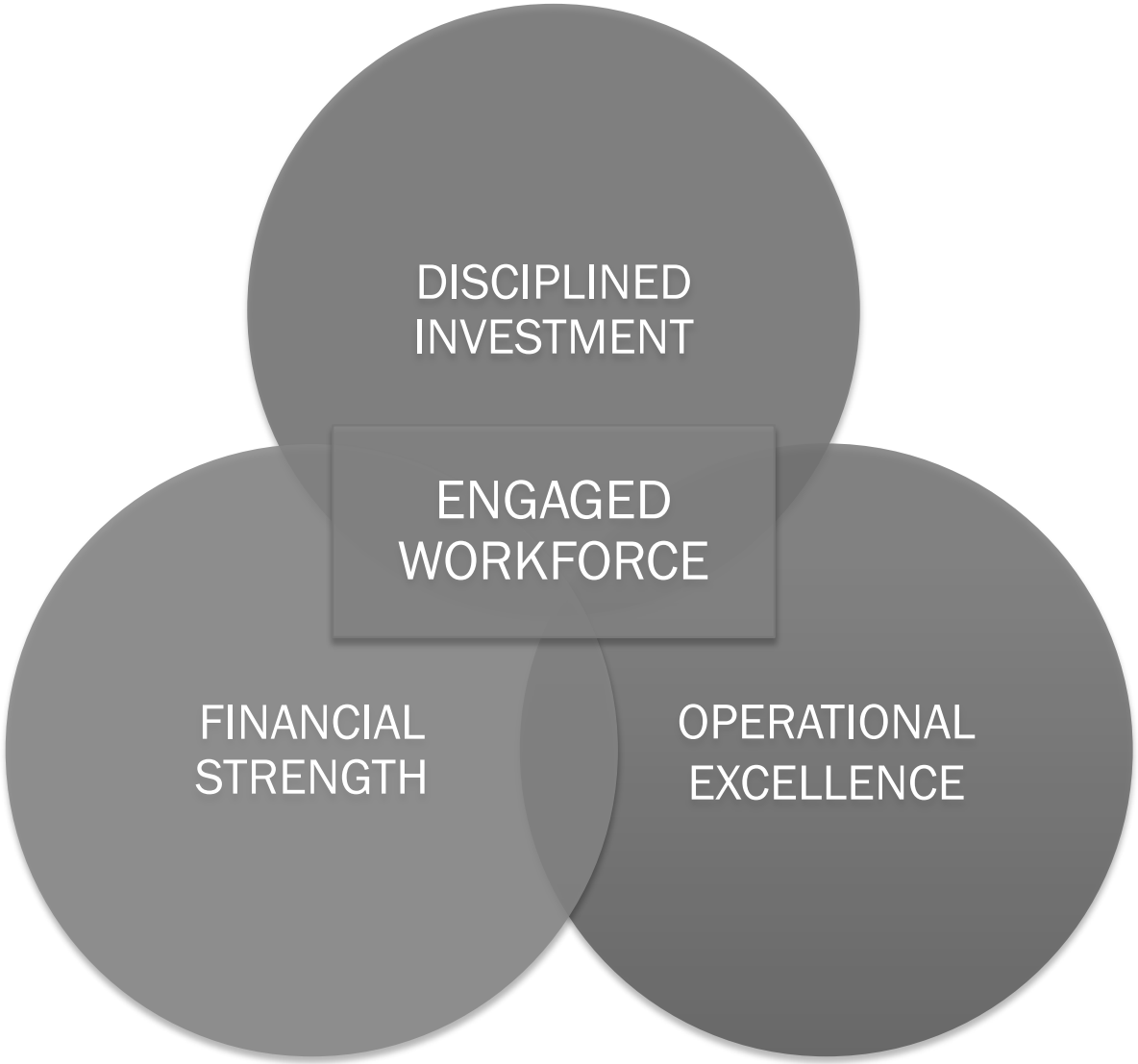
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-04001

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-04002

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 148 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-04003

PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-04004

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion

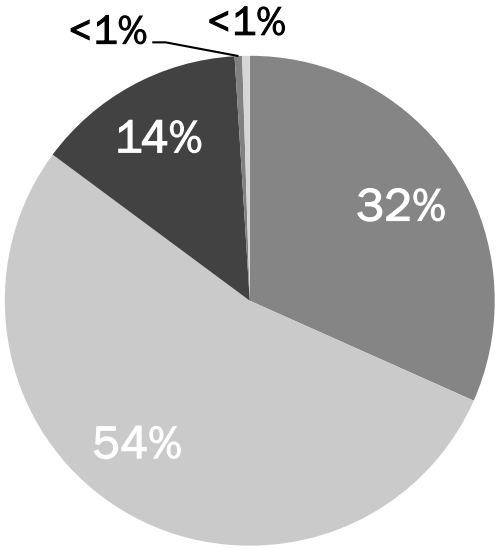
SI-SSA-0015-04005

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

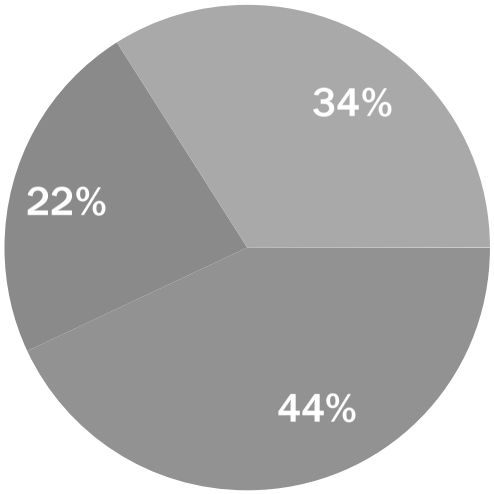
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

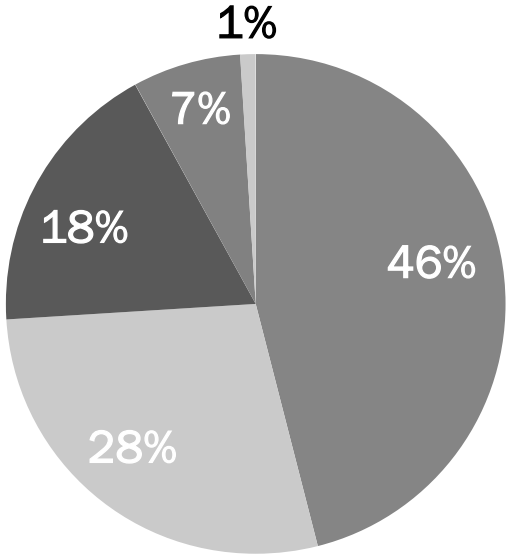
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146

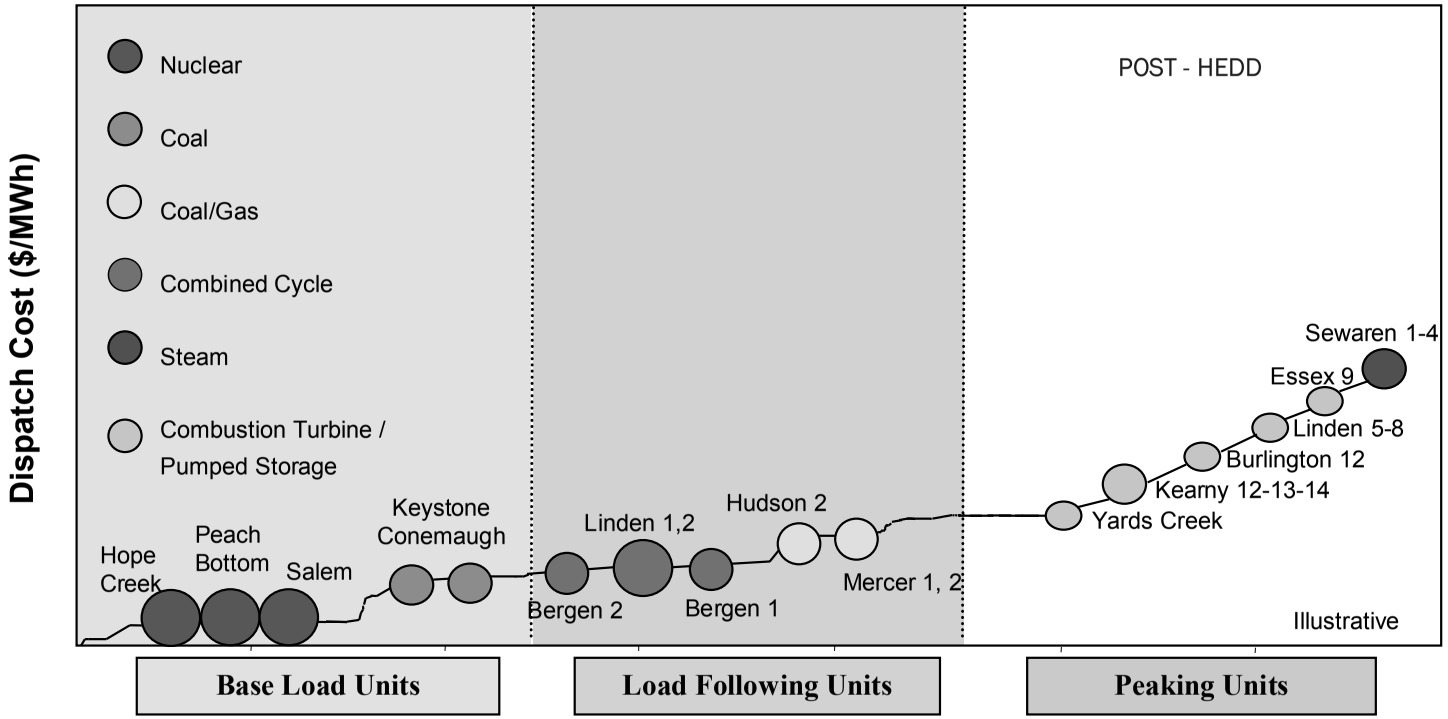


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04006

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

SI-SSA-0015-04007

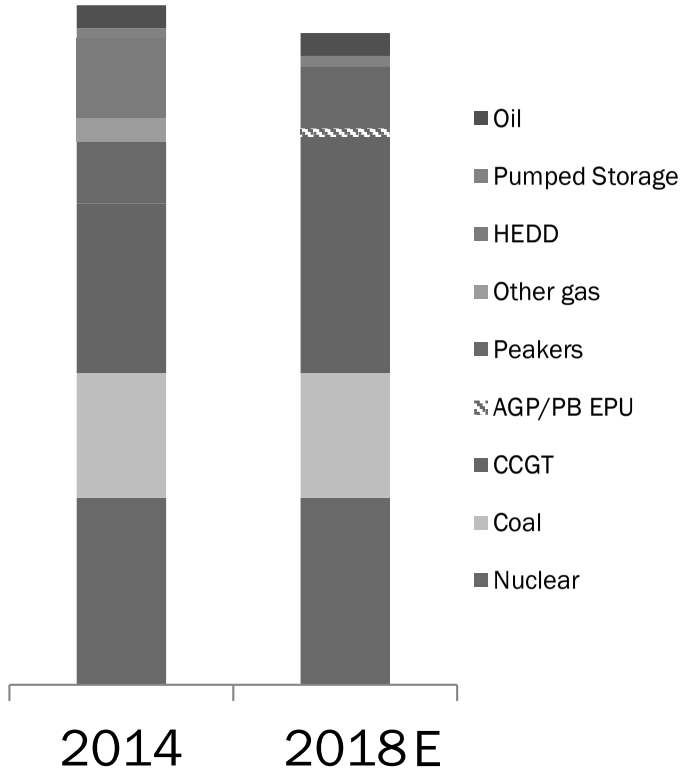
PSEG Power will improve diversity and efficiency as we invest in the fleet

Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren operational in 2018

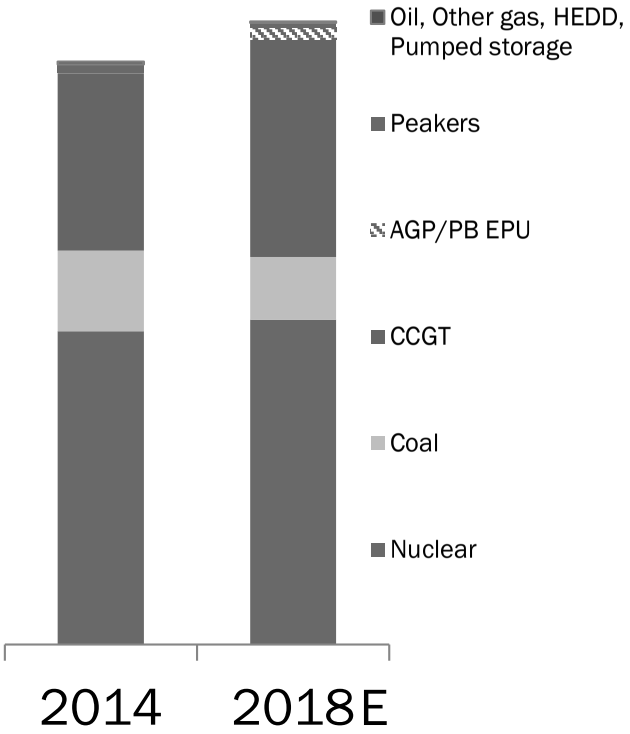
Fuel Diversity

13,146 MW 12,600 MW



Energy Produced

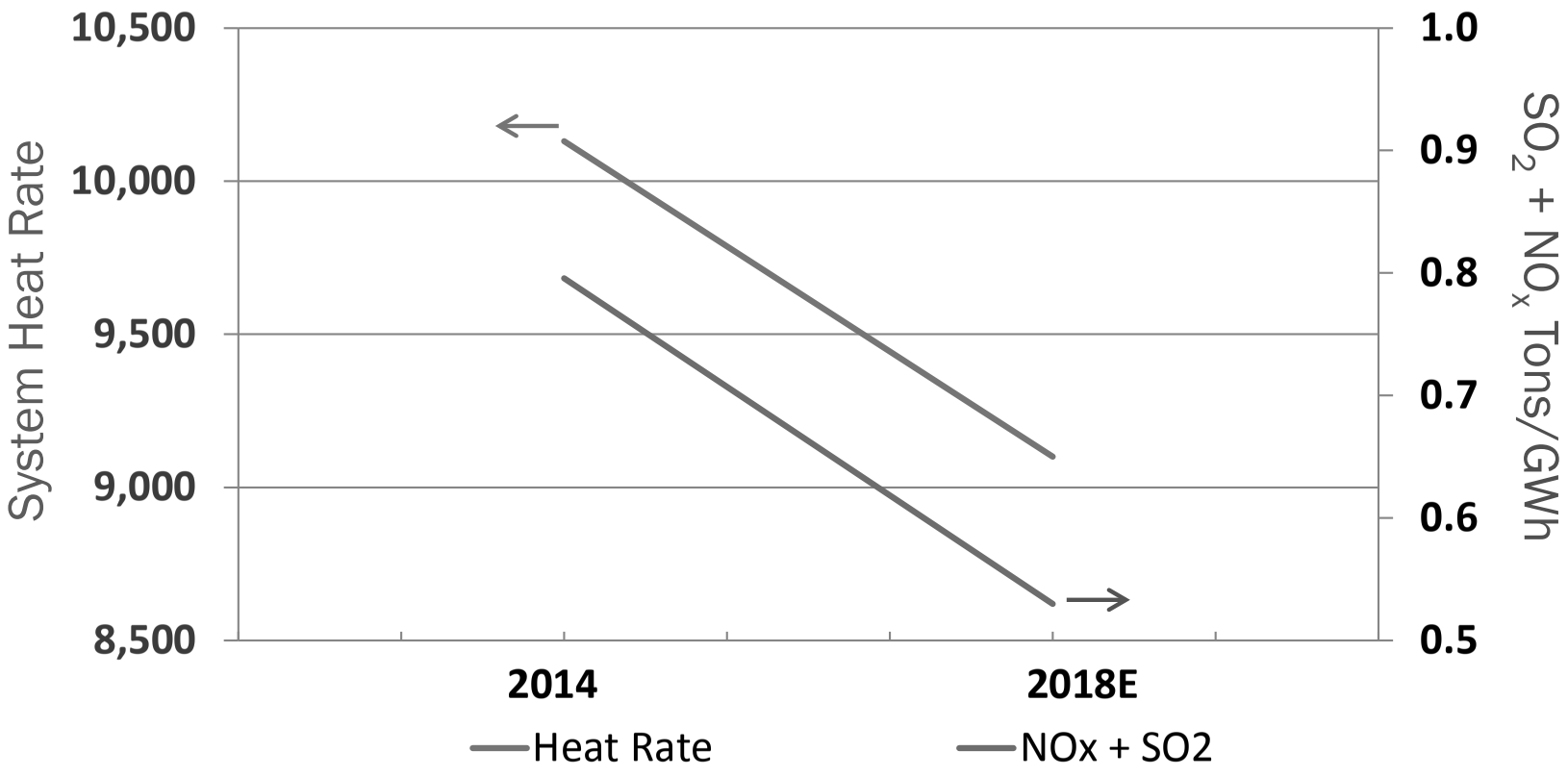
54 TWh 57 - 59 TWh



E=ESTIMATE.

SI-SSA-0015-04008

PSEG Power's fleet will experience heat rate and emissions improvements

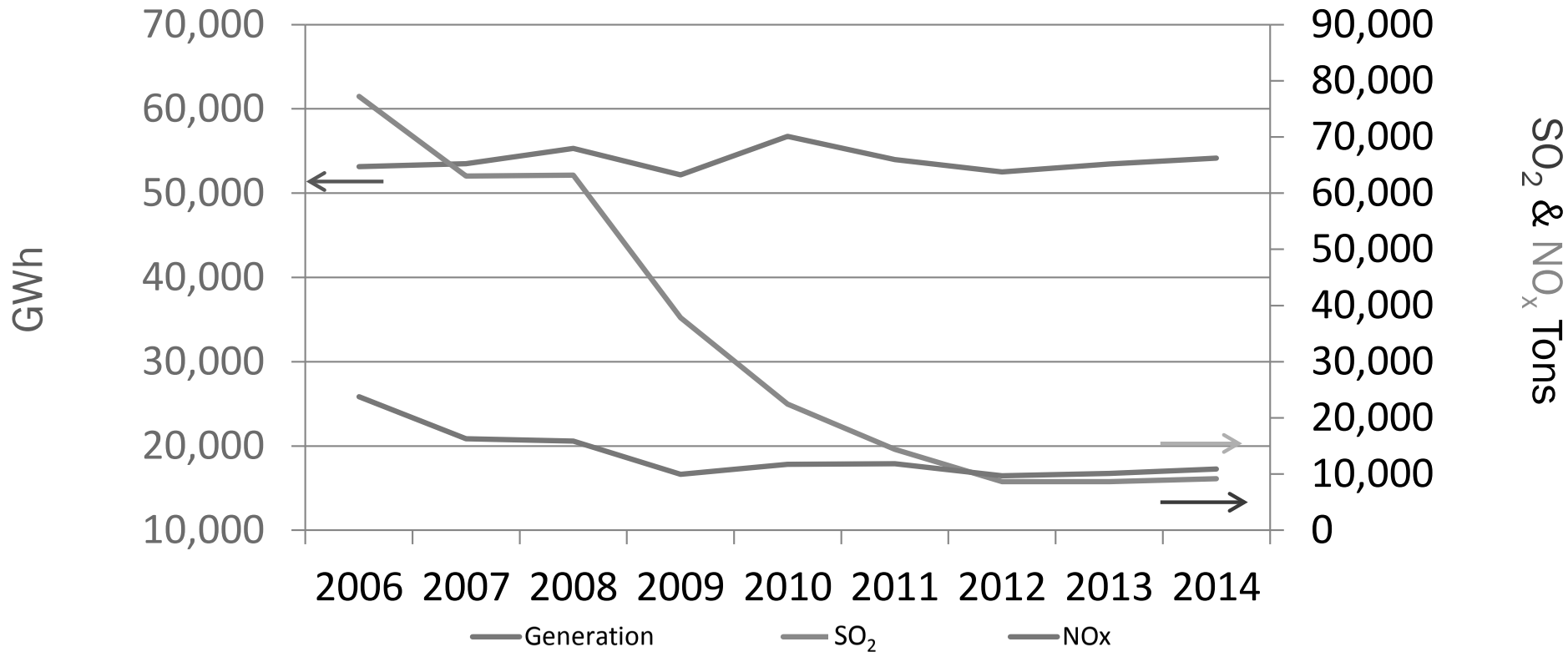


- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

SI-SSA-0015-04009

E = ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-04010

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-04011

PSEG Power Nuclear has competitive advantages

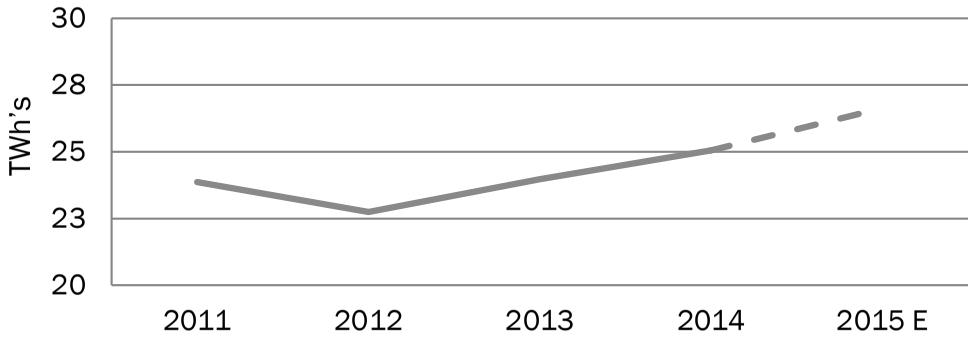
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-04012

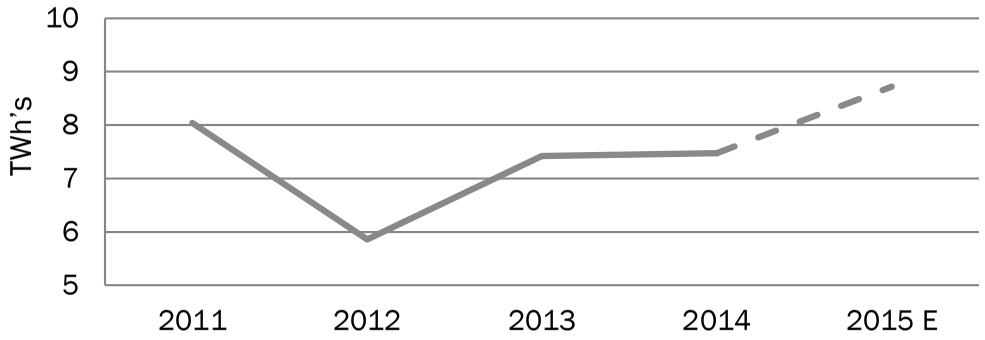
*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

PSEG Power's Fossil Fleet has shown improvement in performance

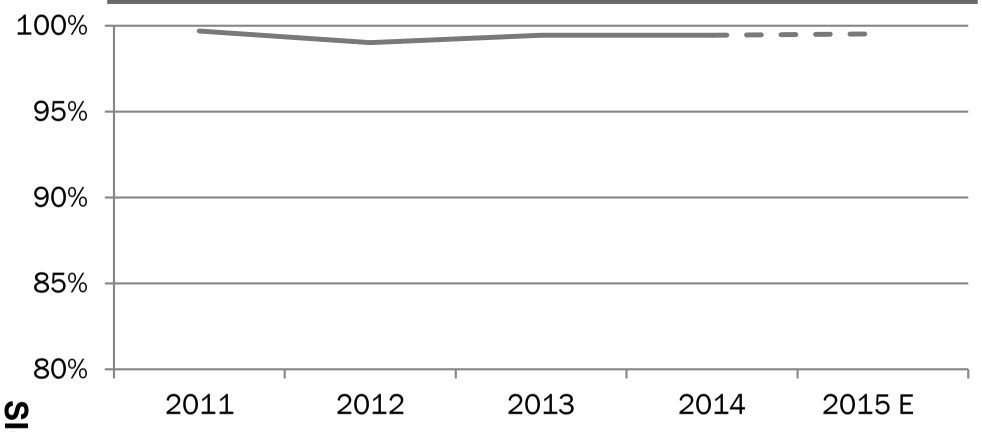
Fossil Generation



Coal Generation

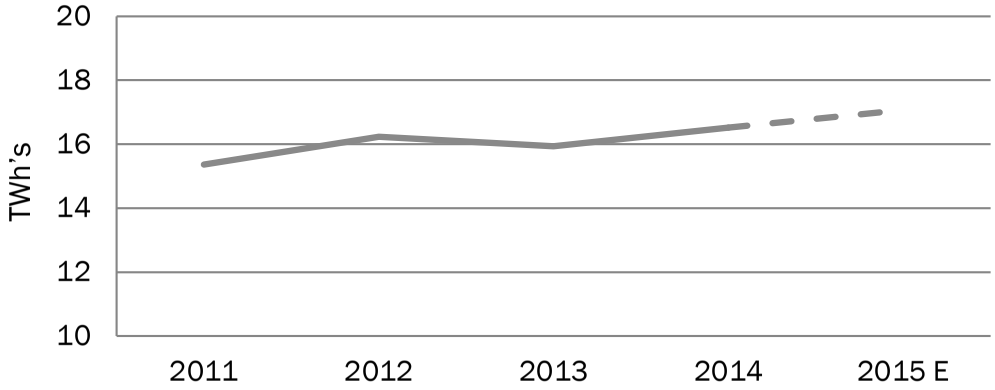


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

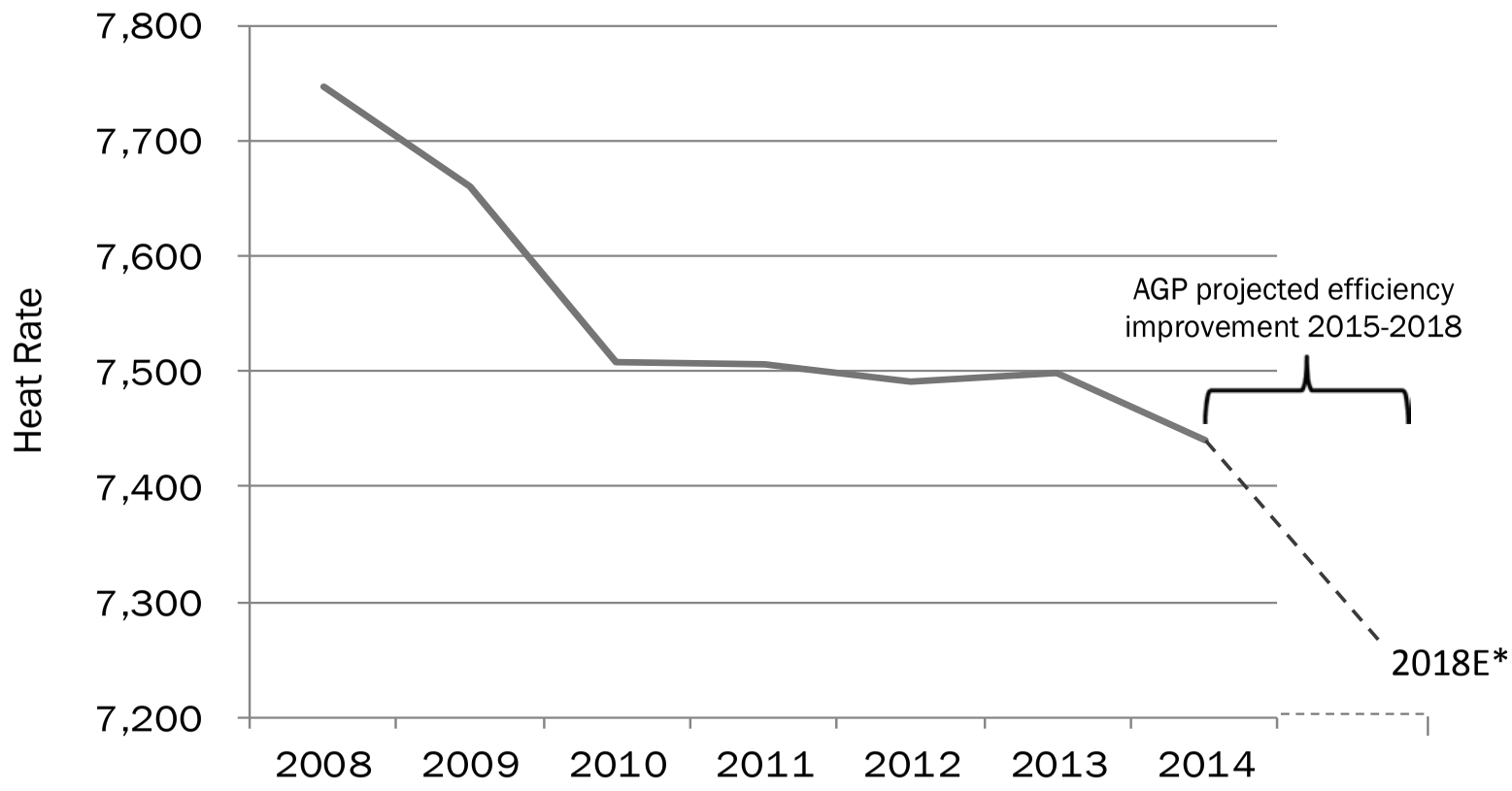
SI-SSA-0015-04013

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Operating Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-04014

PSEG

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

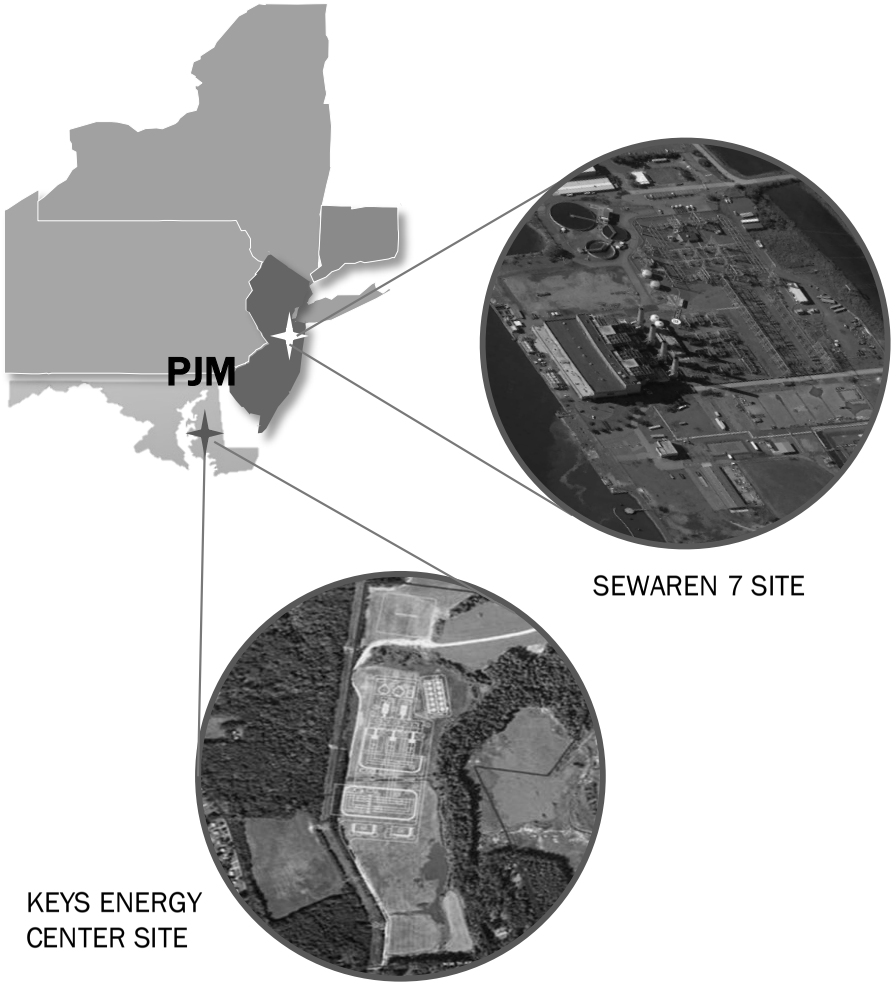
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-04015

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- **Construction of 755 MW Keys Energy Center to begin this Fall** on a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of **$825 to $875 million**
- Power cleared a new **540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*)**, in the recent 2018/2019 RPM auction; the unit is expected to cost ~$600 million and is targeted to be in service in 2018; older Sewaren units will be retired upon completion of the new unit
- **PSEG Fossil** will oversee the construction and operation of both PSEG Keys Energy Center and Sewaren 7

SI-SSA-0015-04016

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*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7 540 MW CCGT	$600	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-04017

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* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~148 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD Sept 2015 Est.
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-04018

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT)

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-04019

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-04020

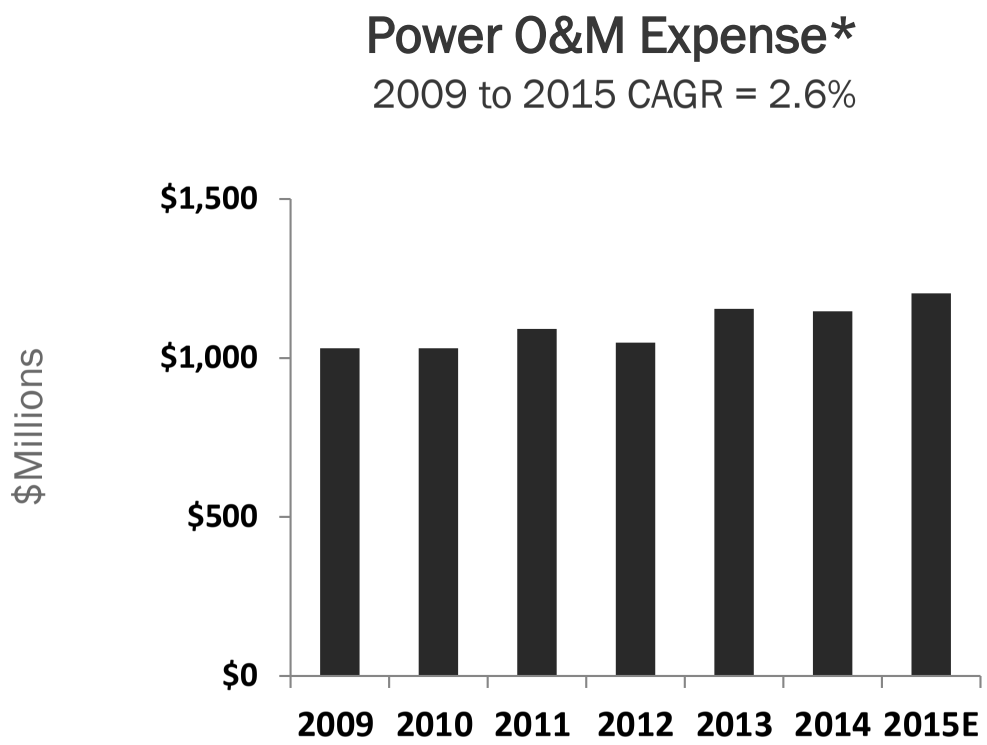
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-04021

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

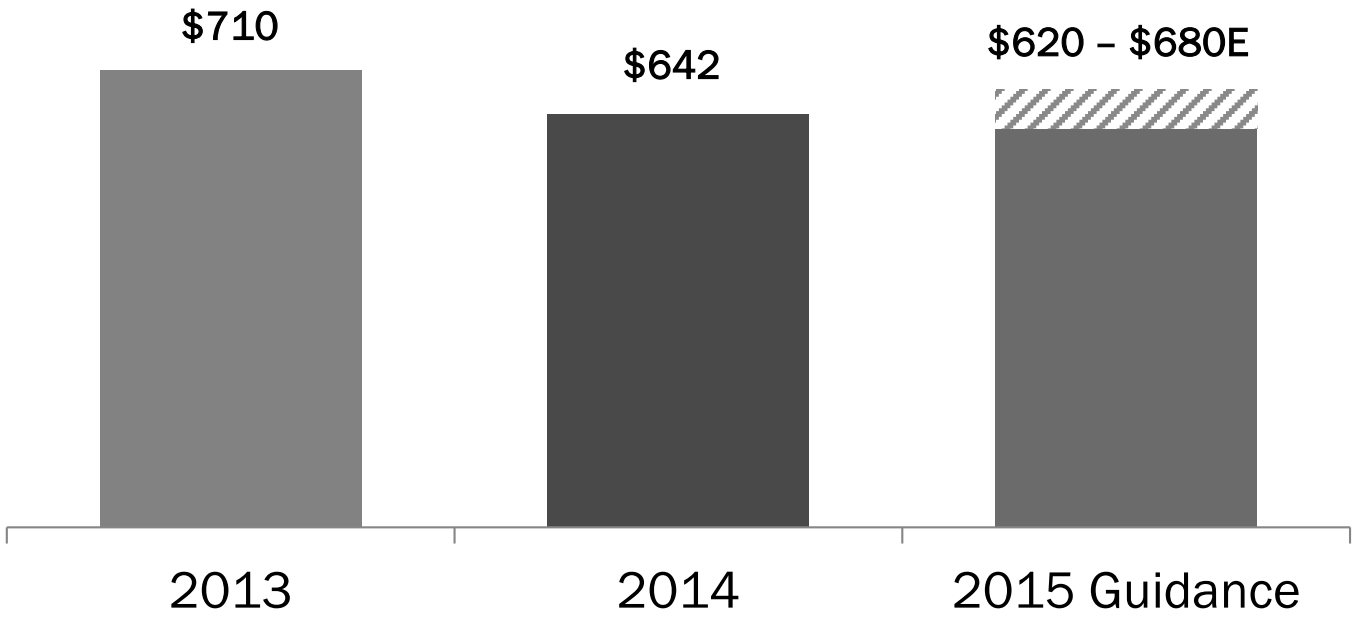
SI-SSA-0015-04022

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-04023

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG POWER
ER&T

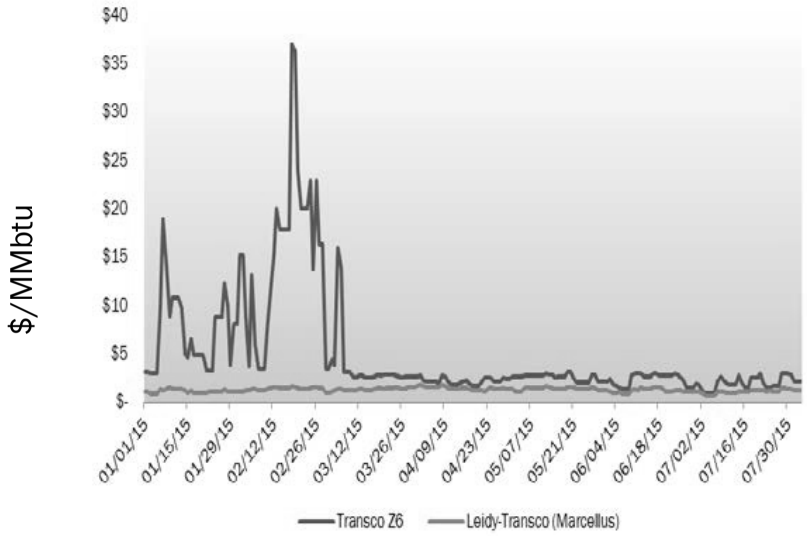
SI-SSA-0015-04024

PSEG

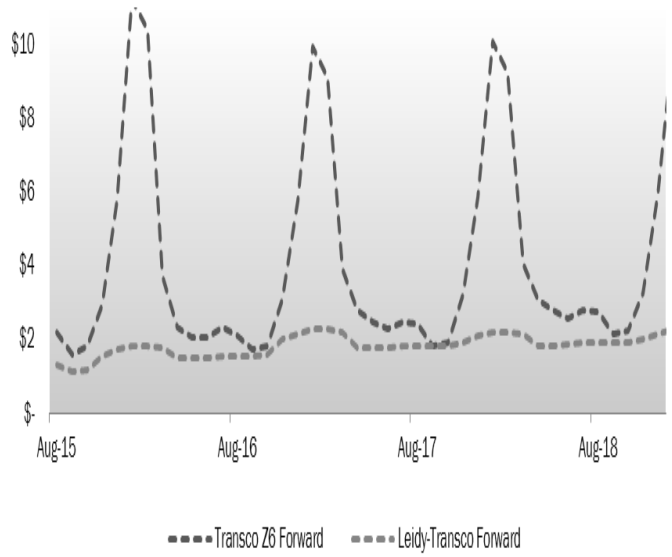
We make things work for you.

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

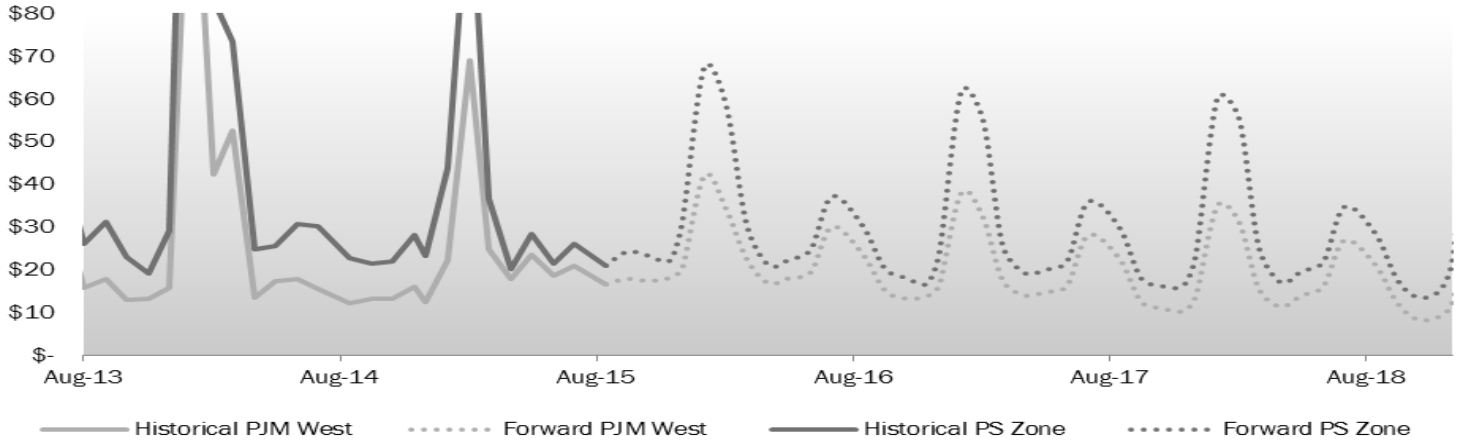
2015 YTD Z6



2015-2018 Z6

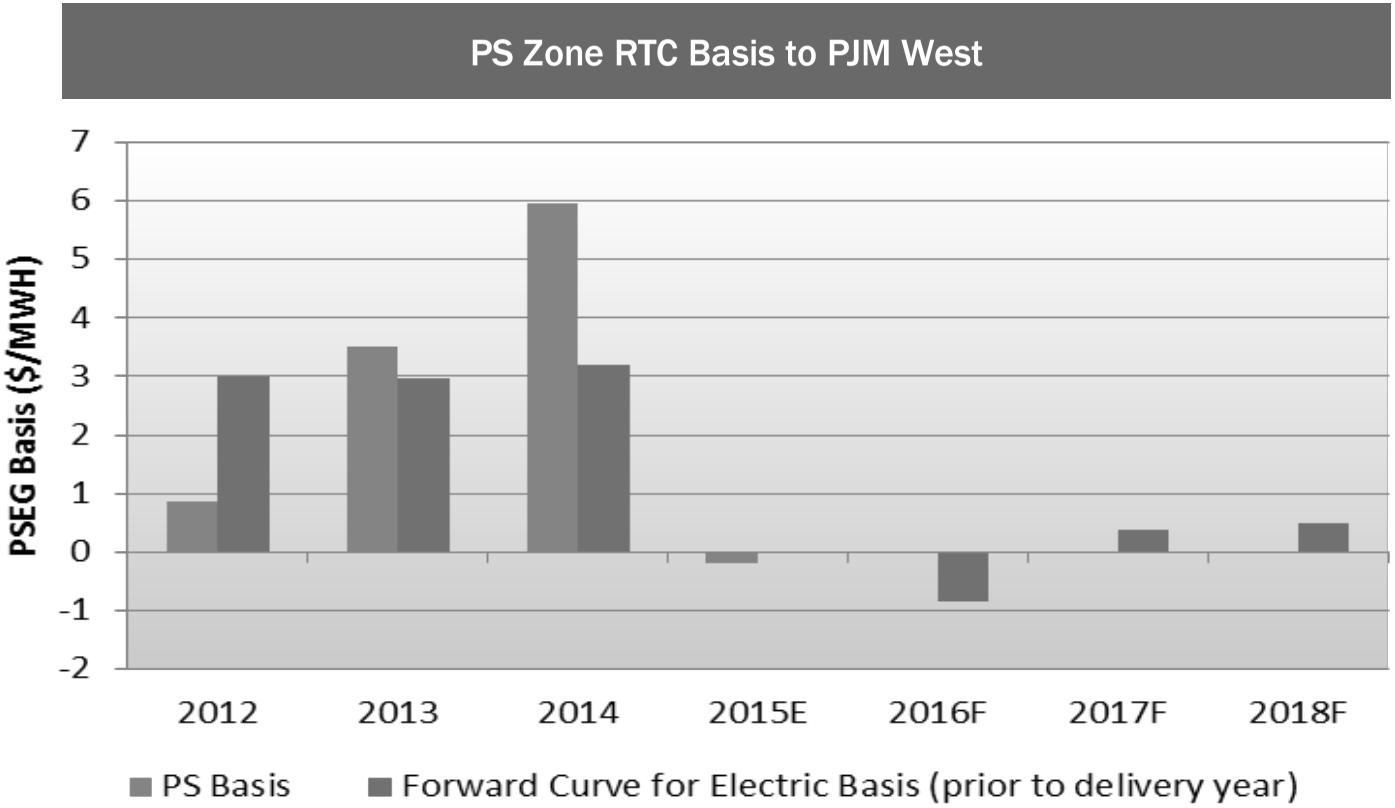


PJM West vs. PS Zone Spark Spreads (2013-2018)



SI-SSA-0015-04025

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

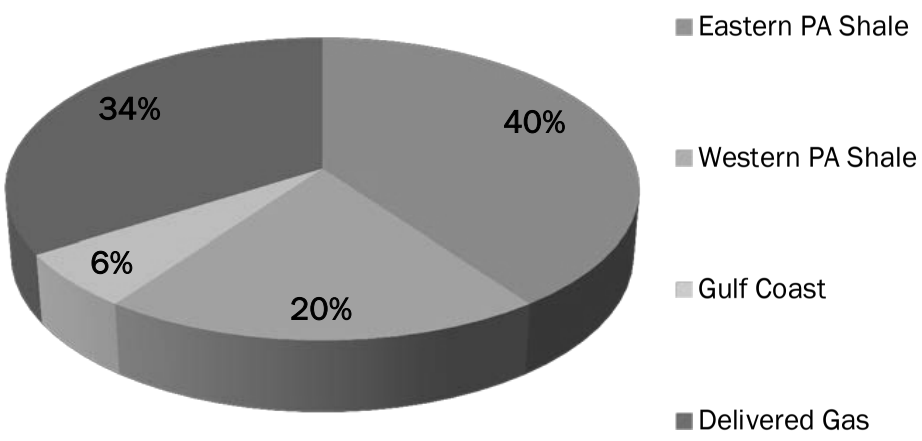
SI-SSA-0015-04026

PSEG

ANNUAL FORWARD BASIS TO PJM-WEST AS OF AUGUST 3, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

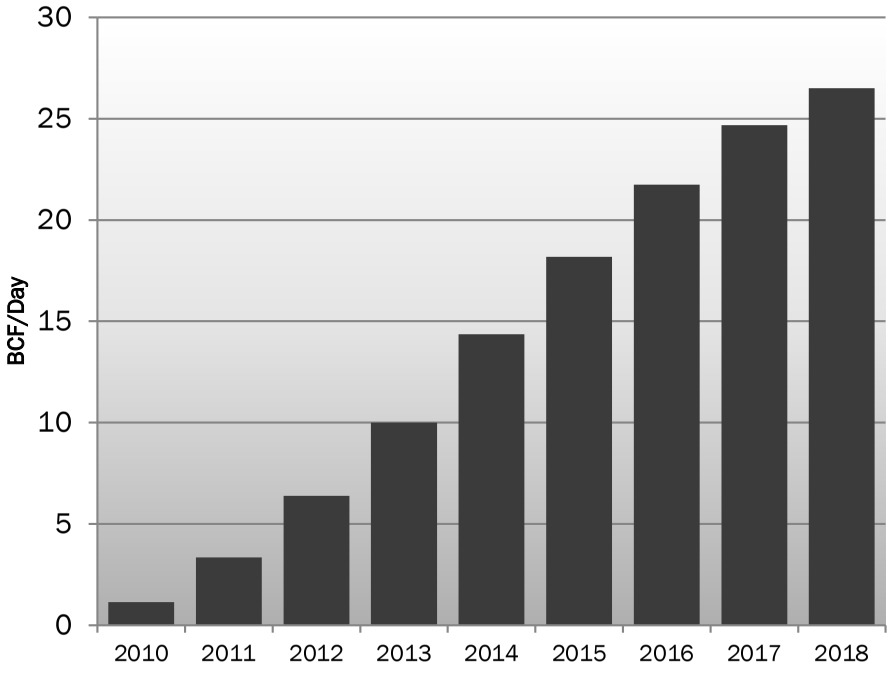


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

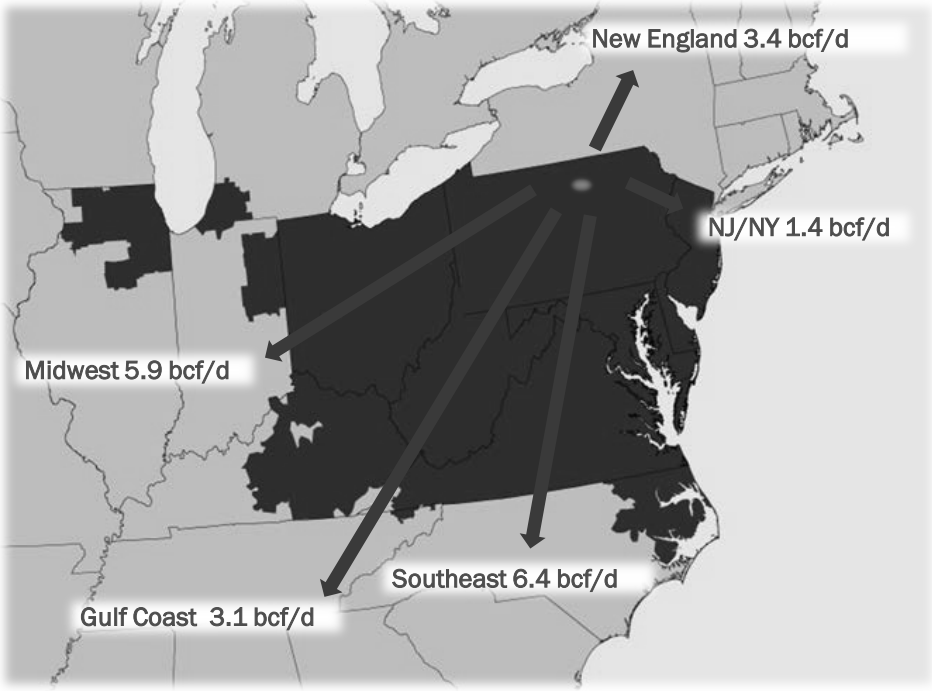
SI-SSA-0015-04027

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-04028

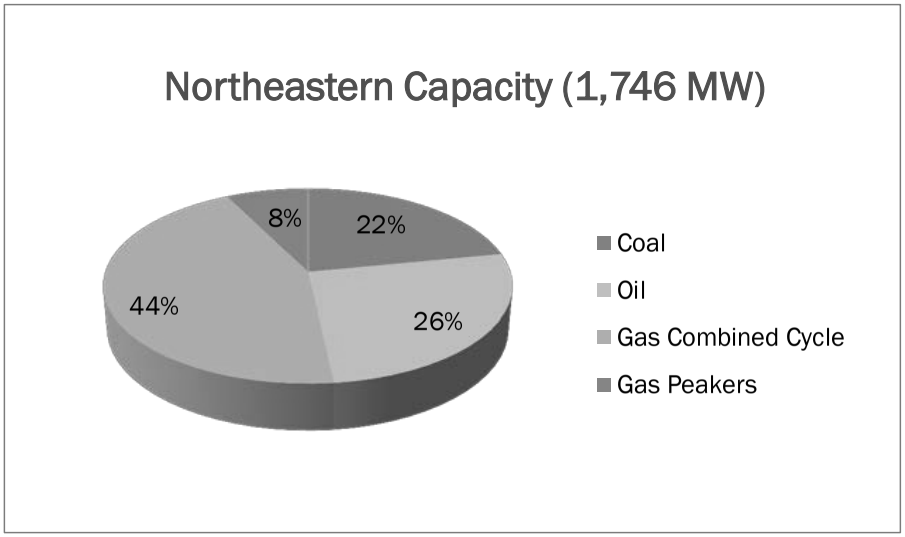
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-04029

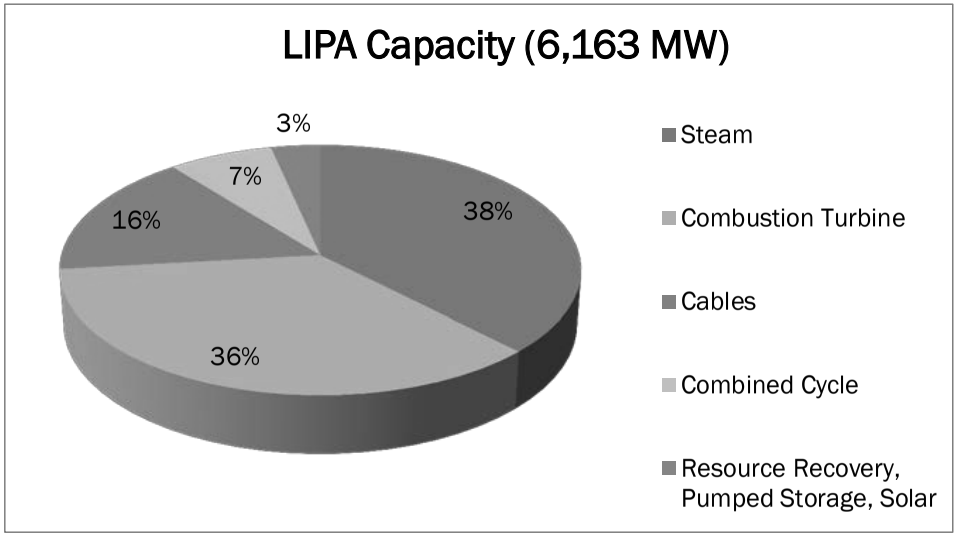
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-04030

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction **met the new CP standards**

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

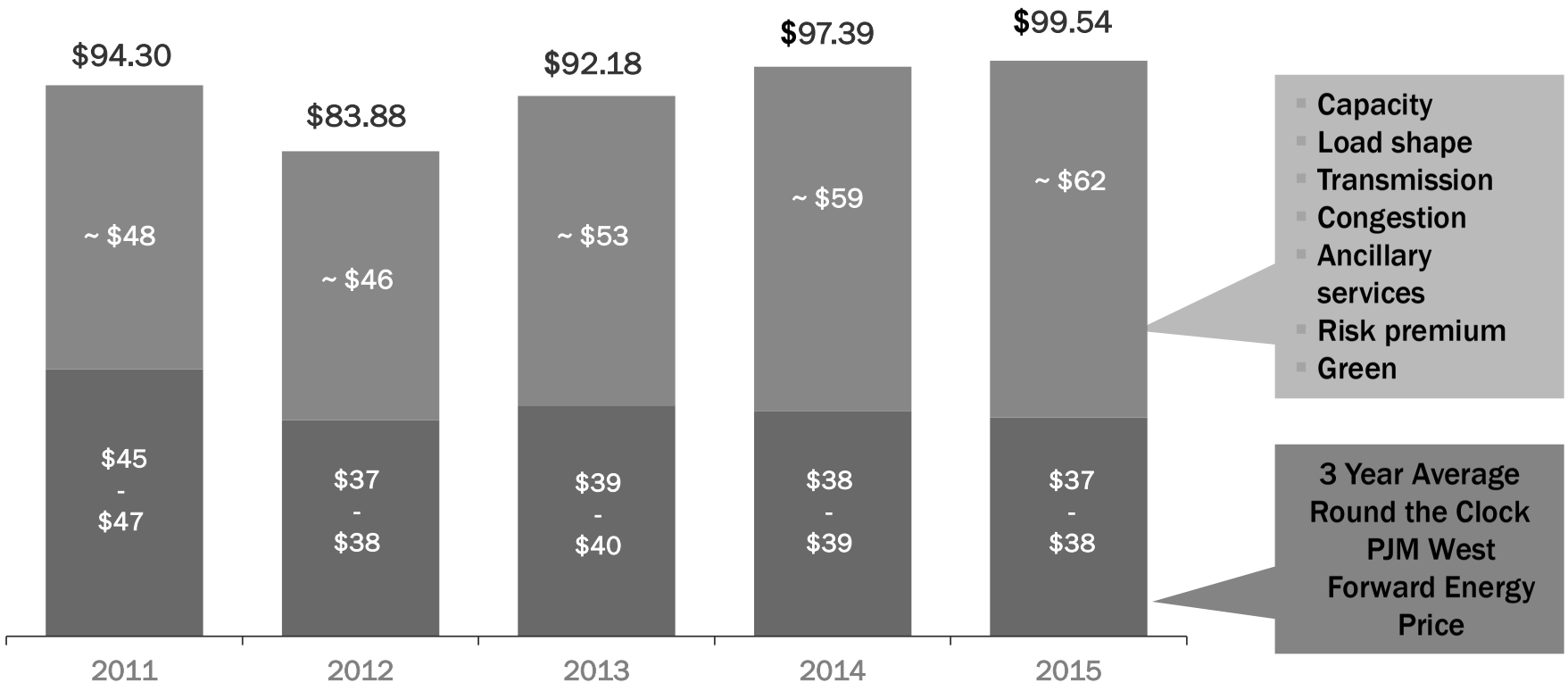
- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

SI-SSA-0015-04031

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-04032

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-04033

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-04034

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-04035

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-04036

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	**$760 - $775**	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	**$1,420 - $1,500**	**$1,400**
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-04037

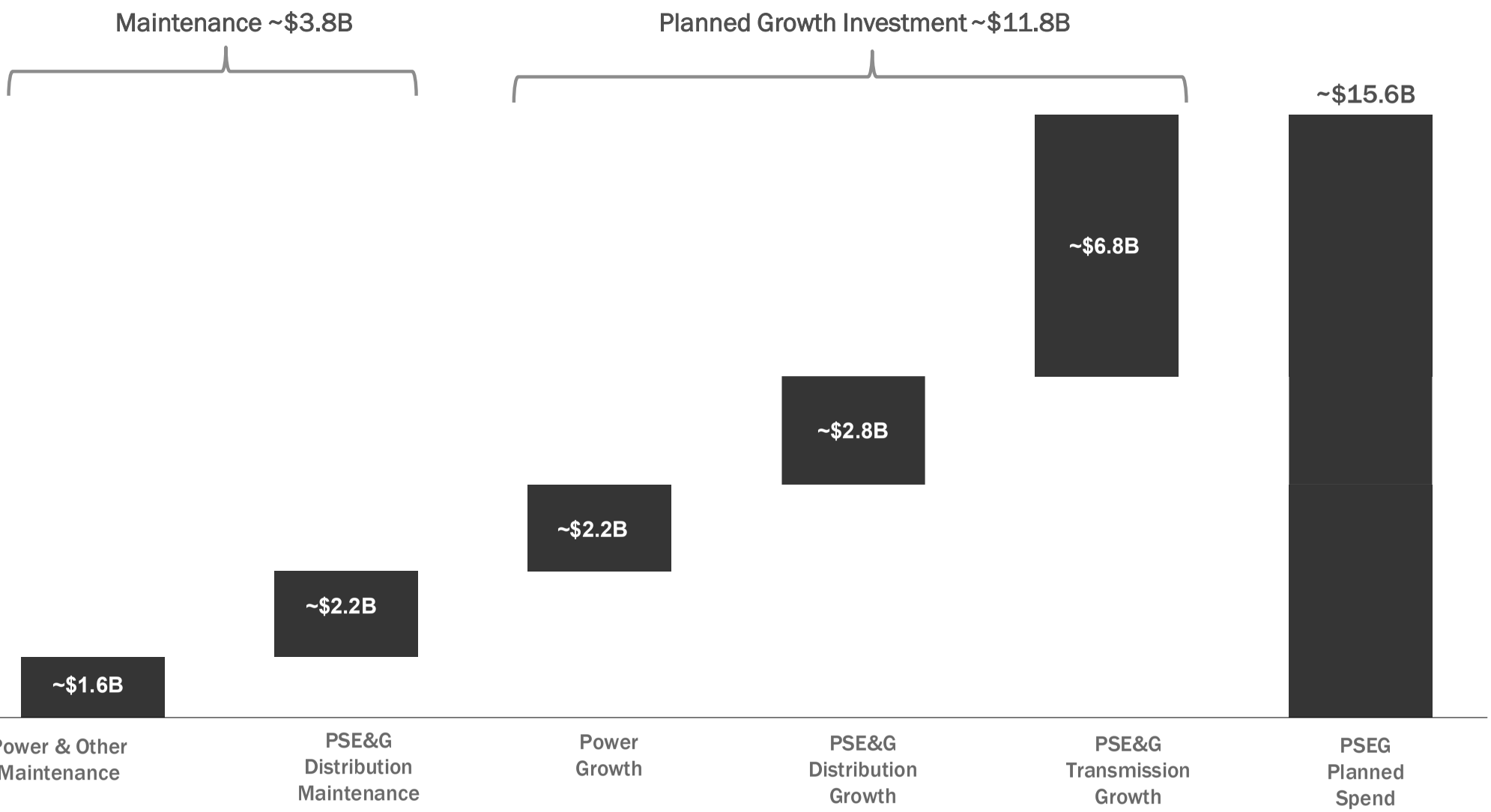
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

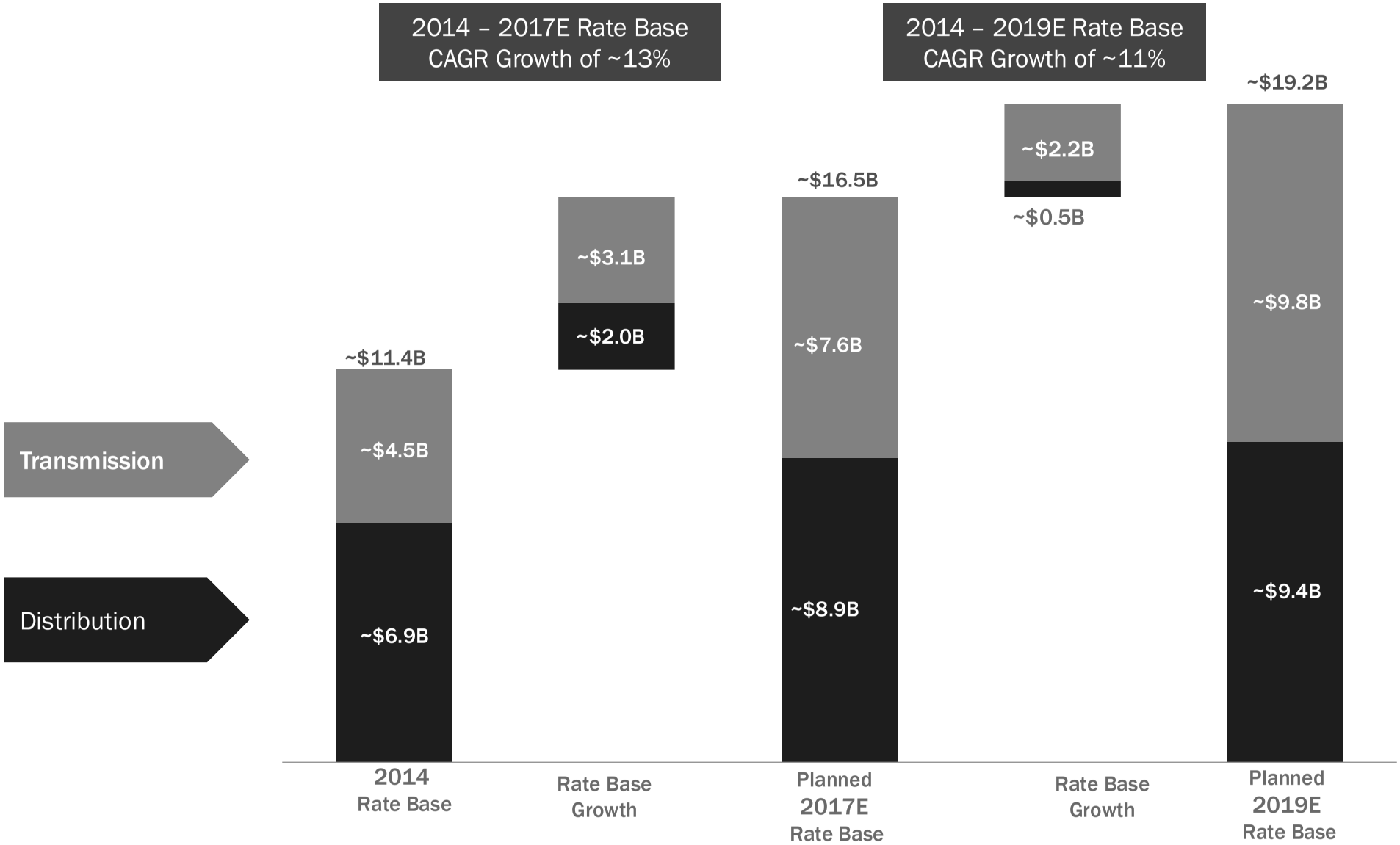
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-04038

PSE&G's Capital Program drives double-digit growth in rate base through 2019



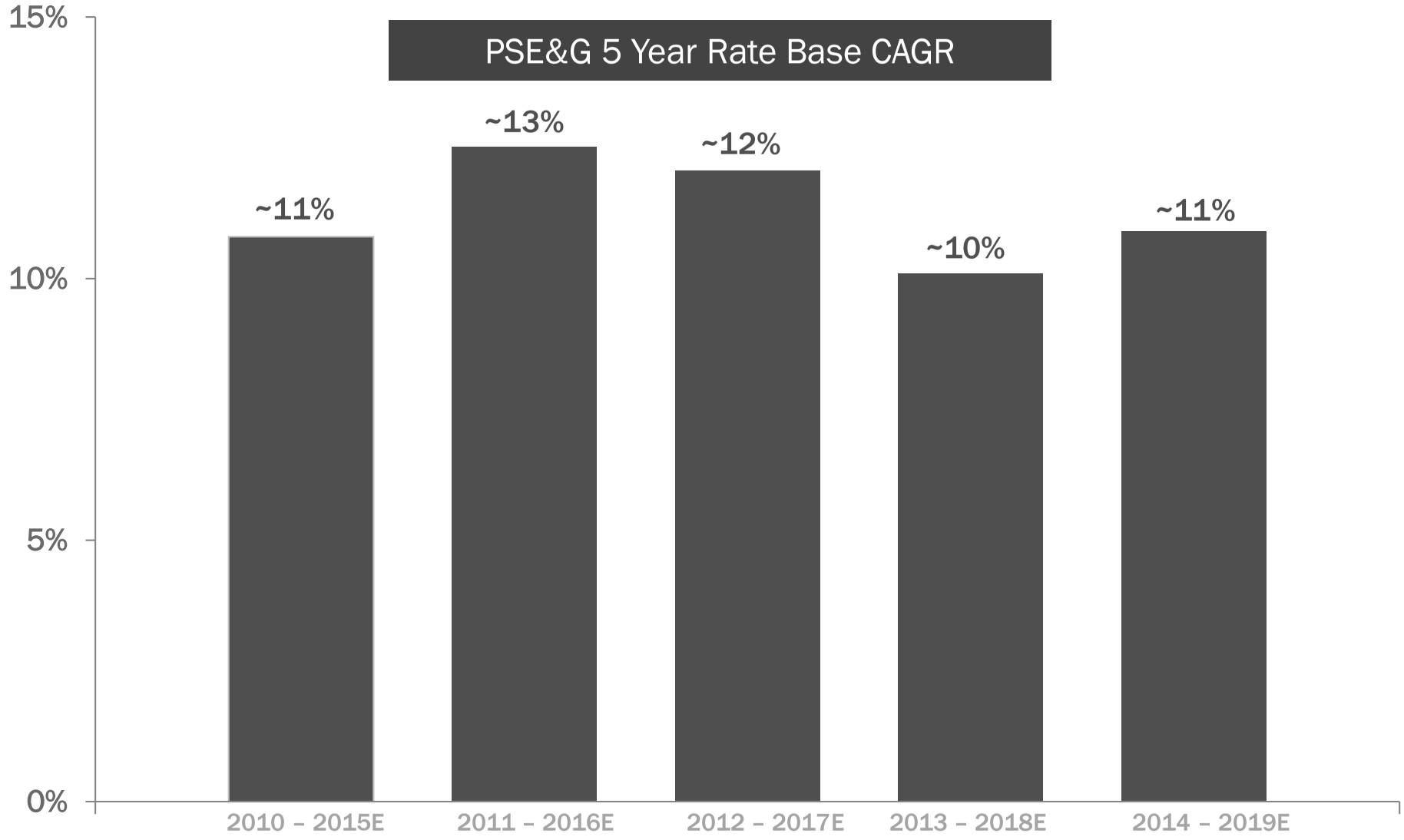
SI-SSA-0015-04039

INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



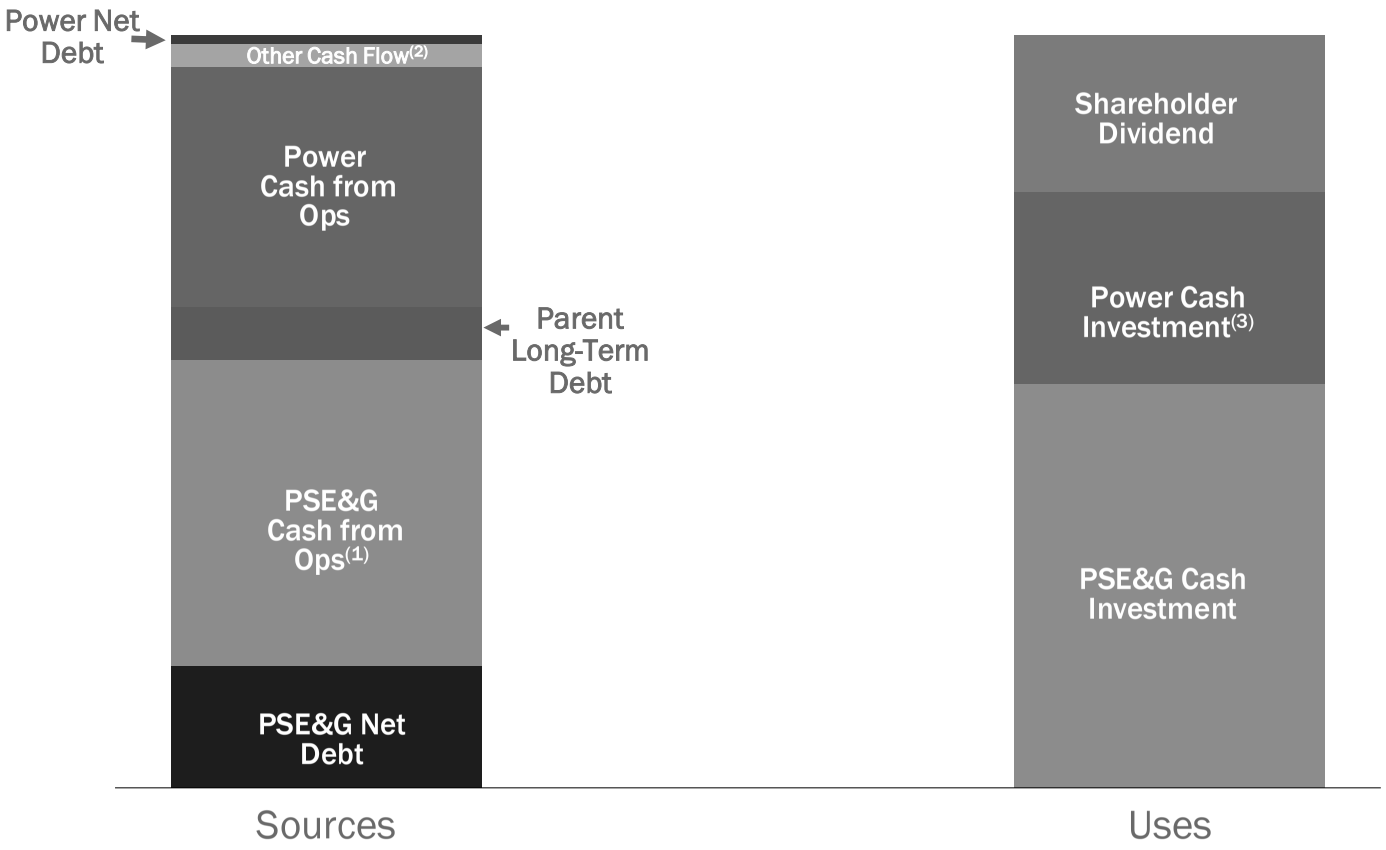
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-04040

Utilizing financial strength to issue debt at the parent level in support of regulated growth

PSEG 2015 - 2019E Sources and Uses

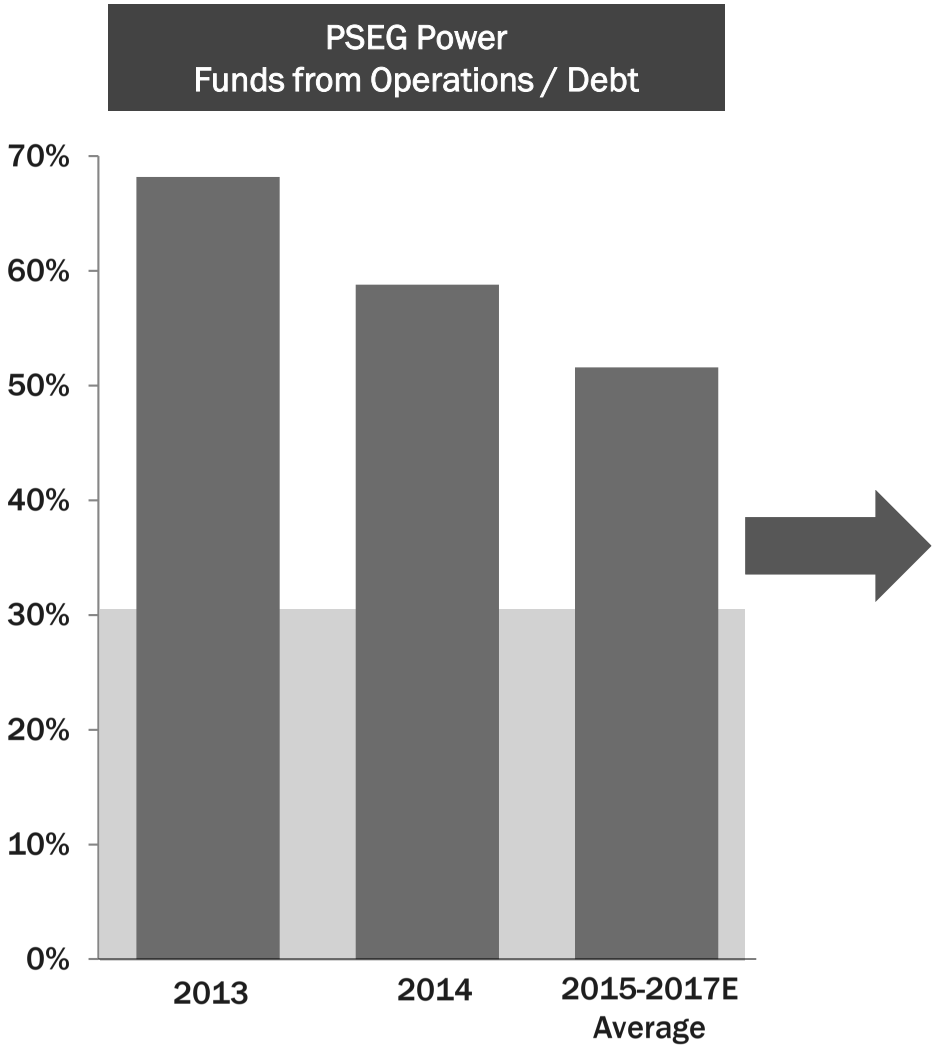


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-04041

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-04042

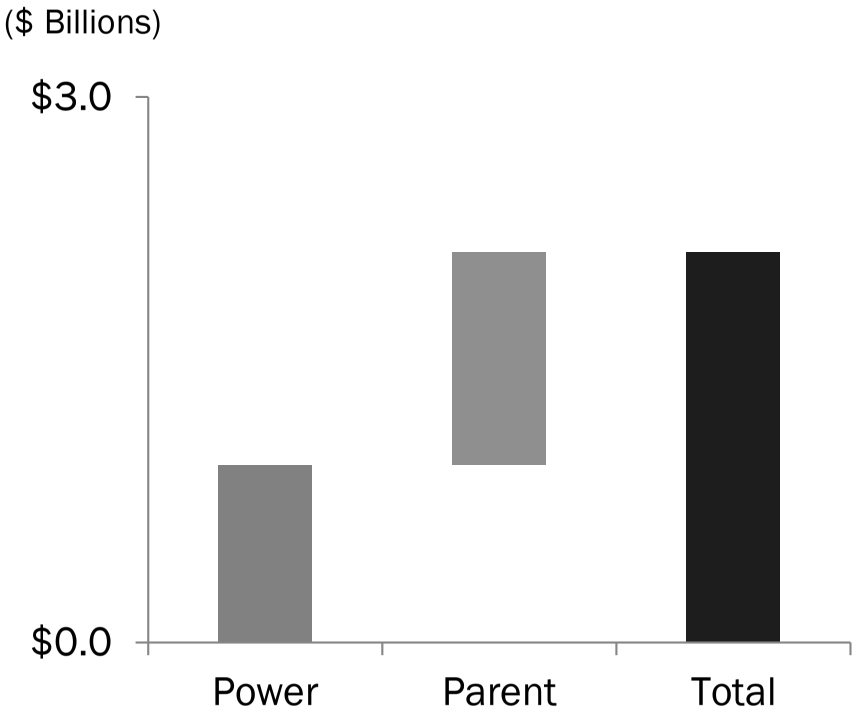
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



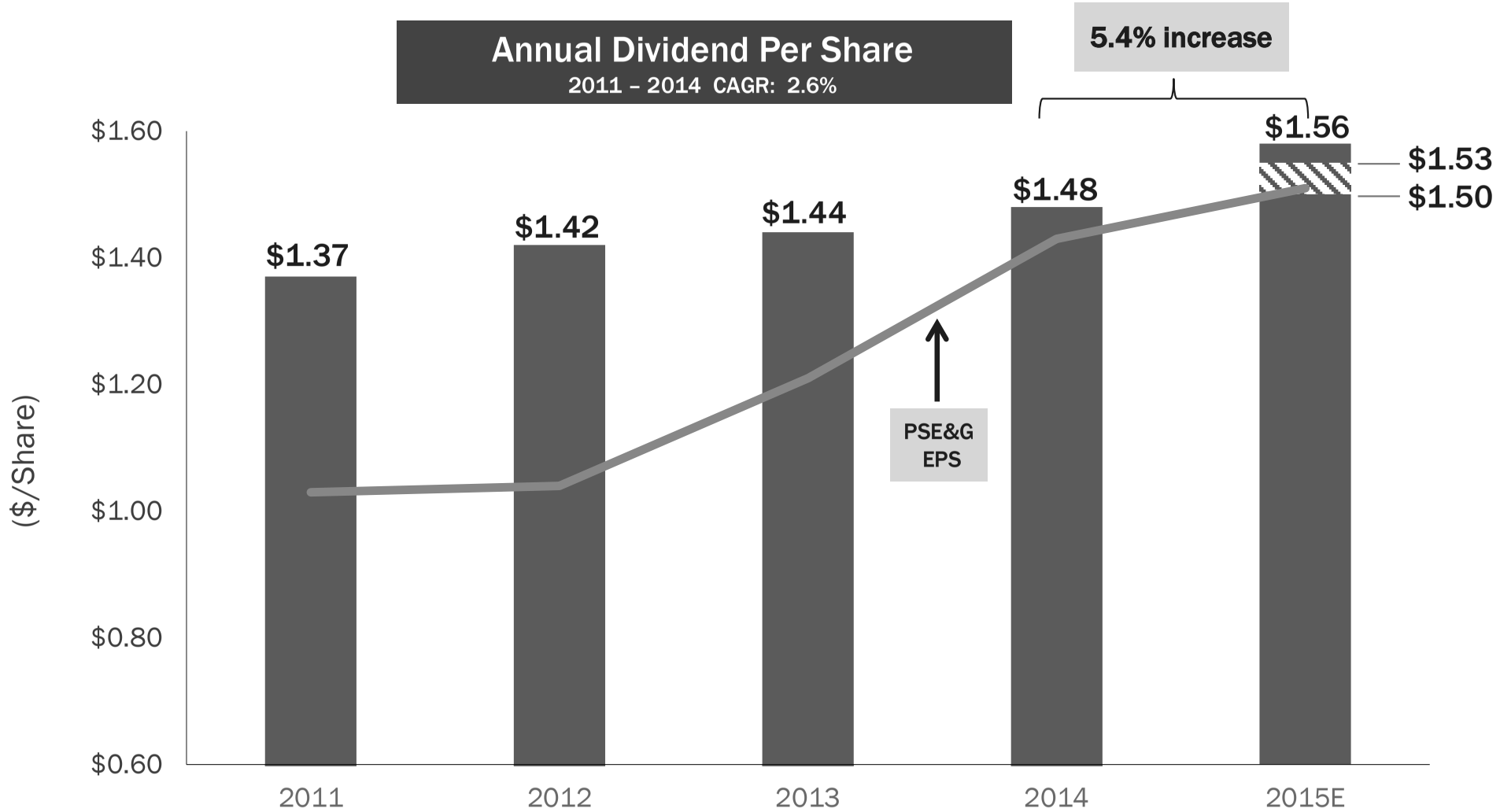
Our incremental investment capacity can support growth at both PSE&G and Power

SI-SSA-0015-04043

*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54% (1)

SI-SSA-0015-04044

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.80-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions. ** July-December 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-04045

PSEG Summary

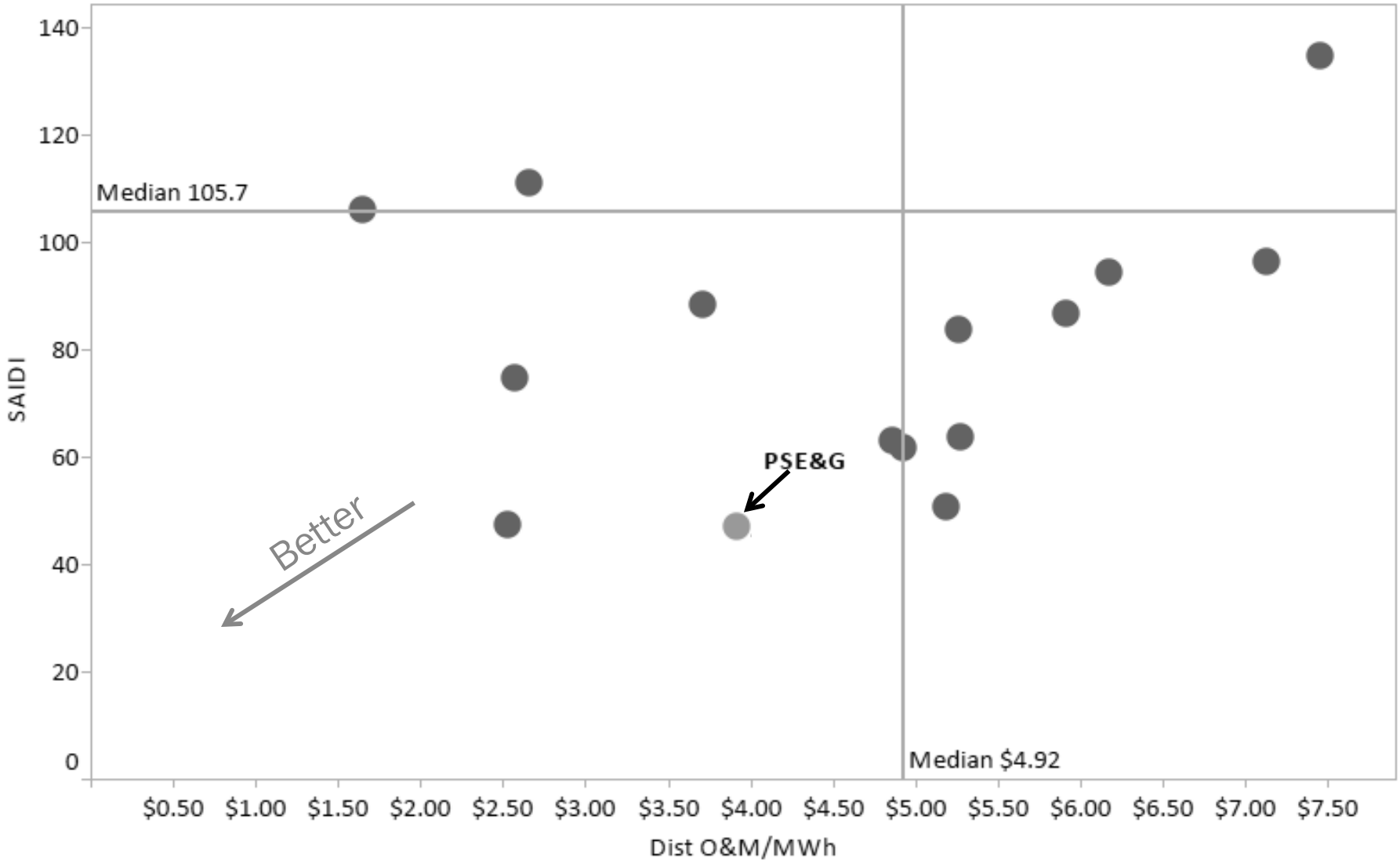
- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.80 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-04046

PSE&G APPENDIX

SI-SSA-0015-04047

PSE&G provides high reliability at below average cost which creates superior value to customers

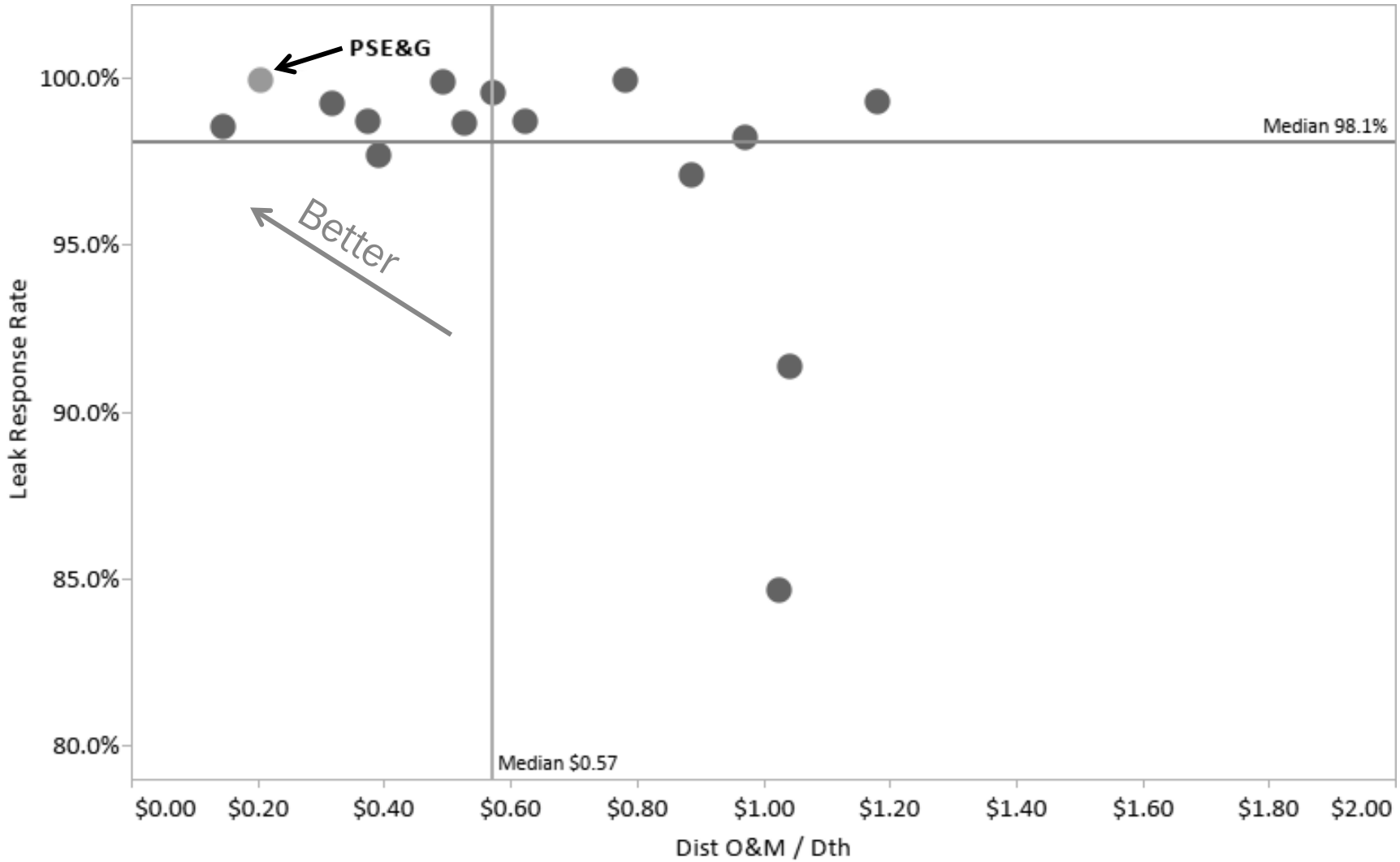


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-04048

PSE&G prioritizes public safety

while maintaining value to customers



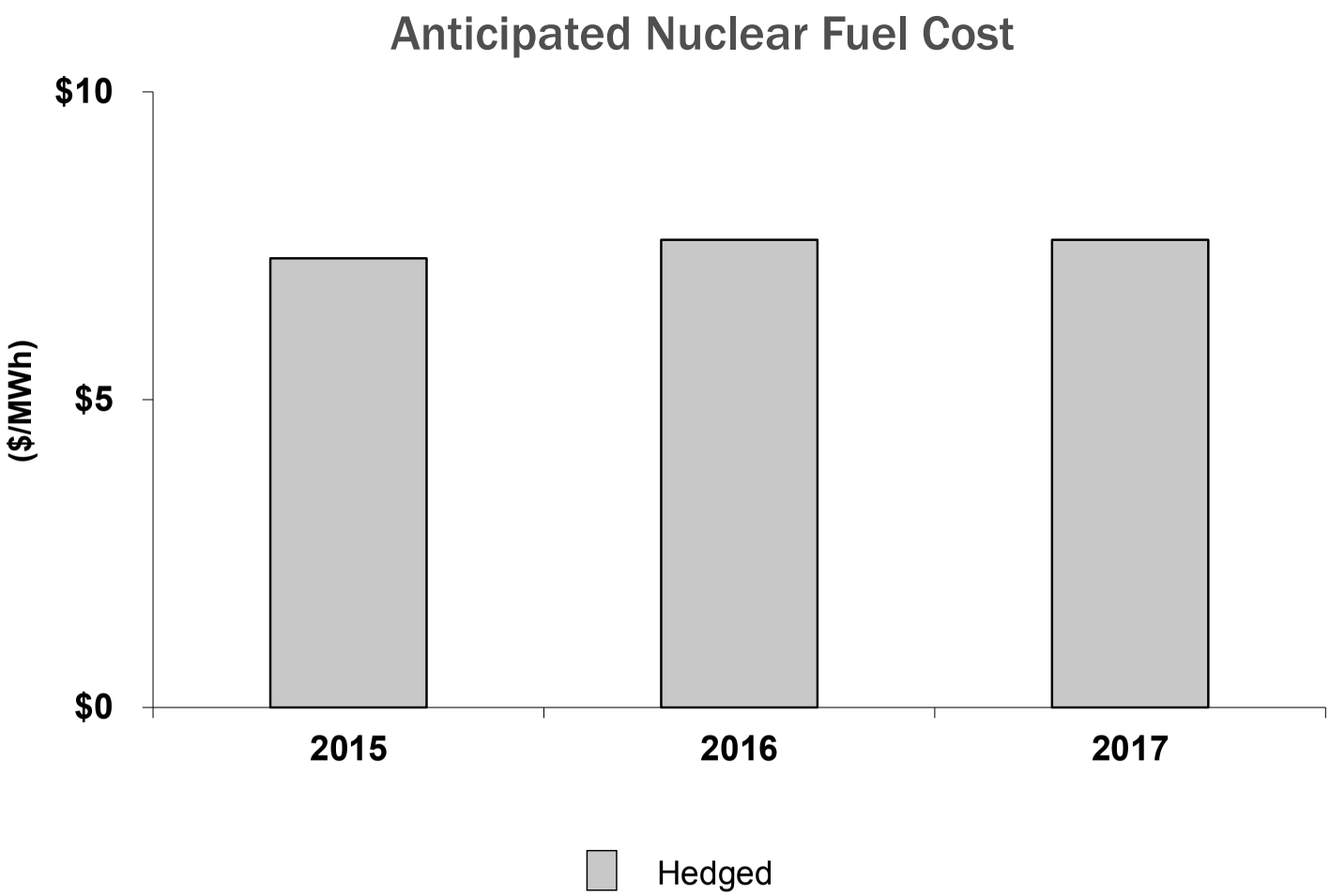
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-04049

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-04050

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-04051

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-04052

PSEG FINANCIAL APPENDIX

SI-SSA-0015-04053

First Half Operating Earnings by Subsidiary

Six months ended June 30

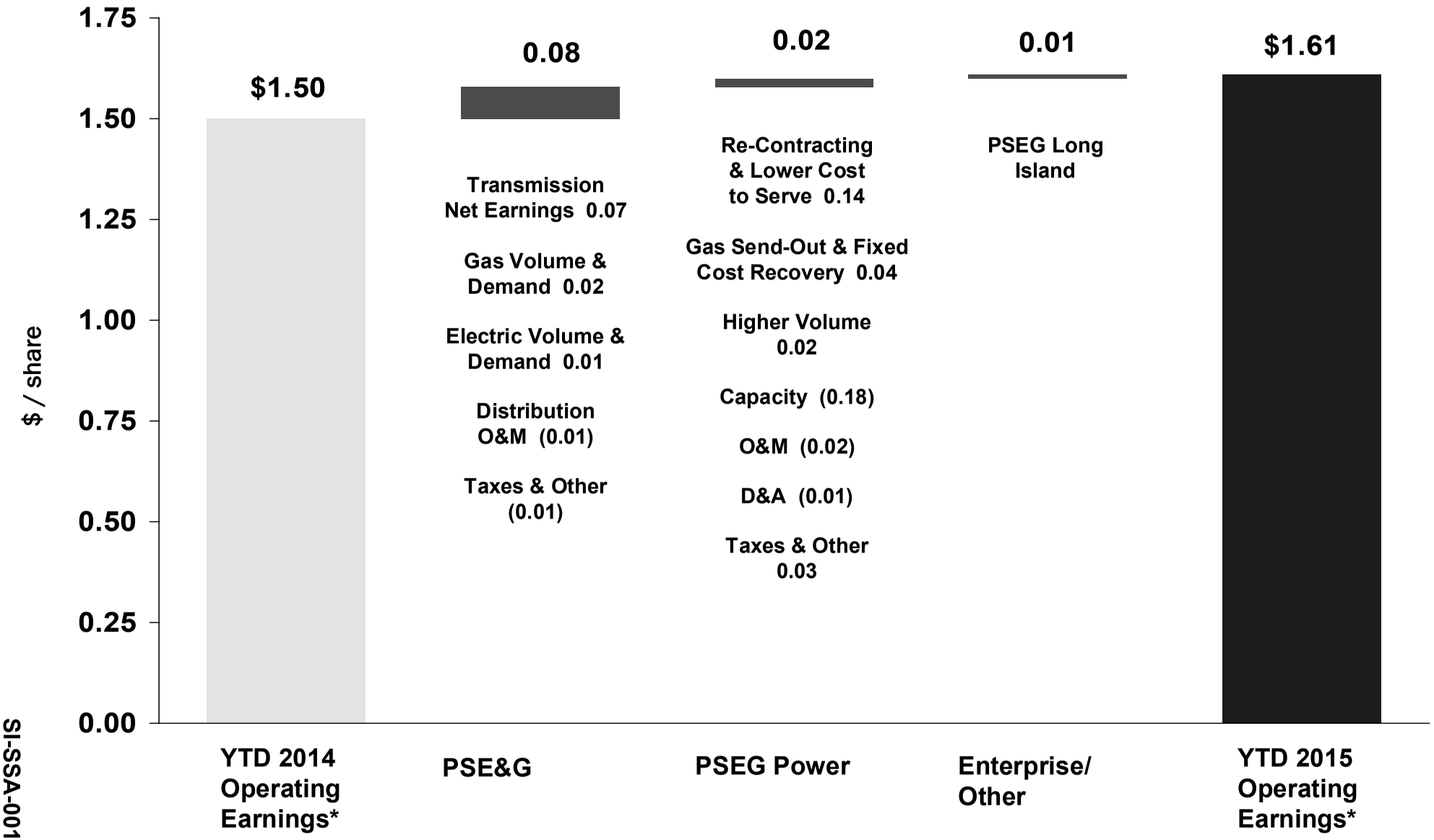
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

SI-SSA-0015-04054

PSEG

•SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



SI-SSA-0015-04055

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power's Adjusted EBITDA - Q2 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2015 Guidance	
($ in millions)	2015	2014	2015	2014	Low	High
Operating Earnings**	$110	$87	$388	$380	$620	$680
Add:						
Fossil Major Maintenance, pre-tax	52	49	101	107	115	115
Depreciation & Amortization, pre-tax	75	73	152	146	305	305
Interest Expense, pre-tax	32	29	63	60	125	125
Income Taxes	32	38	223	234	380	420
Adjusted EBITDA	$301	$276	$927	$927	$1,545E	$1,645E

SI-SSA-0015-04056

PSEG

* SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

** SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

Our balance sheet remains strong

June 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[1]	9.2	6.6	2.5
Common Equity	12.7	7.2	5.7
Total Capitalization	**$21.9**	**$13.8**	**$8.2**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio[2] 51.7%

SI-SSA-0015-04057

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $134 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	2015	Total
PSEG Power	$44	$179	$223**
PSE&G	6	35	41***
PSEG	$50*	$214	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

** POWER SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; INCREASED OTHER INCOME.

*** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

SI-SSA-0015-04058

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
			PSEG Money Pool ST Investment		$397
			PSE&G ST Investment		$151
			Total Liquidity Available		**$4,628**
			Total Parent / Power Liquidity		**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-04059

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 6/30/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	150
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	29
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	39
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$855**

SI-SSA-0015-04060

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

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Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-04062

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AND ADJUSTED EBITDA AS NON-GAAP FINANCIAL MEASURES AND HOW THEY DIFFER FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**	**$ 2.99**	**$ 2.45**

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

SI-SSA-0015-04063

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Barclays Select Series
Utilities Sector Update

ZURICH, SWITZERLAND – MARCH 11, 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04064

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-04065

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-04066

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-04067

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-04068

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 **Assets $22B** **Operating Earnings $725M**	2014 **Assets $12B** **Operating Earnings $642M**

SI-SSA-0015-04069

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

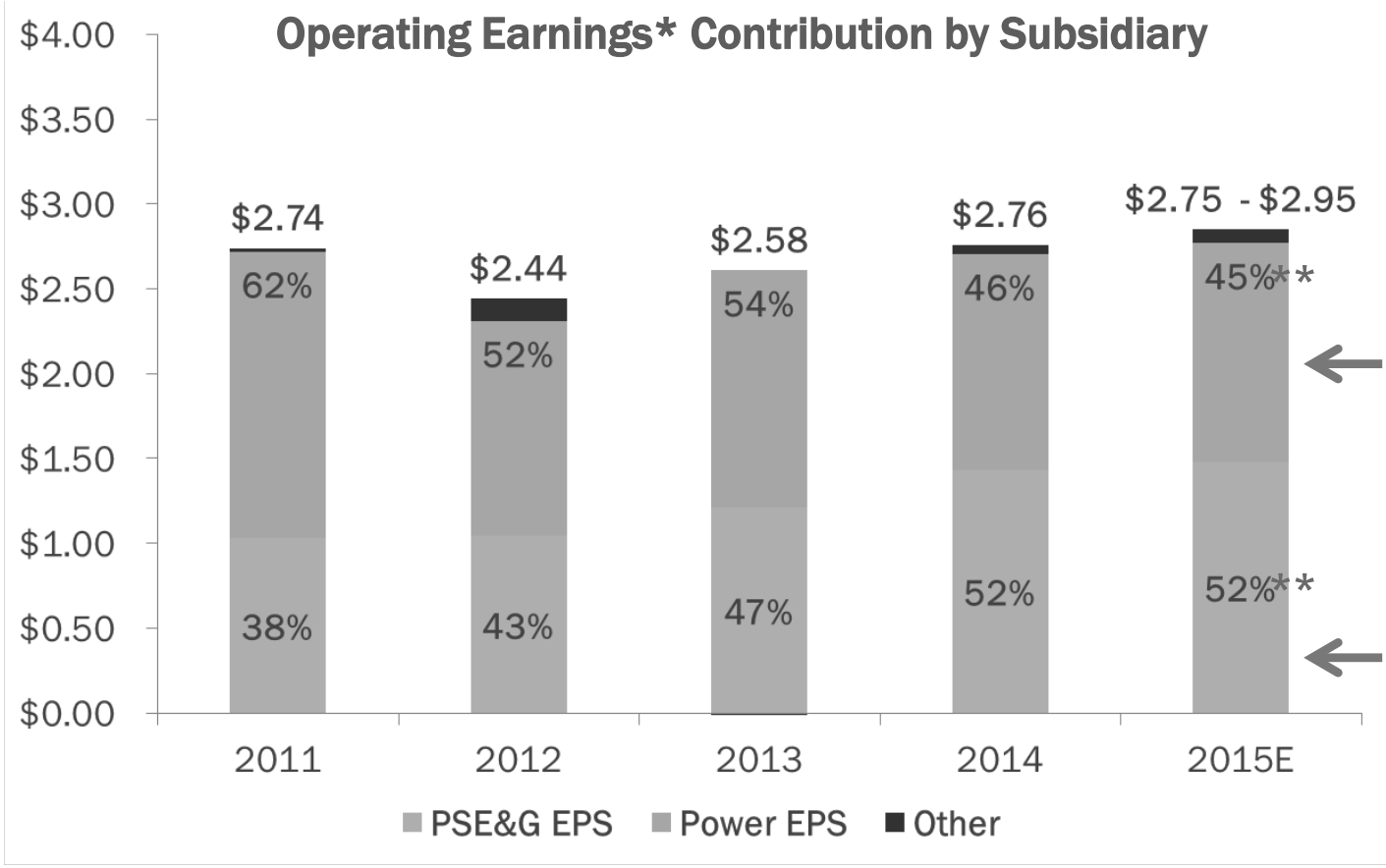
Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source

SI-SSA-0015-04070

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-04071

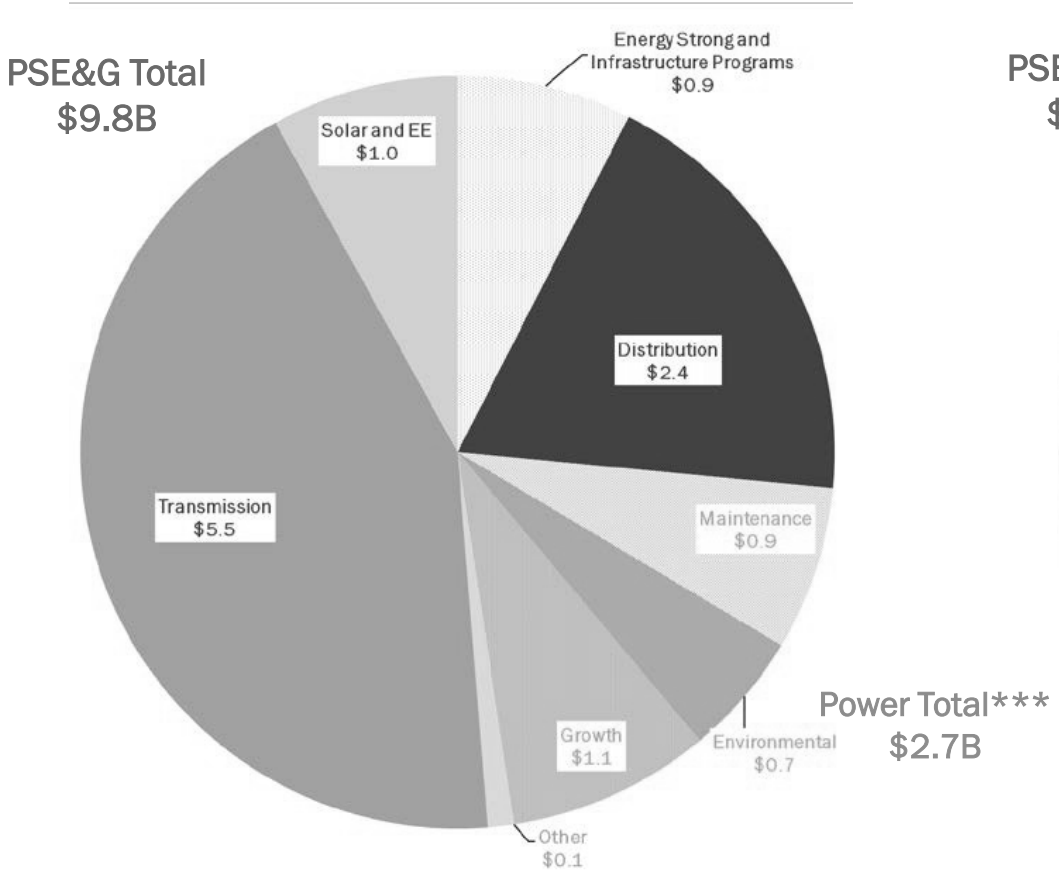
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Robust pipeline of investment opportunities

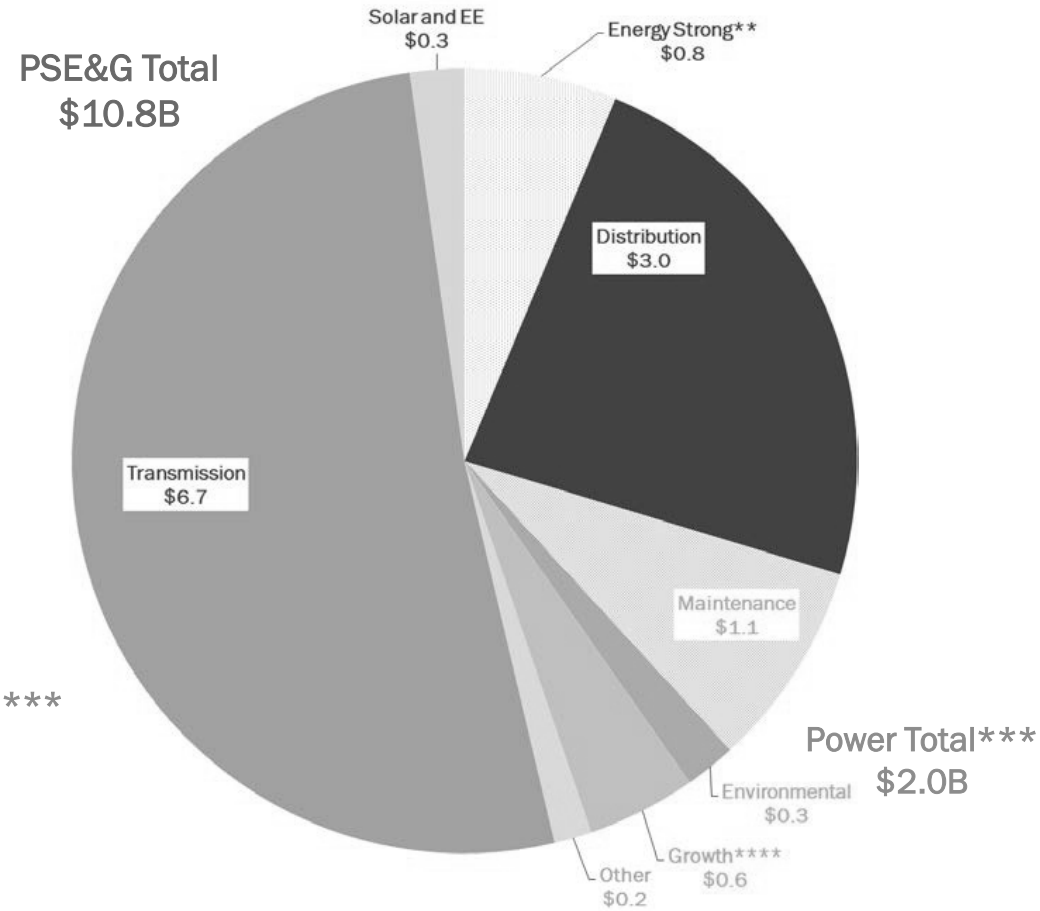
supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion



2015E - 2019E*: $13 Billion



2015E–2019E:

- $1.3B of capital for Gas System Modernization Program and Artificial Island would be incremental

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-04072

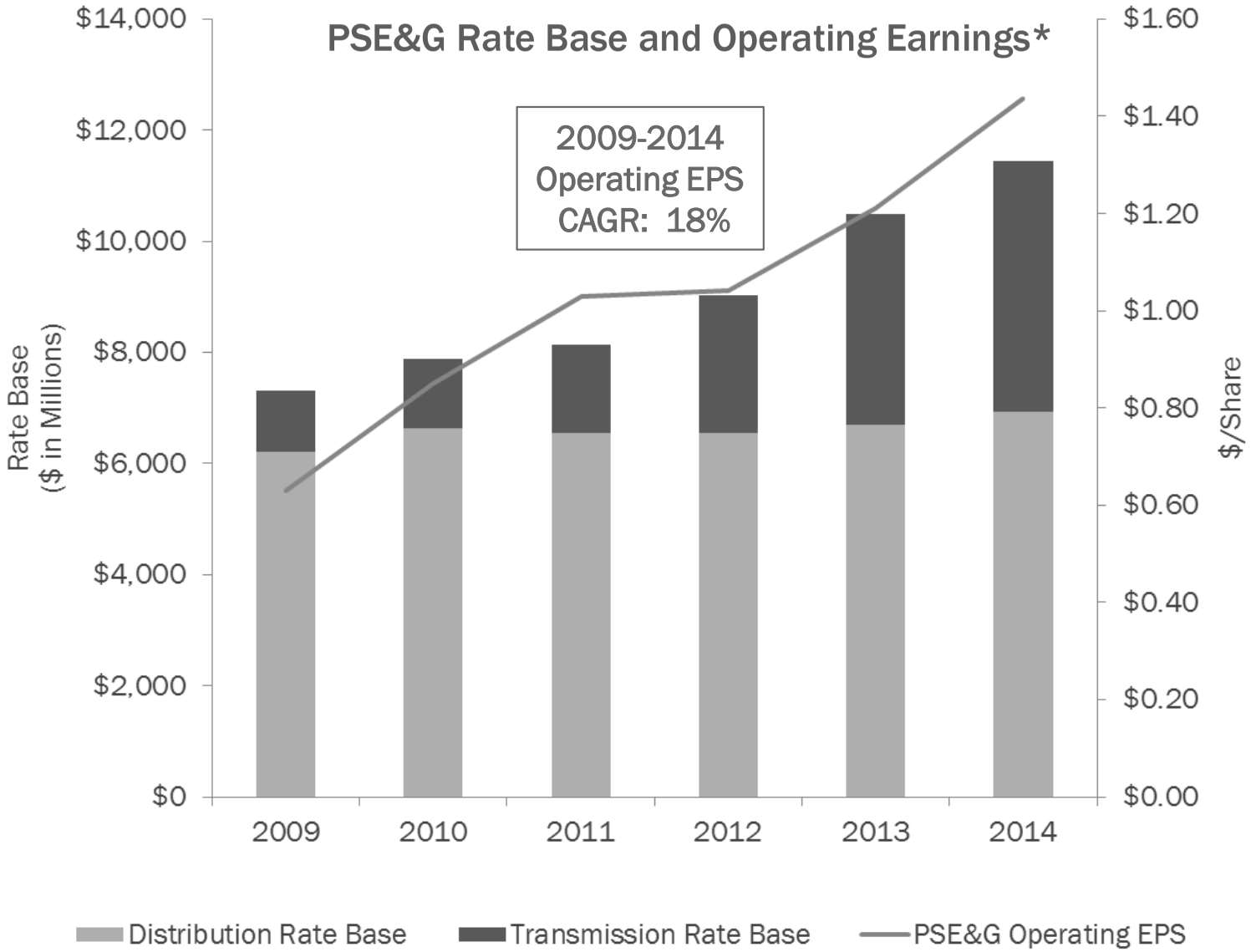
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program and Artificial Island increase capital program by $1.3 billion through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-04073

PSE&G's investment program

Meeting public policy goals and customer needs

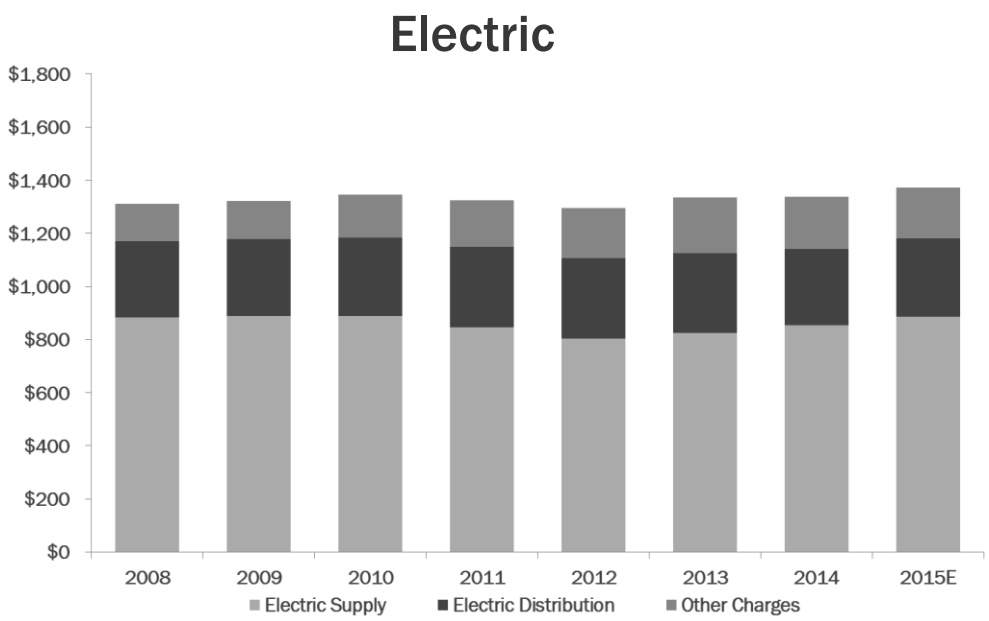


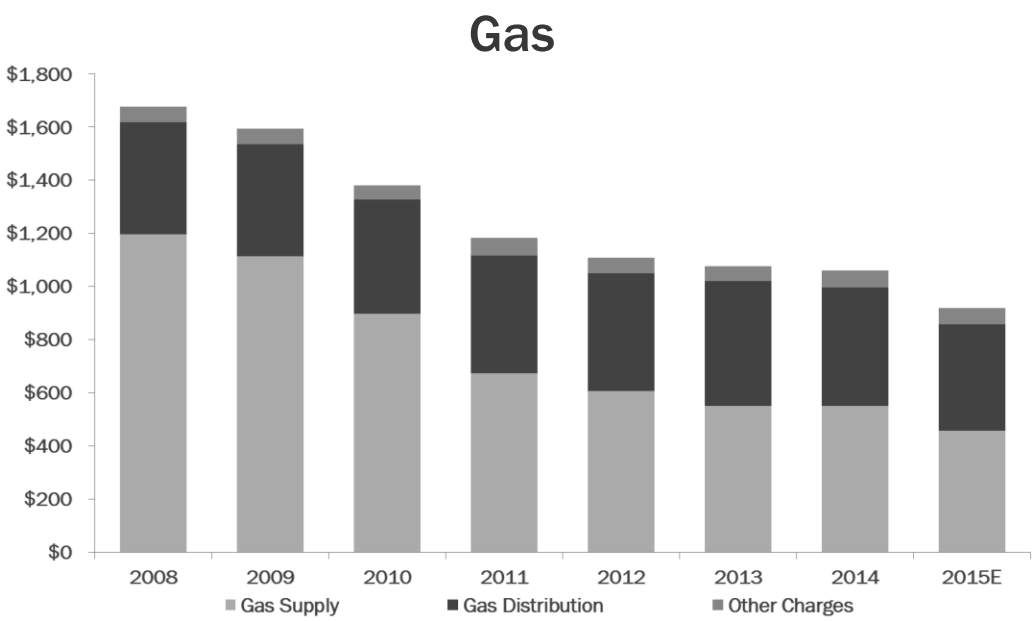
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-04074

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





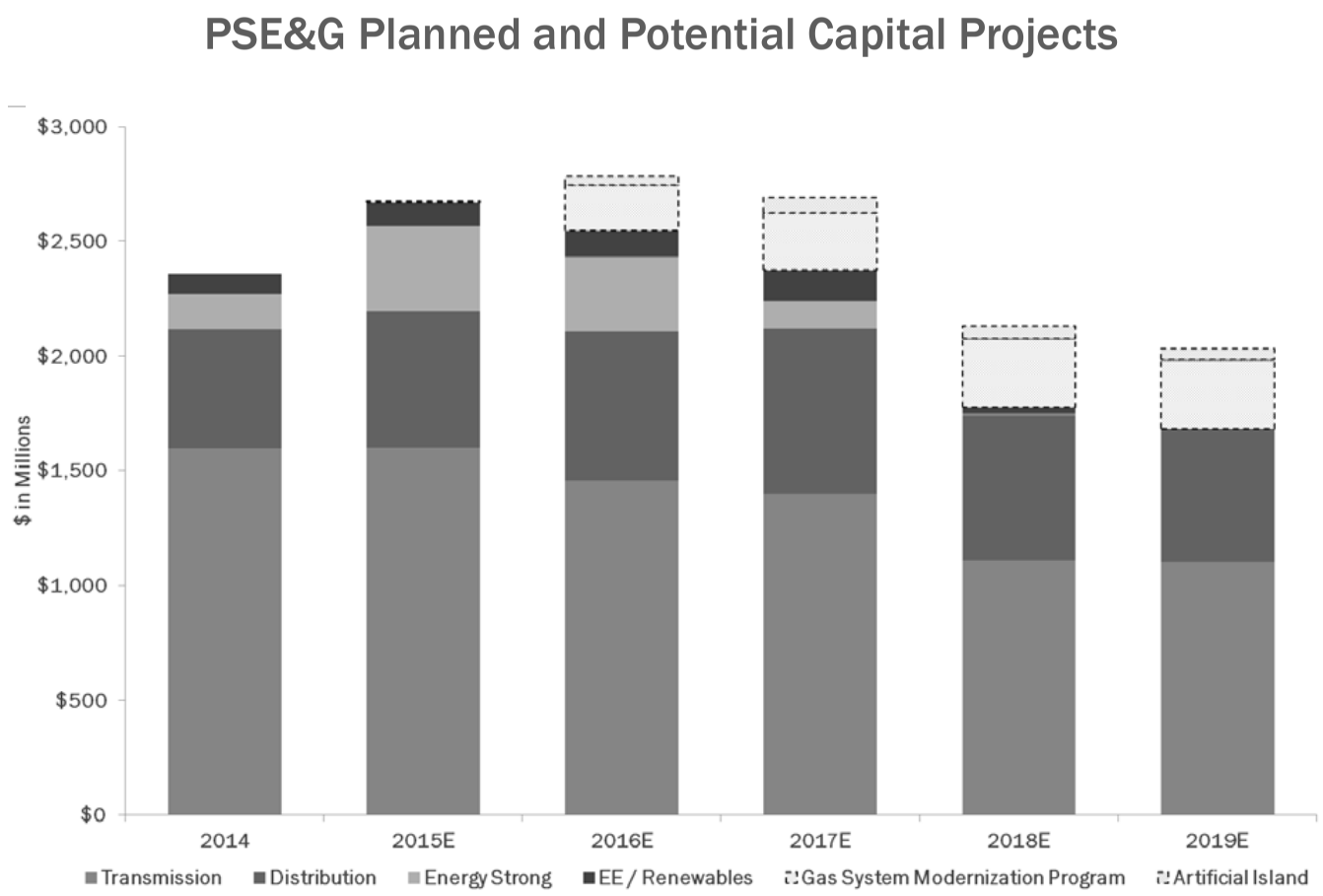
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-04075

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

SI-SSA-0015-04076

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-04077

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and 2015 Capacity Performance proposal • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates are underway • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~123 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

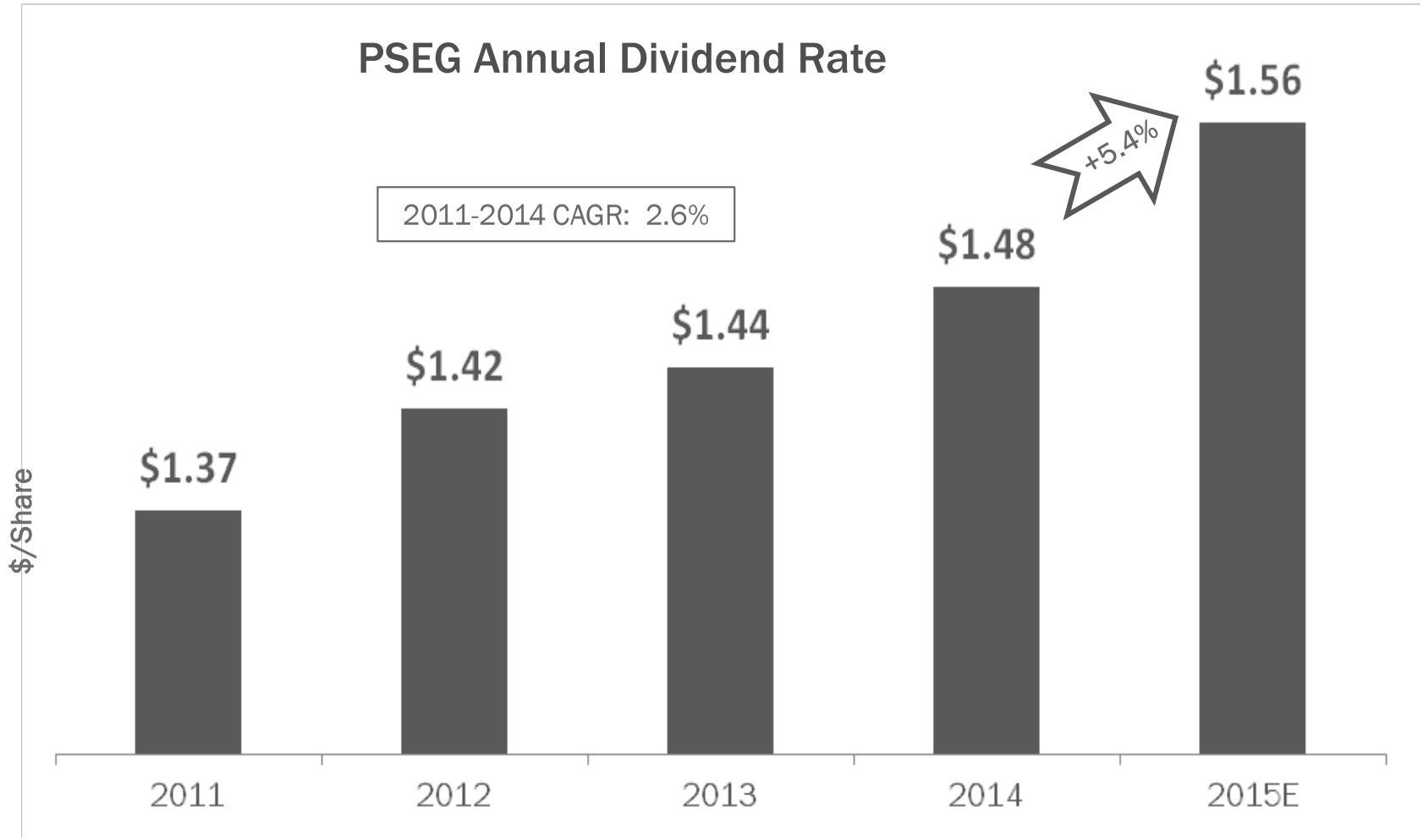
SI-SSA-0015-04078

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-04079

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities**

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-04080

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-04081

PSE&G

PSEG

We make things work for you.

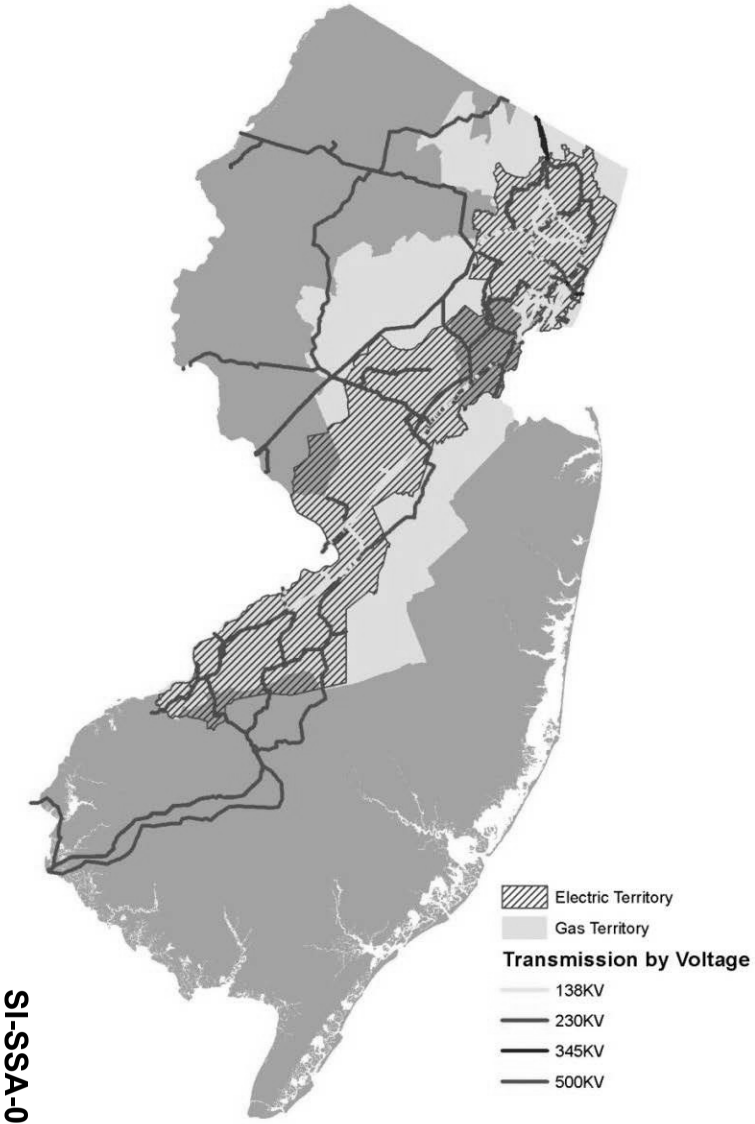
SI-SSA-0015-04082

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04083

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-04084

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

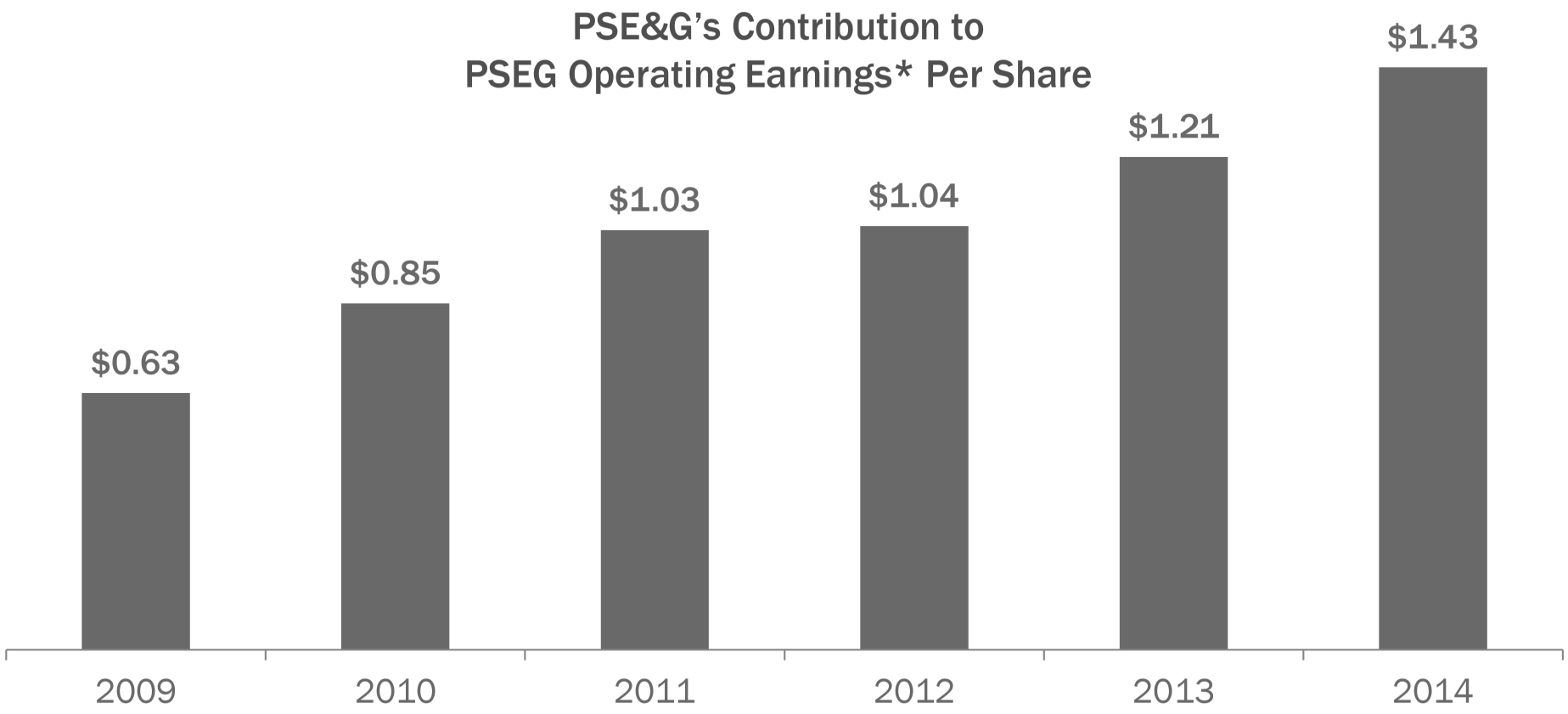
SI-SSA-0015-04085

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-04086

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control



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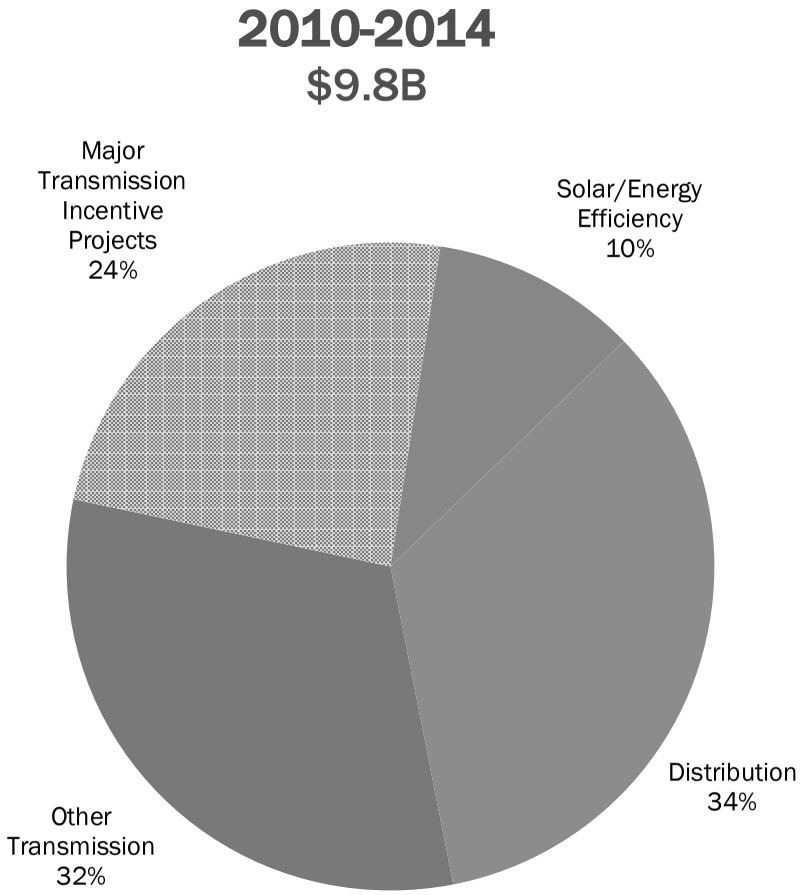
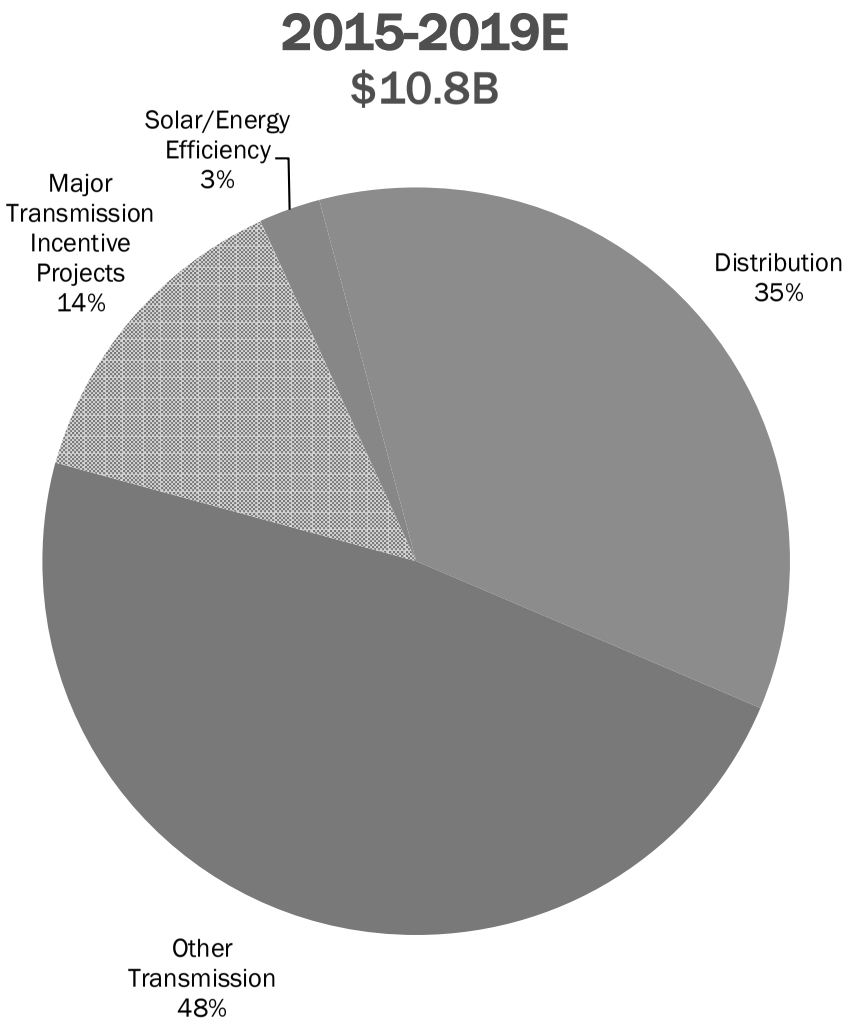
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-04088

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 -June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-04089

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-04091

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-04092

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II* and Solar programs

Gas System Modernization Program would increase potential investment by ~$1.6B

SI-SSA-0015-04093

PSEG

* IF APPROVED.

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-04094

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal unit (RTU) has been installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-04095

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II seeks to extend the investment and time frame for three previously approved programs already in the marketplace allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment
- If approved, would extend existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-04096

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term replacement strategy
  - 30-year cast iron and unprotected steel replacement program
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-04097

PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G's demonstrated ability to successfully execute projects on scope, on time, and on budget leaves us well positioned to pursue FERC 1000 opportunities

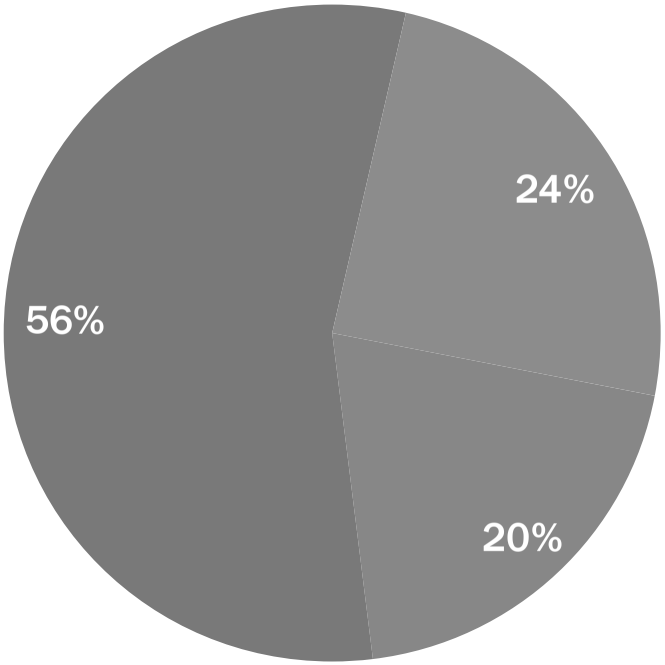
- Artificial Island
  - PSE&G's proposal is one of four finalists
  - The proposal includes building 18 miles of 500kV transmission line running from the Hope Creek Generating Station to the Red Lion substation in Delaware
- PJM 2014 Window #2
  - PJM staff has recommended awarding PSE&G two projects to resolve criteria violations in the Sewaren and Mercer areas

SI-SSA-0015-04098

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

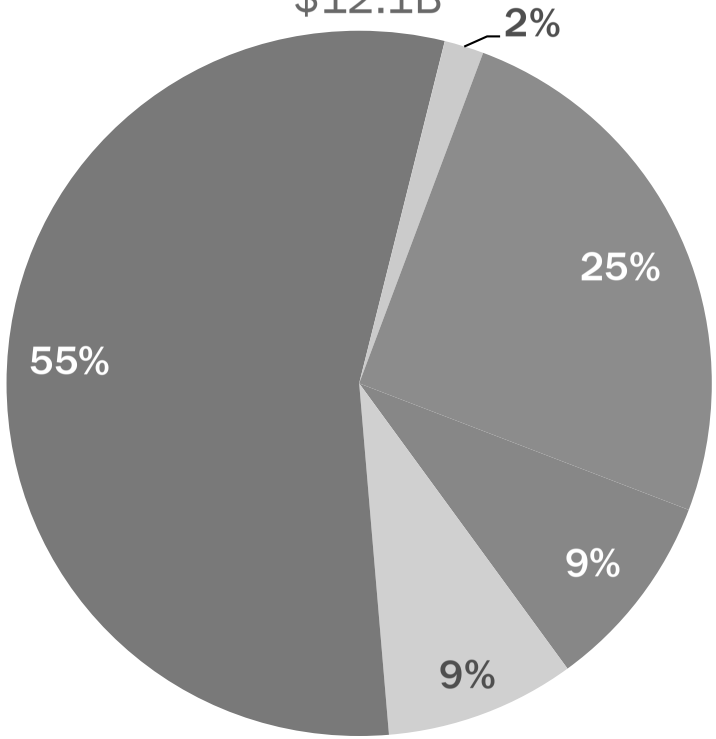
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

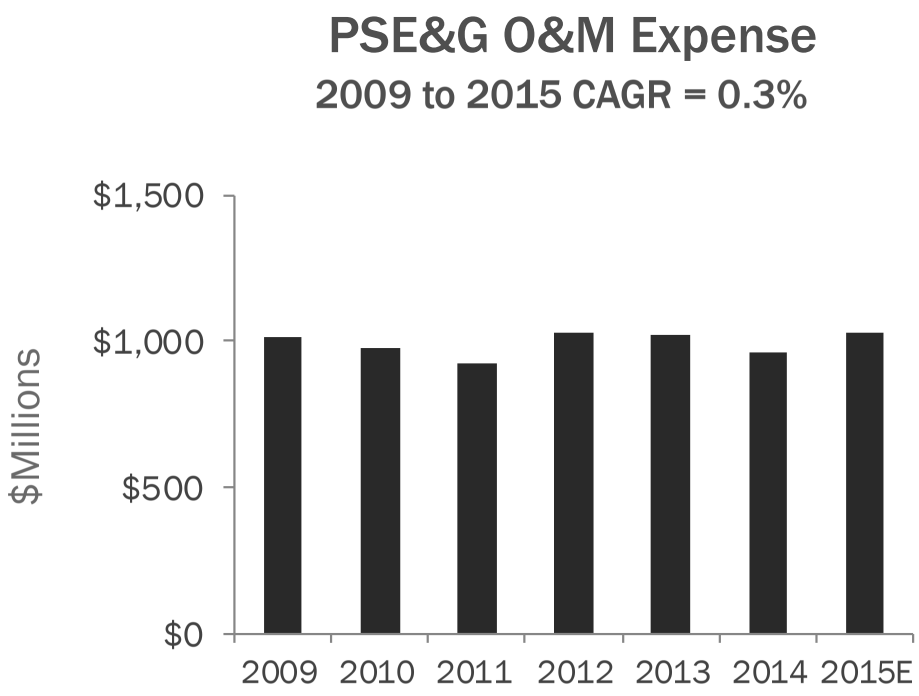
FERC Formula Rates
- Transmission
- Artificial Island

Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-04099

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-04100

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

SI-SSA-0015-04101

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-04102

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-04103

PSEG

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

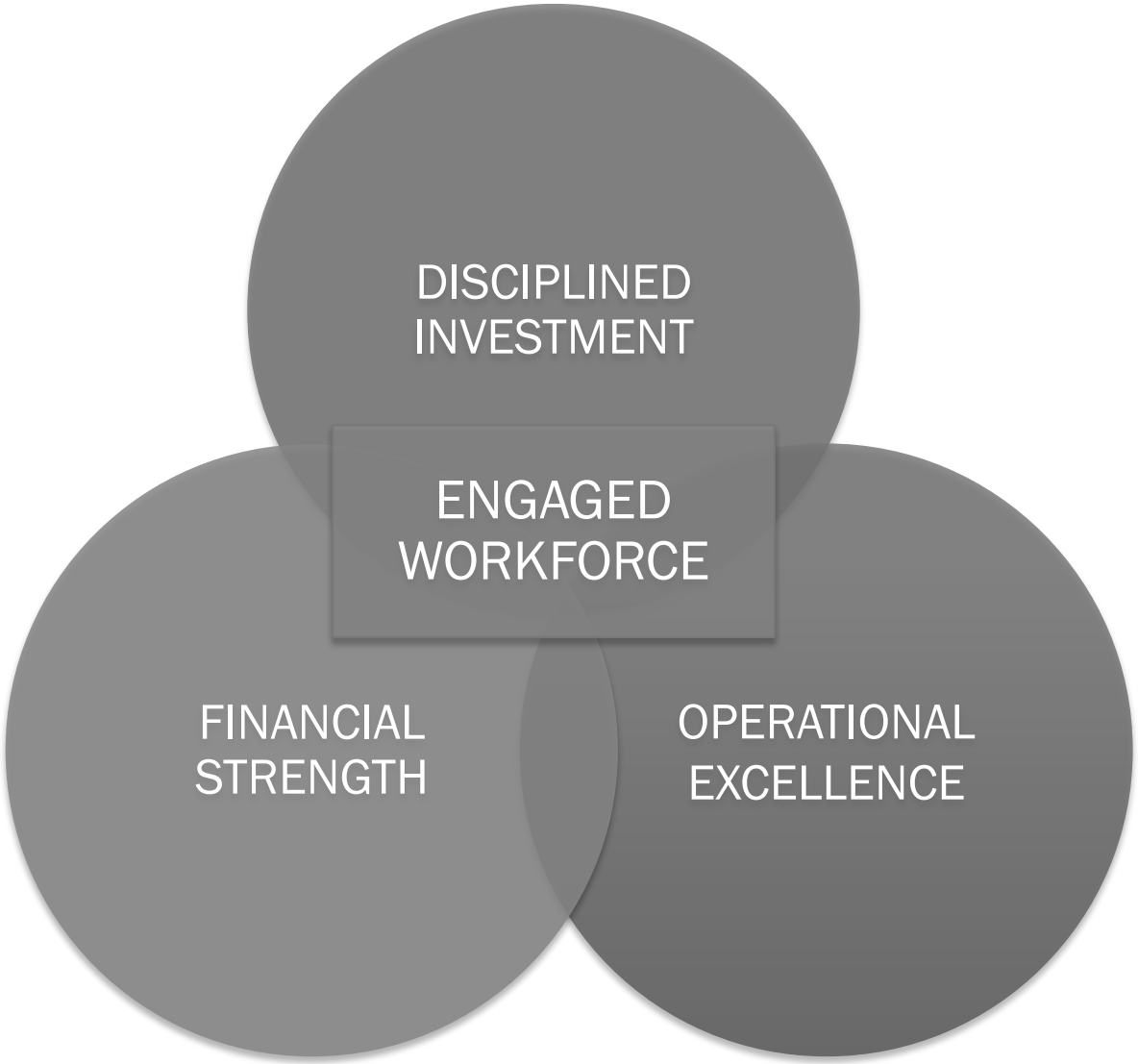
PSEG

We make things work for you.

SI-SSA-0015-04104

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-04105

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-04106

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Completed three projects with one underway, bringing Solar Source's portfolio to 123 MW_{DC} • Nuclear ESP is expected in 2016

SI-SSA-0015-04107

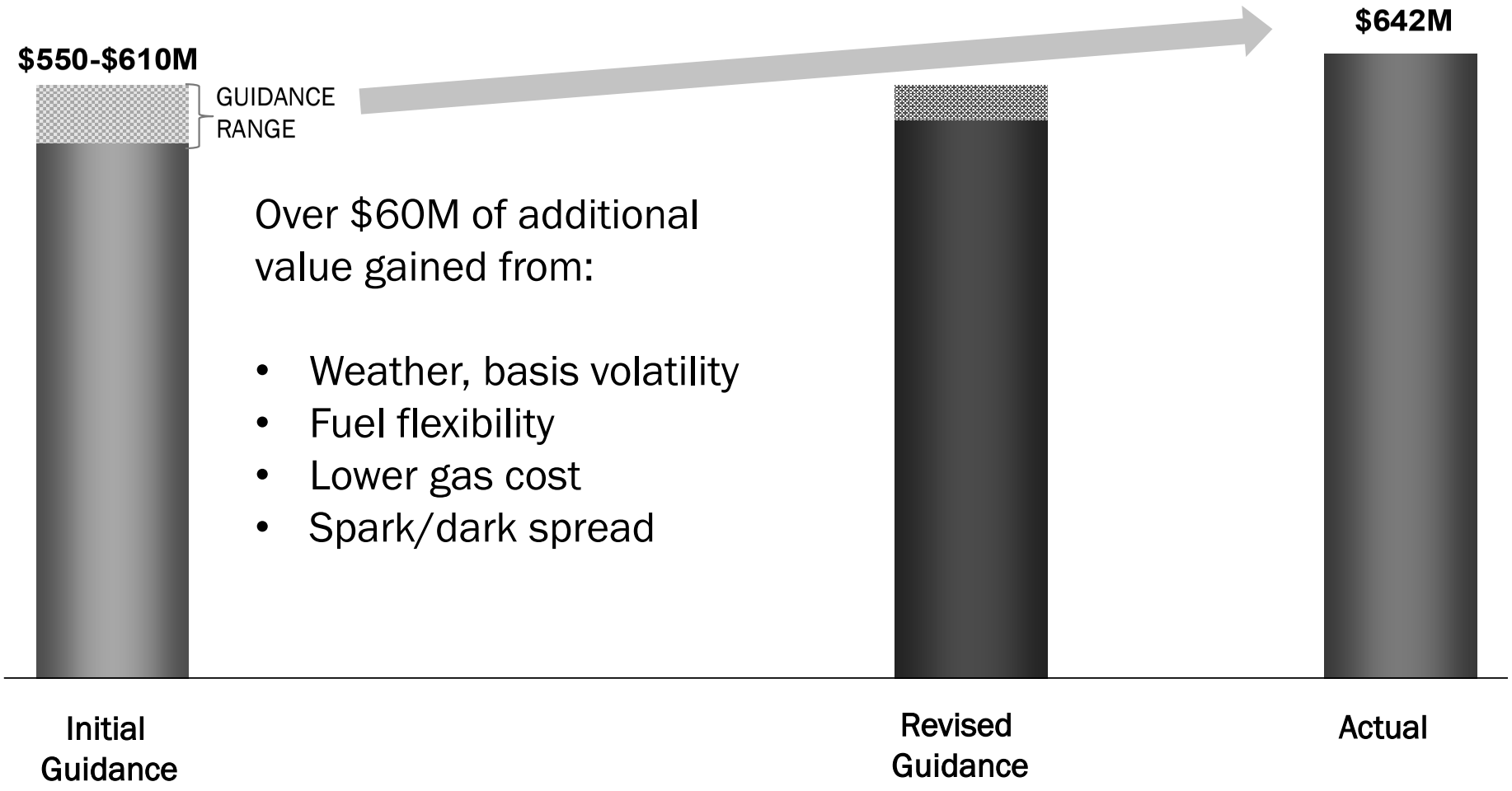
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-04108

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



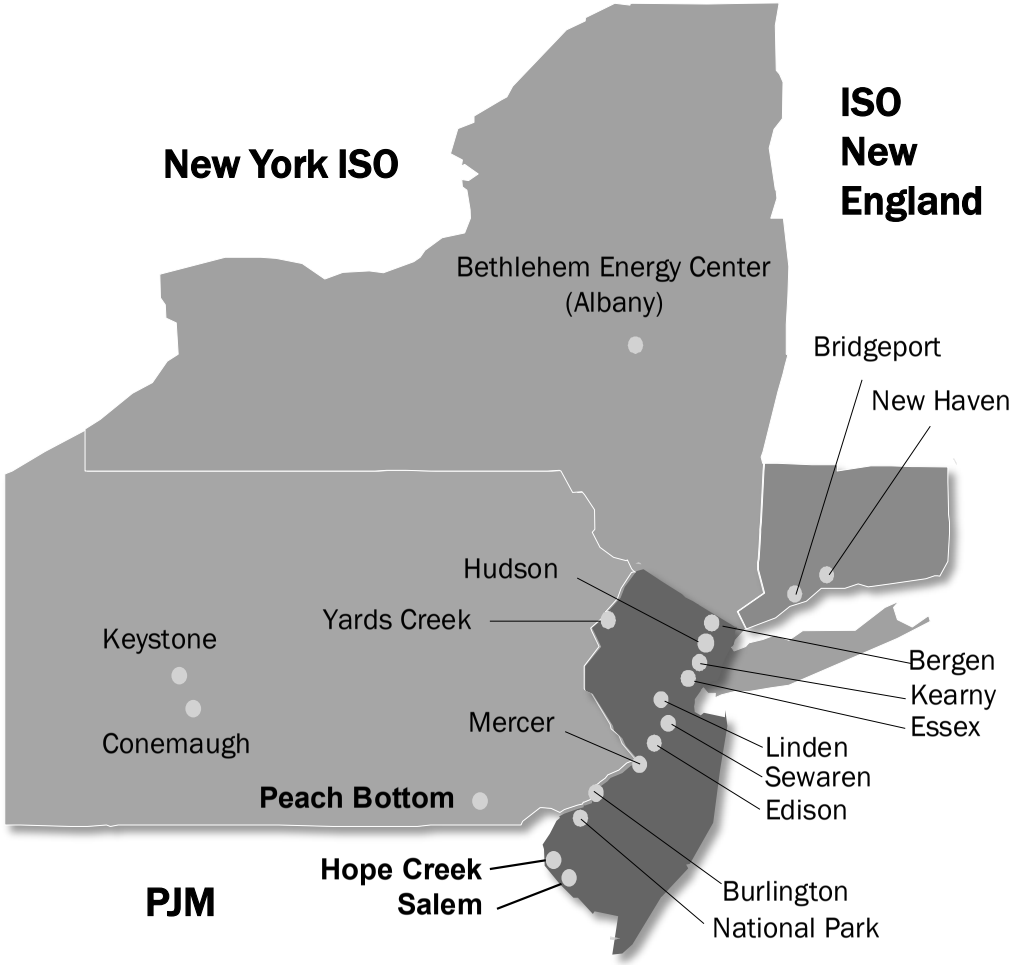
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-04109

PSEG Power has generating assets

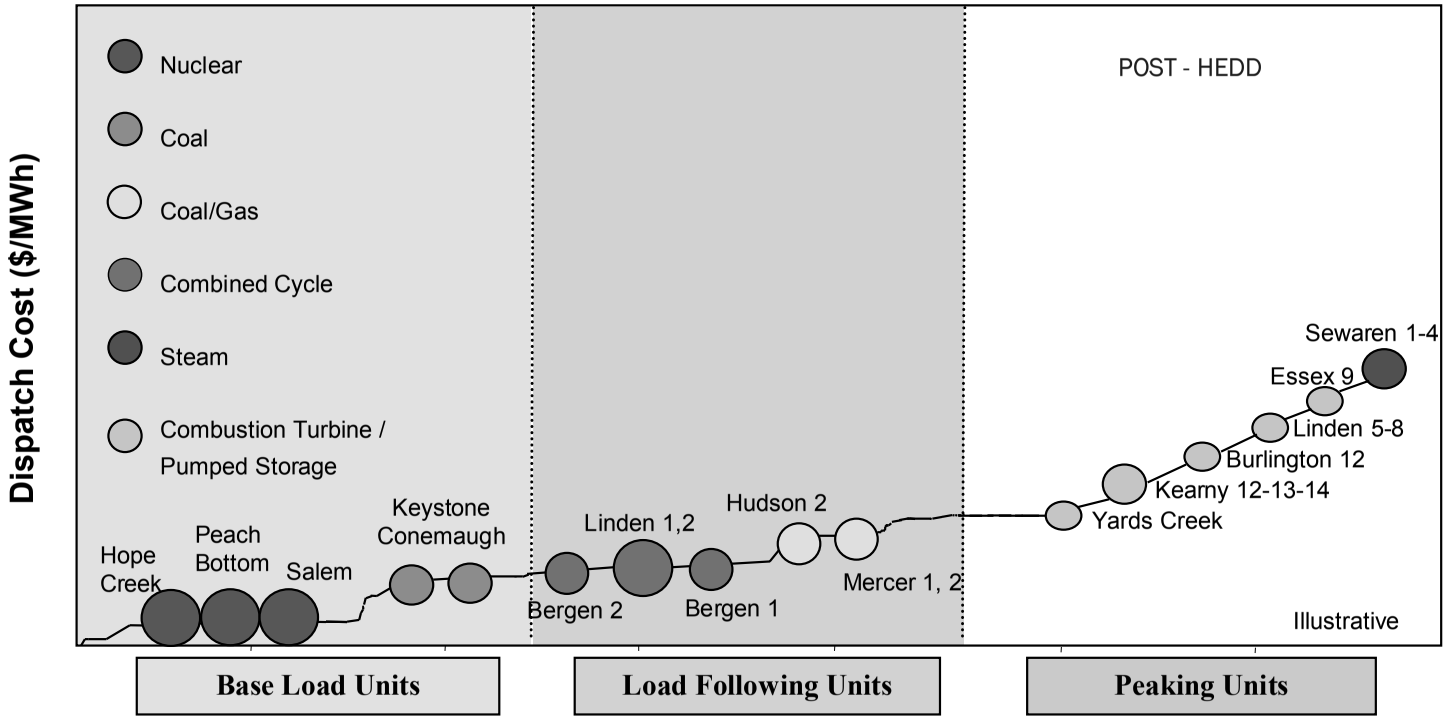
in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



SI-SSA-0015-04110

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

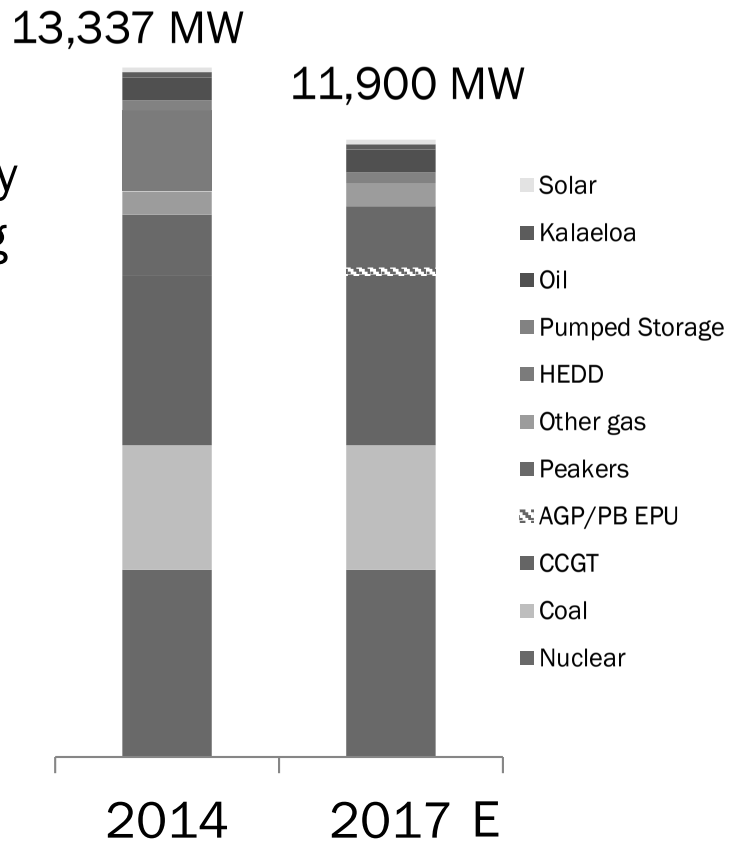
SI-SSA-0015-04111

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

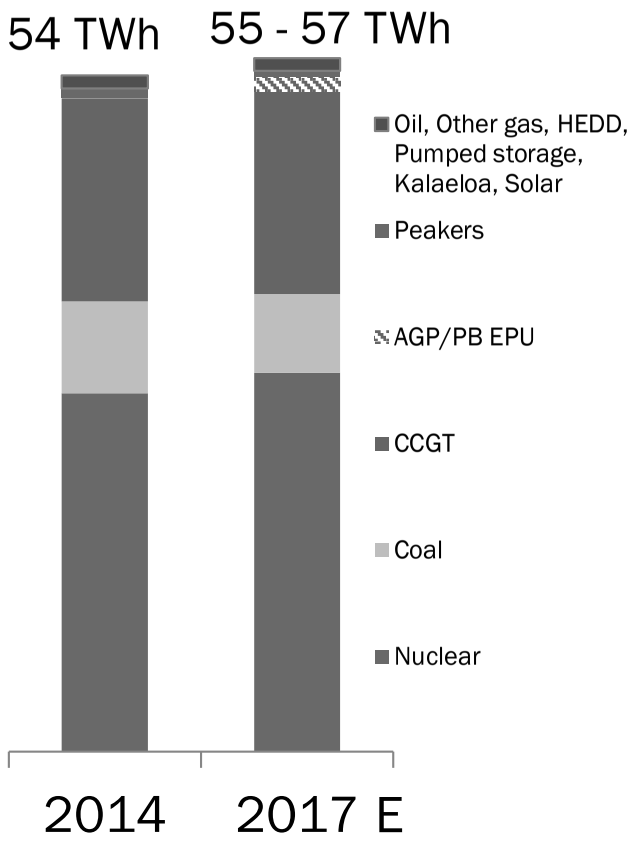
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



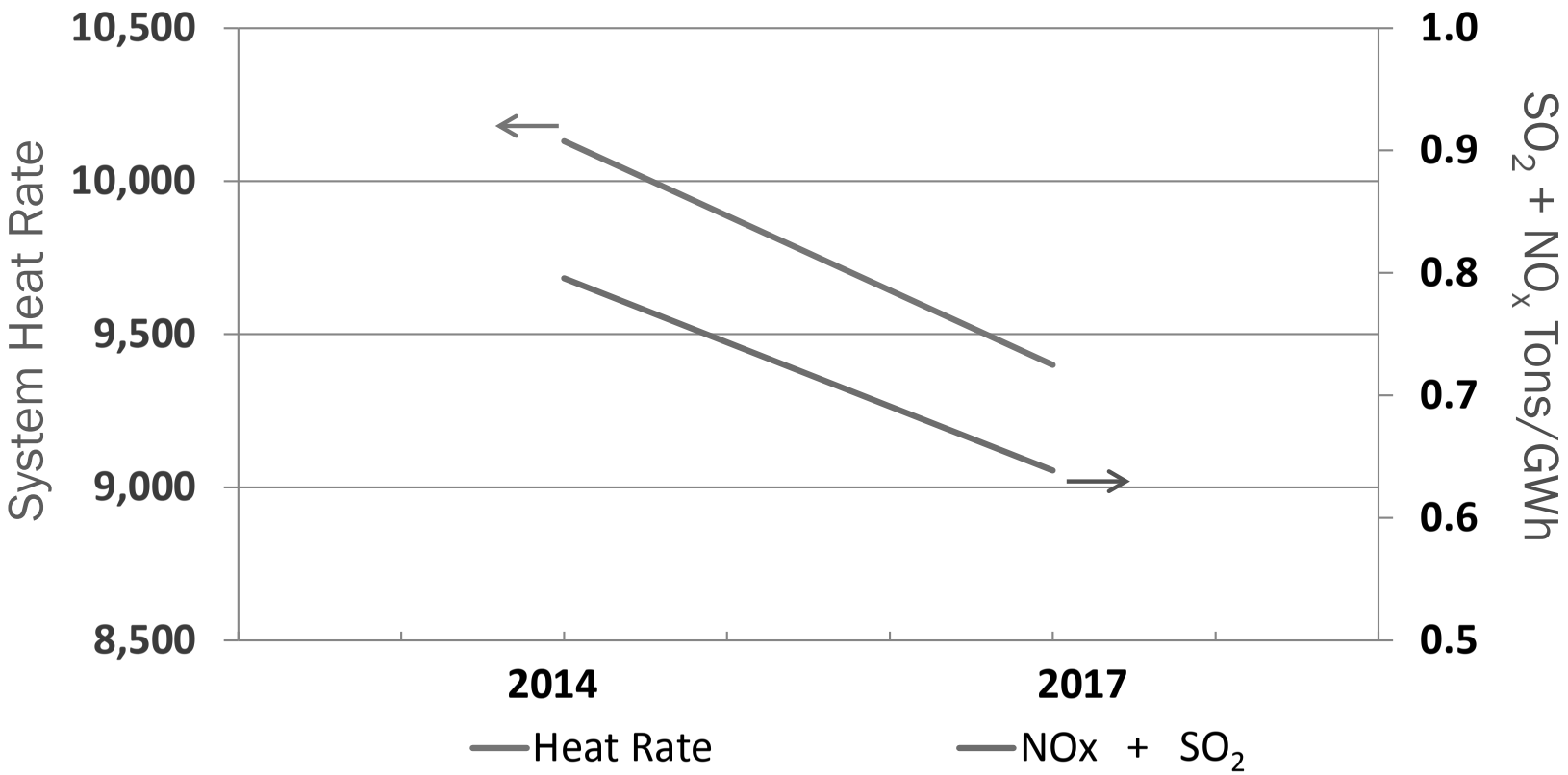
Energy Produced



E=ESTIMATE

SI-SSA-0015-04112

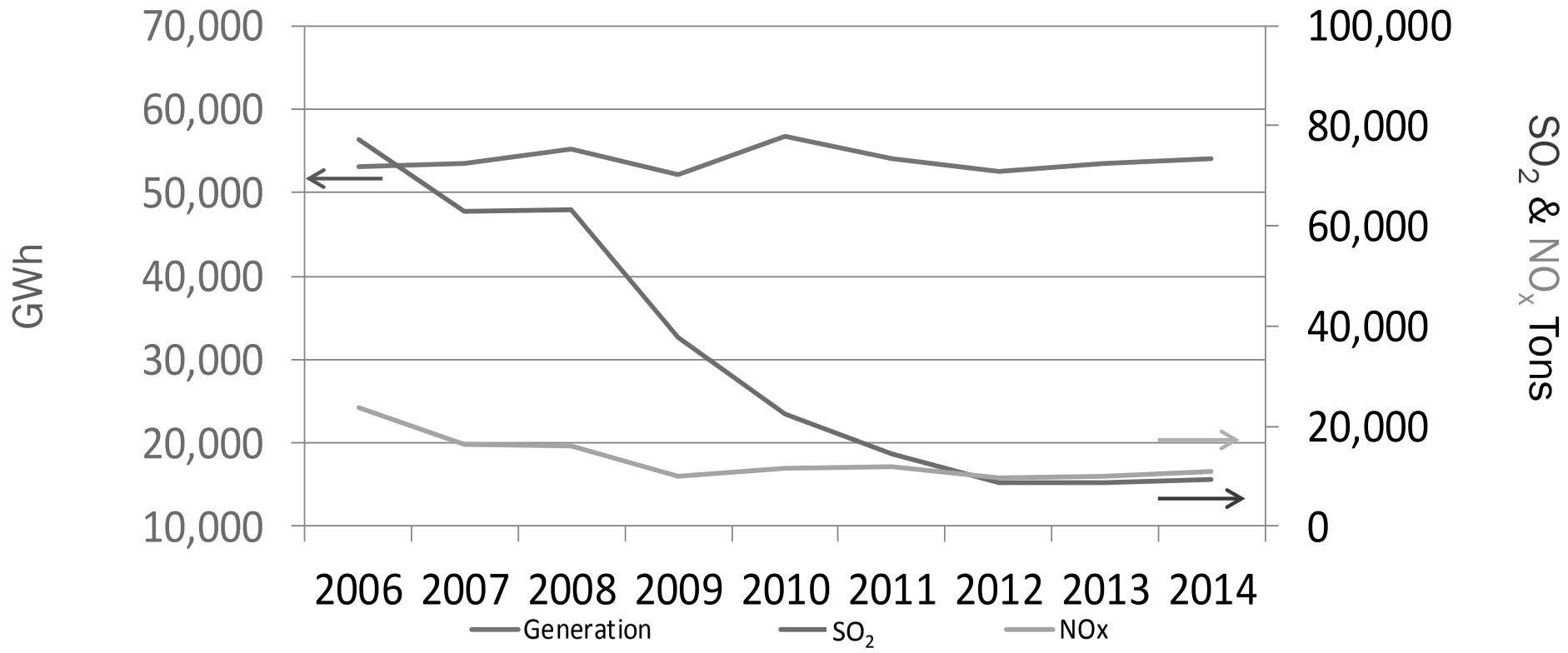
PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-04113

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-04114

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Spring 2015

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-04115

PSEG Power Nuclear has competitive advantages

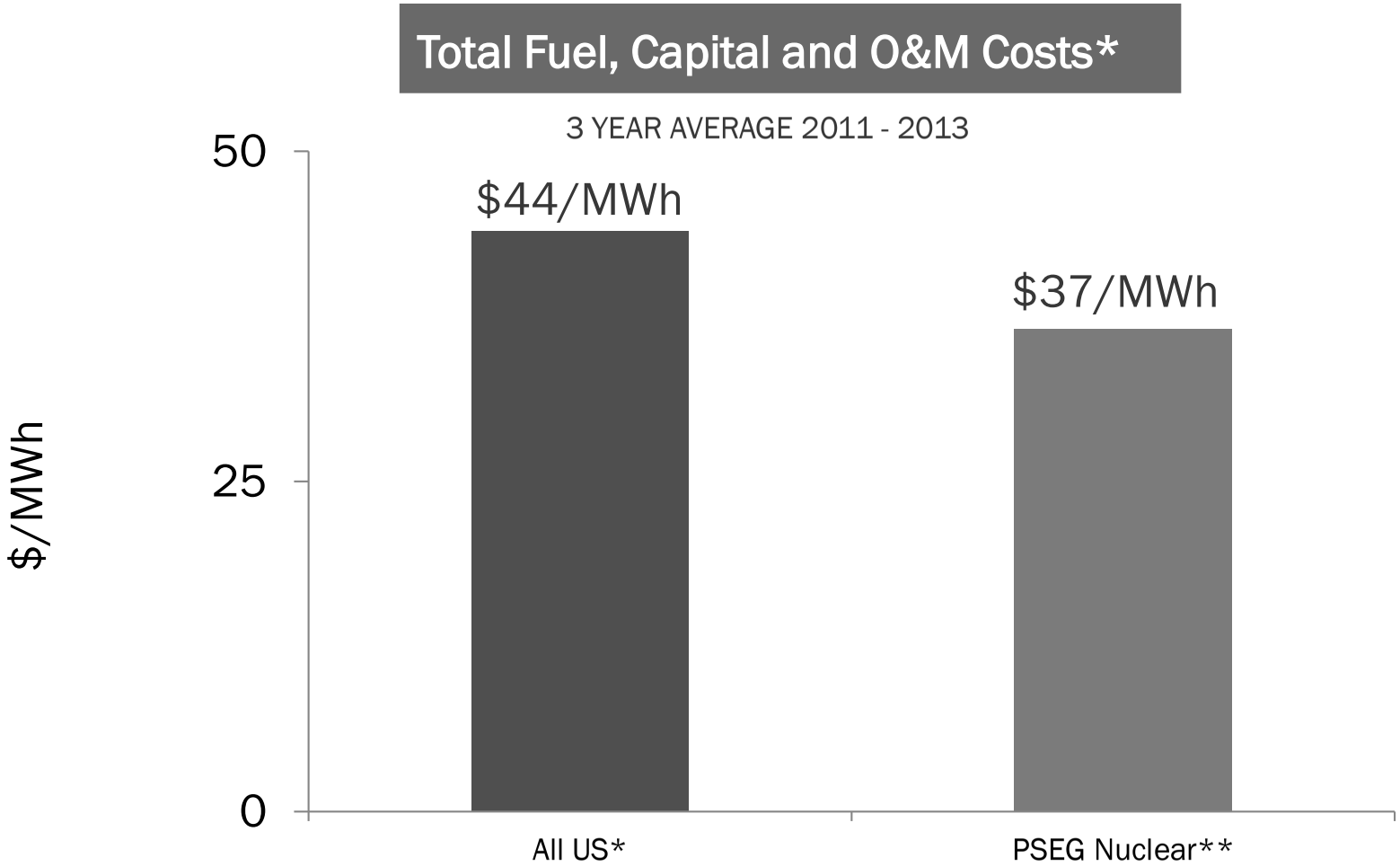
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-04116

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

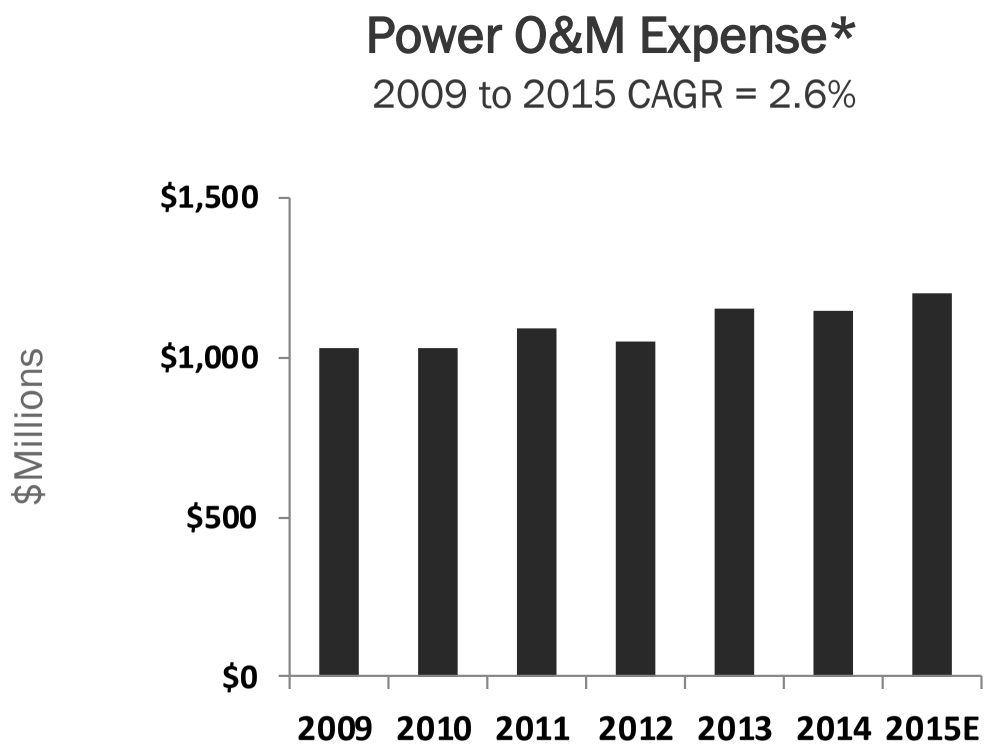


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-04117

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



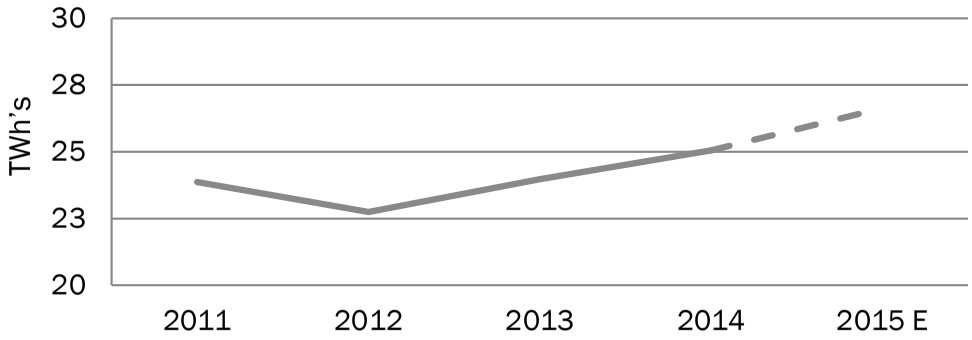
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-04118

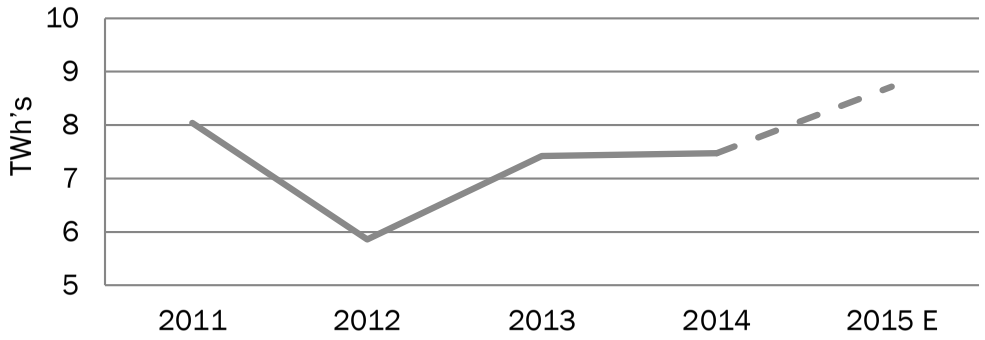
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

PSEG Power's Fossil Fleet has shown improvement in performance

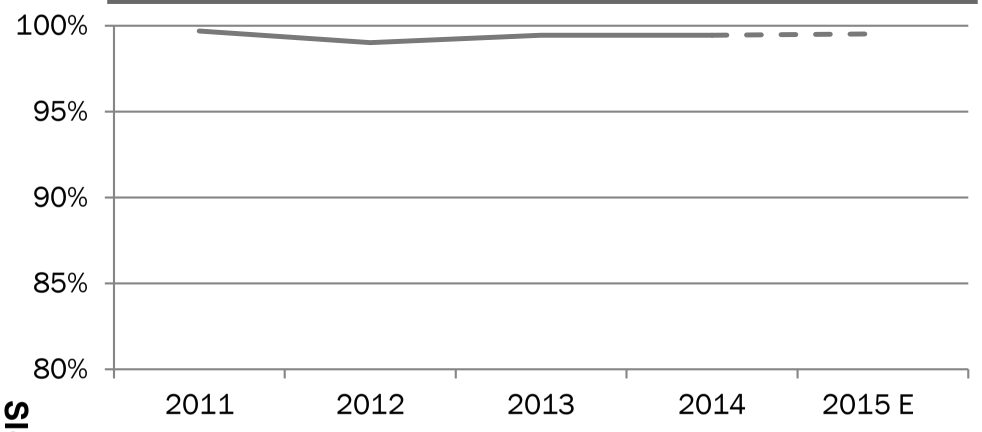
Fossil Generation



Coal Generation

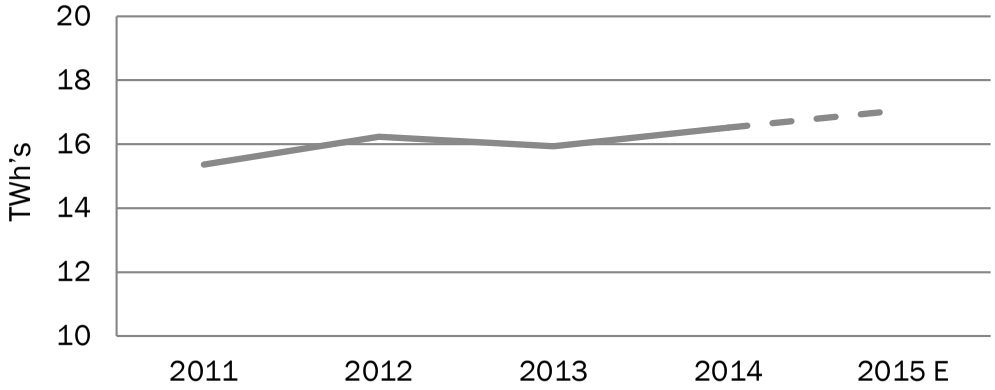


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

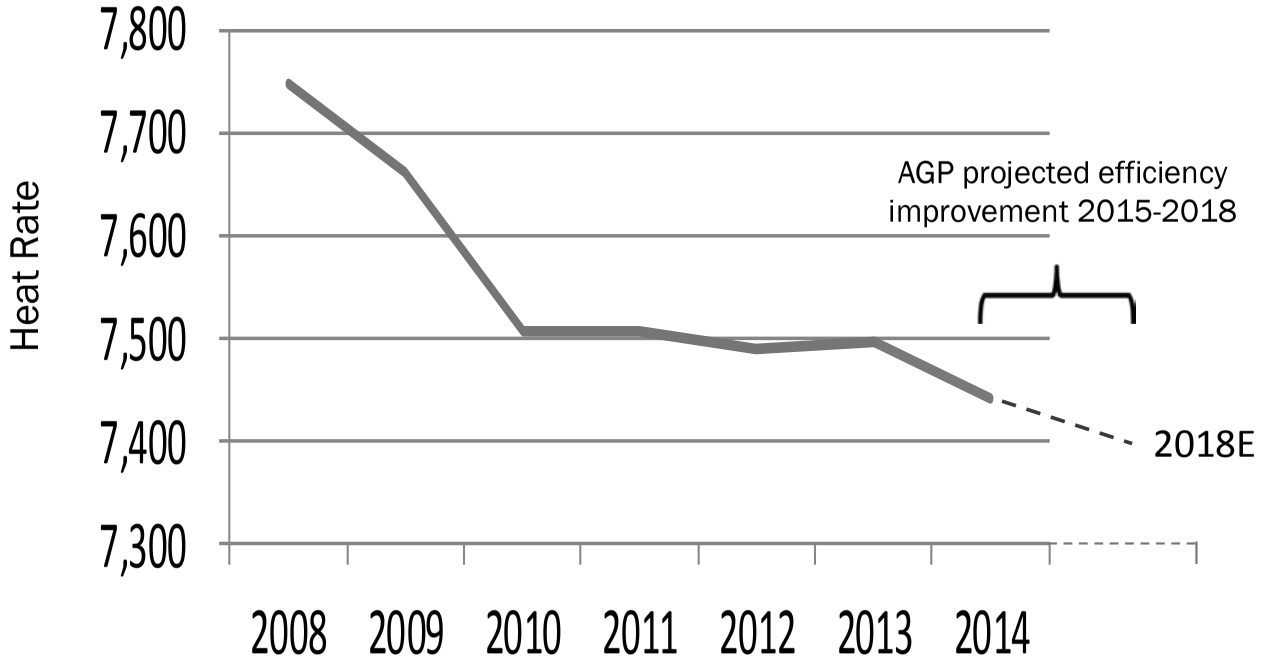
SI-SSA-0015-04119

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

SI-SSA-0015-04120

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

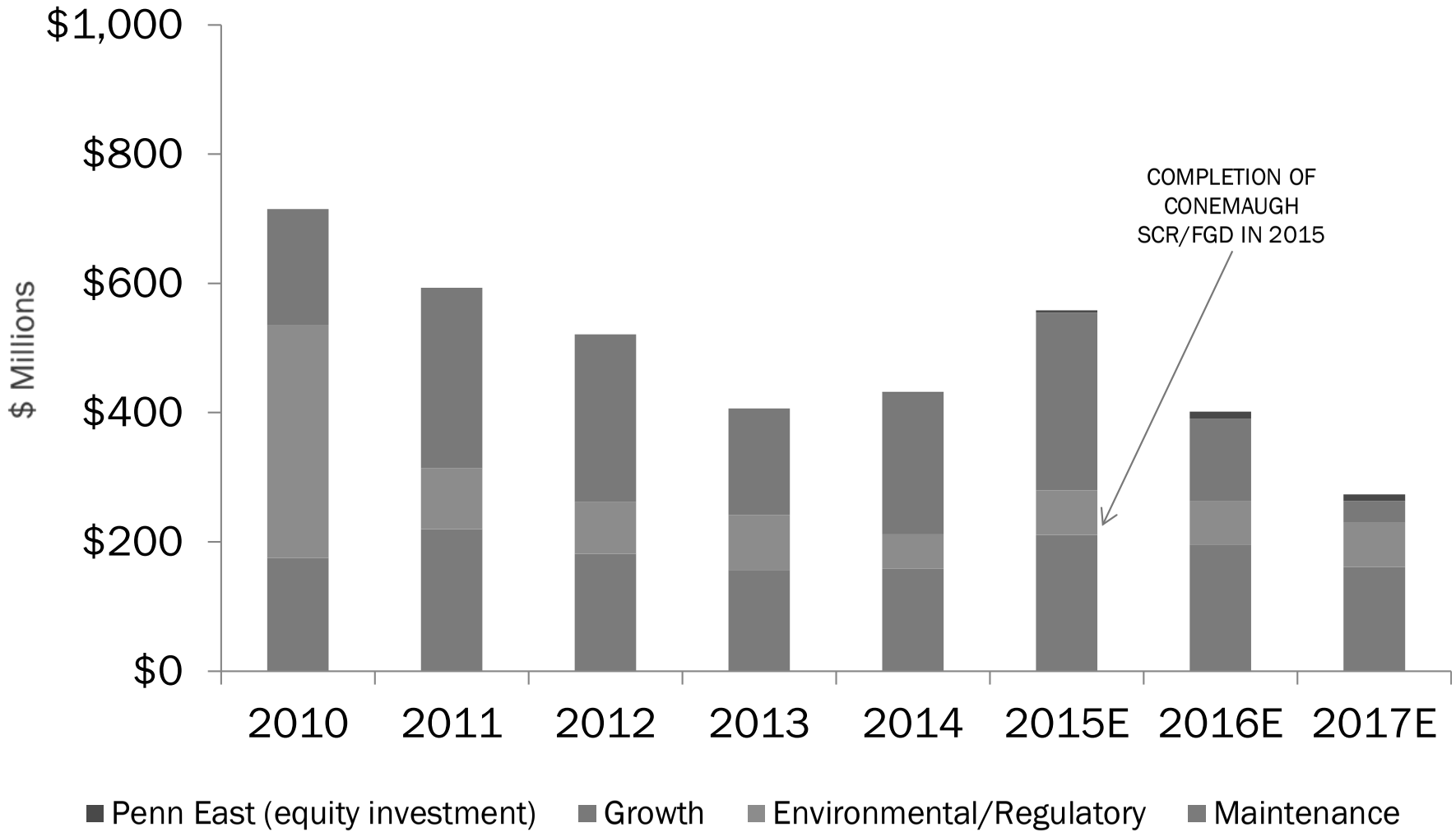
Capacity
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-04121

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF DECEMBER 31, 2014.

SI-SSA-0015-04122

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
Linden Kearny	Black Start: Linden 7/8 Kearny 12	$13	New ancillary revenue source: ~ $3 million per year	Linden Completed Kearny Underway
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 371 MW

SI-SSA-0015-04123

PSEG

* INTERCONNECTION SERVICE AGREEMENTS.

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

SI-SSA-0015-04124

PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-04125

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA Fuel and energy dispatch management

SI-SSA-0015-04126

PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

SI-SSA-0015-04127

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-04128

Developing People to drive operational excellence and to optimize the workforce

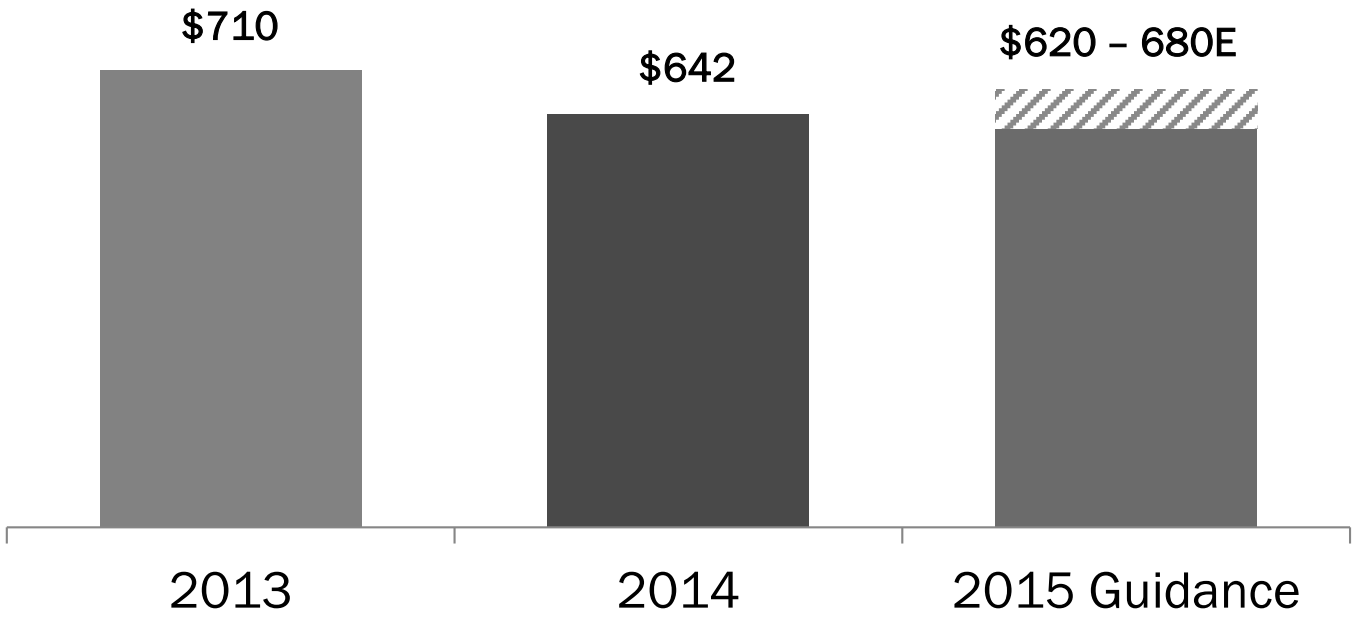
- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-04129

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-04130

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

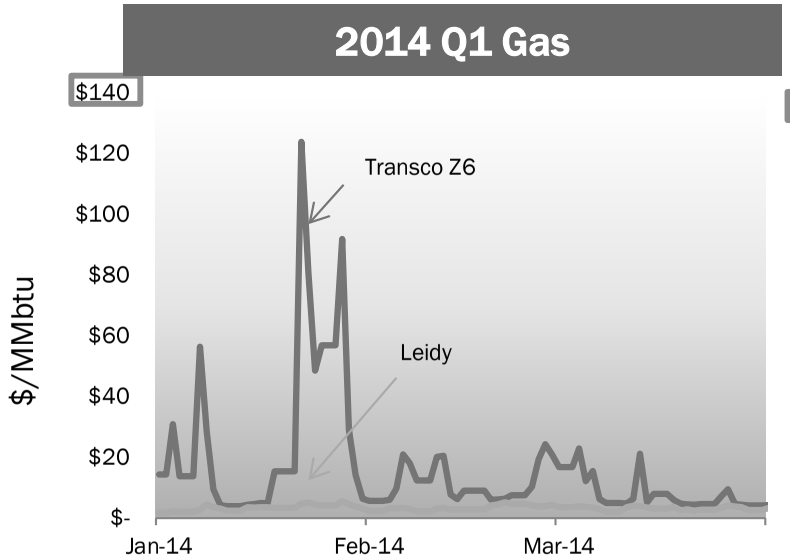
PSEG POWER
ER&T

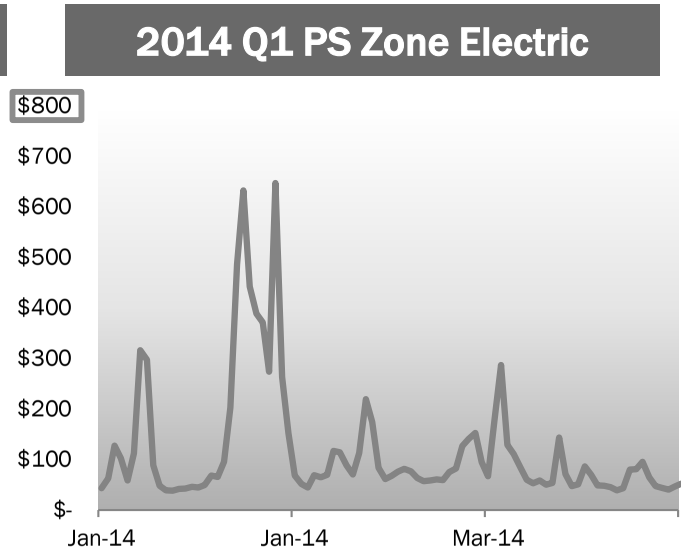
SI-SSA-0015-04131

PSEG

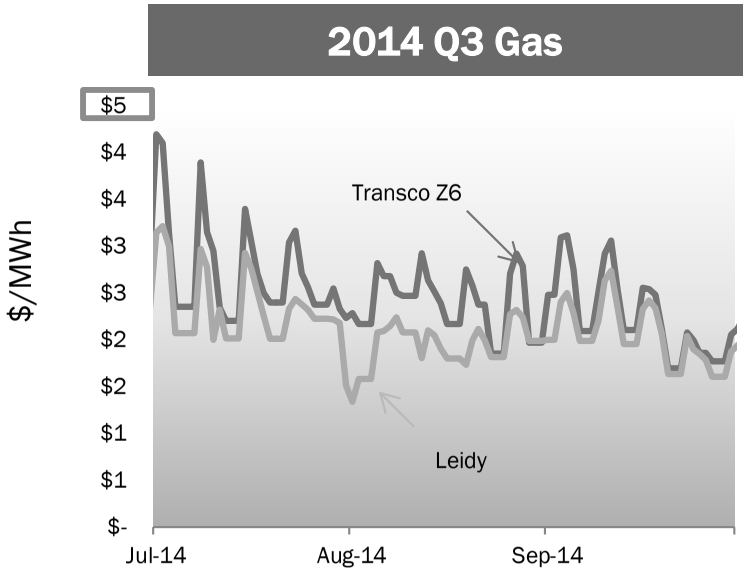
We make things work for you.

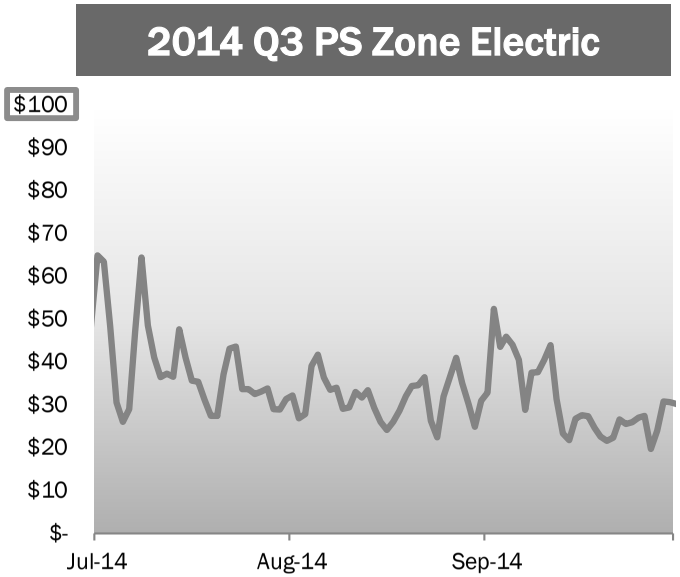
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



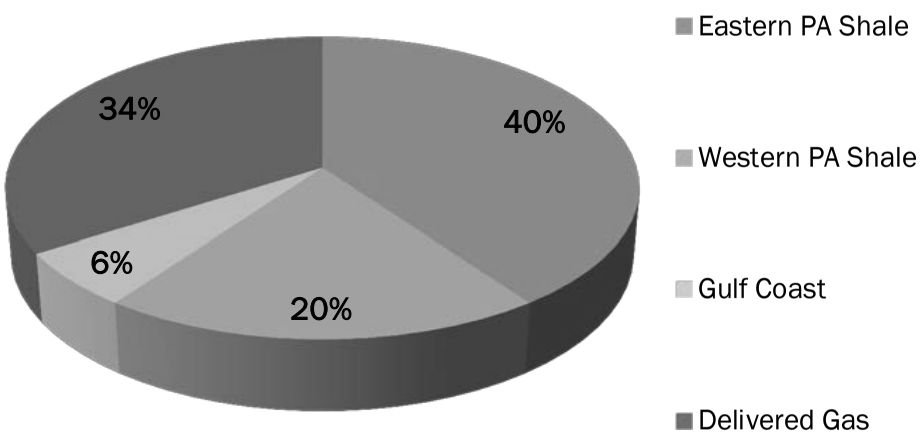


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-04132

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

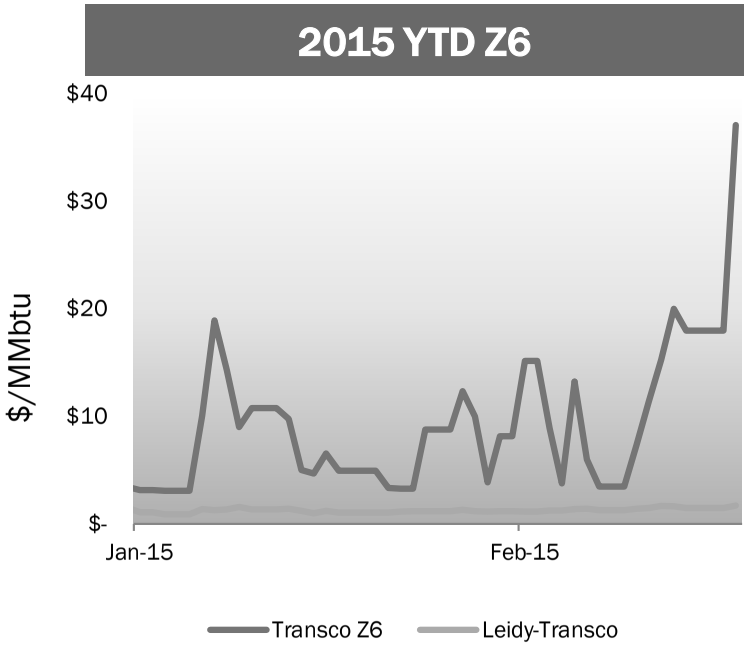
Power's Gas for Generation in 2014

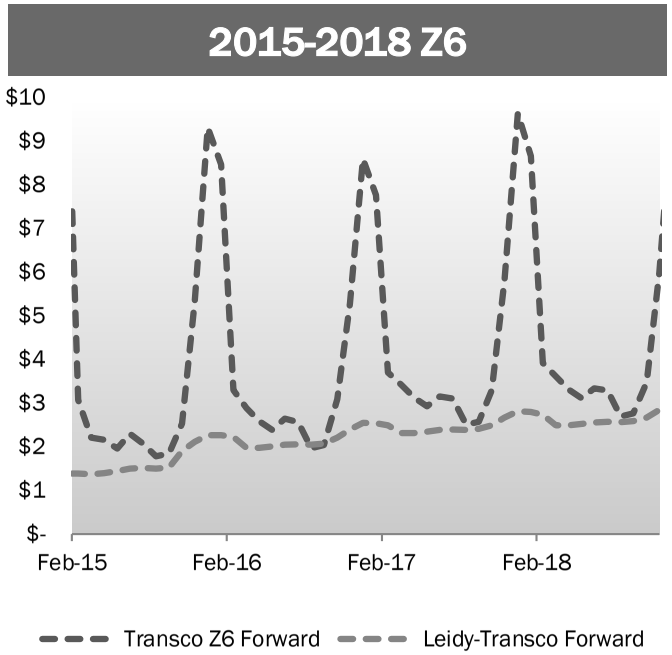


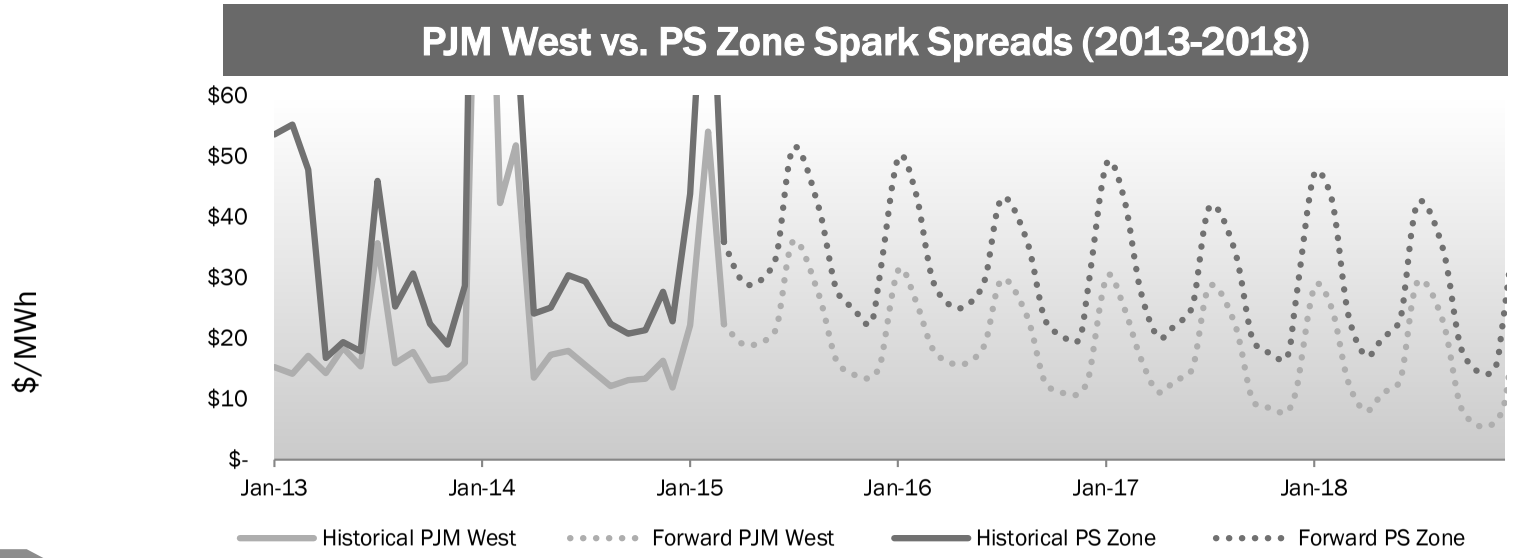
- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

SI-SSA-0015-04133

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM





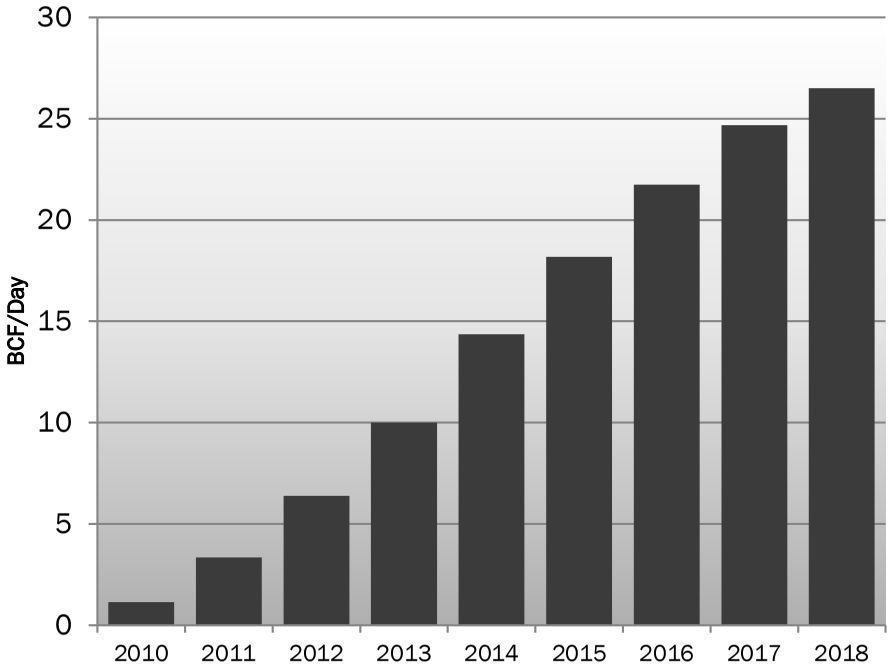


FORWARDS AS OF DECEMBER 31, 2014

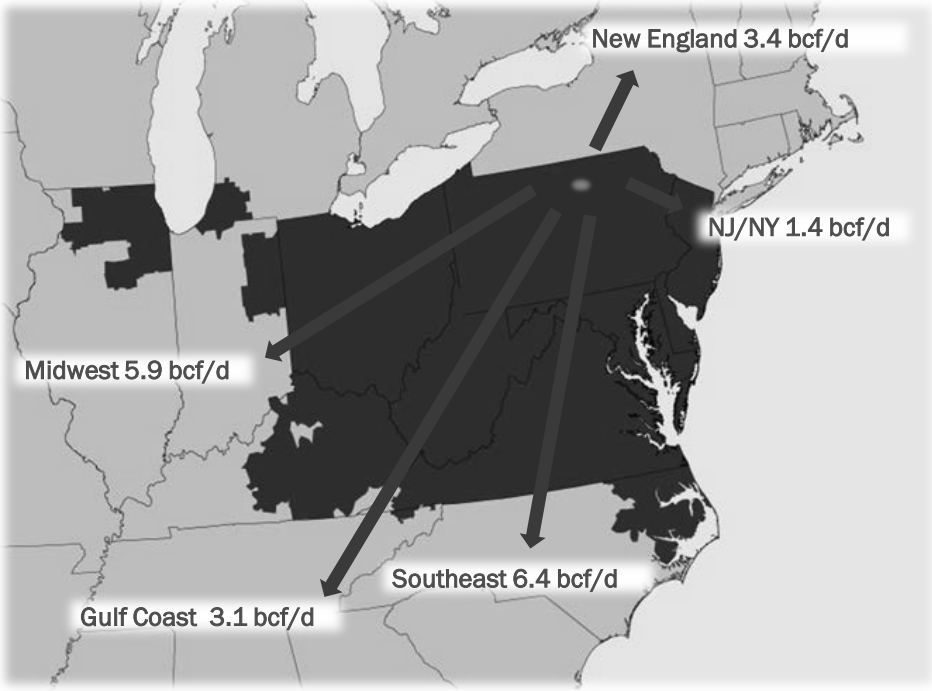
SI-SSA-0015-04134

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



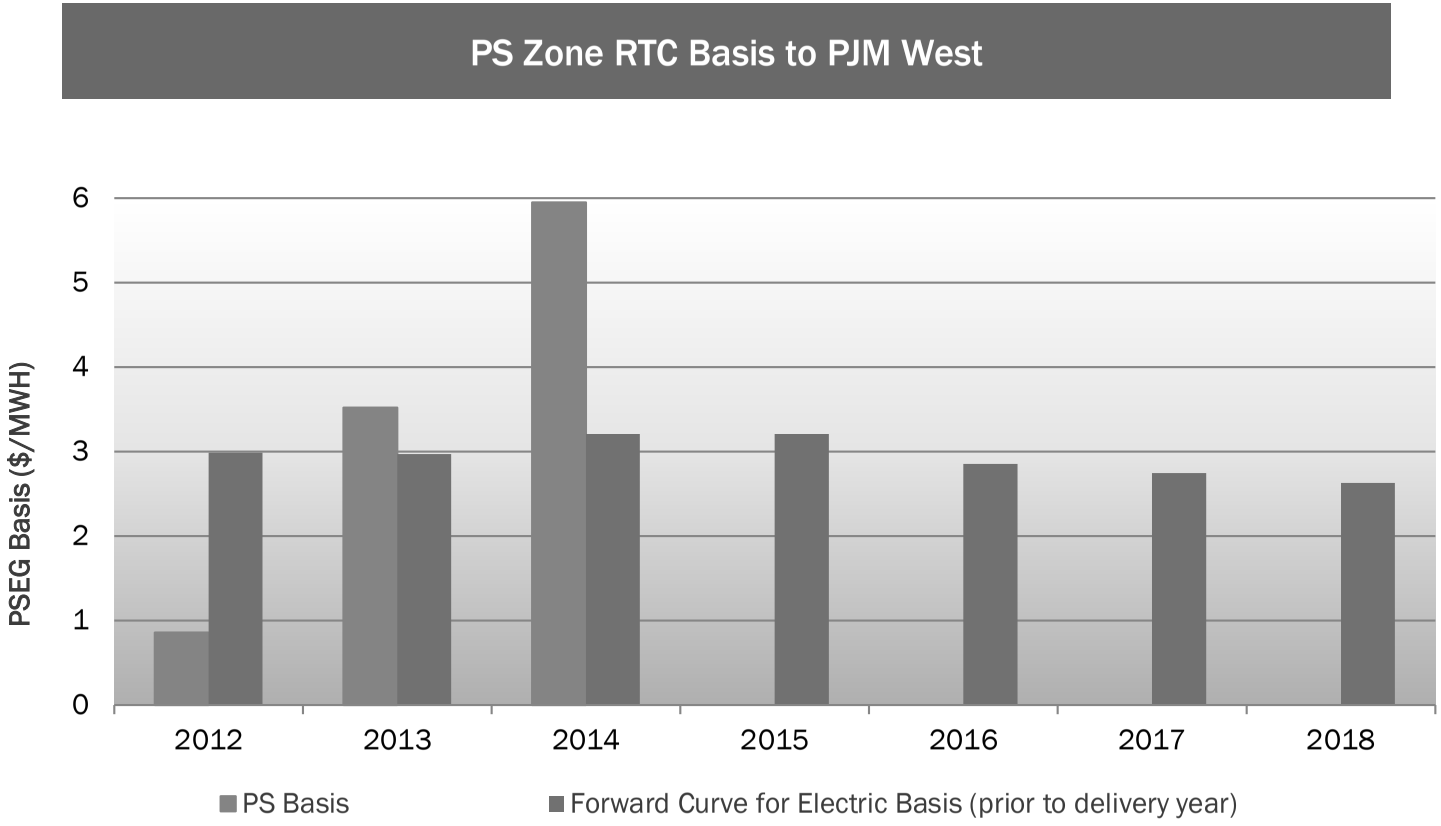
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-04135

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-04136

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-04137

PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places emphasis on reliability, given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

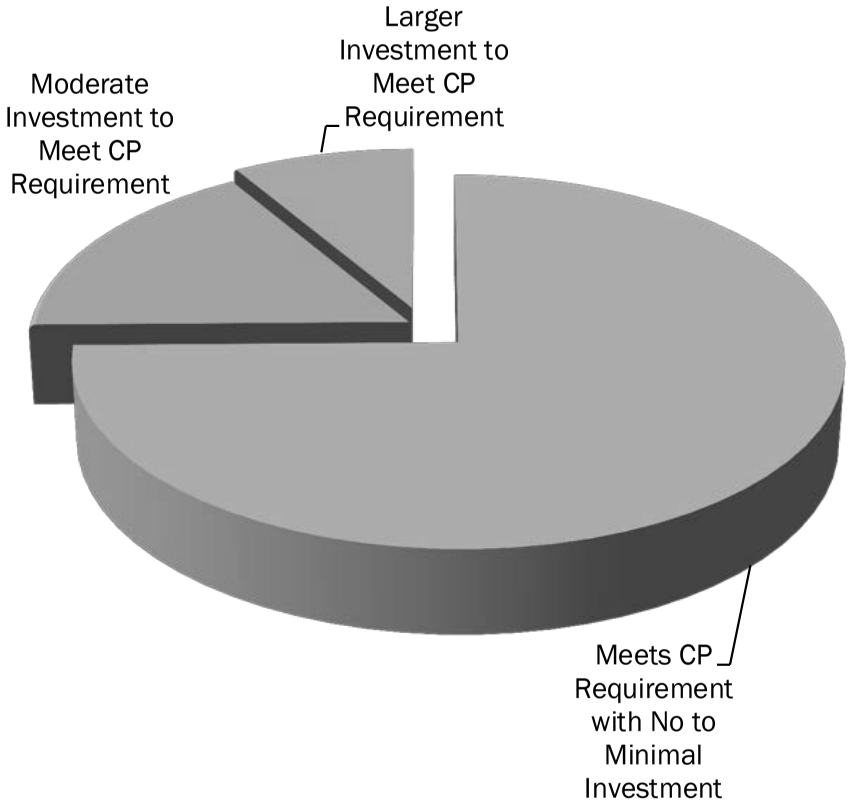
April 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

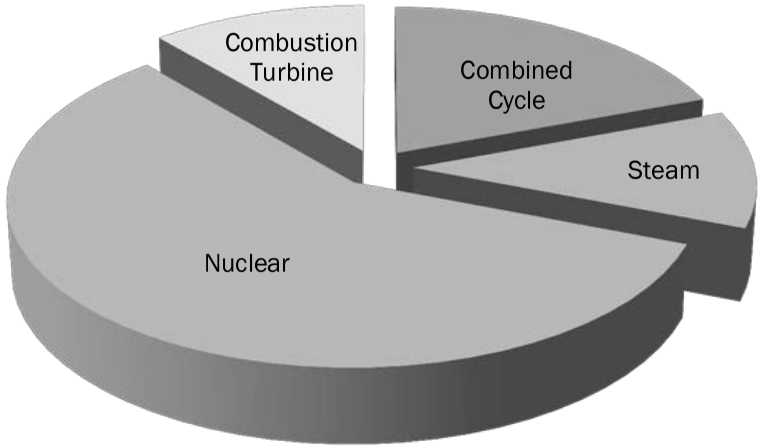
SI-SSA-0015-04138

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets



* EXCLUDES 205MW OF PUMPED STORAGE

SI-SSA-0015-04139

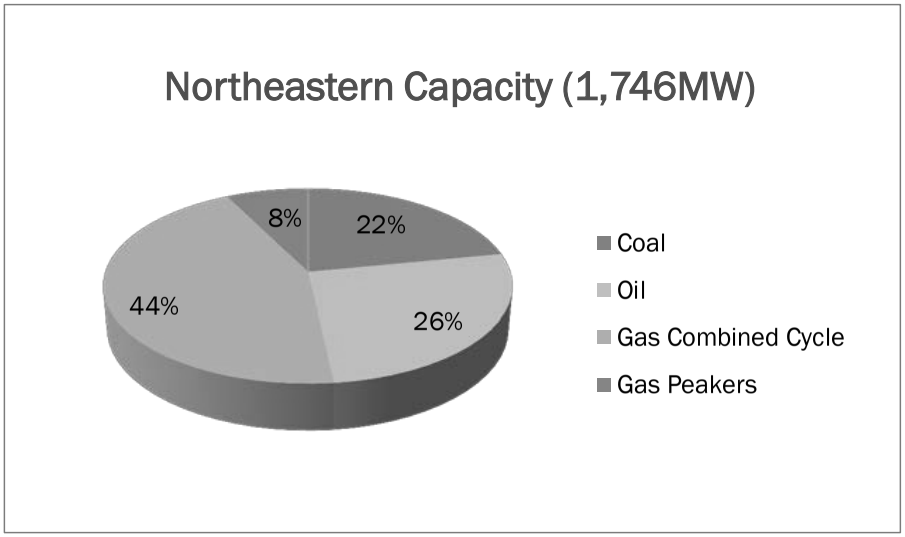
Northeast Portfolio: New York and New England

New England (972MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-04140

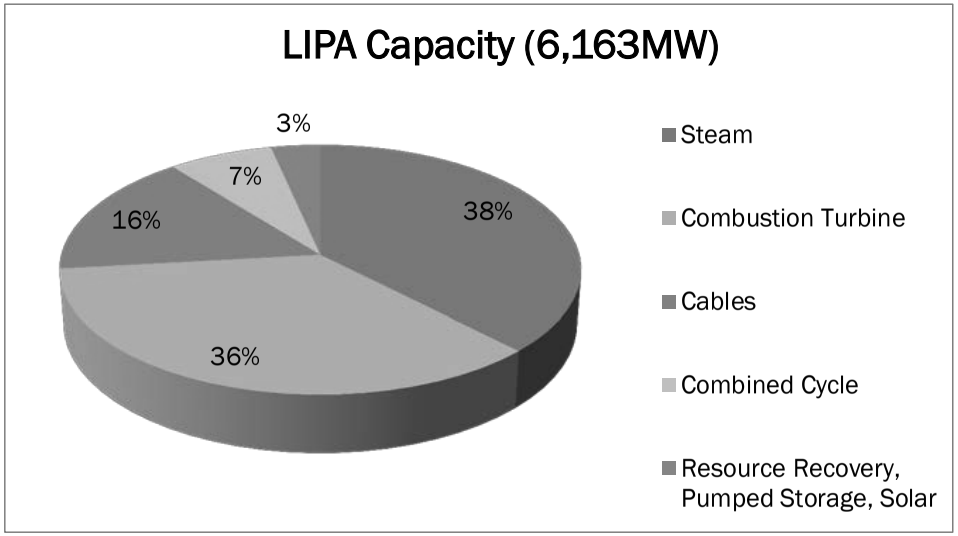
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-04141

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

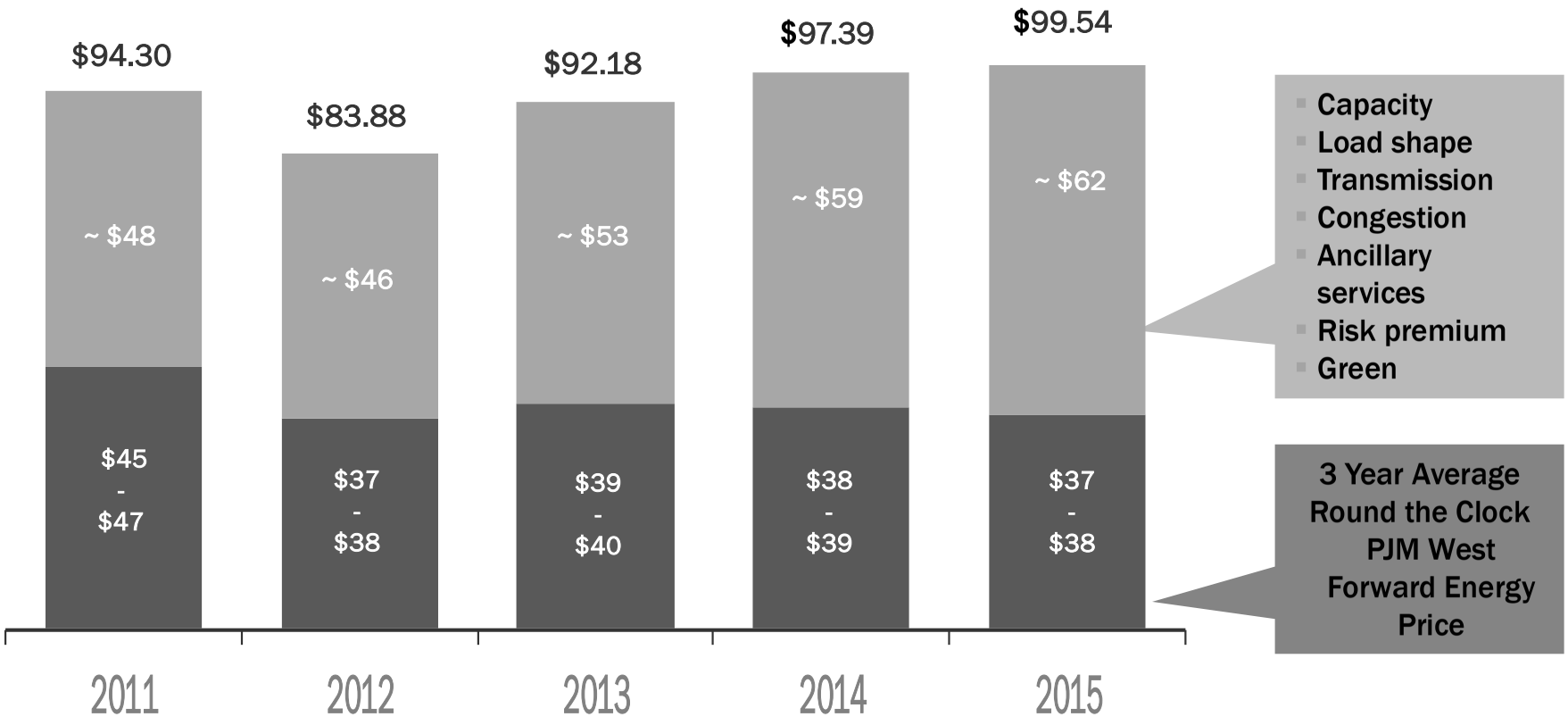
- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

SI-SSA-0015-04142

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-04143

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$52	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	21	19	19
	% Hedged	40-45%	0%	0%
	Price $/MWh	$52	$52	$52
Total	Volume TWh	55-57	55-57	55-57
	% Hedged	75-80%	50-55%	25-30%
	Price $/MWh	$52	$52	$52

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-04144

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-04145

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-04146

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-04147

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

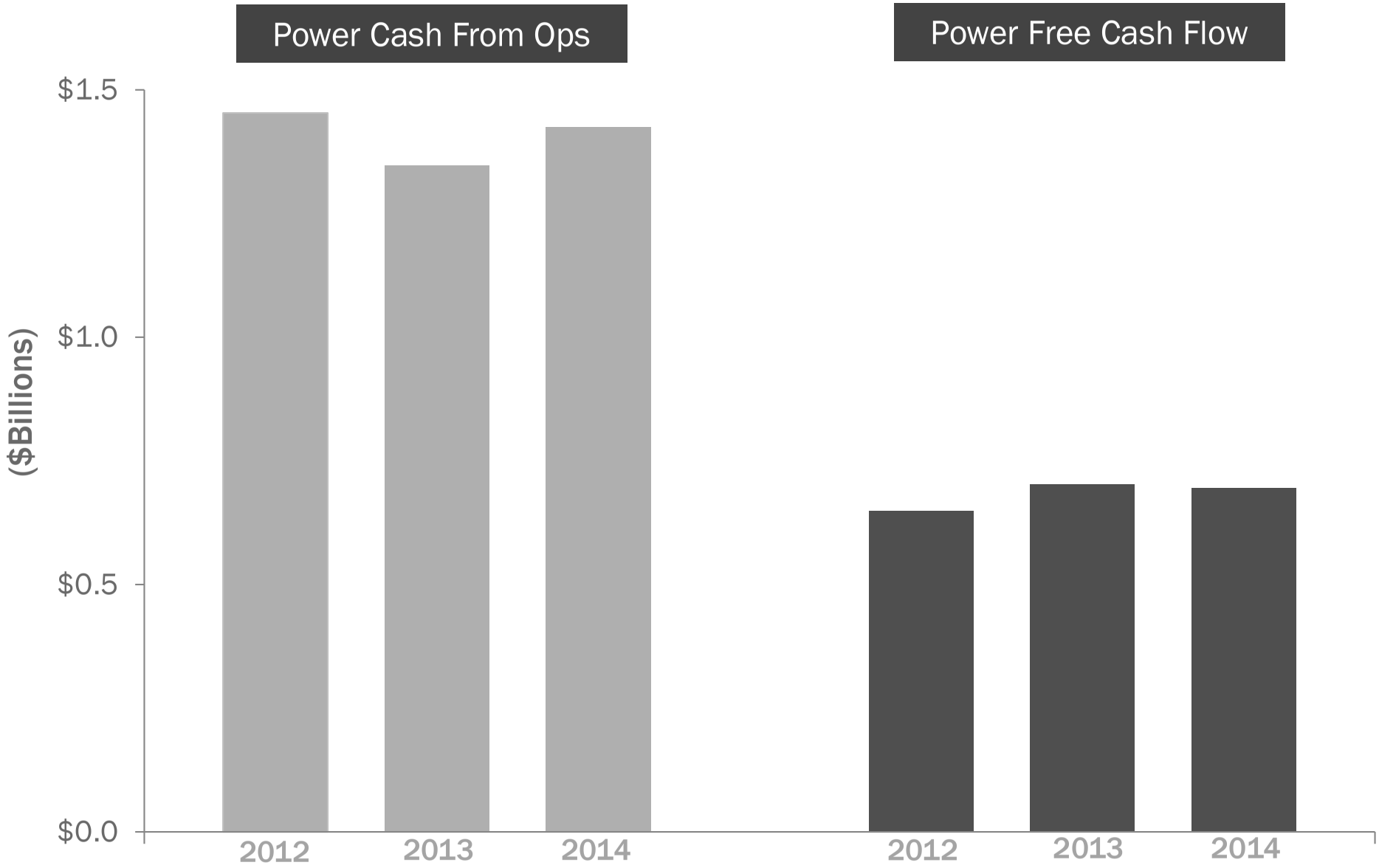
SI-SSA-0015-04148

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

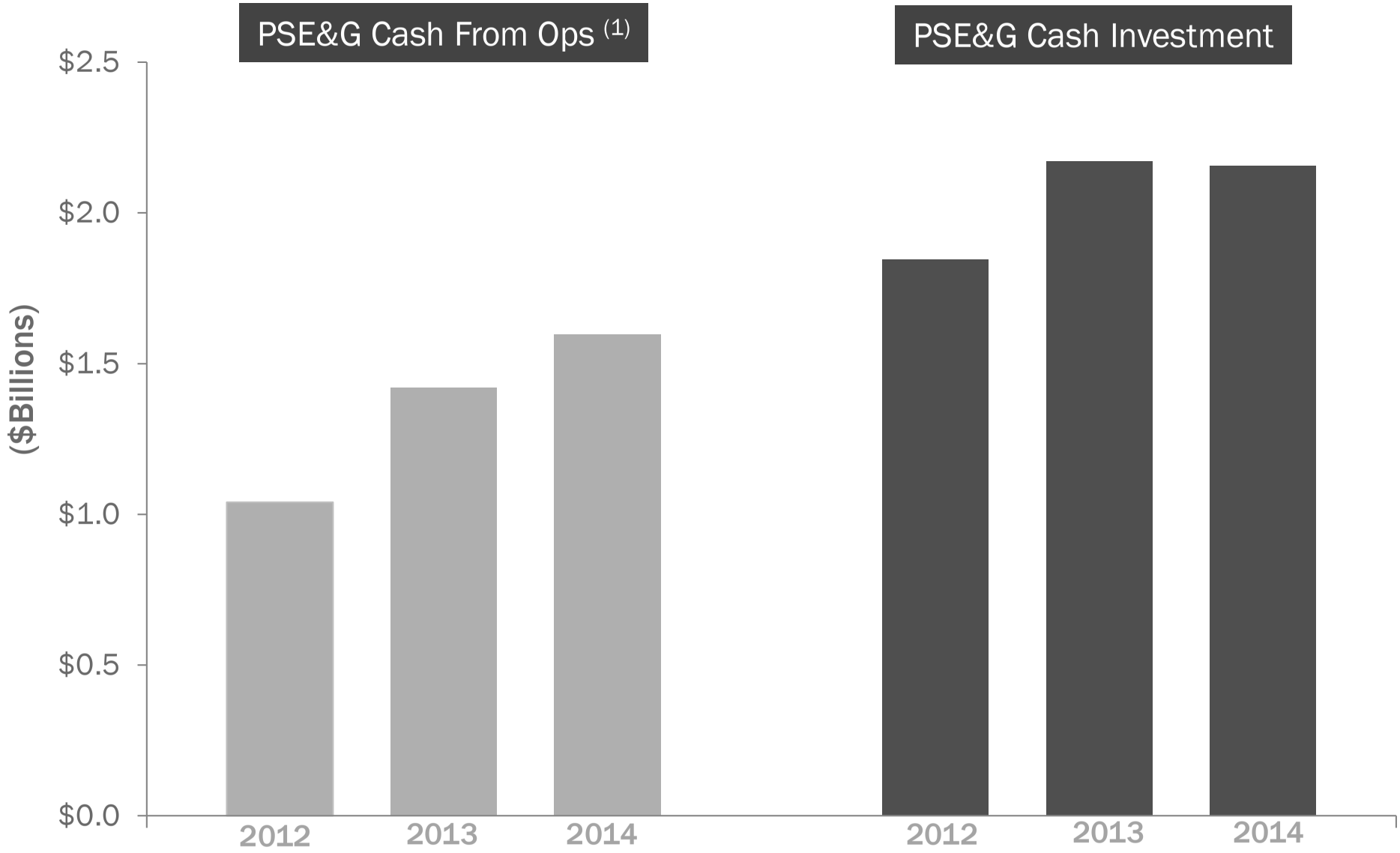
Power produced significant and consistent

Free Cash Flow



SI-SSA-0015-04149

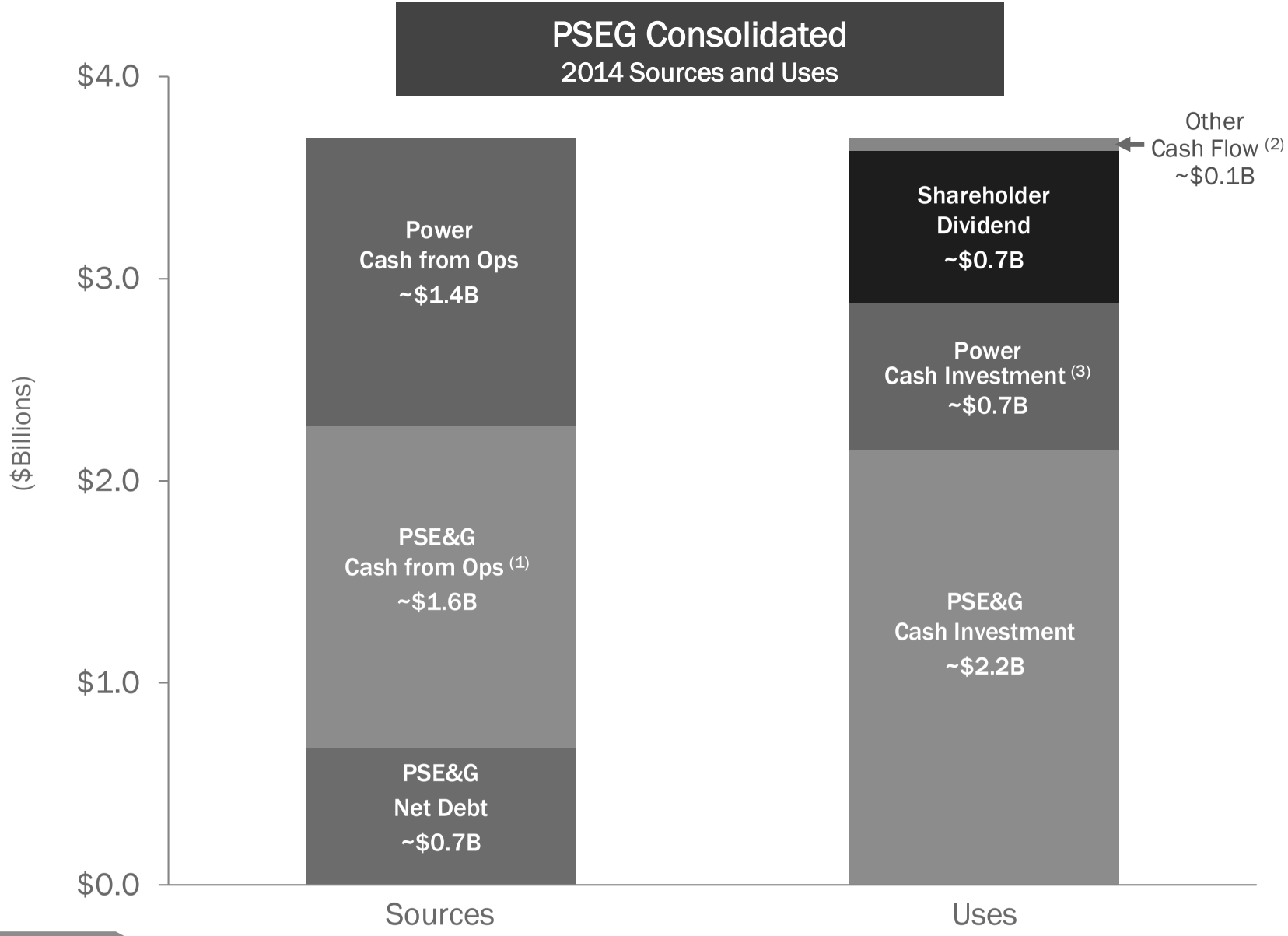
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-04150

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

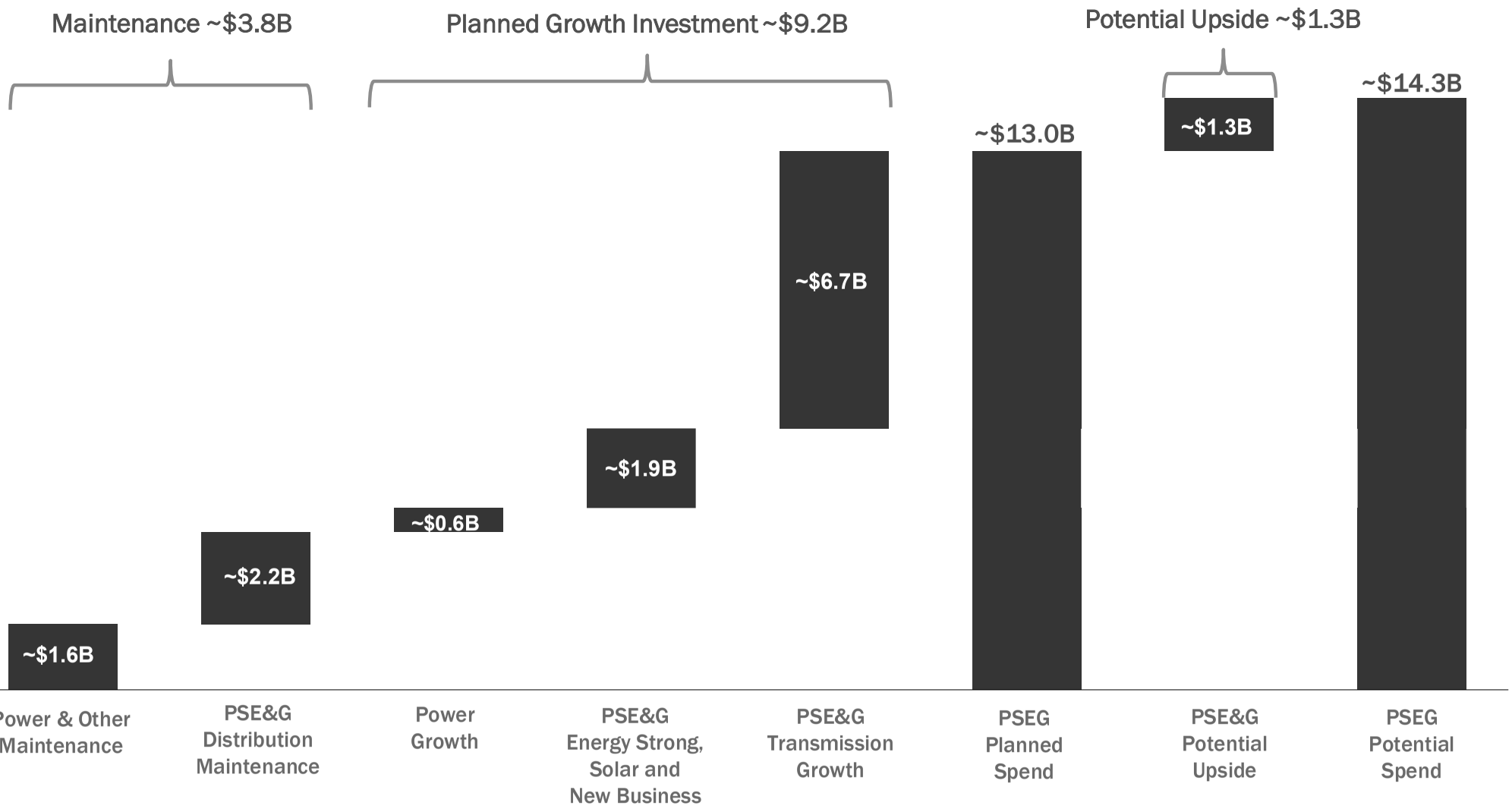


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-04151

PSEG growth spend represents ~70% of total investment with new PSE&G investment opportunities of over $1B

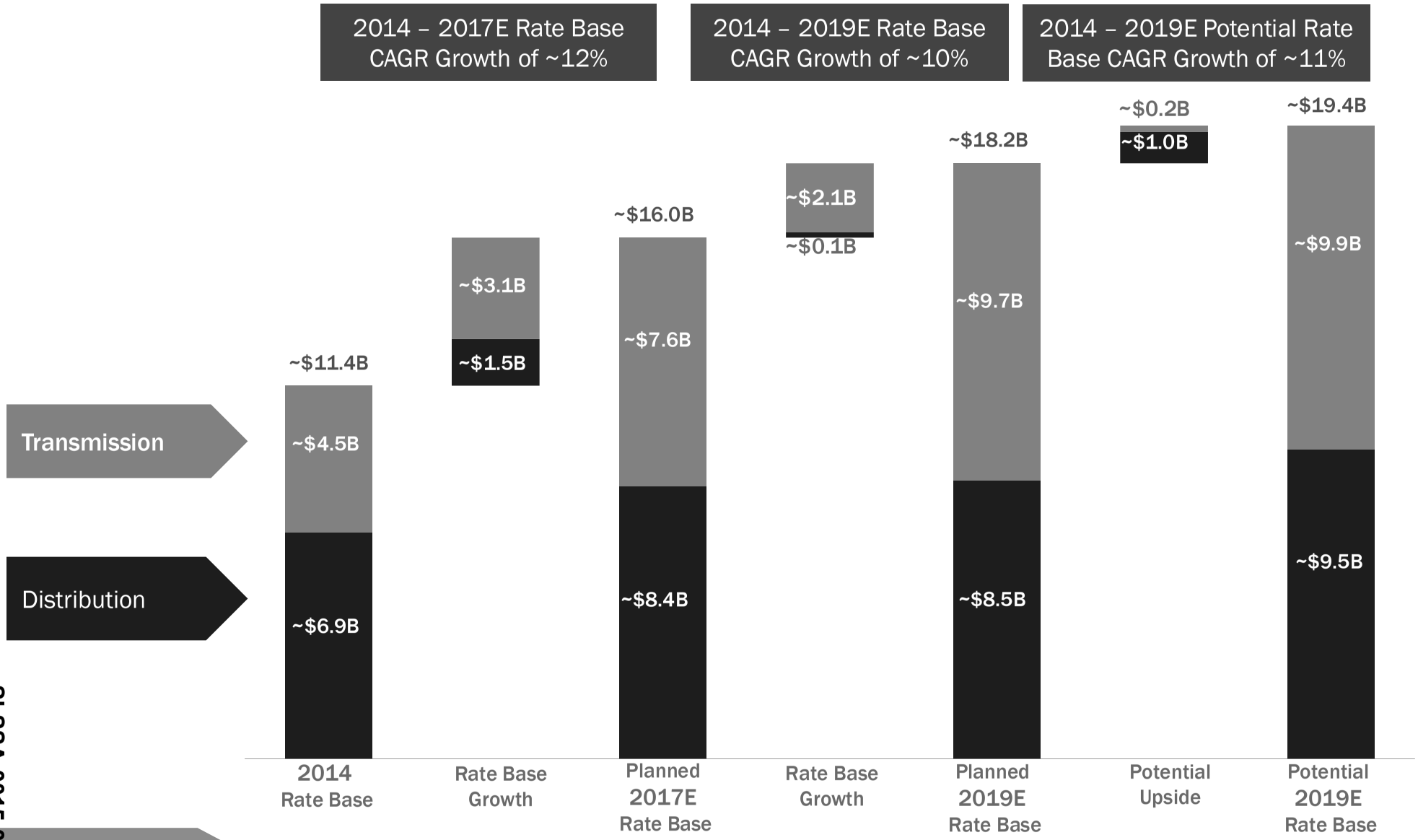
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC; PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-04152

PSE&G's Capital Program drives double-digit growth in rate base through 2019

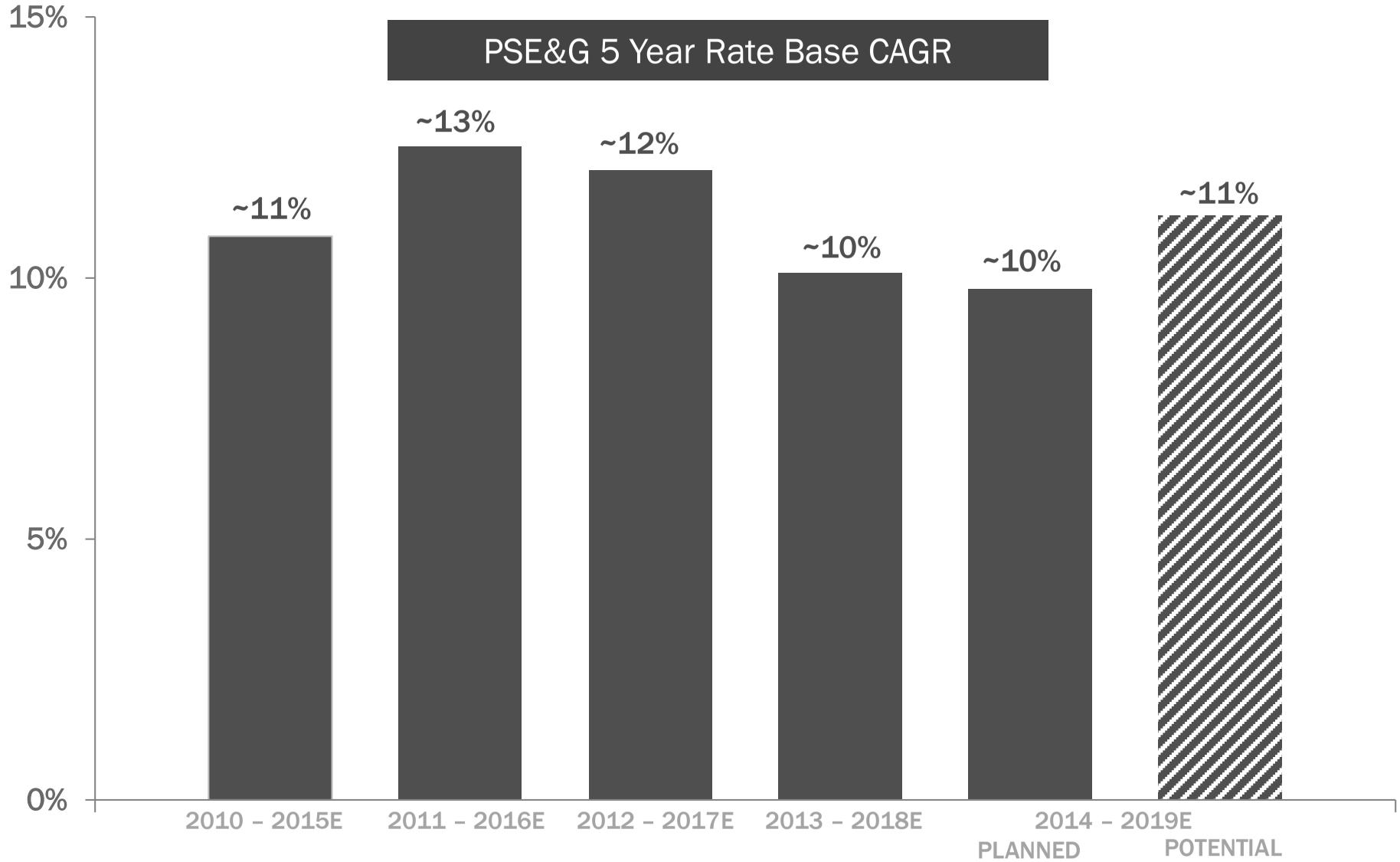


E = ESTIMATE

SI-SSA-0015-04153

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



E = ESTIMATE.

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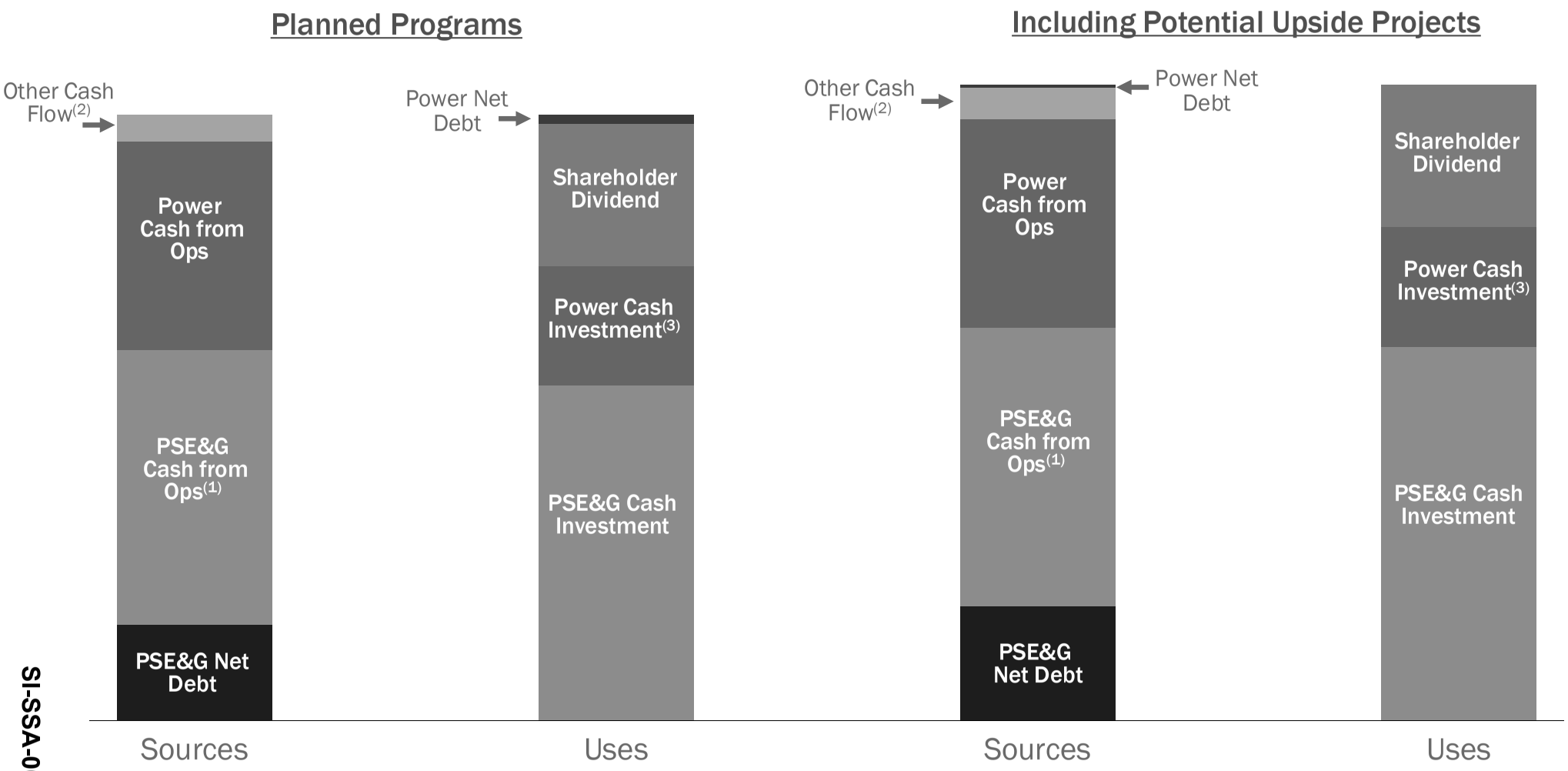
Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

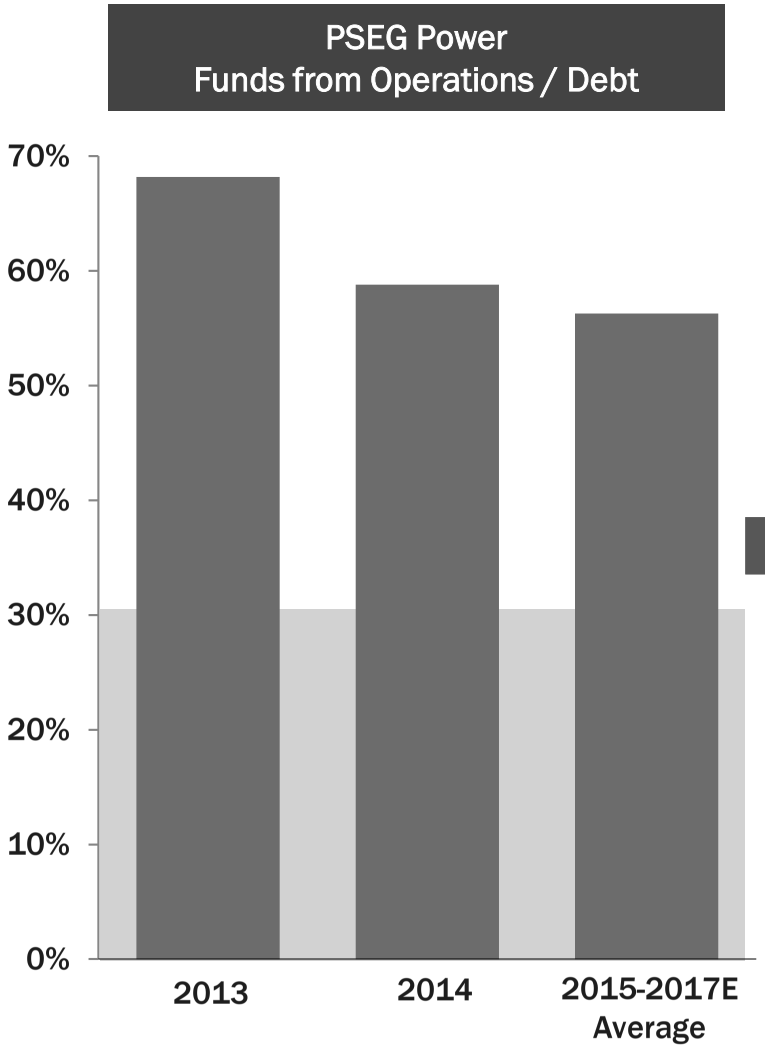
PSEG 2015 - 2019E Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

Power's key credit metric remains strong

providing opportunity for incremental investment



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

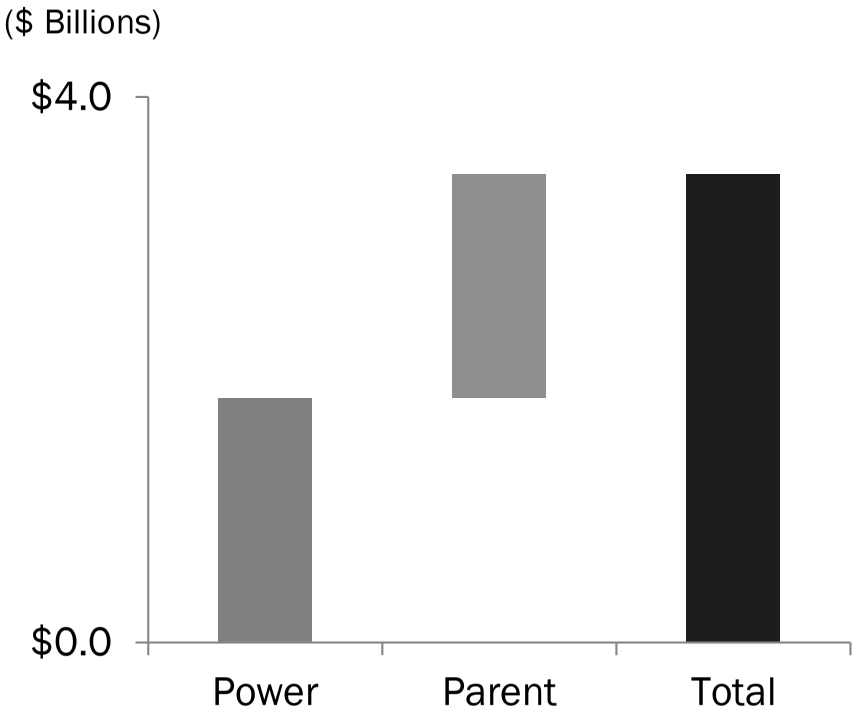
SI-SSA-0015-04156

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017



Our incremental investment capacity can support over $6B in regulated investments

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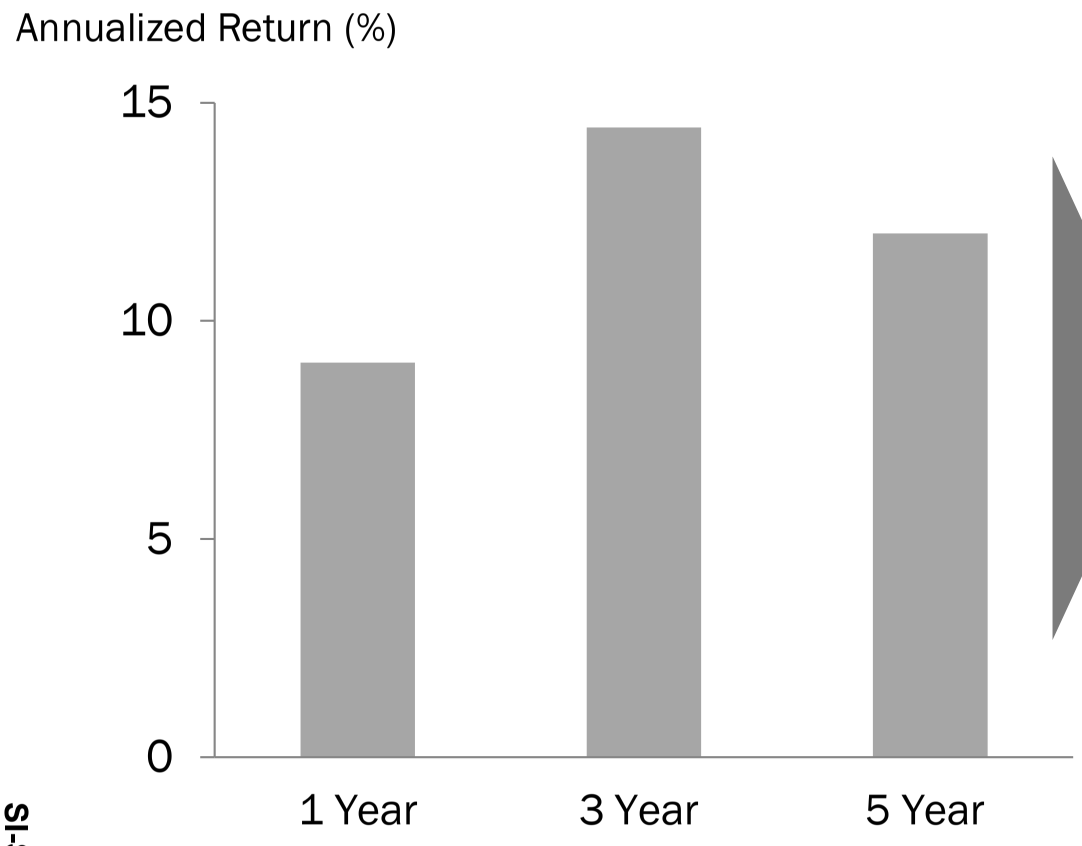
Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



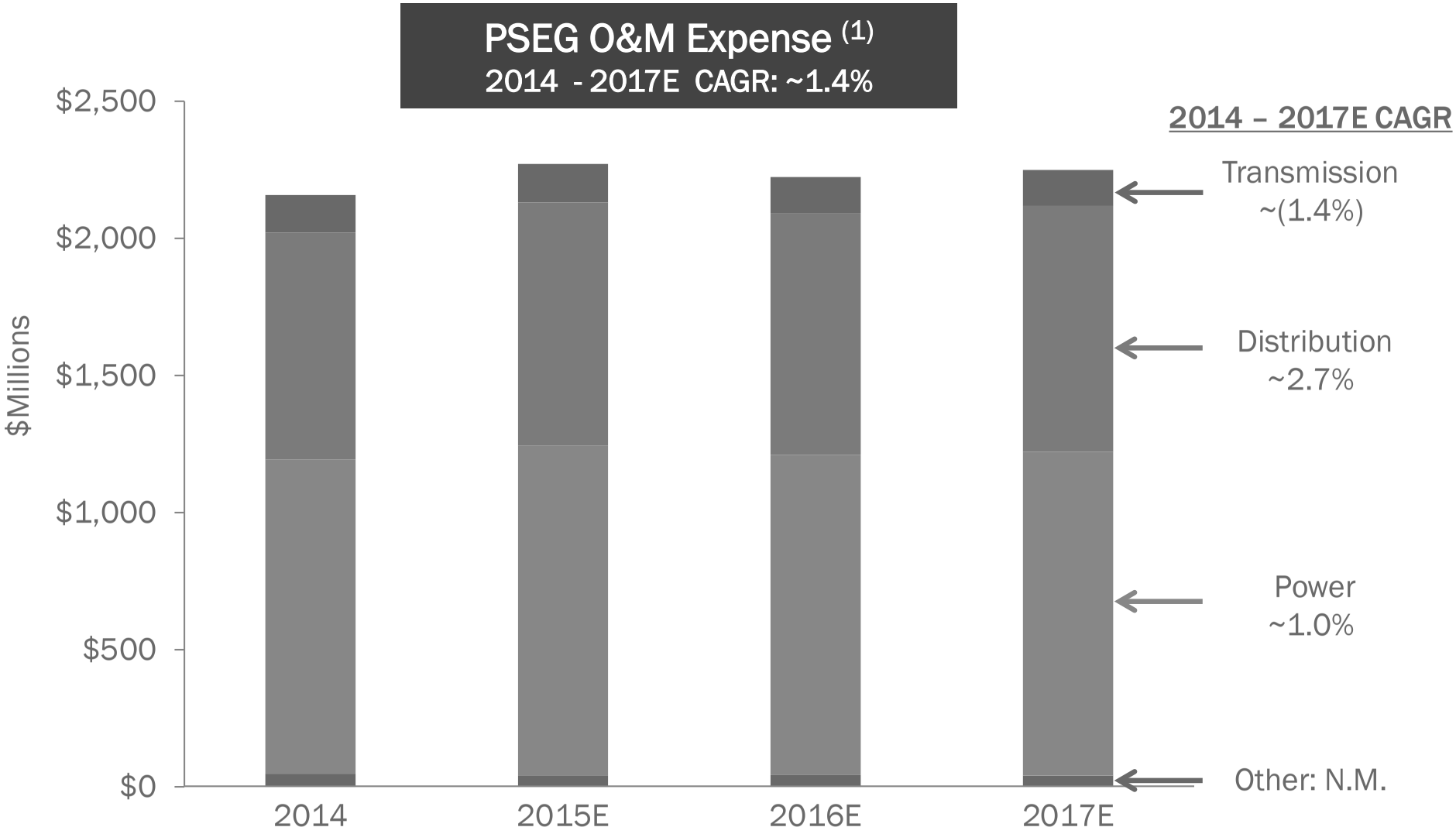
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

SI-SSA-0015-04158

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

Increasing PSE&G earnings with stable contribution from Power

PSEG Operating Earnings			
$ Millions (except EPS)	**2013**	**2014**	**2015E**
PSE&G	$612	$725	$735 - $775
PSEG Power	$710	$642	$620 - $680
Enterprise/Other	($13)	$33	$40 - $45
Operating Earnings*	$1,309	$1,400	$1,395 - $1,500
*Operating EPS**	**$2.58**	**$2.76**	**$2.75 - $2.95**

Regulated % of Earnings	**47%**	**52%**	**52% (1)**

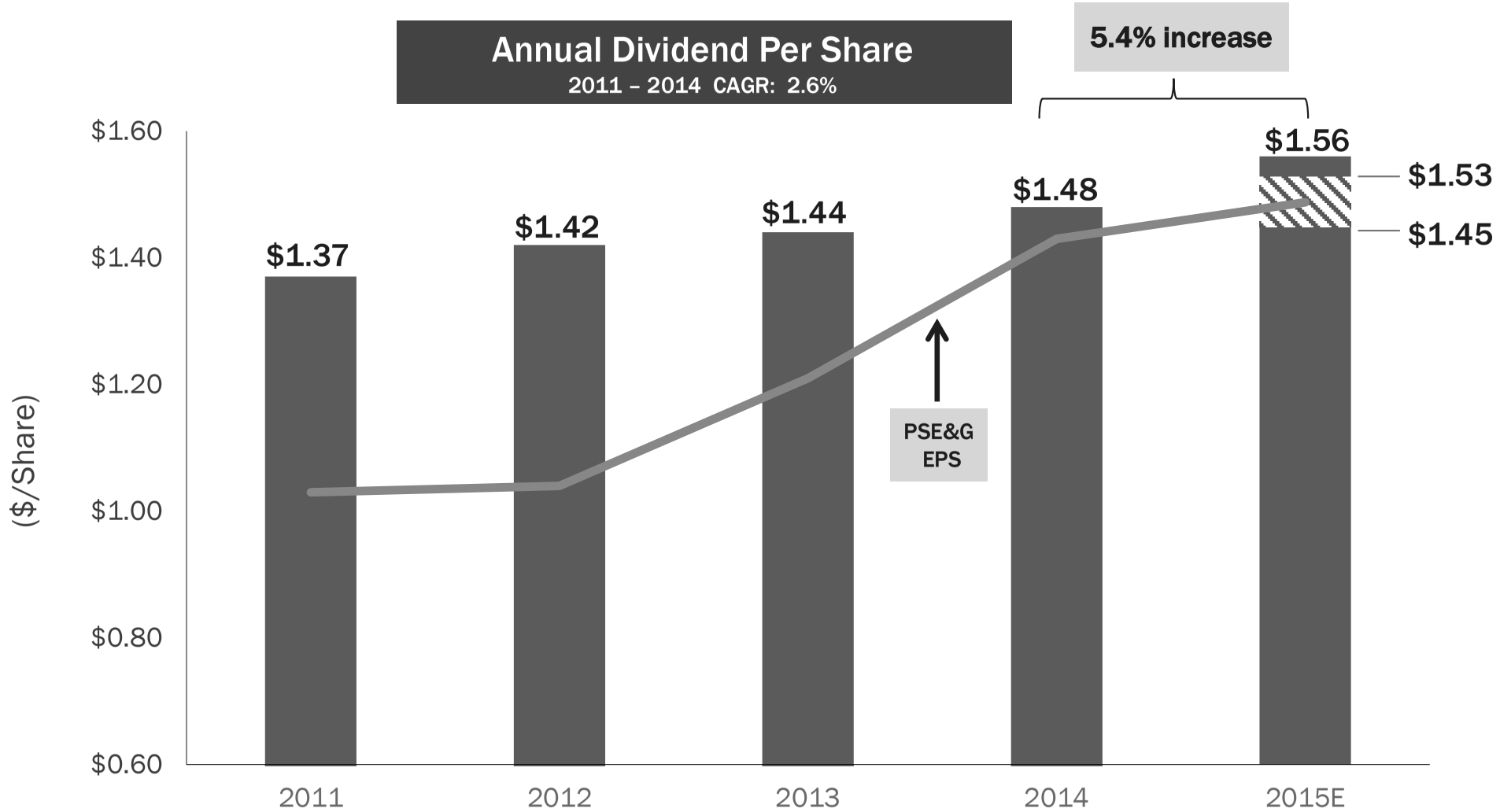
SI-SSA-0015-04160

PSEG

(1) REPRESENTS MID POINT OF GUIDANCE
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E+ ESTMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

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PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 OPERATING EARNINGS GUIDANCE OF $2.75-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

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PSEG Summary

- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

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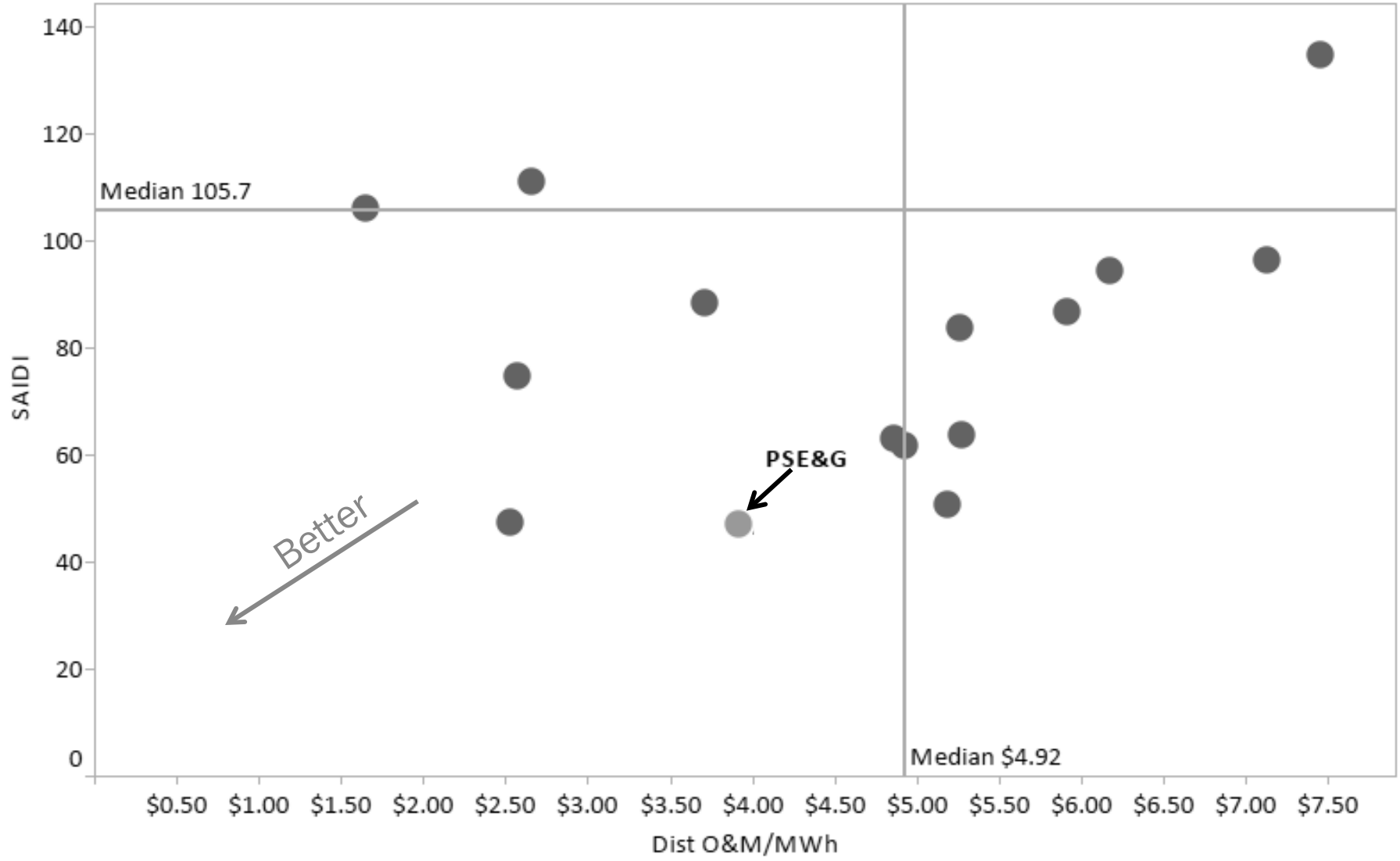
PSE&G APPENDIX

SI-SSA-0015-04164

PSE&G provides high reliability at below average cost which creates superior value to customers

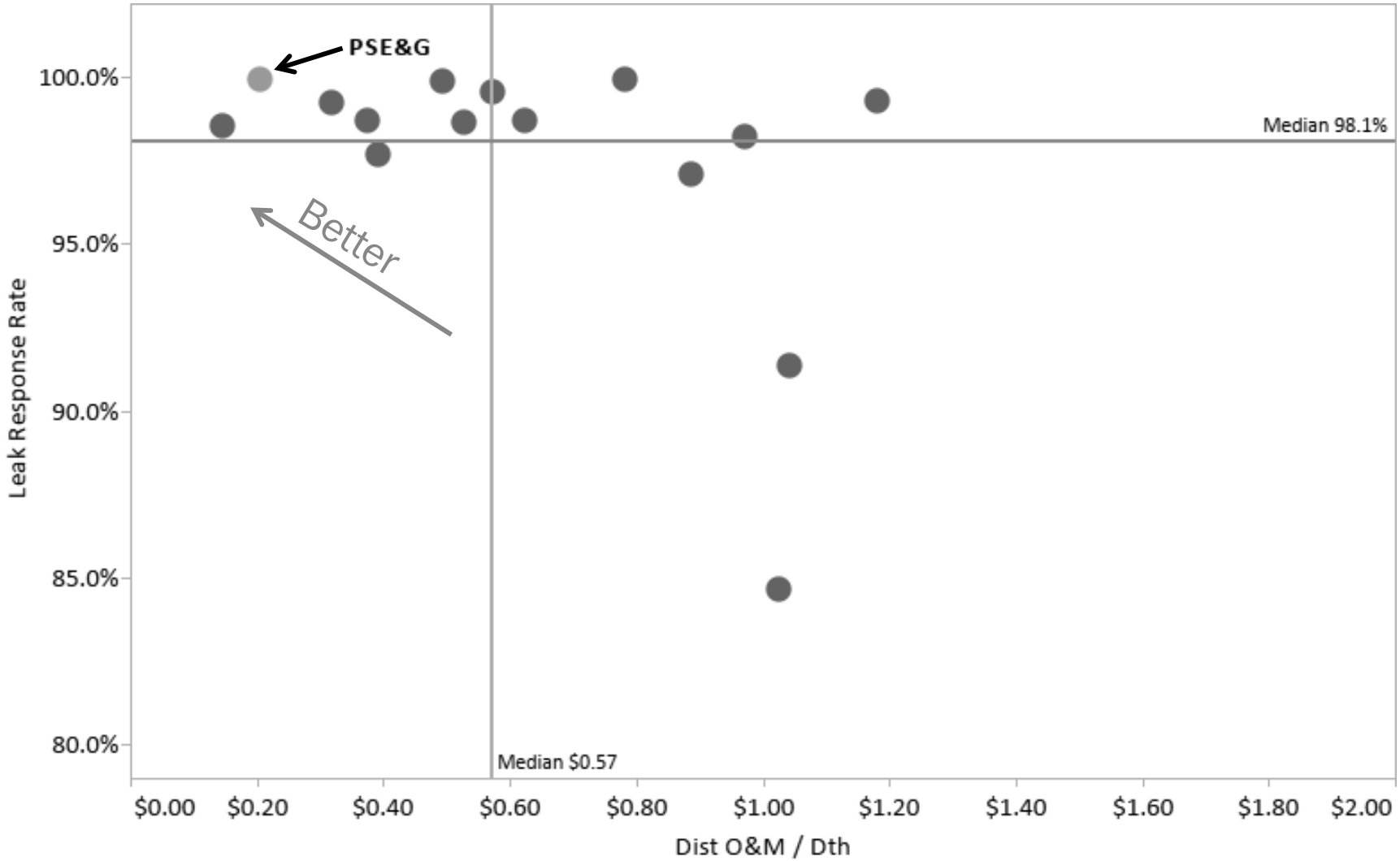


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-04165

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

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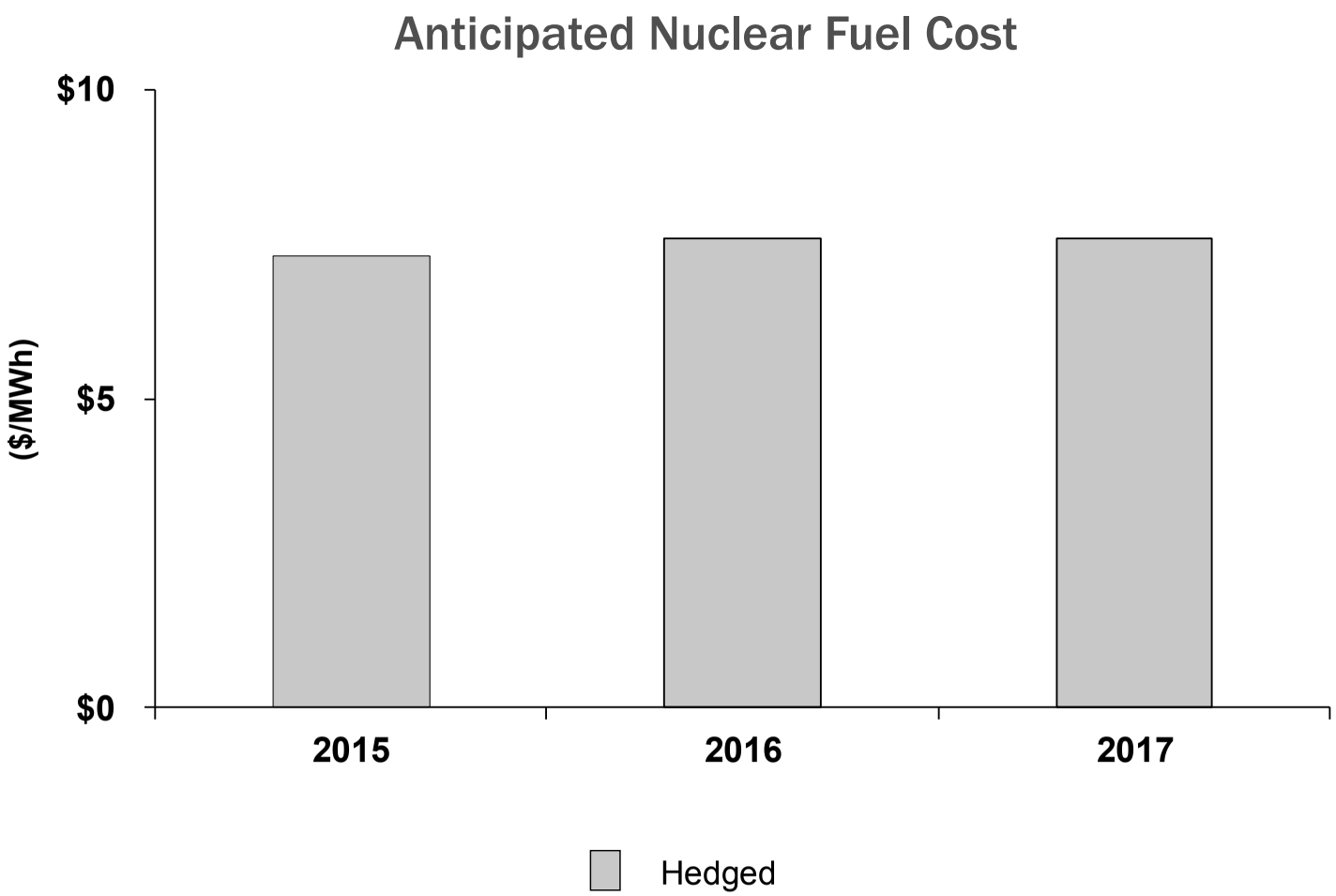
PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-04167

Nuclear fuel needs have been hedged through 2017



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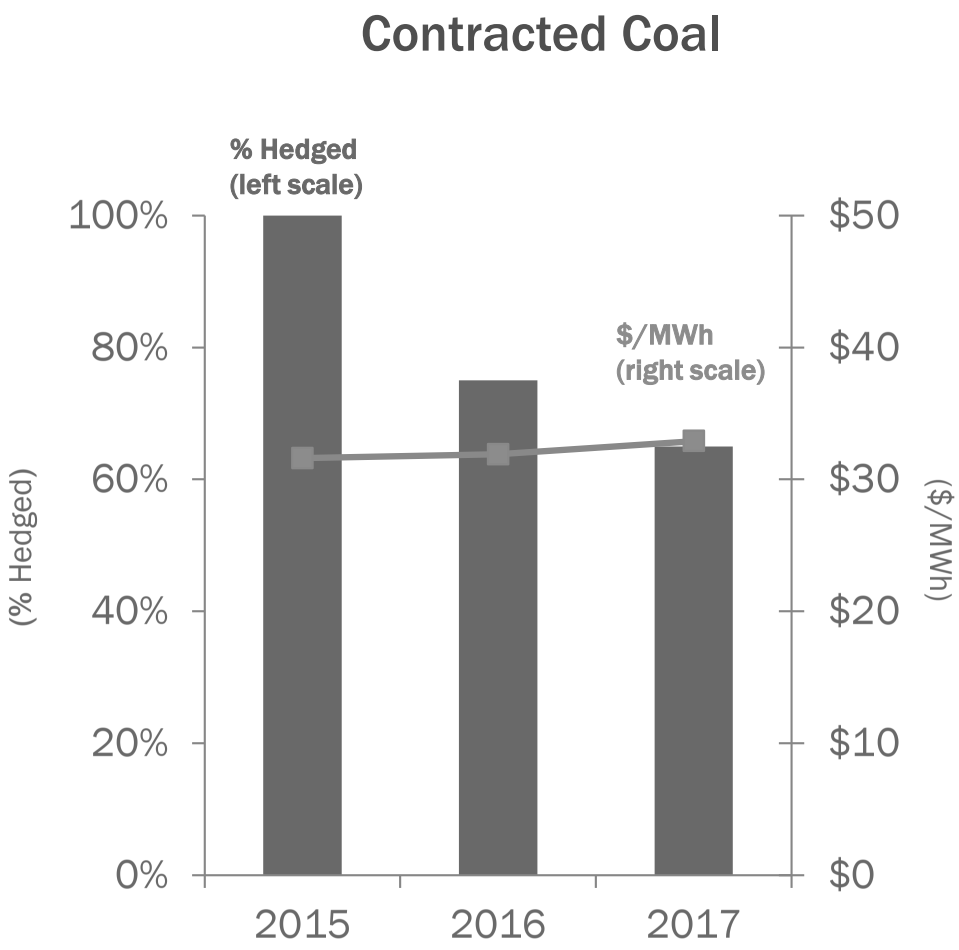
Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION

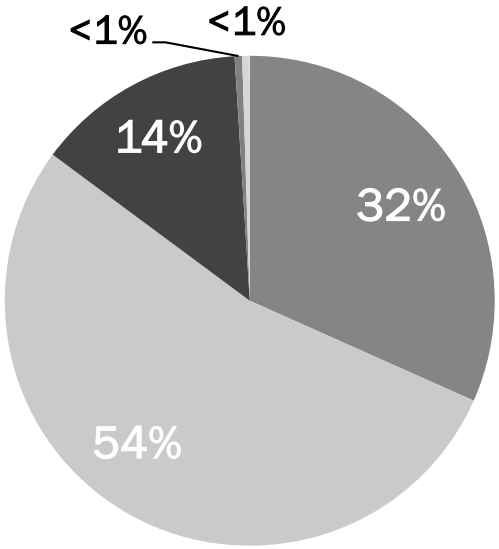
SI-SSA-0015-04169

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

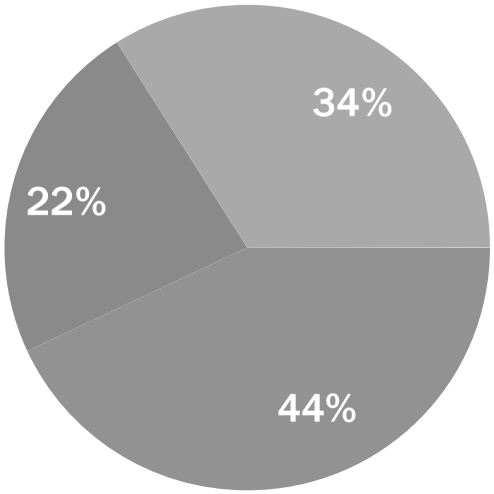
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

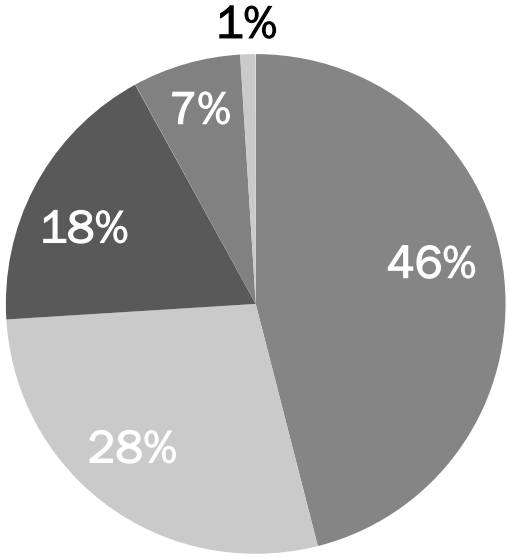
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

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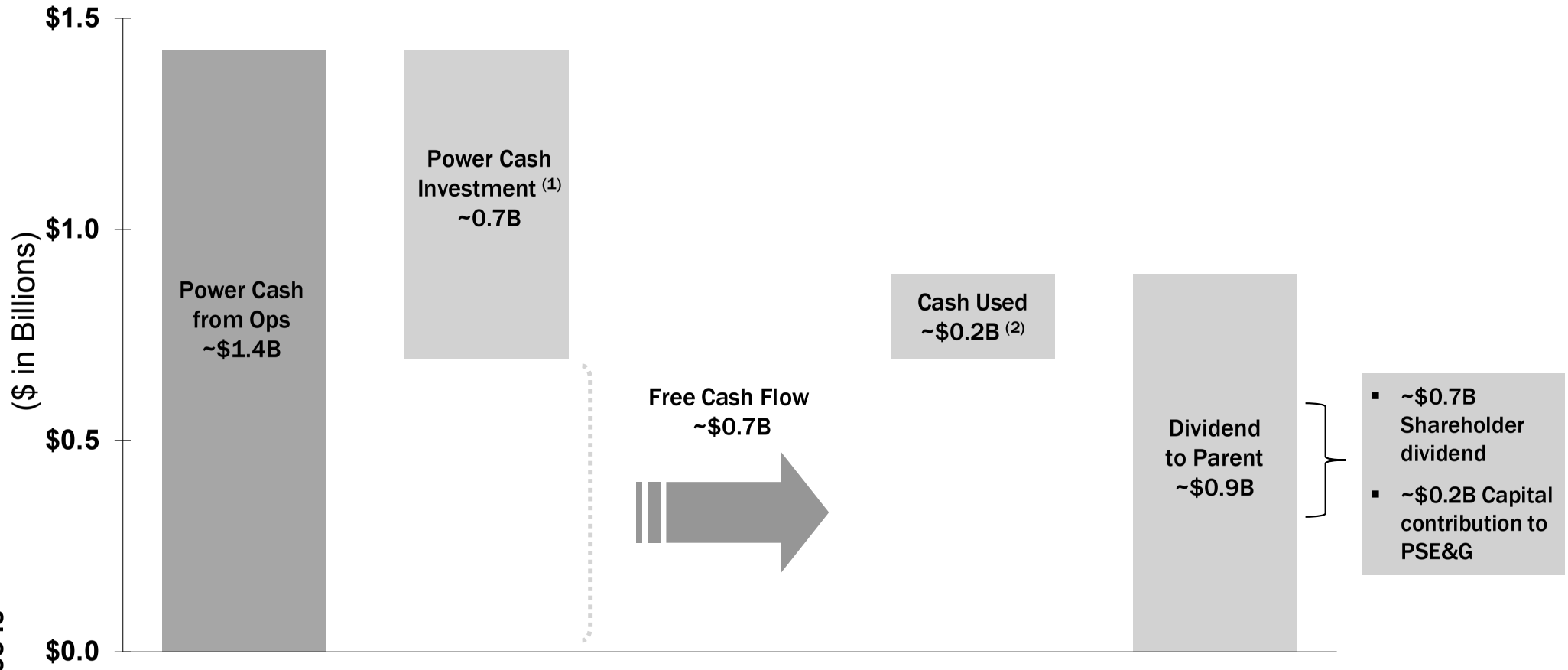
PSEG FINANCIAL APPENDIX

SI-SSA-0015-04172

In 2014, Power had significant free cash flow

Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

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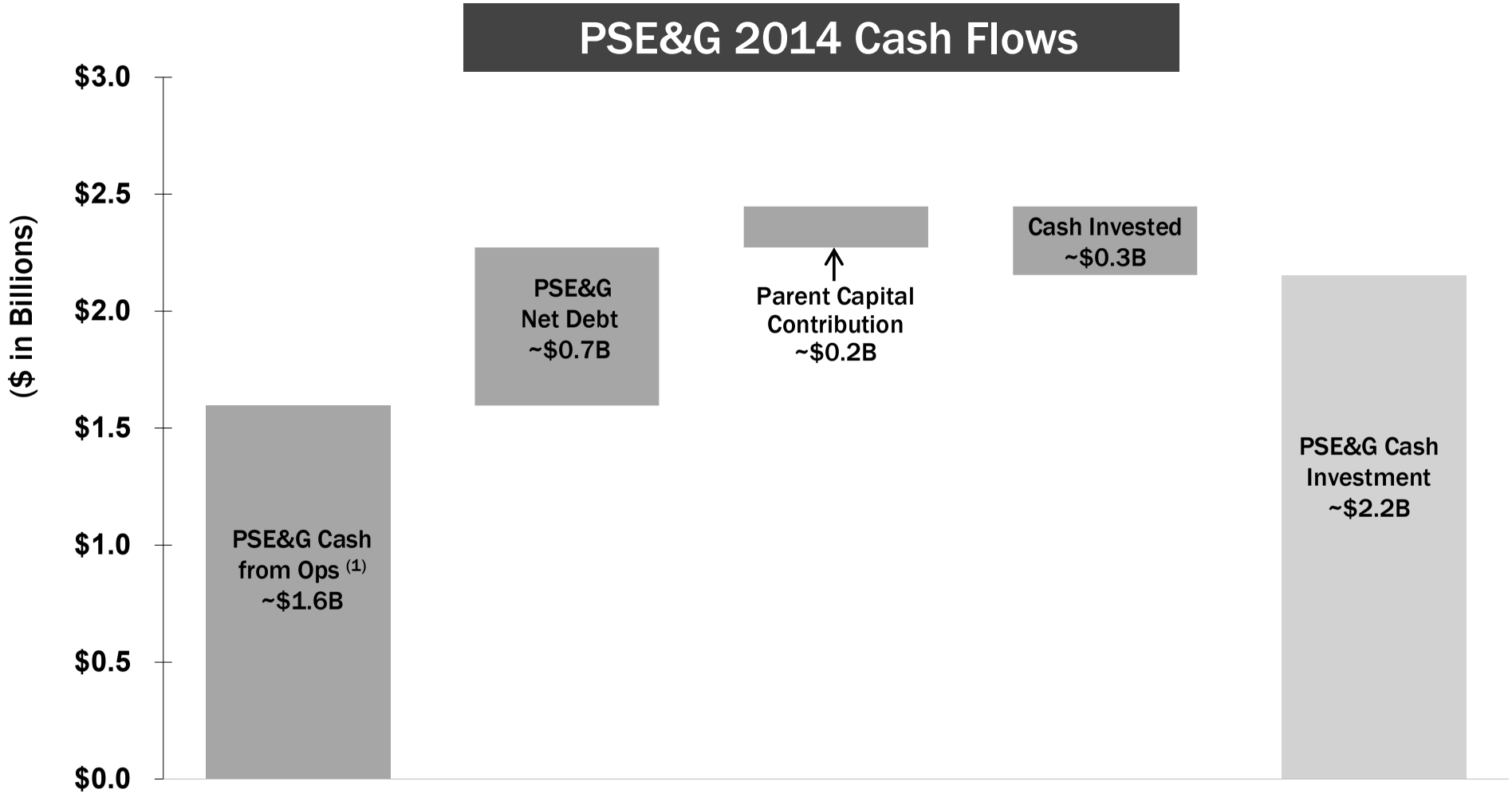
In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-04174

Our balance sheet remains strong

December 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.4	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[1]	8.9	6.3	2.5
Common Equity	12.2	6.8	5.6
Total Capitalization	**$21.1**	**$13.1**	**$8.1**
Total Debt / Capitalization	42%	48%	31%

PSE&G Regulated Equity Ratio[2] 51.4%

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PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $259 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Liquidity as of December 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$97	$1,503
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$219	$4,081
				PSEG Money Pool ST Investment	$71
				PSE&G ST Investment	$294
				Total Liquidity Available	**$4,446**
				Total Parent / Power Liquidity	**$3,566**

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

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

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

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PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 12/31/14 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	354
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	146
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	55
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	42
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$884**

SI-SSA-0015-04177

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-04179

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Barclays CEO Energy - Power Conference

SEPTEMBER 6, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04180

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-04181

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-04182

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016	2016
Assets $26B Net Income $889M	Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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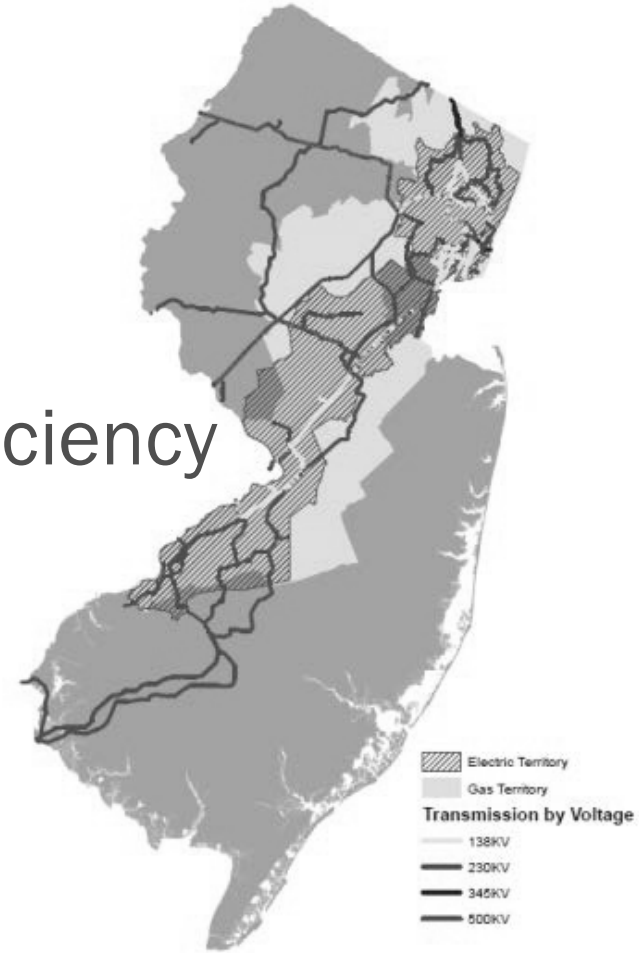
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

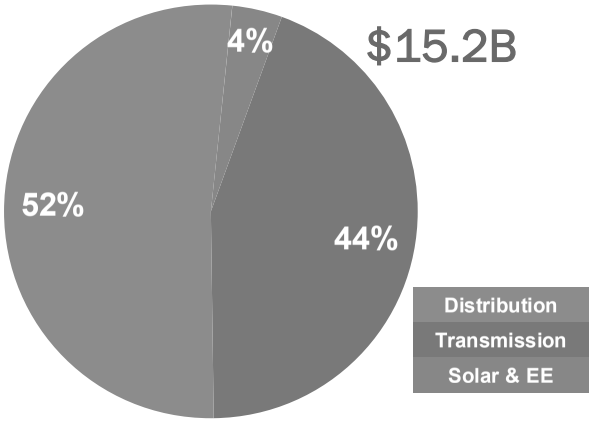
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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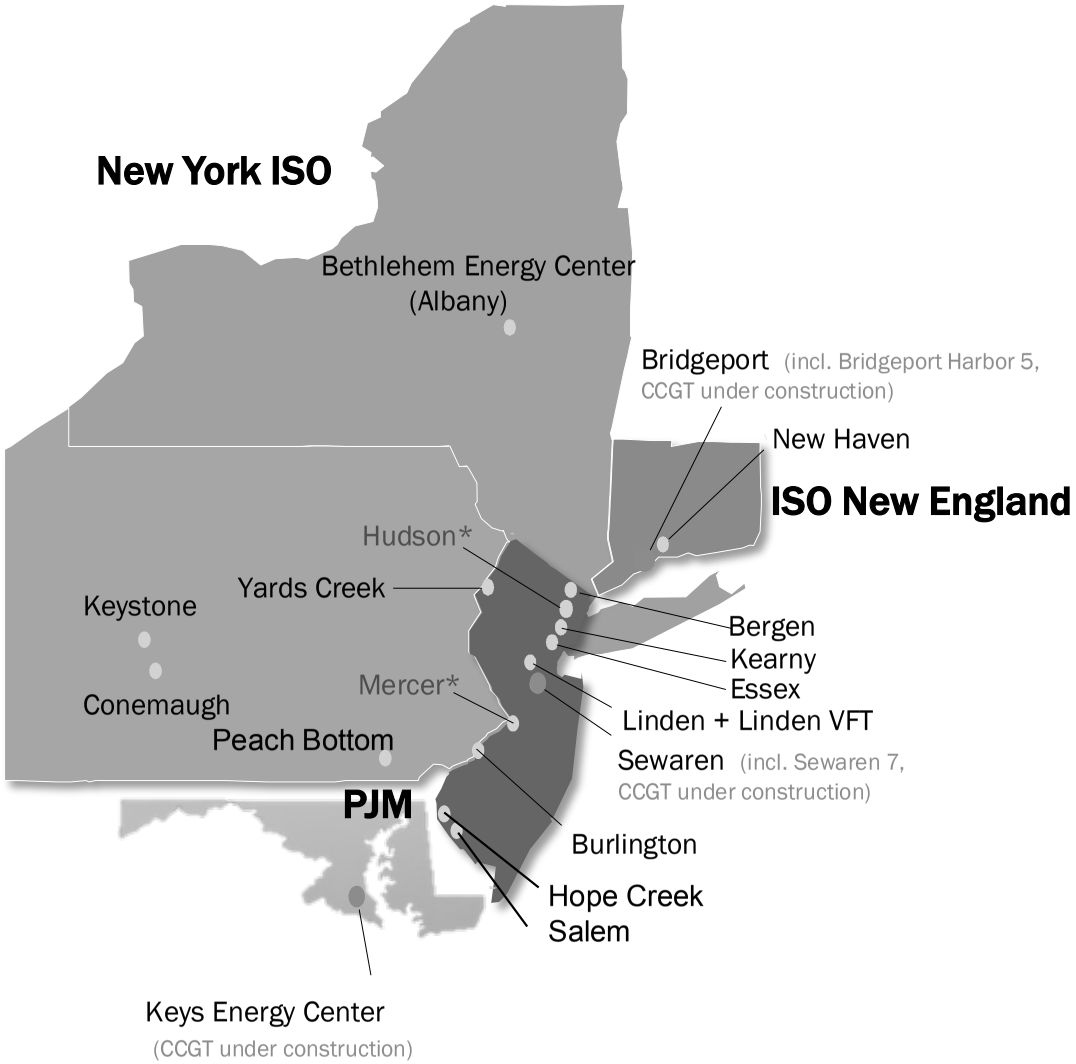
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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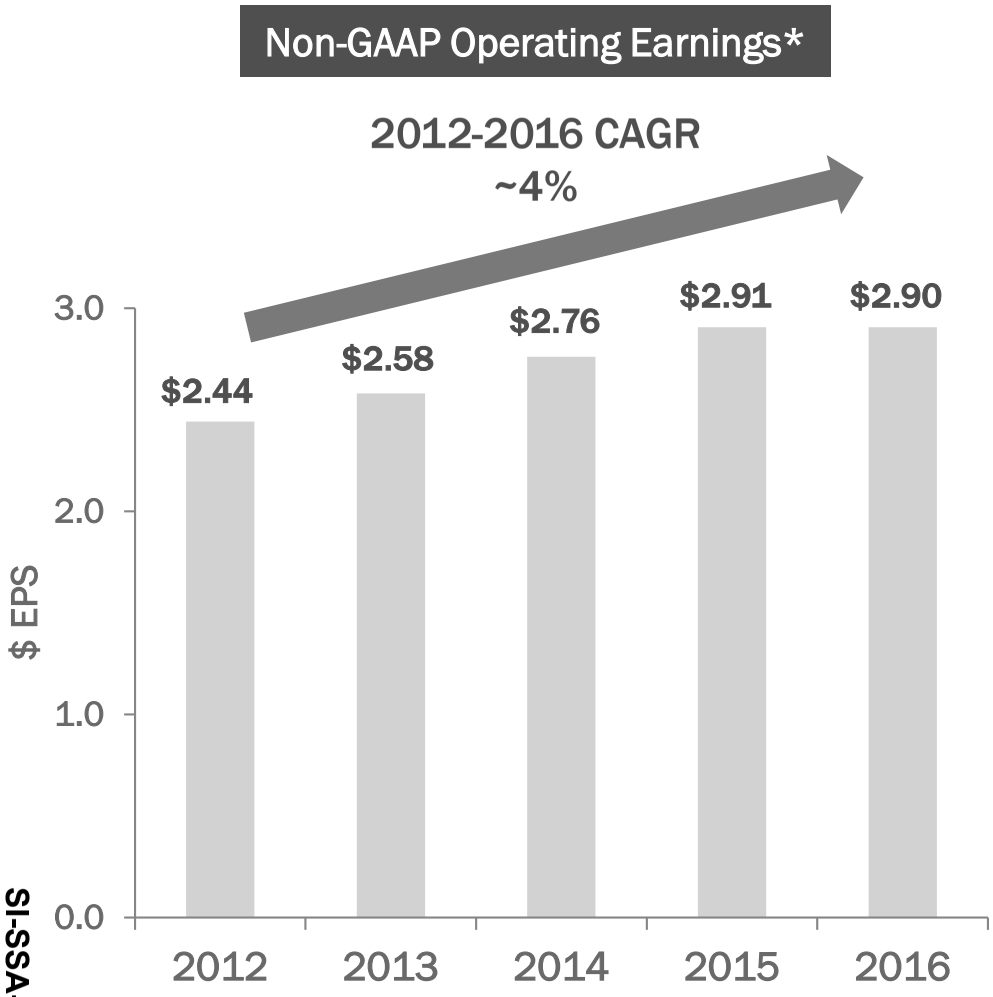
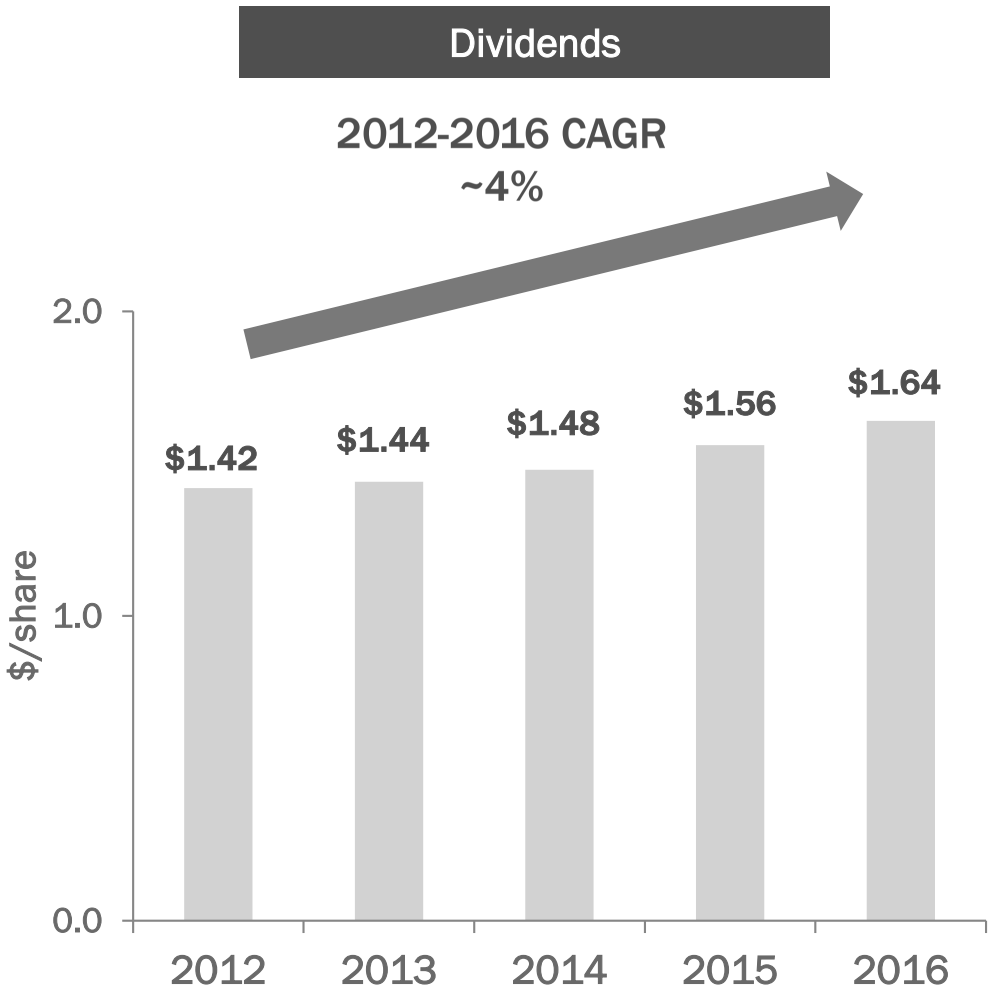
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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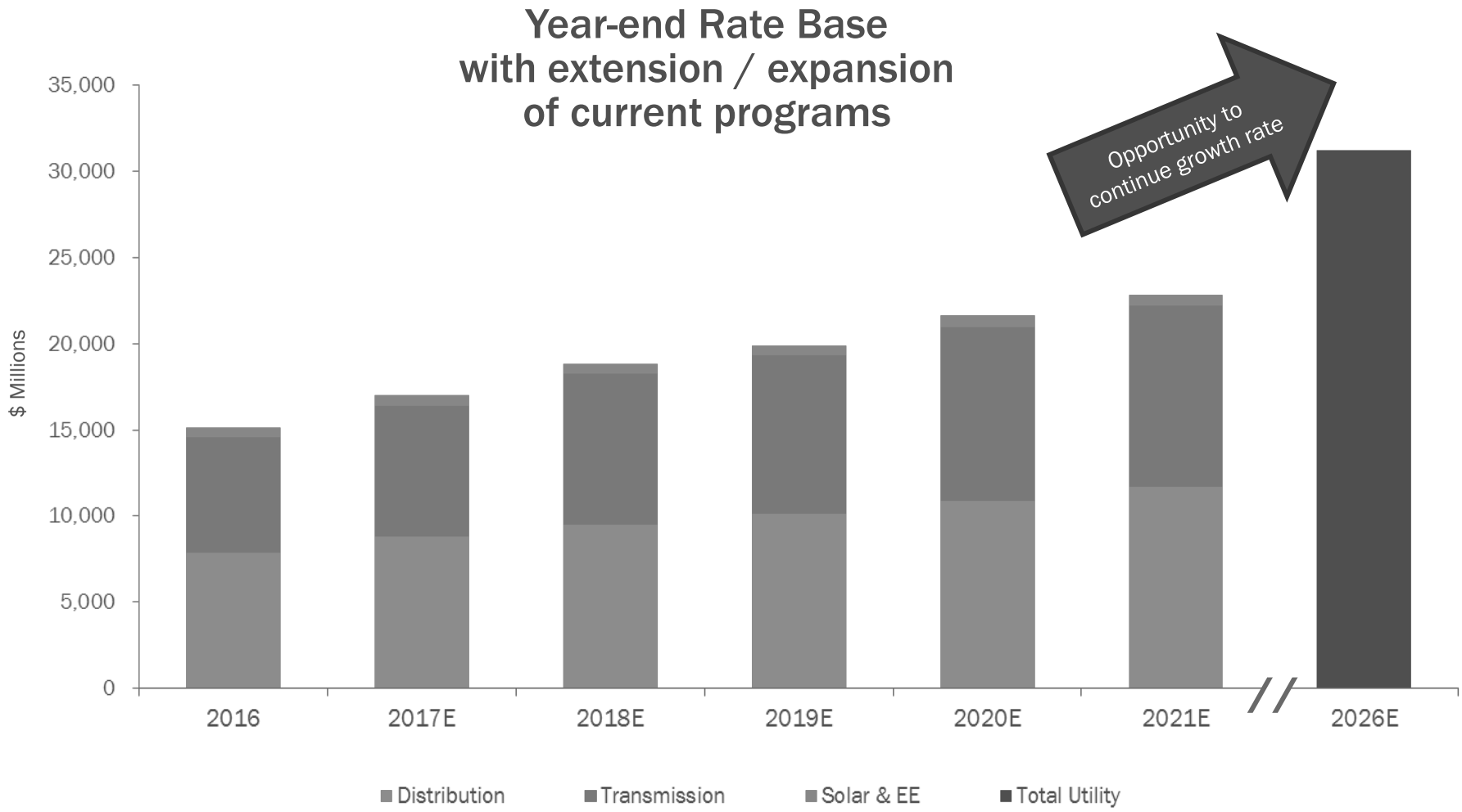
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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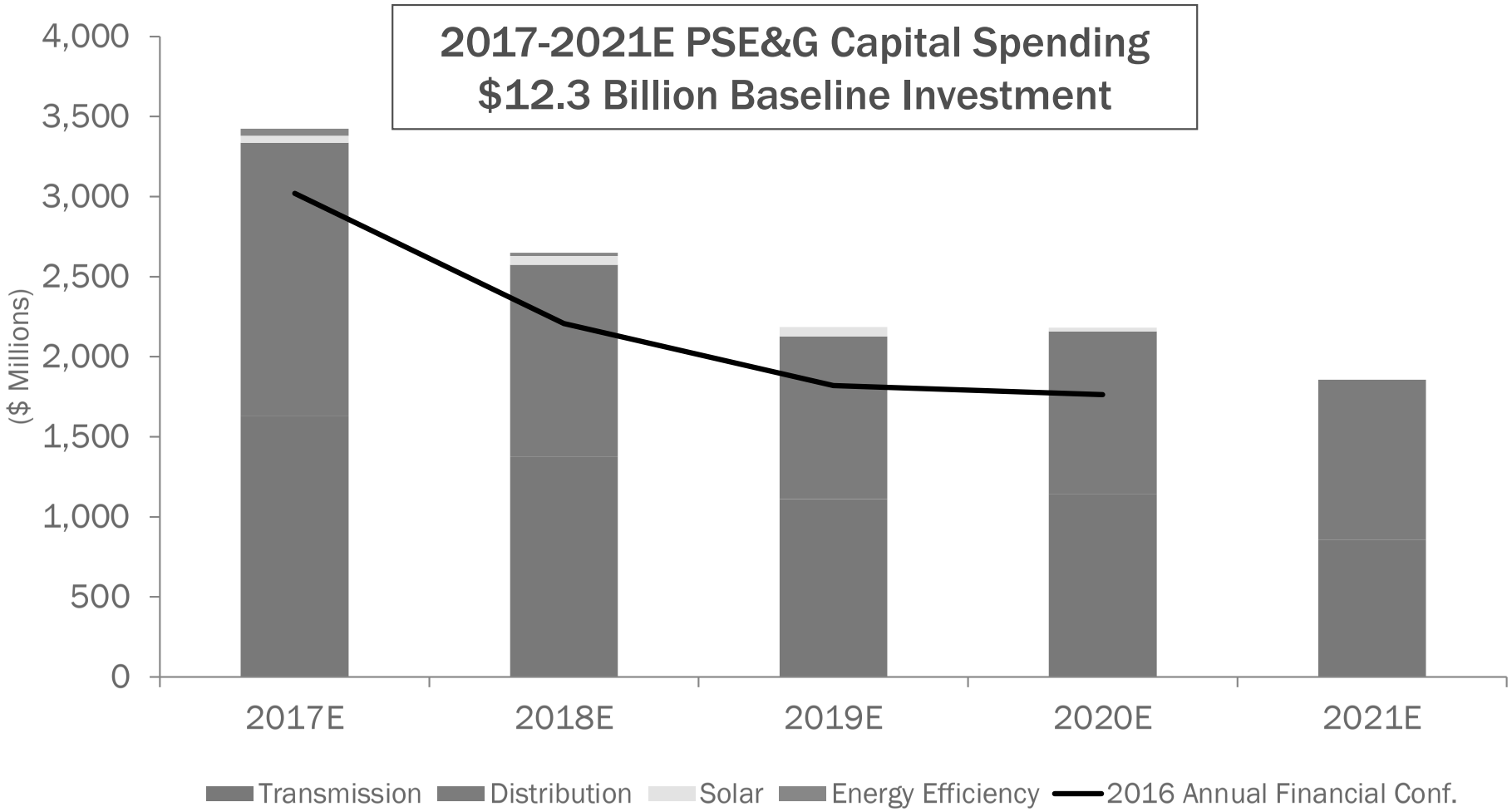
Baseline programs yield 7% compound annual growth in rate base



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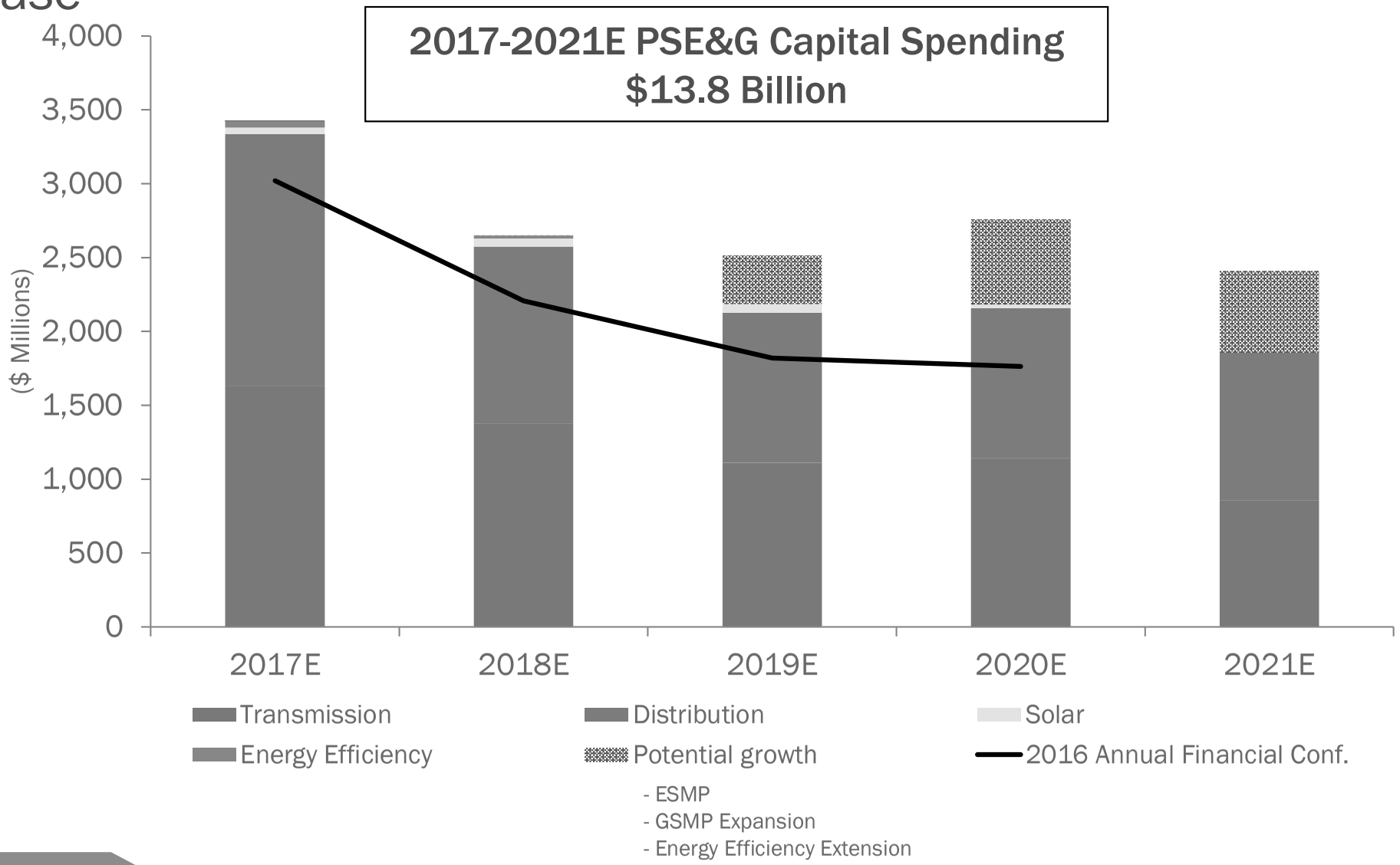
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs would yield 9% compound annual growth in rate base



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-04192

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

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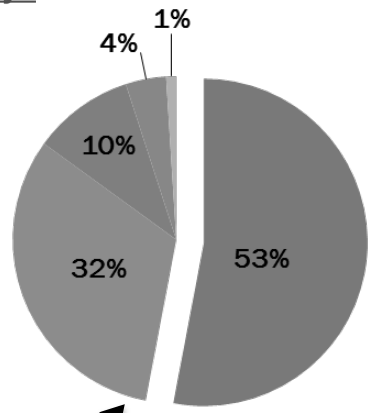
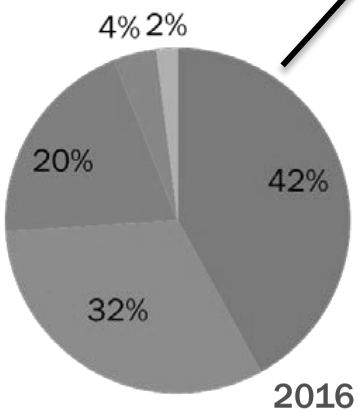
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

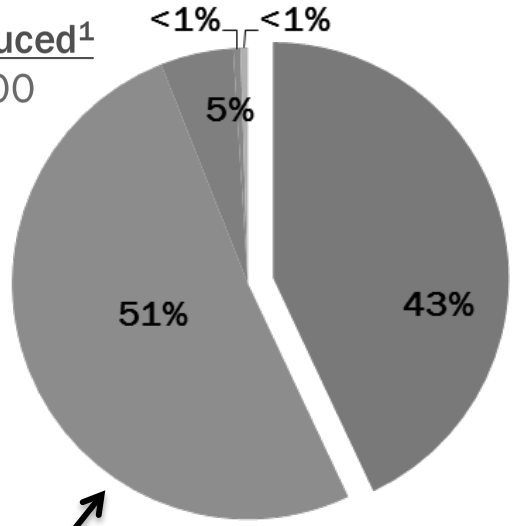
2021E Fuel Diversity[1]
Total MW: 11,900



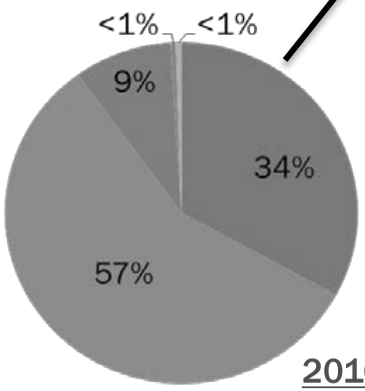
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510

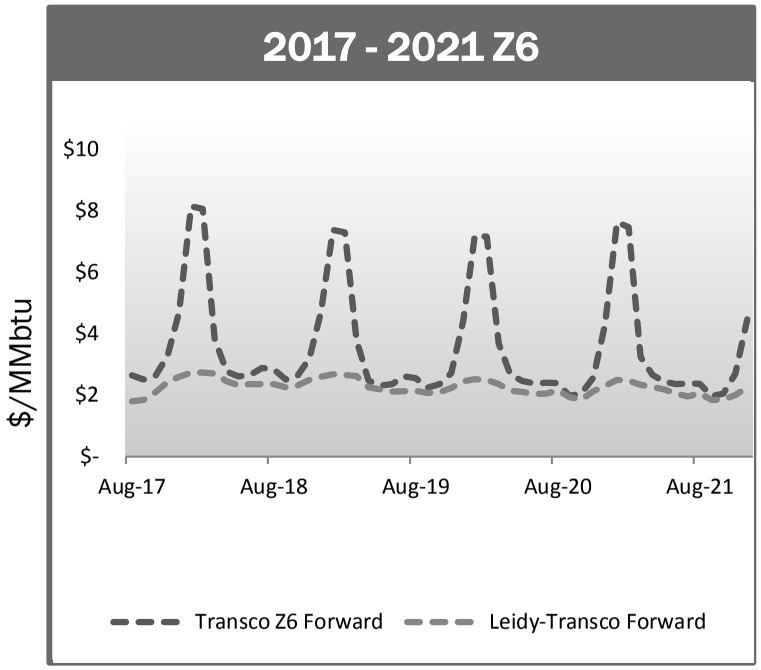


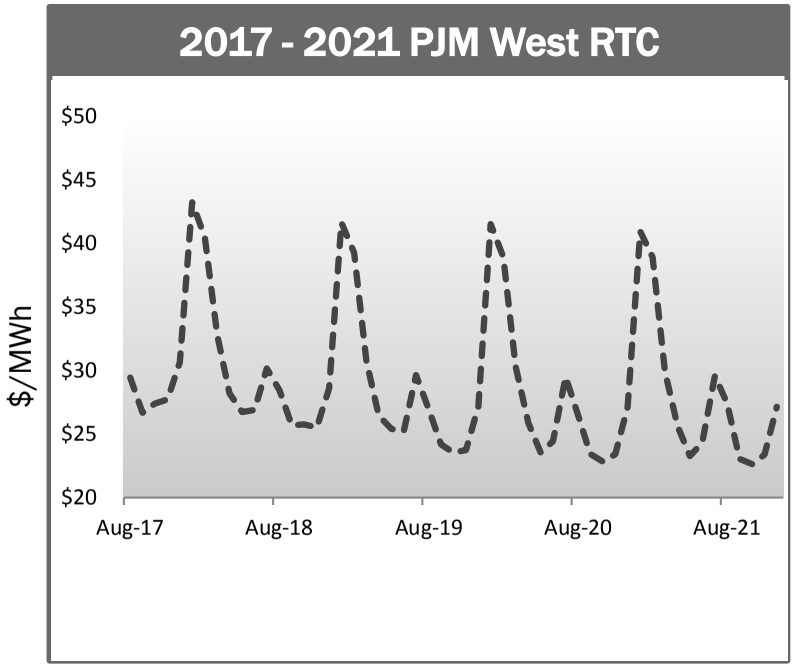
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

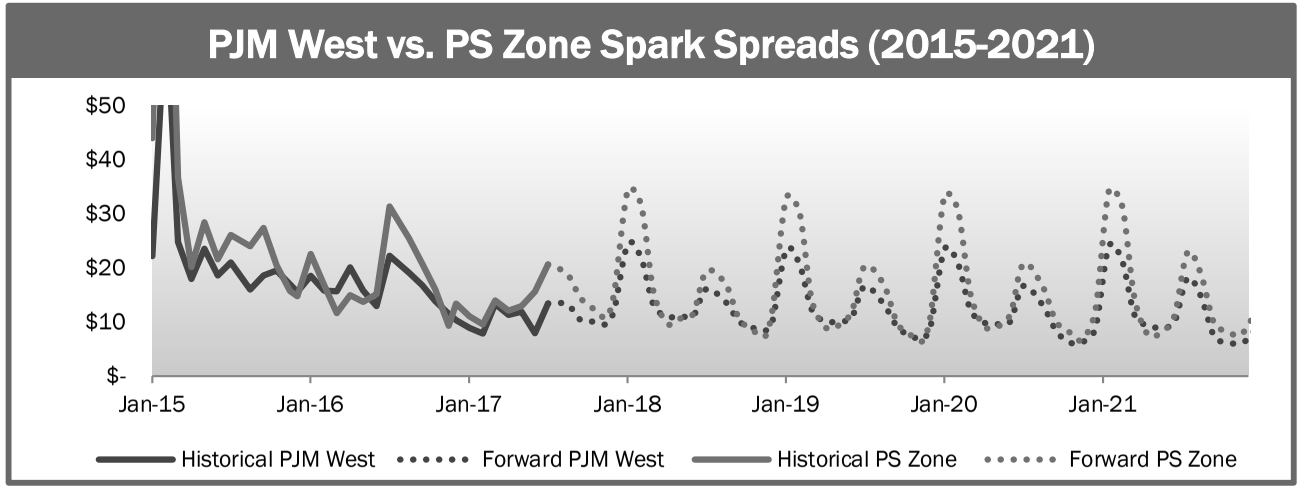
Energy Produced increases by >18%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Market Review: Spark spreads have been trending down with decline in volatility but continue to see seasonal volatility in forward gas and electric prices







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Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 - $86 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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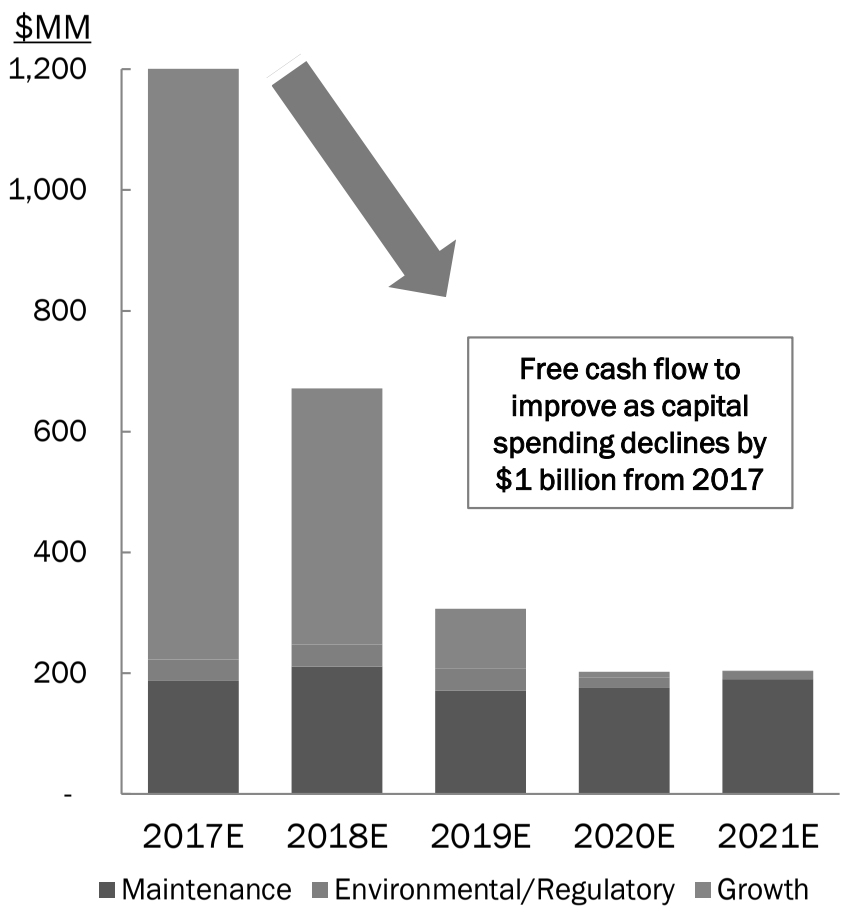
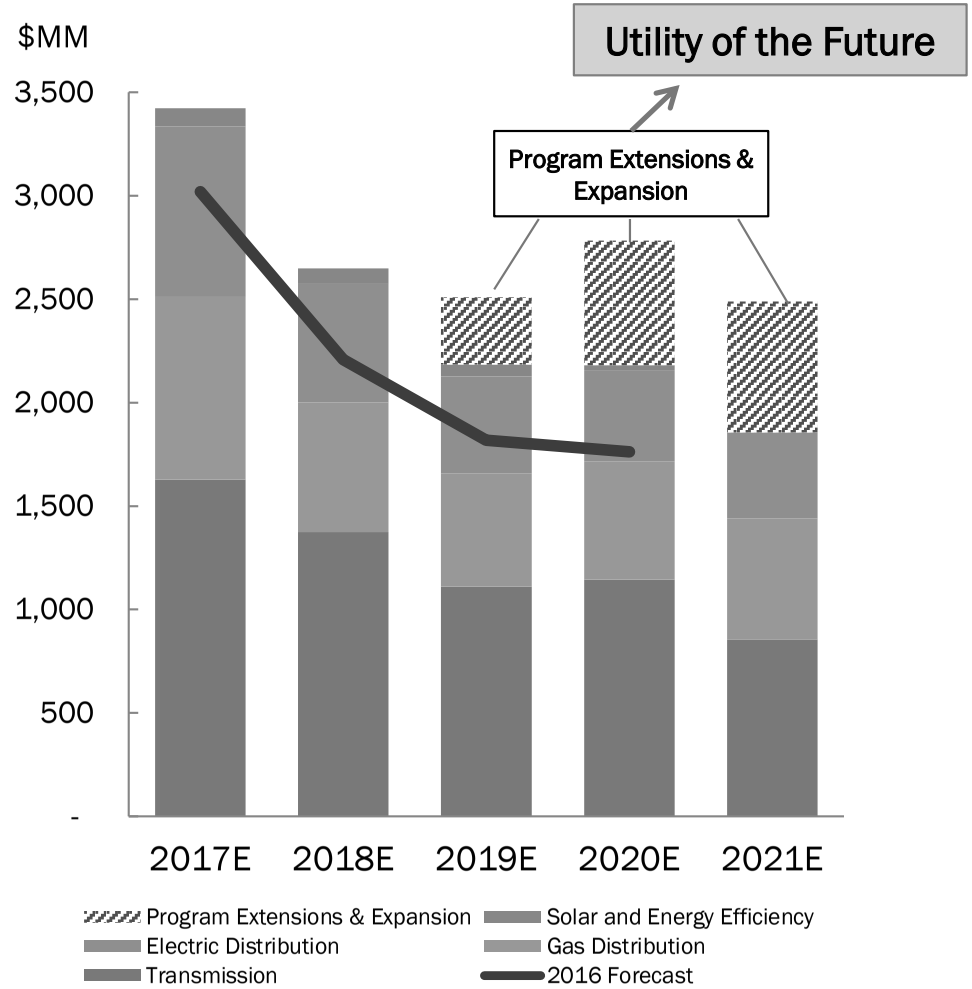
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending [1]



PSE&G
2017E – 2021E Capital Spending [1]



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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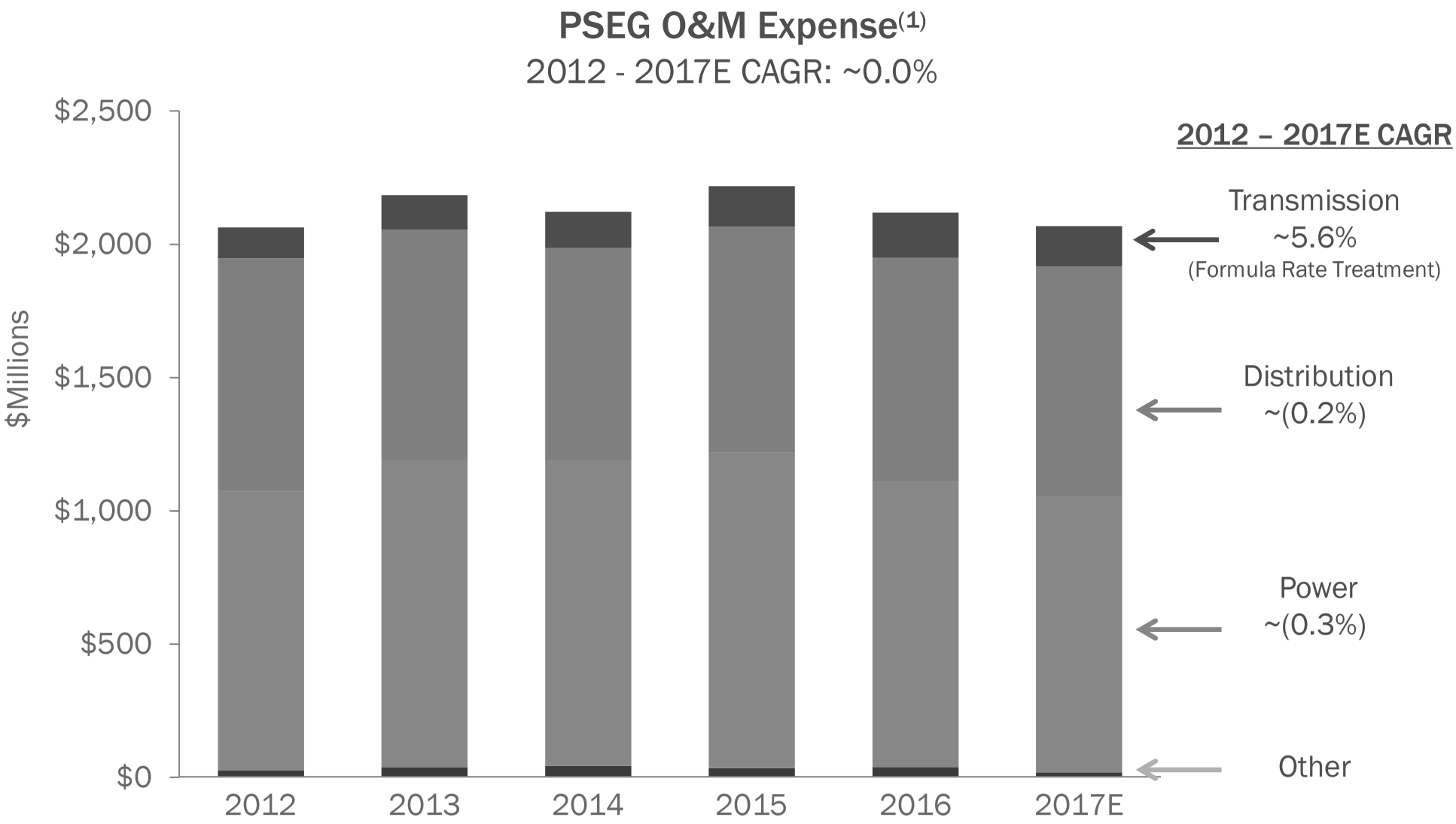
PSEG has demonstrated an ability to control O&M



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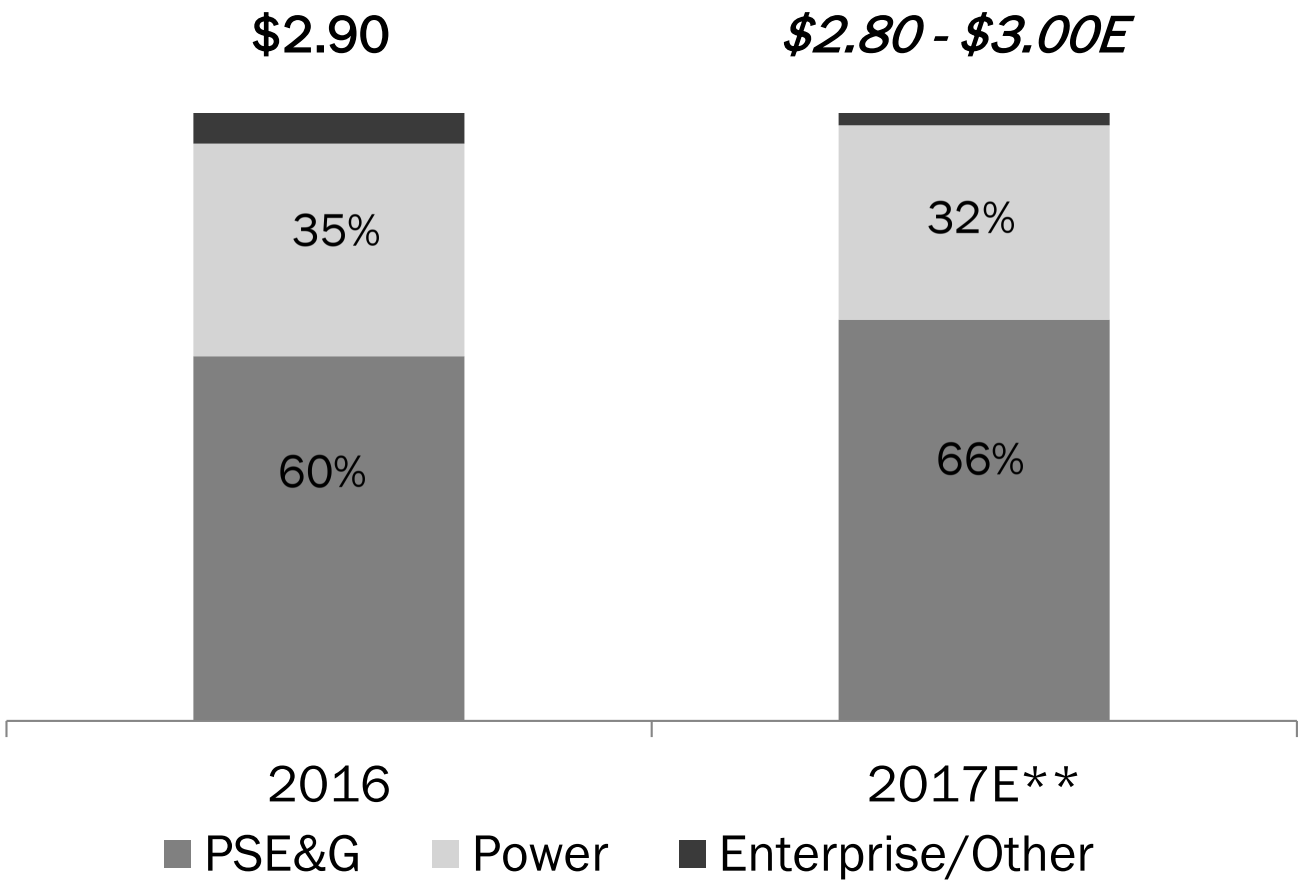
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Re-affirming 2017 Guidance

Growth in utility infrastructure investment drives increased growth in regulated earnings contribution

Non-GAAP Operating Earnings*
Contribution by Subsidiary and 2017 Guidance



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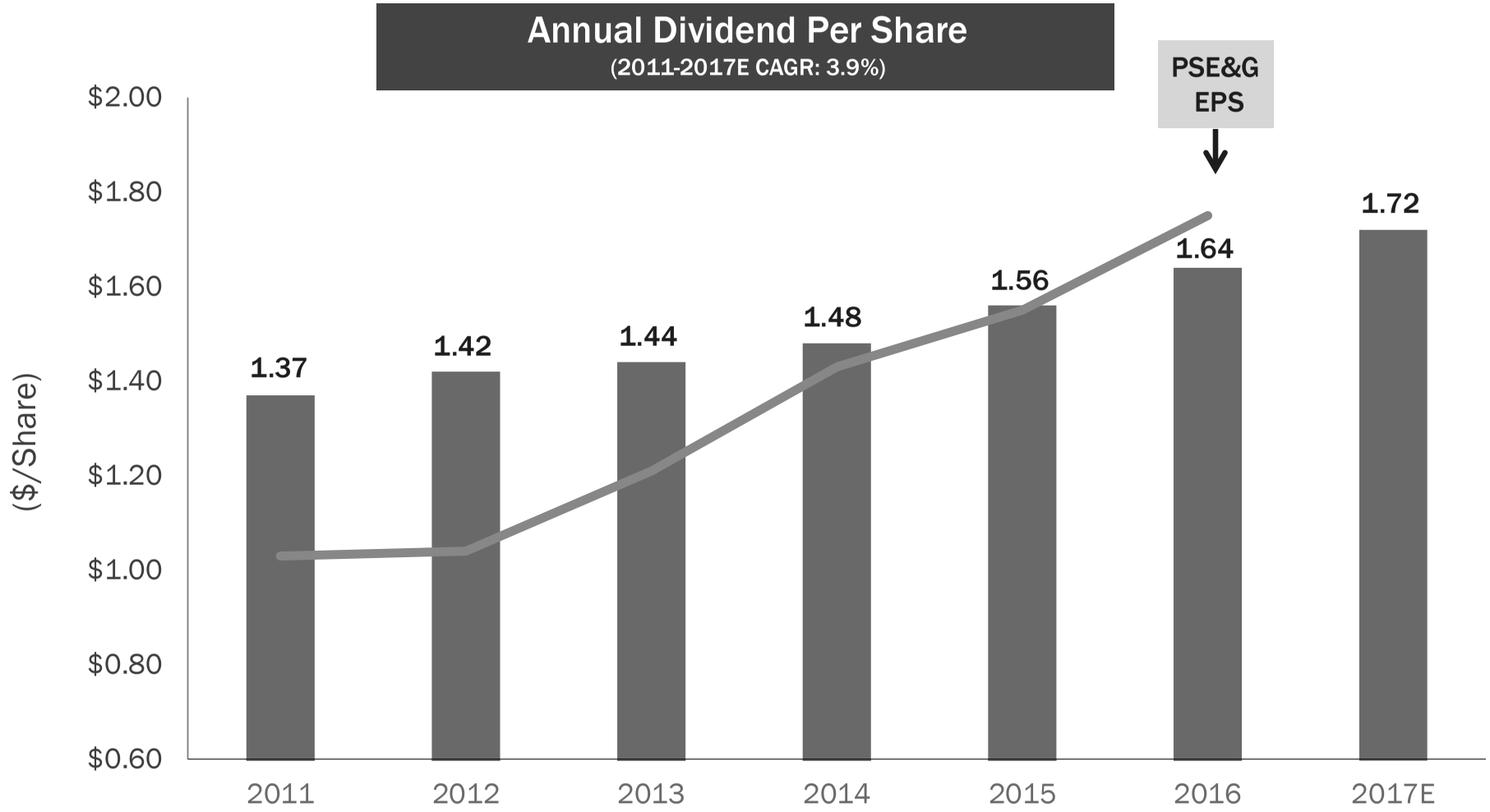
PSEG

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share. E = Estimate.

Opportunity for consistent and sustainable dividend growth



SI-SSA-0015-04200

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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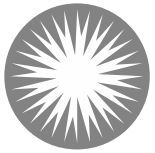
PSEG FINANCIAL APPENDIX



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We make things work for you.

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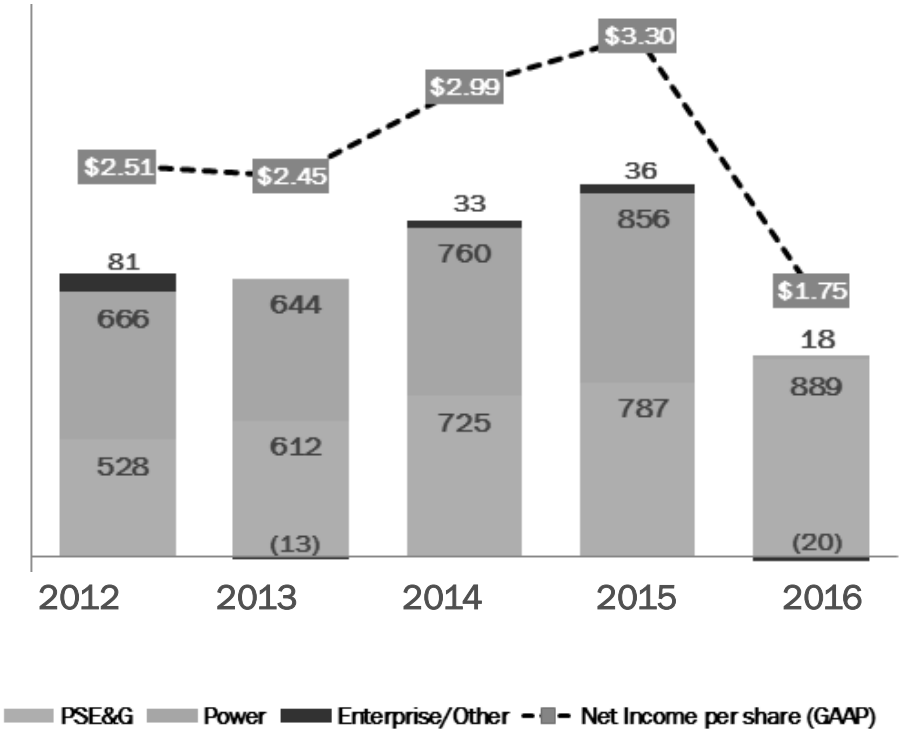
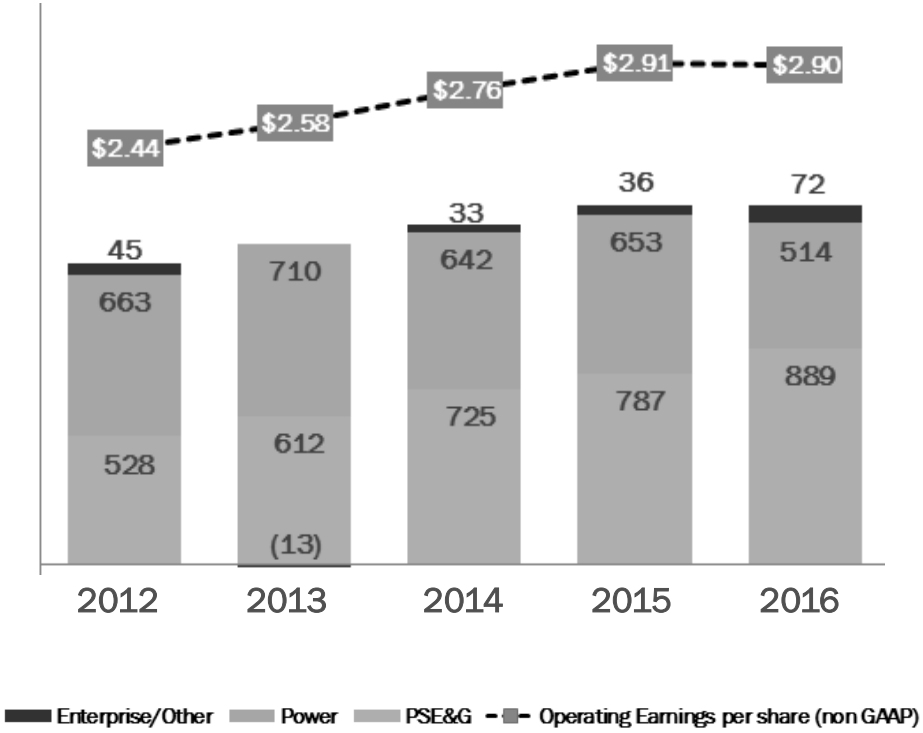
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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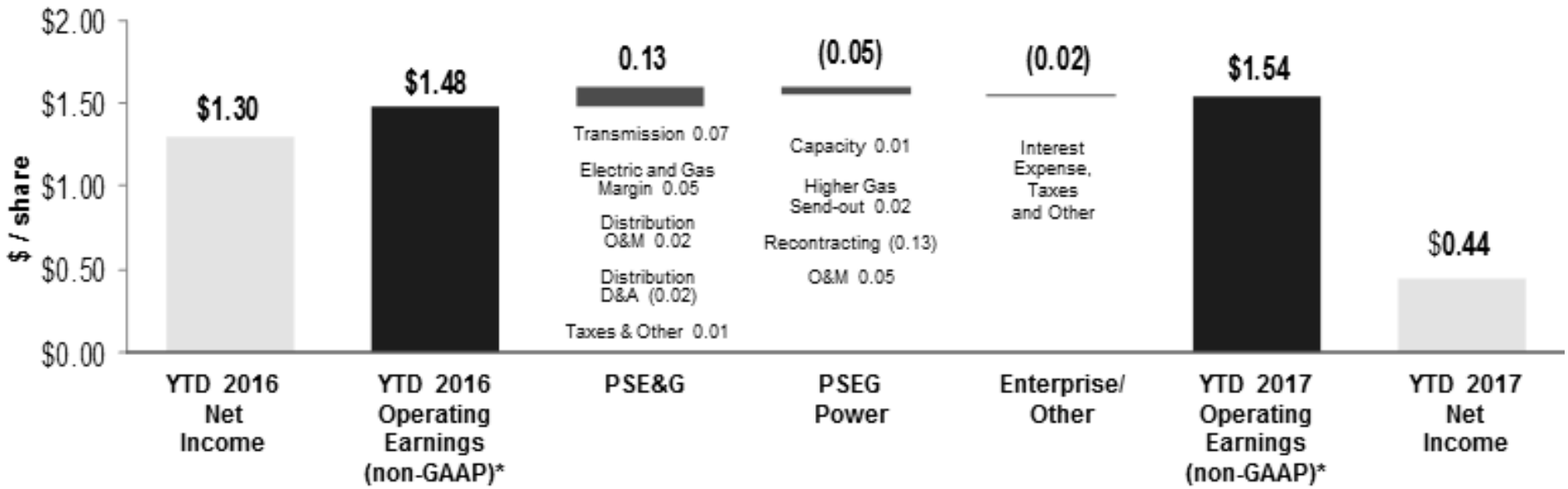
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

PSE&G – Regulatory Agreement/Filing Support Long-term Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and an agreement reached on its proposed Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

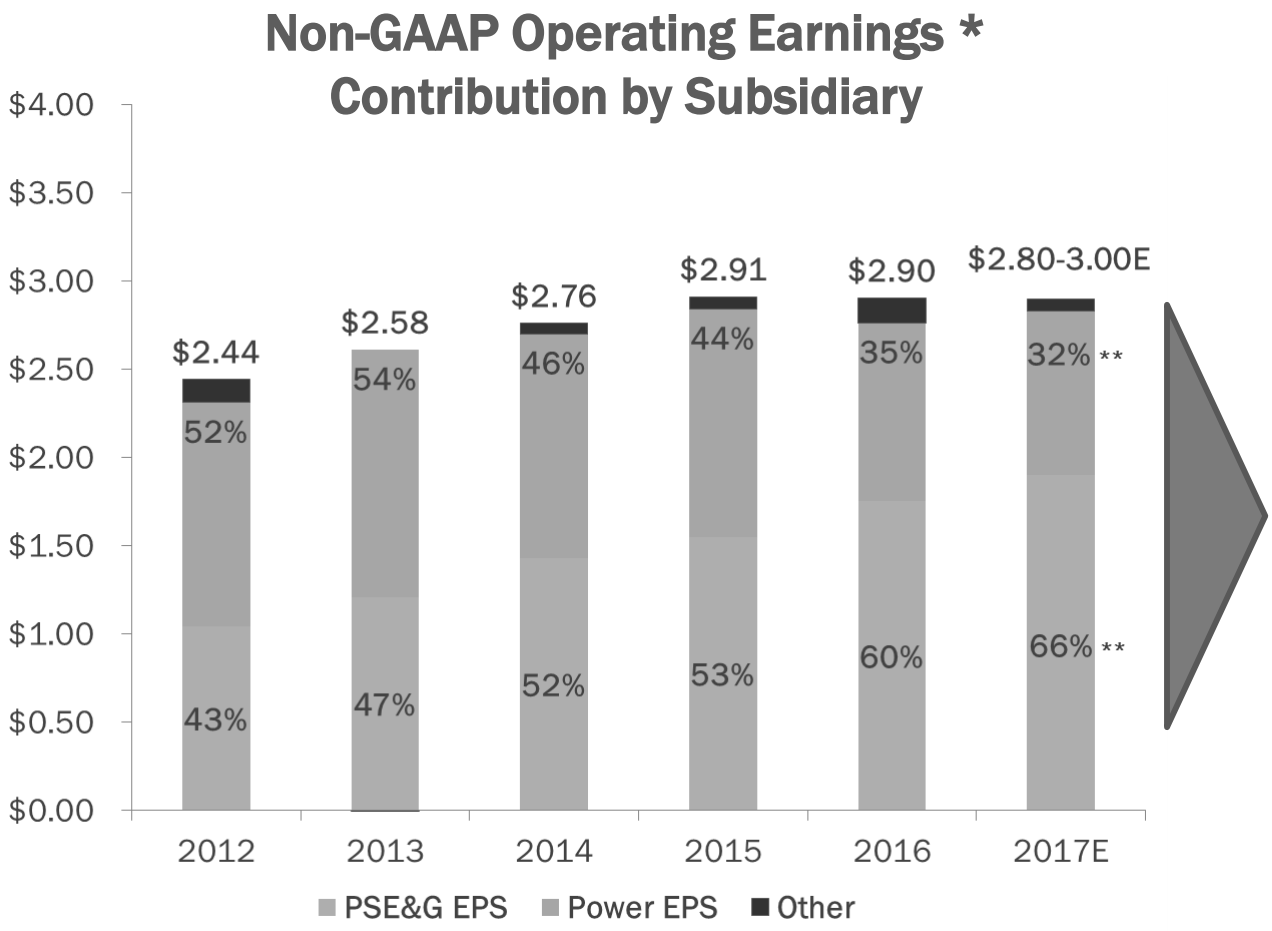
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

In July, PSE&G reached an agreement in principle with BPU Staff and Rate Counsel related to its proposed request to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-04206

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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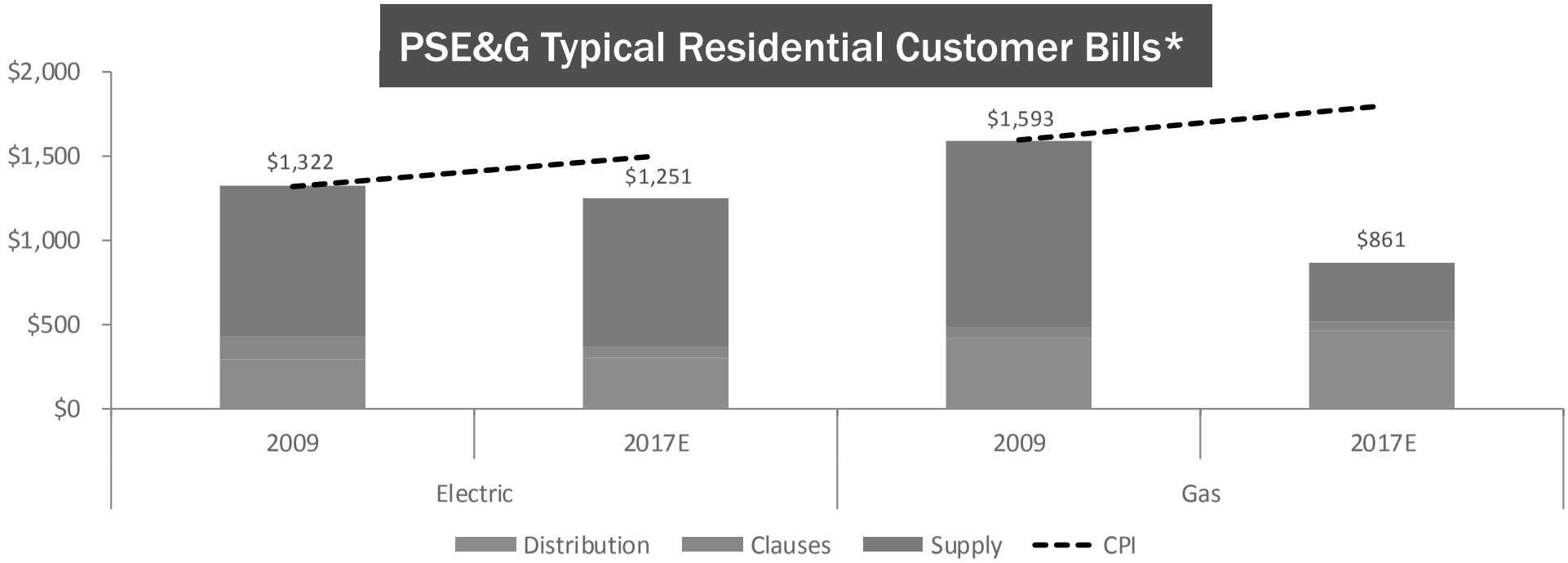
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-04208

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Barclays 2016 Power & Utilities CEO Conference

SEPTEMBER 7, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04211

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-04212

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-04213

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-04214

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-04215

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

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* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

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SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-04218

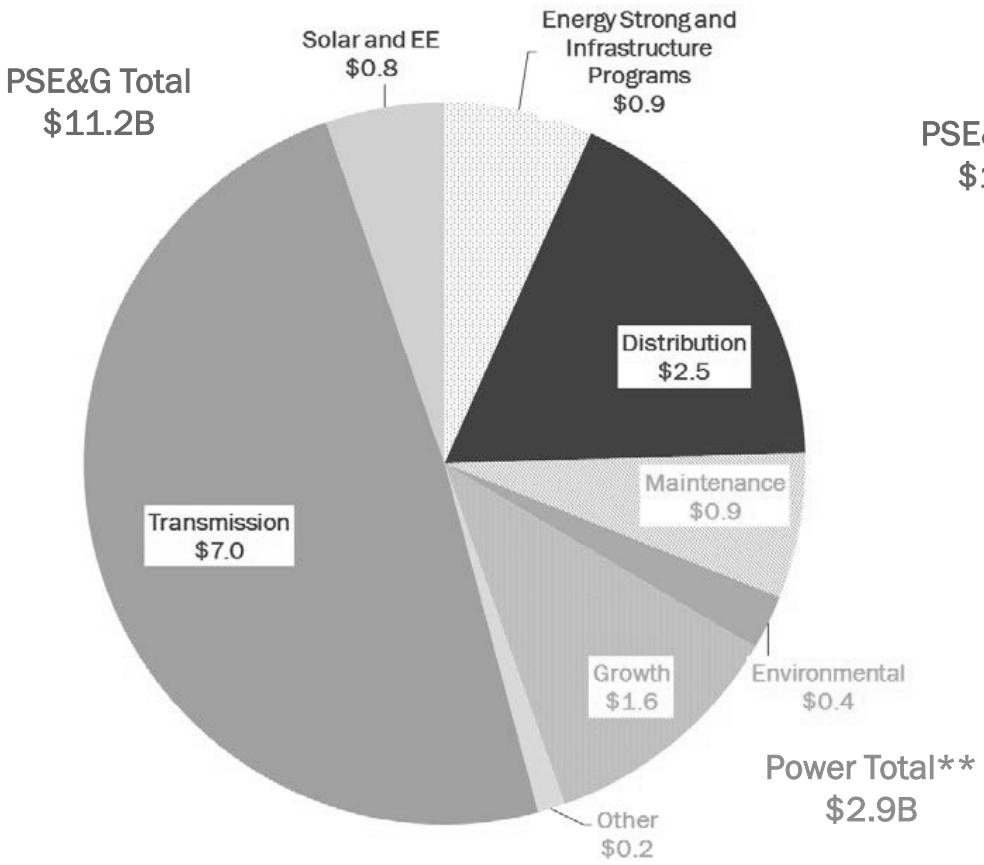
PSEG

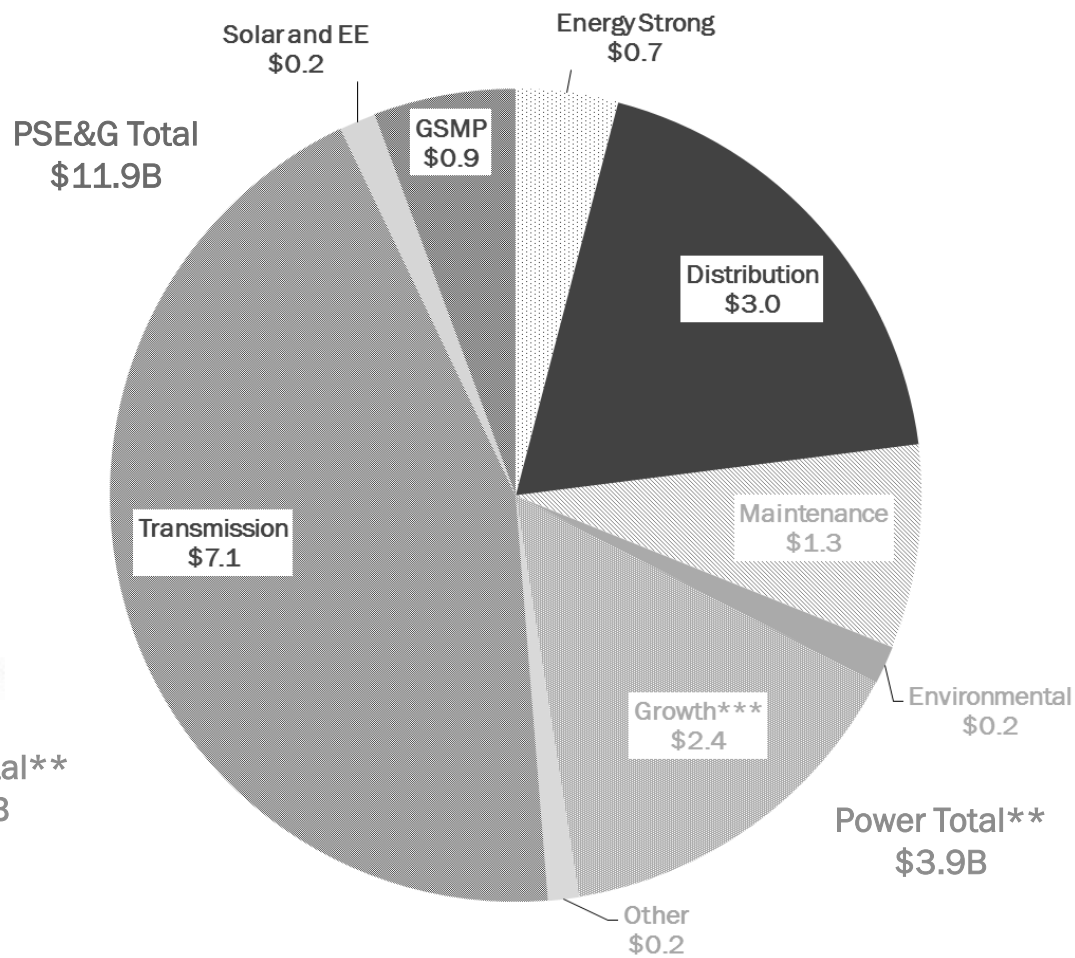
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

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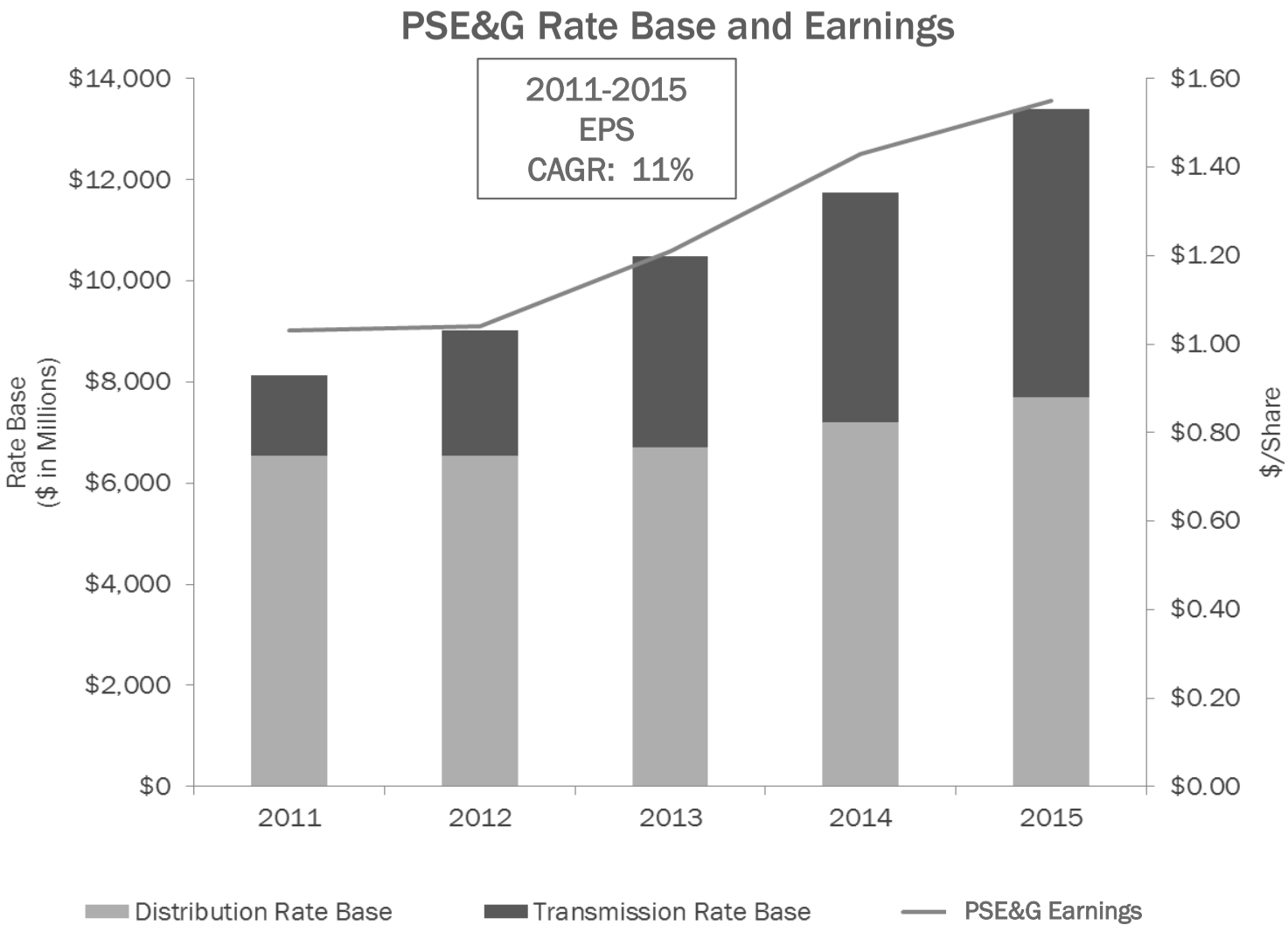
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-04220

PSE&G's investment program

Meeting public policy goals and customer needs



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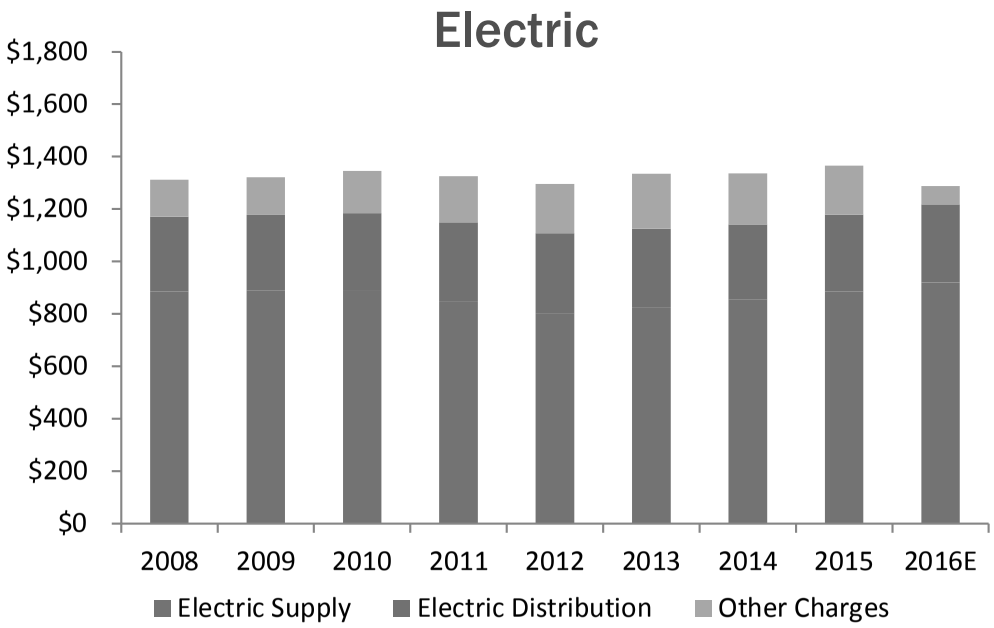
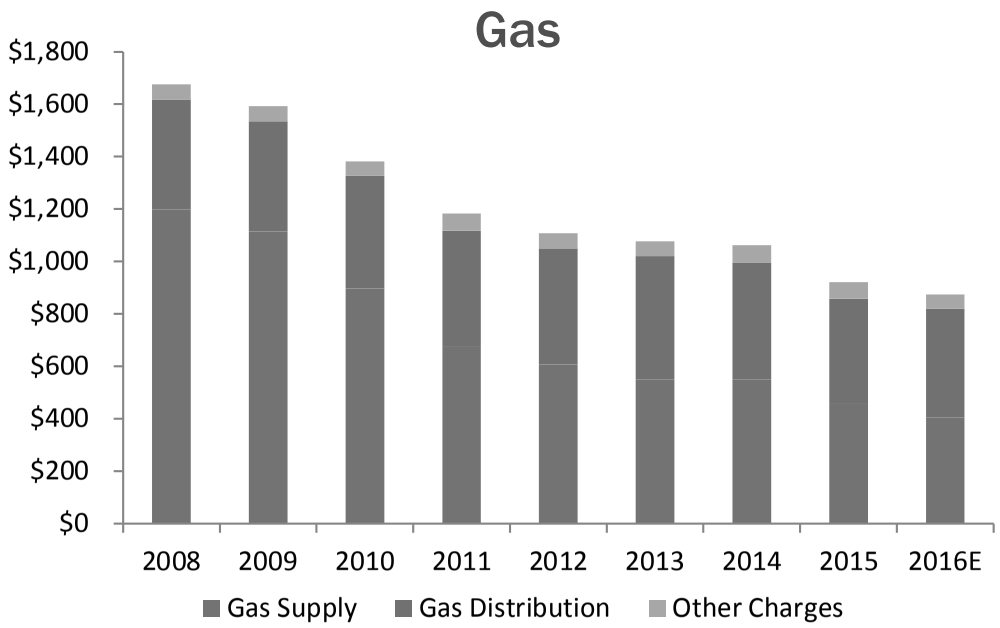
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-04222

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

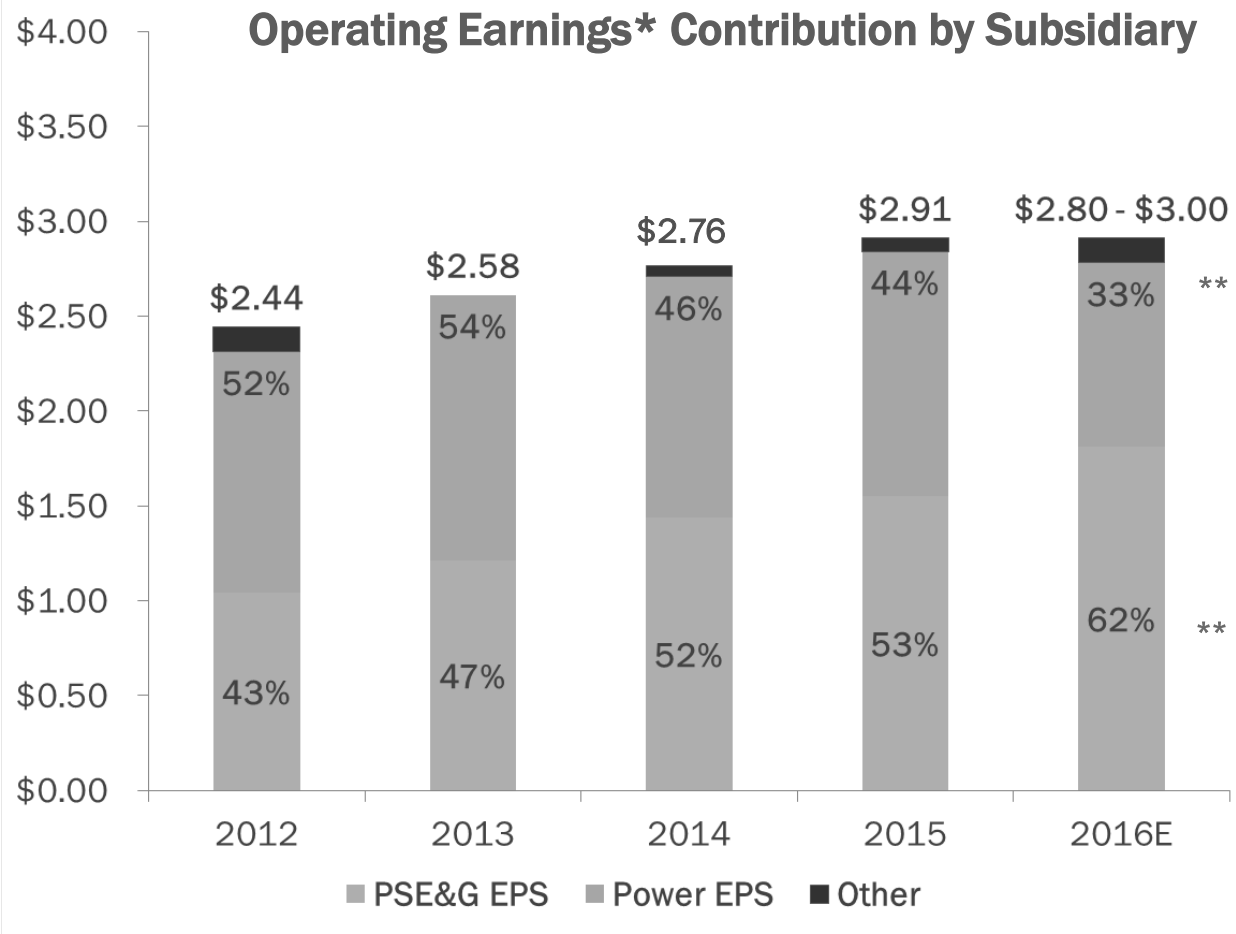
SI-SSA-0015-04223

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

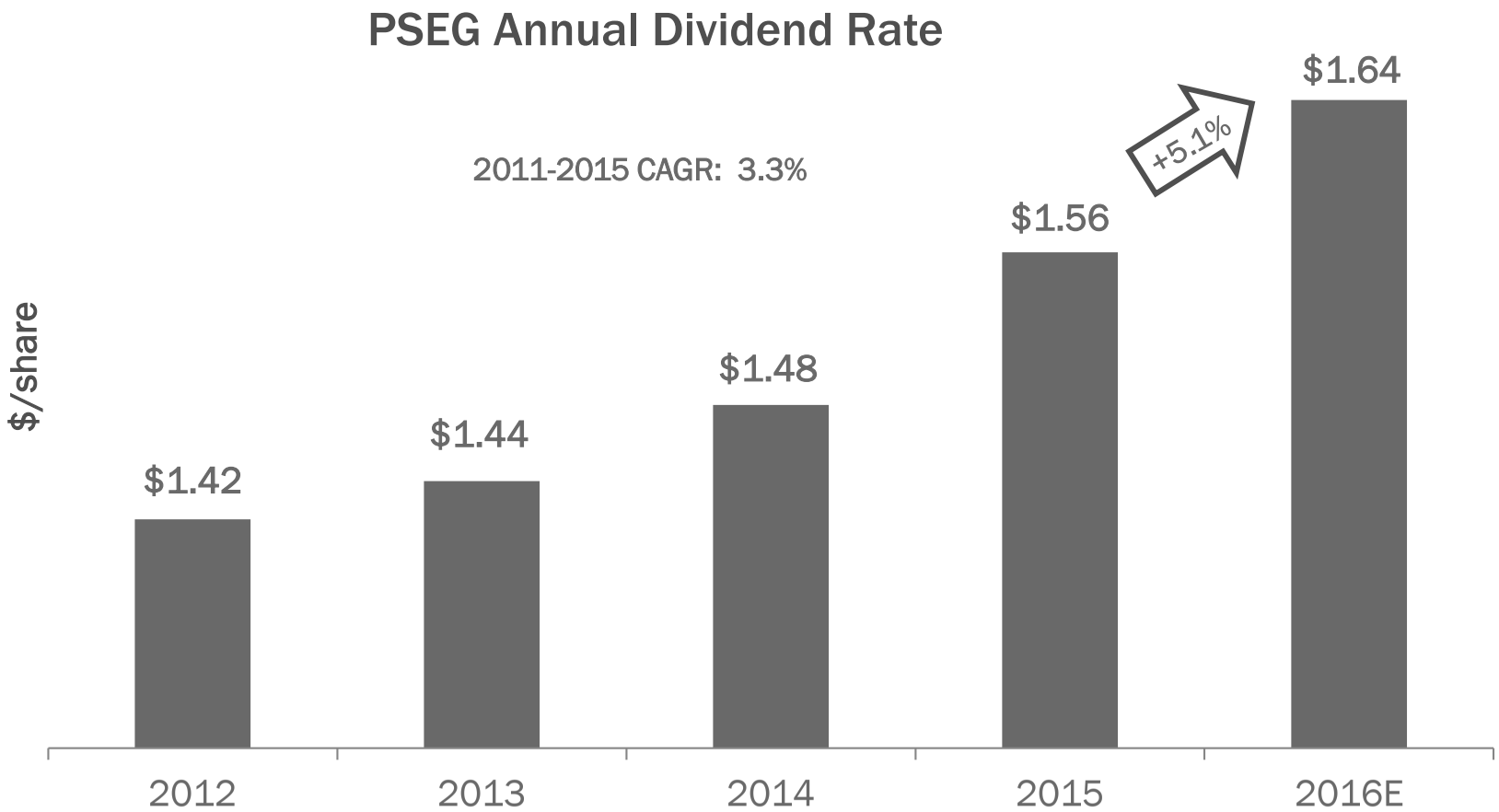
SI-SSA-0015-04224

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

SI-SSA-0015-04225

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-04226

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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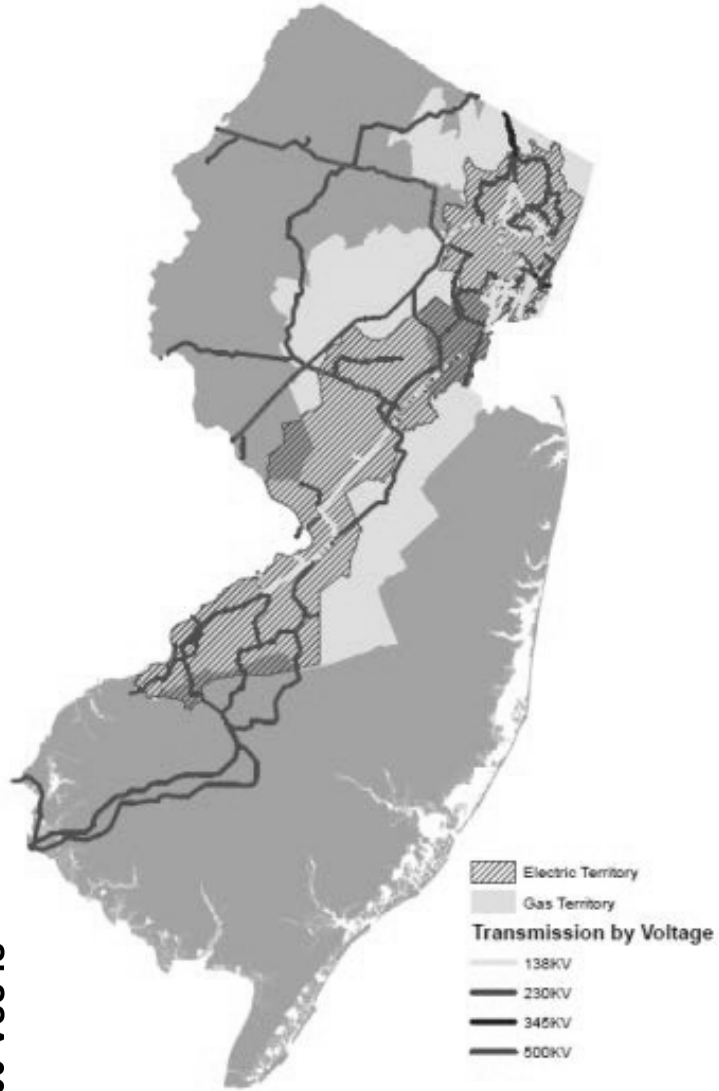
PSE&G

PSEG

We make things work for you.

SI-SSA-0015-04228

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-04229

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04230

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-04231

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-04232

Operational Excellence

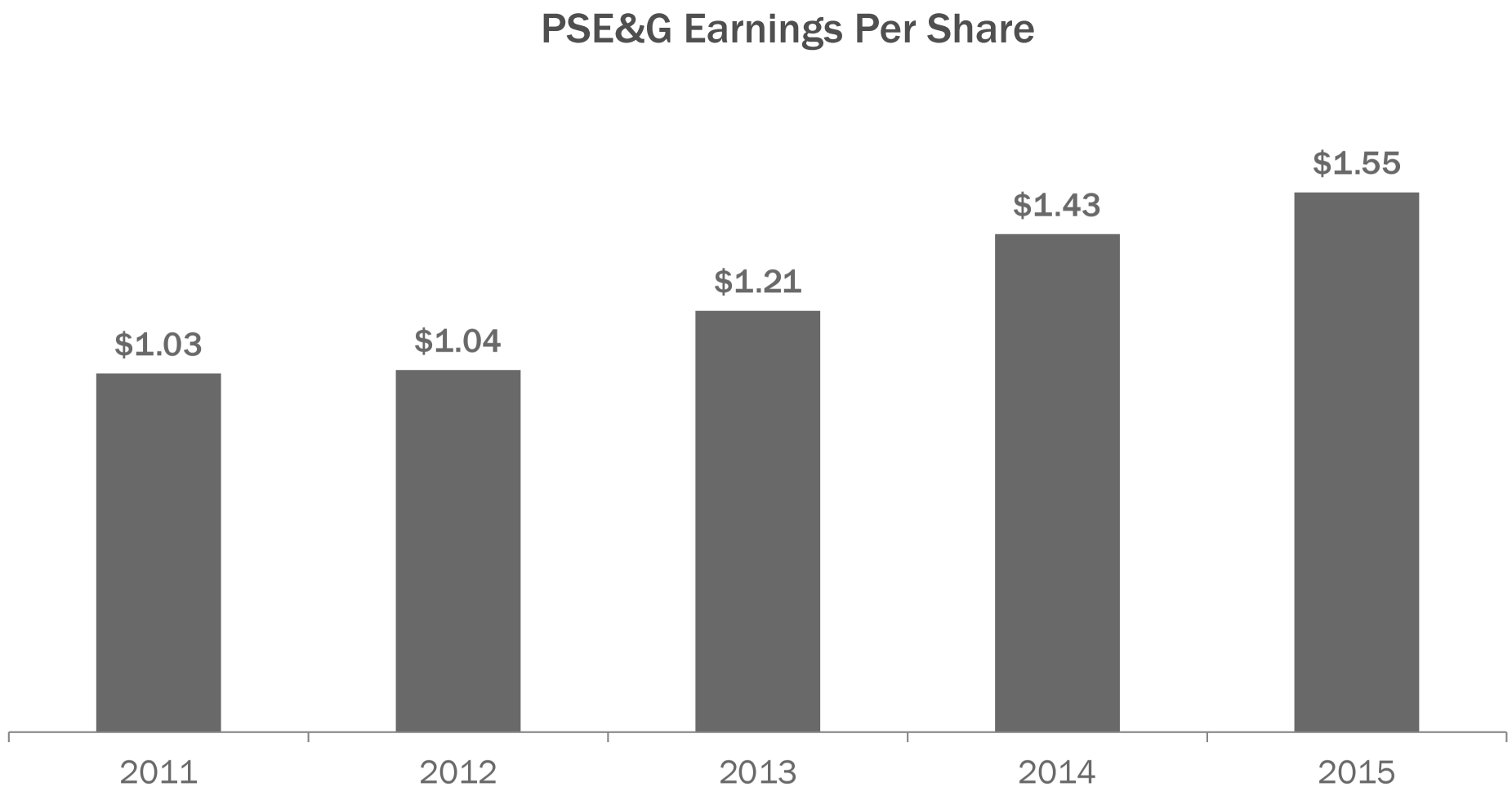
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-04233

Achieved ~11% annual earnings growth

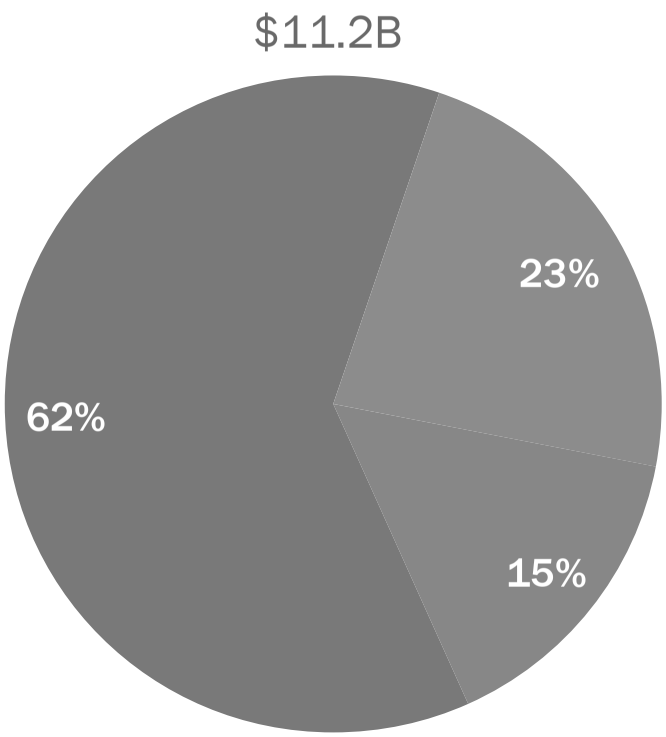
over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



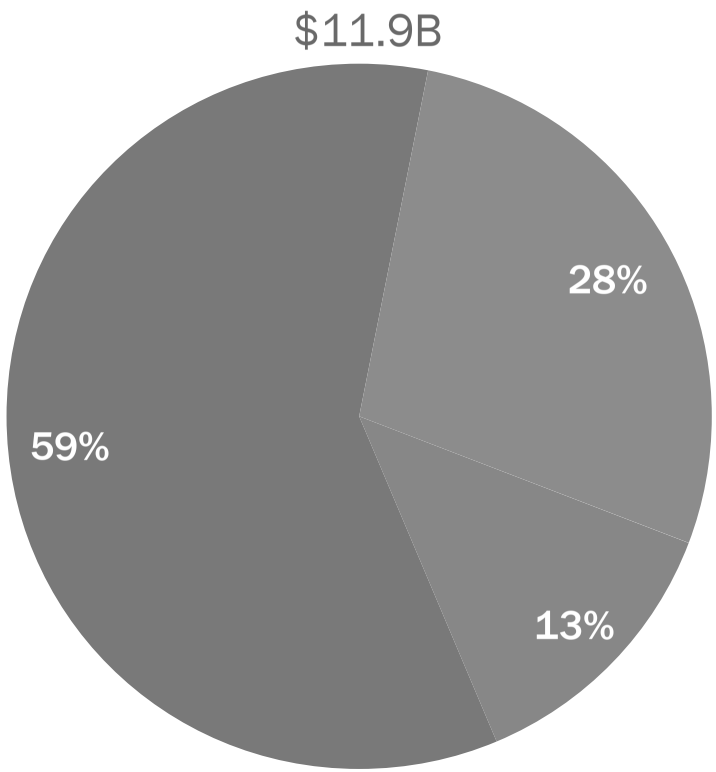
SI-SSA-0015-04234

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-04235

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

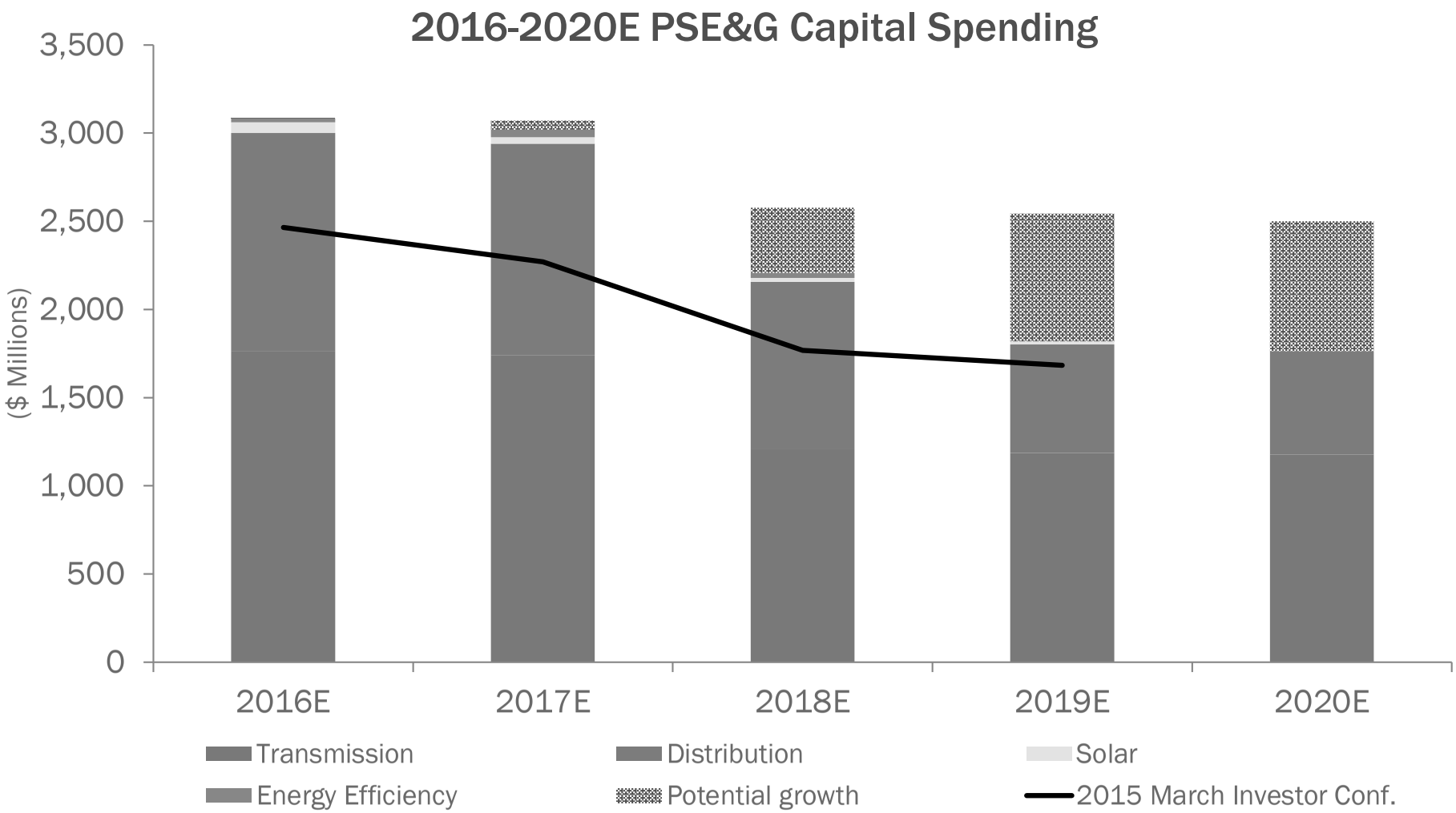
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-04236

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-04237

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-04238

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-04239

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-04240

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-04241

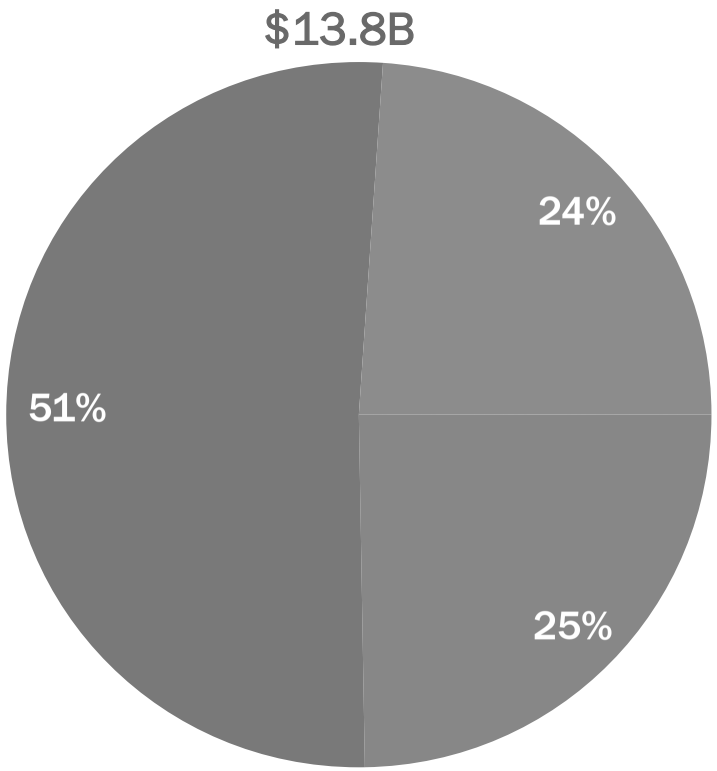
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-04242

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

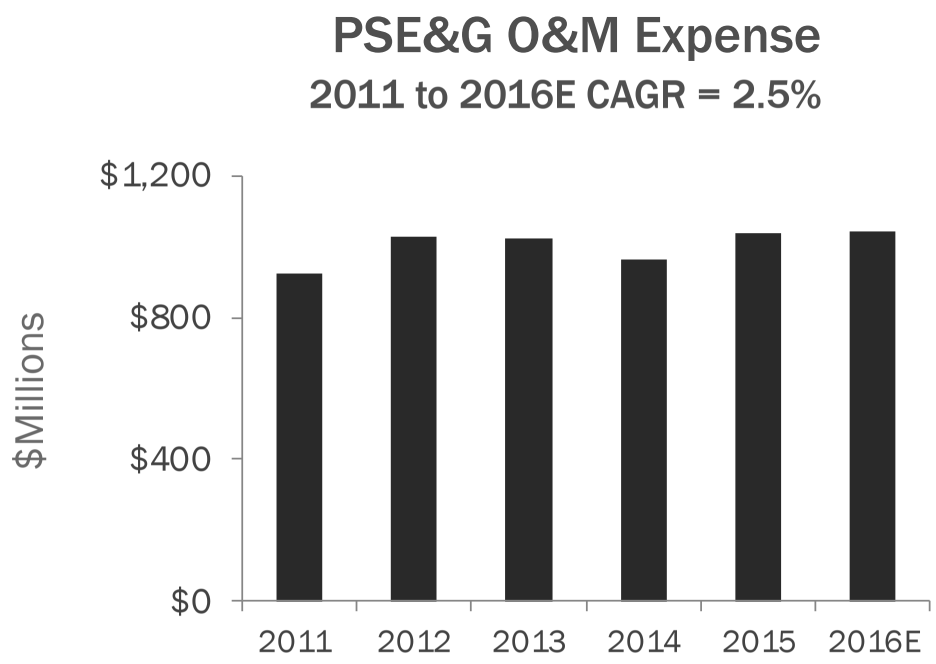
- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

SI-SSA-0015-04243

Demonstrated ability to control O&M and plan to drive future efficiencies



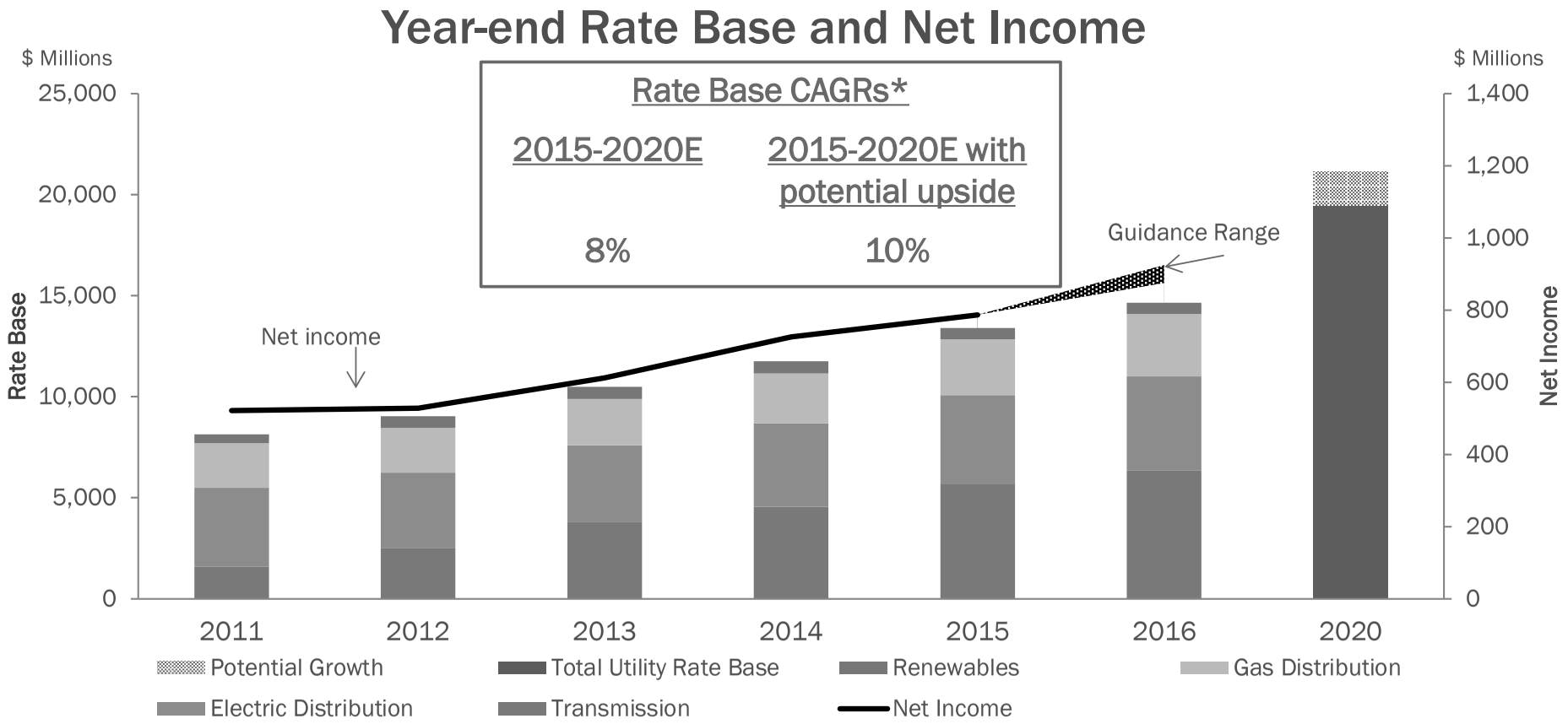
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-04244

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

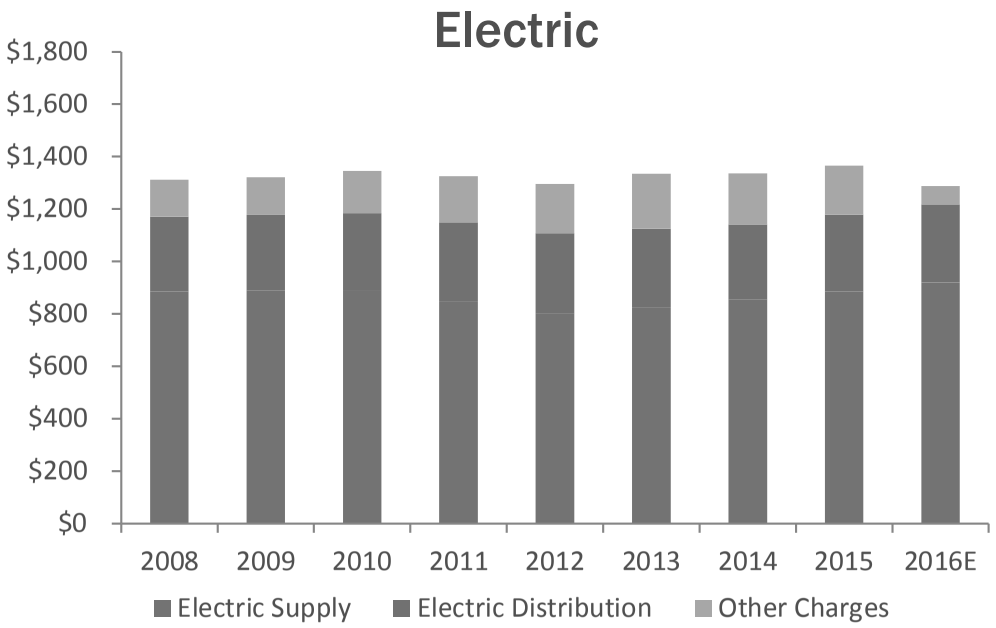
SI-SSA-0015-04245

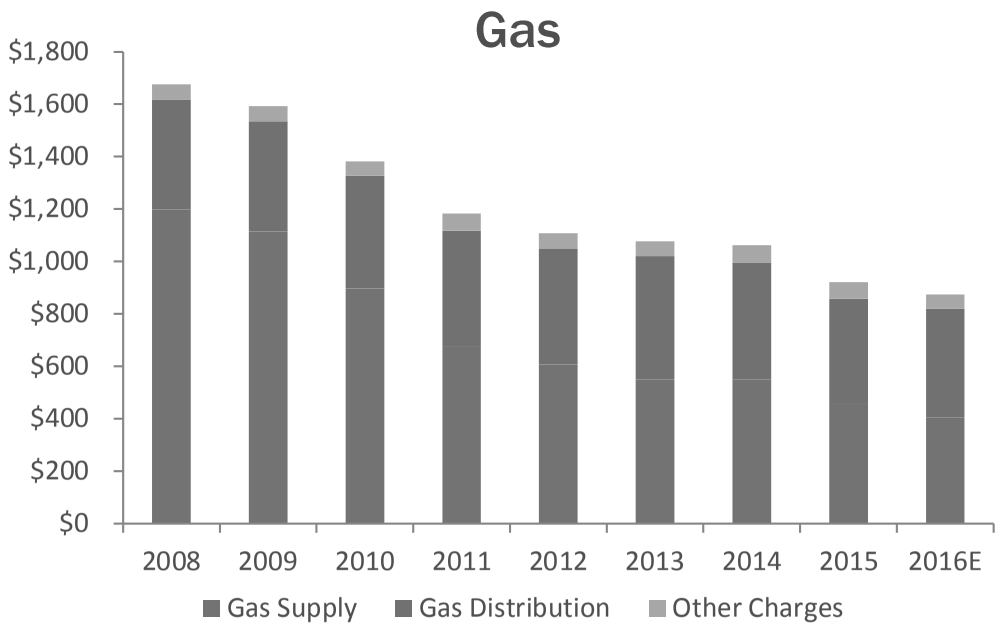
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





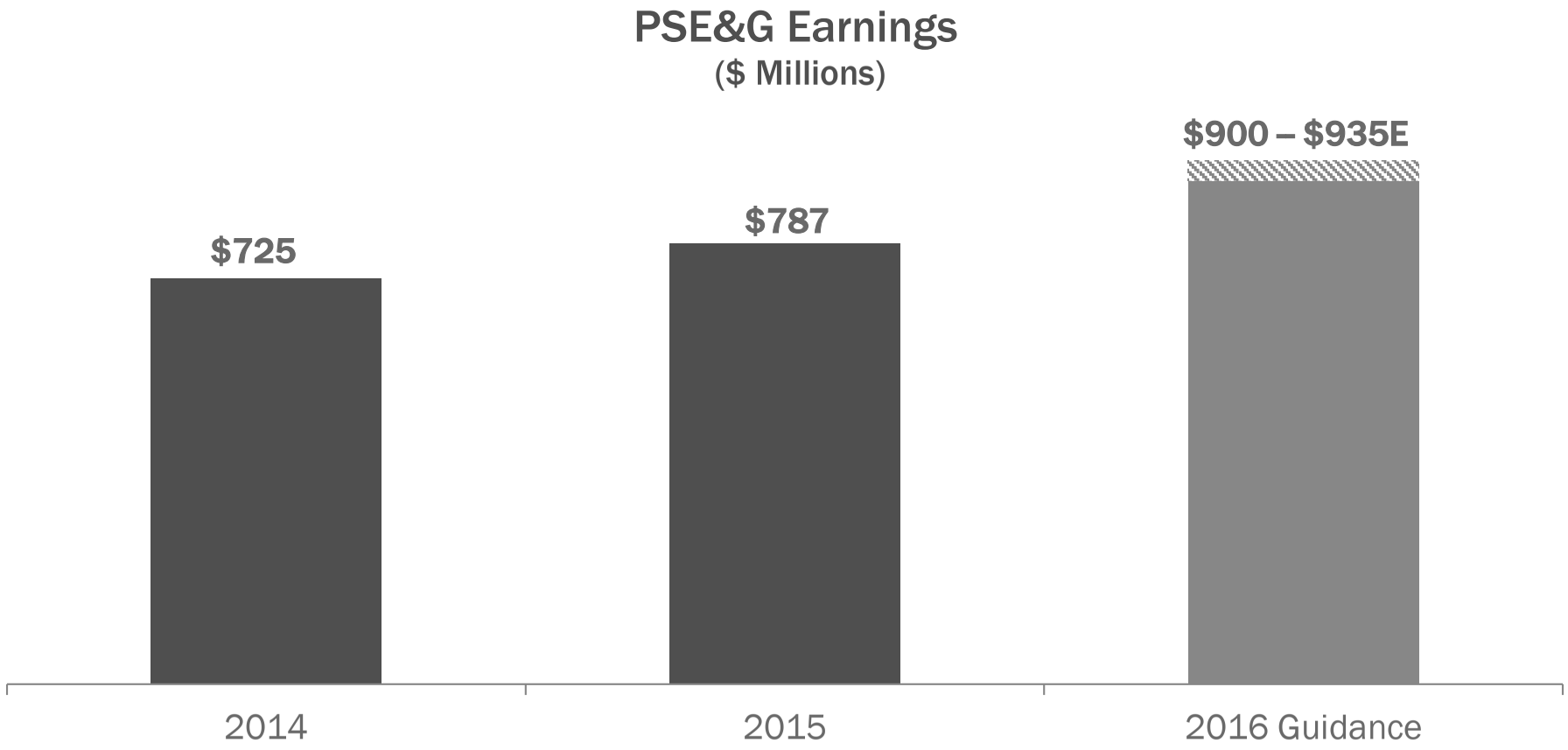
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-04246

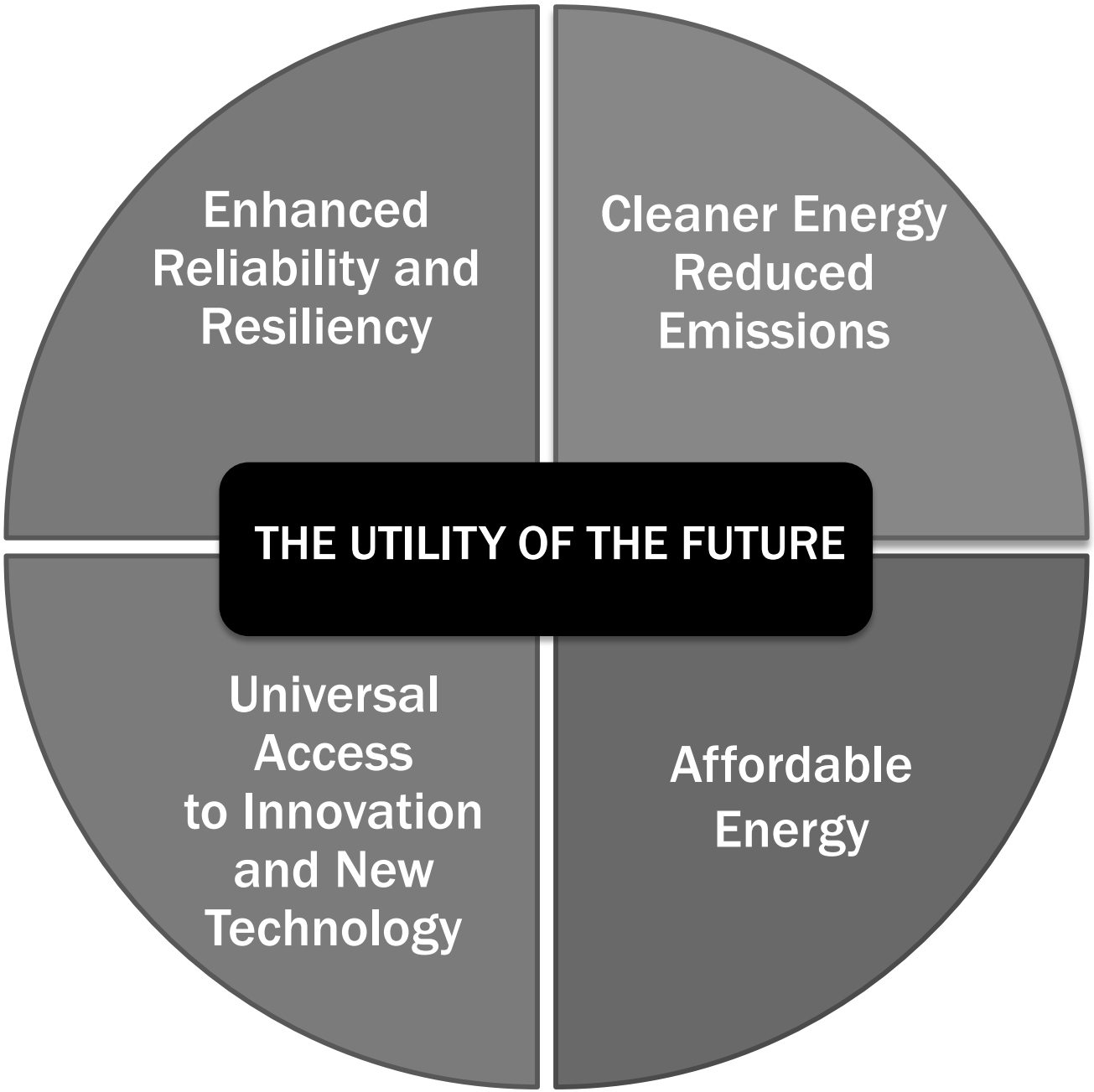
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



SI-SSA-0015-04247



SI-SSA-0015-04248

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-04249

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-04250

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

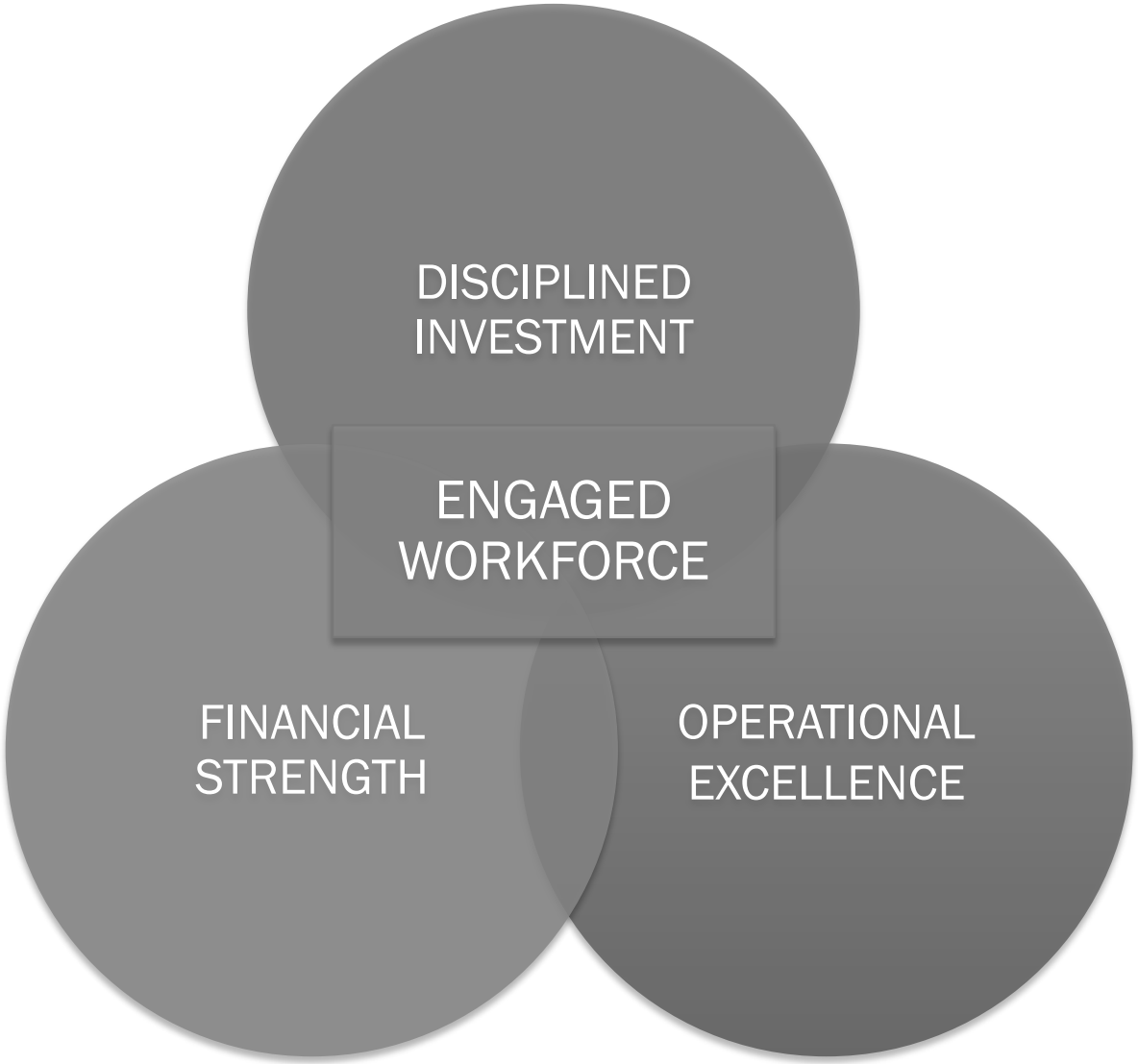
PSEG

We make things work for you.

SI-SSA-0015-04251

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-04252

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

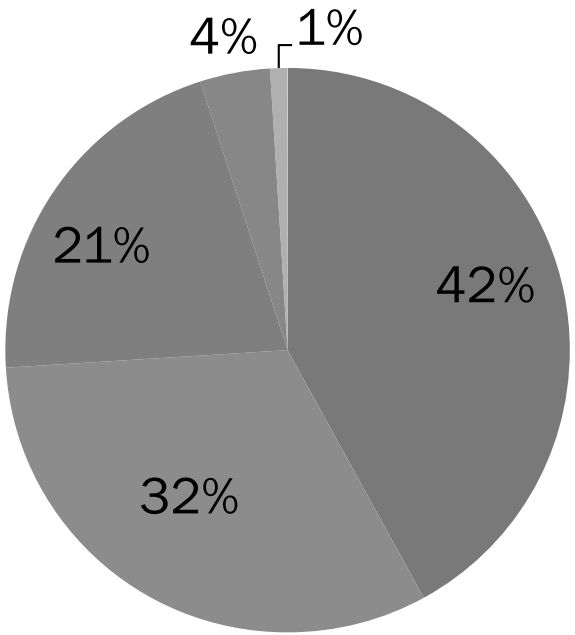
SI-SSA-0015-04253

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

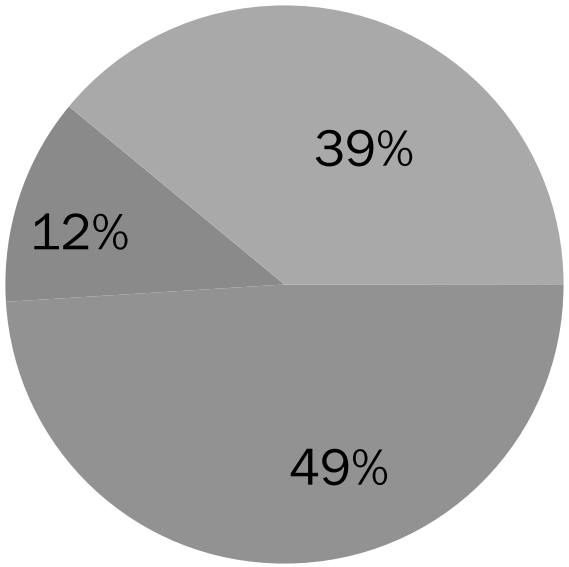
2015 Actual

Fuel Diversity*
Total MW: 11,678



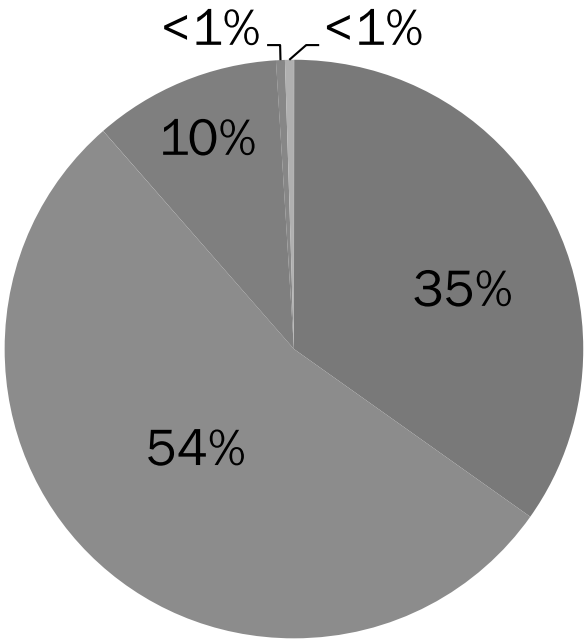
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



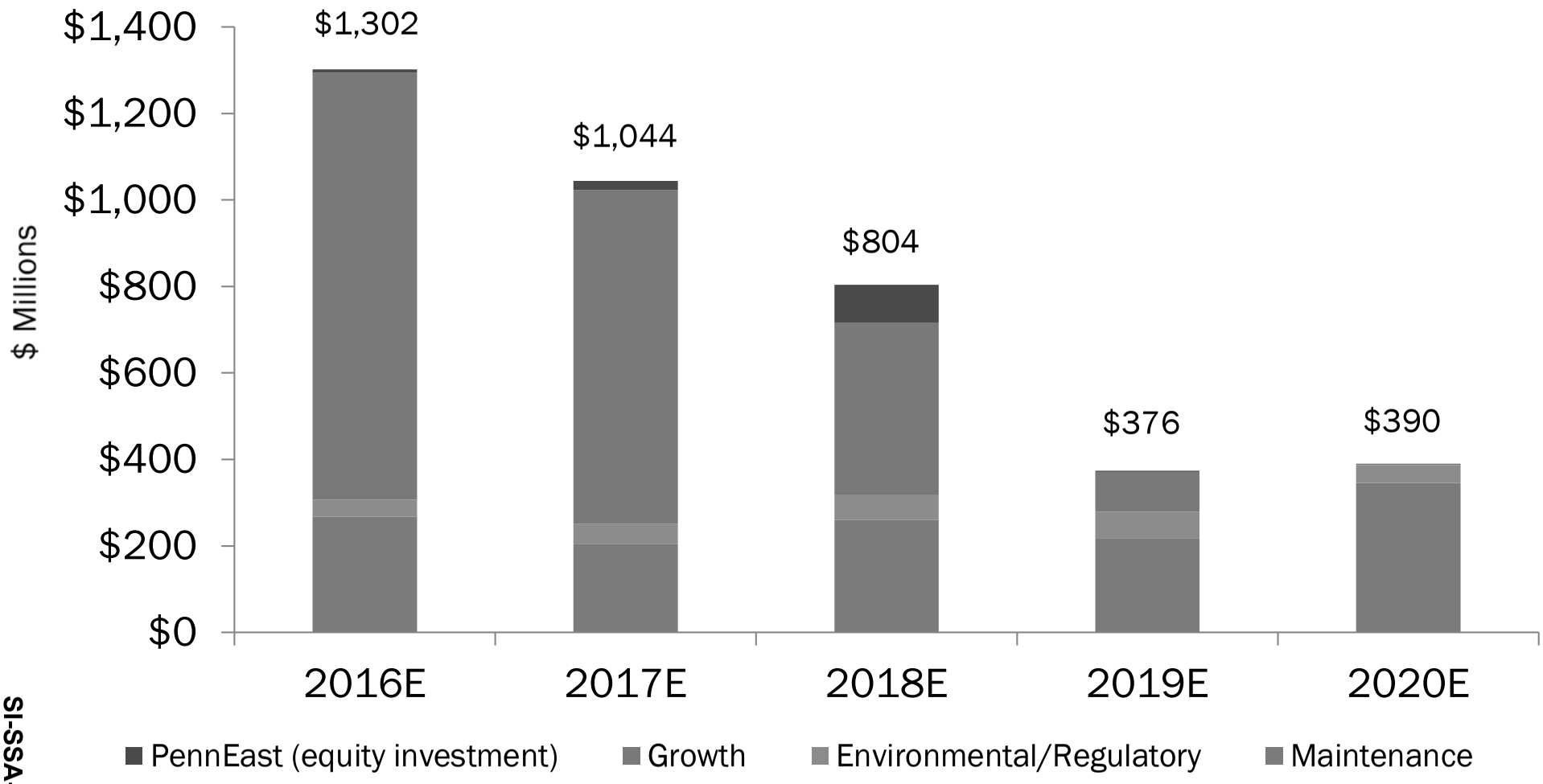
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-04254

PSEG

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

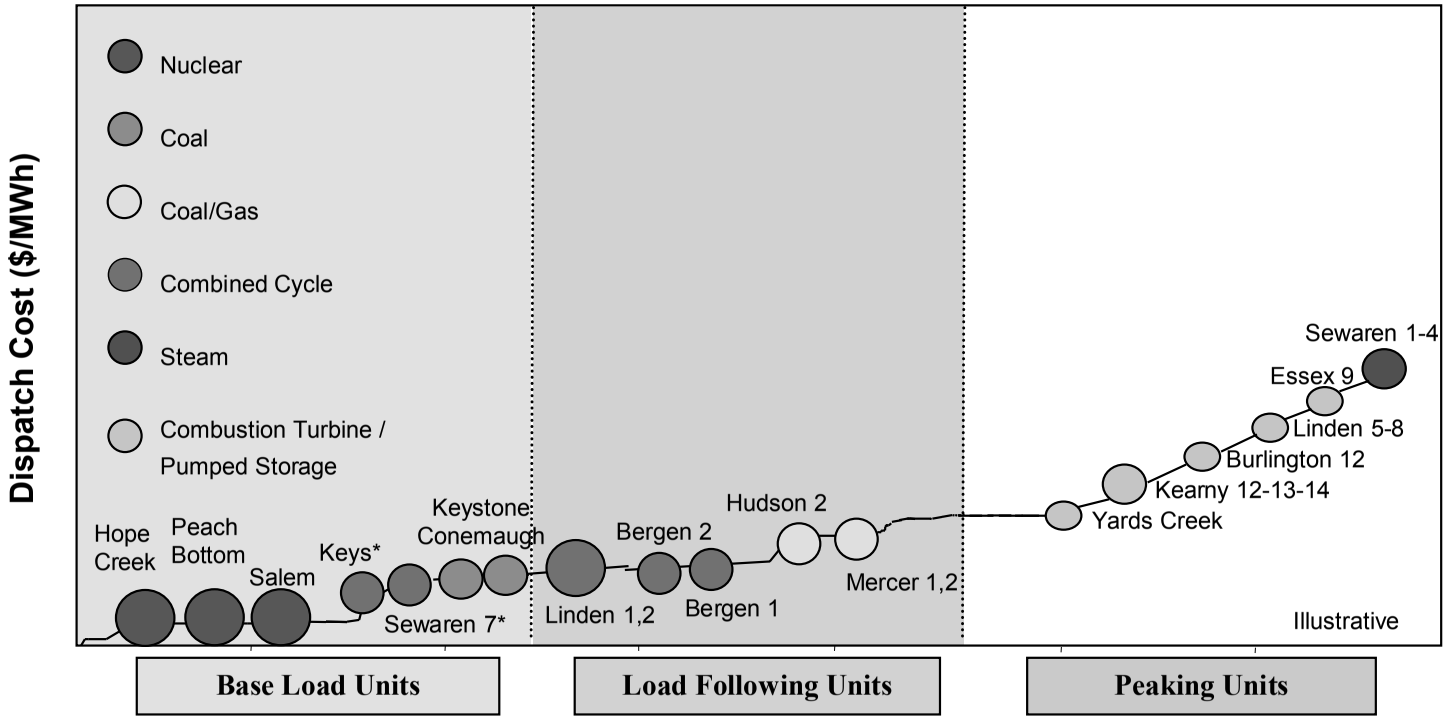
Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-04255

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

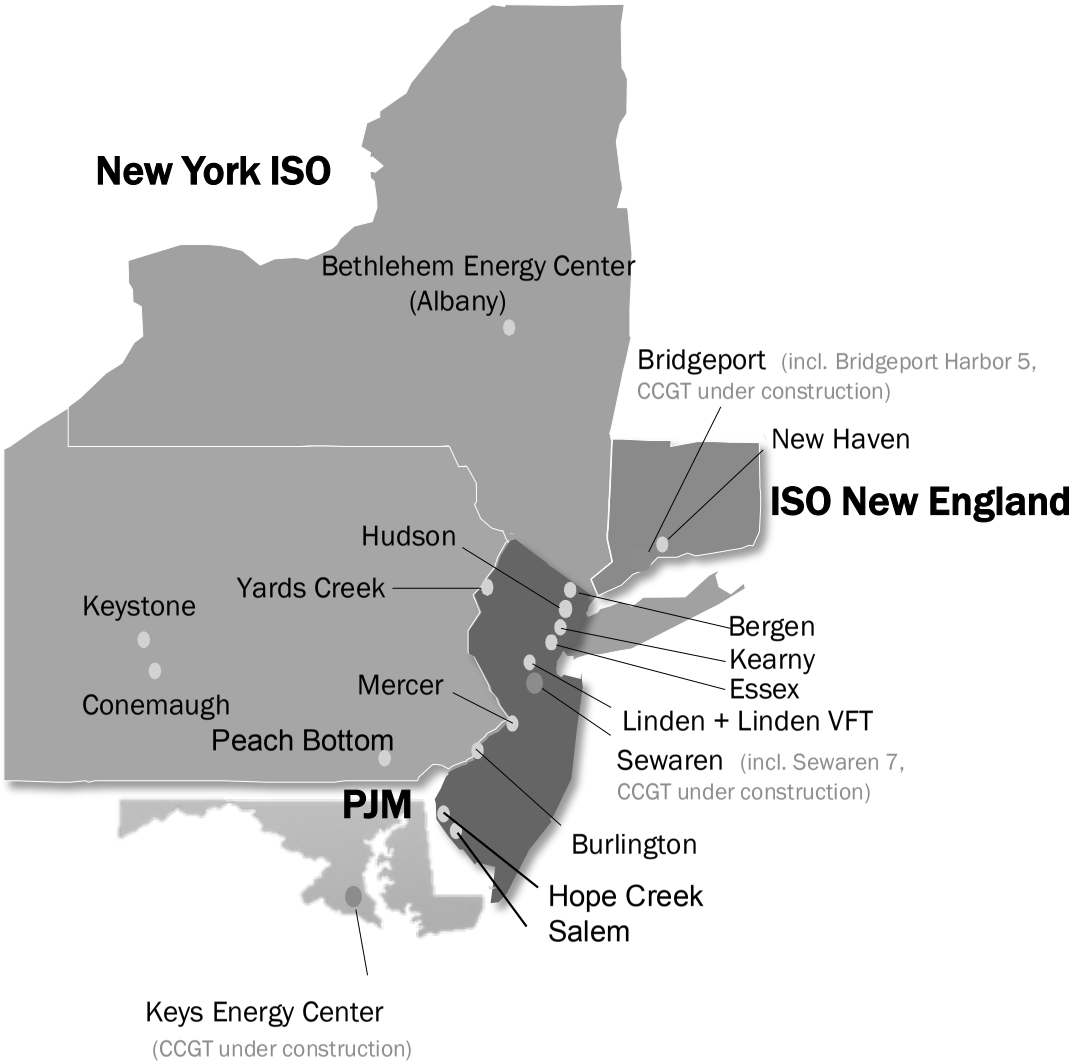
SI-SSA-0015-04256

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

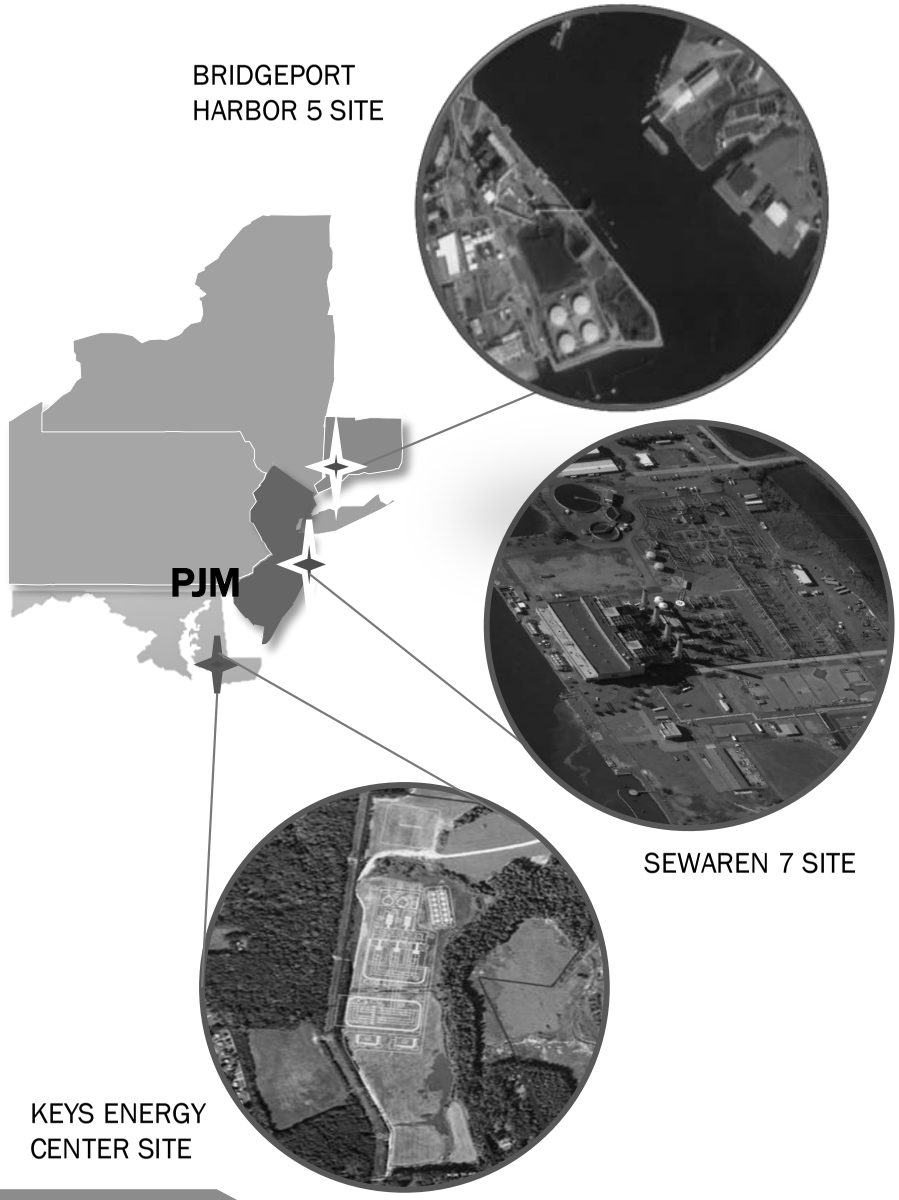
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-04257

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



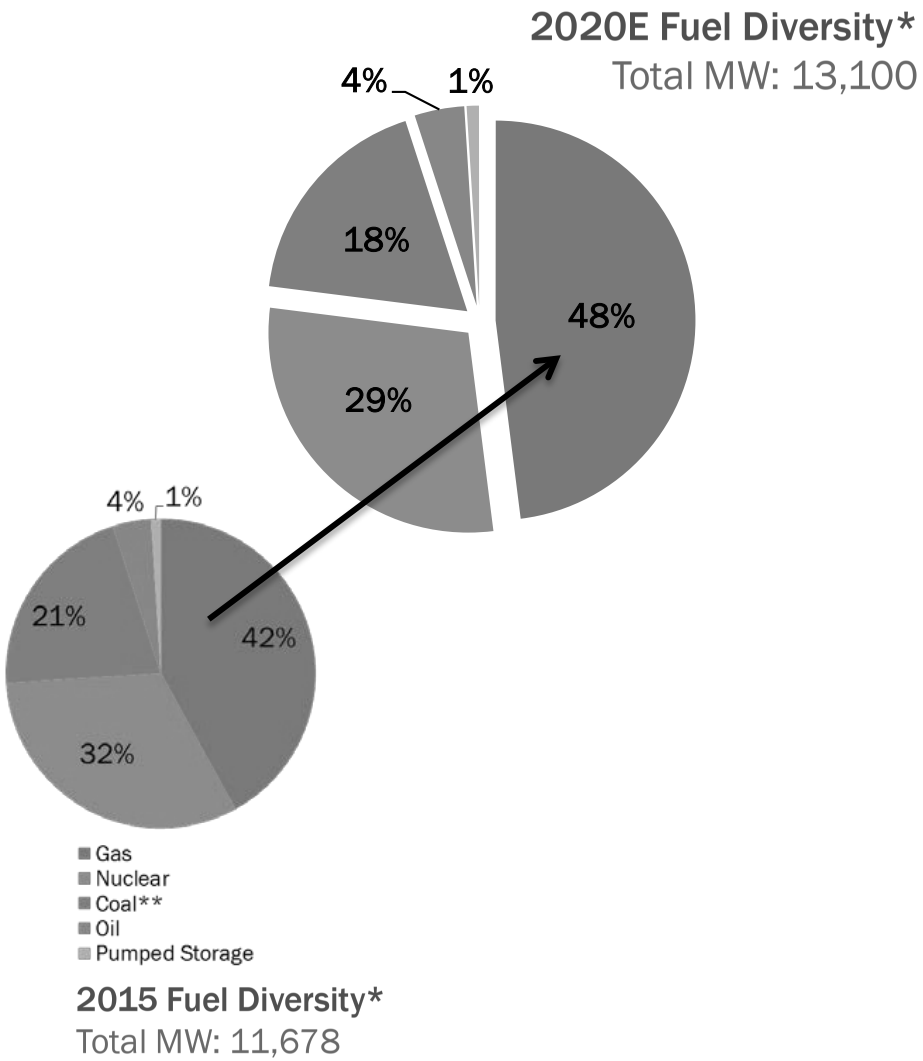
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

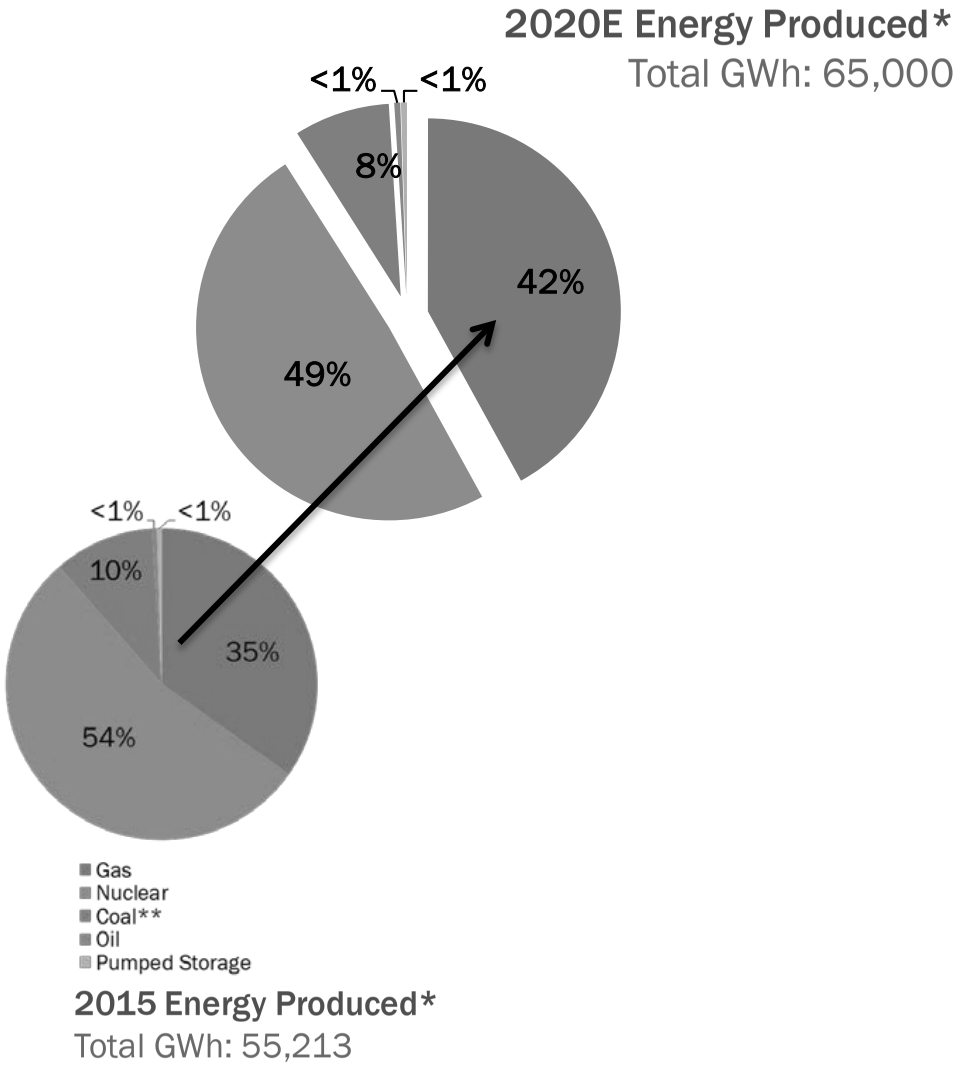
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-04258

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

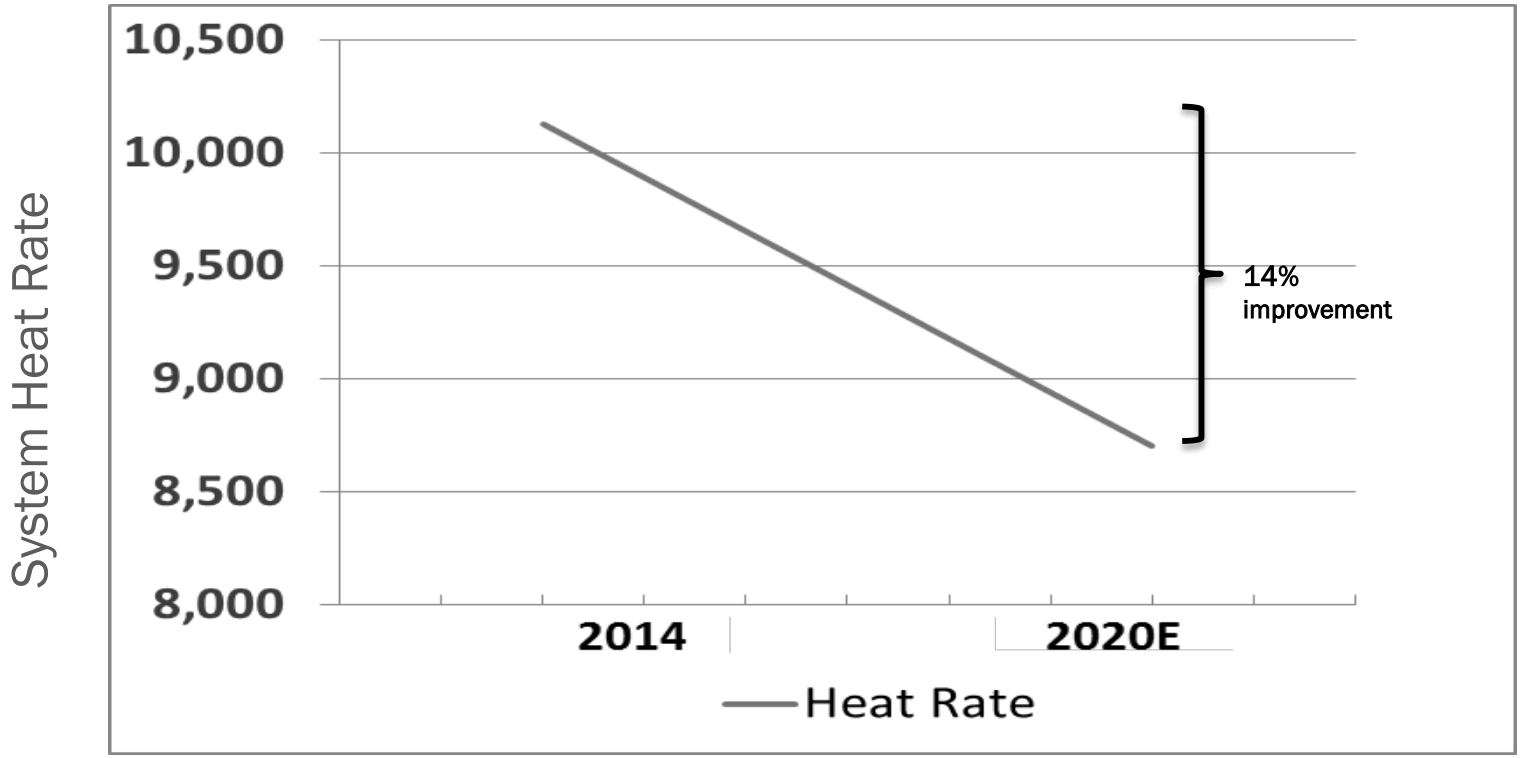




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04259

PSEG Power's fossil fleet expected to see improvements in efficiency

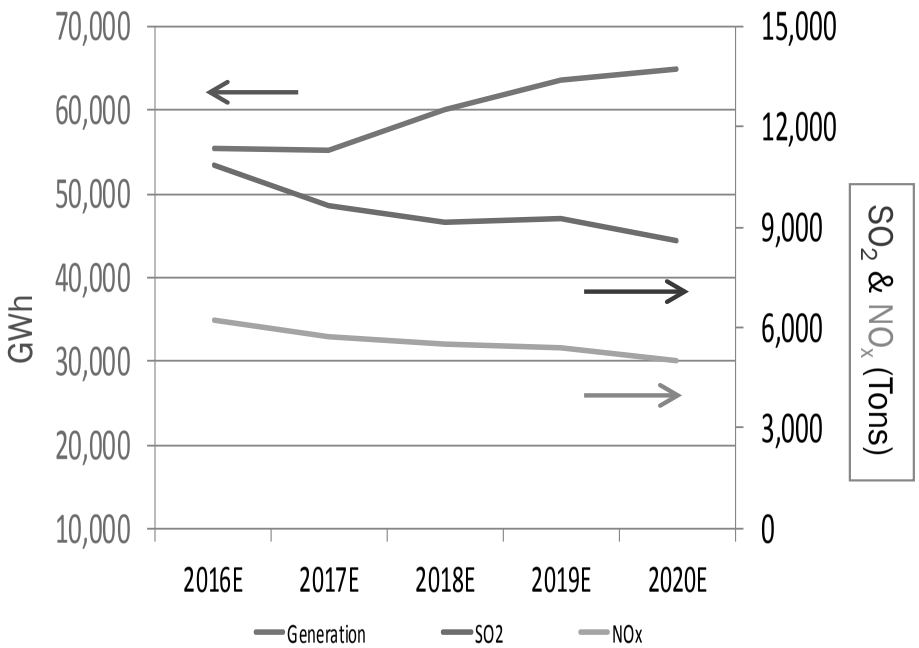


- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-04260

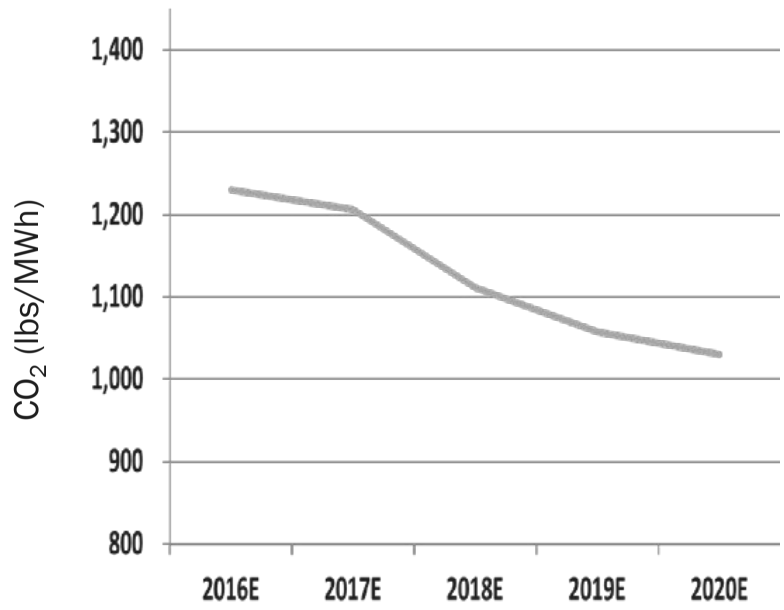
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-04261

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Scheduled Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Scheduled Refueling
  - Unit 1 – Fall 2017
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Scheduled Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-04262

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

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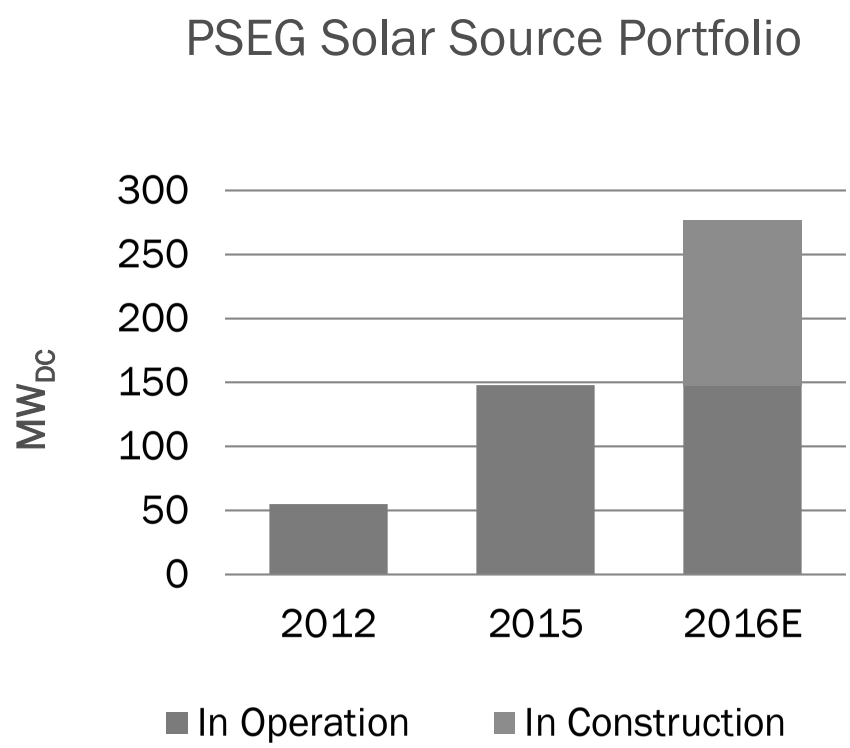
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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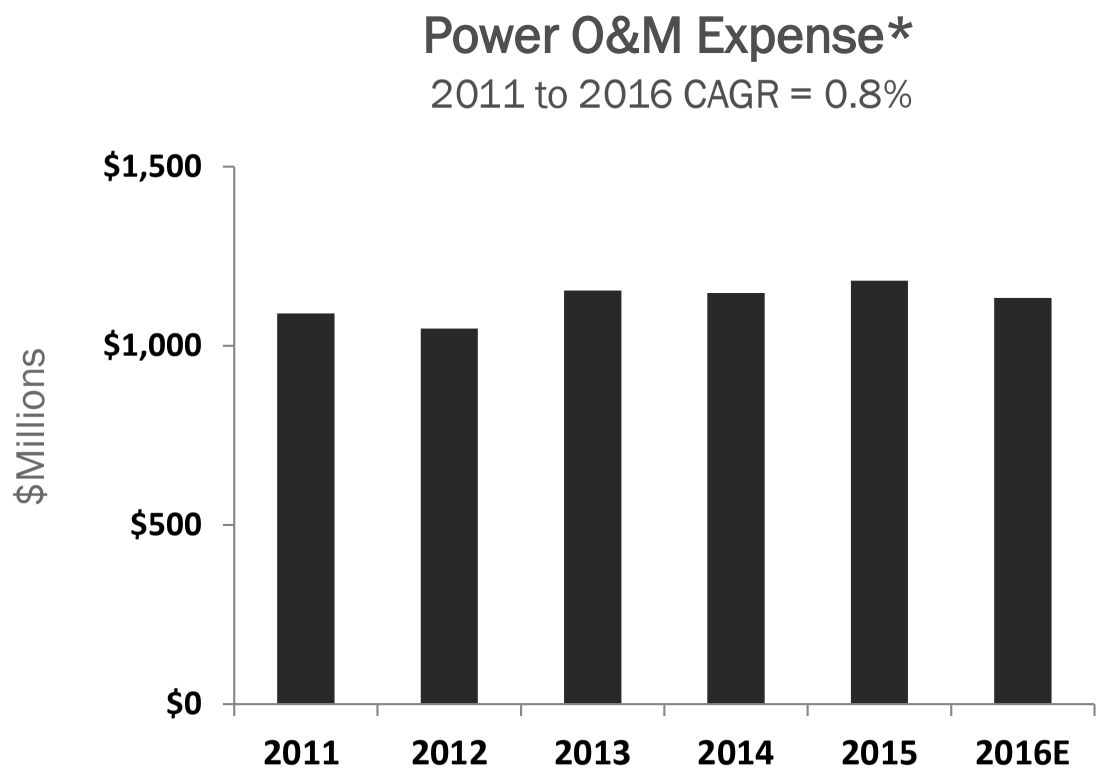
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

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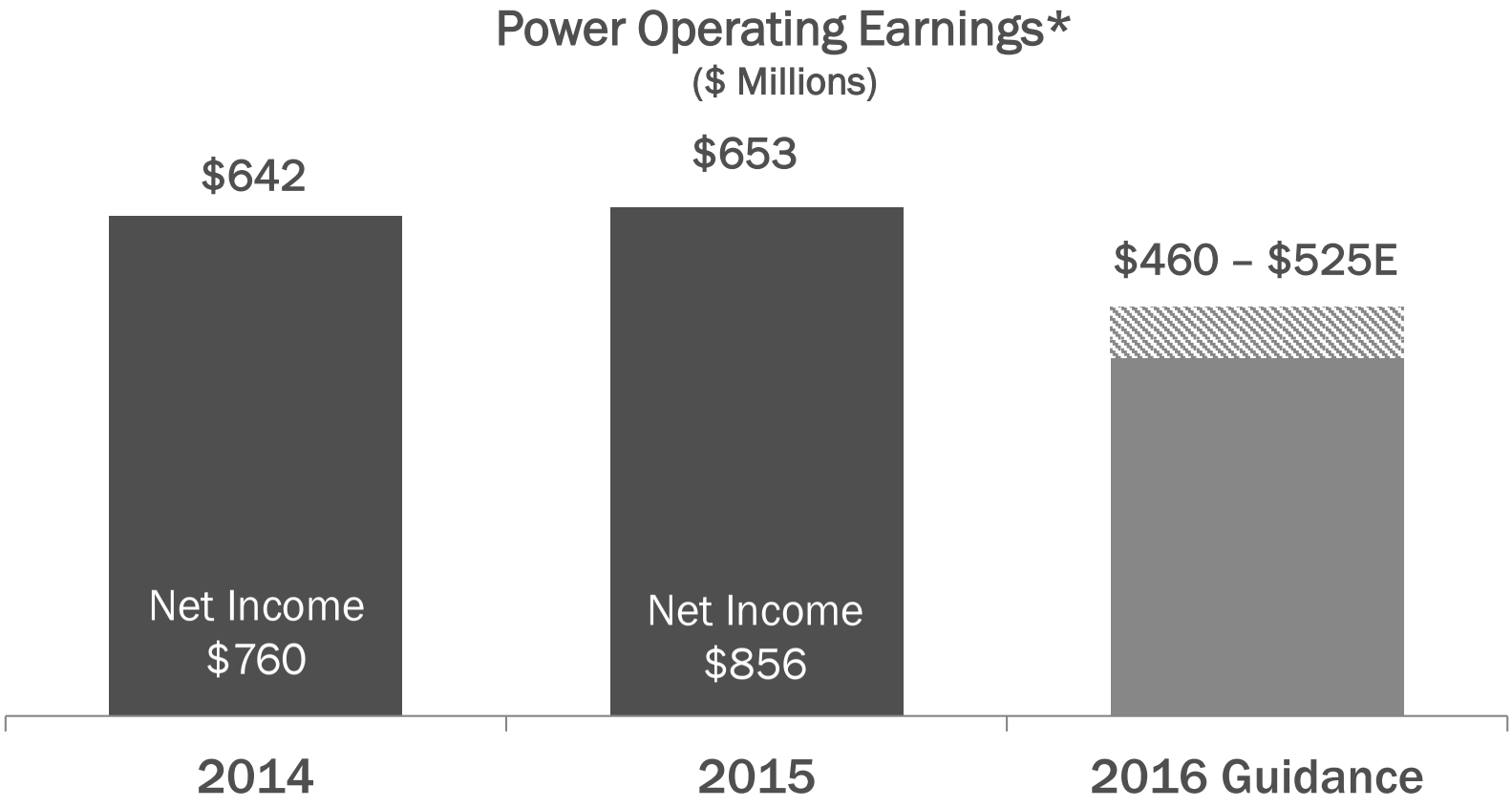
Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-04269

PSEG POWER
ER&T

PSEG

We make things work for you.

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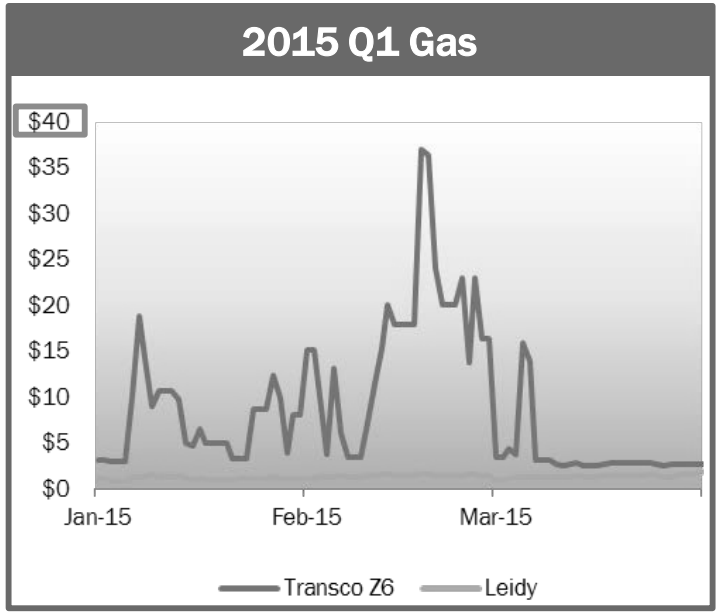
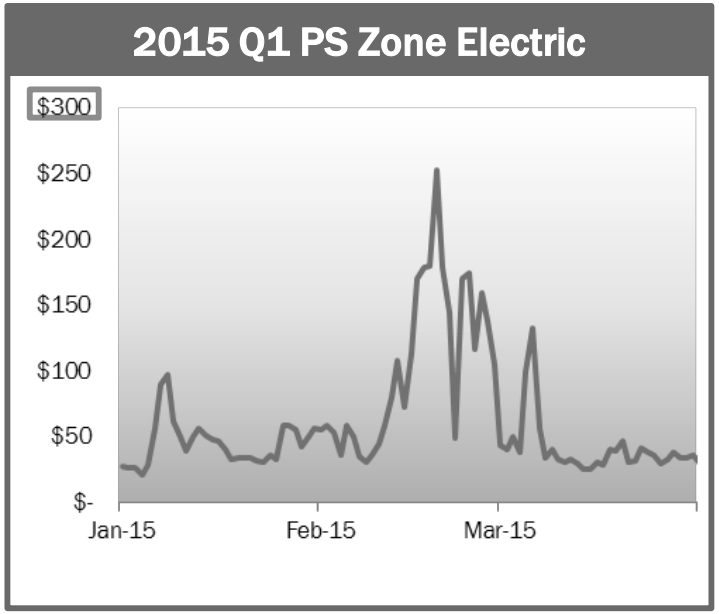
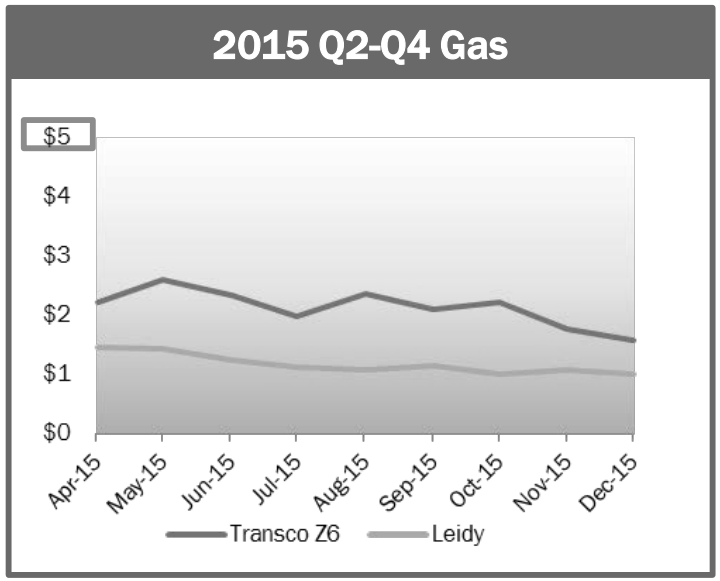
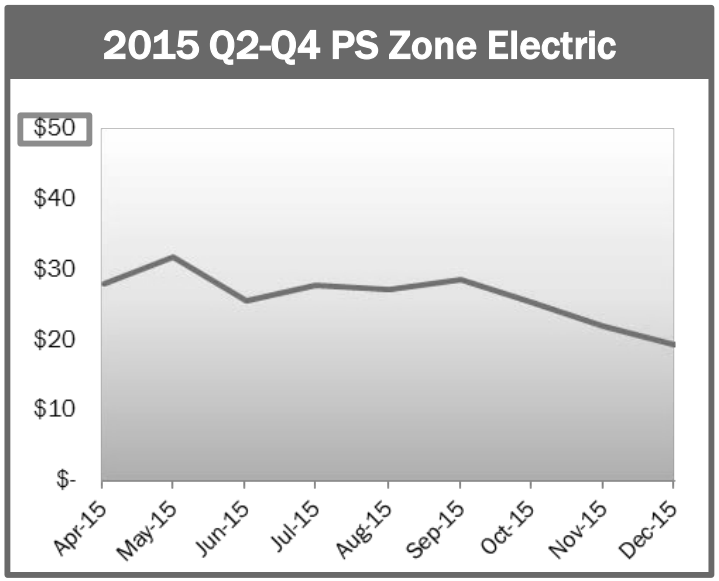
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

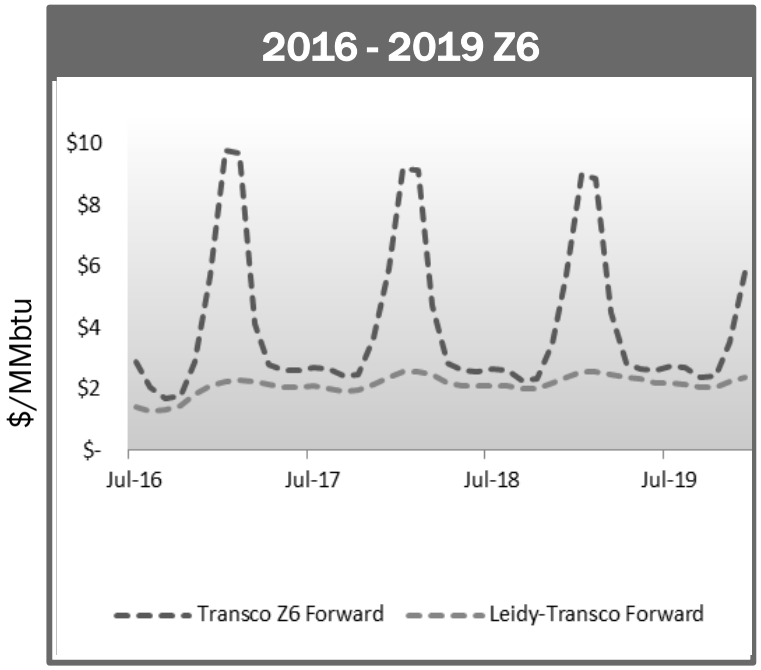


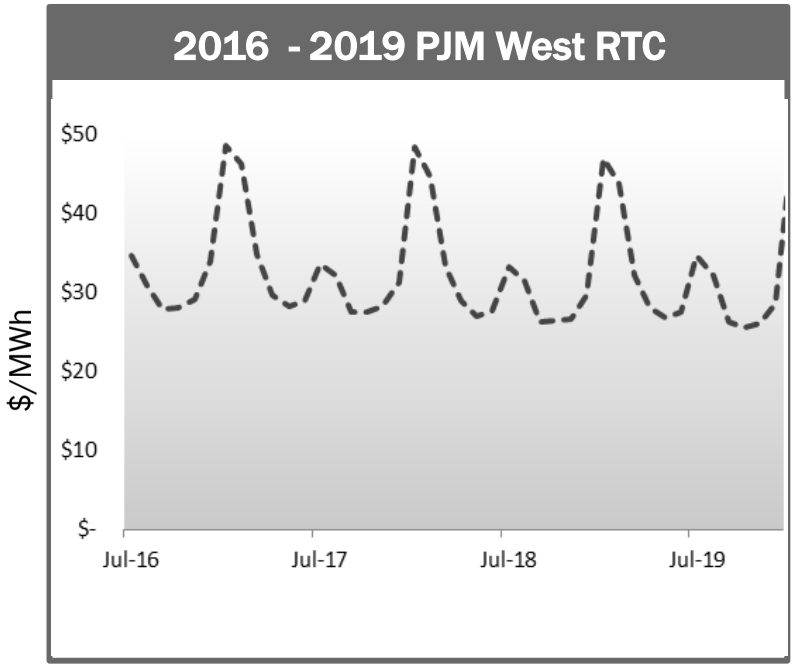


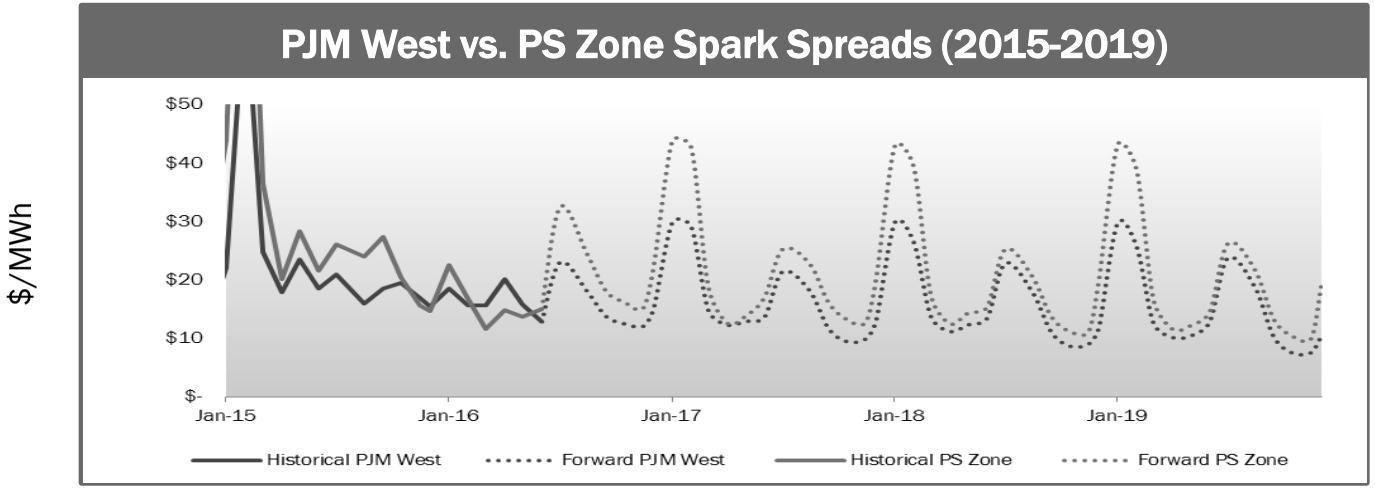
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-04271

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

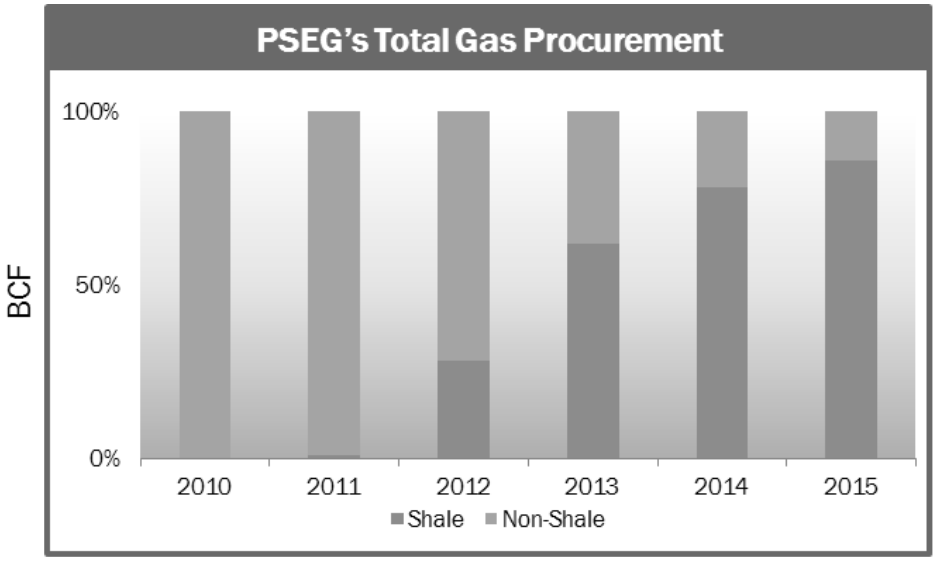


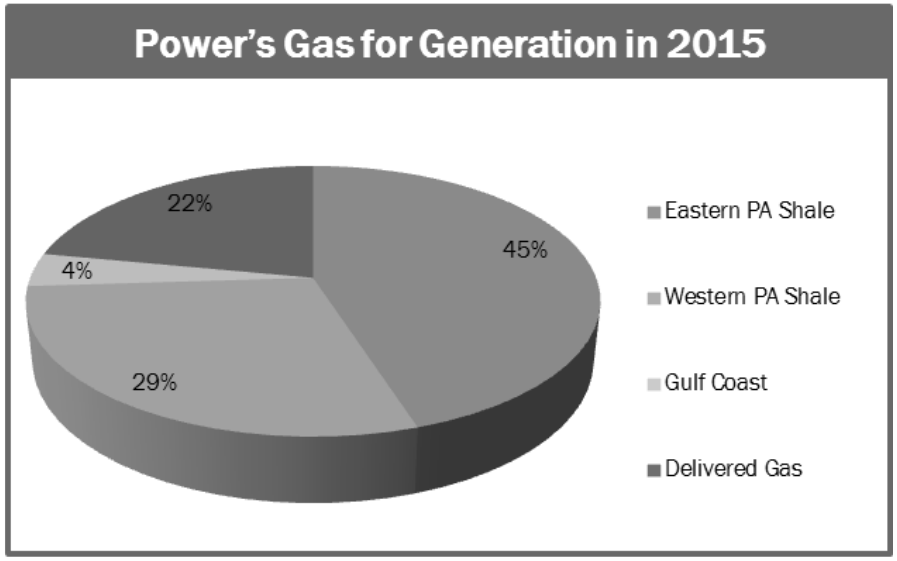




SI-SSA-0015-04272

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



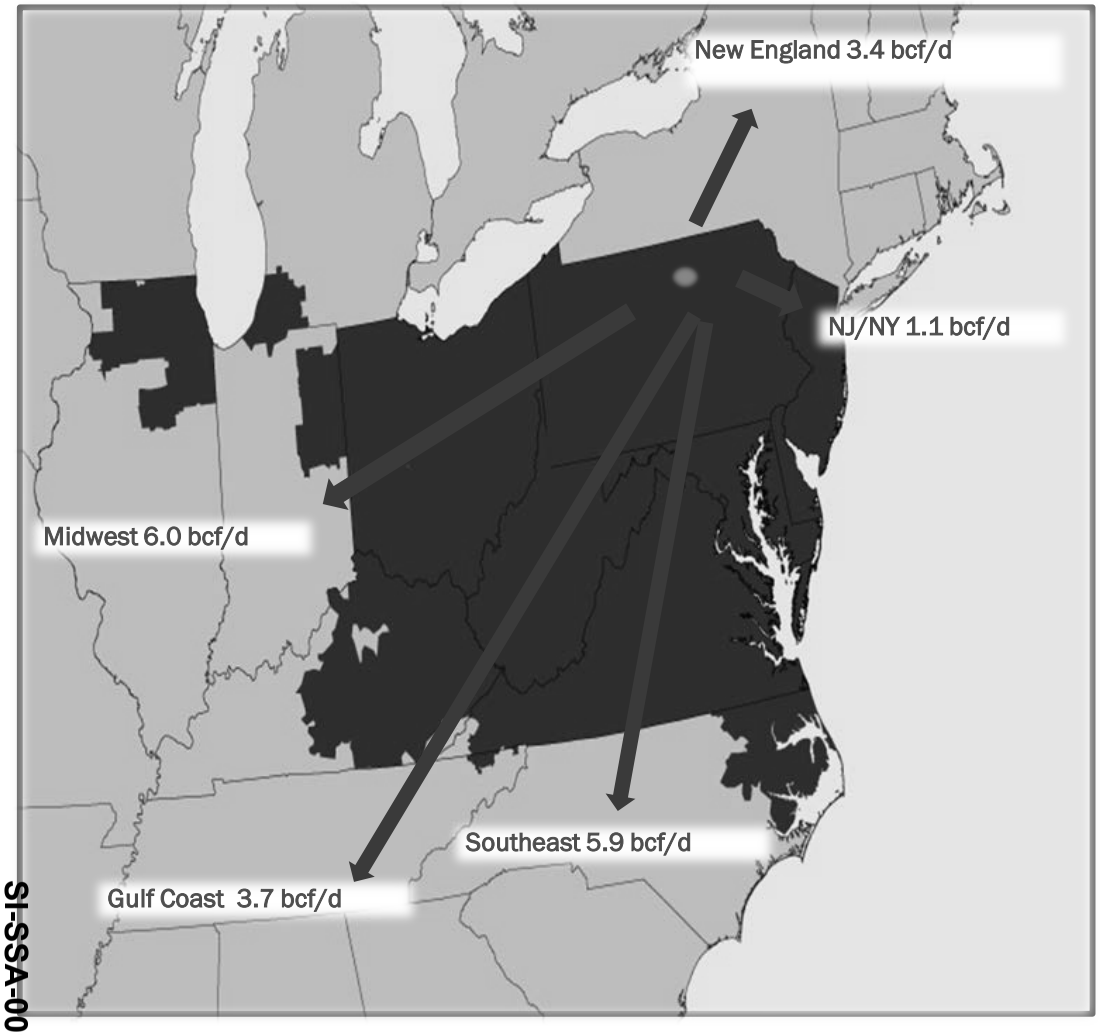


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-04273

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

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Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

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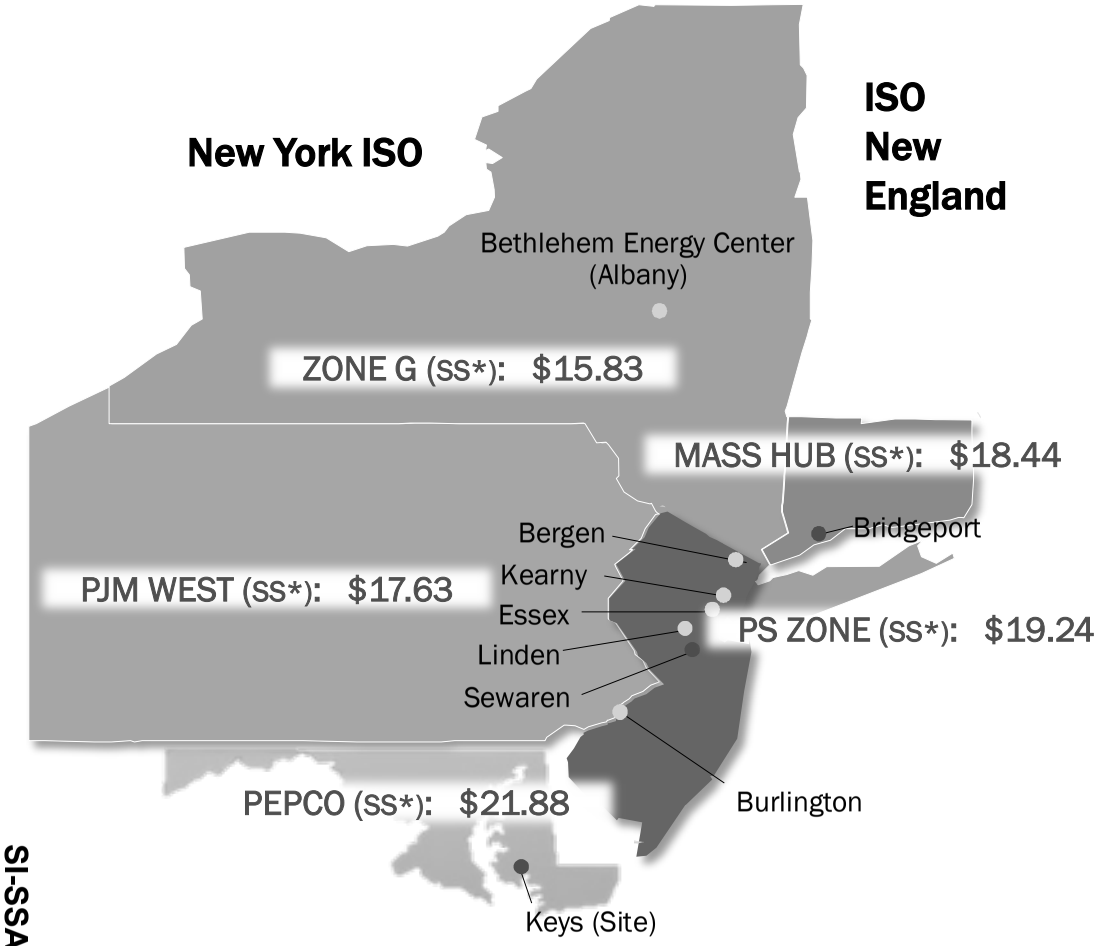
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

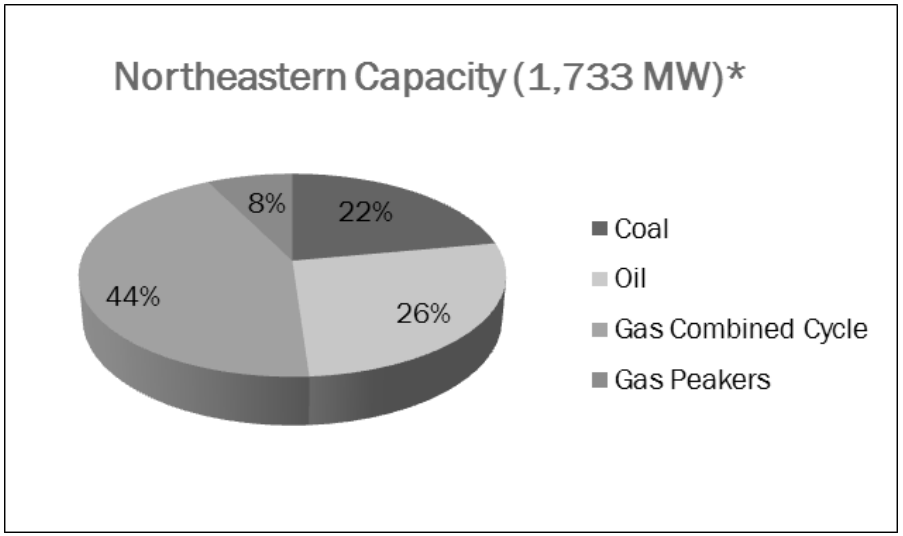
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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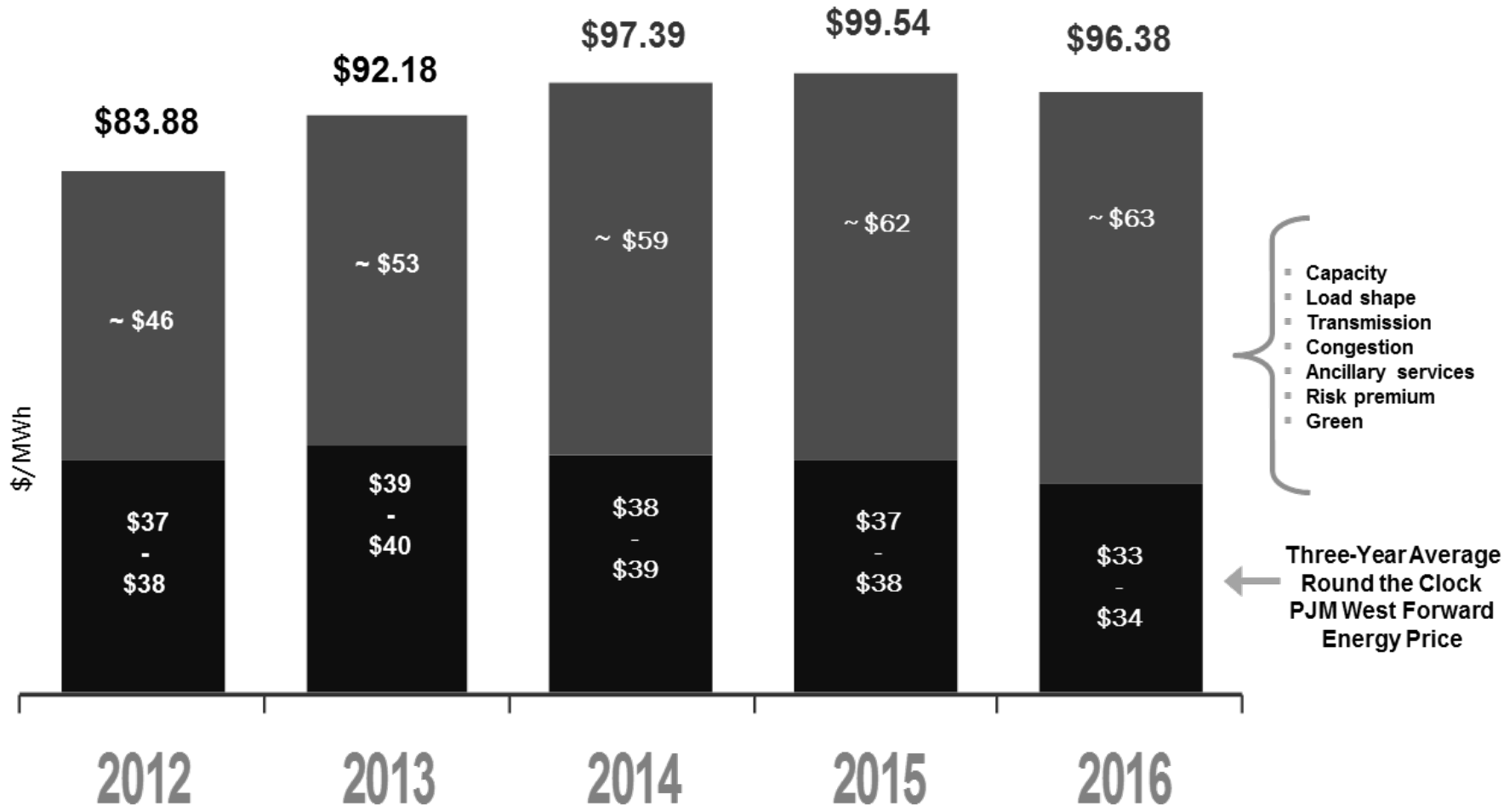
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

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NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

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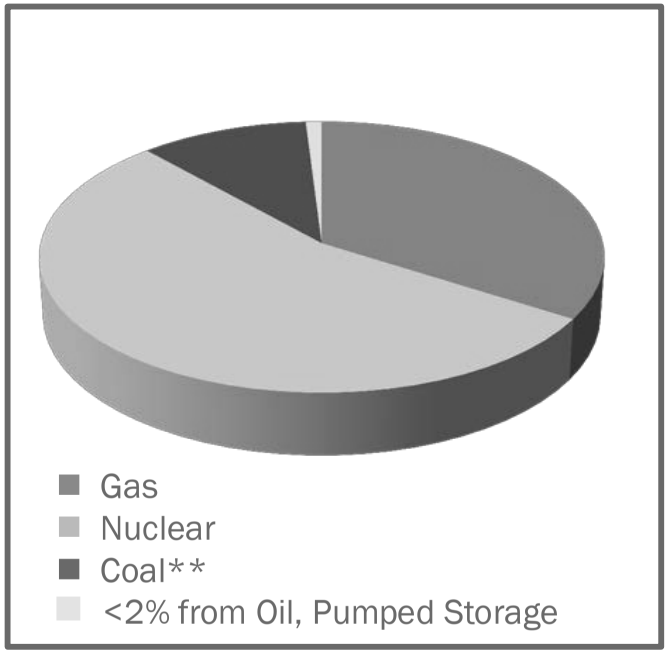
HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

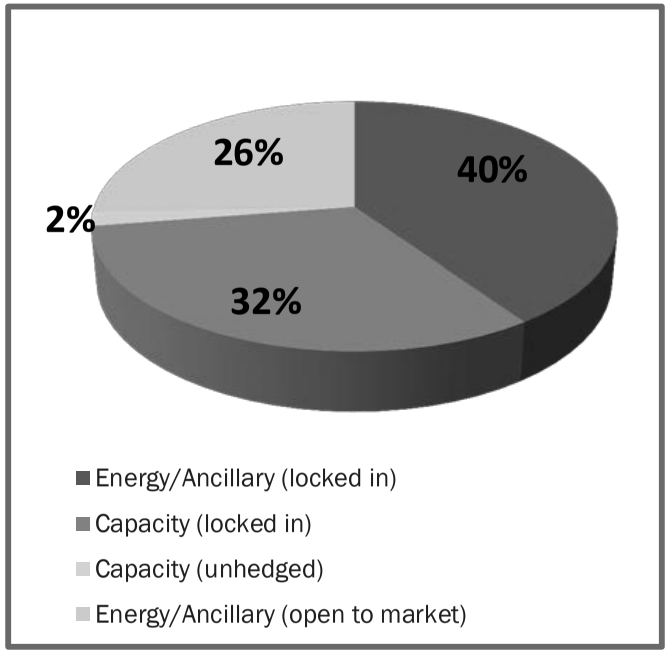
Energy Produced in 2015

55,213 GWH



**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

SI-SSA-0015-04281

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

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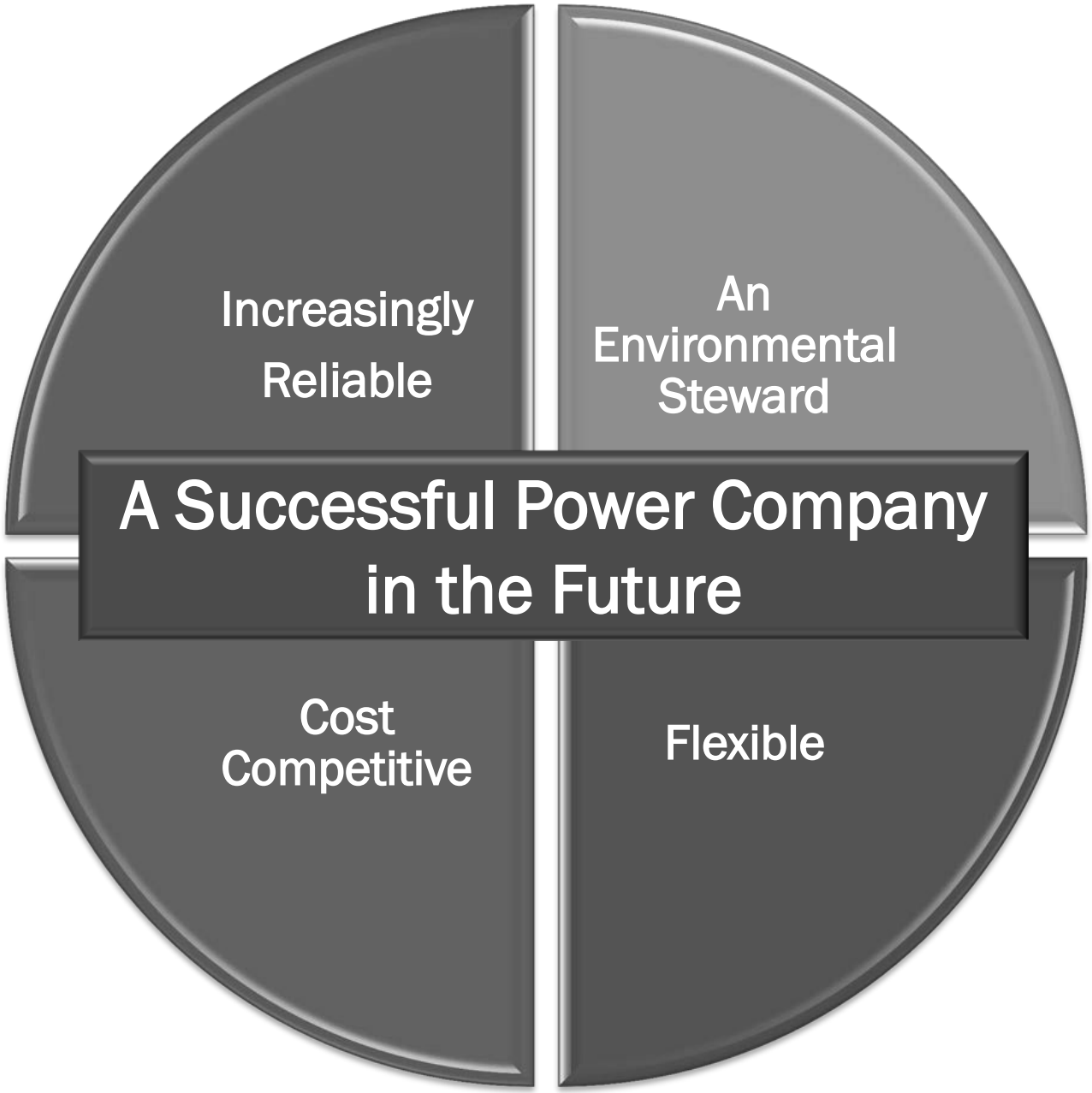

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PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-04284

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-04285

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-04286

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-04287

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

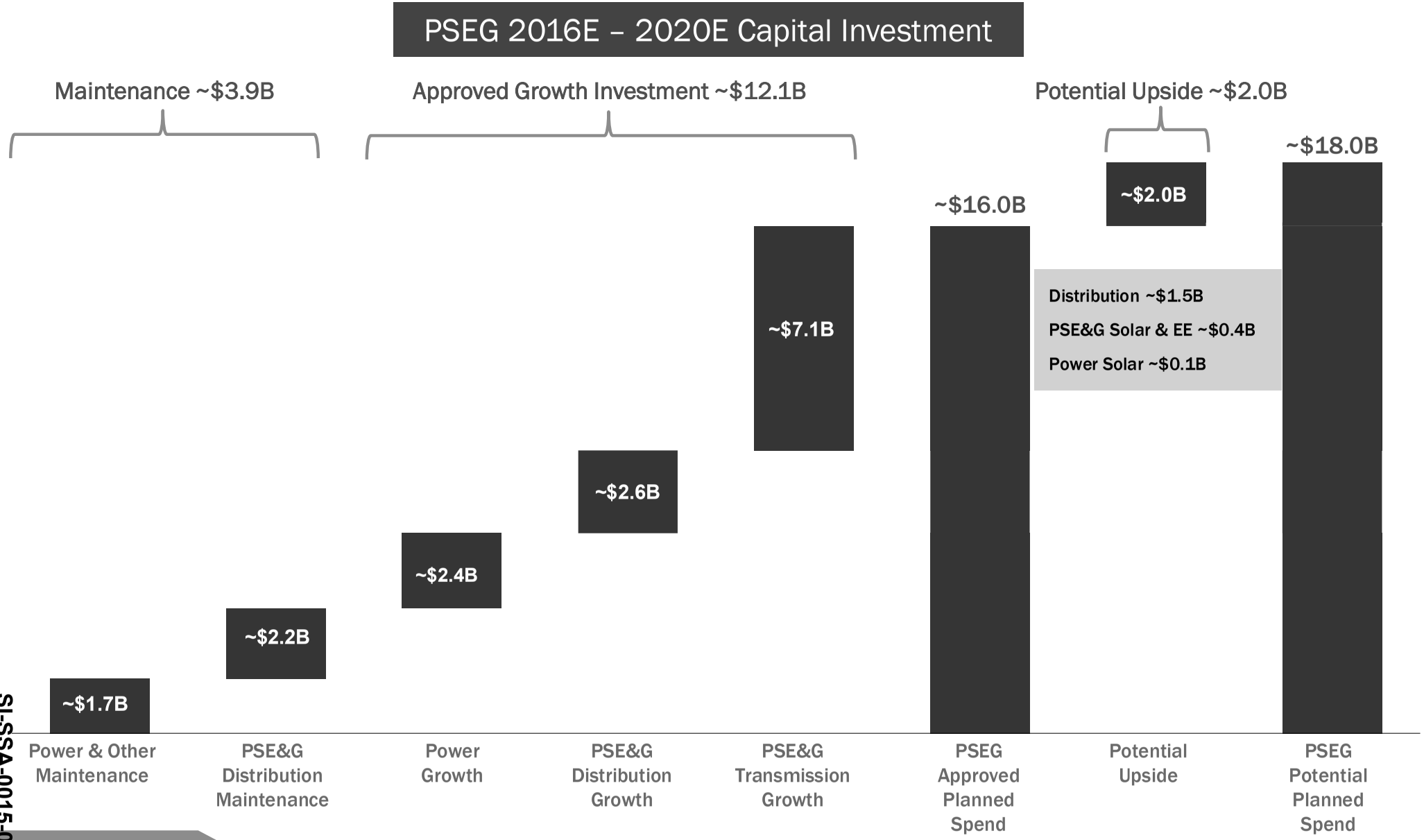
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-04288

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

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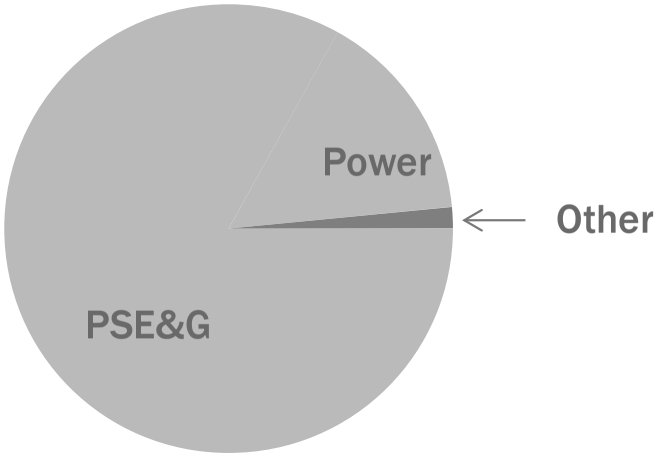
We increased our Capital Program by $3B

since last year

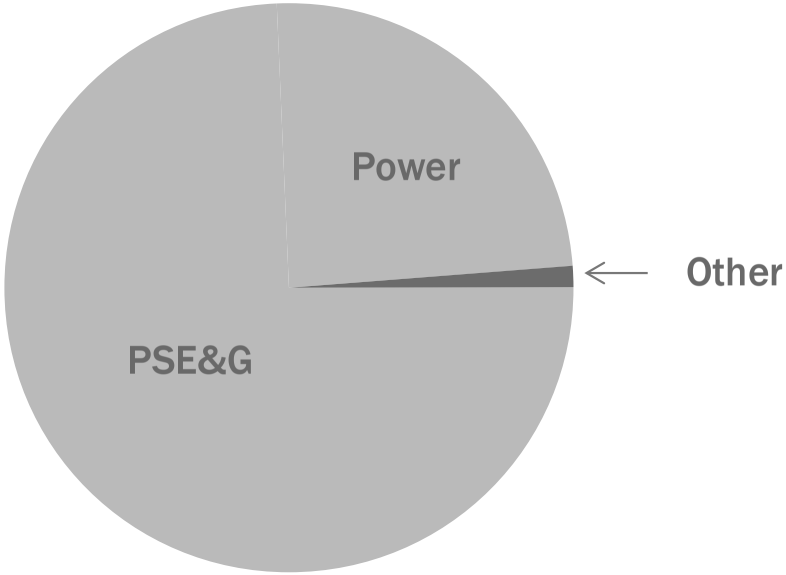
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

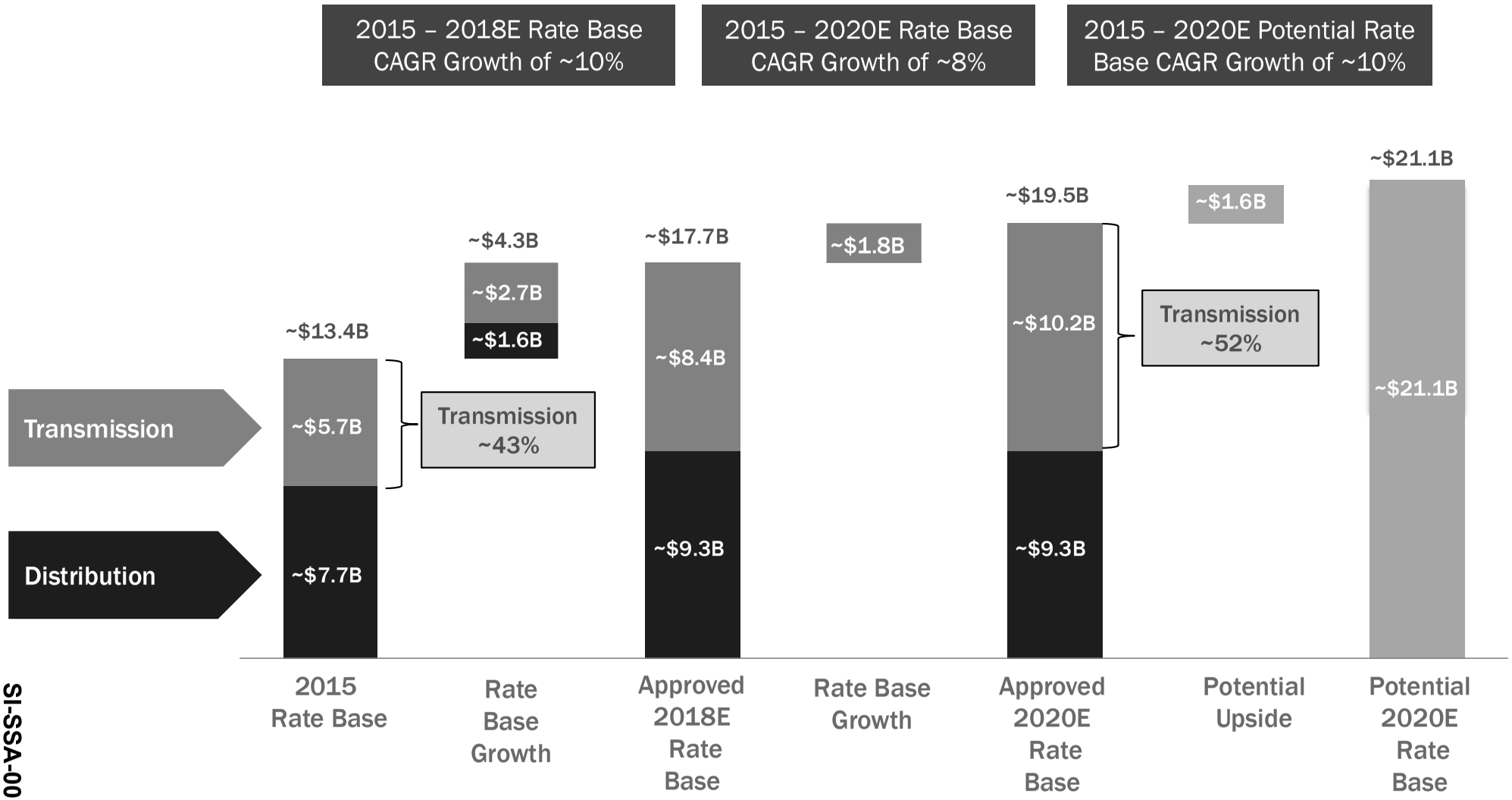


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-04290

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-04291

Bonus Depreciation adds $1.7B cash

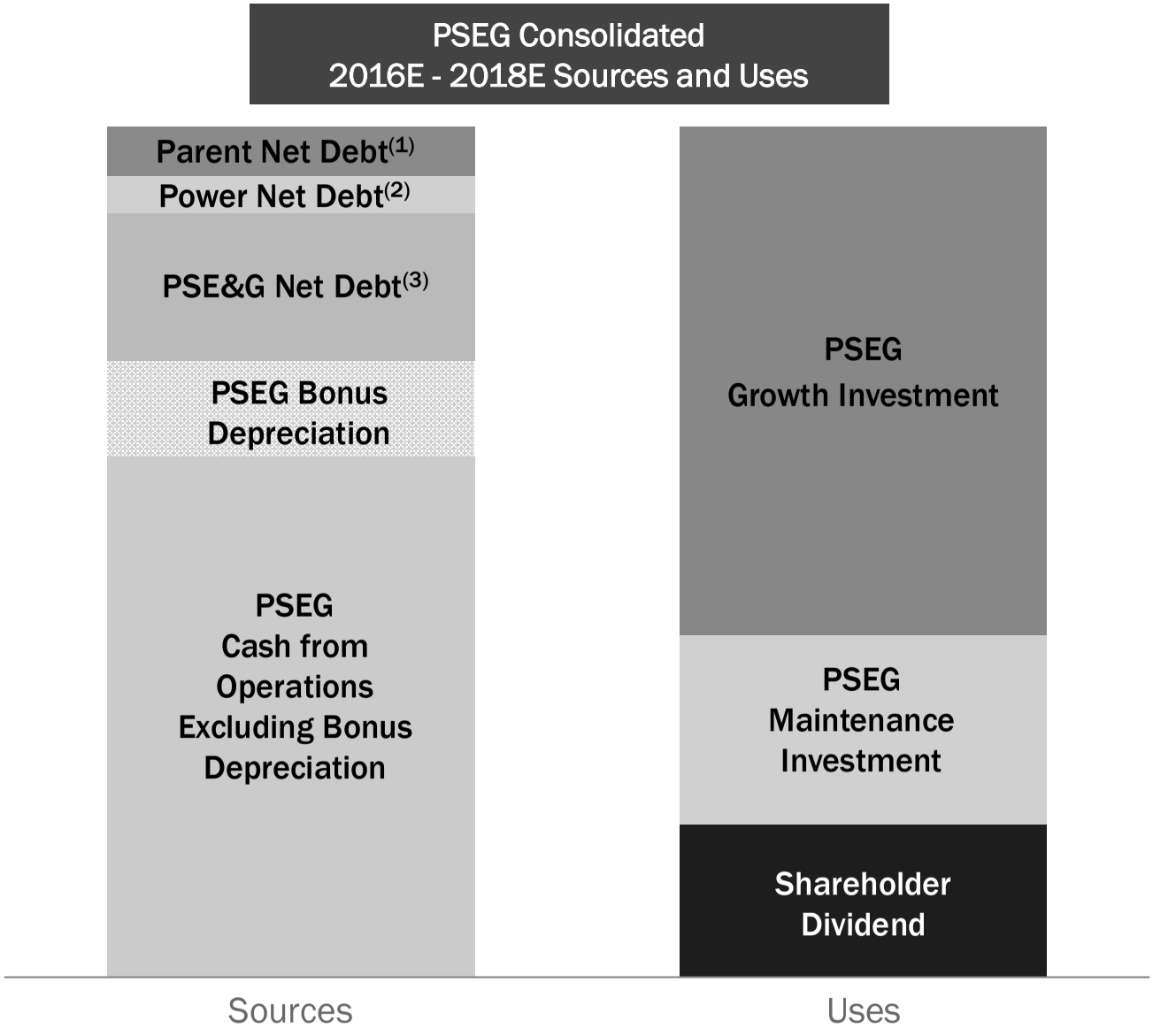
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-04292

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-04293

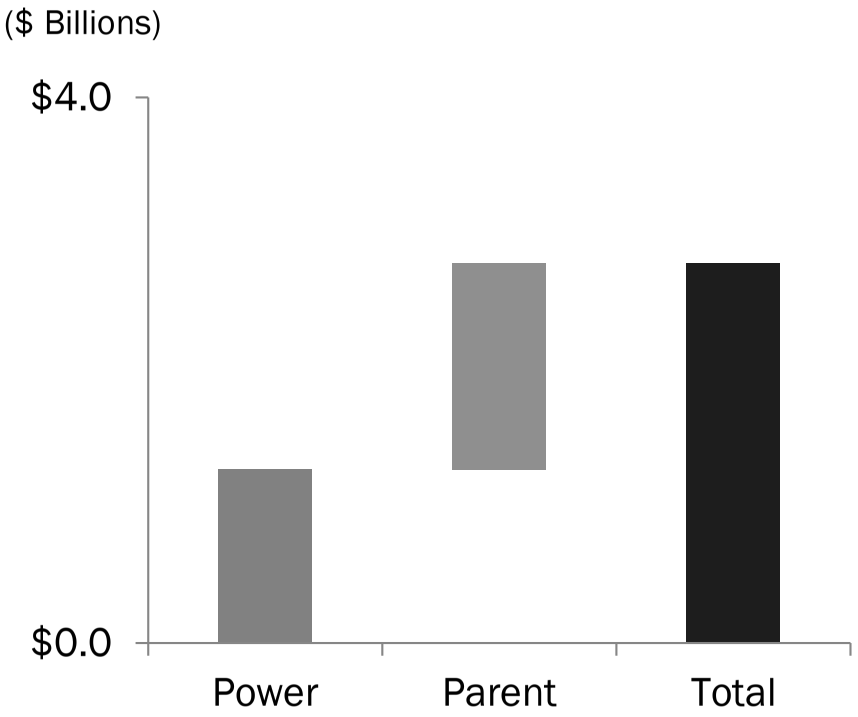
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

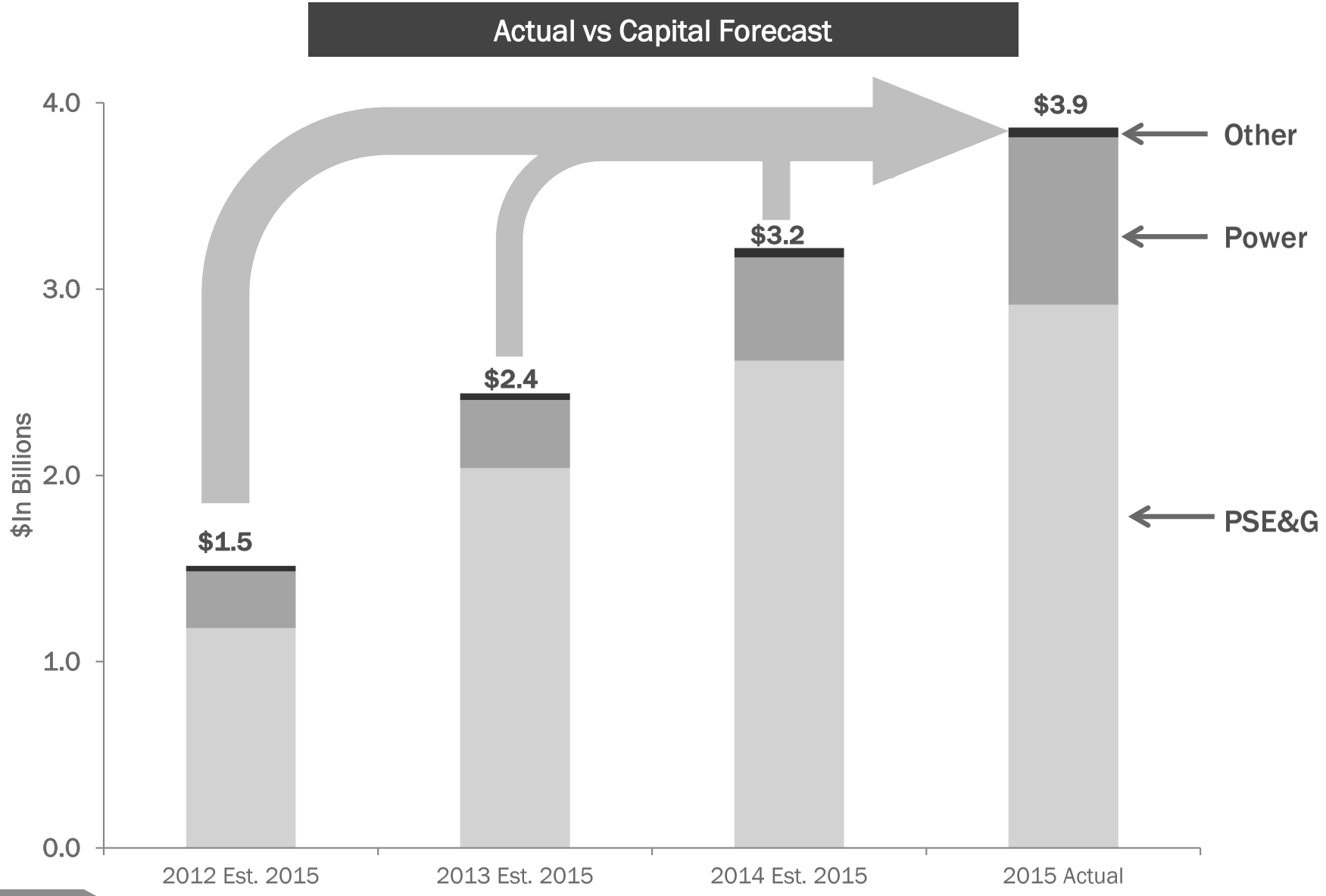
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

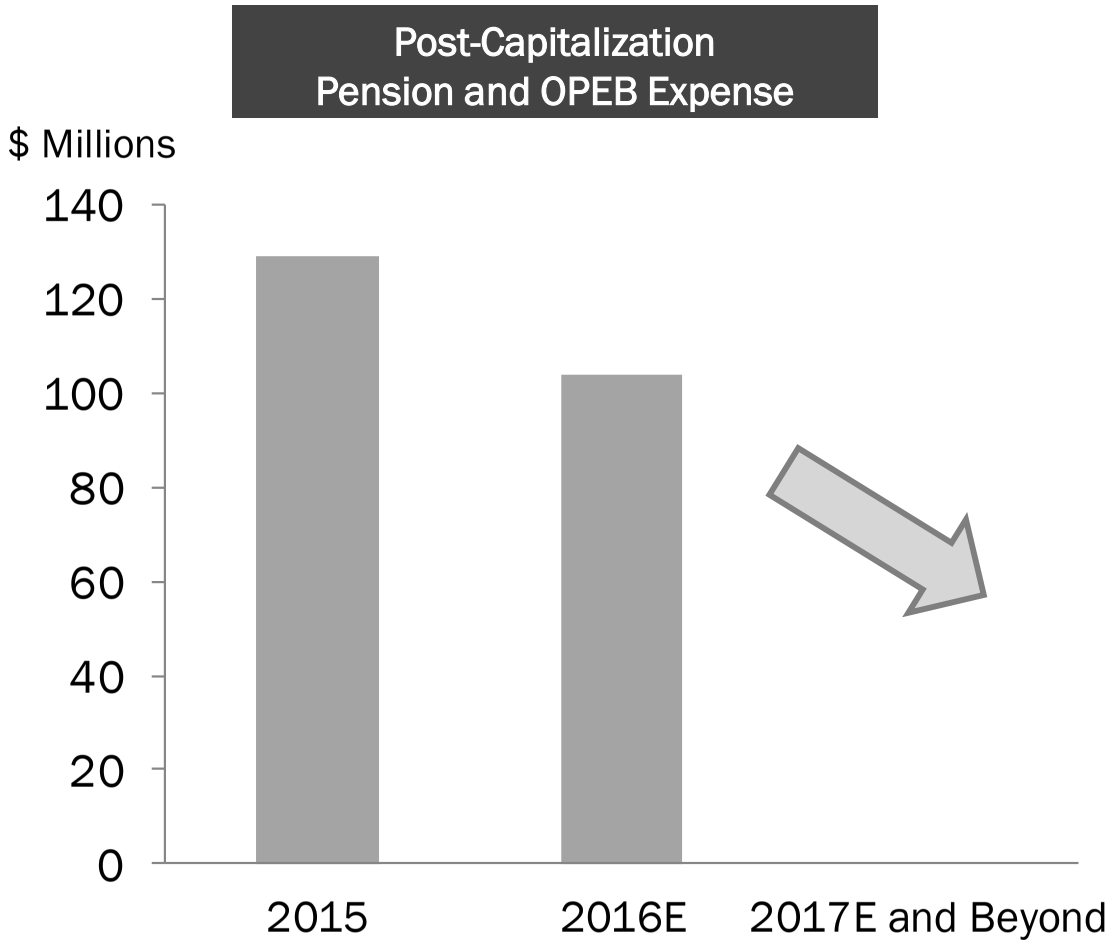
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-04295

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

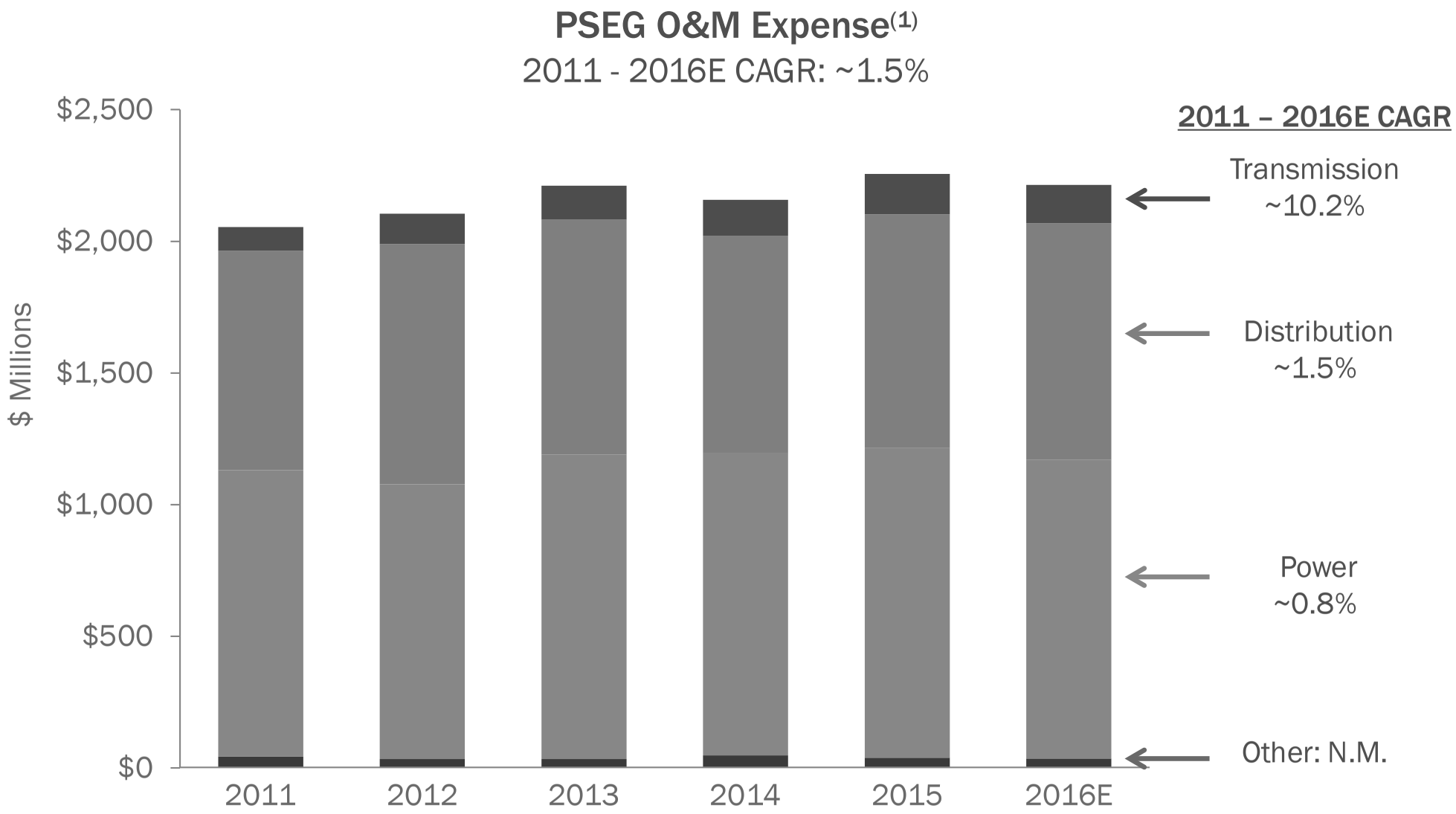


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-04296

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

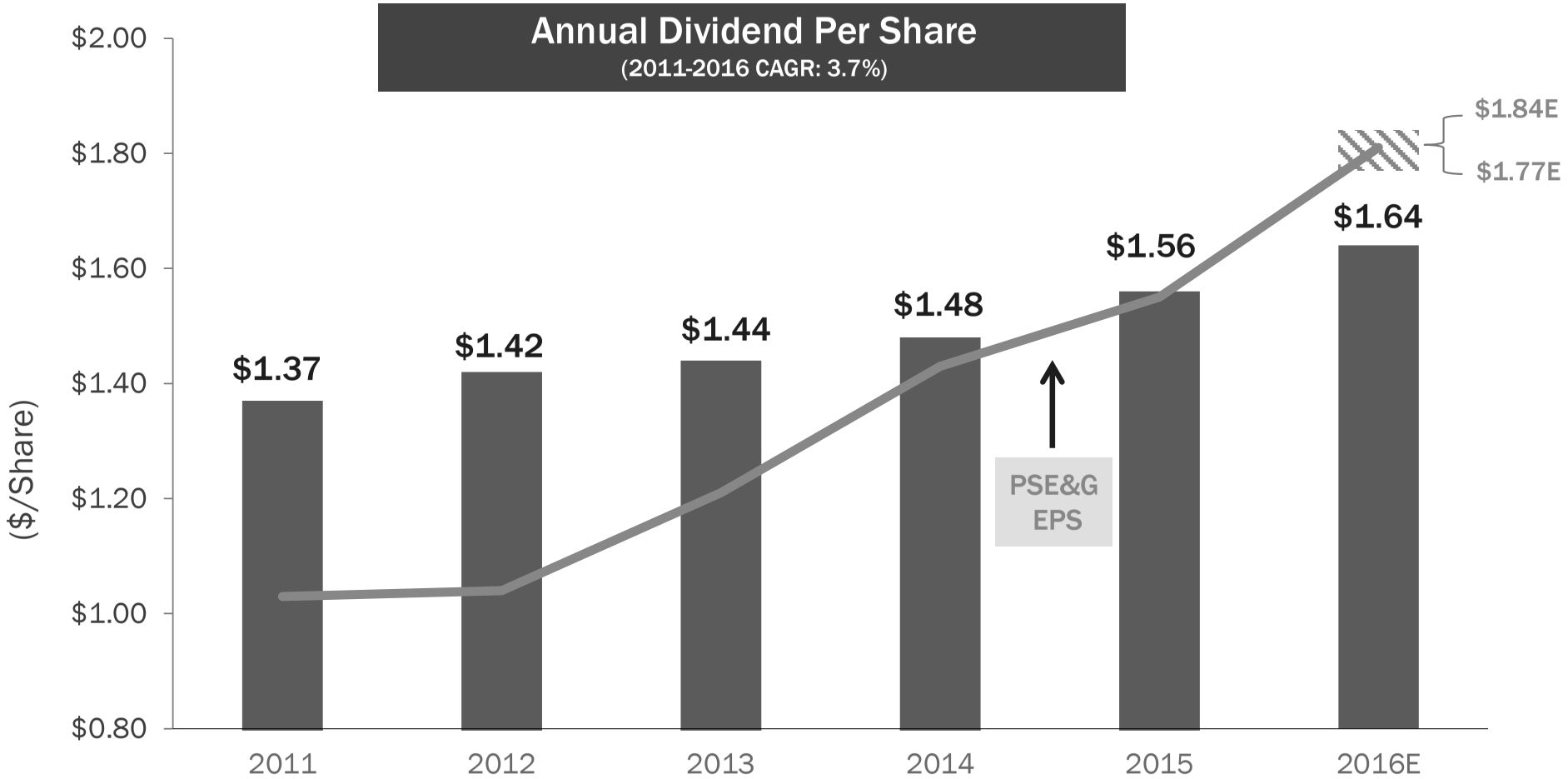


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

SI-SSA-0015-04297

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-04298

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-04299

PSEG Summary

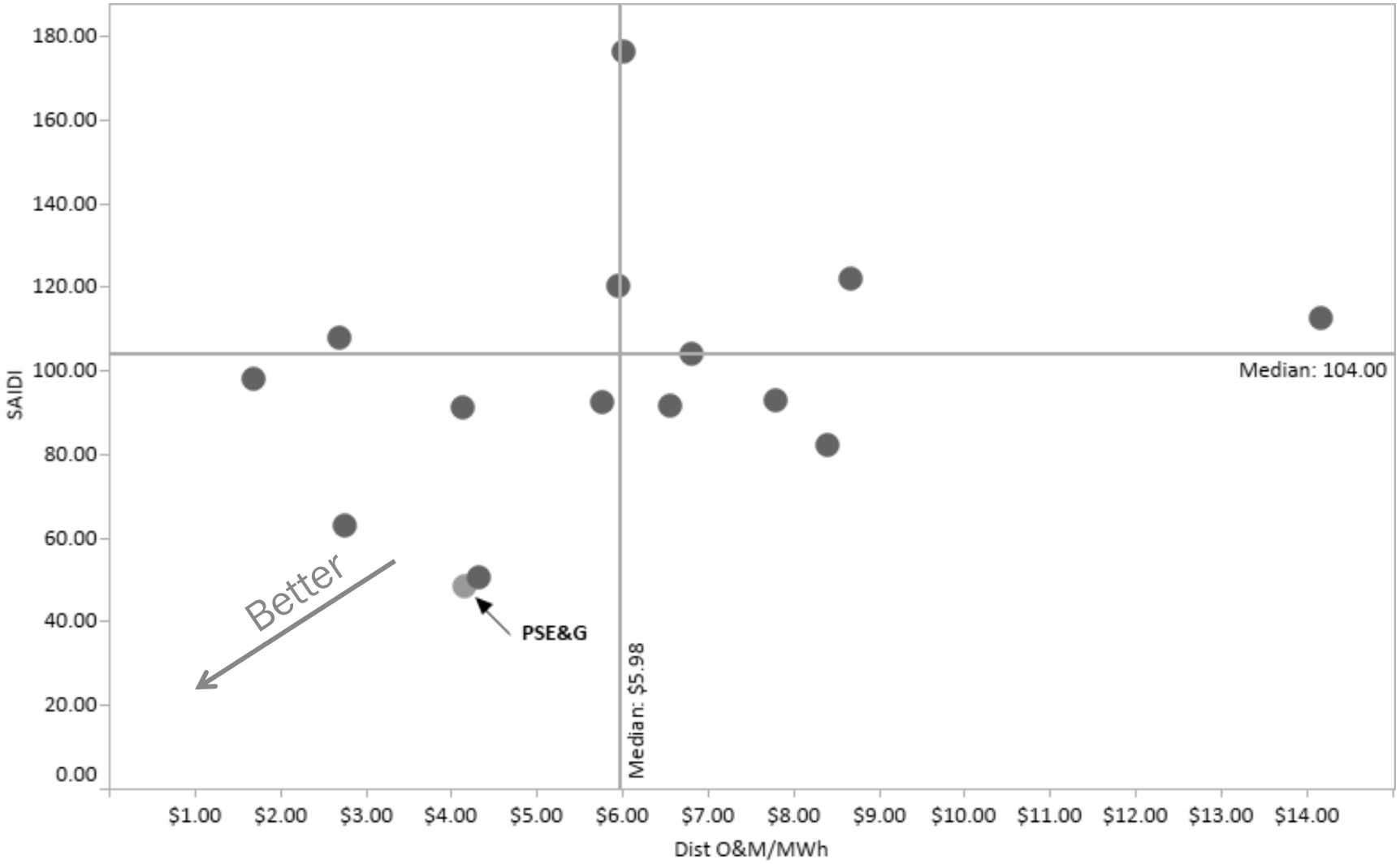
- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-04300

PSE&G APPENDIX

SI-SSA-0015-04301

PSE&G provides high reliability at below average cost which creates superior value for customers

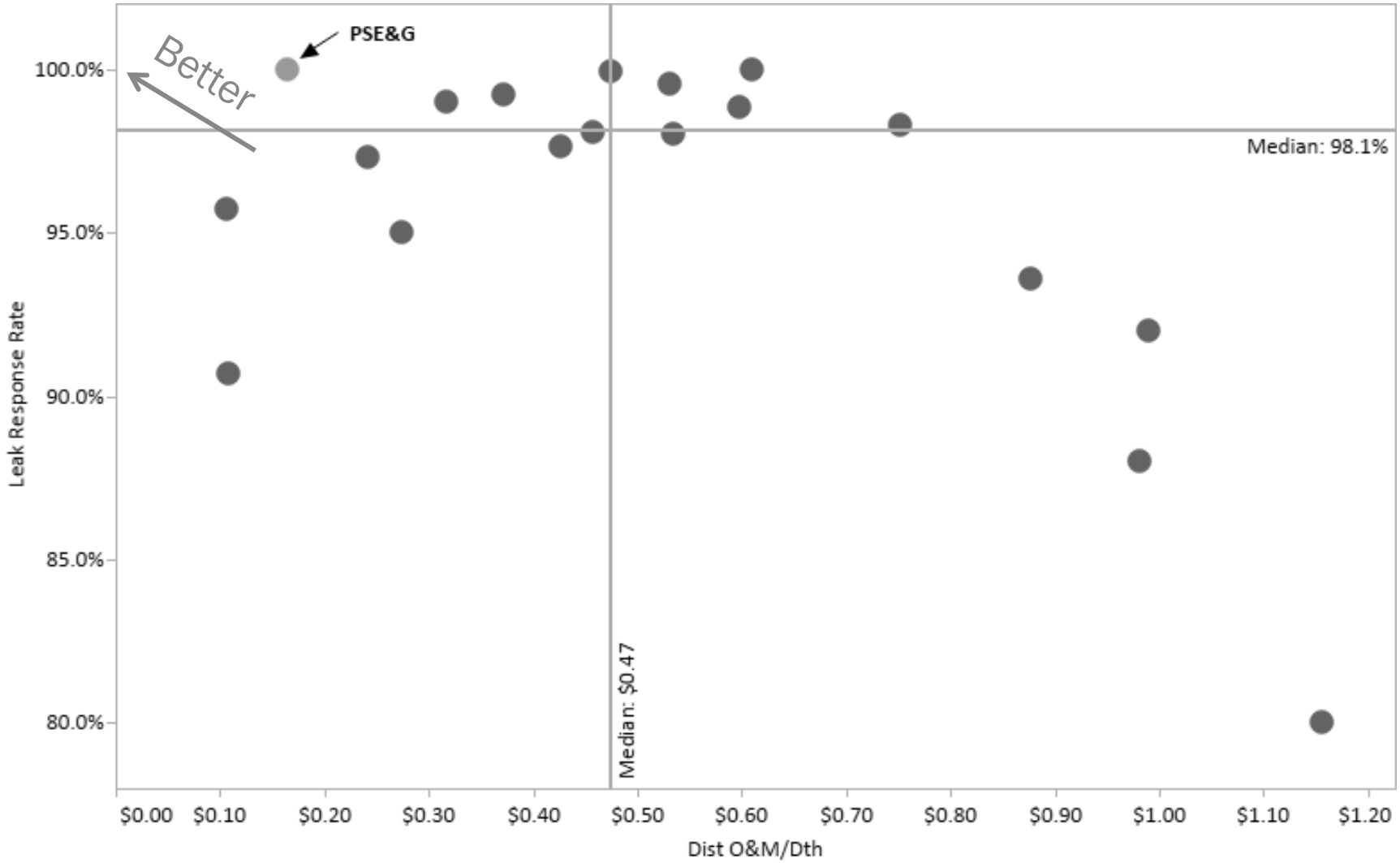


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-04302

PSE&G prioritizes public safety

while maintaining value for customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-04303

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-04304

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-04305

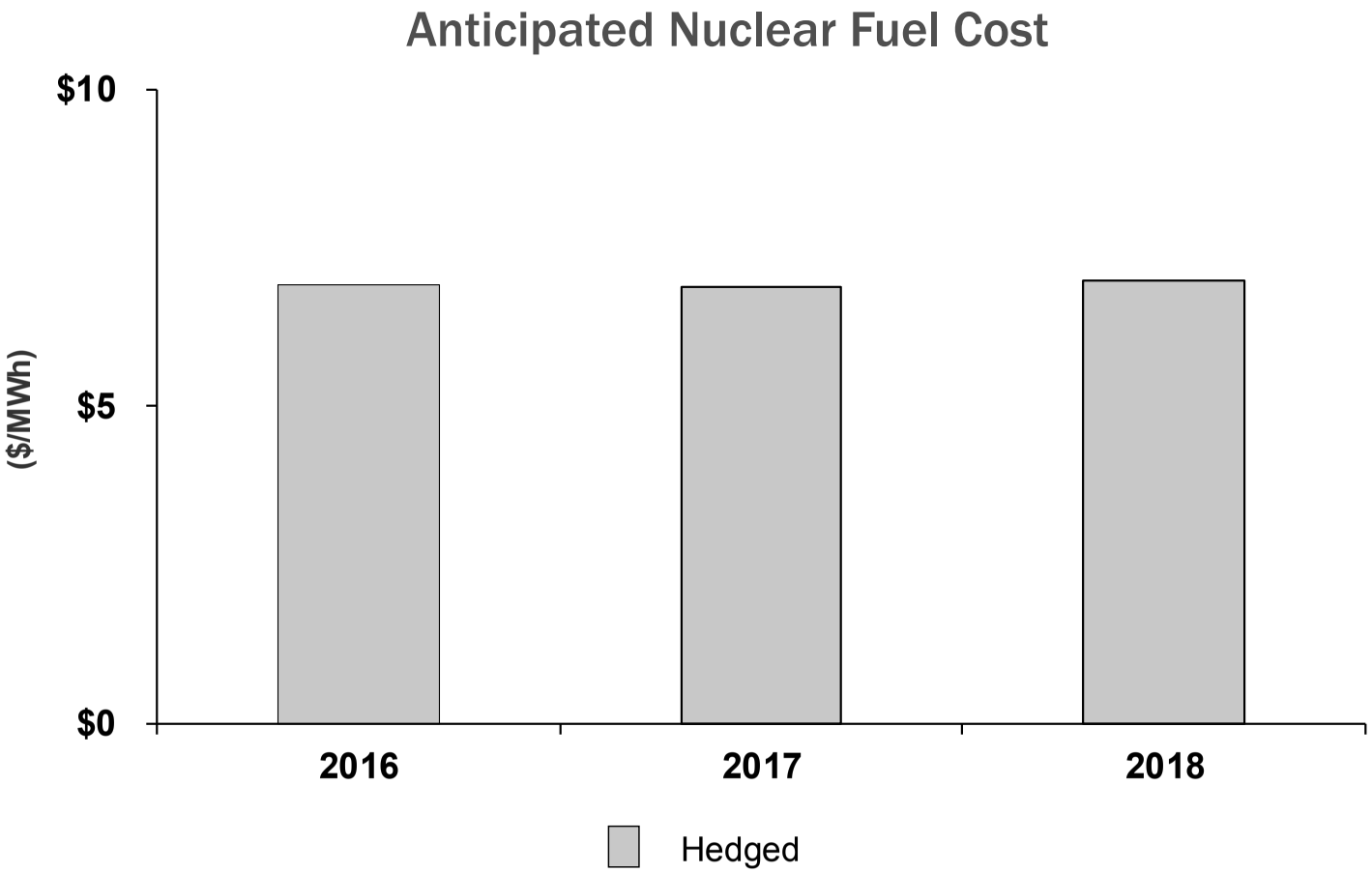
NJ Coal-Fired Plant Details

	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a preliminary request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the 2020-2021 capacity auction to be held in May 2017. The two stations have not cleared the PJM capacity auction for the prior two years, and would need significant investment to achieve the performance standards associated with PJM's Capacity Performance construct. The submission provides PSEG Power the opportunity to fully analyze the market conditions and economics, among other factors, associated with maintaining station operations, including any necessary capital improvements, prior to making a final determination whether or not to bid in the 2020-2021 capacity auction by December 1, 2016.

SI-SSA-0015-04306

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-04307

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-04308

PSEG FINANCIAL APPENDIX

SI-SSA-0015-04309

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-04310

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

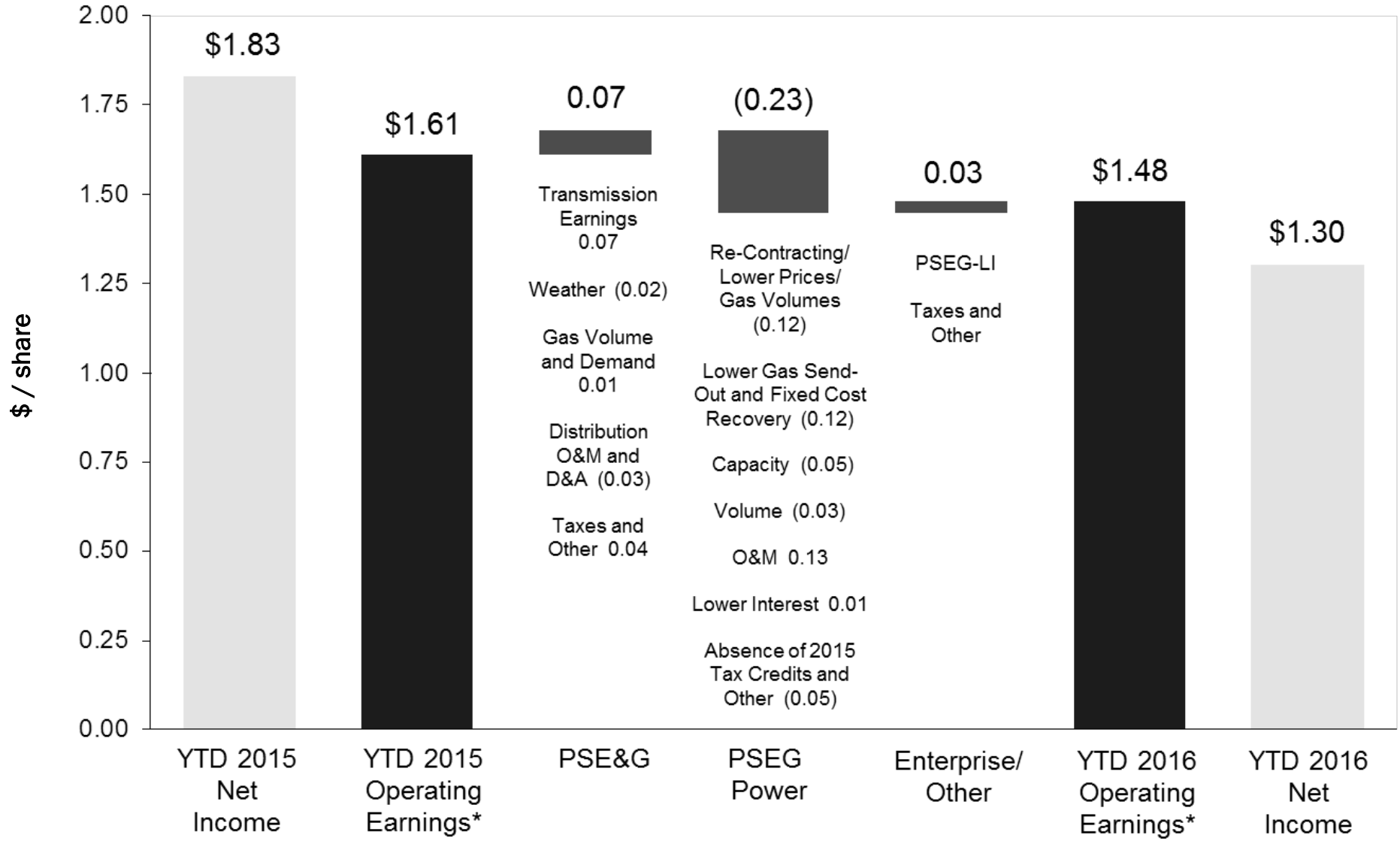
	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

SI-SSA-0015-04311

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



SI-SSA-0015-04312

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	$24.2	$15.5	$9.2
Total Debt / Capitalization	45%	48%	32%

PSE&G Regulated Equity Ratio(1) 51.4%

SI-SSA-0015-04313

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-04314

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

SI-SSA-0015-04315

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Barclays 2016 Power & Utilities CEO Conference

SEPTEMBER 7, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04318

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-04319

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-04320

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-04321

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-04322

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

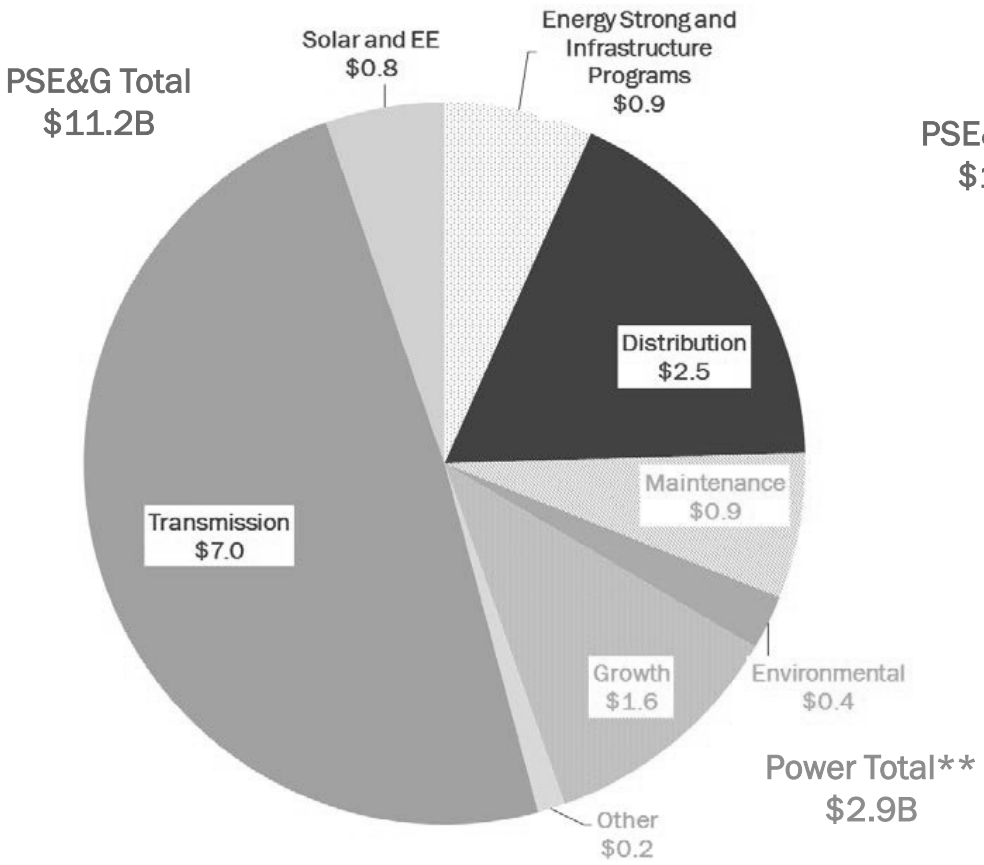
SI-SSA-0015-04323

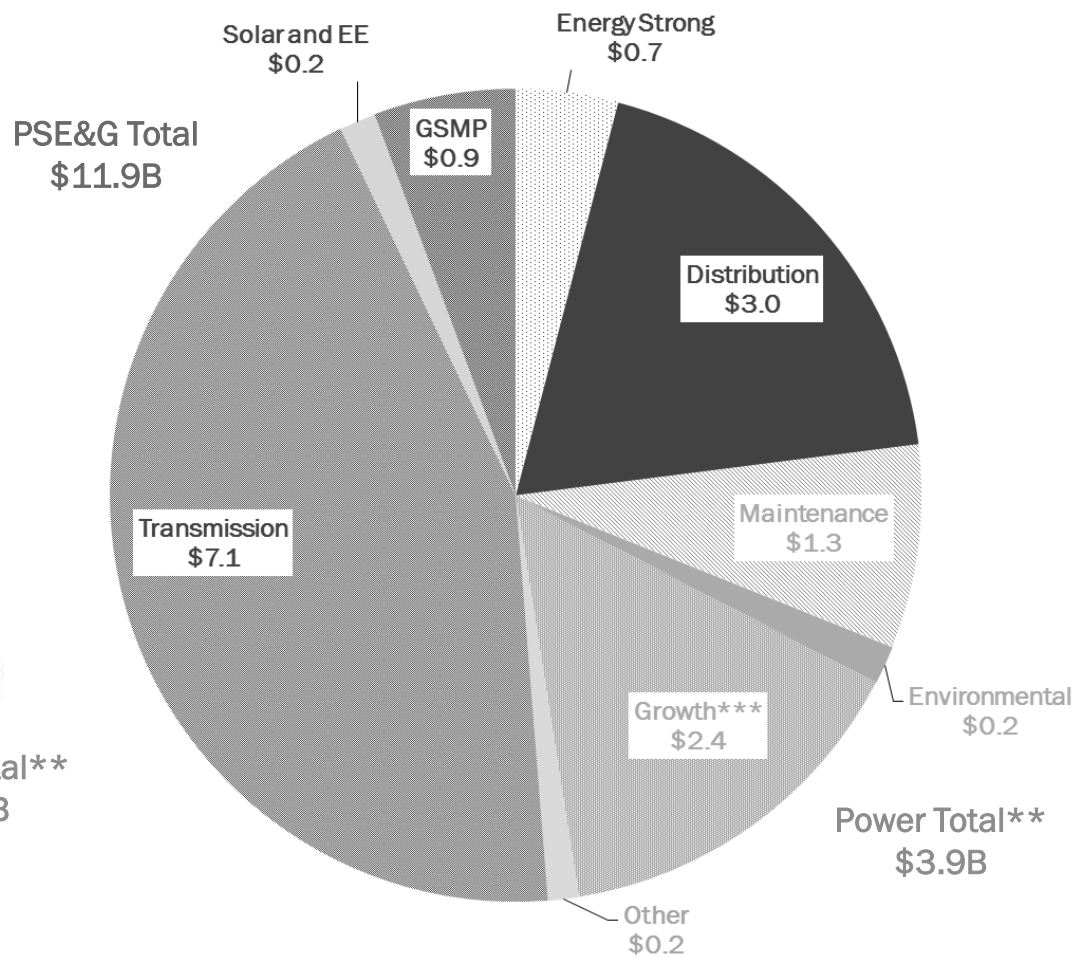
* SECOND YEAR OF EPS GROWTH.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**



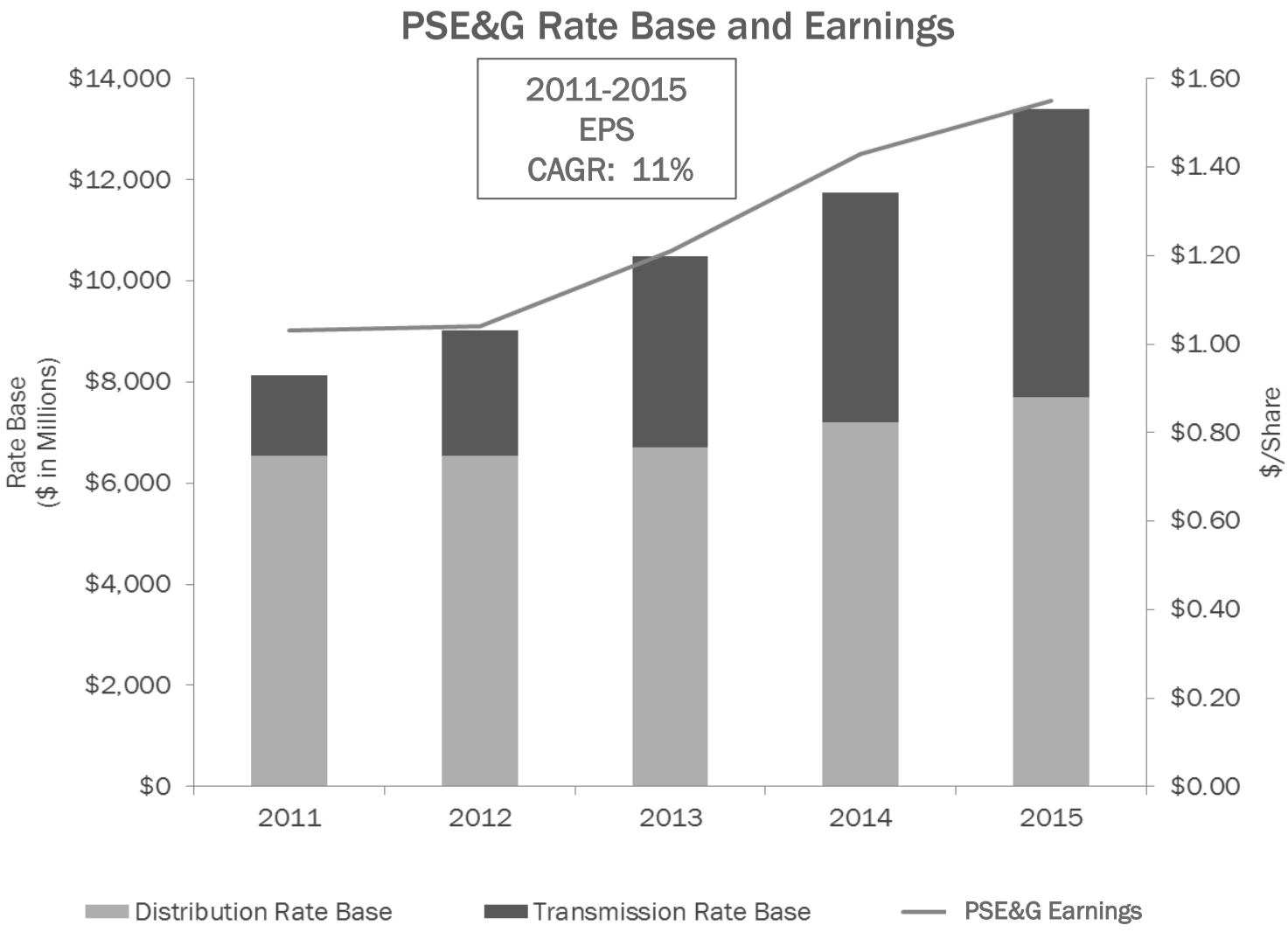


*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-04324

PSE&G's investment program

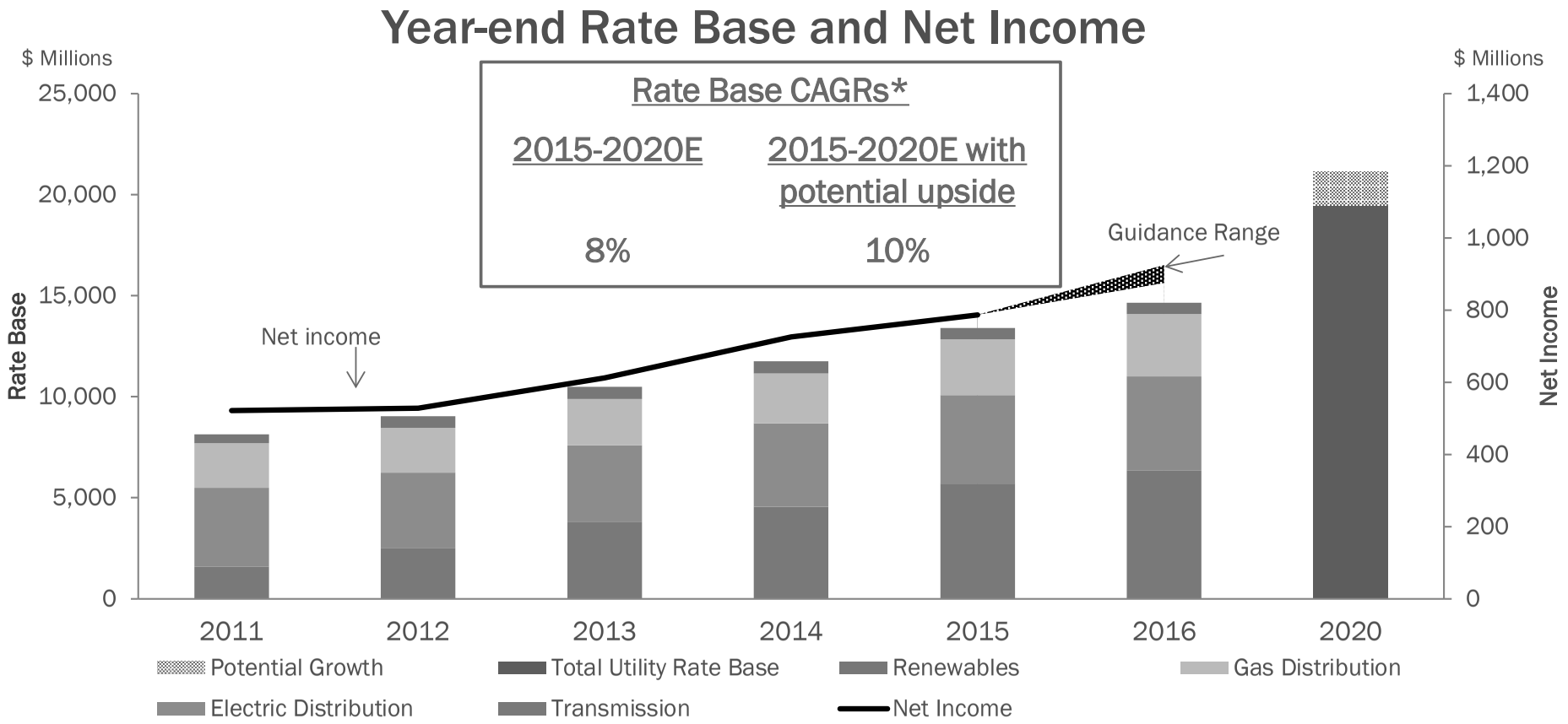
Meeting public policy goals and customer needs



* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

SI-SSA-0015-04325

Investment program combined with cost control drives growth in earnings



Bonus depreciation

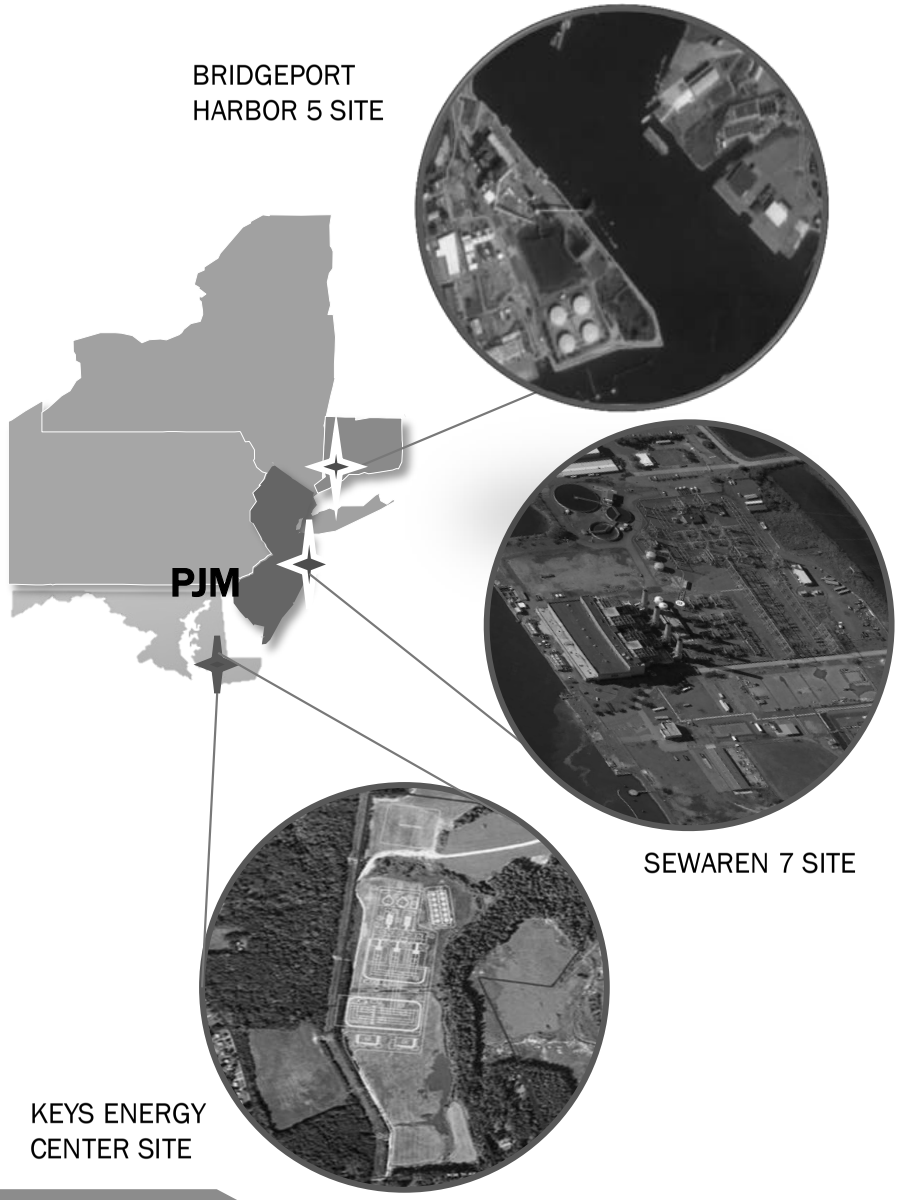
- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

SI-SSA-0015-04326

PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT

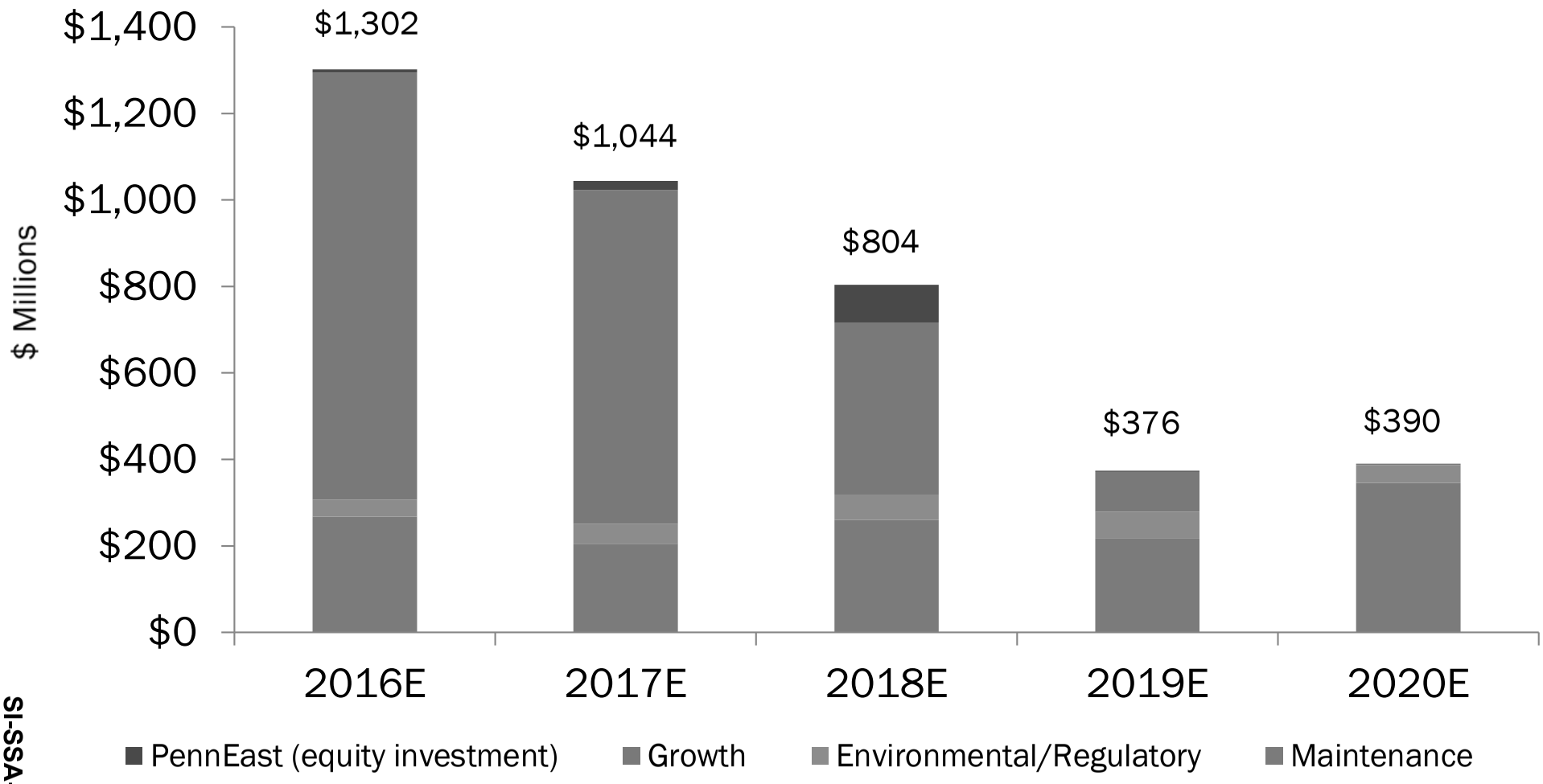


- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-04327

Power investing $2 billion of capital in new capacity

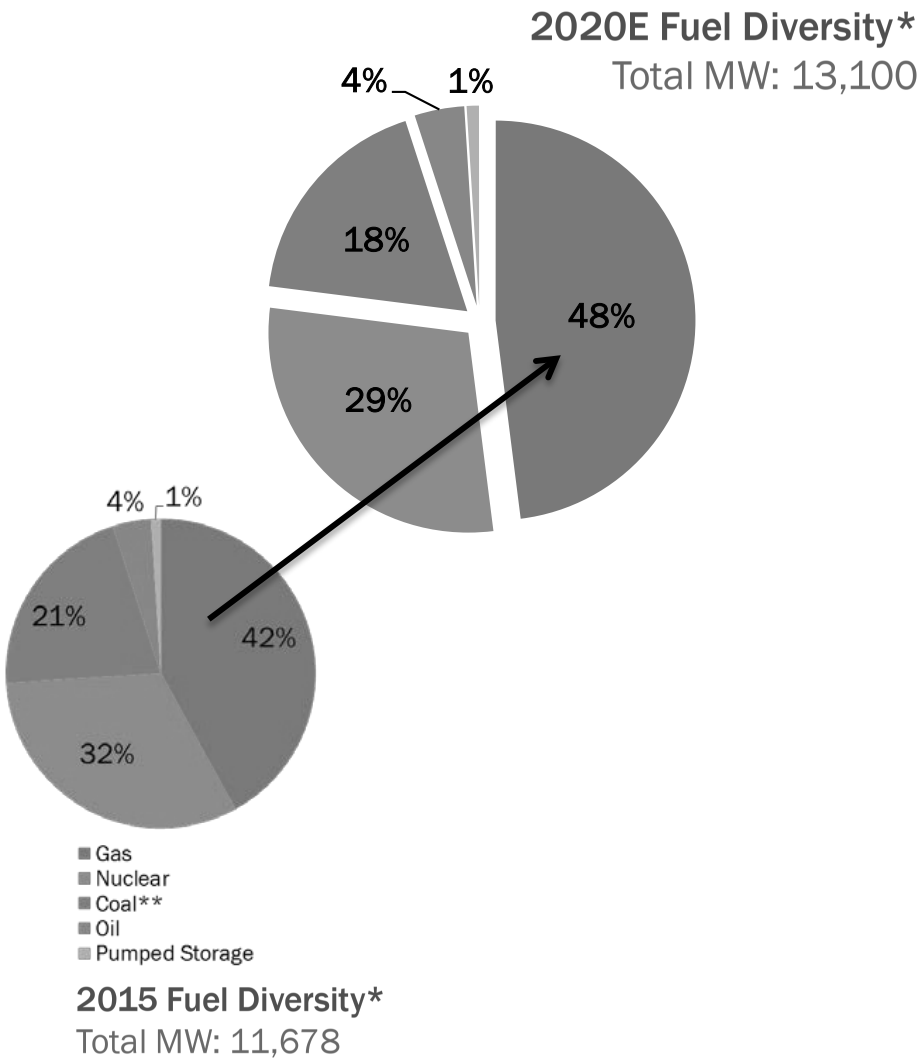


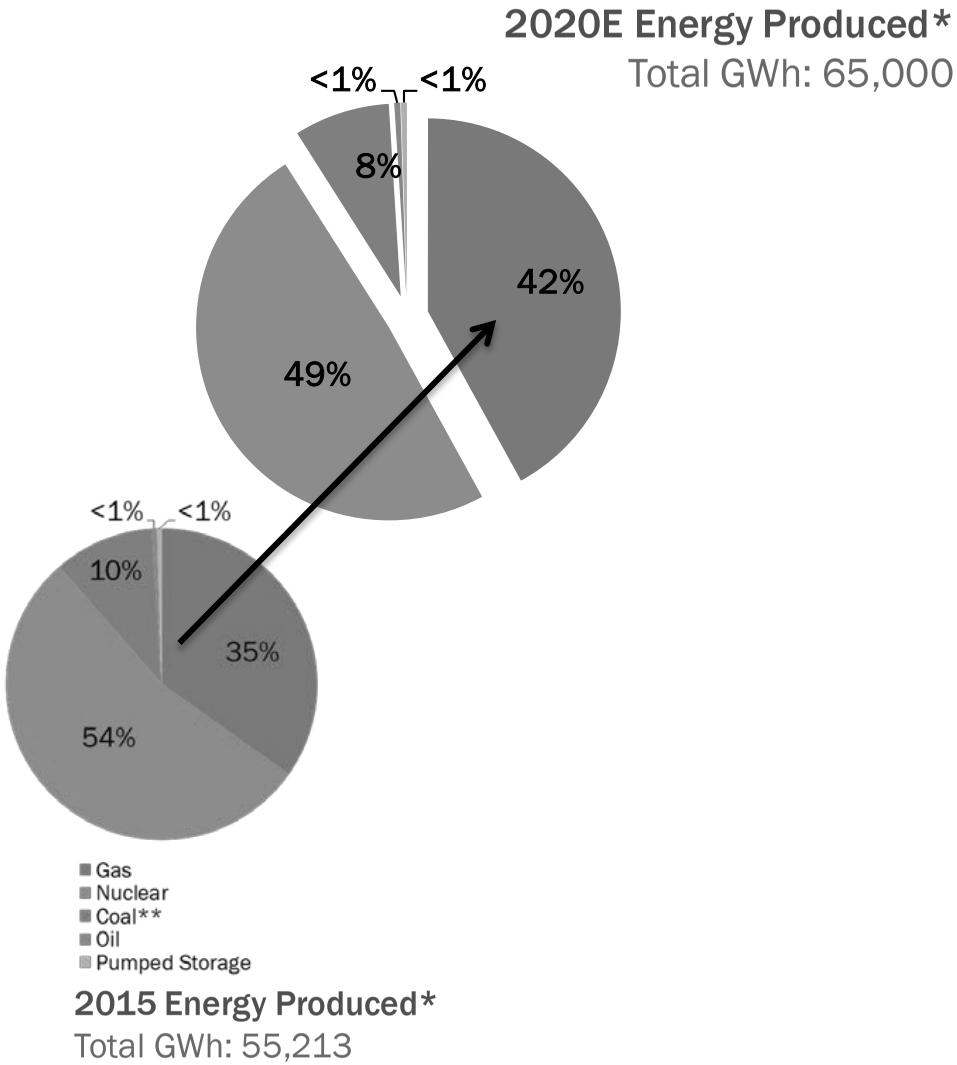
E=ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-04328

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04329

Hudson and Mercer Generating Stations

- On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the May 2017 capacity auction
- The two stations have not cleared the PJM capacity auction for the prior two years, and would require significant investment to achieve the performance standards associated with PJM's Capacity Performance construct
- A final determination on whether or not to bid in the 2020-2021 capacity auction would be made no later than December 1, 2016

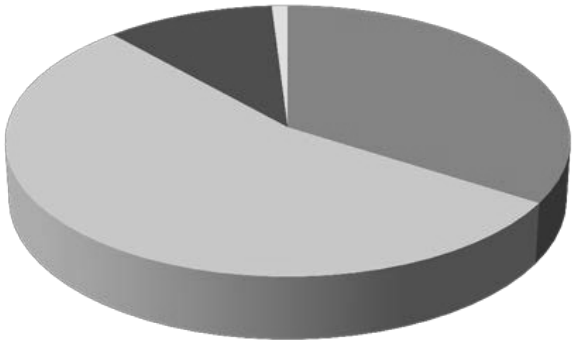
	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

SI-SSA-0015-04330

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

Energy Produced in 2015

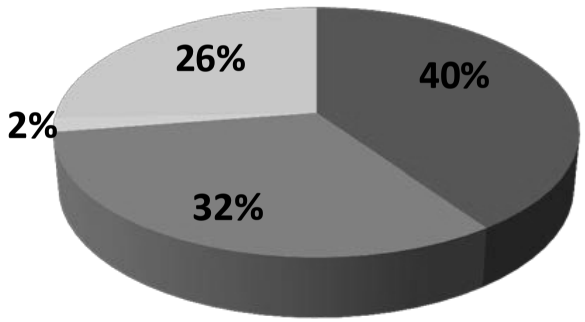
55,213 GWH



- Gas
- Nuclear
- Coal**
- <2% from Oil, Pumped Storage

**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



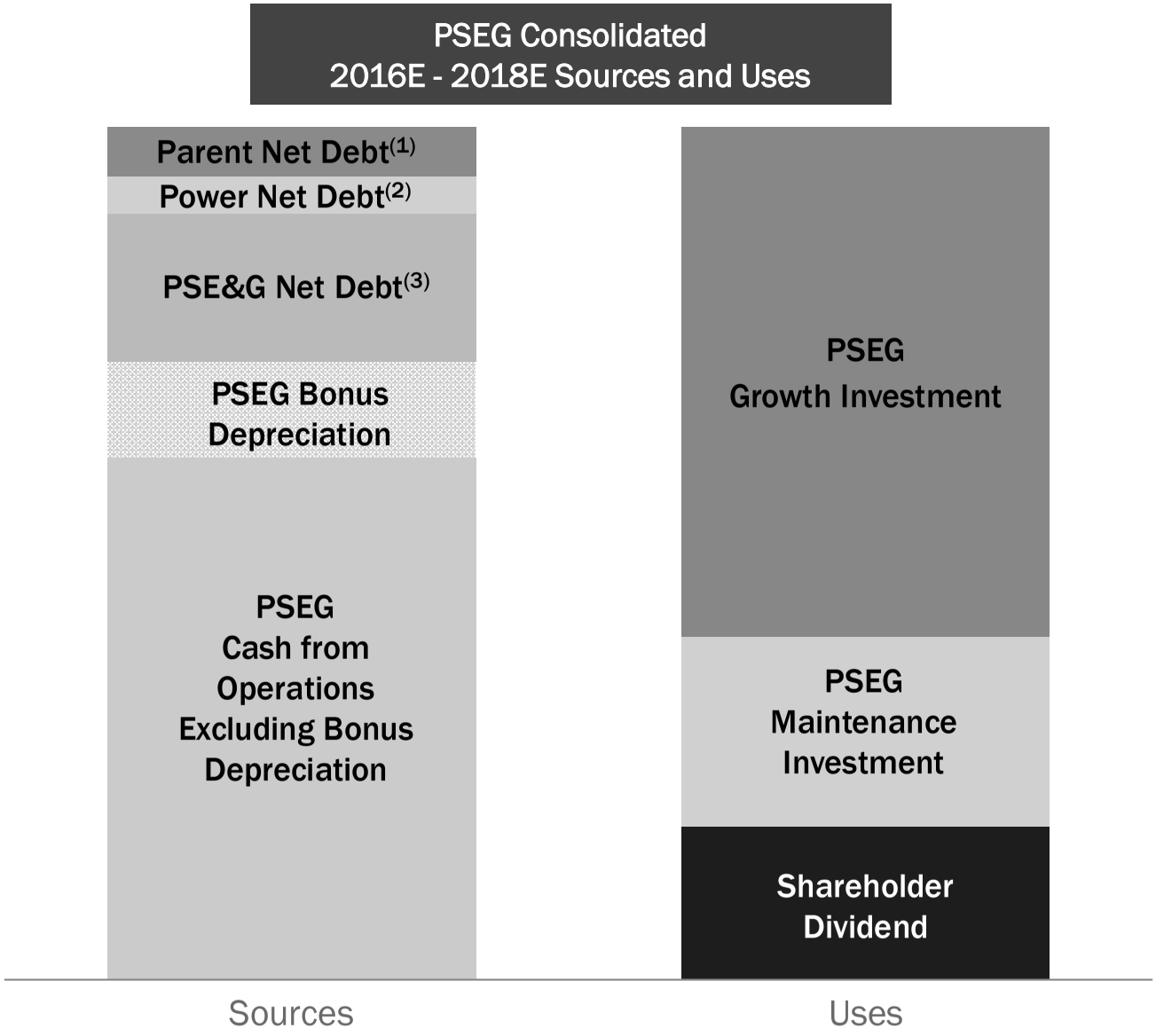
- Energy/Ancillary (locked in)
- Capacity (locked in)
- Capacity (unhedged)
- Energy/Ancillary (open to market)

*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

SI-SSA-0015-04331

Utilizing our Strong Balance Sheet

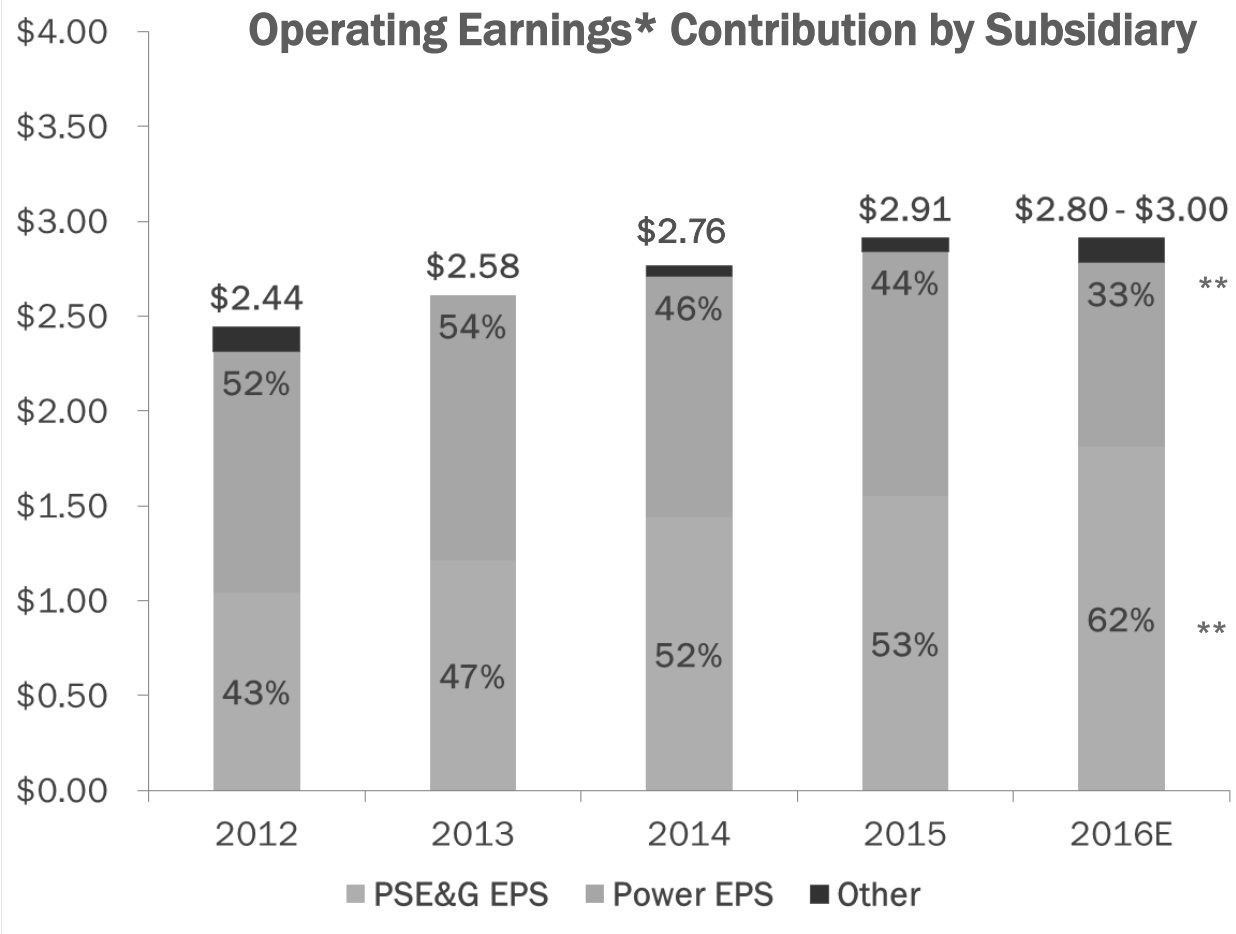
and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

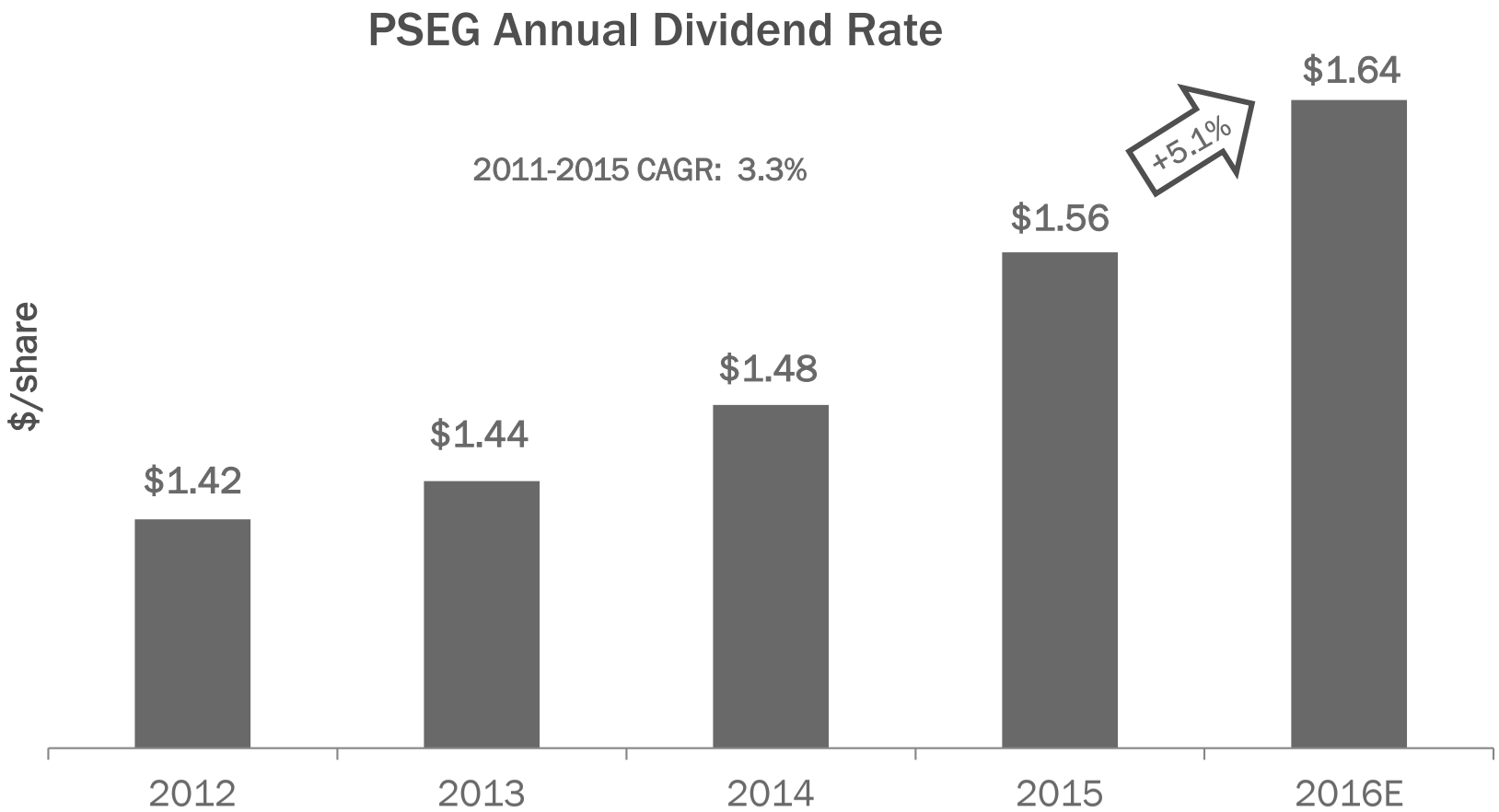
SI-SSA-0015-04333

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-04334

PSEG

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

SI-SSA-0015-04335

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-04336

Items Excluded from Net Income to Reconcile to Operating Earnings

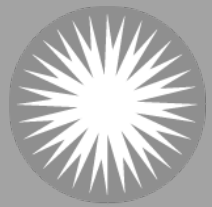
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Barclays Capital 2013 CEO Energy/Power Conference

NEW YORK CITY – SEPTEMBER 12, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04338

PSEG

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

SI-SSA-0015-04339

PSEG

We make things work for you.

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 9. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-04340

GAAP Disclaimer

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SI-SSA-0015-04341

PSEG OVERVIEW & OUTLOOK

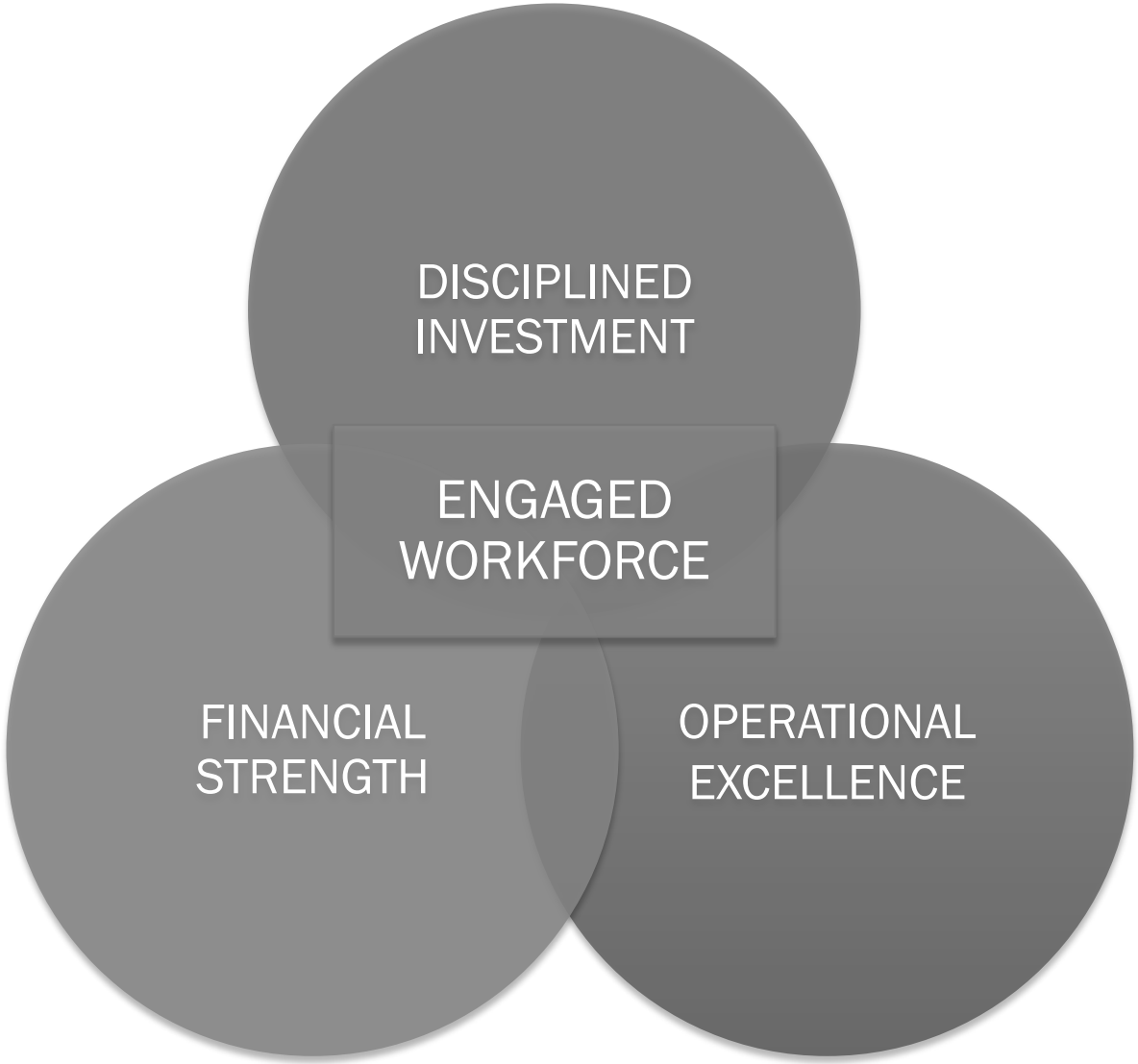
PSEG

We make things work for you.

SI-SSA-0015-04342

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-04343

PSEG meeting the market's challenges

with our strong platform of assets

Electric & Gas Delivery and Transmission

PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017

Assets $19.2B
Operating Earnings $528M

Regional Wholesale Energy

PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible

Assets $11.0B
Operating Earnings $644M

Renewable Investments

PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities

Assets $1.5B
Operating Earnings $64M

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-04344

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-04345

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

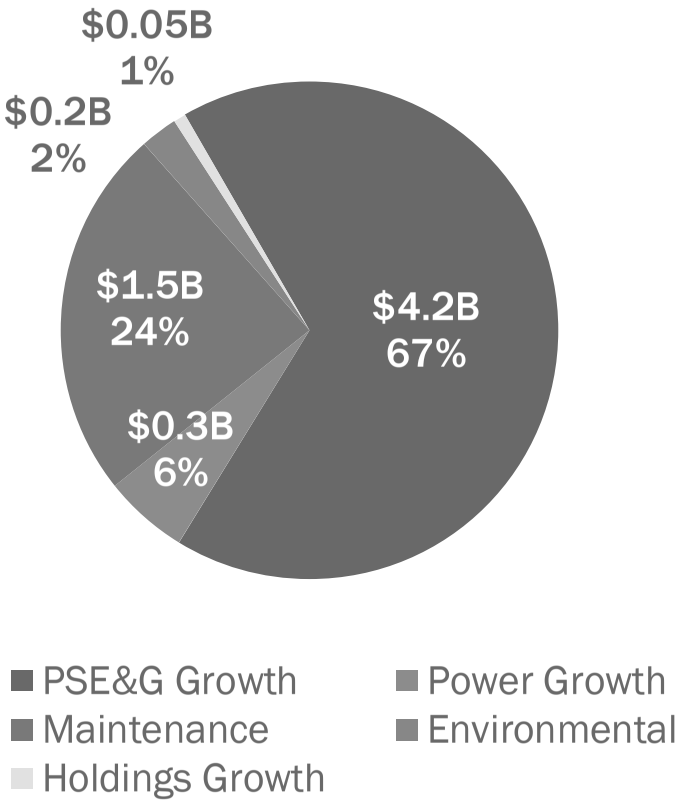
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

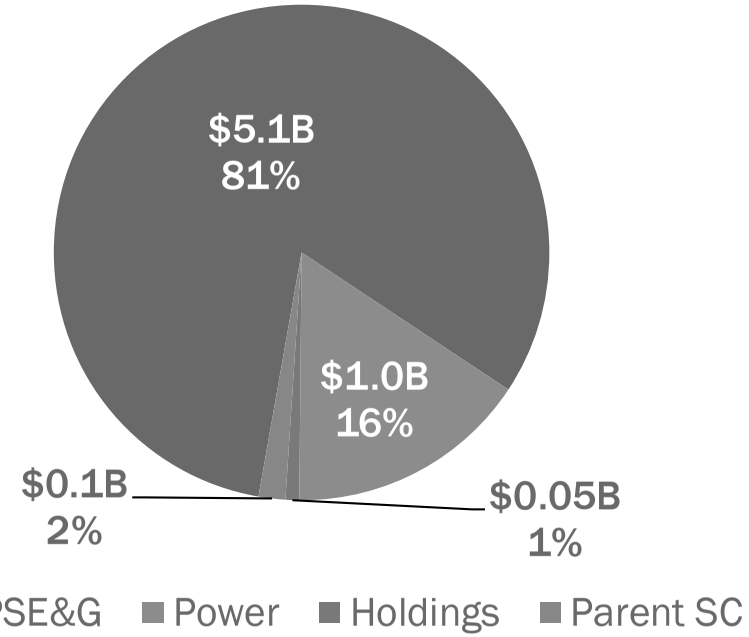
SI-SSA-0015-04346

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

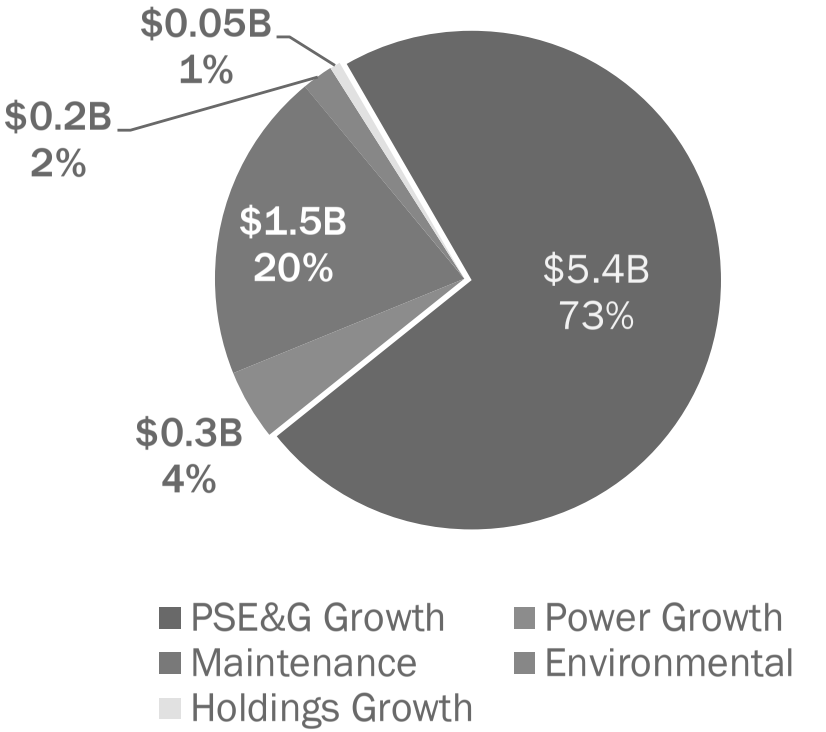


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

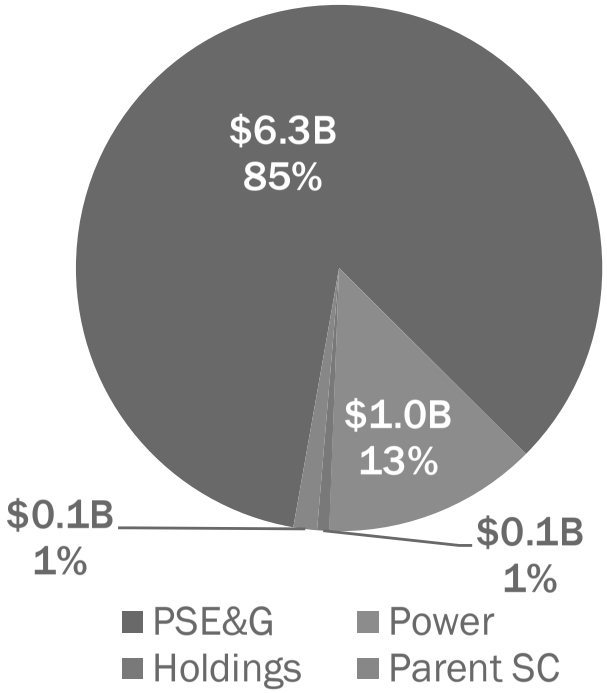
SI-SSA-0015-04347

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



SI-SSA-0015-04348

PSEG

E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$454 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$415 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.1 Billion**)

- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-04349

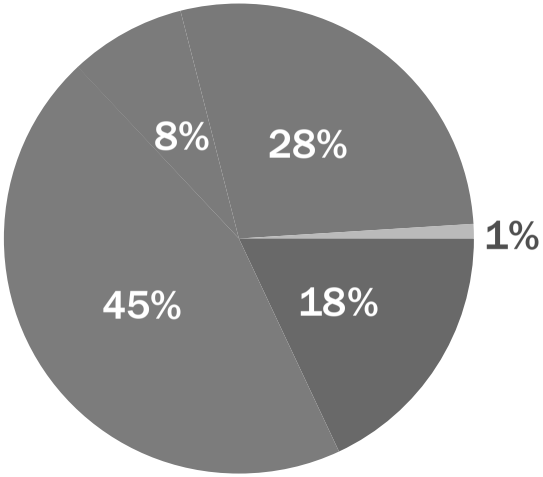
61 local NJ towns and 5 counties support

- 61 municipalities and five counties (Bergen, Hudson, Mercer, Passaic and Somerset) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems
- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities
- Public hearings are scheduled for September and October 2013

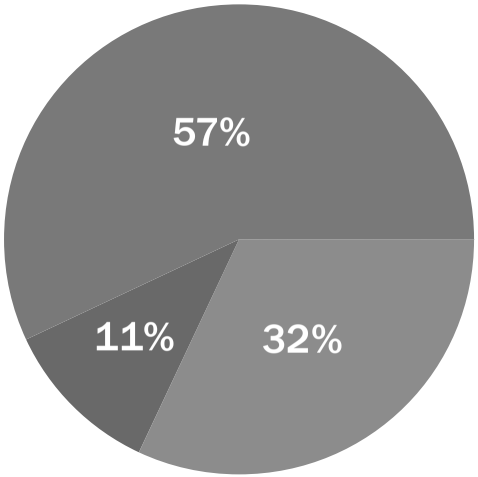
SI-SSA-0015-04350

PSEG Power value advantaged by asset diversity, fuel flexibility and location

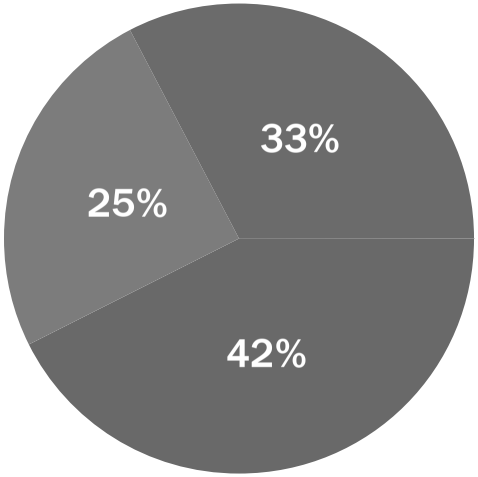
Fuel Diversity*
Total MW: 13,226



Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

- Intermediate
- Peaking
- Base load

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04351

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

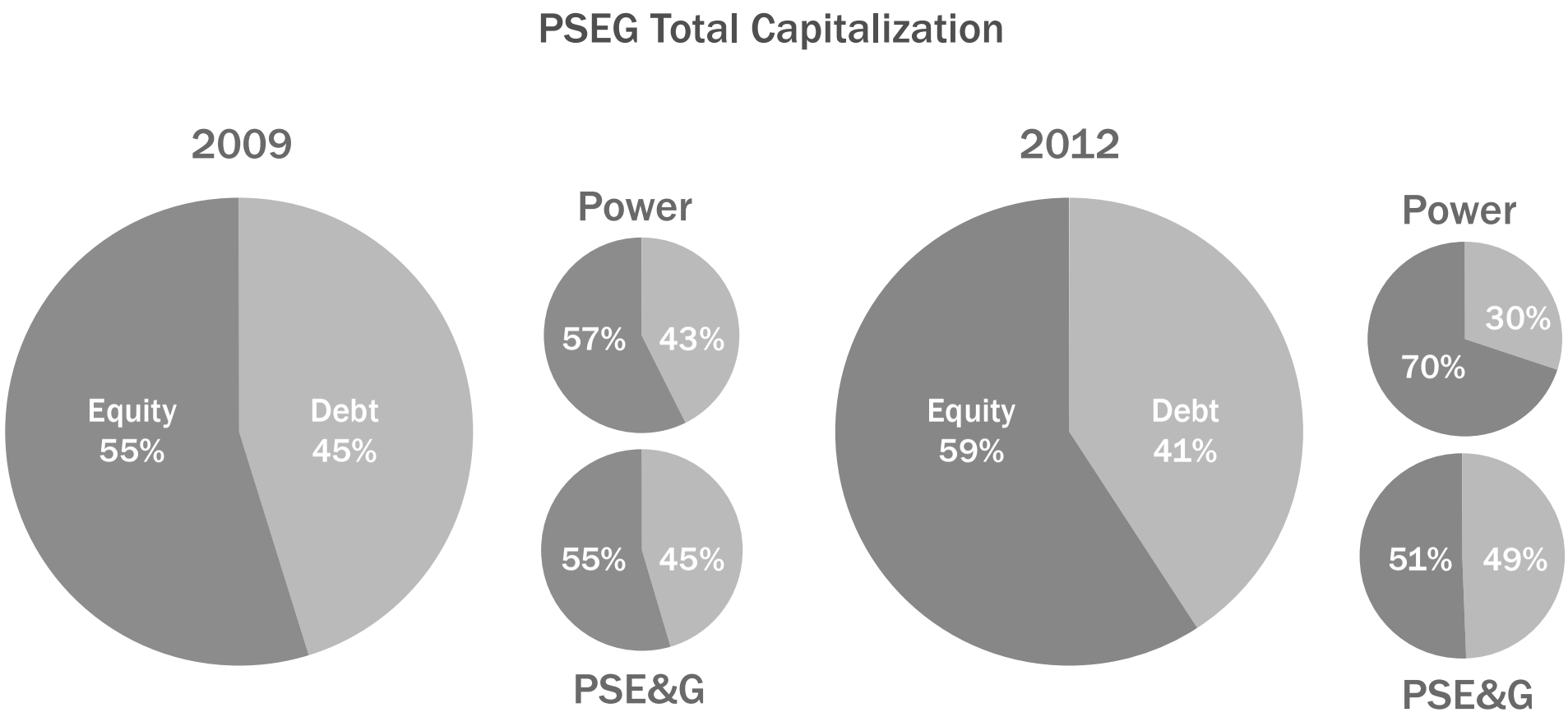
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-04352

Balance Sheet Strengthened

PSEG has reduced risk



SI-SSA-0015-04353

PSEG First Half 2013 - Highlights

Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share

- Strong earnings: First half 2013 earnings of $1.33 per share vs. $1.28 in year-ago period
  - Power benefitting from higher capacity prices and asset location
    - PSE&G seeing results from increased investment in transmission
      - O&M under control {Continuing control of O&M supporting results}

- Capital investment on schedule
  - PSE&G received approval to invest $446 million in extensions of Solar 4 All and Solar Loan programs
    - PSE&G's existing $3.4 billion Transmission investment program remains on schedule
      - Hearings scheduled for Energy Strong, PSE&G's $2.6 billion, 5-year capital infrastructure program

- Financial position remains strong
  - S&P credit rating upgrade across Enterprise, Power and PSE&G
    - Debt represented 41% of capital at June 30, 2013
      - Dividend increased 1.4% to $1.44 per share, the 9th increase in the last ten years

Full year 2013 operating earnings expected to be at the upper end of guidance, assuming normal weather and unit operations

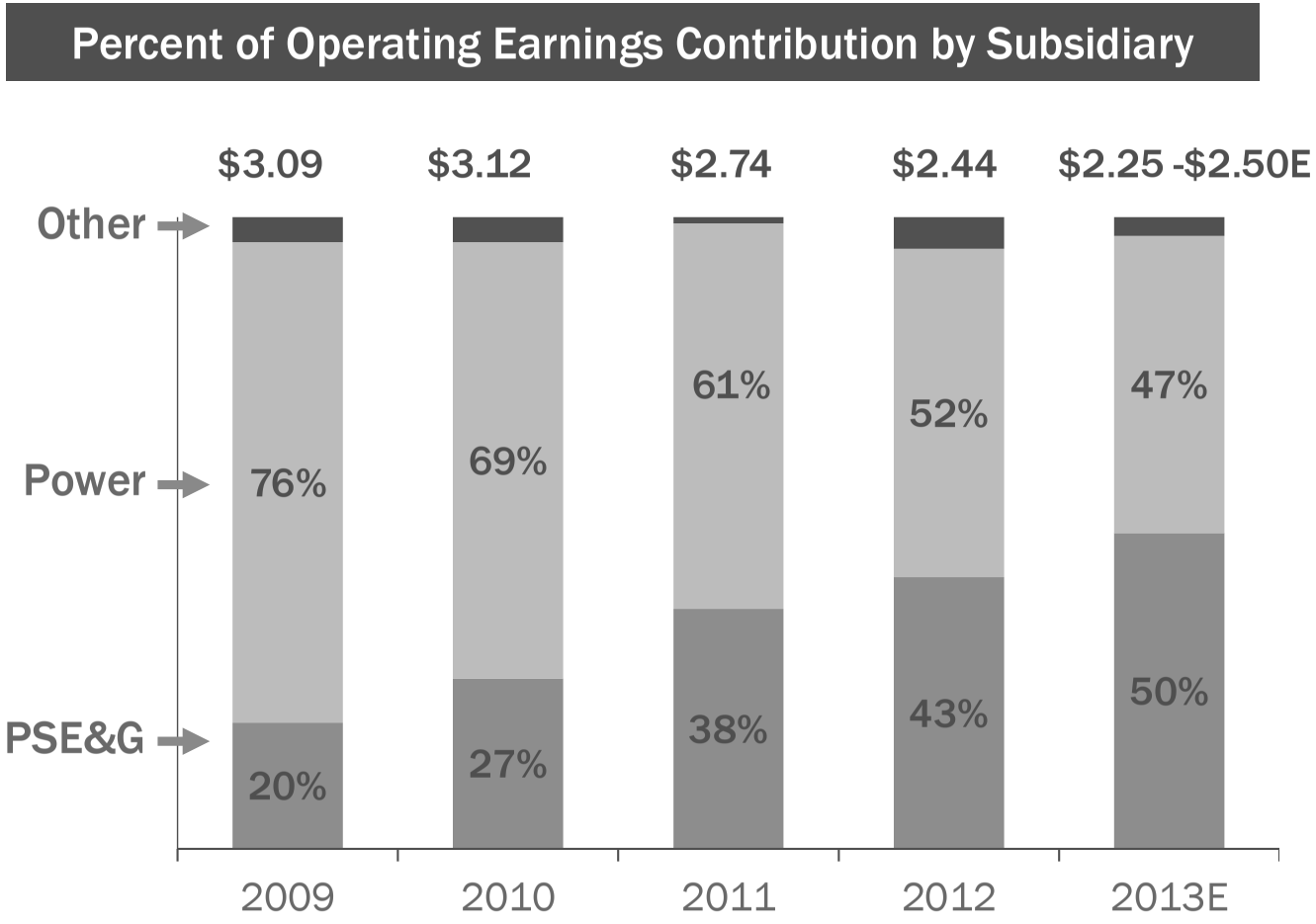
SI-SSA-0015-04354

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



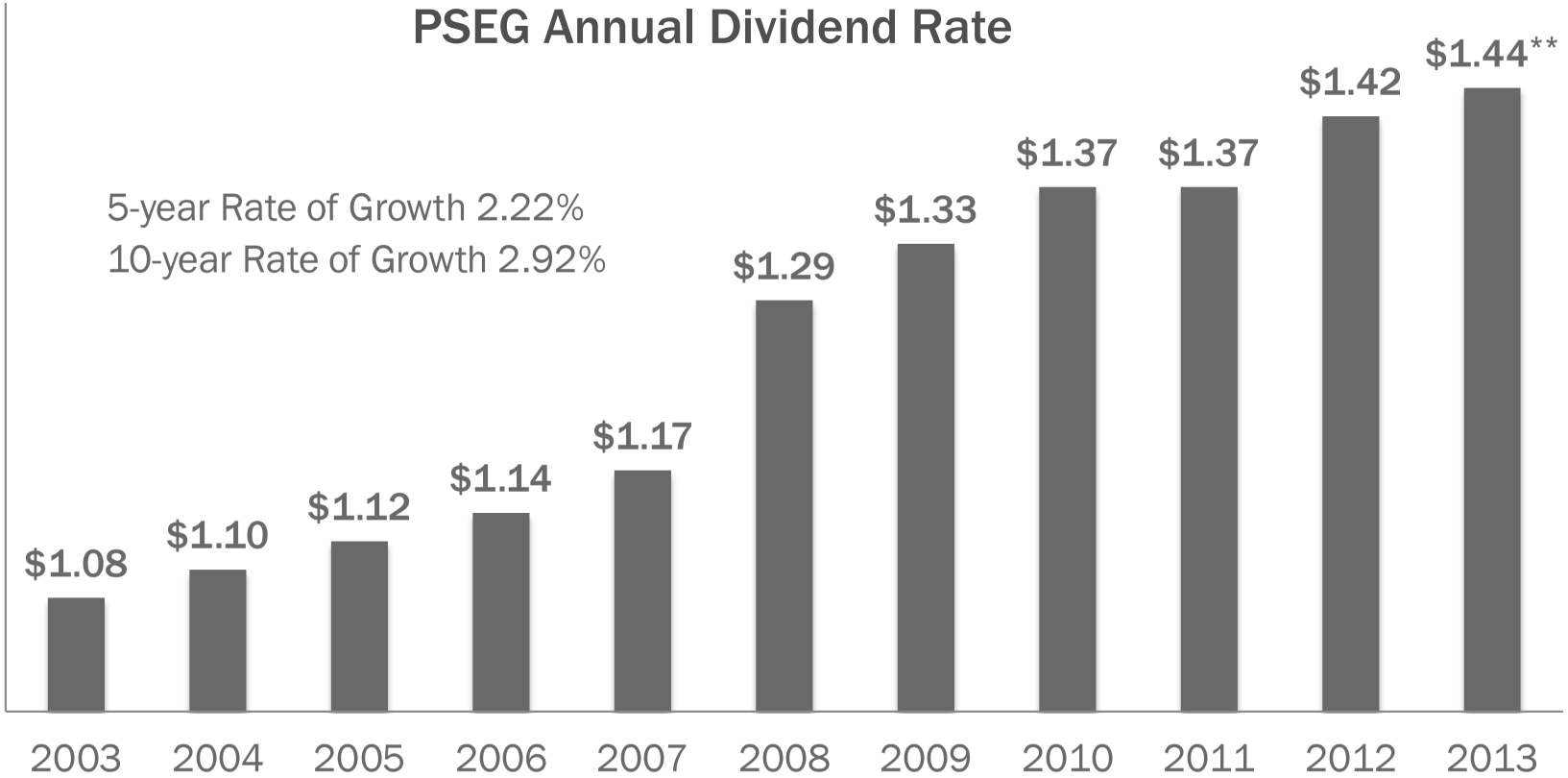
SI-SSA-0015-04355

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-04356

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-04357

PSEG

We make things work for you.

PSE&G

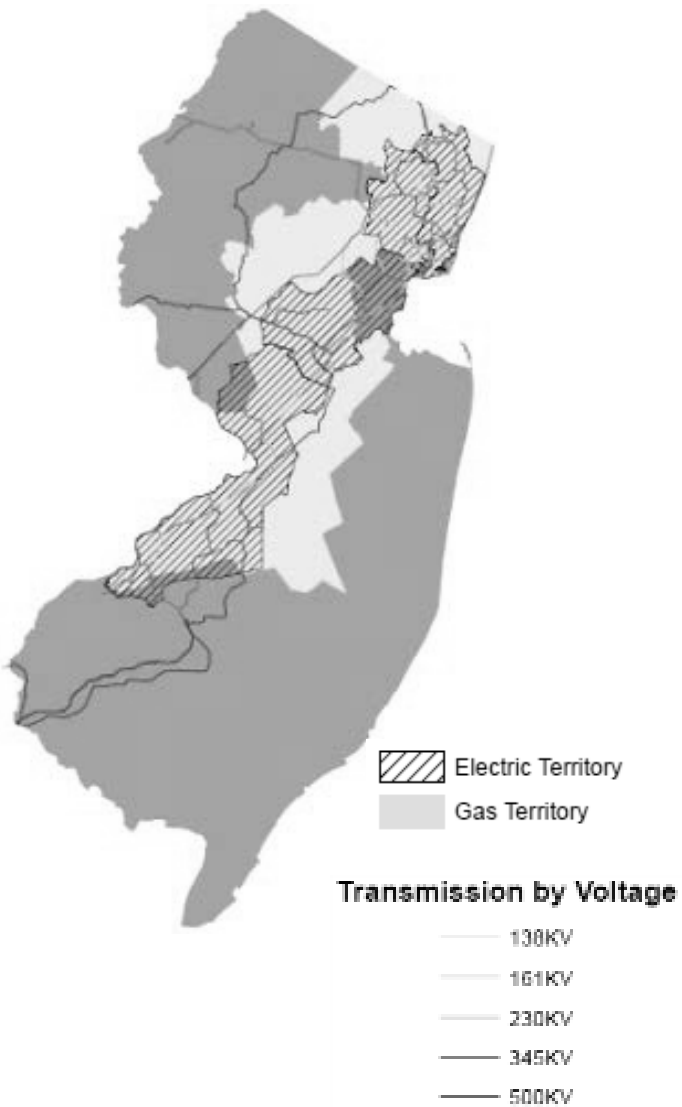
SI-SSA-0015-04358

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04359

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-04360

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

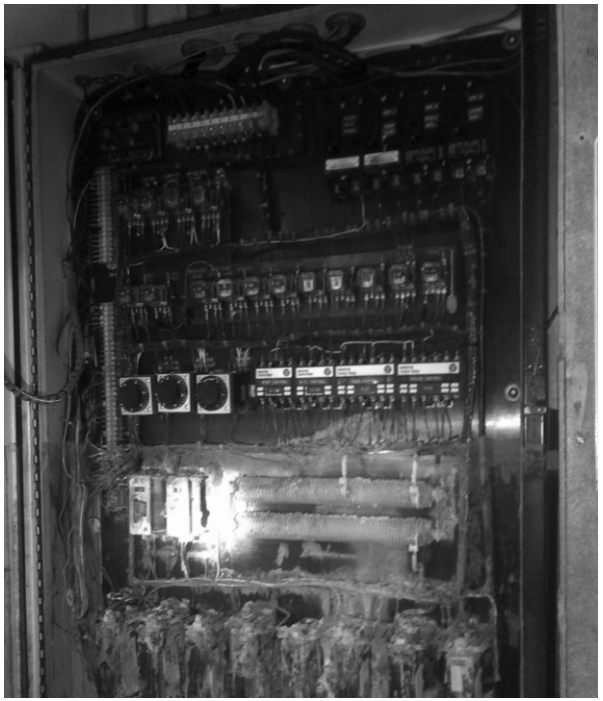
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-04361

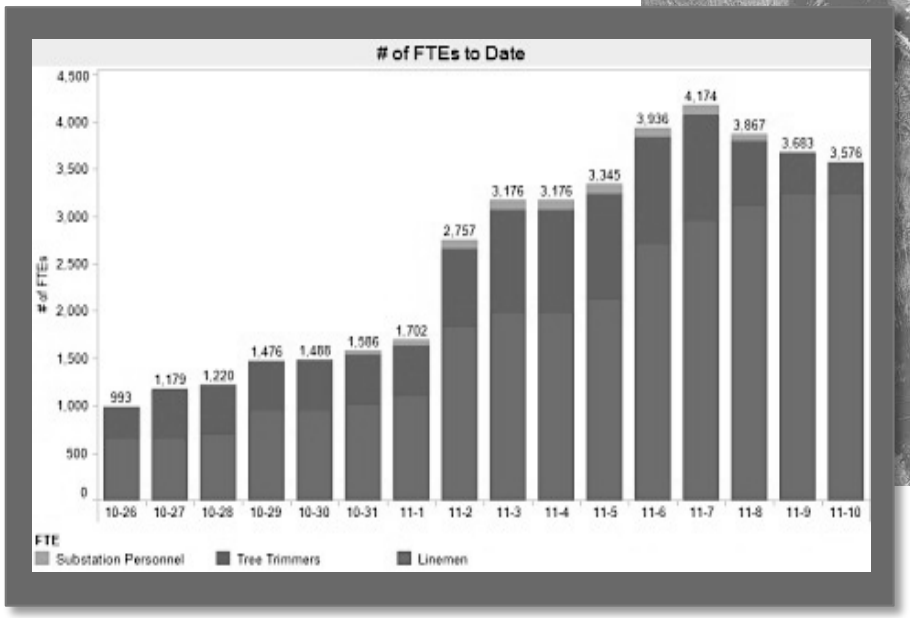
During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-04362

PSE&G brought in more than 4,000

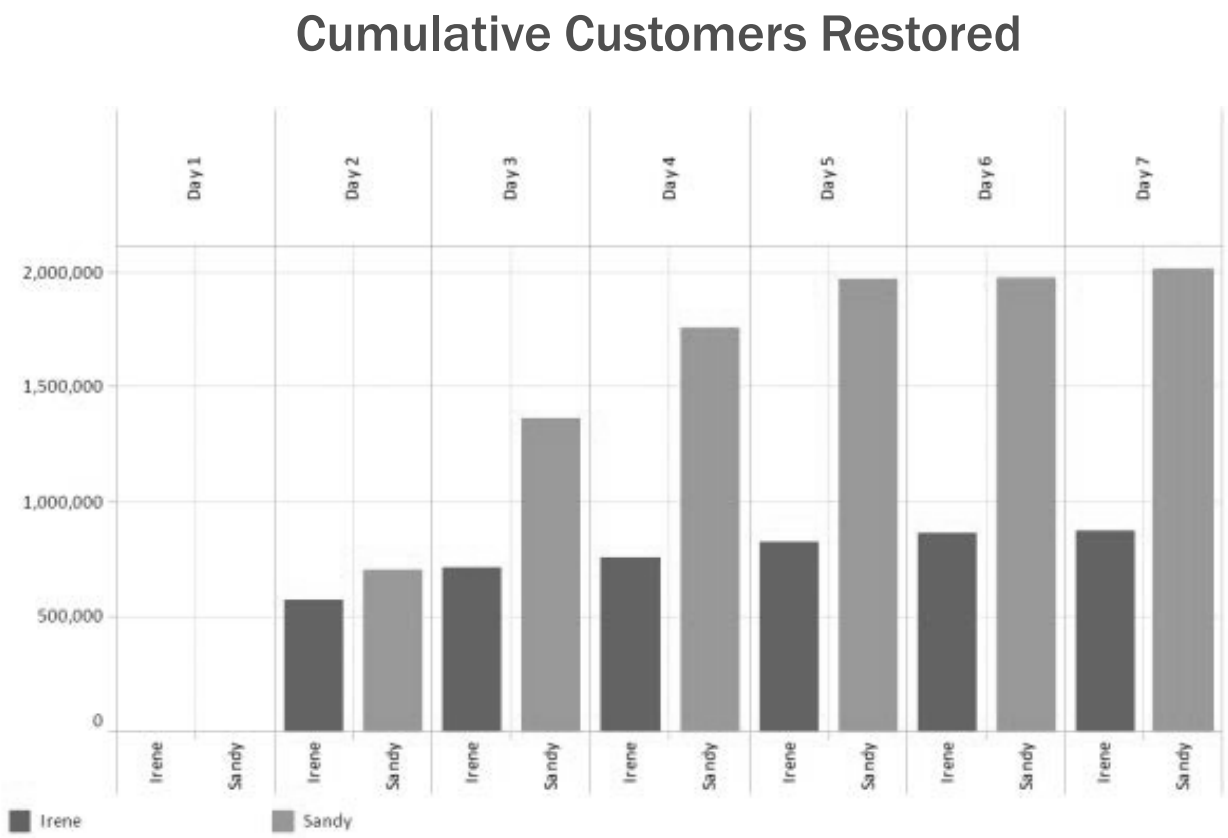
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-04363

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-04364

PSE&G's operating earnings grew ~10%*

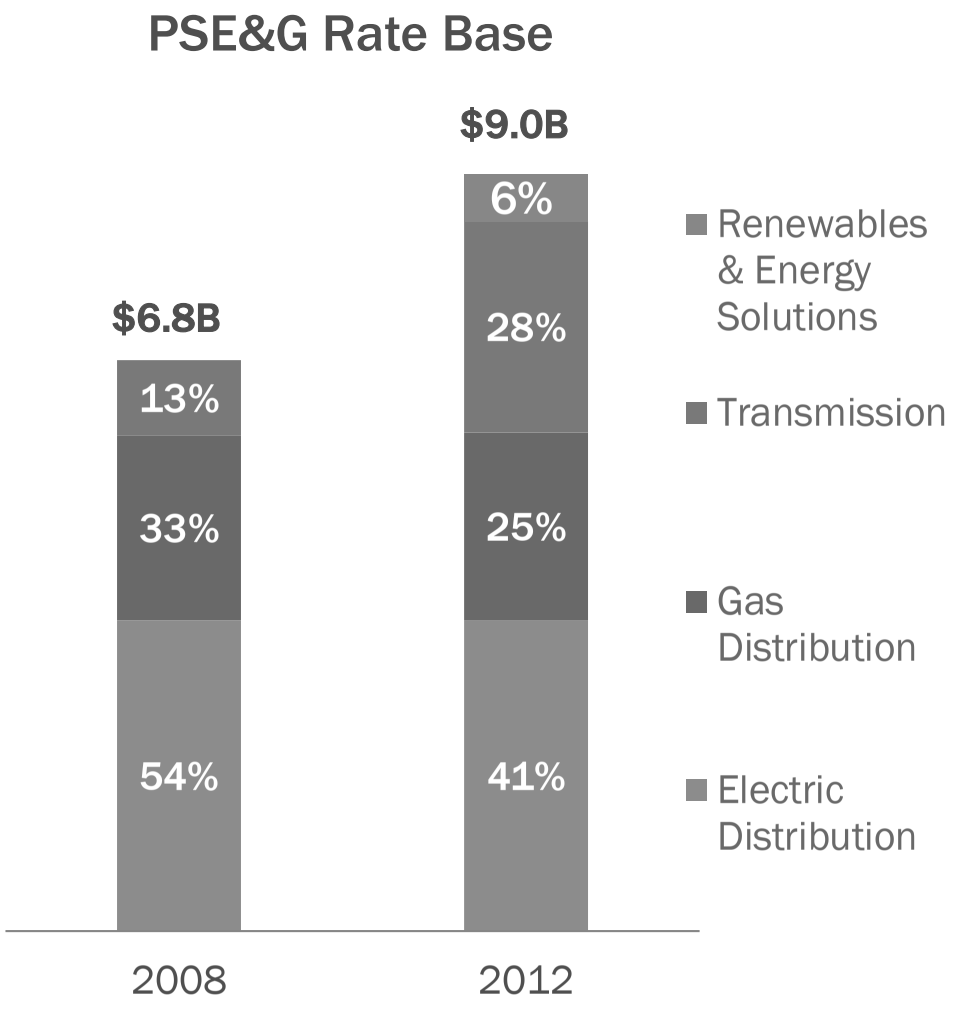
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-04365

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

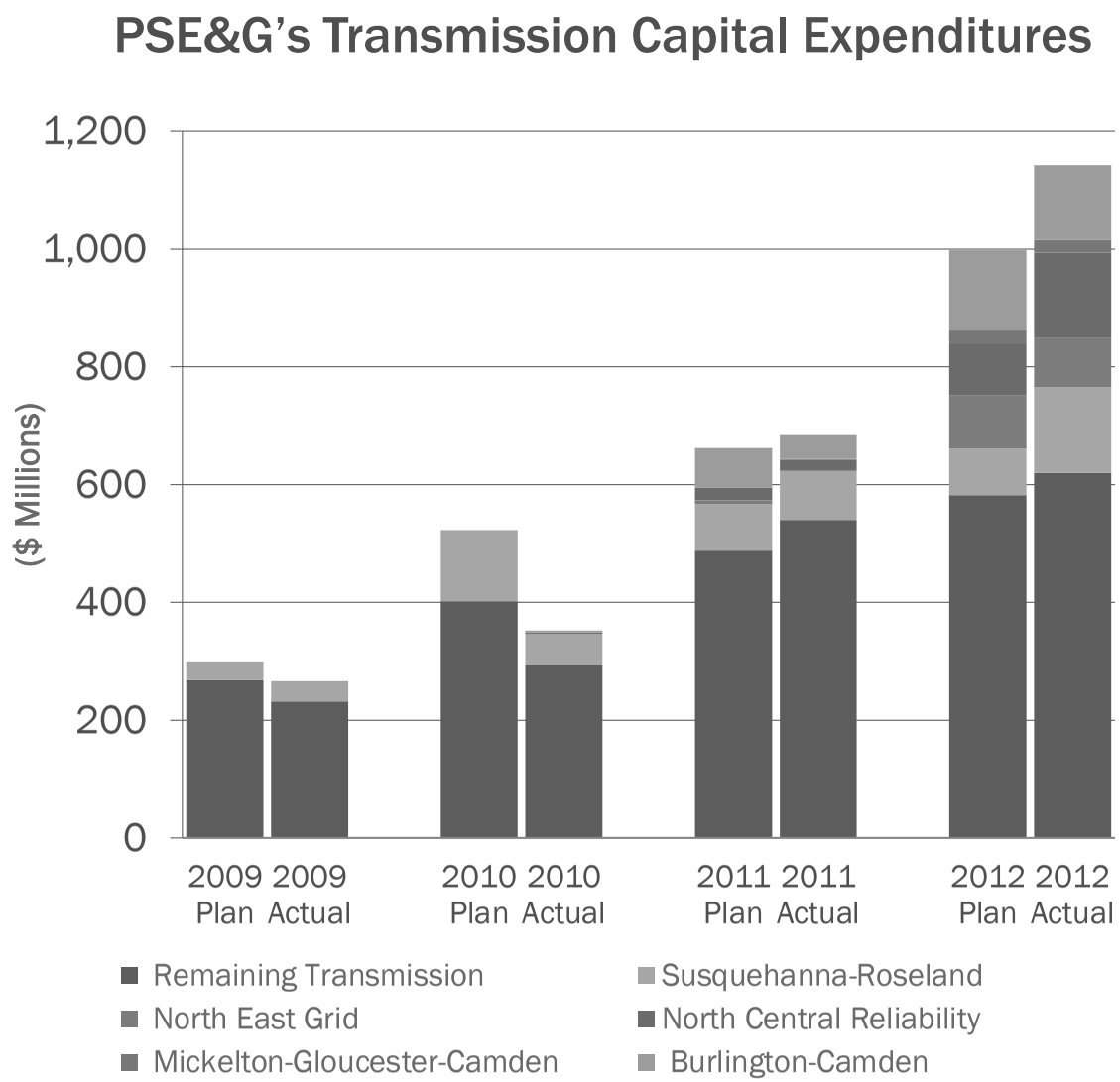
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-04366

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-04367

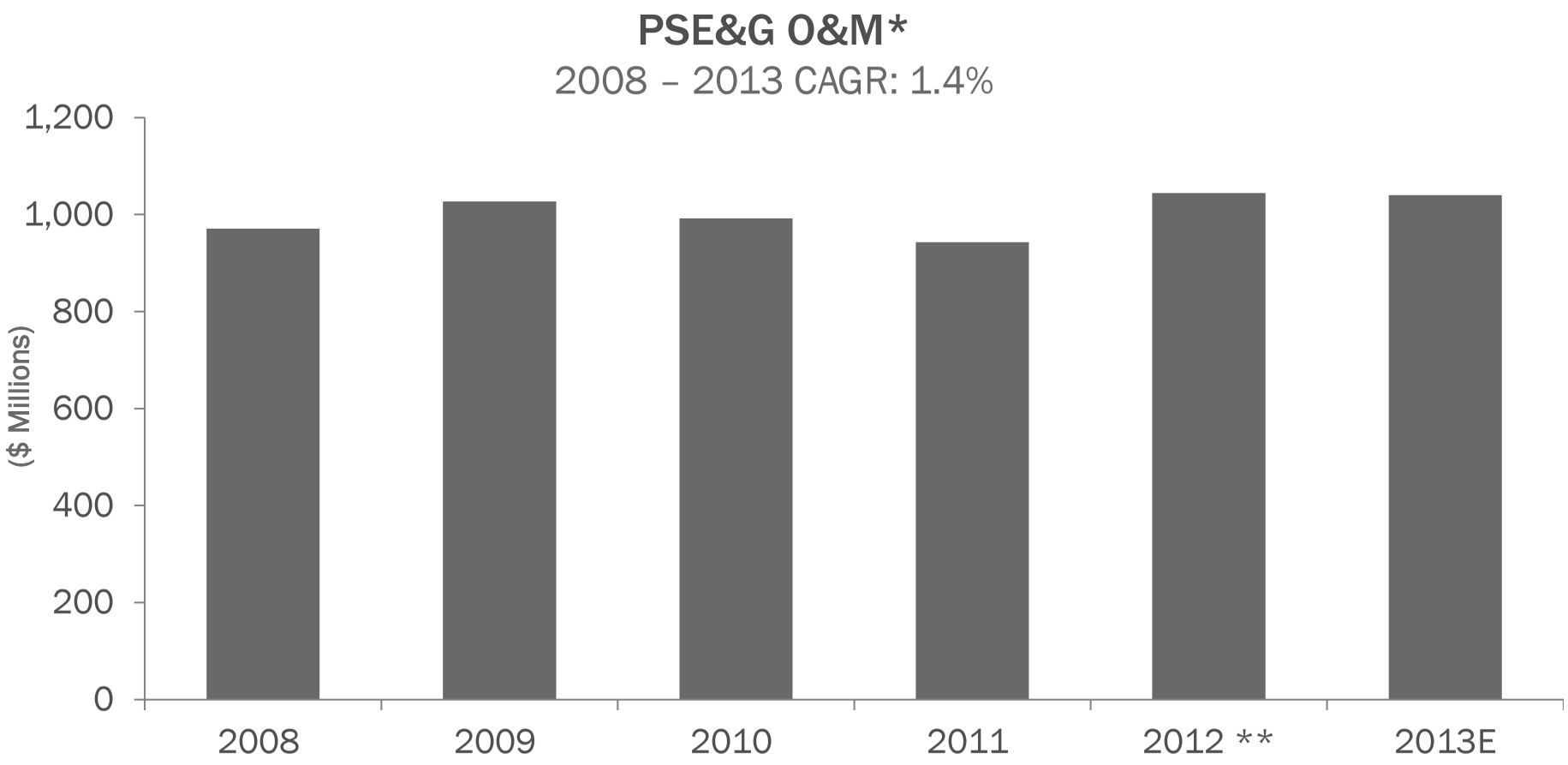
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 6/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$228	$16
Solar 4 All	July 2009	457	456	1
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	157	4
Demand Response	July 2009	34	29	5
Energy Efficiency Economic Stimulus Extension	July 2011	93	23	70
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,462**	**$1,920**	**$542**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-04368

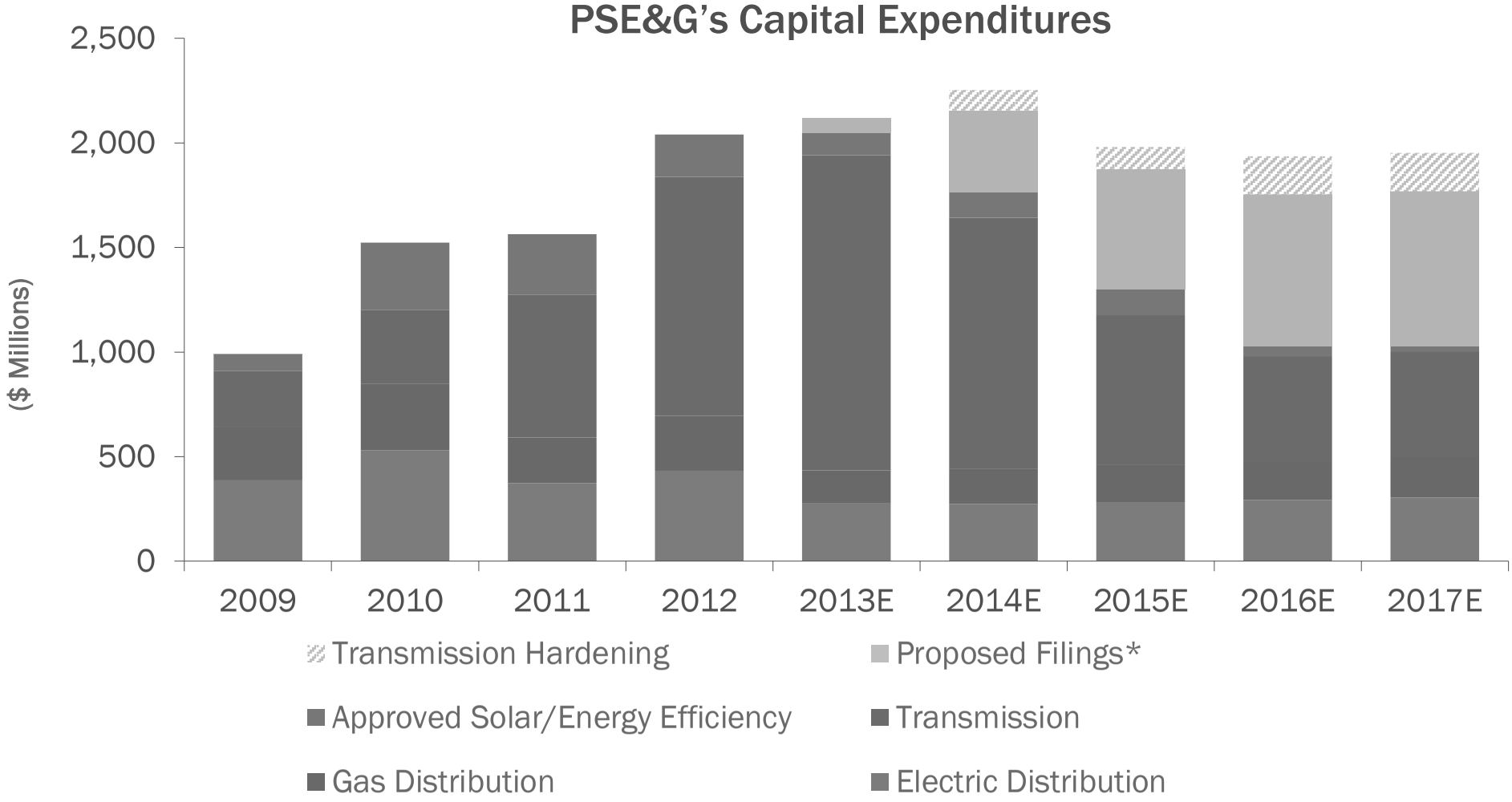
Focus on controlling O&M allows us to earn our authorized return



SI-SSA-0015-04369

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-04370

PSEG

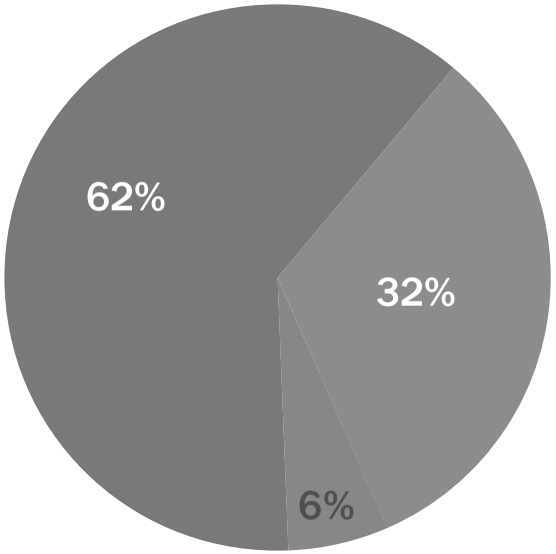
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EE4A. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

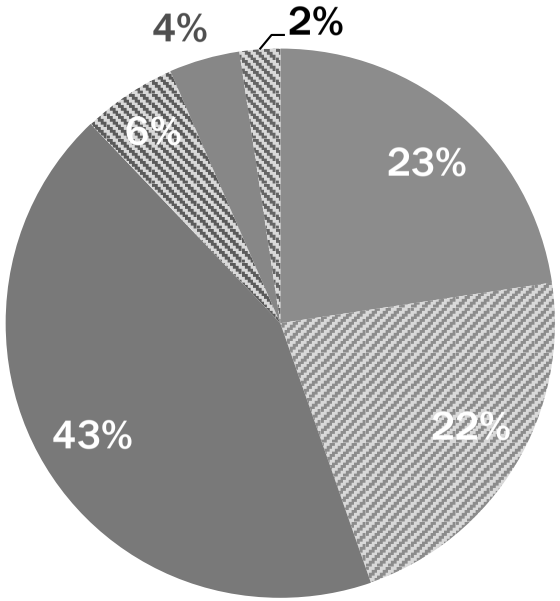
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

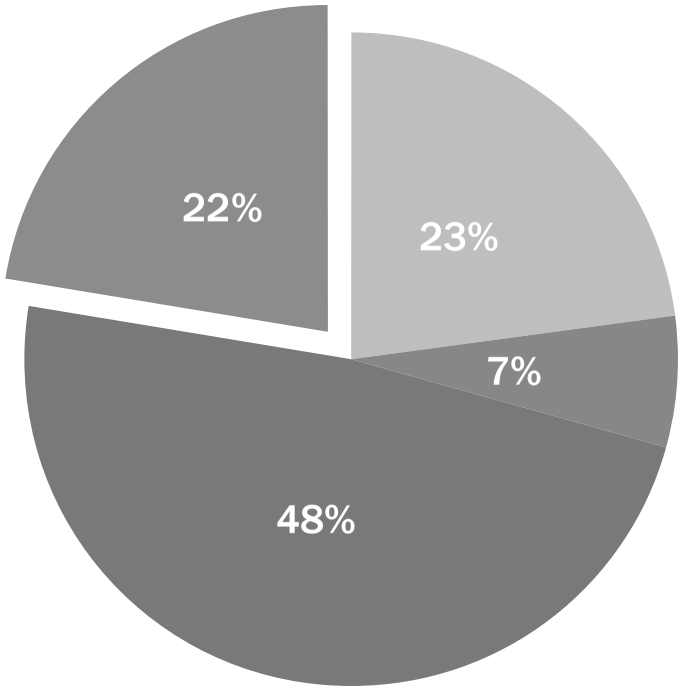
SI-SSA-0015-04371

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.3 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-04372

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-04373

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04374

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-04375

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04376

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04377

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04378

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

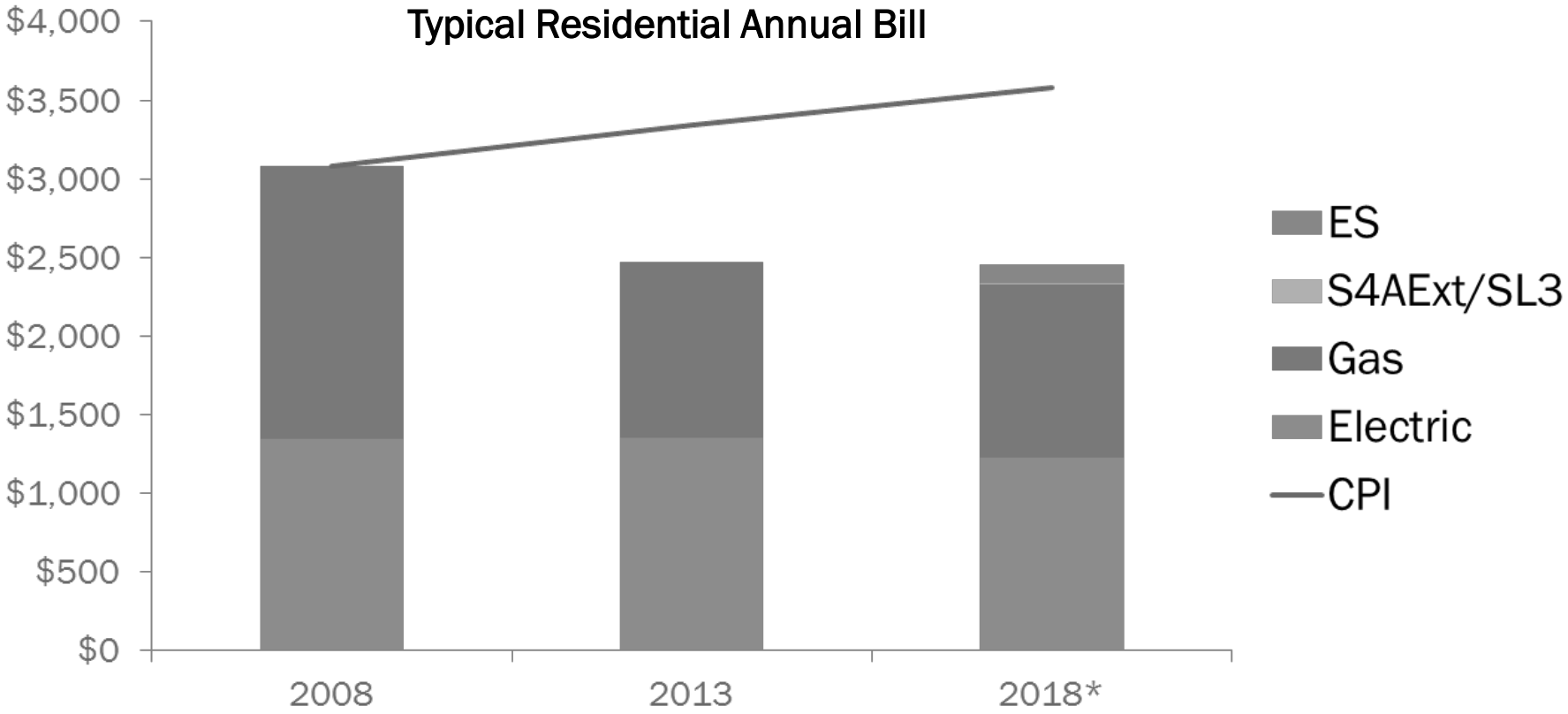
SI-SSA-0015-04379

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-04380

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

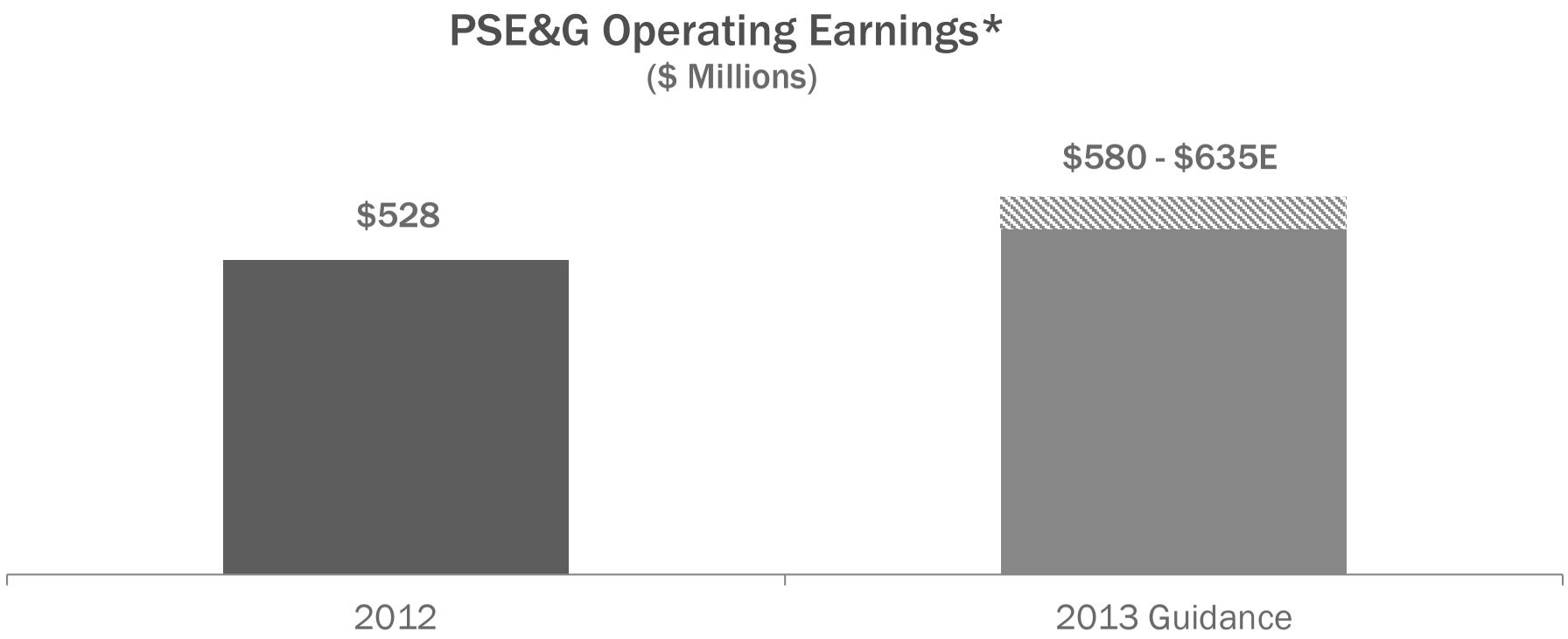


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-04381

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-04382

LONG ISLAND
POWER AUTHORITY

PSEG

SI-SSA-0015-04383

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-04384

PSEG ENERGY HOLDINGS

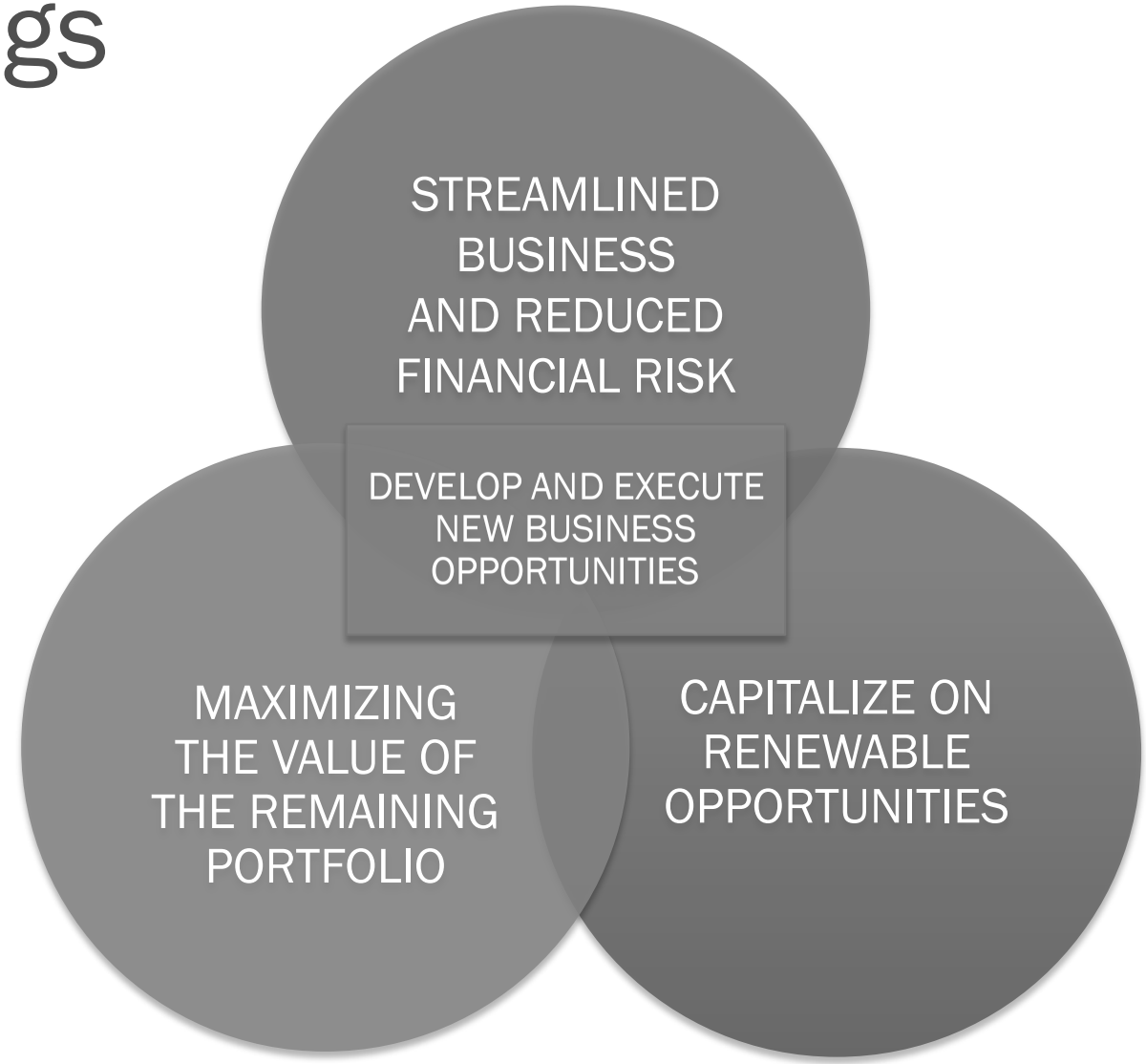
PSEG

We make things work for you.

SI-SSA-0015-04385

PSEG Energy Holdings strategy

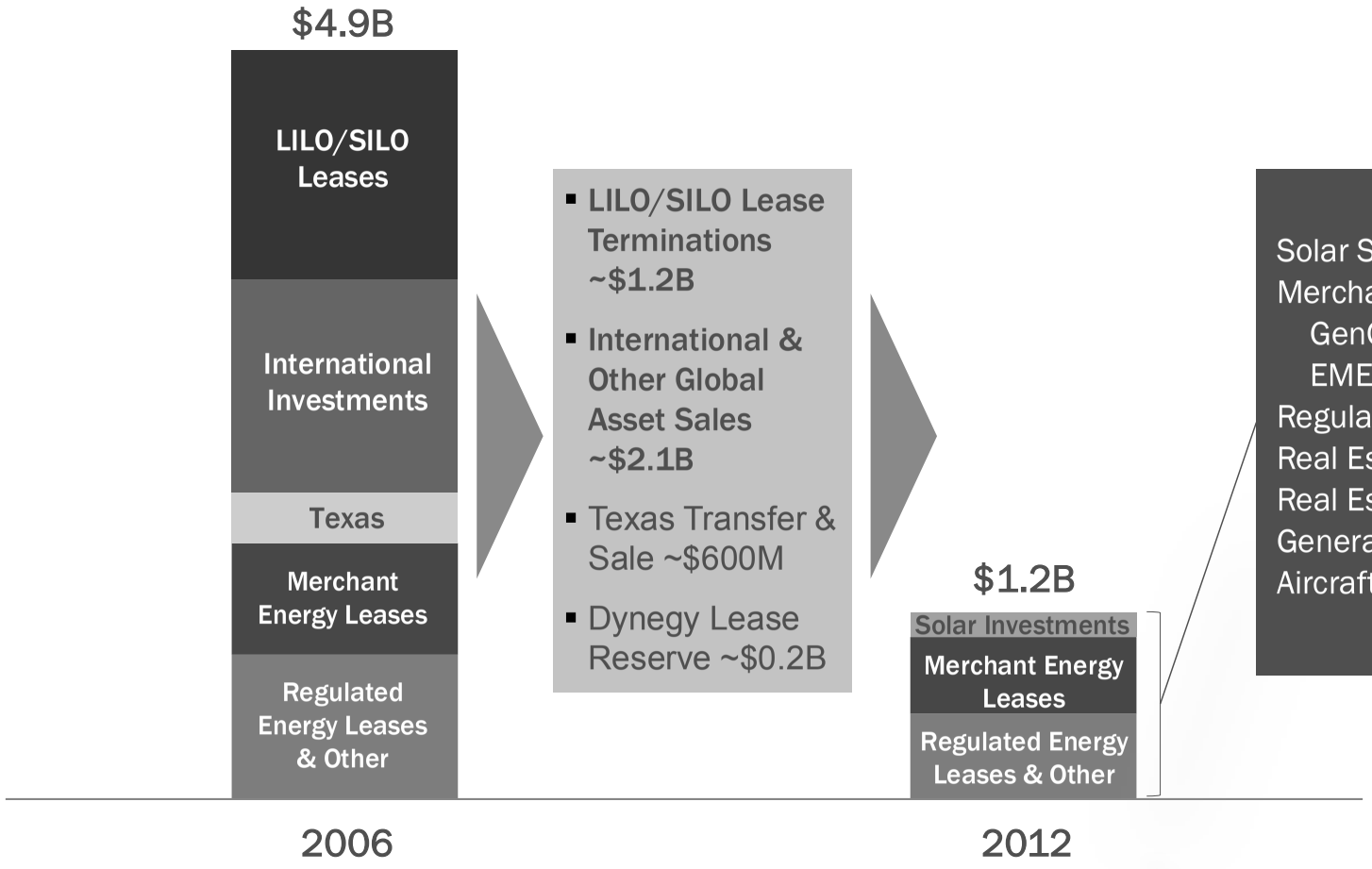
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-04386

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011.

SI-SSA-0015-04387

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-04388

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

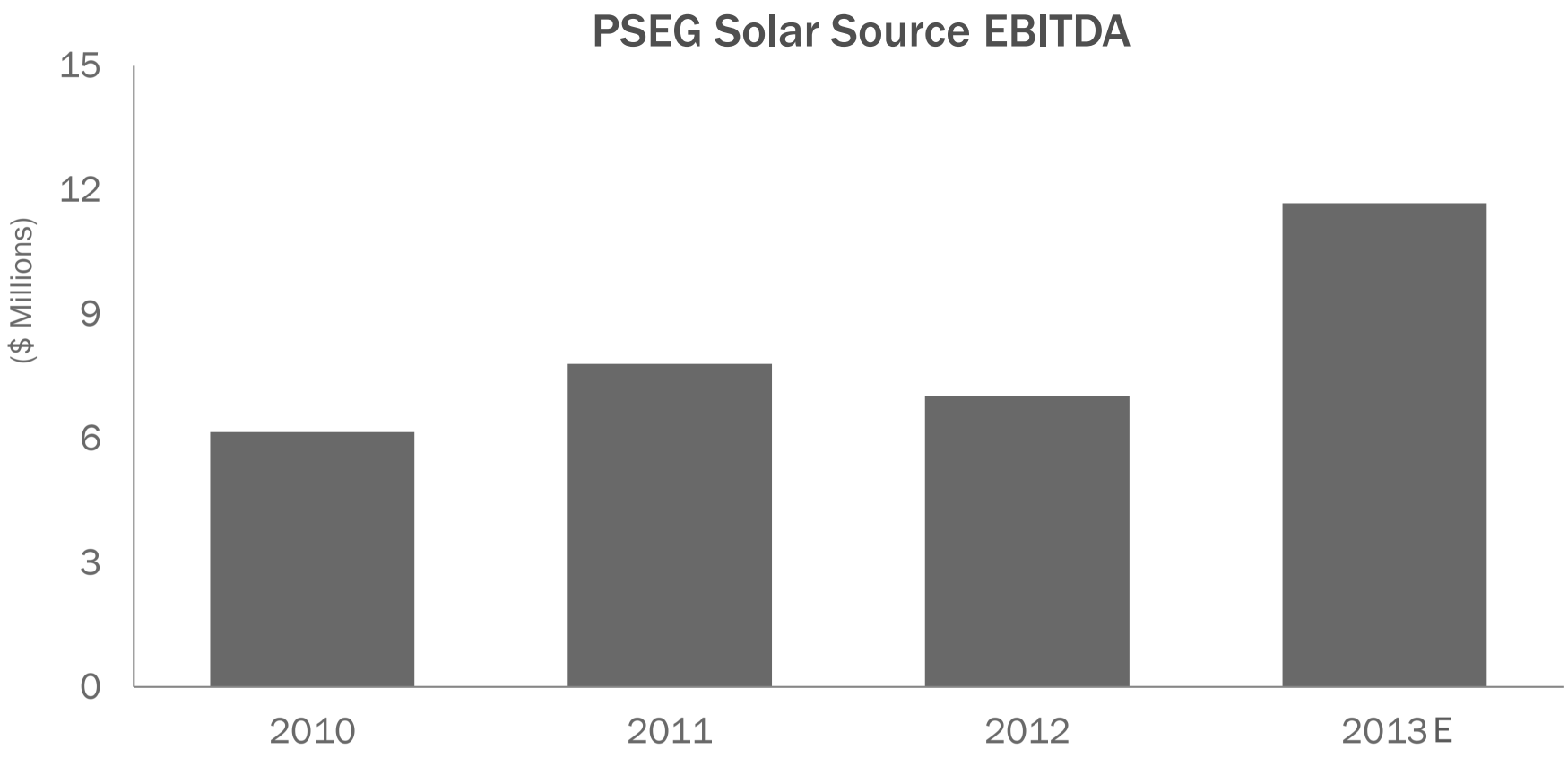
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-04389

PSEG Energy Holdings

These projects should produce steady results for PSEG

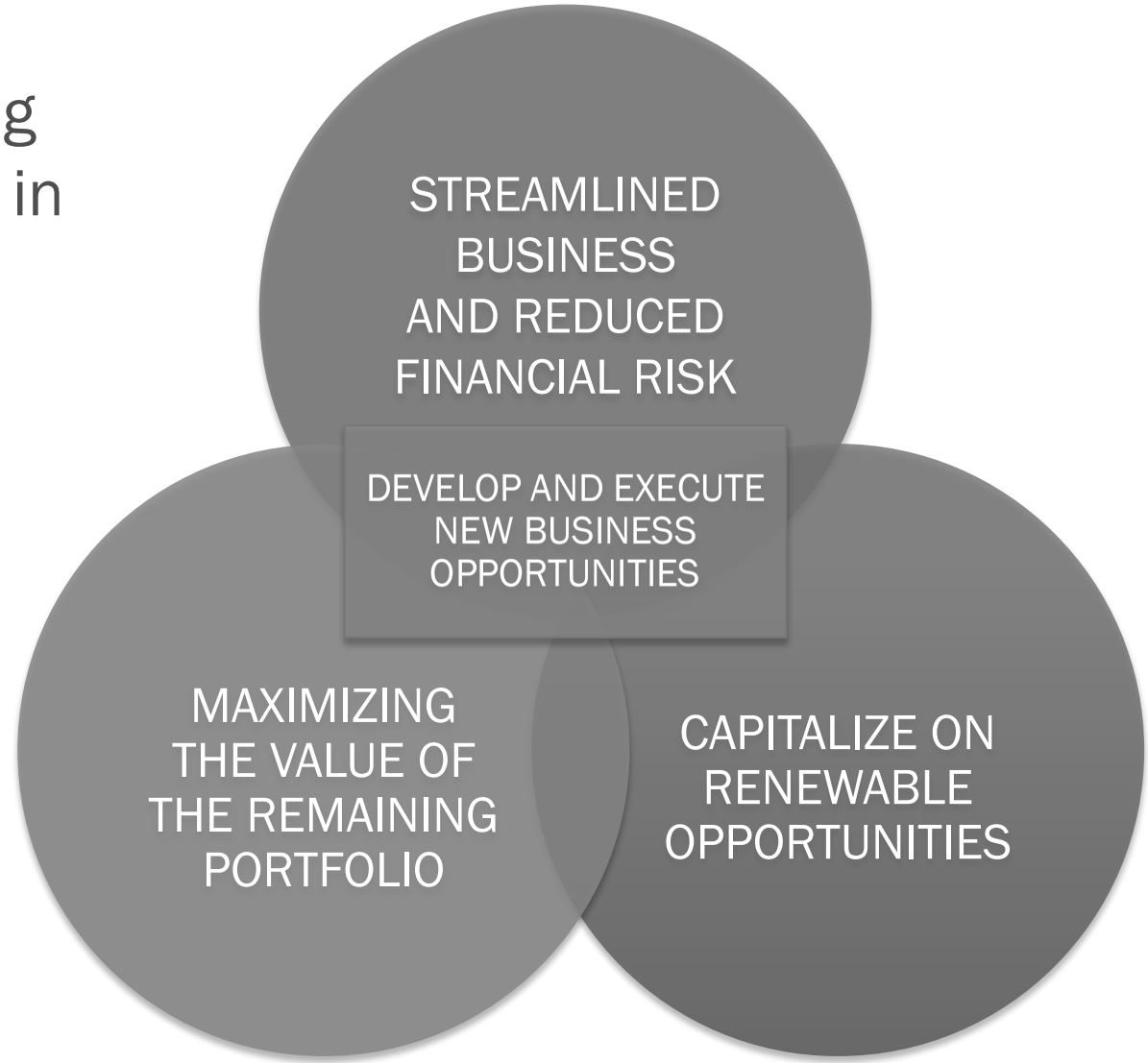


SI-SSA-0015-04390

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-04391

PSEG POWER

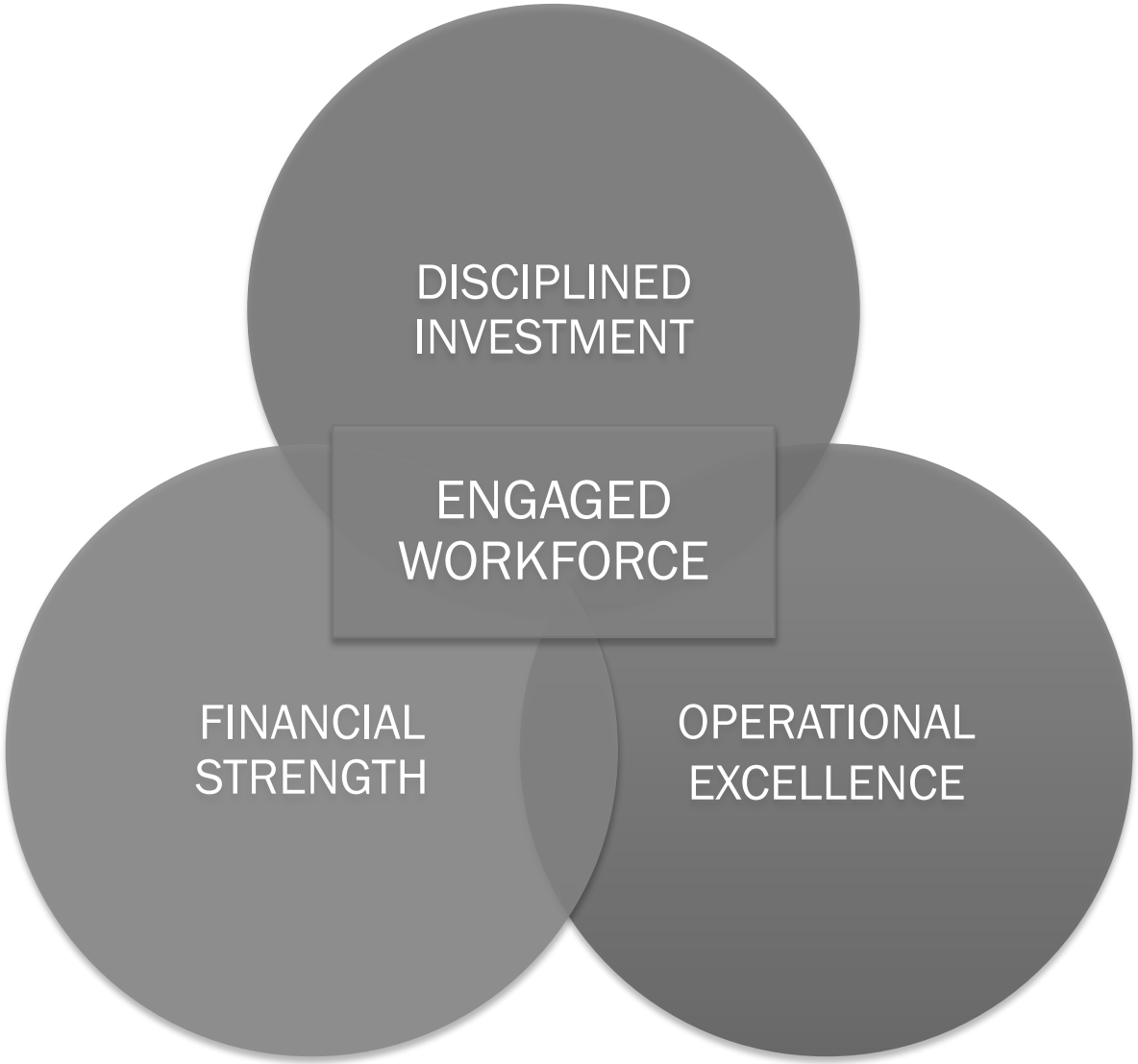
PSEG

We make things work for you.

SI-SSA-0015-04392

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-04393

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-04394

PSEG Power delivered in 2012

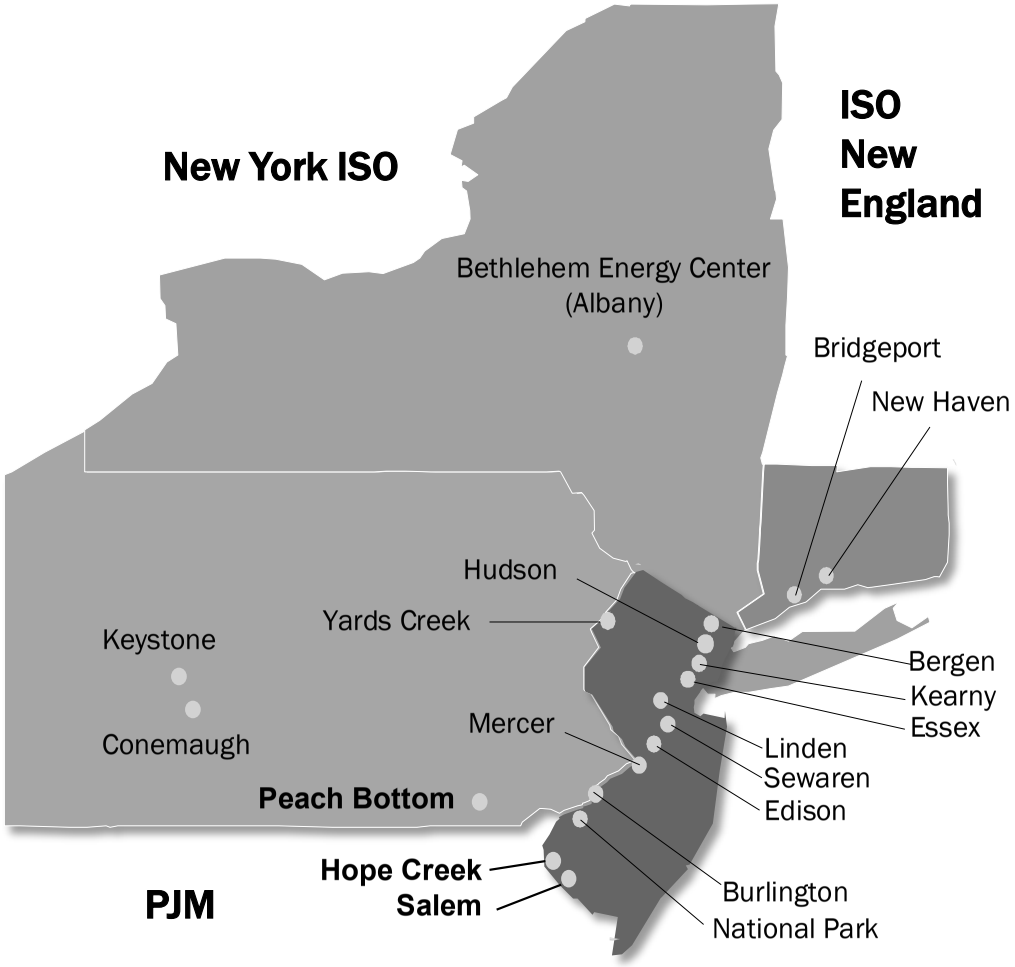
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-04395

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-04396

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-04397

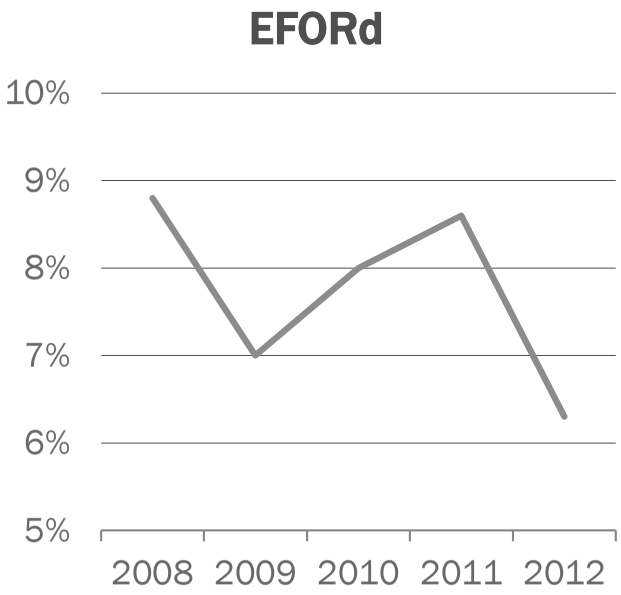
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

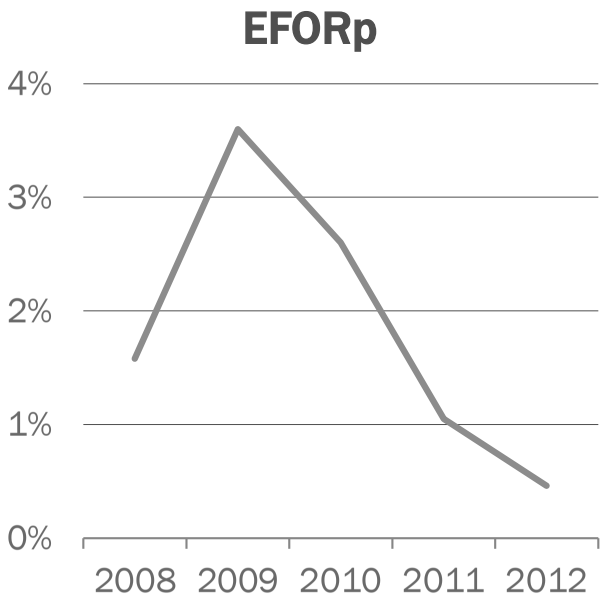
SI-SSA-0015-04398

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

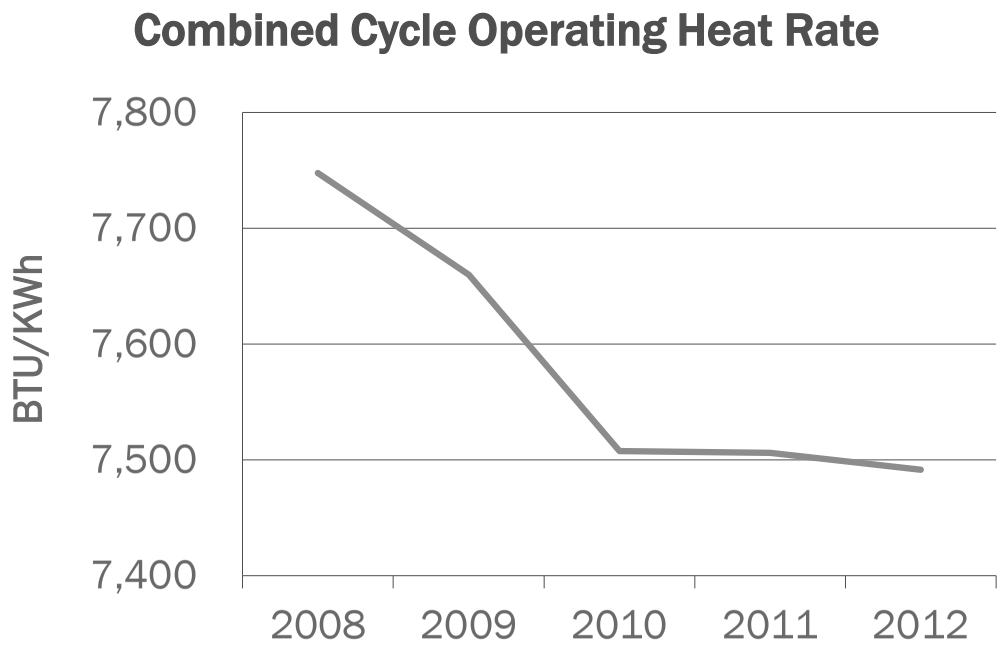


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-04399

PSEG Power improvements achieved in combined cycle fleet efficiency

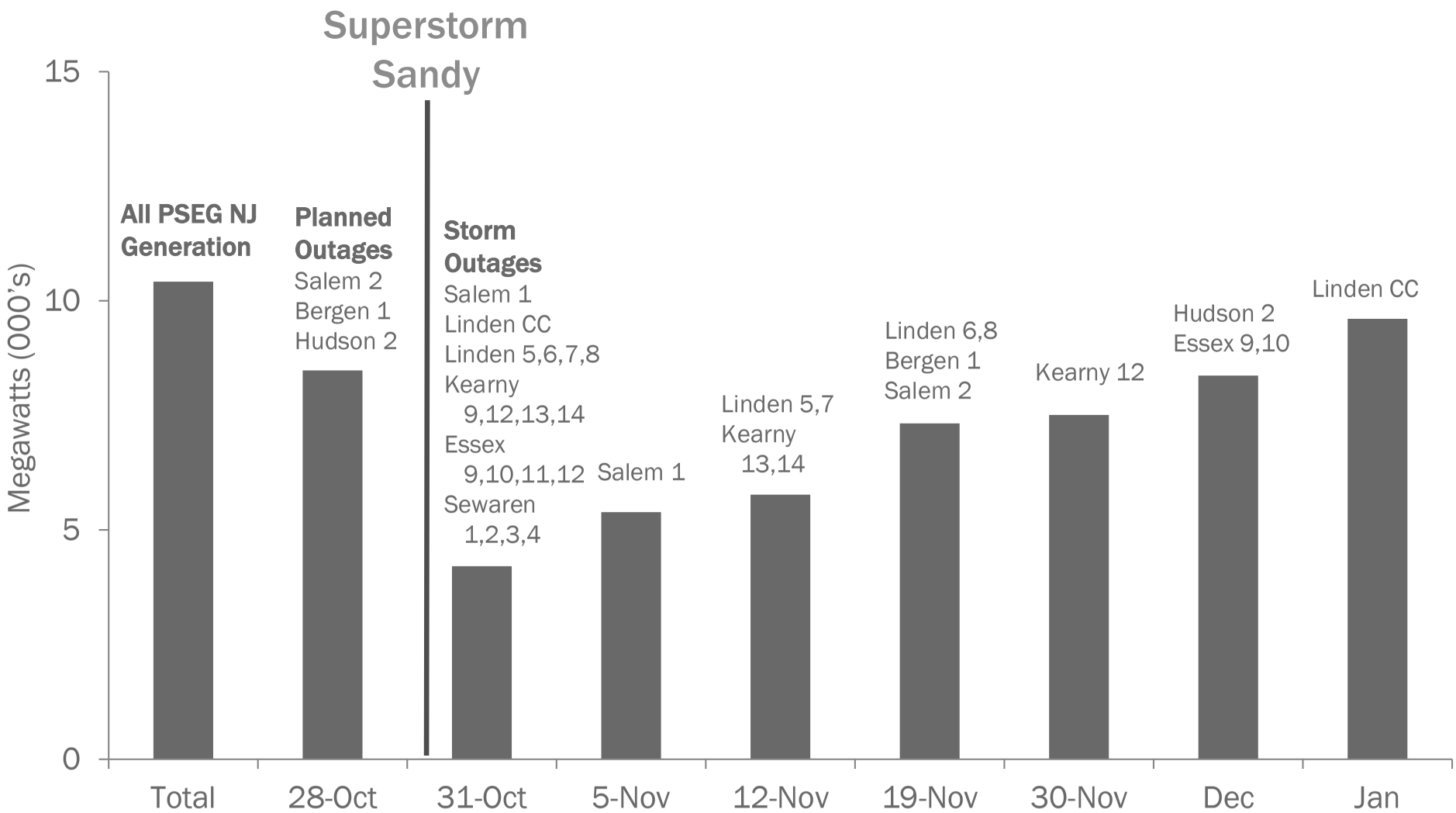


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-04400

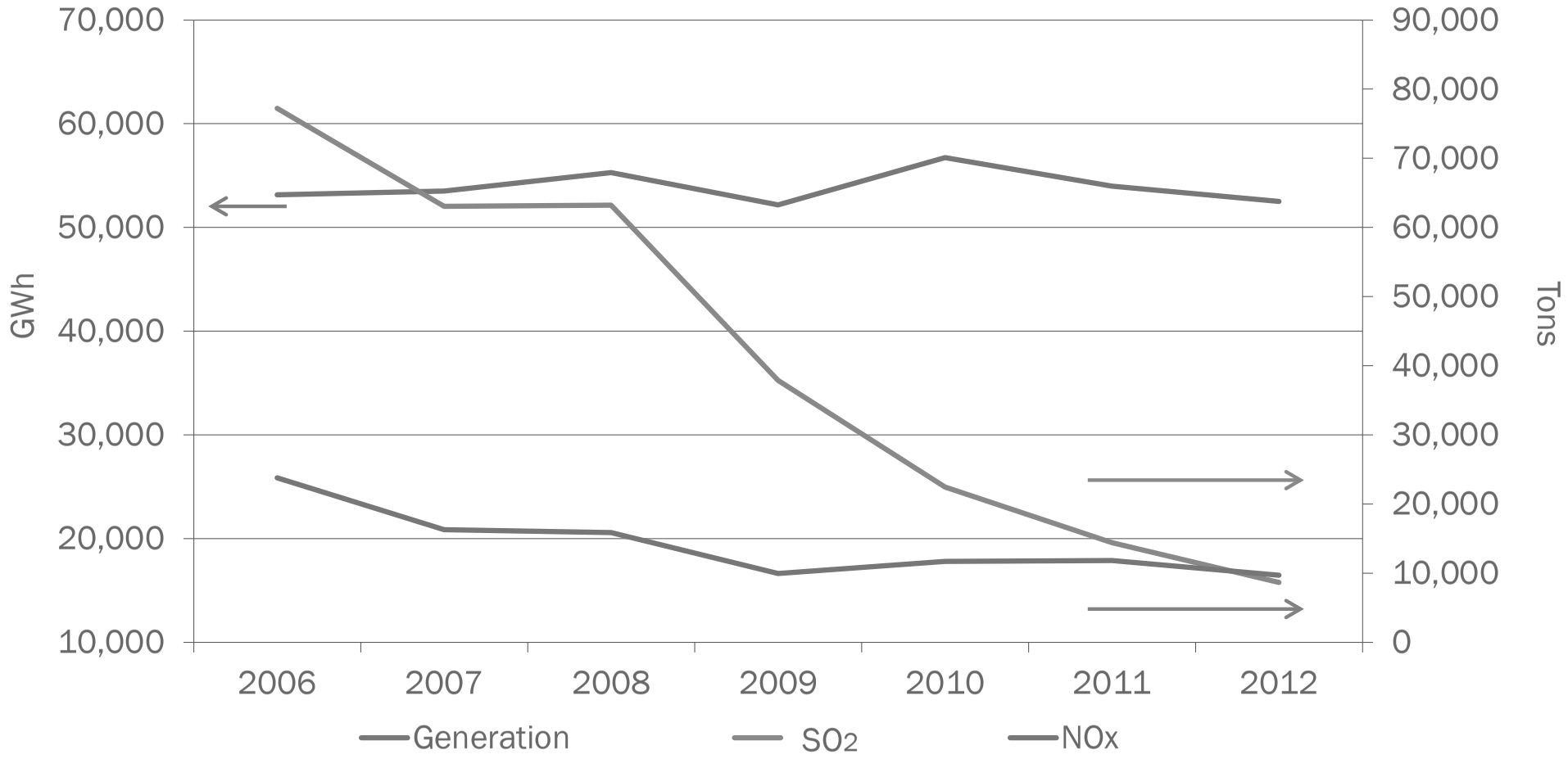
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-04401

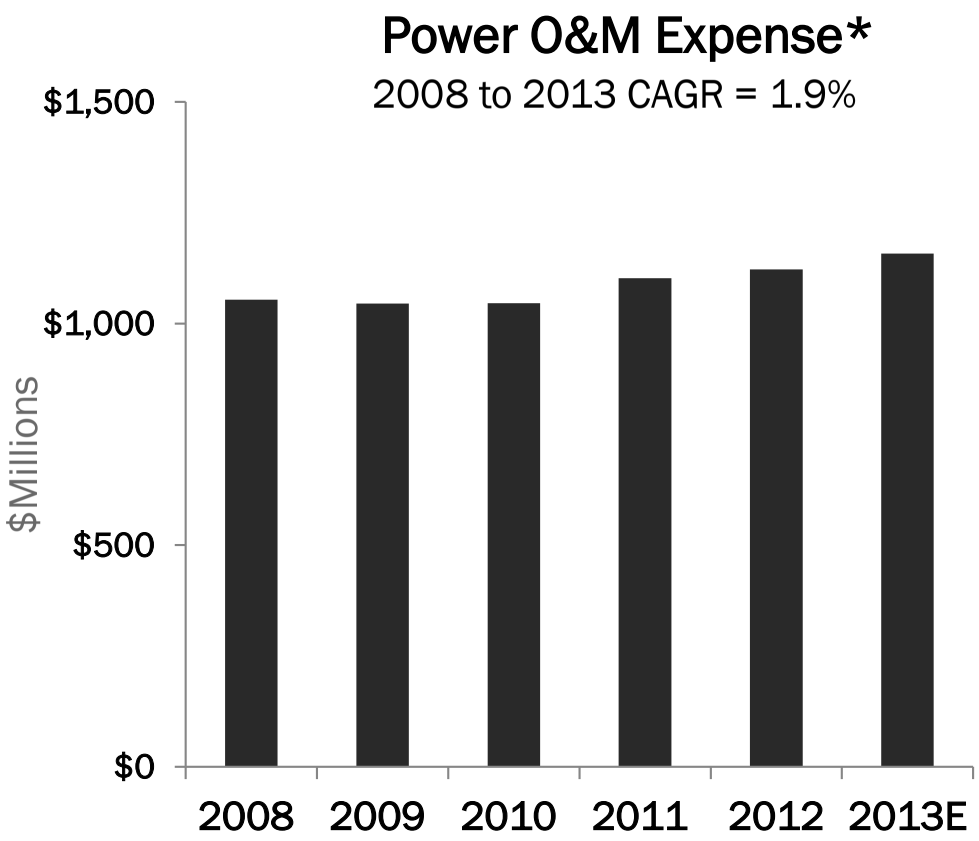
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-04402

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-04403

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-04404

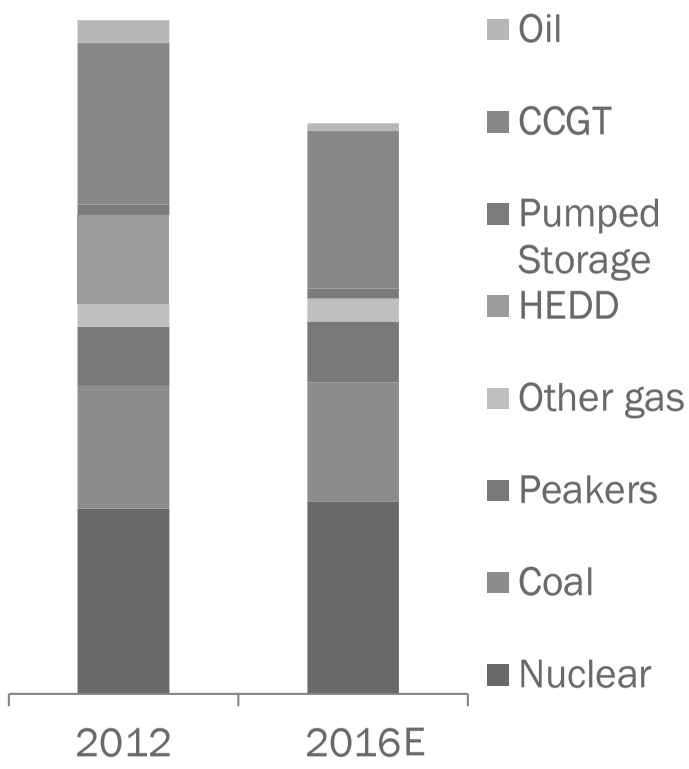
PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

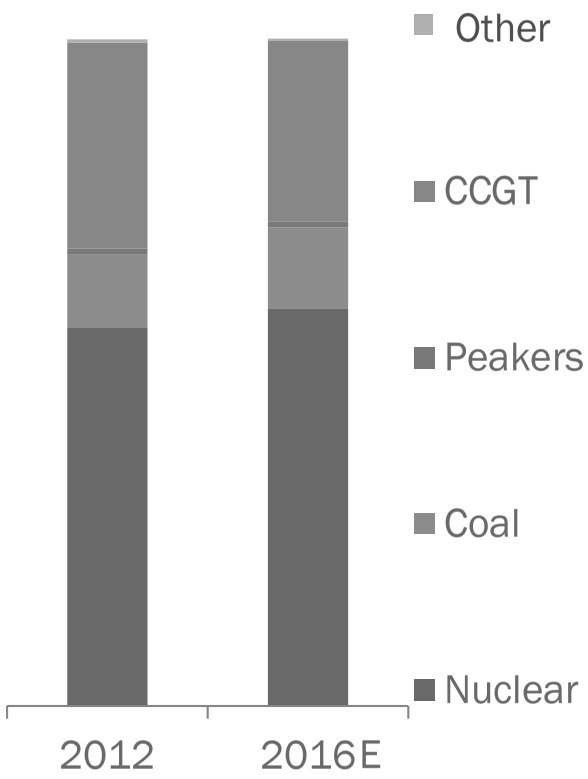
Fuel Diversity

13,226 MW 11,200 MW



Energy Produced

52.5 TWh 52-54 TWh



SI-SSA-0015-04405

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-04406

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-04407

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

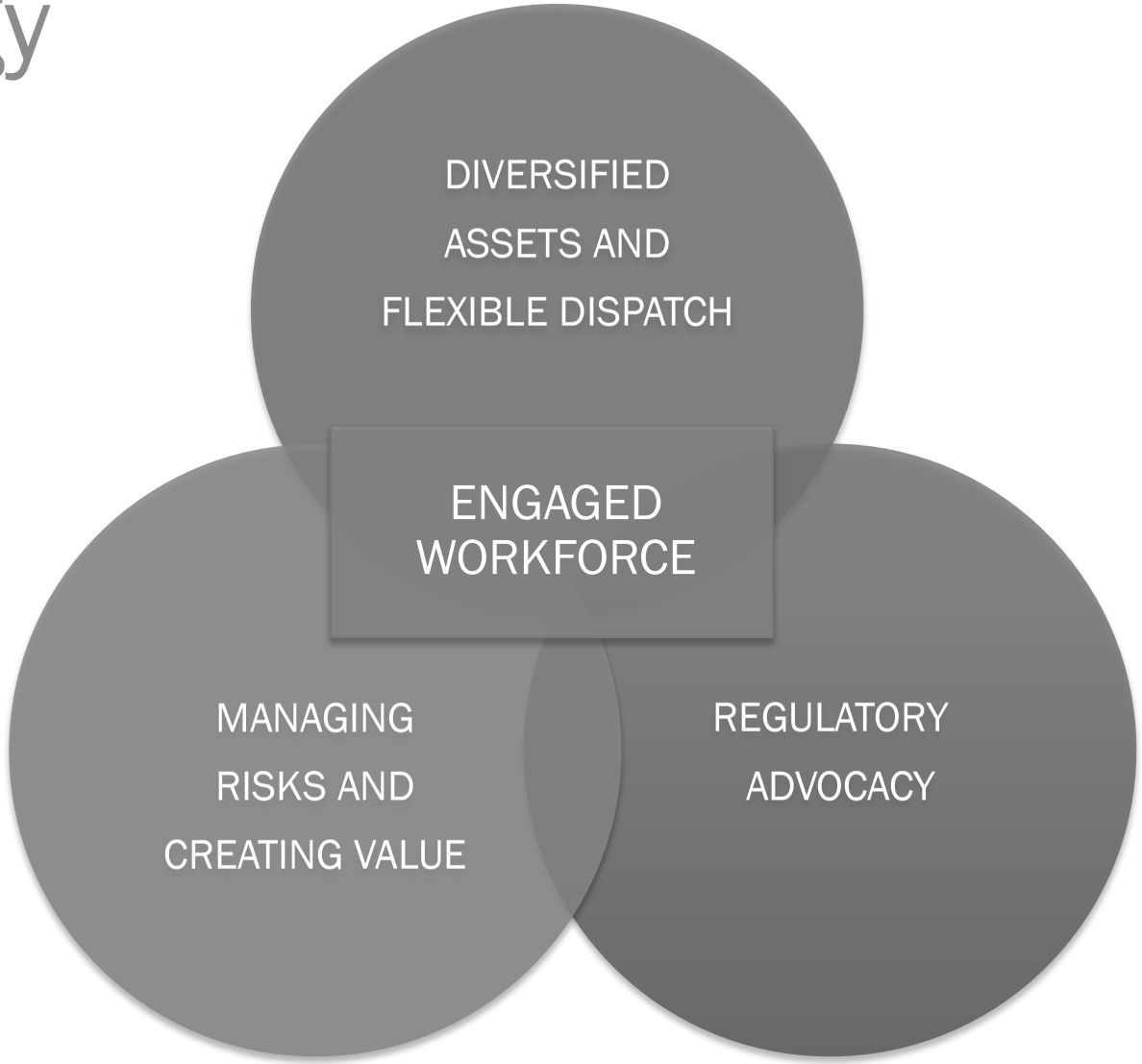
SI-SSA-0015-04408

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-04409

Diversified assets and flexible dispatch

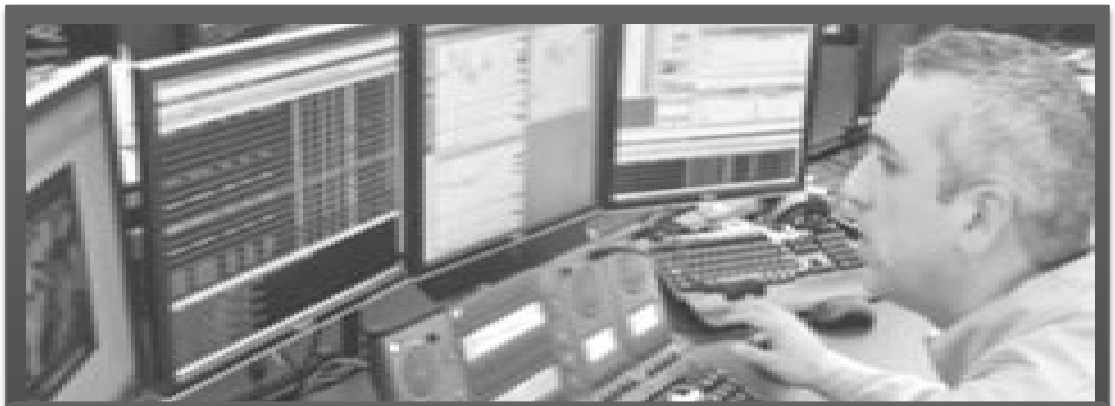
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

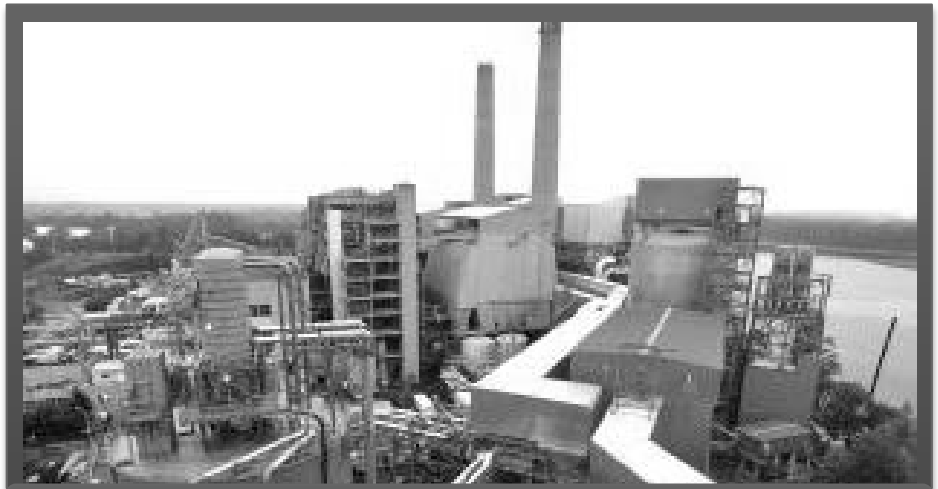
SI-SSA-0015-04410

Fleet capacity has been advanced by:

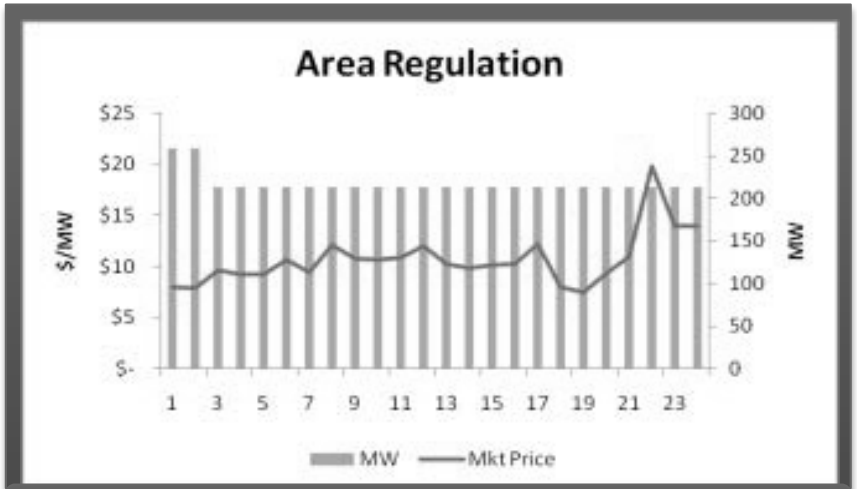
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



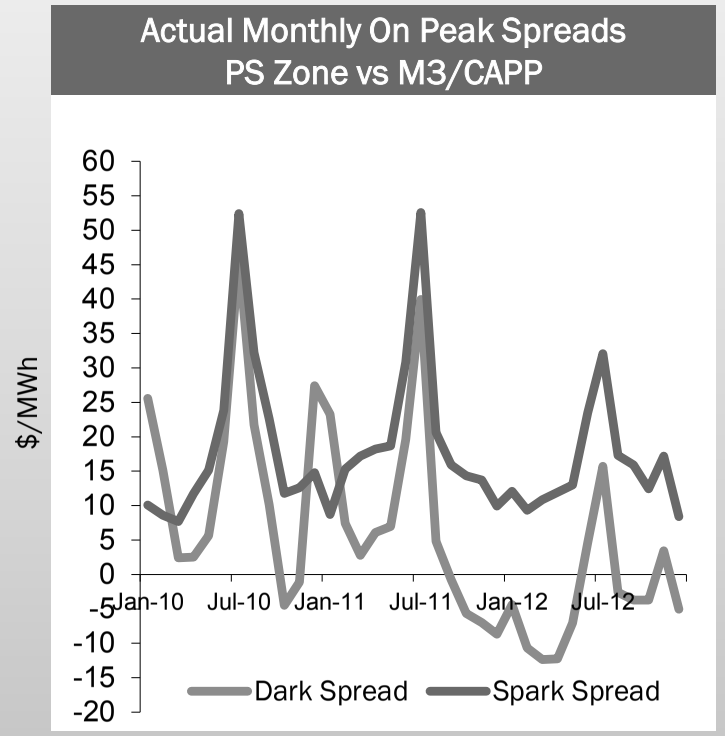
Reduced O&M and increased start-up success

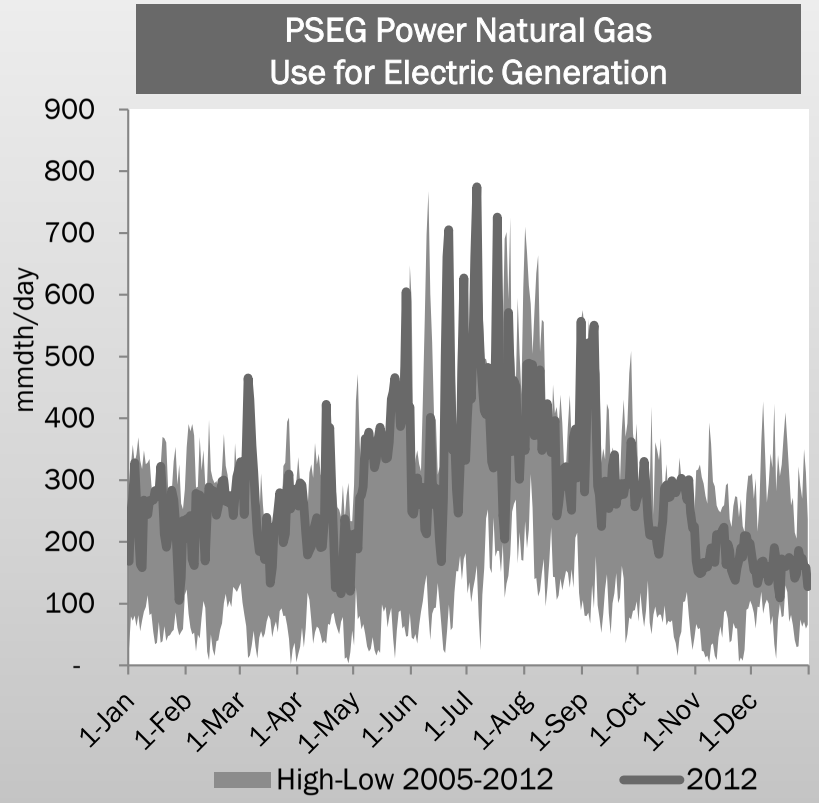


Capturing new products opportunity with minimal investment

SI-SSA-0015-04411

Spark spread replaces dark spread as major value driver

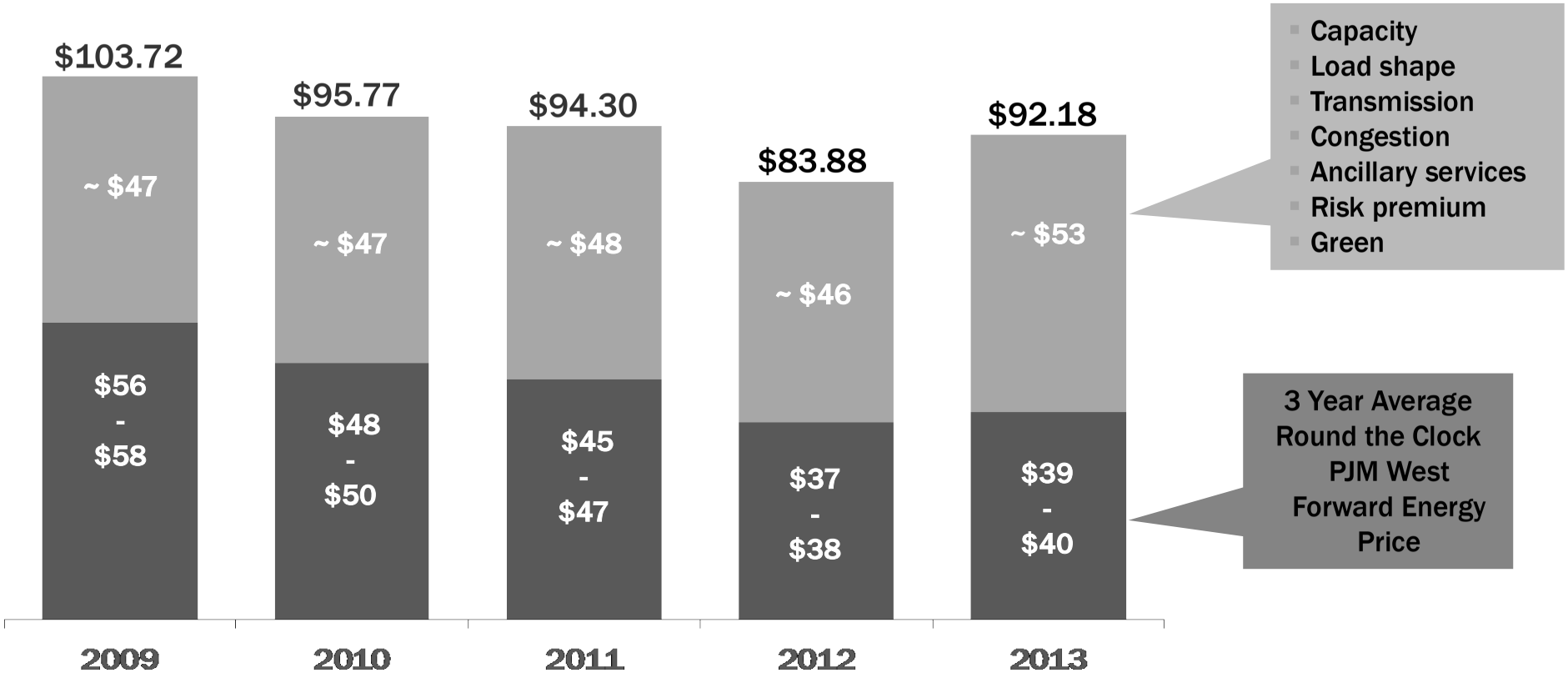




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-04412

2013 BGS Auction Results for PSE&G Zone

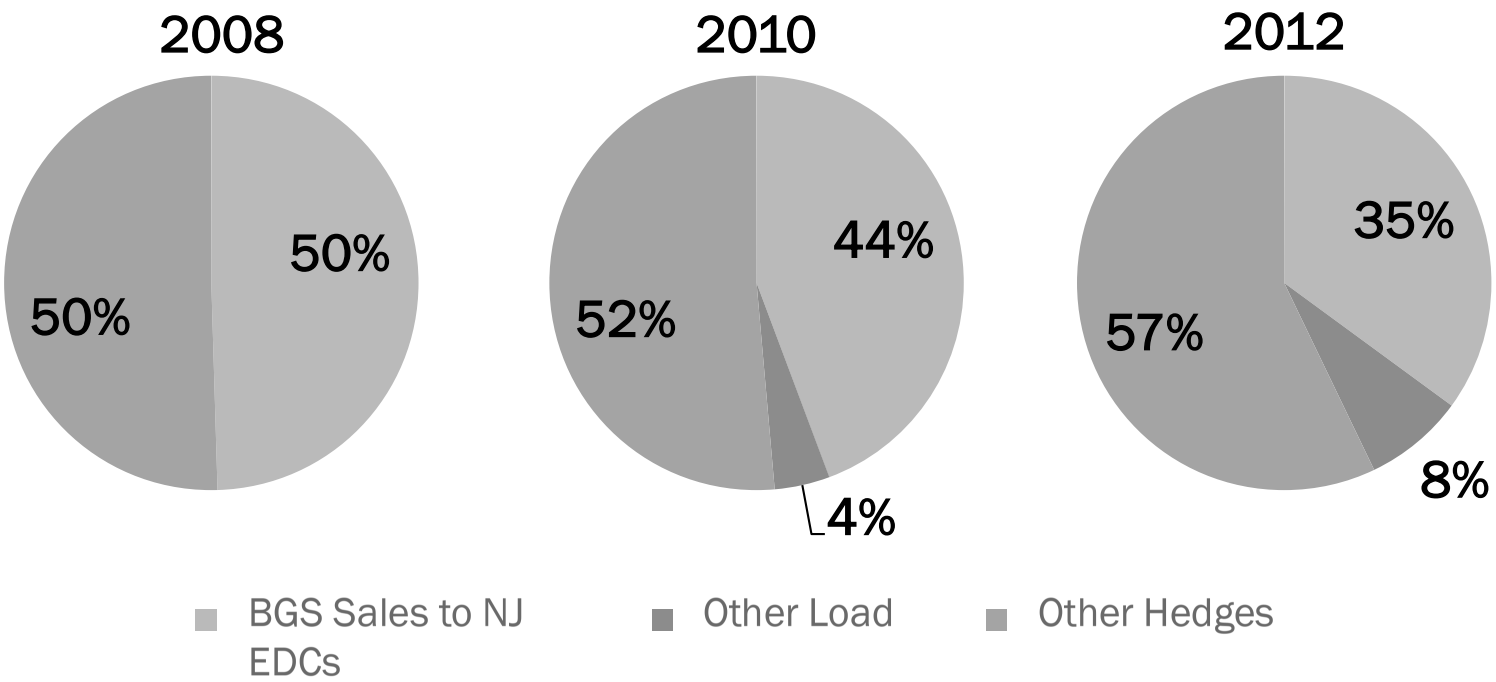


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-04413

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-04414

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

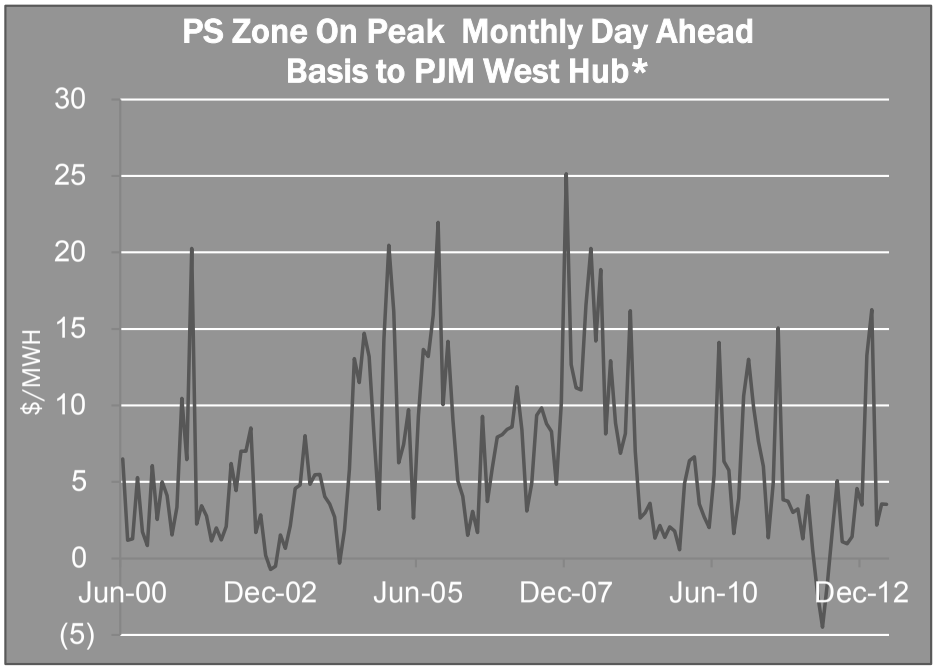
		Jul-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

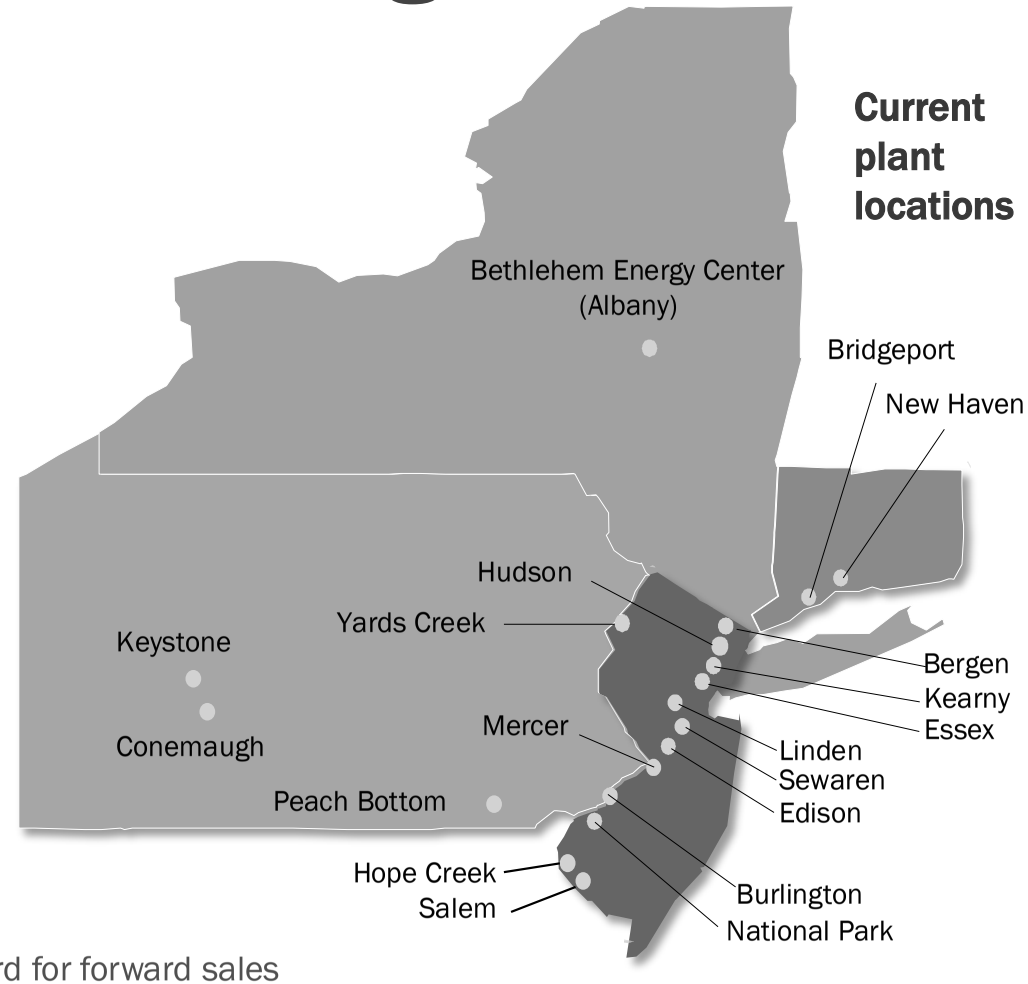
HEDGE PERCENTAGES AND PRICES AS OF JUNE 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-04415

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

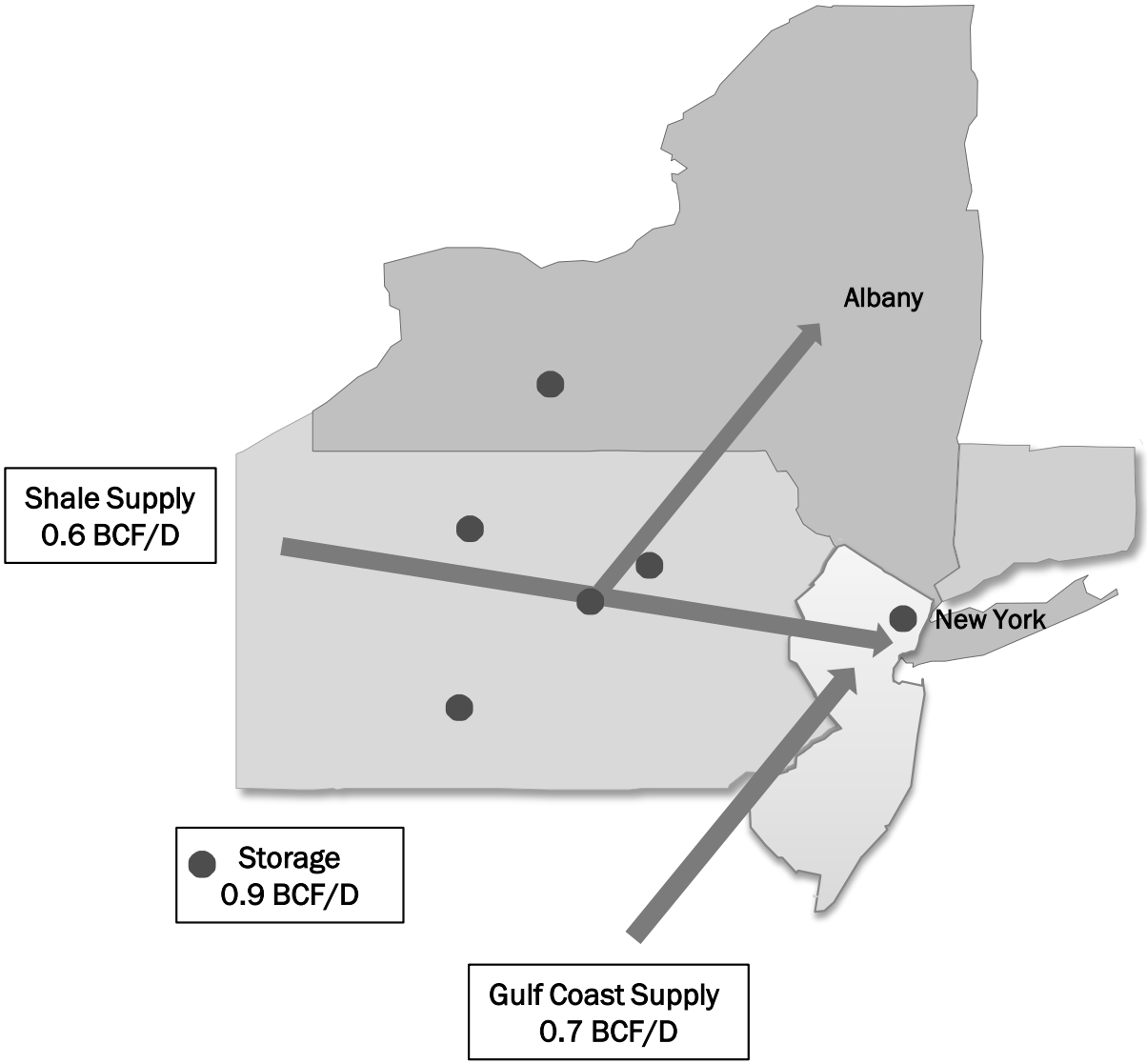
SI-SSA-0015-04416

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity benefits PSE&G customers and Power's generating assets



SI-SSA-0015-04417

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

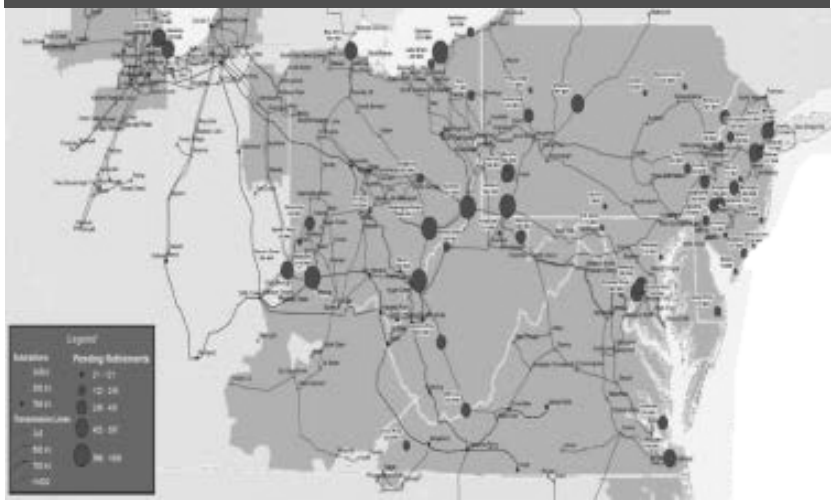
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-04418

Reserve margins in PJM declining with retirements

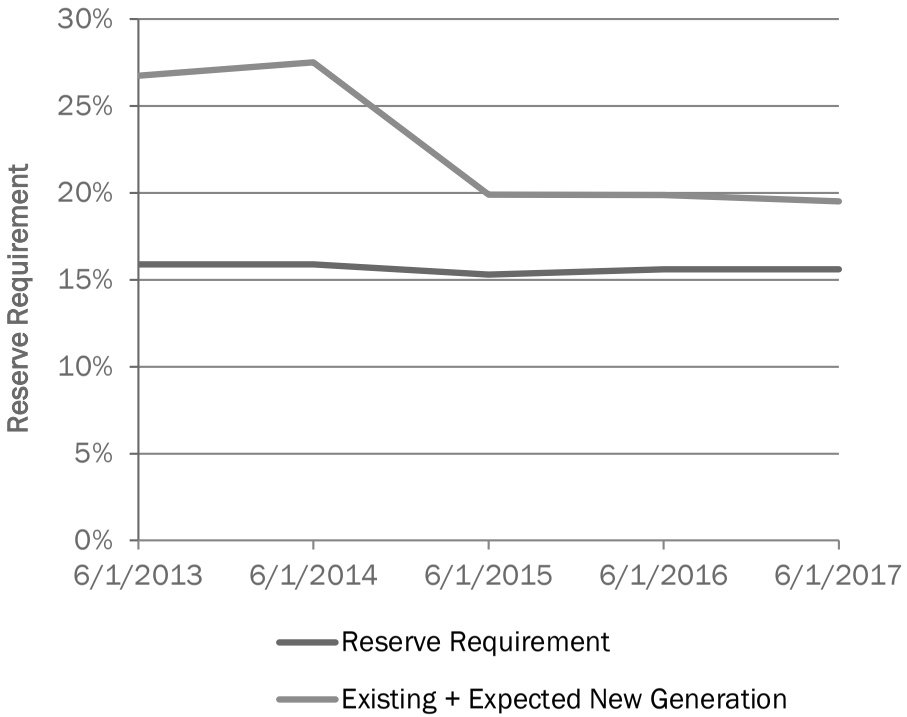
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-04419

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-04420

PSEG wholesale market strategy

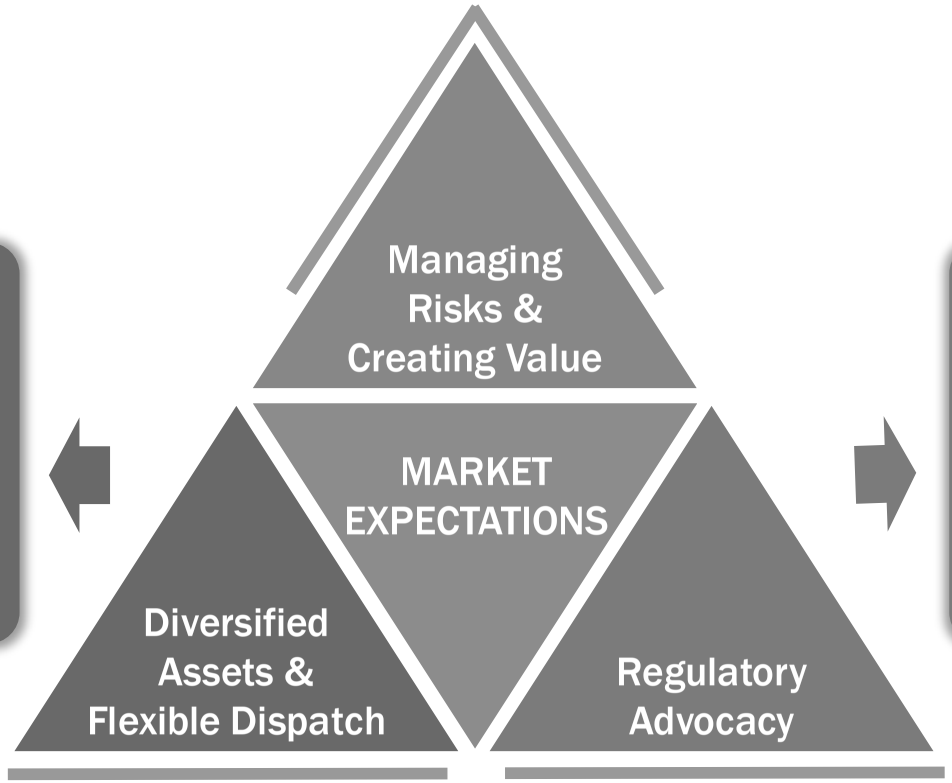
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-04421

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-04422

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-04423

Maintaining 2013 operating earnings guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

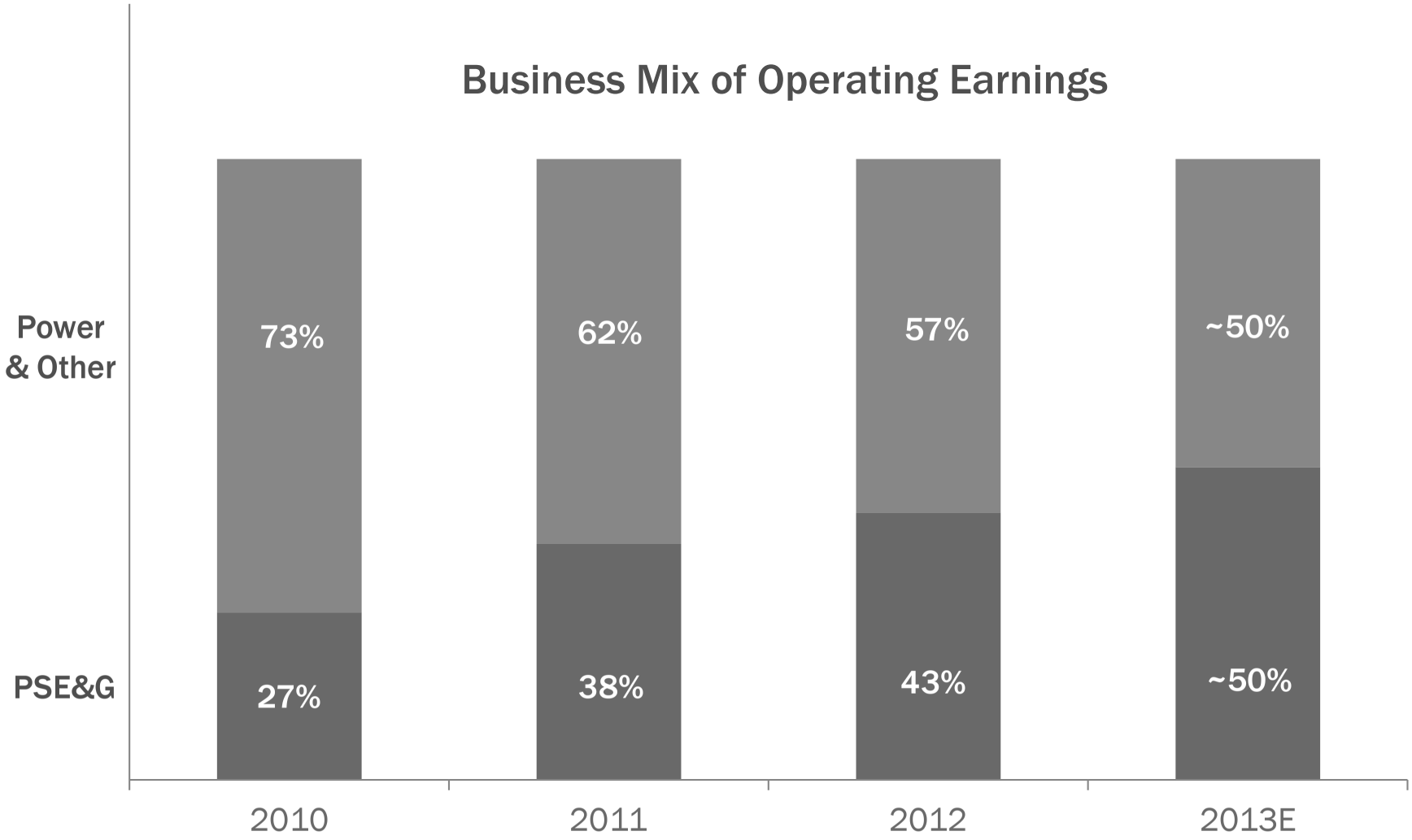
SI-SSA-0015-04424

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings



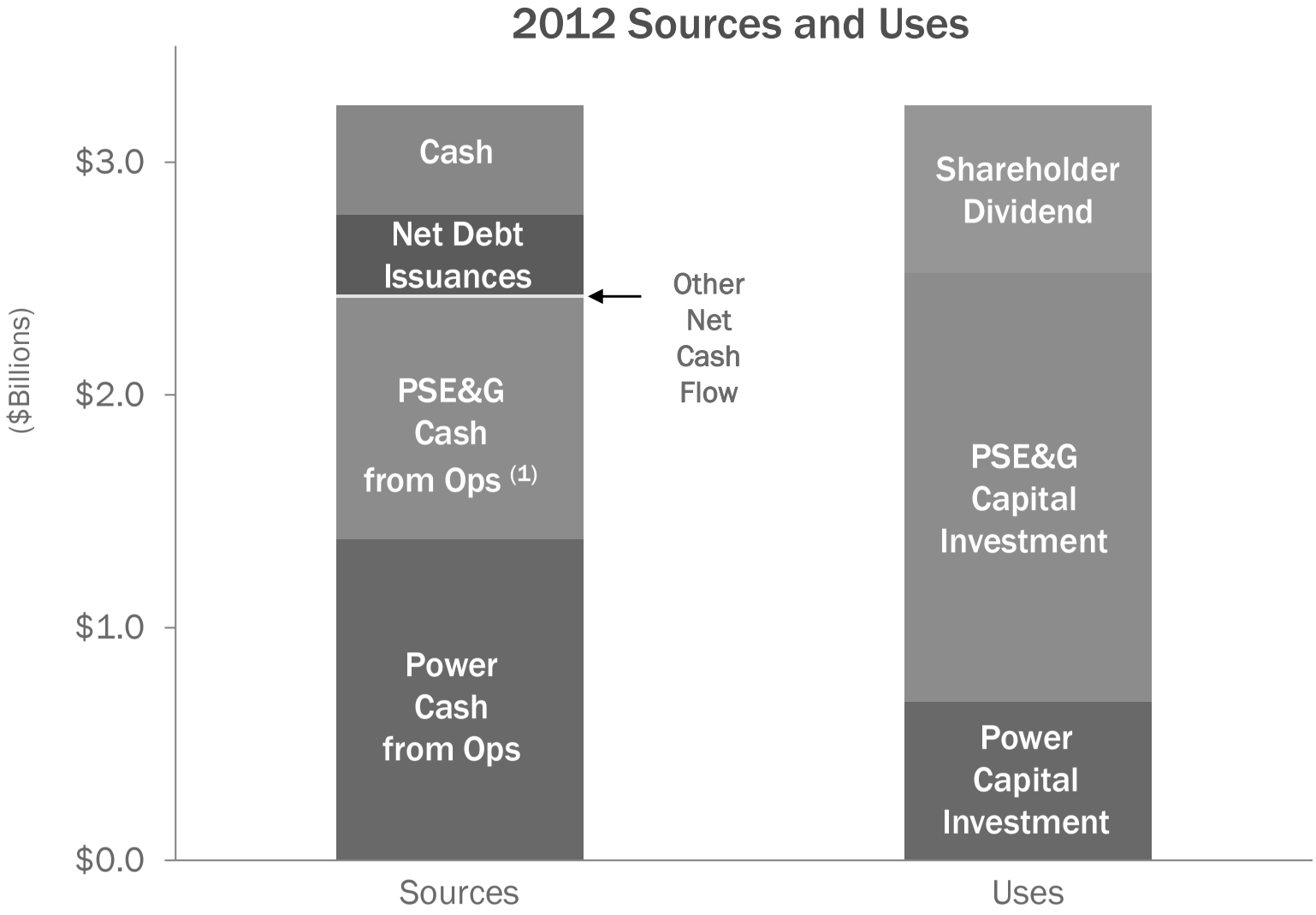
SI-SSA-0015-04425

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

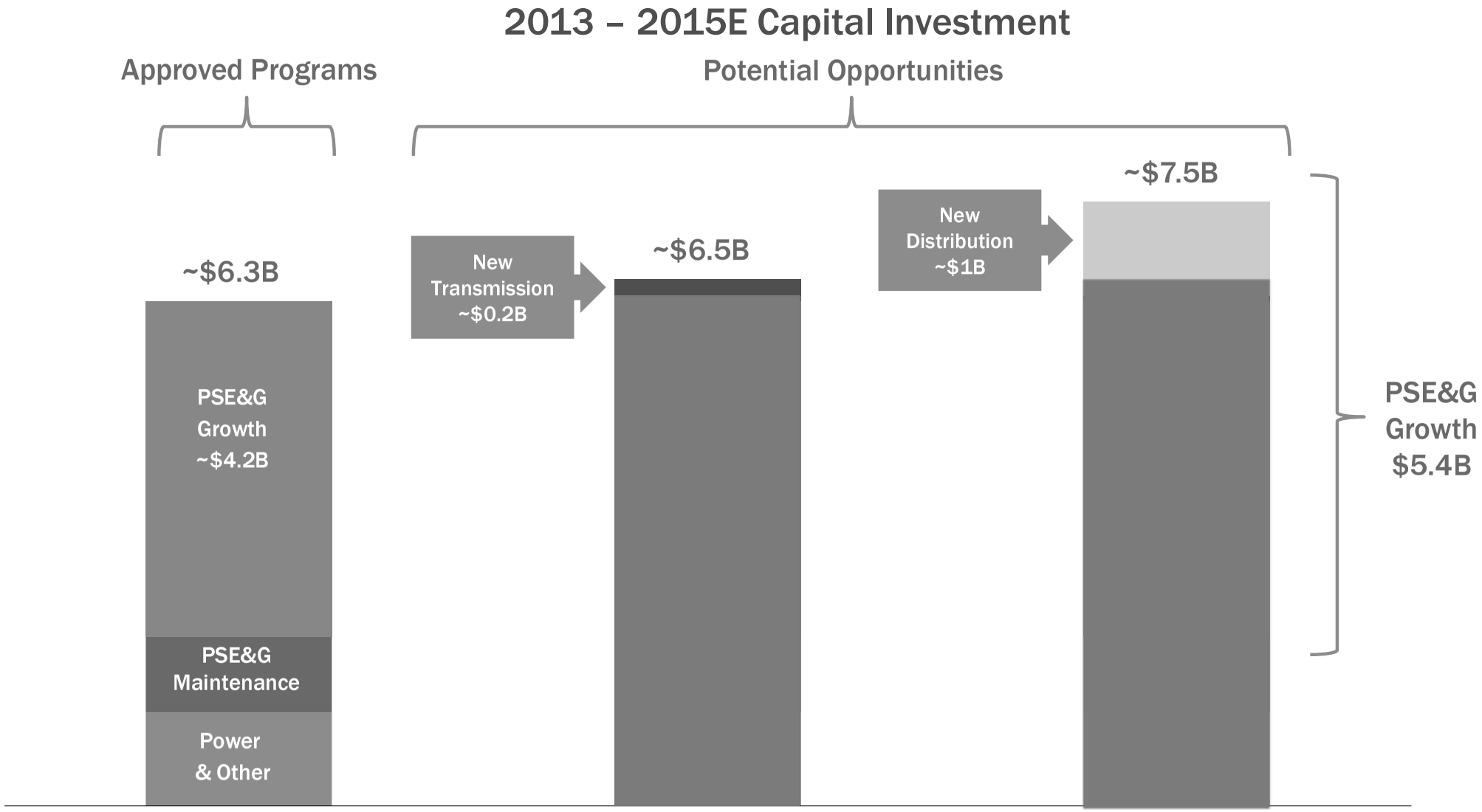
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

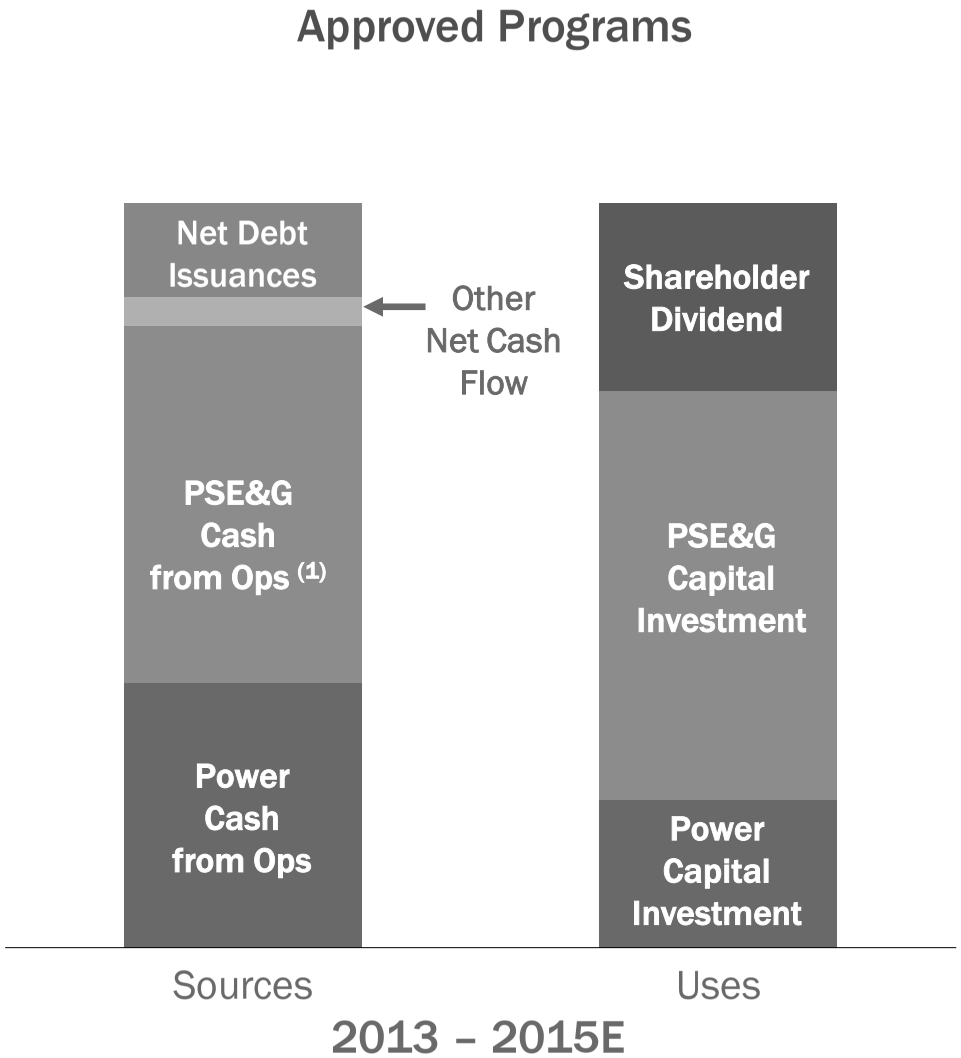
SI-SSA-0015-04426

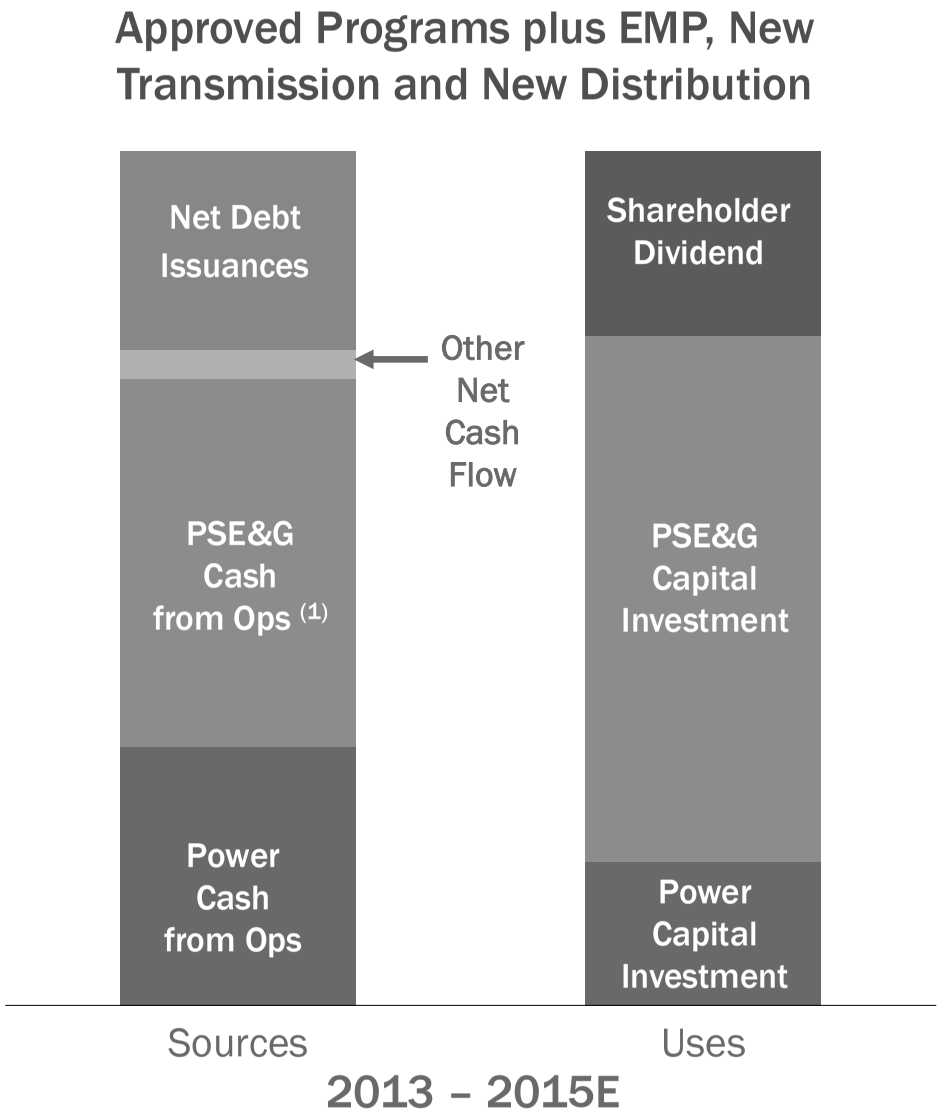
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-04427

All scenarios can be financed without new equity





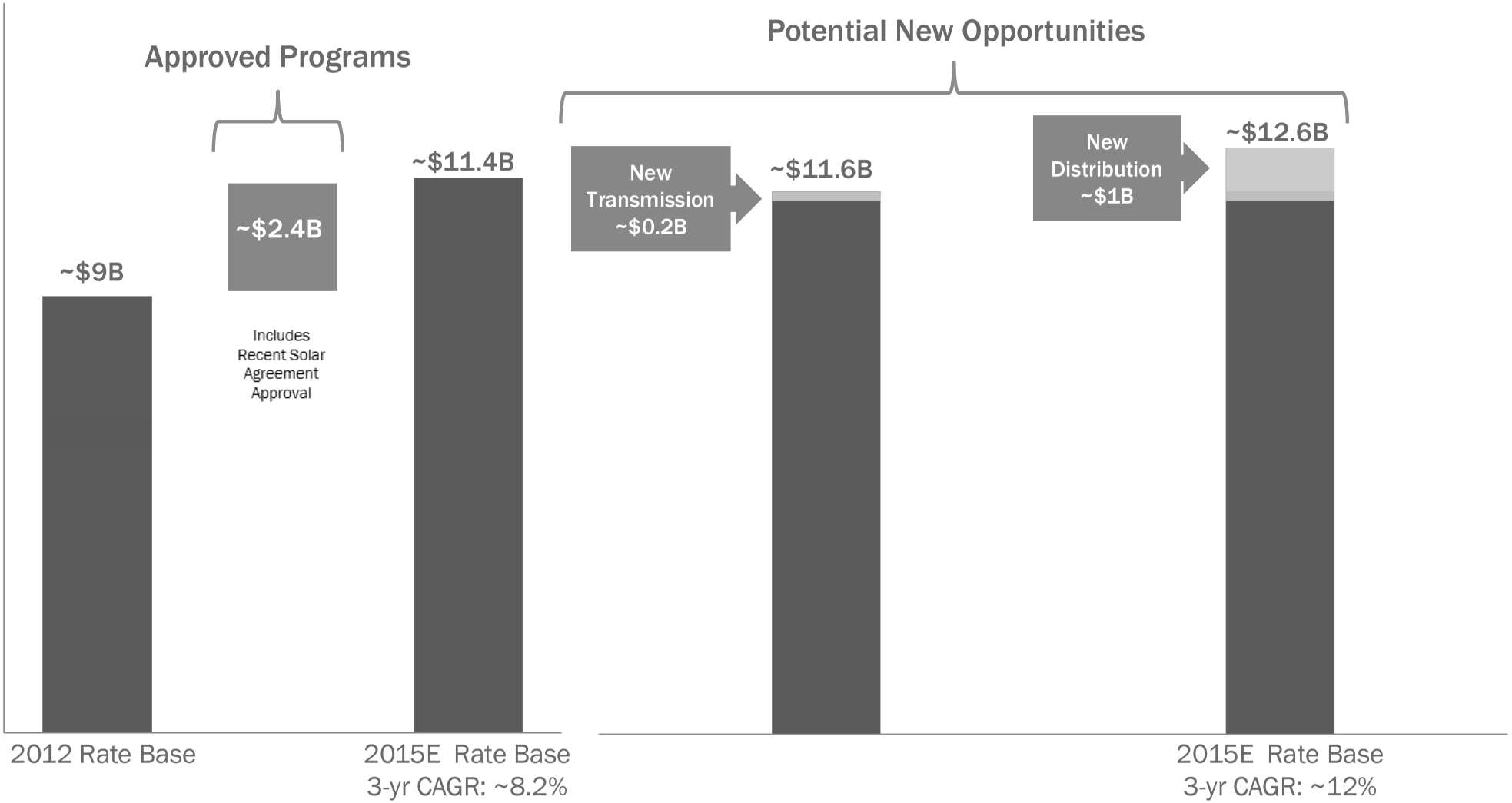
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-04428

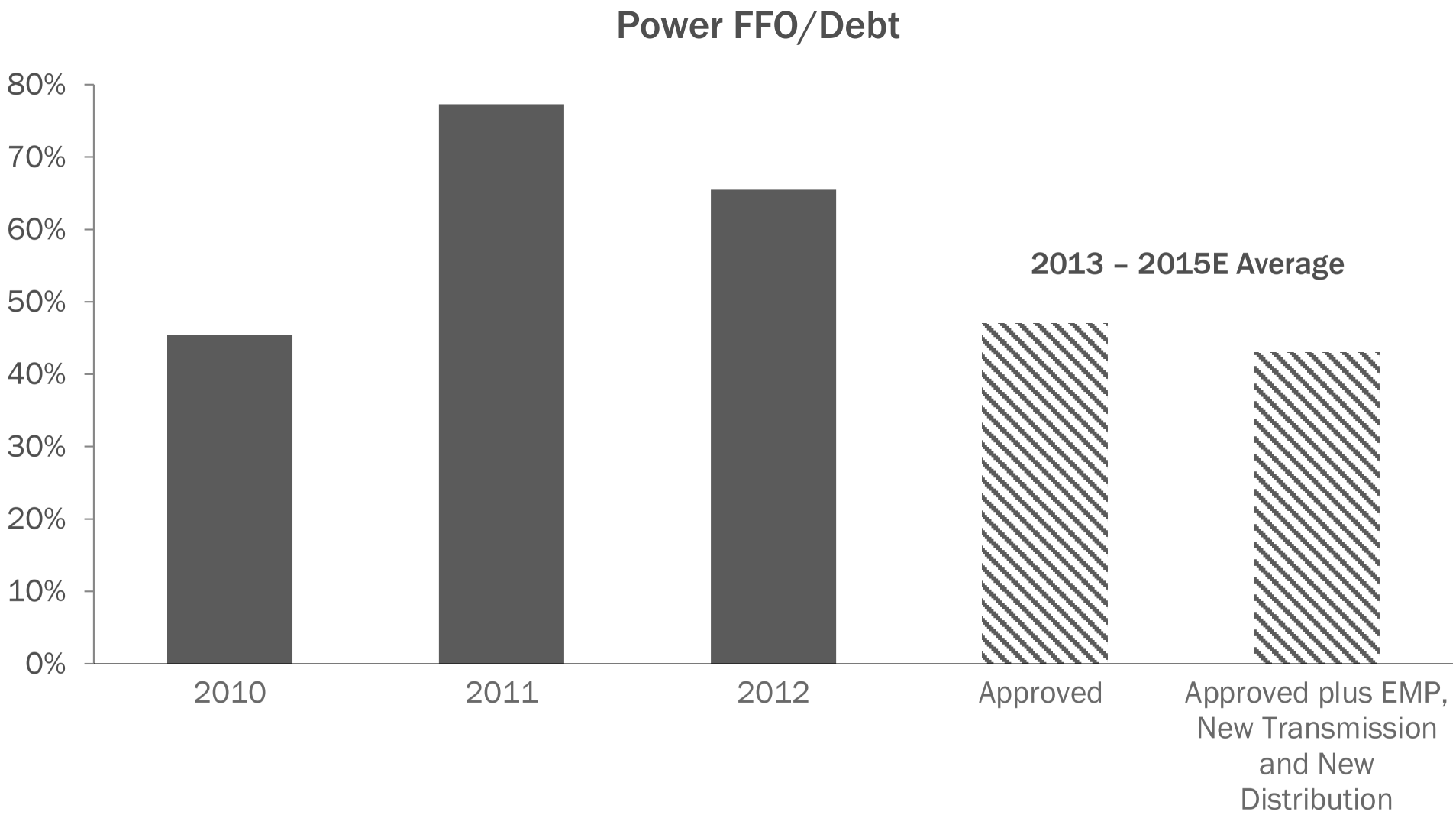
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-04429

Power's credit metrics are expected to remain strong



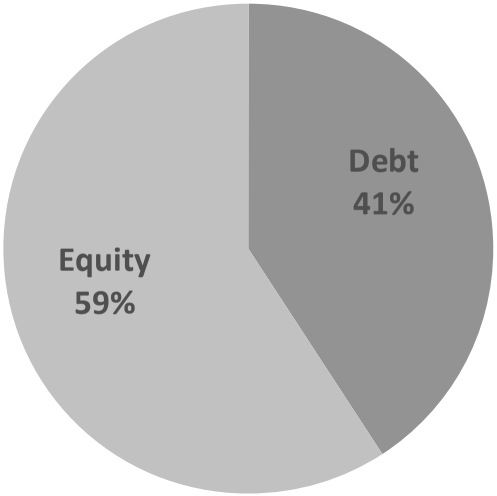
SI-SSA-0015-04430

Using PSEG's balance sheet strength

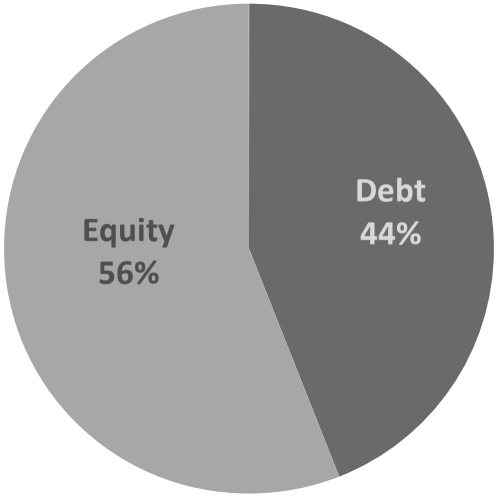
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

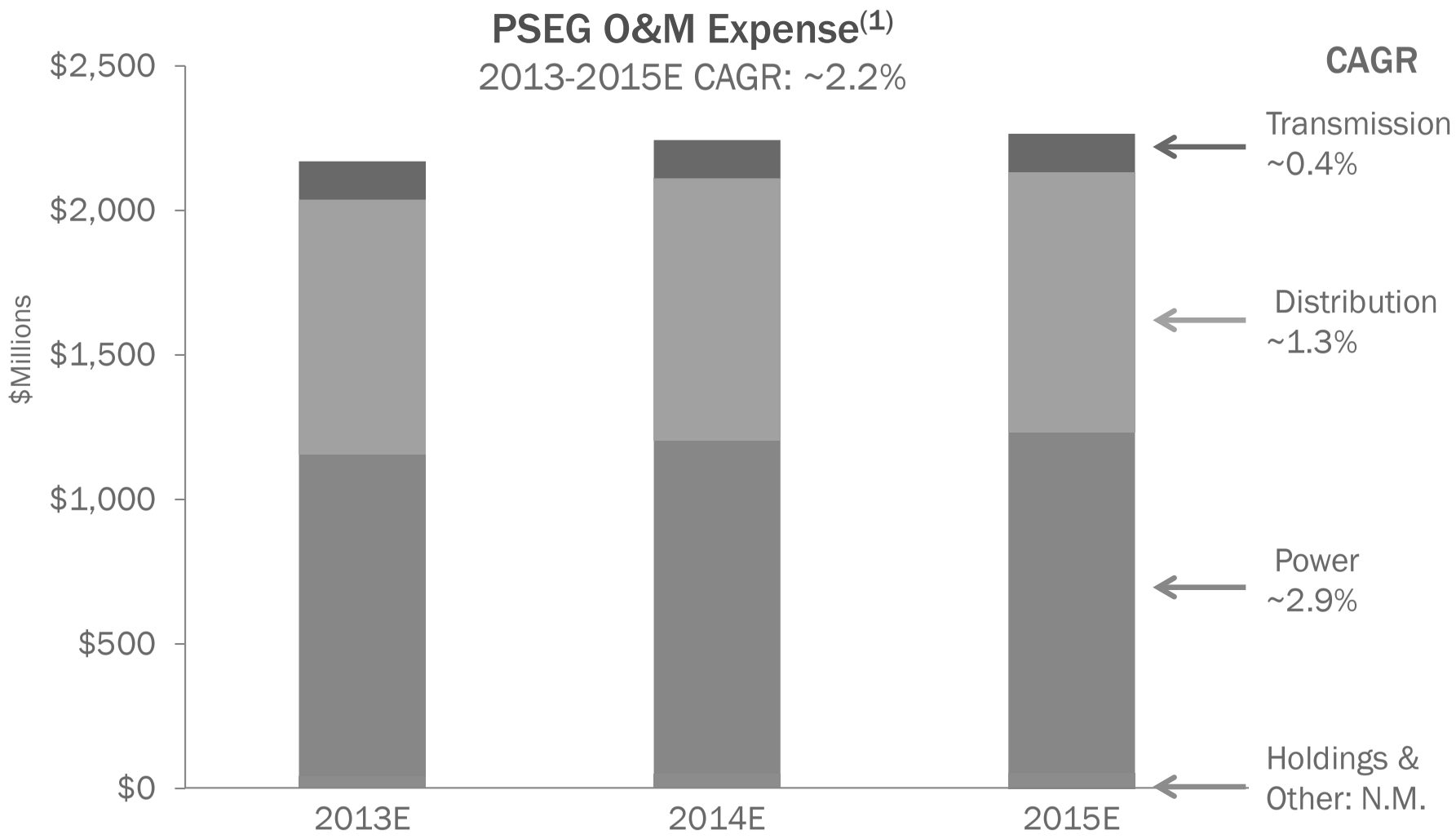
SI-SSA-0015-04431

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0
*NUG revenues reflect Feb 1, 2013 rates					
Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%	

SI-SSA-0015-04432

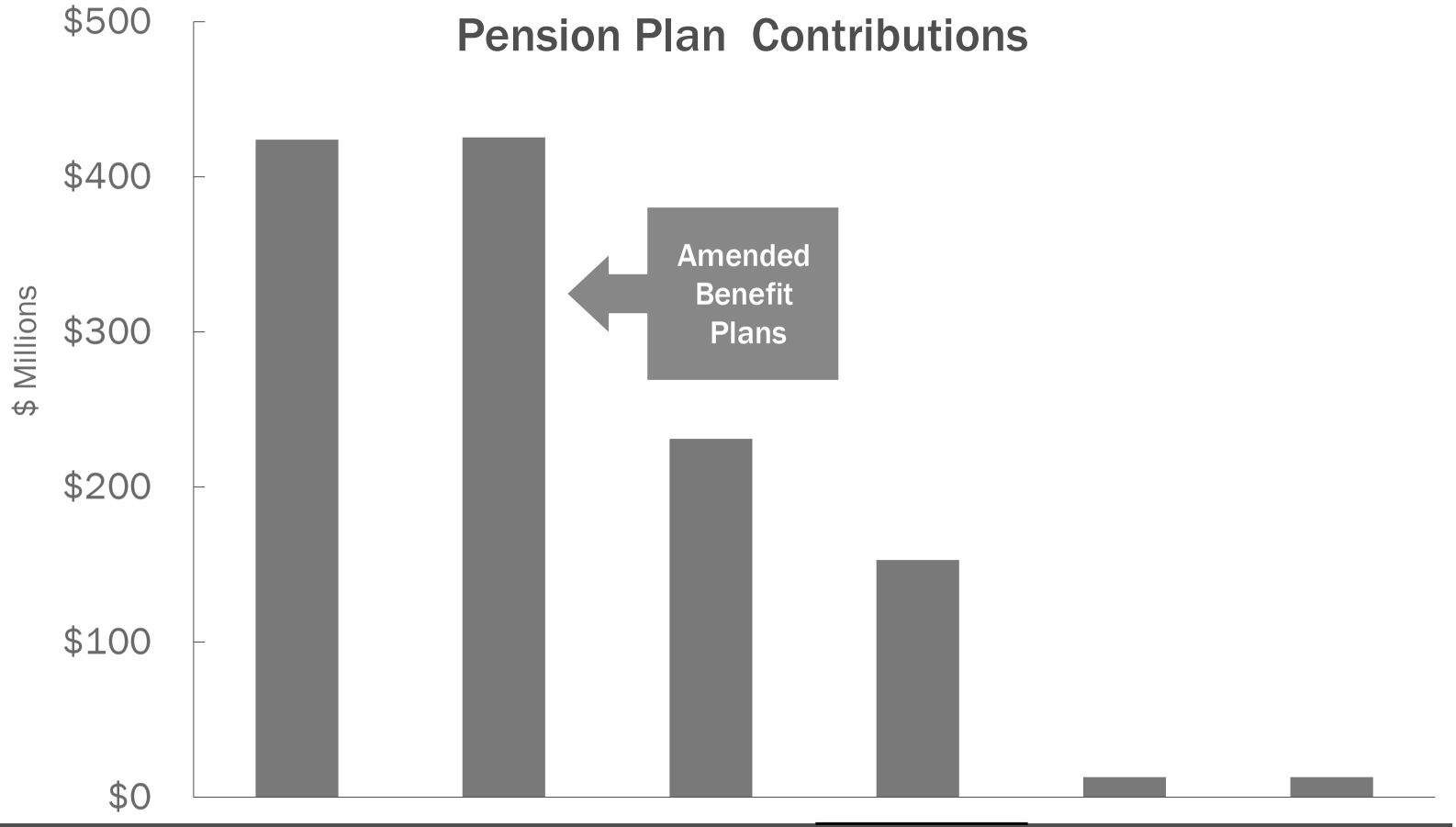
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-04433

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

E = ESTIMATE

SI-SSA-0015-04434

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

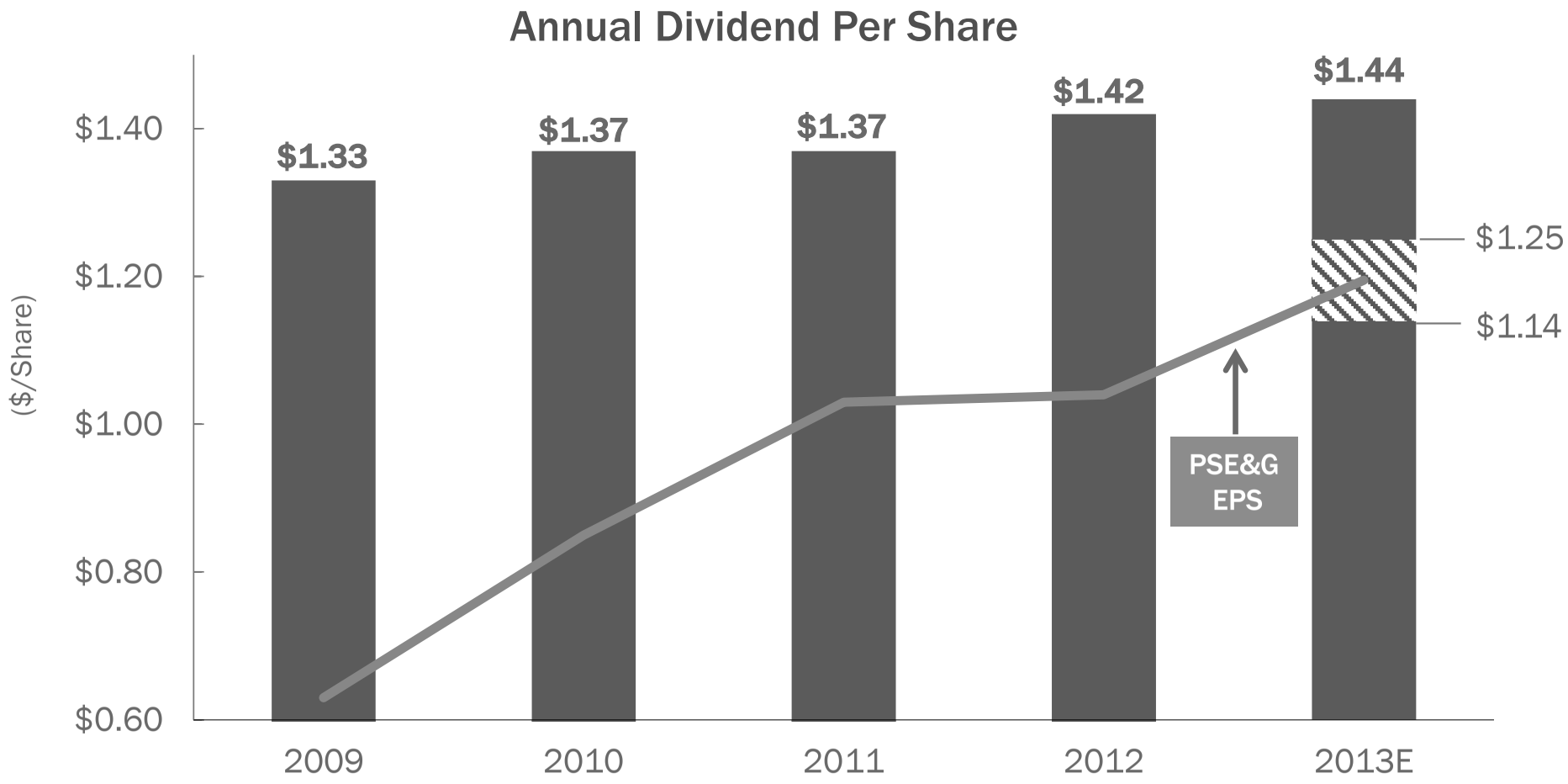
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-04435

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-04436

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share -- based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-04437

APPENDIX

PSEG

SI-SSA-0015-04438

First Half 2013 Operating Earnings by Subsidiary

Six months ended June 30

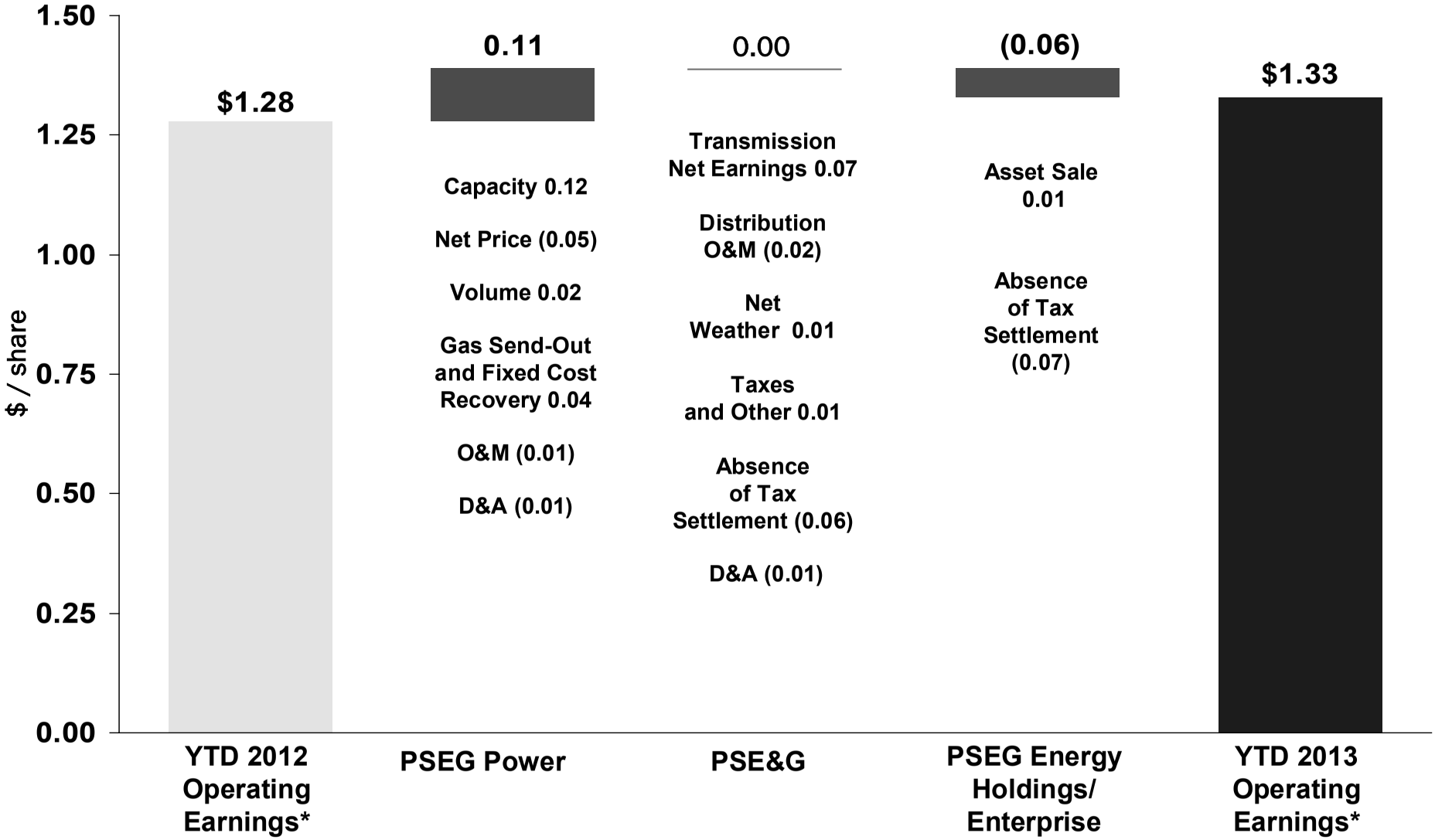
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

SI-SSA-0015-04439

PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First-Half 2013 versus First Half 2012



SI-SSA-0015-04440

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Second Quarter 2013 Operating Earnings by Subsidiary

Quarter ended June 30

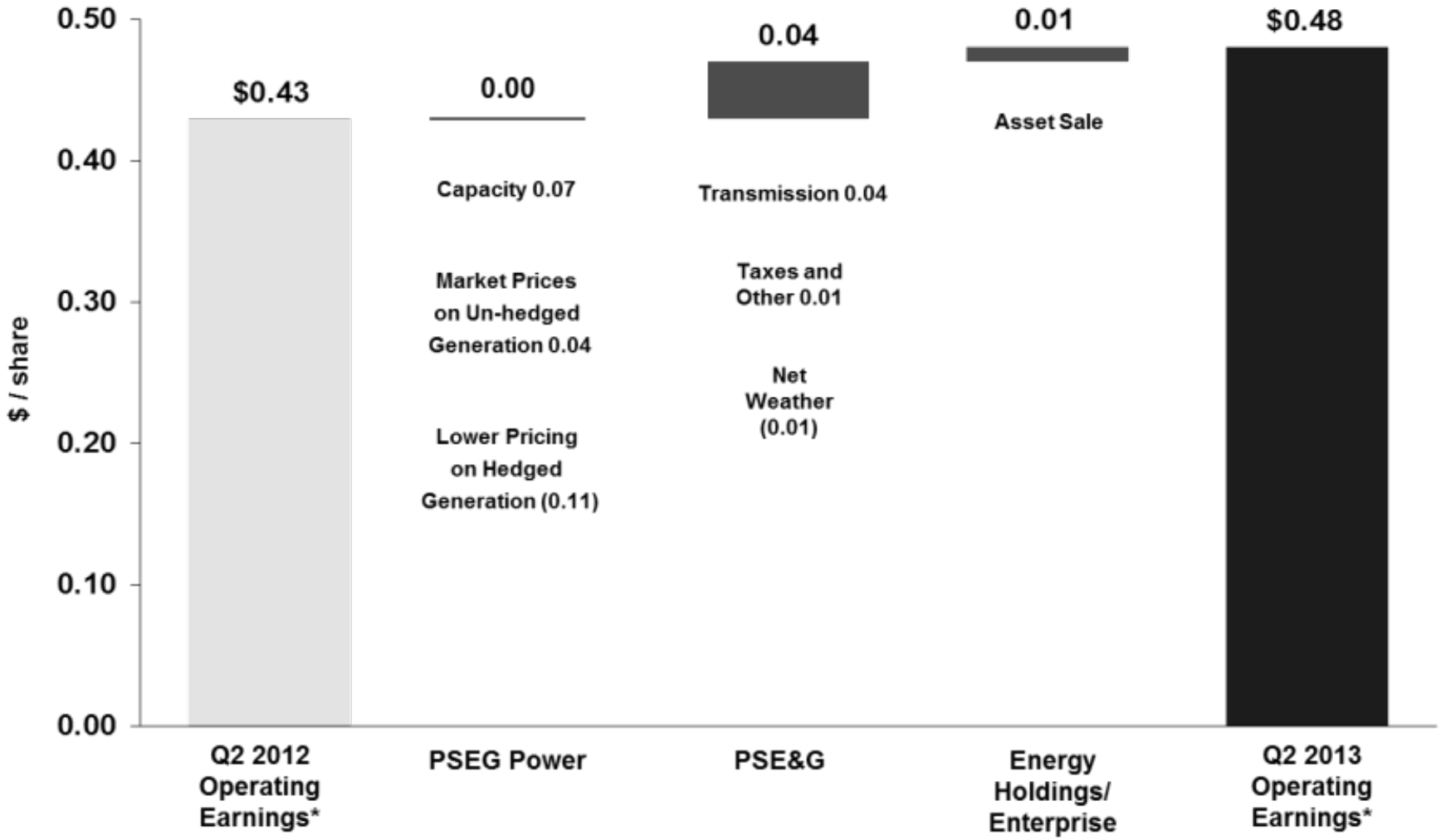
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-04441

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

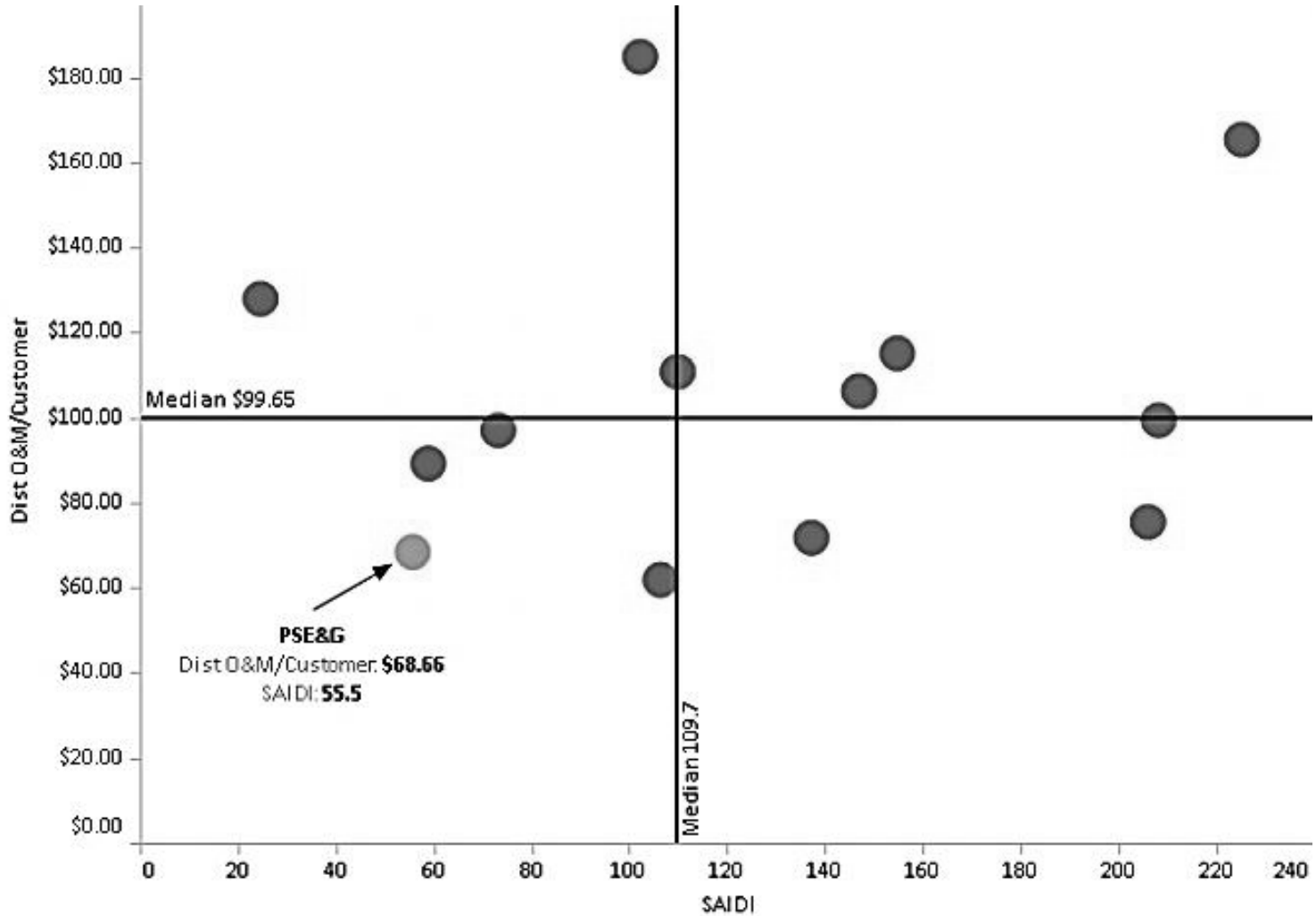
PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-04442

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers

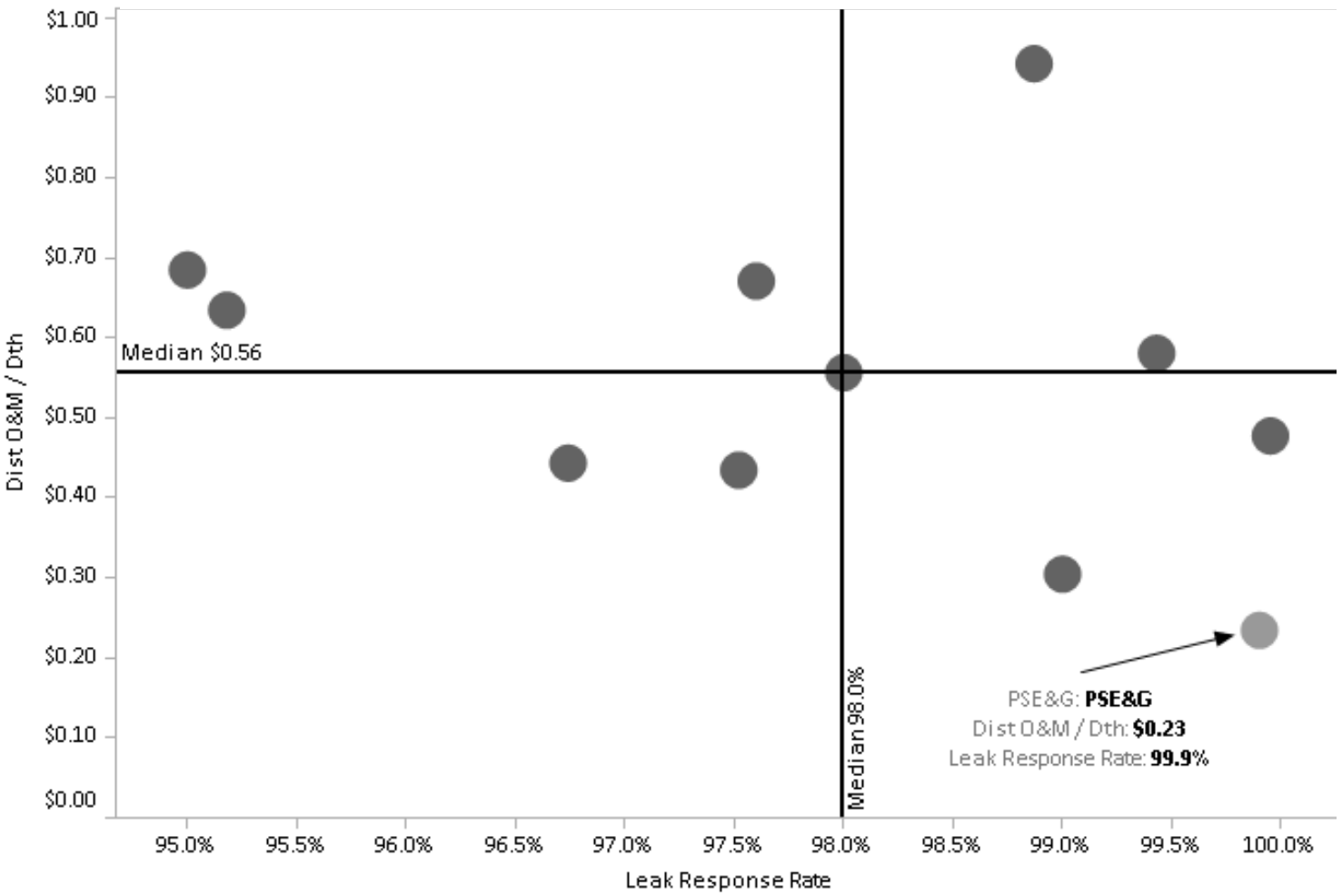


SI-SSA-0015-04443

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-04444

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-04445

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-04446

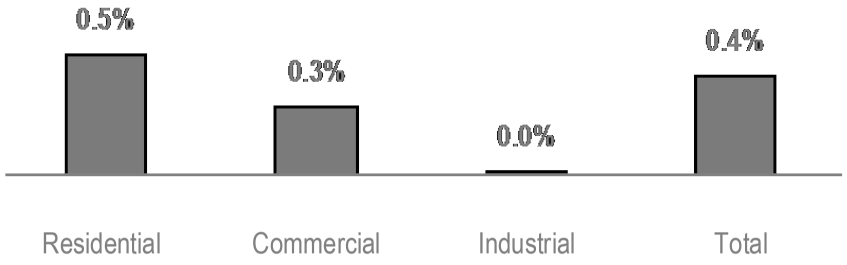
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

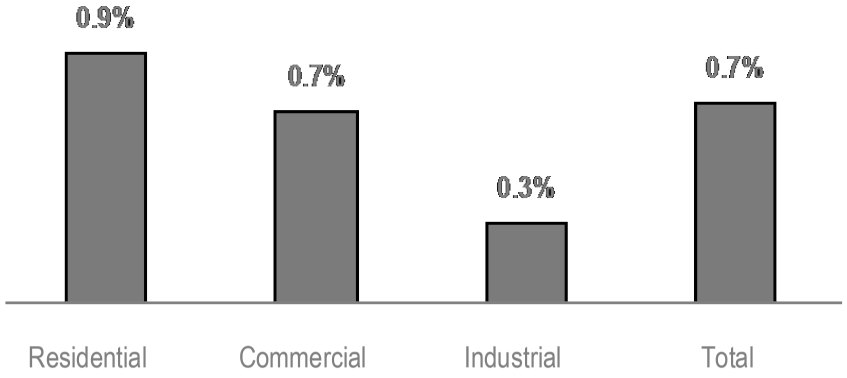
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-04447

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

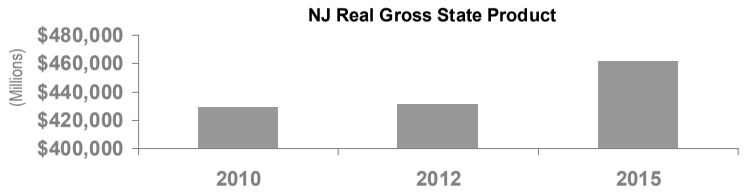
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

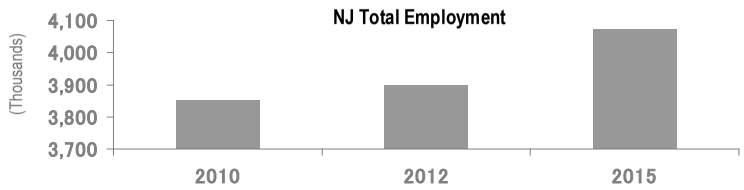
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

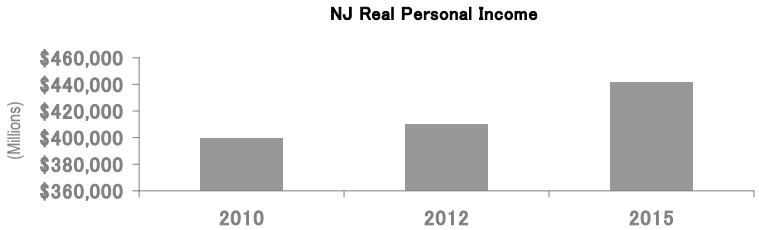
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

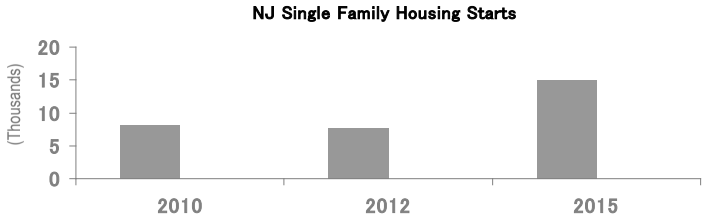
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





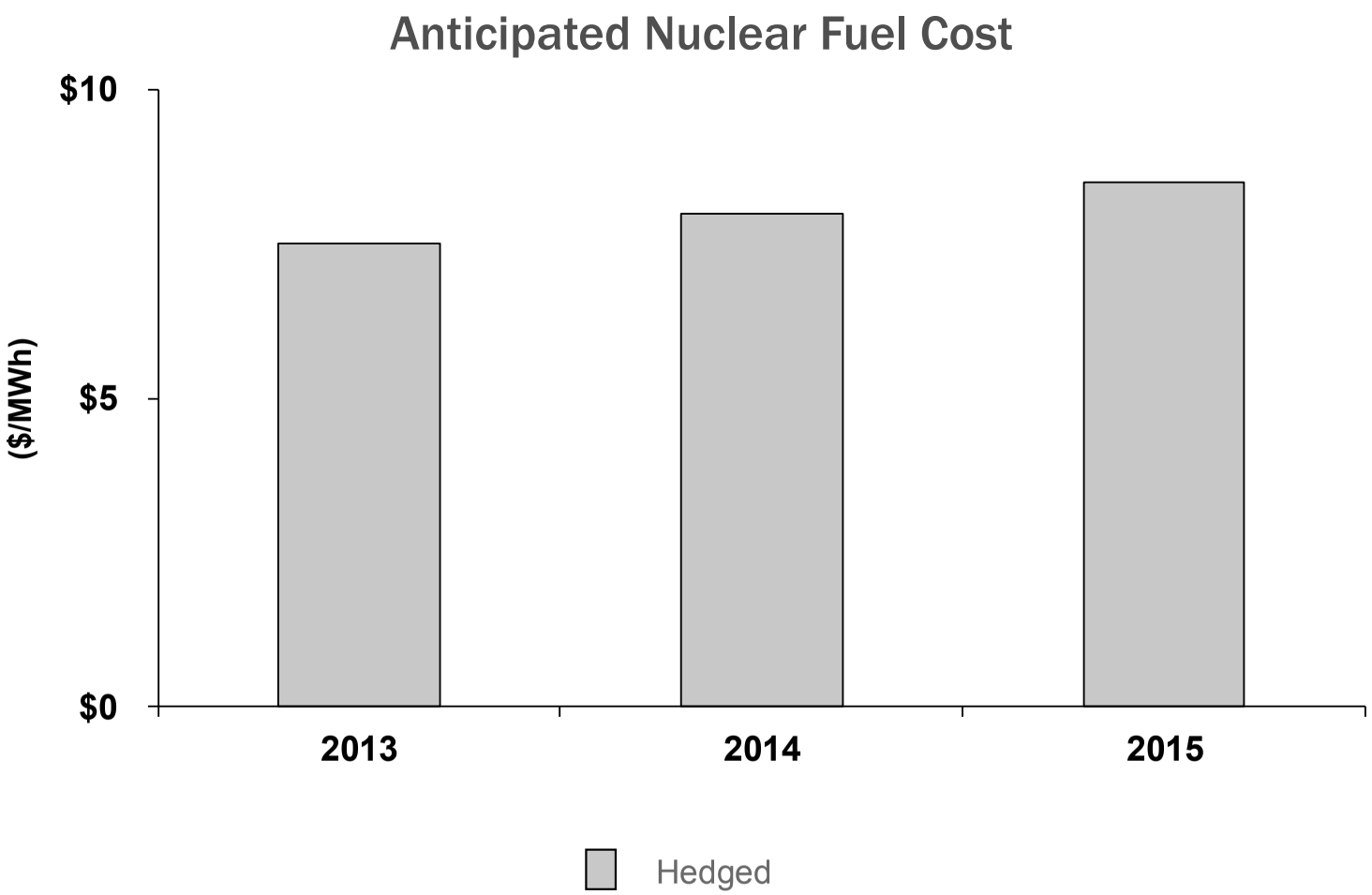




SI-SSA-0015-04448

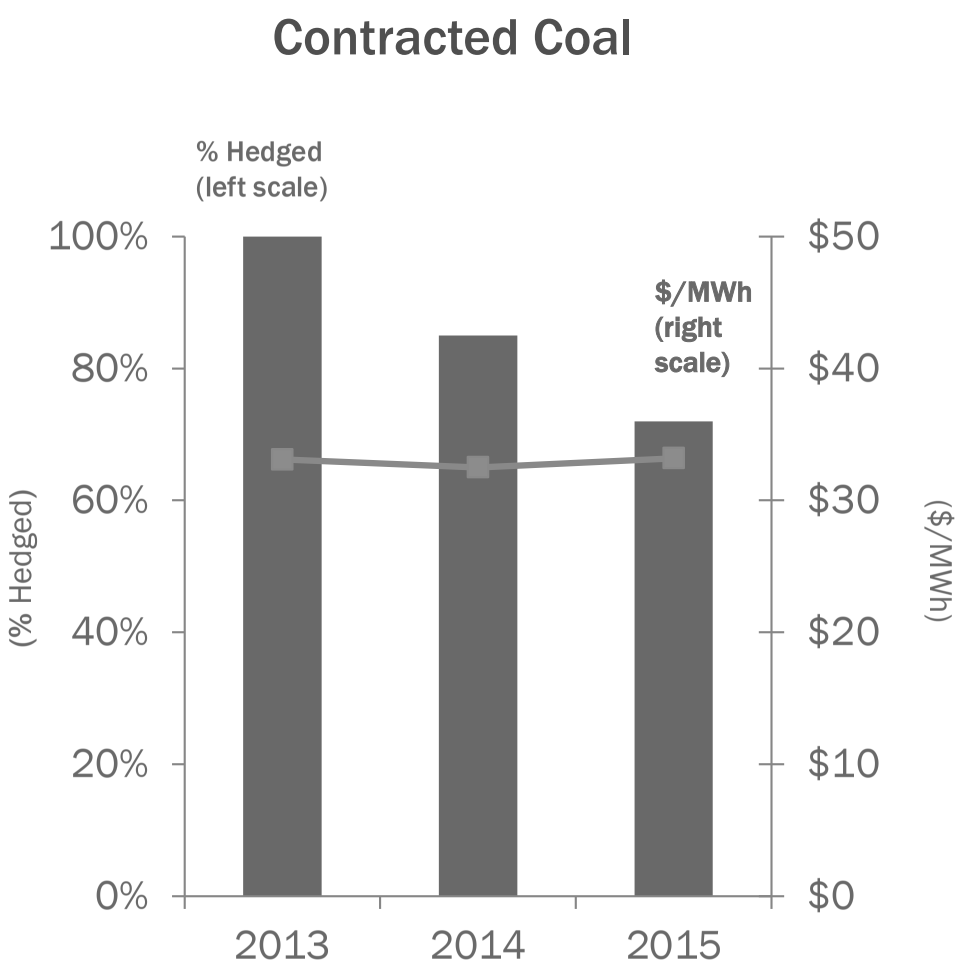
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-04449

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-04450

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-04451

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$199**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$343**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$190**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$84**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 97**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 23**
	Total Holdings Investments	**$1,221**

SI-SSA-0015-04452

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of June 30, 2013

Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600 [1]	$170	$430
5-Year Credit Facility (Power)	Mar-17	1,600	54	1,546
5-Year Credit Facility (Power)	Mar-18	1,000 [2]	0	1,000
5-Year Bilateral (Power)	Sep-15	100	100	0
5-year Credit Facility (PSEG)	Mar-17	500	5	495
5-year Credit Facility (PSEG)	Mar-18	500 [3]	0	500
	Total	$4,300	$329	$3,971
			PSEG Money Pool ST Investment	$114
			PSE&G ST Investment	$0
			Total Liquidity Available	**$4,085**
			Total Parent / Power Liquidity	**$3,655**

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

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

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

SI-SSA-0015-04453

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-04454

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

SI-SSA-0015-04455

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6
Storm O&M, (PSEG Power)	2	-	(15)	-
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, (PSEG Power)	-	-	(0.03)	-
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**

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

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Public Service Enterprise Group

September 12, 2013
11:45 a.m. ET

Daniel Ford: Hello, everybody. Our next presentation is going to be from Public Service Enterprise Group. We have Ralph Izzo who is Chairman, President and CEO as well as Caroline Dorsa who is Executive Vice President and CFO.

Ralph Izzo: Thank you, Dan, and thank you, everyone, for being here. So I would direct you to both our forward-looking statement and our GAAP disclaimer although obviously I won't go through the details of either of those documents. We will be talking a bit about prior results of the past few years as well as making some projections as to how the outlook looks for us, at least certainly for the next couple of years.

Most folks will tell you as I walk around PSEG, the conversation typically begins with employees talking about the importance of operational excellence, not just in our regulated business, but in our unregulated wholesale power business. And what we try to impress upon employees is that if they do operate our assets with excellence, there's no question given the markets we serve, which I'll go into in some greater detail, that we'll produce profitable outcomes and a level of financial strength that we can then redeploy in some way through some disciplined process by way of investing in assets that we have a good chance of operating with excellence as we move forward.

The result of that is a highly engaged workforce. Now if that didn't make sense from an investor point of view, I assure you it does make sense to our employees. But what you should hear from those words is that PSEG is really focused on deploying its very, very healthy balance sheet, primarily in our stable, regulated business nowadays, in ways that both meet the needs of our customers and fulfill the social and public policy objectives laid out by our regulators and elected officials.

And while that's the primary growth trajectory that we are pursuing, we do that while we protect the upside associated with operating a fleet of assets in our merchant generation business that has some very unique set of strengths that I'll talk about in greater detail as we go forward.

For those of you who are not familiar with the specifics of PSEG, let me turn those generalities into a subsidiary by subsidiary review of Public Service Enterprise Group. The main growth vehicle and the main investment vehicle is about $10 billion in capital at Public Service Electric and Gas, our electric and gas delivery and transmission business in New Jersey. That $10 billion number is between now and 2017 and it looks more like a $6 billion number between now and 2015.

In addition to that, our merchant generation business, owning about 13,000 megawatts of merchant generation in the New England and PJM East region, is really characterized by a fleet that is advantaged in two ways. Number one, by its physical location, and number two, by its environmental position. It is a very clean fleet with its environmental CapEx all in the rearview mirror and minimal environmental CapEx standing in its way as we approach [HAPS MAC] compliance timeframe of 2015.

And then last and to a much smaller extent, our PSEG Energy Holdings, which is growing from about 69 to 90 megawatts of unregulated solar in the course of the next few months. And we'll continue to look for PPA-supported projects in the 15 to 25 megawatt range throughout the country.

Well how has this business model of relying upon a foundation of operational excellence to produce solid financial results, which are then deployed in a disciplined manner into new investments? Let's just take a look at what it's produced over the past 4 years. It is hardly something to boast about when one is talking about a 15% decline in earnings per share over a 5-year timeframe. However, something was done properly when you look at an over 50% reduction in the power prices that we've realized at PJM West which is the most liquid hub in terms of the markets that we serve.

And the way we did it was by reducing our own growth from what was a planned 2.4% escalation rate to something that was less than 1%, all the while keeping our forced outage rate at our combined cycle units at about the same level, going from 1.6% to 1.7%, increasing the amount of generation at our nuclear plants from 29.3 terawatt hours to 29.8 terawatt hours, and taking advantage of the lower supply charges that our customers realized and the lower supply revenues that we realized, and taking the benefits that customers saw in their bill and using that as an opportunity to make very needed investments in our delivery business.

So we took our transmission rate base from under $1 billion to $2.5 billion, developed a contemporaneous return distribution investment program that we call the Utility Cap Stimulus Spending, from zero to nearly $1 billion.

And in fact, investing in some of the renewables programs, both in terms of solar and energy efficiency that the state was a champion of, and going from zero to nearly $900 million.

Probably no one event defined the past four years and the importance of operational excellence better than Super Storm Sandy. I won't spend a lot of time walking you through the significant amount of damage that we realized, primarily on the delivery side, but also on the generation side. Suffice to say that we not only received an EEI Award for our recovery, but we used this as an opportunity to say while load and demand for electricity is not growing commensurate with historic levels, customers' reliance on electricity is achieving levels that have never been seen before. And it's that reliance upon electricity, that dependence upon electricity that encouraged us to say something needs to be done differently. That something we describe as Energy Strong. I'll get into the details about that in a few minutes.

But it's our ability to demonstrate operational excellence in restoring customers. The strength of our balance sheet that exists today that allows us to take those two and say we need to do something quite different going into the future to recognize that dependence that customers have on electricity. And that is a $3.9 billion 10-year program called Energy Strong that I'll get into in greater detail in a few moments.

Let's step back for a second however and look at the overall capital program at the parent company. Between 2013 and 2015, we have plans to deploy $6.3 billion in capital. About 75% of that is in growth capital, most of that being at the utility. In fact, the total capital to be deployed at the utility is a little bit north of 81%. I have to emphasize that what we're showing on these two pie charts, that's the same $6.3 billion worth of capital, are programs that are fully authorized. We're not asking permission to spend this money. To the extent that some of the transmission money that's envisioned being spent here needs to be into the PJM RTEP, which is their regional transmission expansion plan, it's already in there. To the extent that some of this money needs to get Board of Public Utilities approval in New Jersey, it's already received that approval.

To the extent that some of these plans need to be synched up with new customer connections, those customer connections are already known to us. So this $6.3 billion does not need anything other than in some cases siting approval in local towns and municipalities which we have had a very good track record of achieving.

If we were to say what else might be available to us, that $6.3 billion can become $7.5 billion in the next few years, largely driven by PSEG's Energy Strong proposal, which as I said a moment ago, is a 10-year program for which we've sought 5 years of approval. And this would be the 3-year impact largely being realized in 2014 and 2015. There's a very, very modest element associated with that in 2013.

All of that would be growth, so the additional $1.2 billion that gets added to the $6.3 billion would all be in the utility and all receive contemporaneous return treatment if it were to be approved by the Board of Public Utilities.

Let's then spend a little bit more time on the details behind Energy Strong. As I said, it's a $3.9 billion program for ten years. All we have filed for is the $2.6 billion that we would expect to spend over the next five years. In addition to that $3.9 billion over ten years, there would be $1.5 billion in transmission enhancements that is not subject to state jurisdiction but is subject to our Federal Energy Regulatory Commission's formula rate treatment which as you know right now receives an 11.7% allowed return on equity.

Here we break out the specific projects in areas that we expect to deploy that capital. There are numerous benefits associated with Energy Strong. Primarily in the electric area, but also in the gas area. And one significant element of the benefit of doing this now is the availability of labor and the fact that Energy Strong produces nearly 6,000 jobs in terms of the construction program that we envision.

So we have a reliability improvement, economic development benefits, the availability of labor, the access to capital works quite well for us right now, and as a result of that, we've had some significant support from municipalities who have passed resolutions in support of Energy Strong, county governments who have passed resolutions in support of Energy Strong, and in fact, we are predicting that as we enter the public hearing stage, which is the phase we're in right now, we're in our first public hearing beginning next Monday and continuing through October, that we will have significant support from organized labor, the New Jersey Chamber of Commerce, hospital associations, associations of higher education as well.

Part of the reason for that additional support is not just in the obvious benefits that I've outlined for you, but it's also in the fact that we can manage this program and not raise customer bills in the next three years. That is largely due to the benefits associated with the decrease in customer bills that result from about 8.7% reduction in a residential rate that will be realized as charges that were associated with several

programs in the past, the single biggest one is the securitization charges associated with deregulation rolling off as well as some above market NUG contracts expiring, and those two alone combine for an 8.7% reduction in anticipated residential bills between 2015 and 2016.

And the rate reduction for the commercial customer space is even larger than that. So we can feather in Energy Strong without an increase in residential or commercial bills, assuming the current BGS rates stay steady in that same timeframe. So significant customer benefits, significant job creation benefits without any increase in rates is what is generating this kind of support. To be sure, there are some folks who are saying, no we should it for free. That's not in the cards. And others who are saying that we should do this under traditional ratemaking and no, that's not in the cards as well.

Let's now switch gears from PSE&G where as I mentioned the vast majority of our capital investment is targeted, and talk a bit about PSEG Power. If I had to use one phrase to explain the benefits associated, the advantages that PSEG Power has over competitors, it would really be on this slide and it would be in the word diversity. Fuel diversity as well as technology diversity. If we were to focus on the two pie charts on the left and the right, they would not be any different if I were to show them to you, if I had shown them to you 5 years ago. And in fact, I think if I can go back 10 years, they would look quite similar. We have this mix of gas, coal and nuclear assets. We have this mix of base load, load following, and peaking assets.

But what has changed over time is the pie in the middle. And by and large, the nuclear elements of the gigawatt hours we've produced has been anywhere from 50% to 57% of our output. It was probably closer to 50% years ago when our capacity factors were more like 88% as opposed to the 92%, 93% capacity factors at which we run. But the gas and coal would have been flipped. You would have seen probably more like 35% in coal and 15% in gas and now you're seeing the 32% in gas and 11% in coal in terms of energy produced.

Let me also point out for you that that 11% in coal is a bit of a misnomer. Almost 55% of that 11% of our coal assets was run on natural gas. So we have enormous fuel flexibility in our assets to respond to market conditions in terms of fuel prices. And in fact, if I stick with energy for a moment and talk to you a bit about our locational advantages, we have watched the basis differential from PJM West and the PS Zone decrease over time to be sure. And typically when one looks at that basis differential, one looks at it from the perspective of the forward price curve, and you've seen that come down from double digits to low single digits

nowadays. And in fact, if you were to just take the forward price curve and do the subtraction, nowadays you'd see a number like $2 or $3 depending on what year you're looking at yet.

What I'm trying to show you here on the left, however, is the on peak monthly day ahead basis differential between the PS Zone and the PJM West. And what you see is anything but a stable single digit number. That flexibility in terms of the technology that we have, in terms of our peaking and load following units, and our natural long position and the way in which we hedge, which is to only hedge 100% of our base load, in the current year allows us to take advantage of these spikes. These spikes are not driven by anything other than the operational complexity of running the grid. What happens when a plant has an unexpected outage? What happens when you get 96 degree weather in September with 85% humidity? What happens when a power plant or transmission line comes out that wasn't expected to come out?

And you can see that there is just enormous volatility in that basis differential that advantages a set of assets like ours that are naturally long and in the region that is typically on the upside of this zero line as you see here.

Sticking with energy, another advantage that's now arisen of late is the fact that PSEG Power has nearly a little more than half a Bcf of transfer capability of Marcellus Shale which translates into our ability to fuel our five natural gas combined cycle units, over 3,500 megawatts, at a lower fuel supply cost than others might be able to. That is on top of our nearly 1 Bcf a day of storage which is on top of our 0.7 Bcf per day of access to gas supply from the more traditional routes. So we can take a look at where it is most advantageous to us to supply our gas plants, which once again, we do not hedge quite to the same extent as we do our base load units.

As I move from energy to capacity, there's no question that the rules are still evolving in PJM. And there's no question that some years DR plays a different role in terms of affecting the market than what the minimum offer price rule might do. And this year's story may not have been either of those and it may have been more related to transfer capability from the west. However, as you look at the top line, which is the price that we've realized, what you see is, except for the blowout year of 2013 and 2014 which is what we're in now and is one that I wish had been replicated many times over, for the past 3 years we have seen auctions that give us a pretty steady, predictable price of about $165 per megawatt day plus or minus a couple of dollars. And those prices are the best prices in the region, just given the supply/demand tightness in the markets we serve.

So from an energy and a capacity point of view, we think that we do have natural advantages both in terms of our assets, in terms of their fuel diversity, their locational advantages, and the flexibility around the technology.

So I talked to you about what happened going from 2008 to 2012, what does this mean for us going forward? Well we continue that focus on O&M control. We're forecasting about a 2.2% O&M growth across the enterprise. We'll talk a little bit more about that in some detail in a moment. We continue to pursue the path that we have pursued over the past 4 years which is to take the cash being generated at power and to combine that with the ability for the utility to access the debt markets and grow its rate base. We're going to take that from a $9 billion rate base over the next 3 years and grow it by over 30% to over $12.5 billion. Most of that will take place in transmission where we get FERC formulate rate treatments with allowed equity returns of 11.68% up to 12.9% depending upon the project. We will also grow our distribution business with the Energy Strong proposals that we have, and we have already received approval for what we call the EMP, Energy Master Plan programs through the settlement and approval that we received from the Board of Public Utility for increased solar investments.

We'll drive down our forced outage rate at our combined cycles. We'll increase, we'll further increase our nuclear generation. This is not so much about a further improvement in capacity values, it's more a further expansion through our upgrade at Hope Creek that has been completed and our upgrade at the Peach Bottom units which are underway. And we do have projects that are already in construction at Holding Solar that will increase the amount of capability we have there. And as you all may be aware, we have a contract with the Long Island Power Authority to take over their operations beginning January 1 of 2014.

So if I spend a few minutes on this growth rate in our O&M, we had predicted a 2.4% growth over the prior 5 years. We kept that to under 1%. What we're forecasting for the next few years is growth at the enterprise level of 2.2%. Let me emphasize for you that the transmission growth rate of 0.4% is something that's essentially a pass through through the formula rate treatment that we get at FERC. The distribution growth rate will be kept to about a little over 1%. And the power growth rate is driven mostly through the short time duration we have here and some additional large outages that we will be taking at our combined cycle units just given the heavier use that they are realizing.

If I take look at the balance sheet, as we move over the next 3 years, it is as healthy as healthy can be. We've recently enjoyed the benefit of an

upgrade at the rating agencies. You can see here that the absence of any capital being, any material capital being required at PSEG Power really results in the utility simply living up to its debt to equity ratio, the 51% equity and 49% debt. And as a result of the utility capital program you see a modest increase in the overall debt to equity ratio at the parent company as well.

What does this mean in terms of the earnings trajectory that we've realized? So we had power representing three quarters of the earnings of the company in 2009. As it is seen, it's price that it's realized has come down as a result of the decline in wholesale power prices. And the utility, with the robust investment program, this year we're forecasting that power in the utility will contribute equally to the earnings of the company. While we don't forecast future earnings, given the transparency and the visibility we have to utility capital investments, we are forecasting double digit earnings growth for PSE&G, the utility, over the next two years.

As we said on our second quarter call, we are sticking with our 225 to 250 earnings guidance for this year. However, we do expect the normal weather conditions with normal unit operations to end the year at the upper end of that guidance range.

In terms of the dividend, we're proud of that track record that we have mentioned in the past, namely the fact that we have not missed one year of dividend payments for over 100 years. The utility now accounts for about 80% of the dividend payout. With the double digit earnings growth at the utility, one could do some simple arithmetic and realize that over 2014 and 2015, the utility could cover 100% of the dividend payout. Having said that, we don't tie the dividend payout to any one measure. We tie that dividend payout to what is the growth in the utility earnings, what are the cash needs of power, where are we in the commodity cycle. And when we add all that together, what we can say to you is that we do believe we have an opportunity for sustainable modest growth in that dividend. And we don't make that prediction lightly as I said just a moment ago given the company's track record of never having missed a year of dividend payments. If you look at us over the last 5 to 10 years that dividend has grown between 2% and 3% over that timeframe.

So I think I'll stop there and leave some time for questions. At the end of the day what I see is a power generation fleet that is extremely well positioned locationally, extremely well positioned from an environmental point of view in terms of the rules that it faces, with tremendous amount of diversity both in terms of the technology and the fuel mix, and being able to take advantage of the market dynamics that it faces, the market dynamics in terms of Marcellus Shale gas, the market dynamics in terms

of basis volatility. It produces healthy cash streams that we can then use in our utility for a fairly robust double digit earnings growth for the next three years and clear investment horizons that go beyond that in terms of the rate based growth that we would anticipate. All with no need for new equity issuance, all with the ability to fund that internally in terms of our equity requirements, healthy access to the debt markets, and a very, very secure and modestly growing dividend as we look to the future.

So Dan, if we -- we do have time for questions I can see from the clock.

Unidentified Participant: Very good story. One of your smaller projects that I have a strong personal interest in are the distributed solar panels on the utility poles. How would you characterize your experiment with that? And about how much power does it generate collectively? And do you intend to expand it?

Ralph Izzo: I would characterize the outcome as somewhat mixed and let me tell the good news and then the not so good news. We installed 200,000 of them. They produce I think it's about 30 megawatts, maybe a little bit shy of that. They work well. During Sandy for example, the only reason why any of those panels fell was because the pole fell. So none of the panels -- we were candidly worried, are we putting sails on there and are there things that could become a problem later on? They also have the capability of doing some remote communications for us and that communications capability works as well.

The degradation has been miniscule. I think we had a certain expectation of fractions of a percent in terms of just the aging of the panel and that's been met as well. So from an operations point of view, I would give them an A+. The downside is the cost. I mean those panels produce electricity at anywhere from $0.35 to $0.40 a Kwh. And notwithstanding the reduction in panel prices, the installation costs remain high. So our Solar 4 All extension program shifted away from those panels and more towards 3 to 8 megawatt ground based utility scale developments.
So even with the panel cost reductions, I don't think that those projects are economic on a wide scale going forward.

Unidentified Participant: Ralph, I recognize that it's a very small item for you, but you did mention it, the LIPA contract. It seems to me you're exposing yourself to a lot of potential negative publicity which LIPA has gotten in the past and well deserved, and probably will continue to get in the future except what you bring to the party. What's the purpose in your having bid on that contract in the first place and what do you see getting out of it?

Ralph Izzo: So remember when we first won the LIPA contract was pre-Sandy. And what appealed to us was the return. We had about $0.03 per share profit in the numerator and the capital investment was zero. So that arithmetic works kind of nicely. I mean it was certainly management intention. And at the time, we were not going to be the brand associated with LIPA. We were going to truly step into the role that national grid plays. And the analogy I like to use is we were going to be the arms and legs and LIPA was going to continue to be the brains and the mouthpiece.

Sandy changed that and the governor decided that he really didn't want LIPA to play the role that it plays and he was interested in having us become the brand which meant becoming the brains and the mouthpiece. And we said, okay, we think we can run this place differently and candidly better, and we would be interested in that. Which puts our brand somewhat at risk in exchange for a different set of economic terms and conditions. That expanded and enhanced operating services agreement has not been fully consummated yet. We're hopeful, in fact we're optimistic it will be.

So the answer is that in exchange for putting ourselves more in front, as PSEG Long Island, which is consistent with our clever, brilliant branding strategy, we will then get some greater economic rewards for it. We still will not put ourselves in a position of A), investing in assets, putting capital at risk, or B), taking on any of their debt risk or any of their pension risk or any of the sort of big items that you would want us to be cautious about. So we will be, instead of a subcontractor, a general contractor getting a bigger reward for doing that, but putting our names on the trucks which will be the risk that we will take.

Unidentified Participant: Ralph, can you comment about what you would like to see from the PJM stakeholder process this year as regards the RPM for next spring?

Ralph Izzo: Yeah, so I think the biggest area that I would like to get resolved, because it's been a little of an oscillating pendulum and it's oscillating about an equilibrium that I like, but it hasn't stopped swinging, is the [MOPR] process. So we had a MOPR that I thought was going to work well and then candidly PJM deployed it in a way that I thought, well where did you come up with those numbers? And then PJM said, you're right, there was just too much flexibility in what people, the case that people could make, so we're going to go back to FERC and tell them, gee, we don't think we should be allowed to do this. We went to FREC and we thought FERC would say yes and FERC said, well, gee, we think you can do what you want us to say, but we're not going to be the ones to force you to do it, but

we'll give you the right to do it. And what we're talking about is sort of depreciable life of assets, cost of capital, numbers that really swing. What could and couldn't be depending upon the kind of candidly subsidized contract you have in your back pocket.

So I think what FERC has done is said to PJM look, we understand what you're trying to protect against and we'll allow you to protect yourself against that, but we're not going to force you to do that. So in that stakeholder process we are trying to make the case that the quid pro quo is if somebody is not subsidized, then capital discipline is the responsibility of that entrant. But if they are subsidized, then they can play without showing that they actually bought the turbine for less than we bought the turbine. Or they have a site that fully benefits from interconnection in ways that others don't.

But if they're doing it by saying, gee, we have confidence that the forward price curve is going to do this, and to have that confidence because in their back pocket they've got a guaranteed payment stream, then that's a foul that you have to call timeout on. So that's what I'd like to see resolved.

To a certain extent, we weren't affected by this, but I still would like to see some work done on it, is our people perhaps being confident in terms of the capacity they believe they can bring to bear, either because of transfer capability or DR or because of new build, that they're bringing to bear because of the intervening auctions, the incremental auctions. So let's make sure that people aren't bidding something new that really is the old stuff that is coming into play in-between the base residual auctions. So that one hasn't come back to haunt PSE&G or PSEG, I'm sorry, I should say. Showing my age. But if it's an imperfection that's affecting the west, it could start affecting the east and I'd like to see that fixed. But I put that number two just because of the impact that we saw LCAP create behind MOPR for us.

Daniel Ford: Any other questions for Ralph? Great, if there are not, I'd like to thank him very much for the presentation and there will be a breakout in Liberty 5.

Barclays CEO Energy - Power Conference

SEPTEMBER 6, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04468

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-04469

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-04470

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-04471

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-04472

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016	2016
Assets $26B Net Income $889M	Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

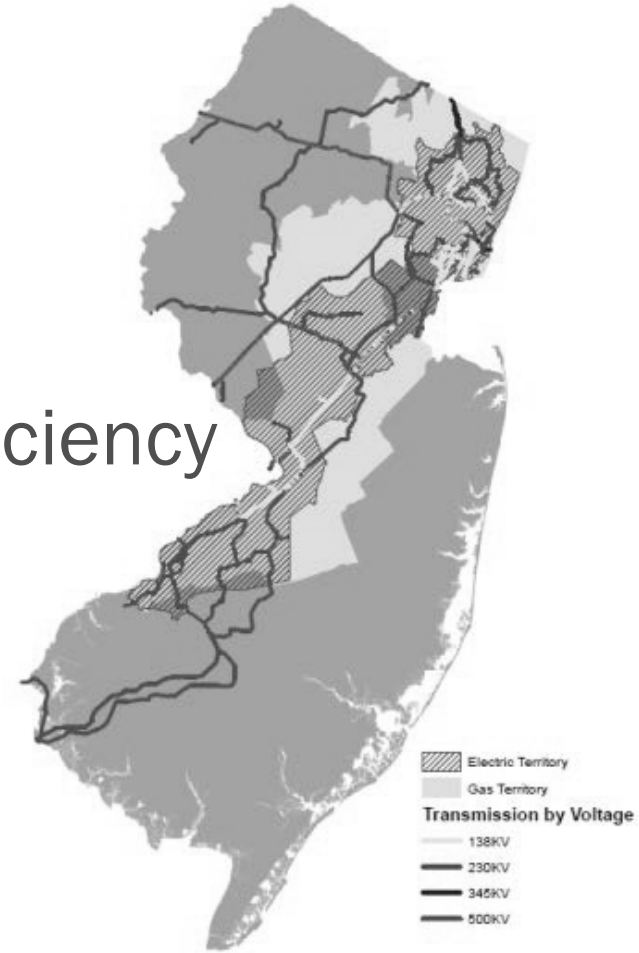
SI-SSA-0015-04473

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

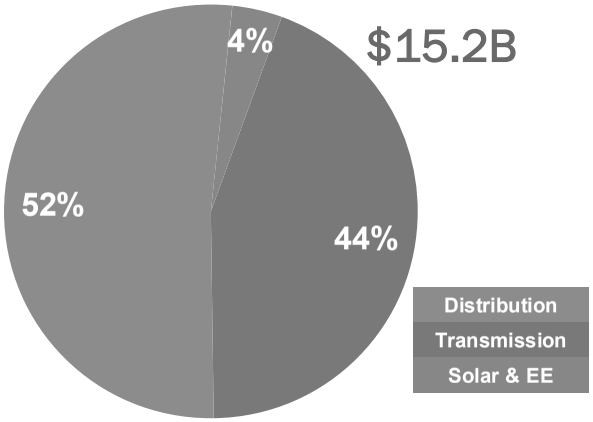
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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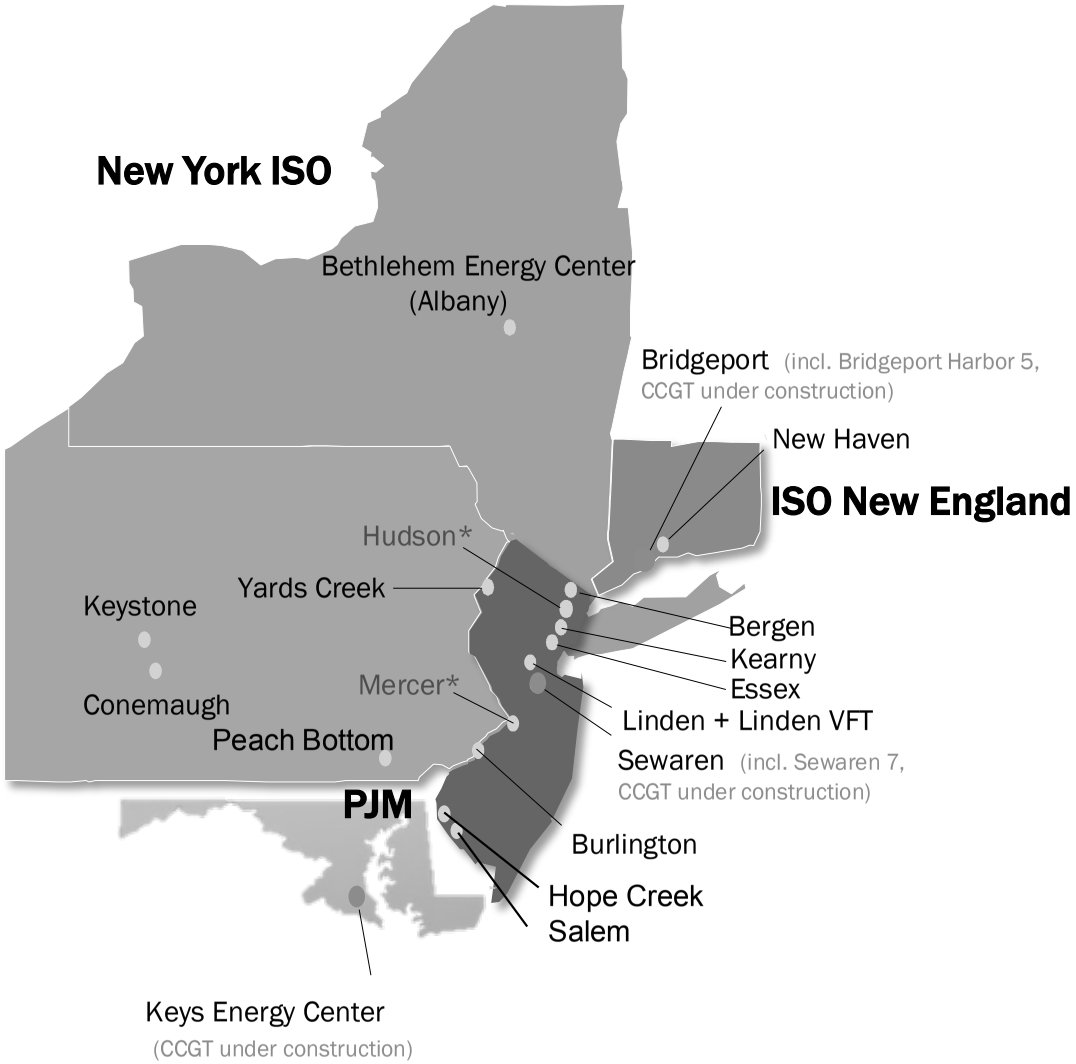
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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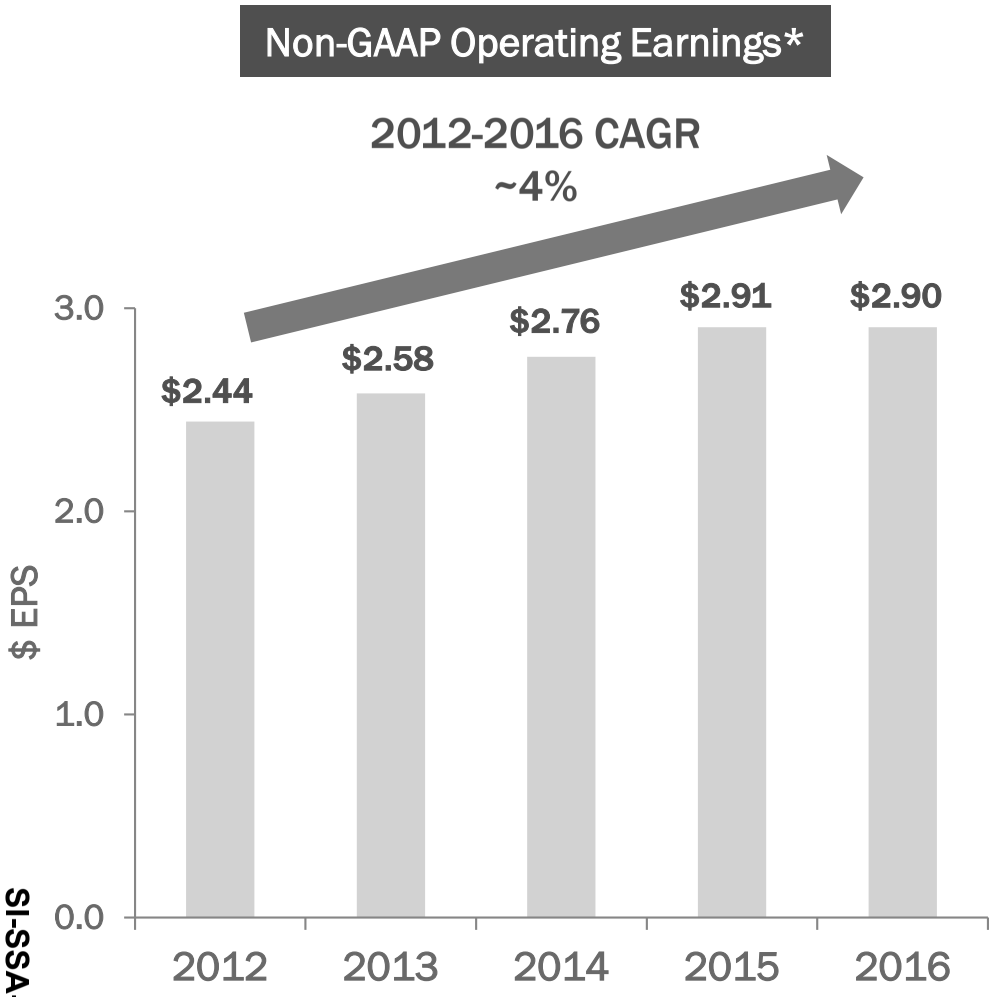
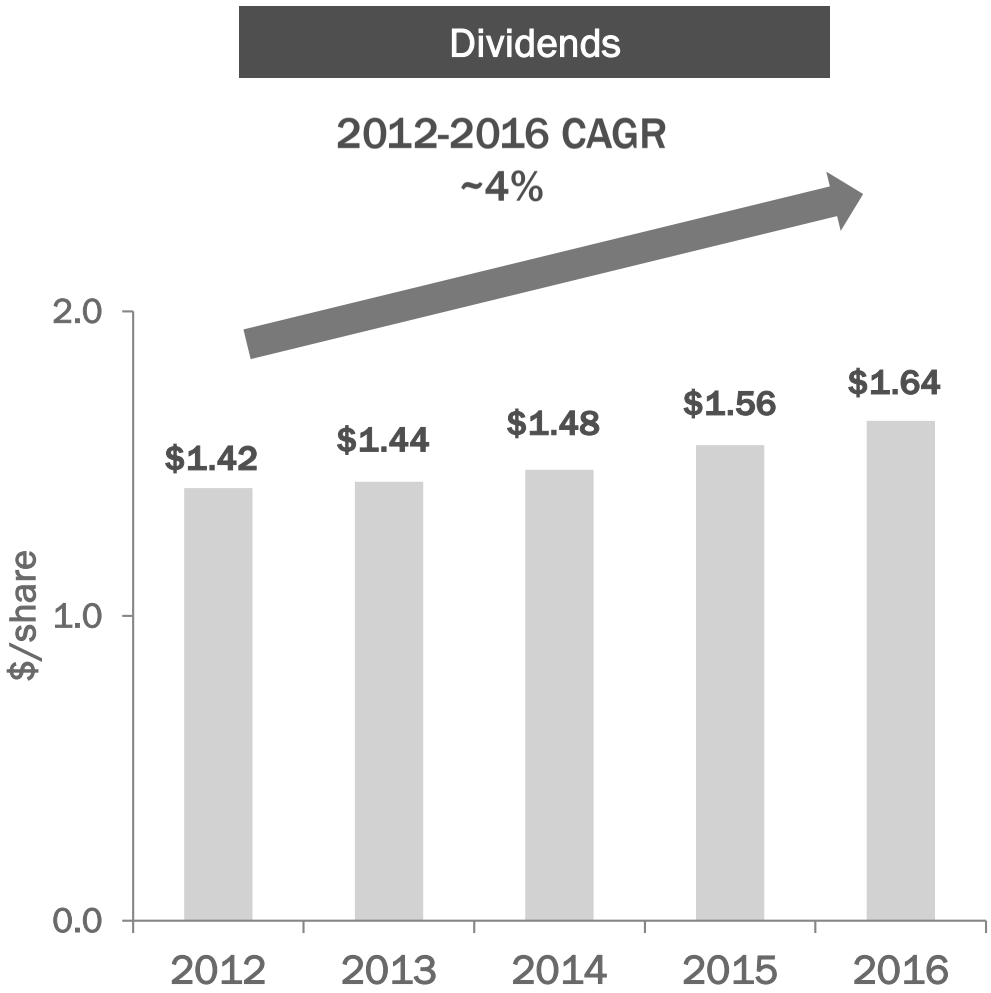
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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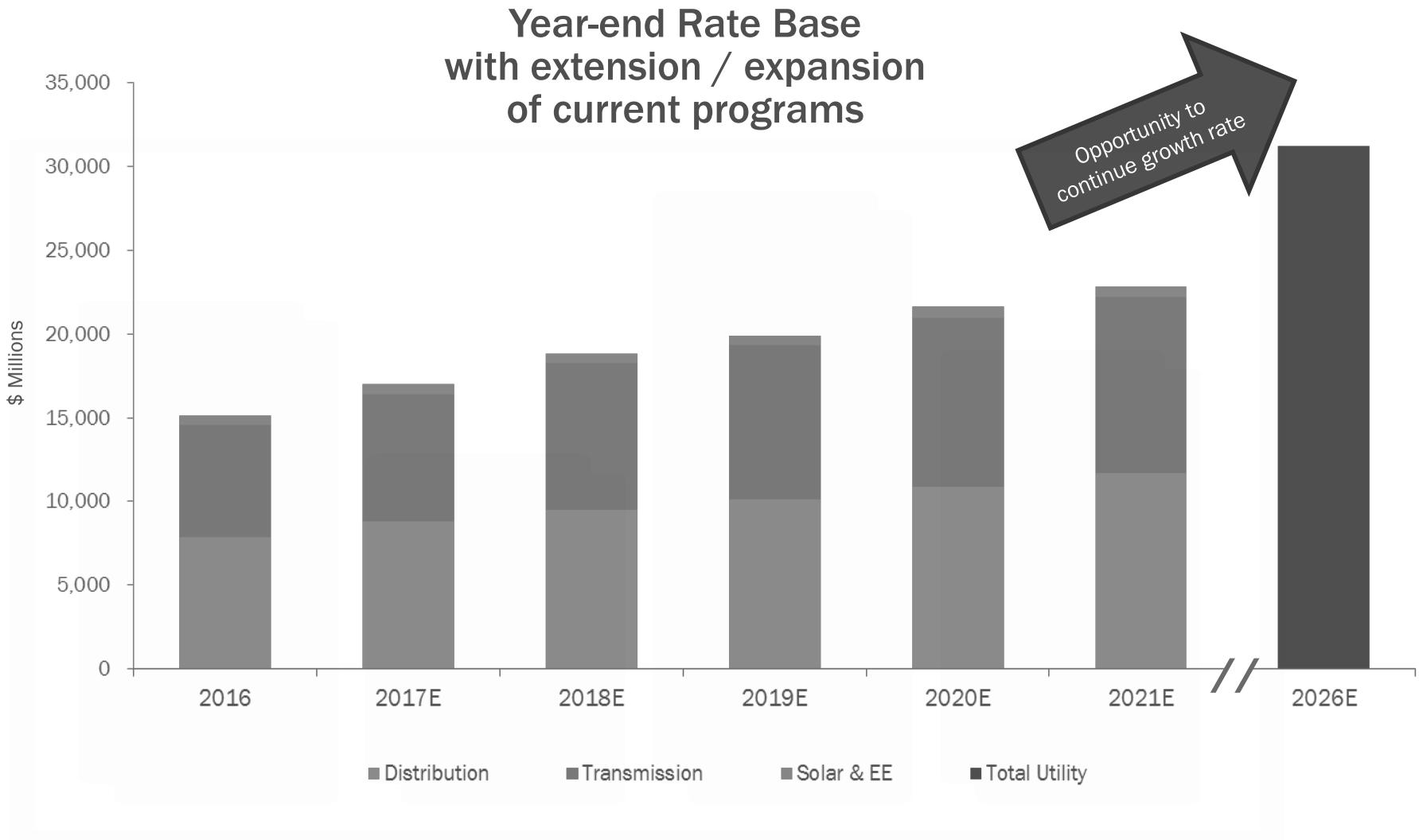
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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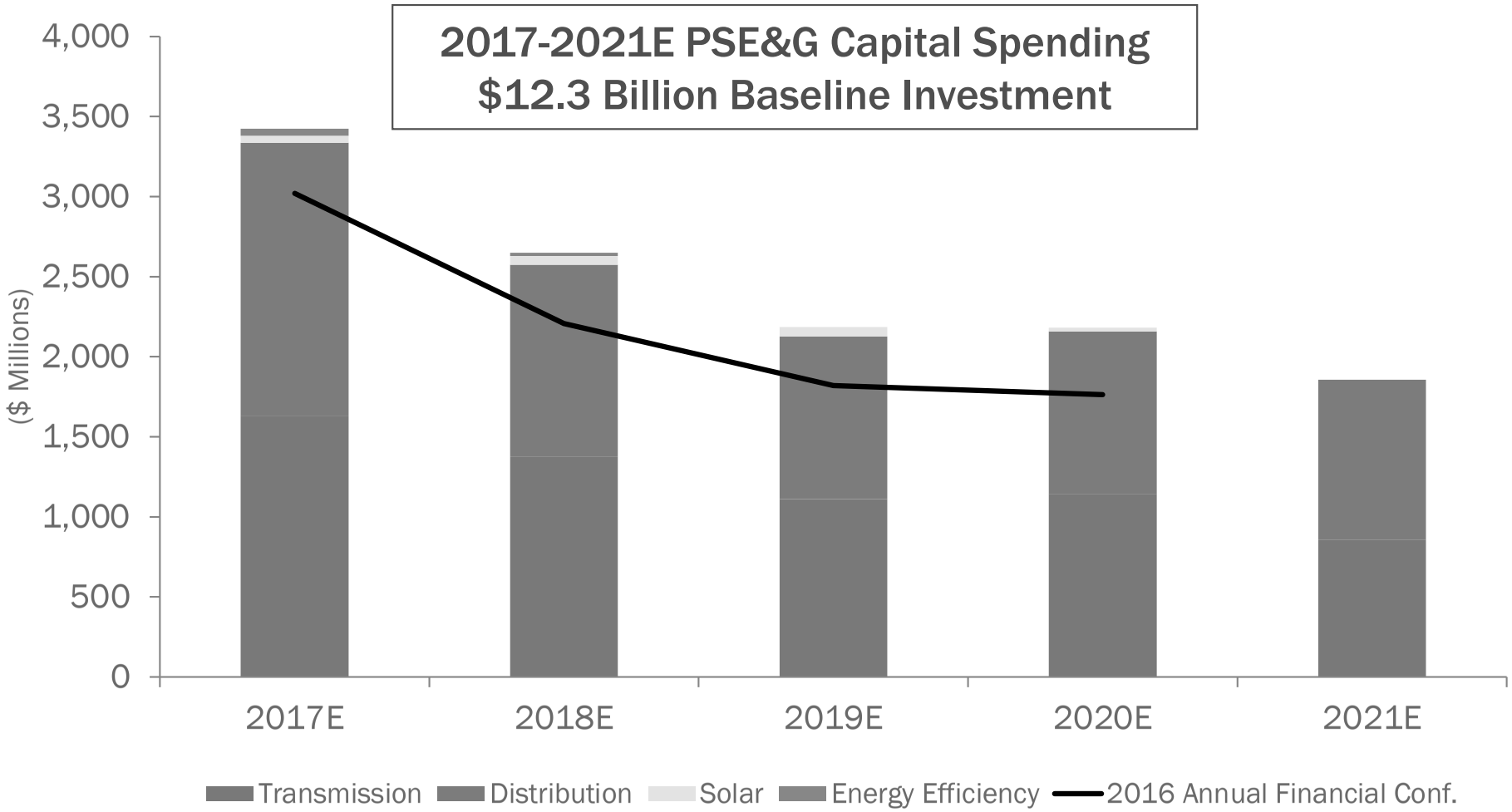
Baseline programs yield 7% compound annual growth in rate base



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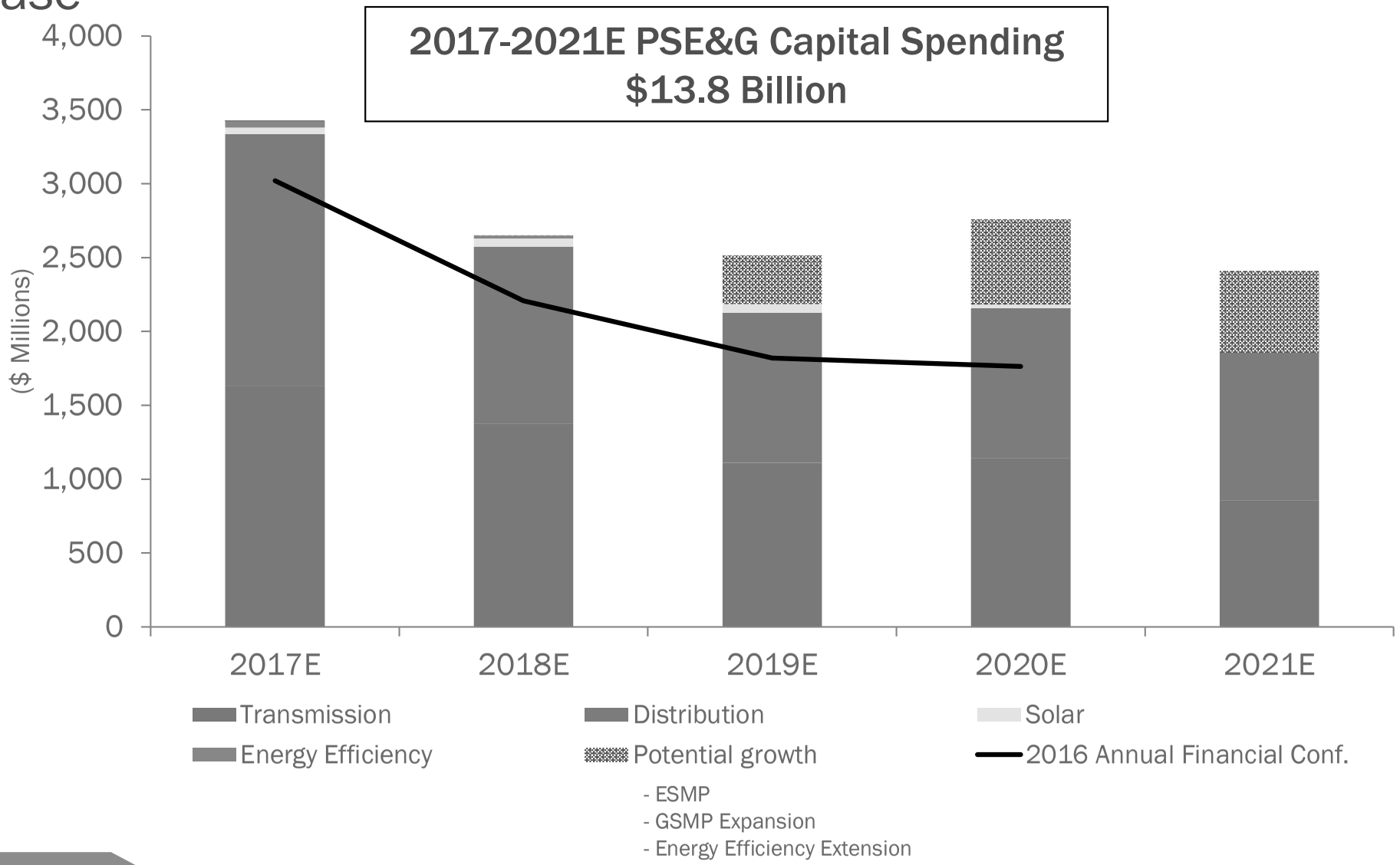
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs would yield 9% compound annual growth in rate base



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-04480

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

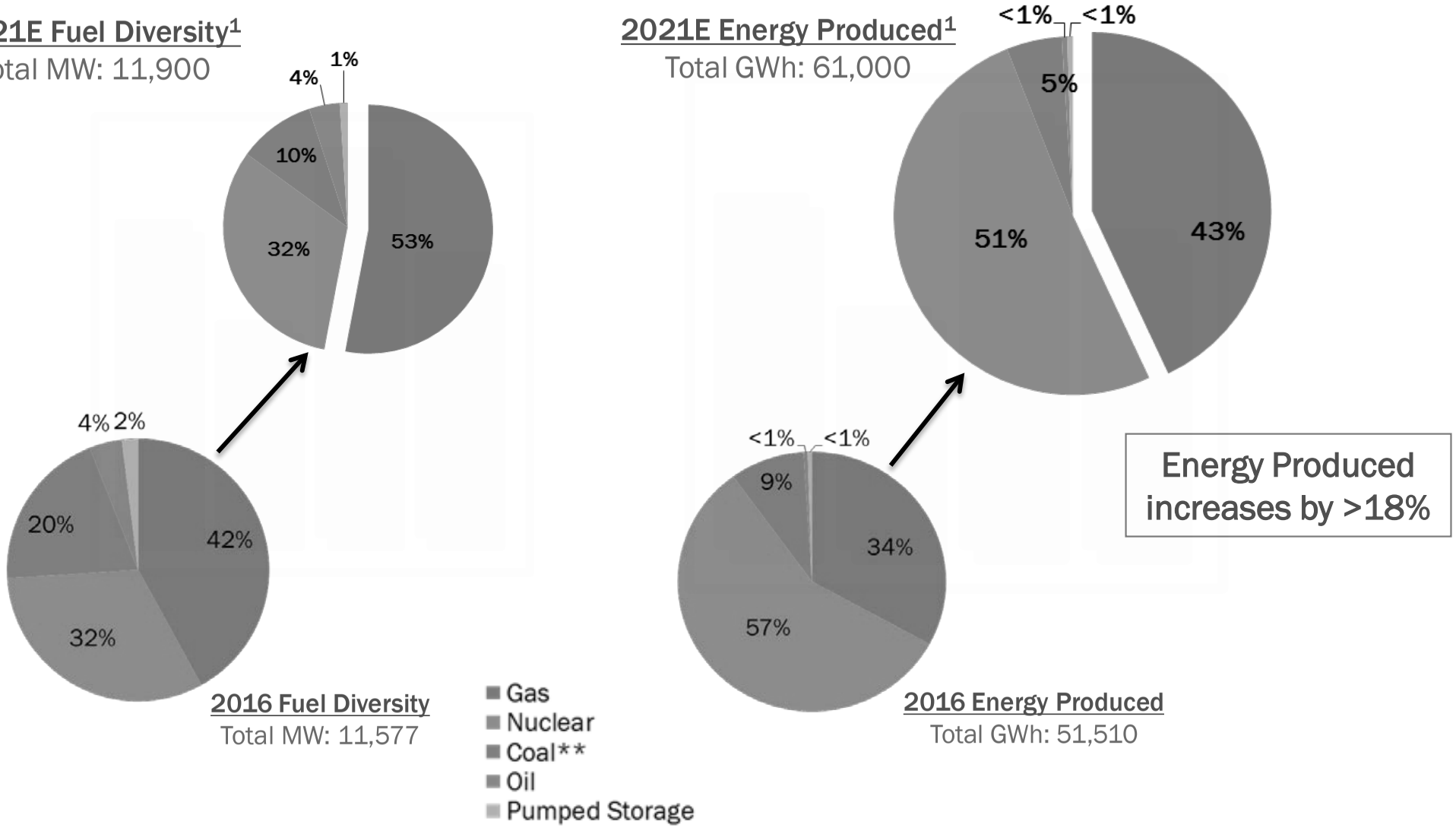
Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-04481

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-04482

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

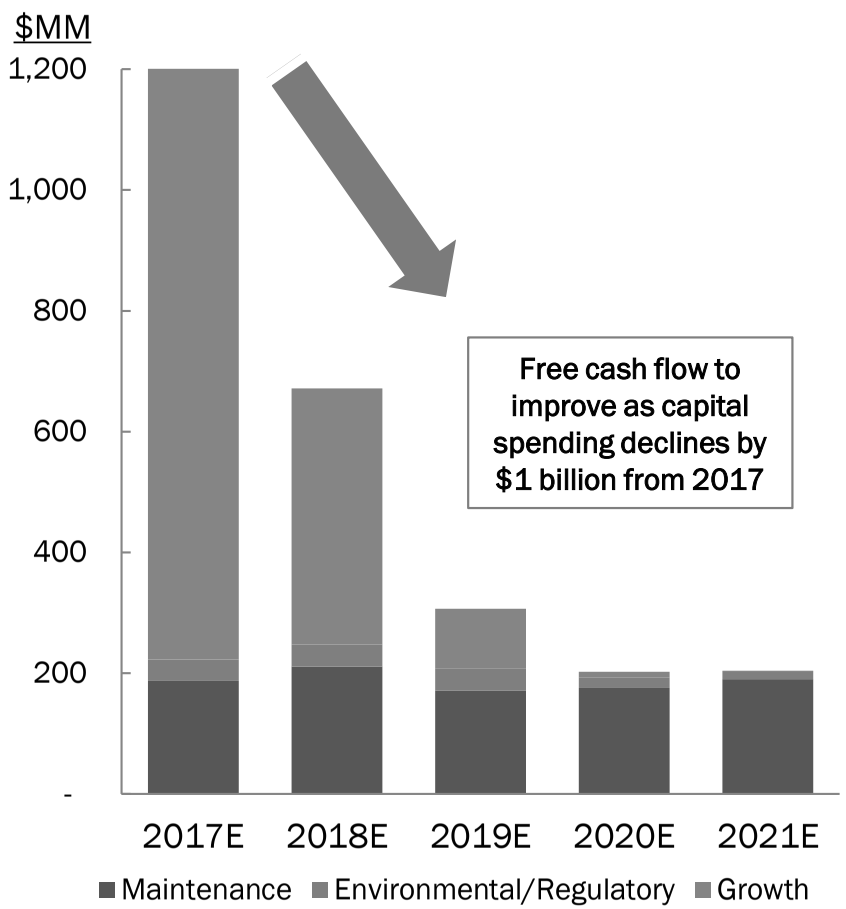
SI-SSA-0015-04483

PSEG

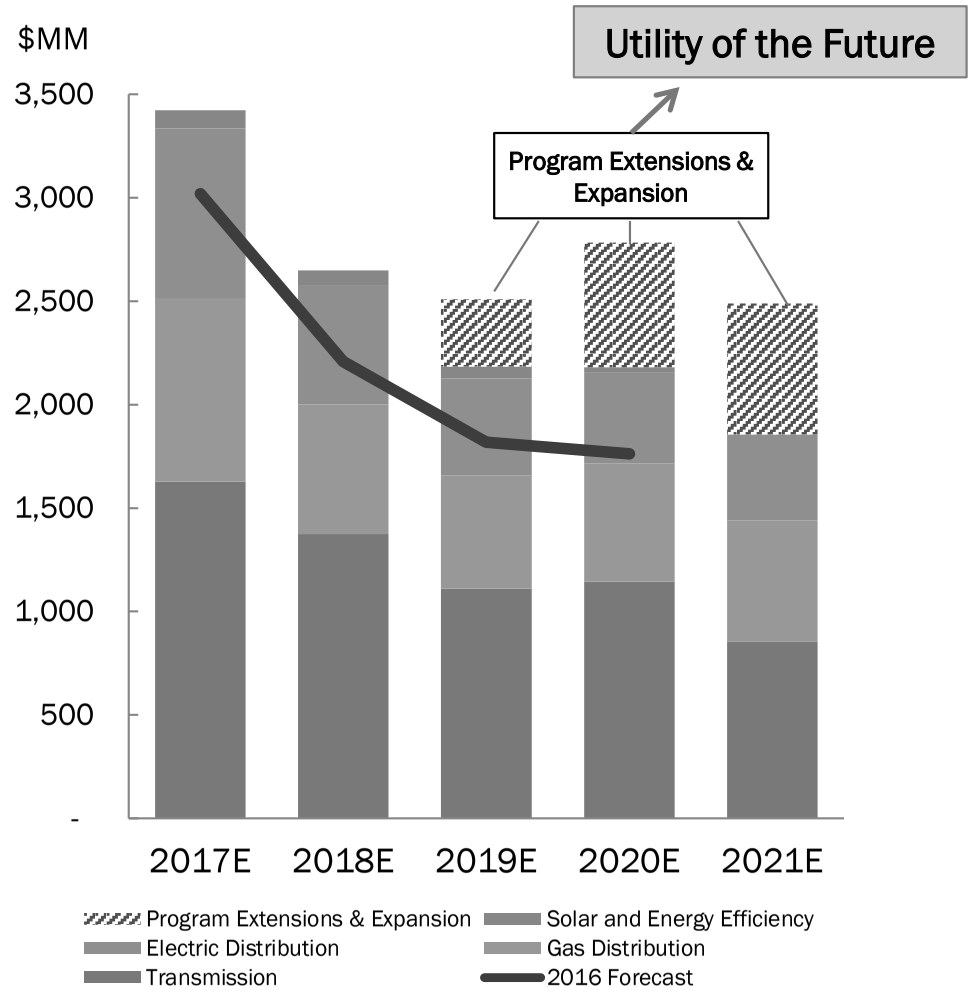
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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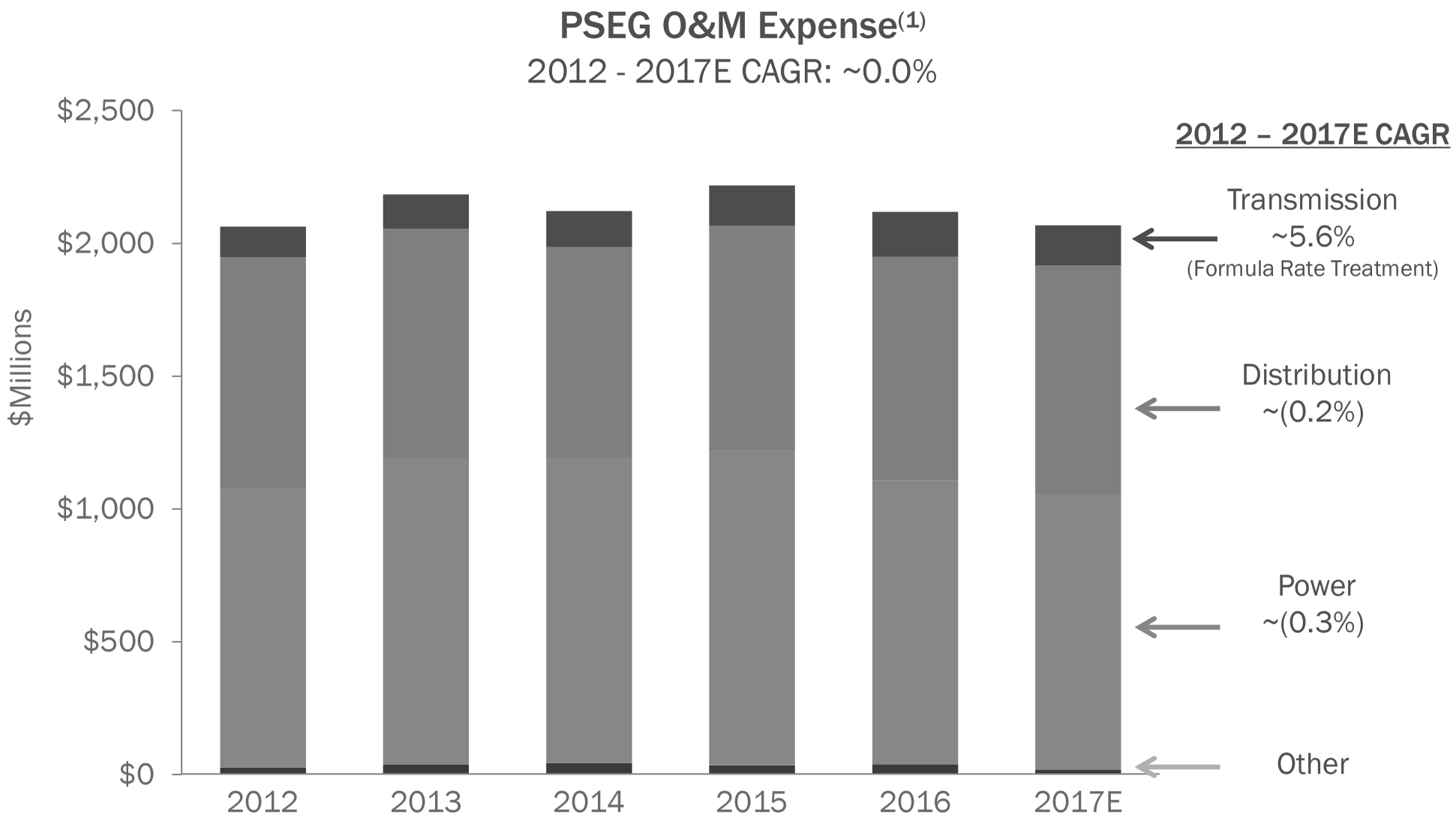
PSEG has demonstrated an ability to control O&M



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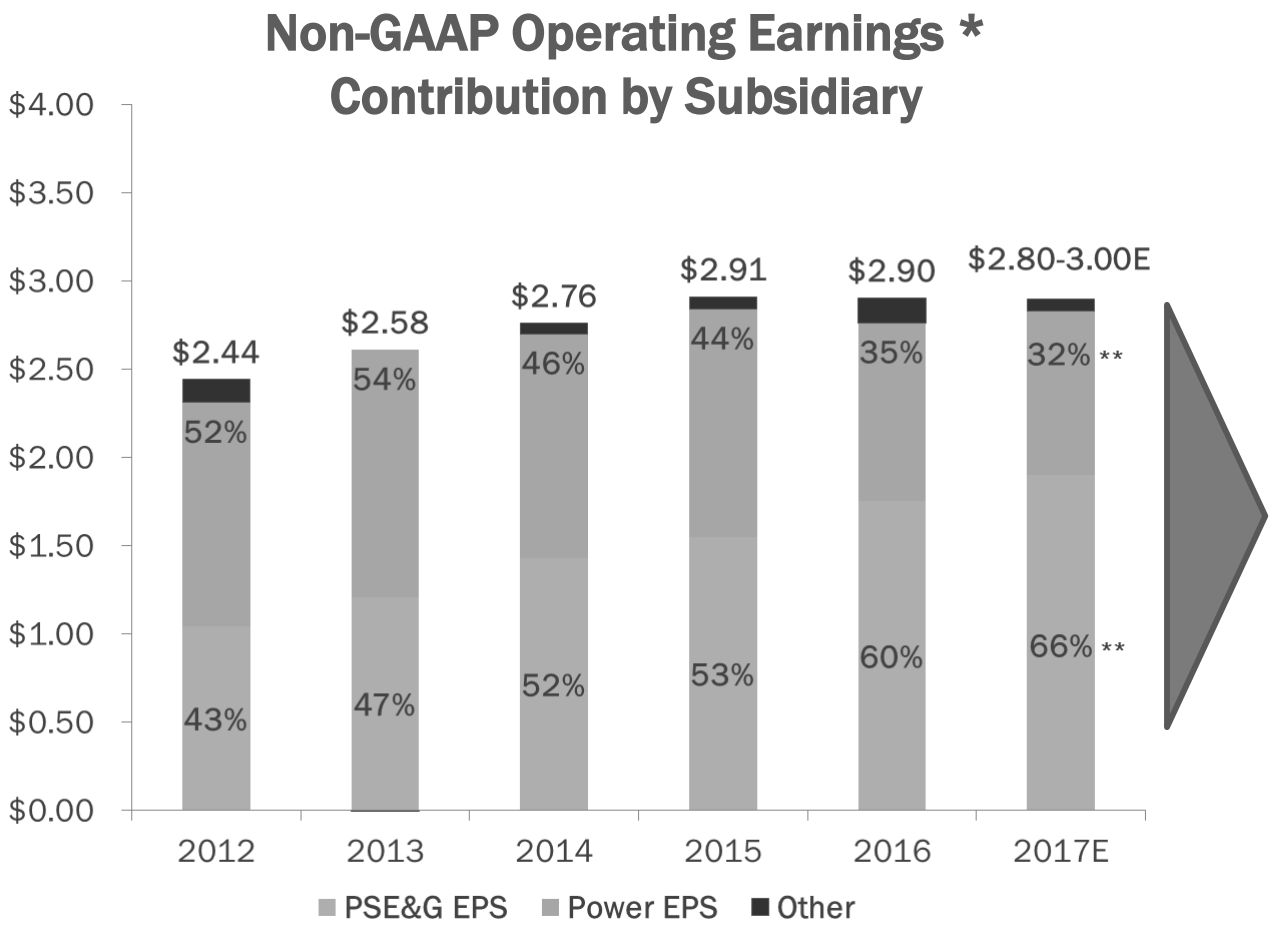
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



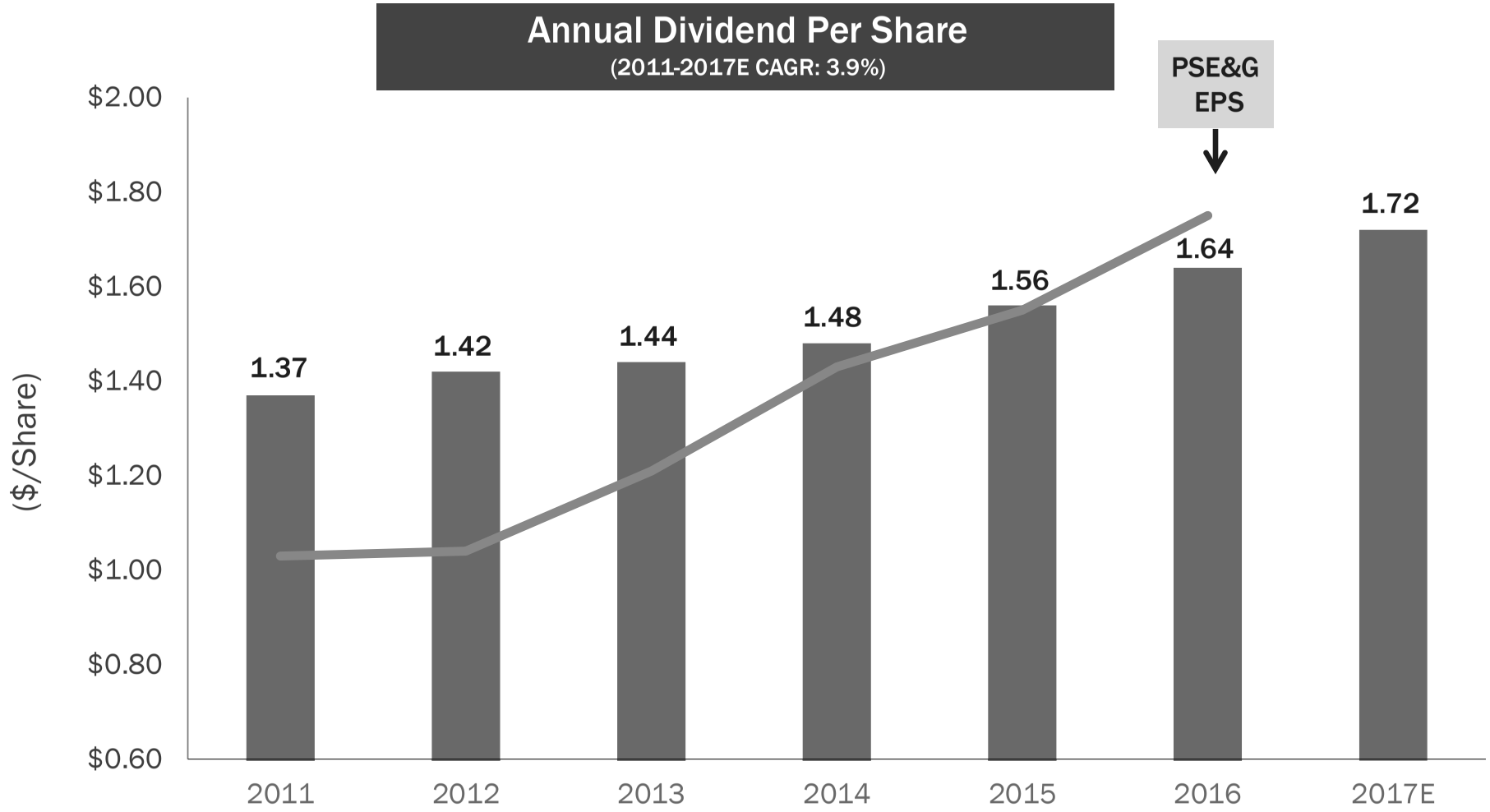
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-04486

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-04488

PSEG FINANCIAL APPENDIX

PSEG

We make things work for you.

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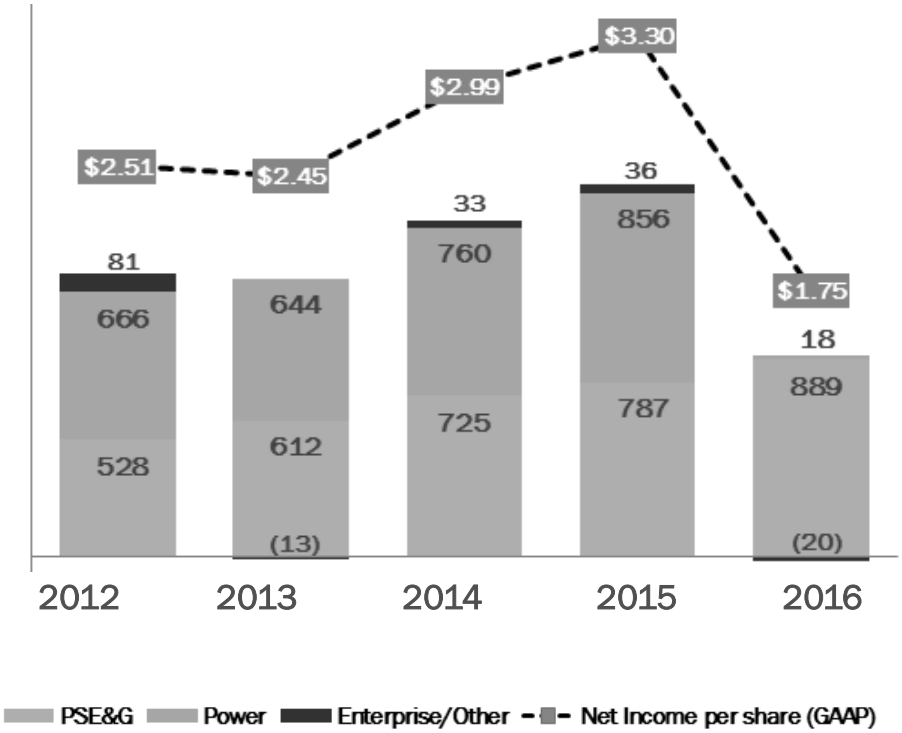
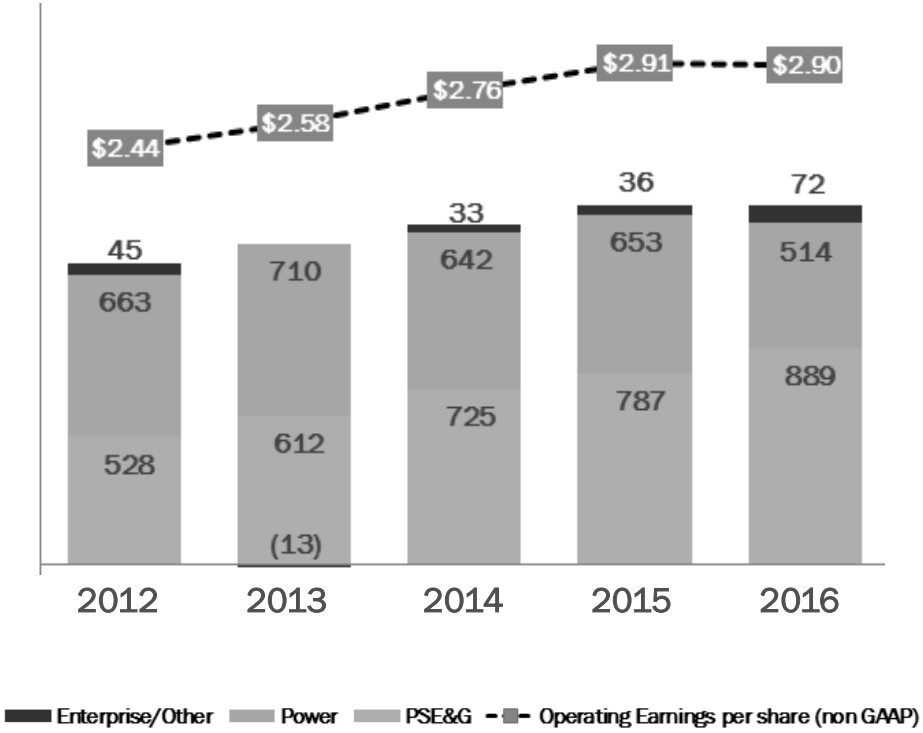
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



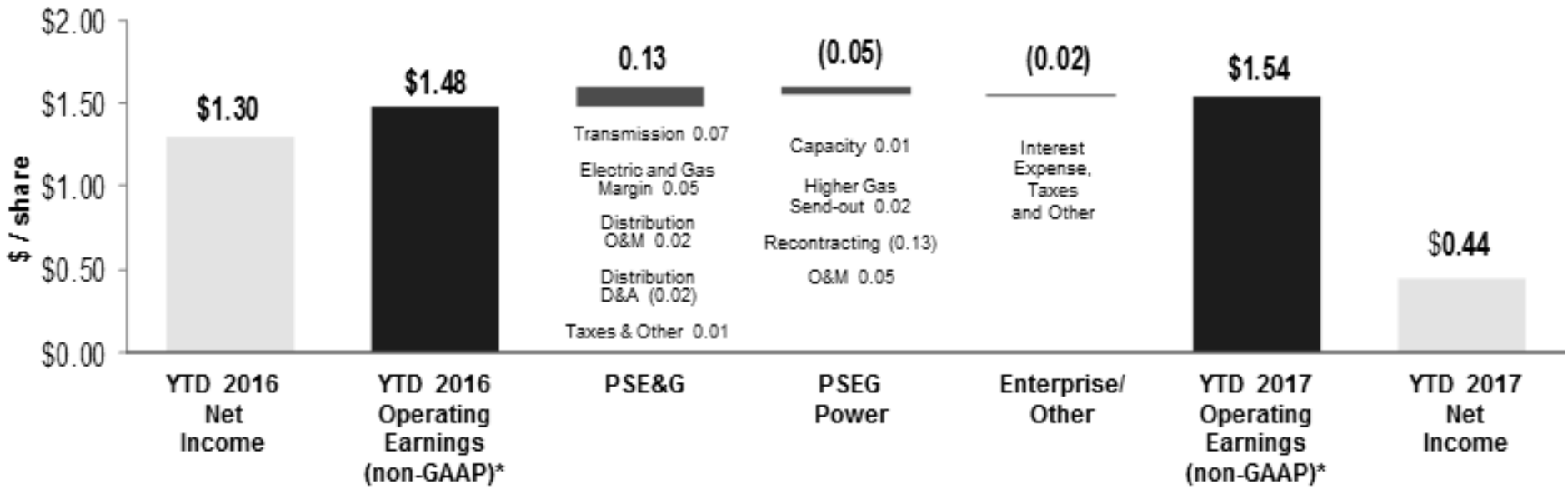
SI-SSA-0015-04490

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-04492

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

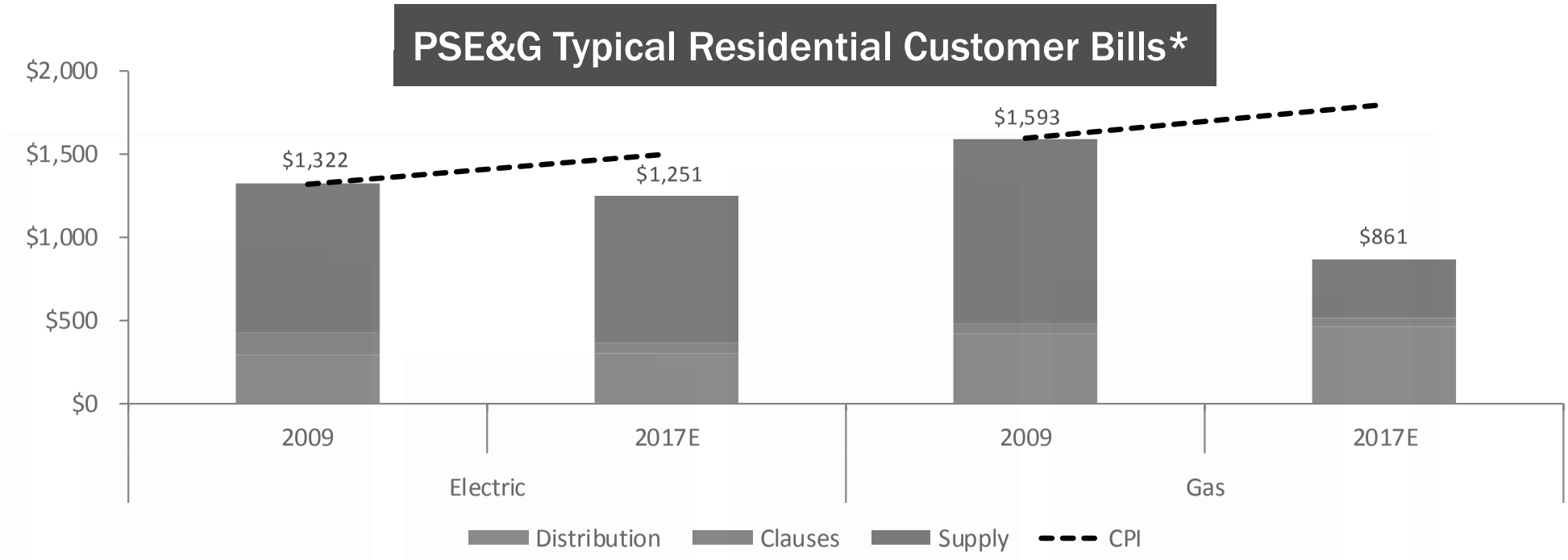
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-04493

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-04494

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-04495

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Barclays CEO Energy - Power Conference

SEPTEMBER 6, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04497

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-04498

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-04499

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-04500

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-04501

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

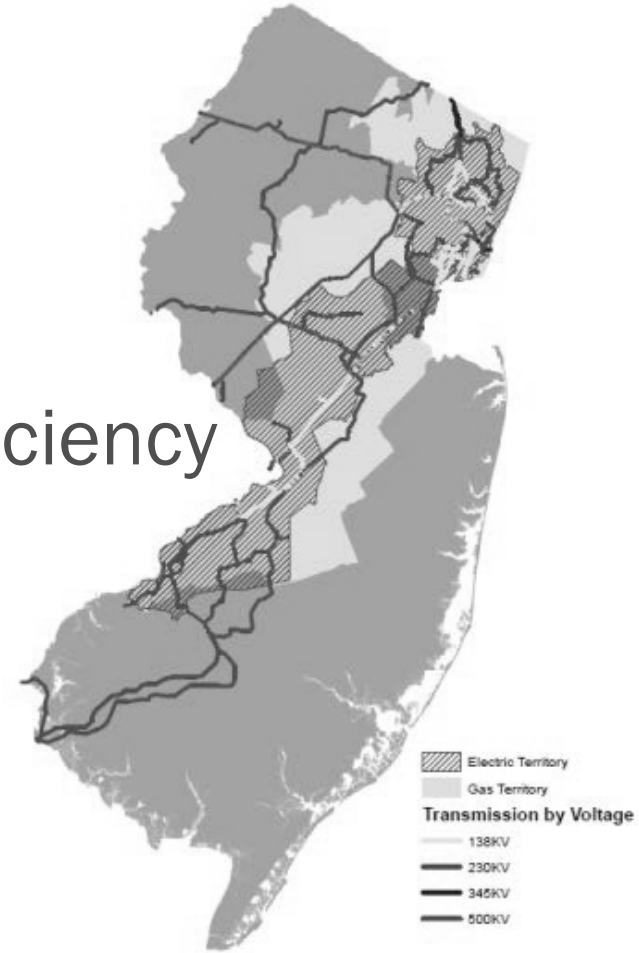
SI-SSA-0015-04502

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

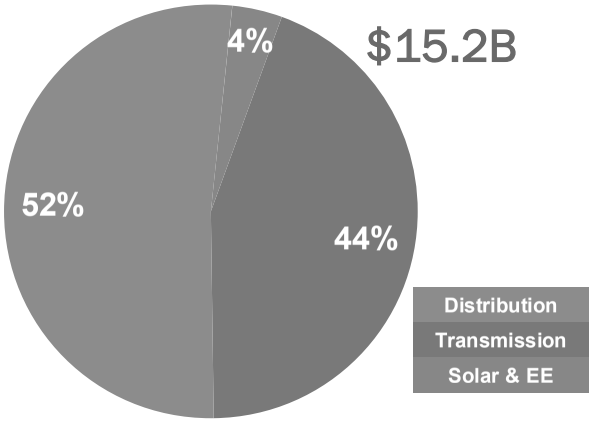
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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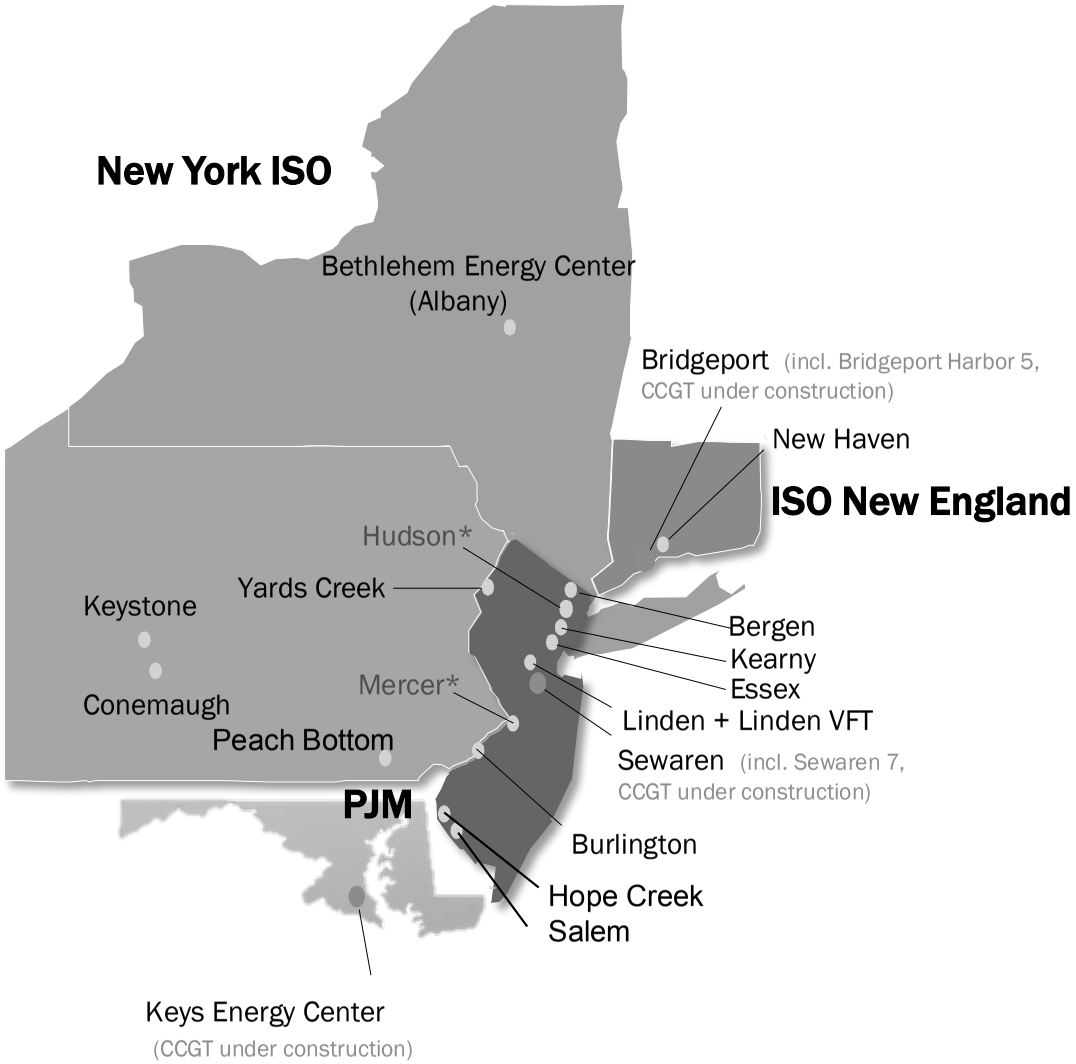
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-04504

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

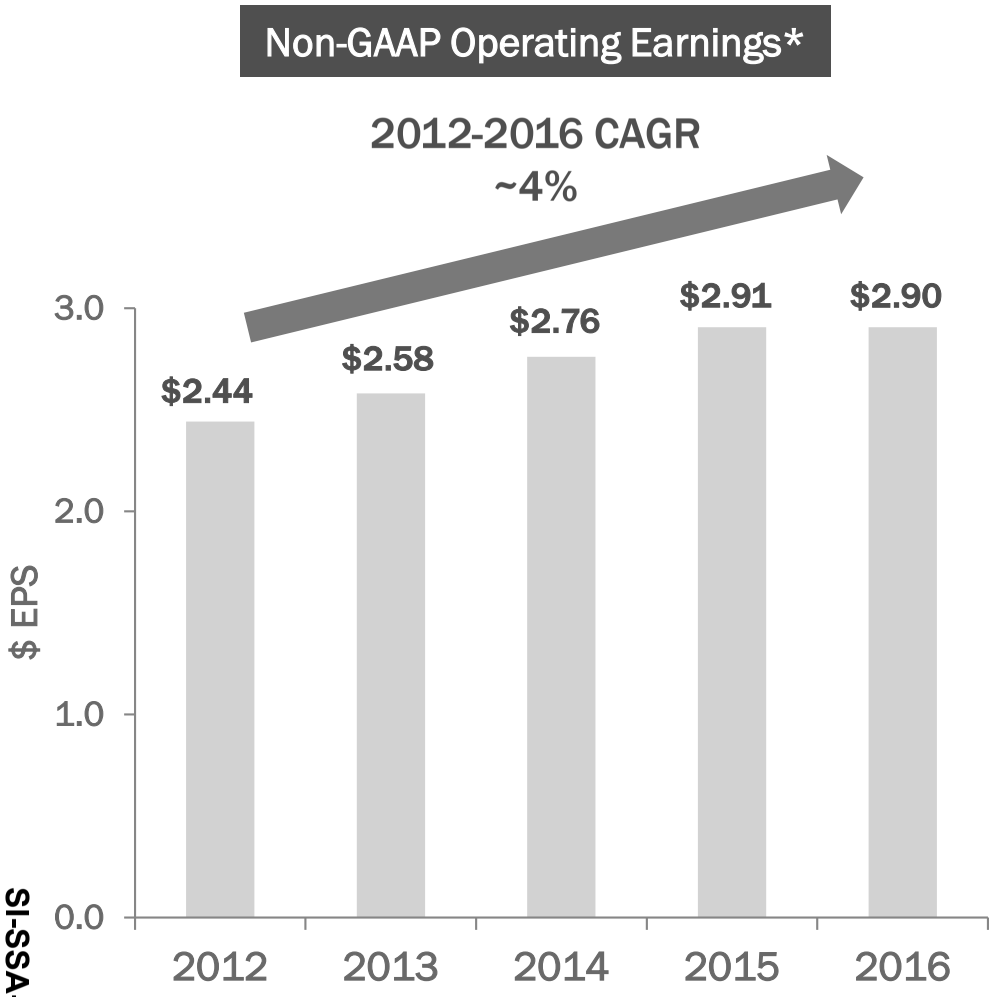
- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

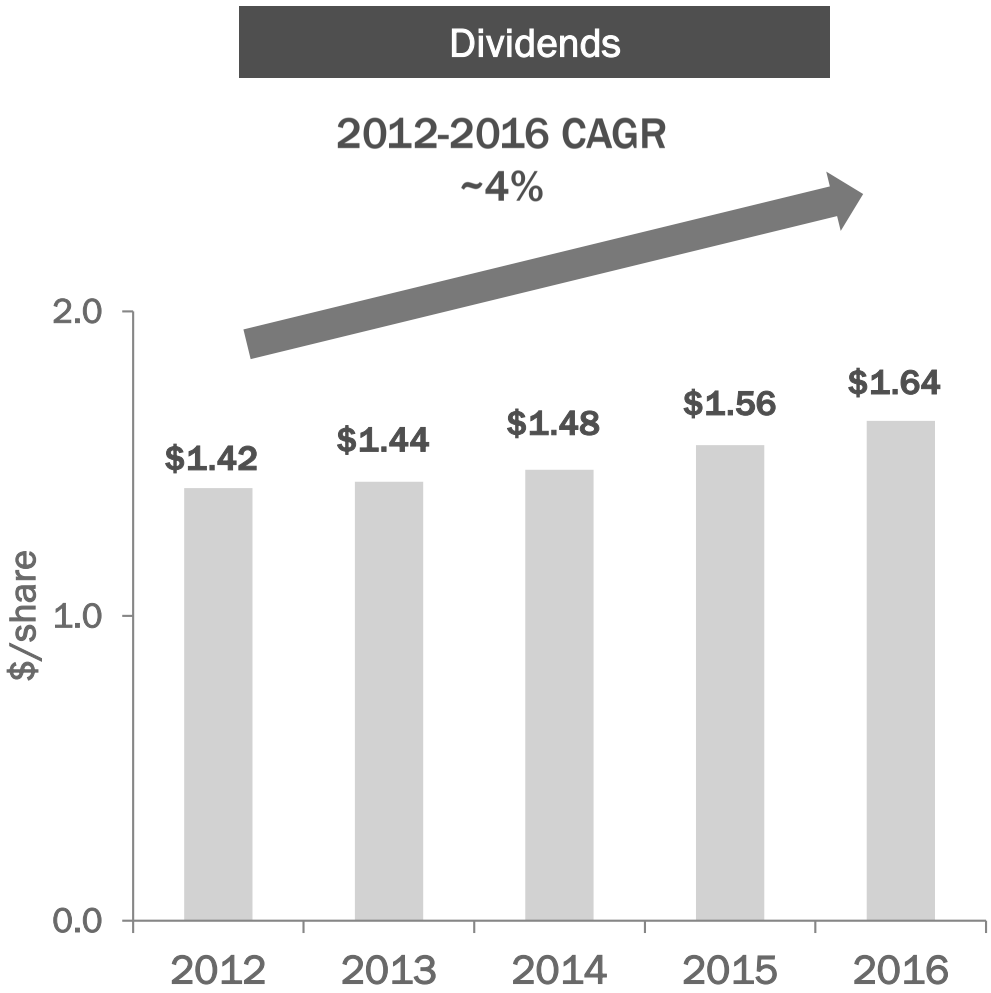
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-04505

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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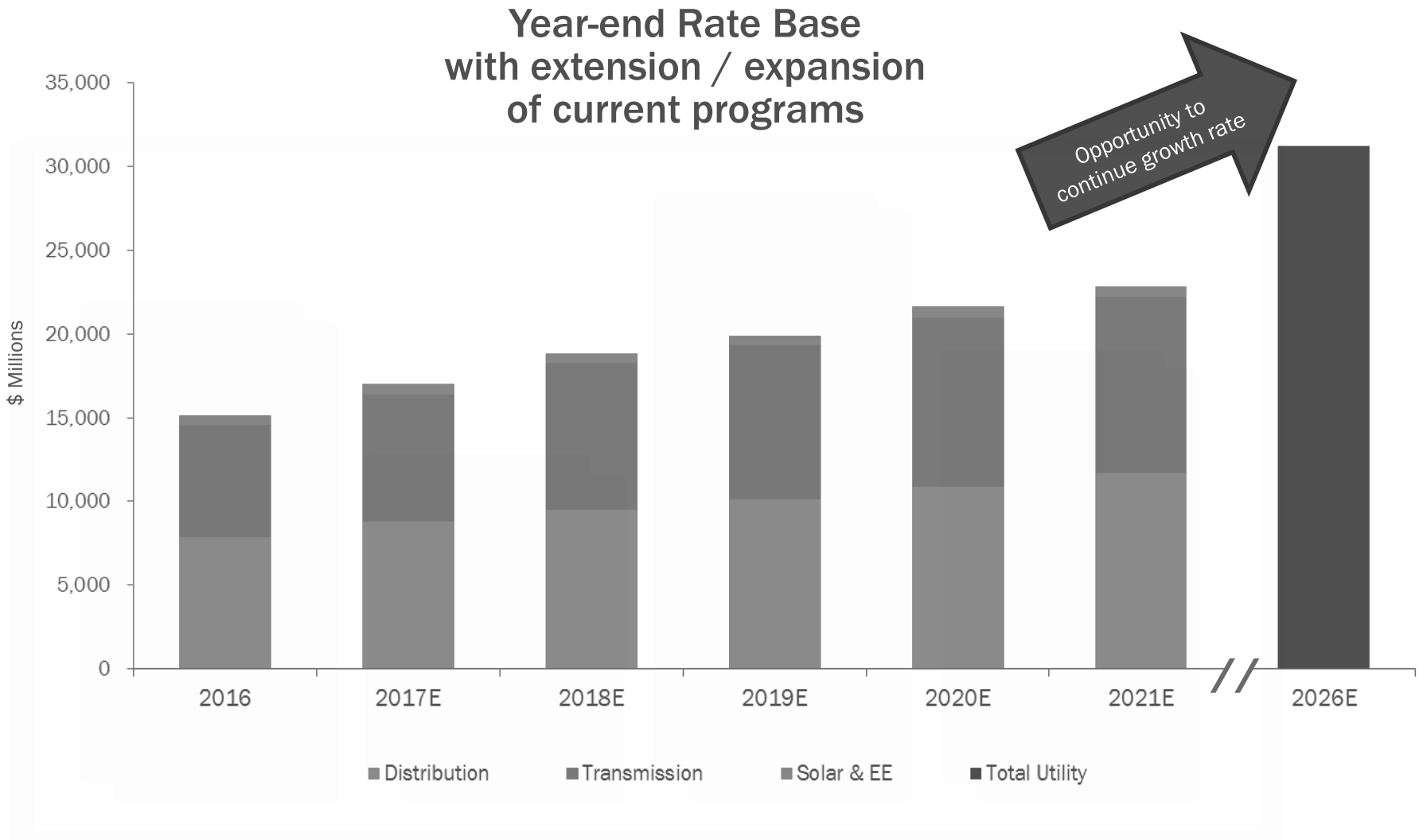
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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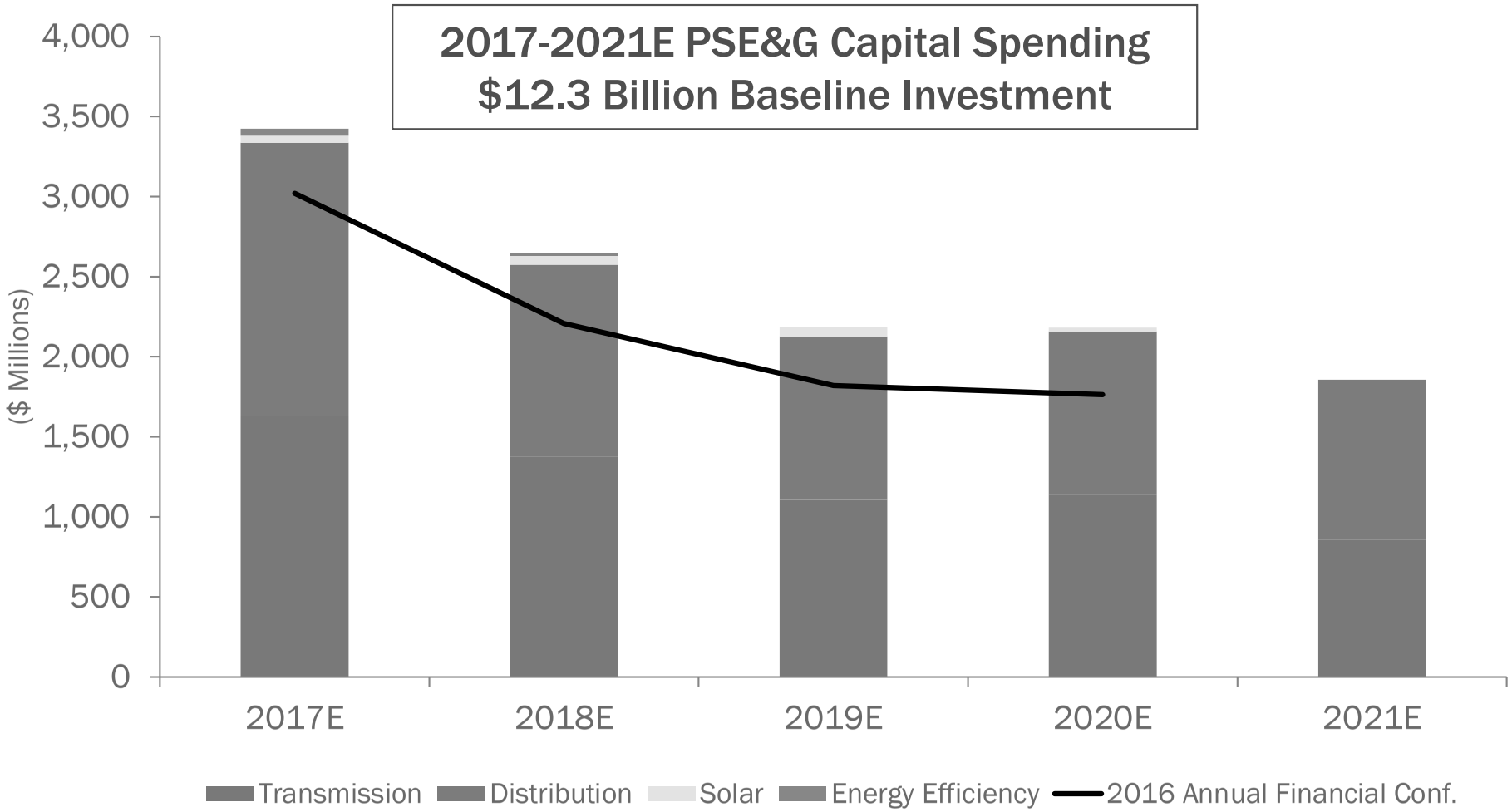
Baseline programs yield 7% compound annual growth in rate base



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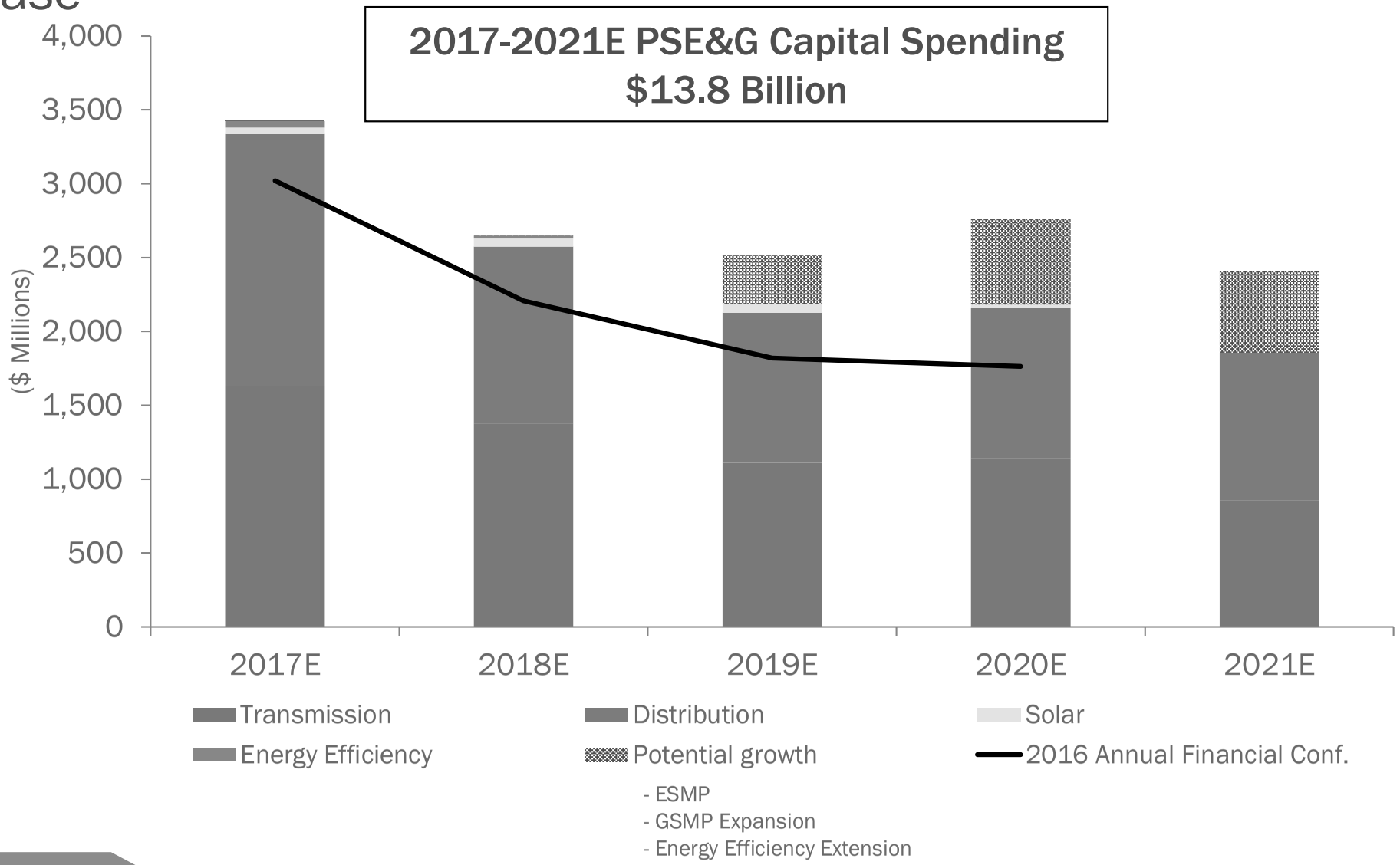
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs would yield 9% compound annual growth in rate base



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-04509

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

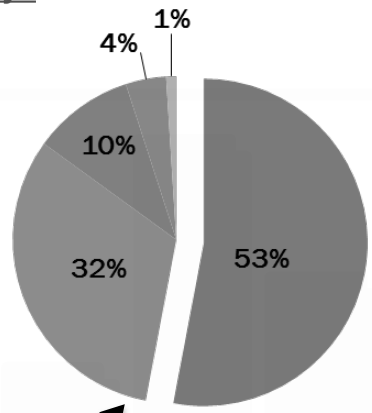
Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-04510

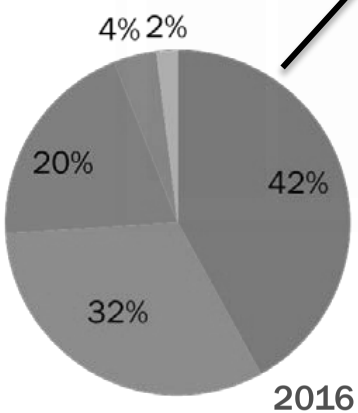
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

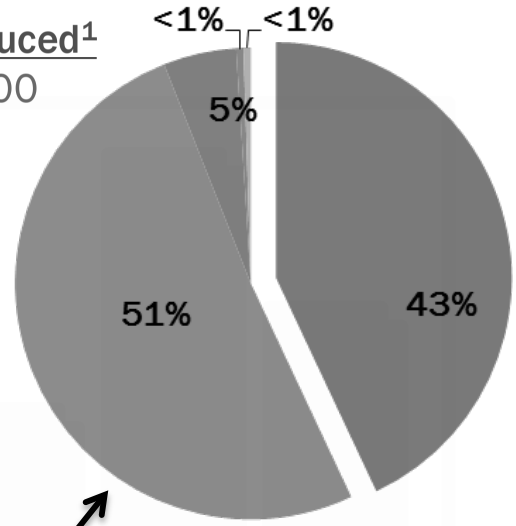
2021E Fuel Diversity[1]
Total MW: 11,900



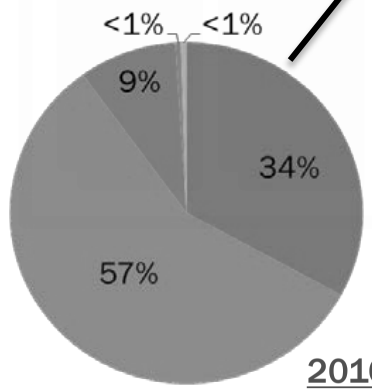
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



Energy Produced increases by >18%

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-04511

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

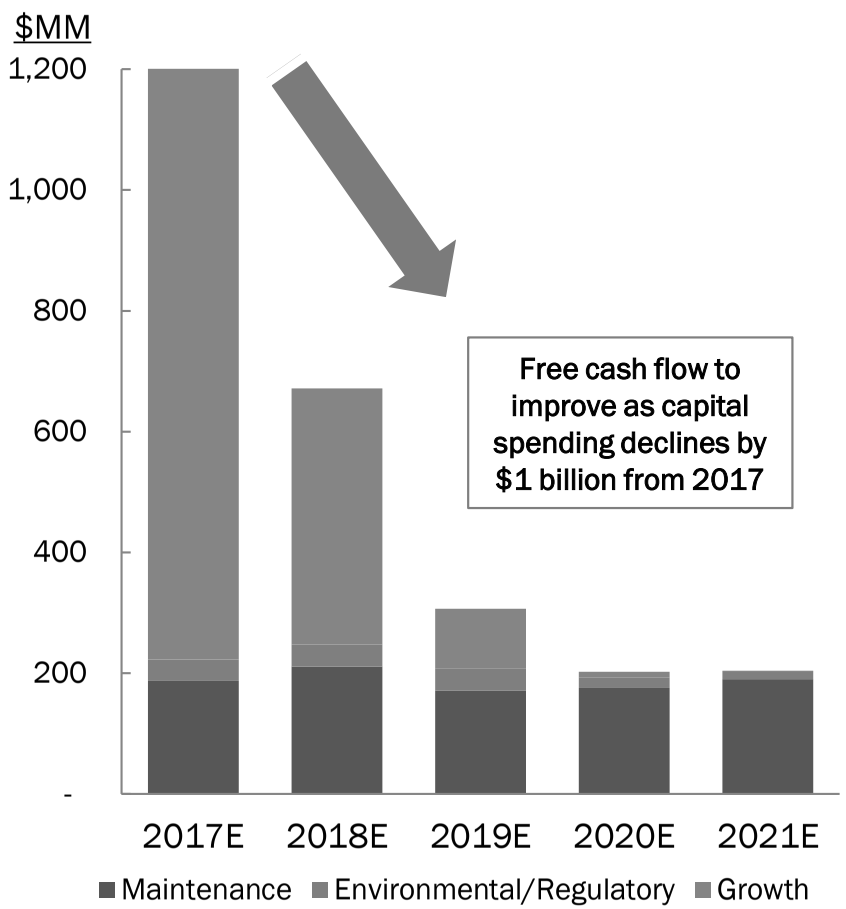
SI-SSA-0015-04512

PSEG

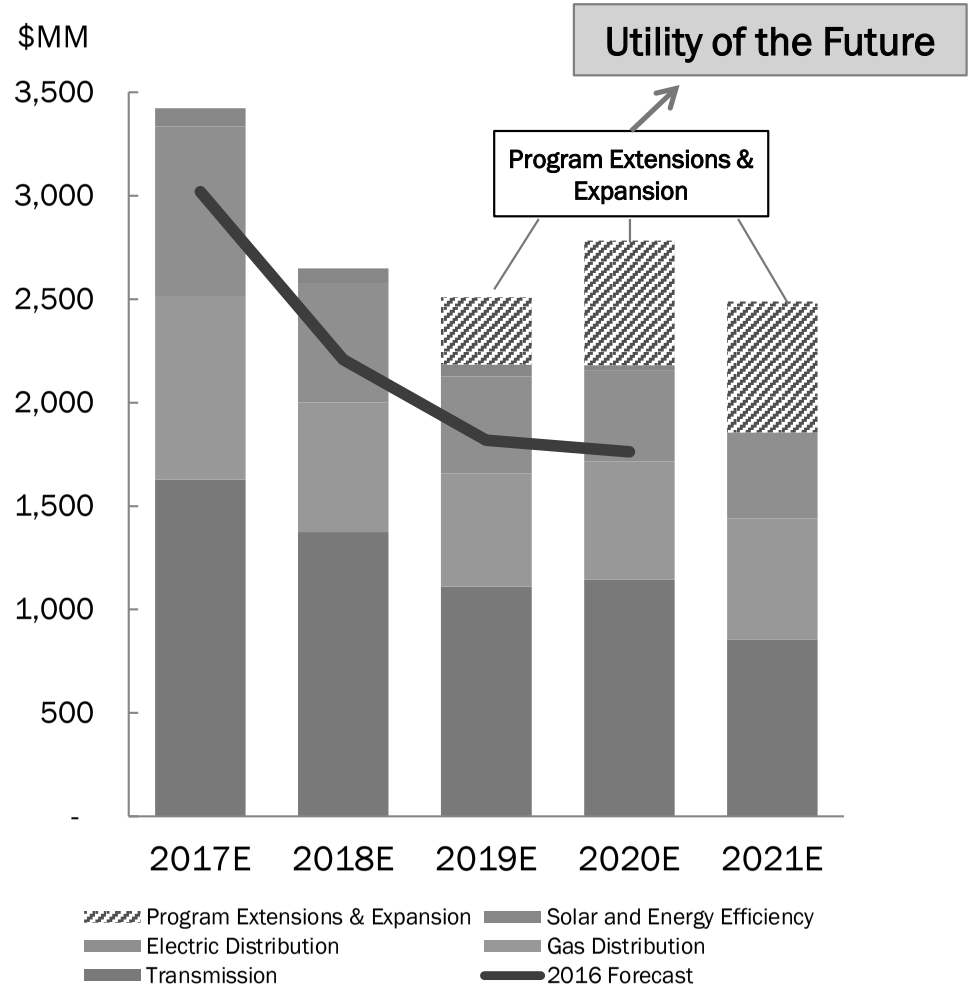
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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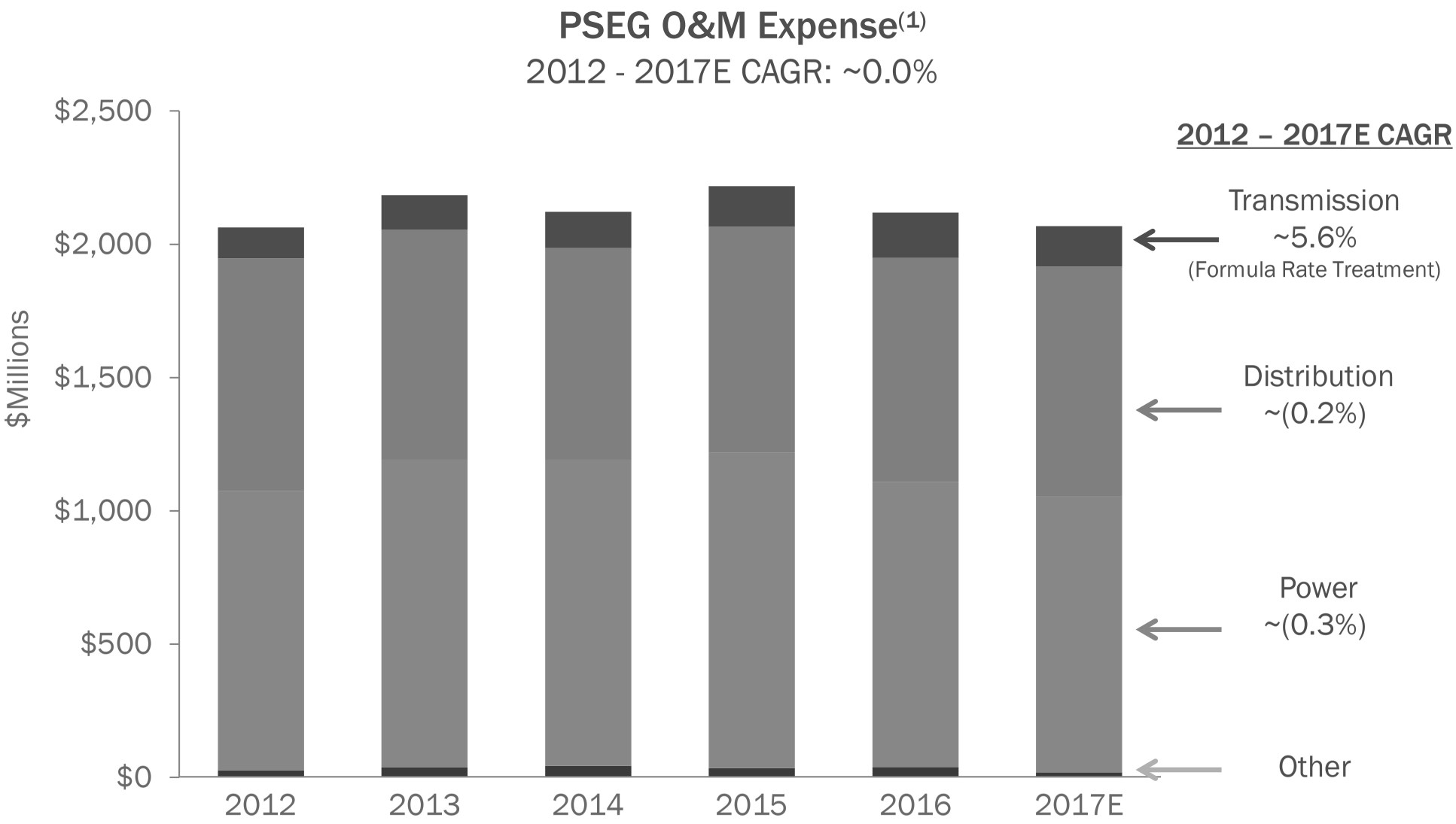
PSEG has demonstrated an ability to control O&M



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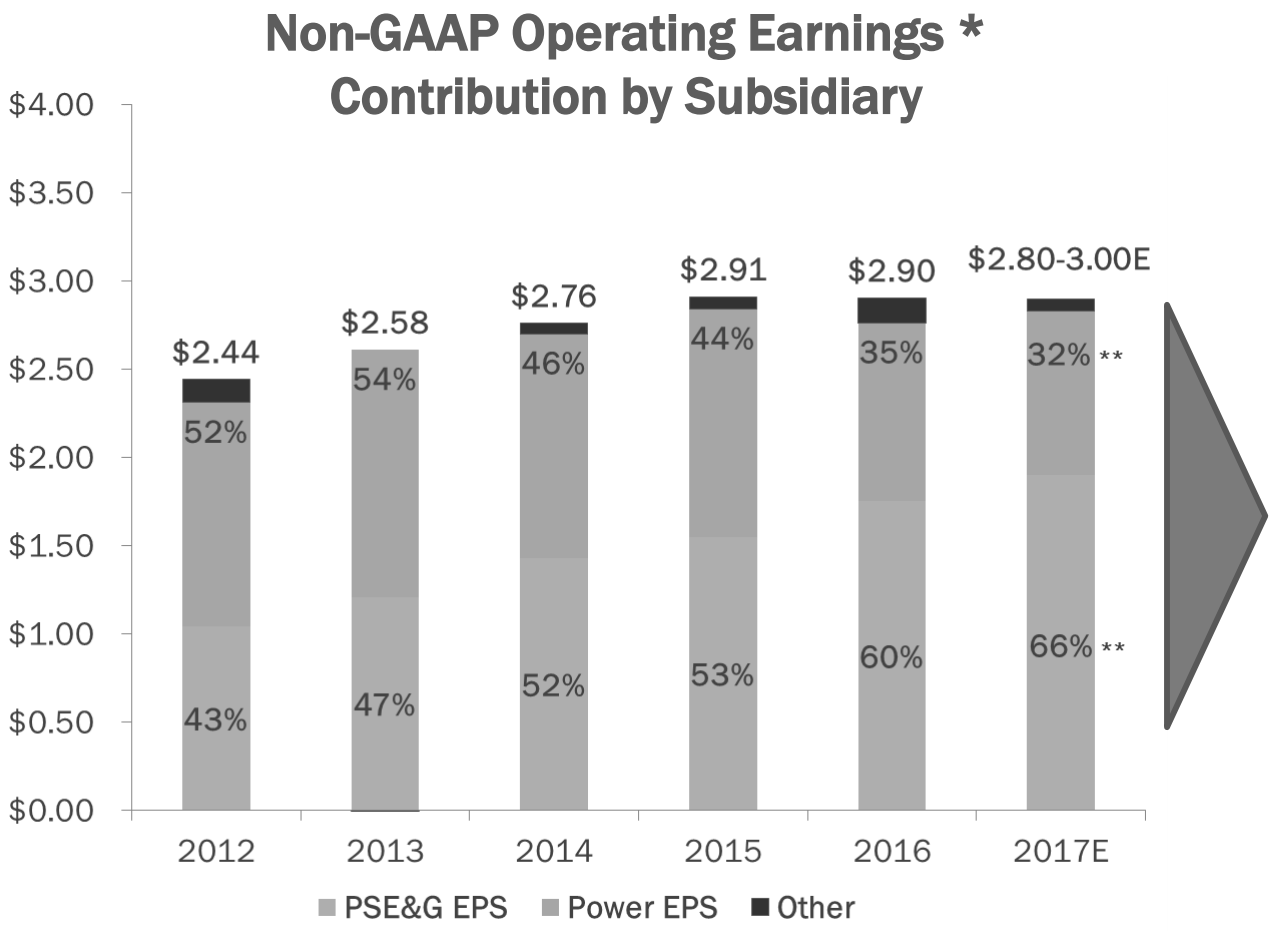
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



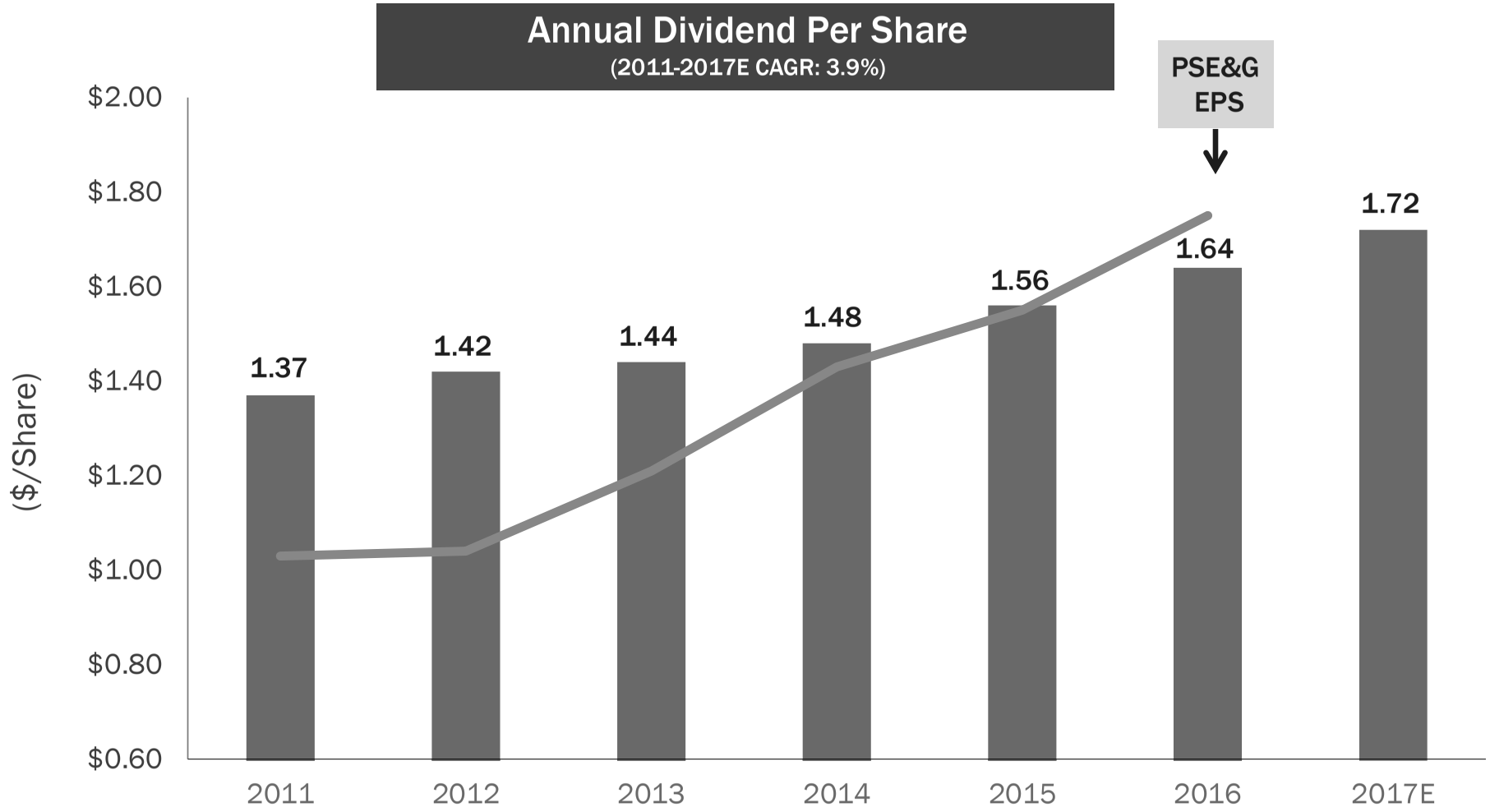
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-04515

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-04517

PSEG FINANCIAL APPENDIX

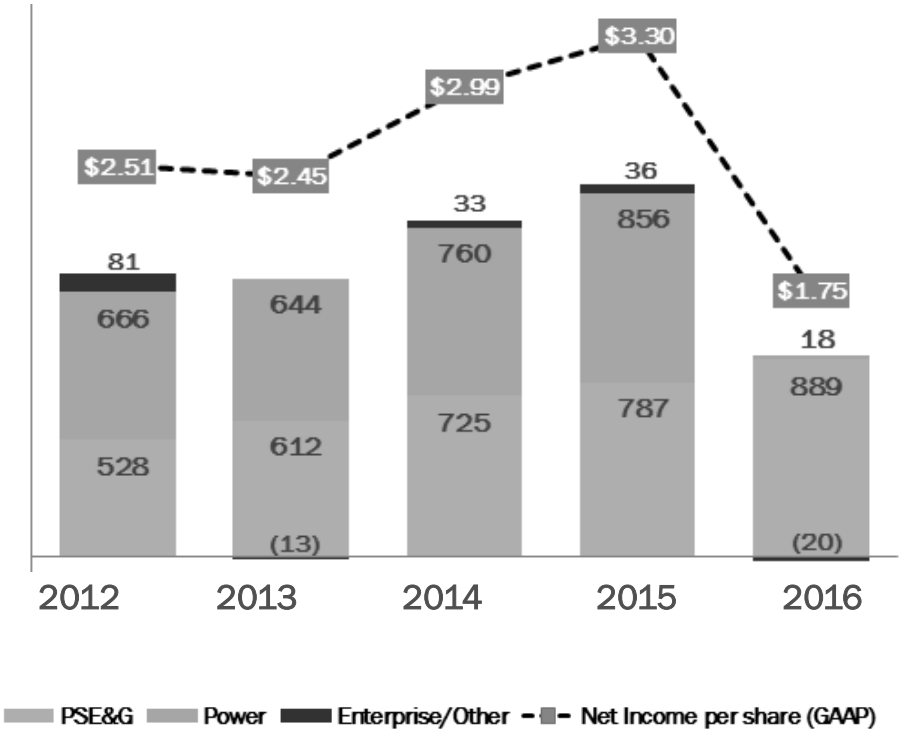
PSEG

We make things work for you.

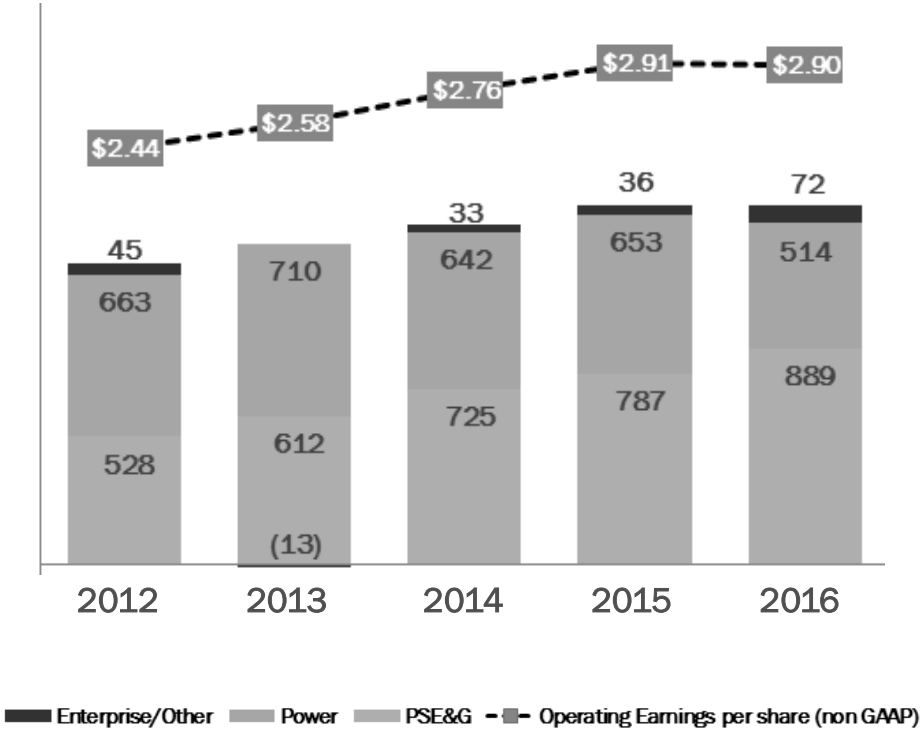
SI-SSA-0015-04518

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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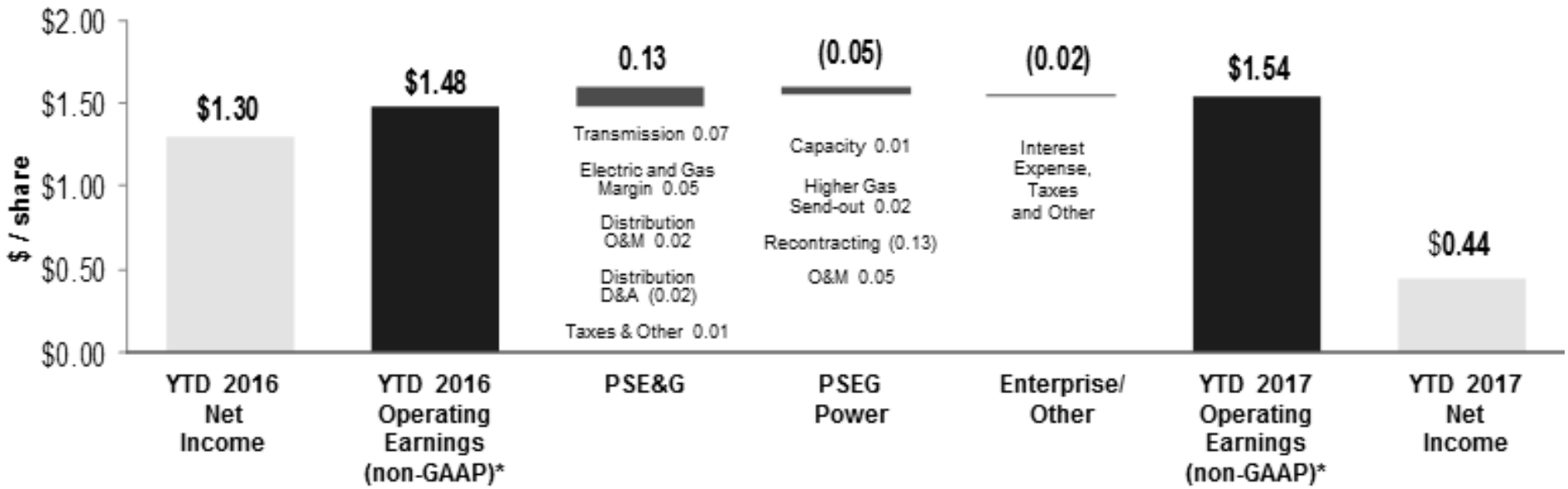
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-04521

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

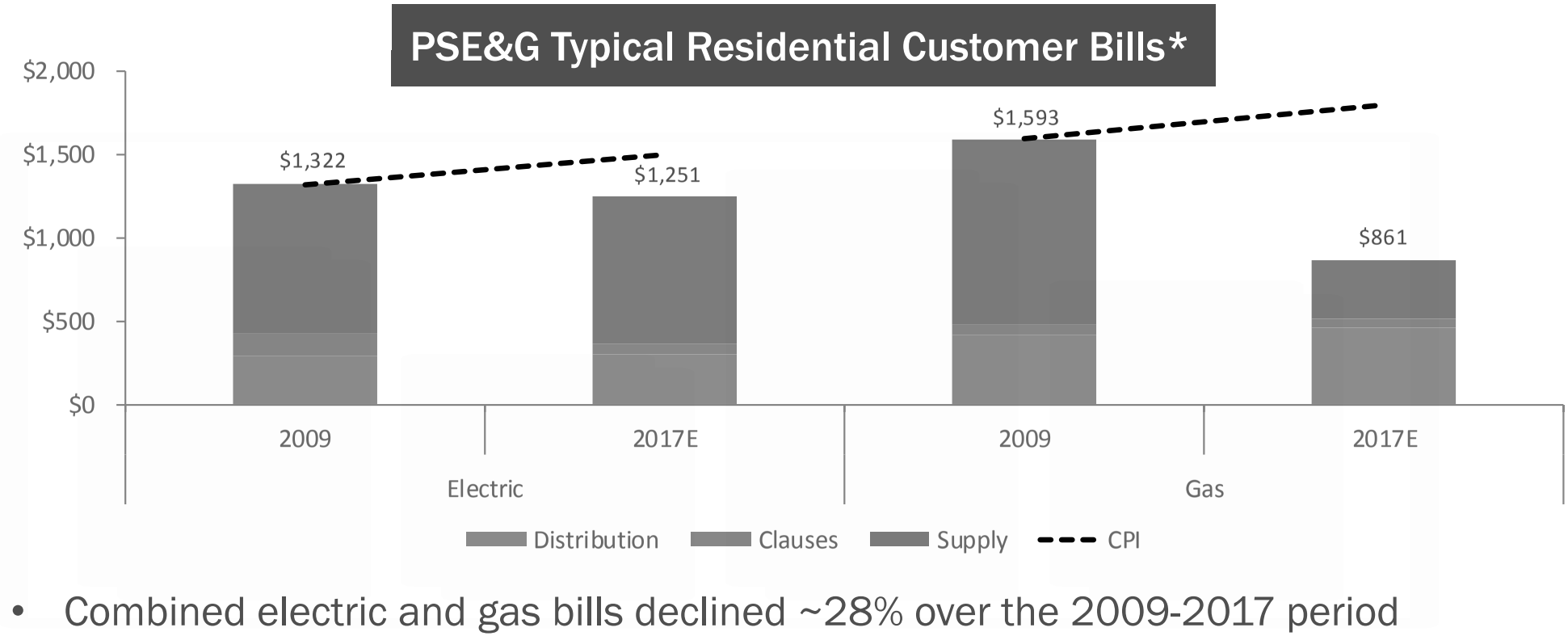
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-04522

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-04523

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-04524

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-09-06
Event Description: Barclays Global CEO Energy-Power Conference

Market Cap: 23,346.82
Current PX: 46.15
YTD Change($): +2.27
YTD Change(%): +5.173

Bloomberg Estimates - EPS
Current Quarter: 0.851
Current Year: 2.918
Bloomberg Estimates - Sales
Current Quarter: 2608.250
Current Year: 9663.400

Barclays Global CEO Energy-Power Conference

Company Participants

- Unverified Participant
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Unverified Participant

All right. So, next up we have Public Service Enterprise Group. Dan Cregg who is the Chief Financial Officer is going to take us through the PEG story. Dan?

Daniel J. Cregg

Thank you, Dan. Good afternoon, everybody. We'll walk through the forward-looking statements and GAAP disclaimer to get to the beginning of the proper presentation.

So, now I'll walking through our story. Really it is surrounded by and driven by a $15 billion infrastructure investment program and that is far and away the largest opportunity that we have for growth. And it spans both companies that we have within the group, PSE&G which is our regulated utility company in New Jersey. And I'll show a slide a little bit more about what that entity looks like geographically, which represents a fair bit of rate base growth. We'll go through some of those details in applying disciplined investment that really in conjunction with policy drivers in the State of New Jersey.

And PSEG Power, efficient, low-cost, clean fleet and getting more so from some changes that we've been making. We've seen a couple of retirements of coal facilities recently and build-out of combined cycle units, which is going to bring the overall fleet [ph] gate (01:22) rate down considerably as we step through time.

All hinging ultimately on operational excellence. So, in both entities, we really target the issues of running the business well, benchmarking considerably throughout both sides of the business and whether it's operating a nuclear facility, running the grid, or even in the accounting and payables areas making sure that everything is operated as efficiently as possible. And the third lever that we utilize is financial strength.

So, operational excellence, disciplined investment and financial strength. 110-year record of dividends, recently acknowledged at the New York Stock Exchange where we rang the closing bell to mark our 110th consecutive year of dividend payments and all supported by a very strong balance sheet and good credit statistics.

So, quick look at the two businesses that we do have. On the left hand side, PSE&G, if you take a look at the midpoint of our 2017 guidance, it would represent about two thirds of the overall contribution of the company with Power making up the balance. Again that first bullet that you see on in PSE&G, strategy, investments are line with public policy and customer needs. That has really been behind most of the investments that we have made on that part of the business, aligning our business with what the State wants to get accomplished, as opposed to fighting things that we think may or may not make more sense working in unison with the State to advance the capital program that we do have.

That results in a $12 billion to $14 billion capital plan at PSE&G, focused mostly on infrastructure and opportunities to expand our rate base. And I'll go through in some slides where you can see the overall compounded annual growth rate of that rate base somewhere between 7% to 9% over the next five years.

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On the Power side of the business, increased our competitive position through the build-out of our combined cycle program. So, we have a construction program in place. Three new combined cycles being built. They will be completed and in service in 2019, which will bring the efficiency of the fleet up considerably and enhance the overall competitive position.

In addition to that business, when you look at the value proposition, very strong cash flow is coming from that business. Those cash flows are used as a source of value and investment to meet the $14 billion program, that I talked about on the capital side at PSE&G. So, a good relationship between those two entities. And if you take a look at the capital program in the aggregate, a little over 80% of the capital that we will put to work goes to PSE&G, the regulated side of the business. So, as we step through time, more and more focused on the regulated side of the business and a higher contribution to the overall enterprise's growth.

So, a couple of slides to define each of the individual components. So on the utility side first. If you take a look at PSE&G, territory runs down the center of New Jersey, really from the George Washington Bridge to the Ben Franklin Bridge, expanded on both sides. 2.2 million electric customers, 1.8 million gas customers in place.

One thing to think about for a number of the transactions that have happened in this space off late, they were convergence, mergers, where electric and gas ended up coming together. PSE&G has electric and gas that are together and have been together for quite some time. So, the benefits of having those two companies together have been part of what we have been for many, many decades.

Also a sizeable transmission business, and I will show you some slides later on where we look at the total investment, as well as the total rate base. And a little less than half of the aggregate rate base at PSE&G, is on the transmission side. So we have a transmission formula rate in place with contemporaneous returns. And it is a considerable piece of the overall pie that you see for PSE&G and you can see it in the form of a pie-chart on the bottom right-hand corner of the slide with 52% distribution, 44% transmission and about 4% of rate base coming through solar and energy efficiency.

On the Power side of the business, very well-located assets. Again, in the same territory that I laid out largely. The investment program, adding those efficiencies, but also, I would point to the nature of the assets themselves and the ability to follow load. So, a good mix of base load, as well as load following units within the fleet as a whole.

If you also think about how we hedge that. We hedge over the three-year forward program and a big part of our hedging program is our BGS, or Basic Generation Service product that we have in New Jersey. It's the default supplier in New Jersey. It's about 11 terawatt hours of the roughly 50 terawatt hours that we do produce, and we're in the process of supplementing that with a retail business to supplement the BGS retail product. It's on the smaller side and growing, but will be growing organically as we continue to step through time.

Also a very modest solar business, you can see on the slide, 326 megawatts of solar assets as well as one asset that resides in Hawaii. So, we've been pursuing a number of policy and regulatory issues this year, and a number of them are listed on the slide. First and foremost, the first one listed there is a New Jersey distribution based rate proceeding.

So, on November 1st, we will file our first rate case since 2009. It will be a rate case that will deal with just the distribution side, but within the distribution space both the electric and the gas side of the business. So it'd be rate case dealing with both of those. As we think about, basically we're going to step forward and true up some of the numbers that we have in place. We don't see this as being a hugely dramatic rate case, but one of the things that we do anticipate that will be addressed in this rate case is decoupling.

Our two businesses, on the gas side, we have a weather-normalization cost for the gas side of the business, which does a pretty good job at mitigating some of the ups and down that we see as we step through time, due to weather events. But on the electric side of the business, we do not have decoupling and that's one of the things that we will be pursuing in this rate case. New Jersey has a fairly strong interest in energy efficiency and certainly decoupling would also be a hand and glove process to work through and move forward within this rate case to enable some incremental energy efficiency investments coming through that's been coming from PSE&G.

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Another avenue that we look to do a fair number of our investments have been through clauses with the State of New Jersey. And we have been to the BPU in New Jersey for a number of clauses over the last decade or so, somewhere in the order of 15 clauses that we've worked through, mainly infrastructure-oriented, but also on the energy efficiency and on the solar side.

And we've worked with some other utilities in the state during this past year with the BPU to try to simplify the process that we have gone through to enable some of those clauses to get, put in place. And it's been described by some as a Straw proposal in the State of New Jersey. And in August, it moved through the BPU and moved into a 60-day comment period. And that 60-day comment period will come and go and we would anticipate by the end of the year, that this infrastructure proposal would be in place. Now what it essentially will do is provide the template by which these types of clauses and incremental investments can be pursued.

And so, I think incremental transparency is an outcome that we would anticipate by virtue of having longer programs, and also a known ability to go through with a mechanism by which these investment programs would be recovered. So, we see this as simplifying the process, making it more transparent, and I think a good outcome for the capital needs that the State of New Jersey has across all the different utilities.

Next item on the list is preserving the value of nuclear supply. So we have been talking about this for the vast majority of this year, and taking a look at where the market is, and taking a look at where our nuclear facilities stand within that market. What we have said to folks is that we are not earning our cost of capital on our nuclear facilities.

And as we look forward into time and if some of those three-year hedges end up rolling off, and we step into forward prices, we would anticipate that this situation is more likely to get worse than better. So, we have been in conversations at the federal level, at the regional level, and at the state level to acknowledge and make sure that people can understand the value that comes from these facilities.

And we see that value in the form of environmental benefits, not only from a carbon perspective, but from other emissions standpoint. We see it from the standpoint of fuel diversity and resiliency of the grid. If you think about our nuclear facilities, they're about 40% of New Jersey's use and over 90% of New Jersey's emissions free energy. So from those perspectives, they are a very, very, important part of New Jersey's energy mix.

They also have the benefit of keeping energy prices lower given their low cost of dispatch, and also they're very important locally. If you think about where they are in the State, the jobs that they provide, and what they do for the local economy, we think for all those reasons, there's an awful lot of value of having them continue to be around.

But as we look at the economic situation of those facilities, there's no guarantee that they will be. So, those conversations have taken place as I said, at the federal, regional, and state level to ensure that the value that these plants provide can be identified, captured, and ultimately paid to the units.

And then lastly, we talk about ensuring federal regulatory and policy framework. There if we think about some of the rules that we have in place and some of the pricing elements that we have in place largely in PJM, there are improvements that have been identified by PJM and others that we feel do need to be made. And you can think about this largely in the form of the price formation efforts that are going on at PJM.

So, things like inflexible units, not being able to set a marginal price, can result in uplift payments to particular units, but no increase in the overall price points that all units see. And so, efforts that PJM is pursuing, which I would argue are fairly consistent with what we've seen from the recent DOE report and other efforts in other areas to try to get the markets to work better, I think, will serve all generators well and that's another effort that we are working towards as we move through the year.

And the results of these efforts and prior efforts have allowed us to grow earnings by 4%. If we take a look back at this slide, back through the last five years or so, back through 2012 to current. And also, if we take a look on the dividend side, vitally important to our shareholders and we acknowledge that importance with the 4% growth that we have seen on our dividends over the last five years.

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As we've talked about dividends, we've talked about our desire to have consistent and sustainable growth in those dividends, and I'll show you slide later on, which will give you an indication as to what the dividend policy overall looks like.

So, move back to the utility for just a couple of minutes, and if you take a look at PSE&G's investment program and what it does for our overall rate base growth, what we are planning now for the next five years, and if we look at from 2016 and running through to 2021, over that five-year period, we've identified 7% to 9% compounded annual growth in rate base. If we think about the first three years of our plan, we've got a 9% CAGR. And running out through five years, that declines down to 7%. And I'll give you a little indication as to what drives that.

The slide here also shows the split between transmission and distribution. So you can see there's a fairly good balance between the two. And if we think about a single state utility with a single state regulator, having FERC regulation on that rate base gives us a little bit of diverse regulatory risk as well.

And then you can see that there's – as we move into 2021, there's also a bar in the far right-hand side, which goes beyond 2021. And I'll talk in another couple slides about some of the growth opportunities that we think we have as we step beyond the planned years more generally. But on balance, the system that we have is an older system, New Jersey is in an older area and there is no shortage of infrastructure needs that we have, both on the gas, on the electric side. And I'll touch on those as we move forward.

So, moving from that slide of a rate base to this slide of capital expenditures, we say that our baseline programs yield 7% compounded annual growth rate. So, this represents $12.3 billion capital plan over the next five years. And if you take a look at the bars that are on the slide, that represents this year's plan. There's also a black line that runs through, that represents last year's plan.

So, we step forward a year, we've identified incremental investments in each of the four years that are in common to those plans for incremental investment across the utility. And I talked earlier about the way that we plan. We think about what is in our plan, largely it is what we know, as opposed to what we know, plus a host of different investments that might come to pass.

So, the trajectory of capital that you see in our five-year plan does decline over time. And what we have done, if you look at history, is identified more investments as we step into the out-years of that plan to lift the back-end of that plan. And as I move in from this slide into the following slide, it shows what is I would say most known within the out-years of the plan as to what additional investments are out there for us to make.

Those additional investments take the form of extensions and expansions of existing plans that are in place. So, for instance, we have the largest cast iron system of any gas utility in the U.S. We have 4,800 miles of cast iron pipe, that's in the ground. And we move forward with the plan – with the program last year called GSMP, it's a Gas System Modernization Program to replace that cast iron. That was at a rate of about $300 million a year and at that rate, we'd have about 30 years of investment to replace all of that cast iron.

So, as we step from our base plan, which includes $300 million to replace all that cast iron throughout the five years of a plan, we have proven through the work that we've been doing that we can do more than. So, part of what we get us from our $12.3 billion base plan up to what you see here is $13.8 billion incremental plan, which would serve to move us to 9% CAGR from 7% CAGR would be to upsize that Gas System Modernization Program or replacement of those pipes from a rate of $300 million a year to $400 million a year.

And the filing that we just made in July with our state regulator is for $2.7 billion over five years, so that rate is $540 million. So, there's the potential for incremental spend above this $13.8 million that you see to the extent that that would be approved in full.

A second component that would look to raise the overall capital spend that you see in this – in our base plan up to the $13.8 billion would be related to energy efficiency and solar. So, we are targeting to invest an incremental $400 million in energy efficiency and in solar over the last three years of the plan, that would also contribute to getting us up to the $13.8 billion target.

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And then, there's a third leg of that still which would increment further the plan up to the $13.8 billion and that would be the next phase of our Energy Strong program. So, prior to Harvey, prior to Irma, we had superstorm Sandy here in New Jersey and we came forth with $2.6 billion of $3.7 billion aggregate amount of spend that we thought was necessary to make improvements to add to the resiliency of our own grid. $1.2 billion was approved.

So, embedded within this back-end of our plan is three years and $800 million of spend that we would anticipate from a filing that would probably take place later this year to do the next stage of the resiliency of the grid in New Jersey. So, a couple of existing types of work that are being done to be extended out and/or expanded upon is what will drive us to a continuation of 9% growth in our rate base as we step forward over the next five years.

And then, this next slide gives a little bit of an indication as to what I talked about on an earlier slide when I look beyond 2021. And the way that I think about this says is, it lays out in the first two boxes the kind of work that has been done on the system over the last five years and what we see in front of us for the next five. And I will tell you that most of that work is very infrastructure-oriented, it is basically – basic blocking and tackling that's in front of us, things like replacing cast iron mains that are in the ground in New Jersey, which is going to go on for some period of time.

Above and beyond that different types of investments that we are calling Utility of the Future still await us. Items like AMI which we really have not moved into at all, like electric vehicle charging stations, like microgrids and anything that really is more expansive of the way the things are done really are not in the existing base plan as we look at it right now.

So, with that spend awaiting us, we see the ability to continue to invest at a similar rate as we have in the past as we go beyond the next five years. I'll move over to the Power side of the business. We gave a little bit of indication as to what the business looks like now on the bottom of the page and what it will look like on a go-forward basis on the top of the page.

So, on the bottom left-hand side, we give an indication of the aggregate capacity of the fleet right now at 11,600 megawatts. And as we step forward through time, we don't see an awful lot of megawatt growth based upon some retirements in place to Hudson and Mercer facility being replaced by new efficient gas combined-cycle units at our key facility in Maryland, at Sewaren in New Jersey and Bridgeport in New England.

But on the right-hand side, if you take a look at what those units will produce, we anticipate about an 18% increase in the aggregate output of the fleet. So, having the more efficient fleet, the more flexible fleet will enable us to increase our output and increase the amount of the output which is coming from natural gas.

And if we also take a look at what we've seen from the capacity market standpoint, very important for our fleet, in particular, especially with PJM in New England having a forward capacity auction, you can see the pricing that we are receiving in these markets which is north of what you see for the rest of pool. And basically, that transparency and the value that this has brought to our assets as a result of those payments is a big part of what Power relies upon as they step forward over the next three years.

There has also been a modest change that PJM has announced related to some of the measures that they use as they go into the next auction. And we talked a little about this last year about the Con Ed Wheel going away. So, Con Edison would wheel power down into New Jersey and then across the Hudson River into New York City as a way to make sure that there is sufficient power for New York City. That arrangement ended earlier this year, and as a result, the parameters that are put forth in advance of the capacity auction that were updated prior to this past year's capacity auction.

And we talked recently about the fact that that made up for some of what happened with the wheel, but there was likely to be some incremental changes that would happen to those parameters and to the CETO/CETL transfer limitations as you move from area to area within PJM.

And recently, PJM has put forth that in large part because of the non-firm nature of some of the flows of electrons between the different areas, there have been some changes that will look to tighten up the transfer limitations between some of the LDAs within MAAC, EMAAC, PS Zone and PS North. So, we'll see what those look like when they end

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up putting the parameters out for next year's auction, but we will see some changes as we step forward into the next auction.

And then, on the bottom of the page, you can see in New England, the Bridgeport Harbor station that I referenced earlier. When that cleared the auction, that was the beneficiary of a seven-year lock-on capacity prices. So, the bottom of the page lays out that $231 of megawatt day for seven years, that's what that unit will see, from a capacity standpoint. So, a healthy capacity stream that Bridgeport will see in its first seven years.

And if we look at Power as a whole and if we look in particular at the free cash flow that's coming from Power as a whole, you can see that it is dominated in the first couple of years by the construction program of the three combined-cycle units. So, the left-hand side of this page shows Power's five-year capital program, the orange bars represent the combined-cycle construction program.

As that comes to an end in 2019, we'll move to more of a steady state capital amount of about $200 million a year at Power. So, a sizeable decline in the overall capital spend, which will free up considerable cash flow for PSE&G. And if you take a look on the right-hand side, basically that lays out the $13.8 billion higher capital program, which will be funded by debt at PSE&G, but also from capital contribution which will be sourced from the free cash flow from Power.

And moving on to O&M, if you take a look in the aggregate at the enterprise level, a lot of focus on O&M at PSEG. We work extremely hard on an ongoing basis I would say less programmatically and more every day, every month, every year, as we step through our normal business operations to manage costs. And basically, the proof in the pudding is what you see here on this slide, as you look at 2012 to 2017's O&M, our O&M CAGR has been flat at 0.0% increase.

And the one item that you do see on the page, this is a higher O&M growth is within our transmission business. Frankly given the magnitude of construction that's gone on at transmission, some of the removal of the old transmission units ends up falling into O&M. So I'd say, by no means, it has had the result of any inefficiency related to how the transmission business is run. What I would say is much more about the removal of existing assets that end up working their way into O&M. So, O&M has been a focus, will continue to be a focus for the business as we step forward.

And then if you take a look right here what this next slide shows is the trajectory of our earnings over the last number of years, and maybe as importantly, the overall contribution to the earnings that we have seen over the last number of years. So, if you go back to 2012, PSE&G contributed 43% of our total earnings contribution and as you step in to the midpoint of 2017's guidance, as I mentioned earlier, 66% of the company's earnings contributions will come from the regulated side of the business. And as we step forward beyond that and take a look at the overall capital mix of the companies, you would expect to see that trajectory to continue to go in that direction.

And then one final slide on dividend. This also is a look back at the dividend that we have paid over the last number of years. That shown in the bars is also a line that is superimposed on top of those bars. What that line represents is the earnings of PSE&G-only, placed on top of the bars which is the dividend that is paid at Enterprise. So, what this serves to show is that the entire dividend of PSEG can be covered by the earnings of solely PSE&G, so the baseline of earnings that sits behind the dividends are very strong, very steady and growing from the standpoint of PSE&G's earnings contribution.

And our last slide is our first slide repeated. So, that kind of wraps up the story for PSEG. I'll be thrilled to take any questions anybody may have.

Q&A

<Q>: Terrific. So, there's a microphones in the room that will be going around and I'll start it off. So, couple of things on the policy front-end. There has been talk about New Jersey reengaging in RGGI and then also some talk legislatively about whether or not a zero emission credit program might be in order. Can you talk us through some of the – what are the steps to get those things done and what is the calendar look like the balance of this year and into next?

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<A - Daniel J. Cregg>: Yeah. Sure. So, maybe first on RGGI. And you may recall that RGGI is Regional Greenhouse Gas Initiative. It involves New England, New York and then a very little bit of PJM and our existing governor took us out of the RGGI program a number of years ago. The overall RGGI pricing was fairly low and the impact that it was having, it was kind of put in place initially as a bridge to a national carbon program.

There is interest in the state by both gubernatorial candidates or in a gubernatorial election year to come back into RGGI. And if we think about it, maybe if I think about it coupled with the other questions that's there from a standpoint of nuclear, nuclear is obviously not a carbon emitter, so RGGI would be on balance helpful for nuclear.

But if you take a look at where overall pricing is coupled with the fact that there is a leakage issue, what I mean by a leakage issues is if you take a look at PJM as a market and New Jersey being in RGGI or maybe being back in RGGI and as neighboring states not being there, then some of the impact on ultimate pricing will be watered down by virtue of the fact that you're going to have units that are burdened by a carbon price and instead are not burdened by a carbon price on the same market.

So, I think it will take the next governor for us to come back into RGGI, I think that the likelihood is probably high because both have expressed an interest in it. But if I think about the overall impact, given the fairly low prices and the existing leakage issue, which PGM has some plans to seek to correct, but nothing is in place right now. I would consider that probably a modest impact overall on nuclear and on the market as a whole.

More broadly, with respect to nuclear, we've talked a fair bit about the existing economic situation within nuclear. And I've worked at the federal level, I've worked at the regional level, and I've worked at the state level, really to get people to understand the nature of the problem and ultimately to work through some kind of a fix to provide the economic payment for the value that nuclear provides.

I think that there has been progress in all of those venues. But I think from a timing perspective, much as we have seen in Illinois and in New York, the most likely quick response, would be, or the fastest of the three jurisdictions, would be at the State much like in Illinois and in New York.

So in New Jersey, the fix would end-up being a legislative fix rather than a regulatory fix. And we don't have an existing legislative session. Our next legislative session would be [indiscernible] (30:52) session after the gubernatorial election. So, basically the months of November and December. So, that would be the next opportunity for legislation. Beyond that, you would be into 2018 and the first legislative session starts in January of 2018 after that.

<Q>: Thank you. Other questions for Dan? You have one there.

<Q>: Yeah. Hi. Can you talk a little more about the decoupling proposal that you're going to make in the case? And kind of how that's coming together, kind of the evolution of it?

<A - Daniel J. Cregg>: Yeah. So, I think the – maybe one way to think about it is that that there is some interest in the State, and I think about New Jersey's desire to have more of a green element within the overall power structure. It's limited somewhat by virtue of our renewable resources. So, we're not Arizona with deserts and as much sun profile. Our wind profile is not durably strong certainly on land, and the offshore wind has some economic challenges to it. So, I think that our best mechanism to ensure that we are as managing our environment as much as we can, can come from energy efficiency.

In energy efficiency, obviously, to the extent that you have the utilities involved in that, there's a disincentive to reduce load to the extent that that you were involved in the business. So, I think there's an acknowledgement that the decoupling aspect is more enabling of the energy efficiency. And if you take a look at aggregate load growth which is basically pretty flattish, it's a sensible approach for us to make. The details of that are not out, but they'll be part of the rate case filing that we'll do on November 1st.

<Q>: All right. The company has talked historically about potentially separating PSE&G and PEG Power (sic) [PSEG Power]. Can you update us on those talks?

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<A - Daniel J. Cregg>: Yeah. And I don't think that there really is much of an update on that front. We've basically talked about the fact that there are benefits of the company being together and frankly, the one slide that I showed really punctuated that. If you take a look at the overall cash flow availability from Power and the capital appetite of PSE&G, and Power being a source of value for investing the equity piece of our capital program at PSE&G.

I think the ability to share costs across both sides of the business is also there as well. And also, little bit of symbiotic bill relationship, right? So, as you have Power prices come off a little bit, it may be a time for you to be able to, for the build to absorb some of the capital that the system really does end up needing. And to the extent that those dynamics were to change and drift, you could see a little bit more of an interest in some separation. But, right now, I think what we see is it still supports us being together. It's something that we look at like a lot of different strategic aspects of what goes on with the business. But we see those advantages stand together as well.

Unverified Participant

All right. I don't see any other questions. So, we do have a breakout session in Liberty Five, that Dan will be at. But with that, thank you very much, Dan, for sharing your story with us.

Daniel J. Cregg

Thanks, Dan.

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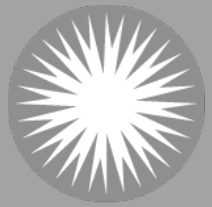
Barclays Investor Meetings

EUROPE – NOVEMBER 20-22, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04534

PSEG

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

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Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition from certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-04536

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-04537

PSEG OVERVIEW & OUTLOOK

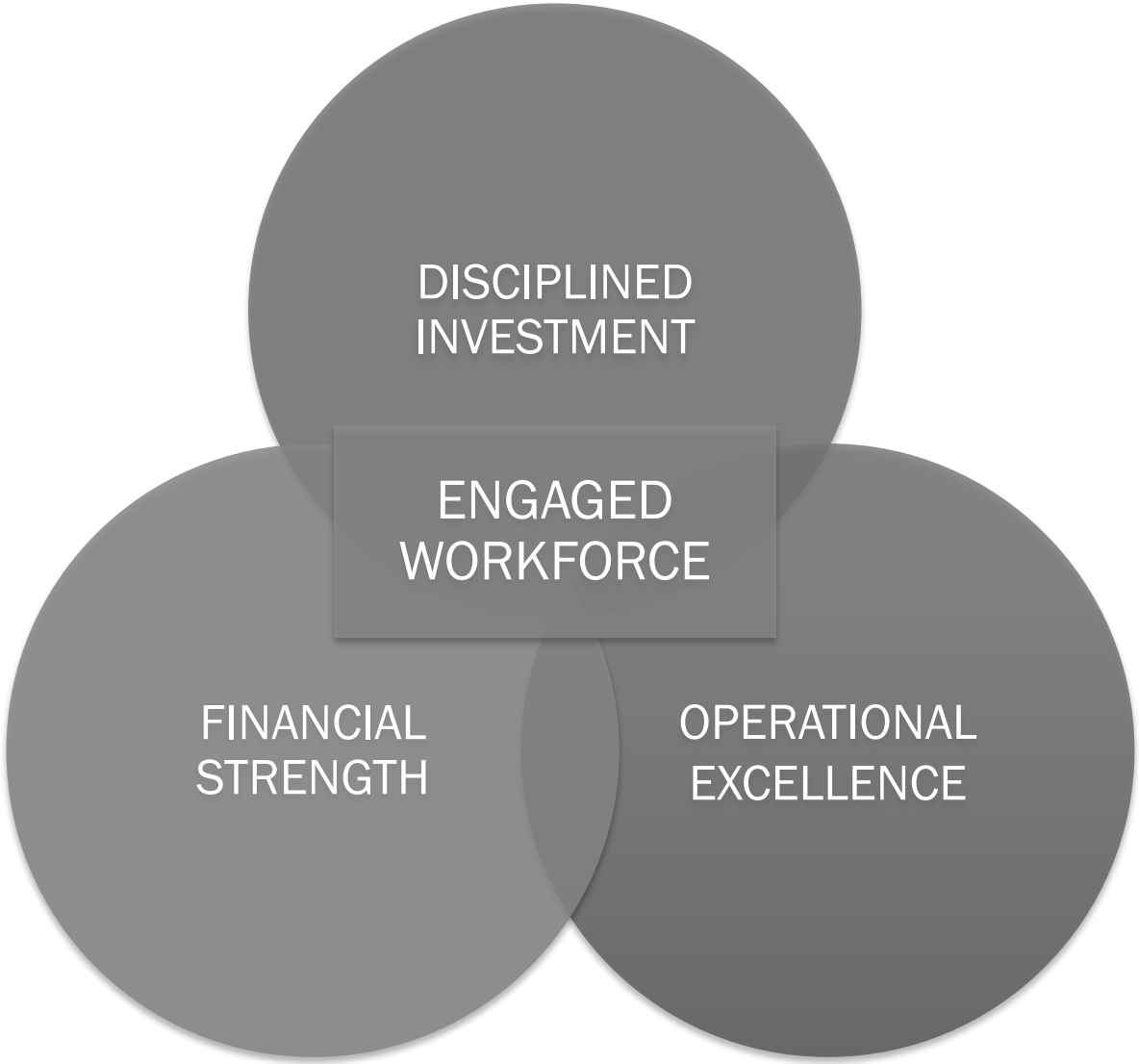
PSEG

We make things work for you.

SI-SSA-0015-04538

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-04539

PSEG meeting the market's challenges

with our strong platform of assets

Electric & Gas Delivery and Transmission

PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017

Assets $19.2B
Operating Earnings $528M

Regional Wholesale Energy

PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible

Assets $11.0B
Operating Earnings $644M

Renewable Investments

PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities

Assets $1.5B
Operating Earnings $64M

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-04540

PSEG Focus

Operational excellence and disciplined investment helped reduce exposure to power markets

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp	• 0.8% (actual[2]) • $2,500 • $955 • $888
• 1.6% • 29.3TWh • $0	• EFORd Rate - CCGT • Nuclear Generation • Holdings Solar Investment	• 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-04541

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

SI-SSA-0015-04542

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-04543

76 local NJ towns and 9 counties support

- 76 municipalities and nine counties (Bergen, Essex, Hudson, Mercer, Middlesex, Passaic, Somerset, Union and Salem) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

SI-SSA-0015-04544

Our $3.4 billion transmission investment program drives double digit earnings growth at PSE&G through 2015 and includes…

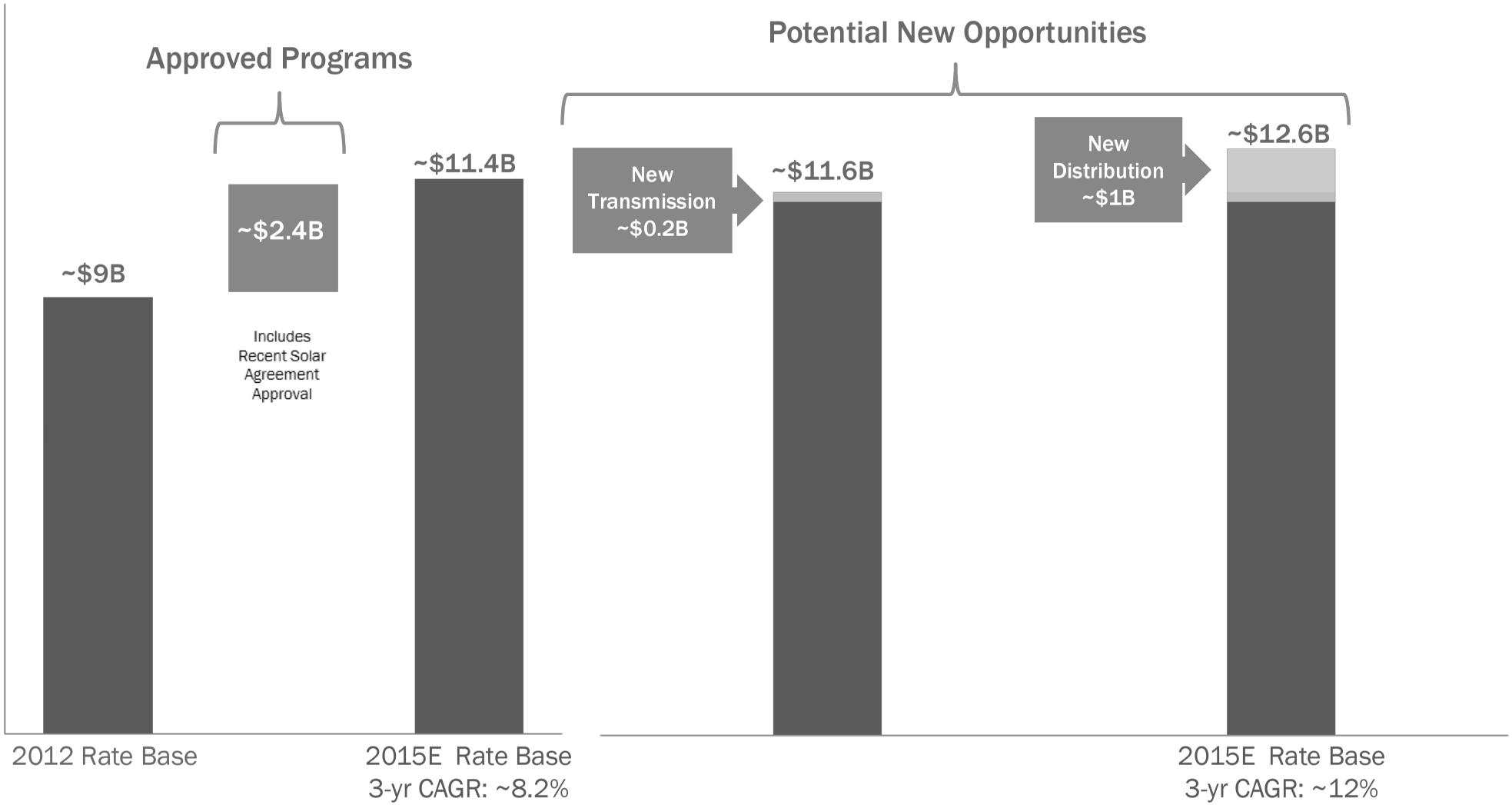
PSE&G's Five Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 /June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-04545

PSE&G's capital spending supports regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth

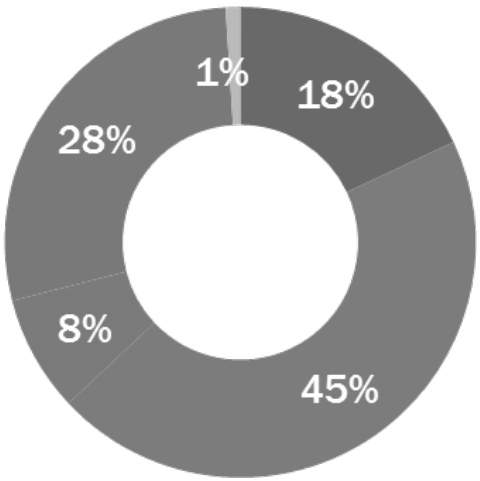


DATA AS OF JUNE 30, 2013. E = ESTIMATE

SI-SSA-0015-04546

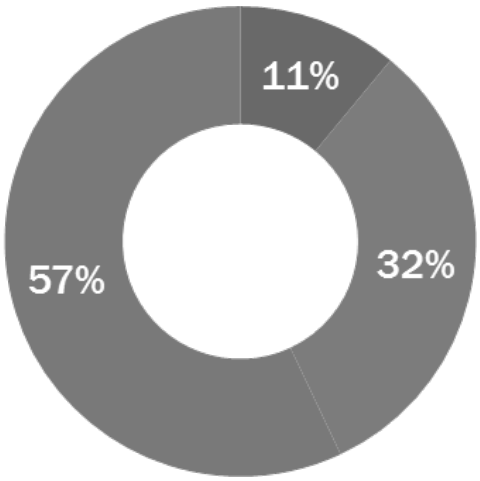
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

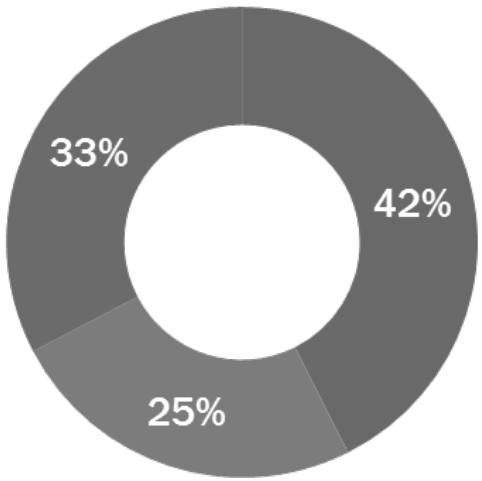


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



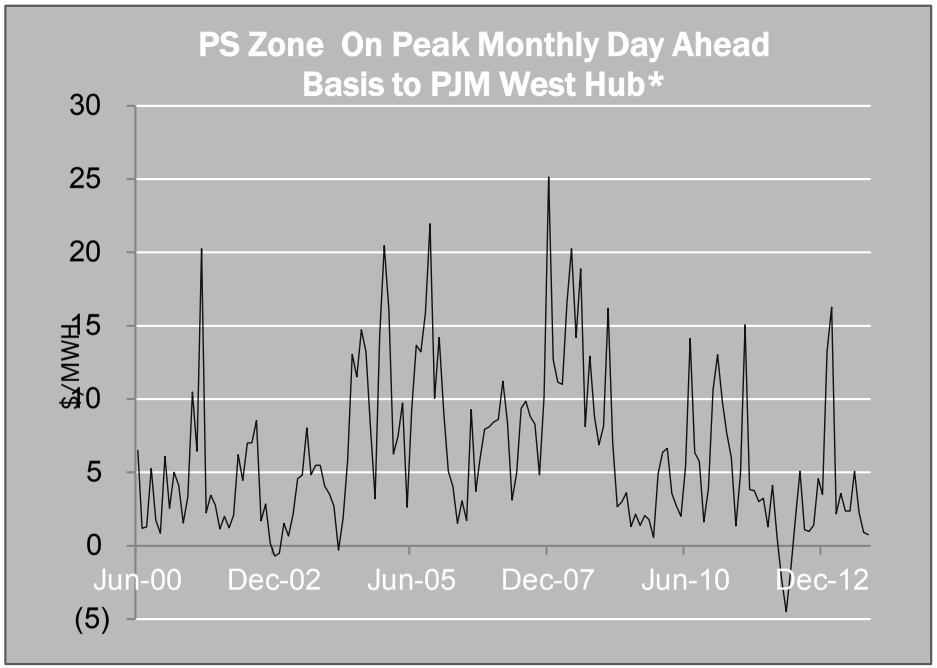
- Intermediate
- Peaking
- Base load

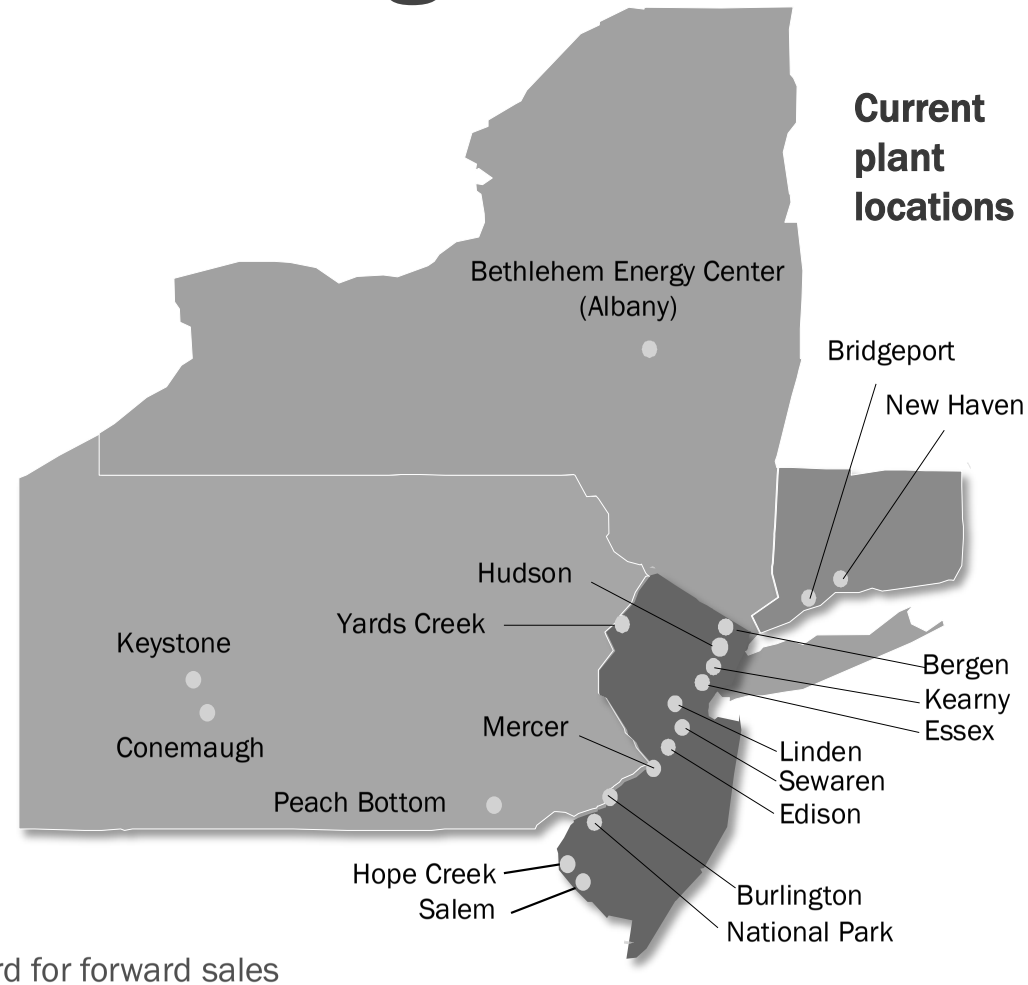
*2012
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04547

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility may remain significant in the prompt periods
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

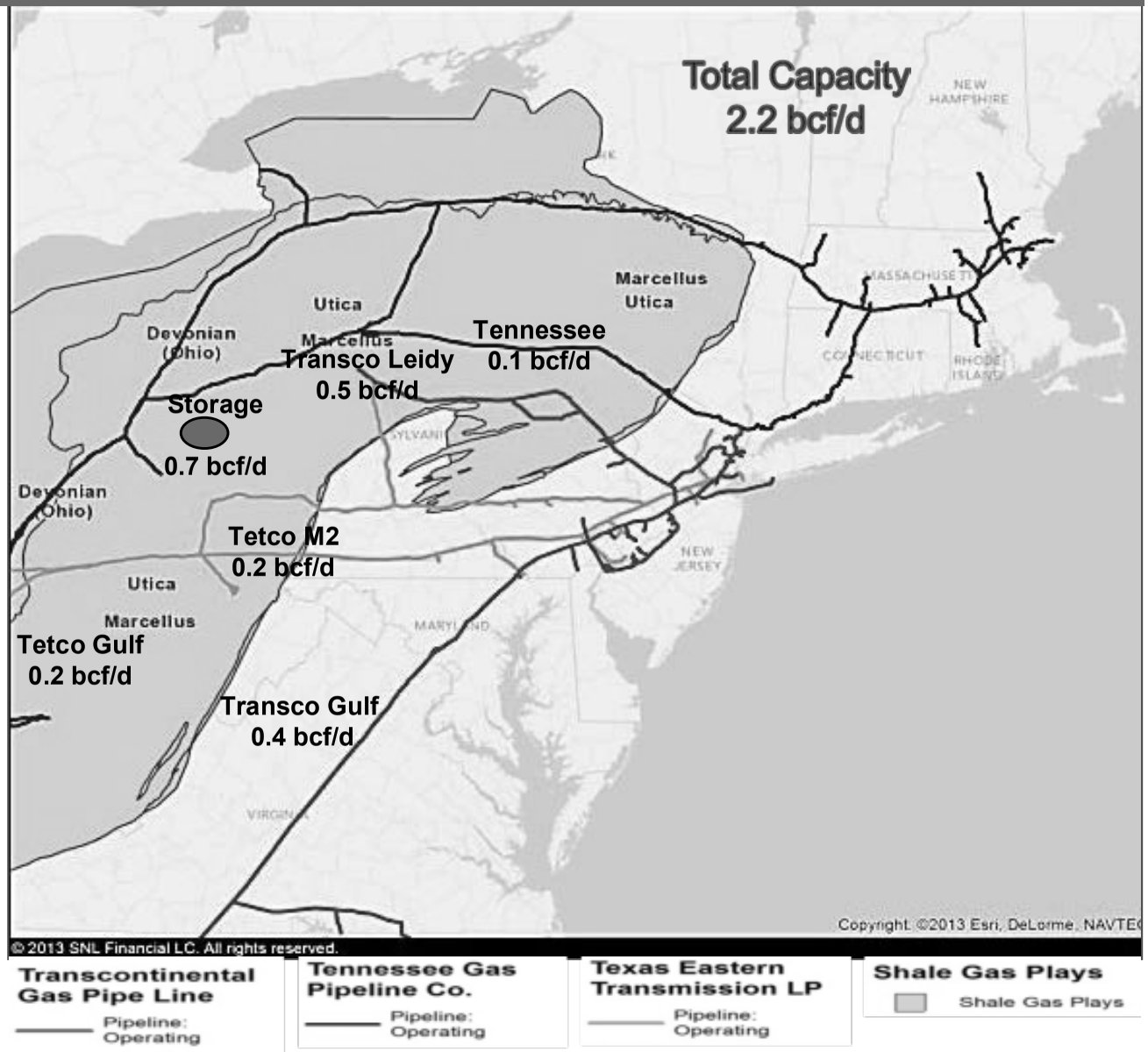
SI-SSA-0015-04548

*AS OF OCTOBER 31, 2013.

PSEG's locational advantage

PSEG Pipeline and Storage Capacity

- PSEG is well positioned to realize supply cost advantages from the shale deposits in PA and OH
- The majority of Power's pipeline capacity goes through the shale regions or emanates from locations in the region
- The lowest cost supplies have come from the Tennessee 300 line in northeast PA and the Transco Leidy line in central PA
- Power also has significant Texas Eastern capacity in southwest PA, the next region to develop
- Availability of a robust gas portfolio of storage and pipeline capacity primarily benefits PSE&G's gas customers and then Power, as conditions permit
- Power buys approximately 350BCF/year of gas



SI-SSA-0015-04549

Investing in Power to expand CCGT capacity

and improve efficiency

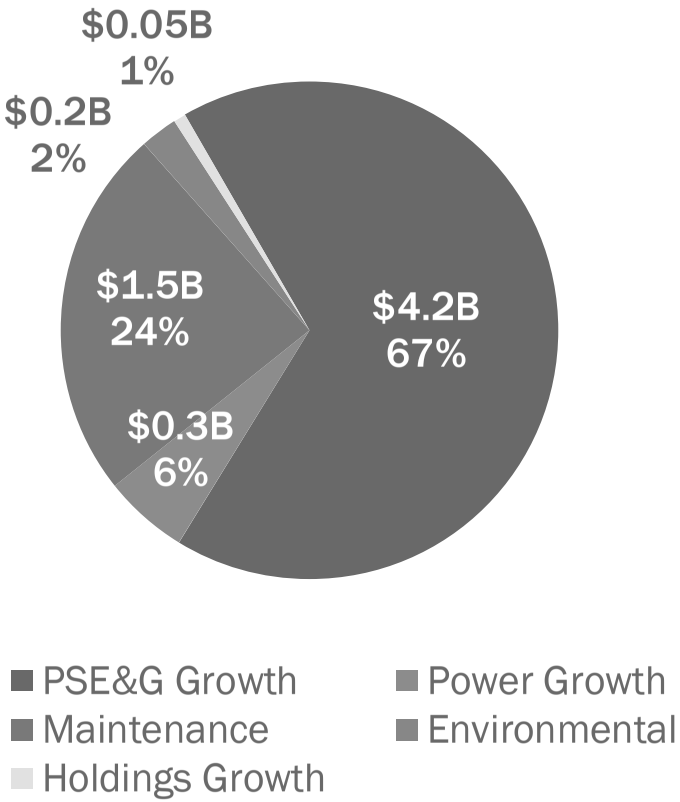
PSEG Power - CCGT Uprate Project
○ Over 2014–2018, retrofit Bergen, Linden and BEC (GE CCGTs) with Advanced Gas Path (AGP) components ○ Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs ○ Potential project investment of ~$120 million over the 5-year period

AGP Project Benefits
✓ Expands CCGT capacity by over 150 MWs: Base MW's increase by 3.5% (112MW) with an additional 40 MWs of peak-firing capability ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2% ✓ Extends maintenance outage cycles and upgrades technology

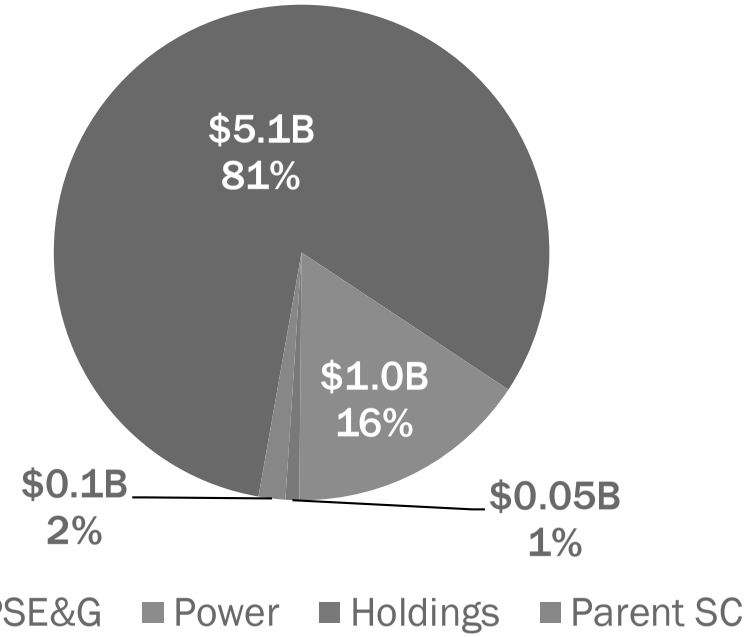
SI-SSA-0015-04550

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

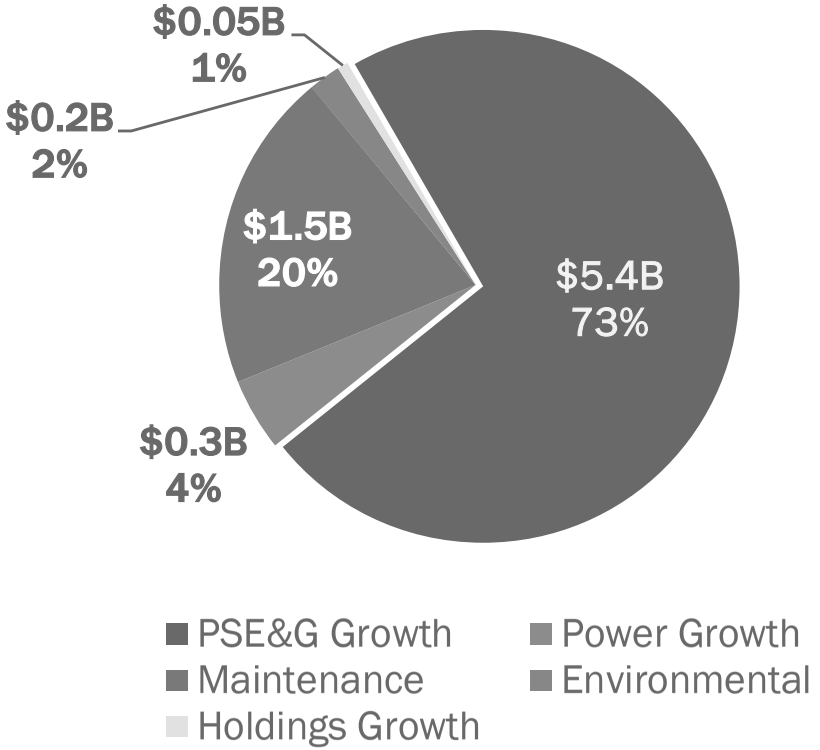


E = ESTIMATE; CAPITAL EXCLUDES AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

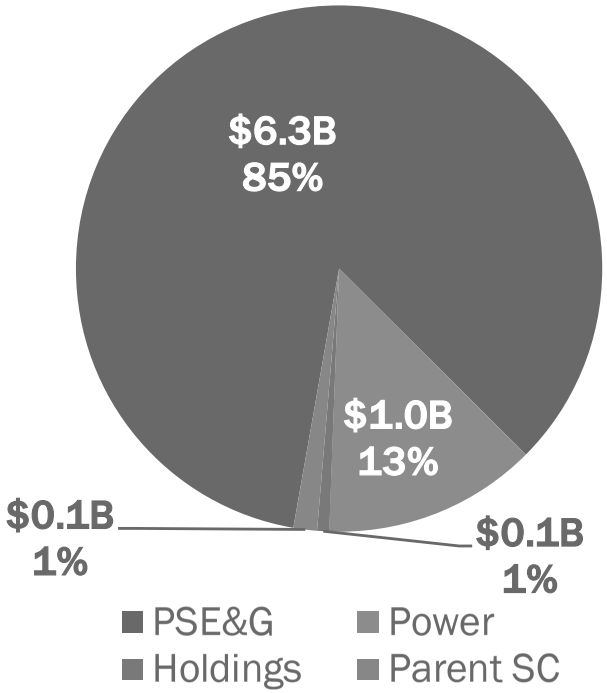
SI-SSA-0015-04551

What's Next: PSEG's Capital Spending expansion opportunities directed toward growth in regulated business

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



SI-SSA-0015-04552

E = ESTIMATE; CAPITAL EXCLUDES AFUDC. *DATA AS OF JUNE 30, 2013.

Operating Earnings in 2013 benefiting

from return on transmission and Power's locational advantage

Nine months ended September 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 580	$ 523		$ 1.14	$ 1.03
PSE&G	468	453		0.92	0.89
PSEG Energy Holdings/ Enterprise	13	53		0.03	0.11
Operating Earnings*	$ 1,061	$ 1,029		$ 2.09	$ 2.03

SI-SSA-0015-04553

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Strength in YTD operating earnings supports increase in 2013 guidance

Based on our performance year-to-date, we have raised guidance for full year operating earnings from $2.25-$2.50 to $2.40-$2.55 per share

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013E**
PSEG Power	$644	$630 - $685
PSE&G	$528	$585 - $600
PSEG Energy Holdings/Parent	$64	$0 - $10
Operating Earnings*	$1,236	$1,215 - $1,295
Operating Earnings Per Share	**$2.44**	**$2.40 - $2.55E** ***Guidance***

SI-SSA-0015-04554

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015 with growth in transmission to 40% of rate base

PSEG Focus

($ millions, except as noted)

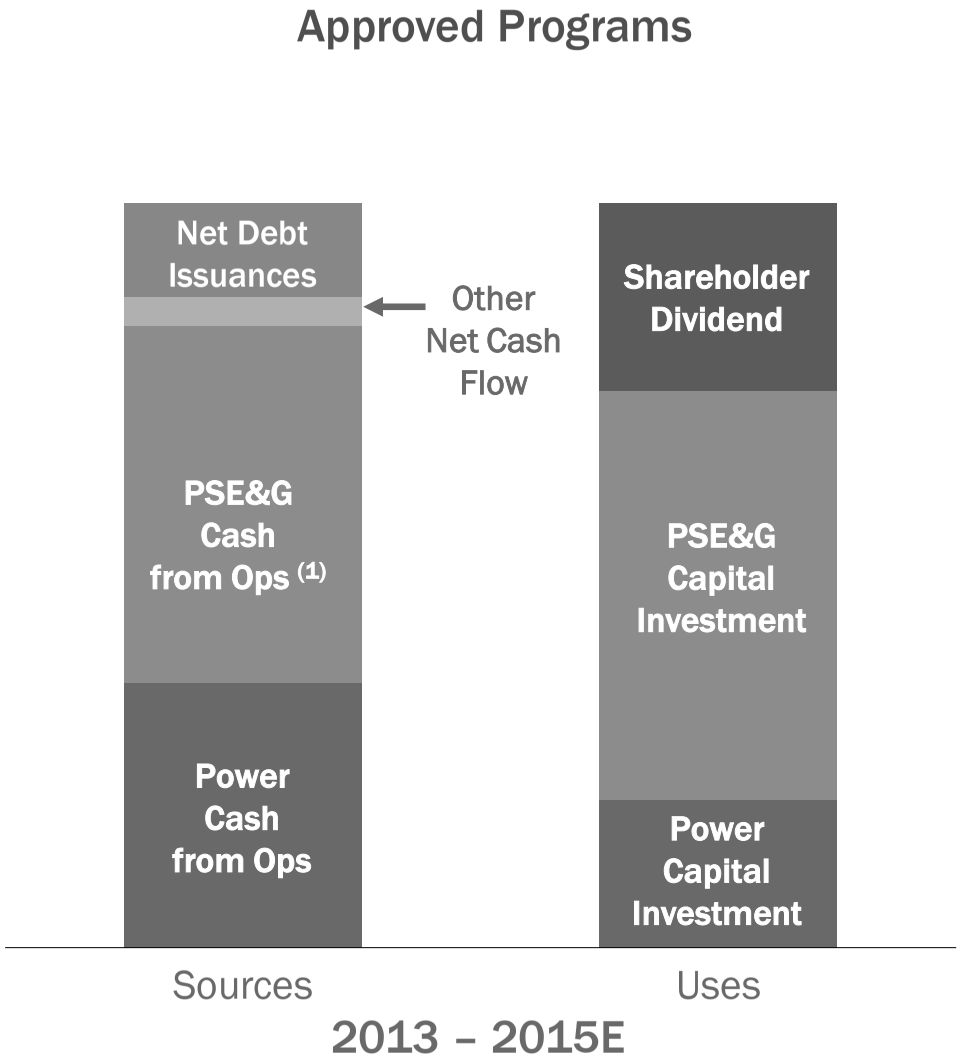
2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $15-$20[6]

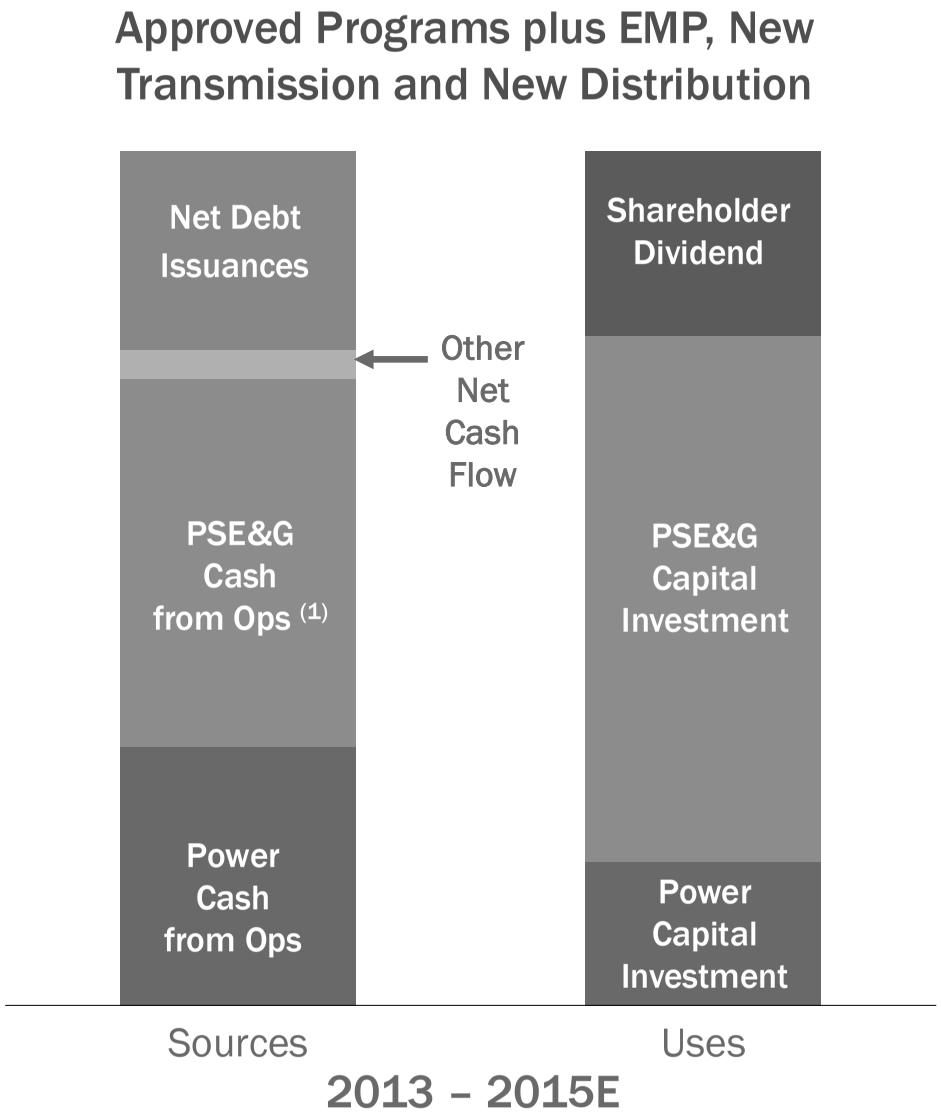
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes approved solar programs and proposed ES programs.
(6) Reflects a fully-executed, expanded Operating Services Agreement with LIPA.

E = ESTIMATE.

SI-SSA-0015-04555

All scenarios can be financed without new equity





(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

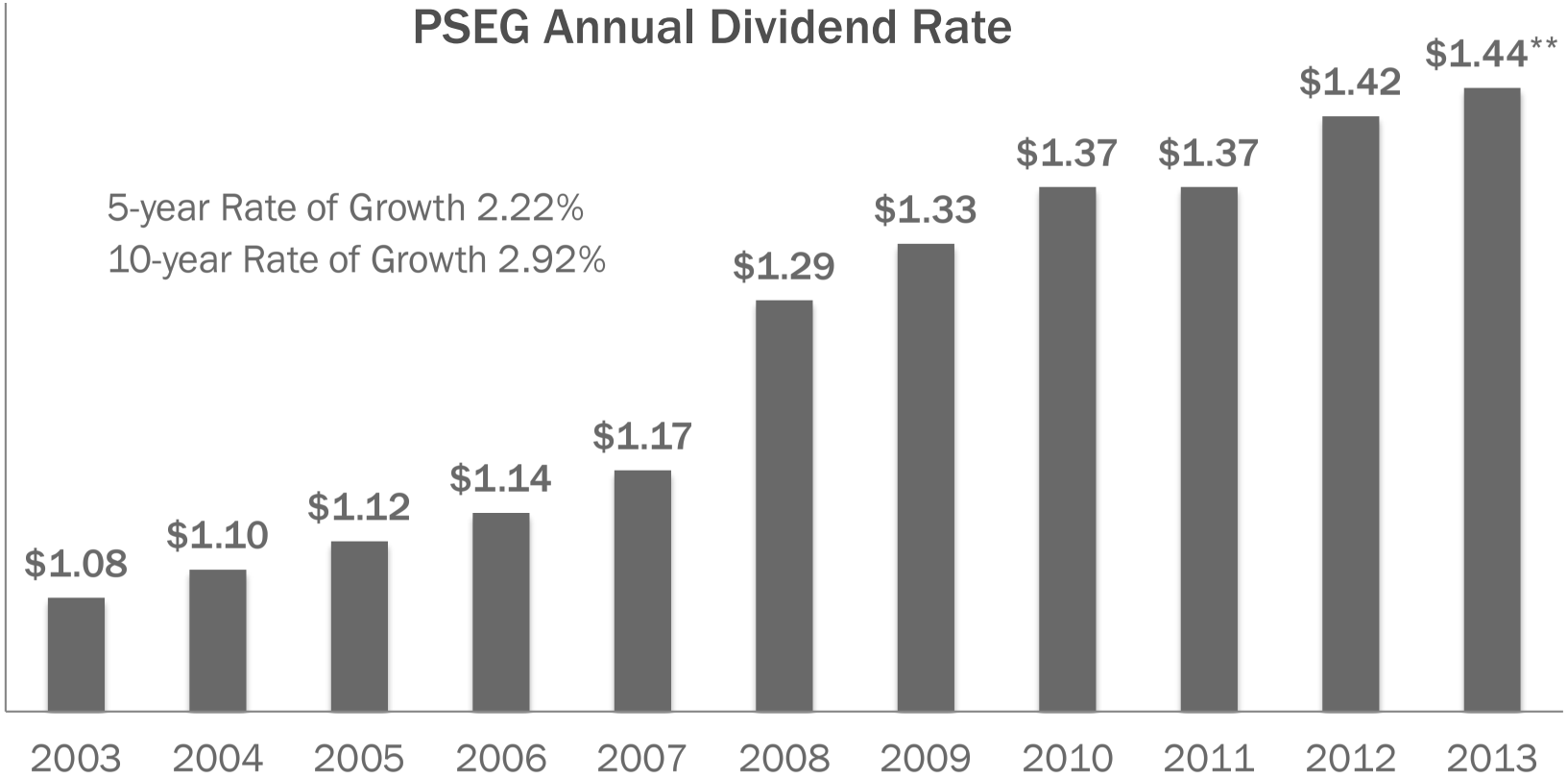
EMP: ENERGY MASTER PLAN

E = ESTIMATE

SI-SSA-0015-04556

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	58%*

SI-SSA-0015-04557

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-04558

PSEG

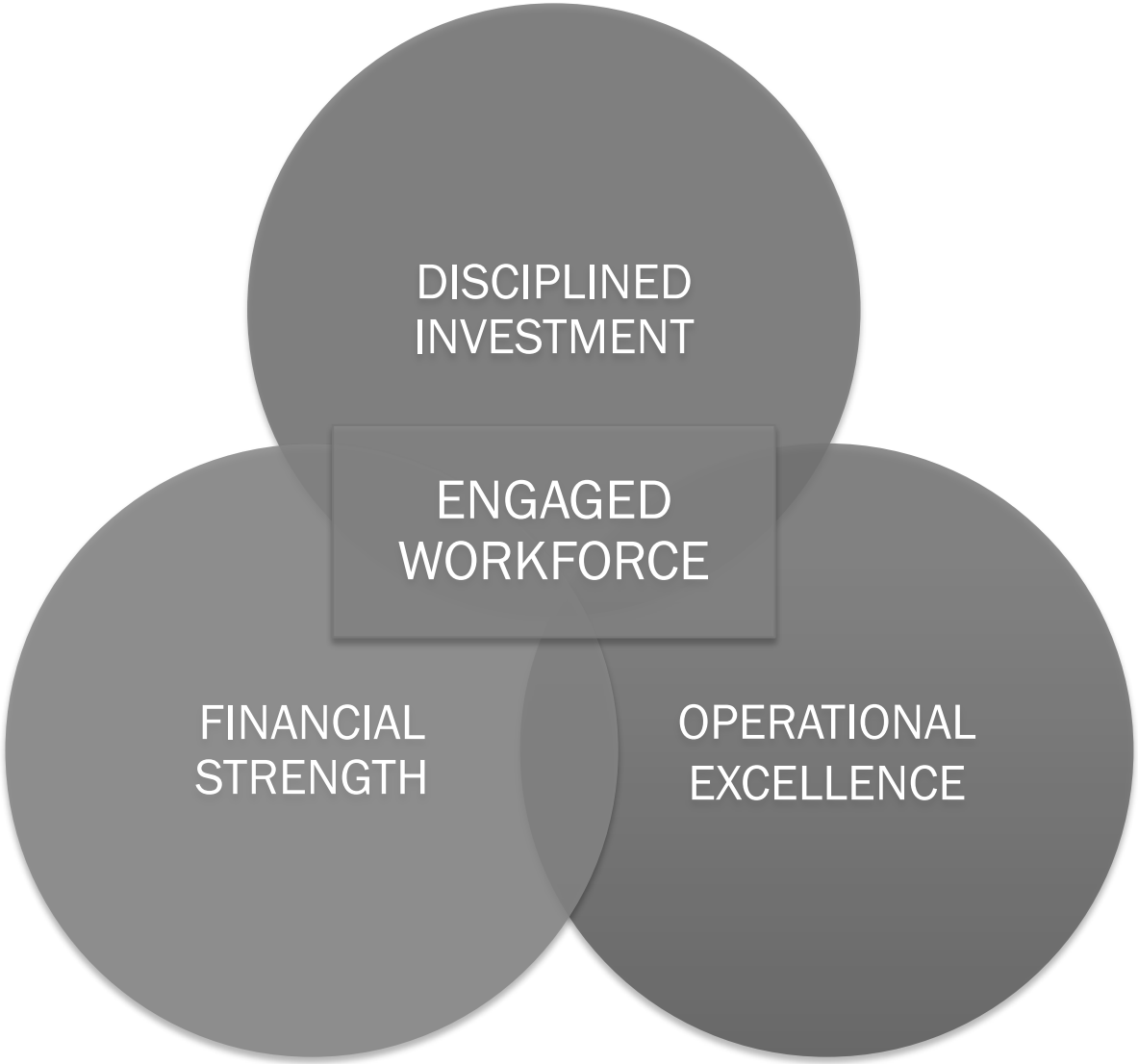
We make things work for you.

PSE&G

SI-SSA-0015-04559

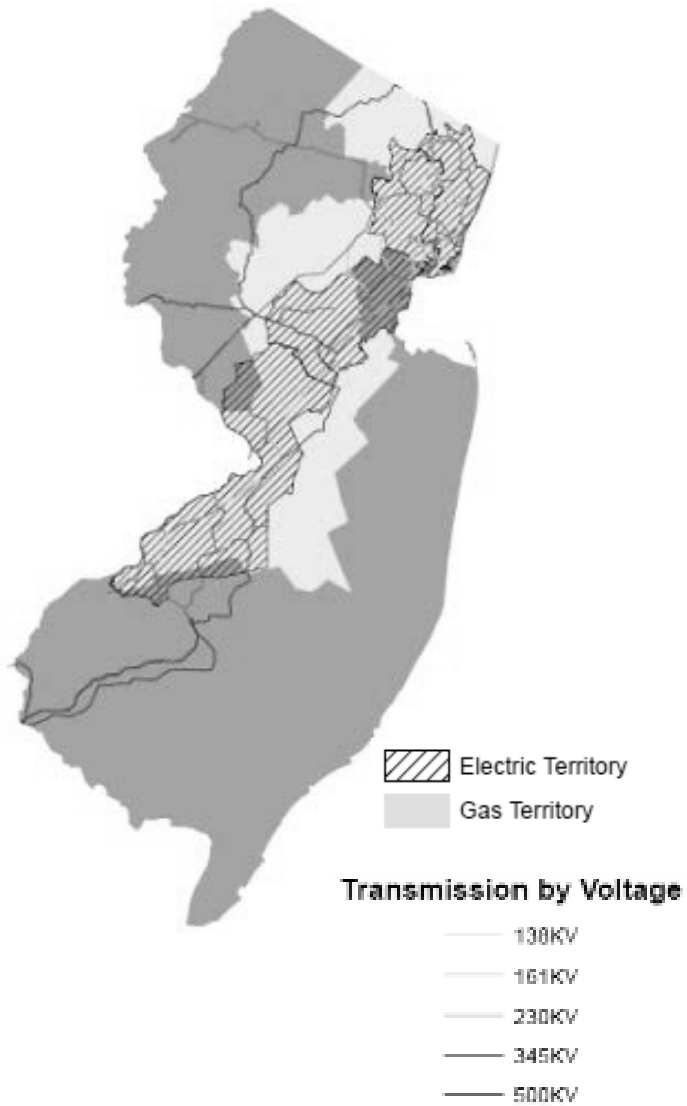
PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns



SI-SSA-0015-04560

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-04561

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

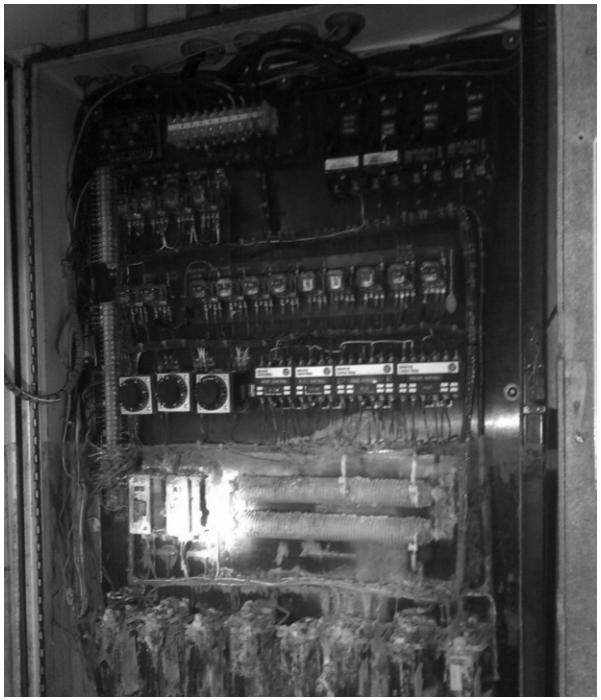
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-04562

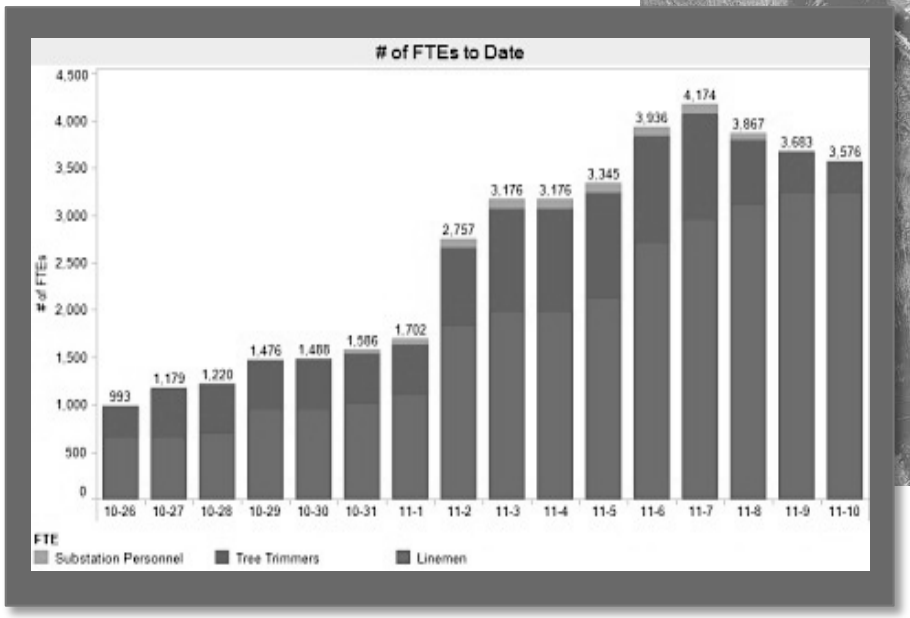
During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-04563

PSE&G brought in more than 4,000

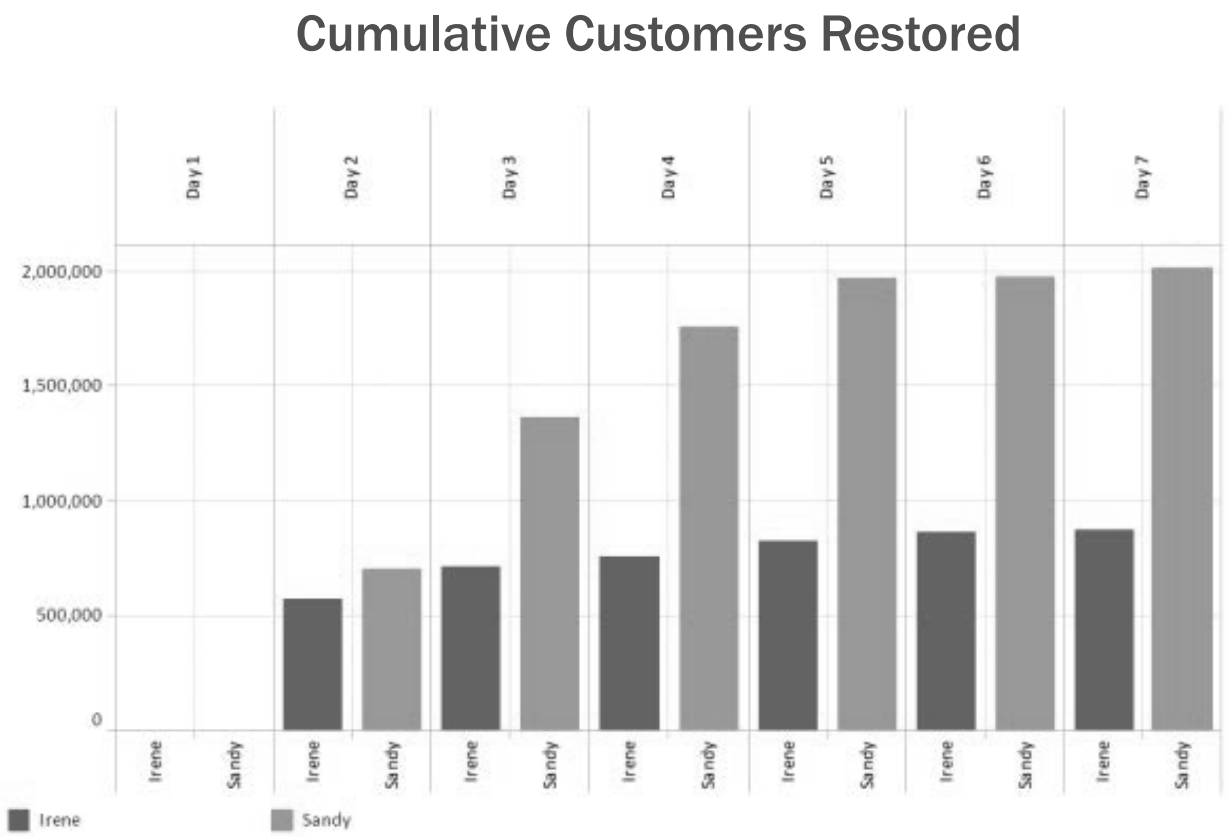
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-04564

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-04565

PSE&G's operating earnings grew ~10%*

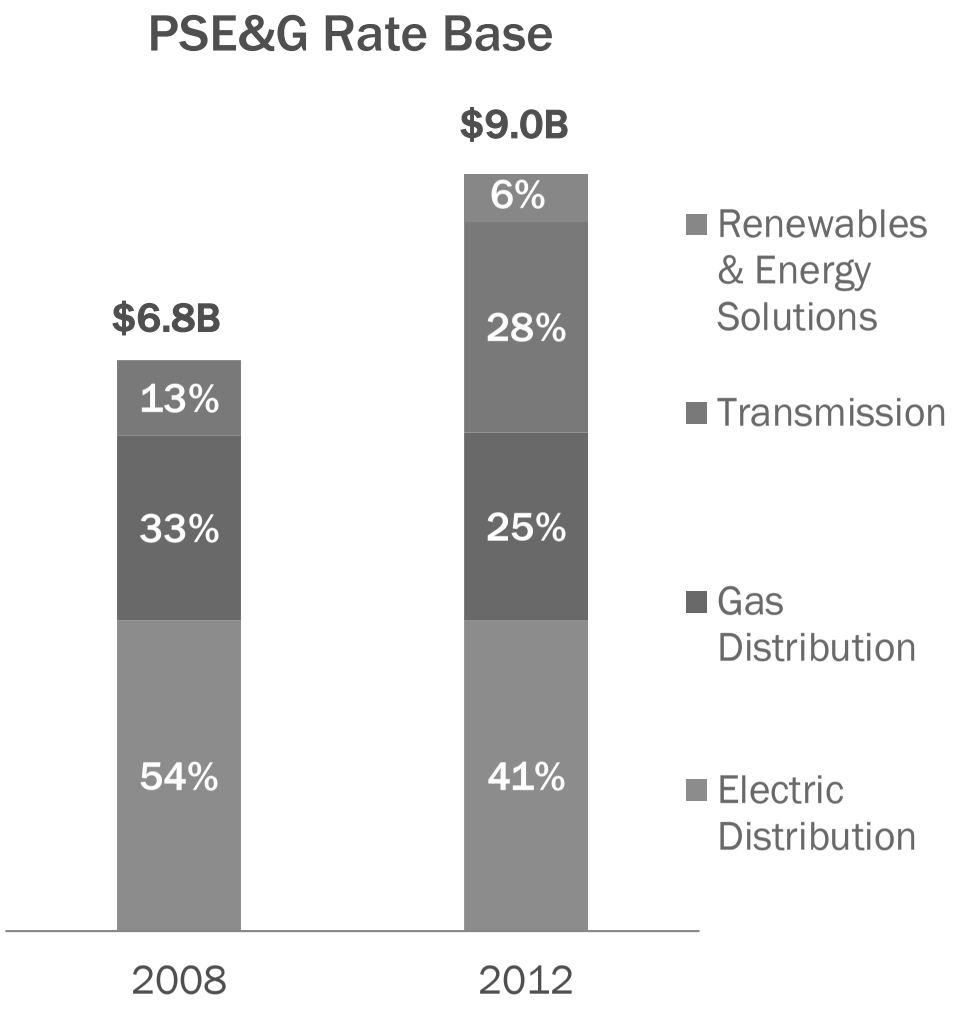
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-04566

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

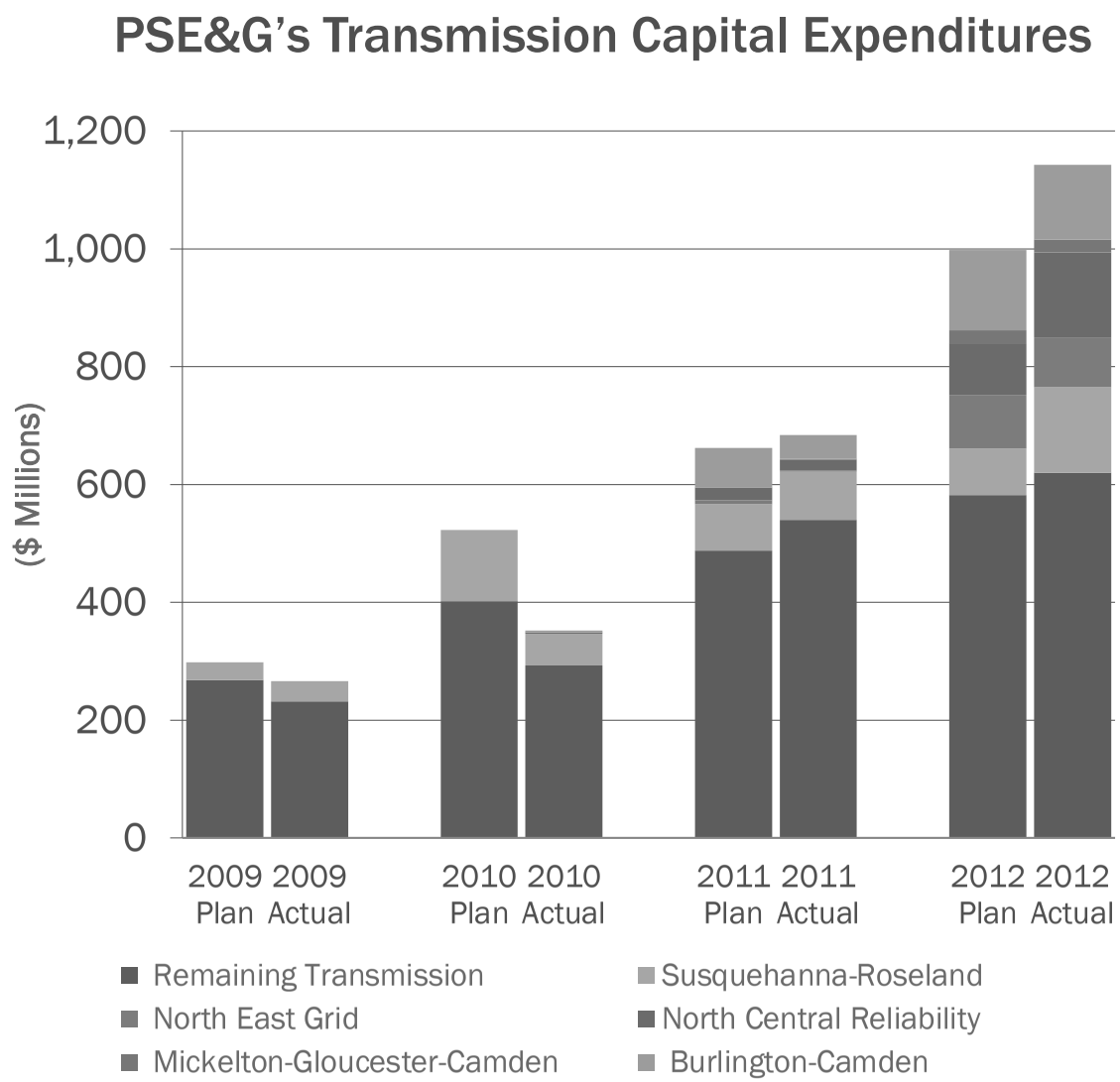
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-04567

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-04568

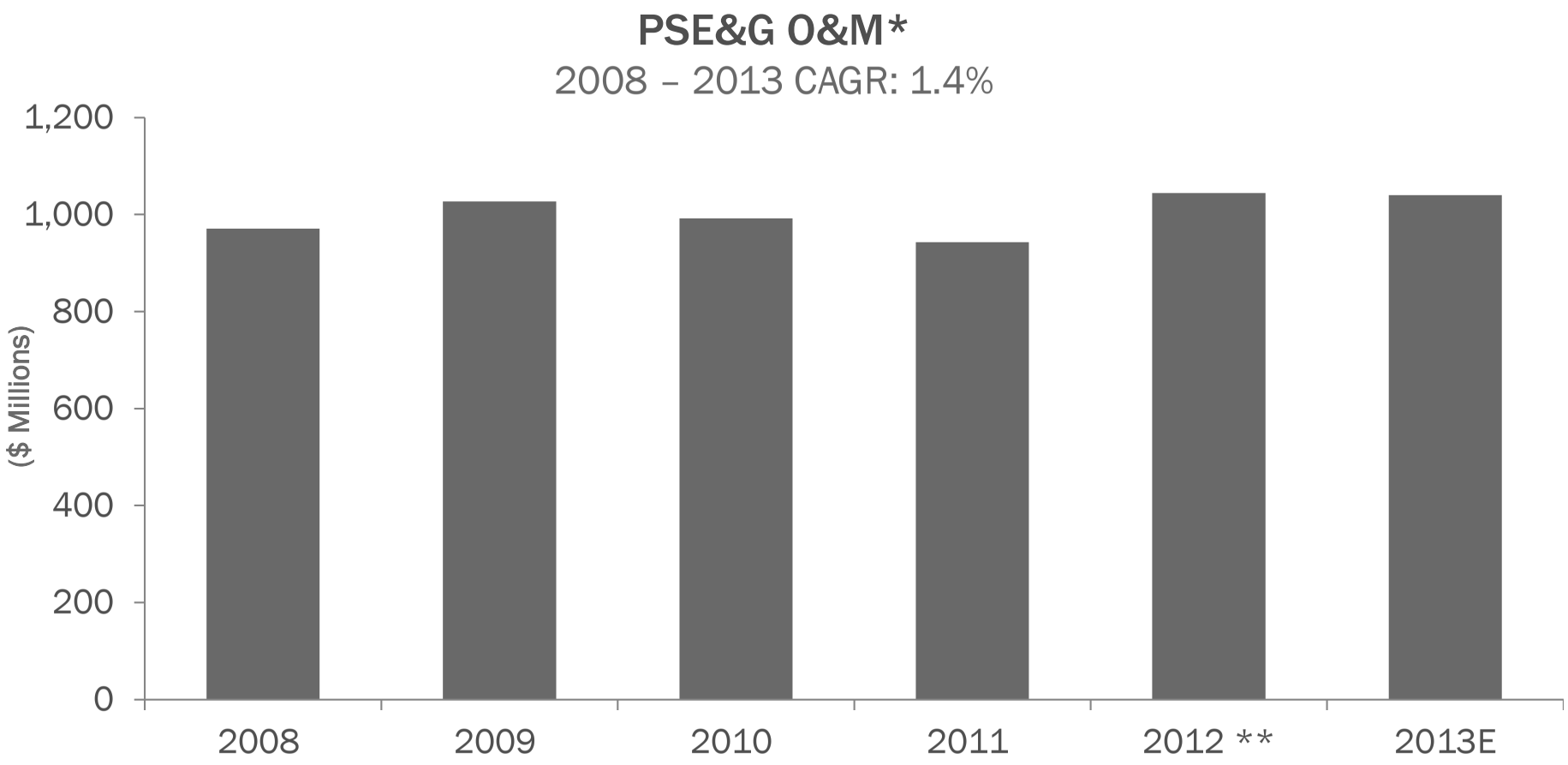
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 9/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$229	$15
Solar 4 All	July 2009	464	457	7
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	158	3
Demand Response	July 2009	35	31	4
Energy Efficiency Economic Stimulus Extension	July 2011	94	37	57
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,471**	**$1,939**	**$532**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-04569

Focus on controlling O&M allows us to earn our authorized return

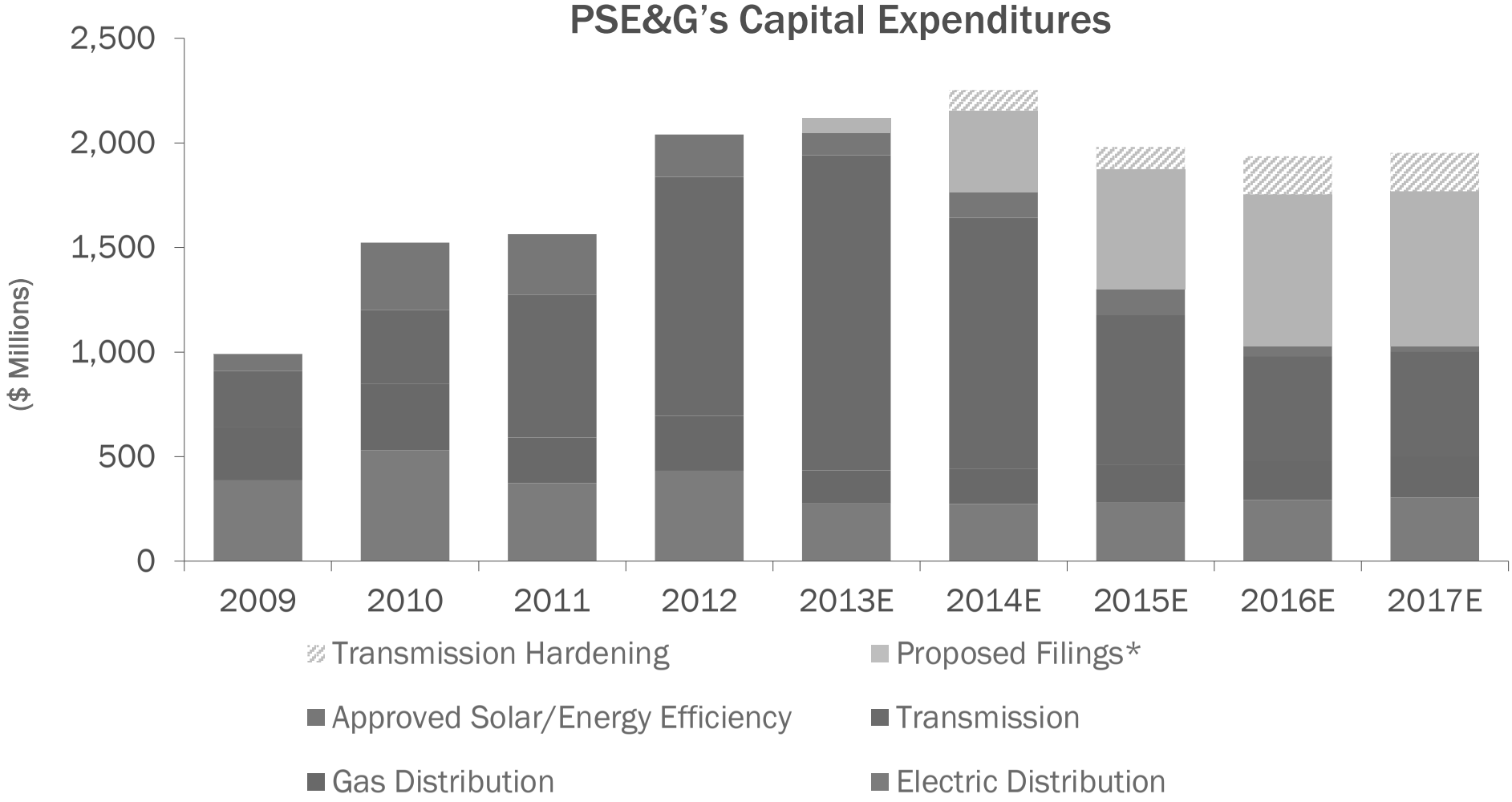


SI-SSA-0015-04570

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-04571

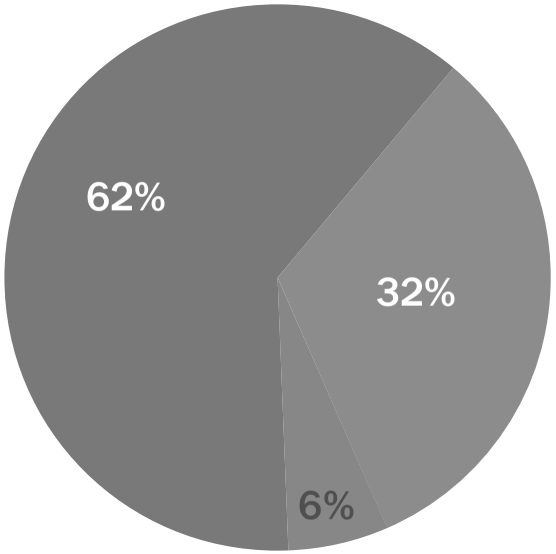
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EEEIII. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

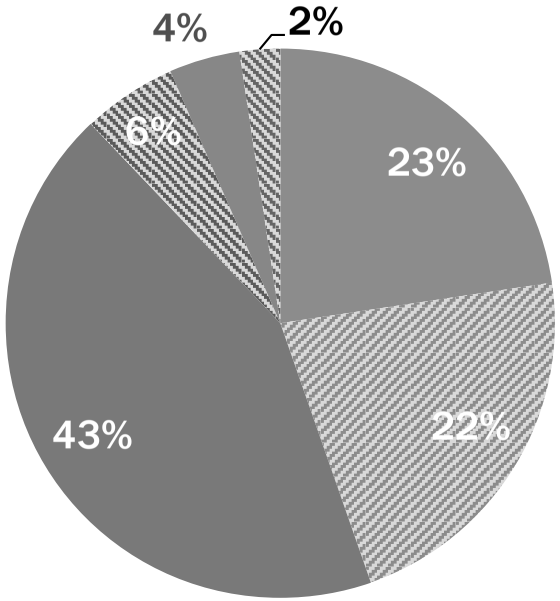
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



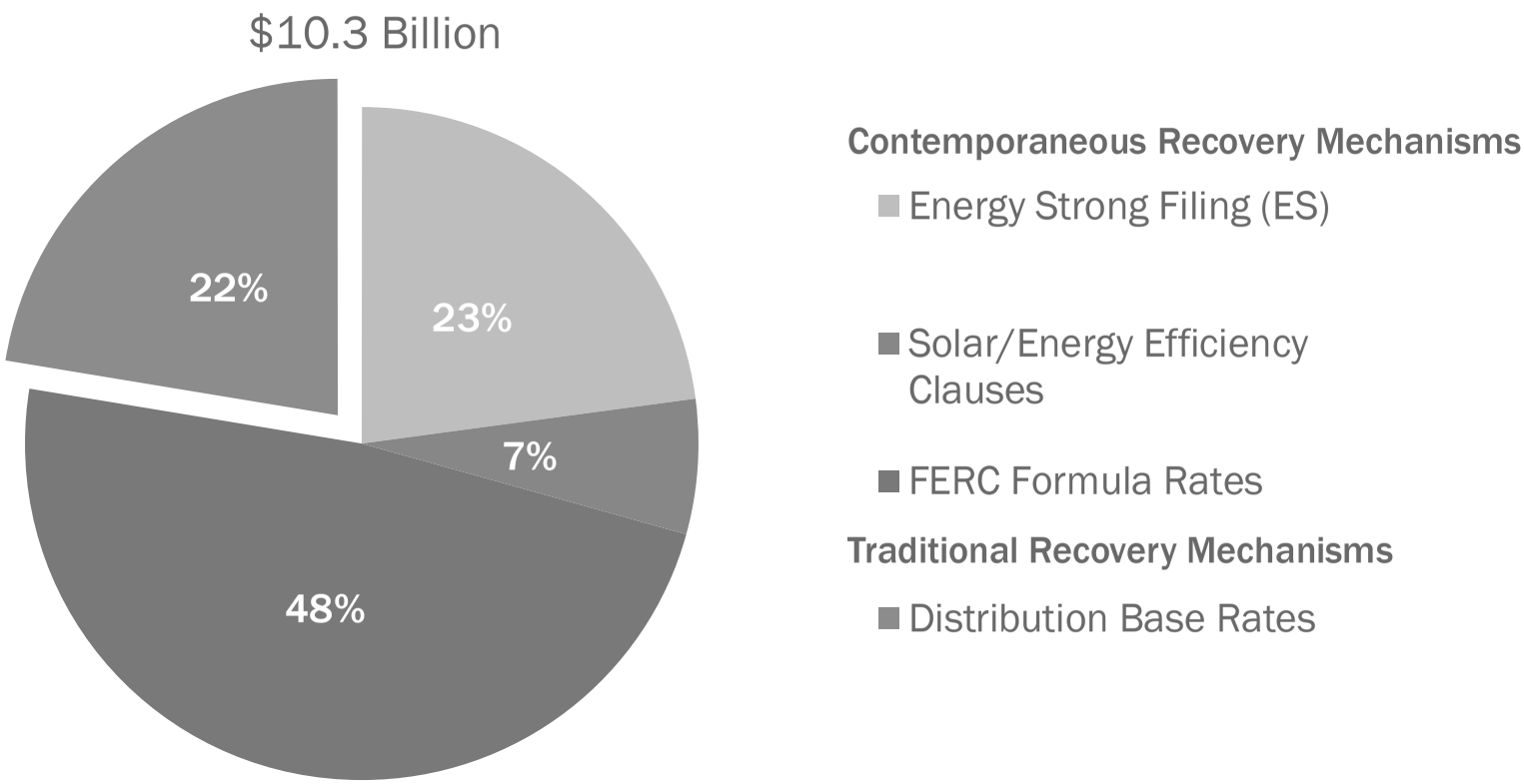
- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-04572

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Potential Capital Spending by Recovery Method



SI-SSA-0015-04573

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-04574

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04575

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-04576

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04577

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04578

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04579

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the NJBPU granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the BPU voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding*

SI-SSA-0015-04580

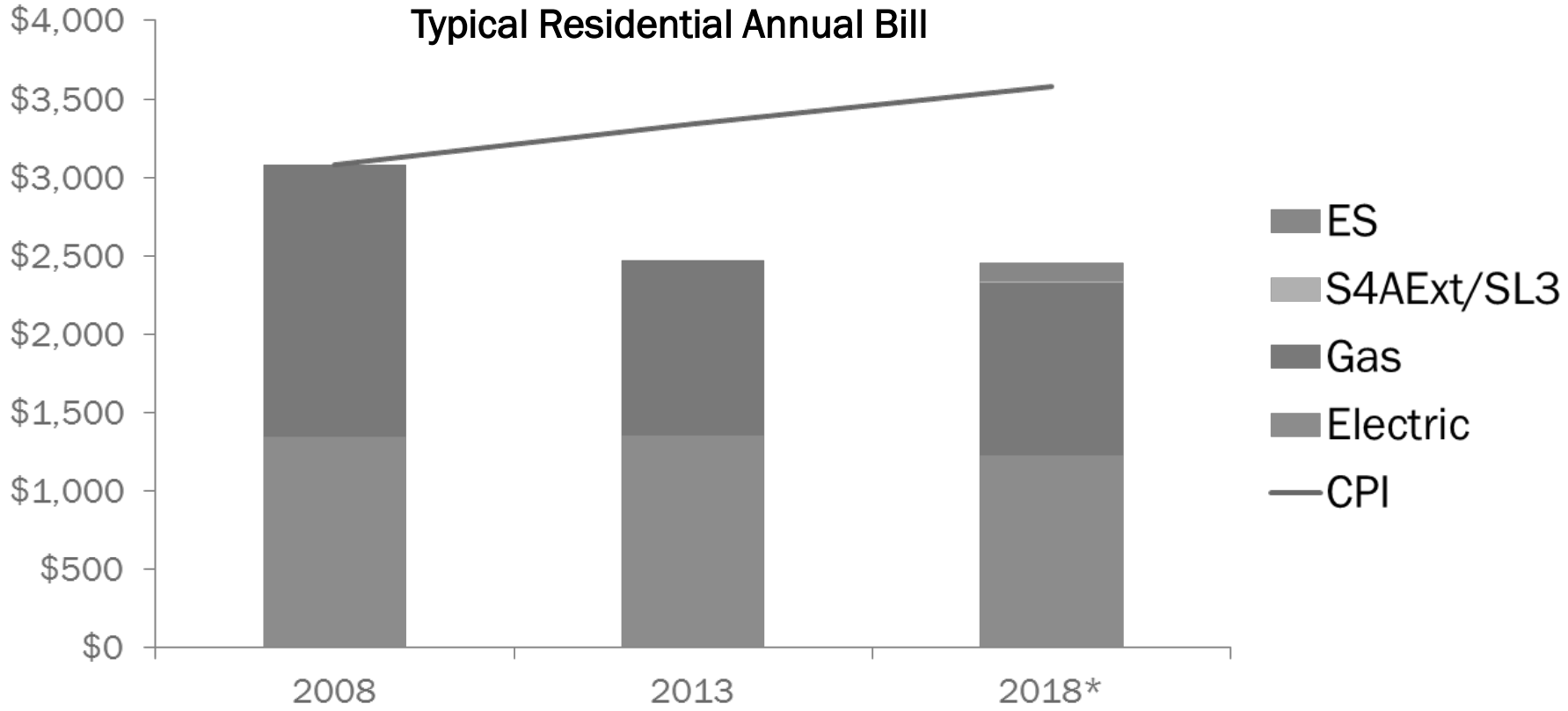
* NJBPU proceeding on storm recovery is currently in discovery phase.

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-04581

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

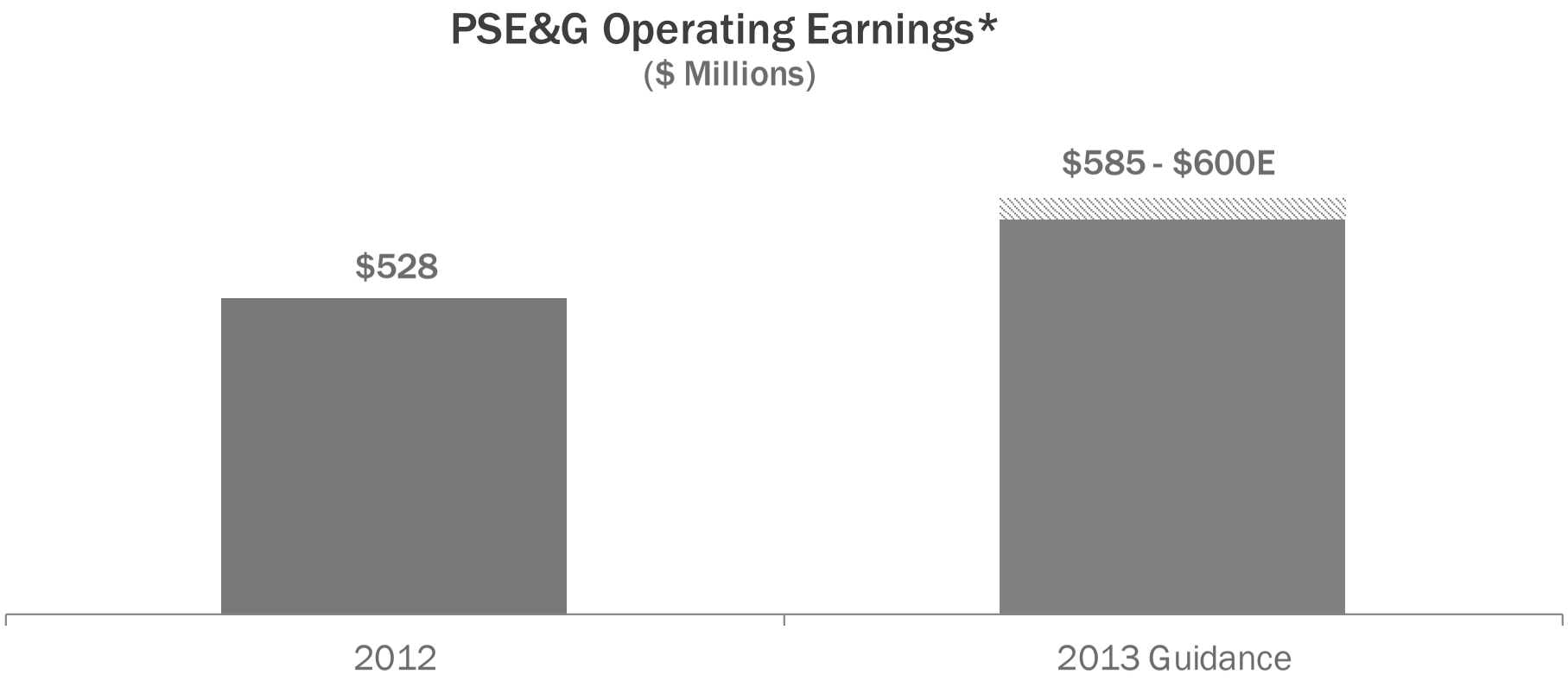


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-04582

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-04583

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

PSEG

SI-SSA-0015-04584

LIPA T&D management contract

Amended Operating Services Agreement will begin January 1, 2014, subject to LIPA receiving IRS ruling on tax status of debt

- Increases PSEG-Long Island's management responsibility to operate and maintain the LIPA T&D system
- Extends original 10-year contract by two years
- PSEG Power will procure LIPA's fuel requirements beginning 2015
- PSEG-LI compensation will increase in 2016 for expanded management role

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-04585

PSEG POWER

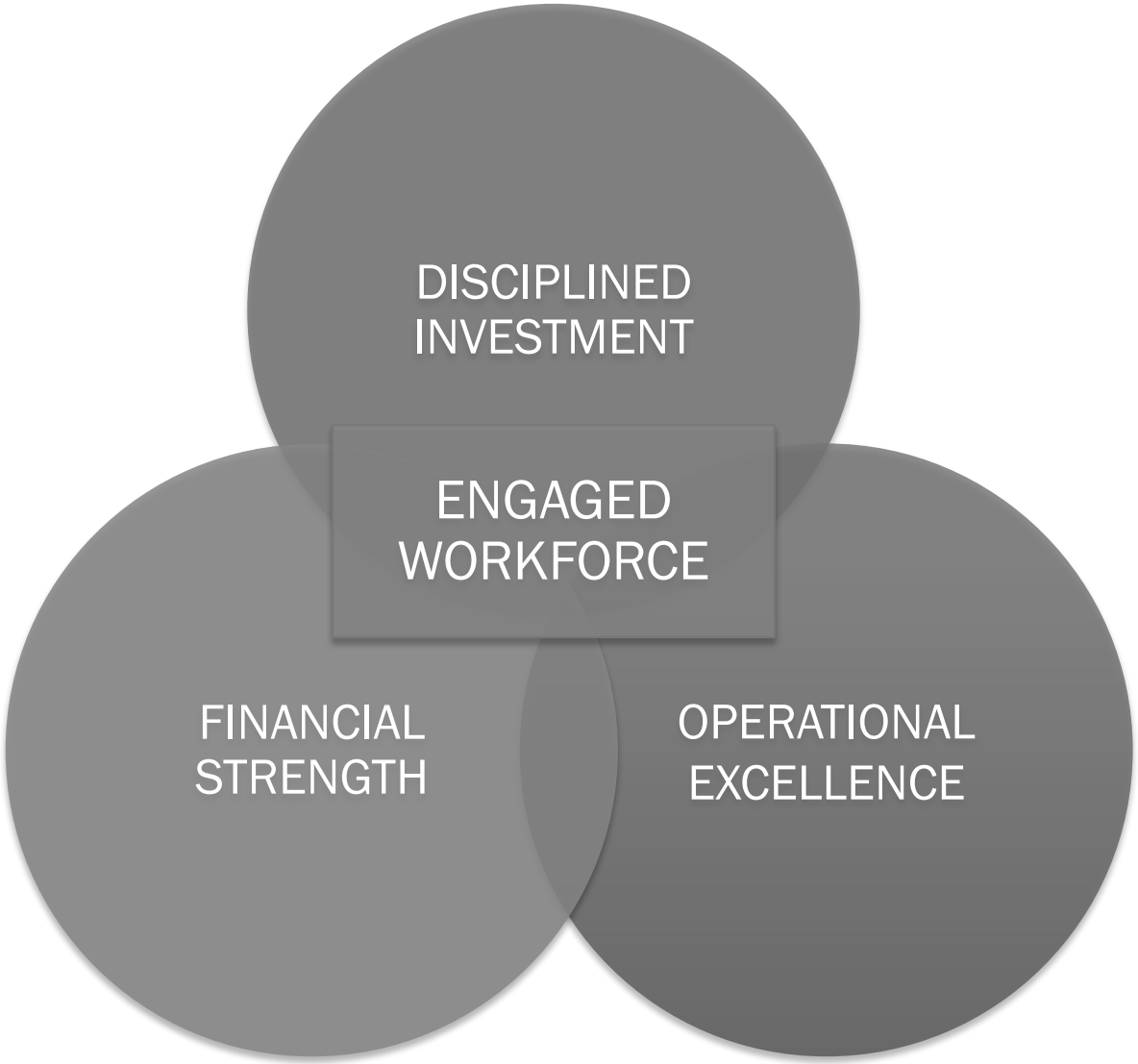
PSEG

We make things work for you.

SI-SSA-0015-04586

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-04587

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-04588

PSEG Power delivered in 2012

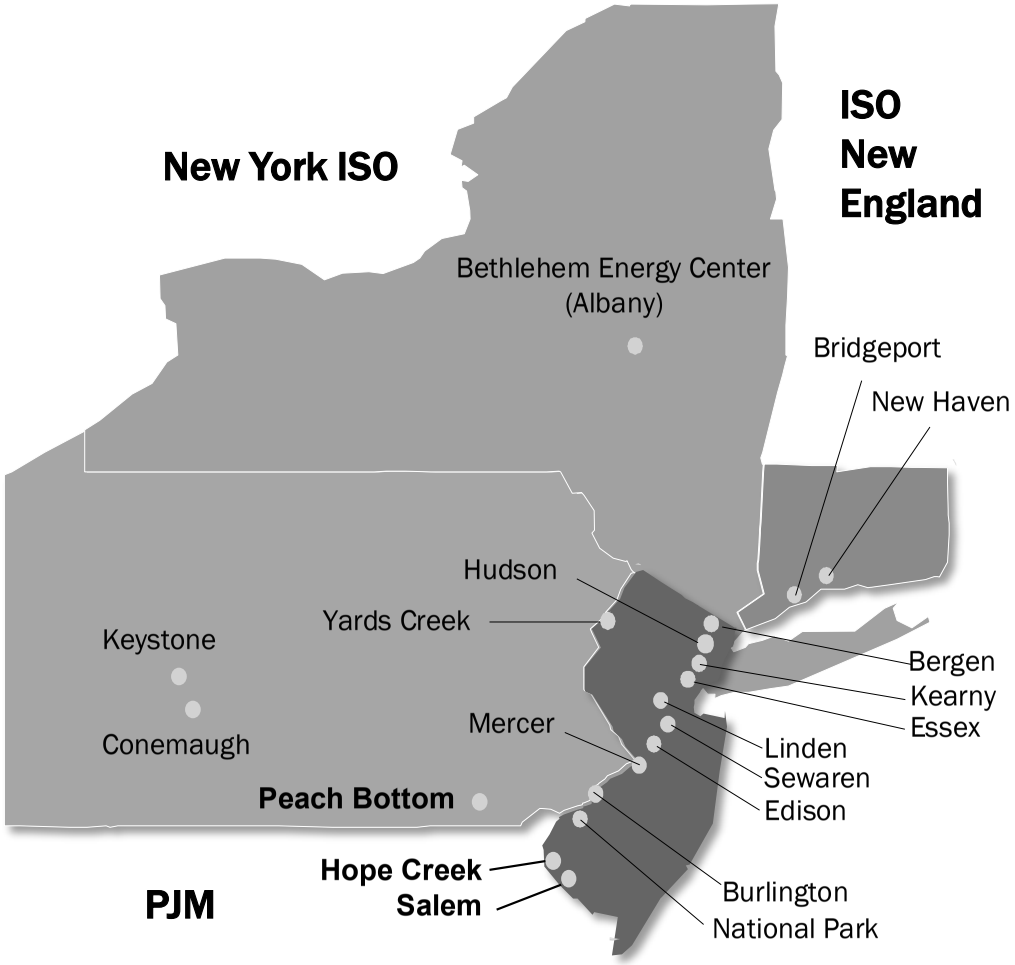
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-04589

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-04590

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,174 MW • Owned Capacity: 1,174 MW • License Expiration: 2046 • Next Refueling ✓ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57%, Exelon – 43% • Technology: Pressurized Water Reactor • Total Capacity: 2,326 MW • Owned Capacity: 1,335 MW • License Expiration: 2036 and 2040 • Next Refueling ✓ Unit 1 – Fall 2014 ✓ Unit 2 – Spring 2014	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,245 MW • Owned Capacity: 1,123 MW ✓ Scheduled uprate of ~130 MW expected 2015/2016 • License Expiration: 2033 and 2034 • Next Refueling ✓ Unit 2 – Fall 2014 ✓ Unit 3 – Fall 2015

SI-SSA-0015-04591

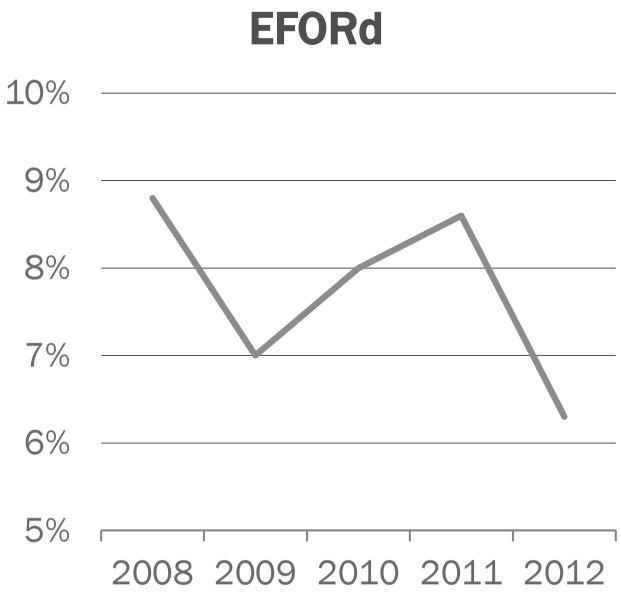
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

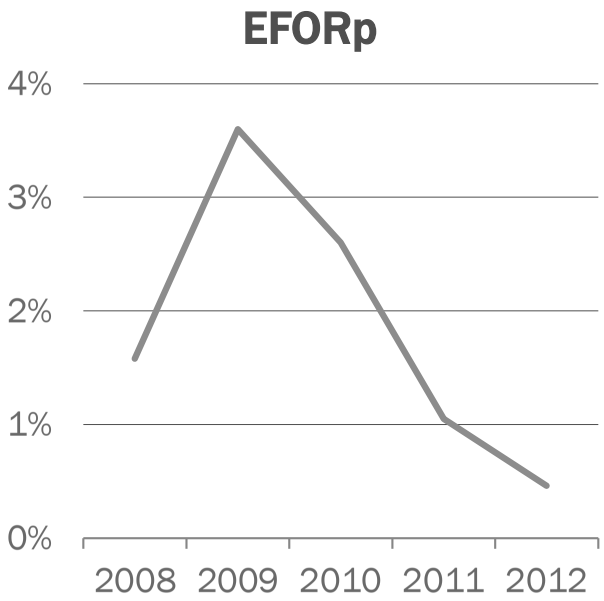
SI-SSA-0015-04592

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

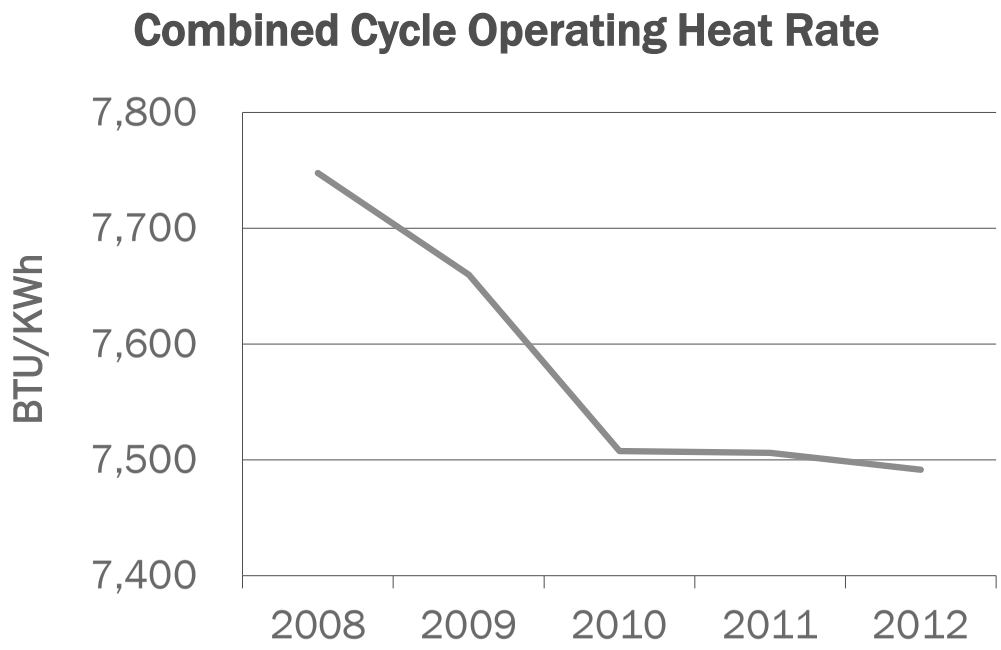


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-04593

PSEG Power improvements achieved in combined cycle fleet efficiency

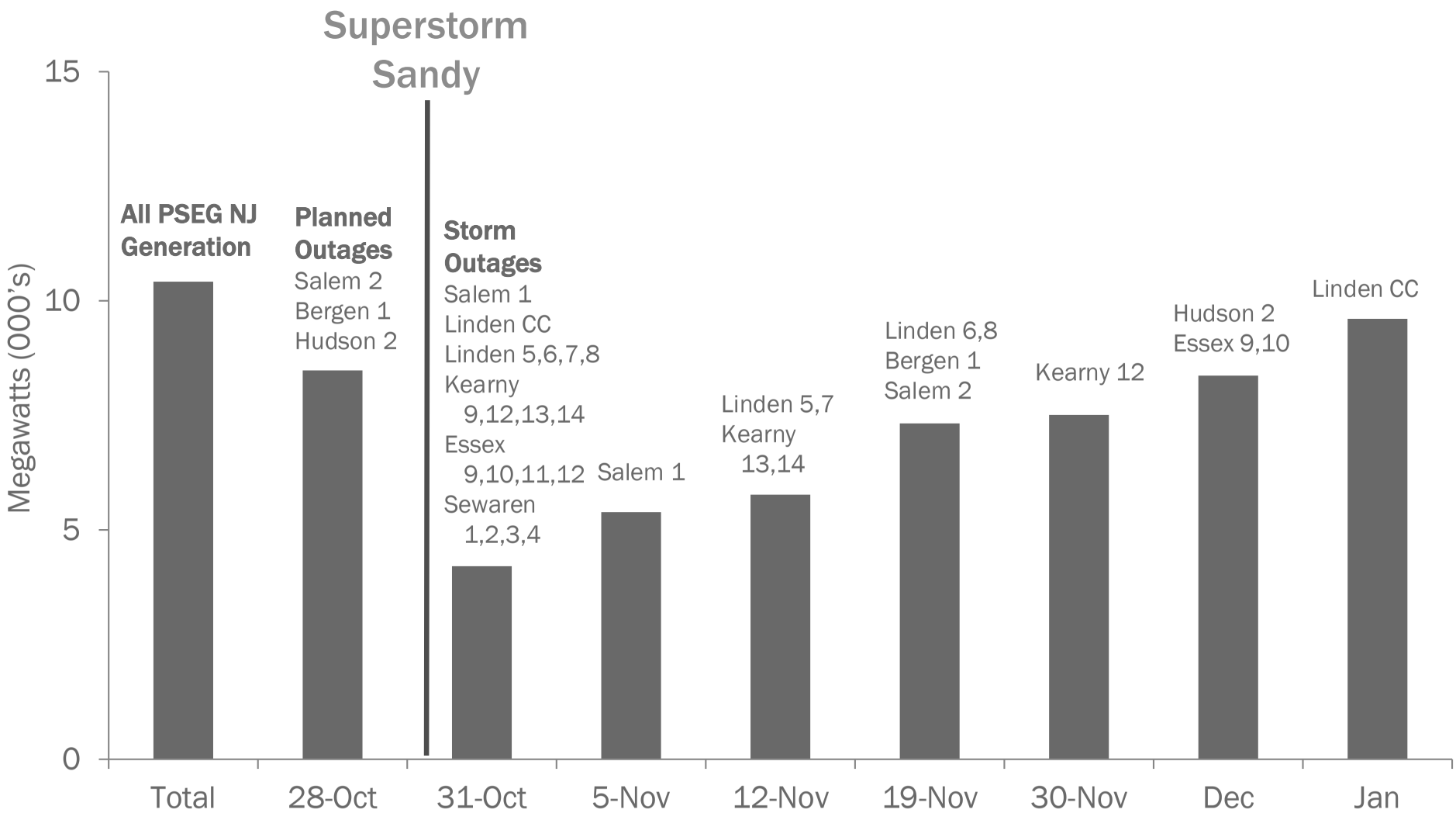


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-04594

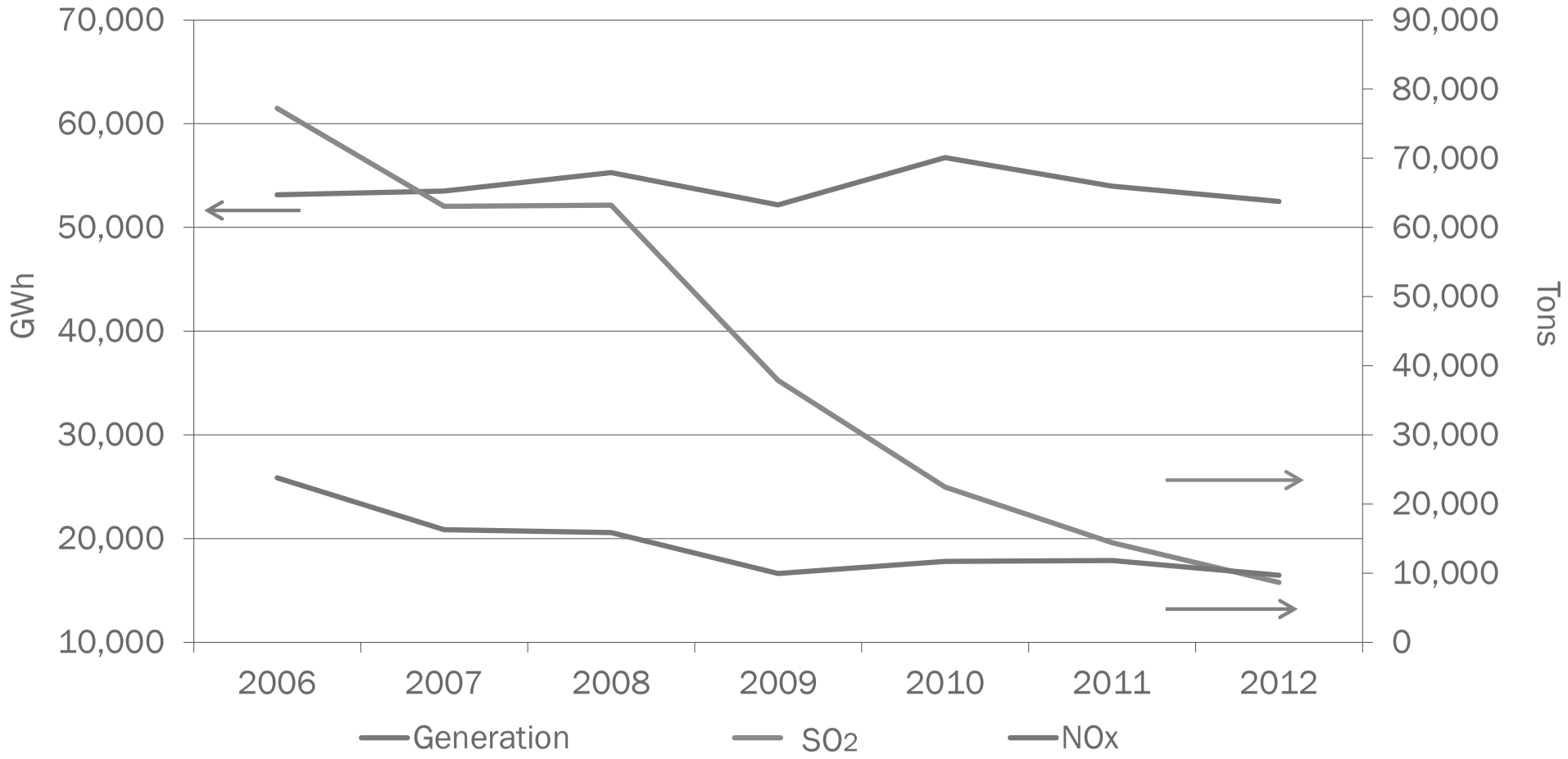
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-04595

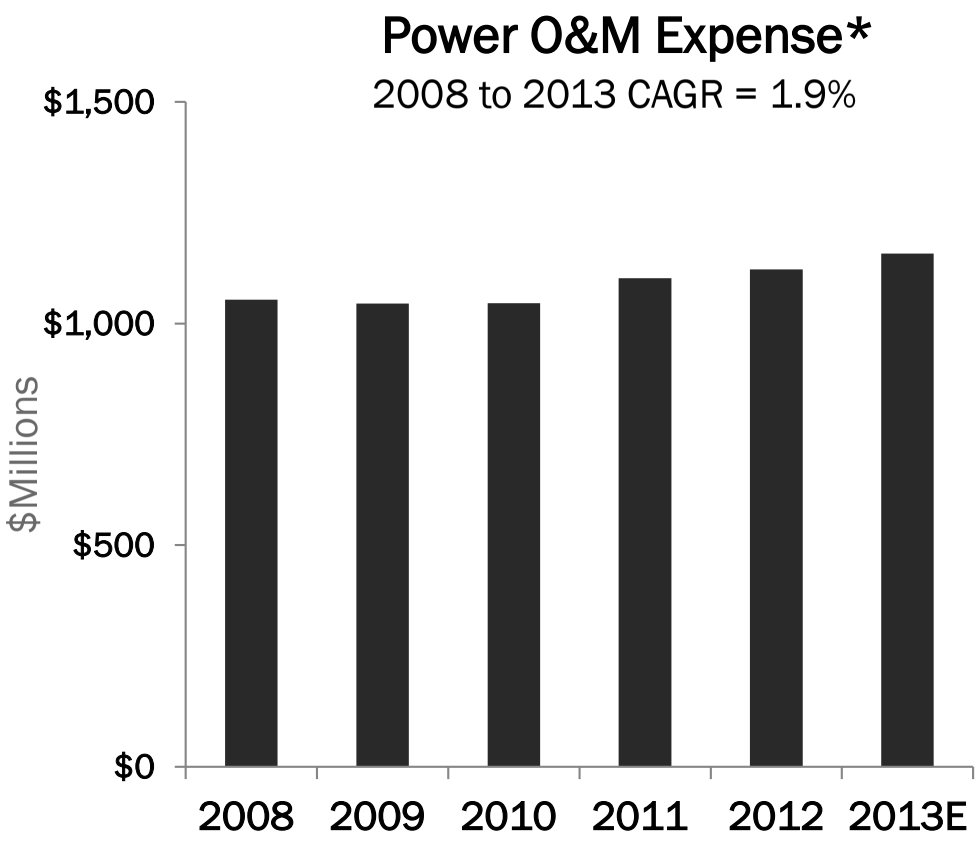
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-04596

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-04597

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned

to grow the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-04598

Investing in Power to expand CCGT capacity

and improve efficiency

PSEG Power - CCGT Uprate Project
○ Over 2014–2018, retrofit Bergen, Linden and BEC (GE CCGTs) with Advanced Gas Path (AGP) components ○ Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs ○ Potential project investment of ~$120 million over the 5-year period

AGP Project Benefits
✓ Expands CCGT capacity by over 150 MWs: Base MW's increase by 3.5% (112MW) with an additional 40 MWs of peak-firing capability ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2% ✓ Extends maintenance outage cycles and upgrades technology

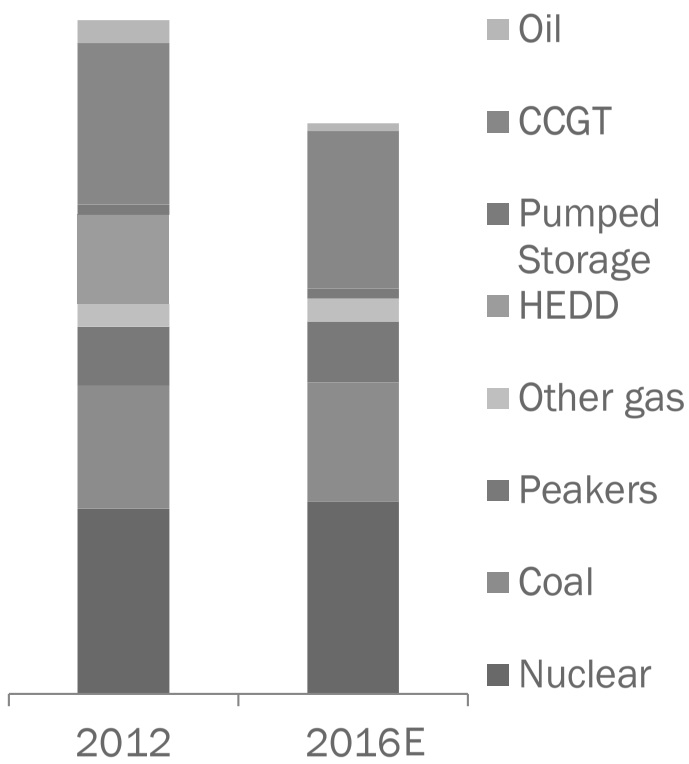
SI-SSA-0015-04599

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

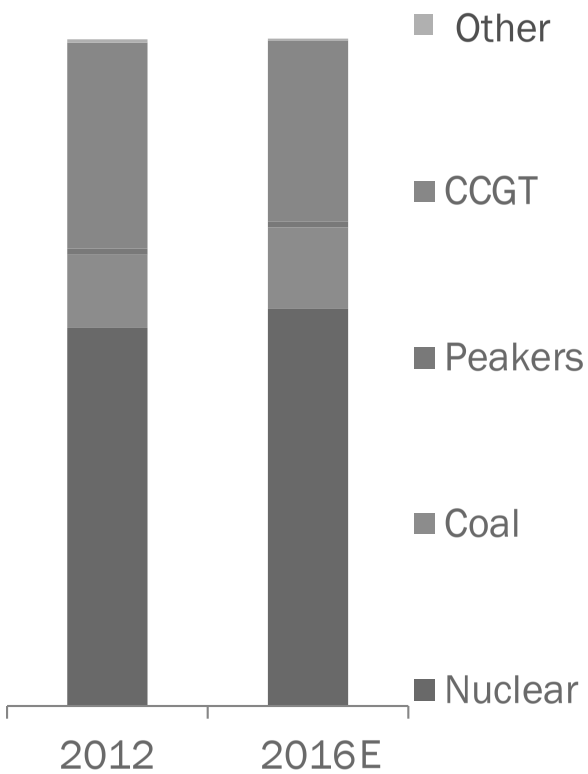
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve heat rate of the fleet by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



SI-SSA-0015-04600

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-04601

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-04602

* EXCLUDES SANDY IMPACT.

Power's 2013 operating earnings

benefiting from locational value and operational efficiency

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-04603

PSEG POWER
ER&T

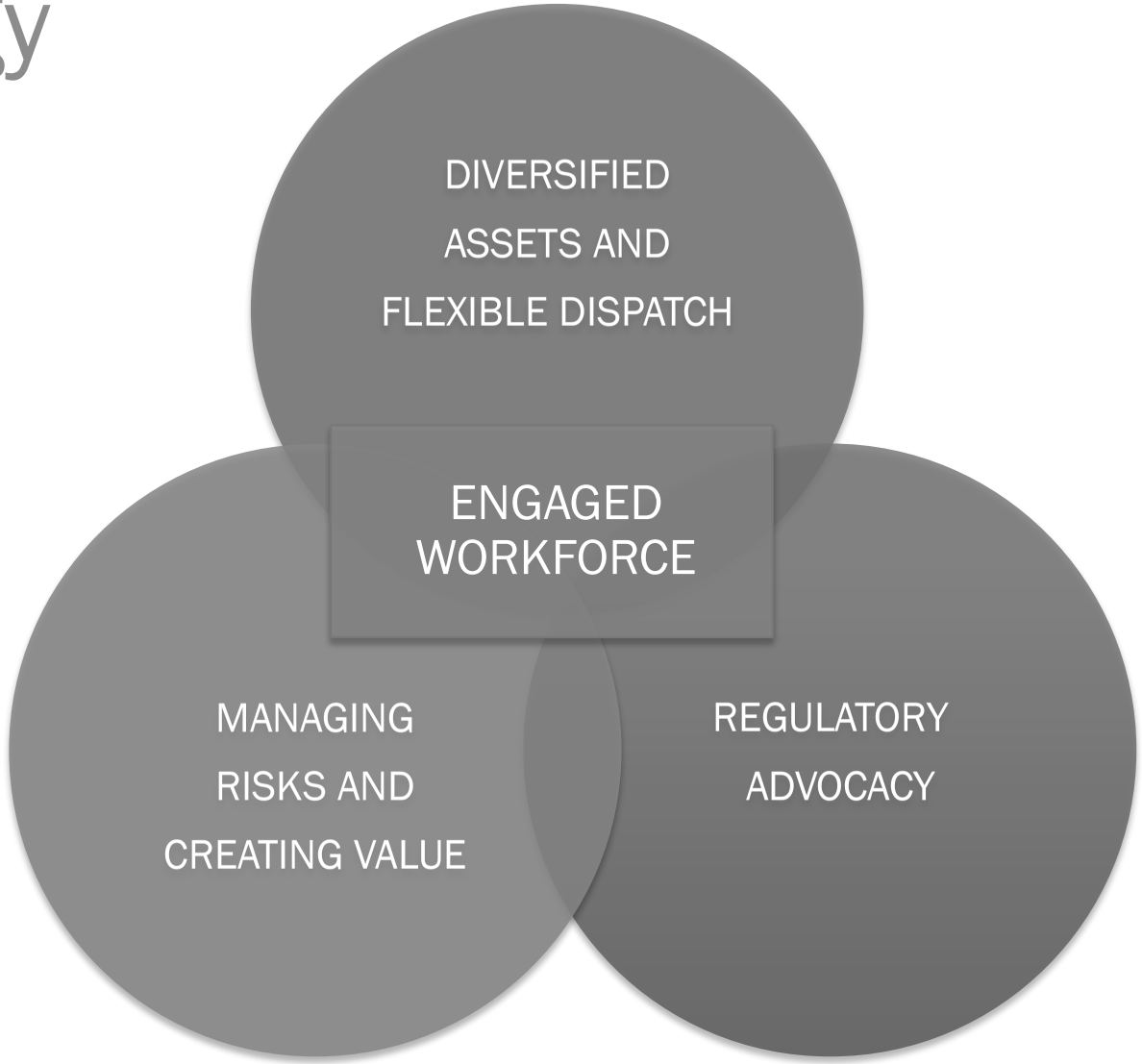
SI-SSA-0015-04604

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-04605

Diversified assets and flexible dispatch

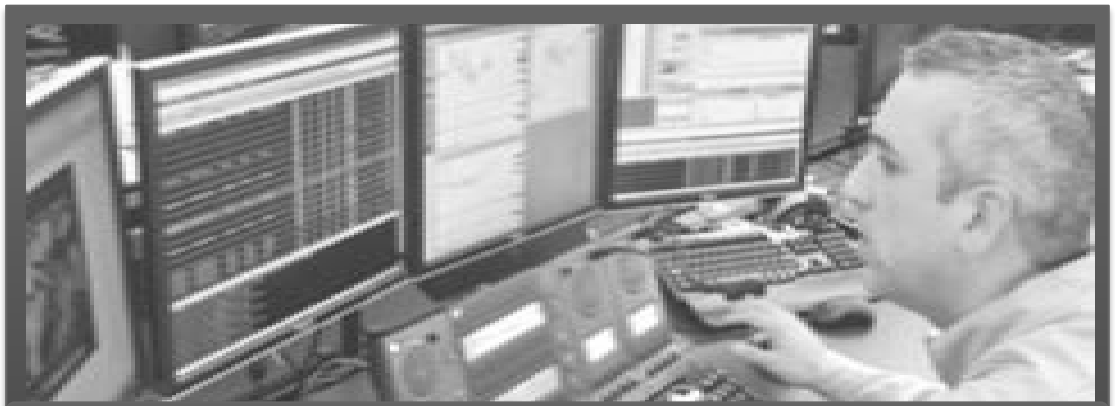
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

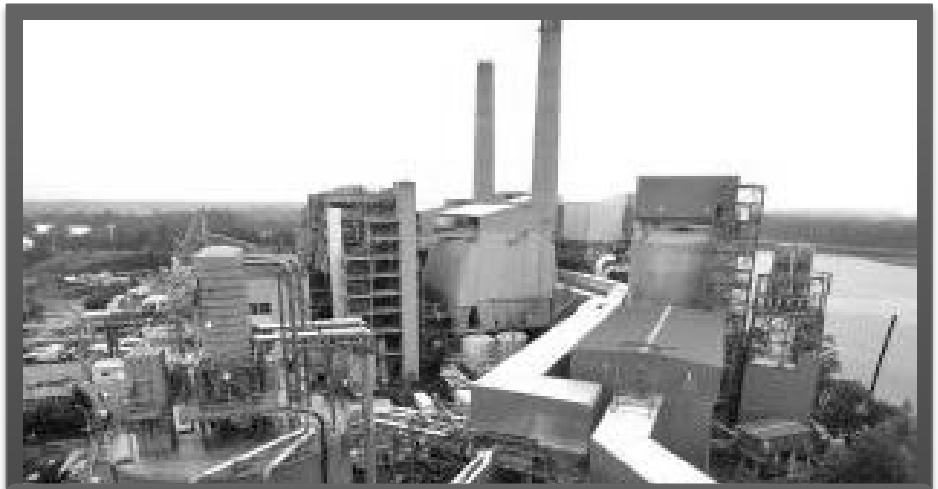
SI-SSA-0015-04606

Fleet capacity has been advanced by:

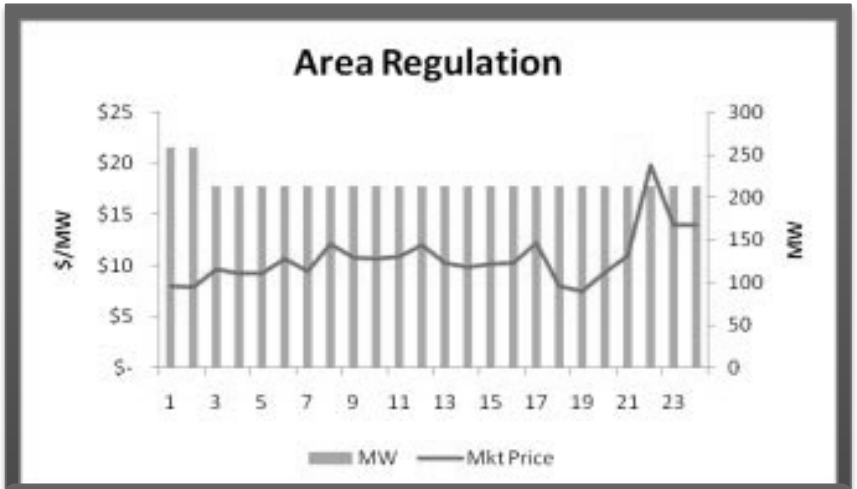
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



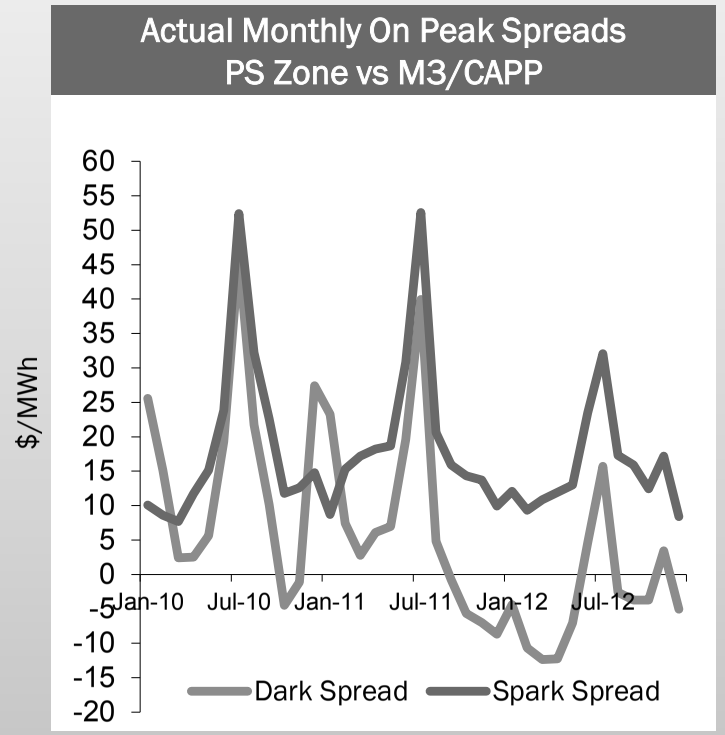
Reduced O&M and increased start-up success

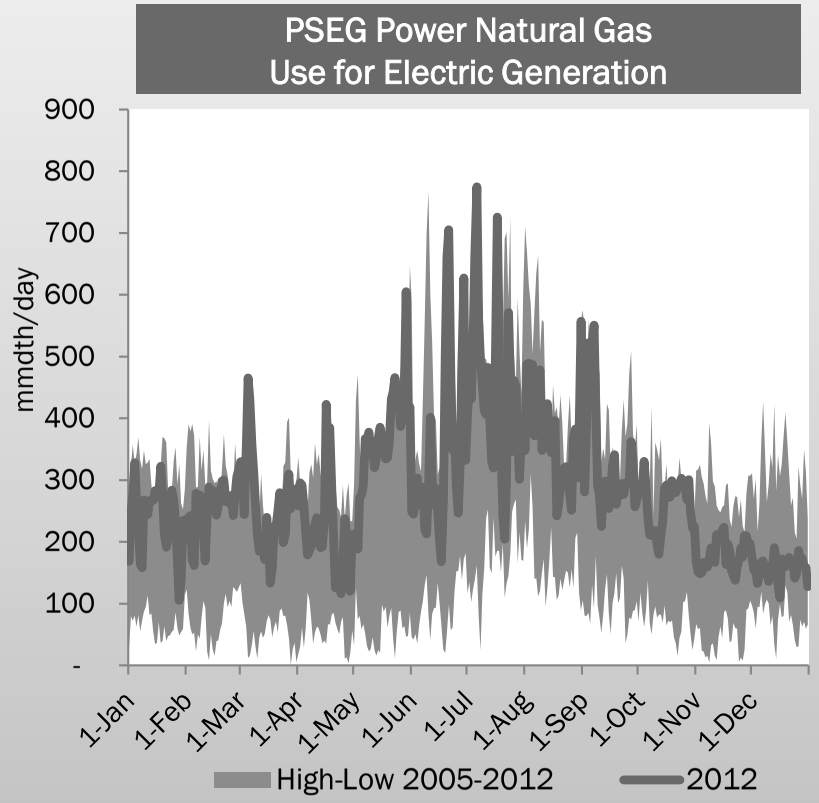


Capturing new products opportunity with minimal investment

SI-SSA-0015-04607

Spark spread replaces dark spread as major value driver

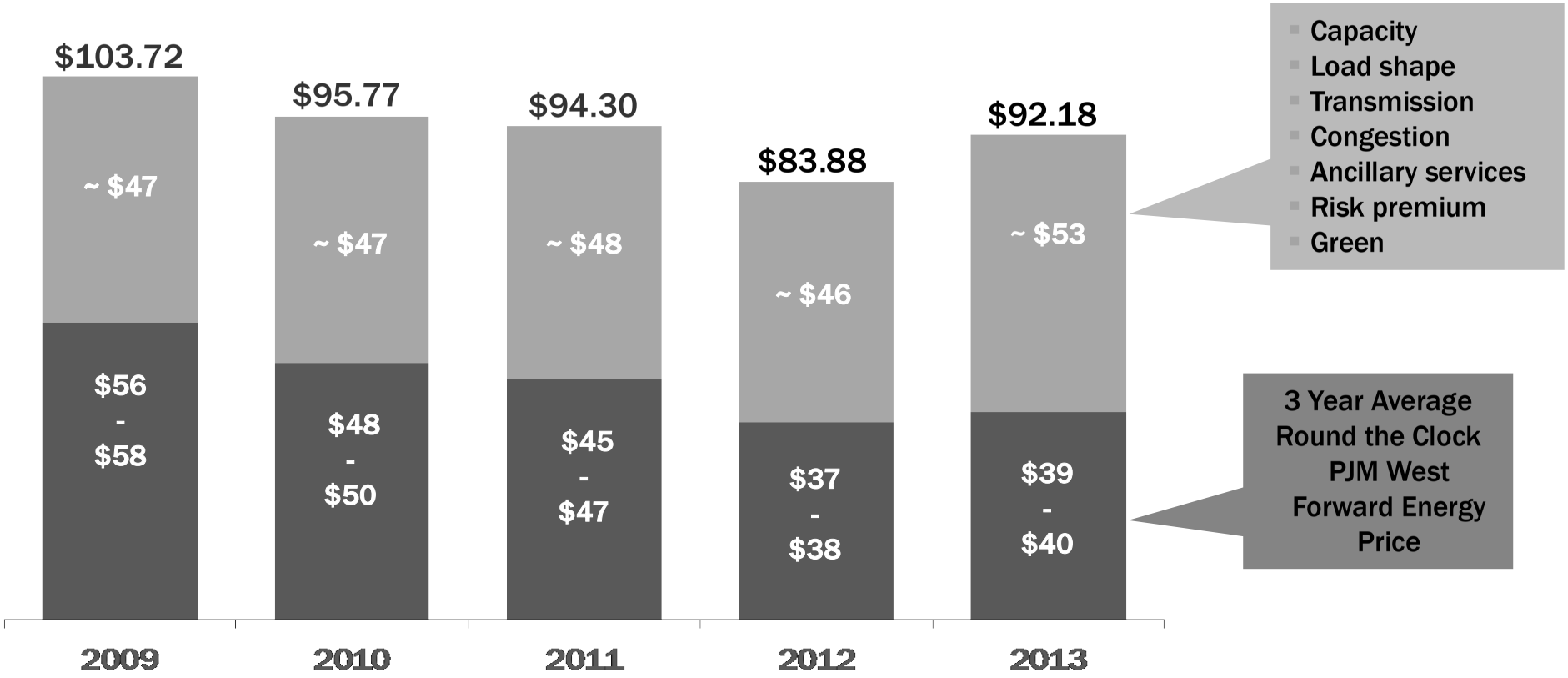




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-04608

2013 BGS Auction Results for PSE&G Zone

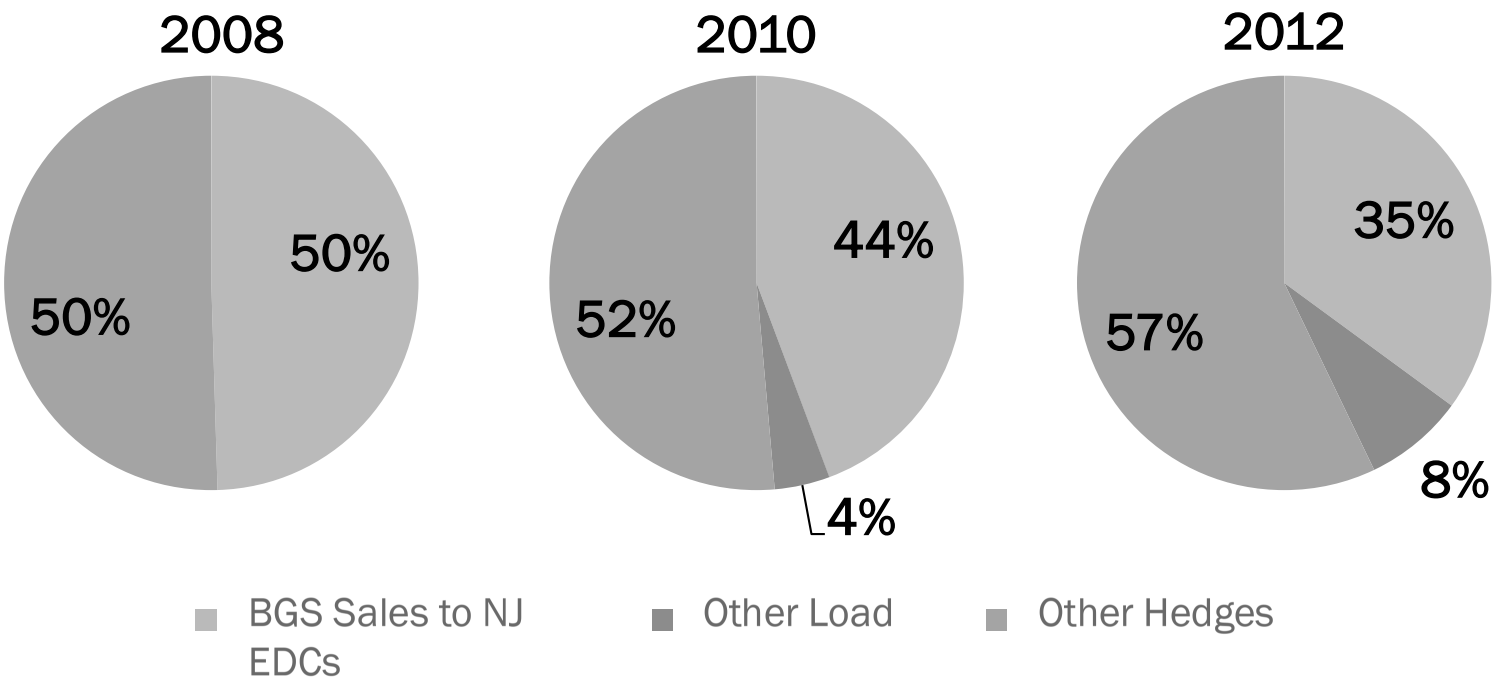


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-04609

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-04610

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

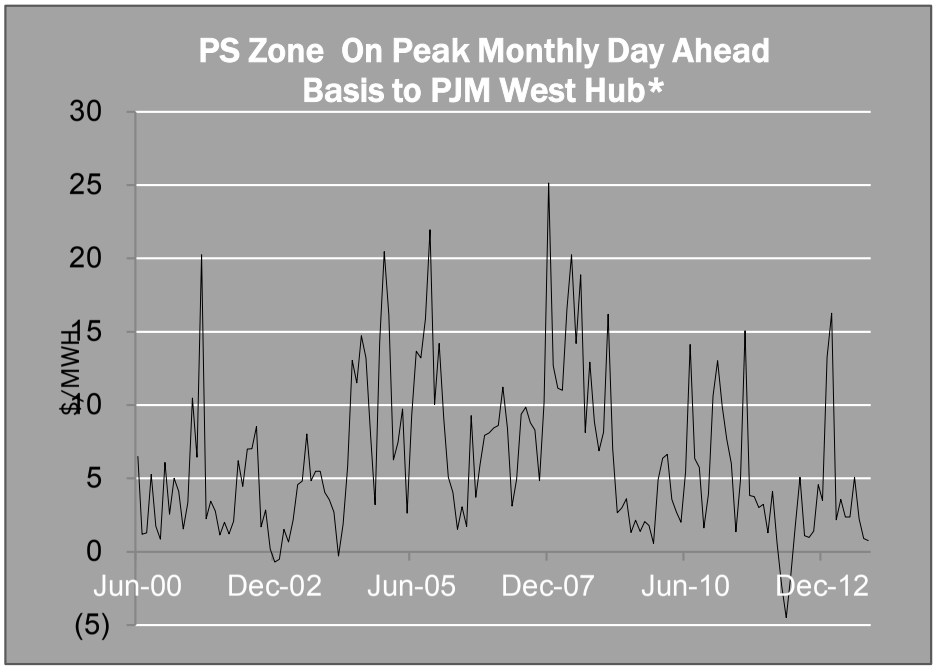
		Oct-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	35
	% Hedged	100%	100%	55-60%
	Price $/MWh	$50	$48	$48
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	5	18	17
	% Hedged	30-35%	5-10%	0%
	Price $/MWh	$50	$48	$48
Total	Volume TWh	13-14	53-55	52-54
	% Hedged	70-75%	65-70%	35-40%
	Price $/MWh	$50	$48	$48

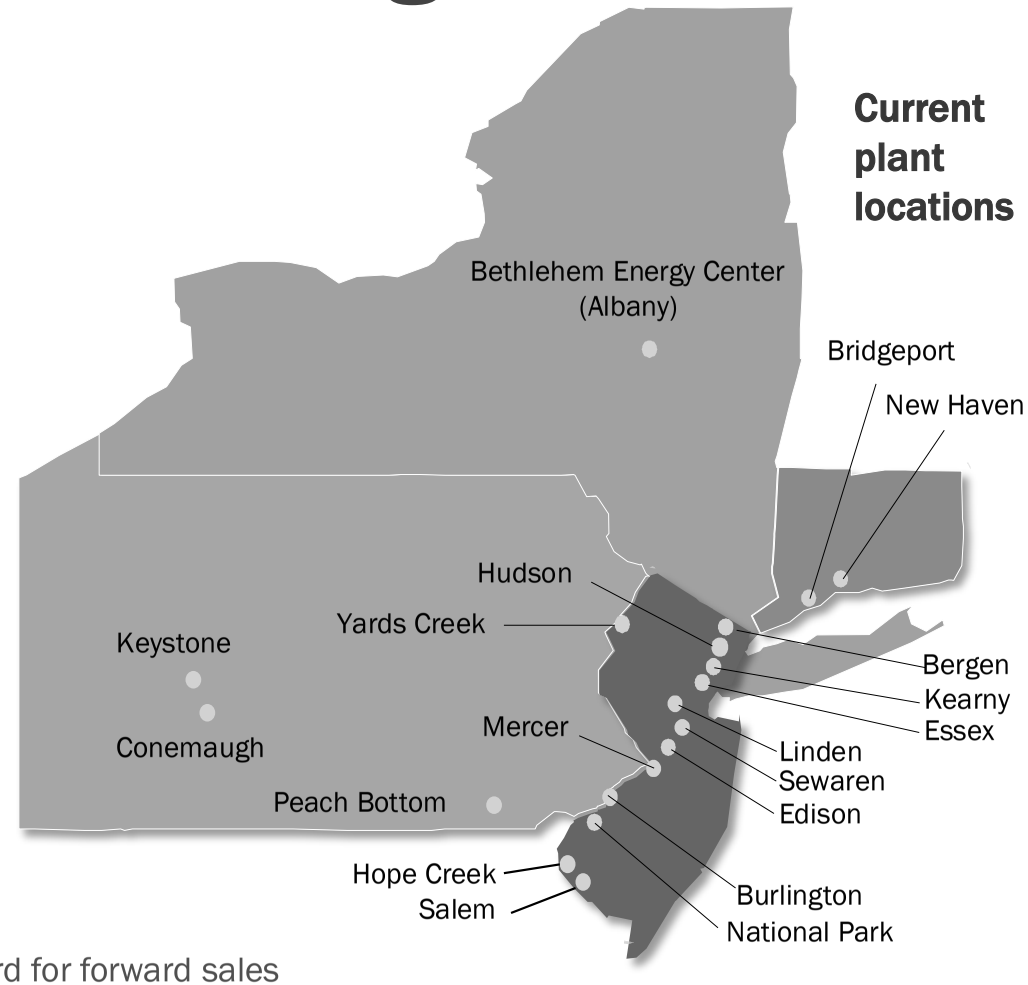
HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-04611

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility may remain significant in the prompt periods
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

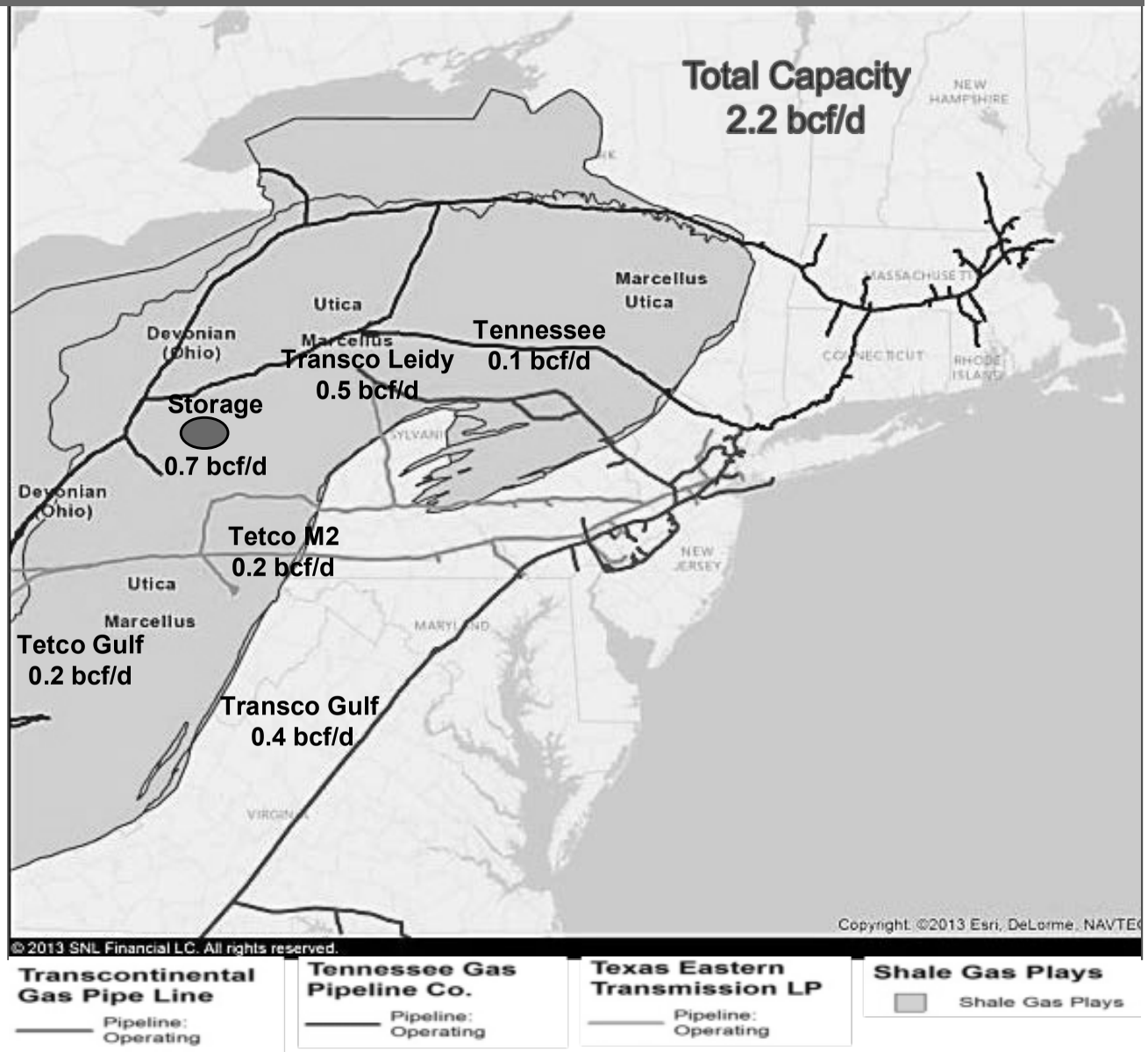
SI-SSA-0015-04612

*AS OF OCTOBER 31, 2013.

PSEG's locational advantage

PSEG Pipeline and Storage Capacity

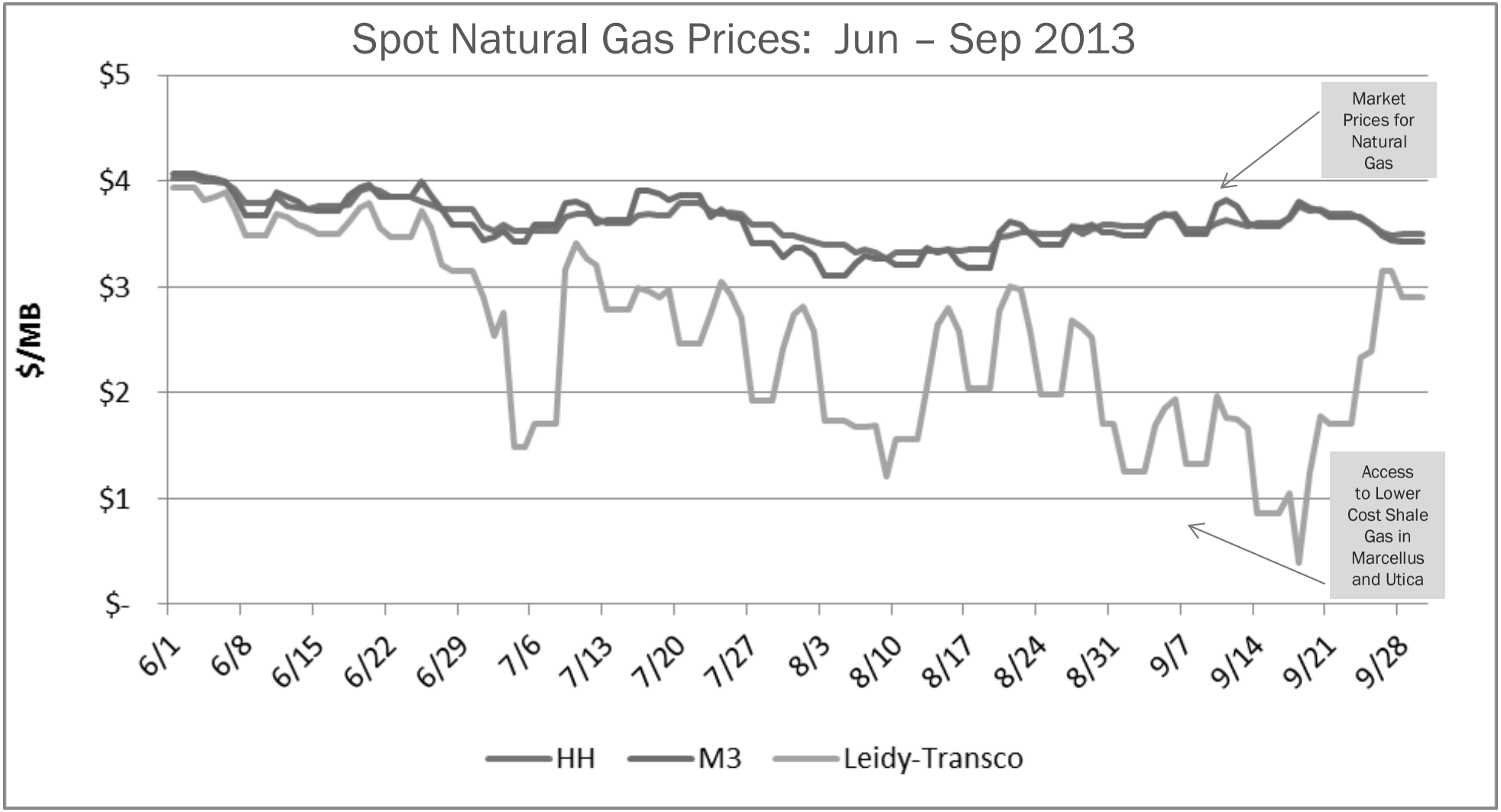
- PSEG is well positioned to realize supply cost advantages from the shale deposits in PA and OH
- The majority of Power's pipeline capacity goes through the shale regions or emanates from locations in the region
- The lowest cost supplies have come from the Tennessee 300 line in northeast PA and the Transco Leidy line in central PA
- Power also has significant Texas Eastern capacity in southwest PA, the next region to develop
- Availability of a robust gas portfolio of storage and pipeline capacity primarily benefits PSE&G's gas customers and then Power, as conditions permit
- Power buys approximately 350BCF/year of gas



SI-SSA-0015-04613

Access to lower cost shale supply

an advantage for PSE&G's gas customers and Power's CCGT portfolio

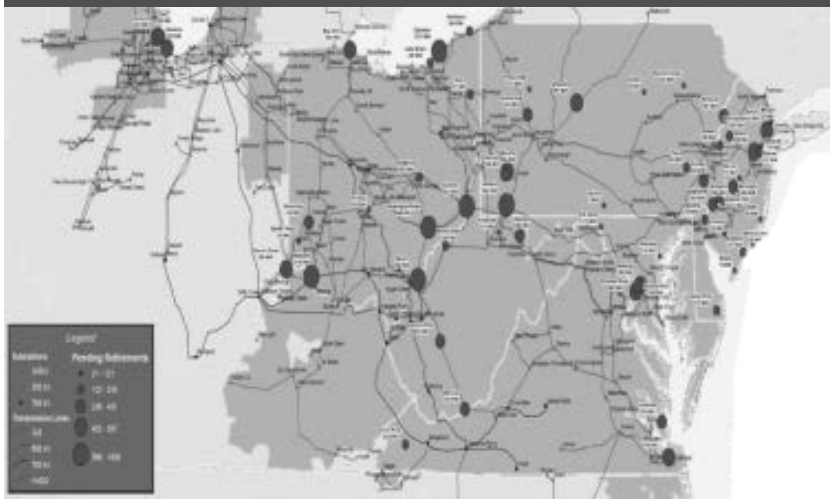


SI-SSA-0015-04614

HH - Henry Hub M3 – Texas Eastern (TETCO)

Reserve margins in PJM declining with retirements

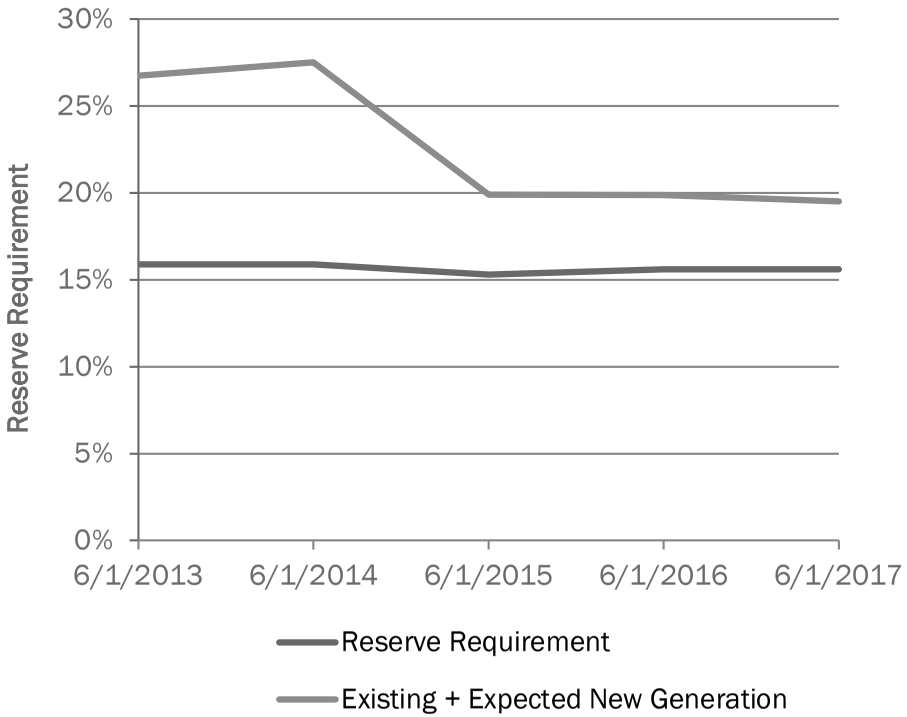
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-04615

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-04616

PSEG wholesale market strategy

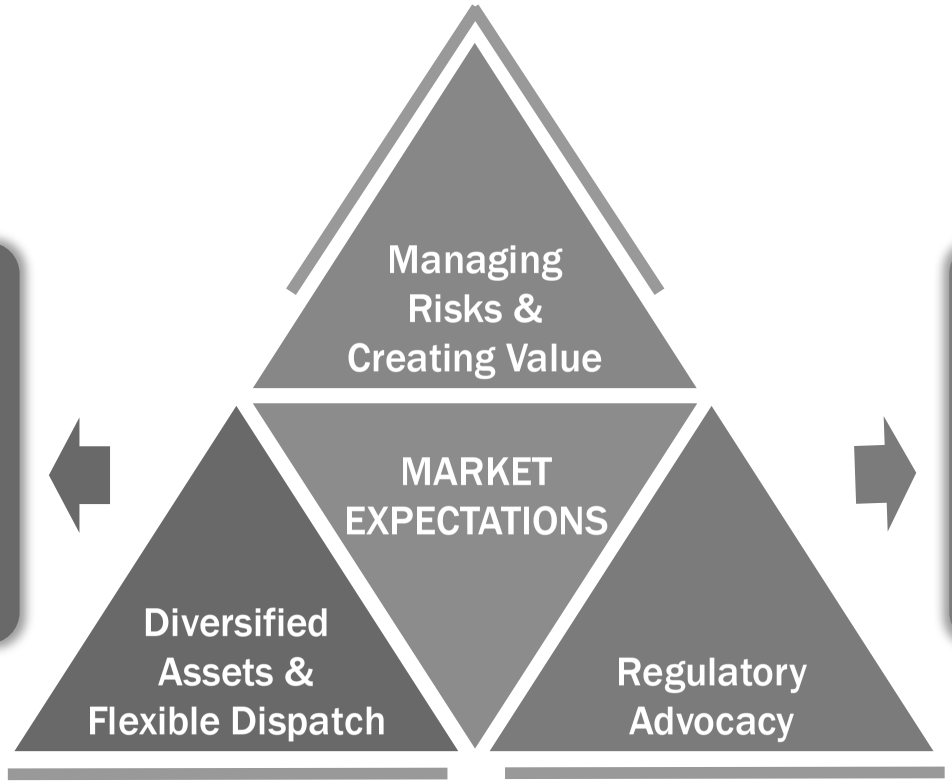
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-04617

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-04618

PSEG ENERGY HOLDINGS

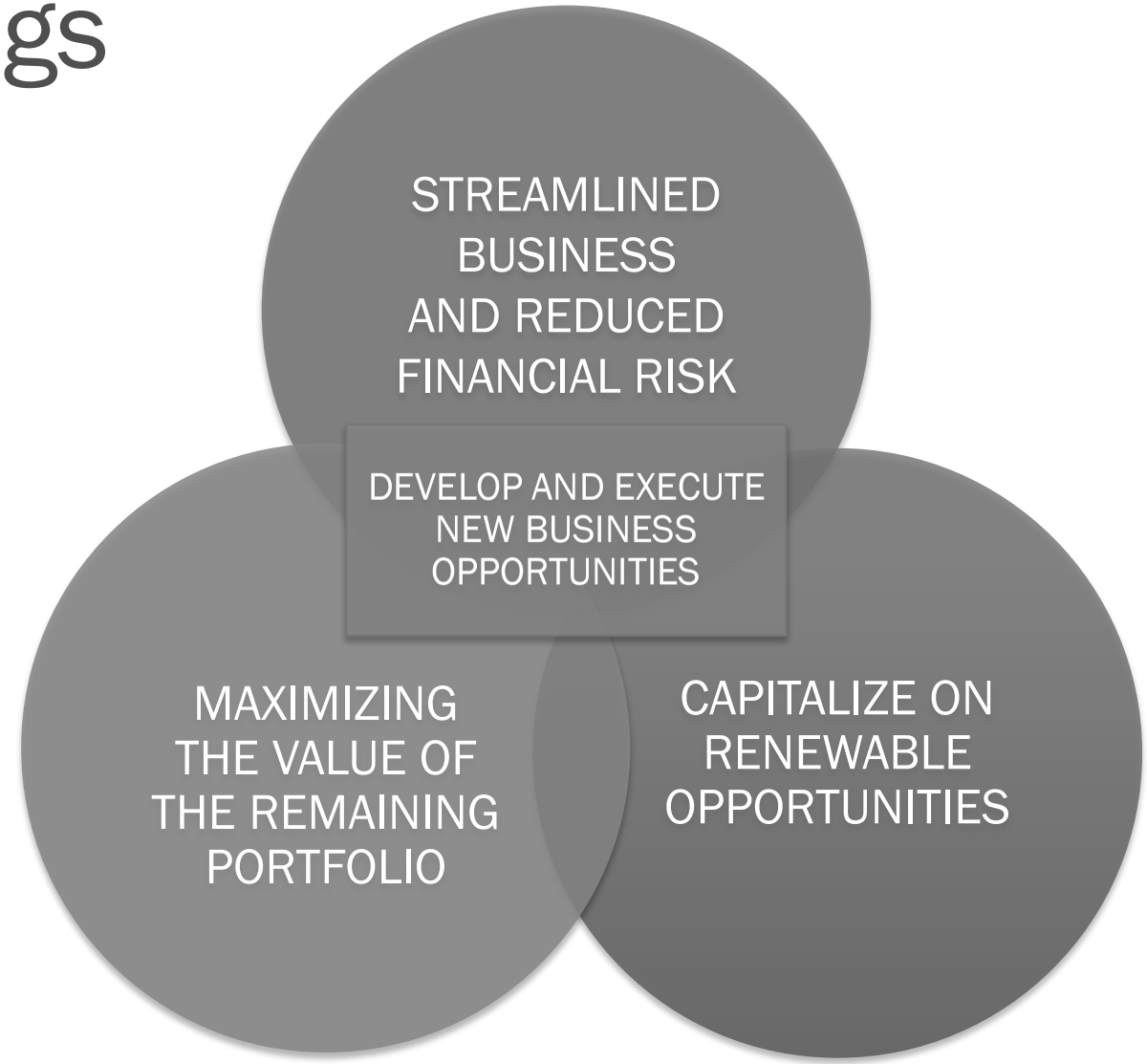
PSEG

We make things work for you.

SI-SSA-0015-04619

PSEG Energy Holdings strategy

Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-04620

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-04621

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

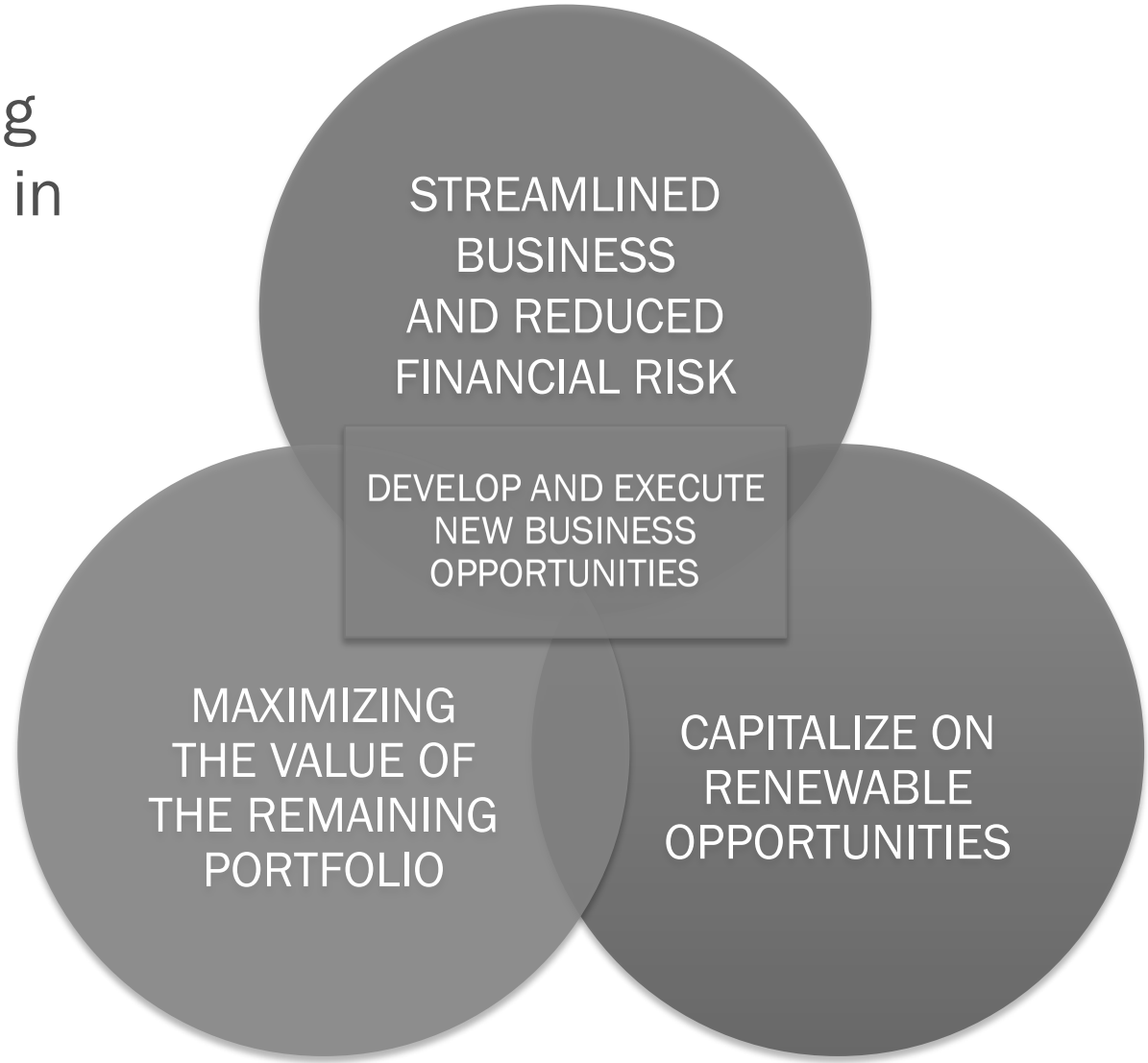
Badger I
Arizona (19 MW)
COD Q4 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-04622

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-04623

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-04624

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-04625

Strength in YTD operating earnings supports increase in 2013 guidance

Based on our performance year-to-date, we have raised guidance for full year operating earnings from $2.25-$2.50 to $2.40-$2.55 per share

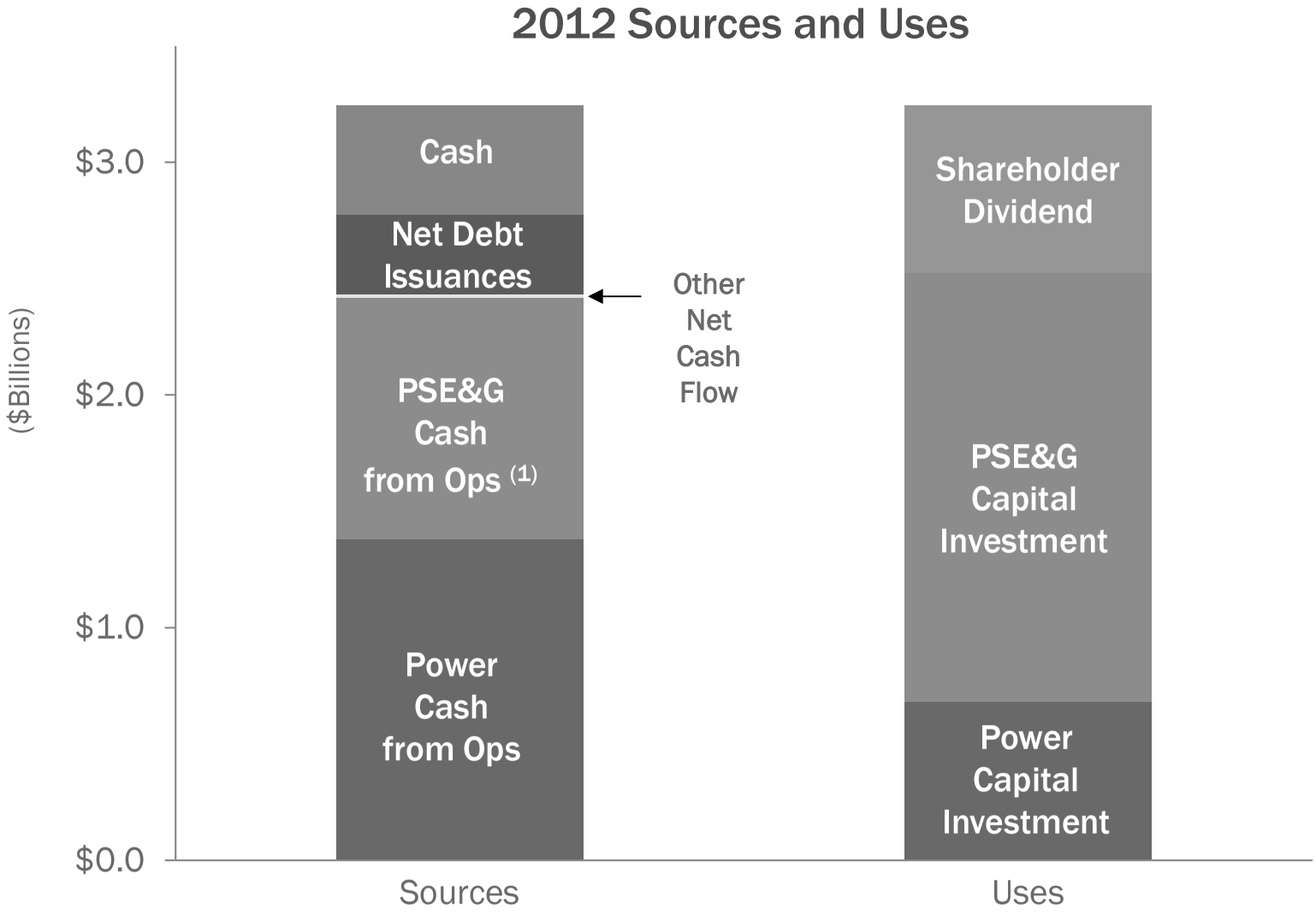
PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013E**
PSEG Power	$644	$630 - $685
PSE&G	$528	$585 - $600
PSEG Energy Holdings/Parent	$64	$0 - $10
Operating Earnings*	$1,236	$1,215 - $1,295
Operating Earnings Per Share	**$2.44**	**$2.40 - $2.55E** ***Guidance***

SI-SSA-0015-04626

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

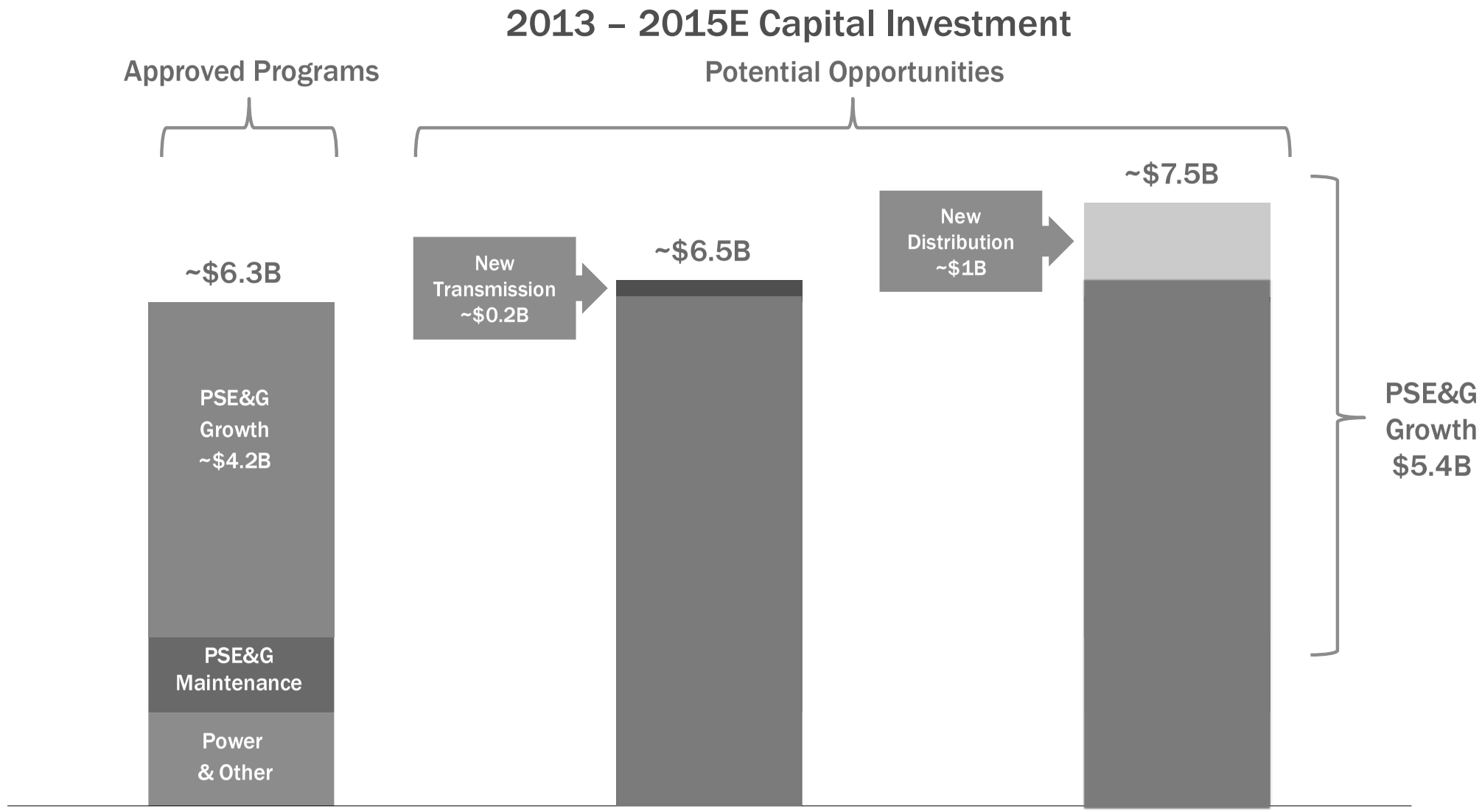
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

SI-SSA-0015-04627

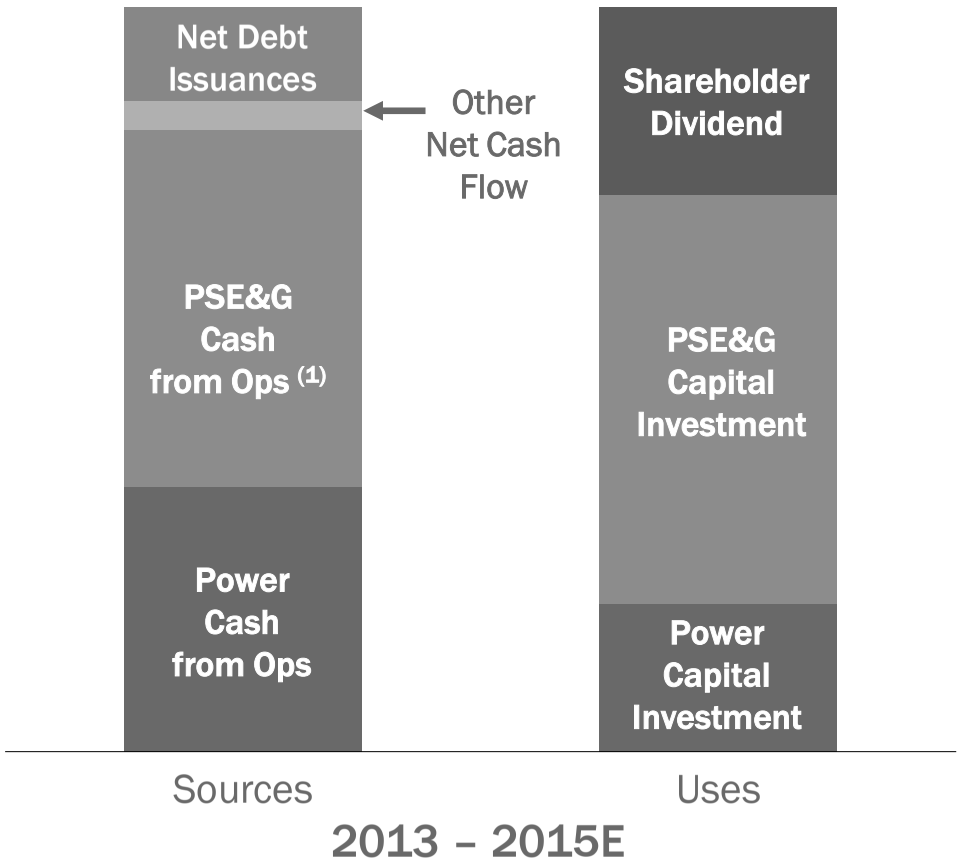
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



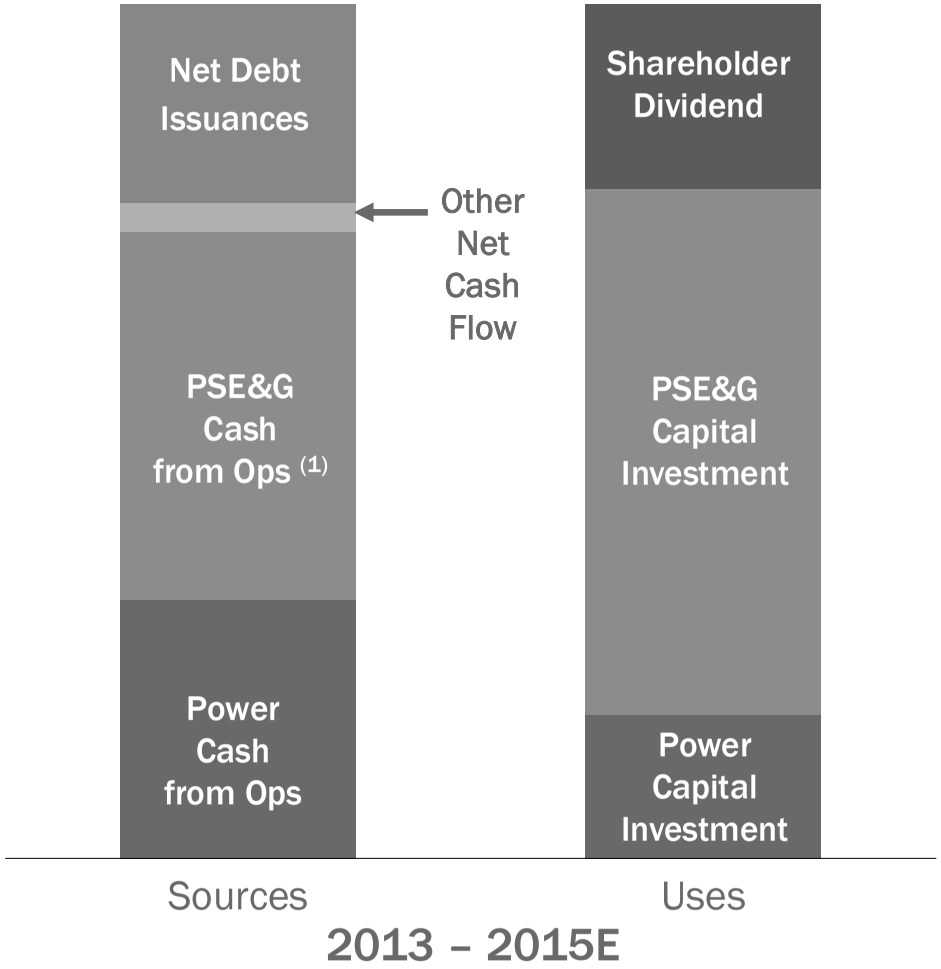
SI-SSA-0015-04628

All scenarios can be financed without new equity

Approved Programs



Approved Programs plus EMP, New Transmission and New Distribution



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

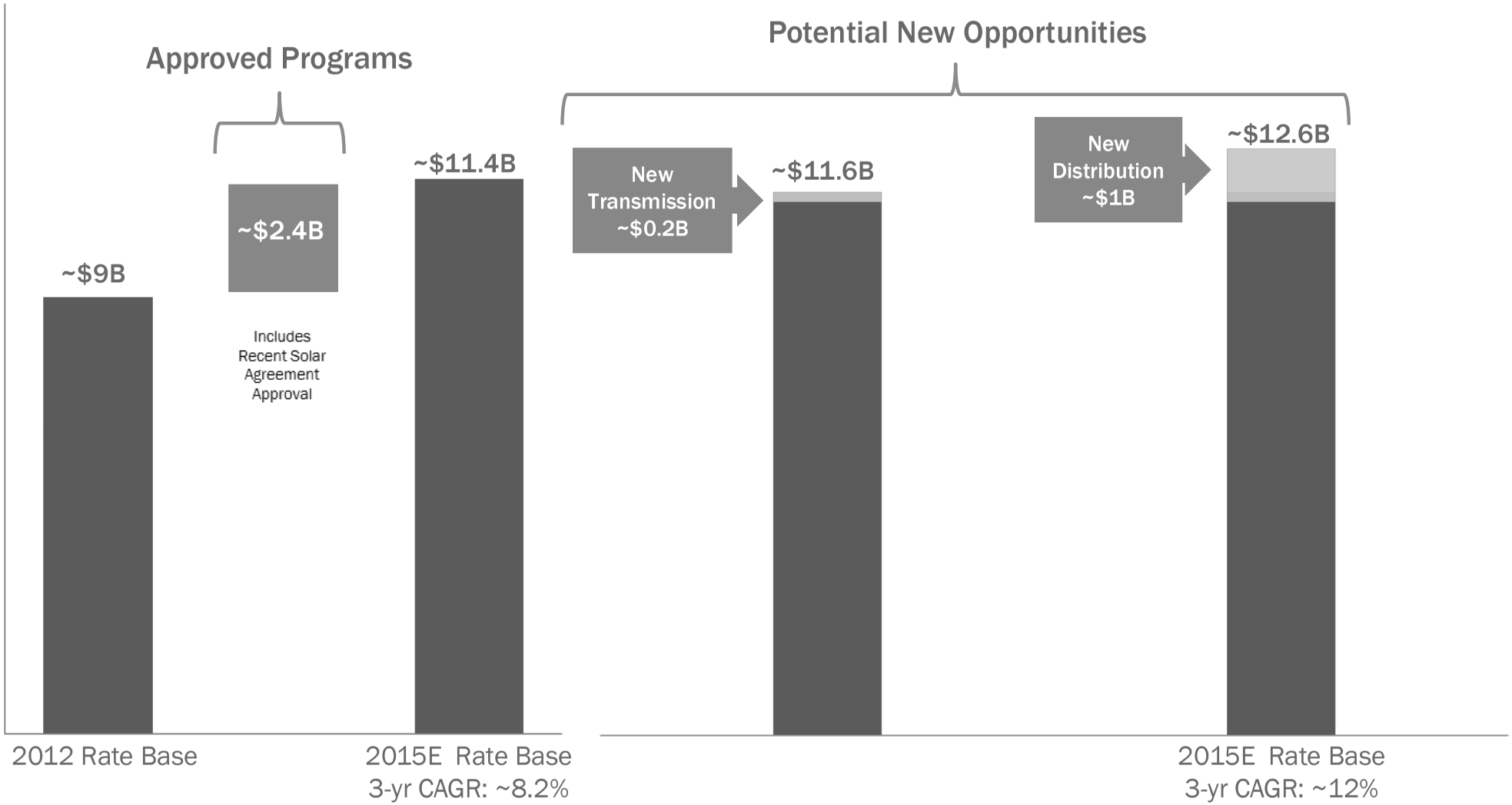
EMP: ENERGY MASTER PLAN

E = ESTIMATE

SI-SSA-0015-04629

PSE&G's capital spending supports regulated earnings growth with a potential future rate base of up to ~$12.6B

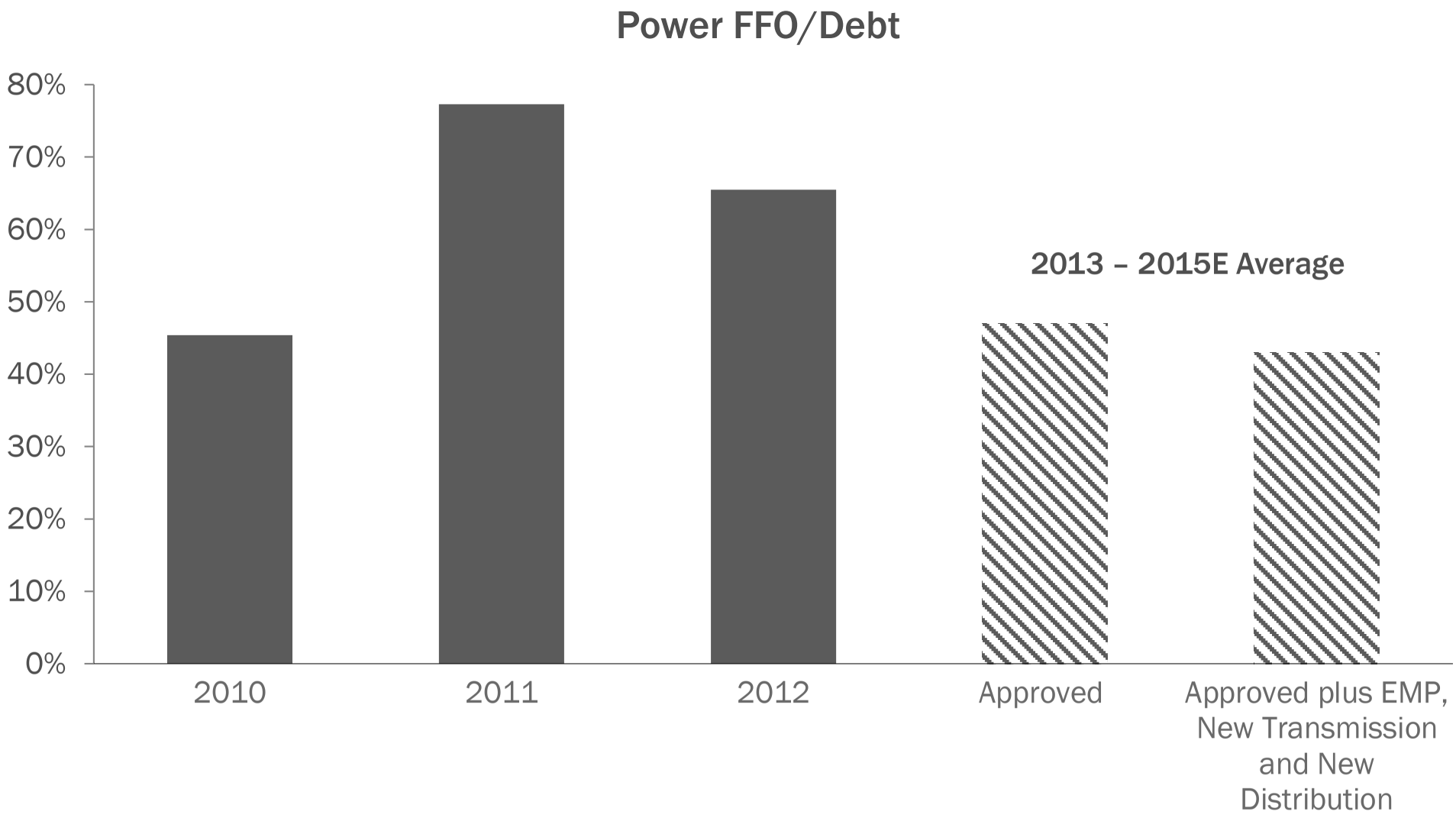
2013 – 2015E Rate Base Growth



DATA AS OF JUNE 30, 2013. E = ESTIMATE

SI-SSA-0015-04630

Power's credit metrics are expected to remain strong



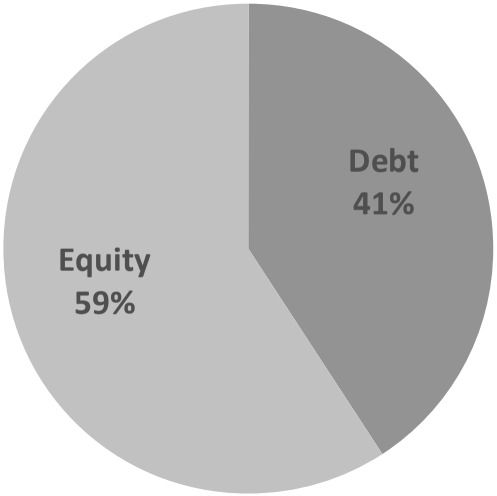
SI-SSA-0015-04631

Using PSEG's balance sheet strength

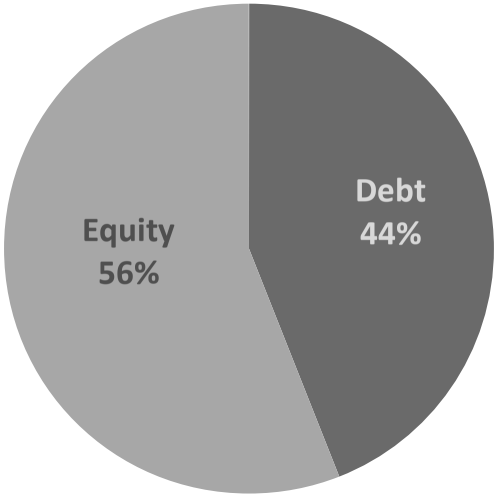
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

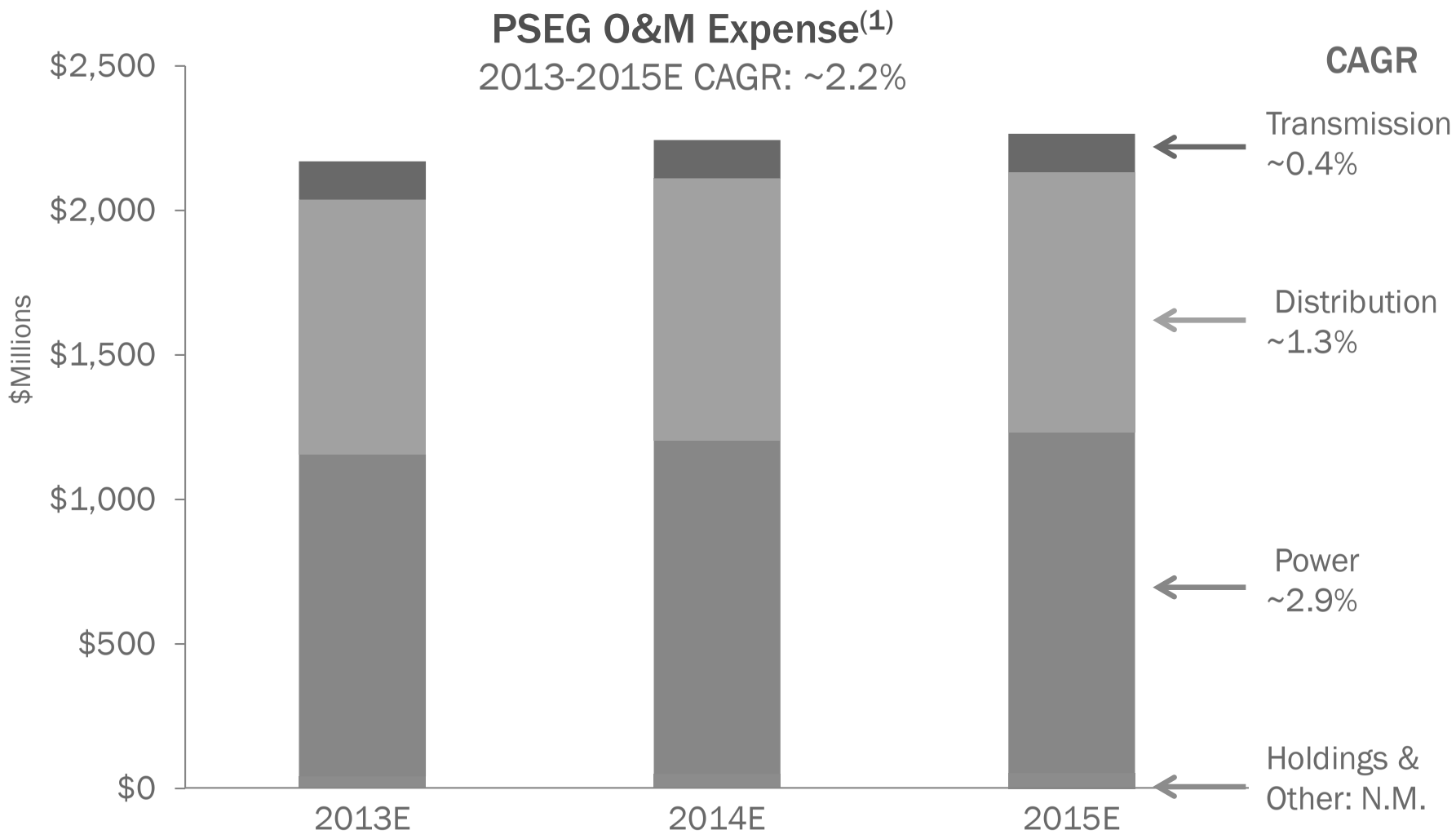
SI-SSA-0015-04632

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0
*NUG revenues reflect Feb 1, 2013 rates					
Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%	

SI-SSA-0015-04633

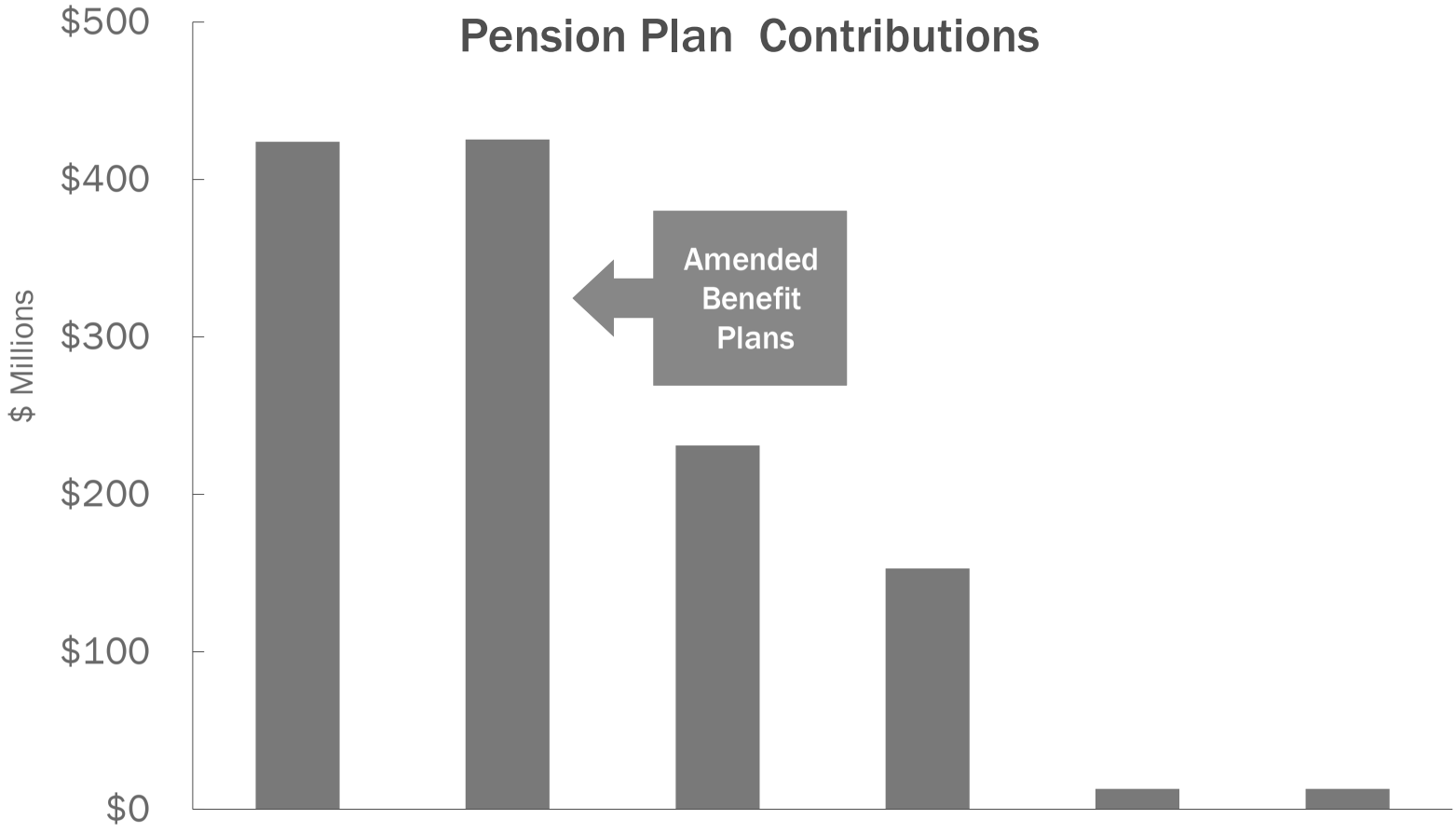
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-04634

Pension contributions expected to decline with well funded plan

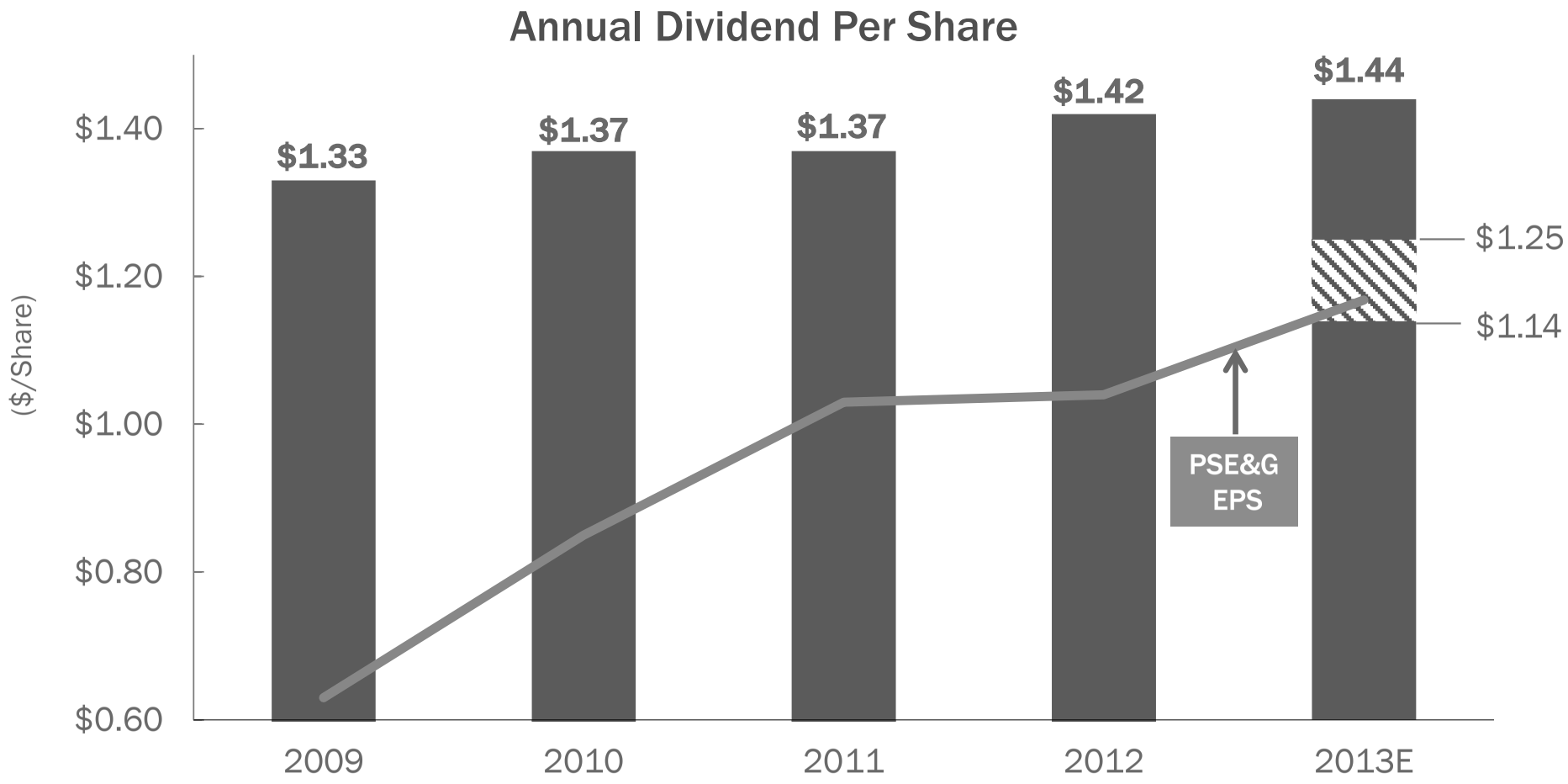


	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-04635

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-04636

PSEG Summary

- Raised 2013 full-year operating earnings guidance to $2.40 - $2.55 per share – based on financial results year-to-date
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-04637

APPENDIX

PSEG

SI-SSA-0015-04638

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

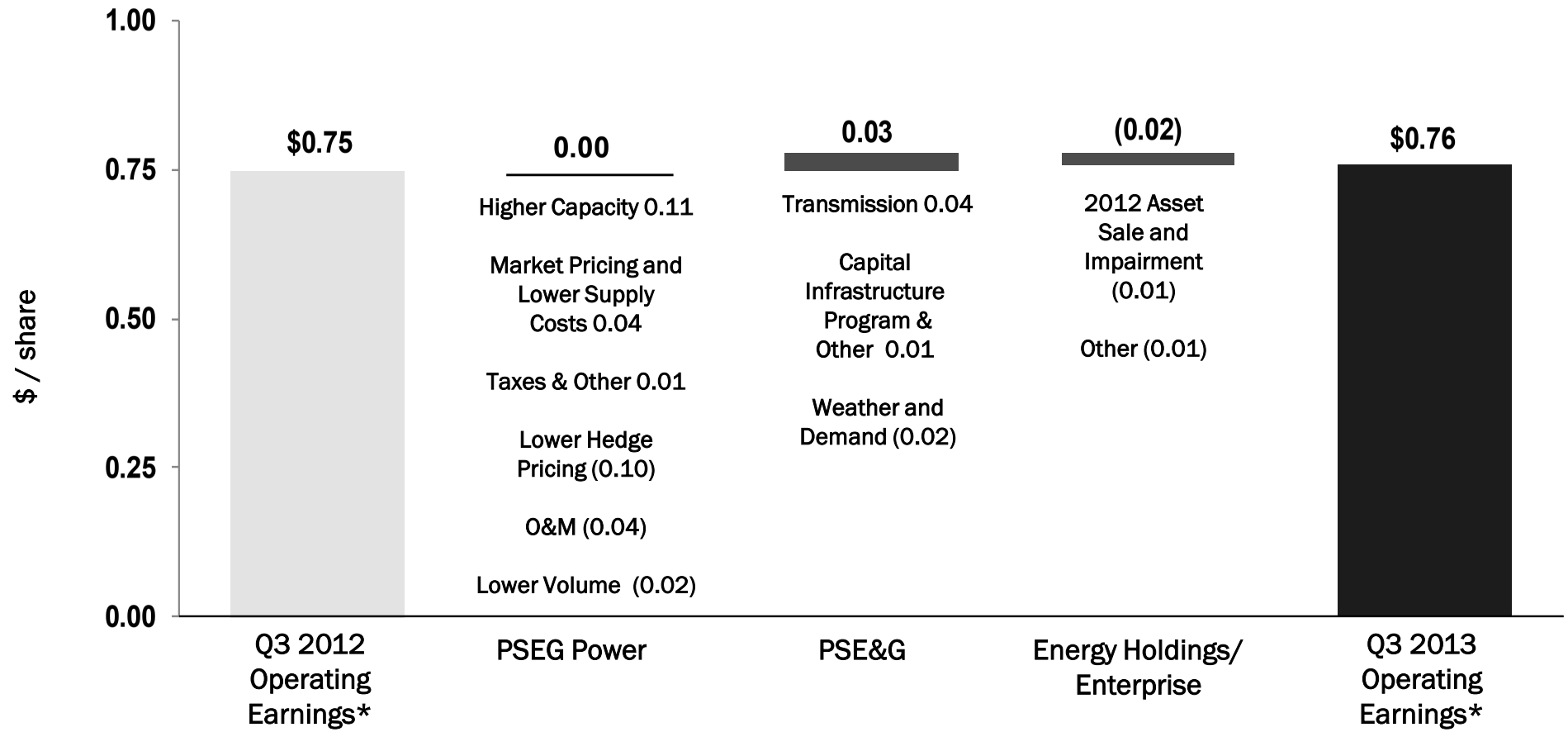
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 216	$ 217		$ 0.43	$ 0.43
PSE&G	168	155		0.33	0.30
PSEG Energy Holdings/ Enterprise	1	10		-	0.02
Operating Earnings*	$ 385	$ 382		$ 0.76	$ 0.75

SI-SSA-0015-04639

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2013 versus Q3 2012



SI-SSA-0015-04640

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

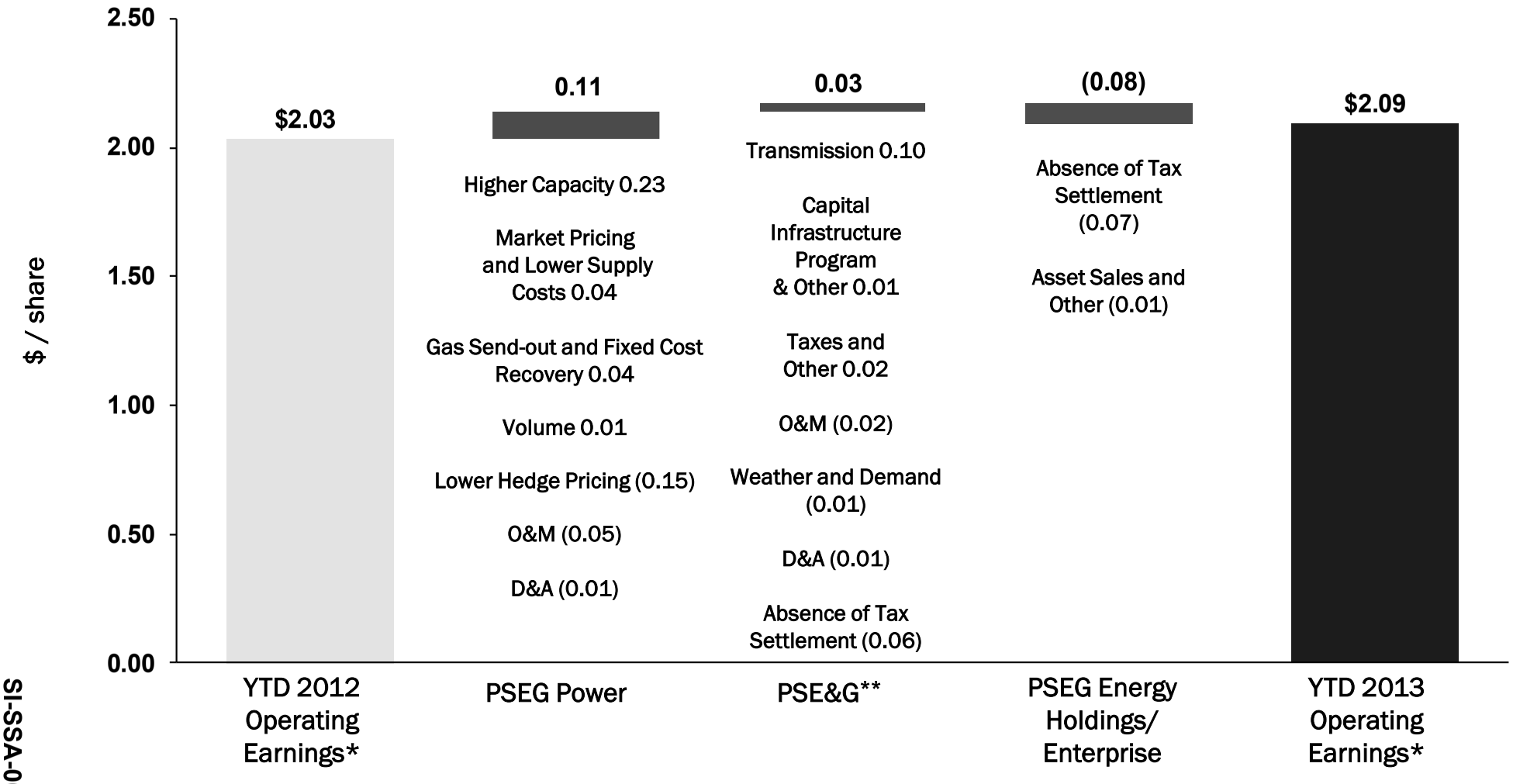
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 580	$ 523		$ 1.14	$ 1.03
PSE&G	468	453		0.92	0.89
PSEG Energy Holdings/ Enterprise	13	53		0.03	0.11
Operating Earnings*	$ 1,061	$ 1,029		$ 2.09	$ 2.03

SI-SSA-0015-04641

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2013 versus YTD 2012

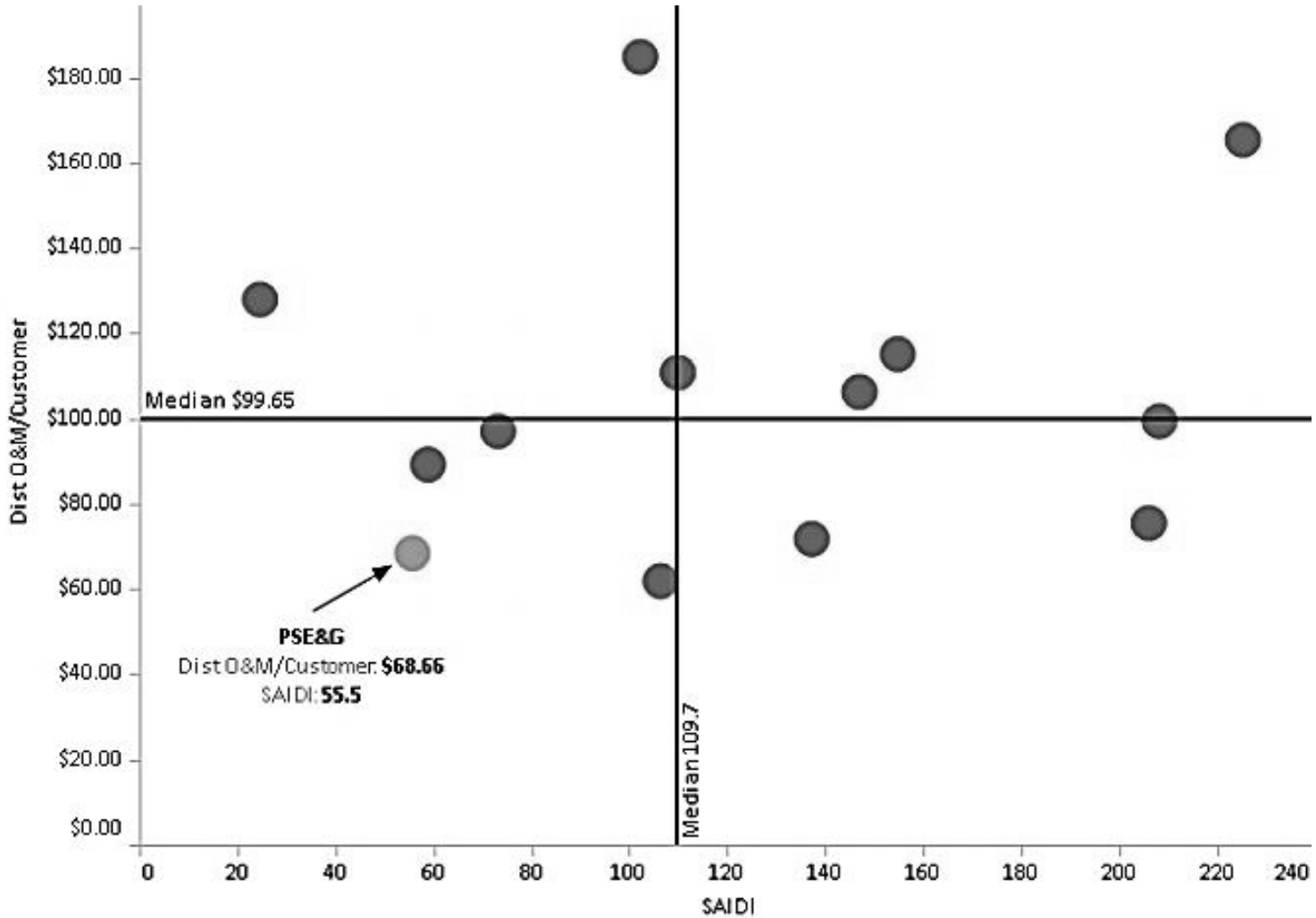


SI-SSA-0015-04642

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

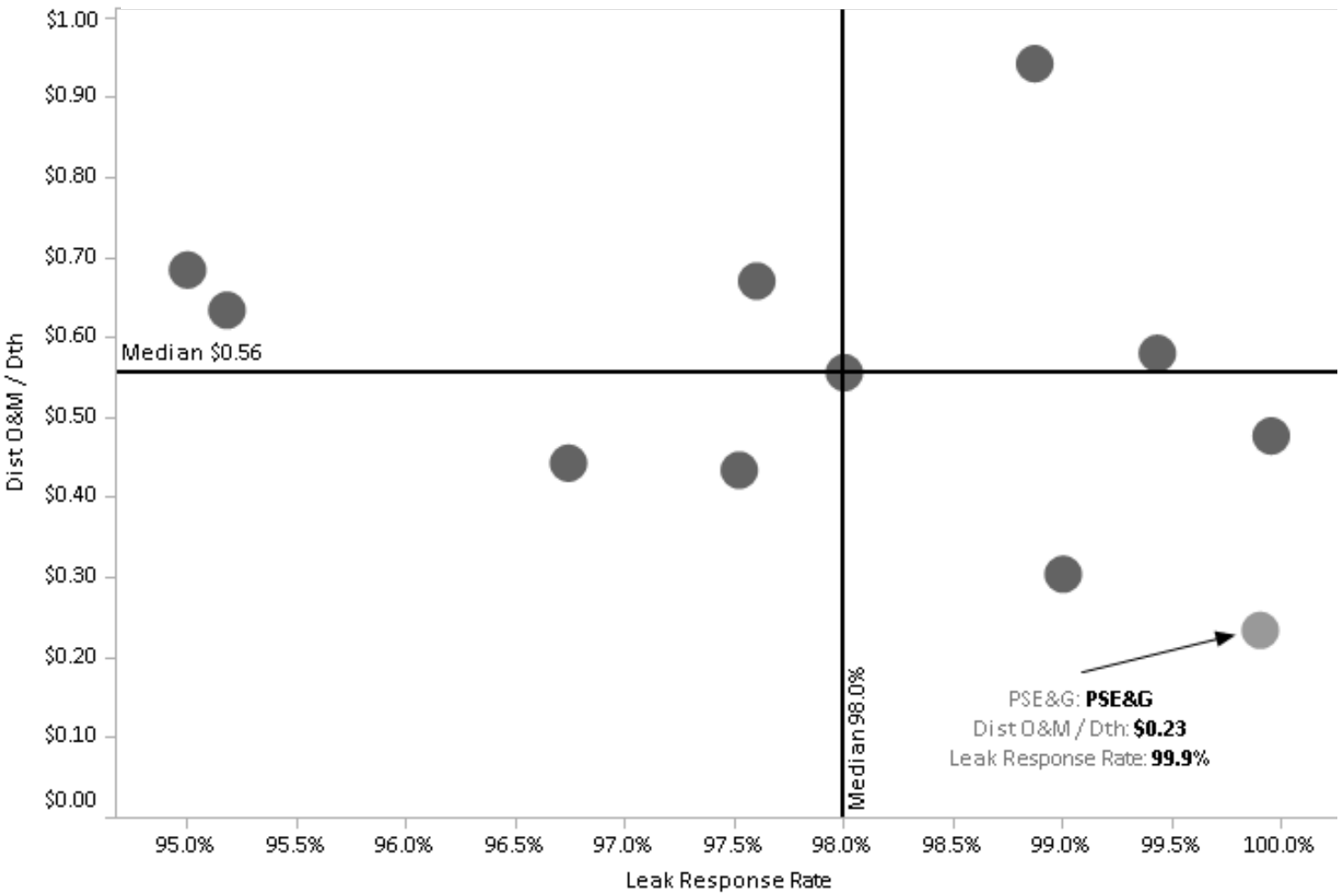
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-04644

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-04645

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-04646

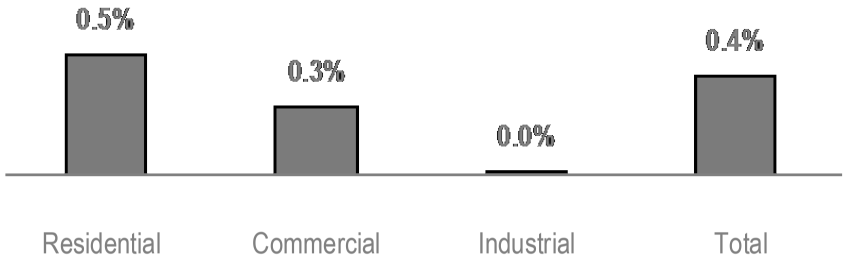
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

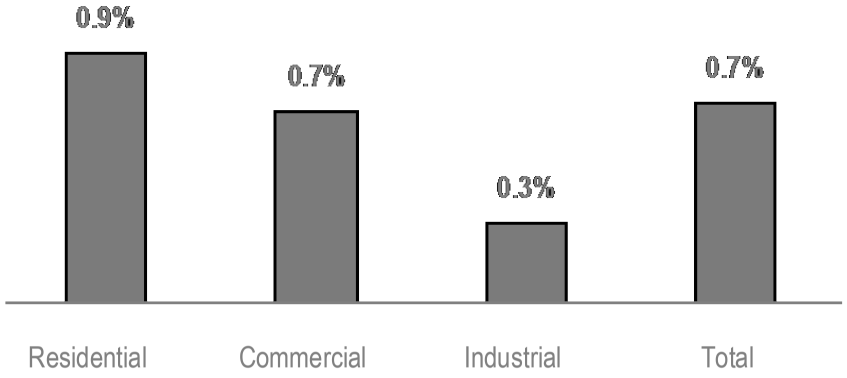
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

SI-SSA-0015-04647

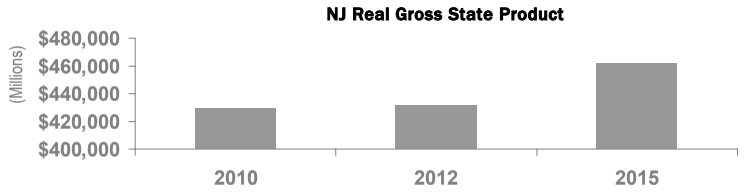
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

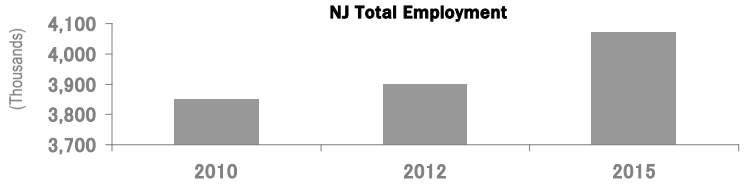
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

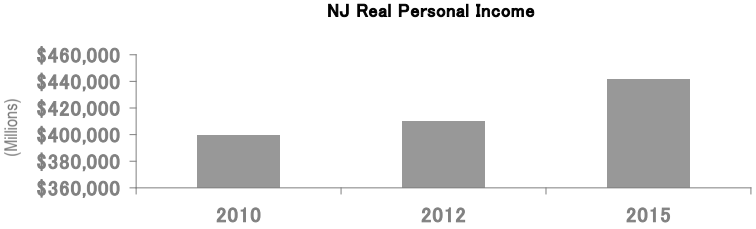
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

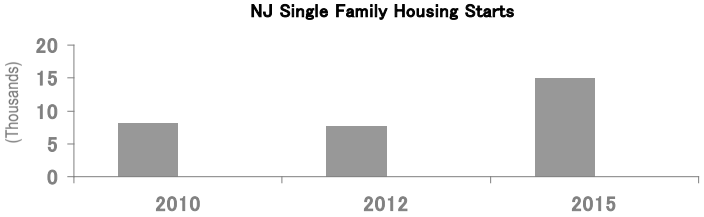
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









SI-SSA-0015-04648

SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

The full requirements BGS rate recognizes the forward PJM capacity market price

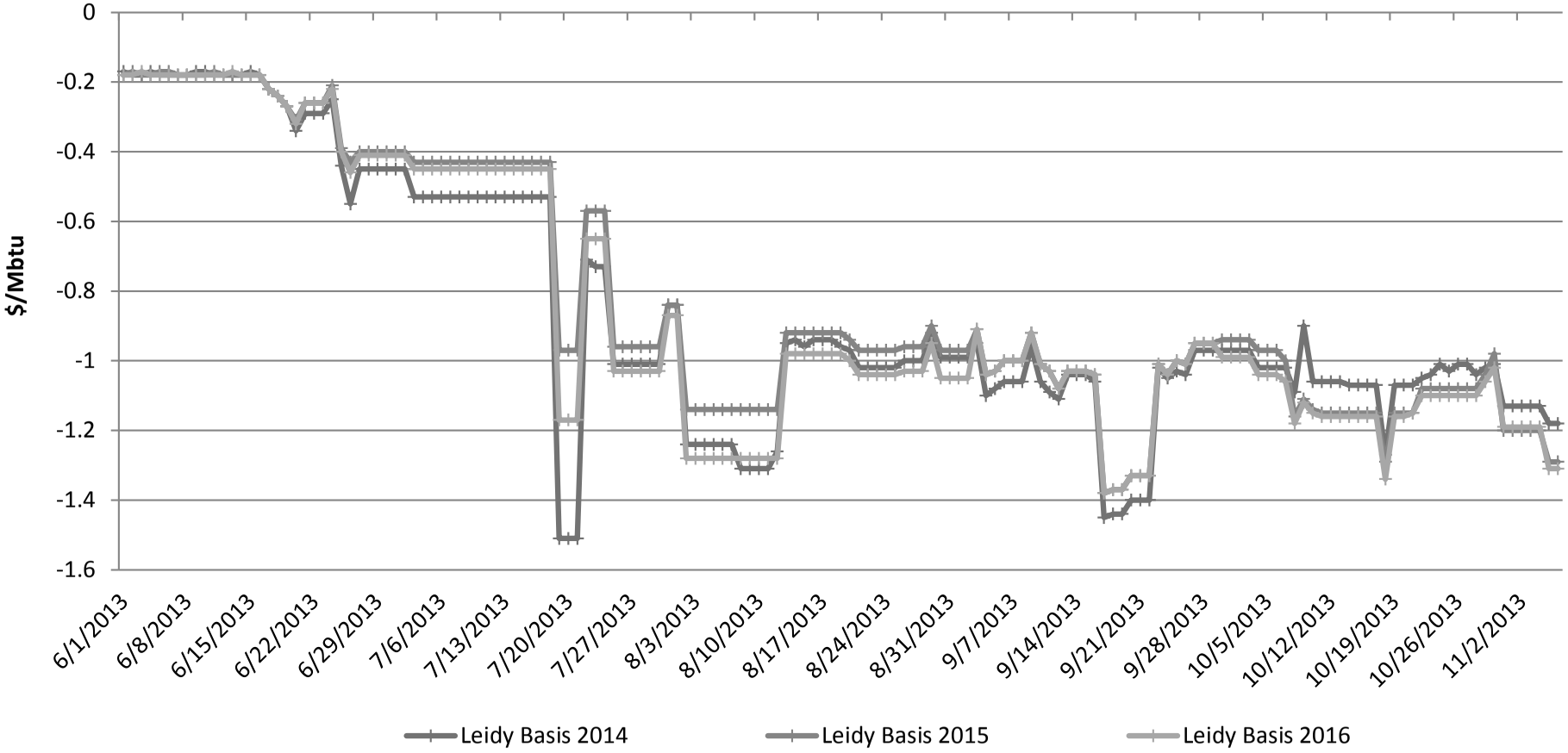
Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-04649

Leidy Gas Basis to Henry Hub



- Current market data indicates Leidy gas basis remains negative to Henry Hub into 2016 but market is illiquid the further out you go

SI-SSA-0015-04650

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 9/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$195**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$344**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$189**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$80**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 98**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 22**
	Total Holdings Investments	**$1,213**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013,NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

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PSEG Liquidity as of September 30, 2013

Facility	Expiration Date	Total Facility		Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600	1	$13	$587
5-Year Credit Facility (Power)	Mar-17	1,600		58	1,542
5-Year Credit Facility (Power)	Mar-18	1,000	2	0	1,000
5-Year Bilateral (Power)	Sep-15	100		100	0
5-year Credit Facility (PSEG)	Mar-17	500		5	495
5-year Credit Facility (PSEG)	Mar-18	500	3	0	500
	Total	$4,300		$176	$4,124
				PSEG Money Pool ST Investment	$154
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,278**
				Total Parent / Power Liquidity	**$3,691**

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

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

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

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Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM) [a] (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	96	7	(2)	270
Net Income	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM [a] (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	0.19	0.01	-	0.53
Net Income	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

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

SI-SSA-0015-04654

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Unaudited)			
Earnings Impact ($ Millions)				
Operating Earnings	$ 385	$ 382	$ 1,061	$ 1,029
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	3	(76)	(22)	(34)
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-
Income from Continuing Operations	$ 390	$ 347	$ 1,043	$ 1,051
Net Income	$ 390	$ 347	$ 1,043	$ 1,051
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507
Per Share Impact (Diluted)				
Operating Earnings	$ 0.76	$ 0.75	$ 2.09	$ 2.03
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-
Income from Continuing Operations	$ 0.77	$ 0.68	$ 2.06	$ 2.07
Net Income	$ 0.77	$ 0.68	$ 2.06	$ 2.07

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

PSEG Investor Presentation

BARCLAYS INVESTOR MEETINGS
EUROPE – MARCH 22-24, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04656

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-04658

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

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PSEG

We make things work for you.

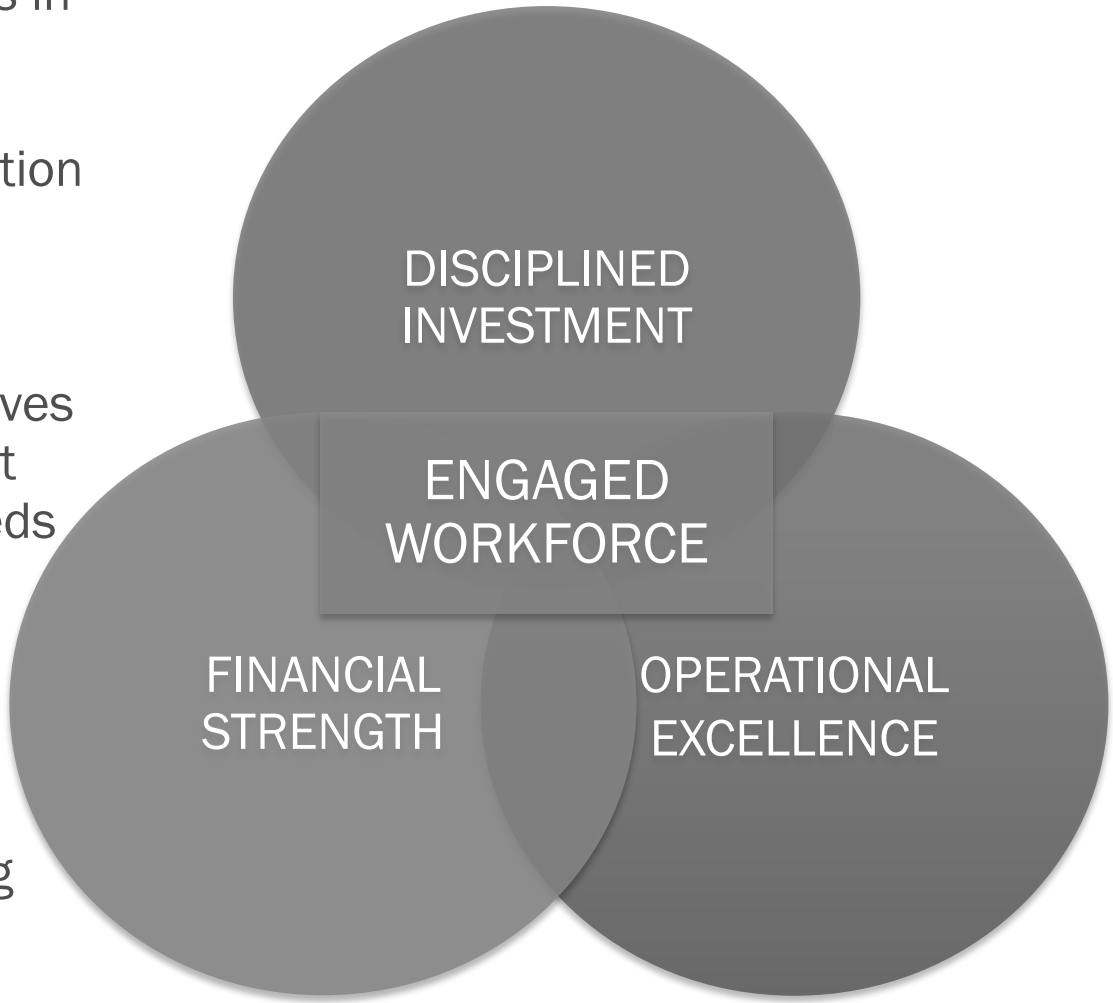
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 Assets $26B Net Income $889M	2016 Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

Focus on building a reliable, efficient, clean energy infrastructure

2012	2013	2014	2015	2016

Selected Accomplishments

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity*

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 nuclear unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Program (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation

2016
- Solar 4 All Extension Approved
- Continued new generation build and transforming fleet to be more efficient, clean, and higher quality
- Solar Source grew to 396 MW_{DC} **

Cost Control

SI-SSA-0015-04662

PSEG

*KEARNY AND NEW HAVEN. ** AS OF FEBRUARY 2017; INCLUDES 70 MW_{DC} OF PV SOLAR GENERATION IN CONSTRUCTION.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

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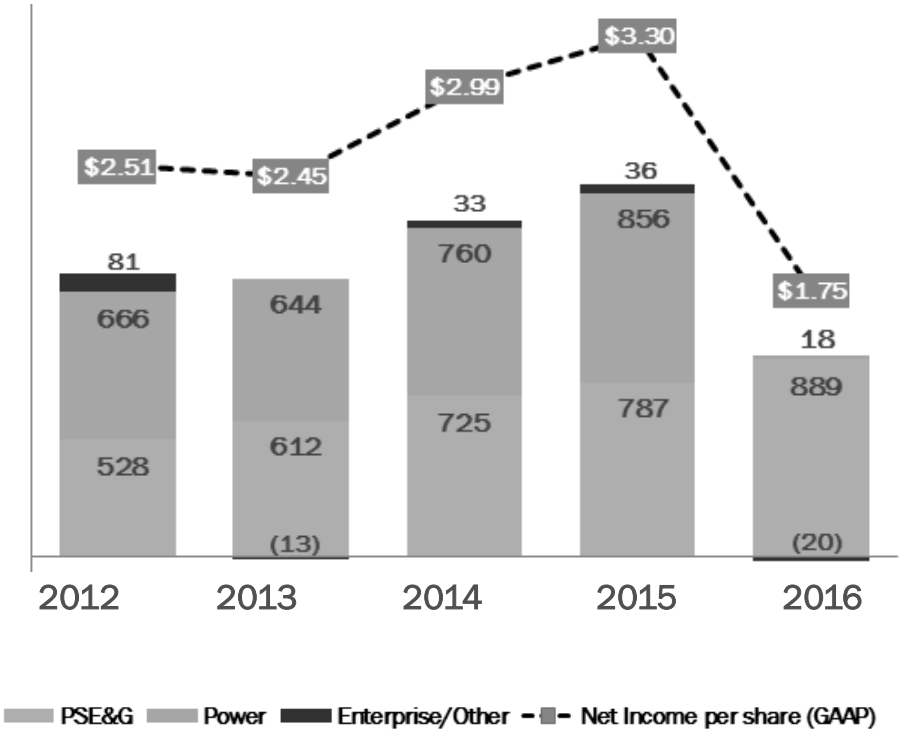
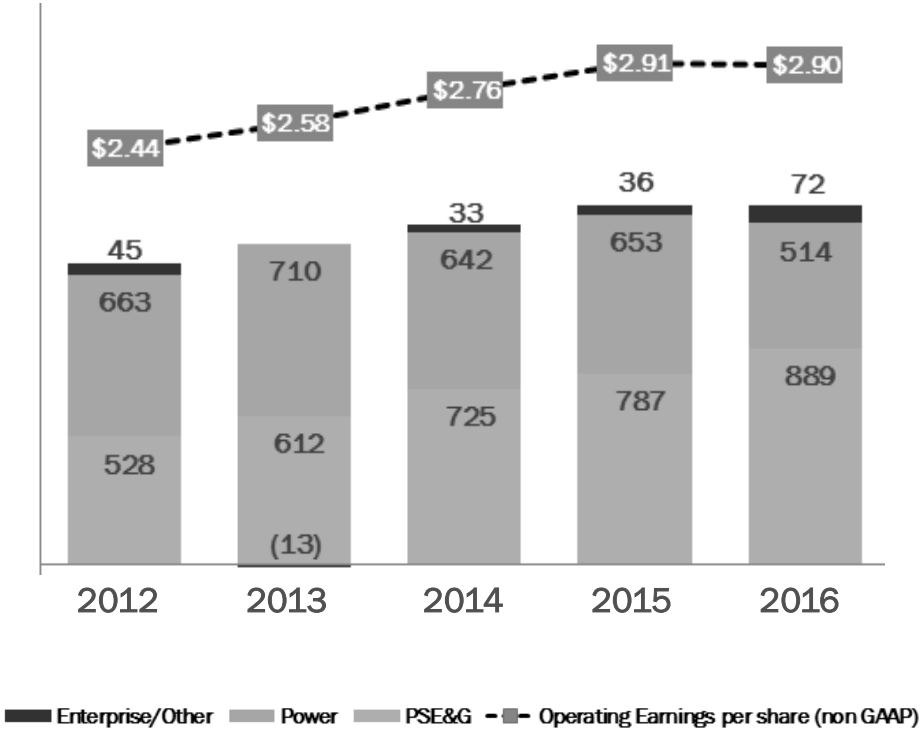
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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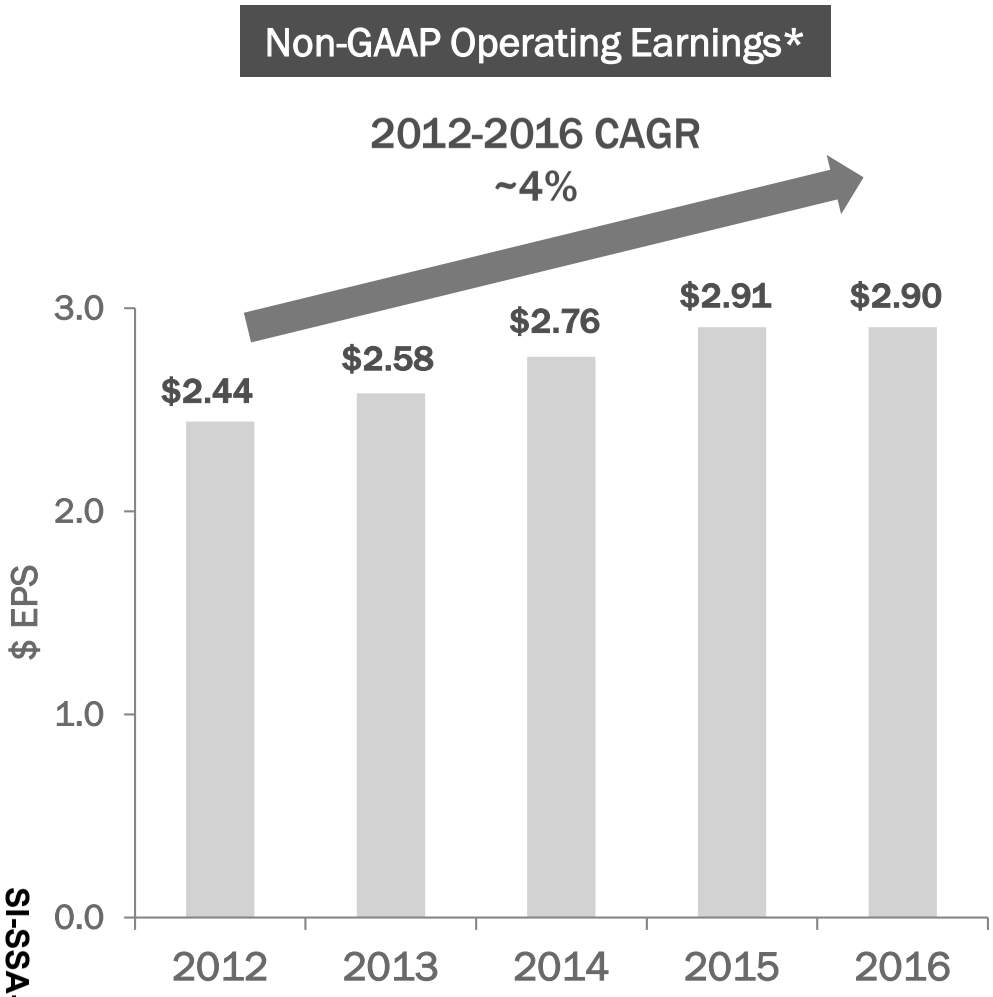
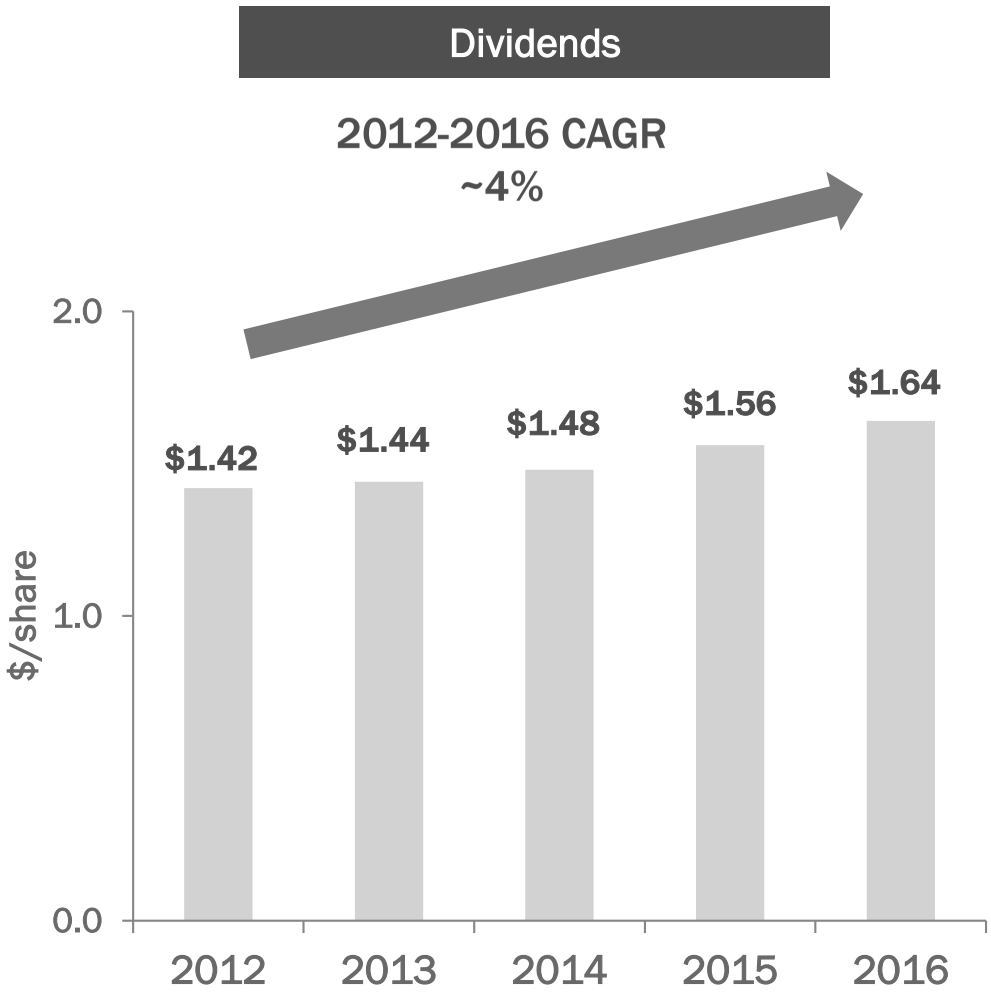
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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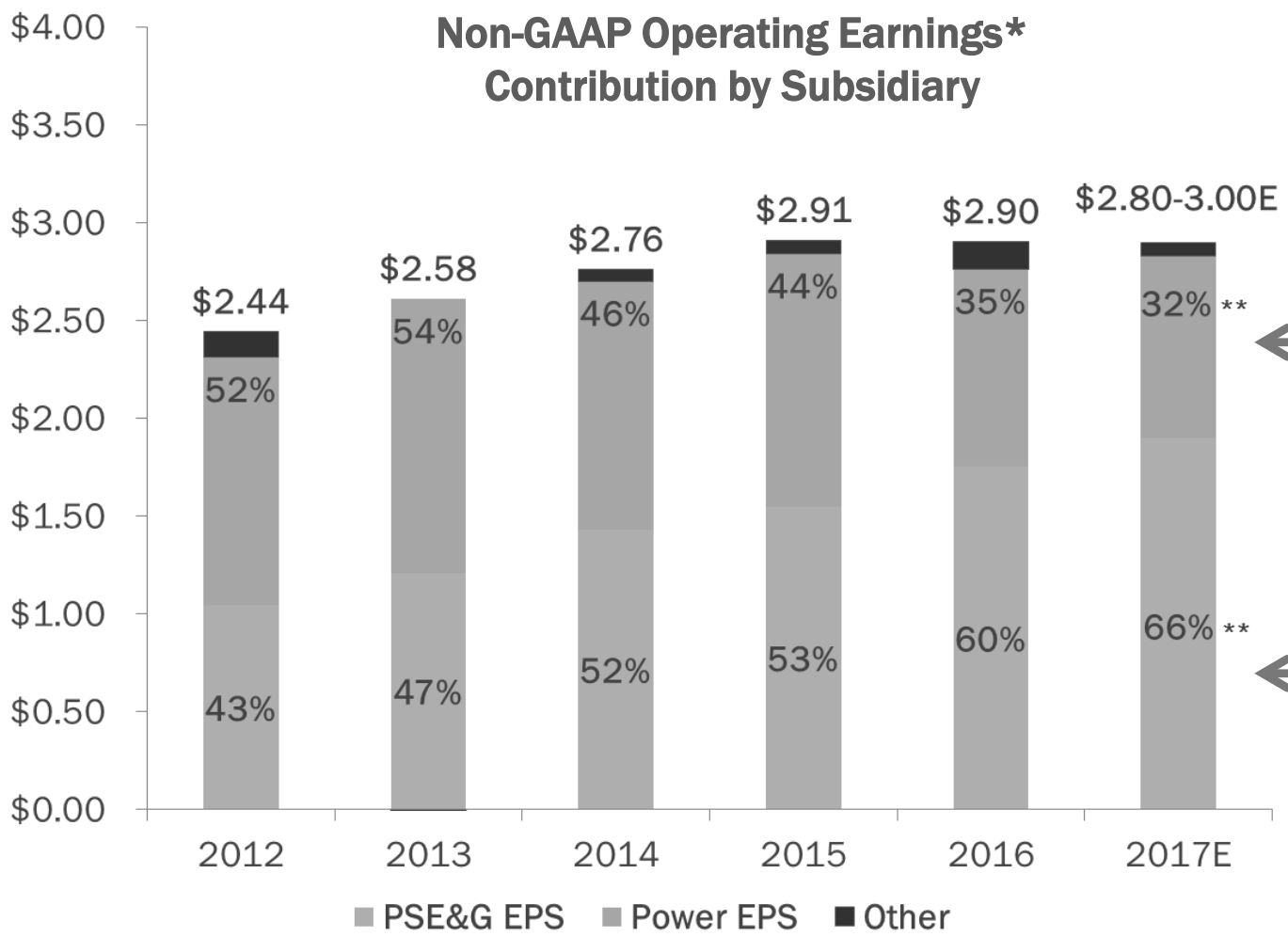
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Earnings profile with growth at PSE&G has been transformed



Power's locational and fuel cost advantage generate free cash flow in low price environment

PSE&G's earnings contribution has increased with growth in capital program

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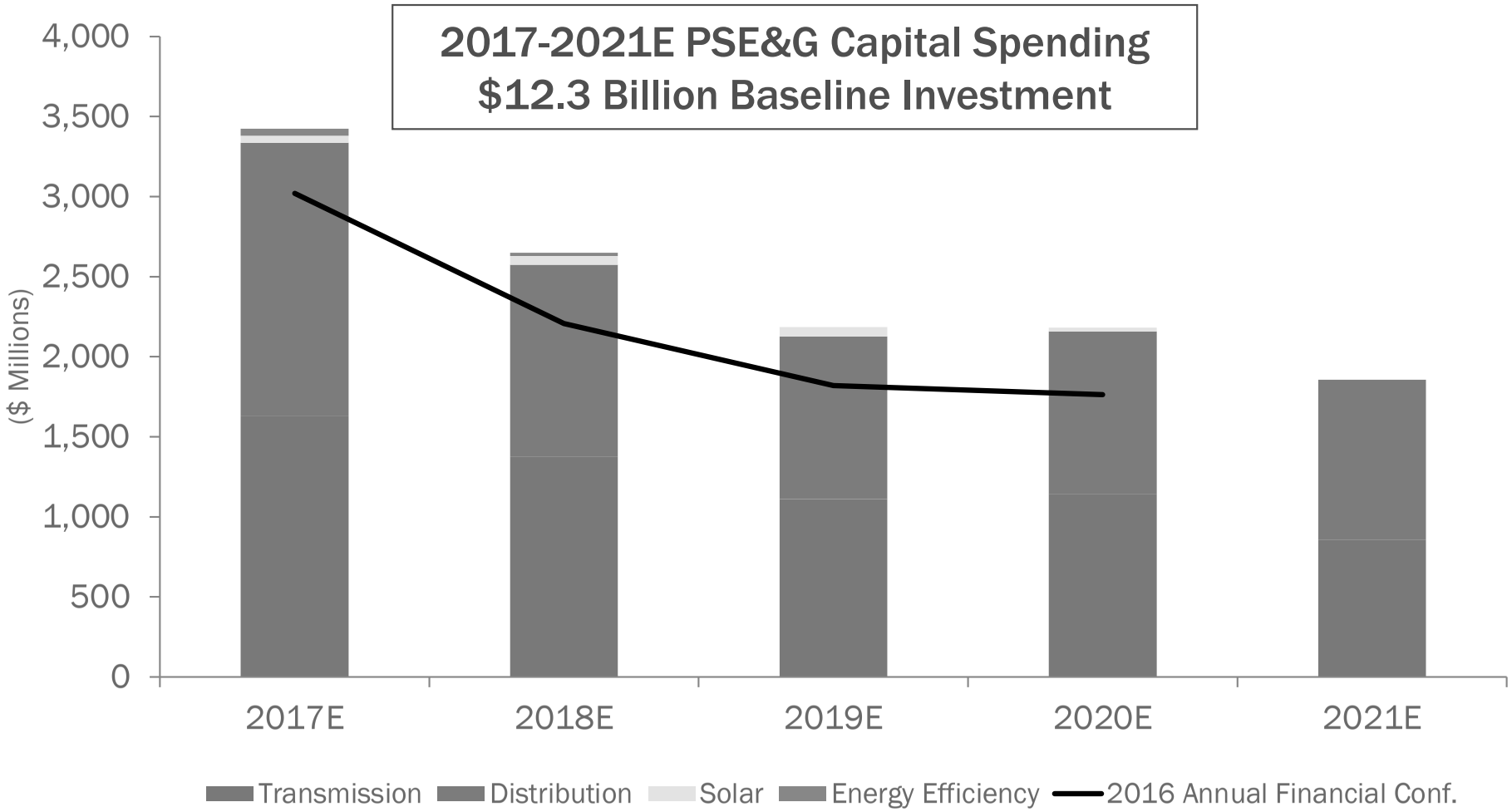
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSEG POWER AND ENTERPRISE/OTHER. E=ESTIMATE.
** 2017 PERCENTS USE MID-POINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80–$3.00 PER SHARE AS OF MARCH 7, 2017.

Baseline programs yield 7% compound annual growth in rate base



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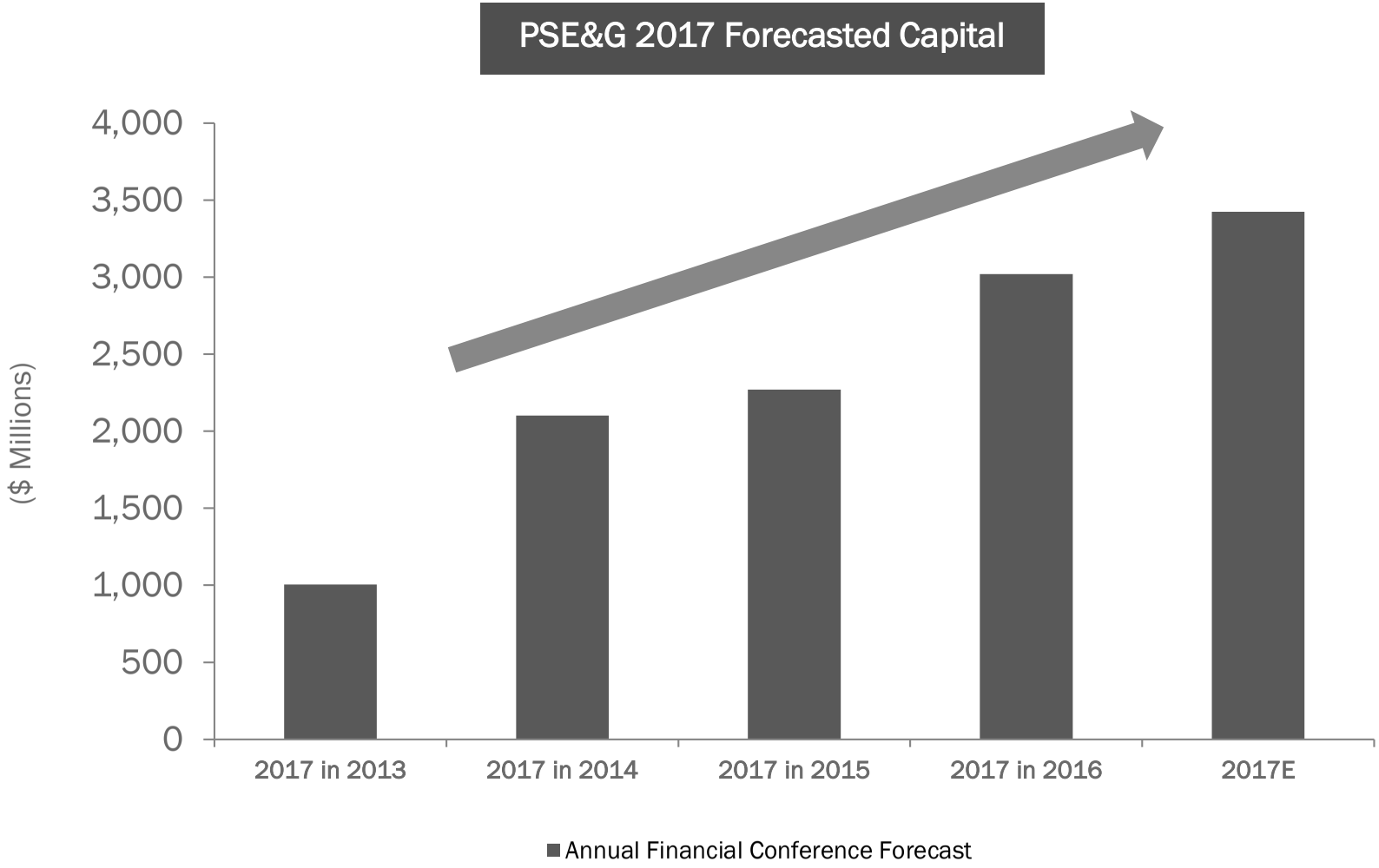
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

PSE&G has a track record of identifying opportunities for capital investment



E = ESTIMATE.

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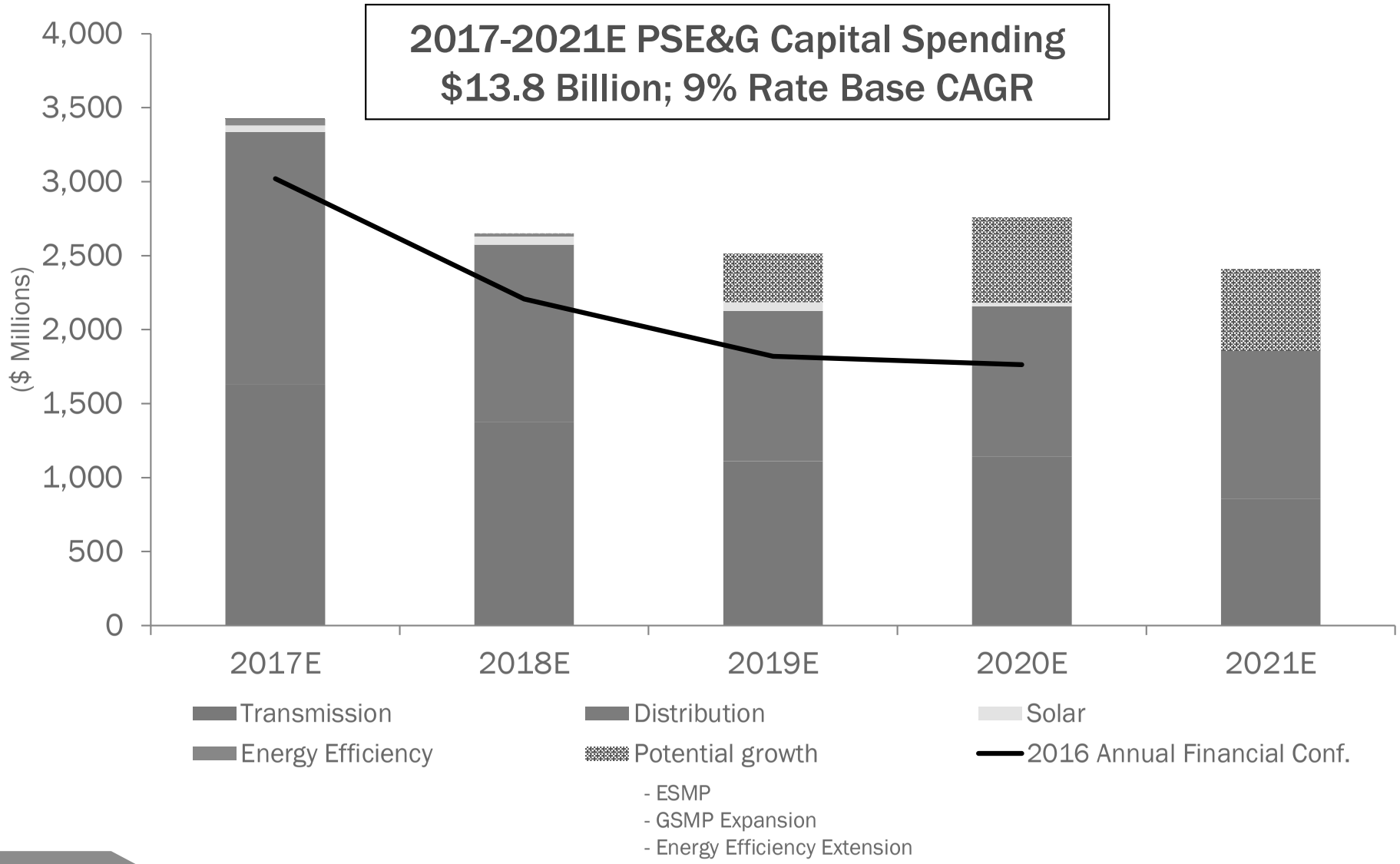
Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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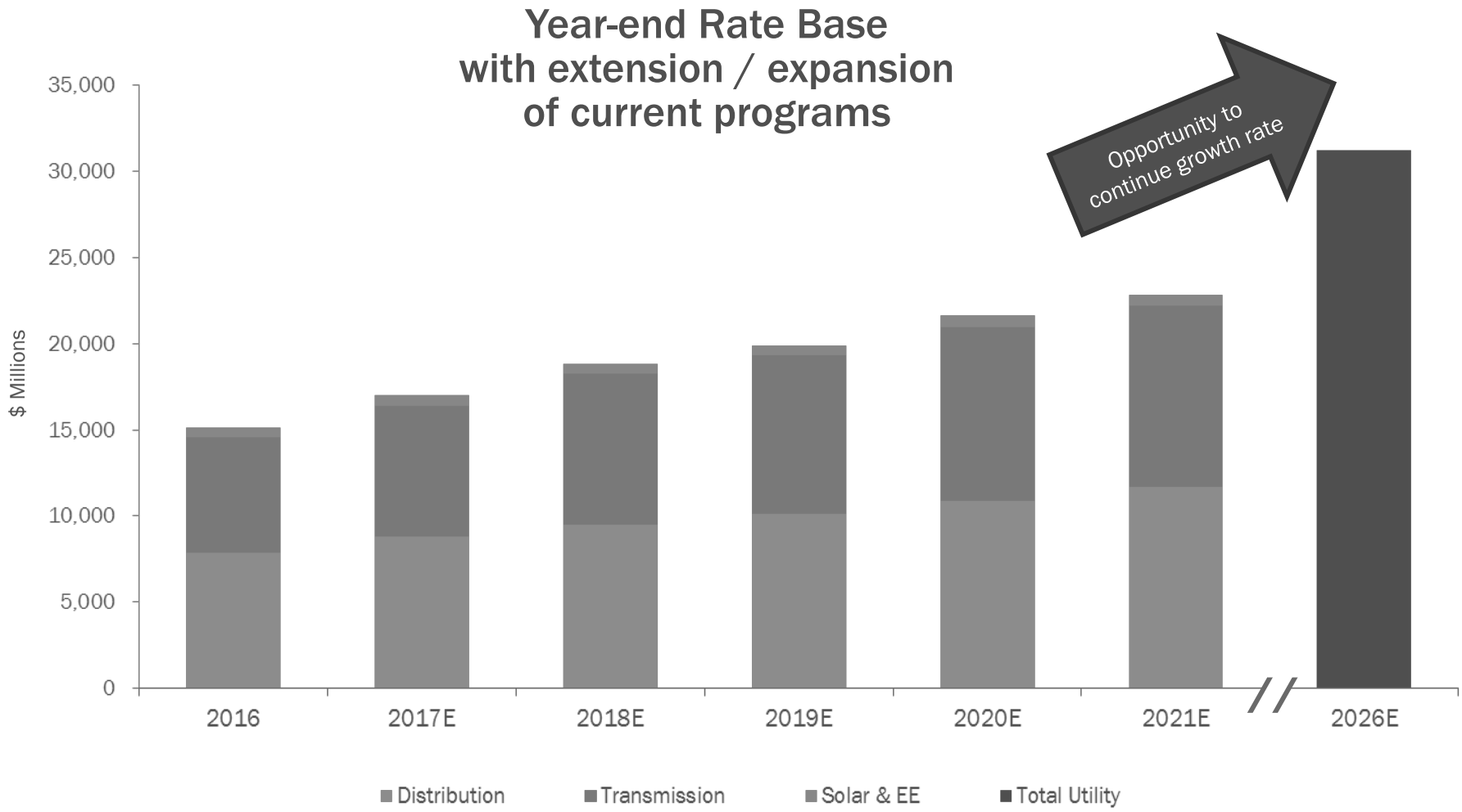
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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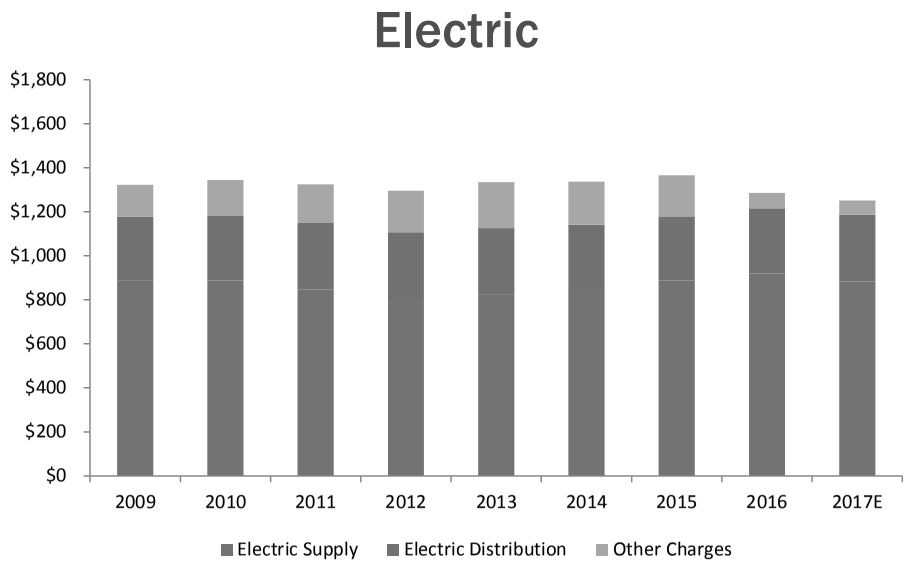
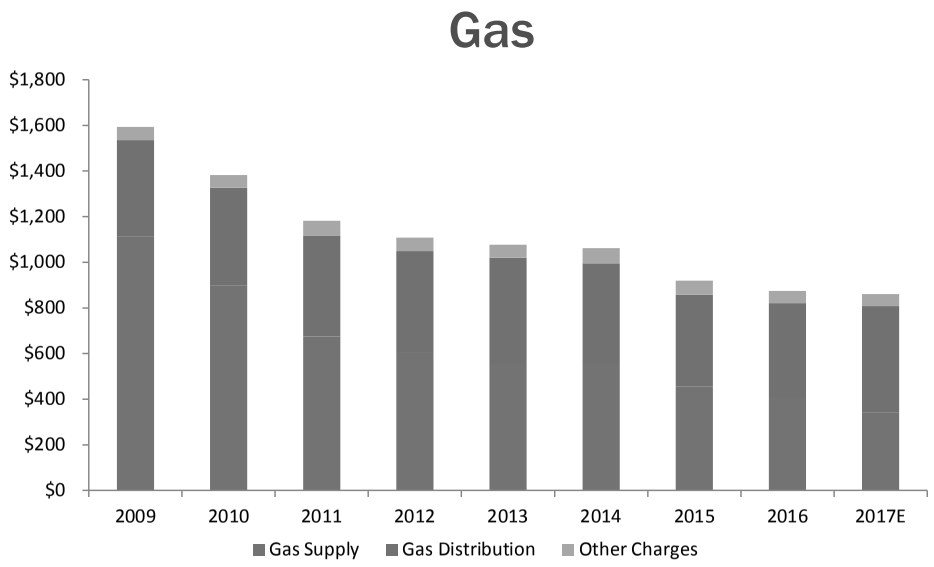
Executing on investment program and continuing to manage the total costs to customers

PSE&G Typical Residential Customer Bills 2009-2017E*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases
- Continued recent bill reductions include 2017 gas credits and recent BGS auction results
- Tax reform has the potential to reduce rates further

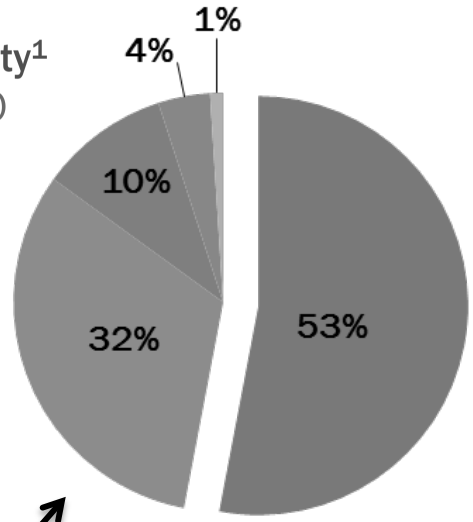
SI-SSA-0015-04671

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

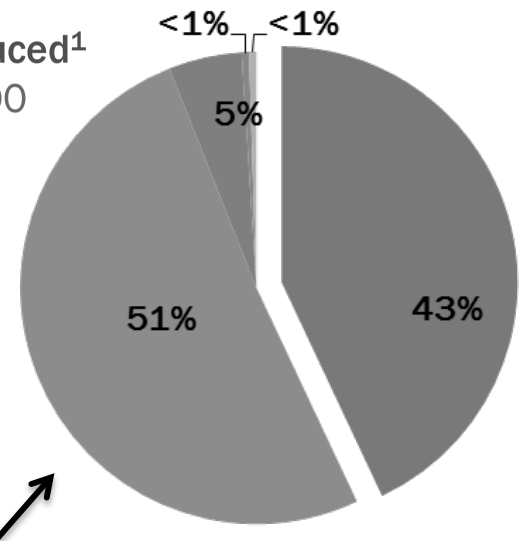
Power's fleet to be transformed with new investment and improvement in efficiency

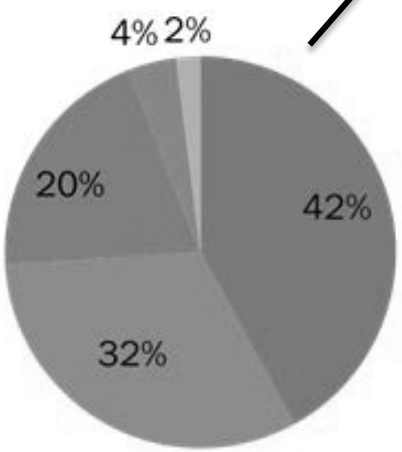
Projected Fleet Comparison 2016 to 2021E

2021E Fuel Diversity[1]
Total MW: 11,900



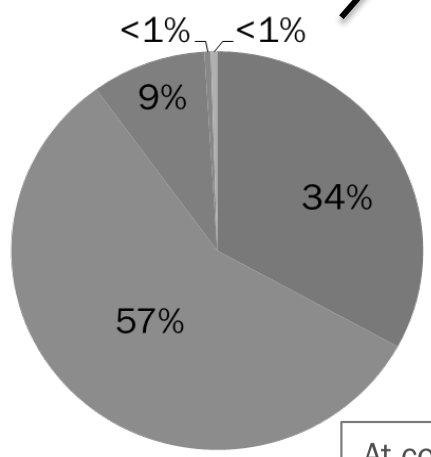
2021E Energy Produced[1]
Total GWh: 61,000





2016 Fuel Diversity
Total MW: 11,577

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage



2016 Energy Produced
Total GWh: 51,510

At conclusion of Power's construction program in 2018, capital to maintain the business declines to ~$200M per year

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017
ALL PERIODS EXCLUDE SOLAR (326 MW_{DC}/257MW_{AC}) CAPACITY AND KALAELOA (104MW) CAPACITY / ENERGY PRODUCED
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-04672

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
Legislation pending in CT
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

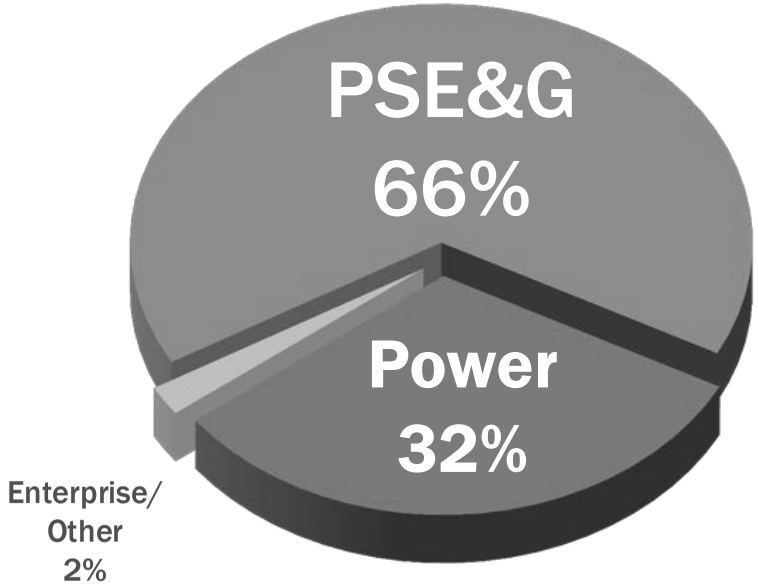
Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-04673

Investment programs provide opportunity for growth

2017E Non-GAAP Operating Earnings Guidance Contribution*



2017-2021E Total Capital**

~$13.8B

9% annual growth in rate base with expansion/extension of existing programs

~$2.6B

~18% GWh growth from efficient, low cost capacity

SI-SSA-0015-04674

*BASED ON THE MIDPOINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $2.80 TO $3.00 PER SHARE.
**INCLUDES ALL PLANNED AND POTENTIAL SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

SI-SSA-0015-04675

Our commitment to customers, community, employees, the environment, innovation and operational excellence is widely recognized

Industry

POWER
Top Plant Awards
Linden CCGT for embracing advanced digital monitoring and analytics (2016)

ReliabilityOne™
PA Consulting Mid-Atlantic Region award – for the 15th consecutive year (2016)

ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World
Star of Energy Efficiency Award (2015)

ENERGY STAR PARTNER
Partner of the Year Award - PSEGLI (2015)

2016 UTILITY CUSTOMER CHAMPION RESIDENTIAL
COGENT REPORTS™
Utility Customer Champion for Second Year (2016)

ELECTRIC LIGHT & POWER
Utility of the Year (2015)

Employer

MILITARY FRIENDLY EMPLOYERS MF'16
Top 100 military-friendly employers, ranked # 19 (2016)

CIANJ
Commerce & Industry Association of NJ award recognizing commitment to veterans, PSEG Foundation's STEM program, and other volunteer programs (2016)

2015 READERS' CHOICE EQUAL OPPORTUNITY MAGAZINE A TOP 50 EMPLOYER
Equal opportunity employers, ranked # 40 (2015)

Forbes | 2015 AMERICA'S BEST EMPLOYERS POWERED BY STATISTA
America's Best Employers List (2015)

Business

PUBLIC UTILITIES FORTNIGHTLY "In the Public Interest"
PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index
Named to DJSI North America for the 9th consecutive year (2016)

FORTUNE WORLD'S MOST ADMIRED COMPANIES 2013
Ranked 8th among electric and gas companies in the United States (2017)

Forbes AMERICA'S MOST JUST COMPANIES JUST 2016
America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-04676

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-04677

PSEG REGULATORY & POLICY REVIEW

Tamara Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PSEG

We make things work for you.

SI-SSA-0015-04678

Regulatory & Policy Review - Agenda

- PSE&G Investment Program Recap
- PSE&G 2017 Base Rate Case Filing
- Regulatory Reform in NJ
- Preserving Nuclear Generation
- Federal Regulatory Framework
- Summary

SI-SSA-0015-04679

PSE&G has received approval for 15 multi-year investment programs that advance state energy goals

2008/ 2009	2011	2013	2014	2015	2016

Selected Accomplishments

- Capital Infrastructure I
- Energy Efficiency
- Solar Loan I
- Carbon Abatement
- Solar Loan II
- Solar 4 All
- Demand Response

- Energy Efficiency Extension
- Capital Infrastructure II

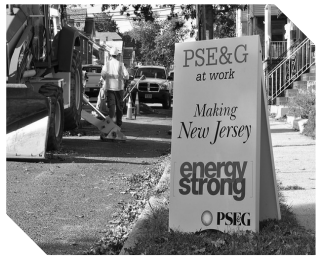
- Solar Loan III
- Solar 4 All Extension

- Energy Strong

- Energy Efficiency Extension II
- Gas System Modernization

- Solar 4 All Extension II

Infrastructure investment programs with near contemporaneous recovery mechanisms



SI-SSA-0015-04680

PSE&G plans to file Distribution Base Rate Case proceeding no later than November 1, 2017

Support

- Requirement of 2014 Energy Strong settlement
- Update for known changes in sales growth forecast, O&M and taxes since 2010 rate case
- Get recovery of distribution investment not covered by clause mechanisms
- Get recovery of approved storm costs

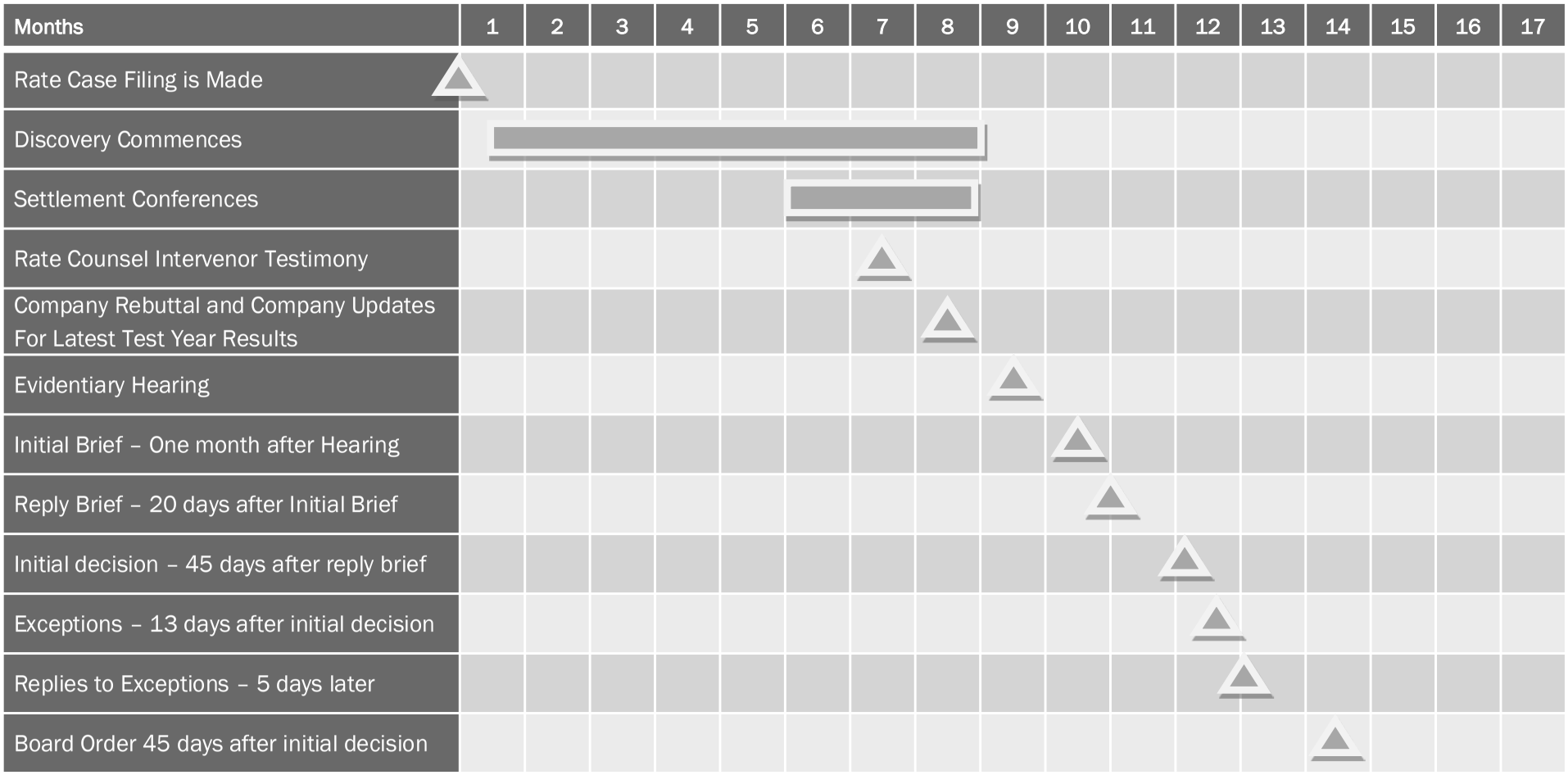
Opportunity

- Establish/update rate design, capital structure and depreciation
- Pursue decoupling
- Pursue interim rates
- Improve alignment with customer
- New E&G rates effective at start of 2019, or earlier

Supports need for moderate base rate increase

SI-SSA-0015-04681

NJ Distribution Base Rate Case Timeline



SI-SSA-0015-04682

New Jersey – Long-term Infrastructure Regulatory Reform with Customer Focus

Support

- Alignment with community and customer needs
- NJ Energy Master Plan
- Support extension of investment program horizon from 3 to 7 years using review process established by the BPU in Energy Strong and Gas System Modernization Program as template

Opportunity

- PSE&G will be seeking approval of multi-year programs that extend existing efforts to improve our system resiliency and broaden investment focus on Energy Efficiency and Utility of the Future services at the lowest cost to our customers

SI-SSA-0015-04683

Preserving Existing Nuclear Power Plants as Part of a Resilient Energy System

Support

- Generation from Power's nuclear units produces ~40% of NJ supply and provides 97% of NJ's carbon free energy
- Preservation of nuclear energy consistent with NJ policy goal: 70% clean resources by 2050
- Competitive wholesale markets not designed to value fuel diversity, resiliency and desirable attributes of nuclear generation

Opportunity

- Preserve highly reliable, clean resources as part of a diverse energy portfolio
- Preserve local jobs and economic base
- Keep prices lower than they otherwise would be, as current replacement options are more expensive
- Maintain system reliability

SI-SSA-0015-04684

What are other states doing to preserve at-risk nuclear generation?

New York April 2016	Illinois November 2016	Connecticut 2017?	Ohio 2017?
Clean Energy Standard approved by NYPSC provides support for at-risk nuclear. Zero Emission Credit standard established. Contract payments available for up to 12 years	Future Energy Jobs Bill enacted establishing a Zero Emission Credit (ZEC) portfolio standard. ZEC contract payments available for 10 years	Connecticut Legislature currently debating clean energy procurement process in recognition of nuclear capacity role as provider of clean energy	Legislative action under consideration to preserve at-risk nuclear generation

State Regulatory/Legislative actions recognize value of nuclear energy in meeting clean energy standards and supporting local economy

SI-SSA-0015-04685

Federal Regulatory Framework – Ensuring market structures recognize the value of reliable, diverse and clean dispatchable generation

Support

- FERC is driving ISOs to improve market constructs and rules on energy pricing
- Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held by PJM in May 2017

Opportunity

- Advocate for market solutions that fairly compensate generators for the cost of meeting demand
- Seek recognition of environmental attributes of existing resources
- Seek integration of state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-04686

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-04687

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

SI-SSA-0015-04688

Discussion topics

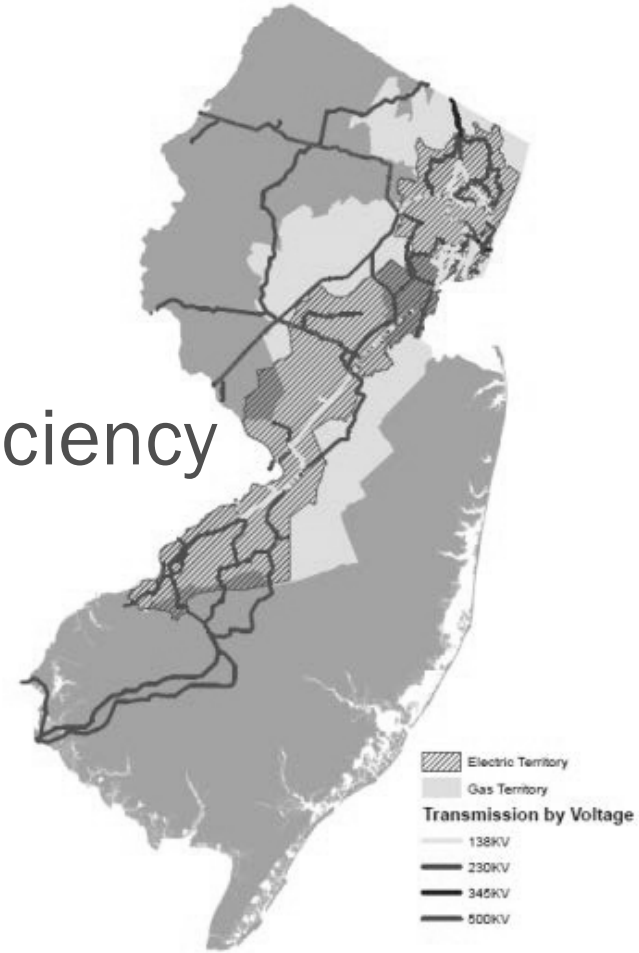
- Overview of PSE&G - Strategy and delivering results
- Operational excellence
- Capital investment program
- 2017 Distribution rate case filing
- Customer rates

SI-SSA-0015-04689

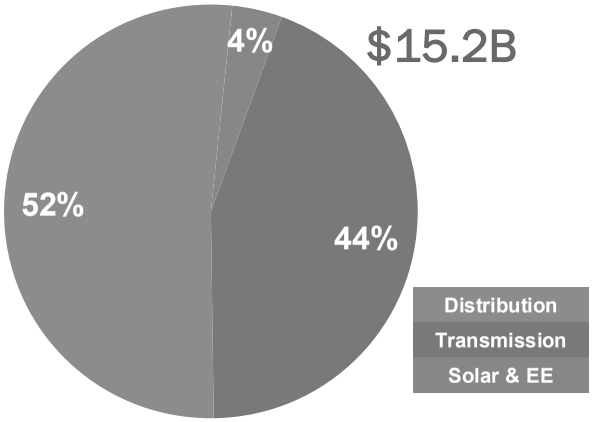
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



SI-SSA-0015-04690

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04691

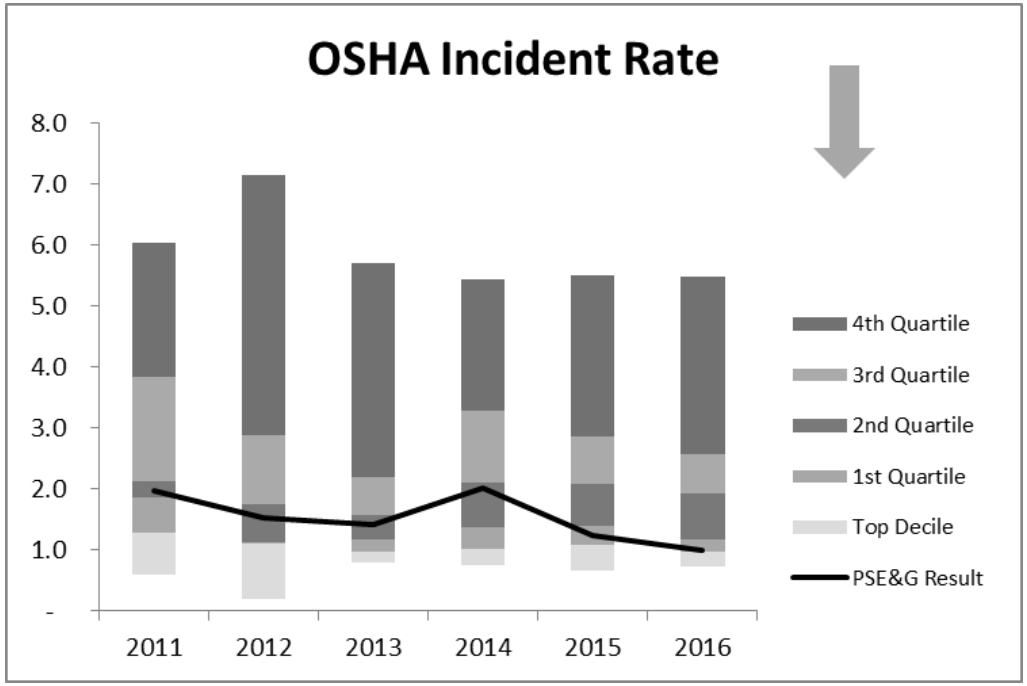
Delivering on Our Promises

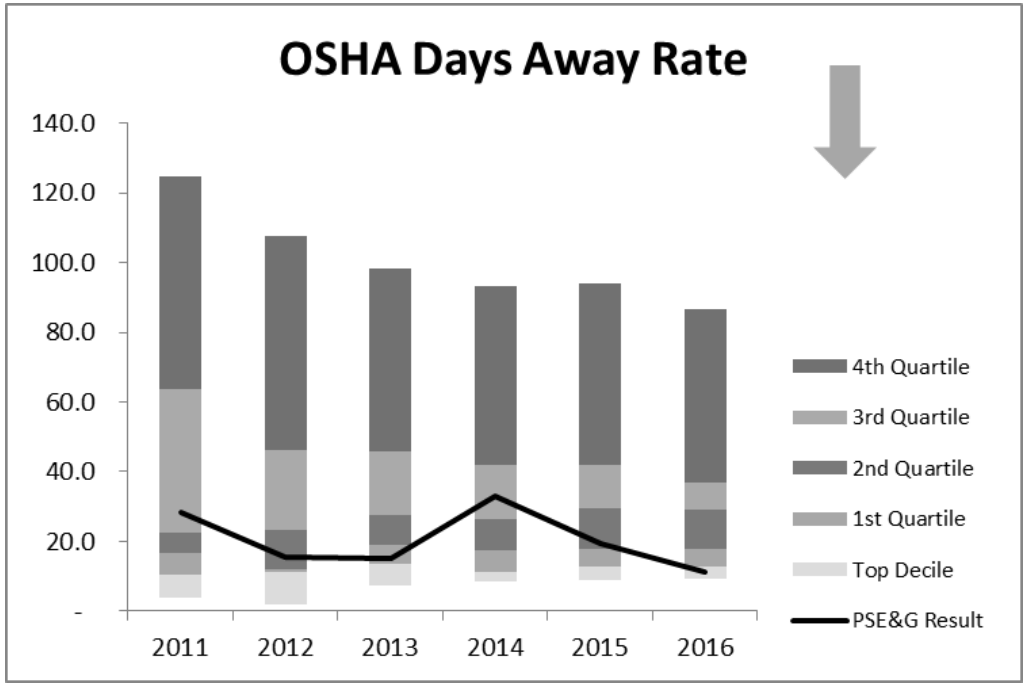
Operational Excellence	• Strong safety, reliability and customer service record • Cost control efforts have led to flat O&M
Financial Strength	• Achieved 5-year annual growth in net income of 11% • Achieved 5-year annual growth in rate base of 13% • Maintaining solid investment grade credit ratings
Disciplined Investment	• 15 investment programs approved over past eight years ✓ Infrastructure focused ✓ Supportive regulatory mechanisms providing for clause recovery ✓ Policy alignment – across administrations – Solar and Energy Efficiency • Programs creating jobs and providing environmental benefits, in a low-rate environment benefiting from low commodity prices and federal tax benefits from current bonus depreciation rules

SI-SSA-0015-04692

Operational Excellence - Safety

- Management focus and collaboration with unions resulted in top decile safety performance in 2016



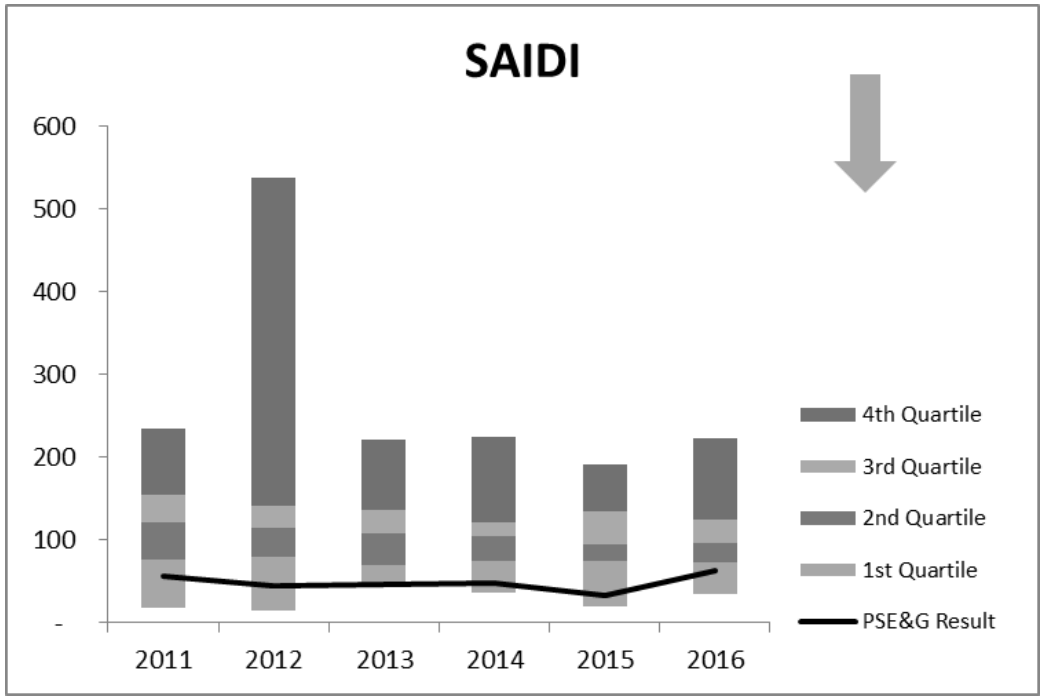


SI-SSA-0015-04693

SOURCE: PSE&G

Operational Excellence - Reliability

Consistently recognized for customer reliability



Our system performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been among the best performers

Named most reliable electric utility in the Mid-Atlantic region for **15th consecutive year**

SI-SSA-0015-04694

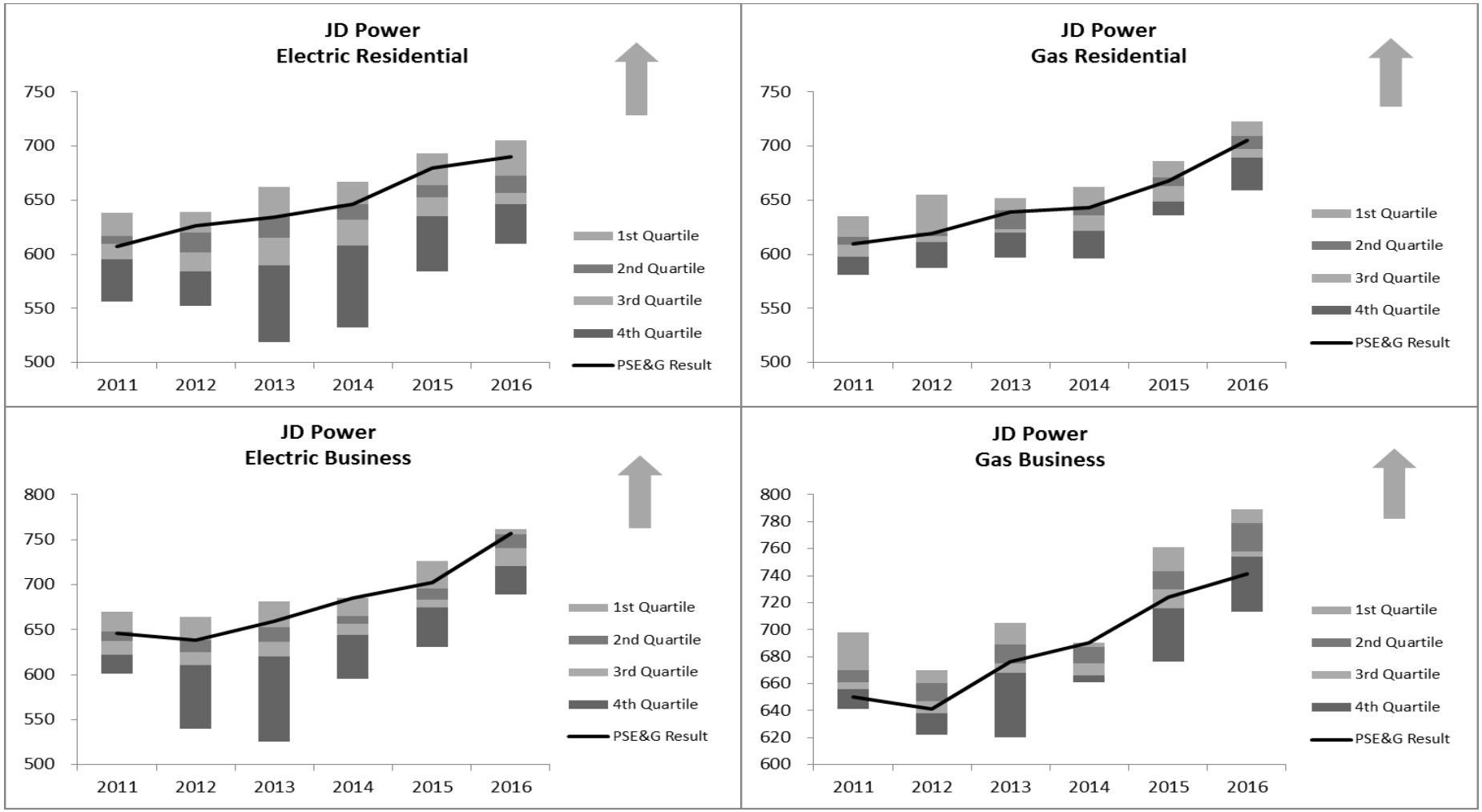
PSEG

SOURCE: PSE&G

Operational Excellence - Customer satisfaction

PSE&G has improved on an absolute and relative basis compared to its peers over the past five years

JD Power Residential and Business Scores



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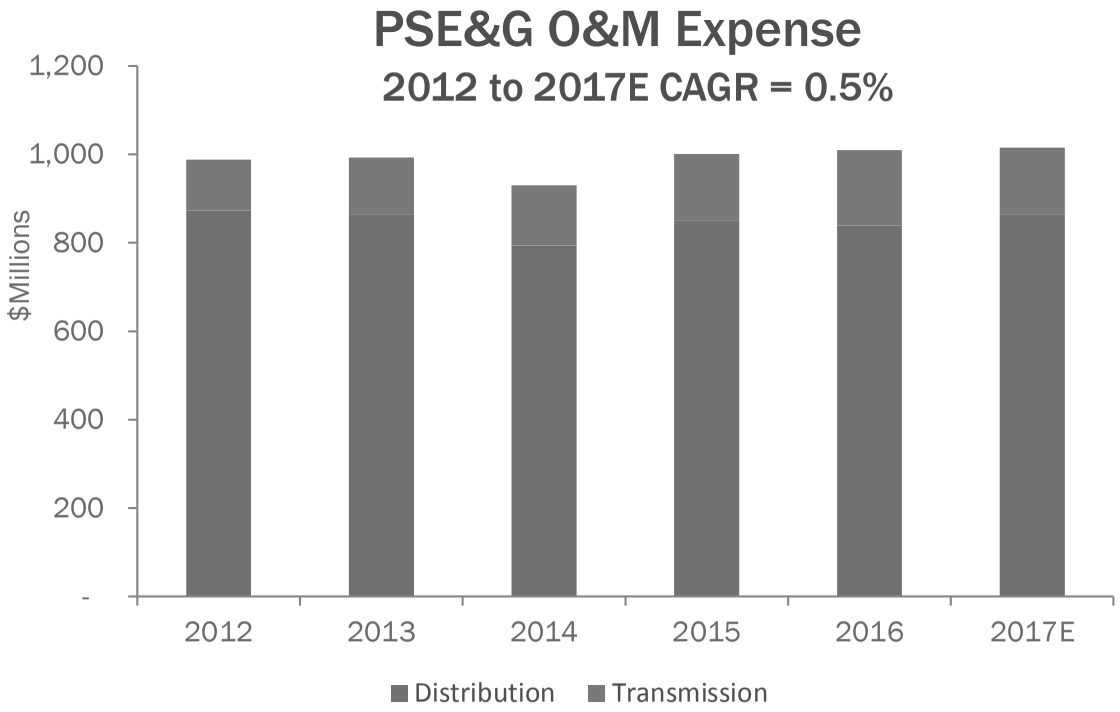
Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

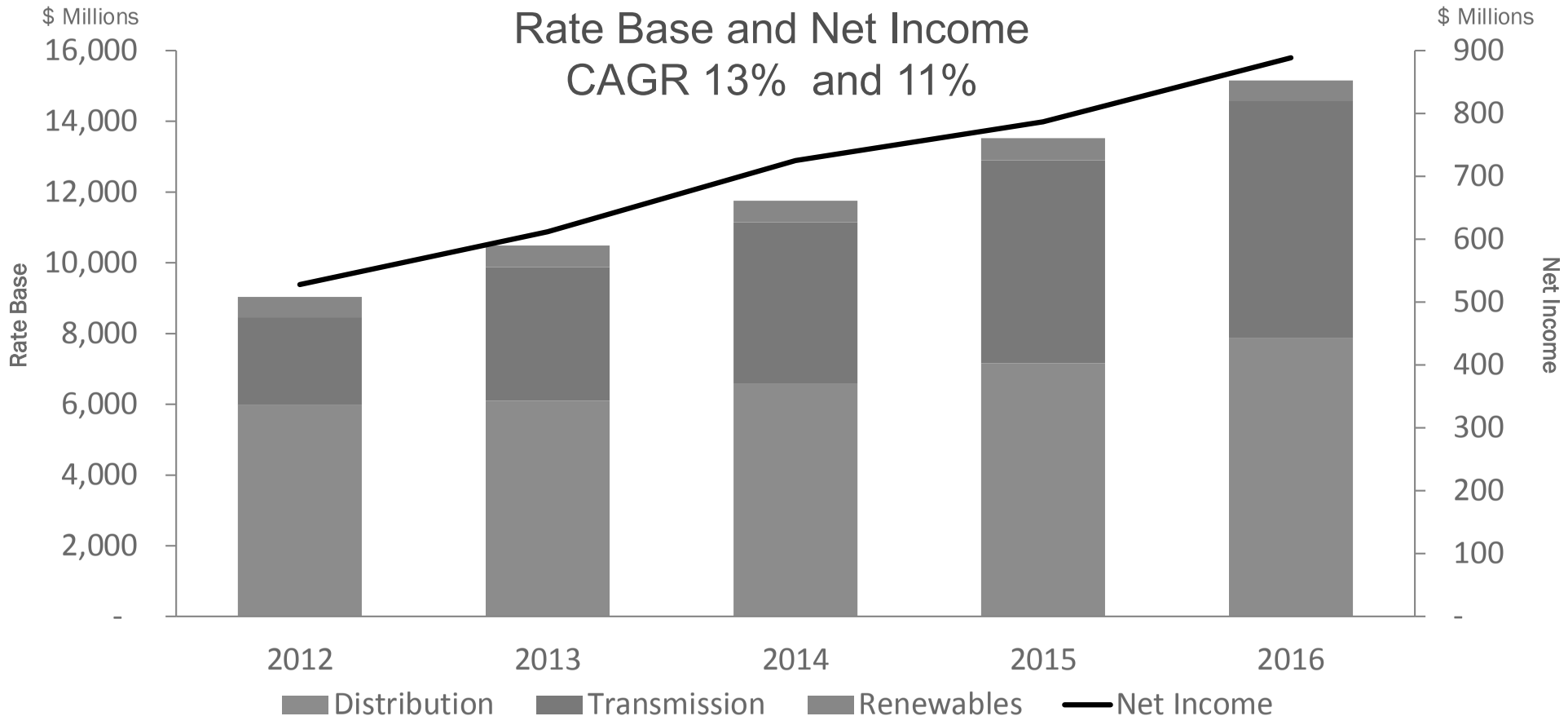
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E = ESTIMATE.

SI-SSA-0015-04696

Disciplined Investment – Delivering annual growth



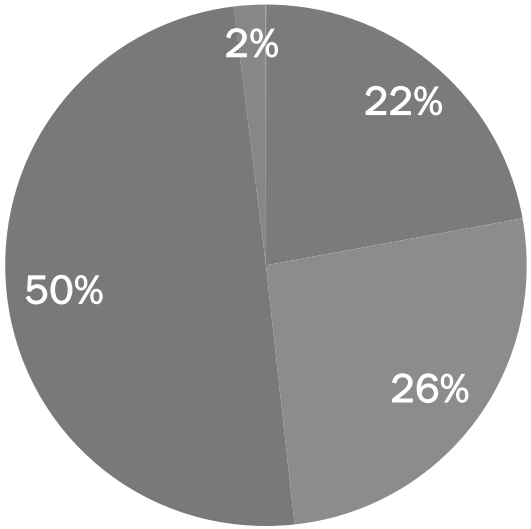
Our rate base is now roughly balanced between federal and state jurisdictions

SI-SSA-0015-04697

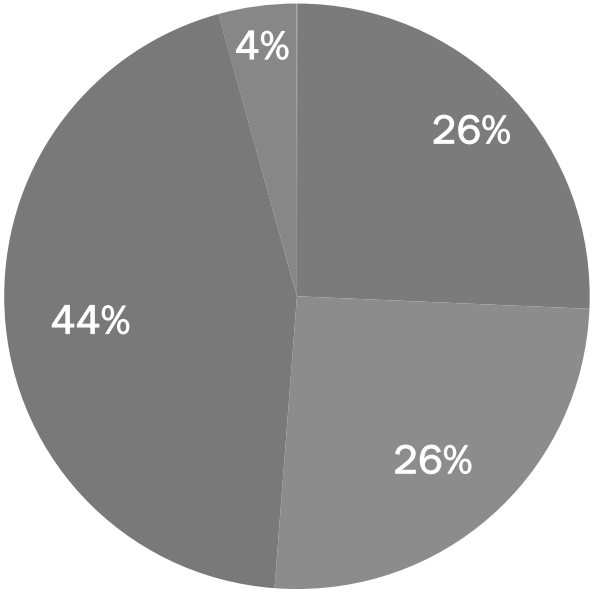
Disciplined Investment – Continued growth in robust capital program

2017-2021E PSE&G Capital Spending

Base Capital,
including GSMP extension
$12.3B
Rate Base CAGR 7%



with extension / expansion of current programs
$13.8B
Rate Base CAGR 9%



Transmission | Gas Distribution | Electric Distribution | Solar and Energy Efficiency

With current returns on ~70% of capital investments

. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-04698

Transmission - ~$6 billion, 5-year investment program focusing on reliability and replacing aging infrastructure

- **Formula rate** recovery of capital and expenses
- **PJM's Regional Transmission Expansion Plan** (RTEP) identifies system enhancements needed for reliability
- **Portfolio transitioning –** completing remaining major lines and moving to steady state investments to maintain reliability and stay ahead of asset end of life
  - **69kV system upgrades** improve system reliability and add capacity for future growth
  - **Transmission Lifecycle** to manage asset life and improve system integrity and reliability
  - **Transmission Hardening** projects focus on increasing system resiliency

SLS_AL_5-04699

Electric Distribution – ~$3 billion, 5-year investment program focused on reliability and resiliency

- **Energy Strong** - Completion of currently approved program
- **Future growth efforts**
  - **Hardening** – Extend program for critical system infrastructure
  - **Aging infrastructure** – Life cycle investments to ensure continued top quartile reliability performance
    - Over 65 substations > 60 years old; Over 30 substations > 80 years old
    - ~115 substations 26kV to 4kV
    - Risk assessment model to eliminate/replace
  - **Technology** – Next generation to enhance grid performance

SI-SSA-0015-04700

Electric Distribution - Technology

- **Making the grid smarter**
  - Deployment of hundreds of microprocessor relays
  - A new state of the art distribution SCADA system to facilitate full communication and control
  - Ability to integrate Distributed Energy Resources into the grid while enhancing grid reliability and resiliency

- **Improving customer service - continue to enhance delivery of information and communication**

SI-SSA-0015-04701

Gas Distribution – ~$3 billion, 5-year investment program focused on modernizing and upgrading cast iron and unprotected steel main

- **Cost efficiency** of broad replacement approach
- **Customer service** – conversion from low pressure to high pressure
- **Environmental Collaboration** with EDF and Google to consider methane leaks in work prioritization
- **Replaced** >200 miles in 2016
  - Exceeding run rate of 30 year program, demonstrating ability to accelerate program
  - ~4,800 miles of cast iron and unprotected steel main remaining in the system
  - More cast iron than any other US utility

SI-SSA-0015-04702

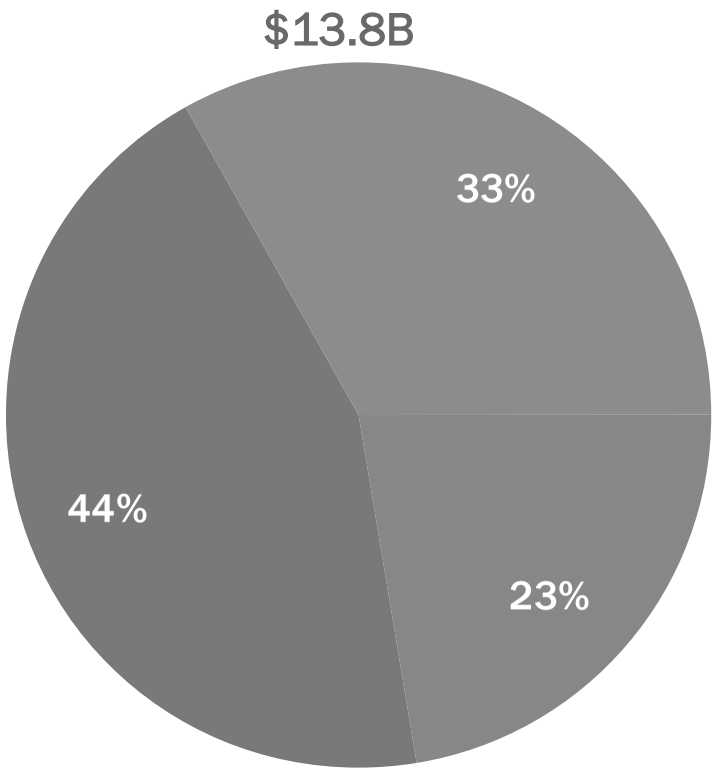
Solar and Energy Efficiency – ~$250 million, 5-year investment supports New Jersey policy objectives

- **Solar –**
  - Grid-connected solar on landfills and brownfields provides clean energy for all customers
  - 210 MW installed of the 300 MW total approved programs
- **Energy efficiency** – Continuing programs with a focus on hospitals, multi-family housing and our direct install program which includes municipalities, non-profits and small businesses in Urban Enterprise Zones
- **State Policy** - Programs are aligned with policy goals
- **Opportunity to expand** – Potential for significant opportunity to expand energy efficiency and related customer services in the future

SI-SSA-0015-04703

Developing investment opportunities with near-contemporaneous recovery mechanisms

2017-2021E PSE&G Capital with Program extensions by Recovery Method



Plan to increase current five year, $12.3B capital plan by ~$1.5B through program extensions and expansions:

- GSMP acceleration
- Electric distribution – hardening extension and modernization investment program
- Energy Efficiency and Solar programs – extensions and expansion

With broad opportunity set of additional investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2017. INCLUDES AFUDC.

SI-SSA-0015-04704

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

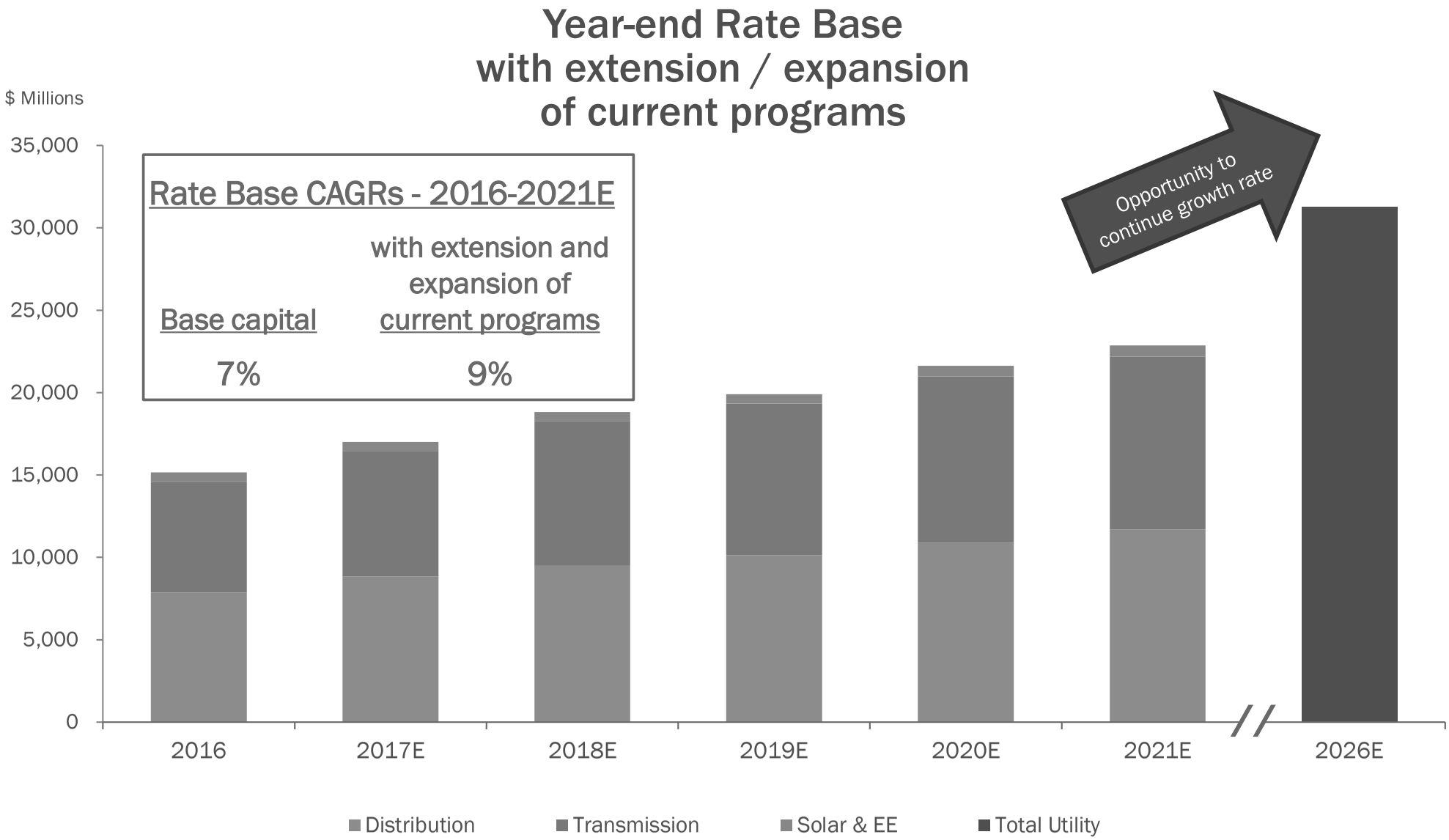
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-04705

Investment program supports strong rate base growth – off a higher base



E = ESTIMATE.

SI-SSA-0015-04706

Distribution – 2017 base rate case filing

- Obligated to file rate case no later than November 1, 2017
- Last rate case – 2009 test year, settled in 2010

Since last rate case

- **Sales growth** – flat, customer growth offset by energy efficiency
- **O&M** – held flat, with increased regulatory requirements
- **Capital Investments** – Growth in rate base beyond clauses, consists of:
  - GSMP annual stipulated base
  - Energy Strong
  - Other Distribution base investments beyond depreciation levels
- **Customer rates** since last rate case
  - Electric decreased 5%; Gas decreased 46%

Supports need for moderate base rate increase

SI-SSA-0015-04707

Optimal time for extension and expansion of investment programs

- 2017 investment program filings
  - **GSMP** - extension and acceleration
  - **Electric infrastructure** - resiliency and modernization
  - **Energy efficiency** – extension, potential future expansion
  - Seeking **long-term** programs to optimize planning and cost
- Programs improve system reliability and meet customer expectations
  - System need as infrastructure reaches end of life
  - Increasing customer and public policy expectations
- Optimal timing

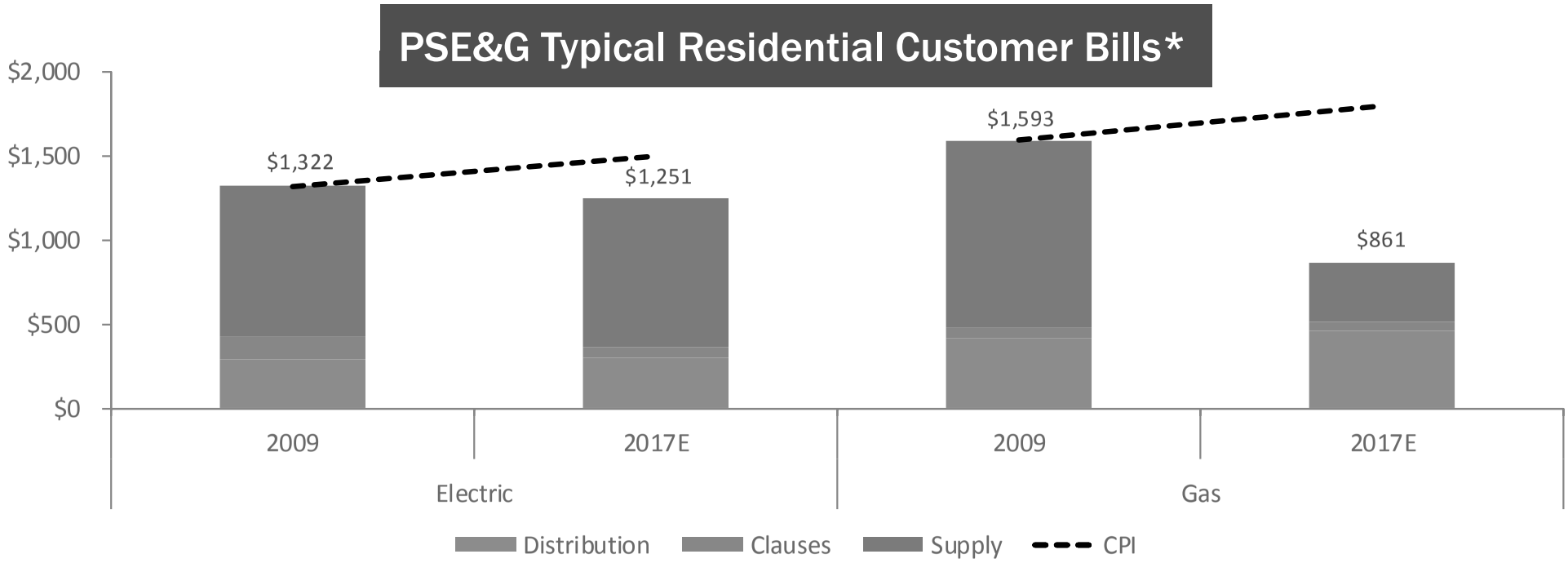
Job creation	Environmental benefits	Federal tax benefits	Low commodity prices
√	√	√	√

- Potential rate impact of program extensions - ~2%/year*

SI-SSA-0015-04708

*ASSUMES TYPICAL COMBINED RESIDENTIAL CUSTOMER WITH 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.

Customer's bills are materially lower, supporting needed investment in the system



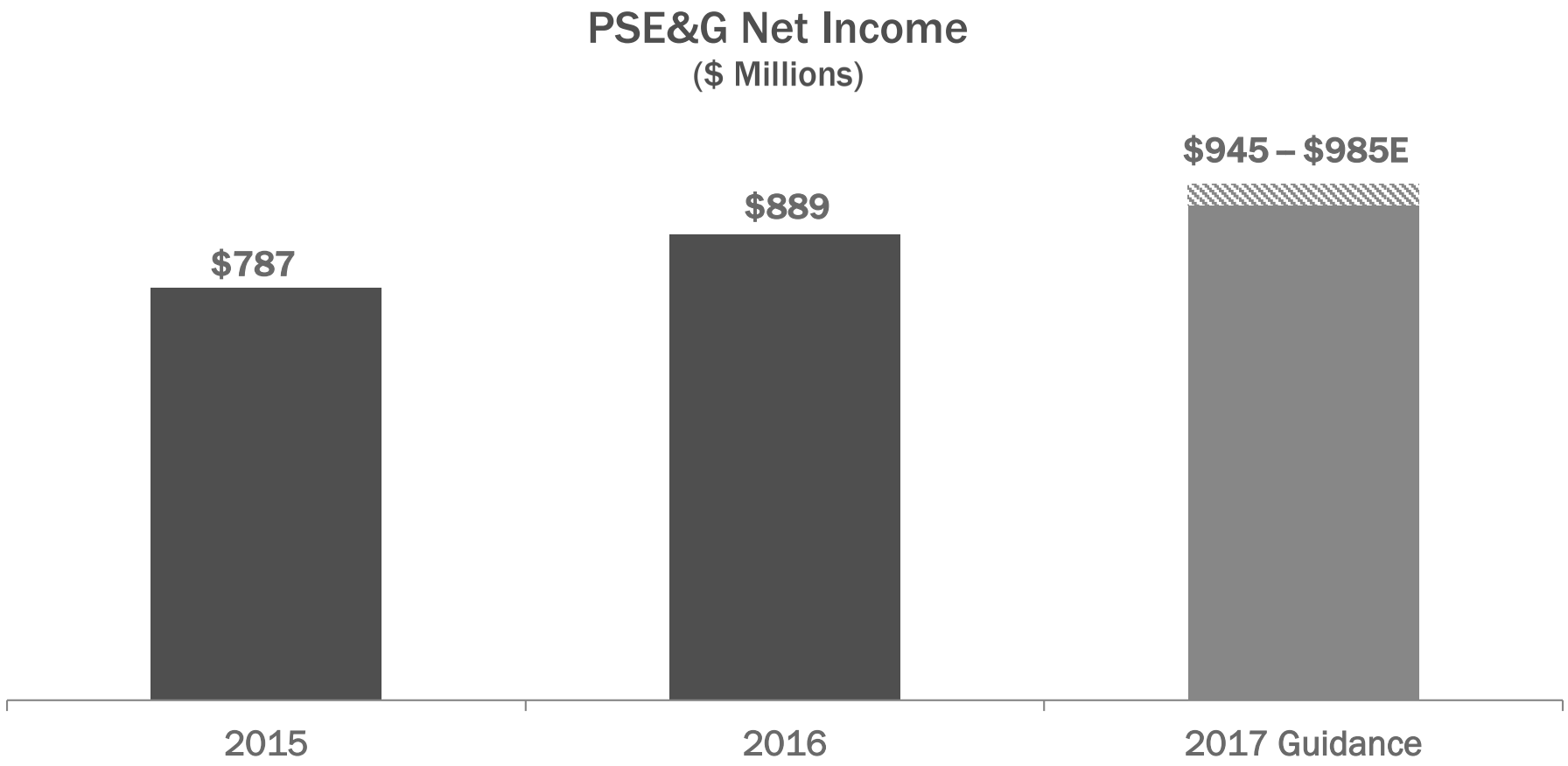
- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-04709

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2017 net income to benefit from investment programs and cost control



E =ESTIMATE.

SI-SSA-0015-04710

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-04711

PSEG Long Island - Focused on improving customer service and reliability while managing costs

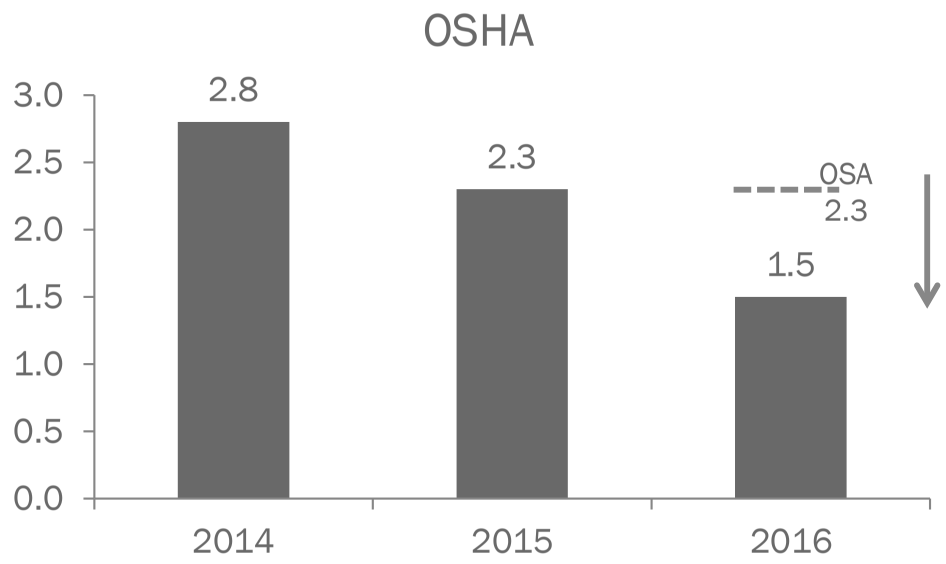
- 4th year of 12 year contract (with option to extend 8 years)
- 2016 - Earned $0.08 per share*
  - Fixed fee of $65 million / year, escalated for CPI
  - Incentive opportunity of 15%
  - Power has $20 million / year energy management and fuel supply contract

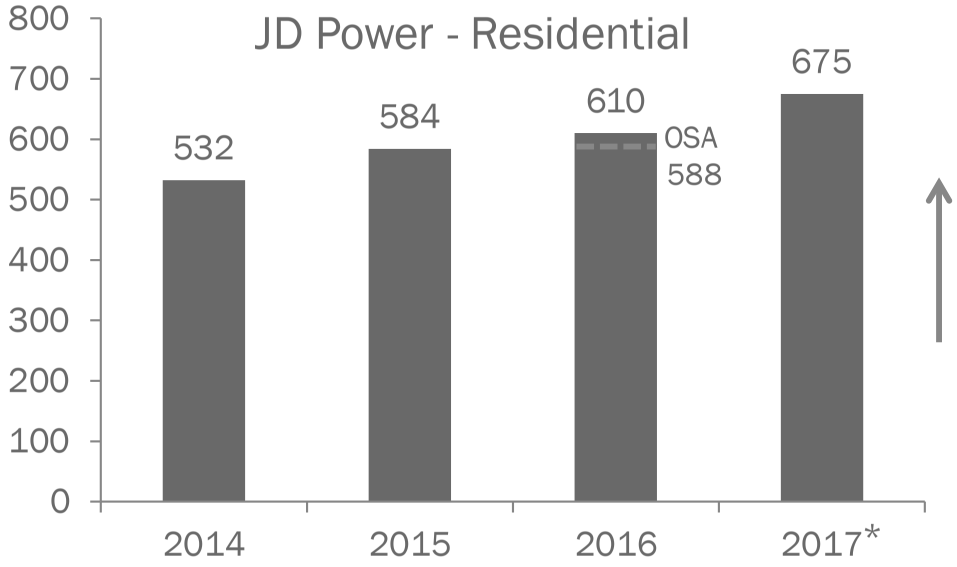
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting Operational and Financial expectations
- Realized >95% of incentive payment in 2014, 2015 and 2016

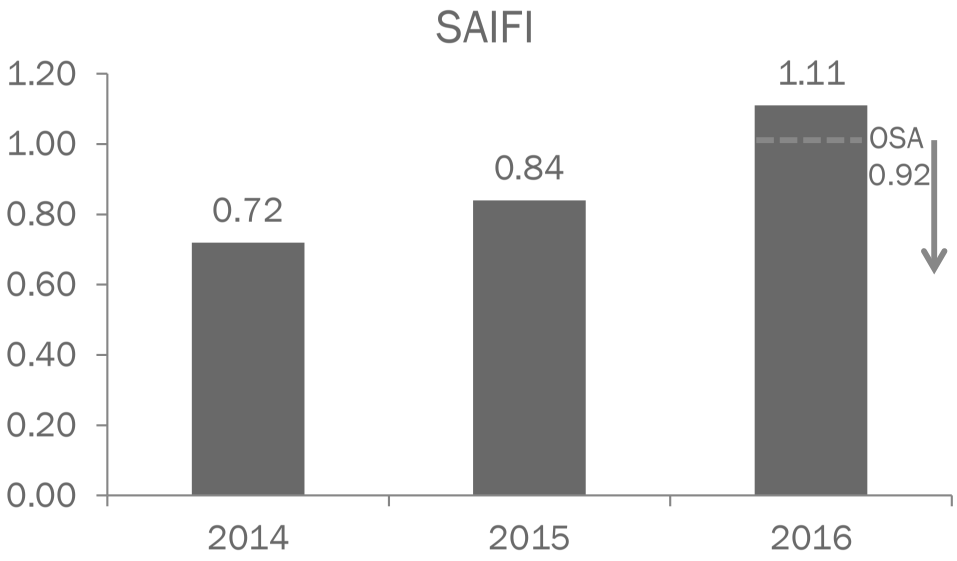
SI-SSA-0015-04712

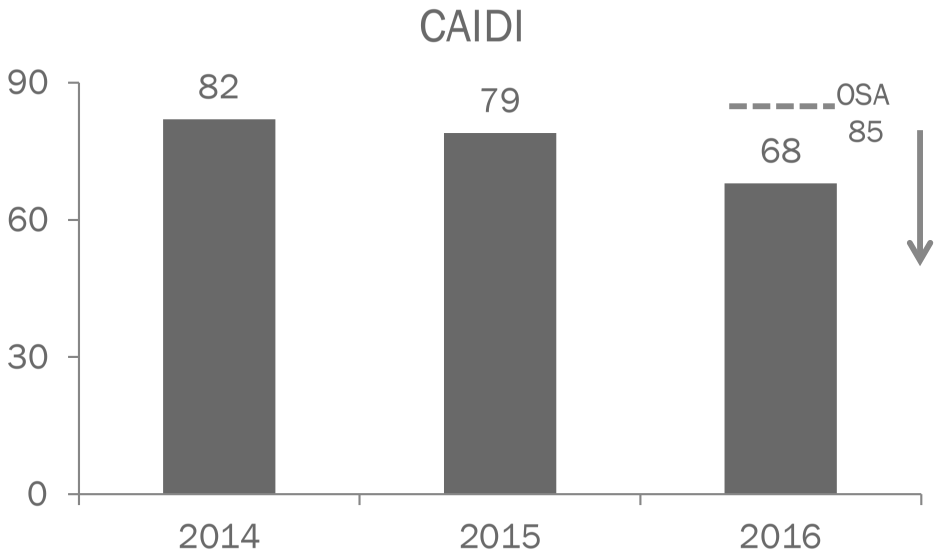
*OVERALL ENTERPRISE IMPACT.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-04713

PSEG

OSA = AMENDED OPERATING SERVICES AGREEMENT BETWEEN PSEG-LI AND LIPA SETTING BENCHMARK INCENTIVE LEVELS
* JD POWER 2017 REPRESENTS FIRST WAVE DATA

2017 PSEG Power and ER&T Business Review & Outlook

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04714

PSEG POWER

William Levis

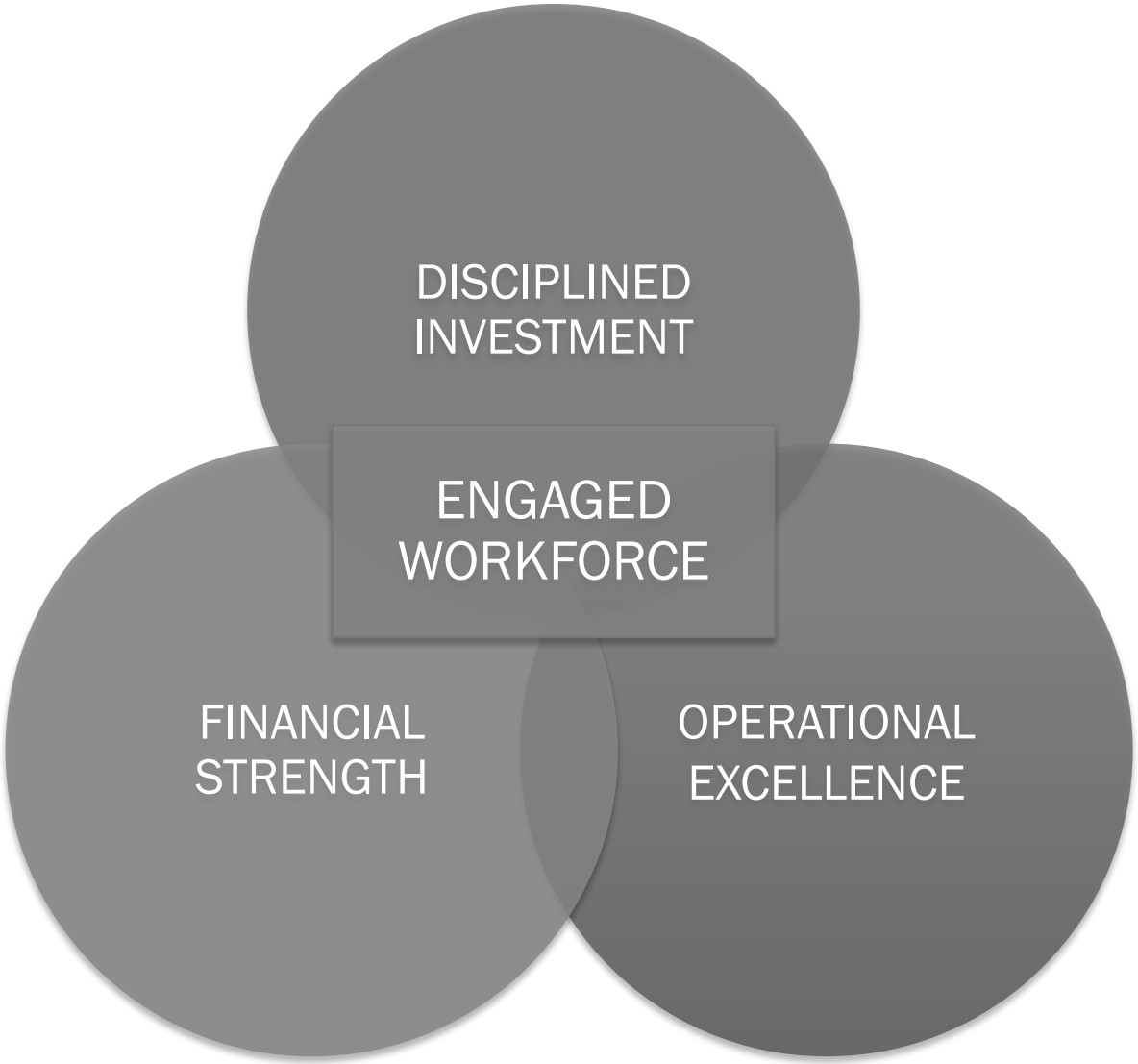
PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

PSEG
We make things work for you.

SI-SSA-0015-04715

PSEG Power
strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally responsible manner



SI-SSA-0015-04716

Power is transforming its portfolio to be newer, more efficient and flexible

2012 → 2013 → 2014 → 2015 → 2016

Selected Accomplishments Towards Transformation

Cost Control

2012

- Additional **400** MW of new peaker capacity at Kearny and New Haven

2013

- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- CCGT Advanced Gas Path (AGP) uprate completed at Linden 1 & 2, **63** MW
- Energy / Fuel management contract for LIPA

2015

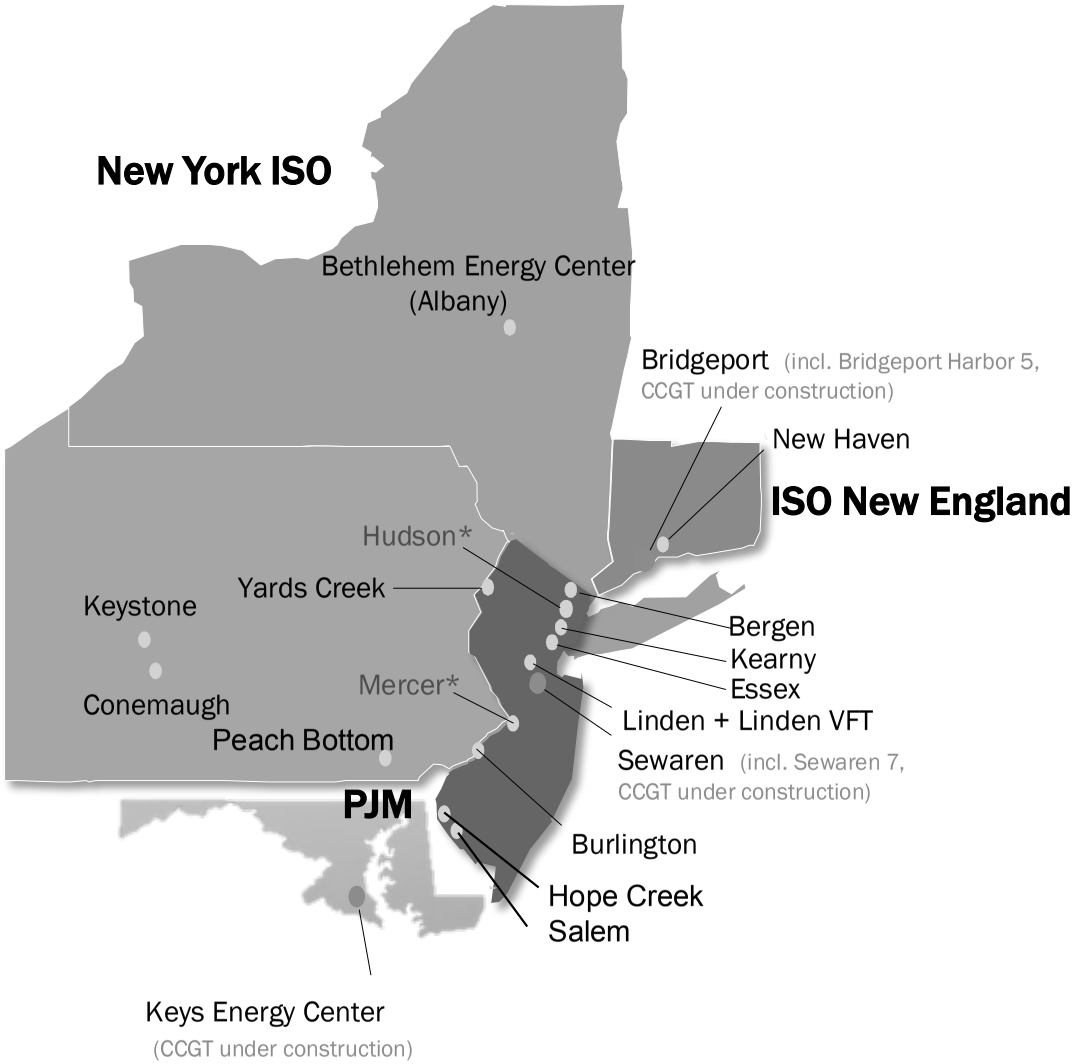
- Continued growth with **1,300** MW new CCGT's announced
  - Keys
  - Sewaren 7
- Projects Completed:
  - Peach Bottom EPU, **130** MW
  - Bergen 2 AGP uprate, **31** MW
- Retired HEDD Units
- Solar portfolio reaches **277** MW_{DC}
- Initiated Hope Creek uprate, **18** MW

2016

- Bridgeport Harbor 5 **485** MW CCGT cleared ISO-NE auction
- Hudson & Mercer early retirement announced
- Kearny 13 & 14 uprate, **14.5** MW increased capacity
- Initiated electric & gas retail business in NJ, PA
- Solar reaches ~**326** MW_{DC} in operation

SI-SSA-0015-04717

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-04718

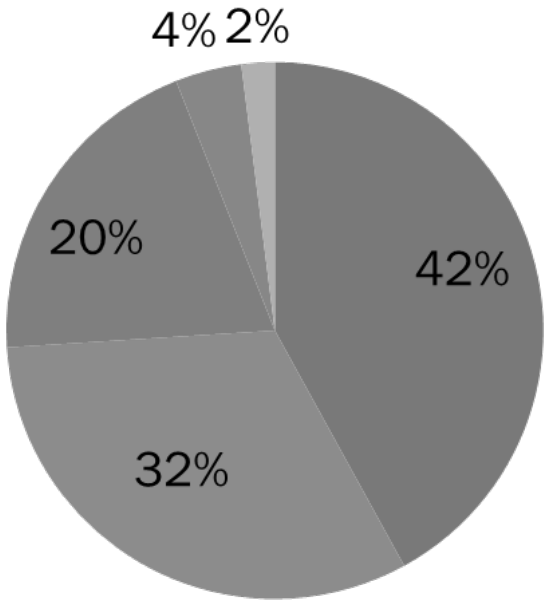
PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Power has a diverse fleet of generating assets which enables it to respond to market needs

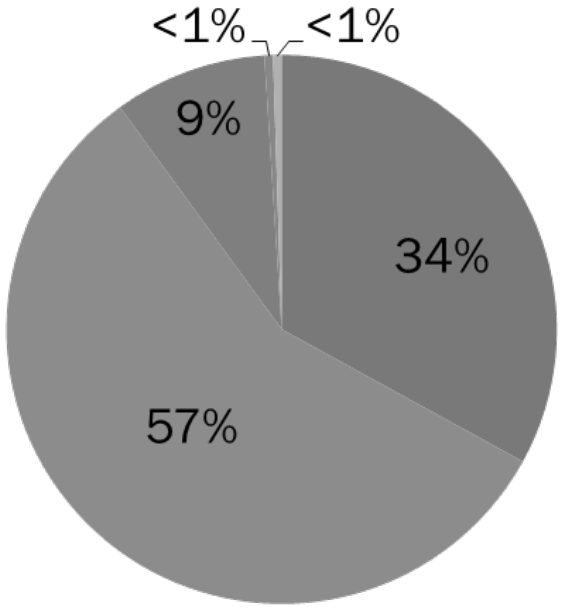
Fuel Diversity 2016*

Total MW: 11,577



Energy Produced 2016*

Total GWh: 51,510



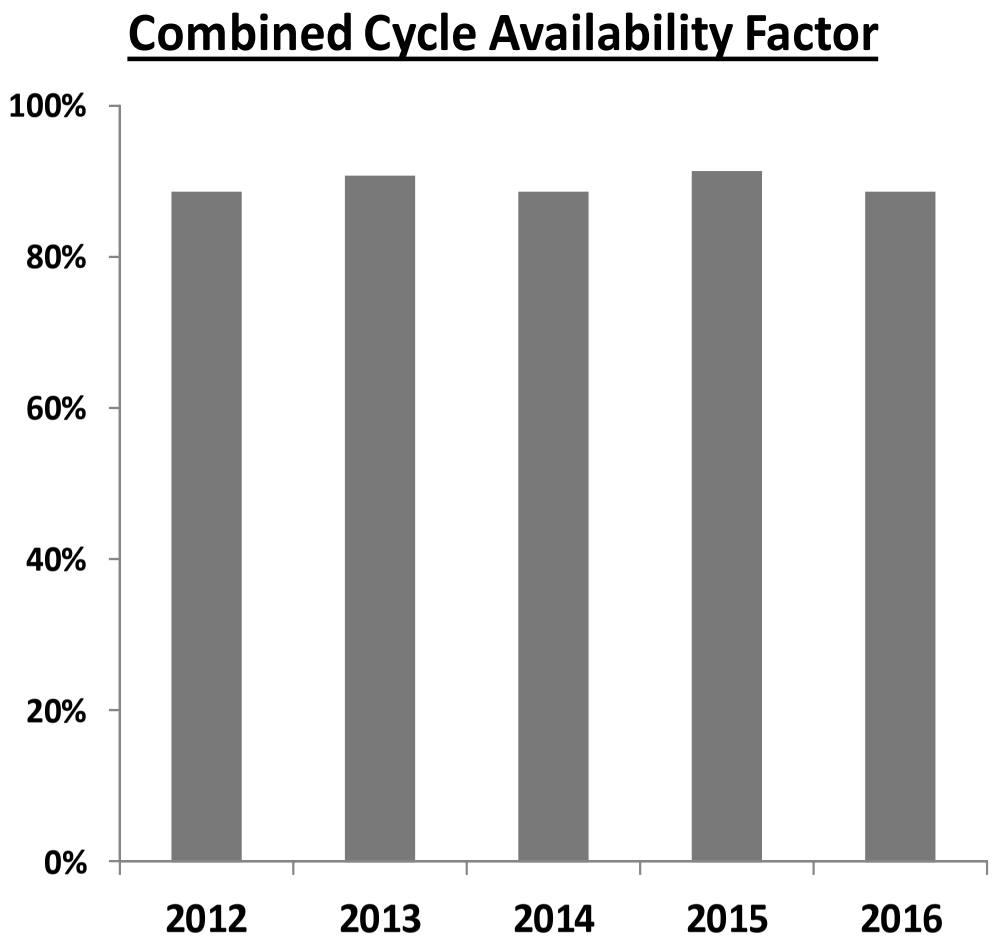
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-04719

PSEG

* EXCLUDES SOLAR (326MW$_{DC}$ /257MW$_{AC}$) AND KALAELOA (104MW).
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's Fossil Fleet maintains solid performance in a challenging environment



- Generation records at BEC and Bergen 2 combined-cycle units
- Combined-cycle EFORd* and EFORp lowest in five years
- Start Success Rate:
  - Peaking: 99.7%
  - Coal/Steam: 93%

SI-SSA-0015-04720

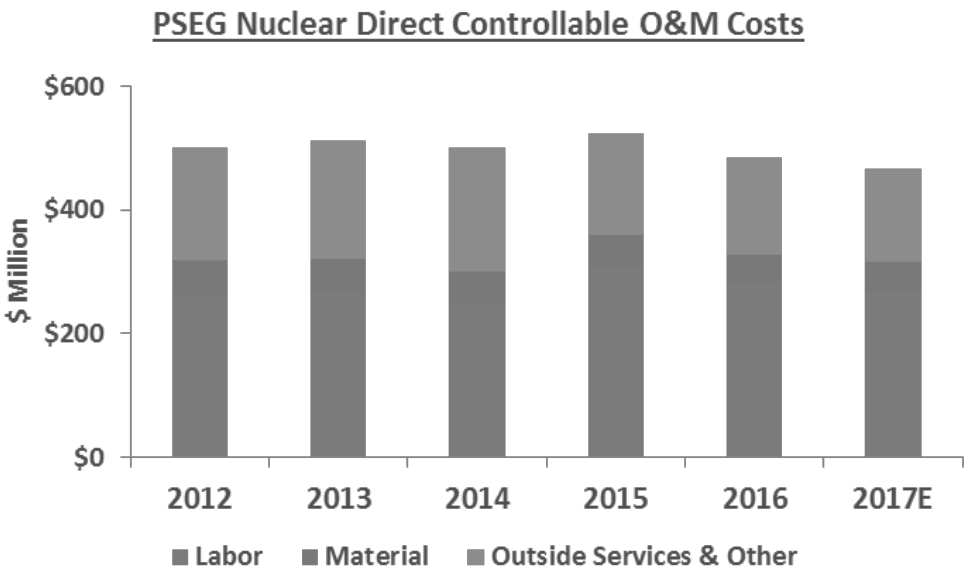
*EFORd EXCLUDES EVENTS OUTSIDE OF MANAGEMENT CONTROL.

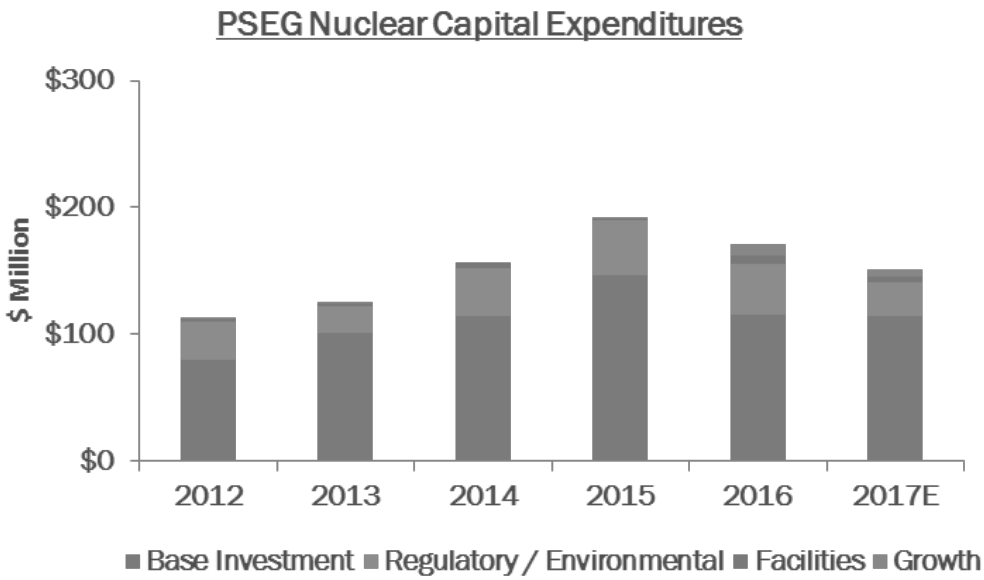
Nuclear is vital to New Jersey with Salem and Hope Creek providing ~40% of the State's energy consumption

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Boiling Water Reactor • Total Capacity: 1,172 MW • Owned Capacity: 1,172 MW • License Expiration: 2046 • 18 MW Uprate Spring 2018 • Next Scheduled Refueling ➢ Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Pressurized Water Reactor • Total Capacity: 2,296 MW • Owned Capacity: 1,318 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Boiling Water Reactor • Total Capacity: 2,450 MW • Owned Capacity: 1,225 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2018 ➢ Unit 3 – Fall 2017

SI-SSA-0015-04721

PSEG Nuclear has been addressing the economic challenges in the current low gas price environment





- 2012 to 2017E CAGR: –1.4%
- The 2015 Labor increase / outside services decrease is due to bringing security force employees in-house
- Material and outside service cost reductions CAGR: – 4%

- Fukushima-related compliance drove $198 M of Regulatory/Environmental spend
- 2016 and 2017E capital driven by Baffle Bolt replacement
- Going forward capital approximately $100M/year to maintain reliability to end of license life

SI-SSA-0015-04722

PSEG

NOTE: LABOR INCLUDES BASE WAGES, OVERTIME AND FRINGE BENEFITS. ALL YEARS EXCLUDE EXPENDITURES FOR NUCLEAR FUEL (APPROXIMATELY $6.50/MWH). E=ESTIMATE

PSEG Nuclear is leading the industry in efforts to ensure economic viability of fleet

Goals

- Industry goal to achieve reductions in O&M, fuel and capital costs by 2018
- The three-year program to examine and implement opportunities to:
  - ✓ Advance safety,
  - ✓ Improve operations, and
  - ✓ Prevent premature reactor closures
- Concurrently, we continue to work with NEI and other industry partners to gain greater compensation for nuclear plants in competitive market policies

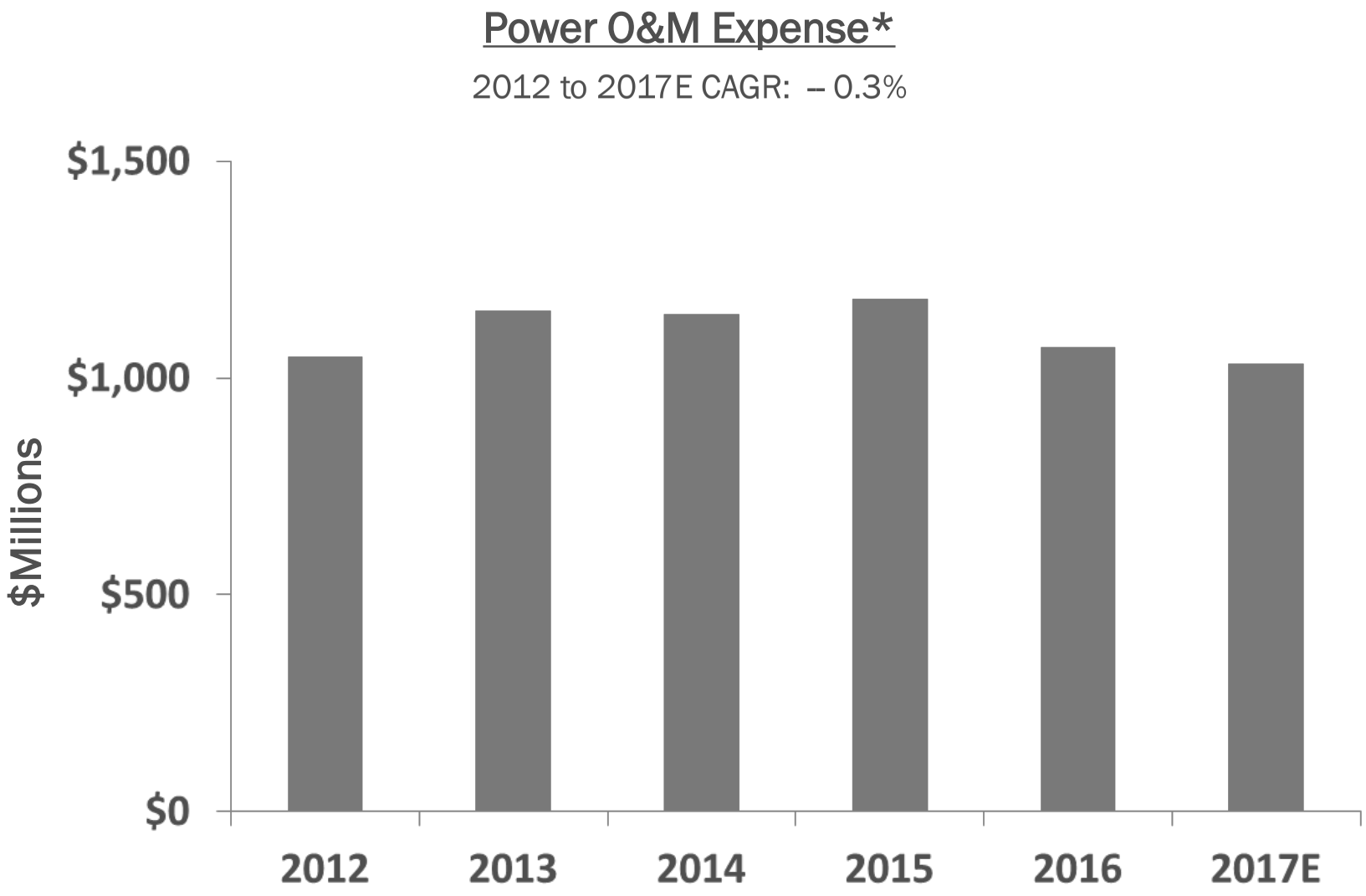
PSEG Nuclear progress to date

- 46 Efficiency Bulletins issued, 21 implemented to date
- Cost reductions achieved: 185 FTE reduction; 2017 direct O&M reduction of 5% from plan target while funding equipment reliability improvement
- Implemented changes to focus on eliminating vs. mitigating equipment reliability issues to ensure generation is not negatively impacted

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-04723

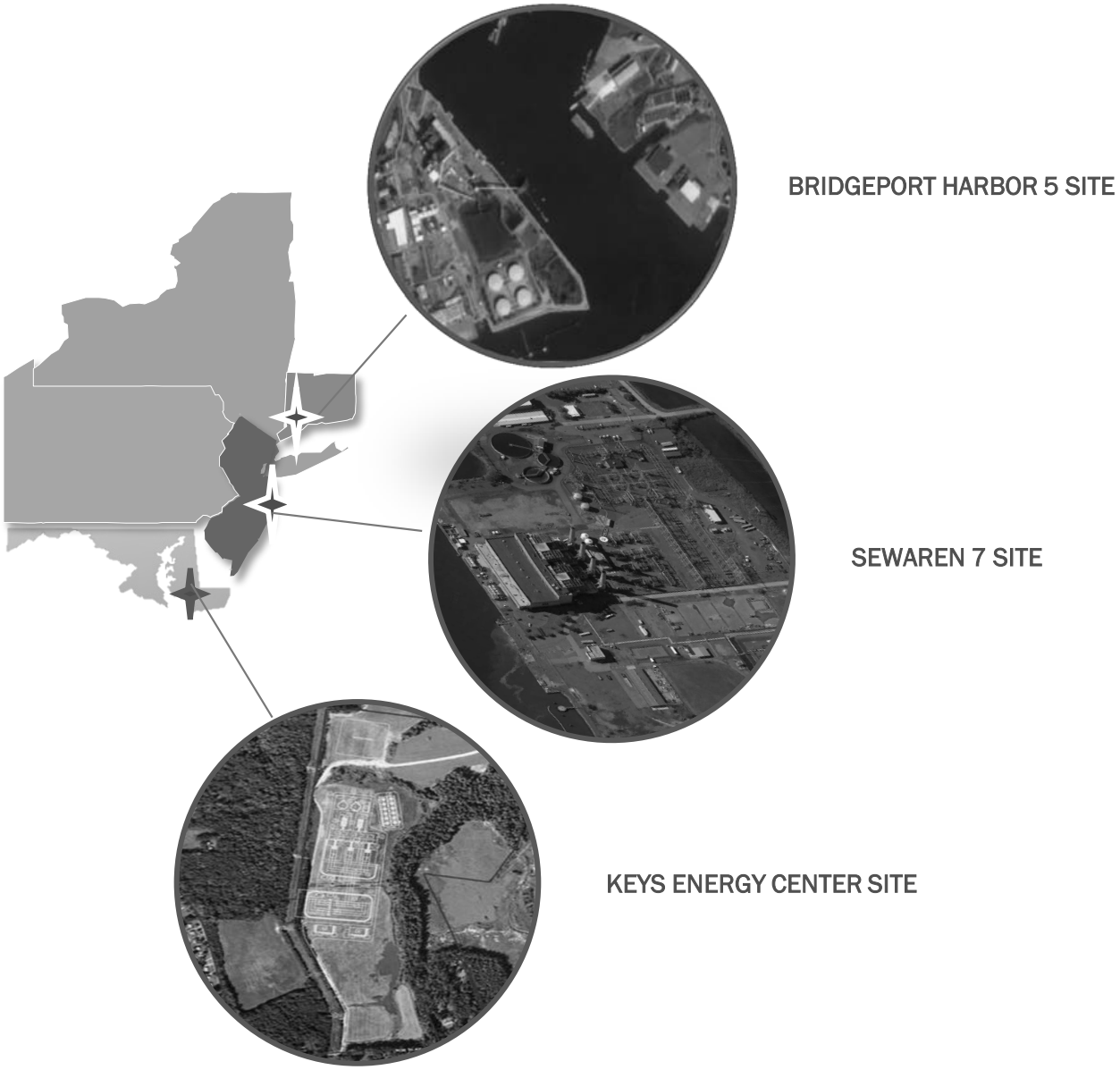
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.
E=ESTIMATE

SI-SSA-0015-04724

Power is developing ~1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



SI-SSA-0015-04725

Growth Project Update - Keys Energy Center

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas-fired combined cycle
  - Greenfield site
- **Estimated Costs $825 to $870 million**
- **Major Milestones**
  - Combustion turbines and generators, steam turbine and generator and all three generator step-up transformers have been set in place
  - Construction is 35% complete as of February 2017
  - Commence training / start-up support in 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket

Keys Energy Center – Aerial View

*SWMAAC – SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
E = ESTIMATE

SI-SSA-0015-04726

Growth Project Update – Sewaren 7

- **540 MW plant in Sewaren , New Jersey**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $625 to $675 million**
- **Major Milestones**
  - Combustion steam turbine generator, combustion turbine and main transformers have been set in place
  - Construction is 29% complete as of February 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Leverages existing infrastructure
  - Existing Sewaren units will retire upon completion
  - Located in the PS Zone load pocket

Sewaren 7 – Aerial View

SI-SSA-0015-04727

E = ESTIMATE

Growth Project Update – Bridgeport 5

- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $525 to $575 million**
- **Major Milestones**
  - New Source Review Air Permit is expected to be issued by April 15, 2017
  - Expected to be in-service in mid-2019
- **Outlook**
  - To be constructed on the existing PSEG Bridgeport Harbor site; Bridgeport Harbor 3 will retire in 2021
  - Located in the SW Connecticut load pocket
  - Seven year capacity price lock

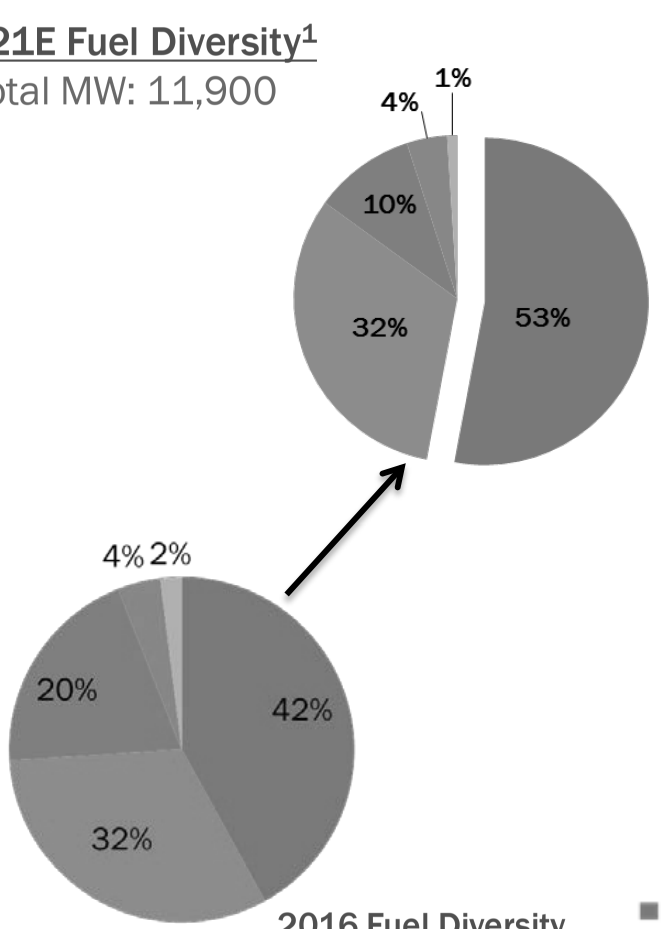
Bridgeport 5 – Aerial View

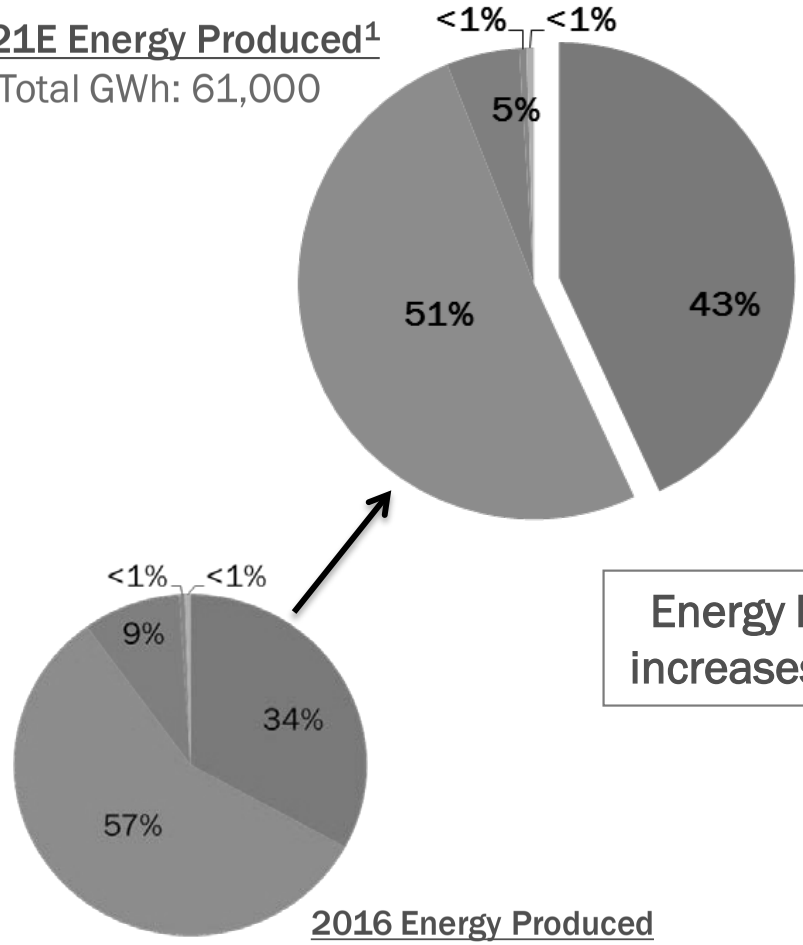
E = ESTIMATE

SI-SSA-0015-04728

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



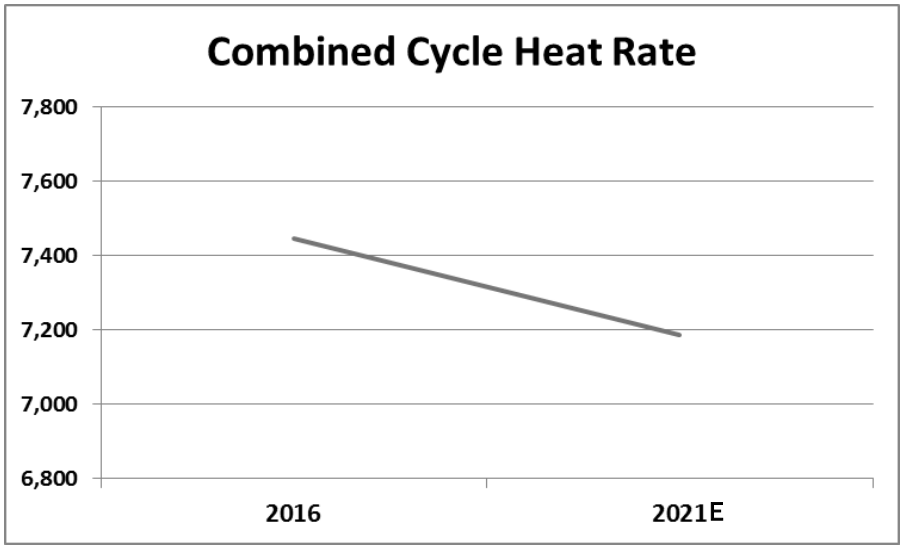


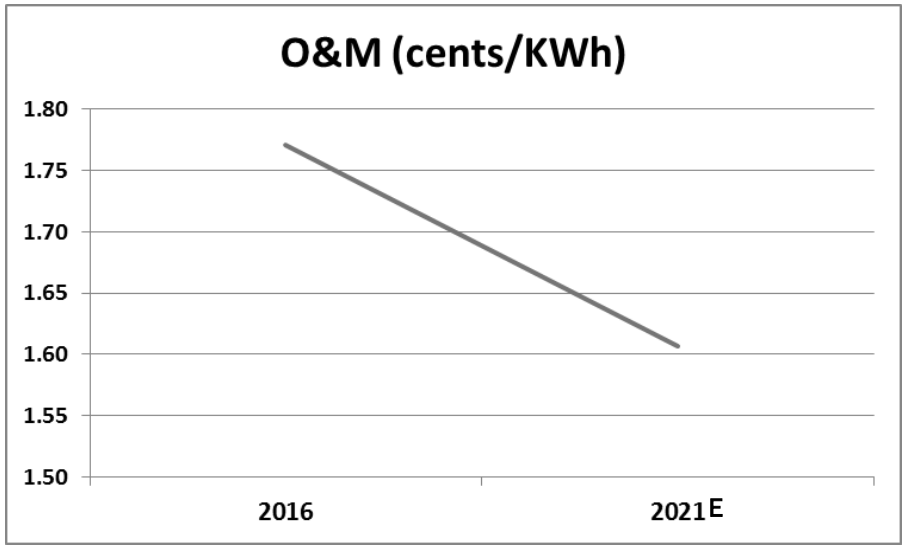
Energy Produced increases by >18%

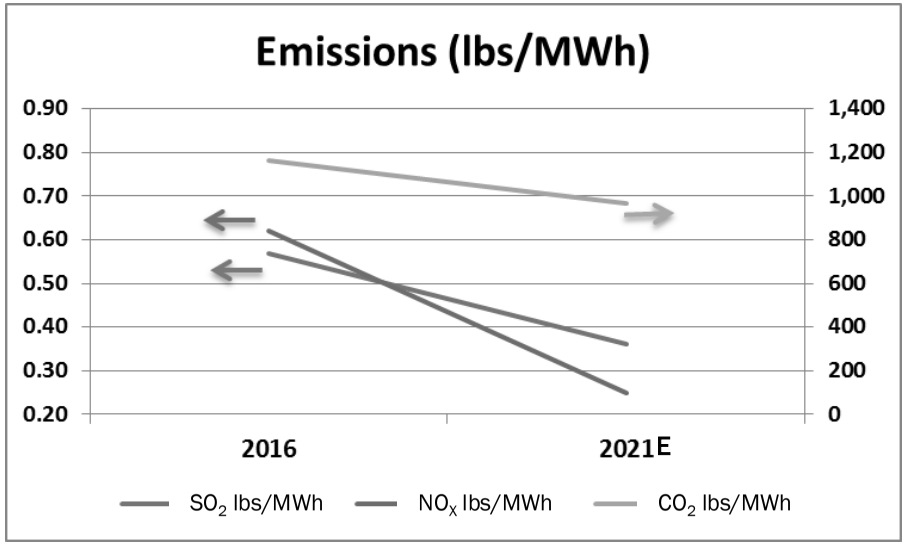
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

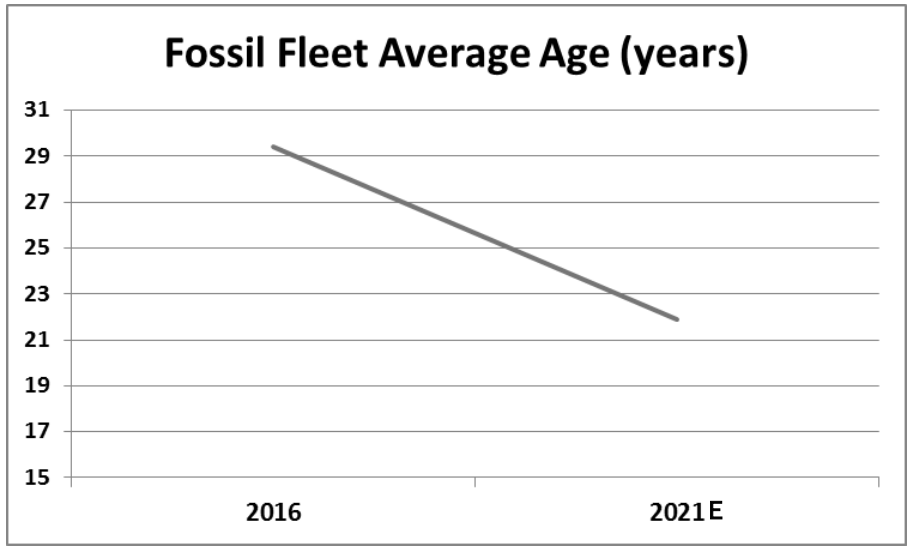
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's fleet is transitioning to become more efficient, productive and clean



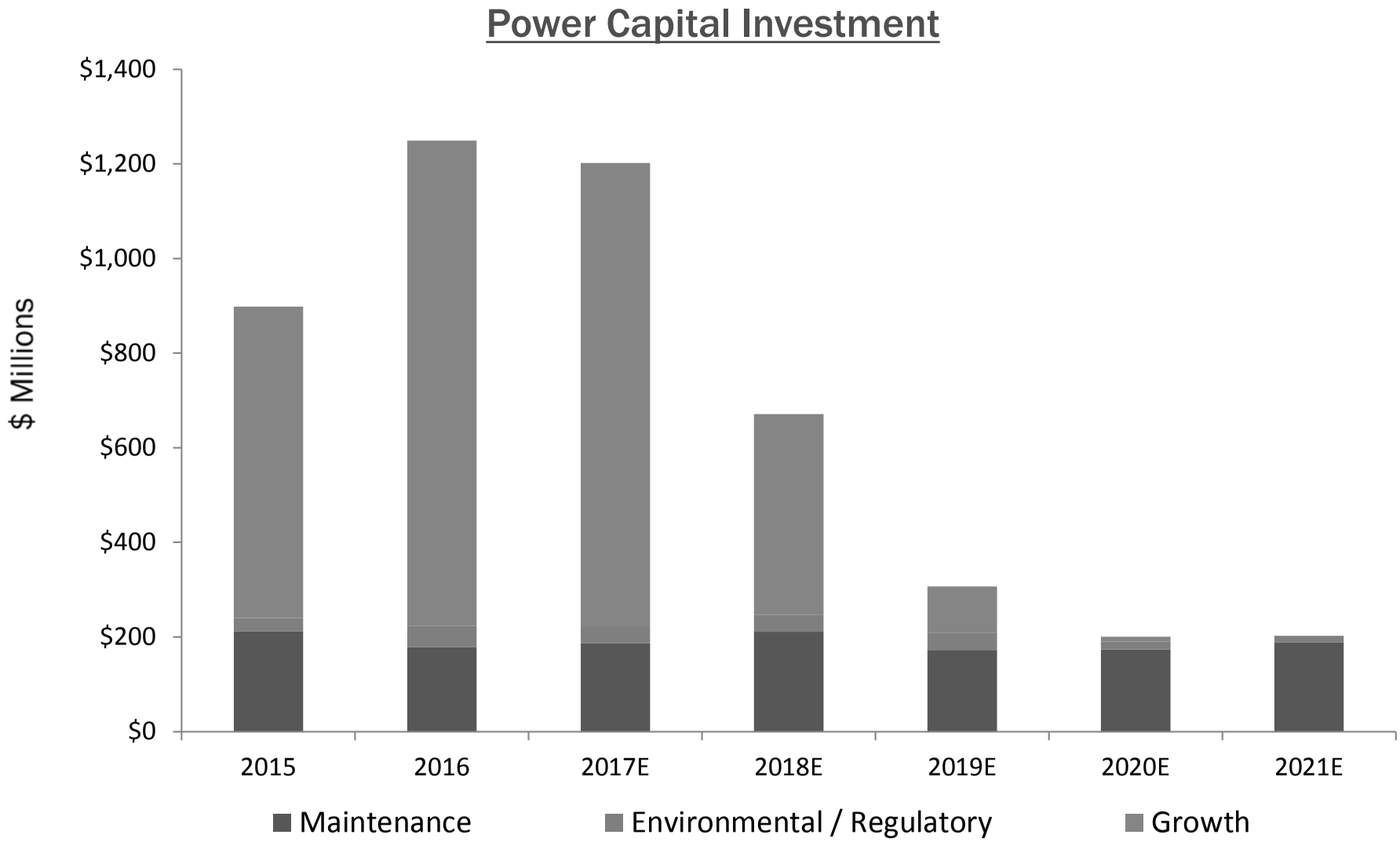






E = ESTIMATE.

Power's capital needs decline following construction of new capacity, enhancing free cash flow

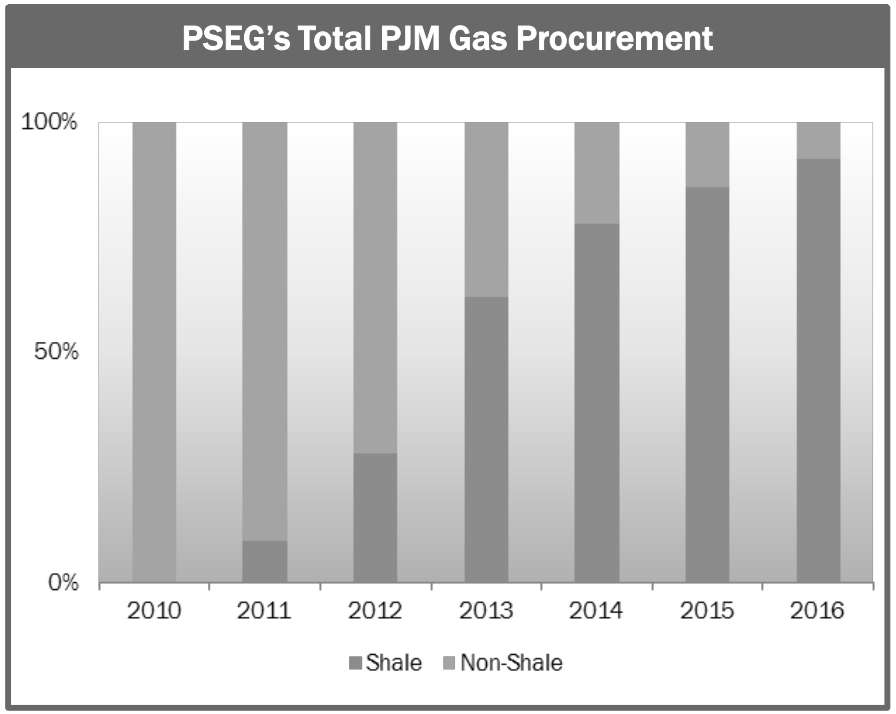


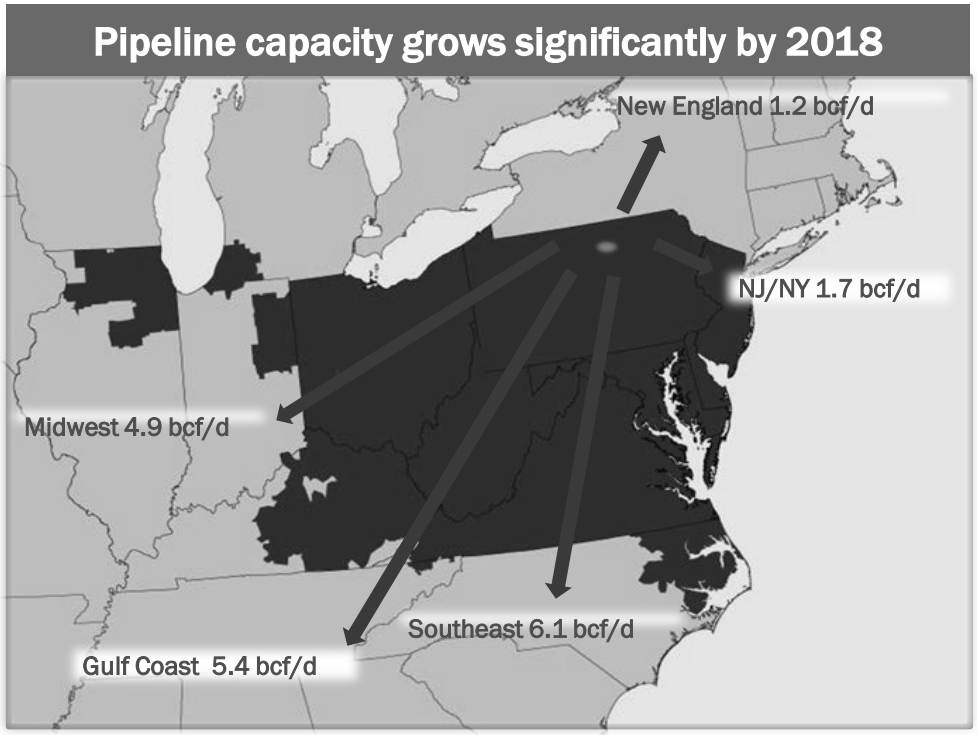
SI-SSA-0015-04731

PSEG

E=ESTIMATE. DATA AS OF FEBRUARY 2017.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Power's fleet is well-located with access to shale gas production



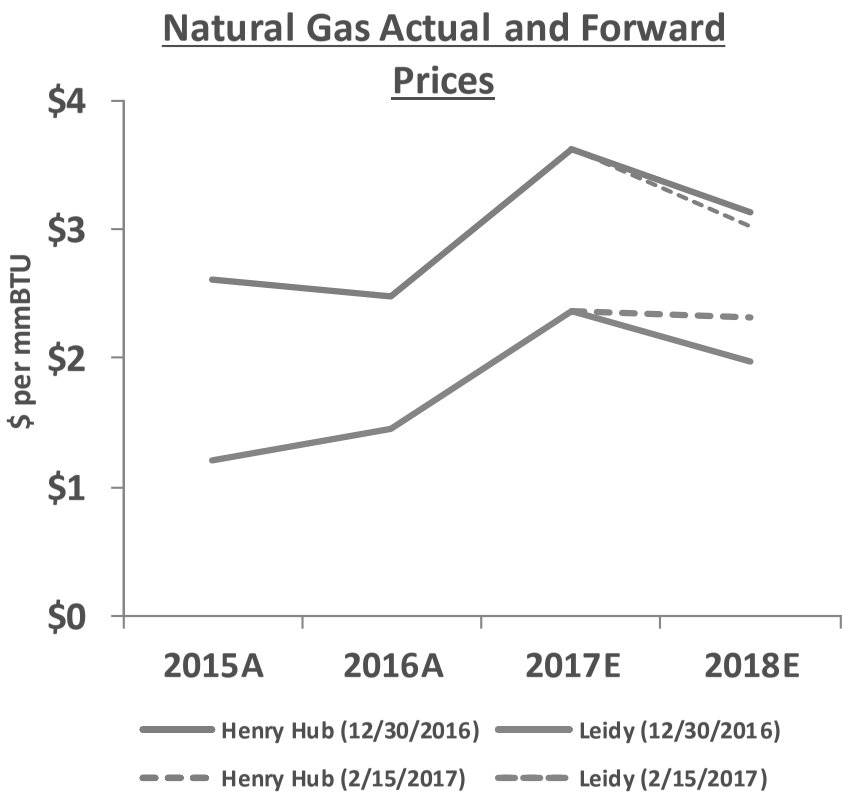


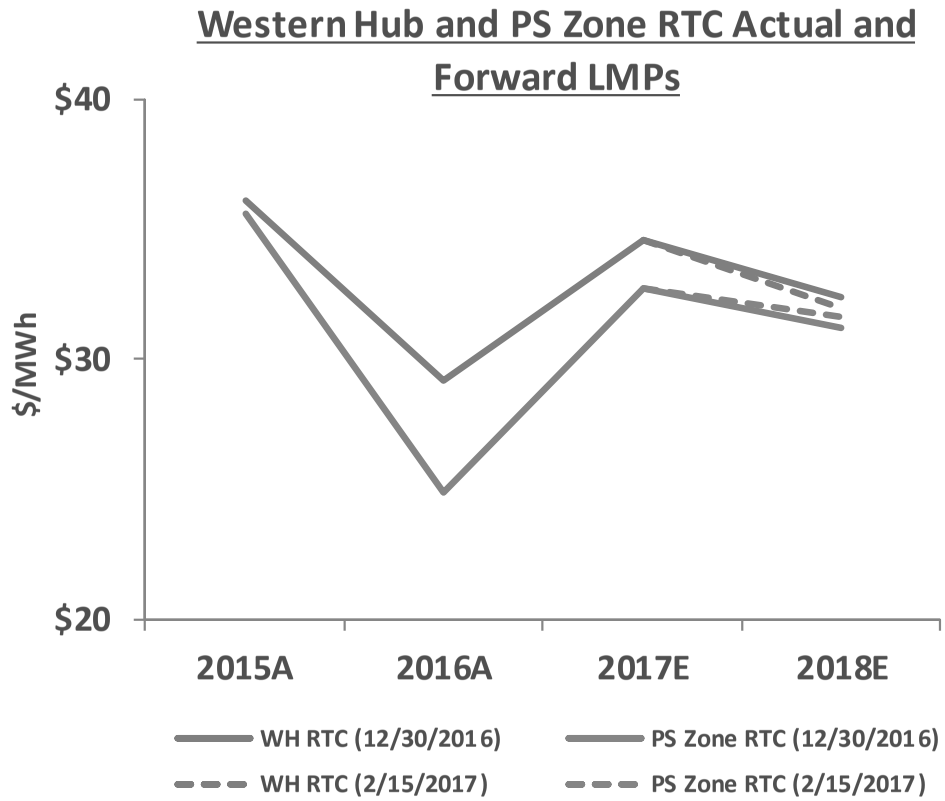
- PSEG Power procured approximately 400 BCF in 2016 with almost 50% going to PSE&G's utility gas customers
- PSEG Power's gas for PJM generation was ~100 BCF in 2016, of which >80% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-04732

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





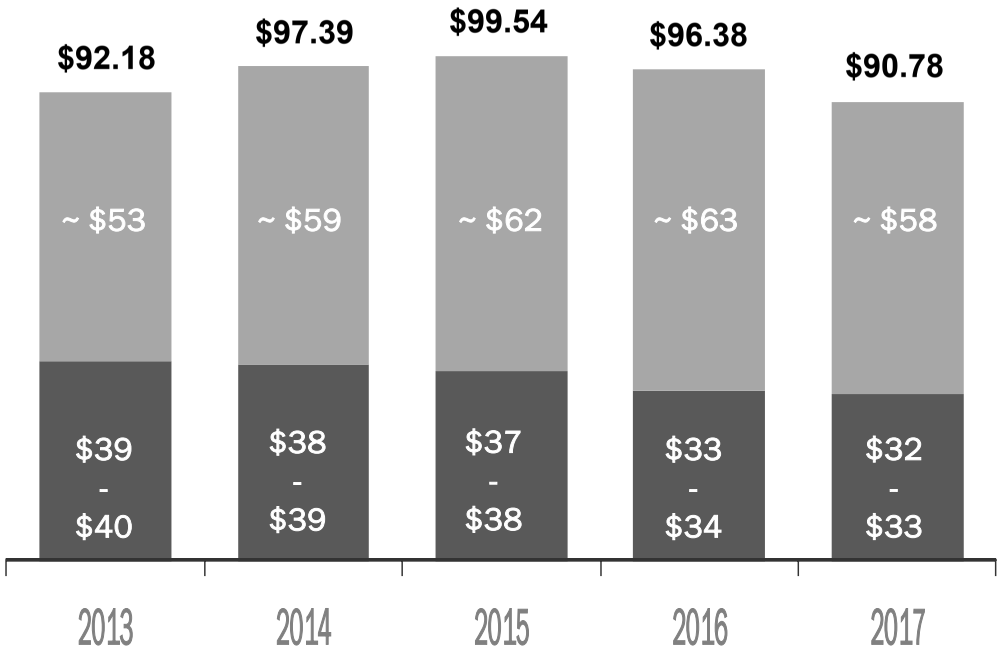
Electric basis for the PSEG Zone is also showing improvement in the forward markets

SI-SSA-0015-04733

E = ESTIMATE.

New Jersey BGS accounts for ~11 TWh of our hedging – Retail marketing will complement BGS

NJ BGS RSCP Supply Pricing

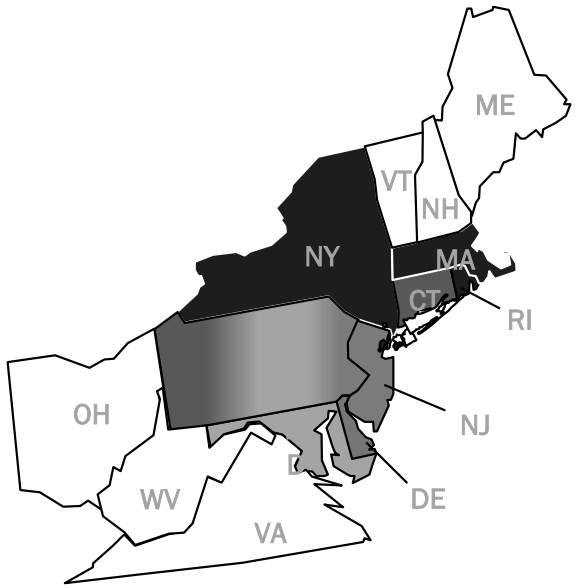


3 Year Average Round the Clock PJM West Forward Energy Price

+

- Capacity
- Load shape
- Transmission
- Congestion
- Ancillary services
- Risk premium
- Green

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial and Industrial customers
- Target:
  - Year 3: ~4 - 5,000 GWh
  - Year 5: ~8 - 10,000 GWh

SI-SSA-0015-04734

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2015-2017 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2017.

Our Hedging Strategy is designed to secure gross margin while leveraging the portfolio

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	-	-
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-04735

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

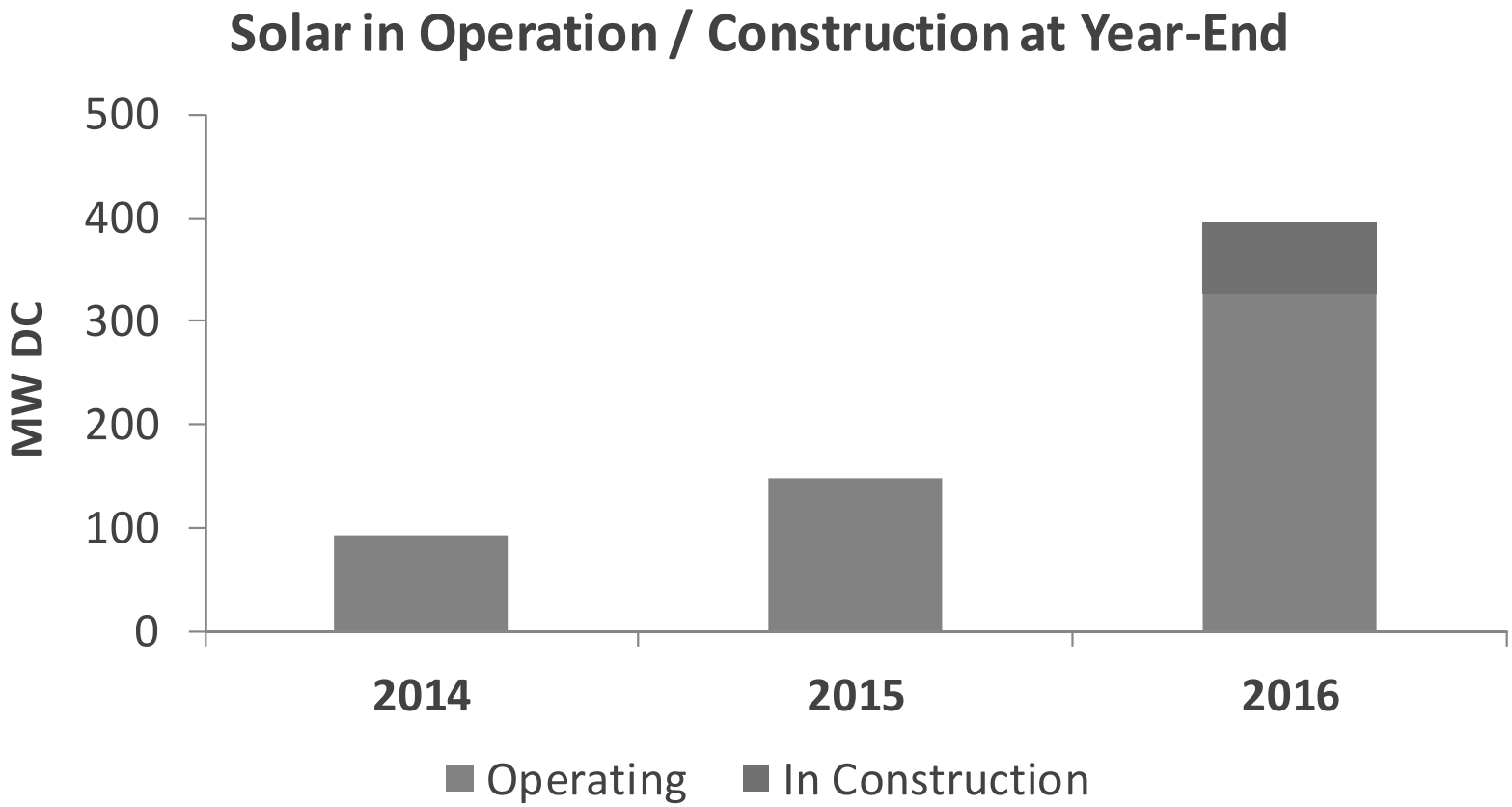
Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-04736

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Solar has grown to 326 MW_{DC} in operations with 70 MW_{DC} under construction



SI-SSA-0015-04737

PSEG

PORTFOLIO CONSISTs OF 326 MW_{DC} /257 MW_{AC} IN OPERATIONS, 70 MW_{DC}/55 MW_{AC} IN CONSTRUCTION.

Other attractive sources of revenues
round out a robust portfolio

Gas Supply and Asset Optimization

- Wholesale provider to PSE&G and others
  - Storage capacity of approximately 78 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

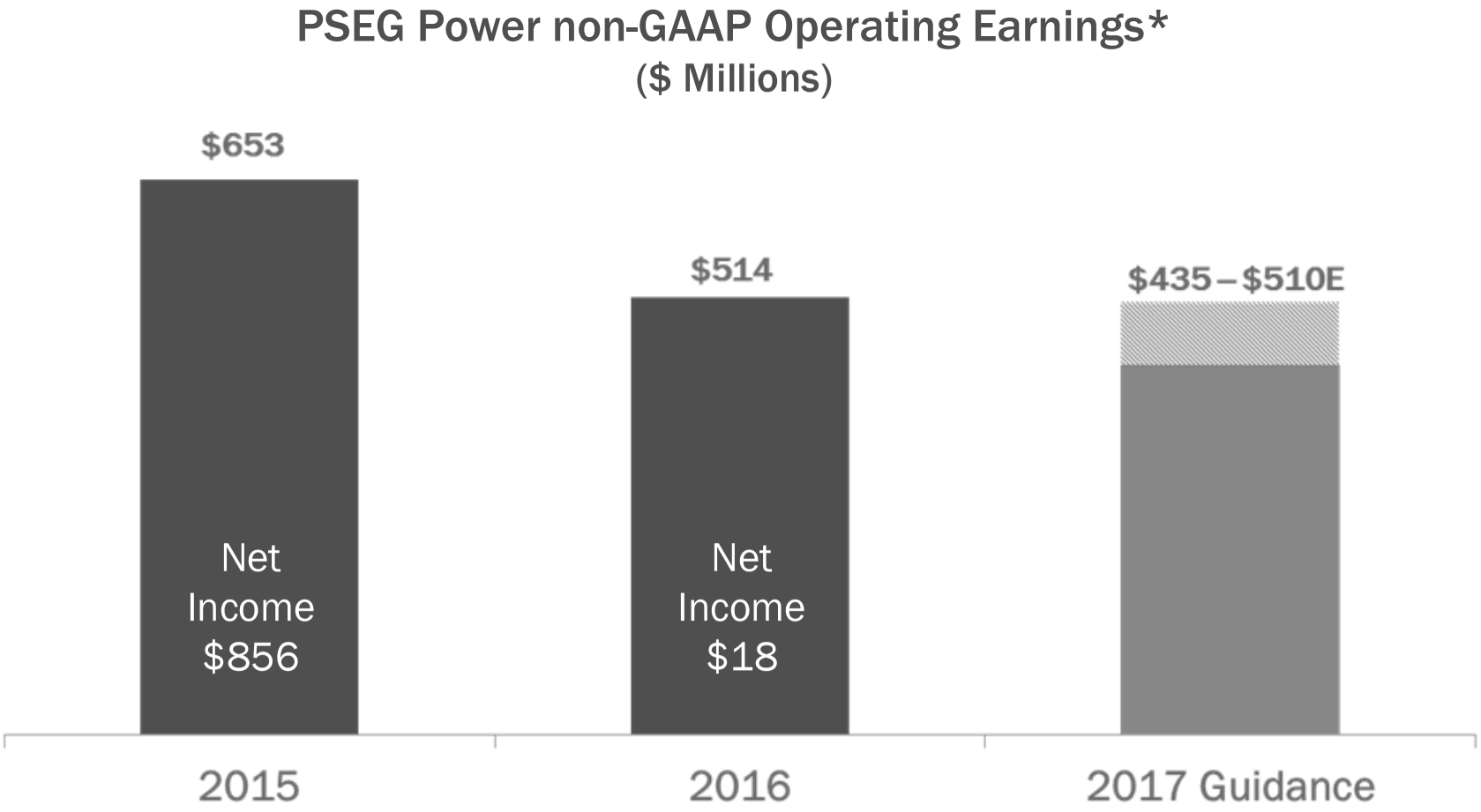
LIPA Fuel and Energy Dispatch Management – contract through 2024

Kalaeloa, HI – 50% equity interest in a 208 MW oil-fired combined cycle unit

SI-SSA-0015-04738

Power's 2017 non-GAAP Operating Earnings

reflect efforts being taken in challenging market conditions



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PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
E = ESTIMATE.

PSEG Power's Value Proposition

Efficient fleet	Advantaged locations	Investing to grow

- Well-positioned, well-run fleet of merchant generating assets in competitive markets
- Early retirement of Hudson and Mercer coal stations in mid-2017 improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Low capital requirements post-construction
- Hedging strategy to protect value of assets in declining price environment and provide stable returns and cash flow

SI-SSA-0015-04740

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

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Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

SI-SSA-0015-04742

We consistently deliver our earnings guidance by executing our growth plans, managing O&M, and optimizing assets

PSEG Non-GAAP Operating Earnings*					
$ Millions (except EPS)	2012	2013	2014	2015	2016
Initial Operating Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95	$2.80 – $3.00
*Non-GAAP Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.90
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance	Mid-Point of Guidance

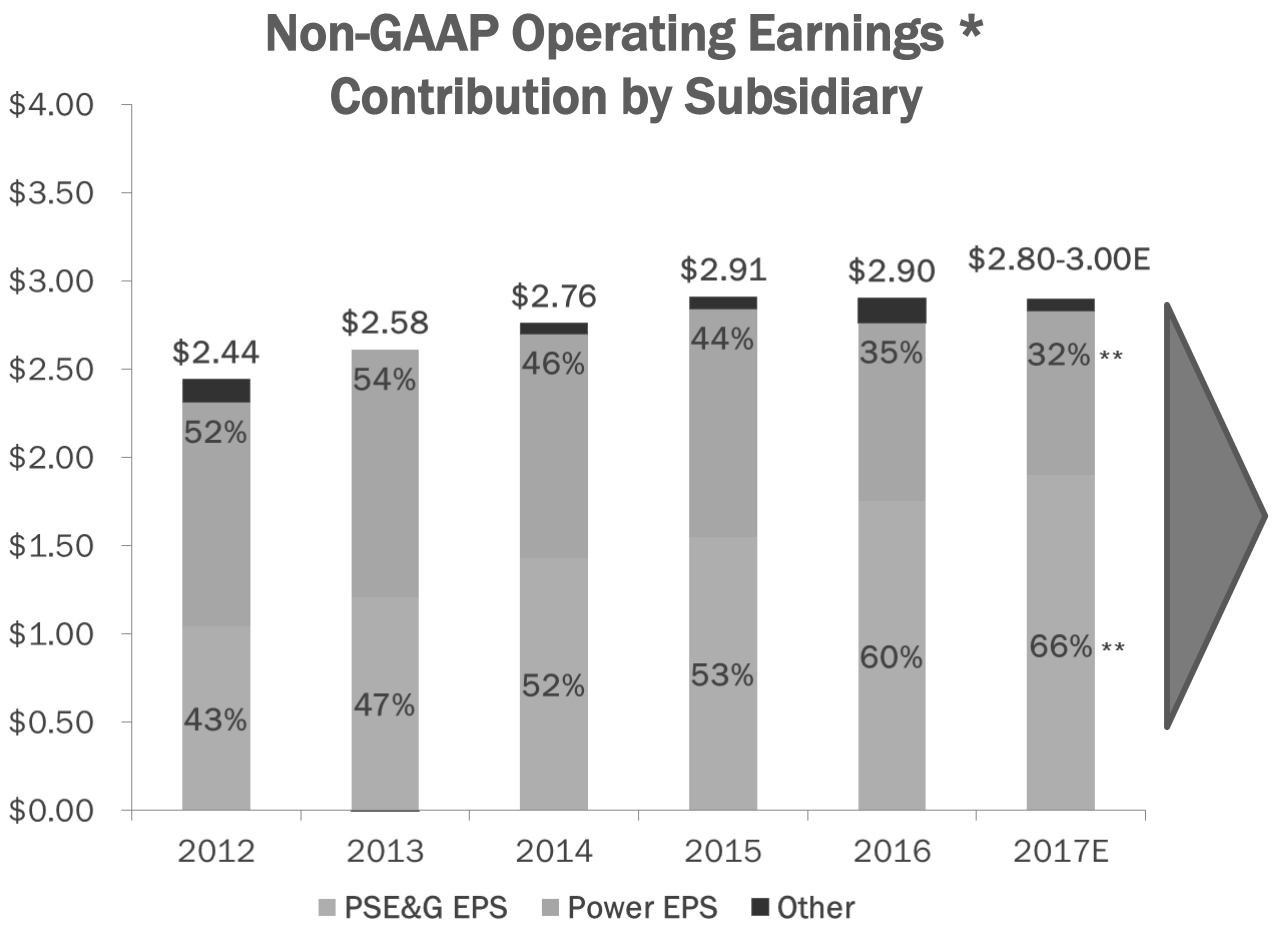
Producing strong results in challenging conditions, including a low commodity price environment and unfavorable weather

SI-SSA-0015-04743

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E= ESTIMATE.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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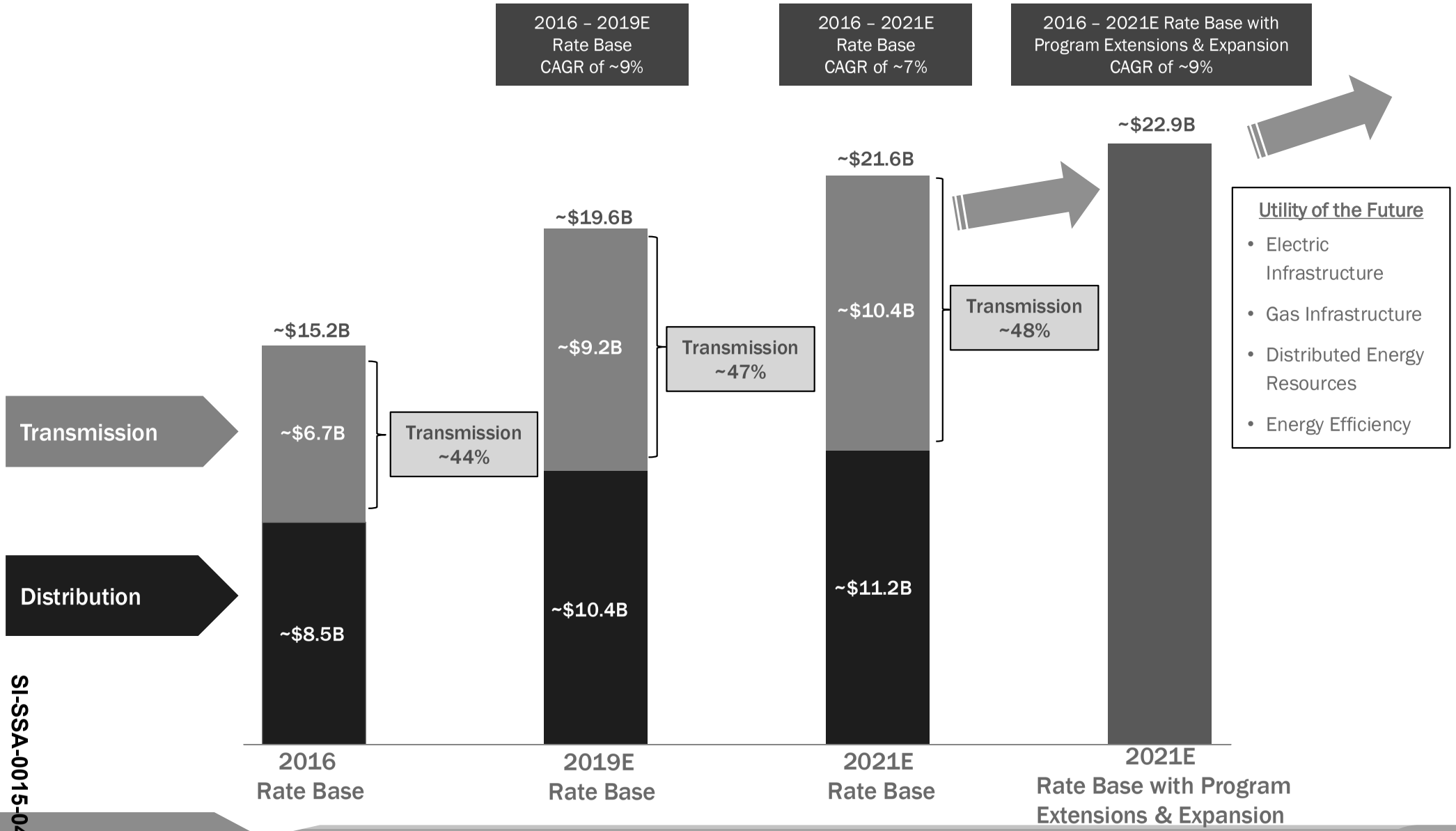
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE AS OF MARCH 7, 2017. E= ESTIMATE .

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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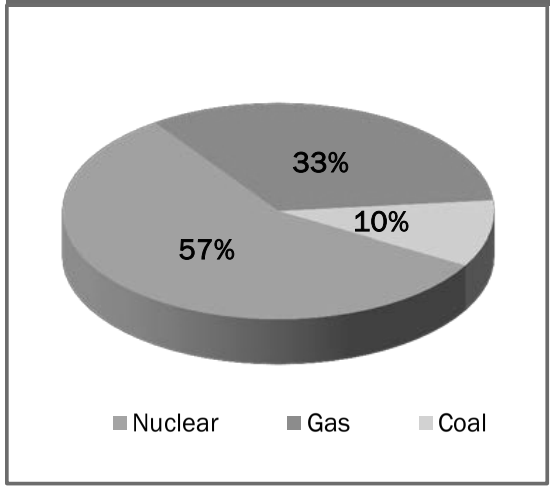
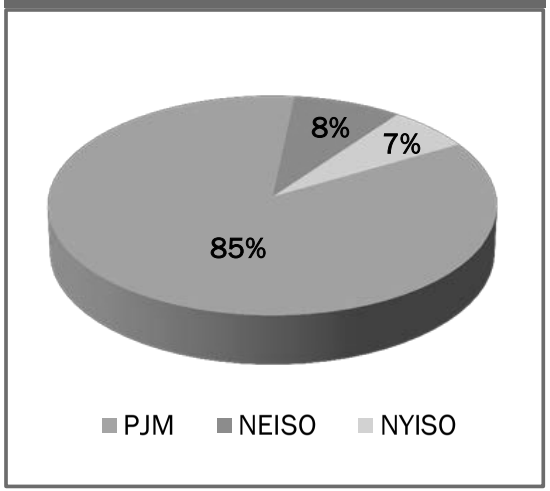
Power's hedging program has secured 55% - 60% of its estimated gross margin for the next 3 years

Energy Produced in 2016



51,510 GWh

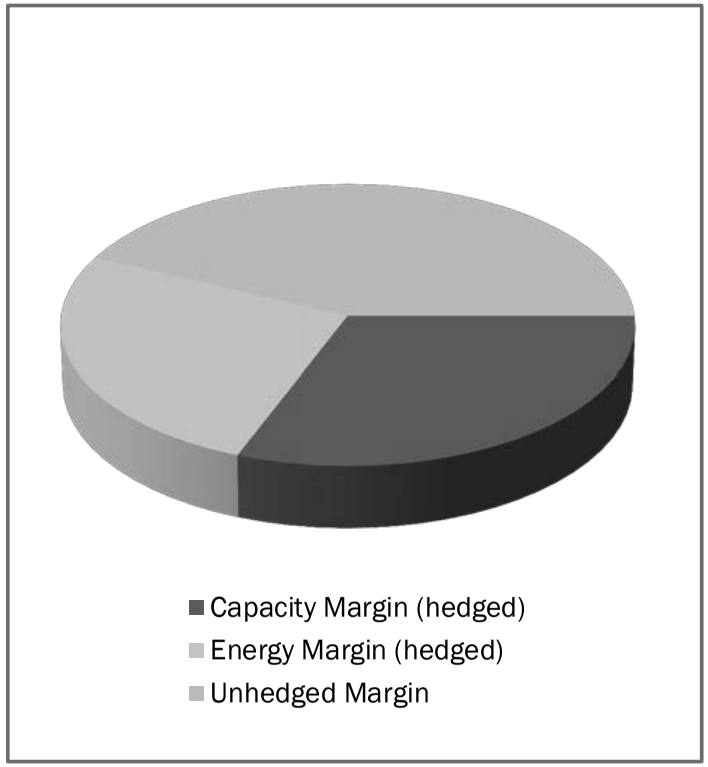
Capacity Available in 2016



11,577 MW

3 Year Average - Gross Margin (%)

2017E-2019E



. E = ESTIMATE.

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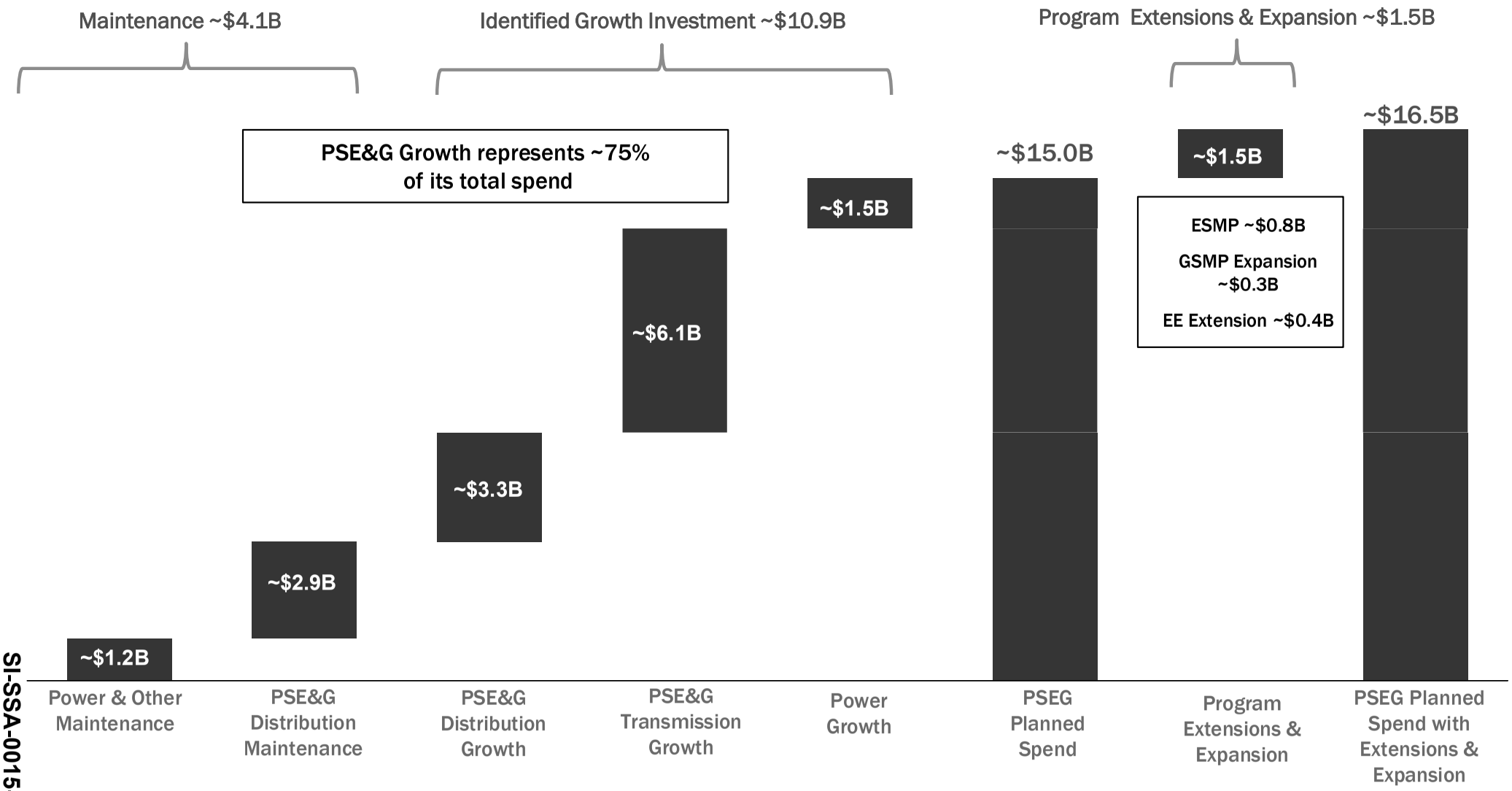
PSEG capital program focused on growth

PSEG 2017E – 2021E Capital Investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

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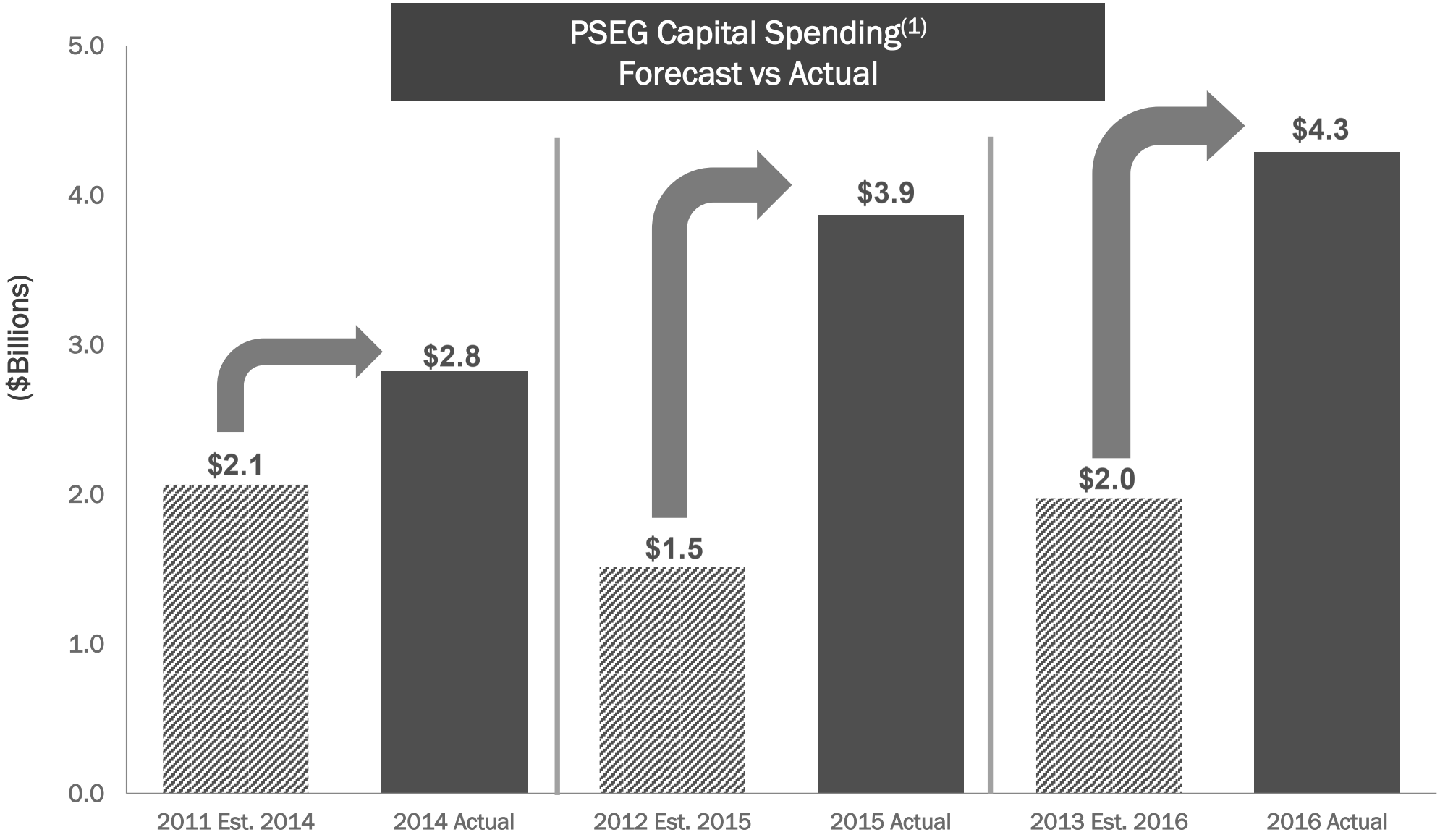
We have demonstrated an ability to identify opportunities to deploy our balance sheet

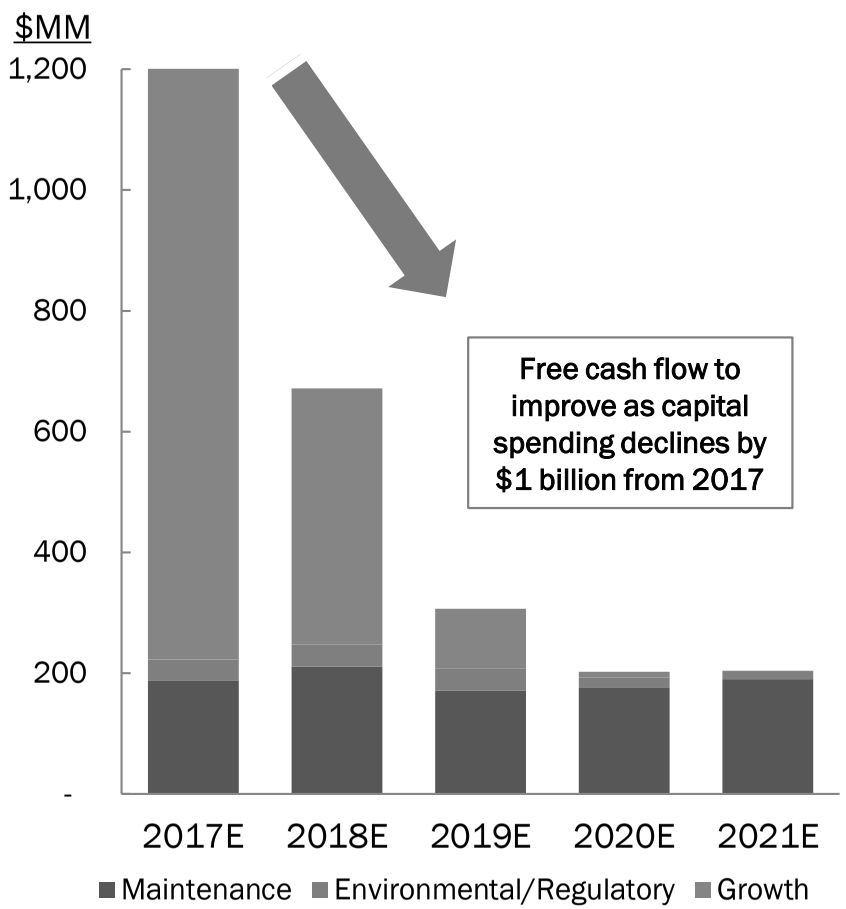


(1) CAPITAL INCLUDES IDC AND AFUDC.

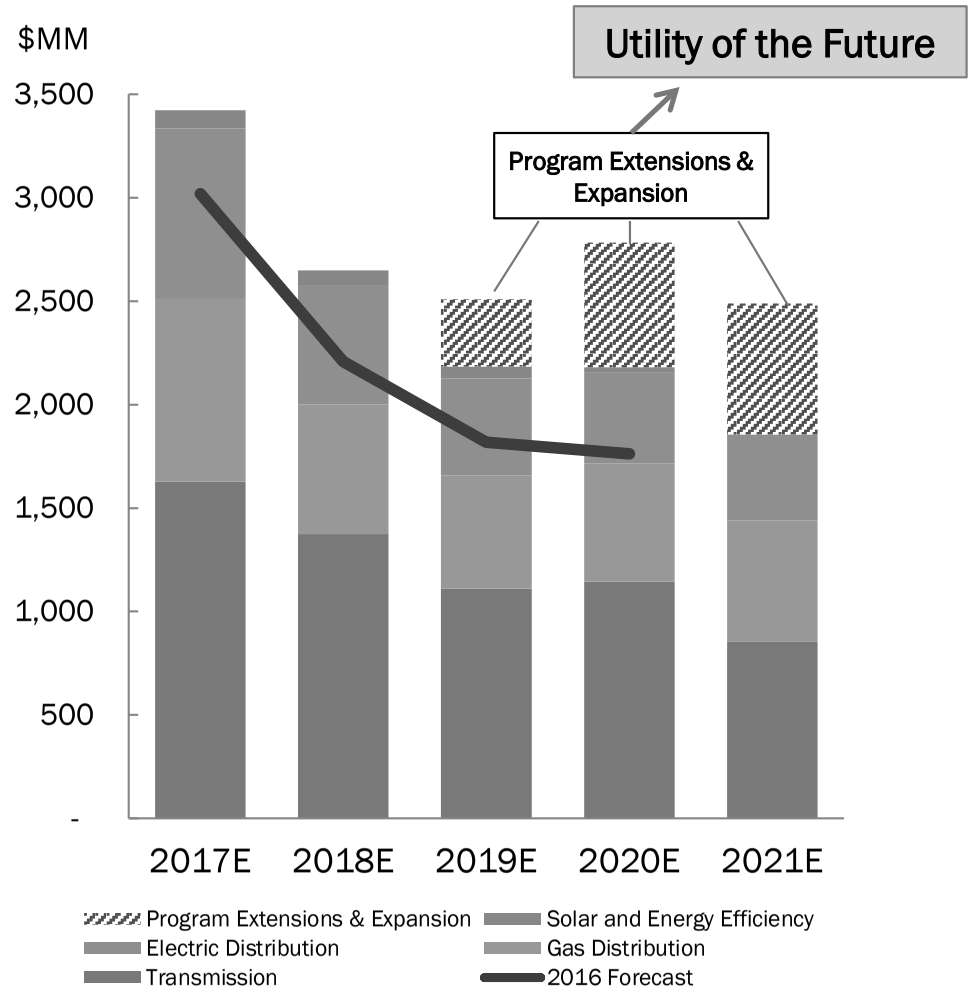
SI-SSA-0015-04748

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)

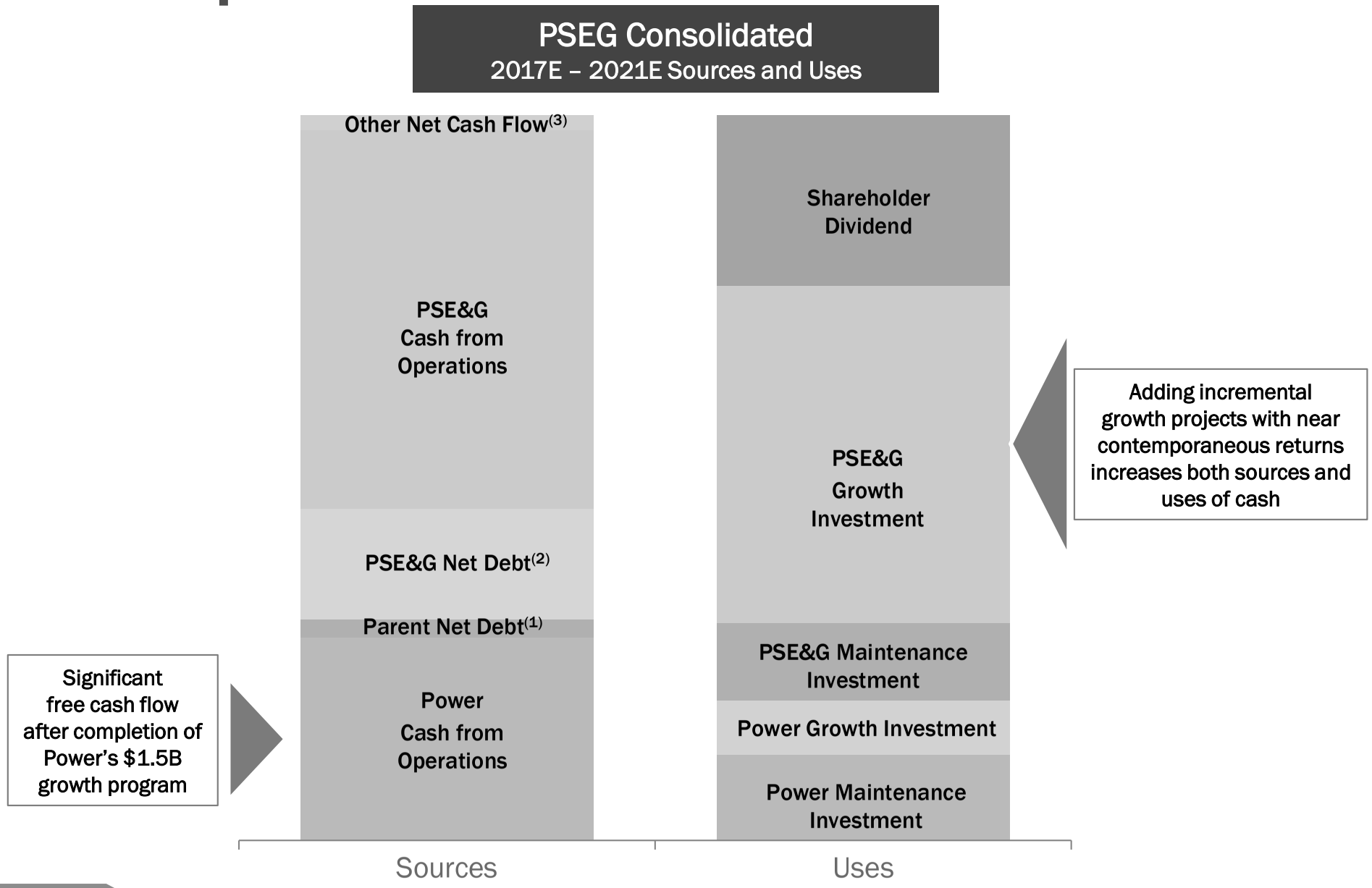


PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Growth in PSE&G results in a more regulated cash flow profile



1) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES OTHER PSEG NET CASH FLOW E = ESTIMATE

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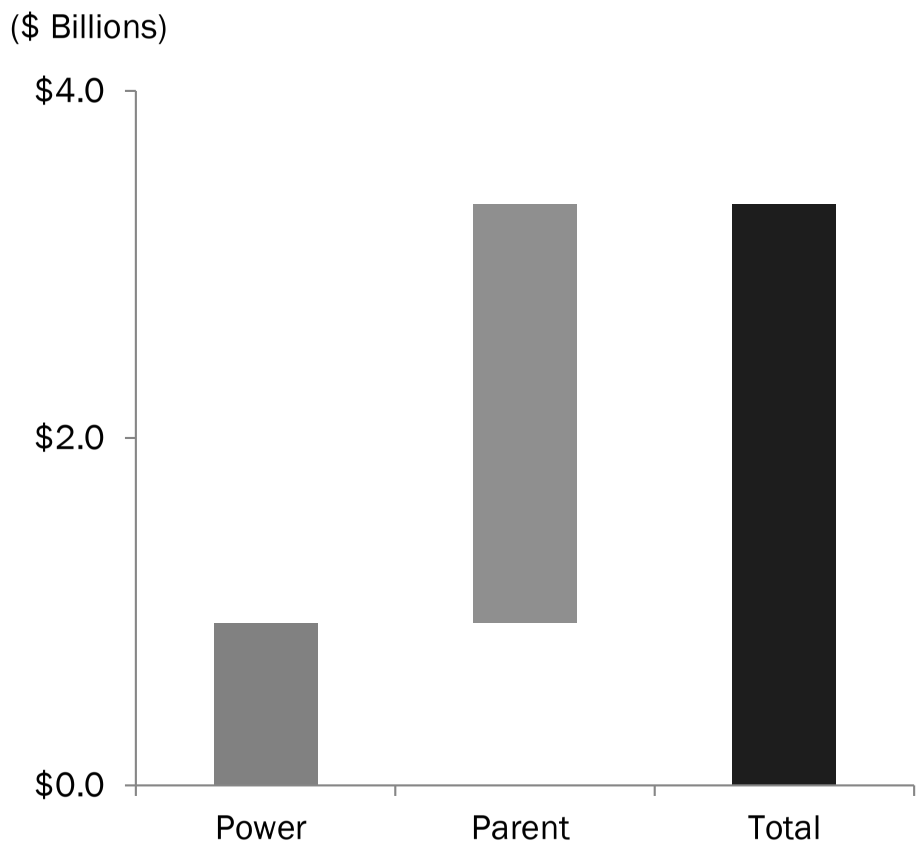
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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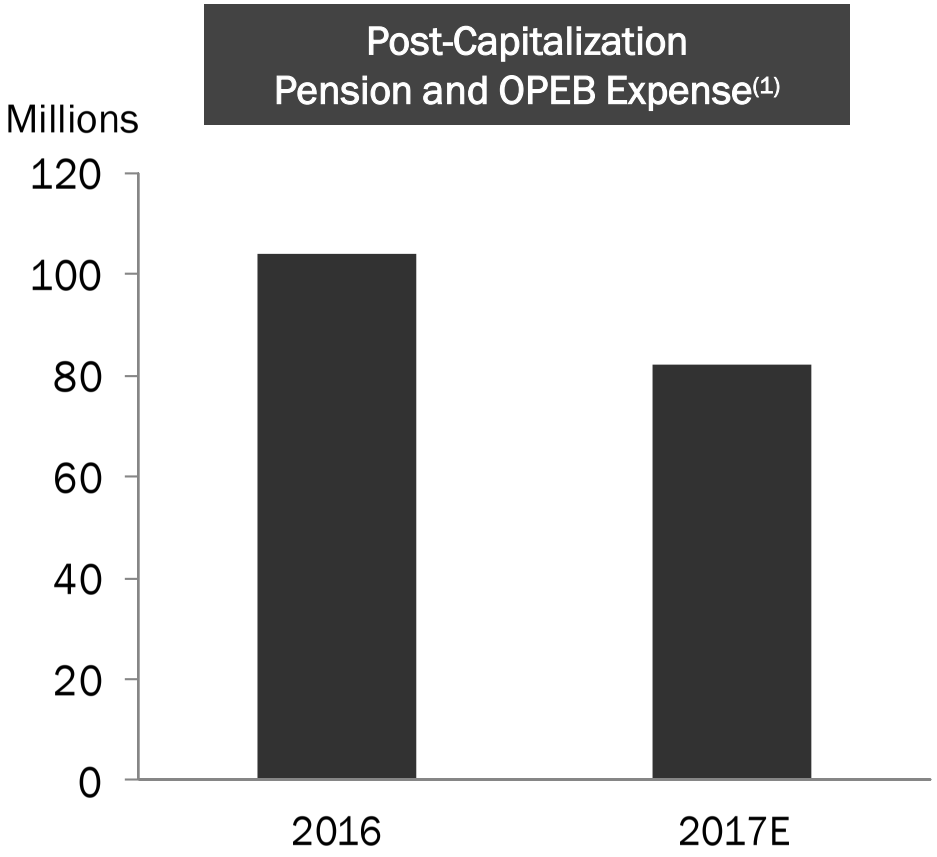
E=ESTIMATE.

Manageable Pension and OPEB Expense

with a reduction of ~$22 million in 2017

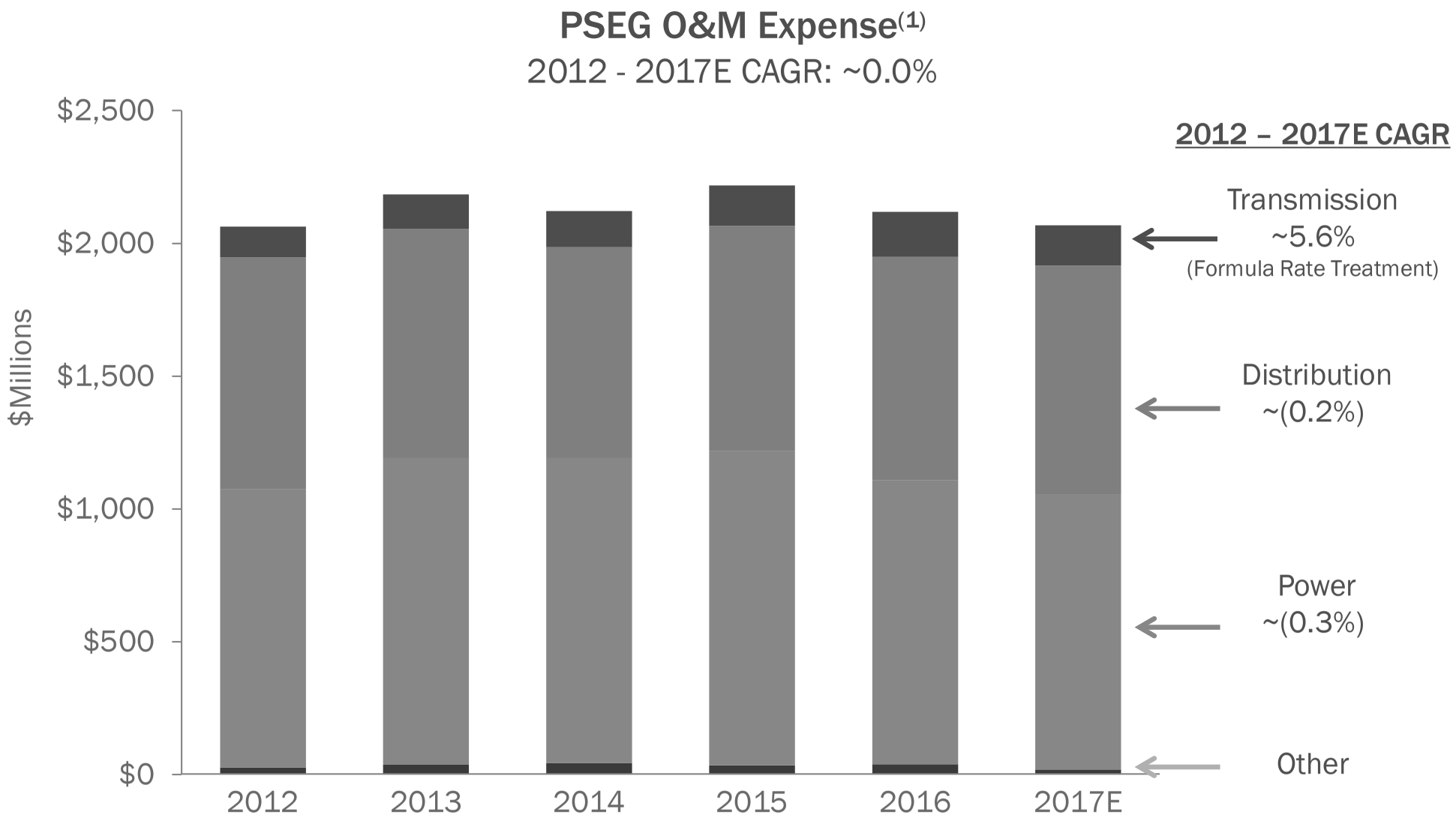


- 2016 Pension funded ratio ~90%
- Historical 5-year annualized pension returns exceeded 10%
- No qualified pension contributions planned
- Merger of three pension plans contribute to reduction in pension expense
- Pension expense expected to decline beyond 2017

(1) Post-Capitalization and Pre-tax expense

SI-SSA-0015-04752

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-04753

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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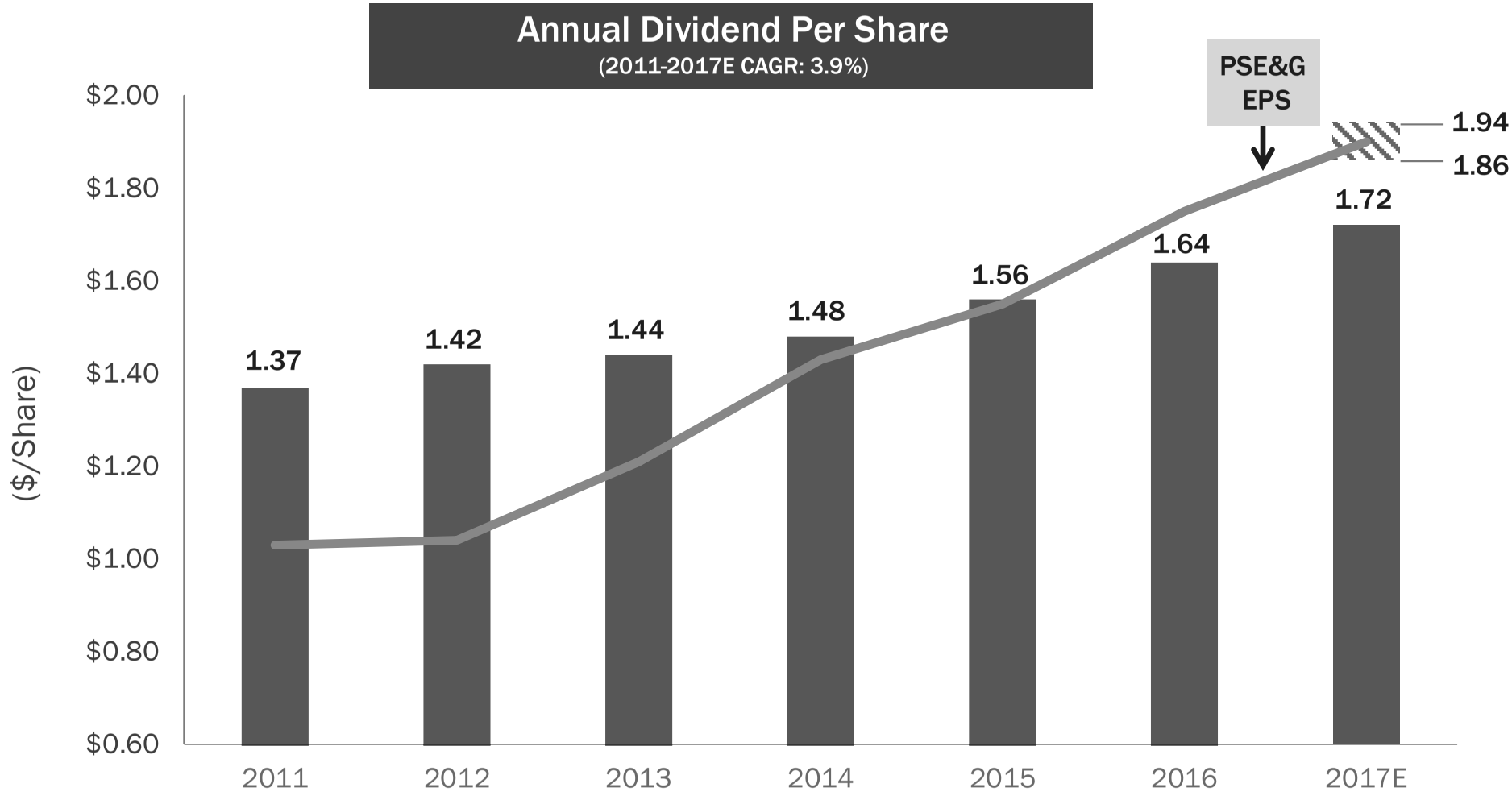
Opportunity for meaningful and sustainable dividend growth



Payout Ratio	50%	58%	56%	54%	54%	57%	59%(1)

(1) THE 2017 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80-$3.00 PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

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PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2017E	2018E	2019E
Each $0.75/mcf Change in Natural Gas	$0.00 - $0.02	$0.02 - $0.05	$0.08 - $0.12
Each $2/MWh Change in Spark Spread	$0.03	$0.05	$0.06
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.02
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2016 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- 2017 guidance for Operating Earnings (non-GAAP) of $2.80 to $3.00 per share supported by PSE&G growth
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-04757

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Barclays Select Series
US Utilities: Exploring the Power Grid

ZURICH, SWITZERLAND – MARCH 13, 2013

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04760

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

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Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-04762

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-04763

PSEG OVERVIEW & OUTLOOK

PSEG

We make things work for you.

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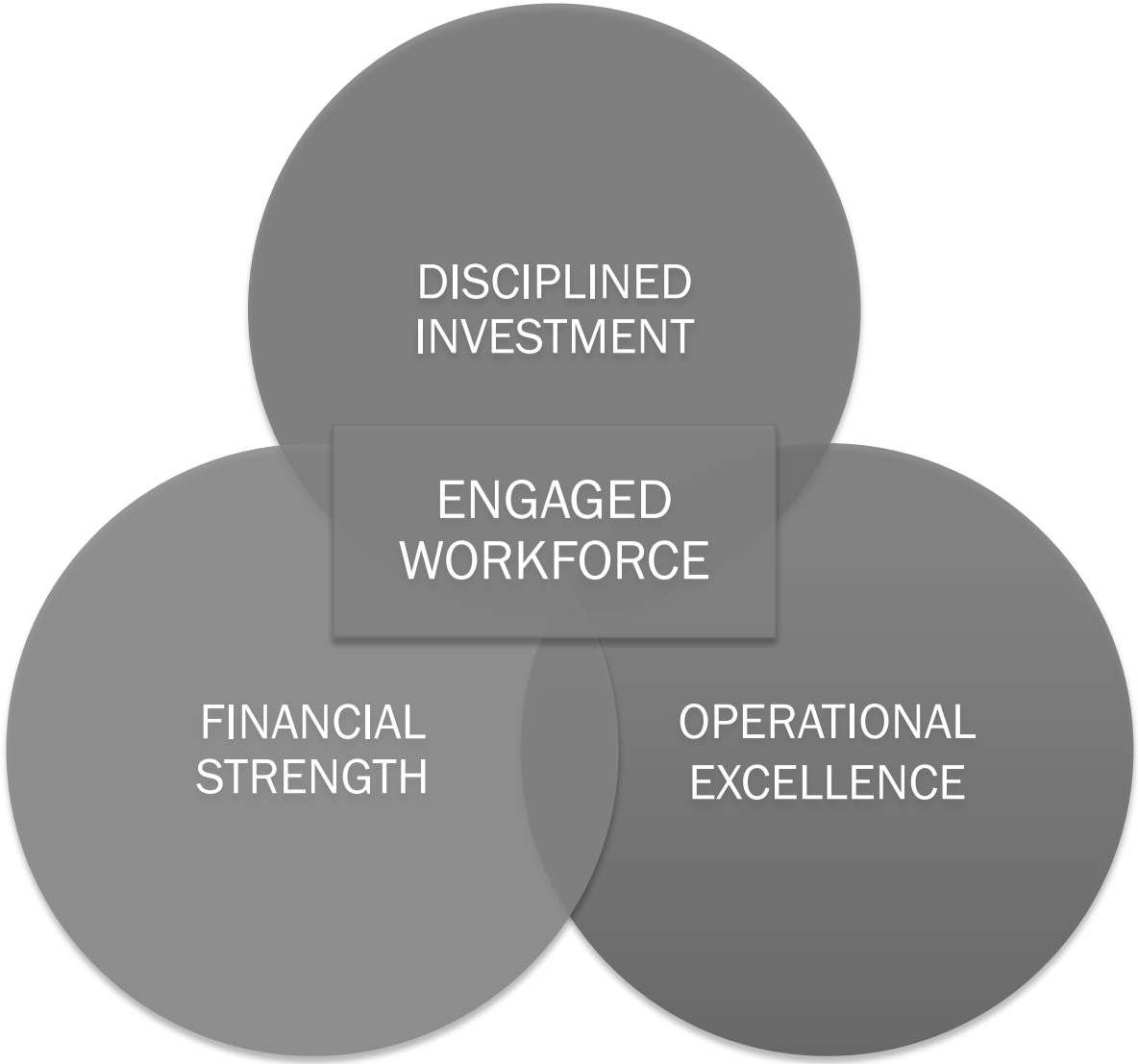
PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

SI-SSA-0015-04766

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

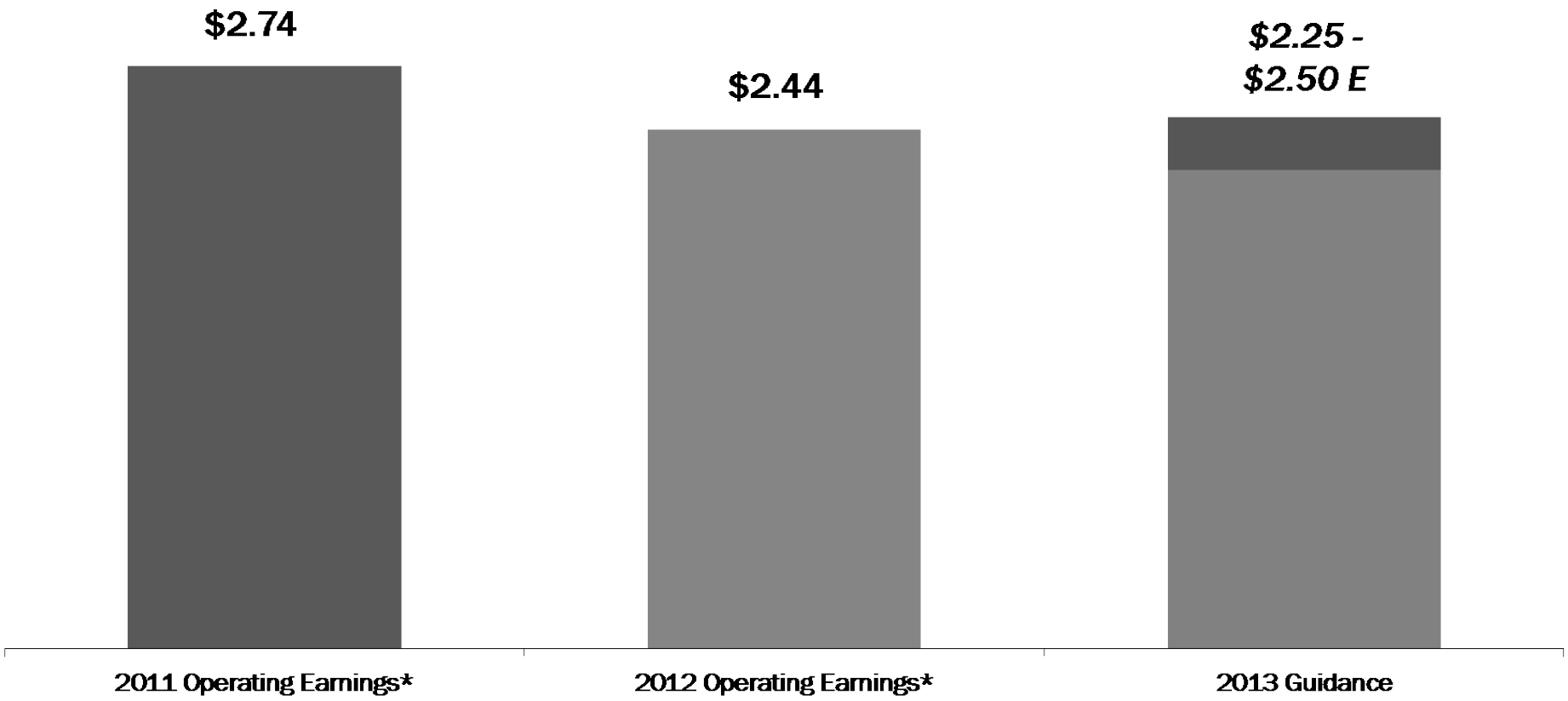
- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

SI-SSA-0015-04767

2013 Operating Earnings Guidance



SI-SSA-0015-04768

PSEG

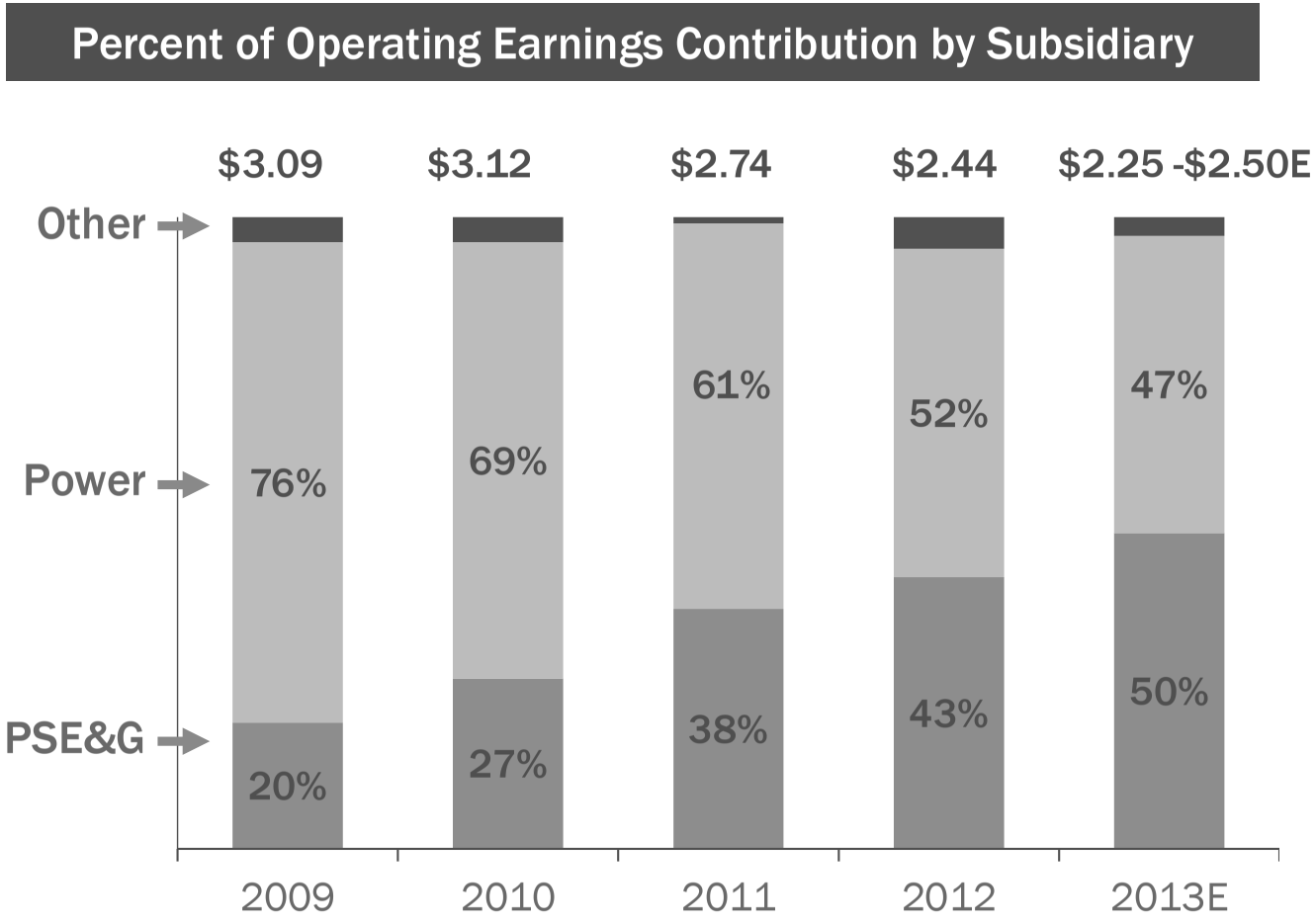
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



SI-SSA-0015-04769

PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

SI-SSA-0015-04770

SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

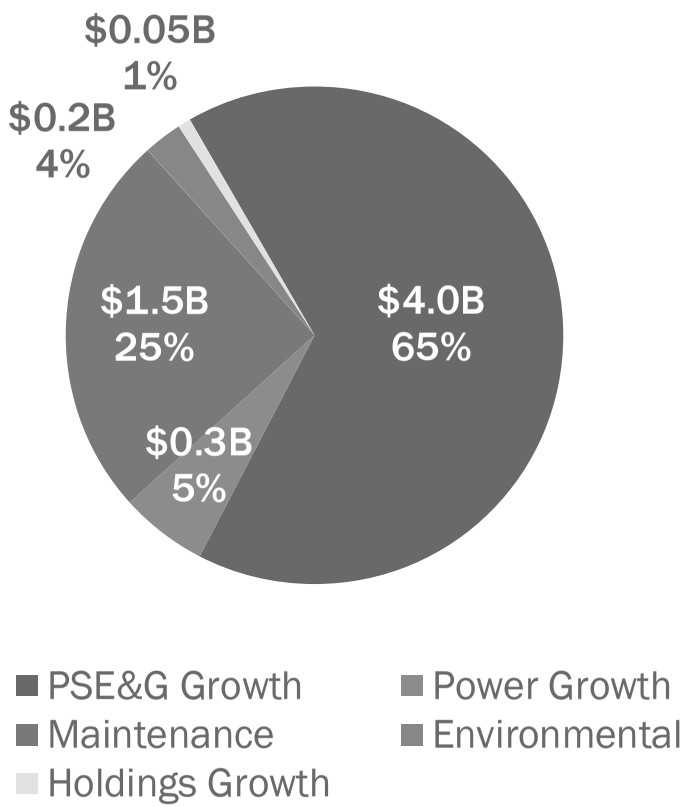
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

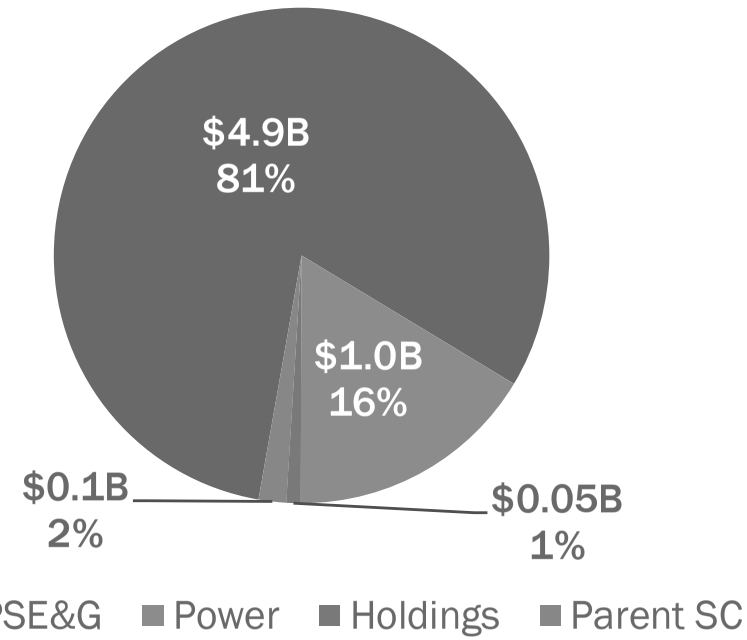
SI-SSA-0015-04771

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary

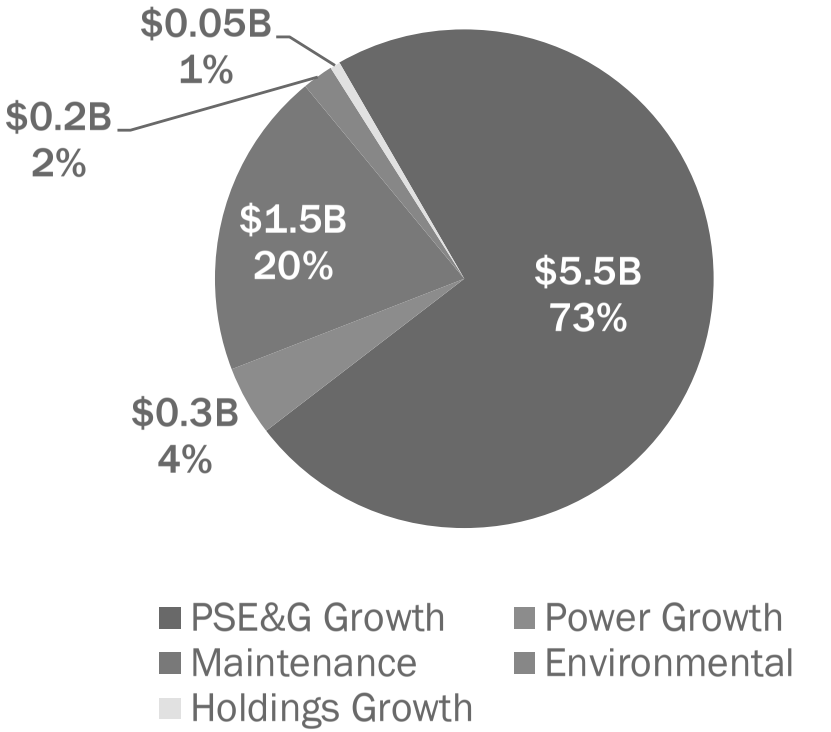


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

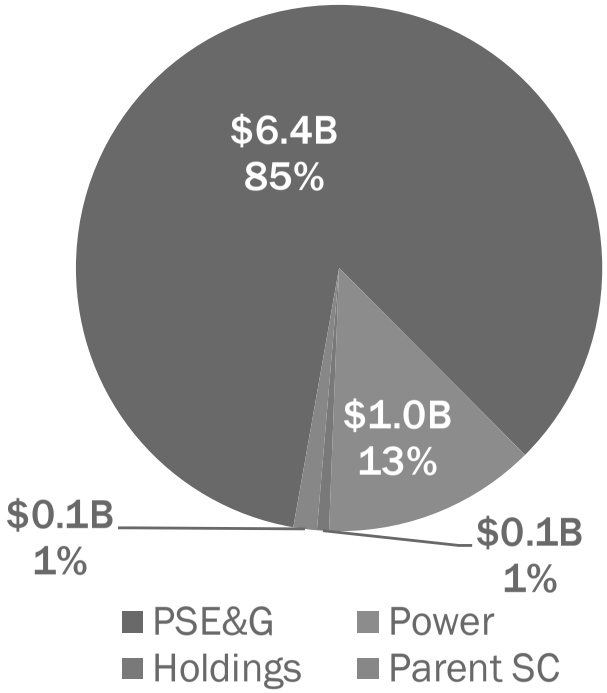
SI-SSA-0015-04772

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

SI-SSA-0015-04773

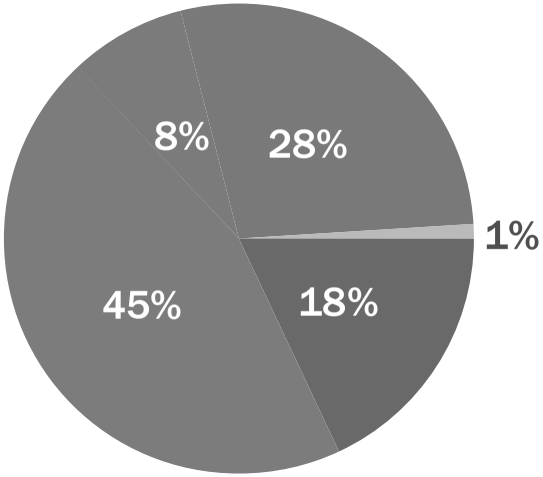
PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-04774

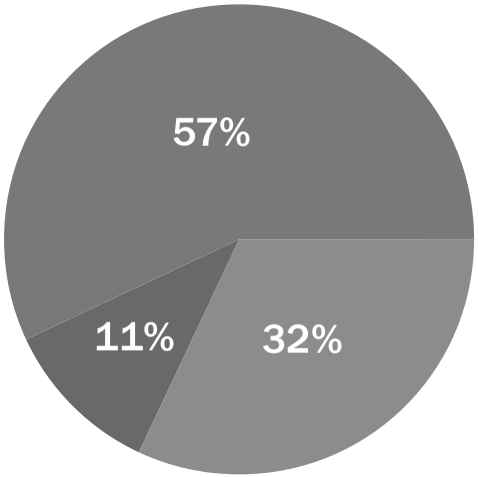
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

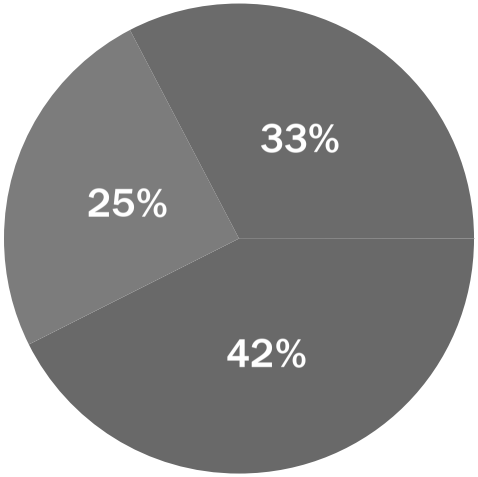


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-04775

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

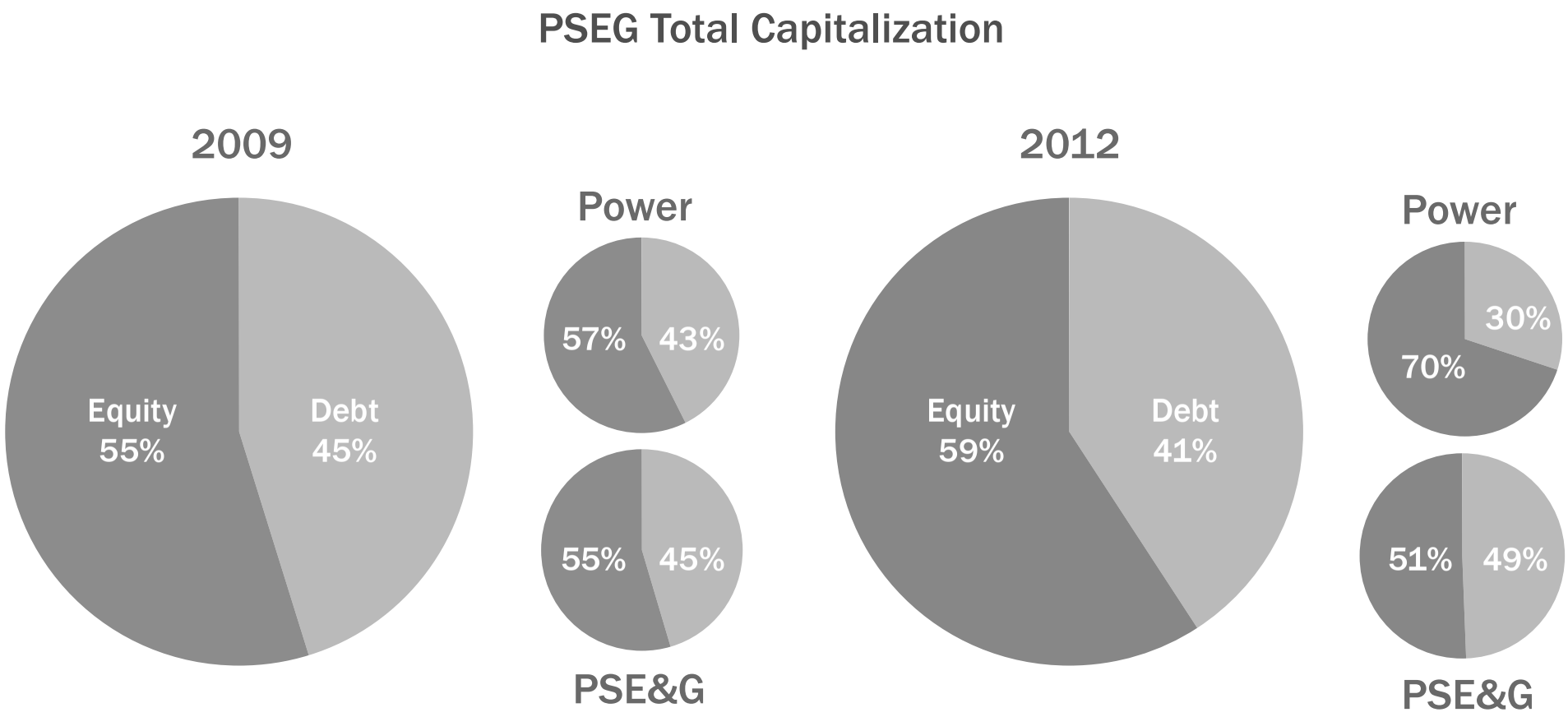
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-04776

Balance Sheet Strengthened

PSEG has reduced risk



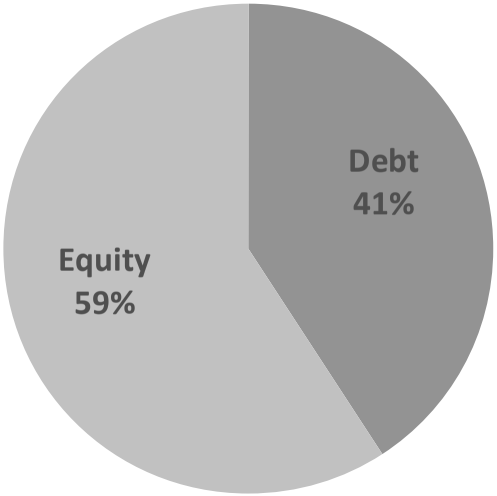
SI-SSA-0015-04777

Using PSEG's balance sheet strength

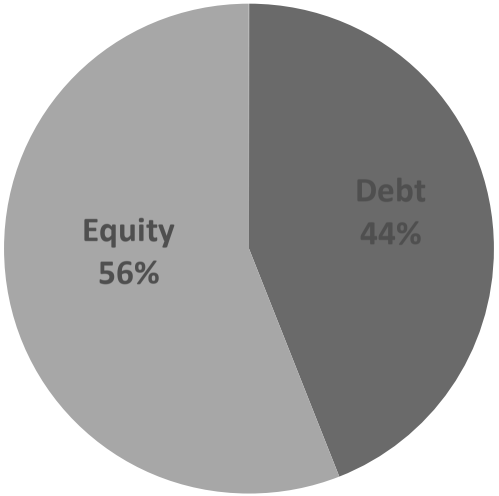
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



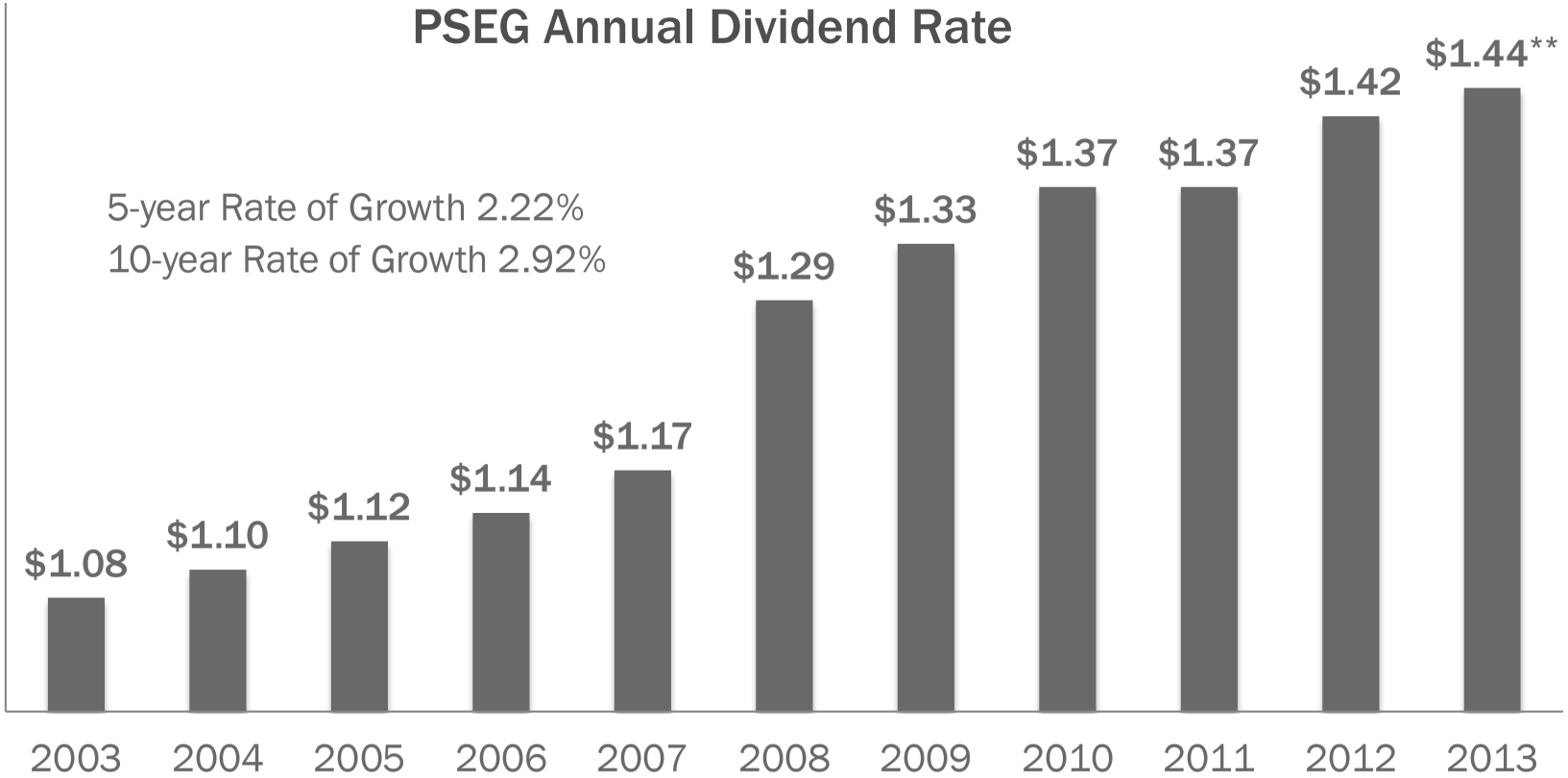
SI-SSA-0015-04778

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-04779

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-04780

PSEG

We make things work for you.

PSE&G

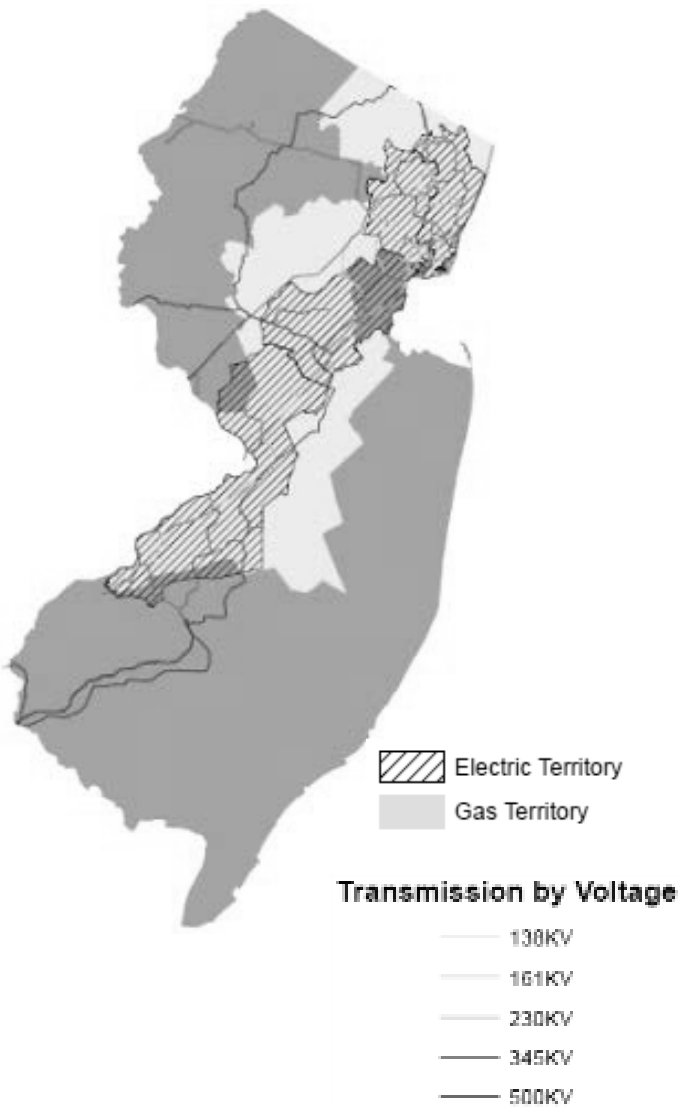
SI-SSA-0015-04781

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04782

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-04783

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

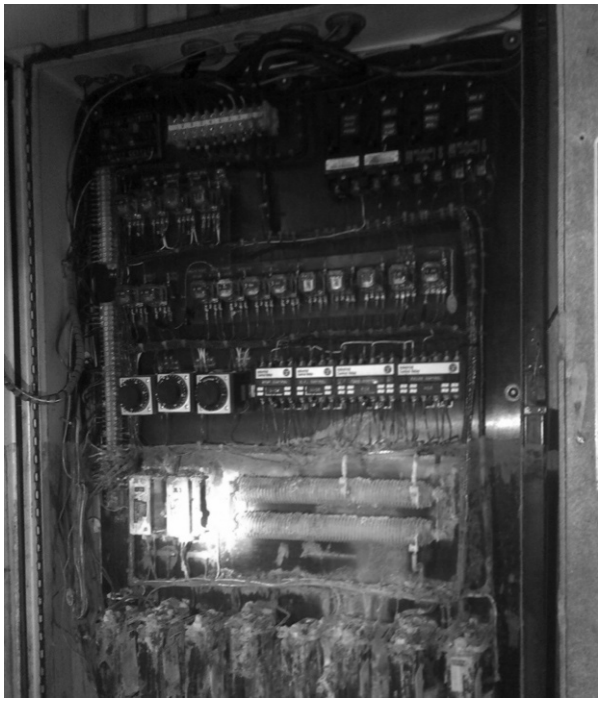
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-04784

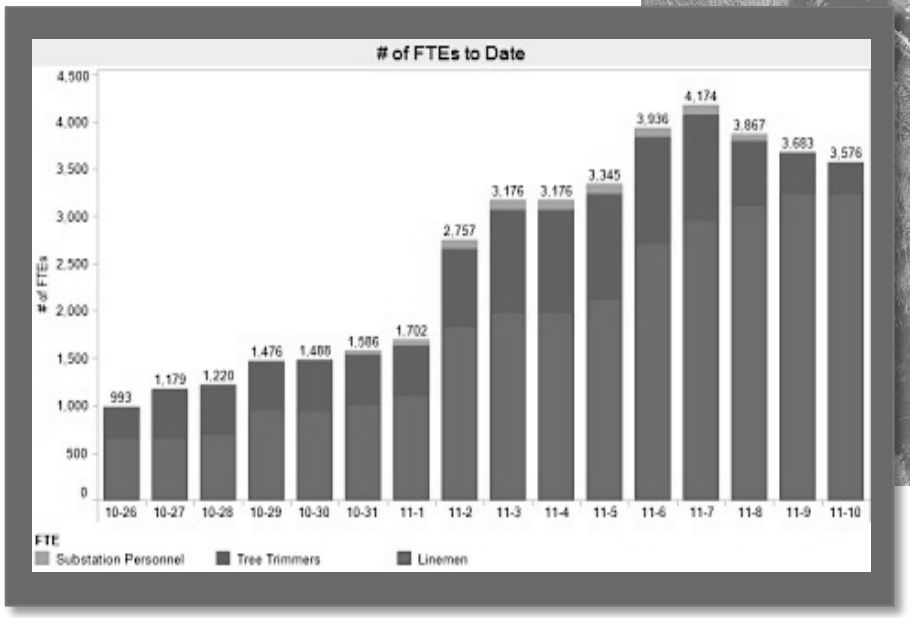
During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-04785

PSE&G brought in more than 4,000

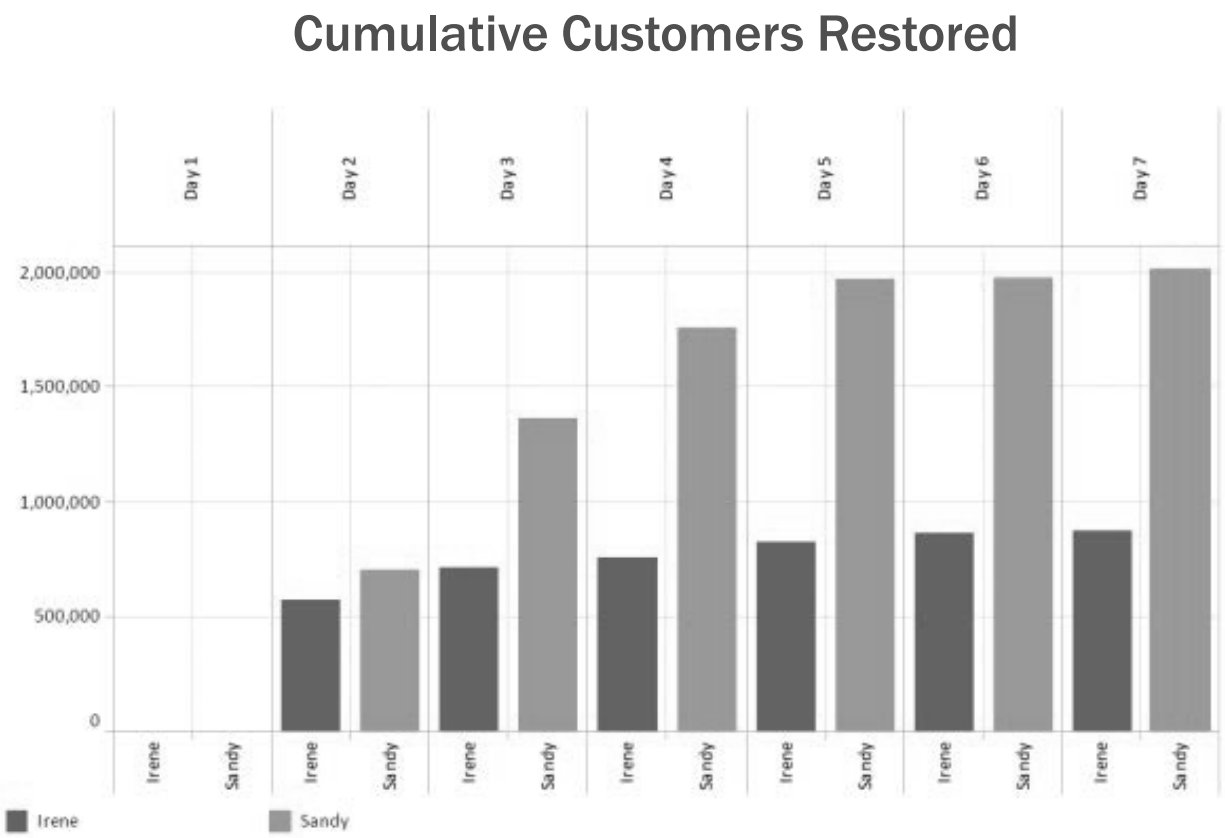
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-04786

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-04787

PSE&G's operating earnings grew ~10%*

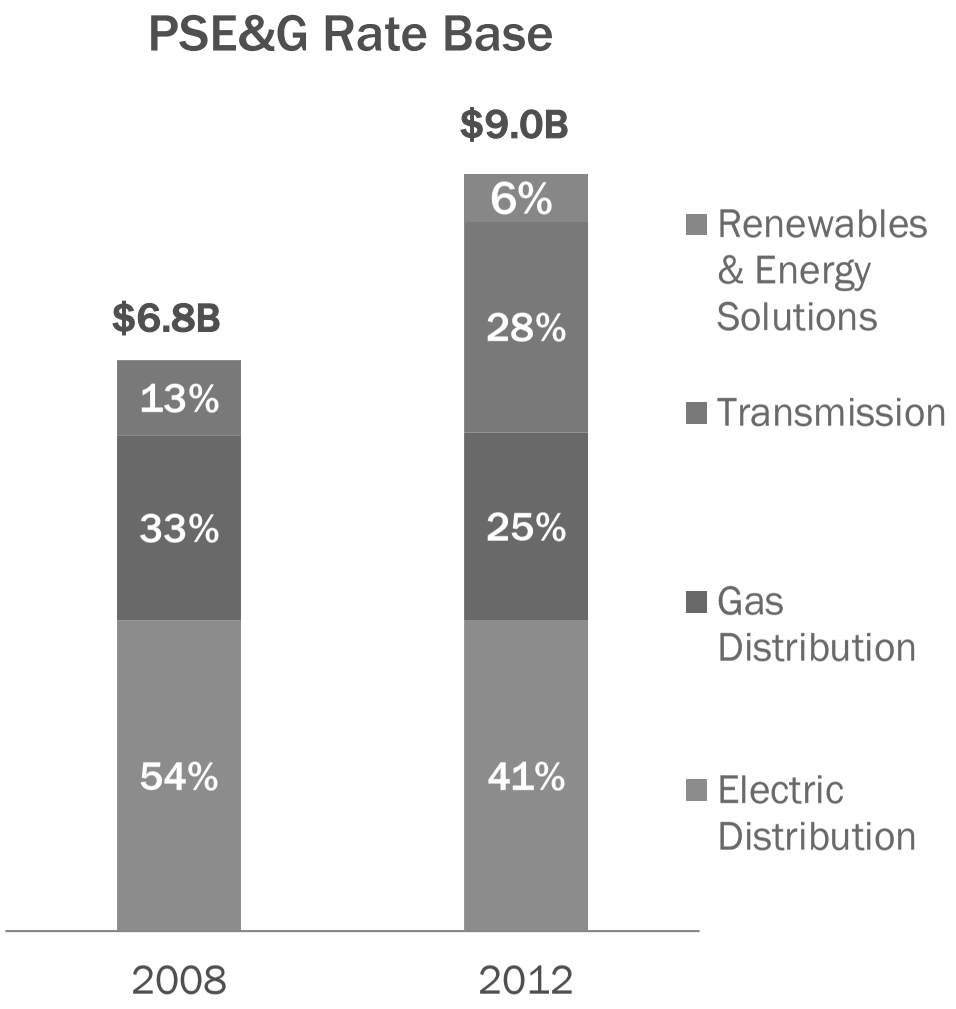
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-04788

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

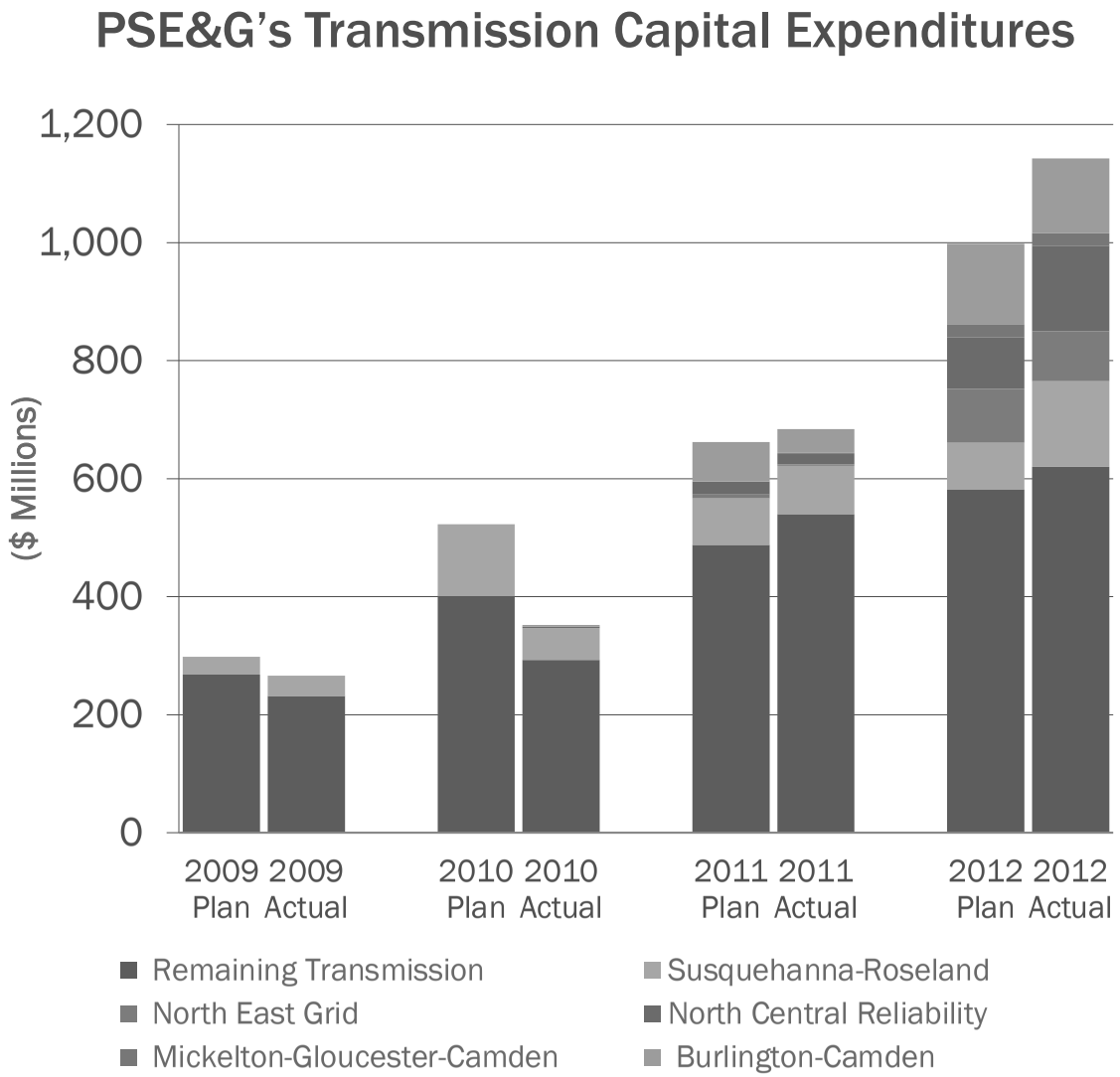
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-04789

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-04790

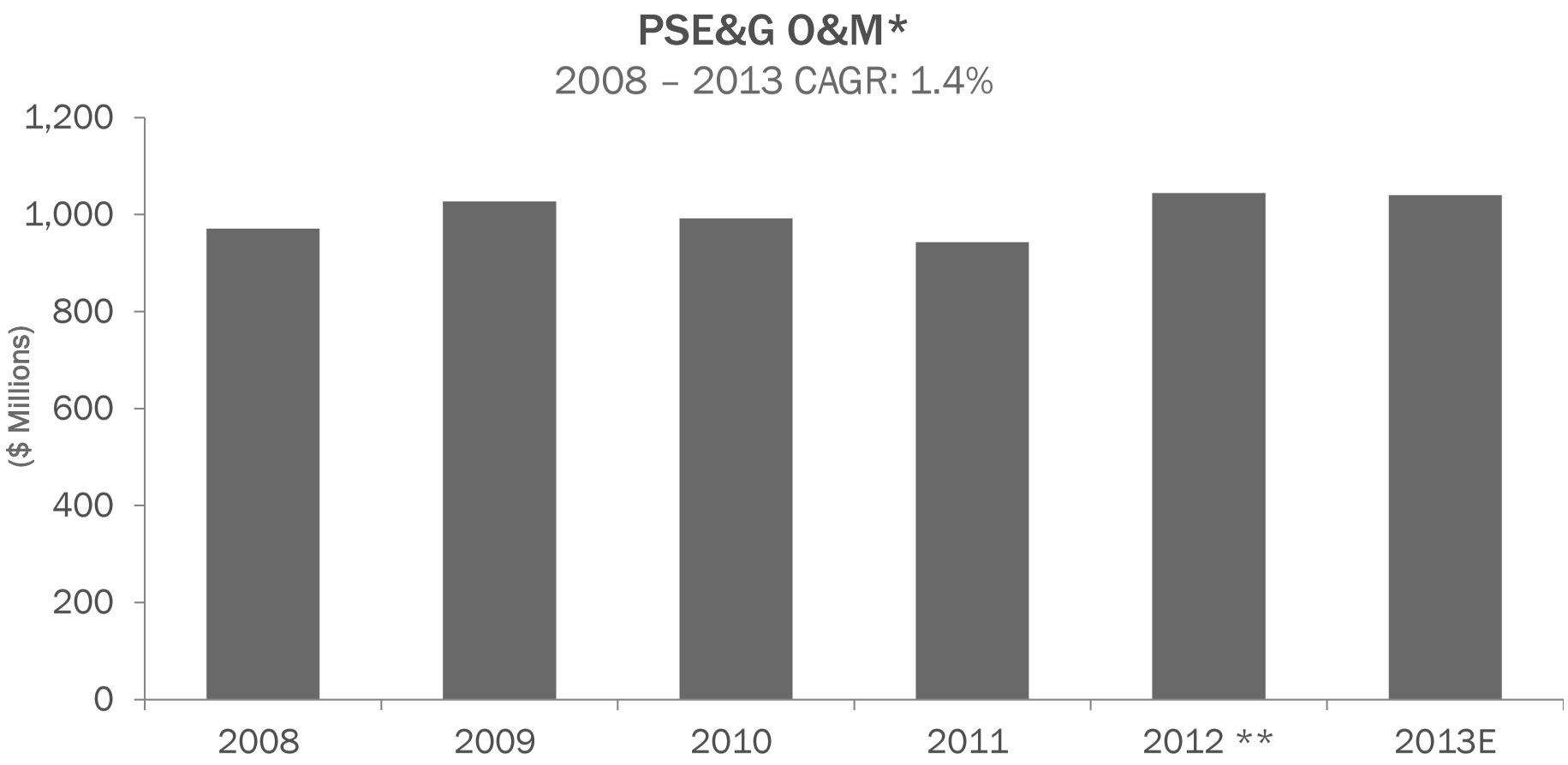
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-04791

Focus on controlling O&M allows us to earn our authorized return

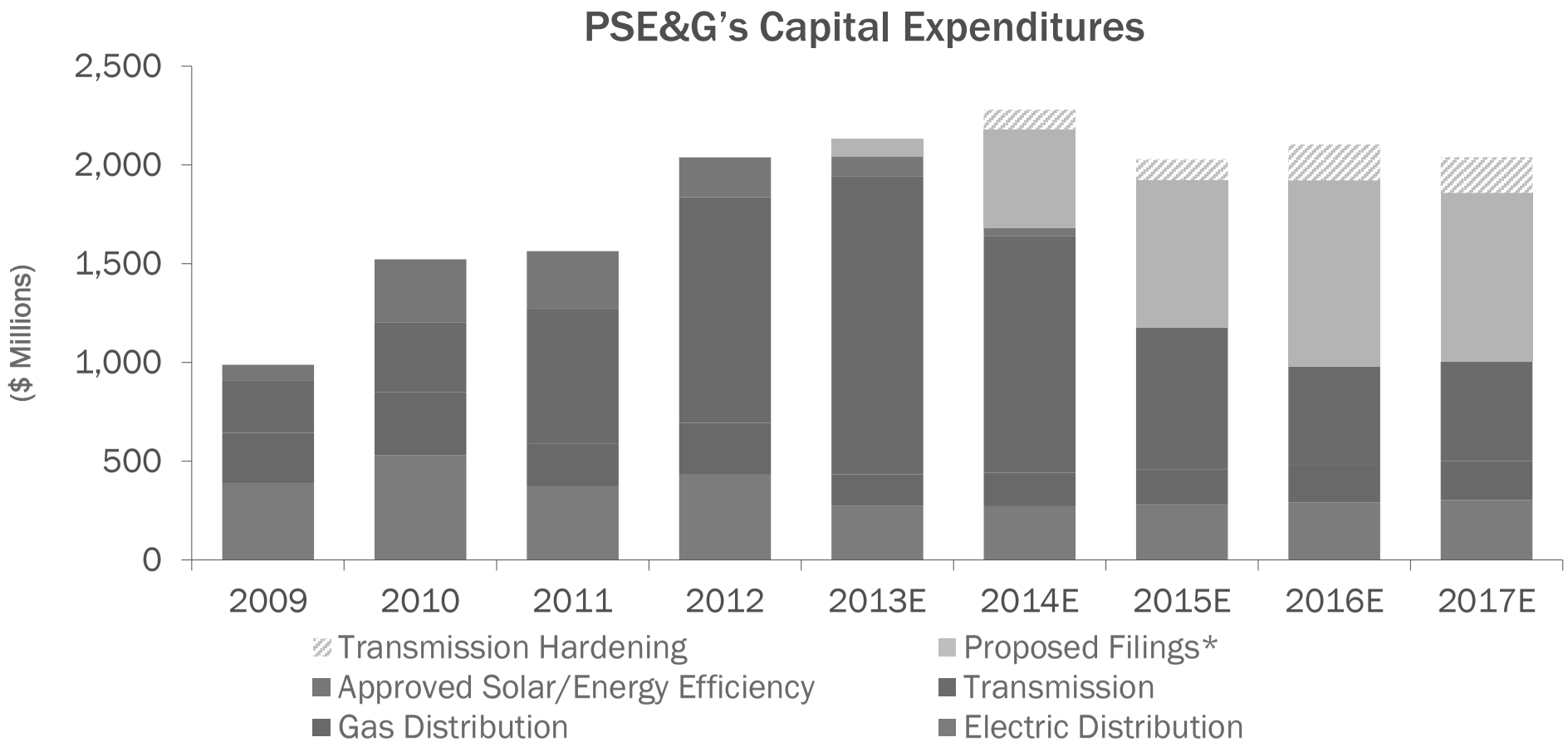


SI-SSA-0015-04792

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-04793

PSEG

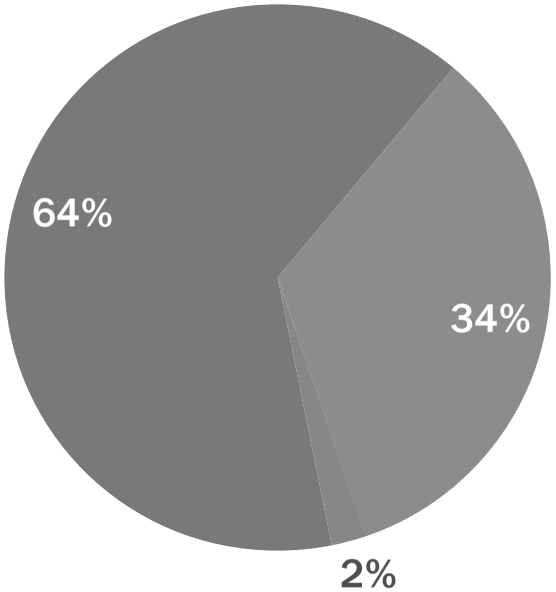
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

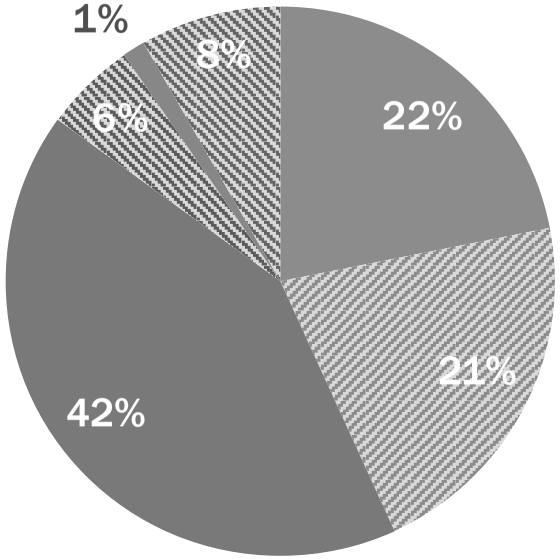
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

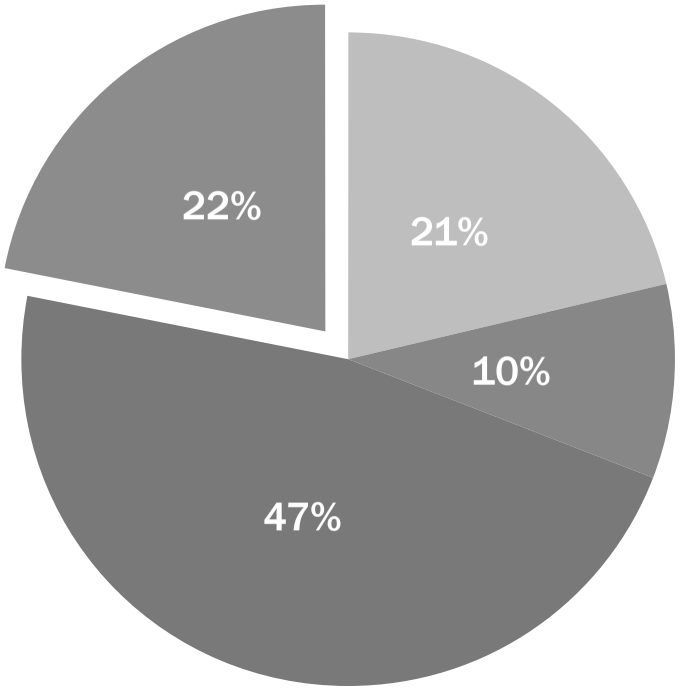
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-04794

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-04795

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-04796

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04797

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-04798

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04799

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04800

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04801

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-04802

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-04803

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

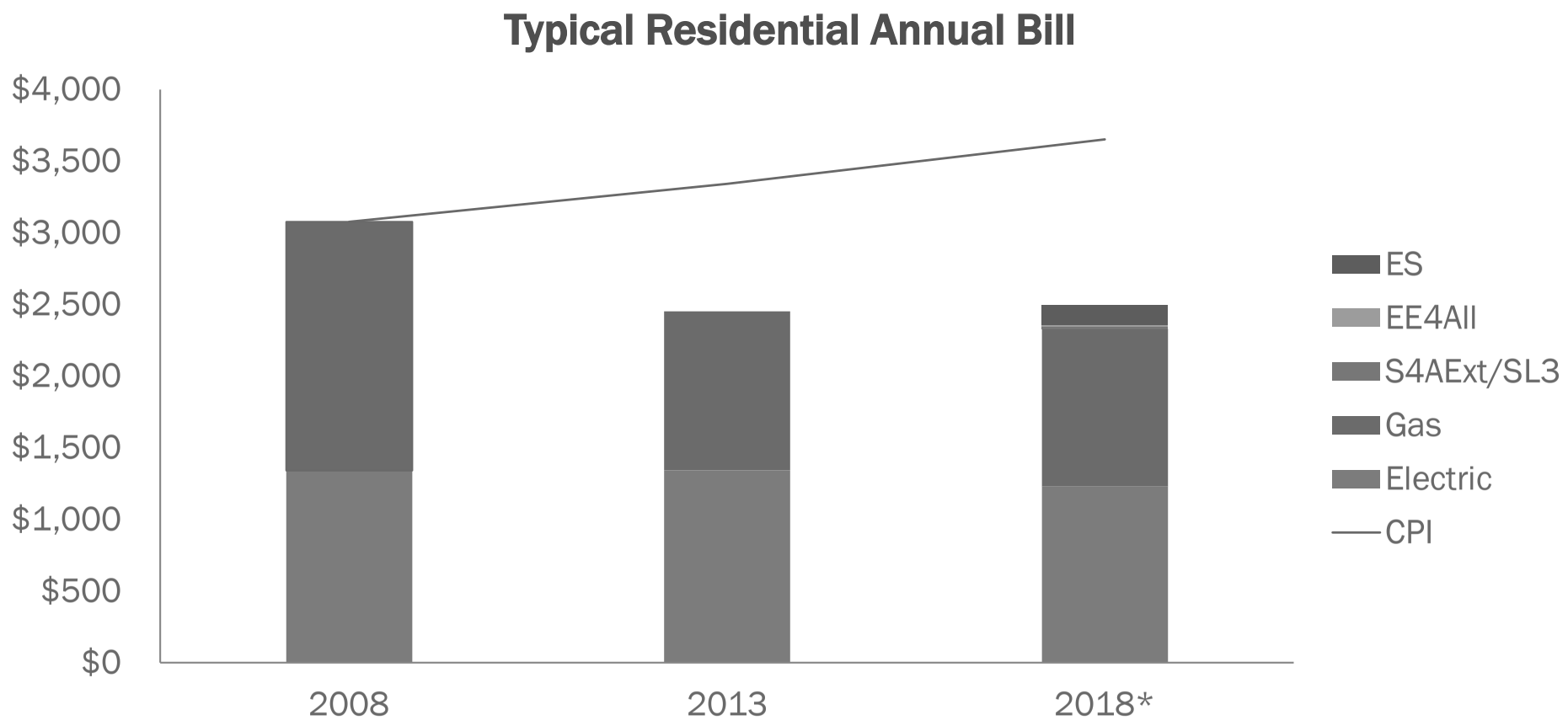
Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-04804

*PENDING APPROVAL.

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

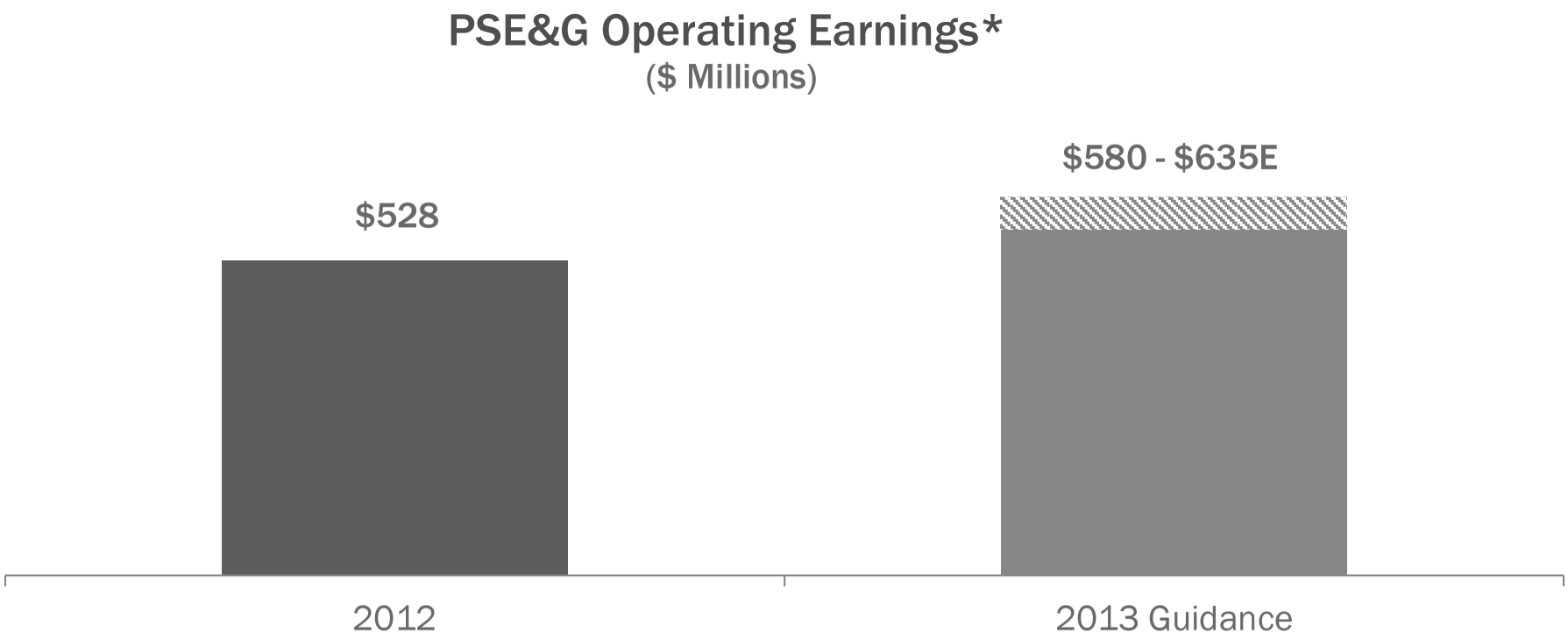


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-04805

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-04806

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-04807

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-04808

PSEG ENERGY HOLDINGS

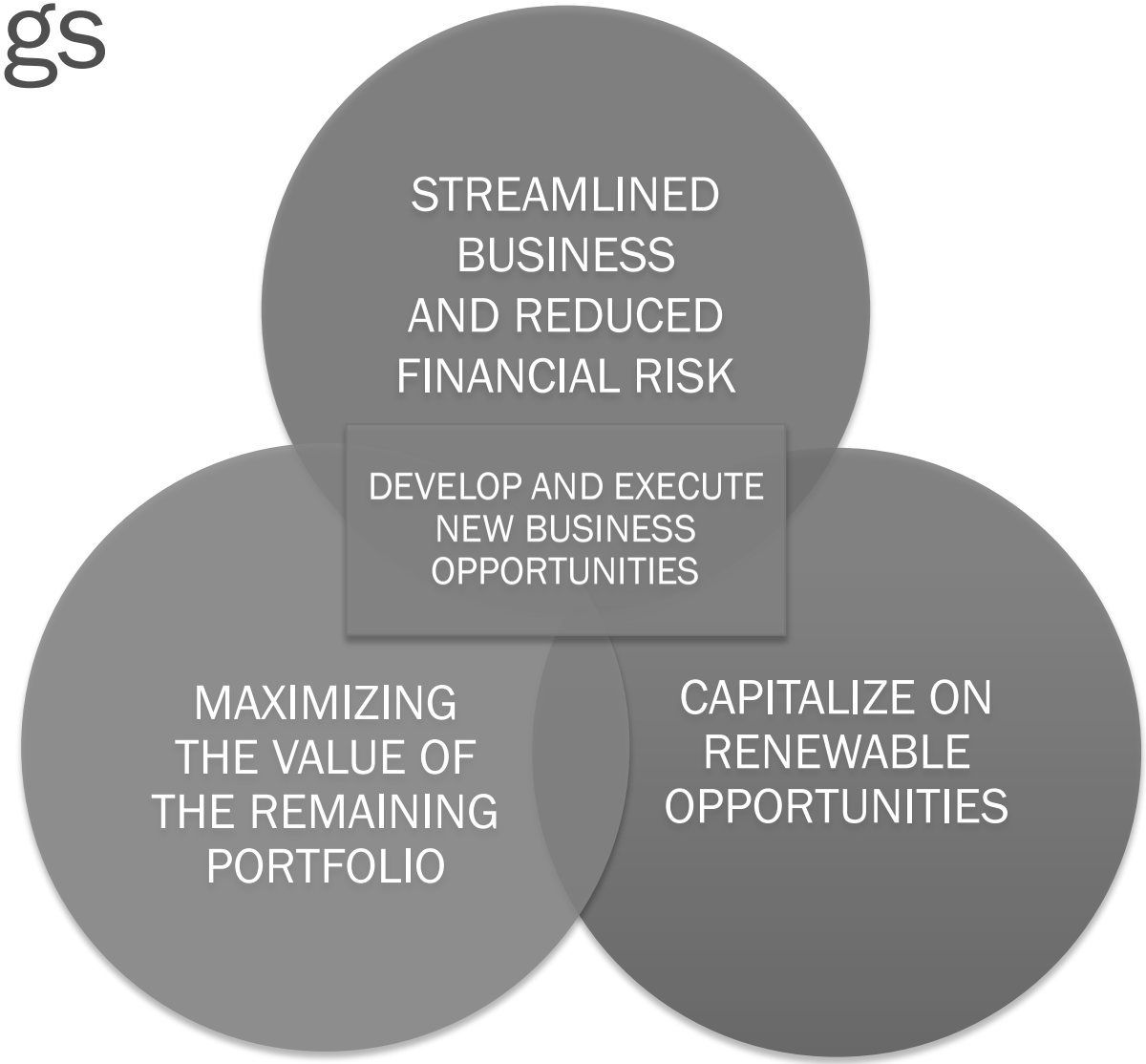
PSEG

We make things work for you.

SI-SSA-0015-04809

PSEG Energy Holdings strategy

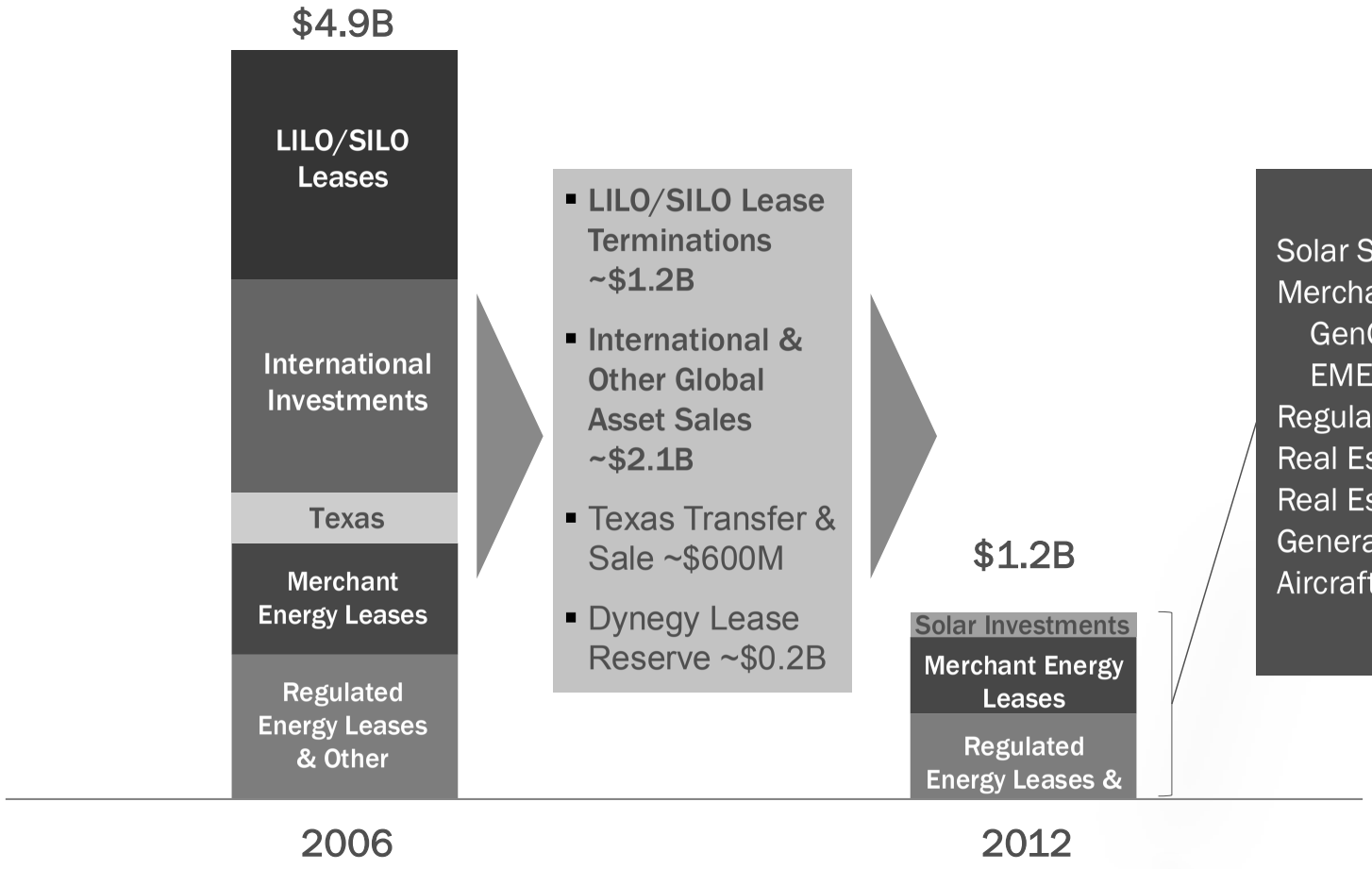
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-04810

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-04811

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-04812

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

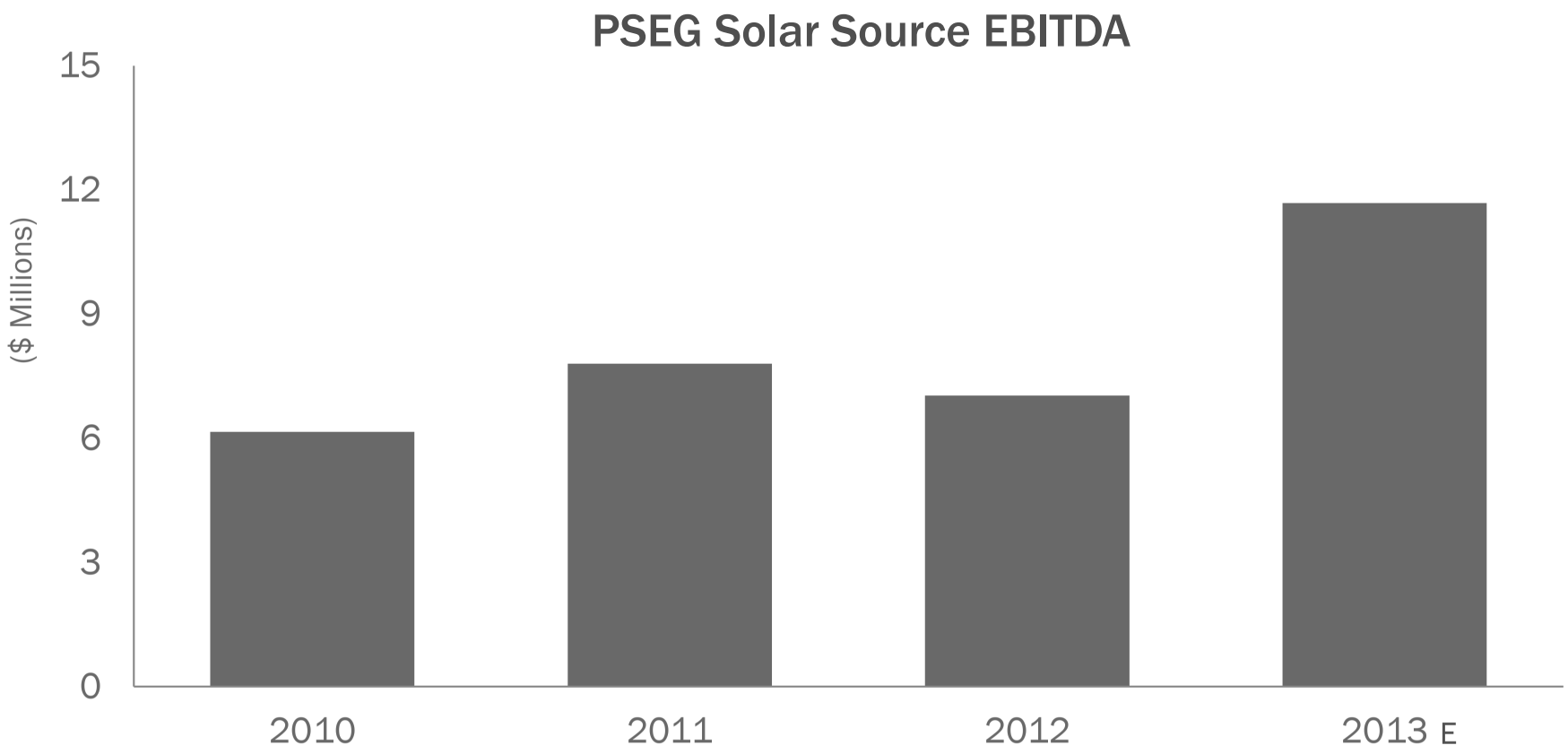
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-04813

PSEG Energy Holdings

These projects will produce steady results for PSEG

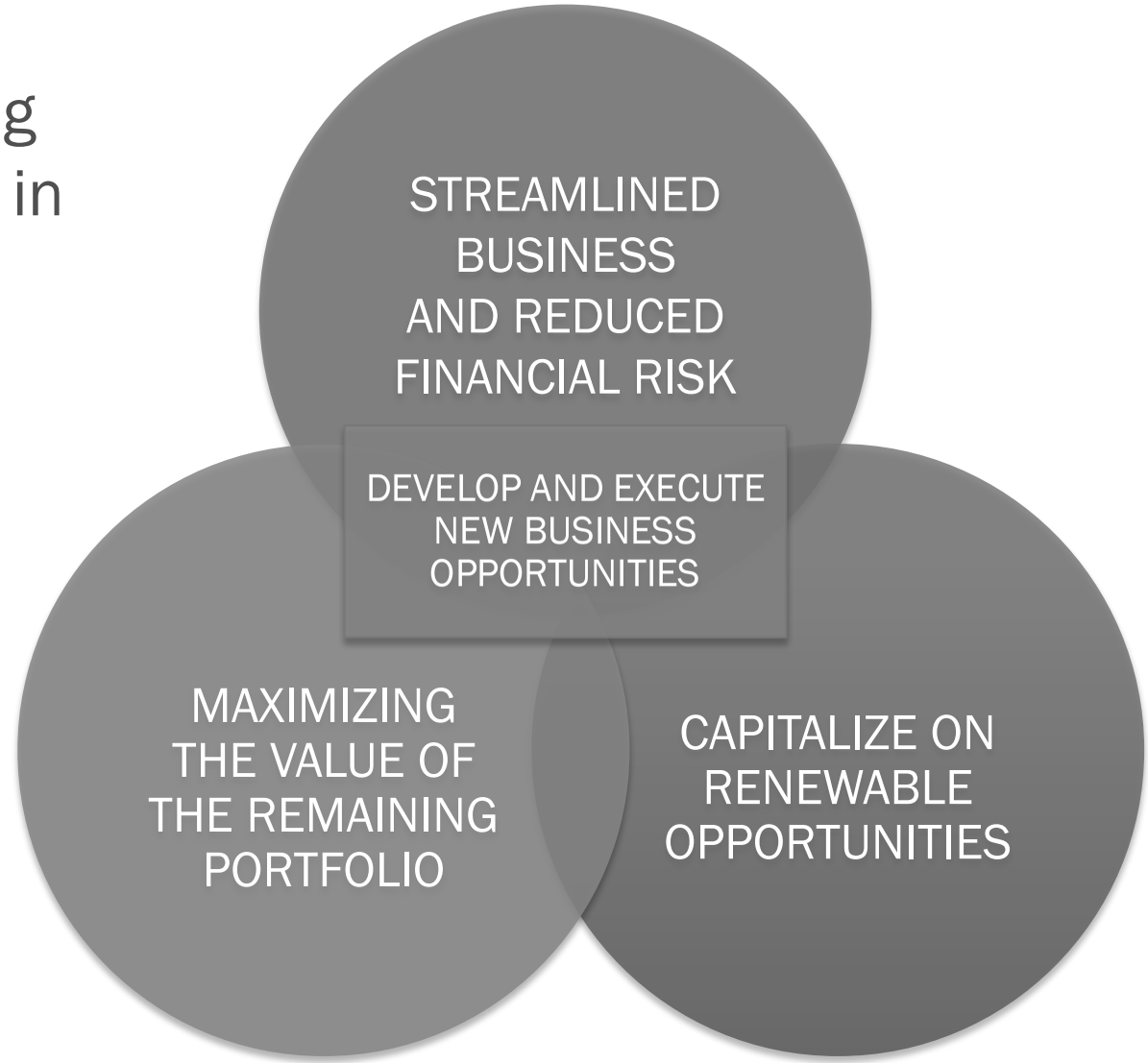


SI-SSA-0015-04814

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-04815

PSEG POWER

PSEG

We make things work for you.

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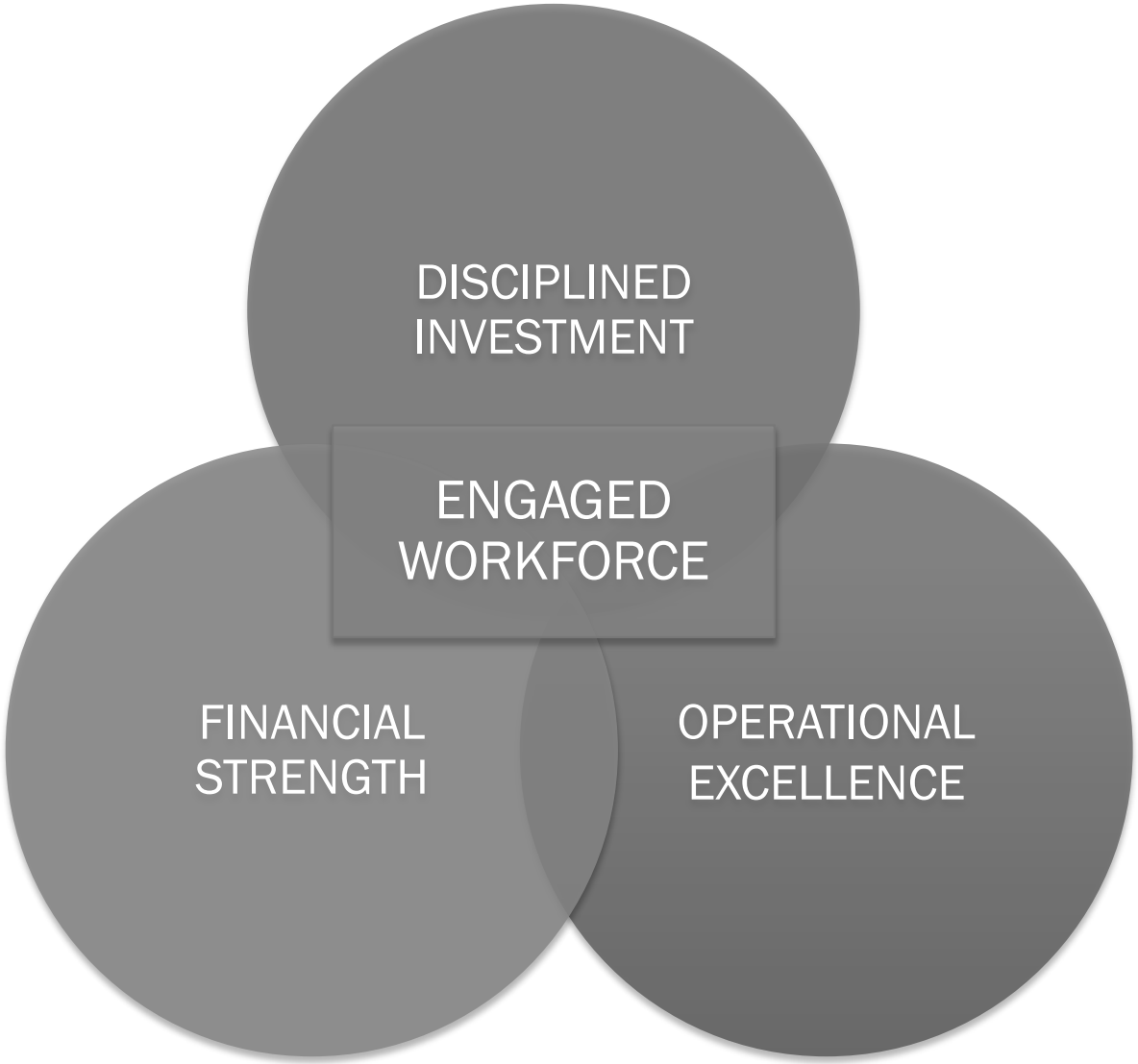
PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-04817

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-04818

PSEG Power delivered in 2012

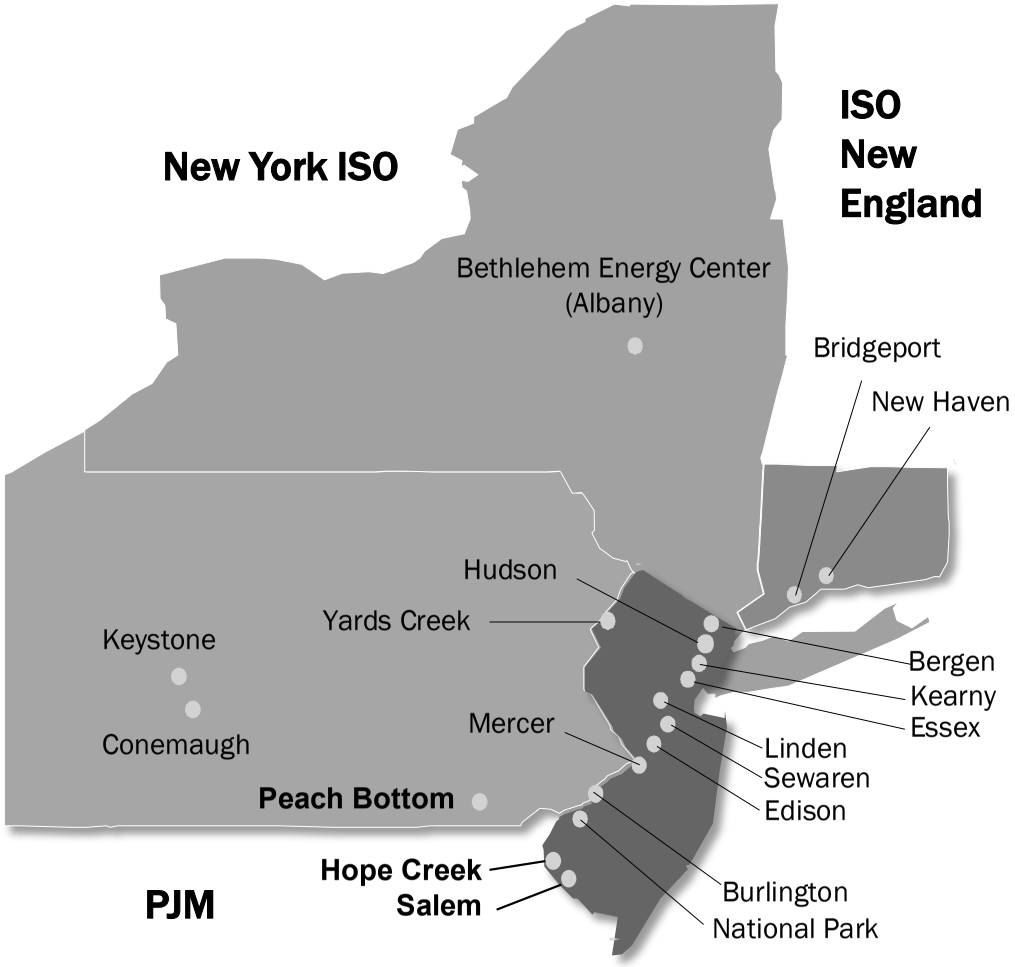
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-04819

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-04820

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-04821

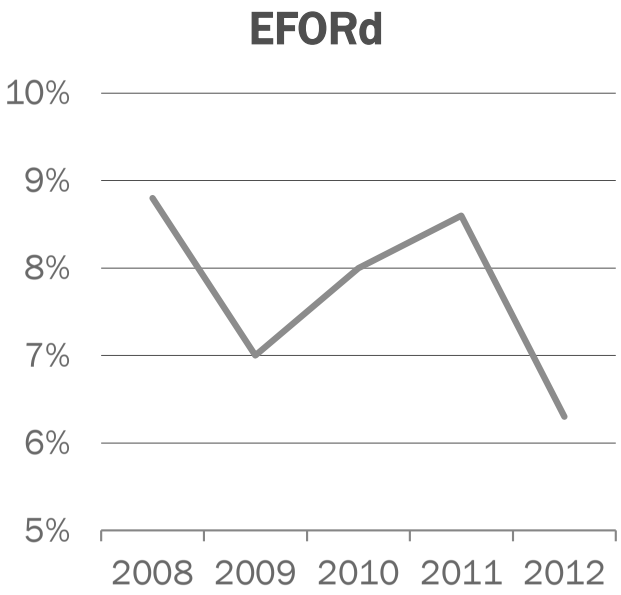
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

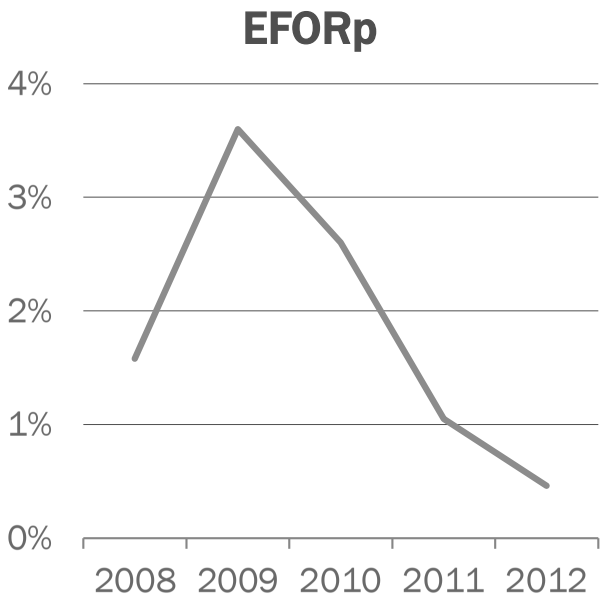
SI-SSA-0015-04822

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

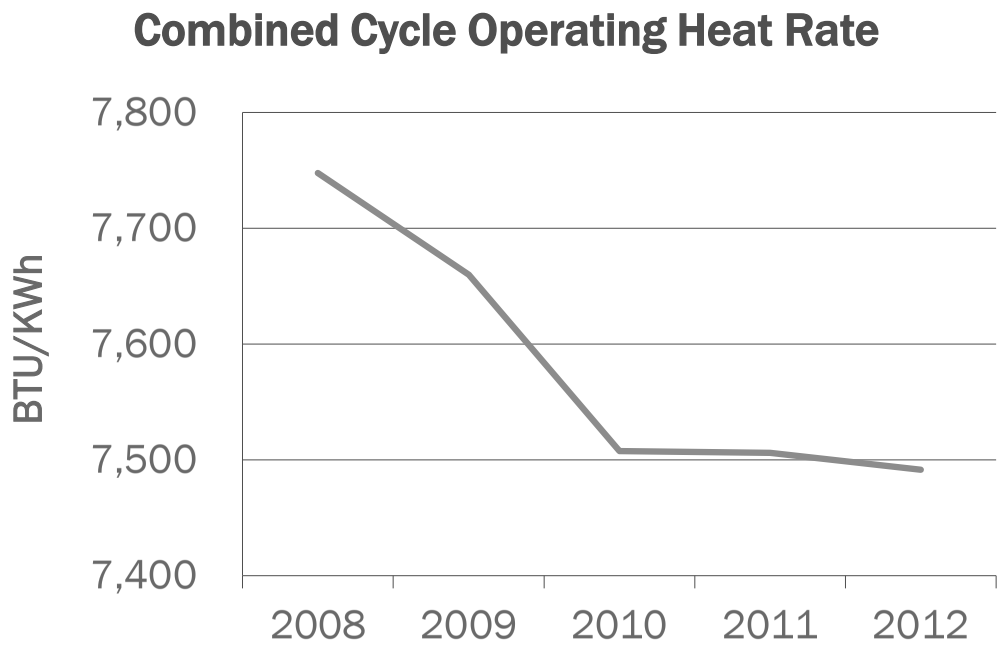


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-04823

PSEG Power improvements achieved in combined cycle fleet efficiency

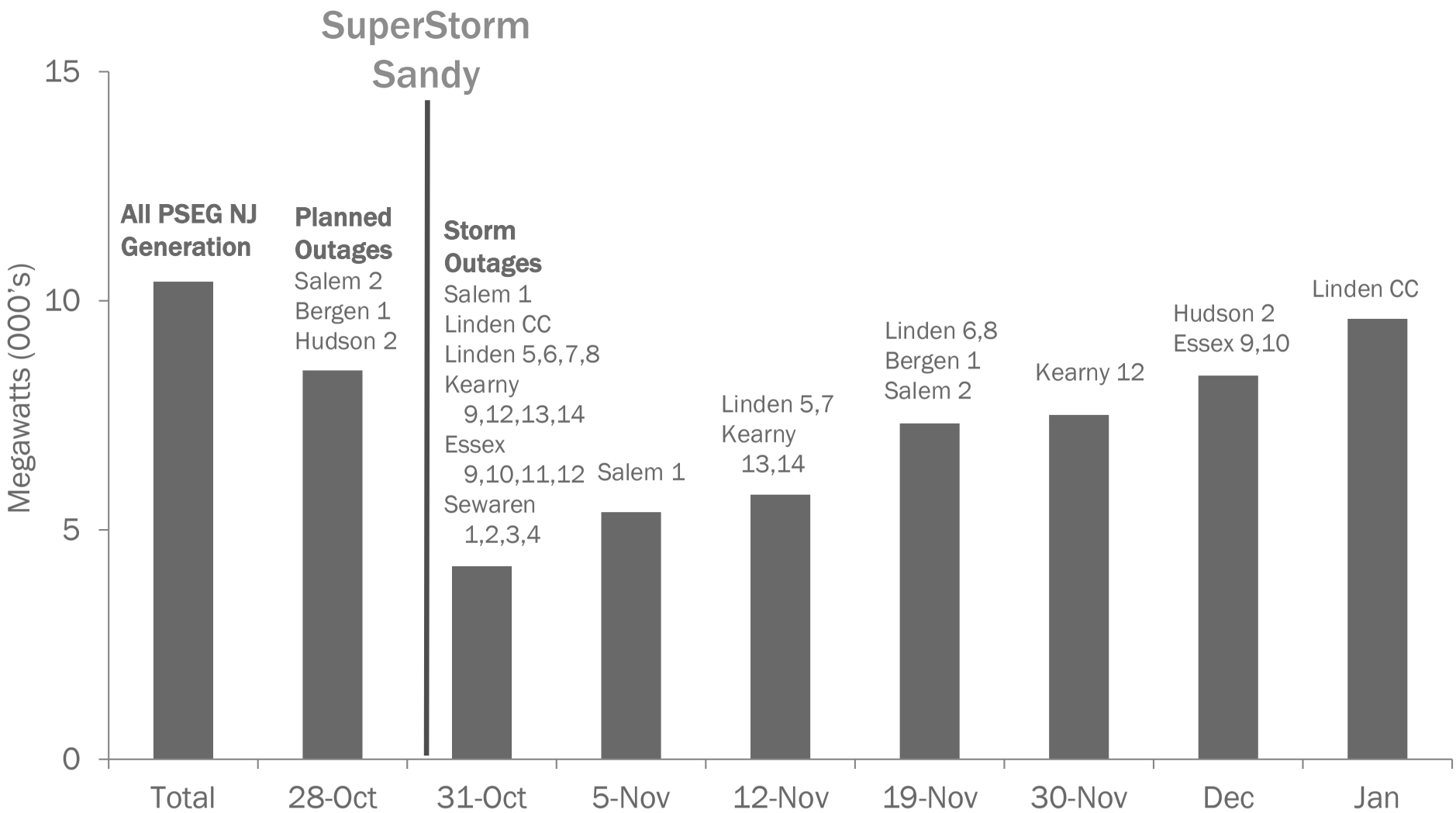


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-04824

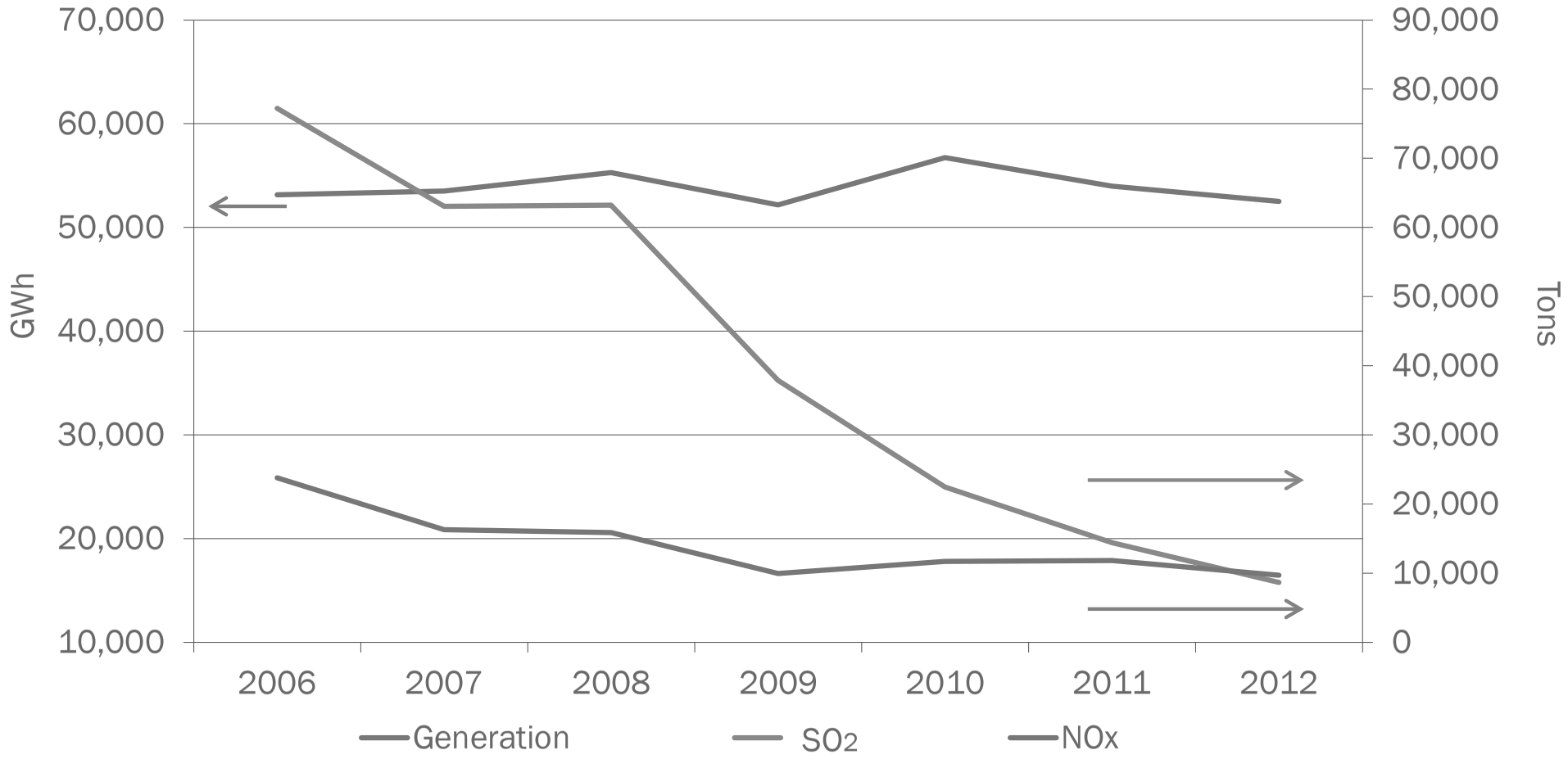
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-04825

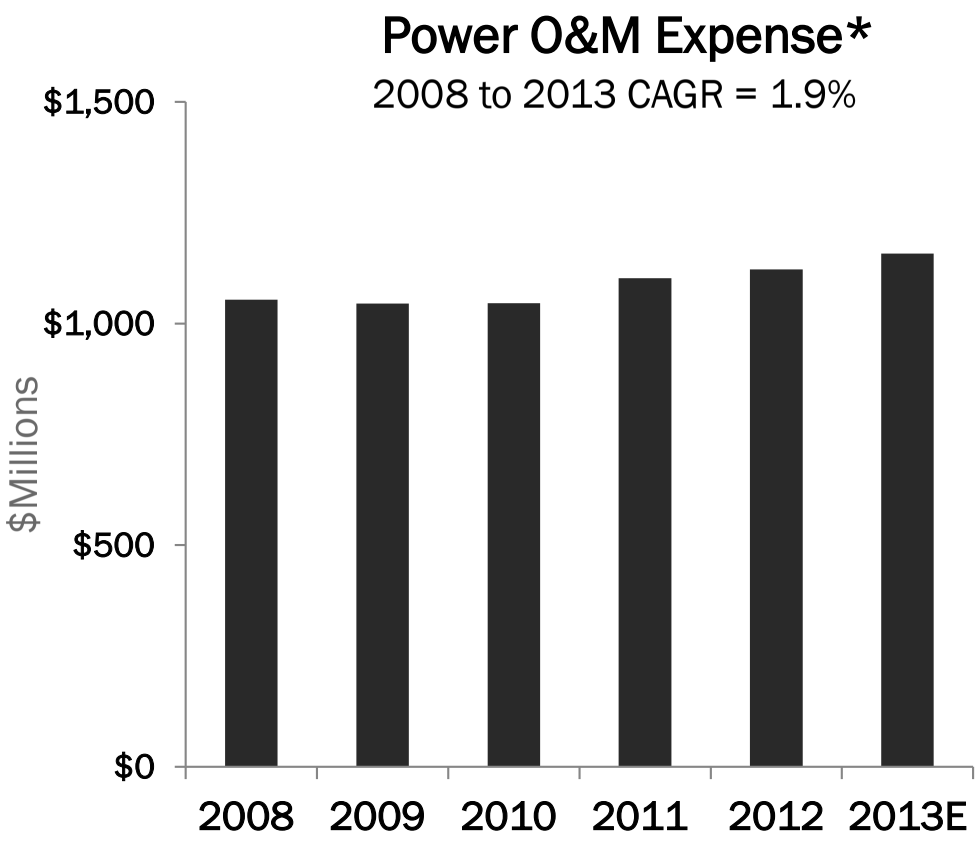
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-04826

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-04827

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-04828

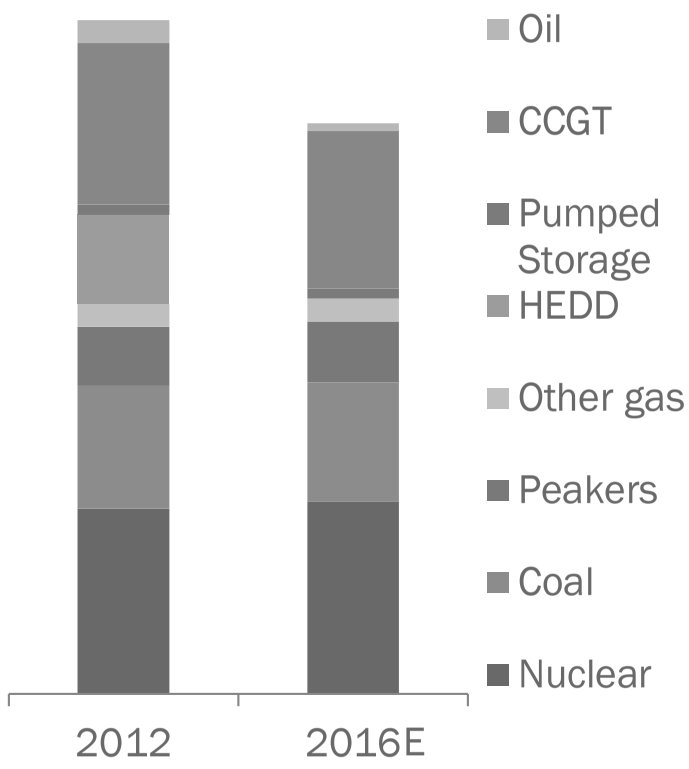
PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

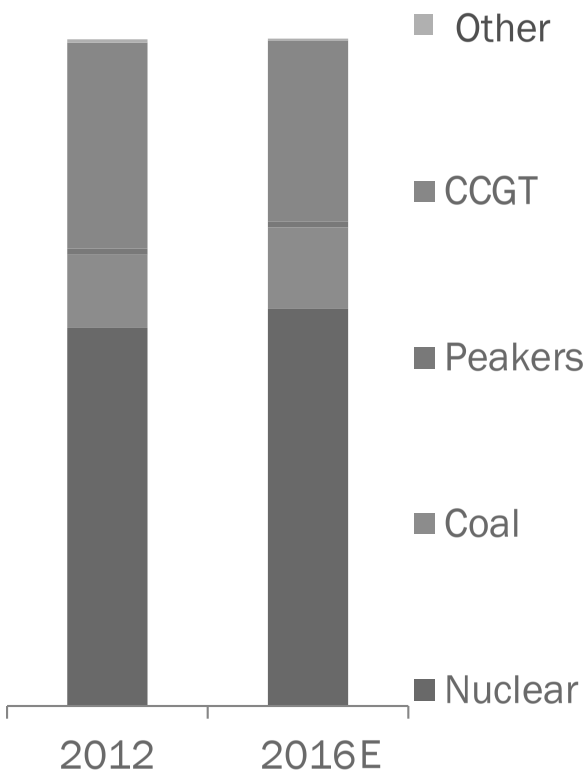
Fuel Diversity

13,226 MW 11,200 MW



Energy Produced

52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-04829

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-04830

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-04831

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

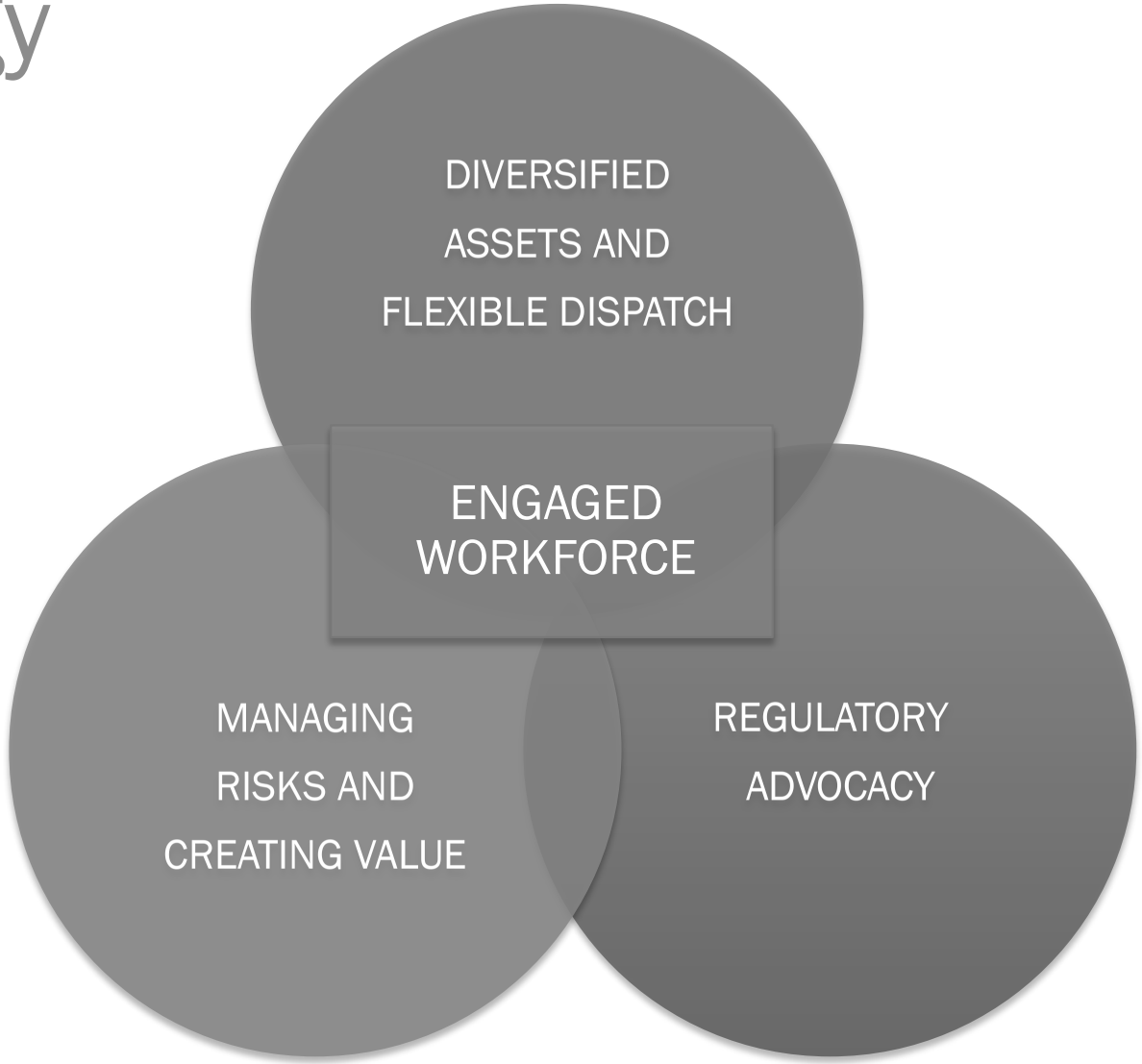
PSEG

We make things work for you.

SI-SSA-0015-04832

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-04833

Diversified assets and flexible dispatch

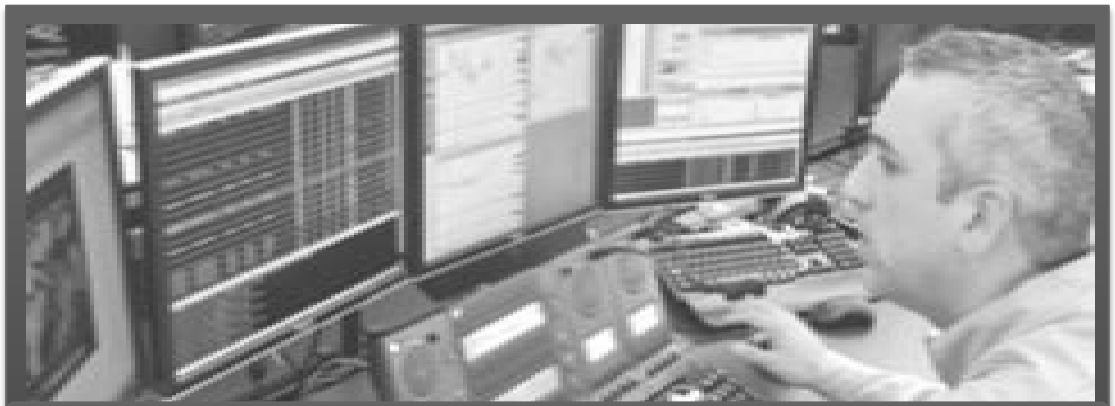
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

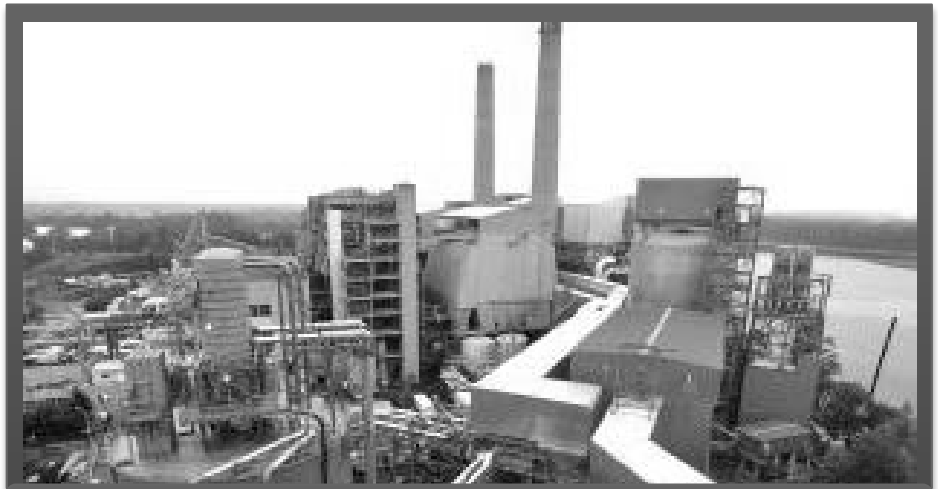
SI-SSA-0015-04834

Fleet capacity has been advanced by:

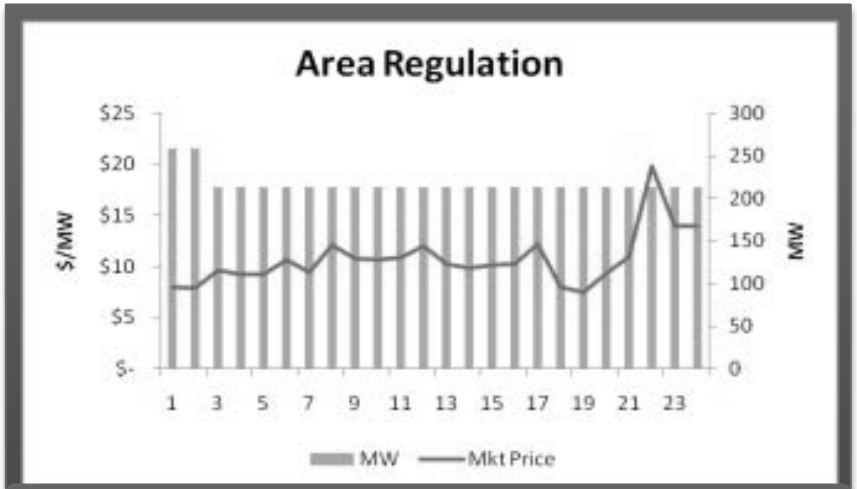
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



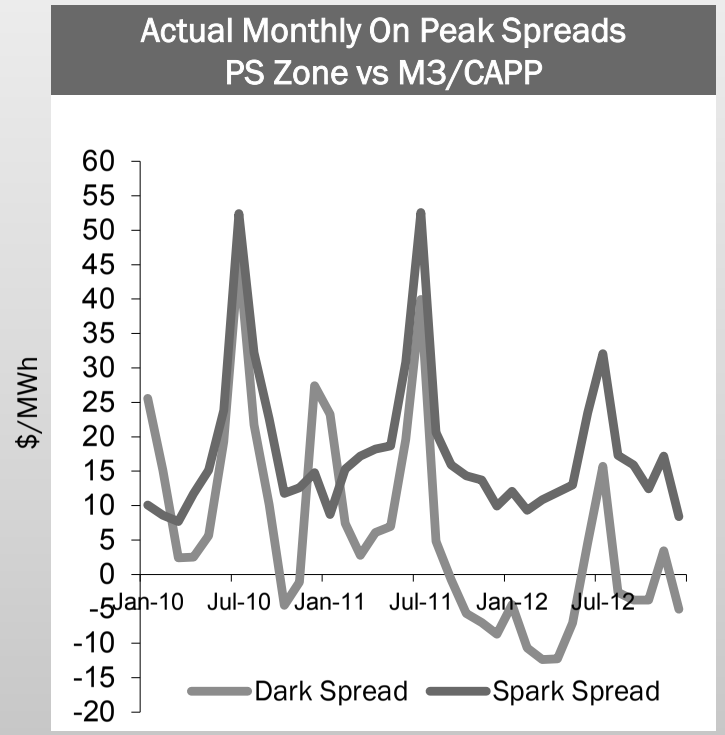
Reduced O&M and increased start-up success

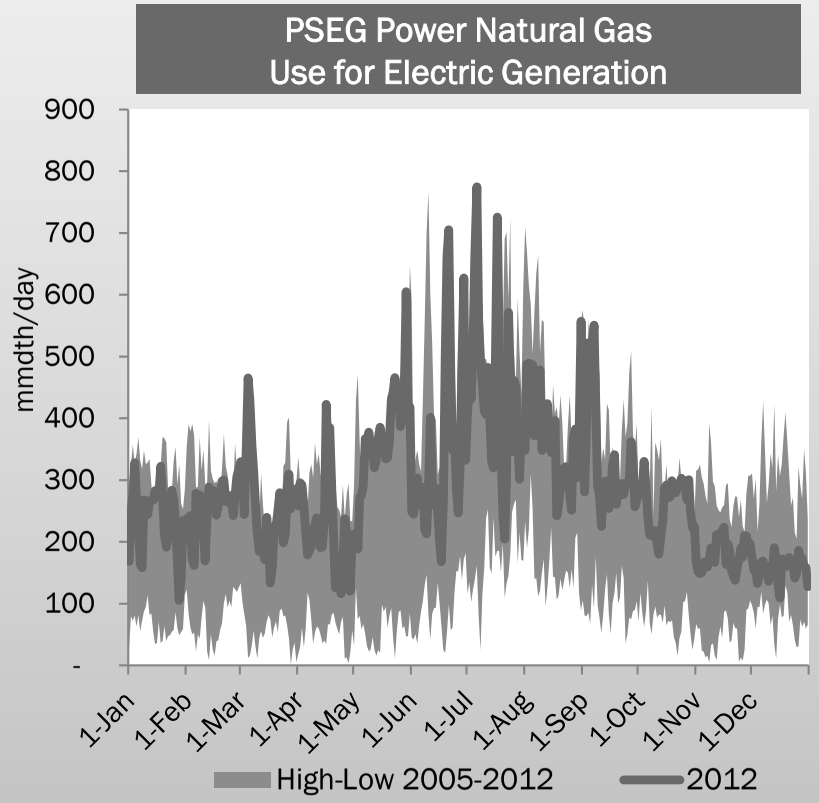


Capturing new products opportunity with minimal investment

SI-SSA-0015-04835

Spark spread replaces dark spread as major value driver

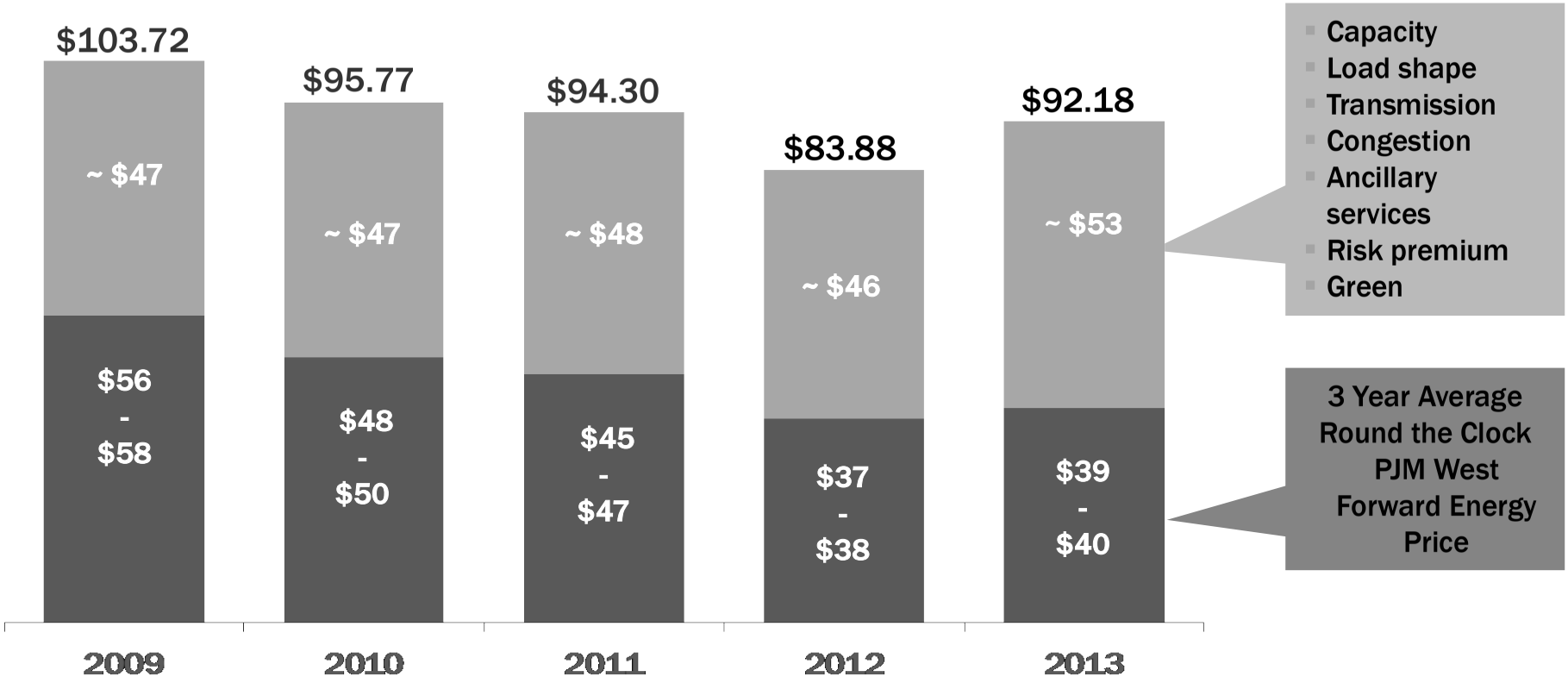




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-04836

2013 BGS Auction Results for PSE&G Zone

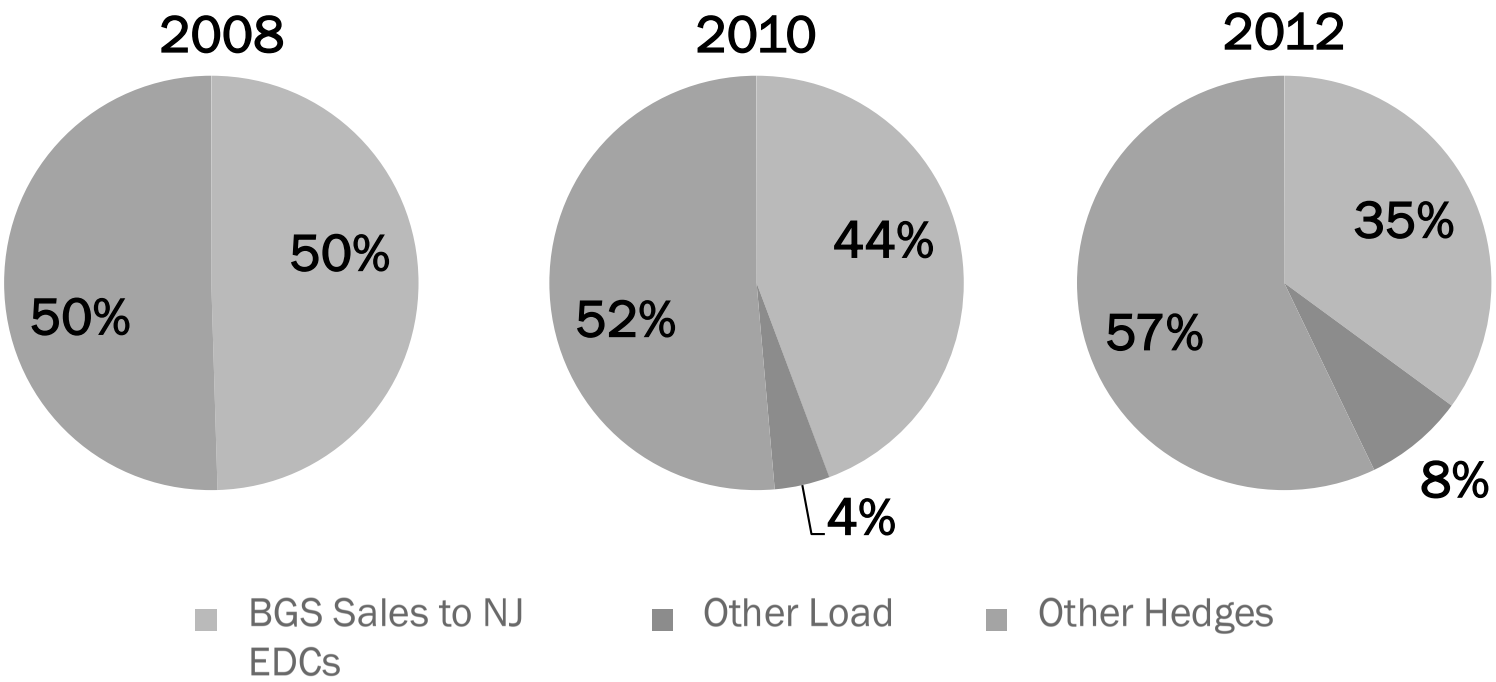


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-04837

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-04838

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

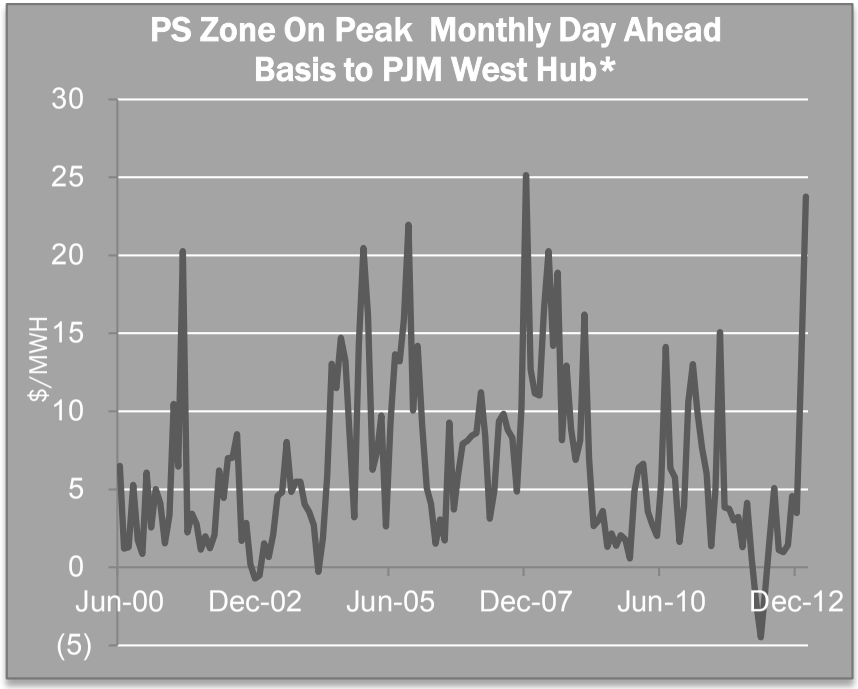
SI-SSA-0015-04839

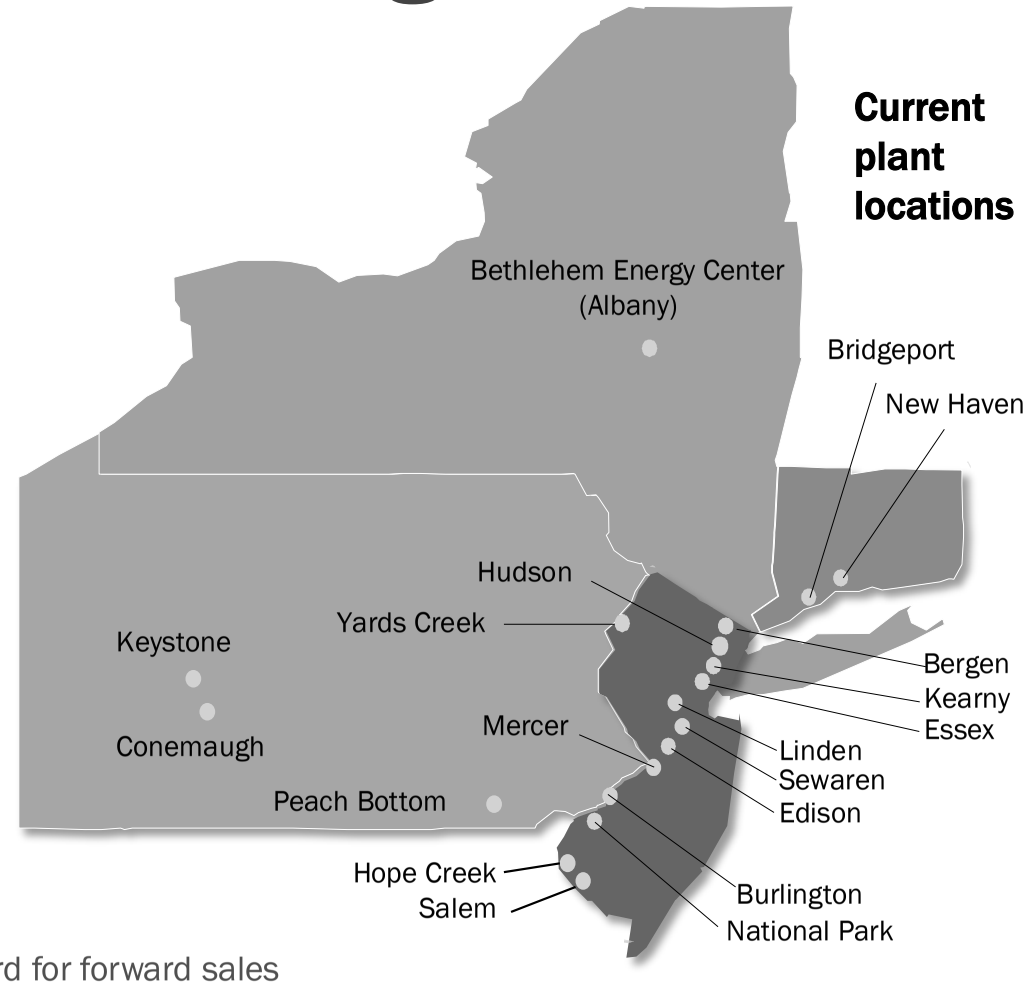
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

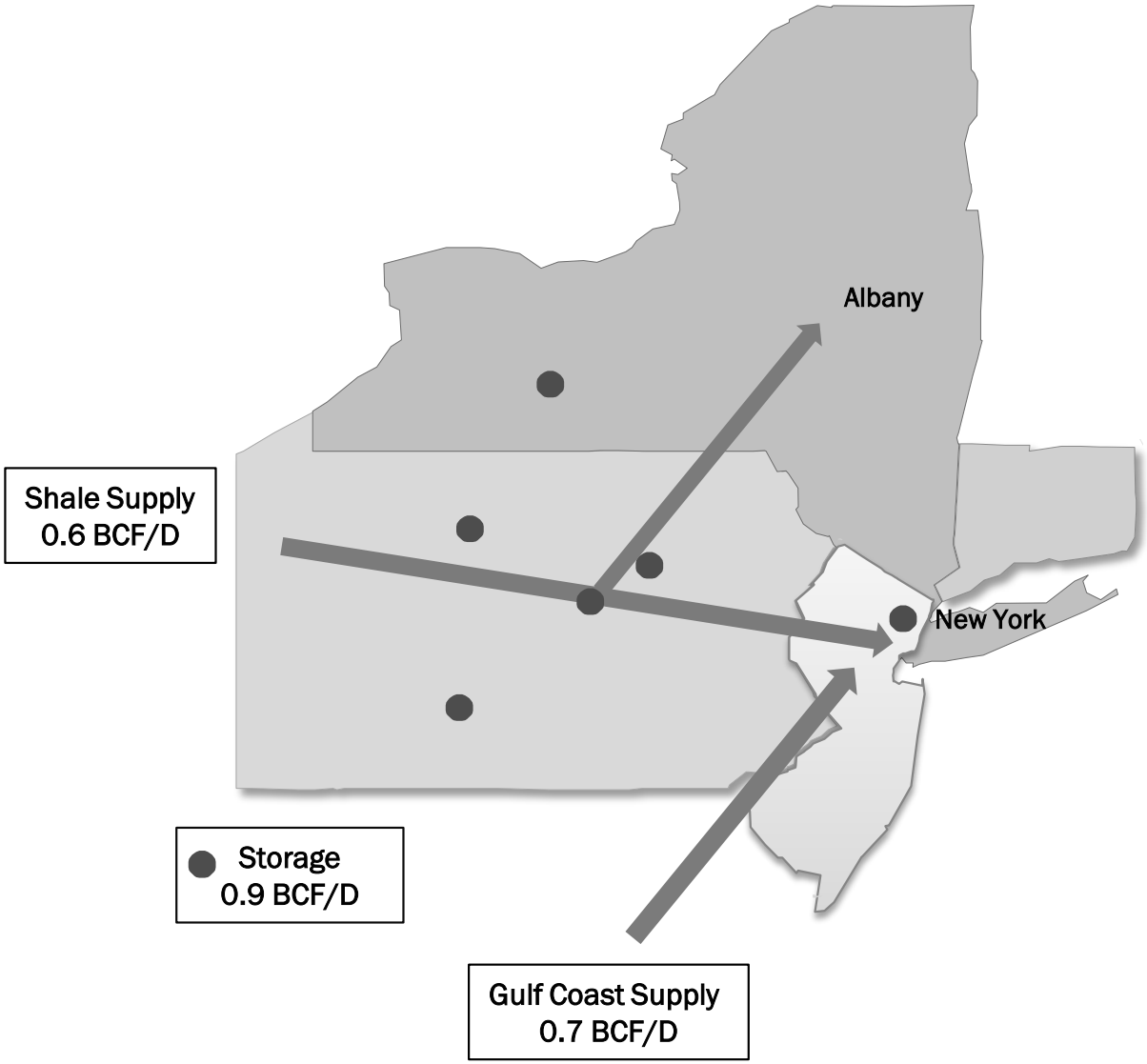
SI-SSA-0015-04840

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-04841

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

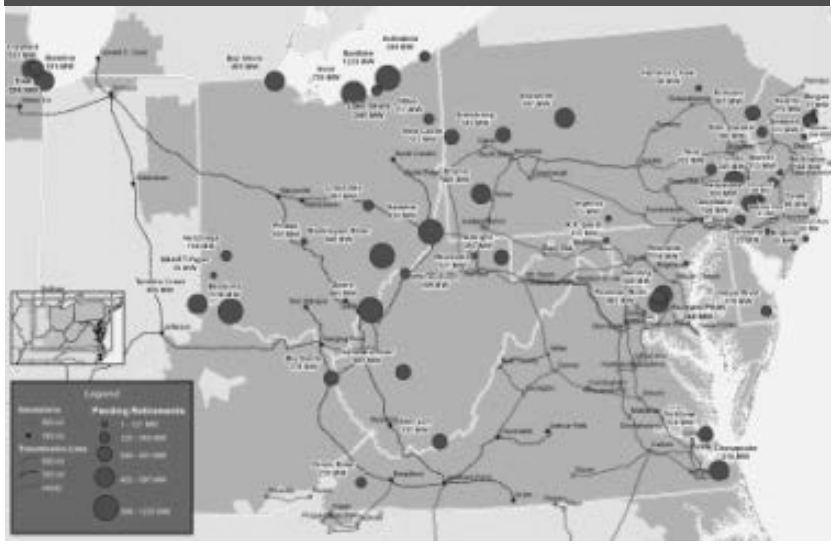
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-04842

Reserve margins in PJM declining with retirements

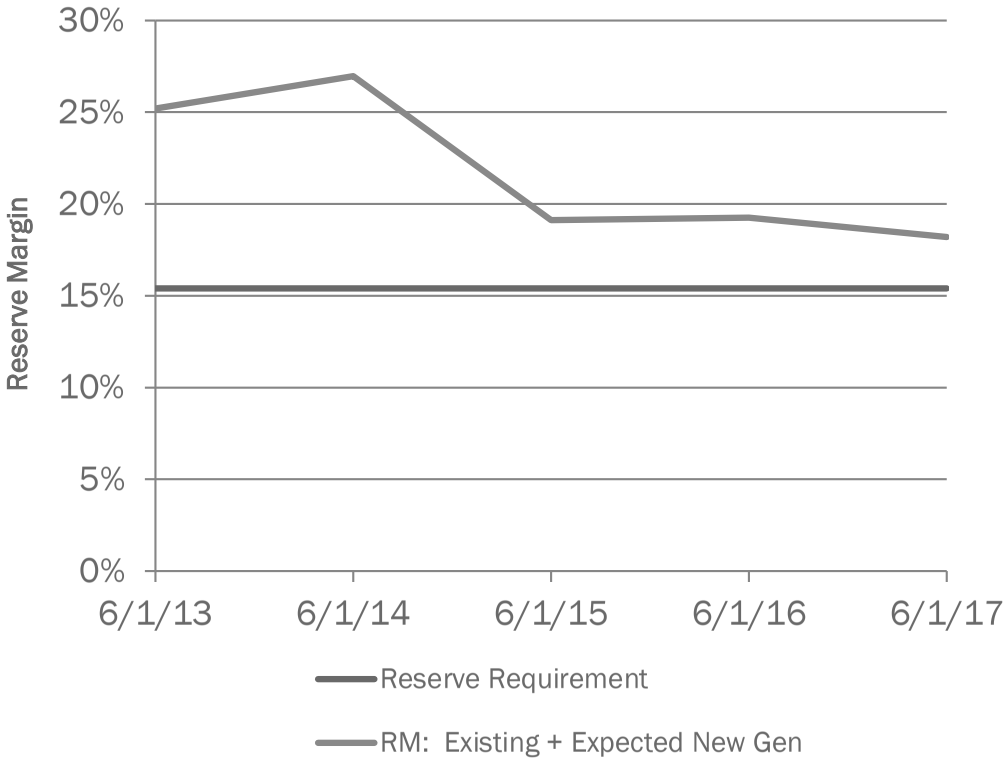
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-04843

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-04844

PSEG wholesale market strategy

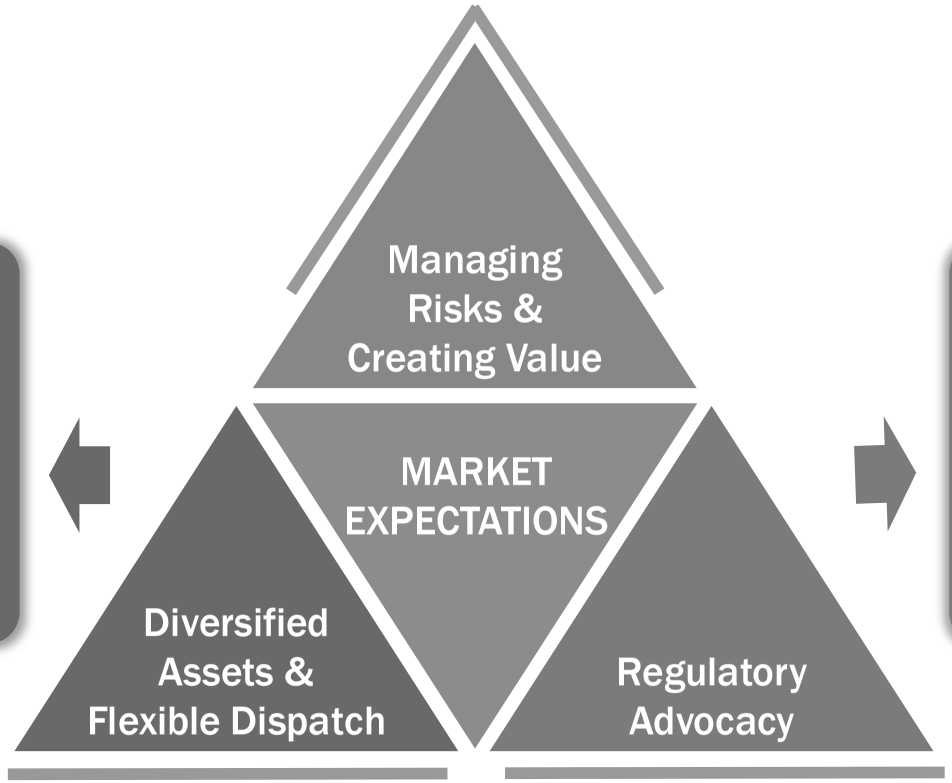
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-04845

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-04846

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-04847

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-04848

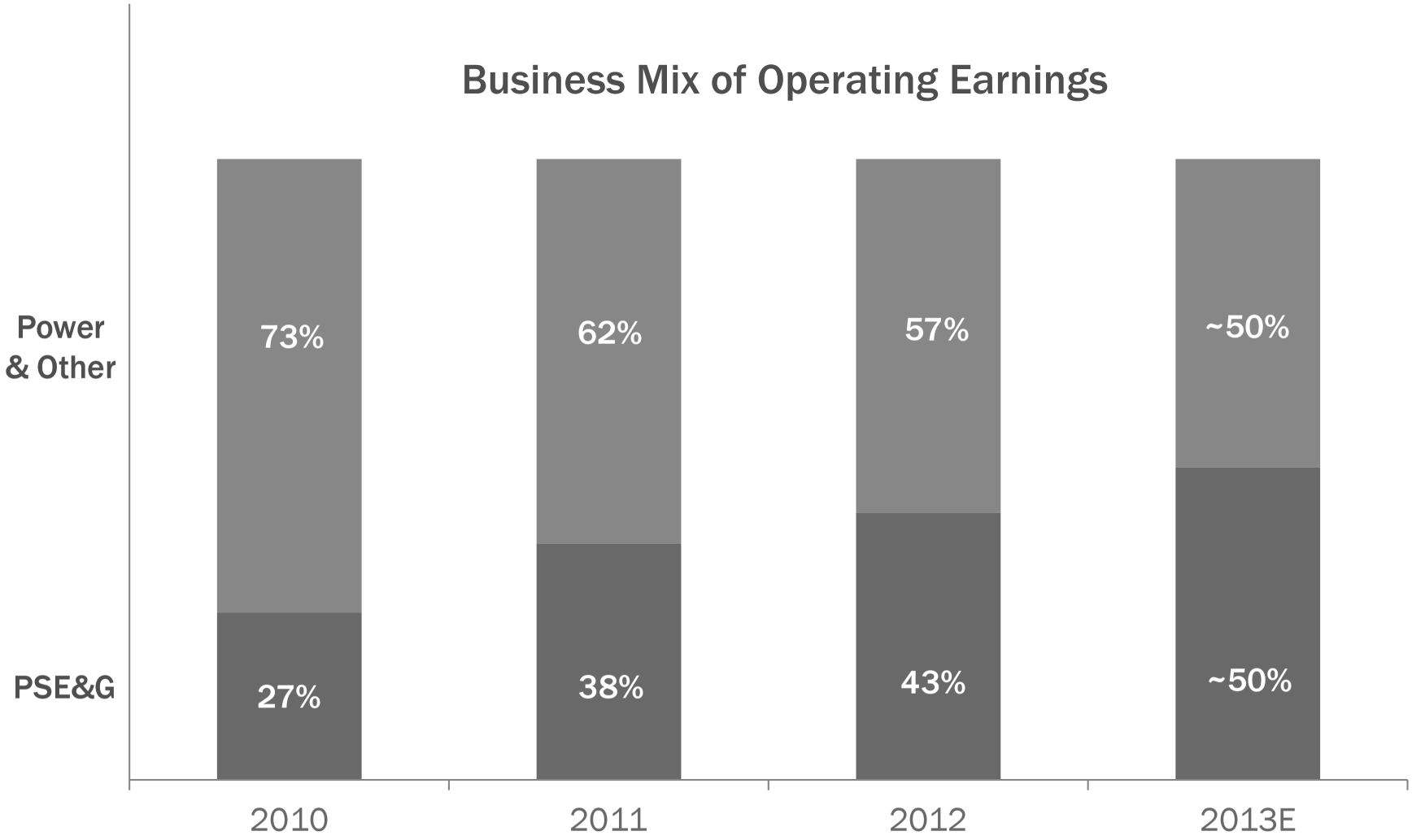
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

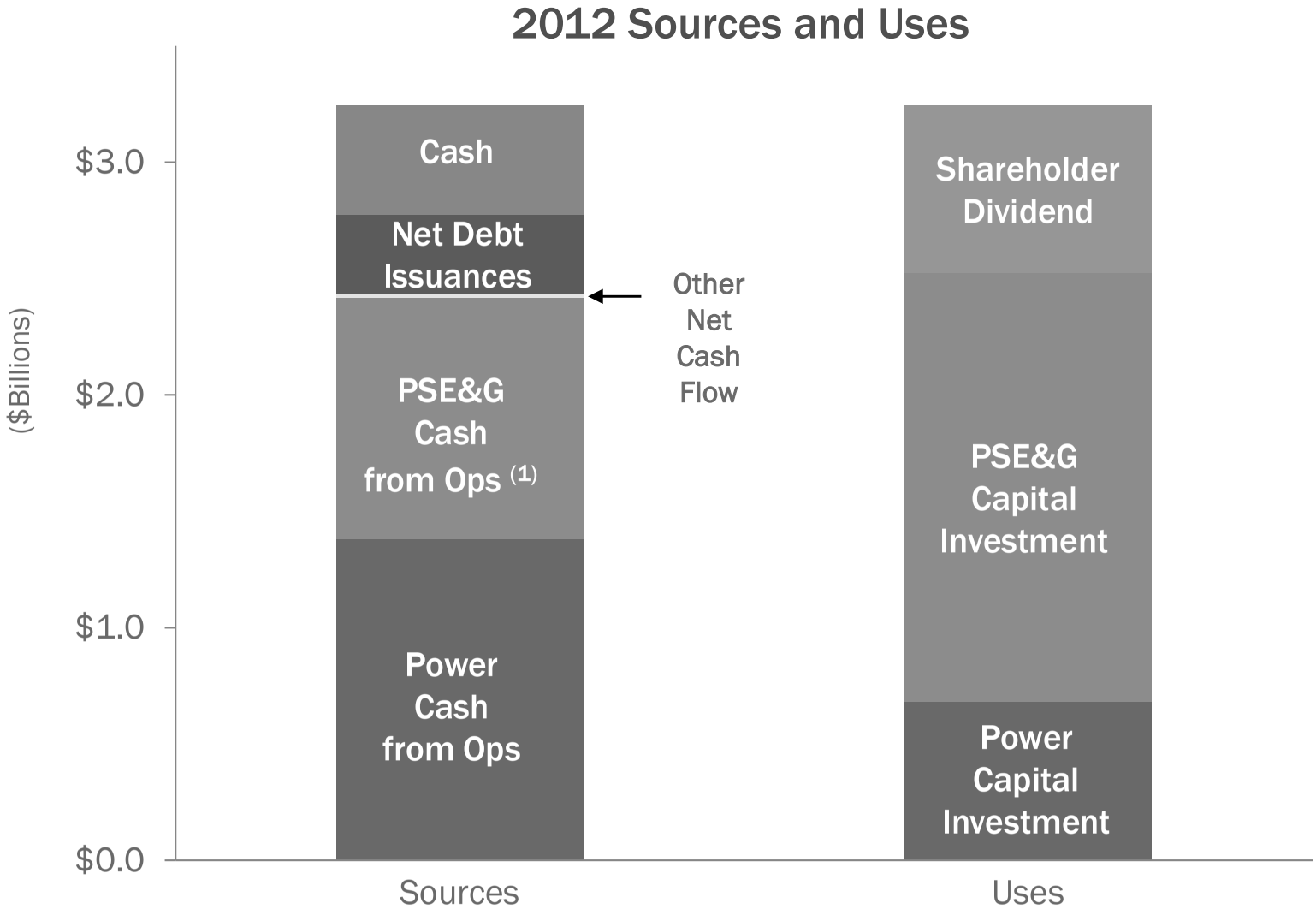


SI-SSA-0015-04849

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

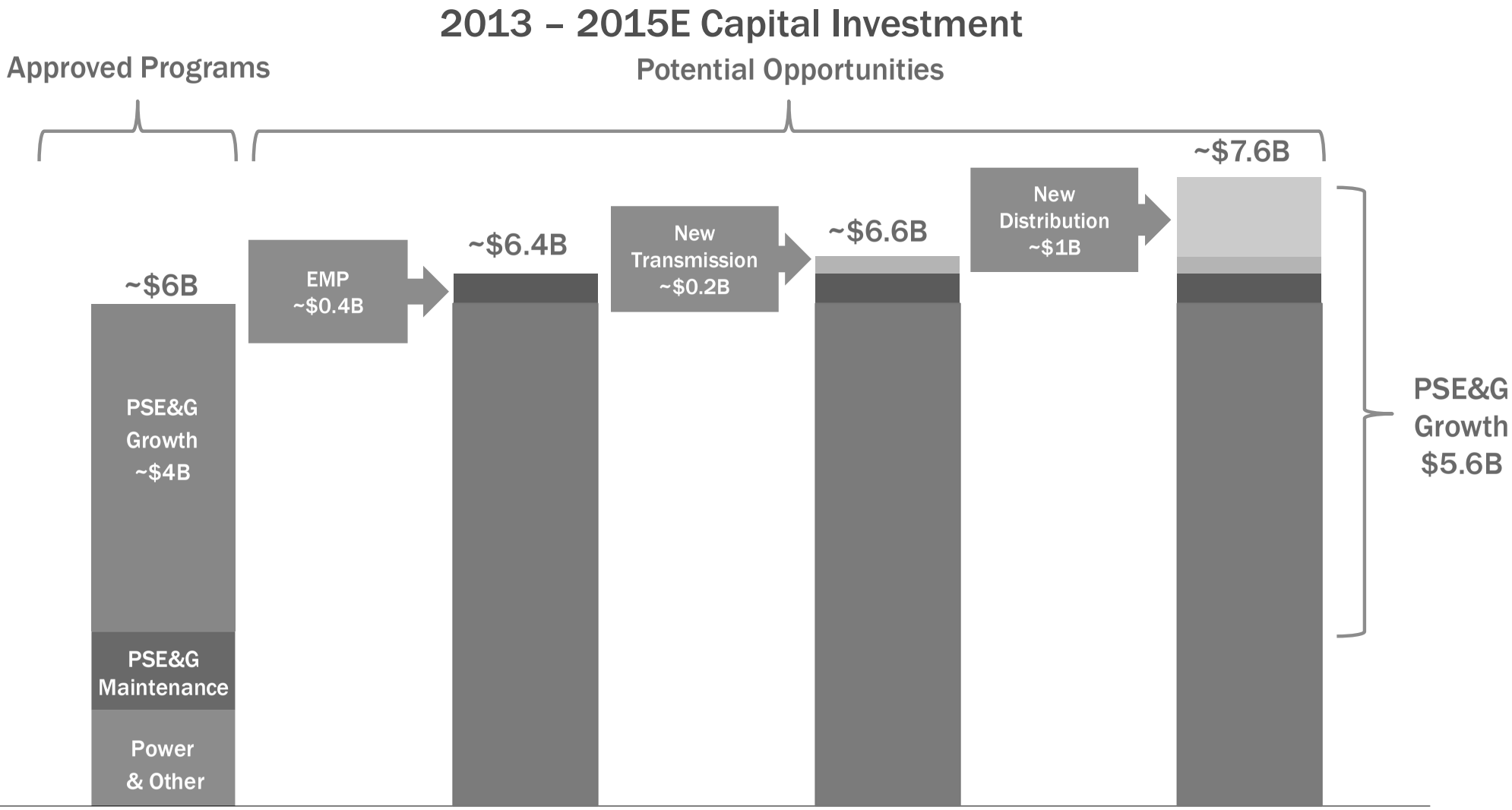
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

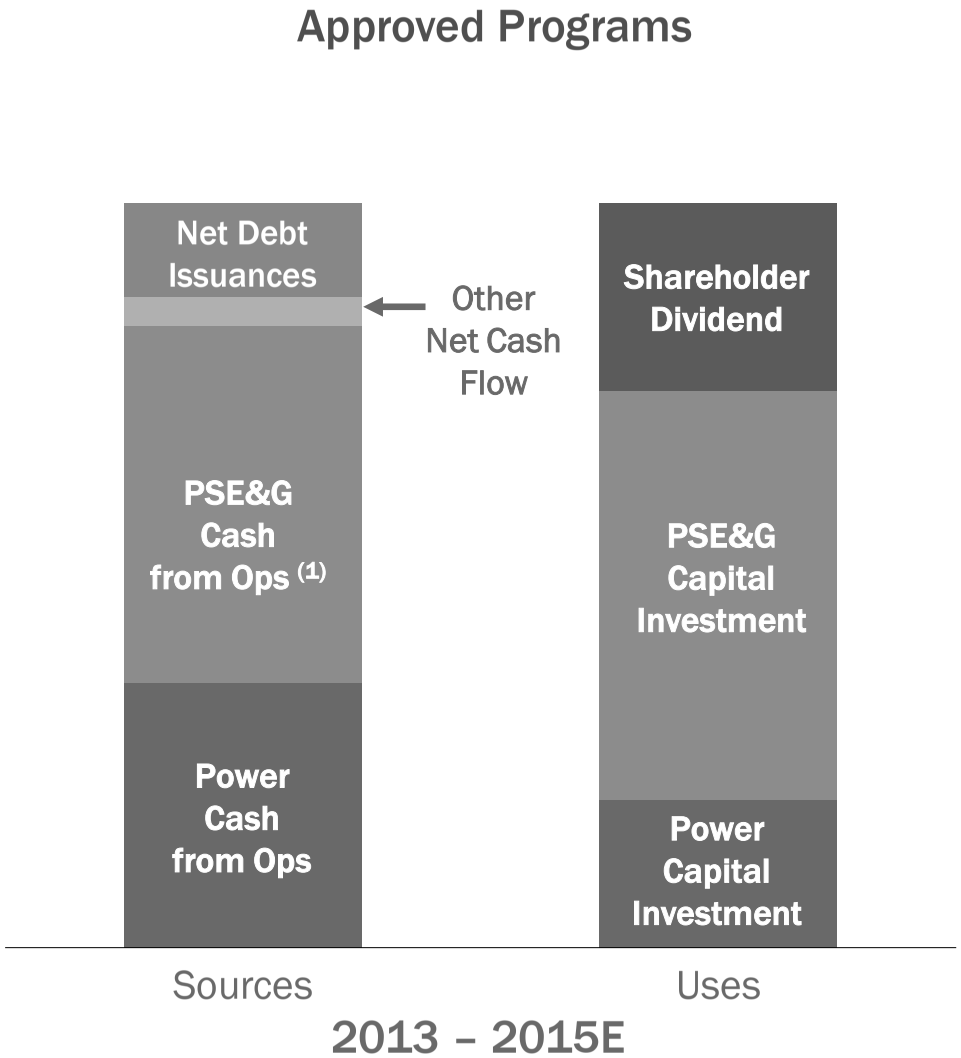
SI-SSA-0015-04850

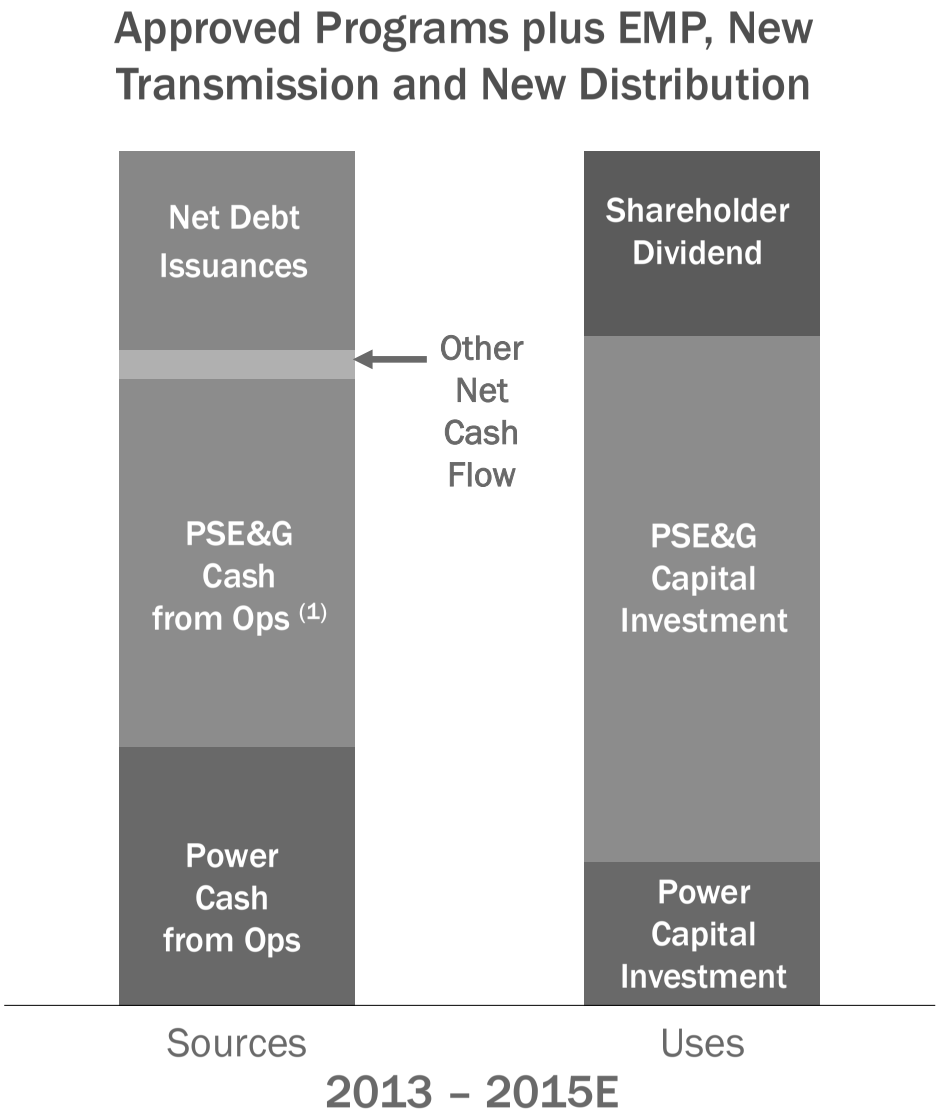
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-04851

All scenarios can be financed without new equity





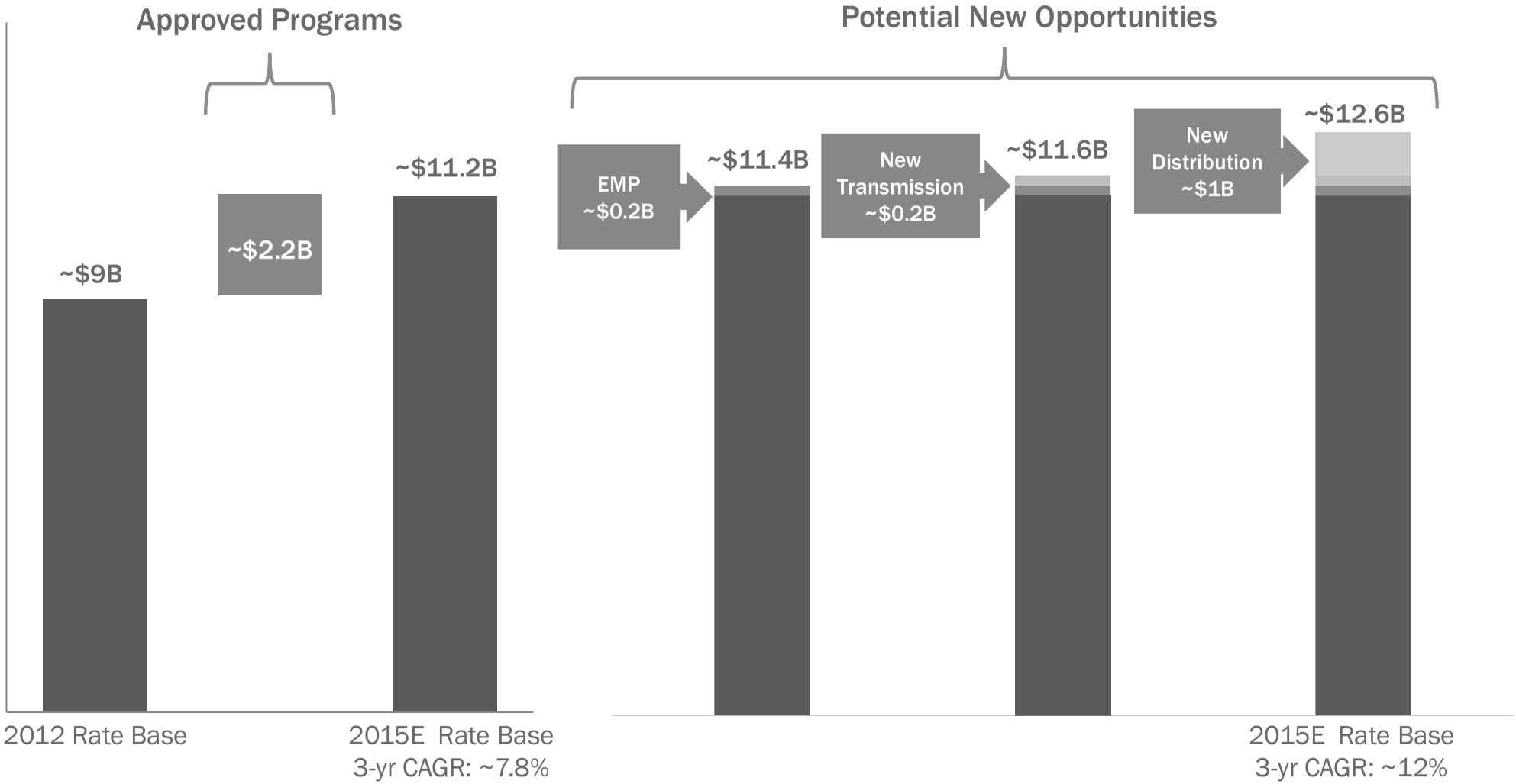
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-04852

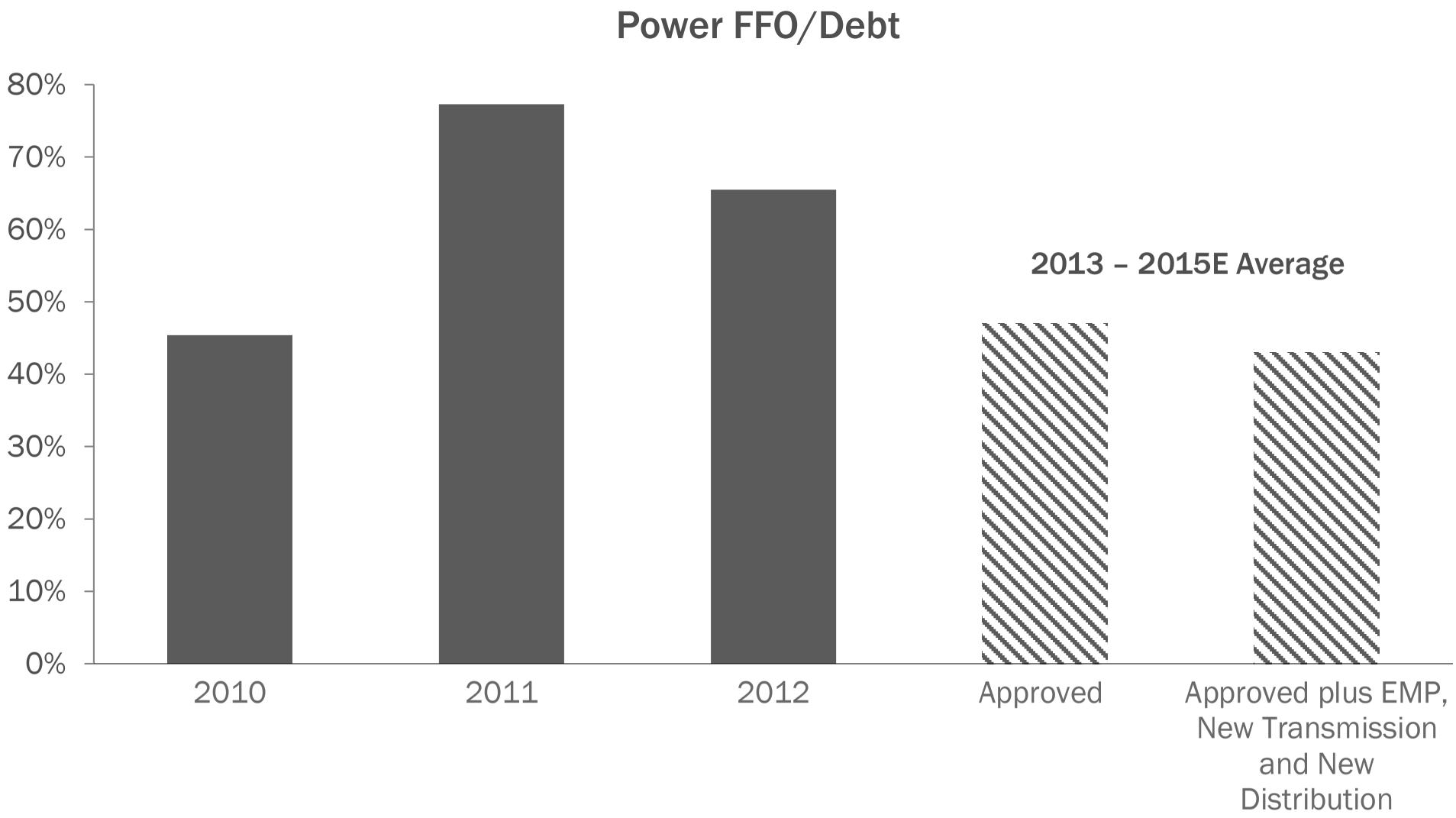
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-04853

Power's credit metrics are expected to remain strong



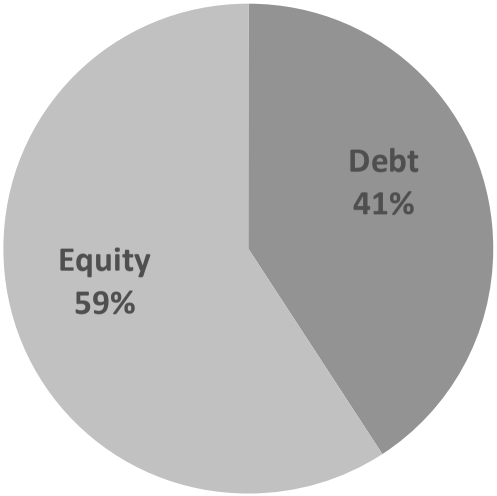
SI-SSA-0015-04854

Using PSEG's balance sheet strength

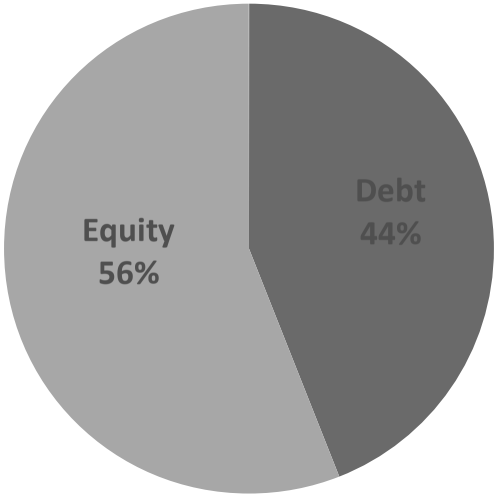
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



SI-SSA-0015-04855

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

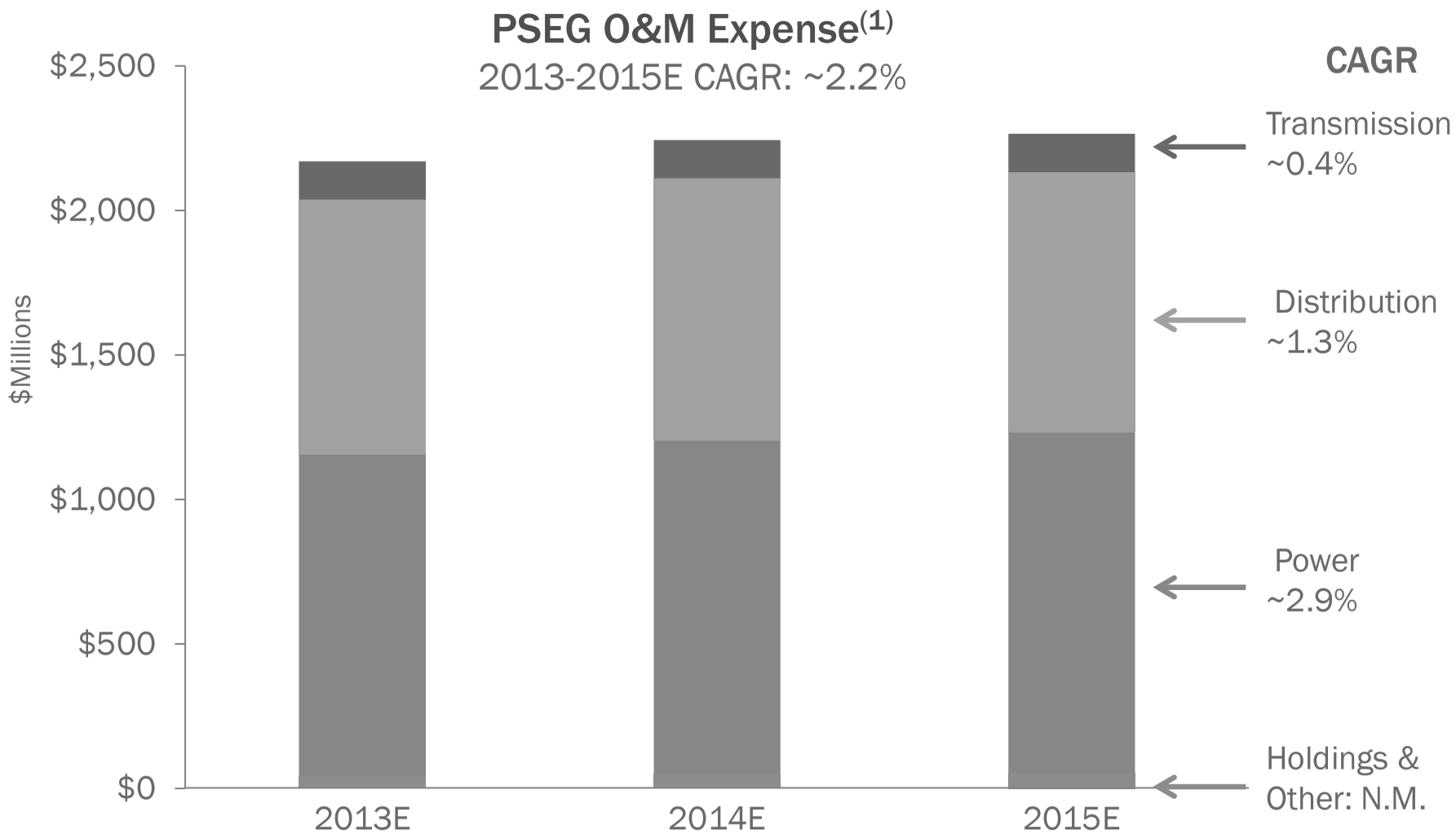
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-04856

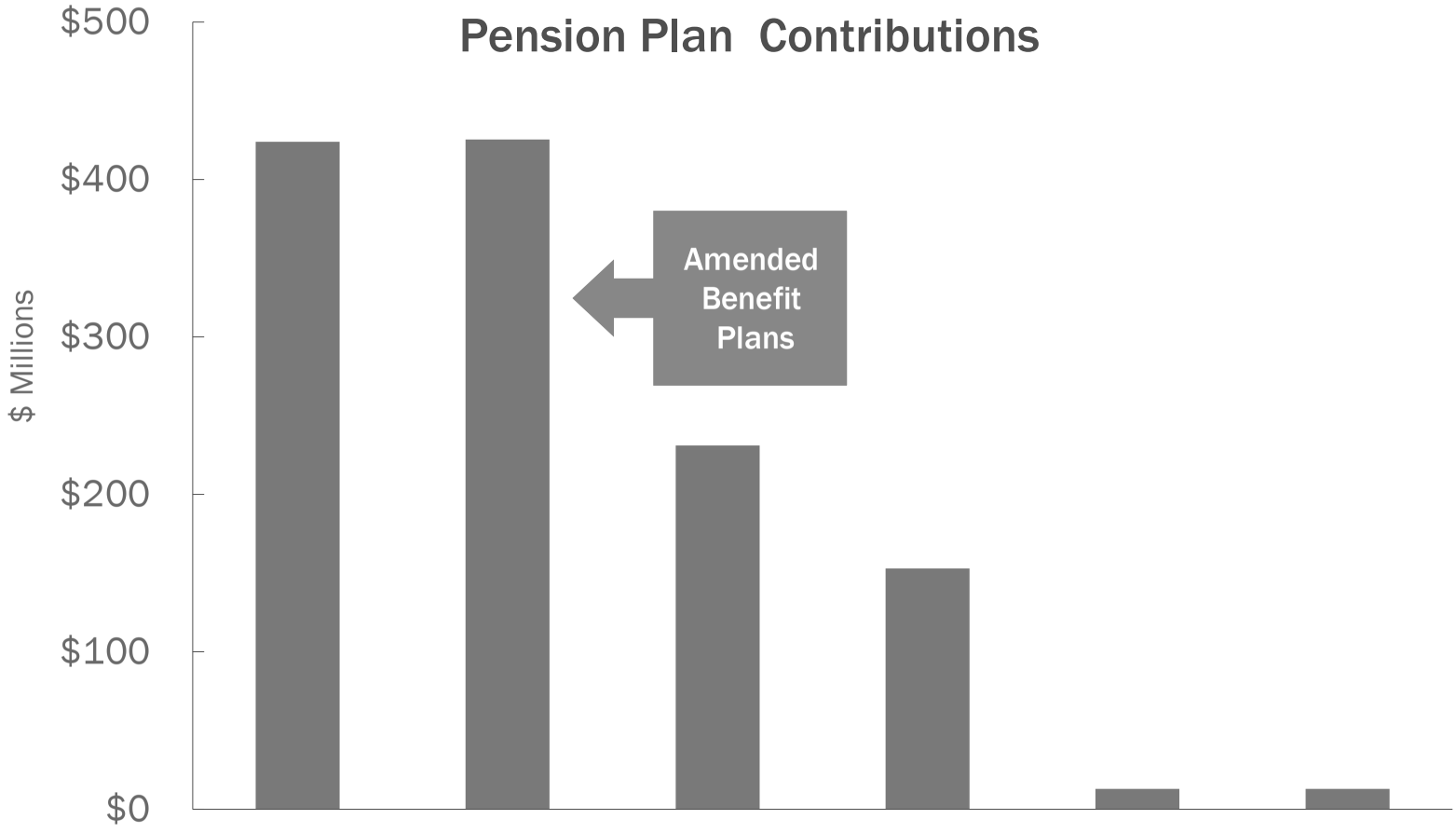
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-04857

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-04858

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

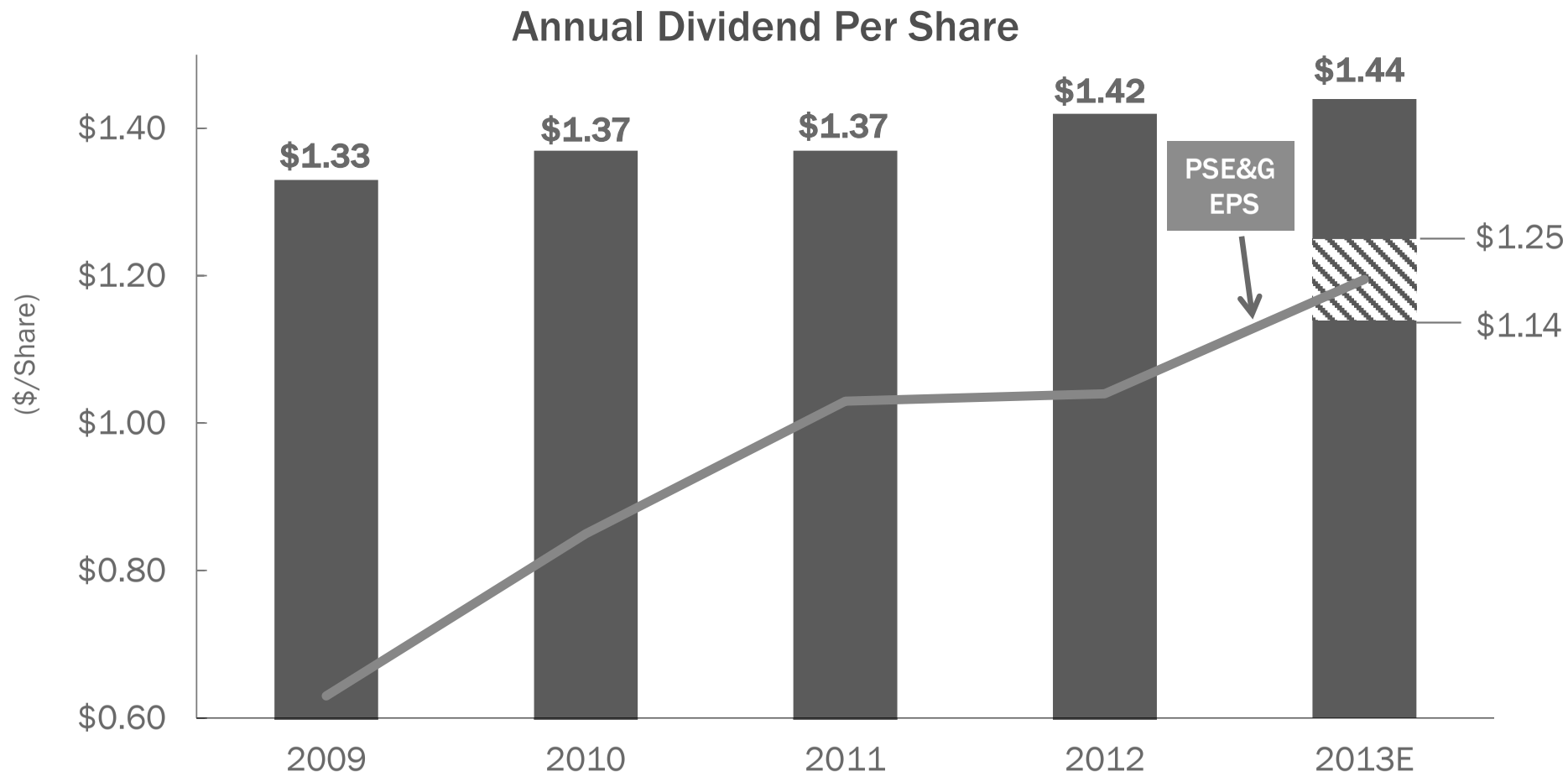
	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-04859

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



E = ESTIMATE

SI-SSA-0015-04860

PSEG Summary

- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-04861

APPENDIX

SI-SSA-0015-04862

Full-year Operating Earnings by Subsidiary

Twelve Months ended December 31

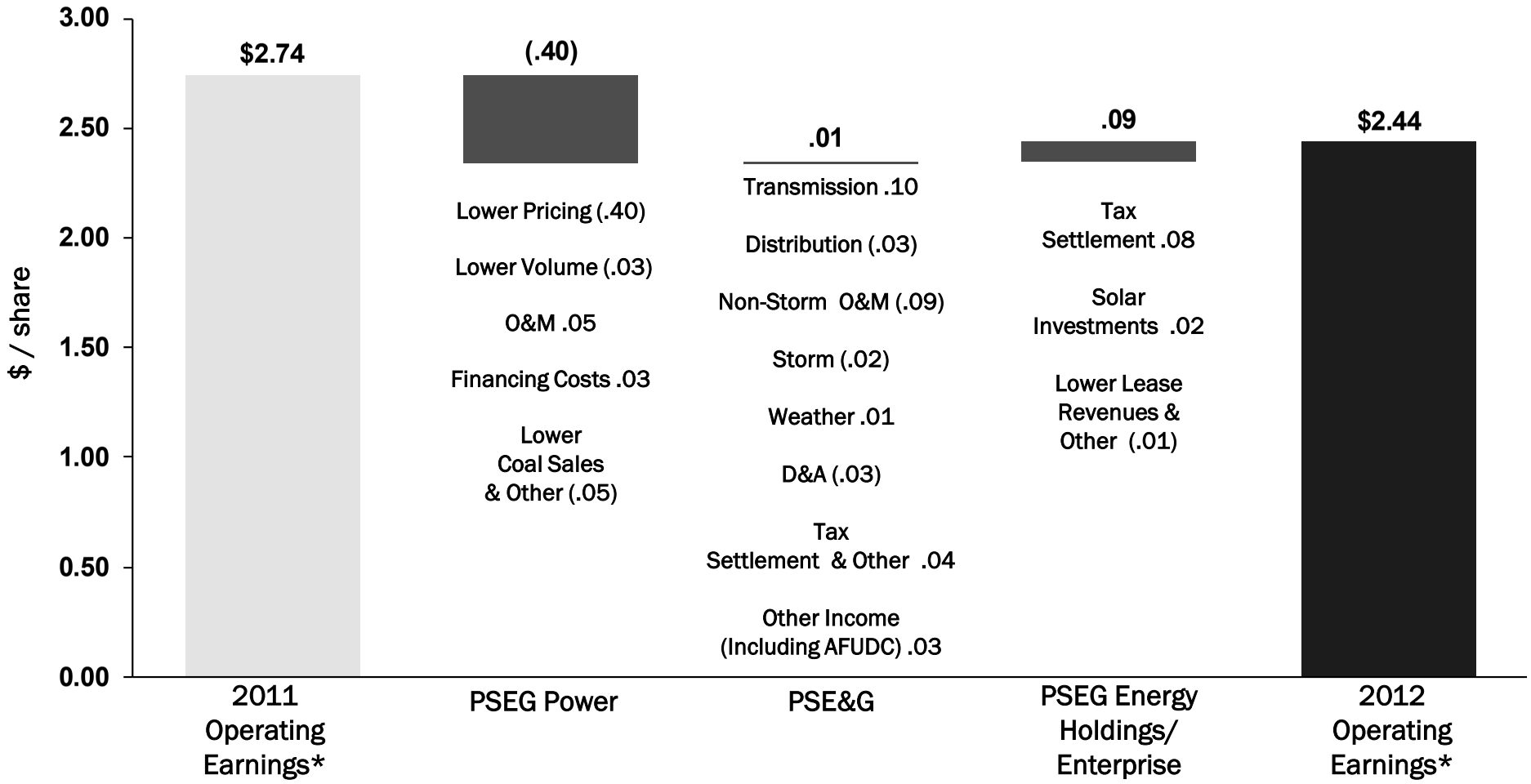
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2012	2011	2012	2011
PSEG Power	$ 644	$ 845	$ 1.27	$ 1.67
PSE&G	528	521	1.04	1.03
PSEG Energy Holdings/ Enterprise	64	23	0.13	0.04
*Operating Earnings**	$ 1,236	$ 1,389	$ 2.44	$ 2.74

SI-SSA-0015-04863

PSEG

• See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2012 versus Full-year 2011

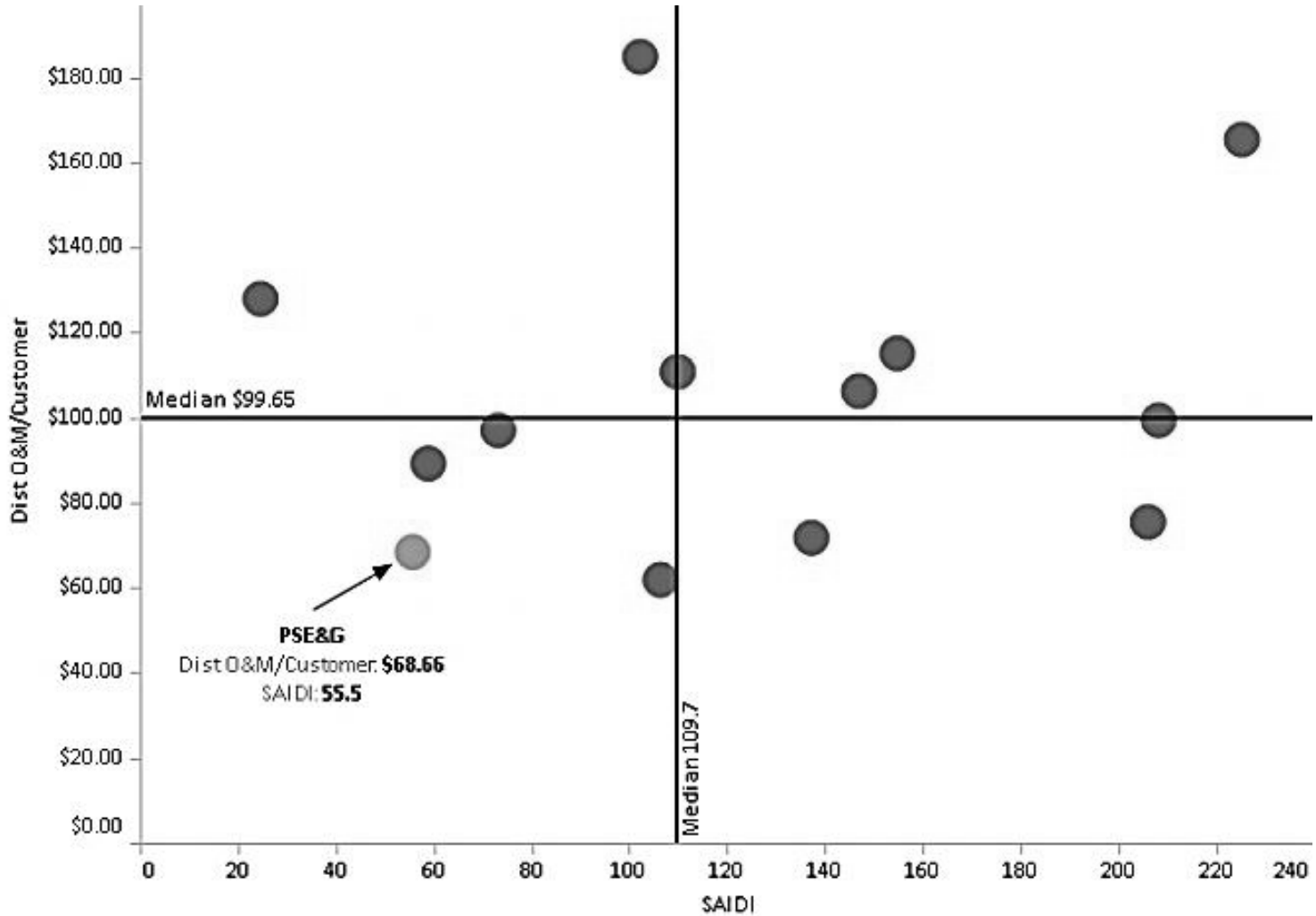


SI-SSA-0015-04864

PSEG

* See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

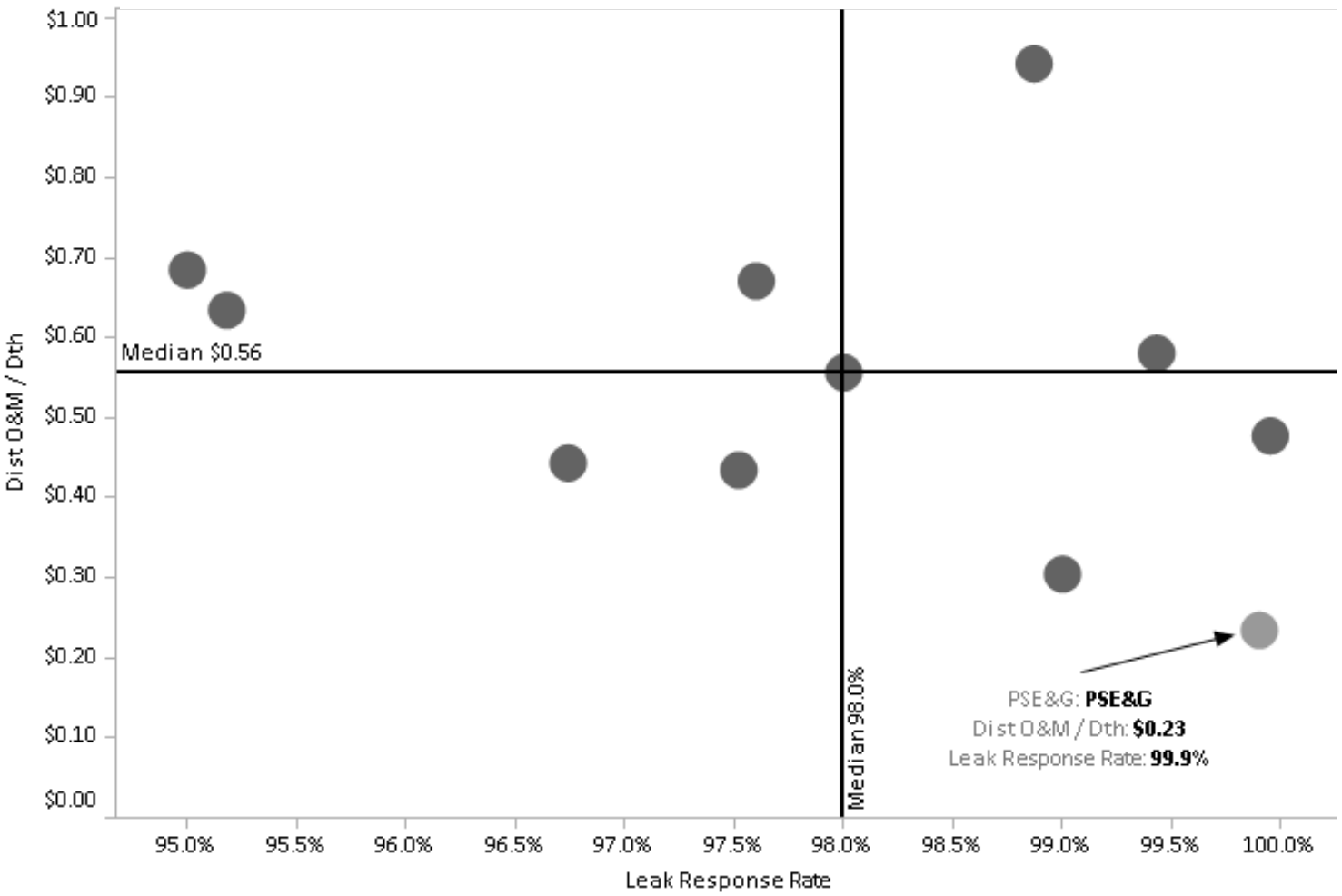
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-04866

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-04867

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-04868

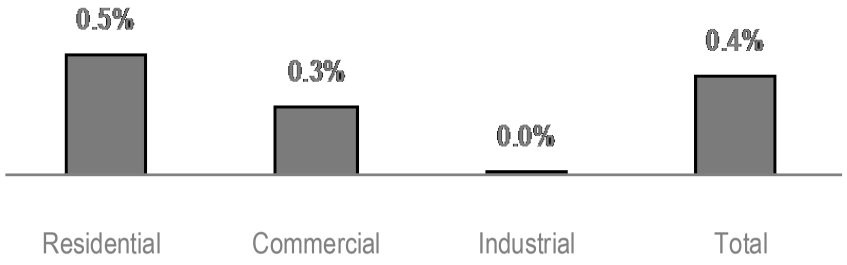
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

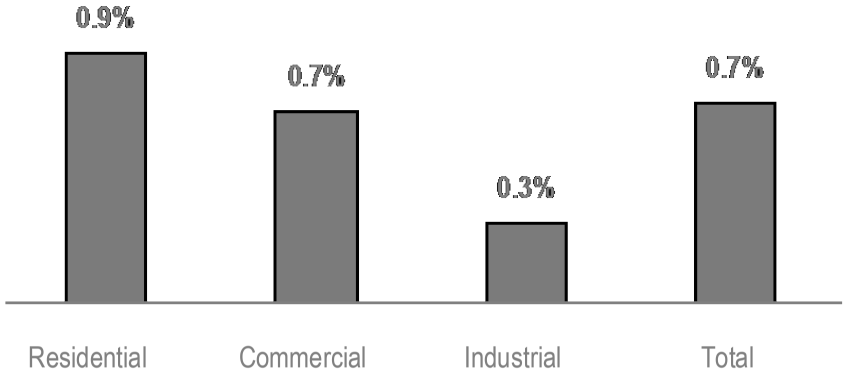
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-04869

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

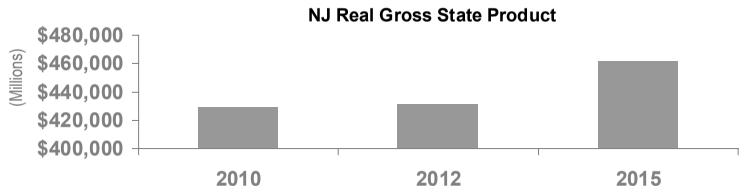
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

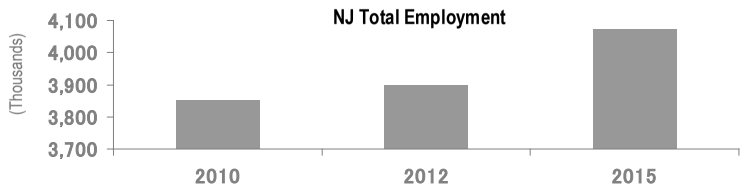
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

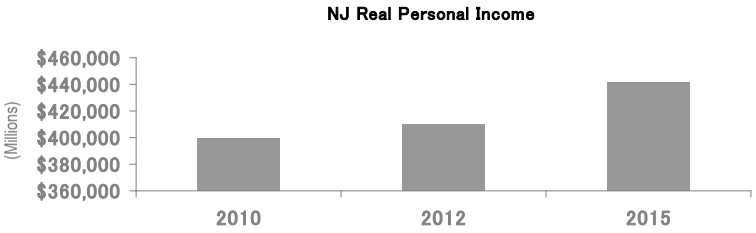
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

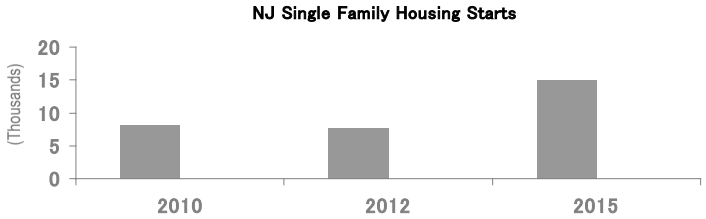
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





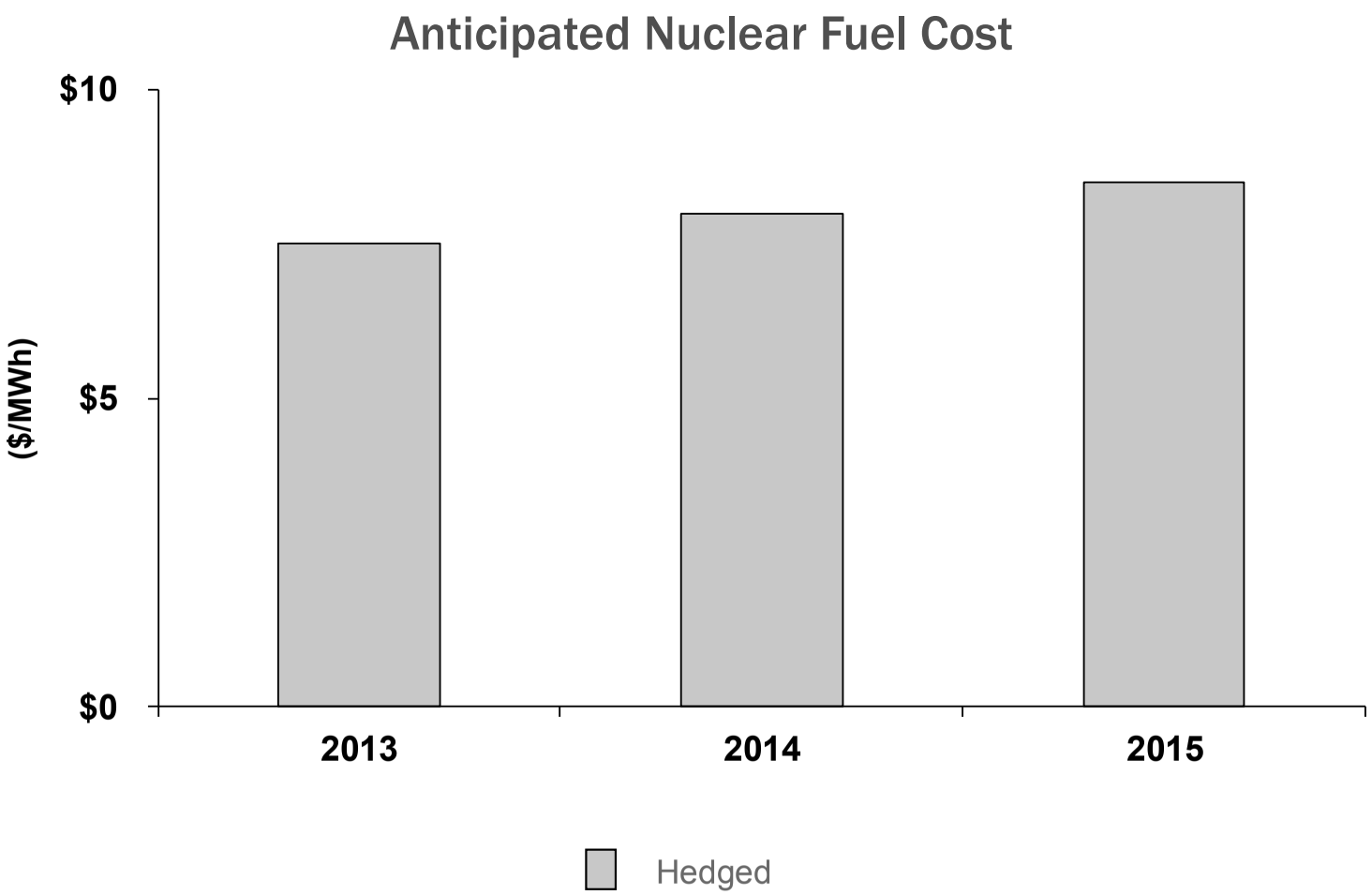




SI-SSA-0015-04870

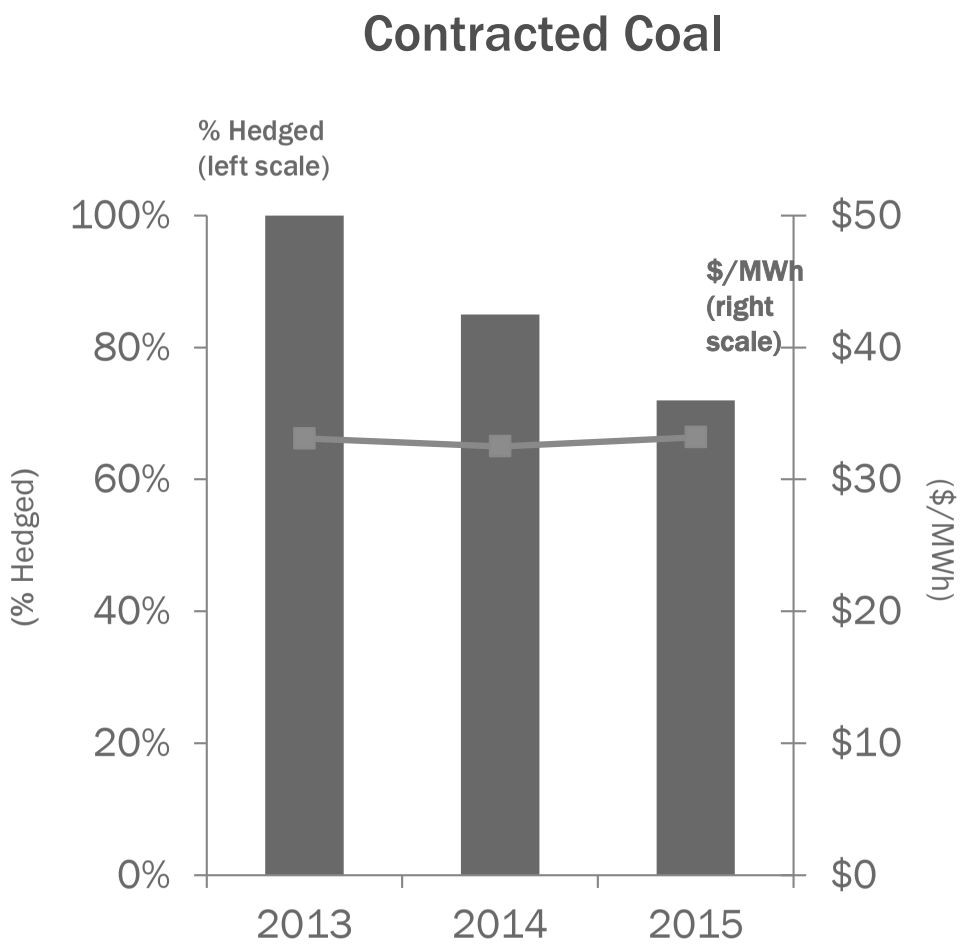
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-04871

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

SI-SSA-0015-04872

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

SI-SSA-0015-04873

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-04874

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

SI-SSA-0015-04875

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

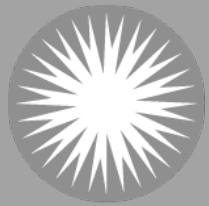
Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Barclays CEO Energy – Power Conference

NEW YORK CITY – SEPTEMBER 3, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04878

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-04879

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-04880

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-04881

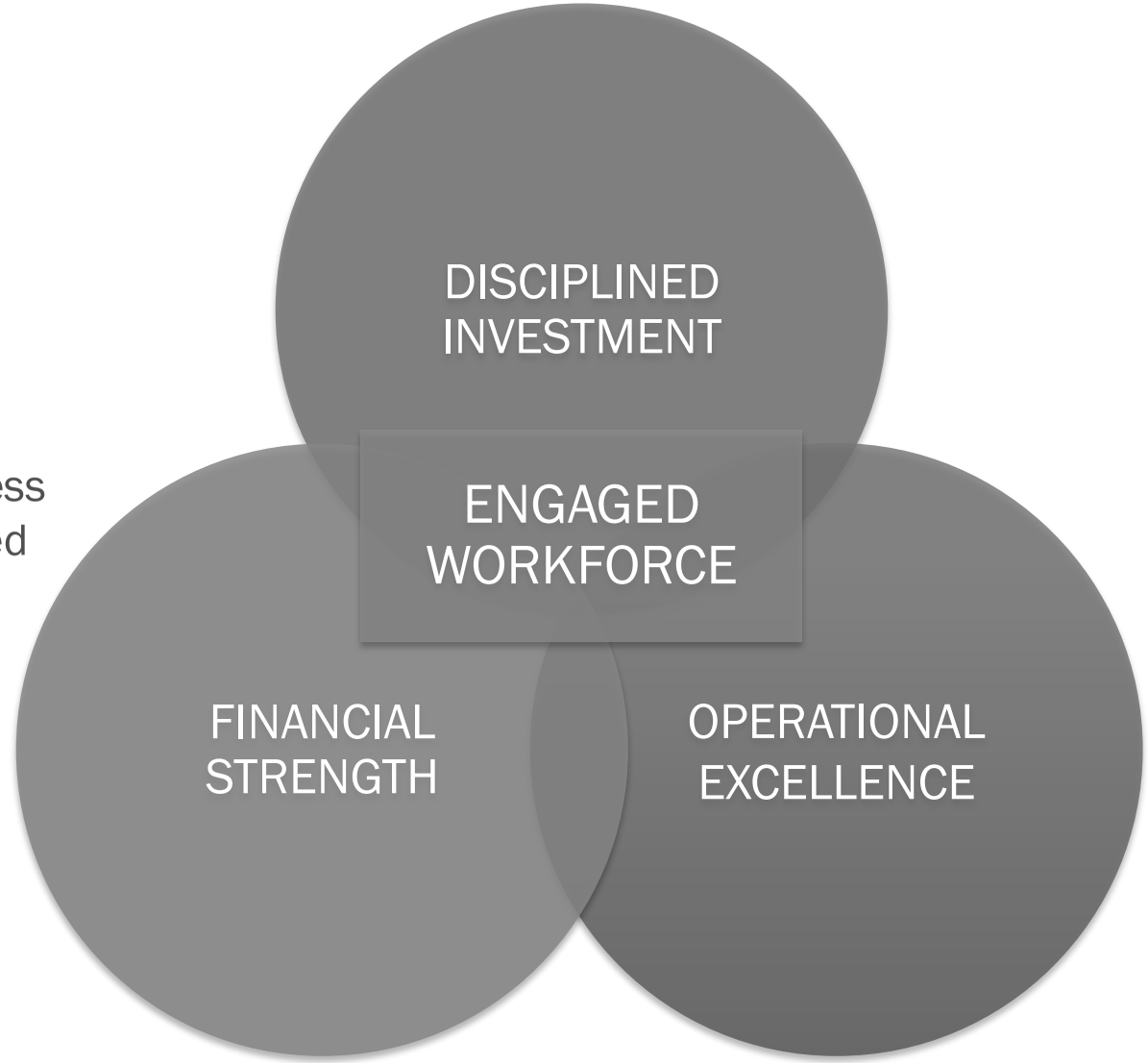
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-04883

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

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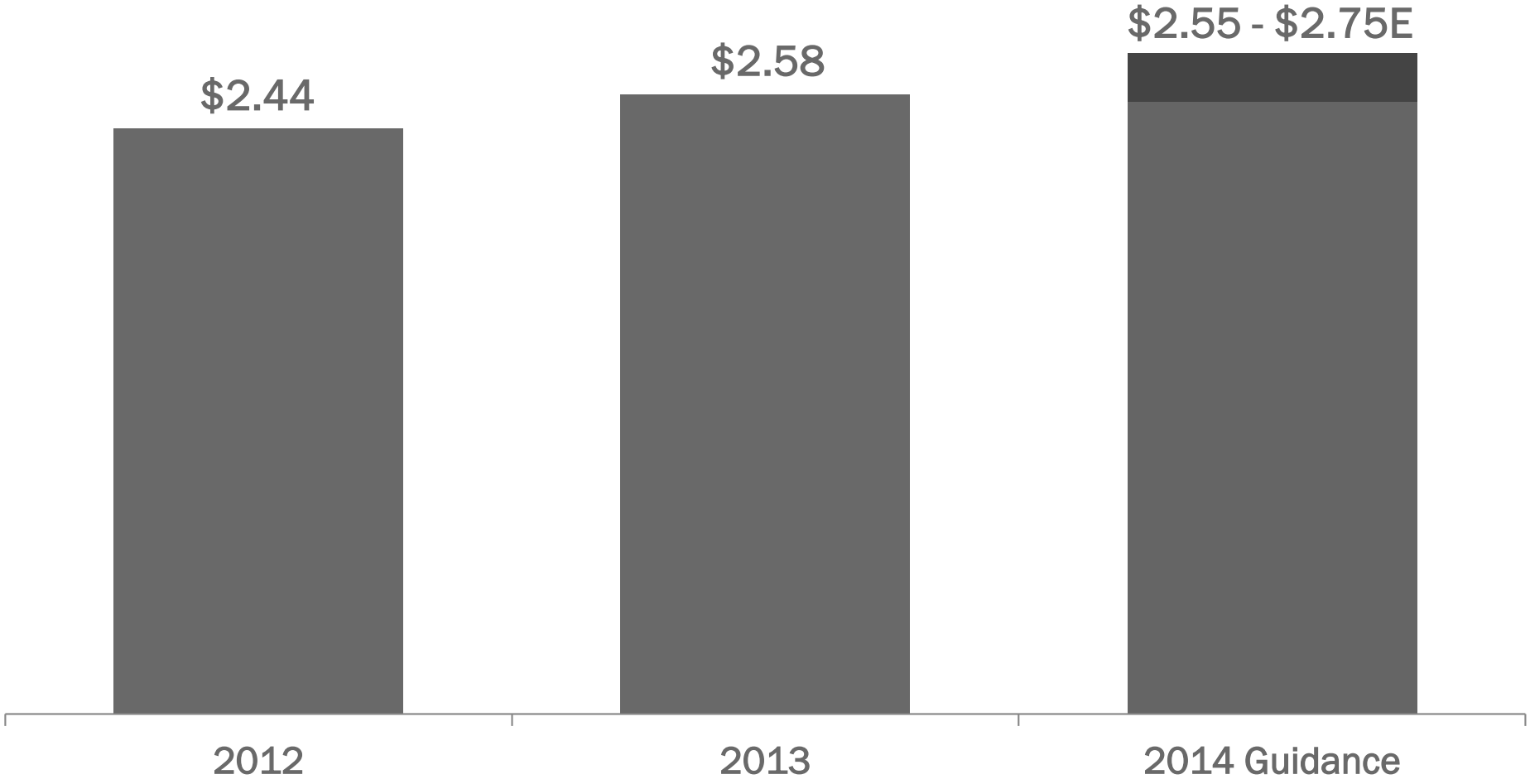
PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

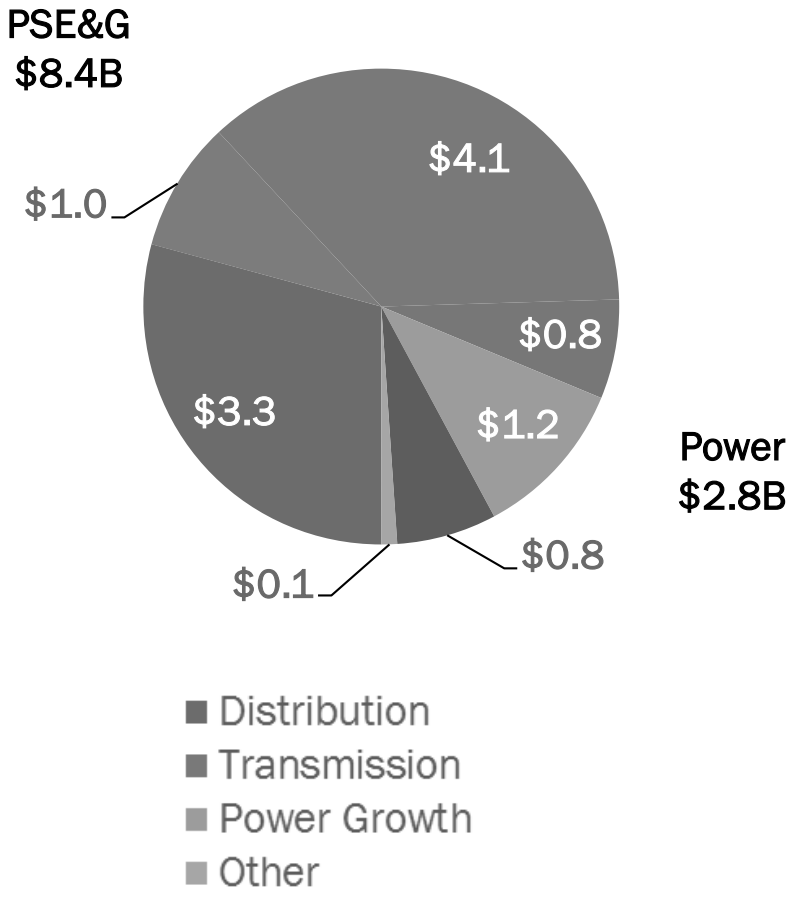
SI-SSA-0015-04886

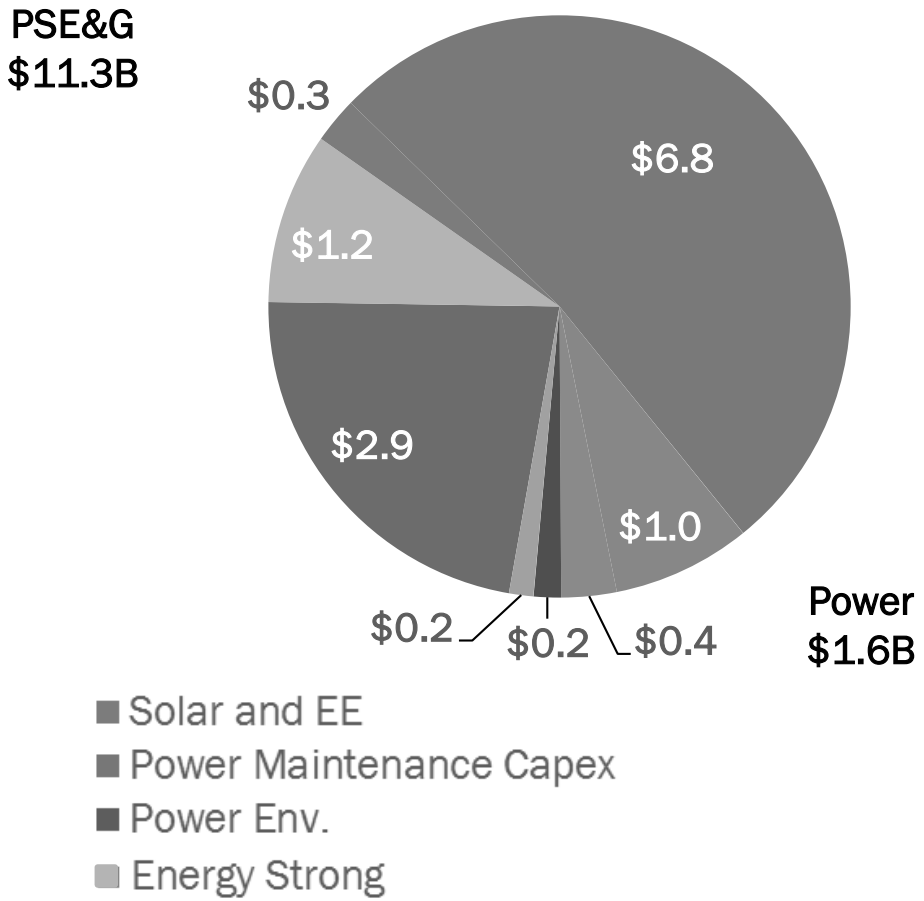
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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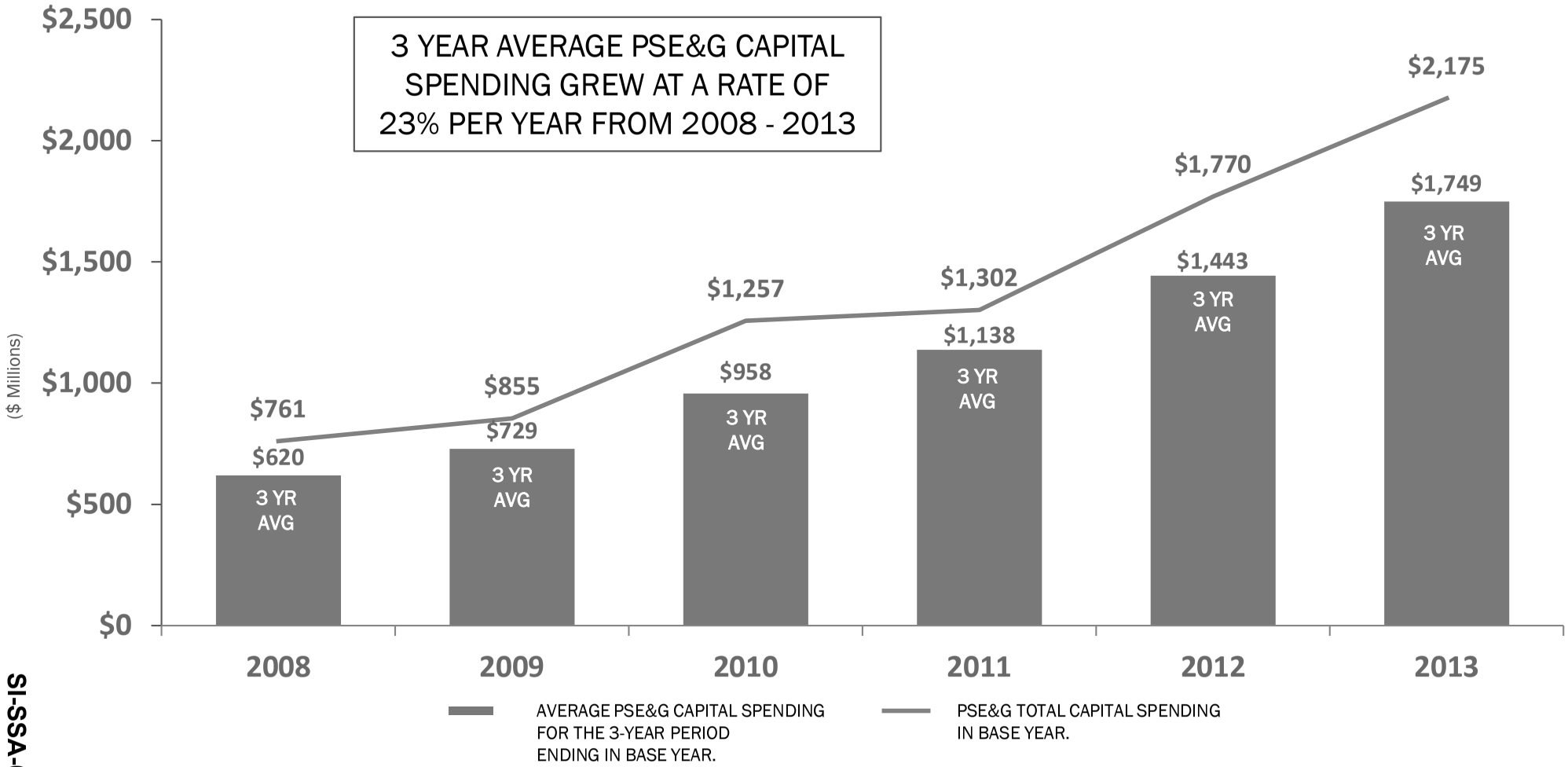
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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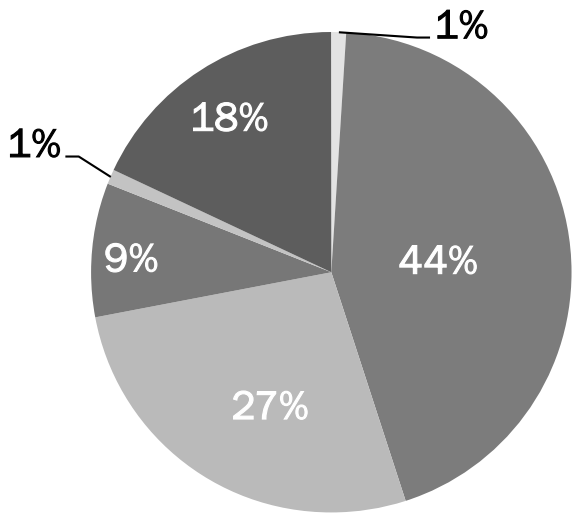
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

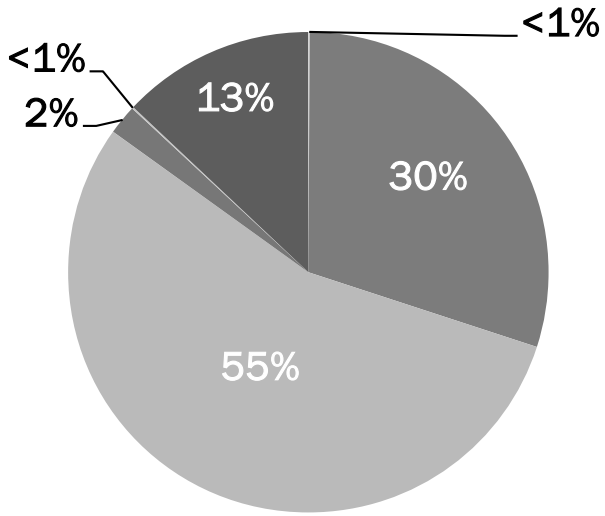
SI-SSA-0015-04889

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

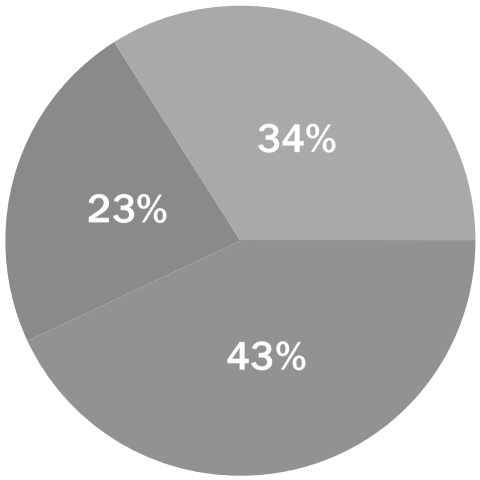
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-04890

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

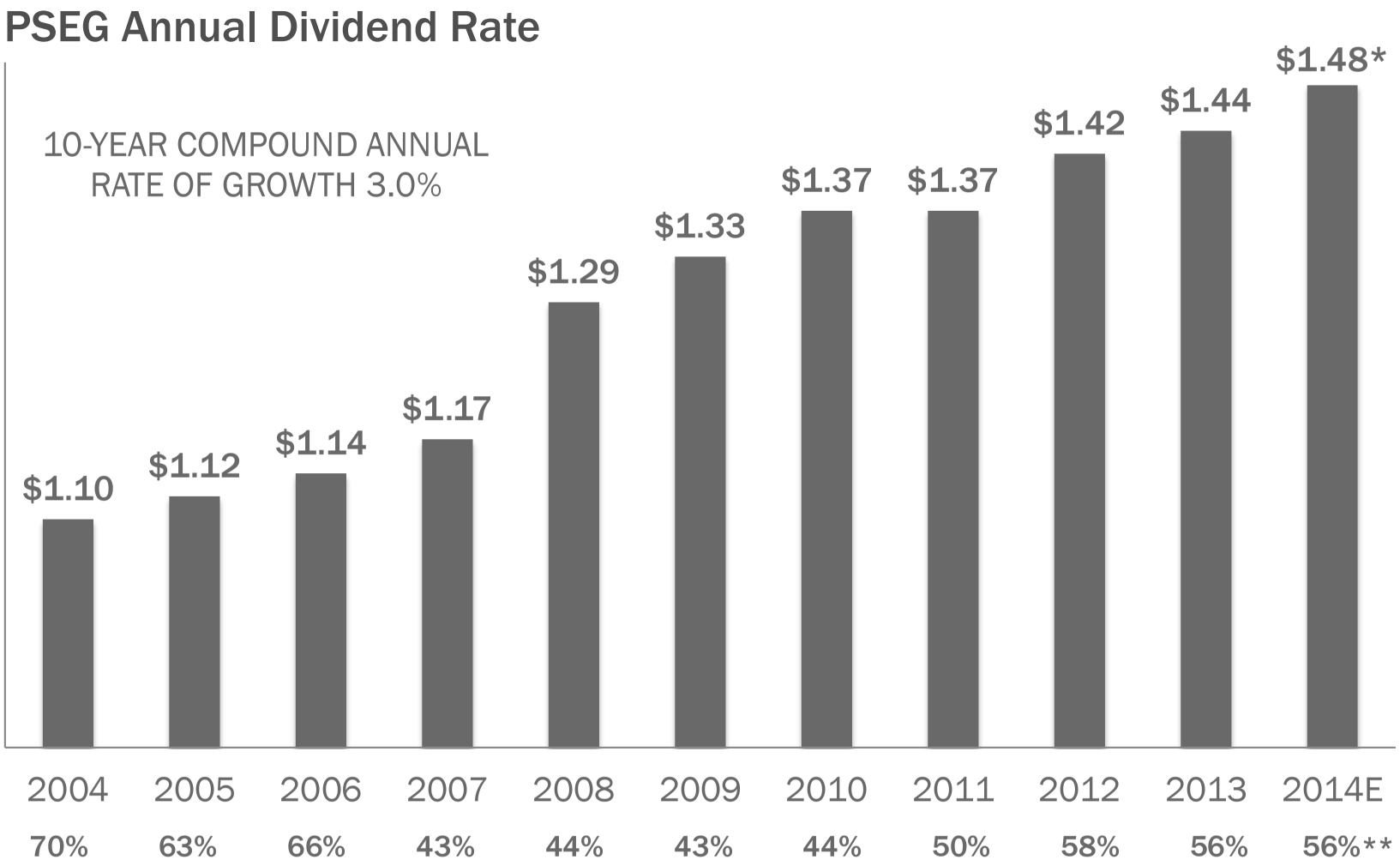
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-04891

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-04892

PSEG Q2 2014 Financial Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-04893

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-04894

PSE&G

PSEG

We make things work for you.

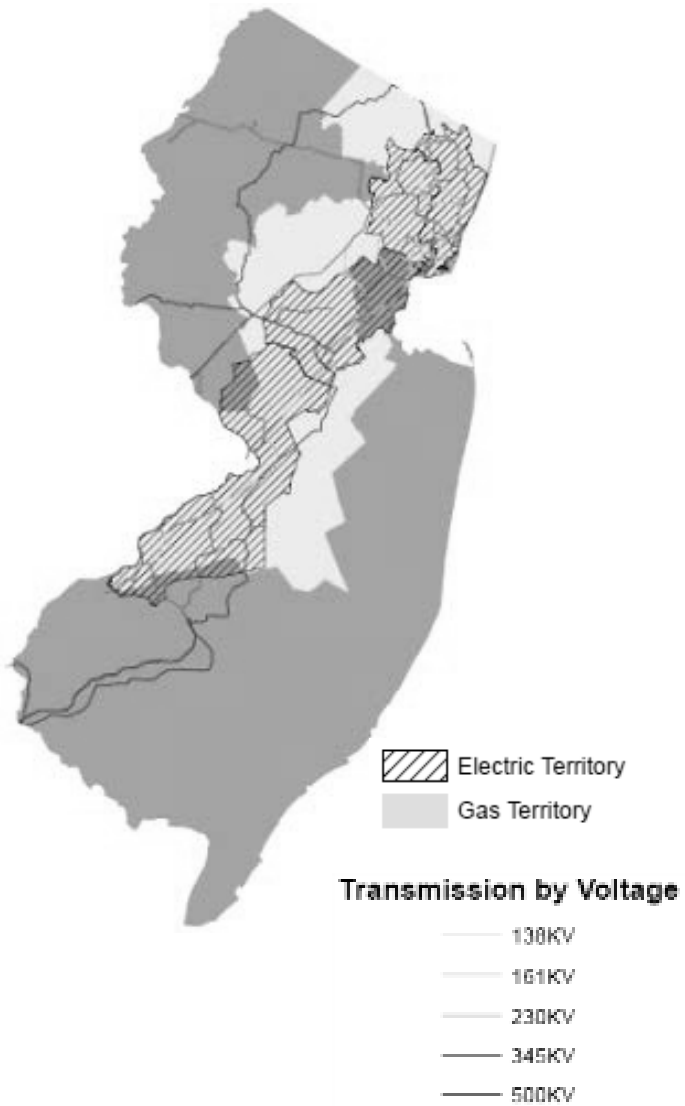
SI-SSA-0015-04895

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-04896

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

SI-SSA-0015-04897

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-04898

PSE&G's operating earnings grew ~18%

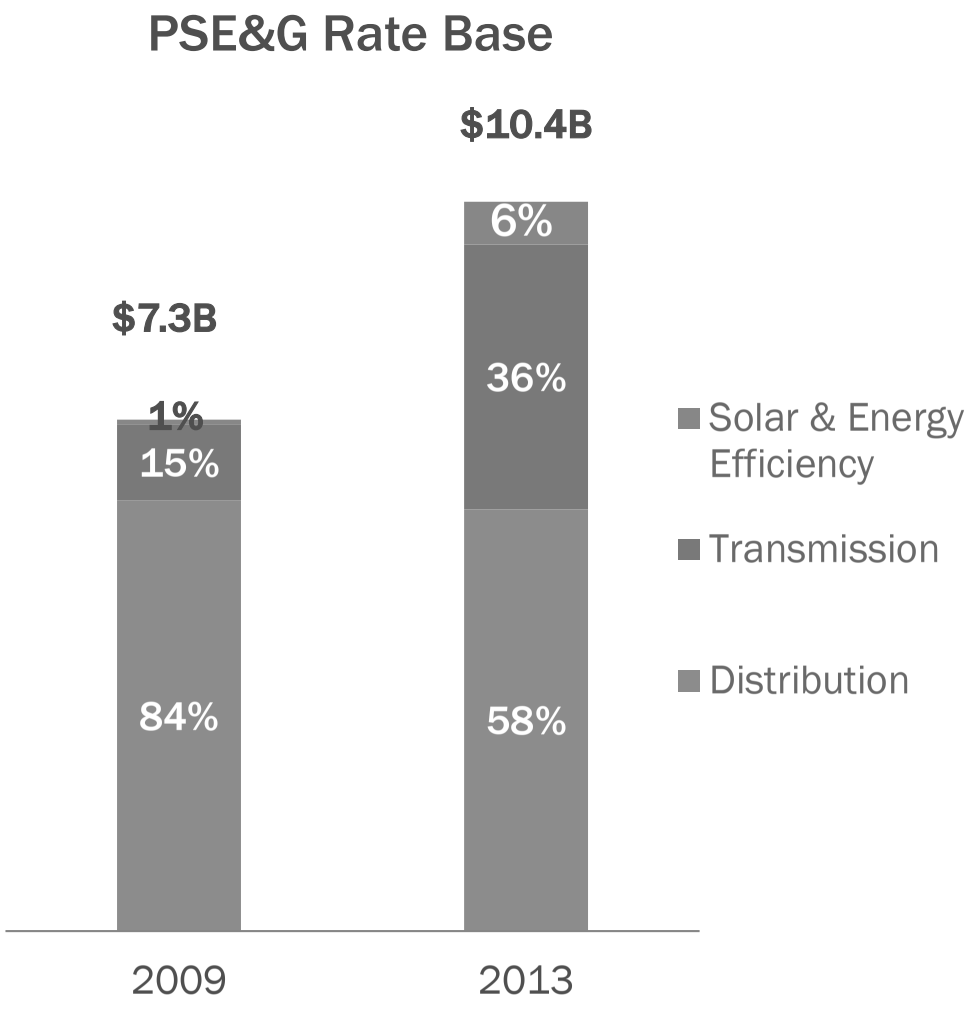
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-04899

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-04900

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

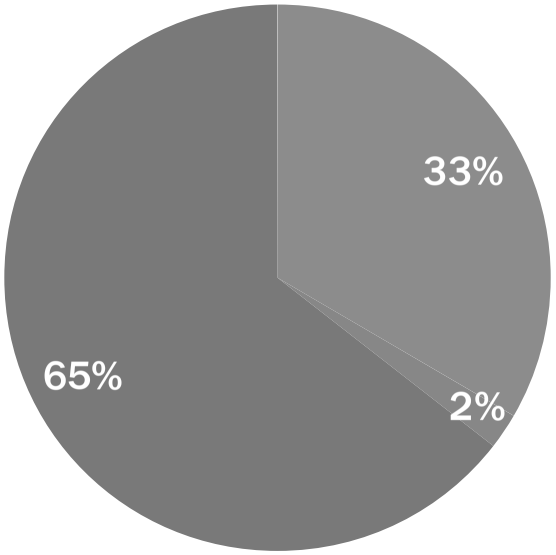
SI-SSA-0015-04901

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

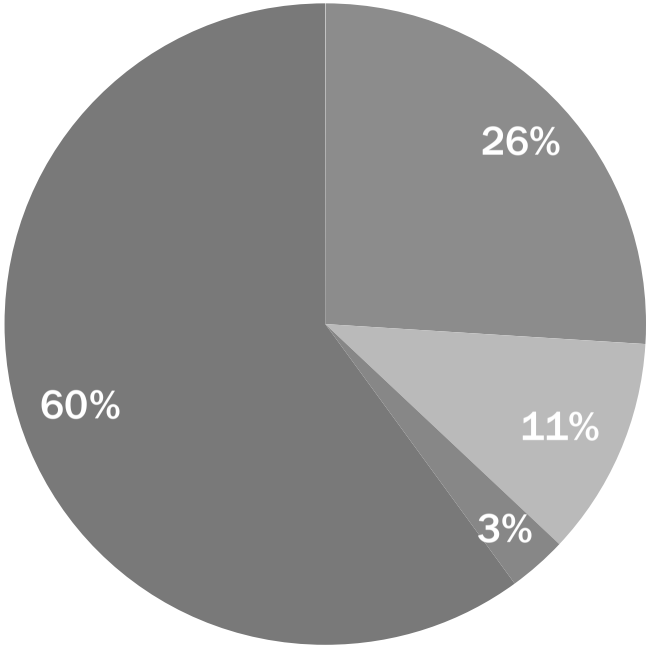
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-04902

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

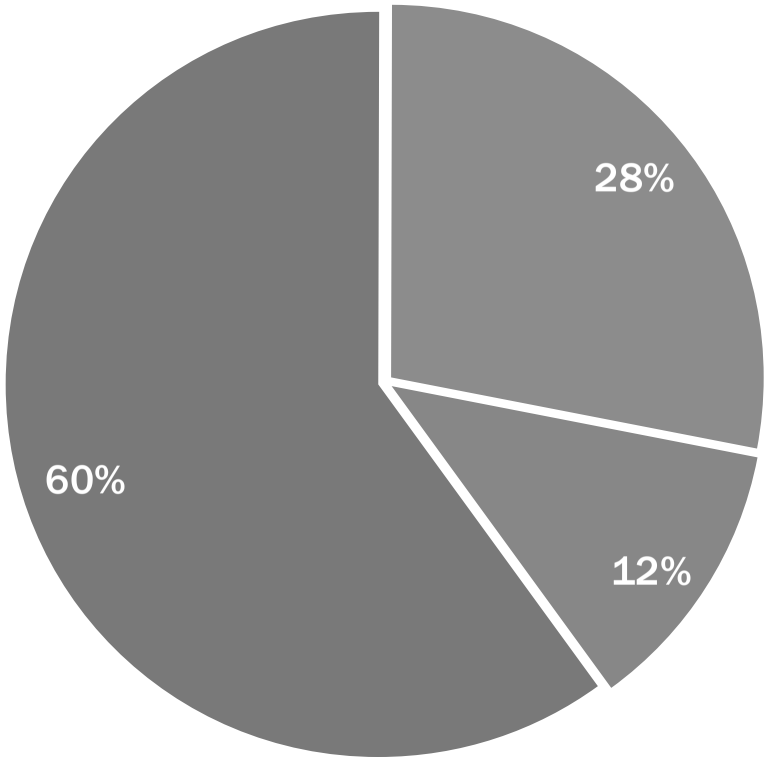
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-04903

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

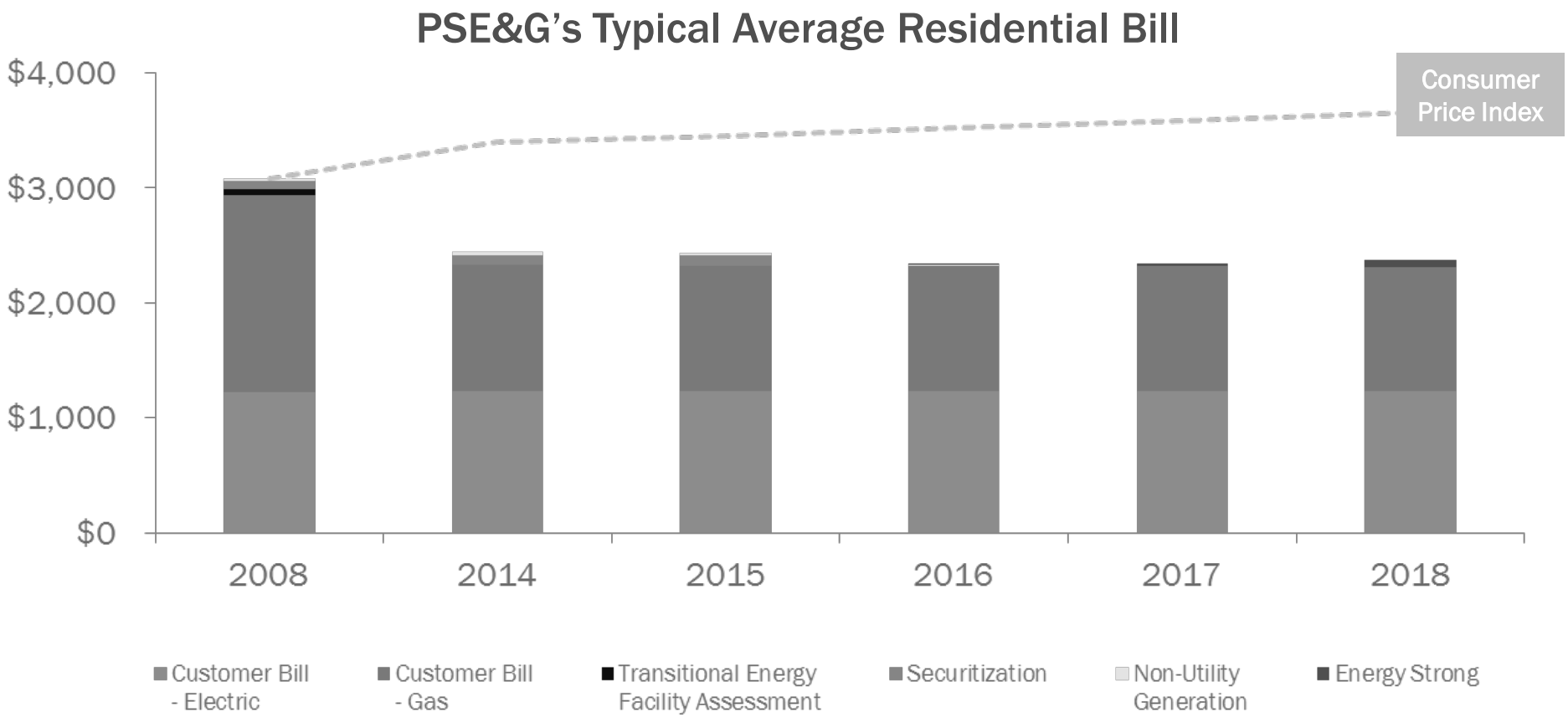
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-04904

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-04905

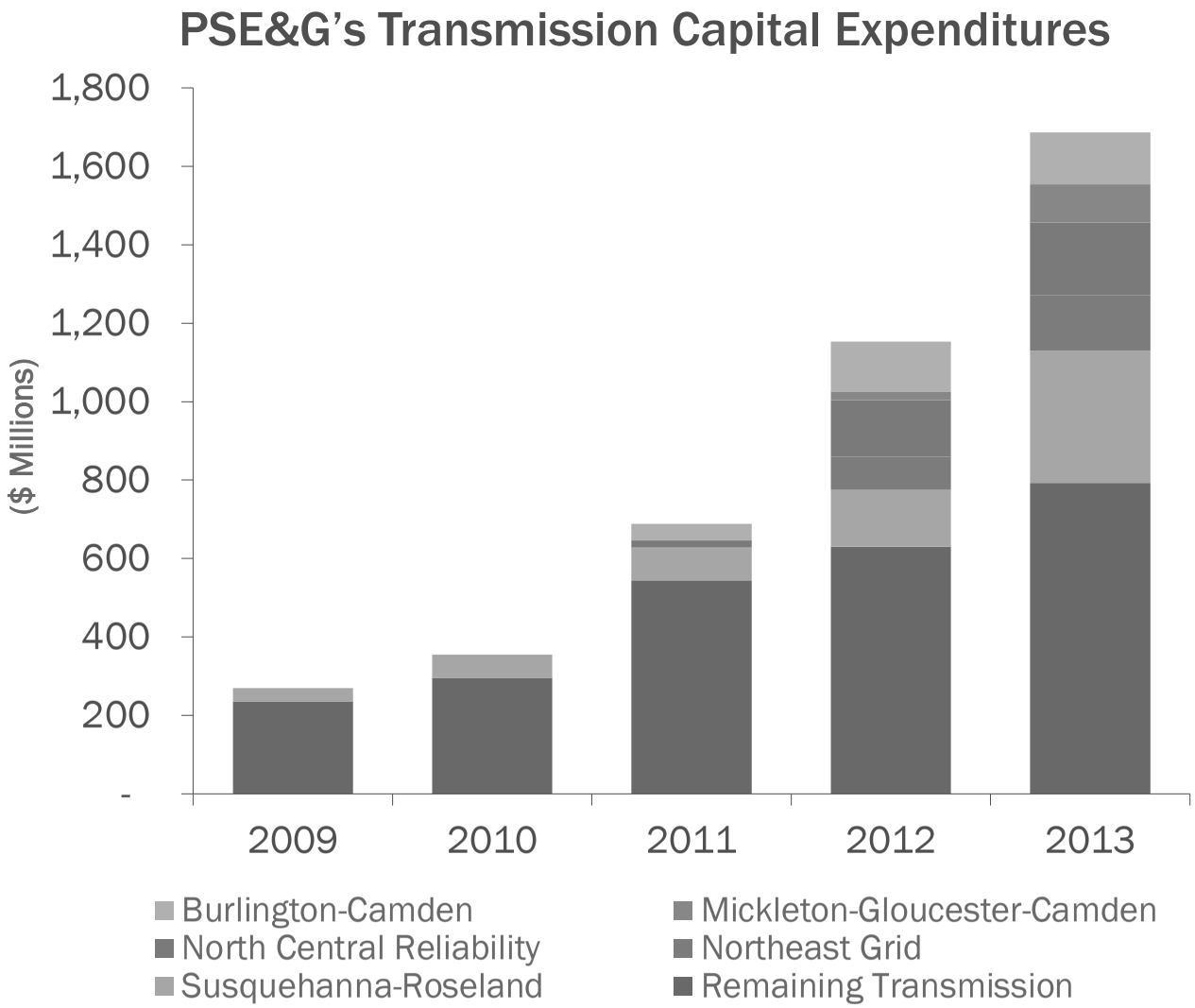
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-04906

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-04907

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-04908

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-04909

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-04910

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-04911

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-04912

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-04913

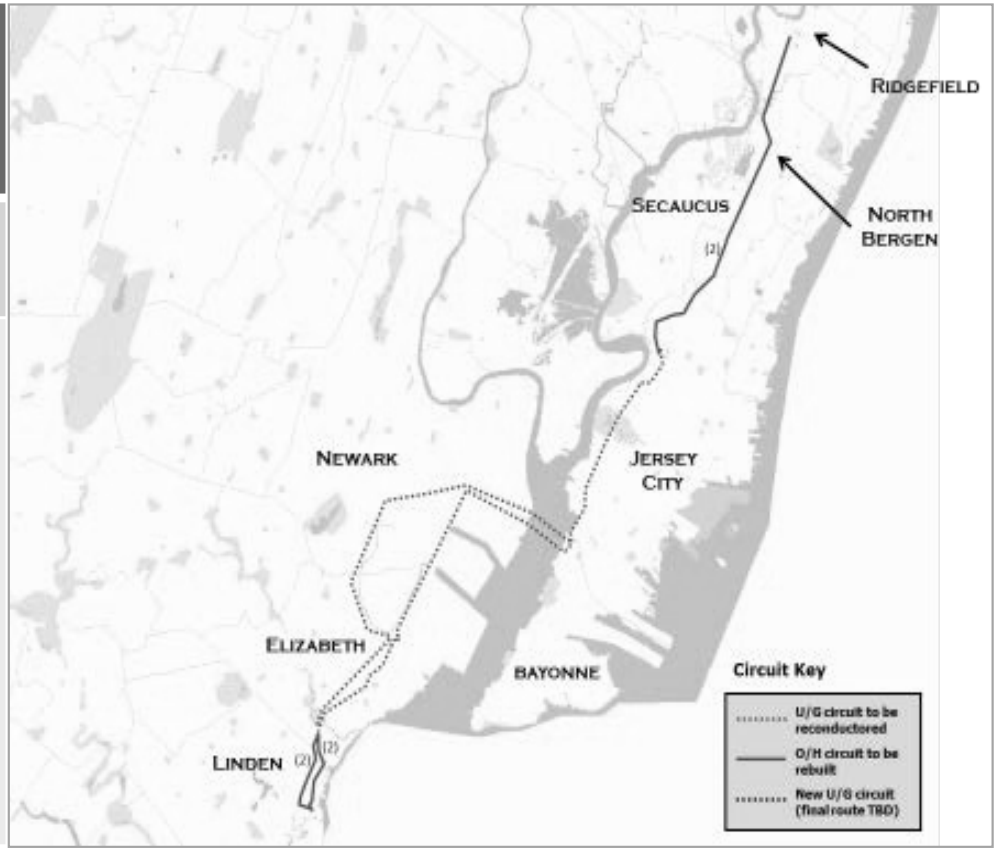
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

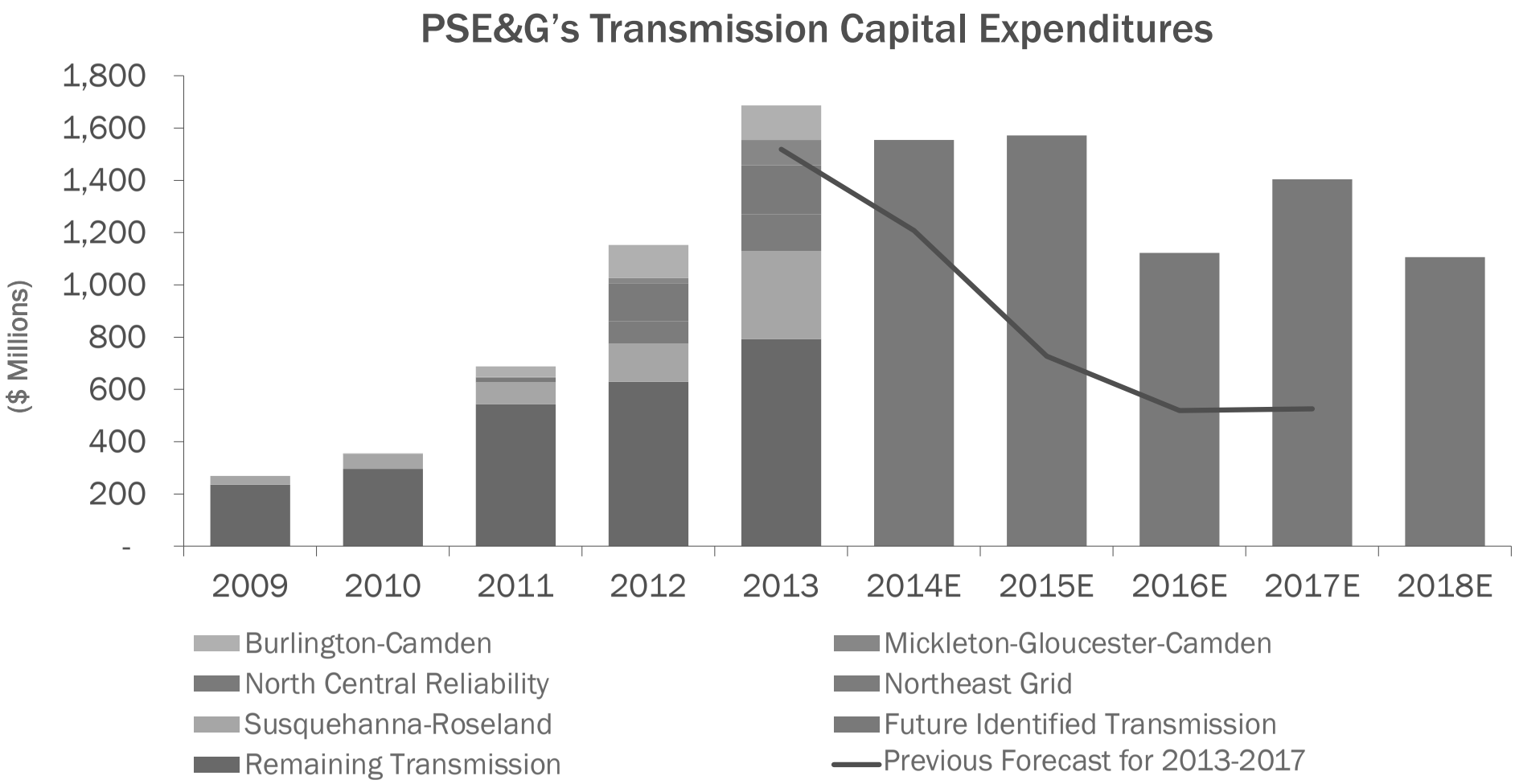
Project Status: Engineering



SI-SSA-0015-04914

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-04915

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-04916

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-04917

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-04918

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-04919

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-04920

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-04921

PSEG POWER

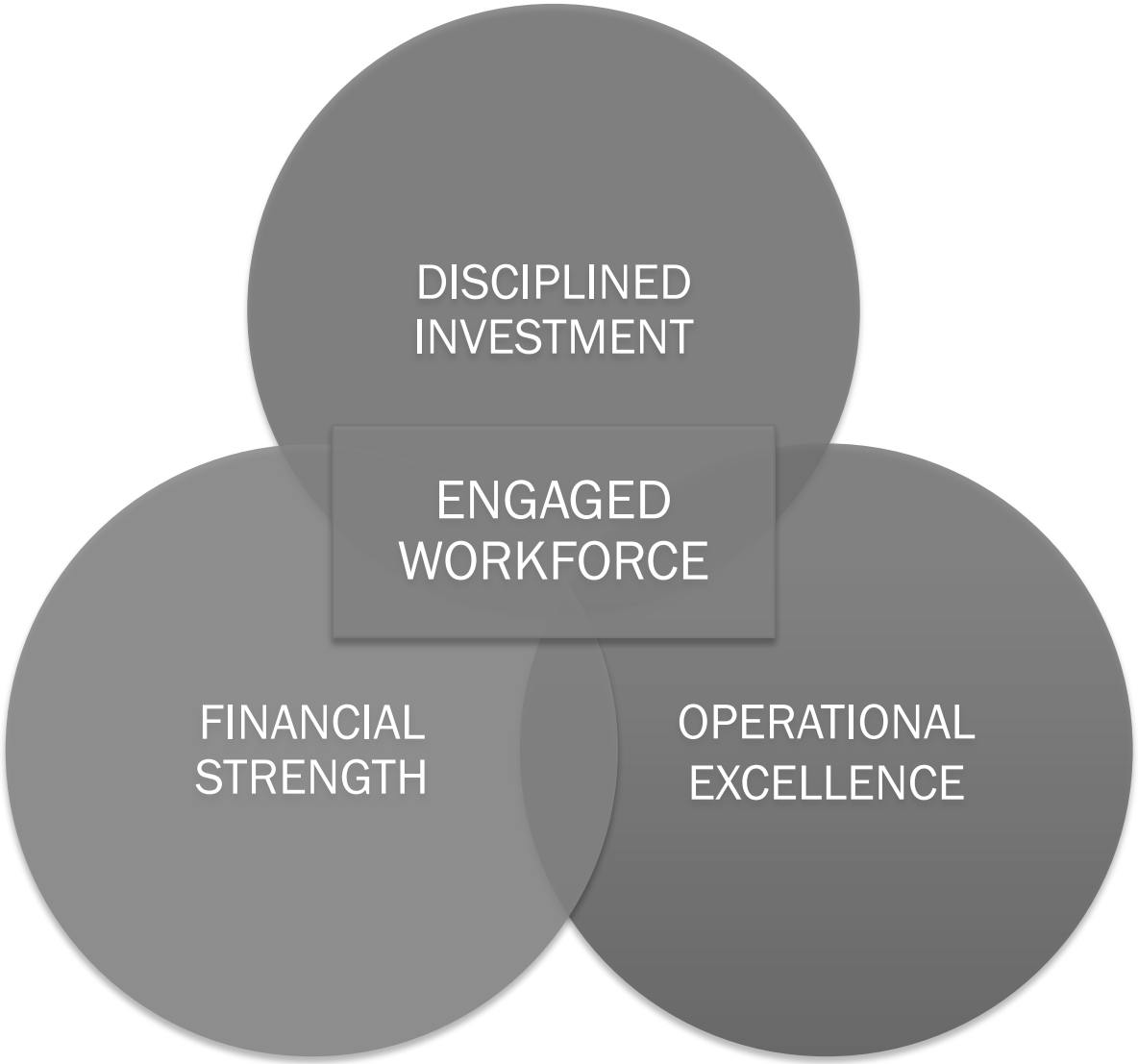
PSEG

We make things work for you.

SI-SSA-0015-04922

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-04923

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-04924

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

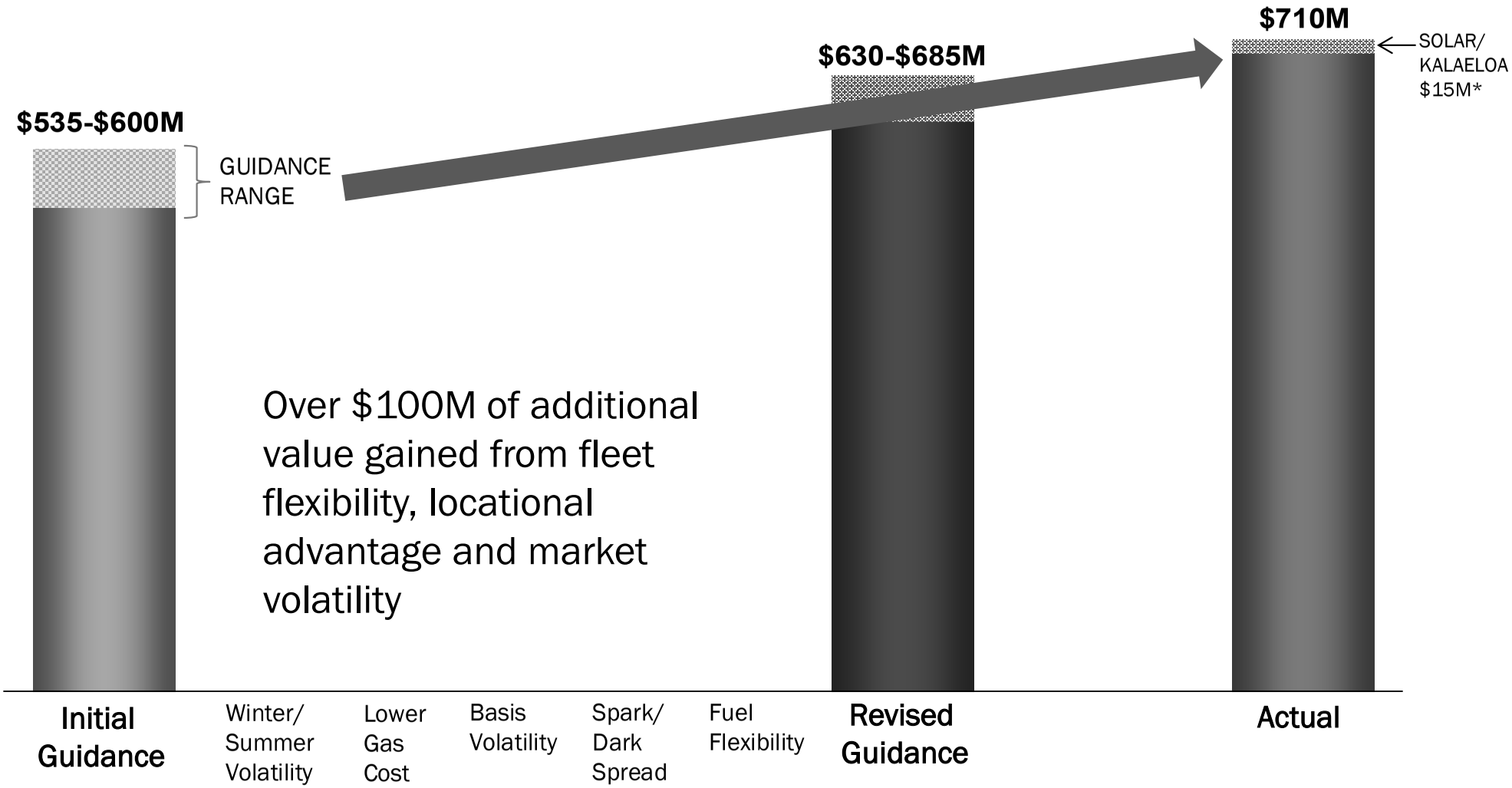
SI-SSA-0015-04925

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-04926

PSEG Power exceeded 2013's earnings guidance



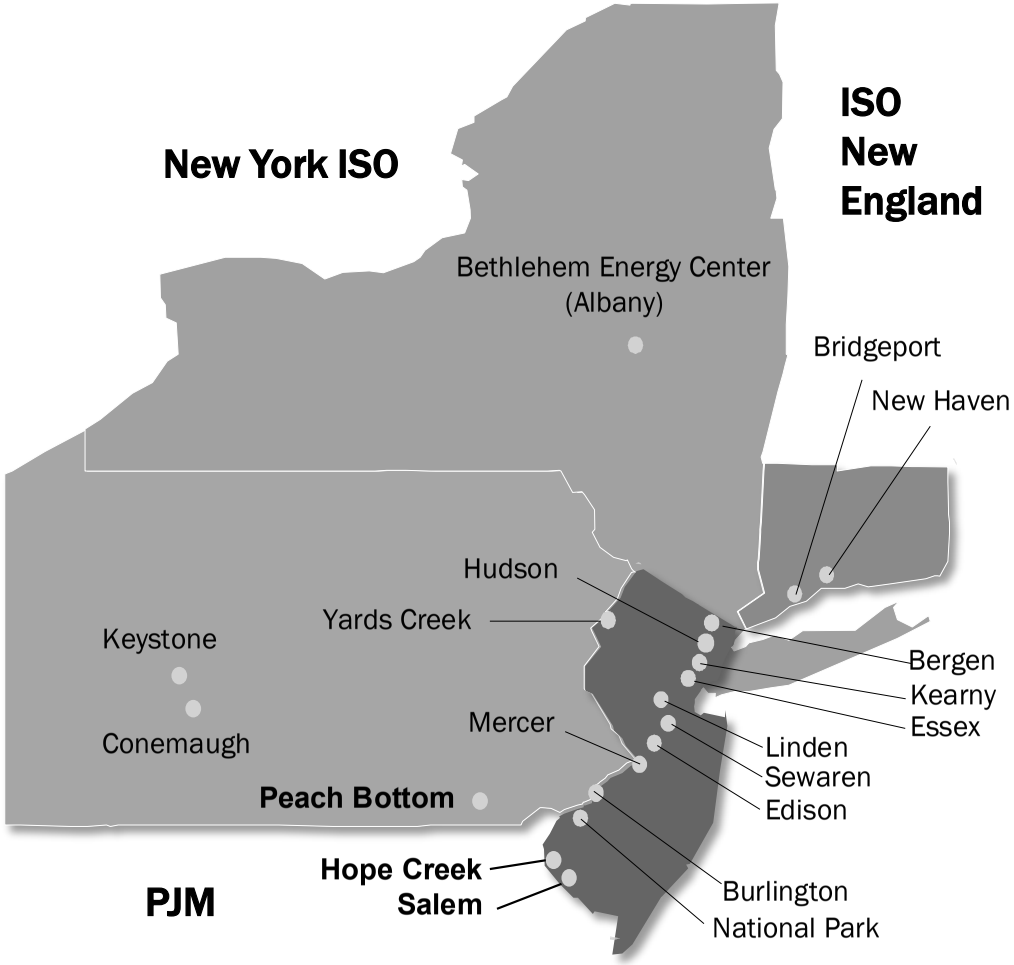
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-04927

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



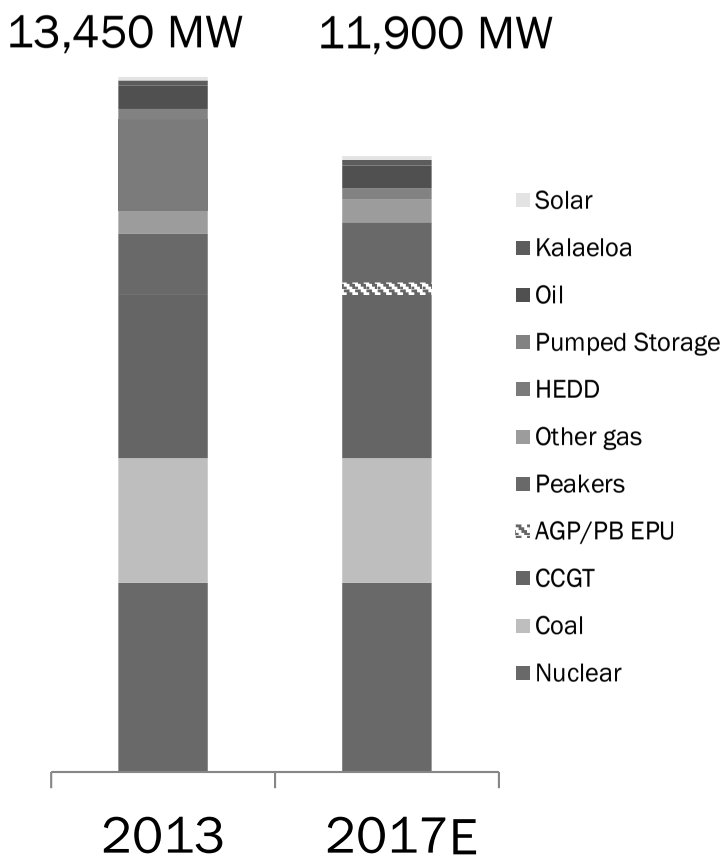
SI-SSA-0015-04928

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

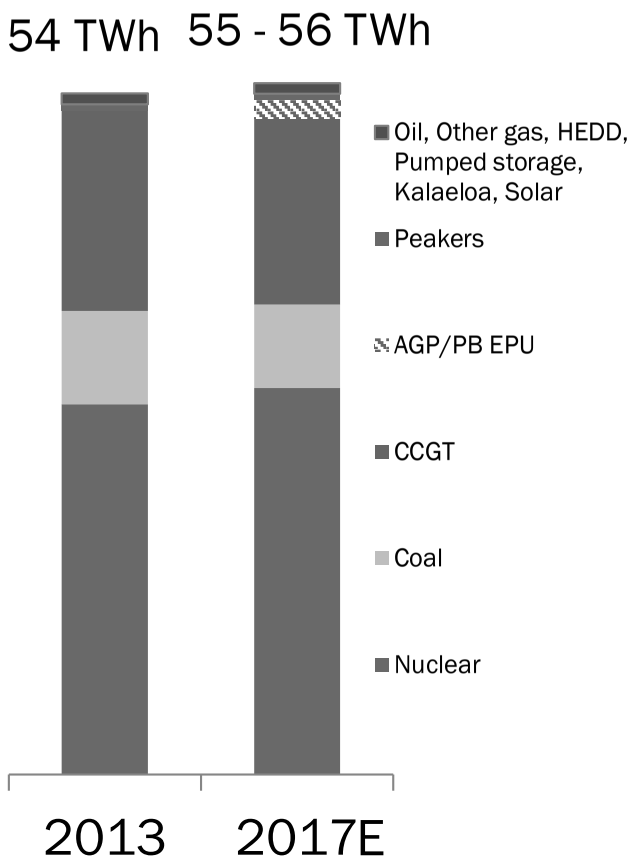
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



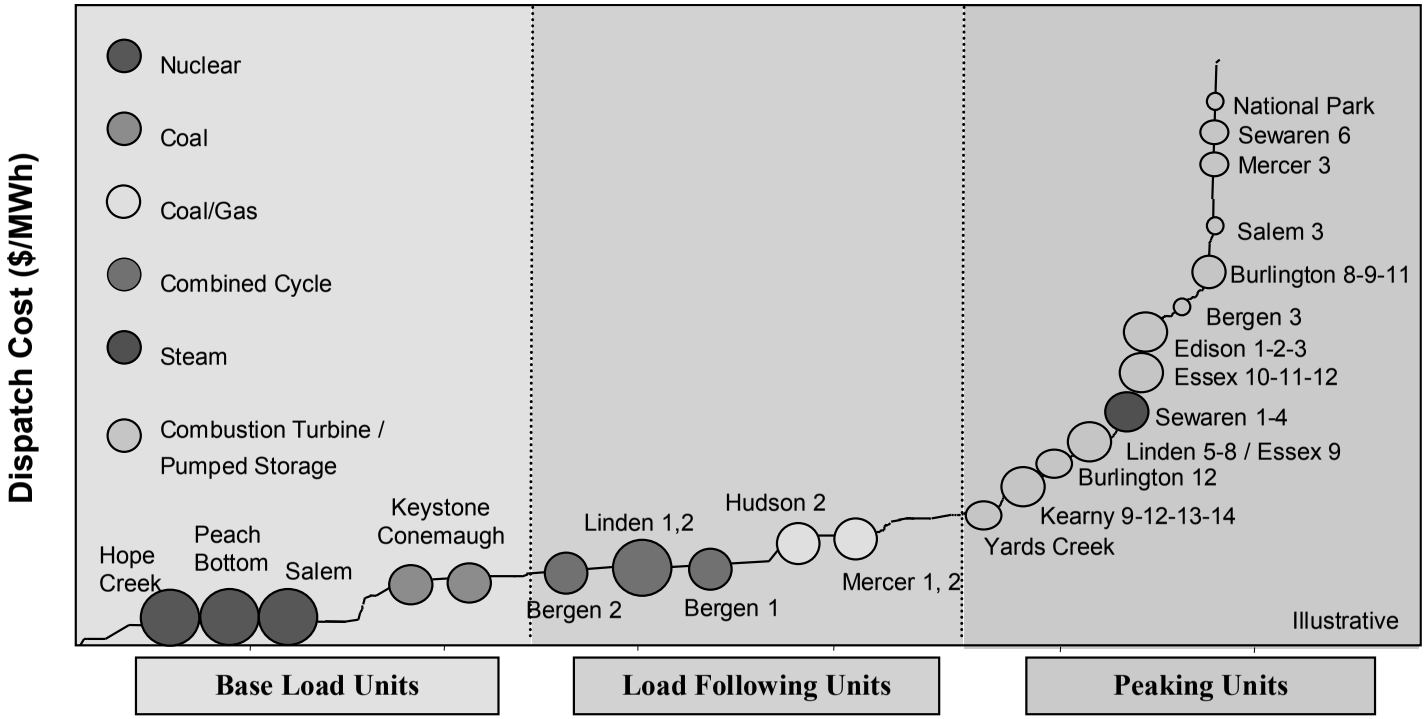
Energy Produced



E=ESTIMATE

SI-SSA-0015-04929

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-04930

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Fall 2014 ➢ Unit 2 – Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Fall 2014 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW in 2015/2016

SI-SSA-0015-04931

PSEG Power Nuclear is core to the fleet and has competitive advantages

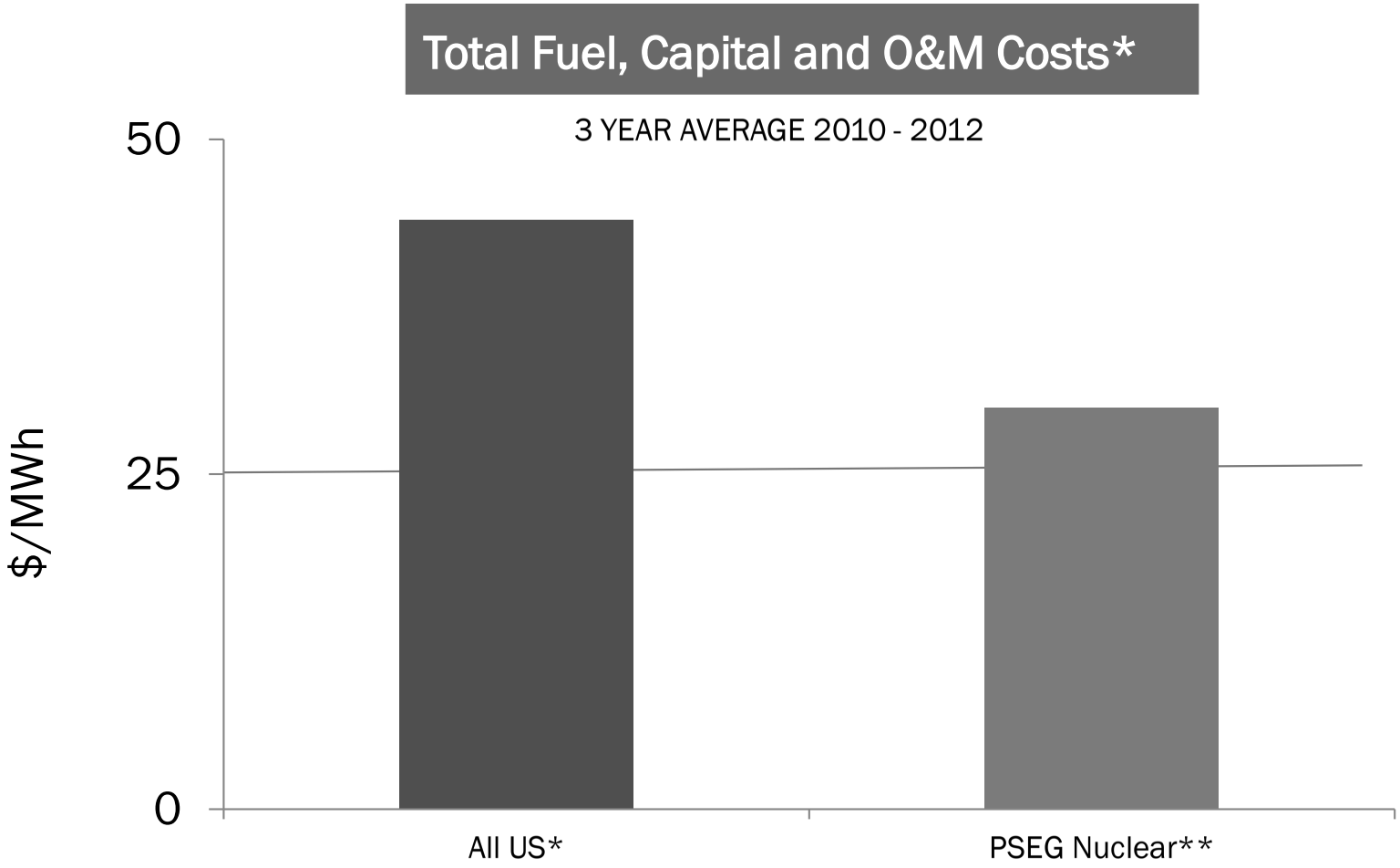
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-04932

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

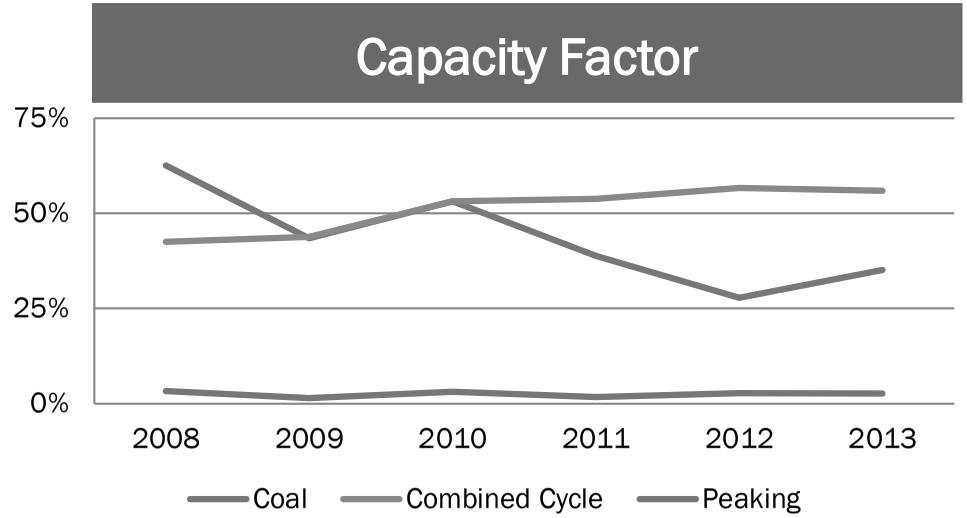


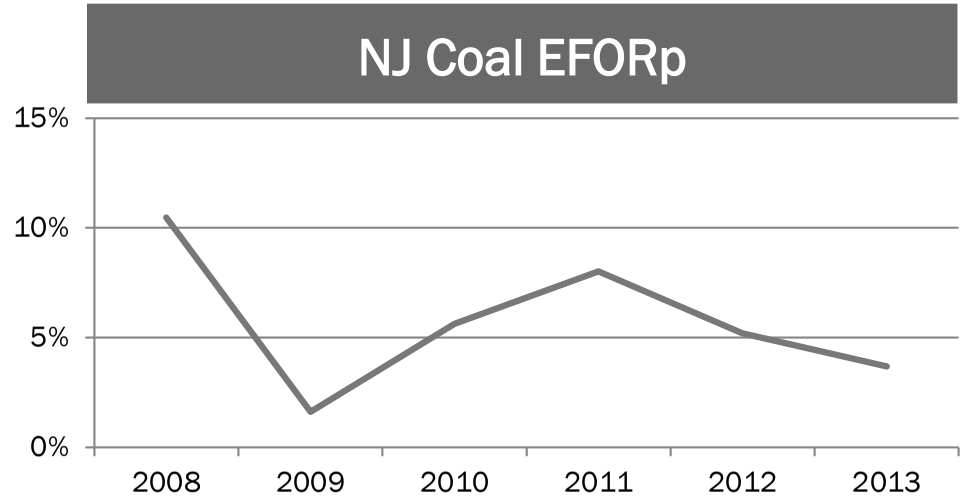
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

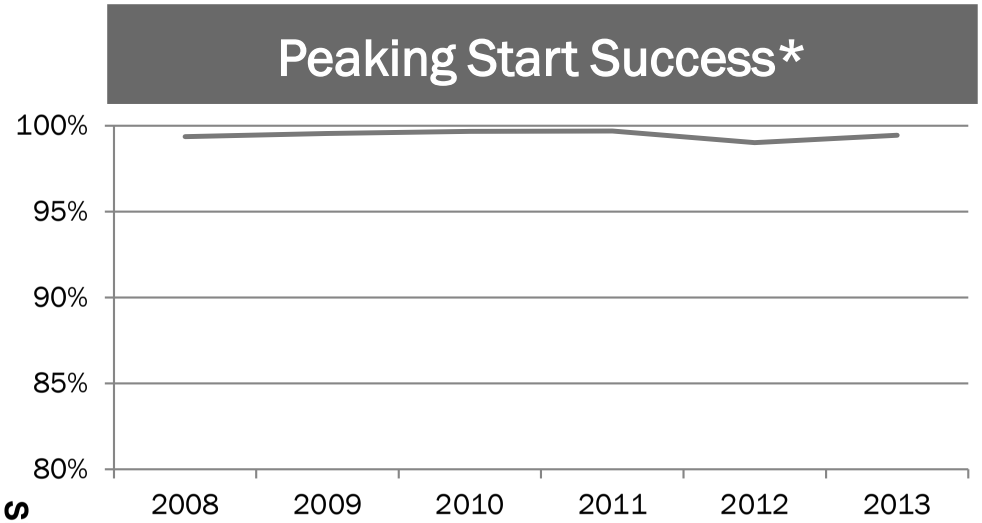
SI-SSA-0015-04933

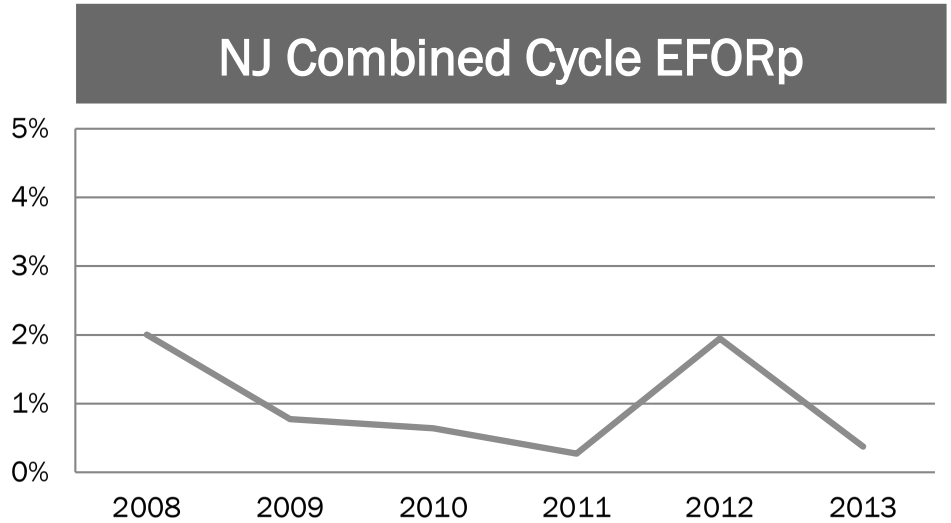
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

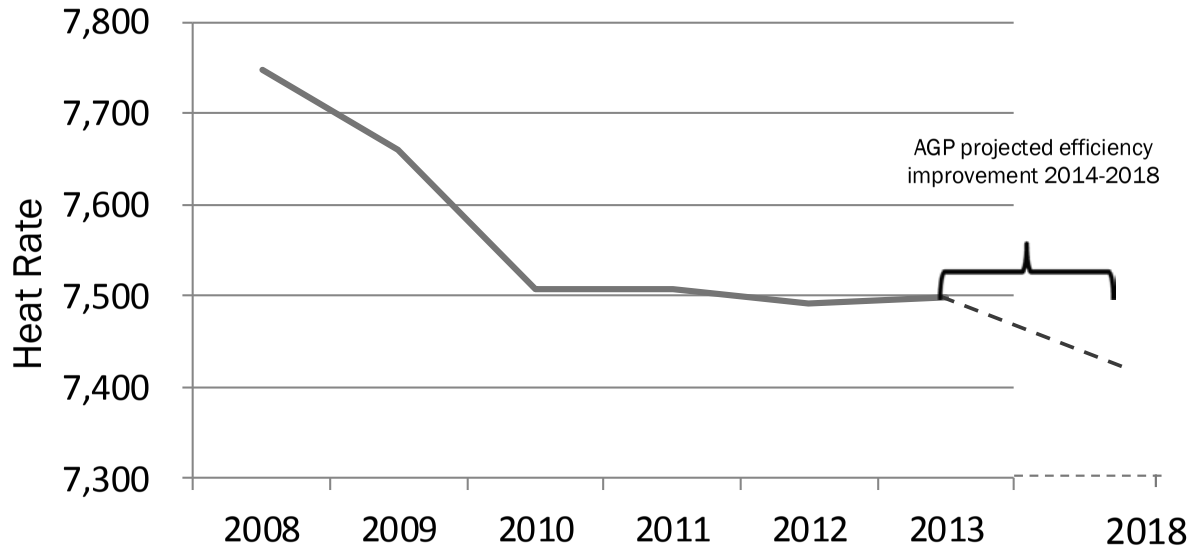
SI-SSA-0015-04934

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-04935

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

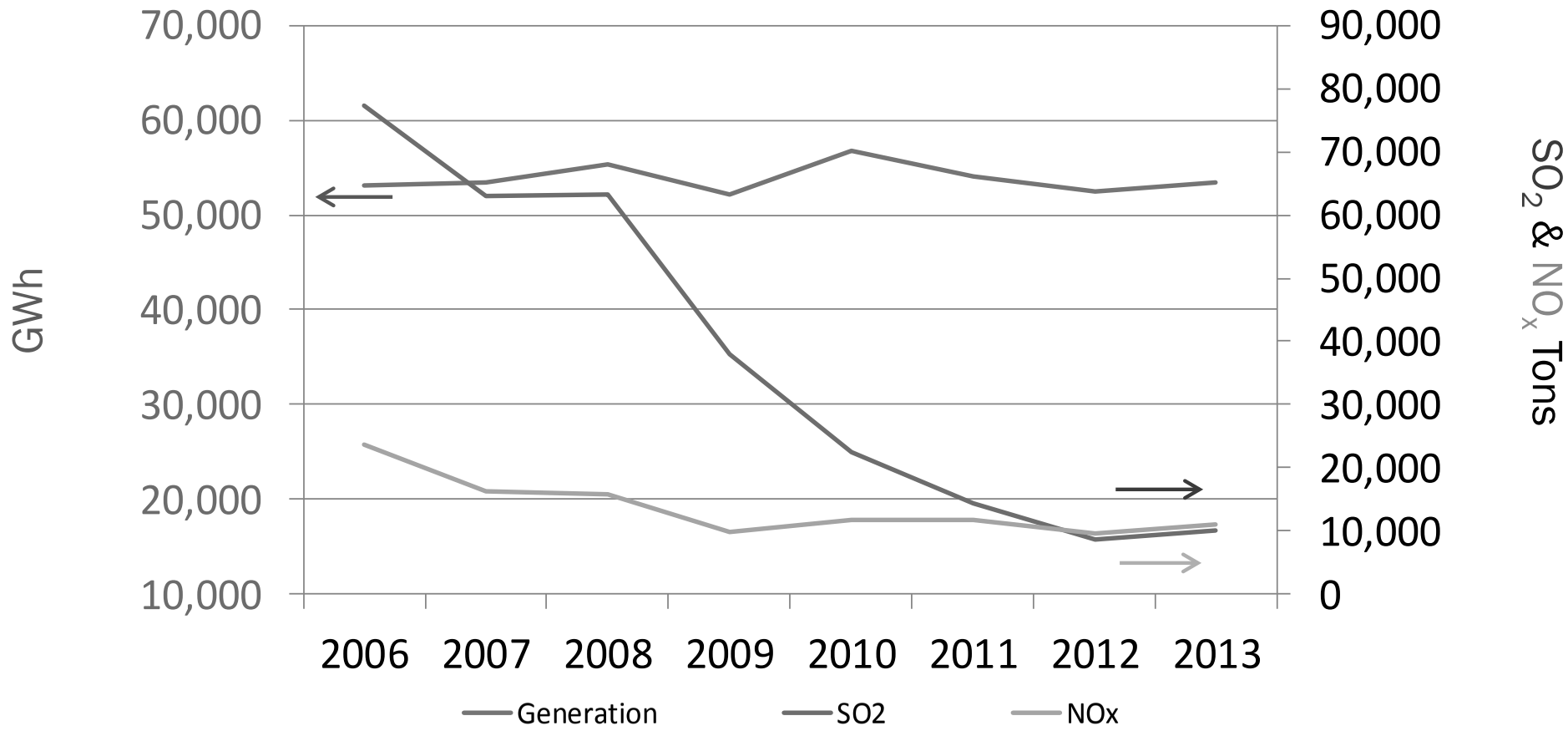
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-04936

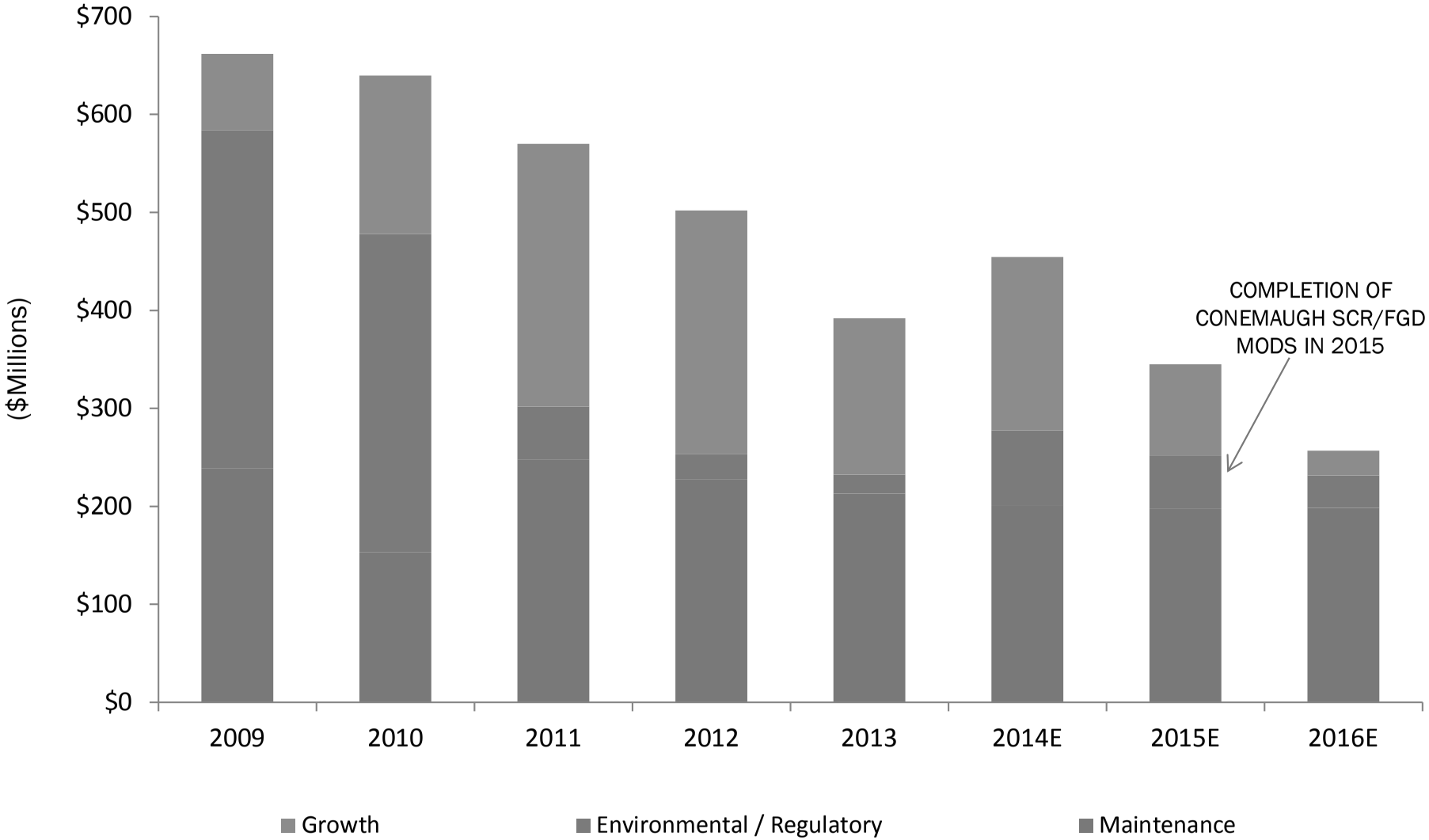
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-04937

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-04938

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-04939

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

In Construction
Texas (13 MW)/COD YE 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

In Construction
Vermont (4 MW)/COD Oct 2014E
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-04940

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

SI-SSA-0015-04941

PSEG

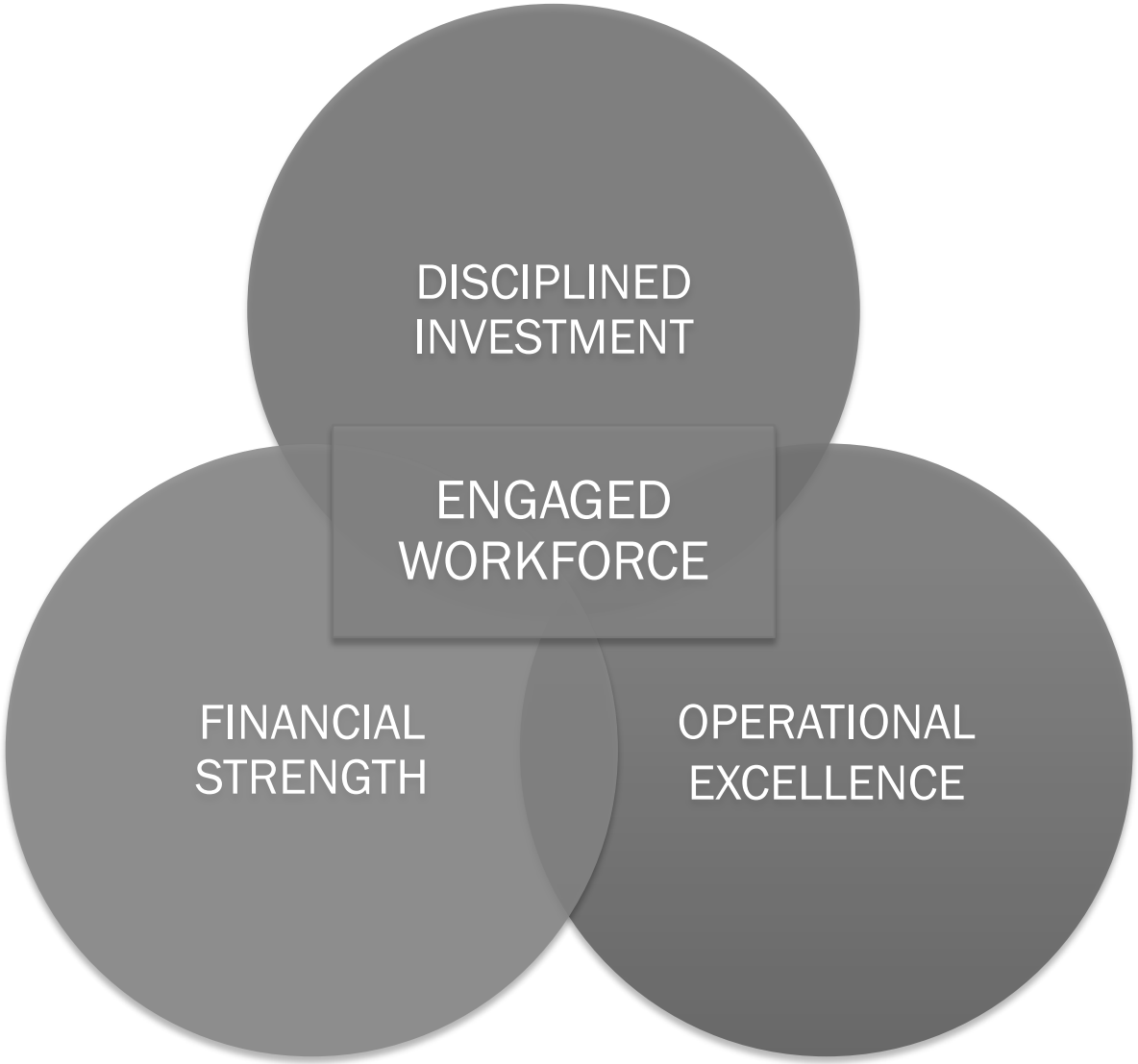
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-04942

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

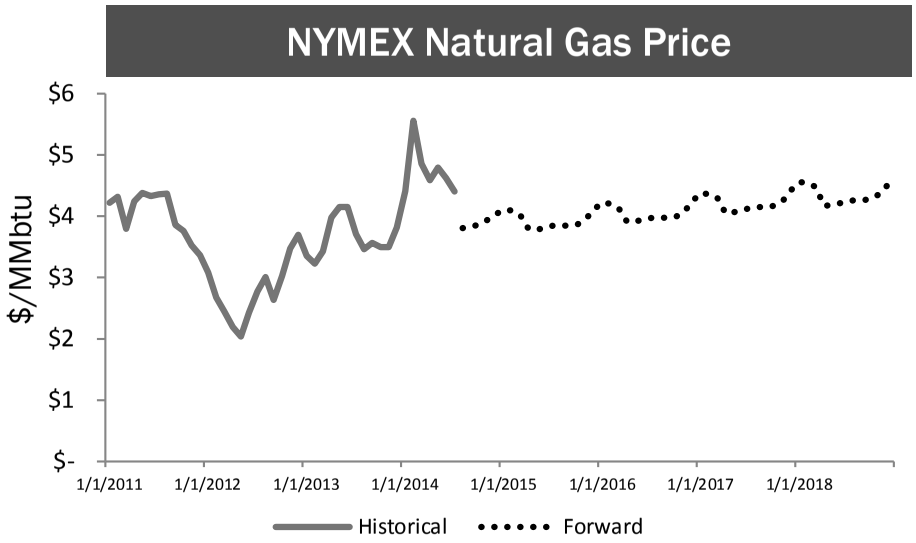
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

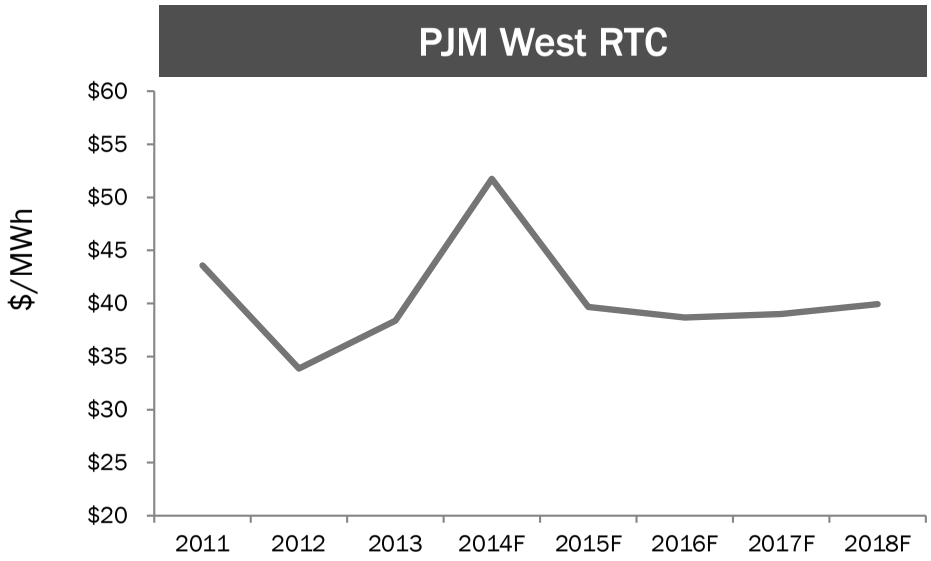
PSEG's Sustainable Advantage

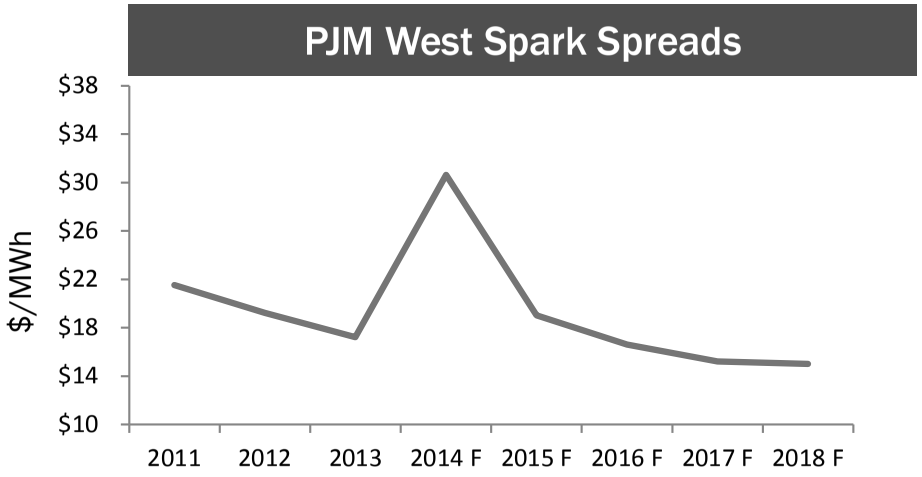
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-04943

Market Review: Long-term fundamentals remain sound







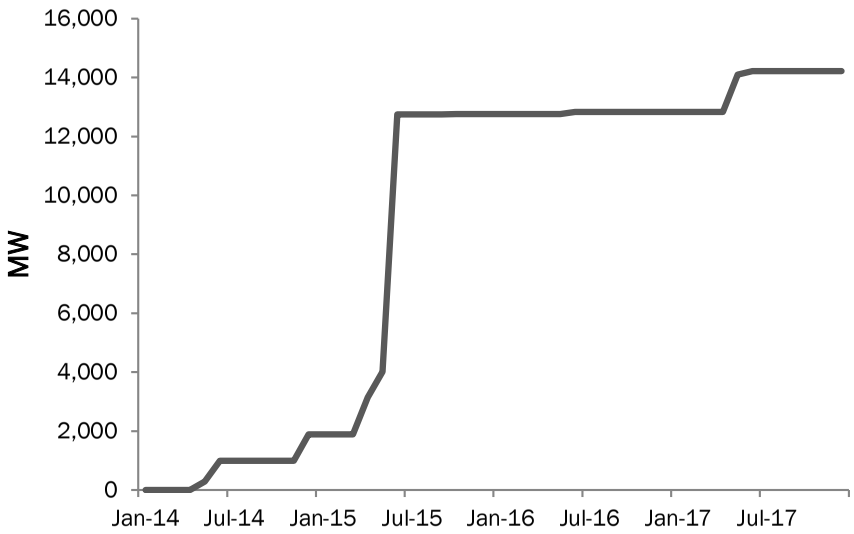
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-04944

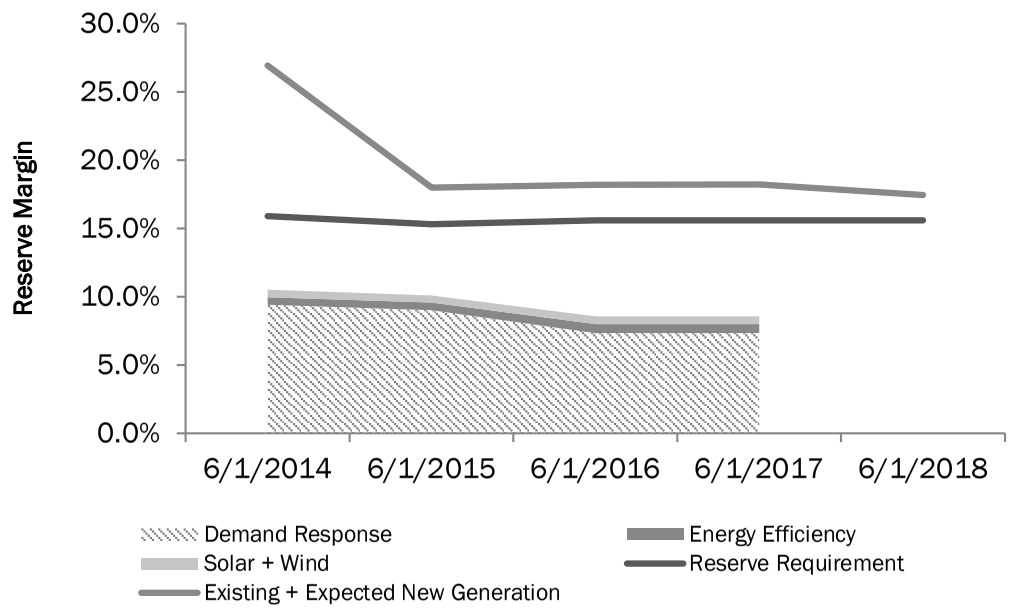
F=FORWARDS AS OF 8/13/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-04945

PSEG

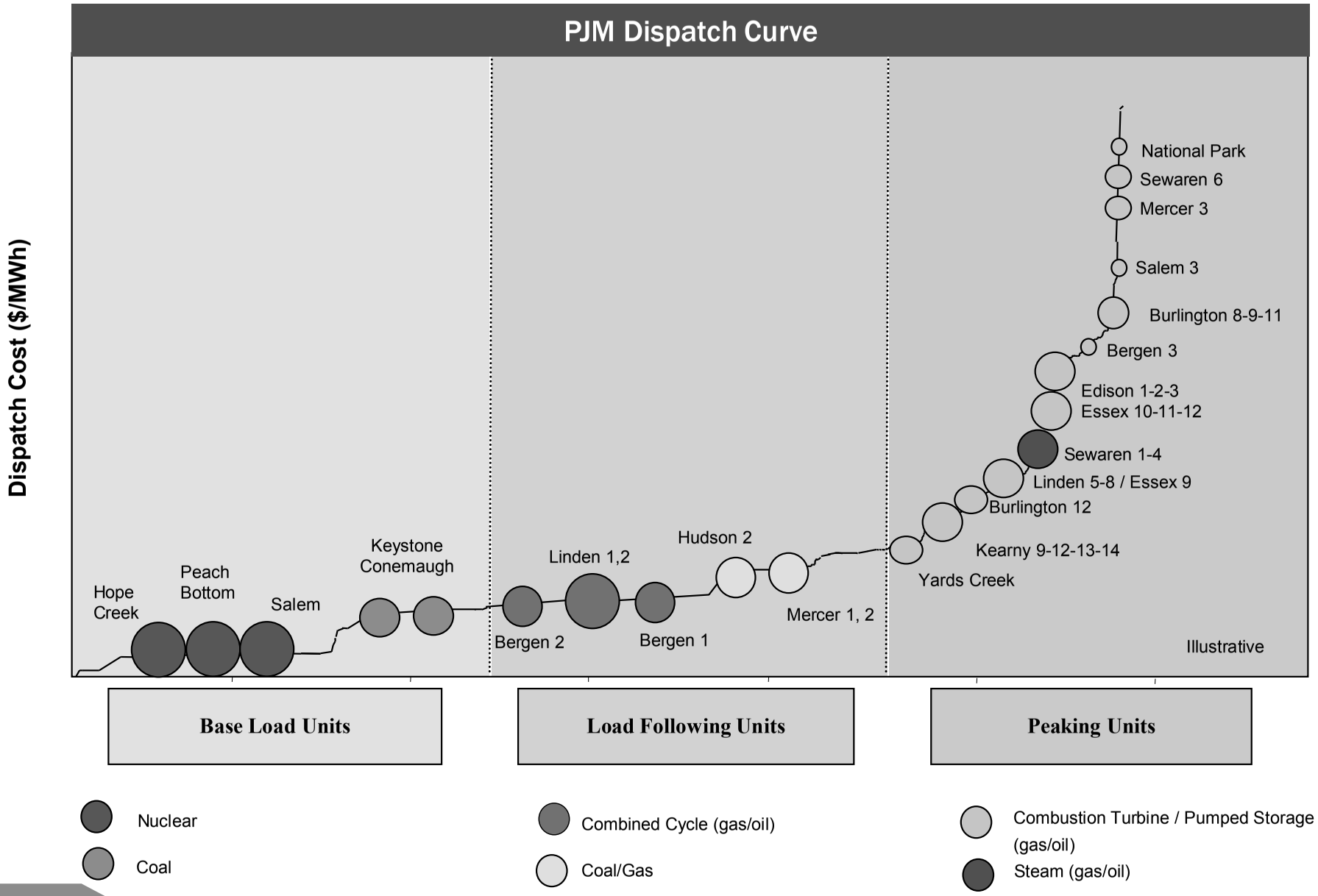
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

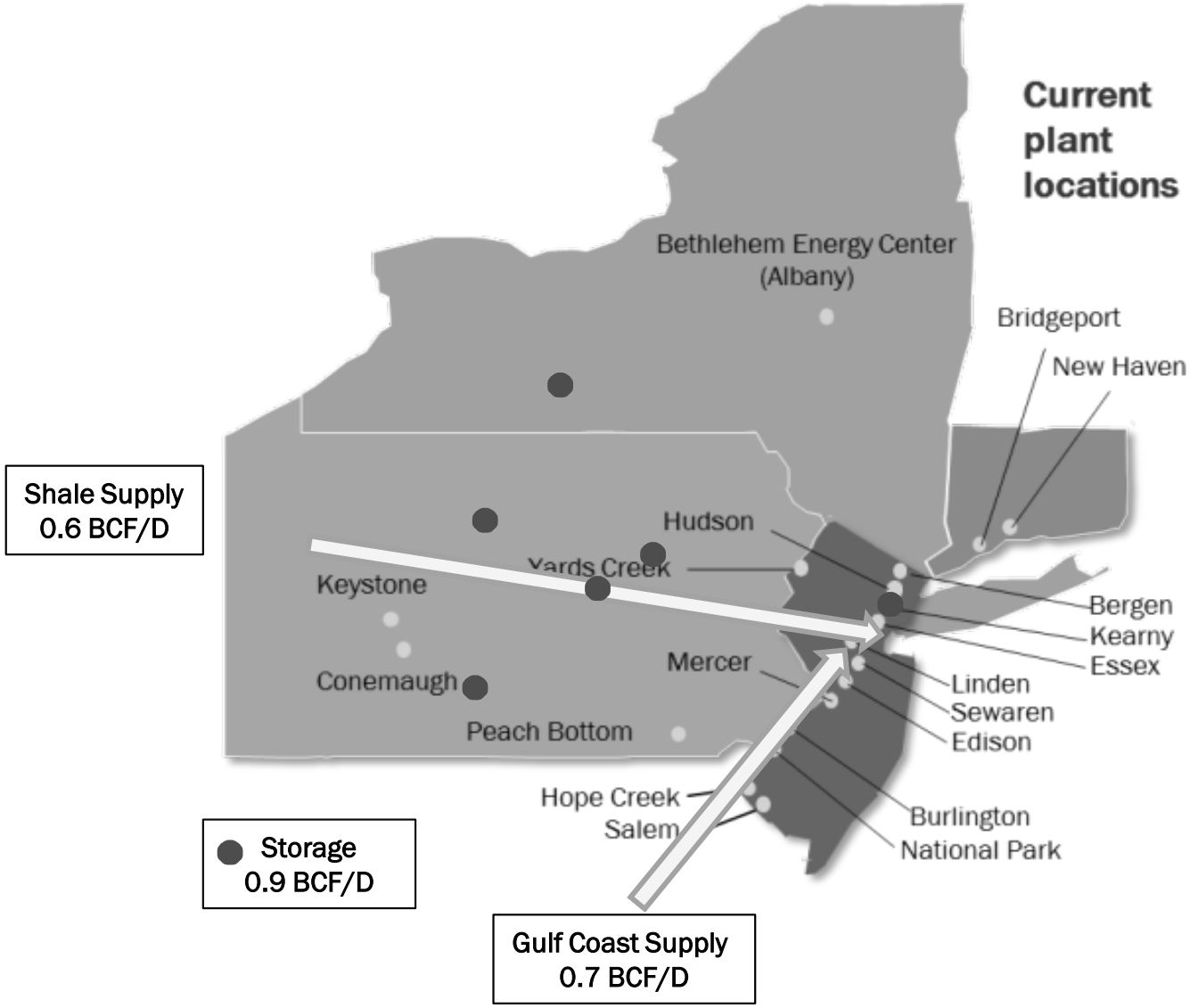
SI-SSA-0015-04946

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



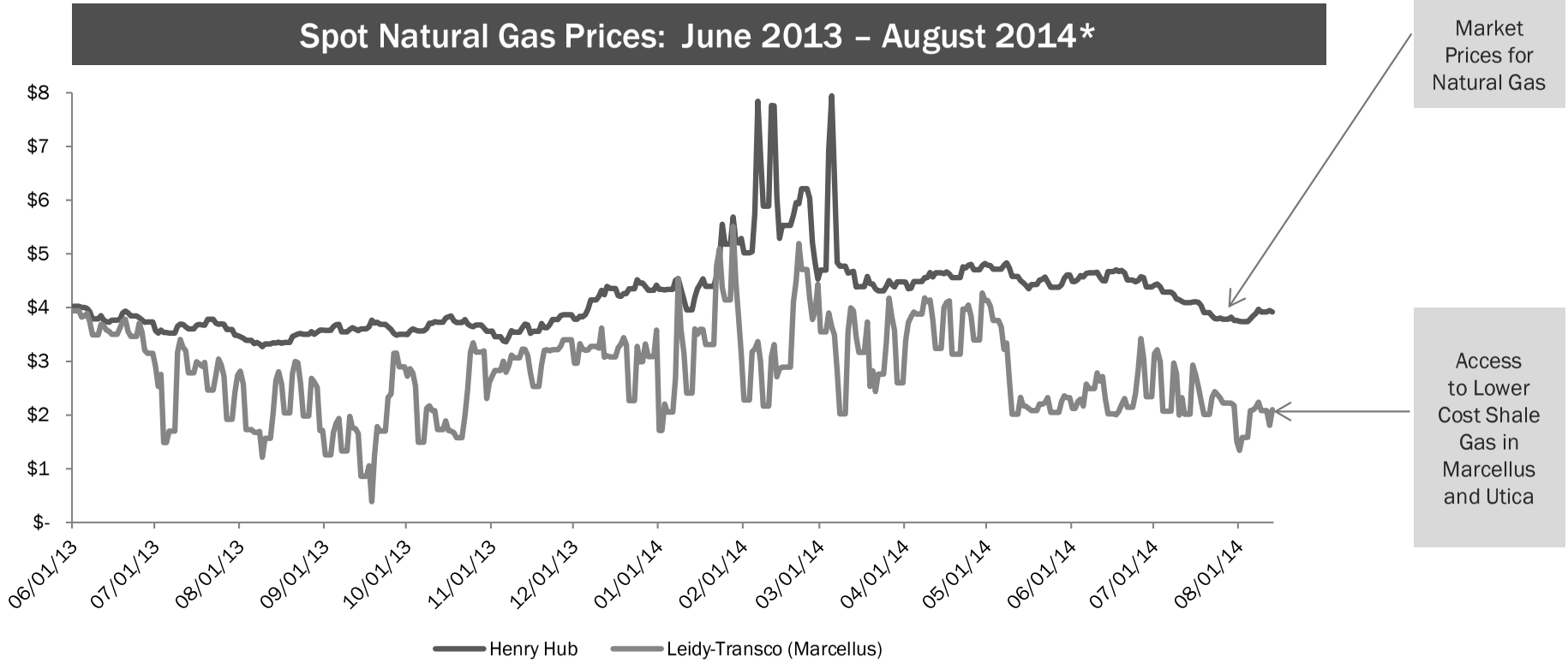
SI-SSA-0015-04947

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-04948

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

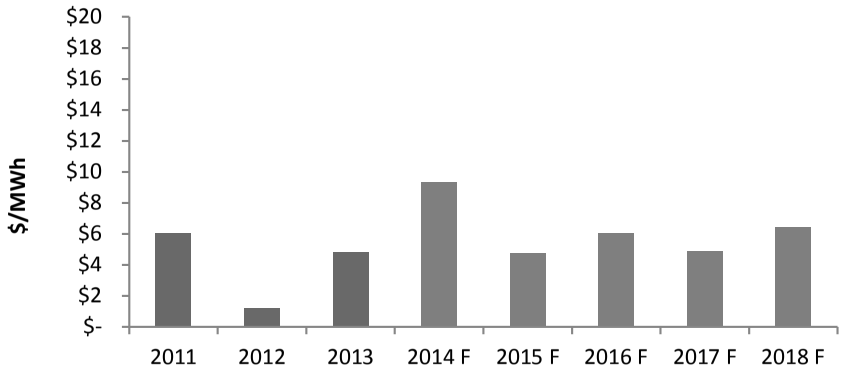
SI-SSA-0015-04949

PSEG

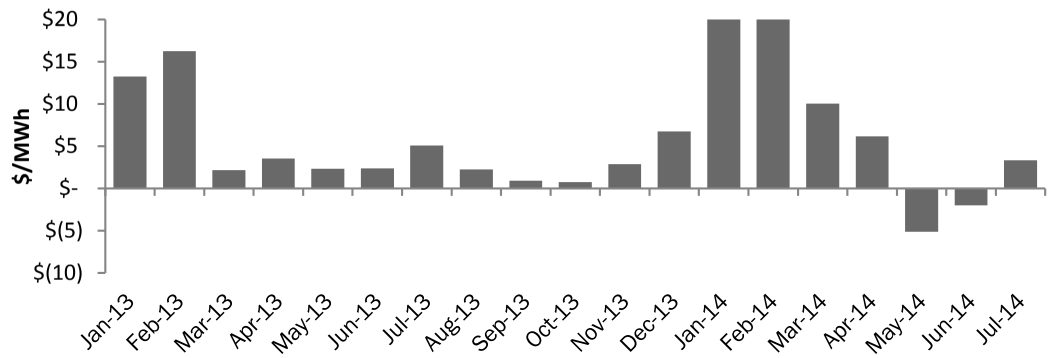
*AS OF 8/13/2014

Competitive Advantage: Locational advantage from short term basis volatility

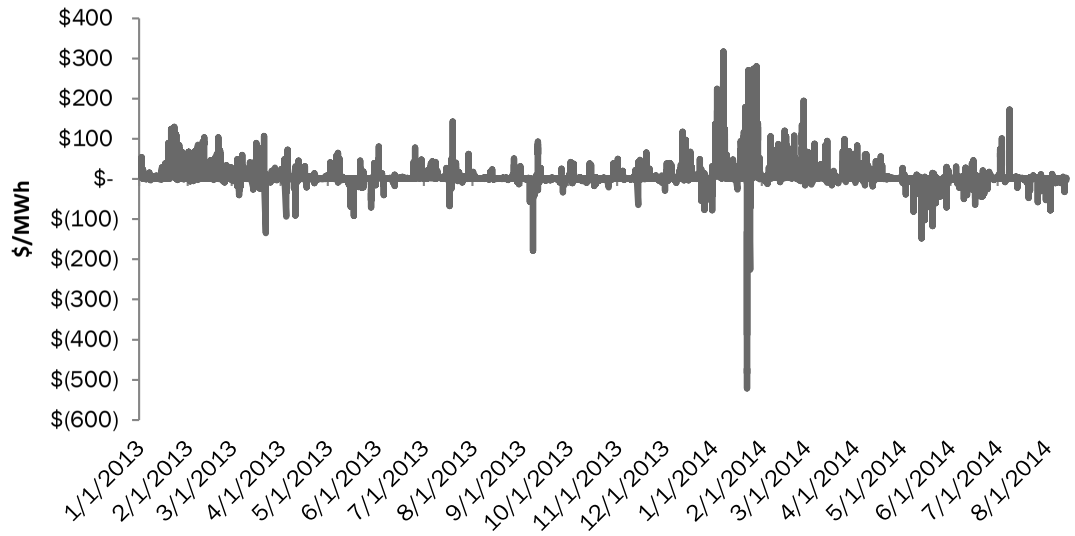
PS Zone Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W

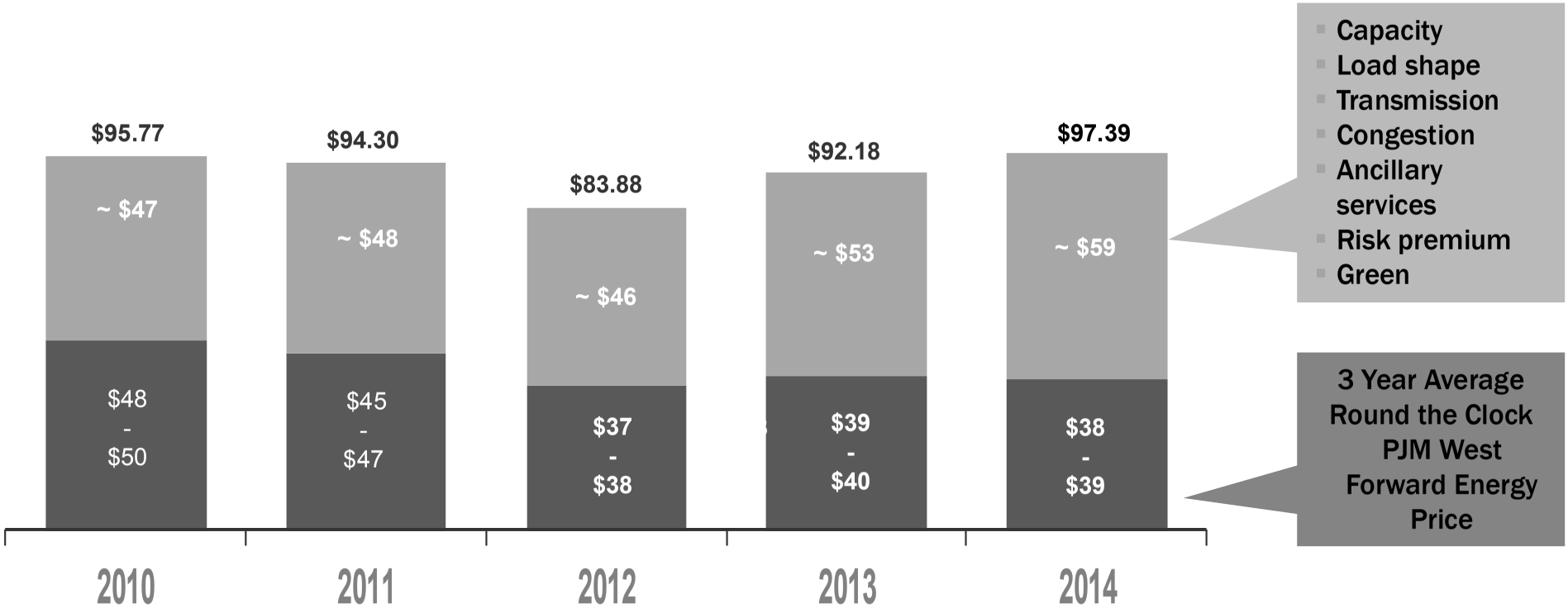


- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-04950

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 8/13/2014. 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-04951

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-04952

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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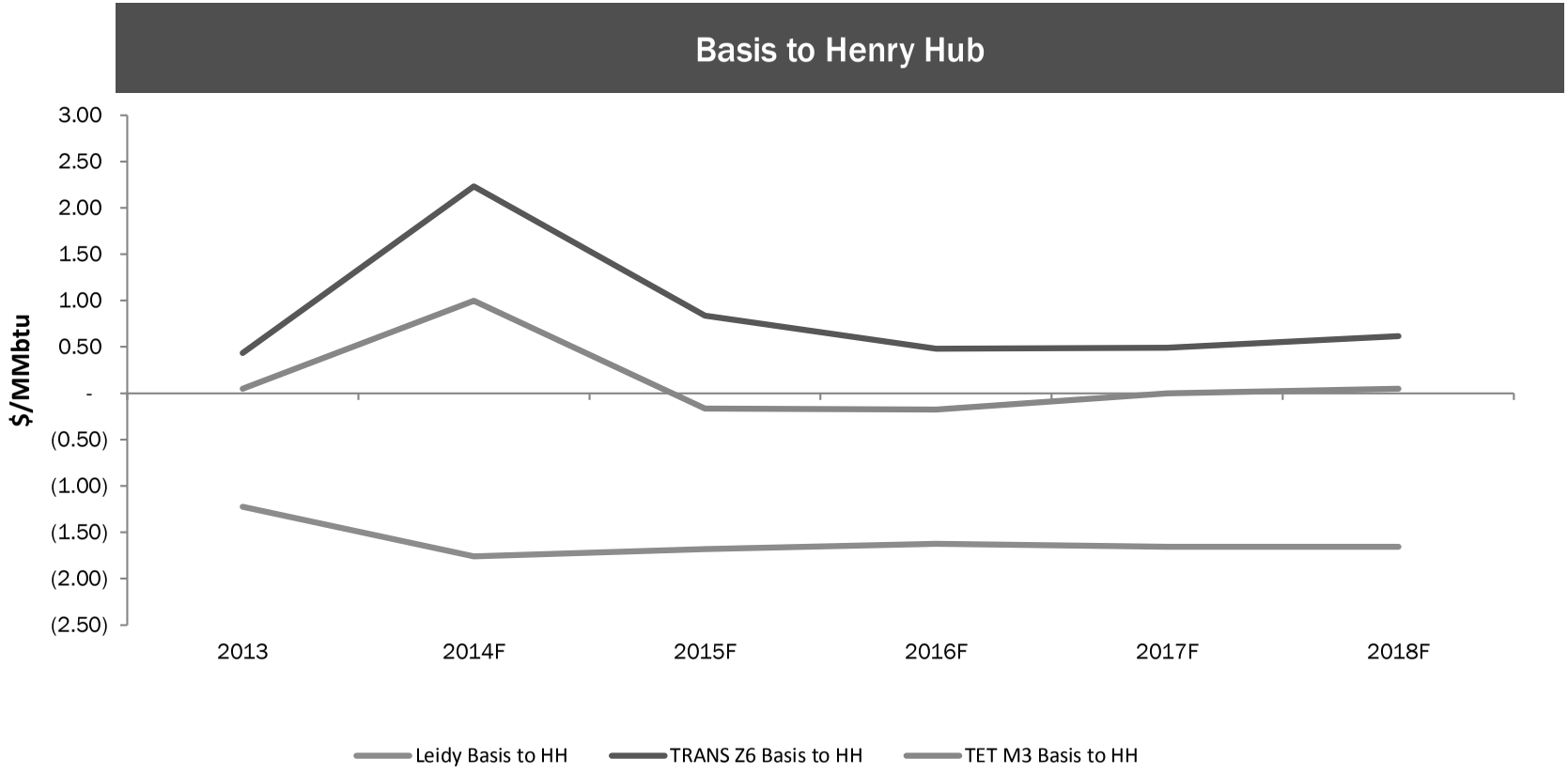
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

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PSEG

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 8/13/14. 2014F INCLUDES HISTORY AND FORWARDS.
LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-04955

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

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Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-04957

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

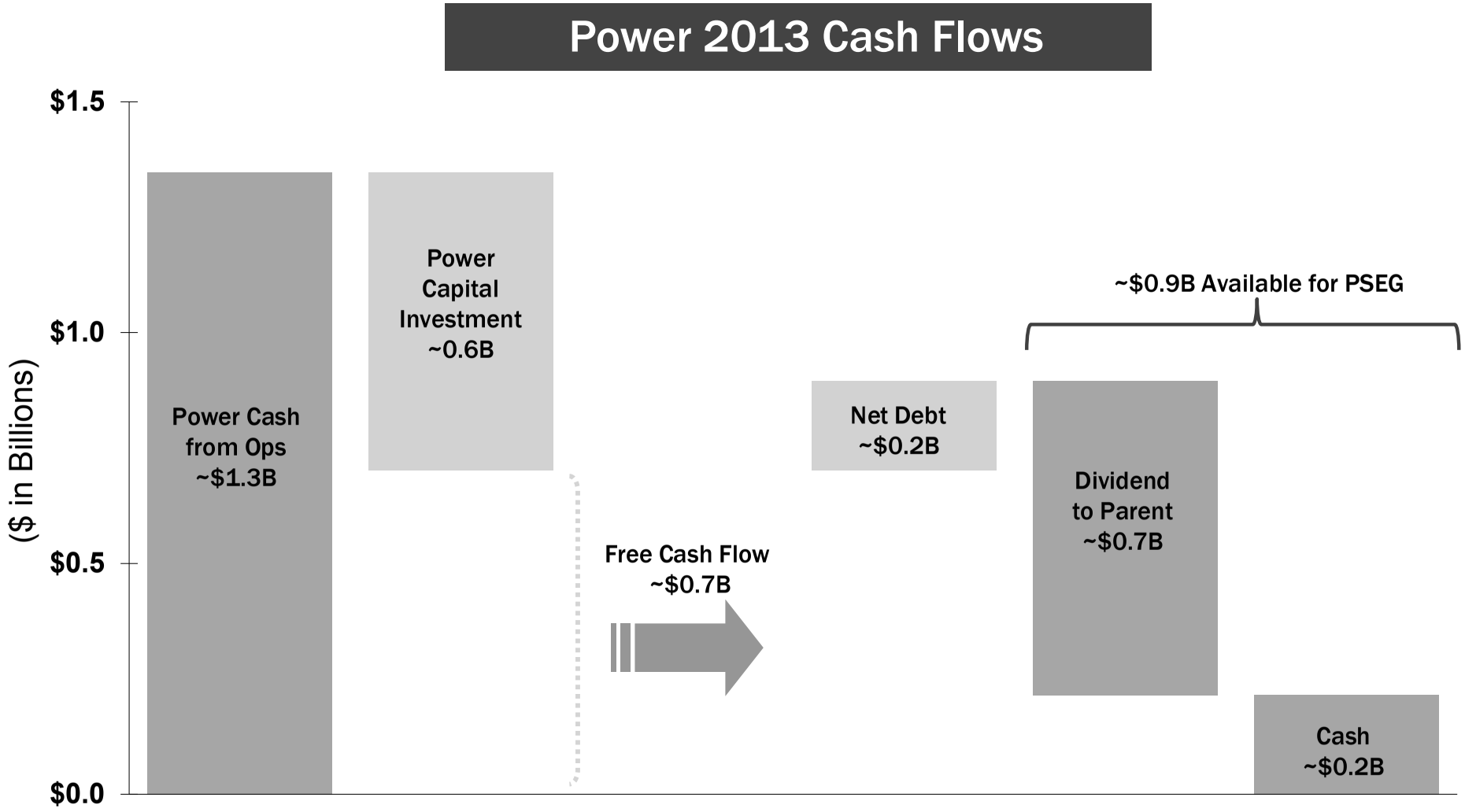
SI-SSA-0015-04958

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



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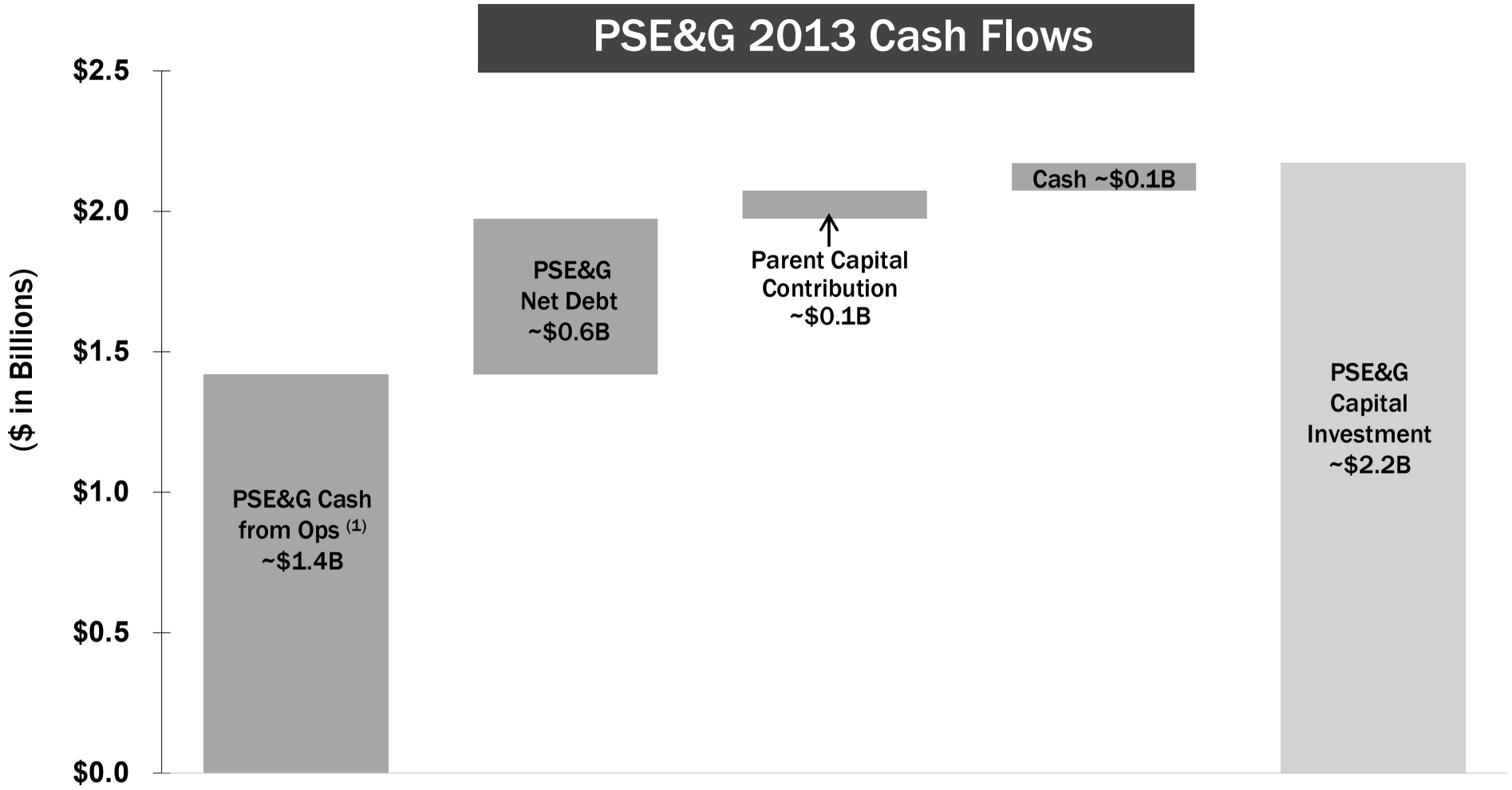
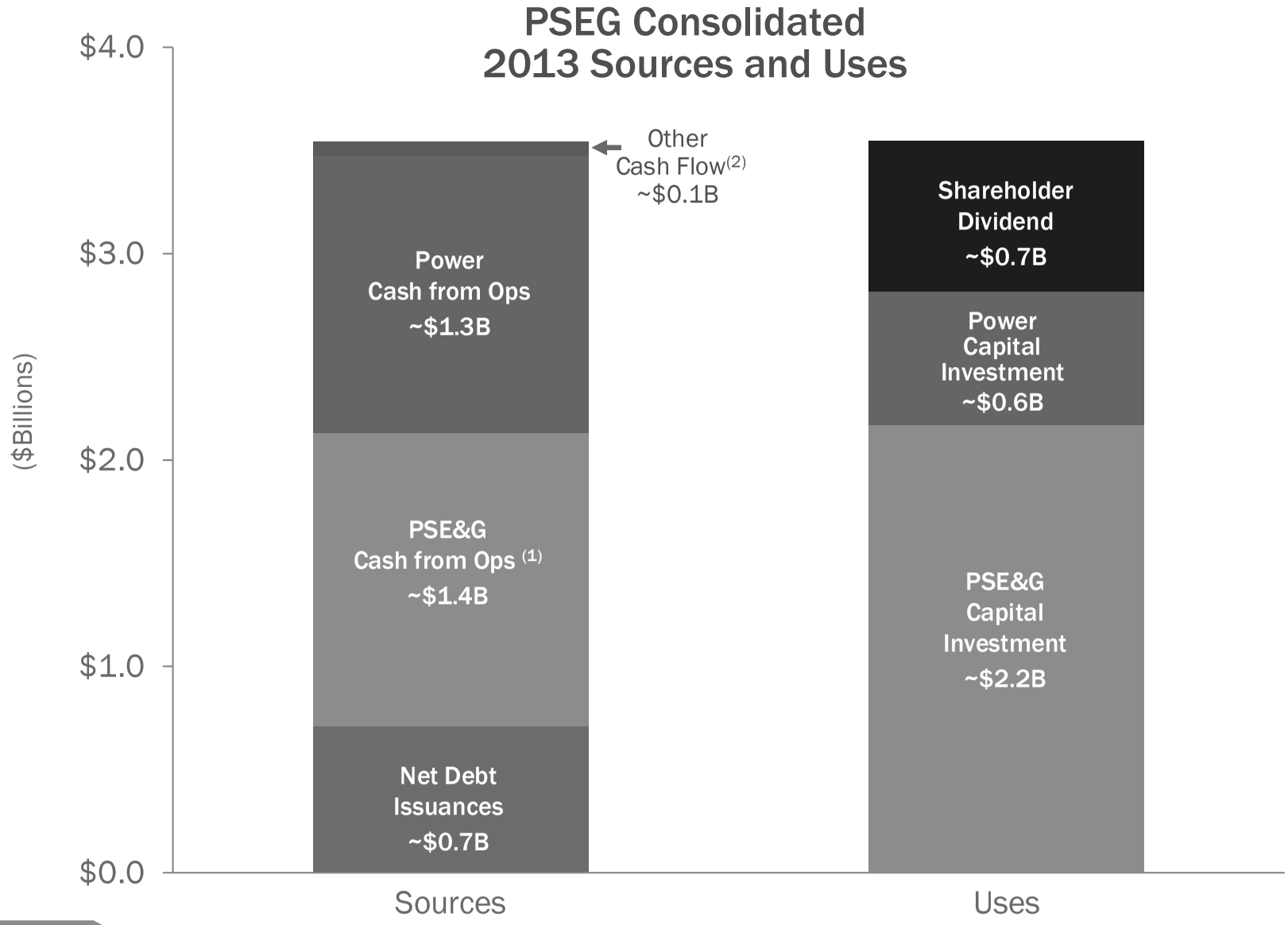
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-04960

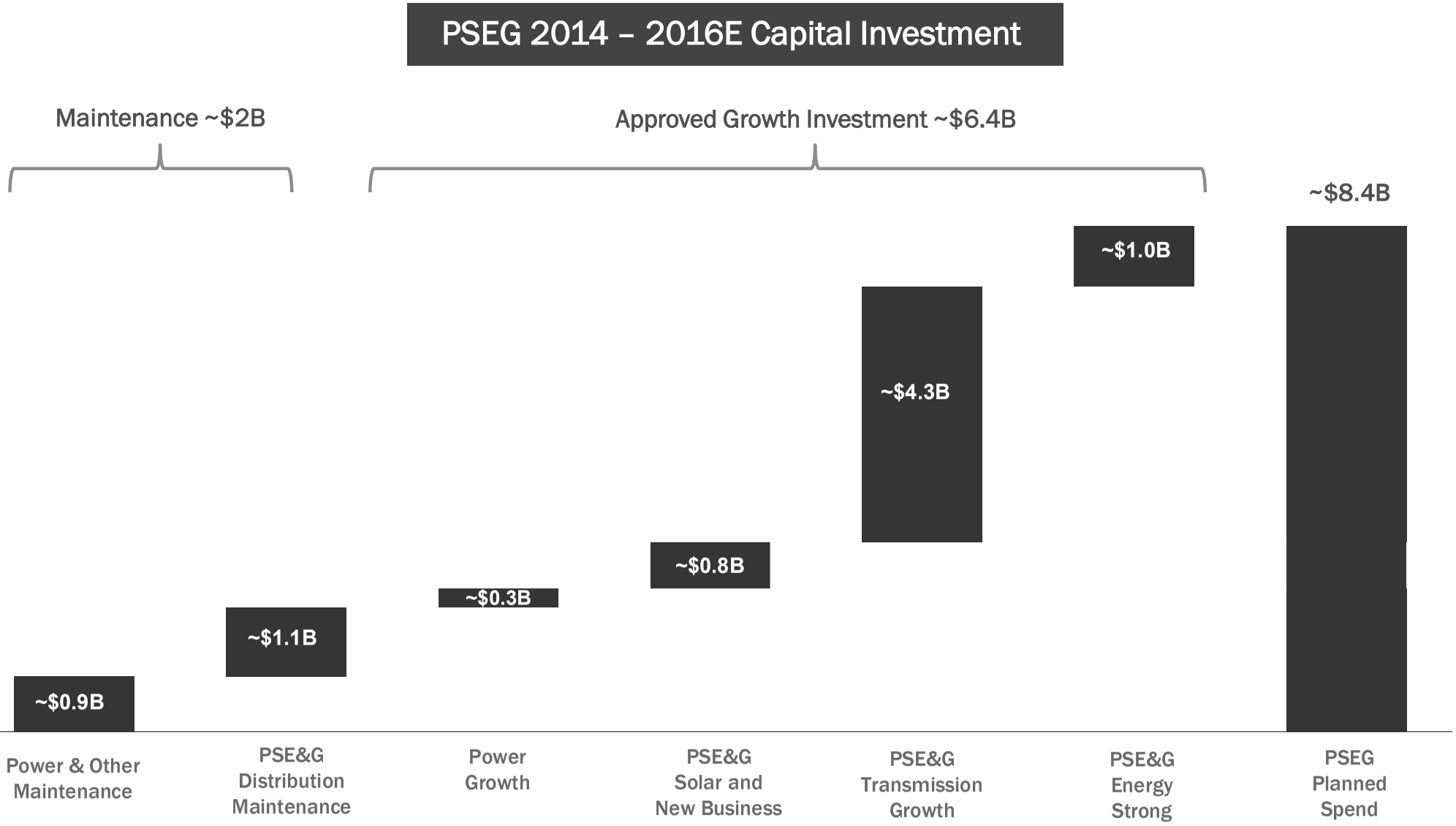
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-04961

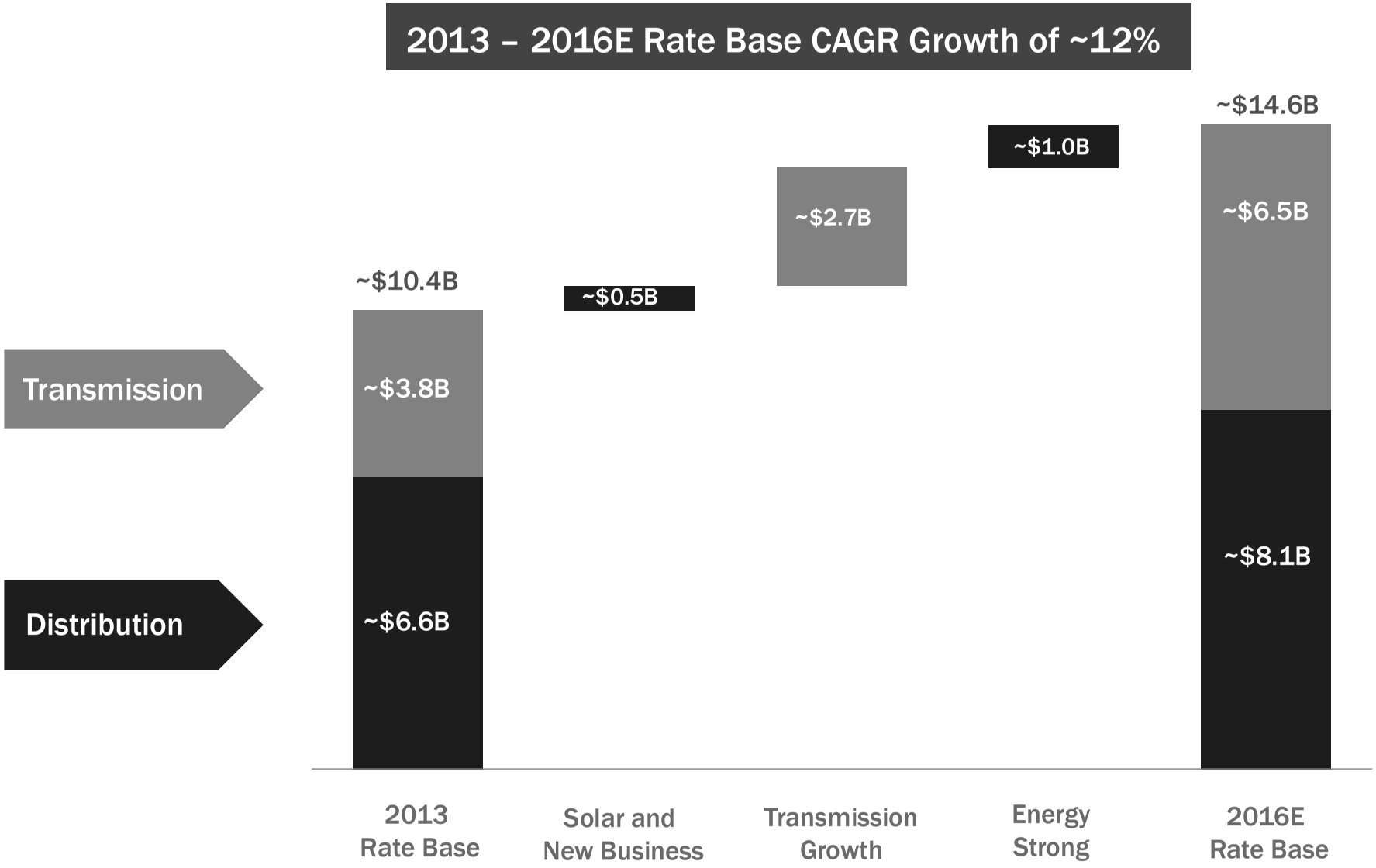
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

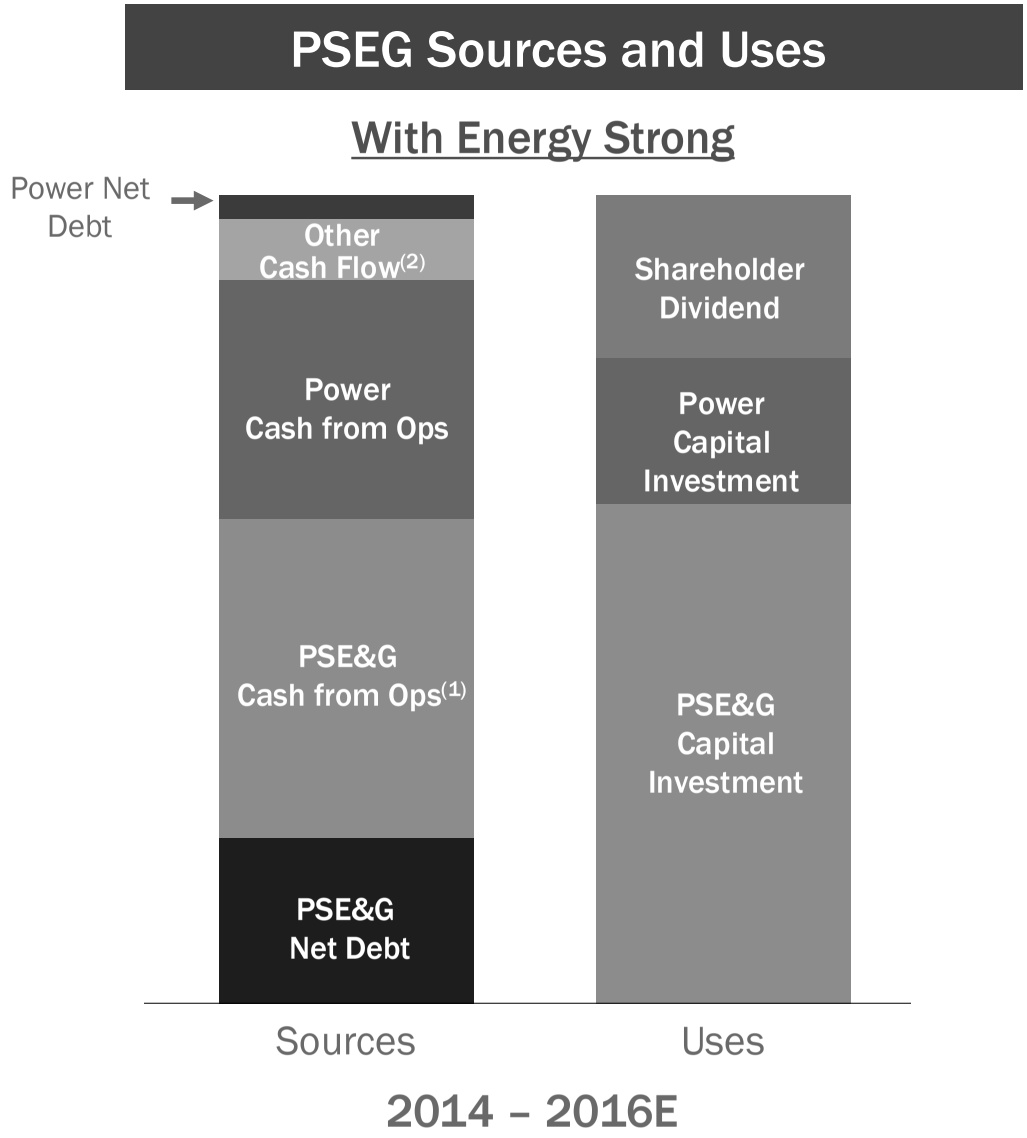
SI-SSA-0015-04962

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-04963

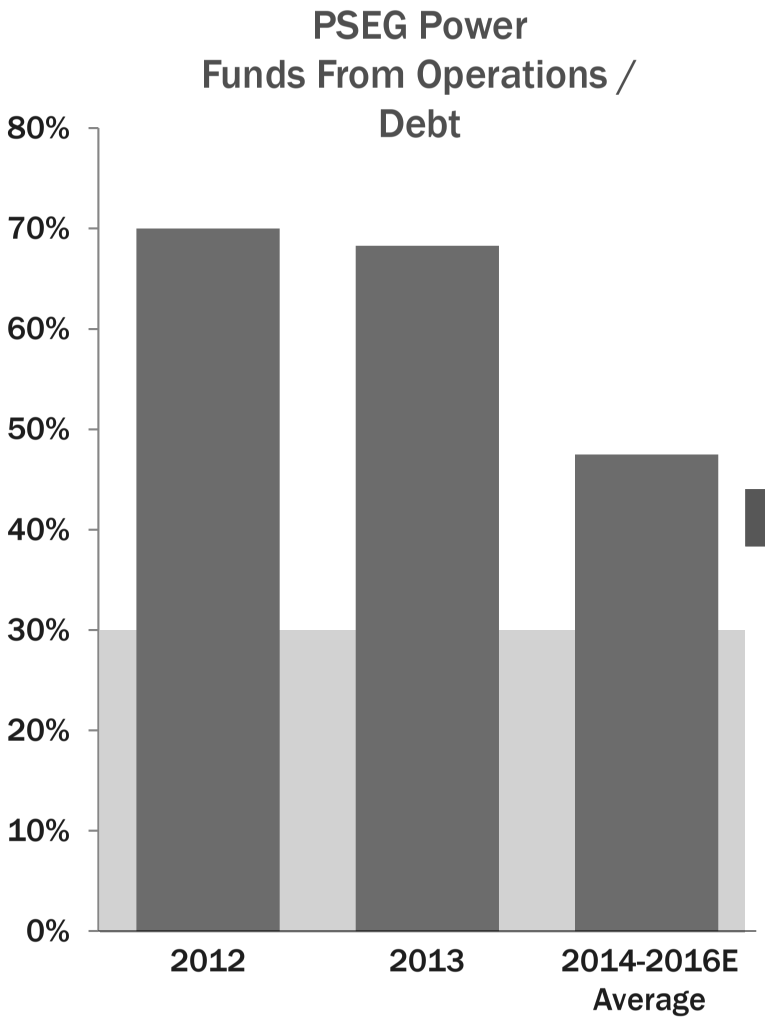
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-04964

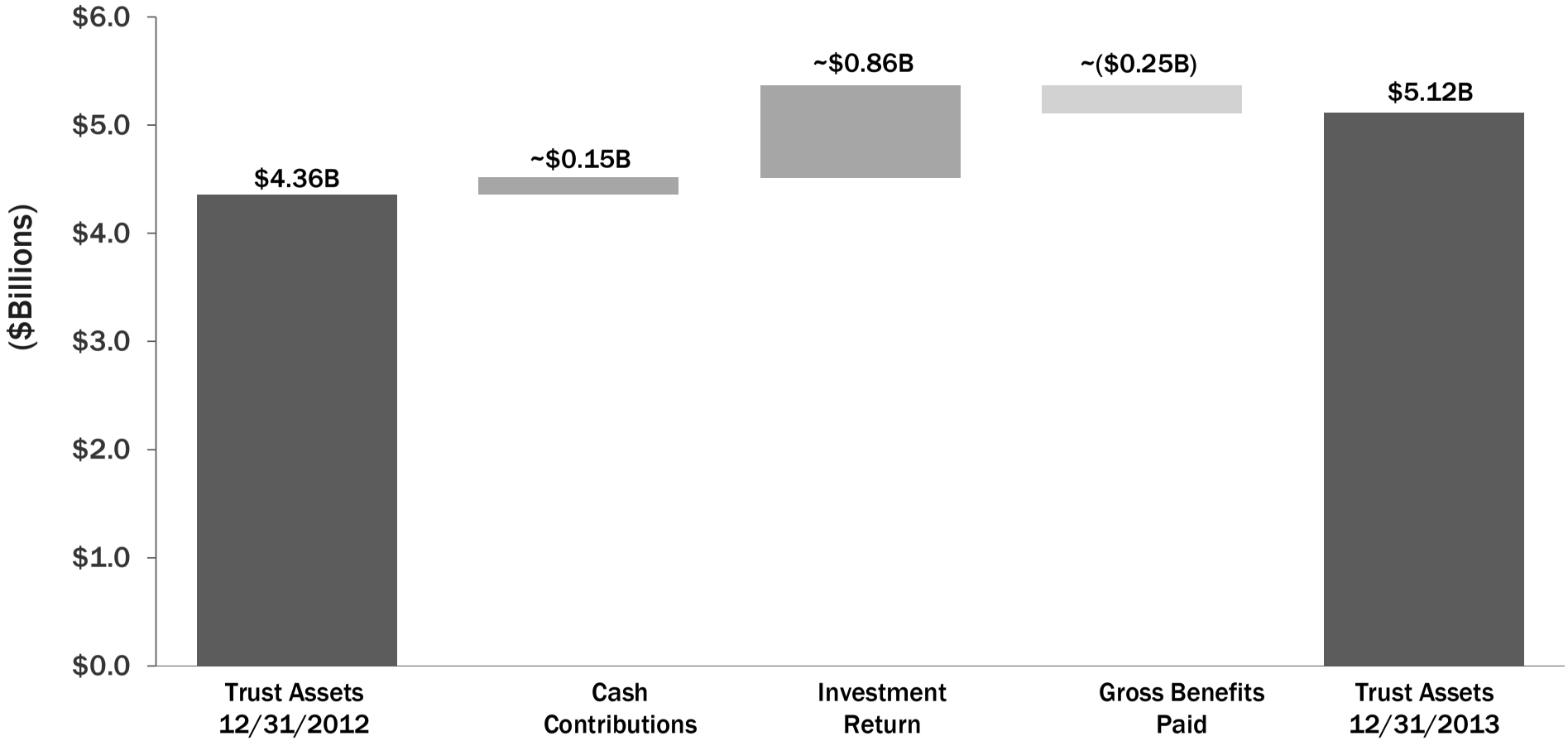
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-04965

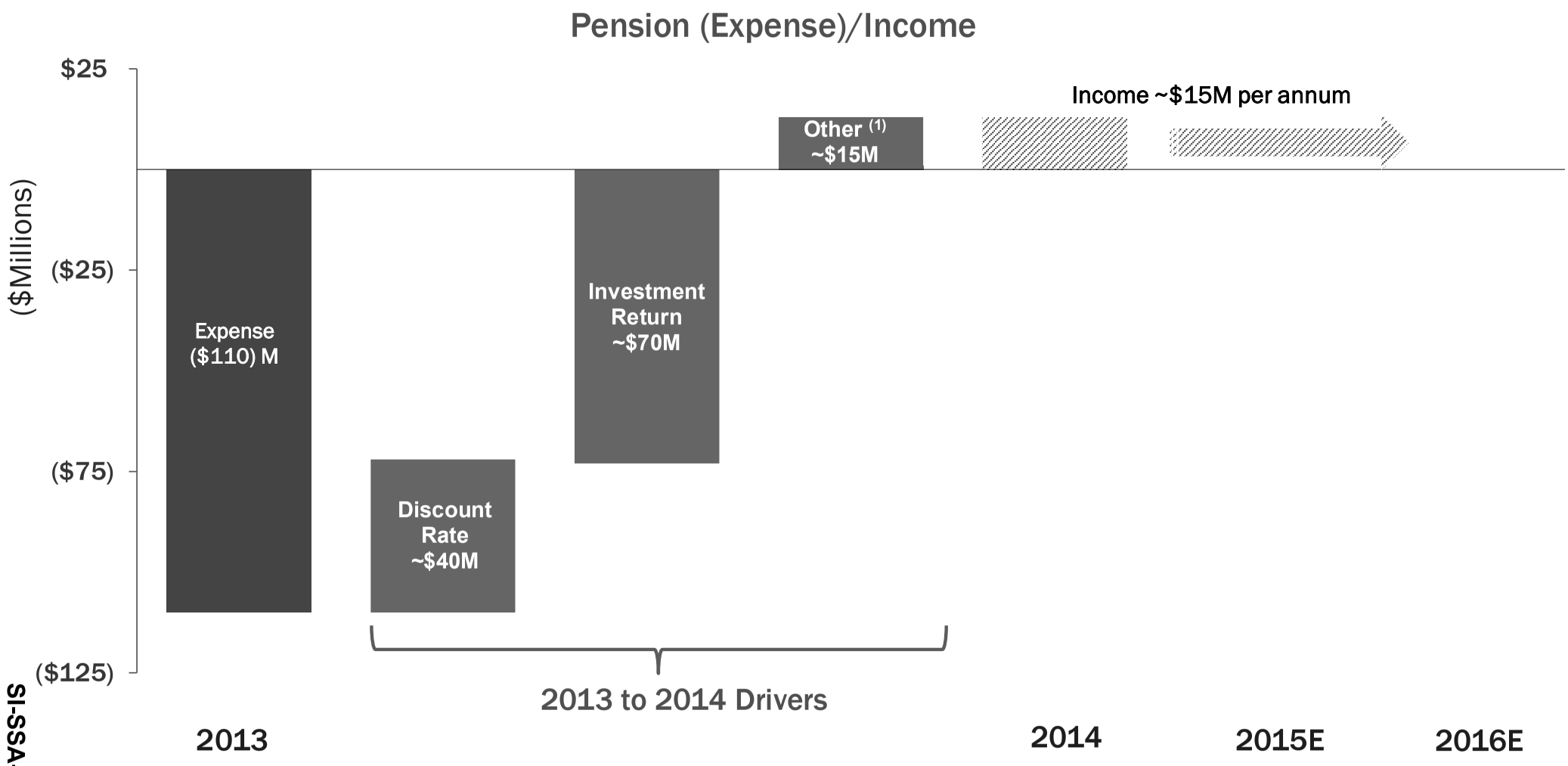
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-04966

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-04967

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Enterprise/Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

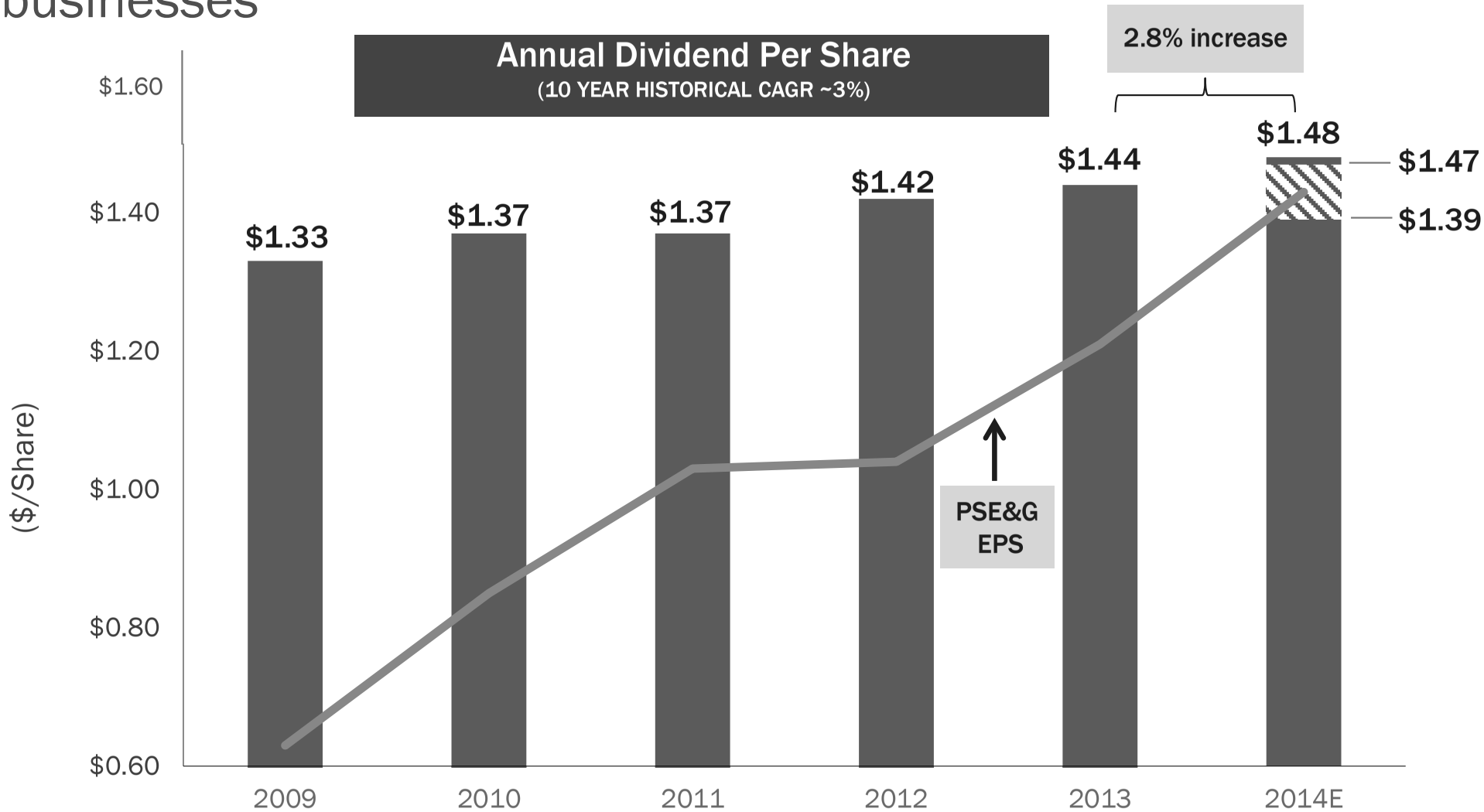
SI-SSA-0015-04968

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-04969

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00	$0.08 - $0.11
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-04970

PSEG Summary

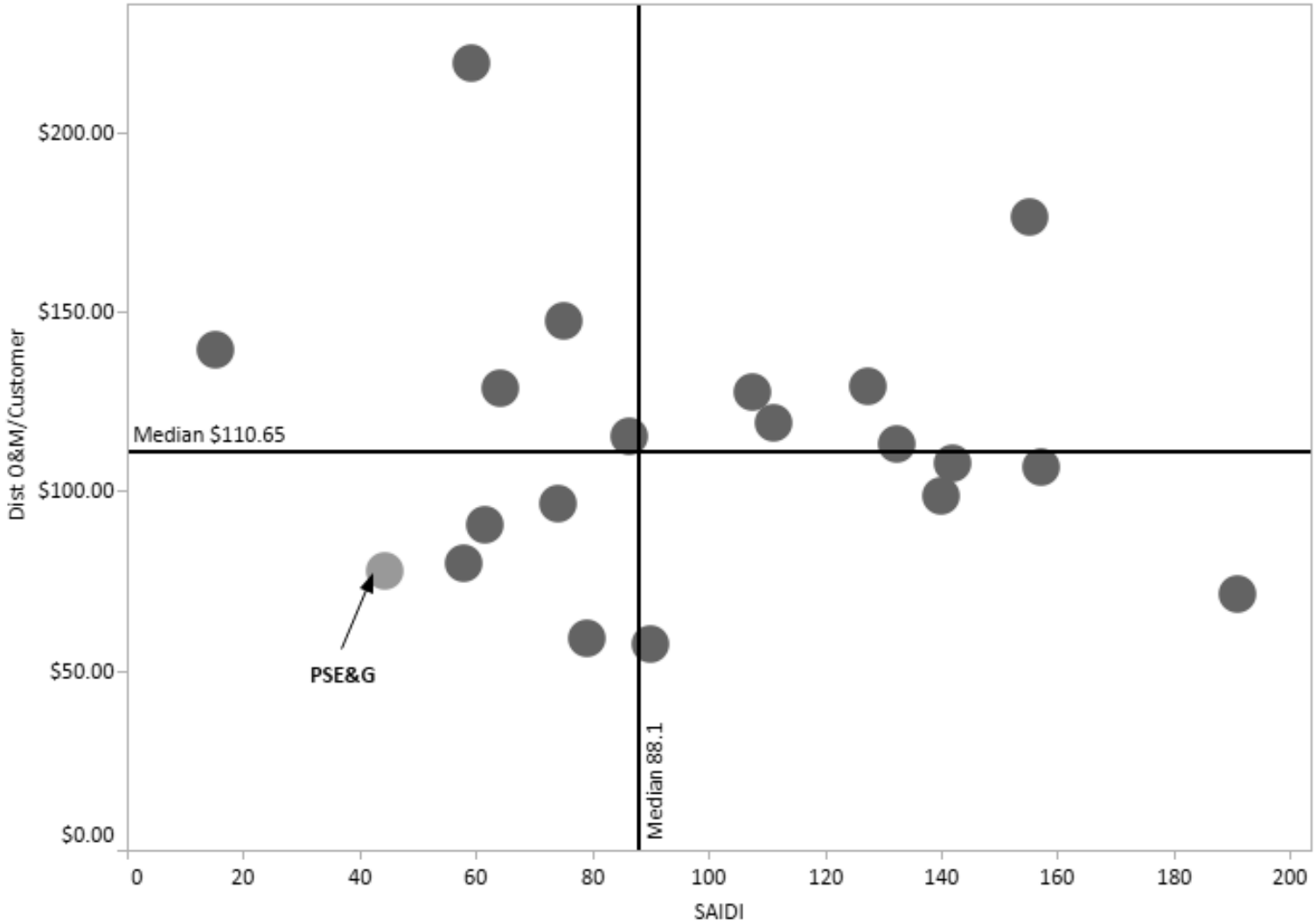
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-04971

PSE&G APPENDIX

SI-SSA-0015-04972

PSE&G provides high reliability at below average cost which creates superior value to customers

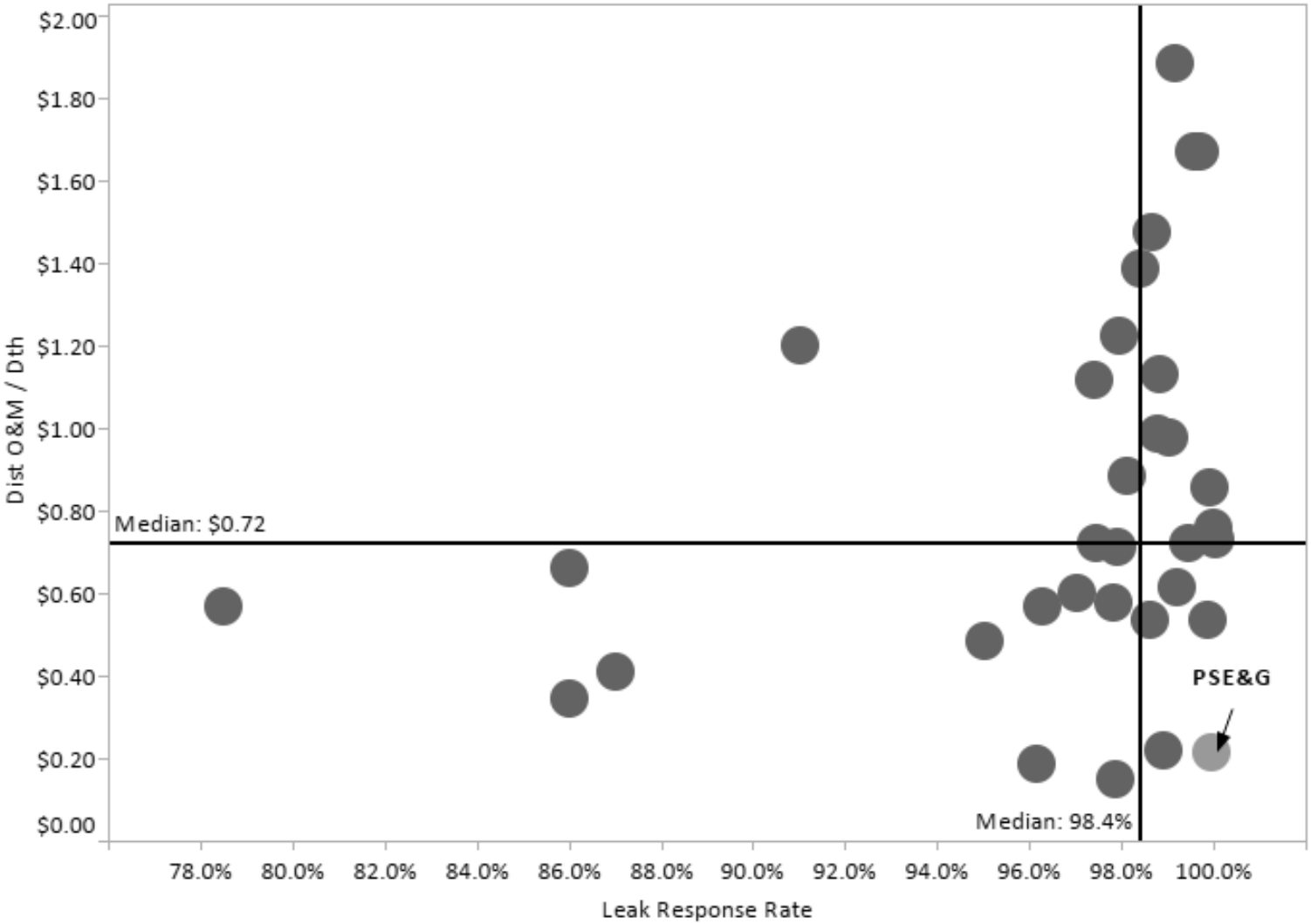


SI-SSA-0015-04973

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



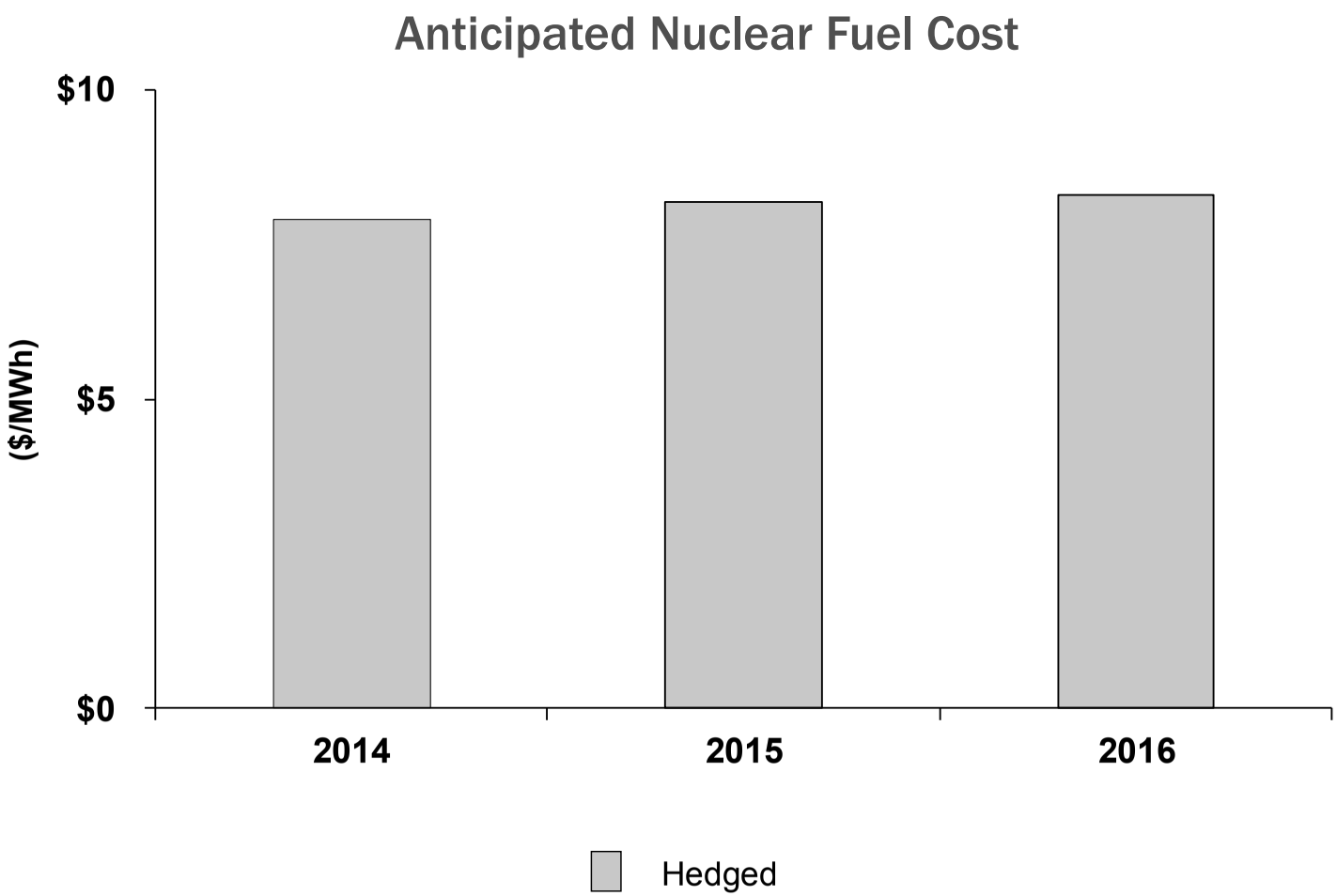
SI-SSA-0015-04974

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

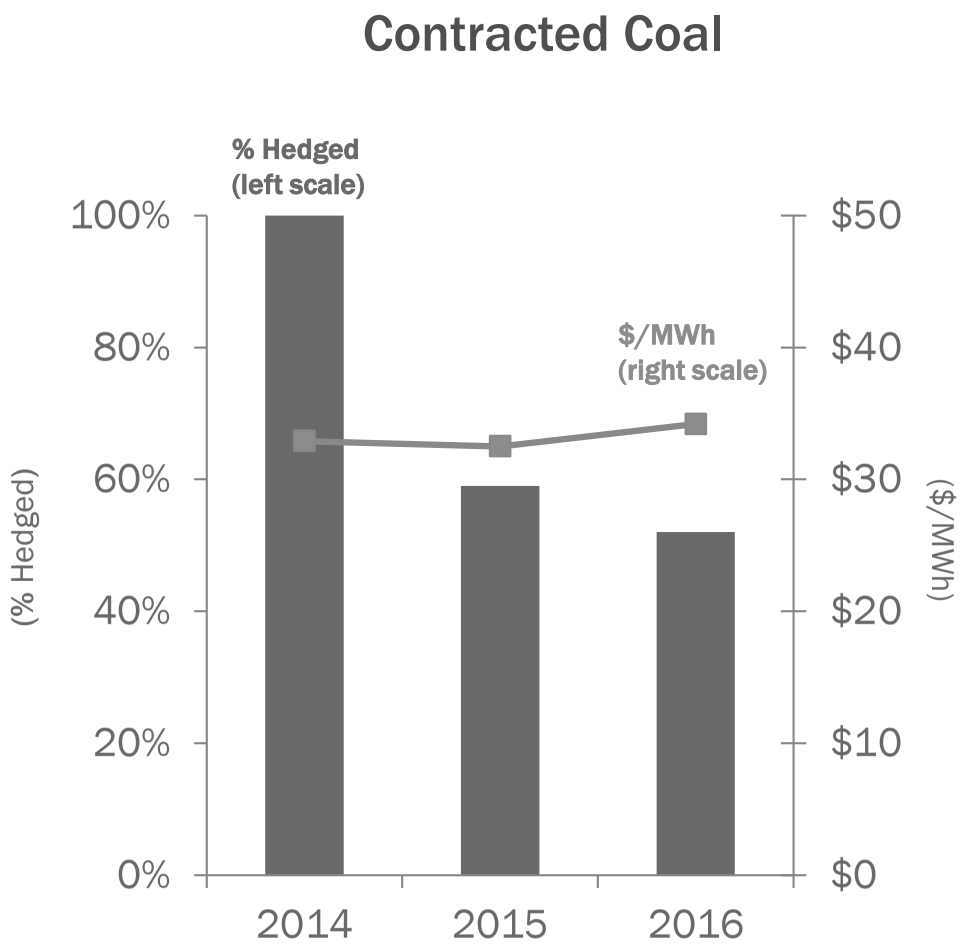
SI-SSA-0015-04975

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-04976

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-04977

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-04978

PSEG FINANCIAL APPENDIX

SI-SSA-0015-04979

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

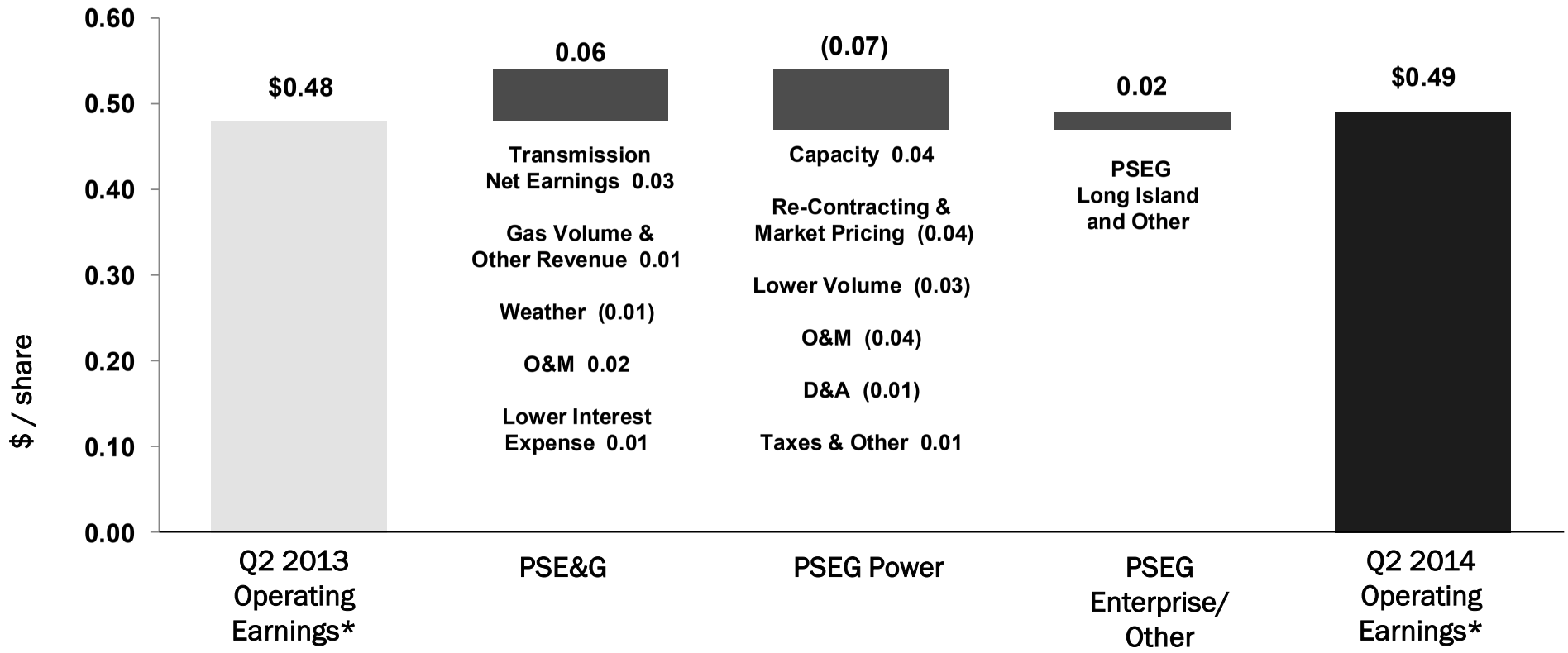
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
*Operating Earnings**	$ 245	$ 243	$ 0.49	$ 0.48

SI-SSA-0015-04980

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2014 vs. Q2 2013



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

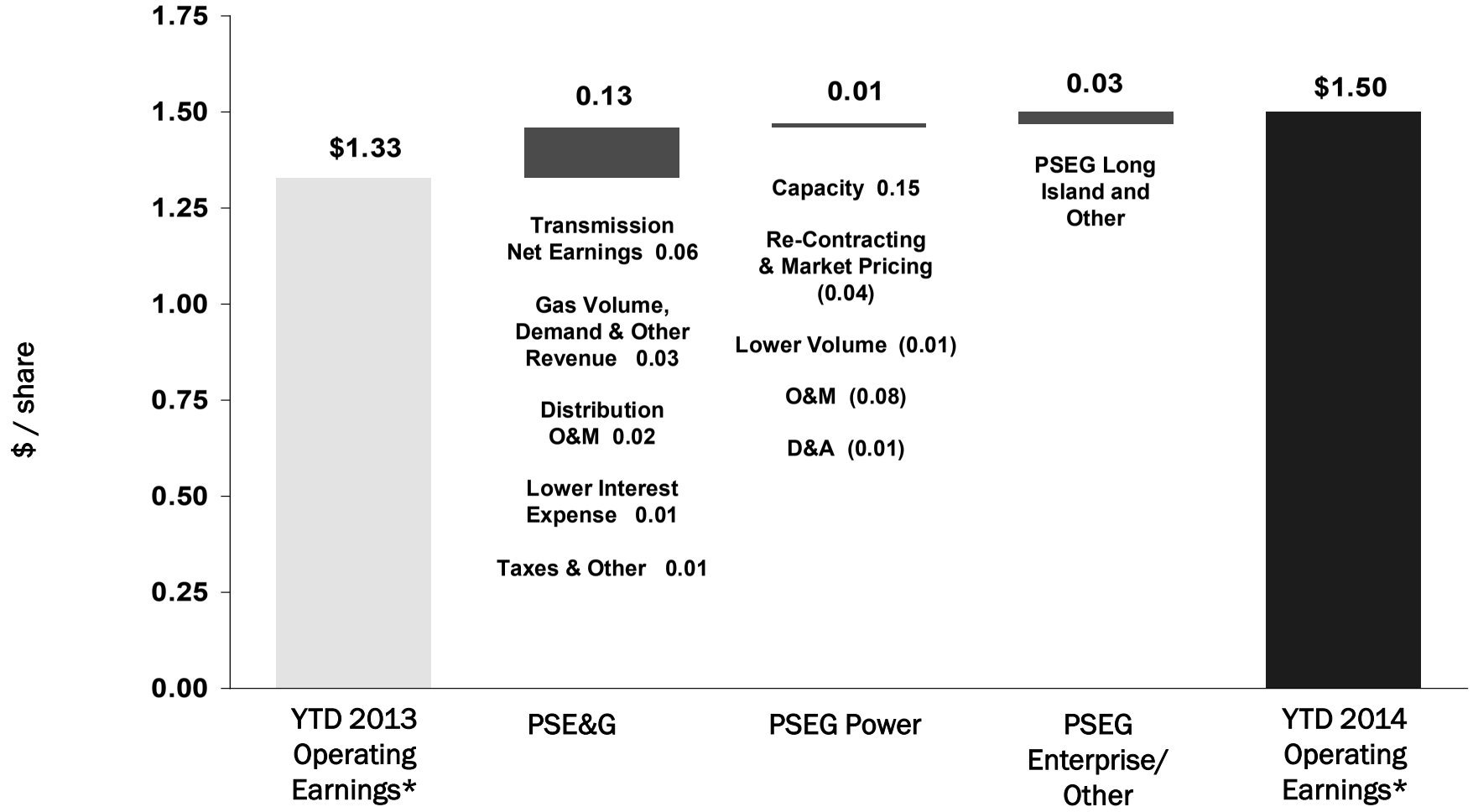
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
*Operating Earnings**	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-04982

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-04983

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	8.6	6.1	2.5
Common Equity	11.8	6.4	5.5
Total Capitalization	**$20.4**	**$12.5**	**$8.0**
Total Debt / Capitalization	**42%**	**49%**	**32%**

PSE&G Regulated Equity Ratio[1]	51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT..
(2) DOES NOT INCLUDE SECURITIZATION DEBT OF $385 MILLION.

SI-SSA-0015-04984

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
			PSEG Money Pool ST Investment		$278
			PSE&G ST Investment		$224
			Total Liquidity Available		**$4,567**
			Total Parent / Power Liquidity		**$3,756**

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

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

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

SI-SSA-0015-04985

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 6/30/2014 ($ Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$195
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$899**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-04986

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-04987

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

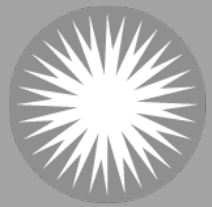
Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-04989

Barclays CEO Energy – Power Conference

NEW YORK CITY – SEPTEMBER 8, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-04990

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-04991

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-04992

PSEG OVERVIEW

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Shahid Malik
PRESIDENT
PSEG POWER ER&T

Kathleen Lally
VICE PRESIDENT
INVESTOR RELATIONS

SI-SSA-0015-04993

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-04994

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 **Assets $22B** **Operating Earnings $725M**	2014 **Assets $12B** **Operating Earnings $642M**

SI-SSA-0015-04995

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.80-$2.95 per share from $2.75-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = rate base growth of 11% over 5 years with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

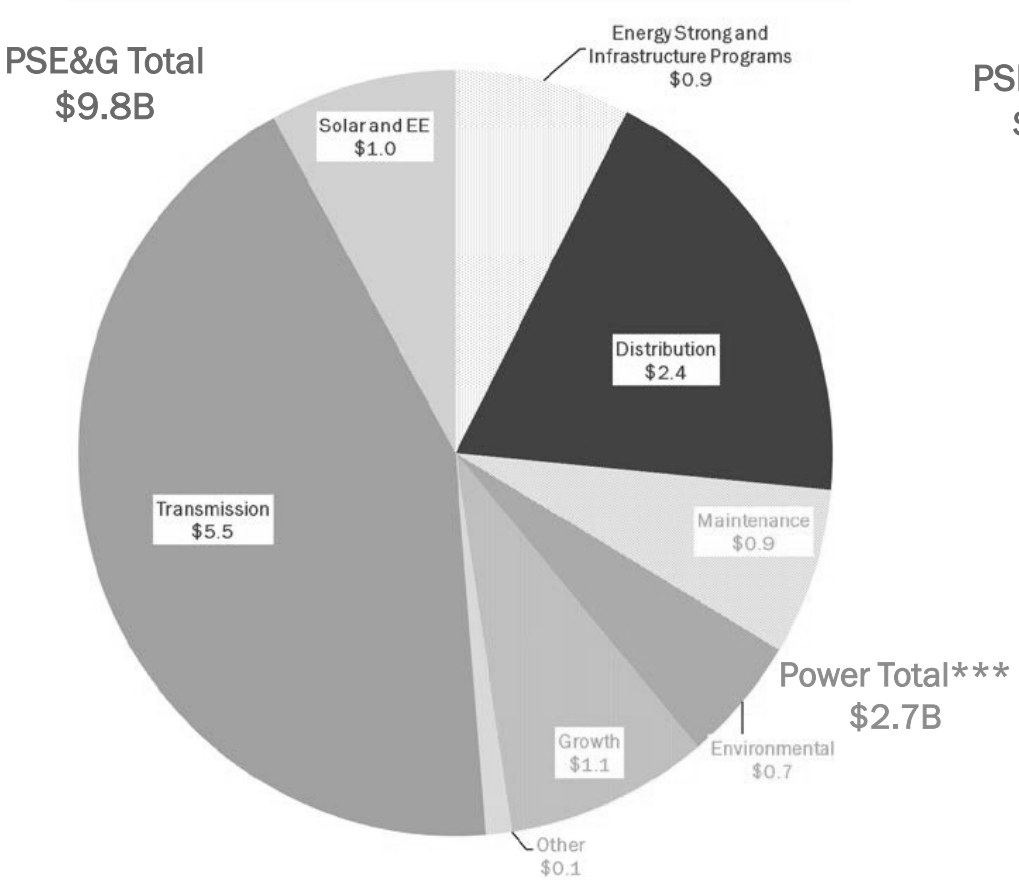
SI-SSA-0015-04996

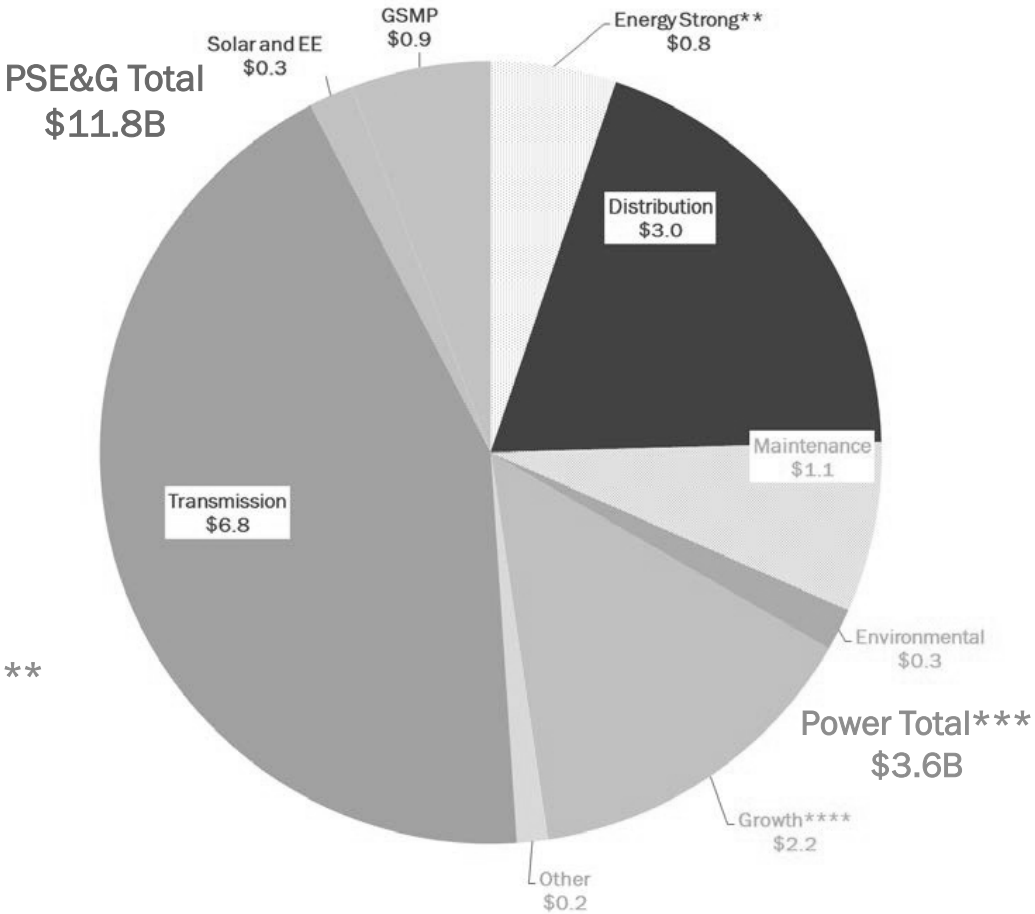
Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6Billion**





*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF SEPTEMBER 2015.

SI-SSA-0015-04997

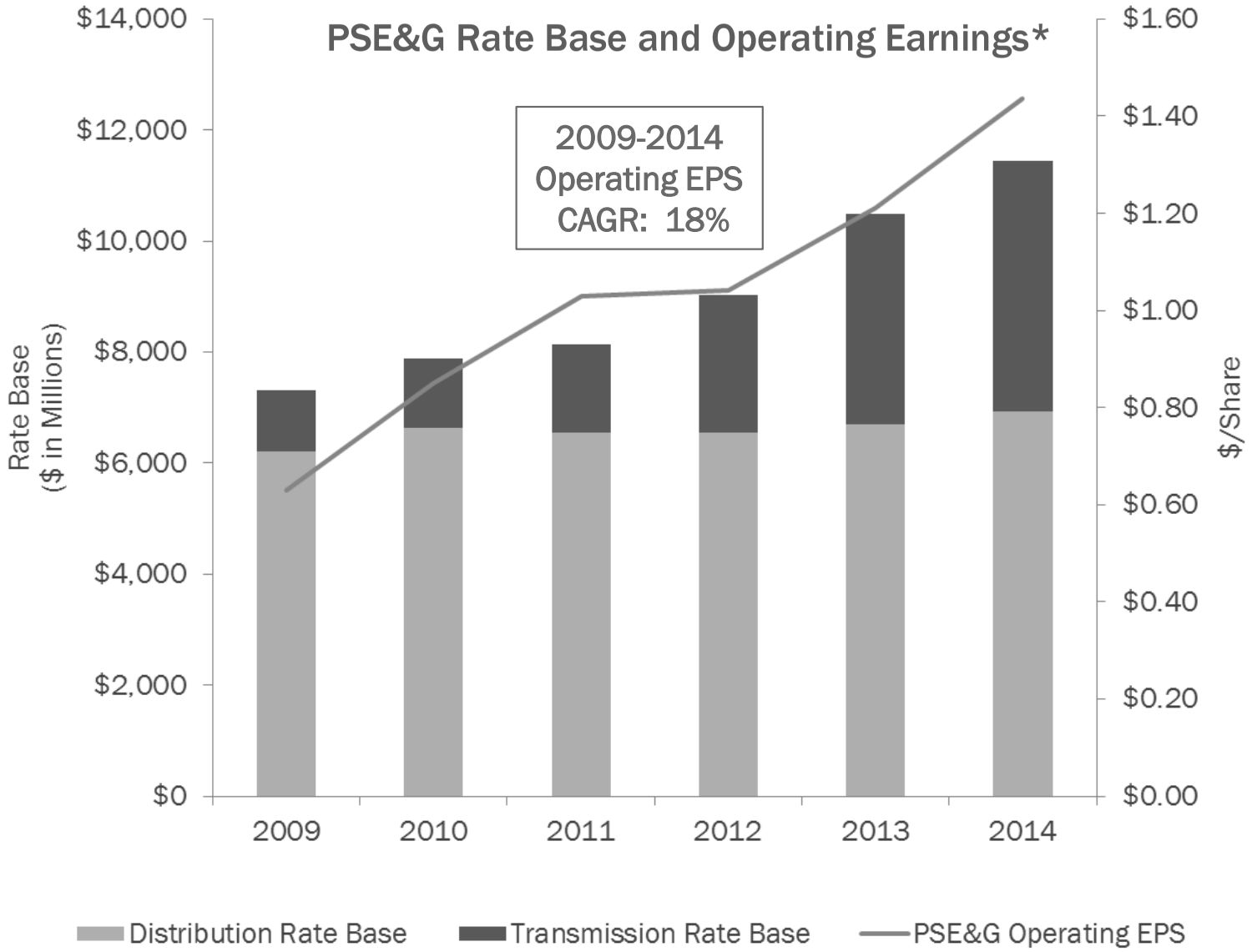
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • **$15.5 billion+** investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-04998

PSE&G's investment program

Meeting public policy goals and customer needs

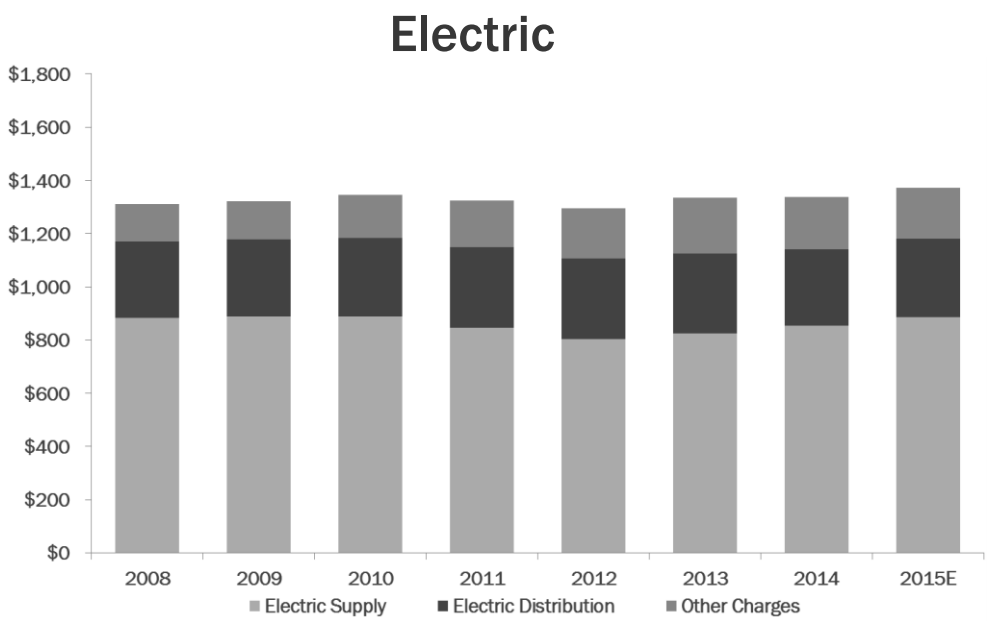


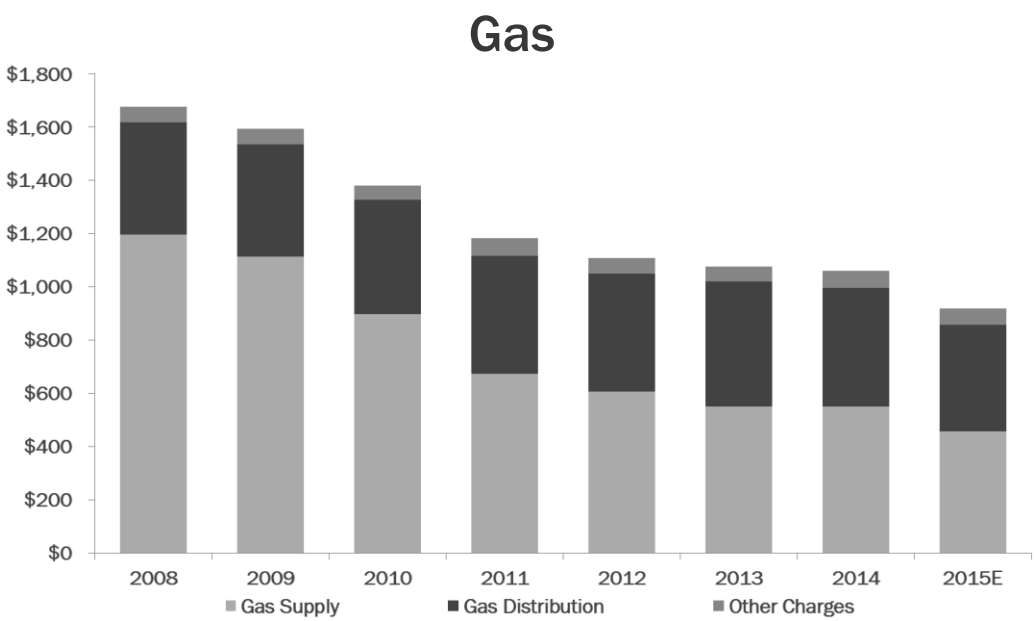
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-04999

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

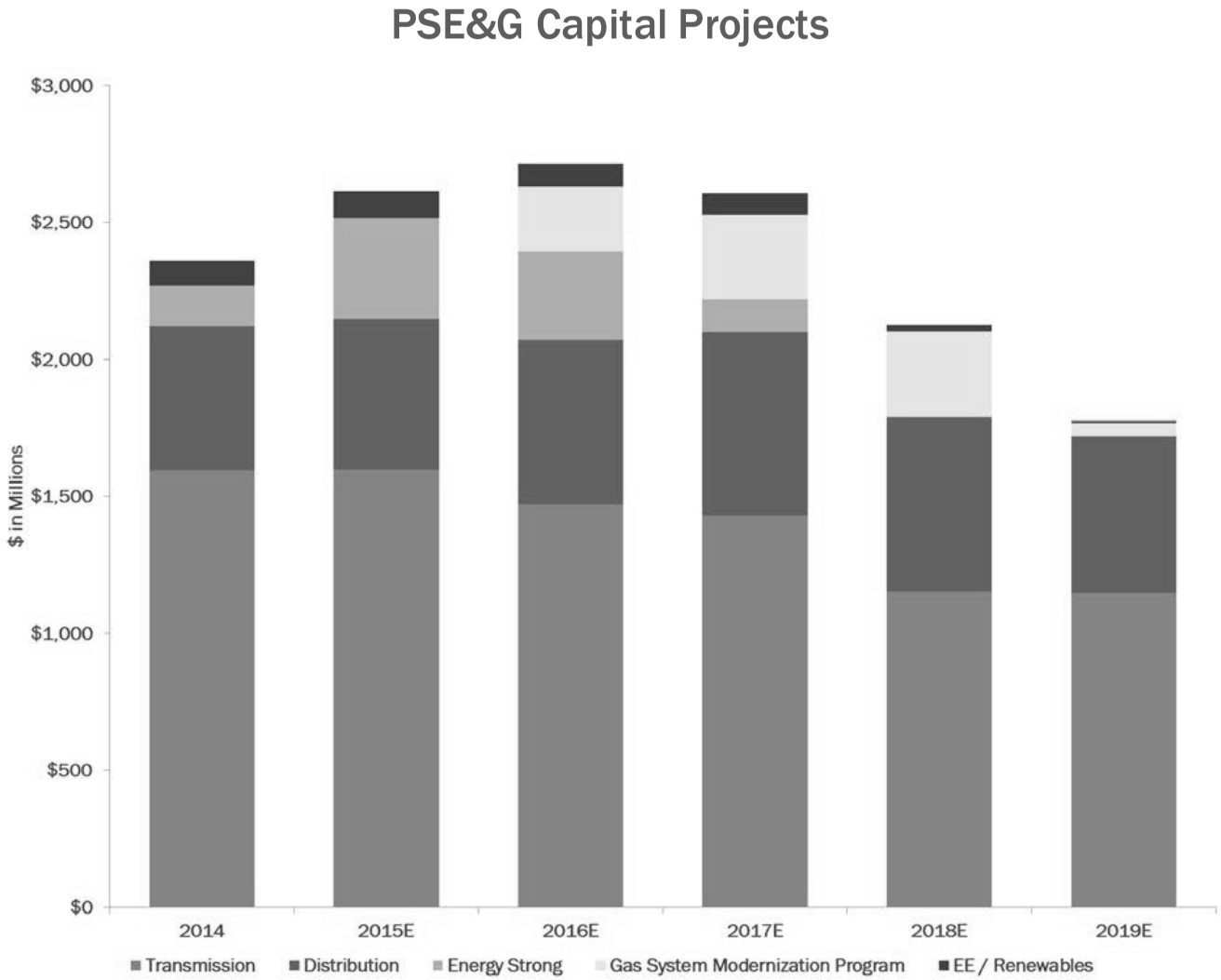
SI-SSA-0015-05000

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019



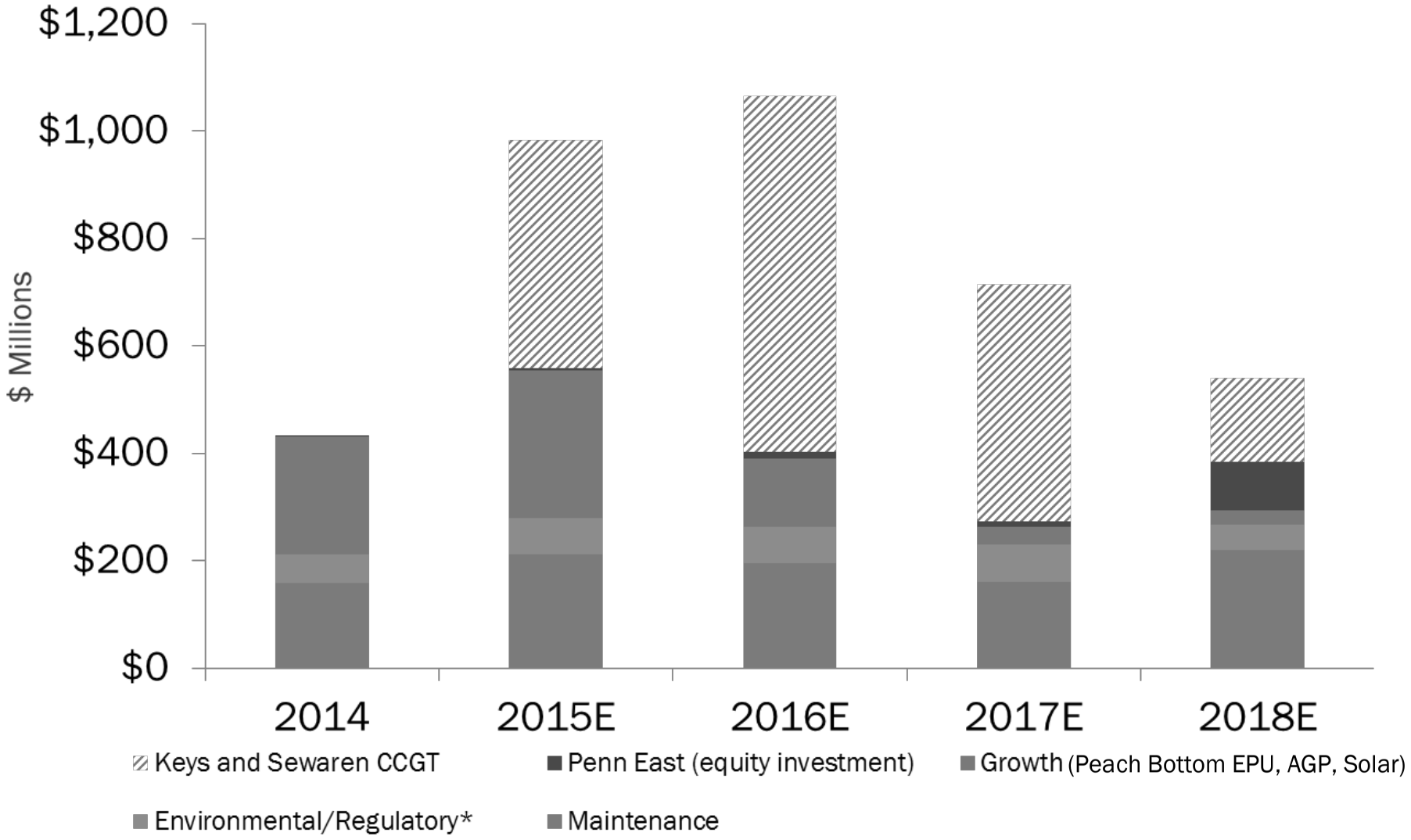
- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

E=ESTIMATE

SI-SSA-0015-05001

PSEG Power's capital expenditures

focused on improving efficiency and reliability



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

SI-SSA-0015-05002

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

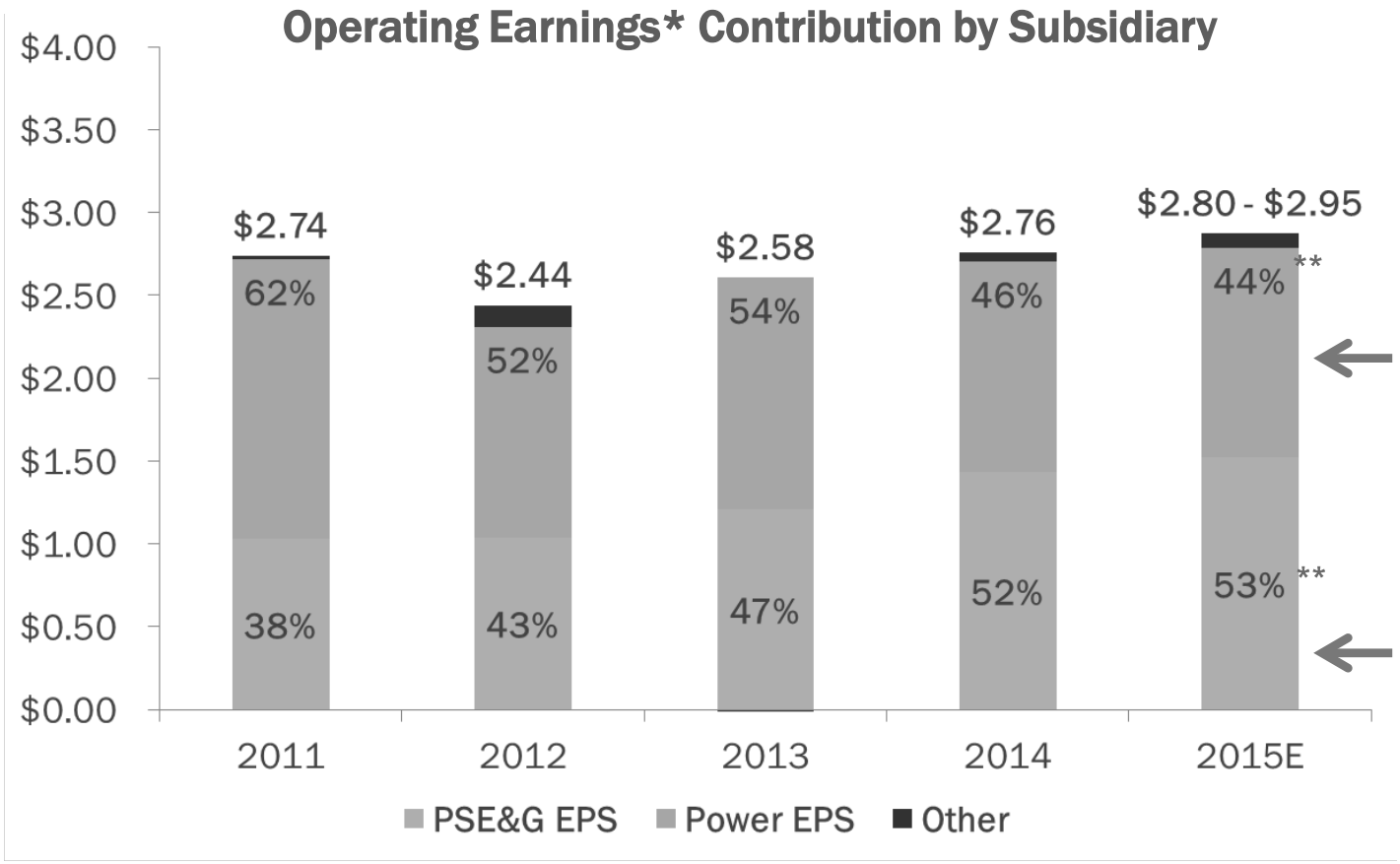
SI-SSA-0015-05003

PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-05004

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway • New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC* • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~148 MW**, with significant project pipeline • Continue to seek opportunities to expand the fleet

SI-SSA-0015-05005

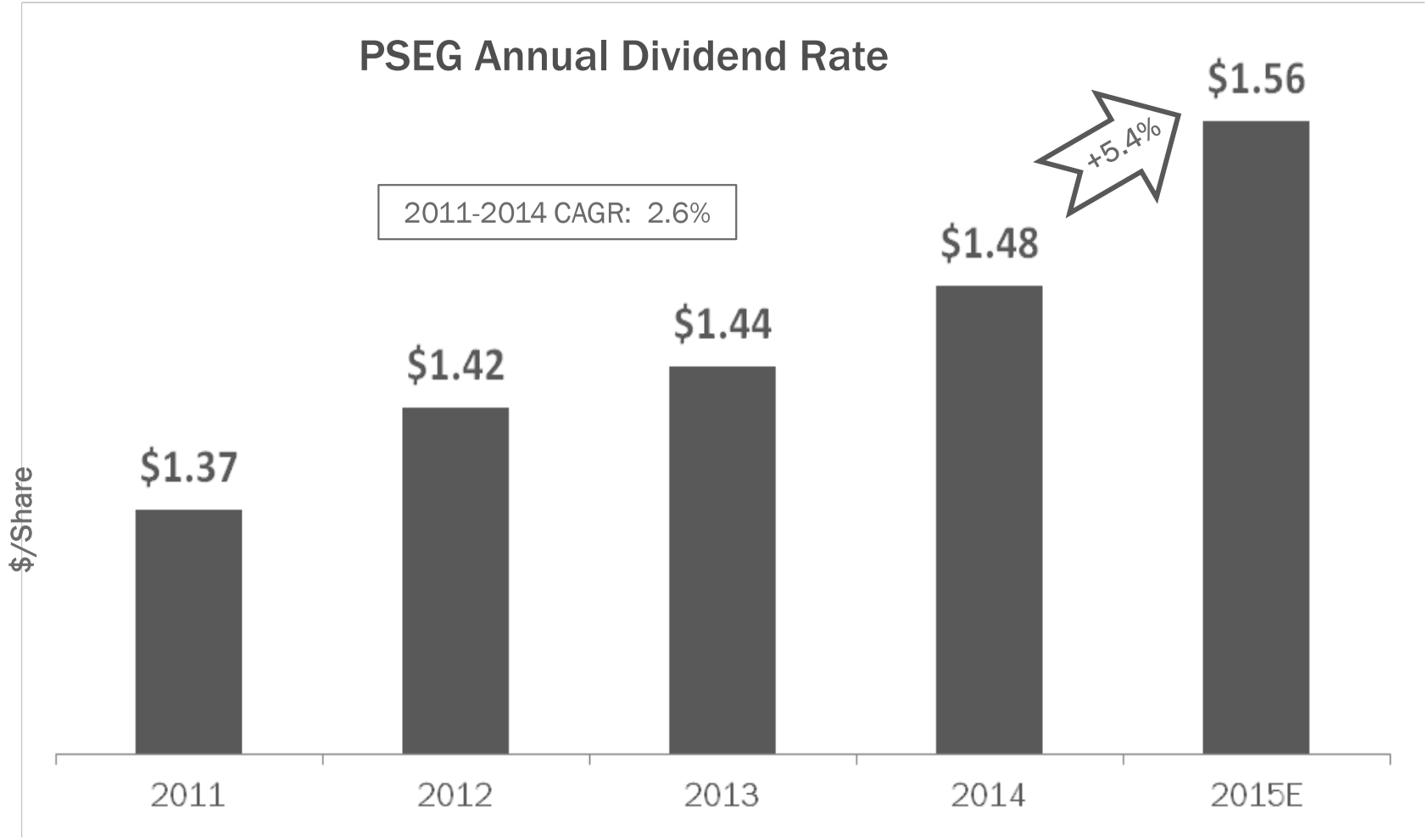
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

SI-SSA-0015-05006

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-05007

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-05008

PSE&G

SI-SSA-0015-05009

PSEG

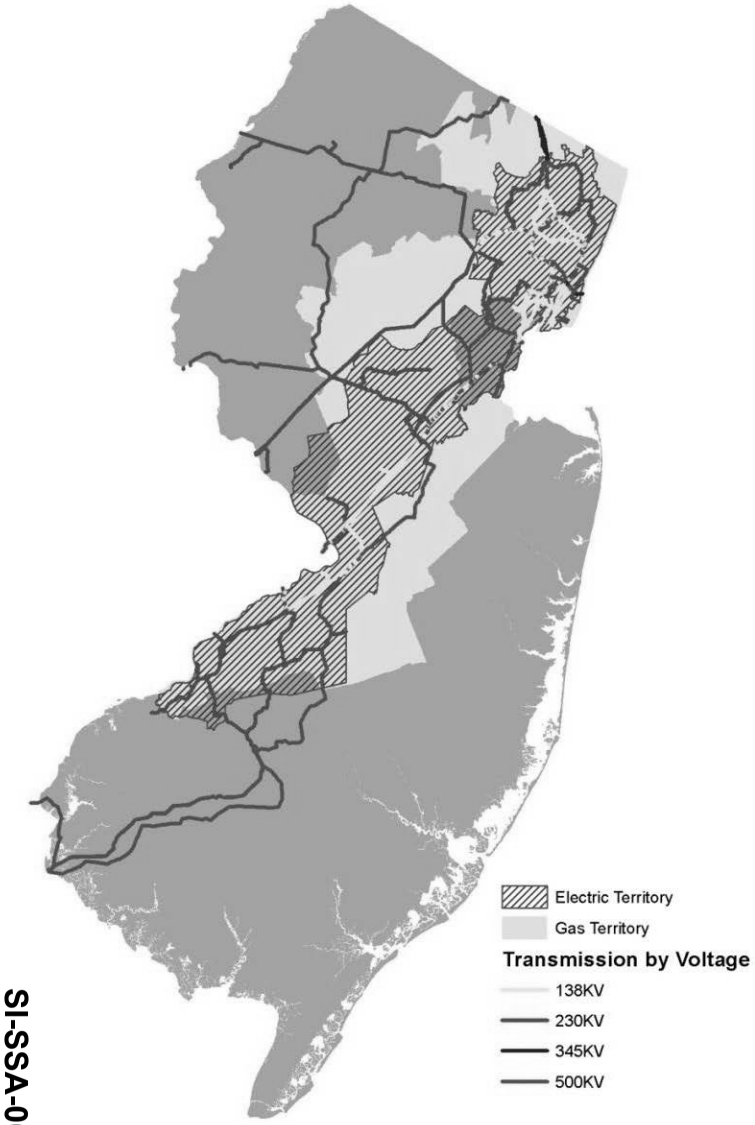
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05010

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-05011

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

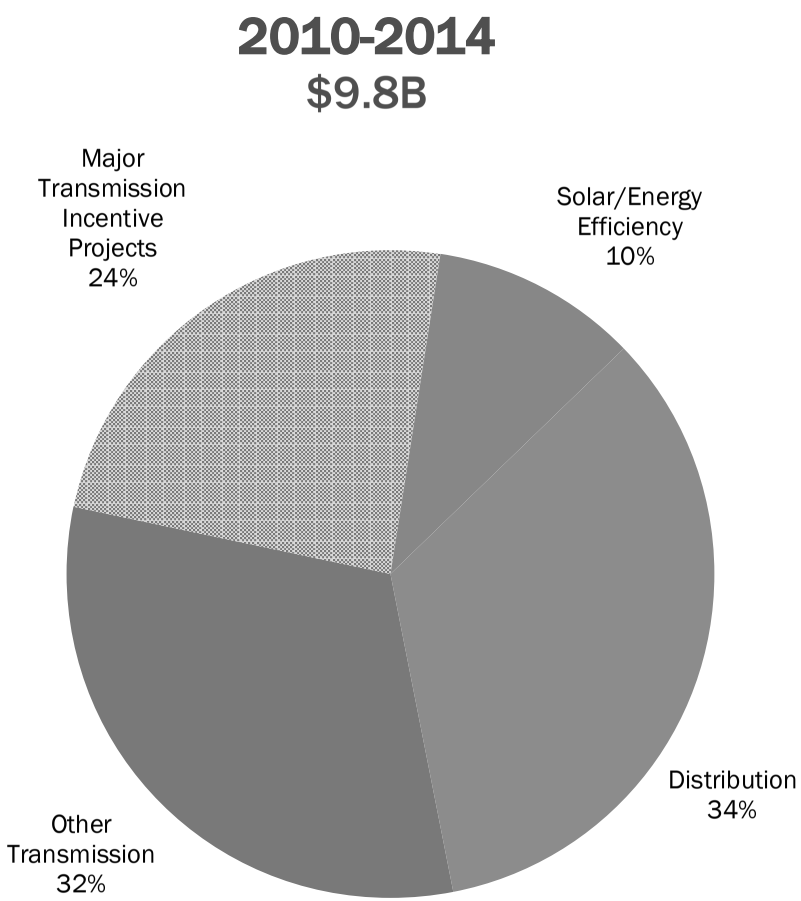
SI-SSA-0015-05012

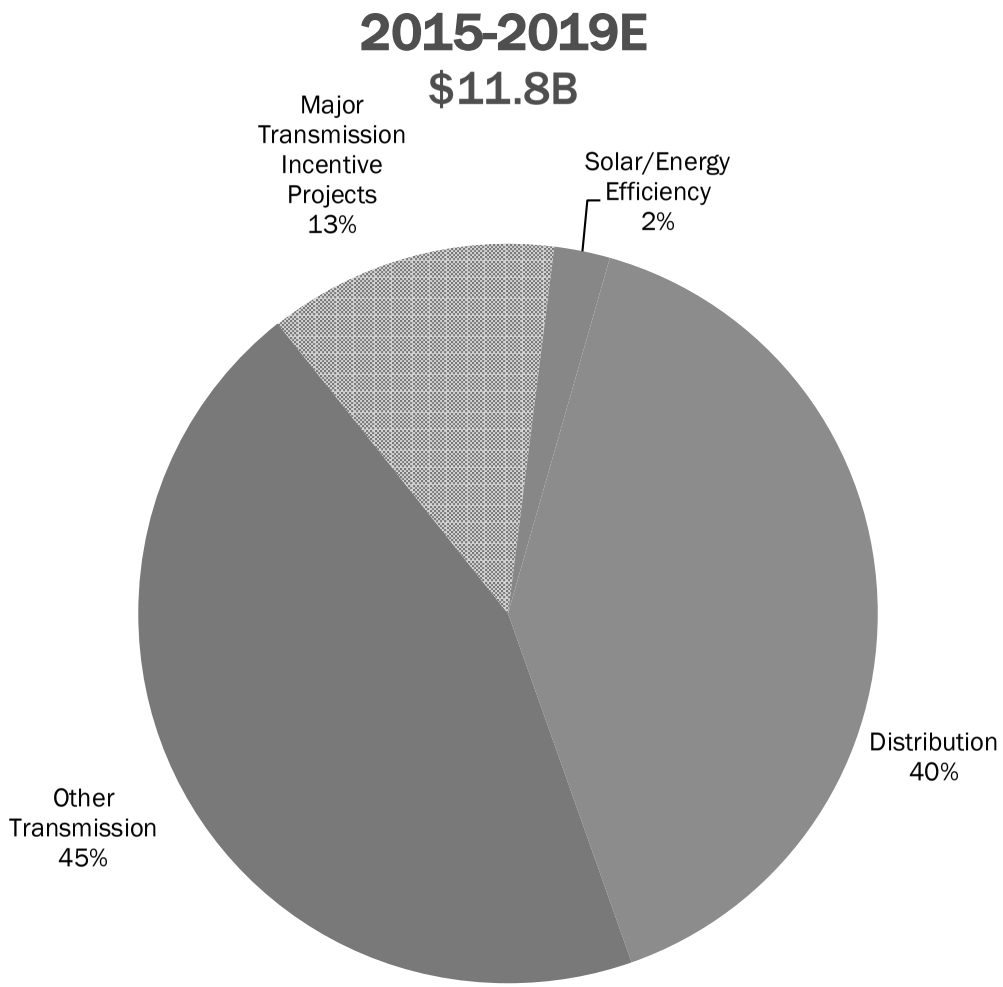
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-05013

PSE&G plans to invest $11.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-05014

PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-05015

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$907	Jun-Dec 2015
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

SI-SSA-0015-05016

PSEG

* PJM ESTIMATE

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-05017

PSE&G is successfully executing on Energy Strong with ~$330M deployed

Program	Approved	Spend thru June 2015
Flood Mitigation	$620M	$56M
Electric Contingency Reconfiguration	$100M	$49M
Electric Advanced Technology	$100M	$32M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$185M
Gas Metering & Regulating (M&R)	$50M	$6M
TOTAL	$1,220M	$328M

SI-SSA-0015-05018

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-05019

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-05020

Settlement reached on Gas System Modernization Program for ~$900 million over three years

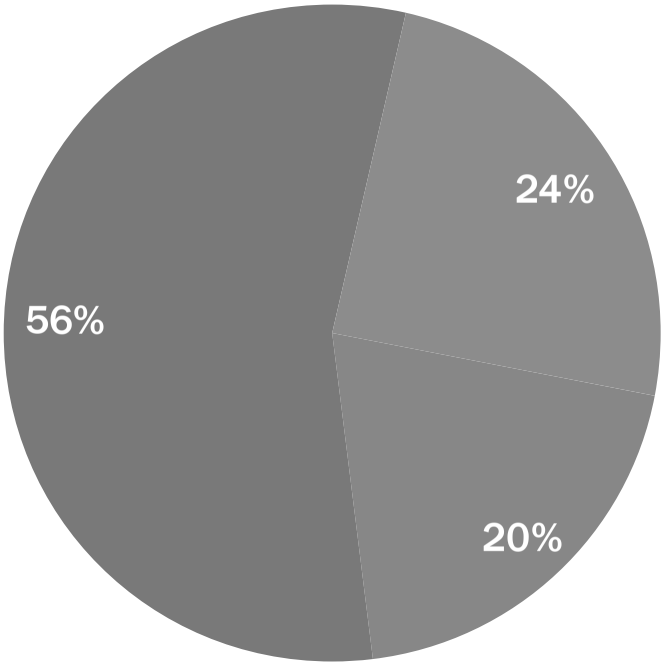
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed November 2017

SI-SSA-0015-05021

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

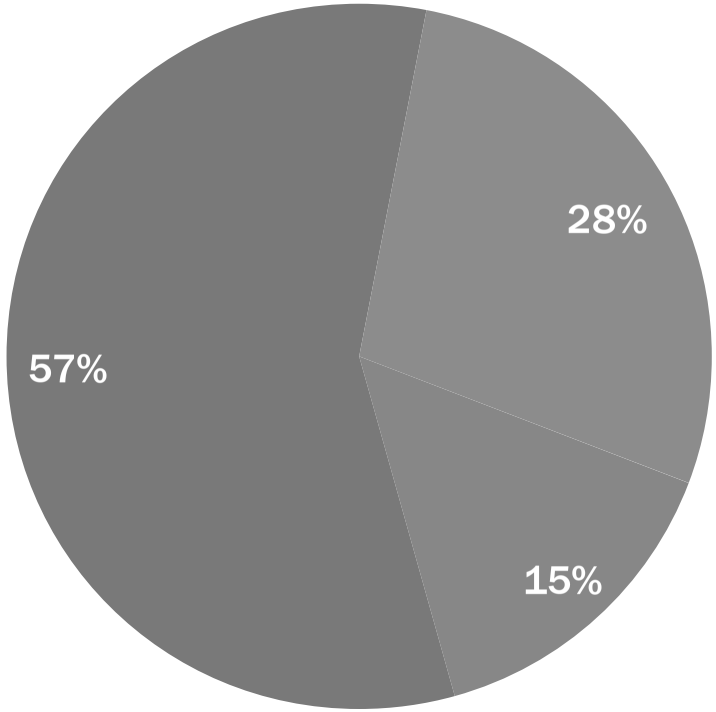
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

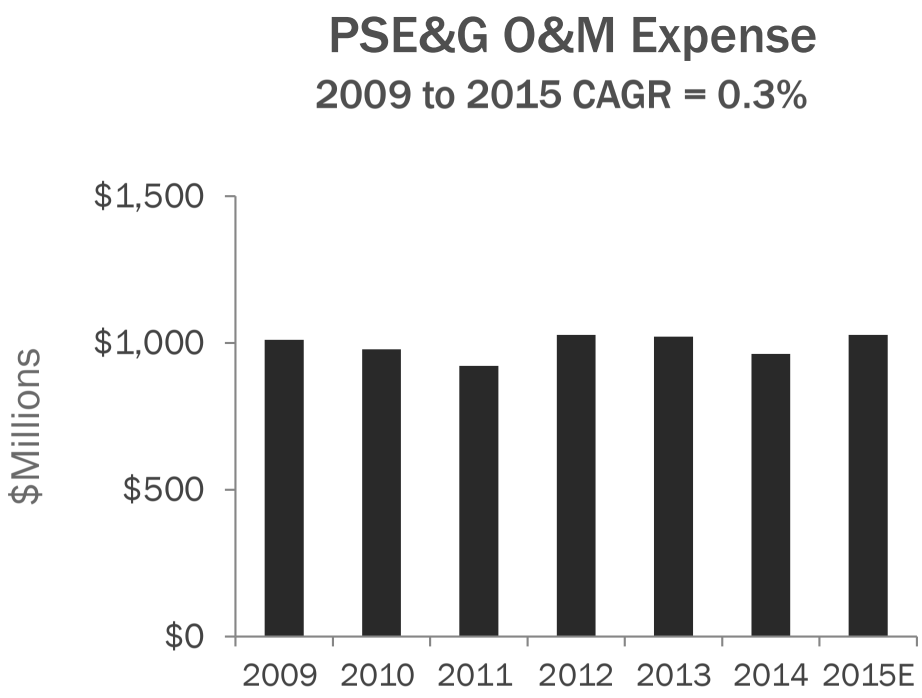
Traditional Recovery Mechanisms
- Distribution Base Rates

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

SI-SSA-0015-05022

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-05023

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

SI-SSA-0015-05024

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON JULY 31, 2015.

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-05025

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-05026

PSEG

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG

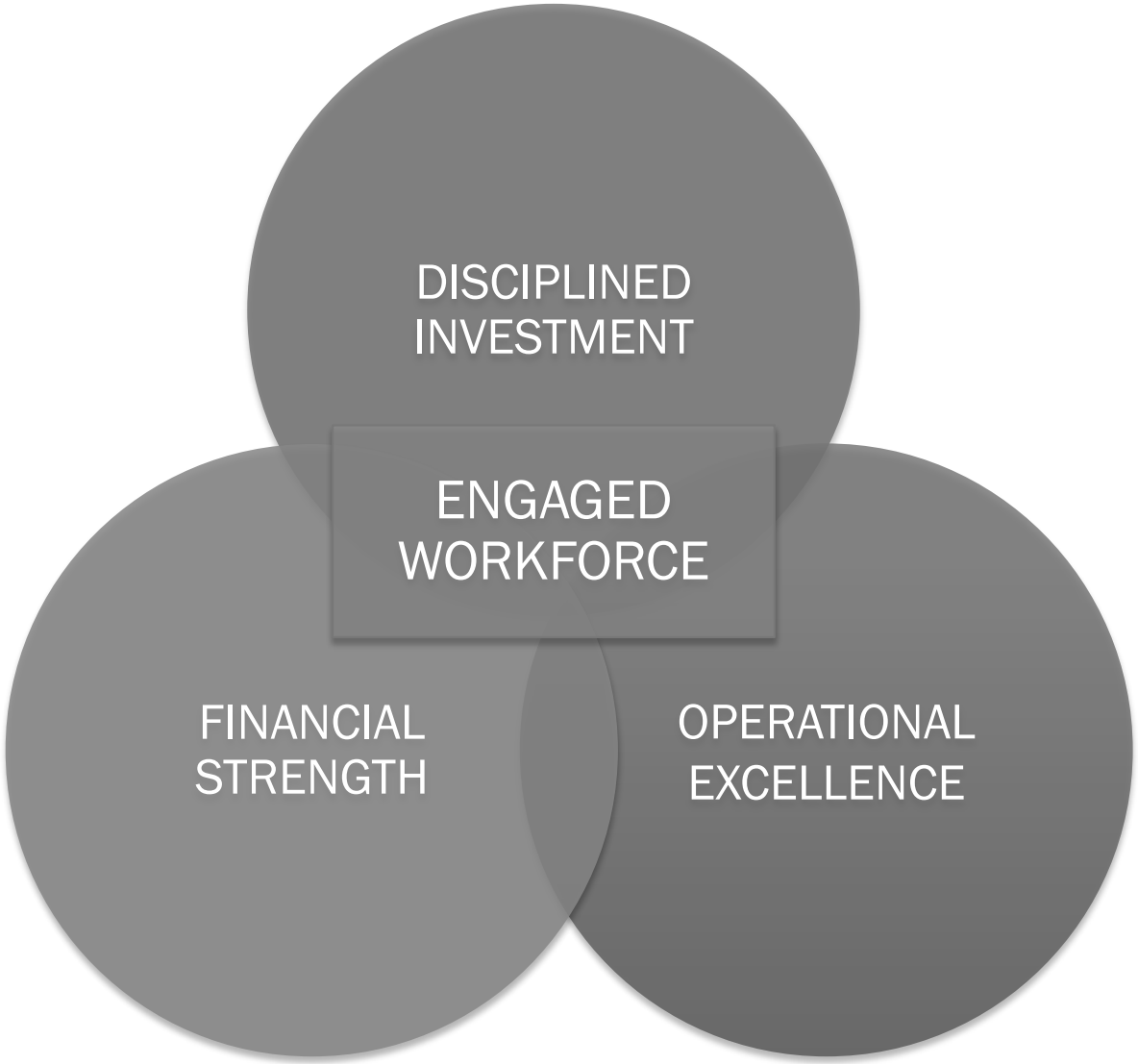
We make things work for you.

PSEG POWER

SI-SSA-0015-05027

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-05028

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-05029

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 148 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-05030

PSEG Power met 2014's challenges

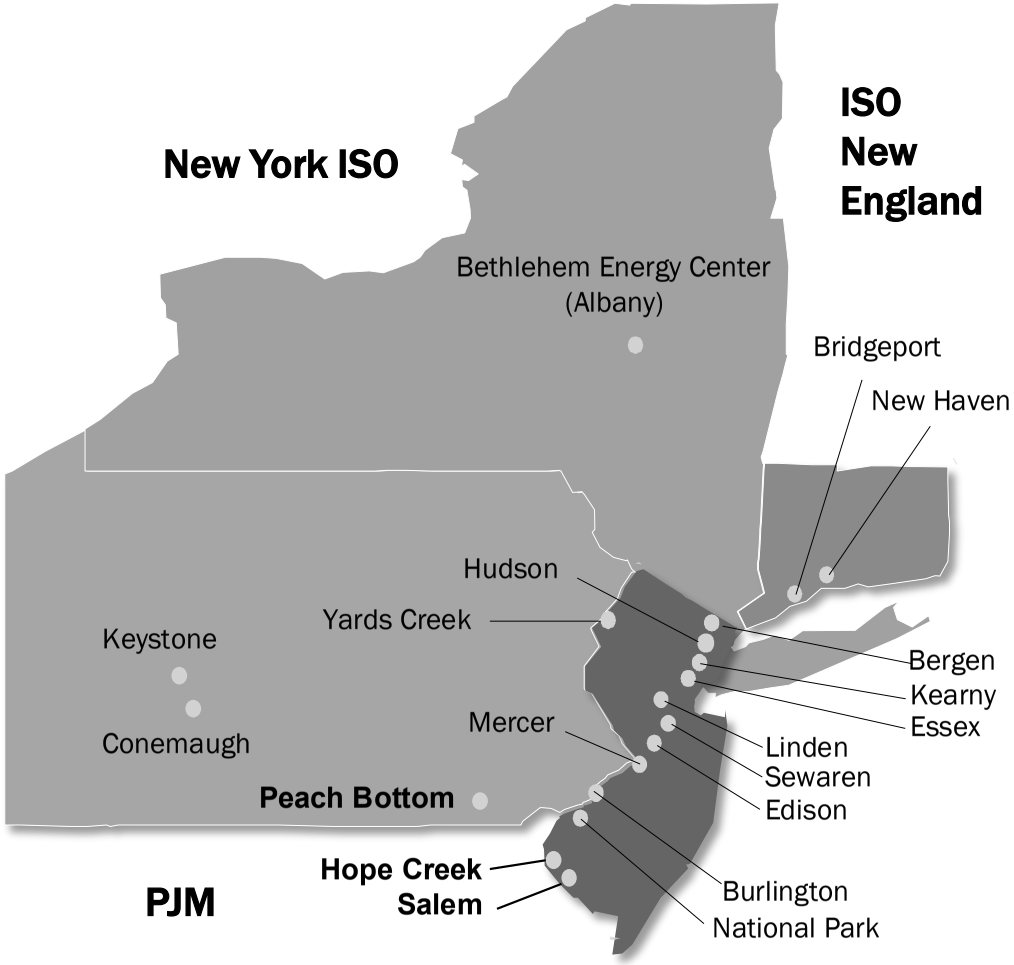
Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-05031

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



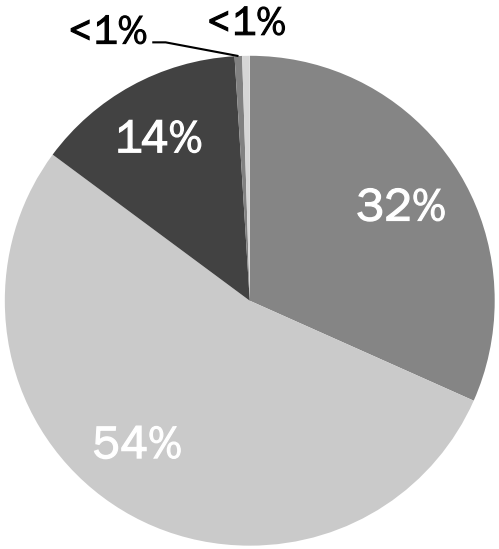
SI-SSA-0015-05032

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

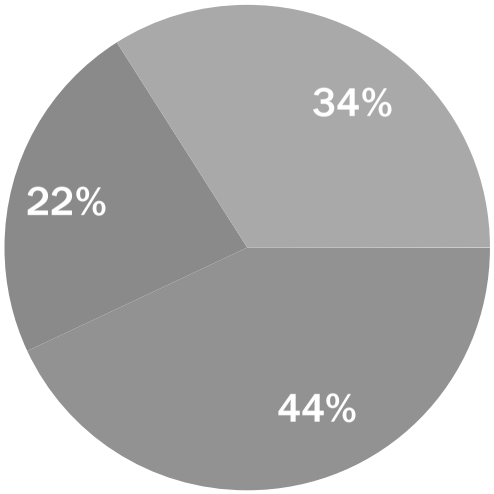
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

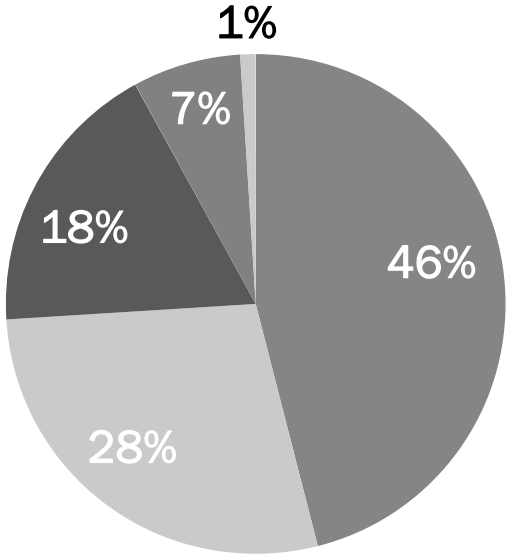
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146

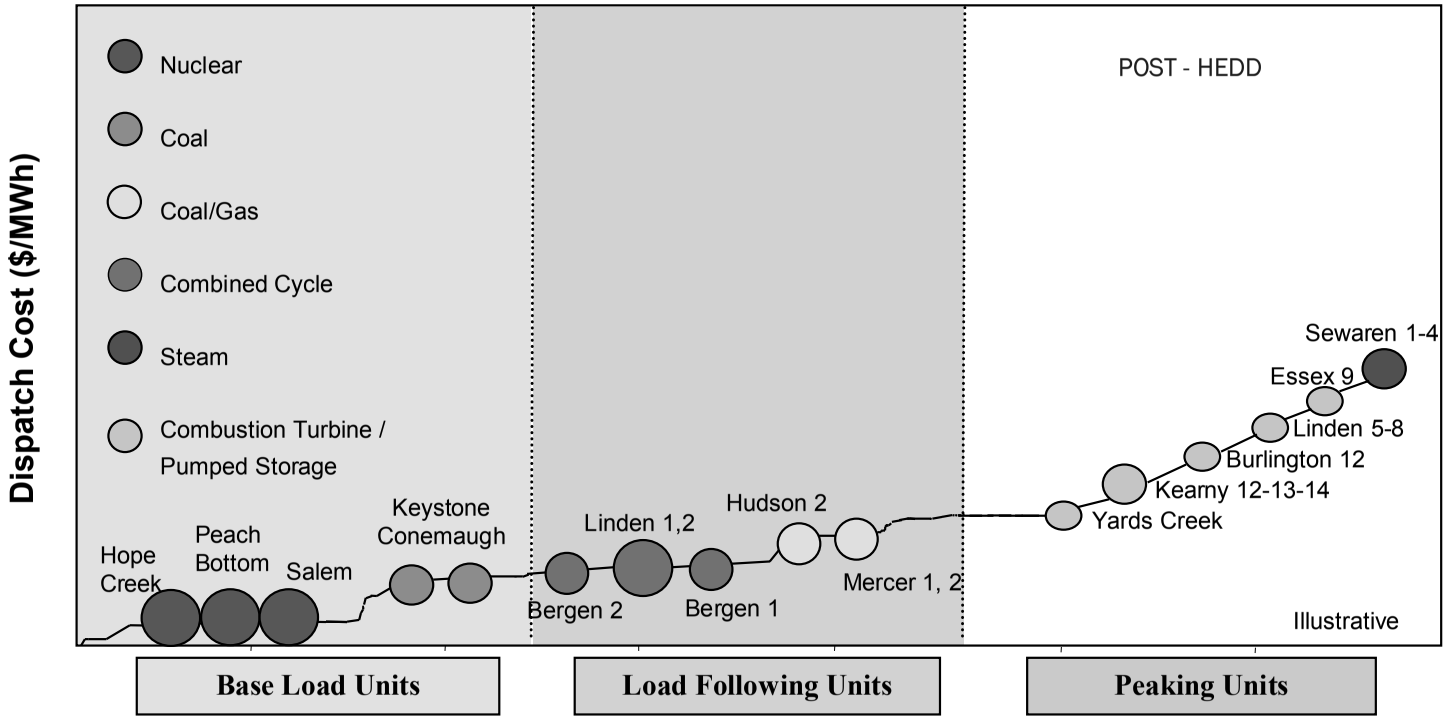


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-05033

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

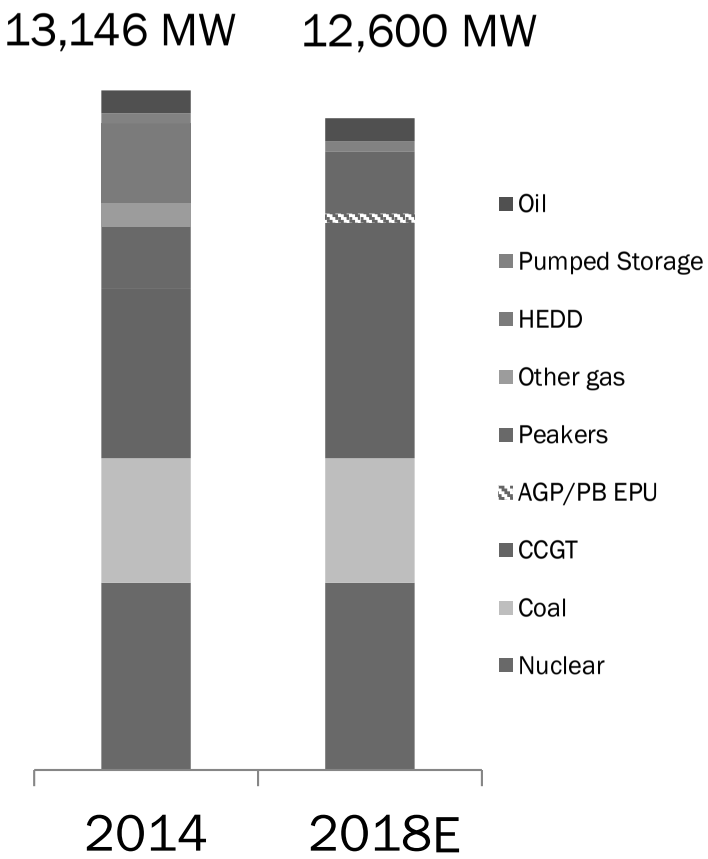
SI-SSA-0015-05034

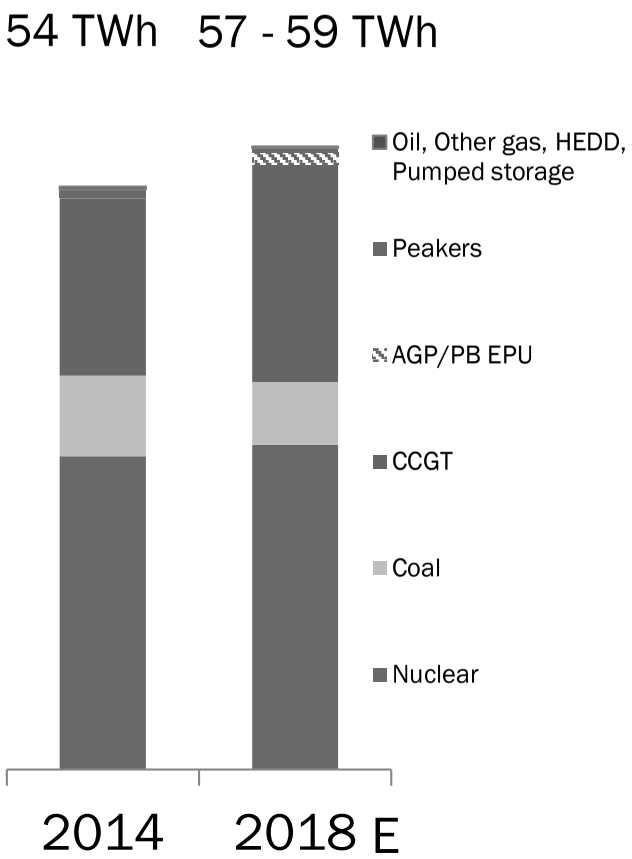
PSEG Power will maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren operational in 2018

Fuel Diversity

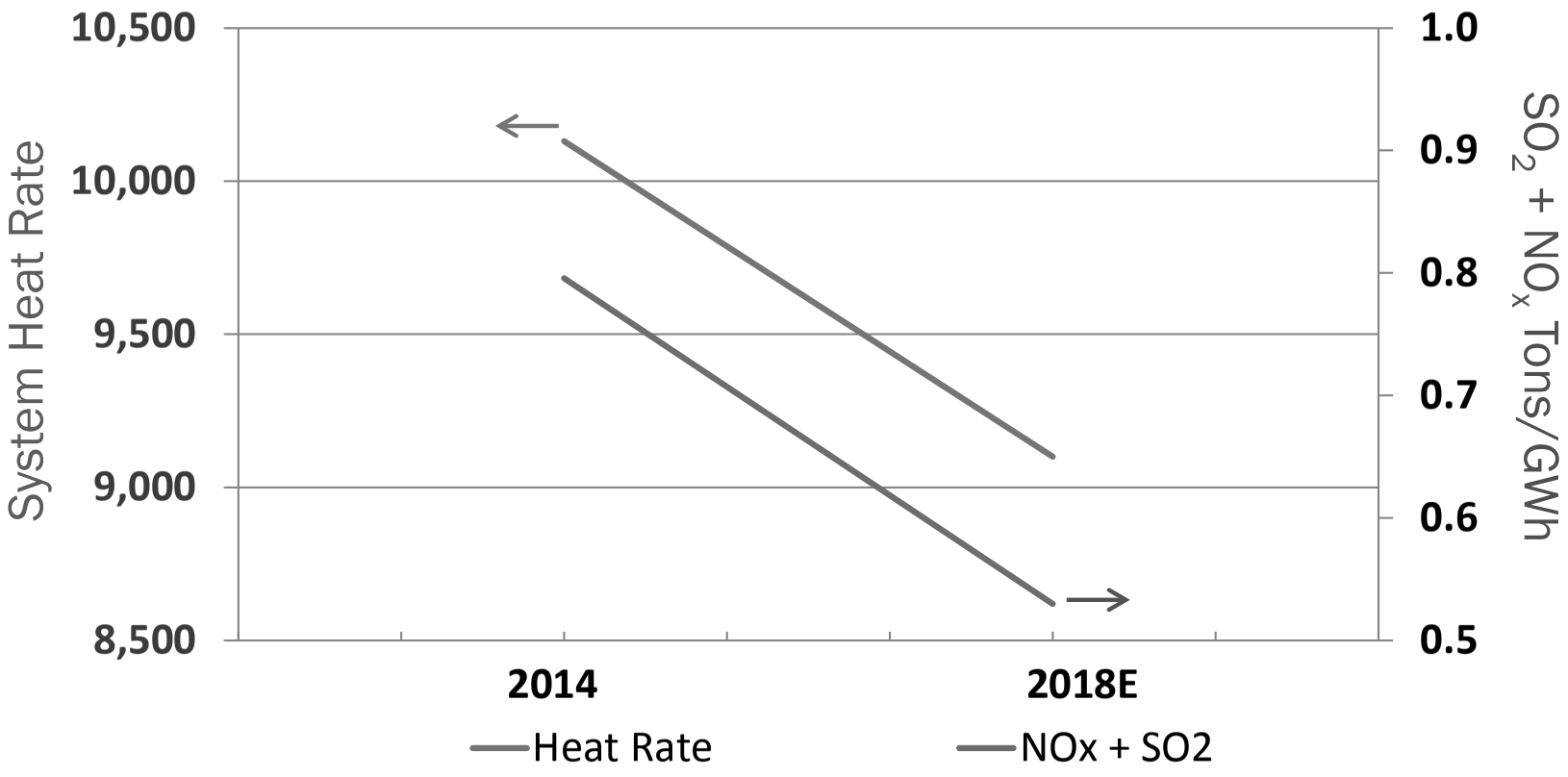




E=ESTIMATE.

SI-SSA-0015-05035

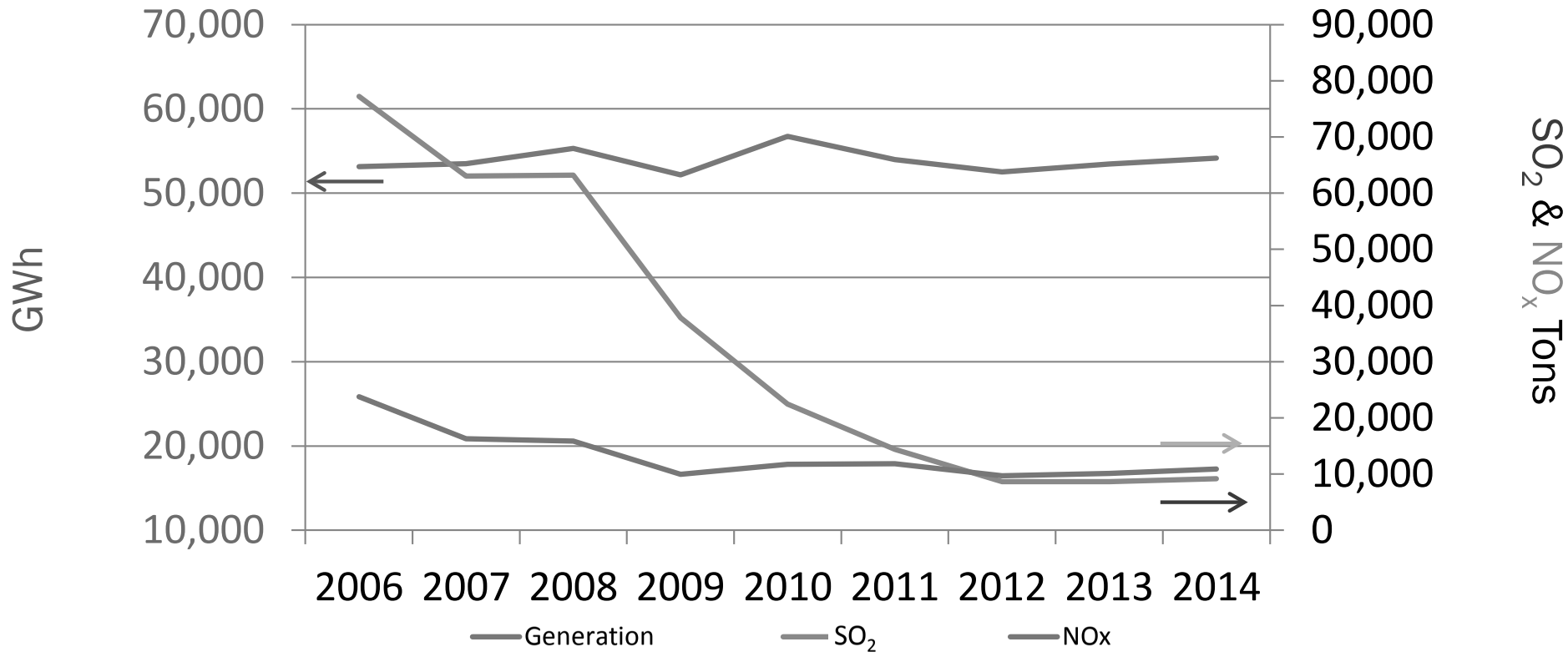
PSEG Power's fleet will experience heat rate and emissions improvements



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

E = ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-05037

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-05038

PSEG Power Nuclear has competitive advantages

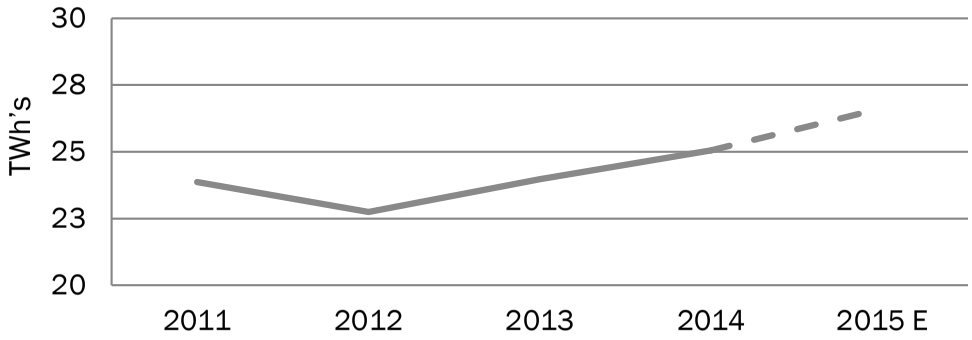
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

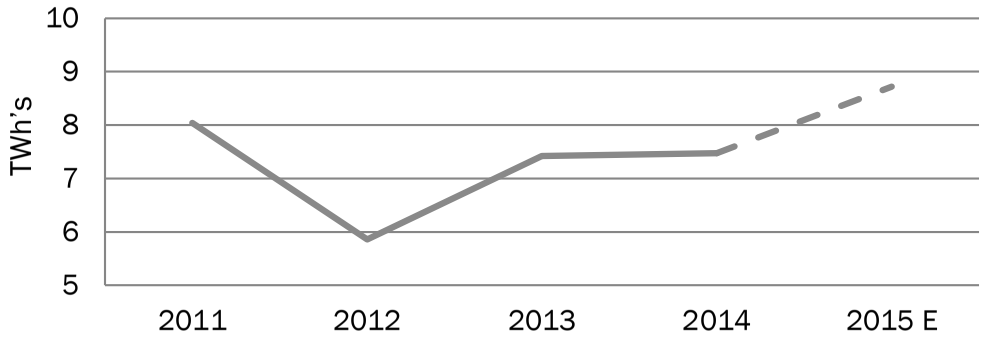
SI-SSA-0015-05039

PSEG Power's Fossil Fleet has shown improvement in performance

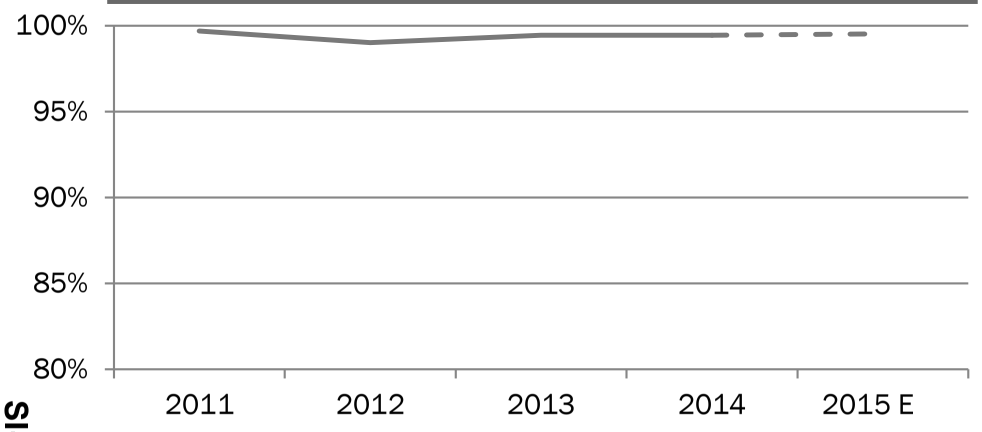
Fossil Generation



Coal Generation

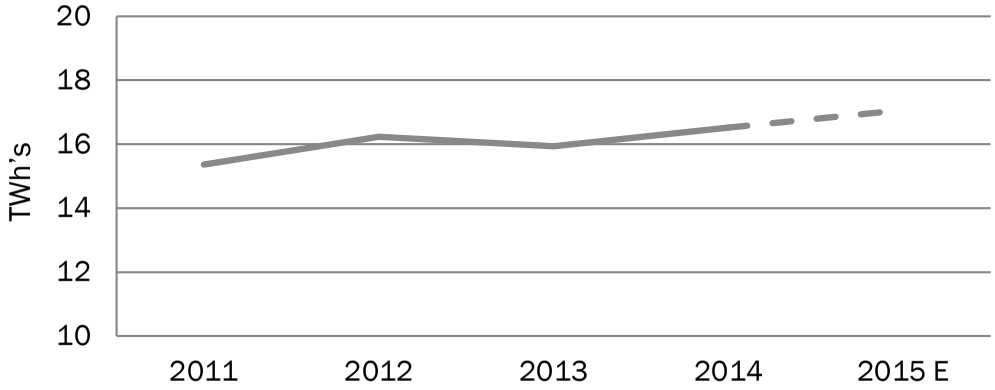


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

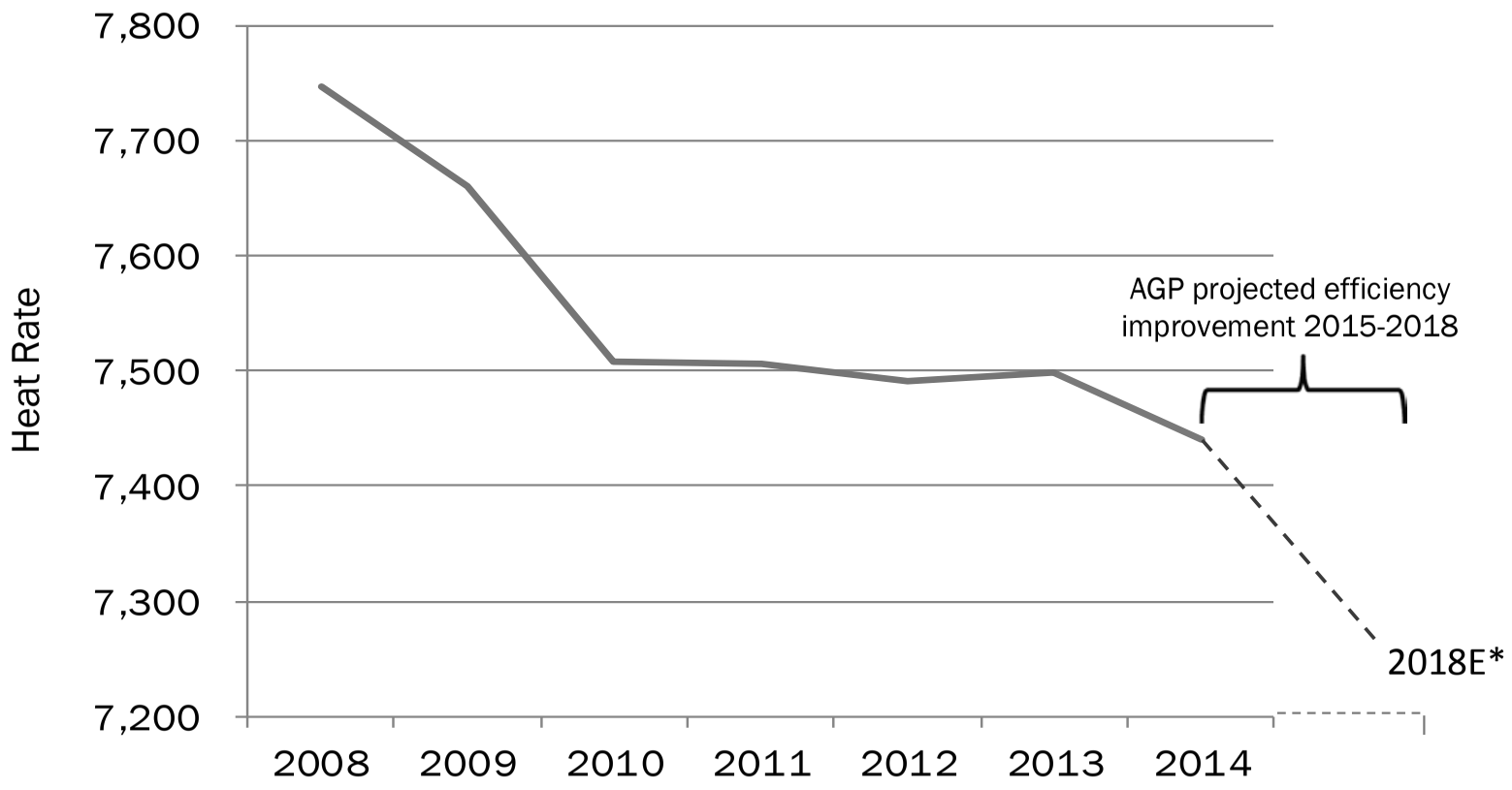
SI-SSA-0015-05040

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-05041

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

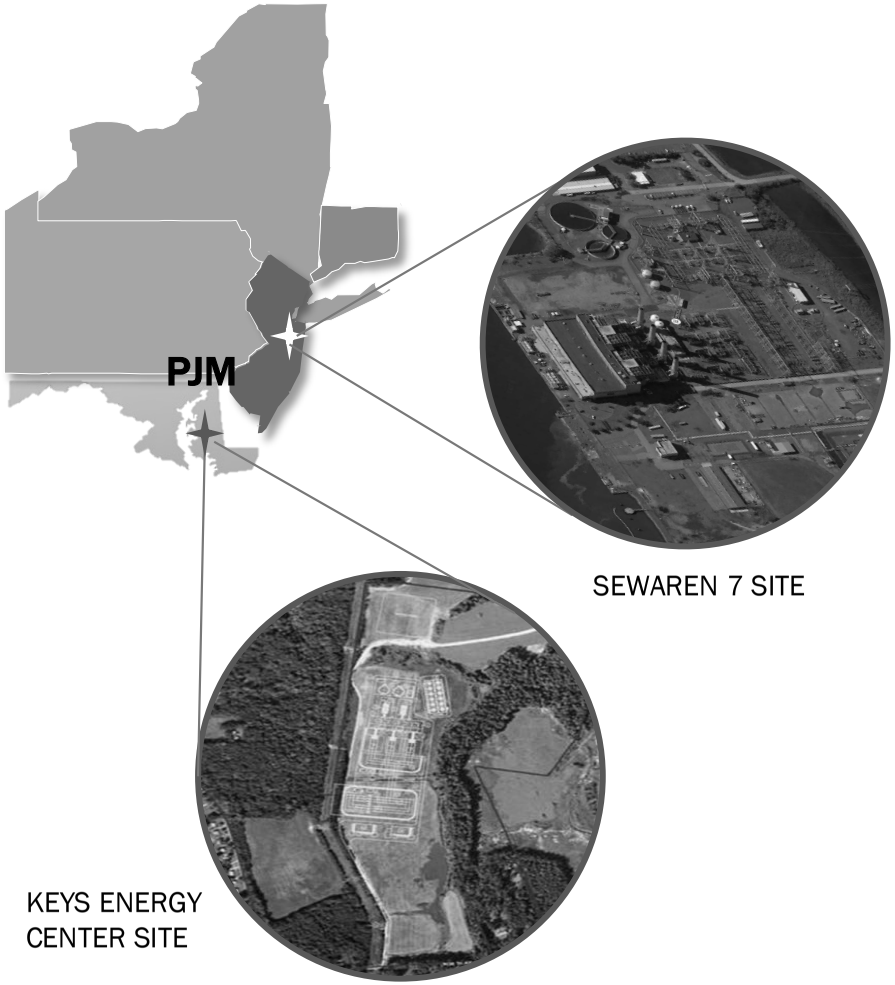
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-05042

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- **Construction of 755 MW Keys Energy Center to begin this Fall** to build a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of **$825 to $875 million**
- Power cleared a new **540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*)**, in the recent 2018/2019 RPM auction; the unit is expected to cost ~$600 million and is targeted to be in service in 2018; older Sewaren units will be retired upon completion of the new unit
- **PSEG Fossil** will oversee the construction and operation of both PSEG Keys Energy Center and Sewaren 7

SI-SSA-0015-05043

PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7 540 MW CCGT	$600	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-05044

PSEG

* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~148 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD Sept 2015 Est.
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-05045

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT)

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-05046

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-05047

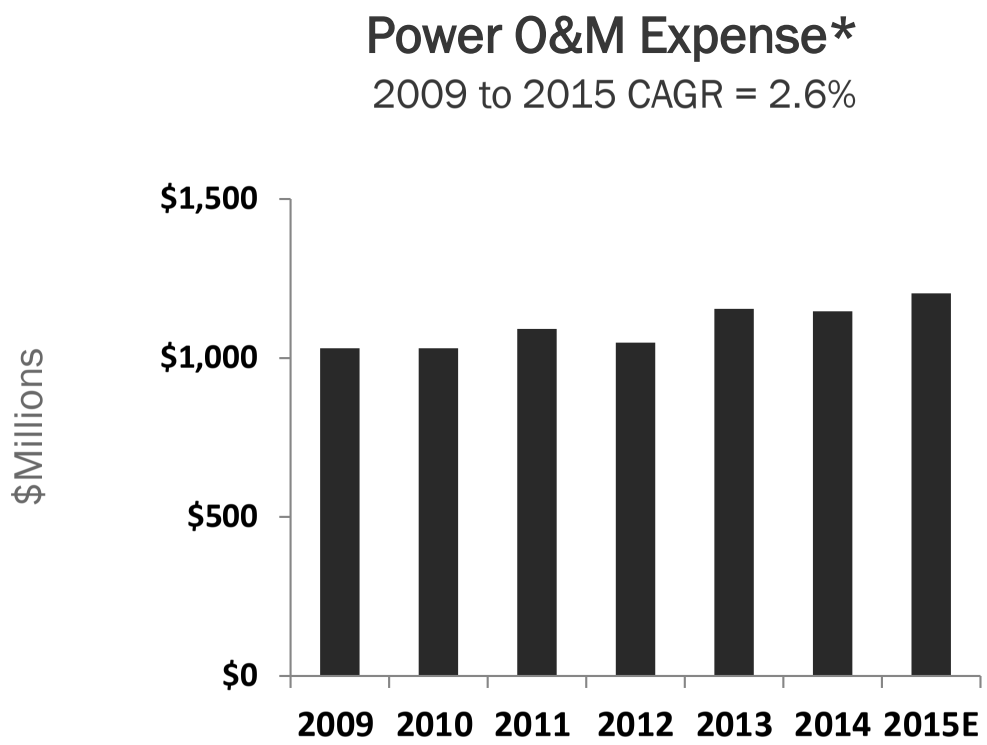
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-05048

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

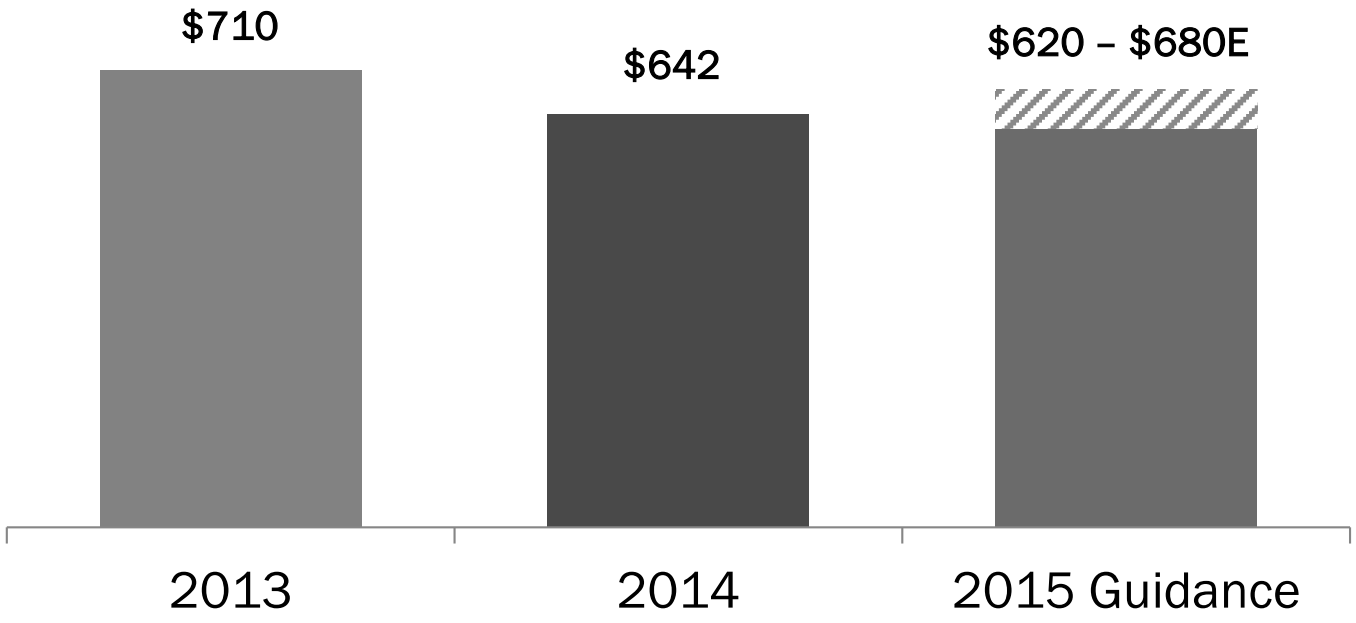
SI-SSA-0015-05049

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-05050

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG POWER
ER&T

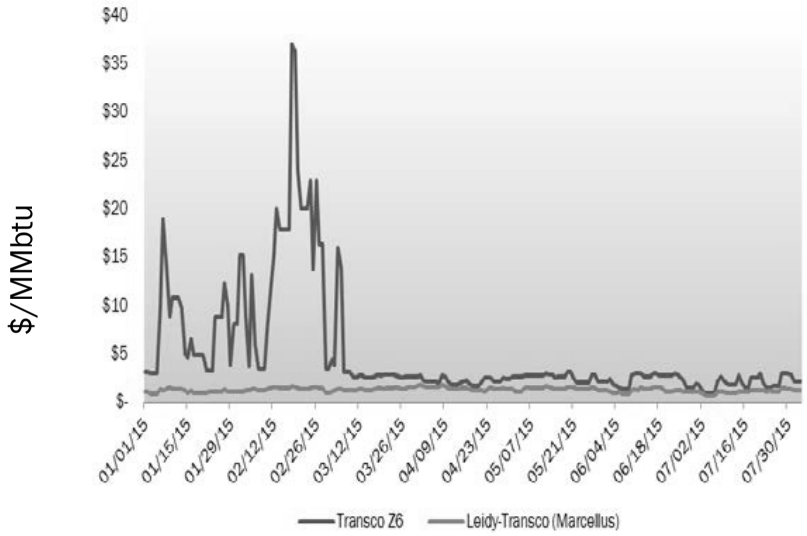
SI-SSA-0015-05051

PSEG

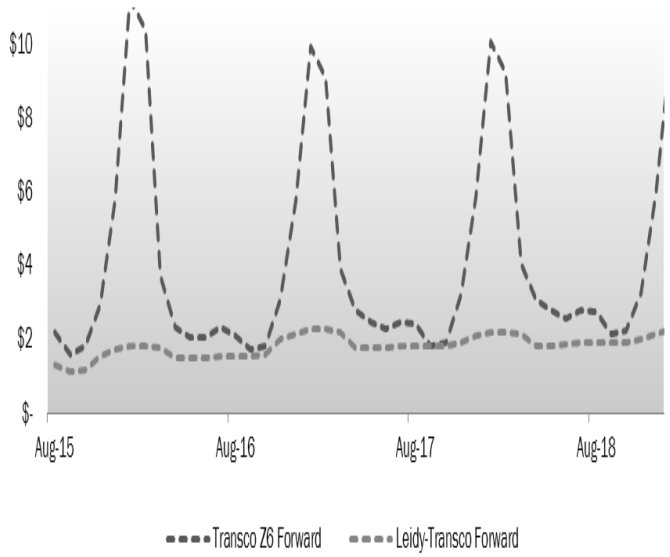
We make things work for you.

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

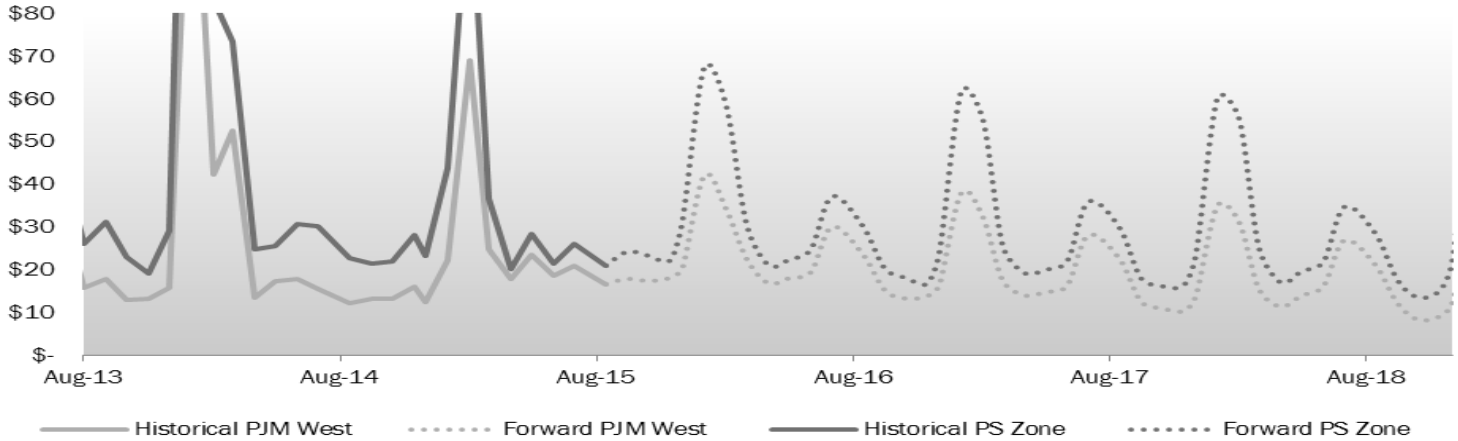
2015 YTD Z6



2015-2018 Z6

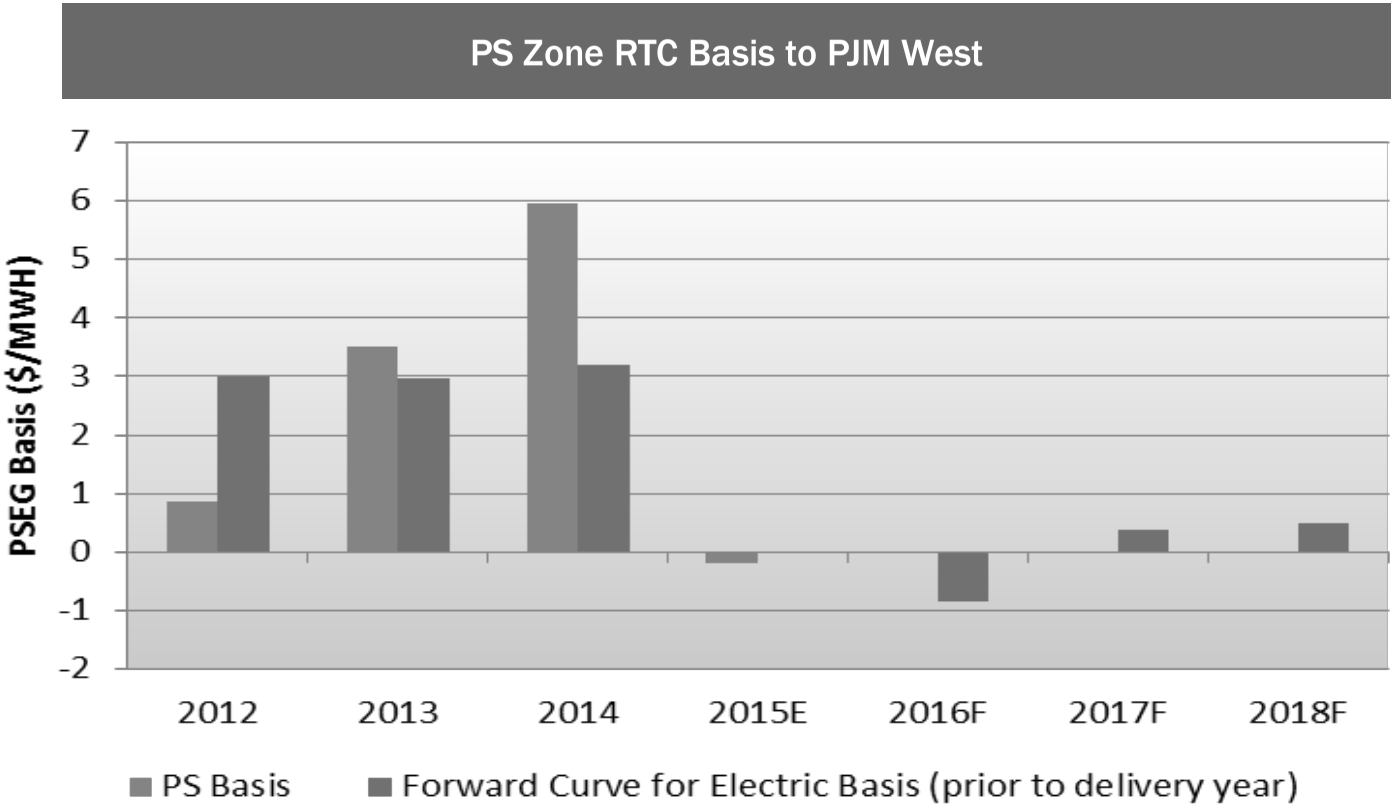


PJM West vs. PS Zone Spark Spreads (2013-2018)



SI-SSA-0015-05052

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

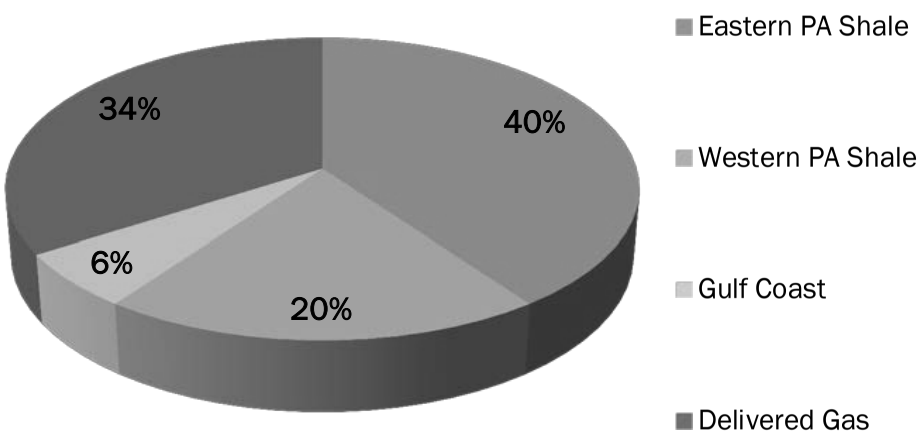
SI-SSA-0015-05053

PSEG

ANNUAL FORWARD BASIS TO PJM-WEST AS OF AUGUST 3, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

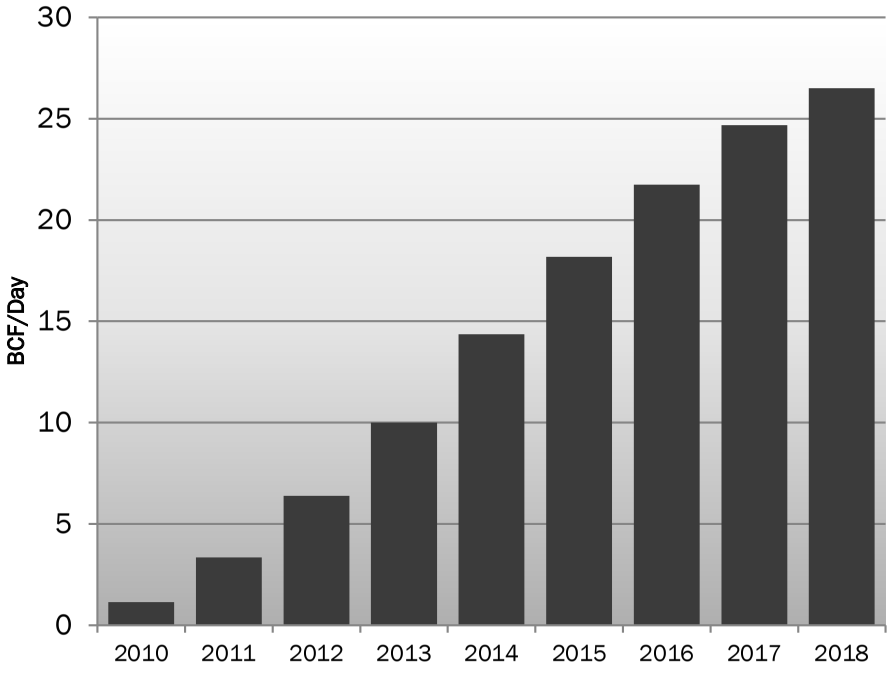


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

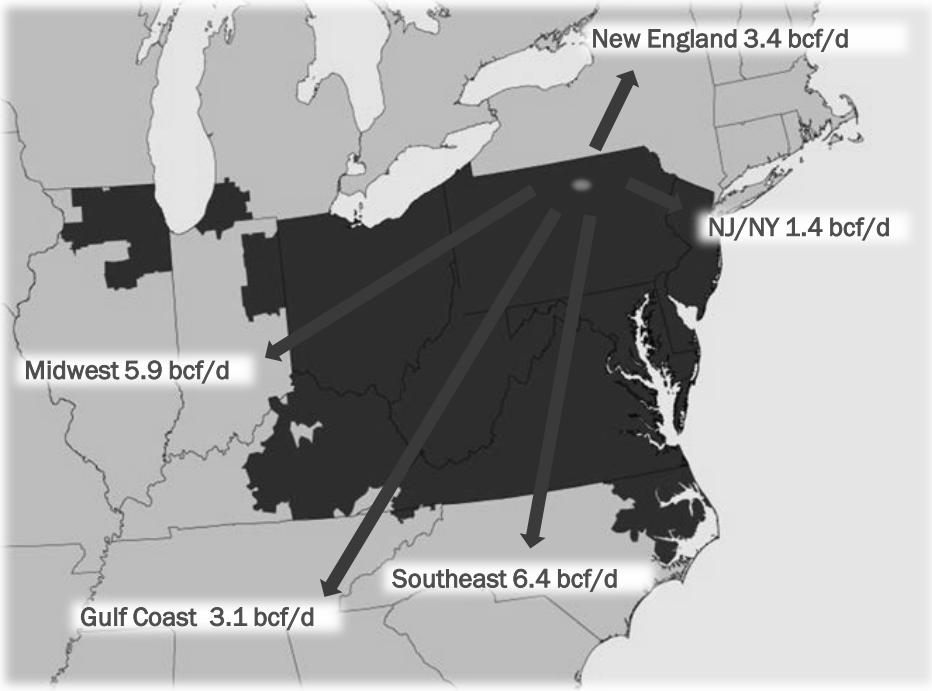
SI-SSA-0015-05054

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-05055

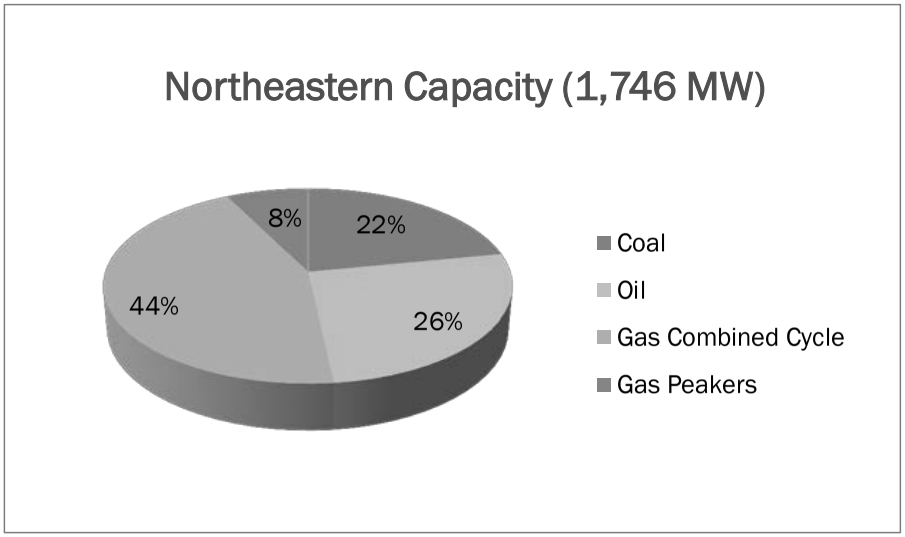
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-05056

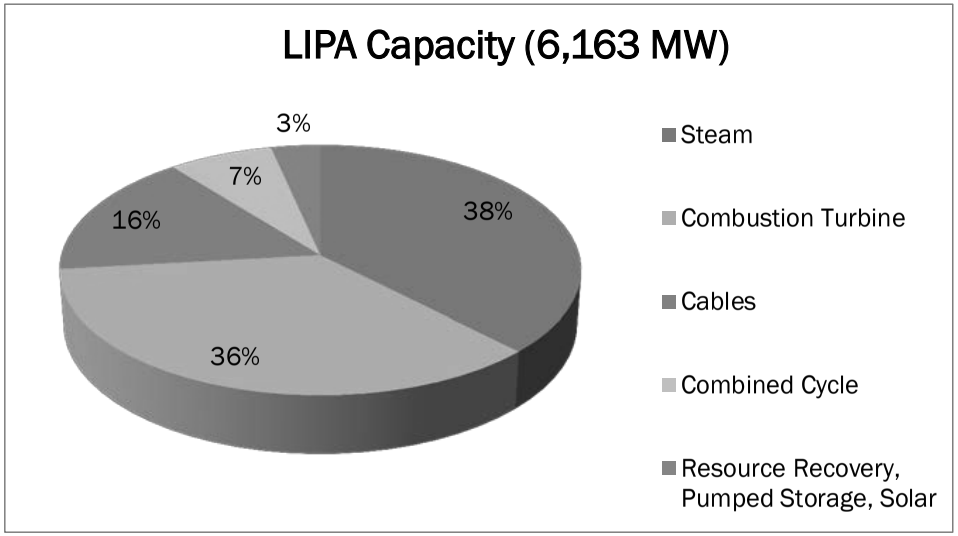
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-05057

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction, **met the new CP standards**

RPM – Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018	2018 / 2019
Power's Average Prices*	$168	$172	$165	**$215**
Rest of Pool Prices	$136	$59	$120	**$165/$150 (CP/Base)**
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**

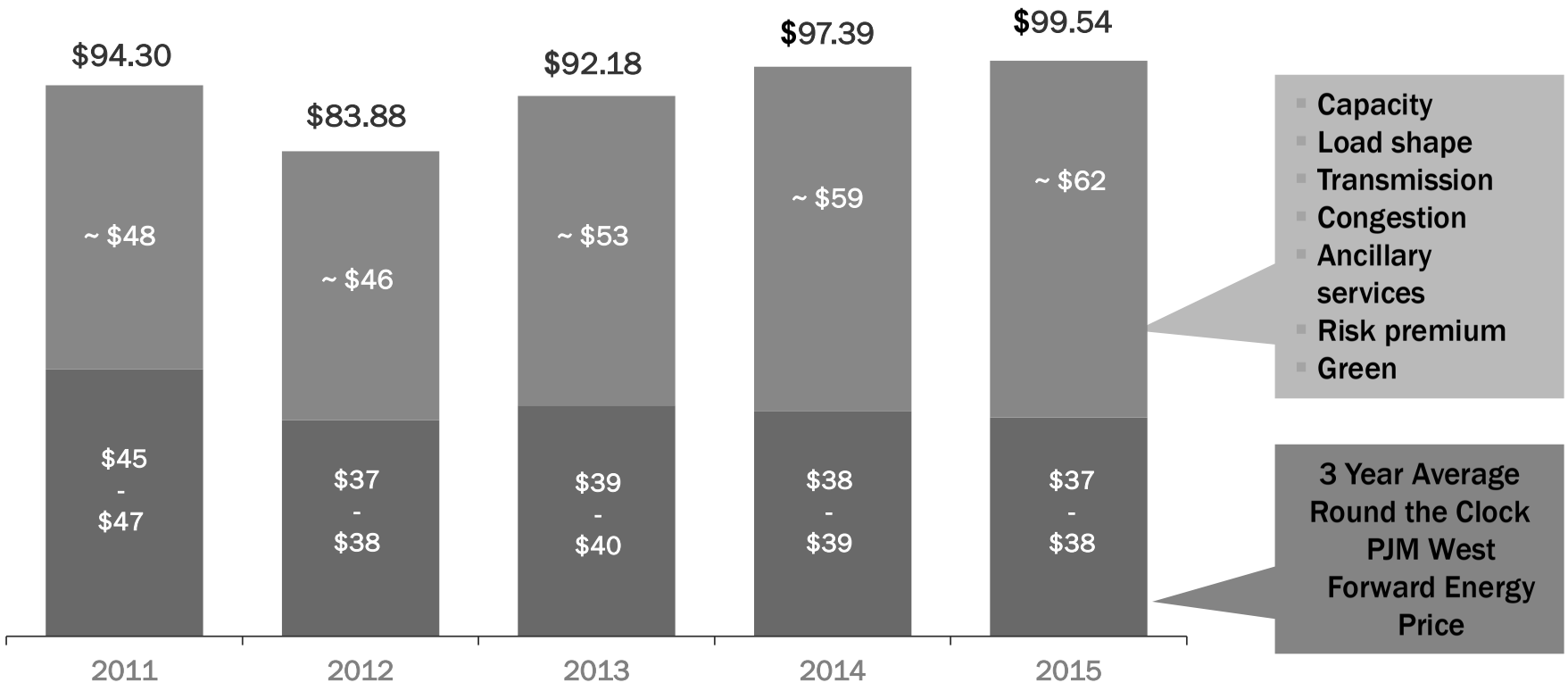
… and transition auctions offer upside in revenue from CP product

SI-SSA-0015-05058

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF SEPTEMBER 1, 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS AS OF SEPTEMBER 1, 2015

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-05059

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-05060

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-05061

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-05062

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-05063

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	**$760 - $775**	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	**$1,420 - $1,500**	**$1,400**
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-05064

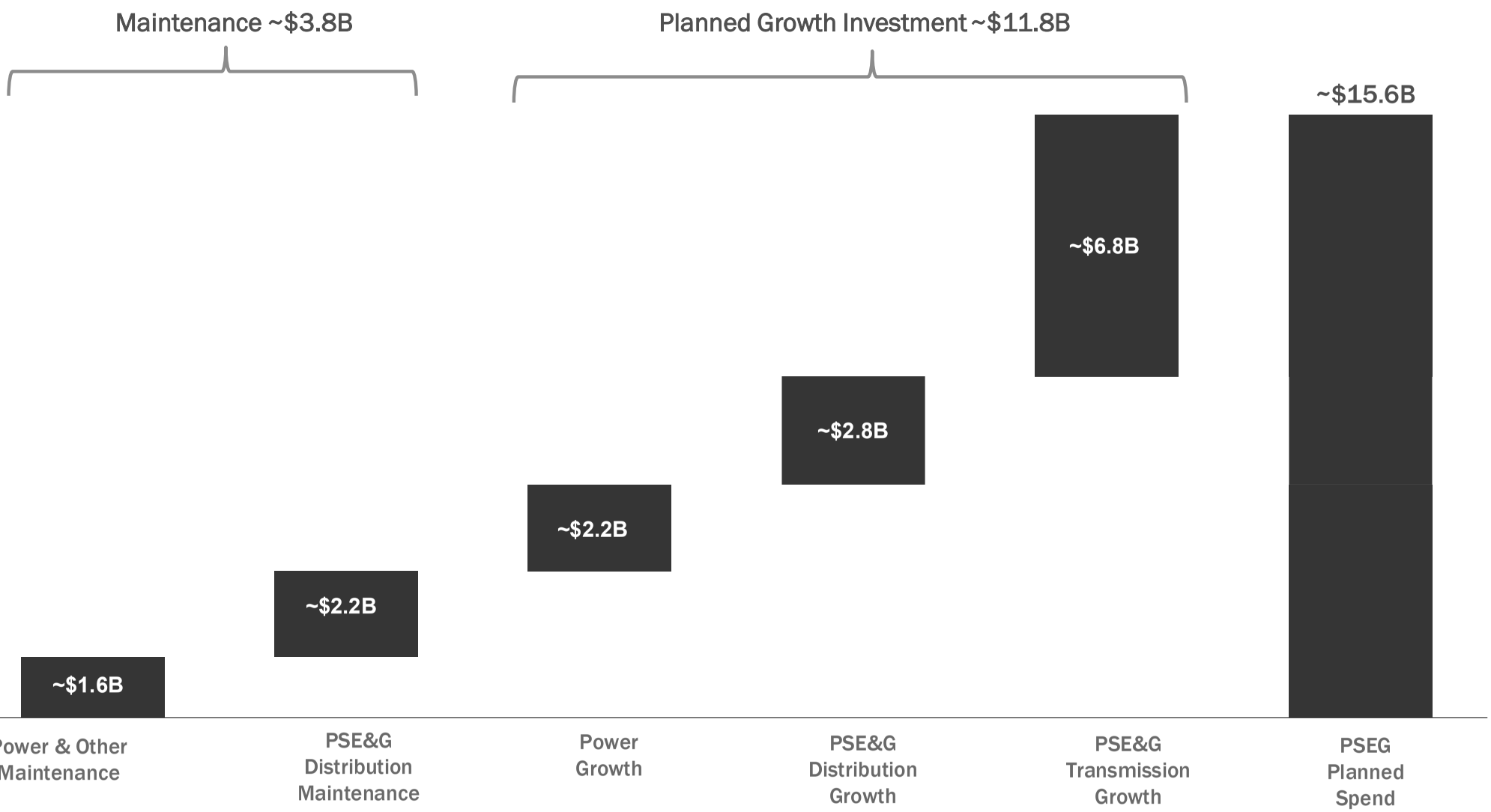
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

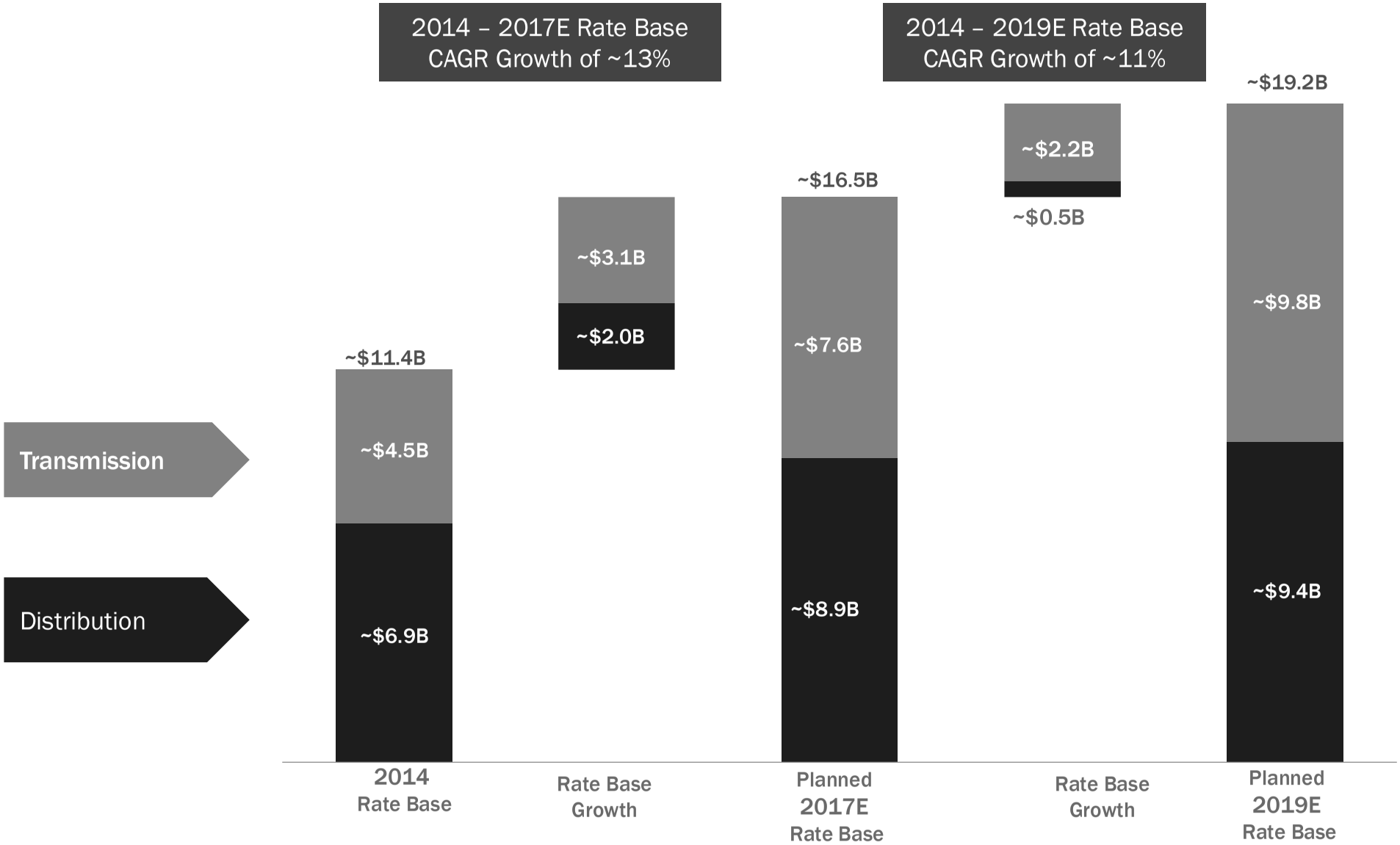
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-05065

PSE&G's Capital Program drives double-digit growth in rate base through 2019



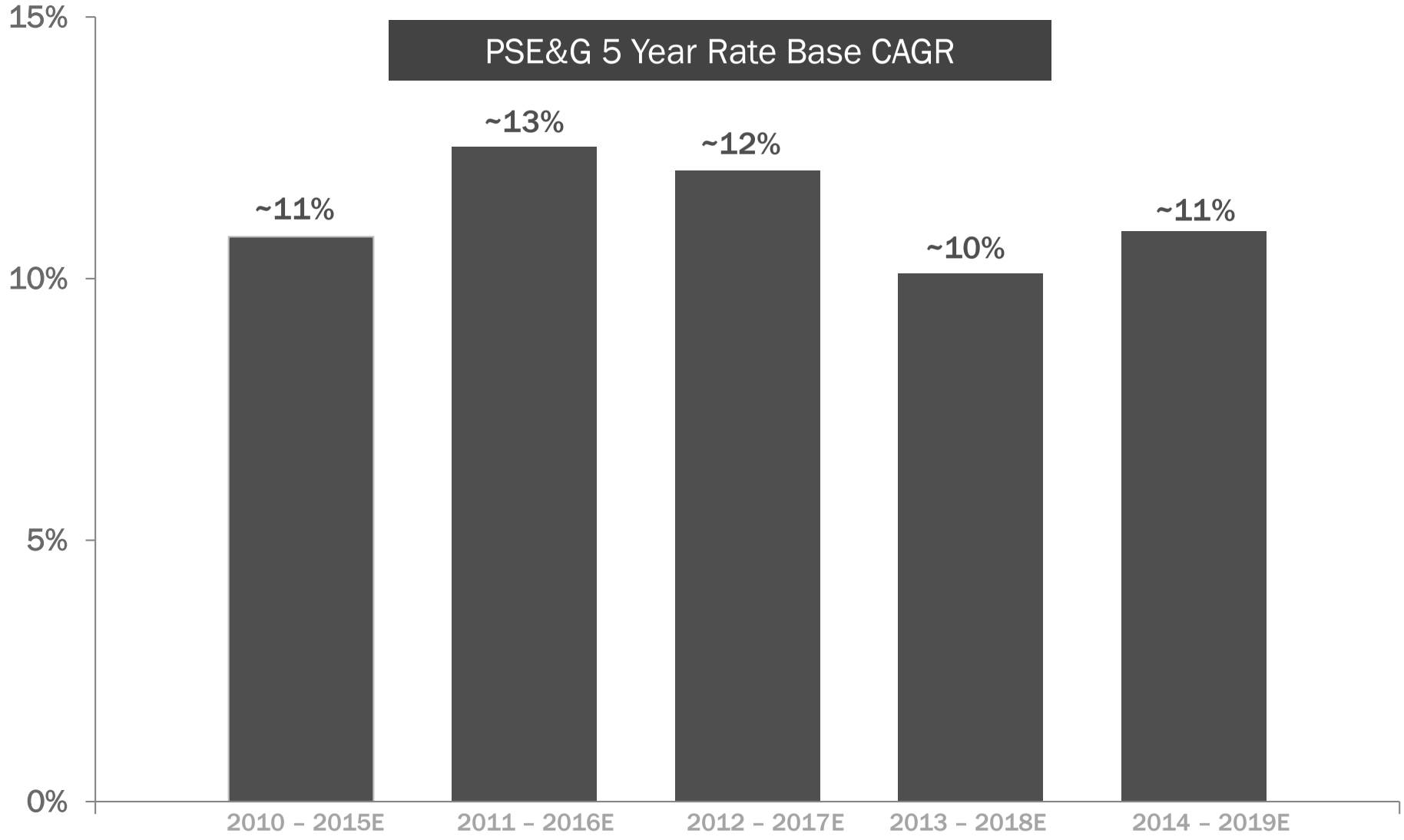
INCLUDEES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-05066

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



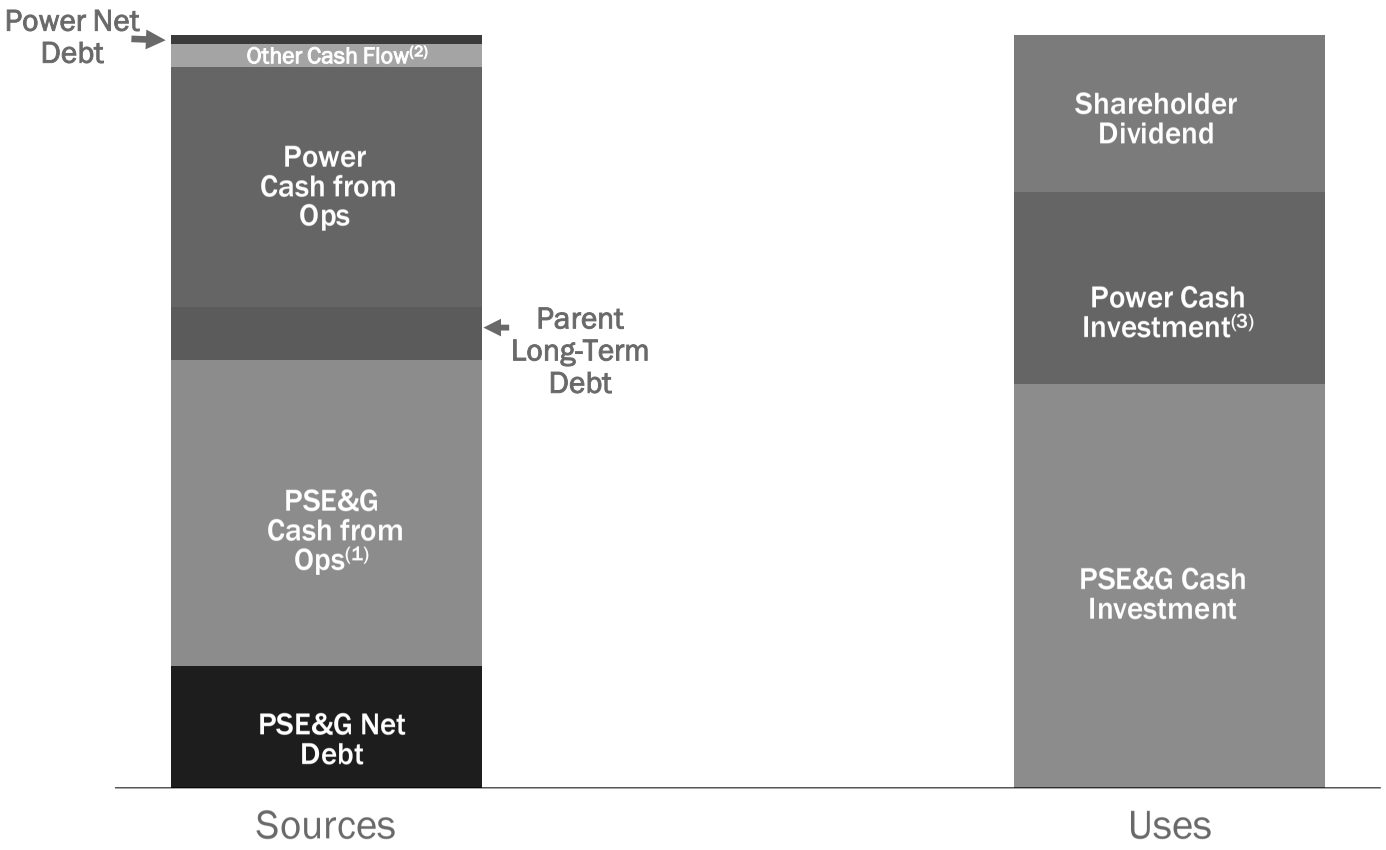
INCLUDEES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-05067

Utilizing financial strength to issue debt at the parent level in support of regulated growth

PSEG 2015 - 2019E Sources and Uses

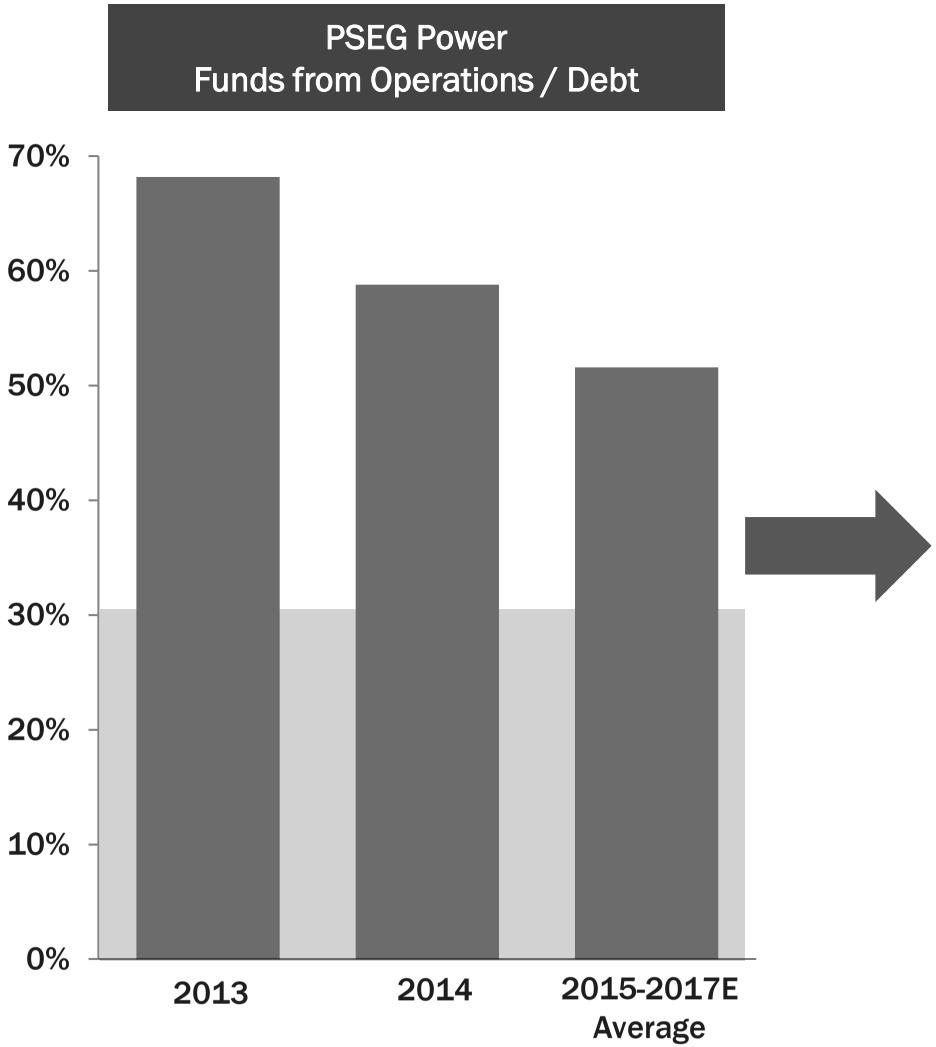


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-05068

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-05069

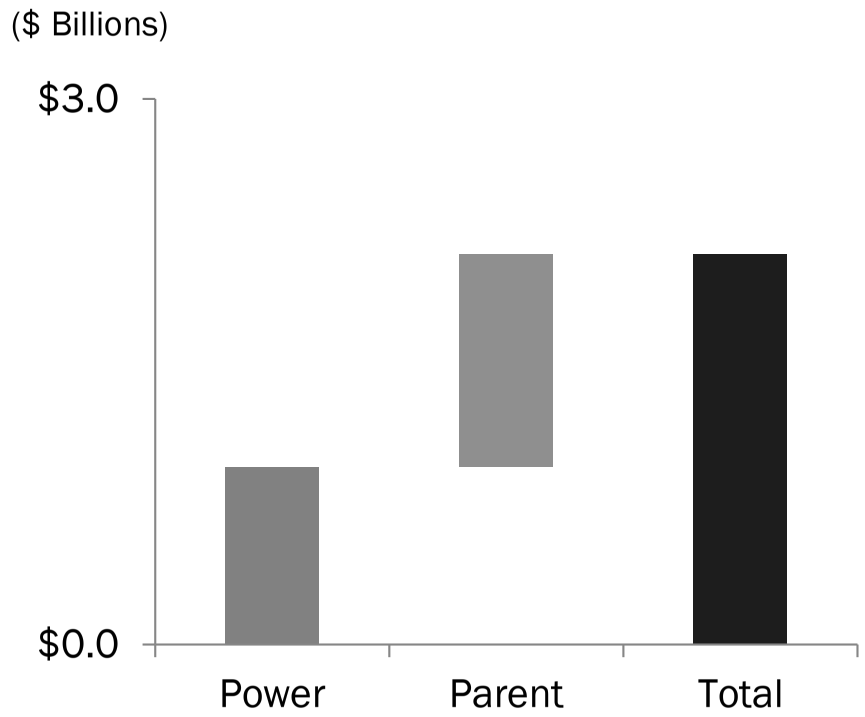
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



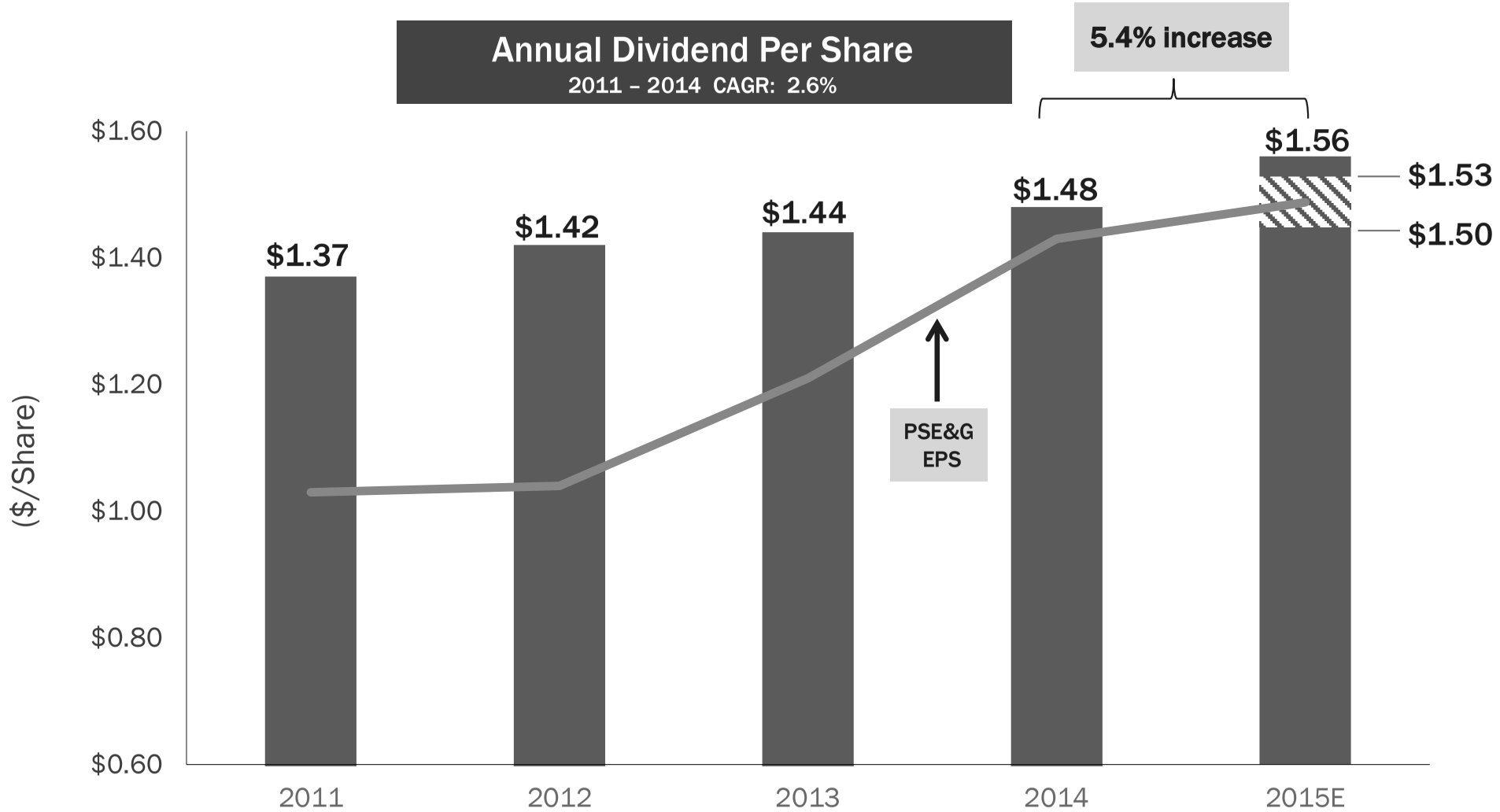
Our incremental investment capacity can support growth at both PSE&G and Power

SI-SSA-0015-05070

*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54% (1)

SI-SSA-0015-05071

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.80-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions. ** July-December 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-05072

PSEG Summary

- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.80 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

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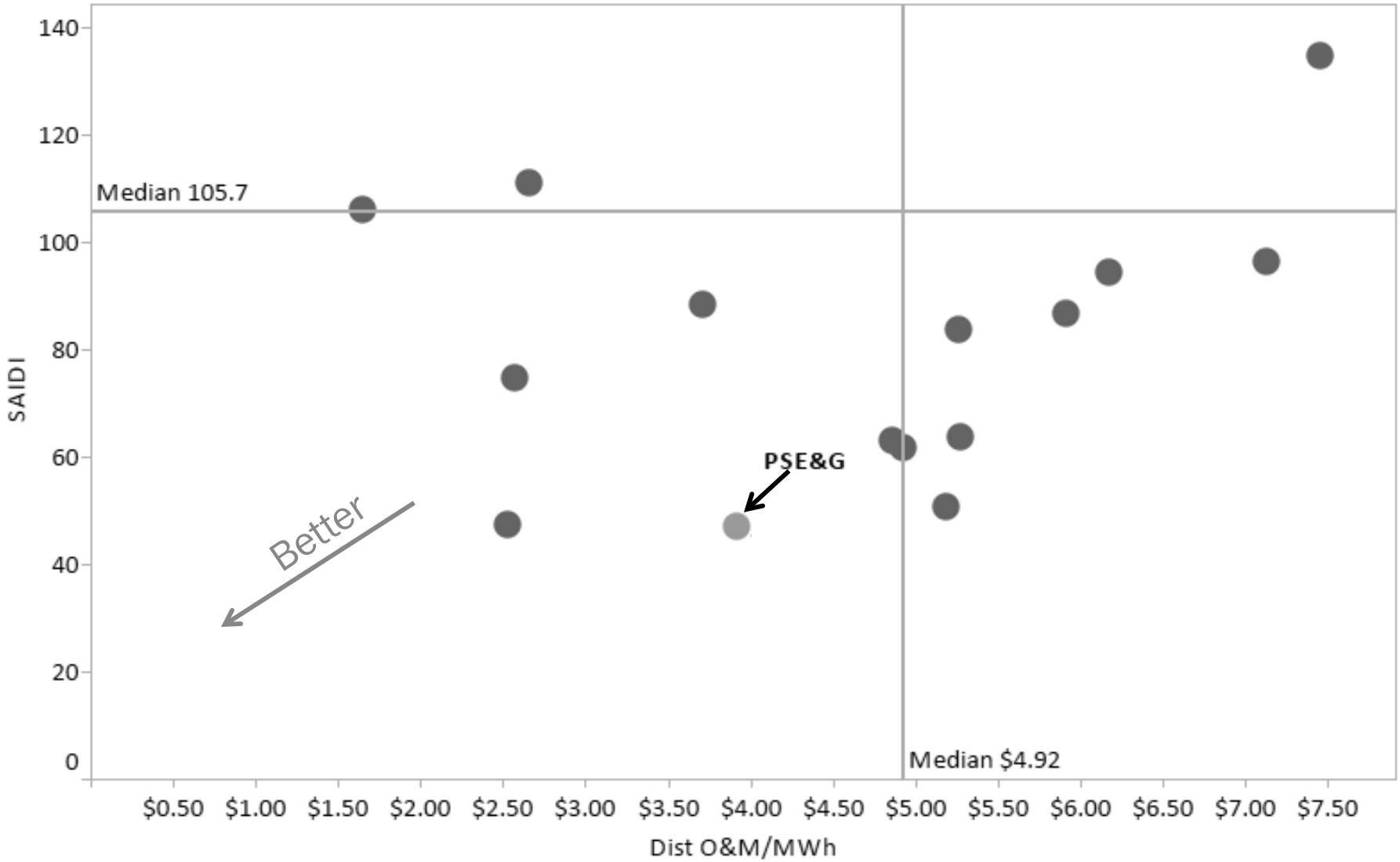
PSE&G APPENDIX

SI-SSA-0015-05074

PSE&G provides high reliability at below average cost which creates superior value to customers

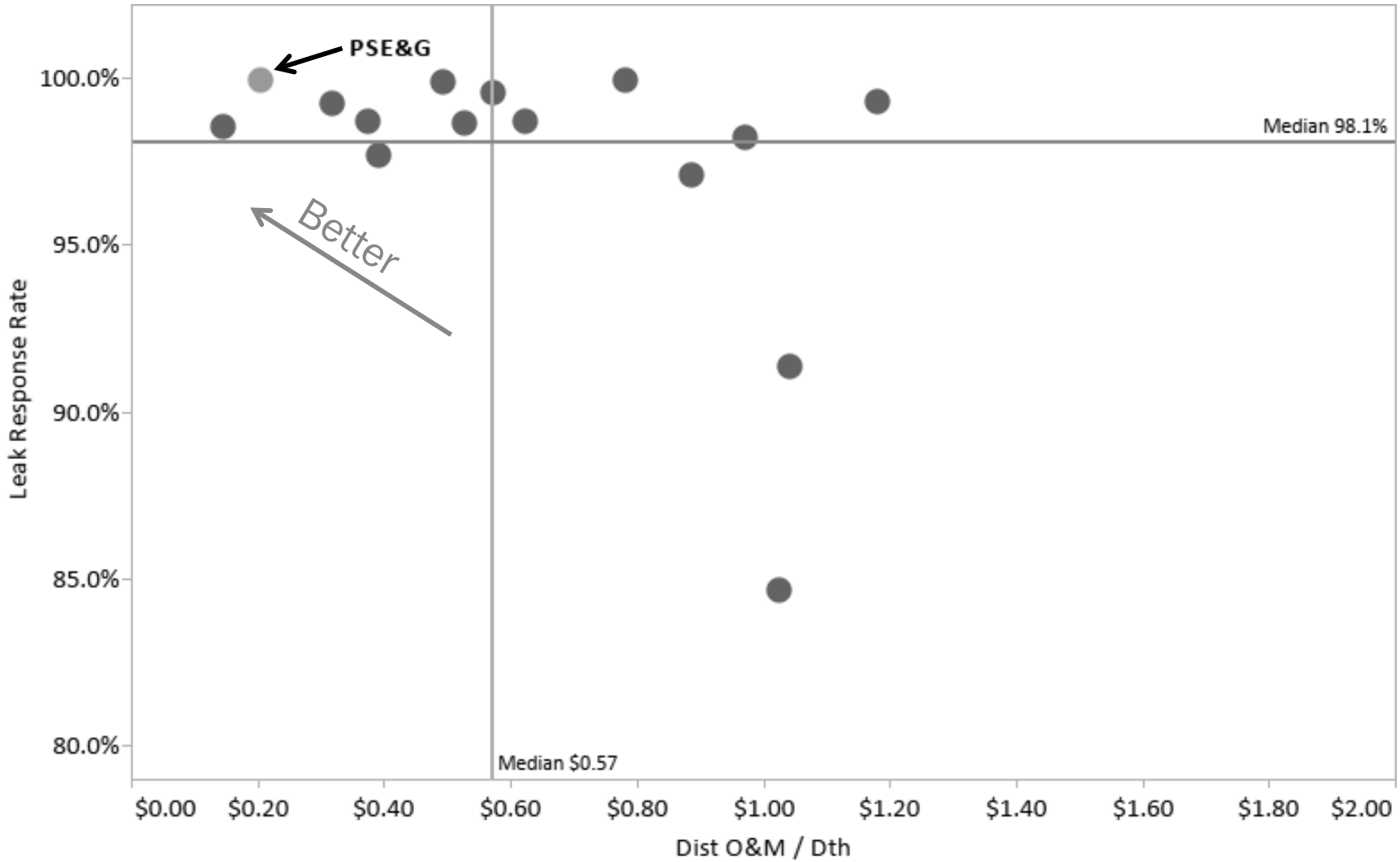


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-05075

PSE&G prioritizes public safety

while maintaining value to customers



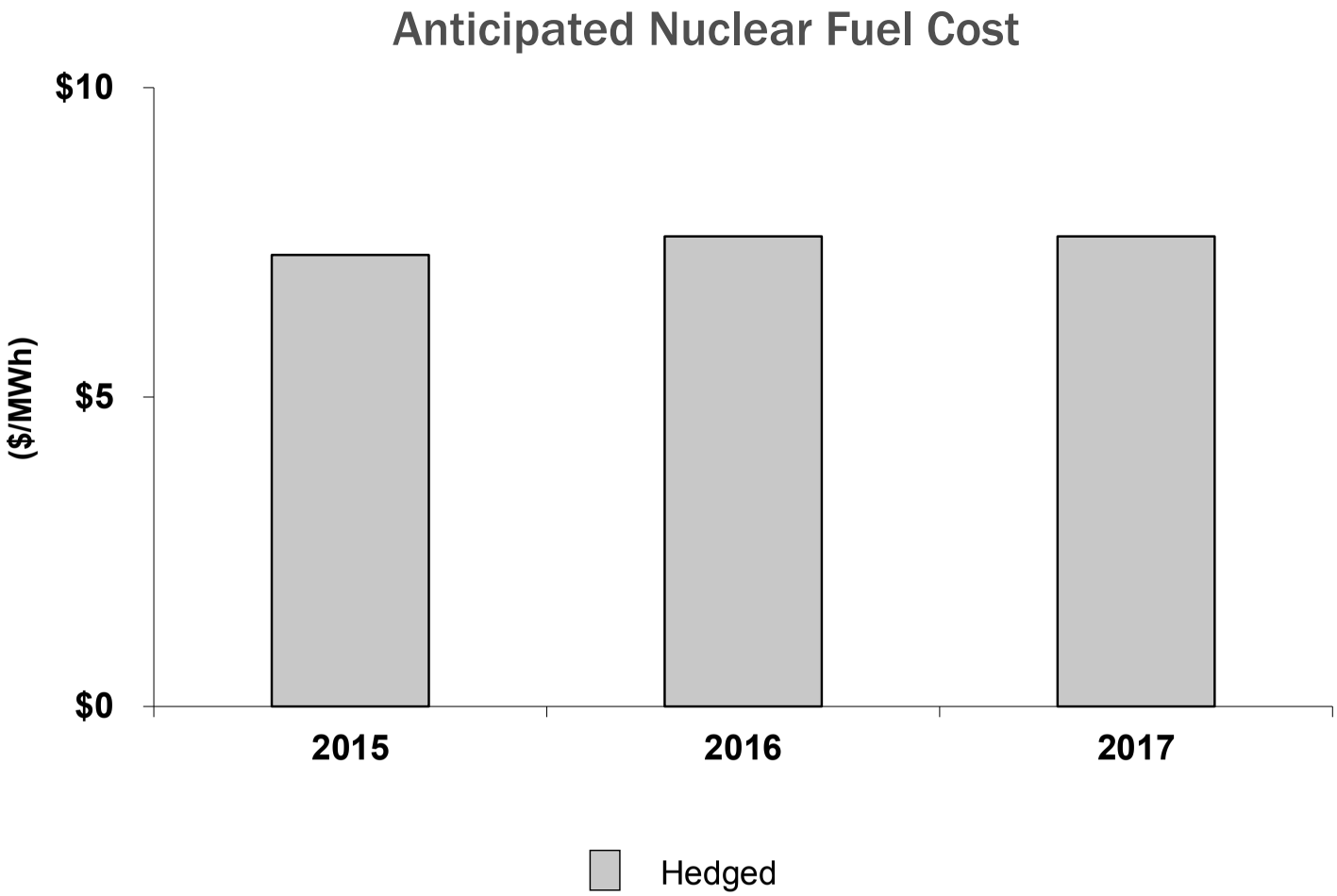
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-05076

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-05077

Nuclear fuel needs have been hedged through 2017



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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-05079

PSEG FINANCIAL APPENDIX

SI-SSA-0015-05080

First Half Operating Earnings by Subsidiary

Six months ended June 30

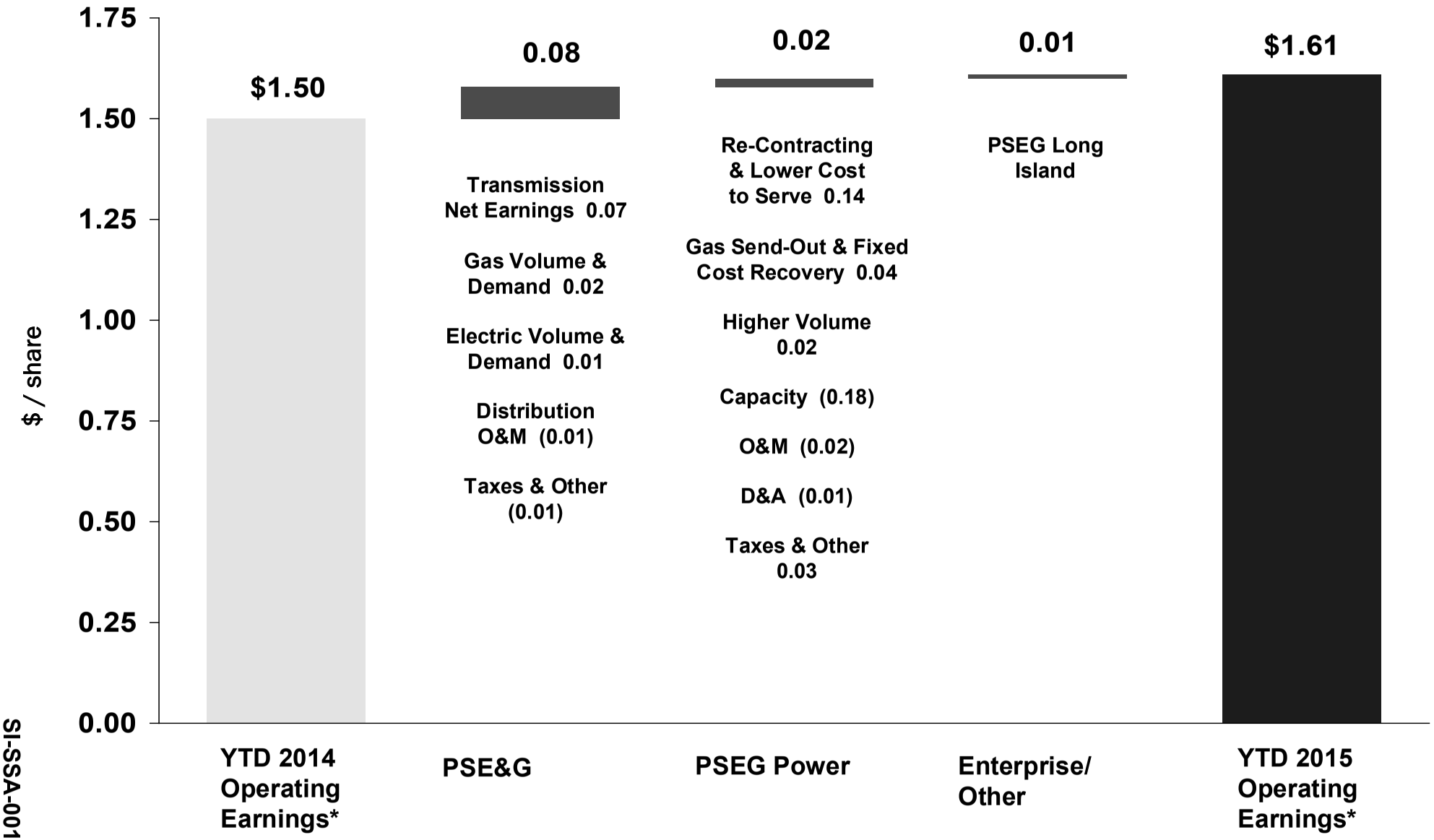
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

SI-SSA-0015-05081

PSEG

•SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



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PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power's Adjusted EBITDA - Q2 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$110	$87	$388	$380	$620	$680
Add:						
Fossil Major Maintenance, pre-tax	52	49	101	107	115	115
Depreciation & Amortization, pre-tax	75	73	152	146	305	305
Interest Expense, pre-tax	32	29	63	60	125	125
Income Taxes	32	38	223	234	380	420
Adjusted EBITDA	**$301**	**$276**	**$927**	**$927**	**$1,545E**	**$1,645E**

* SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

** SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

SI-SSA-0015-05083

Our balance sheet remains strong

June 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.7	7.2	5.7
Total Capitalization	**$21.9**	**$13.8**	**$8.2**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio(2) 51.7%

SI-SSA-0015-05084

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $134 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	2015	Total
PSEG Power	$44	$179	$223**
PSE&G	6	35	41***
PSEG	$50*	$214	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

** POWER SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; INCREASED OTHER INCOME.

*** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

SI-SSA-0015-05085

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
			PSEG Money Pool ST Investment		$397
			PSE&G ST Investment		$151
			Total Liquidity Available		**$4,628**
			Total Parent / Power Liquidity		**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-05086

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 6/30/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	150
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	29
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	39
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$855**

SI-SSA-0015-05087

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-05089

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**	**$ 2.99**	**$ 2.45**

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

SI-SSA-0015-05090

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Barclays CEO Energy Conference

EVENT DATE/TIME: SEPTEMBER 12, 2013 / 3:45PM GMT

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THOMSON REUTERS

CORPORATE PARTICIPANTS

Ralph Izzo *Public Service Enterprise Group - Chairman, President and CEO*

CONFERENCE CALL PARTICIPANTS

Daniel Ford *Barclays - Analyst*

PRESENTATION

Daniel Ford - *Barclays - Analyst*

Hello, everybody. Our next presentation is going to be from Public Service Enterprise Group. We have Ralph Izzo who is Chairman, President and CEO as well as Caroline Dorsa who is Executive Vice President and CFO.

Ralph Izzo - *Public Service Enterprise Group - Chairman, President and CEO*

Thank you, Dan, and thank you, everyone, for being here. So I would direct you to both our forward-looking statement and our GAAP disclaimer although obviously I won't go through the details of either of those documents. We will be talking a bit about prior results of the past few years as well as making some projections as to how the outlook looks for us, at least certainly for the next couple of years.

Most folks will tell you as I walk around PSEG, the conversation typically begins with employees talking about the importance of operational excellence, not just in our regulated business, but in our unregulated wholesale power business. And what we try to impress upon employees is that if they do operate our assets with excellence, there's no question given the markets we serve, which I'll go into in some greater detail, that we'll produce profitable outcomes and a level of financial strength that we can then redeploy in some way through some disciplined process by way of investing in assets that we have a good chance of operating with excellence as we move forward.

The result of that is a highly engaged workforce. Now if that didn't make sense from an investor point of view, I assure you it does make sense to our employees. But what you should hear from those words is that PSEG is really focused on deploying its very, very healthy balance sheet, primarily in our stable, regulated business nowadays, in ways that both meet the needs of our customers and fulfill the social and public policy objectives laid out by our regulators and elected officials.

And while that's the primary growth trajectory that we are pursuing, we do that while we protect the upside associated with operating a fleet of assets in our merchant generation business that has some very unique set of strengths that I'll talk about in greater detail as we go forward.

For those of you who are not familiar with the specifics of PSEG, let me turn those generalities into a subsidiary by subsidiary review of Public Service Enterprise Group. The main growth vehicle and the main investment vehicle is about $10 billion in capital at Public Service Electric and Gas, our electric and gas delivery and transmission business in New Jersey. That $10 billion number is between now and 2017 and it looks more like a $6 billion number between now and 2015.

In addition to that, our merchant generation business, owning about 13,000 megawatts of merchant generation in the New England and PJM East region, is really characterized by a fleet that is advantaged in two ways. Number one, by its physical location, and number two, by its environmental position. It is a very clean fleet with its environmental CapEx all in the rearview mirror and minimal environmental CapEx standing in its way as we approach [HAPS MAC] compliance timeframe of 2015.

And then last and to a much smaller extent, our PSEG Energy Holdings, which is growing from about 69 to 90 megawatts of unregulated solar in the course of the next few months. And we'll continue to look for PPA-supported projects in the 15 to 25 megawatt range throughout the country.

Well how has this business model of relying upon a foundation of operational excellence to produce solid financial results, which are then deployed in a disciplined manner into new investments? Let's just take a look at what it's produced over the past 4 years. It is hardly something to boast

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about when one is talking about a 15% decline in earnings per share over a 5-year timeframe. However, something was done properly when you look at an over 50% reduction in the power prices that we've realized at PJM West which is the most liquid hub in terms of the markets that we serve.

And the way we did it was by reducing our own growth from what was a planned 2.4% escalation rate to something that was less than 1%, all the while keeping our forced outage rate at our combined cycle units at about the same level, going from 1.6% to 1.7%, increasing the amount of generation at our nuclear plants from 29.3 terawatt hours to 29.8 terawatt hours, and taking advantage of the lower supply charges that our customers realized and the lower supply revenues that we realized, and taking the benefits that customers saw in their bill and using that as an opportunity to make very needed investments in our delivery business.

So we took our transmission rate base from under $1 billion to $2.5 billion, developed a contemporaneous return distribution investment program that we call the Utility Cap Stimulus Spending, from zero to nearly $1 billion. And in fact, investing in some of the renewables programs, both in terms of solar and energy efficiency that the state was a champion of, and going from zero to nearly $900 million.

Probably no one event defined the past four years and the importance of operational excellence better than Super Storm Sandy. I won't spend a lot of time walking you through the significant amount of damage that we realized, primarily on the delivery side, but also on the generation side. Suffice to say that we not only received an EEI Award for our recovery, but we used this as an opportunity to say while load and demand for electricity is not growing commensurate with historic levels, customers' reliance on electricity is achieving levels that have never been seen before. And it's that reliance upon electricity, that dependence upon electricity that encouraged us to say something needs to be done differently. That something we describe as Energy Strong. I'll get into the details about that in a few minutes.

But it's our ability to demonstrate operational excellence in restoring customers. The strength of our balance sheet that exists today that allows us to take those two and say we need to do something quite different going into the future to recognize that dependence that customers have on electricity. And that is a $3.9 billion 10-year program called Energy Strong that I'll get into in greater detail in a few moments.

Let's step back for a second however and look at the overall capital program at the parent company. Between 2013 and 2015, we have plans to deploy $6.3 billion in capital. About 75% of that is in growth capital, most of that being at the utility. In fact, the total capital to be deployed at the utility is a little bit north of 81%. I have to emphasize that what we're showing on these two pie charts, that's the same $6.3 billion worth of capital, are programs that are fully authorized. We're not asking permission to spend this money. To the extent that some of the transmission money that's envisioned being spent here needs to be into the PJM RTEP, which is their regional transmission expansion plan, it's already in there. To the extent that some of this money needs to get Board of Public Utilities approval in New Jersey, it's already received that approval.

To the extent that some of these plans need to be synched up with new customer connections, those customer connections are already known to us. So this $6.3 billion does not need anything other than in some cases siting approval in local towns and municipalities which we have had a very good track record of achieving.

If we were to say what else might be available to us, that $6.3 billion can become $7.5 billion in the next few years, largely driven by PSEG's Energy Strong proposal, which as I said a moment ago, is a 10-year program for which we've sought 5 years of approval. And this would be the 3-year impact largely being realized in 2014 and 2015. There's a very, very modest element associated with that in 2013.

All of that would be growth, so the additional $1.2 billion that gets added to the $6.3 billion would all be in the utility and all receive contemporaneous return treatment if it were to be approved by the Board of Public Utilities.

Let's then spend a little bit more time on the details behind Energy Strong. As I said, it's a $3.9 billion program for ten years. All we have filed for is the $2.6 billion that we would expect to spend over the next five years. In addition to that $3.9 billion over ten years, there would be $1.5 billion in transmission enhancements that is not subject to state jurisdiction but is subject to our Federal Energy Regulatory Commission's formula rate treatment which as you know right now receives an 11.7% allowed return on equity.

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Here we break out the specific projects in areas that we expect to deploy that capital. There are numerous benefits associated with Energy Strong. Primarily in the electric area, but also in the gas area. And one significant element of the benefit of doing this now is the availability of labor and the fact that Energy Strong produces nearly 6,000 jobs in terms of the construction program that we envision.

So we have a reliability improvement, economic development benefits, the availability of labor, the access to capital works quite well for us right now, and as a result of that, we've had some significant support from municipalities who have passed resolutions in support of Energy Strong, county governments who have passed resolutions in support of Energy Strong, and in fact, we are predicting that as we enter the public hearing stage, which is the phase we're in right now, we're in our first public hearing beginning next Monday and continuing through October, that we will have significant support from organized labor, the New Jersey Chamber of Commerce, hospital associations, associations of higher education as well.

Part of the reason for that additional support is not just in the obvious benefits that I've outlined for you, but it's also in the fact that we can manage this program and not raise customer bills in the next three years. That is largely due to the benefits associated with the decrease in customer bills that result from about 8.7% reduction in a residential rate that will be realized as charges that were associated with several programs in the past, the single biggest one is the securitization charges associated with deregulation rolling off as well as some above market NUG contracts expiring, and those two alone combine for an 8.7% reduction in anticipated residential bills between 2015 and 2016.

And the rate reduction for the commercial customer space is even larger than that. So we can feather in Energy Strong without an increase in residential or commercial bills, assuming the current BGS rates stay steady in that same timeframe. So significant customer benefits, significant job creation benefits without any increase in rates is what is generating this kind of support. To be sure, there are some folks who are saying, no we should it for free. That's not in the cards. And others who are saying that we should do this under traditional ratemaking and no, that's not in the cards as well.

Let's now switch gears from PSE&G where as I mentioned the vast majority of our capital investment is targeted, and talk a bit about PSEG Power. If I had to use one phrase to explain the benefits associated, the advantages that PSEG Power has over competitors, it would really be on this slide and it would be in the word diversity. Fuel diversity as well as technology diversity. If we were to focus on the two pie charts on the left and the right, they would not be any different if I were to show them to you, if I had shown them to you 5 years ago. And in fact, I think if I can go back 10 years, they would look quite similar. We have this mix of gas, coal and nuclear assets. We have this mix of base load, load following, and peaking assets.

But what has changed over time is the pie in the middle. And by and large, the nuclear elements of the gigawatt hours we've produced has been anywhere from 50% to 57% of our output. It was probably closer to 50% years ago when our capacity factors were more like 88% as opposed to the 92%, 93% capacity factors at which we run. But the gas and coal would have been flipped. You would have seen probably more like 35% in coal and 15% in gas and now you're seeing the 32% in gas and 11% in coal in terms of energy produced.

Let me also point out for you that that 11% in coal is a bit of a misnomer. Almost 55% of that 11% of our coal assets was run on natural gas. So we have enormous fuel flexibility in our assets to respond to market conditions in terms of fuel prices. And in fact, if I stick with energy for a moment and talk to you a bit about our locational advantages, we have watched the basis differential from PJM West and the PS Zone decrease over time to be sure. And typically when one looks at that basis differential, one looks at it from the perspective of the forward price curve, and you've seen that come down from double digits to low single digits nowadays. And in fact, if you were to just take the forward price curve and do the subtraction, nowadays you'd see a number like $2 or $3 depending on what year you're looking at yet.

What I'm trying to show you here on the left, however, is the on peak monthly day ahead basis differential between the PS Zone and the PJM West. And what you see is anything but a stable single digit number. That flexibility in terms of the technology that we have, in terms of our peaking and load following units, and our natural long position and the way in which we hedge, which is to only hedge 100% of our base load, in the current year allows us to take advantage of these spikes. These spikes are not driven by anything other than the operational complexity of running the grid. What happens when a plant has an unexpected outage? What happens when you get 96 degree weather in September with 85% humidity? What happens when a power plant or transmission line comes out that wasn't expected to come out?

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And you can see that there is just enormous volatility in that basis differential that advantages a set of assets like ours that are naturally long and in the region that is typically on the upside of this zero line as you see here.

Sticking with energy, another advantage that's now arisen of late is the fact that PSEG Power has nearly a little more than half a Bcf of transfer capability of Marcellus Shale which translates into our ability to fuel our five natural gas combined cycle units, over 3,500 megawatts, at a lower fuel supply cost than others might be able to. That is on top of our nearly 1 Bcf a day of storage which is on top of our 0.7 Bcf per day of access to gas supply from the more traditional routes. So we can take a look at where it is most advantageous to us to supply our gas plants, which once again, we do not hedge quite to the same extent as we do our base load units.

As I move from energy to capacity, there's no question that the rules are still evolving in PJM. And there's no question that some years DR plays a different role in terms of affecting the market than what the minimum offer price rule might do. And this year's story may not have been either of those and it may have been more related to transfer capability from the west. However, as you look at the top line, which is the price that we've realized, what you see is, except for the blowout year of 2013 and 2014 which is what we're in now and is one that I wish had been replicated many times over, for the past 3 years we have seen auctions that give us a pretty steady, predictable price of about $165 per megawatt day plus or minus a couple of dollars. And those prices are the best prices in the region, just given the supply/demand tightness in the markets we serve.

So from an energy and a capacity point of view, we think that we do have natural advantages both in terms of our assets, in terms of their fuel diversity, their locational advantages, and the flexibility around the technology.

So I talked to you about what happened going from 2008 to 2012, what does this mean for us going forward? Well we continue that focus on O&M control. We're forecasting about a 2.2% O&M growth across the enterprise. We'll talk a little bit more about that in some detail in a moment. We continue to pursue the path that we have pursued over the past 4 years which is to take the cash being generated at power and to combine that with the ability for the utility to access the debt markets and grow its rate base. We're going to take that from a $9 billion rate base over the next 3 years and grow it by over 30% to over $12.5 billion. Most of that will take place in transmission where we get FERC formulate rate treatments with allowed equity returns of 11.68% up to 12.9% depending upon the project. We will also grow our distribution business with the Energy Strong proposals that we have, and we have already received approval for what we call the EMP, Energy Master Plan programs through the settlement and approval that we received from the Board of Public Utility for increased solar investments.

We'll drive down our forced outage rate at our combined cycles. We'll increase, we'll further increase our nuclear generation. This is not so much about a further improvement in capacity values, it's more a further expansion through our upgrade at Hope Creek that has been completed and our upgrade at the Peach Bottom units which are underway. And we do have projects that are already in construction at Holding Solar that will increase the amount of capability we have there. And as you all may be aware, we have a contract with the Long Island Power Authority to take over their operations beginning January 1 of 2014.

So if I spend a few minutes on this growth rate in our O&M, we had predicted a 2.4% growth over the prior 5 years. We kept that to under 1%. What we're forecasting for the next few years is growth at the enterprise level of 2.2%. Let me emphasize for you that the transmission growth rate of 0.4% is something that's essentially a pass through through the formula rate treatment that we get at FERC. The distribution growth rate will be kept to about a little over 1%. And the power growth rate is driven mostly through the short time duration we have here and some additional large outages that we will be taking at our combined cycle units just given the heavier use that they are realizing.

If I take look at the balance sheet, as we move over the next 3 years, it is as healthy as healthy can be. We've recently enjoyed the benefit of an upgrade at the rating agencies. You can see here that the absence of any capital being, any material capital being required at PSEG Power really results in the utility simply living up to its debt to equity ratio, the 51% equity and 49% debt. And as a result of the utility capital program you see a modest increase in the overall debt to equity ratio at the parent company as well.

What does this mean in terms of the earnings trajectory that we've realized? So we had power representing three quarters of the earnings of the company in 2009. As it is seen, it's price that it's realized has come down as a result of the decline in wholesale power prices. And the utility, with the robust investment program, this year we're forecasting that power in the utility will contribute equally to the earnings of the company. While

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we don't forecast future earnings, given the transparency and the visibility we have to utility capital investments, we are forecasting double digit earnings growth for PSE&G, the utility, over the next two years.

As we said on our second quarter call, we are sticking with our 225 to 250 earnings guidance for this year. However, we do expect the normal weather conditions with normal unit operations to end the year at the upper end of that guidance range.

In terms of the dividend, we're proud of that track record that we have mentioned in the past, namely the fact that we have not missed one year of dividend payments for over 100 years. The utility now accounts for about 80% of the dividend payout. With the double digit earnings growth at the utility, one could do some simple arithmetic and realize that over 2014 and 2015, the utility could cover 100% of the dividend payout. Having said that, we don't tie the dividend payout to any one measure. We tie that dividend payout to what is the growth in the utility earnings, what are the cash needs of power, where are we in the commodity cycle. And when we add all that together, what we can say to you is that we do believe we have an opportunity for sustainable modest growth in that dividend. And we don't make that prediction lightly as I said just a moment ago given the company's track record of never having missed a year of dividend payments. If you look at us over the last 5 to 10 years that dividend has grown between 2% and 3% over that timeframe.

So I think I'll stop there and leave some time for questions. At the end of the day what I see is a power generation fleet that is extremely well positioned locationally, extremely well positioned from an environmental point of view in terms of the rules that it faces, with tremendous amount of diversity both in terms of the technology and the fuel mix, and being able to take advantage of the market dynamics that it faces, the market dynamics in terms of Marcellus Shale gas, the market dynamics in terms of basis volatility. It produces healthy cash streams that we can then use in our utility for a fairly robust double digit earnings growth for the next three years and clear investment horizons that go beyond that in terms of the rate based growth that we would anticipate. All with no need for new equity issuance, all with the ability to fund that internally in terms of our equity requirements, healthy access to the debt markets, and a very, very secure and modestly growing dividend as we look to the future.

So Dan, if we -- we do have time for questions I can see from the clock.

QUESTIONS AND ANSWERS

Unidentified Participant

Very good story. One of your smaller projects that I have a strong personal interest in are the distributed solar panels on the utility poles. How would you characterize your experiment with that? And about how much power does it generate collectively? And do you intend to expand it?

Ralph Izzo - *Public Service Enterprise Group - Chairman, President and CEO*

I would characterize the outcome as somewhat mixed and let me tell the good news and then the not so good news. We installed 200,000 of them. They produce I think it's about 30 megawatts, maybe a little bit shy of that. They work well. During Sandy for example, the only reason why any of those panels fell was because the pole fell. So none of the panels -- we were candidly worried, are we putting sails on there and are there things that could become a problem later on? They also have the capability of doing some remote communications for us and that communications capability works as well.

The degradation has been miniscule. I think we had a certain expectation of fractions of a percent in terms of just the aging of the panel and that's been met as well. So from an operations point of view, I would give them an A+. The downside is the cost. I mean those panels produce electricity at anywhere from $0.35 to $0.40 a Kwh. And notwithstanding the reduction in panel prices, the installation costs remain high. So our Solar for All extension program shifted away from those panels and more towards 3 to 8 megawatt ground based utility scale developments. So even with the panel cost reductions, I don't think that those projects are economic on a wide scale going forward.

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Unidentified Participant

Ralph, I recognize that it's a very small item for you, but you did mention it, the LIPA contract. It seems to me you're exposing yourself to a lot of potential negative publicity which LIPA has gotten in the past and well deserved, and probably will continue to get in the future except what you bring to the party. What's the purpose in your having bid on that contract in the first place and what do you see getting out of it?

Ralph Izzo - *Public Service Enterprise Group - Chairman, President and CEO*

So remember when we first won the LIPA contract was pre-Sandy. And what appealed to us was the return. We had about $0.03 per share profit in the numerator and the capital investment was zero. So that arithmetic works kind of nicely. I mean it was certainly management intention. And at the time, we were not going to be the brand associated with LIPA. We were going to truly step into the role that national grid plays. And the analogy I like to use is we were going to be the arms and legs and LIPA was going to continue to be the brains and the mouthpiece.

Sandy changed that and the governor decided that he really didn't want LIPA to play the role that it plays and he was interested in having us become the brand which meant becoming the brains and the mouthpiece. And we said, okay, we think we can run this place differently and candidly better, and we would be interested in that. Which puts our brand somewhat at risk in exchange for a different set of economic terms and conditions. That expanded and enhanced operating services agreement has not been fully consummated yet. We're hopeful, in fact we're optimistic it will be.

So the answer is that in exchange for putting ourselves more in front, as PSEG Long Island, which is consistent with our clever, brilliant branding strategy, we will then get some greater economic rewards for it. We still will not put ourselves in a position of A), investing in assets, putting capital at risk, or B), taking on any of their debt risk or any of their pension risk or any of the sort of big items that you would want us to be cautious about. So we will be, instead of a subcontractor, a general contractor getting a bigger reward for doing that, but putting our names on the trucks which will be the risk that we will take.

Unidentified Participant

Ralph, can you comment about what you would like to see from the PJM stakeholder process this year as regards the RPM for next spring?

Ralph Izzo - *Public Service Enterprise Group - Chairman, President and CEO*

Yeah, so I think the biggest area that I would like to get resolved, because it's been a little of an oscillating pendulum and it's oscillating about an equilibrium that I like, but it hasn't stopped swinging, is the [MOPR] process. So we had a MOPR that I thought was going to work well and then candidly PJM deployed it in a way that I thought, well where did you come up with those numbers? And then PJM said, you're right, there was just too much flexibility in what people, the case that people could make, so we're going to go back to FERC and tell them, gee, we don't think we should be allowed to do this. We went to FREC and we thought FERC would say yes and FERC said, well, gee, we think you can do what you want us to say, but we're not going to be the ones to force you to do it, but we'll give you the right to do it. And what we're talking about is sort of depreciable life of assets, cost of capital, numbers that really swing. What could and couldn't be depending upon the kind of candidly subsidized contract you have in your back pocket.

So I think what FERC has done is said to PJM look, we understand what you're trying to protect against and we'll allow you to protect yourself against that, but we're not going to force you to do that. So in that stakeholder process we are trying to make the case that the quid pro quo is if somebody is not subsidized, then capital discipline is the responsibility of that entrant. But if they are subsidized , then they can play without showing that they actually bought the turbine for less than we bought the turbine. Or they have a site that fully benefits from interconnection in ways that others don't.

But if they're doing it by saying, gee, we have confidence that the forward price curve is going to do this, and to have that confidence because in their back pocket they've got a guaranteed payment stream, then that's a foul that you have to call timeout on. So that's what I'd like to see resolved.

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To a certain extent, we weren't affected by this, but I still would like to see some work done on it, is our people perhaps being confident in terms of the capacity they believe they can bring to bear, either because of transfer capability or DR or because of new build, that they're bringing to bear because of the intervening auctions, the incremental auctions. So let's make sure that people aren't bidding something new that really is the old stuff that is coming into play in-between the base residual auctions. So that one hasn't come back to haunt PSE&G or PSEG, I'm sorry, I should say. Showing my age. But if it's an imperfection that's affecting the west, it could start affecting the east and I'd like to see that fixed. But I put that number two just because of the impact that we saw LCAP create behind MOPR for us.

Daniel Ford - *Barclays - Analyst*

Any other questions for Ralph? Great, if there are not, I'd like to thank him very much for the presentation and there will be a breakout in Liberty 5.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-09-03
Event Description: Barclays CEO Energy-Power Conference

Market Cap: 18,550.87
Current PX: 36.67
YTD Change($): +4.63
YTD Change(%): +14.451

Bloomberg Estimates - EPS
Current Quarter: 0.781
Current Year: 2.709
Bloomberg Estimates - Sales
Current Quarter: 2683.200
Current Year: 10472.154

Barclays CEO Energy-Power Conference

Company Participants

- Unverified Participant
- Caroline D. Dorsa

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. Our next presentation is going to be from Public Service Enterprise Group. We have Caroline Dorsa, who is Executive Vice President and Chief Financial Officer to present the company's story. Caroline?

Caroline D. Dorsa

Thank you, [ph] Dan. (0:00:18) Good afternoon everyone, happy to be here with you this afternoon. As we've done in prior presentations, I want to give you a little bit of an overview about the PSEG story, some of the key things that we're focusing on for this year. I will do a little bit of a quick top-side overview, then talk a little bit about the utility, a bit about power and some of our financial key metrics and hopefully leave some time to answer any questions that you might have.

So, hit the clicker, here we go. As normal we always start with the forward-looking statement derived from our 10-K as you would expect and also our GAAP disclaimer, keep in mind that some of the numbers that I'll be discussing with you today are non-GAAP metrics like operating earnings that we believe are a good way to think about our business on a long-term basis and keep in mind the reconciliations to GAAP, which always appear at the end of our presentation.

So strategy, just to start at the very top in terms of our strategy, our strategy has been consistent for the last few years, and it focuses on those three key parameters that you see in the circles; operational excellence, disciplined investment and financial strength. We really do look to see our business reliably deliver cash flow from each of our businesses, and from those businesses we look for incremental growth-oriented investments, and on the power side with an environmentally friendly fleet; and on the utility side, investments that enhance the reliability and service delivery from our customers.

We do so by working with a balance sheet that we believe continues to give us the strength to pursue new opportunities, the opportunity to raise capital in the capital markets. Because of the strength of our balance sheet, raising debt has been easy for us in the capital markets. All of our ongoing investment opportunities that we see in the long-term and they are significant, and we'll talk about those, none of those require the issuance of equity. We don't see any investment opportunity scenarios that we can handle that would require us to issue equity because of the strength of the balance sheet.

So let me talk a little bit more then about our businesses. Let's just do the top side overview of PSE&G and PSEG Power, our two primary subsidiaries that comprise our holding company PSEG. So PSE&G, Public Service Electric and Gas, is our delivery and transmission company. You can see the 2013 data at the bottom of the slide, assets of about $20 billion and operating earnings in excess of $600 million last year. As I said, our strategy is to position this company to deliver good reliability to our customers both from an electric and a gas perspective, and support the state's energy policy goals and, of course, economic growth objectives for the state as well.

We have an $11.3 billion infrastructure program over the next five years that I'll talk about in a little more detail as we go forward, but that is where most of the investment is going at PSEG because there is a great opportunity to both

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return for our shareholders and provide value and service and reliability to our customers.

For PSEG Power, that's our competitive generation business. You can see assets in that business of about $12 billion, and operating earnings last year of slightly in excess of $700 million. You'll note that the power company was a little bit more than half of the earnings last year versus the utility. And this year, you will see from our guidance, you'll see that start to flip as we talk about guidance for our company for 2014.

In terms of the guidance overall for the company, here you can see our progression from 2012, 2013, and 2014. Our 2013 results $2.58 per share on an op earnings basis and our guidance this year of $2.55 to $2.75. At the end of the second quarter, we announced that our anticipation was to be at the upper end of the current guidance range. We did not change the range, but we did guide to be at the upper end of the range assuming normal weather and normal unit operation.

So if you look at the progression of where we have been to the upper end of the guidance range that we're talking about now, you would see potential for two consecutive years of growth in our operation earnings. And as you will see those have been driven significantly by growth in our regulated utility.

So in terms of the capital program for the company overall, you can see if you take a comparison and I think, this is an interesting comparison to look at for the business. When you compare the capital program of the company in the aggregate over the last five years, 2009 to 2013, you can see an $11.3 billion capital program of which $8.4 billion was the regulated utility. And you can also see the capital pieces for power and then you can see the piece that relates to transmission was over $4 billion. You can also see that maintenance CapEx in the shading, but the environmental CapEx in that blue shading, about $800 million over that period.

Now, if you look over to the right pie, these are the five years upcoming, including this year. And you see some interesting things in the overall investment program for the company in the next five years. First of all, you can see that the total program is $13.1 billion. The piece that is PSE&G is actually now over the next five years the same size as the entire company capital program over the past five years.

So ramped up the utility capital investment program very significantly. And when you look at the piece that is transmission, which is the blue shaded portion, you can see that over the next five years that is $6.8 billion out of the total utility $11.3 billion. So transmission continues to be a very important part of our capital program and a significant portion of our capital program going forward.

In addition to that, you can see solar and energy efficiency at the utility in orange and you can see the newly approved Energy Strong at $1.2 billion for the utility over the next five years as well. When you look down on the power side, you can see that for power, the investments are smaller, power does not need remediation for an environmental reason, so you see the environmental piece of power investment over the five-year period is about $200 million, so not that much is needed environmentally.

So most of what you see we're spending on is growth, and most of what you see we're spending on is at the regulated utility, where we have nice regulatory returns without a lot of regulatory lag, in fact very little has lagged at all on – or on the transmission side for formula rate returns. So a robust capital program that we look forward to delivering, and I think you can see from our history of delivering over $4 billion in transmission over the last five years, this is clearly a capability we have built and one that we really do know how to execute.

One of the questions that we've often gotten about our regulated utility profile is how we think about the future in terms of capital expenditures for the utility as the current things that we are planning start to become executed and go in service. One of the things that we've always done in our capital forecast, all the time, including the prior slide that I just showed you on the five-year, is we never forecast things on our utility capital program that are speculative. We only put things in our capital program, our capital forecast here that have been identified and assigned to us, so you can look at that five-year projection as what you should expect us to do.

This slide is actually a very interesting slide, I think, because what it is looking at is the picture of as we've stood in each year and we've looked at what our forecast has been from three years prior, two years prior and a year prior of

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what the capital spend will be in the relevant year that you see in each column. What we've shown here is actually what's happened for PSE&G is every year we've identified new things as we get closer to the year that we're thinking about for capital spend, such that, as we get to that year, it typically turns out to be higher than even our projections of the prior two years and three years.

And so that's really a discussion about the fact that we don't speculate in our capital program forecast. We've put in what we know and what's been assigned to us, but that we're always continuing to look for new opportunities to make those kinds of contemporaneous return or formula rate return regulated investments. And we've had some pretty significant success in driving up that utility capital program over the past years even from what our near-term forecasts have turned out to be.

So one of the things that we're quite proud of, in addition to all the work that we have done in growing transmission is that we have really enhanced our regulatory diversity both by having state regulated investment opportunities complemented by FERC transmission, formula rate investment opportunities. But although, we spend a lot of time talking about the size of the pie that relates to our transmission opportunities, I don't want you to lose sight of the fact that we have done a significant amount of investment and gotten a significant number of clauses over the past few years from the BPU at the state level.

And these have really been things that help support some of the state's goals, particularly around things like energy efficiency and renewables and also support economic growth and development in our state by things like gas main replacement or incremental infrastructure accelerator replacement.

And so when you look at the three categories here, we've had the opportunity to get incremental clause recovery, in addition to base rate for, if you add up the three pieces, about $2 billion worth of incremental clause recovery. So we think a very good track record of success in identifying, identifying those things that are valuable for our customers and valuable for our regulators; getting approval for those and doing so with good reasonable contemporaneous return approaches; and then of course executing, because if you don't execute well on the programs you previously have approved, you're a lot less likely to get new programs approved.

And all of these things we do think assist what we're trying to do as good citizens in the state, whether it's incremental solar to help the state meet its renewable goal, whether it's energy efficiency or demand response to help the state managing its overall energy footprint or whether it's things that have enhanced job growth like our capital infrastructure programs, the SIP 1 and SIP 2 or Energy Strong, which is the $1.22 billion program we recently had approved that responds to some of the challenges that we saw as a result of Superstorm Sandy and things that can give even enhanced reliability over our base reliability. And we're just in the process of getting started in spending that Energy Strong $1.22 billion.

In addition to that, we recently filed, just in August of this year, an additional $100 million in energy efficiency extension with the BPU to provide some additional energy efficiency opportunities for investments in our service territory as well. So one of the things we always said post Energy Strong is that we would still continue to look at more opportunities to make investments. And we certainly were not precluded from coming back to the BPU to propose other programs that could provide benefits to our bottom line, but also to our customers. And I think the evidence of that is the fact that we stepped up in August and made this incremental energy efficiency filing.

So a lot to do, I think a lot of success that we're very happy about in terms of our ability to deliver on many of these programs, and the opportunity to spend a lot more with this most recent Energy Strong filing, which really should give our customers enhanced reliability for the sort of challenges that we all – many of us experienced in this region with Superstorm Sandy.

If you look at our transmission spend, just one other view of it that I think is valuable, so as you think about this regulatory diversity and think about the federal aspects of our regulation, that $6.8 billion in transmission spend is what you see rolling out in the light blue. The historical bars from 2009 through 2013, we've broken them out by project in the various colors, you can see the amount spent on the various projects.

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But I think the interesting thing about this picture is you can see that we are well in excess of the $1 billion a year in transmission spend for each of the next few years. And importantly is the line. The line that cuts through the bars, as you go out from 2013 through 2017, that line represented – represents the height of the bars, if I had drawn this chart for you, when I was – we were here last year.

And so I think the interesting thing about it is another way to reinforce even on the transmission side as you see those bar heights start to come down at the backend, that line represented where the bars were last year and since then everything above the line is new things that we have identified that we're adding in transmission since last year. So PJM open windows, RTEP processes, identified reliability needs, things that have been assigned to us. We continue to find them. And I think if we took this back two years and drew the same line, the shape would be somewhat similar but again with the transmission kinds of needs in our area there seem to always be new things that we can capitalize on that we can execute and our track record of putting things in service, I think, has served us well, and the ability to step up for these incremental investments. So a lot to do. And I think the opportunities to continue to identify more things as we go forward.

Let me turn now for a few minutes to the power side of the business. I think many of you are aware that we have a very diverse fleet of assets at PSEG Power, about 13,000 megawatts, 13,400 megawatts. And you can see how those break out by capacity relative to gas being the largest from a capacity perspective and then nuclear a little bit more than a quarter. And you can see coal and the rest. Of course, by energy produced, the nuclear units run as base load as to the share we have in our KeyCon units, the Keystone and Conemaugh units in Pennsylvania.

And so you can see, of course, that nuclear has continued over the last few years to be over half of the generation that we've actually produced from the 54 terawatt hours that we generally have produced over the last few years.

And then in terms of the markets served, the way we describe it, we have a full suite of assets and I'll show you how that works up the dispatch curve. But we do have base load as well as load following and peaking across this suite of assets in our fleet. And we really do like having that full suite of assets. We think it gives us opportunities to bid on low contracts and things like that. And we spend a lot of time making sure that we run these assets very well.

So here is the diversity in terms of heat rate and dispatch diversity. You can see for PJM so this would not include our New York combined cycle nor our New England combined cycle or coal plants. But just in PJM you can see how our assets array across the dispatch curve all the way up through peaking assets with the nuclear as base load, the load following units, and then the peakers. So, we've always retained this full suite of assets. And as I said, we think that provides us a lot of opportunity and advantage and we see that advantage as something that is quite sustainable.

One of the other things that we also have is a gas asset portfolio – and I think this should click, there it is – which we think gives us a nice advantage. This is something we've had for quite a long time, but it's become a bit of focus in the last few years, because these capacity rights that we own, which are the bright green lines that you can see going both south and west, these are contracts for evergreen capacity right that Power owns, and it provides us with just a little less than half of our access for capacity from the Marcellus Shale, slightly more than half from the Henry Hub direction. And that has provided incremental reliability for our customers because one of the things that Power also is, is the supplier for the gas business for PSE&G, and the priority of this gas, both the pipeline and the storage, is for the residential customers. But after serving the residential customers and off system sales, which are shared between the customers and Power, then Power has access to use this gas for its units.

So we have seen benefits come as the differential, obviously as we all know, between the Leidy Hub and the prices in the East has widened and that started about a year-ago June, that having this access from both sources has both provided reliability and economics. We actually have given our customers gas price reductions for many years and actually we did as well give them a credit this winter when many people were having challenges providing fuel, we were actually giving our customers credit. So it's worked out very well for our residential customers, but it has also provided the opportunity for benefits for Power, because Power gets a portion, about 25%, over the entire year, but it's not a smooth distribution, it's bit of a lumpy distribution, again with residential customers first in the winter, but Power uses about 25% of its gas from the Leidy Hub. And last year that was worth about $0.05 a share to us. We've not disclosed our results obviously for the third quarter, but having access to both sources of gas is both reliability and

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economic benefit for Power.

And these contracts are evergreen rights that we have for Power, and so we look forward to seeing this continue in terms of Power's access. How long that basis differential will continue, nothing is permanent, but if you look at the forwards that are out on Bloomberg, you know that there is an anticipation for the next few years to continue to see some benefit from having this kind of Leidy pipeline access as well as Henry Hub.

So in terms of how we think about putting those assets into the market, one of the things that Power has always had is a very consistent, not always, but for the past few years, a very consistent hedging approach. And we look at this by taking our fleet, the dispatch curve that I just showed, breaking it out between the base load and the intermediate combined cycle and peaking. And we hedge the base load on a ratable basis over a three-year period, such that in the current year you would anticipate that we would be at a 100% of the base load hedge before we come into the current year and then we start to hedge a little bit of the intermediate.

We'd never be 100% hedged. We typically are about 75% to 80% hedged total for the year when we come into a new year. And then as the winter and the shoulder quarter drop off and you've got a bigger representation of the summer, which is what you see here in the current year. You'd see that percentage go down because the summer is the period with the peakers that would naturally be most open on a weighted average basis.

So you can see our numbers now for 2014, 2015, and 2016 and you can see the hedged percentages here. We are about 70% to 75% because this is starting from July through the rest of the year, so again, a heavier representation of the summer month. And then for 2015, we're about 65% to 70% hedged, a little bit more than the mid-point of our target, a little bit more to the upper end of the ranges that we allow our traders to put on for hedges, took advantage a little bit in the second quarter of incremental opportunities to hedge just a little bit more, again within the parameters of our targets. And then about 30% to 35% hedge for 2016. You'd generally see the picture look like this on a consistent basis.

Again, we're a little more to the top end of our bands for 2015 and pretty much on target for 2016. For 2016 and certainly if you look out for three years, the markets are less liquid. So as we – if we moved up in our bands a little bit, it wouldn't always be for the current year or the prompt year. It would never be for few years out because the markets are less liquid. But we like to approach because we think it takes some risk off the table.

So we're not speculating on trying to guess the top and the bottom particularly in a multiyear basis. And then in the intermediate, the combined cycle of the peaking, that's where our traders really have incremental knowledge as they look at what's happening in the market either because of the weather or transmission outages and can position the portfolio most optimally to take advantage of opportunities in the near term.

The other piece, obviously, of Power's margin that is very important that we often talk about is what's going on with capacity prices. What I show you here, in the top line, is Power's average prices for the entirety of our fleet, and our fleet, of course, has no assets in the rest of pool, as you're probably well aware. And, so you can see the prices for our fleet. We came off the highest capacity price that we had for Power's fleet of $242 per megawatt per day, that ended on May 30 of this year, and we now come into the $166, which you can see $166, $165, we have very consistent capacity prices for the next four years based on the clears that are already known, which of course is distinct from the kind of prices you see in rest of pool, which have moved around quite a bit.

So, we had a lot of conversations about capacity prices over the past few years and where are they going. I think the thing that I want to emphasize for you as you look at this slide is, they're pretty steady, in fact they're very steady. We probably have the steadiest capacity prices of anyone because of the heavy representation in Eastern Mac, PSE&G Zone and PS North and that has worked out to mean really, really stable capacity prices.

You see some movements around relative to the size of our cleared capacity. The biggest delta you see there in our cleared capacity numbers between 2014-2015 and 2015-2016 are the HEDD units that we said we would be retiring the very older peakers in New Jersey. So, those pieces have moved around a bit. And then with some incremental auctions sometimes those numbers might move up as we come into closer to the current year.

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So in terms of the numbers then for each our businesses, just to give you some sense of where we are and what our forecast looks like, not just for the entire company, but also by business, you can see the $2.55 to $2.75, that I just mentioned earlier is the current guidance for 2014 with the expectation of being at the upper end of the guidance range, assuming the normal weather and unit ops. But I think it's also useful to take a look at the two businesses comprising the primary sources of our earnings.

And you can see that switch now happening with PSE&G relative to PSEG Power, you can see that the numbers for PSE&G and the numbers for power now start to switch that power being more than 50% to having utility being more than 50% of our earnings as we come into this year. And that's really driven by the double-digit earnings that the utility had delivered last year, and we forecasted out for the next two years. You're really seeing that come to fruition as those transmission spend gets put into service, as we earn on that, as we implement those cost programs, the utility has become a bigger and bigger piece of the total earnings of the company. And of course, while power has come down from what it was a number of years ago, and you can see that last year actually power ended up having more earnings than it did in the prior year. And of course enterprise/other really kind of captures all else that's going on in the business to get us to that picture of the $2.55 to $2.75 with regulated being somewhere from 53% to 55% of earnings.

So, we've really changed the picture around from what it was a few years ago. While power has come down, the utility has absolutely grown, so it's been not just a relative piece with power, it's definitely been an absolute because of the growth that we had in the regulated utility.

In terms of what the balance sheet looks like, in terms of our cash generation and where the monies are going, I like this slide because I think it's a really good way to see two really important things. First of all, on the cash sources, we used to always talk about power as the source of incremental cash flow and the source of free cash flow, because of this low capital needs. But I think, if you just look at cash from operations, you now see something that we started to see last year and has become more stark this year. And that is that the regulated utility is now the biggest piece of the cash from operations. So again the things that we've put into service, the contemporaneous return, the regulated utility is a significant cash flow generator, power still continues to generate cash flow. And then, we've raised debt consistent with PSE&G's capital structure, which is 51.2% equity and that's to support where the investments are going, which are so significantly into PSE&G.

So when you look at this picture, you can see that after the investment opportunities for PSE&G, power's capital investment, which is generally small and in this view, which is more aligned with our cash flow statement. power's capital investment here includes purchase of nuclear fuel. That's really to line up with the normal conventions, it's really not a capital investment. But you can see that power's cash is well in excess of what its capital needs are, which provides significant extra room and therefore room to support the dividend and support incremental investment without the need to issue equity. You see we have power's net debt going up slightly over the period from very strong perspective and power's debt-to-cap ratio ended last quarter about 32%. So we have a lot of room in power.

And that's really to support all the incremental investment we have in the regulated utility and of course, supports the shareholder dividend with absolutely no pressure on the balance sheet of the overall company or either of the subsidiaries.

Here's power's credit metrics. We showed earlier this year, you can see the key credit metric we look at consistent with power's credit rating is FFO to debt, and you can see we ended last year with FFO to debt in excess of 60% and our estimates over the 2014 through 2016 period still put us well in excess of the floor that we set consistent with our rating, which is 30% FFO to debt. So, what that means that means lots of room to consider incremental investment opportunities. That means we can continue to look long and hard as we have, and I think you've seen with some success for new investment opportunities that can drive good things for our customers, as well as results for our bottom line.

Operating earnings mix, as I mentioned earlier, you can really see that progression. And this is scaled to the size of the bar being 100%, so you're seeing that mix change. And you can PSE&G being such a significantly higher portion of the mix from 20% in 2009, and that's come from PSE&G's growth of over 18% – about 18% over that five-year period, Power has come down, but the utility has, on an absolute basis, gone up, which has been a great change in the mix of our business, given the current opportunities we have on the regulated side.

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And then, I can't end any presentation without some discussion about where we are on the dividend. You can see our dividend progression in terms of our 10-year progression of dividend growth of about 3.8%. And we did just about that in this year's $0.04 increase from $1.44 to $1.48. Payout ratio in terms of where we are this year, just taking the midpoint of our guidance is about 56%, so we're in great shape relative to payout ratio, no pressure there. You can see from the cash flow and the credit metrics, obviously no challenges to the current dividend.

We also put in PSE&G EPS again to midpoint of guidance, and you can see the guidance range in the shaded. We show that because a lot of investors have interest in understanding kind of on a theoretical basis how much of your dividend is actually supported by your regulated utility earnings. And you can see for us it's almost all of it this year, given the strength of the growth of PSE&G's earnings per share. And of course, while we don't have a particular target for our payout ratio, our dividend policy is noted on the top, not changed. We have the opportunity for consistent and sustainable dividend growth. Take a look at our long-term history, our current-year history and obviously the strength of the dividend and where we're going in terms of our investment opportunities providing the ability to continue to look to that as an important source of our shareholder return.

So that completes my prepared remarks. And with that, I'll be happy to open it up to any questions from the audience or from [ph] Dan (0:31:27) and thank you all very much for your attention.

Q&A

<Q>: Great. Thanks very much Caroline. Questions from the room we have a microphone coming around. But I guess first I'd like to start it off just by asking about some of the debate that's going on at PJM around capacity changes for next year, the new product, and what your thoughts are around both the motivation and what the outcome of those changes might be?

<A - Caroline D. Dorsa>: Sure. Great question. Thanks [ph] Dan. (0:31:54) It's something we've been talking about a lot today in the one-on-ones and the breakout. So we think that the motivation and the goal which is to provide that incremental reliability given that near but not issues but the near to issues that we saw with the polar vortex and also with the impending retirements of some of the coal units which appear to be real that many folks are looking to retire that there is value in considering how we address incremental reliability needs for PJM so that they can continue to deliver for the customers. So we think that makes a lot of sense and those units that provide that kind of base load reliability and can step up for incremental performance parameters, getting incremental value with penalties that go along with not performing that, it's fair, is the right kind of conversation to have.

In terms of where we are, of course, these are comment period in September. We are part of a stakeholder process. There will be a management board meeting in November, don't know how this will progress or what speed it will progress with. I think the right issues that we're all talking about, I'm sure, others among the generators are talking about as well, relate to what are the performance standards, how firm is firm fuel supply, how will that be addressed, what will count, what kinds of outages like transmission-related outages won't count toward the penalty, what about other outages, the ability to have capacity generation that isn't collecting capacity payments substitute, if you have an outage on an incremental reliability unit. And then that balance between what you might need to do to qualify versus what the penalties are, and what you would get as the incremental payment to make sure that that balance is fair, so that you're incented to make whatever investments you might need to enhance your reliability and be able to count on that stream of value for a number of years, so that that investment is worth making.

So all of those parameters, I think PJM was trying to address in its – in what they put out in draft. And there will, I'm sure, be lots of comments and lots of discussions. So we like the theory, we like the approach, it's now all about the balance among those very many factors to get the balance right, so that the units that really can provide more are incented to do it, are measured to do it, get pay to do it, with, of course, the offset on penalties if they don't.

<Q>: All right. Thank you.

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<Q>: As the growth rate of the PSEG is outperforming the Power's, what do you expect the mix will be, say, two years, three years from now? Will that continue to change from what the current ratio?

<A - Caroline D. Dorsa>: Yeah. So it's a good question. We don't forecast Power other than the current year, because of the issues of, obviously the changes in the forward curve and not being a 100% hedged as we go out.

We're pleased to see the utility grow to be more than half this year. You may remember, last year, we were actually forecasting the utility and Power to be closer to 50%-50%, but then Power did really well, that we raised the guidance last year, because of Power and that was really resulting of the things that we were able to do in Power and the prices.

So can't really forecast it, I think, you should consider that you'll still see the utility be this robust portion of our earnings and still has lots of growth opportunity ahead of it with its capital program. So I don't want to give a particular number, but I think you should think about just continuing to see the regulated being not more than half [ph] the units. (0:35:37)

Unverified Participant

And with that, I think we'll have to move to our breakout session, which will be in Liberty 5 where we will have time for more questions. Thank you very much, Caroline.

Caroline D. Dorsa

Thank you, [ph] Dan. (0:35:46)

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-09-07
Event Description: Barclays CEO Global Energy Power Conference

Market Cap: 20,808.35
Current PX: 41.13
YTD Change($): +2.44
YTD Change(%): +6.307

Bloomberg Estimates - EPS
Current Quarter: 0.879
Current Year: 2.866
Bloomberg Estimates - Sales
Current Quarter: 2819.400
Current Year: 10095.750

Barclays CEO Global Energy Power Conference

Company Participants

- Unverified Participant
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Unverified Participant

All right. Our next presentation is Public Service Enterprise Group. We've got Dan Cregg, who is Executive Vice President and Chief Financial Officer, who's going to take us through the [ph] page. So, Dan? (0:12)

Daniel J. Cregg

Thank you, [ph] Dan, (0:14) good afternoon, everybody. I'll work swiftly through our forward-looking statements and GAAP disclaimer to get to – me to the presentation. And I think in summary, if you think about PSEG, I think you really think about two strong businesses. I think we have PSE&G, a New Jersey-based electric and gas regulated utility, both distribution and transmission. It's got about a $12 billion infrastructure program over the next five years, which will generate high single-digit rate base growth through 2020. I'll give you a little bit of color on that as we move forward.

And then on the other side of the ledger, PSEG Power. We're changing a few things at PSEG Power with respect to the fleet. We've seen some change out of some older units in the last few years, what we call our HEDD units, some older peaking units, and have an investment program to replace that with some combined cycle units, I'll also talk about in a little bit. Very strong cash flow generator at PSEG Power, which help support the business in the aggregate.

But think about the overall operating philosophy of the company, it's a philosophy that we have used for many years, three parts, and it all starts with operational excellence and that all starts with our employees. And the thought process frankly is very simple, to the extent that we can operate what we operate with excellence that will earn us financial strength. So, operating units that we know how to operate and operating them well will generate financial strength. And with that strong financial position, we will deploy that on a disciplined basis back into the business. And in doing so, we have seen positive results over the years.

The last three years we've seen increases in our operating earnings on an EPS basis. Our dividend growth, extremely important to our shareholder base, has continued to grow over the years, and I'll touch on that a little bit in a couple of slides, and really, best-in-class utility rate base growth, and like I talked about the increase in the efficiency of the fleet as a whole with our construction program around a couple of combined cycle units that we are currently building.

So, this gives you a snapshot of the overall capital spending of the business through two pie charts. On the left-hand side we look backwards, and over the last five years, we invested $14.3 billion in the business. And on the right-hand side, looking forward, $16 billion prospectively over the next five years. A couple of things jump out as you look at the pie charts, both the past and the future, same – relative proportion of spend between the two businesses. So, roughly a 3:1 basis utility versus Power spend both looking backwards and forwards. And within the utility side of the business, you can see that light blue area, transmission, $7 billion over the last five and a forecasted $7.1 billion over the next five. That equates to about 60% of our utility investment in both of those time frames. So fairly consistent investment profile.

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As you look forward in the next five years, investments in some clauses or trackers that we have ongoing both related to GSMP, or Gas System Modernization Program. What that program does is replace a host of cast iron pipe that's in the ground and we – the magnitude of cast iron pipe that we have in the ground that equates through about a 30 year run to replace all that pipe. So, it's one of the largest cast iron systems that's in the country that has a need of an overhaul. And on the Power side of the business, you can see there is a $3.9 billion investment over the next five years. A little over half of that relates to the new combined cycle units that we're building; one in Maryland, one in New Jersey, and one in Connecticut.

So, if you take a look first at the utility side of the business and you look at the rate base growth, strong rate base growth looking back over the last five years. The compounded annual growth rate of our rate base growth has been about 11%, and the depiction that you see also plays out pretty clearly where most of that growth has come from over the last five years is investment in transmission. You can see that from the dark blue component of the bar charts that you have.

Also, you see an orange line that moves through that, that is a PSE&G EPS number over the last five years, tracking closely to rate base growth. And the way we think about that is from the standpoint of the moderate load growth that we have seen, there needs to be a very strong control on the O&M side of the business. So, those two have offset one another pretty closely to let us grow by our utility earnings at a rate that's very close to what we've seen from the rate base growth as well.

Thinking more on a forward look with the same type of information. Looking at 2011 rolling out to 2016, again, this is rate base growth and our forecasted rate base growth on a compounded annual growth rate is 8%. So, those are the numbers we have put forth. We have also talked about the potential for incremental investments that could move that 8% rate base growth up to 10%. Those items in particular would include the continuation of that Gas System Modernization Program that I talked about. So, continuing to replace the cast iron that's in the ground.

Also, we have a program that we have implemented in response to Superstorm Sandy and that was a $1.2 billion program that was put in place based upon a $2.6 billion initial ask. So, additional work that follows on from that initial request is another area where we could see some potential upside to that rate base growth. And then, in addition, we have a renewable filing that's in right now with the BPU earlier in the year. We filed for a $275 million filing with the BPU for solar, and also opportunities within energy efficiency.

So, this gives you a little bit of an indication as to the overall make-up of our rate base, and the components that are there as well as the overall net income picture that has come from it. And by 2020, incremental growth anticipated beyond what we have shown in our baseline numbers.

Moving to Power. We have seen incremental growth on the Power side of the business through three particular opportunities that we are investing in over the next couple of years. In particular, to walk through each of them, we are constructing a 755 megawatt combined cycle facility in Maryland, the Keys Energy Center. It is in Southwest MAAC, and at an estimated cost of $825 million to $875 million.

That facility is in an area where we feel that there is the potential for stronger load growth than most areas within PJM. Also brings to us the value of having the output of that plant very close to PJM West. So, the correlation between that liquid hub at PJM West and the output of the facility gives us a good place to hedge the output of the Keys Energy Center. And that facility will go into service in 2018.

In addition in New Jersey, at Sewaren, we've had a facility there that's been in place for 70 years and really has run its course, and last year, we bid into the capacity auction to clear a new unit at Sewaren. So, that would be replacement capacity at the Sewaren site in EMAAC, a 540 megawatt unit. That unit would also go into service in 2018.

And then lastly, at Bridgeport, in Connecticut, a 485 megawatt combined cycle unit that cleared in the most recent New England capacity auction. That auction – the way that the New England capacity market works is that new capacity into that auction would see a seven-year lock on capacity prices. So, with that stable capacity price rolling out for the first seven years of operation gives a good stable base to work off of. That unit would go in service in 2019 and there are conditions in place that as that unit goes forward and gets its permits, it would anticipate that a coal unit on that same

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site would shut down in 2021. So, also replacement capacity in the Connecticut market for that unit.

What that means from the standpoint of overall capital spend at Power, you can see on this next graph. And what it shows you really in two pieces is a fairly steady run rate of capital across the Power business of about $200 million to $300 million a year to run the business. And on top of that, over the next couple of years, that light blue area that you see is the spend that we have for the construction of these three units.

This unit – this capital spend would be covered by operating cash flow. So during this construction period, we are free cash flow positive with no need for any equity issuance throughout the entire five years of our business planning period. And then, this next slide gives a little bit of an indication as to what the new fleet would look like on the other side of this capacity build. So, two parts to this slide, on the left-hand side, gives you the megawatts that we have in our fleet.

And if you look on the bottom, there's a small pie chart, shows you the 2015 pie chart of the fuel diversity that we have within our existing capacity. And as you move northeast on that left-hand side of the graph, you see what it will look like in 2020. So, an increase in the blue part of that graph which really represents the combined cycle capacity within the total Power fleet; a moderate decrease on the nuclear side, not from any decrease in nuclear, but from an overall increase in the size of the fleet as a whole; and then a small contribution from the coal part of the fleet.

And on the right side, we go more to 1 gigawatt hour energy produced snapshot. So, same concept, looking at 2015 moving into 2020, how the output from the fleet will change over time, and we'll see an increase from about 35% to an estimated 42% of the output coming from the combined cycle units. And our nuclear units will stay at about 50%, the forecast is 49% there. And a fairly small contribution coming from the coal part of our fleet, really only 8% of the output.

Touching on that coal part of the fleet, we announced today through an 8-K that last week we had submitted to both PJM and the PJM Market Monitor a request for an exception to the must-bid requirements into the upcoming May of 2017 reliability pricing model auction that will take place. Those two stations have not cleared in each of the last two capacity auctions within PJM and what will happen is that the Market Monitor will take a look at that submission and make a determination where they will get back to us by December 1 for an exception to the must-bid requirement within PJM. And in parallel, during that timeframe, we will be making an evaluation of the path forward for those two units.

Again, they have not cleared the last two auctions and you can see here a fairly low capacity factor over the last couple of years. So, the thought process is that as PJM tries to make a determination as to what capacity will come to market in the upcoming auction, this kind of indication will give them a sense as to those units who are looking to have a choice with respect to what they do with the units. So, we will know more by December 1 or before about what the path forward is as we move into next year's capacity auction.

And then, one final slide looking at Power. If you take a look at the total energy produced in 2015 of 55 gigawatt hours and try to think about how much of what that output is in addition to capacity has been secured on a go forward basis, really there are two functions that help to get us to what it shows on the right-hand side of the page. And the right-hand side of the page basically reflects in the green that the three-year forward capacity market in PJM, plus what we see from the standpoint in New England and New York, would secure about 32% of our revenue for the 2016 to 2018 timeframe. And in addition, our three-year ratable hedging program would secure about 40% of the energy margin that we have.

So, if we take a look at that as a whole, about two-thirds of the revenue for Power is secured for the next three years, and as we step forward and continue to hedge and continue to enter into capacity auctions, that number will continue to move as we forward. So, a fairly stable base to move off of prospectively for Power.

A quick look at the balance sheet and really looking at sources and uses for 2016 to 2018, this is for PSEG as a whole. Taking a look for 2016 to 2018, the biggest source of cash for the business really is cash from operations and you see that on the left side, far and away the biggest magnitude of the sources of cash, but also supplemented this year and during 2016, 2017, and 2018 by the extension of bonus depreciation. So, we saw about $1.2 billion at the utility come

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to us from bonus depreciation in our forecast, as well as about a $0.5 billion on the Power side of the business from the spend we have there. All contributing to sources of cash for the business.

PSE&G's net debt, you can get a sense as to what we're going to see incrementally on the debt side. If you think about the capital program that we have at PSEG (sic) [PSE&G] (14:27) for over five years, $12 billion, for 2016 through 2018 we will match that roughly dollar for dollar, we have about a 51% equity percentage on the regulatory basis at PSE&G. So, we will match our debt with our equity at PSE&G. And then a fairly small component of Power and parent debt, which round out the overall cash from the business in the next three years.

On the right side, the uses of that cash. Most of the investment that we're making is growth investment. If you think back to those two pie charts that we showed you it's the combined cycle units that we are building, it is also the transmission spend that we have, and most of the spend on the distribution side of the business.

And then finally the shareholder dividend. So, none of this reflecting any equity issuances and no equity issuances in the five years of the business plan. That gives you a little bit of a sense as sort of sources and uses of cash. What that translates into from an operating earnings perspective, you see an increasing contribution to the overall operating earnings from the utility part of the business. So, regulated moves from a 43% contribution to a 62% contribution as we move from 2012 into 2016. Continuing contributions come from those clauses that I talk about from the transmission business that we have and the contemporaneous nature of the formula rate on the transmission business helping to grow the overall earnings of the business from a regulated perspective.

Those earnings translate themselves into dividends. If you take a look at the growth in the dividend, we've been over 3% growth since 2012 and last year we saw a 5.1% increase in our dividend from 2015's indicative dividend into 2016. That represents a 57% payout ratio if you look at it from an enterprise perspective and that dividend can be covered in its entirety from the utility earnings. And what we said on a go-forward basis with respect to the dividend is that we do expect to have the potential for consistent and sustainable growth in the dividend going forward. We don't do it on a formulaic basis; we don't provide exactly how we get to that number. We have the two businesses that we put together and look at what makes sense from the overall standpoint of the business mix for a dividend policy and we look at that every year.

So, looking forward, continuing to operate well is critical to both sides of the business as you can see on this slide. Executing on the capital program at both businesses. So, $16 billion in the aggregate over the five years related to the clauses in transmission and the combined cycle units on the Power side of the business. We look for continued improvements in the regulatory framework and I would say that on the regulated side of the business, on the distribution side, we've continuously moved forward with clauses and trackers with the regulated business.

And as we look forward to the extent that that can be simplified and moved into more of a longer-term infrastructure program, we think that that works better from the standpoint of the continuity of the work that needs to be done from the employment capability of the folks that we are hiring to have a better long-term view as to what we're doing from the business perspective. So, the regulatory framework that we talk about really referencing the potential to have more long-term infrastructure programs is an objective that we have.

And then continuing to look for growth opportunities. One thing that we always note is that our capital program as we go through our five years reflects what we know, and we know more about the next few years than we do about the tail-end of our plan. So, we tend to forecast a capital program that looks like it dips down over time. And as we step in to the next couple of years, we have historically tended to find ways to fill the back as opportunities have come up. And that will be a component that we will continue to look for from the standpoint of reliability for our customers.

And obviously, running the units well and touching on advocacy of constructive market rules. And maybe there, the most important element is the new price formation rules that PJM is looking at and trying to make sure that the elements of how the market is priced, how start-up costs, how load is forecasted, the periodicity with which payments are made compared to how units are bid becomes a fairly important component to make sure that units are getting the right price signals that they should.

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And then lastly just to touch on Long Island, we do have the operating agreement for the Long Island Power Authority that has been in place for a few years, and I will say that folks have done a great job to execute on that. And that transition has been well executed, and I think the results that we're seeing in that business are exactly what we had hoped that they would be.

So, in summary, a stable platform between the two companies with predictable earnings and a robust investment pipeline. PSE&G, I think easily called a best-in-class utility with a very strong growth profile; and Power increasingly an efficient fleet. If you take a look at some of the units that have done their time and moved on, and with some of the new units that are coming on, we will be a very clean fleet and a very efficient fleet. And lastly, a very strong balance sheet, strong credit ratings, and the ability to execute on a $16 billion capital program without the need for any equity.

So with that, I'll be happy to take your questions.

Q&A

<Q>: And there is a microphone. There is a question in the back there.

<Q>: I missed your comment about those three new units, three newbuilds. Are those contracted power or they will be sold in the market on a competitive basis?

<A - Daniel J. Cregg>: They're merchant facilities and they are not contracted on a long-term basis but for the fact that there is a seven-year capacity lock in New England. So, those will work their way into our normal hedging program as we step forward.

<Q>: So, to follow-up, what kind of returns can you get from that investment of $1.8 billion or so on those units?

<A - Daniel J. Cregg>: So, we don't provide what our hurdle rate or anything would be, but I will say that, that as we've gone through those analysis, they met our requirements.

<Q>: Are they more in line with the existing assets, or are they better or they're worse?

<A - Daniel J. Cregg>: I would say that they met our requirements as we went through our analysis.

<Q>: [indiscernible] (21:25)

<Q>: When you look at price formation rules and thoughts on PJM, what are your thoughts on price formation rules around assets with environmental qualities like nuclear?

<A - Daniel J. Cregg>: I think that's a secondary aspect of what I've seen from some of the price formation elements within PJM. I think part of the disjoint between the nature of the duration of the bids, be they hour long or five-minute settlement, it's more of those kind of elements for units that are on and off, for units that are ramping up and ramping down, that's more where the focus has been I think with respect to trying to tighten up those rules, and make sure that the right signals are out there, so that the market can work more efficiently.

<Q>: Two follow-up questions. Sort of [ph] process ahead (22:33) on getting approval for the $275 million renewable spending, and then, any outstanding approvals you need for moving ahead with the new CCGT plants?

<A - Daniel J. Cregg>: Yeah. So on the – with respect to the solar filing, there are requirements in New Jersey for those types of filings, for once a filing is deemed complete, that they would be completed within – a decision would be made within 180 days. So, I think that's a reasonable timeframe to expect and they were deemed complete around mid-year. So, I would say around the turn of the year is the right time for when we would hear back on the solar projects.

And then with respect to the combined cycles, various plants in various stages of the permitting, so I think we will continue to step our way forward in that process over the next year or so, and then the rest will just be the construction side of things. So, more permitting going on in Connecticut, and the other two plants which are a year ahead from the standpoint of a service date are a little bit ahead on the permitting as well.

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Unverified Participant

All right. Okay. There are no other questions. Thanks very much, Dan. I appreciate it.

Daniel J. Cregg

Thank you.

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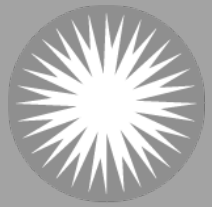
Barclays 2014 Chicago Energy CFO Corporate Day

CHICAGO – APRIL 22, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-05115

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

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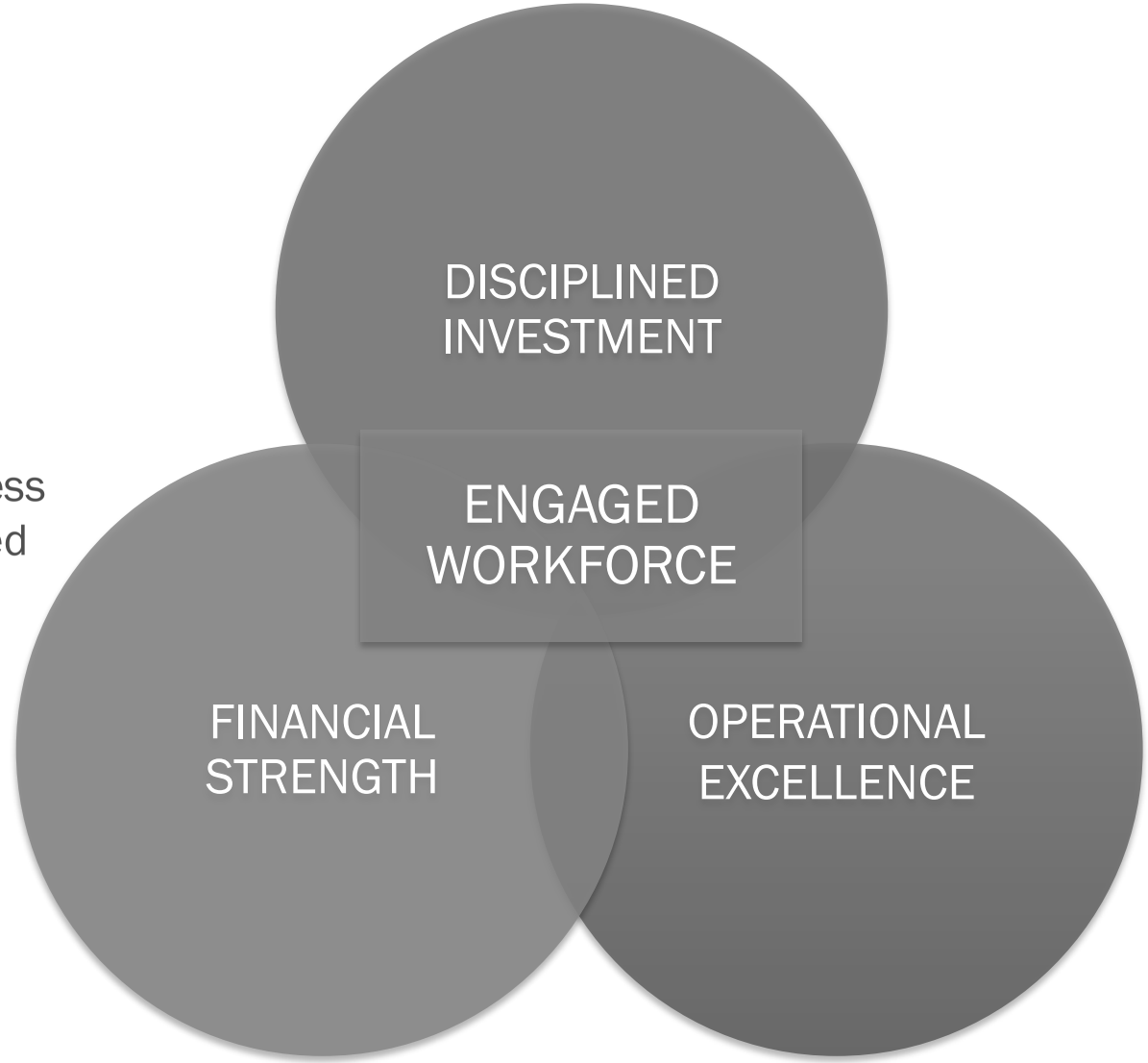
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

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ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence

- Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year
- PSE&G: Mid-Atlantic Reliability Award (12th consecutive year)
- PSEG Long Island: Went "live" on January 1, 2014
- PSEG: Cost-control benefits continue

Financial Strength

- Strong cash flows supported credit rating increases
- Pension more than fully funded
- Dividend increased

Disciplined Investment

- PSE&G
  - ✓ Transmission capital program execution and growth
  - ✓ Energy Strong program under discussion
  - ✓ Solar 4 All Extension and Solar Loan III programs
- Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

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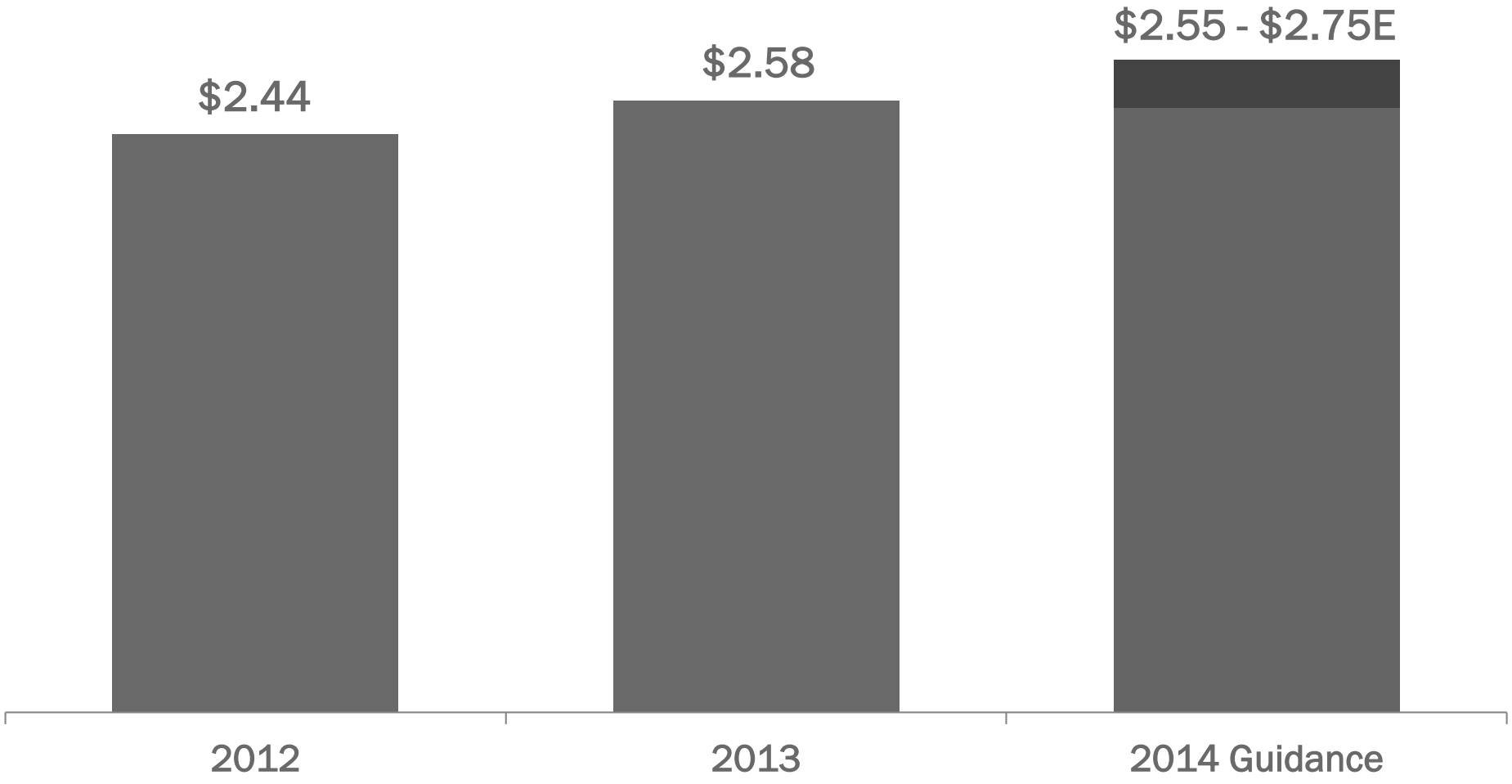
Operating Earnings Guidance

Building on the successful implementation of our strategy



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PSEG

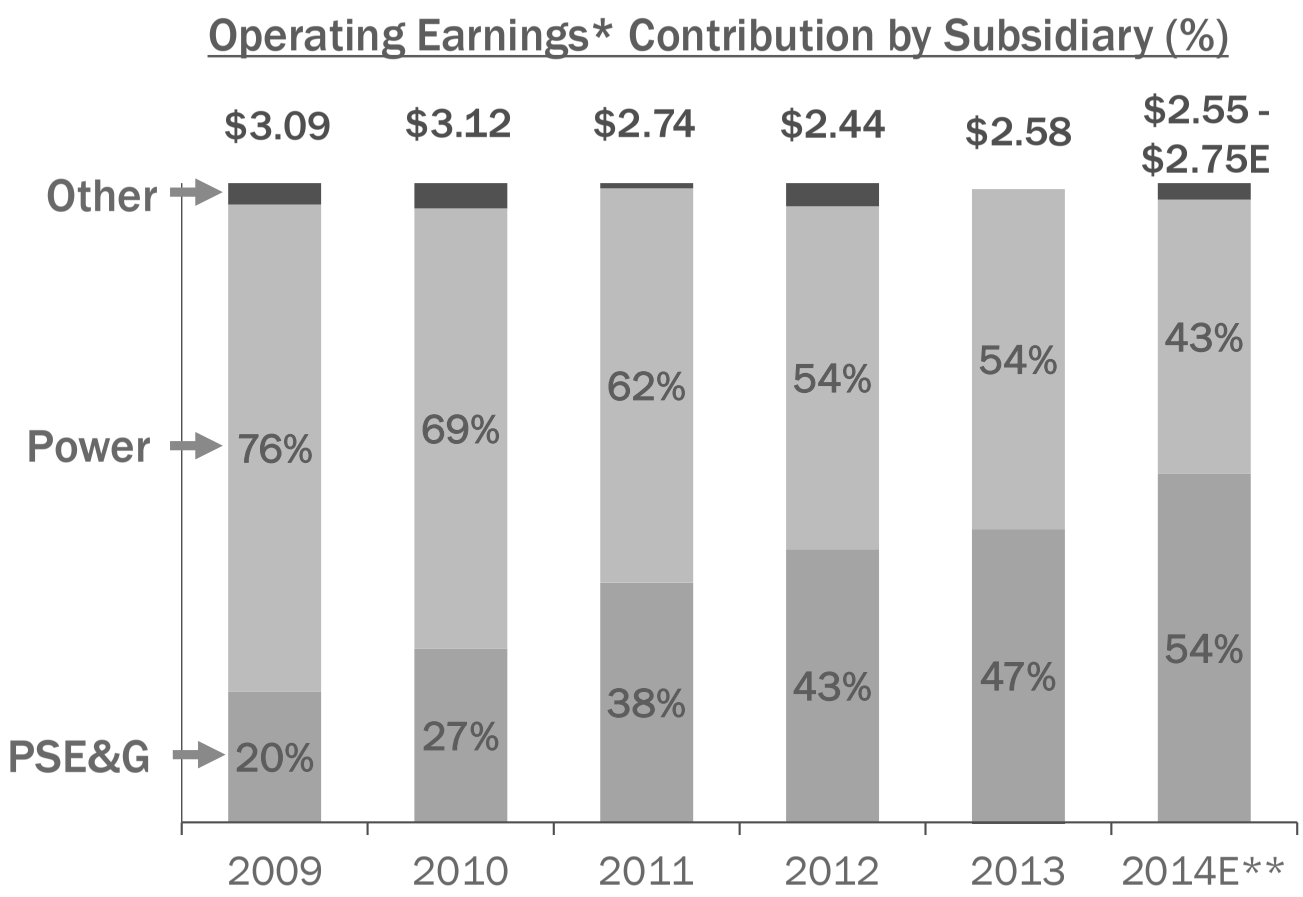
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



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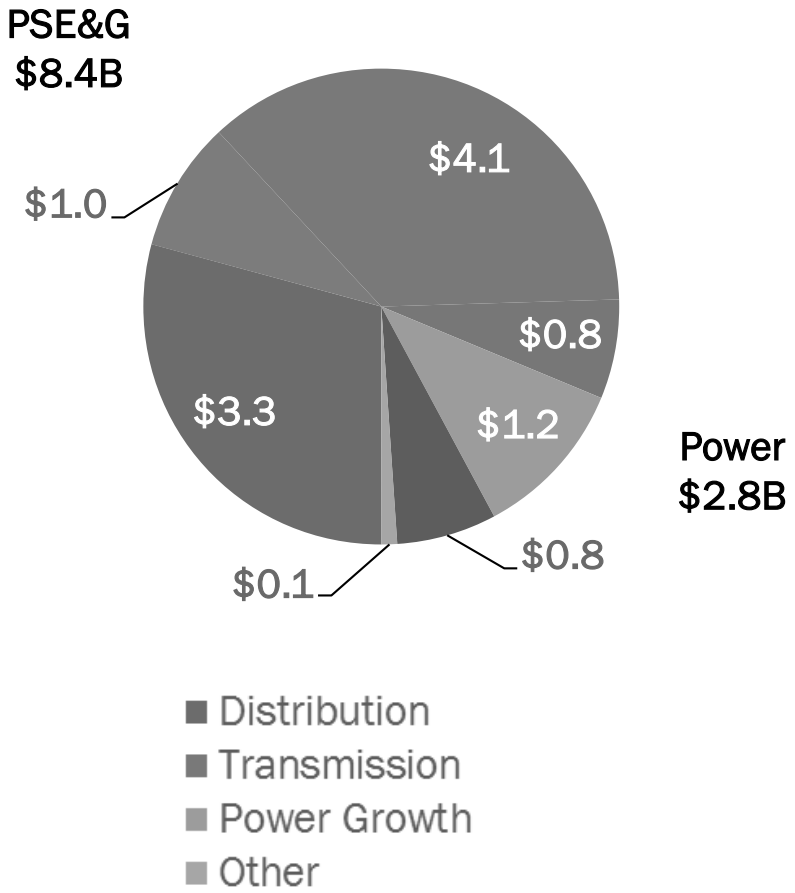
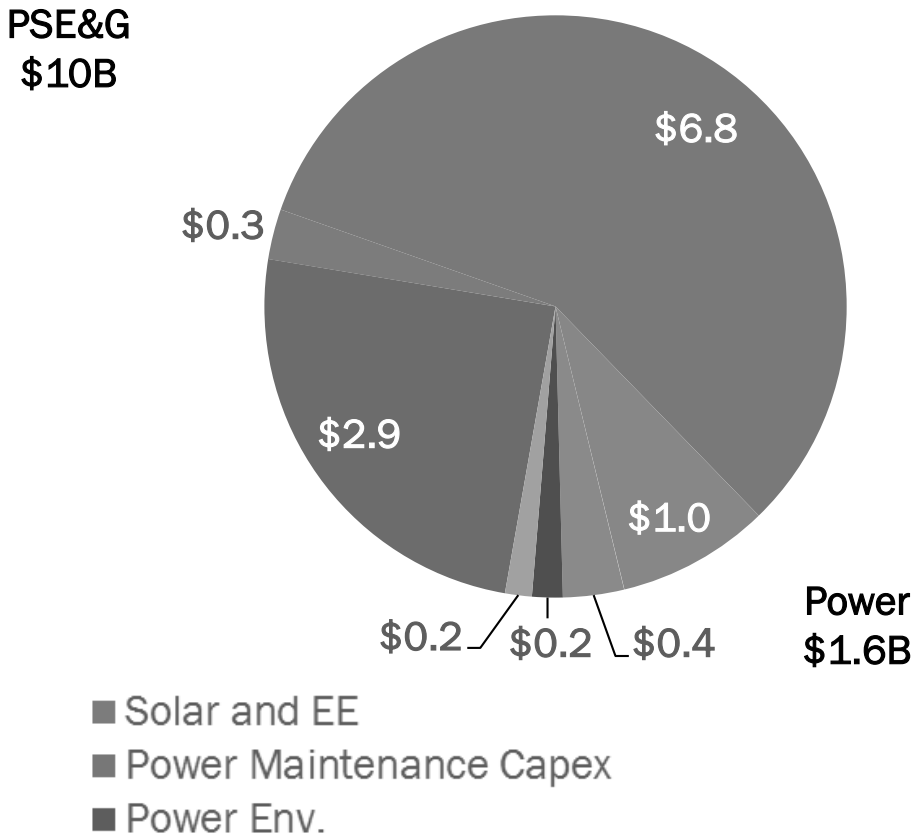
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

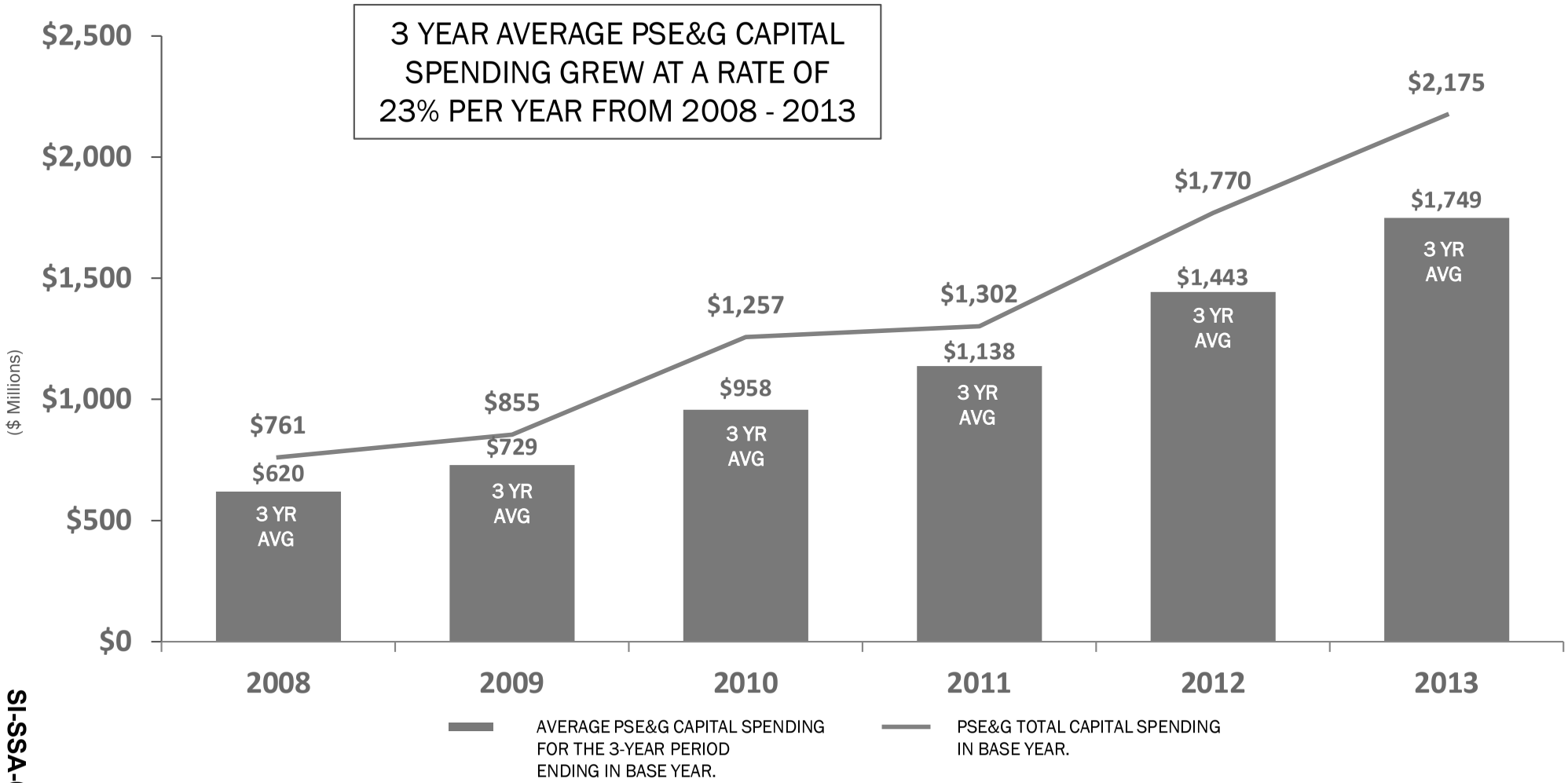
PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion





NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending



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Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

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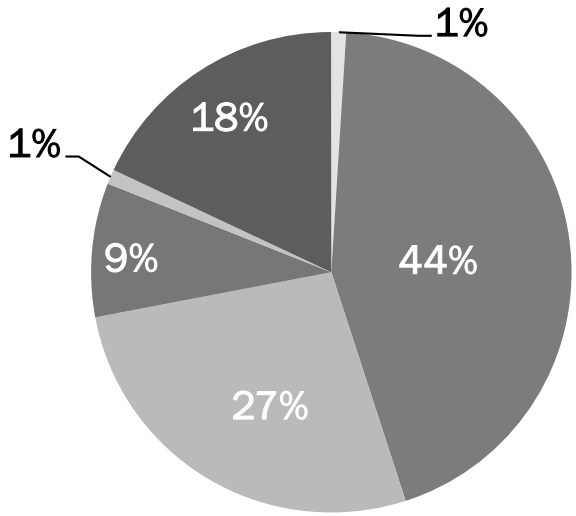
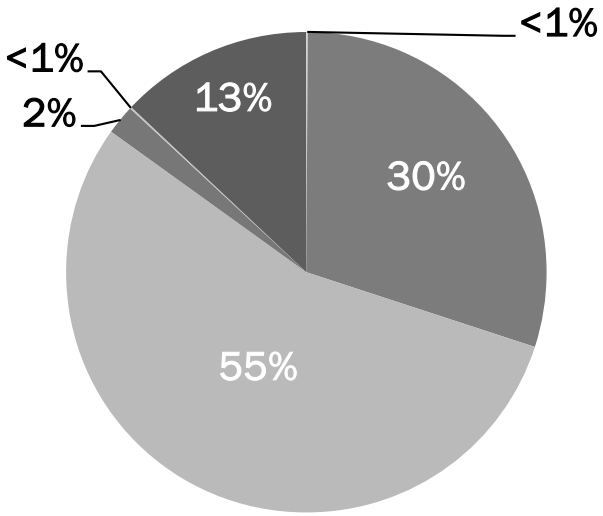
PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

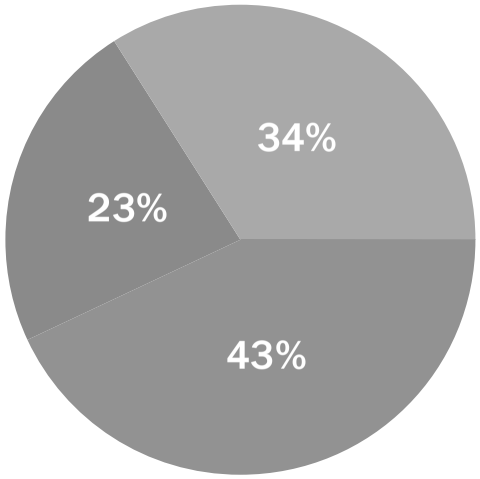
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

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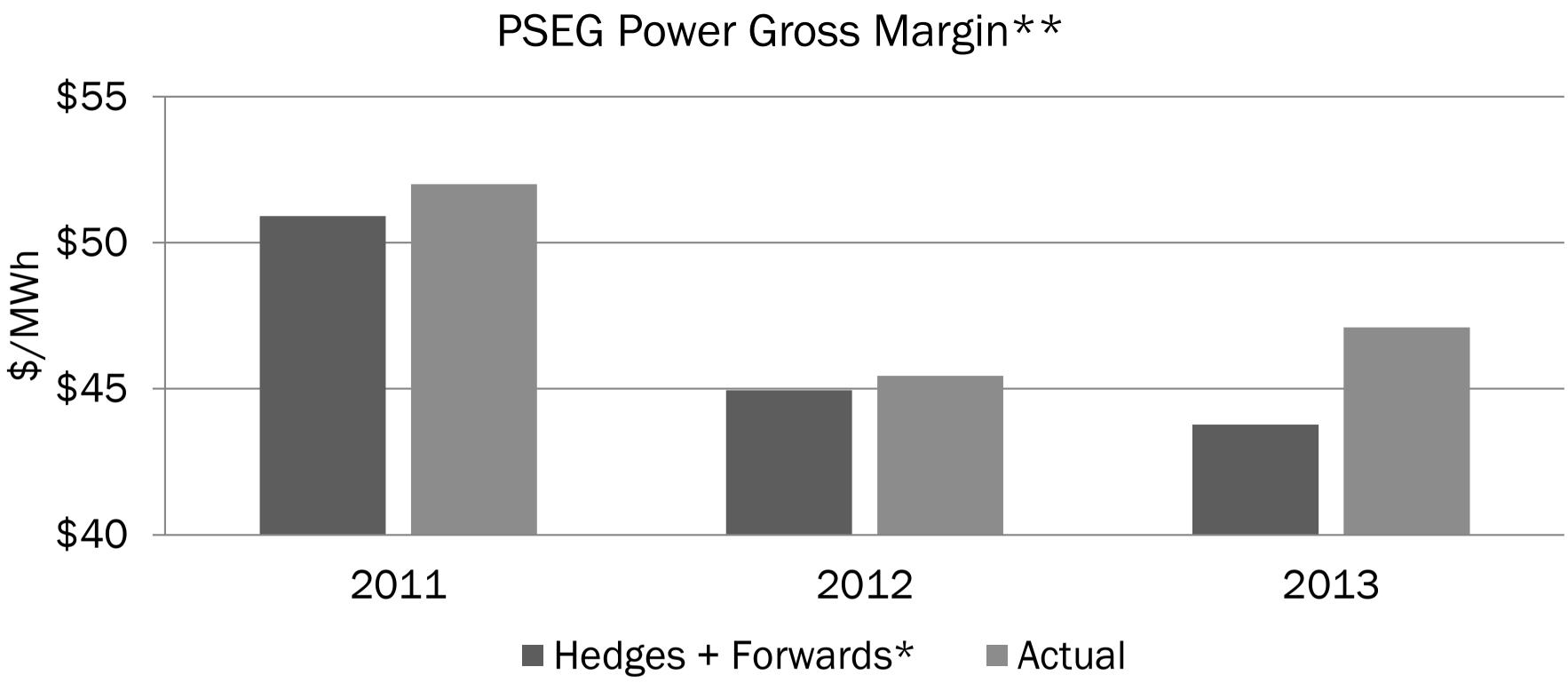
PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



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PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

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Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.5%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

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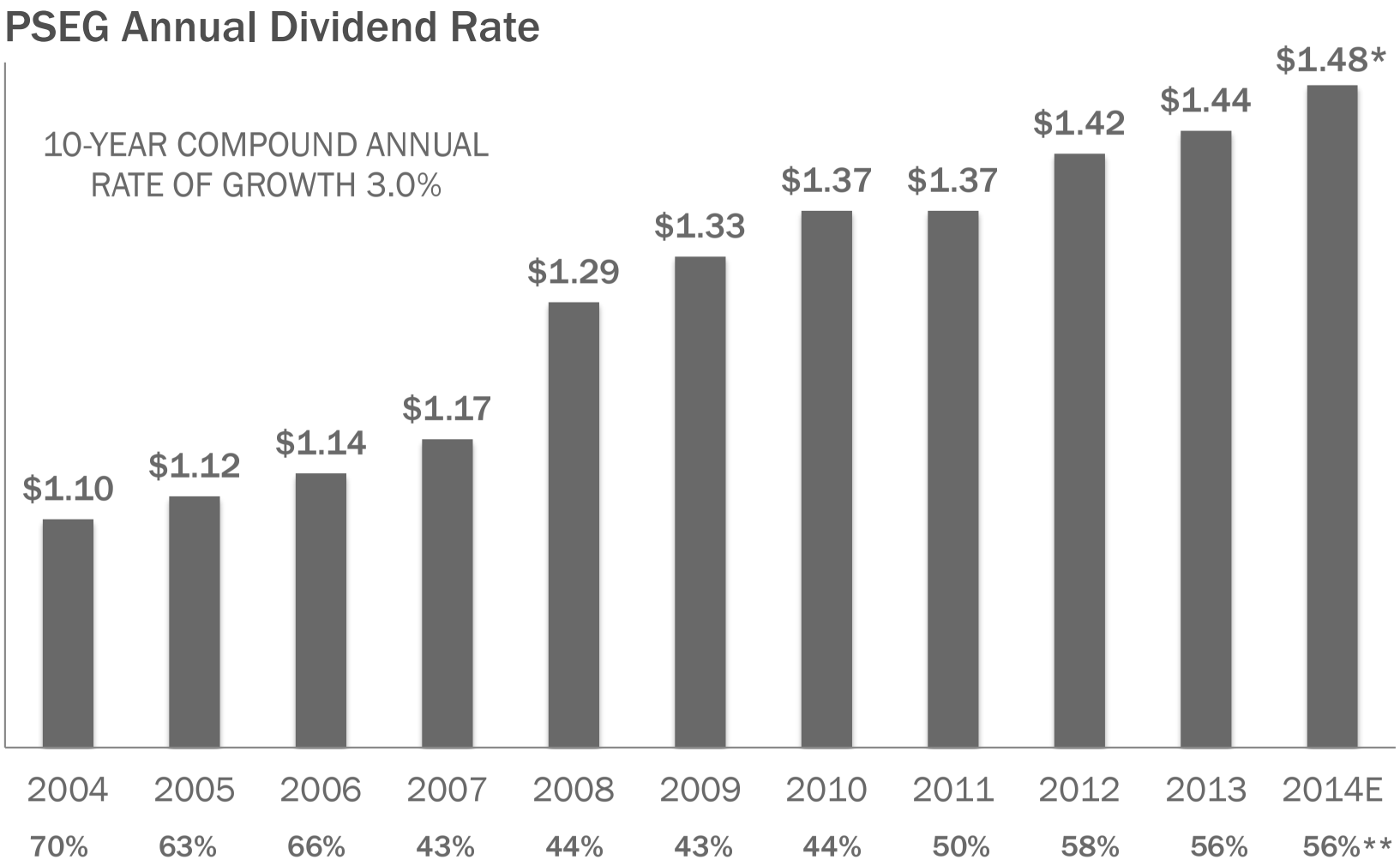
PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-05129

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-05130

PSE&G

PSEG

We make things work for you.

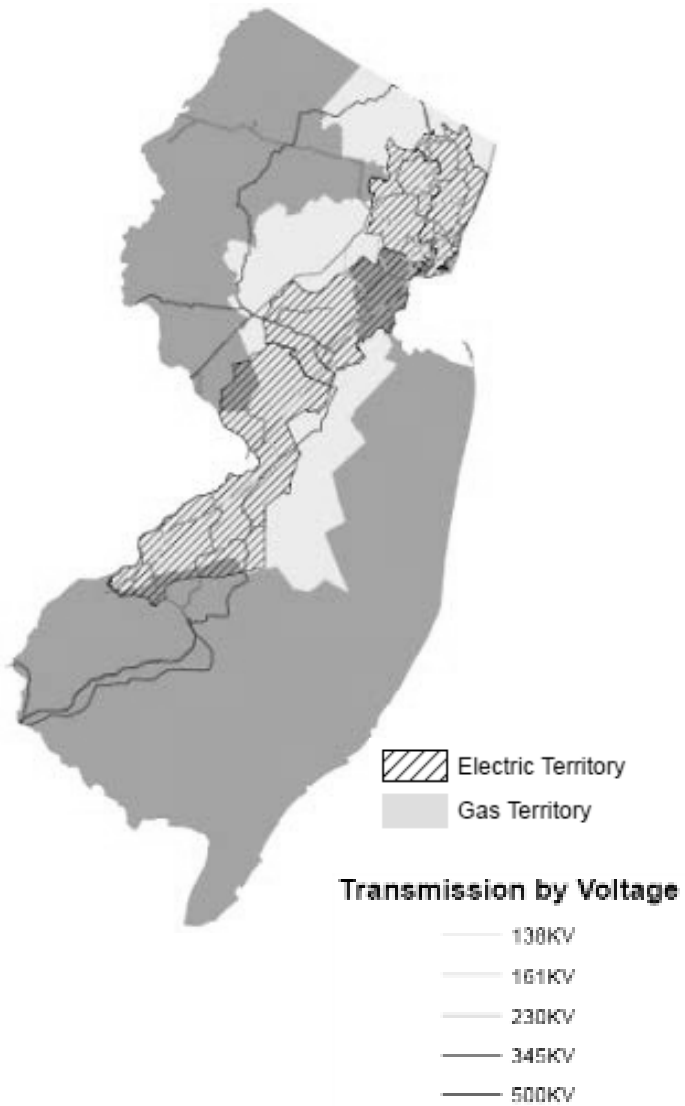
SI-SSA-0015-05131

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05132

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-05133

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-05134

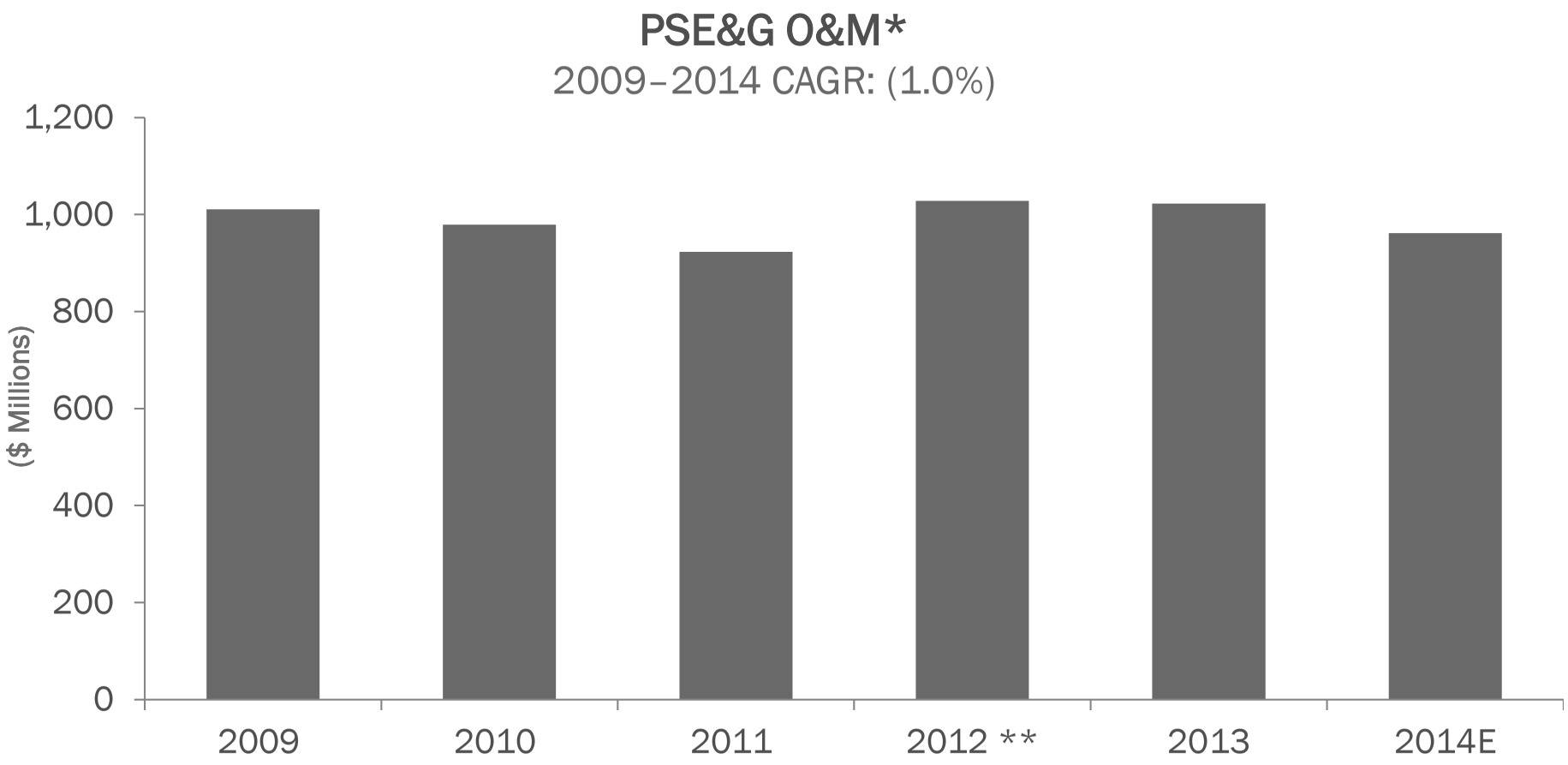
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-05135

Focus on controlling O&M and lower pension costs support decline in expenses

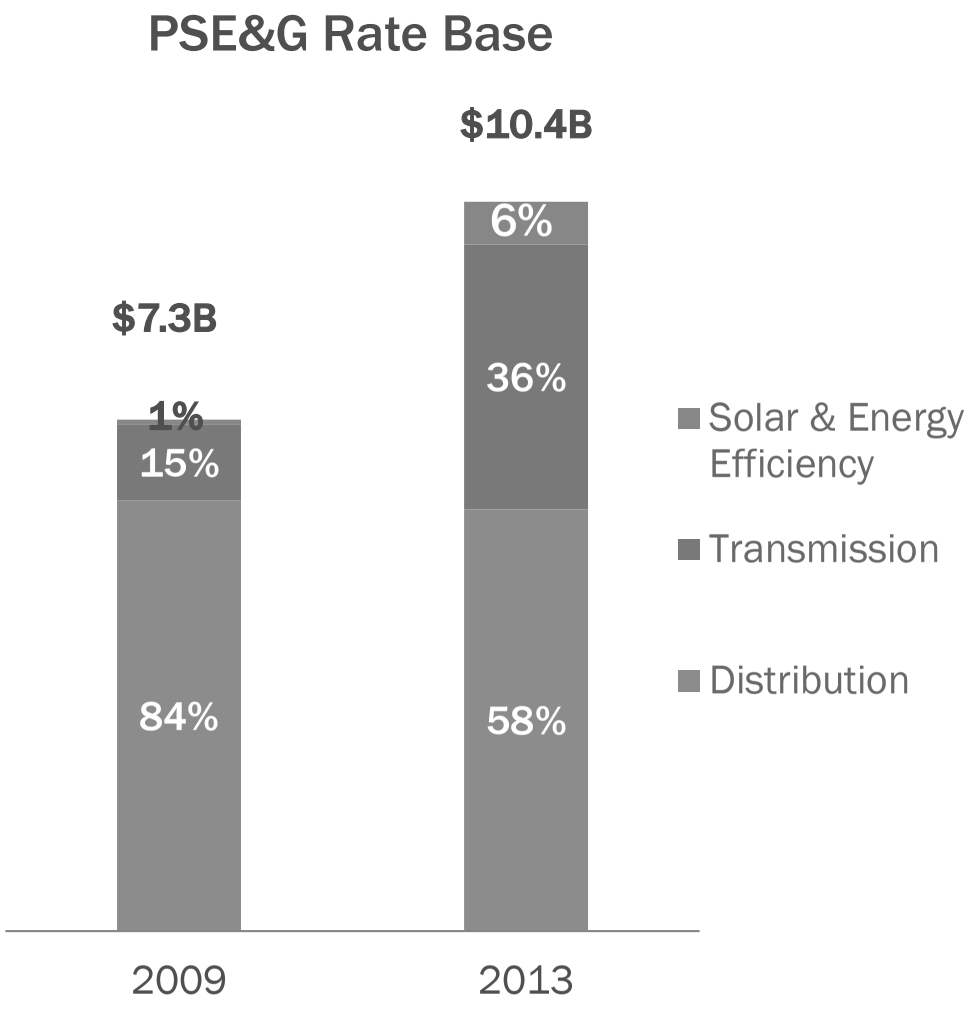


SI-SSA-0015-05136

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-05137

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

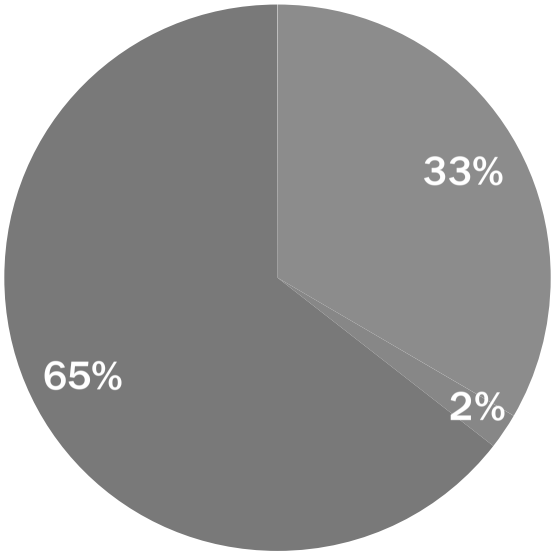
SI-SSA-0015-05138

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

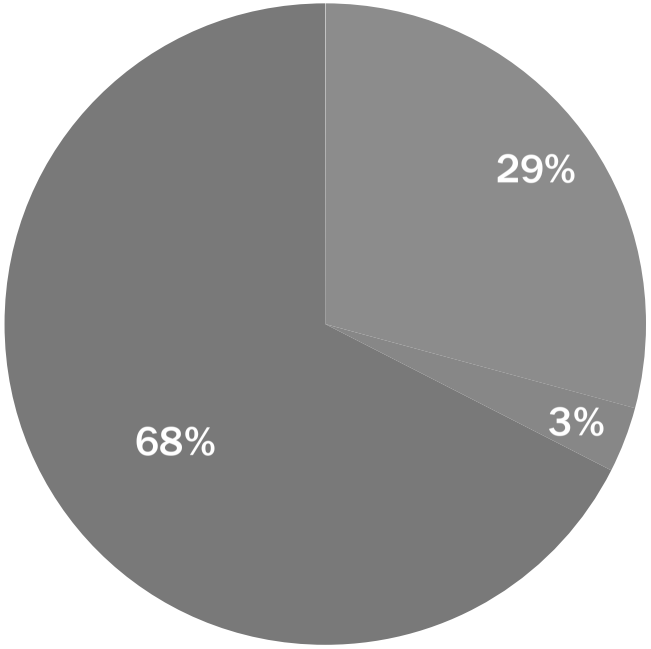
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



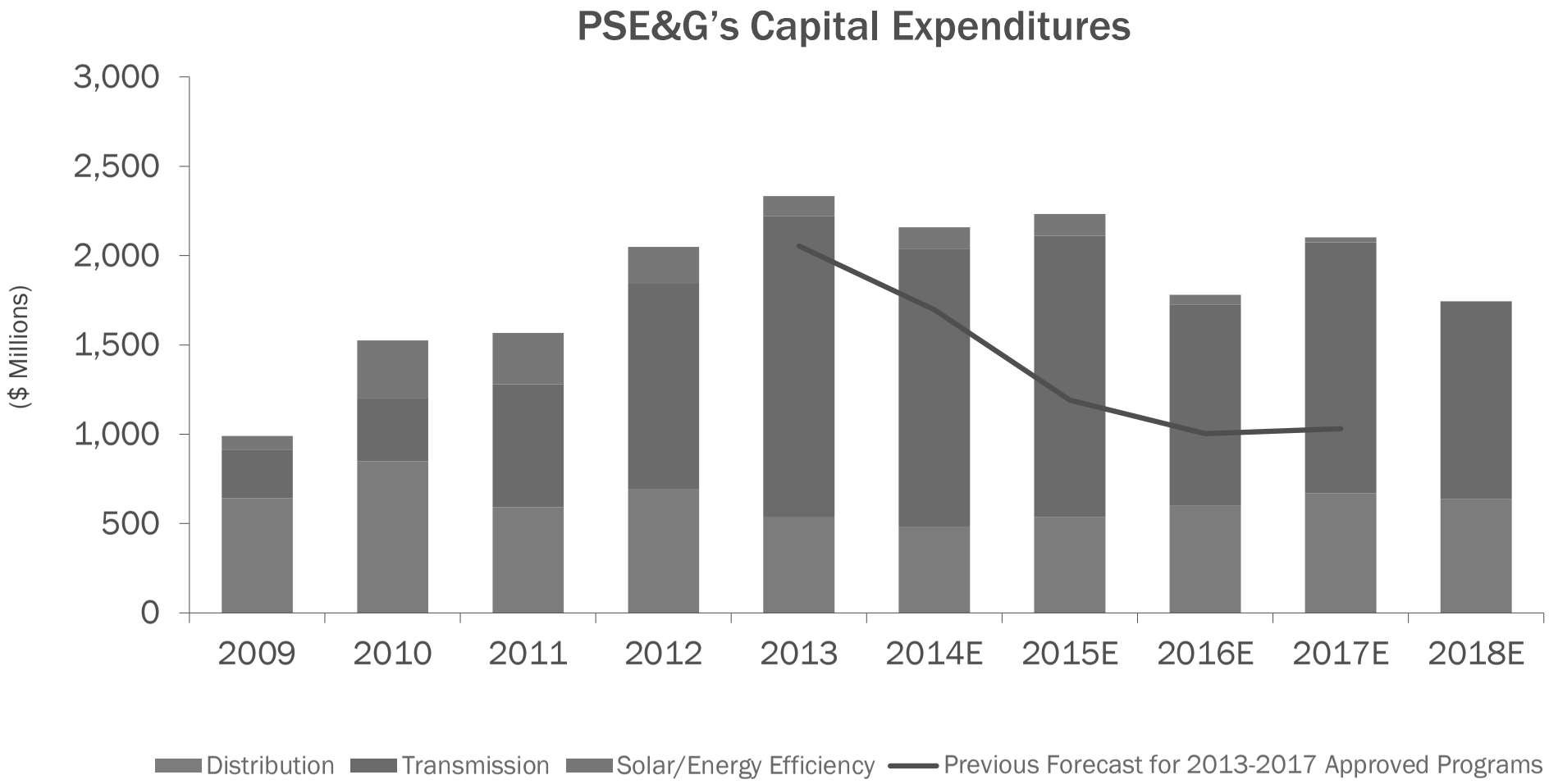
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

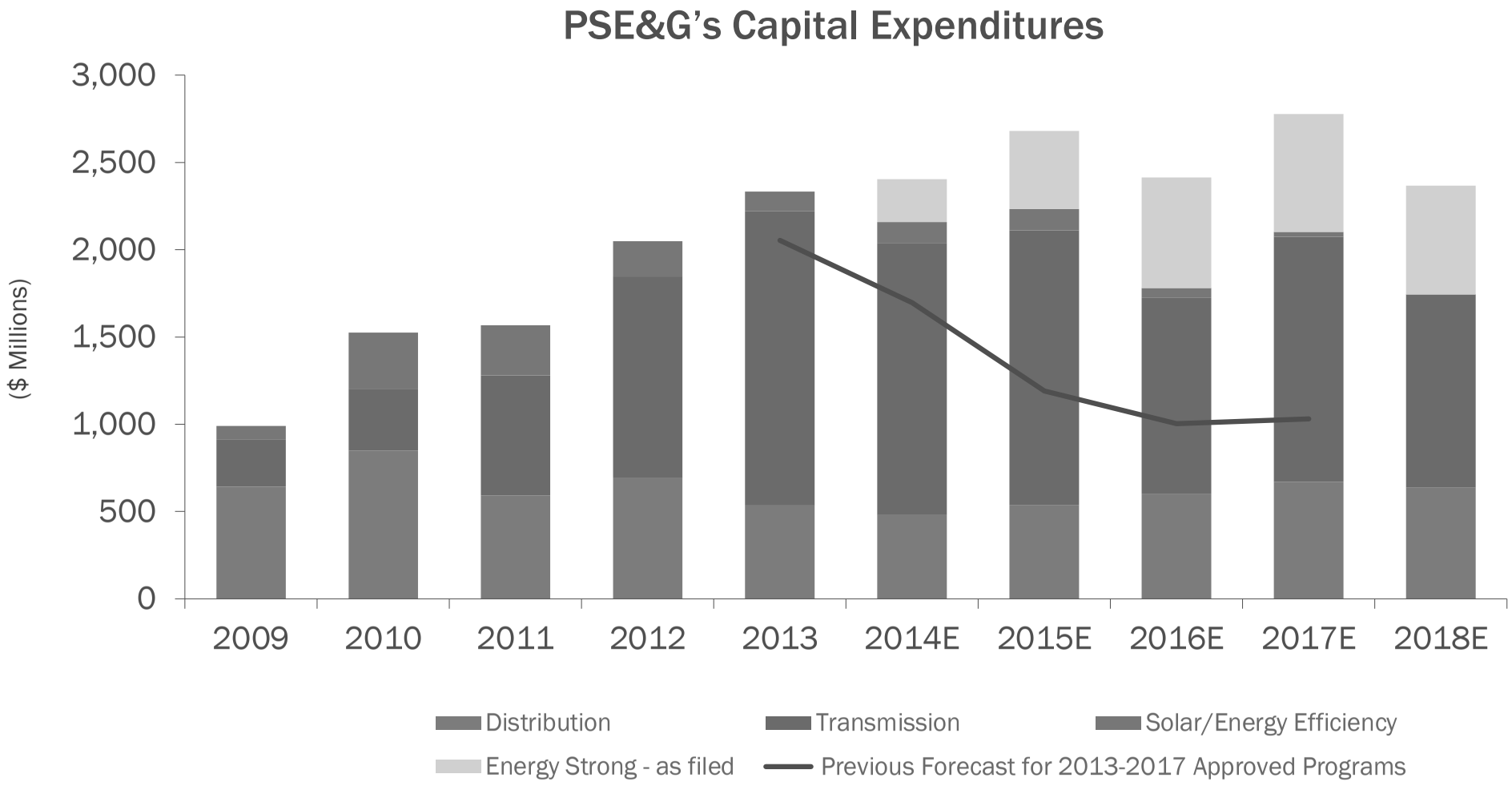
SI-SSA-0015-05139

PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-05141

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

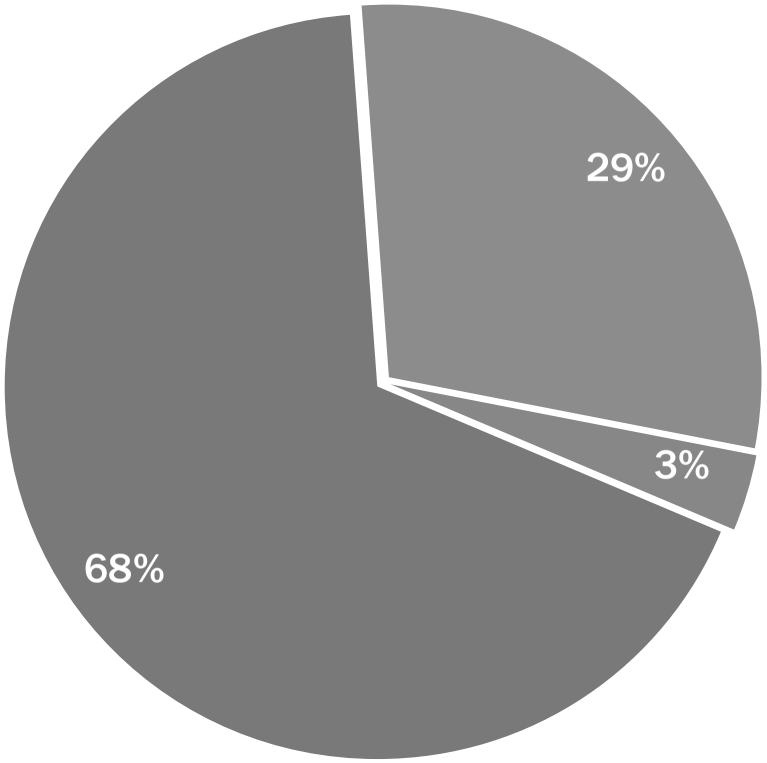
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-05142

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

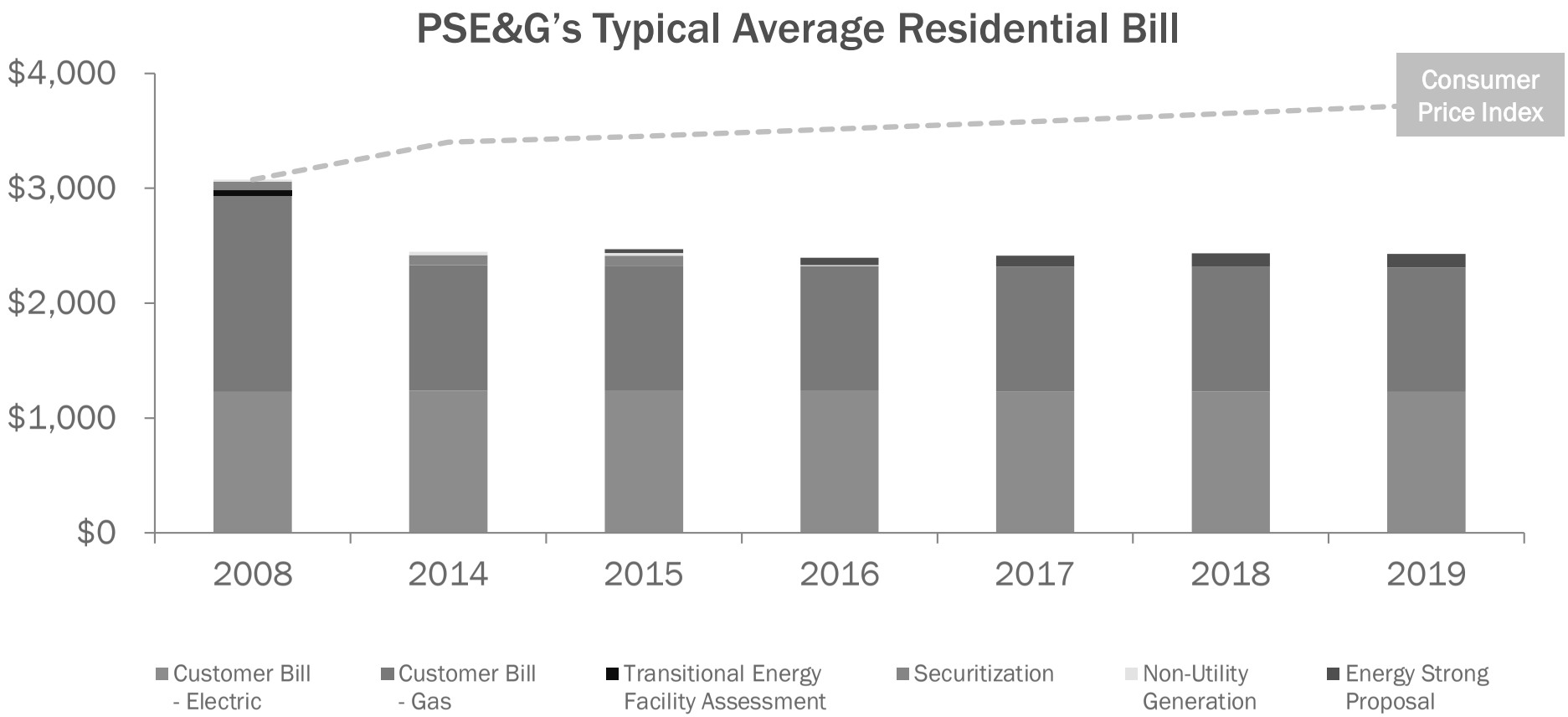
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-05143

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-05144

PSE&G TRANSMISSION

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We make things work for you.

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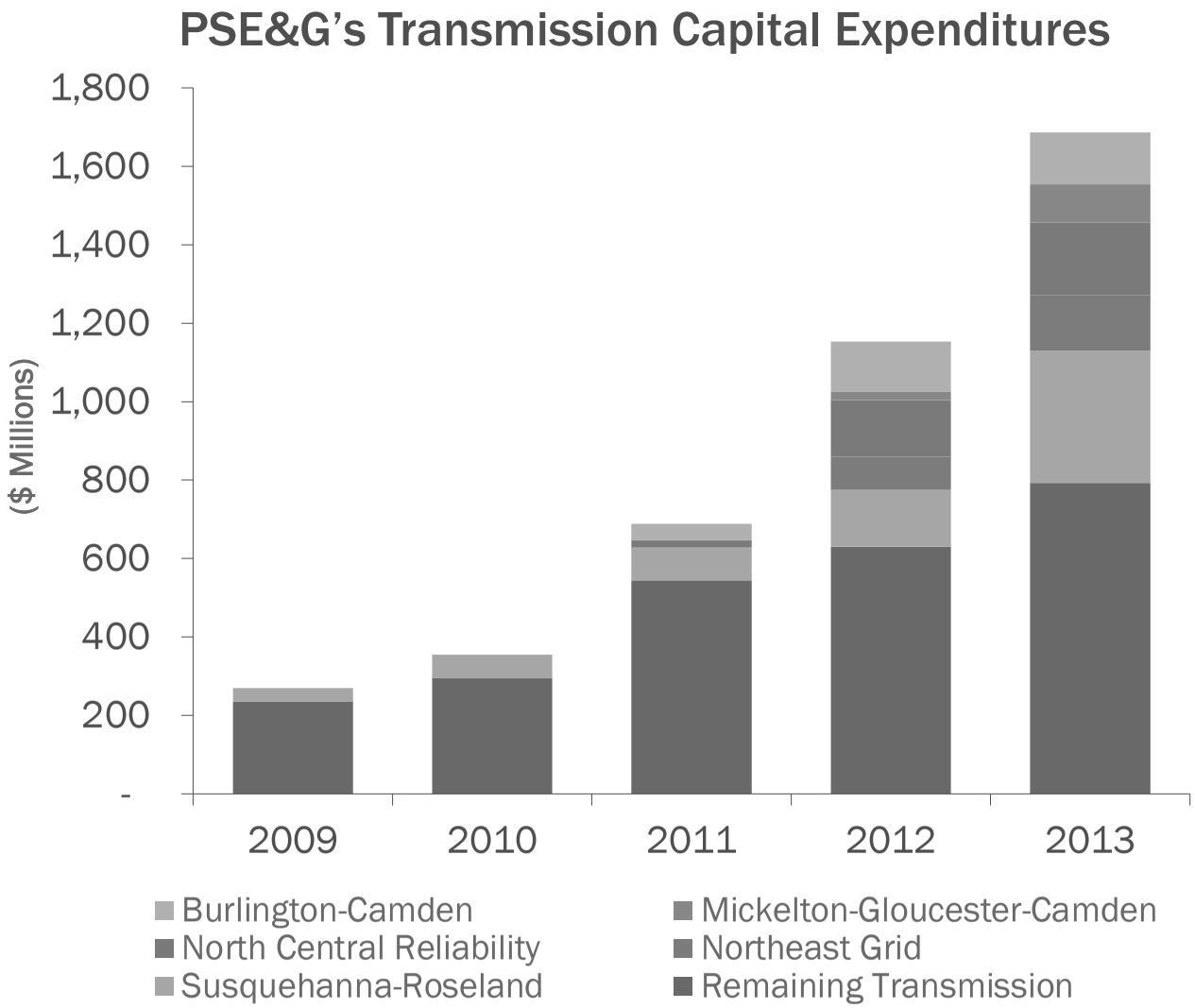
Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-05146

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-05147

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-05148

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-05149

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-05150

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-05151

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05152

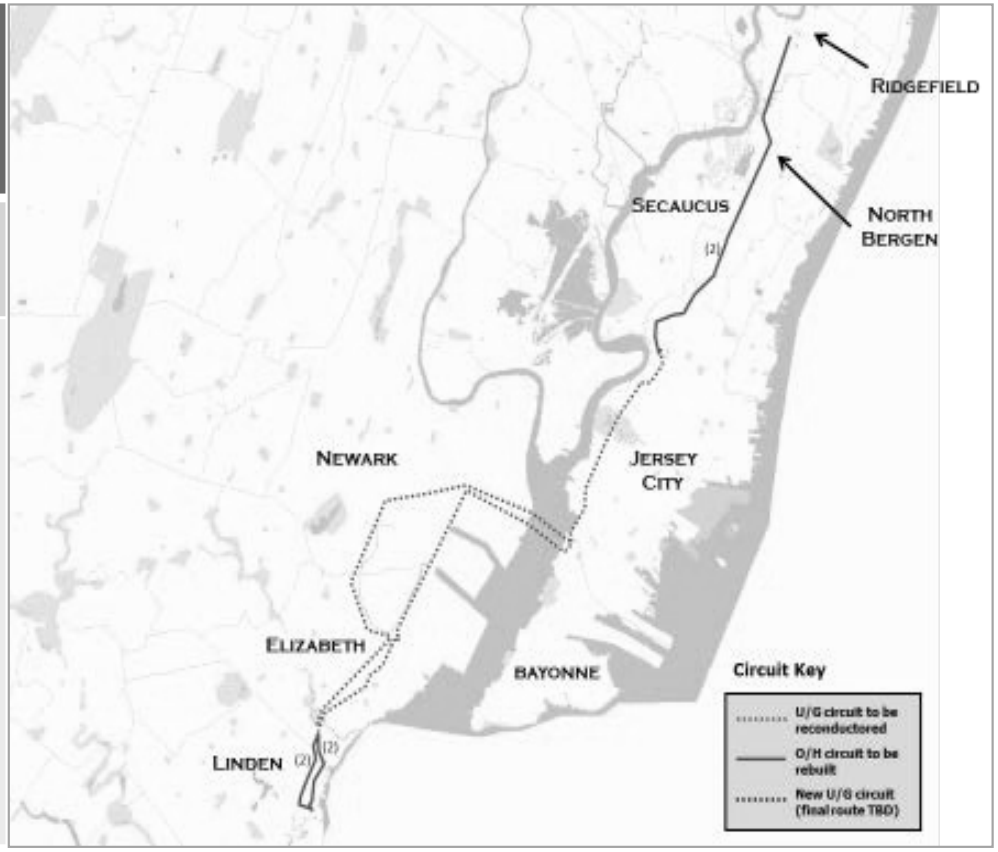
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

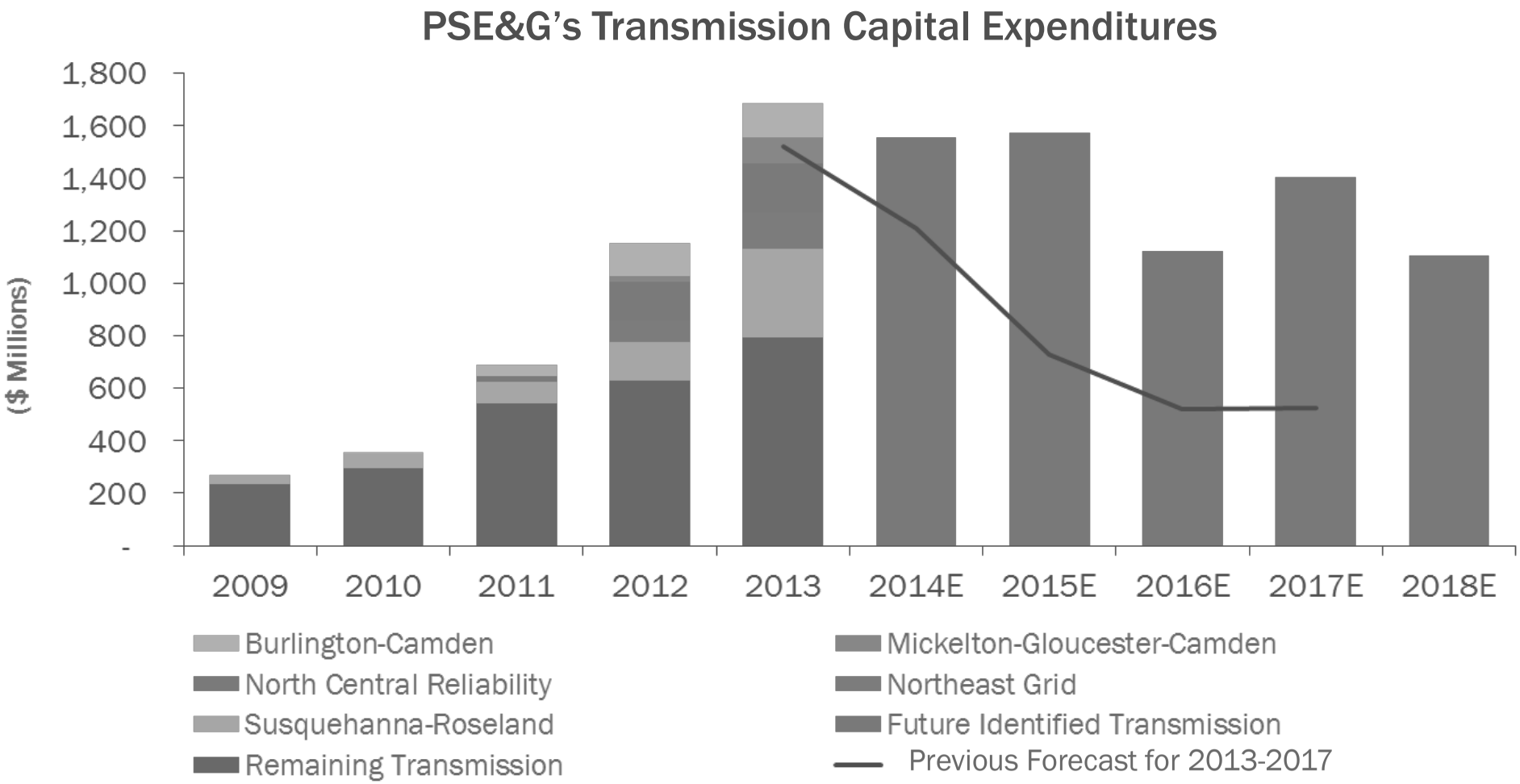
Project Status: Engineering



SI-SSA-0015-05153

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-05154

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-05155

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-05156

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-05157

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-05158

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-05159

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-05160

PSEG POWER

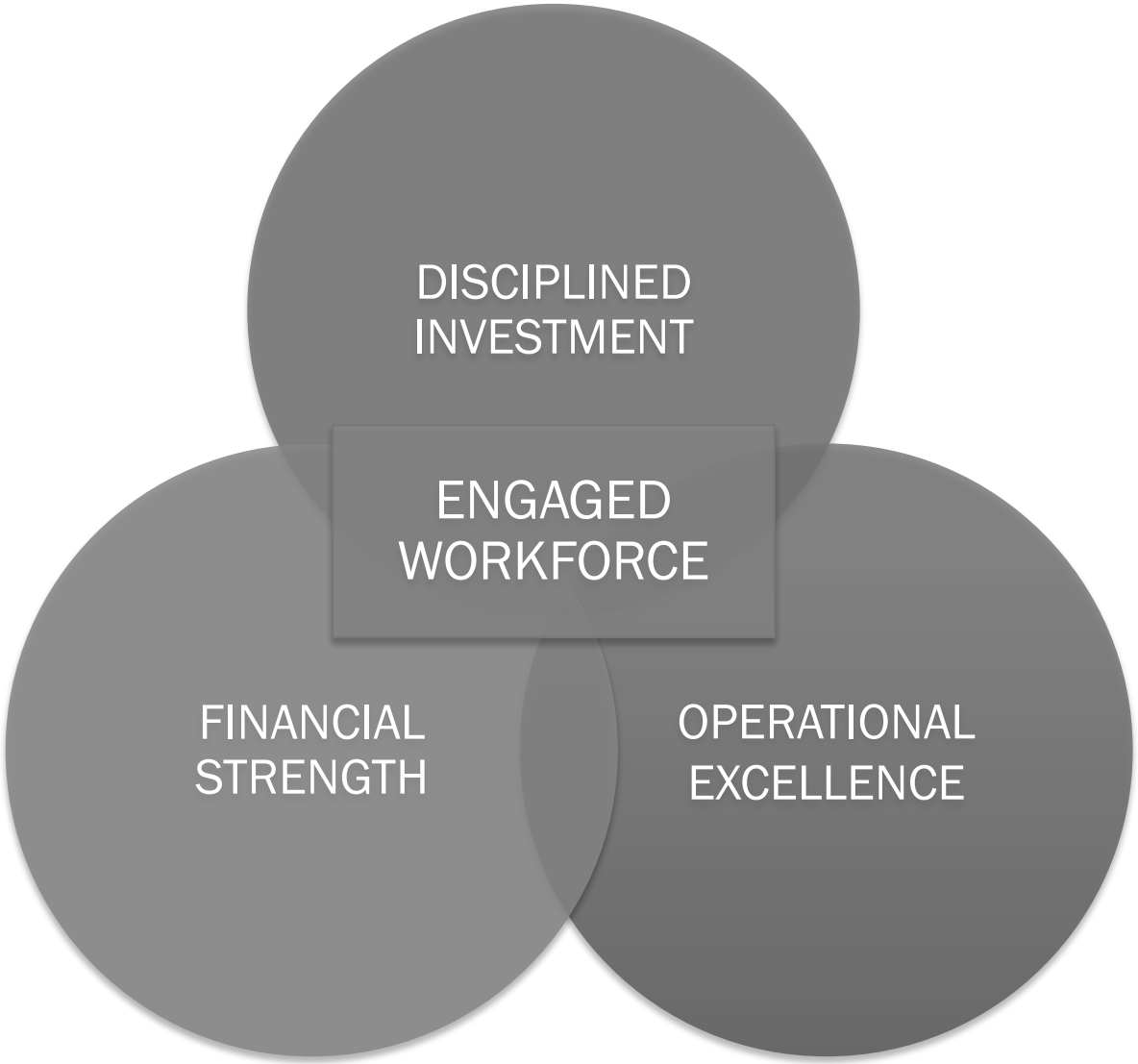
PSEG

We make things work for you.

SI-SSA-0015-05161

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-05162

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-05163

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-05164

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

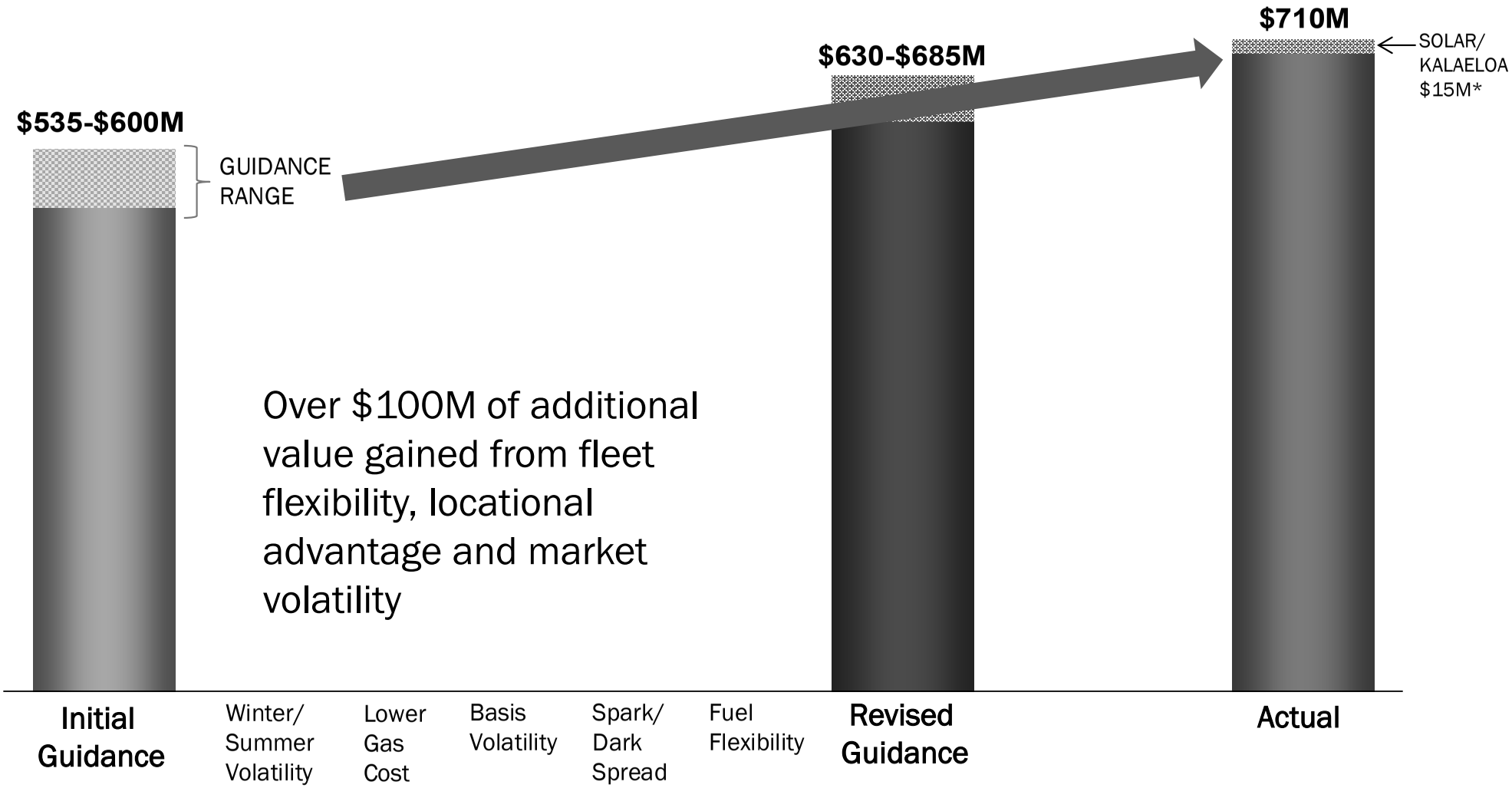
SI-SSA-0015-05165

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-05166

PSEG Power exceeded 2013's earnings guidance



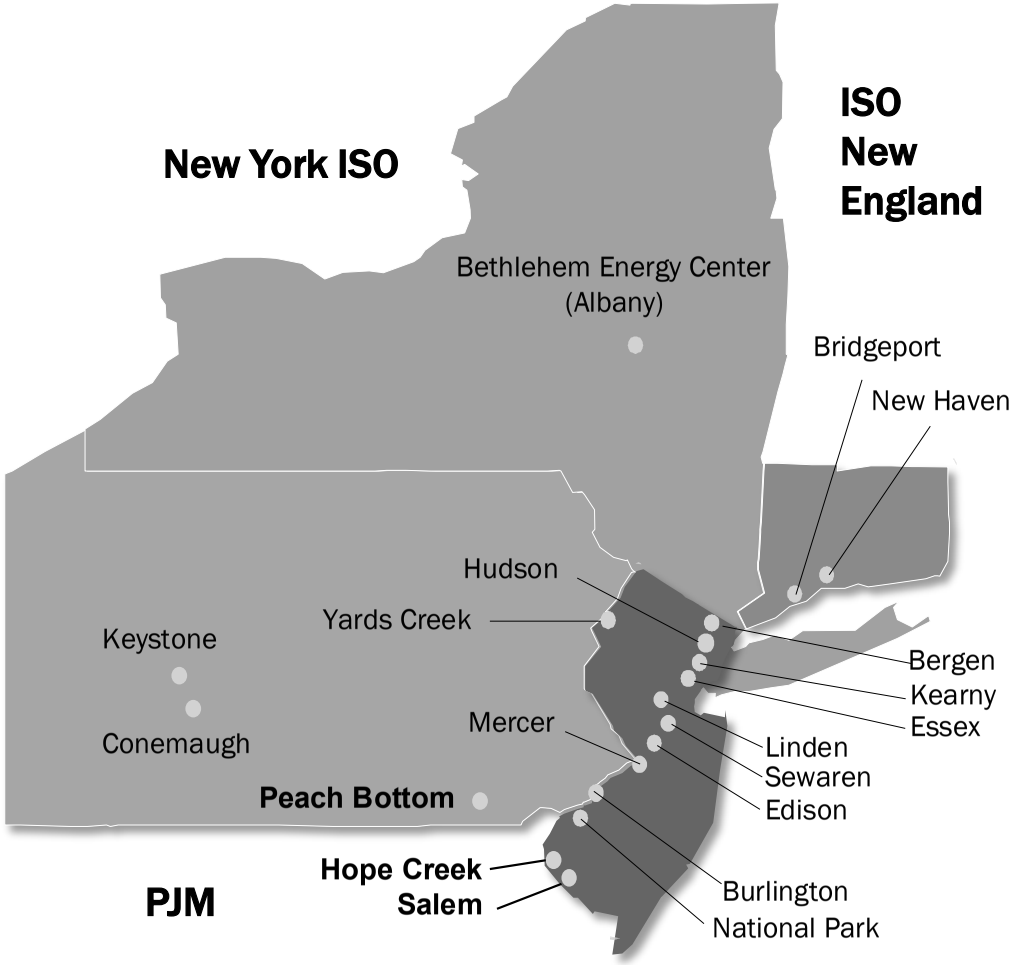
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-05167

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



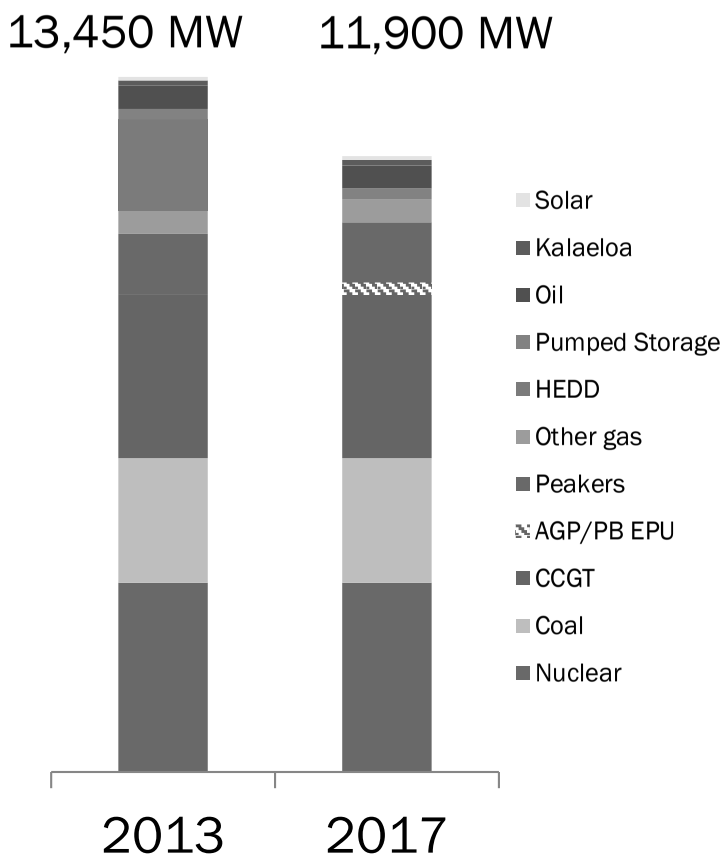
SI-SSA-0015-05168

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

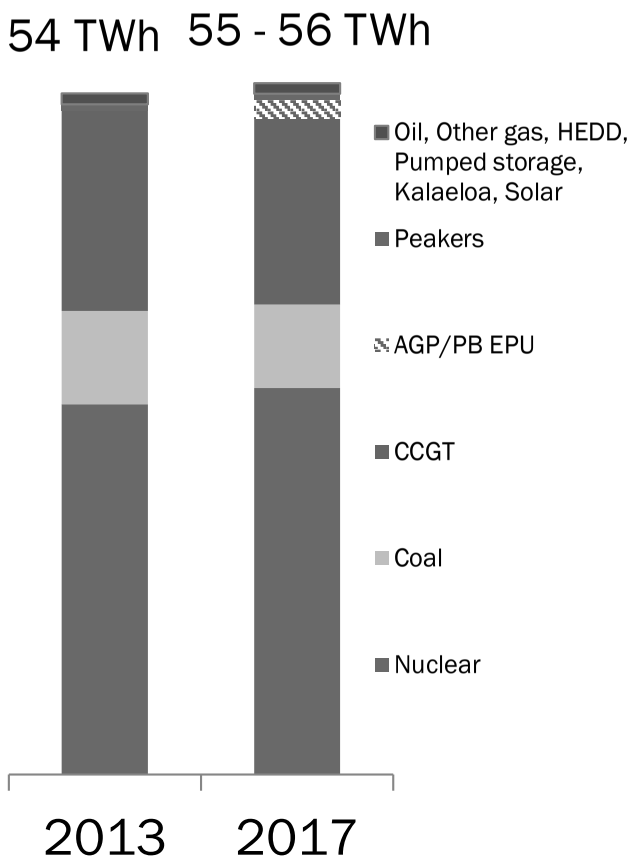
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

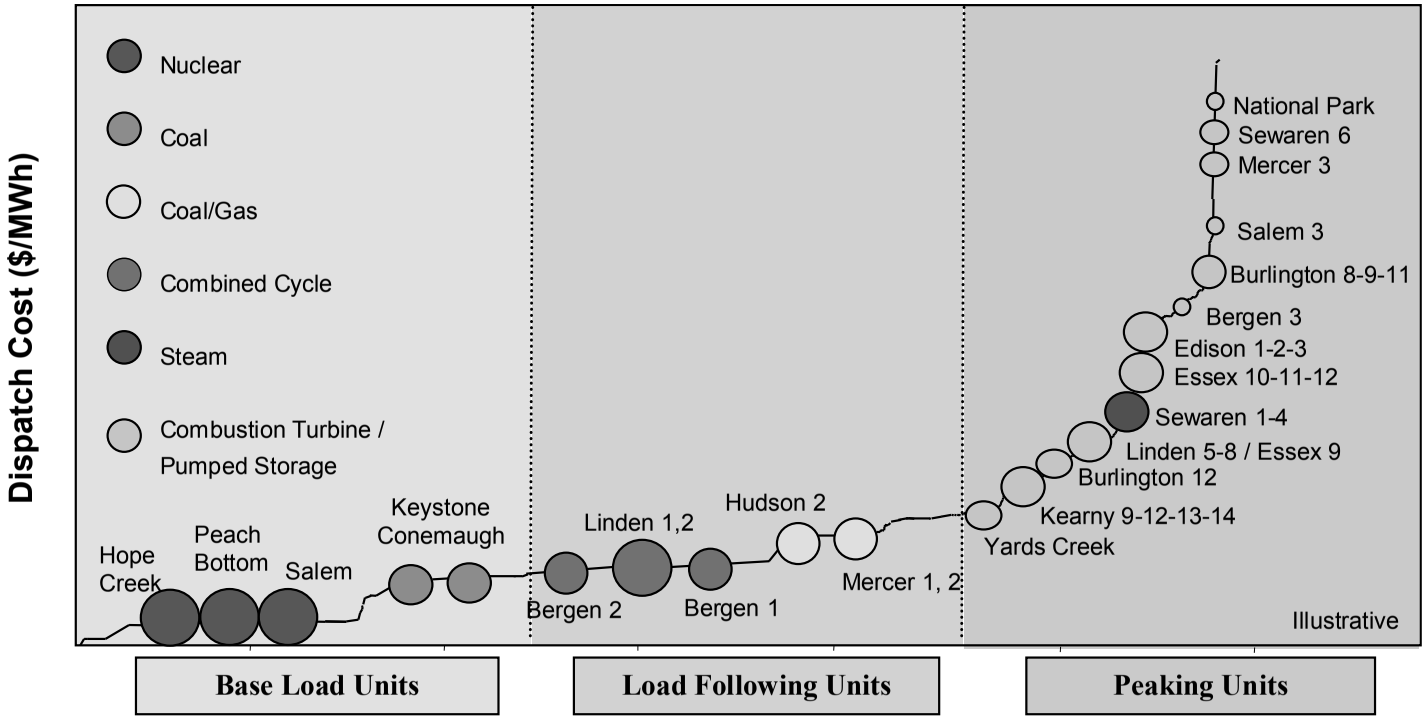


Energy Produced



SI-SSA-0015-05169

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-05170

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-05171

PSEG Power Nuclear is core to the fleet and has competitive advantages

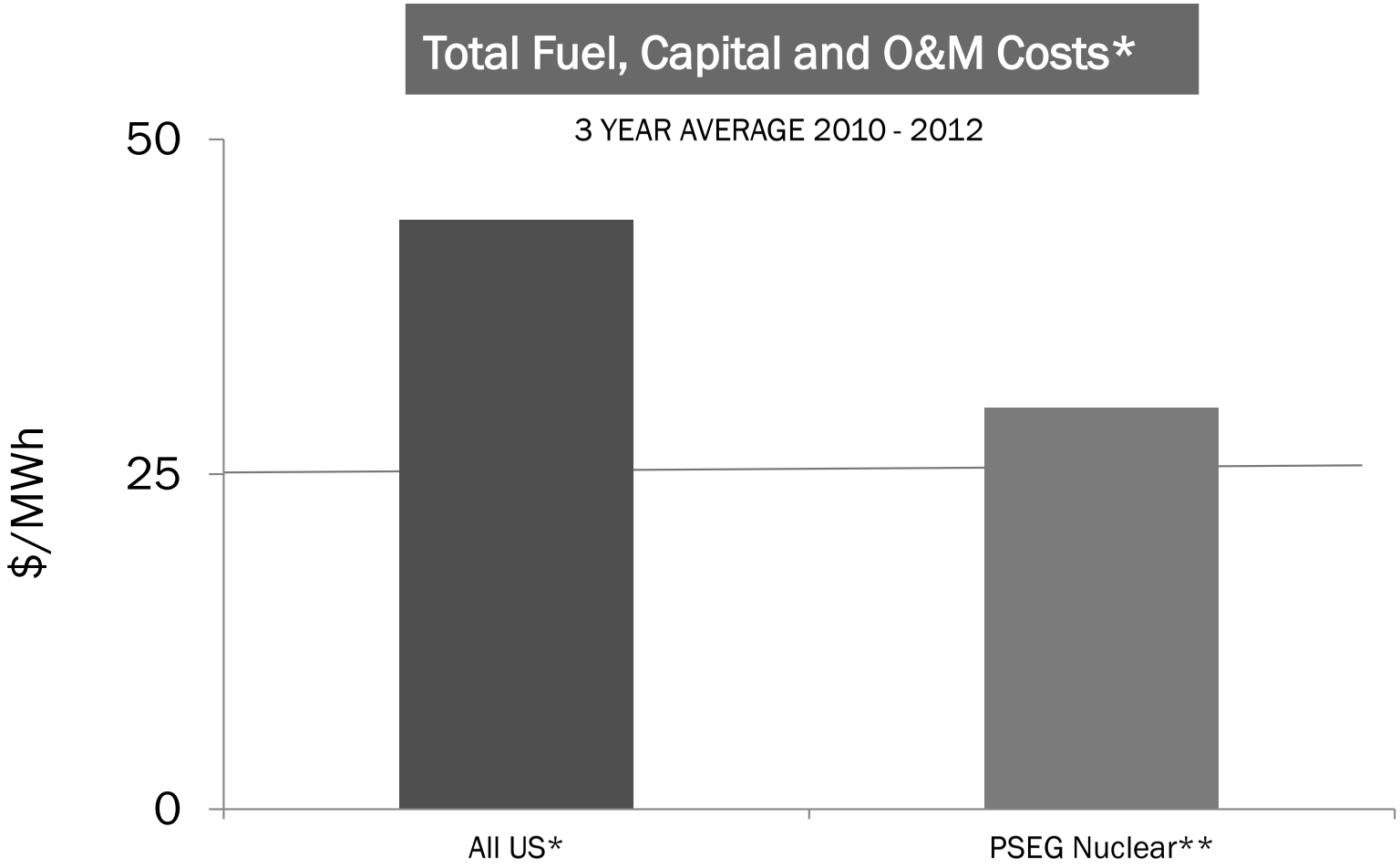
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-05172

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

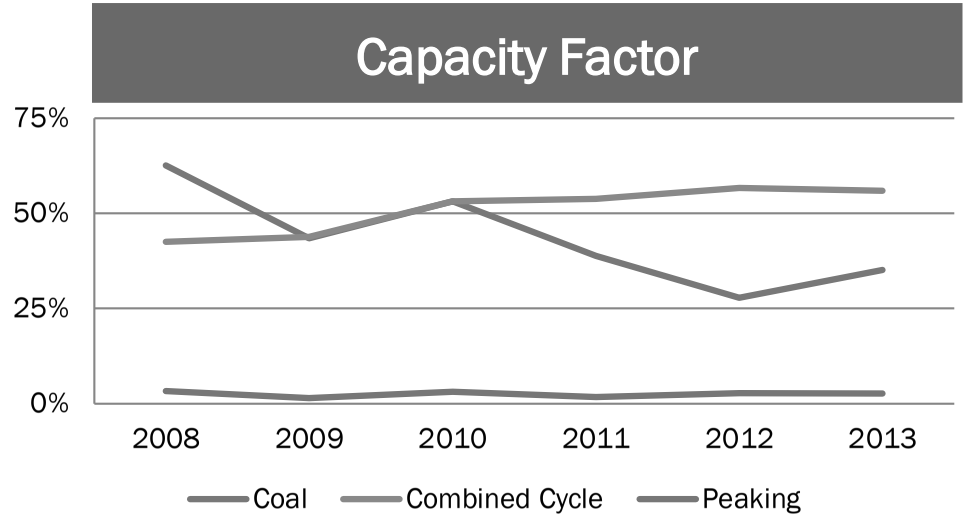


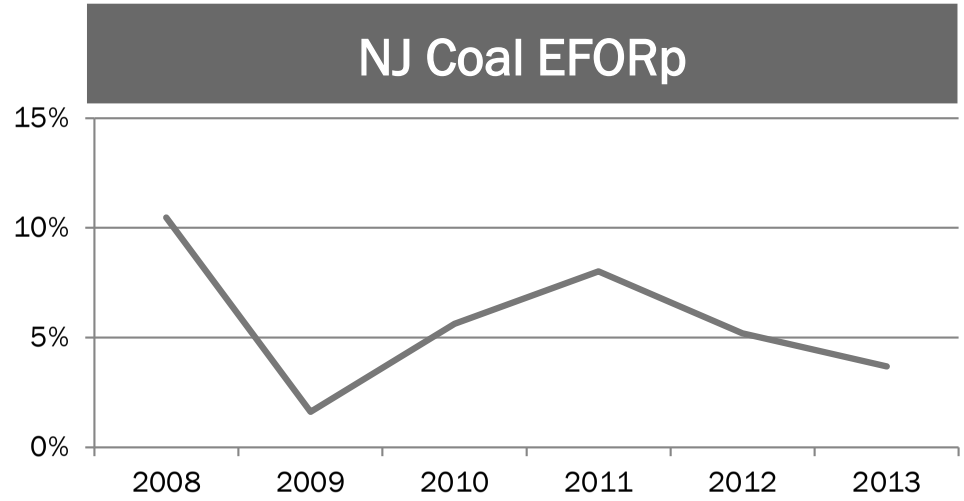
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

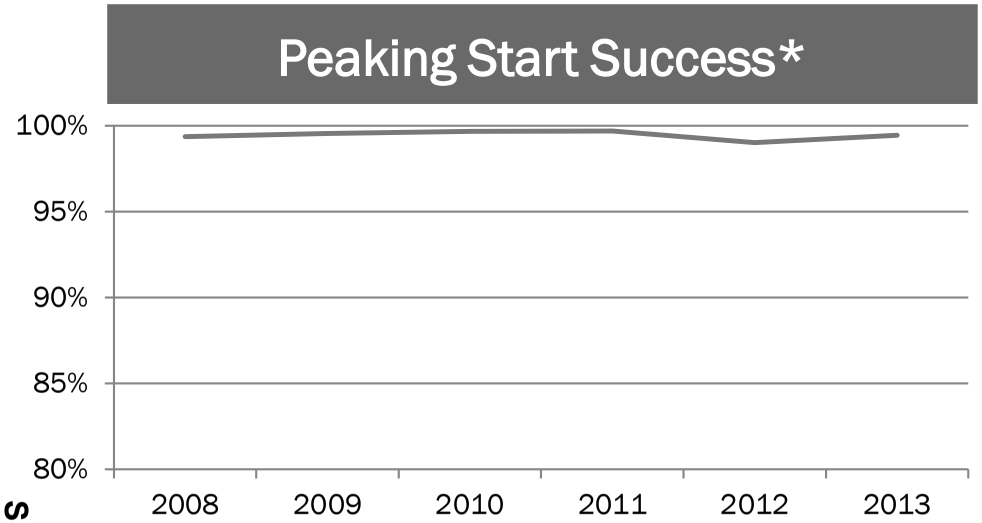
SI-SSA-0015-05173

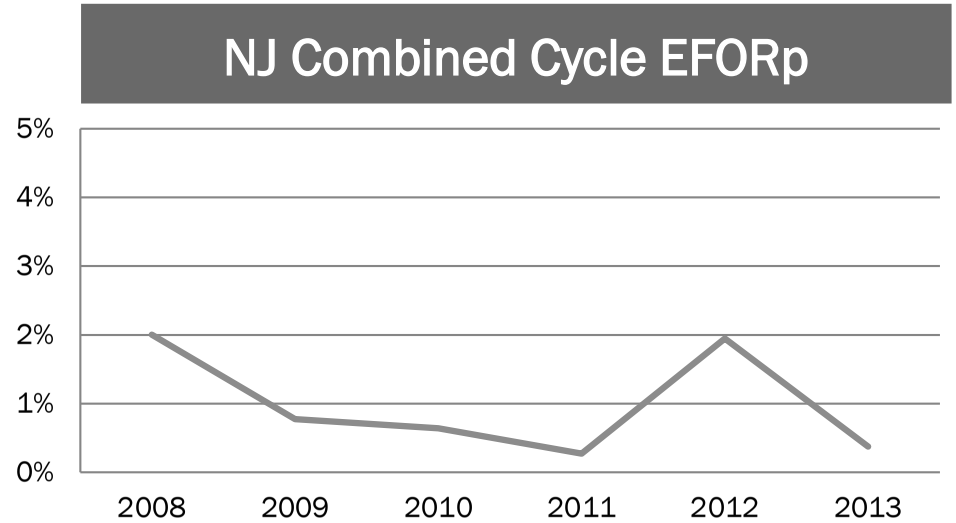
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

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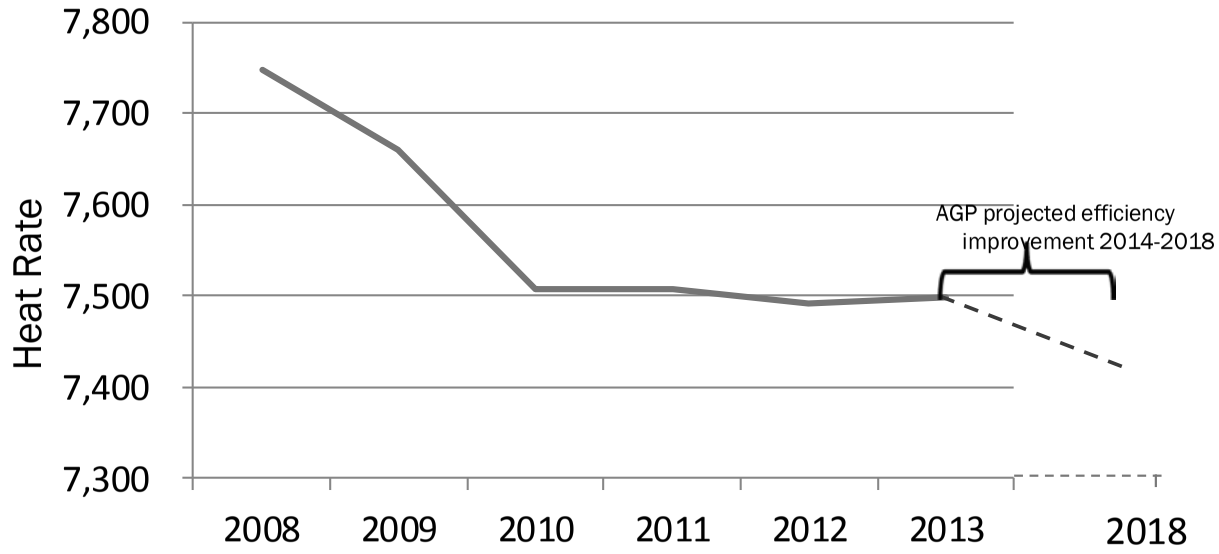
PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-05175

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

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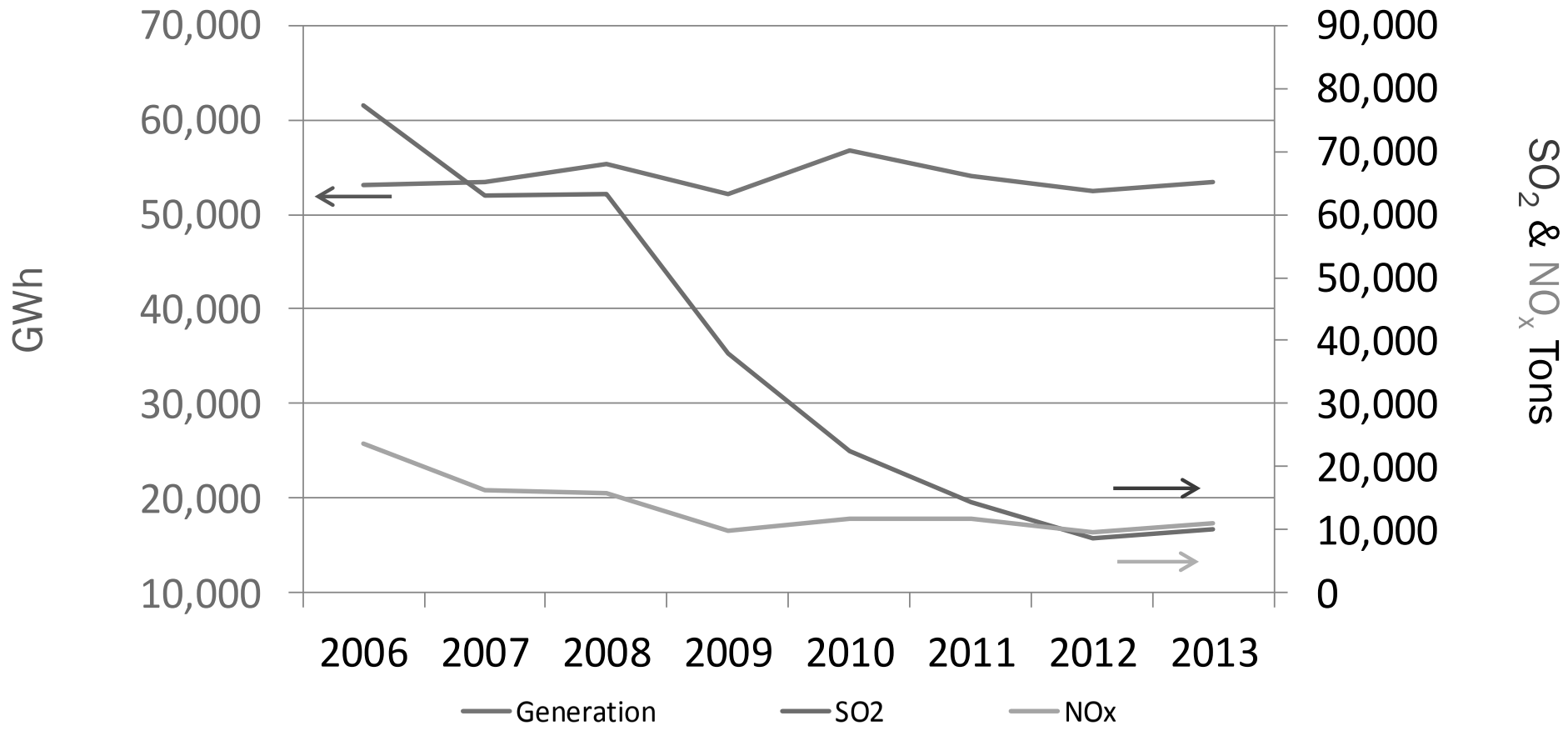
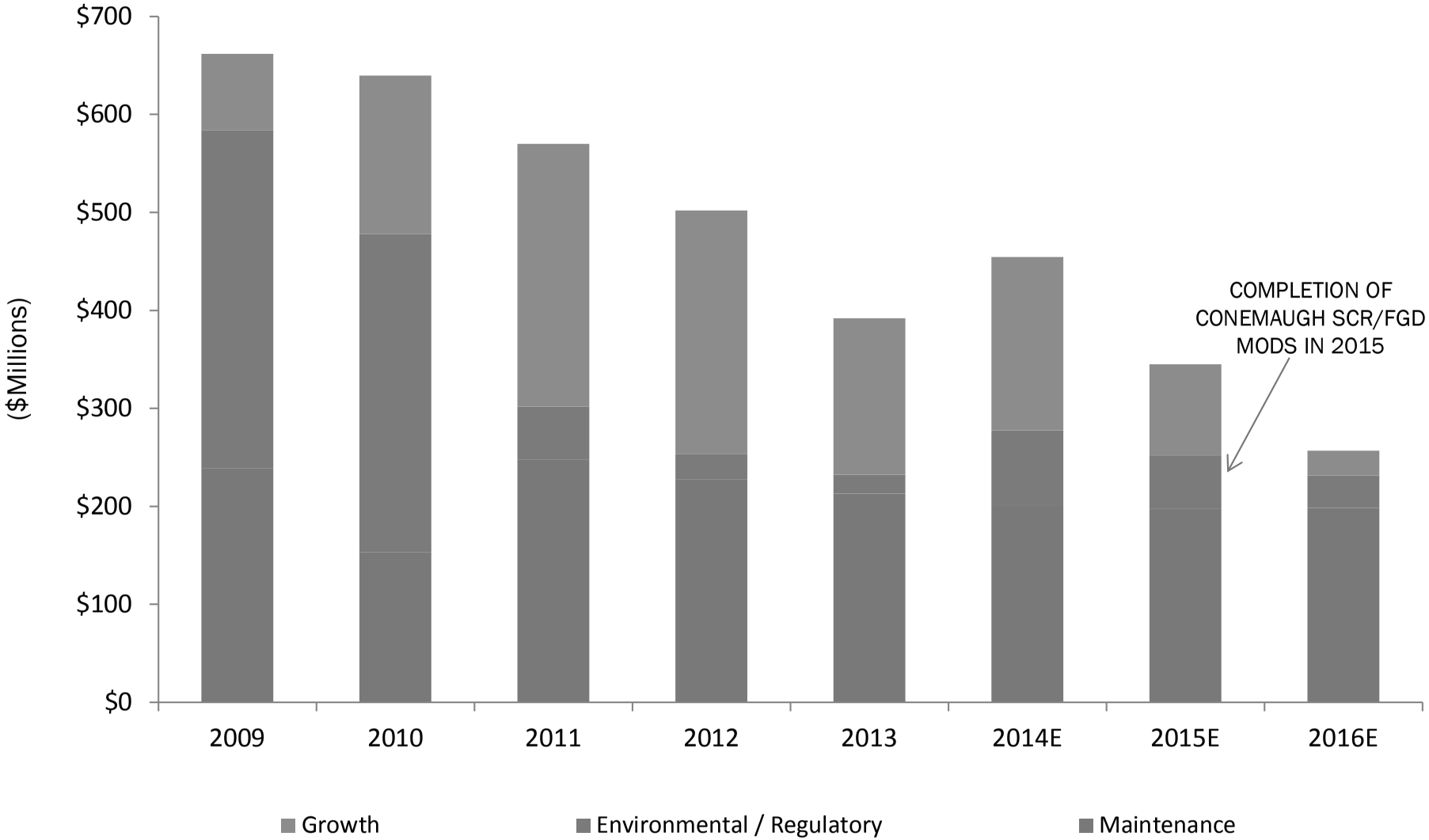
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-05177

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-05178

PSEG Power's focus on costs

has resulted in

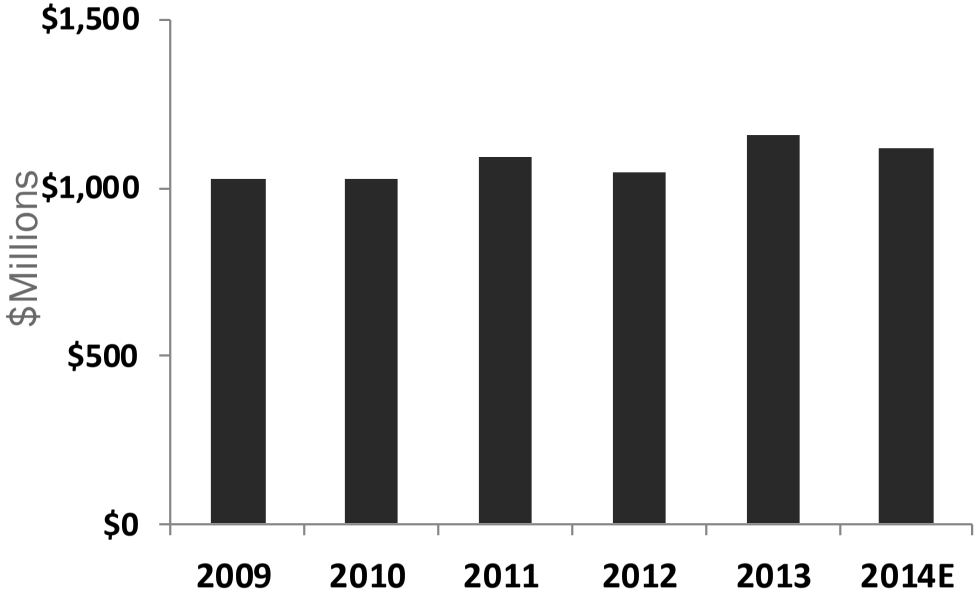
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

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PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-05180

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-05181

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-05182

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-05183

PSEG POWER
ER&T

SI-SSA-0015-05184

PSEG

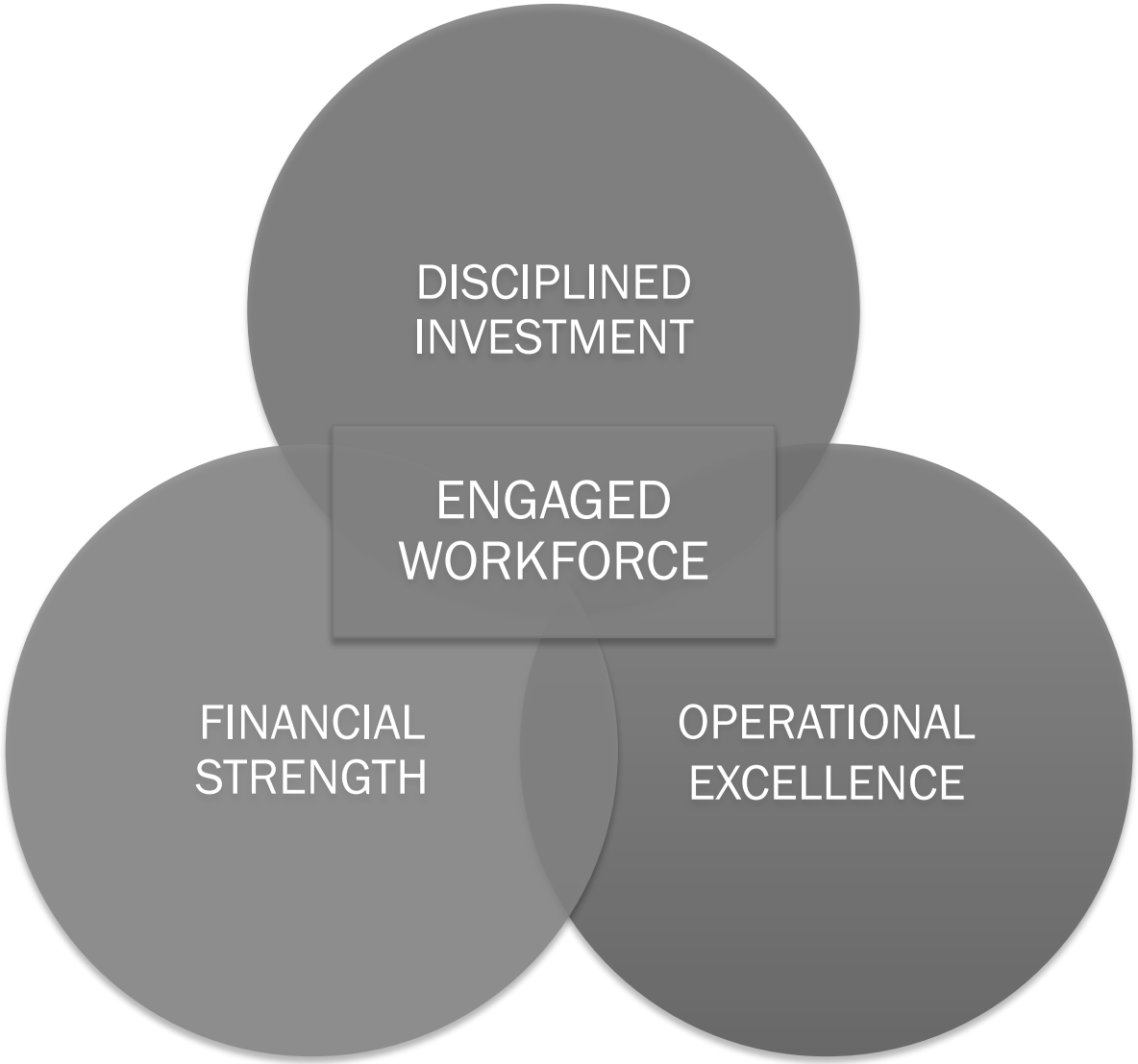
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-05185

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

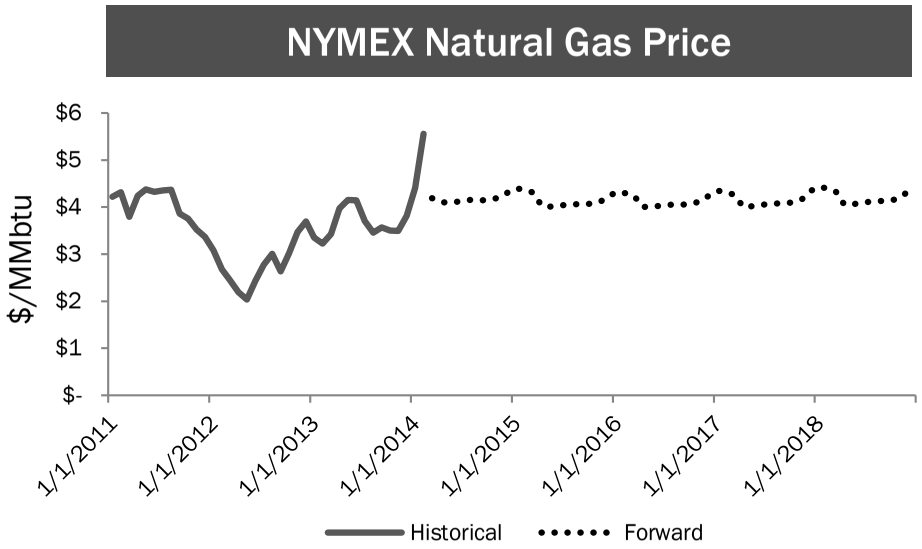
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

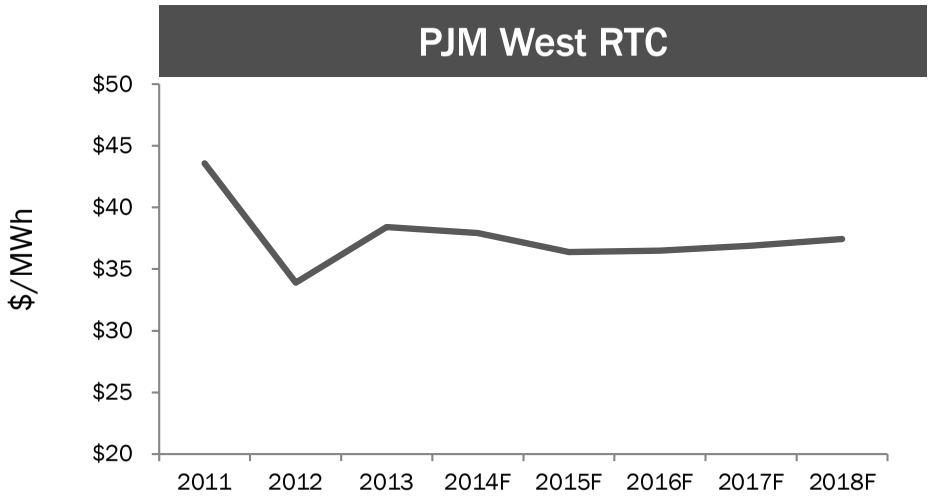
PSEG's Sustainable Advantage

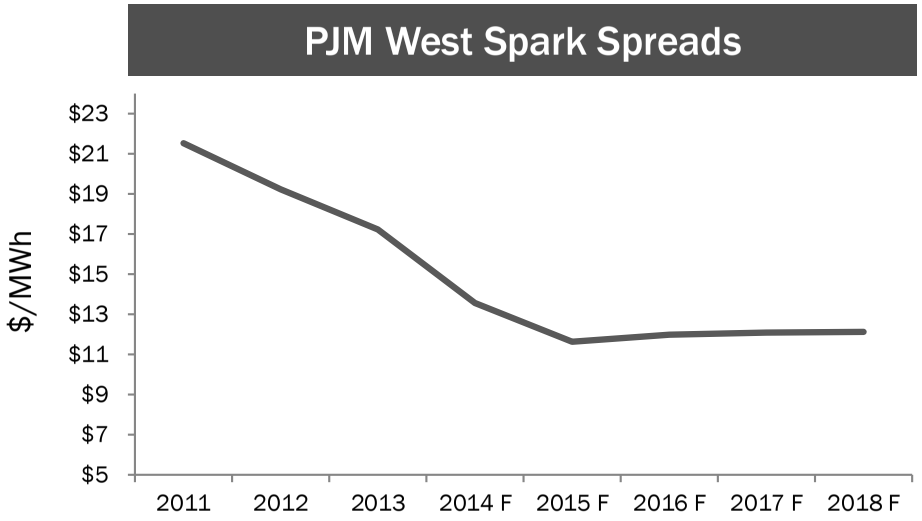
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-05186

Market Review: Prices have stabilized







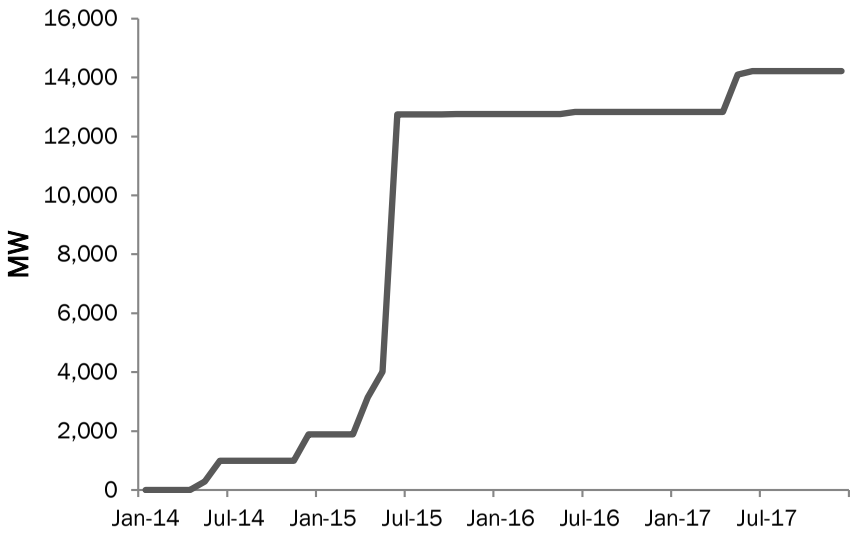
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

F=FORWARDS AS OF 12/31/2013

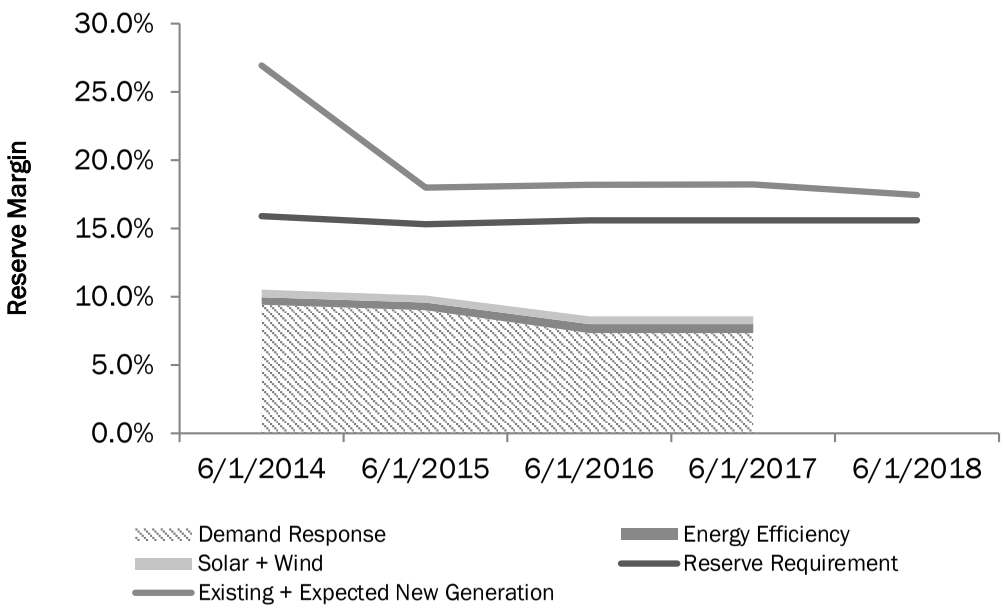
SI-SSA-0015-05187

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

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PSEG

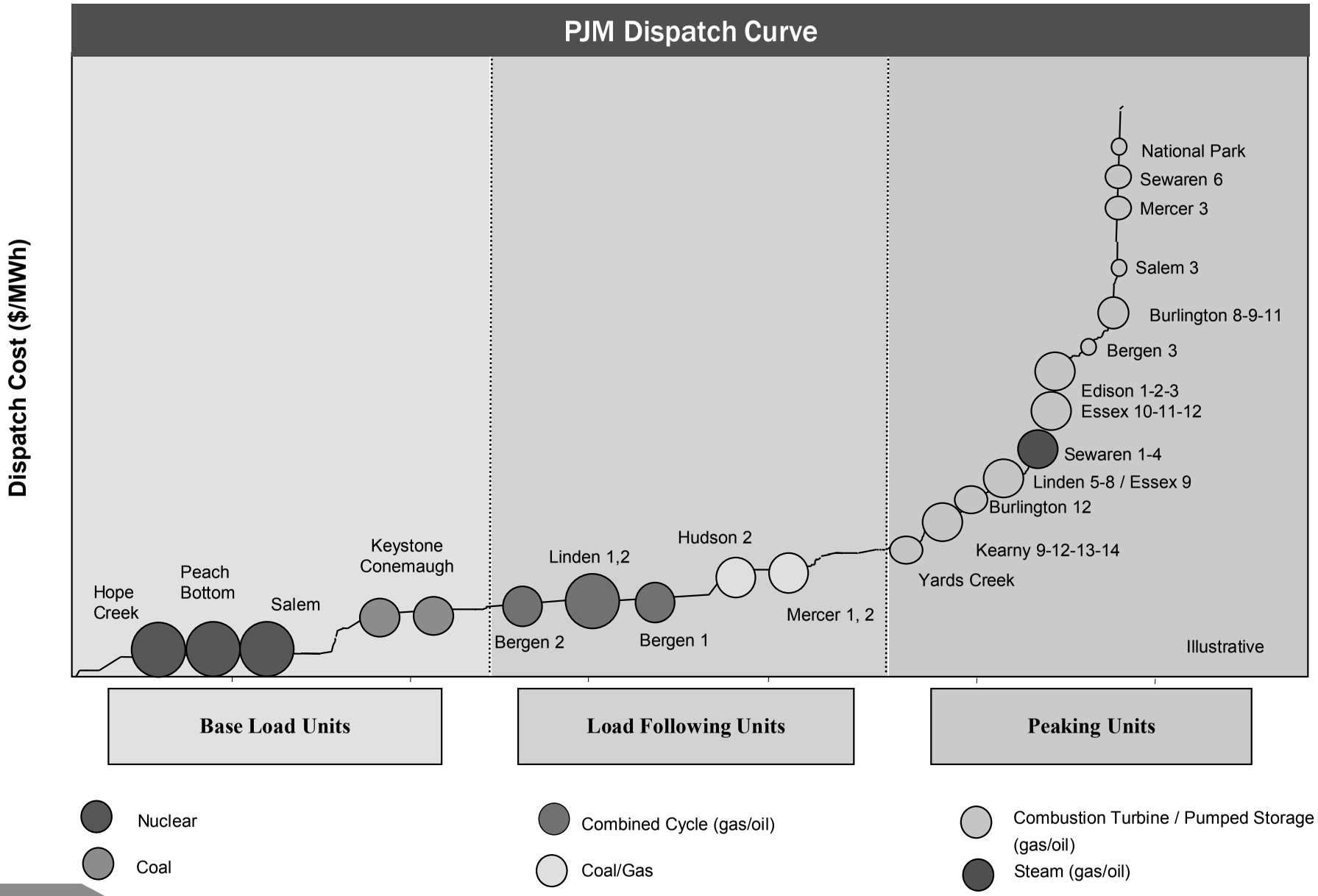
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

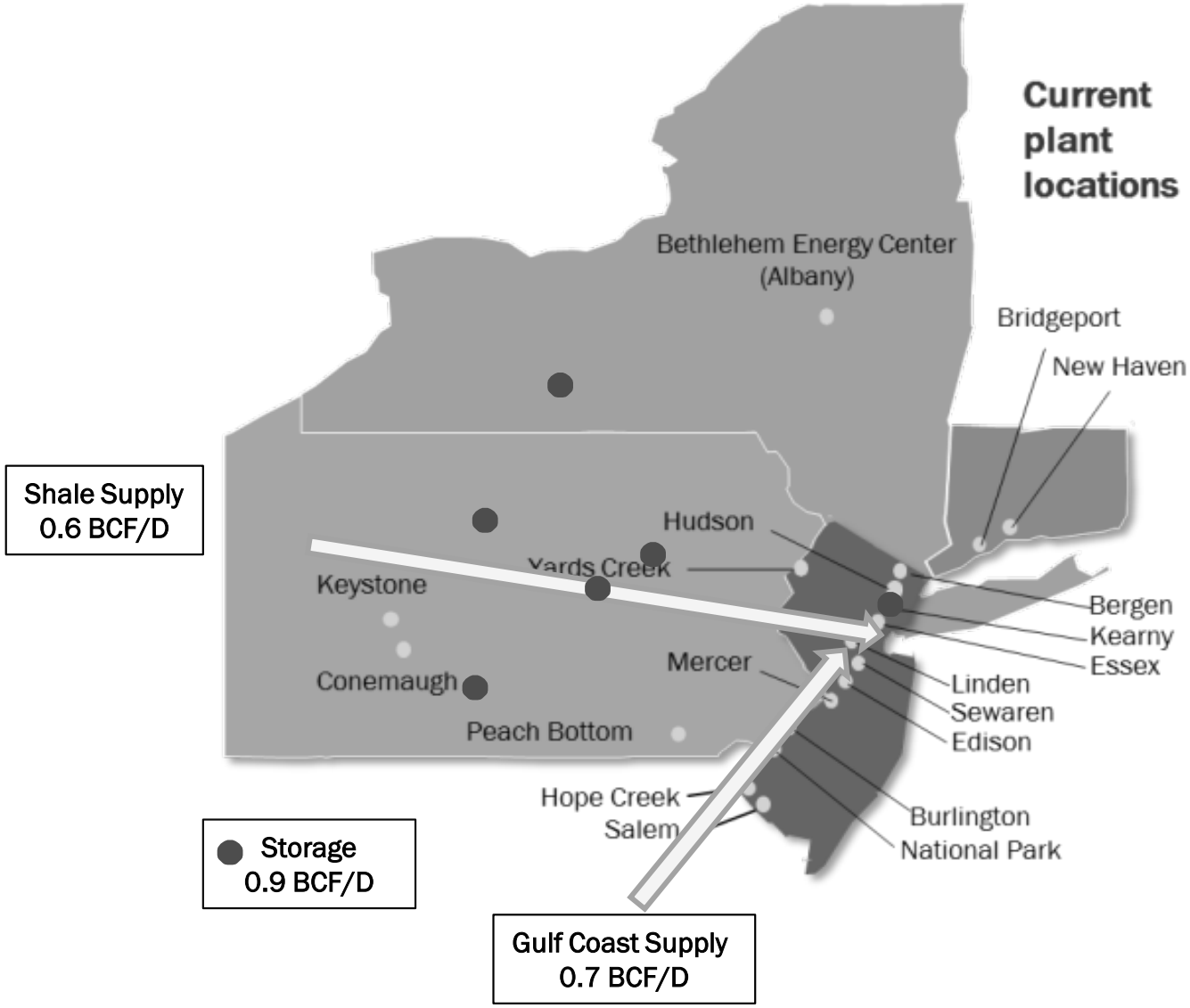
SI-SSA-0015-05189

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



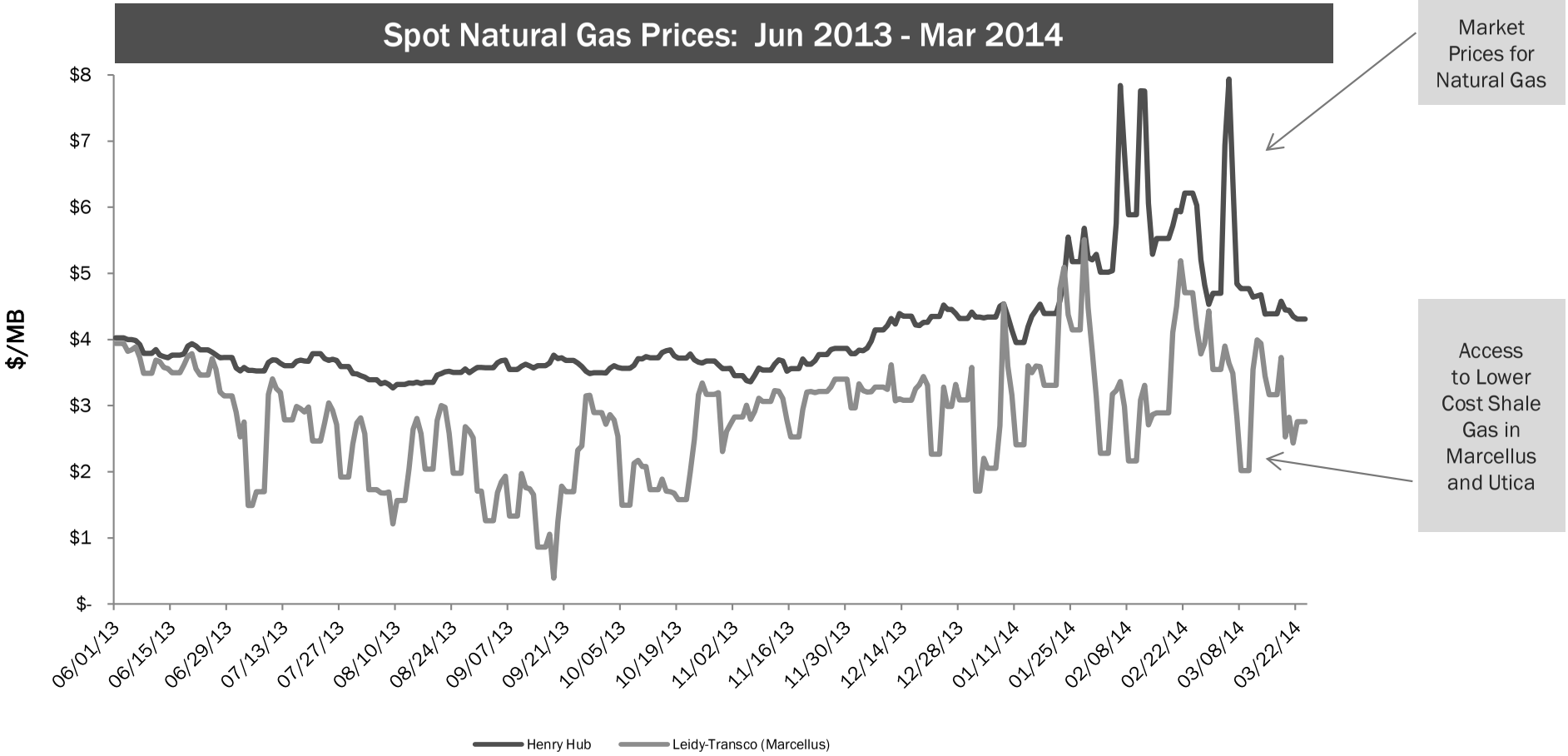
SI-SSA-0015-05190

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-05191

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

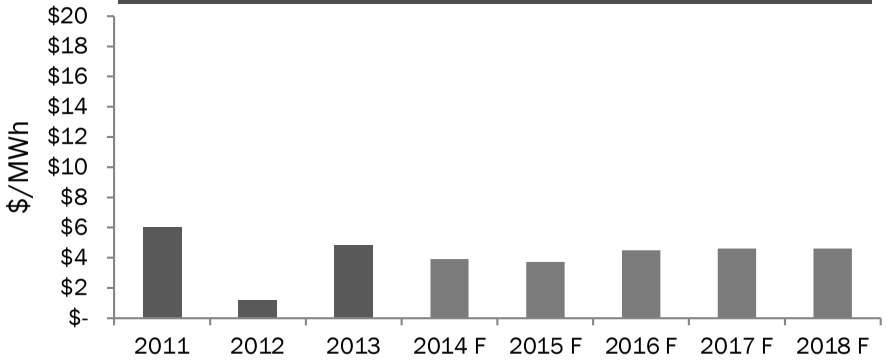


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

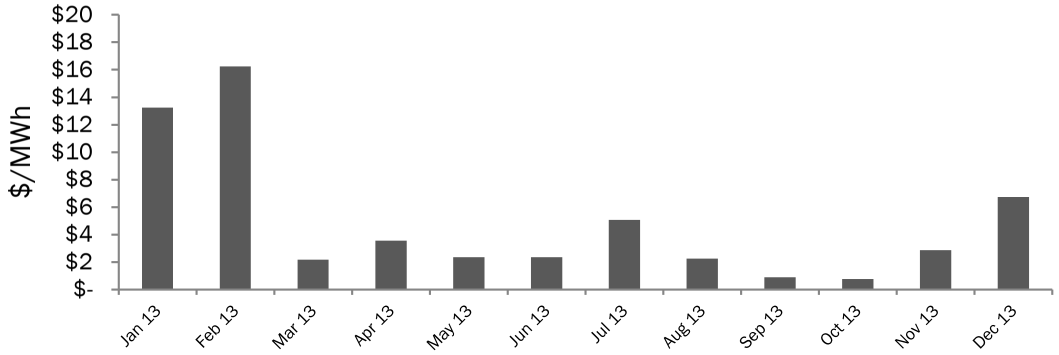
SI-SSA-0015-05192

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

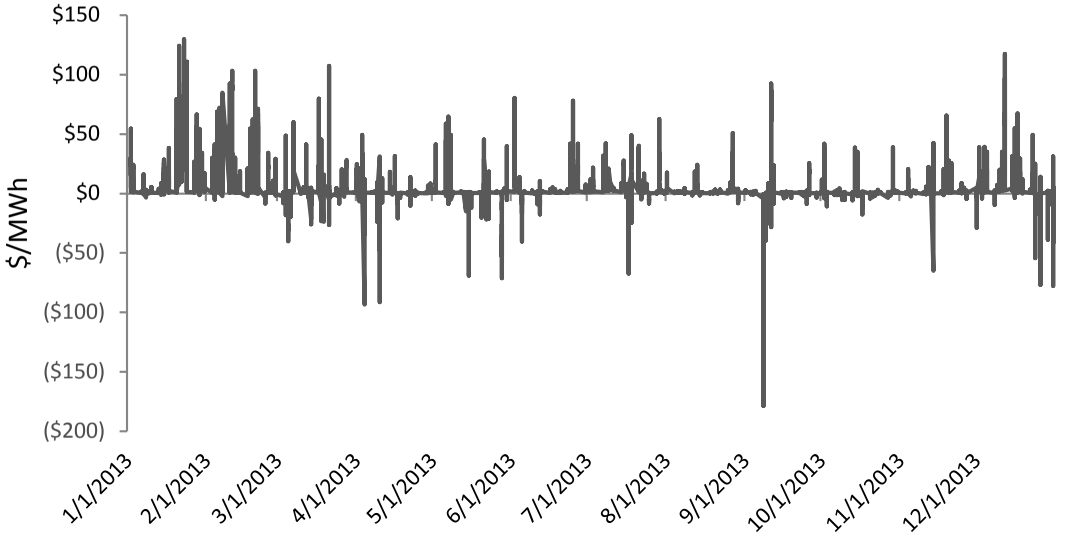


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

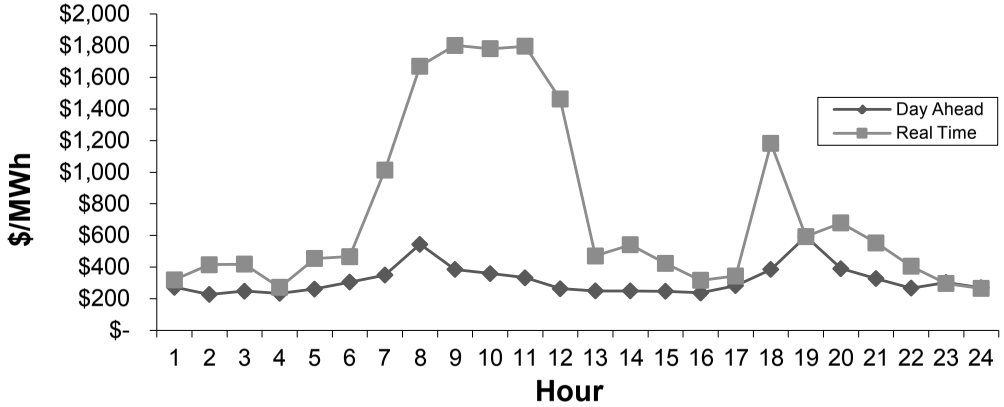
PS Zone Real Time On Peak Hourly Basis to PJM-W



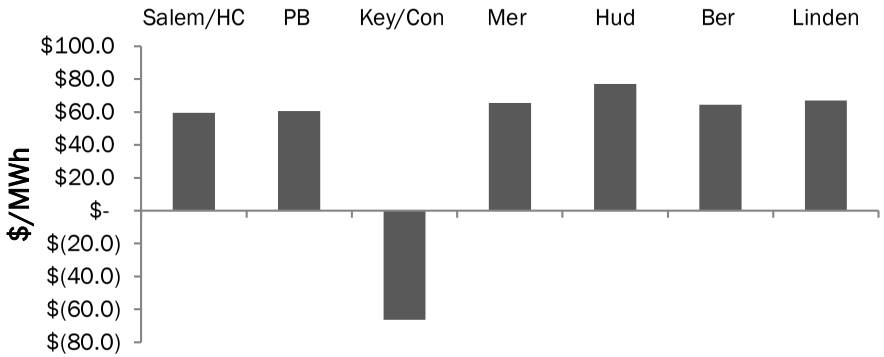
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

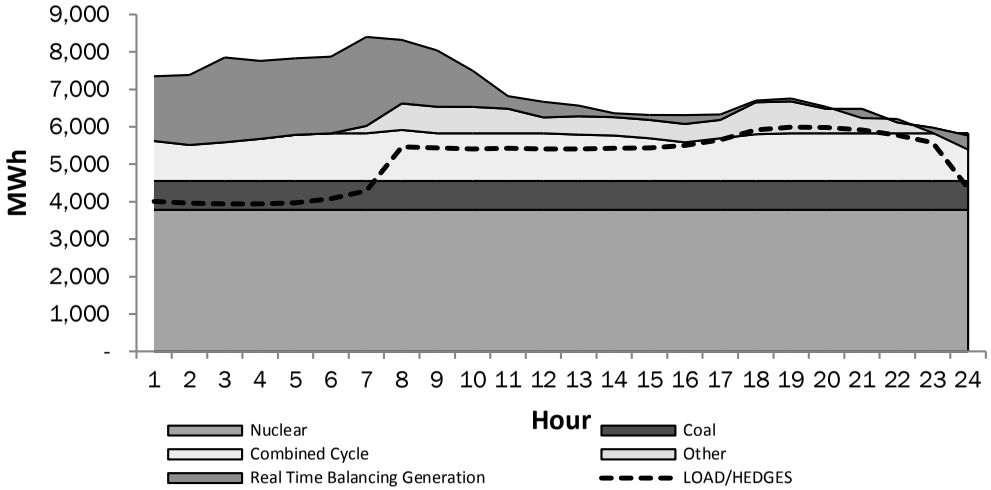
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

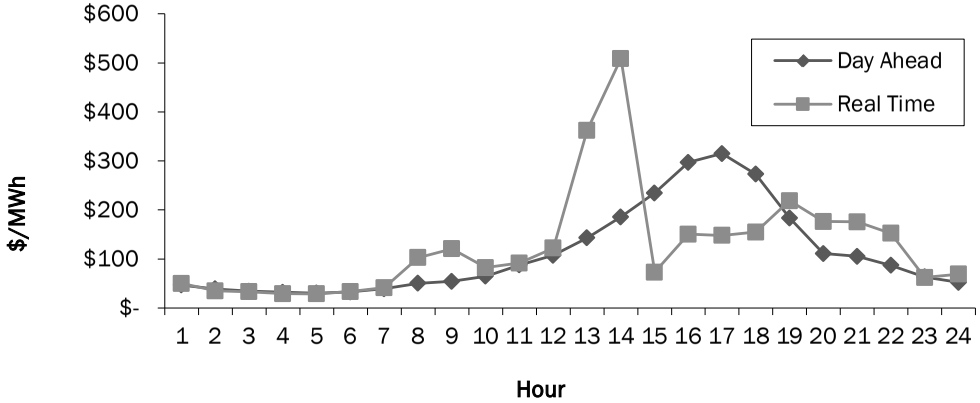


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

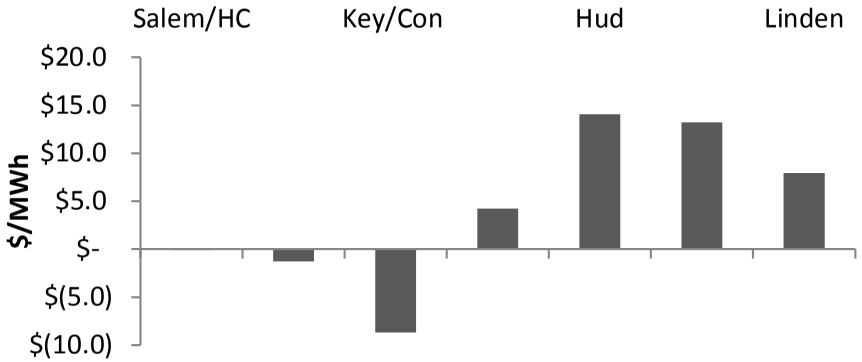
SI-SSA-0015-05194

Competitive Advantage: Trading & Asset Flexibility

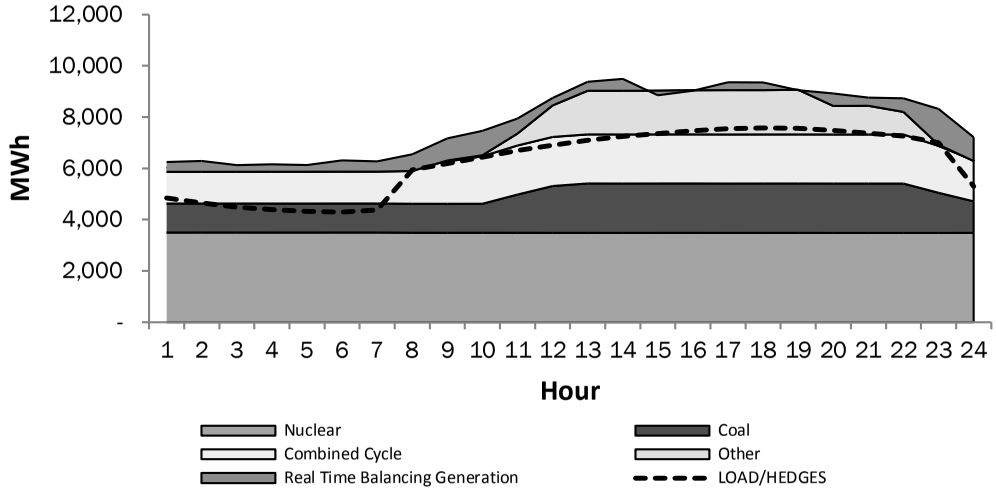
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



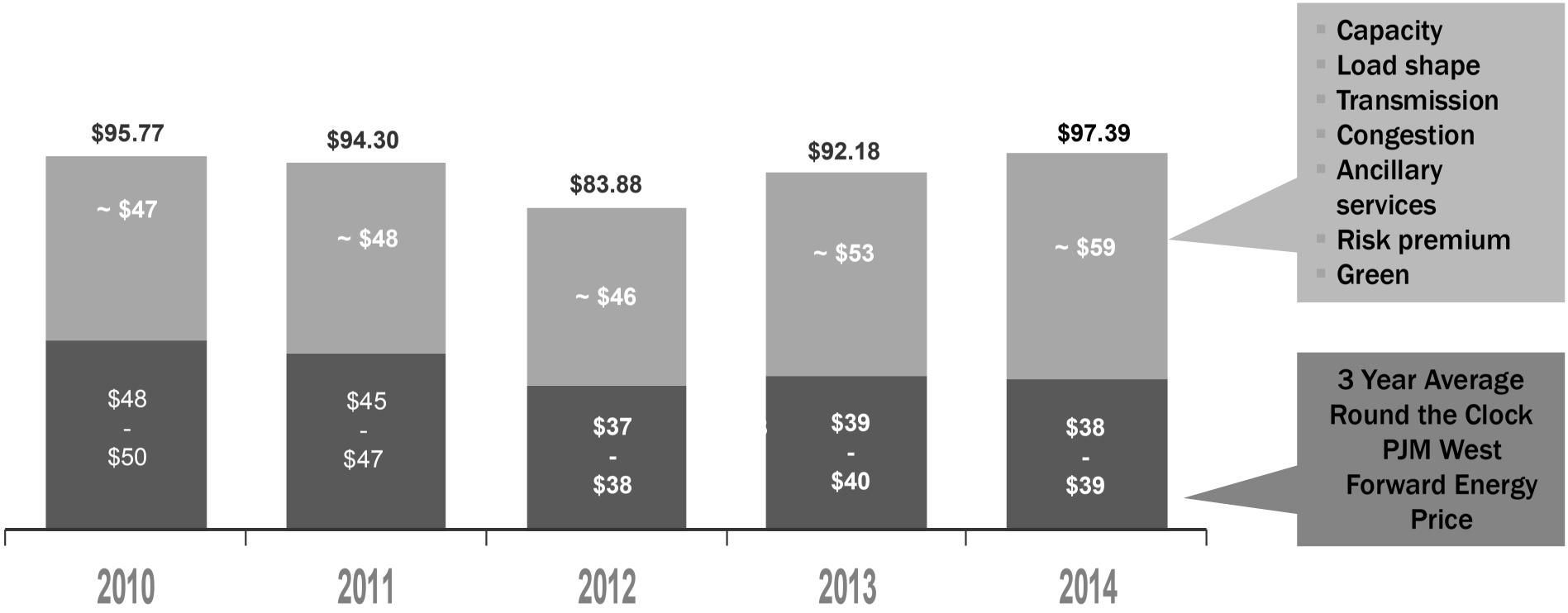
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-05195

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-05196

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-05197

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

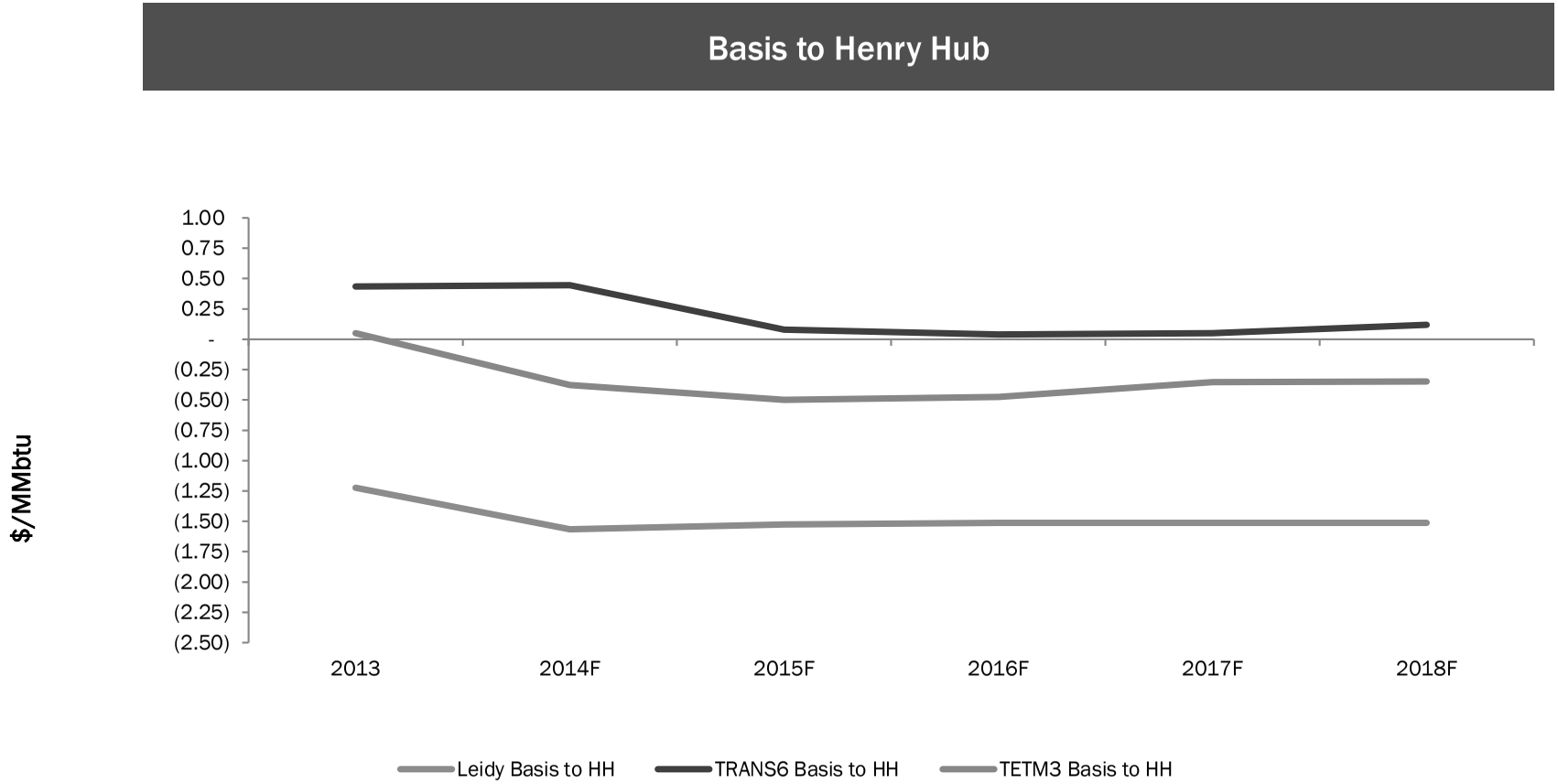
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-05198

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-05199

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-05200

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-05201

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-05202

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

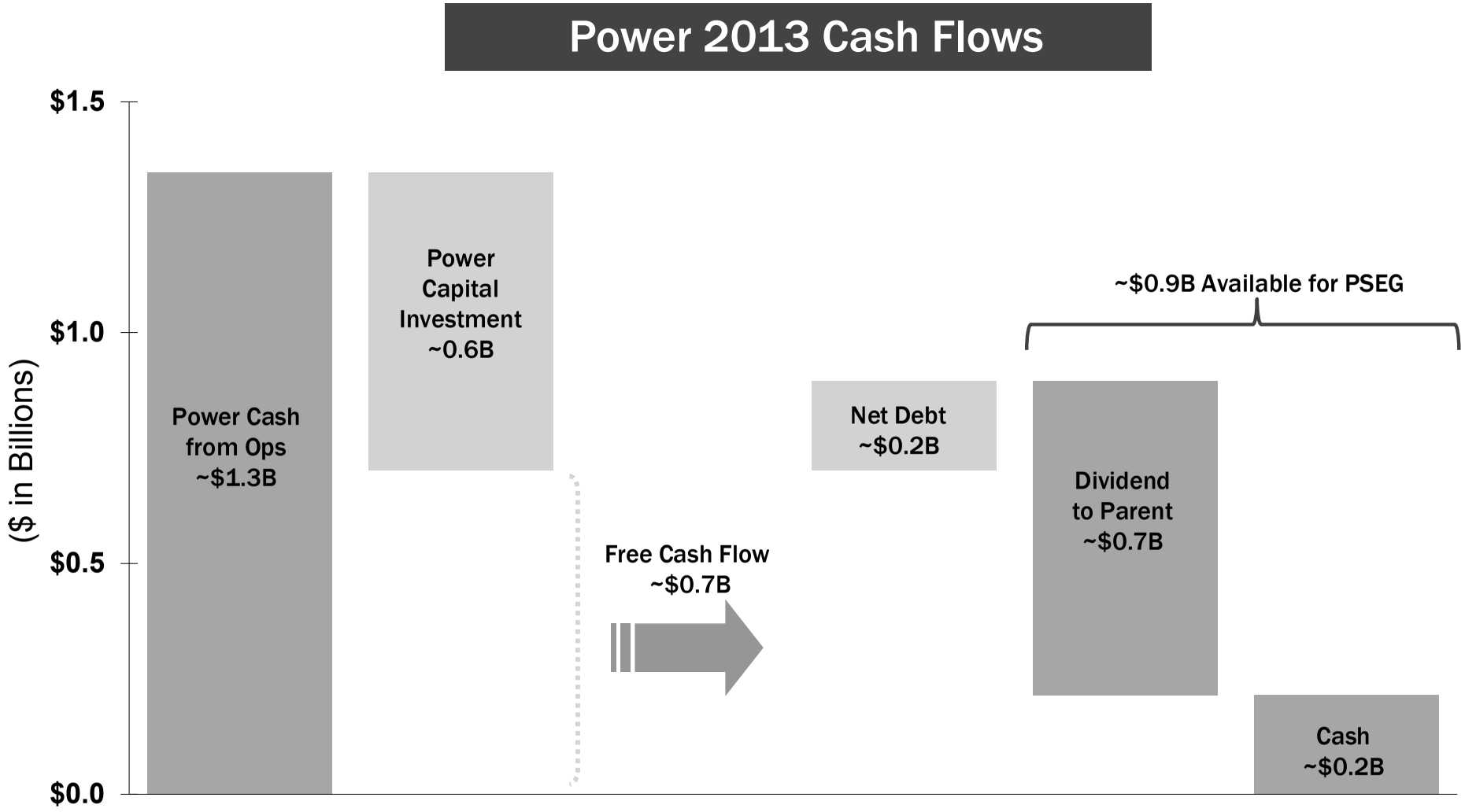
SI-SSA-0015-05203

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



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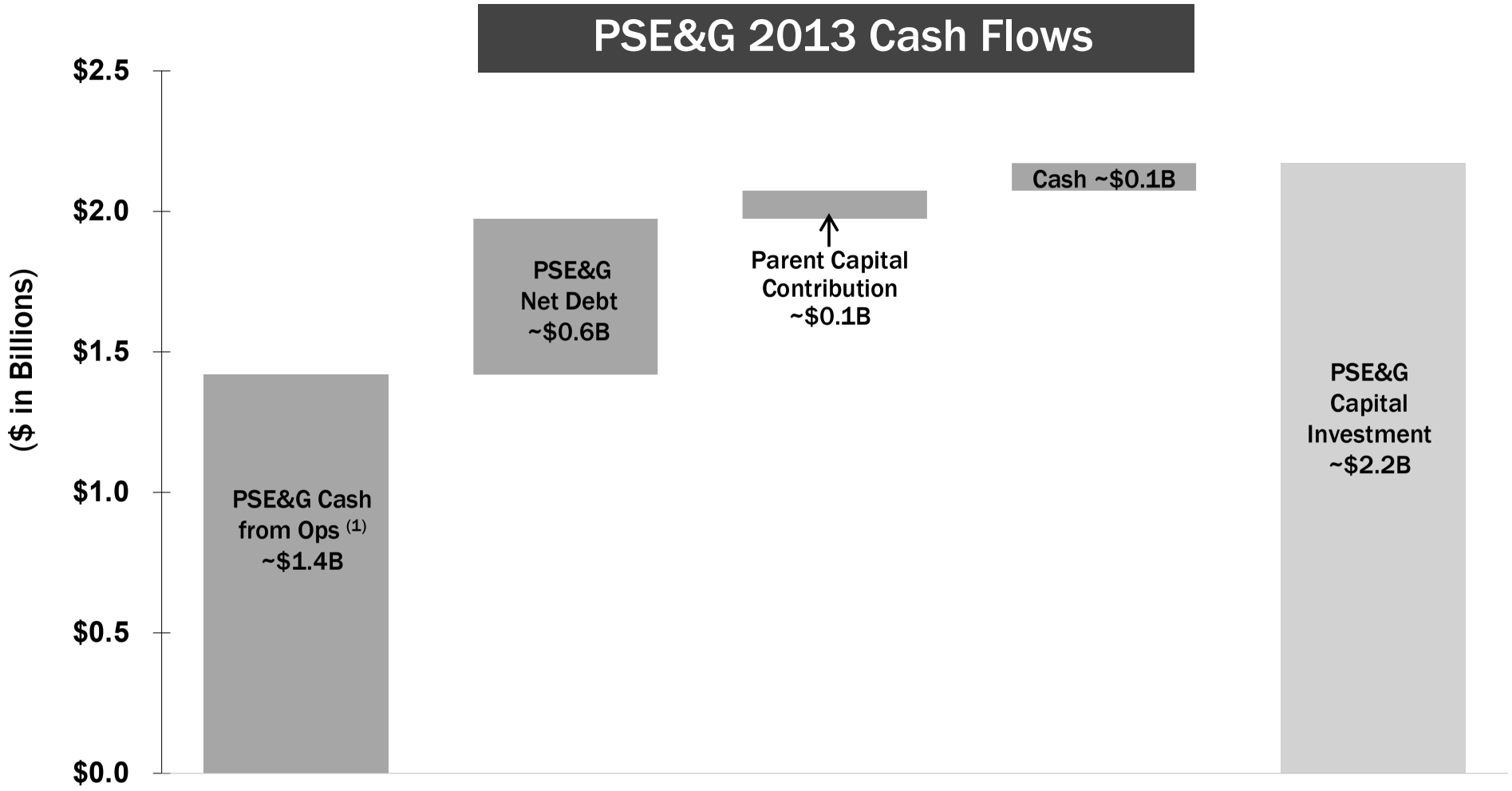
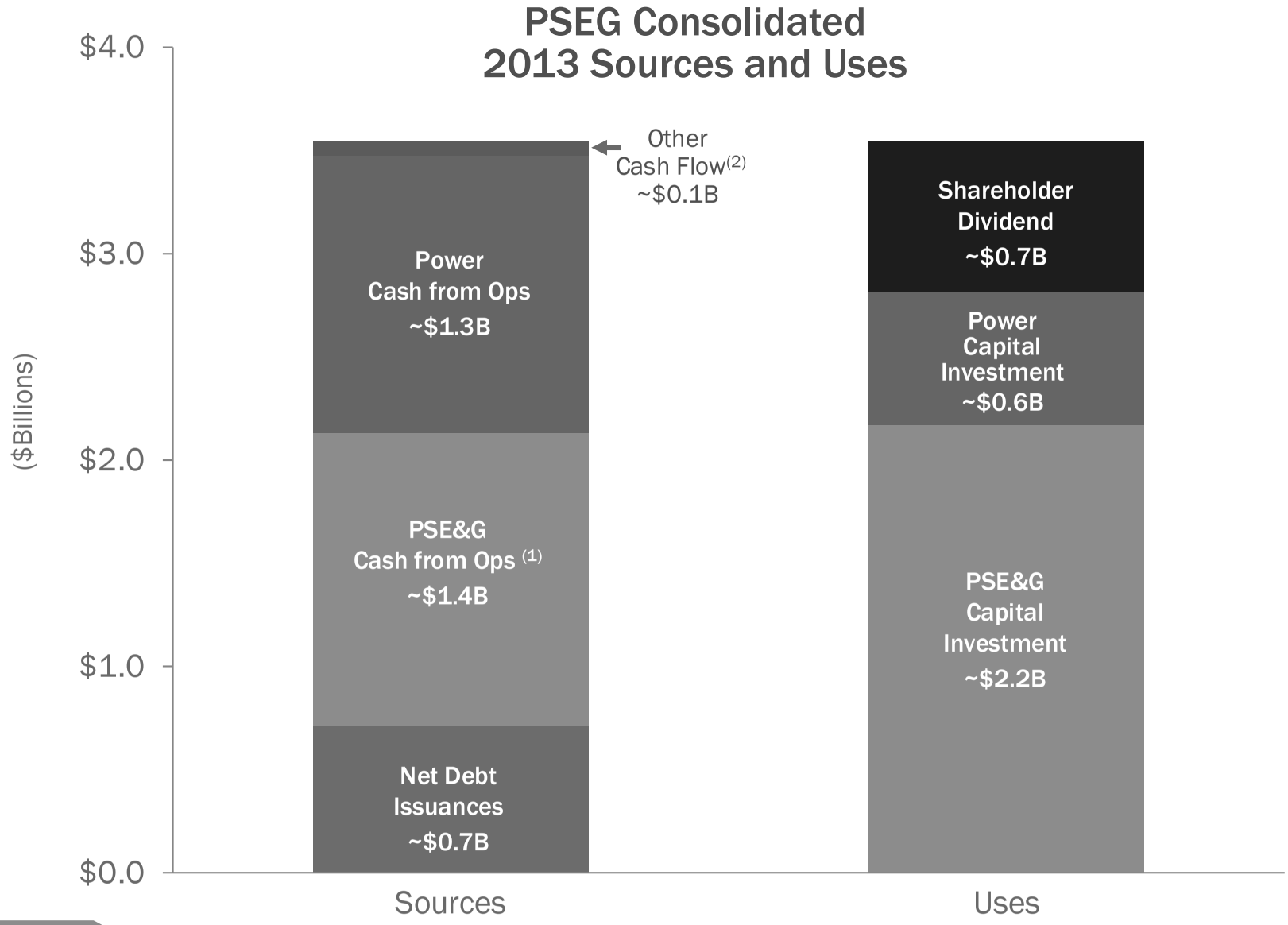
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-05205

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

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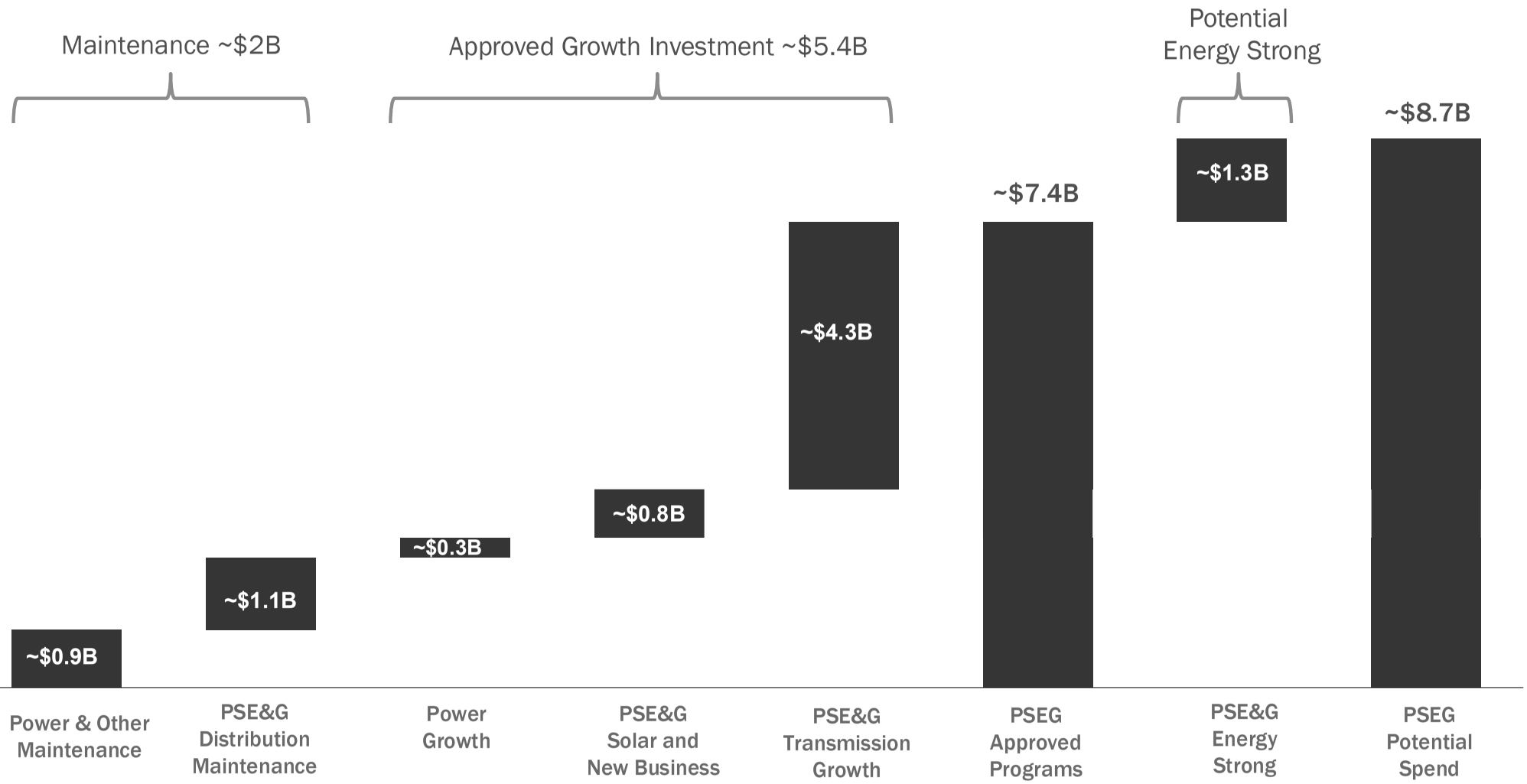
PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

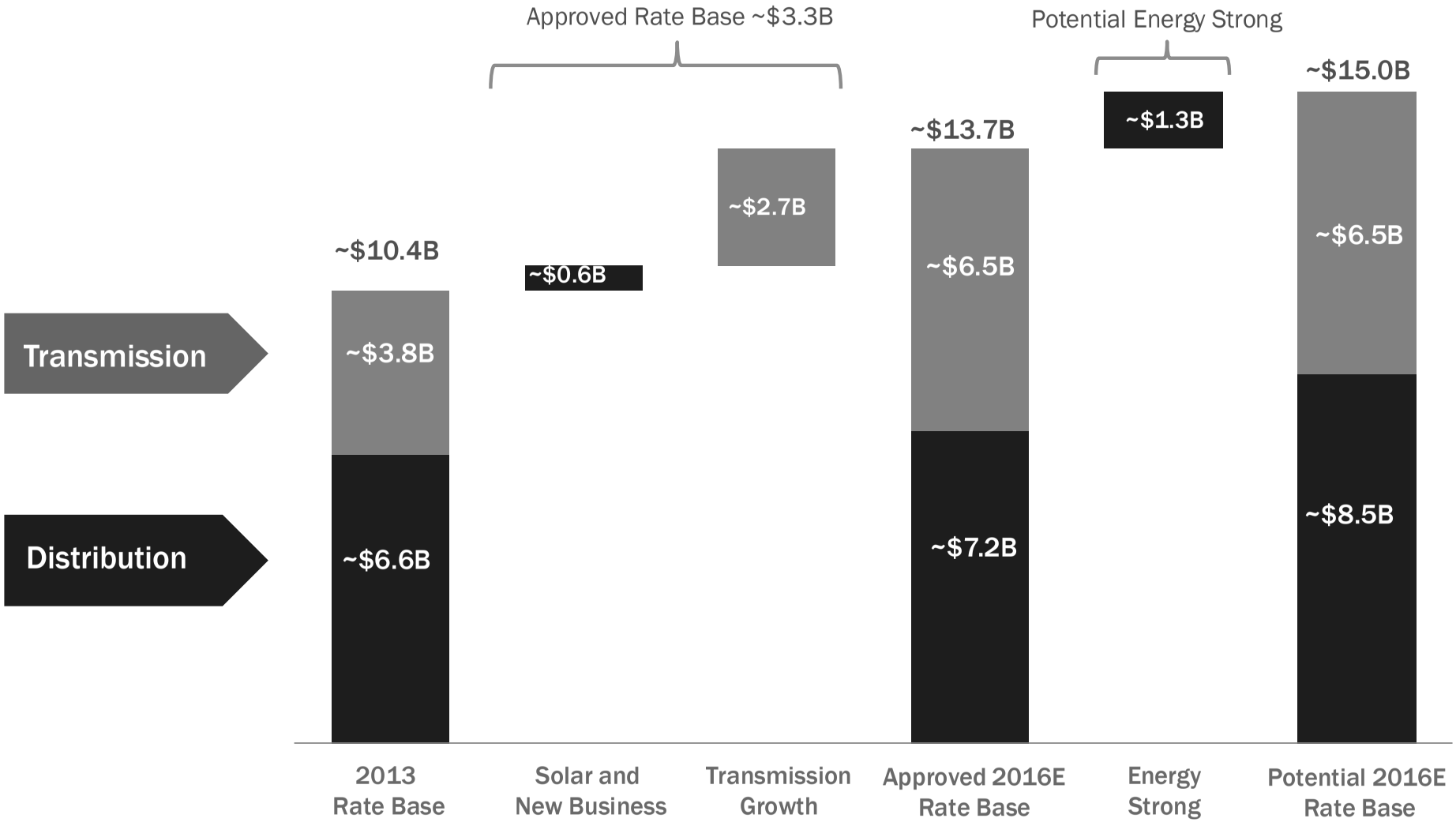


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-05207

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

2013 – 2016E Rate Base CAGR in approved Growth of ~10%



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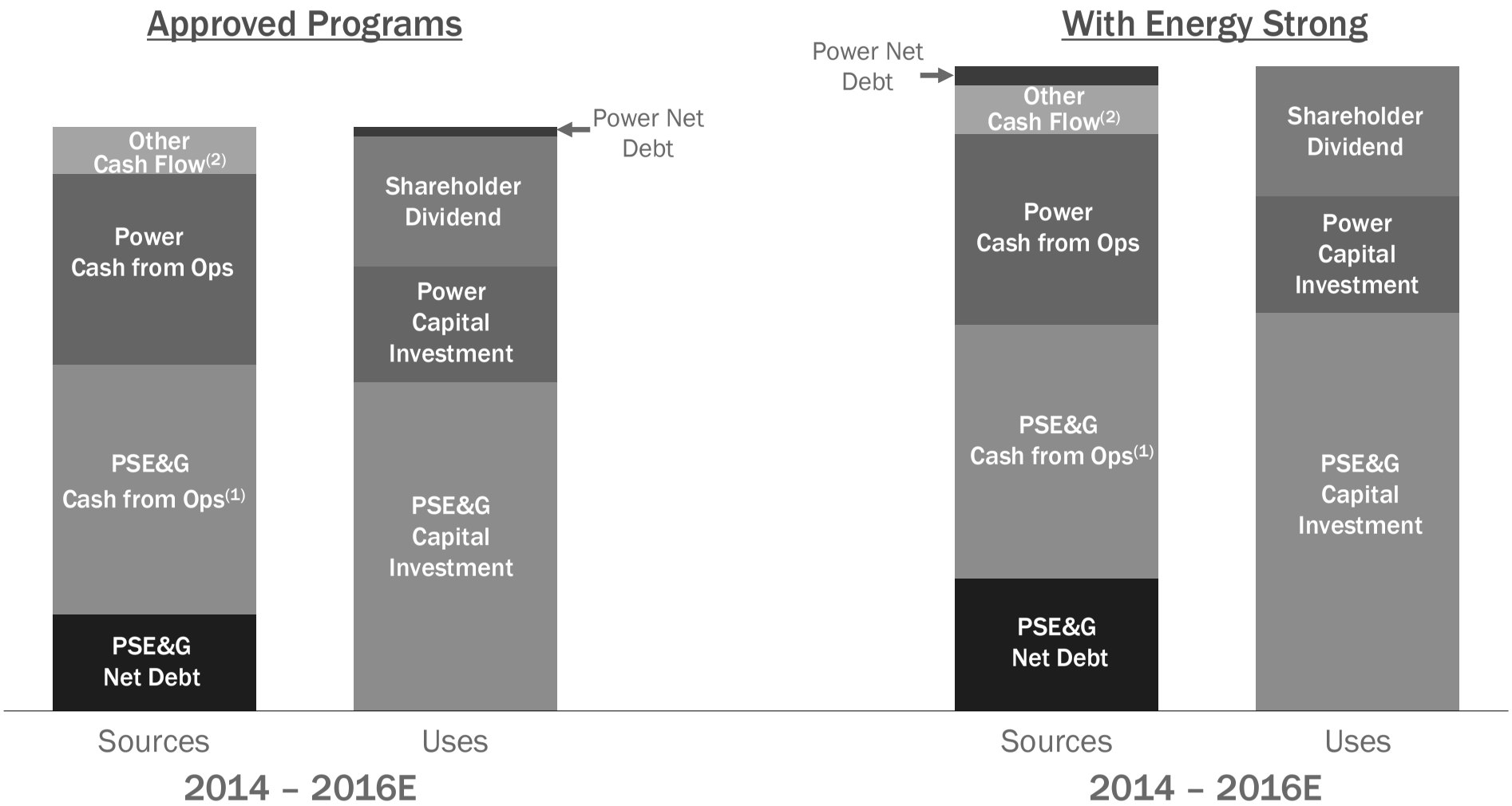
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

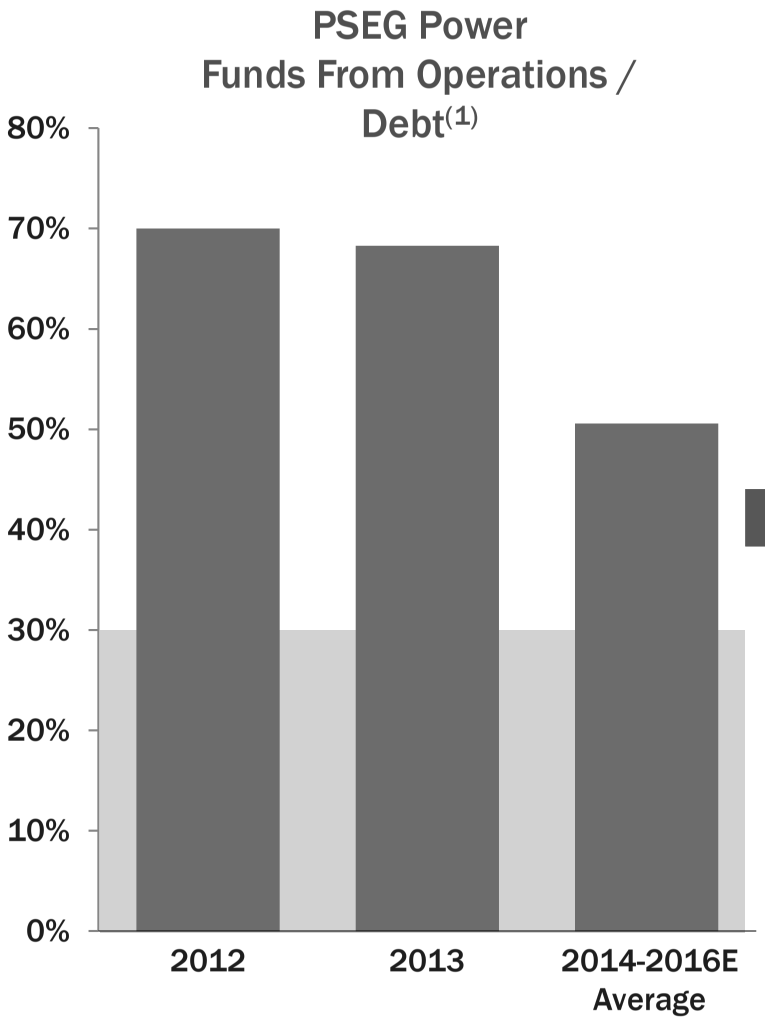
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-05209

Power's key credit metric supports incremental investment opportunities

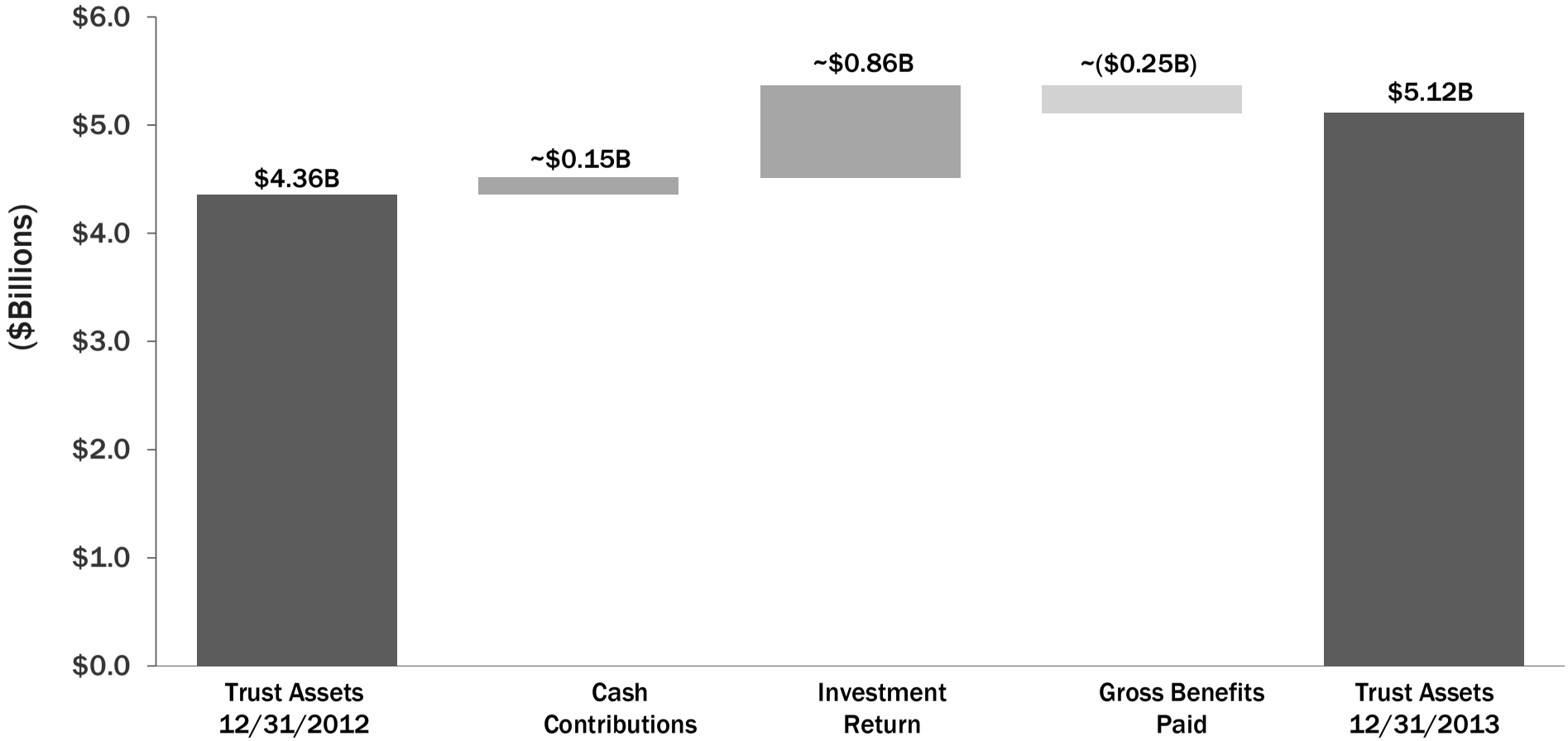


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-05210

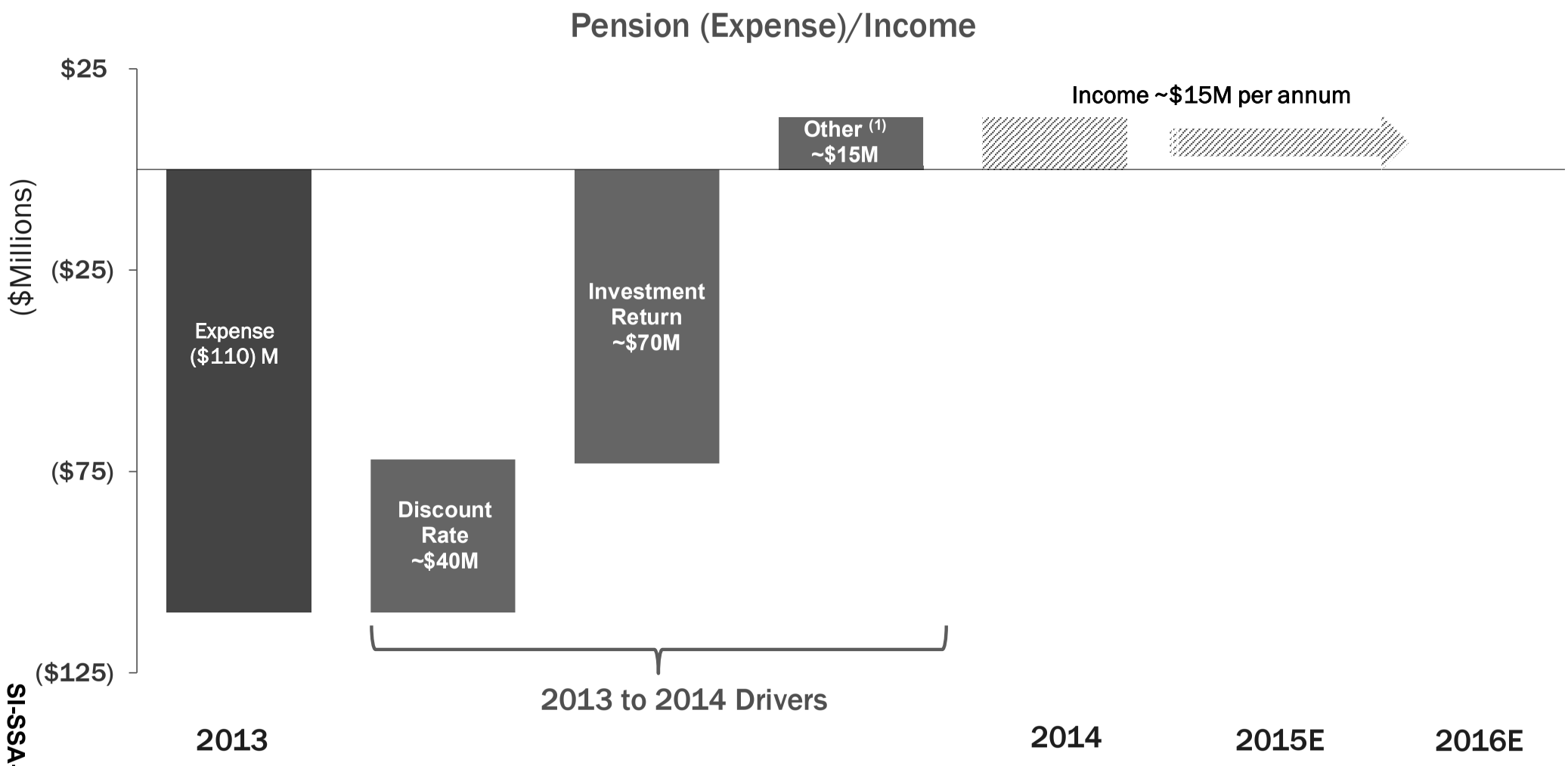
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-05211

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



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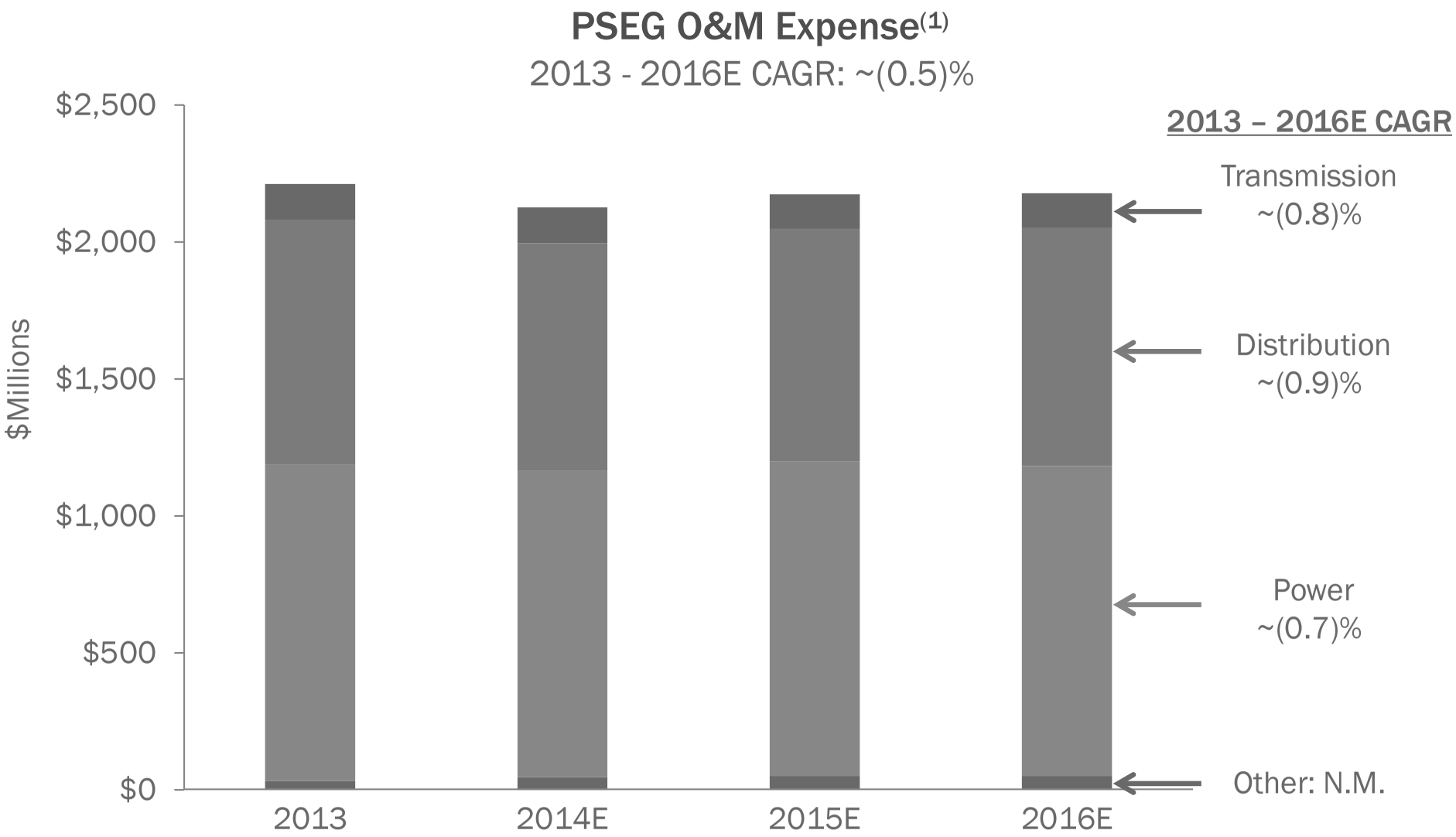
PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-05213

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

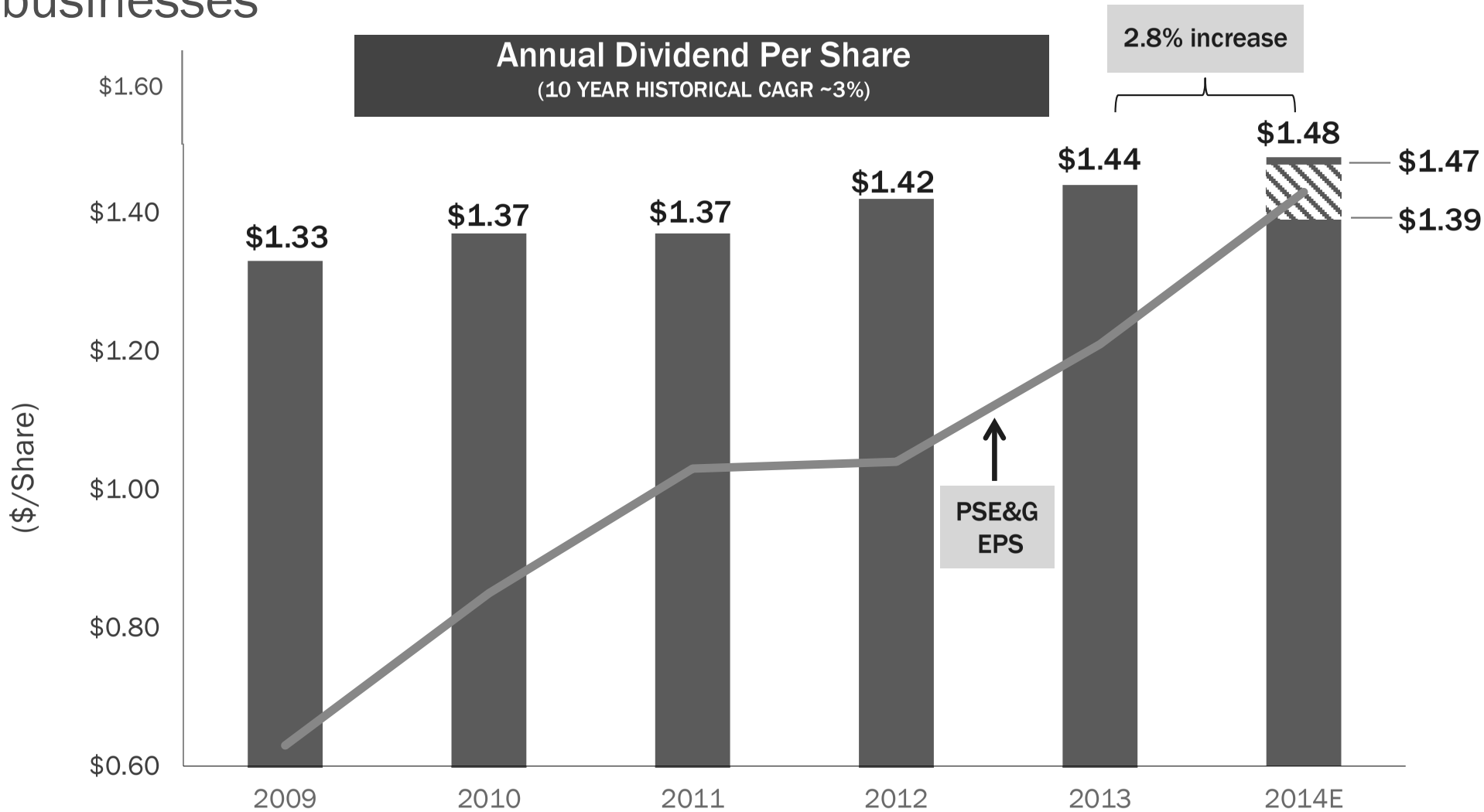
SI-SSA-0015-05214

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-05216

PSEG Summary

- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

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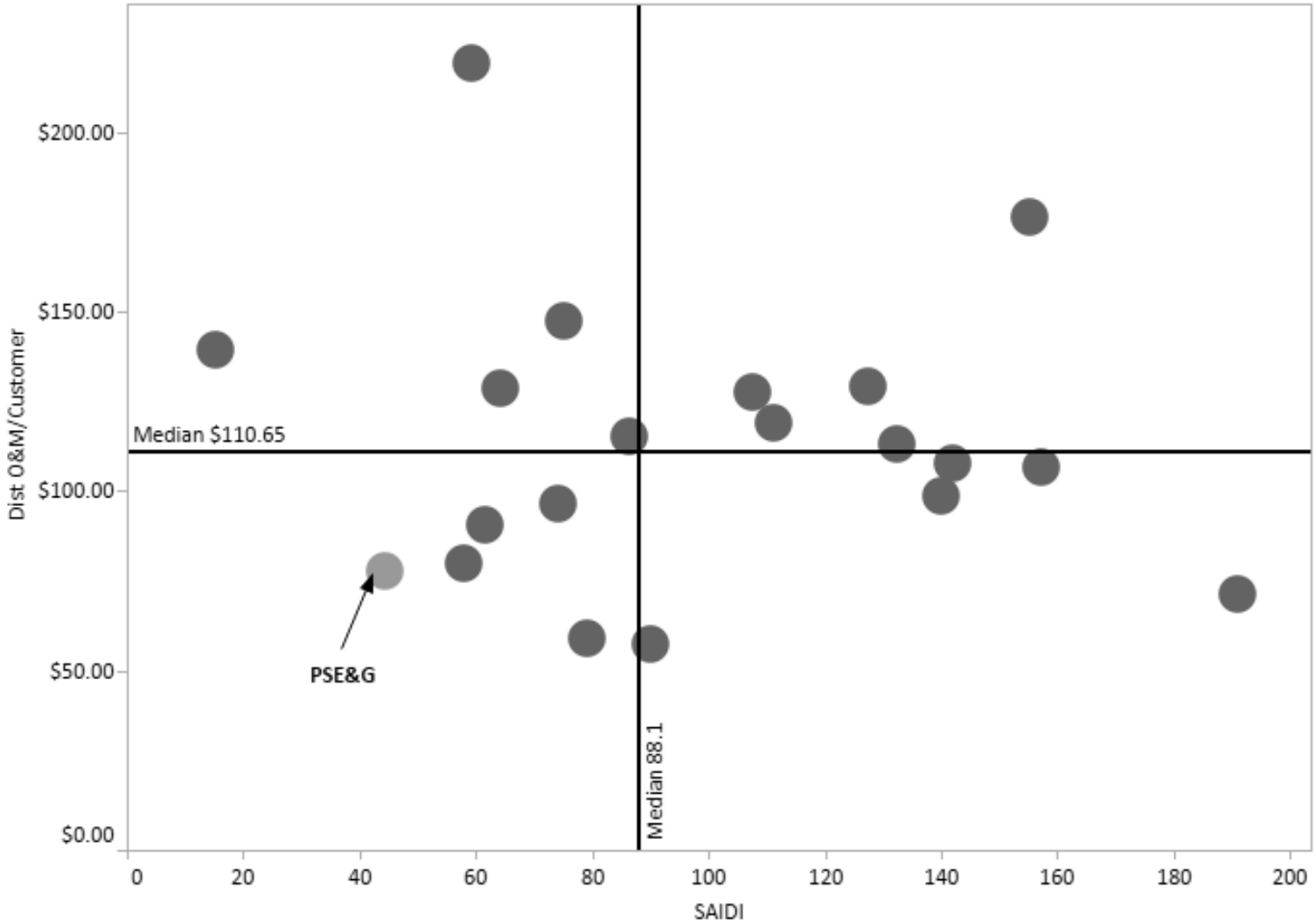
PSE&G APPENDIX

SI-SSA-0015-05218

PSE&G provides high reliability at below average cost which creates superior value to customers



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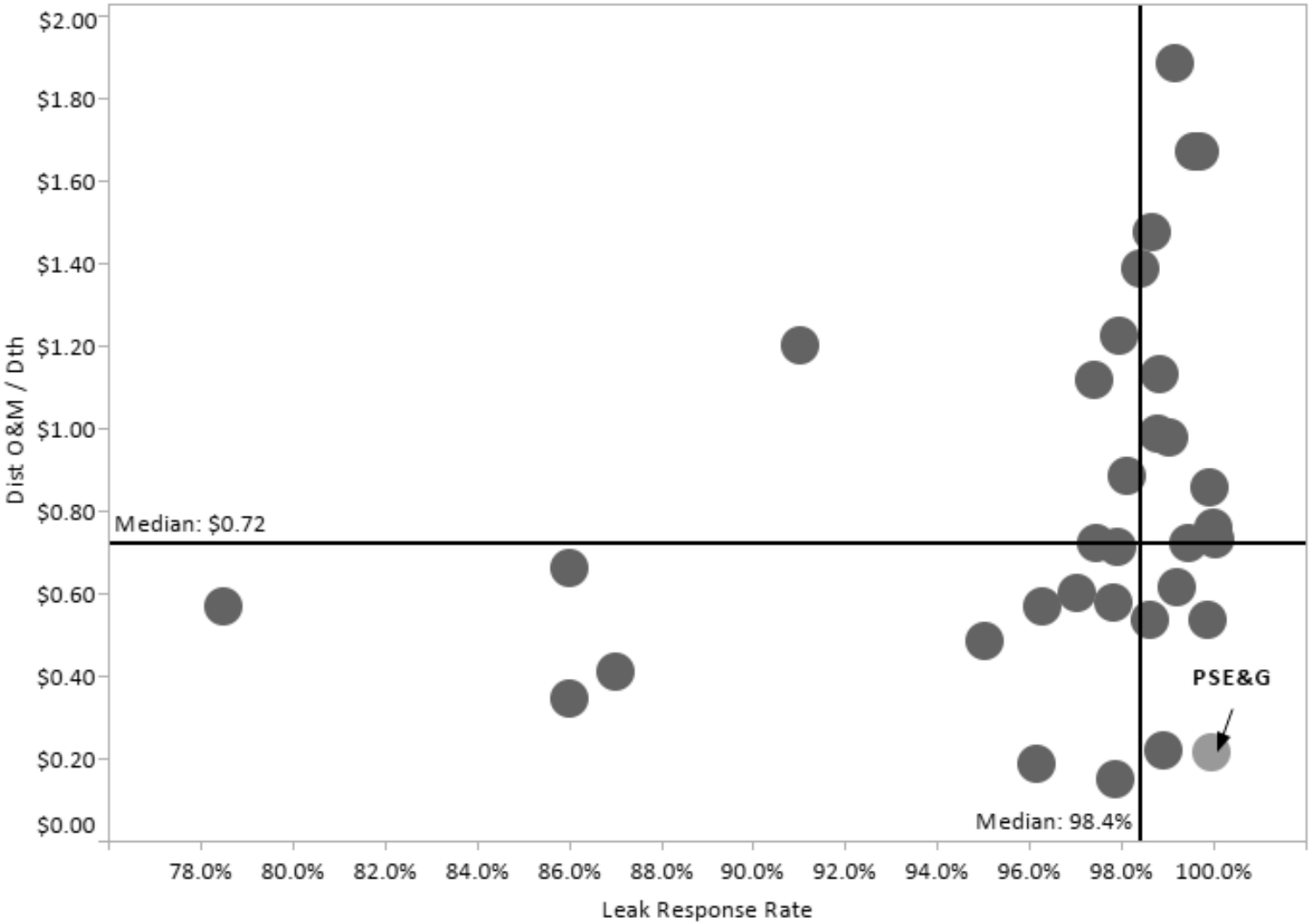
PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



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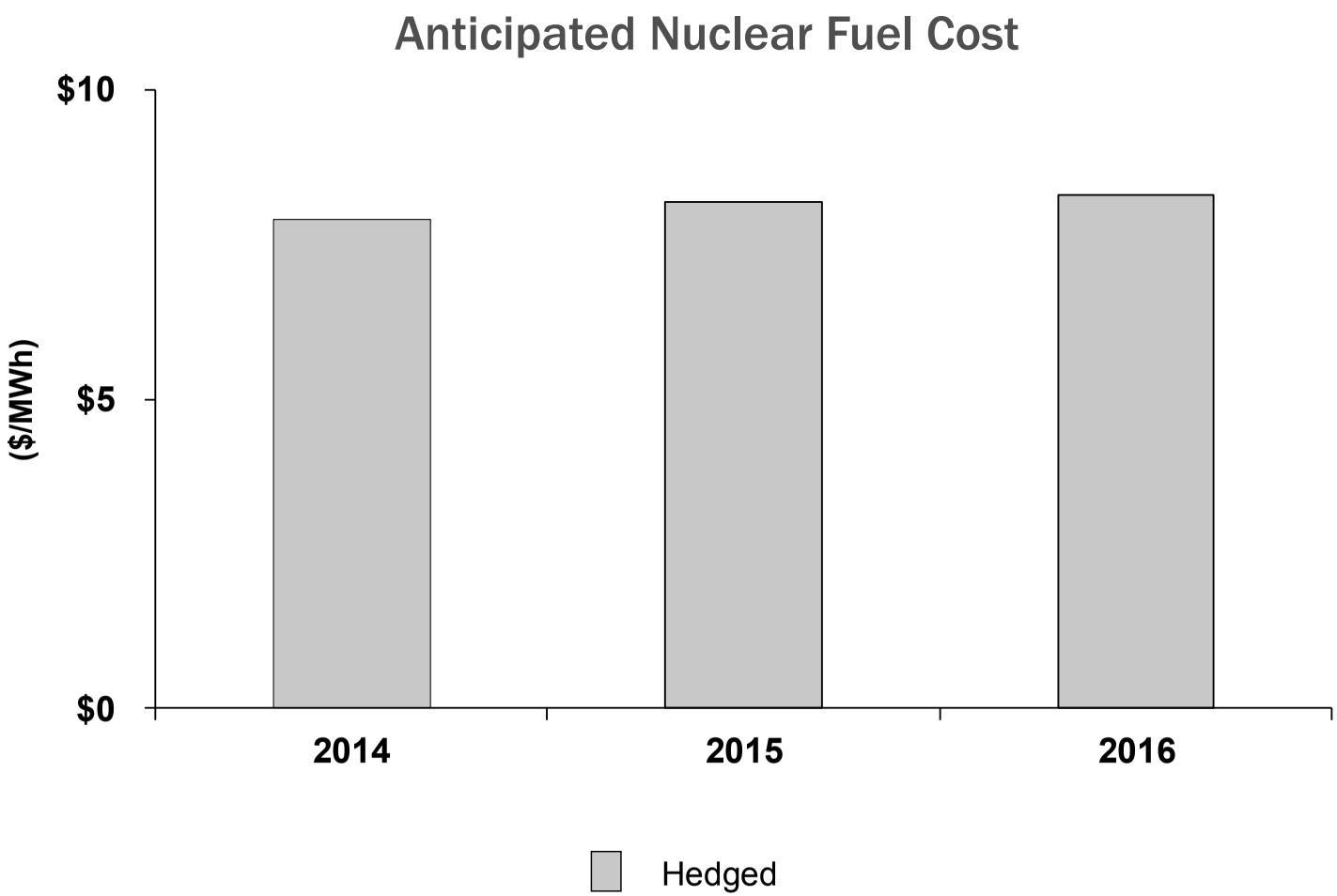
PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-05221

Nuclear fuel needs have been hedged through 2016



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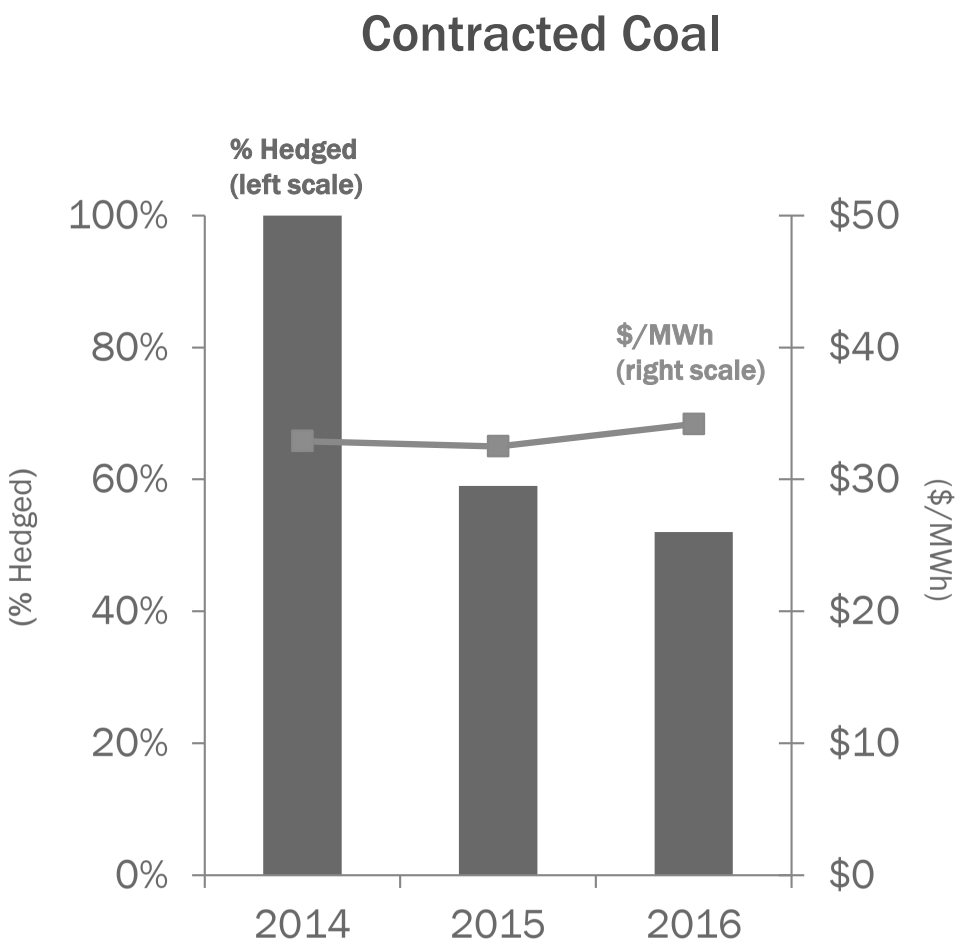
Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-05223

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-05224

PSEG FINANCIAL APPENDIX

SI-SSA-0015-05225

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-05226

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-05227

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-05228

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

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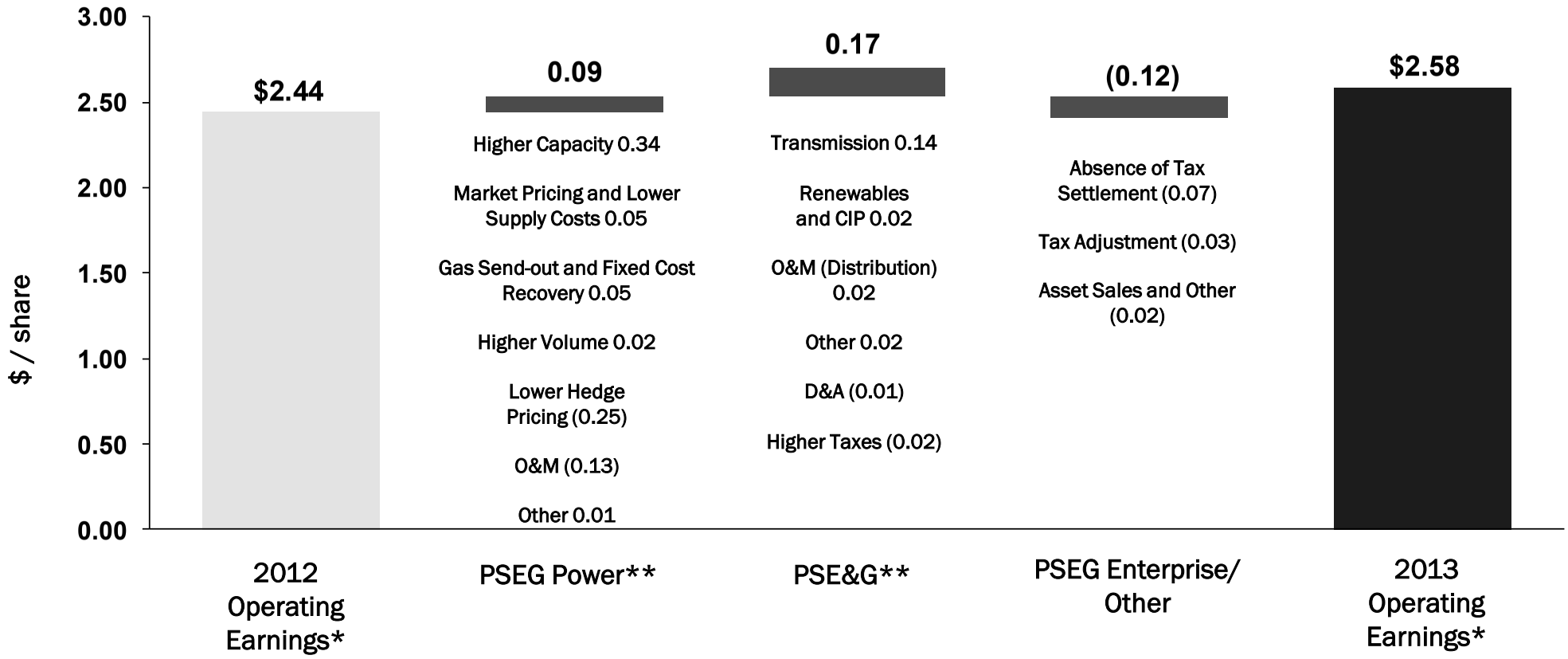
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-05231

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Presentation

BARCLAYS INVESTOR MEETINGS
EUROPE – MARCH 22-24, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05232

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-05234

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-05235

PSEG

We make things work for you.

PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

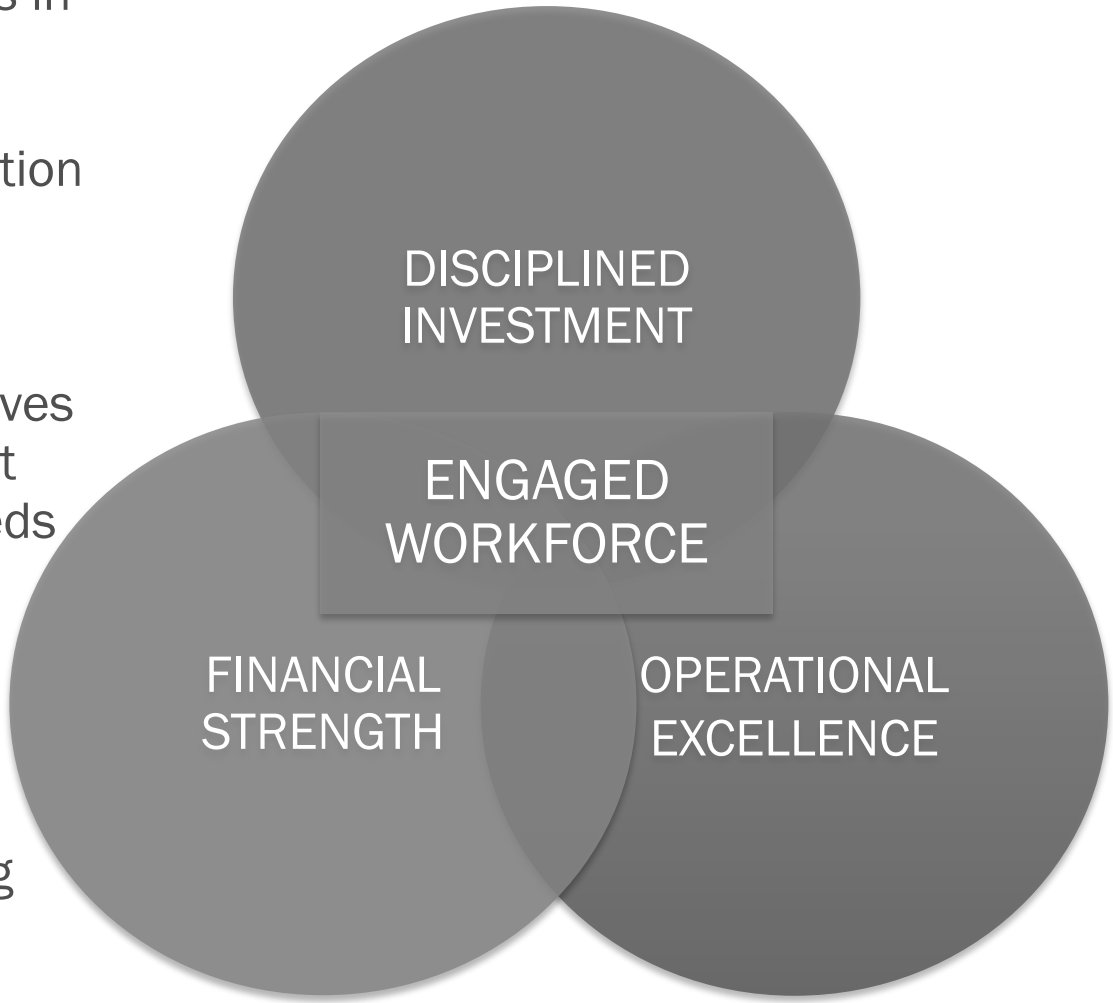
Financial Strength: Strong financial position supports investment program

Disciplined Investment:

- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:

- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 Assets $26B Net Income $889M	2016 Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-05237

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

Focus on building a reliable, efficient, clean energy infrastructure

2012	2013	2014	2015	2016

Selected Accomplishments

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity*

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 nuclear unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Program (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation

2016
- Solar 4 All Extension Approved
- Continued new generation build and transforming fleet to be more efficient, clean, and higher quality
- Solar Source grew to 396 MW_{DC} **

Cost Control

SI-SSA-0015-05238

PSEG

*KEARNY AND NEW HAVEN. ** AS OF FEBRUARY 2017; INCLUDES 70 MW_{DC} OF PV SOLAR GENERATION IN CONSTRUCTION.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

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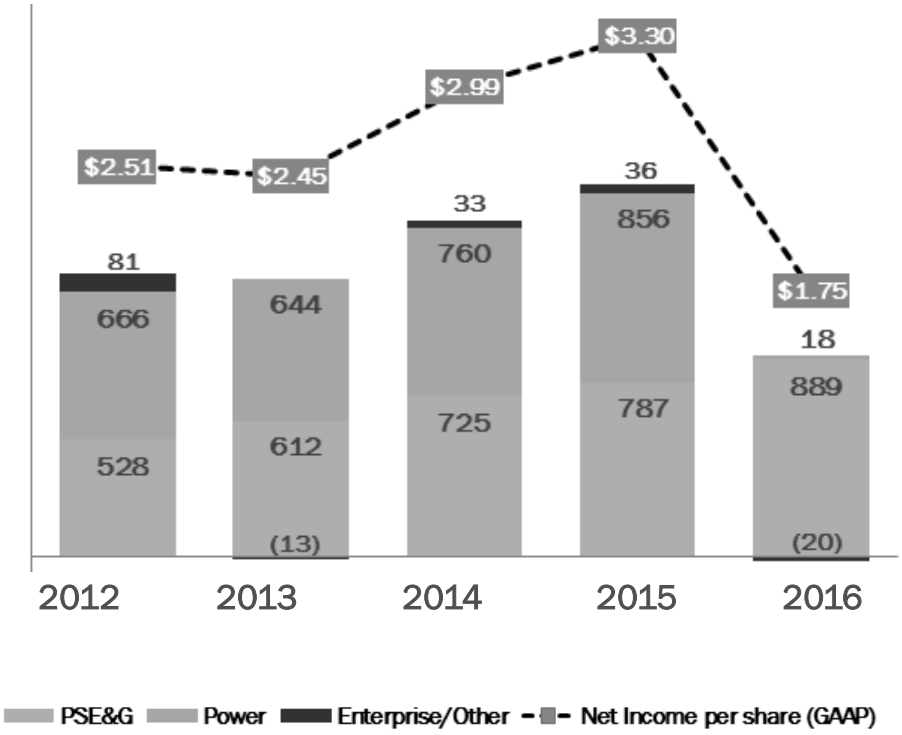
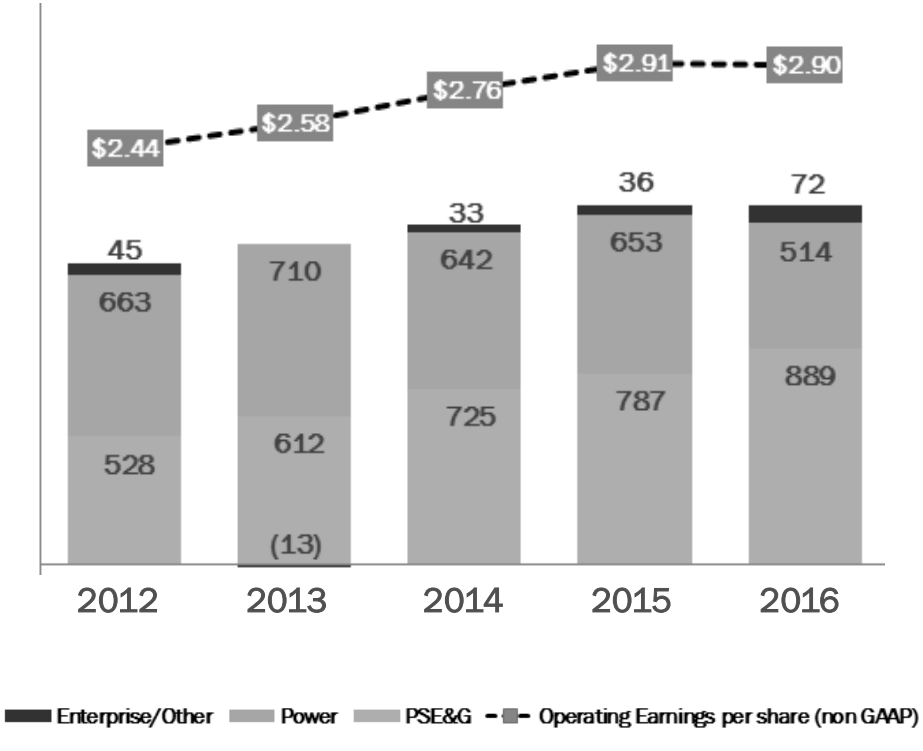
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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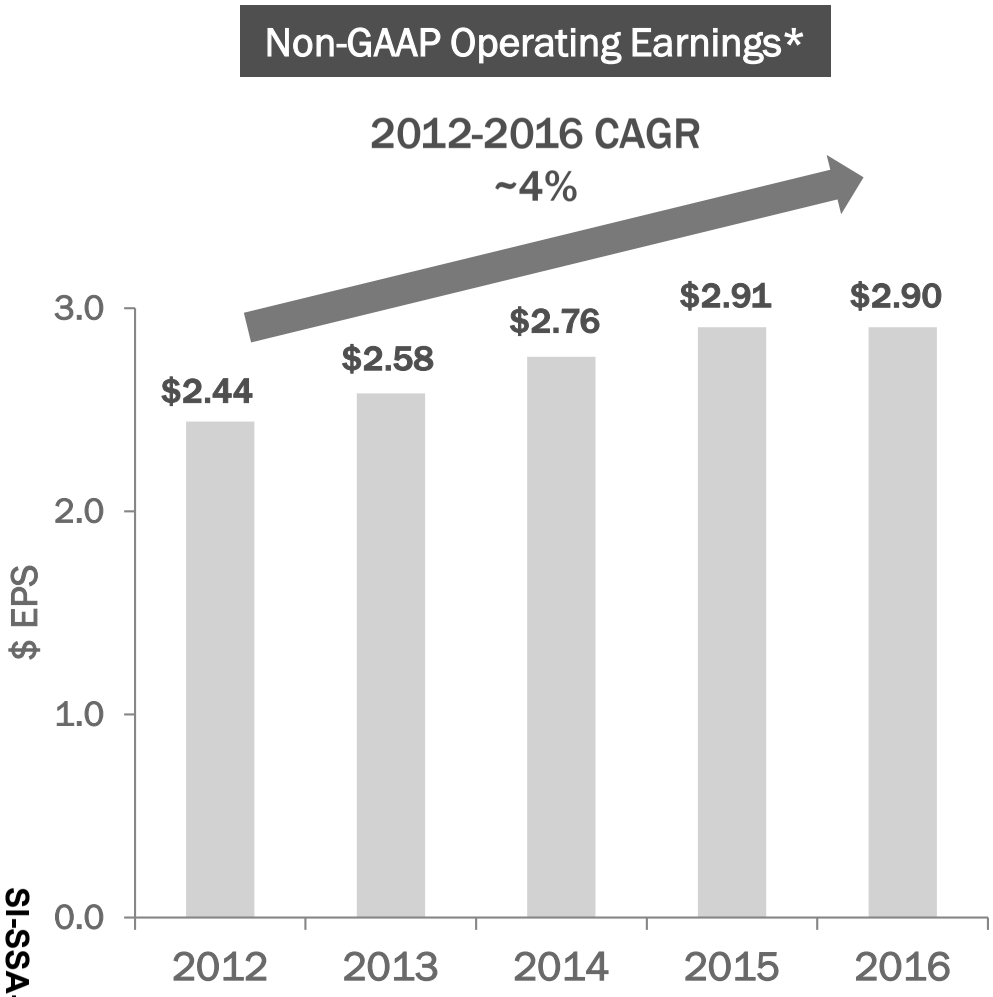
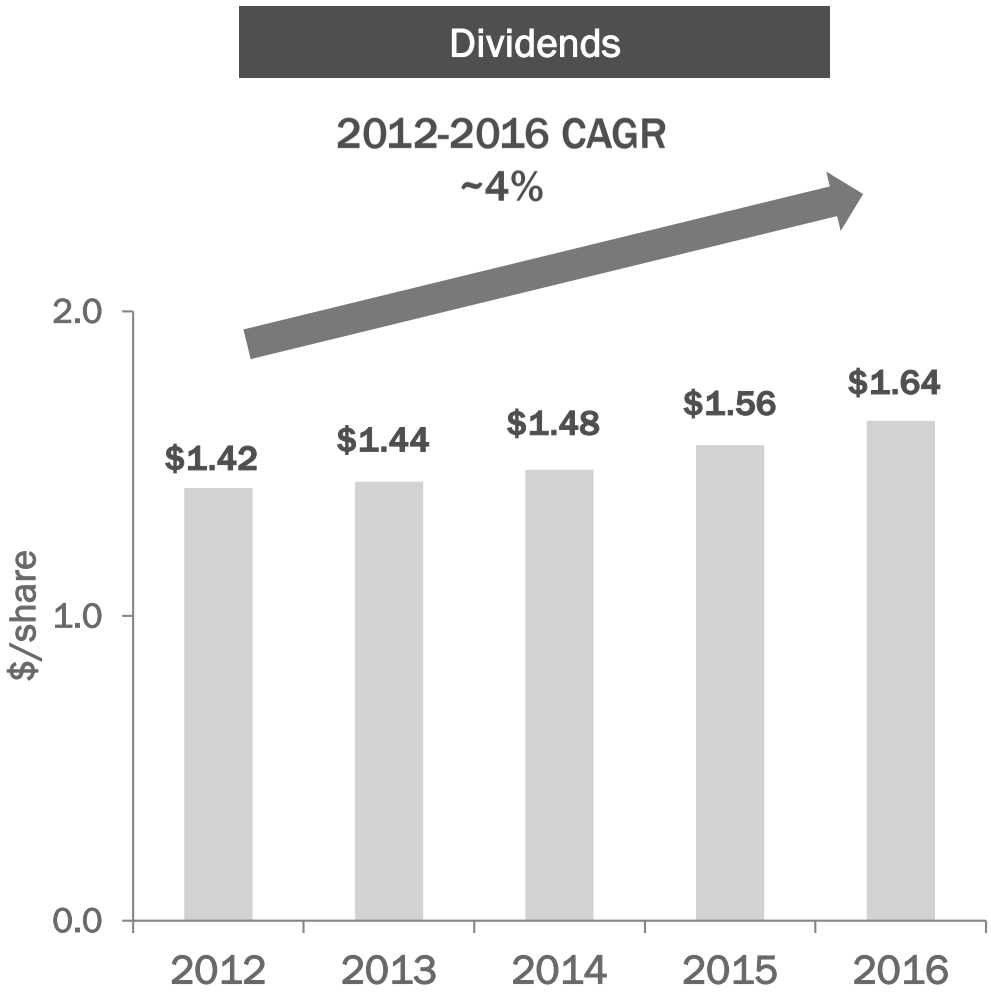
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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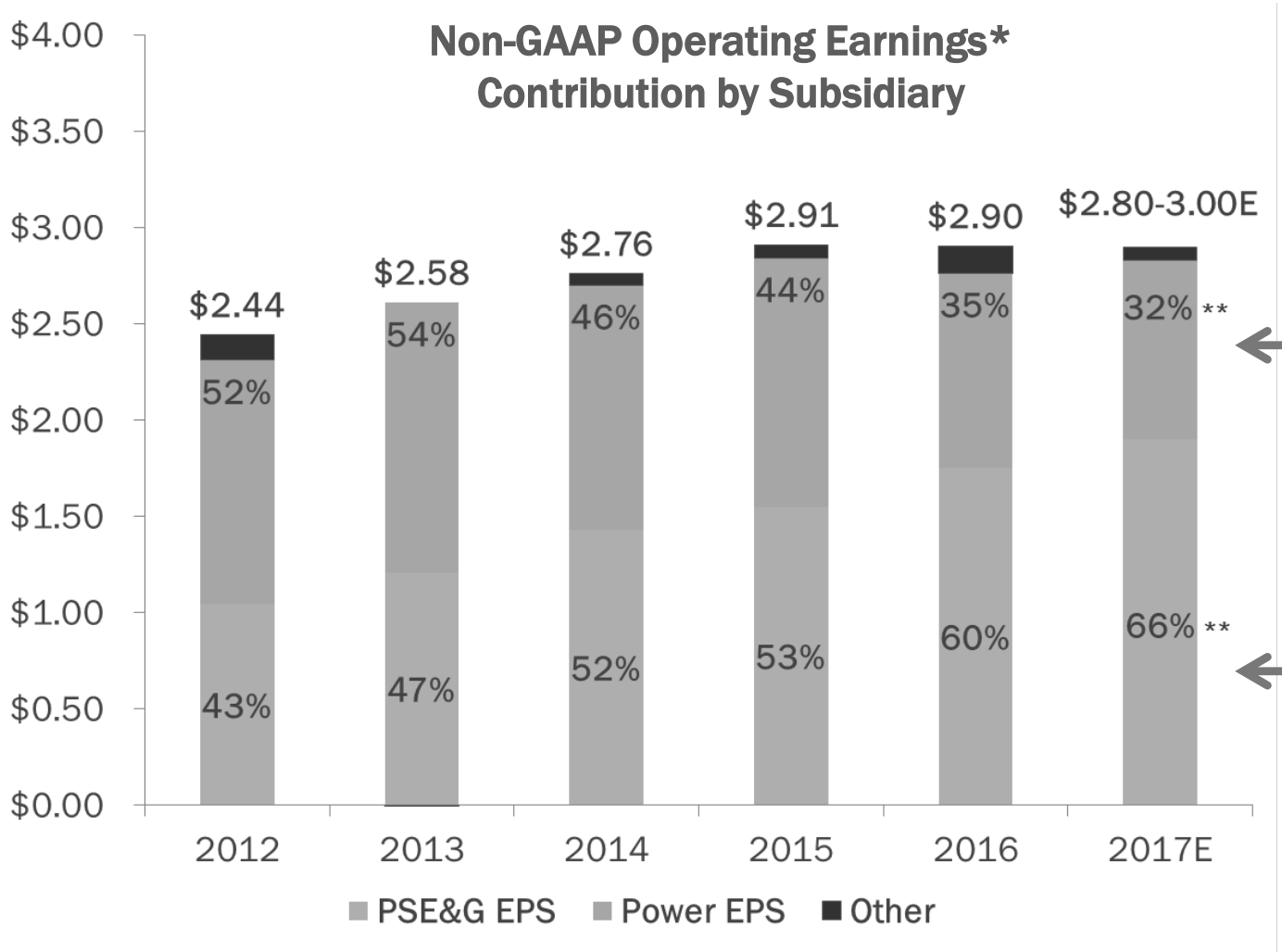
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Earnings profile with growth at PSE&G has been transformed



Power's locational and fuel cost advantage generate free cash flow in low price environment

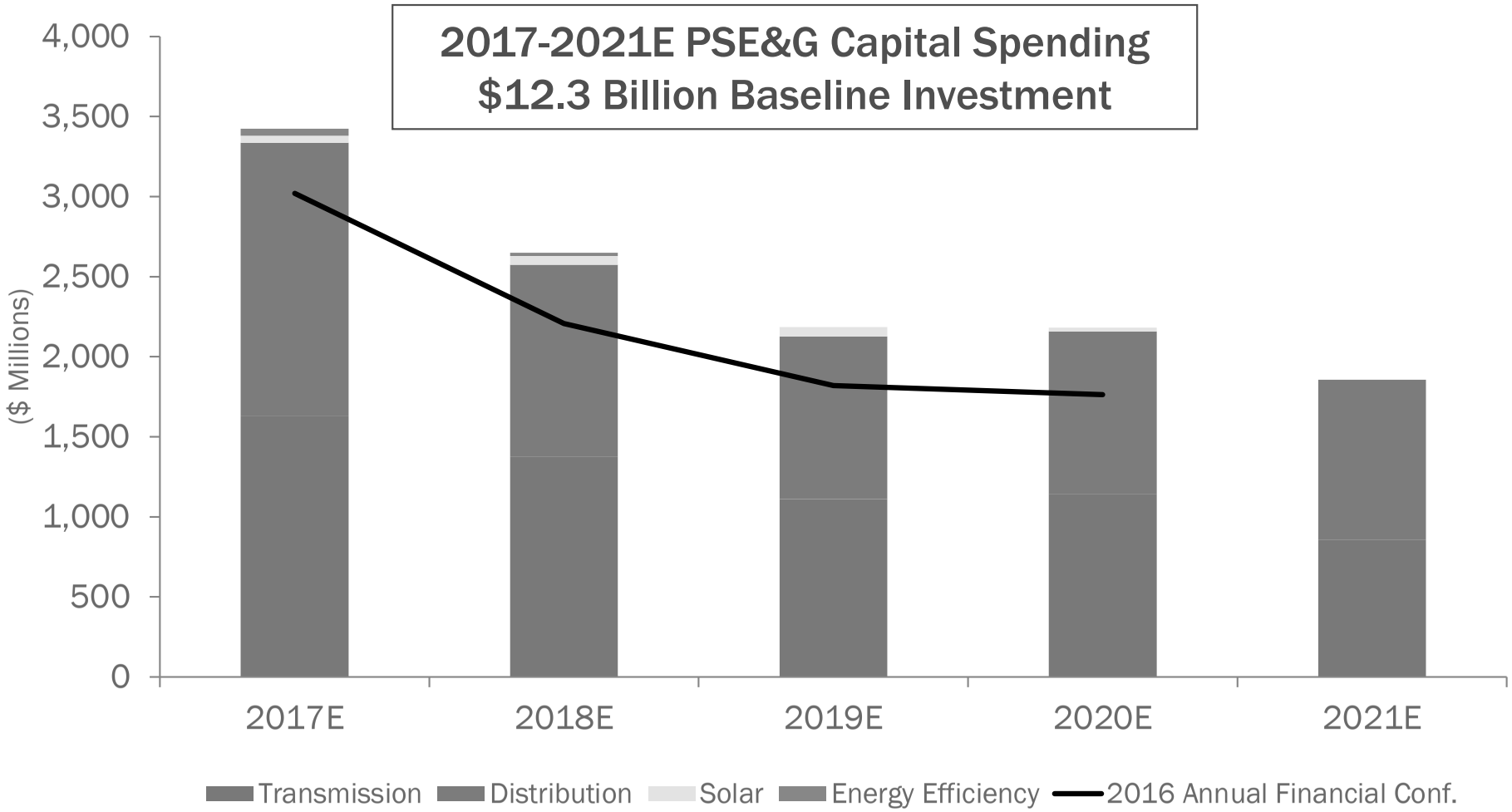
PSE&G's earnings contribution has increased with growth in capital program

SI-SSA-0015-05242

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSEG POWER AND ENTERPRISE/OTHER. E=ESTIMATE.
** 2017 PERCENTS USE MID-POINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80–$3.00 PER SHARE AS OF MARCH 7, 2017.

Baseline programs yield 7% compound annual growth in rate base



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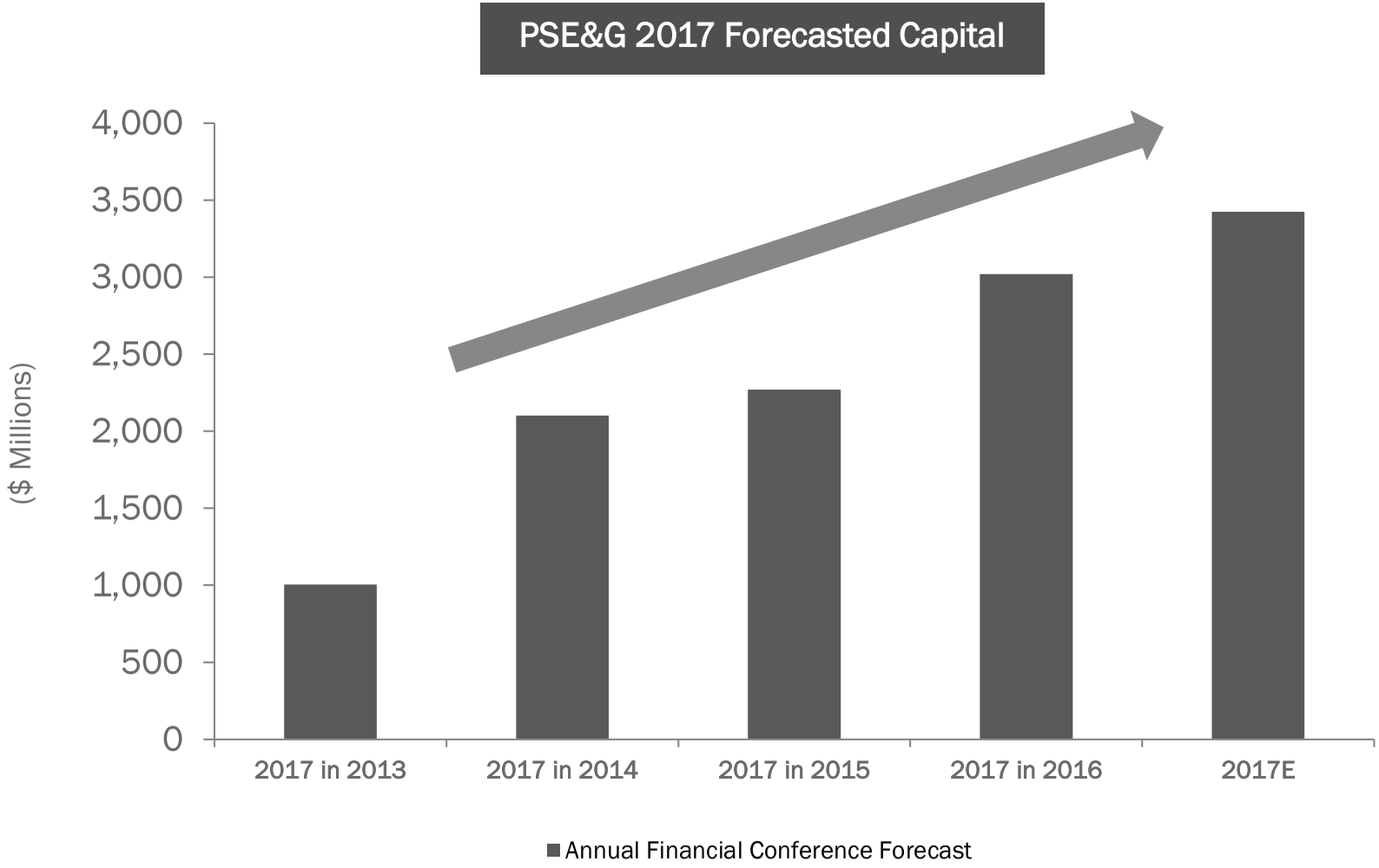
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

PSE&G has a track record of identifying opportunities for capital investment



E = ESTIMATE.

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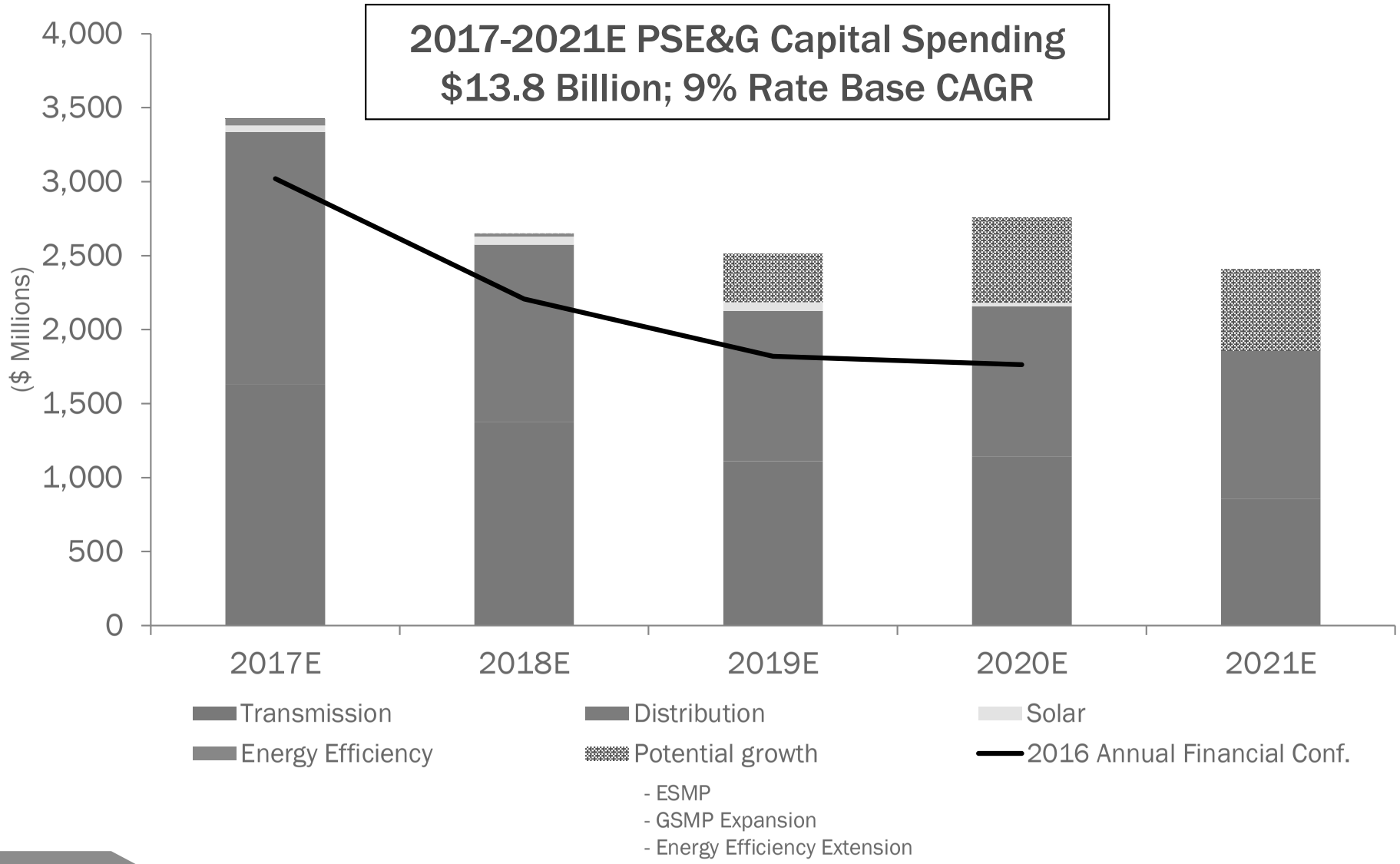
Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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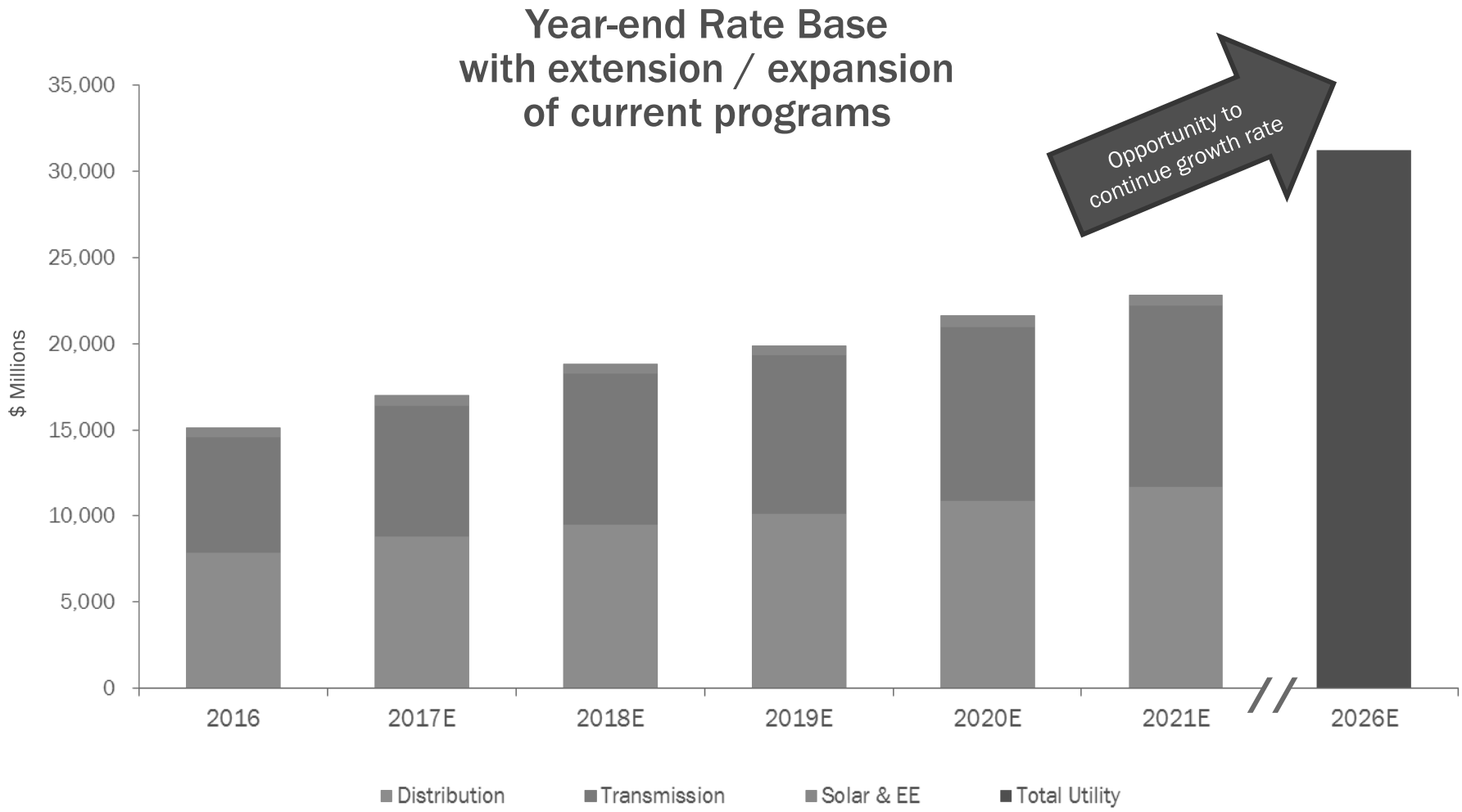
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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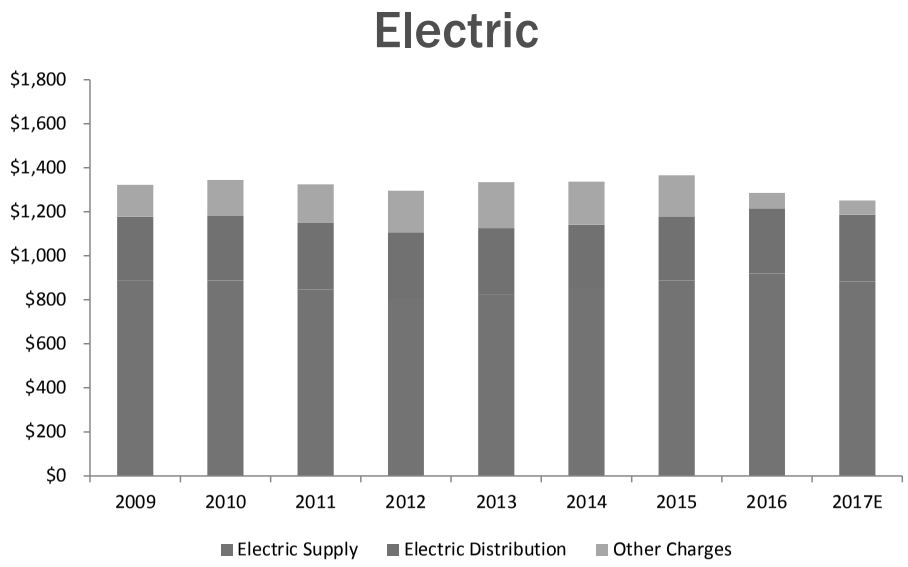
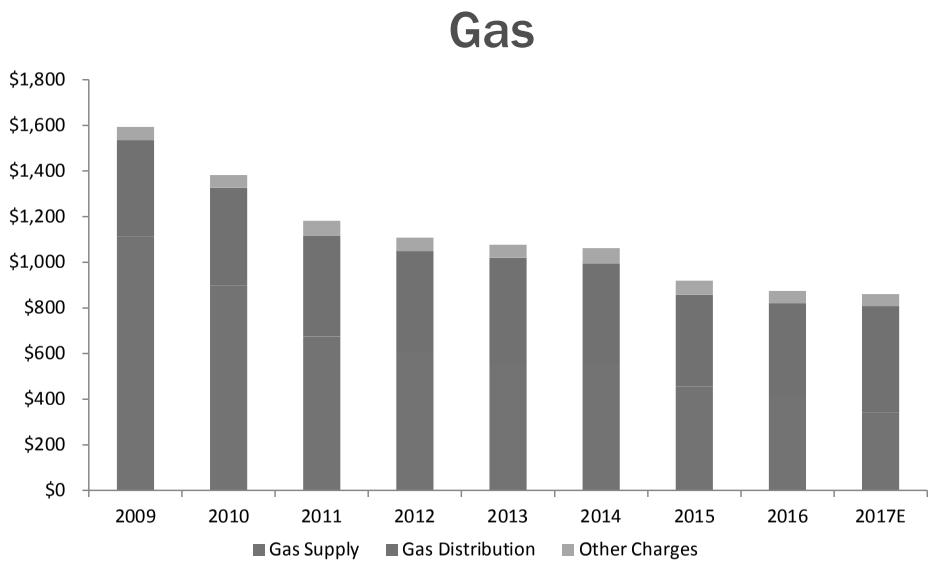
Executing on investment program and continuing to manage the total costs to customers

PSE&G Typical Residential Customer Bills 2009-2017E*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases
- Continued recent bill reductions include 2017 gas credits and recent BGS auction results
- Tax reform has the potential to reduce rates further

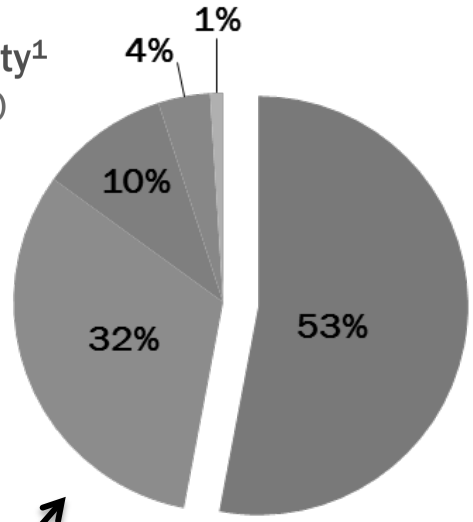
SI-SSA-0015-05247

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

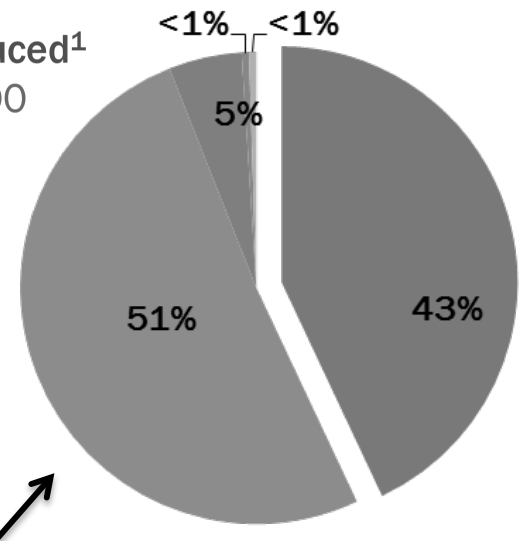
Power's fleet to be transformed with new investment and improvement in efficiency

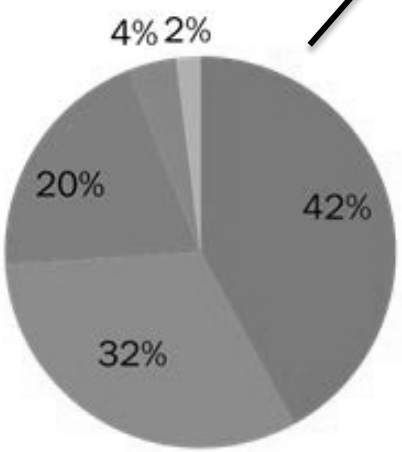
Projected Fleet Comparison 2016 to 2021E

2021E Fuel Diversity[1]
Total MW: 11,900



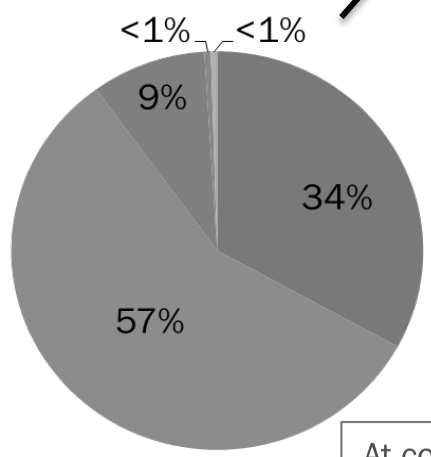
2021E Energy Produced[1]
Total GWh: 61,000





2016 Fuel Diversity
Total MW: 11,577

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage



2016 Energy Produced
Total GWh: 51,510

At conclusion of Power's construction program in 2018, capital to maintain the business declines to ~$200M per year

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017
ALL PERIODS EXCLUDE SOLAR (326 MW_{DC}/257MW_{AC}) CAPACITY AND KALAELOA (104MW) CAPACITY / ENERGY PRODUCED
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-05248

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
Legislation pending in CT
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

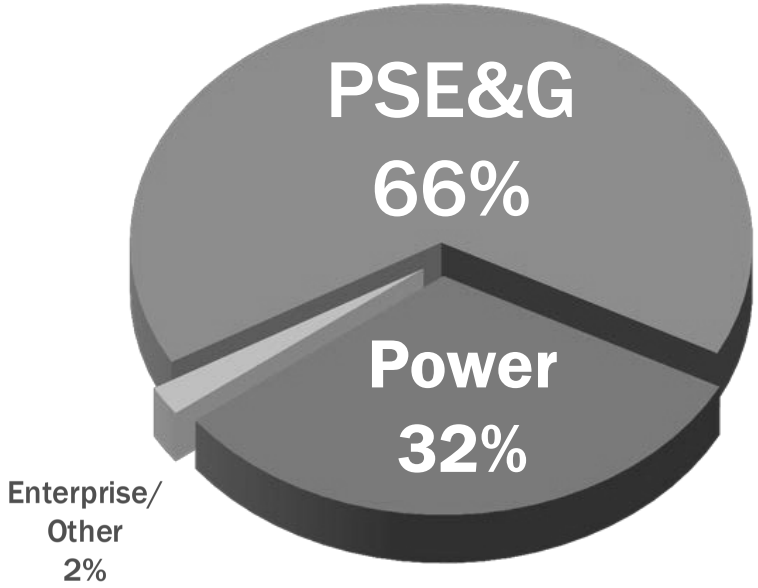
Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-05249

Investment programs provide opportunity for growth

2017E Non-GAAP Operating Earnings Guidance Contribution*



2017-2021E Total Capital**

~$13.8B

9% annual growth in rate base with expansion/extension of existing programs

~$2.6B

~18% GWh growth from efficient, low cost capacity

SI-SSA-0015-05250

*BASED ON THE MIDPOINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $2.80 TO $3.00 PER SHARE.
**INCLUDES ALL PLANNED AND POTENTIAL SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

SI-SSA-0015-05251

Our commitment to customers, community, employees, the environment, innovation and operational excellence is widely recognized

Industry

POWER
Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 15th consecutive year (2016)

ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Star of Energy Efficiency Award (2015)

energy
ENERGY STAR PARTNER

Partner of the Year Award - PSEGLI (2015)

UTILITY CUSTOMER CHAMPION
2016
RESIDENTIAL
COGENT REPORTS™

Utility Customer Champion for Second Year (2016)

ELECTRIC LIGHT & POWER

Utility of the Year (2015)

Employer

MILITARY FRIENDLY EMPLOYERS
MF'16

Top 100 military-friendly employers, ranked # 19 (2016)

CIANJ

Commerce & Industry Association of NJ award recognizing commitment to veterans, PSEG Foundation's STEM program, and other volunteer programs (2016)

2015 READERS' CHOICE
EQUAL OPPORTUNITY MAGAZINE
A TOP 50 EMPLOYER

Equal opportunity employers, ranked # 40 (2015)

Forbes | 2015
AMERICA'S BEST EMPLOYERS
POWERED BY STATISTA

America's Best Employers List (2015)

Business

PUBLIC UTILITIES FORTNIGHTLY
"In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 9th consecutive year (2016)

FORTUNE
WORLD'S MOST ADMIRED COMPANIES 2013

Ranked 8th among electric and gas companies in the United States (2017)

Forbes
AMERICA'S MOST JUST COMPANIES
JUST 2016

America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-05252

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-05253

PSEG REGULATORY & POLICY REVIEW

Tamara Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

SI-SSA-0015-05254

PSEG

We make things work for you.

Regulatory & Policy Review - Agenda

- PSE&G Investment Program Recap
- PSE&G 2017 Base Rate Case Filing
- Regulatory Reform in NJ
- Preserving Nuclear Generation
- Federal Regulatory Framework
- Summary

SI-SSA-0015-05255

PSE&G has received approval for 15 multi-year investment programs that advance state energy goals

2008/ 2009	2011	2013	2014	2015	2016

Selected Accomplishments

- Capital Infrastructure I
- Energy Efficiency
- Solar Loan I
- Carbon Abatement
- Solar Loan II
- Solar 4 All
- Demand Response

- Energy Efficiency Extension
- Capital Infrastructure II

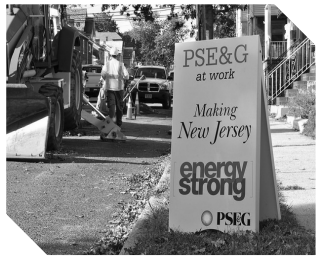
- Solar Loan III
- Solar 4 All Extension

- Energy Strong

- Energy Efficiency Extension II
- Gas System Modernization

- Solar 4 All Extension II

Infrastructure investment programs with near contemporaneous recovery mechanisms



SI-SSA-0015-05256

PSE&G plans to file Distribution Base Rate Case proceeding no later than November 1, 2017

Support

- Requirement of 2014 Energy Strong settlement
- Update for known changes in sales growth forecast, O&M and taxes since 2010 rate case
- Get recovery of distribution investment not covered by clause mechanisms
- Get recovery of approved storm costs

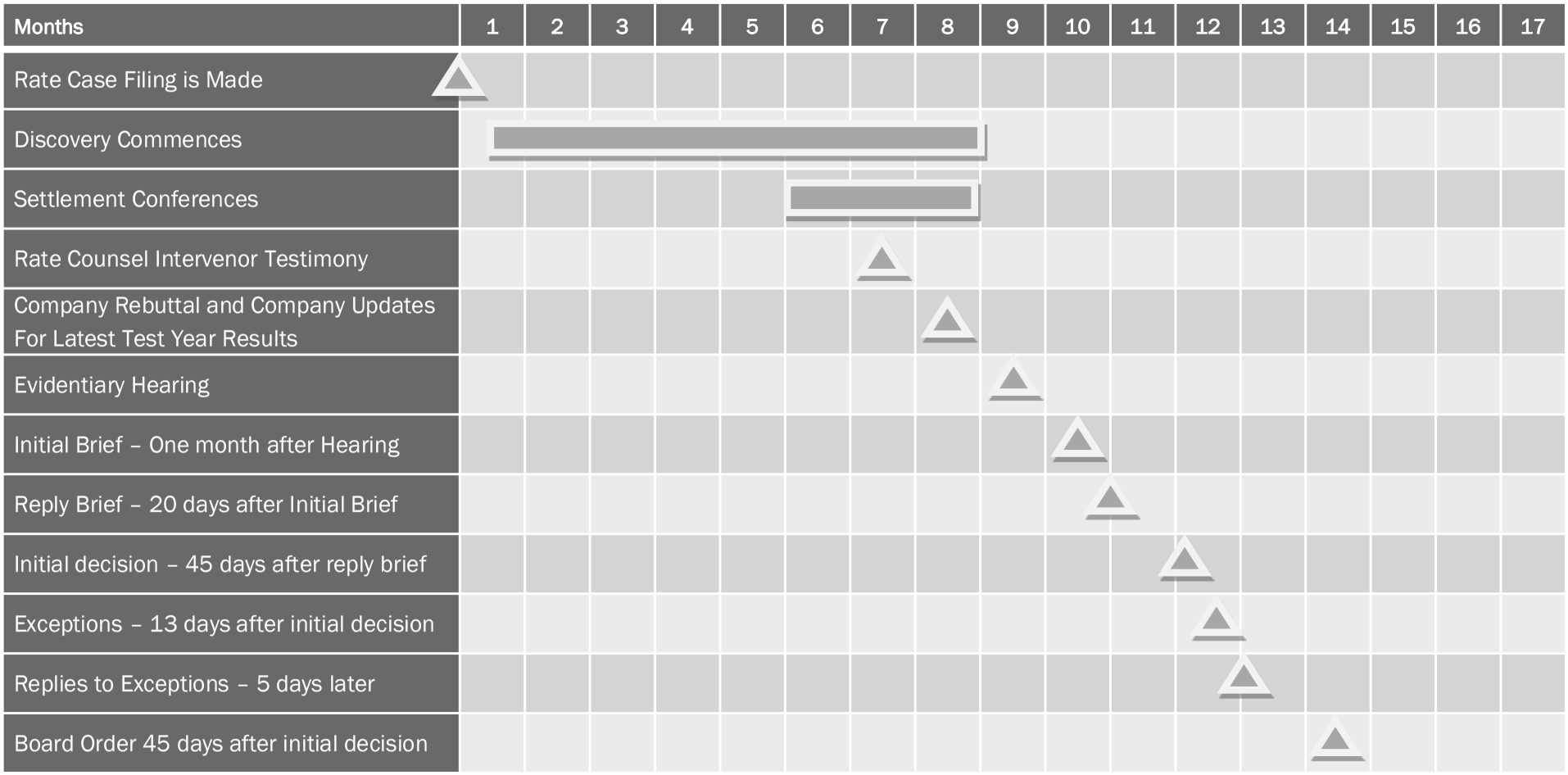
Opportunity

- Establish/update rate design, capital structure and depreciation
- Pursue decoupling
- Pursue interim rates
- Improve alignment with customer
- New E&G rates effective at start of 2019, or earlier

Supports need for moderate base rate increase

SI-SSA-0015-05257

NJ Distribution Base Rate Case Timeline



SI-SSA-0015-05258

New Jersey – Long-term Infrastructure Regulatory Reform with Customer Focus

Support

- Alignment with community and customer needs
- NJ Energy Master Plan
- Support extension of investment program horizon from 3 to 7 years using review process established by the BPU in Energy Strong and Gas System Modernization Program as template

Opportunity

- PSE&G will be seeking approval of multi-year programs that extend existing efforts to improve our system resiliency and broaden investment focus on Energy Efficiency and Utility of the Future services at the lowest cost to our customers

SI-SSA-0015-05259

Preserving Existing Nuclear Power Plants as Part of a Resilient Energy System

Support

- Generation from Power's nuclear units produces ~40% of NJ supply and provides 97% of NJ's carbon free energy
- Preservation of nuclear energy consistent with NJ policy goal: 70% clean resources by 2050
- Competitive wholesale markets not designed to value fuel diversity, resiliency and desirable attributes of nuclear generation

Opportunity

- Preserve highly reliable, clean resources as part of a diverse energy portfolio
- Preserve local jobs and economic base
- Keep prices lower than they otherwise would be, as current replacement options are more expensive
- Maintain system reliability

SI-SSA-0015-05260

What are other states doing to preserve at-risk nuclear generation?

New York April 2016	Illinois November 2016	Connecticut 2017?	Ohio 2017?
Clean Energy Standard approved by NYPSC provides support for at-risk nuclear. Zero Emission Credit standard established. Contract payments available for up to 12 years	Future Energy Jobs Bill enacted establishing a Zero Emission Credit (ZEC) portfolio standard. ZEC contract payments available for 10 years	Connecticut Legislature currently debating clean energy procurement process in recognition of nuclear capacity role as provider of clean energy	Legislative action under consideration to preserve at-risk nuclear generation

State Regulatory/Legislative actions recognize value of nuclear energy in meeting clean energy standards and supporting local economy

SI-SSA-0015-05261

Federal Regulatory Framework – Ensuring market structures recognize the value of reliable, diverse and clean dispatchable generation

Support

- FERC is driving ISOs to improve market constructs and rules on energy pricing
- Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held by PJM in May 2017

Opportunity

- Advocate for market solutions that fairly compensate generators for the cost of meeting demand
- Seek recognition of environmental attributes of existing resources
- Seek integration of state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-05262

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-05263

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

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Discussion topics

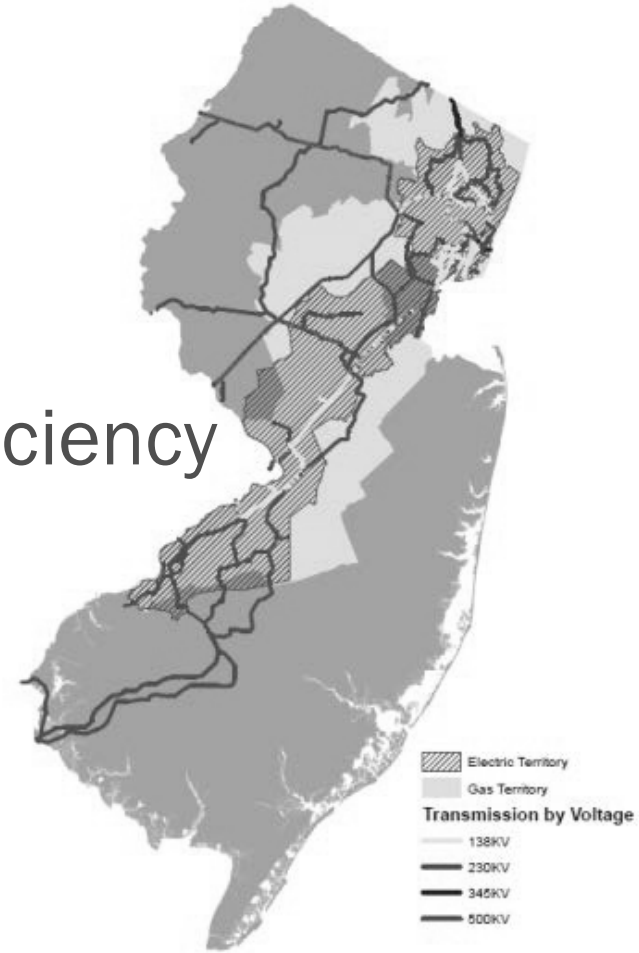
- Overview of PSE&G - Strategy and delivering results
- Operational excellence
- Capital investment program
- 2017 Distribution rate case filing
- Customer rates

SI-SSA-0015-05265

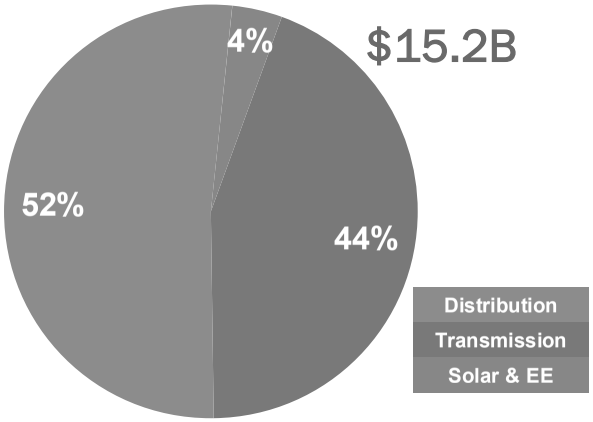
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



SI-SSA-0015-05266

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05267

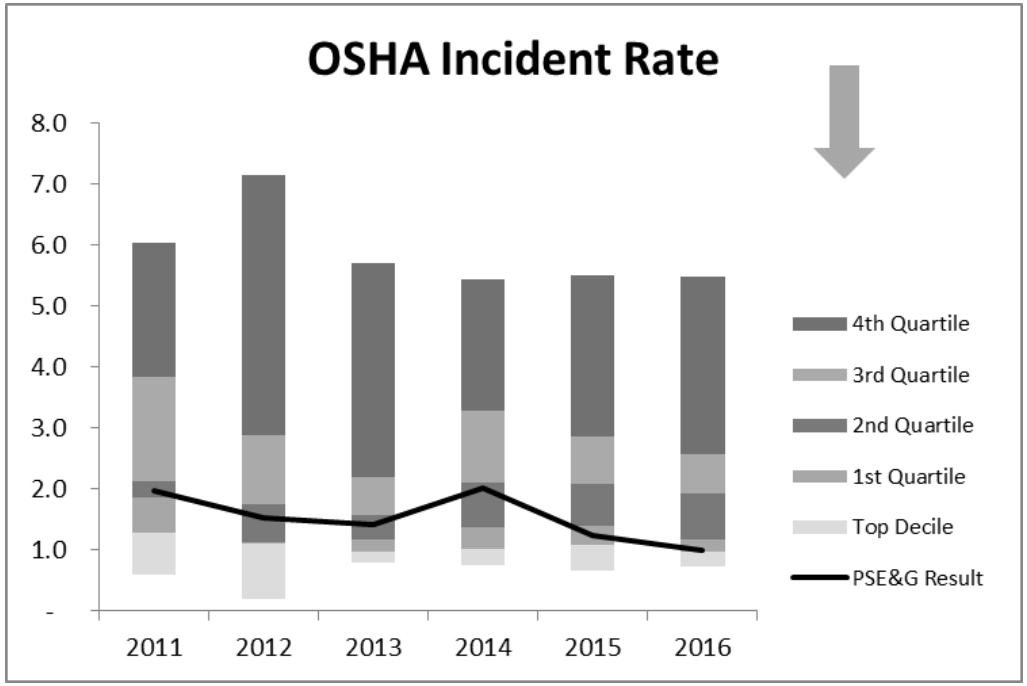
Delivering on Our Promises

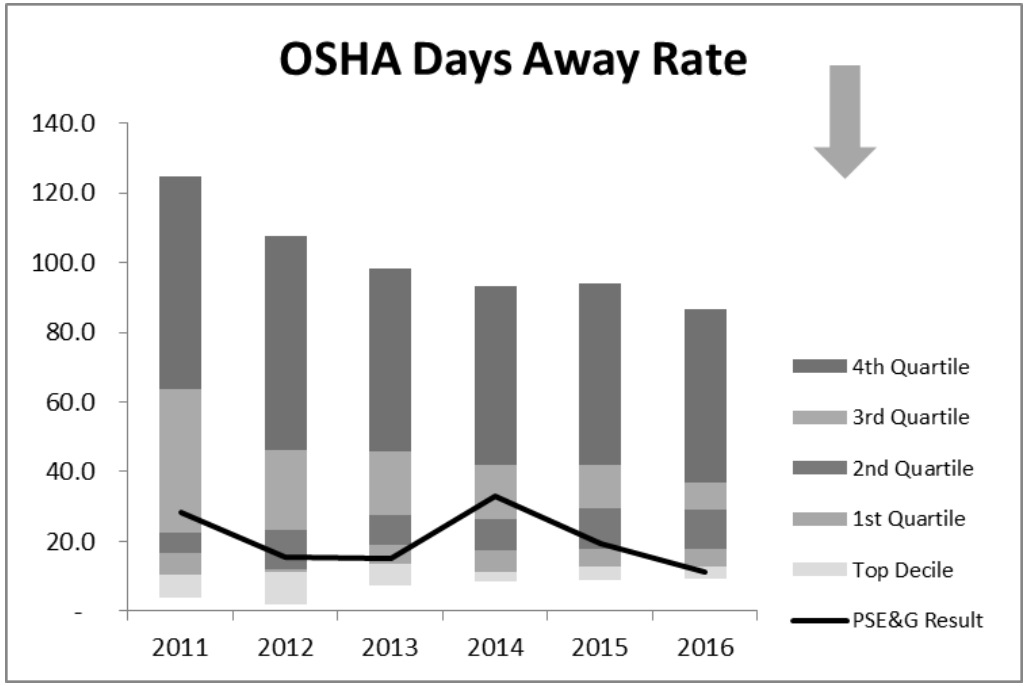
Operational Excellence	• Strong safety, reliability and customer service record • Cost control efforts have led to flat O&M
Financial Strength	• Achieved 5-year annual growth in net income of 11% • Achieved 5-year annual growth in rate base of 13% • Maintaining solid investment grade credit ratings
Disciplined Investment	• 15 investment programs approved over past eight years ✓ Infrastructure focused ✓ Supportive regulatory mechanisms providing for clause recovery ✓ Policy alignment – across administrations – Solar and Energy Efficiency • Programs creating jobs and providing environmental benefits, in a low-rate environment benefiting from low commodity prices and federal tax benefits from current bonus depreciation rules

SI-SSA-0015-05268

Operational Excellence - Safety

- Management focus and collaboration with unions resulted in top decile safety performance in 2016



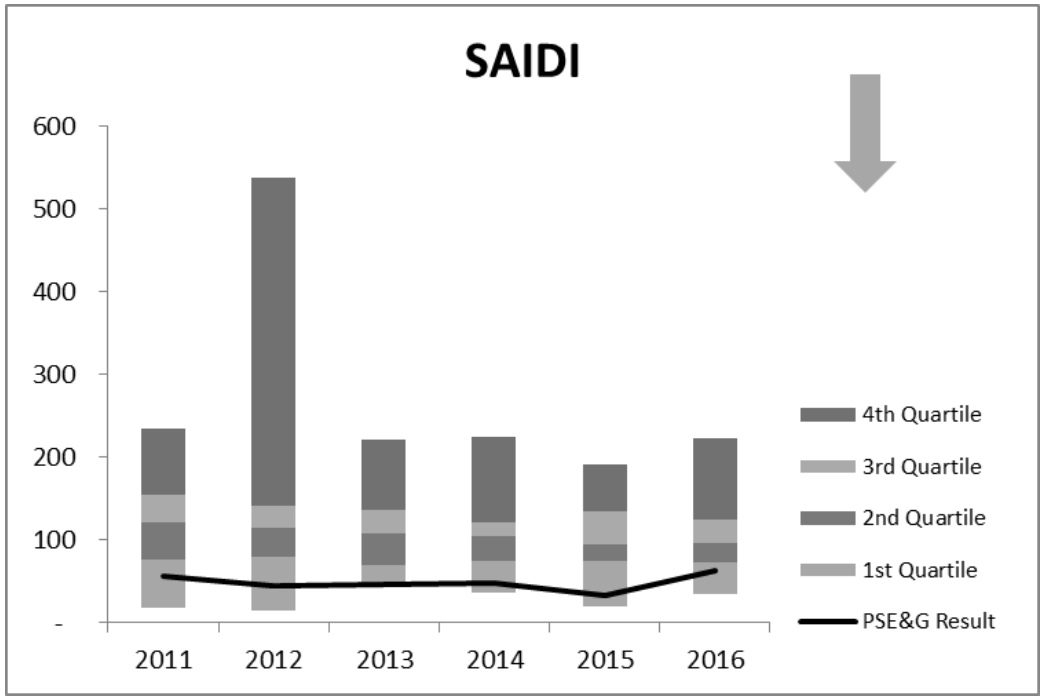


SI-SSA-0015-05269

SOURCE: PSE&G

Operational Excellence - Reliability

Consistently recognized for customer reliability



Our system performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been among the best performers

Named most reliable electric utility in the Mid-Atlantic region for **15th consecutive year**

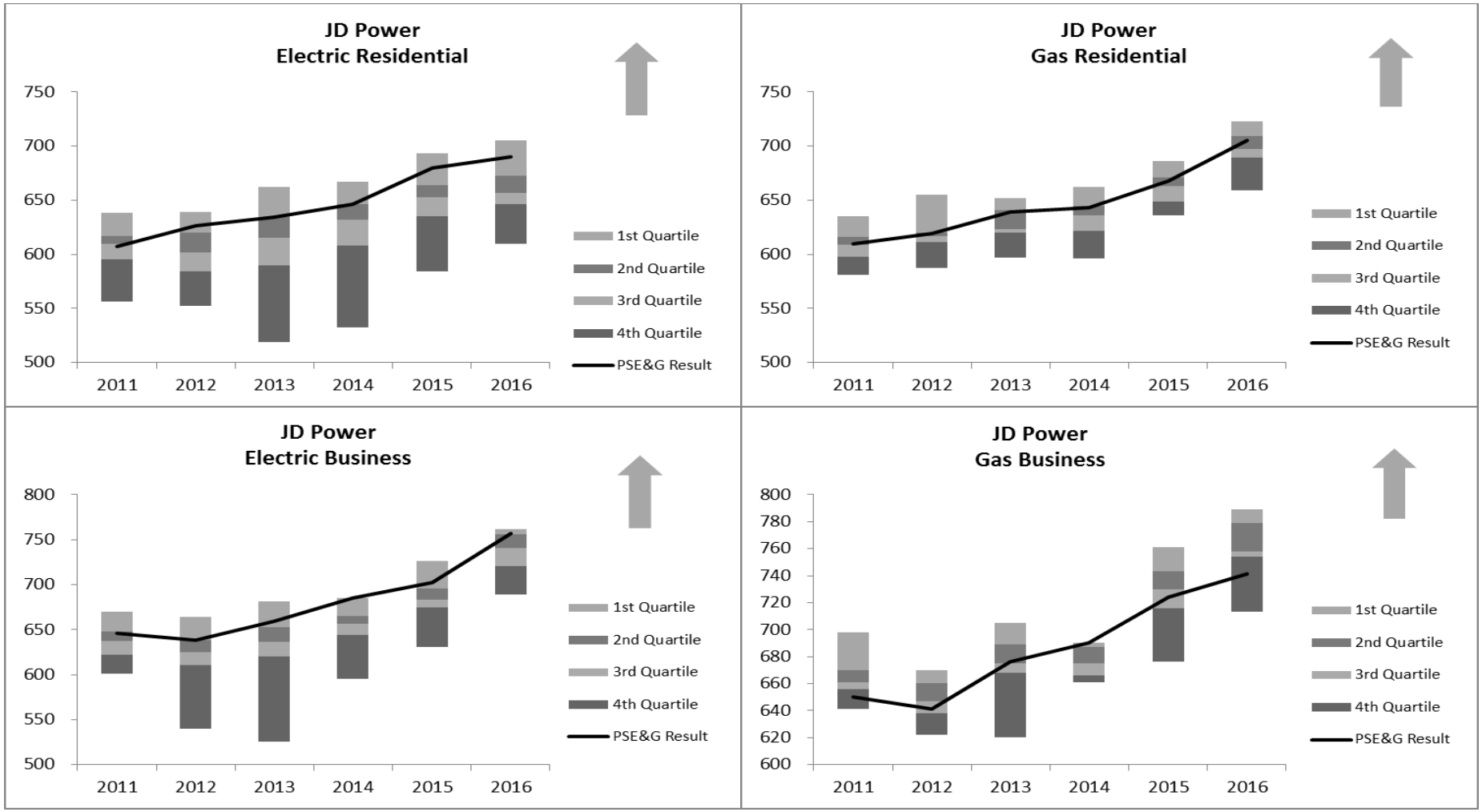
SI-SSA-0015-05270

SOURCE: PSE&G

Operational Excellence - Customer satisfaction

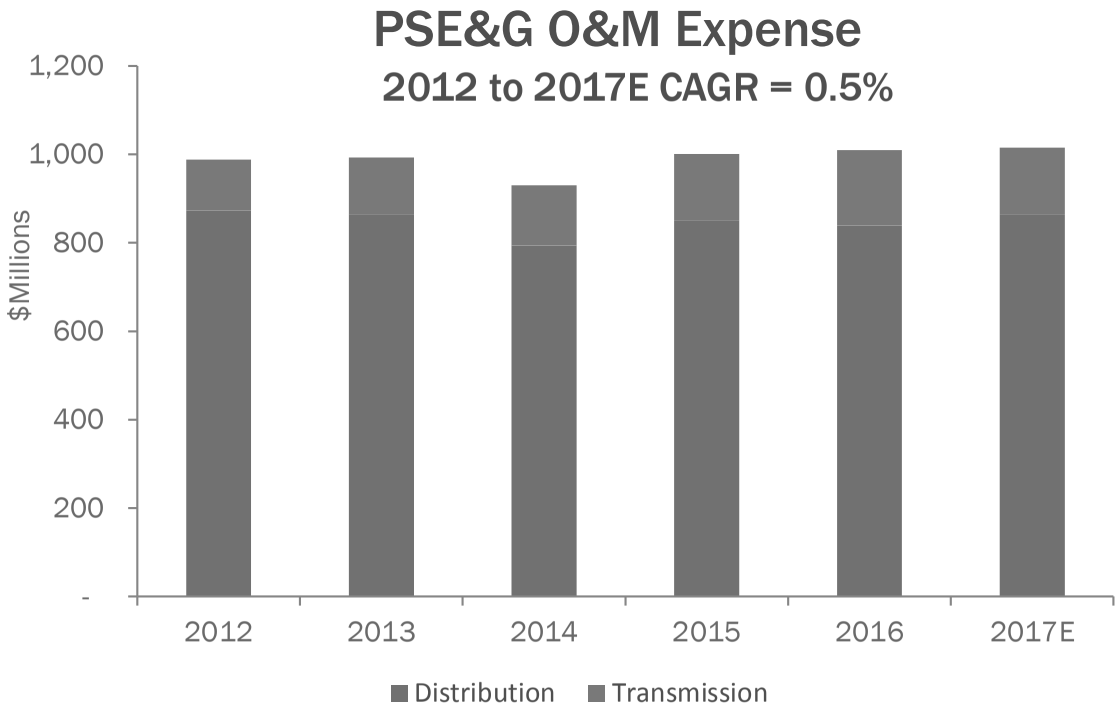
PSE&G has improved on an absolute and relative basis compared to its peers over the past five years

JD Power Residential and Business Scores



SI-SSA-0015-05271

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

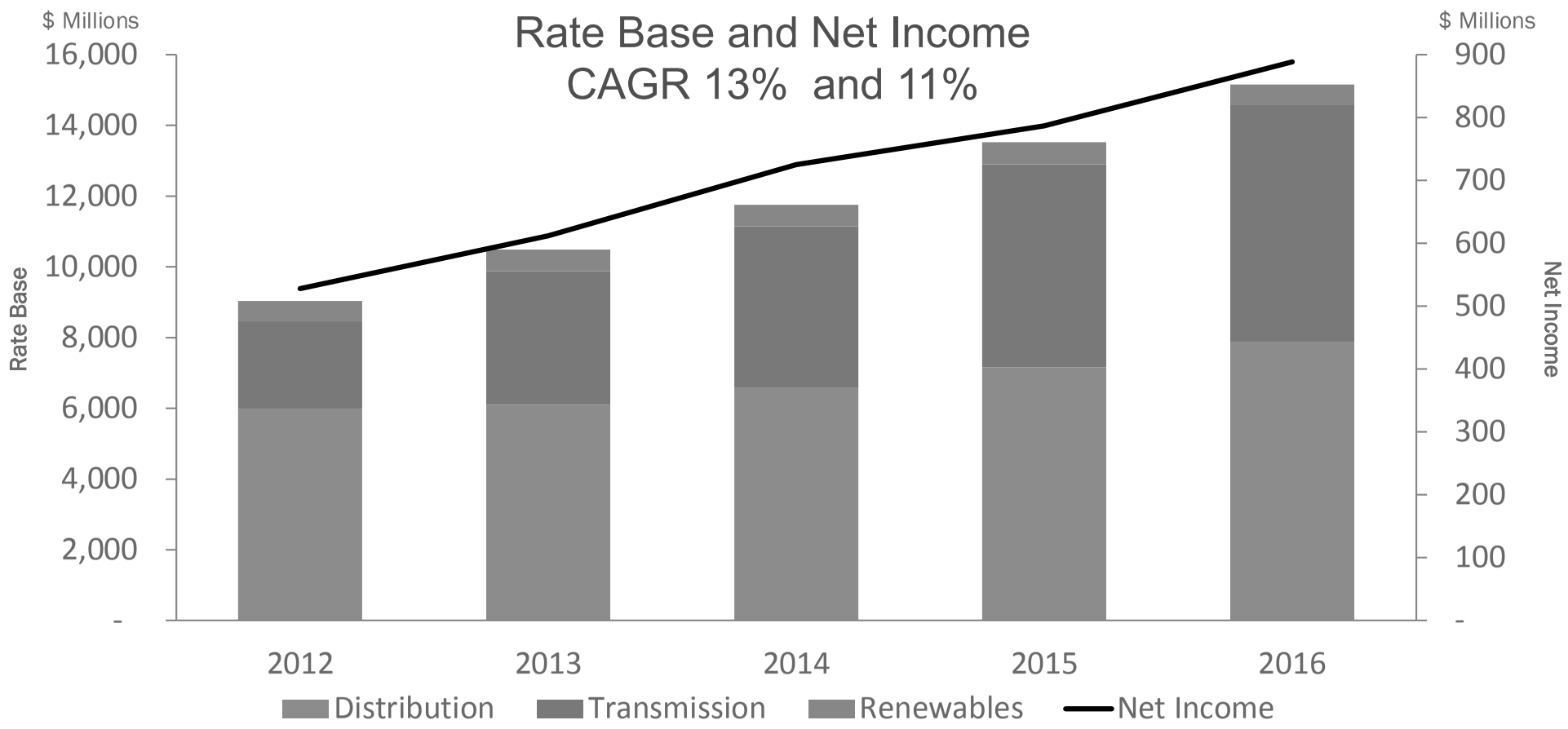
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E = ESTIMATE.

SI-SSA-0015-05272

Disciplined Investment – Delivering annual growth



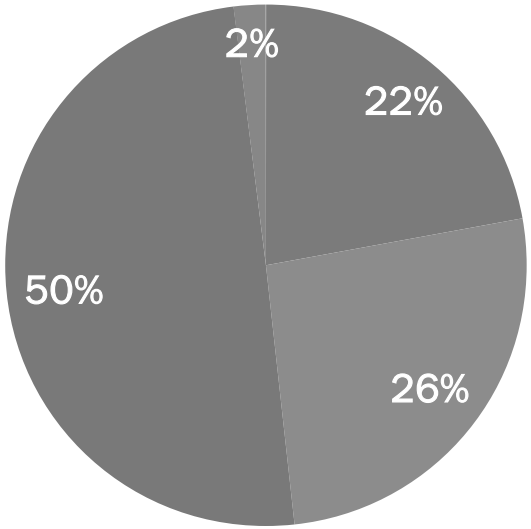
Our rate base is now roughly balanced between federal and state jurisdictions

SI-SSA-0015-05273

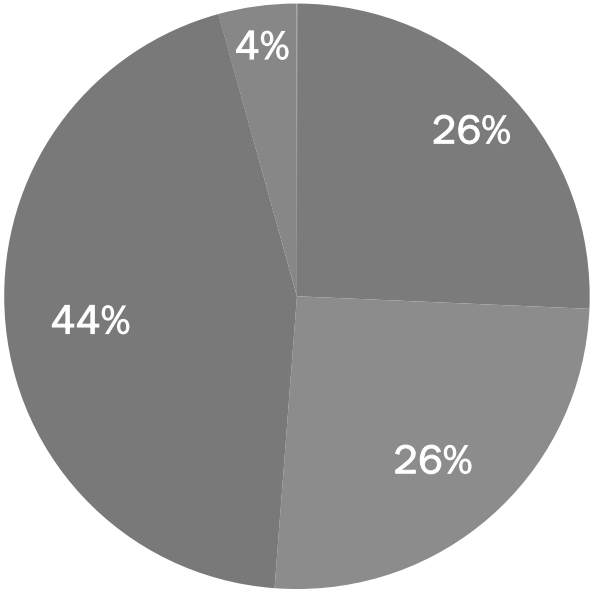
Disciplined Investment – Continued growth in robust capital program

2017-2021E PSE&G Capital Spending

Base Capital,
including GSMP extension
$12.3B
Rate Base CAGR 7%



with extension / expansion of current programs
$13.8B
Rate Base CAGR 9%



Transmission | Gas Distribution | Electric Distribution | Solar and Energy Efficiency

With current returns on ~70% of capital investments

. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-05274

Transmission - ~$6 billion, 5-year investment program focusing on reliability and replacing aging infrastructure

- **Formula rate** recovery of capital and expenses
- **PJM's Regional Transmission Expansion Plan** (RTEP) identifies system enhancements needed for reliability
- **Portfolio transitioning –** completing remaining major lines and moving to steady state investments to maintain reliability and stay ahead of asset end of life
  - **69kV system upgrades** improve system reliability and add capacity for future growth
  - **Transmission Lifecycle** to manage asset life and improve system integrity and reliability
  - **Transmission Hardening** projects focus on increasing system resiliency

SLSS-VA-15-05275

Electric Distribution – ~$3 billion, 5-year investment program focused on reliability and resiliency

- **Energy Strong** - Completion of currently approved program
- **Future growth efforts**
  - **Hardening** – Extend program for critical system infrastructure
  - **Aging infrastructure** – Life cycle investments to ensure continued top quartile reliability performance
    - Over 65 substations > 60 years old; Over 30 substations > 80 years old
    - ~115 substations 26kV to 4kV
    - Risk assessment model to eliminate/replace
  - **Technology** – Next generation to enhance grid performance

SI-SSA-0015-05276

Electric Distribution - Technology

- **Making the grid smarter**
  - Deployment of hundreds of microprocessor relays
  - A new state of the art distribution SCADA system to facilitate full communication and control
  - Ability to integrate Distributed Energy Resources into the grid while enhancing grid reliability and resiliency

- **Improving customer service - continue to enhance delivery of information and communication**

SI-SSA-0015-05277

Gas Distribution – ~$3 billion, 5-year investment program focused on modernizing and upgrading cast iron and unprotected steel main

- **Cost efficiency** of broad replacement approach
- **Customer service** – conversion from low pressure to high pressure
- **Environmental Collaboration** with EDF and Google to consider methane leaks in work prioritization
- **Replaced** >200 miles in 2016
  - Exceeding run rate of 30 year program, demonstrating ability to accelerate program
  - ~4,800 miles of cast iron and unprotected steel main remaining in the system
  - More cast iron than any other US utility

SI-SSA-0015-05278

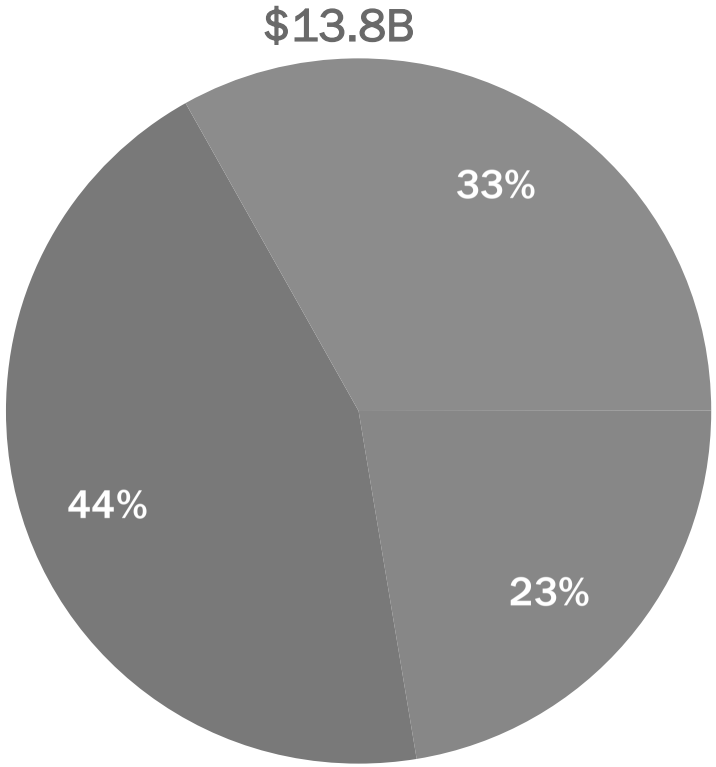
Solar and Energy Efficiency – ~$250 million, 5-year investment supports New Jersey policy objectives

- **Solar –**
  - Grid-connected solar on landfills and brownfields provides clean energy for all customers
  - 210 MW installed of the 300 MW total approved programs
- **Energy efficiency** – Continuing programs with a focus on hospitals, multi-family housing and our direct install program which includes municipalities, non-profits and small businesses in Urban Enterprise Zones
- **State Policy** - Programs are aligned with policy goals
- **Opportunity to expand** – Potential for significant opportunity to expand energy efficiency and related customer services in the future

SI-SSA-0015-05279

Developing investment opportunities with near-contemporaneous recovery mechanisms

2017-2021E PSE&G Capital with Program extensions by Recovery Method



Plan to increase current five year, $12.3B capital plan by ~$1.5B through program extensions and expansions:

- GSMP acceleration
- Electric distribution – hardening extension and modernization investment program
- Energy Efficiency and Solar programs – extensions and expansion

With broad opportunity set of additional investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2017. INCLUDES AFUDC.

SI-SSA-0015-05280

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

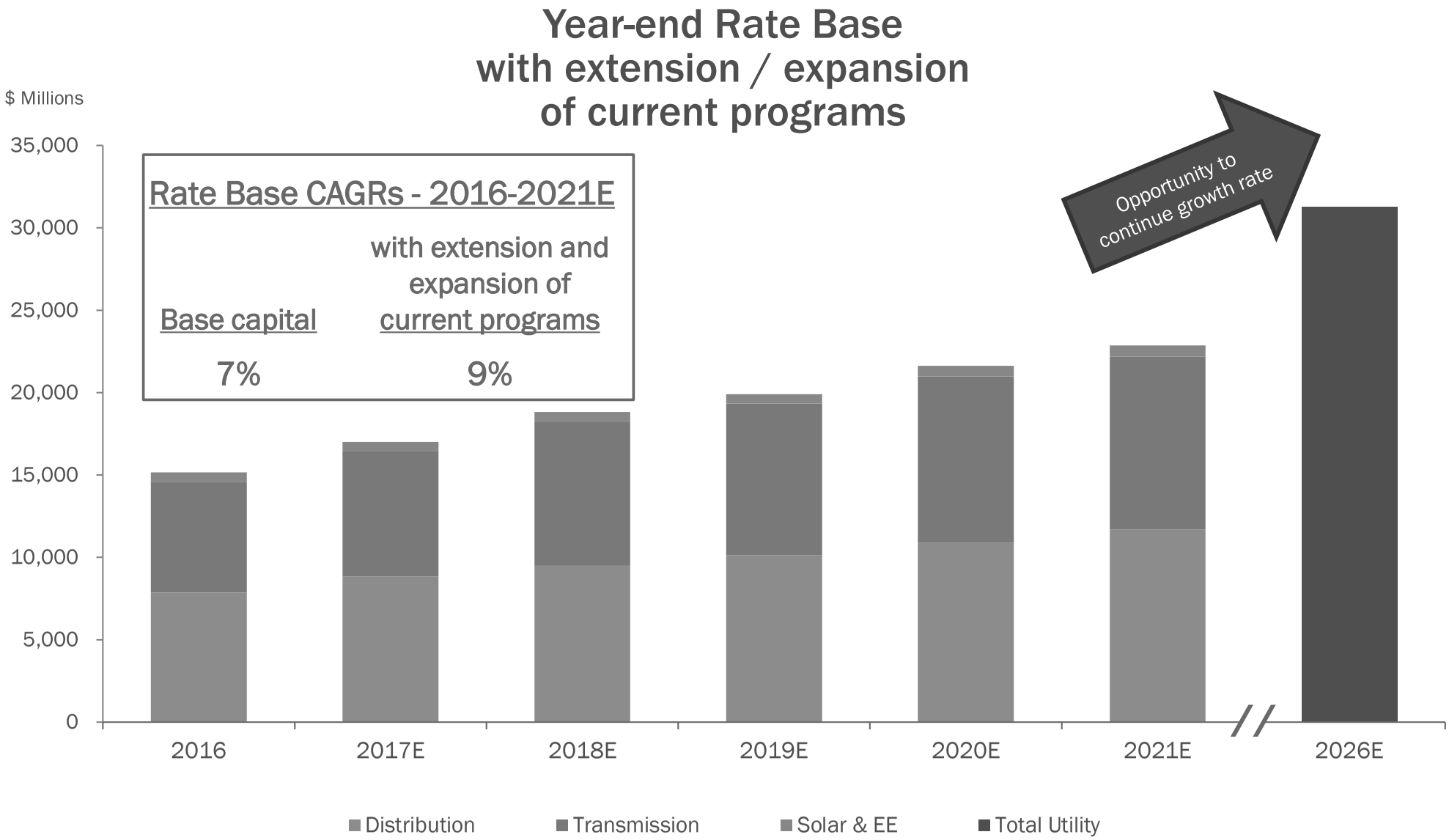
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-05281

Investment program supports strong rate base growth – off a higher base



E = ESTIMATE.

SI-SSA-0015-05282

Distribution – 2017 base rate case filing

- Obligated to file rate case no later than November 1, 2017
- Last rate case – 2009 test year, settled in 2010

Since last rate case

- **Sales growth** – flat, customer growth offset by energy efficiency
- **O&M** – held flat, with increased regulatory requirements
- **Capital Investments** – Growth in rate base beyond clauses, consists of:
  - GSMP annual stipulated base
  - Energy Strong
  - Other Distribution base investments beyond depreciation levels
- **Customer rates** since last rate case
  - Electric decreased 5%; Gas decreased 46%

Supports need for moderate base rate increase

SI-SSA-0015-05283

Optimal time for extension and expansion of investment programs

- 2017 investment program filings
  - **GSMP** - extension and acceleration
  - **Electric infrastructure** - resiliency and modernization
  - **Energy efficiency** – extension, potential future expansion
  - Seeking **long-term** programs to optimize planning and cost
- Programs improve system reliability and meet customer expectations
  - System need as infrastructure reaches end of life
  - Increasing customer and public policy expectations
- Optimal timing

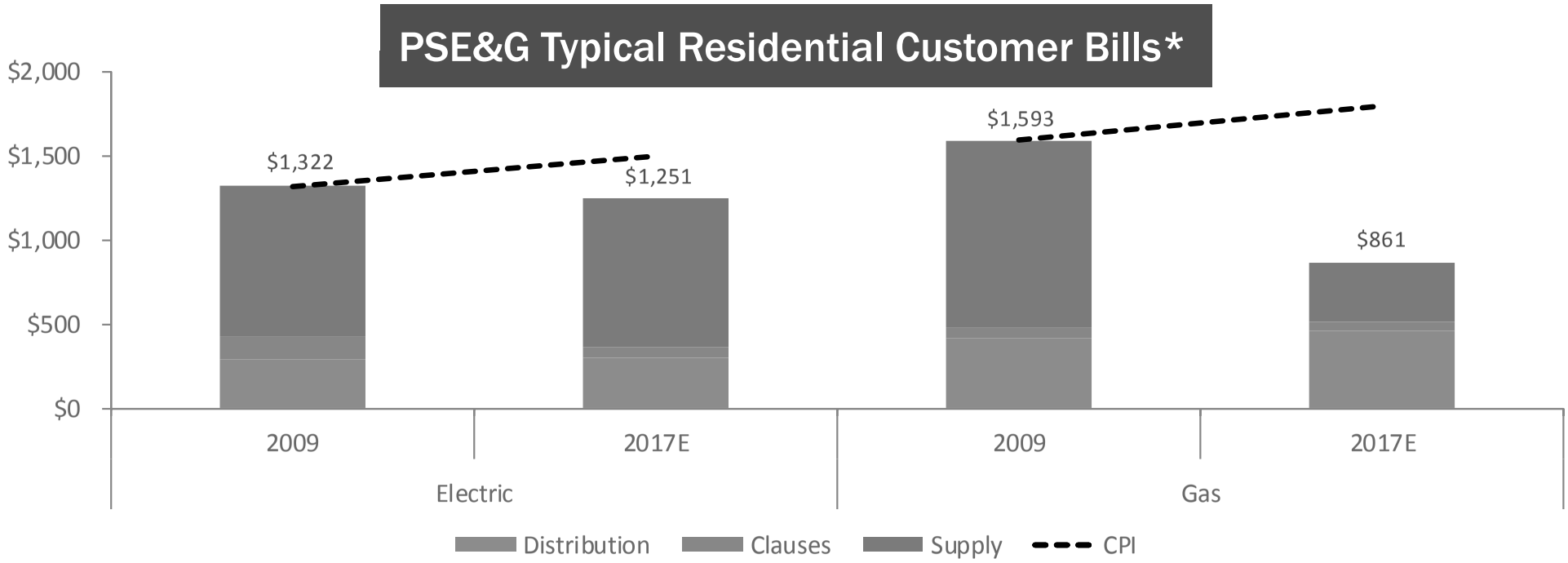
Job creation	Environmental benefits	Federal tax benefits	Low commodity prices
√	√	√	√

- Potential rate impact of program extensions - ~2%/year*

SI-SSA-0015-05284

*ASSUMES TYPICAL COMBINED RESIDENTIAL CUSTOMER WITH 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.

Customer's bills are materially lower, supporting needed investment in the system



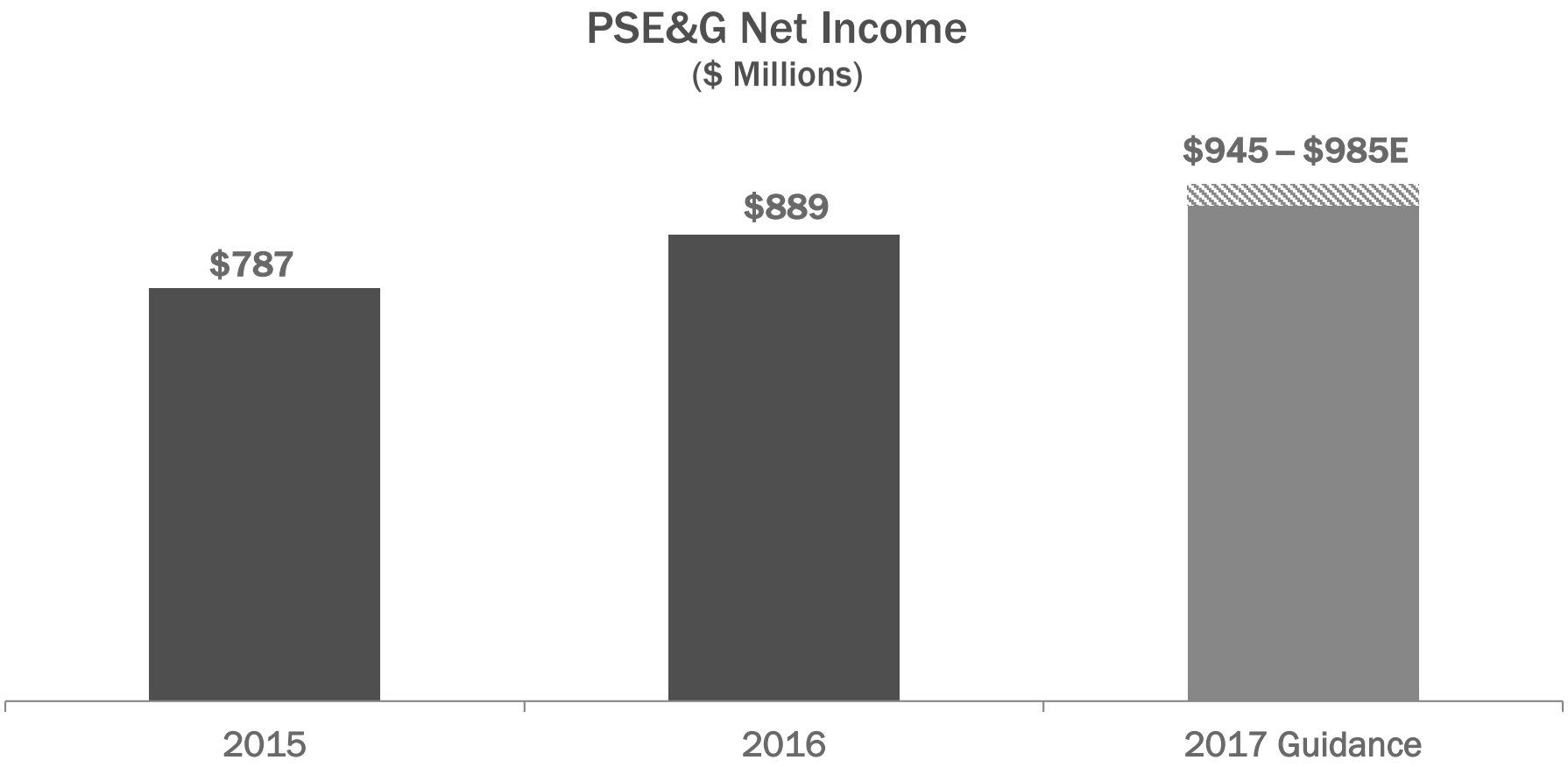
- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-05285

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2017 net income to benefit from investment programs and cost control



E =ESTIMATE.

SI-SSA-0015-05286

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-05287

PSEG Long Island - Focused on improving customer service and reliability while managing costs

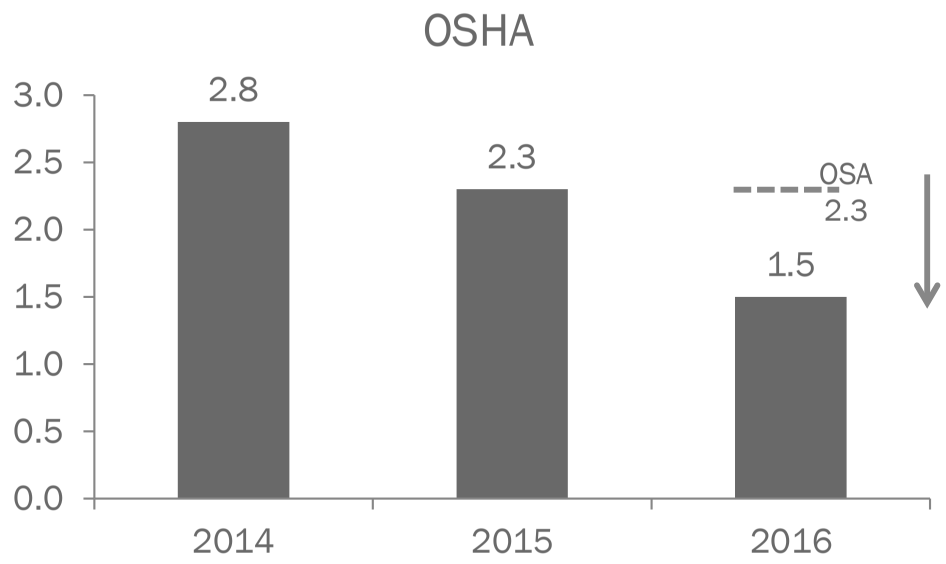
- 4th year of 12 year contract (with option to extend 8 years)
- 2016 - Earned $0.08 per share*
  - Fixed fee of $65 million / year, escalated for CPI
  - Incentive opportunity of 15%
  - Power has $20 million / year energy management and fuel supply contract

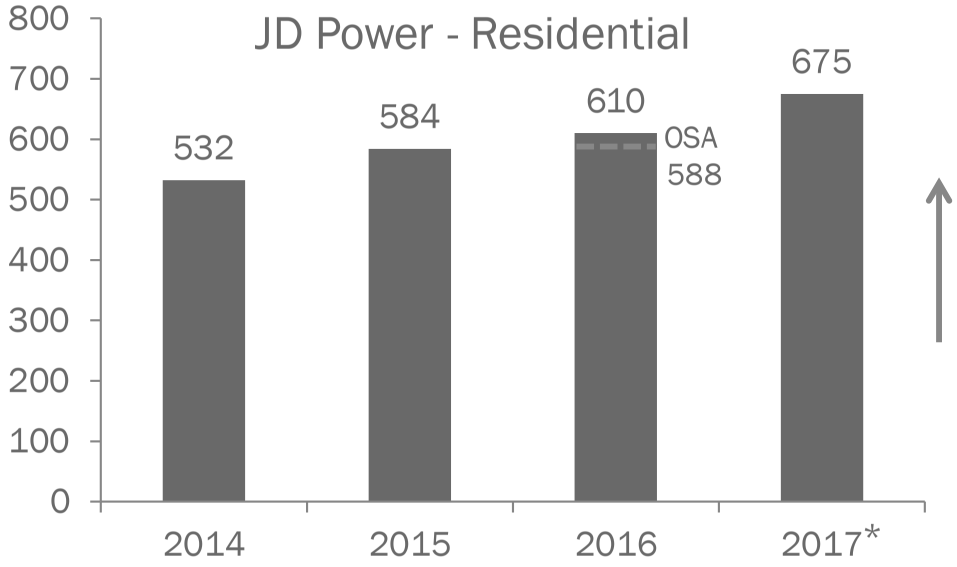
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting Operational and Financial expectations
- Realized >95% of incentive payment in 2014, 2015 and 2016

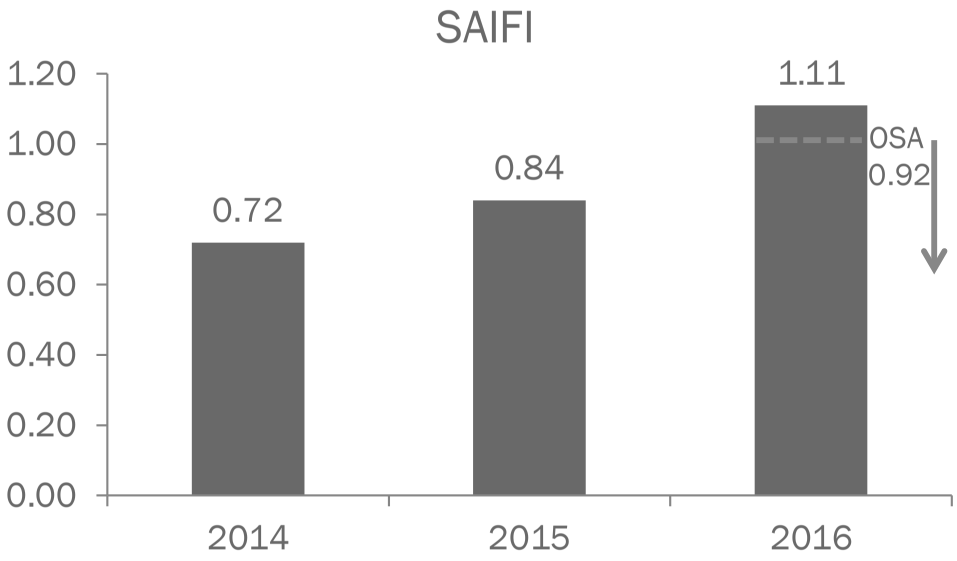
SI-SSA-0015-05288

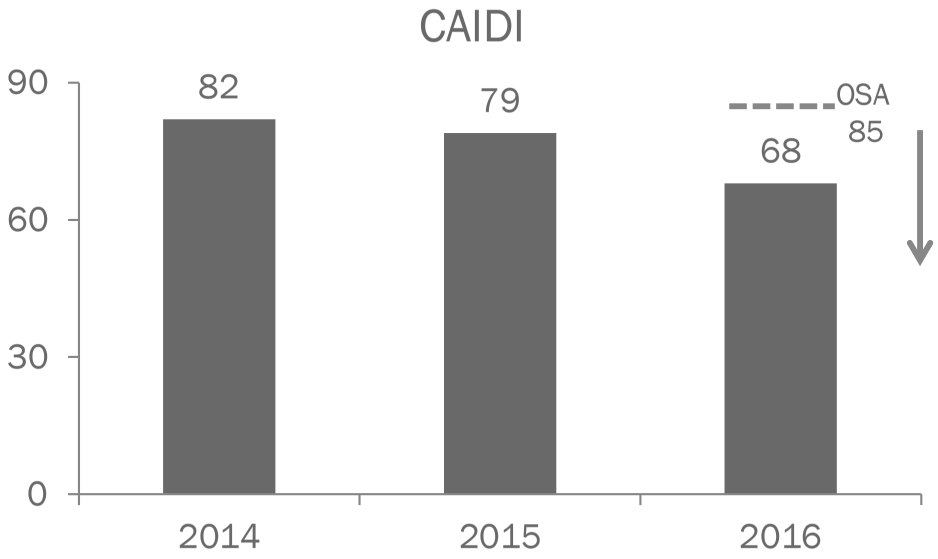
*OVERALL ENTERPRISE IMPACT.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-05289

PSEG

OSA = AMENDED OPERATING SERVICES AGREEMENT BETWEEN PSEG-LI AND LIPA SETTING BENCHMARK INCENTIVE LEVELS
* JD POWER 2017 REPRESENTS FIRST WAVE DATA

2017 PSEG Power and ER&T Business Review & Outlook

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05290

PSEG POWER

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

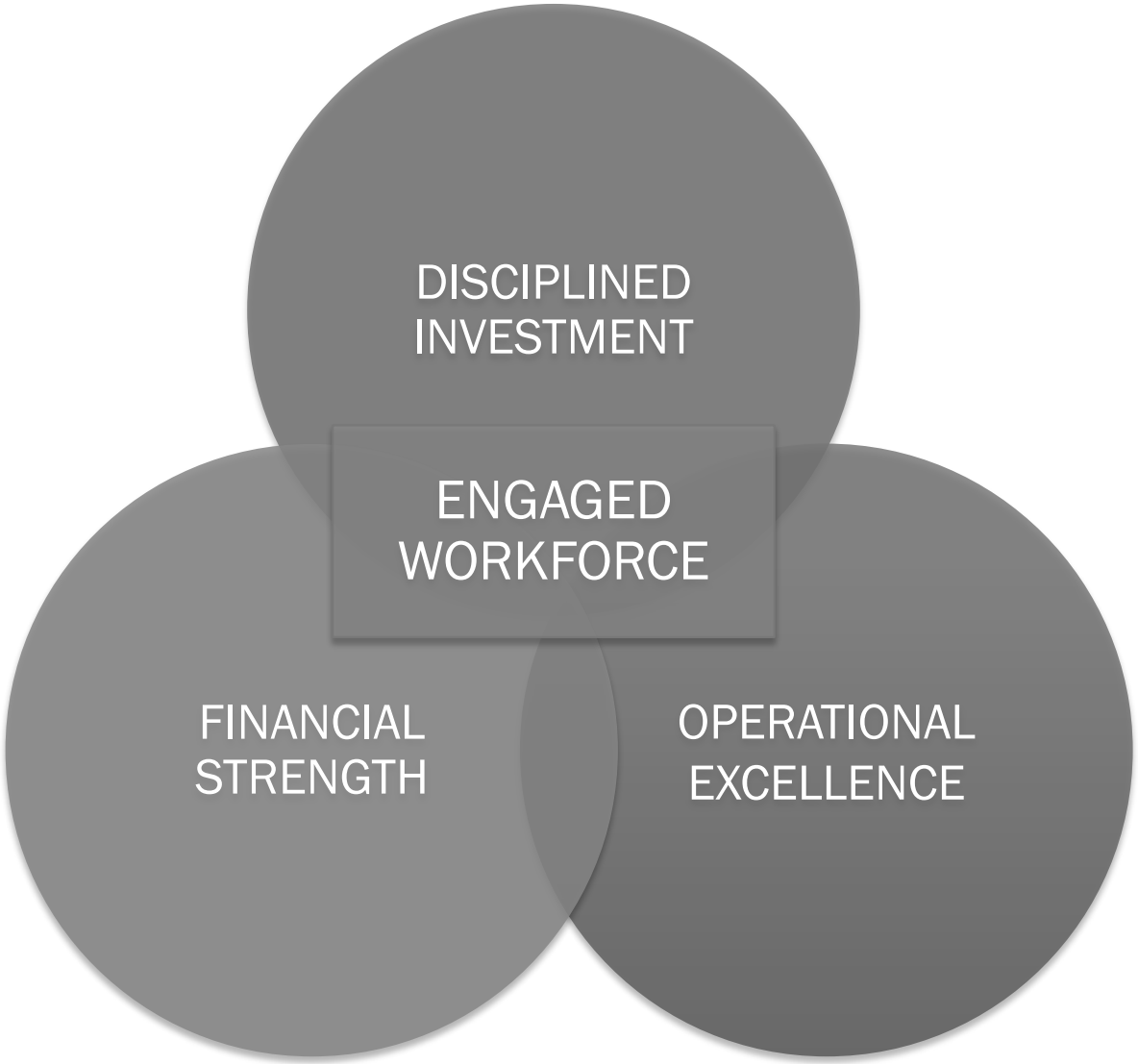
SI-SSA-0015-05291

PSEG

We make things work for you.

PSEG Power
strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally responsible manner



SI-SSA-0015-05292

Power is transforming its portfolio to be newer, more efficient and flexible

2012 → 2013 → 2014 → 2015 → 2016

Selected Accomplishments Towards Transformation

Cost Control

2012

- Additional **400** MW of new peaker capacity at Kearny and New Haven

2013

- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- CCGT Advanced Gas Path (AGP) uprate completed at Linden 1 & 2, **63** MW
- Energy / Fuel management contract for LIPA

2015

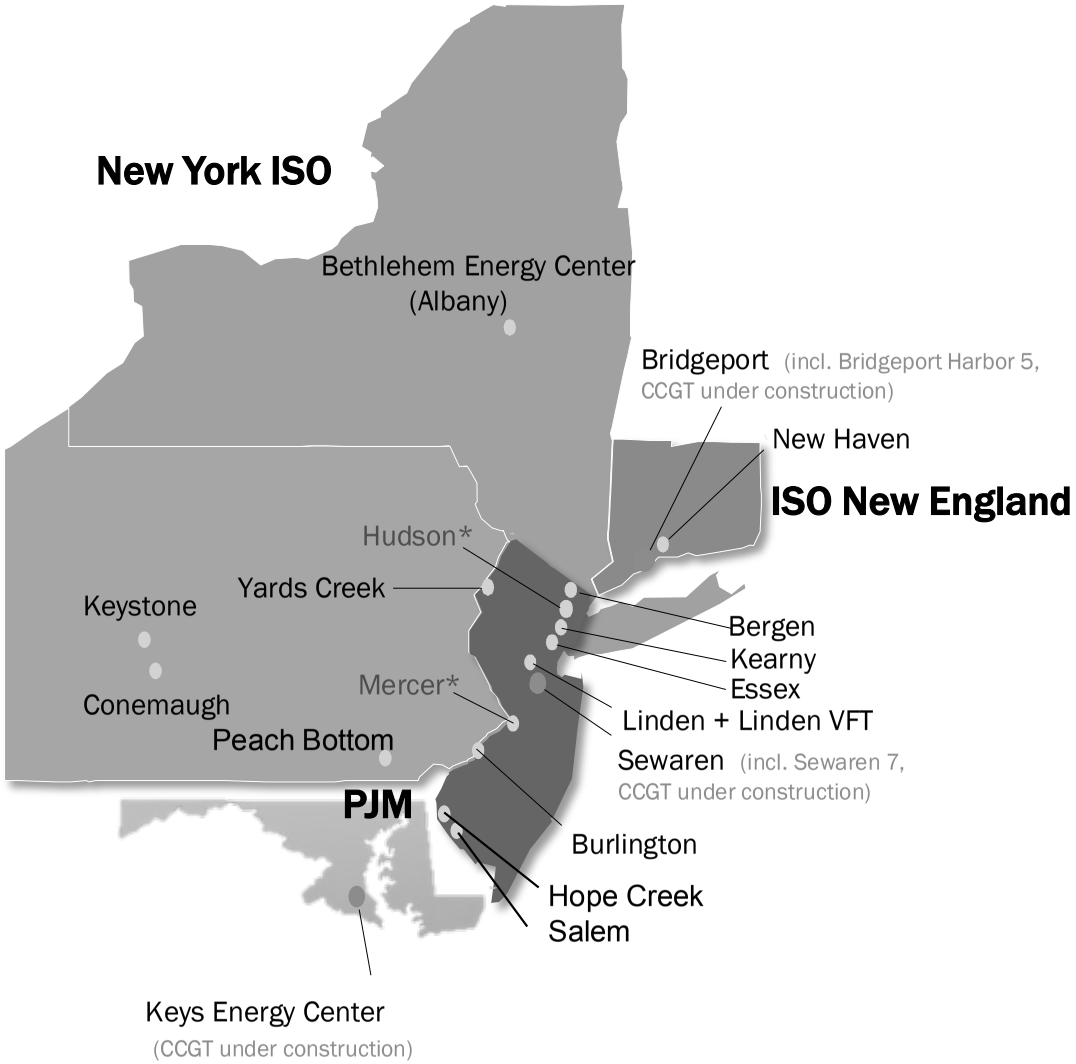
- Continued growth with **1,300** MW new CCGT's announced
  - Keys
  - Sewaren 7
- Projects Completed:
  - Peach Bottom EPU, **130** MW
  - Bergen 2 AGP uprate, **31** MW
- Retired HEDD Units
- Solar portfolio reaches **277** MW_{DC}
- Initiated Hope Creek uprate, **18** MW

2016

- Bridgeport Harbor 5 **485** MW CCGT cleared ISO-NE auction
- Hudson & Mercer early retirement announced
- Kearny 13 & 14 uprate, **14.5** MW increased capacity
- Initiated electric & gas retail business in NJ, PA
- Solar reaches ~**326** MW_{DC} in operation

SI-SSA-0015-05293

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-05294

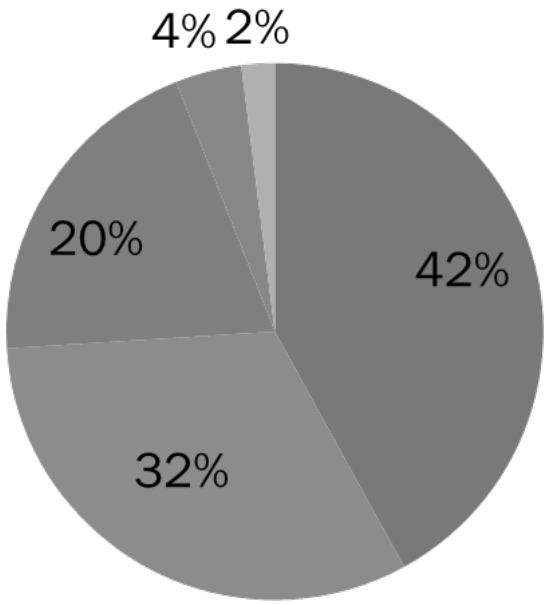
PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Power has a diverse fleet of generating assets which enables it to respond to market needs

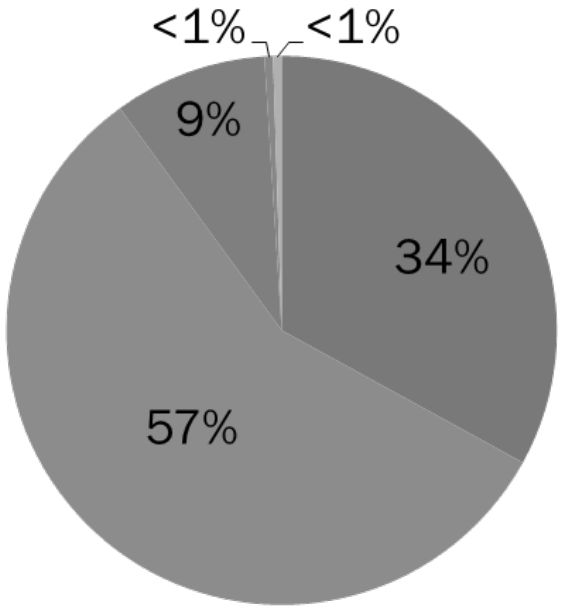
Fuel Diversity 2016*

Total MW: 11,577



Energy Produced 2016*

Total GWh: 51,510



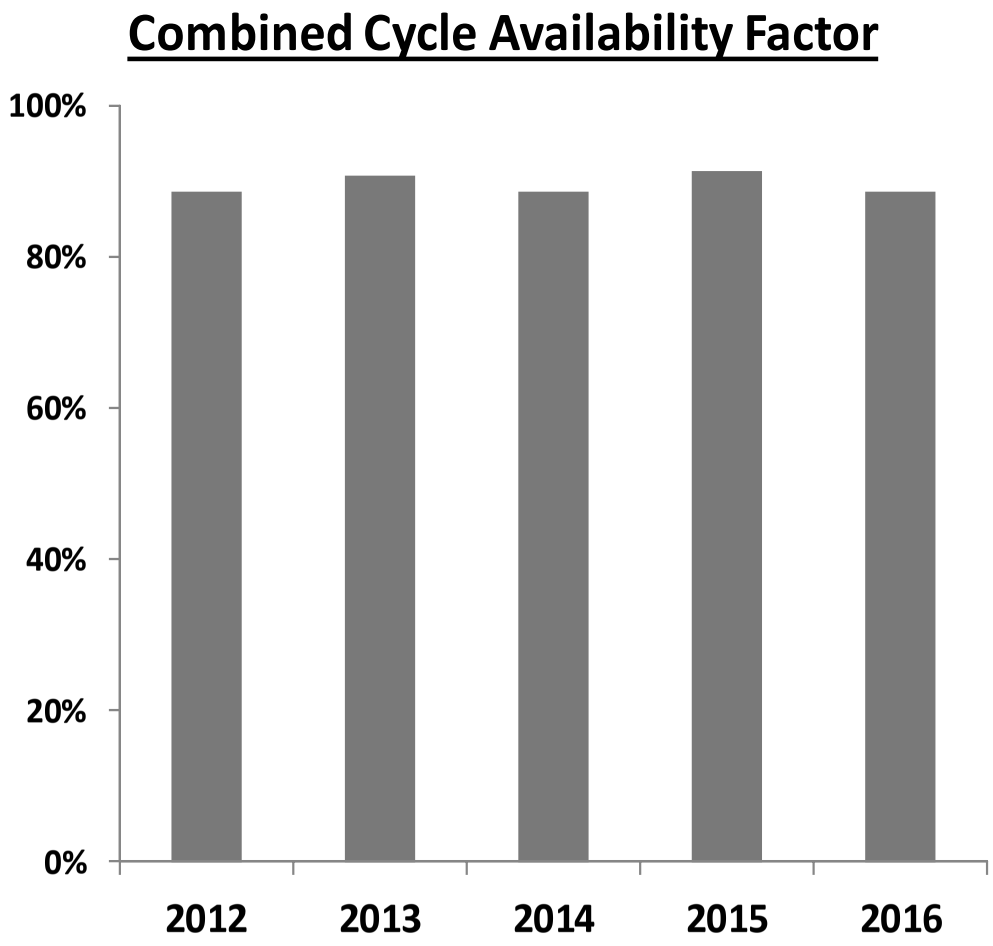
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-05295

PSEG

* EXCLUDES SOLAR (326MW$_{DC}$ /257MW$_{AC}$) AND KALAELOA (104MW).
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's Fossil Fleet maintains solid performance in a challenging environment



- Generation records at BEC and Bergen 2 combined-cycle units
- Combined-cycle EFORd* and EFORp lowest in five years
- Start Success Rate:
  - Peaking: 99.7%
  - Coal/Steam: 93%

SI-SSA-0015-05296

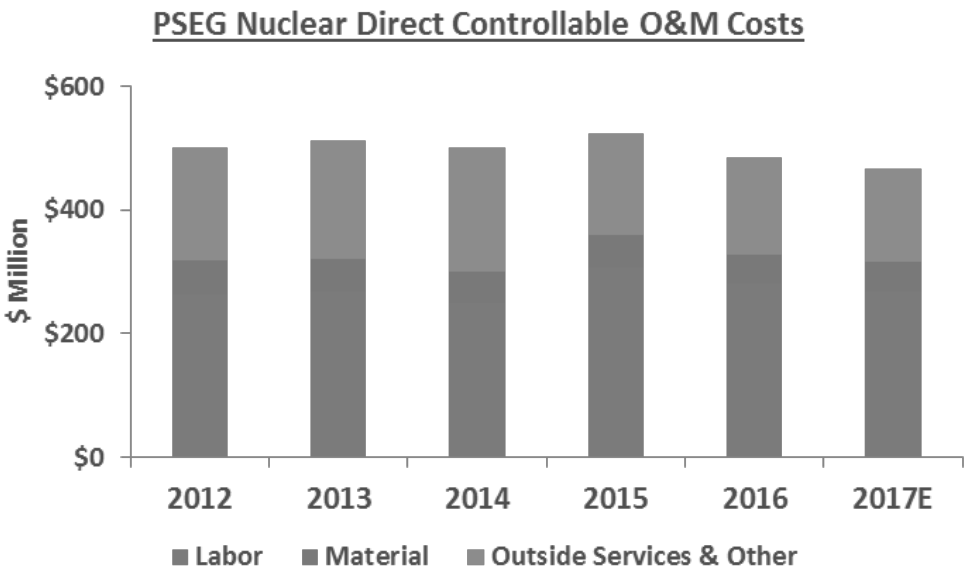
*EFORd EXCLUDES EVENTS OUTSIDE OF MANAGEMENT CONTROL.

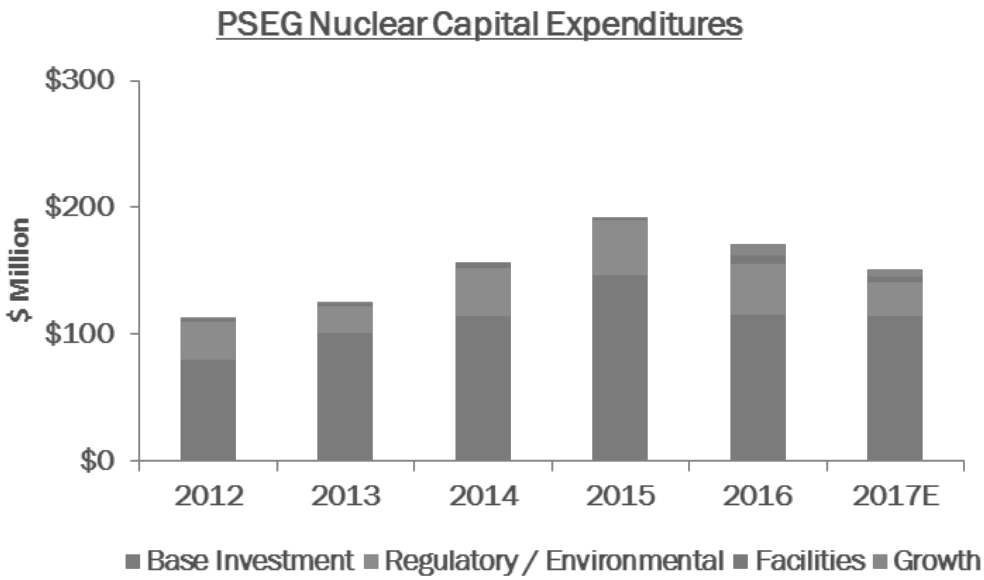
Nuclear is vital to New Jersey with Salem and Hope Creek providing ~40% of the State's energy consumption

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Boiling Water Reactor • Total Capacity: 1,172 MW • Owned Capacity: 1,172 MW • License Expiration: 2046 • 18 MW Uprate Spring 2018 • Next Scheduled Refueling ➢ Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Pressurized Water Reactor • Total Capacity: 2,296 MW • Owned Capacity: 1,318 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Boiling Water Reactor • Total Capacity: 2,450 MW • Owned Capacity: 1,225 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2018 ➢ Unit 3 – Fall 2017

SI-SSA-0015-05297

PSEG Nuclear has been addressing the economic challenges in the current low gas price environment





- 2012 to 2017E CAGR: –1.4%
- The 2015 Labor increase / outside services decrease is due to bringing security force employees in-house
- Material and outside service cost reductions CAGR: – 4%

- Fukushima-related compliance drove $198 M of Regulatory/Environmental spend
- 2016 and 2017E capital driven by Baffle Bolt replacement
- Going forward capital approximately $100M/year to maintain reliability to end of license life

SI-SSA-0015-05298

PSEG

NOTE: LABOR INCLUDES BASE WAGES, OVERTIME AND FRINGE BENEFITS. ALL YEARS EXCLUDE EXPENDITURES FOR NUCLEAR FUEL (APPROXIMATELY $6.50/MWH). E=ESTIMATE

PSEG Nuclear is leading the industry in efforts to ensure economic viability of fleet

Goals

- Industry goal to achieve reductions in O&M, fuel and capital costs by 2018
- The three-year program to examine and implement opportunities to:
  - ✓ Advance safety,
  - ✓ Improve operations, and
  - ✓ Prevent premature reactor closures
- Concurrently, we continue to work with NEI and other industry partners to gain greater compensation for nuclear plants in competitive market policies

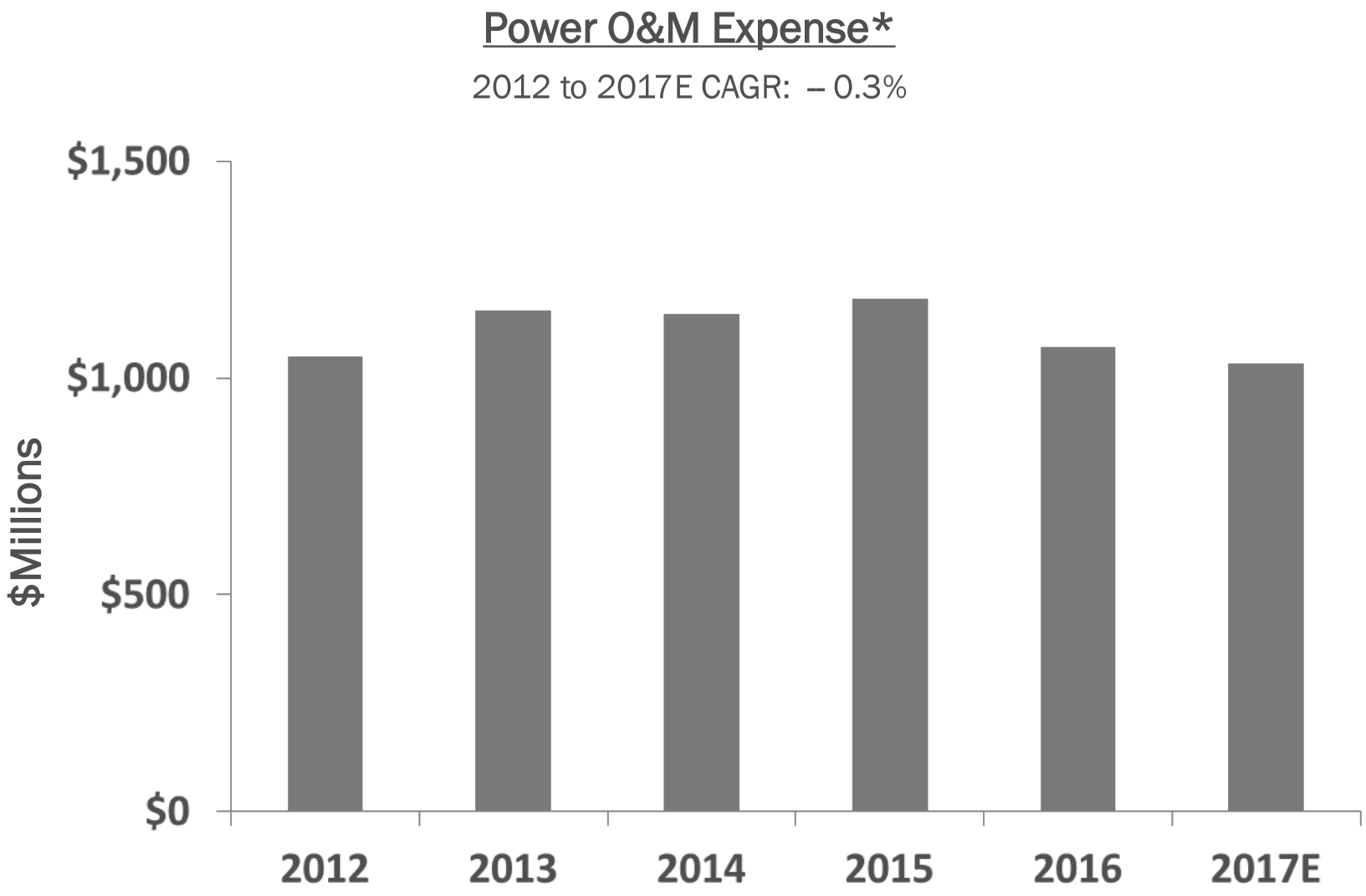
PSEG Nuclear progress to date

- 46 Efficiency Bulletins issued, 21 implemented to date
- Cost reductions achieved: 185 FTE reduction; 2017 direct O&M reduction of 5% from plan target while funding equipment reliability improvement
- Implemented changes to focus on eliminating vs. mitigating equipment reliability issues to ensure generation is not negatively impacted

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-05299

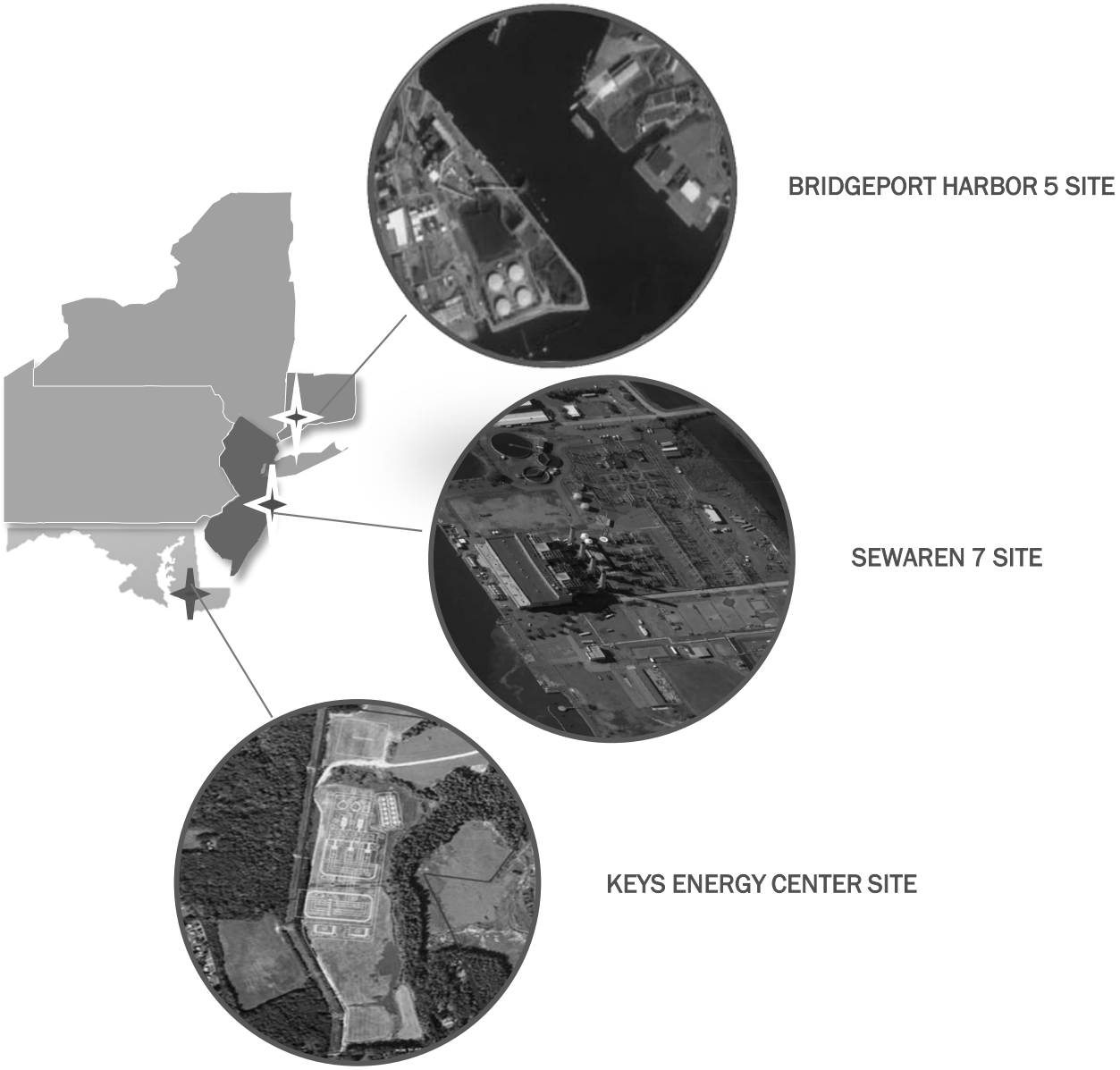
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.
E=ESTIMATE

SI-SSA-0015-05300

Power is developing ~1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



SI-SSA-0015-05301

Growth Project Update - Keys Energy Center

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas-fired combined cycle
  - Greenfield site
- **Estimated Costs $825 to $870 million**
- **Major Milestones**
  - Combustion turbines and generators, steam turbine and generator and all three generator step-up transformers have been set in place
  - Construction is 35% complete as of February 2017
  - Commence training / start-up support in 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket

Keys Energy Center – Aerial View

*SWMAAC – SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
E = ESTIMATE

SI-SSA-0015-05302

Growth Project Update – Sewaren 7

- **540 MW plant in Sewaren , New Jersey**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $625 to $675 million**
- **Major Milestones**
  - Combustion steam turbine generator, combustion turbine and main transformers have been set in place
  - Construction is 29% complete as of February 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Leverages existing infrastructure
  - Existing Sewaren units will retire upon completion
  - Located in the PS Zone load pocket

Sewaren 7 – Aerial View

SI-SSA-0015-05303

E = ESTIMATE

Growth Project Update – Bridgeport 5

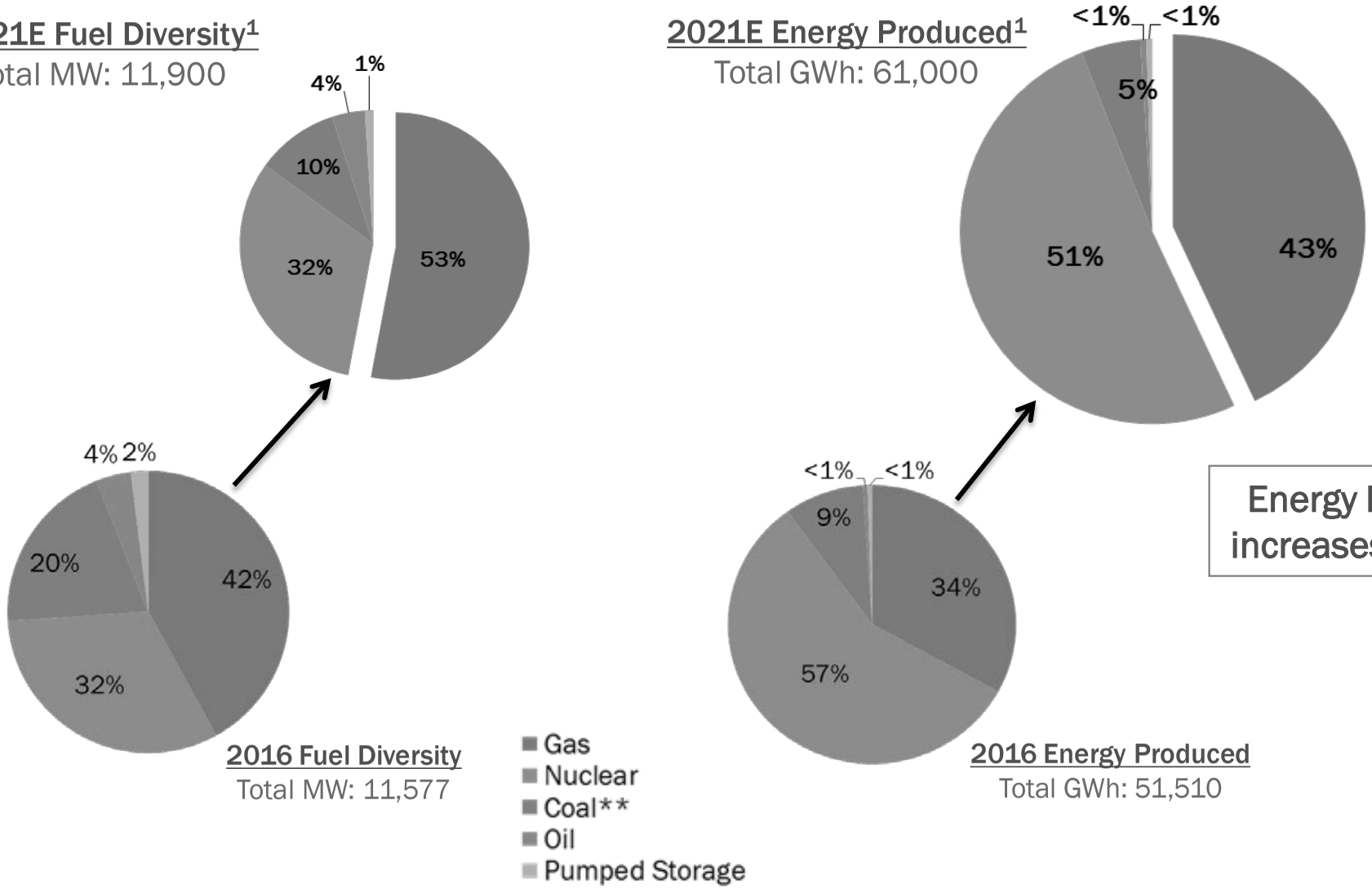
- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $525 to $575 million**
- **Major Milestones**
  - New Source Review Air Permit is expected to be issued by April 15, 2017
  - Expected to be in-service in mid-2019
- **Outlook**
  - To be constructed on the existing PSEG Bridgeport Harbor site; Bridgeport Harbor 3 will retire in 2021
  - Located in the SW Connecticut load pocket
  - Seven year capacity price lock

Bridgeport 5 – Aerial View

SI-SSA-0015-05304

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

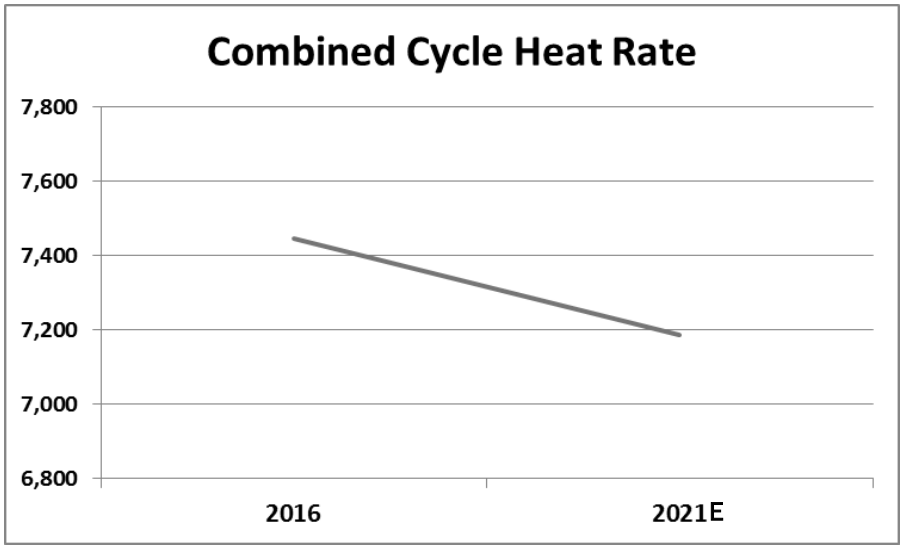


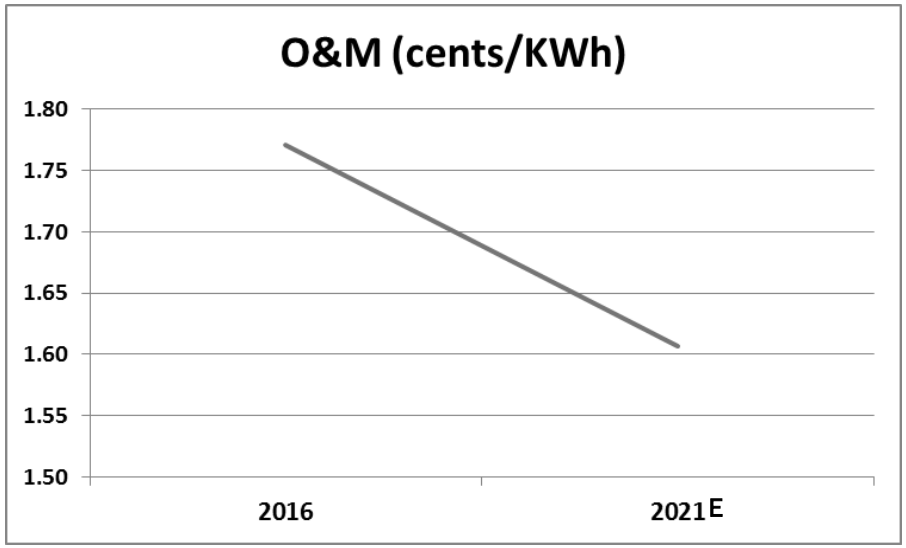
Energy Produced increases by >18%

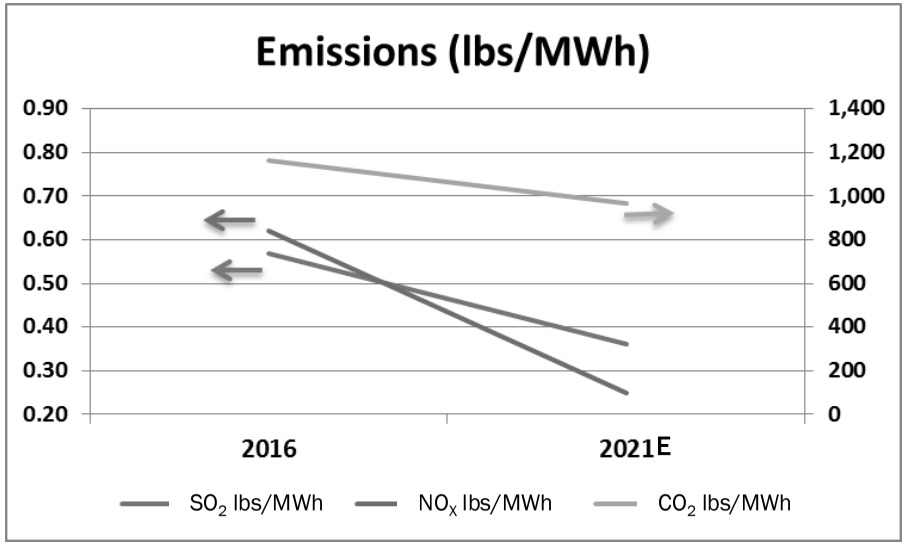
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

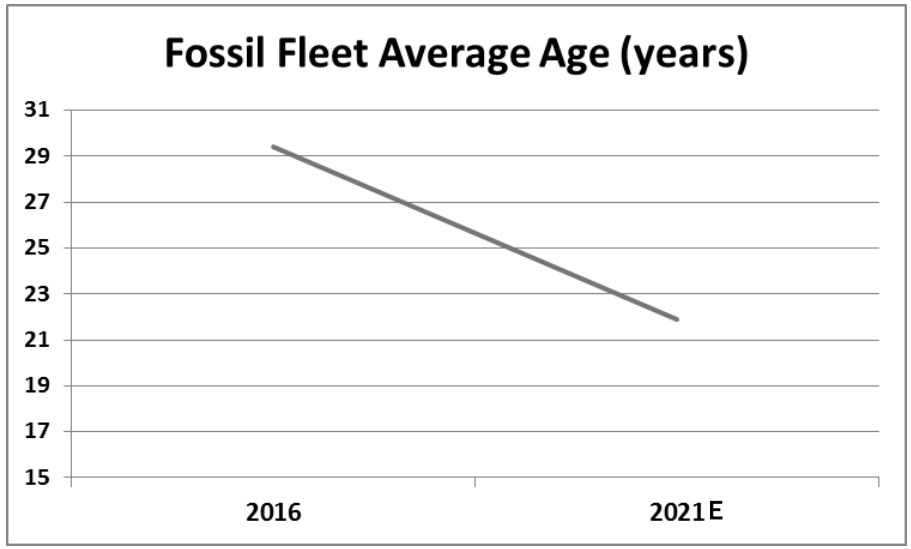
SI-SSA-0015-05305

Power's fleet is transitioning to become more efficient, productive and clean





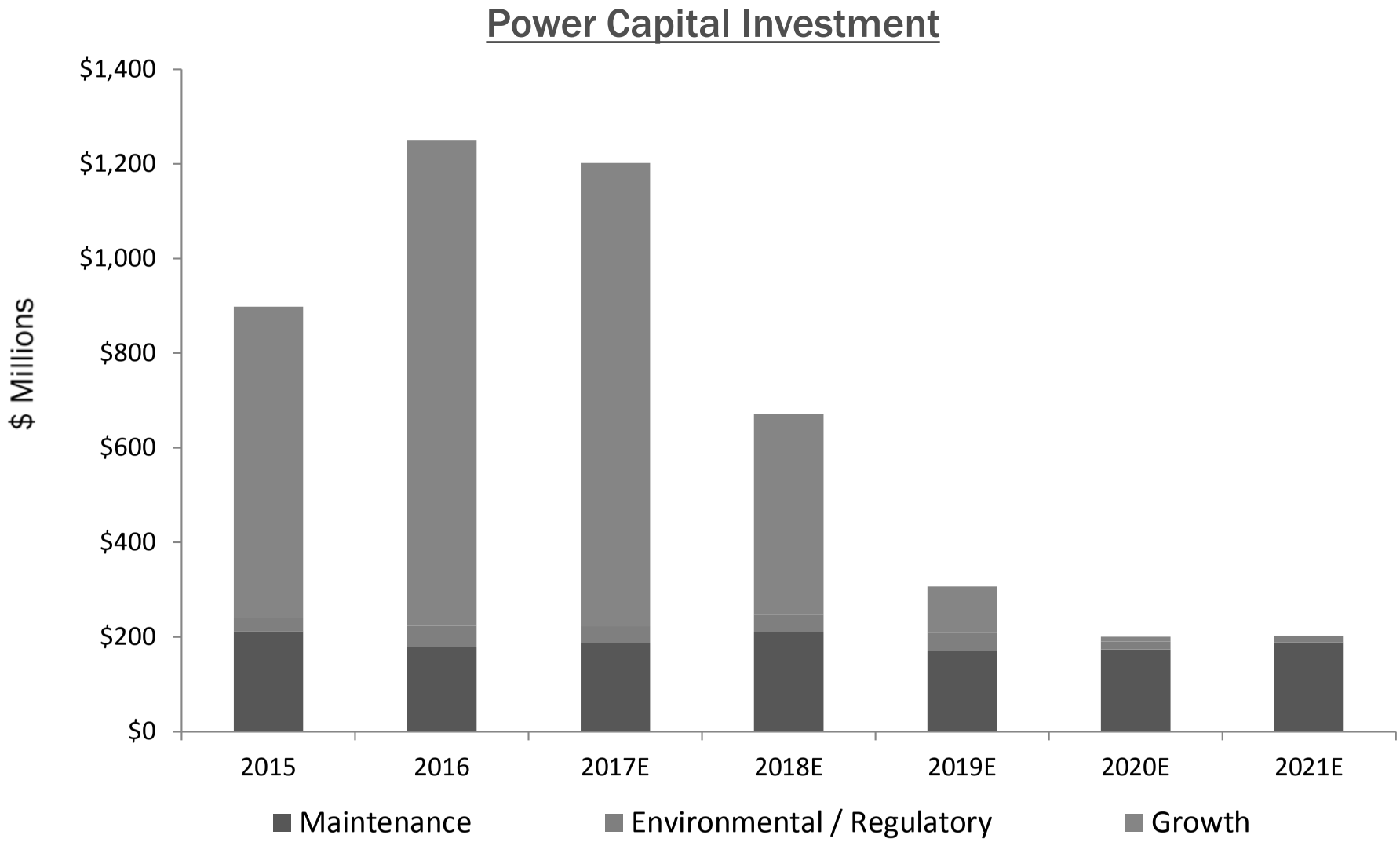




E = ESTIMATE.

SI-SSA-0015-05306

Power's capital needs decline following construction of new capacity, enhancing free cash flow

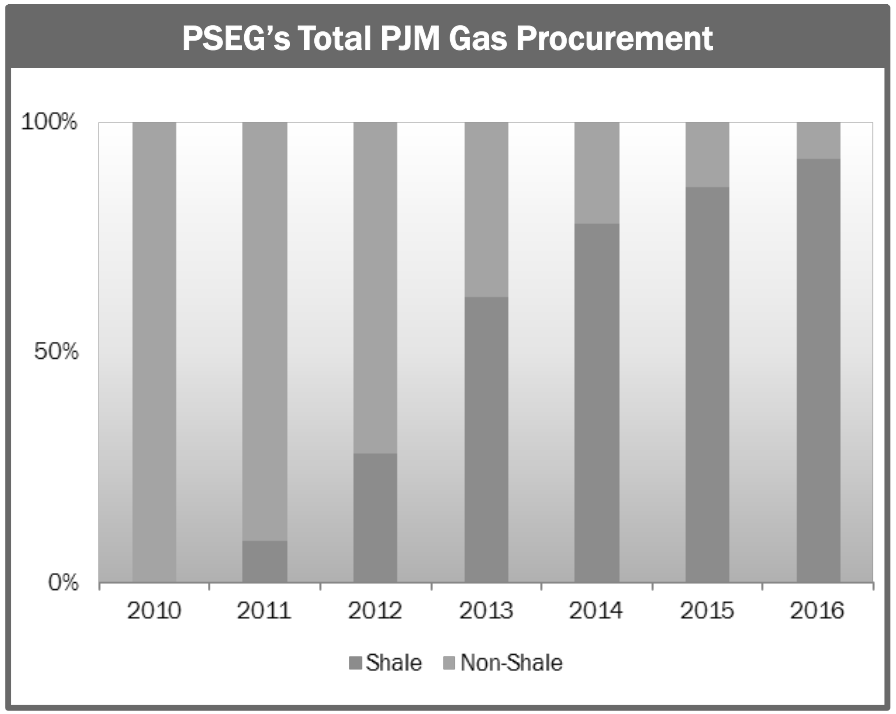


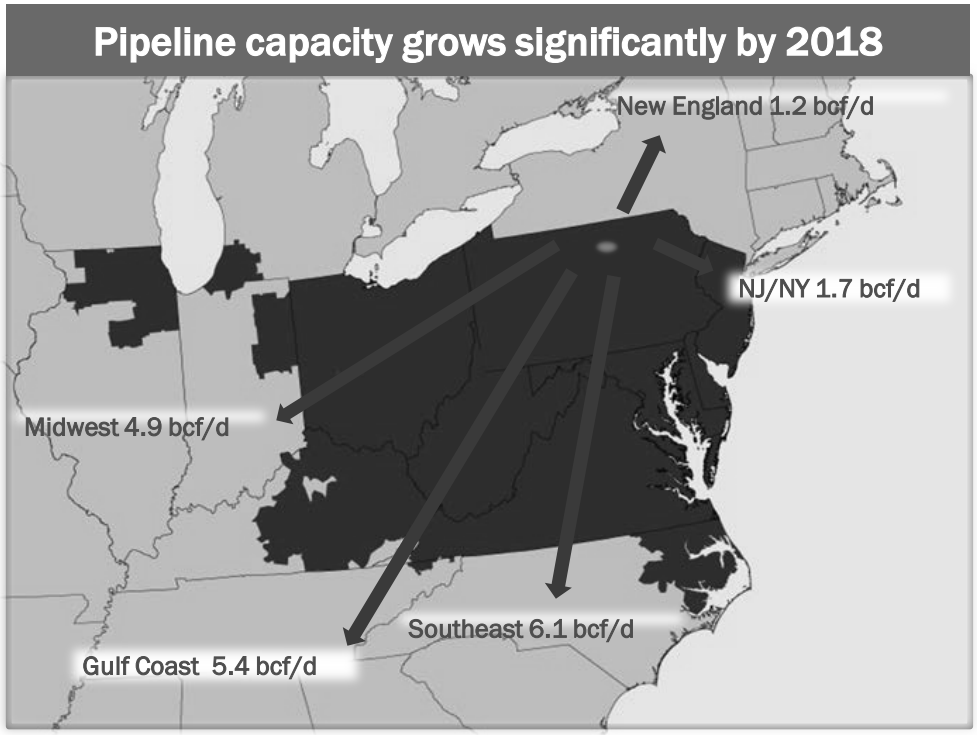
SI-SSA-0015-05307

PSEG

E=ESTIMATE. DATA AS OF FEBRUARY 2017.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Power's fleet is well-located with access to shale gas production



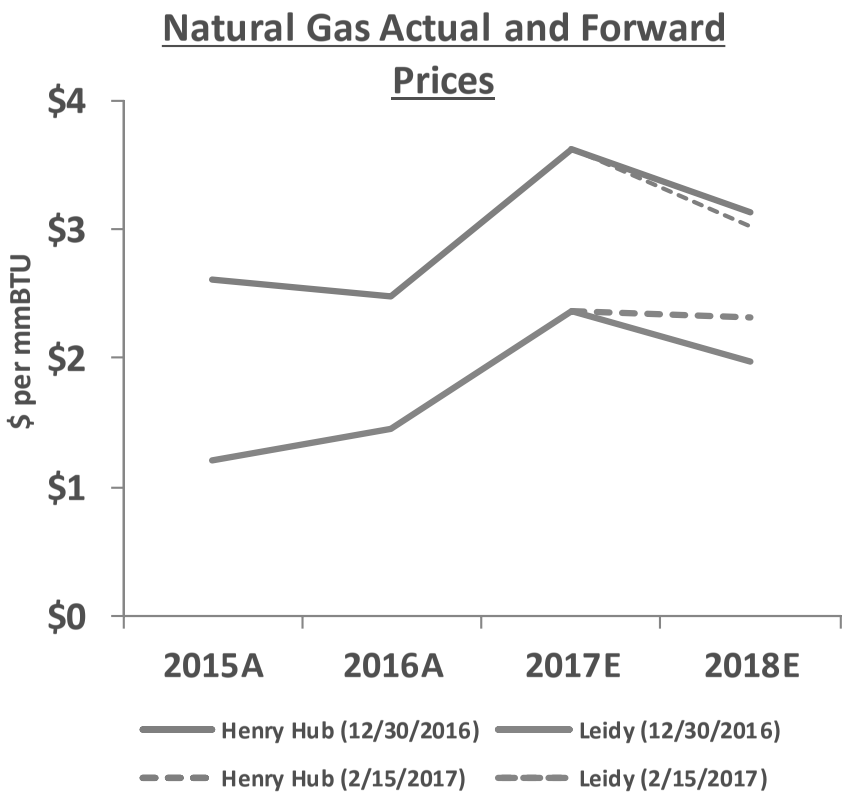


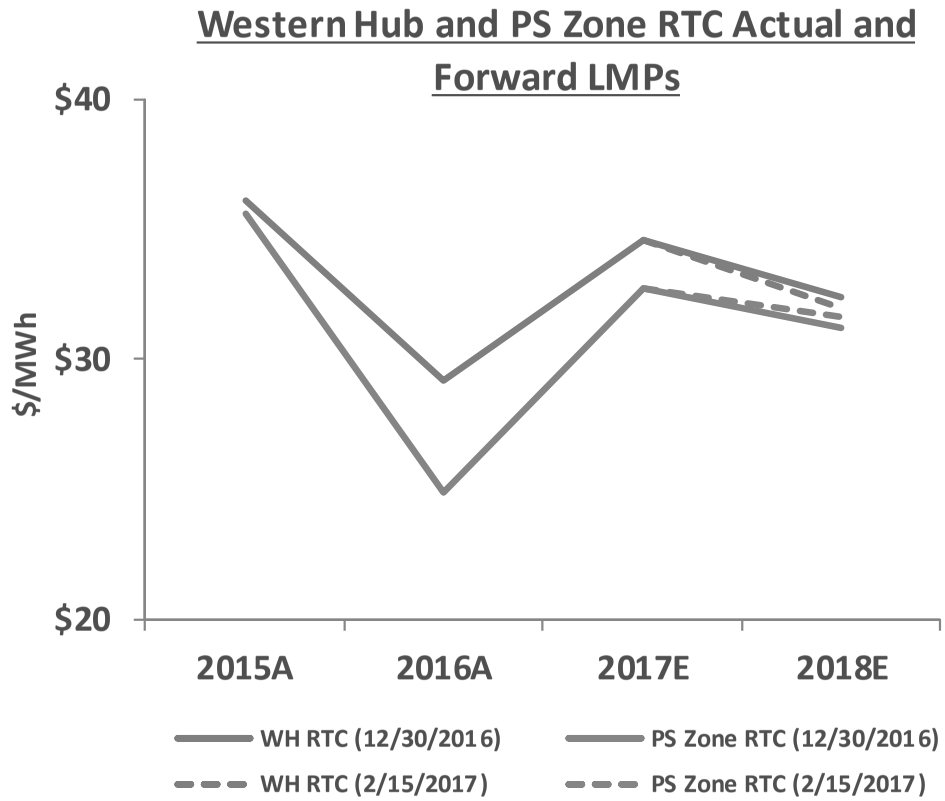
- PSEG Power procured approximately 400 BCF in 2016 with almost 50% going to PSE&G's utility gas customers
- PSEG Power's gas for PJM generation was ~100 BCF in 2016, of which >80% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-05308

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





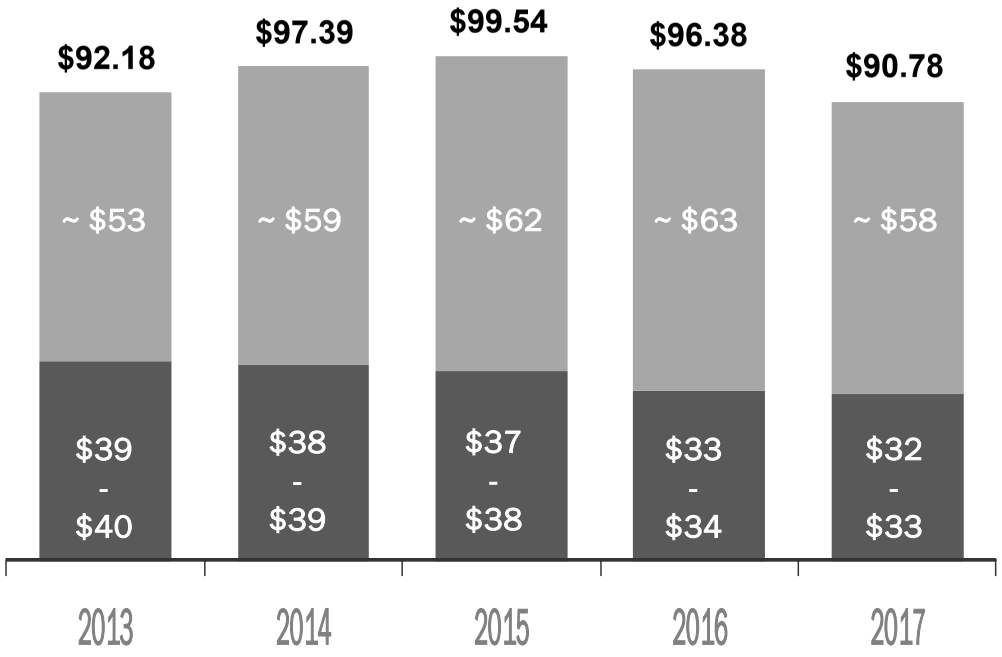
Electric basis for the PSEG Zone is also showing improvement in the forward markets

SI-SSA-0015-05309

E = ESTIMATE.

New Jersey BGS accounts for ~11 TWh of our hedging – Retail marketing will complement BGS

NJ BGS RSCP Supply Pricing

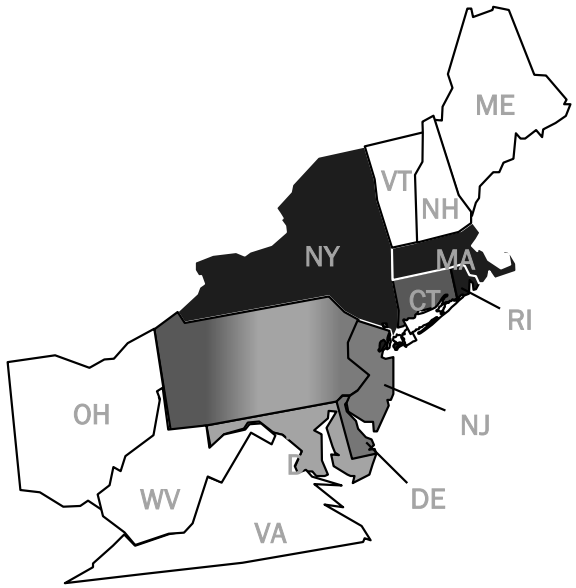


3 Year Average Round the Clock PJM West Forward Energy Price

+

- Capacity
- Load shape
- Transmission
- Congestion
- Ancillary services
- Risk premium
- Green

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial and Industrial customers
- Target:
  - Year 3: ~4 - 5,000 GWh
  - Year 5: ~8 - 10,000 GWh

SI-SSA-0015-05310

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2015-2017 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2017.

Our Hedging Strategy is designed to secure gross margin while leveraging the portfolio

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	-	-
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-05311

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

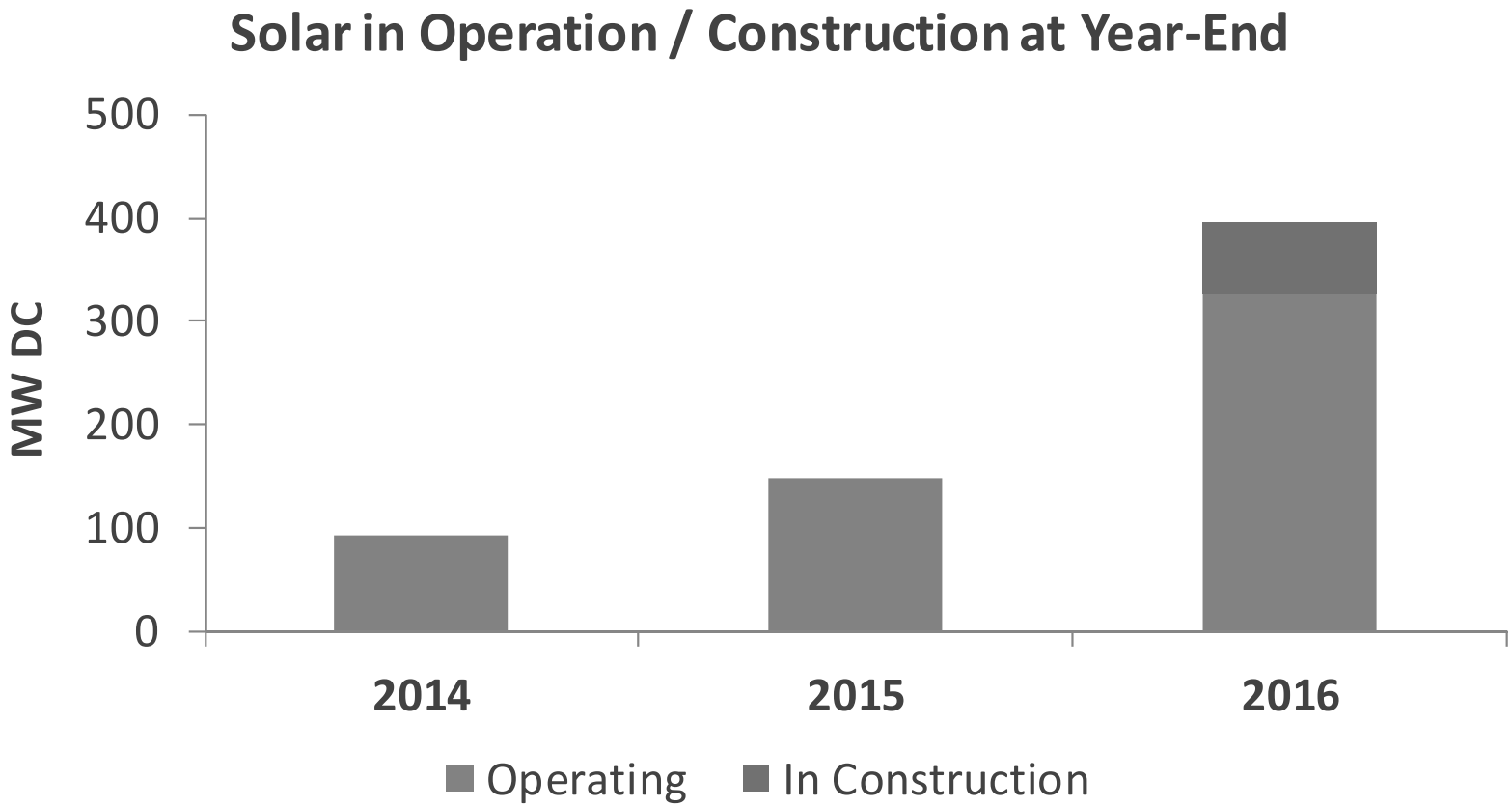
Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-05312

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Solar has grown to 326 MW_{DC} in operations with 70 MW_{DC} under construction



SI-SSA-0015-05313

PSEG

PORTFOLIO CONSISTs OF 326 MW_{DC} /257 MW_{AC} IN OPERATIONS, 70 MW_{DC}/55 MW_{AC} IN CONSTRUCTION.

Other attractive sources of revenues
round out a robust portfolio

Gas Supply and Asset Optimization

- Wholesale provider to PSE&G and others
  - Storage capacity of approximately 78 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA Fuel and Energy Dispatch Management – contract through 2024

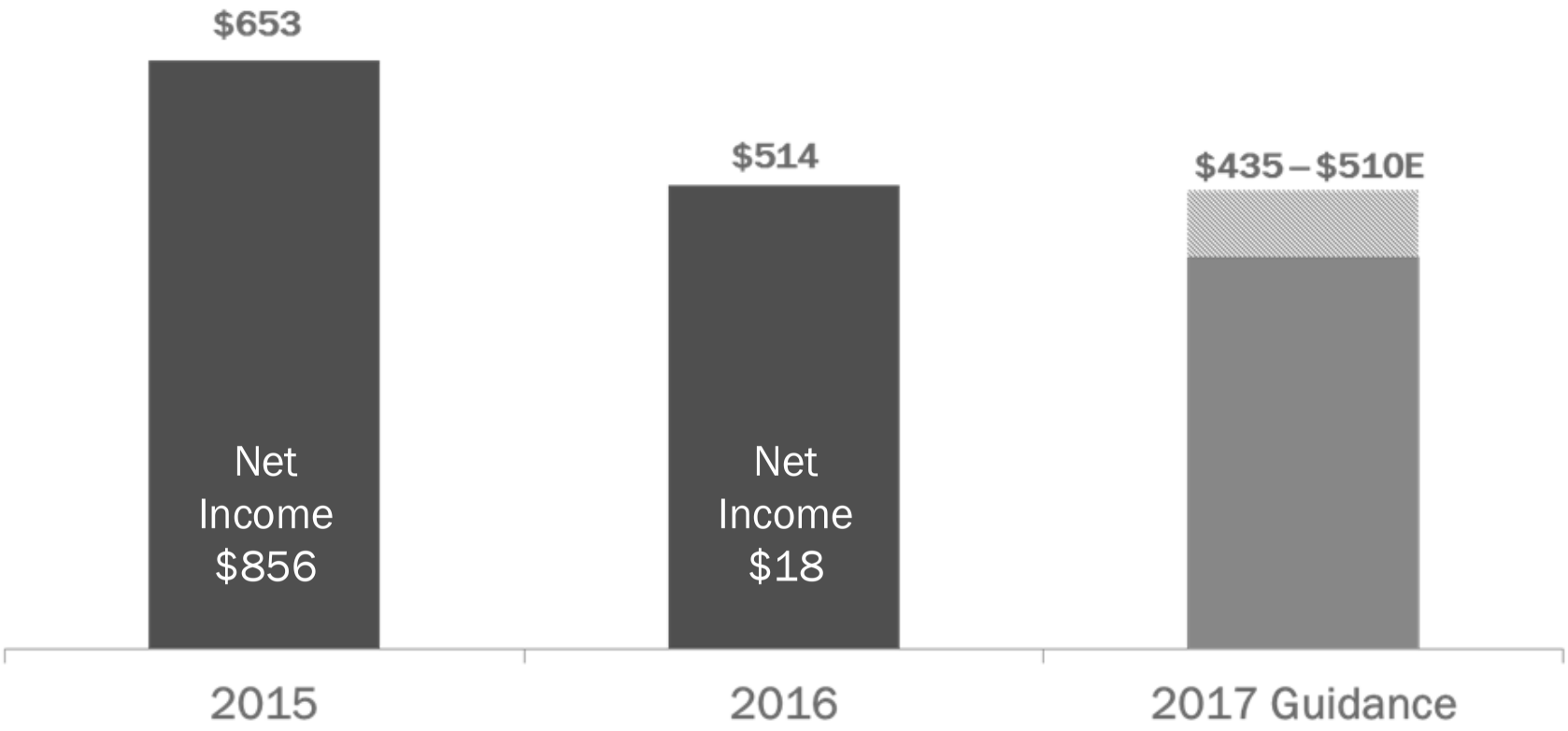
Kalaeloa, HI – 50% equity interest in a 208 MW oil-fired combined cycle unit

SI-SSA-0015-05314

Power's 2017 non-GAAP Operating Earnings

reflect efforts being taken in challenging market conditions

PSEG Power non-GAAP Operating Earnings*
($ Millions)



SI-SSA-0015-05315

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
E = ESTIMATE.

PSEG Power's Value Proposition

Efficient fleet	Advantaged locations	Investing to grow

- Well-positioned, well-run fleet of merchant generating assets in competitive markets
- Early retirement of Hudson and Mercer coal stations in mid-2017 improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Low capital requirements post-construction
- Hedging strategy to protect value of assets in declining price environment and provide stable returns and cash flow

SI-SSA-0015-05316

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-05317

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

SI-SSA-0015-05318

We consistently deliver our earnings guidance by executing our growth plans, managing O&M, and optimizing assets

PSEG Non-GAAP Operating Earnings*					
$ Millions (except EPS)	2012	2013	2014	2015	2016
Initial Operating Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95	$2.80 – $3.00
*Non-GAAP Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.90
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance	Mid-Point of Guidance

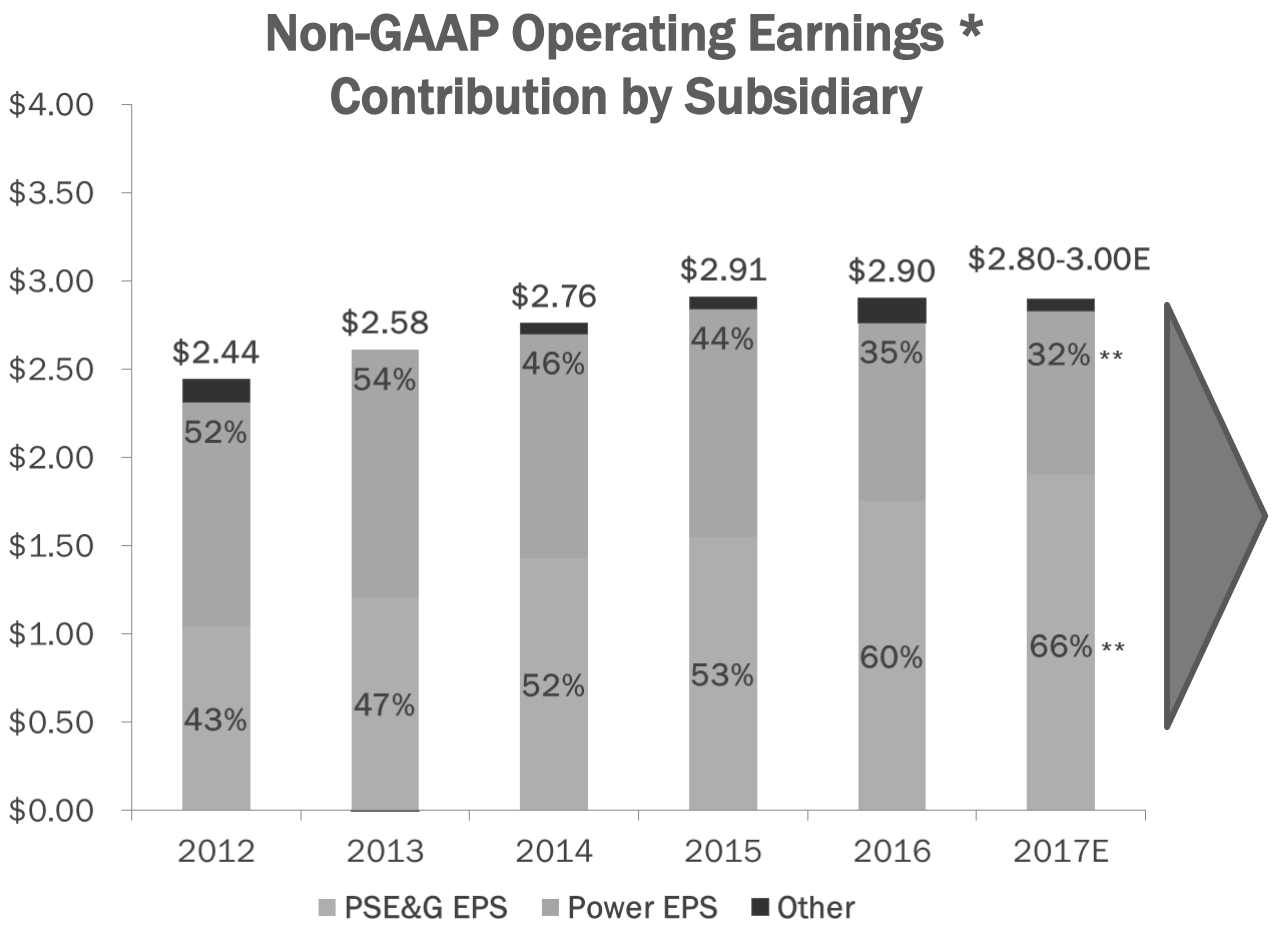
Producing strong results in challenging conditions, including a low commodity price environment and unfavorable weather

SI-SSA-0015-05319

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E= ESTIMATE.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



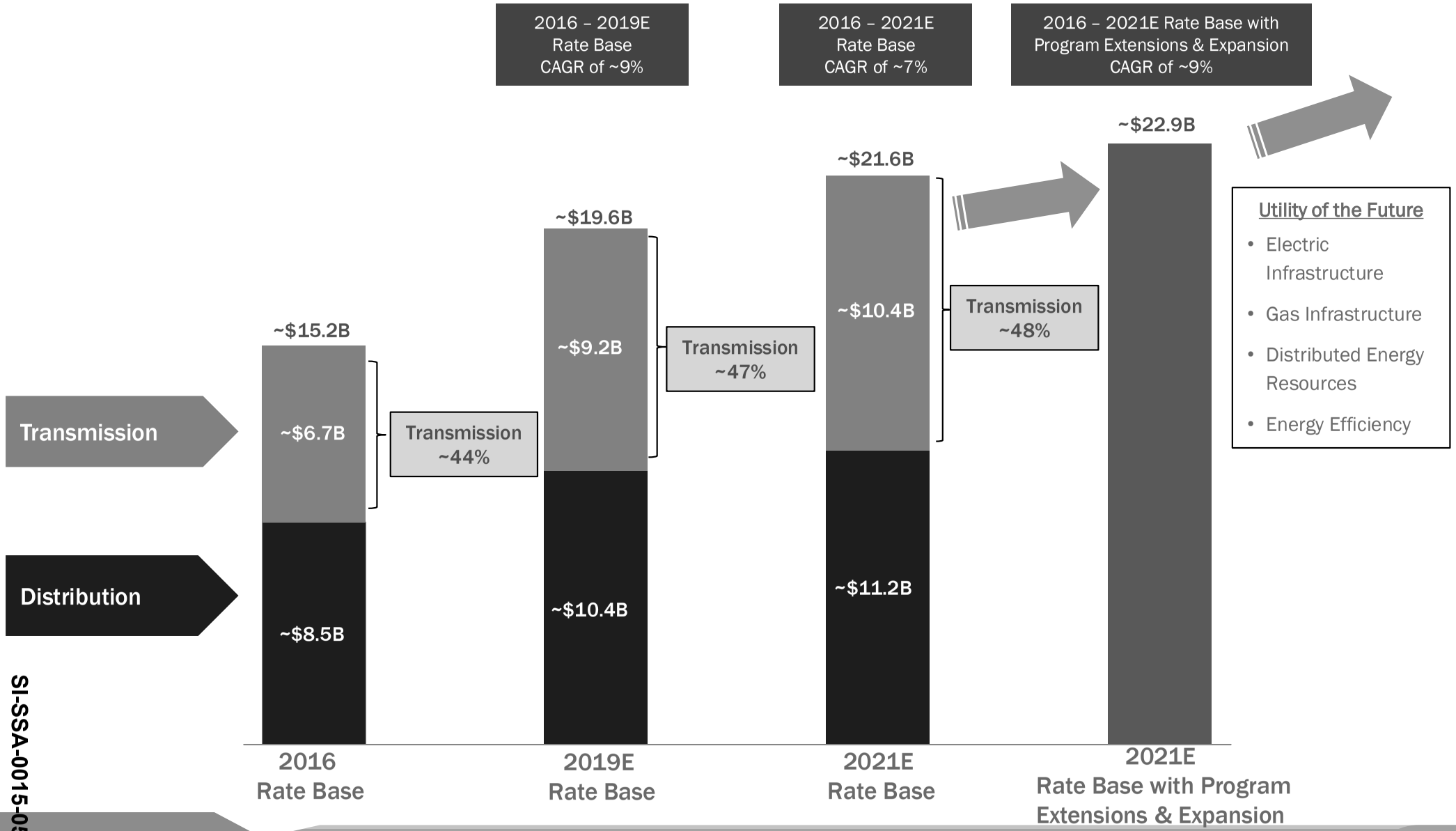
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-05320

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE AS OF MARCH 7, 2017. E= ESTIMATE .

PSE&G's capital spending drives high single-digit growth in rate base

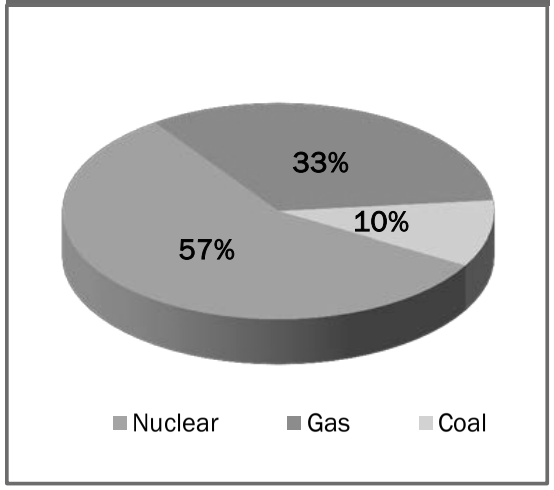


E = ESTIMATE.

SI-SSA-0015-05321

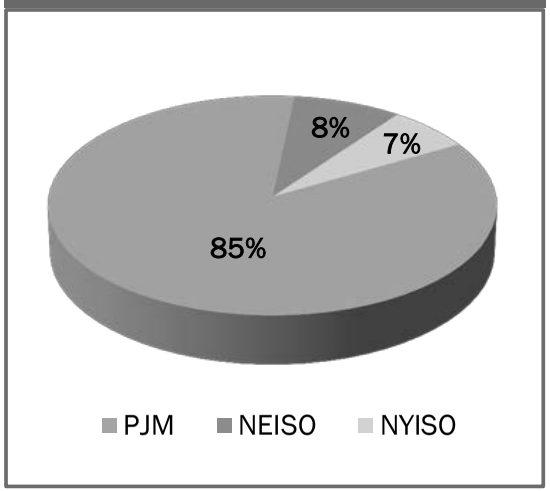
Power's hedging program has secured 55% - 60% of its estimated gross margin for the next 3 years

Energy Produced in 2016



51,510 GWh

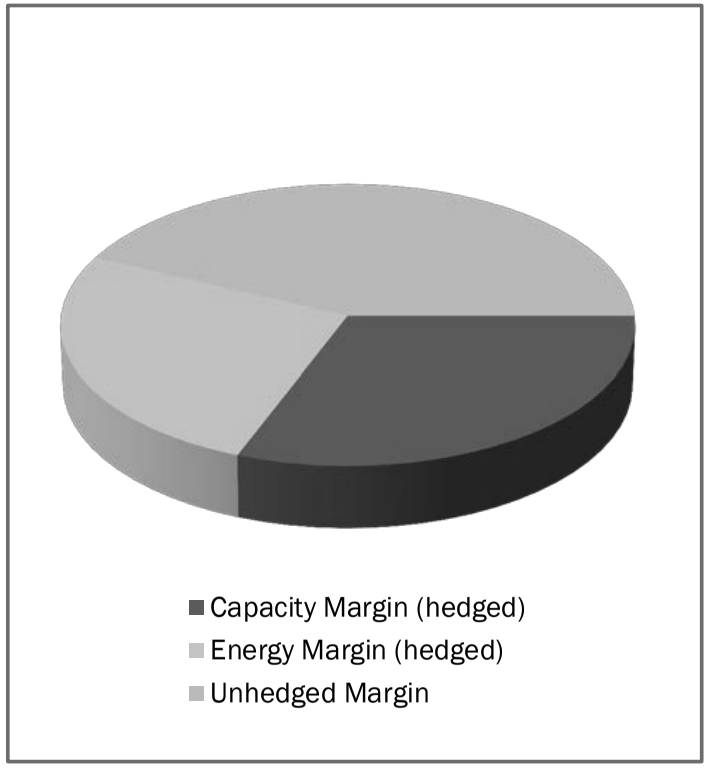
Capacity Available in 2016



11,577 MW

3 Year Average - Gross Margin (%)

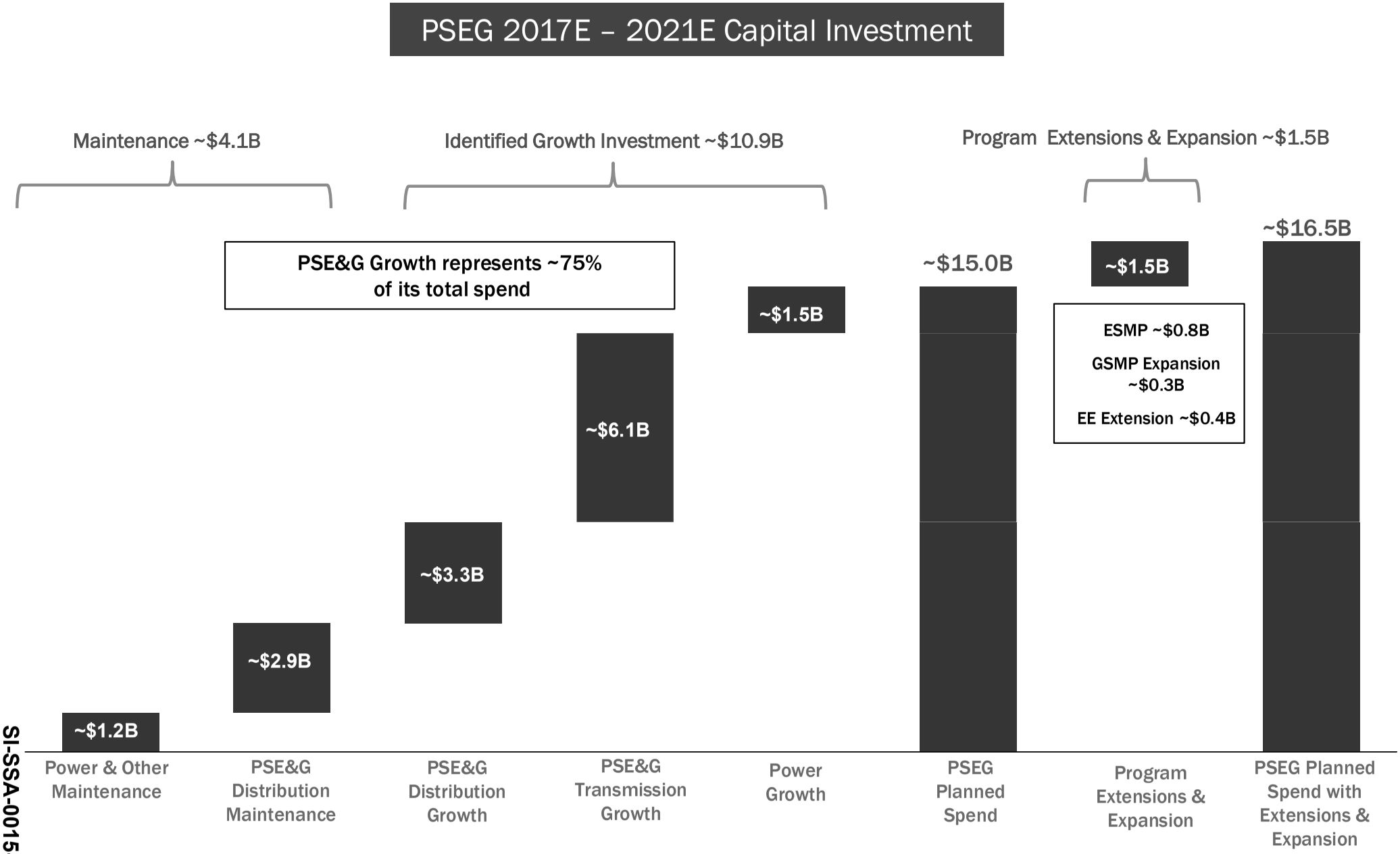
2017E-2019E



. E = ESTIMATE.

SI-SSA-0015-05322

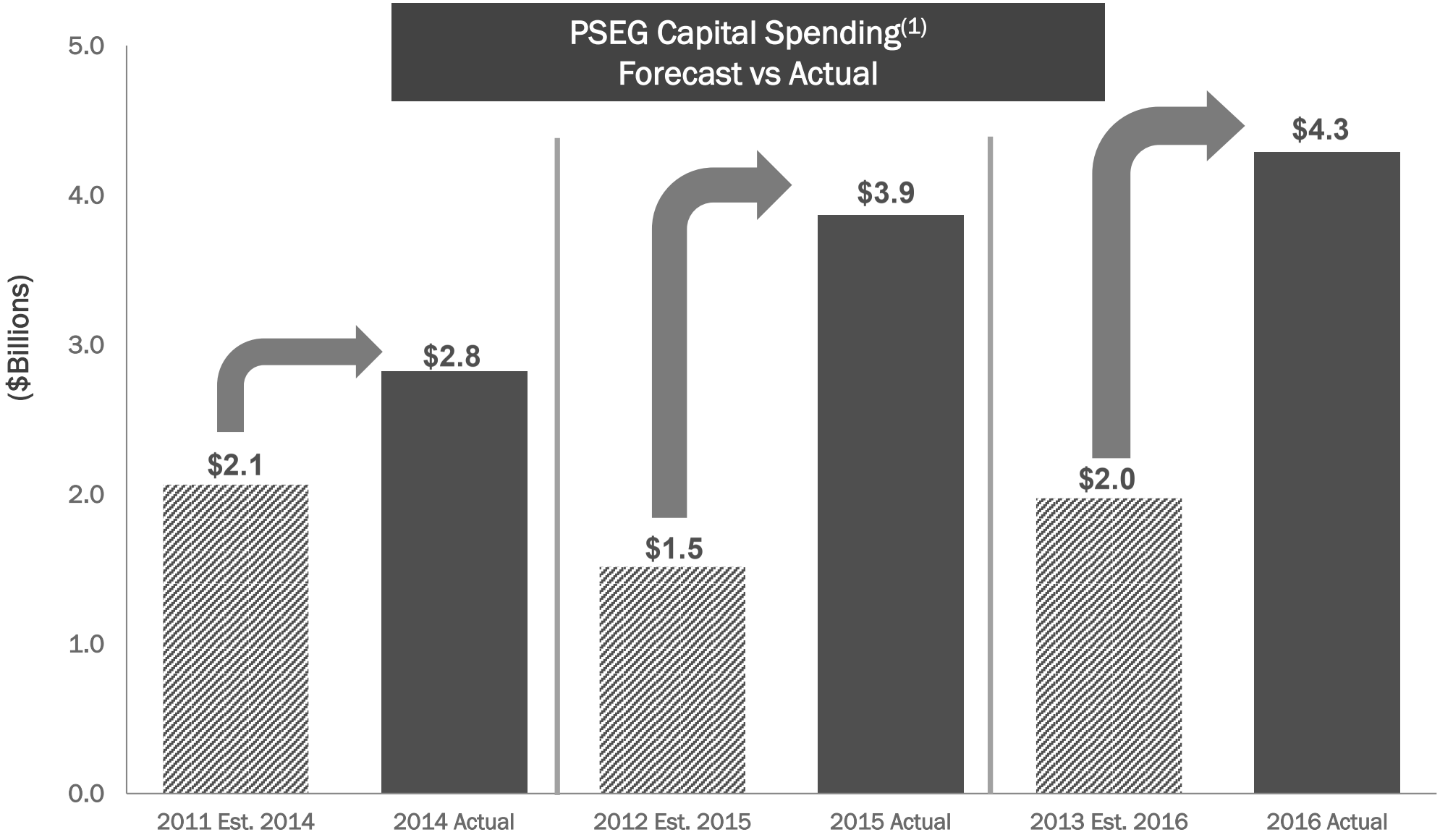
PSEG capital program focused on growth



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

SI-SSA-0015-05323

We have demonstrated an ability to identify opportunities to deploy our balance sheet

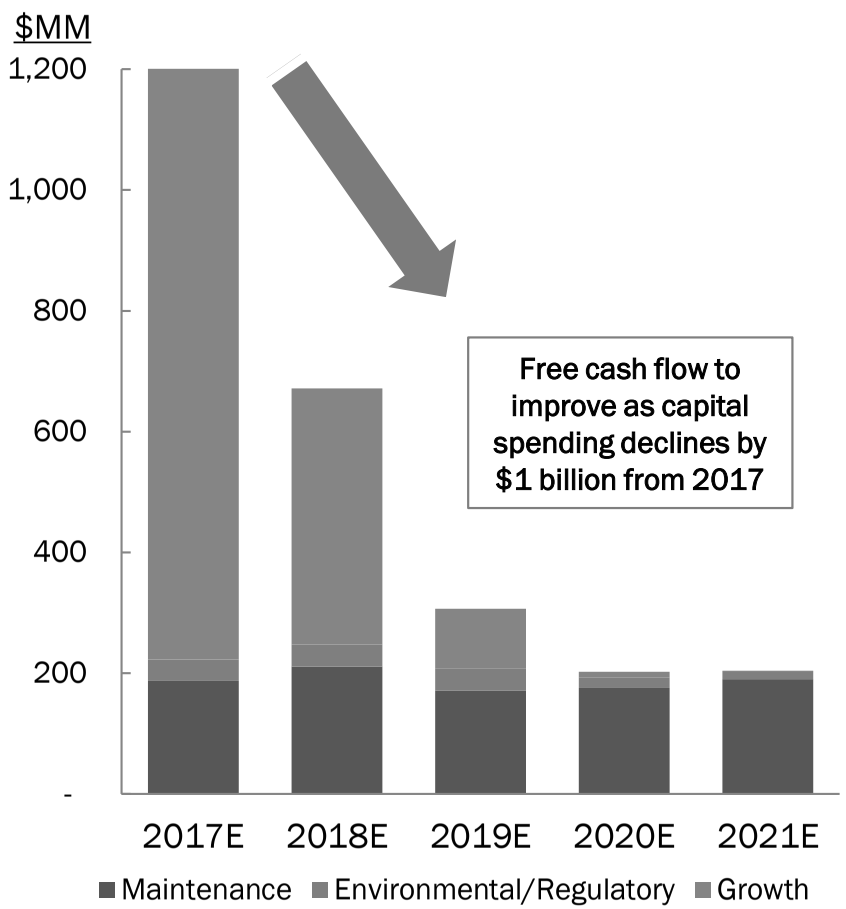


(1) CAPITAL INCLUDES IDC AND AFUDC.

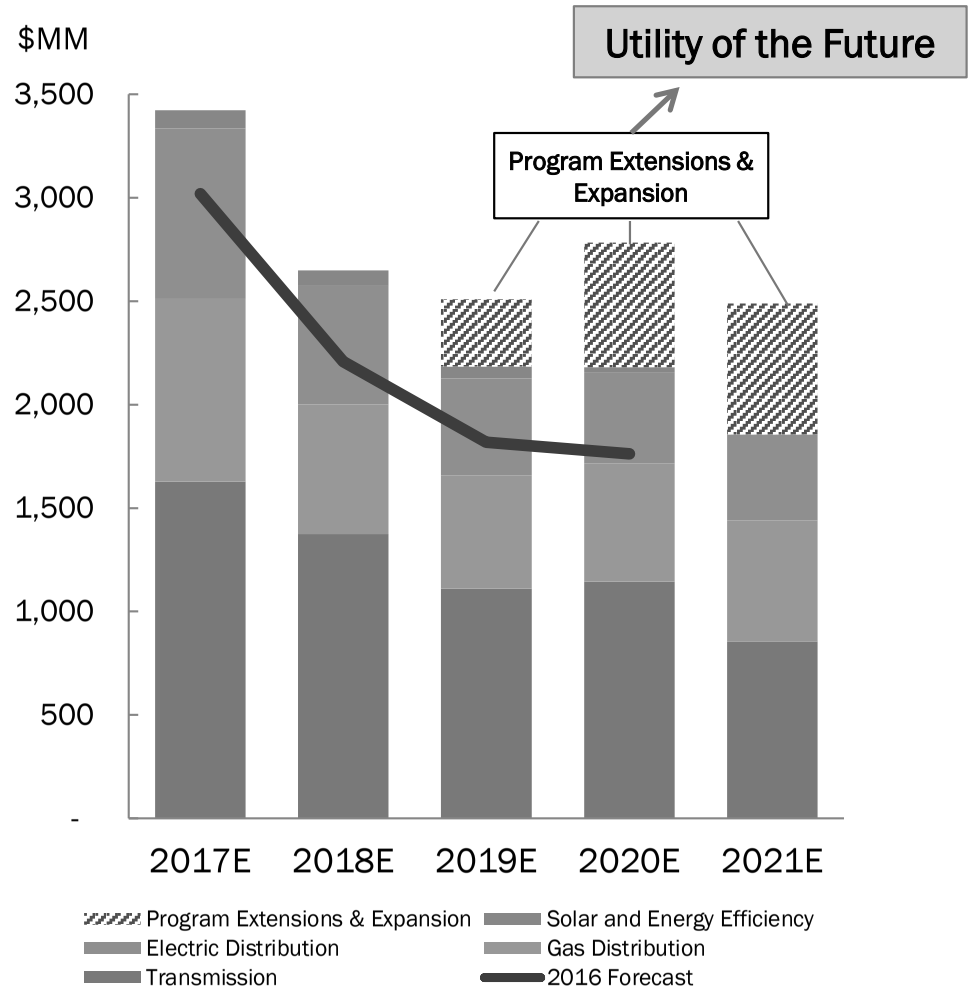
SI-SSA-0015-05324

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)

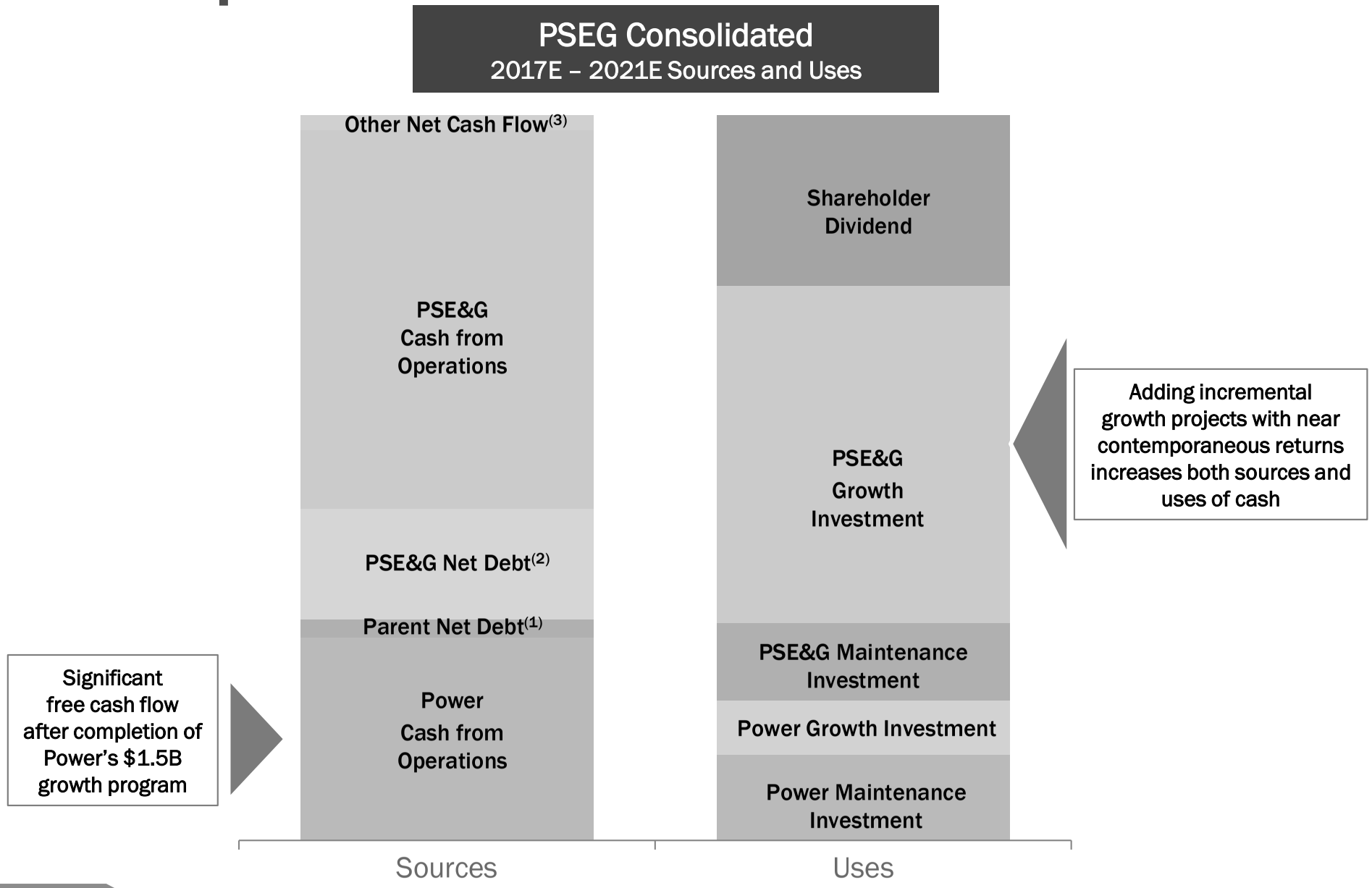


PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Growth in PSE&G results in a more regulated cash flow profile



1) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES OTHER PSEG NET CASH FLOW E = ESTIMATE

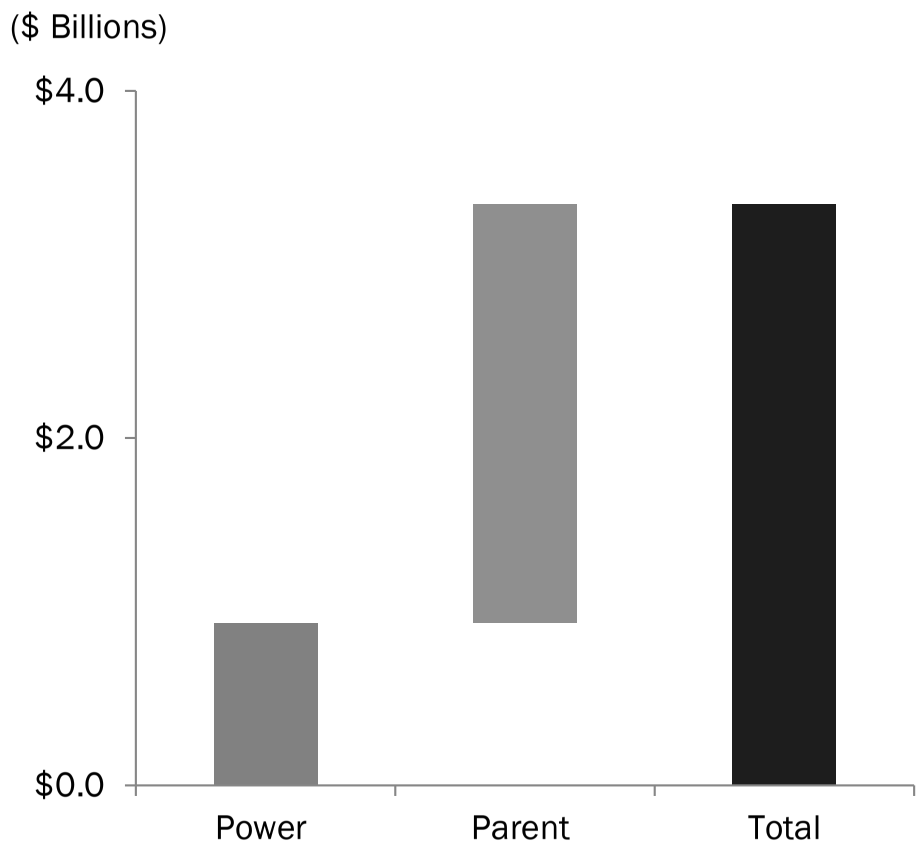
SI-SSA-0015-05326

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity

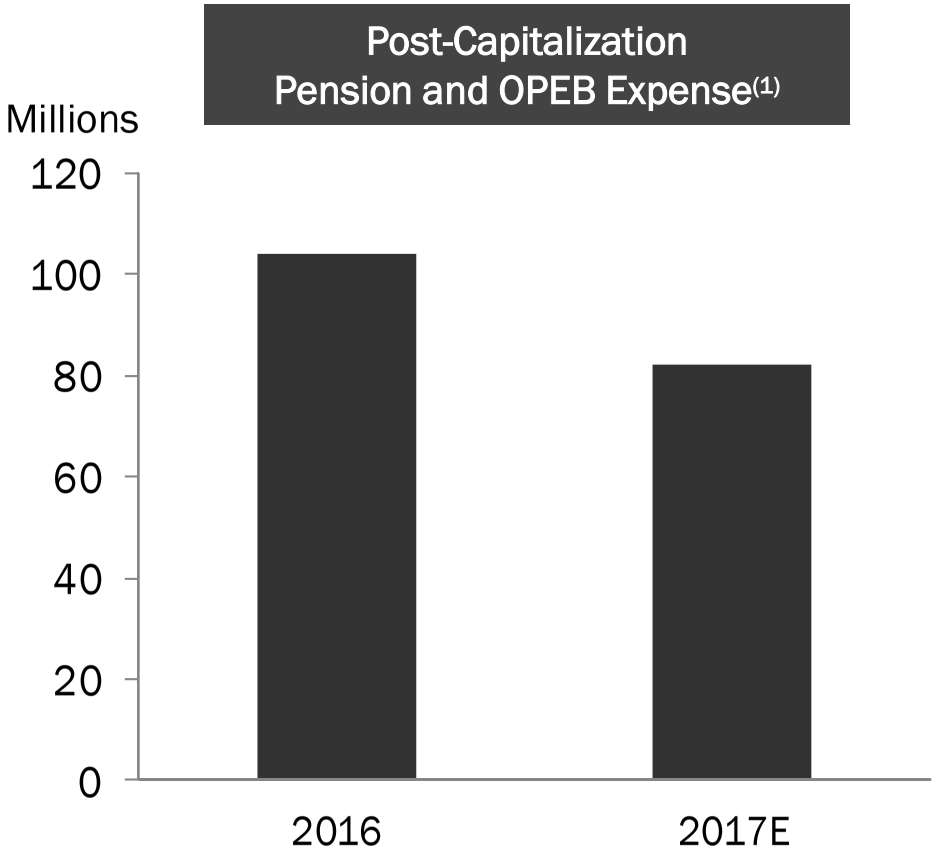


Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-05327

Manageable Pension and OPEB Expense

with a reduction of ~$22 million in 2017

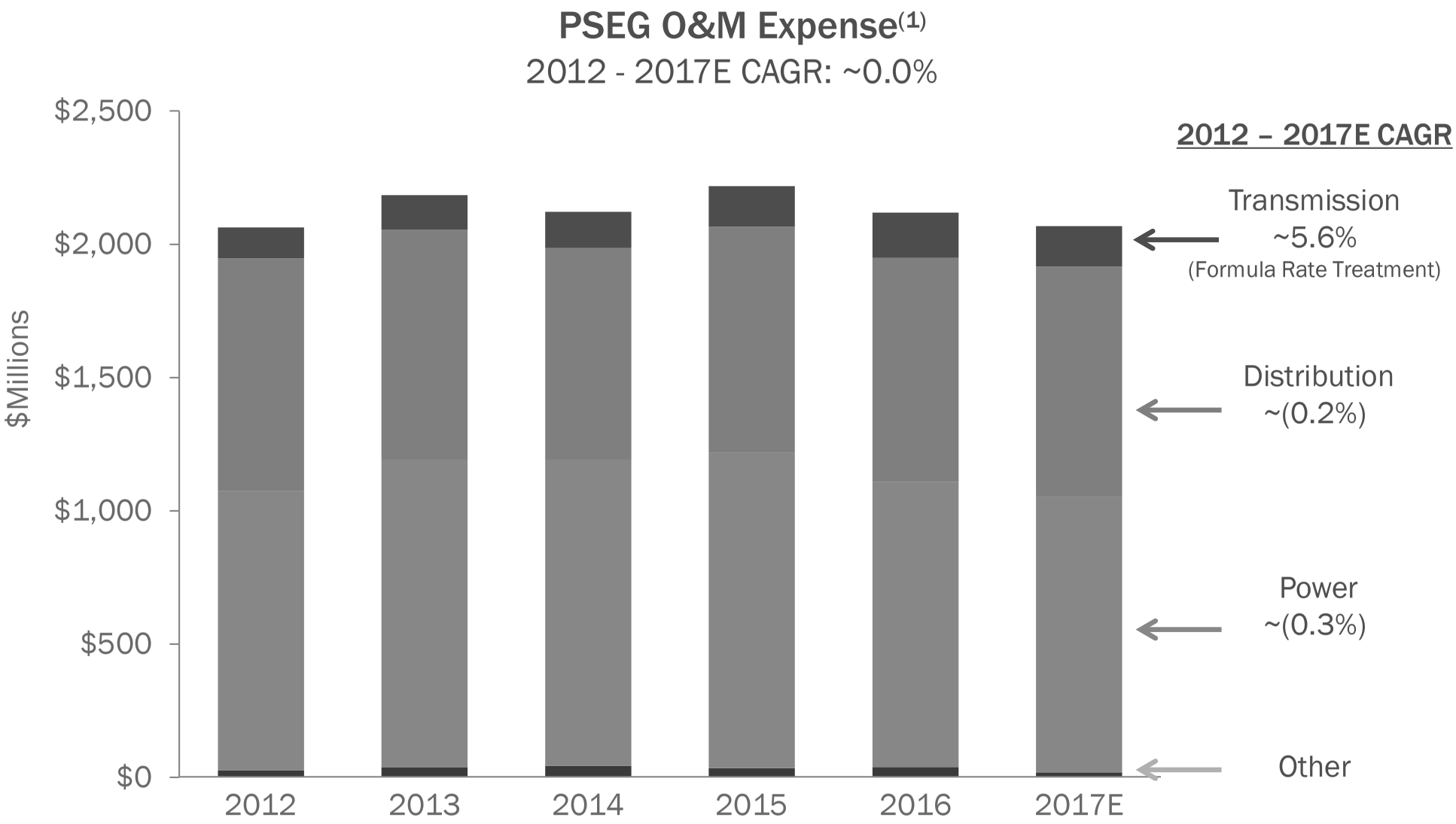


- 2016 Pension funded ratio ~90%
- Historical 5-year annualized pension returns exceeded 10%
- No qualified pension contributions planned
- Merger of three pension plans contribute to reduction in pension expense
- Pension expense expected to decline beyond 2017

(1) Post-Capitalization and Pre-tax expense

SI-SSA-0015-05328

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



SI-SSA-0015-05329

PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

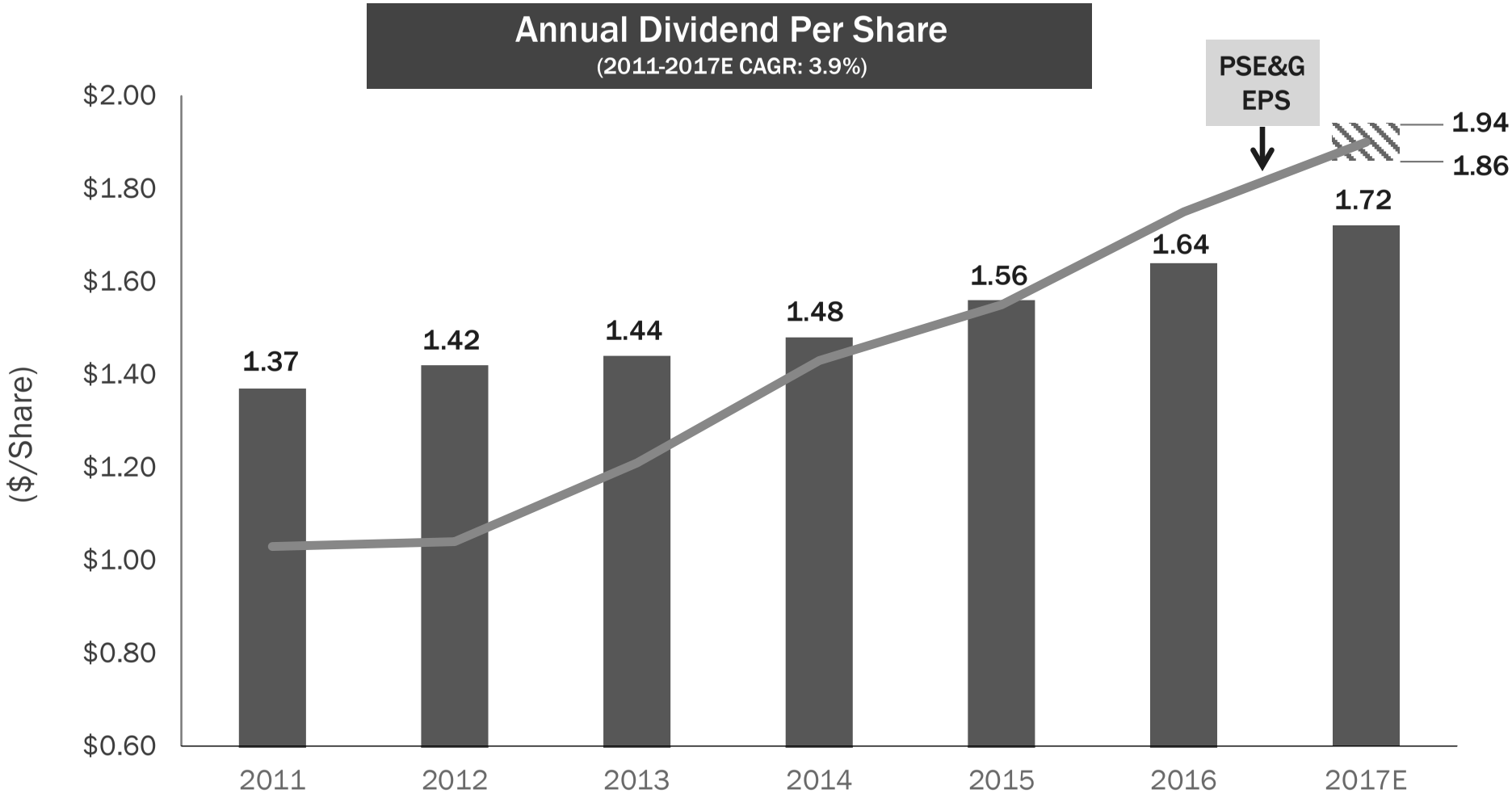
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-05330

Opportunity for meaningful and sustainable dividend growth



Payout Ratio	50%	58%	56%	54%	54%	57%	59%(1)

(1) THE 2017 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80-$3.00 PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

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PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2017E	2018E	2019E
Each $0.75/mcf Change in Natural Gas	$0.00 - $0.02	$0.02 - $0.05	$0.08 - $0.12
Each $2/MWh Change in Spark Spread	$0.03	$0.05	$0.06
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.02
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2016 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- 2017 guidance for Operating Earnings (non-GAAP) of $2.80 to $3.00 per share supported by PSE&G growth
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	**$ 887**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 1,475**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	**$ 1.75**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 2.90**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

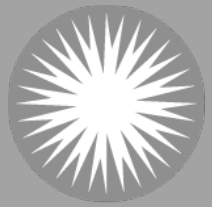
PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Barclays – Investor Meetings

EUROPE - MARCH 12-14, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05336

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-05337

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-05338

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-05339

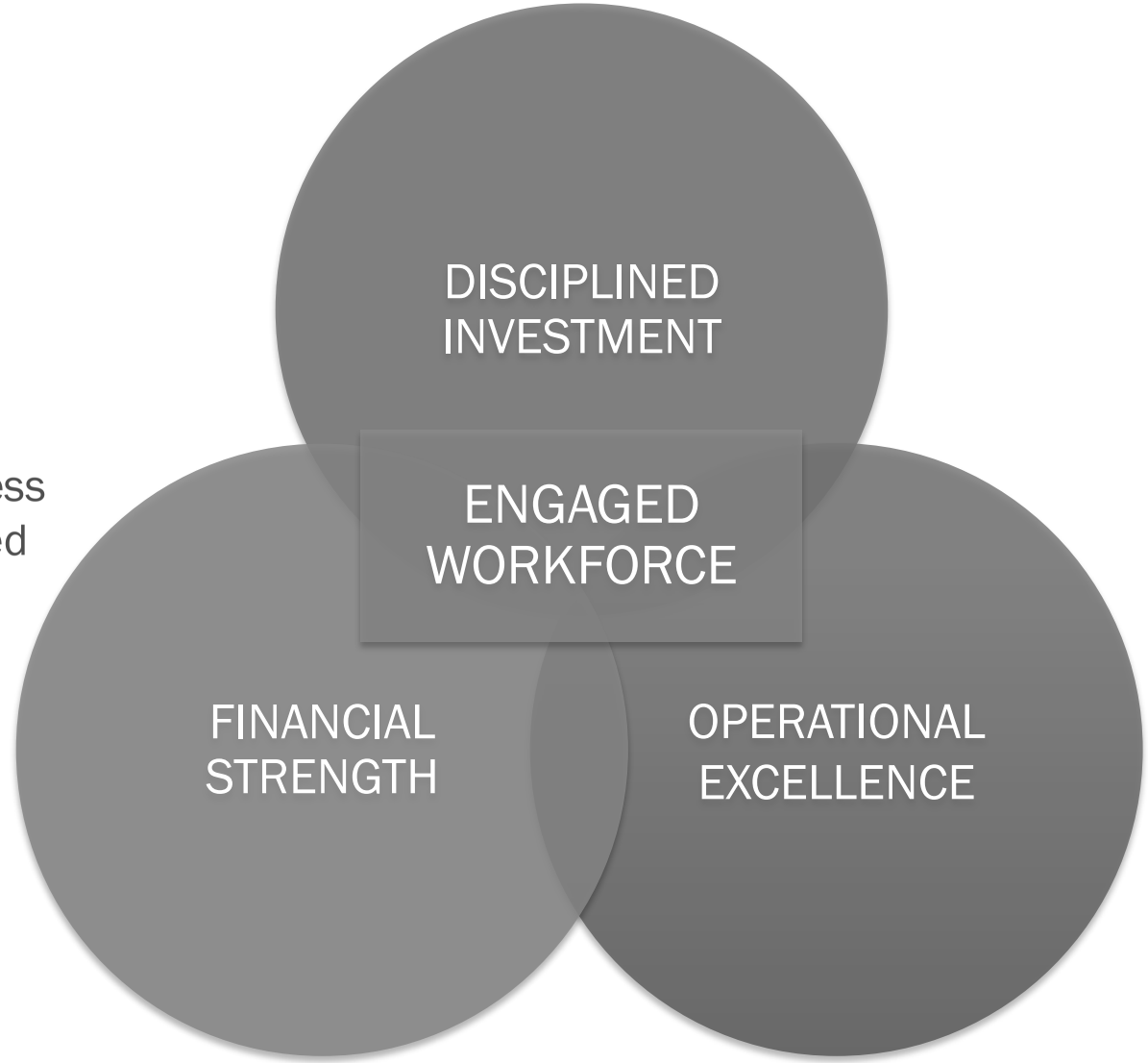
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

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ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong program under discussion ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

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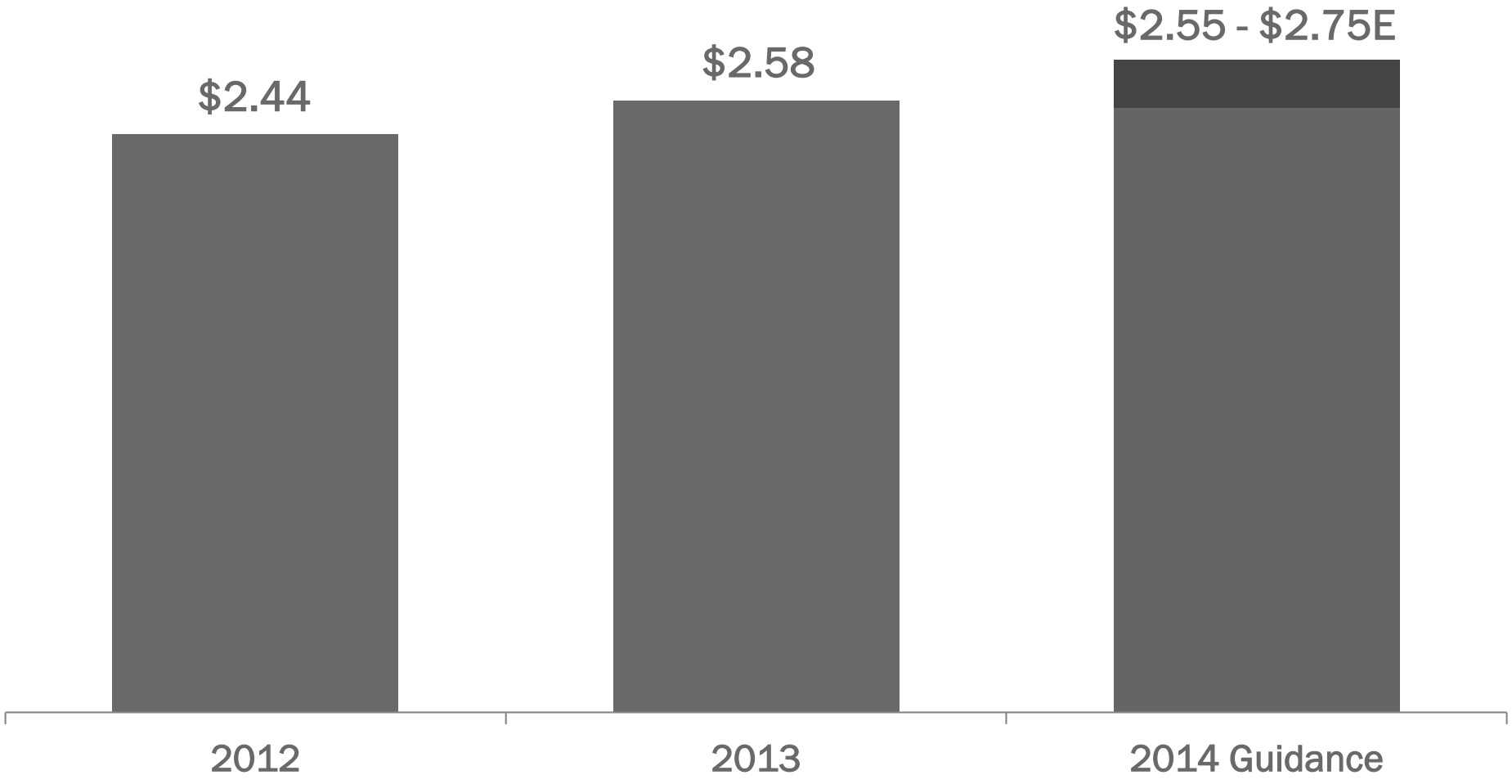
Operating Earnings Guidance

Building on the successful implementation of our strategy



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PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

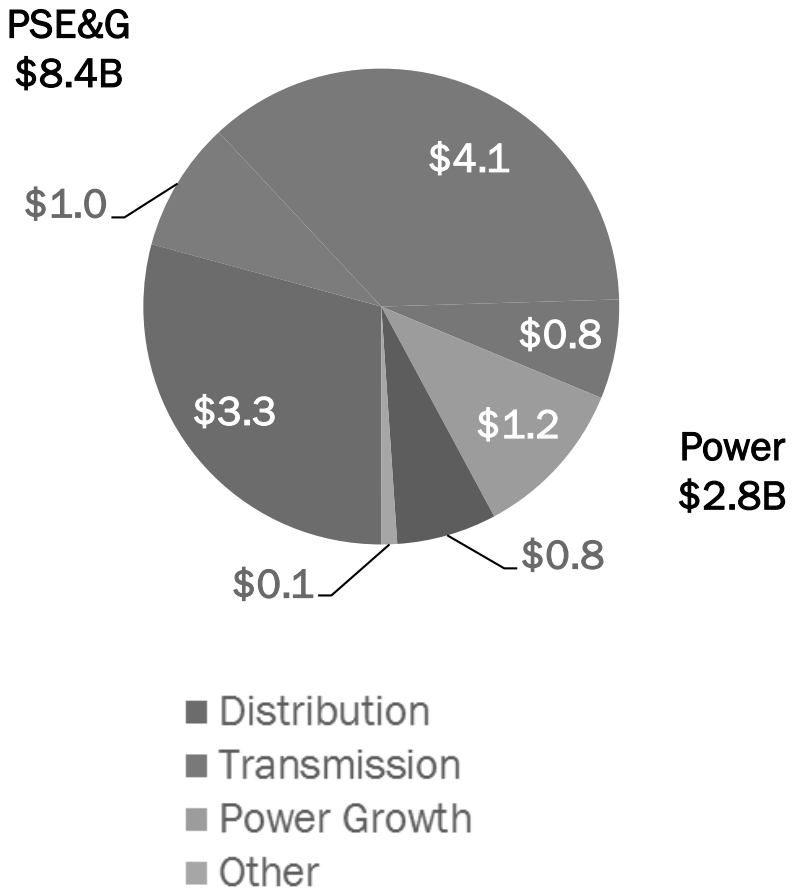
SI-SSA-0015-05344

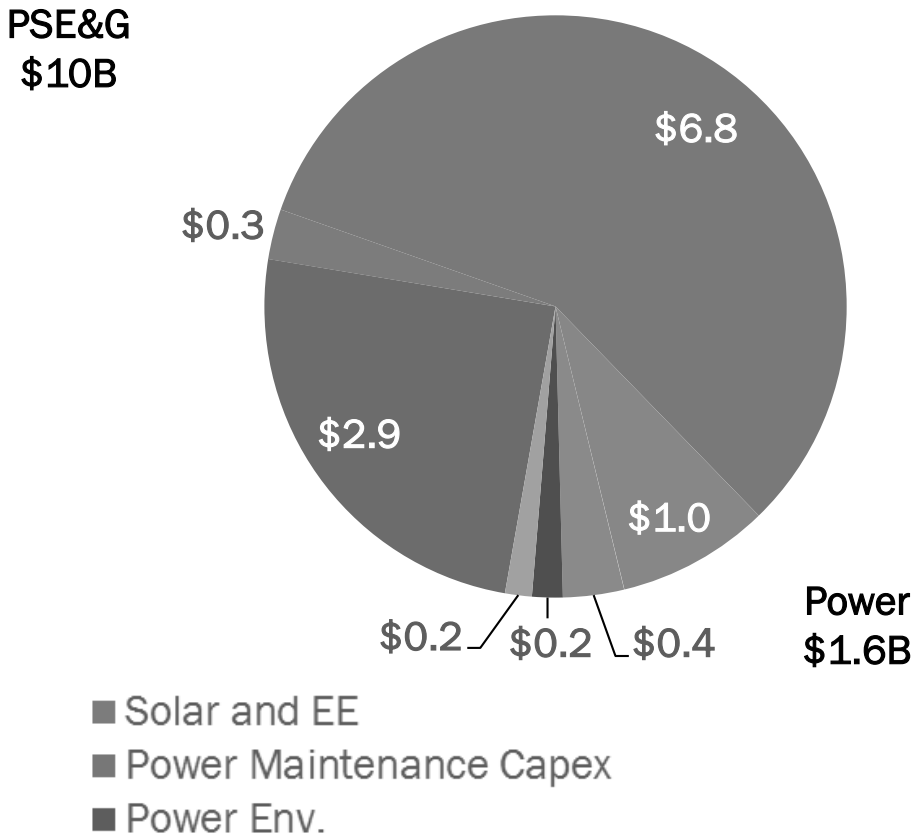
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion





NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

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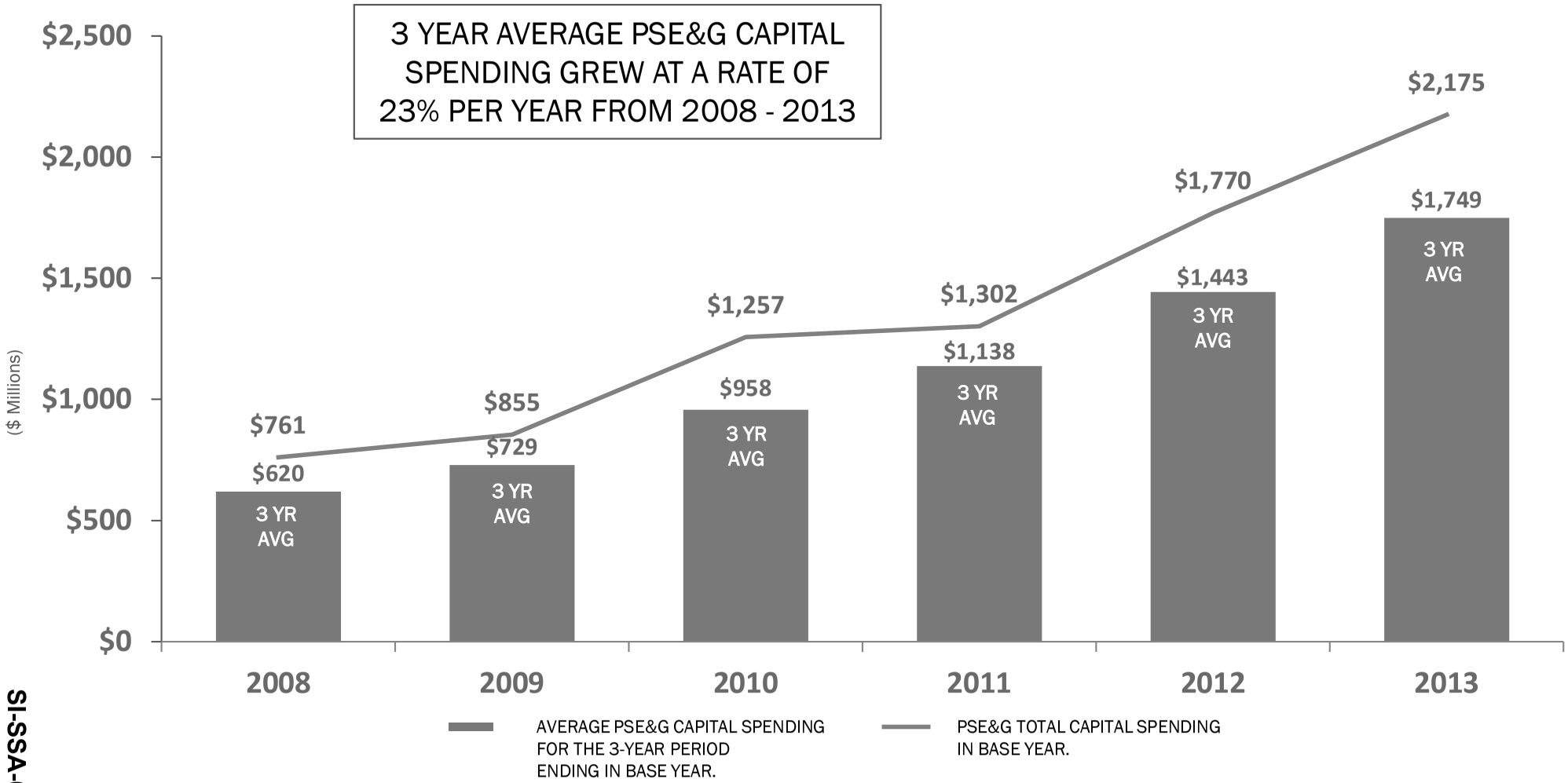
PSEG's business profile has been transformed through significant growth in utility capital spending



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Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

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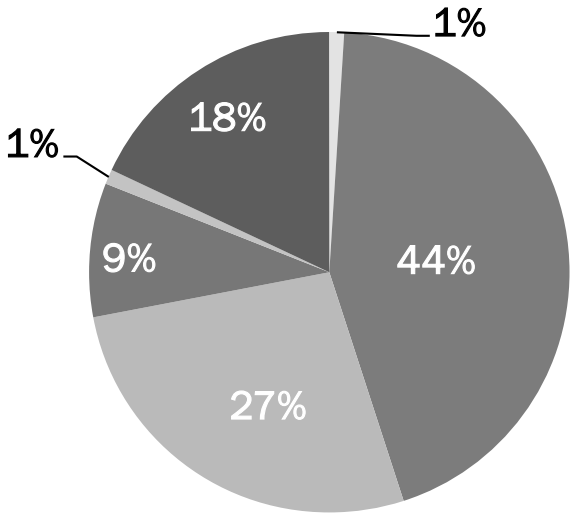
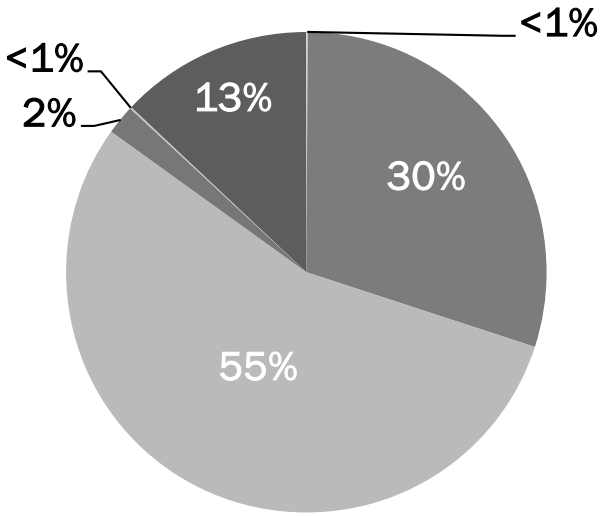
PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

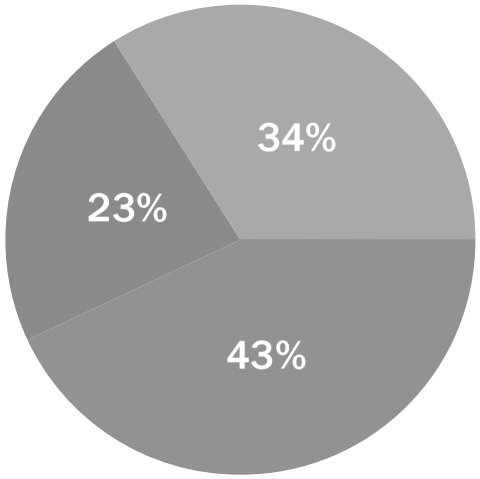
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

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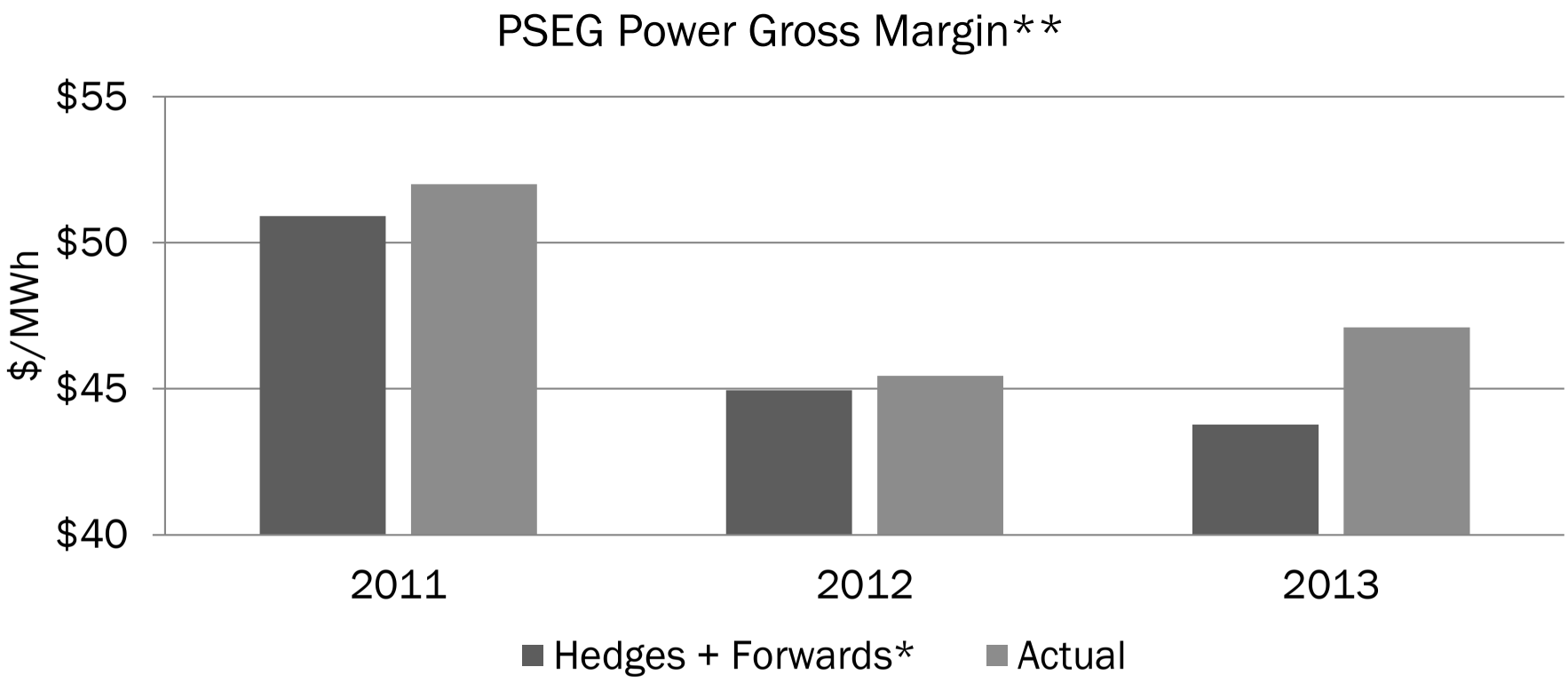
PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



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*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

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Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.5%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

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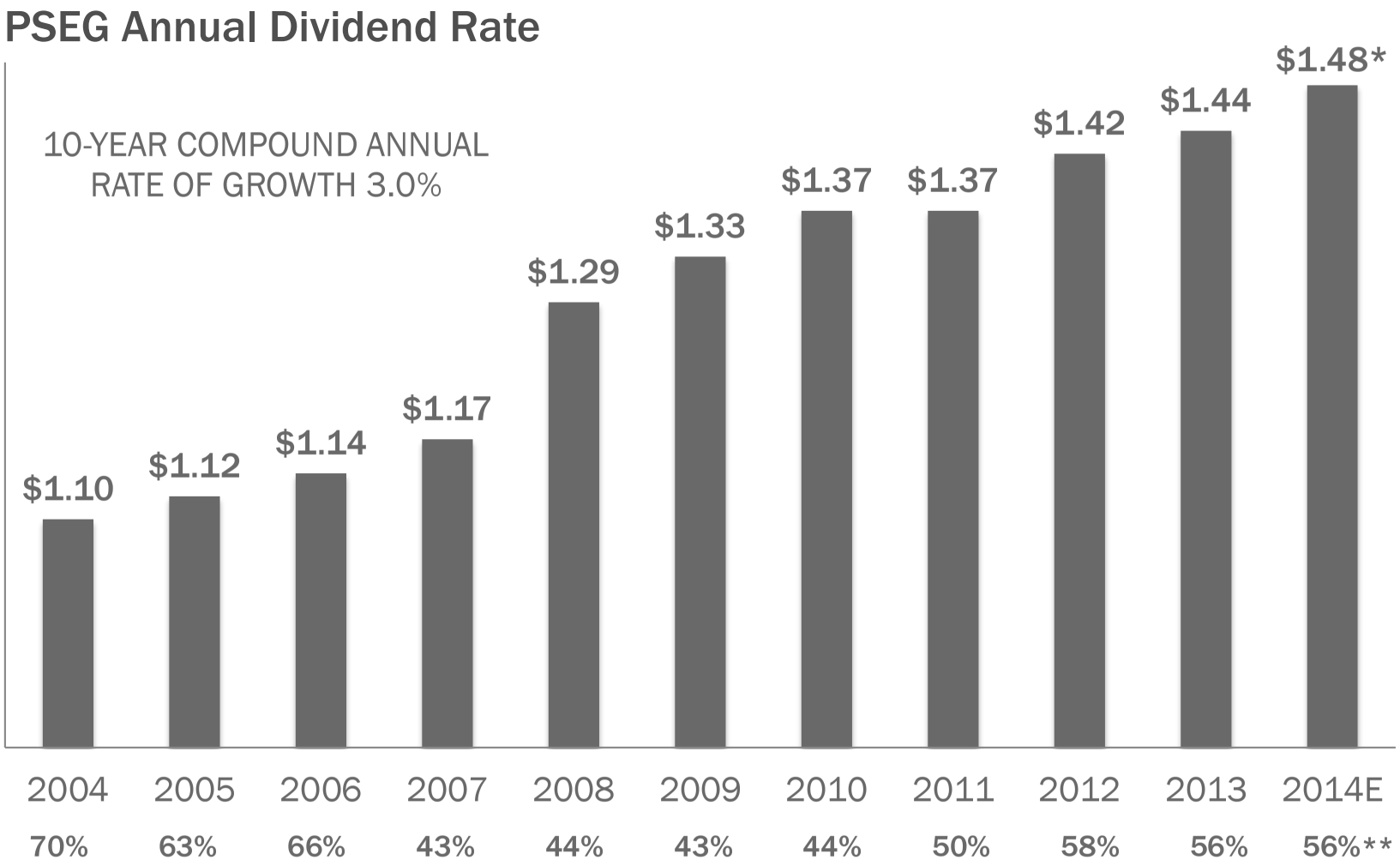
PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-05352

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

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PSE&G

SI-SSA-0015-05354

PSEG

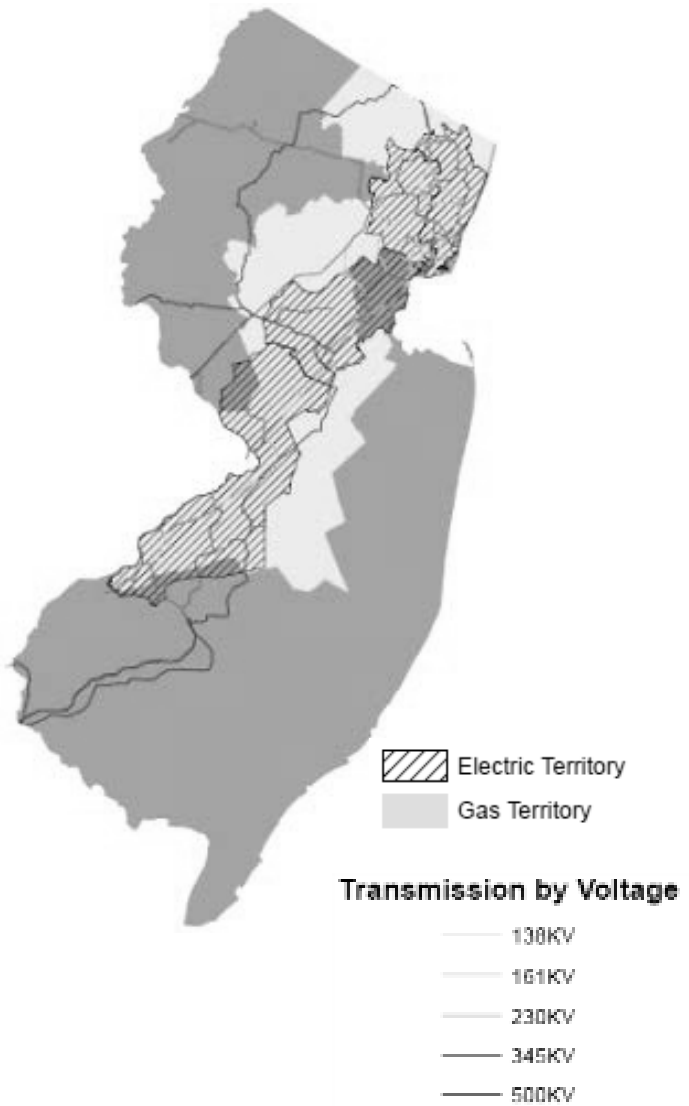
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05355

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-05356

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-05357

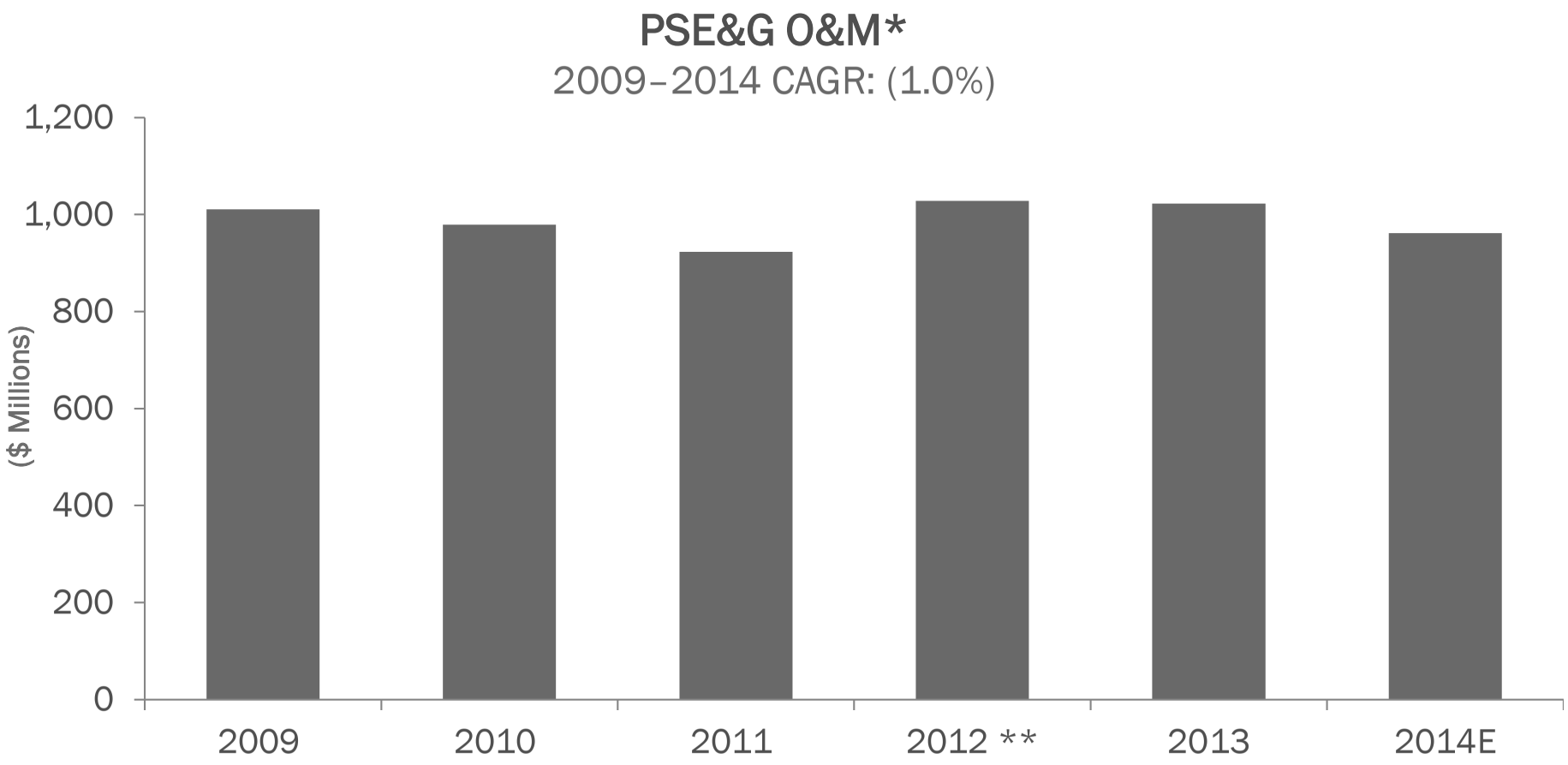
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-05358

Focus on controlling O&M and lower pension costs support decline in expenses

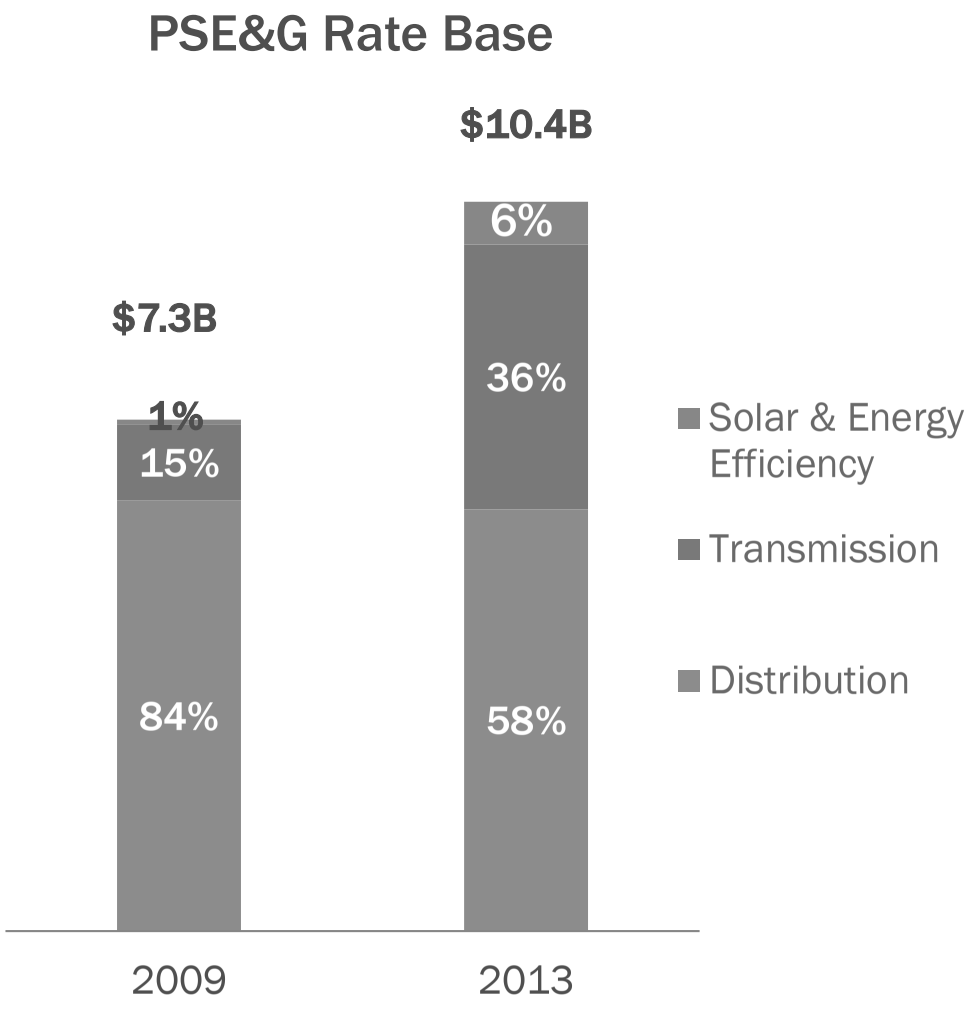


SI-SSA-0015-05359

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-05360

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

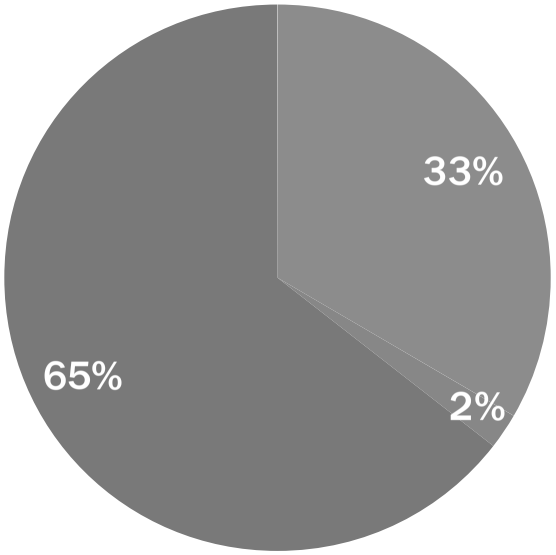
SI-SSA-0015-05361

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

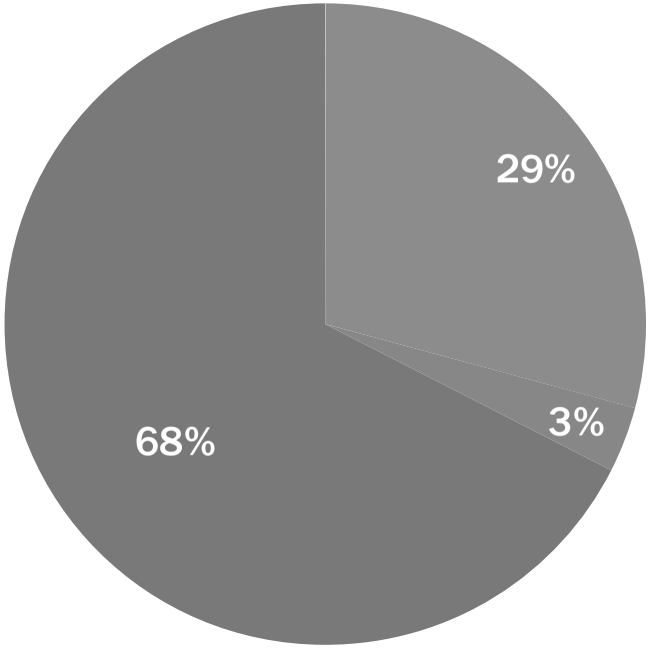
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



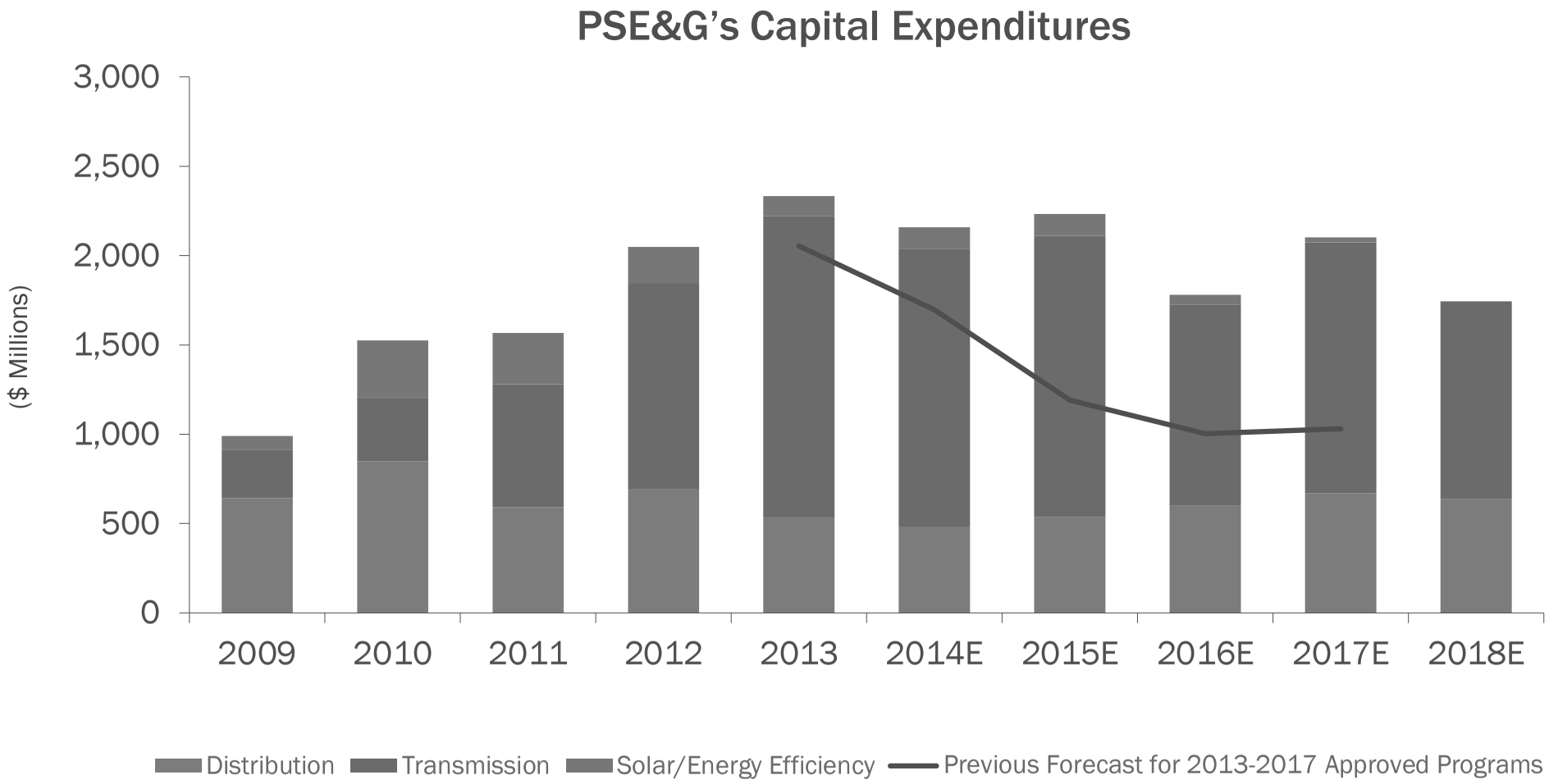
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

SI-SSA-0015-05362

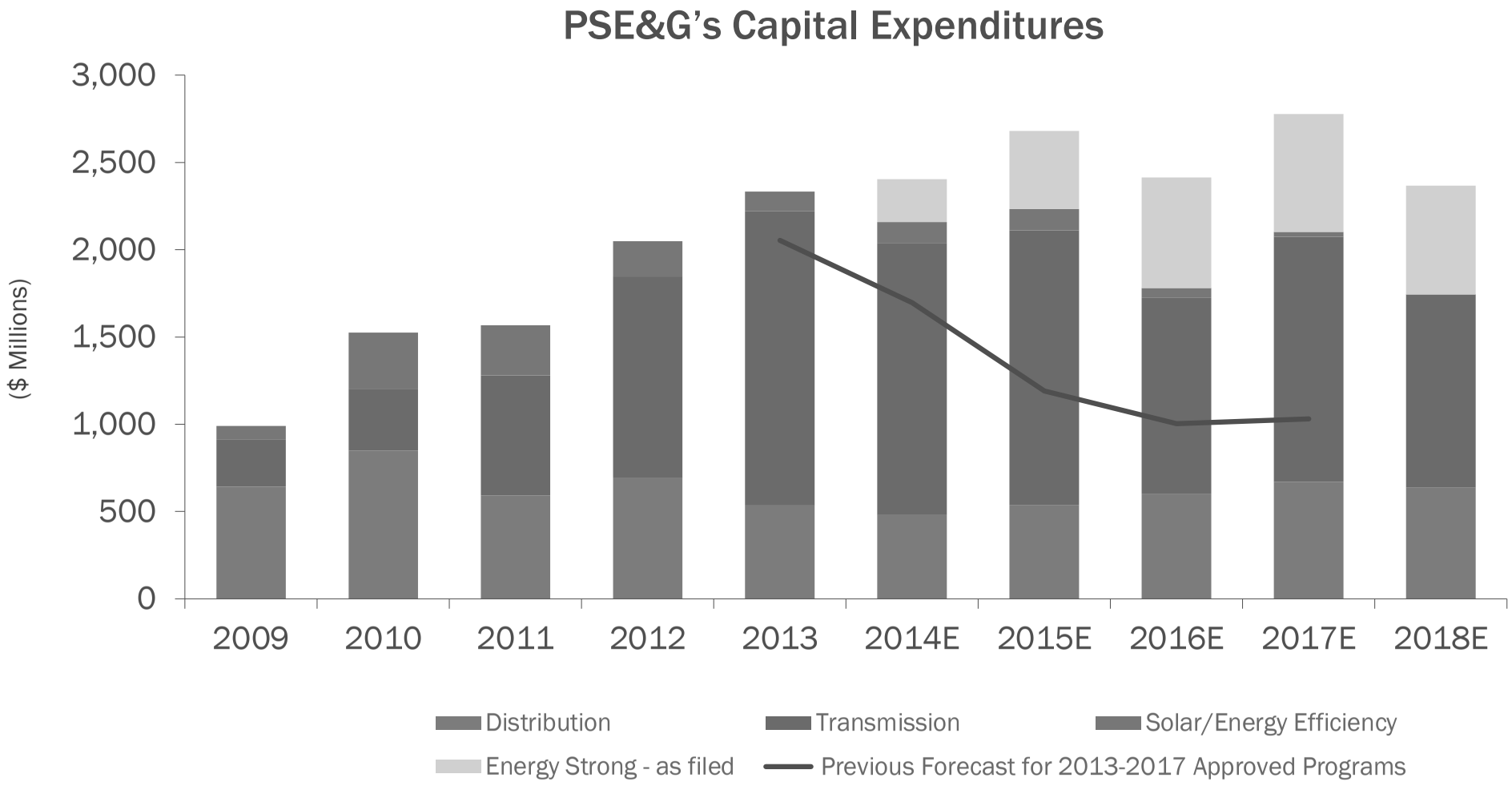
PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

SI-SSA-0015-05363

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-05364

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

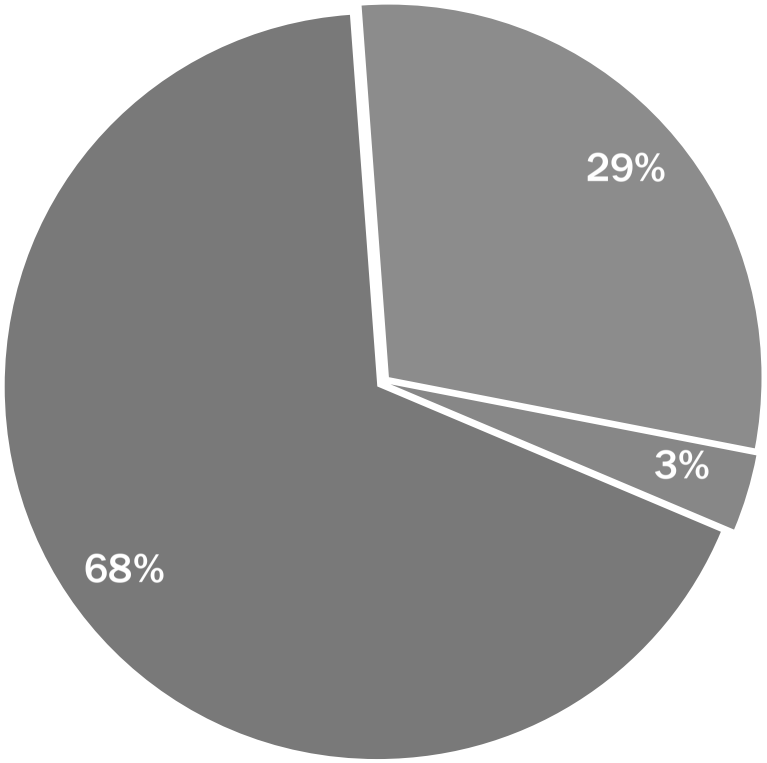
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-05365

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

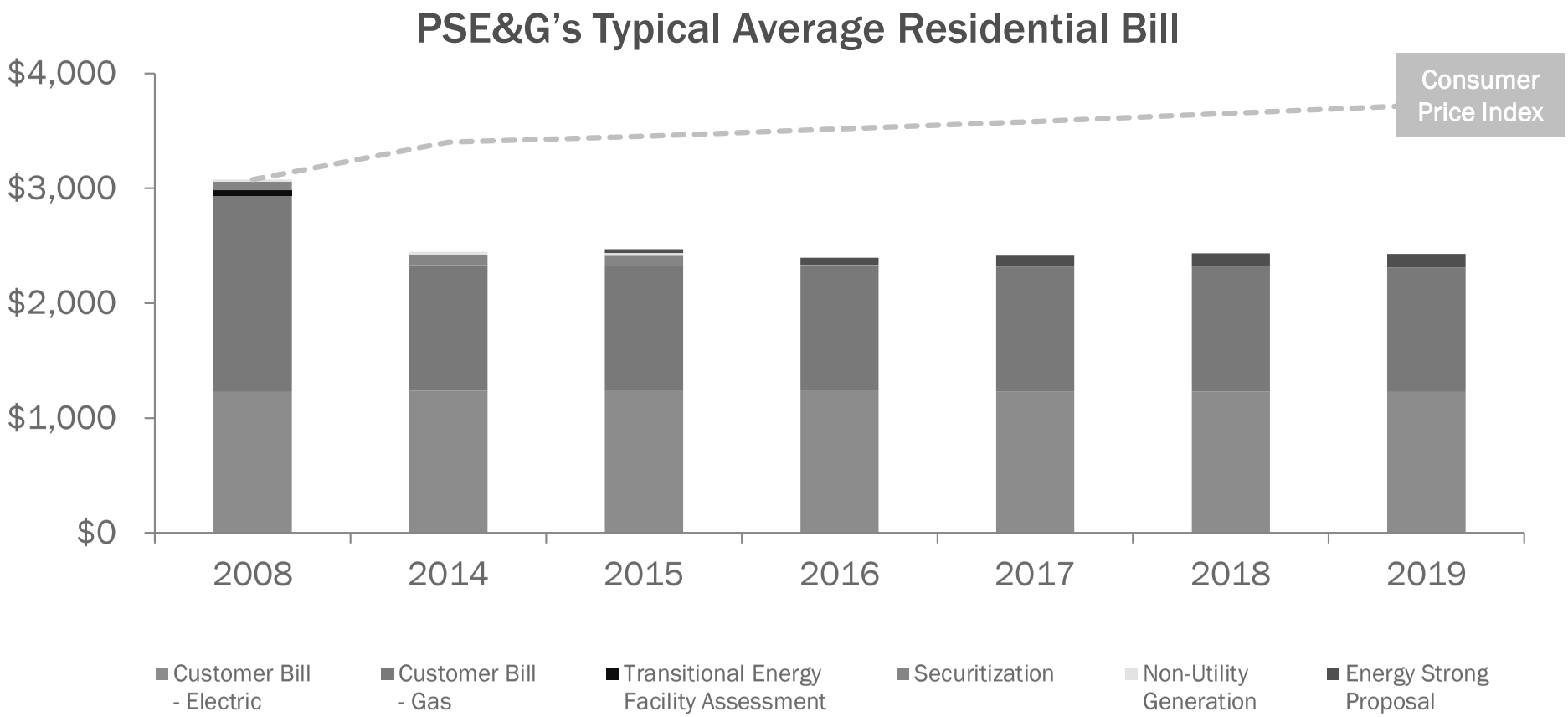
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-05366

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-05367

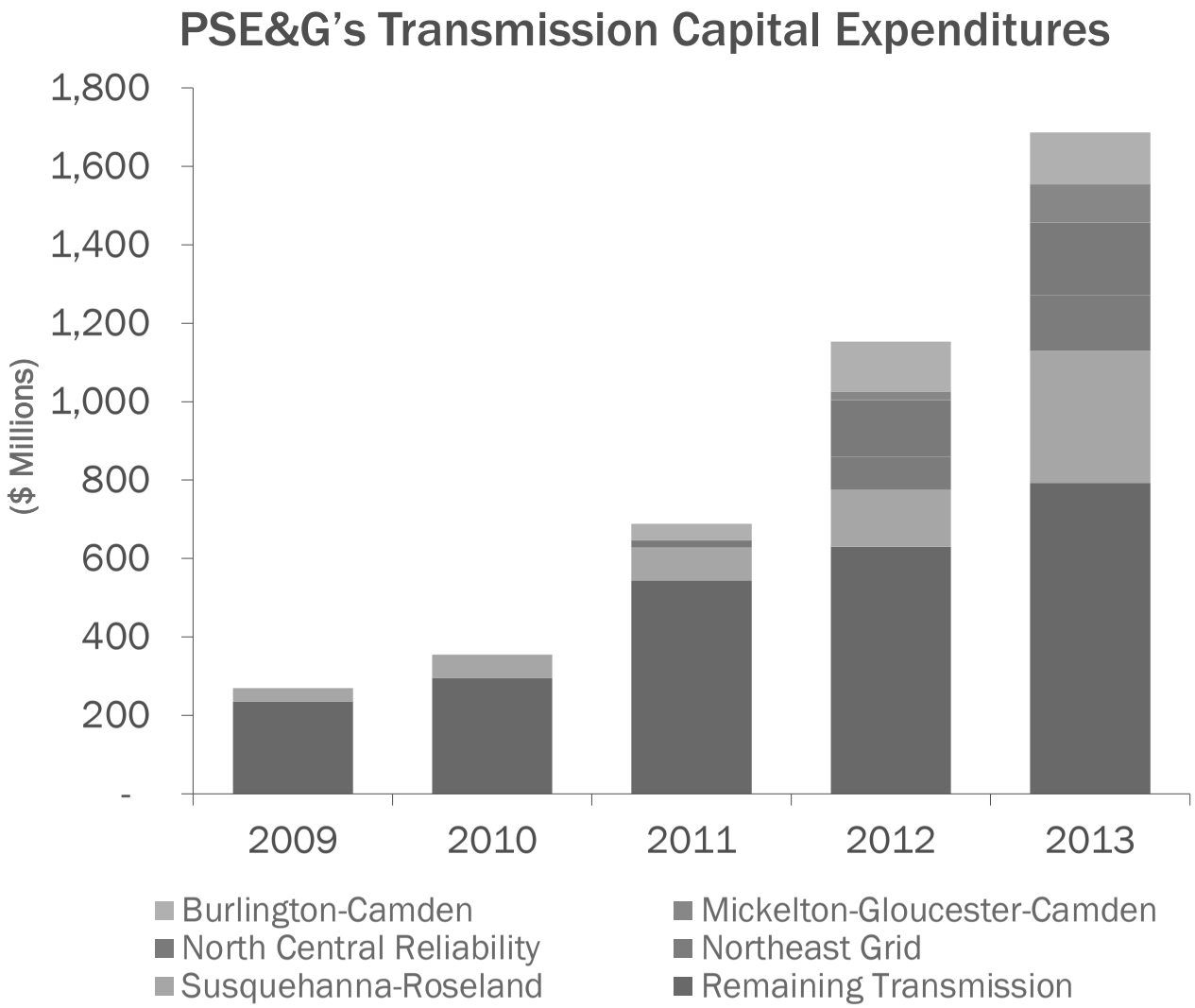
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-05368

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-05369

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-05370

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-05371

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-05372

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-05373

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-05374

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05375

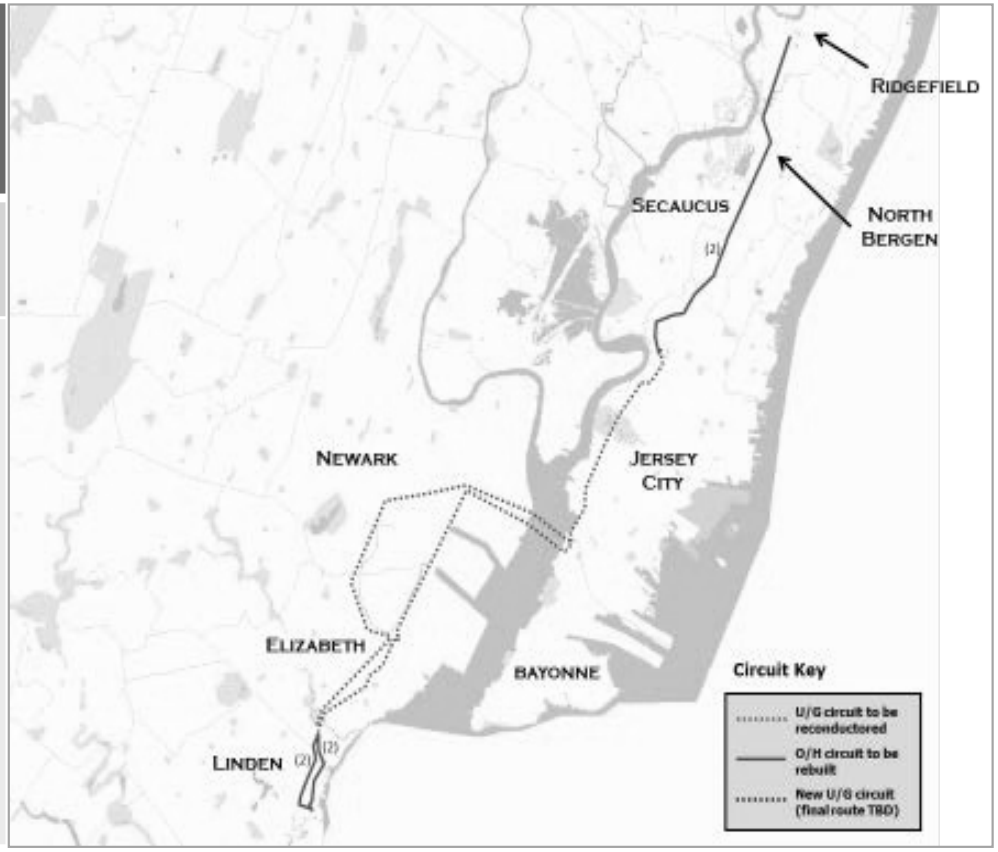
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

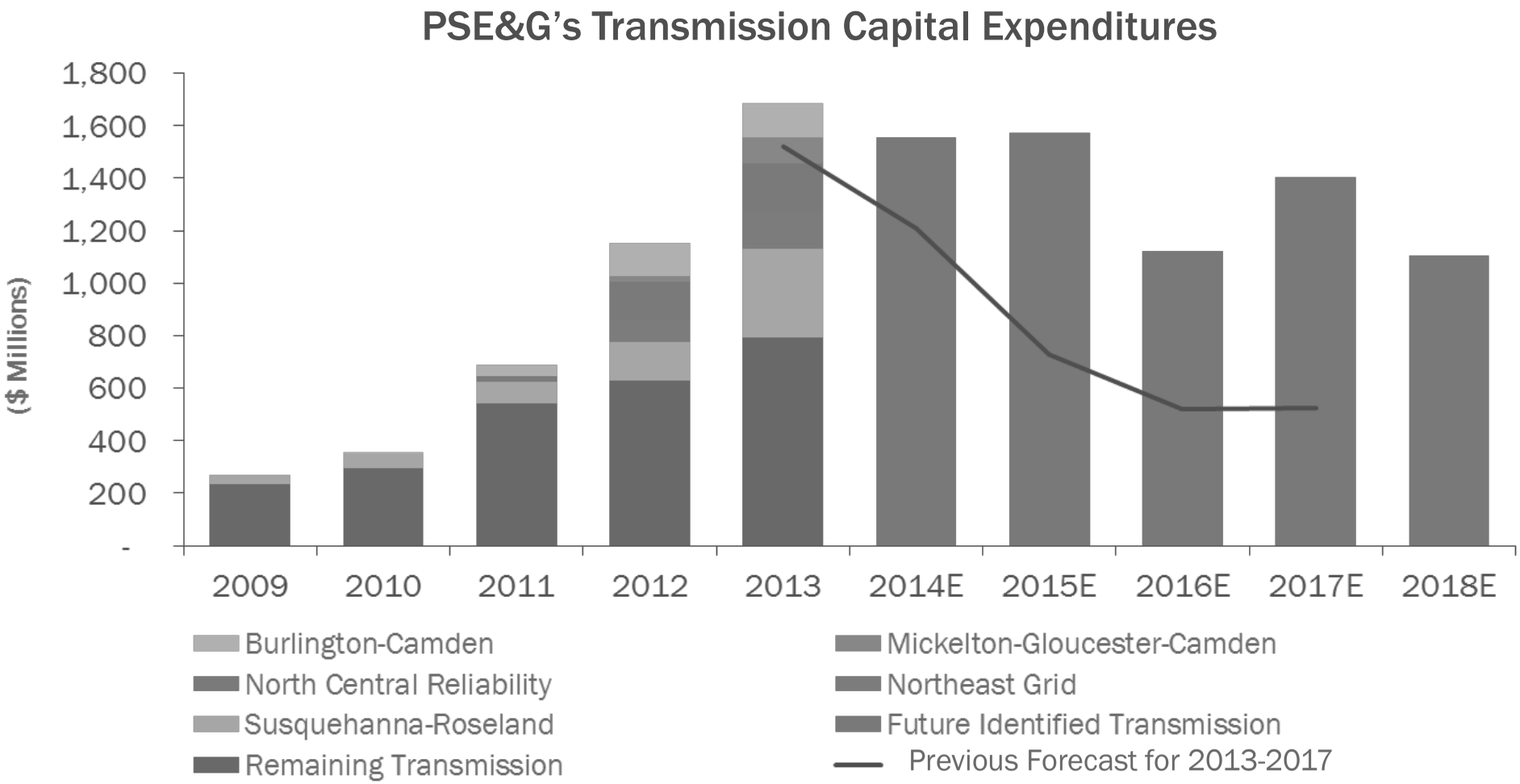
Project Status: Engineering



SI-SSA-0015-05376

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-05377

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-05378

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-05379

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-05380

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-05381

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-05382

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-05383

PSEG POWER

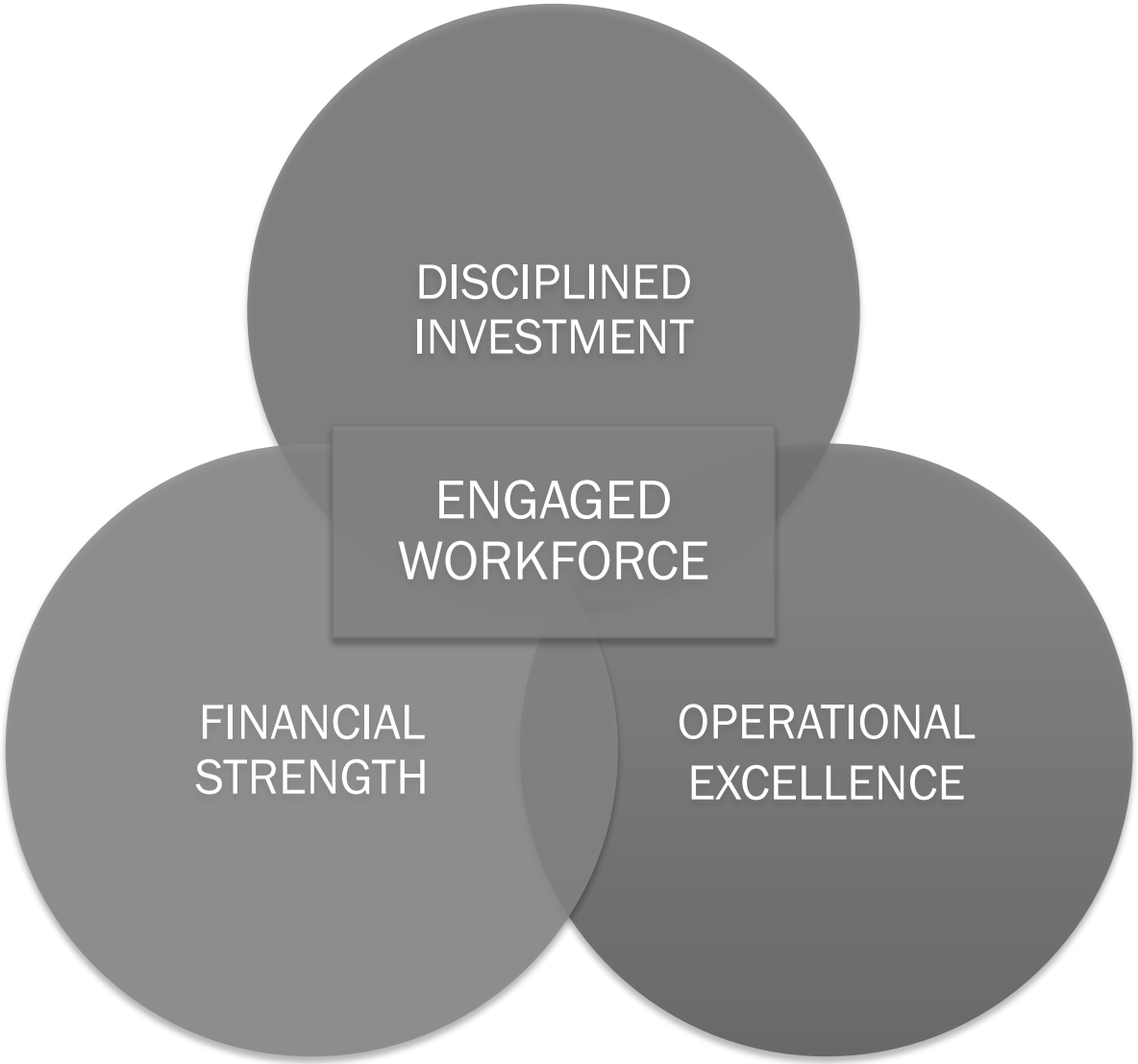
PSEG

We make things work for you.

SI-SSA-0015-05384

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-05385

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-05386

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-05387

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

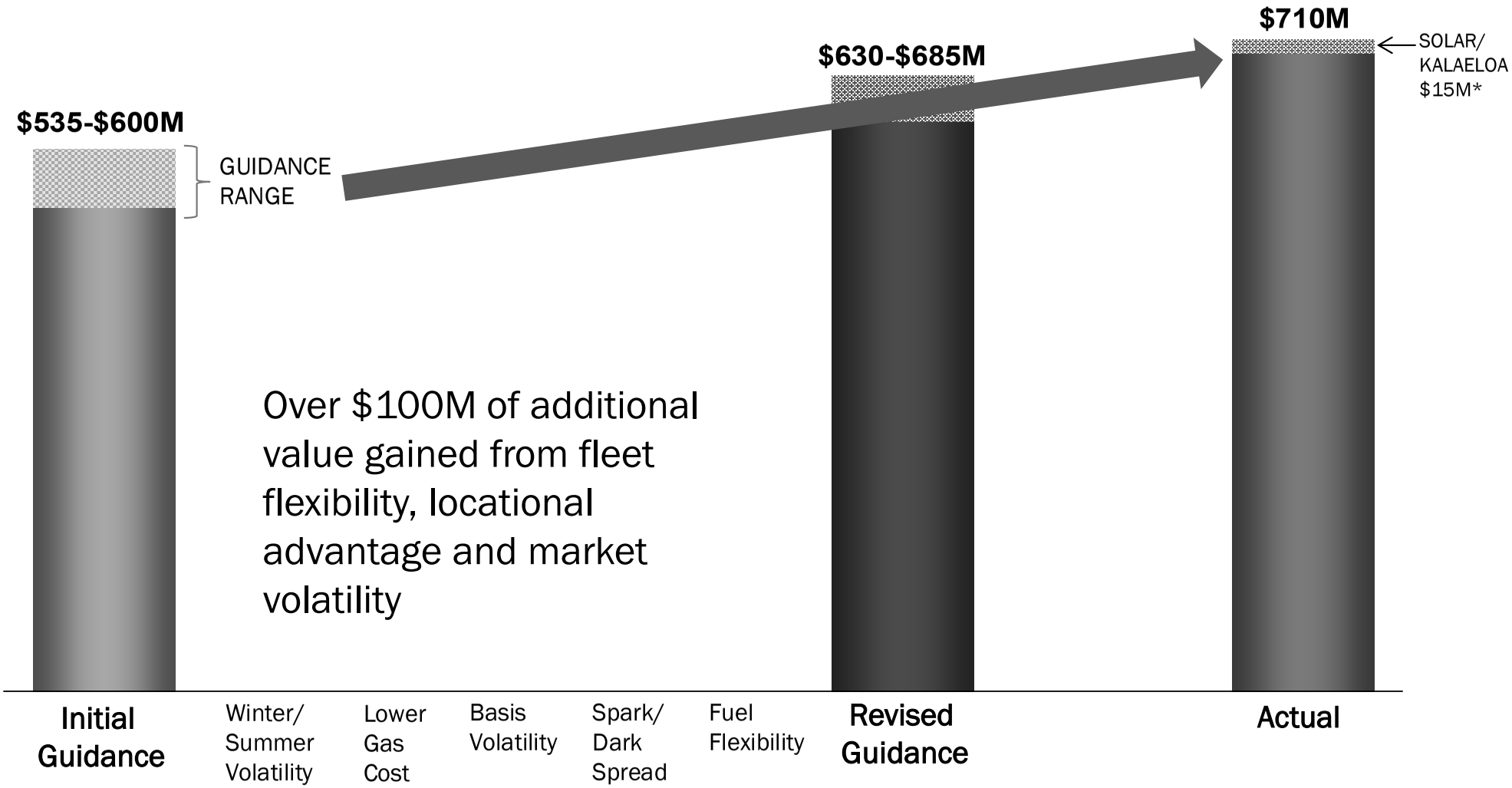
SI-SSA-0015-05388

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-05389

PSEG Power exceeded 2013's earnings guidance



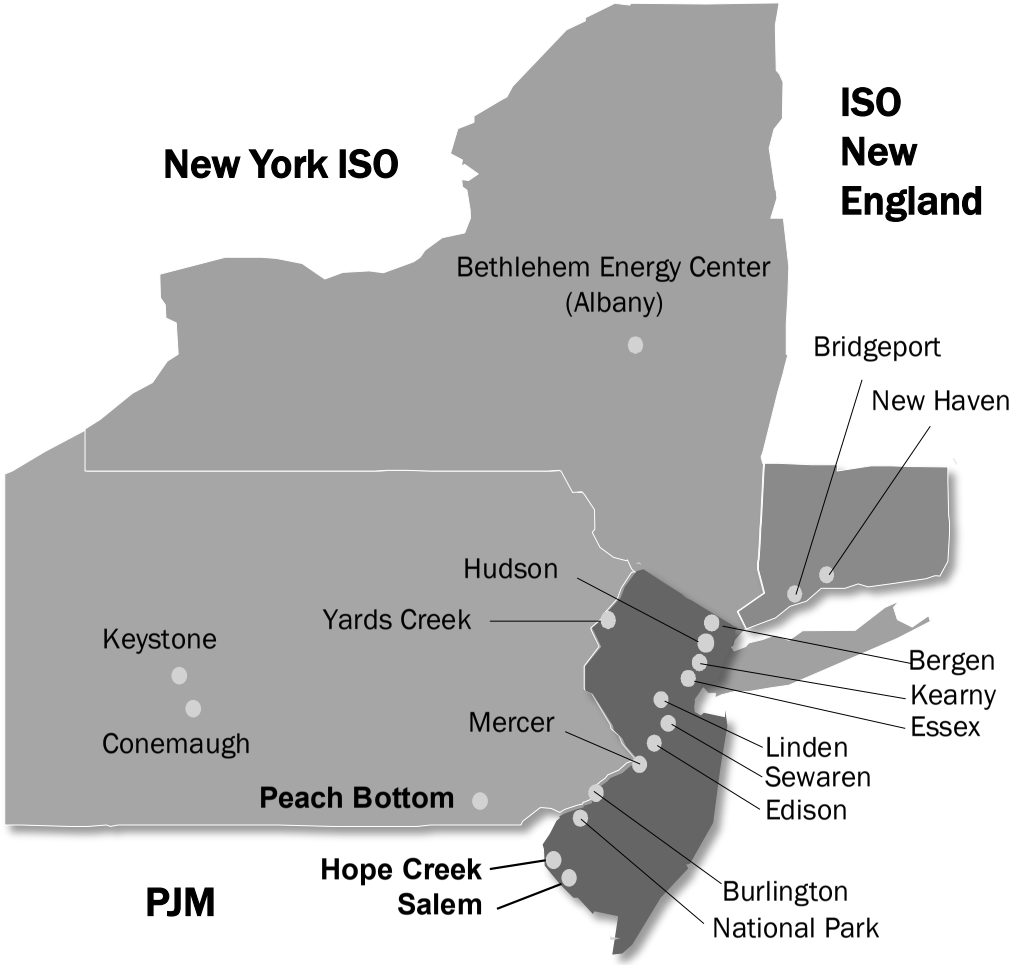
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-05390

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



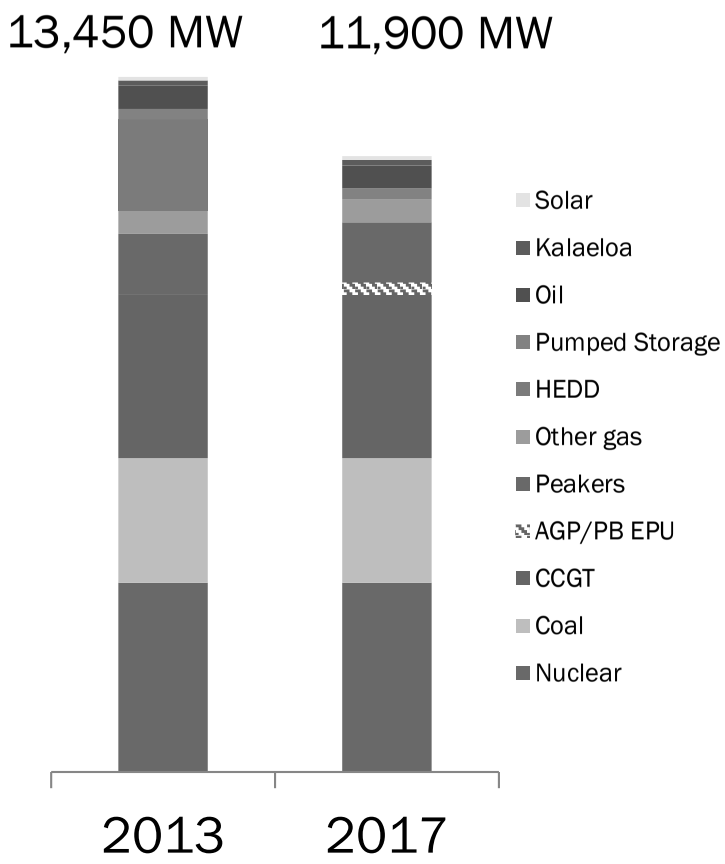
SI-SSA-0015-05391

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

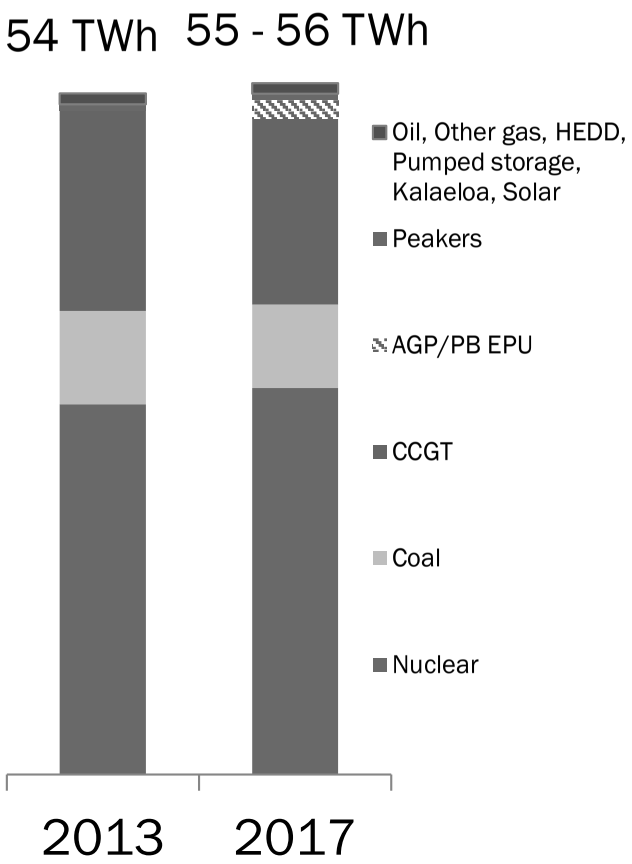
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

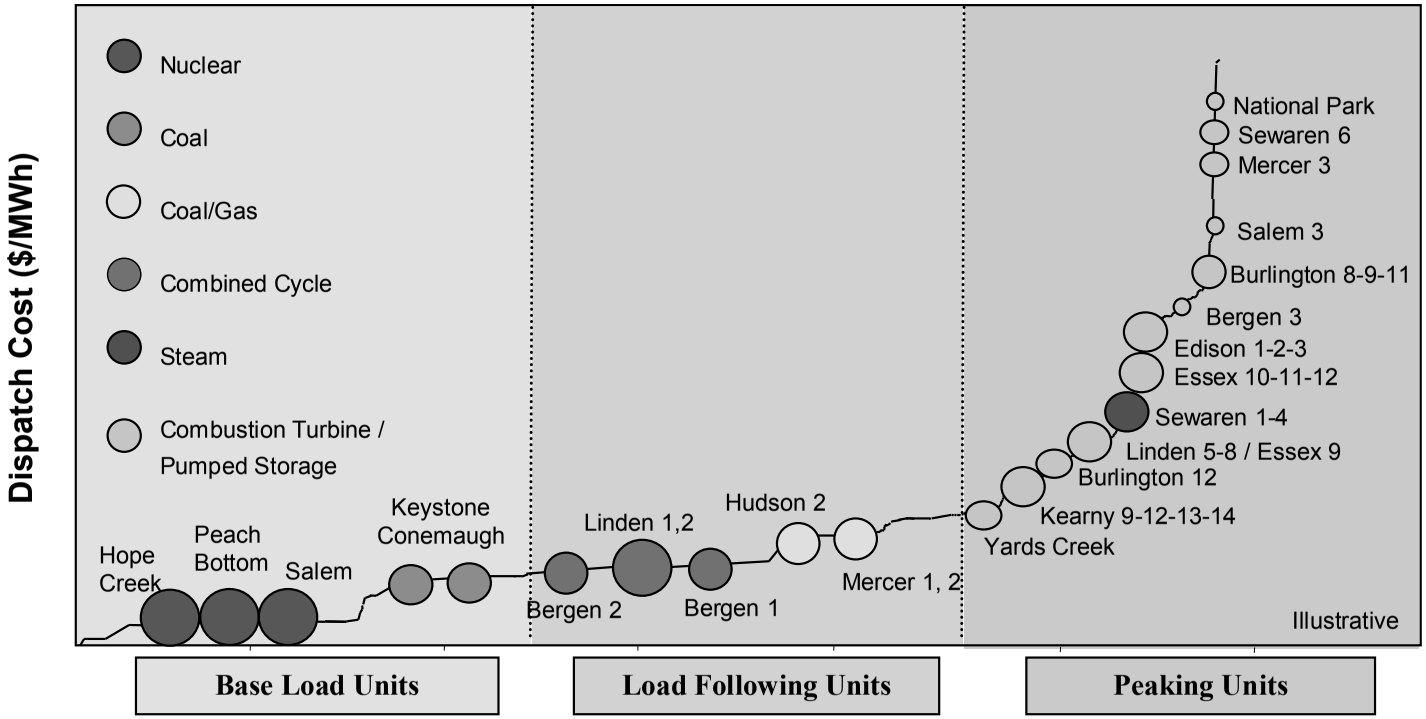


Energy Produced



SI-SSA-0015-05392

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-05393

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-05394

PSEG Power Nuclear is core to the fleet and has competitive advantages

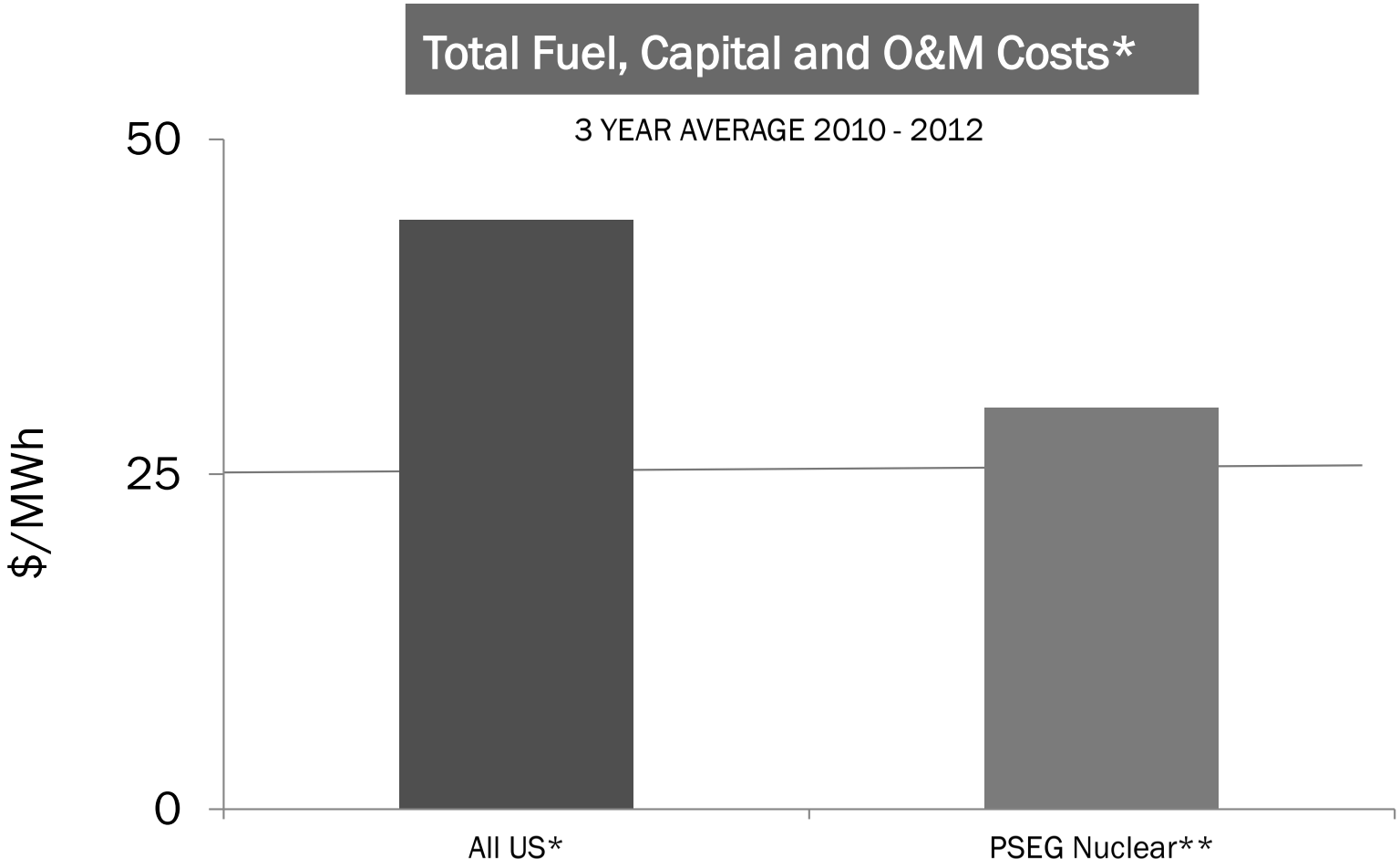
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-05395

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

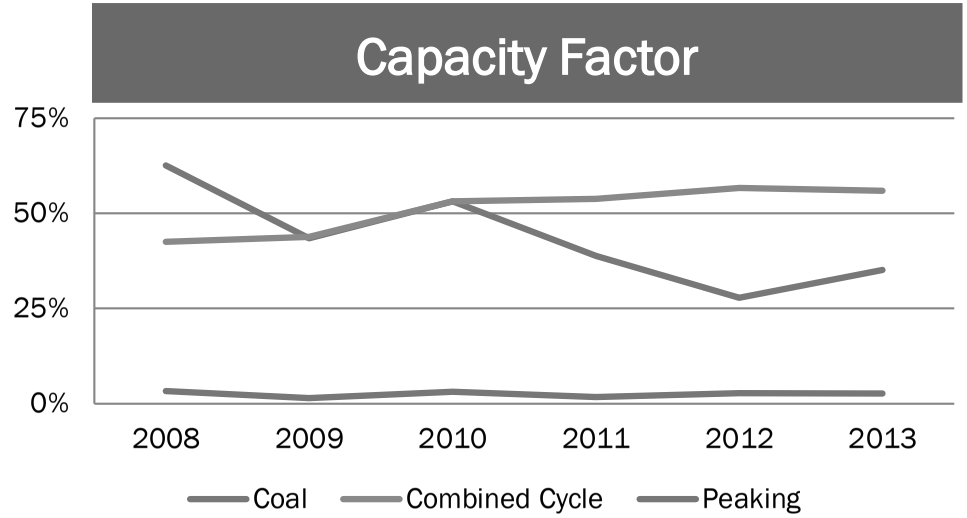


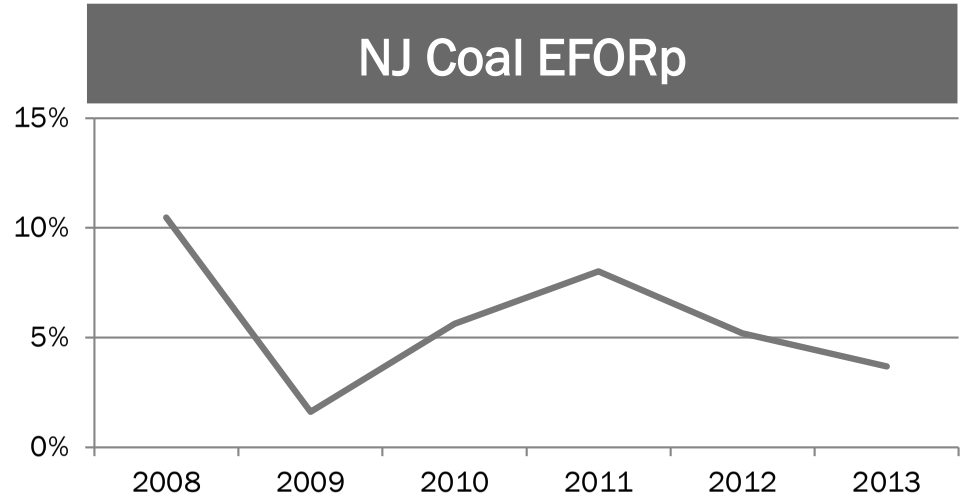
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

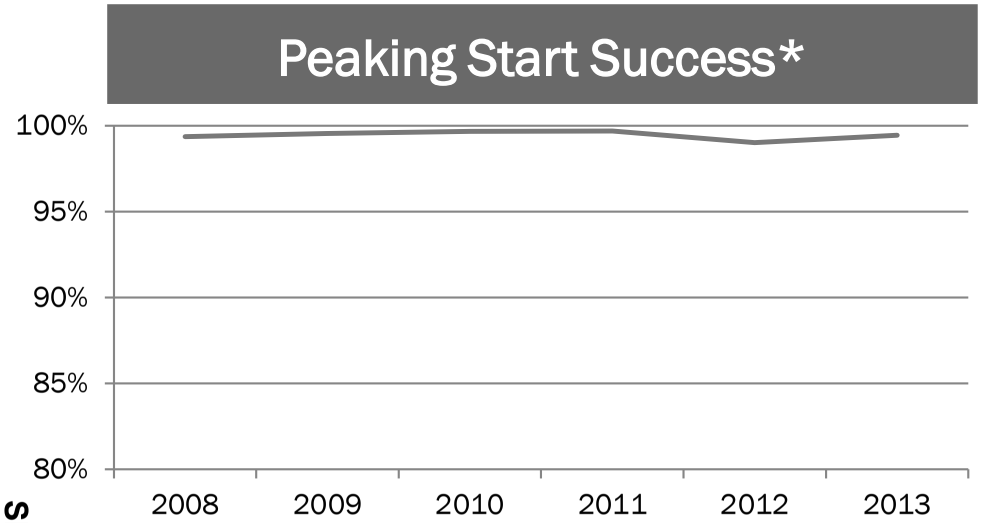
SI-SSA-0015-05396

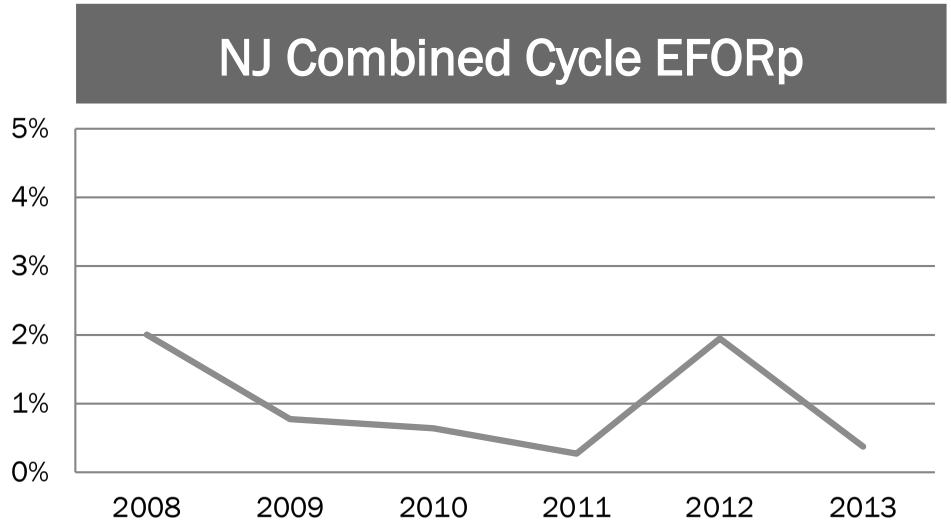
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

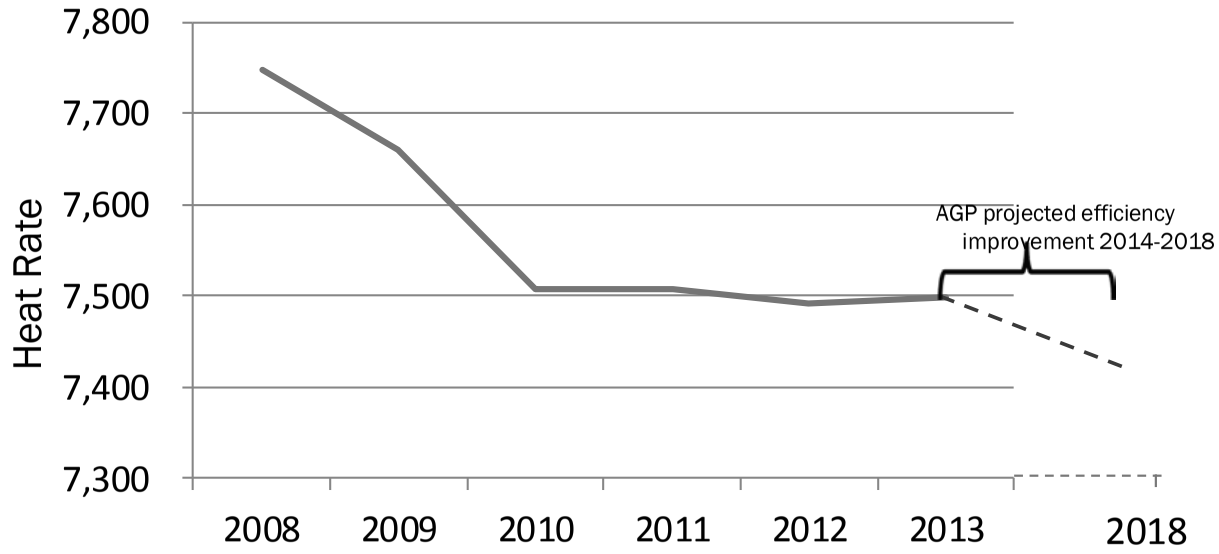
SI-SSA-0015-05397

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-05398

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

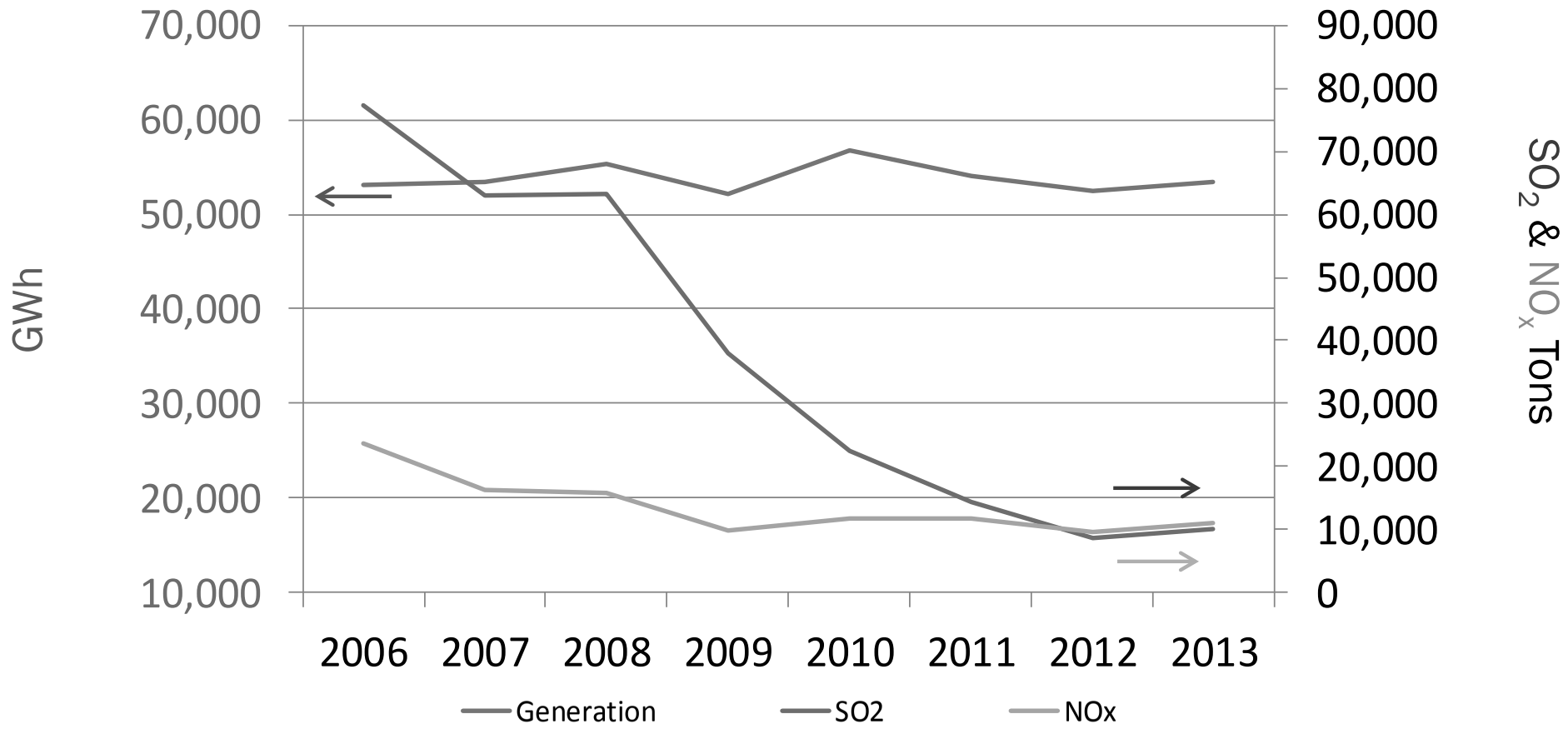
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-05399

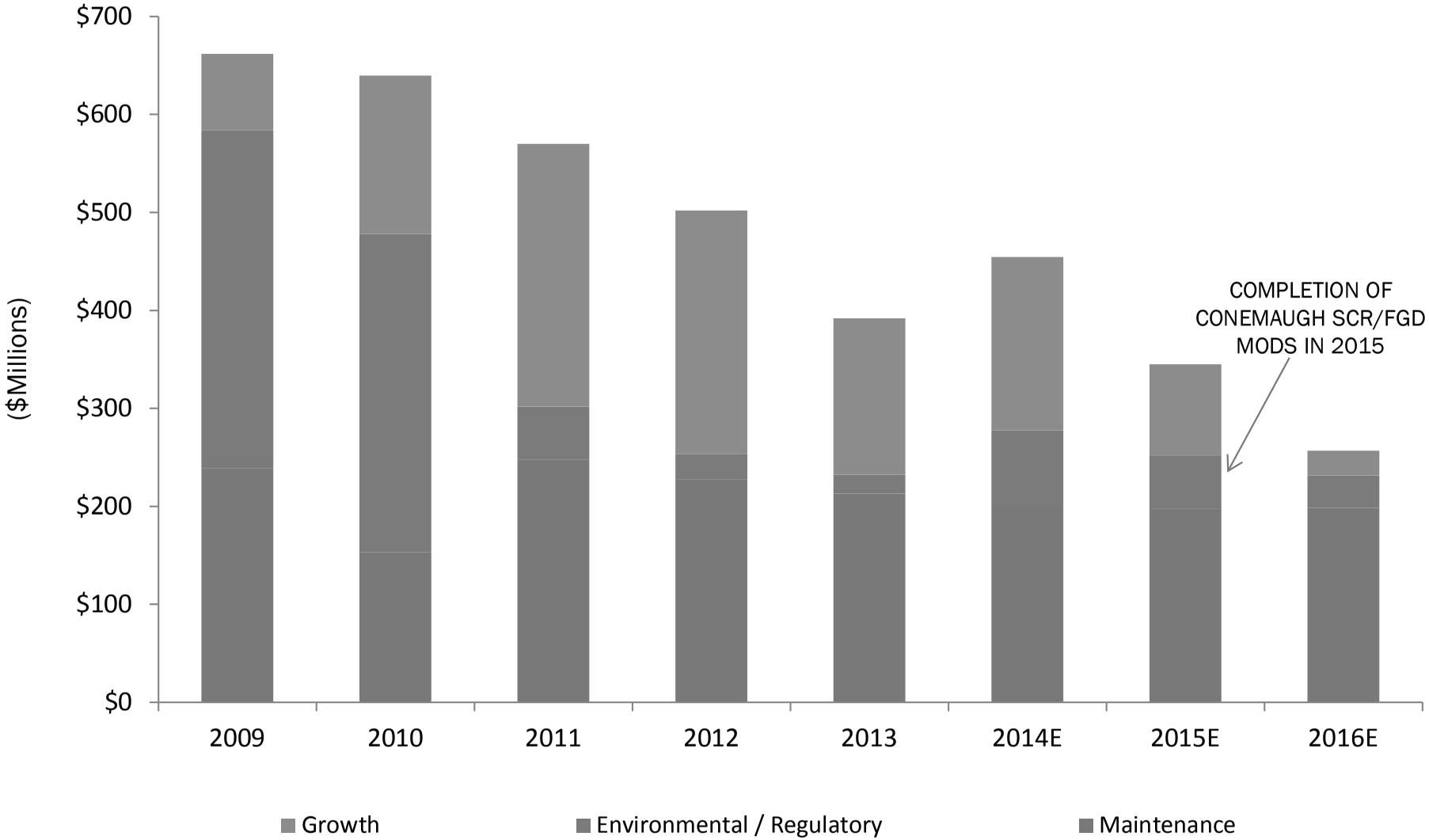
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-05400

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-05401

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

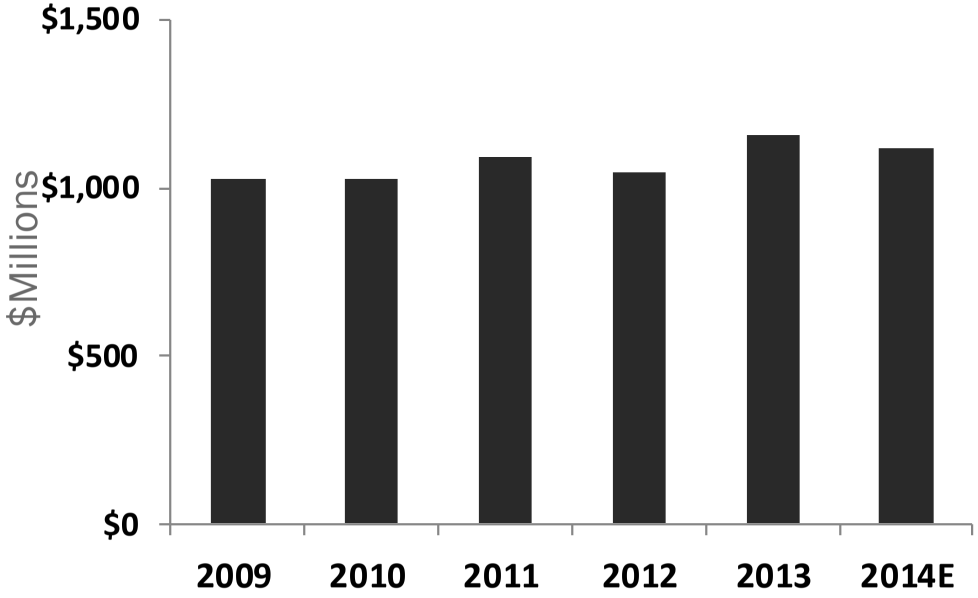
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-05402

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-05403

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-05404

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-05405

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-05406

PSEG POWER
ER&T

SI-SSA-0015-05407

PSEG

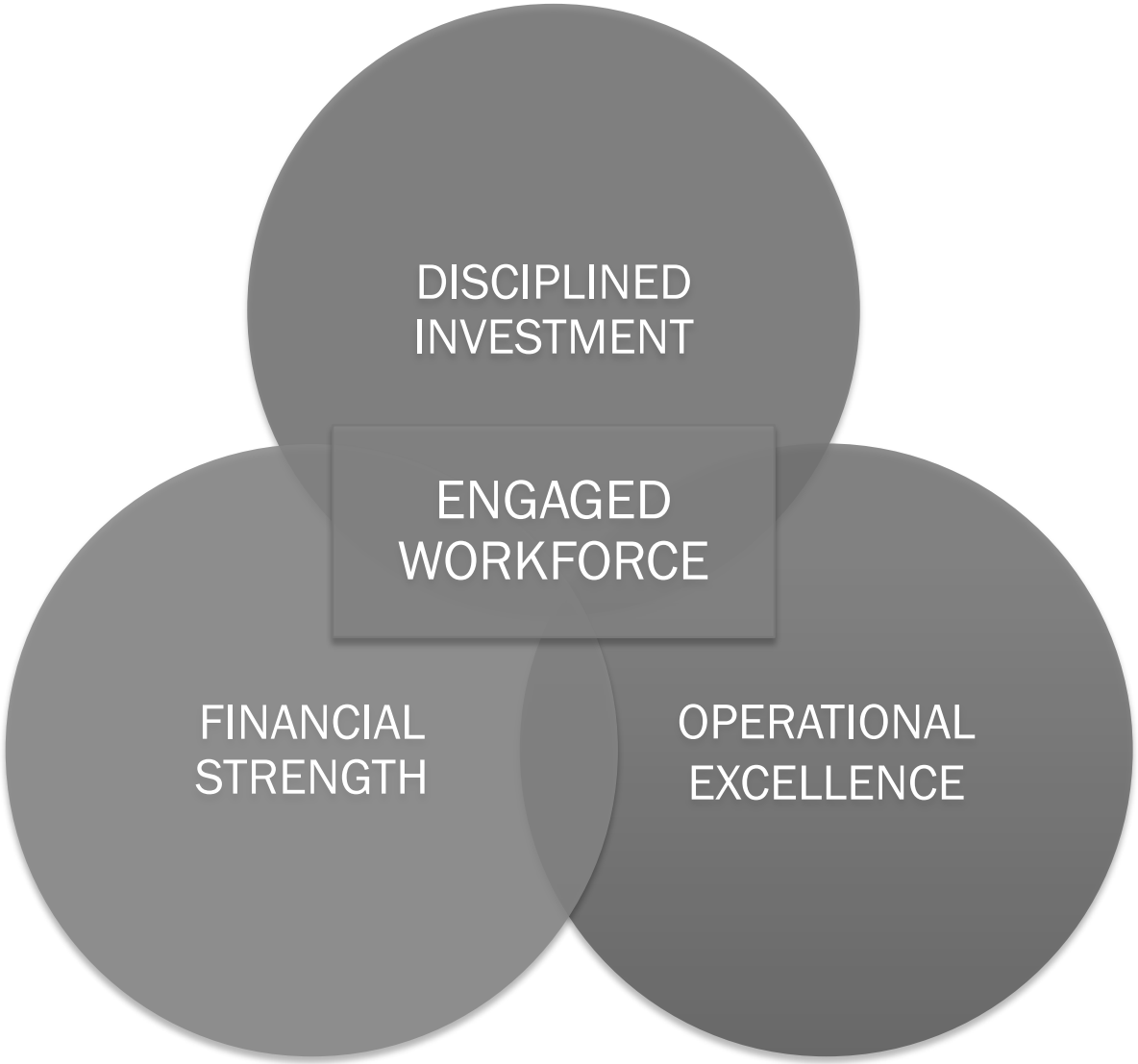
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-05408

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

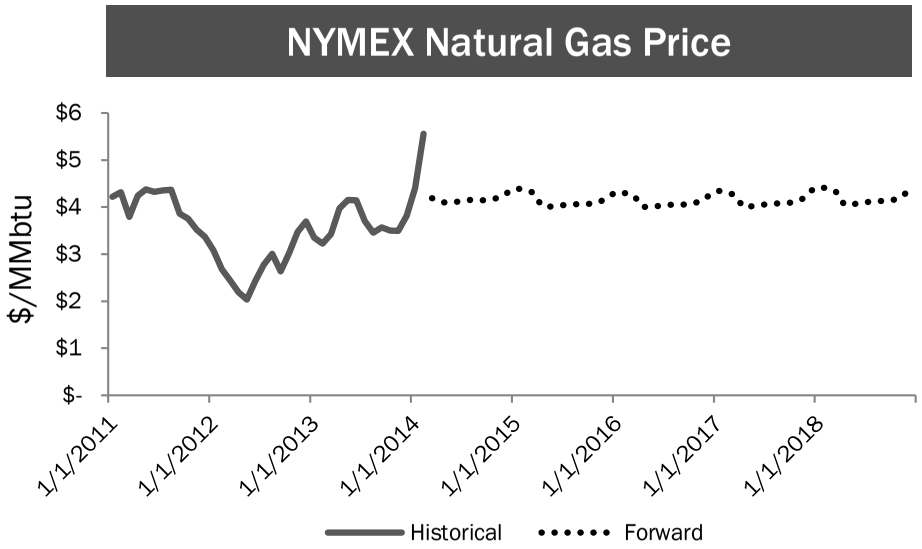
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

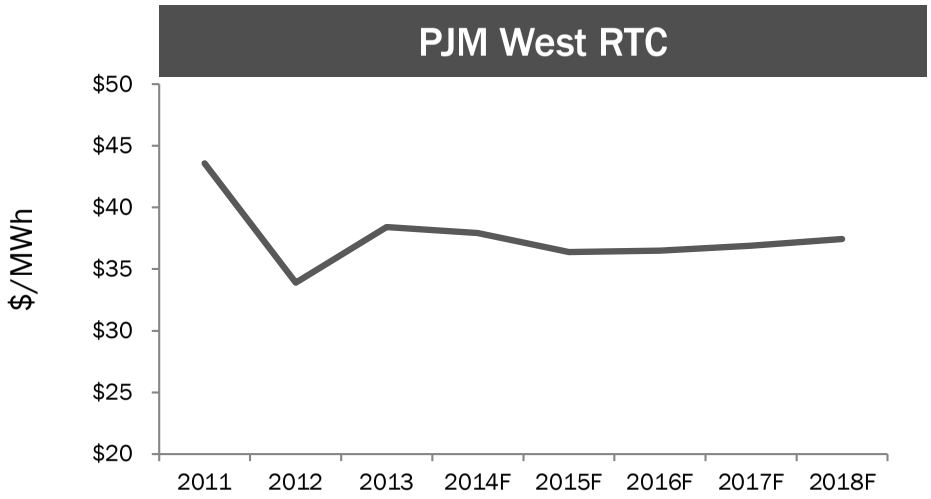
PSEG's Sustainable Advantage

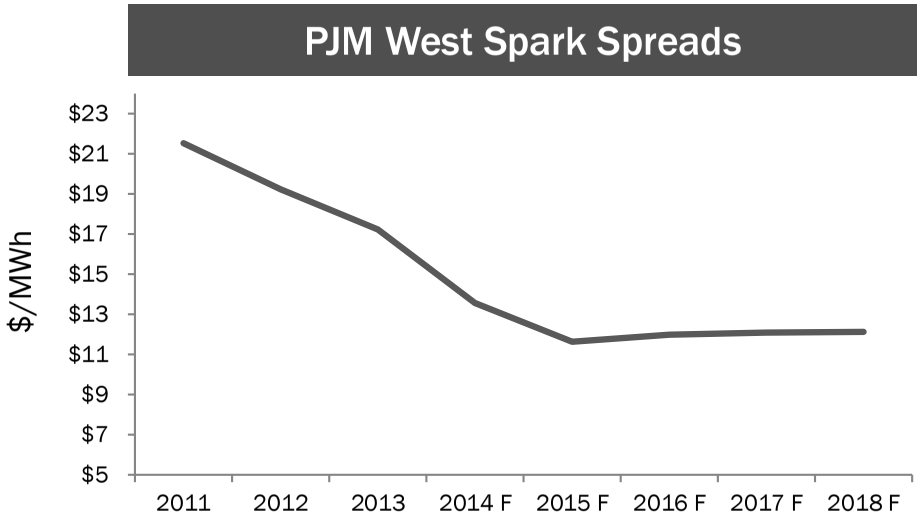
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-05409

Market Review: Prices have stabilized







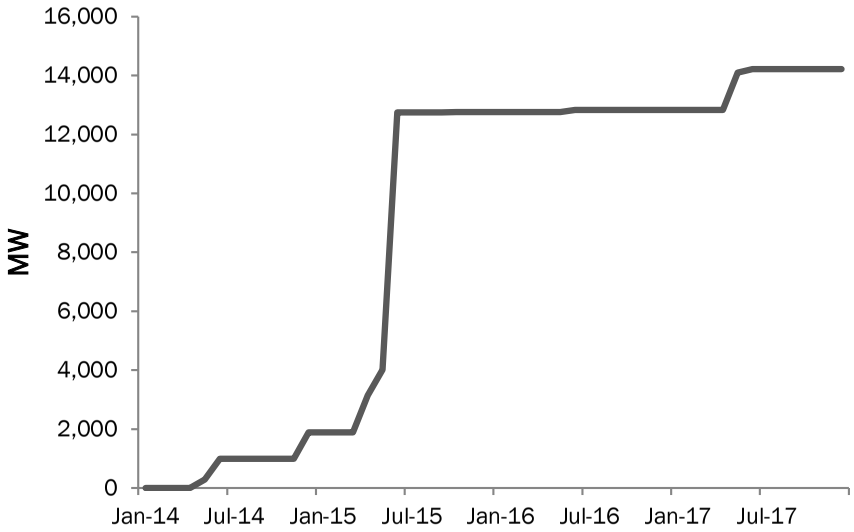
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-05410

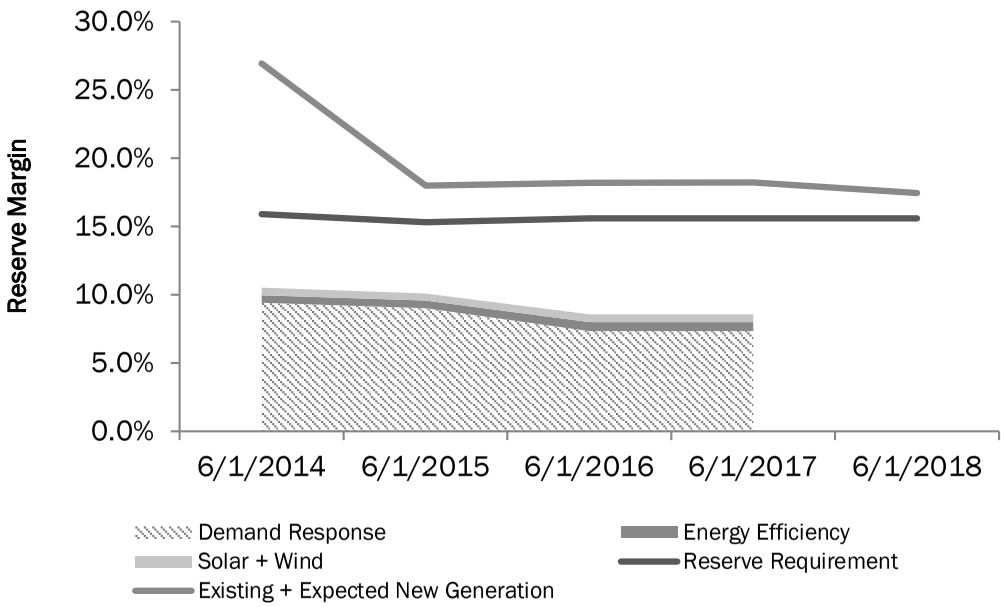
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-05411

PSEG

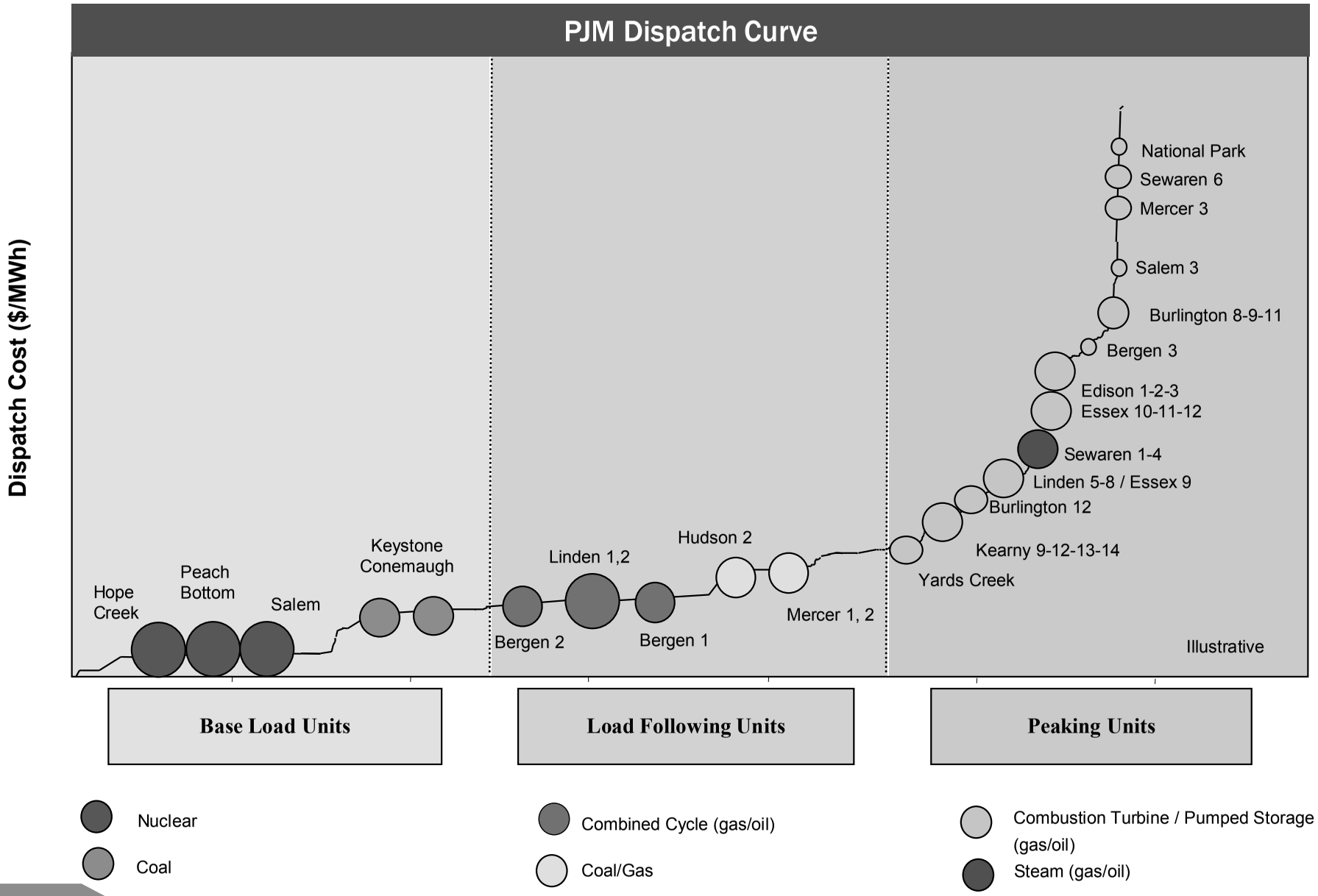
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

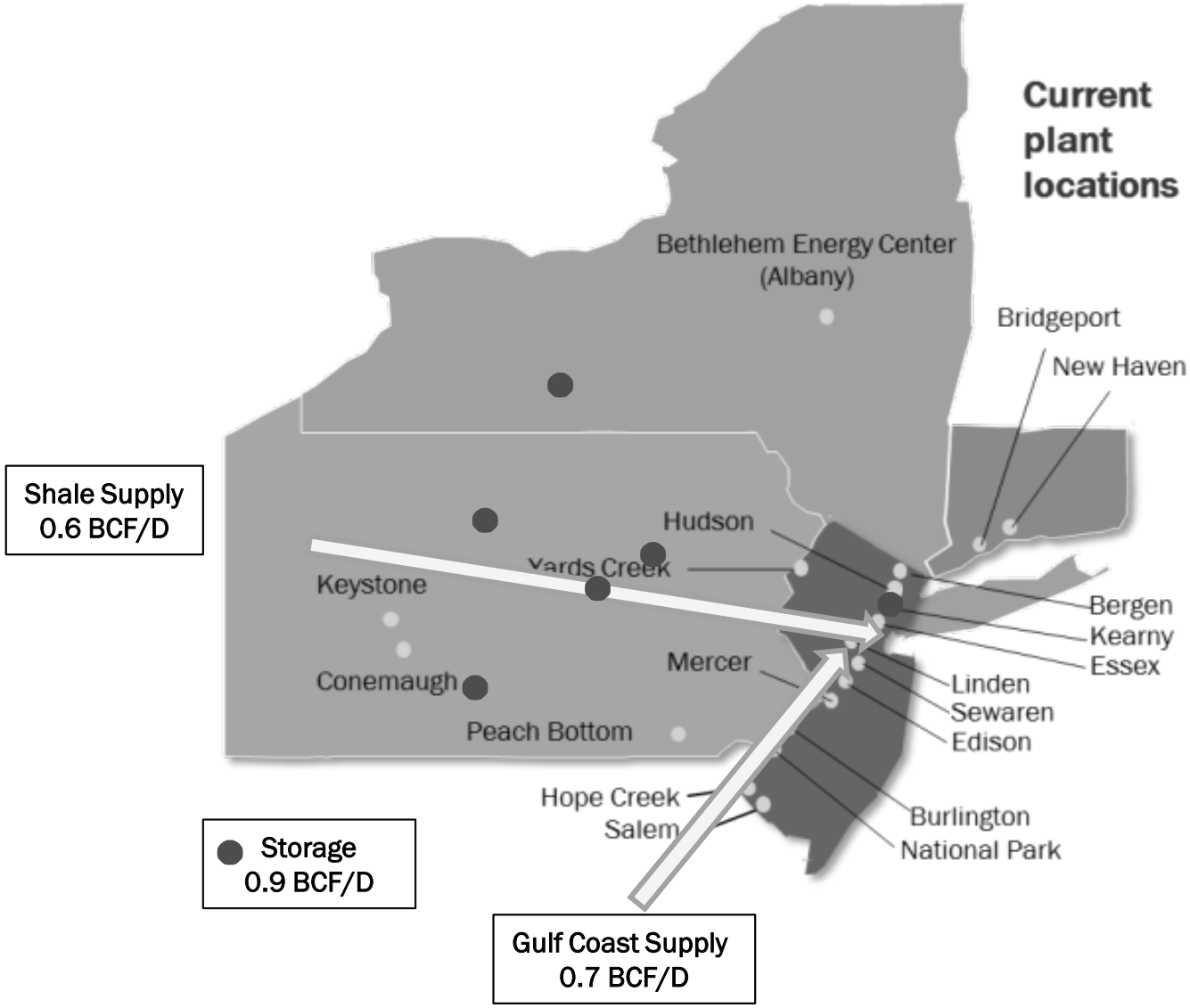
SI-SSA-0015-05412

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



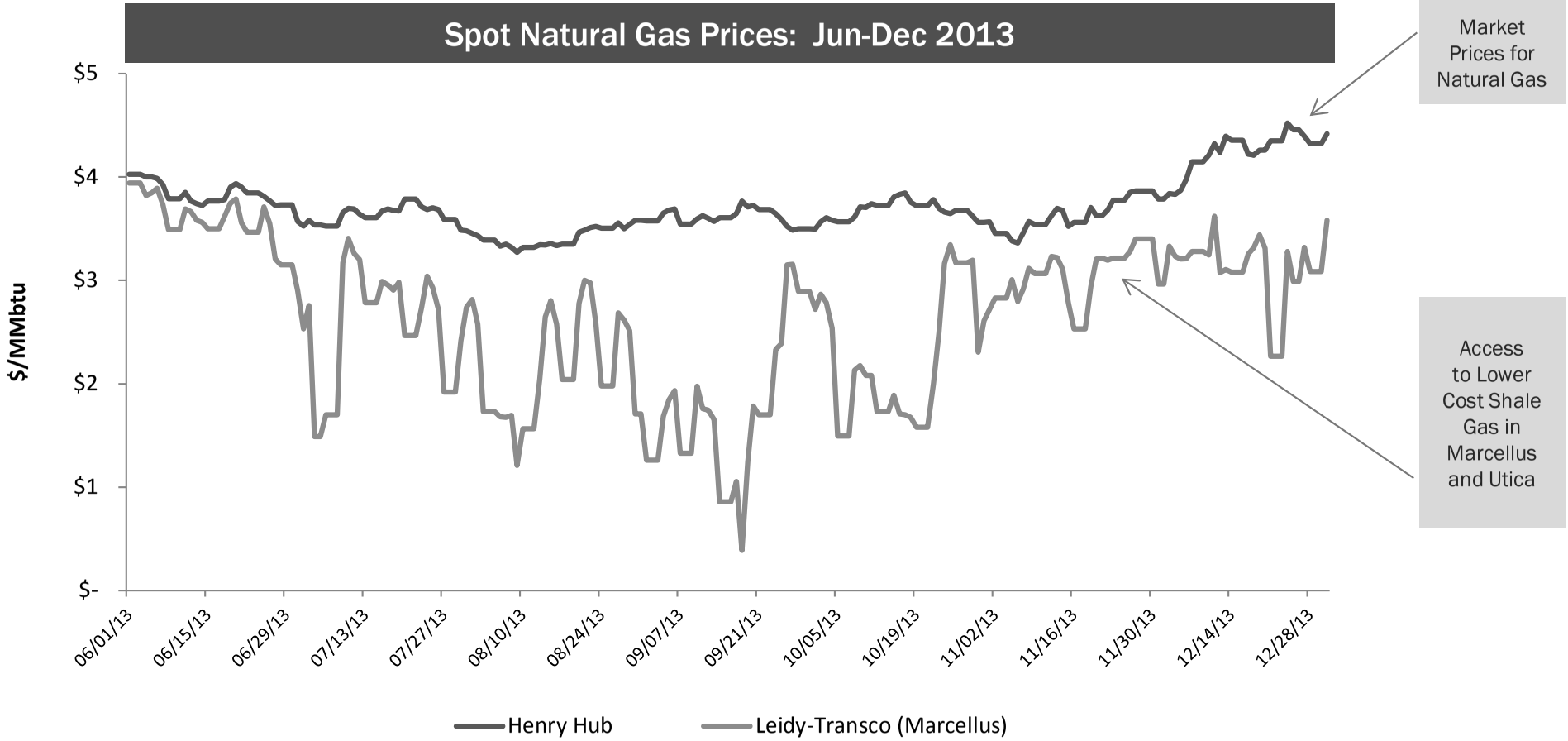
SI-SSA-0015-05413

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-05414

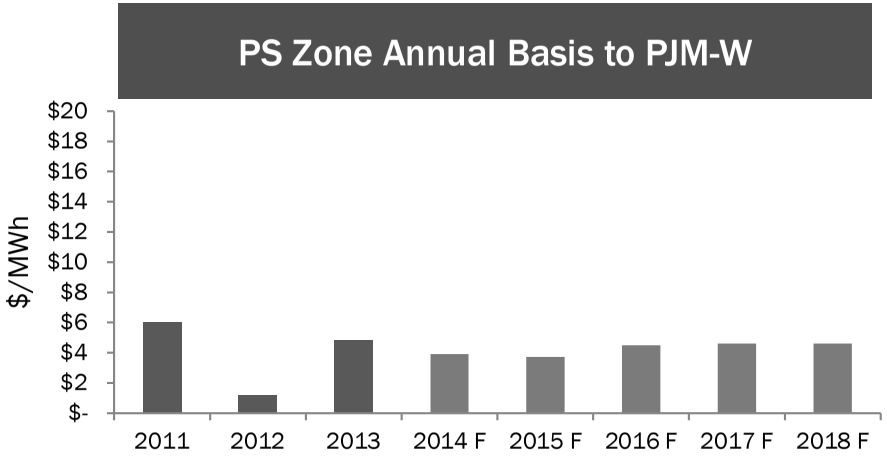
Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

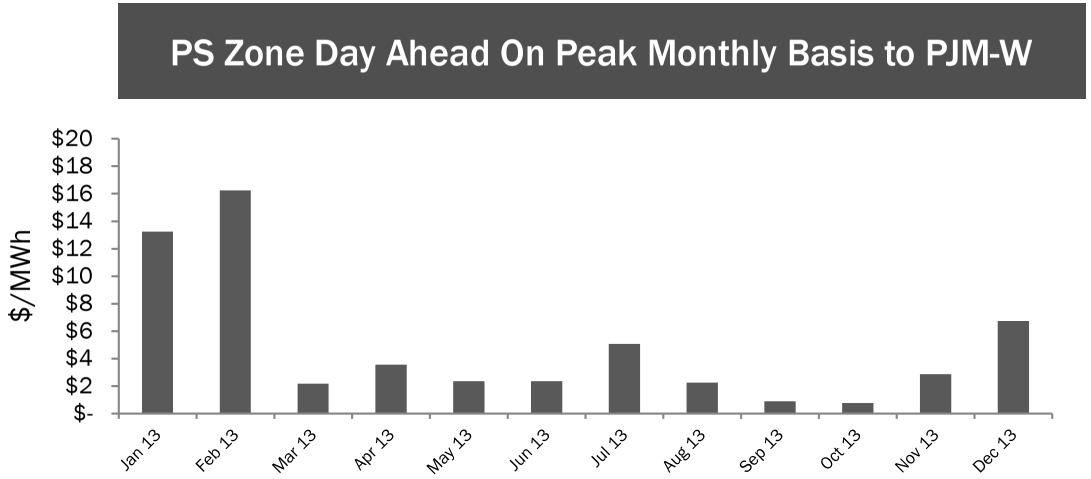


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

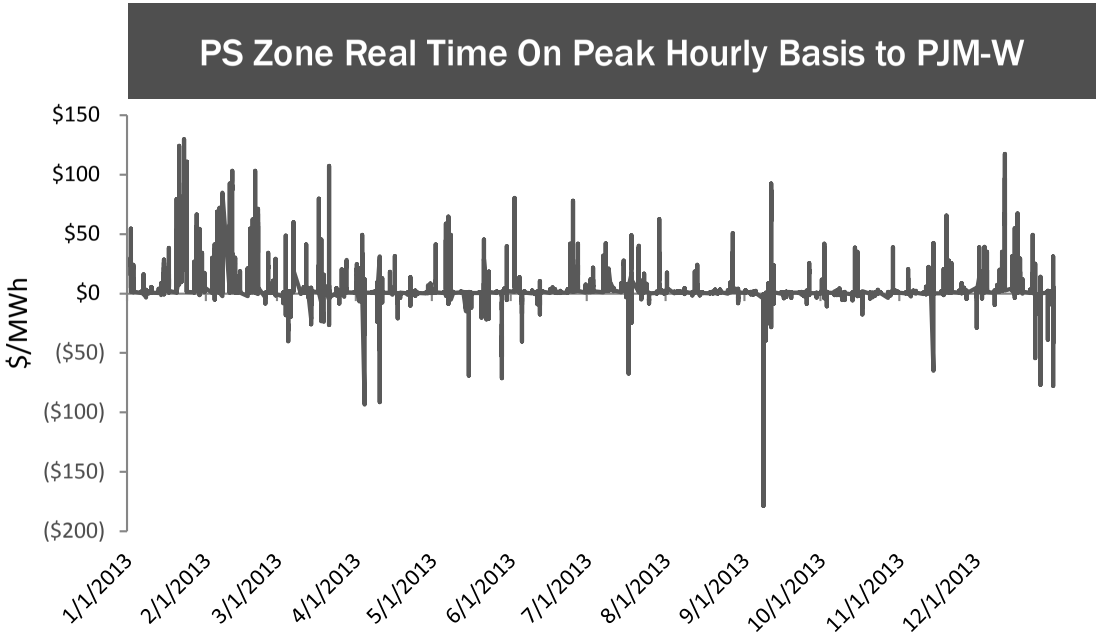
SI-SSA-0015-05415

Competitive Advantage: Locational advantage from short term basis volatility





- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

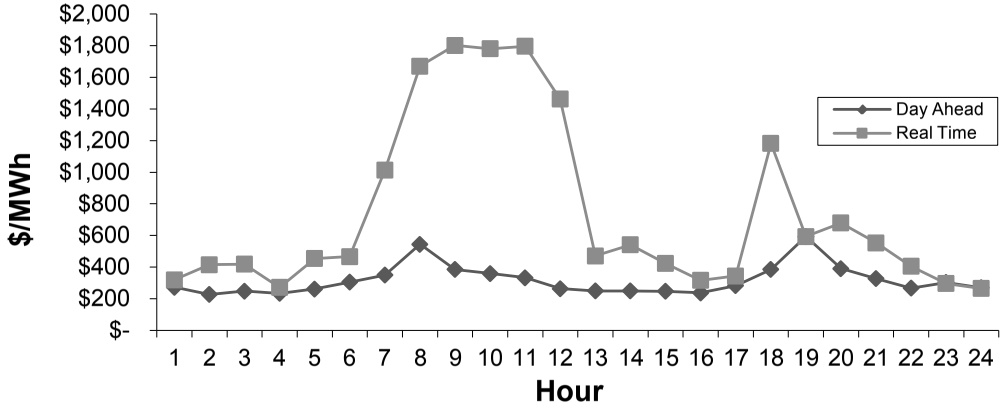


SI-SSA-0015-05416

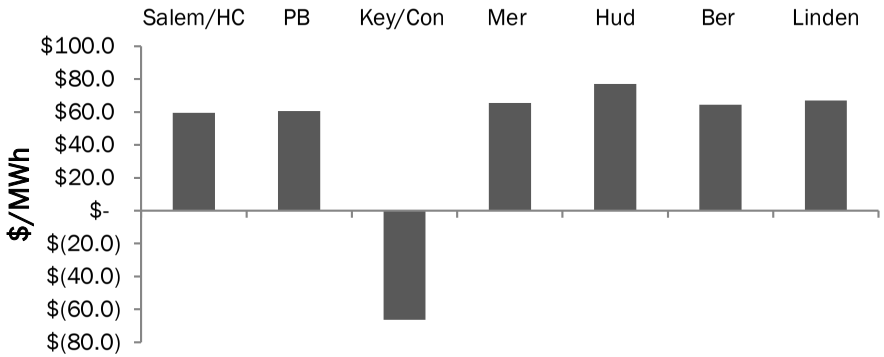
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

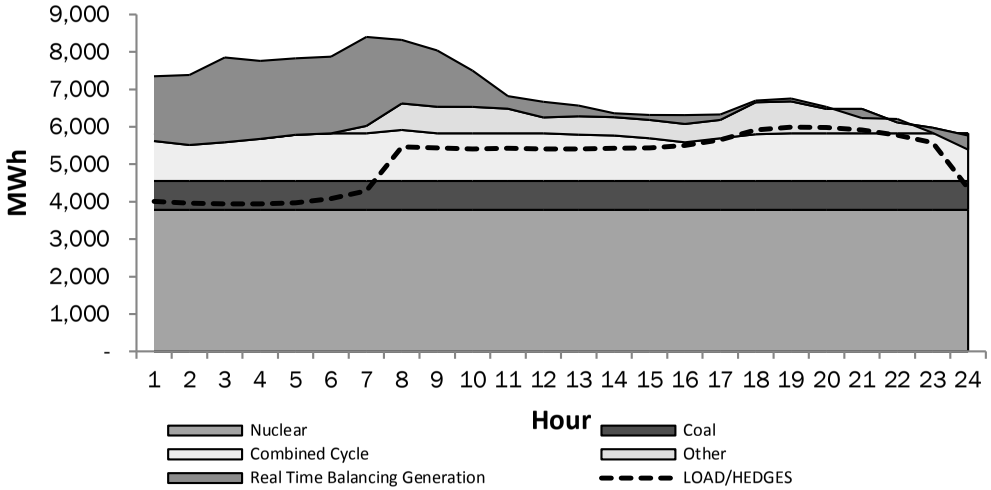
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

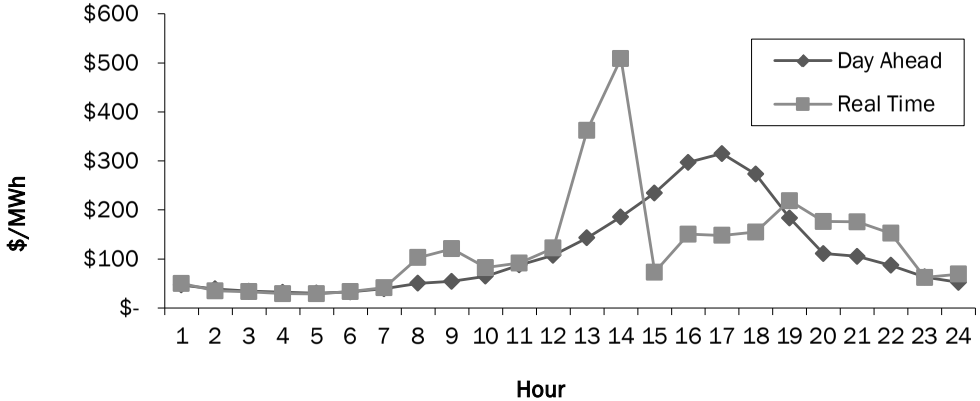


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

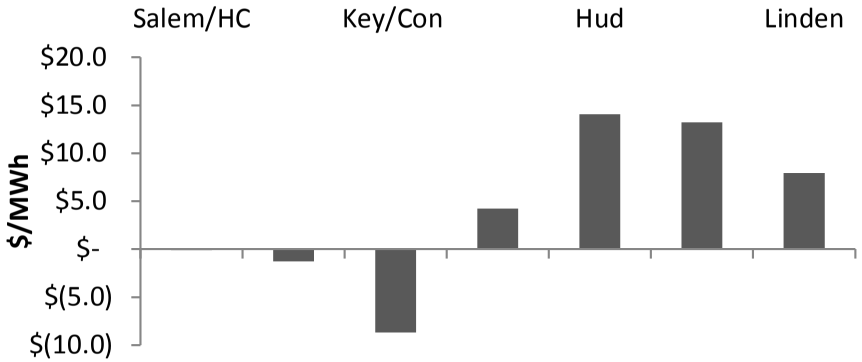
SI-SSA-0015-05417

Competitive Advantage: Trading & Asset Flexibility

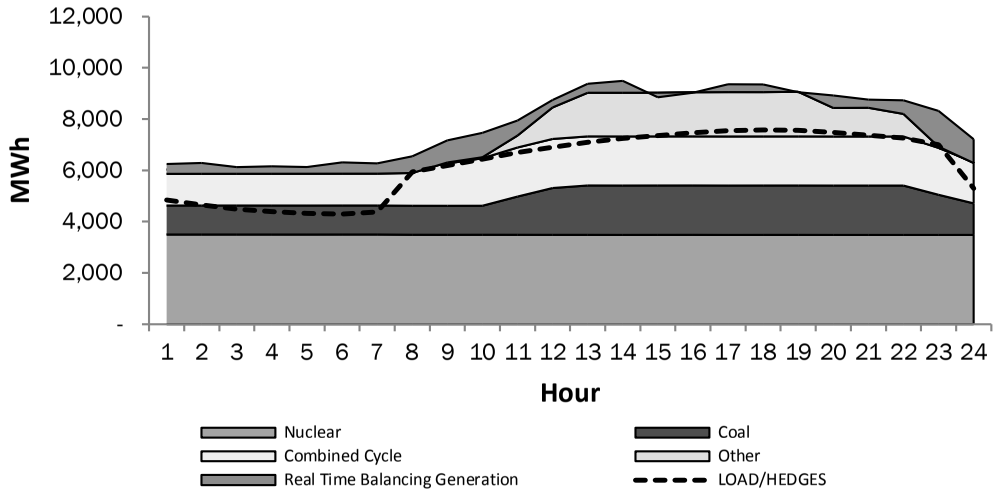
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



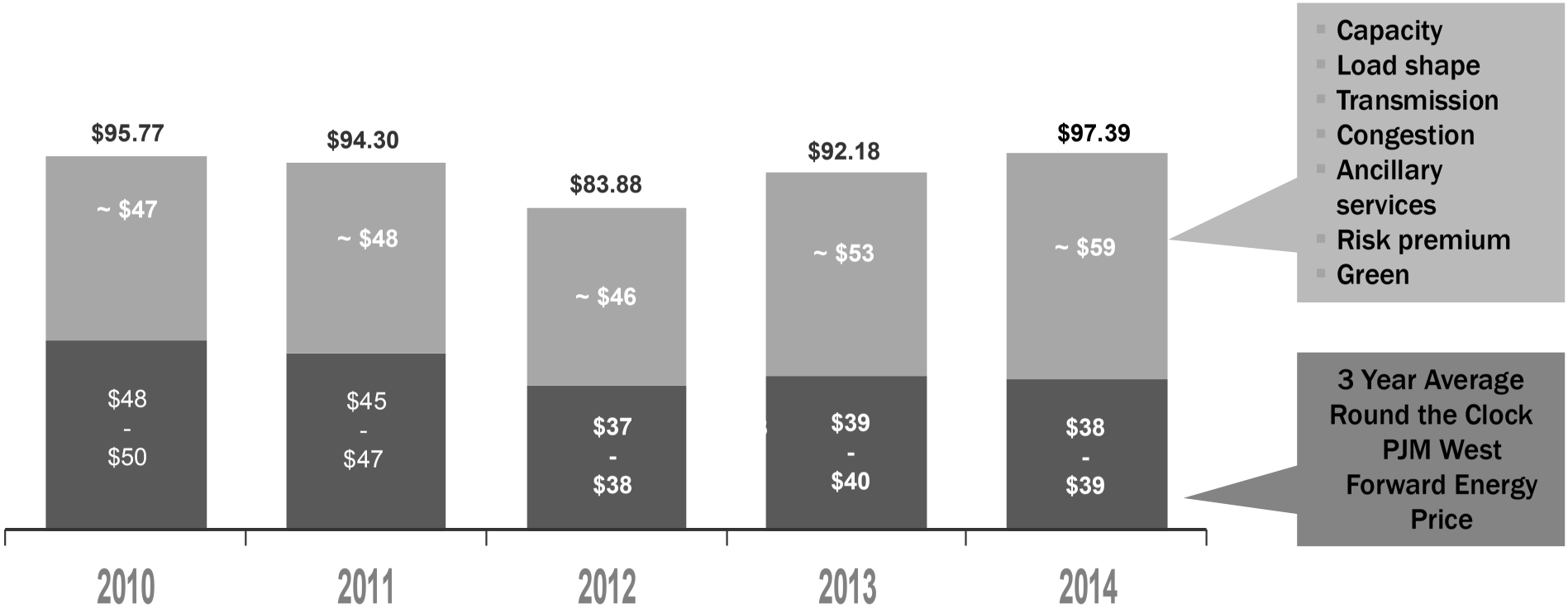
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-05418

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-05419

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-05420

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

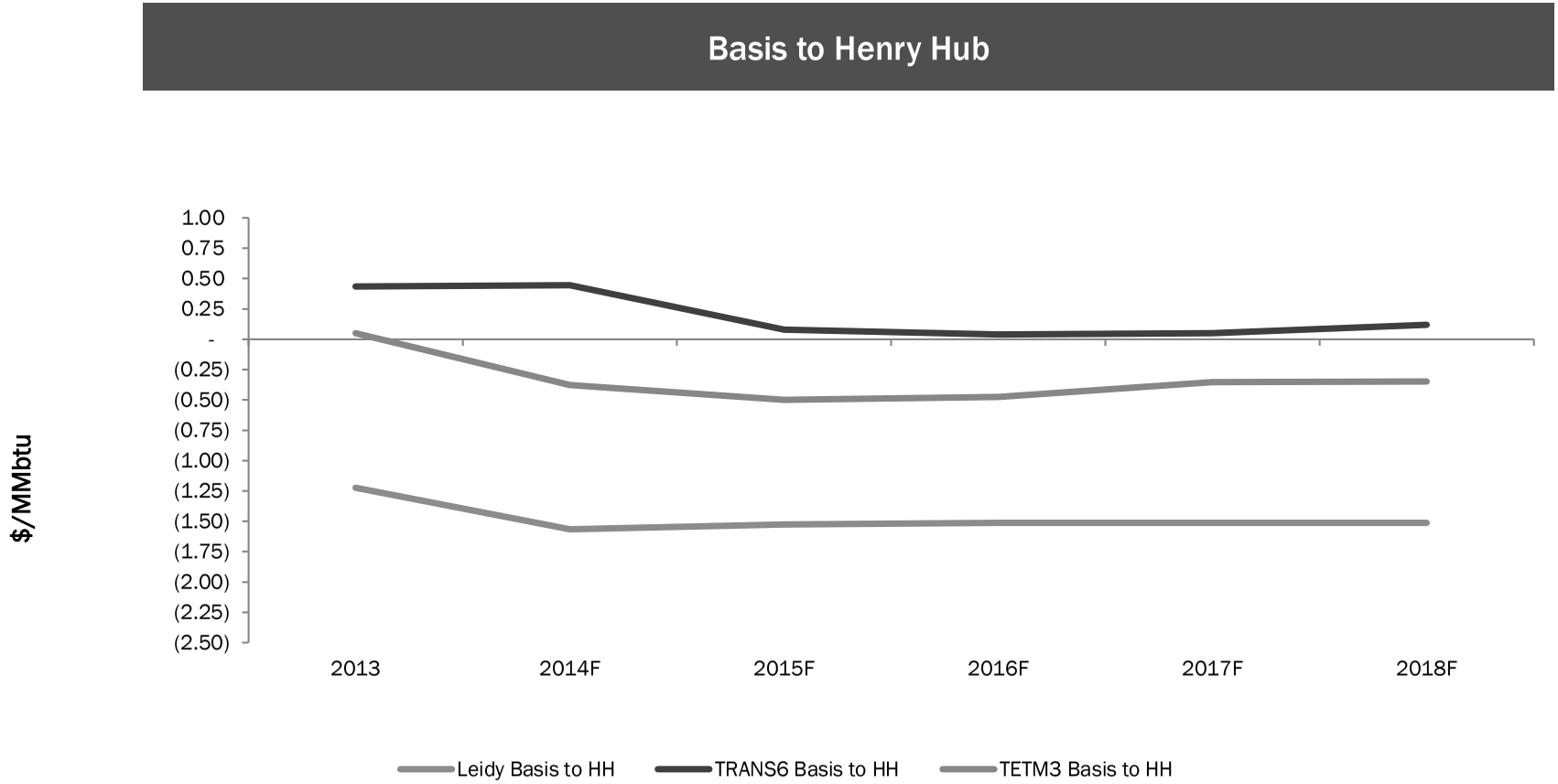
$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	**2016 / 2017**
Power's Average Prices	$153	$244	$162	$167	**$166**
Rest of Pool Prices	$16	$28	$126	$136	**$59**
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,600

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-05421

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-05422

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-05423

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-05424

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-05425

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

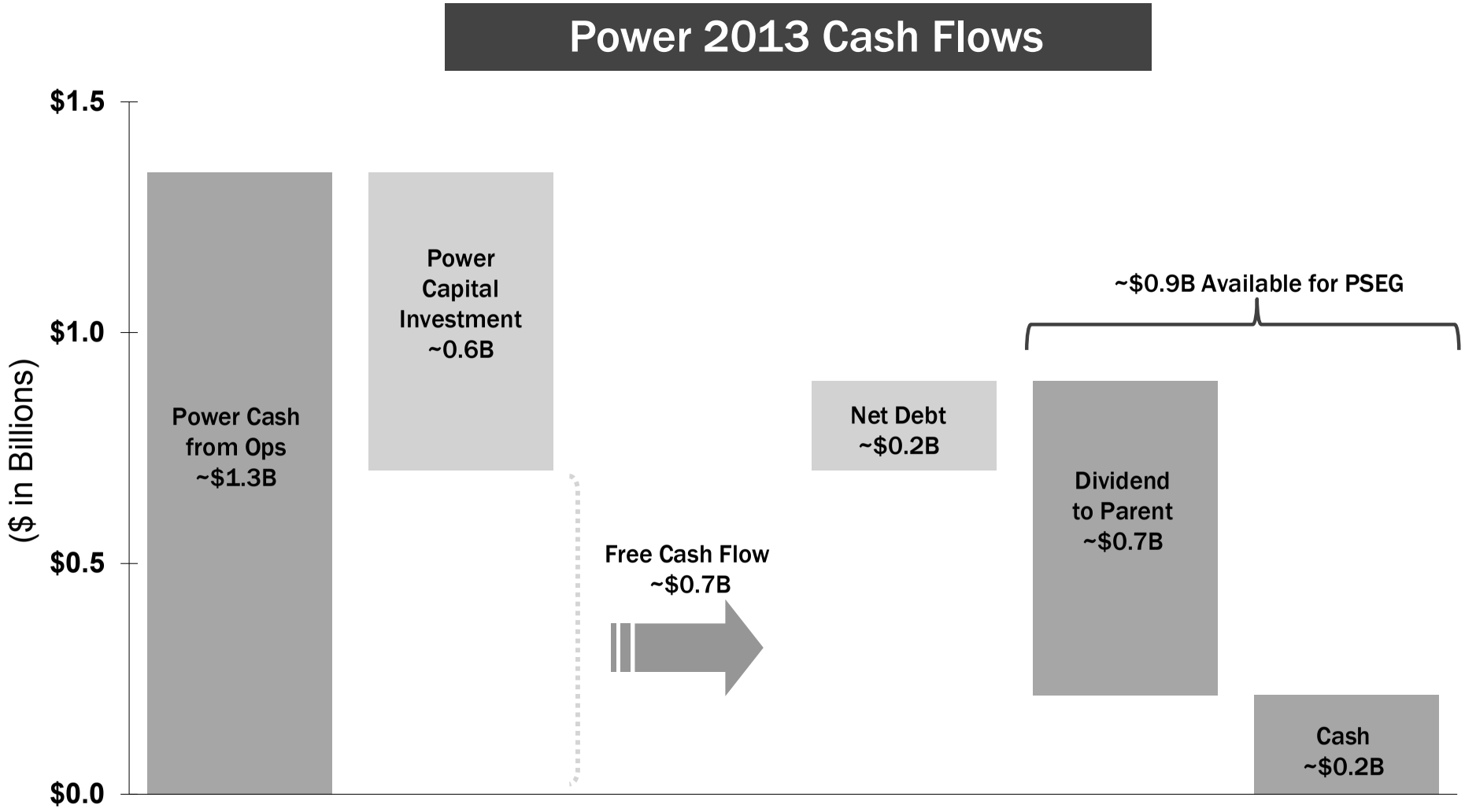
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

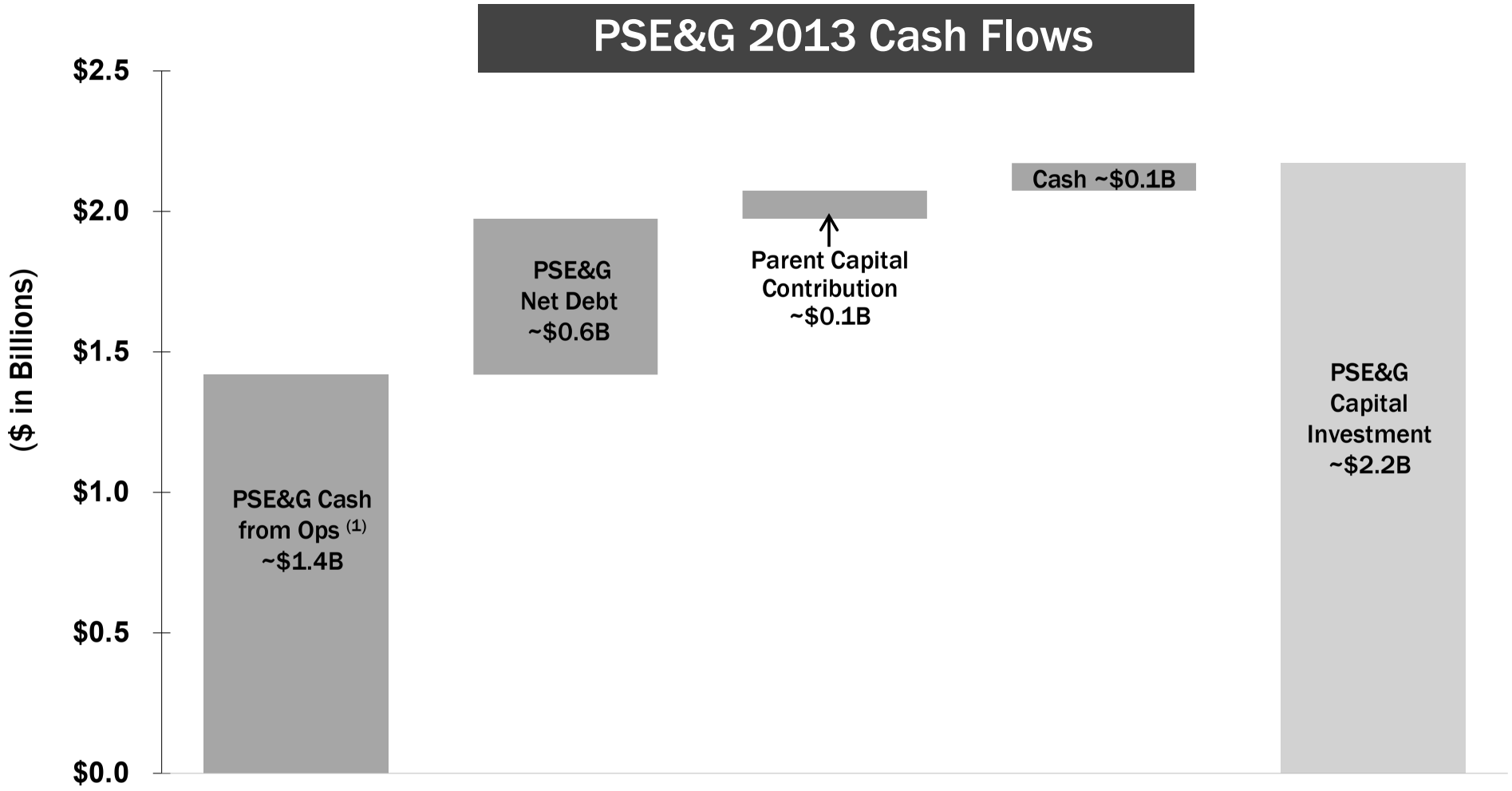
SI-SSA-0015-05426

In 2013, Power had significant free cash flow



SI-SSA-0015-05427

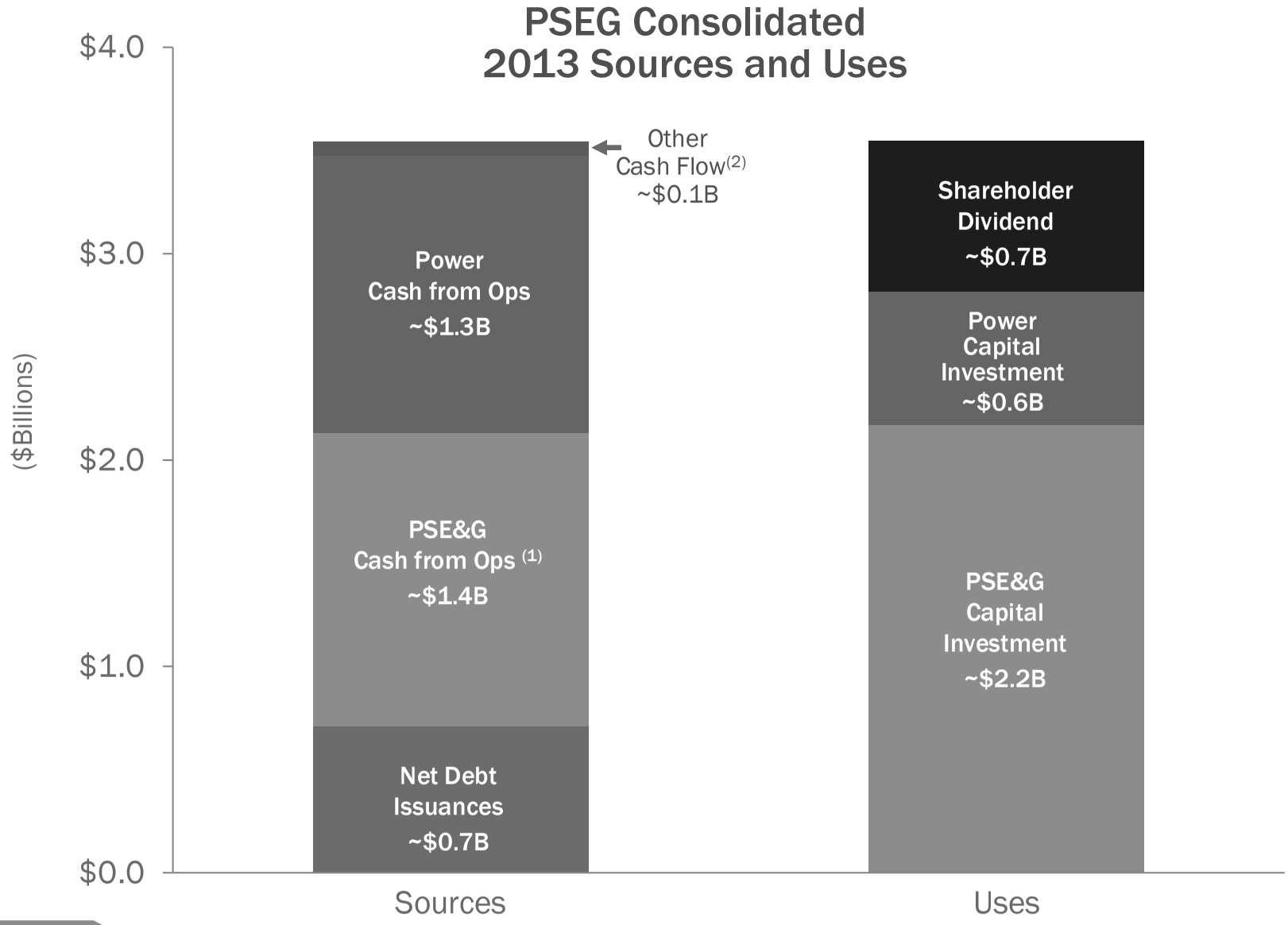
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-05428

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

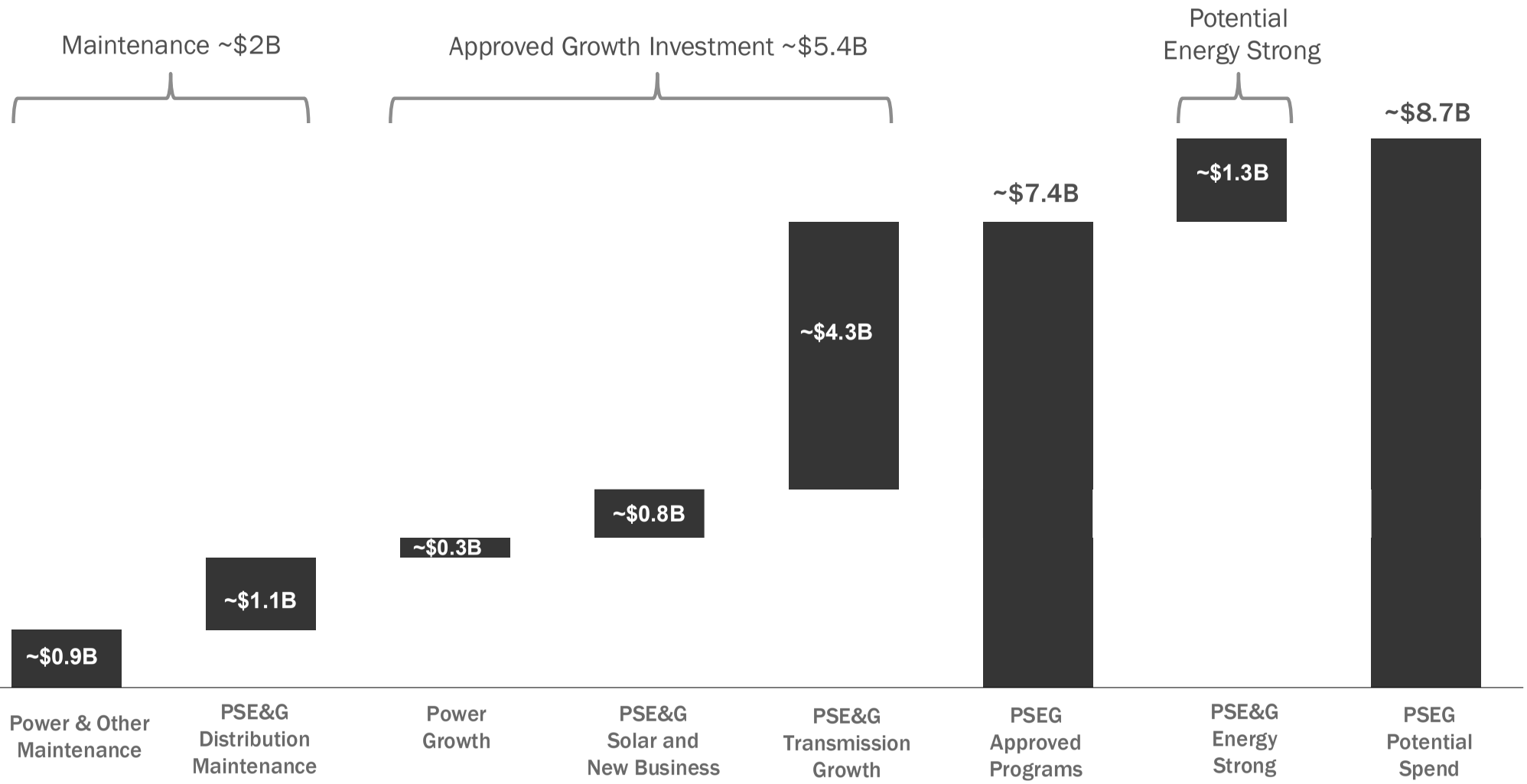


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-05429

PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

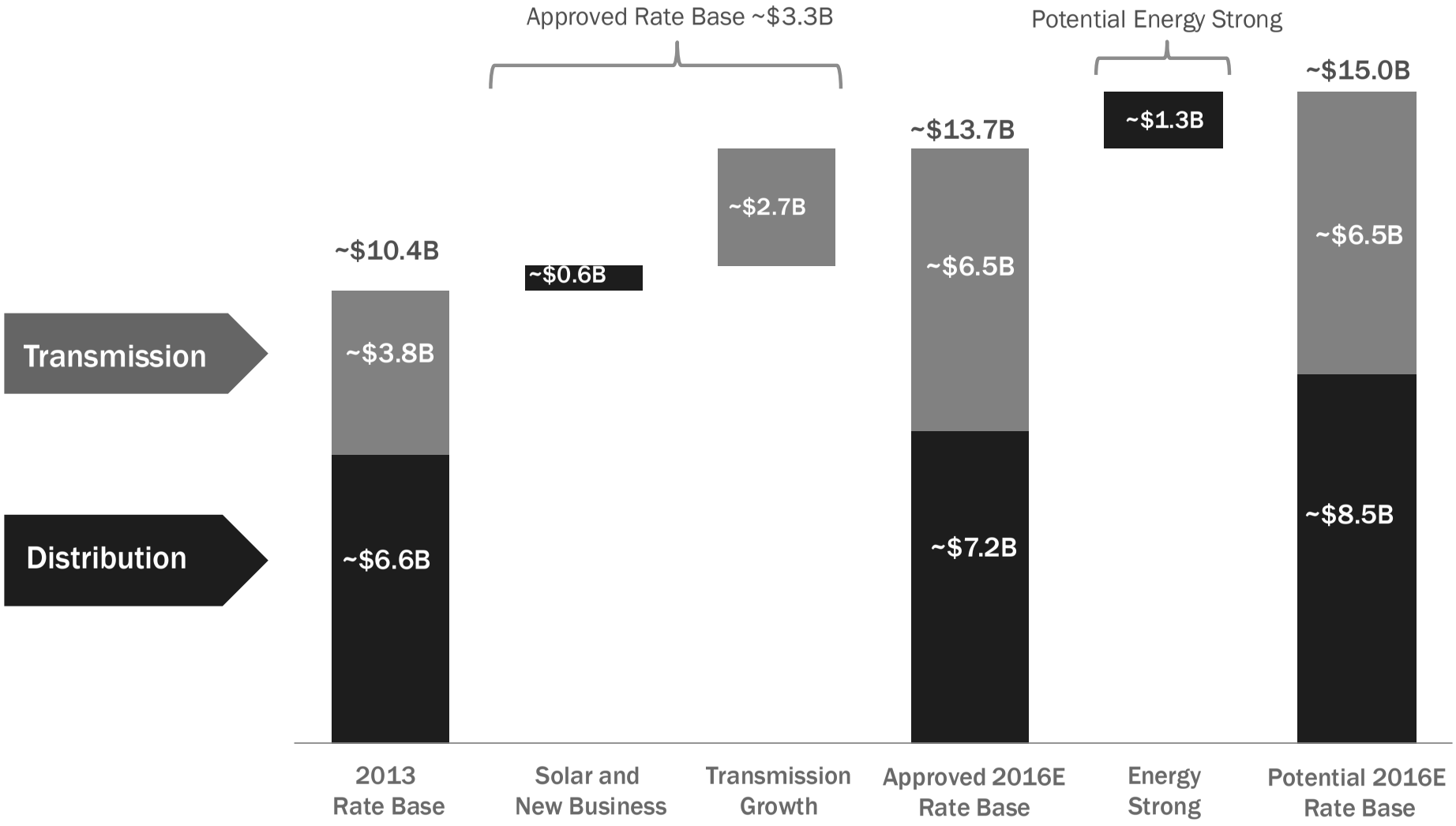


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-05430

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

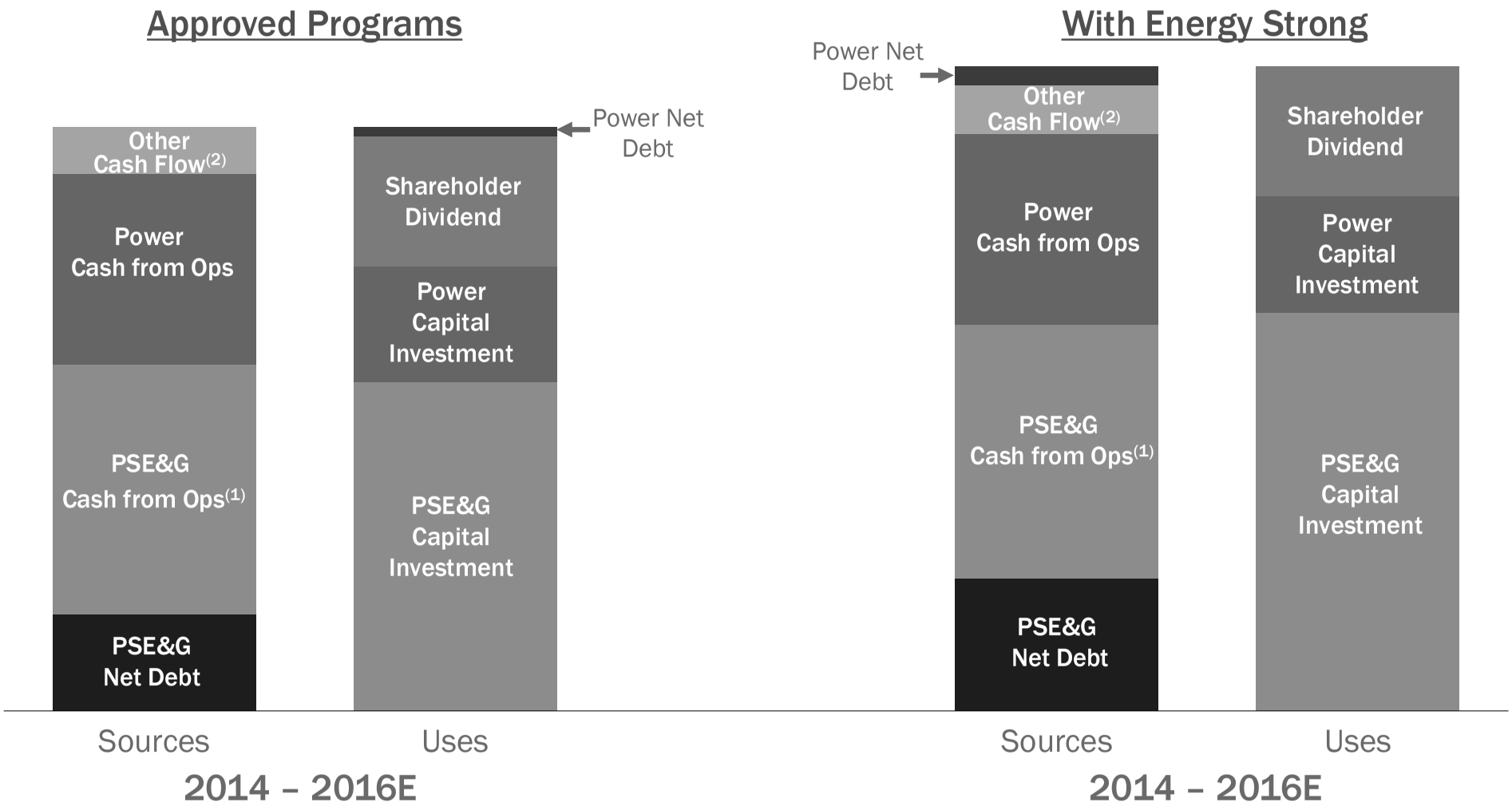
2013 – 2016E Rate Base CAGR in approved Growth of ~10%



SI-SSA-0015-05431

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

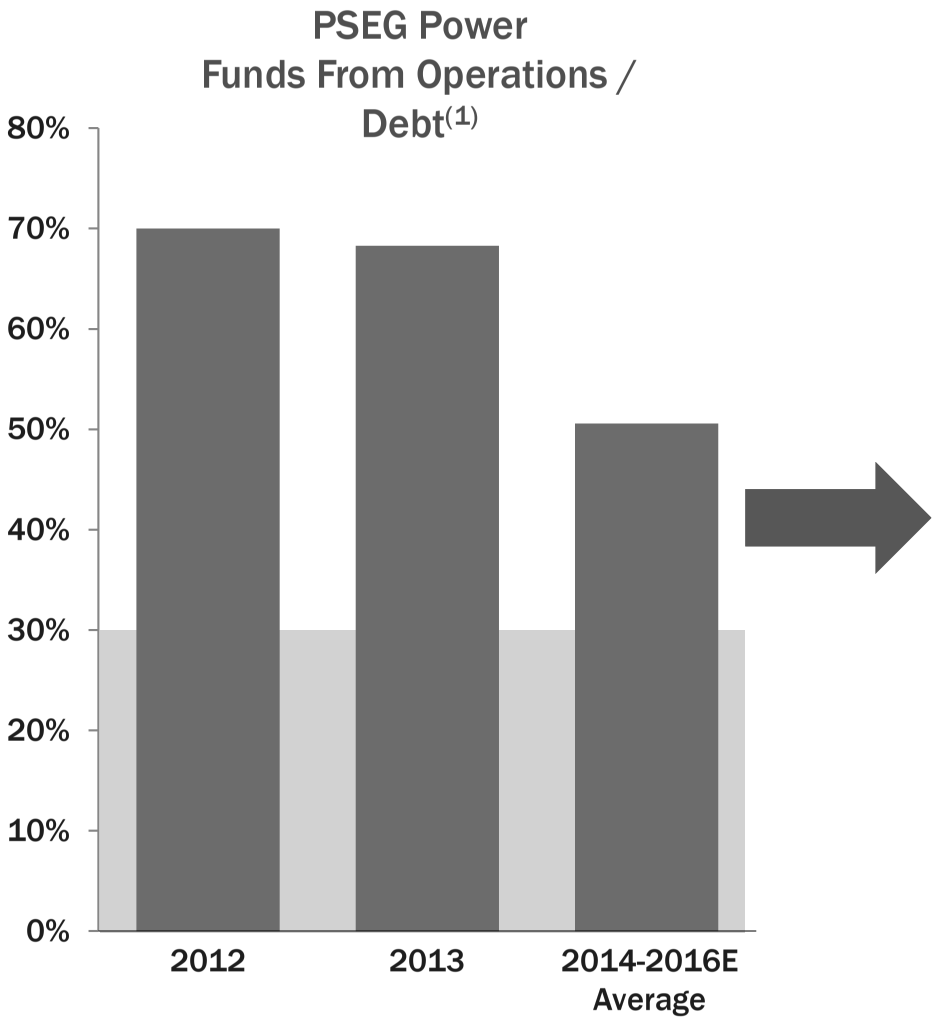
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-05432

Power's key credit metric supports incremental investment opportunities

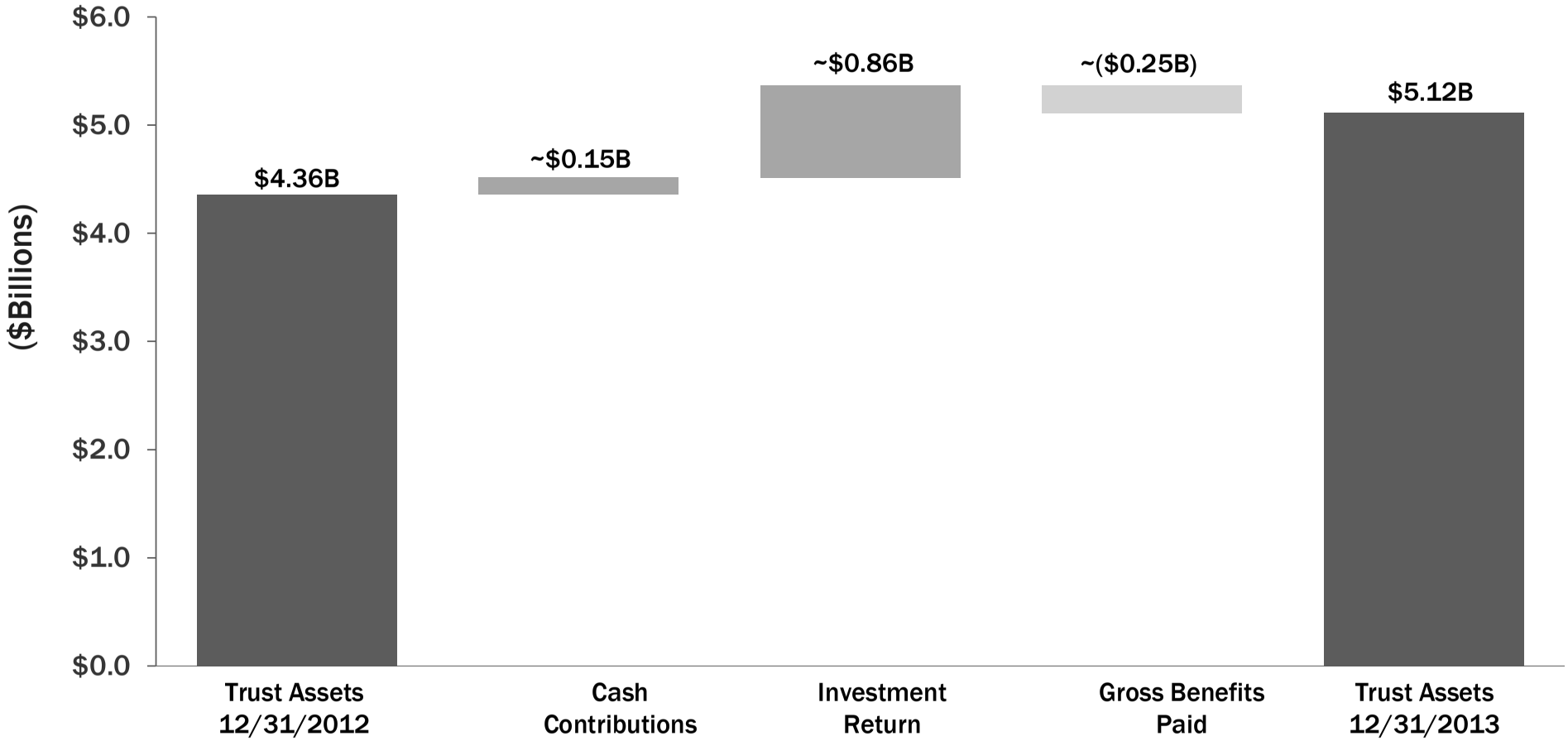


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-05433

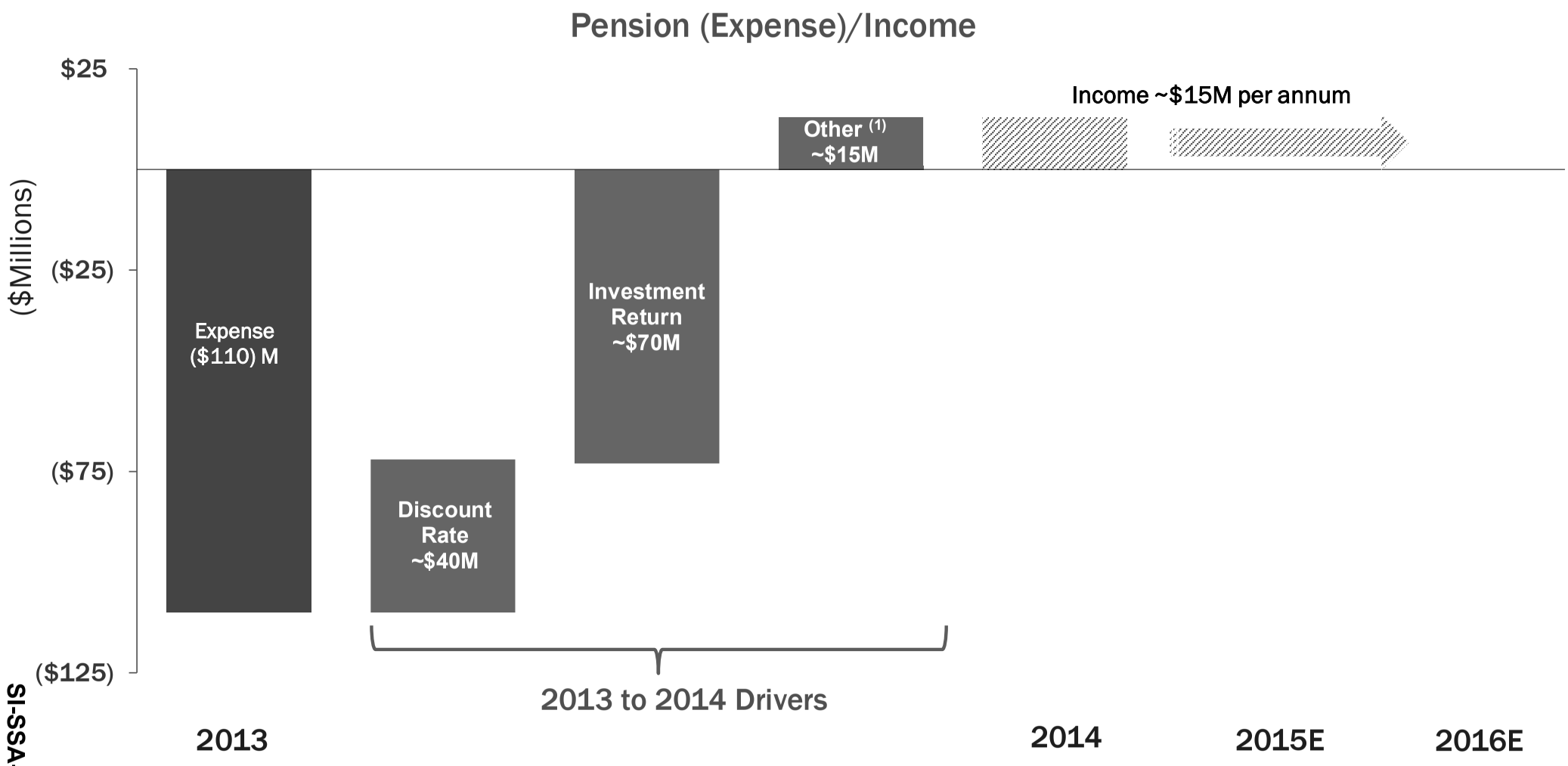
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-05434

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon

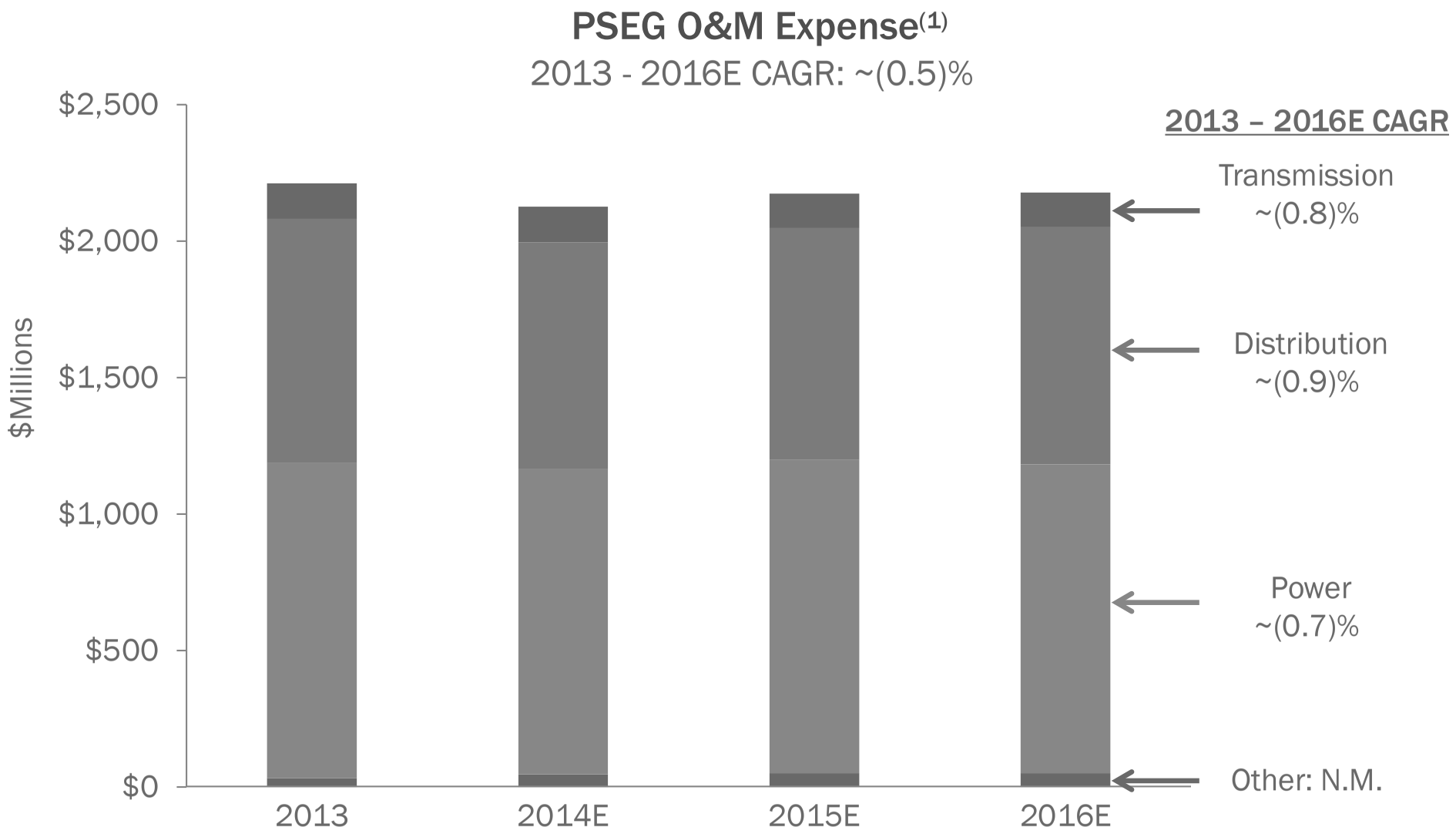


SI-SSA-0015-05435

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-05436

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

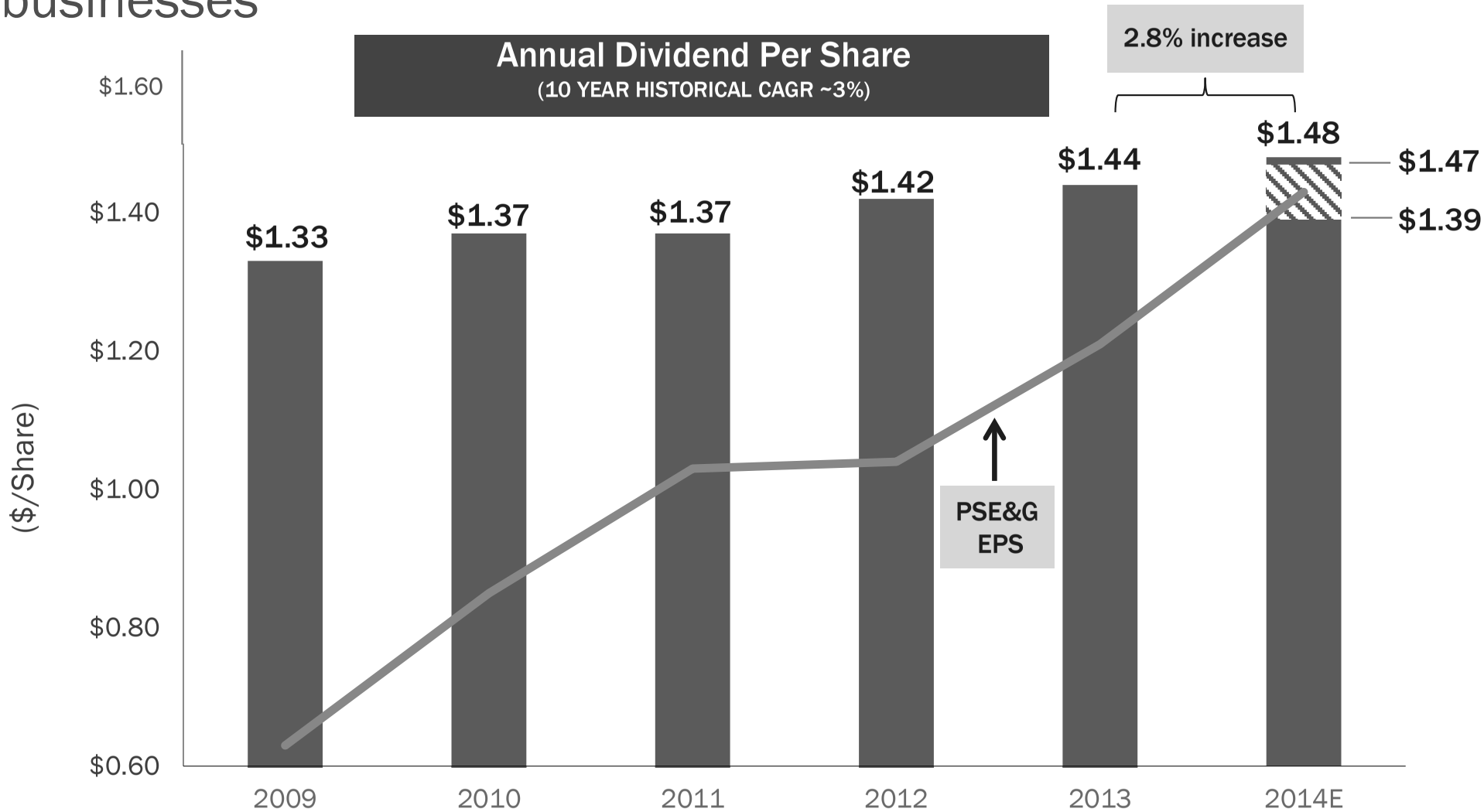
SI-SSA-0015-05437

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-05438

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-05439

PSEG Summary

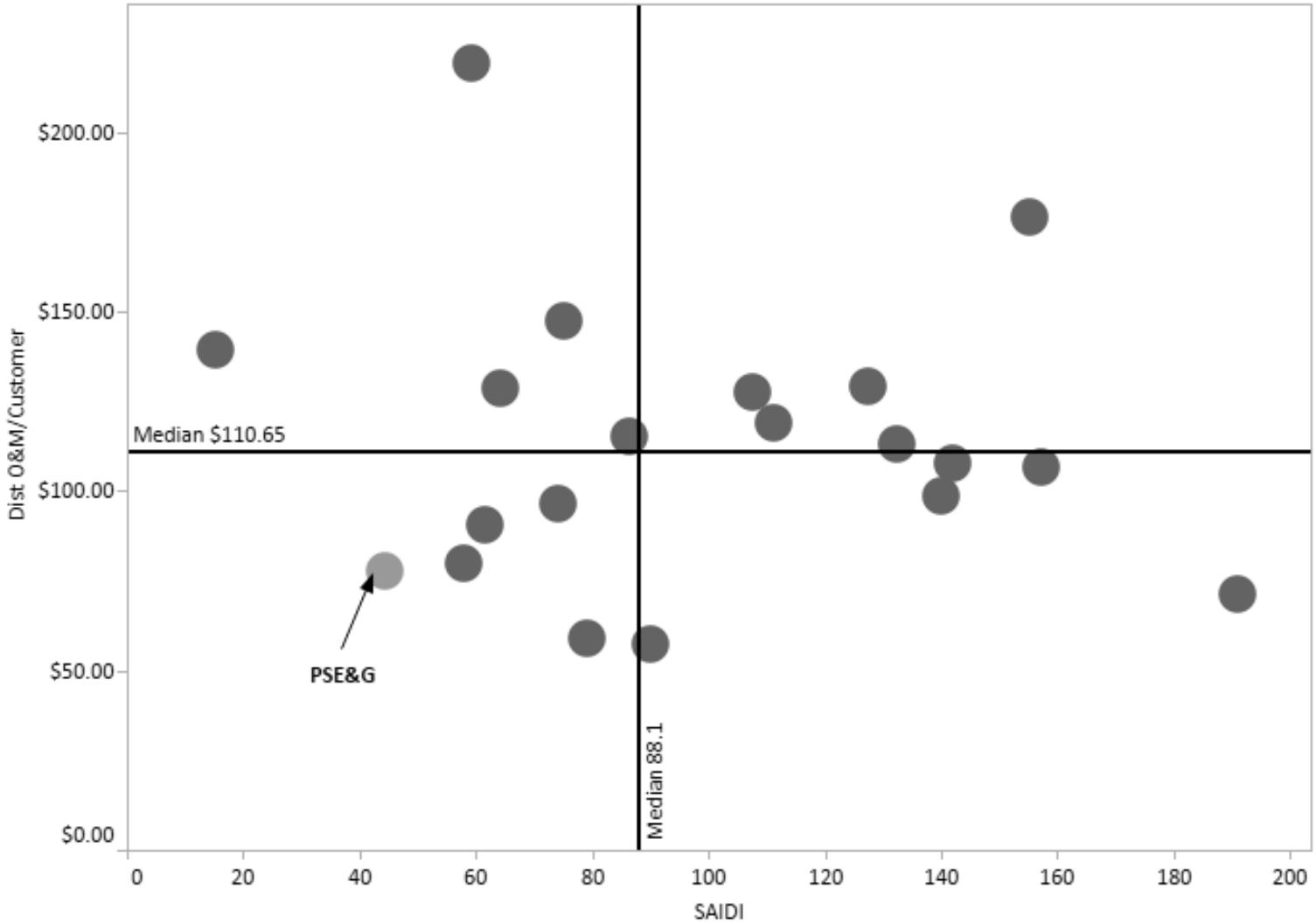
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-05440

PSE&G APPENDIX

SI-SSA-0015-05441

PSE&G provides high reliability at below average cost which creates superior value to customers



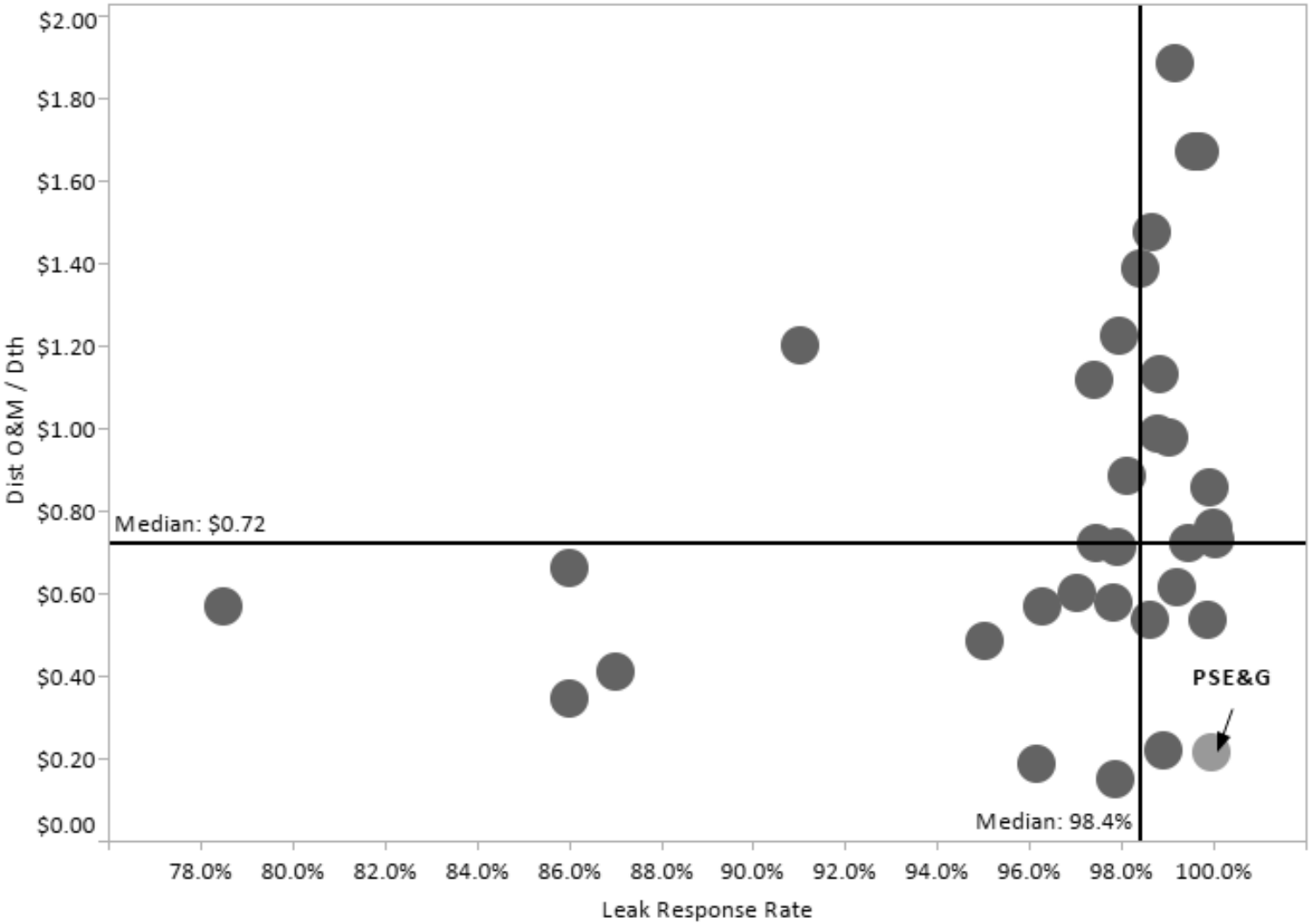
SI-SSA-0015-05442

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



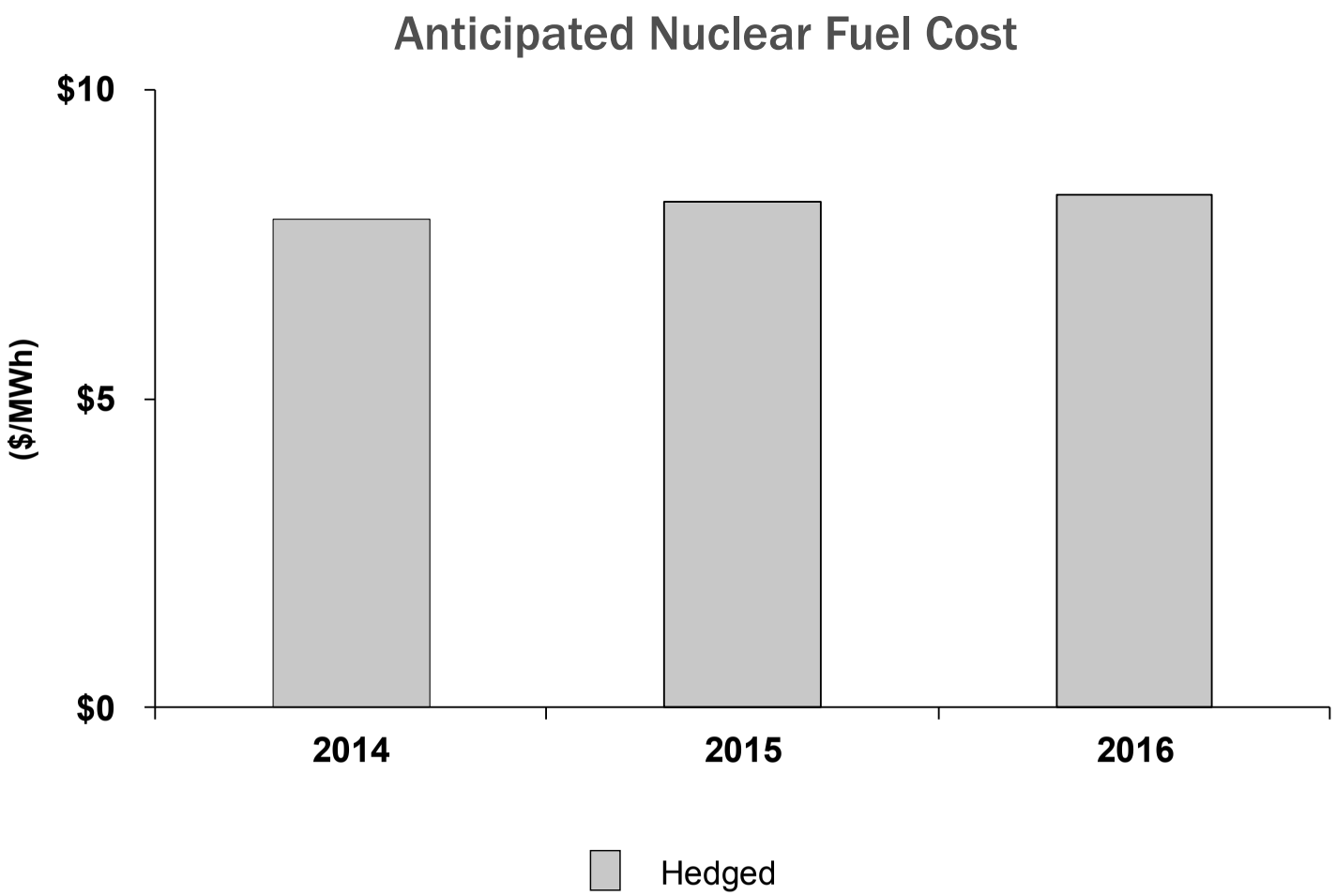
SI-SSA-0015-05443

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

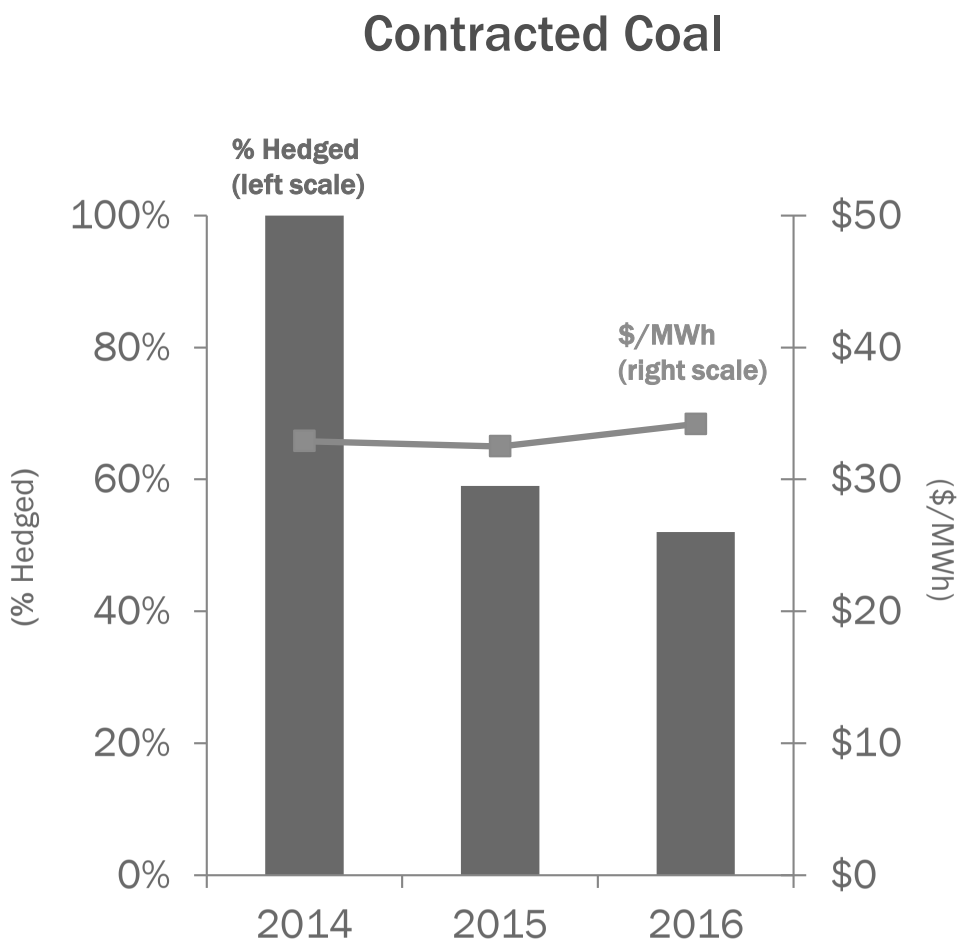
SI-SSA-0015-05444

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-05445

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-05446

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-05447

PSEG FINANCIAL APPENDIX

SI-SSA-0015-05448

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-05449

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-05450

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-05451

Strong, full year 2013 operating earnings delivered

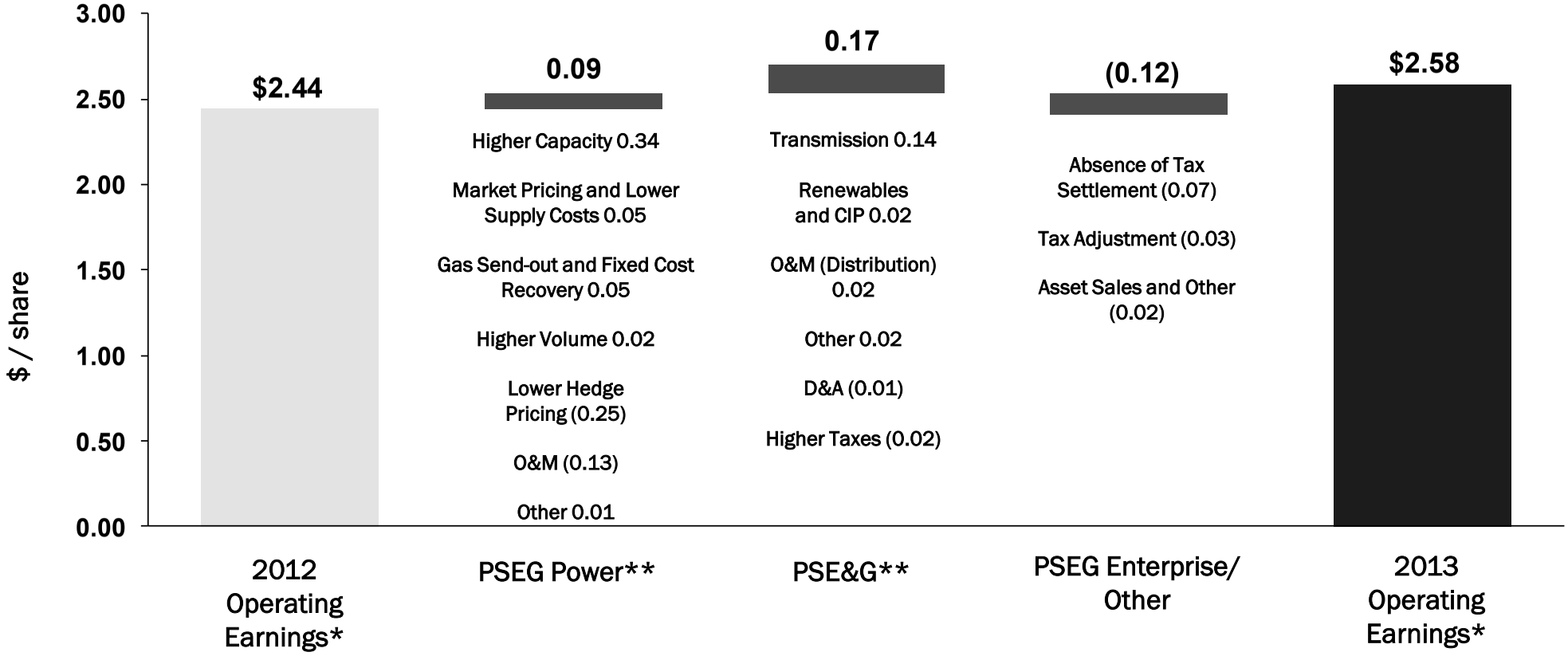
	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-05452

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

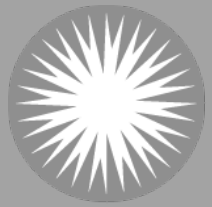
Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

2016 Barclays Utility Sector Update

MARCH 21-24, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05455

Forward-Looking Statement

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-05456

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-05457

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-05458

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-05459

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-05460

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-05461

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

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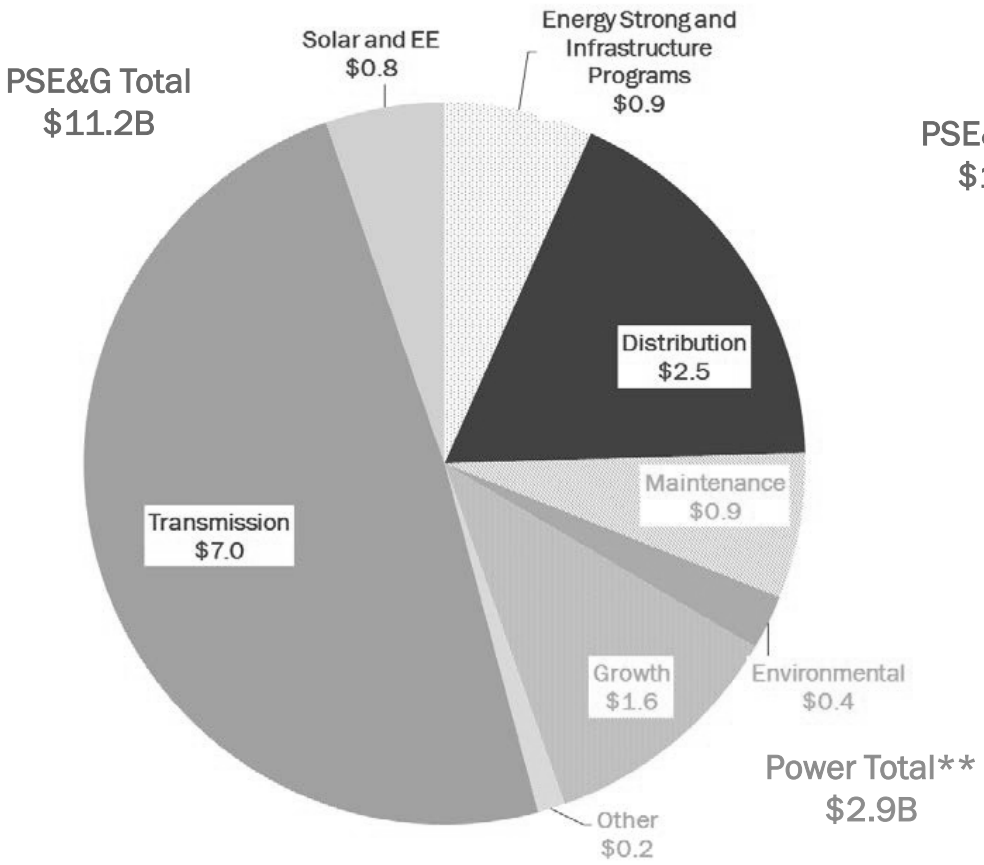
PSEG

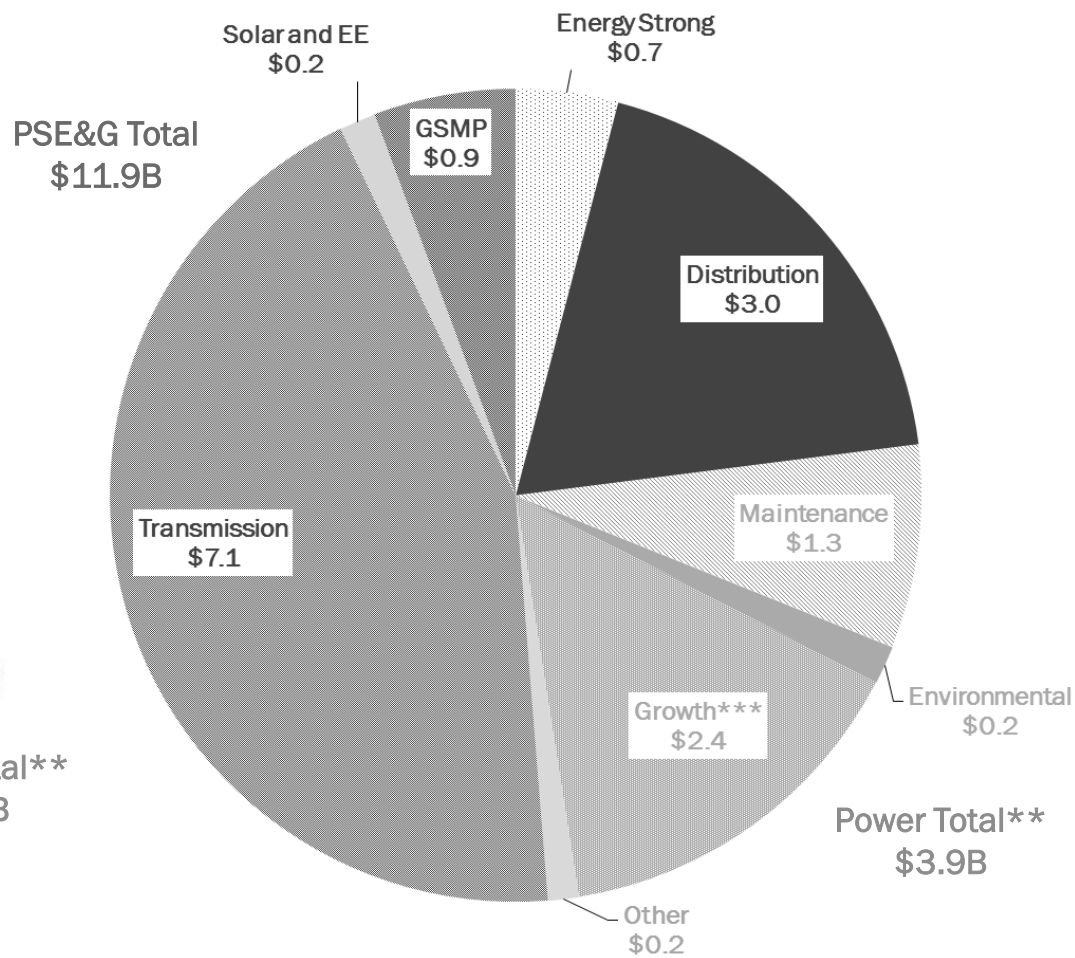
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-05463

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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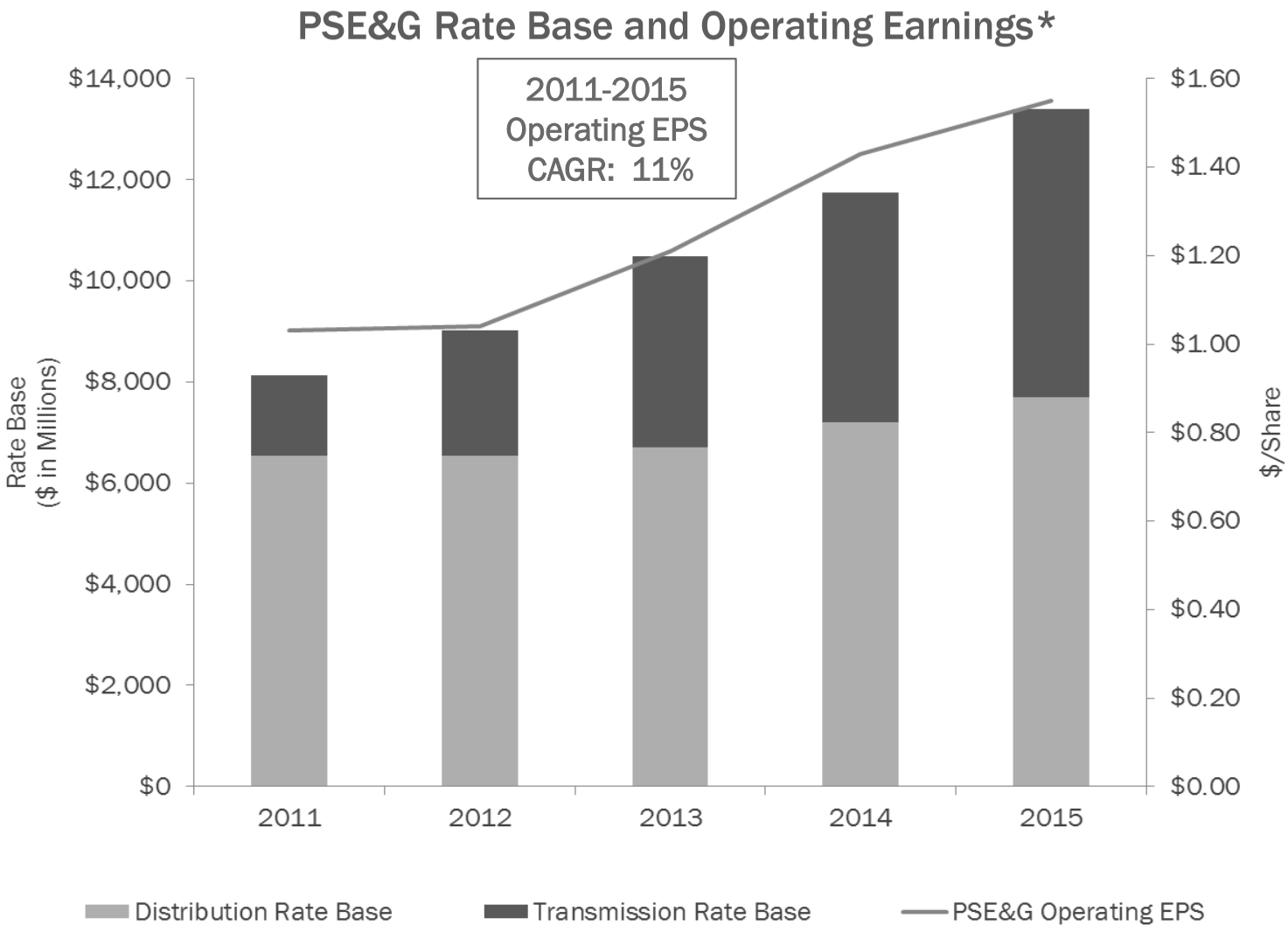
PSE&G's investment program

Meeting public policy goals and customer needs



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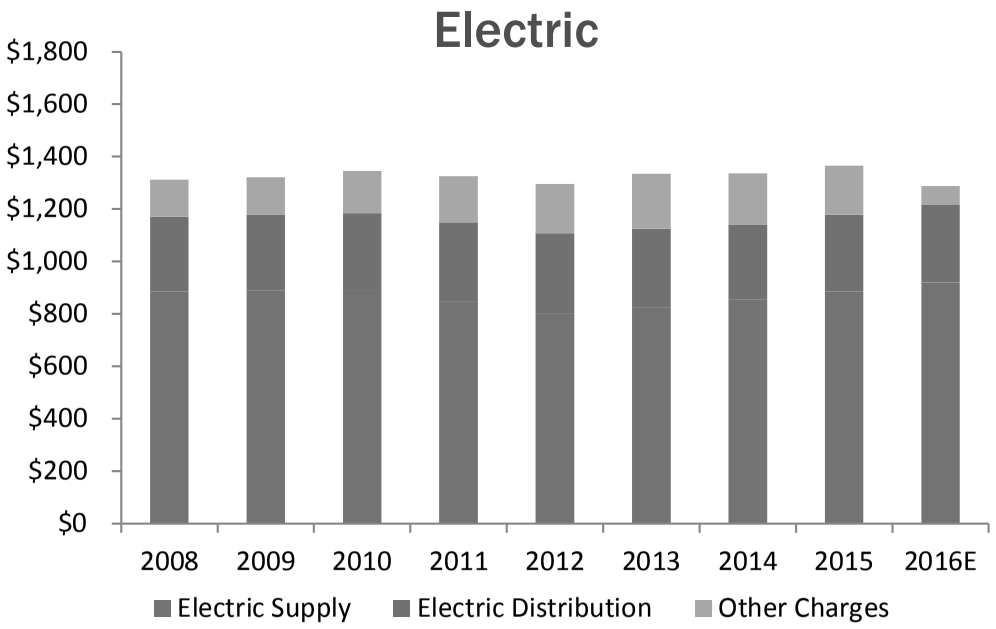
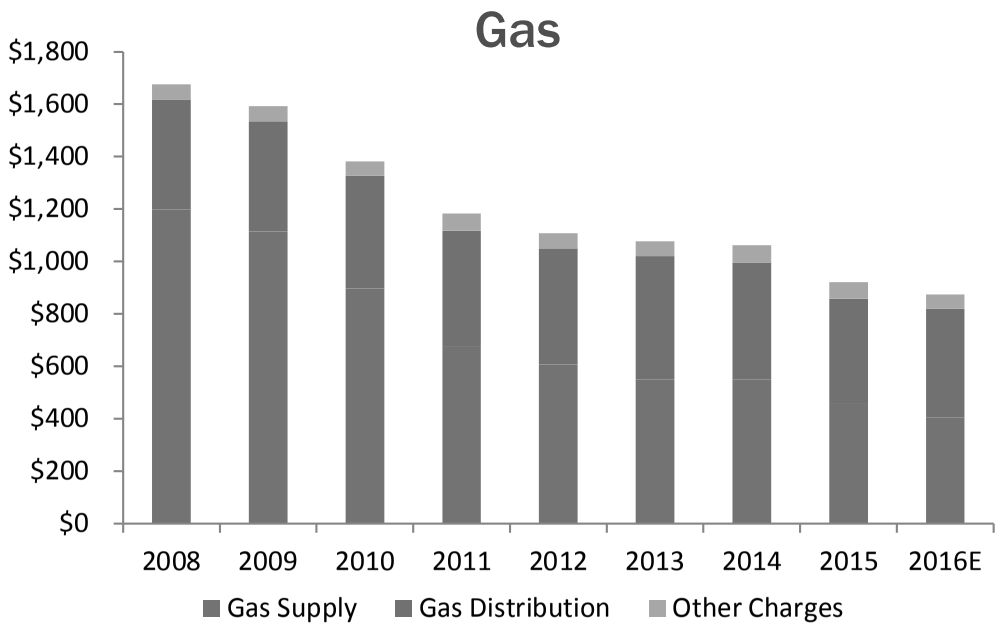
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

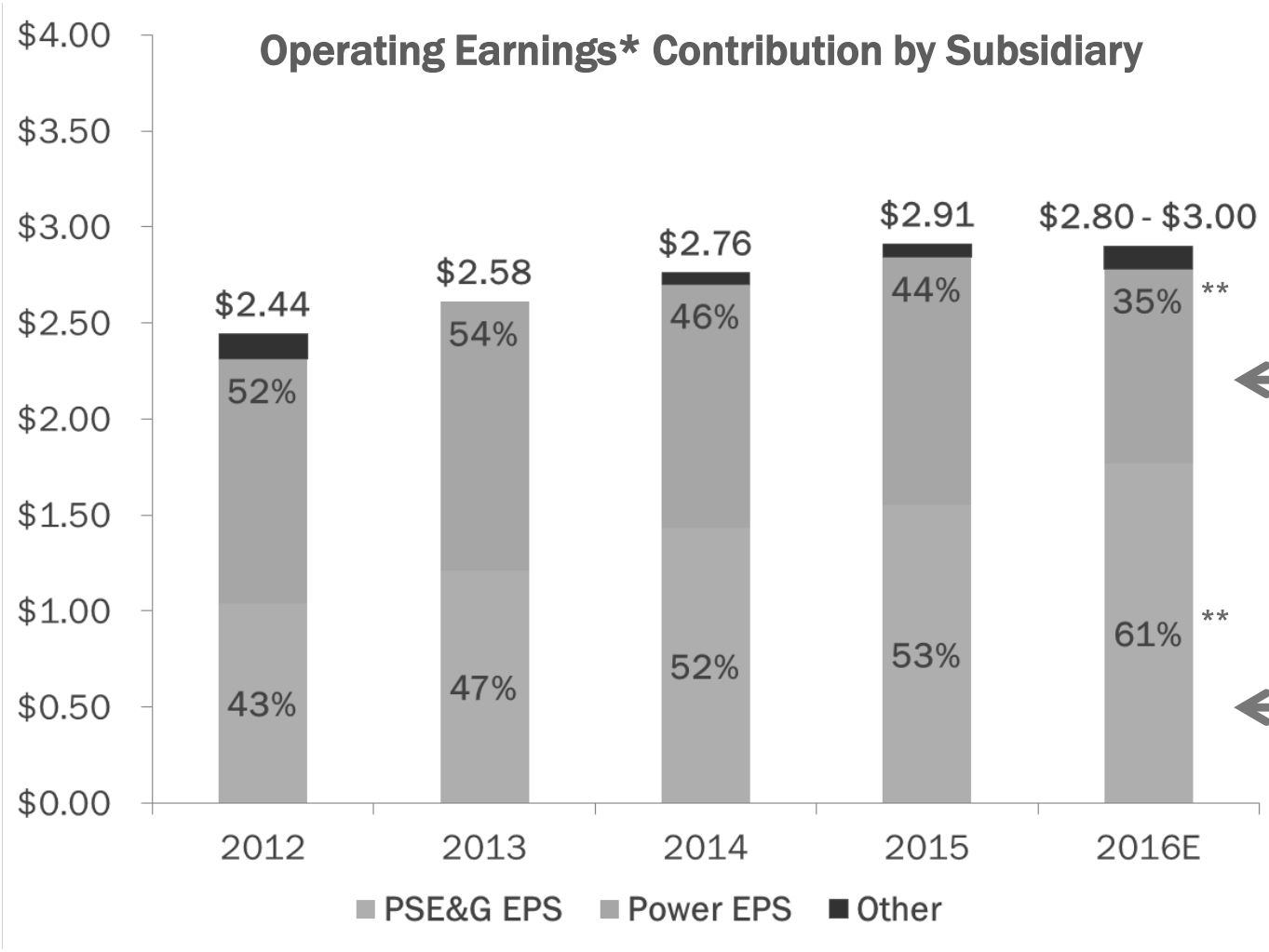
SI-SSA-0015-05467

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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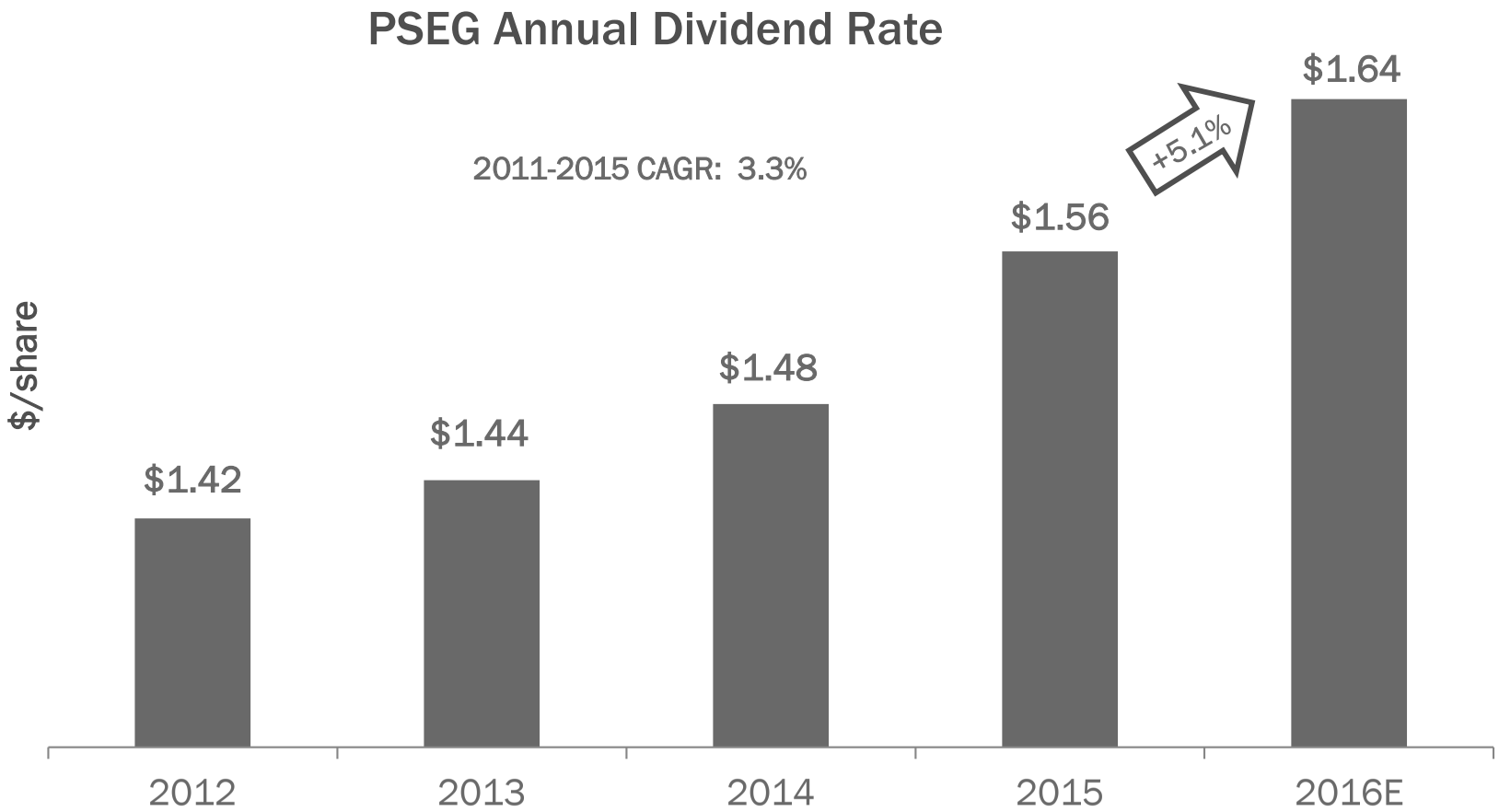
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-05469

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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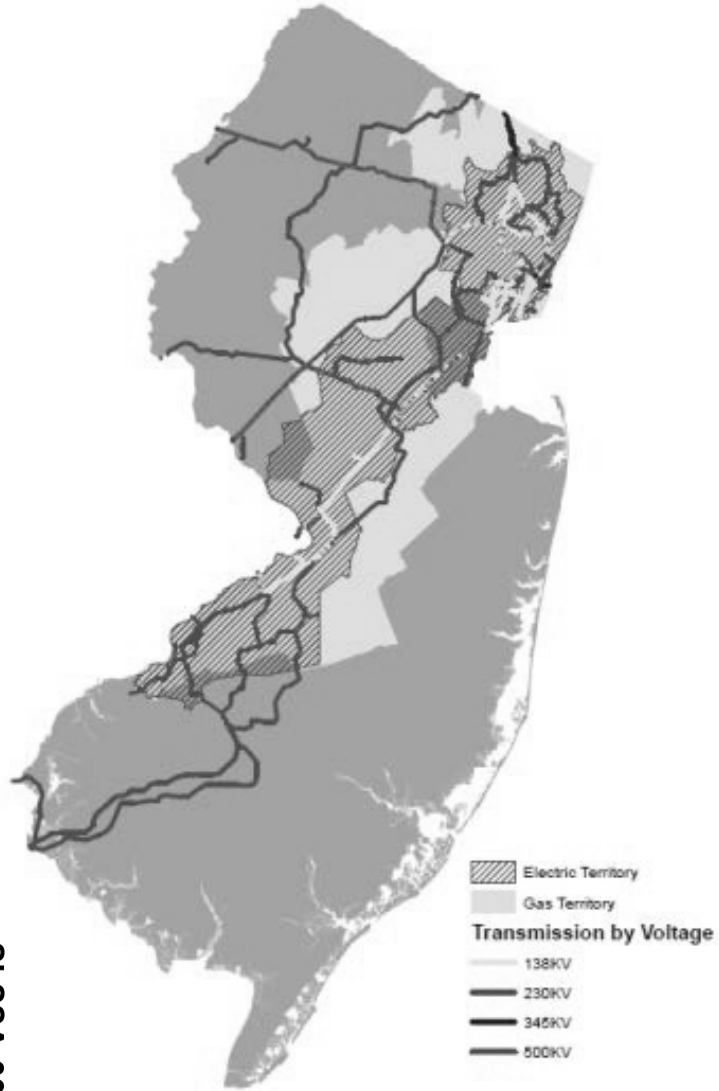
PSE&G

PSEG

We make things work for you.

SI-SSA-0015-05472

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-05473

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05474

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-05475

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-05476

Operational Excellence

Reliability and Customer Service

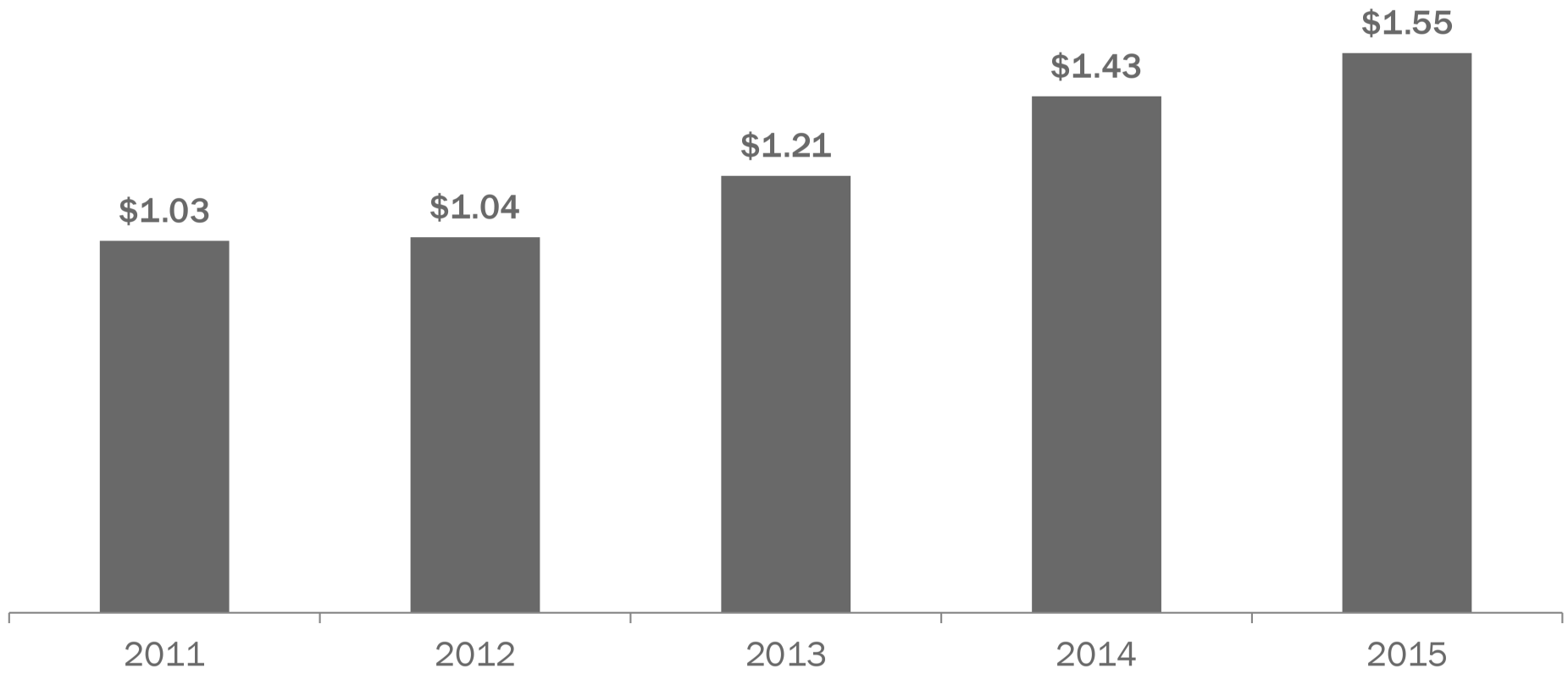
- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-05477

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

PSE&G Operating Earnings Per Share



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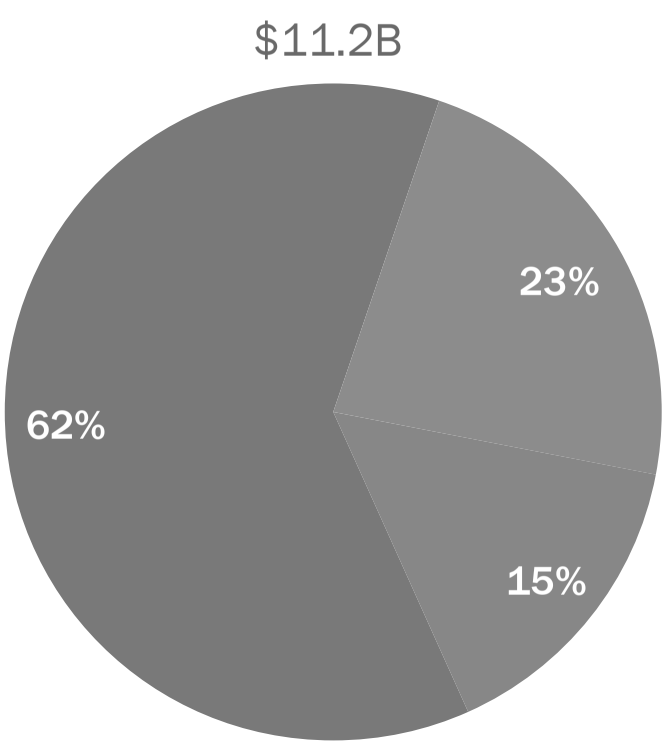
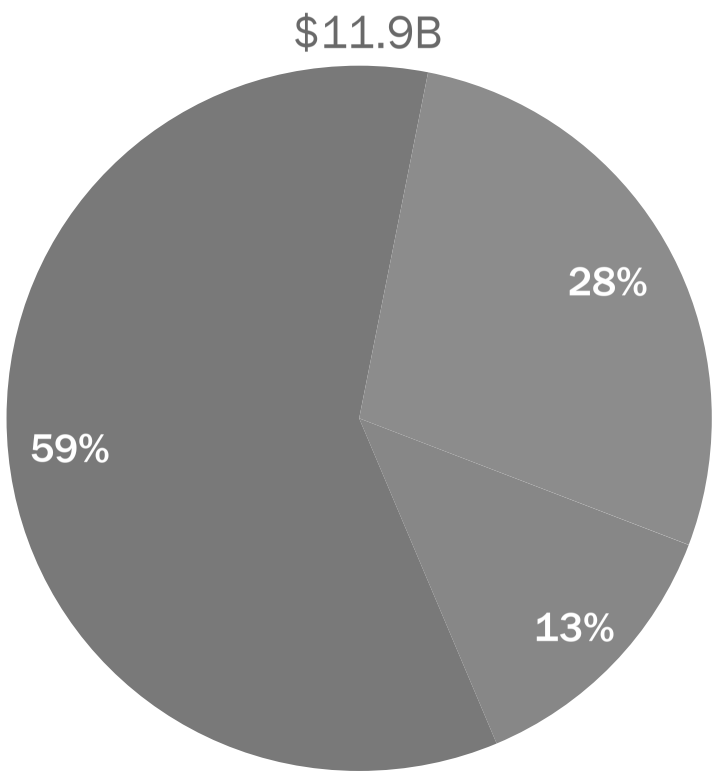
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

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Increasing investment across our portfolio

- **Transmission**
  - Large portfolio of projects to meet ongoing reliability and life-cycle requirements
- **Electric Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Electric System Modernization Program (ESMP)
- **Gas Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Gas System Modernization Program (GSMP)
- **Solar and Energy Efficiency**

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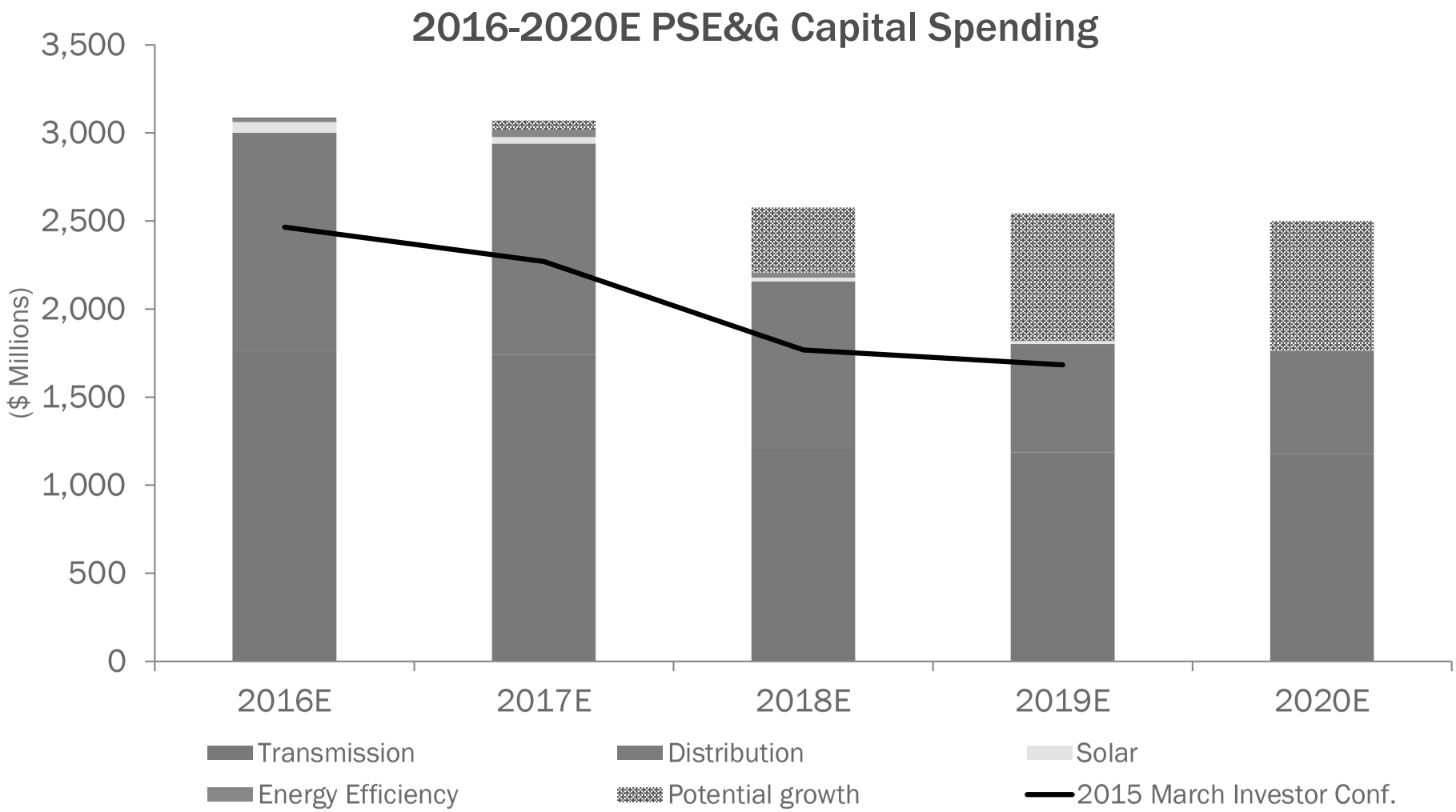
Continued identification of investment opportunities focused on improving reliability for our customers



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Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

*CURRENTLY APPROVED ROE.

SI-SSA-0015-05482

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-05483

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• GSMP	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-05484

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	• Further extension of S4A, focused on landfills (20 sites, ~150 MW identified)
Investment	~$545M	~$140M	Potential $200-$300M multi-year program filing
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-05485

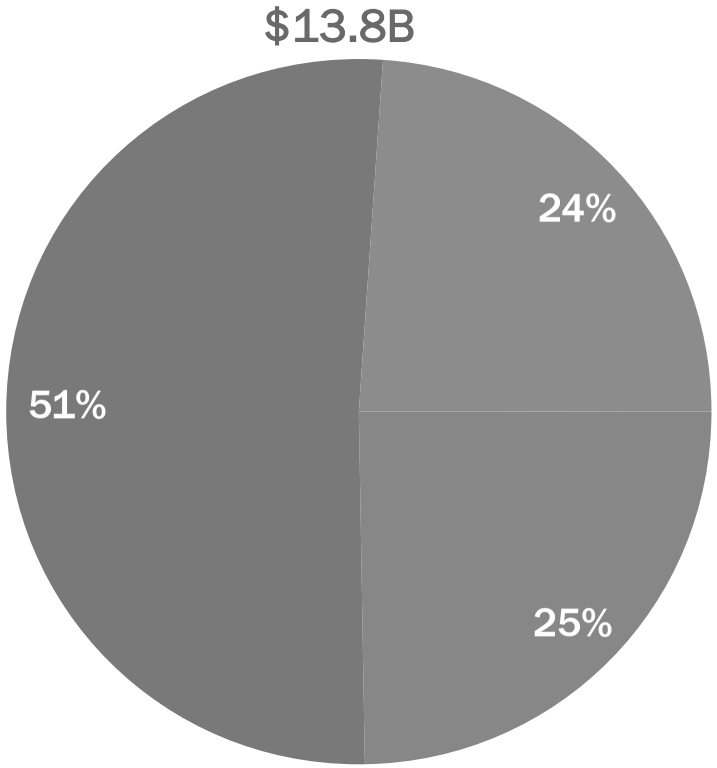
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-05486

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

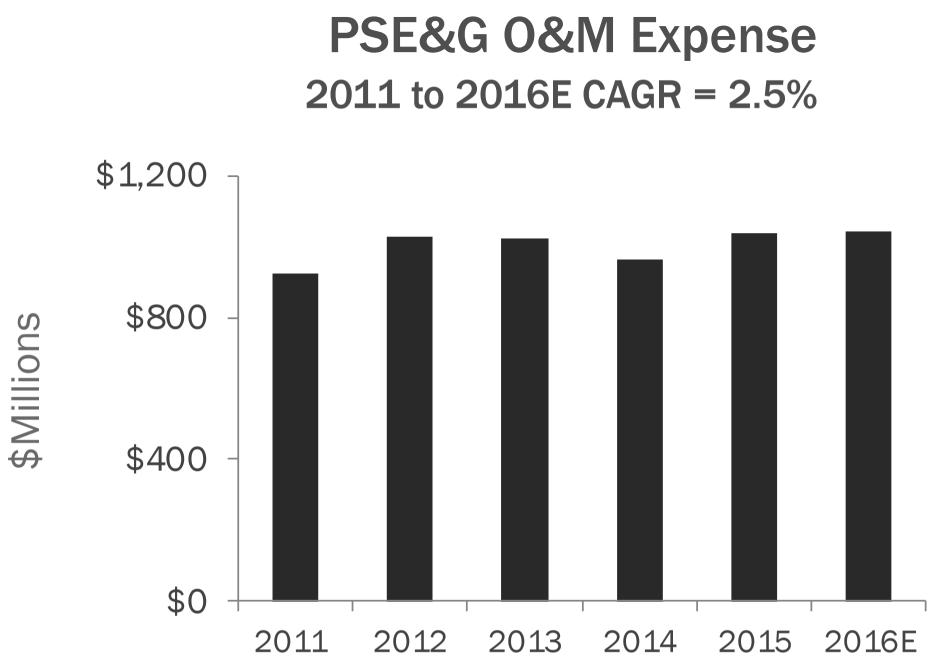
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-05487

Demonstrated ability to control O&M and plan to drive future efficiencies



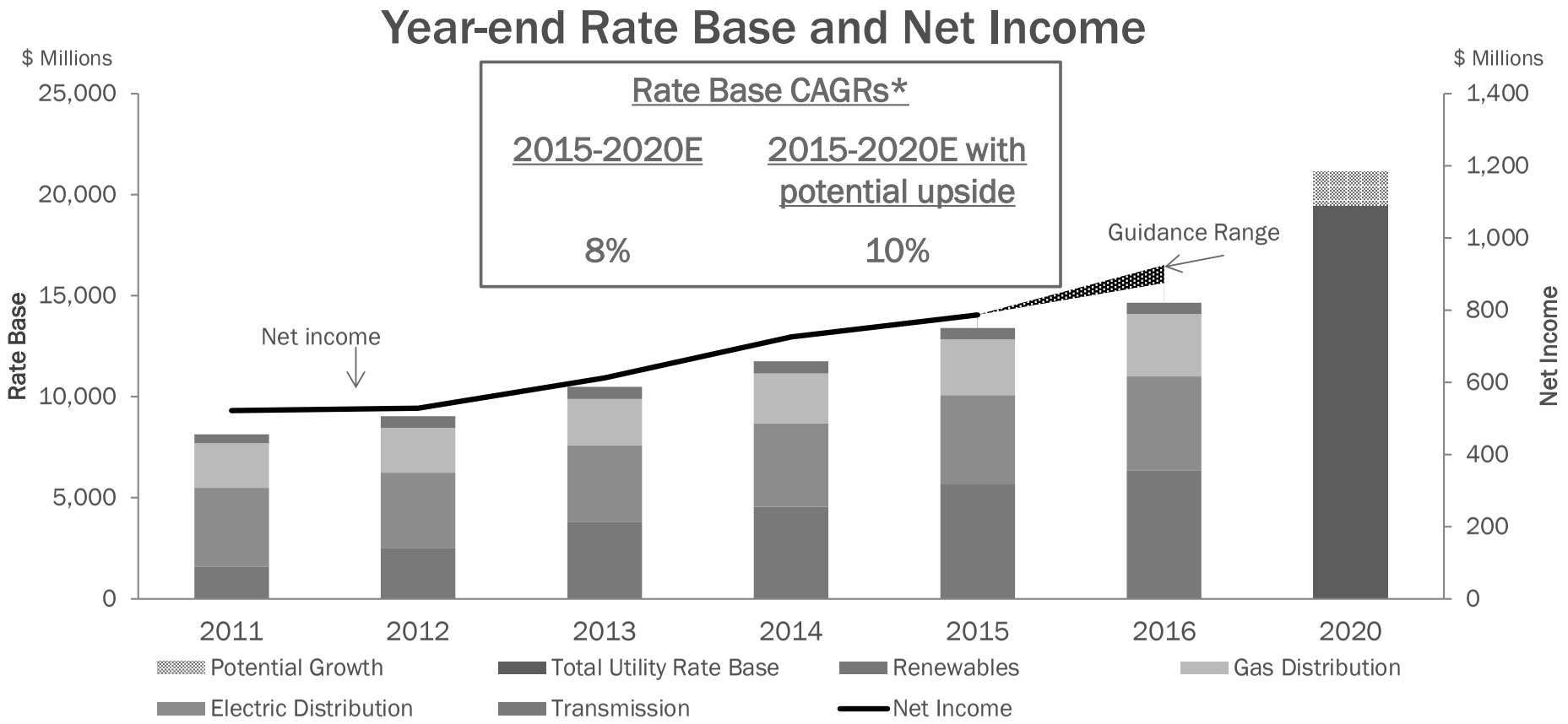
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-05488

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

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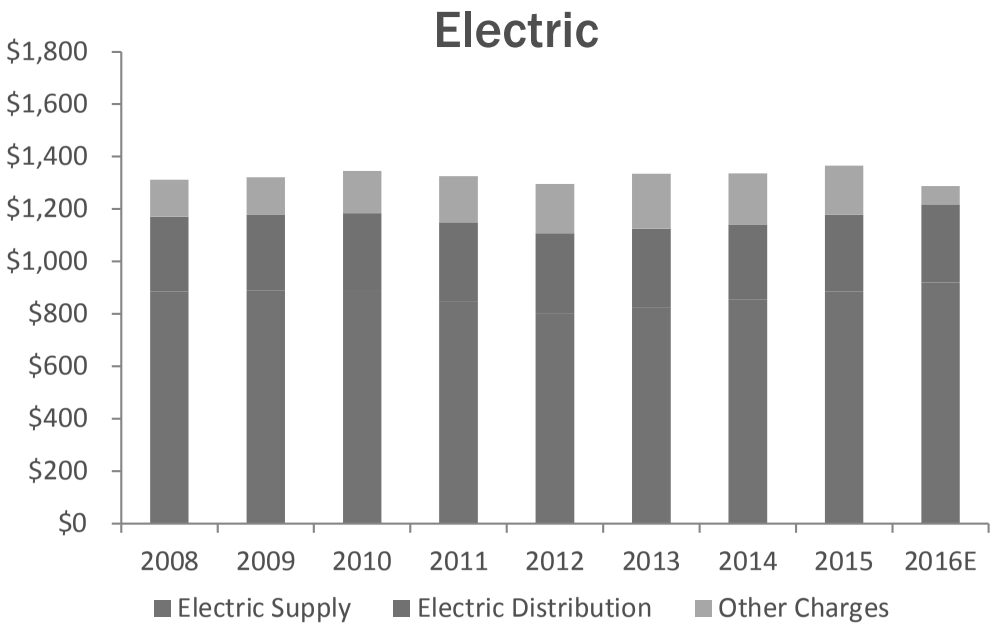
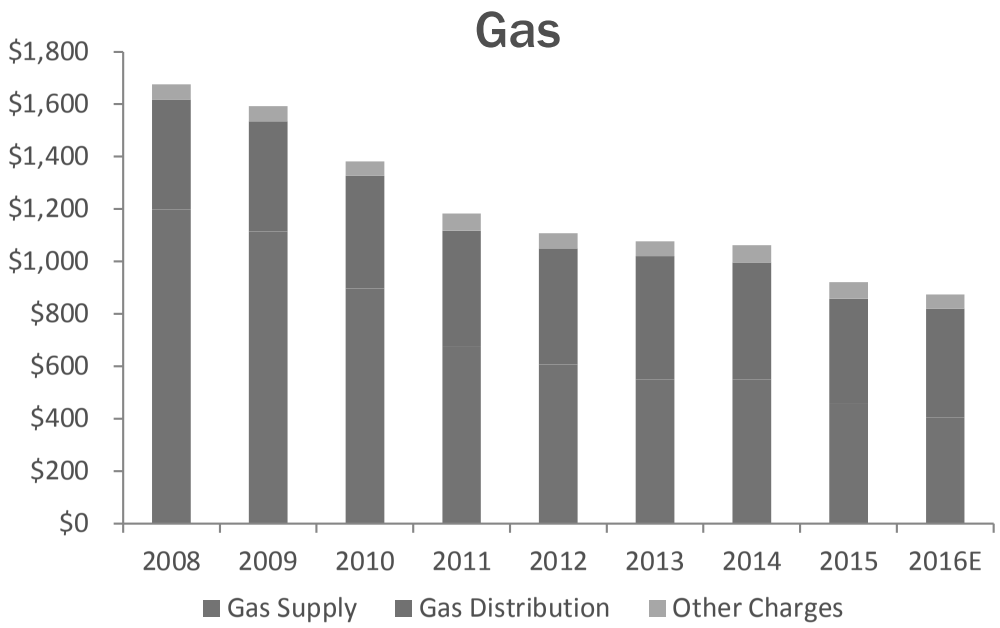
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-05490

PSEG

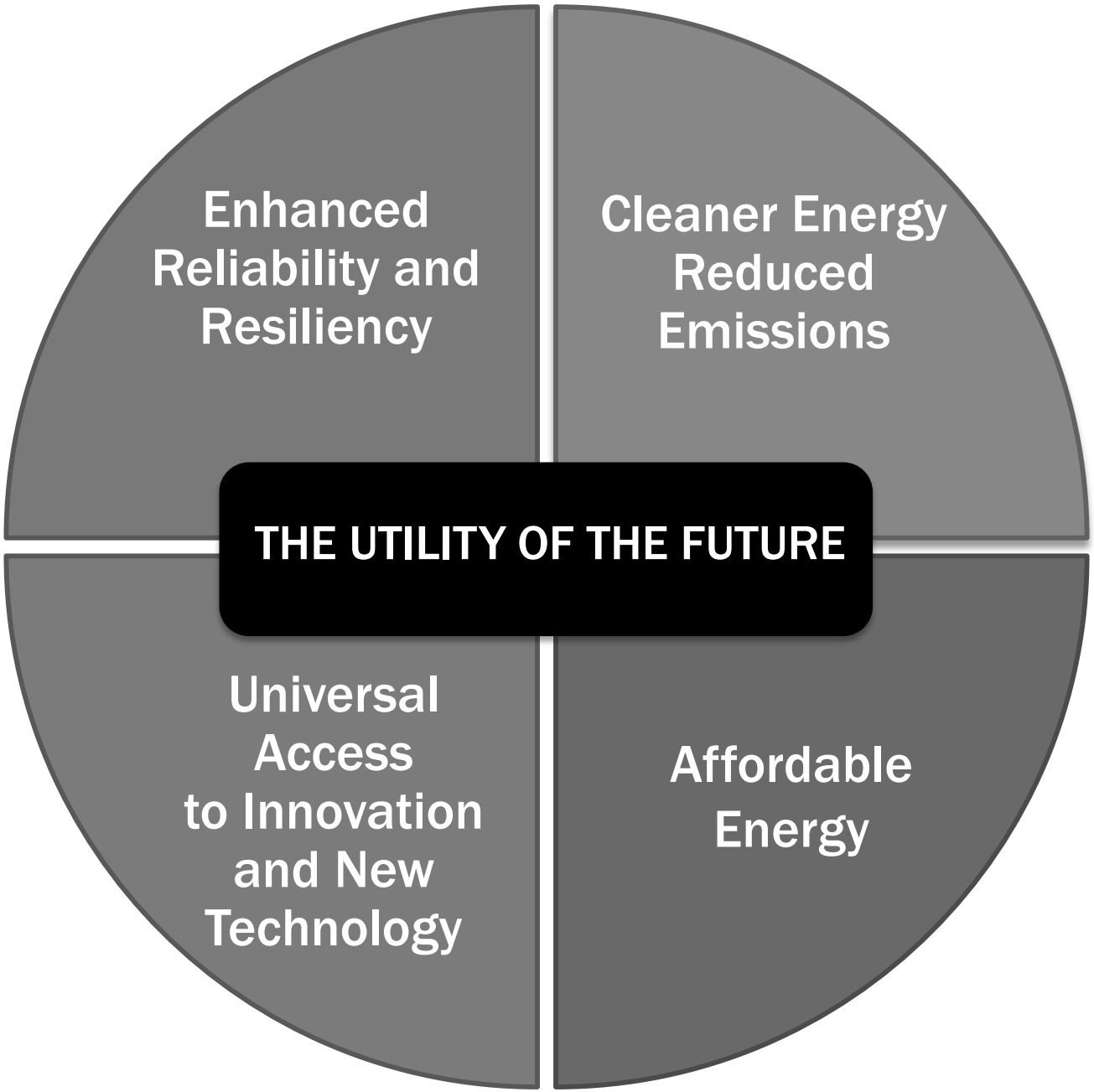
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

E =ESTIMATE.

SI-SSA-0015-05491



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PSEG LONG ISLAND

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We make things work for you.

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PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-05494

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

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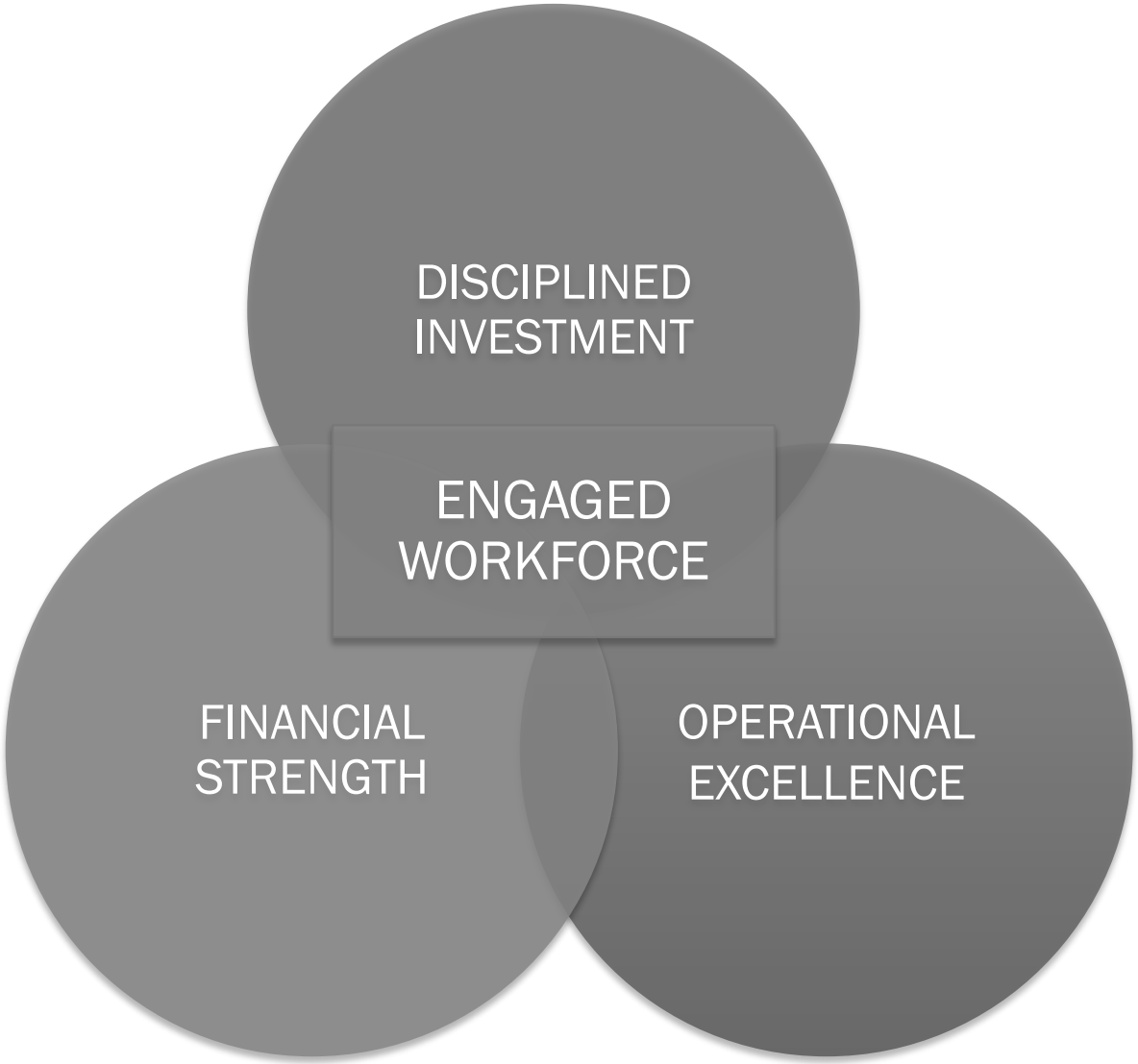
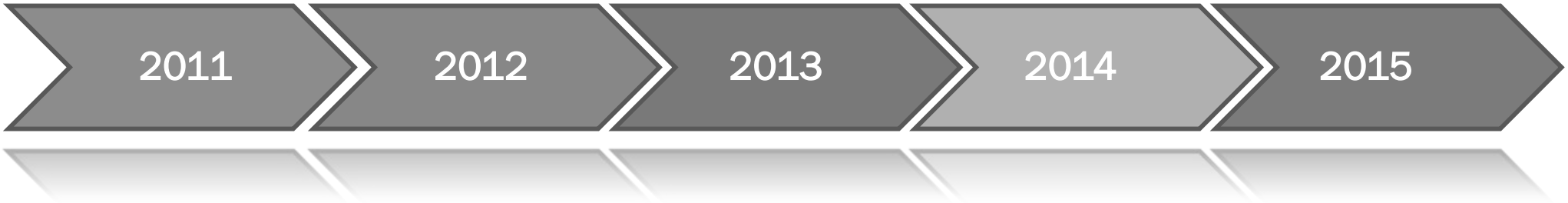
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-05496

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure



Selected Accomplishments

2011

- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012

- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013

- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015

- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

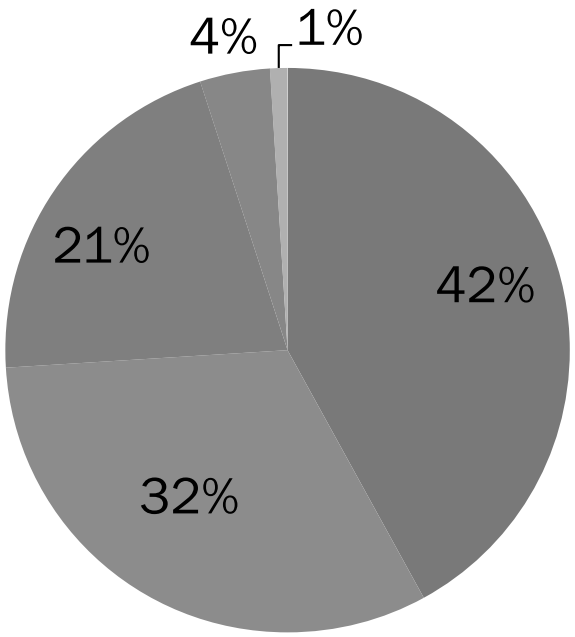
SI-SSA-0015-05497

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

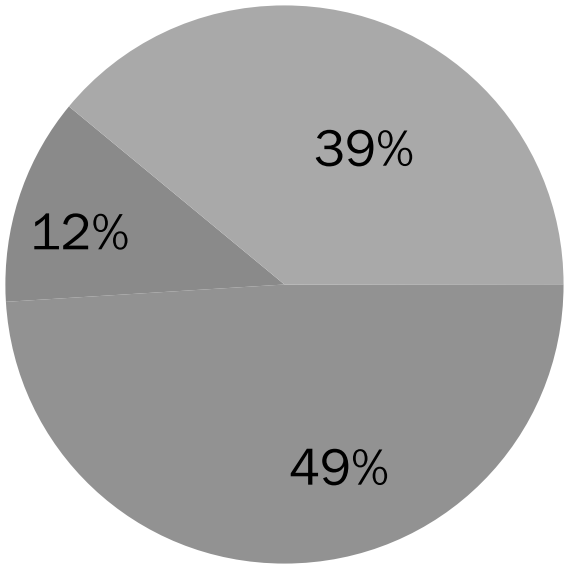
2015 Actual

Fuel Diversity*
Total MW: 11,678



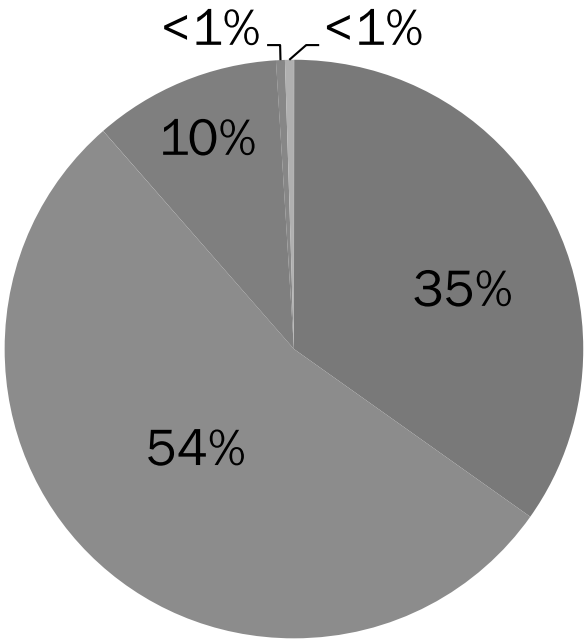
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



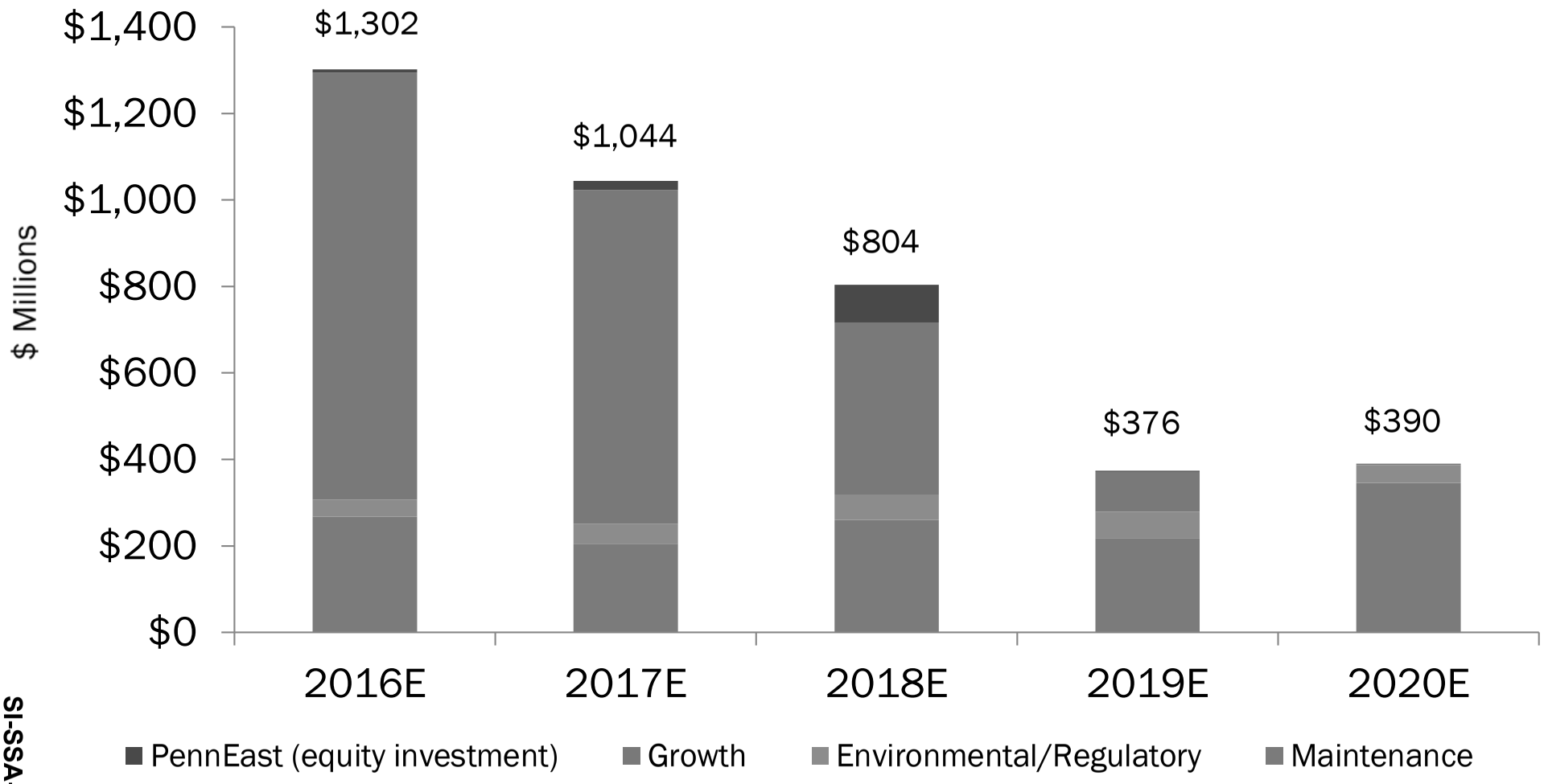
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-05498

PSEG

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power investing $2 billion of capital in new capacity



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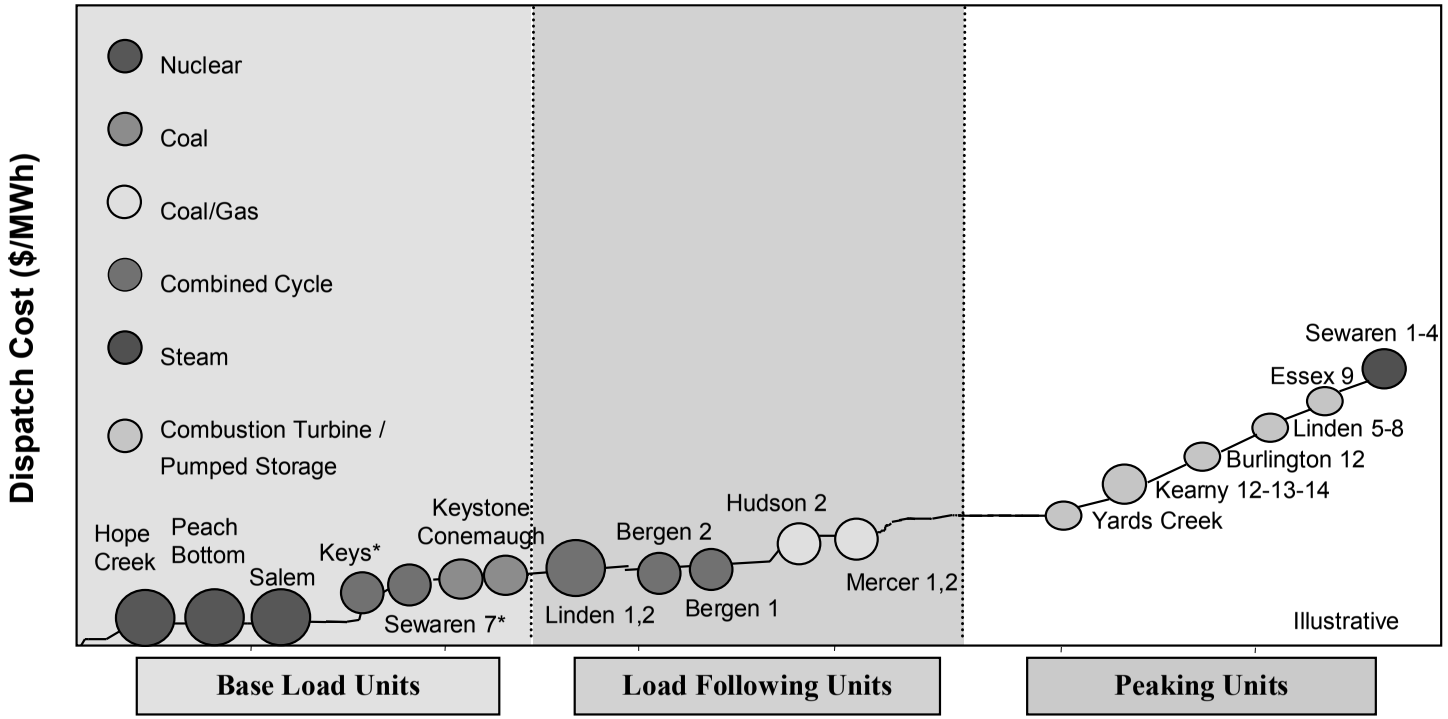
E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

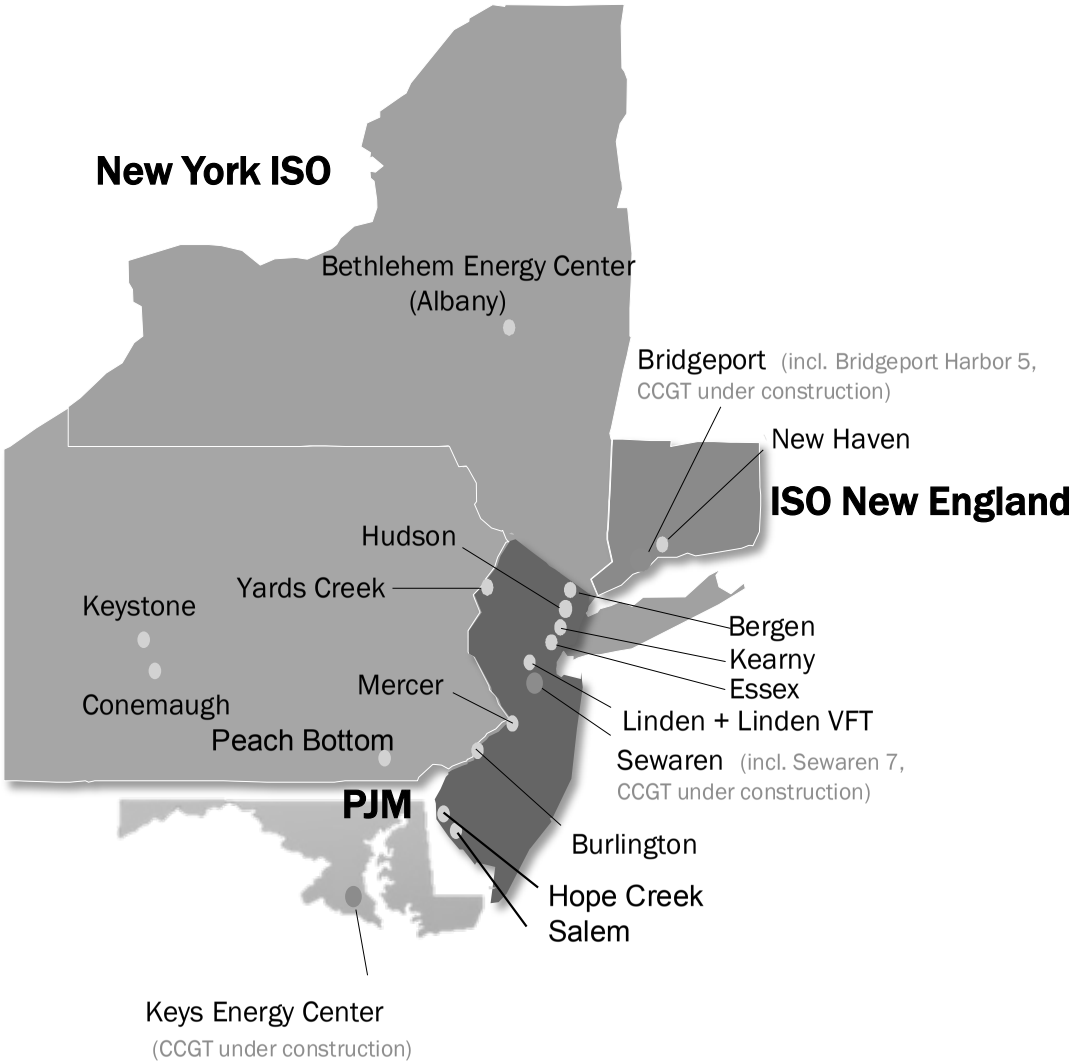
SI-SSA-0015-05500

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

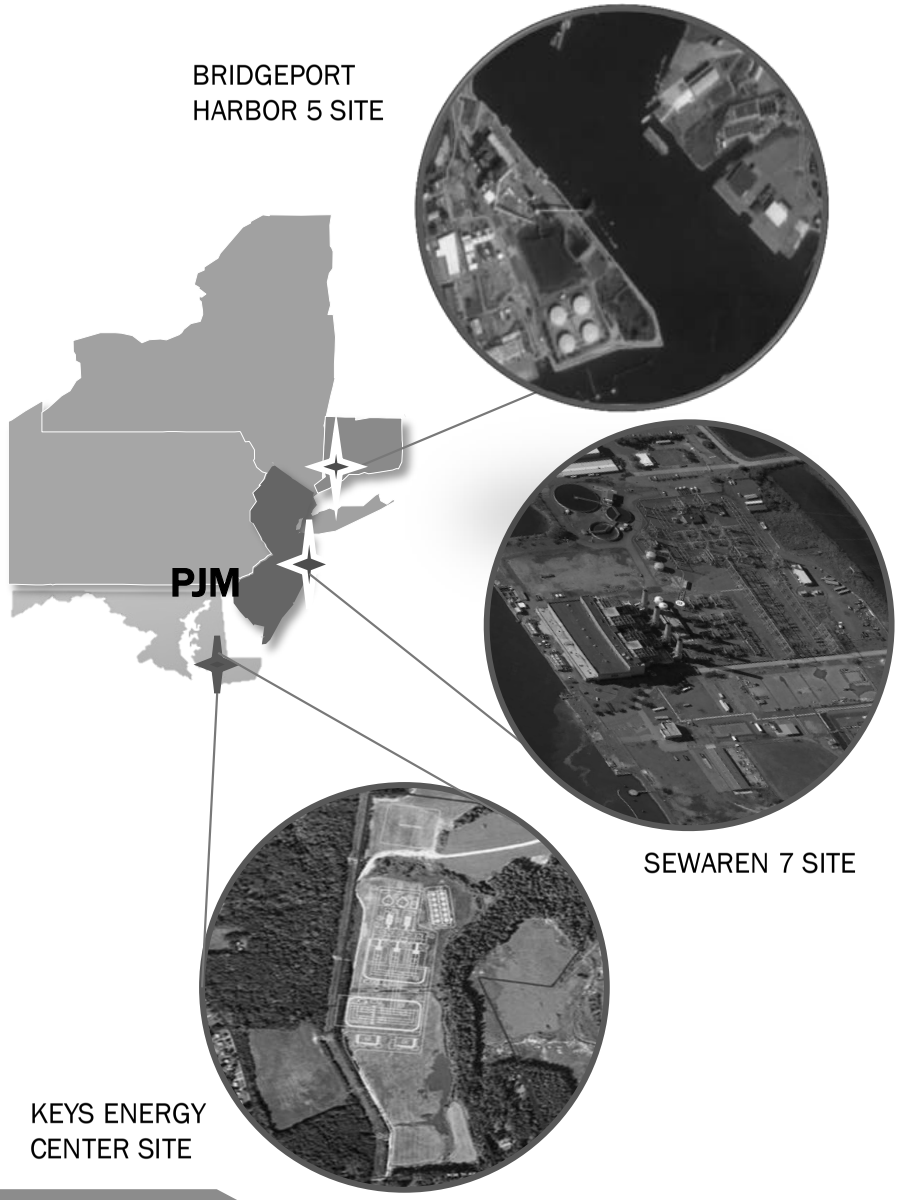
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-05501

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-05502

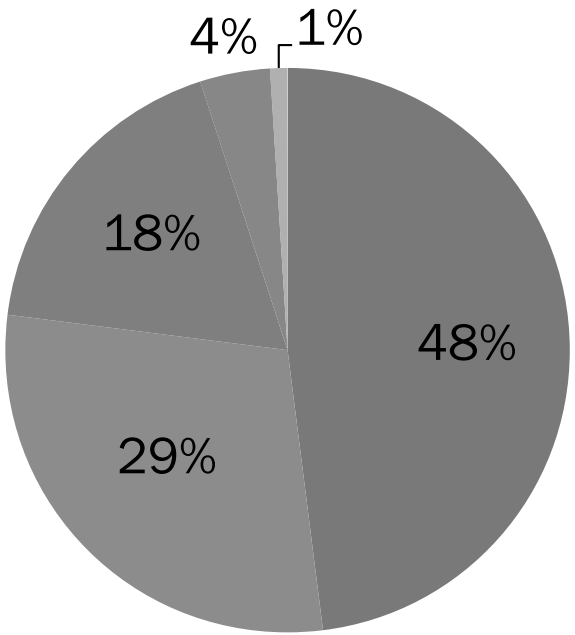
PSEG Power's fleet transformed

with focus on new investment and improvement in efficiency

2020E Projected

Fuel Diversity*

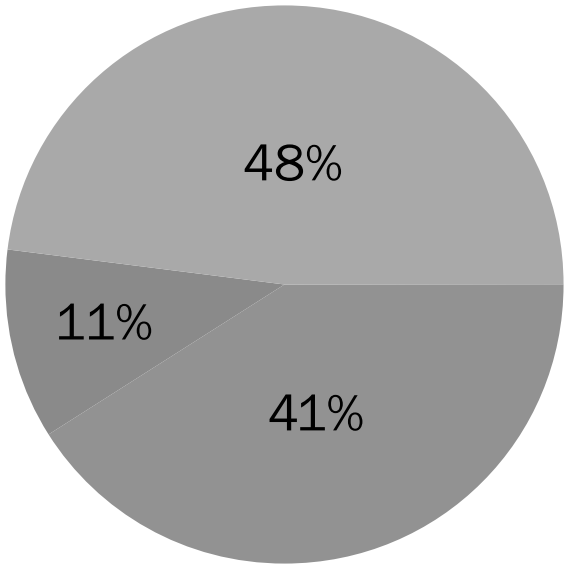
Total MW: 13,100



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

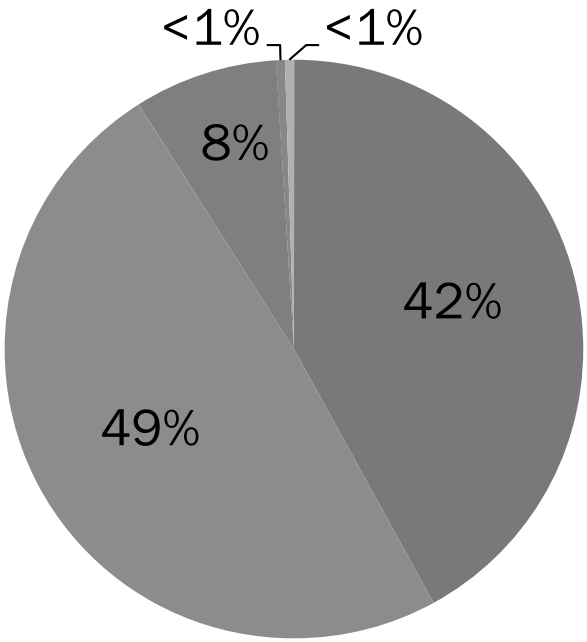
Total MW: 13,100



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 65,000



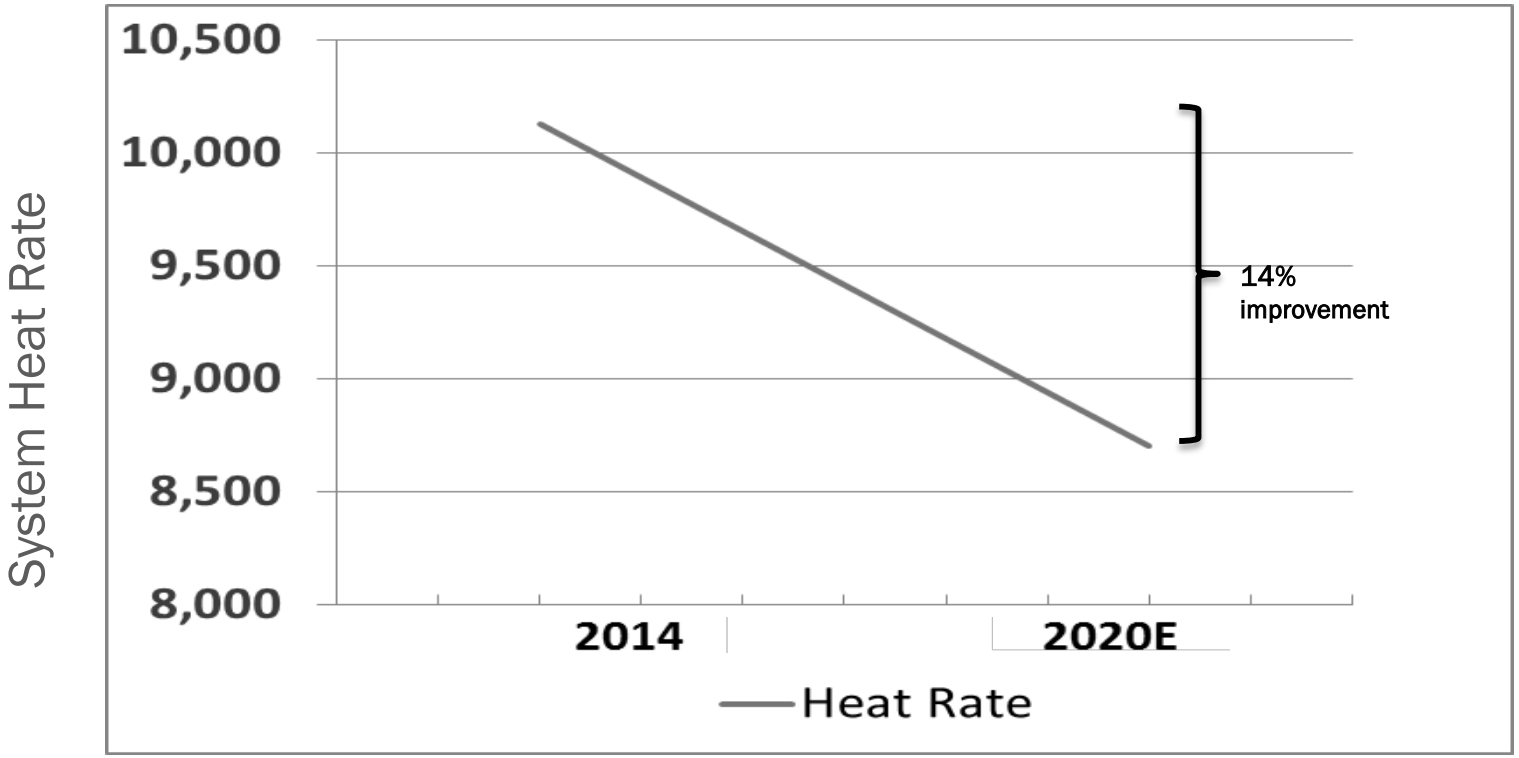
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-05503

PSEG

*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

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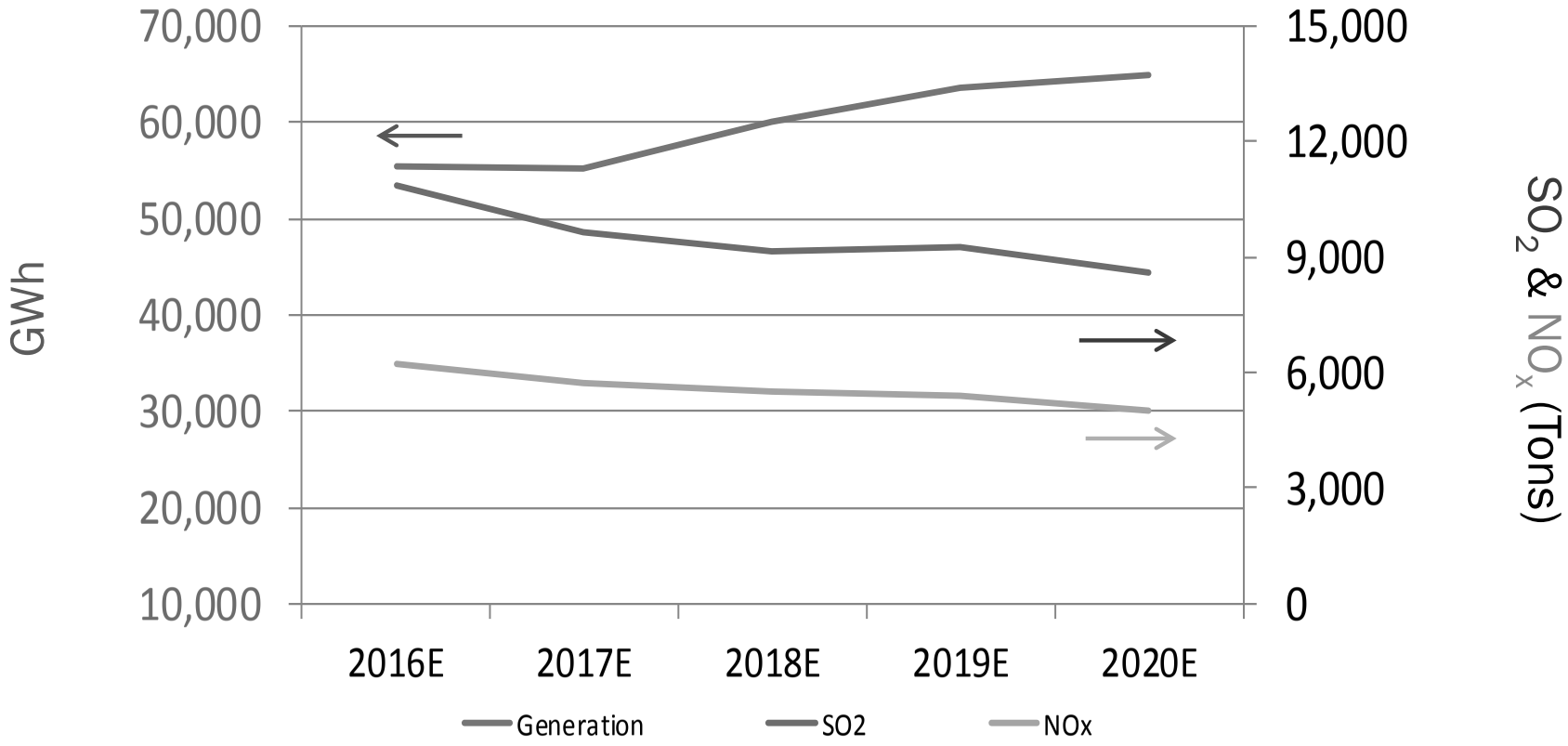
E = ESTIMATE

PSEG Power's fossil fleet among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

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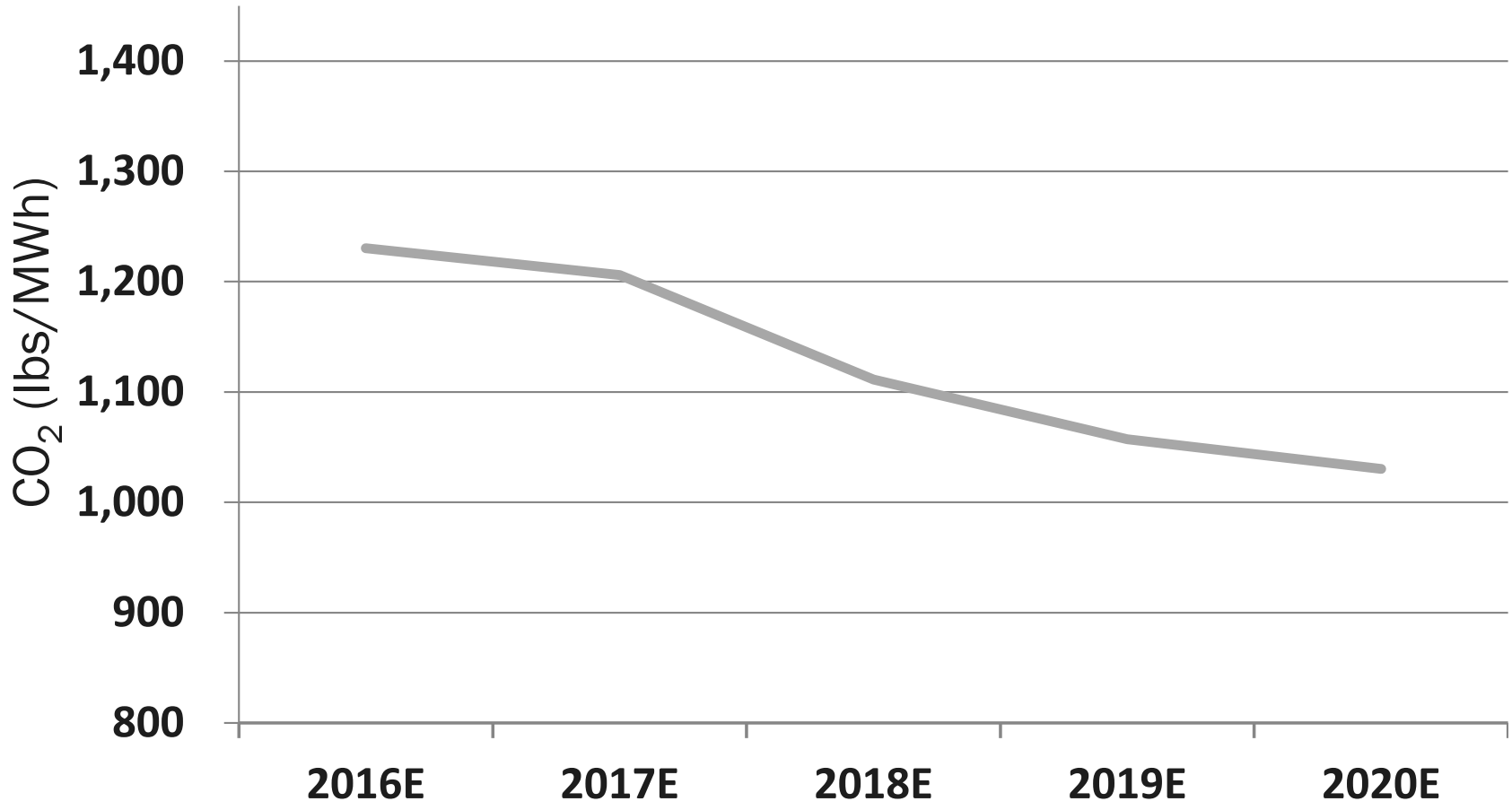
E = ESTIMATE

PSEG Power's fossil fleet expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

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E = ESTIMATE

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Fall 2016
  - Unit 3 - Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 – December 2015

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PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-05508

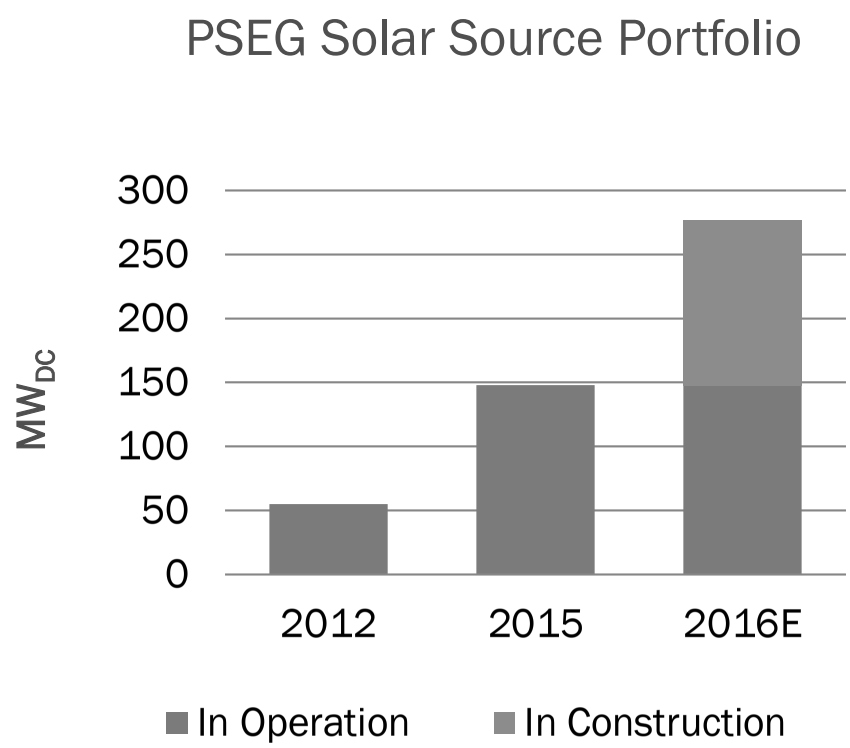
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



SI-SSA-0015-05509

* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

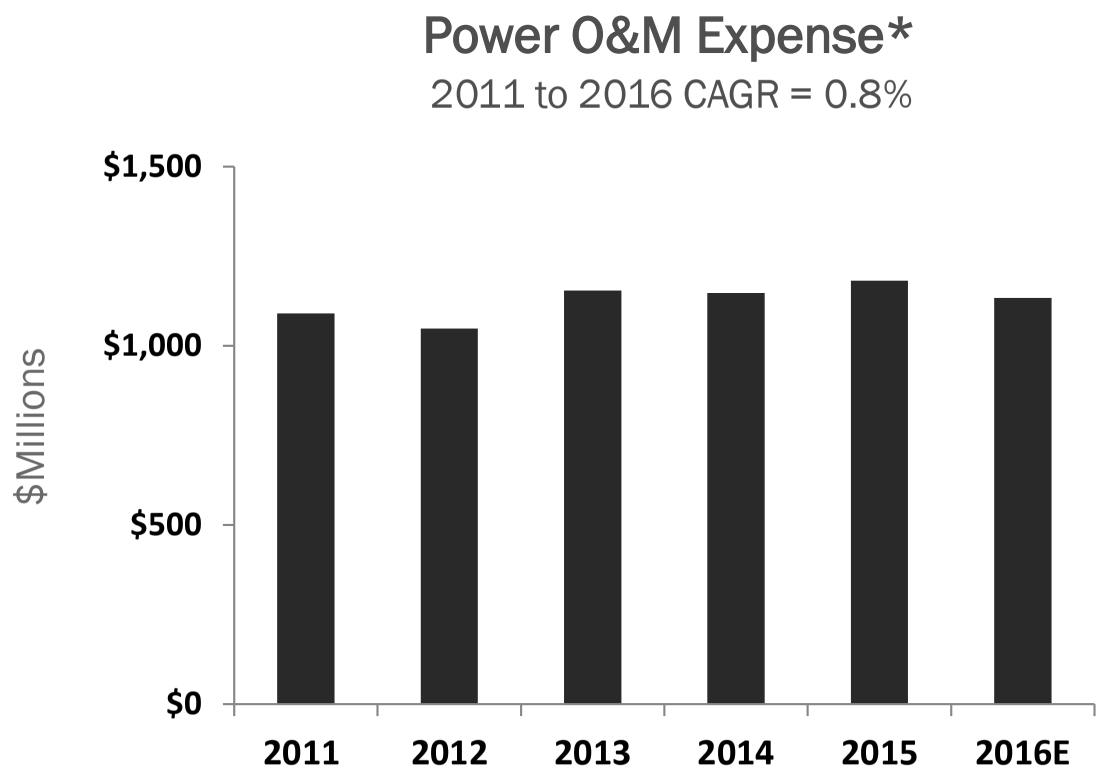
LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil

New Haven Peakers – 129 MW, rate based contract with ISO-NE

SI-SSA-0015-05510

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-05511

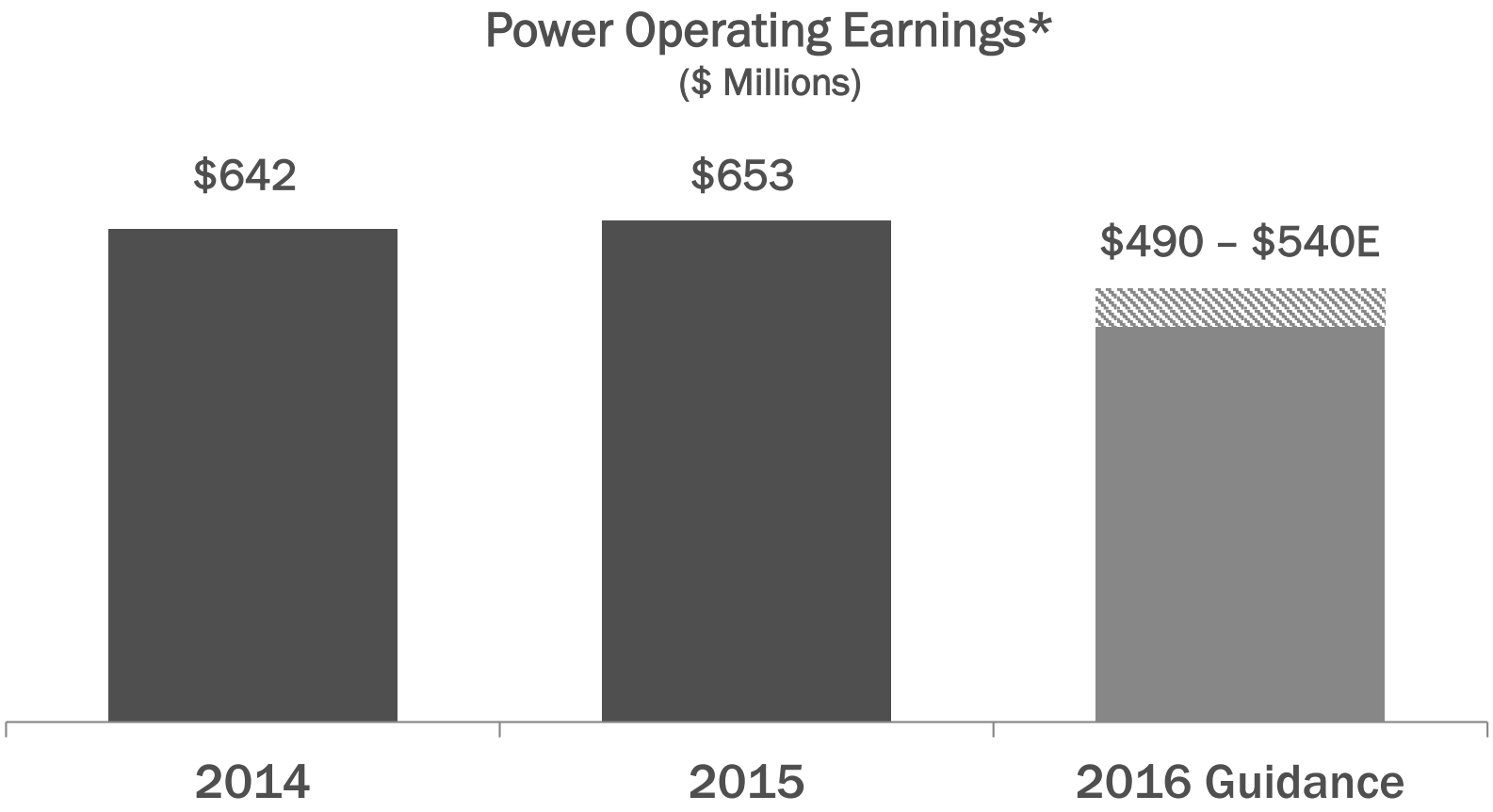
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-05512

Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-05514

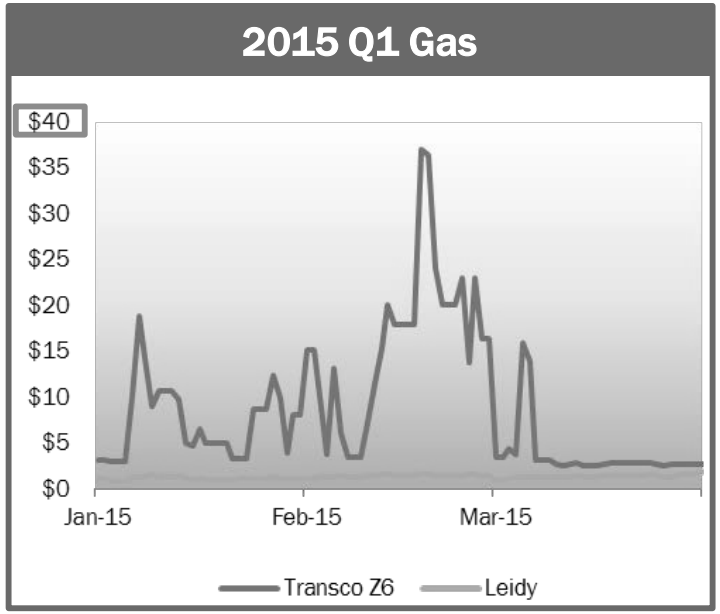
PSEG POWER
ER&T

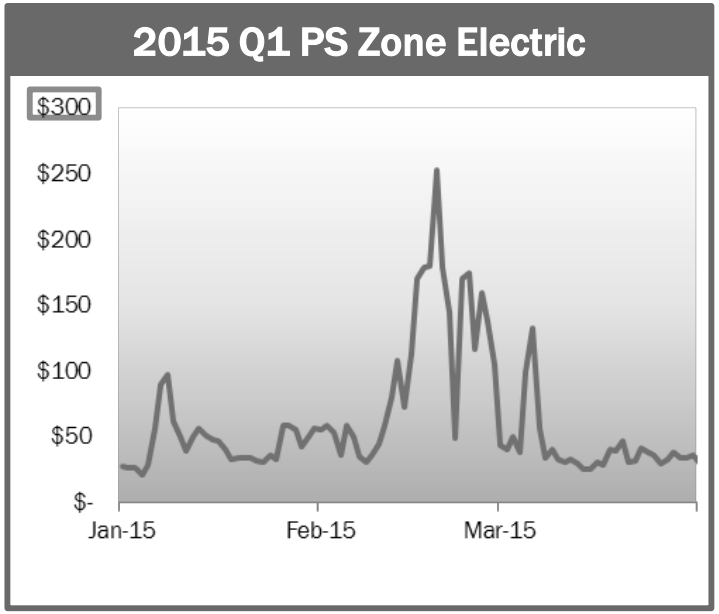
SI-SSA-0015-05515

PSEG

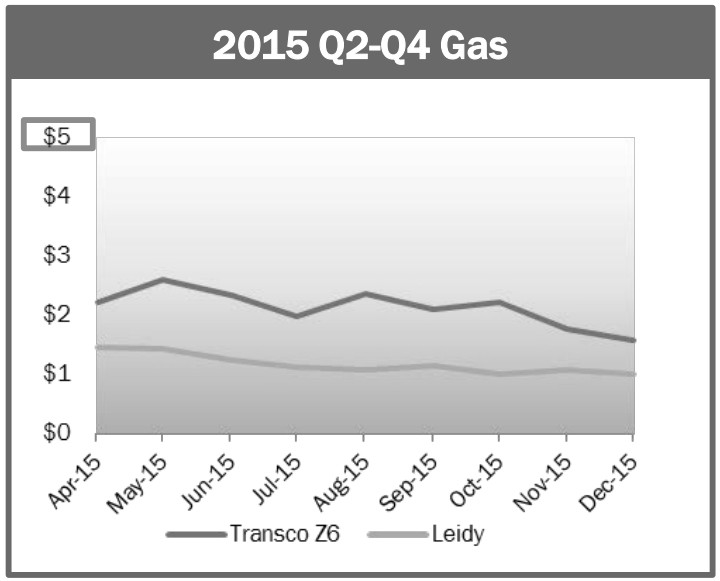
We make things work for you.

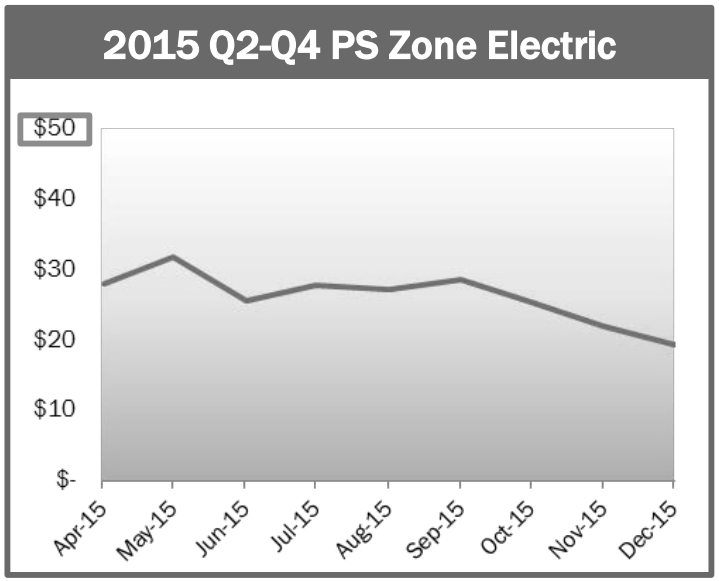
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand





Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

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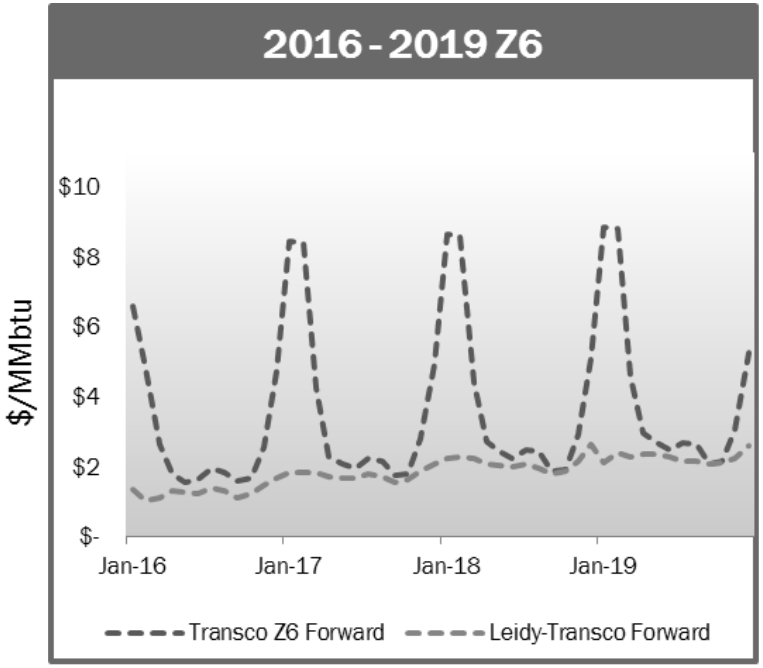
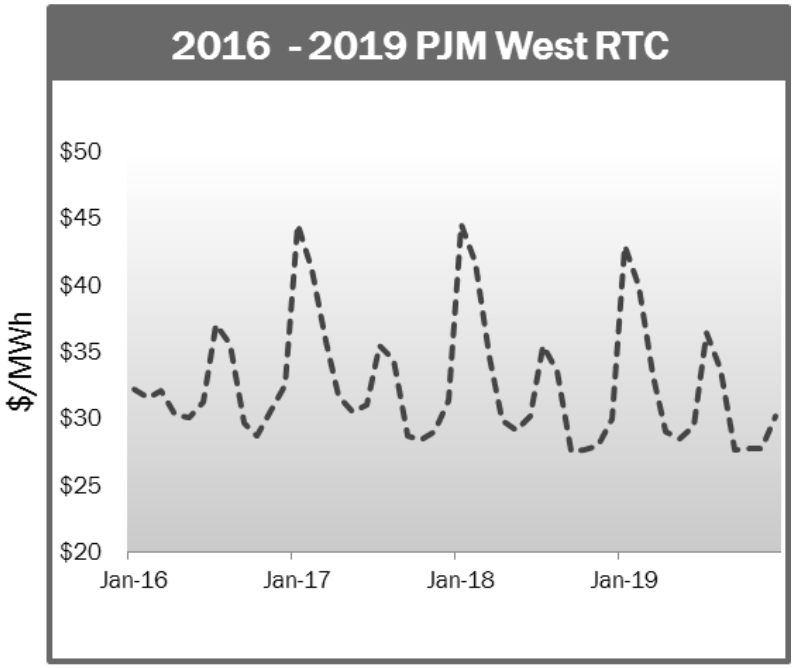
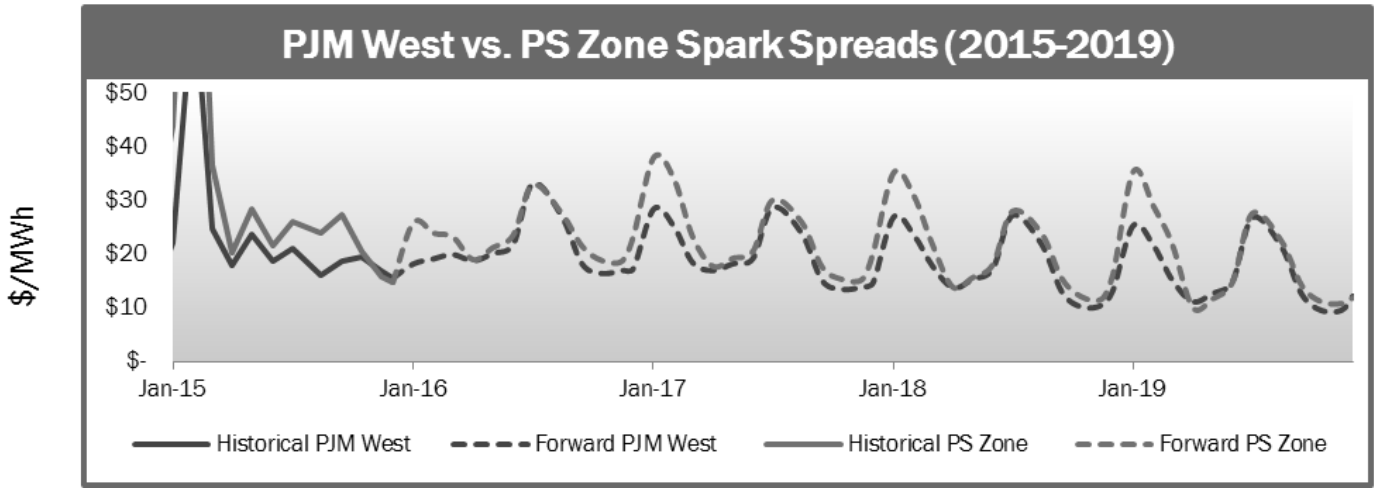
Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

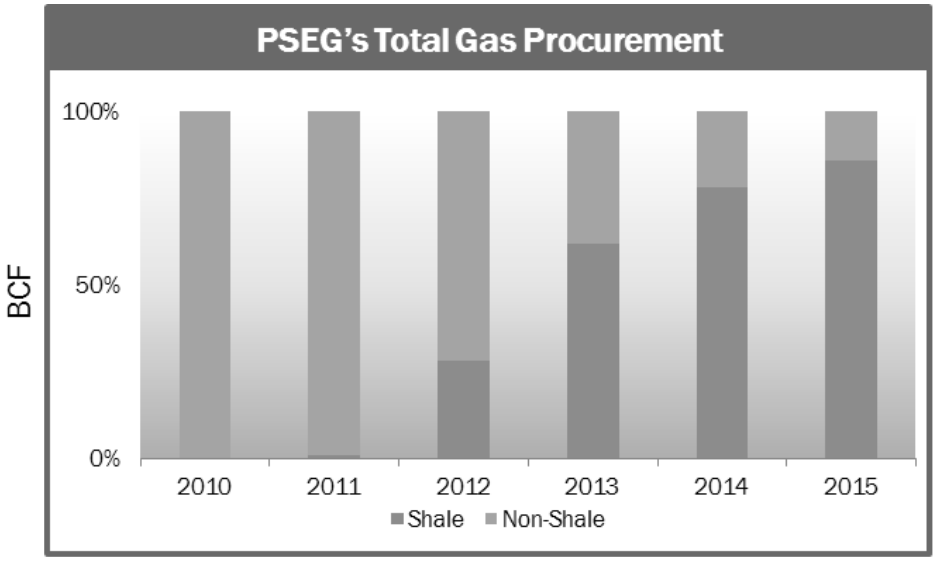


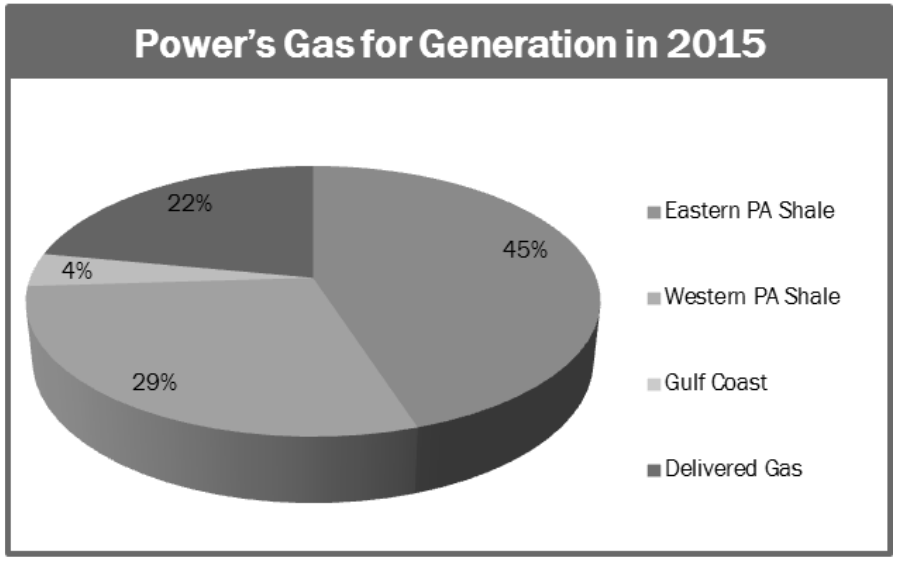




SI-SSA-0015-05517

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



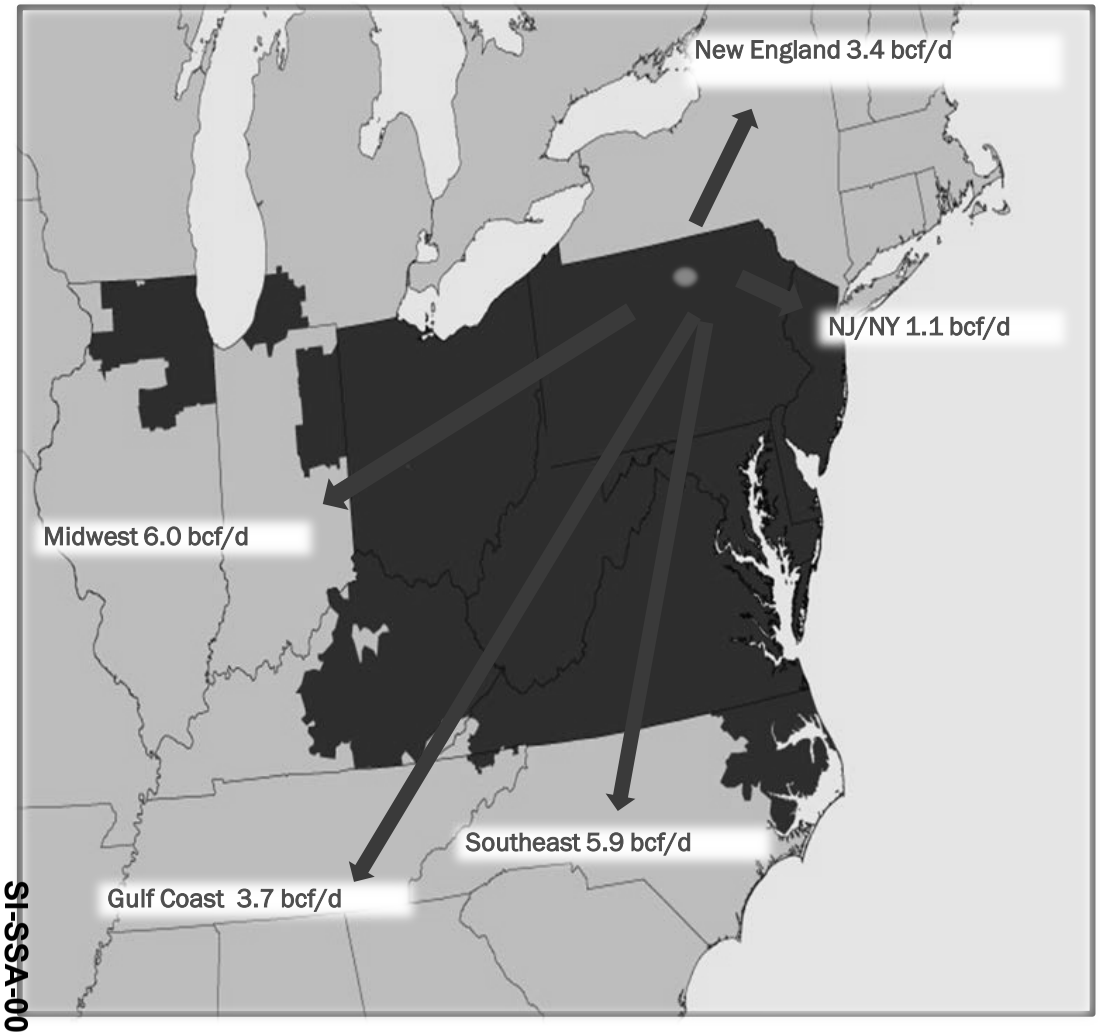


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-05518

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-05519

Regulatory Framework: New capacity and energy market designs in PSEG's core markets (PJM and New England) will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs addressing critical RTO issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after SCOTUS ruling
	STATE INTERVENTION	• LCAPP: Awaiting Supreme Court decision • Ohio PPA: Challenged at the local level by the IPP industry, PJM and FERC
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves ordered for FCA 11 (2021) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe

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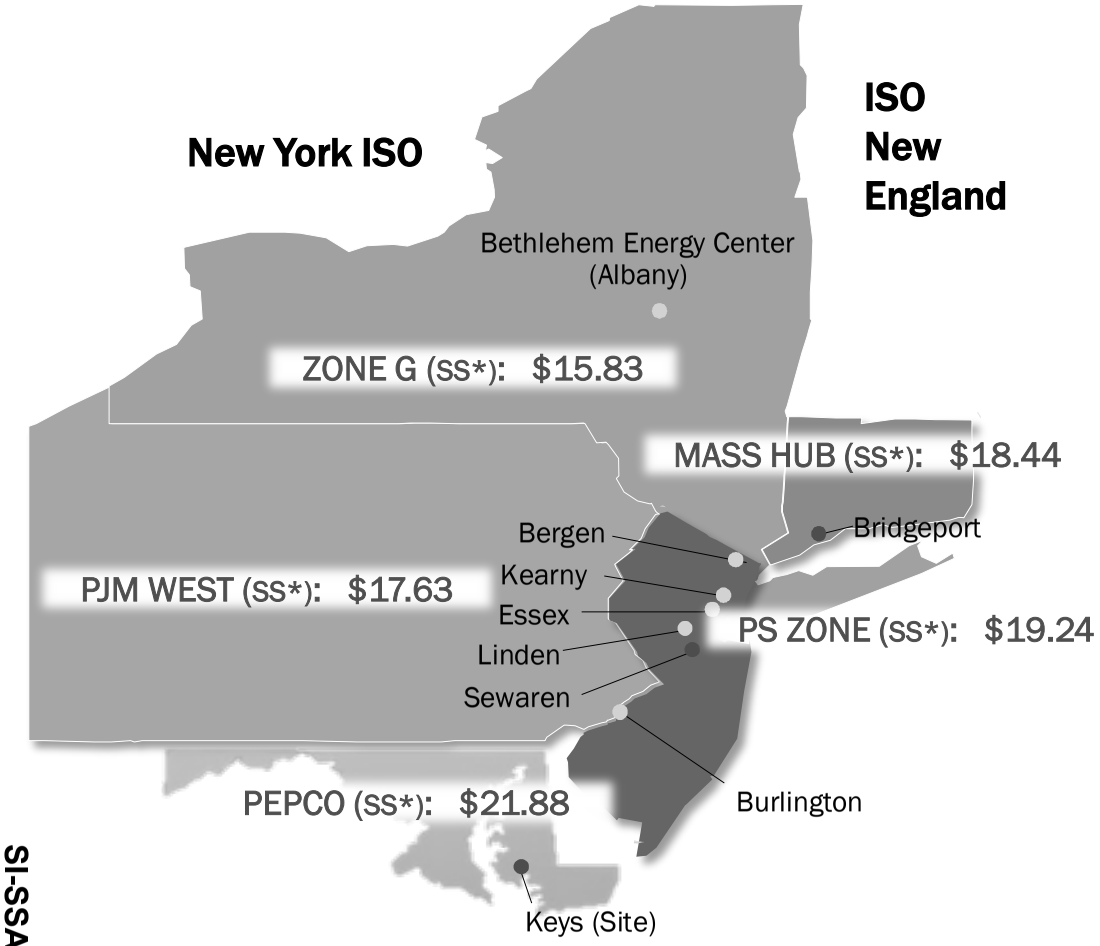
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

SI-SSA-0015-05521

PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

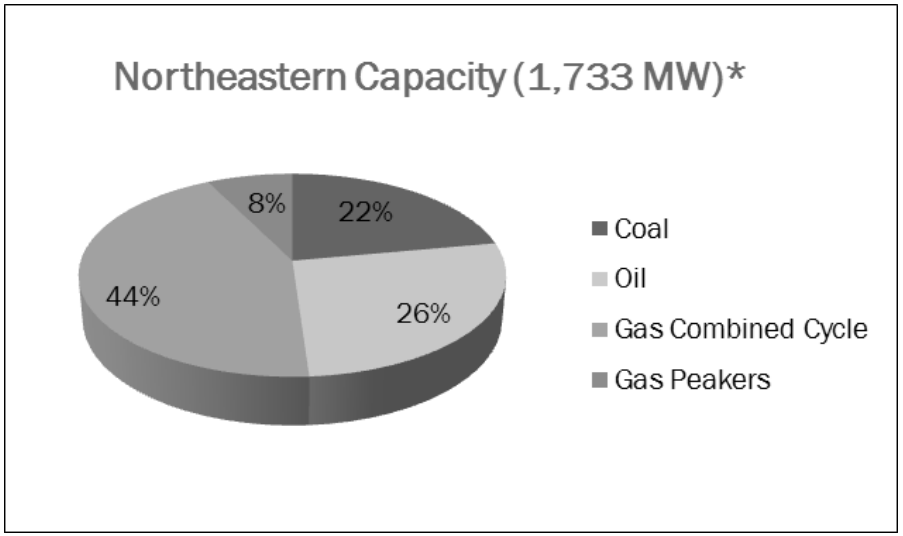
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-05522

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

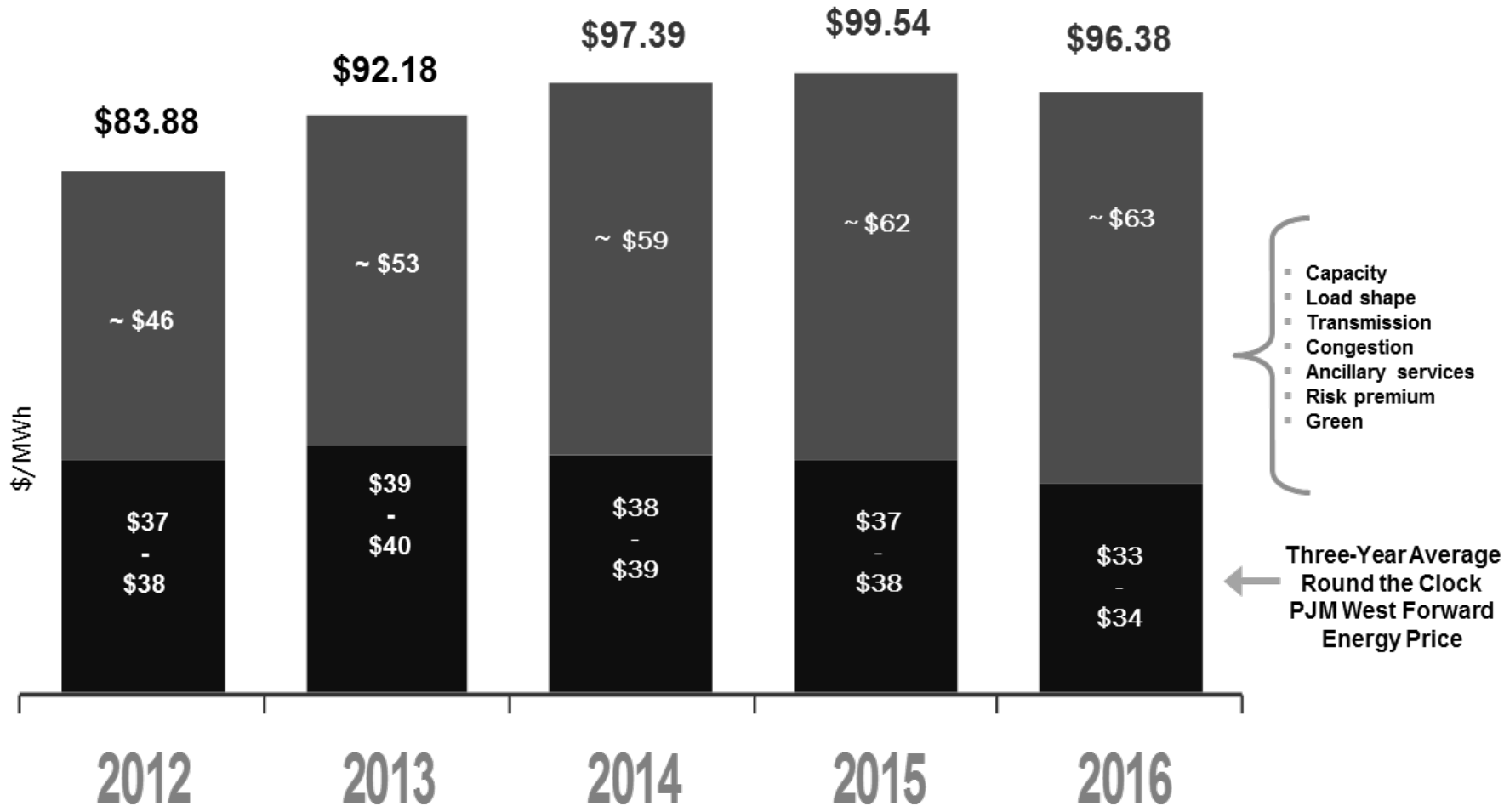
2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

SI-SSA-0015-05523

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-05524

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	70-75%	25-30%
	Price $/MWh	$51	$50	$54
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	19	19	24
	% Hedged	15-20%	0%	0%
	Price $/MWh	$51	-	-
Total	Volume TWh	54-56	54-56	59-61
	% Hedged	70-75%	45-55%	15-20%
	Price $/MWh	$51	$50	$54

SI-SSA-0015-05525

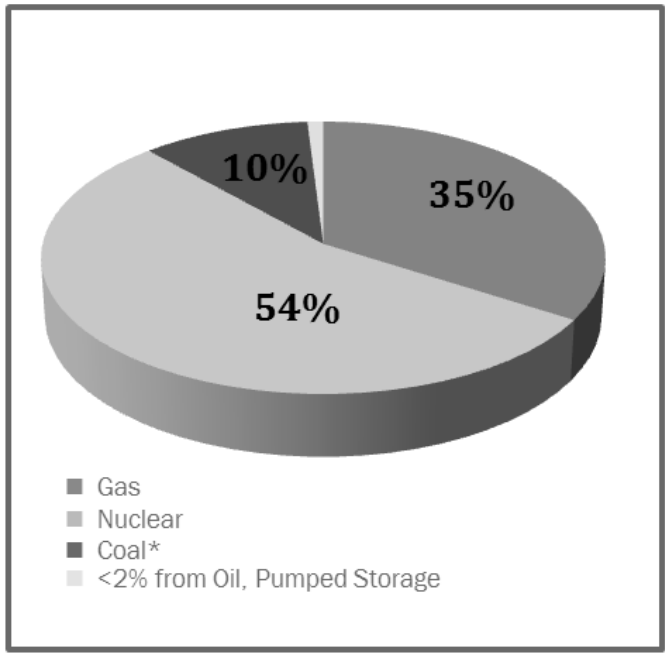
PSEG

HEDGE PERCENTAGES AND PRICES AS OF DECEMBER 31, 2015. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

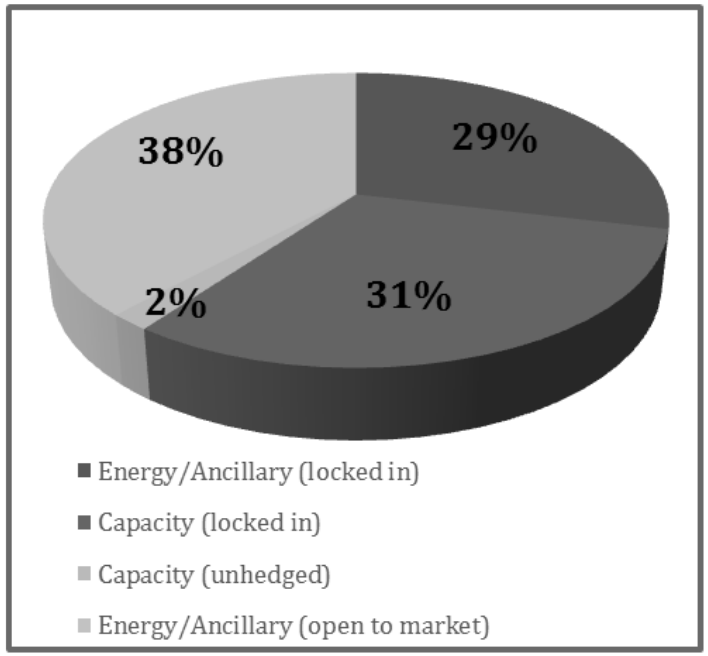
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



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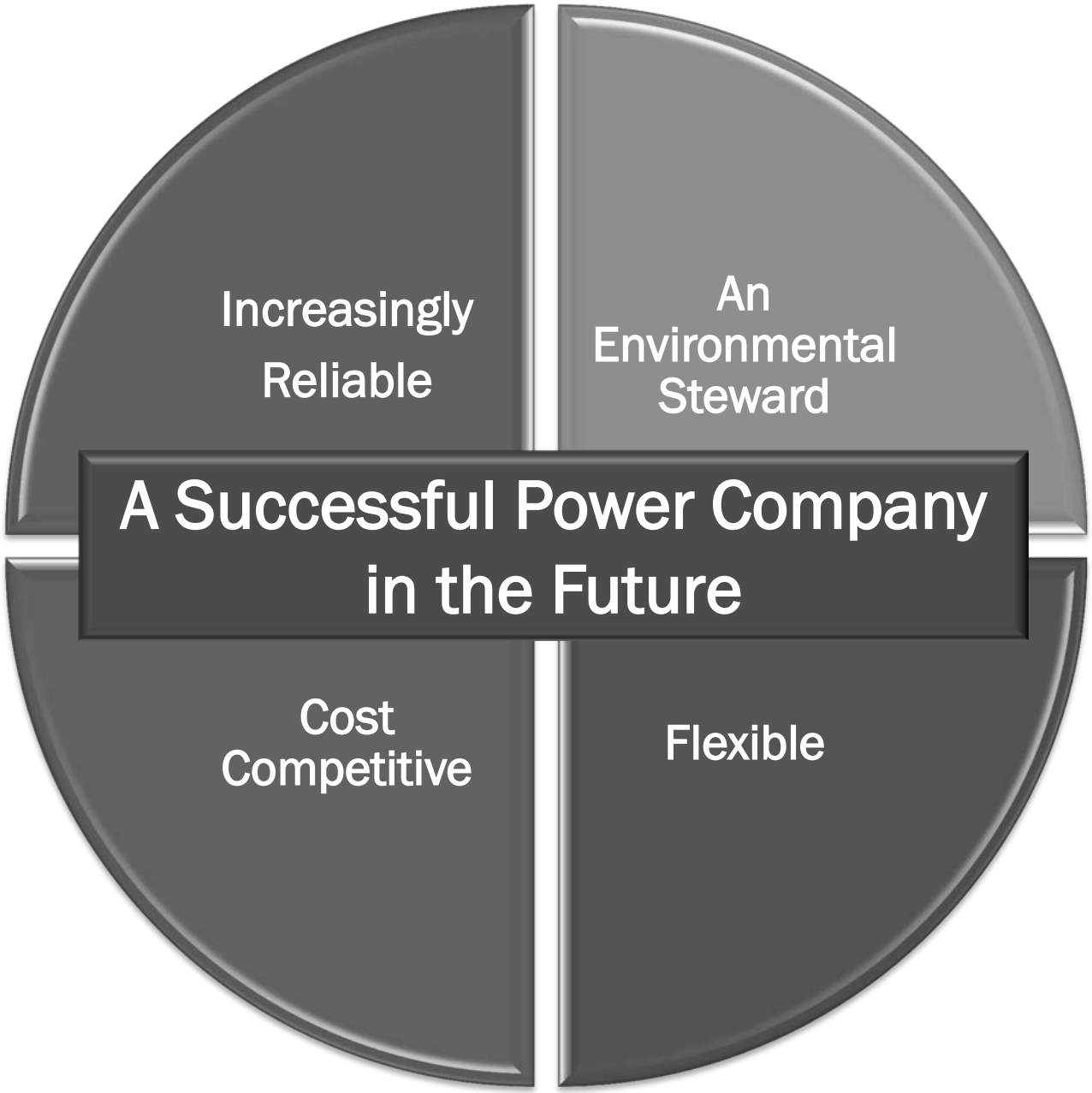
. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-05527



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PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-05529

PSEG

We make things work for you.

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-05530

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-05531

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-05532

PSEG

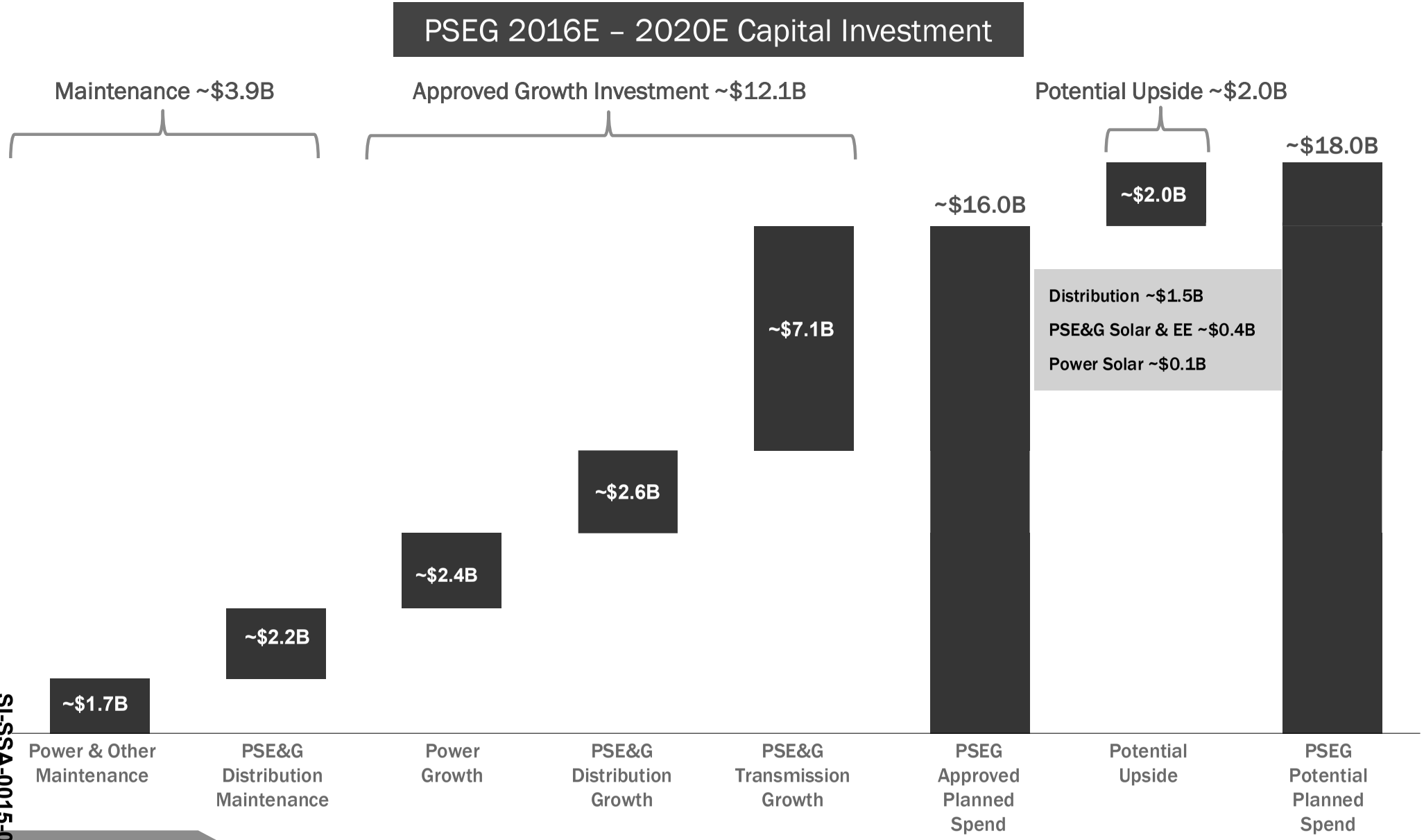
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MIDPOINT OF EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-05533

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

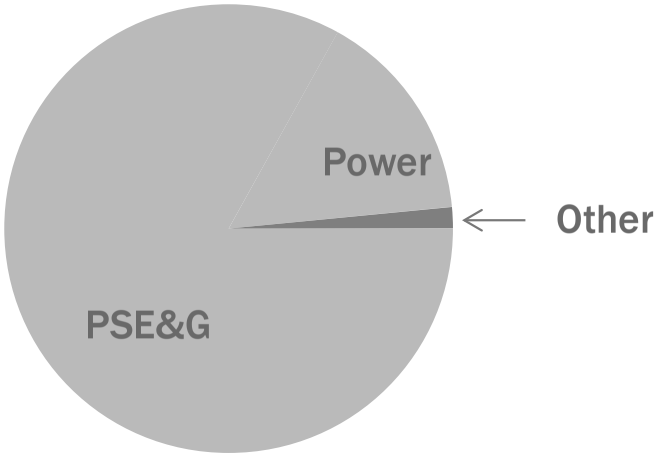
SI-SSA-0015-05534

We increased our Capital Program by $3B

since last year

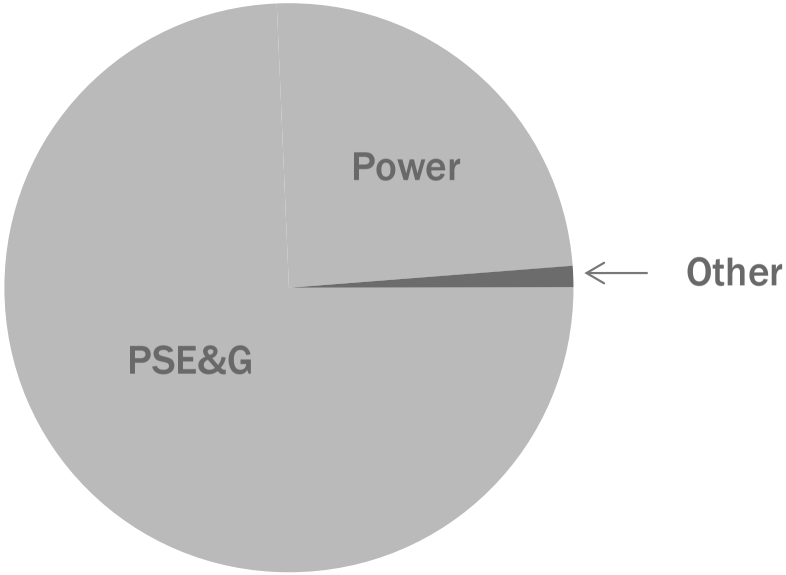
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

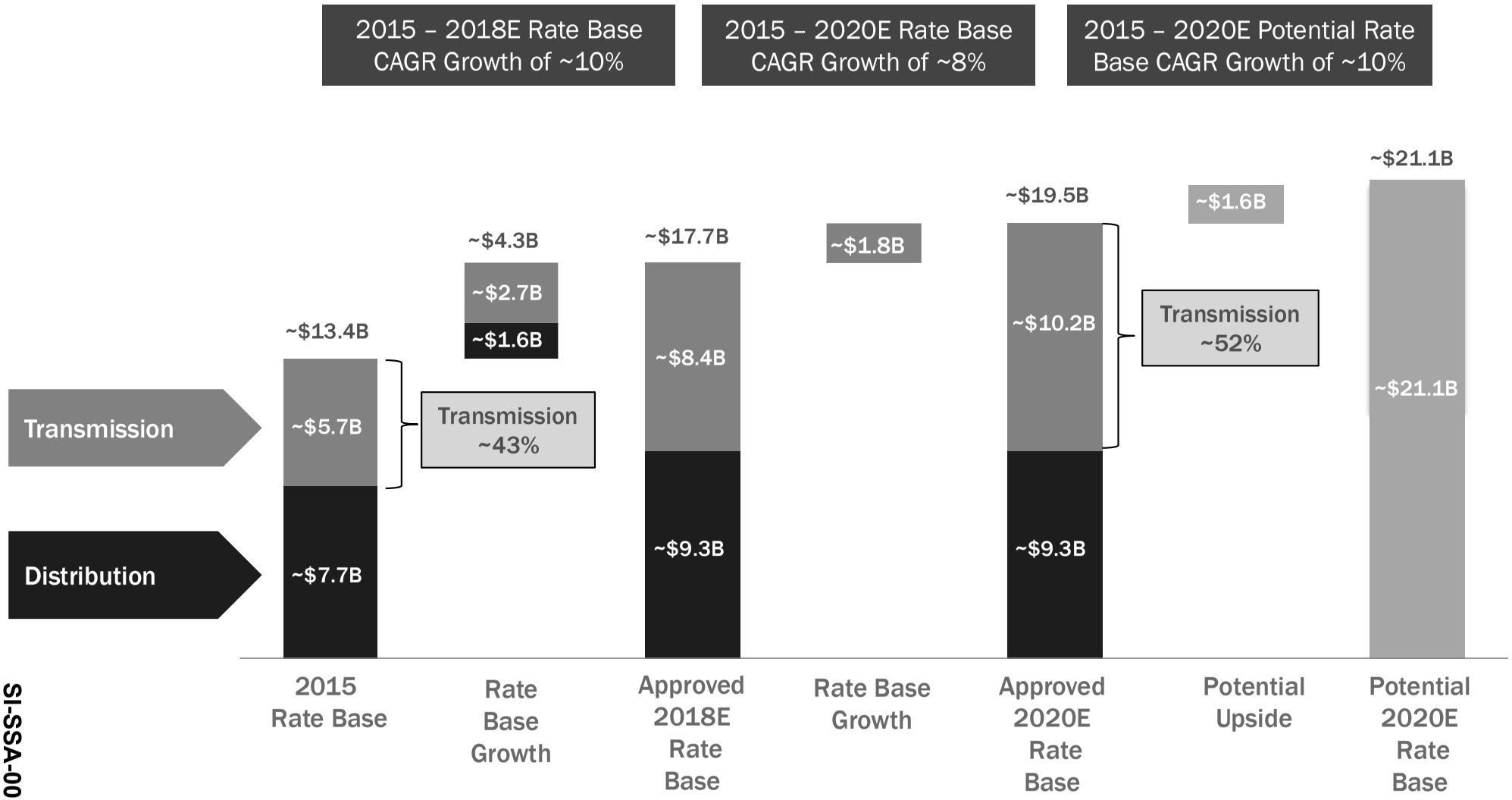


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-05535

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-05536

Bonus Depreciation adds $1.7B cash

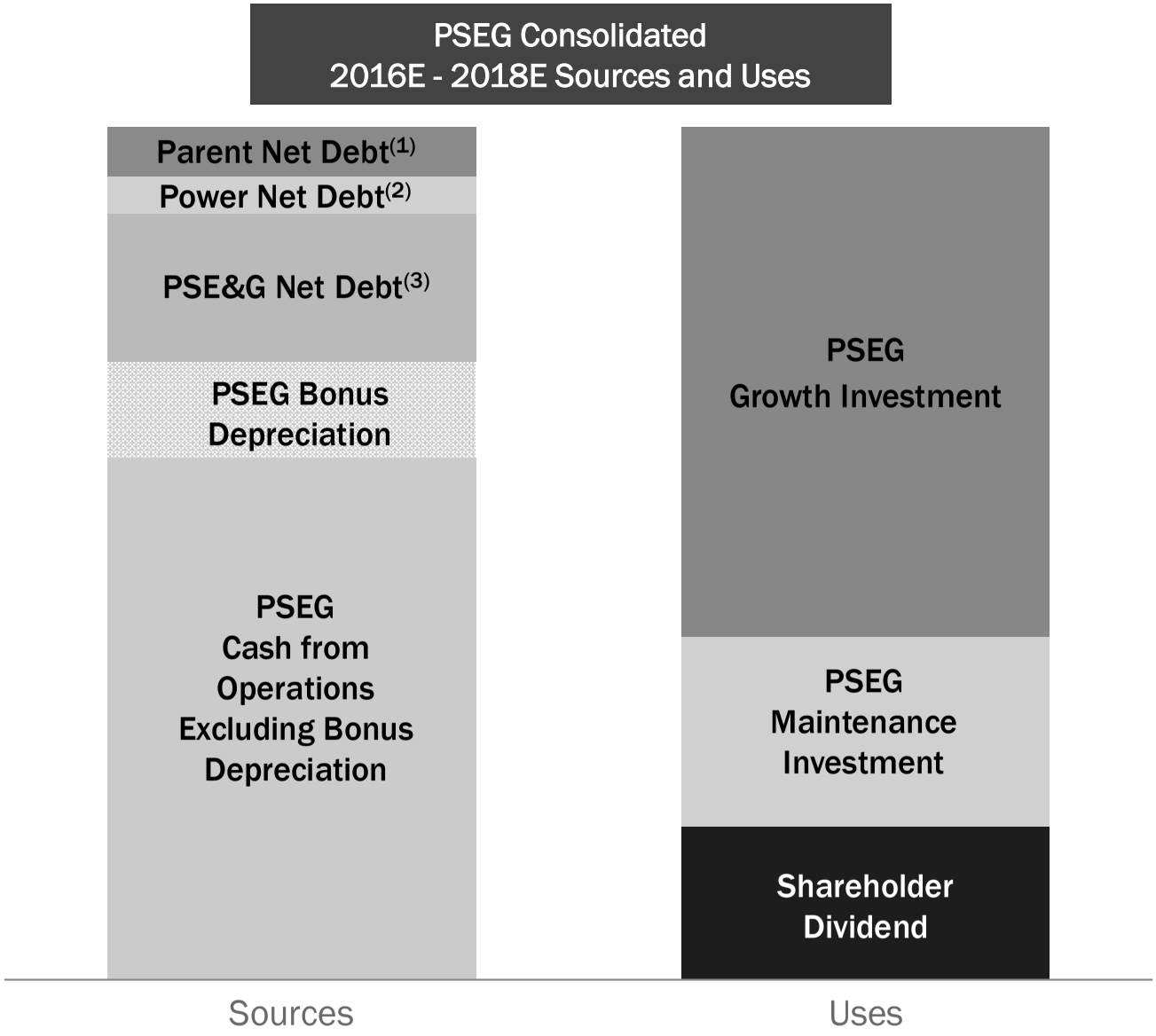
through 2019

- PSE&G cash benefit of $1.2B
  - Identified additional growth opportunities to offset rate base decrease
- Power cash benefit of $0.5B
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-05537

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-05538

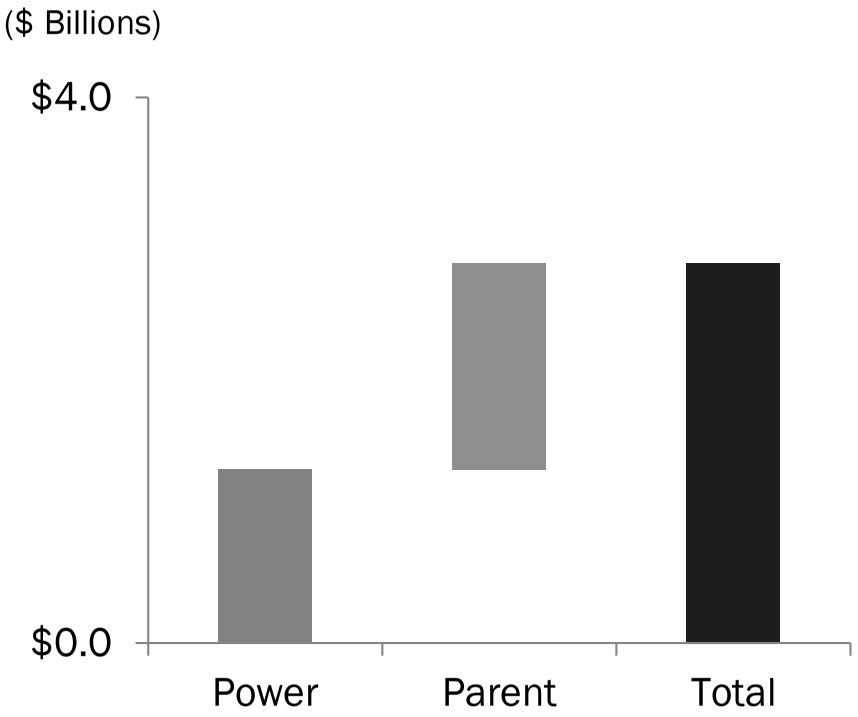
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity
through 2018E

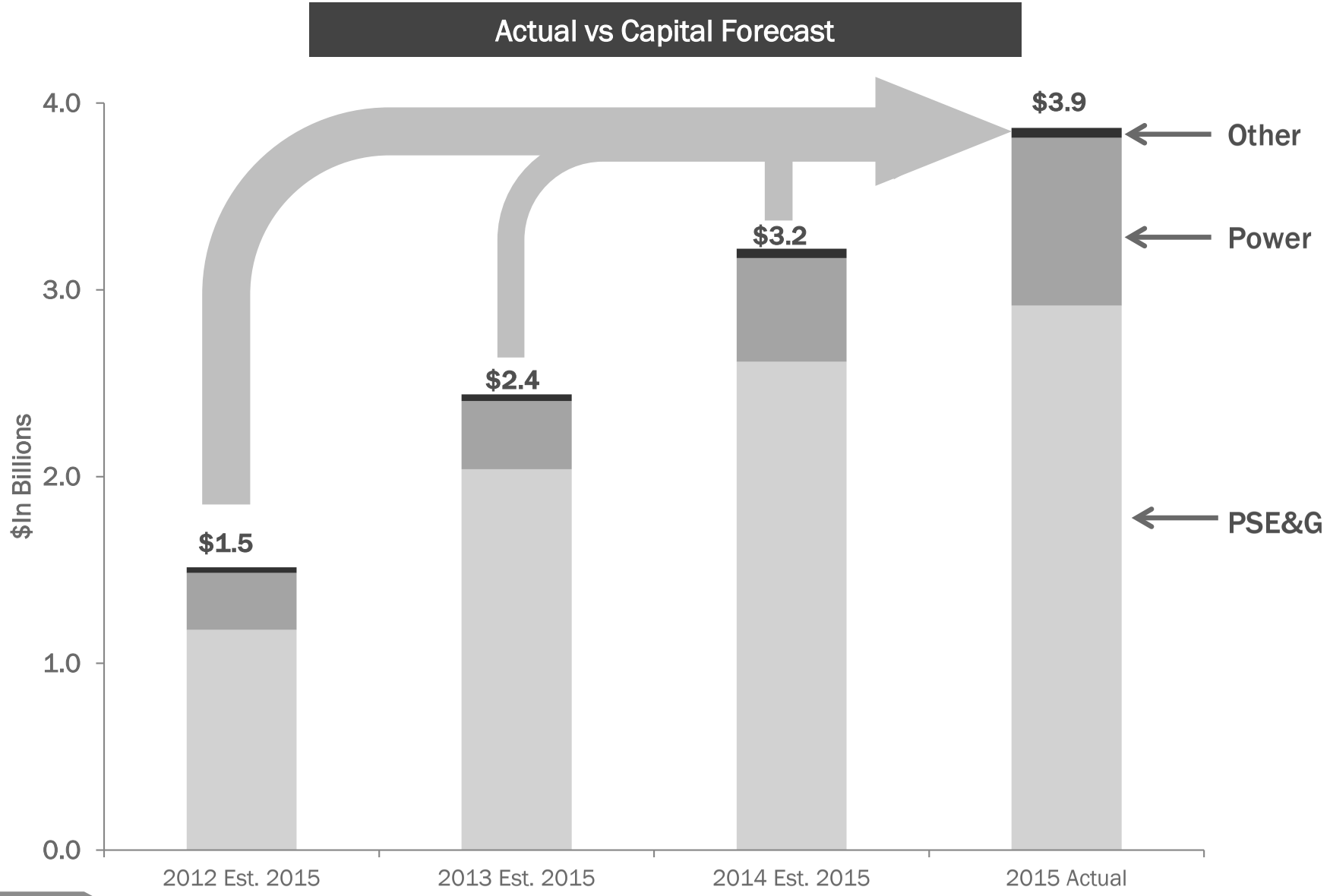


- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

SI-SSA-0015-05539

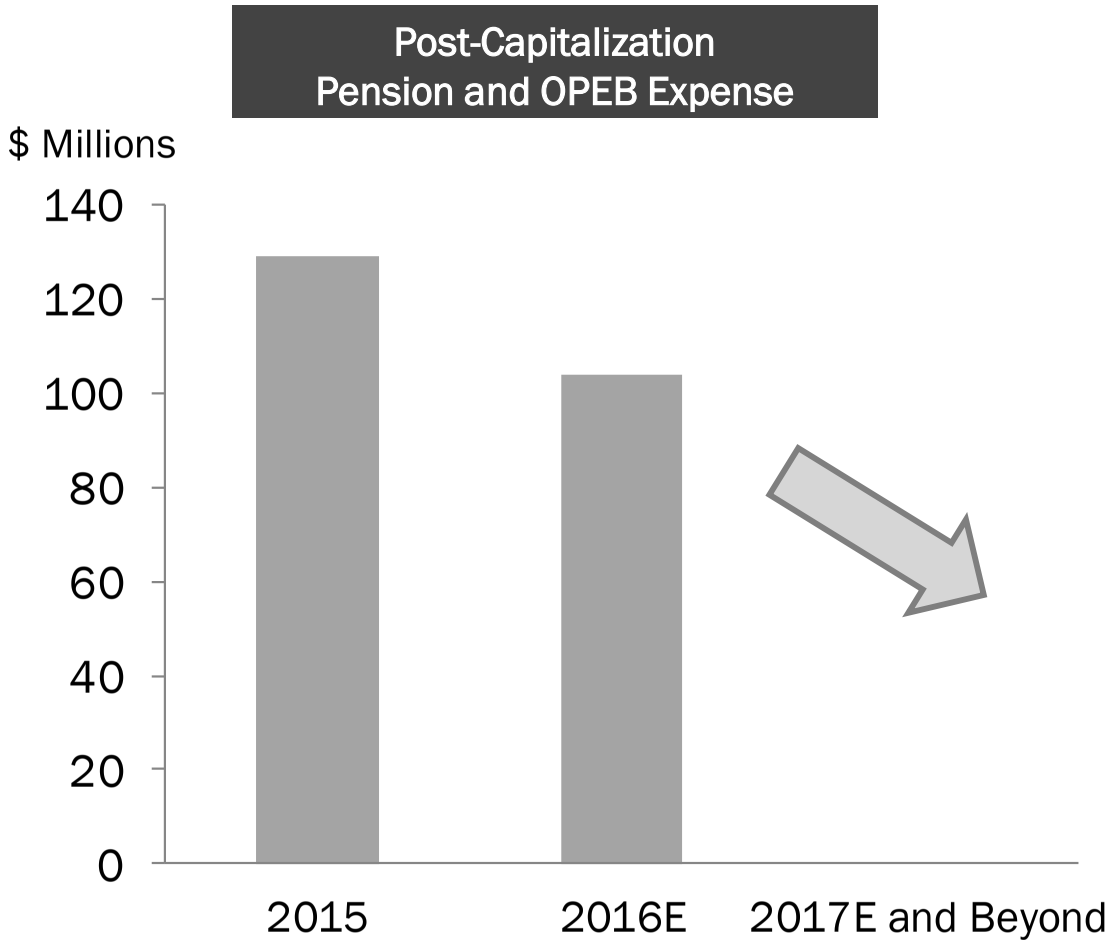
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-05540

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

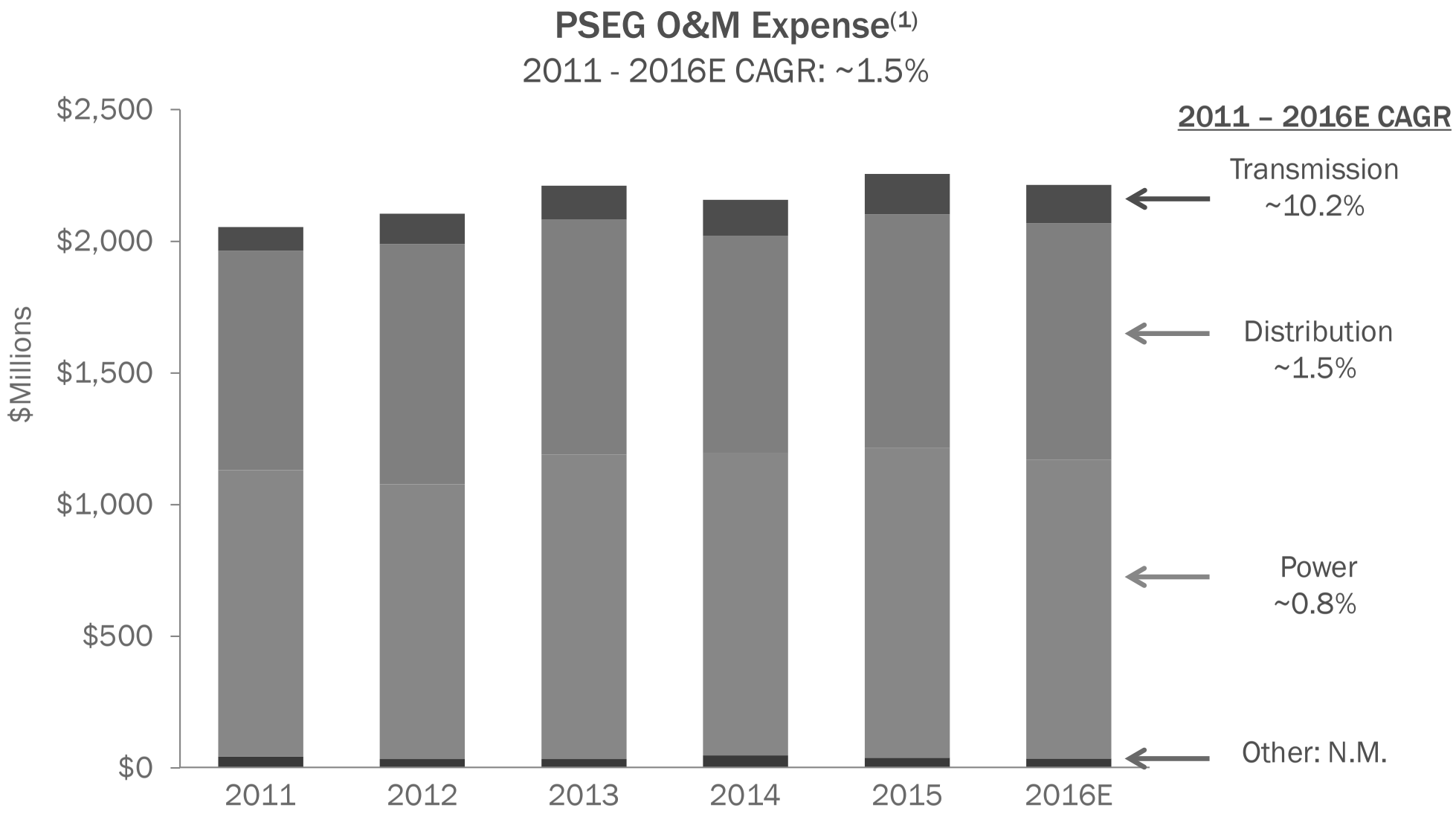


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-05541

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018



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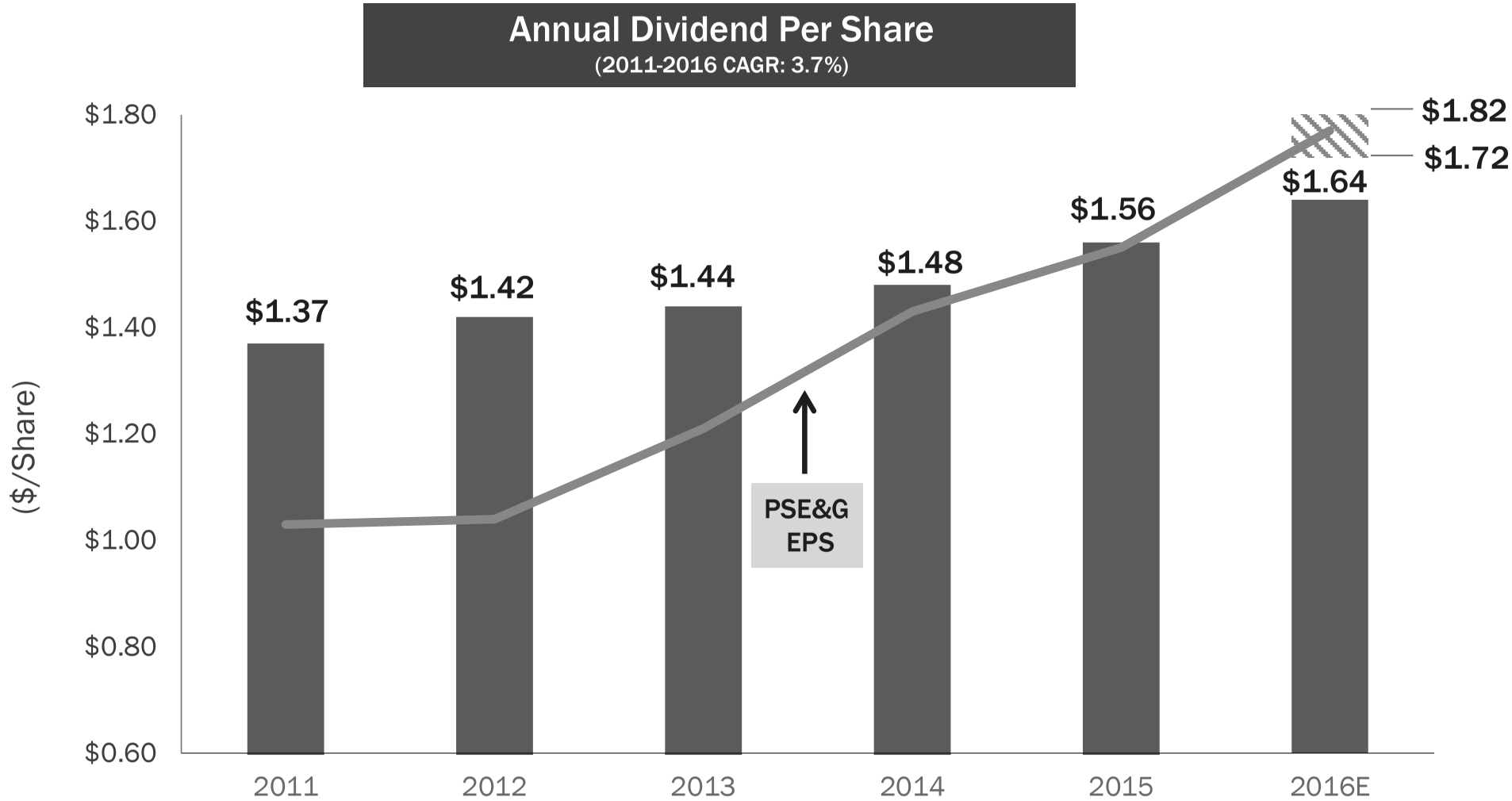
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-05543

PSEG

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

SI-SSA-0015-05544

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

PSEG Summary

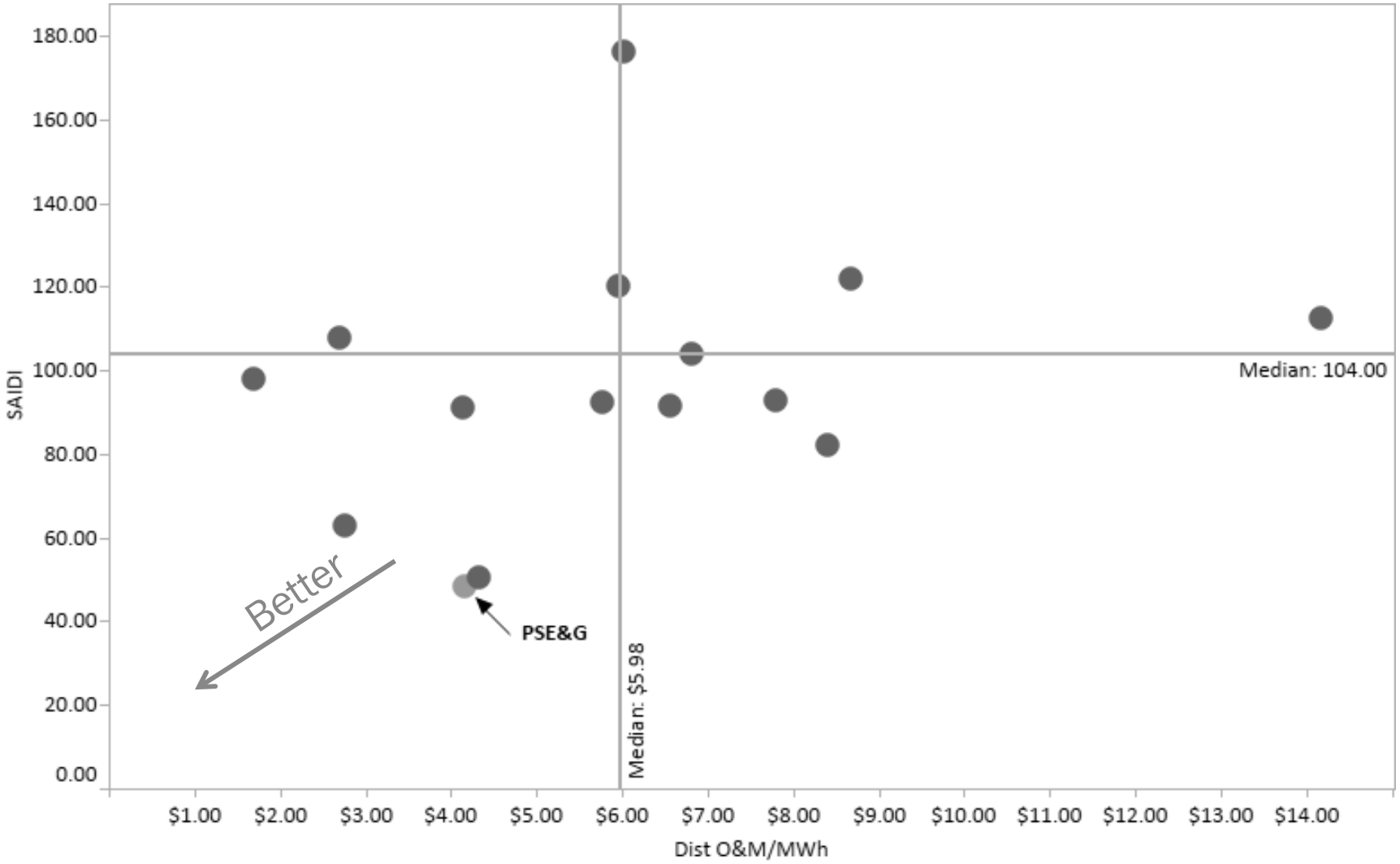
- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-05545

PSE&G APPENDIX

SI-SSA-0015-05546

PSE&G provides high reliability at below average cost which creates superior value for customers

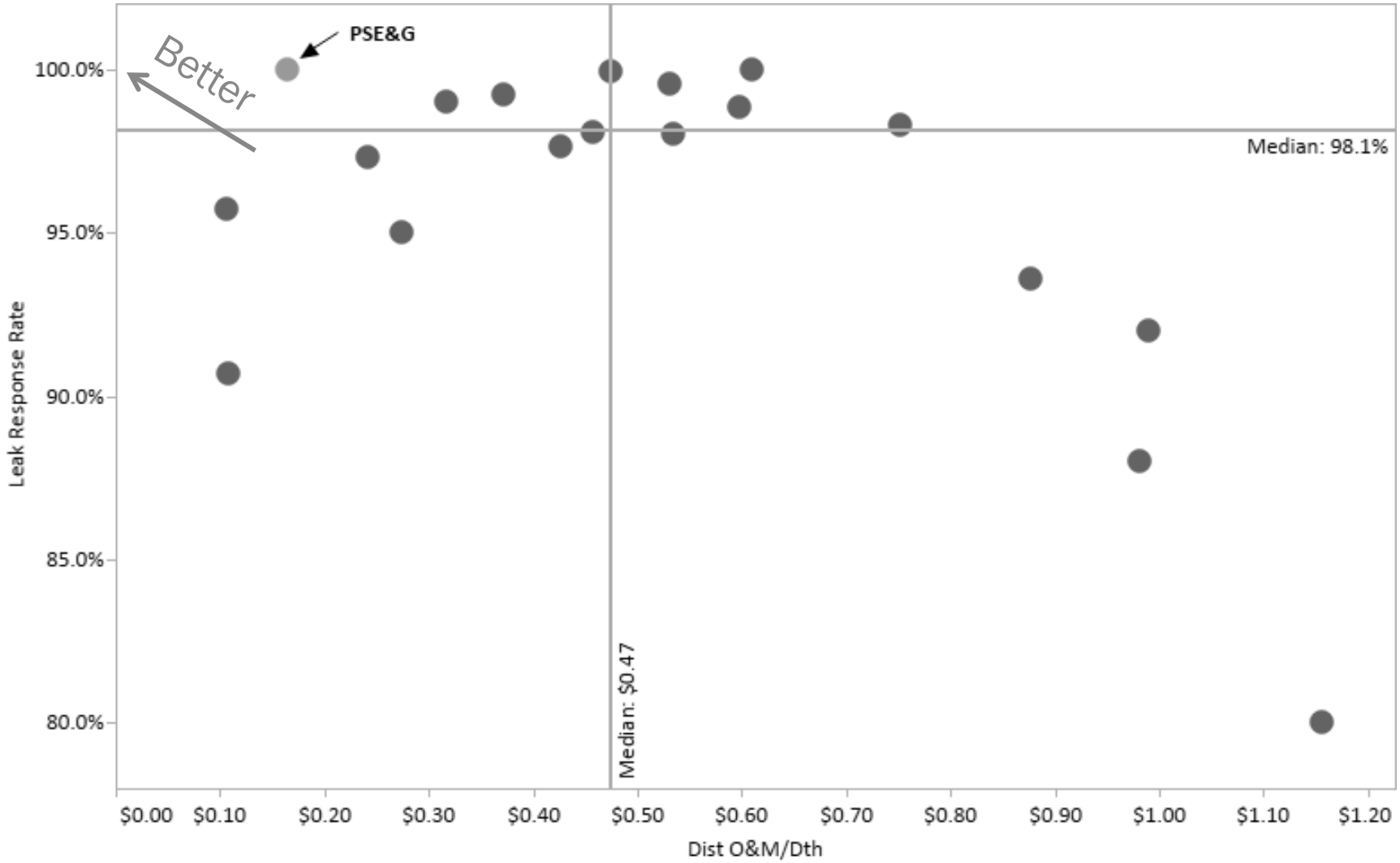


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-05547

PSE&G prioritizes public safety

while maintaining value for customers



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LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-05549

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

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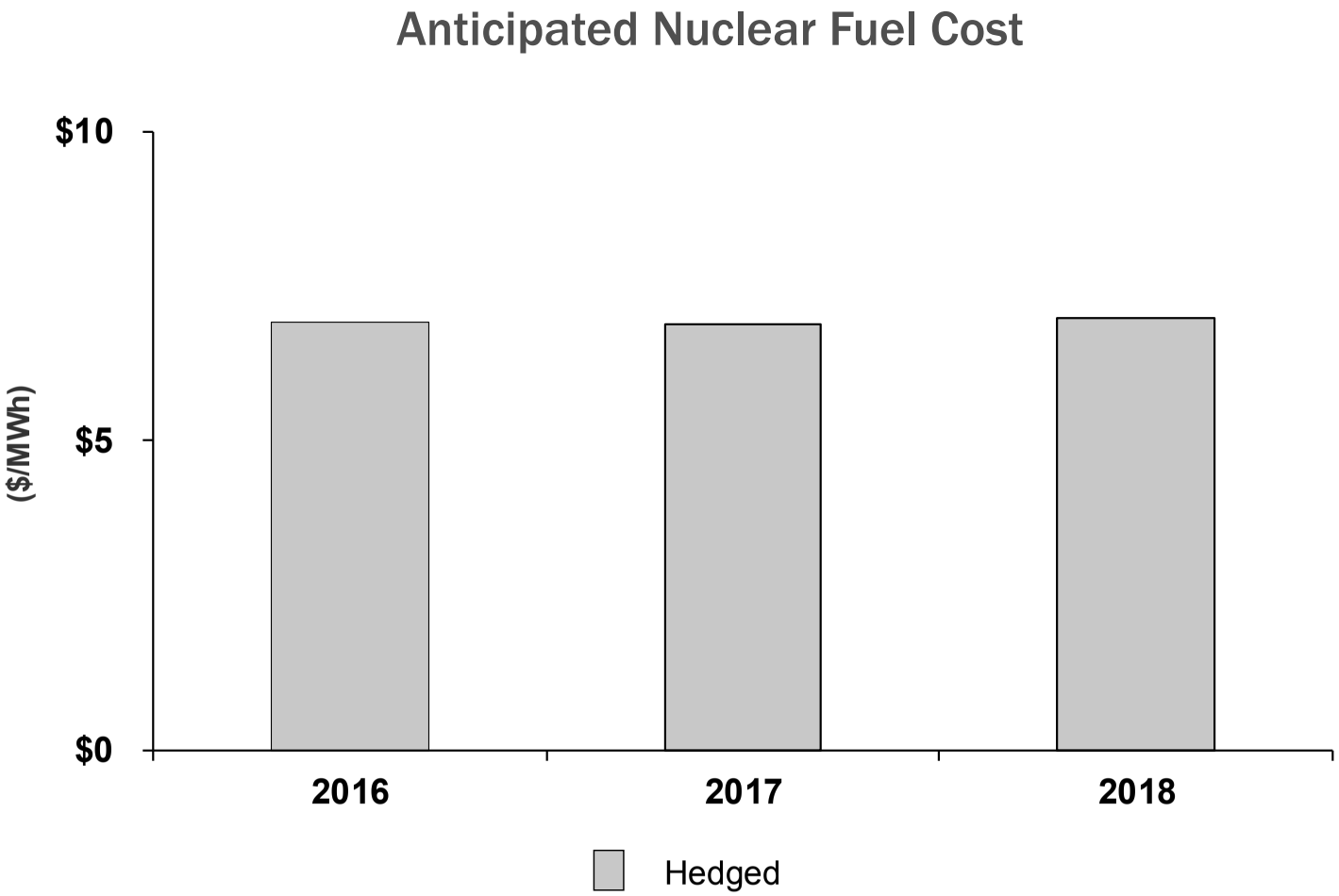
Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-05552

PSEG FINANCIAL APPENDIX

SI-SSA-0015-05553

Our balance sheet remains strong

December 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.4	$0.2	$0.0
Short Term Debt	$0.4	$0.2	N/A
Long Term Debt[2]	9.6	6.8	2.2
Common Equity	13.1	7.6	6.0
Total Capitalization	**$23.1**	**$14.6**	**$8.2**
Total Debt / Capitalization	**43%**	**48%**	**27%**

PSE&G Regulated Equity Ratio[1] 52.3%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

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PSEG Liquidity as of December 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$167	$433
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$161	$1,439
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$3	$997
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$211	$289
	Total Money Pool		$3,600	$385	$3,215
	Total		$4,200	$552	$3,648
				PSEG Money Pool ST Investment	$166
				PSE&G ST Investment	$160
				Total Liquidity Available	**$3,974**
				Total Money Pool Liquidity Available	**$3,381**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

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PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 12/31/2015 ($ Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 154
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 57
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$836**

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* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

PSEG EXECUTIVE PROFILES

SI-SSA-0015-05557

PSEG

We make things work for you.

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-05558

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

PSEG SERVICES CORPORATION

Kathleen A. Lally was named vice president – investor relations of PSEG Services Corporation in January 2007.

Prior to joining PSEG Ms. Lally was a portfolio manager at the investment firm of Angelo Gordon & Company. She has extensive and diverse Wall Street experience, on both the buy side as an investor and sell side as an equity research analyst. She has worked on the buy side at JK Utility Advisory and Silcap, and has sell side experience at firms such as Salomon Brothers, Brown Brothers Harriman and DLJ-Pershing.

Ms. Lally currently serves on the Board of the NJ Chapter of the Leukemia & Lymphoma Society. Ms. Lally holds a Bachelor of Arts degree in political science from St. Peter's College and is a chartered financial analyst.

SI-SSA-0015-05559

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236	$ 1,389
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	$ 1,679	$ 1,518	$ 1,243	$ 1,275	$ 1,407
Discontinued Operations	-	-	-	-	96
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275	$ 1,503
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507	507
Per Share Impact (Diluted)					
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44	$ 2.74
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	$ 3.30	$ 2.99	$ 2.45	$ 2.51	$ 2.77
Discontinued Operations	-	-	-	-	0.19
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51	$ 2.96

[a]Includes the financial impact from positions with forward delivery months.

PSEG Investor Summary

BARCLAYS INVESTOR MEETINGS
EUROPE – MARCH 22-24, 2017

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05561

PSEG

We make things work for you.

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-05562

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of March 6, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-05563

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-05564

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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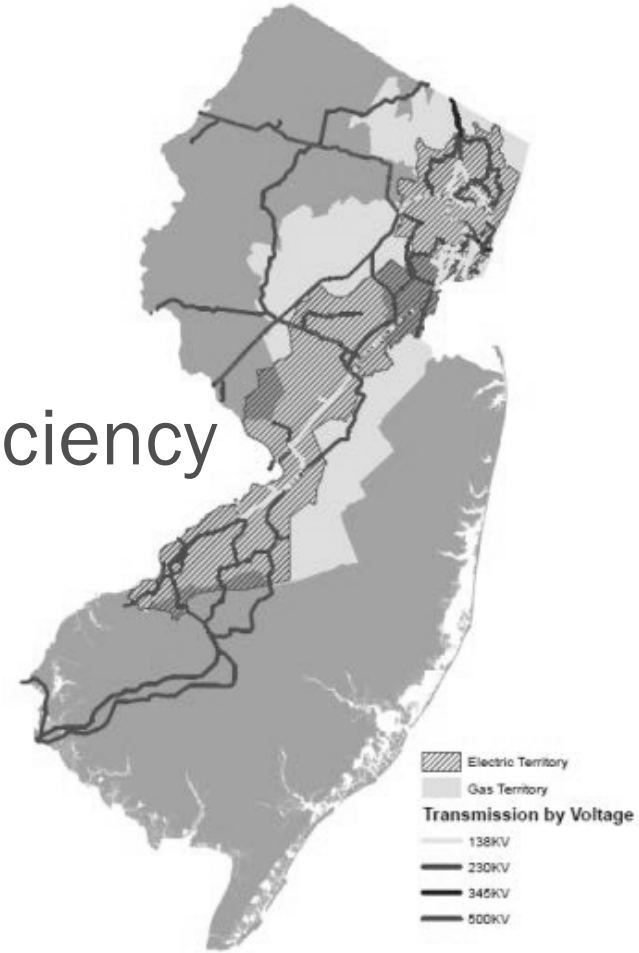
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

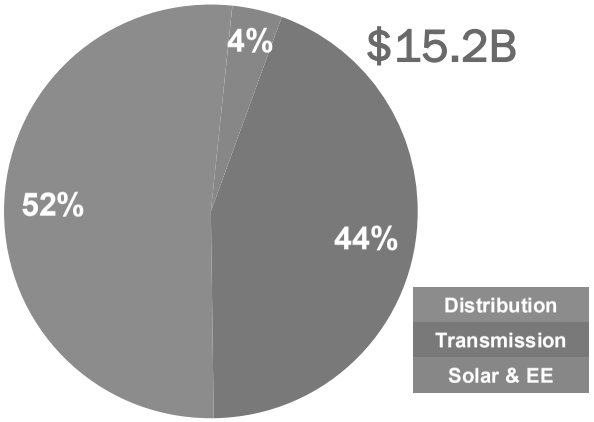
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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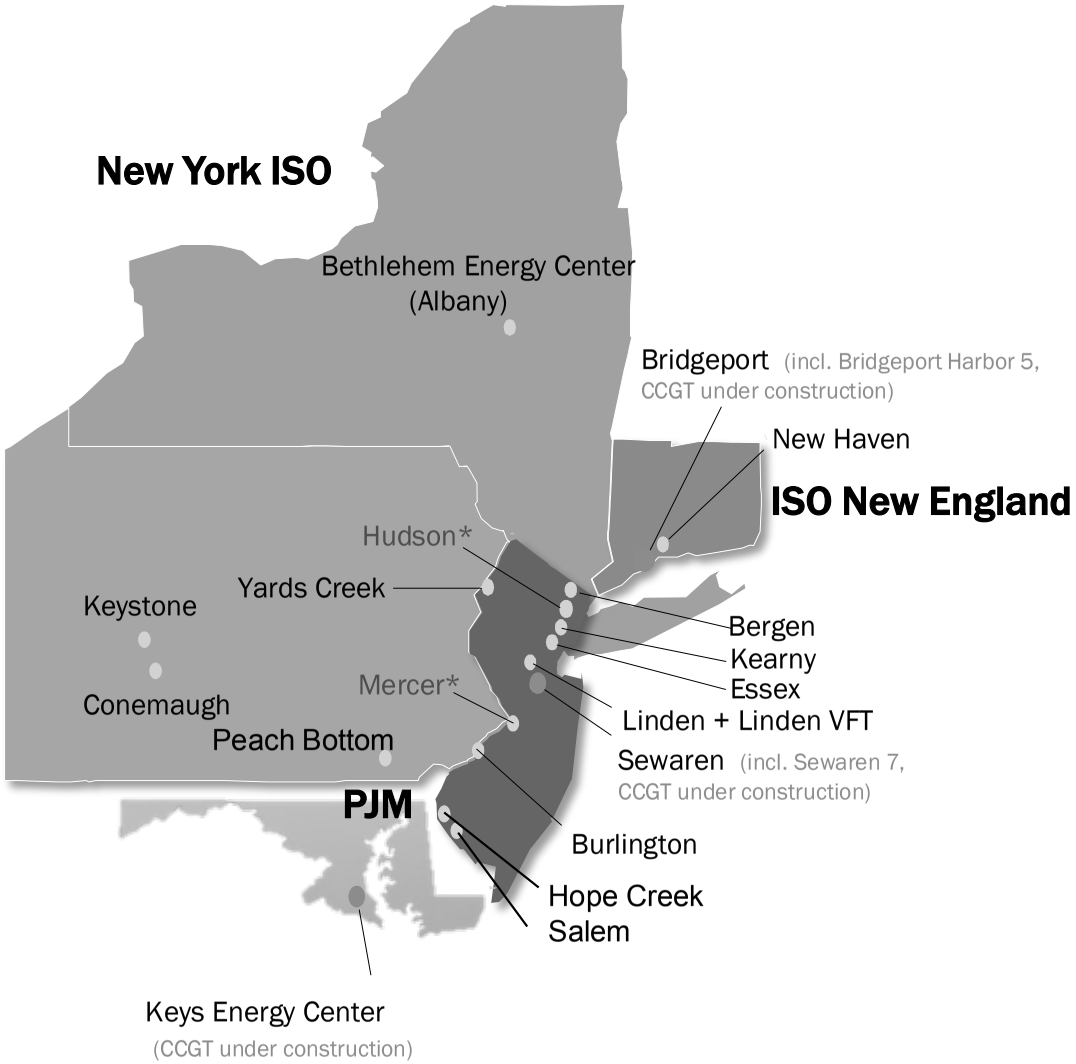
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-05567

PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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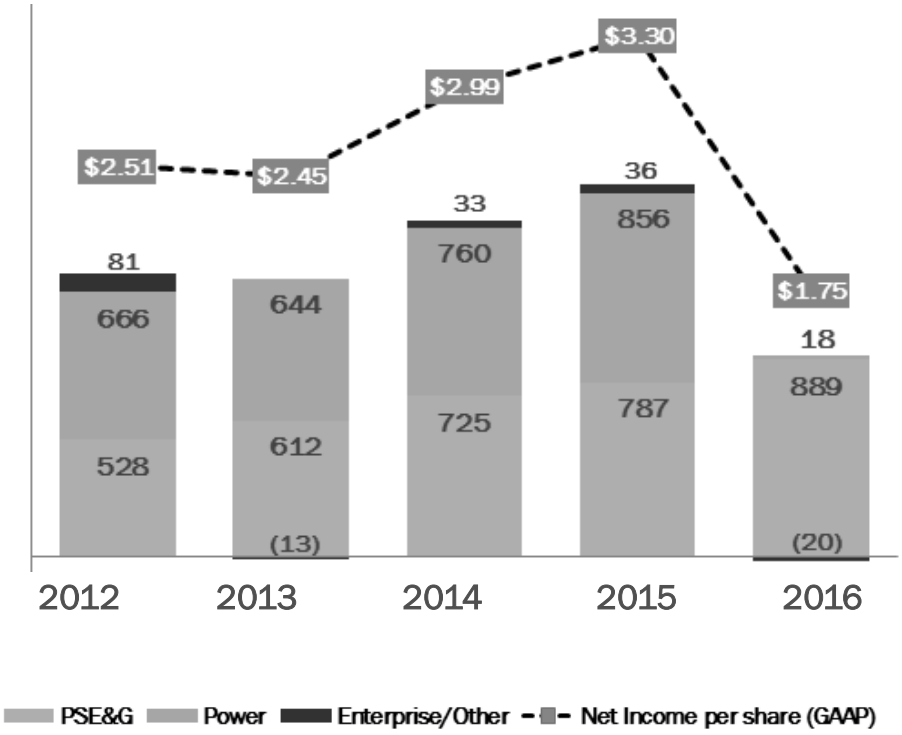
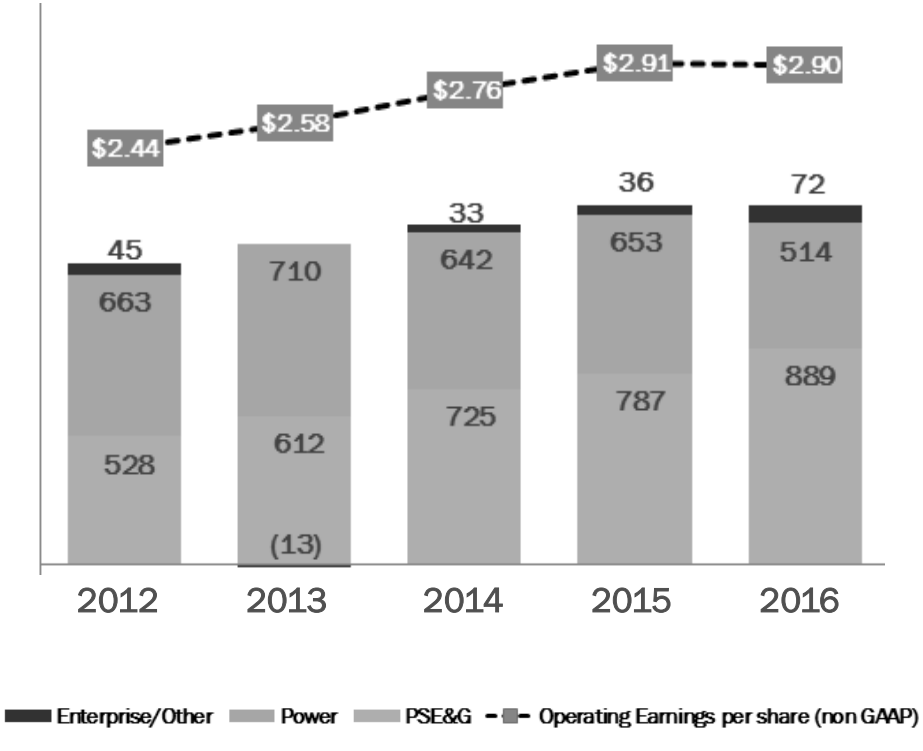
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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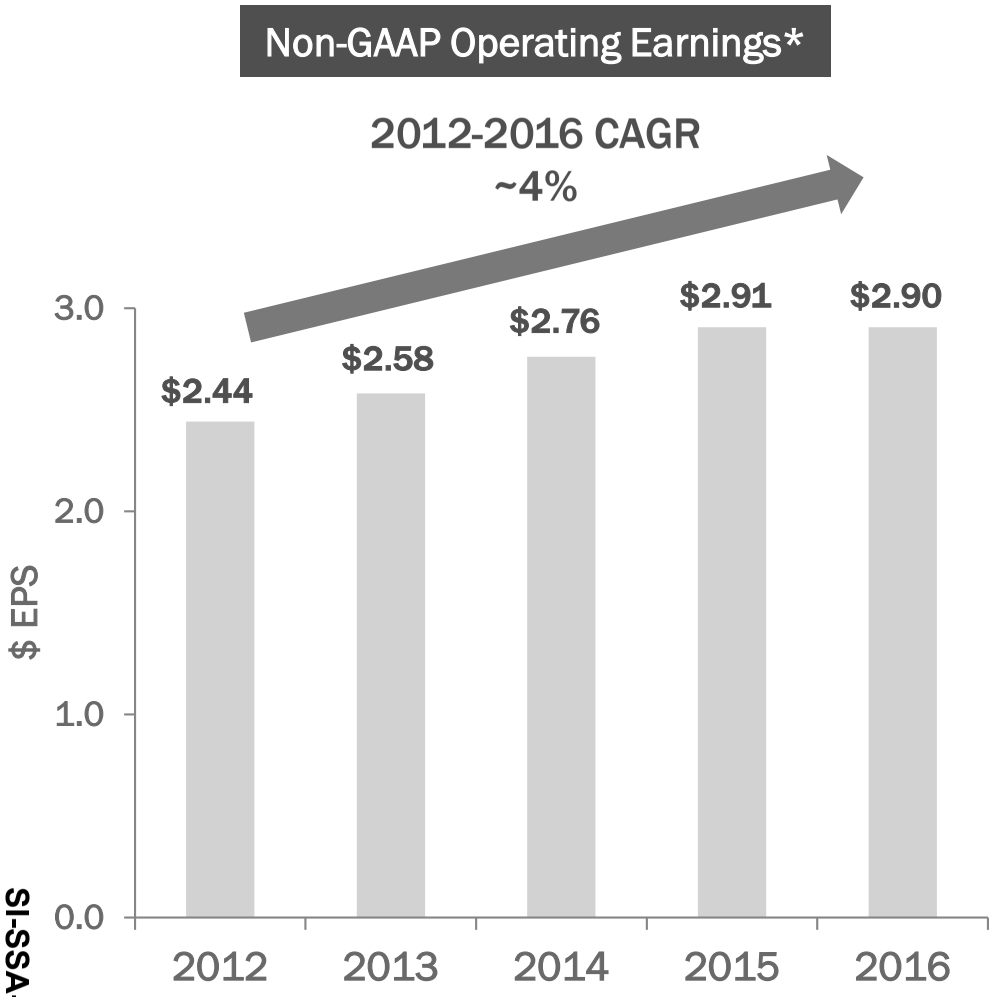
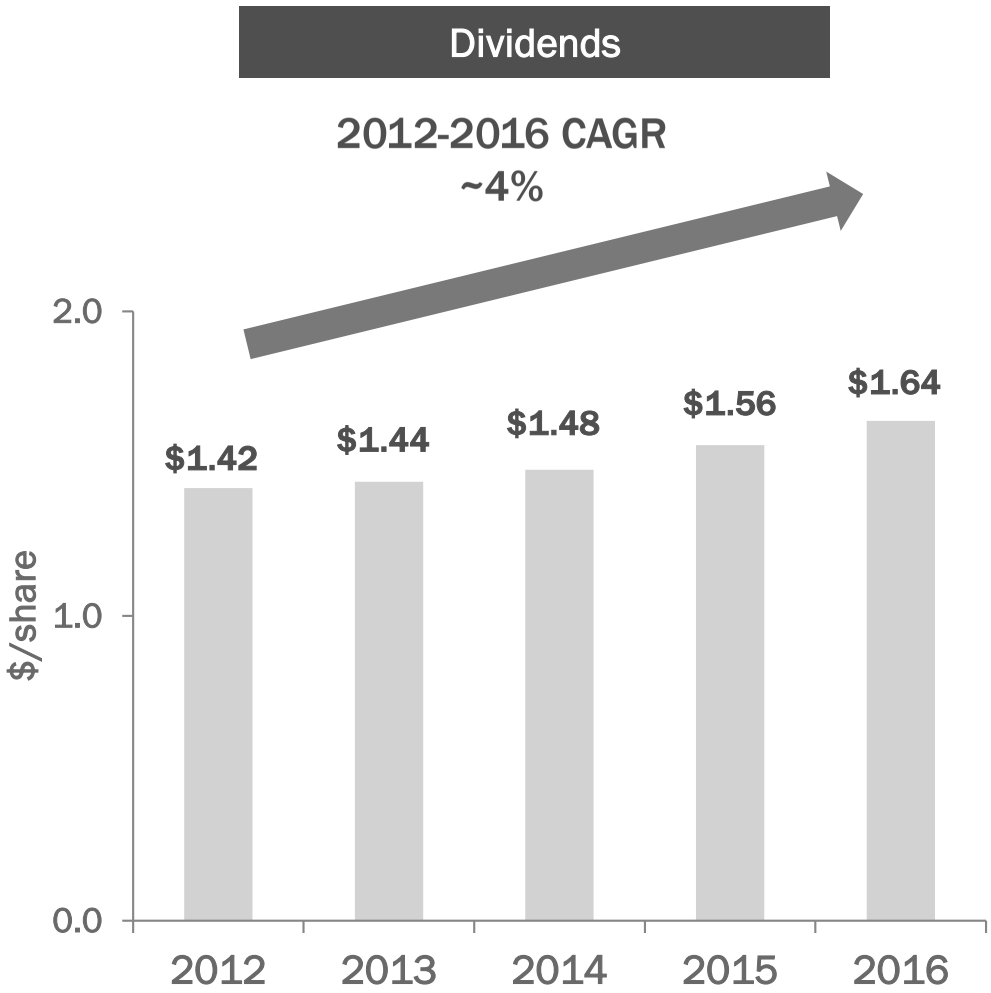
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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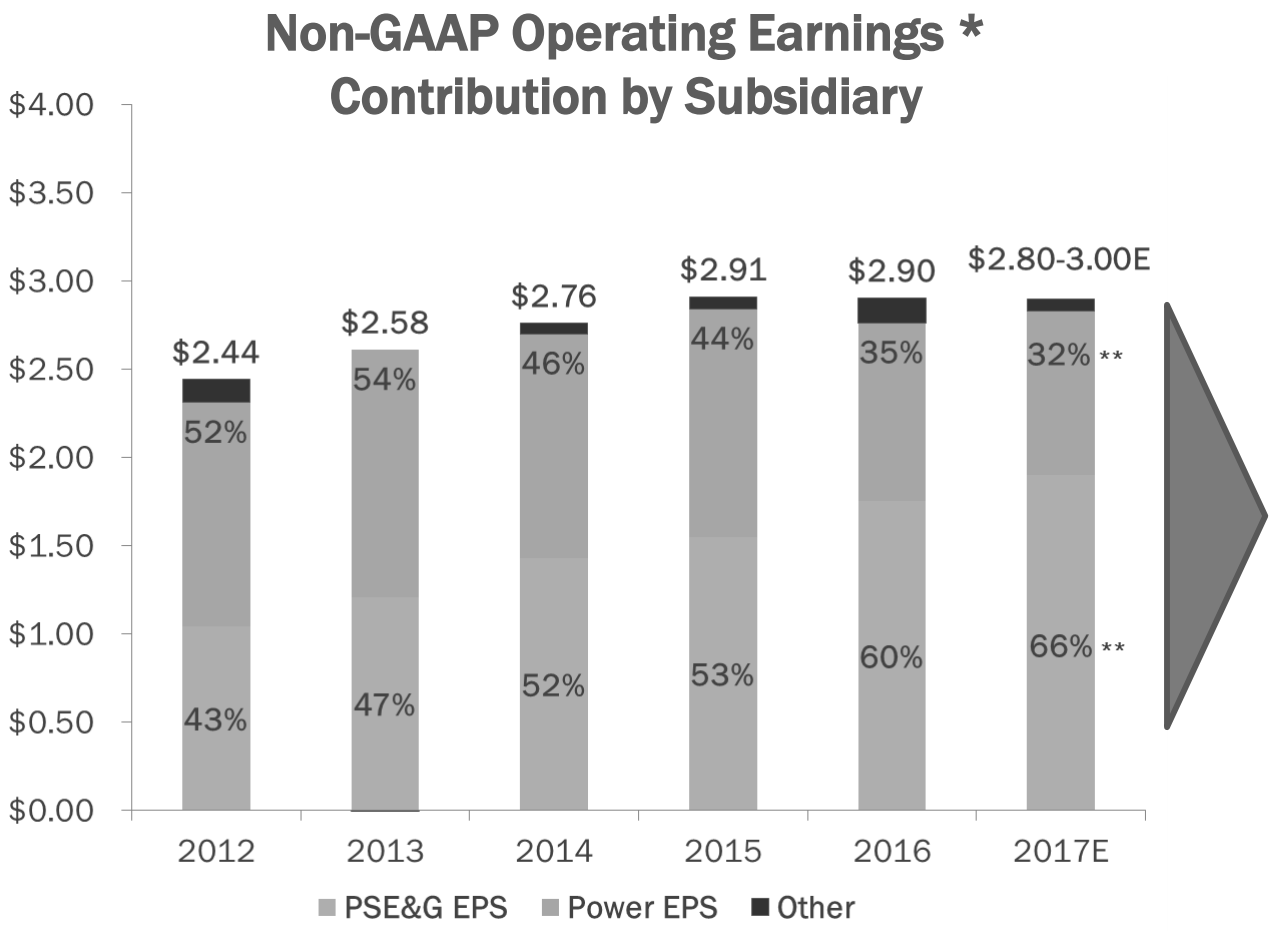
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



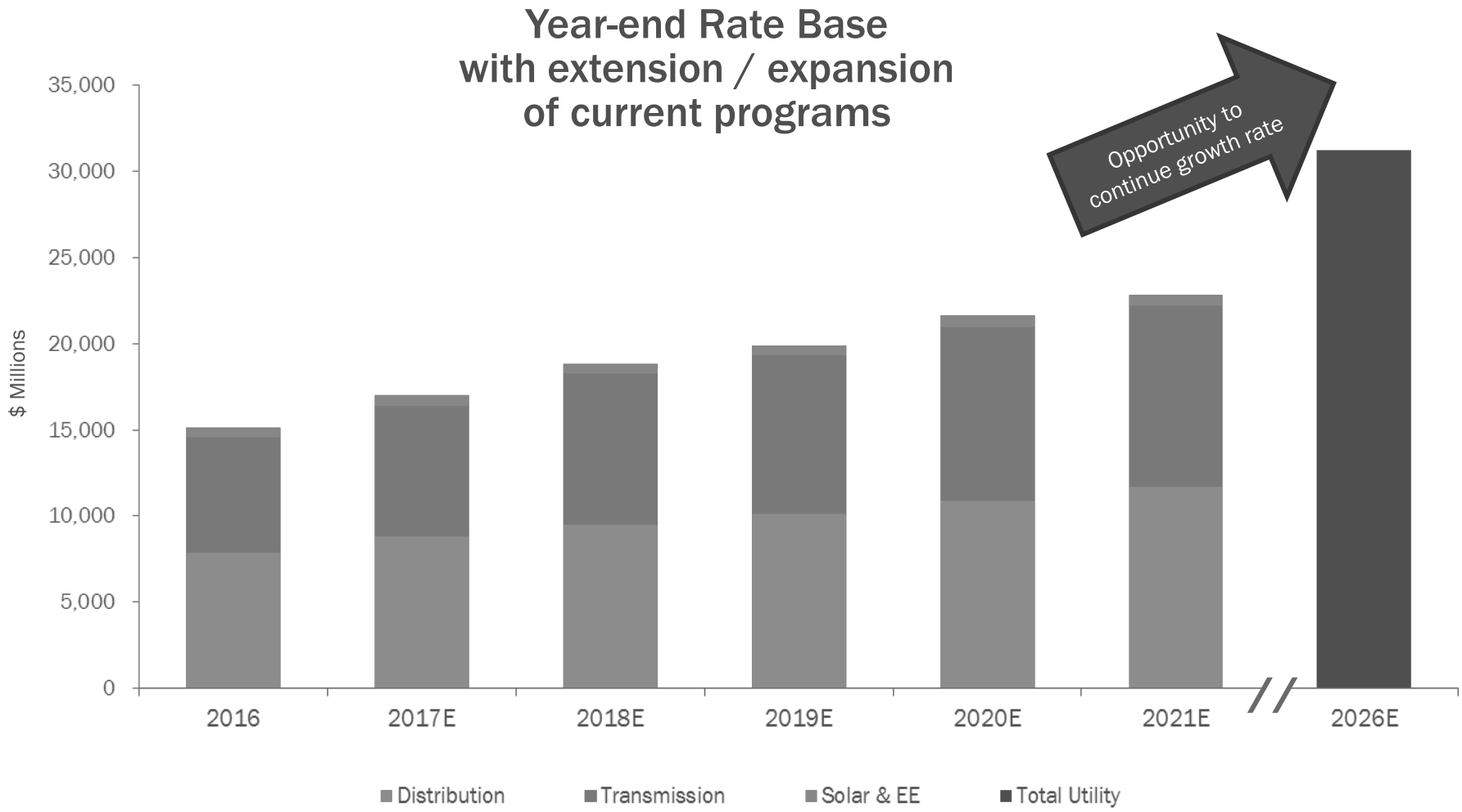
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-05571

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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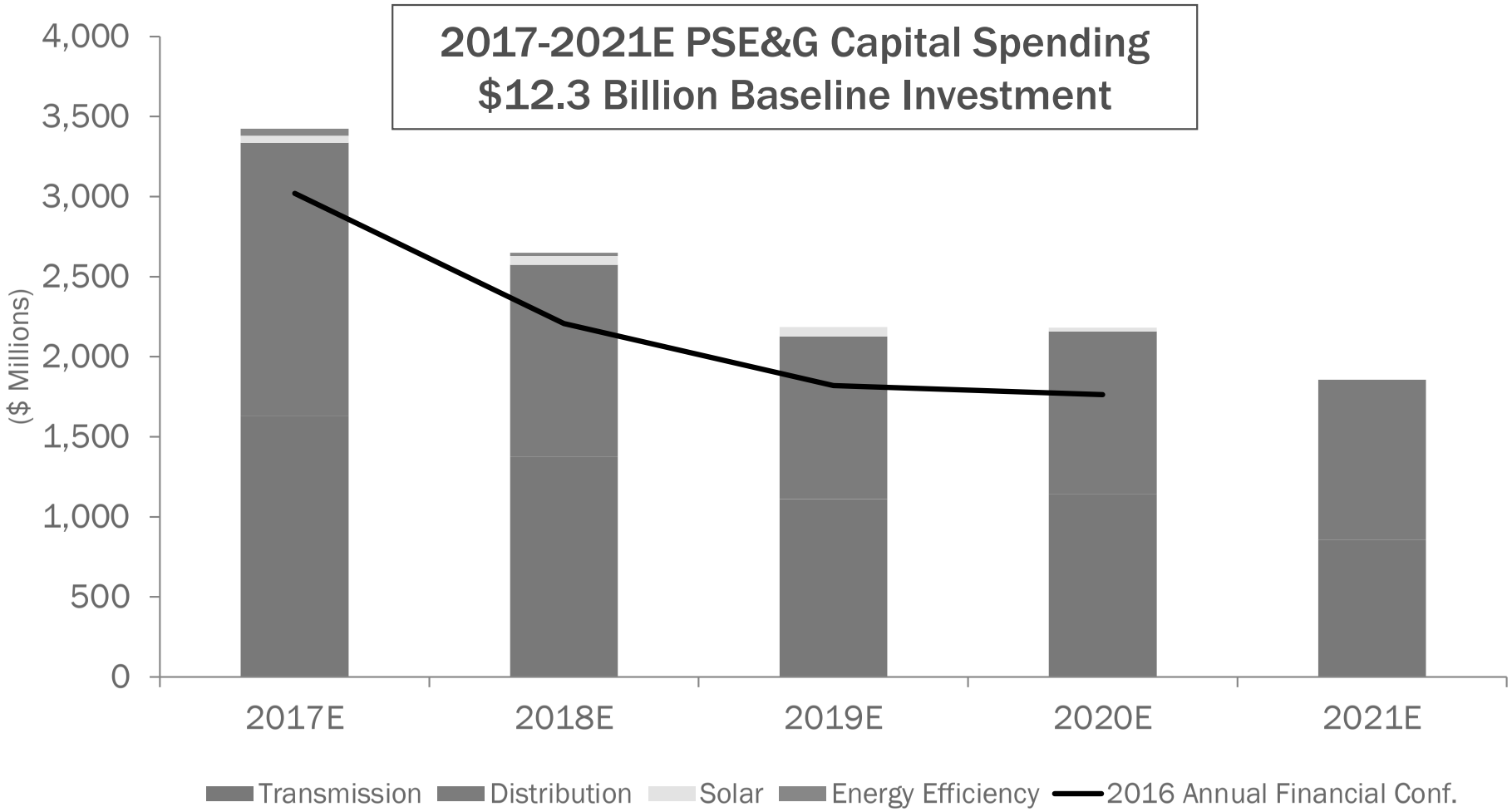
Baseline programs yield 7% compound annual growth in rate base



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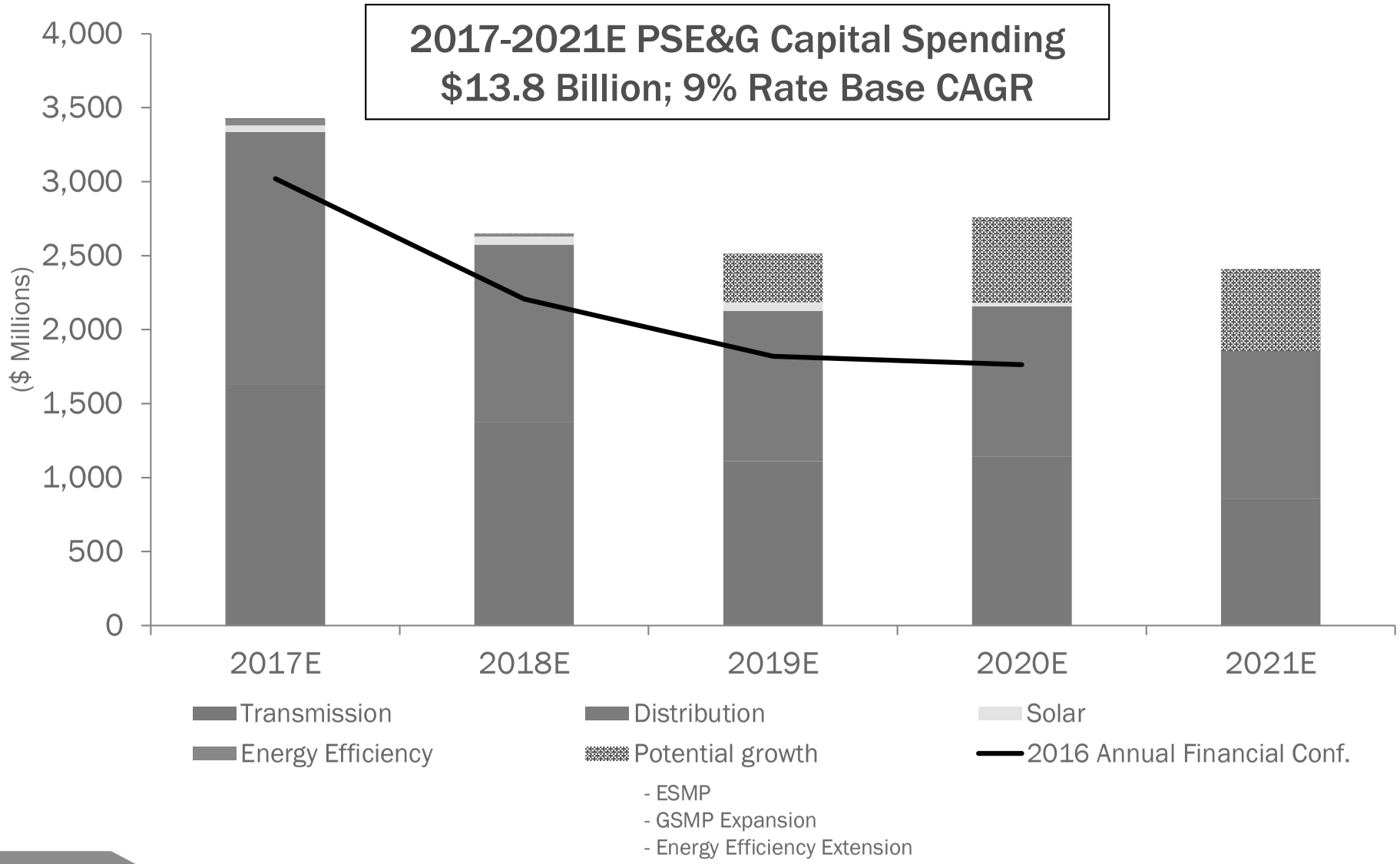
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-05574

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

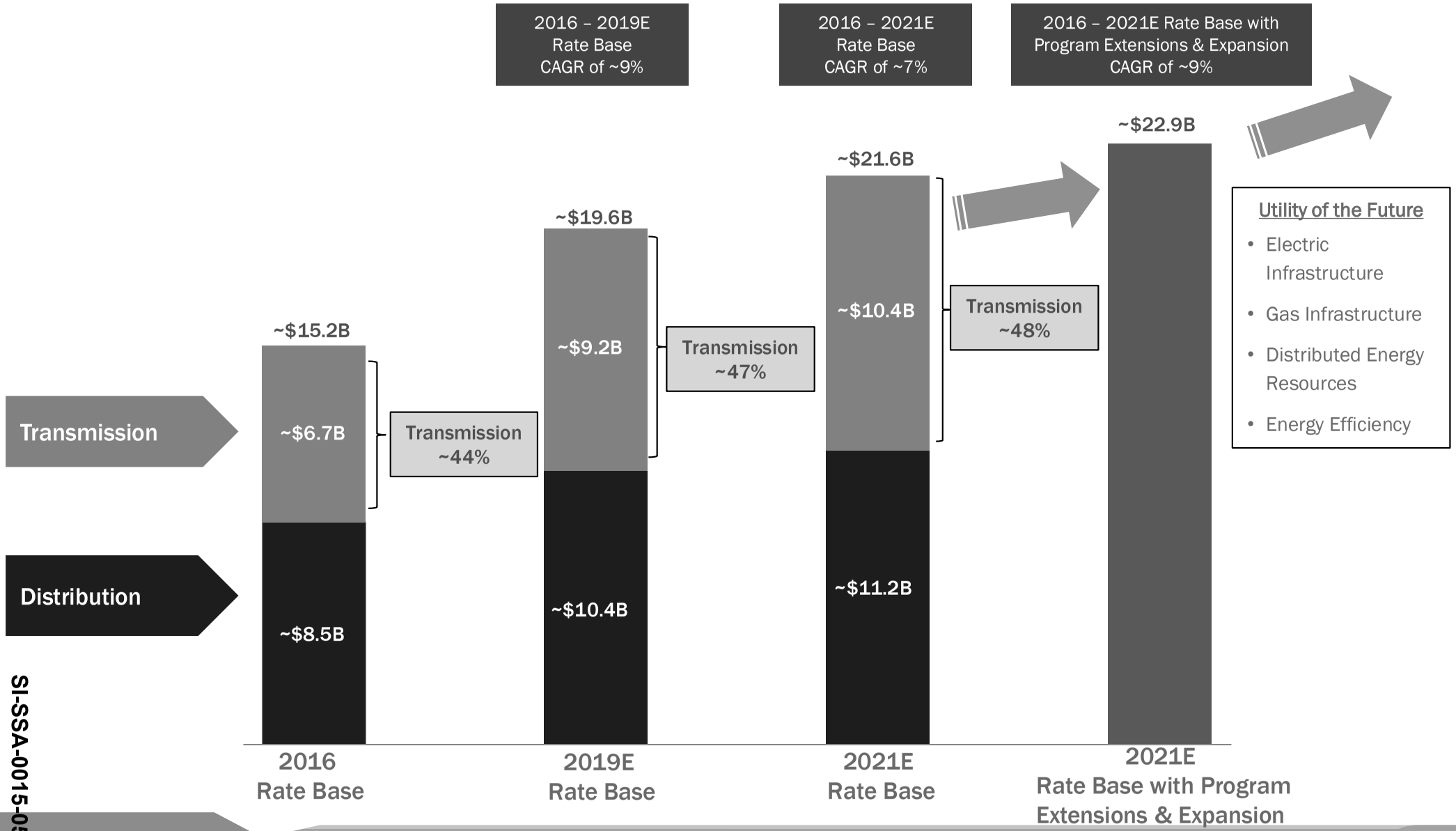
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-05575

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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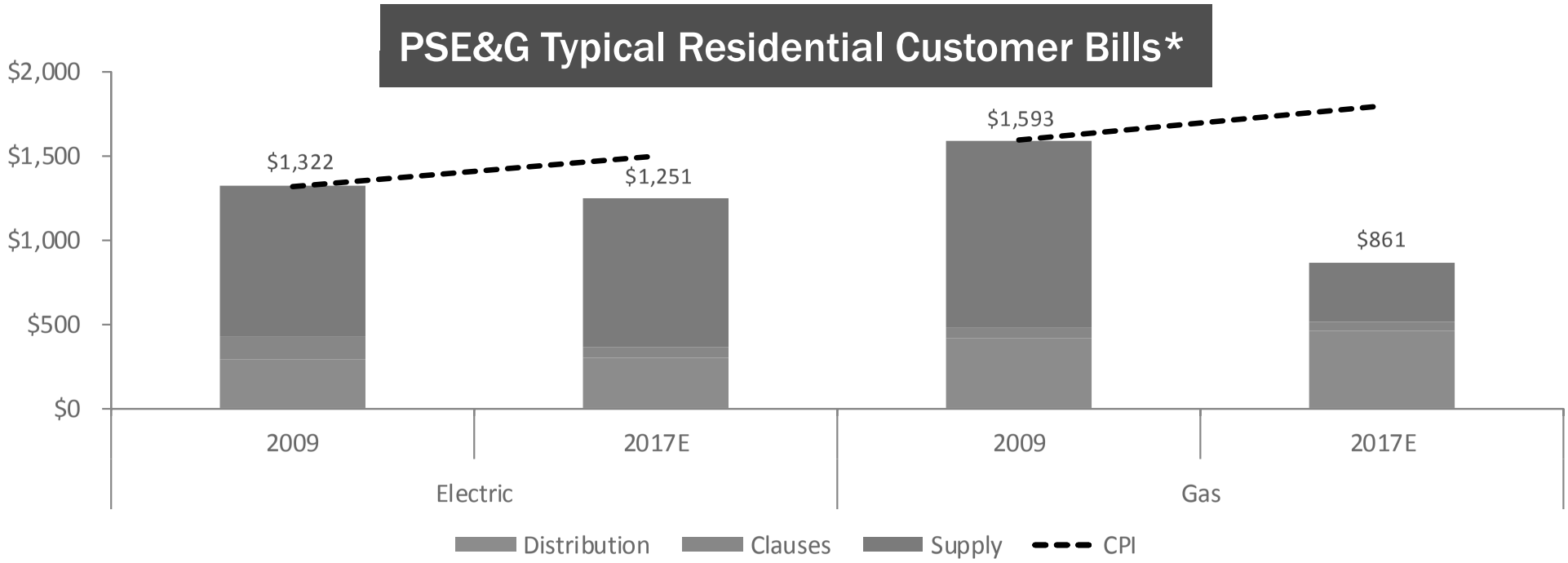
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-05577

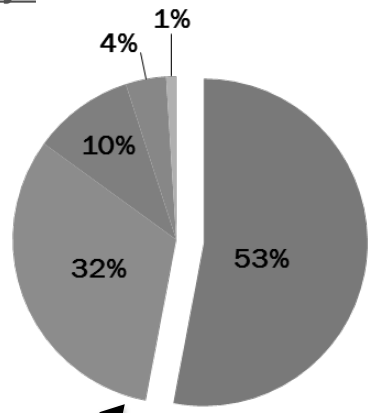
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

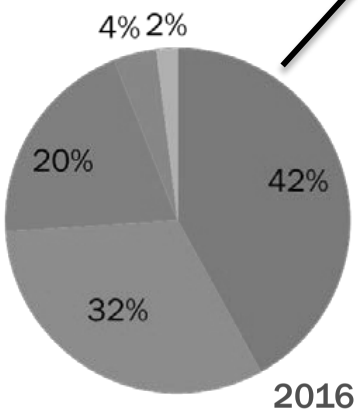
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

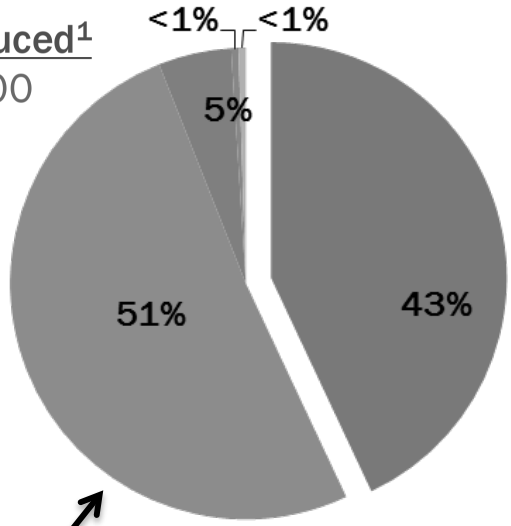
2021E Fuel Diversity[1]
Total MW: 11,900



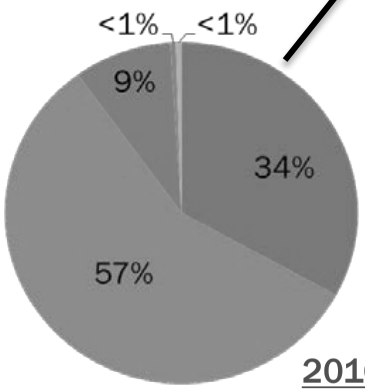
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



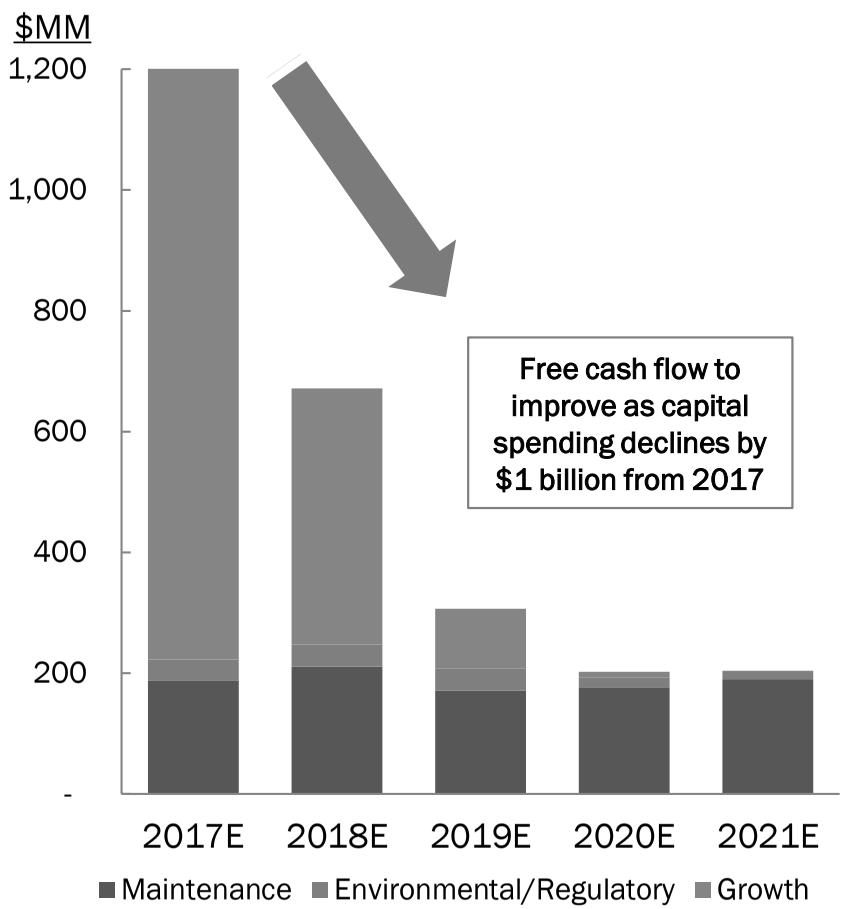
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Produced increases by >18%

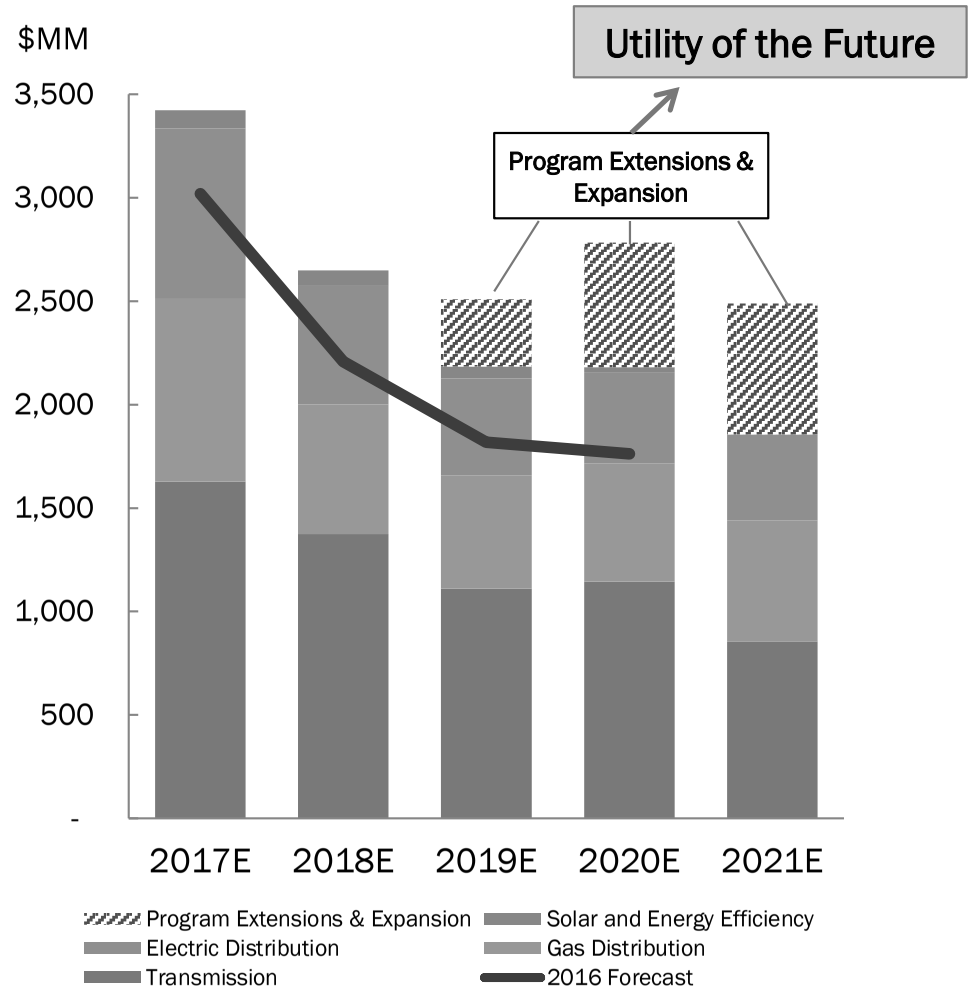
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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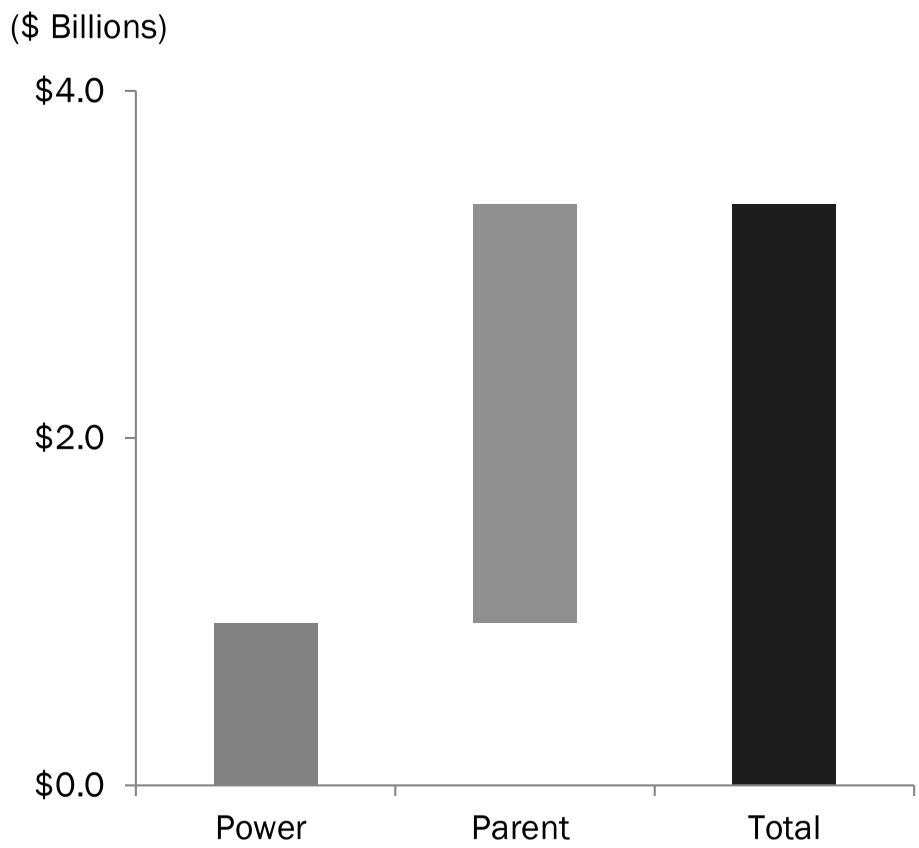
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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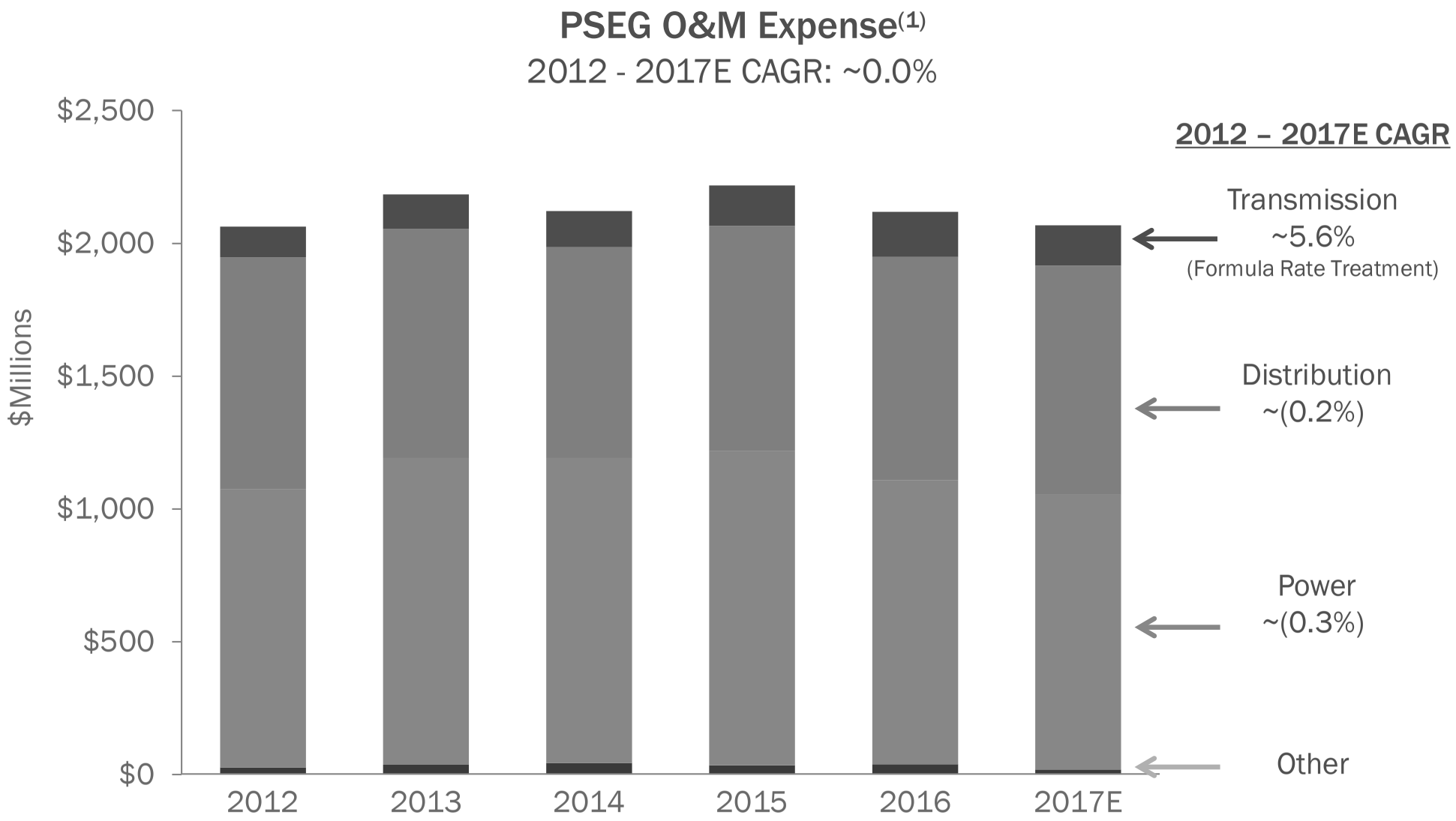
PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-05581

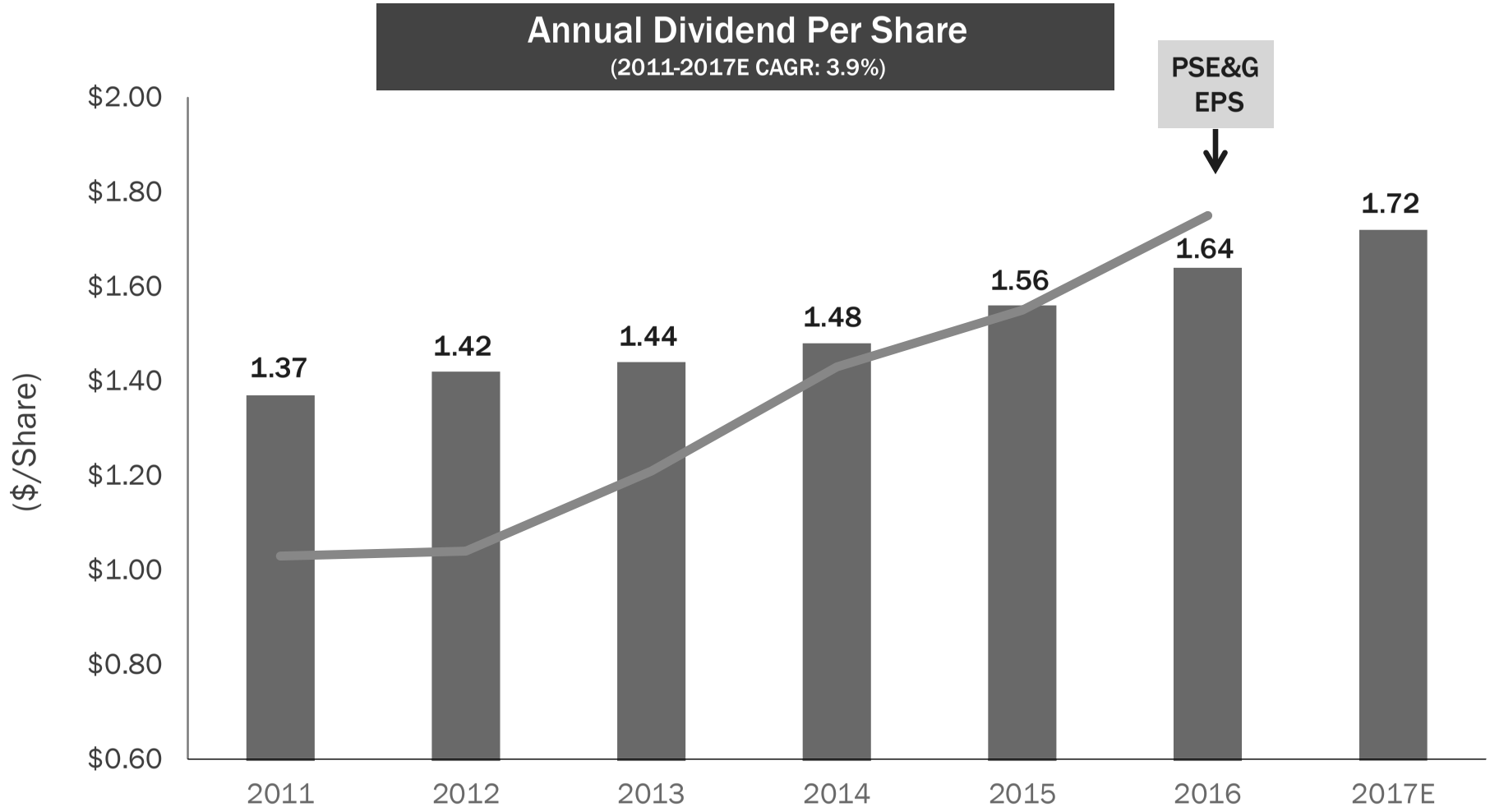
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-05582

Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-05584

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-05585

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-05586

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Investor Summary

BANK OF AMERICA–MERRILL LYNCH
2018 POWER, GAS & SOLAR LEADERS CONFERENCE
FEBRUARY 28, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05588

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-05589

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-05590

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

SI-SSA-0015-05591

PSEG

We make things work for you.

PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

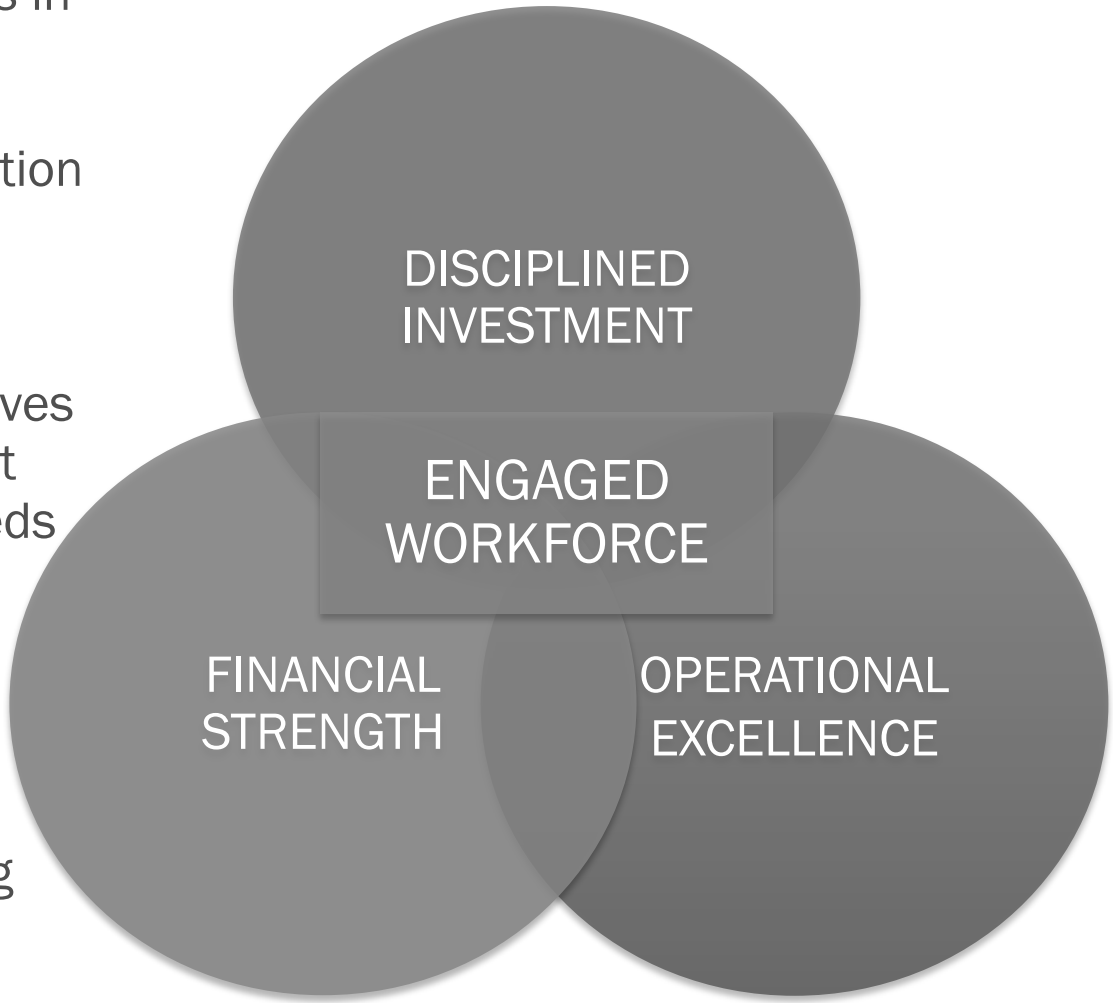
Financial Strength: Strong financial position supports investment program

Disciplined Investment:

- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:

- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017	2017
Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

SI-SSA-0015-05593

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Potential for additional investments in Renewables and integration of Infrastructure with Customer Access • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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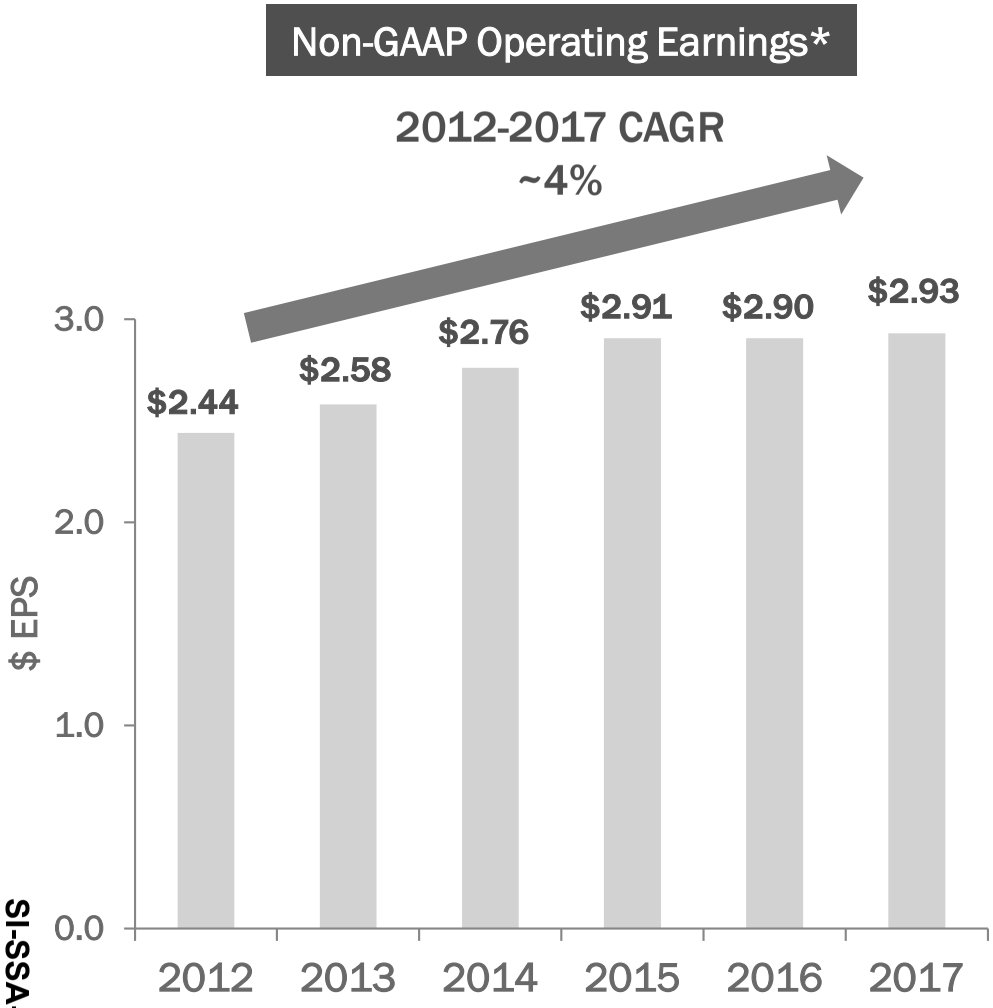
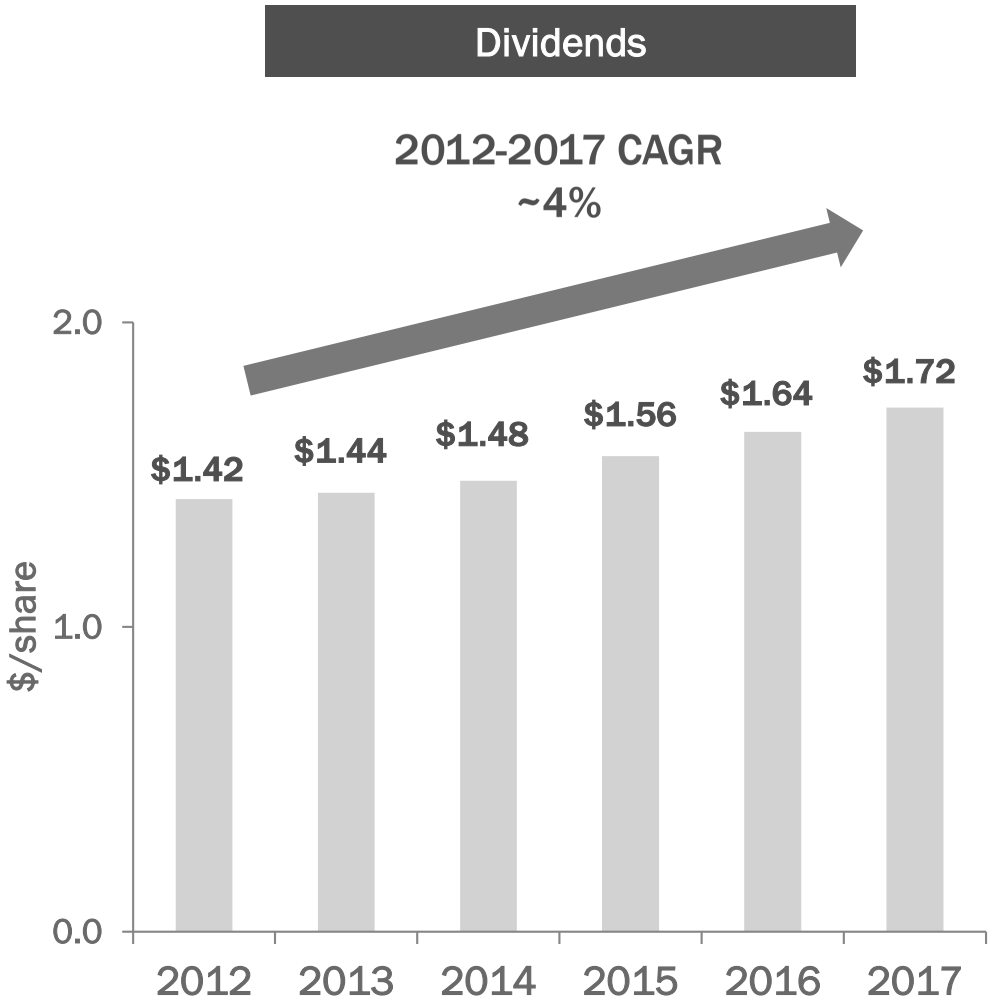
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requesting ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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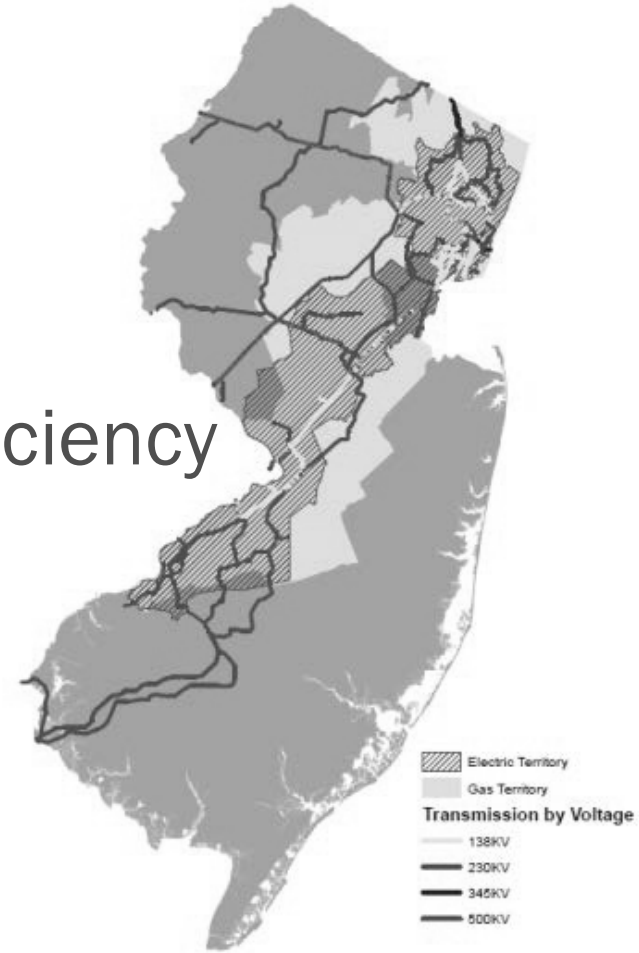
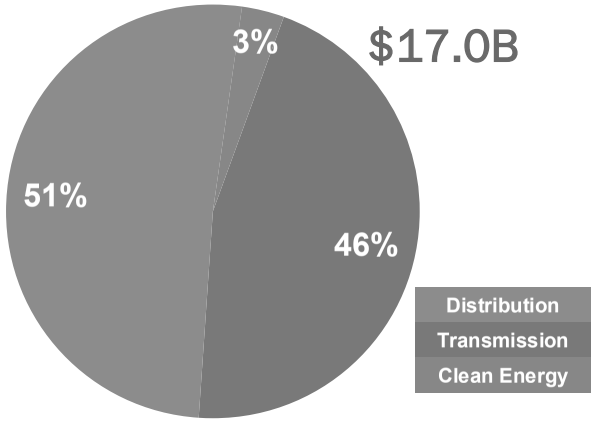
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

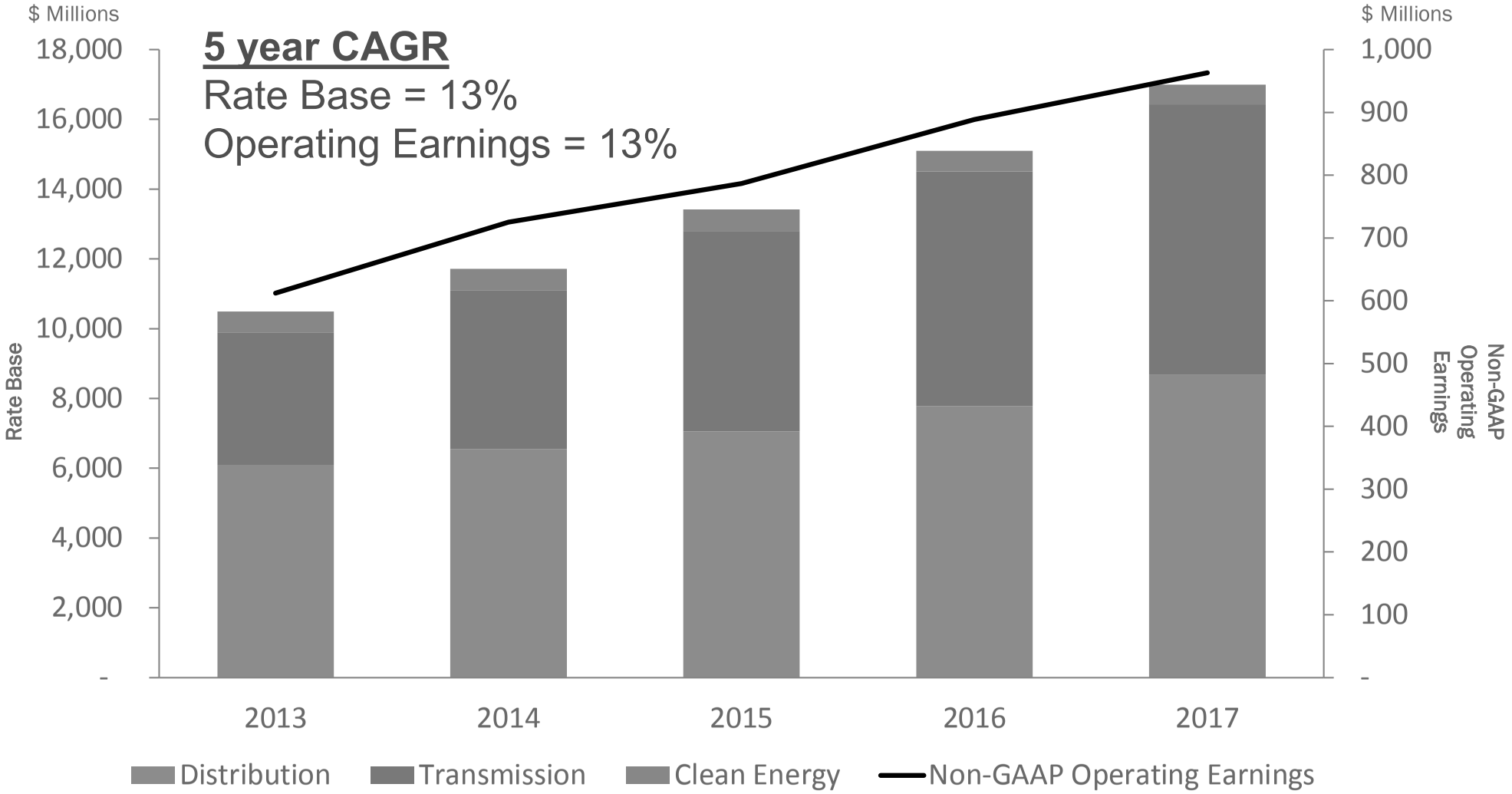
PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

SI-SSA-0015-05597

PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

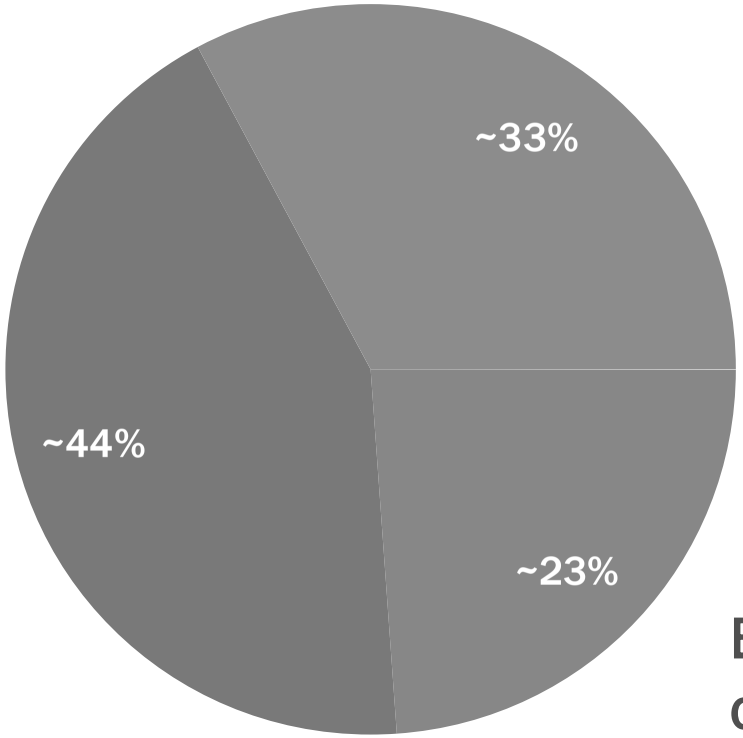
SI-SSA-0015-05598

Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

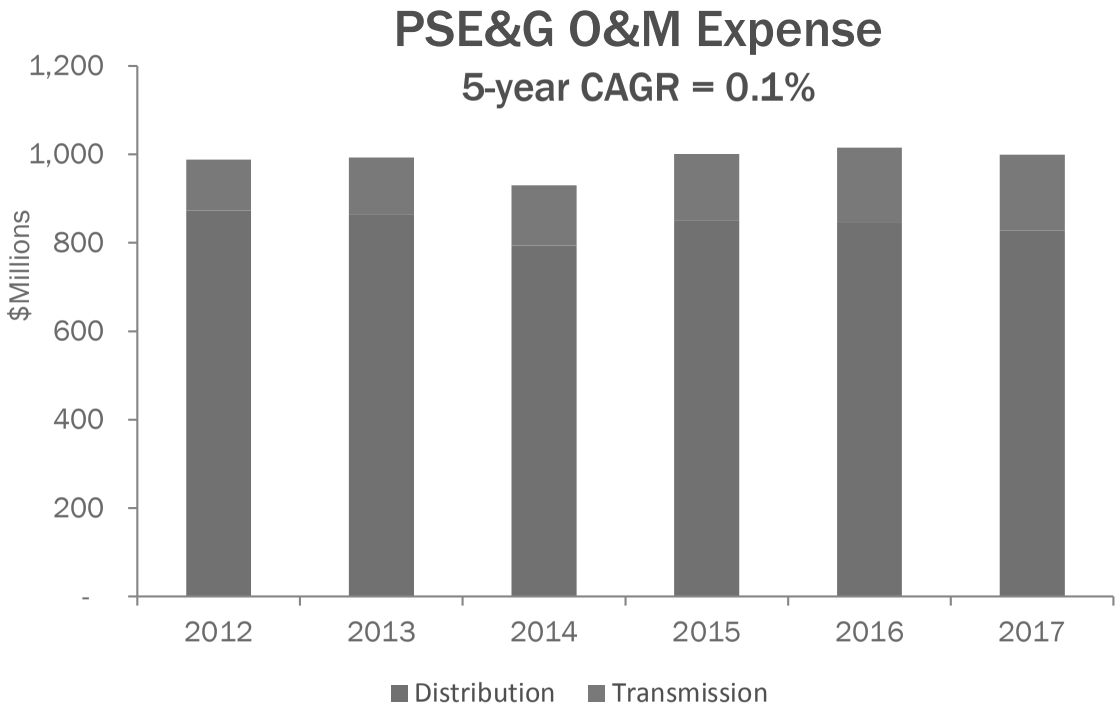
- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

SI-SSA-0015-05599

Operational Excellence – O&M costs



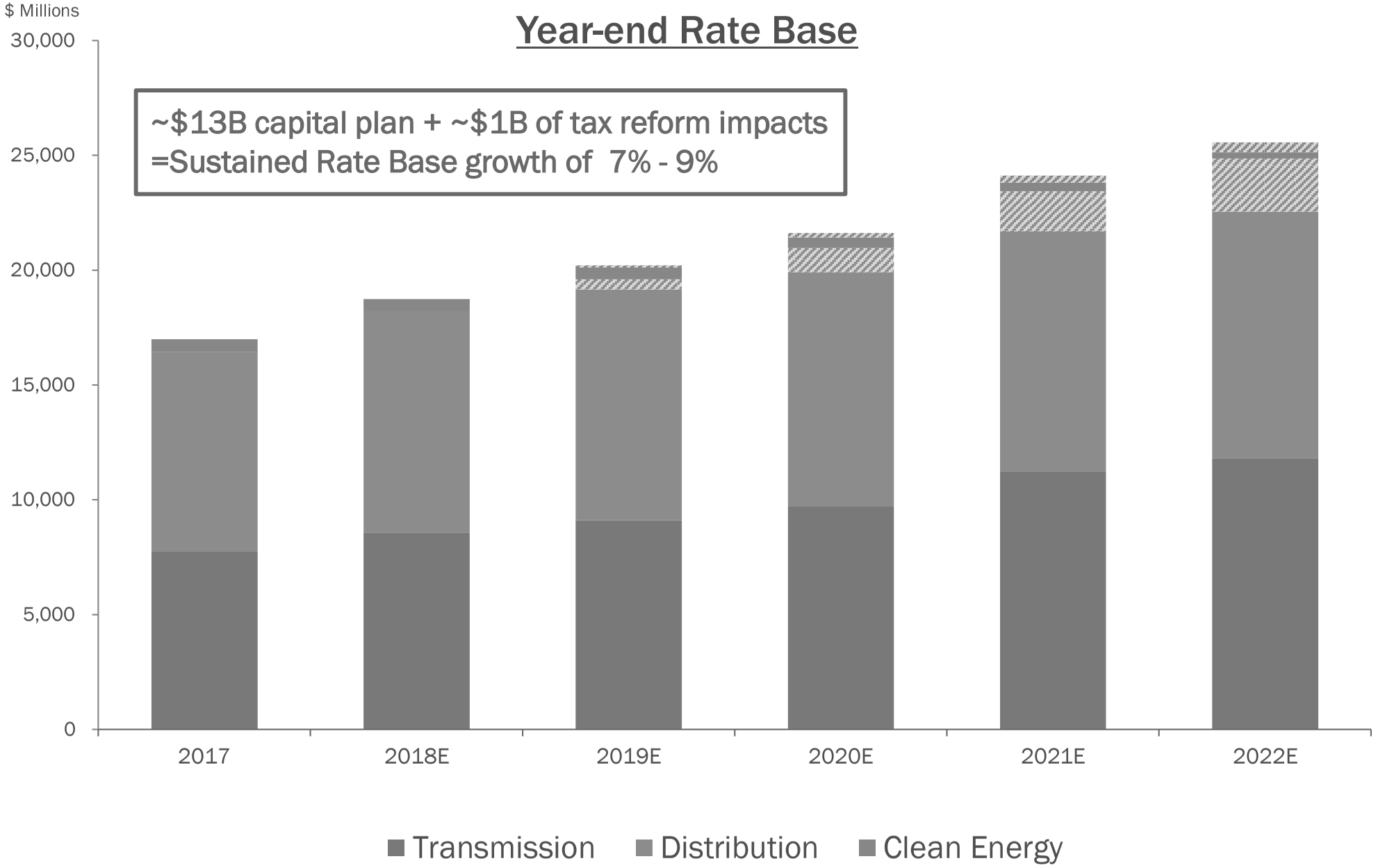
Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

SI-SSA-0015-05600

Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-05601

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

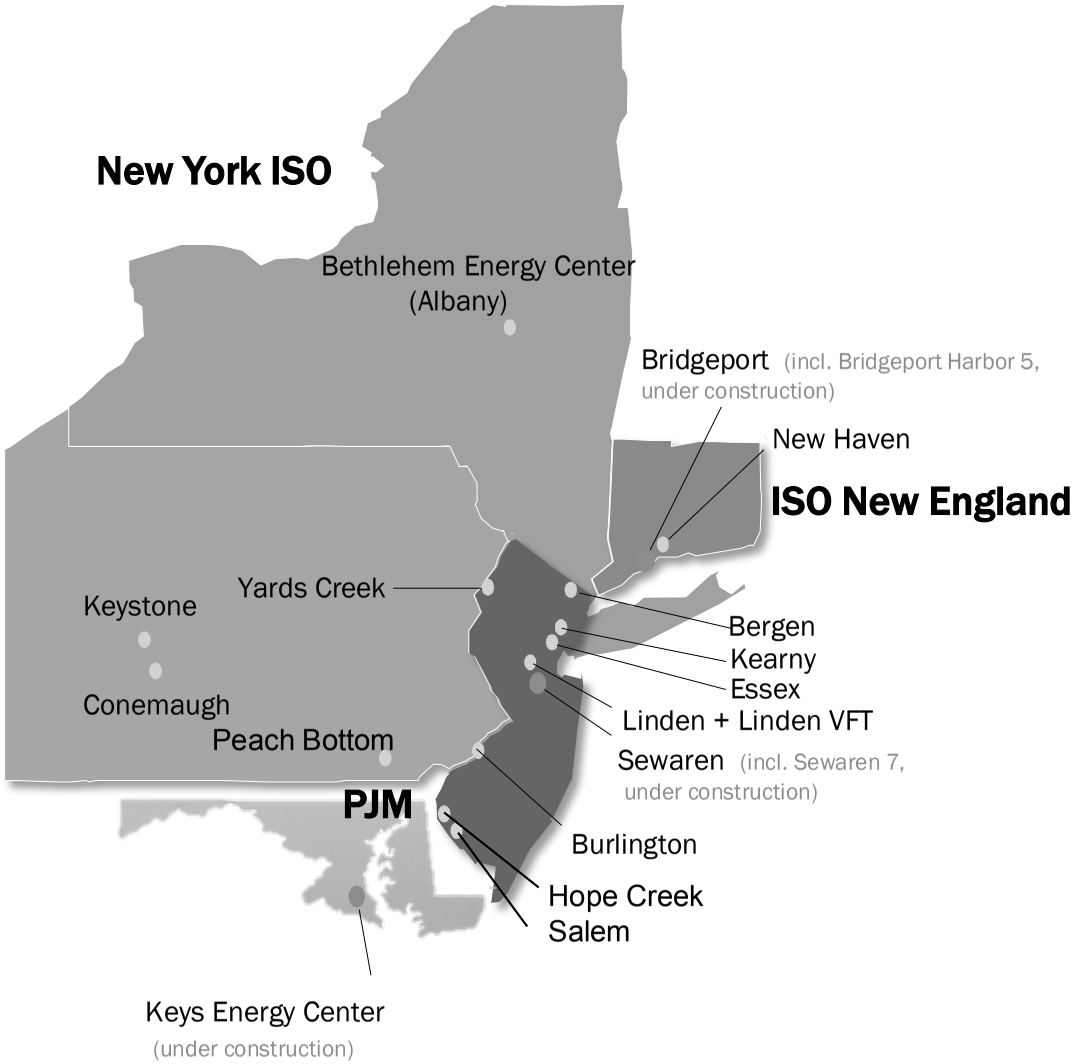
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-05602

Power has generating assets in three competitive markets



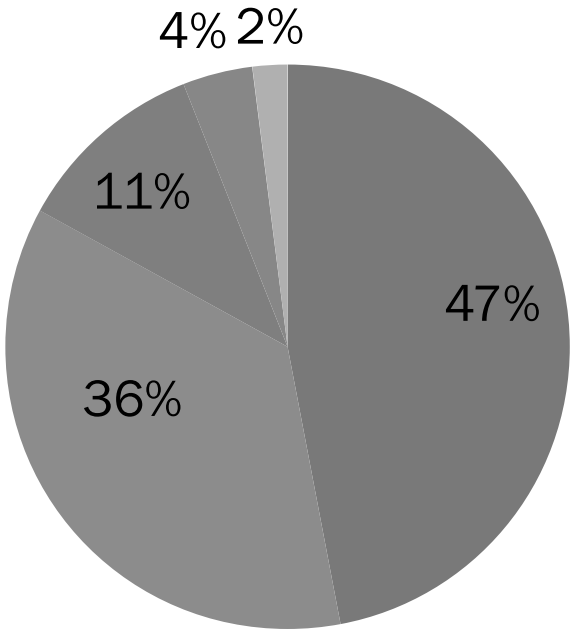
- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-05603

Power has a diverse fleet of generating assets which enables it to respond to market needs

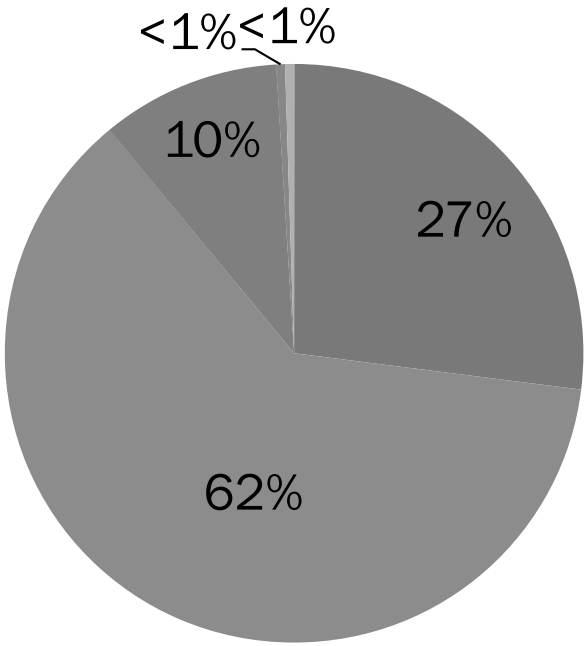
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

SI-SSA-0015-05604

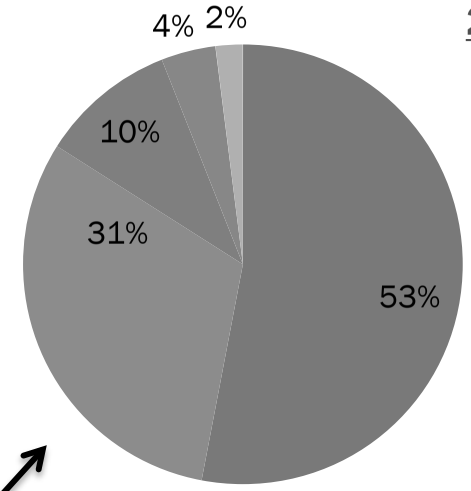
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

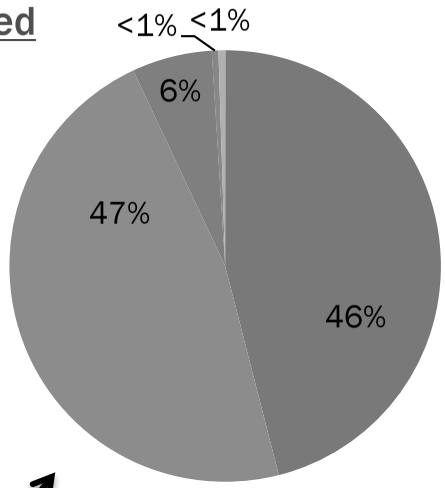
Power's fleet is being **transformed** with focus on improvement in efficiency

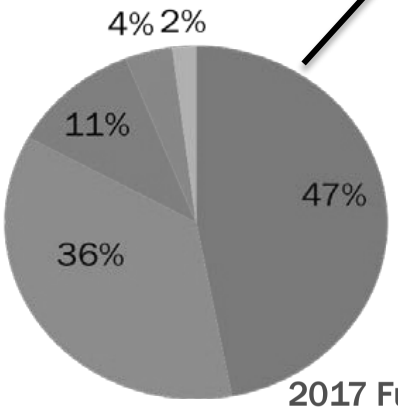
Projected Fleet Comparison 2017 to 2020E

2020E Fuel Diversity
Total MW: 11,800

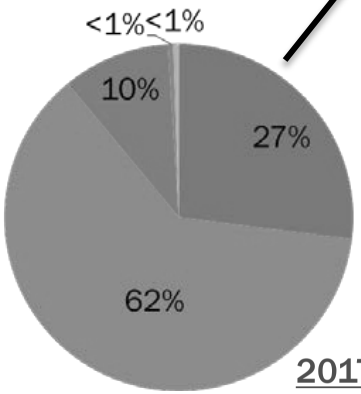


2020E Energy Produced
Total GWh: 65,500





2017 Fuel Diversity[1]
Total MW: 10,458



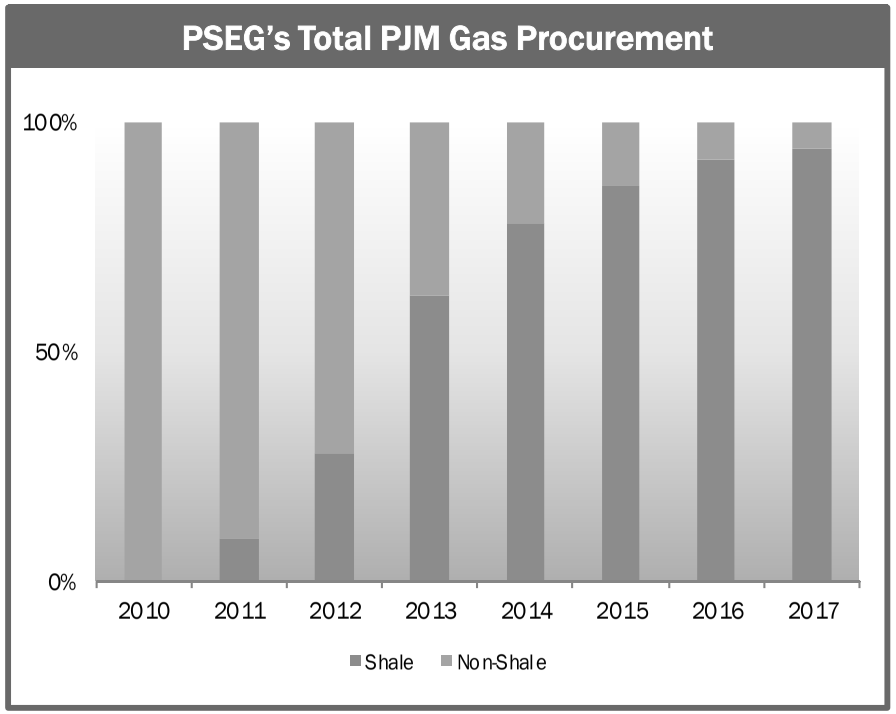
2017 Energy Produced[1]
Total GWh: 51,089

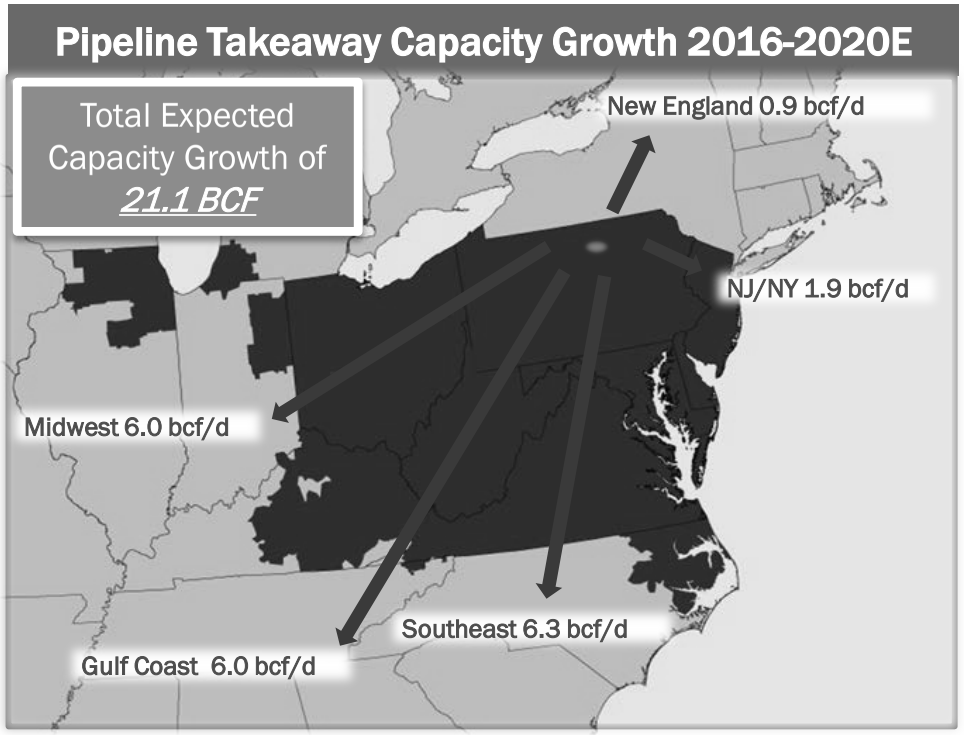
- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

Energy Produced increases by >28%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

Power's fleet is well-located with access to shale gas production





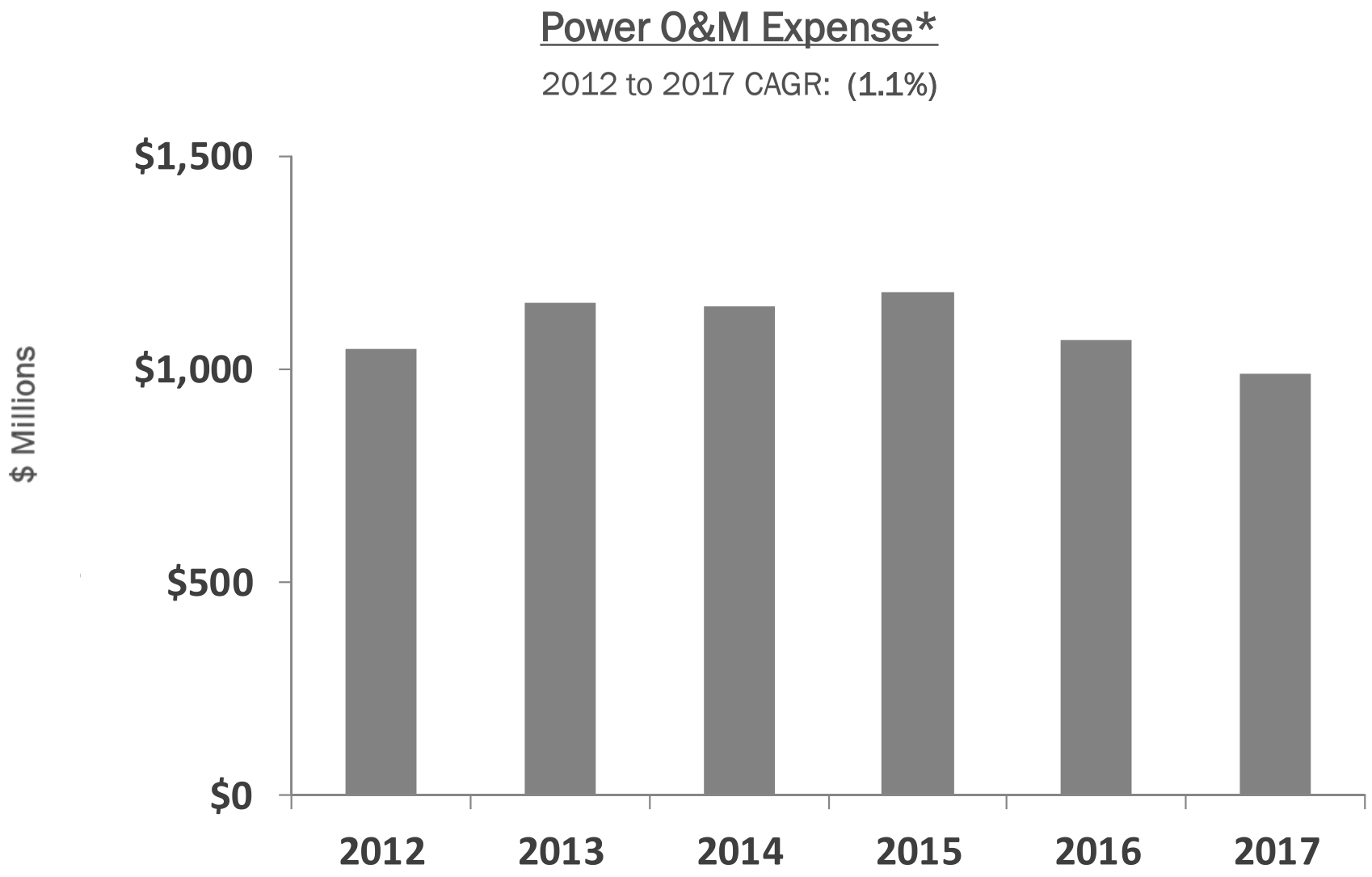
- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-05606

E = ESTIMATE.

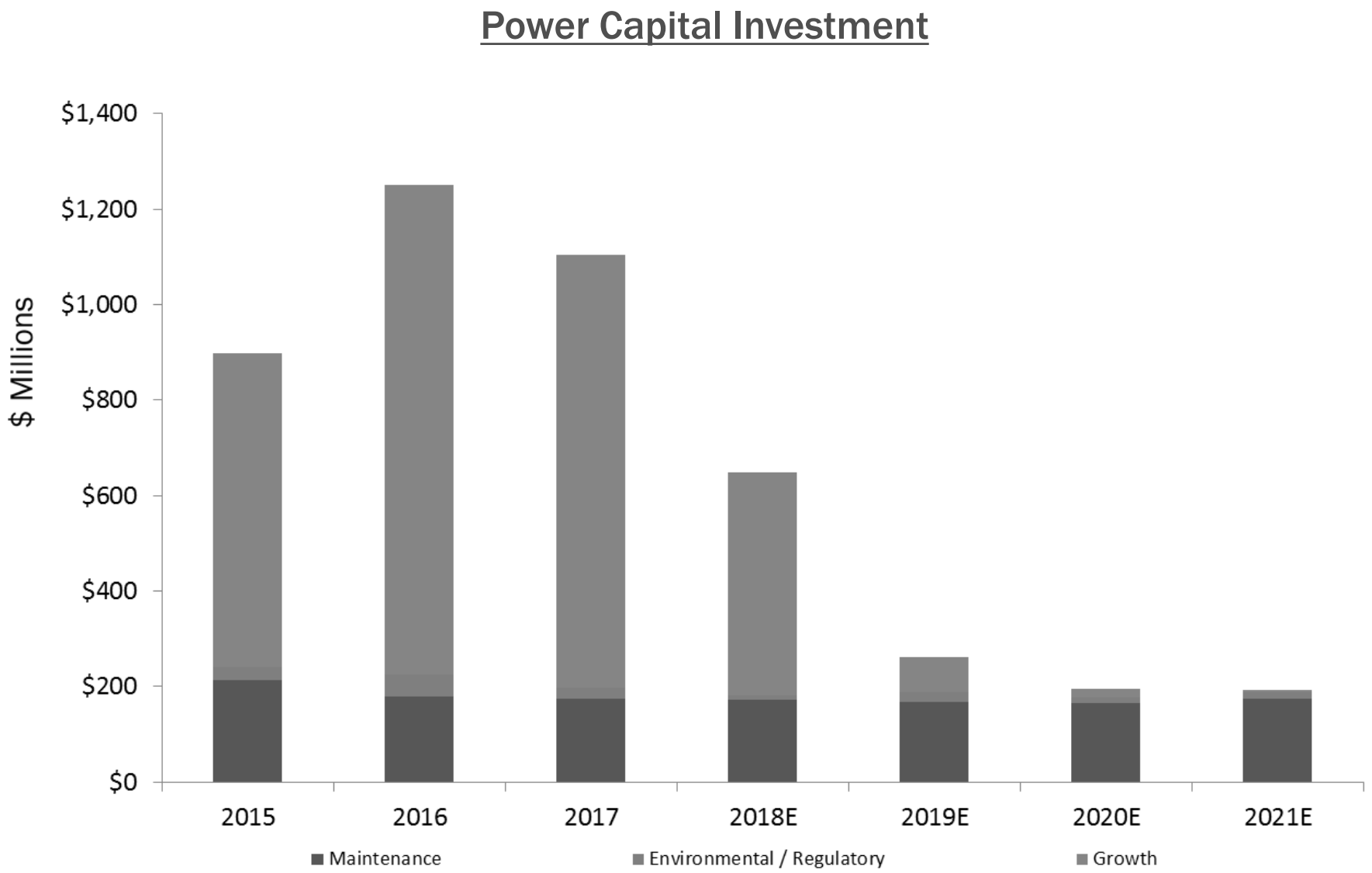
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

SI-SSA-0015-05607

Power's capital needs decline following construction of new capacity, enhancing free cash flow



E=ESTIMATE. DATA AS OF FEBRUARY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

SI-SSA-0015-05608

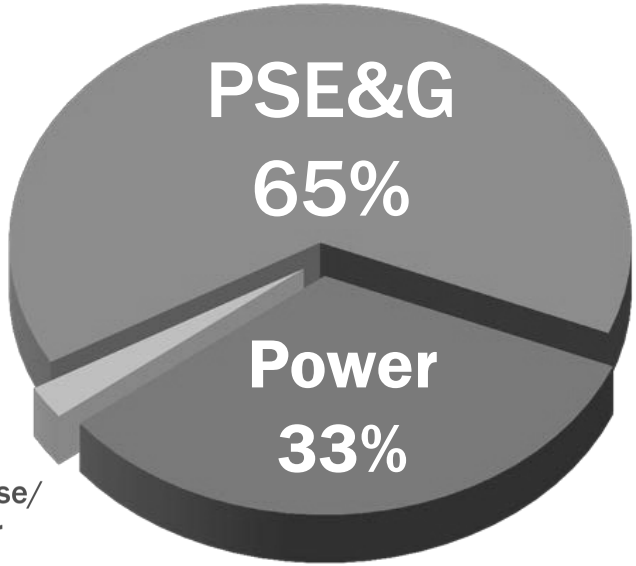
Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

SI-SSA-0015-05609

Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

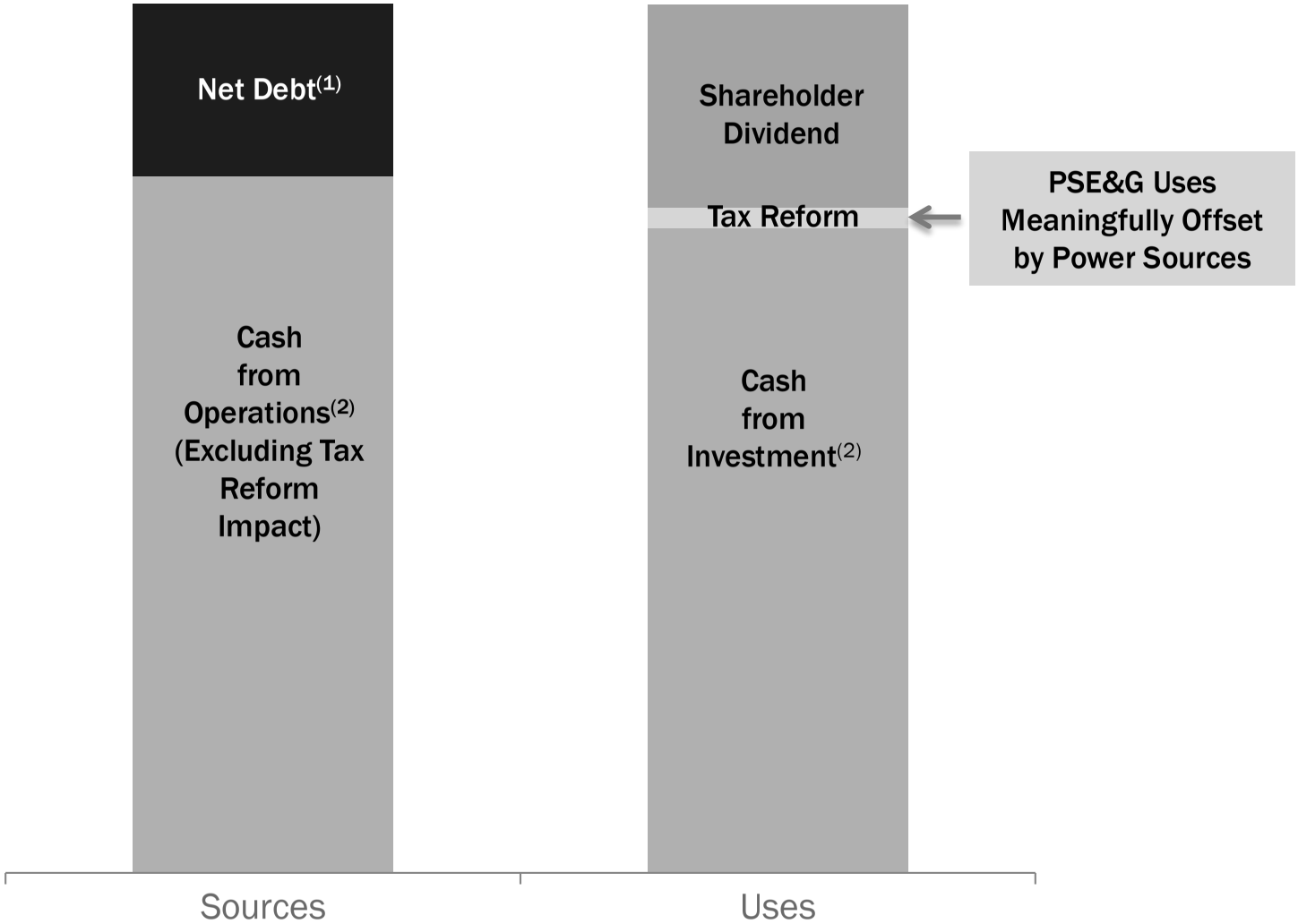
Completion of capital program for new combined cycle plants

SI-SSA-0015-05610

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

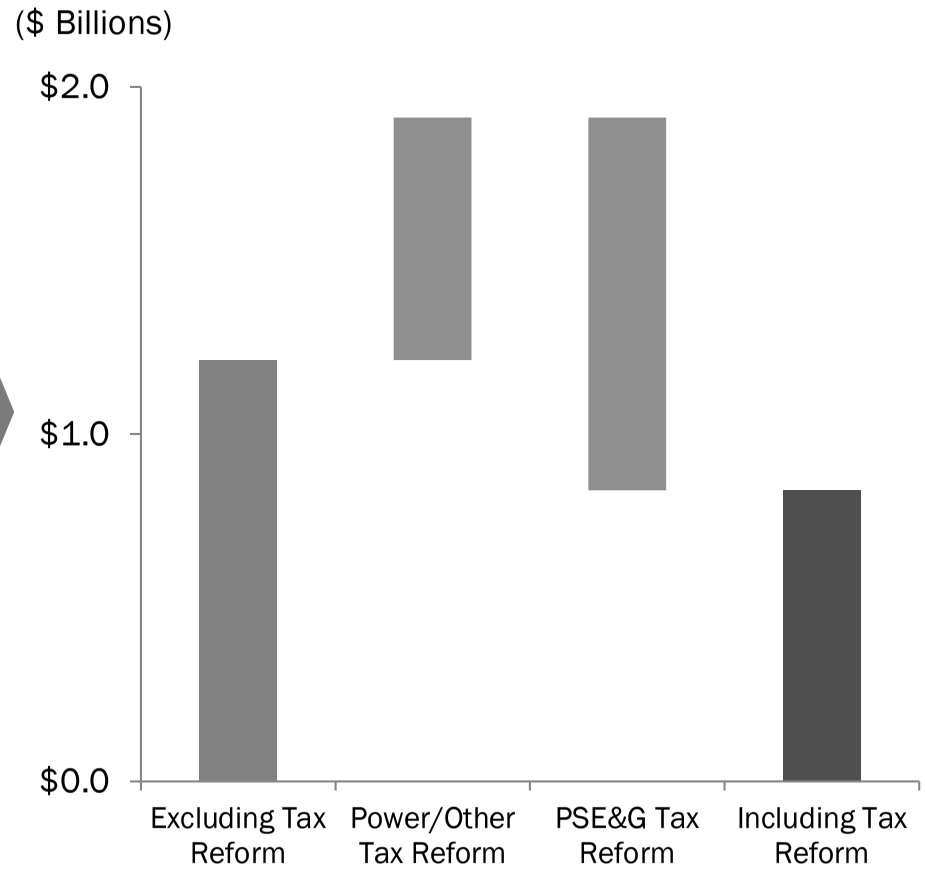
SI-SSA-0015-05611

Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

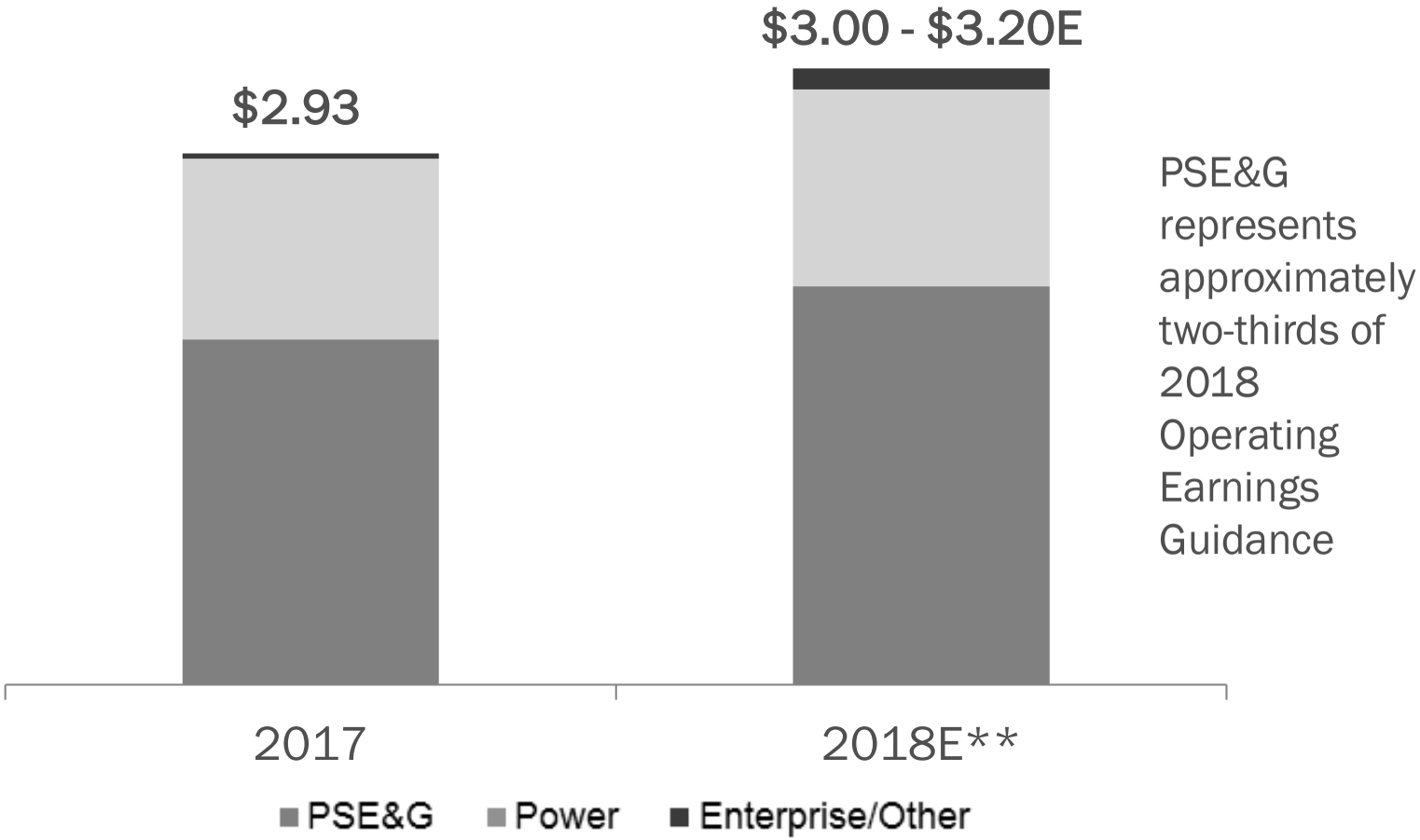
SI-SSA-0015-05612

E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



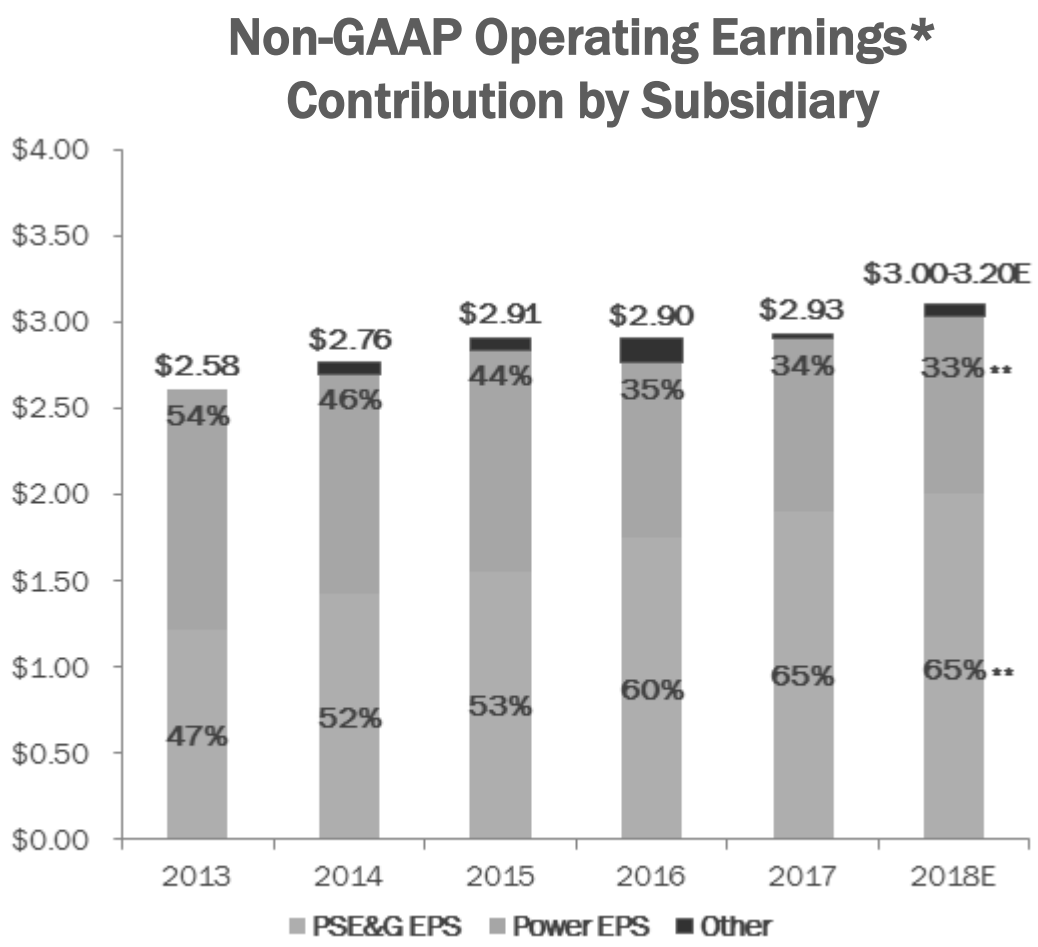
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-05613

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



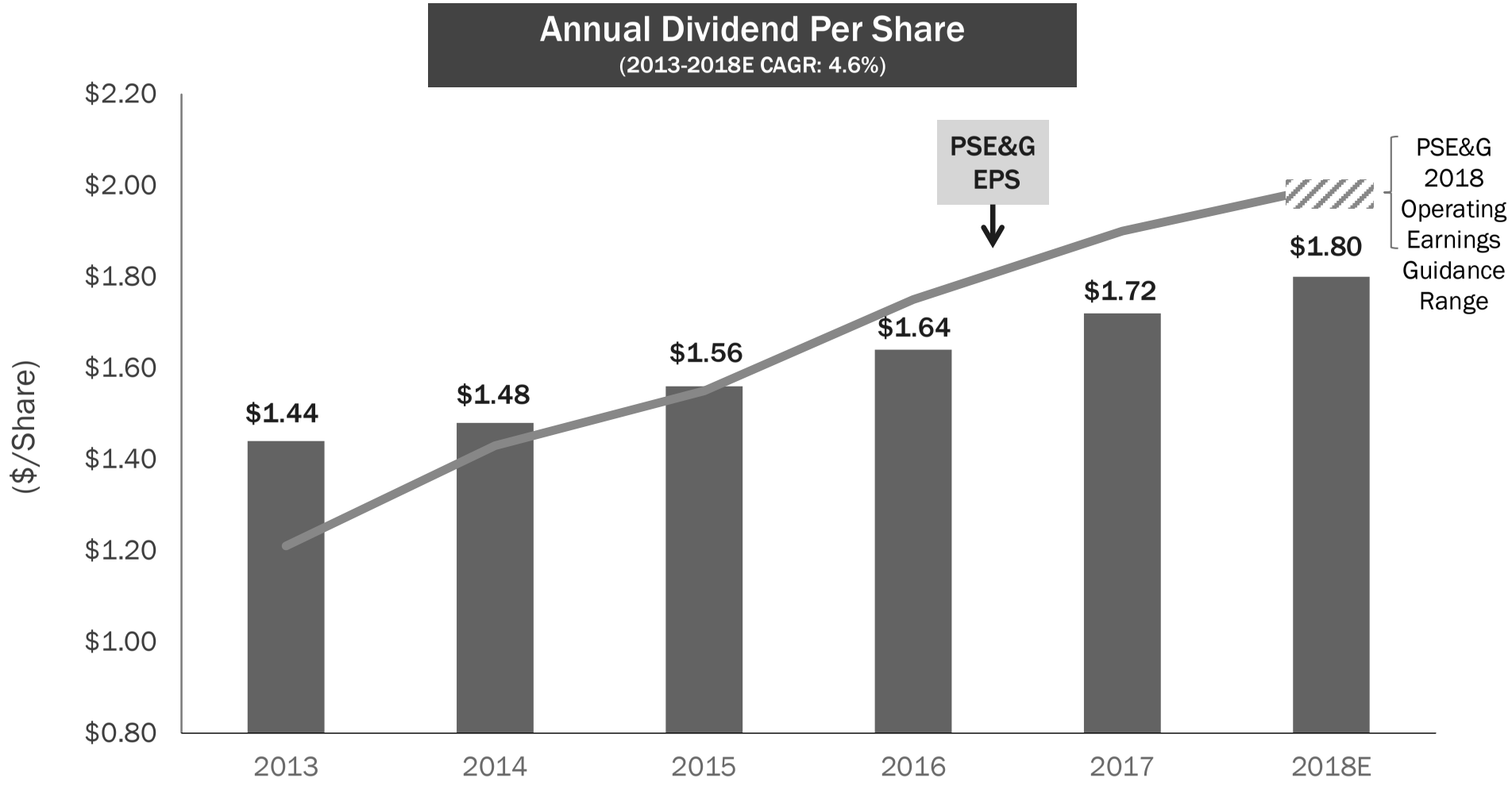
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-05614

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-05615

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-05616

PSEG
APPENDIX

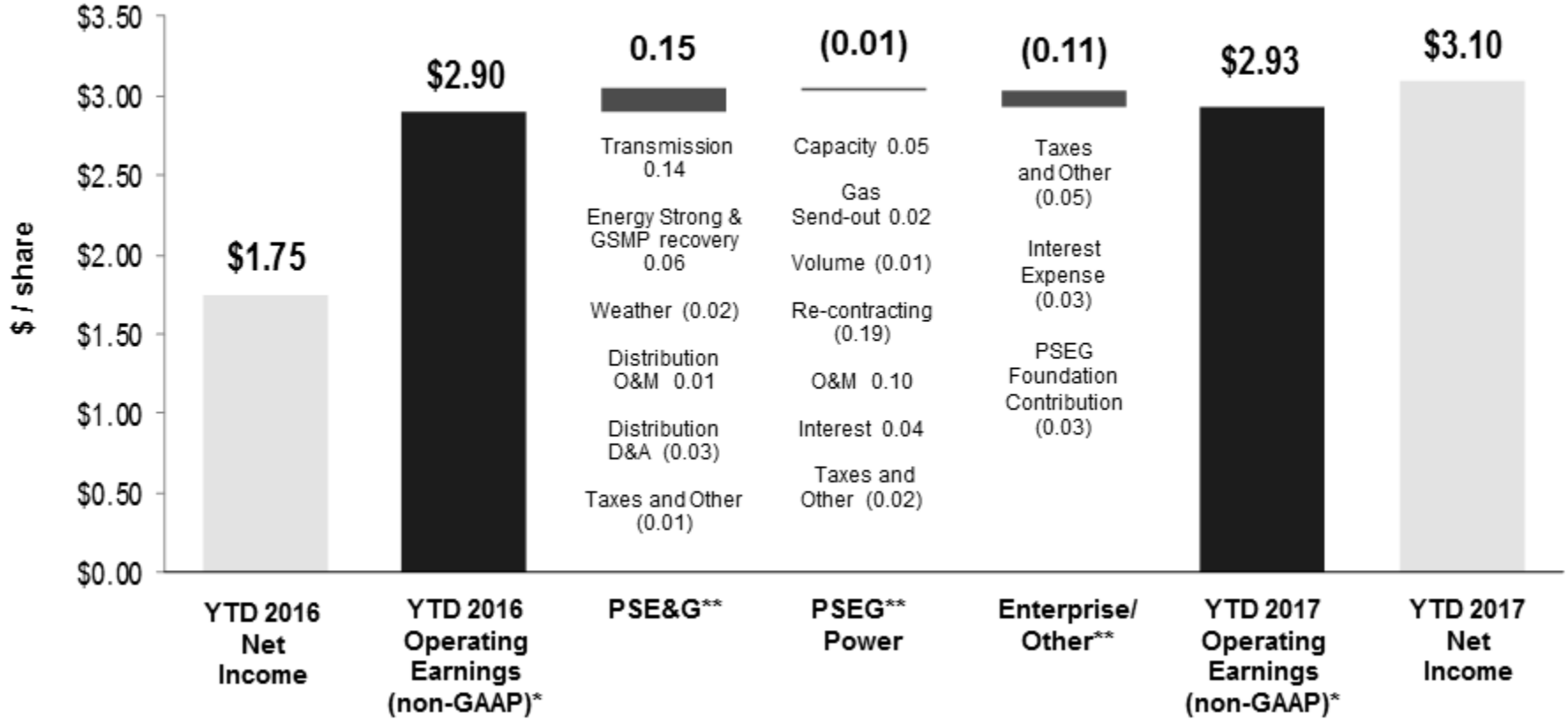
PSEG

We make things work for you.

SI-SSA-0015-05617

PSEG EPS Reconciliation – 2017 vs. 2016

Utility investment and cost control drove full-year 2017 results



SI-SSA-0015-05618

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*SEE SLIDES A, B and C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSE&G, PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-05619

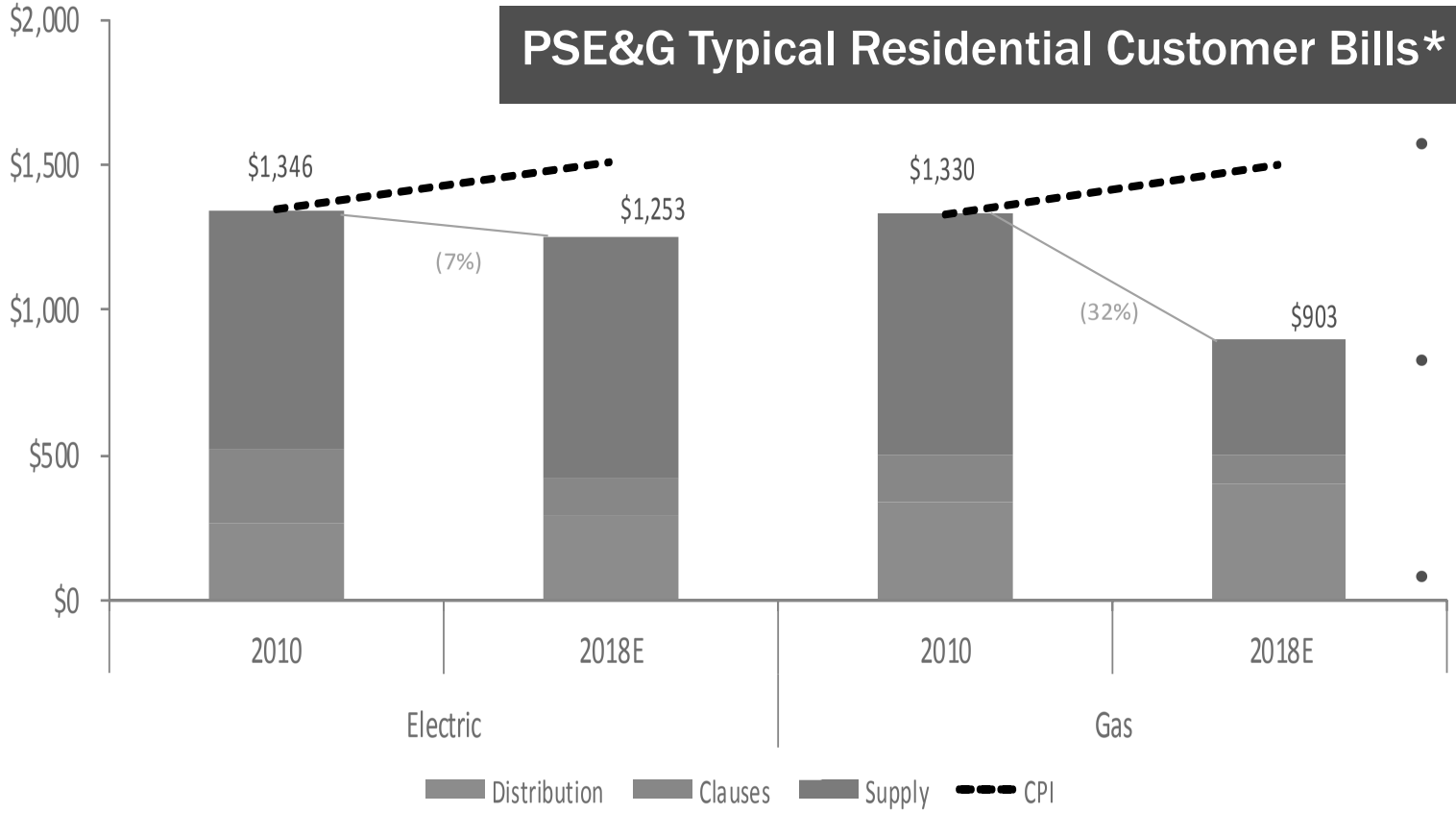
Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

SI-SSA-0015-05620

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

SI-SSA-0015-05621

PSEG

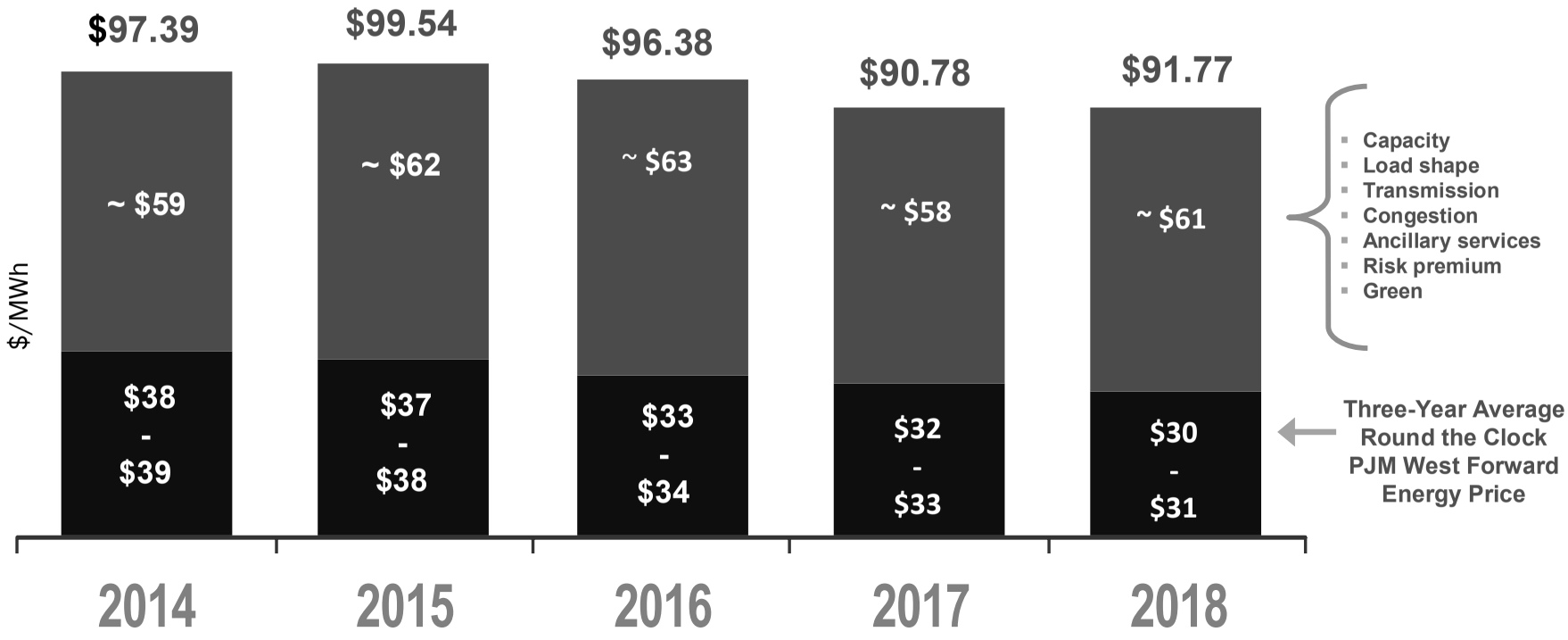
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

SI-SSA-0015-05622

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-05623

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-05624

Tax Cuts and Jobs Act: PSEG well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-05625

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%,

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ **Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022**

✓ **Investment program and metrics to support strong credit rating is maintained**

SI-SSA-0015-05626

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

PSEG Investor Summary

BANK OF AMERICA–MERRILL LYNCH
2018 POWER, GAS & SOLAR LEADERS CONFERENCE
FEBRUARY 28, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05630

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-05632

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

SI-SSA-0015-05633

PSEG

We make things work for you.

PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

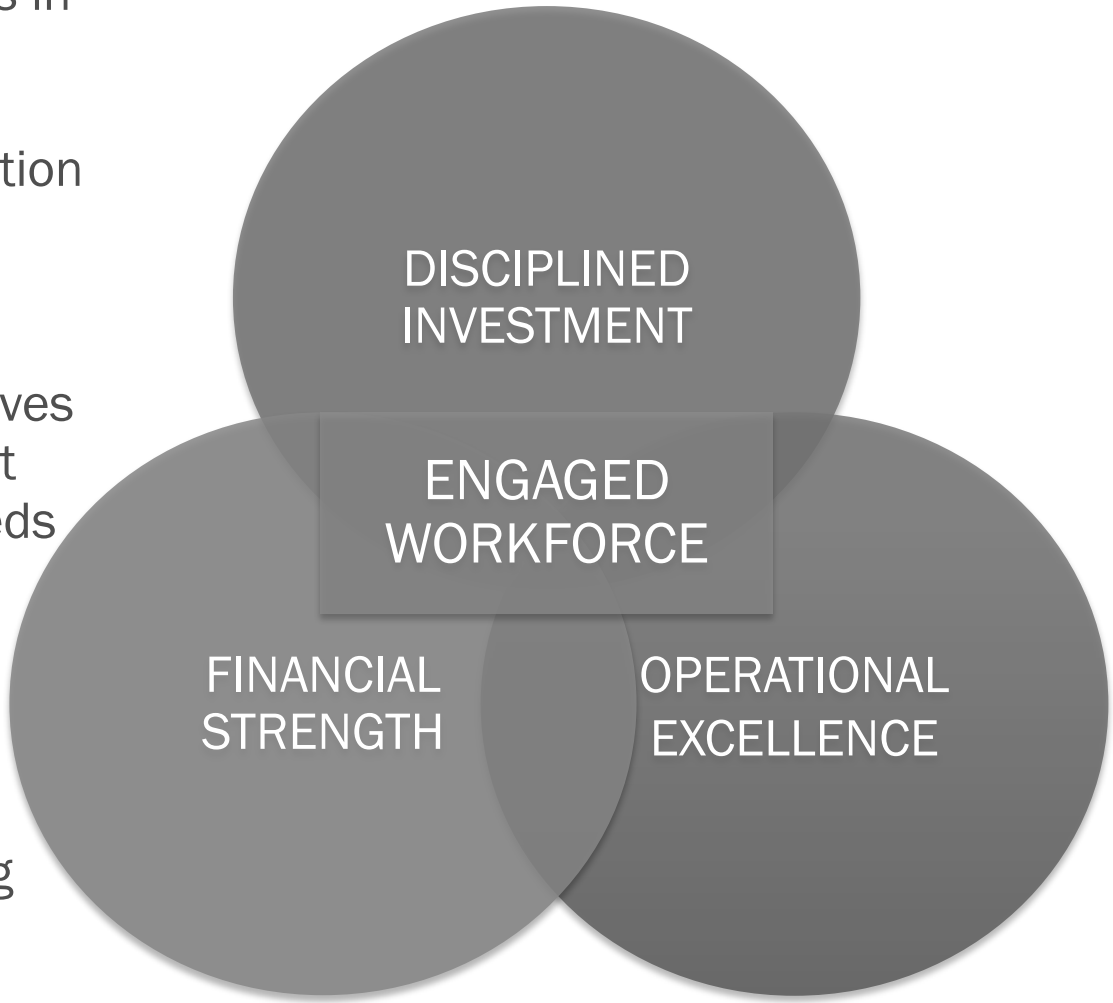
Financial Strength: Strong financial position supports investment program

Disciplined Investment:

- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:

- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017 **Assets $29B** **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	2017 **Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

SI-SSA-0015-05635

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Potential for additional investments in Renewables and integration of Infrastructure with Customer Access • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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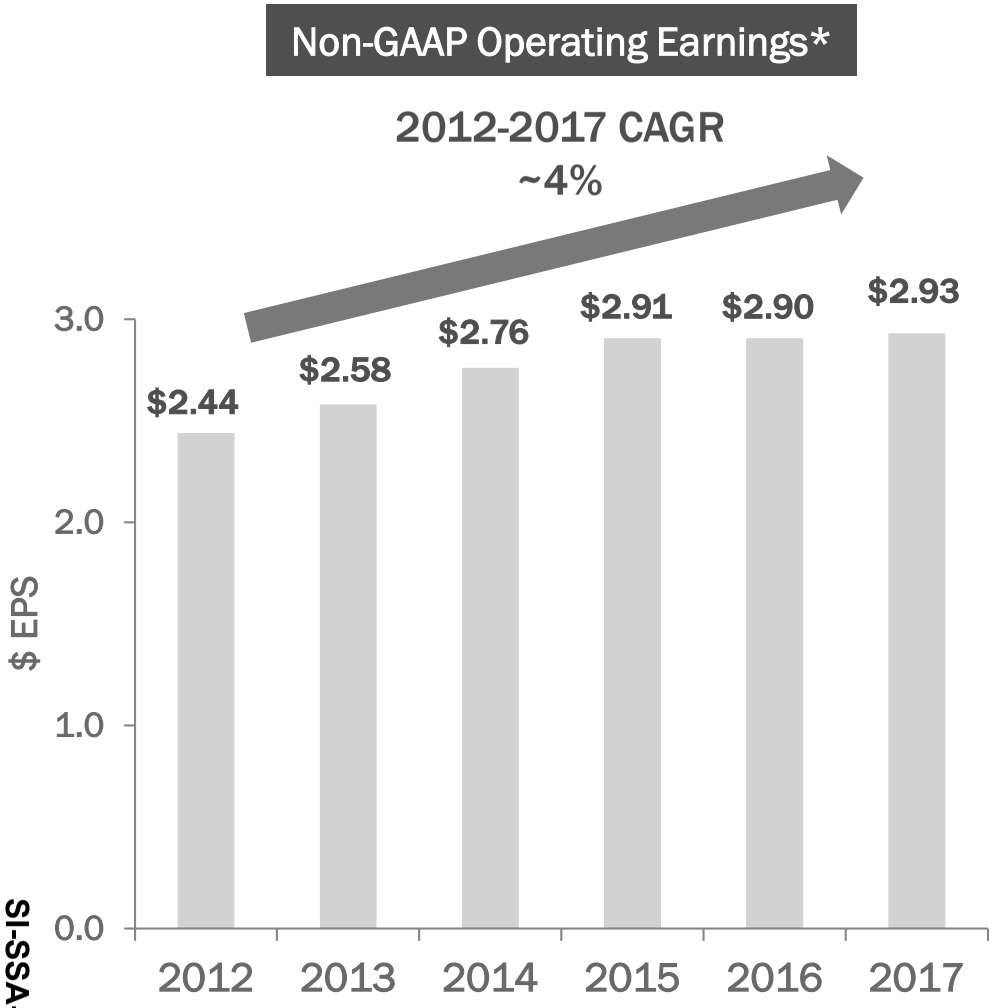
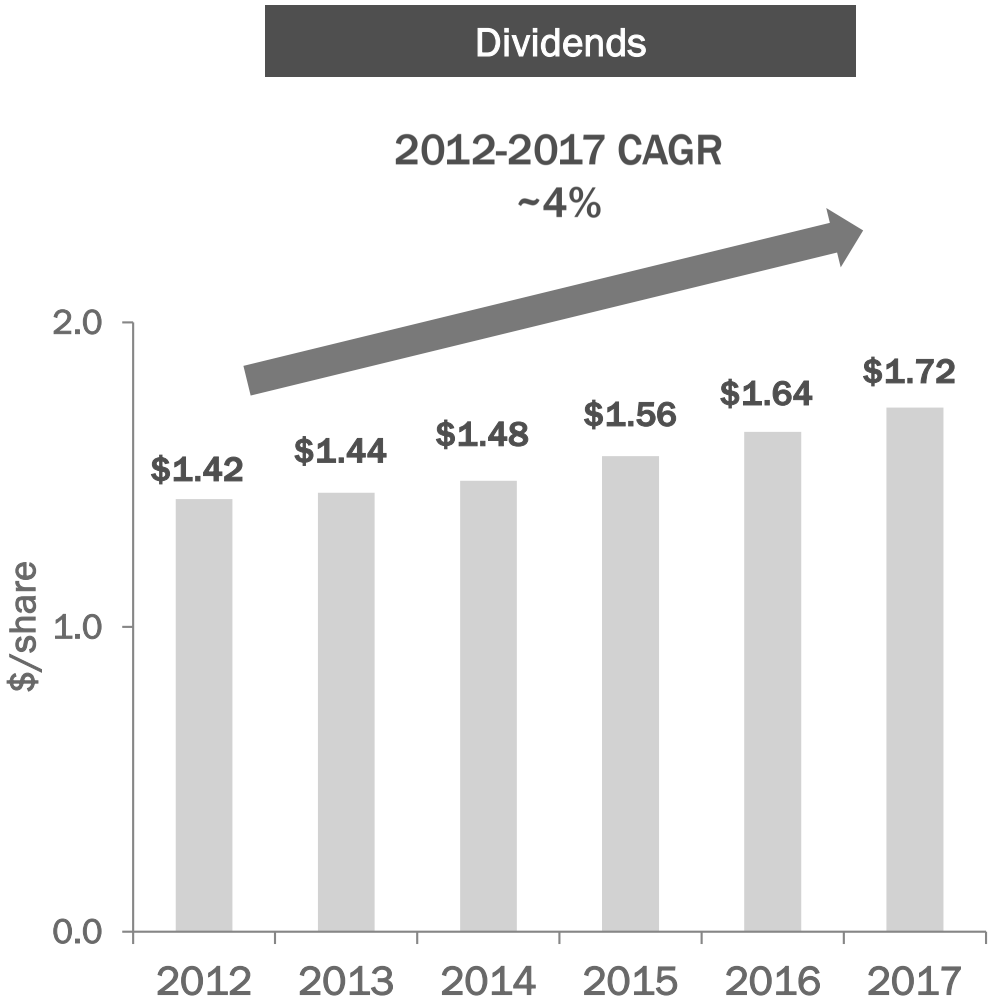
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requesting ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

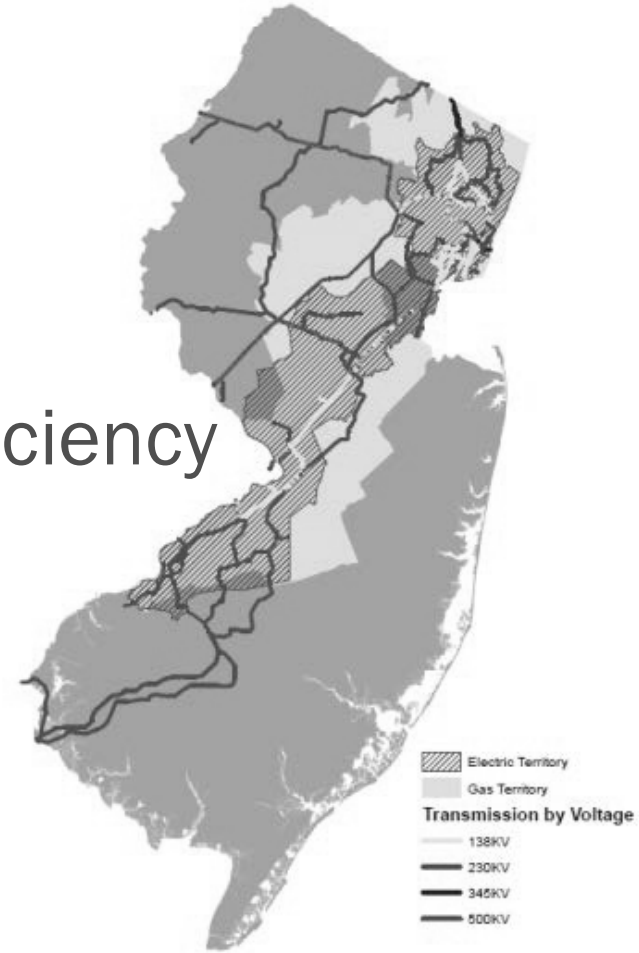
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-05638

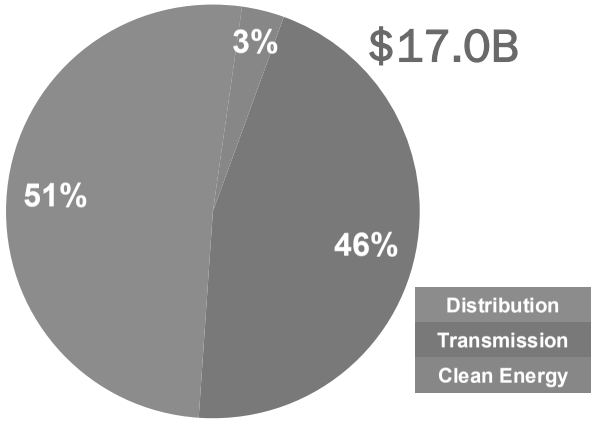
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

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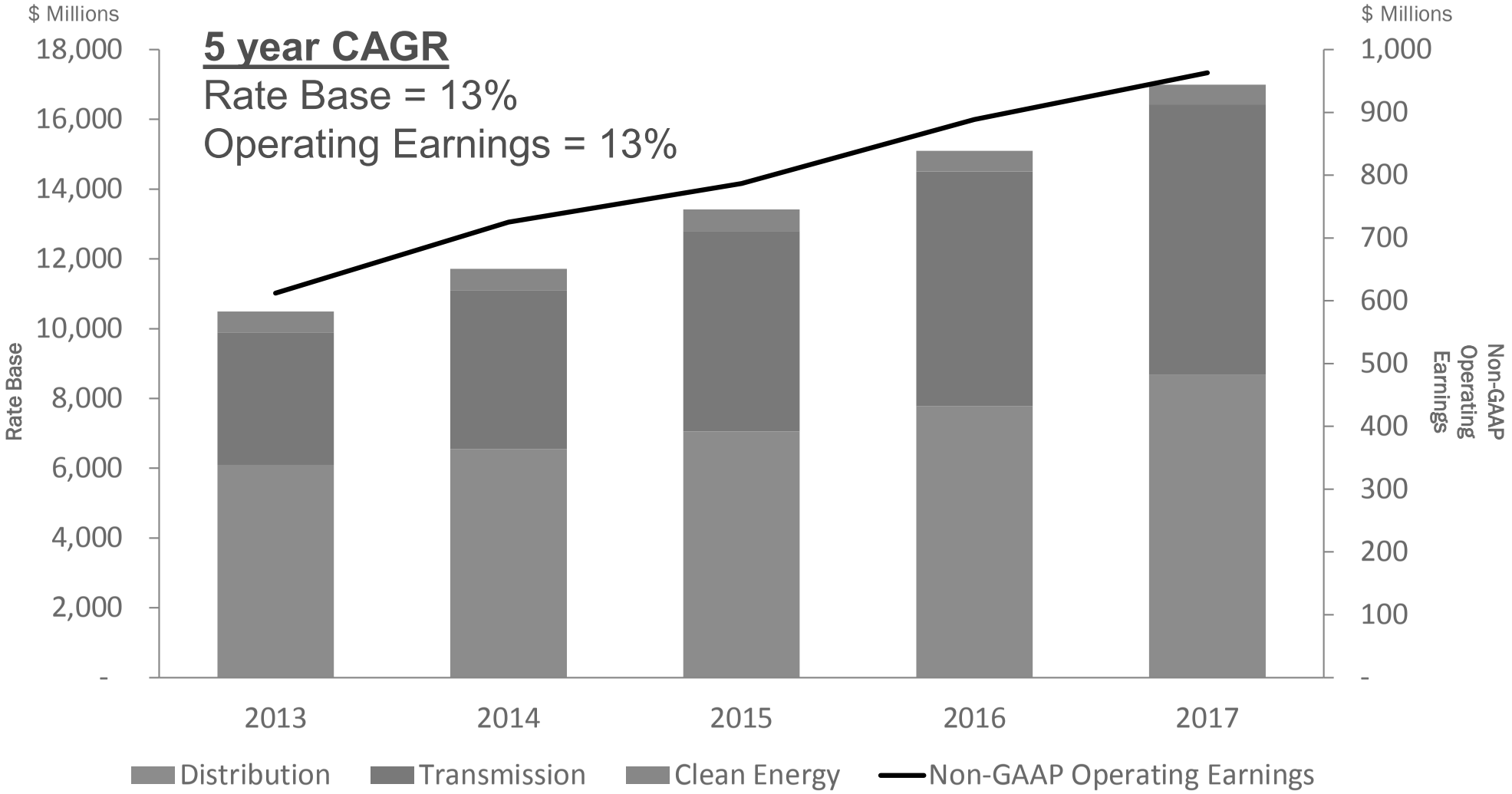
PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

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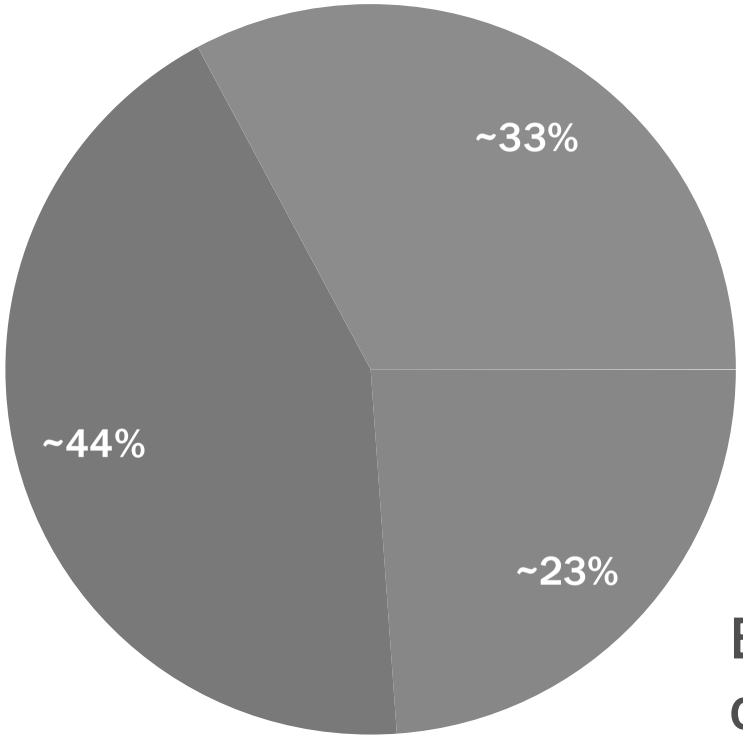
Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

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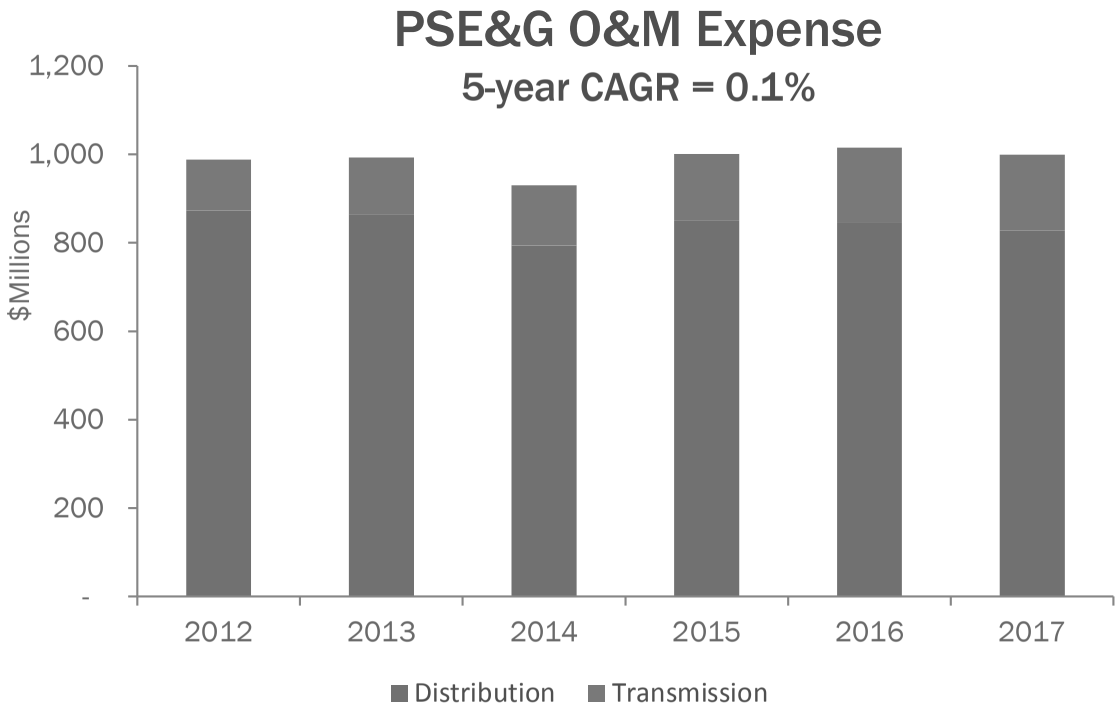
E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

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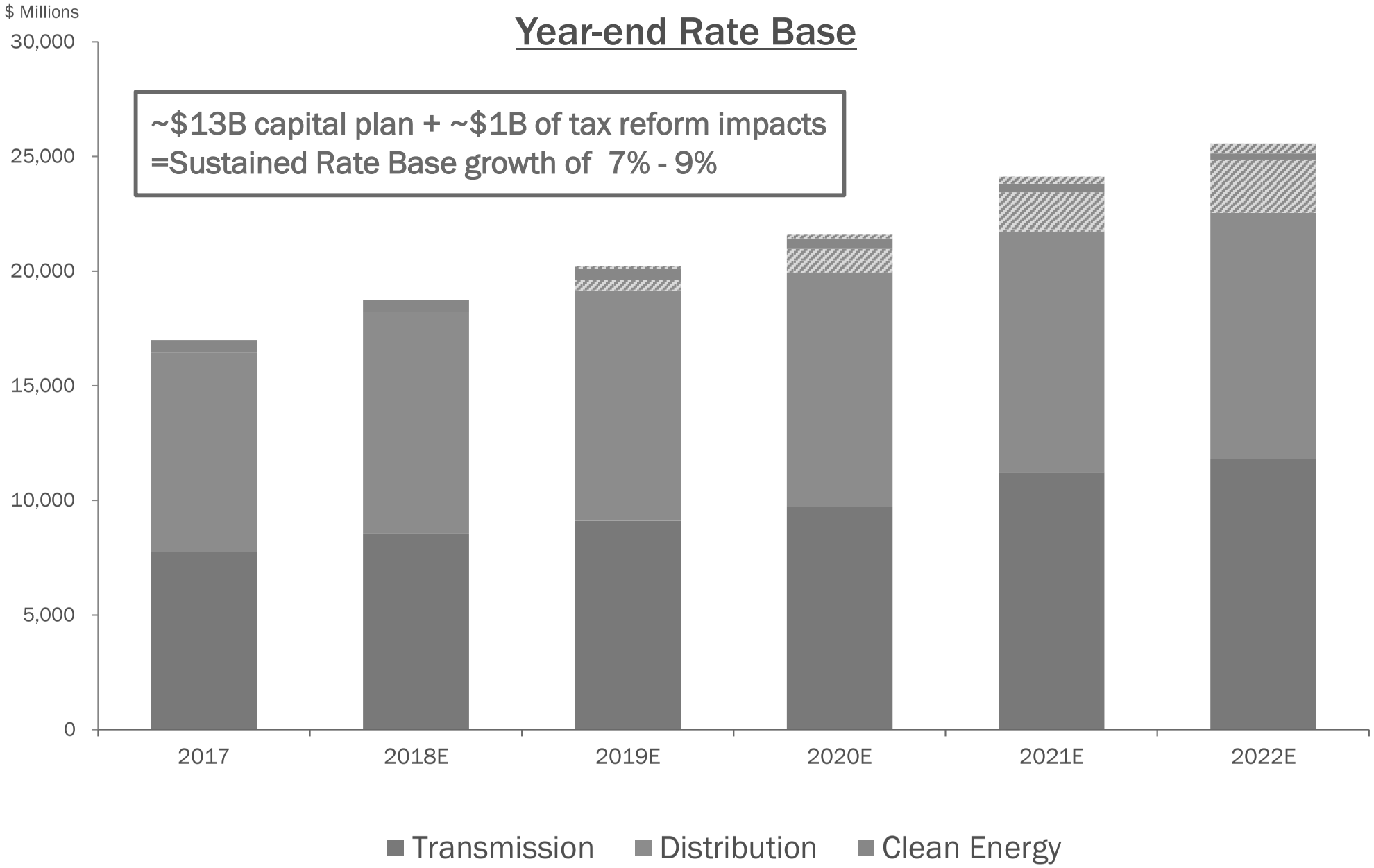
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-05643

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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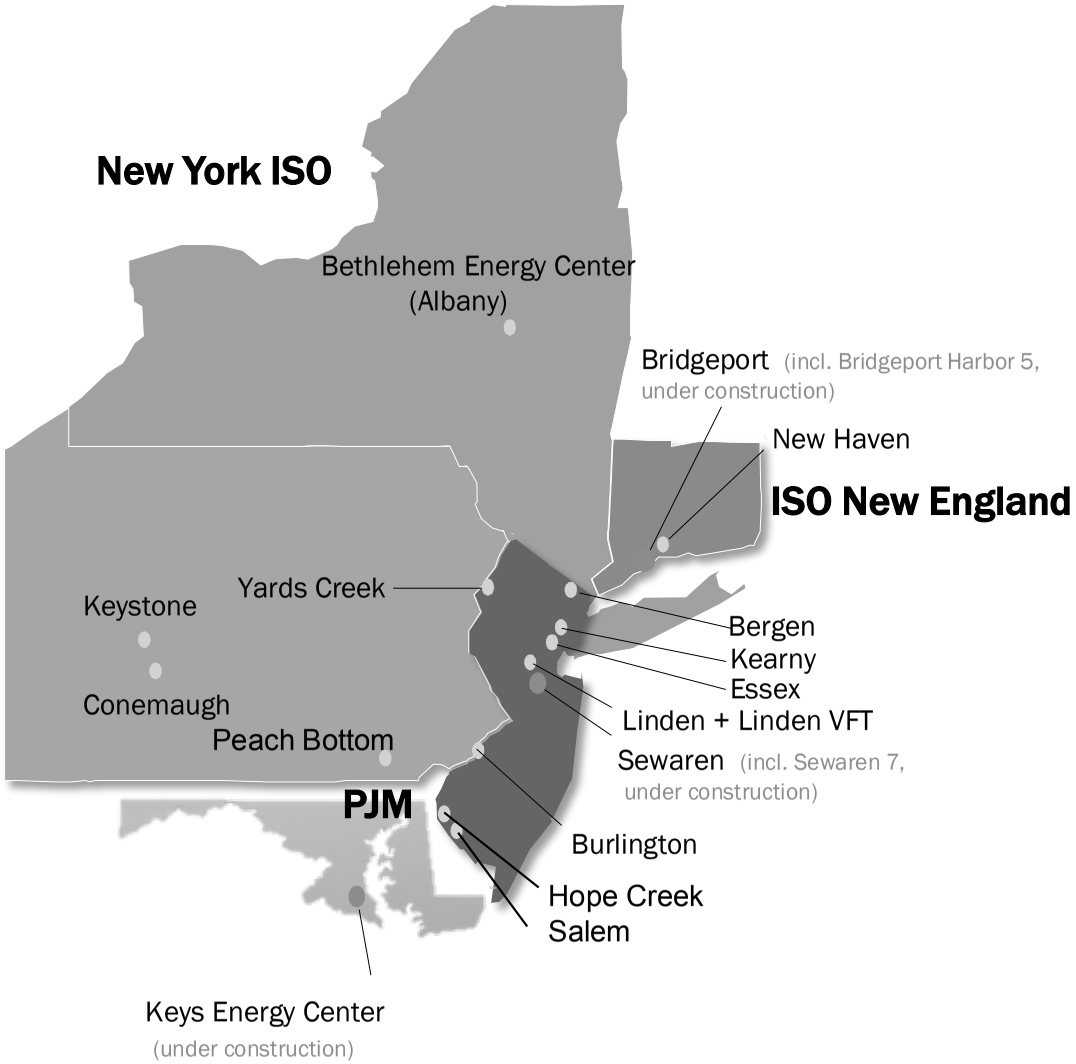
Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

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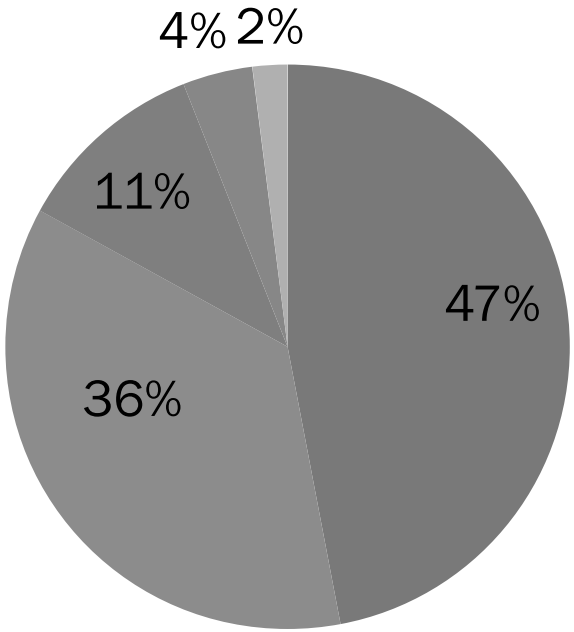
Power has a diverse fleet of generating assets which enables it to respond to market needs

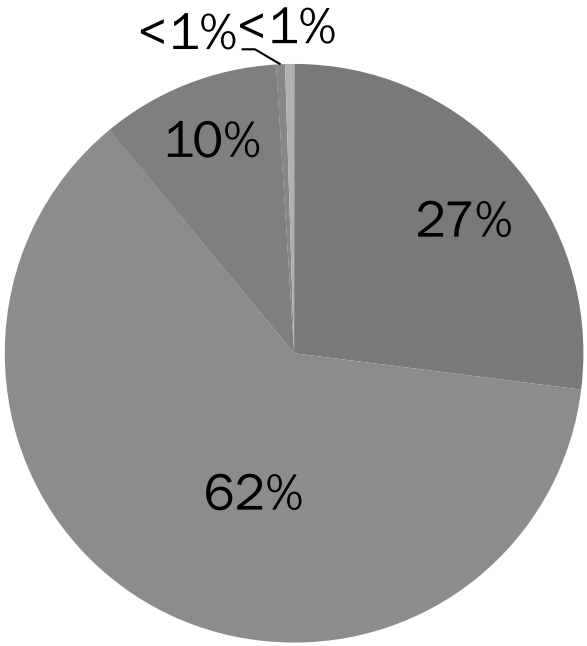
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

SI-SSA-0015-05646

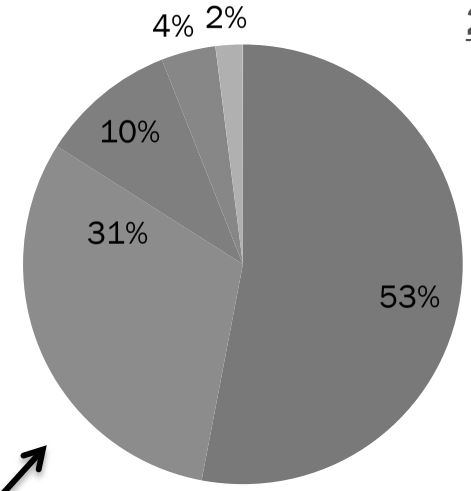
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

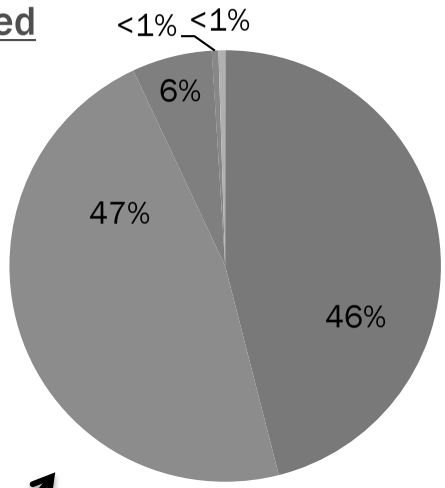
Power's fleet is being **transformed** with focus on improvement in efficiency

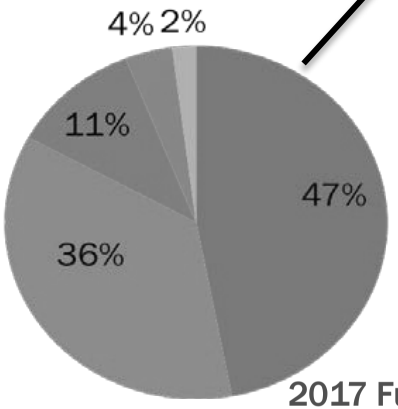
Projected Fleet Comparison 2017 to 2020E

2020E Fuel Diversity
Total MW: 11,800

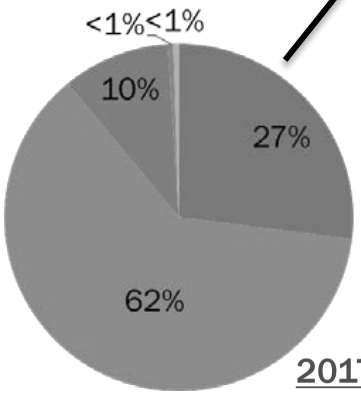


2020E Energy Produced
Total GWh: 65,500





2017 Fuel Diversity[1]
Total MW: 10,458



2017 Energy Produced[1]
Total GWh: 51,089

- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

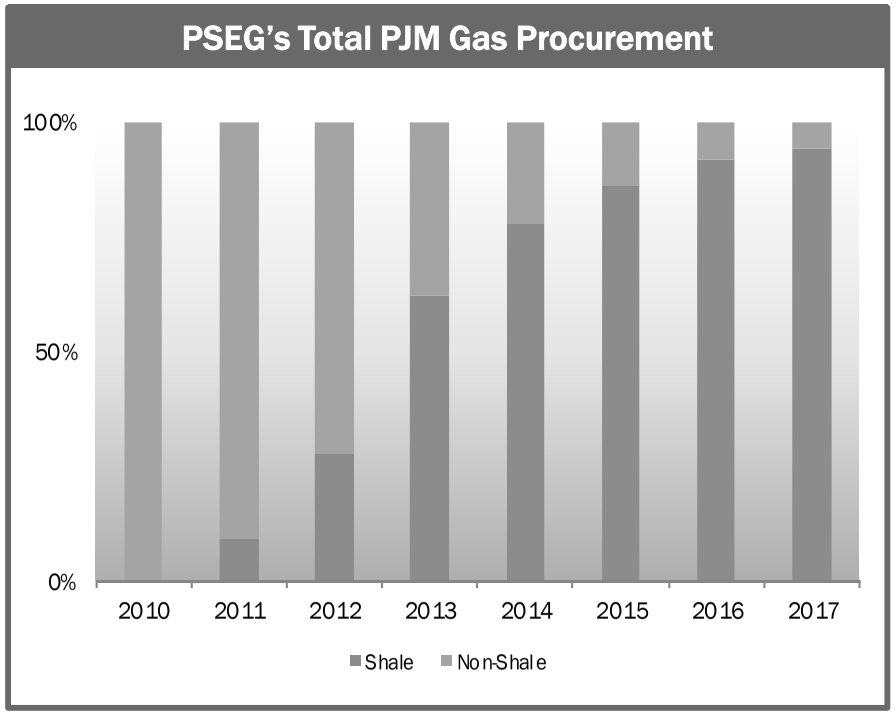
Energy Produced increases by >28%

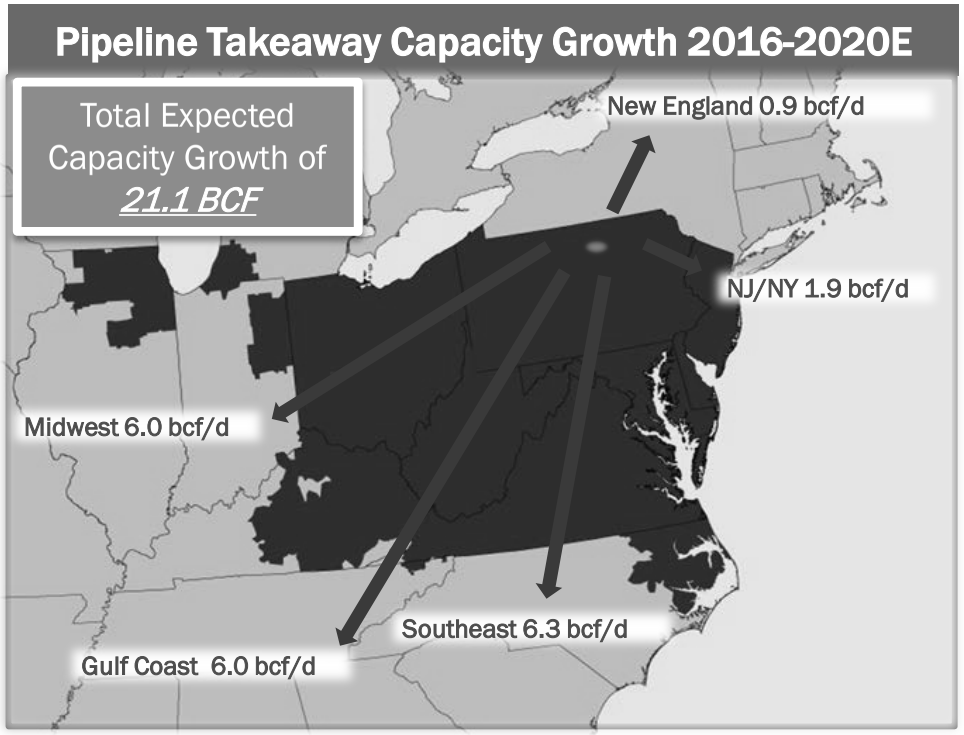
SI-SSA-0015-05647

PSEG

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

Power's fleet is well-located with access to shale gas production





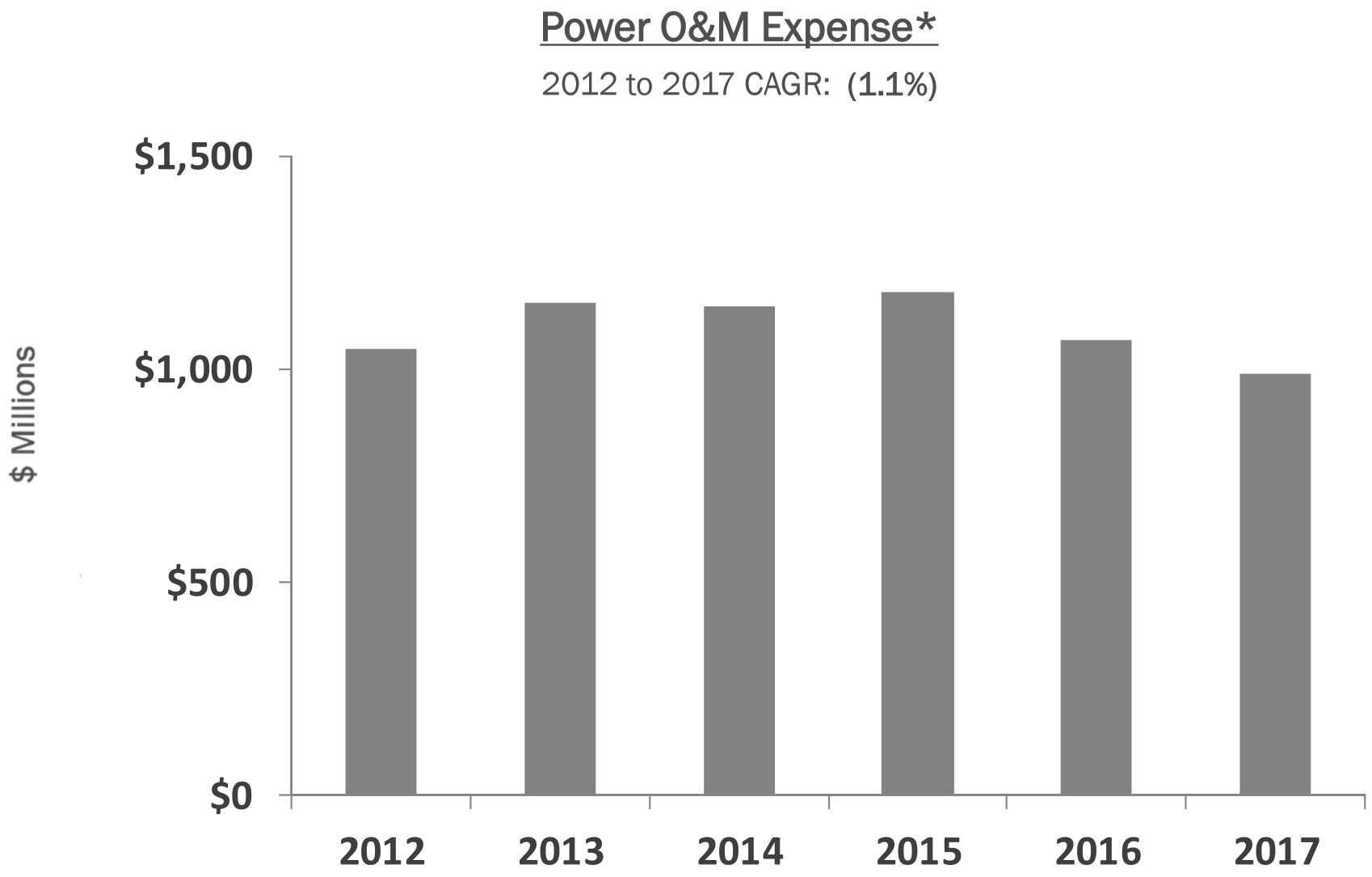
- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-05648

E = ESTIMATE.

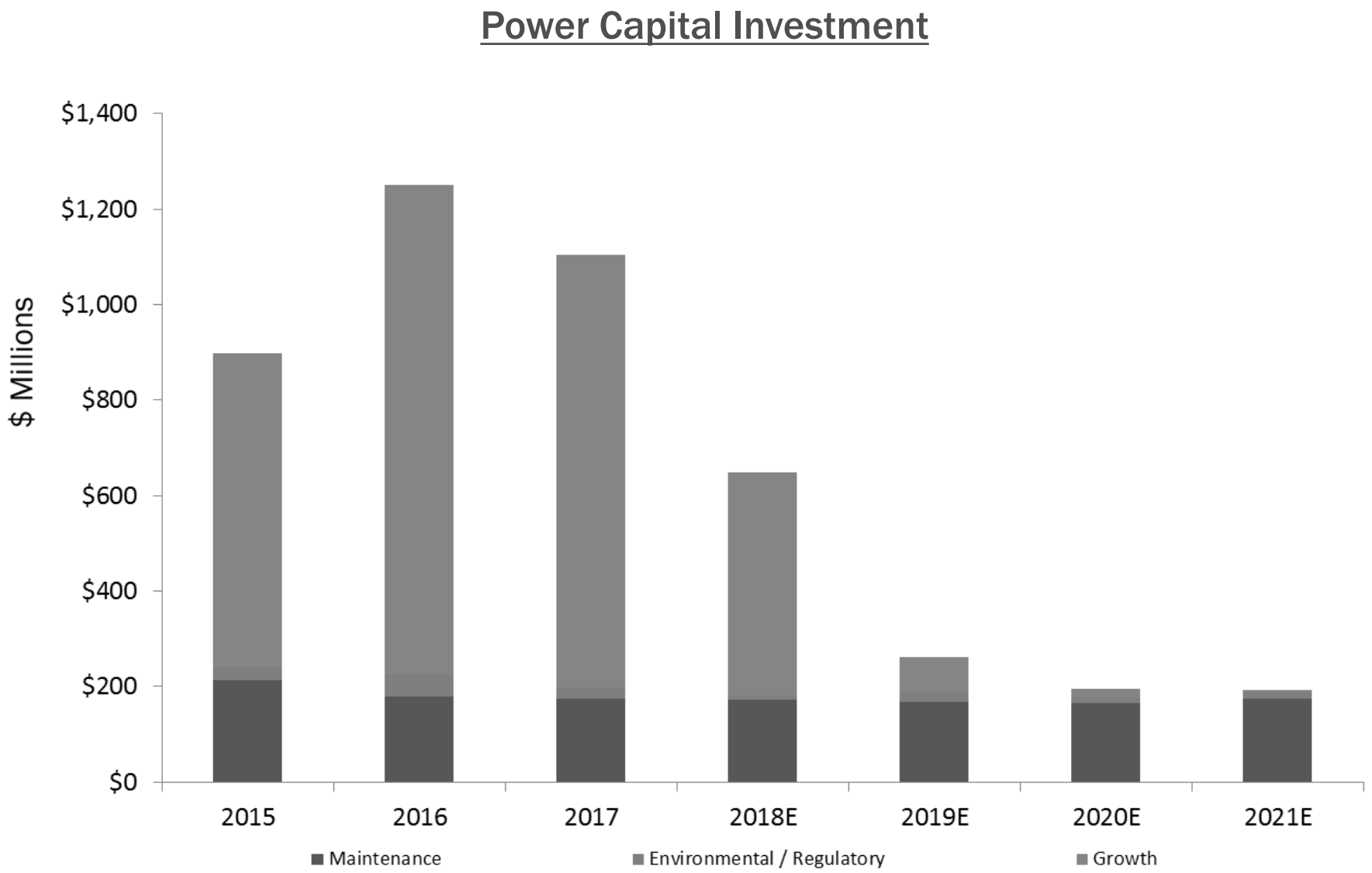
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

SI-SSA-0015-05649

Power's capital needs decline following construction of new capacity, enhancing free cash flow



E=ESTIMATE. DATA AS OF FEBRUARY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

SI-SSA-0015-05650

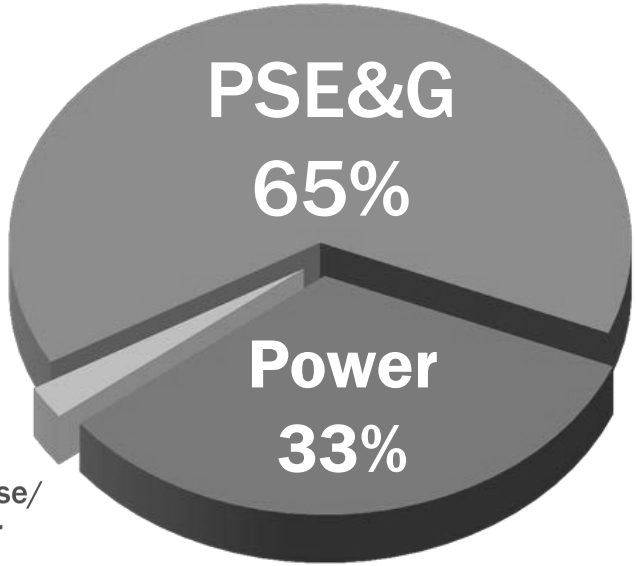
Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

SI-SSA-0015-05651

Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

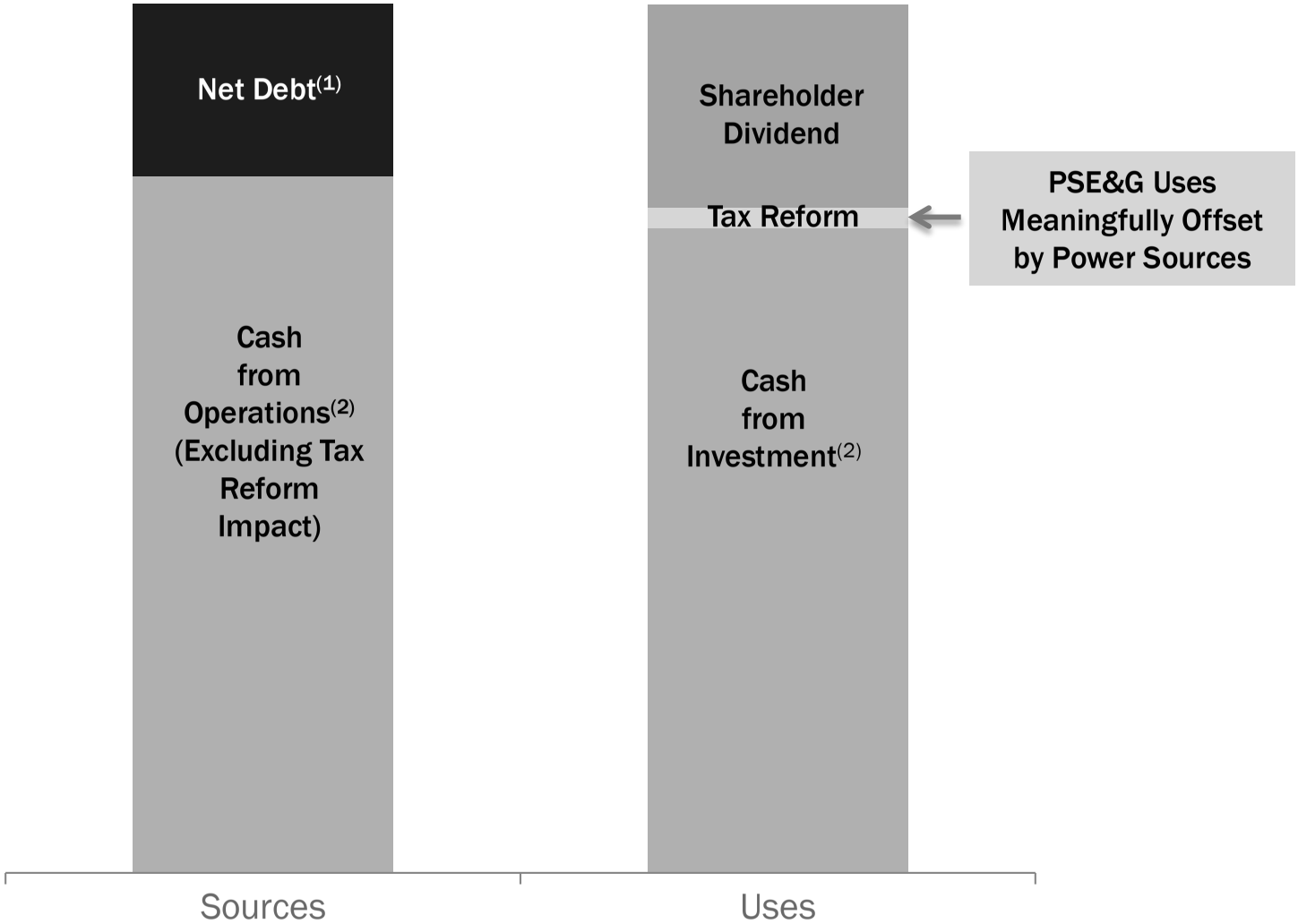
Completion of capital program for new combined cycle plants

SI-SSA-0015-05652

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

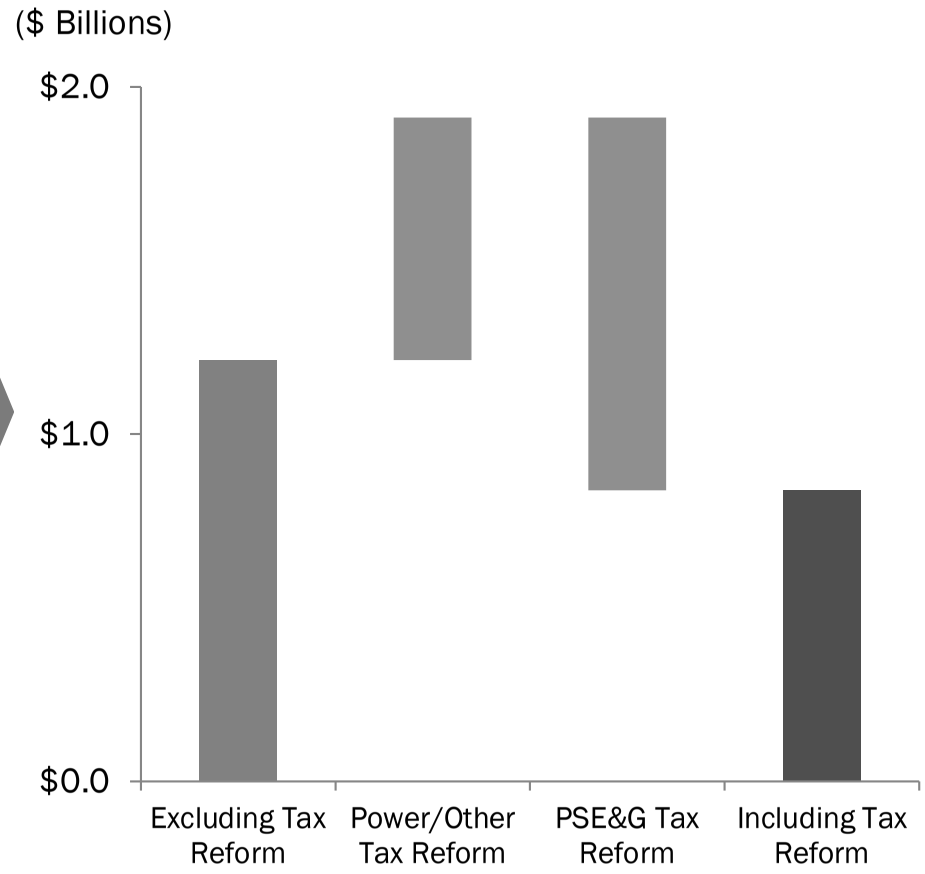
SI-SSA-0015-05653

Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

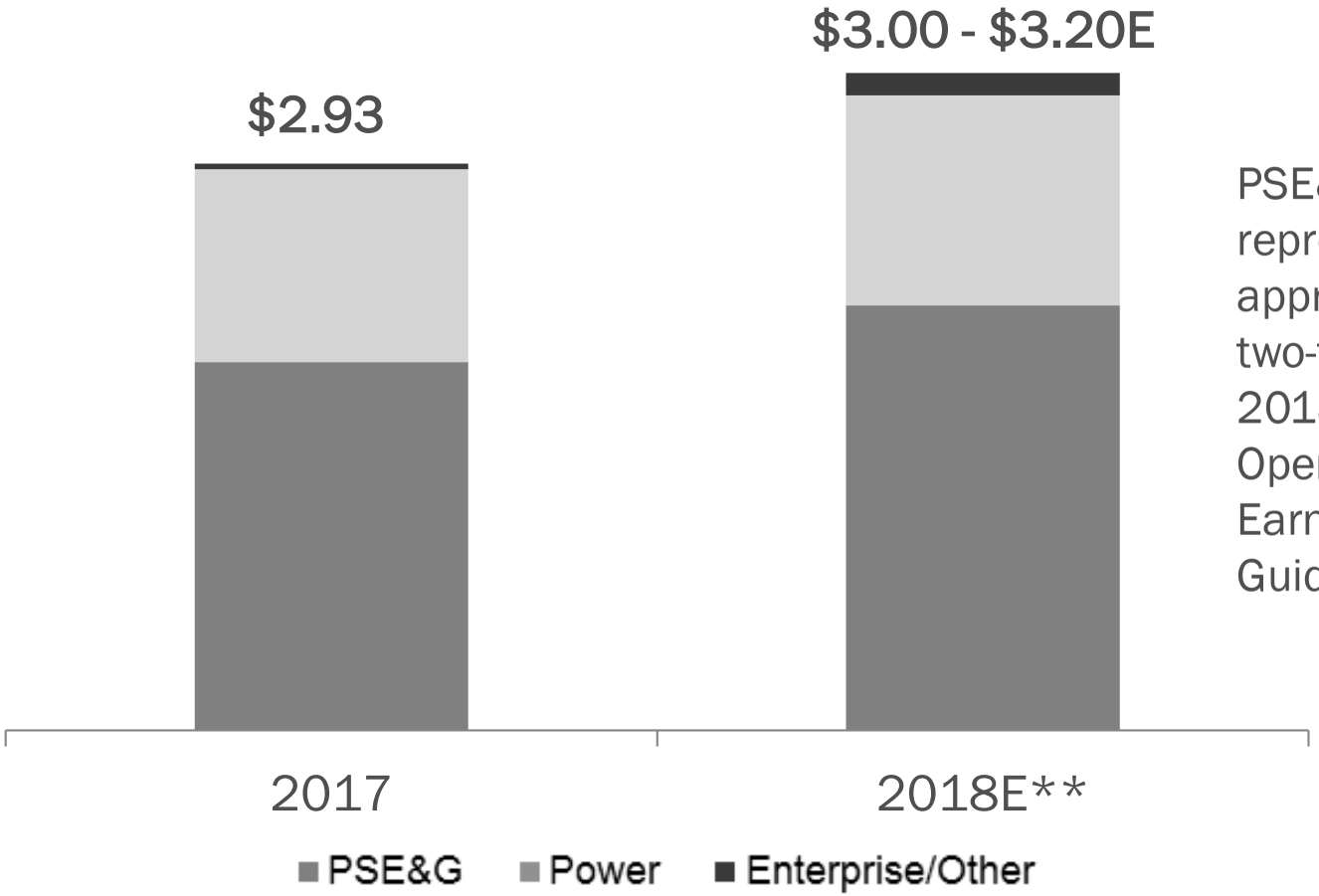
SI-SSA-0015-05654

E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



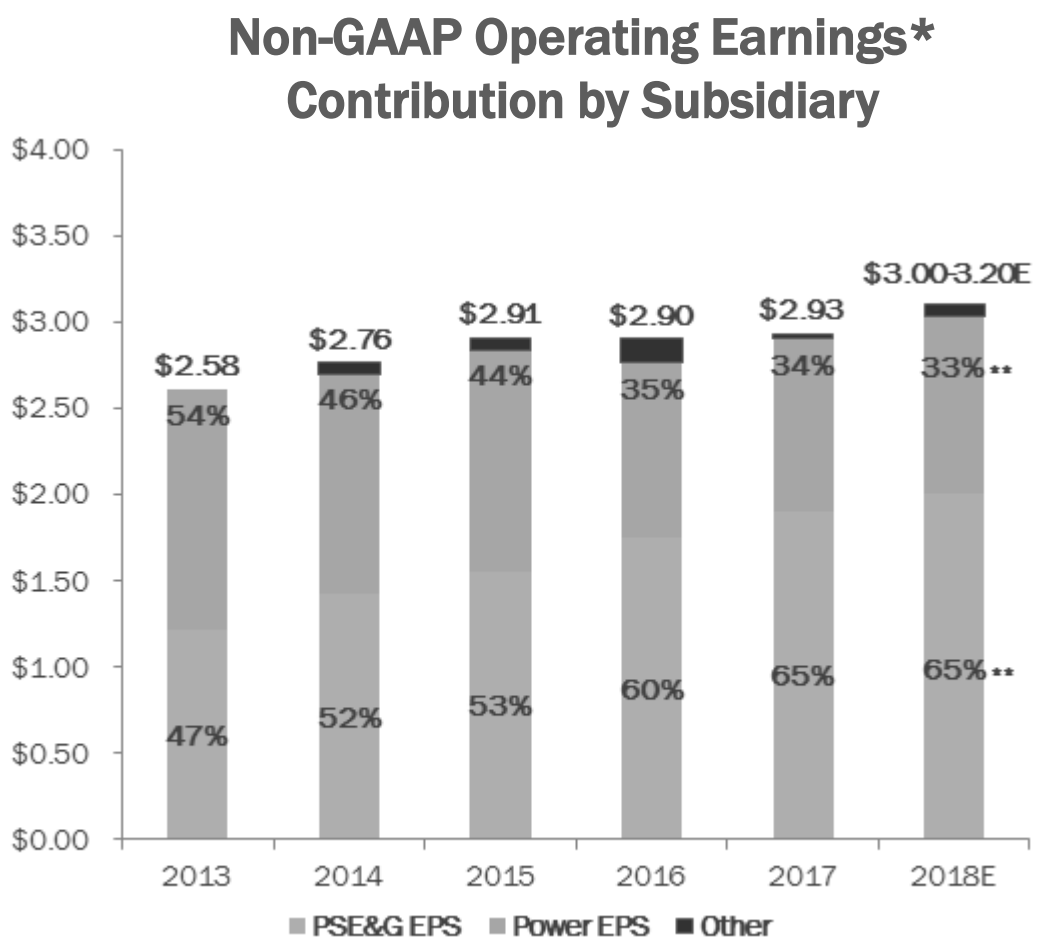
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-05655

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



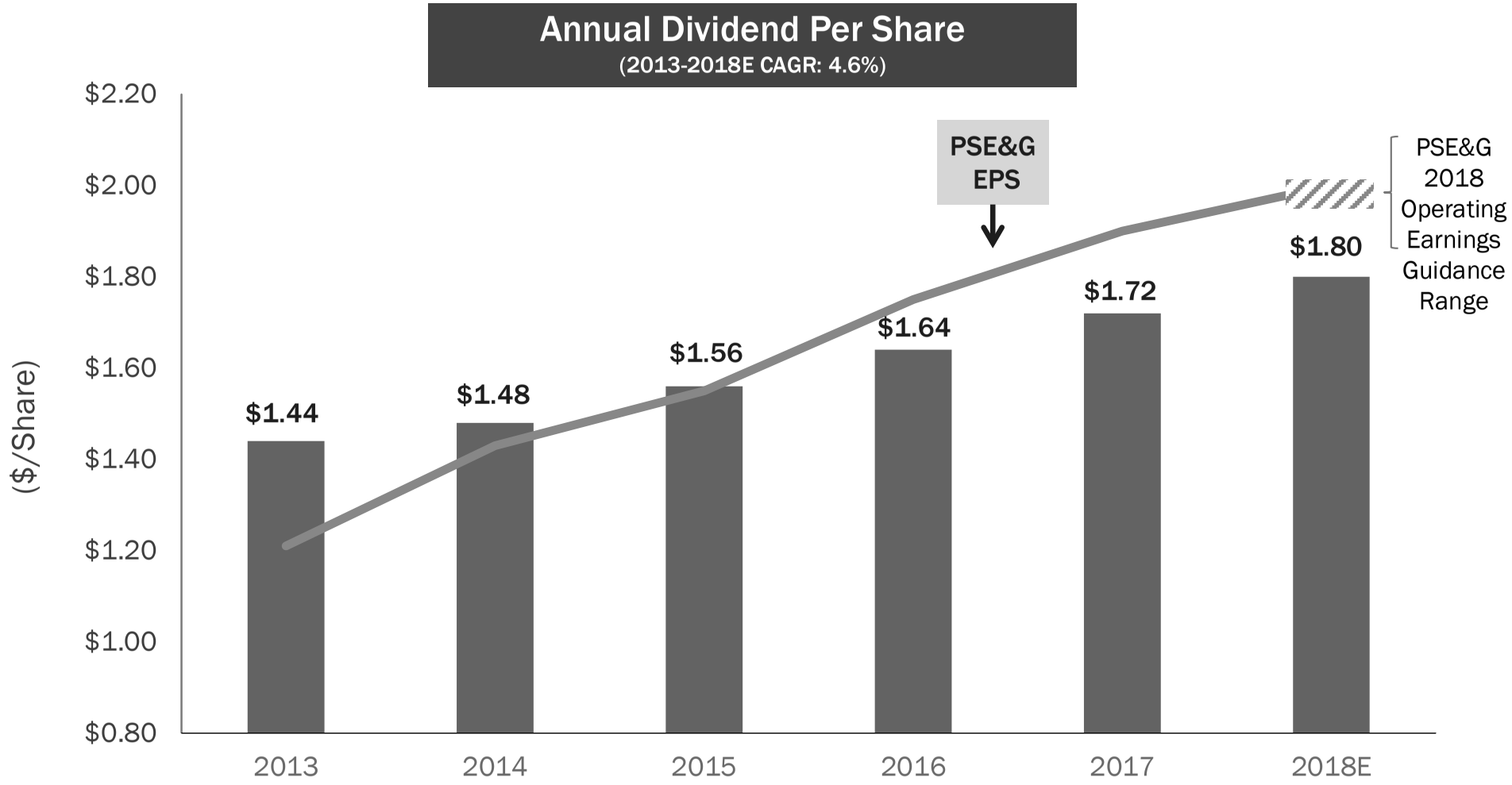
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-05656

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-05657

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-05658

PSEG
APPENDIX

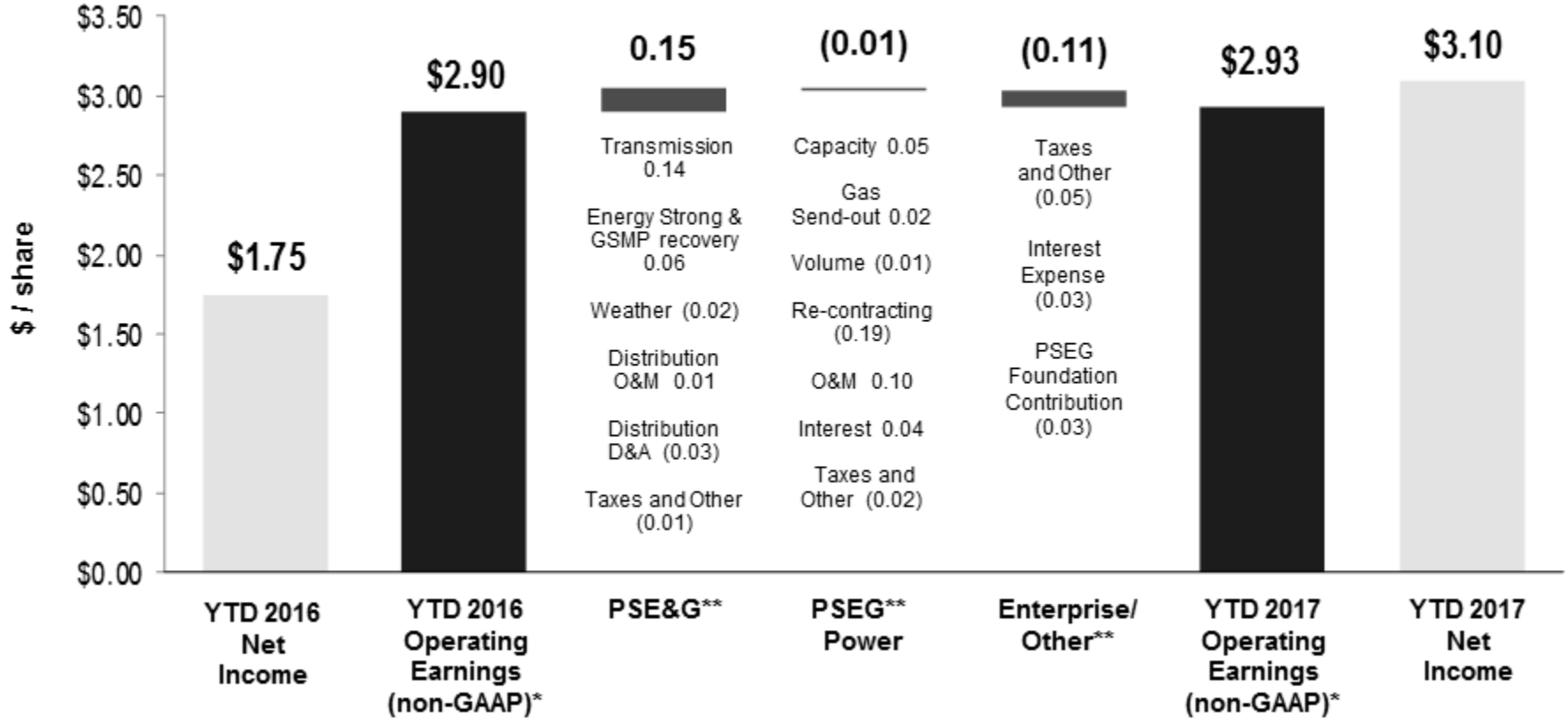
PSEG

We make things work for you.

SI-SSA-0015-05659

PSEG EPS Reconciliation – 2017 vs. 2016

Utility investment and cost control drove full-year 2017 results



SI-SSA-0015-05660

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*SEE SLIDES A, B and C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSE&G, PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-05661

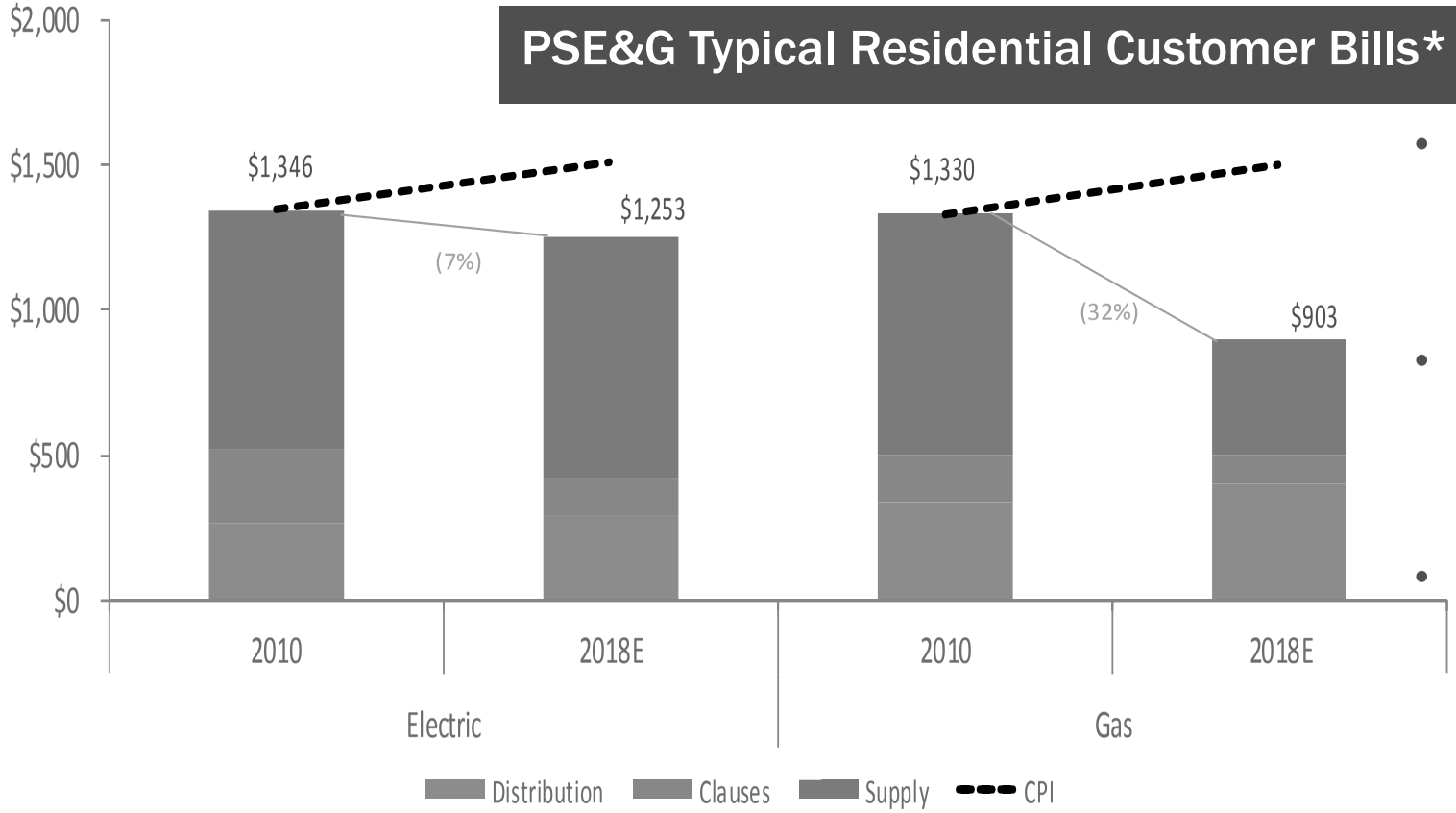
Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

SI-SSA-0015-05662

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

SI-SSA-0015-05663

PSEG

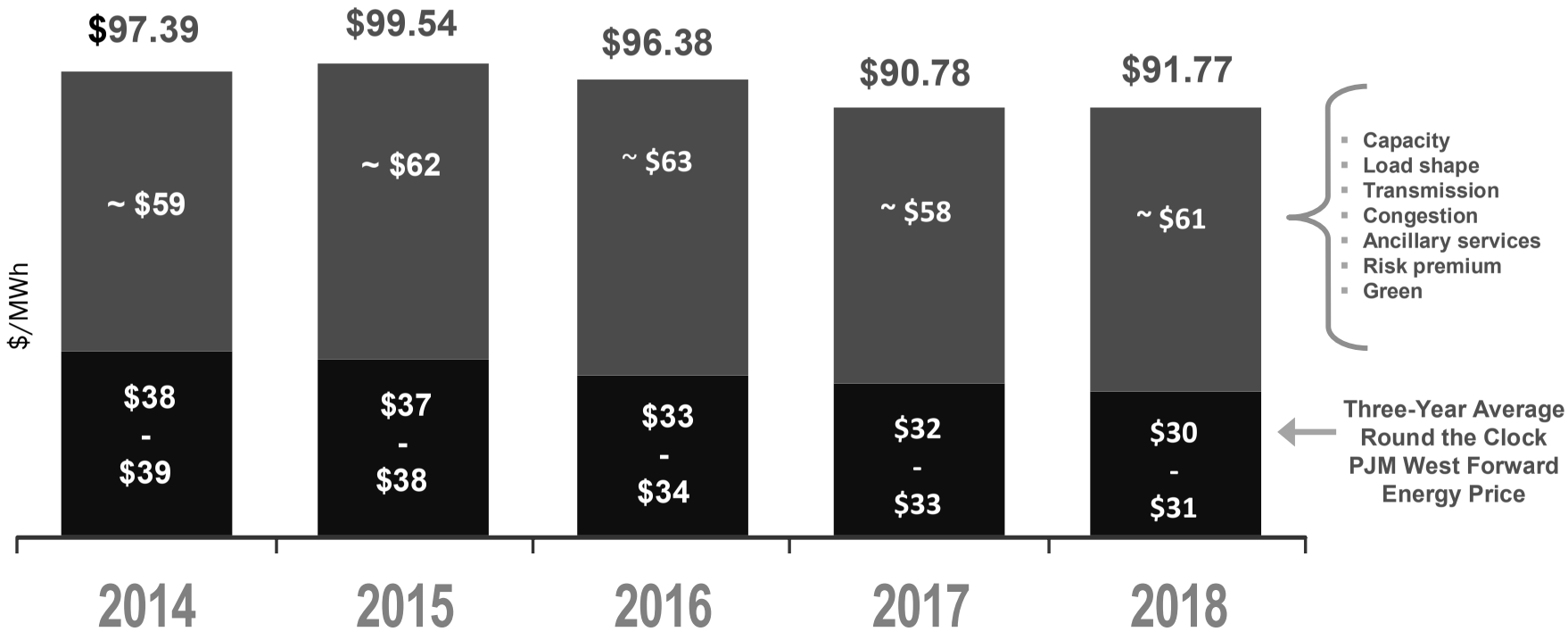
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

SI-SSA-0015-05664

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-05665

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-05666

Tax Cuts and Jobs Act: PSEG well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-05667

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%,

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ **Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022**

✓ **Investment program and metrics to support strong credit rating is maintained**

SI-SSA-0015-05668

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,				
	2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Bank of America Merrill Lynch Power and Gas Leaders Conference

EVENT DATE/TIME: SEPTEMBER 25, 2013 / 2:15PM GMT

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CORPORATE PARTICIPANTS

Caroline Dorsa *PSEG - EVP, CFO*

Tom O'Flynn *AES Corporation - EVP, CFO*

CONFERENCE CALL PARTICIPANTS

Brian Chin *BofA Merrill Lynch - Analyst*

PRESENTATION

Brian Chin - *BofA Merrill Lynch - Analyst*

We will get started with our second-to-last panel. This panel is going to focus on what is the right capitalization and way to create value in an era of potentially rising interest rates. And I know that as the Merrill Lynch Utilities analyst, usually the question I get -- when I have a Merrill Lynch financial advisor call me up, usually the first question I get is what is our view of interest rates and how do I know that I can look at utilities in a period of rising interest rates.

With me today to help navigate this kind of question and to help look at things from a utility perspective, I am joined by two Chief Financial Officers. To my immediate right, I am joined by Caroline Dorsa. Caroline was named Executive Vice President and Chief Financial Officer for Public Service Enterprise Group in April 2009. She has held a number of different positions at PSE&G, but prior to joining PSE&G, she also had a senior management position at Merck. And then she was also the Senior Vice President and Chief Financial Officer at Avaya. Caroline holds a BA from Colgate University and an MBA from Columbia Business School.

And then to the far right -- to my far right, I am also joined by Tom O'Flynn, who is the Executive Vice President and Chief Financial Officer of AES Corporation. Tom joined AES in September 2012 as the Chief Financial Officer. Prior to that, Tom had served for more than two decades in energy finance and utility -- or has had two decades of utility and energy finance experience. He was also the Chief Financial Officer at PSE&G, so we have a little bit of a PSE&G family tree here. Prior to PSE&G, Tom spent 15 years at Morgan Stanley's Global Power and Utility Group, ultimately serving as head of the North American Power unit. Tom has a BA in economics from Northwestern University and an MBA from the University of Chicago. Thank you very much for joining me on the panel. I very much appreciate it.

And in a similar vein to one of the other panels that we had earlier, rather than having prepared remarks from the panelists, we are going to go ahead and jump right into Q&A. This is a little bit more of a macroeconomic-oriented panel here. And so I thought just having a broad discussion about interest rates, how to create value as a utility CFO in a period of rising interest rates, we are just going to go right into it.

To get us started, let me ask you the same question that I get from many of the investors that call me. What is your view on the direction of interest rates going forward? Are we in for a moderate or a sharp rise in interest rates? And how do we think about historical periods of precedent that might reflect where we are at today? Caroline, what is your general thought on the outlook?

Caroline Dorsa - *PSEG - EVP, CFO*

Sure. I am certainly not Ben Bernanke, so I can't really forecast as well as he, perhaps. I think what we have seen has been truly historical aberration in terms of how low interest rates have been. So we talk about trending and things, it is very, very different, the environment that hopefully we are coming out of, which really doesn't have almost historical precedent.

So I think what we have been seeing is maybe a move back to a more normal interest rate environment and a more normal forward curve environment than we have had in the past.

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In terms of how I think about what that has meant for us as we think about creating value, one of the things that we know and we have all seen this is when we were coming into and through this abnormally low interest rate environment, the important thing for us of course is the ability to earn reasonable ROE and the authorized returns that we are getting consistent with spreads [between] interest rates, and those ROEs did not come down ratably as well. So you saw ROEs continue to provide reasonable return.

I think what that means is as the interest rates appear to be coming back up -- and of course we had a little back-and-forth this year -- you wouldn't see ROEs going up ratably because you didn't see them coming down. So there has been reasonable prudence here as we have thought about the ability for regulators to incent utility investment.

So I look at that as the opportunity to continue, presumably, a relatively consistent pattern of ROEs, and of course in some of the things that we have in quals recovery mechanisms, they also reflect as we get approvals our actual embedded cost of debt.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. Tom?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Like Caroline, I am not sure we try to be prognosticators of global interest rates. I think we more try to prepare -- take advantage of where we are, which is clearly very low, and prepare for changes going forward.

So from our standpoint, as we think about our financings, we are in 20 countries, so we really think about rightsizing and aligning the currencies and the duration of the debt at the local businesses. So many of our projects -- businesses are either projects financed with long-term debt, or where we have businesses, then we do it on a more genco or corporate style within the country, or in a couple of cases, within a region.

So certainly this year we have seen very low interest rates. We have done many billions of refinancing; certainly been done at the parent level, done over $1 billion. We have done it -- the Midwest has done almost $1 billion. We have done it down in the Southern Cone and in Asia, really just programmatically have gone through refinancing opportunities.

Some of them have been to take advantage of very low interest rates and some of them have been to also push out maturities. So at this point, we are about [85%] long-term, and it feels good to keep on taking advantage, like a lot of other of our peers, it takes -- I think it is our job to take advantage of these low rates and very attractive markets, where we can get low cost and long duration, long maturities, so we are basically prepared in the event the wrong kind of speak, the wrong kind of hand wave comes out of Washington and things happen that has got less impact to us, to be honest.

The other thing we do look at is obviously being in multiple countries, we are probably less focused on impacts on ROE and things. We have some adjustments overseas. It is a modest impact for us perhaps in the Midwest, in Indiana. But we are more -- we are focused on currency changes to the extent that interest rates change on a relative basis in the US versus globally. So that is something we also look to. So certainly all our debts in our functional currency locally gives us protection. We do do some hedging. But we are cognizant that on an open basis, about $0.06 of our earnings or so -- for a 10% change in relative currencies, that is about a $0.06 impact on an open basis to EPS. So we try to manage that thoughtfully.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right. Well, I guess on that point, Tom, when we talk about refinancing different parts of the capital structure to take advantage of lower rates, is there a lot more room for that that you see, not only at AES, but for the utilities industry as a whole? Do you think that there is still a lot of firepower in terms of refinancing or to capture a little bit of extra value? Or do you think that most of that has largely been done by now?

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Tom O'Flynn - *AES Corporation - EVP, CFO*

No, I think we still have firepower, and I think we will do -- I think we have done $6 billion, $7 billion this year; I don't think we will do that. But I think there is still some firepower, especially as we look forward, just some [call] protection, other things that make it more expensive in 2013, but it may be more economic in 2014 or 2015. So we may have some more flexibility where it is worth it to go after it.

So we will certainly keep on doing it. And also, to the extent -- occasionally we have a realignment of our businesses, maybe modest changes, so that allows us to also look at refinancing in conjunction with that. Those are more isolated cases.

Brian Chin - *BofA Merrill Lynch - Analyst*

Okay. And then Caroline, you had mentioned that we might be in a historically low aberration in terms of interest rates. Let's say that your general view ends up being right, that we are in a period now of more rising interest rates. Does this tilt the value proposition as a CFO more towards nonregulated businesses? Does it tilt the value proposition more towards less bond-like areas of organic investment, moving away from dividend growth and more towards earnings growth or other types of recovery-sensitive business models? How do you think about that?

Caroline Dorsa - *PSEG - EVP, CFO*

That's a good question, Brian. So we think about -- in terms of the business model and the business mix, what we look to in the utility is the ability to get a reasonable ROE on a reasonable capital structure. And we have a lot of investments; as you know, energy is strong. And already in our base business, the transmission investments that we have, which earn 11.68 or more on the ROE. So our core is to ensure that we can earn that authorized return.

As I said, some of our -- as we get new quals approvals, they get interest rate resets on the weighted average balance of cost of debt for the utility. So a little bit of protection there.

But in terms of business mix between utility to power, I look at it fundamentally from -- if we are looking at power investments, do those investments generate a positive NPV at an appropriate WACC. So rather than think about it, well, if there are higher interest rates, that means I should think less about the utilities.

I do it from the perspective of what is the NPV generation opportunity potential of a power investment with an appropriate long-term WACC. And of course, we use a long-term interest rate for that WACC, so we are not moving it every month or so. And then on the utility, what is the opportunity for us in terms of getting an appropriate ROE and putting that capital to work.

It doesn't have an impact for us relative to thinking about trade-offs of our investment to dividend at all, given where we are starting. Because obviously we start from a position of having a very nice and strong balance sheet on the power side. We start with debt-to-cap at about 30% and the rating agencies -- S&P recently upgraded us. So we start at a nice position with that balance sheet, and with power not having a lot of capital needs, a lot of free cash flow.

So one doesn't have to be traded off against the other. It is really about, we have got a balance sheet, we have got capacity, we do compete for capital in the Company. So can we earn a reasonable ROE on utility investments? Do we have positive NPV investment opportunities in power? And that is how we think about the business mix. What falls out, falls out. Because it is all about where is the shareholder return.

Brian Chin - *BofA Merrill Lynch - Analyst*

That actually makes a lot of sense. I guess in other words, your hurdle rate goes up as interest rates goes up to offset the change in rates, and so you end up -- it ends up being a push.

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Caroline Dorsa - *PSEG - EVP, CFO*

Exactly.

Brian Chin - *BofA Merrill Lynch - Analyst*

One question that I think was sort of an interesting development in this space over the last year was the creation of the yieldco mechanism, which arguably one could view as taking advantage of very, very low interest rate and helping to separate out a bond-like set of assets with a bond-like valuation.

How do you think about -- how do you think about this development in the industry? Is this something that you view as potentially a game changer for how utilities look at long-term contracted assets? Or do you view it more as this is potentially a little bit of a cyclical development here, and if we are in a period of rising interest rates, we are probably going to see less of this activity going forward?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Yes, I would say for certain situations, it could make sense, but I think those will be more limited. We did try something of a similar vein up in the Toronto Exchange in the second quarter. We have had a JV in the solar space, Silver Ridge with Riverstone for many years, and that is an entity that generates very strong cash core earnings -- in fact, it will be probably about $0.01, $0.015 dilutive to us this year -- but it has good cash flow.

So we looked at doing a yieldco vehicle. We made the judgment over a year ago to look at Toronto, because that seemed to be perhaps home to a few more yield vehicles, I think, in our (inaudible) that that kind of vehicle can also work here. But that was essentially -- for us, that has been a separate JV, so it was easy for us to carve that out. That has been independent since its inception. But it was really playing off the arbitrage of strong cash, low earnings. So it was a natural.

We stepped back from that -- that portfolio is a mix of European solar, then we have a large solar project out in California that is still under construction. We didn't think it was the right time to step back. But we may well look at another shot at doing something like that. I think we would wait until next year to do that, when Mount Signal, our project under construction, is fully operational, so it makes more sense.

On a broader basis, clearly we have taken note of the yieldco structure. I think all the stars have to be aligned, and we haven't found the stars to be aligned, at least yet, in our portfolio. When I say aligned, I think you have to see a differentiation between earnings and cash. There has to be a tax path. Tax people always get into this game, right? As well as find the right mix of assets. So for us, nothing jumps off the page, but opportunities like that, we continue to look at.

We obviously have carveouts in our business at a country level. We have three publicly-traded equity vehicles, two in Brazil and one in Chile. So we certainly see the benefits in some cases of an independently-traded public vehicle, but it may not be in the yieldco structure.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right. I am going to go ahead and pause here and see if there are any questions from the audience. We do have two Chief Financial Officers here talking about value creation in a rising interest rate environment. Any questions from the group?

We do have a couple of topics that I want to touch base on. Both of you are in positions where you're cash flow positive, if you look at things from an operating cash flow, maintenance CapEx perspective. So you have a lot of options on which to deploy your capital.

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Does a rising interest rate environment tilt you a little bit away from delevering? Both of you have been in positions where you are actively delevering the balance sheet or have the ability to do so. Does it actually make more sense to lever up the balance sheet here and reverse course or how do you think about that?

Caroline Dorsa - *PSEG - EVP, CFO*

So from our perspective, the things that we are doing in the utility, approved programs and obviously what will be filed for Energy Strong, would in our forecast provide incremental leverage at the utility completely consistent with the capital structure. And so we have been taking -- as Tom mentioned -- taking advantage of interest rates as they have been low. We did two 30-year issuances because we really thought, well, that was a good capture.

So I don't -- we will not be from a net perspective delevering, because we have got the utility growth. But of course, because we are keeping that regulatory capital structure, we are going to do that ratably as it is appropriate for the capital structure, as opposed to doing a lot of financing in advance.

From the power side, because of the position that we are in, we have flexibility. Some of that power flexibility will be used -- if we have all of the approvals that we are seeking, we will have a little more leverage on the power side. But we are balancing between that issue of how much leverage do you put on. We want to have an appropriate balanced WACC, consistent with an appropriate capital structure, and then looking at the cost of debt.

So I think there is more opportunity for us if we have all of Energy Strong approved. As I think I mentioned earlier in the year when we talked about Energy Strong, it would be a little bit more indebted power than where we are now. That would be consistent with growing the Company's overall investment opportunity.

So I wouldn't get out ahead of that, but I see that as opportunity and we have got room to do that. We still don't have an interest rate environment that is topped out, so we are still at rates that have a nice profile for us, even if we don't issue tomorrow. So I think we are in good shape.

Brian Chin - *BofA Merrill Lynch - Analyst*

Tom?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Yes, from our standpoint, I think a lot of our financial direction would remain the same. I mean, there are some dials we might tweak a little bit. But from a dividend policy standpoint, we started a dividend last year. We think we have room for growth. We spelled out our metrics how we'd do that, and I think we would continue on that path.

As I said, we don't have a lot of near-term risk for interest rates. That is really how our businesses are set up. I think it comes really more into capital allocation going forward. As we look at expansion opportunities, obviously, your rates of return; we look at rates of return, and obviously, interest rates -- local interest rates as well as global interest rates are a big part of that, so you have got to move that bar up.

So for projects that are already under construction, businesses that are already developing things, those are pretty much locked in. But you need to make sure that you are agile enough to raise the bar for things that are underway. And you have enough of a dynamic dialogue that those messages are made loud and clear, and the teams can adjust, and I think we have the processes in place.

You know, the offsetting thing as interest rates go up, it may raise the cost of doing some things. But from our side, we may see that as an opportunity, as a good thing, because presumably they are going up because the economy is doing better.

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Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right.

Tom O'Flynn - *AES Corporation - EVP, CFO*

In the US, obviously the US is hopefully accompanied by other places in the world. So if the economy picks up, like you were a few years ago in some of our regions, that is a good thing.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. I guess a more specific question to you, Tom, I think the growth emphasis at AES has started to shift a little bit -- tilt a little bit more towards the US. We have got some interesting proposals in Indianapolis Power & Light. We have a little bit more stability in the Dayton Power & Light situation now with the ESP set aside.

And so when we look at the growth proposition at AES tilting a little bit more towards the US, one of the elements I have been debating is, well, Indianapolis Power & Light hasn't really gone in for a rate change in many decades. It's what -- since the '80s or so --?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Since we have owned it.

Brian Chin - *BofA Merrill Lynch - Analyst*

So what sort of potential major changes to the rate structure at Indianapolis Power & Light, given it has been so long since there has been a rate case, what sort of issues do you foresee there that we need to be cognizant of as investors?

Tom O'Flynn - *AES Corporation - EVP, CFO*

The Indianapolis Power & Light business is run really very cost-effectively. And since we bought the Company -- that was 15 years ago -- they have not had a rate case. Basically they've been able to balance their spend with their cost structure.

Now that said, they don't -- given the smaller geographic area, they haven't had large transmission projects or other things like that that may be a greater challenge. So they have done well.

The two big things we have going on there, we have over $500 million of spend from that to improve the environmental footprint of some coal plants. Those are plants that are still economic, burn coal from Indiana. So obviously, very helpful to the overall structure of Indiana.

We got -- a few weeks ago, we got all the final approvals on that, so we will get a cash tracker on that. So that would be really outside of any kind of standard rate procedure.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right.

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Tom O'Flynn - *AES Corporation - EVP, CFO*

As we look at it right now, given the utility and given (inaudible), we don't see a need for rates, as we see it. Obviously, that could change, but that is not, at least the near-term, a communication between our IPL team and the Indiana regulators.

The thing that could change that is we are looking to build a combined-cycle. It would replace some retired generation. We are well along the process for that, hope to get final approval for that probably Q2 of next year. If we did do that, then we would do that more, let's say, old school utility regulation would build it, and then put it into a rate base in, say, 2017, at which time we would need a rate case. At least as we see it now, a rate case is still a few years off.

Brian Chin - *BofA Merrill Lynch - Analyst*

Okay, understood. And I guess, Caroline, to you, Public Service Enterprise Group is in the fortunate position of not having to necessarily go in for a rate case until it so chooses to do so.

With the Energy Strong program now sounding as though there is a fair amount of municipality support behind it and that the hearings are going on right now, at what point would there need to be, if any, any sort of rate treatment to reflect the fact that you are going to be spending a fair amount of capital on that program?

Caroline Dorsa - *PSEG - EVP, CFO*

Right. So in terms of how we think about the progress there, so I think we are up to like 70 townships and municipalities in support. We did have two, I think, very net positive public hearing days, one more to go. We continue to have dialogue with the governor's office and the BPU.

The timeline that the BPU (inaudible) a formal schedule, which put some formal dates on the calendar for BPU hearings in early next year doesn't preclude settling earlier. So we are talking to them on an ongoing basis. The public hearings are happening. That is a good thing. We have got a lot of support.

We would like to see something settled before the end of the year. It might go into early next year, but that is because we are in active, ongoing dialogue. We tried in our filing and in the information we have given to the BPU to be very explicit about we are talking about Energy Strong as enhancements to an already-reliable system -- right -- because that is something that we have been recognized for.

We have been very explicit on where we think hardening could benefit the state, by location, by risk, high, medium, low, by type, gas, electric. So that gives the regulator a very good view on -- if I am looking at different things in terms of the approval relative to what are asked, which is $2.6 billion over the next five years -- that is what is asked within the program -- because we have not asked for the full 10 -- that we are having active dialogues around which things, which areas, that sort of conversation.

So I think it is a very positive. I think there is definitely recognition, and most of our public hearings, the results were people recognize these things need to be done. It is just a matter of how do you then decide how much and when. And we are flexible about working with them on that.

The one thing that we have been pretty clear about is we want the contemporaneous return mechanism; that will be part of whatever our settlement ultimately turns out to be. And we say that not because we think this is something we should have with no history here. We have had over $2 billion in rate-based investments approved with contemporaneous return mechanisms going all the way back to 2009. I think we have done well in executing on those at PSE&G. We have benefited the customers, we have really demonstrated our prudency there.

So this is just a continuation of that sort of approach, which means it doesn't touch the base rate, we don't need to go in for a rate case. We can do all these things with incremental clauses, continue to earn the authorized return and continue to make the investments consistent with the ongoing reliability in the base rate.

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Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right, right. Let's shift gears a little bit to dividend policy. Tom, you recently implemented a dividend at AES for the first time in quite a while. I have covered AES for almost 10 years, and I think I have never seen a dividend.

Tom O'Flynn - *AES Corporation - EVP, CFO*

No, it was our first dividend.

Brian Chin - *BofA Merrill Lynch - Analyst*

And then we can contrast that with the experience of PSE&G, which at the onset of the economic recession, the management team chose to actually hold the dividend, which was a very controversial decision at the time. But it proved to be the right one in my perspective, from the standpoint that you guys conservatively managed your cash flows and your balance sheet.

In a period where the interest rate environment is starting to pick up a little bit, do you, as CFOs of your respective companies, view the dividend as having a greater appeal or a lesser appeal to you as your value proposition to shareholders? Can you just talk through your thought process on that a little bit?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Yes, so I think our thought, unlike PSEG, that I know has been paying a dividend for over 100 years, this is our first year of paying a dividend. We basically thought that the primary driver of our value is in earnings growth and cash flow growth, but dividend should be part of the story. And so we initiated a dividend. Our yield is now about 1.2%.

What we said -- and we thought over time our yield should move up to be more akin to the S&P 500 -- not the S&P utility basket, but the S&P 500. That is a low 2-ish kind of yield. So at least get dividends into the picture. And that continues to be our expectation. And I think we will continue on that path independent of changes in interest rates, absent, obviously, dramatic dislocations in sectors.

So from our standpoint, we then provided a little more clarity on how we are going to measure dividend capacity. We have parent free cash flow, which is a function of subsidiary dividends less parent G&A and parent interest, of around $500 million a year. We currently pay out about -- a ratio of that in the low 20s. What we have said is we think it is appropriate to pay out about 30% to 40%, so call it up to $200 million in dividends, on an annual basis. Over time, we think that $500 million number could grow, so in the near-term we have room to grow into that range; longer-term, we can grow the range.

So we think it is an important component. It is less of a component than many other folks -- most other folks in the S&P utility group, but we think it is reasonable for a balanced diet. That probably has us less exposed, as I said, to changes in interest rates that may impact valuations and yields. It probably has us less impacted on that side.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. Caroline?

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Caroline Dorsa - *PSEG - EVP, CFO*

And for us, we recognize that the dividend is a very important component of total shareholder returns. So, as Tom said, we have paid that for over 100 years. We do look at the opportunity for dividend growth as an important thing, because we know our investors look at that.

And a few years ago, we had a dividend policy that was payout ratio-based. But one of the things that we know is happening in our business, which we have talked about a lot and obviously everybody sees from our results, is our business mix is changing very significantly. So about five years ago, we were 75% power in terms of the contribution to earnings and 25% utility. This year, it is that about 50-50. And given the opportunities we have in the utility, obviously that mix will continue to change.

So what we did was we moved away from a payout ratio policy and went to a policy that recognizes that the growth in the dividend will be associated with -- and I don't mean will follow -- but will be associated with our outlook for two things, and they are distinct, and they are different metrics for the two businesses. The earnings growth at the utility, because we are talking about double-digit earnings CAGR in the utility through 2015, with approved programs, without needing Energy Strong. So that earnings profile gives us a lot of good regulated, if you will, support in terms of income for the dividend.

And the cash flow generation at power. So even though we all know what the issues are and the forward curves and all the rest -- and you know we don't forecast power beyond the current year -- because of the low CapEx, power still is a very strong cash flow generator. So those two things together is what we will look at for ongoing dividend growth opportunities, which the Board recognizes are very important for shareholders.

In terms of where we are this year, we are at -- our payout, if you looked at the midpoint of our guidance, it is about 61%, but we are guiding for the upper end. So we have a nice position relative to the payout percentage relative to our peer group and certainly relative to those who are more and more regulated, which obviously is the direction we have been going over the last few years.

So those are the factors we look to. A little bit independent of the interest rate, because we really do believe over the long-term, our shareholder is looking for a dividend trajectory. And we aren't signaling that it is going to move in one direction or the other based on interest rates. What we are saying is we know it is a very important component of overall shareholder return over the long-term.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. If I could ask both of you to take off your Company's specific hats for a second and just comment more on a macro trend in utilities. It seems as though right now, with low commodity prices affecting merchant generation, there is a lot of interest in utilities getting into long-term either regulated assets or long-term contracted assets. It is a very large industry shift away from commodity sensitivity and more into long-term stability.

Is this happening at exactly the wrong time with interest rates potentially rising? Are utilities potentially looking at -- in order to shift their business mix on the cheap, are we in an environment where utilities might actually be buying regulated utilities at the top of the valuation cycle? How do you think about that? Is that realistic to even think of it that way? What is your perspective?

Tom O'Flynn - *AES Corporation - EVP, CFO*

Yes, I would say from investing -- break it down, perhaps -- investing, like obviously PSE&G and, to a lesser extent and (inaudible), at least on a smaller scale -- but we are both making large investments in our utilities. And I think that makes sense. Now that said, we are doing it at book value. We are not going out and buying things for (multiple speakers), so it is a different calculus.

I think from our perspective, we do look at contracted generation. That has been really the core of the Company. We have been around for 30 years, and that has been the core of the Company. When we have had merchant generation, we haven't done as well. One notable example, the Midwest.

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So we will continue -- as we grow the Company, we will really continue to look at contracted generation. Now that said, it is very hard to do that in the US. To the extent it is already contracted out, there's [such a] cost of capital we are not going to spend a lot of time trying to compete with.

To the extent we have redevelopment opportunities of existing assets, it would be further out for us. It would be towards the end of this decade -- things we are working on now, but we actually -- the real work would get done towards the end of the decade would be in California. Our (inaudible) facilities that are 3500 megawatts in gen around the LA Basin. So we will look to redevelop those consistent with the environmental standards in California that hit in 2020. We will look to do that with a contract-based structure.

But as we look to other markets, prices in many other markets, unlike $4 gas, most of the markets we are in don't have $4 gas. Most of them don't have gas, or if it is gas, it is $14 gas, because it is LNG-based.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right.

Tom O'Flynn - *AES Corporation - EVP, CFO*

So we still see coal as being quite attractive. Obviously, you have got to do all the right things environmentally. We have a portfolio of things. But coal is attractive only because it competes with $14 gas.

And so we do continue to -- as we build, a majority of our expansion would be predicated on longer-term contracts, but it is a different -- the US is really fortunate to have cheap gas and low energy costs, which is not always the case in the rest of the world.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right, right. Well certainly, I can see from AES's standpoint, you guys are in a different bucket of opportunity altogether. I guess as a general comment on some of your more domestically-oriented peers --

---

Tom O'Flynn - *AES Corporation - EVP, CFO*

Yes, so I mean, I guess I was just thinking as an energy investor globally. But as a [broader] investor, you know, I think you have to look at your risk bucket, I suppose. To the extent that you are looking at contracted generation, I think you have to be prepared to be extremely competitive, both on cost and on a cost of capital basis.

On the merchant generation, yes, I think it is actually -- this industry is known for having cycles, and the herd -- whatever the mood of the herd is, the mood is different a few years later. Whether that will turn around at some point and anybody can time it right, it is interesting. Certainly I have spent a little bit of time between [Peggie] and AES at a private equity shop, and that is certainly more of their risk mentality, and you see some private equity players certainly taking a play, low-cost assets in a down cycle, and seeing whether they can hold them and wait for the up.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right, right, right.

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Caroline Dorsa - *PSEG - EVP, CFO*

I think, Brian, from the perspective of regulated and multiples and premium that would have to be applied to risk multiples, that certainly does make M&A in that environment seem challenging, given where things are right now.

In terms of investments in the regulated assets, we have been making regulated investments and growing our regulated infrastructure, as you know. To me, it should be a distinction between any regulated investment is good in the current environment, and that is changing. It is really about the rate, right?

So going back to the earlier comments about where ROEs did not go when the rates went down, we do look at that carefully. So regulated investments are not just good in and of themselves no matter what. It really depends upon whether you are getting an ROE that is reasonable for a long-term investment, and we really want to take a long-term view, as opposed to any regulated ROE is good.

So it has to be one that really sustains over the long-term to create shareholder value. So I think that is important on the regulated side.

On the merchant side, I agree with Tom, and contracted is difficult in our economy for PSE&G. But we haven't closed the door on that. It's really about the price. So when there are generation assets that makes sense to invest in, again, because they generate a positive return, we don't look at that and say, well, we can't do that because everybody is investing in regulated, or no one will give you credit if you invest in merchant. So if there are things like nuclear uprates -- which you know we have done a lot of in the past and we are still investing in one in Peach Bottom -- positive returns, we will do those investments. Other investments that give us more opportunities to enhance megawatts or reduce costs or whatever, those investments in merchant makes sense. They generate positive returns. We are not afraid of those.

So that really does make sense. So to me, it is neither one all the way or the other not at all. It really depends on what kind of value do you think you can create, and are you using the right long-term view of value creation. Are you not getting to yourself in the, hey, rates are at a certain level now, ROEs are at a certain level now. Because you are going to be living with those through the cycles in the herd and you should probably be picking numbers that you will be comfortable talking about for a long period of time.

Brian Chin - *BofA Merrill Lynch - Analyst*

Right, right. Last question to you, Caroline. You had started off in one of your initial comments about how the allowed rate of return in the US had stabilized for a while, actual costs of capital were falling. And so now that they are going down, you are not expecting the allowed rates of return to go up, because in some sense, there is a catch-up. The actual interest rates are now bouncing up and so the allowed rates of return are probably just going to remain flat going forward.

Caroline Dorsa - *PSEG - EVP, CFO*

Yes, so I think just to couch this a little bit differently, so generally speaking, yes, because when you saw rates go like this, you didn't see ROEs go like this. You saw sort of lagged average (multiple speakers), right? And so now you're seeing rates coming back up.

What I am saying is I don't expect to see ROEs from this lagged modest decline shoot up like rates have shot up. There is a lag and an averaging sort of effect going on there. So I think of that as more the regulators are looking at the long-term stability and that makes sense. They want to incent long-term investment. But I don't think we are going to see ROEs -- and I don't think we should see ROEs bounce back up like rates [have done].

Brian Chin - *BofA Merrill Lynch - Analyst*

Allow me to save myself from my incredibly convoluted question. When do you think we will start to see meaningful allowed rates of return rise?

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Caroline Dorsa - *PSEG - EVP, CFO*

Well, I am not going to forecast interest rates and it's hard to forecast ROEs as well. But I do think that it will really be more sustained interest rate increases before you see that sort of average back into ROEs.

Brian Chin - *BofA Merrill Lynch - Analyst*

Okay. Maybe like a two-year period-ish, three-year period-ish?

Caroline Dorsa - *PSEG - EVP, CFO*

That depends on the regulators.

Brian Chin - *BofA Merrill Lynch - Analyst*

Fair enough. Tom, Caroline, thank you very much for joining us on the panel. I very much appreciate your comments.

Caroline Dorsa - *PSEG - EVP, CFO*

Thanks, Brian.

Tom O'Flynn - *AES Corporation - EVP, CFO*

Thank you.

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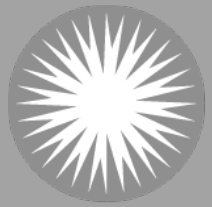
Bank of America 2013 Power & Gas Leaders Conference

NEW YORK CITY – SEPTEMBER 25, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05685

PSEG

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

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Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-05688

PSEG OVERVIEW & OUTLOOK

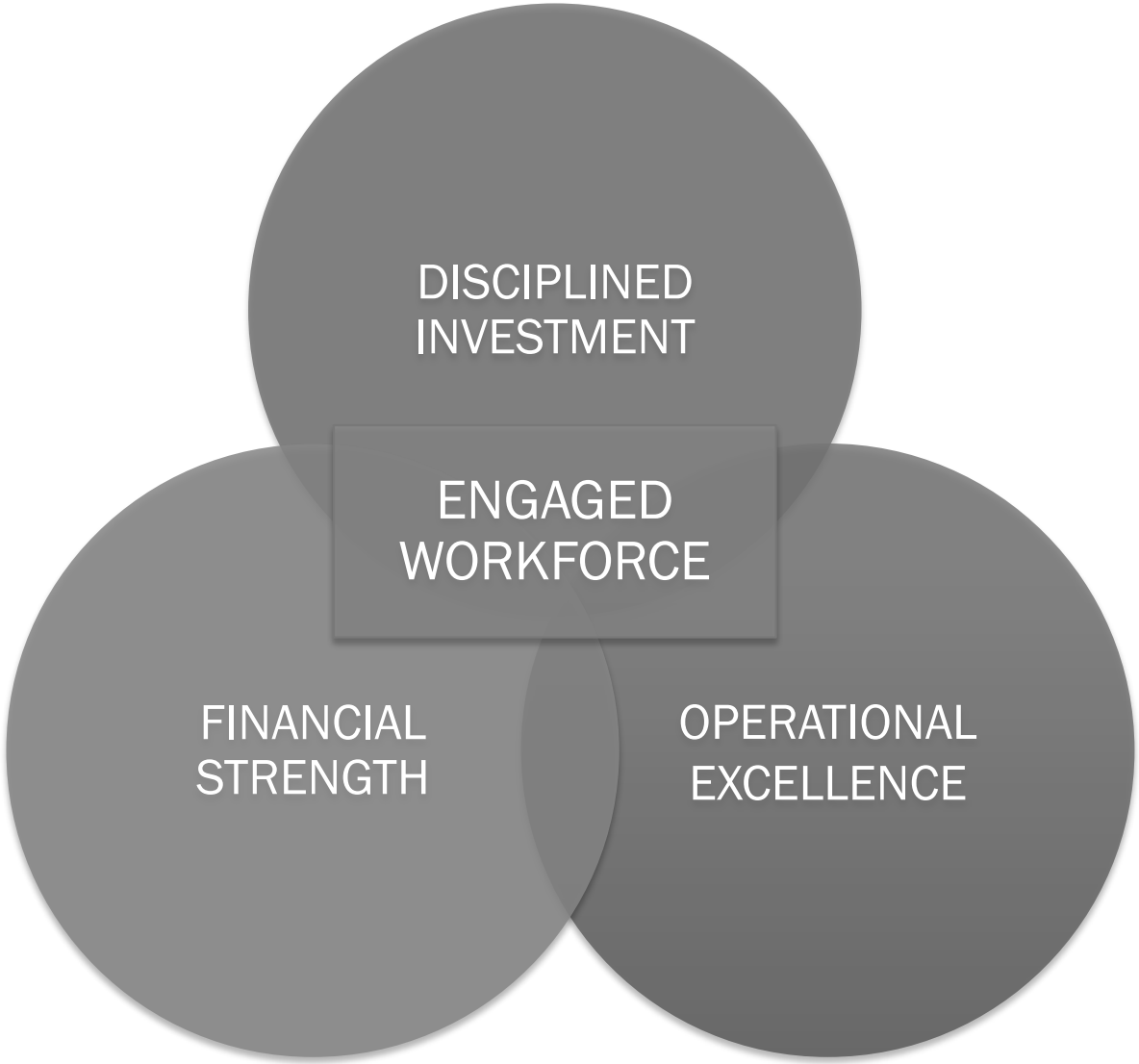
PSEG

We make things work for you.

SI-SSA-0015-05689

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-05690

PSEG meeting the market's challenges

with our strong platform of assets

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-05691

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-05692

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

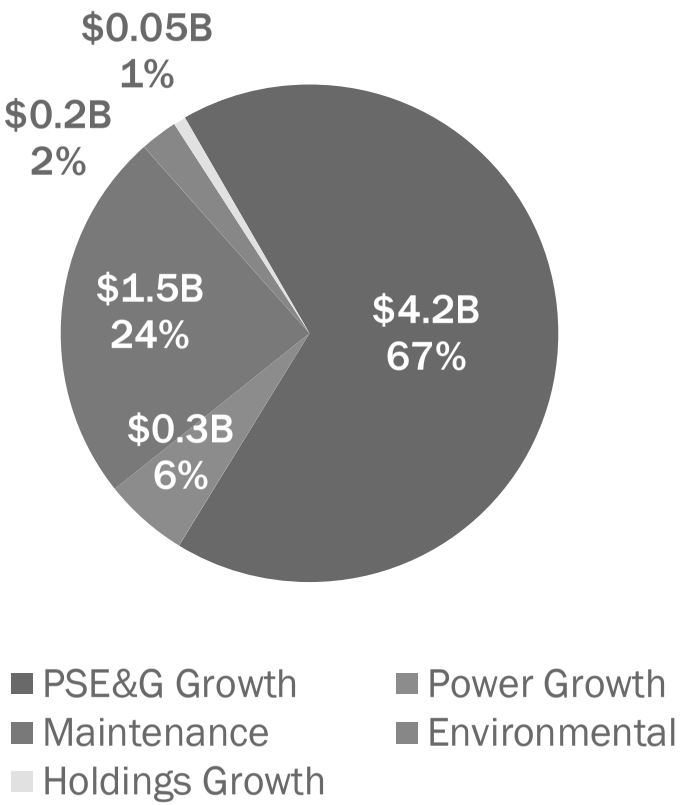
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

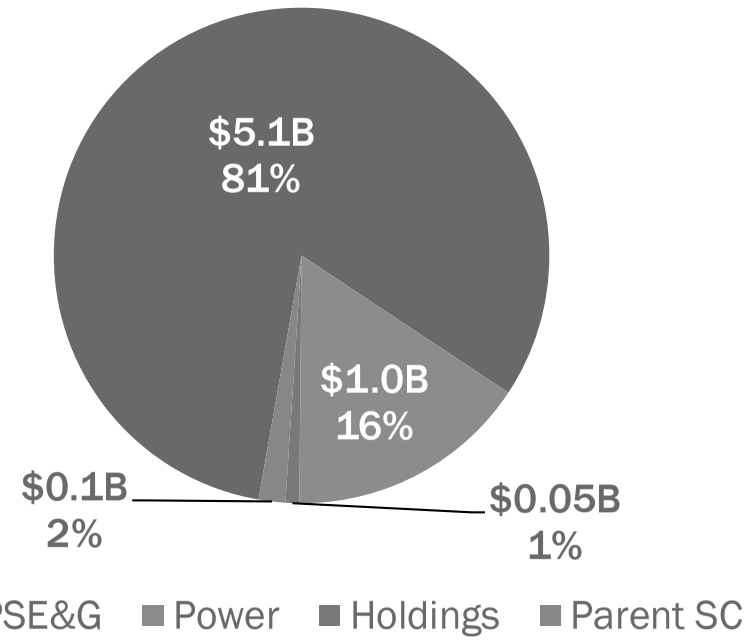
SI-SSA-0015-05693

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

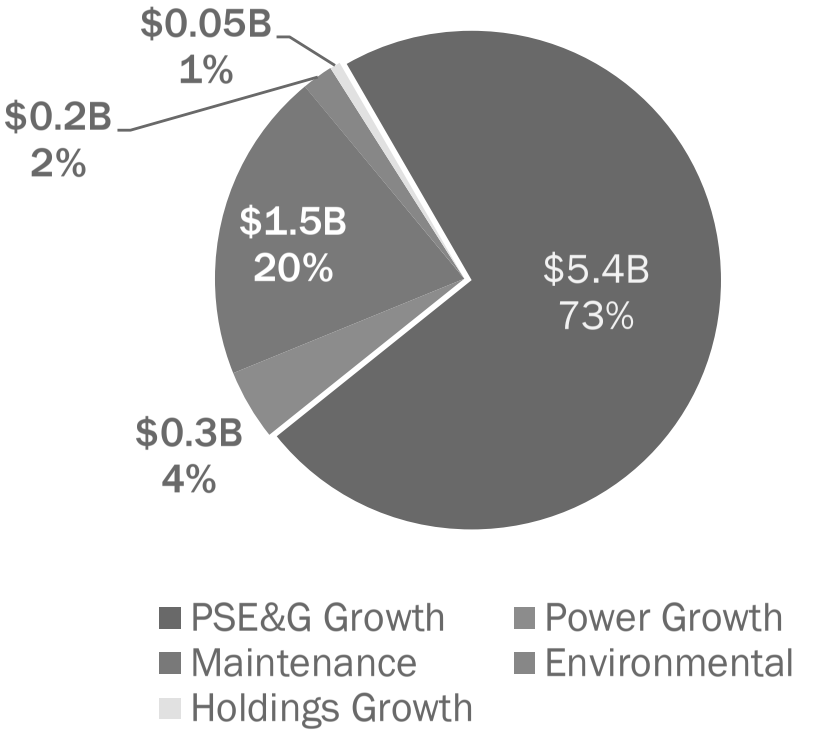


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

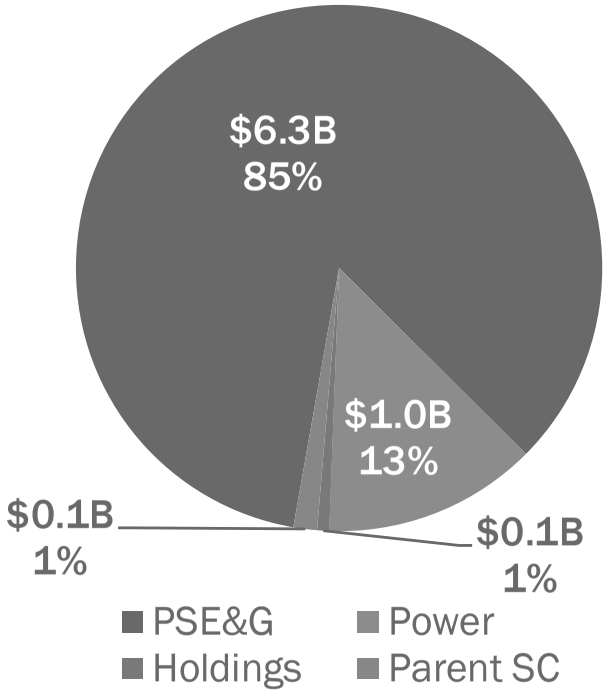
SI-SSA-0015-05694

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



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PSEG

E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. *DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)

- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-05696

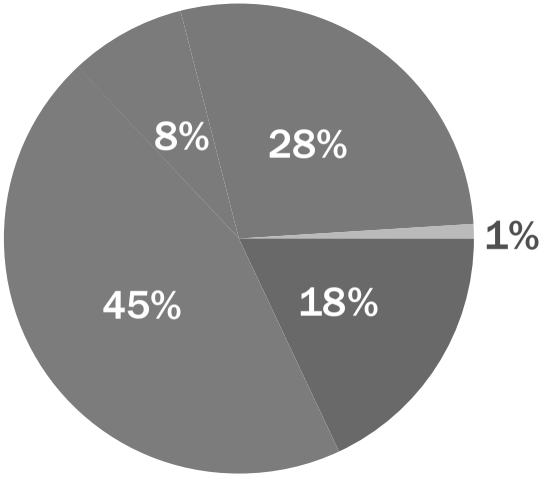
68 local NJ towns and 6 counties support

- 68 municipalities and six counties (Bergen, Hudson, Mercer, Passaic, Somerset and Union) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems
- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities
- Public hearings are scheduled for September and October 2013

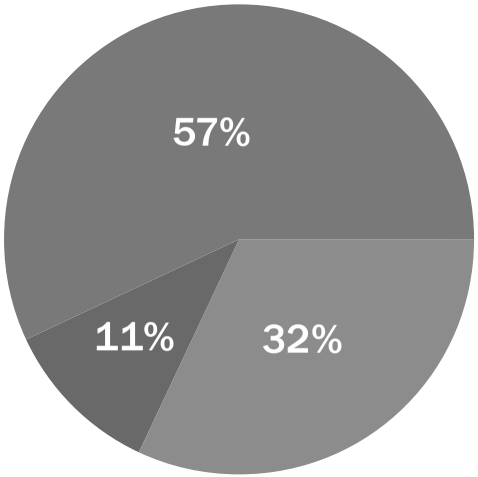
SI-SSA-0015-05697

PSEG Power value advantaged by asset diversity, fuel flexibility and location

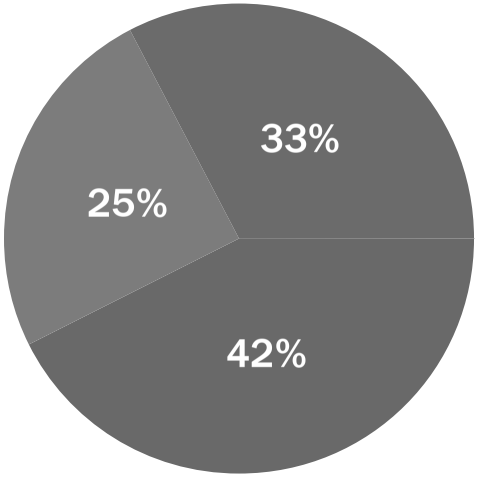
Fuel Diversity*
Total MW: 13,226



Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

- Intermediate
- Peaking
- Base load

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-05698

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

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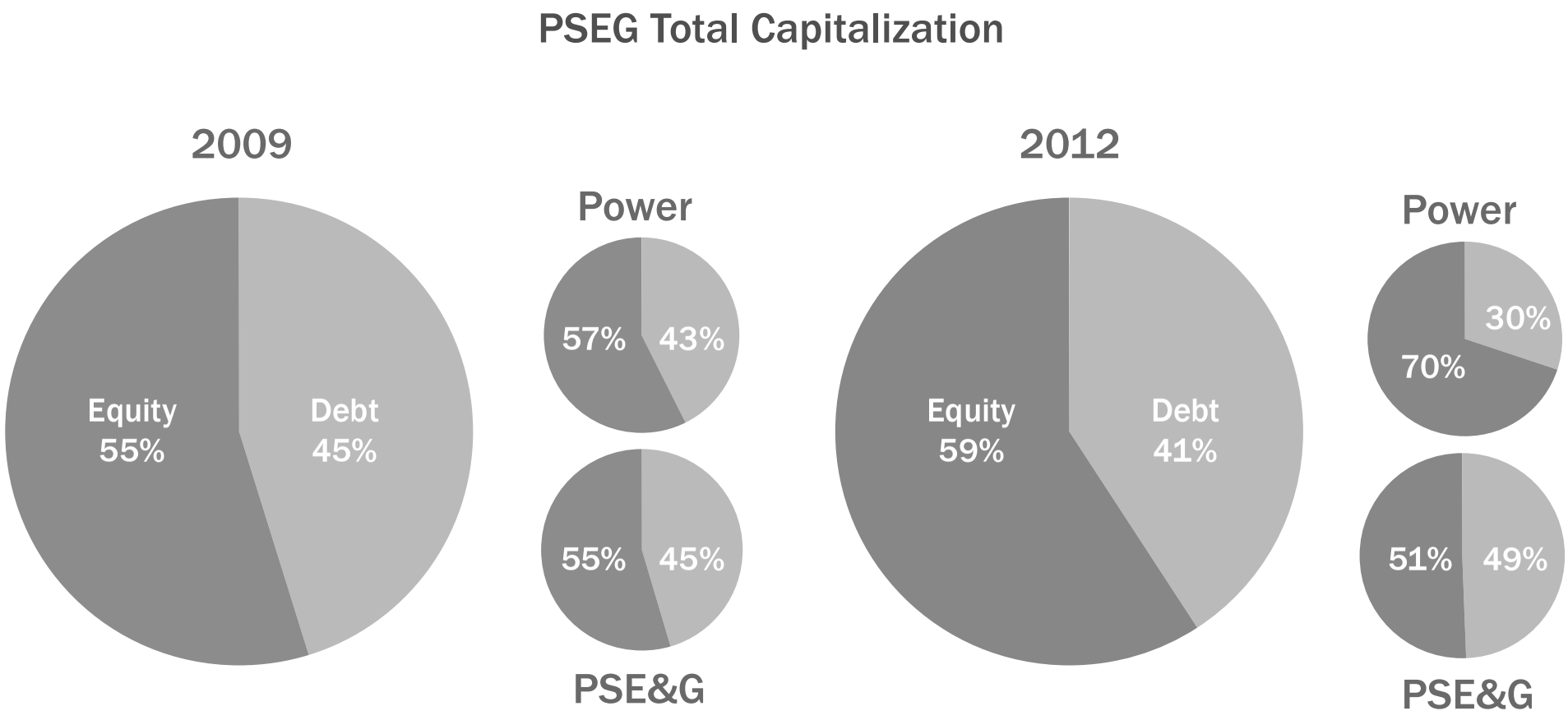
Balance Sheet Strengthened

PSEG has reduced risk



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PSEG First Half 2013 - Highlights

Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share

- Strong earnings: First half 2013 earnings of $1.33 per share vs. $1.28 in year-ago period
  - Power benefitting from higher capacity prices and asset location
    - PSE&G seeing results from increased investment in transmission
      - O&M under control {Continuing control of O&M supporting results}

- Capital investment on schedule
  - PSE&G received approval to invest $446 million in extensions of Solar 4 All and Solar Loan programs
    - PSE&G's existing $3.4 billion Transmission investment program remains on schedule
      - Hearings scheduled for Energy Strong, PSE&G's $2.6 billion, 5-year capital infrastructure program

- Financial position remains strong
  - S&P credit rating upgrade across Enterprise, Power and PSE&G
    - Debt represented 41% of capital at June 30, 2013
      - Dividend increased 1.4% to $1.44 per share, the 9th increase in the last ten years

Full year 2013 operating earnings expected to be at the upper end of guidance, assuming normal weather and unit operations

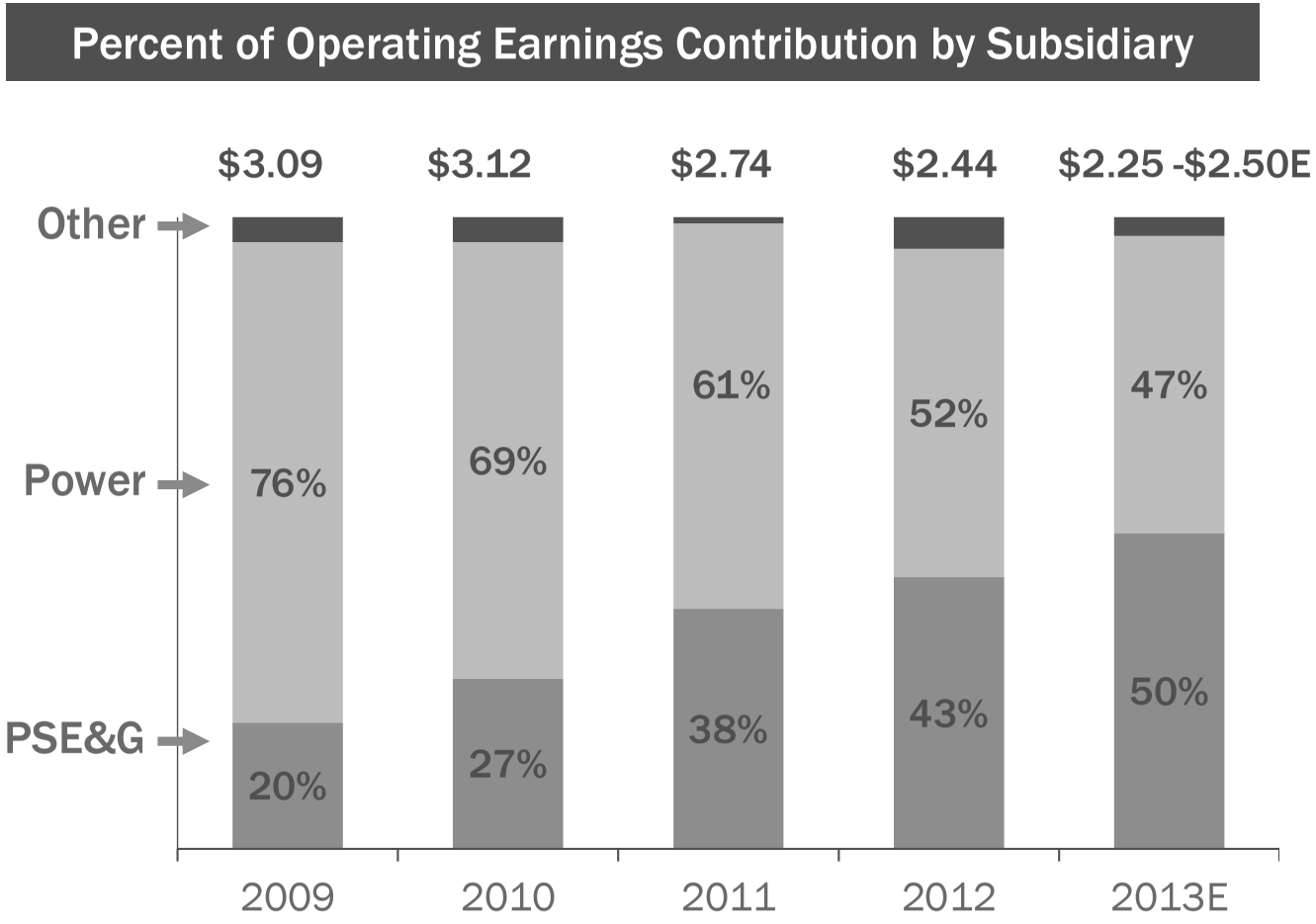
SI-SSA-0015-05701

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



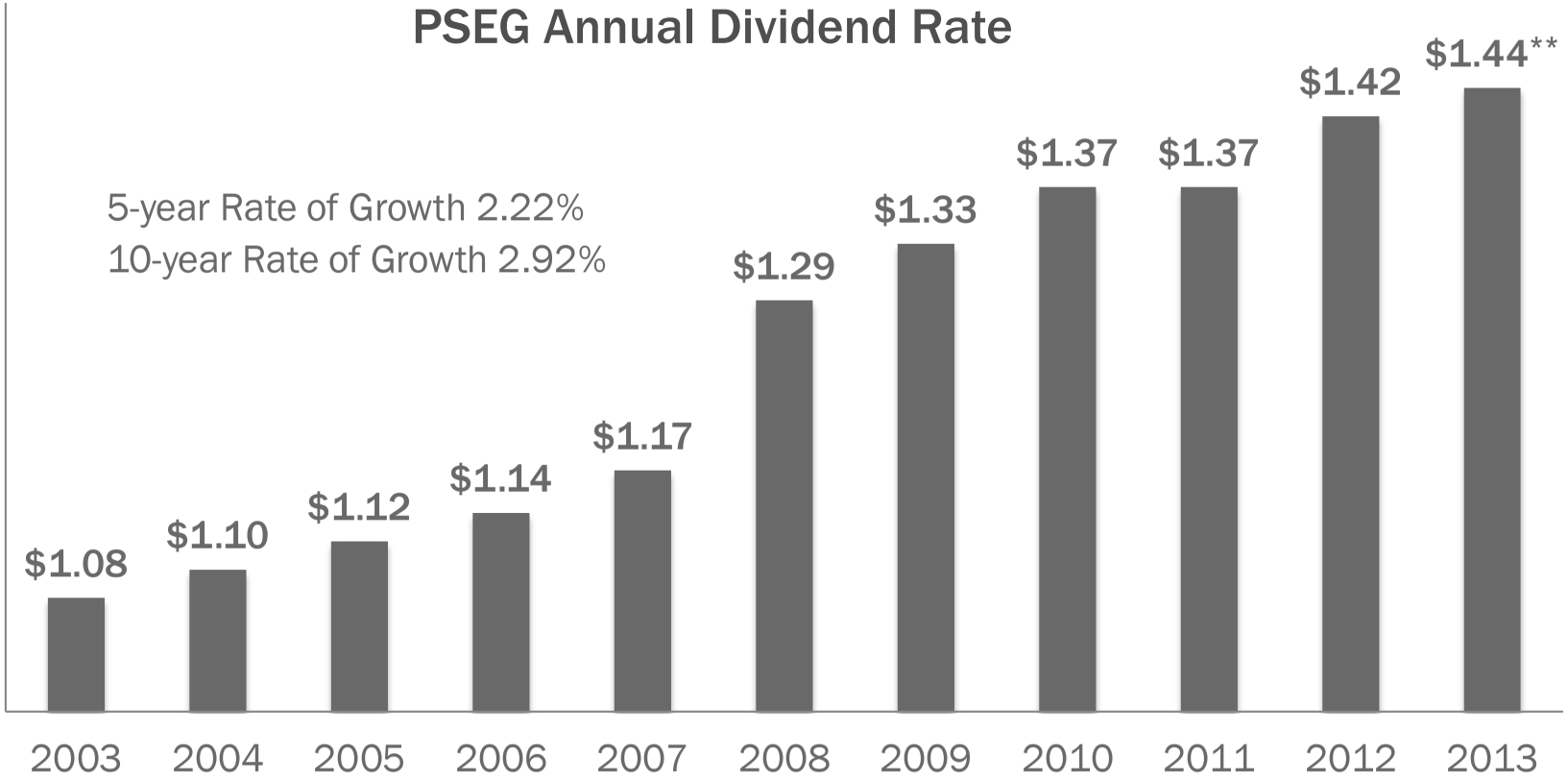
SI-SSA-0015-05702

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-05703

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

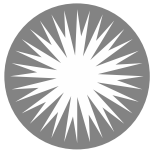
PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-05704

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER



PSEG

We make things work for you.

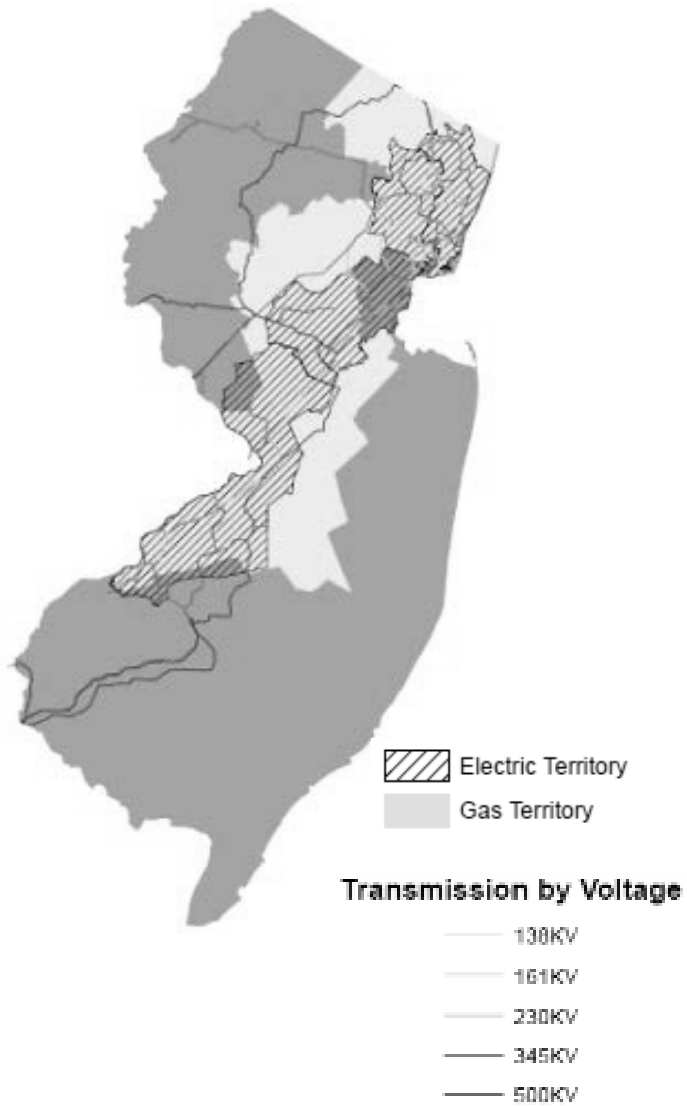
SI-SSA-0015-05705

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05706

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-05707

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

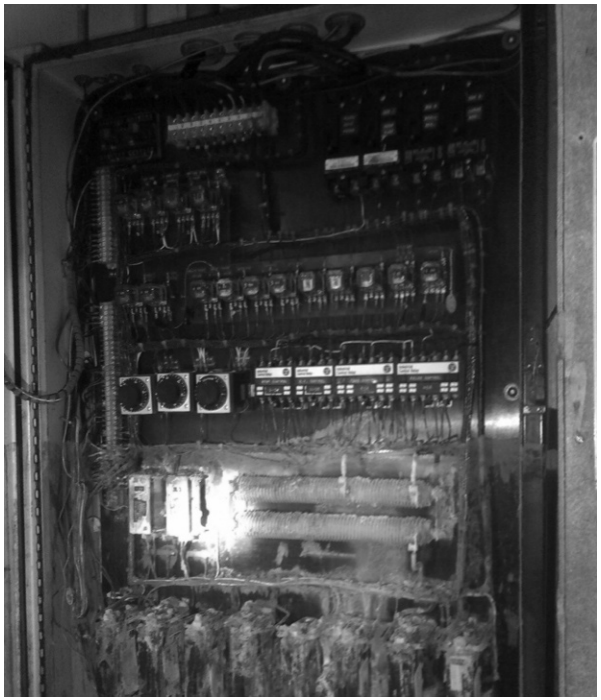
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-05708

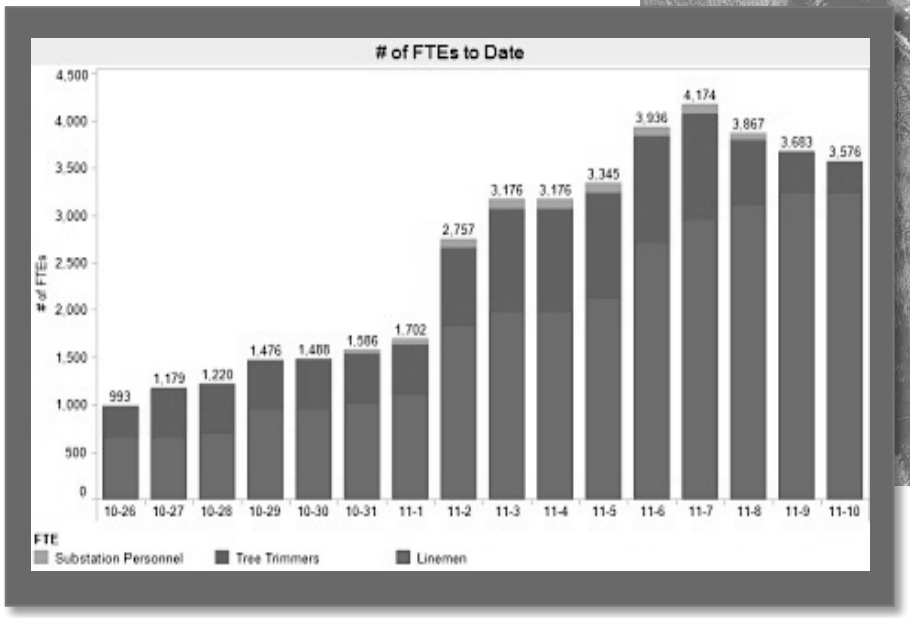
During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-05709

PSE&G brought in more than 4,000

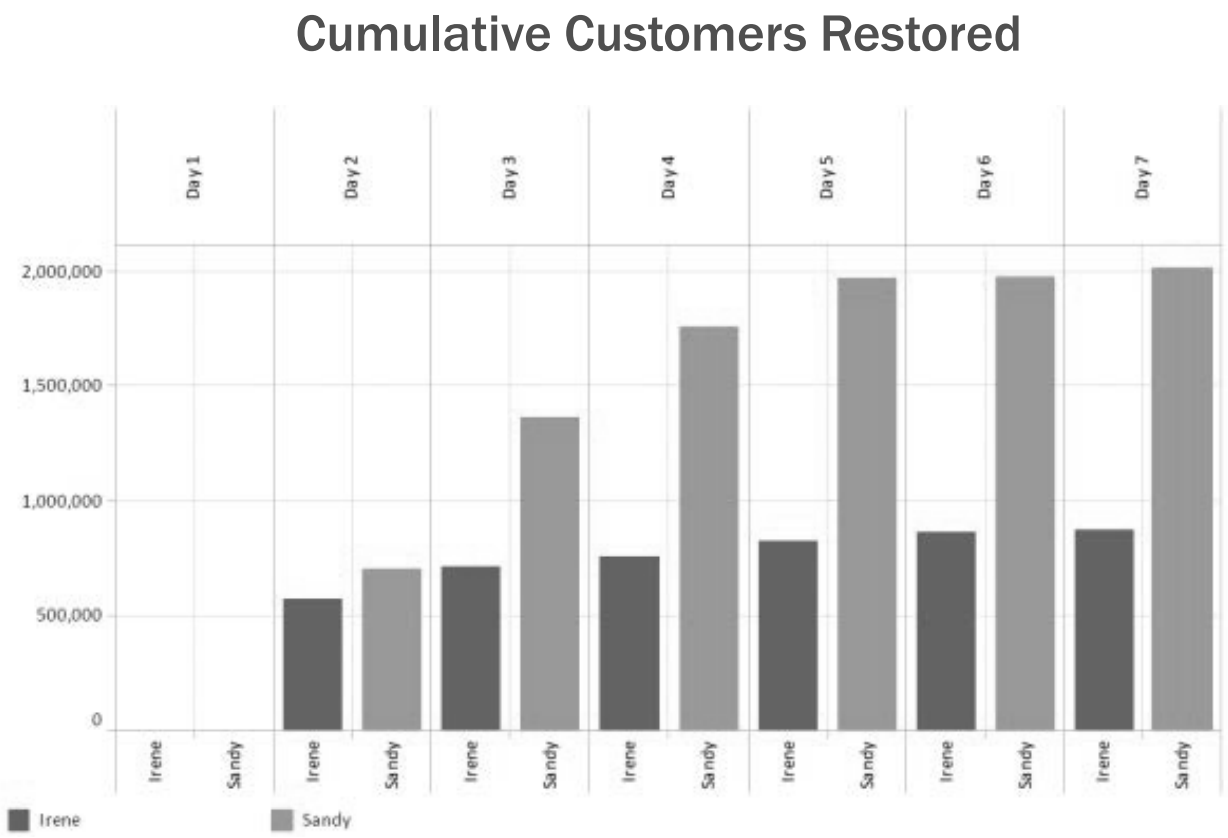
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-05710

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-05711

PSE&G's operating earnings grew ~10%*

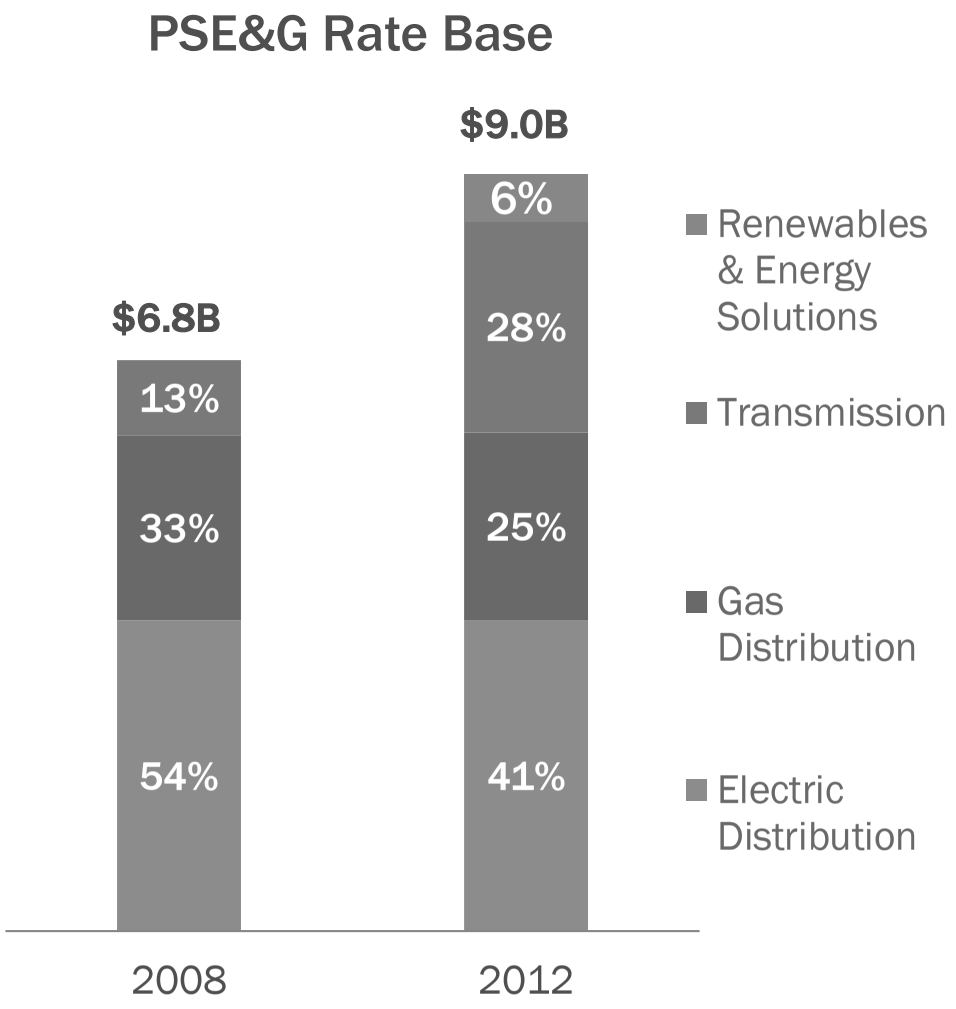
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-05712

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

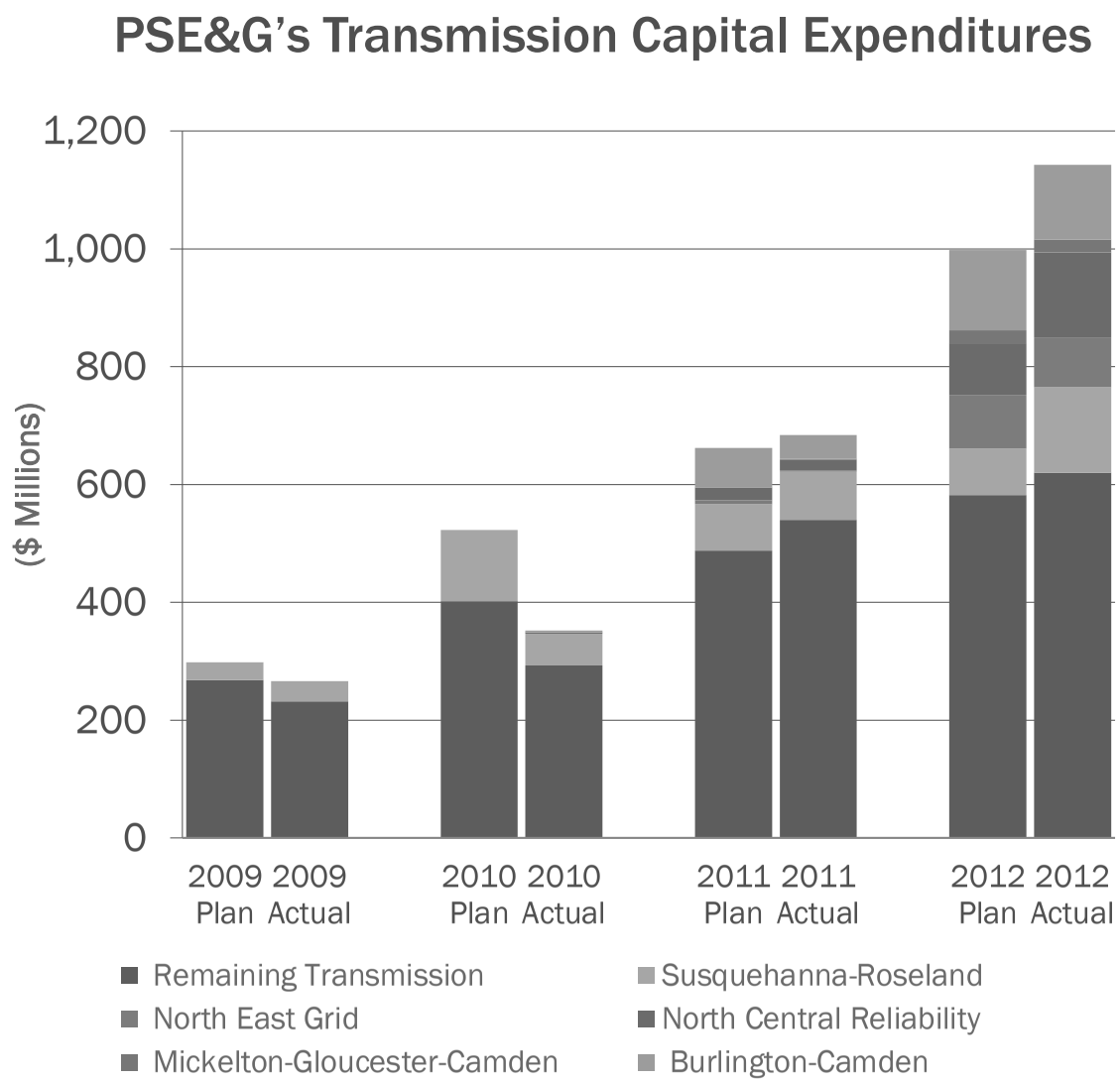
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-05713

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-05714

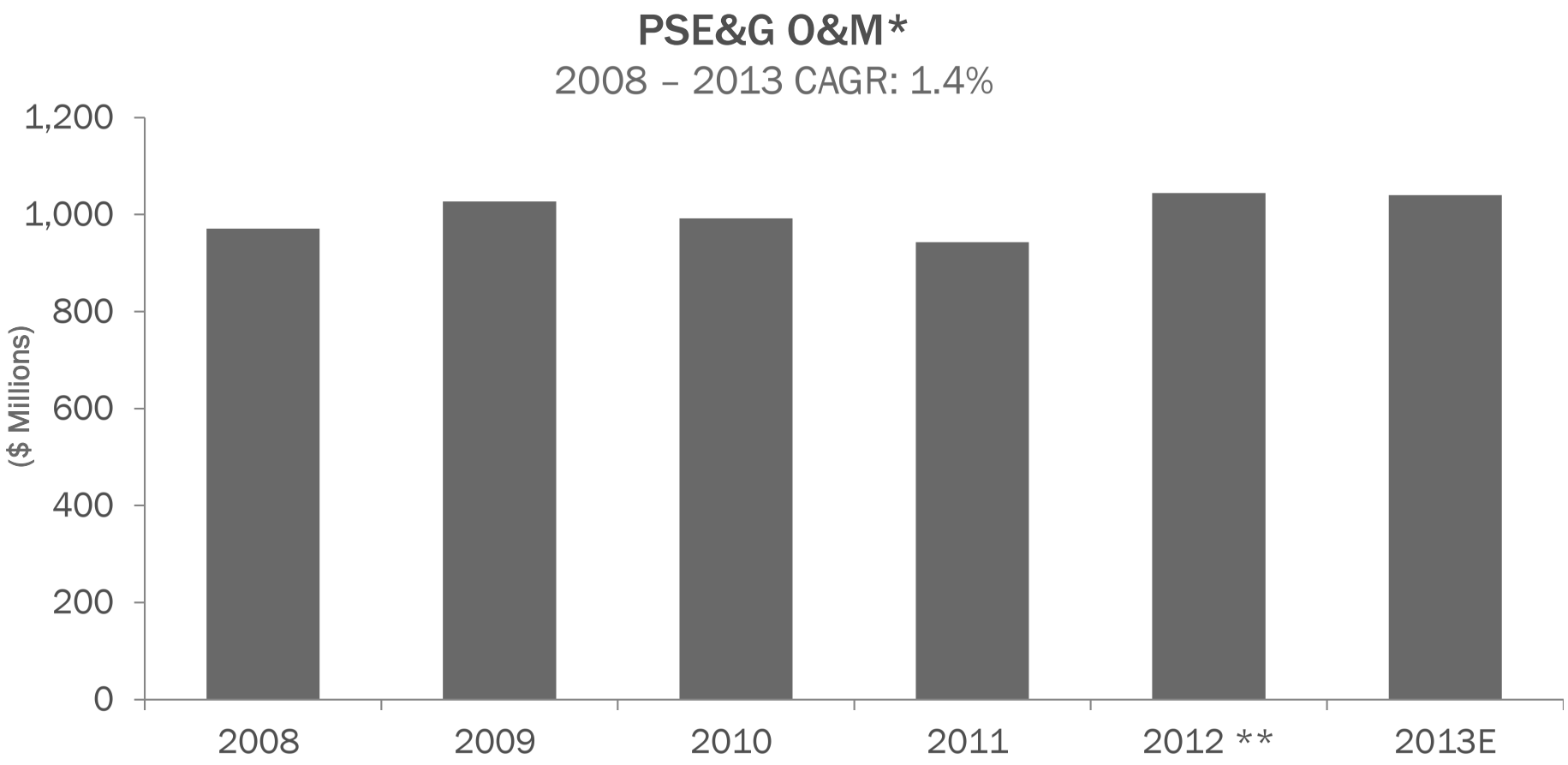
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 6/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$228	$16
Solar 4 All	July 2009	457	456	1
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	157	4
Demand Response	July 2009	34	29	5
Energy Efficiency Economic Stimulus Extension	July 2011	93	23	70
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,462**	**$1,920**	**$542**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-05715

Focus on controlling O&M allows us to earn our authorized return

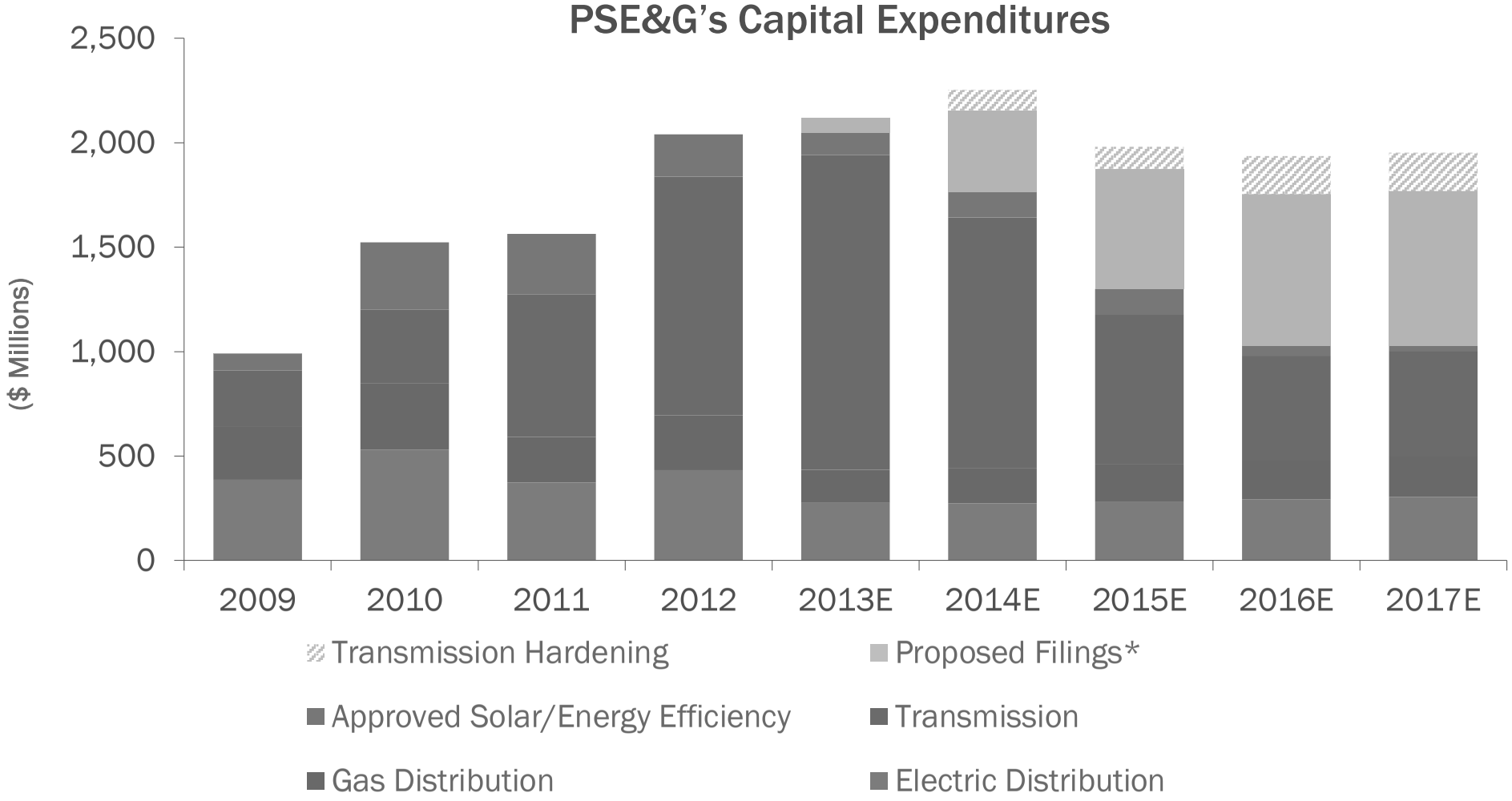


SI-SSA-0015-05716

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-05717

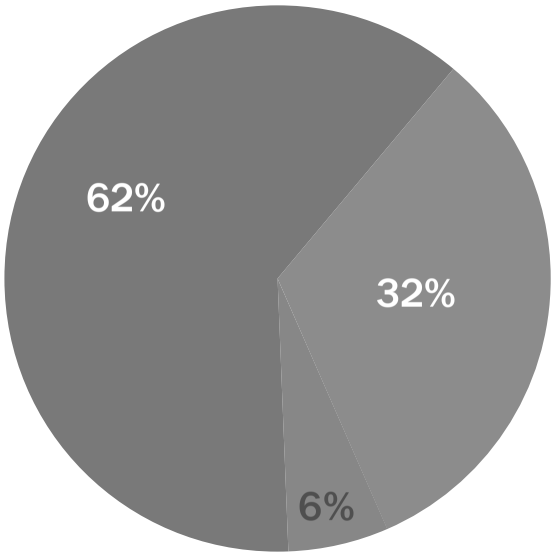
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EE4A. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

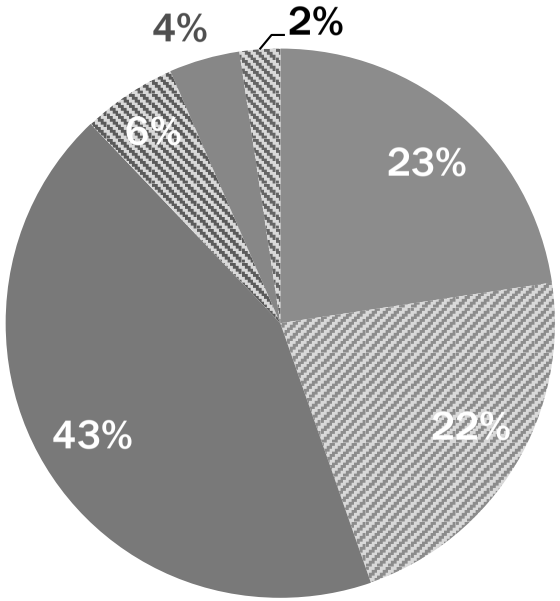
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

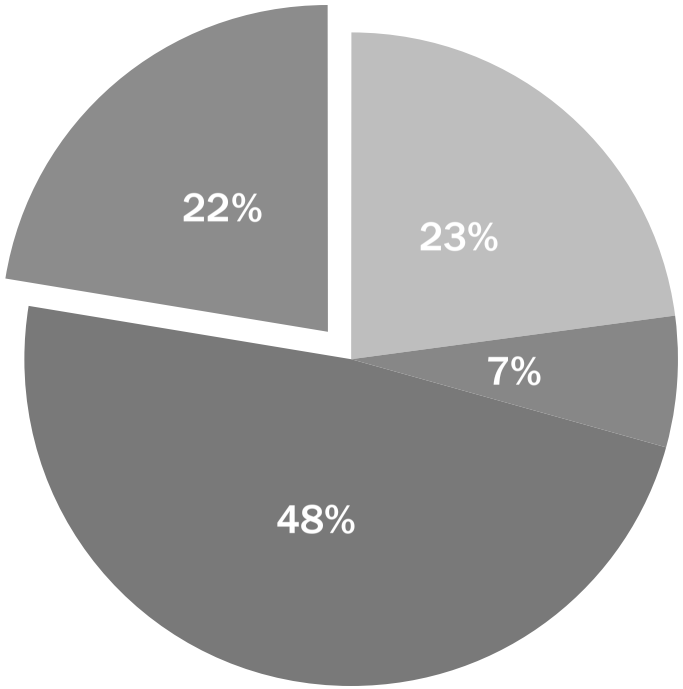
SI-SSA-0015-05718

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.3 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-05719

PSEG

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-05720

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05721

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-05722

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05723

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05724

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05725

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

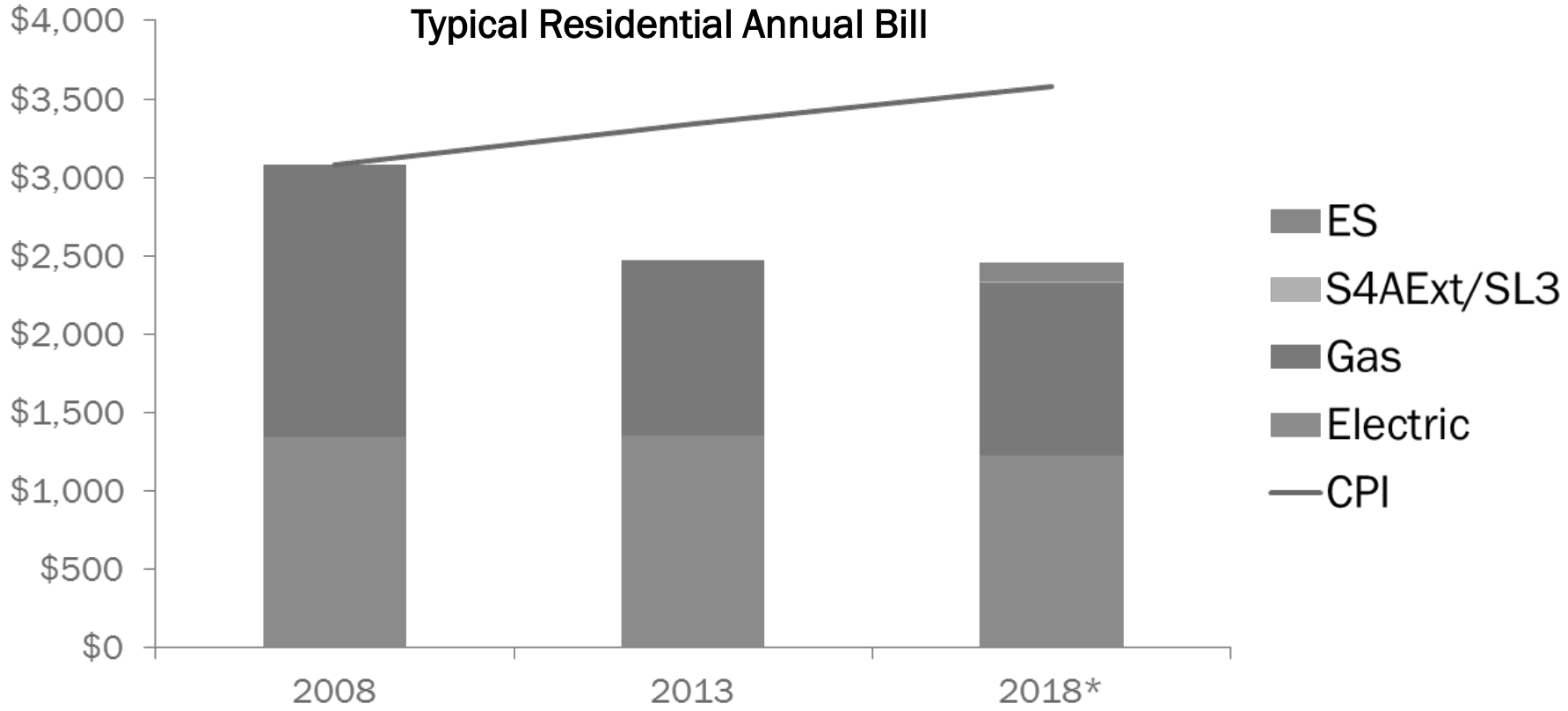
SI-SSA-0015-05726

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-05727

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

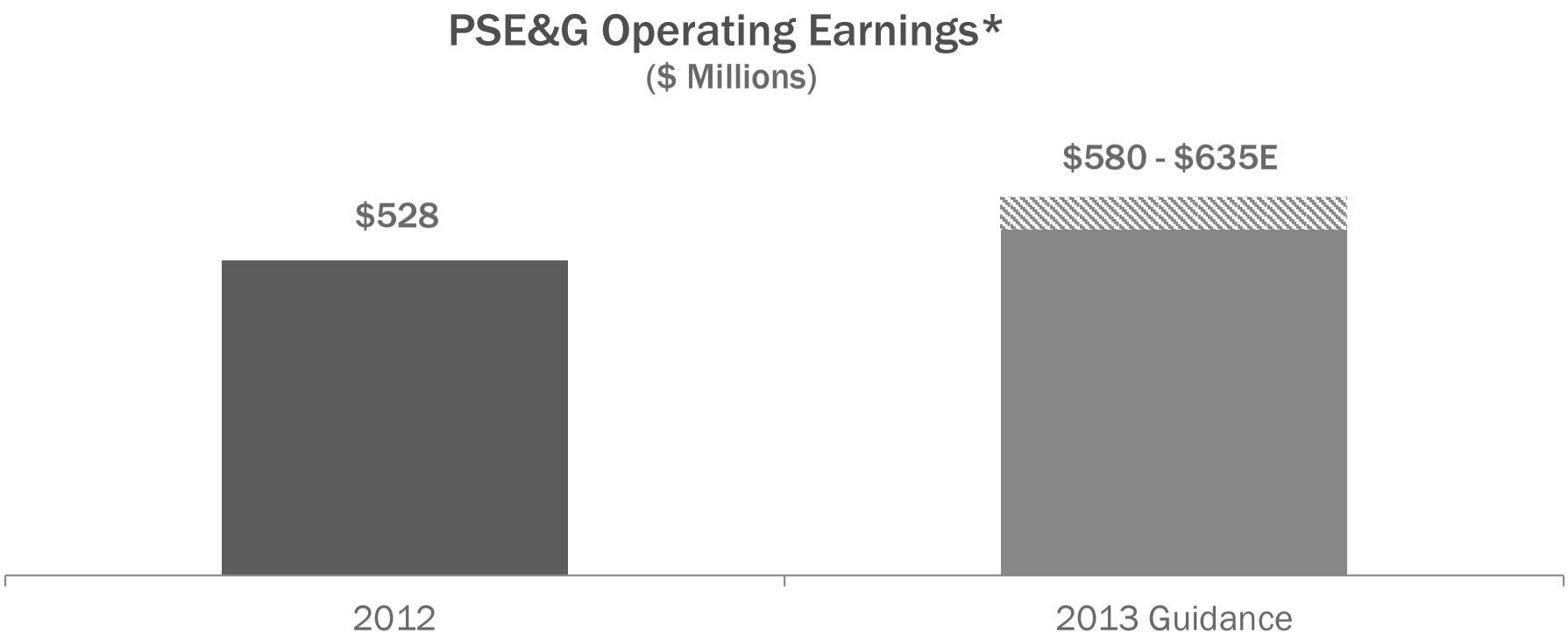


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-05728

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-05729

LONG ISLAND POWER AUTHORITY

PSEG

SI-SSA-0015-05730

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-05731

PSEG ENERGY HOLDINGS

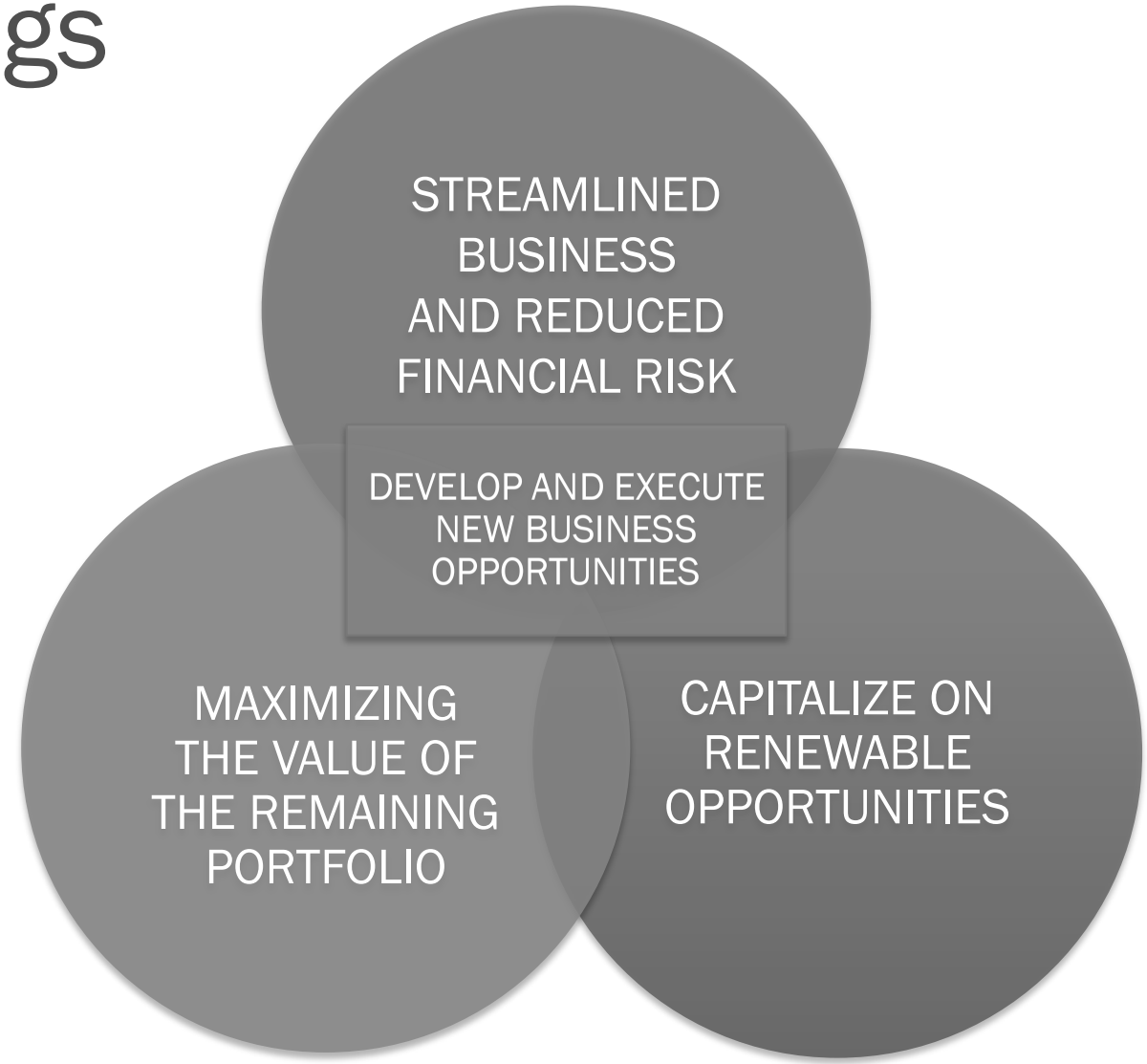
PSEG

We make things work for you.

SI-SSA-0015-05732

PSEG Energy Holdings strategy

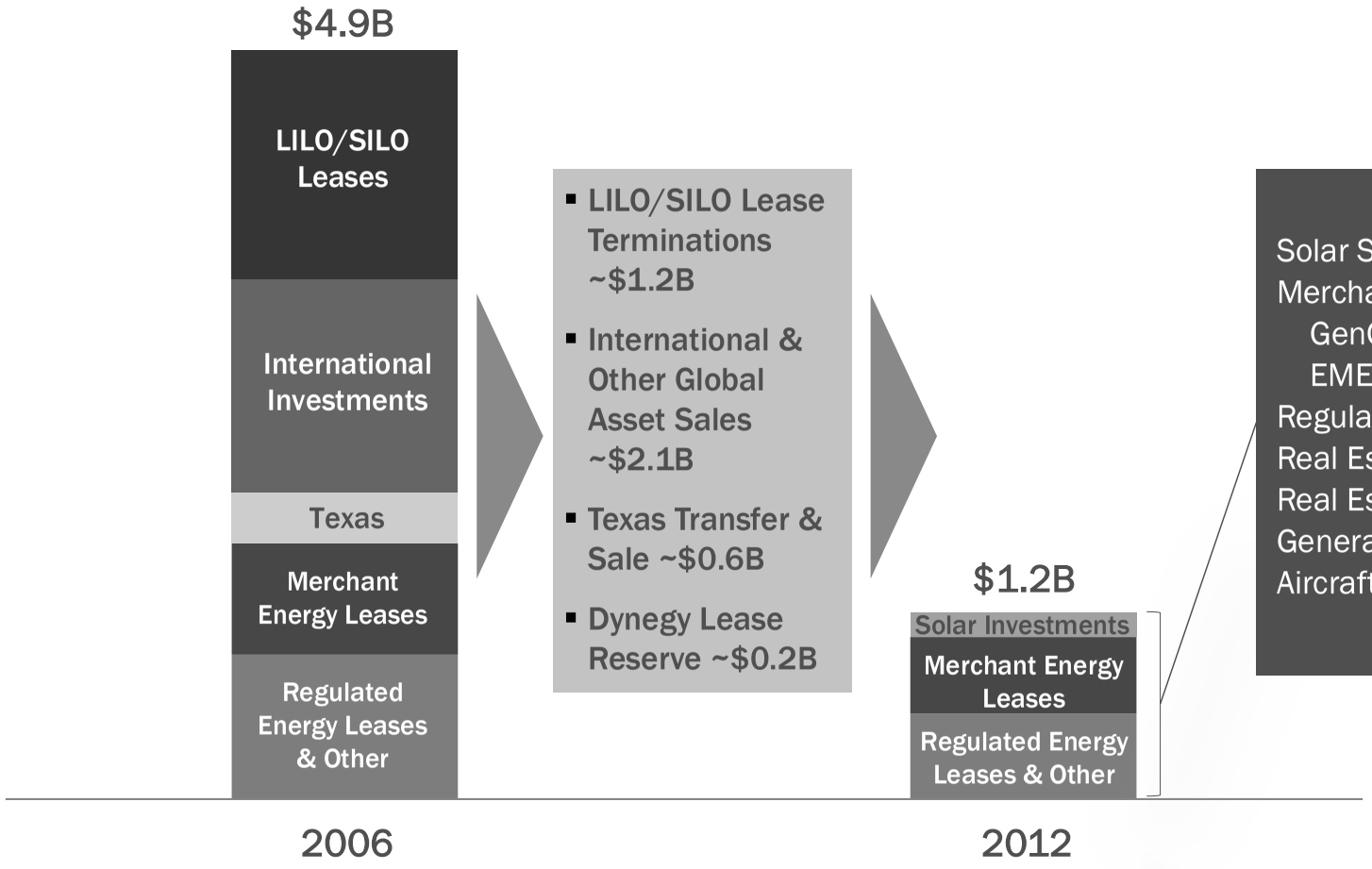
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-05733

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011.

SI-SSA-0015-05734

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-05735

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

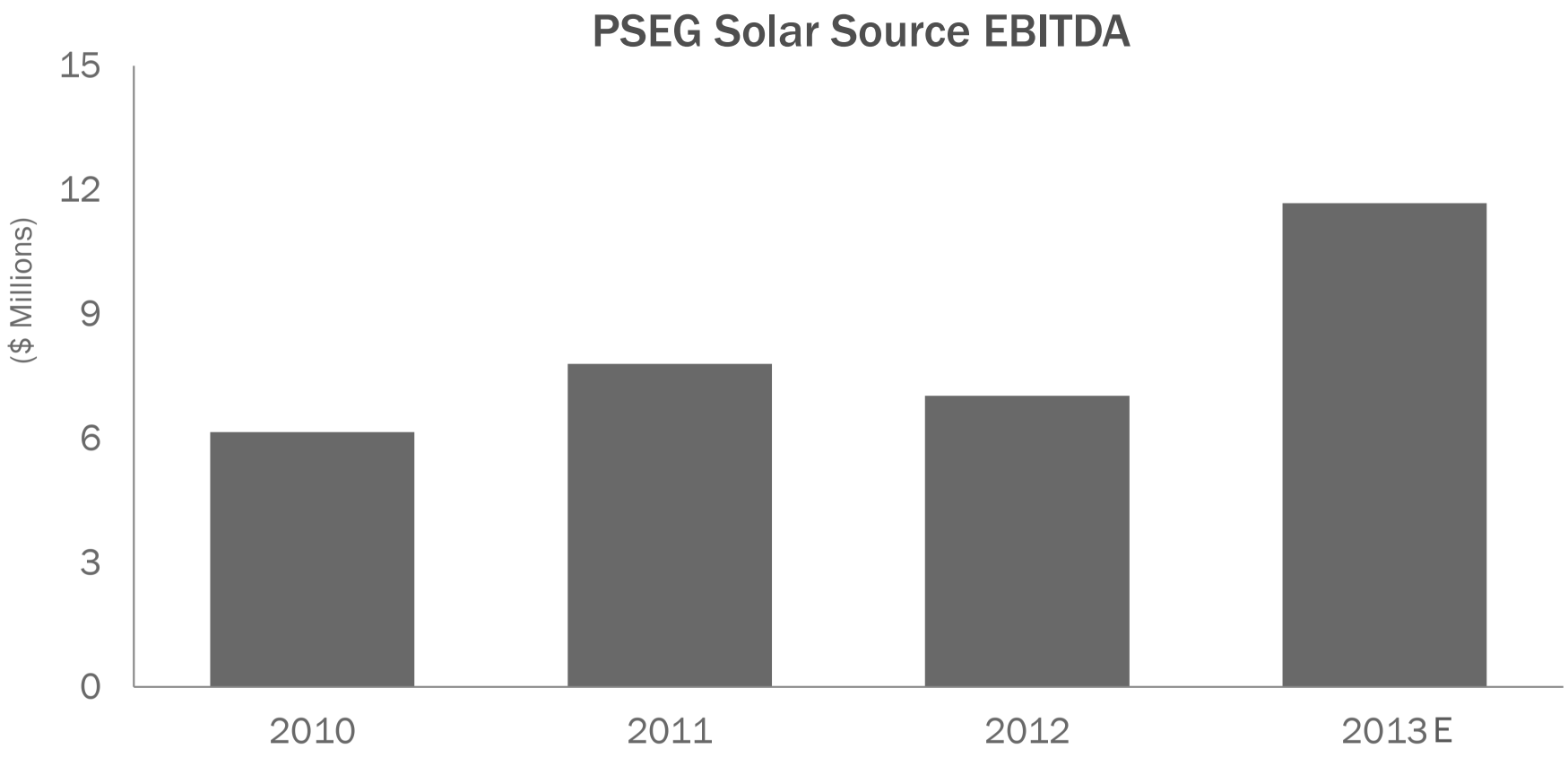
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-05736

PSEG Energy Holdings

These projects should produce steady results for PSEG

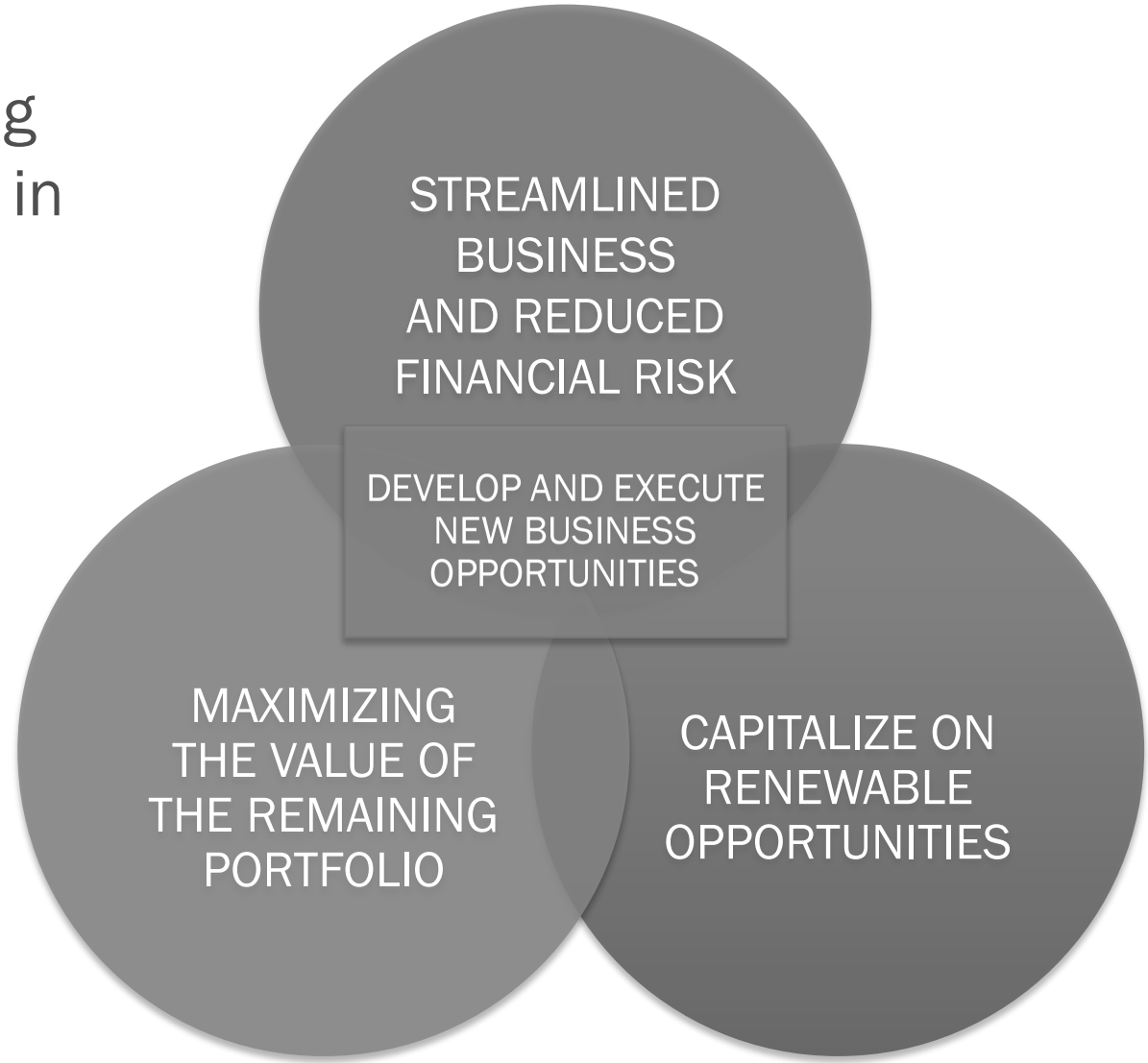


SI-SSA-0015-05737

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-05738

PSEG POWER

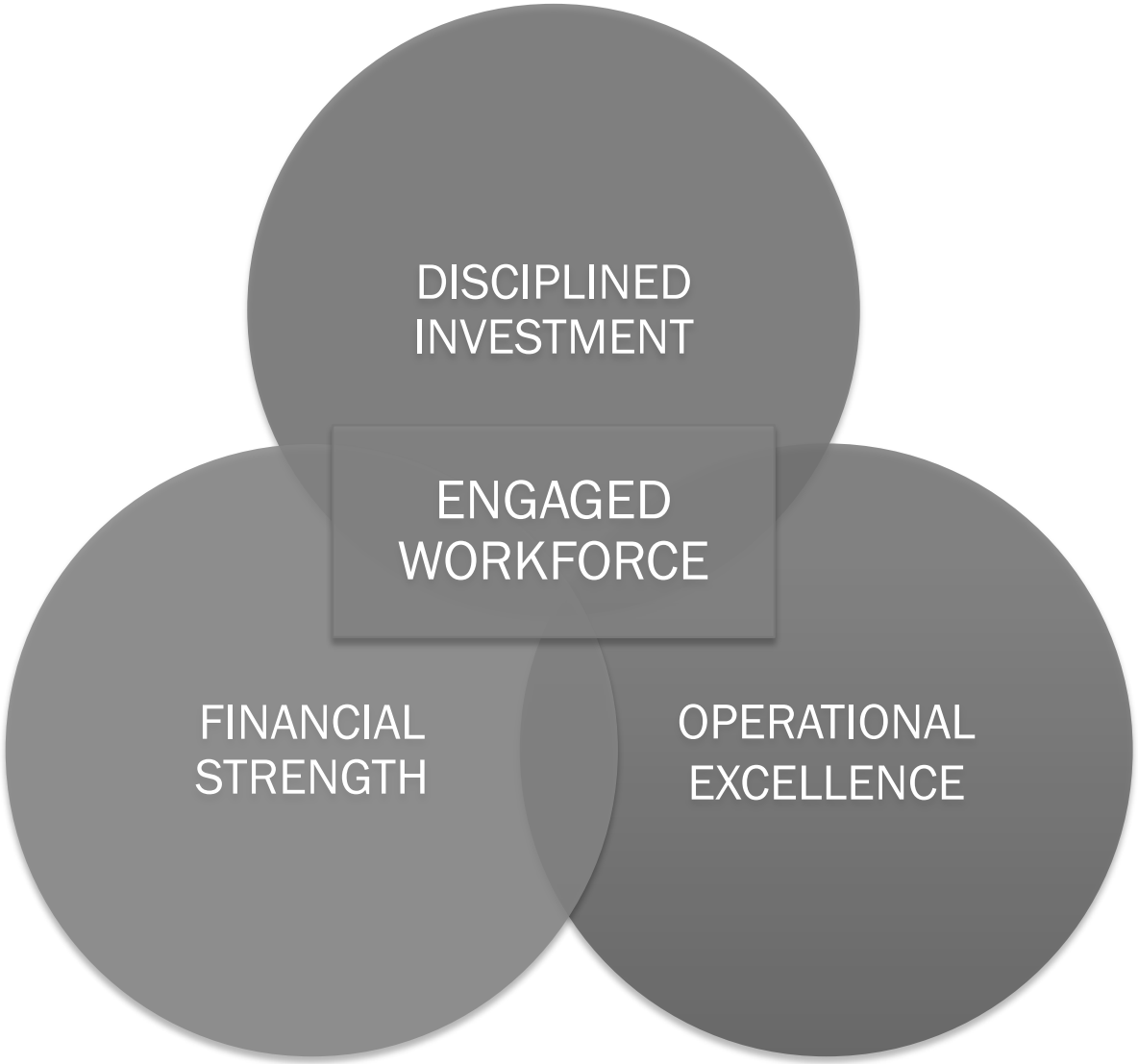
PSEG

We make things work for you.

SI-SSA-0015-05739

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-05740

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-05741

PSEG Power delivered in 2012

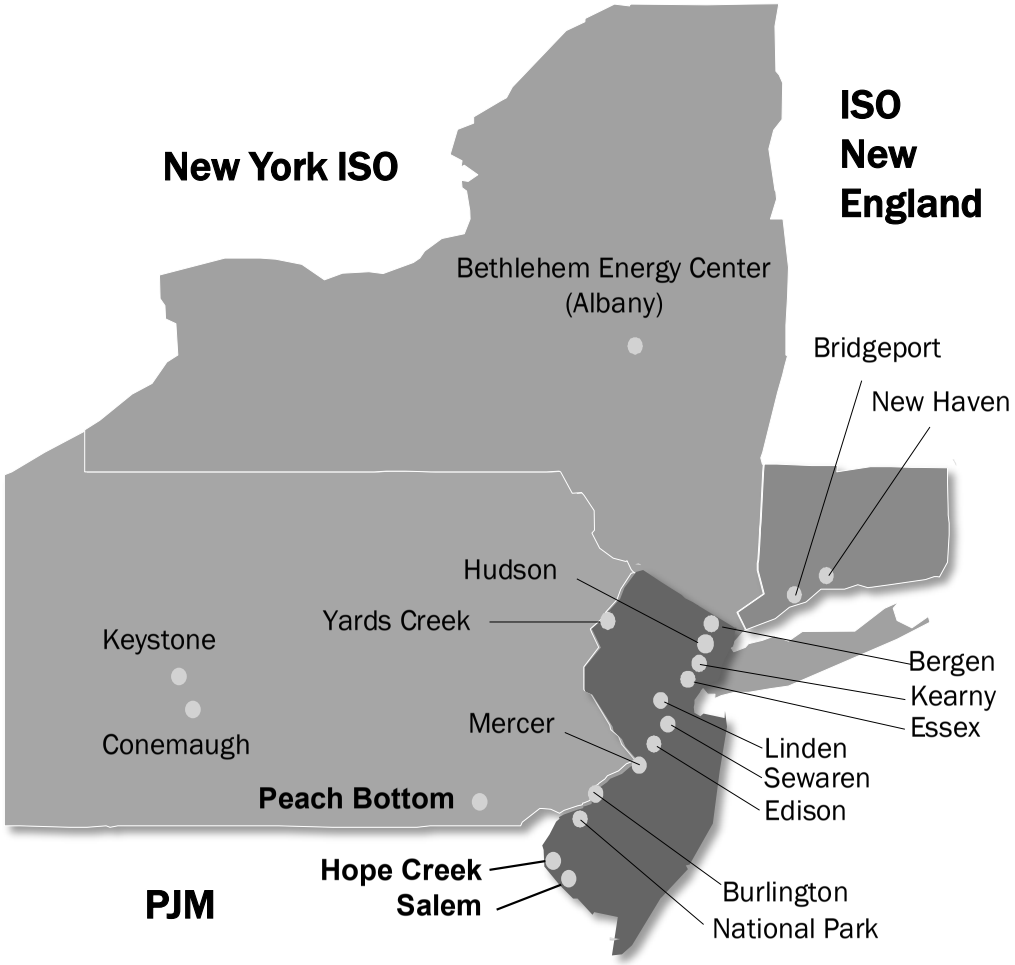
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-05742

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-05743

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-05744

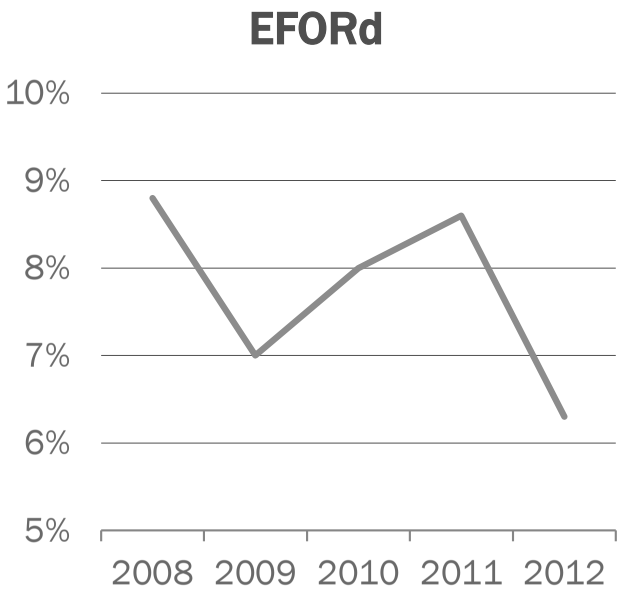
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

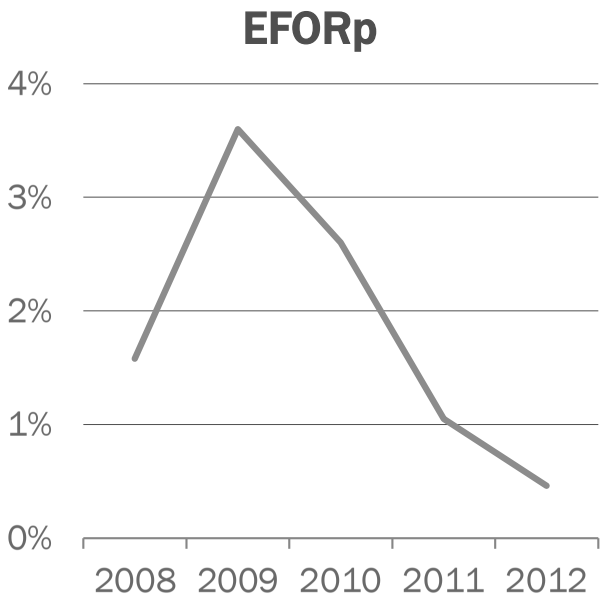
SI-SSA-0015-05745

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

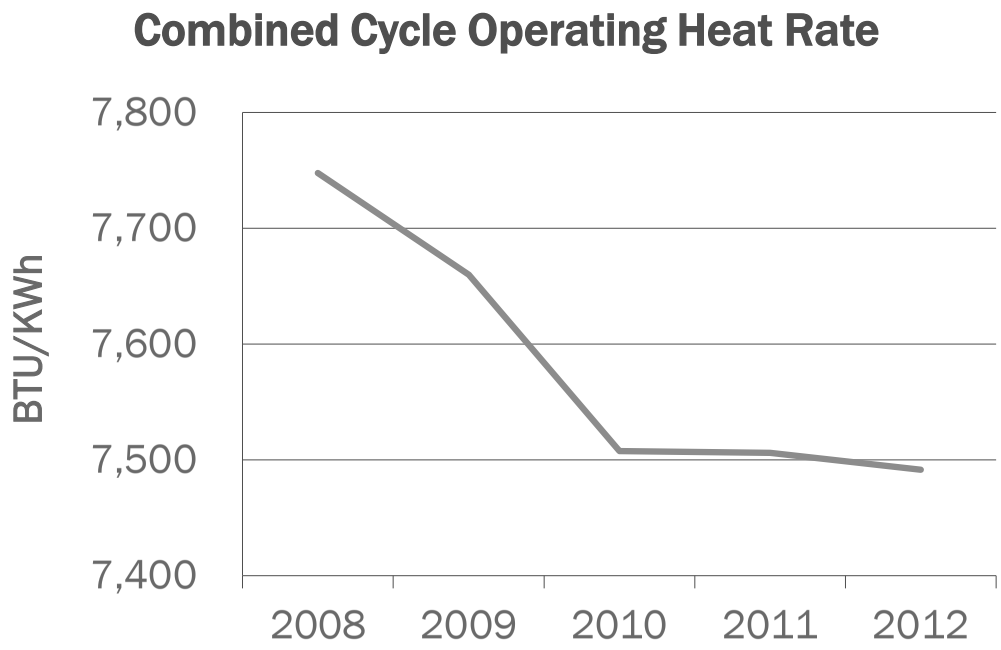


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-05746

PSEG Power improvements achieved in combined cycle fleet efficiency

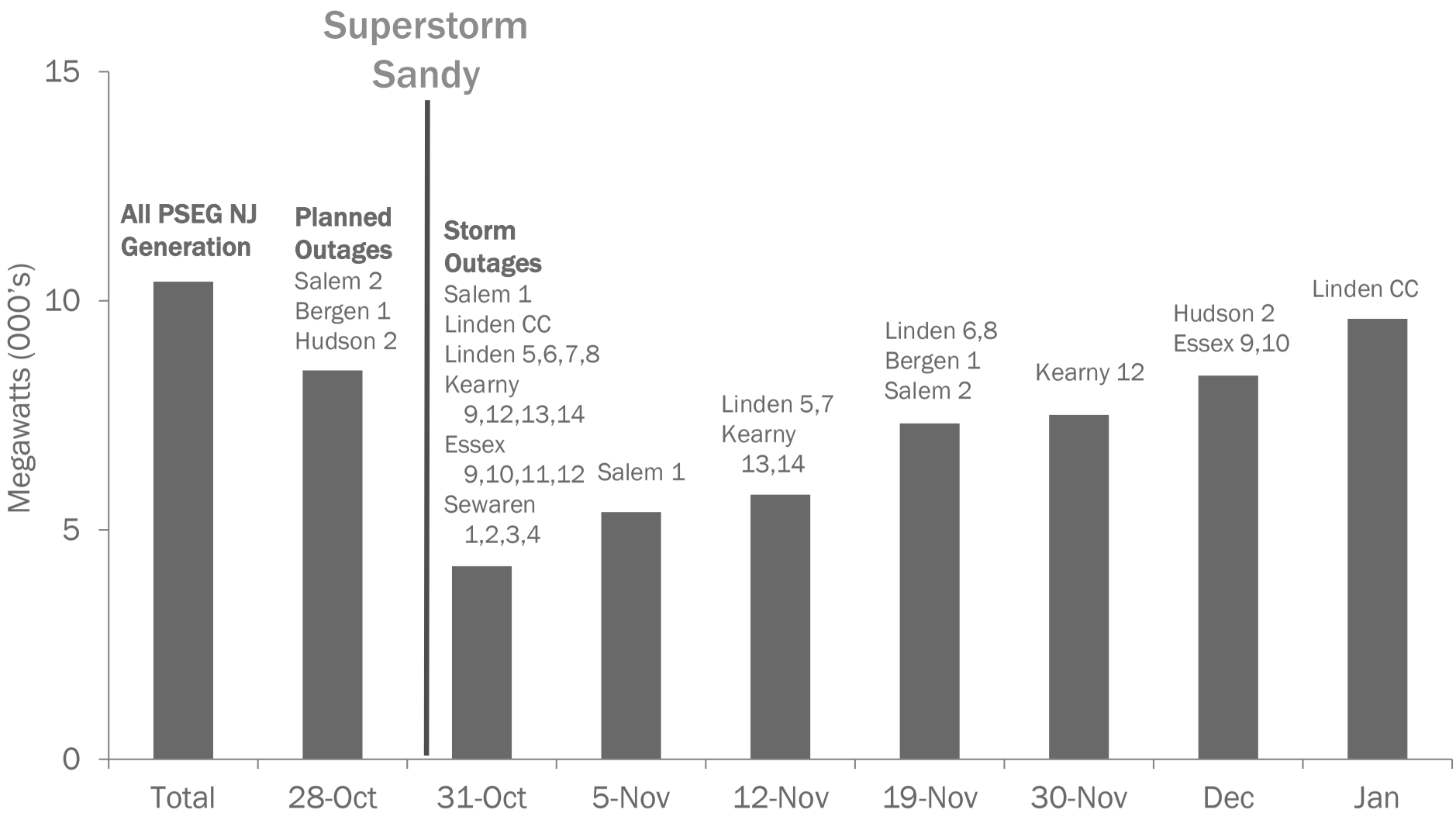


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-05747

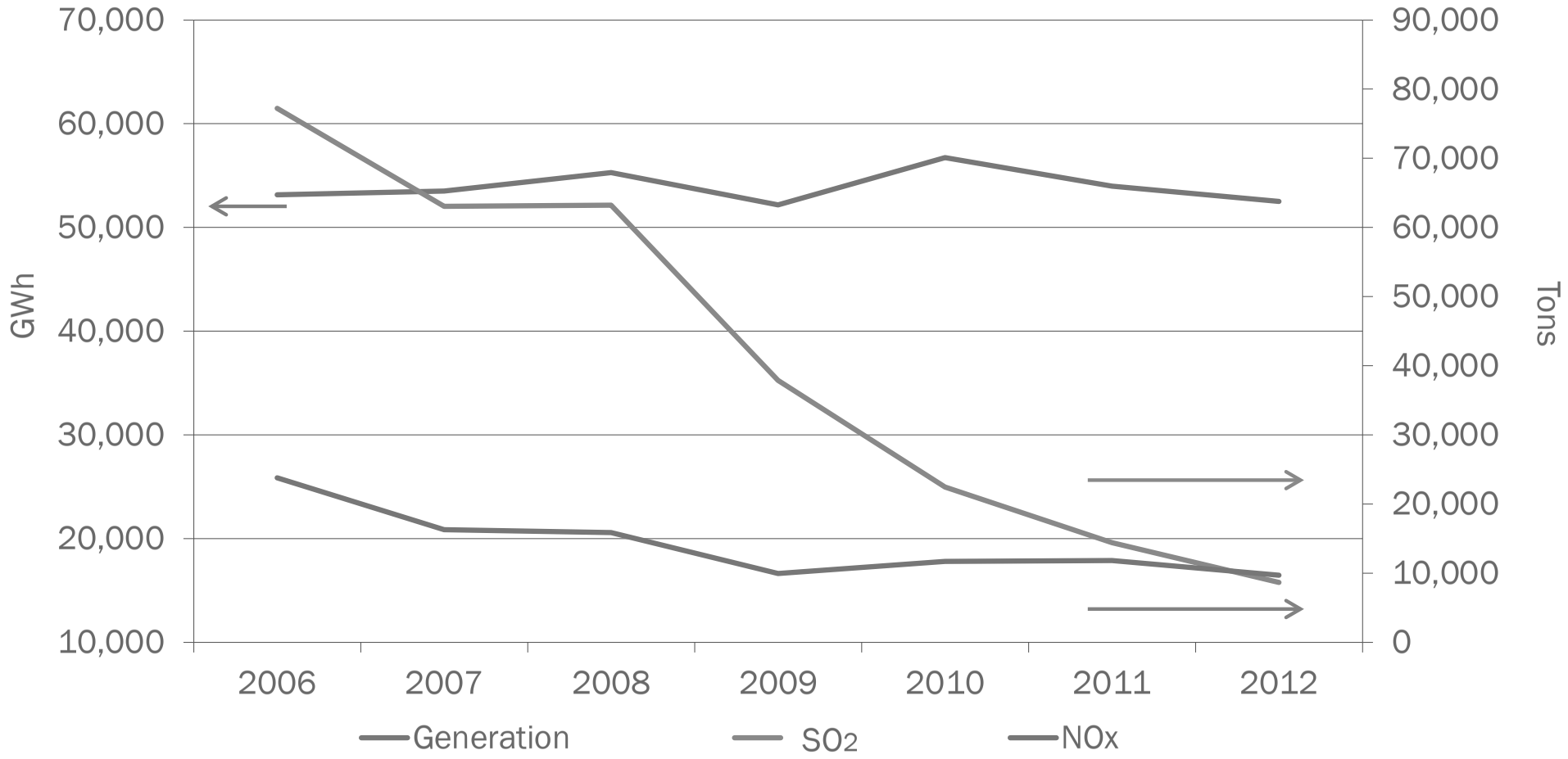
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-05748

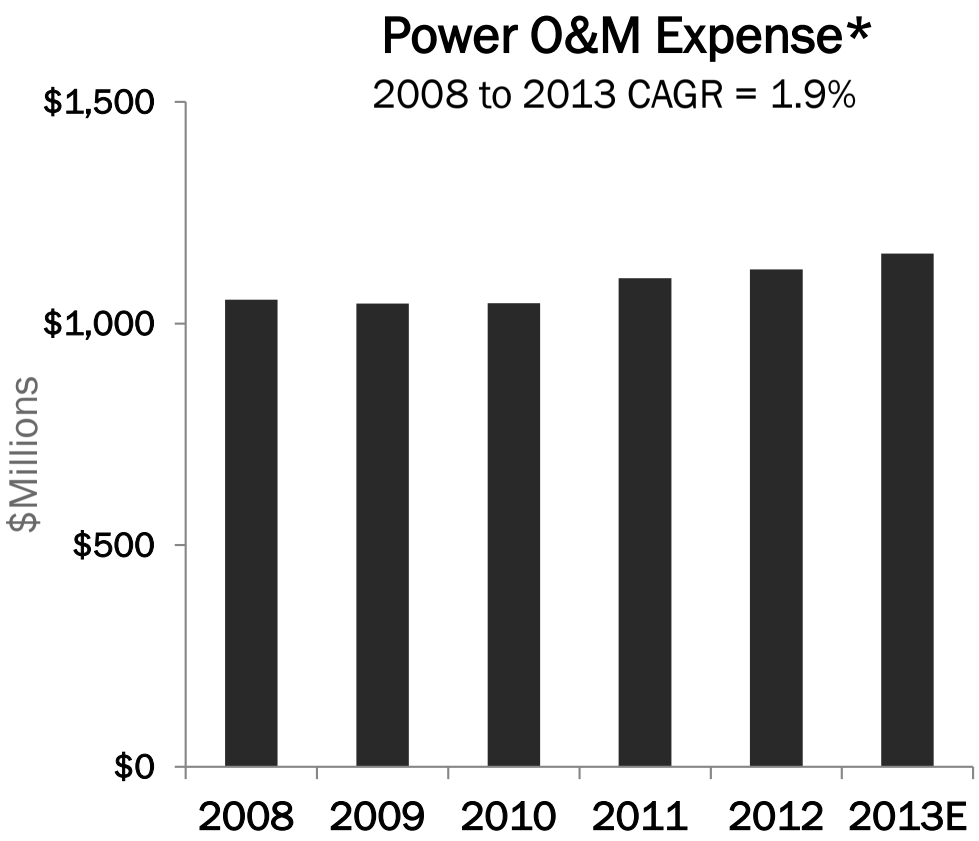
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-05749

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-05750

PSEG

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

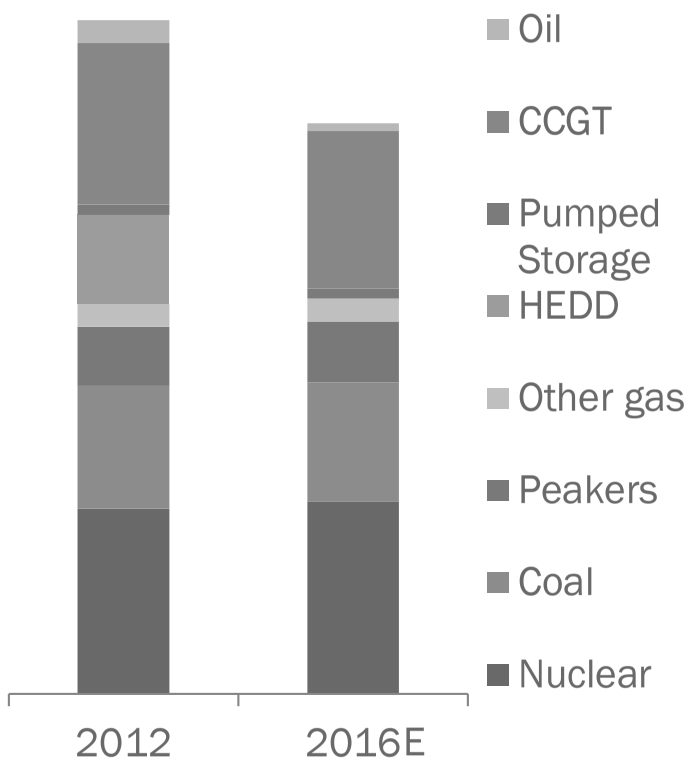
SI-SSA-0015-05751

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

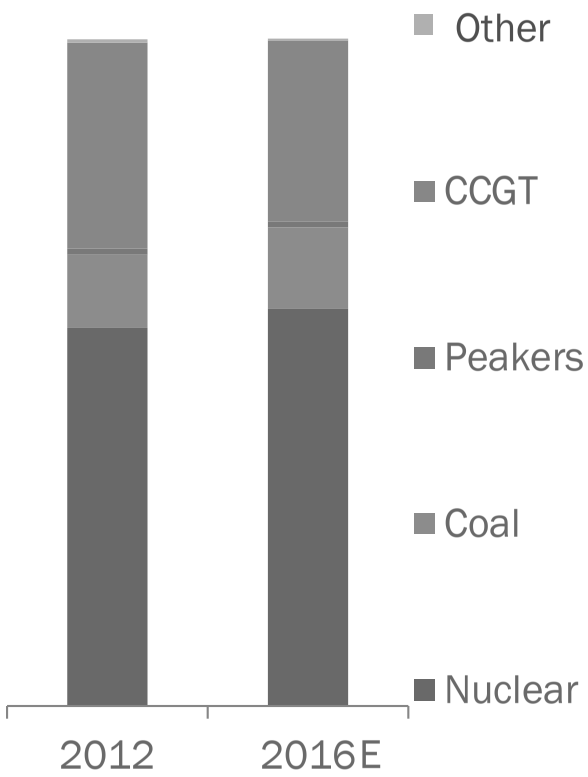
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



SI-SSA-0015-05752

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-05753

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-05754

PSEG

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

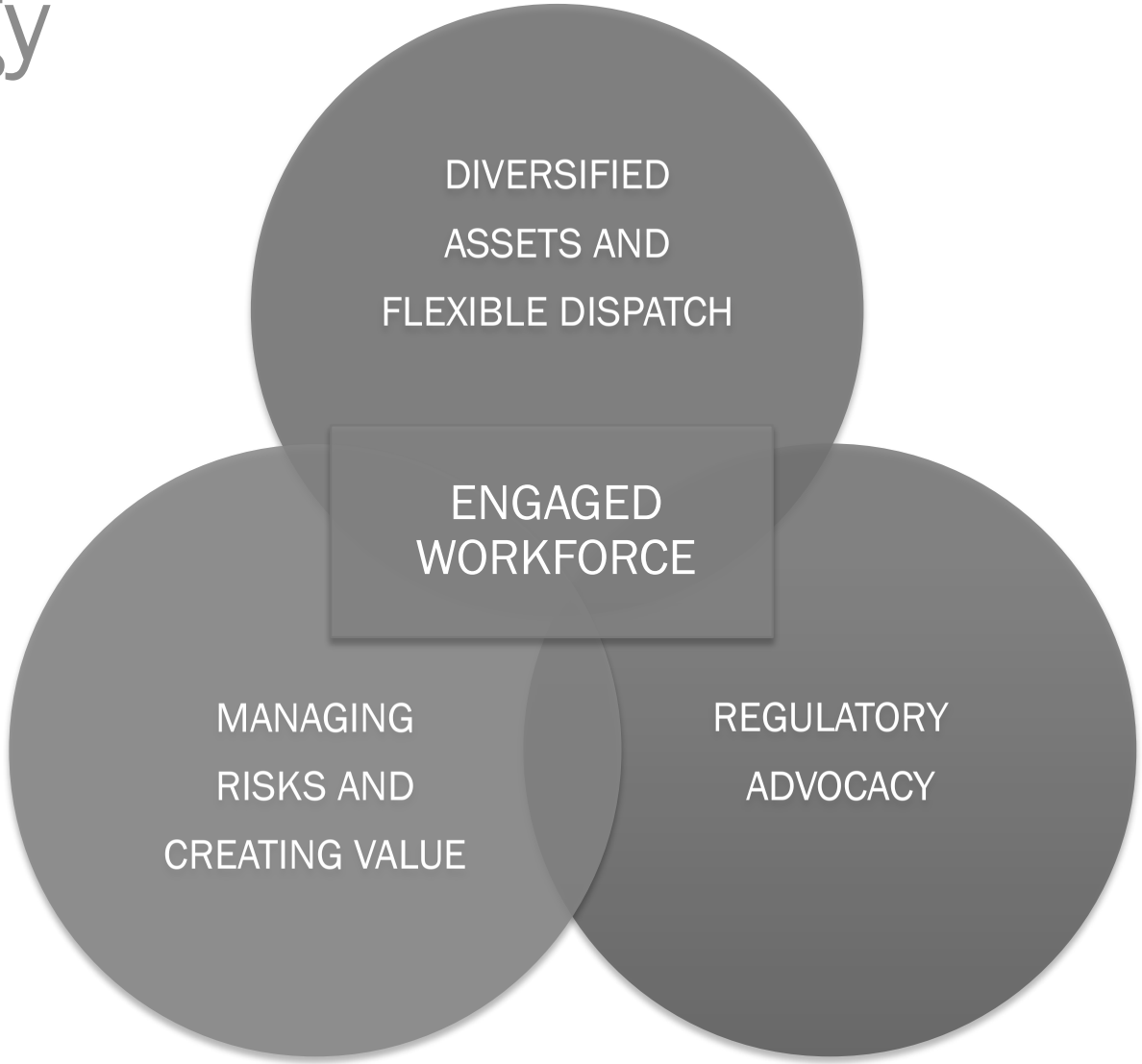
SI-SSA-0015-05755

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-05756

Diversified assets and flexible dispatch

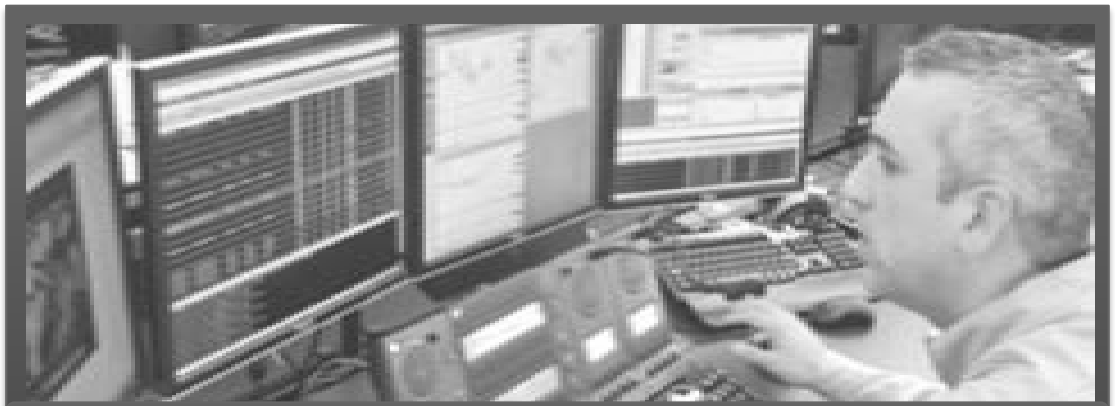
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

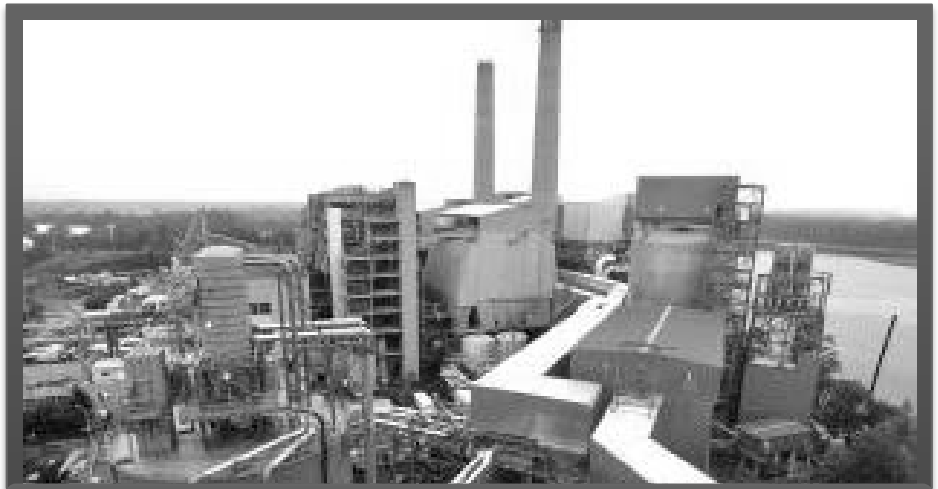
SI-SSA-0015-05757

Fleet capacity has been advanced by:

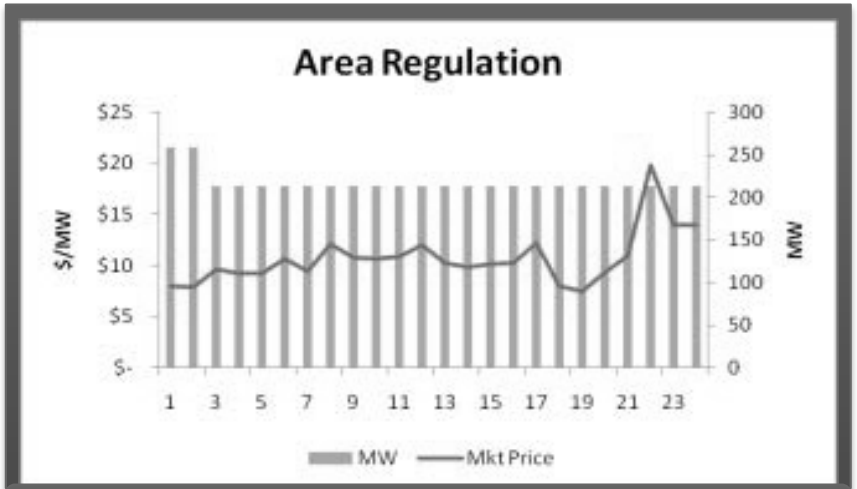
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



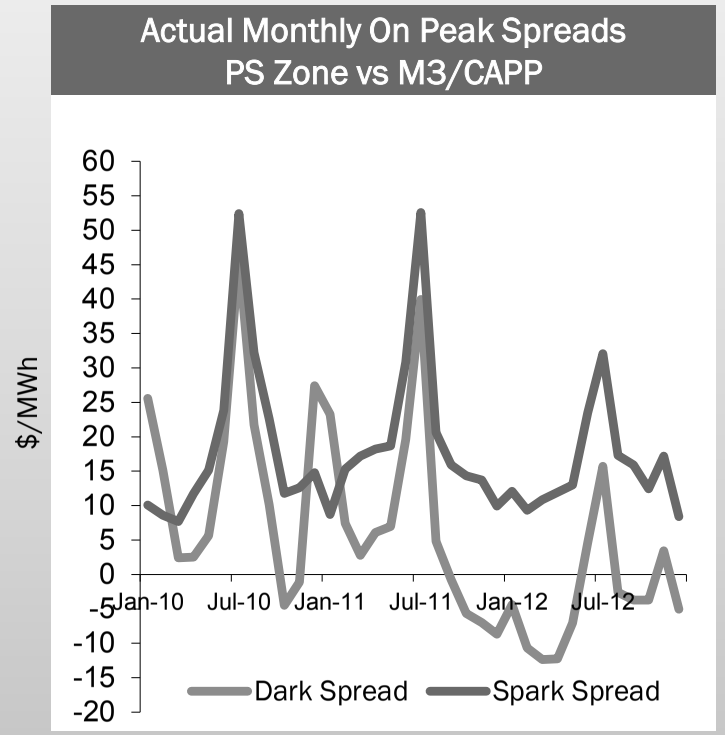
Reduced O&M and increased start-up success

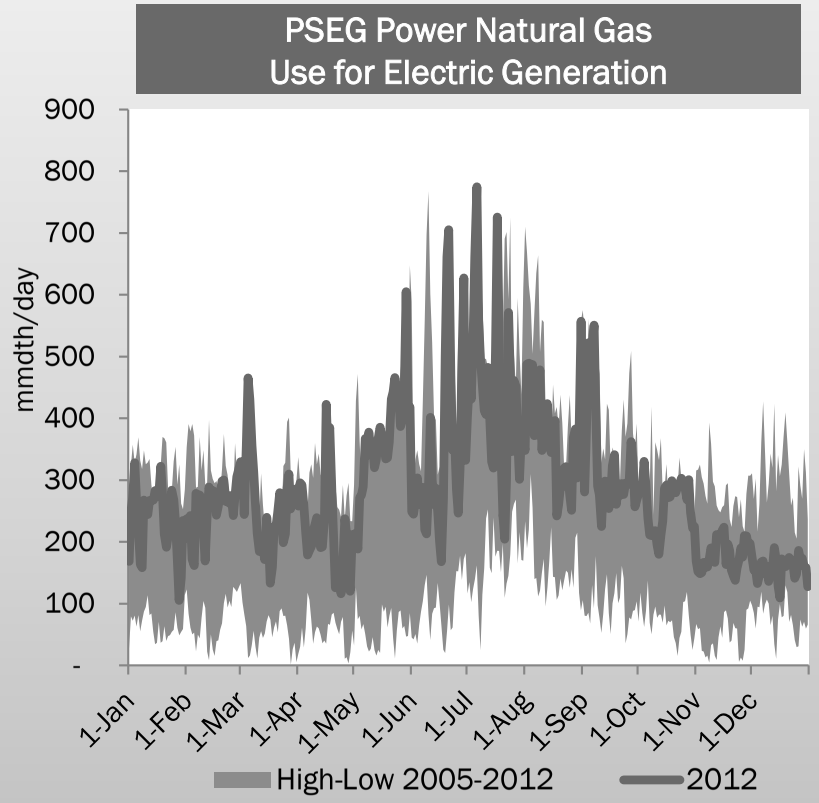


Capturing new products opportunity with minimal investment

SI-SSA-0015-05758

Spark spread replaces dark spread as major value driver

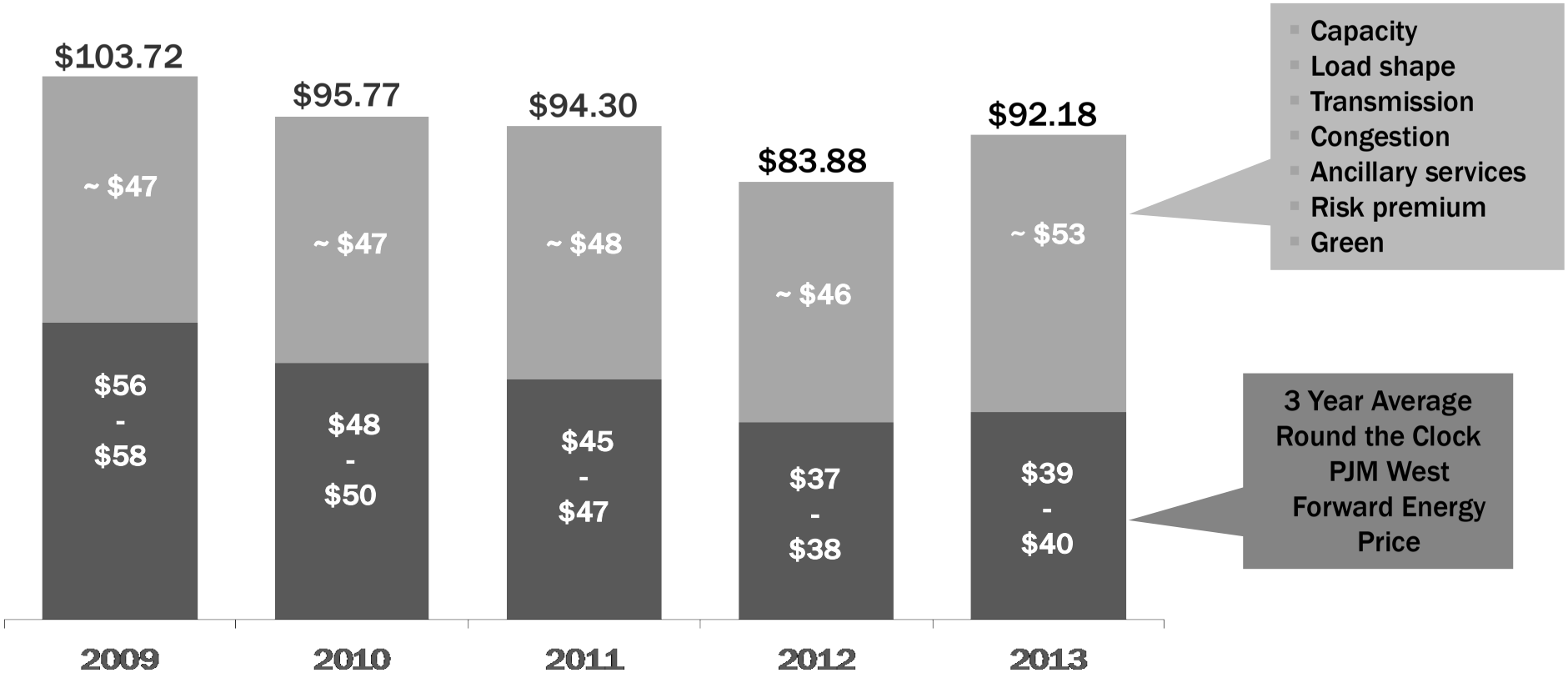




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-05759

2013 BGS Auction Results for PSE&G Zone

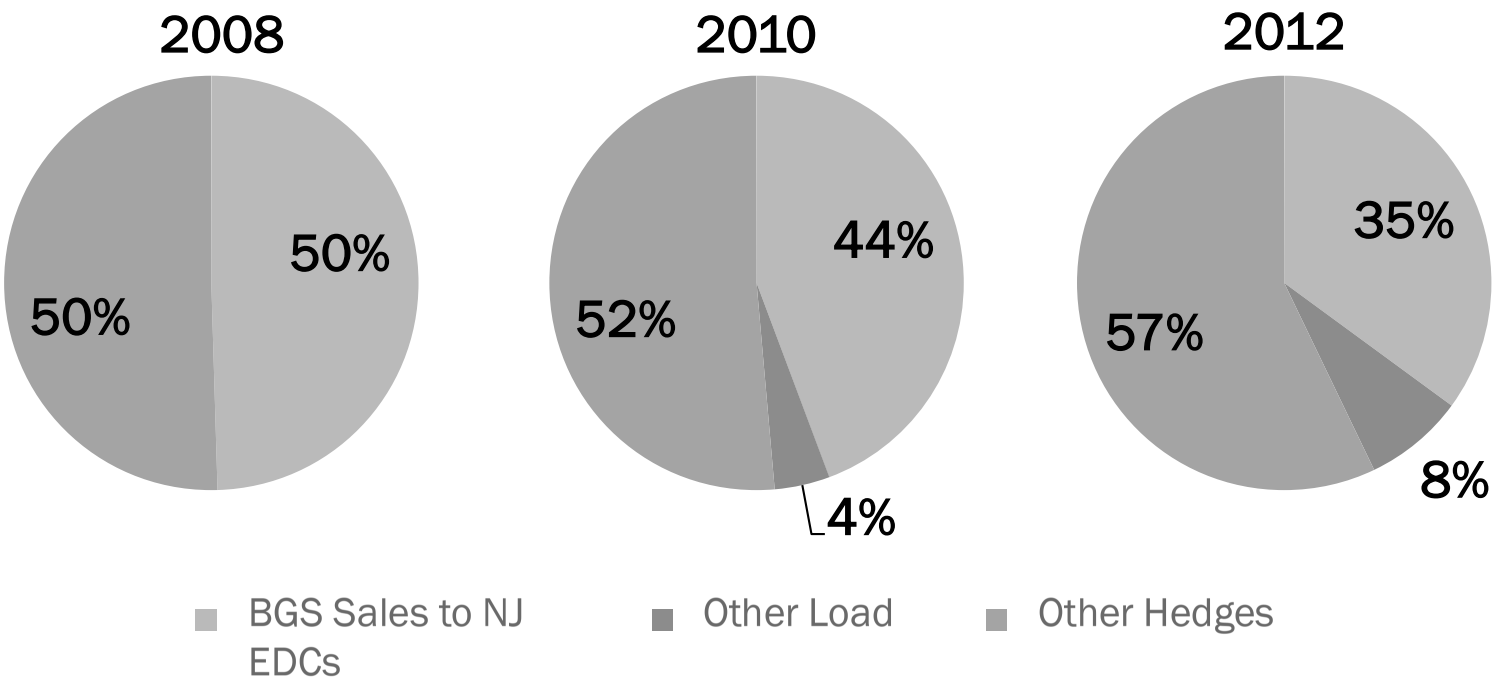


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-05760

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-05761

PSEG

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

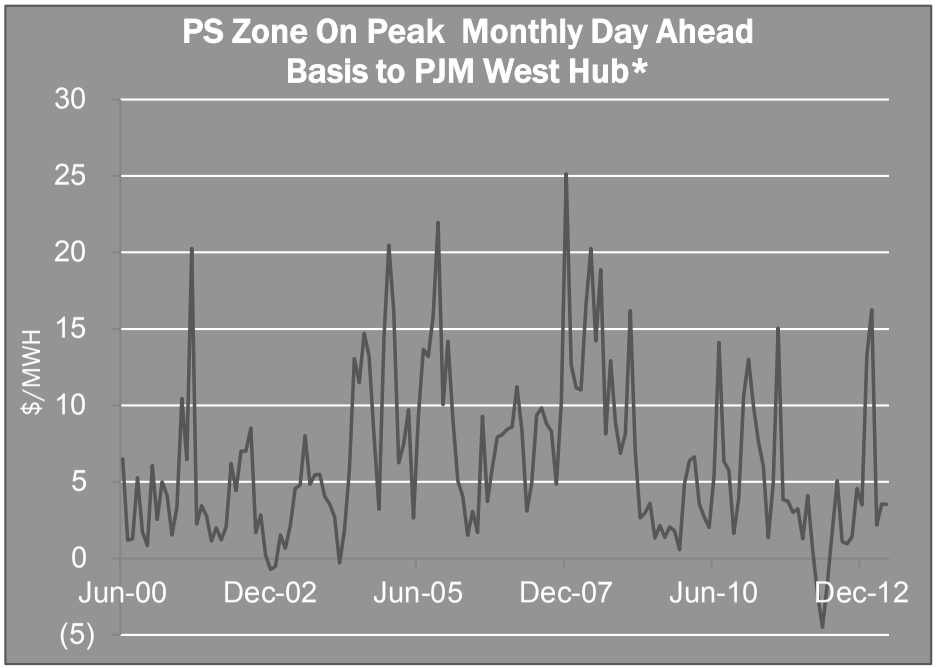
		Jul-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

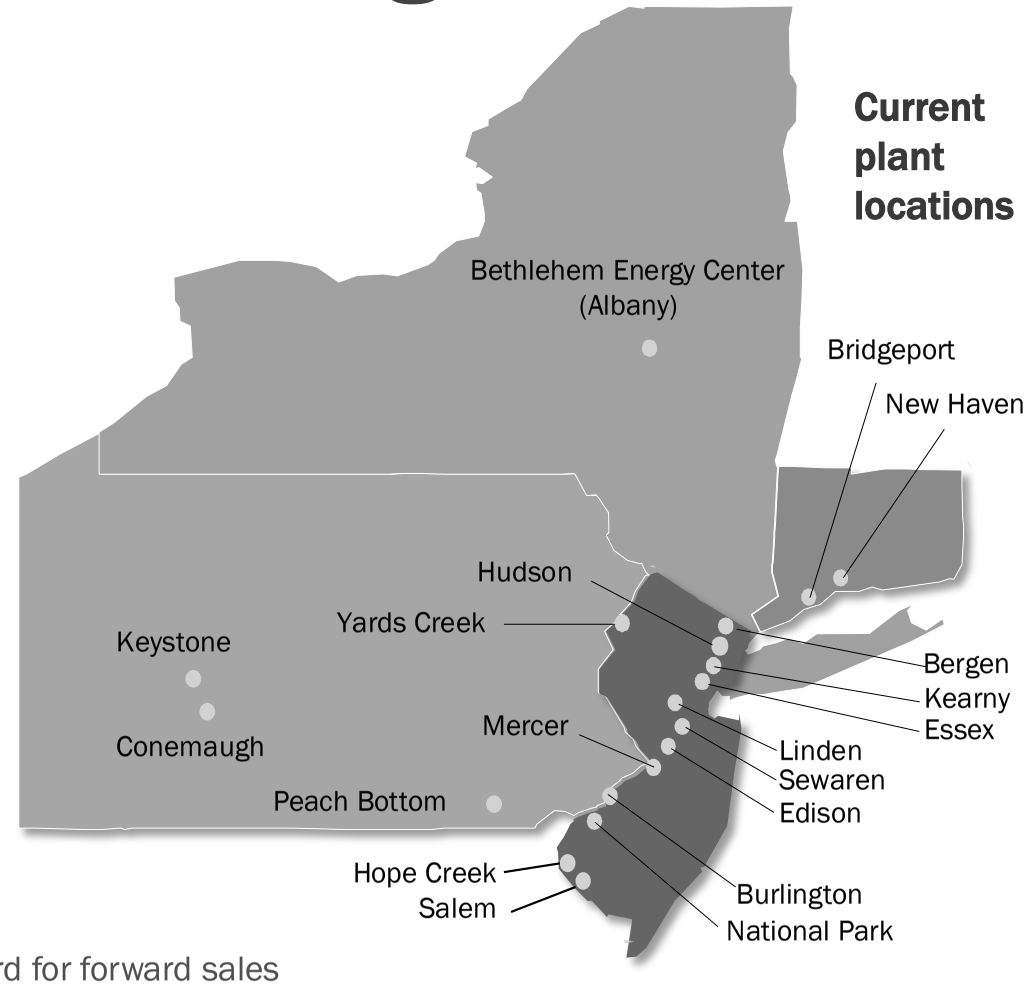
HEDGE PERCENTAGES AND PRICES AS OF JUNE 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-05762

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

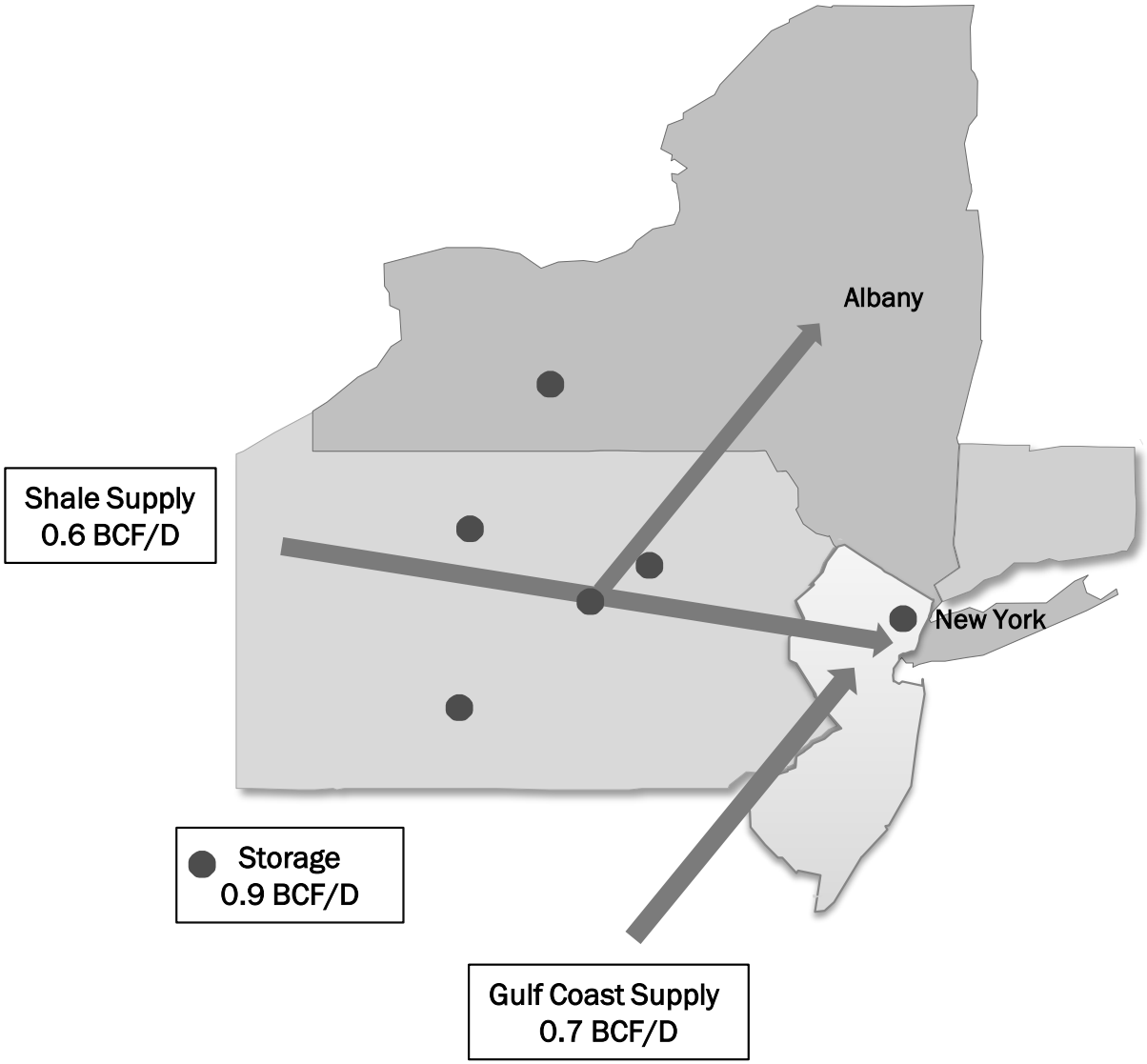
SI-SSA-0015-05763

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity benefits PSE&G customers and Power's generating assets



SI-SSA-0015-05764

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

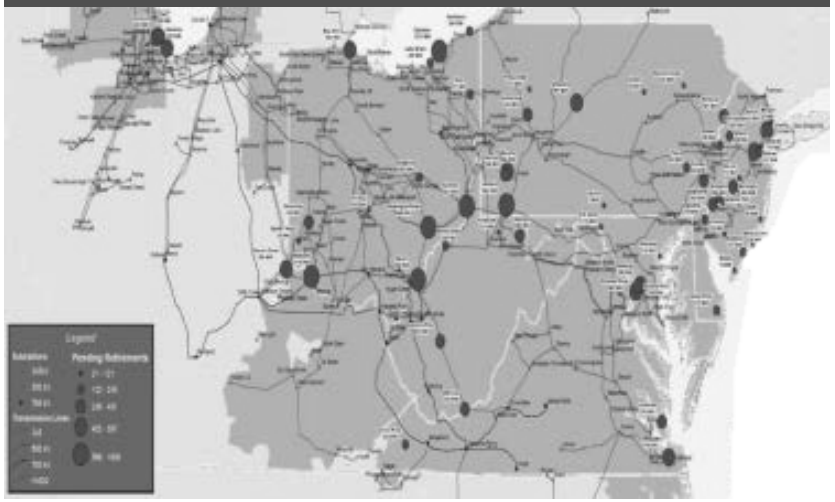
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-05765

Reserve margins in PJM declining with retirements

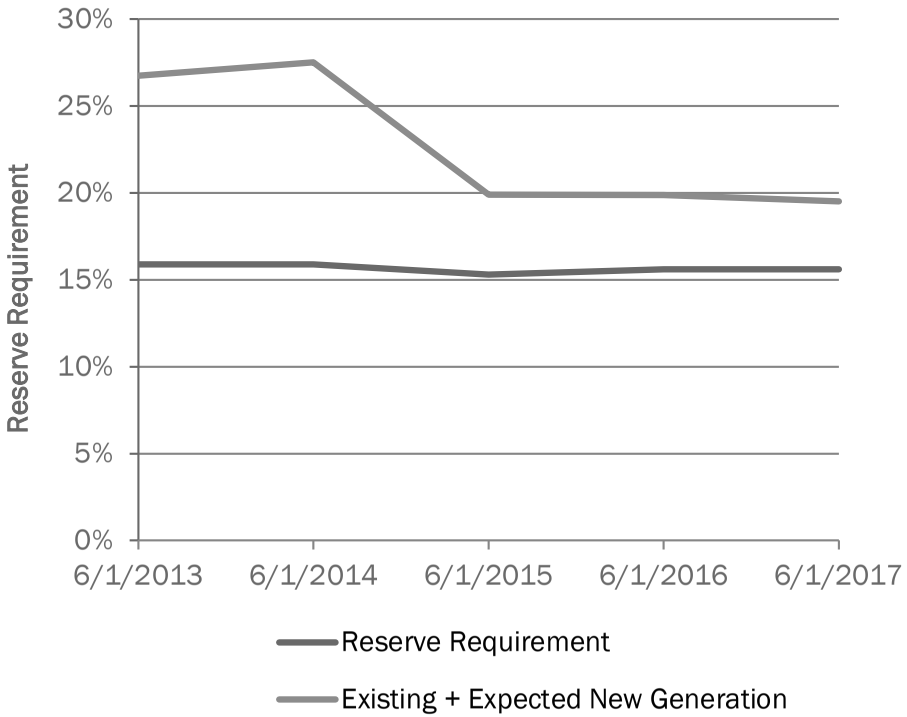
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-05766

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-05767

PSEG wholesale market strategy

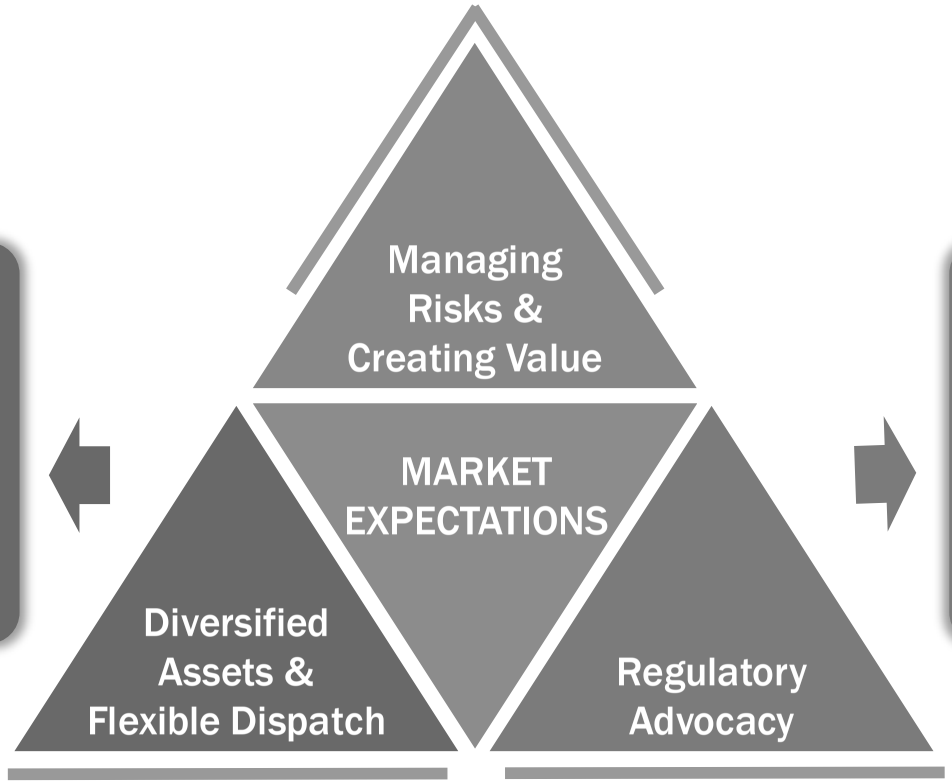
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-05768

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-05769

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-05770

Maintaining 2013 operating earnings guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

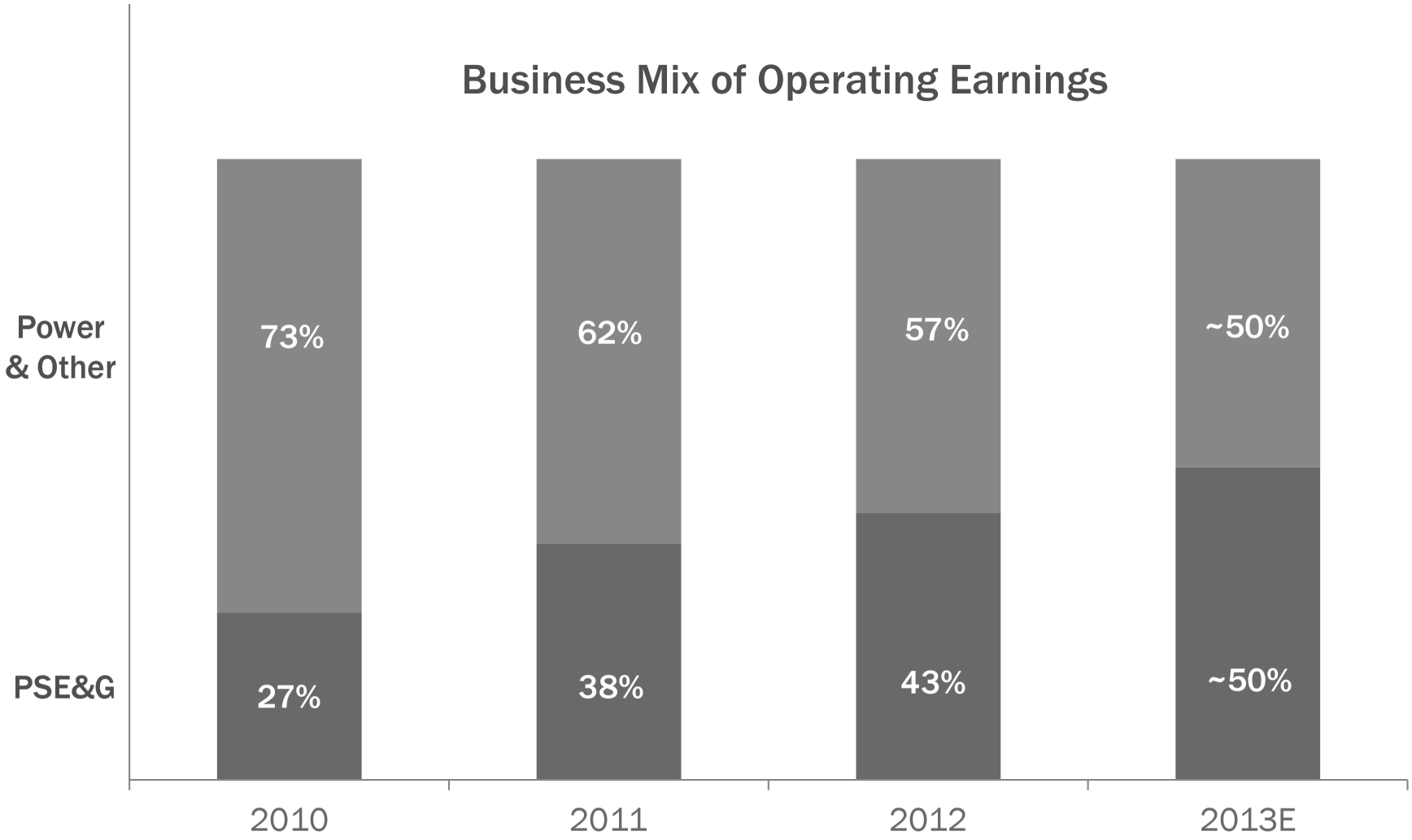
SI-SSA-0015-05771

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

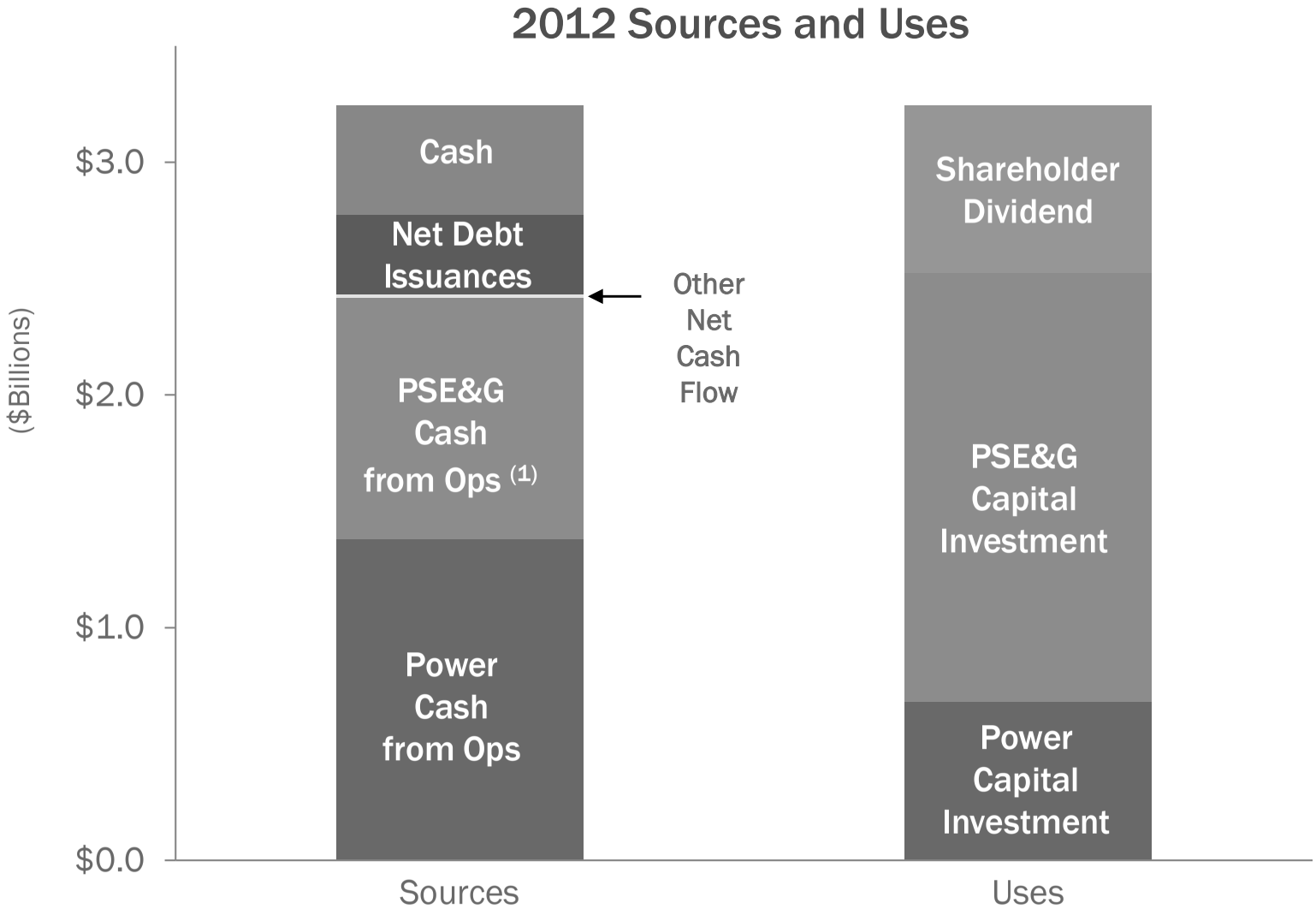


SI-SSA-0015-05772

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

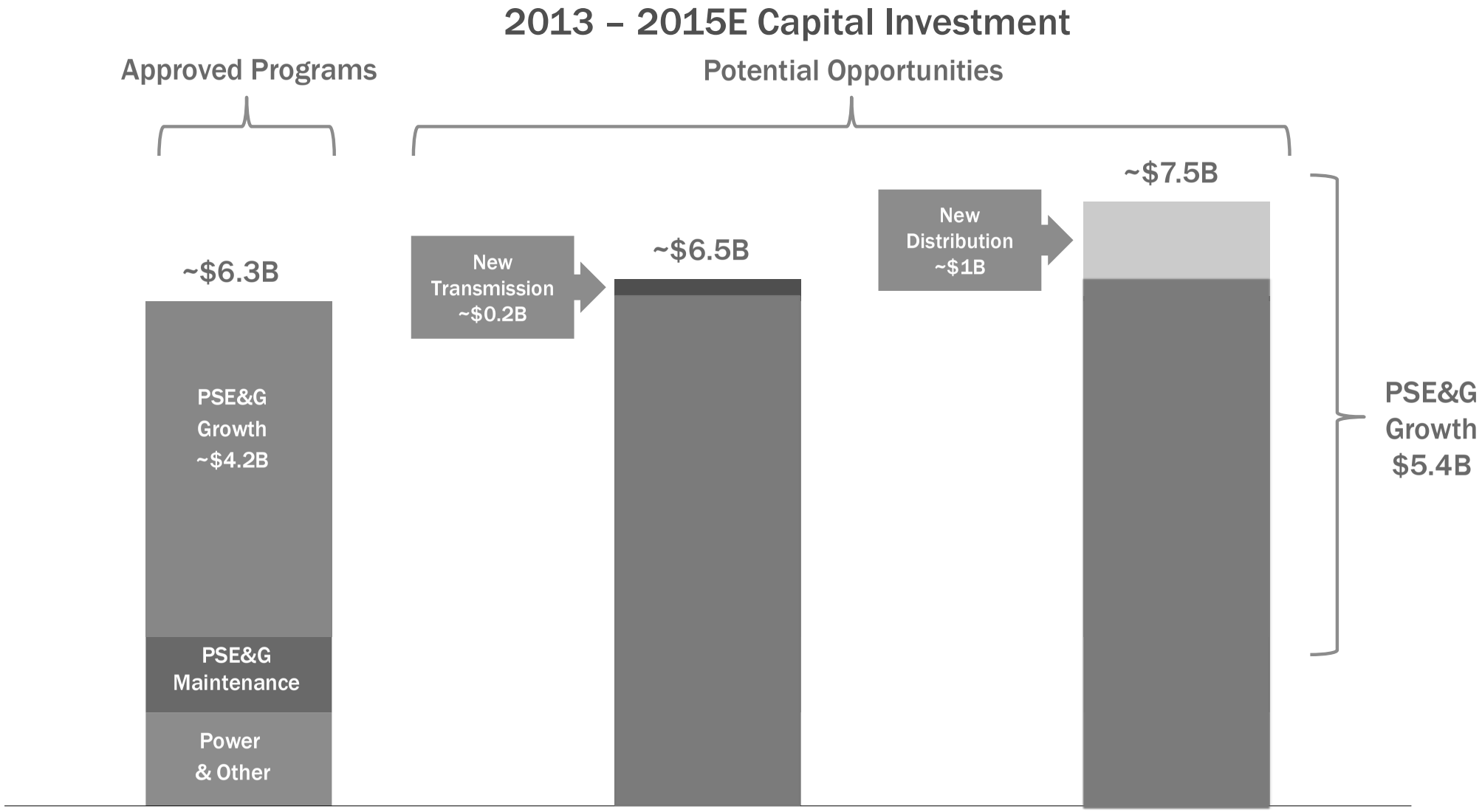
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

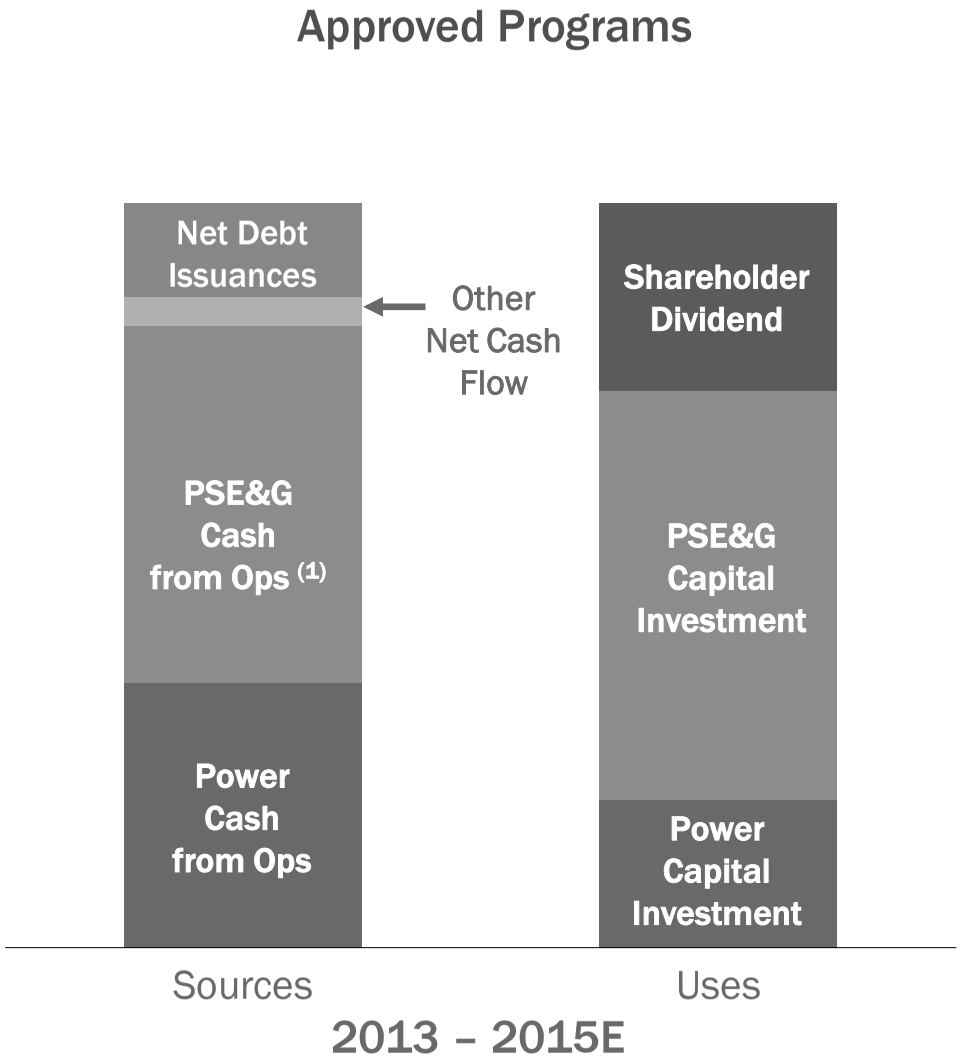
SI-SSA-0015-05773

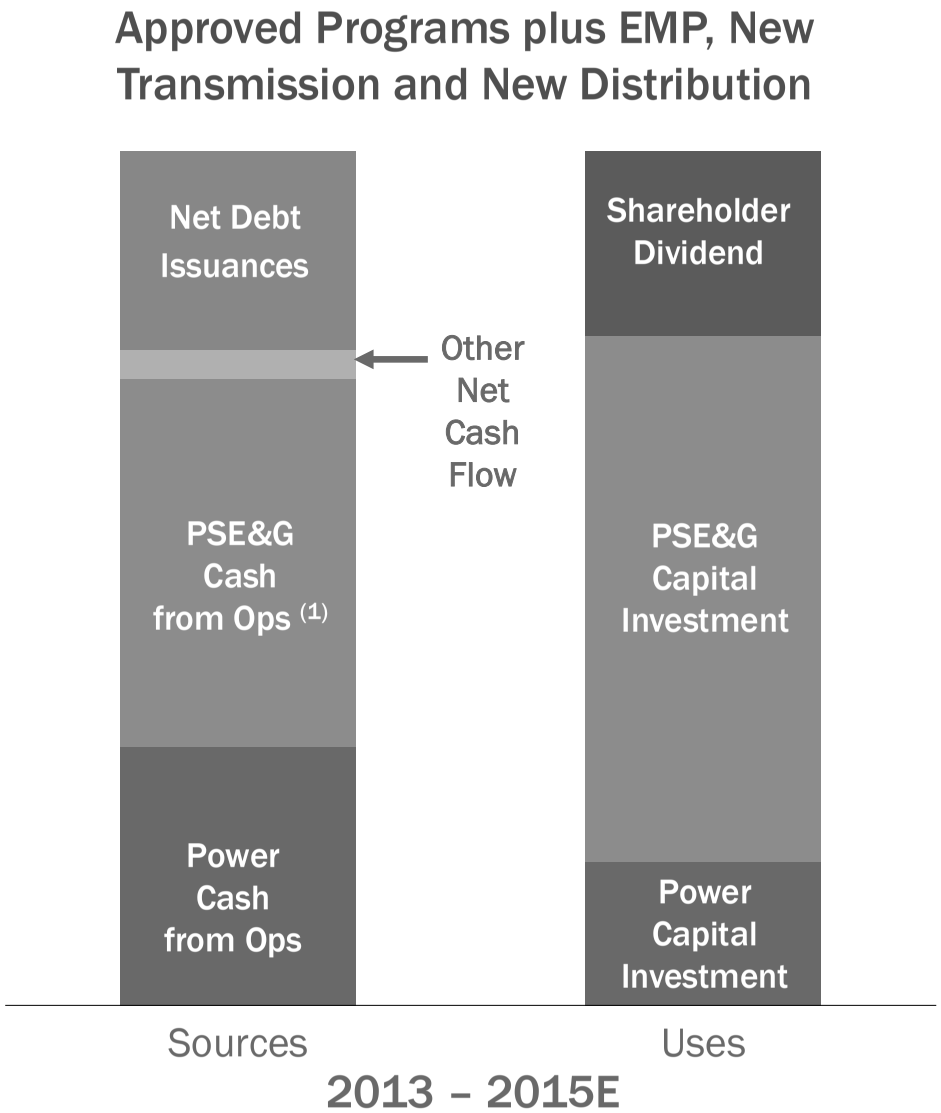
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-05774

All scenarios can be financed without new equity





(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

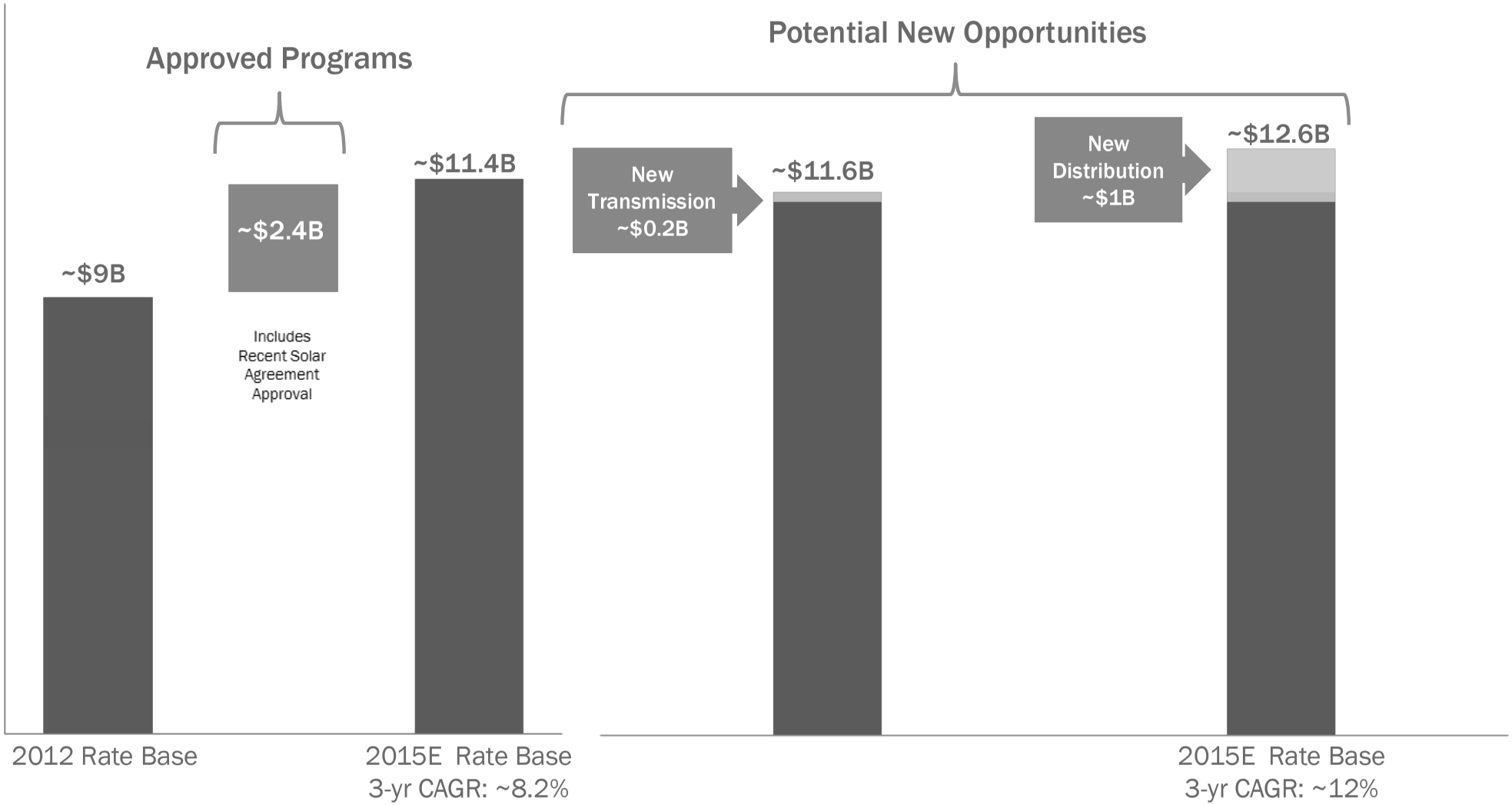
EMP: ENERGY MASTER PLAN

E = ESTIMATE

SI-SSA-0015-05775

PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

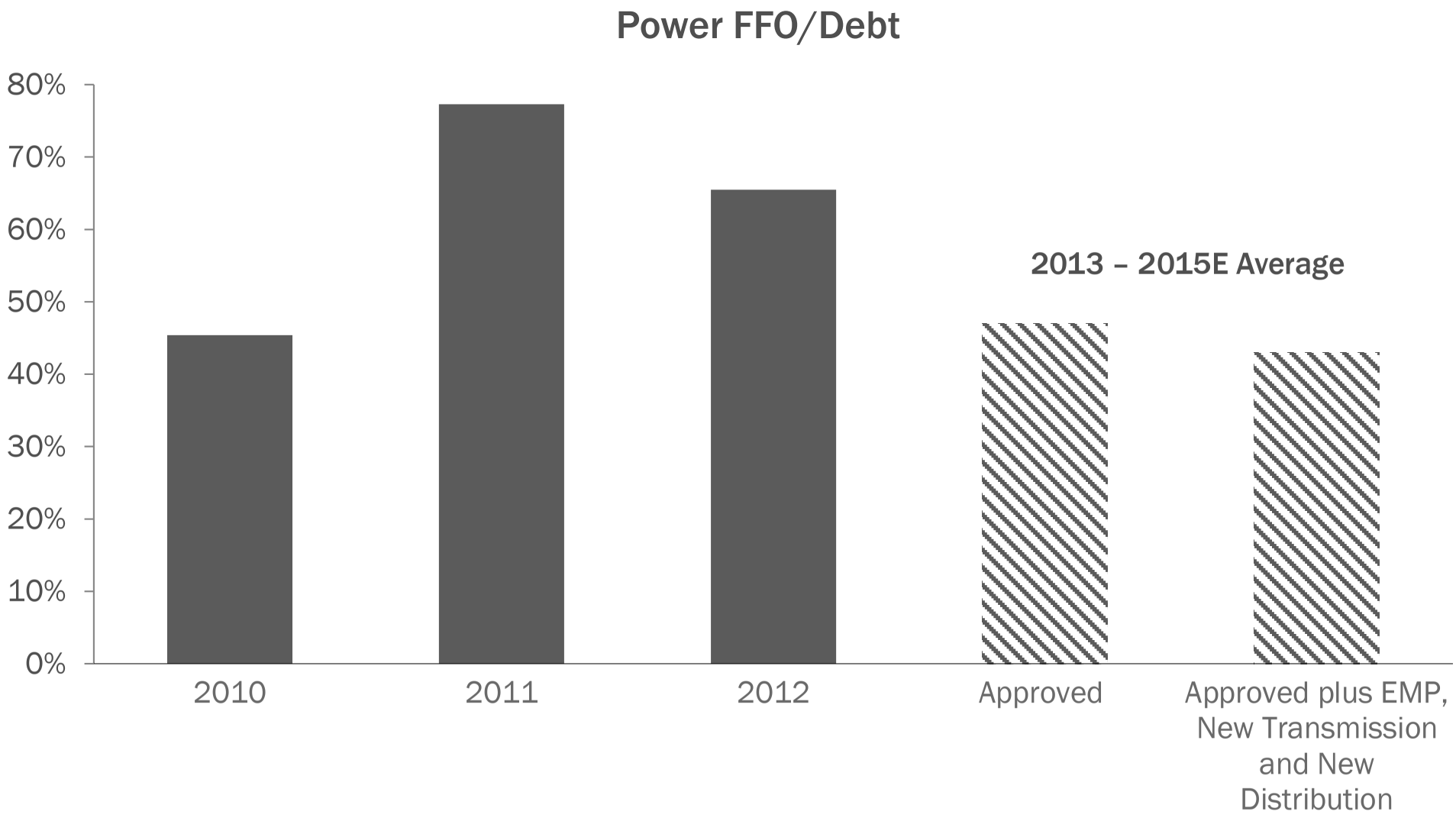
2013 – 2015E Rate Base Growth



DATA AS OF JUNE 30, 2013. E = ESTIMATE

SI-SSA-0015-05776

Power's credit metrics are expected to remain strong



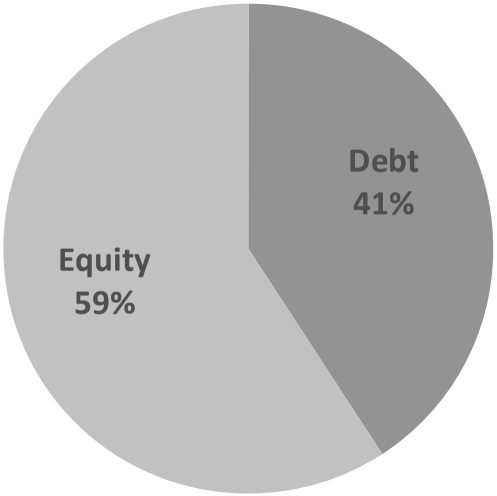
SI-SSA-0015-05777

Using PSEG's balance sheet strength

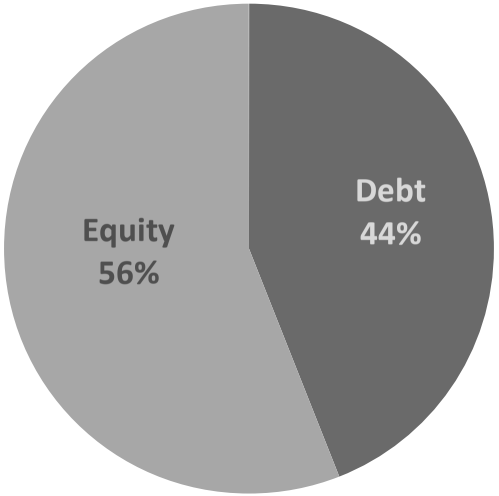
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

SI-SSA-0015-05778

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

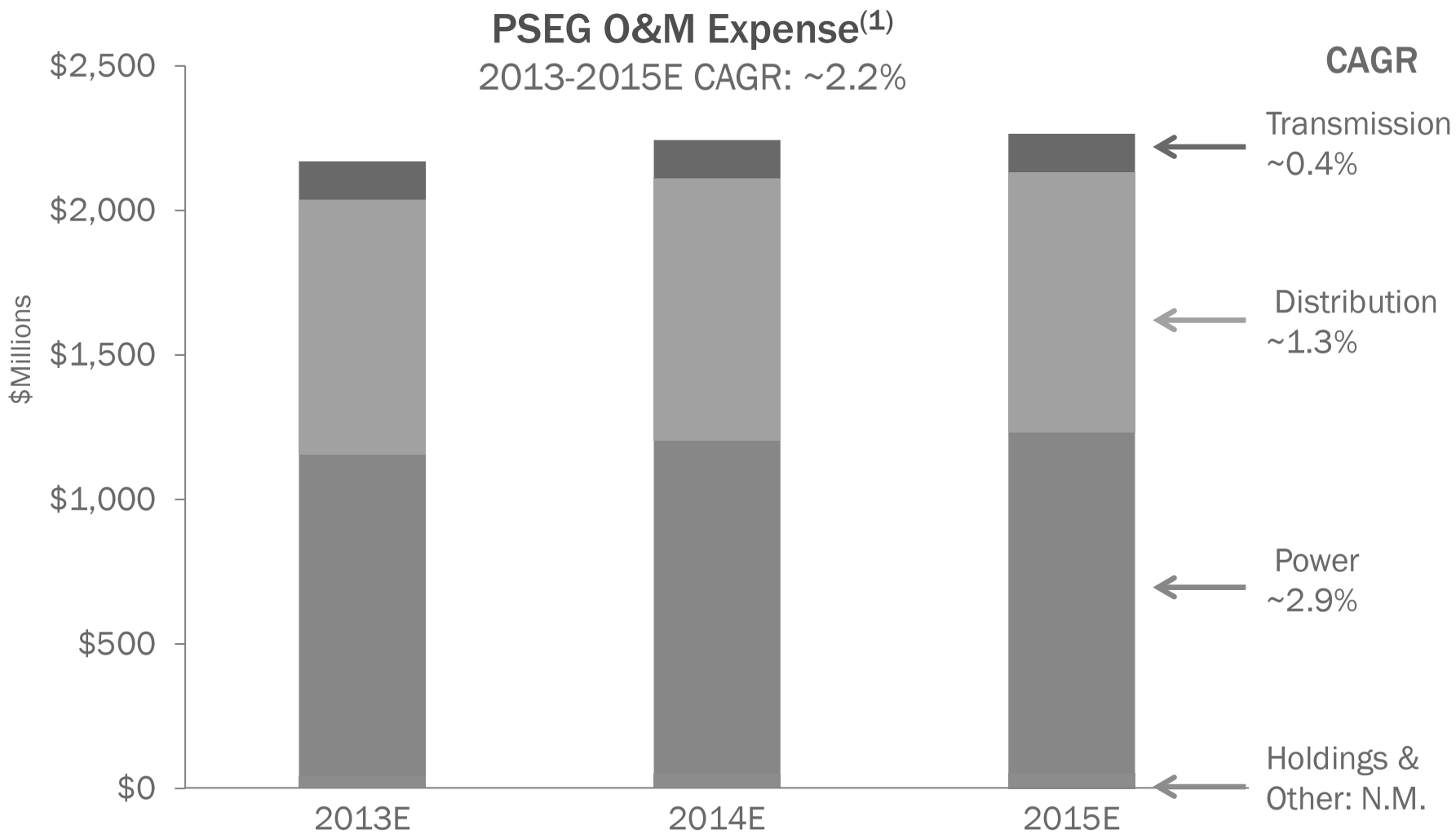
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-05779

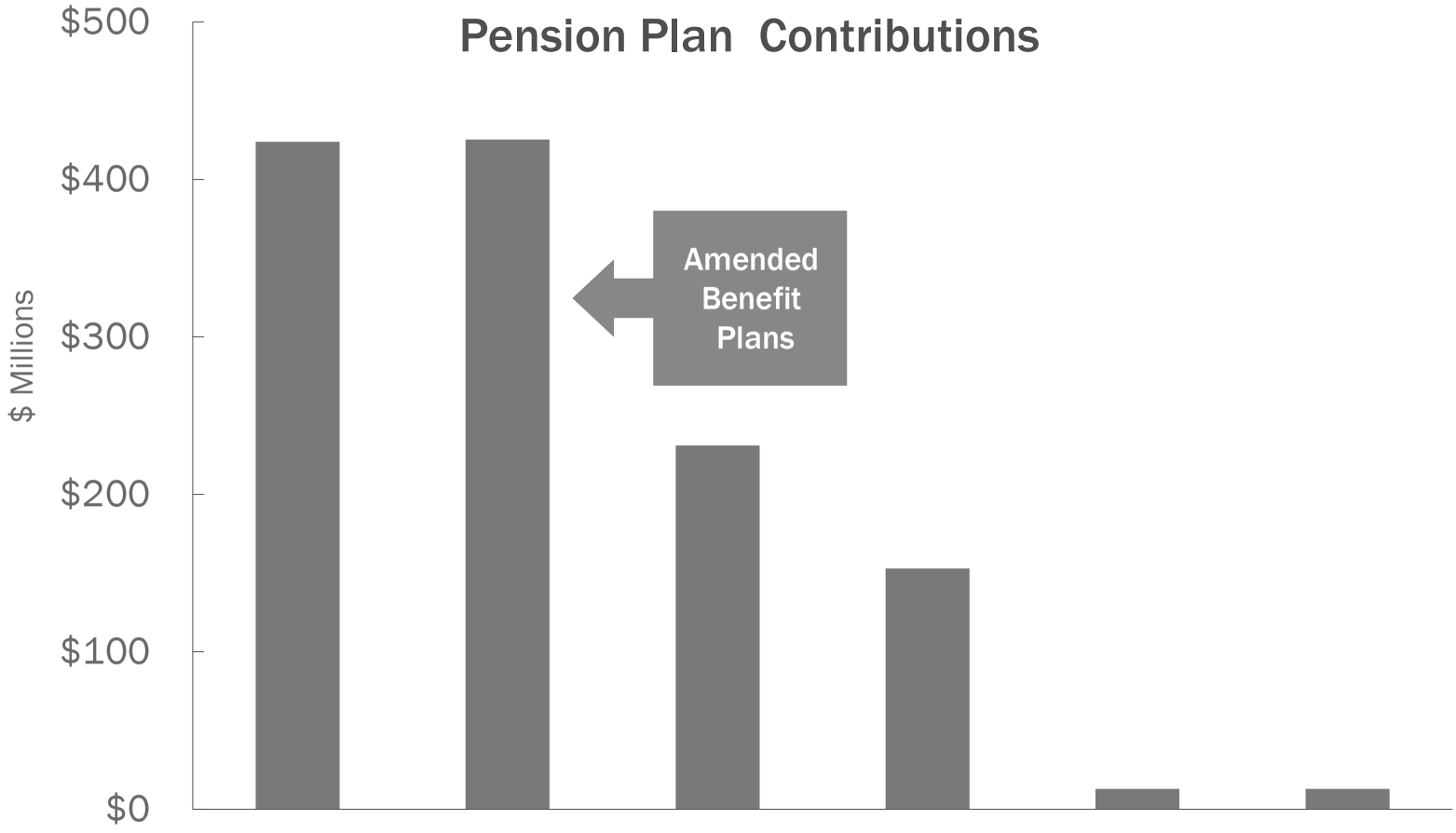
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-05780

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-05781

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

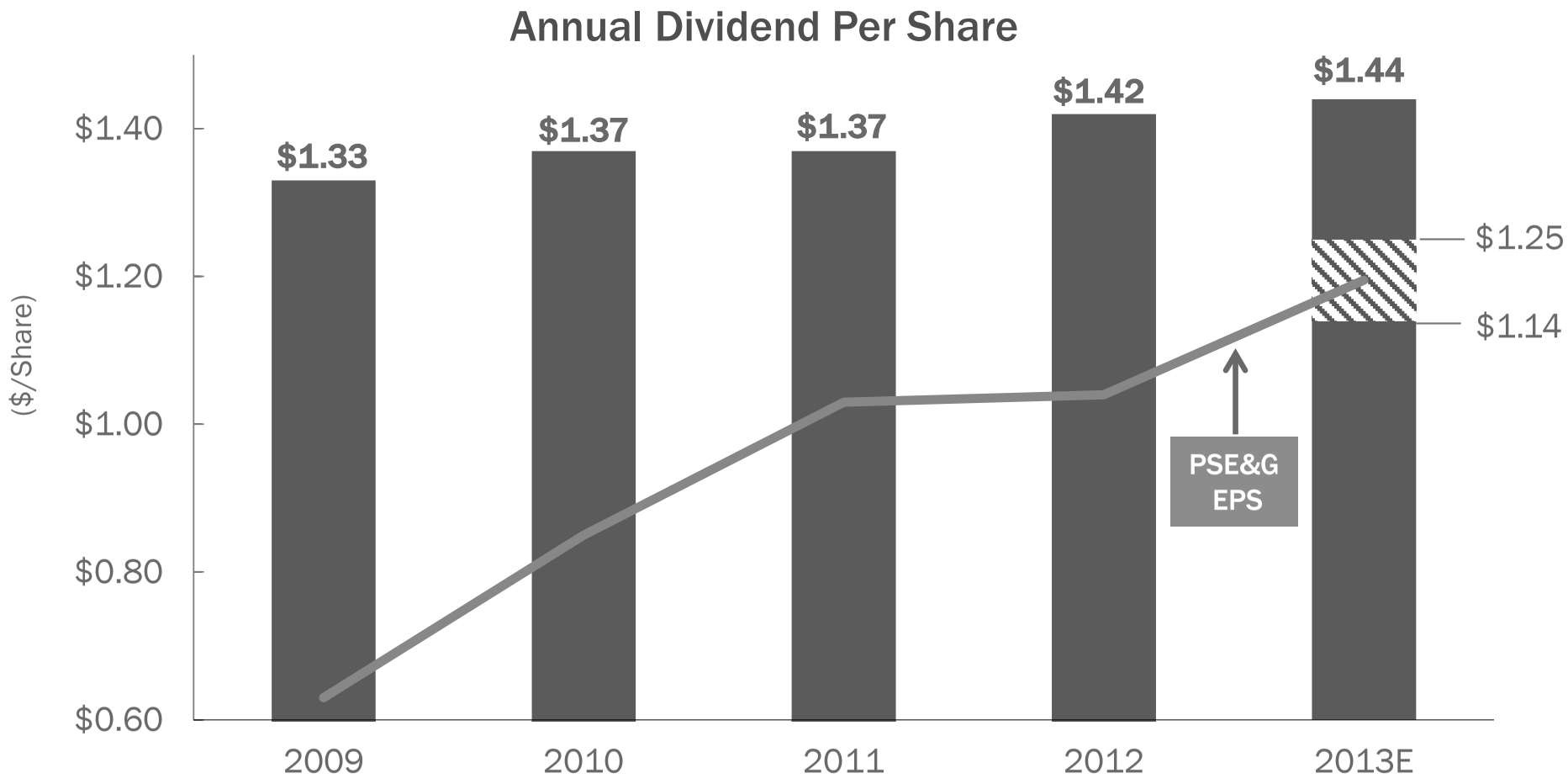
	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-05782

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-05783

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share -- based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-05784

APPENDIX

PSEG

SI-SSA-0015-05785

First Half 2013 Operating Earnings by Subsidiary

Six months ended June 30

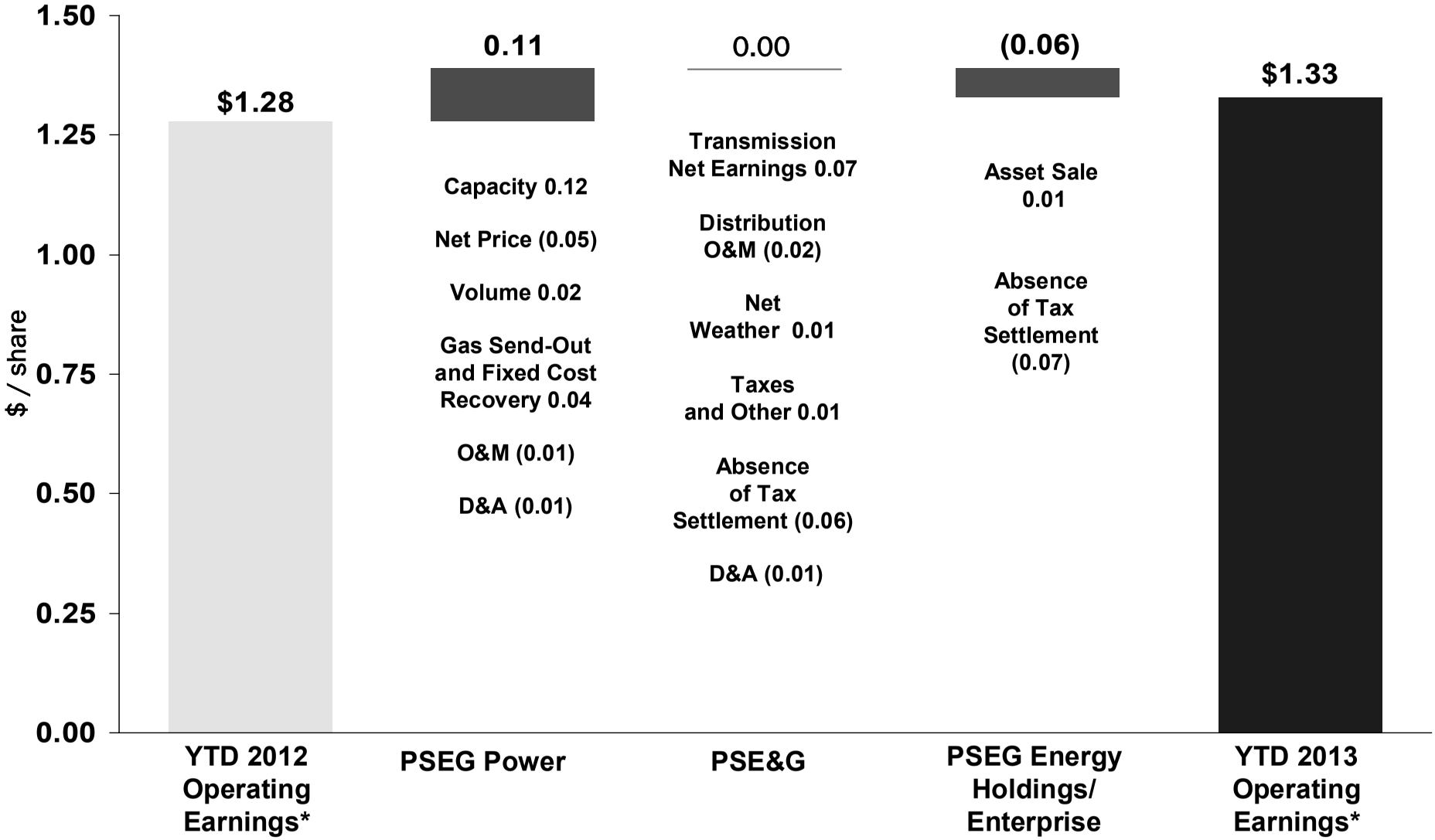
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

SI-SSA-0015-05786

PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First-Half 2013 versus First Half 2012



SI-SSA-0015-05787

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Second Quarter 2013 Operating Earnings by Subsidiary

Quarter ended June 30

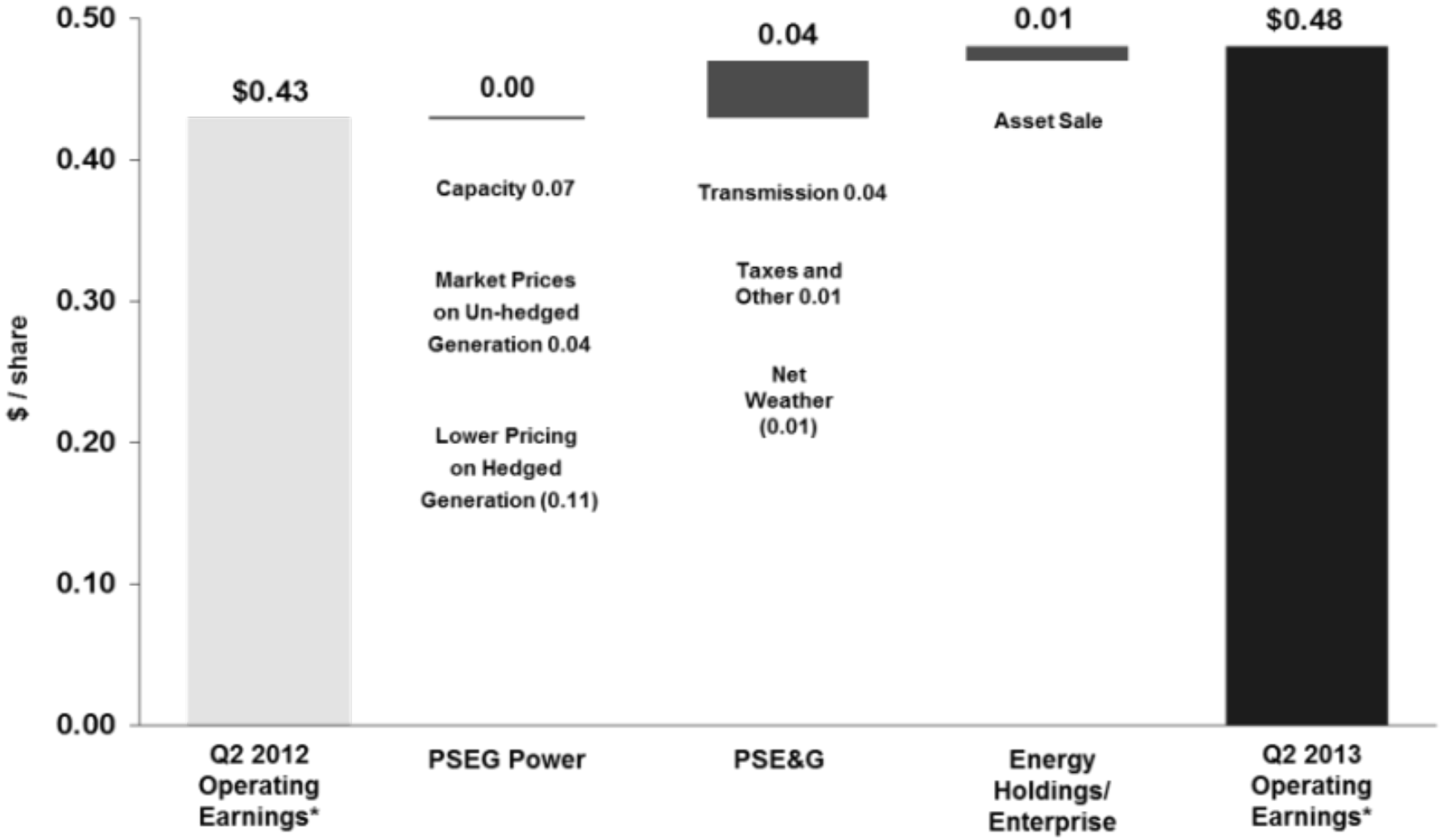
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-05788

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

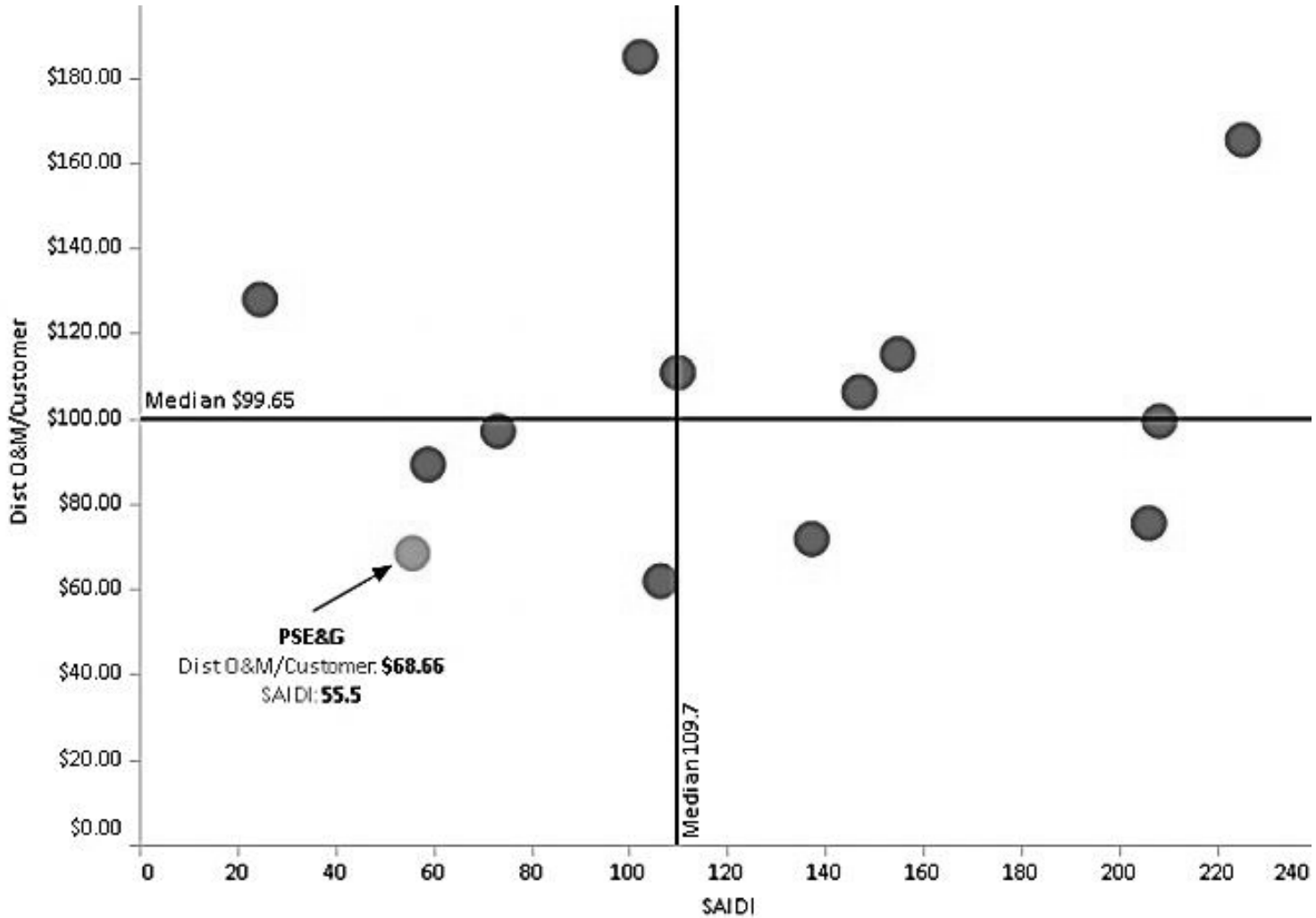
PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-05789

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers

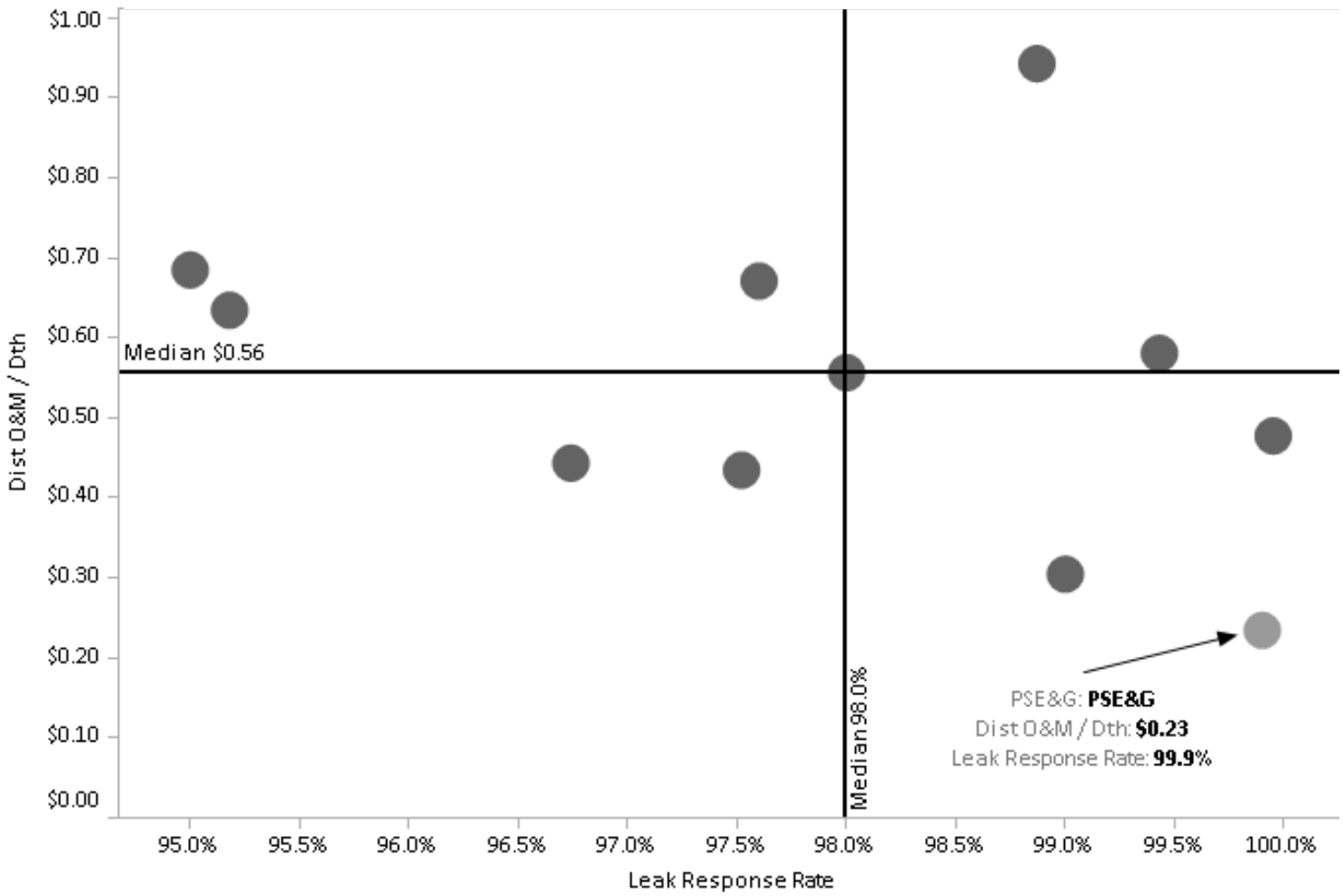


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

SI-SSA-0015-05790

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-05791

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-05792

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-05793

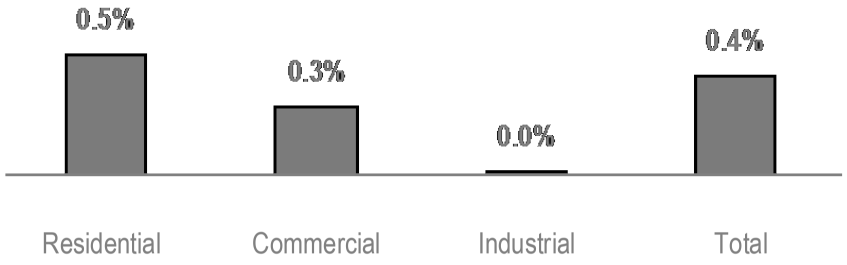
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

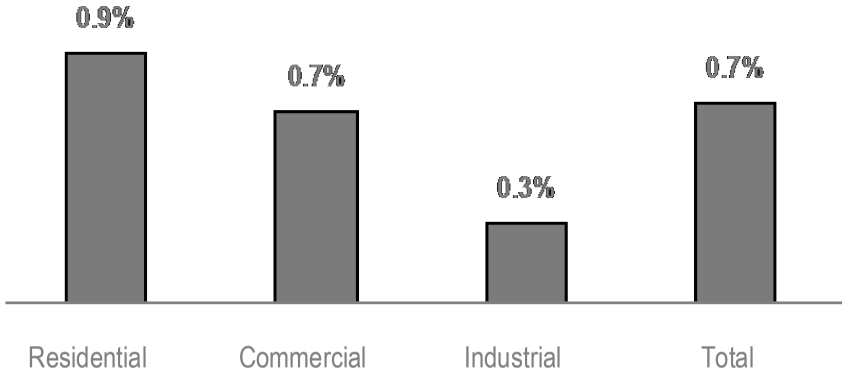
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



SI-SSA-0015-05794

PSEG

*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

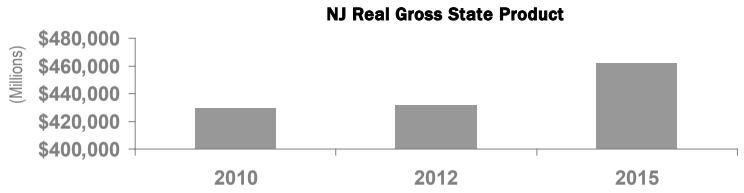
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

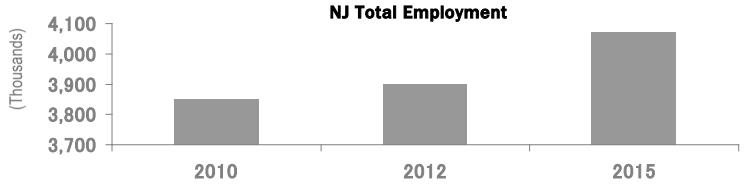
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

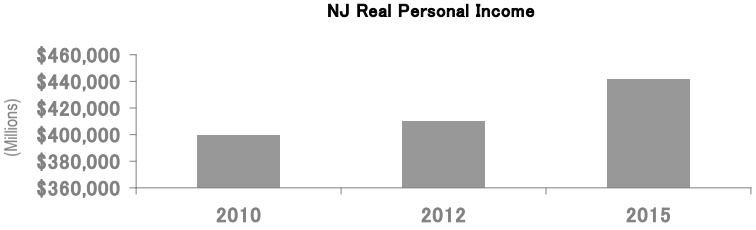
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

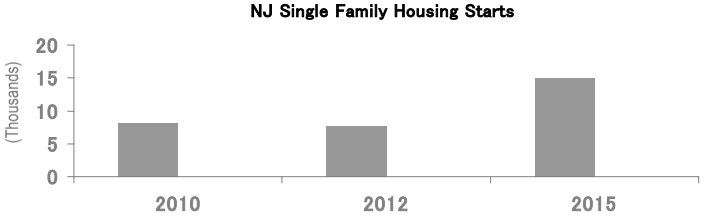
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





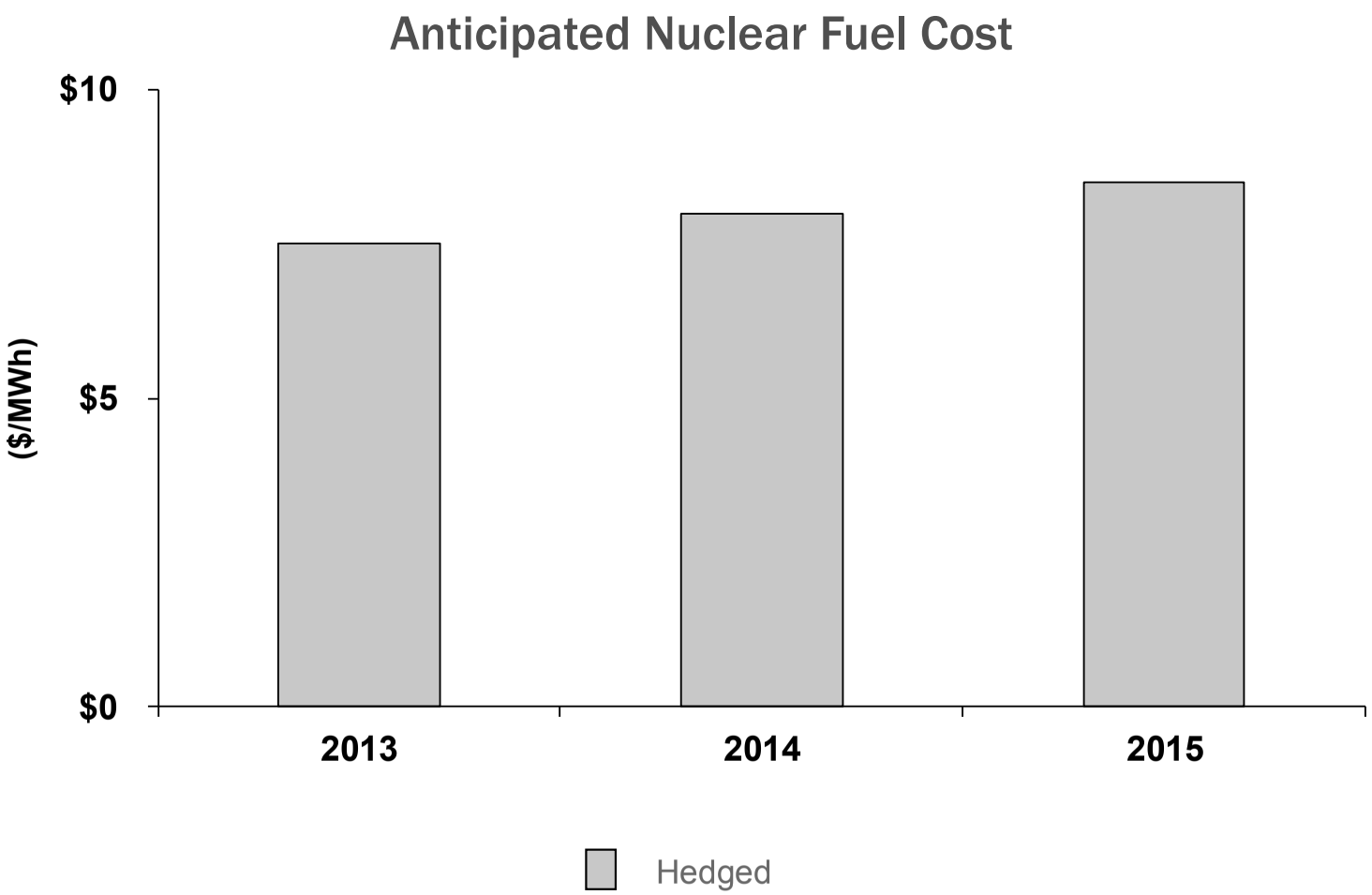




SI-SSA-0015-05795

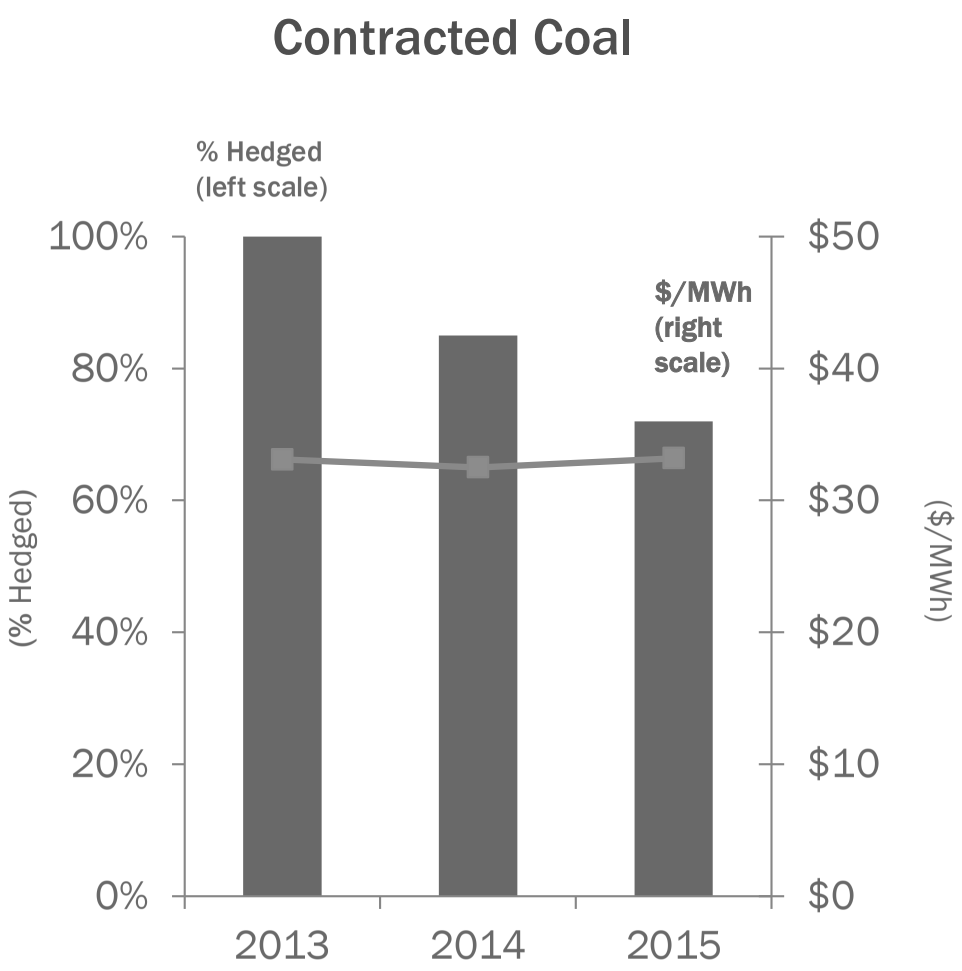
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-05796

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-05797

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-05798

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$199**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$343**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$190**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$84**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 97**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 23**
	Total Holdings Investments	**$1,221**

SI-SSA-0015-05799

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of June 30, 2013

Facility	Expiration Date	Total Facility		Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600	[1]	$170	$430
5-Year Credit Facility (Power)	Mar-17	1,600		54	1,546
5-Year Credit Facility (Power)	Mar-18	1,000	[2]	0	1,000
5-Year Bilateral (Power)	Sep-15	100		100	0
5-year Credit Facility (PSEG)	Mar-17	500		5	495
5-year Credit Facility (PSEG)	Mar-18	500	[3]	0	500
	Total	$4,300		$329	$3,971
				PSEG Money Pool ST Investment	$114
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,085**
				Total Parent / Power Liquidity	**$3,655**

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

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

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

SI-SSA-0015-05800

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-05801

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

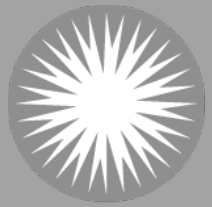
Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6
Storm O&M, (PSEG Power)	2	-	(15)	-
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, (PSEG Power)	-	-	(0.03)	-
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**

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

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Barclays Capital - Investor Meetings

BOSTON - NOVEMBER 6-7, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05804

PSEG

Ralph Izzo
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

SI-SSA-0015-05805

PSEG

We make things work for you.

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition from certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-05806

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-05807

PSEG OVERVIEW & OUTLOOK

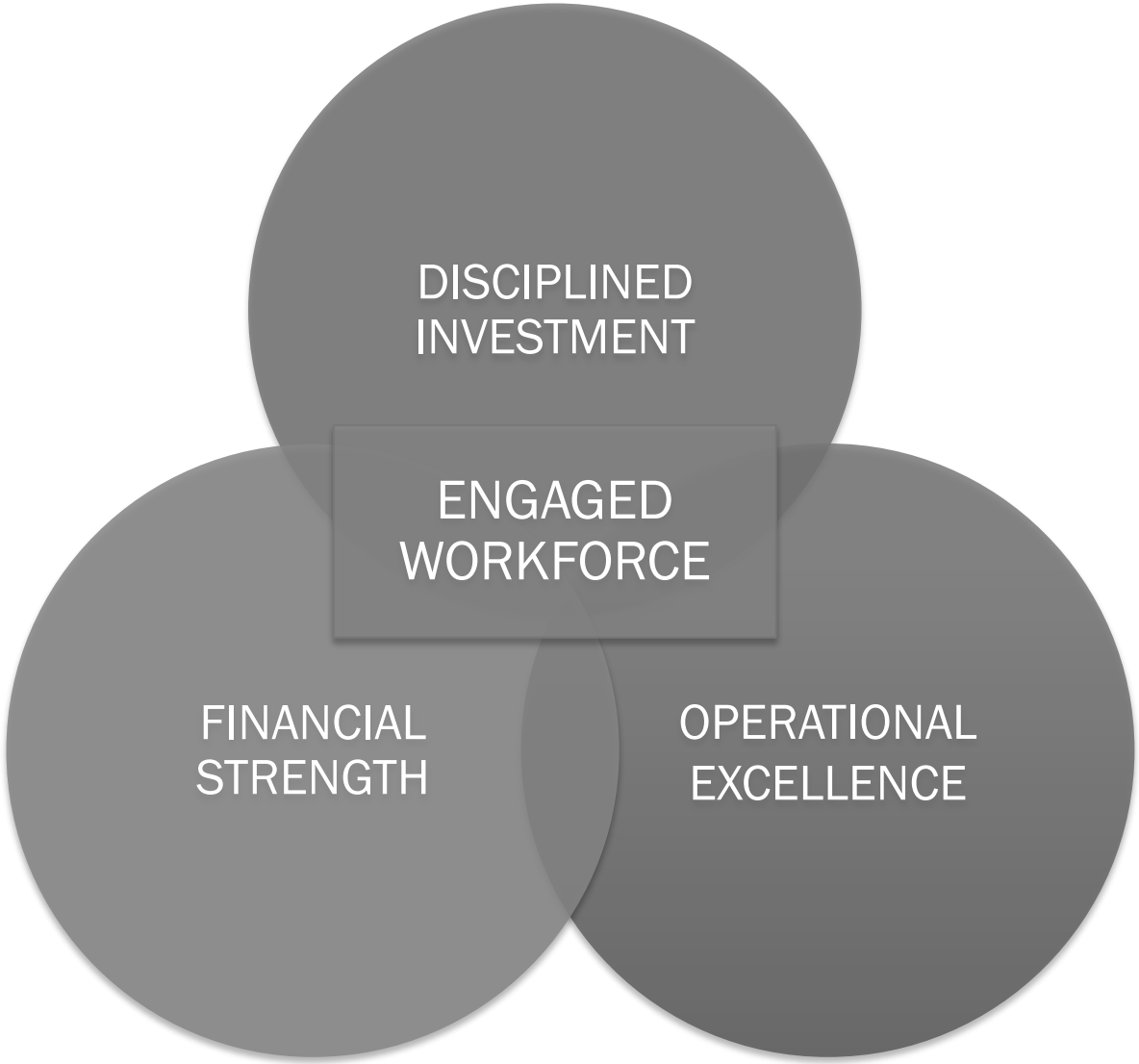
PSEG

We make things work for you.

SI-SSA-0015-05808

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-05809

PSEG meeting the market's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-05810

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

2008	PSEG Focus ($ millions, except as noted)	2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-05811

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

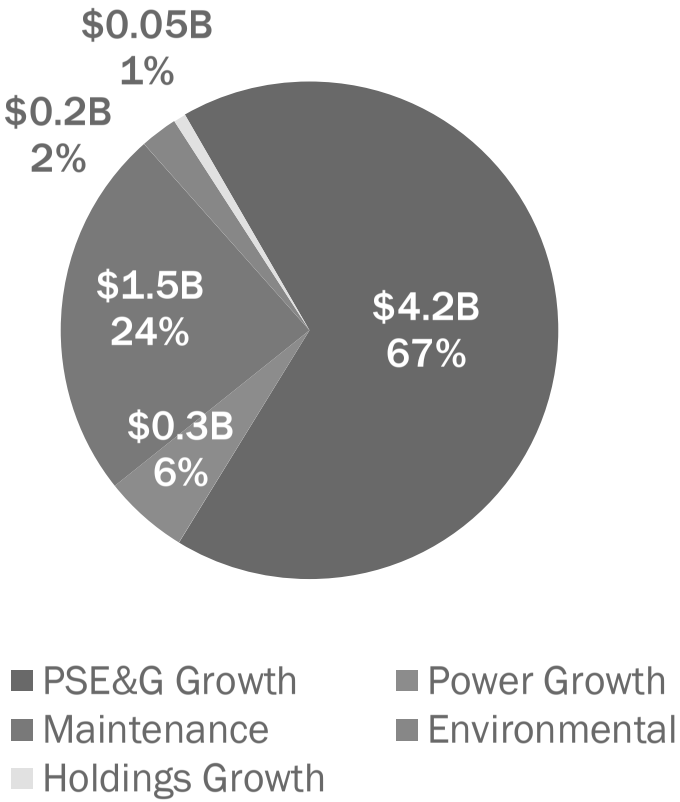
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

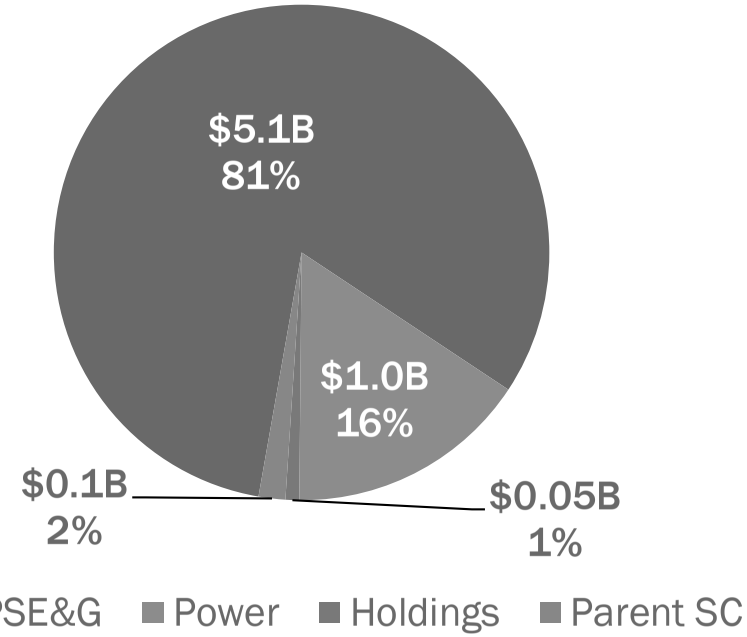
SI-SSA-0015-05812

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

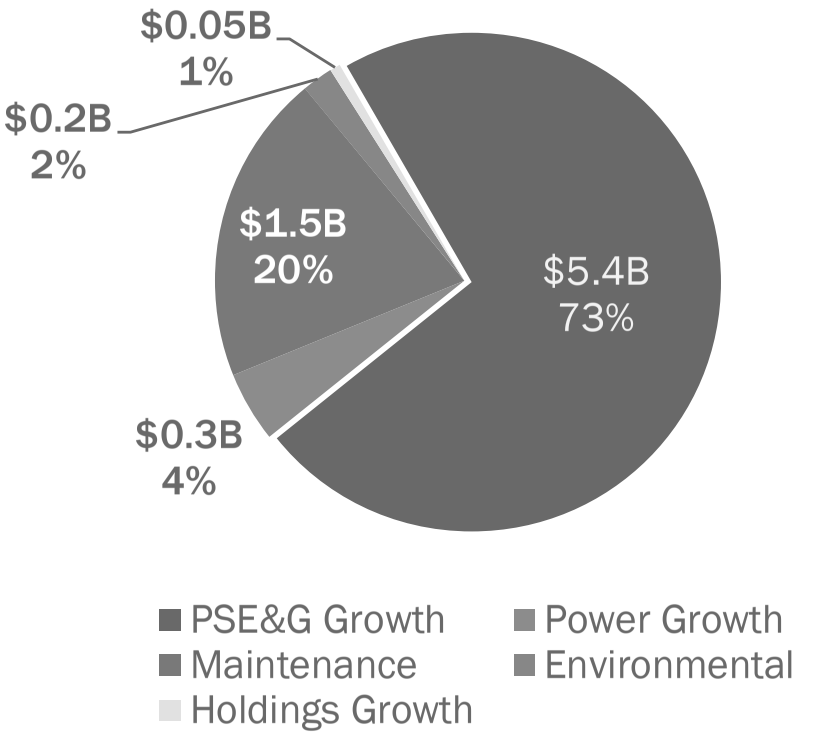


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

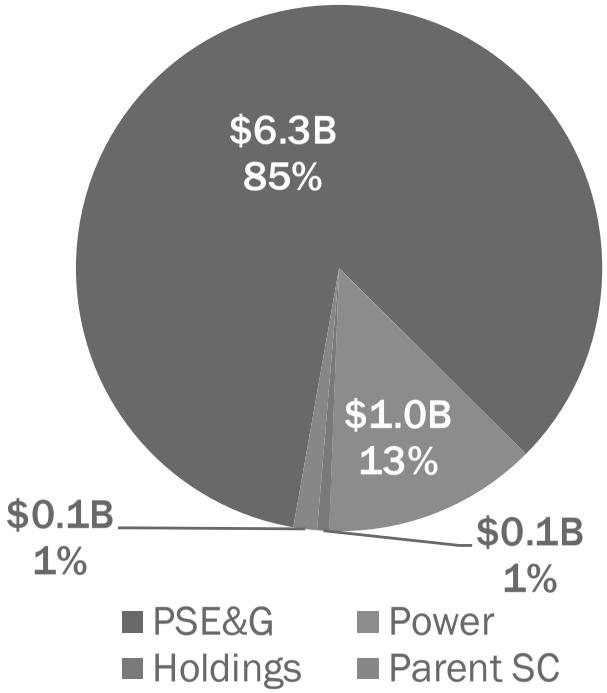
SI-SSA-0015-05813

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



SI-SSA-0015-05814

E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. *DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)

- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-05815

74 local NJ towns and 7 counties support

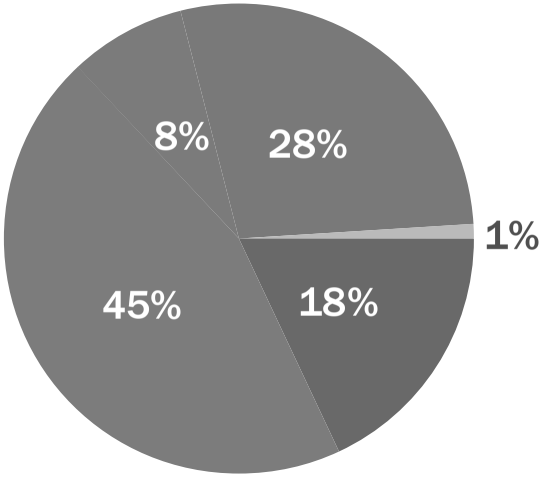
- 74 municipalities and seven counties (Bergen, Hudson, Mercer, Passaic, Somerset, Union and Middlesex) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

SI-SSA-0015-05816

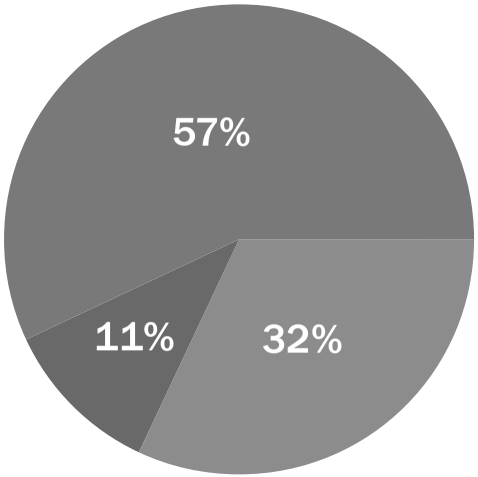
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

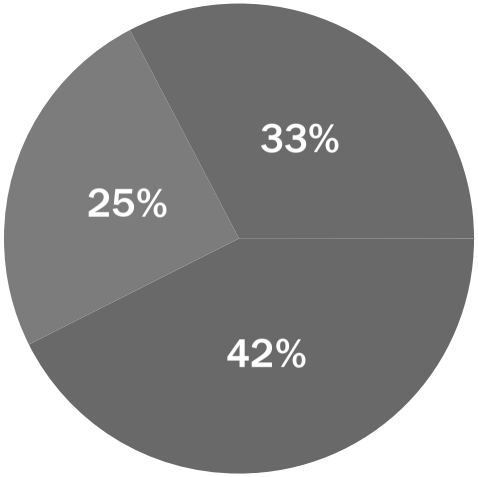


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Base load

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-05817

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $15-$20[6]

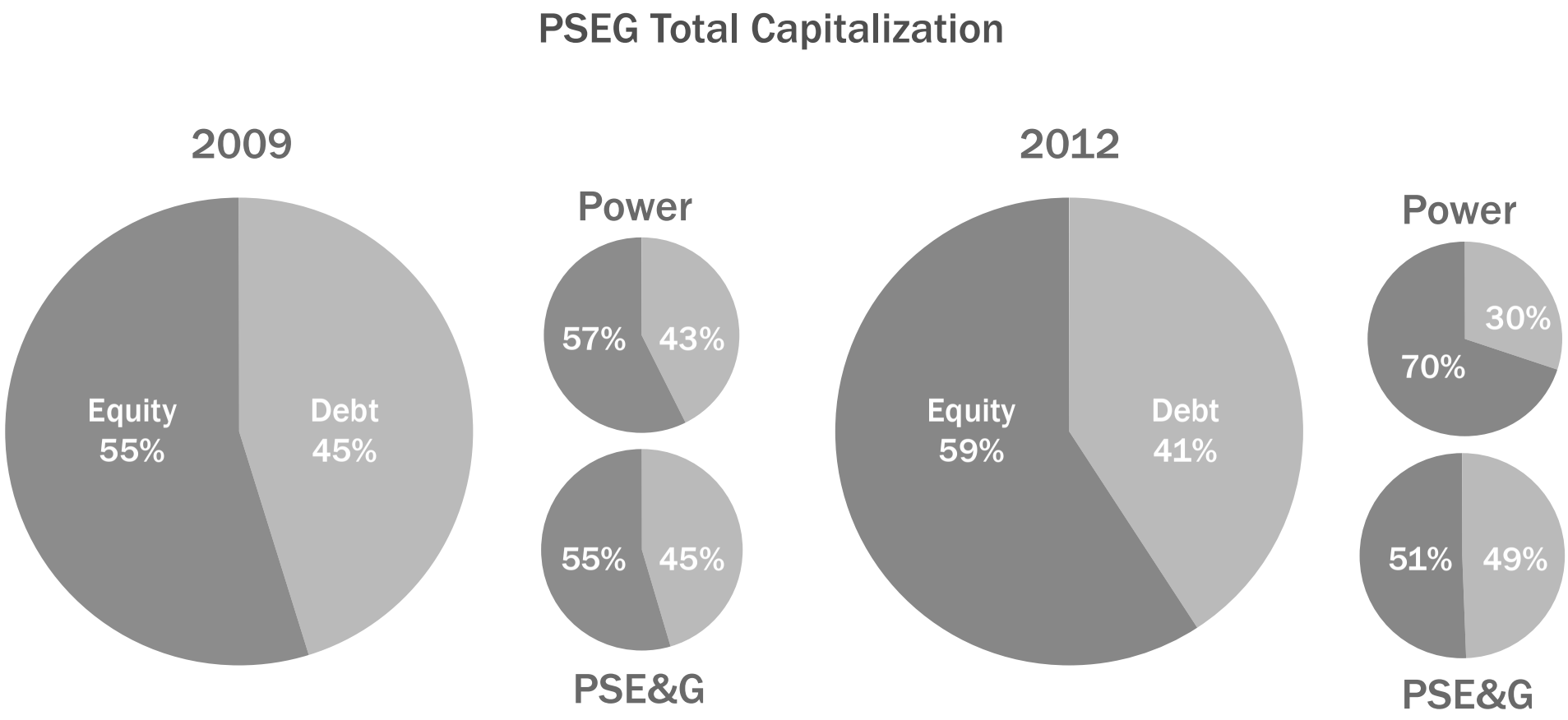
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes approved solar programs and proposed ES programs.
(6) Reflects a fully-executed, expanded Operating Services Agreement with LIPA.

E = ESTIMATE.

SI-SSA-0015-05818

Balance Sheet Strengthened

PSEG has reduced risk



SI-SSA-0015-05819

PSEG Year to Date 2013 - Highlights

- **Operating Earnings of $2.09 vs. $2.03 per share for YTD 2012**
  - ✓ Delivered solid results in Q3 driven by Power's locational value, and PSE&G's continuing investment in transmission
  - ✓ Raised 2013 full–year, operating earnings guidance from $2.25 - $2.50 to $2.40 - $2.55 per share
- **Executing on operational goals**
  - ✓ Power met summer demand using diverse fleet
  - ✓ Continued control of O&M supports full-year expectations
- **Executing on capital program**
  - ✓ Transmission program of $3.4 billion, including construction of 5 major transmission projects, continues on schedule and on budget
  - ✓ Review of Energy Strong proposal underway by BPU
  - ✓ 74 NJ municipalities and 7 county governments have passed resolutions in support of the Energy Strong infrastructure proposal
- **Market developments**
  - ✓ US District Courts in NJ and MD rendered decisions supportive of competitive markets and FERC's rate-setting authority
  - ✓ New LIPA agreement will broaden and extend original agreement when fully executed

SI-SSA-0015-05820

Raised 2013 operating earnings guidance

Based on our performance year-to-date, we have raised guidance for full year operating earnings from $2.25-$2.50 to $2.40-$2.55 per share

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$630 - $685
PSE&G	$585 - $600
PSEG Energy Holdings/Parent	$0 - $10
Operating Earnings*	$1,215 - $1,295
2013 Earnings Guidance	**$2.40 - $2.55**

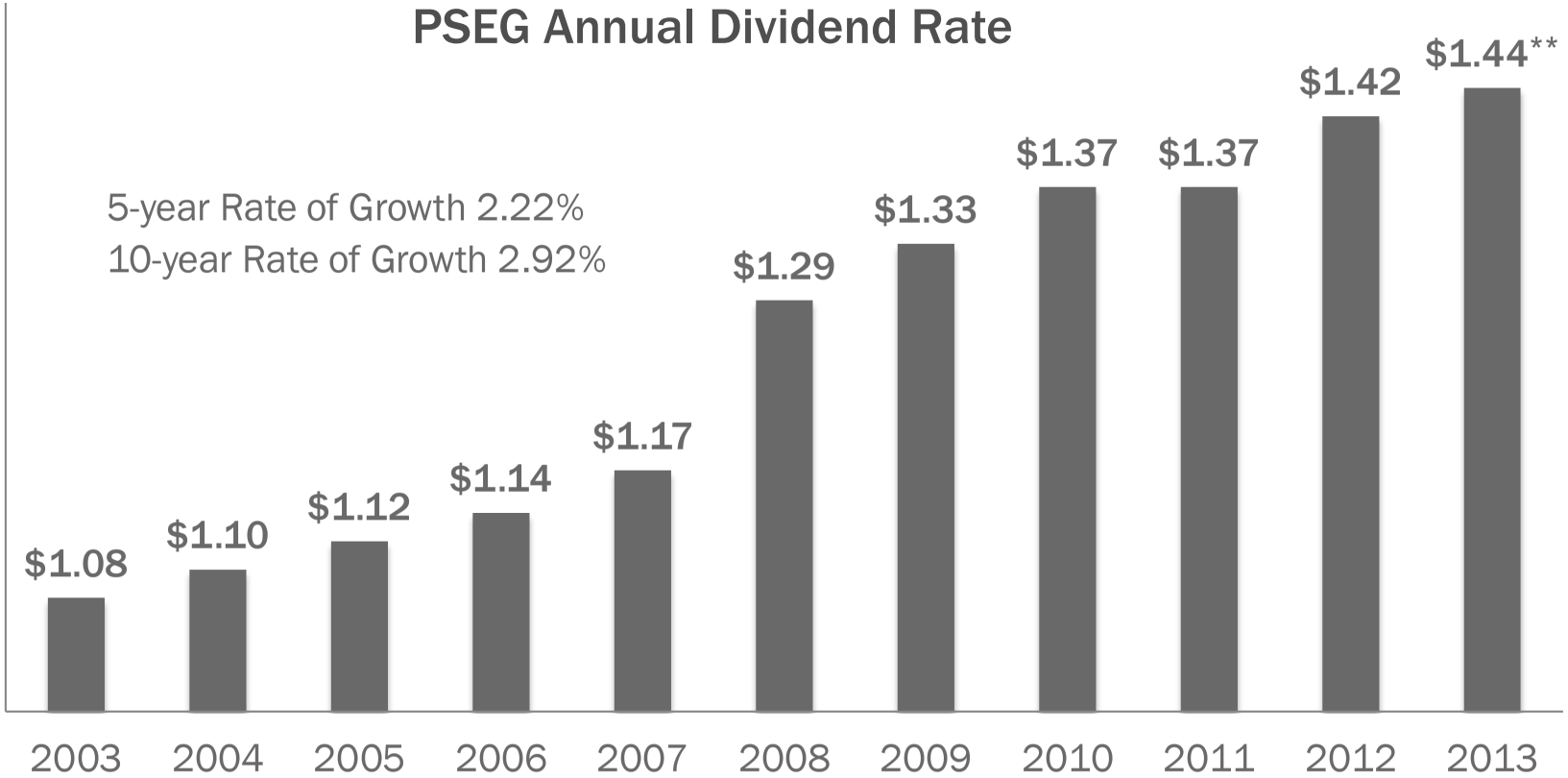
SI-SSA-0015-05821

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	58%*

SI-SSA-0015-05822

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-05823

PSEG

We make things work for you.

PSE&G

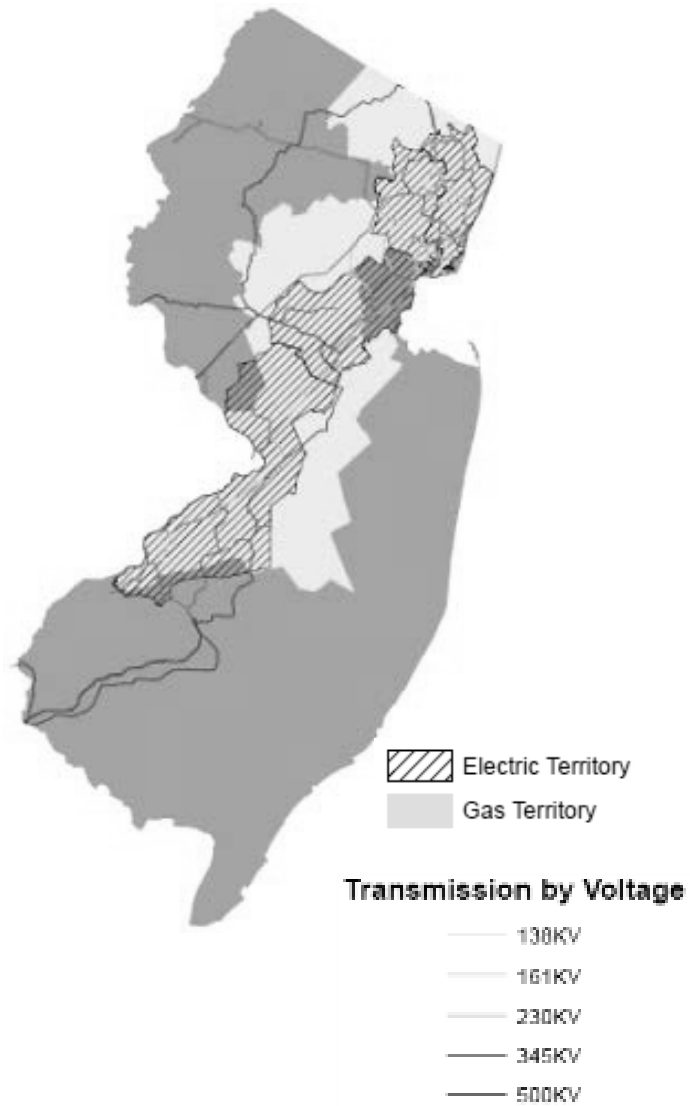
SI-SSA-0015-05824

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05825

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-05826

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

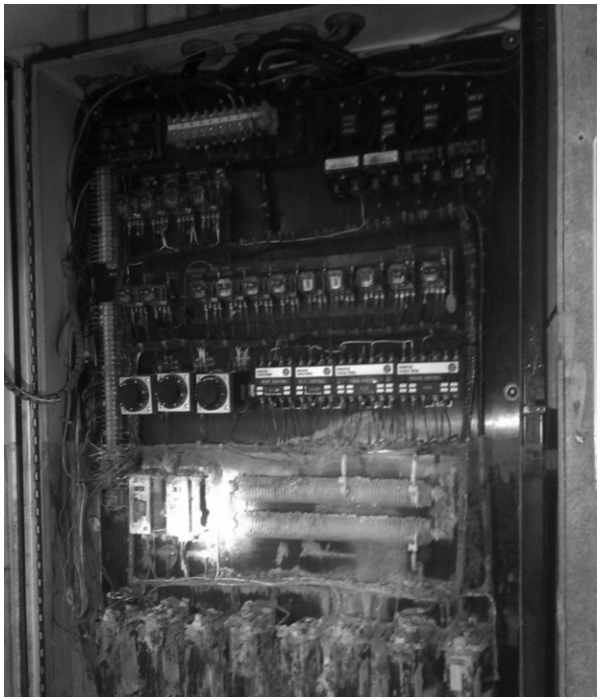
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-05827

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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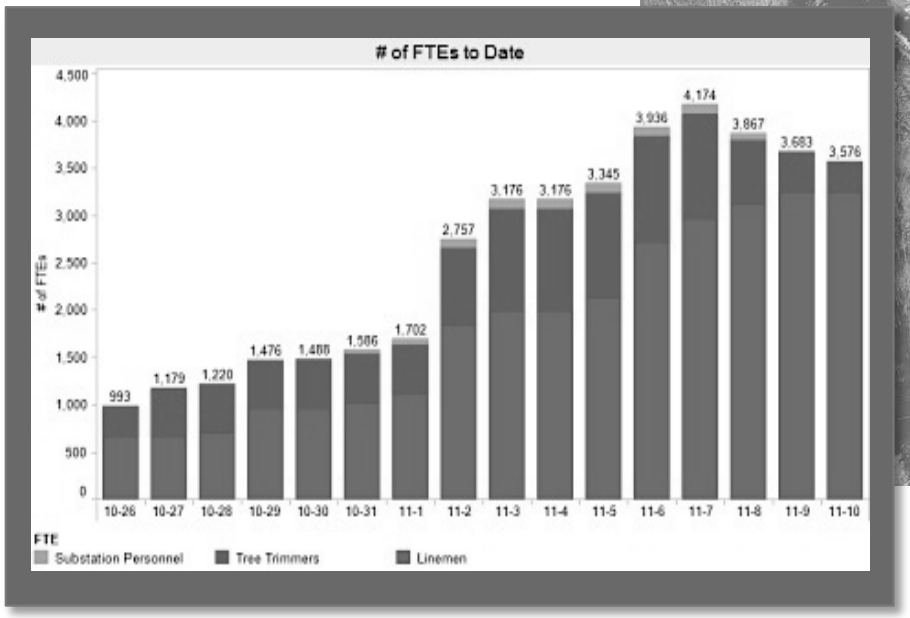
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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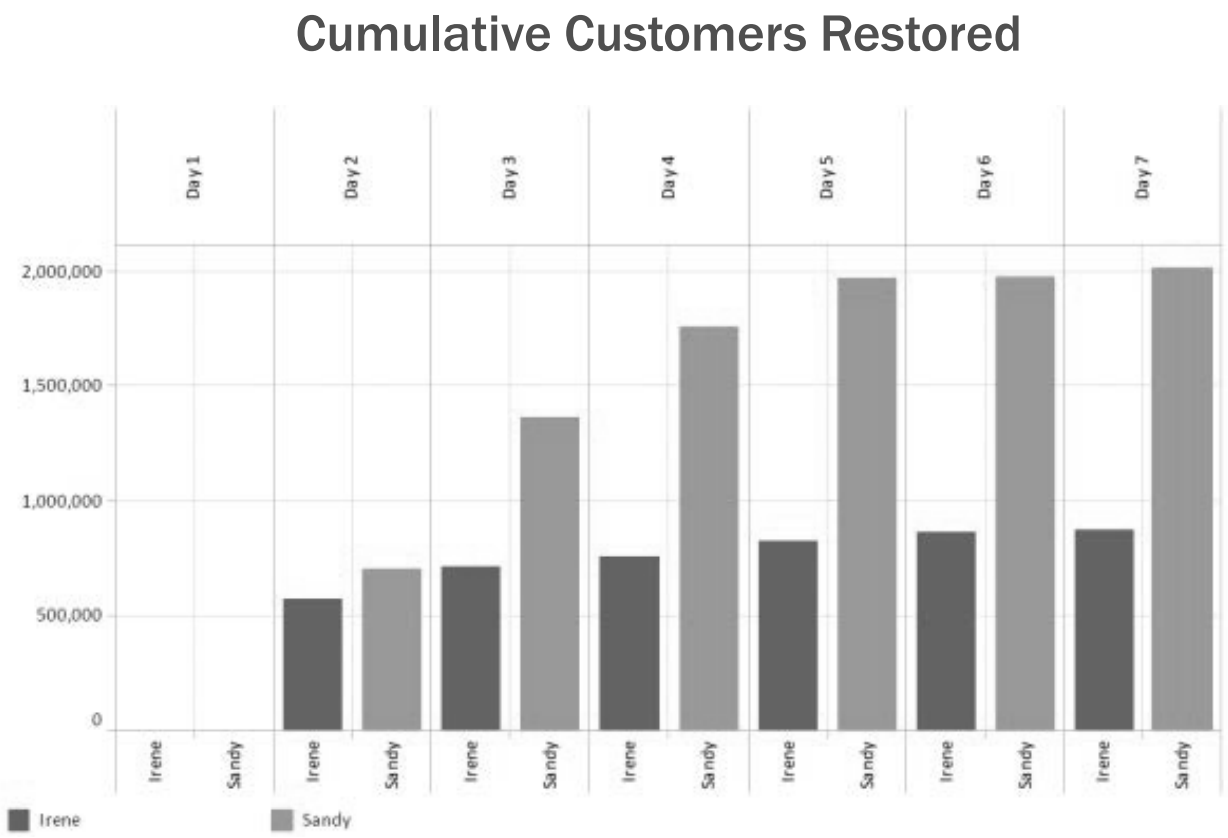
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-05830

PSE&G's operating earnings grew ~10%*

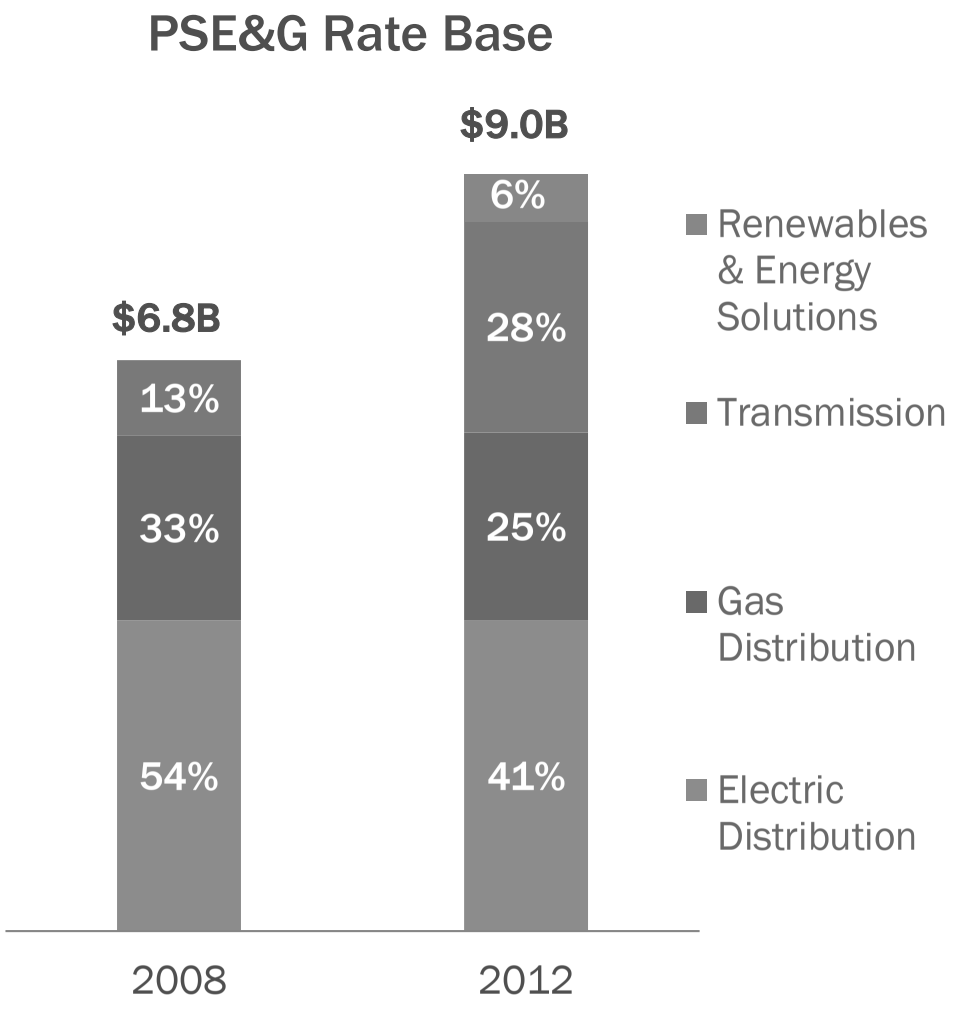
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-05831

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

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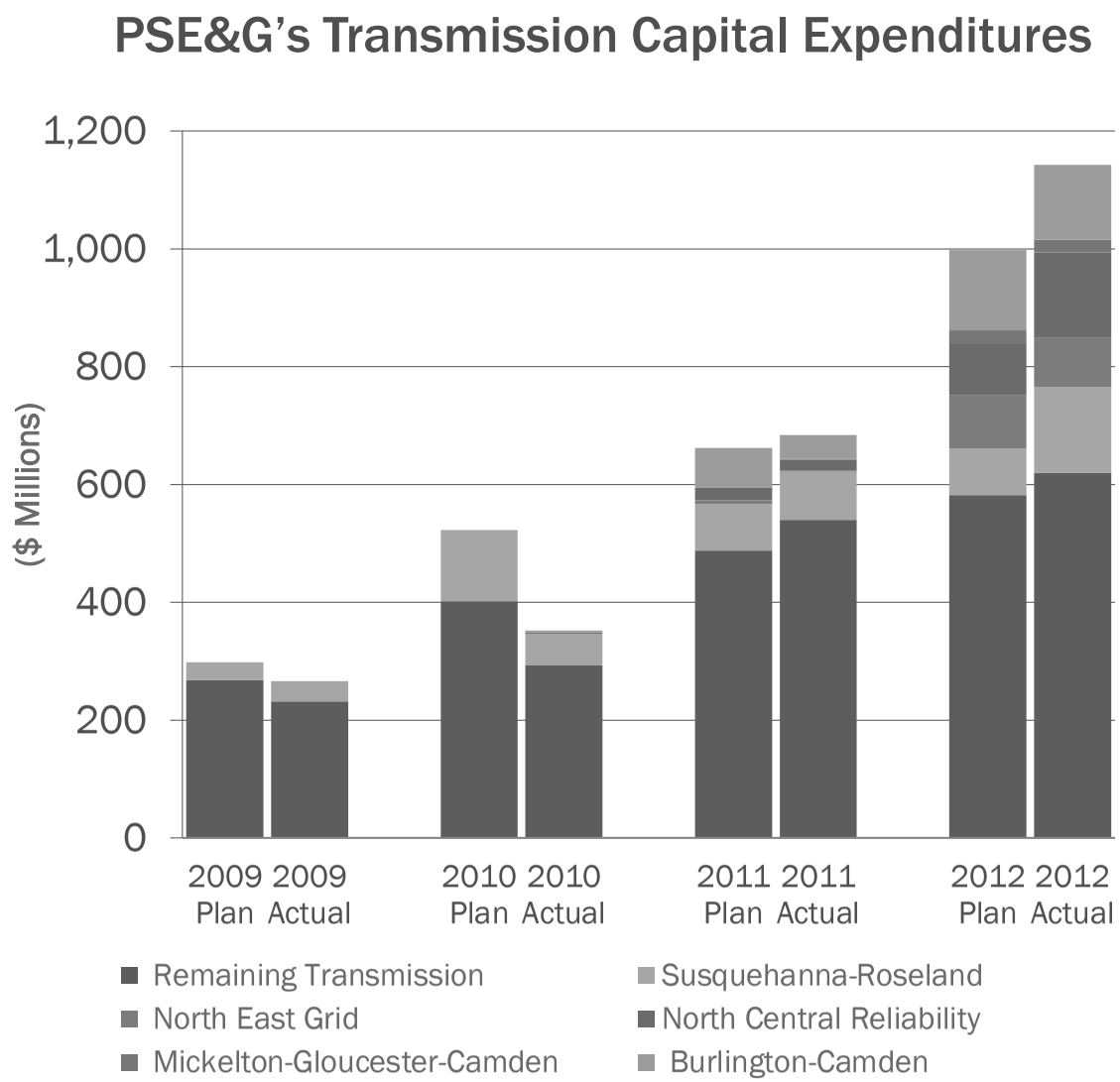
Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-05833

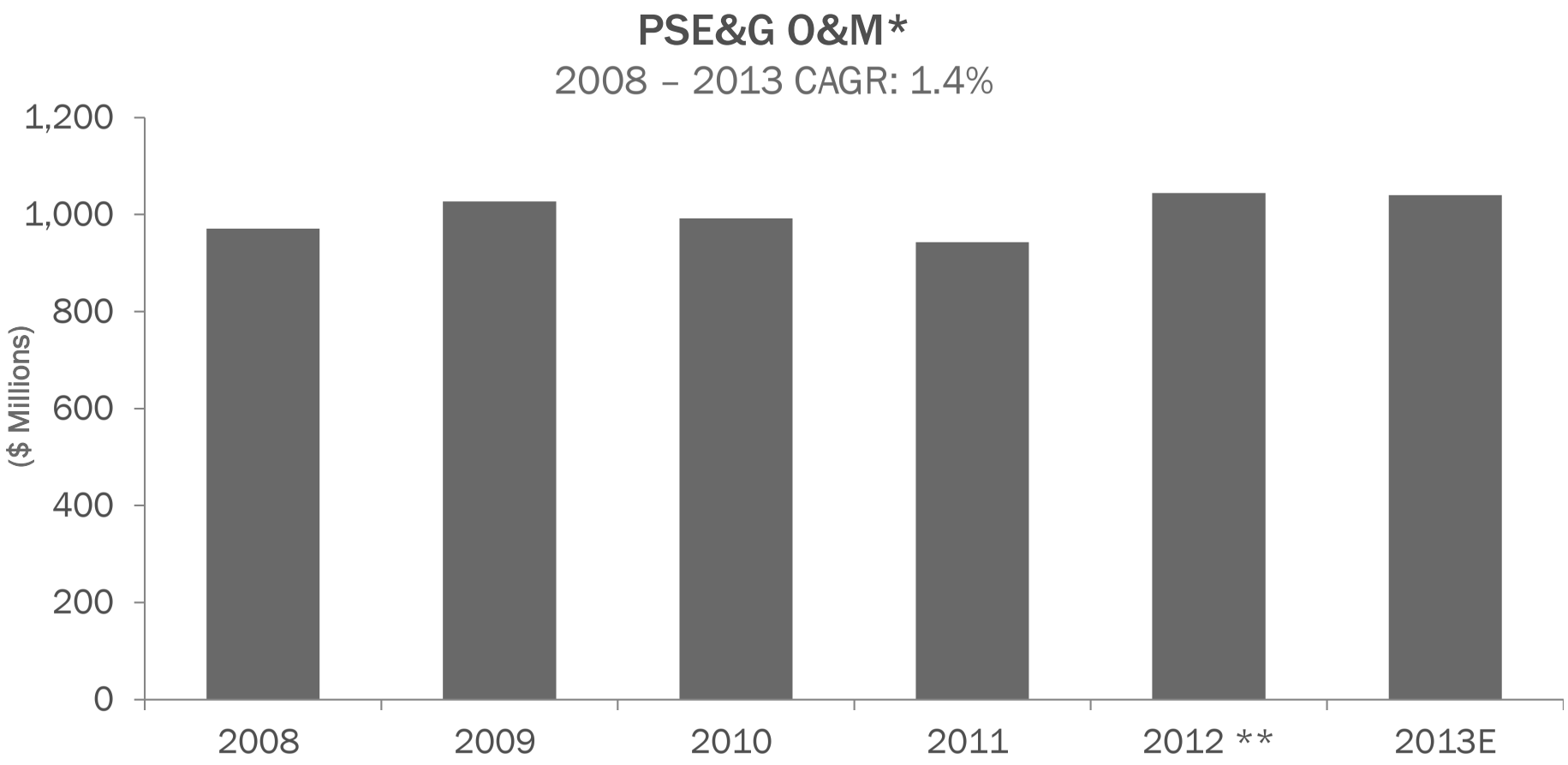
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 9/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$229	$15
Solar 4 All	July 2009	464	457	7
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	158	3
Demand Response	July 2009	35	31	4
Energy Efficiency Economic Stimulus Extension	July 2011	94	37	57
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,471**	**$1,939**	**$532**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-05834

Focus on controlling O&M allows us to earn our authorized return



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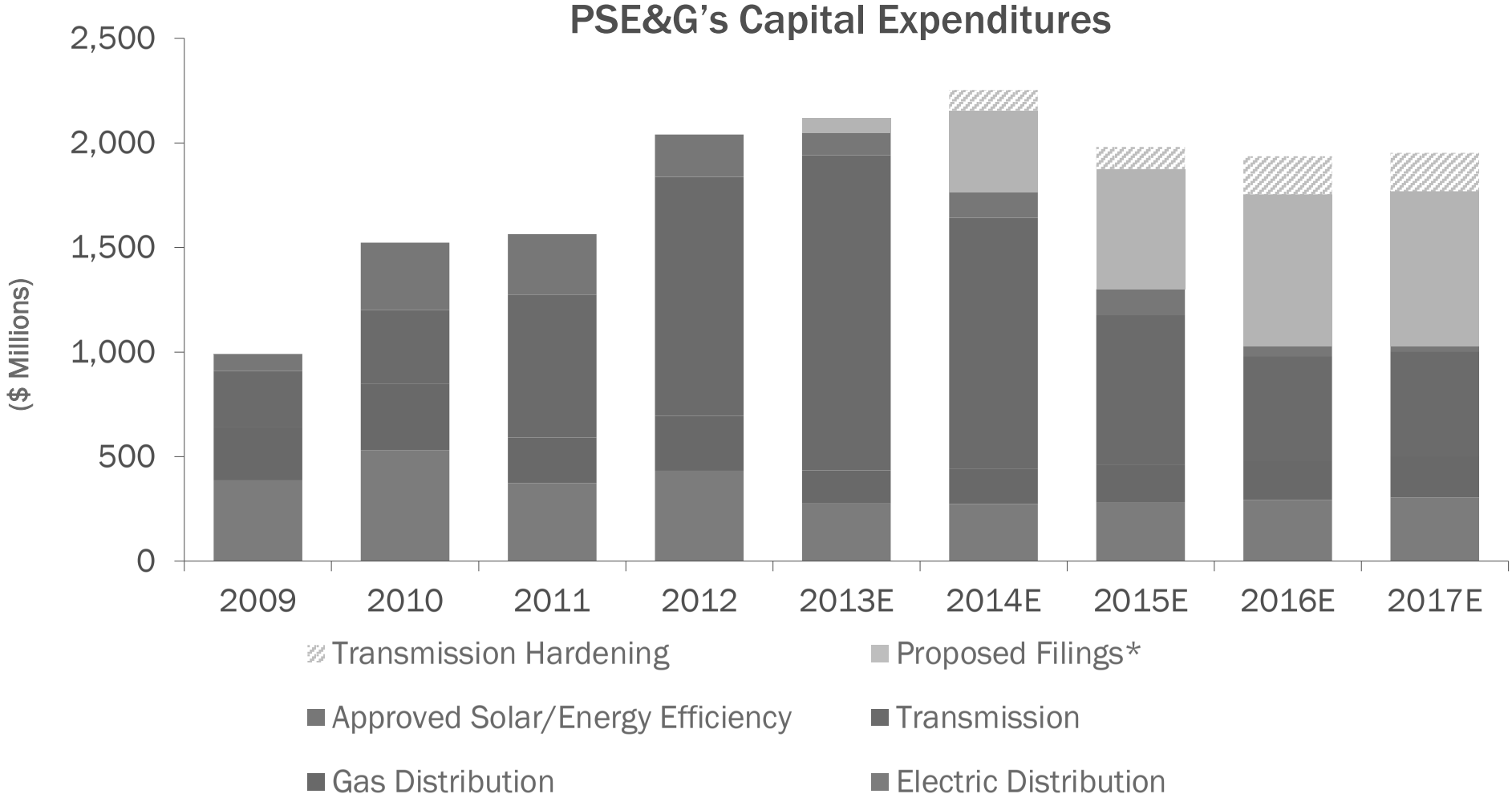
* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



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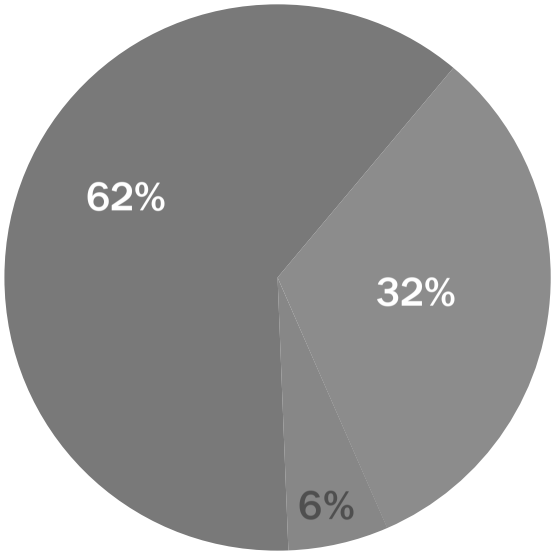
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EEEIII. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

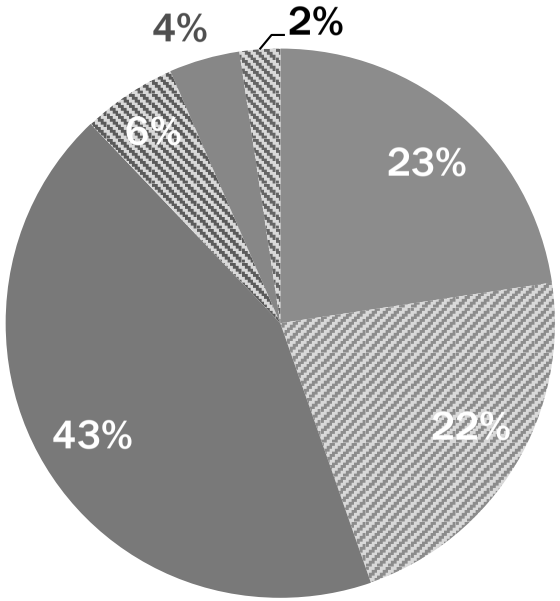
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



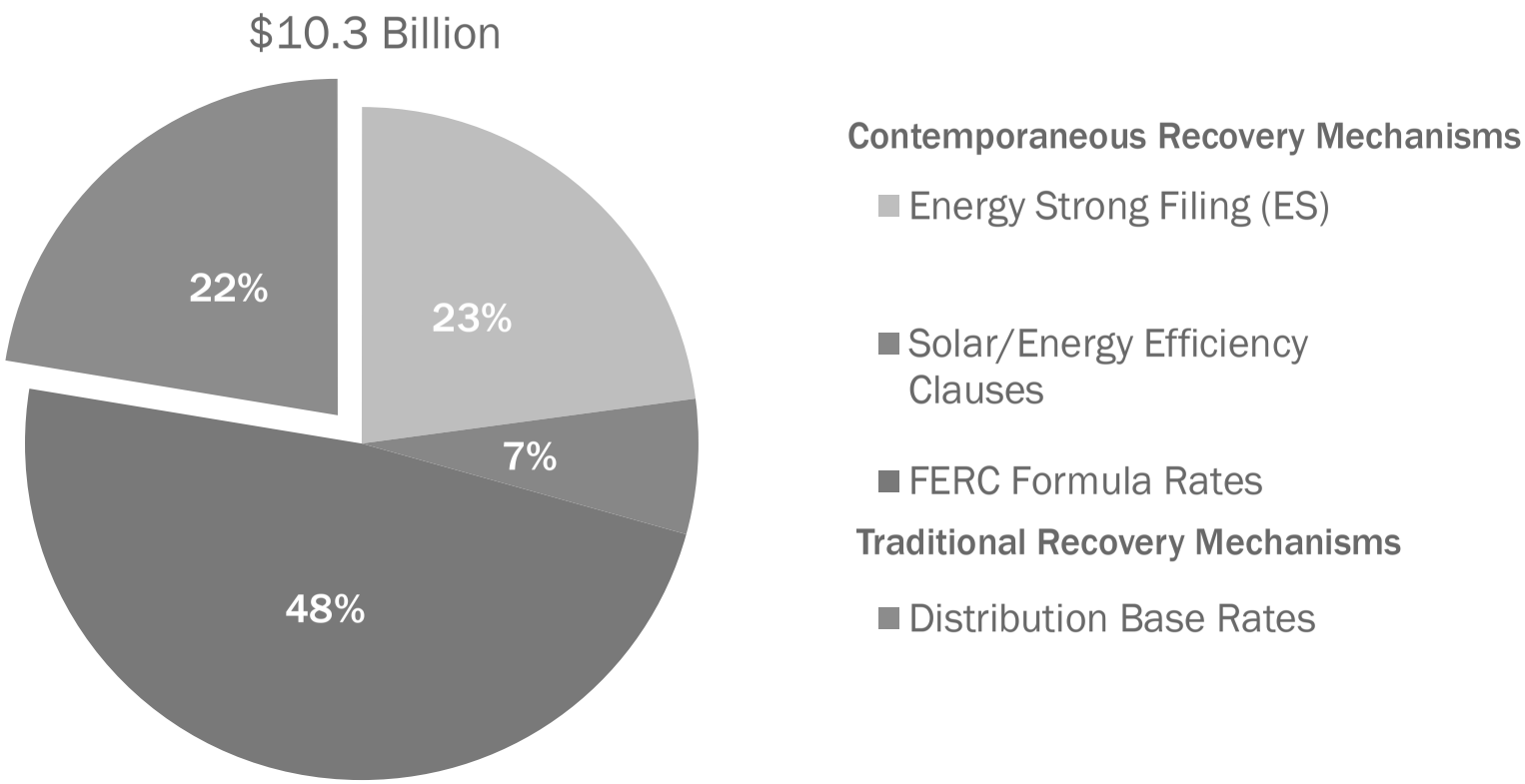
- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-05837

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Potential Capital Spending by Recovery Method



SI-SSA-0015-05838

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-05839

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

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PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-05841

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05842

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05843

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-05844

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the NJBPU granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the BPU voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding*

SI-SSA-0015-05845

PSEG

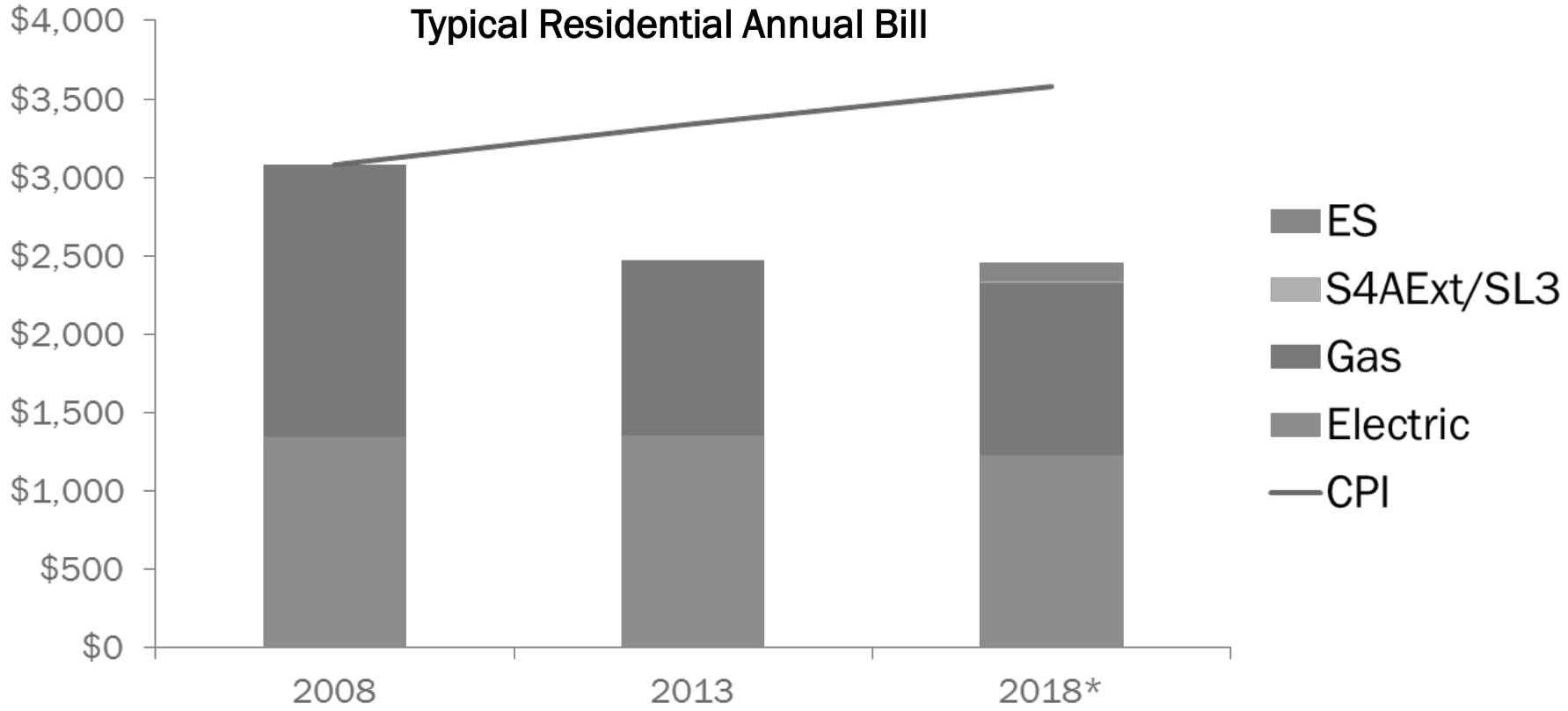
* NJBPU proceeding on storm recovery is currently in discovery phase.

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-05846

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

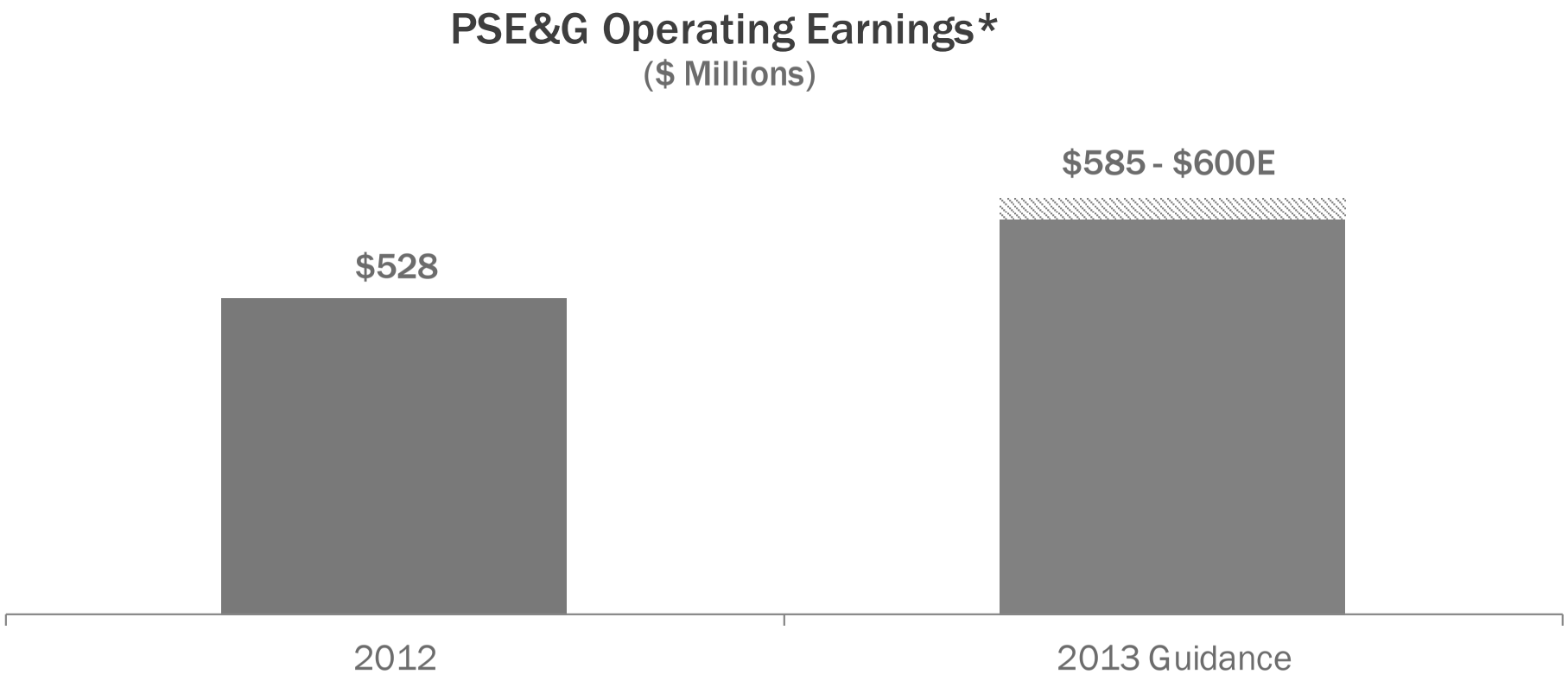


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-05847

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-05848

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

PSEG

SI-SSA-0015-05849

LIPA T&D management contract

Amended Operating Services Agreement will begin January 1, 2014, subject to LIPA receiving IRS ruling on tax status of debt

- Increases PSEG-Long Island's management responsibility to operate and maintain the LIPA T&D system
- Extends original 10-year contract by two years
- PSEG Power will procure LIPA's fuel requirements beginning 2015
- PSEG-LI compensation will increase in 2016 for expanded management role

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-05850

PSEG POWER

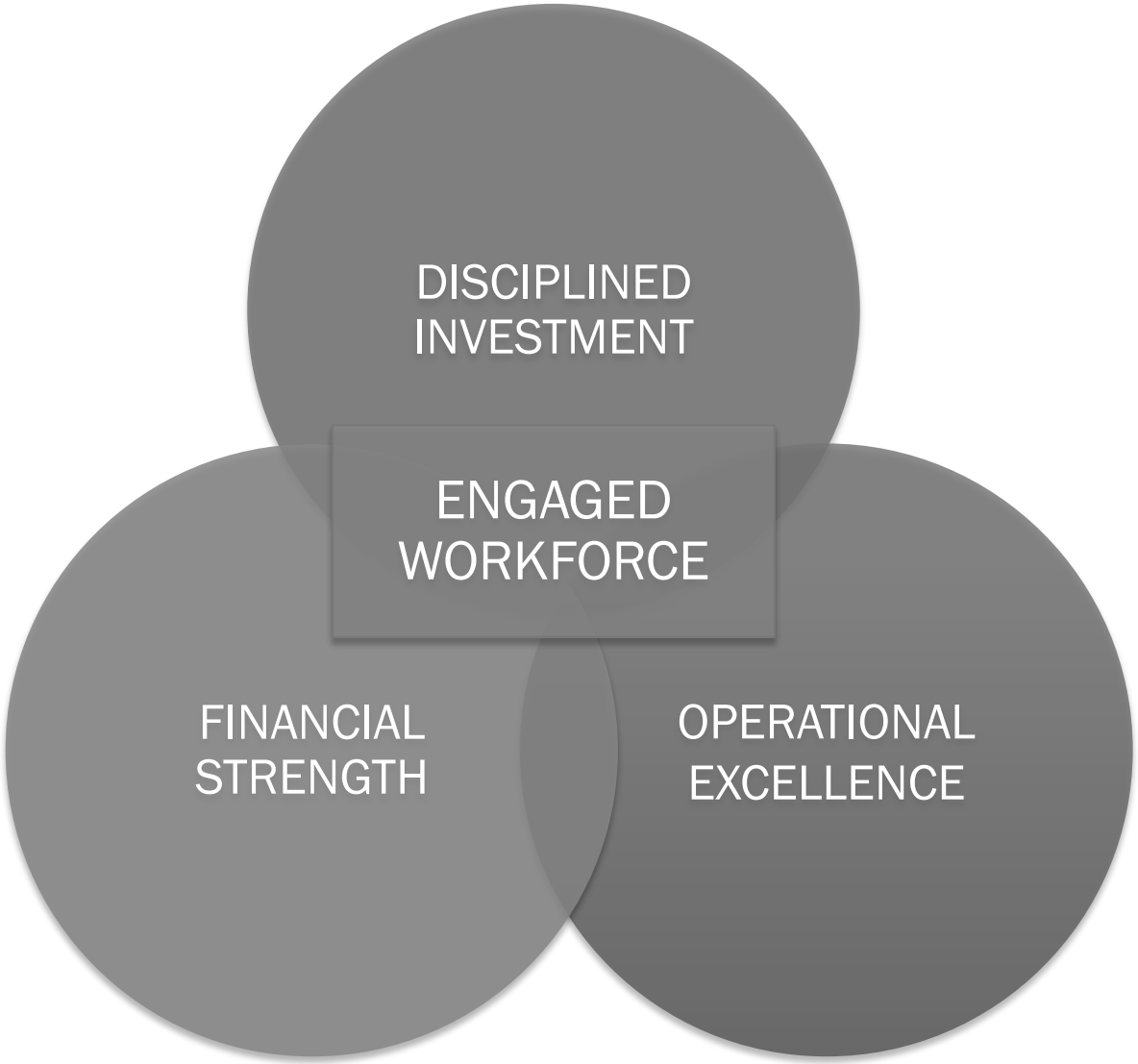
PSEG

We make things work for you.

SI-SSA-0015-05851

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-05852

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-05853

PSEG Power delivered in 2012

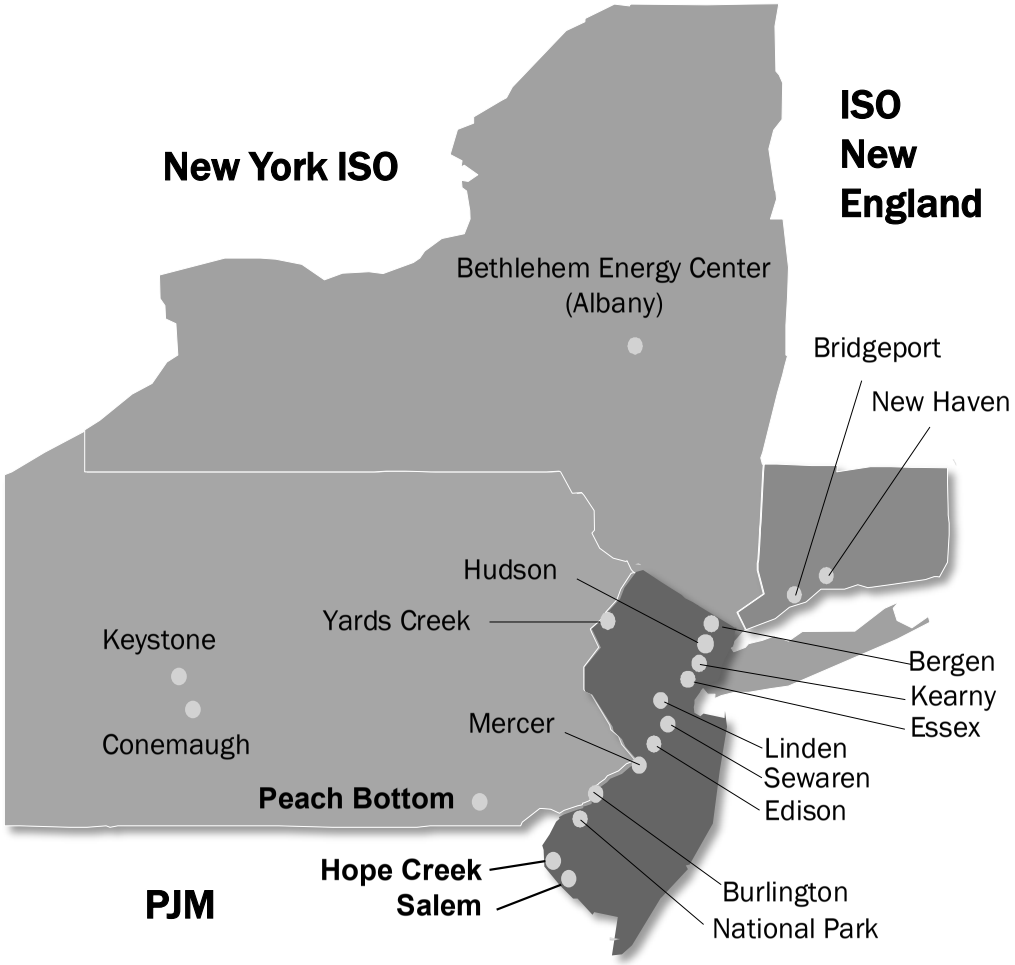
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-05854

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-05855

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015

SI-SSA-0015-05856

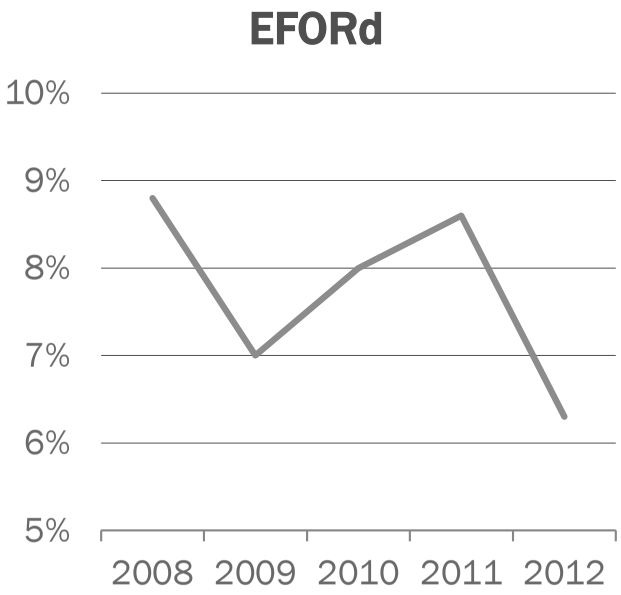
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

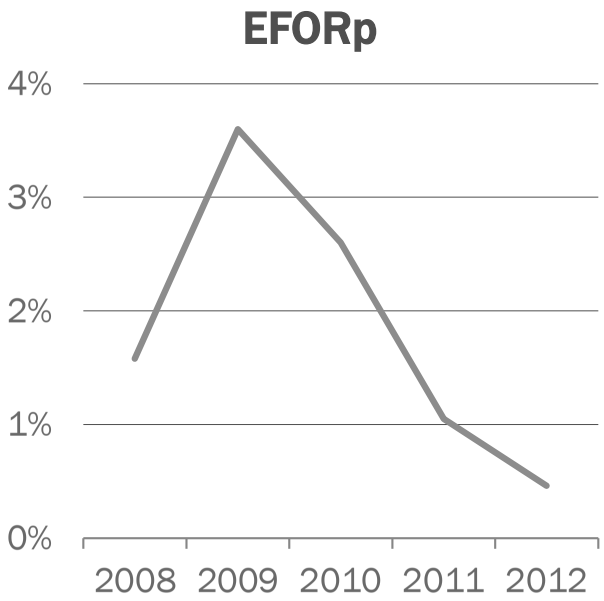
SI-SSA-0015-05857

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

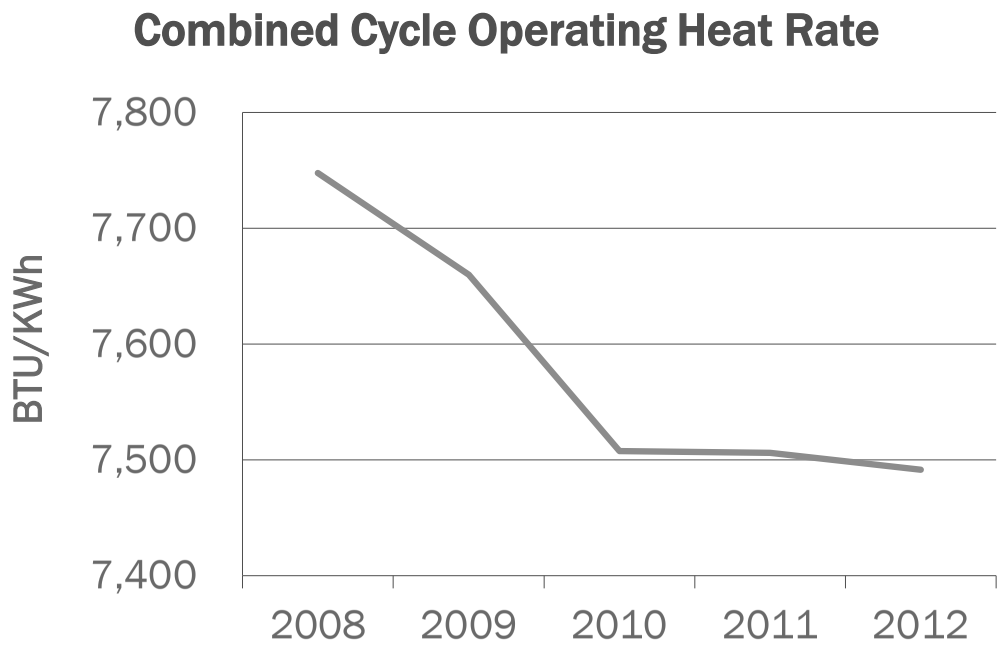


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-05858

PSEG Power improvements achieved in combined cycle fleet efficiency

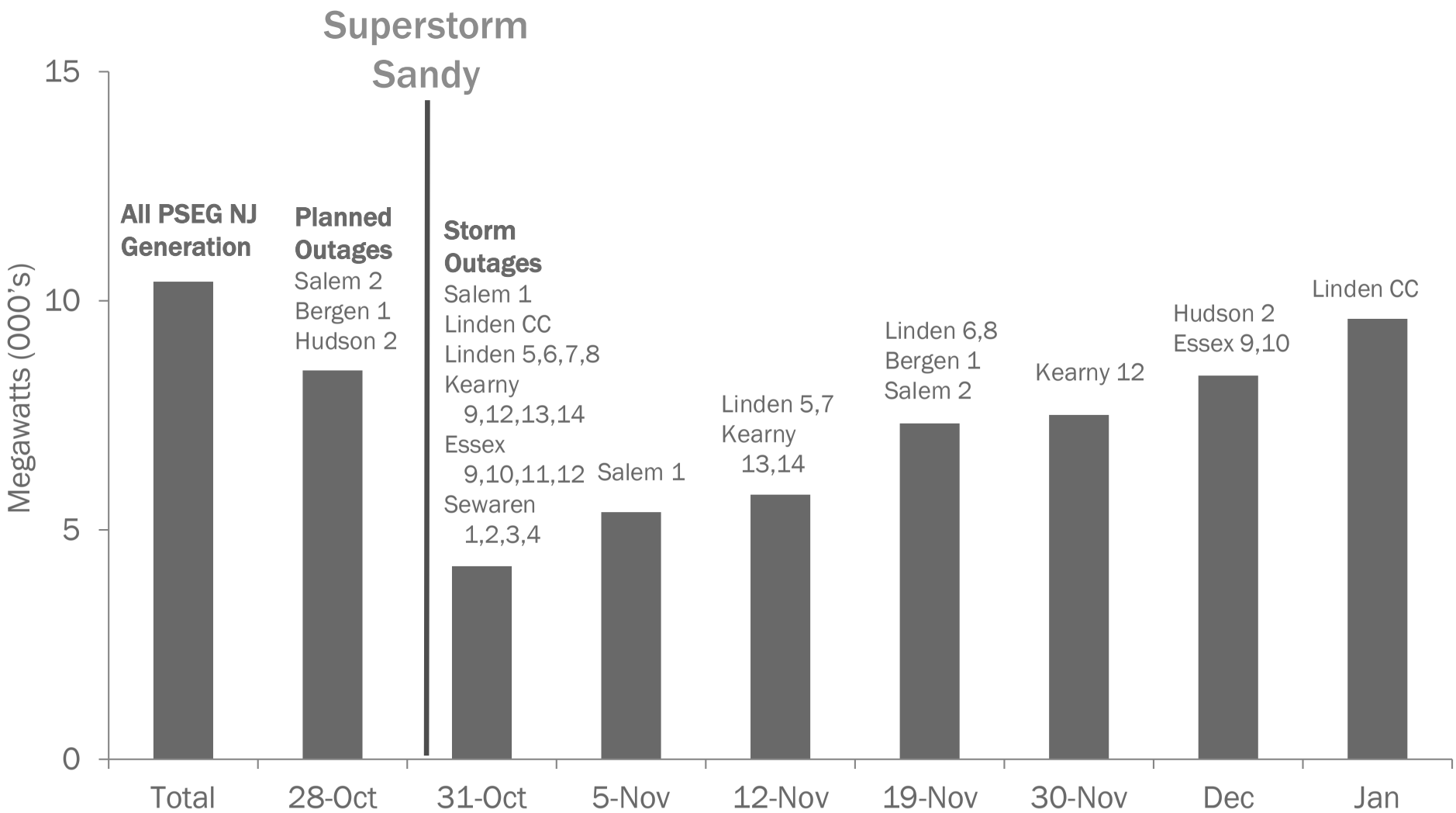


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-05859

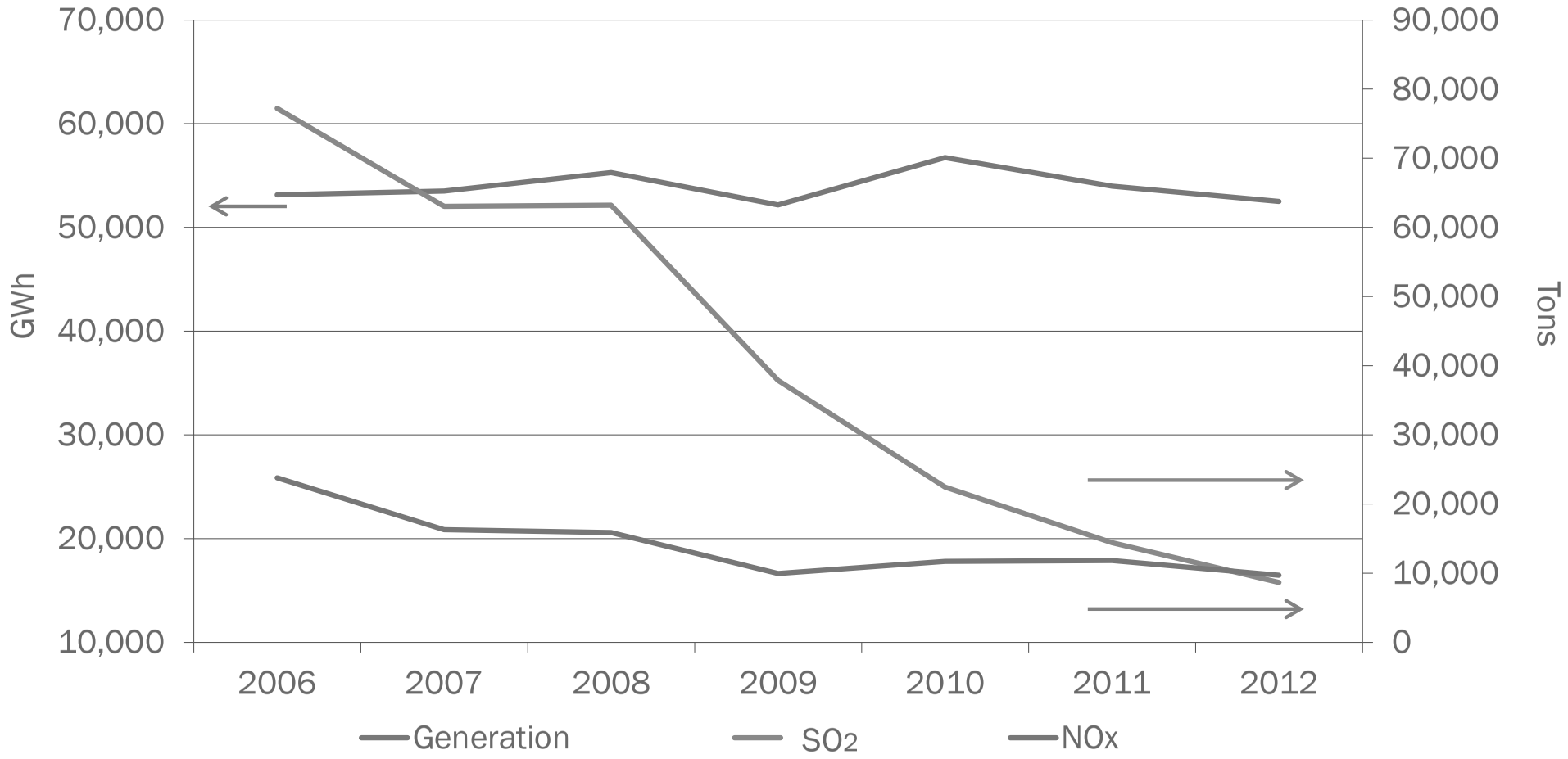
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-05860

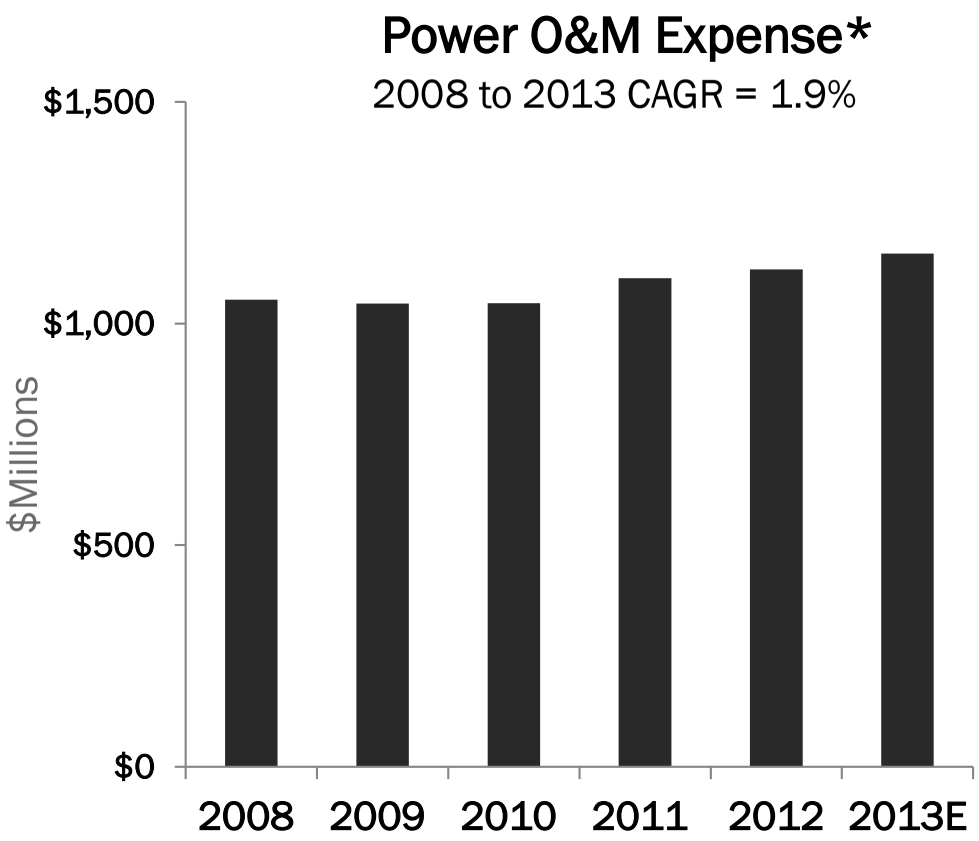
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-05861

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-05862

PSEG

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-05863

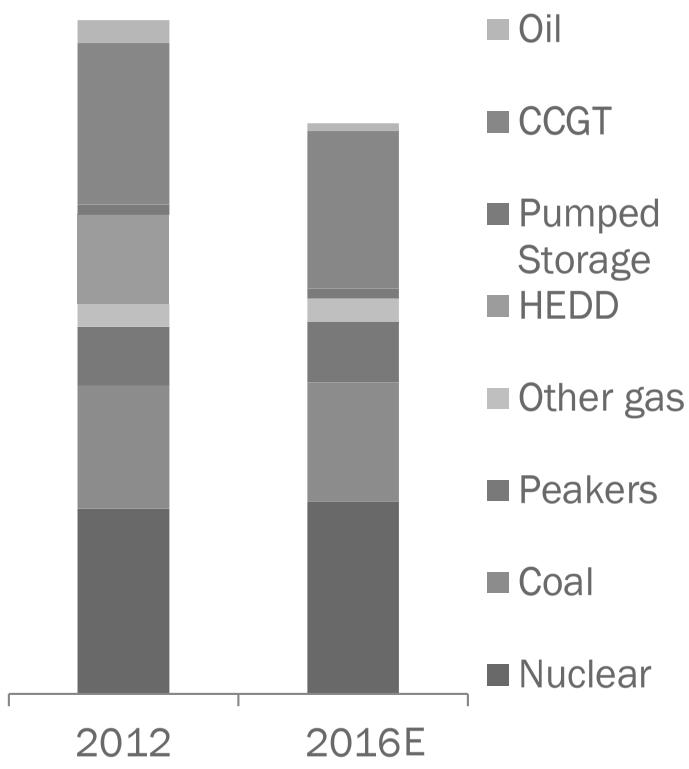
PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

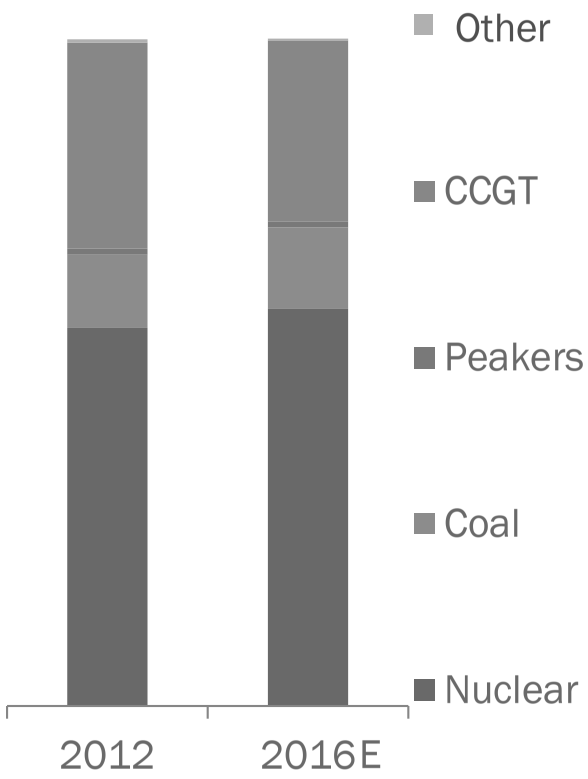
Fuel Diversity

13,226 MW 11,200 MW



Energy Produced

52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-05864

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-05865

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-05866

PSEG

* EXCLUDES SANDY IMPACT.

Power's 2013 operating earnings

benefiting from locational value and operational efficiency

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-05867

PSEG POWER
ER&T

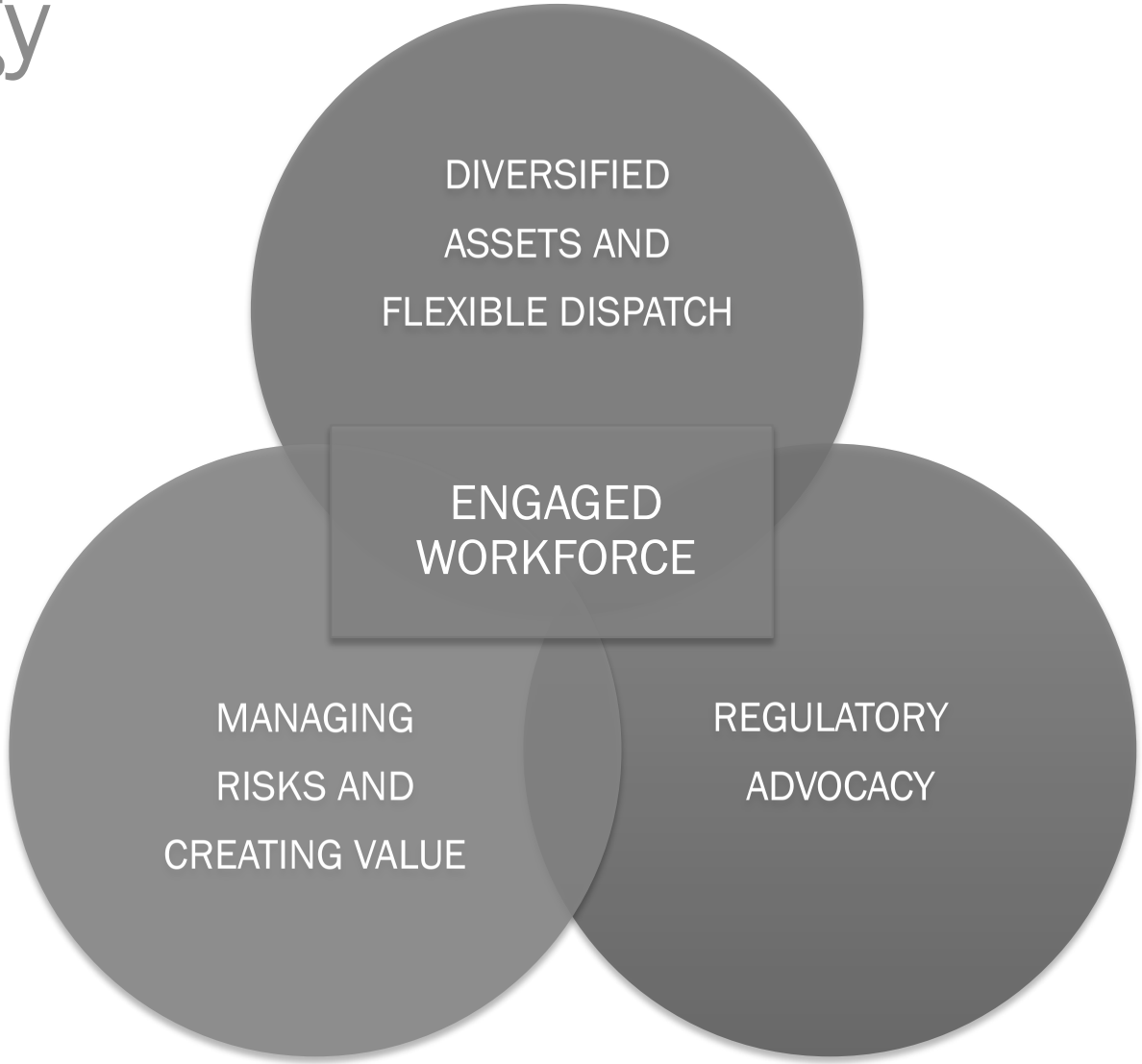
PSEG

We make things work for you.

SI-SSA-0015-05868

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-05869

Diversified assets and flexible dispatch

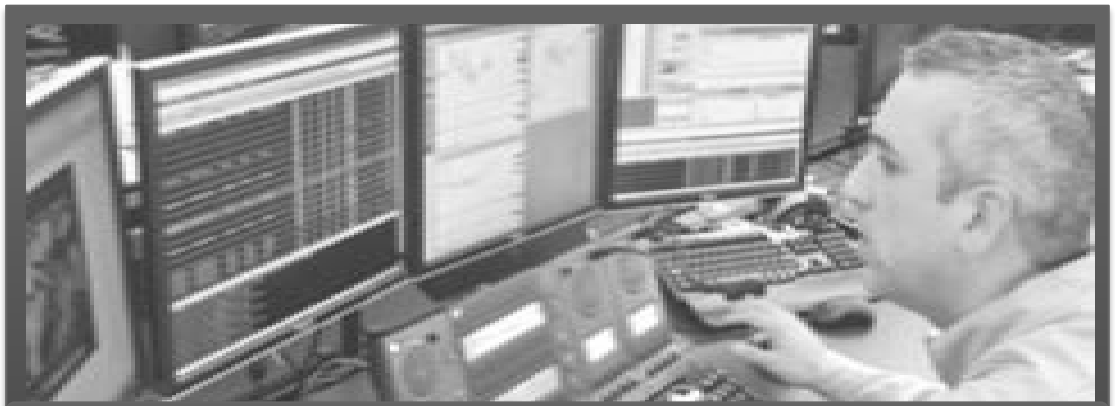
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

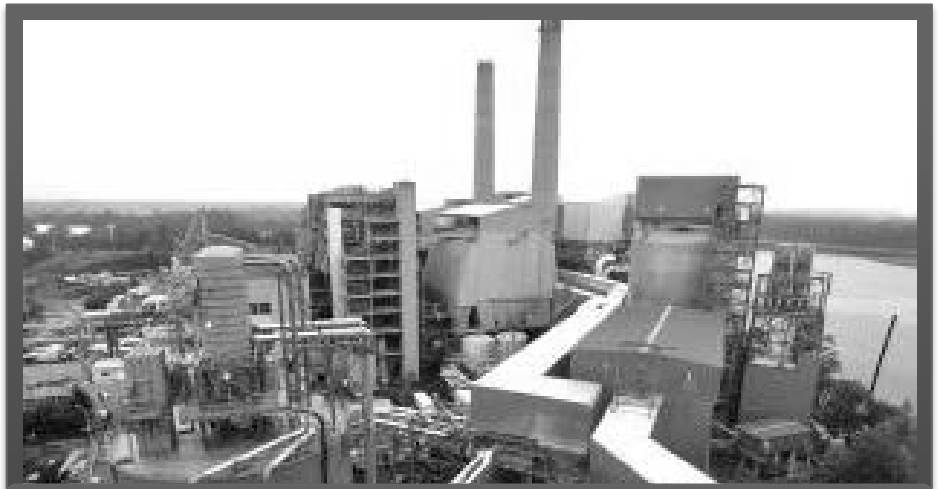
SI-SSA-0015-05870

Fleet capacity has been advanced by:

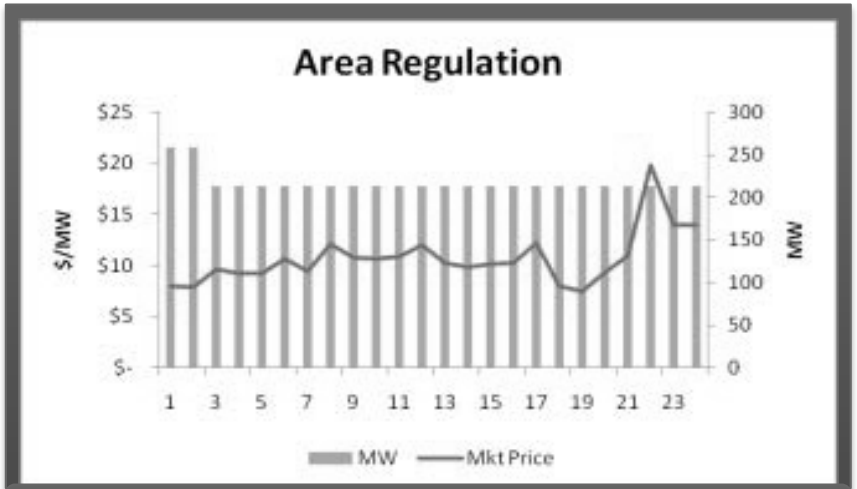
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



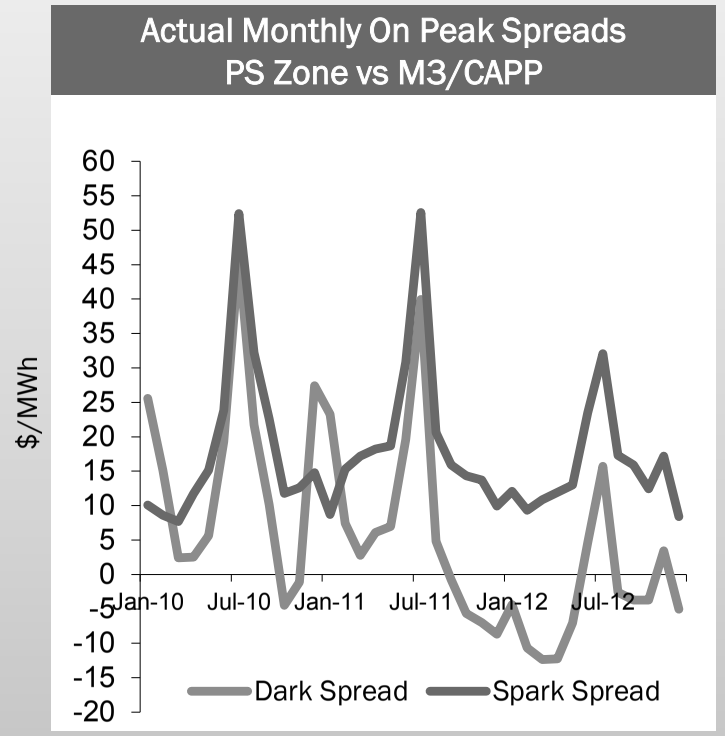
Reduced O&M and increased start-up success

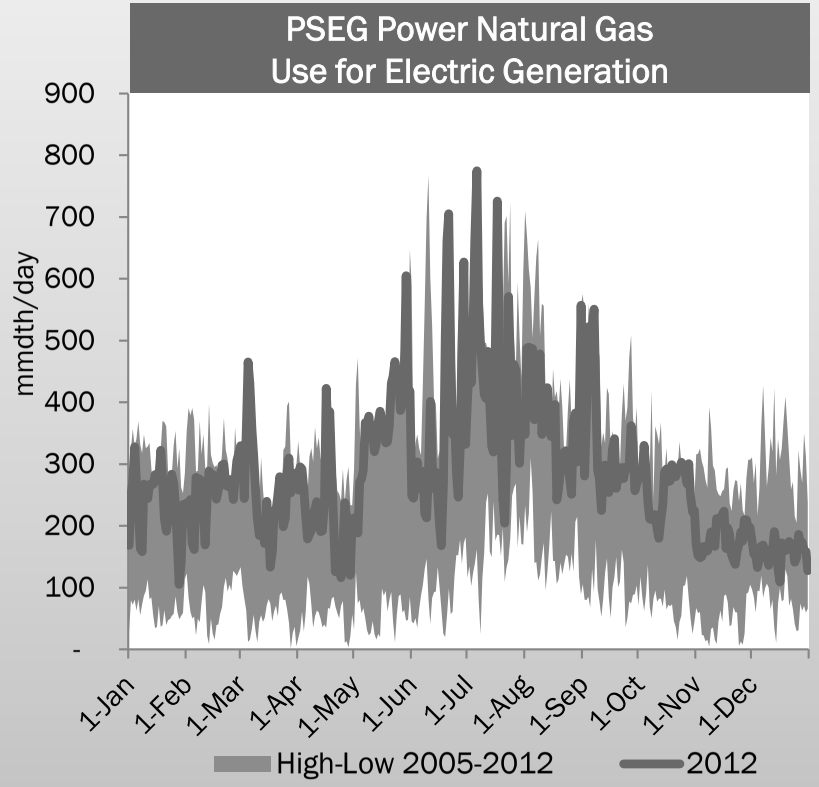


Capturing new products opportunity with minimal investment

SI-SSA-0015-05871

Spark spread replaces dark spread as major value driver

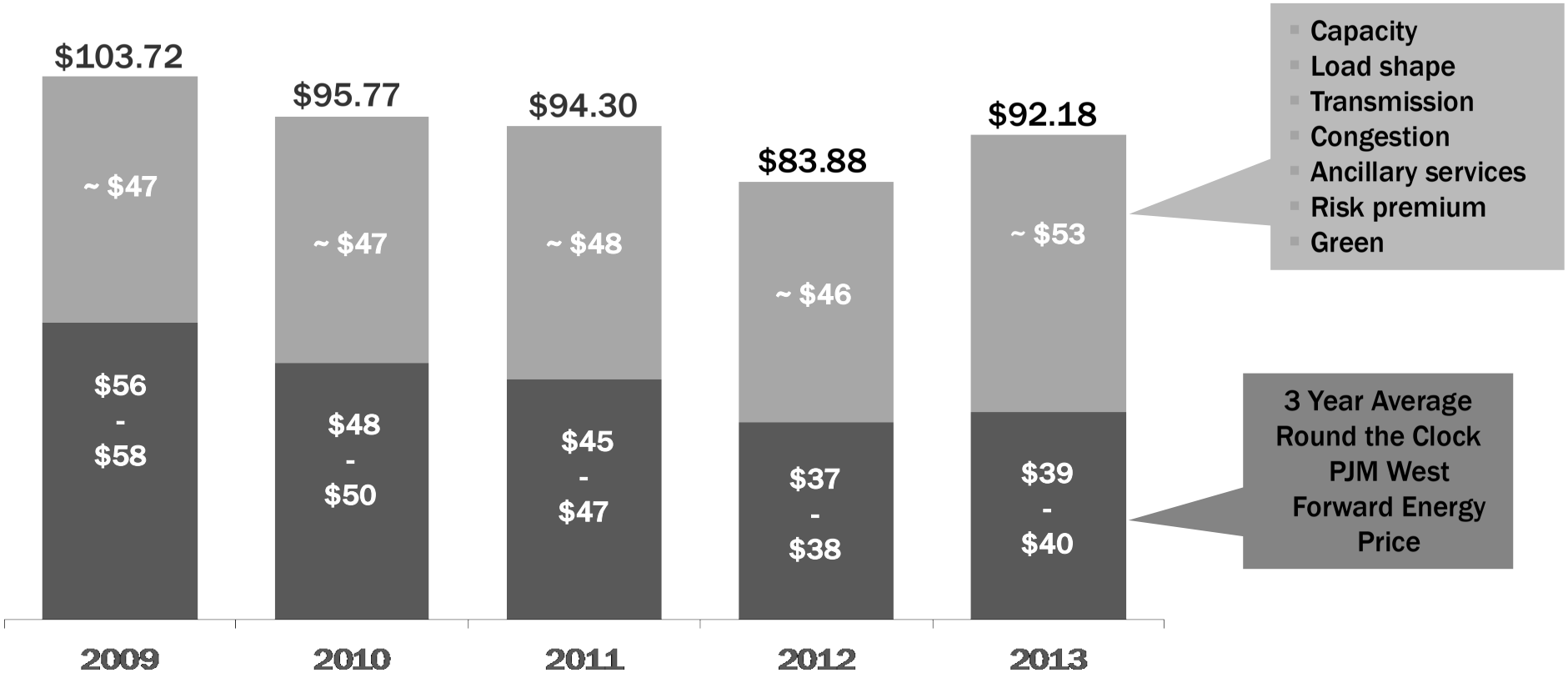




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-05872

2013 BGS Auction Results for PSE&G Zone

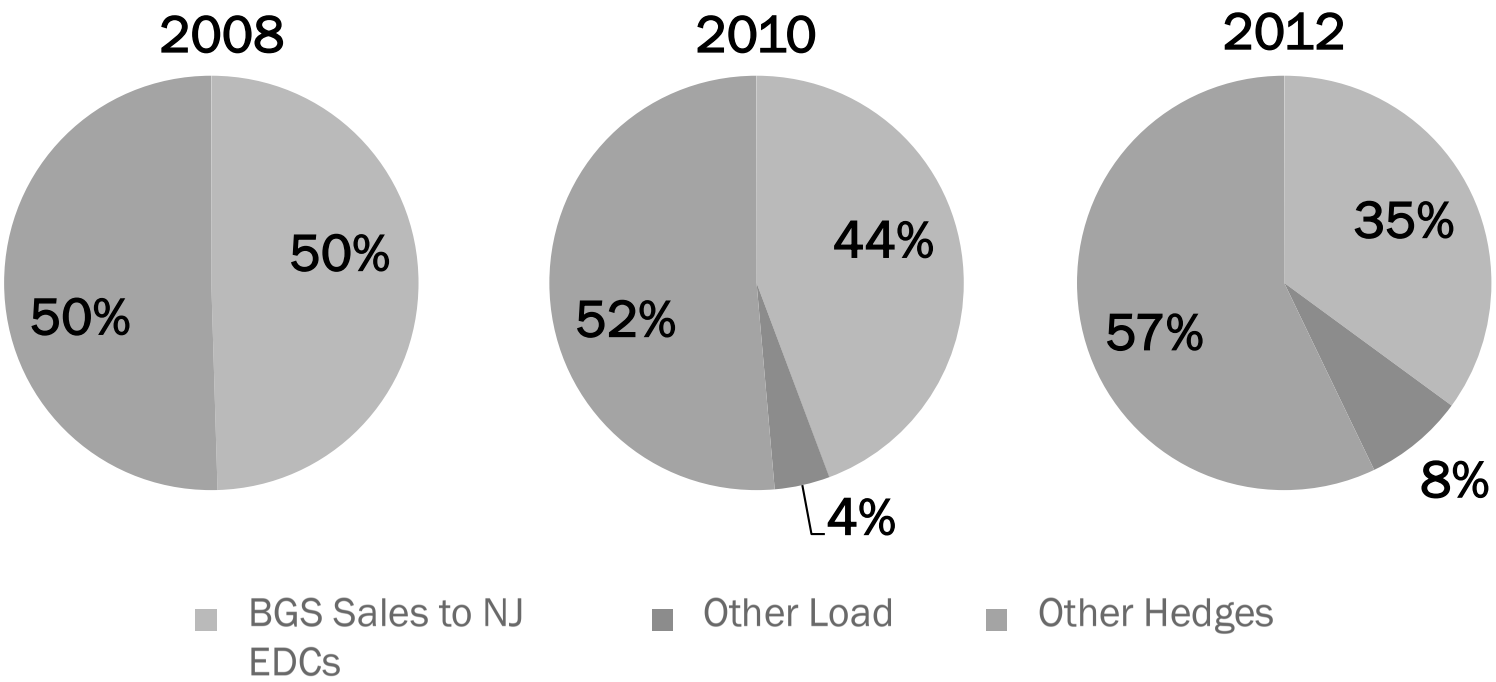


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-05873

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-05874

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

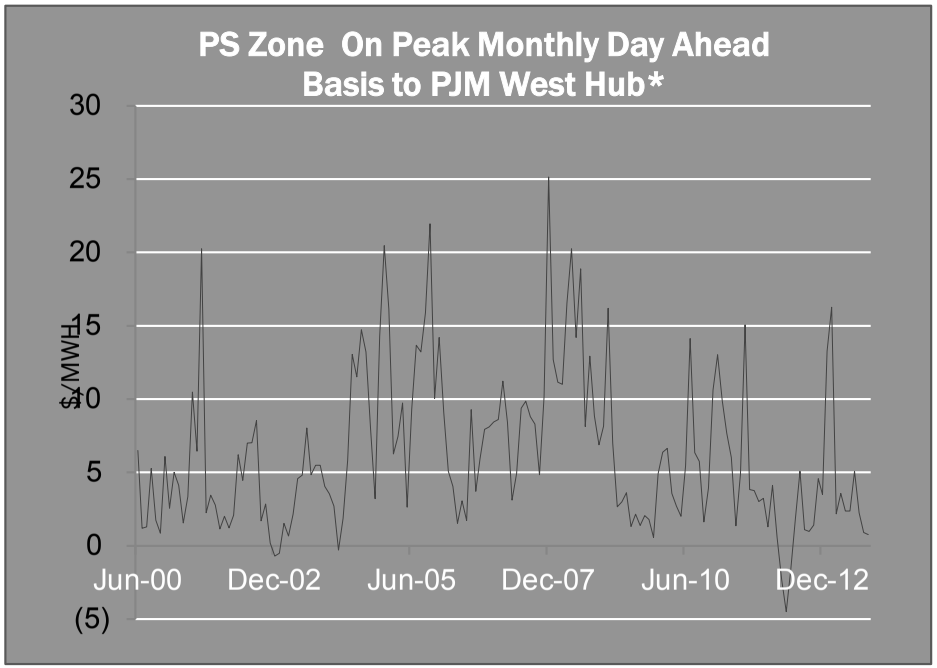
		Oct-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	35
	% Hedged	100%	100%	55-60%
	Price $/MWh	$50	$48	$48
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	5	18	17
	% Hedged	30-35%	5-10%	0%
	Price $/MWh	$50	$48	$48
Total	Volume TWh	13-14	53-55	52-54
	% Hedged	70-75%	65-70%	35-40%
	Price $/MWh	$50	$48	$48

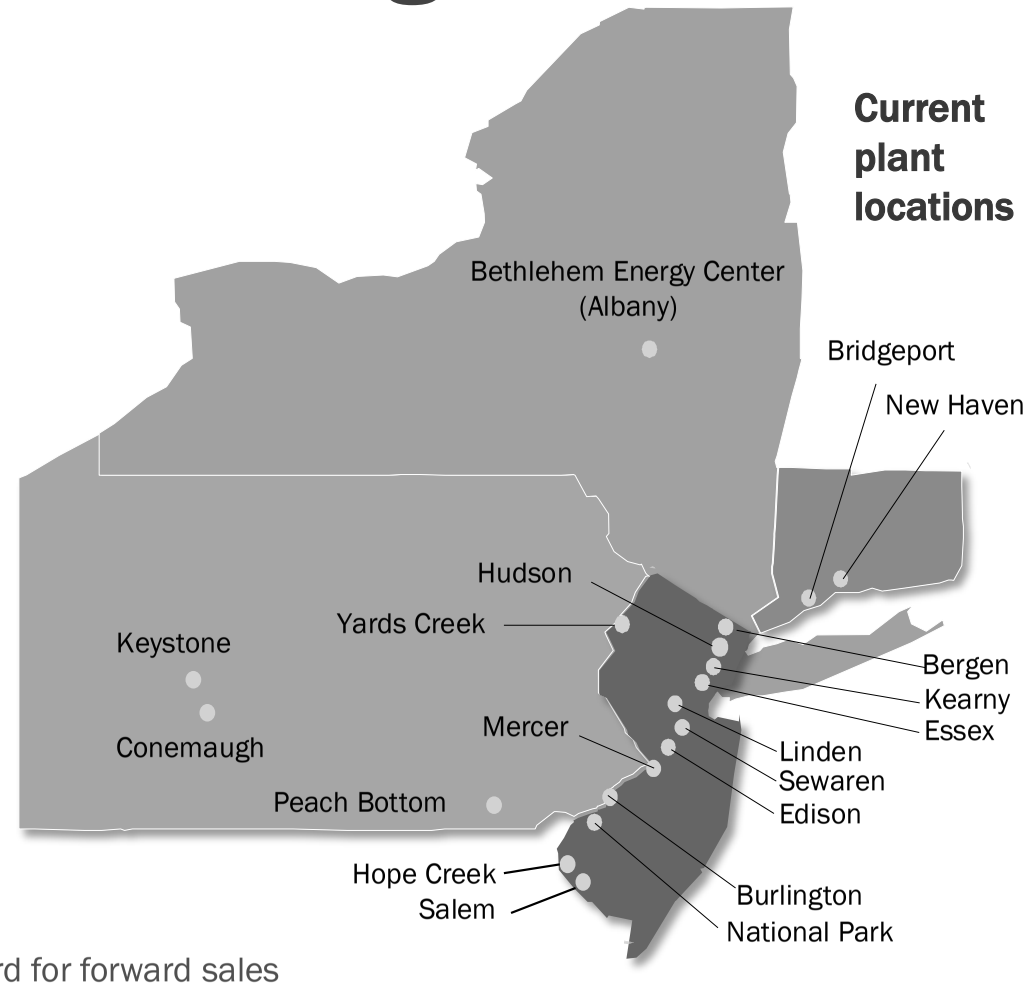
HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-05875

PSEG's locational advantage

and electric basis





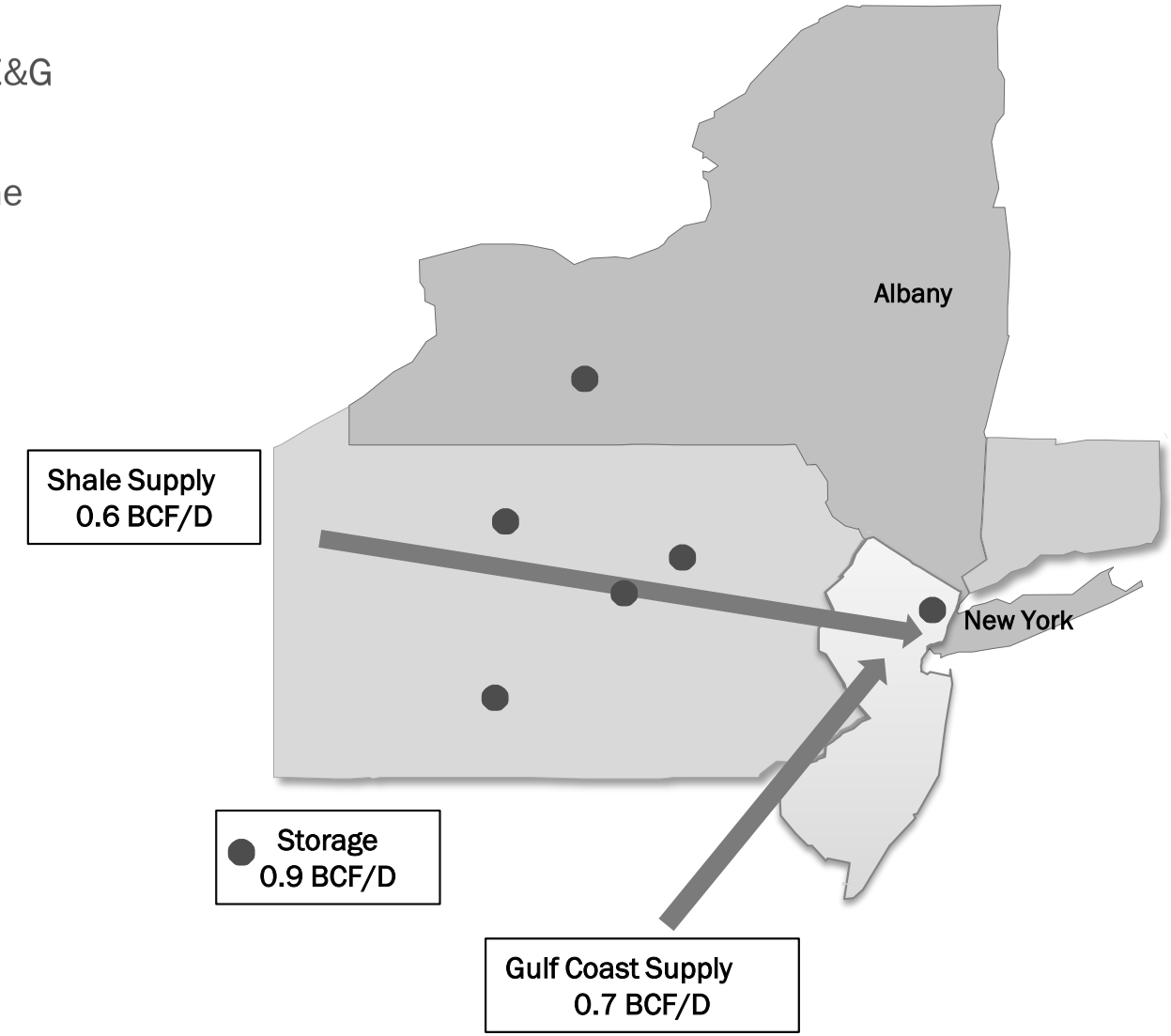
- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility may remain significant in the prompt periods
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

SI-SSA-0015-05876

*AS OF OCTOBER 31, 2013.

PSEG's locational advantage

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity primarily benefits PSE&G's gas customers and then Power, as conditions permit



SI-SSA-0015-05877

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

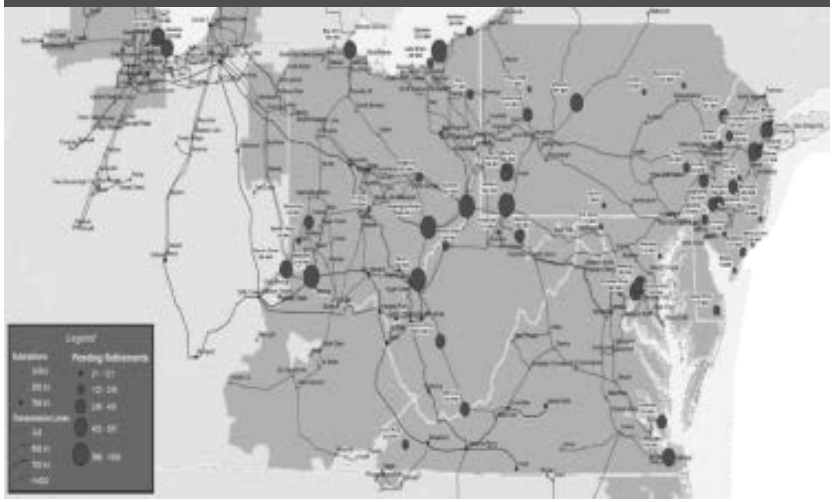
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-05878

Reserve margins in PJM declining with retirements

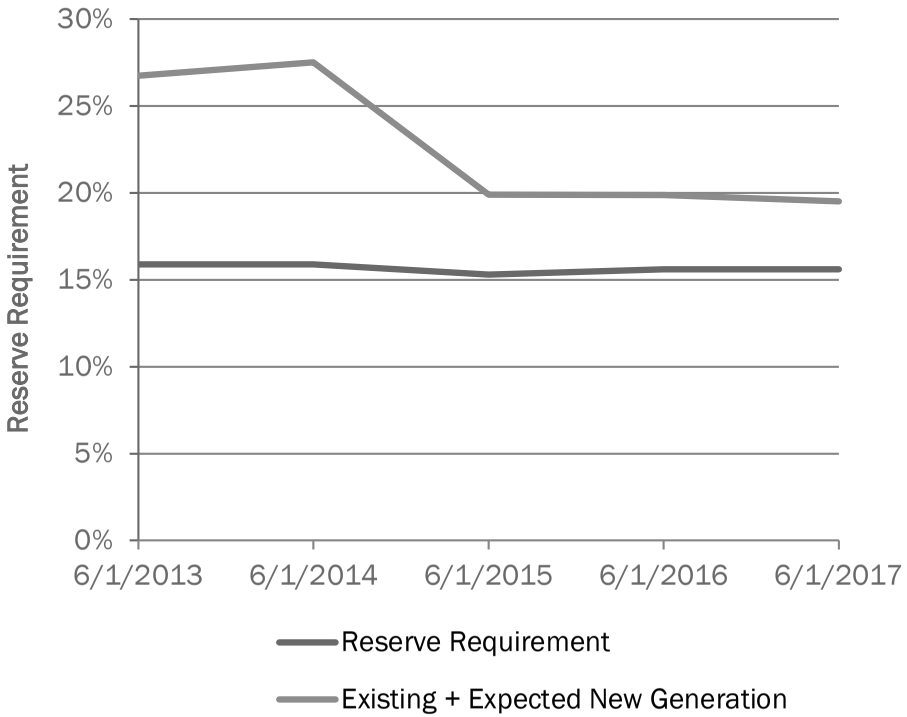
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-05879

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-05880

PSEG wholesale market strategy

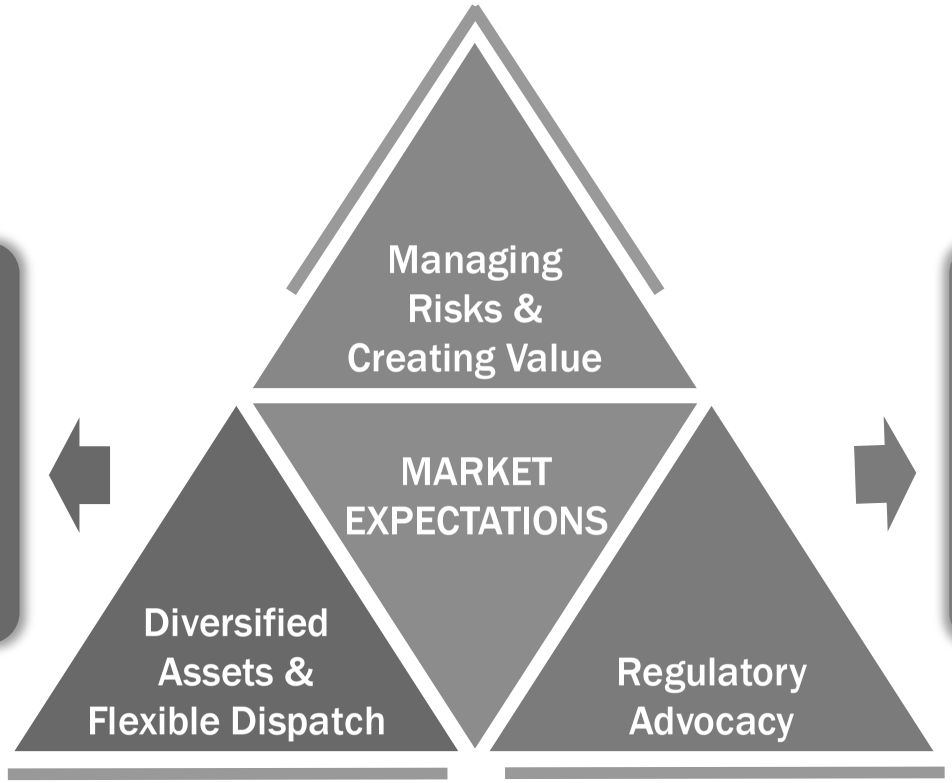
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-05881

PSEG ENERGY HOLDINGS

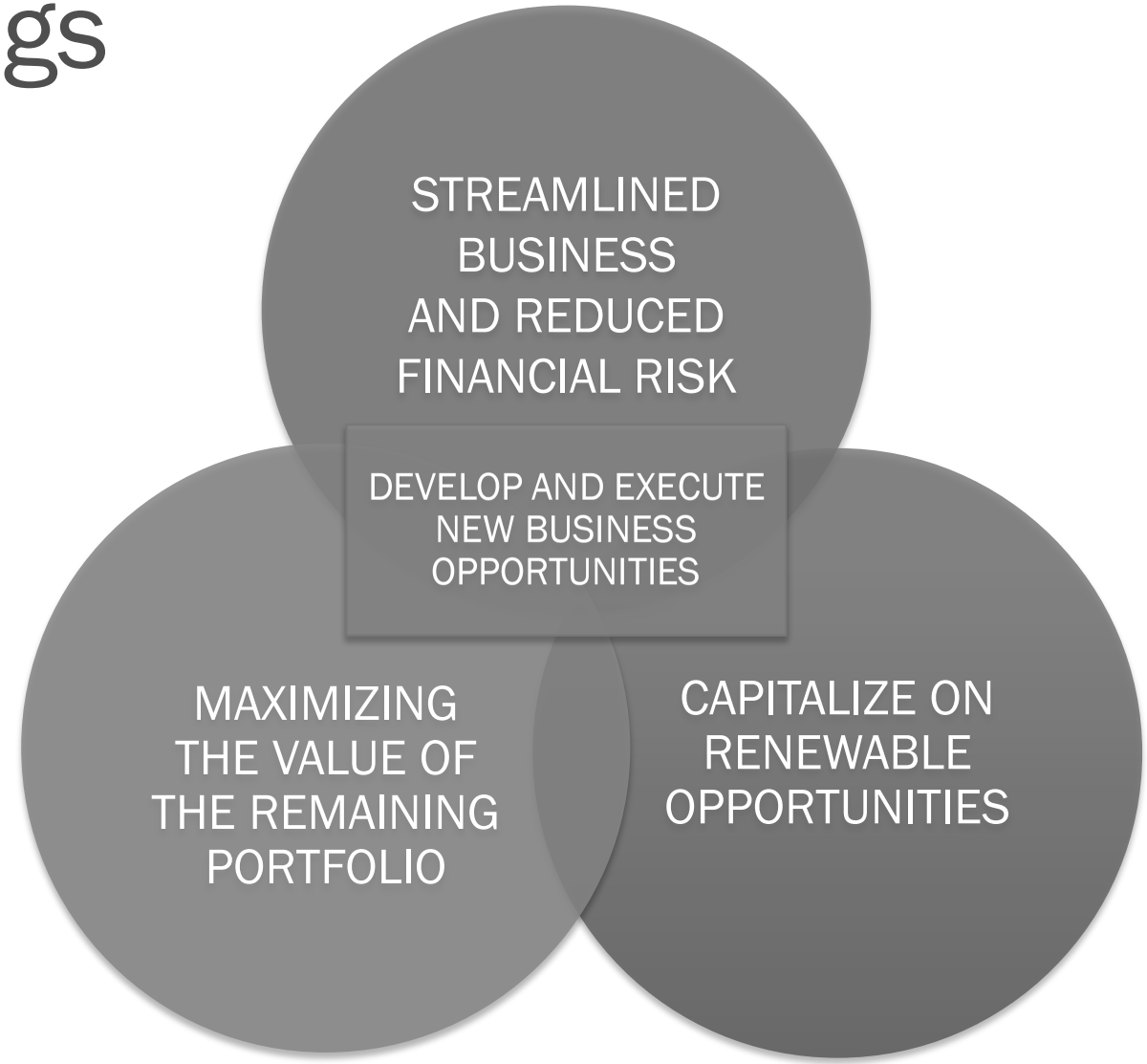
PSEG

We make things work for you.

SI-SSA-0015-05882

PSEG Energy Holdings strategy

Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



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PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

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PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

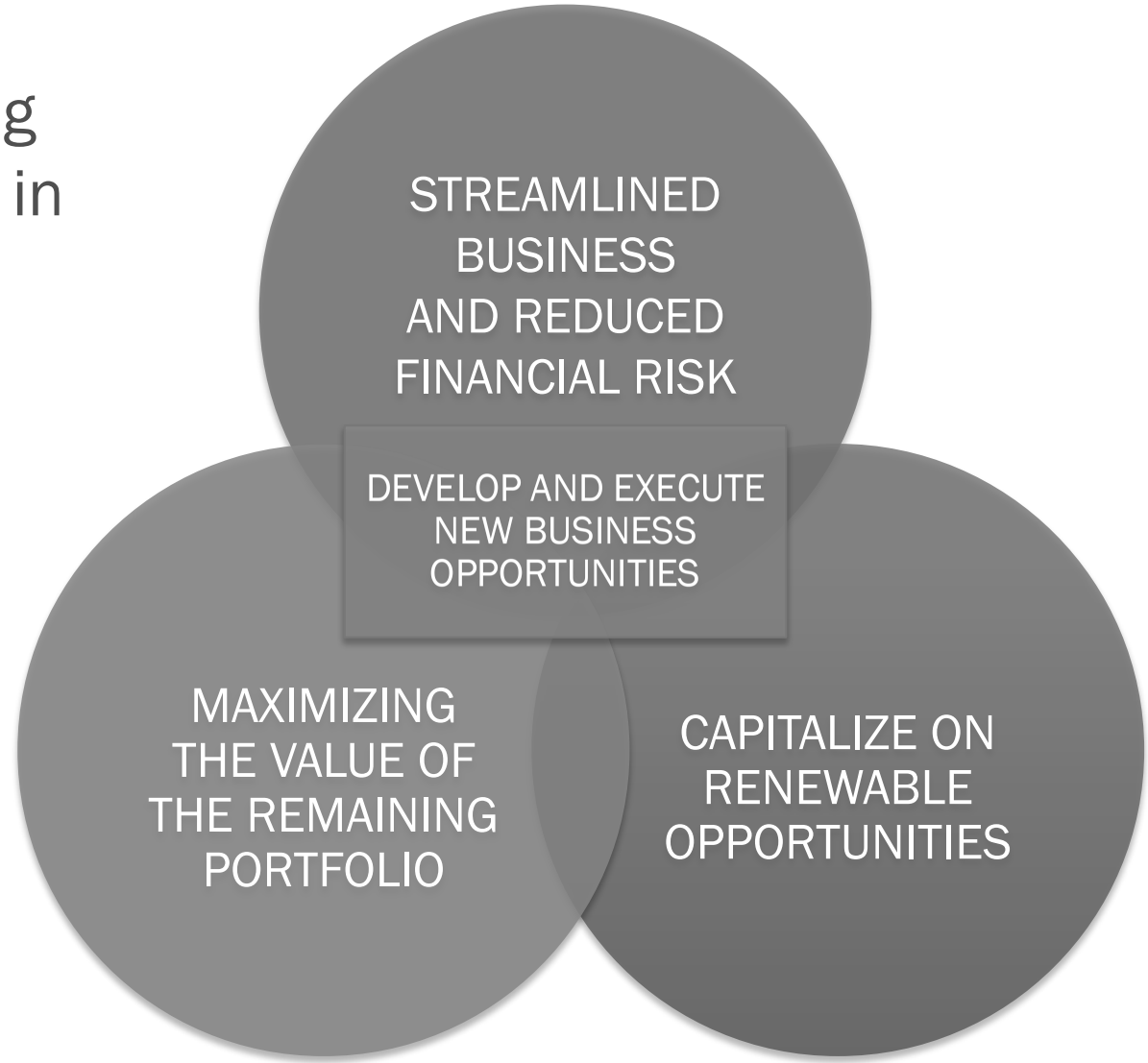
Badger I
Arizona (19 MW)
Expected COD Q4 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-05885

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-05886

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-05887

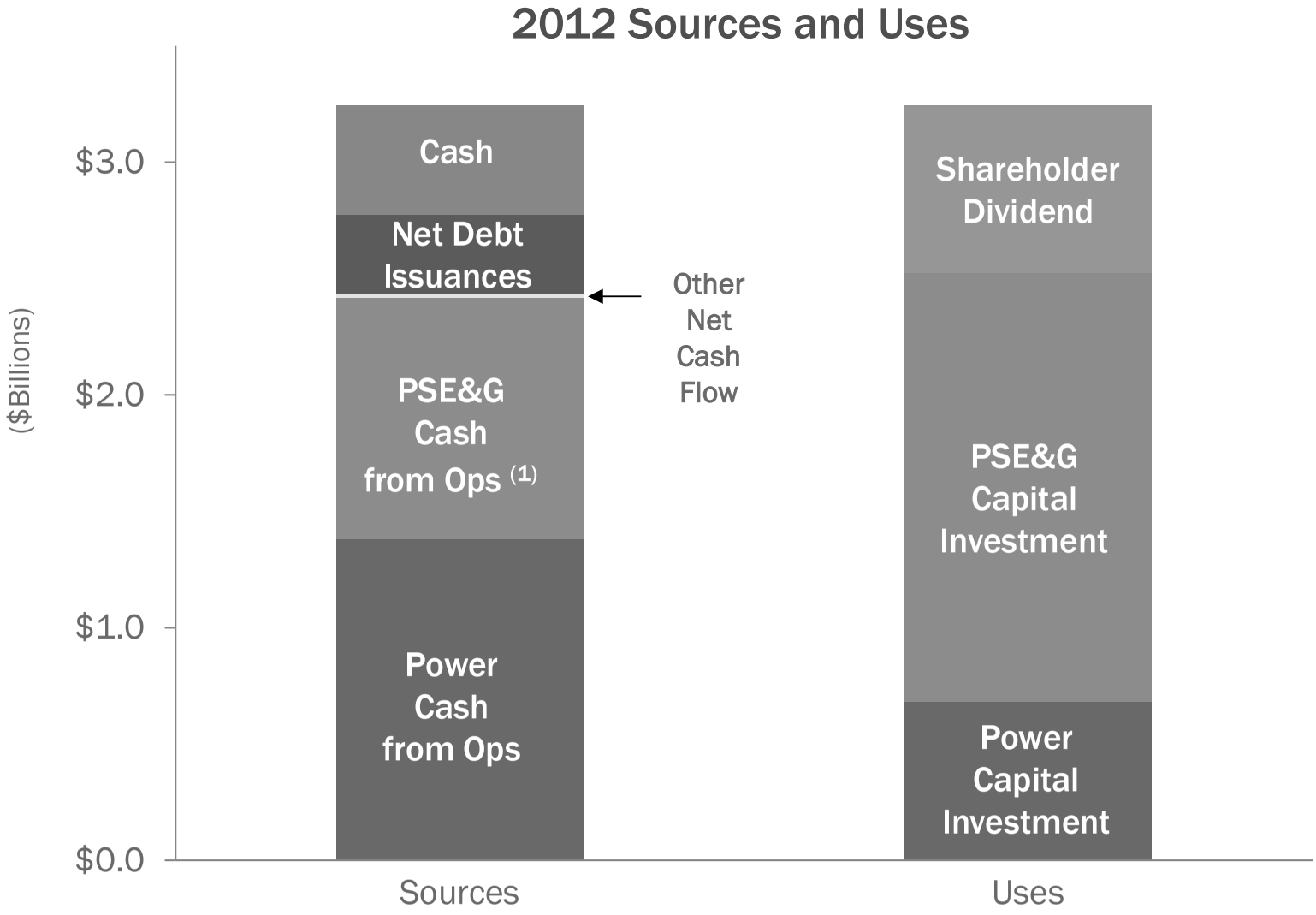
Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-05888

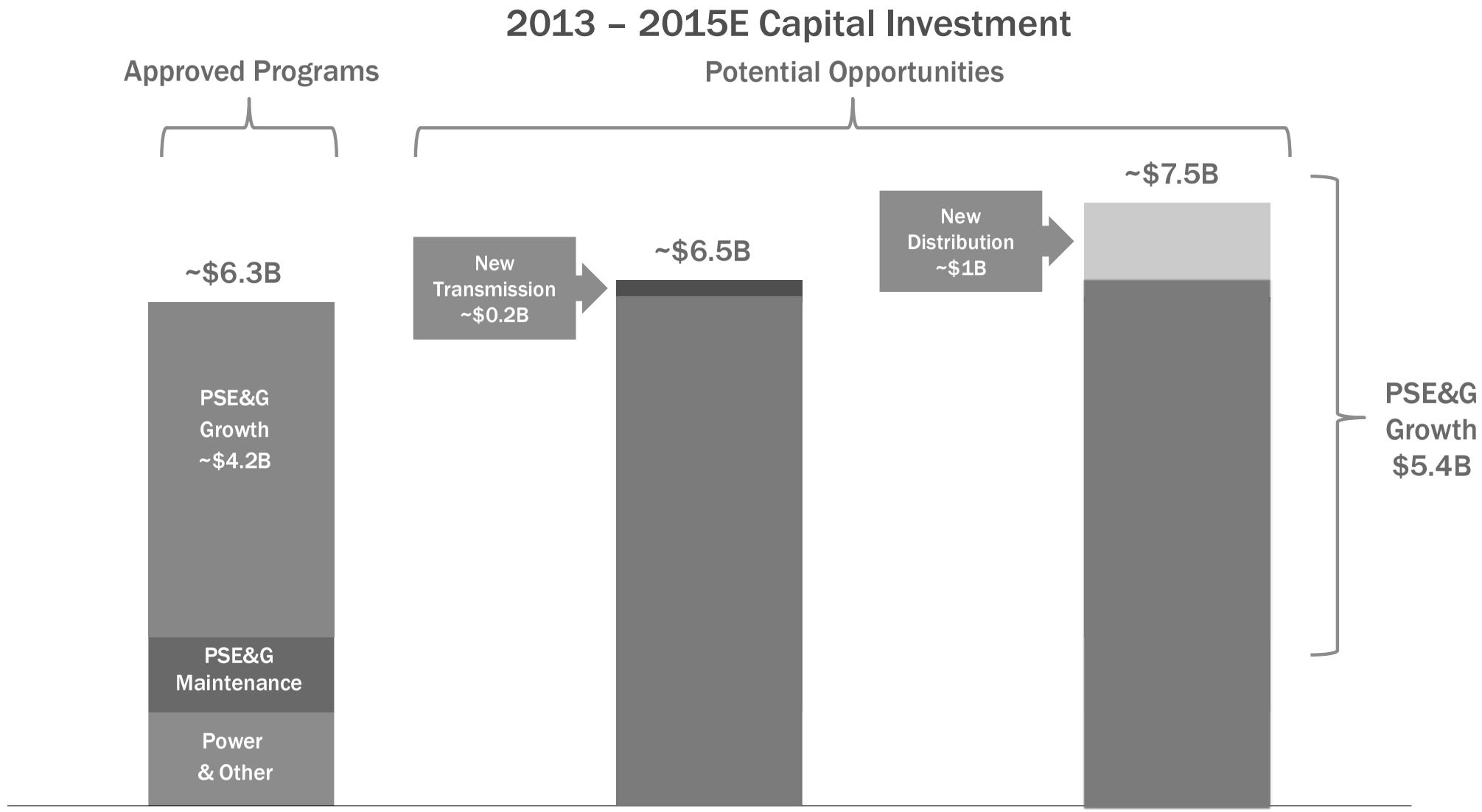
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

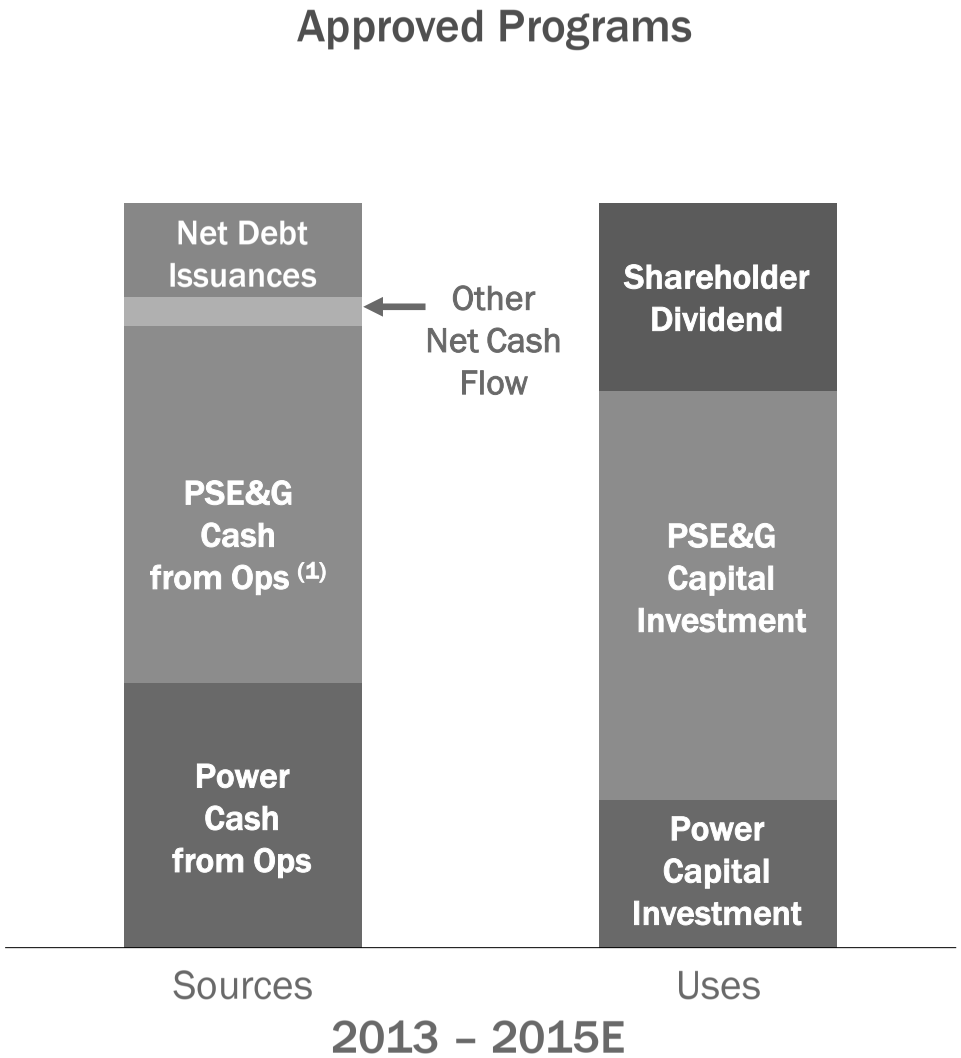
SI-SSA-0015-05889

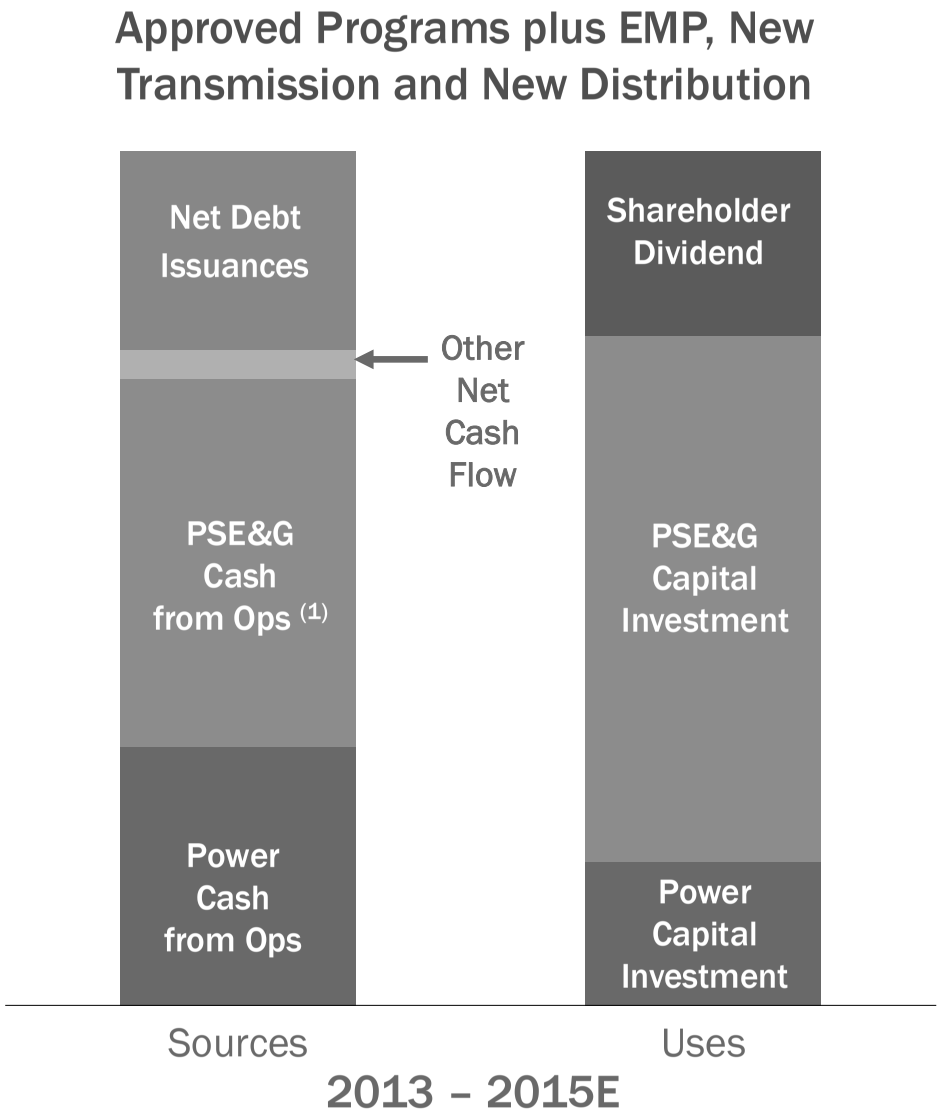
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-05890

All scenarios can be financed without new equity





(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

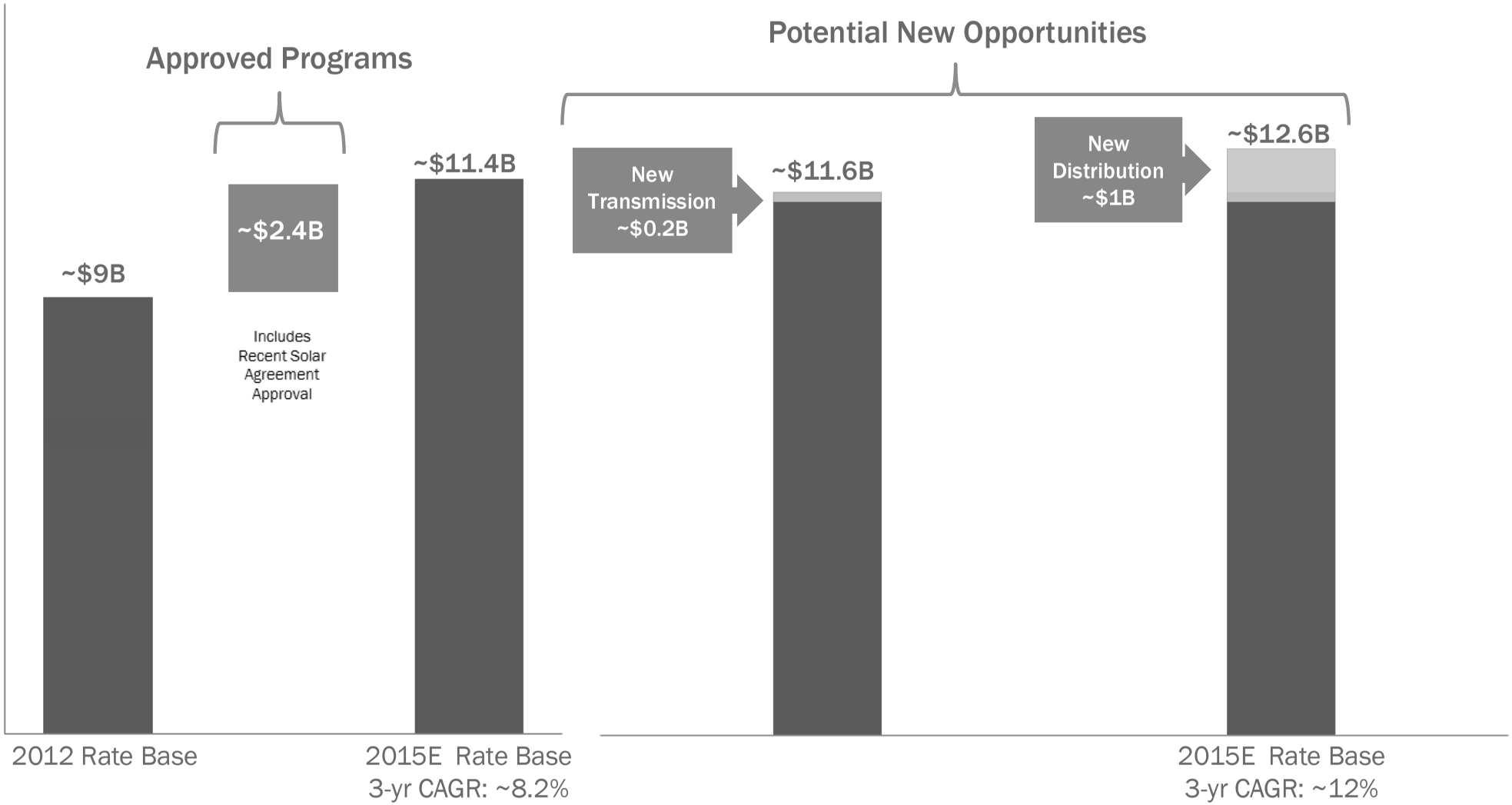
EMP: ENERGY MASTER PLAN

E = ESTIMATE

SI-SSA-0015-05891

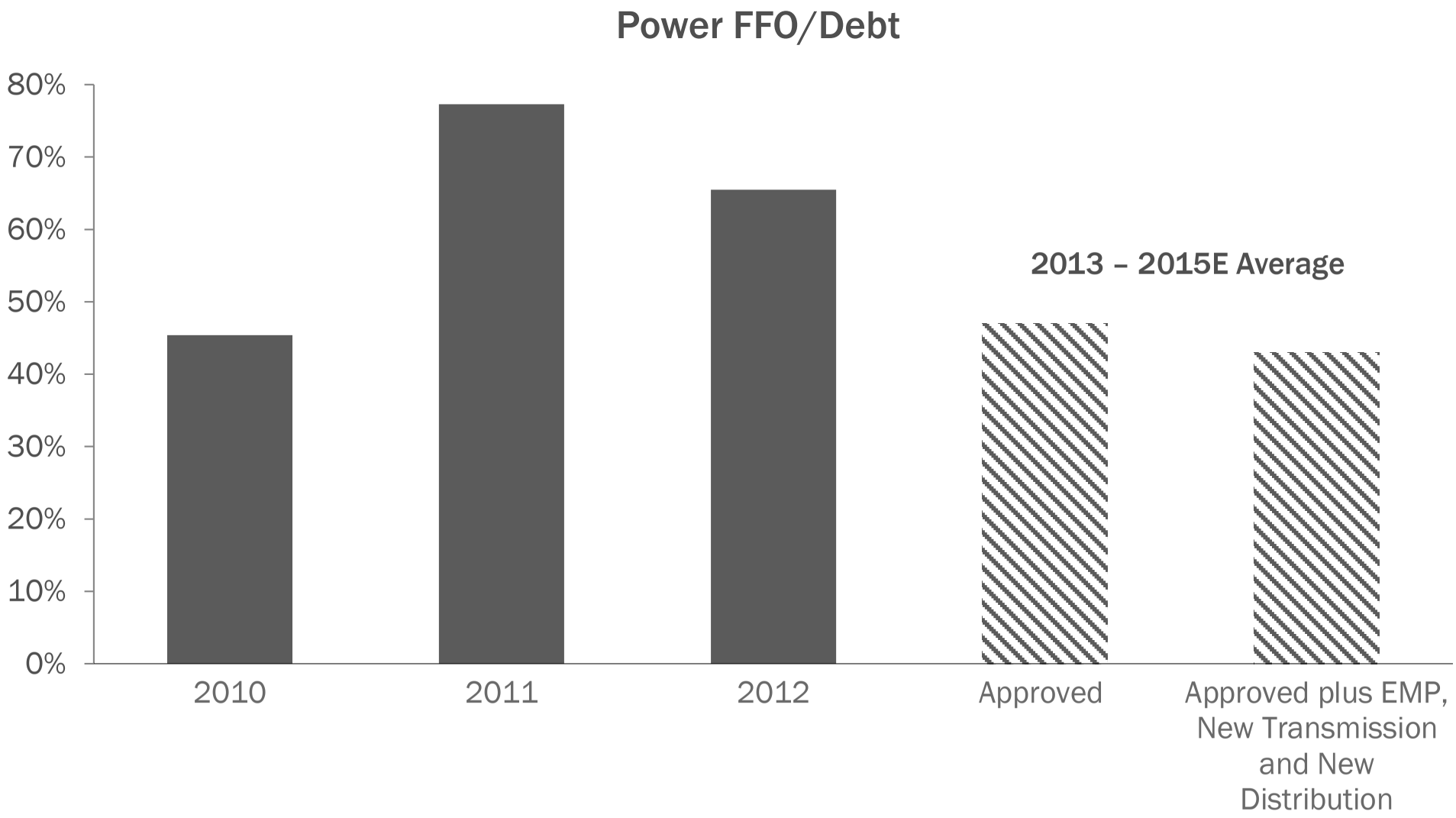
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-05892

Power's credit metrics are expected to remain strong



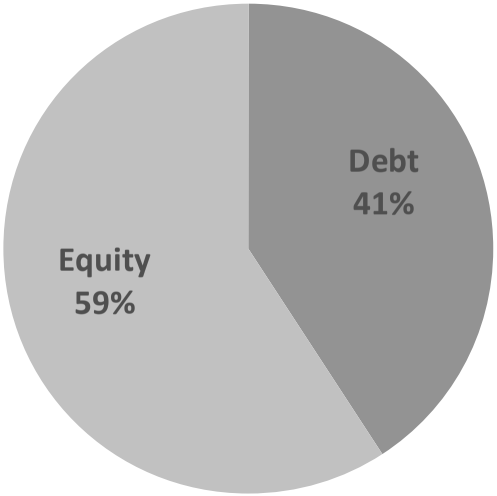
SI-SSA-0015-05893

Using PSEG's balance sheet strength

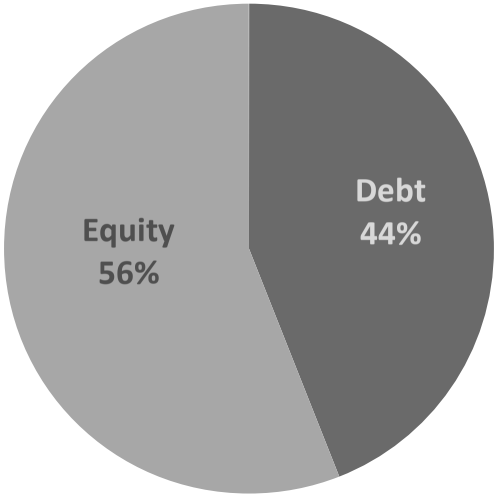
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



SI-SSA-0015-05894

PSEG

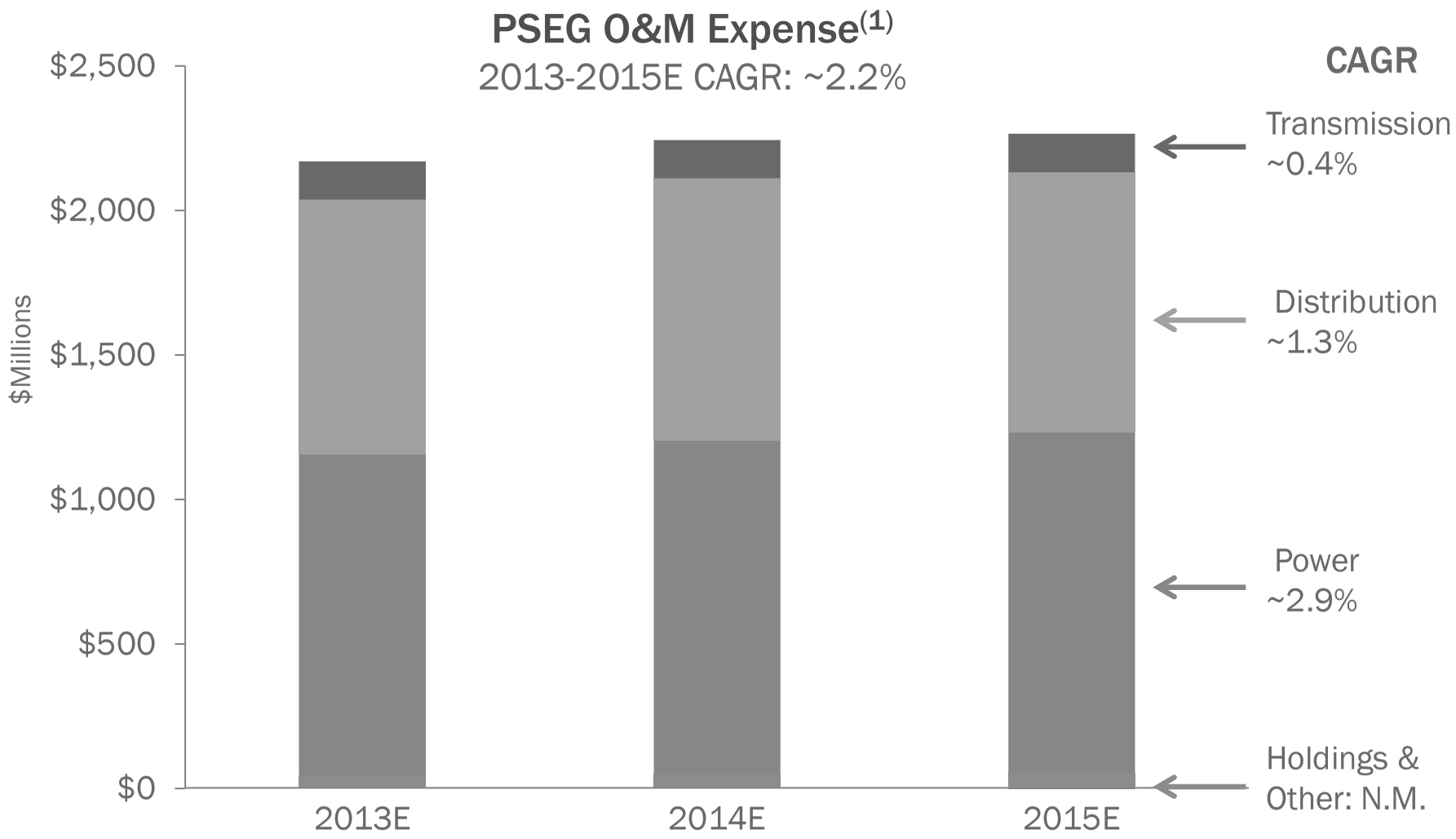
* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0
*NUG revenues reflect Feb 1, 2013 rates					
Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%	

SI-SSA-0015-05895

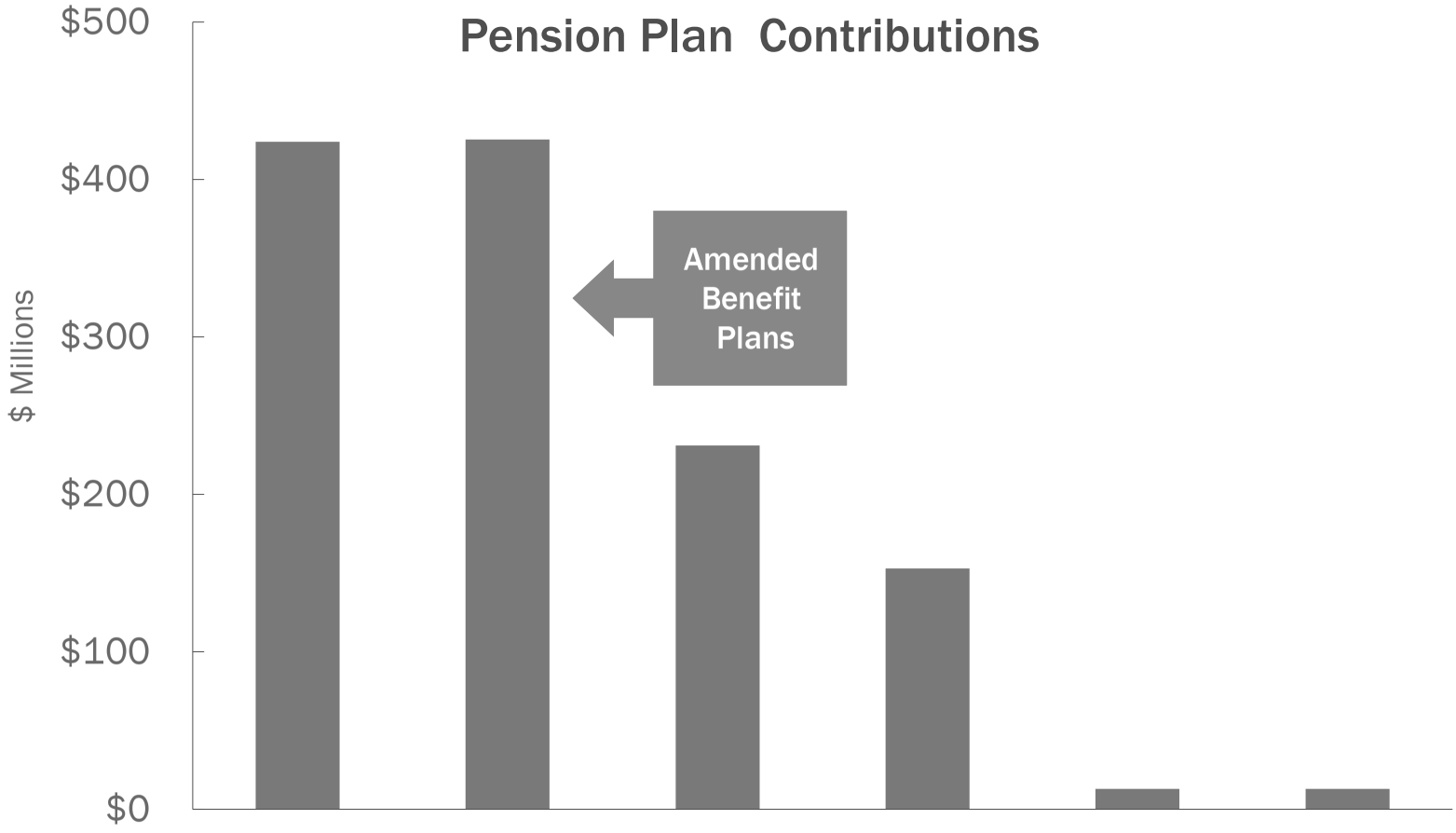
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-05896

Pension contributions expected to decline with well funded plan

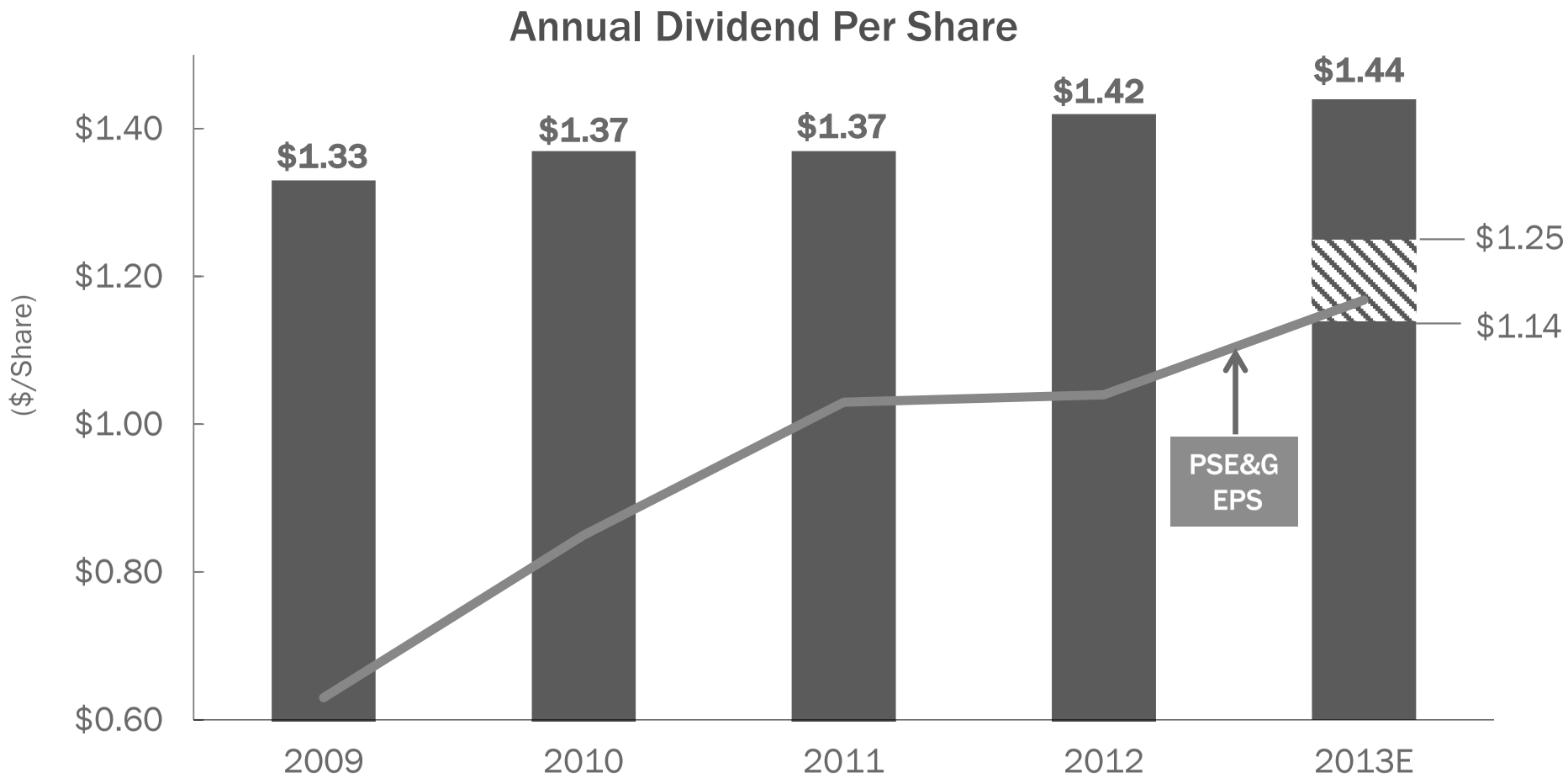


	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-05897

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-05898

PSEG Summary

- Raised 2013 full-year operating earnings guidance to $2.40 - $2.55 per share -- based on financial results to date
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-05899

APPENDIX

PSEG

SI-SSA-0015-05900

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

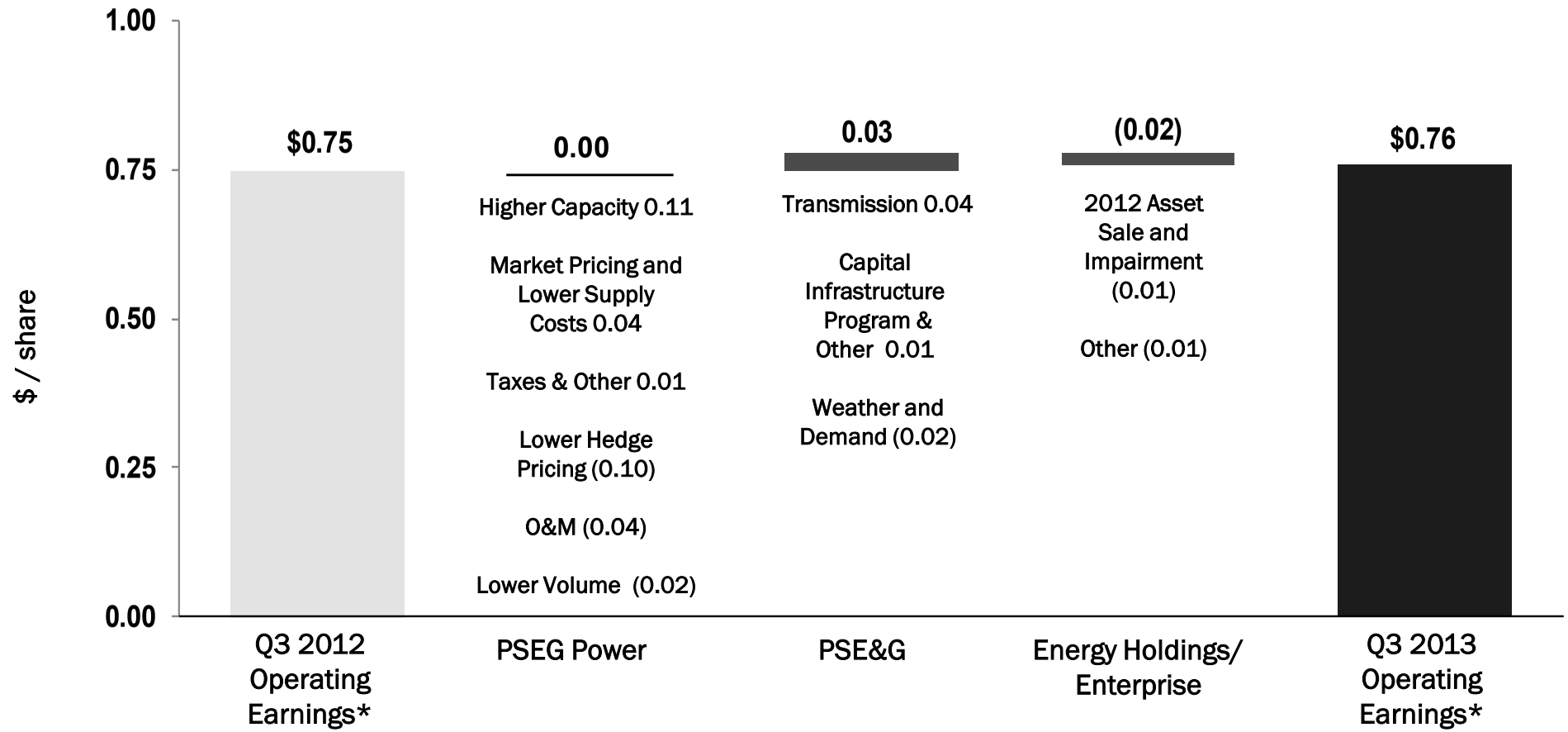
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 216	$ 217		$ 0.43	$ 0.43
PSE&G	168	155		0.33	0.30
PSEG Energy Holdings/ Enterprise	1	10		-	0.02
Operating Earnings*	$ 385	$ 382		$ 0.76	$ 0.75

SI-SSA-0015-05901

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2013 versus Q3 2012



SI-SSA-0015-05902

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

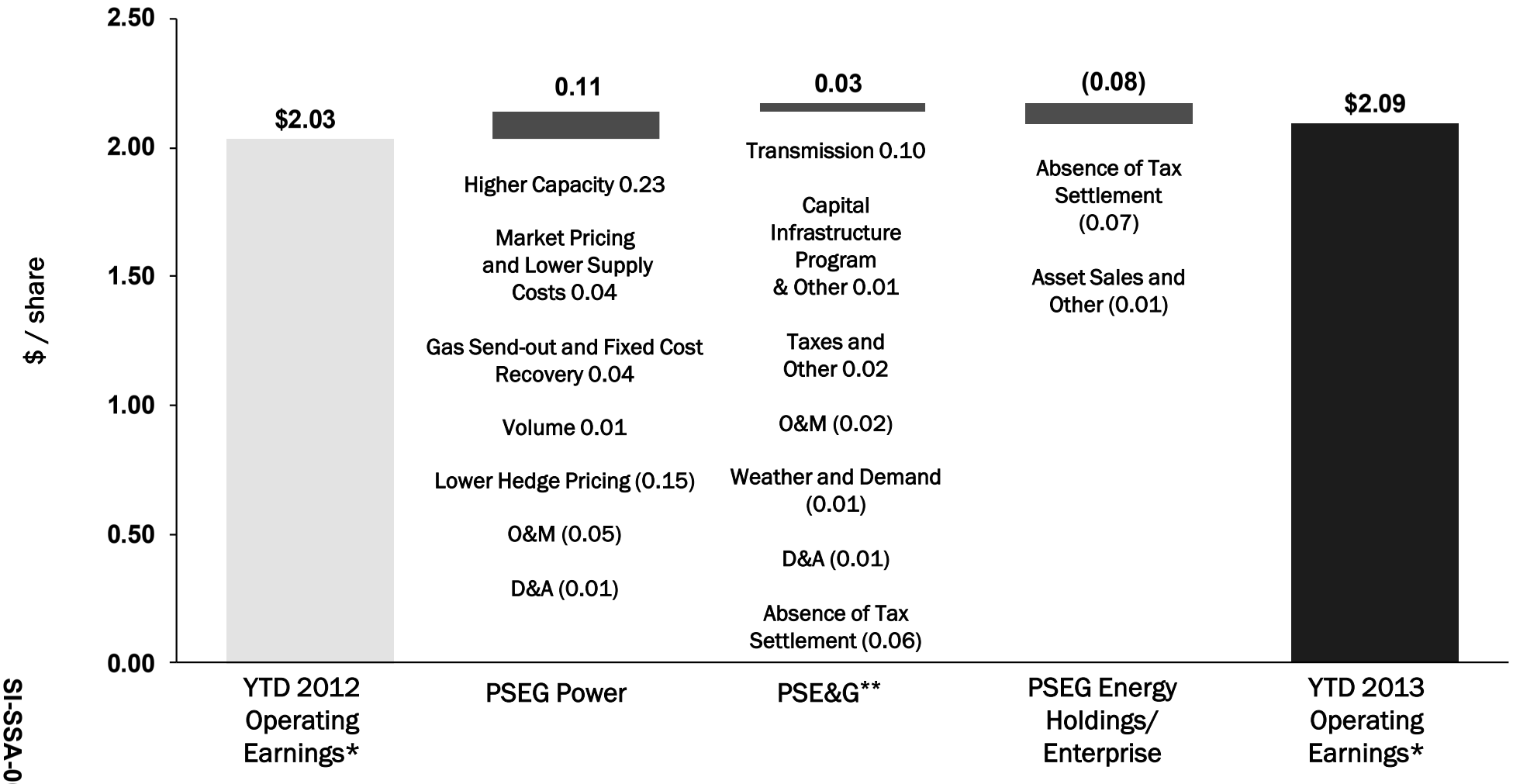
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 580	$ 523		$ 1.14	$ 1.03
PSE&G	468	453		0.92	0.89
PSEG Energy Holdings/ Enterprise	13	53		0.03	0.11
Operating Earnings*	$ 1,061	$ 1,029		$ 2.09	$ 2.03

SI-SSA-0015-05903

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2013 versus YTD 2012

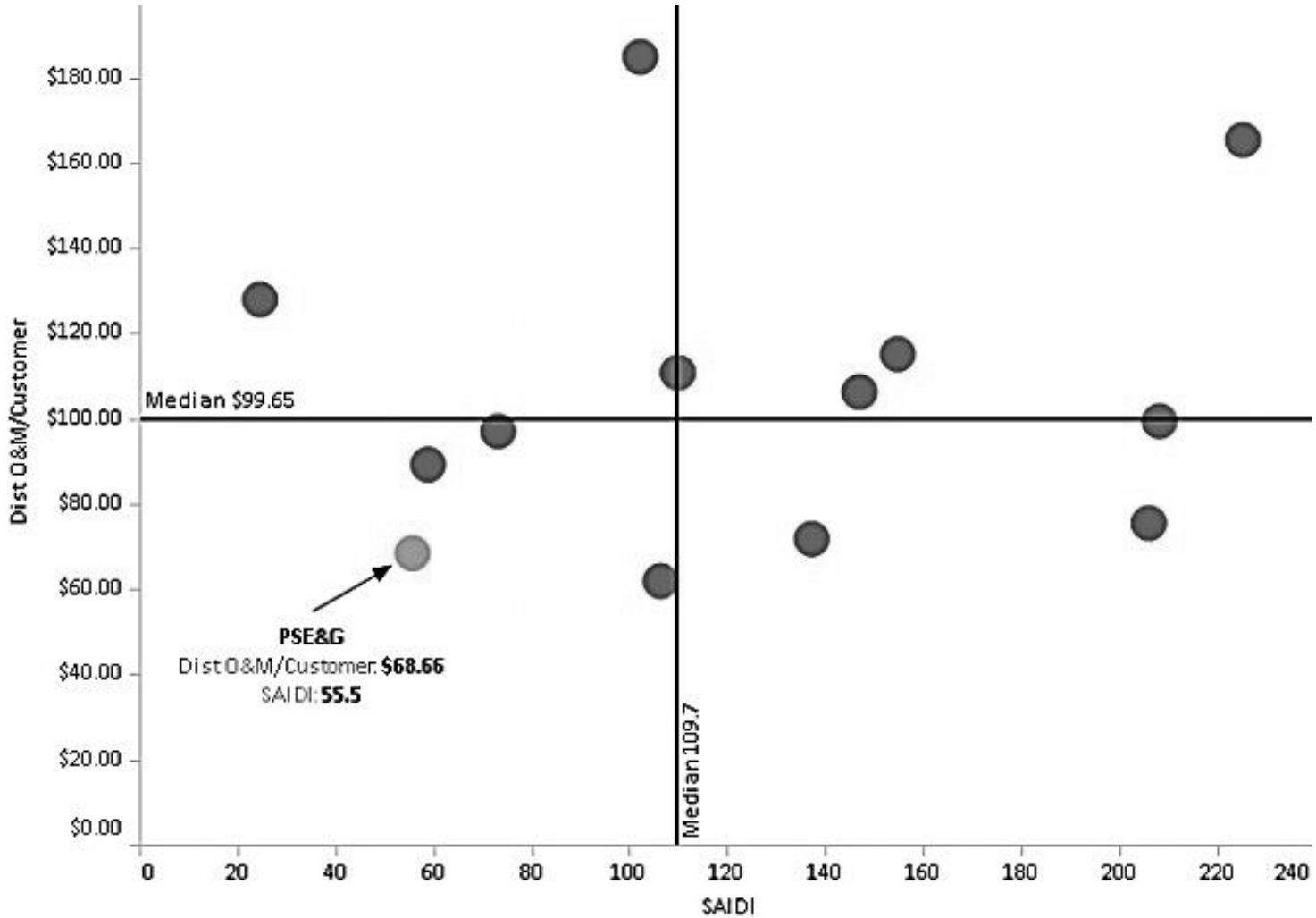


SI-SSA-0015-05904

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

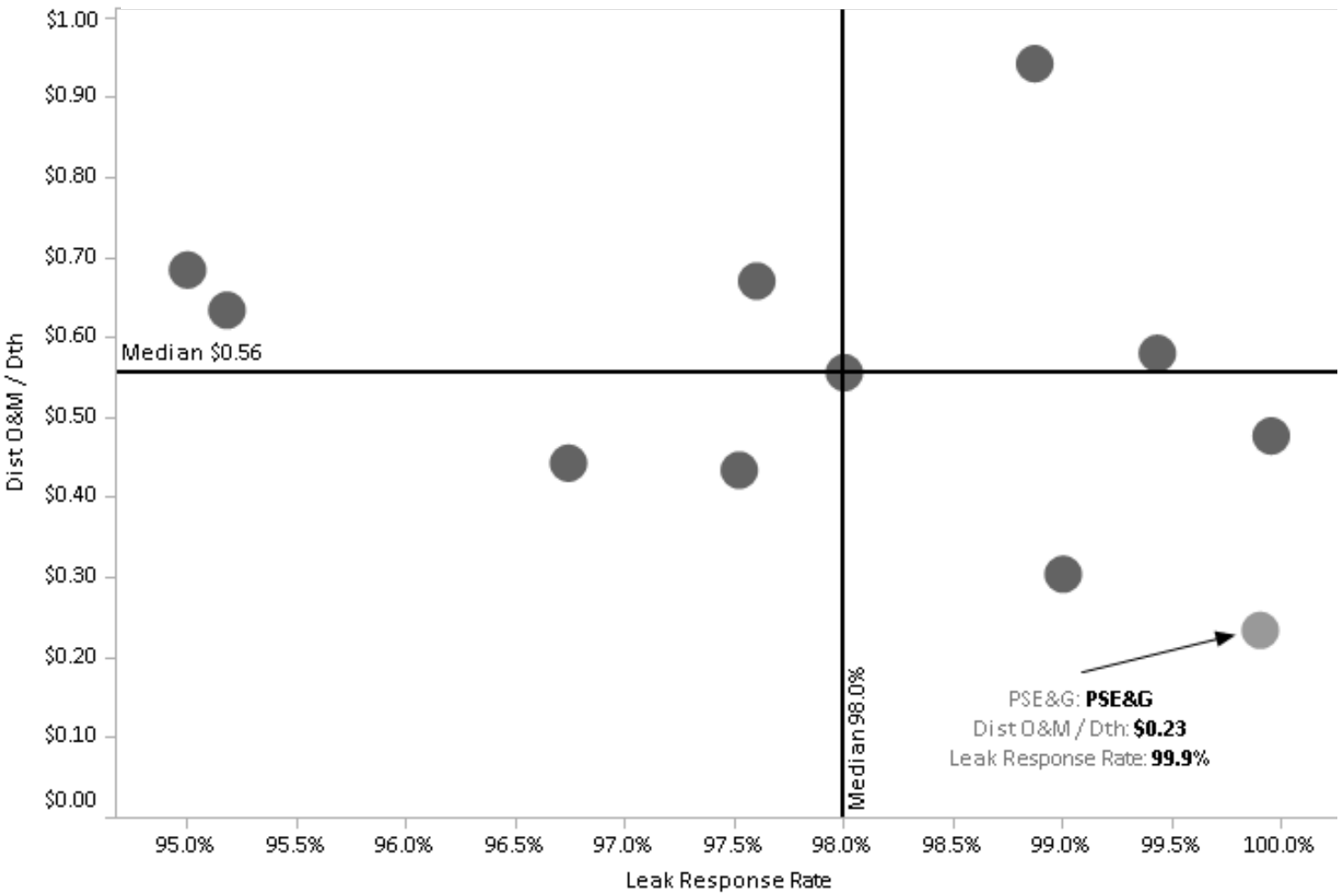
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-05906

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-05907

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-05908

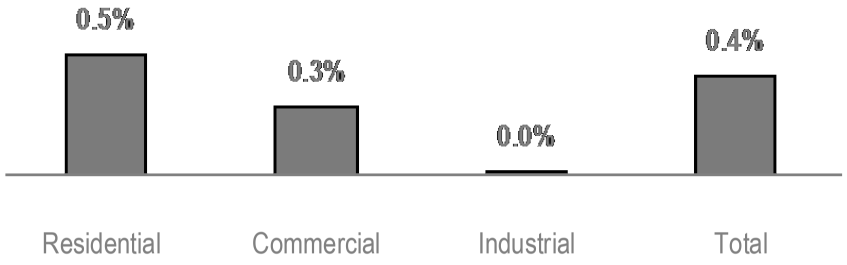
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

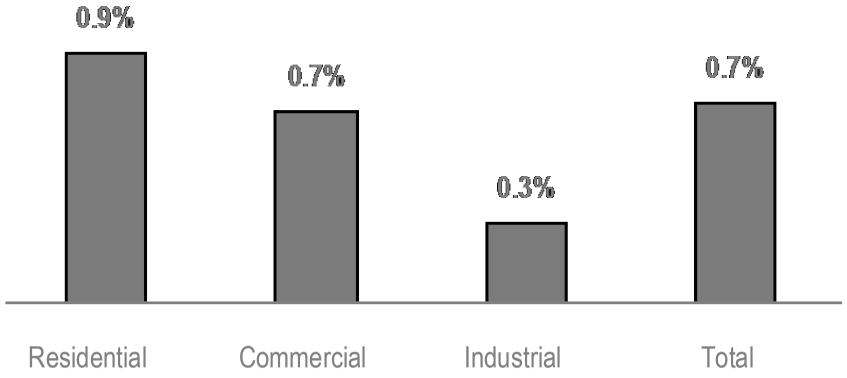
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



SI-SSA-0015-05909

PSEG

*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

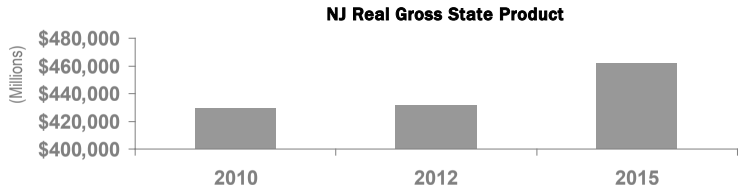
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

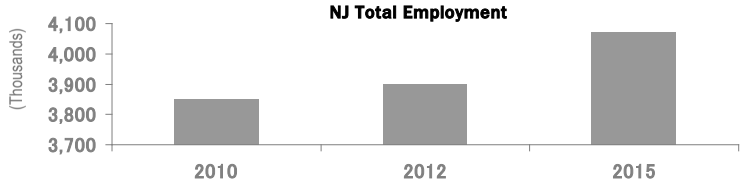
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

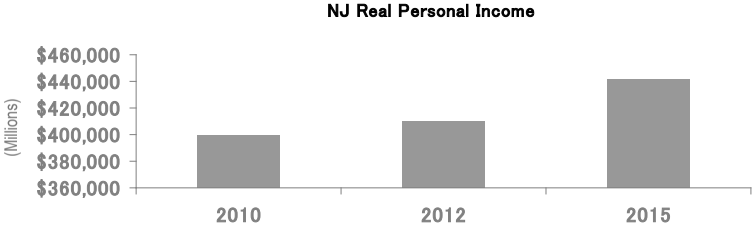
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

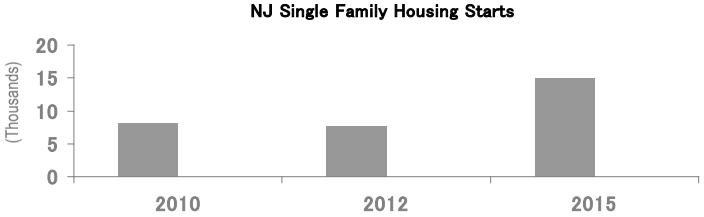
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-05911

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 9/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$195**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$344**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$189**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$80**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 98**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 22**
	Total Holdings Investments	**$1,213**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
ON 10/18/2013,NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-05912

PSEG Liquidity as of September 30, 2013

Facility	Expiration Date	Total Facility		Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600	1	$13	$587
5-Year Credit Facility (Power)	Mar-17	1,600		58	1,542
5-Year Credit Facility (Power)	Mar-18	1,000	2	0	1,000
5-Year Bilateral (Power)	Sep-15	100		100	0
5-year Credit Facility (PSEG)	Mar-17	500		5	495
5-year Credit Facility (PSEG)	Mar-18	500	3	0	500
	Total	$4,300		$176	$4,124
				PSEG Money Pool ST Investment	$154
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,278**
				Total Parent / Power Liquidity	**$3,691**

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

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

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

SI-SSA-0015-05913

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,479**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM) [a] (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 919**
Discontinued Operations	-	96	7	(2)	270
Net Income	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,189**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM [a] (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	0.19	0.01	-	0.53
Net Income	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

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

SI-SSA-0015-05915

PSEG

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)						
Operating Earnings	**$ 385**	**$ 382**	**$ 1,061**	**$ 1,029**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	3	(76)	(22)	(34)	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7	36	(173)
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-	(39)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	34
Income from Continuing Operations	**$ 390**	**$ 347**	**$ 1,043**	**$ 1,051**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	-	96
Net Income	**$ 390**	**$ 347**	**$ 1,043**	**$ 1,051**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.76**	**$ 0.75**	**$ 2.09**	**$ 2.03**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07	(0.34)
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-	(0.08)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	0.06
Income from Continuing Operations	**$ 0.77**	**$ 0.68**	**$ 2.06**	**$ 2.07**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	-	0.19
Net Income	**$ 0.77**	**$ 0.68**	**$ 2.06**	**$ 2.07**	**$ 2.51**	**$ 2.96**

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

SI-SSA-0015-05916

Boston Investor Meetings

SEPTEMBER 15-16, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-05917

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-05918

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-05919

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-05920

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-05921

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-05922

* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

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SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-05924

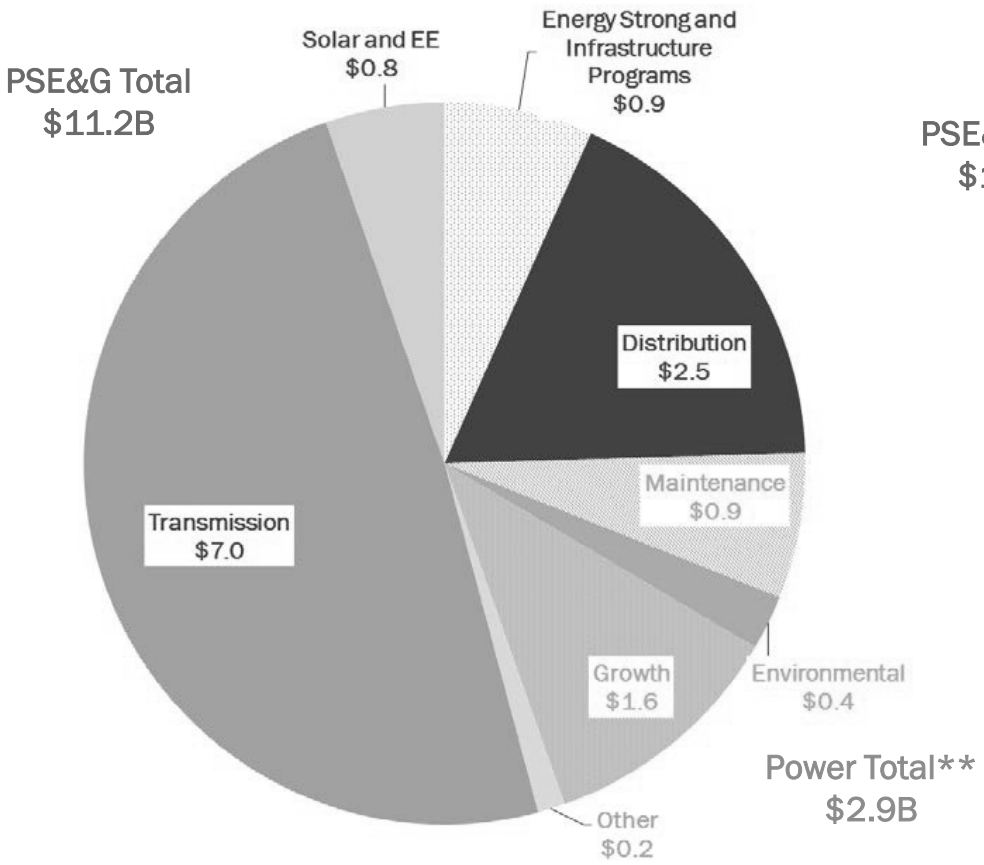
PSEG

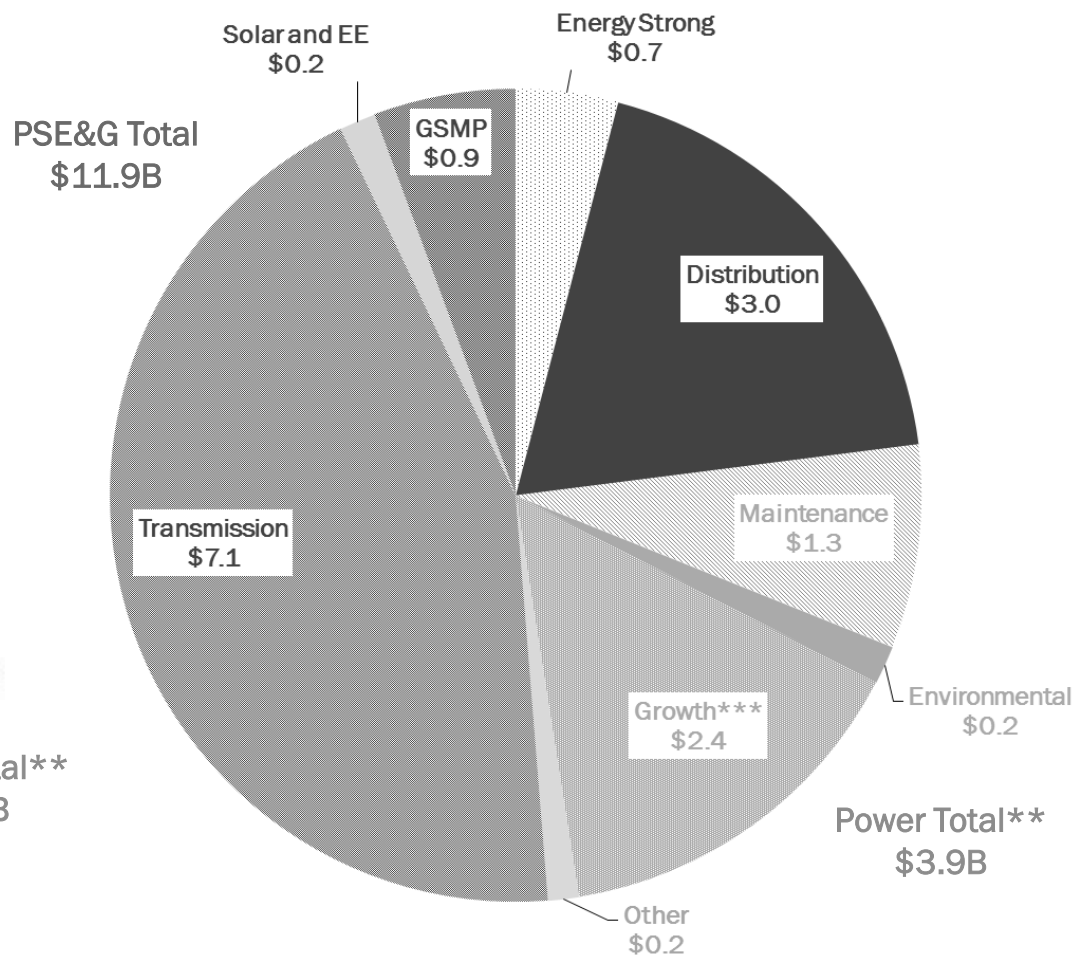
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-05925

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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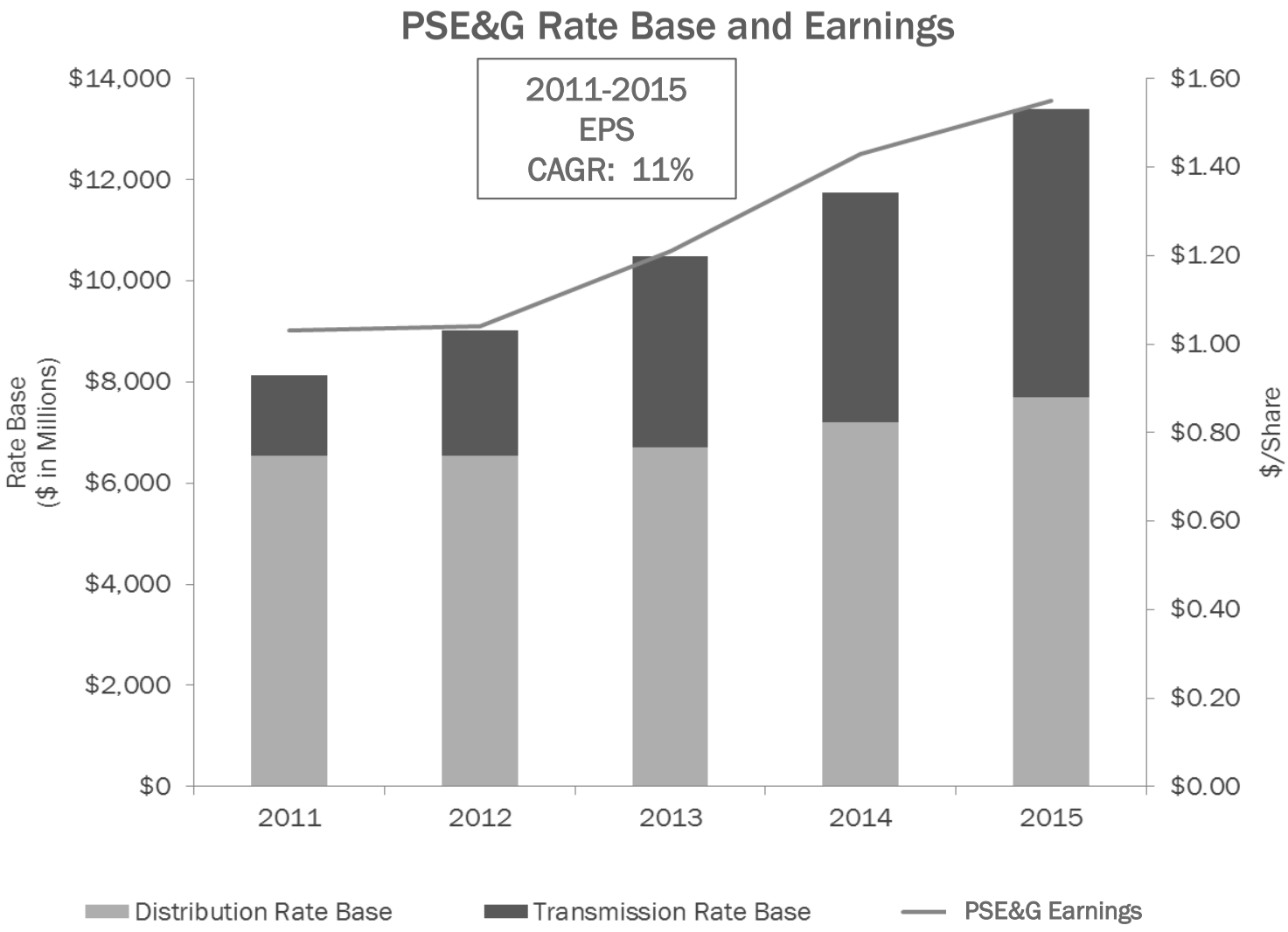
PSE&G's investment program

Meeting public policy goals and customer needs



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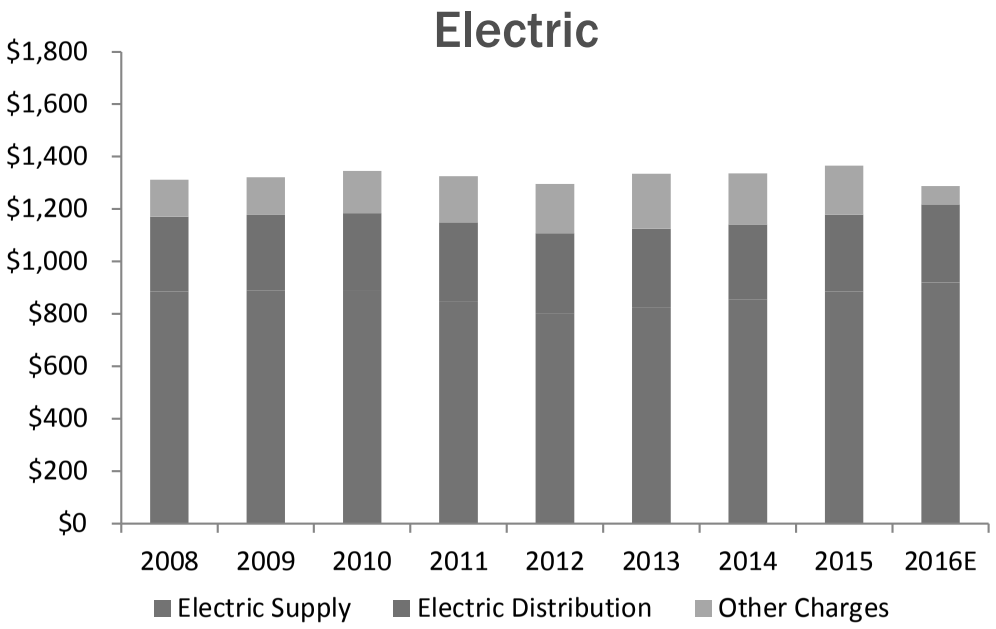
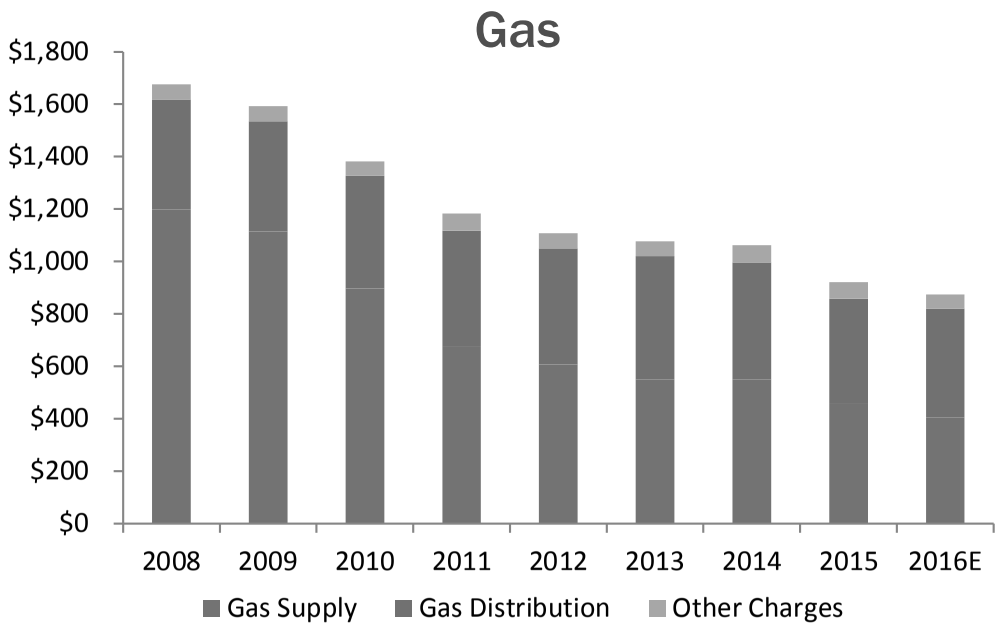
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

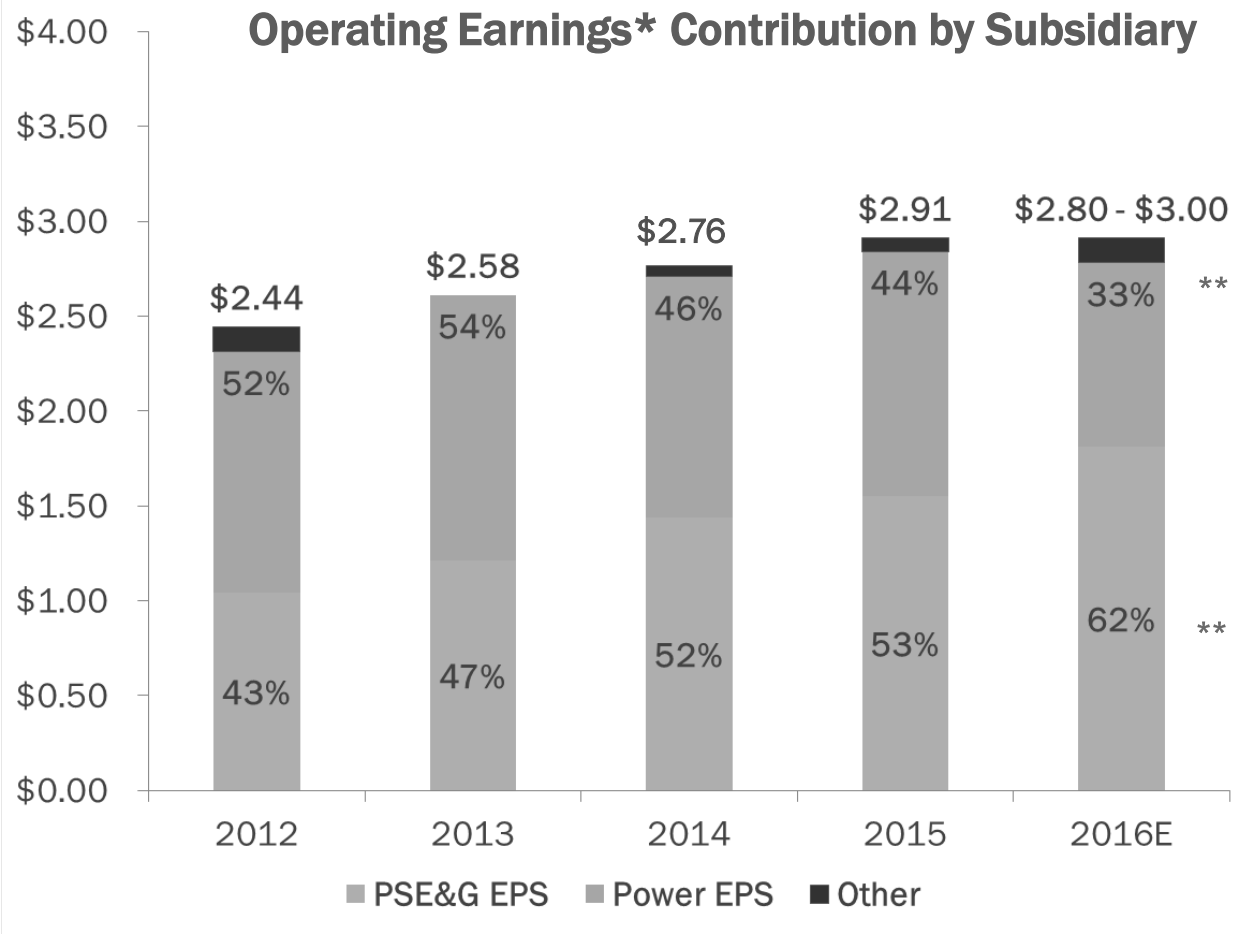
SI-SSA-0015-05929

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

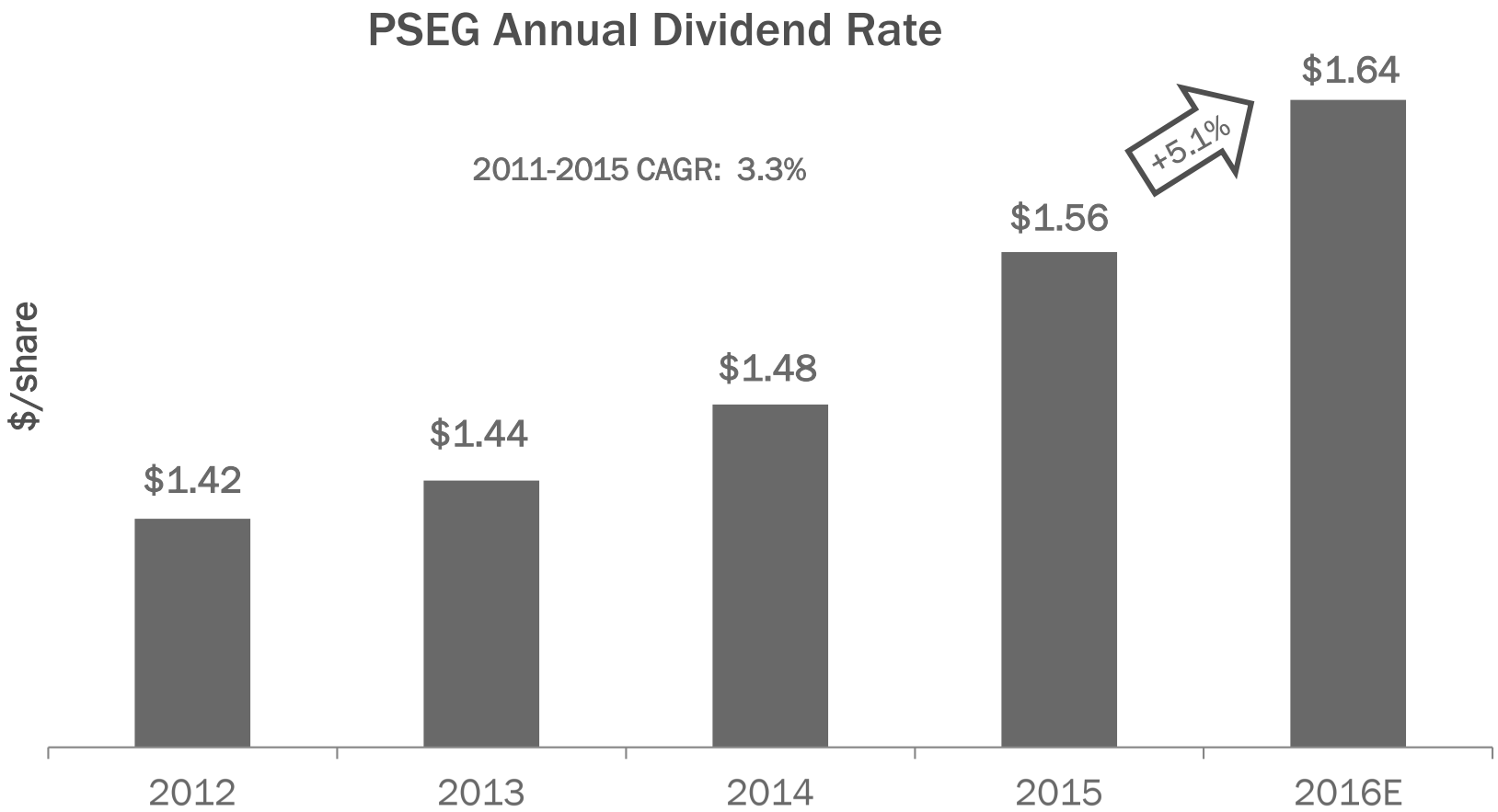
SI-SSA-0015-05930

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-05931

PSEG

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-05932

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-05933

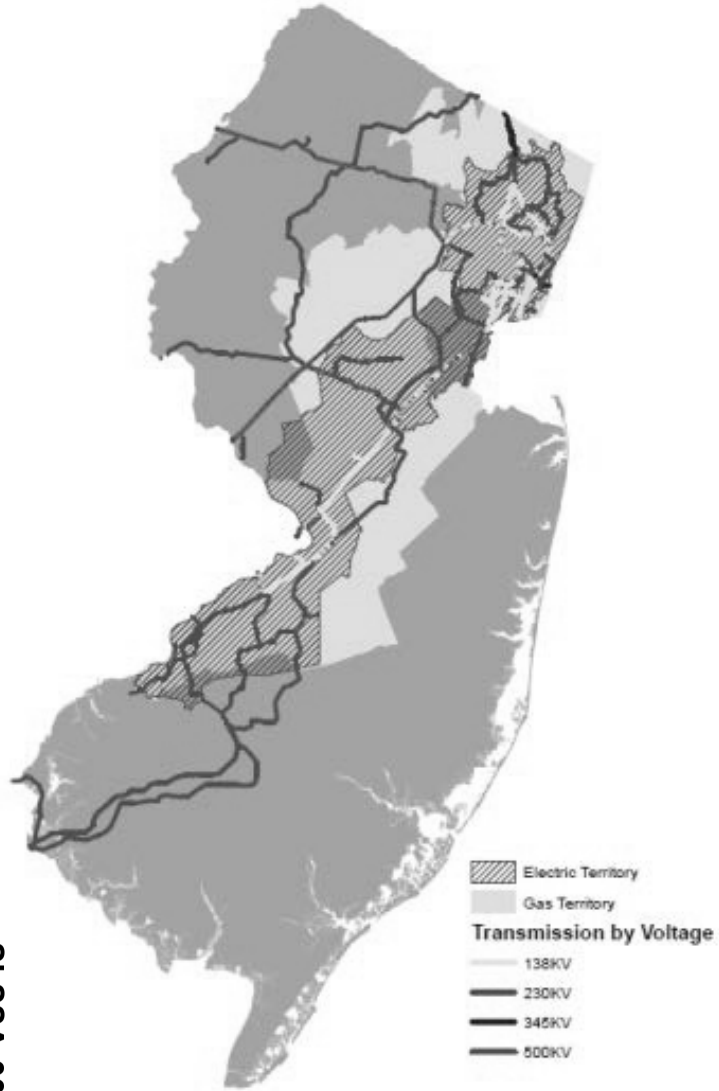
PSE&G

PSEG

We make things work for you.

SI-SSA-0015-05934

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-05935

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-05936

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-05937

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-05938

Operational Excellence

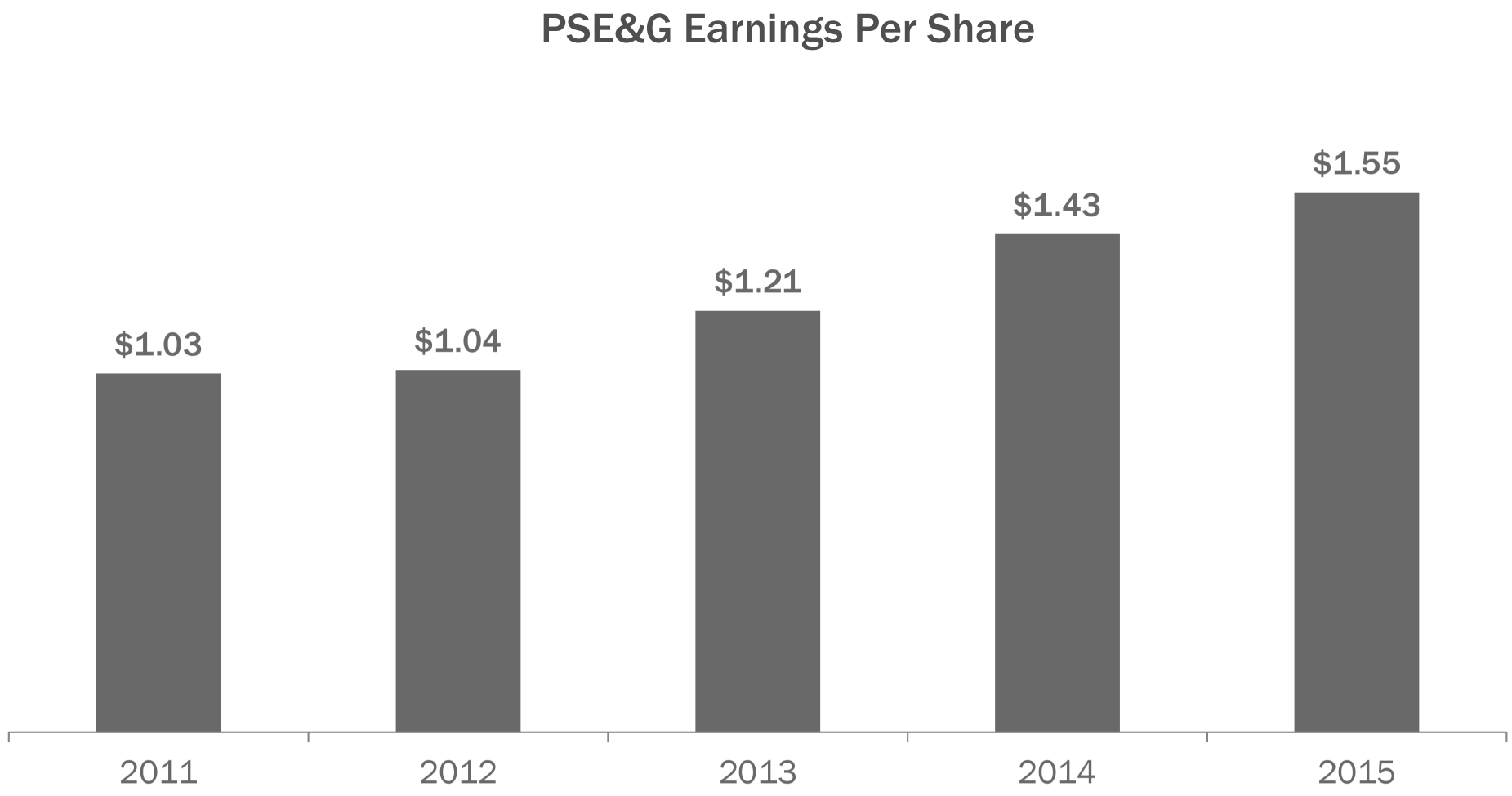
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-05939

Achieved ~11% annual earnings growth

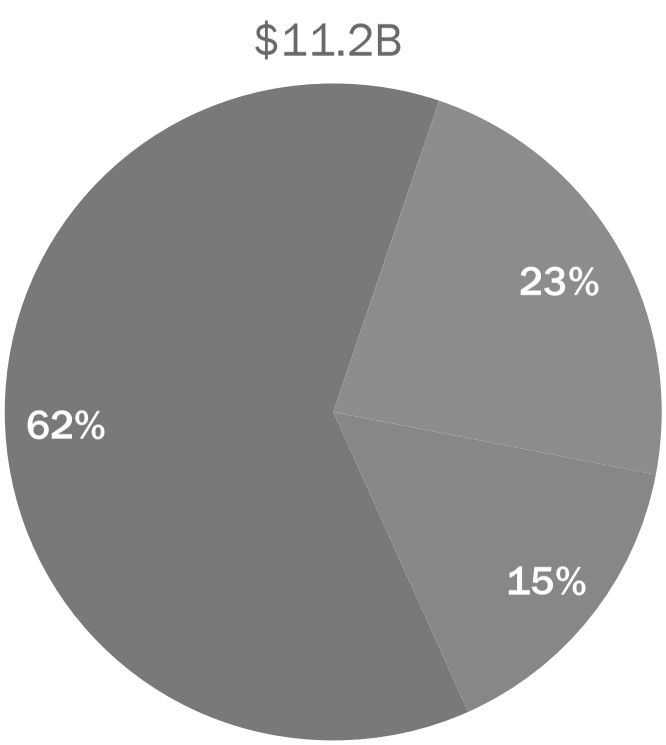
over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



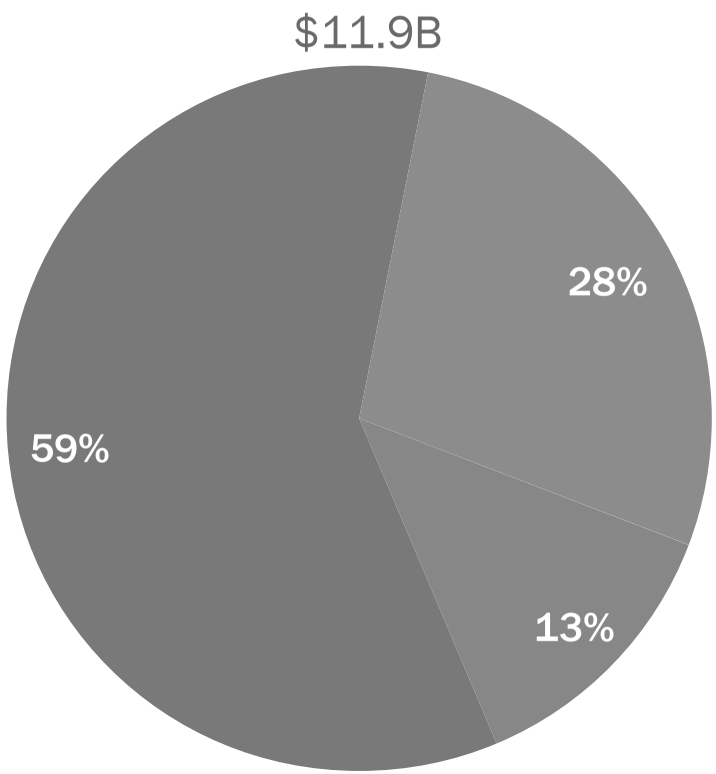
SI-SSA-0015-05940

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-05941

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

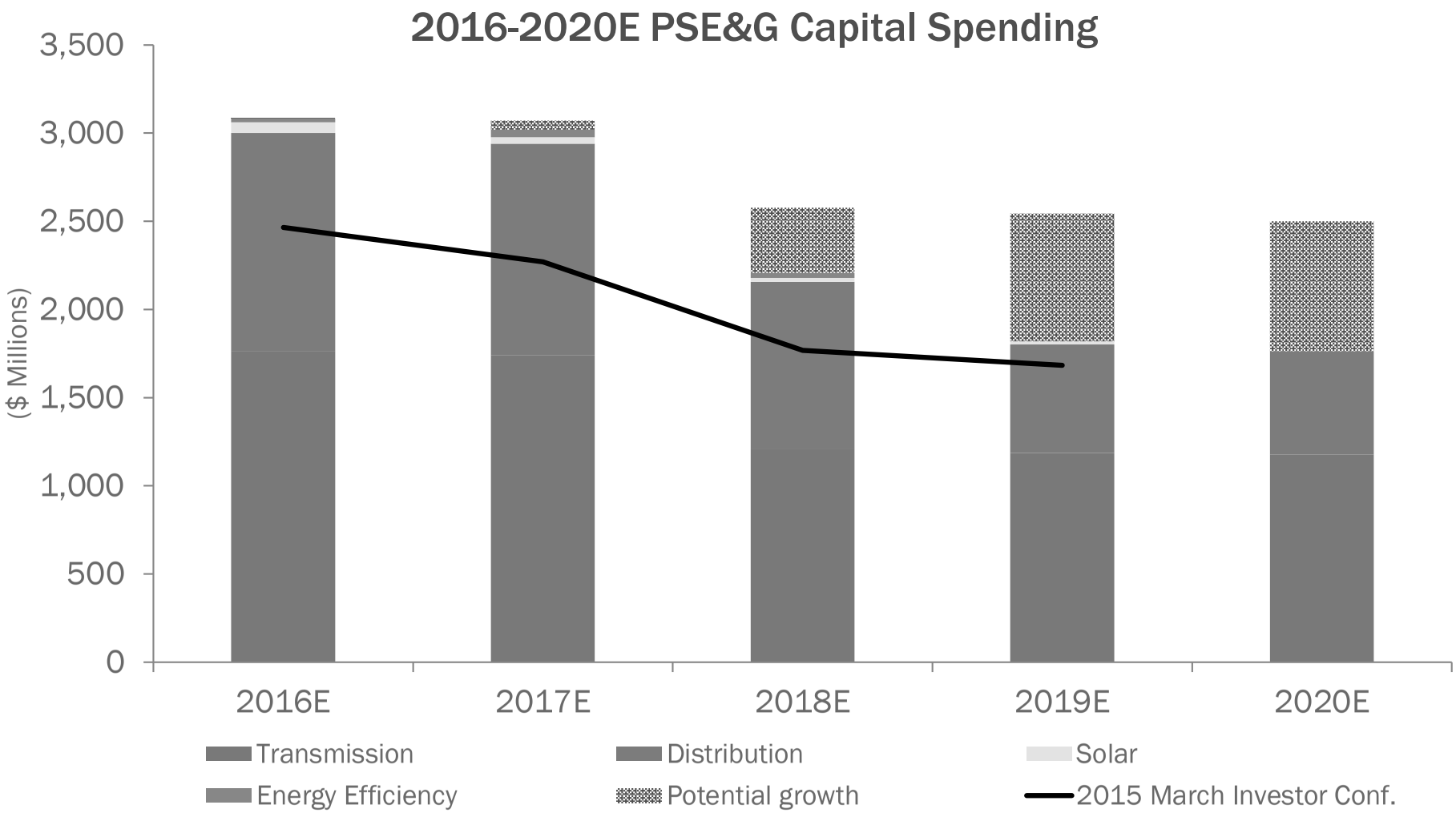
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-05942

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-05943

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-05944

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-05945

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-05946

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-05947

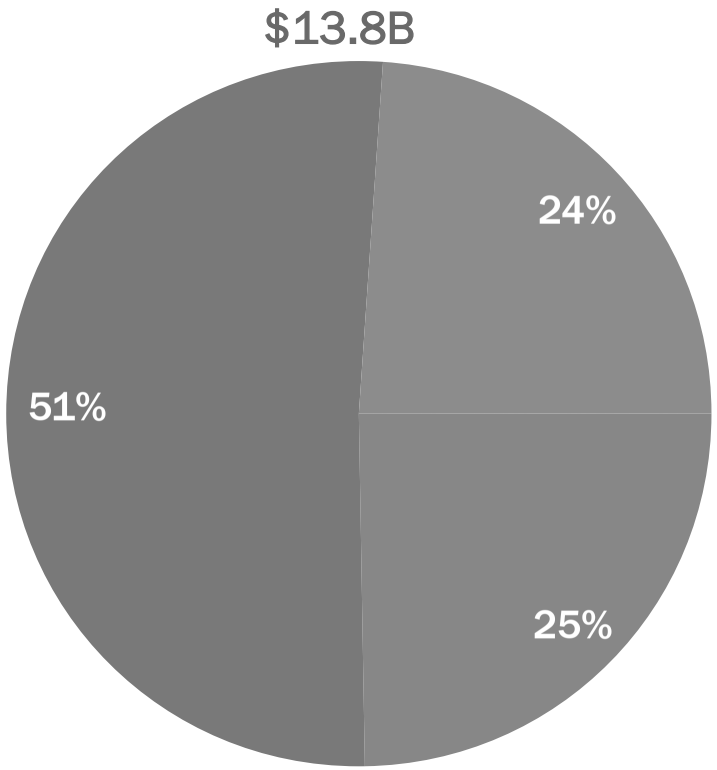
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-05948

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

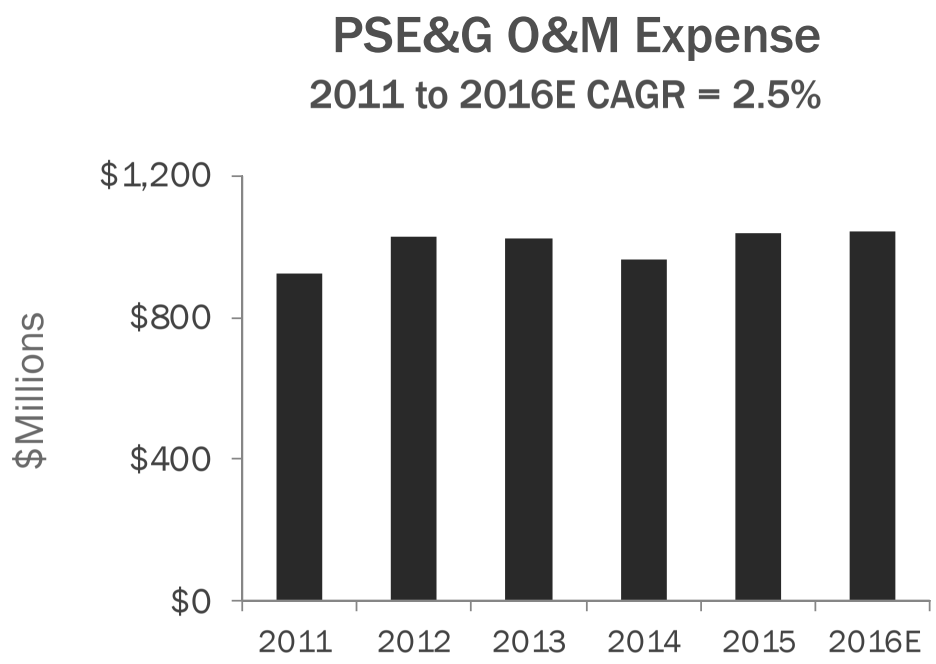
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-05949

Demonstrated ability to control O&M and plan to drive future efficiencies



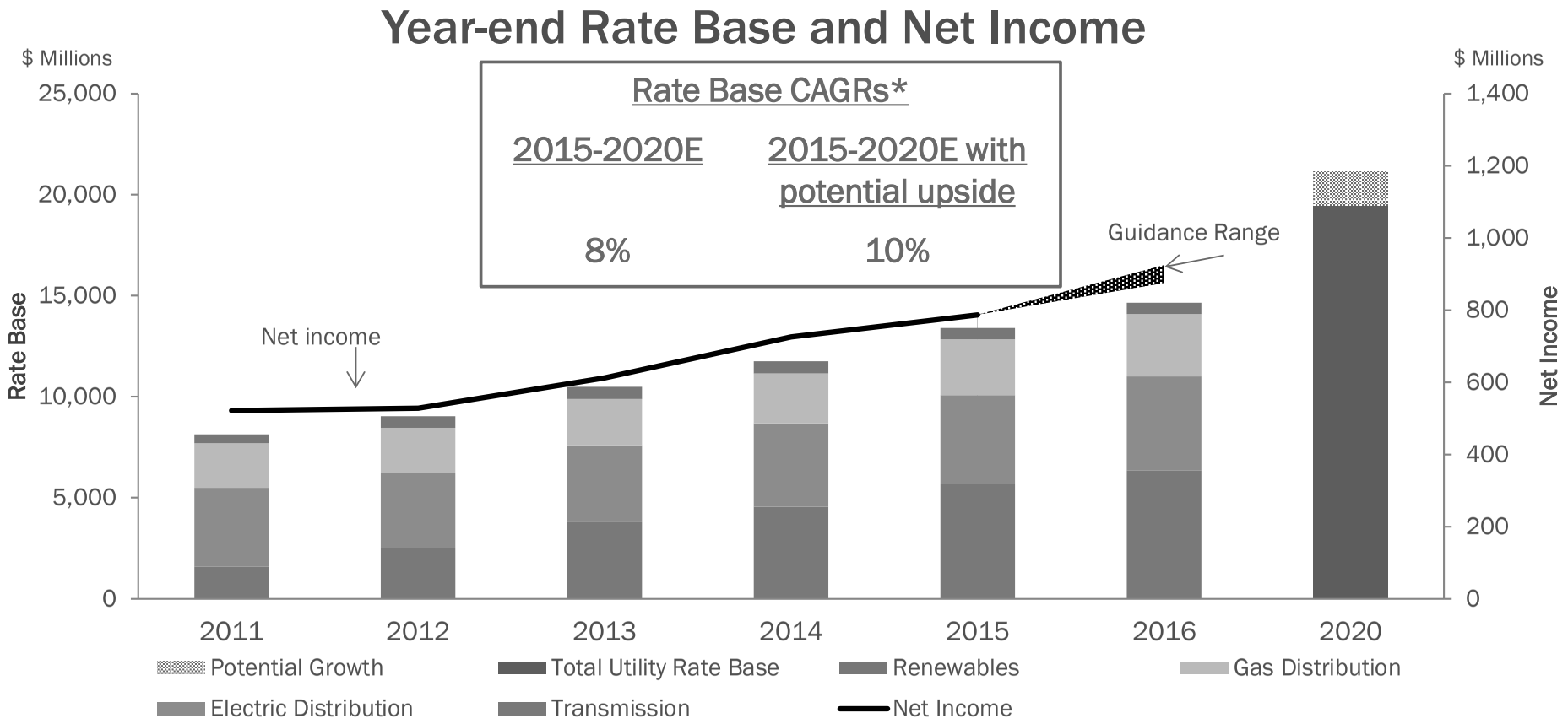
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-05950

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

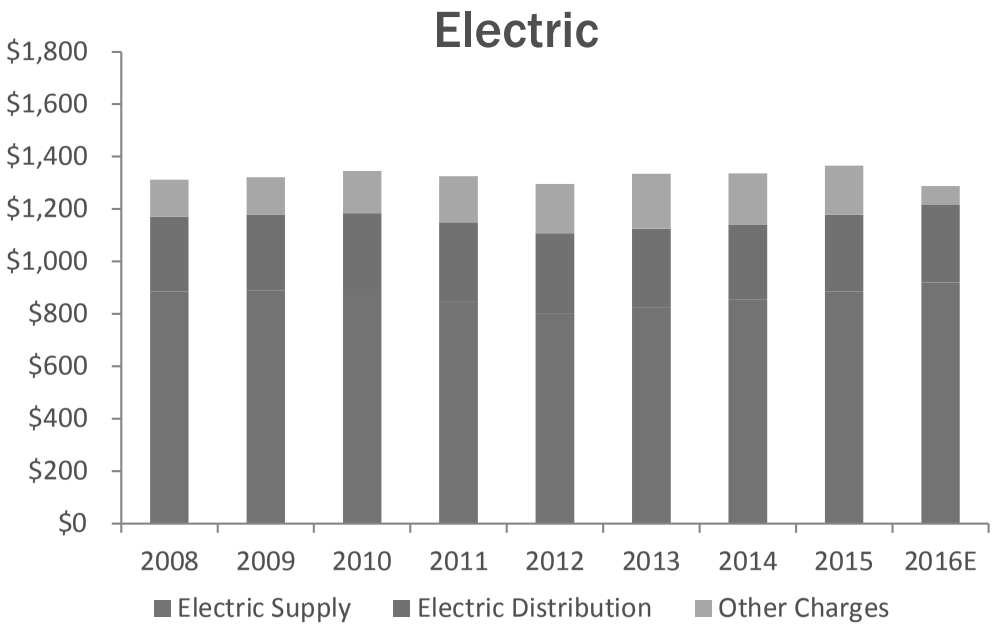
SI-SSA-0015-05951

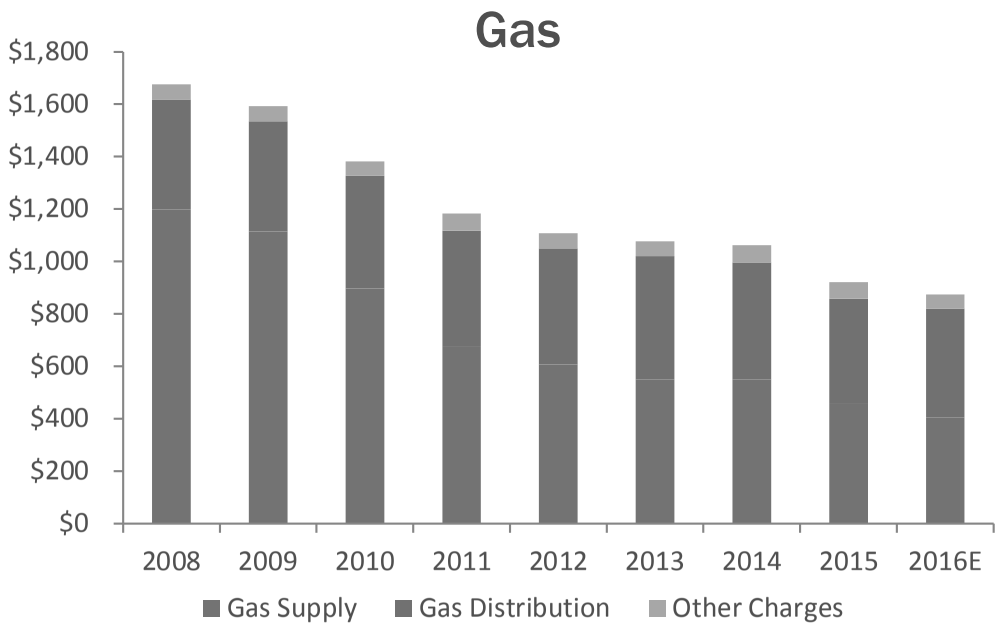
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





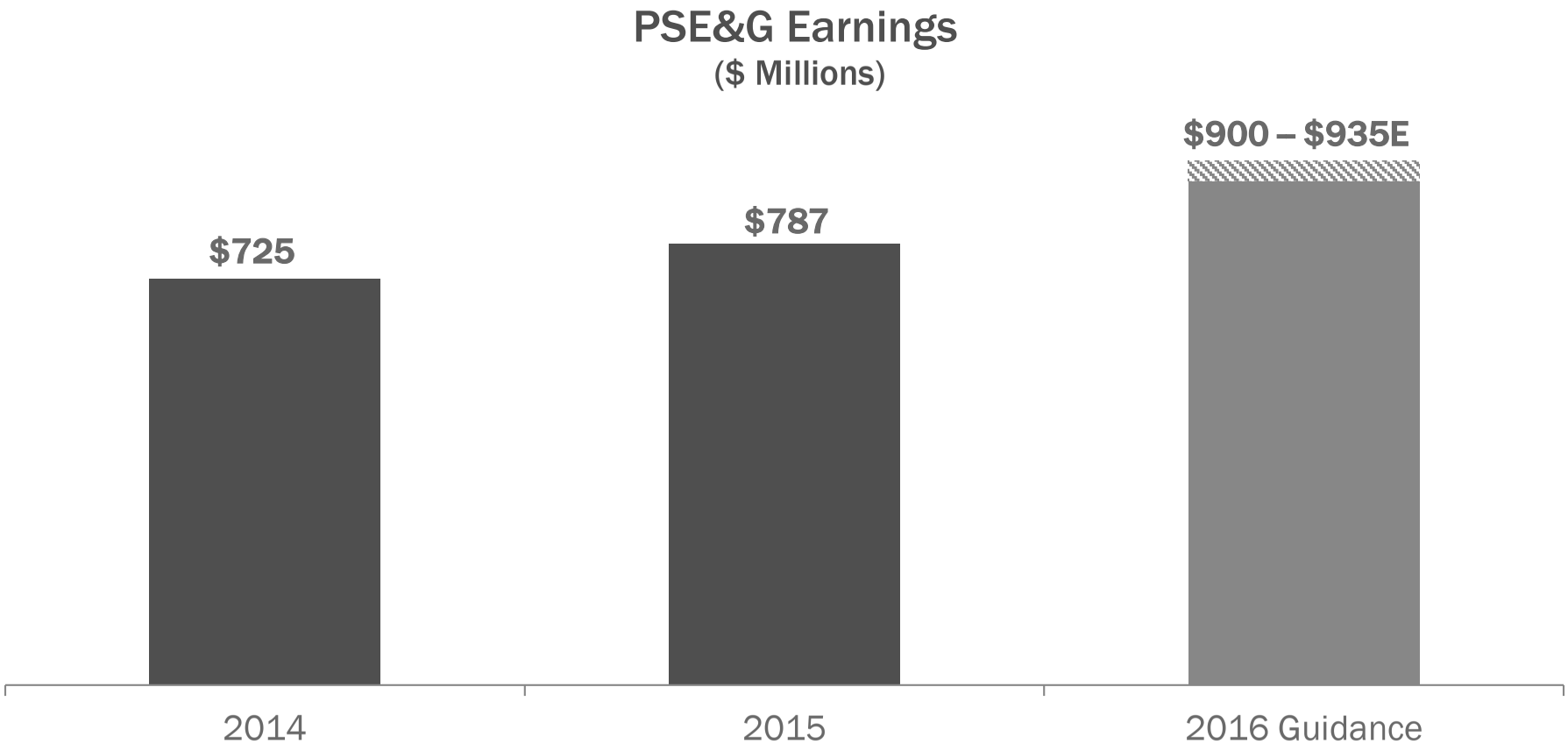
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-05952

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



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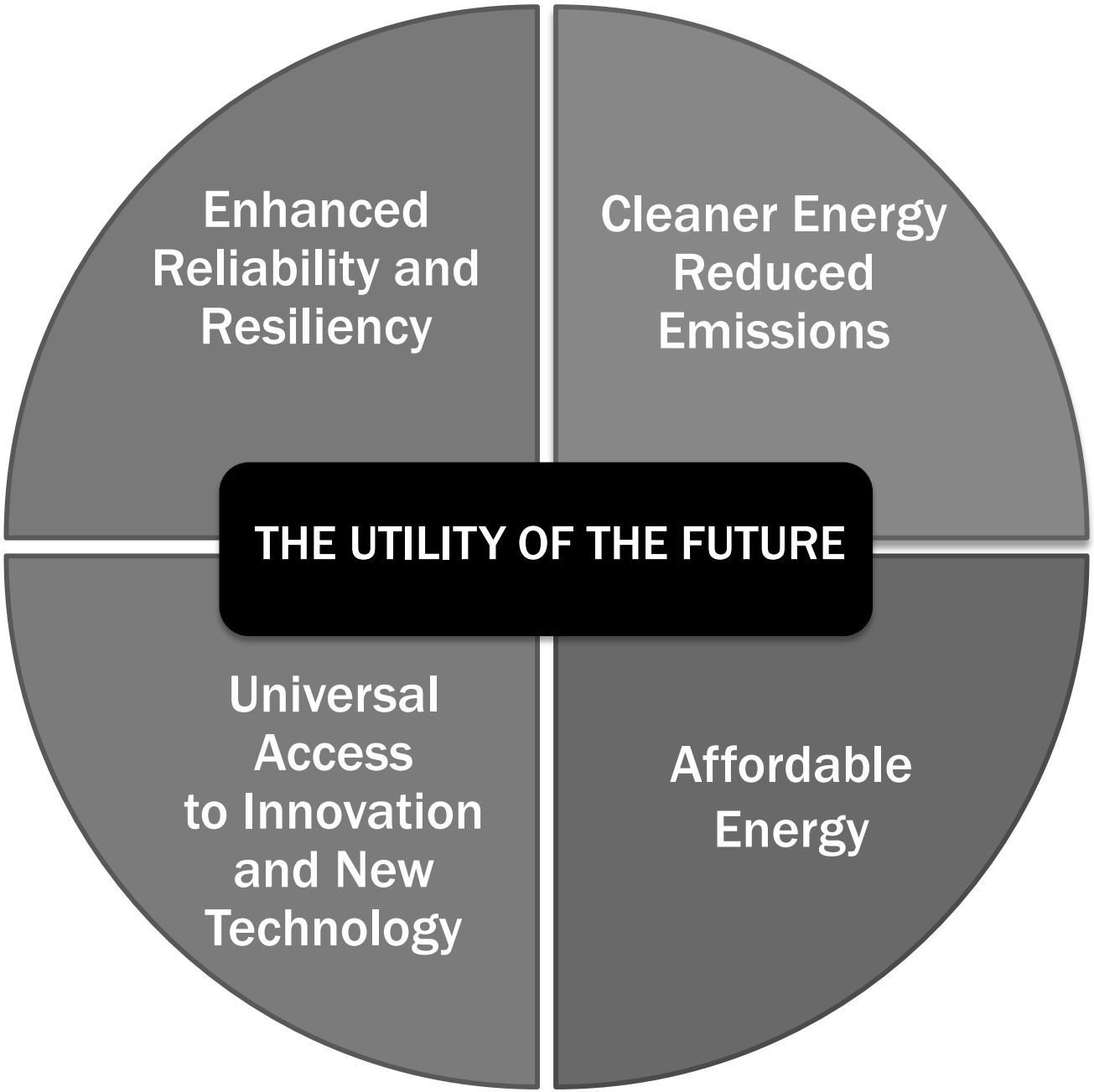

SI-SSA-0015-05954

PSEG LONG ISLAND

PSEG

We make things work for you.

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PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-05956

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

PSEG

We make things work for you.

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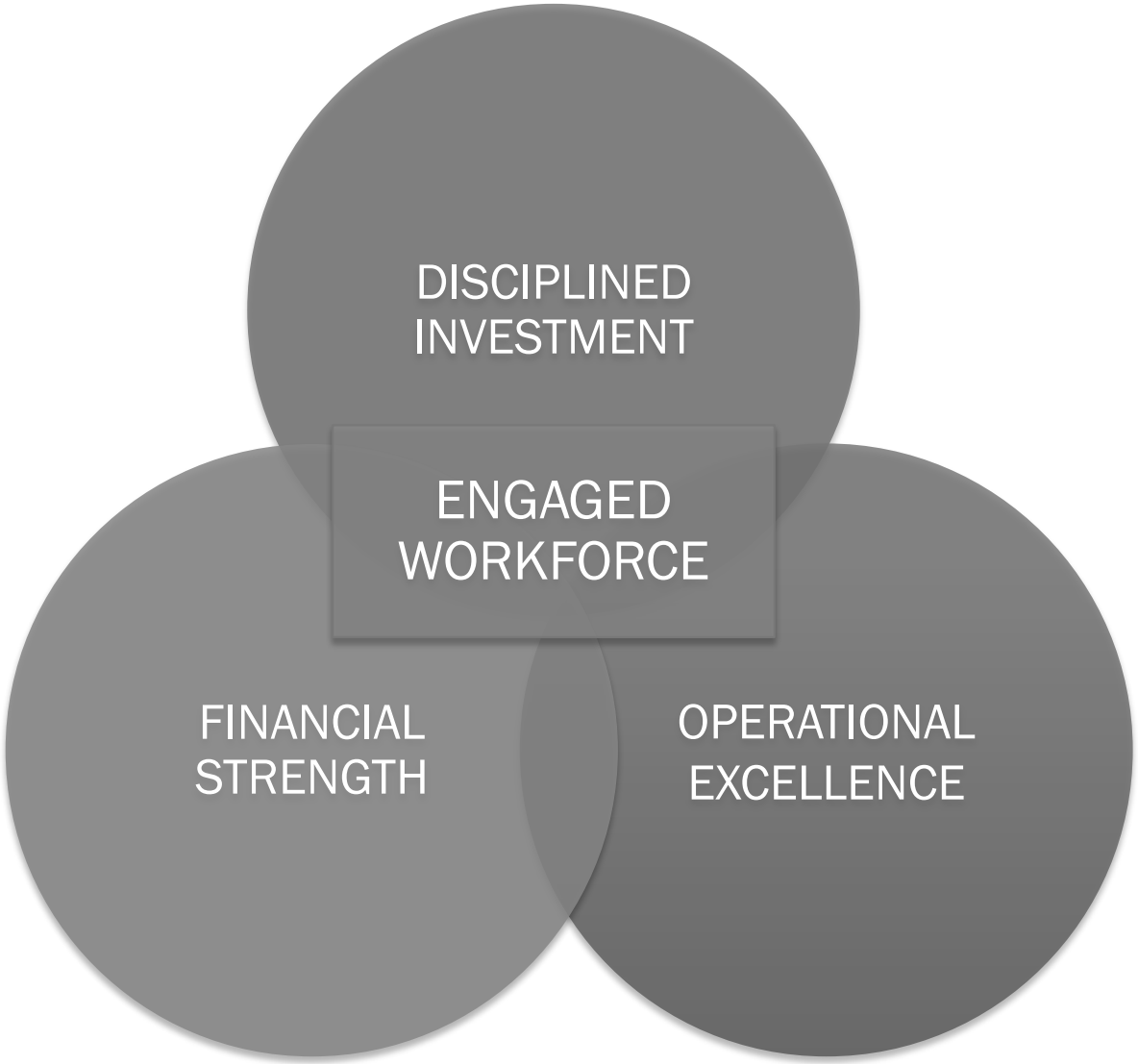
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-05958

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

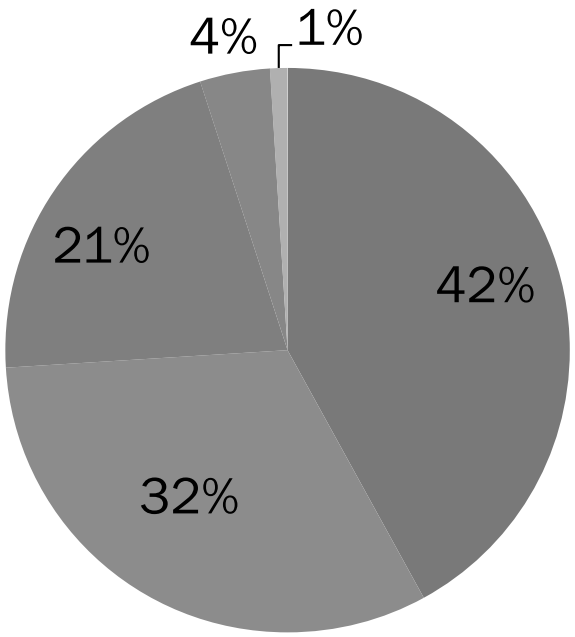
SI-SSA-0015-05959

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

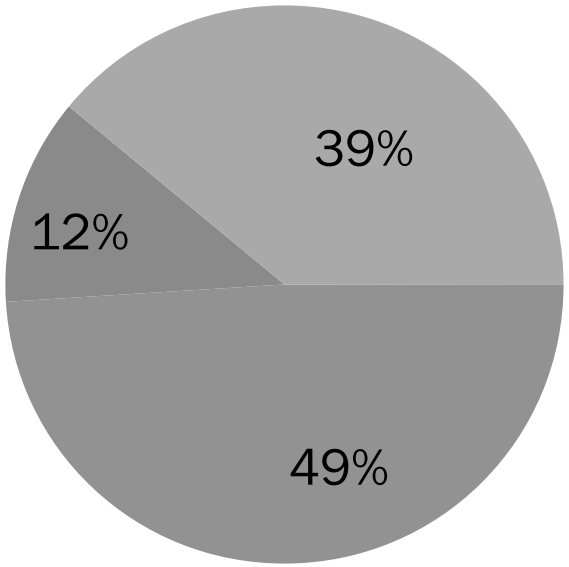
2015 Actual

Fuel Diversity*
Total MW: 11,678



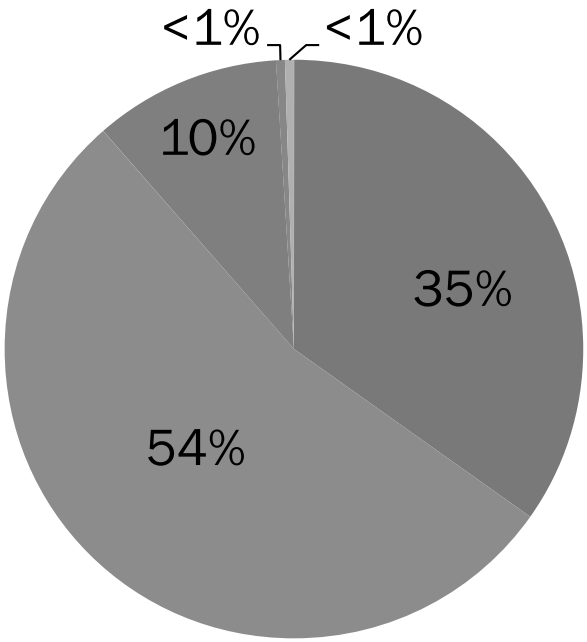
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



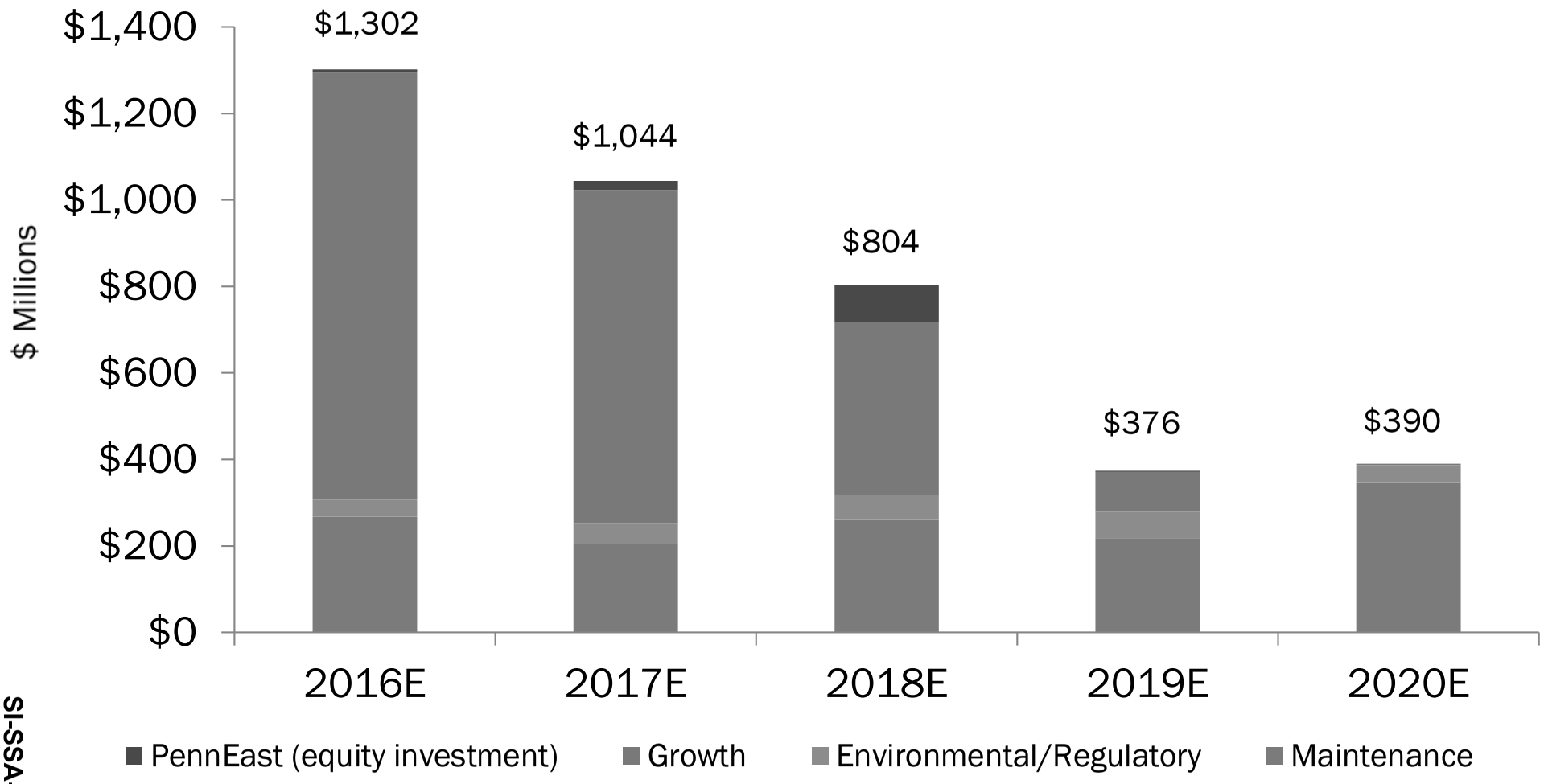
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-05960

PSEG

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power investing $2 billion of capital in new capacity



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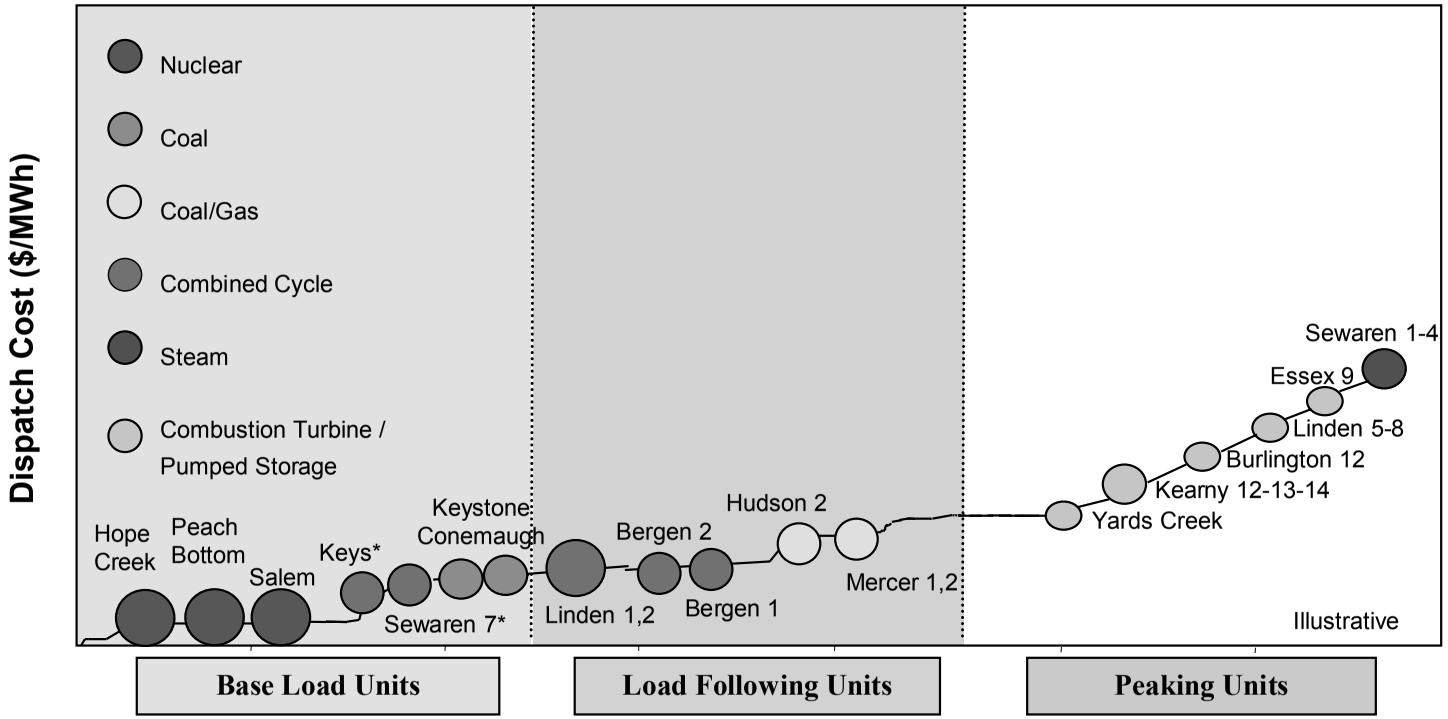
E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

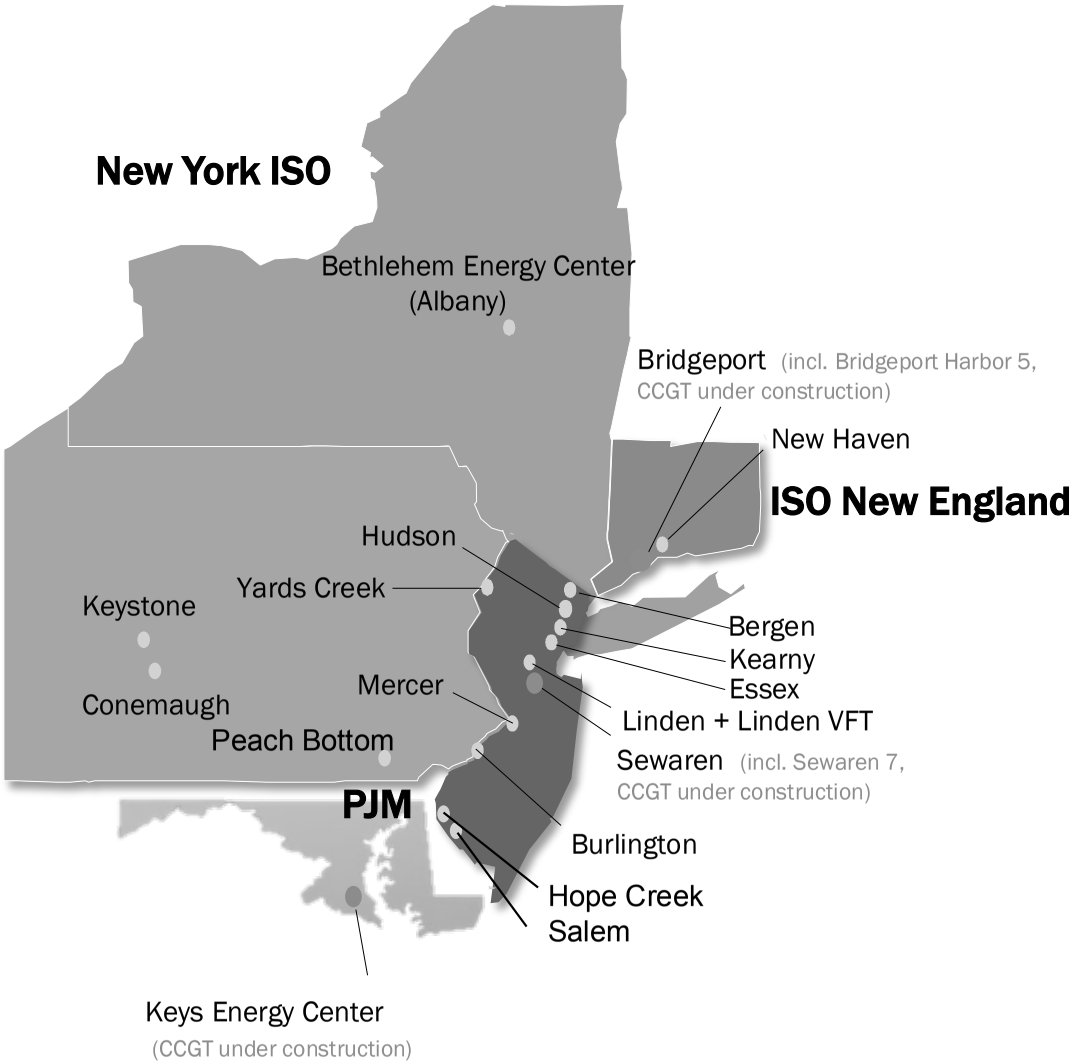
SI-SSA-0015-05962

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

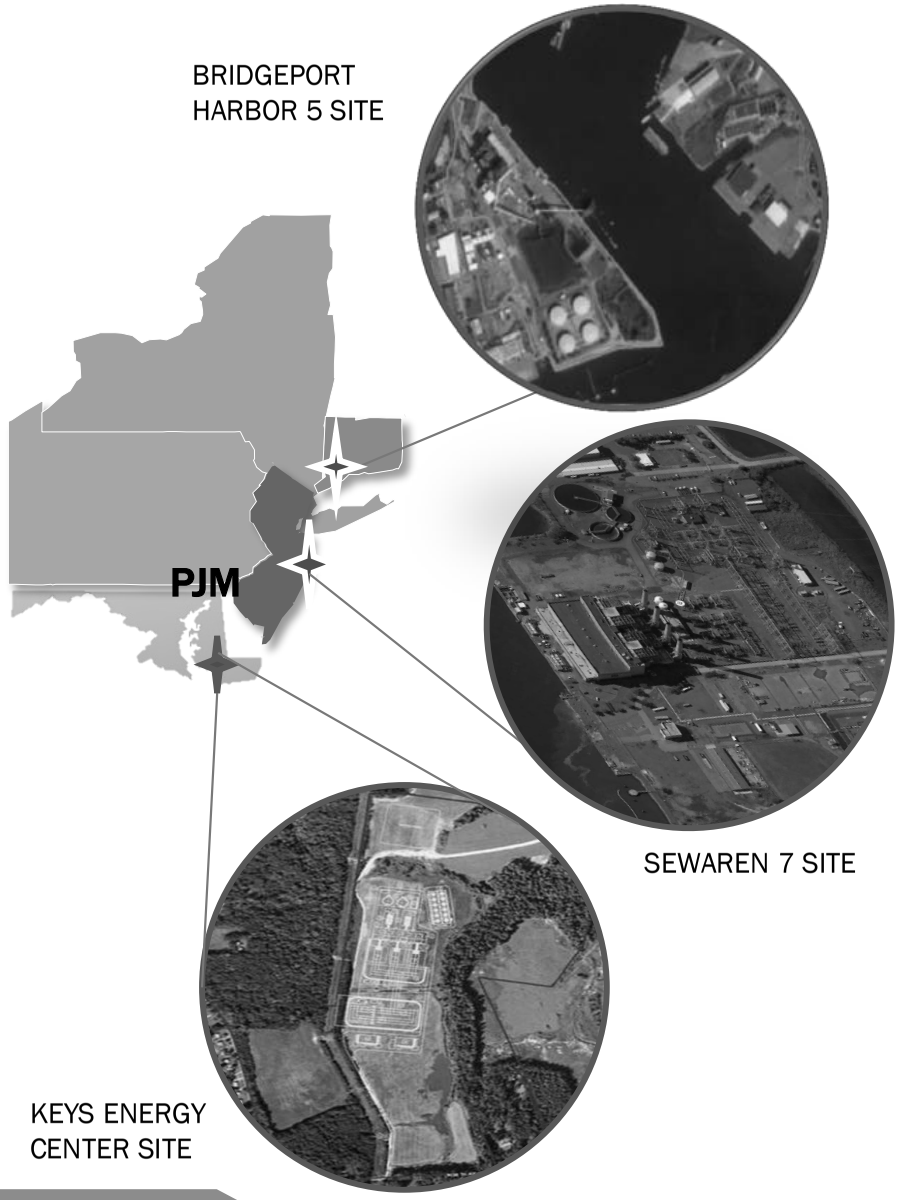
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-05963

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



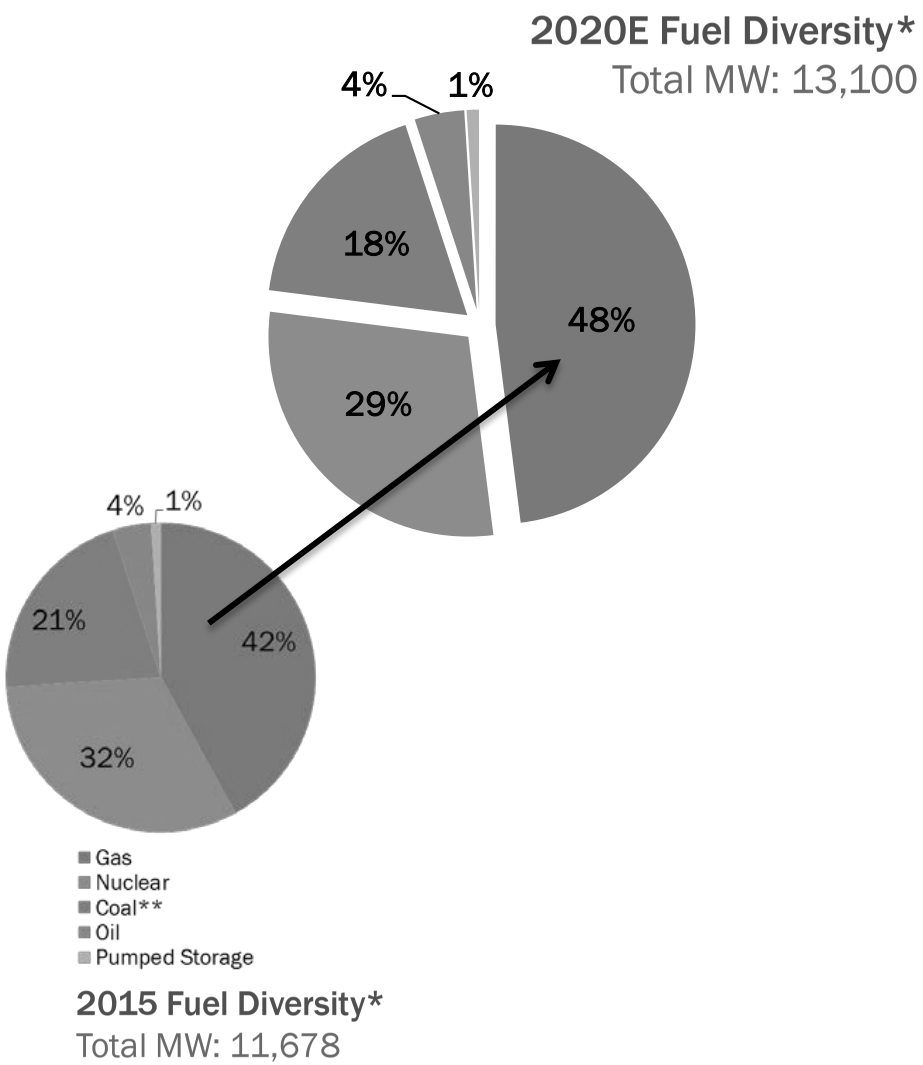
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

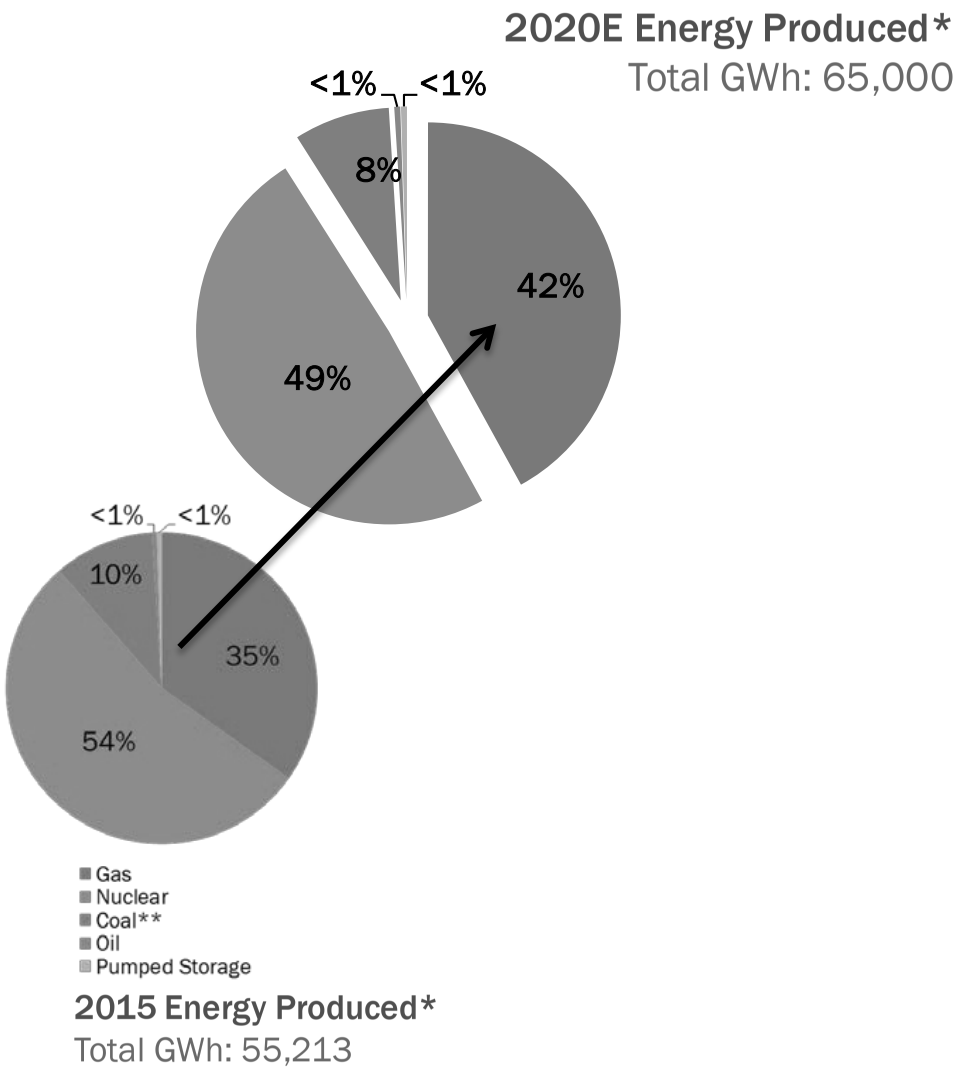
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-05964

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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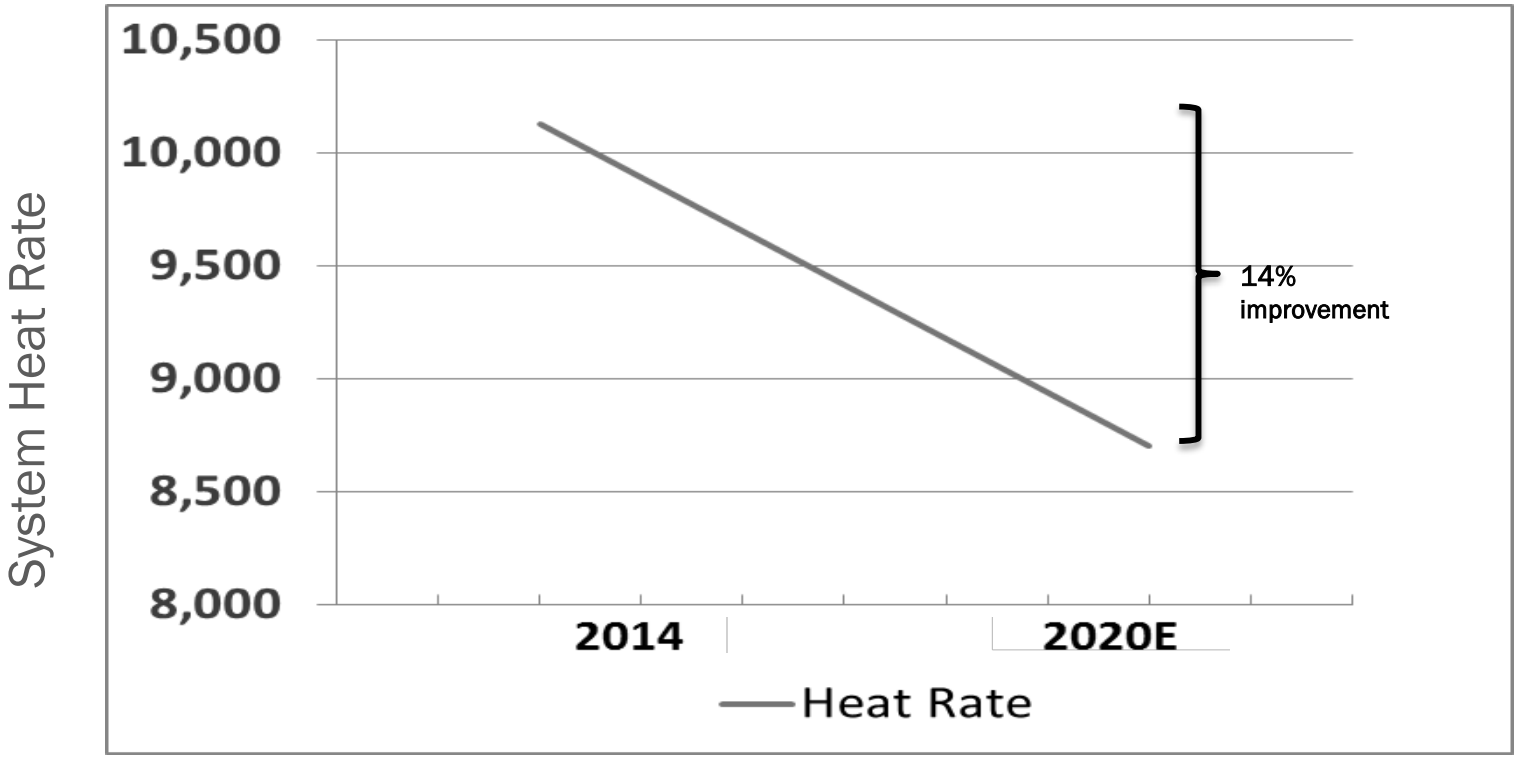
PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

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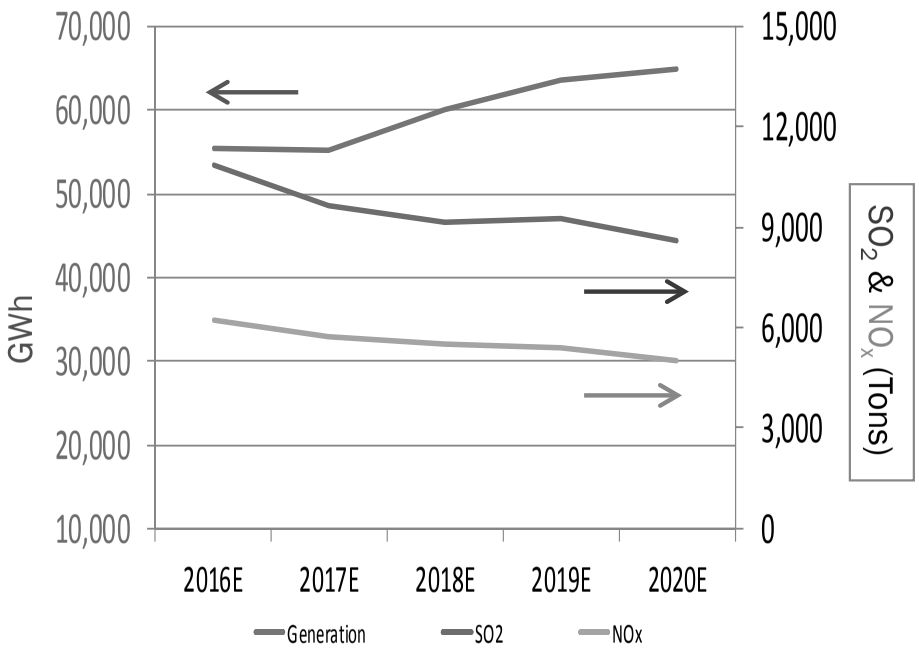
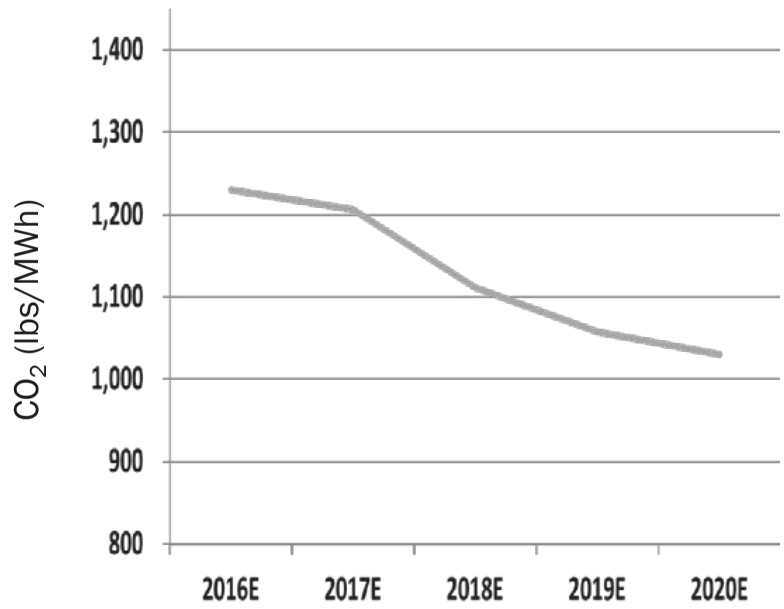
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

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Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,176 MW • Owned Capacity: 1,176 MW • License Expiration: 2046 • Next Scheduled Refueling ➢ Fall 2016 • Uprate 18MW Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,294 MW • Owned Capacity: 1,317 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,502 MW • Owned Capacity: 1,251 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2016 ➢ Unit 3 – Fall 2017 • Uprate: 130 MW (PS Share) ➢ Unit 2 – March 2015 ➢ Unit 3 – December 2015

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PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

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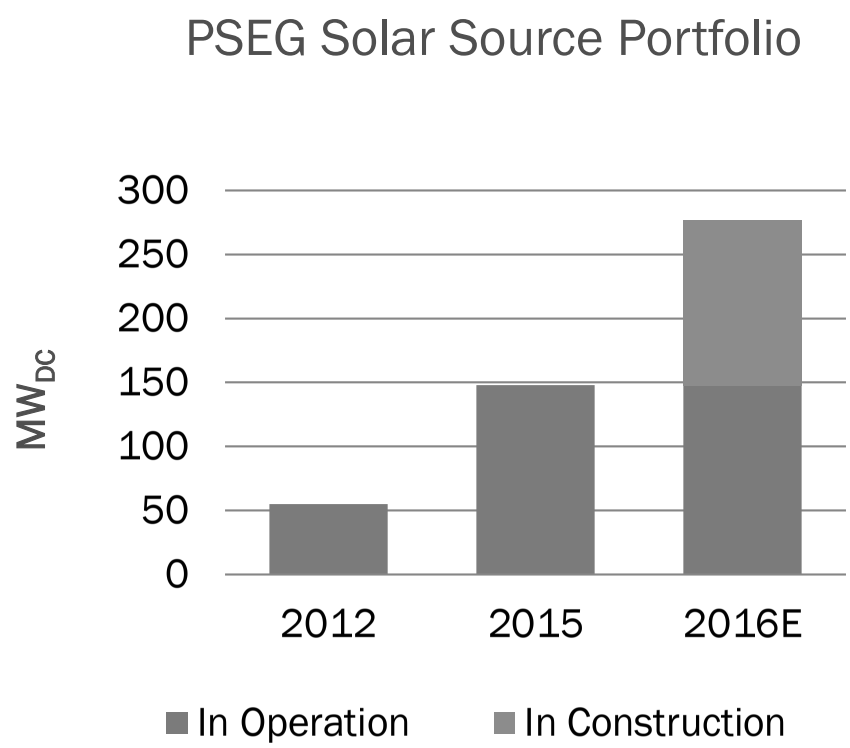
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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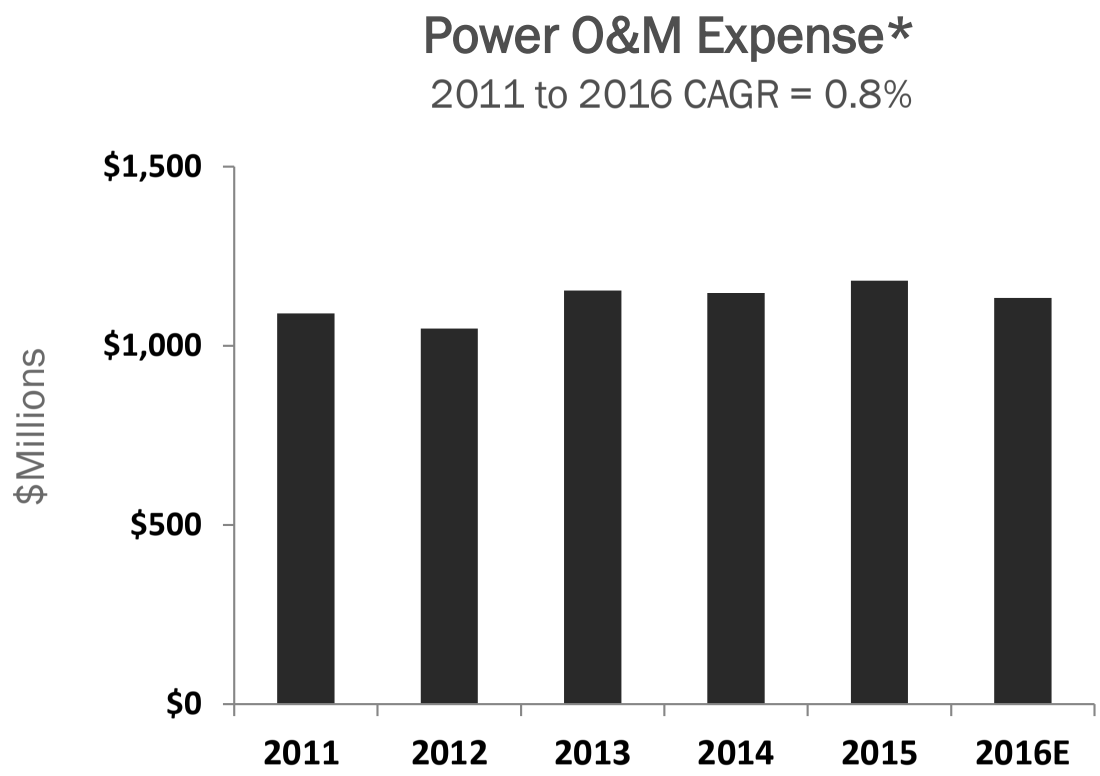
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

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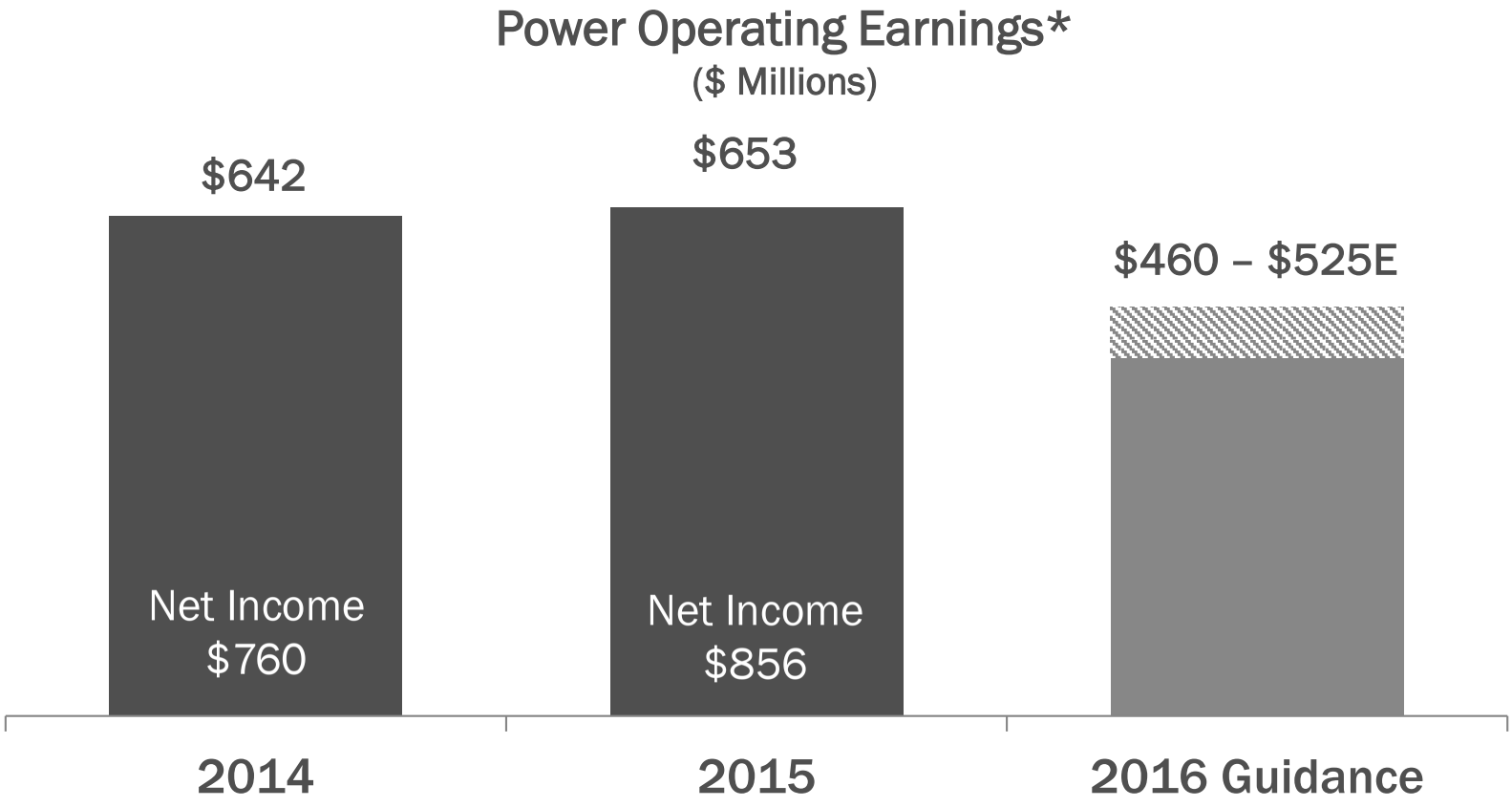
Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

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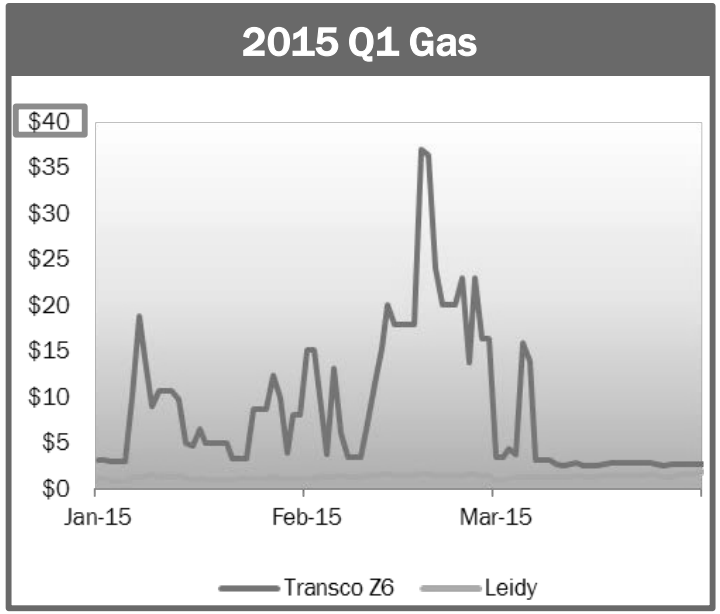
PSEG POWER
ER&T

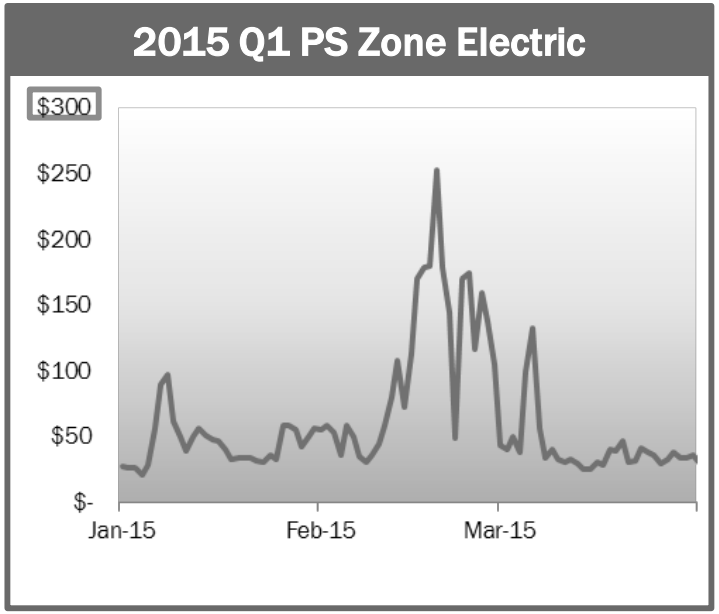
SI-SSA-0015-05976

PSEG

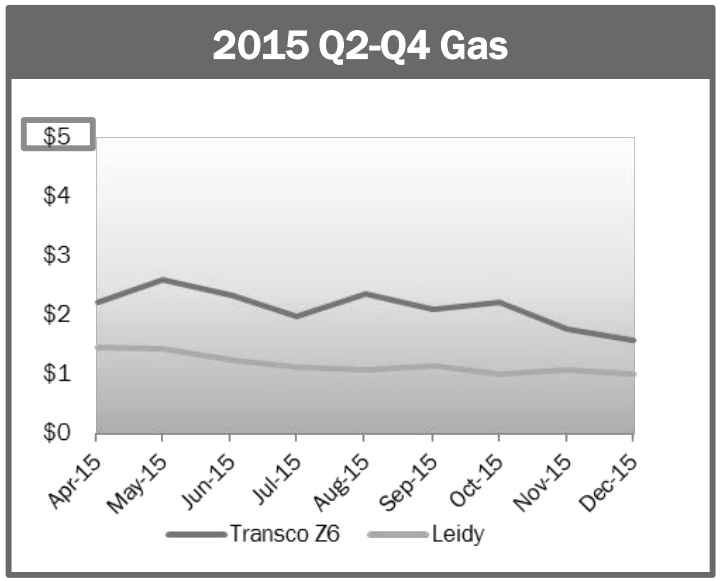
We make things work for you.

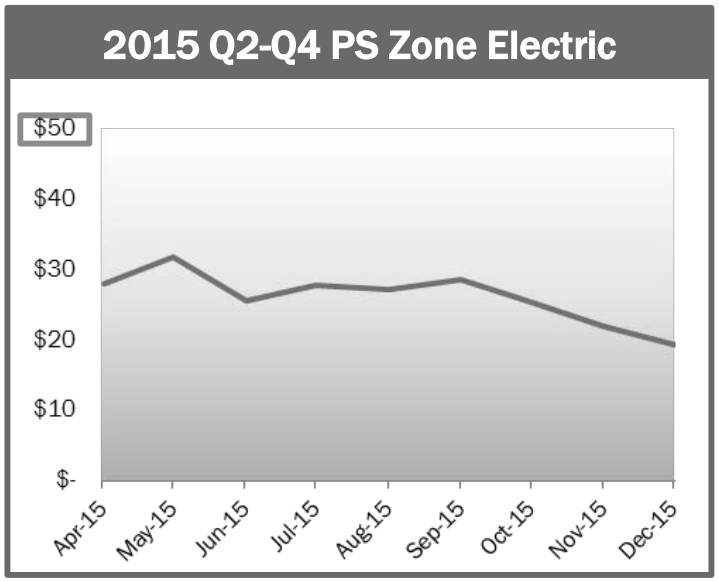
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand





Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

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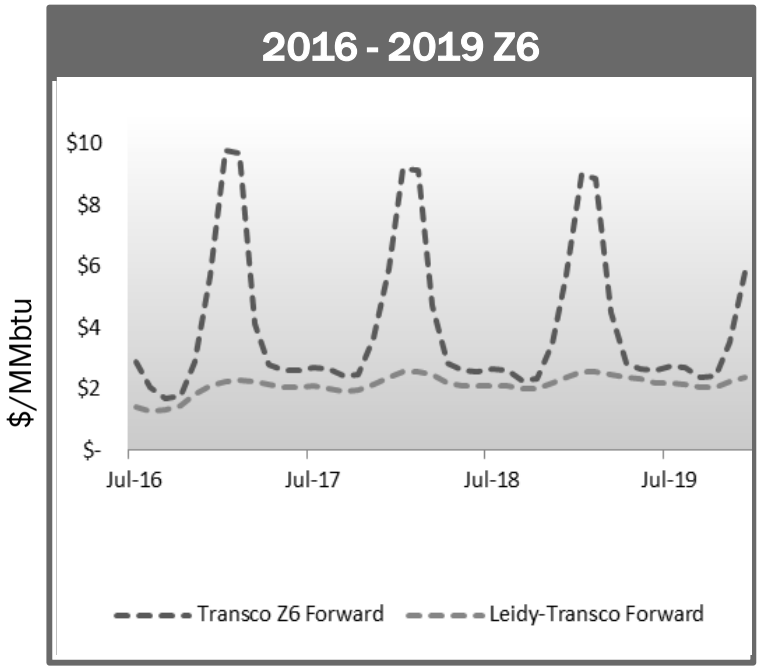
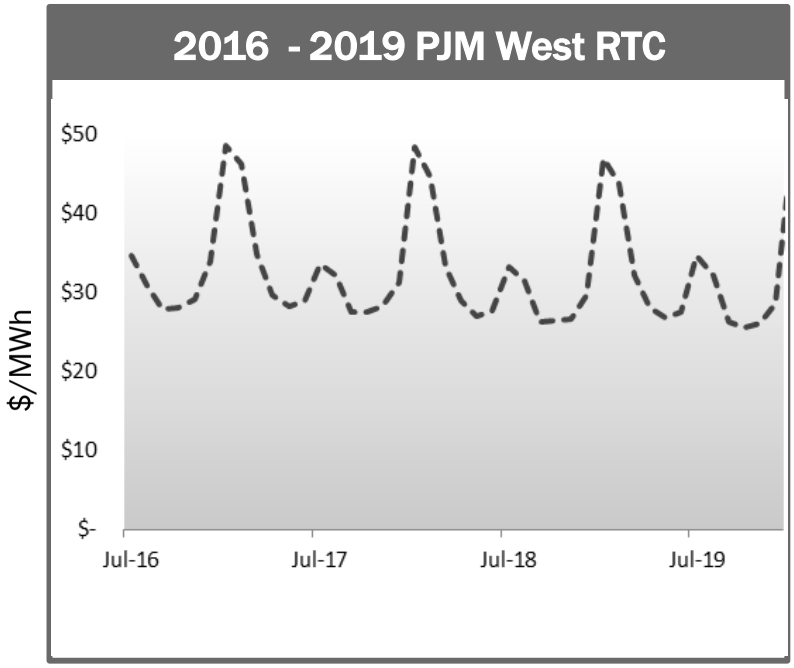
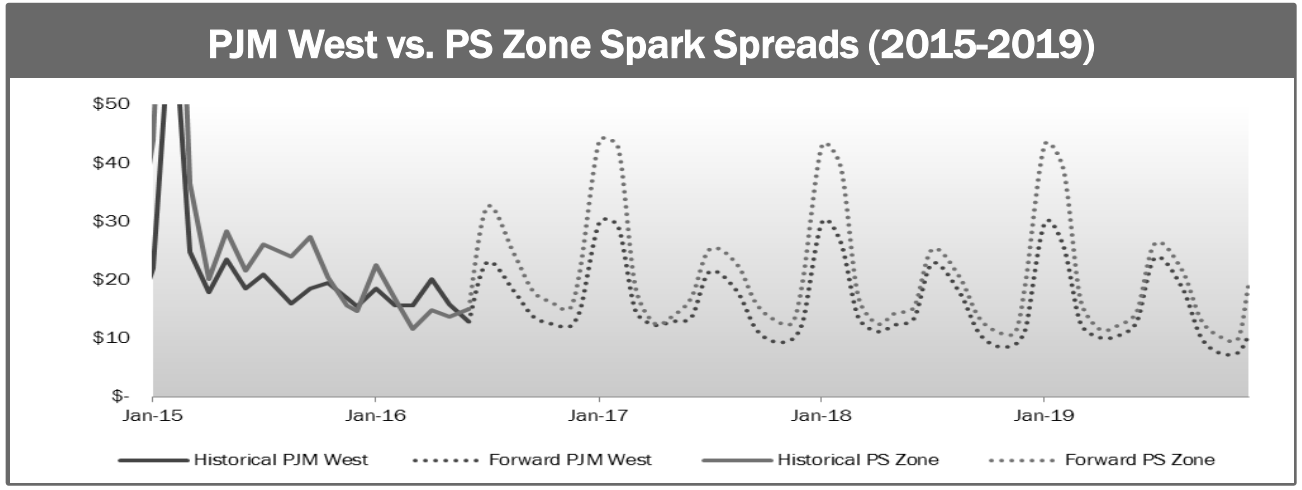
Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility







FORWARDS AS OF JULY 25, 2016

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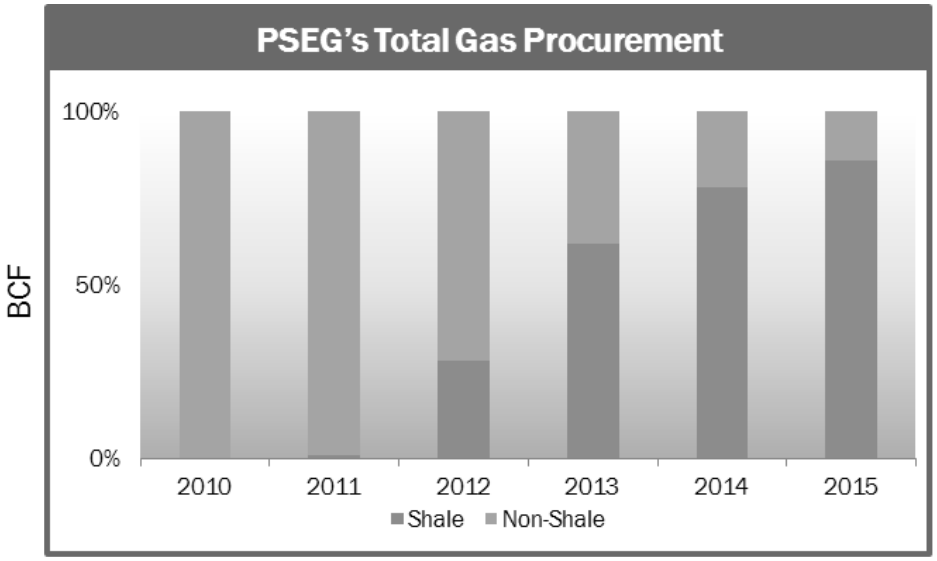
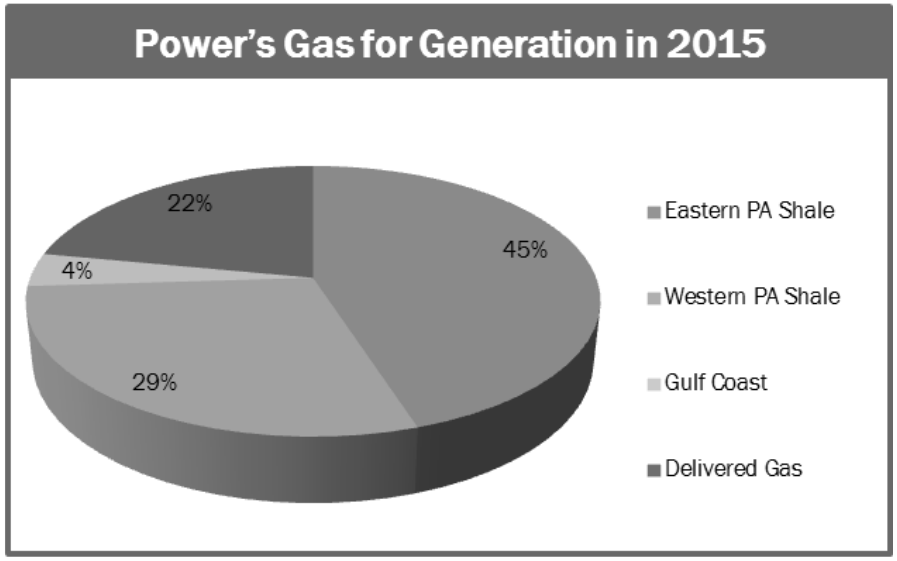
Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas





- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

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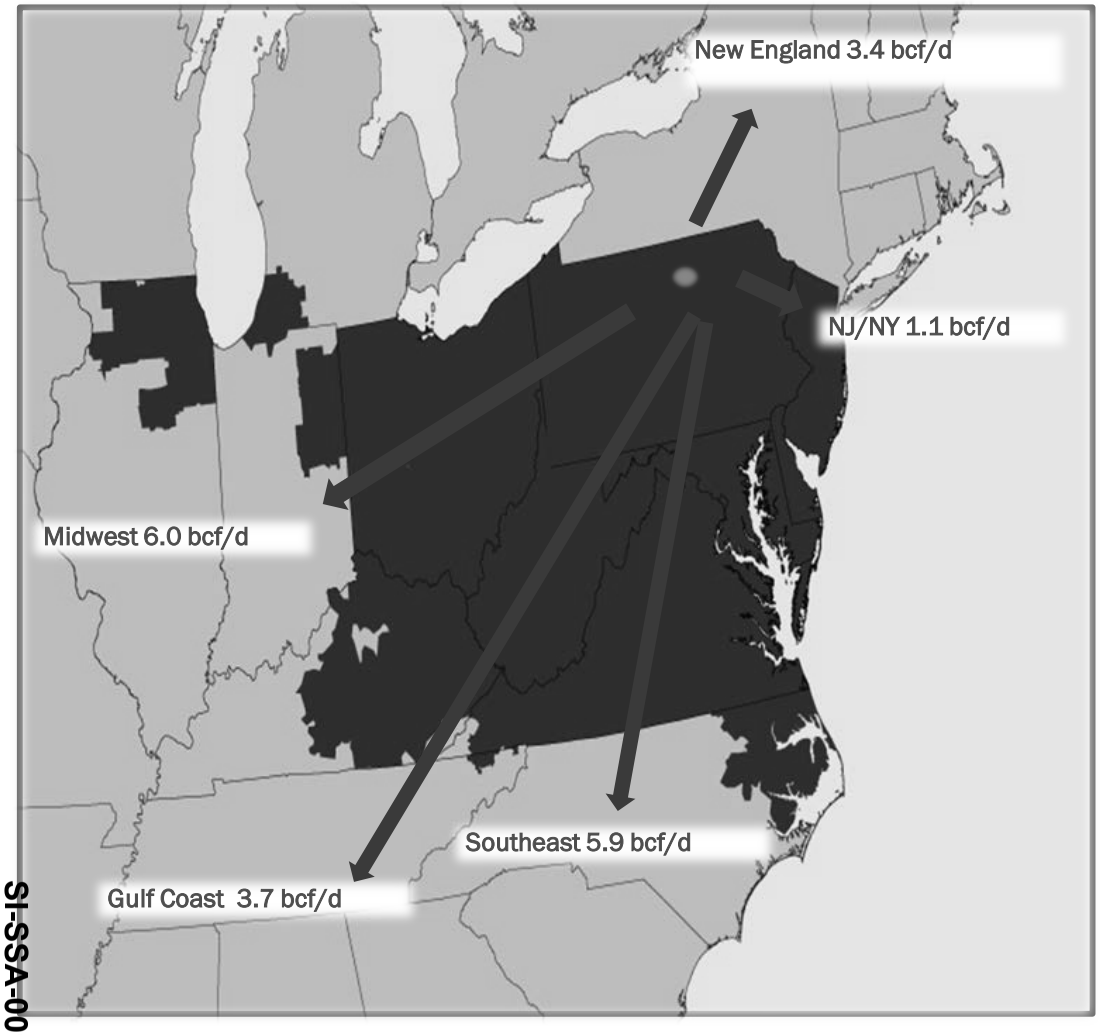
Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-05980

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

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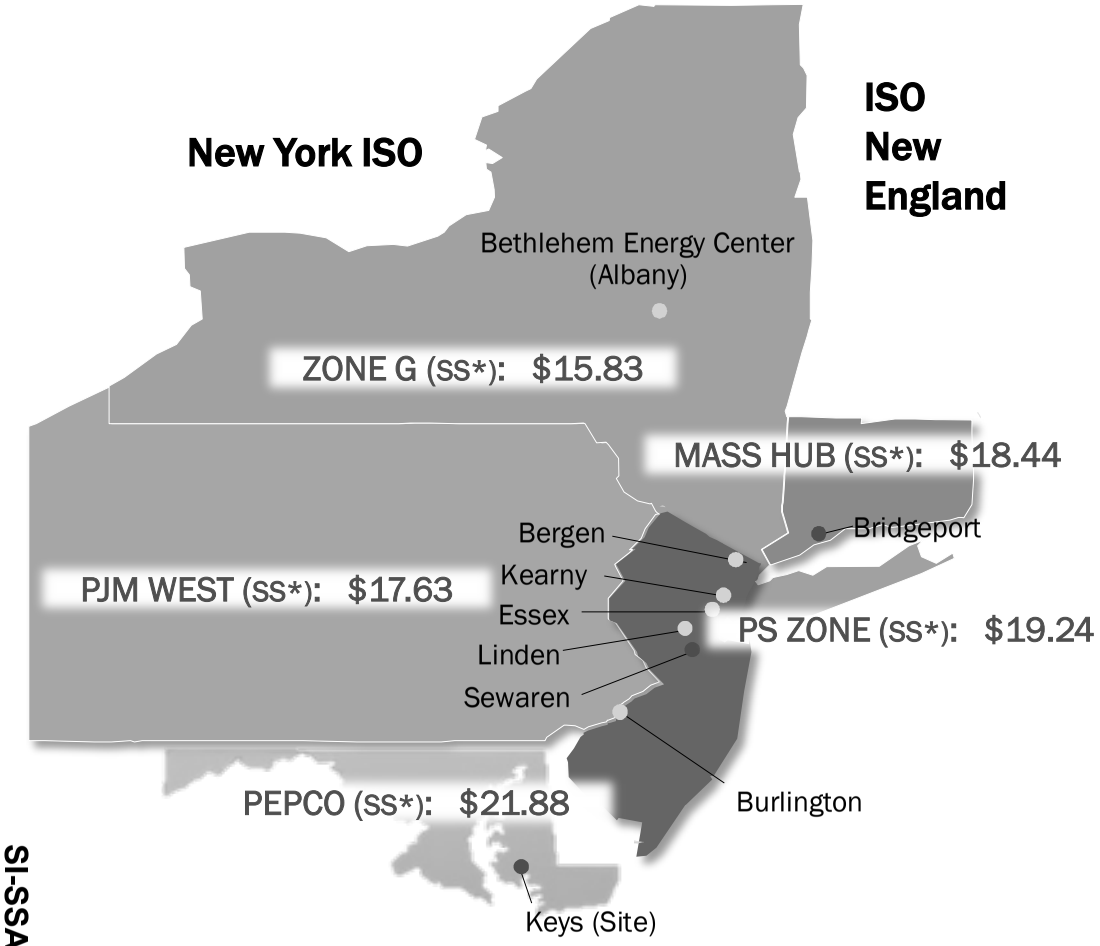
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

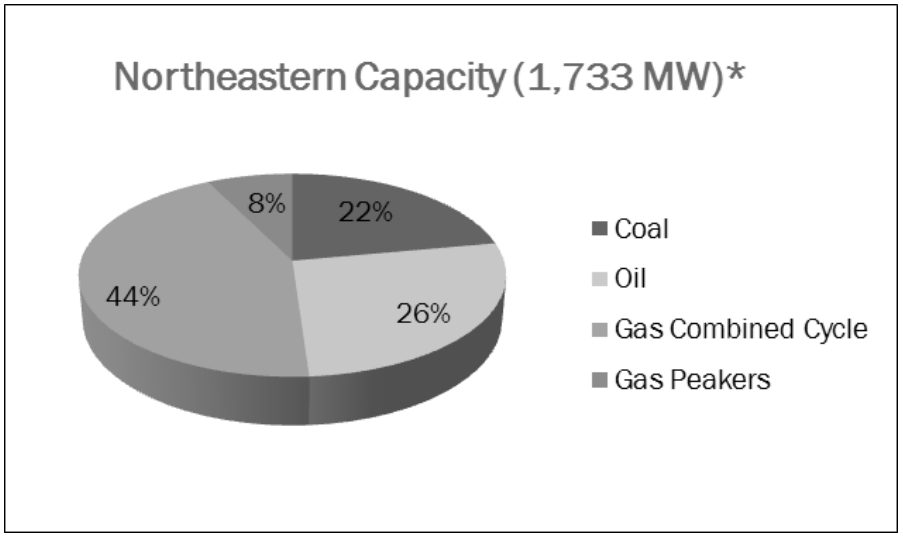
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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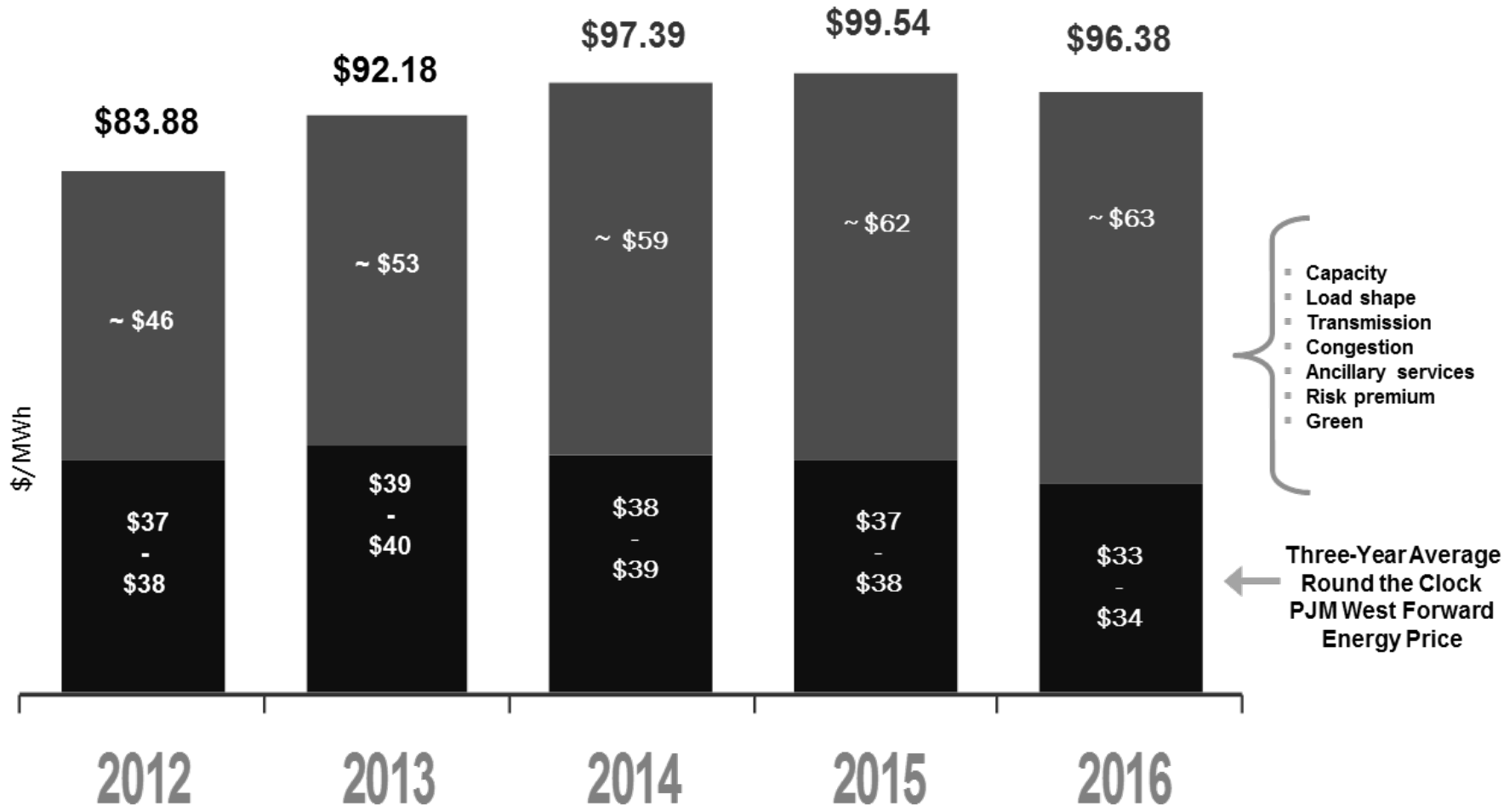
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-05985

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

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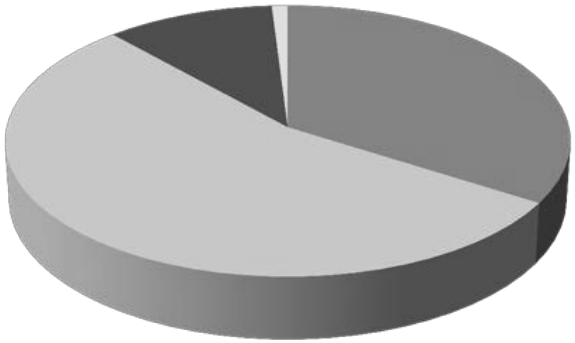
PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

Energy Produced in 2015

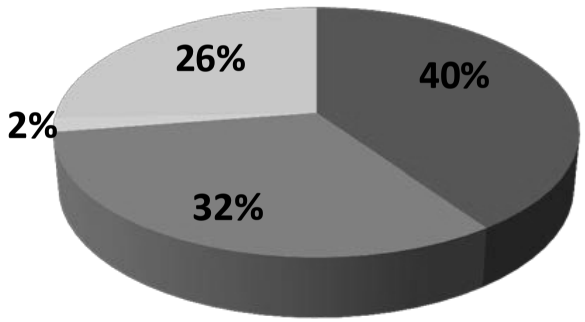
55,213 GWH



- Gas
- Nuclear
- Coal**
- <2% from Oil, Pumped Storage

**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



- Energy/Ancillary (locked in)
- Capacity (locked in)
- Capacity (unhedged)
- Energy/Ancillary (open to market)

*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

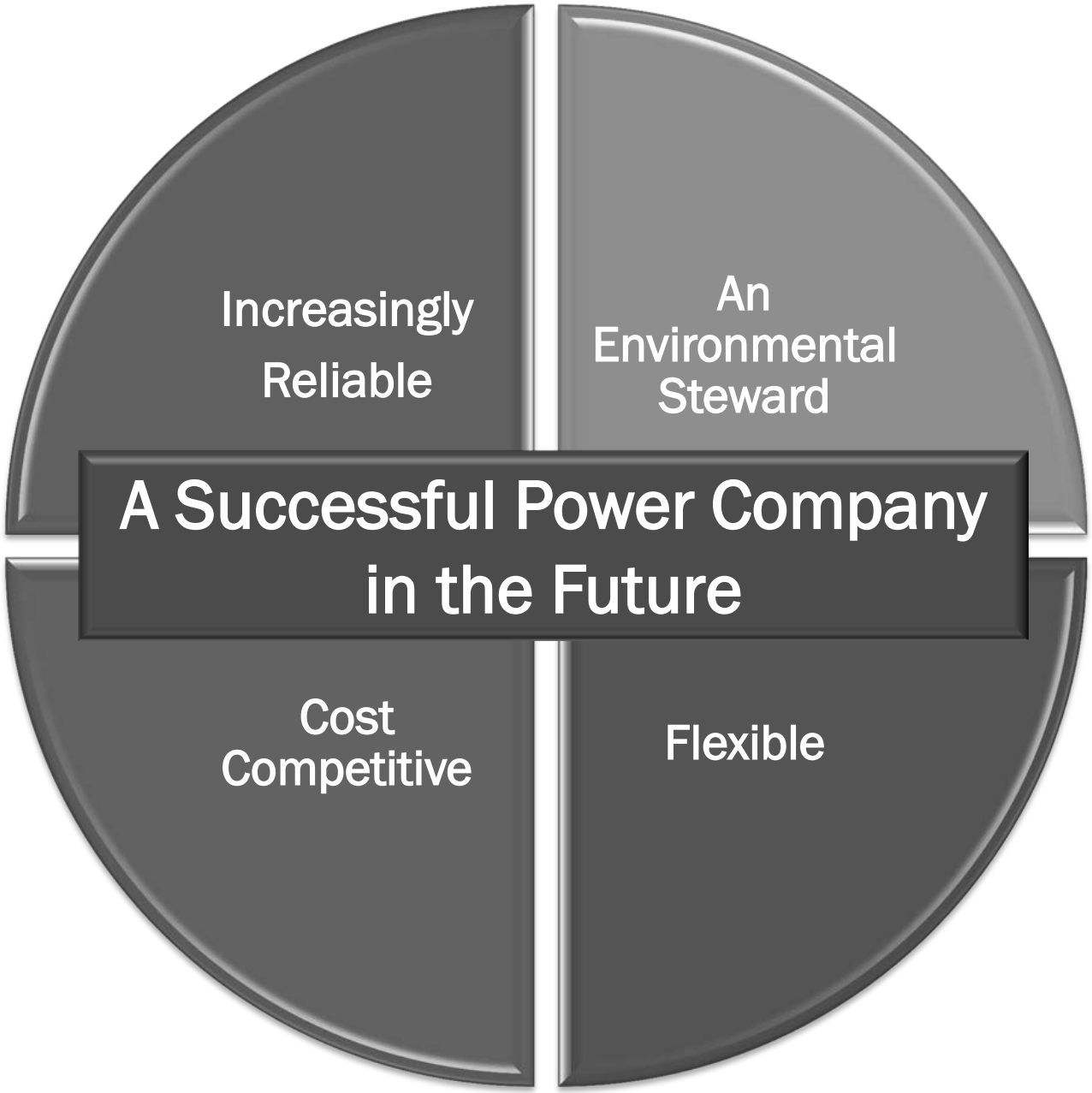
SI-SSA-0015-05987

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-05988



SI-SSA-0015-05989

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-05990

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-05991

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-05992

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-05993

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

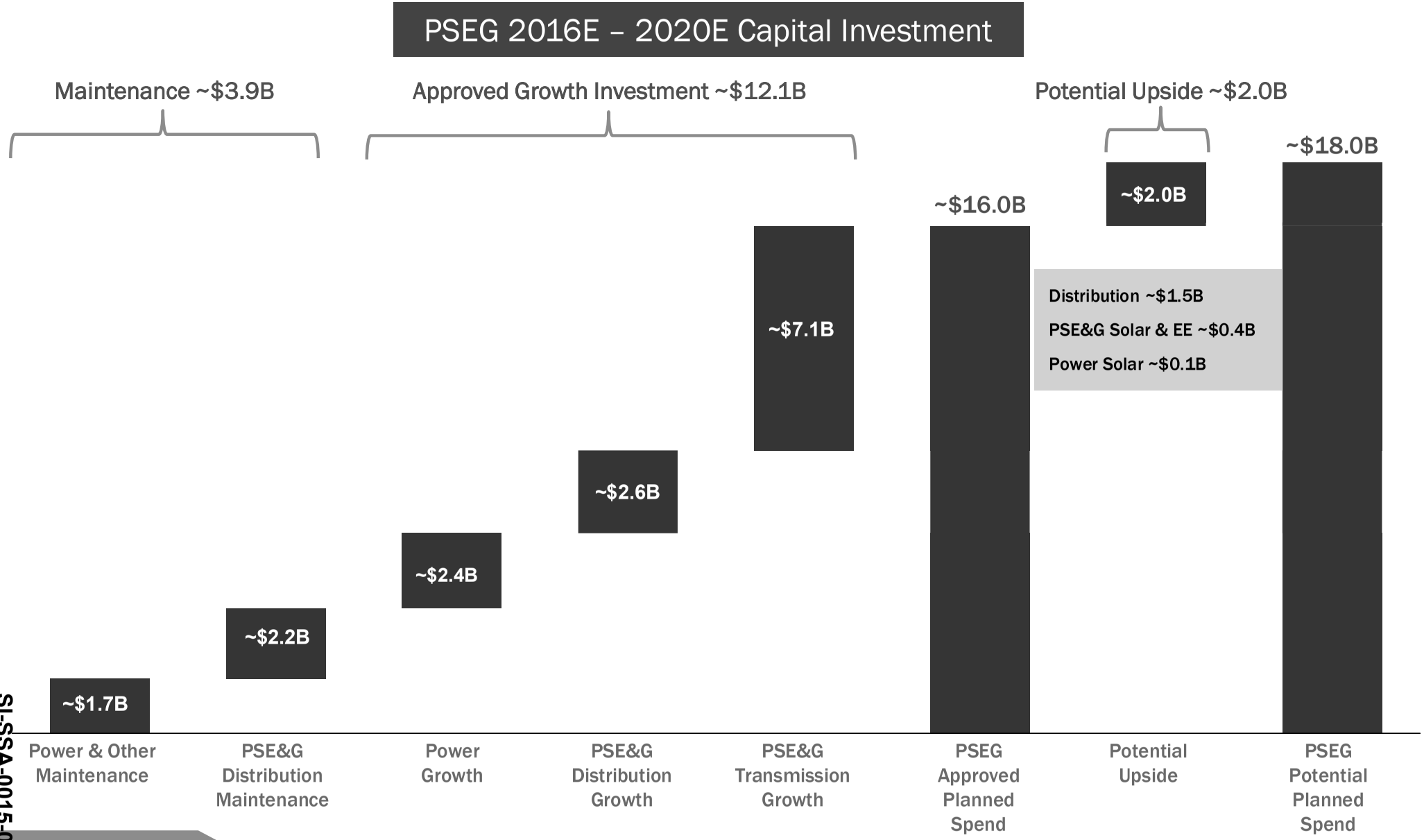
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-05994

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

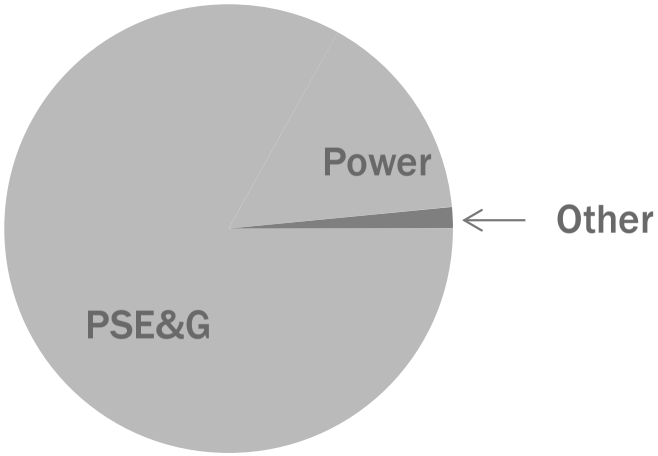
SI-SSA-0015-05995

We increased our Capital Program by $3B

since last year

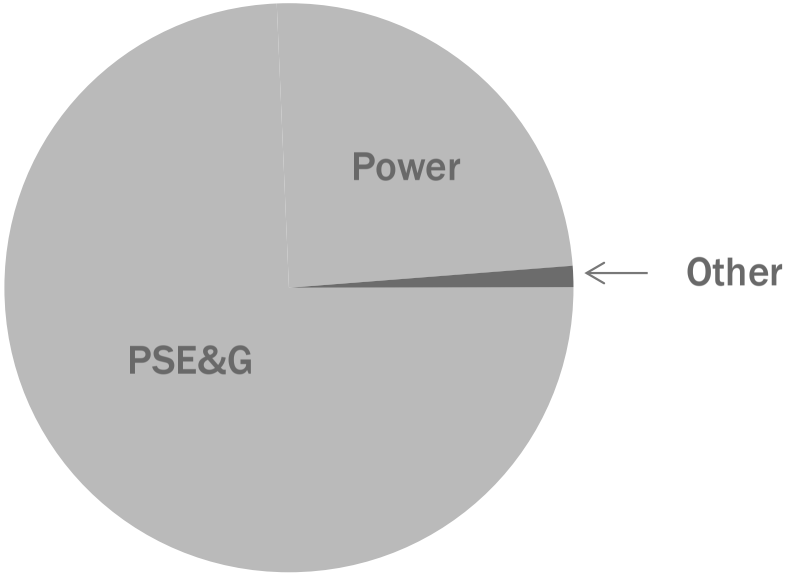
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

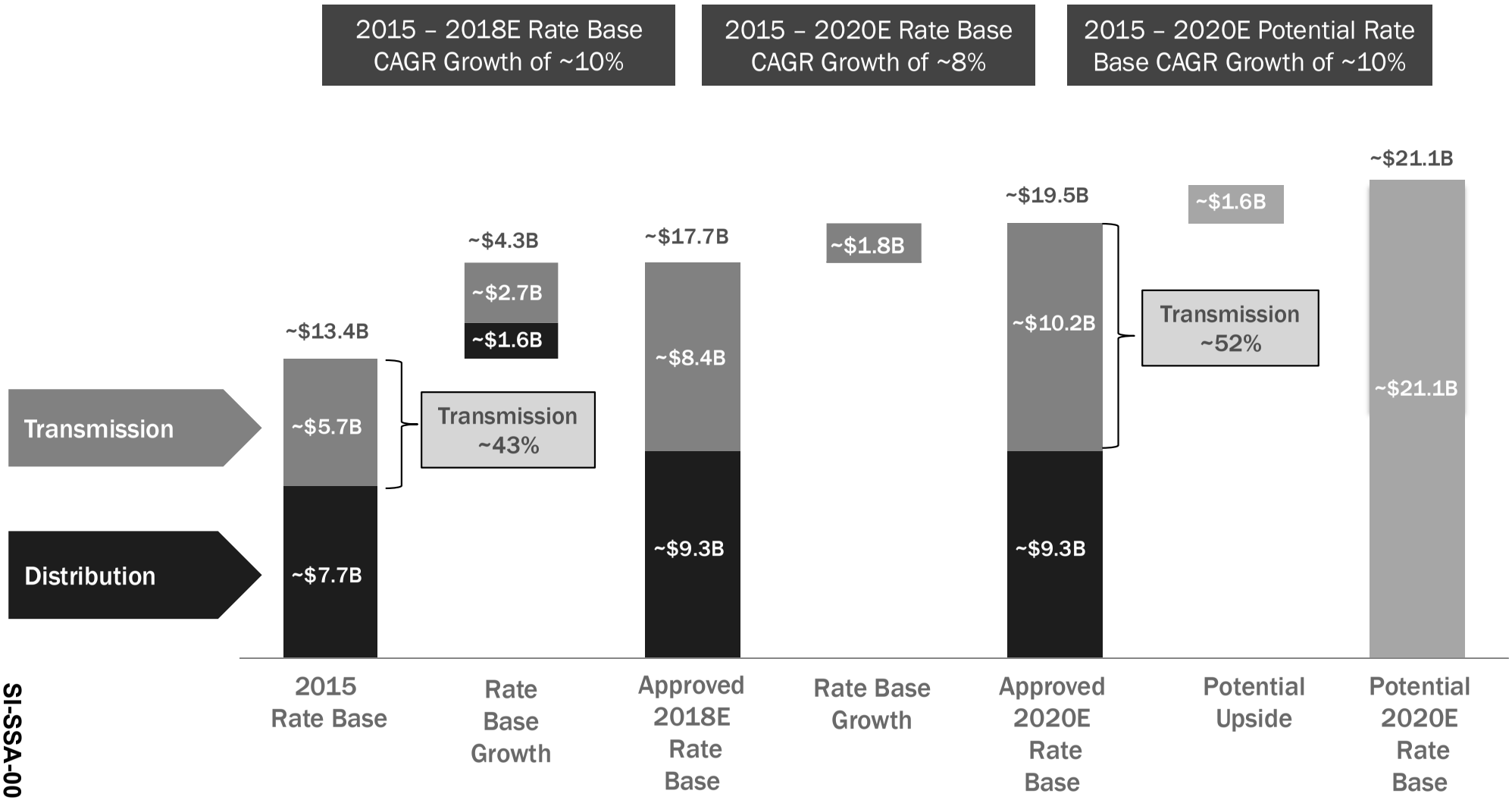


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-05996

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-05997

Bonus Depreciation adds $1.7B cash

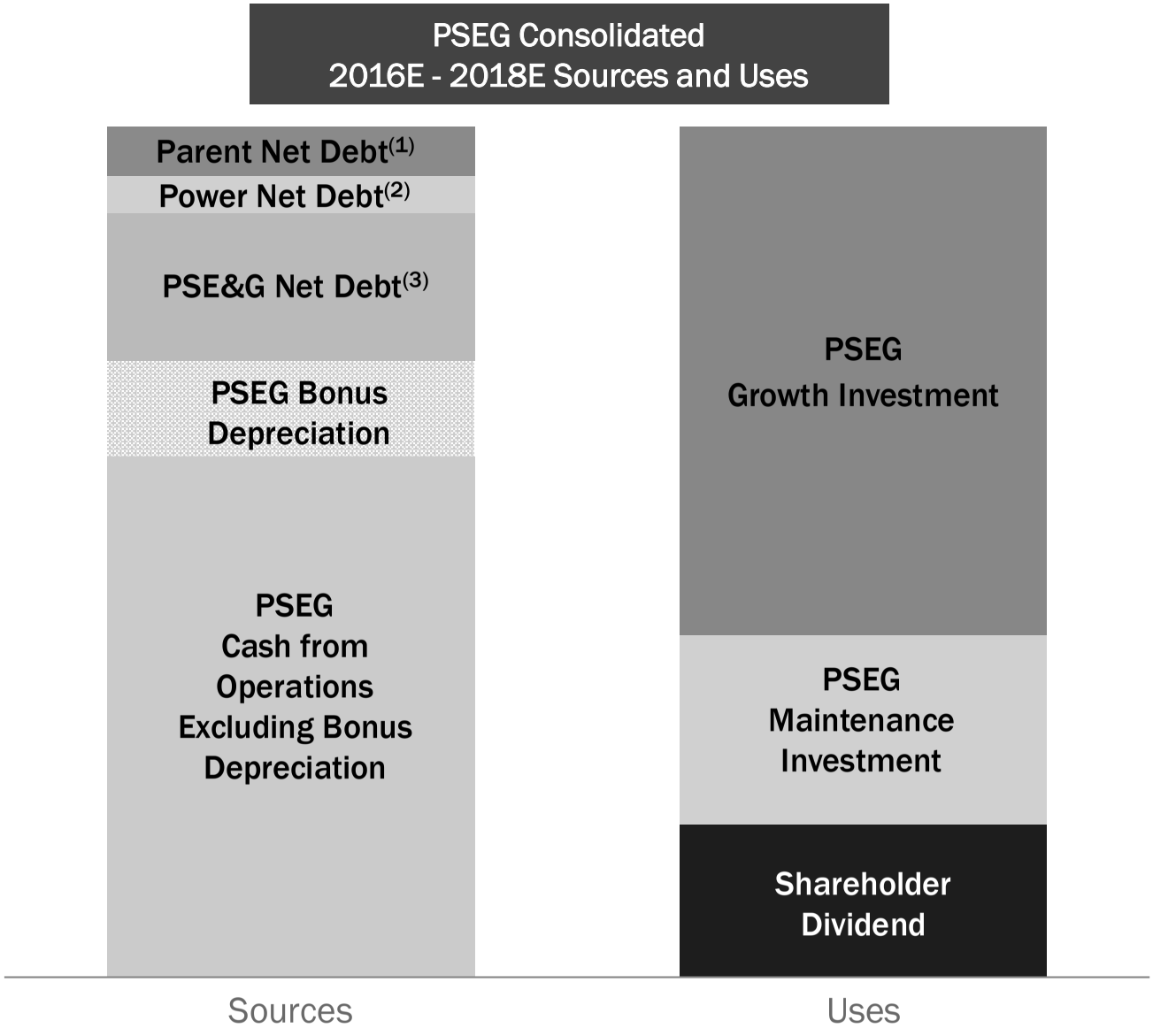
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-05998

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-05999

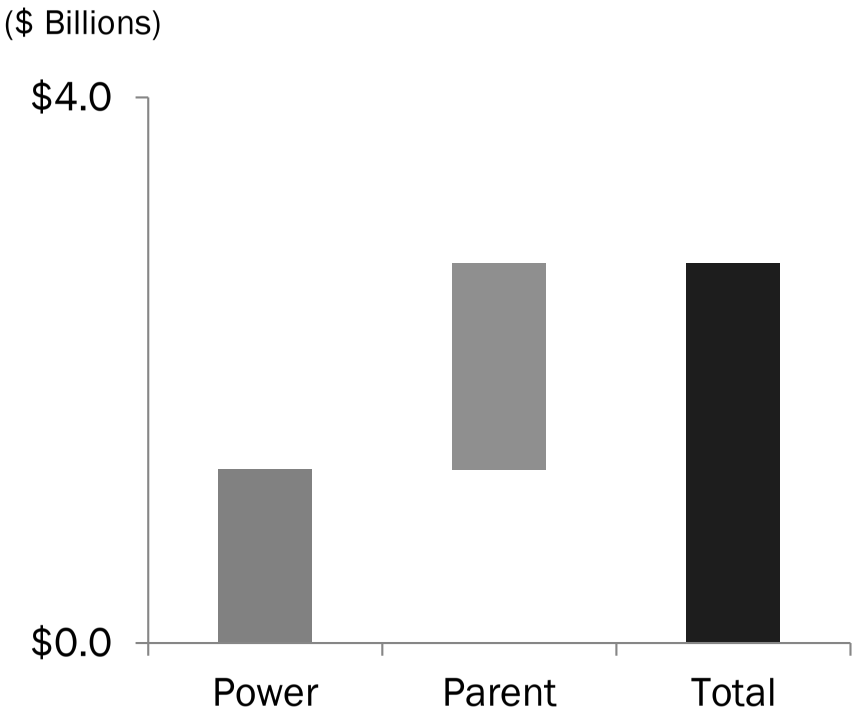
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

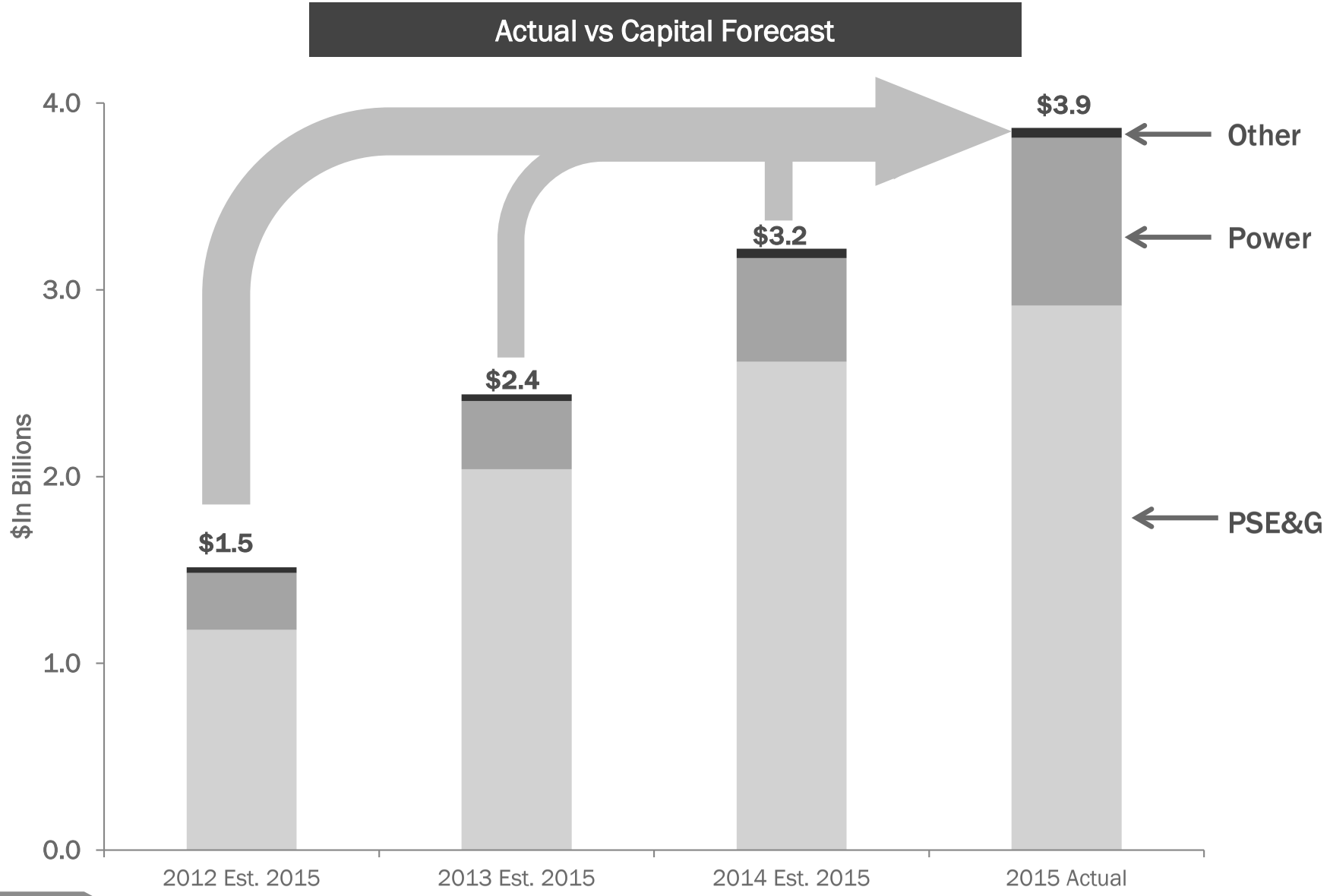
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

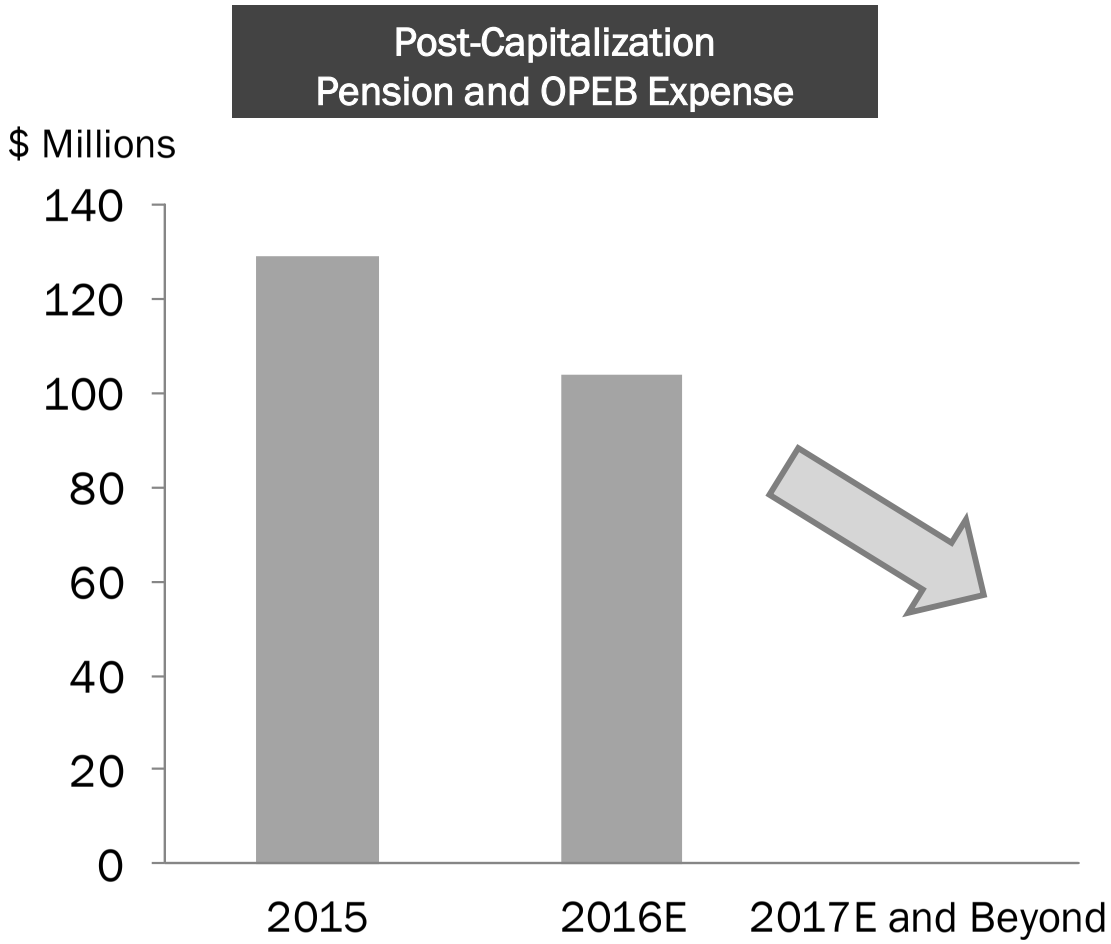
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-06001

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

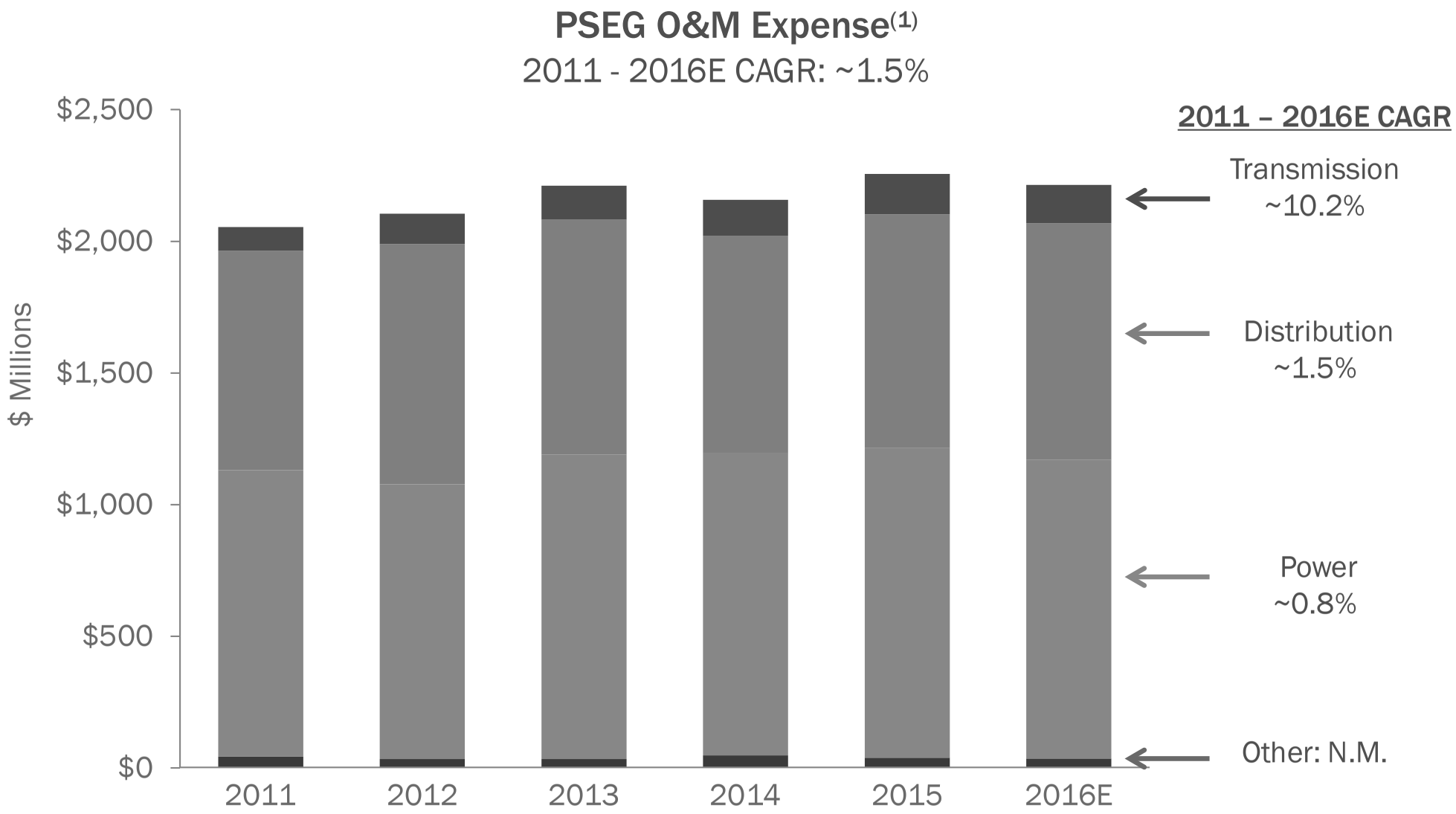


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-06002

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

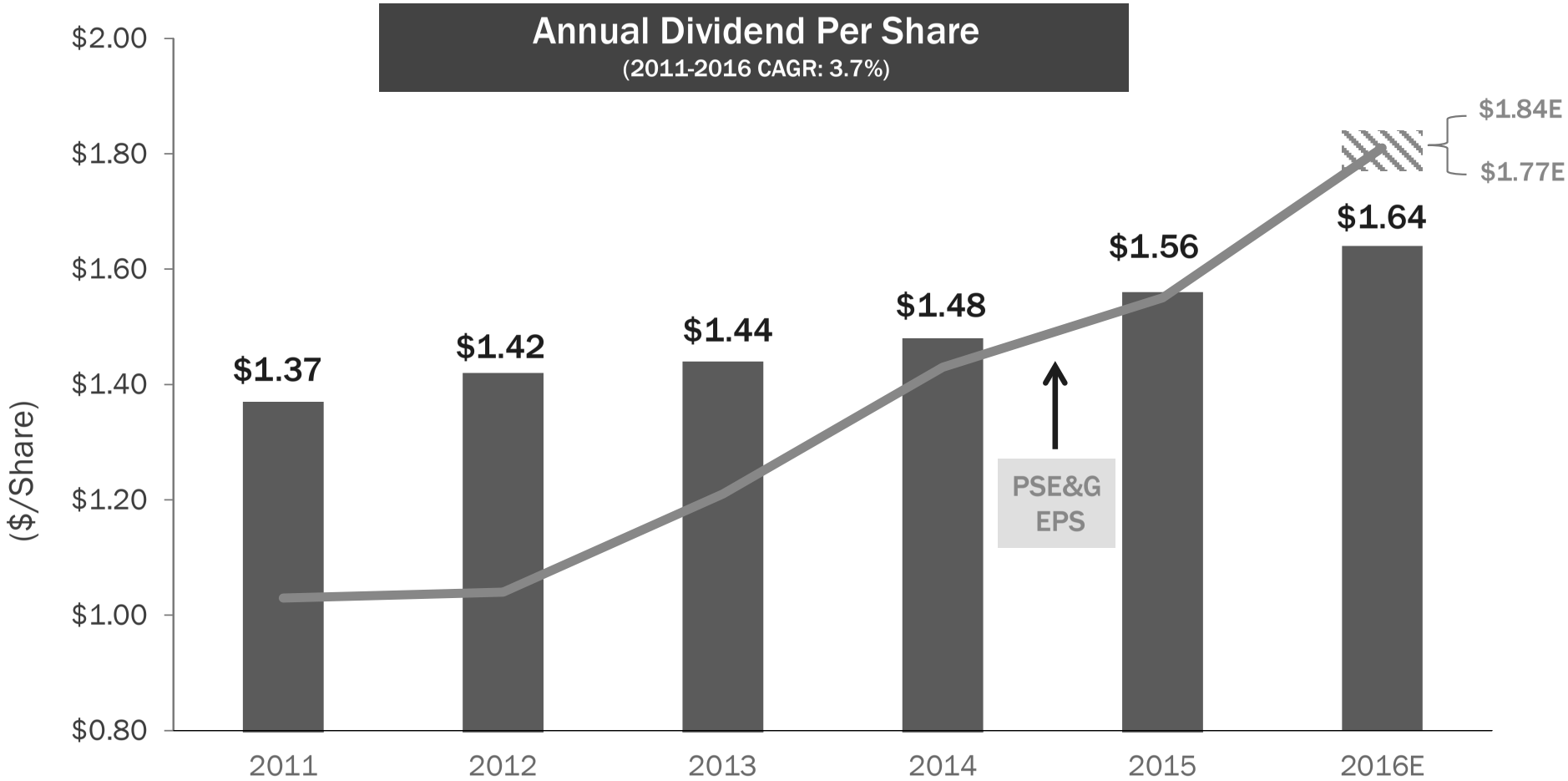


SI-SSA-0015-06003

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-06004

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

SI-SSA-0015-06005

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

PSEG Summary

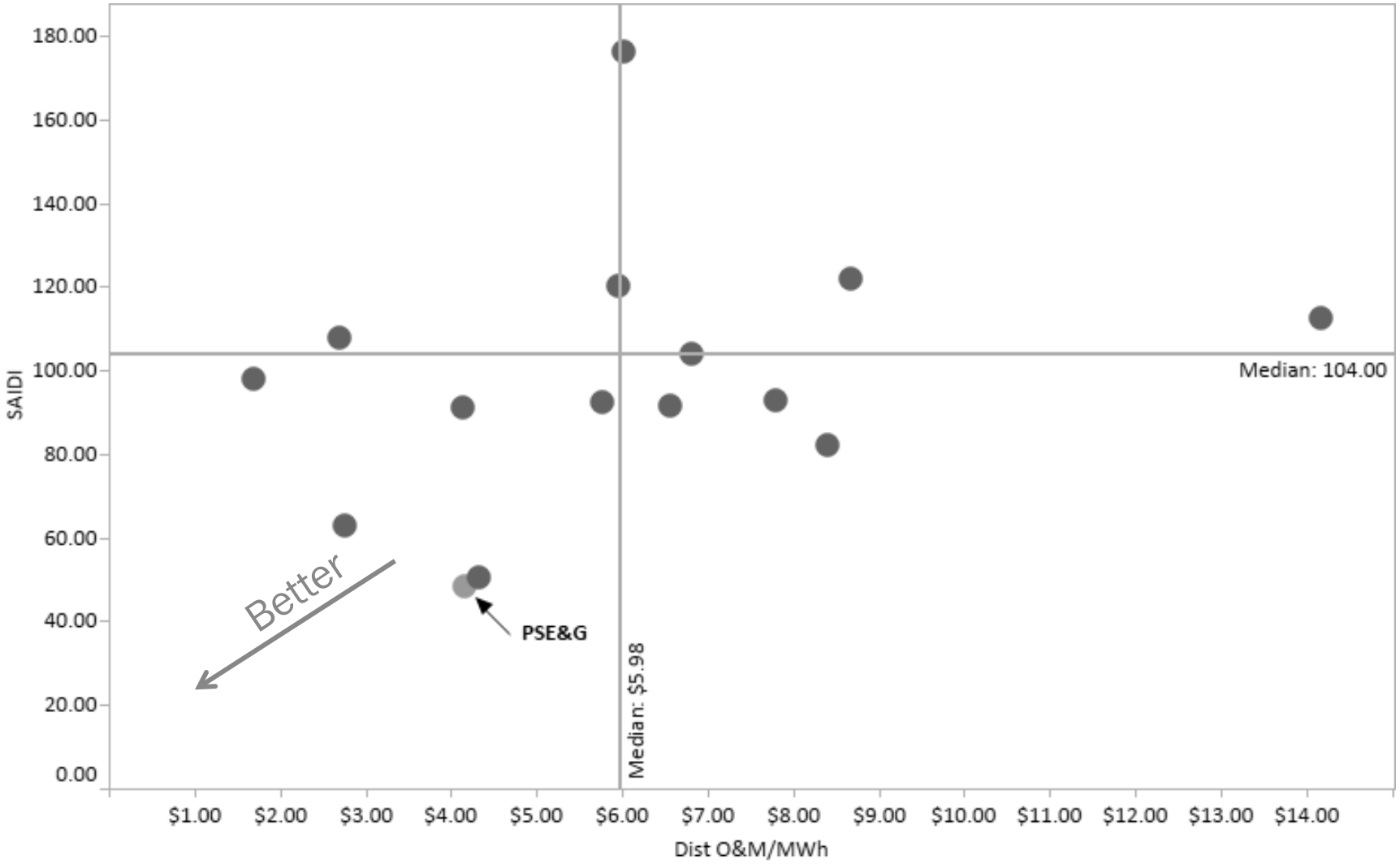
- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-06006

PSE&G APPENDIX

SI-SSA-0015-06007

PSE&G provides high reliability at below average cost which creates superior value for customers

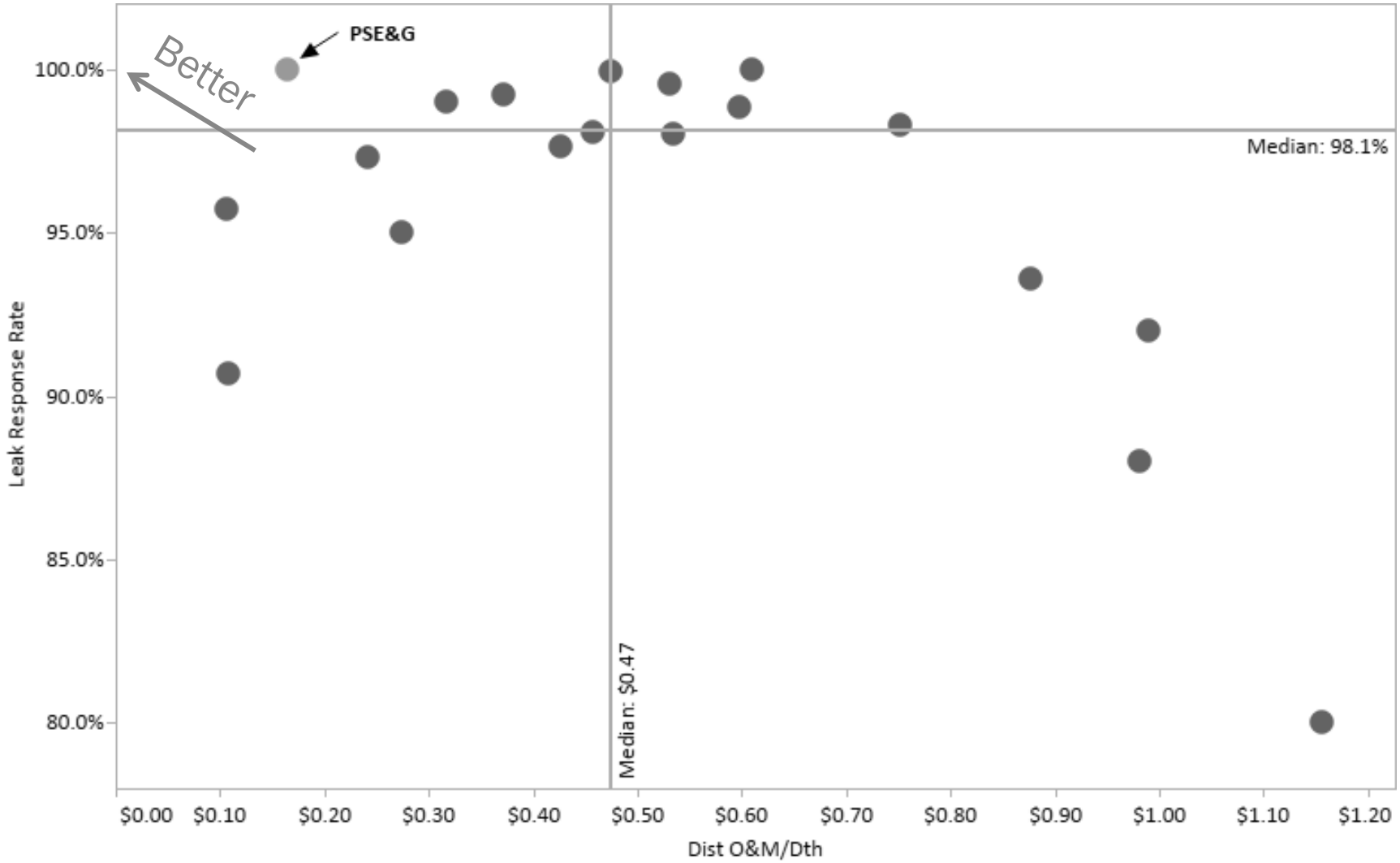


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-06008

PSE&G prioritizes public safety

while maintaining value for customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-06009

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-06010

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-06011

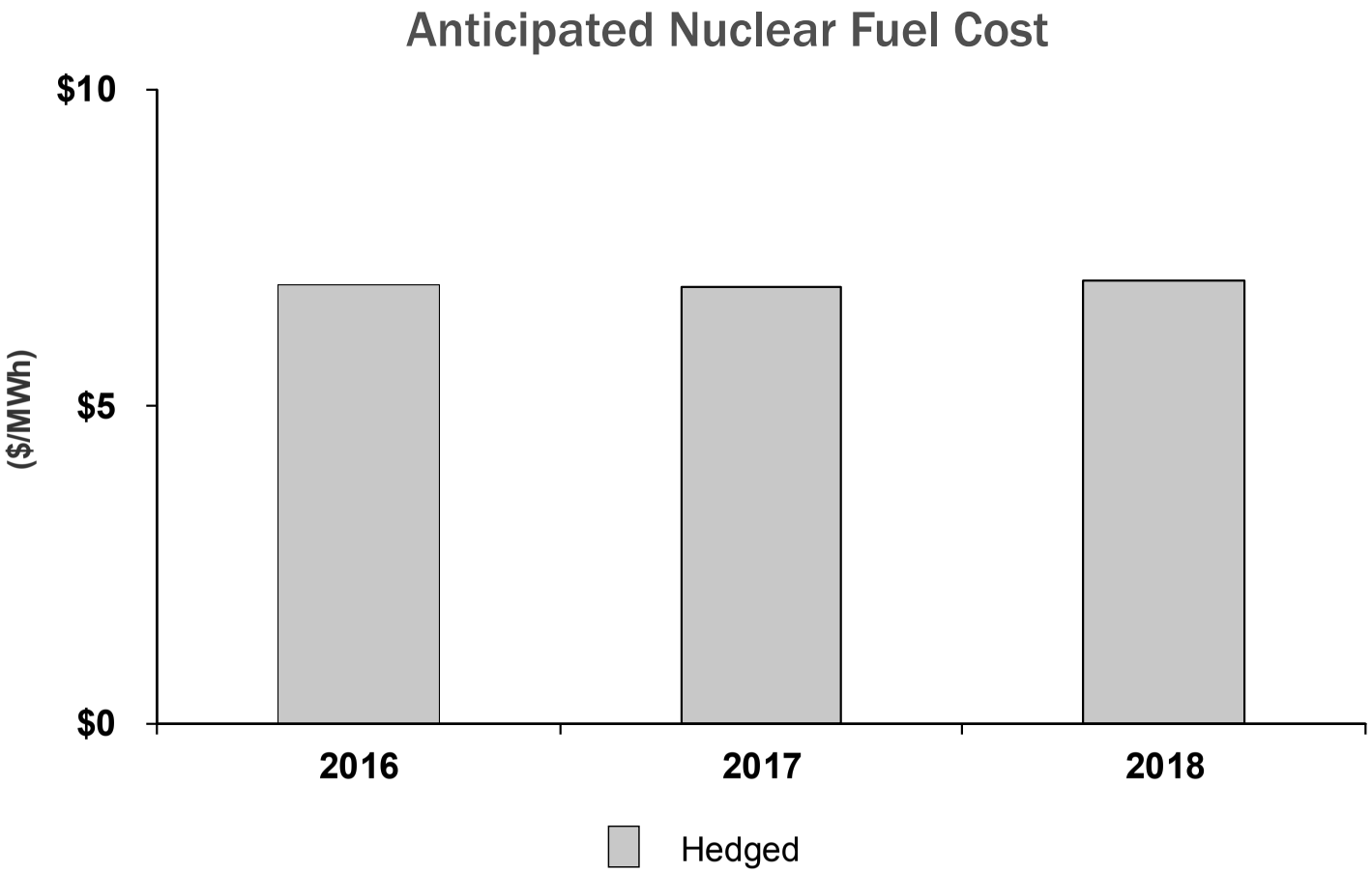
NJ Coal-Fired Plant Details

	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a preliminary request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the 2020-2021 capacity auction to be held in May 2017. The two stations have not cleared the PJM capacity auction for the prior two years, and would need significant investment to achieve the performance standards associated with PJM's Capacity Performance construct. The submission provides PSEG Power the opportunity to fully analyze the market conditions and economics, among other factors, associated with maintaining station operations, including any necessary capital improvements, prior to making a final determination whether or not to bid in the 2020-2021 capacity auction by December 1, 2016.

SI-SSA-0015-06012

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-06013

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-06014

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06015

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-06016

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

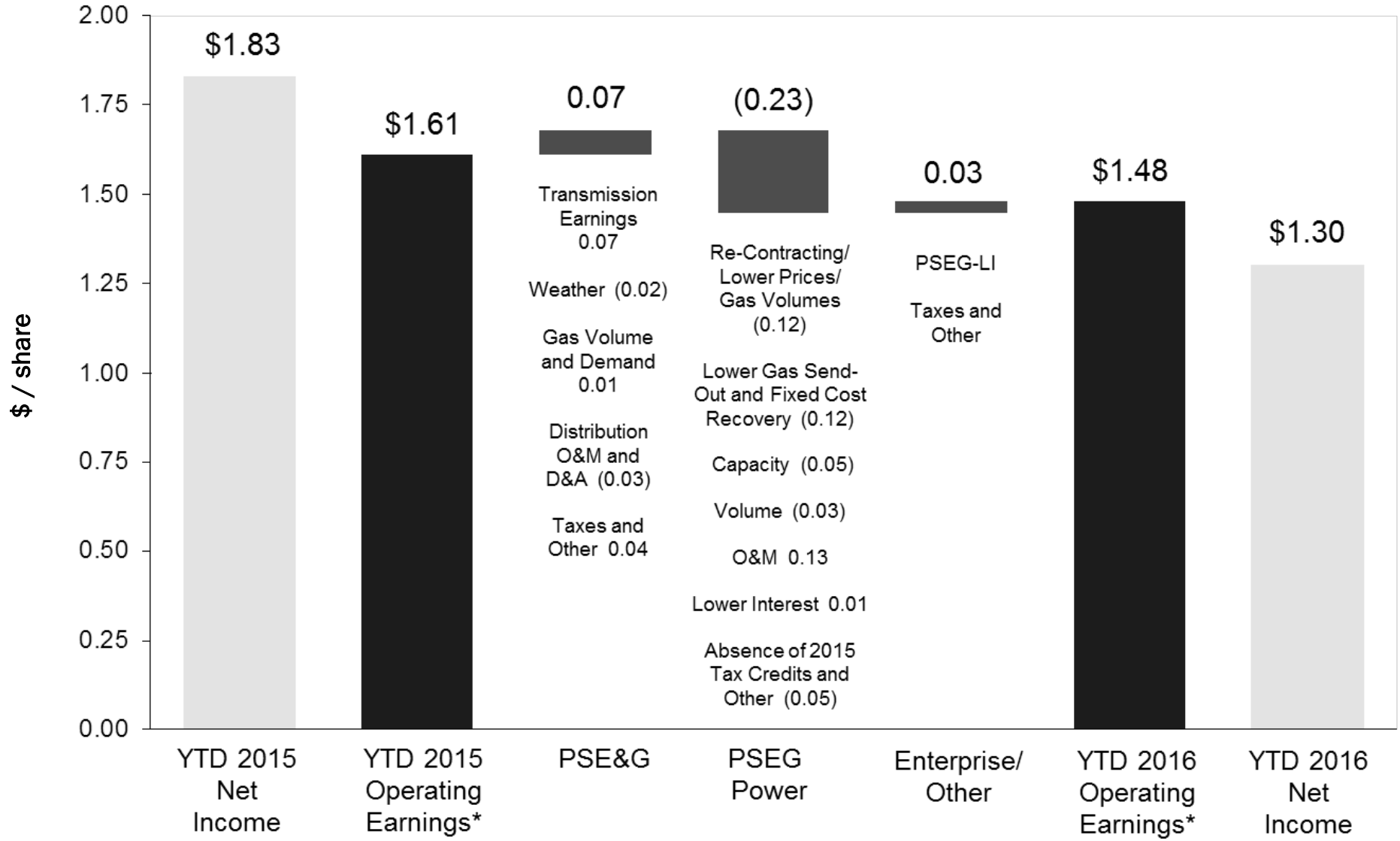
	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

SI-SSA-0015-06017

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



SI-SSA-0015-06018

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	**$24.2**	**$15.5**	**$9.2**
Total Debt / Capitalization	**45%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.4%

SI-SSA-0015-06019

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-06020

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

SI-SSA-0015-06021

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

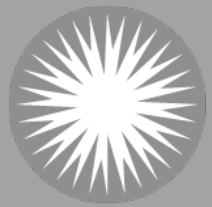
Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-06023

California Investor Meetings

DEUTSCHE BANK – JULY 22-23, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06024

PSEG

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

SI-SSA-0015-06025

PSEG

We make things work for you.

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-06026

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-06027

PSEG OVERVIEW & OUTLOOK

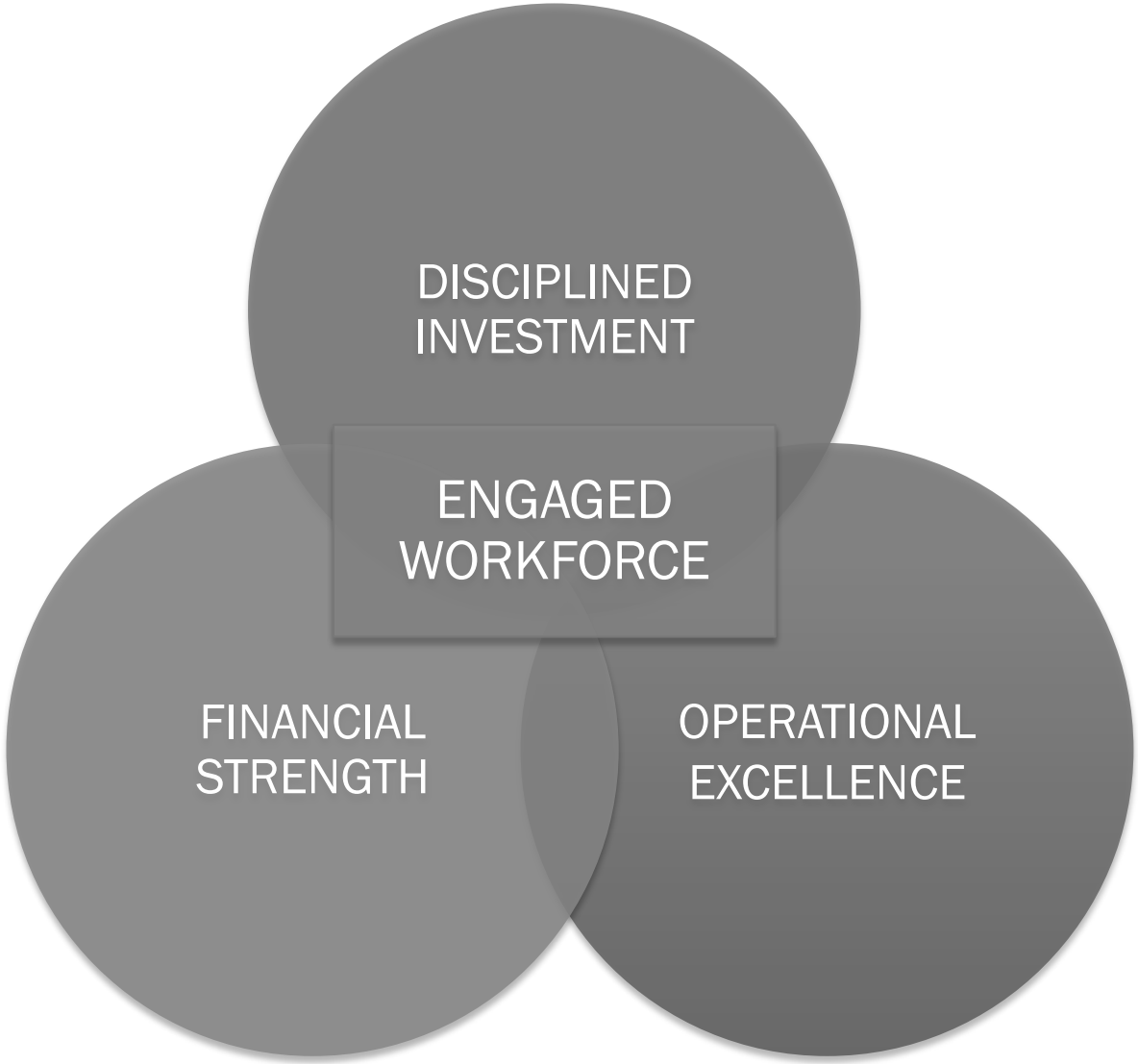
PSEG

We make things work for you.

SI-SSA-0015-06028

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06030

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III*
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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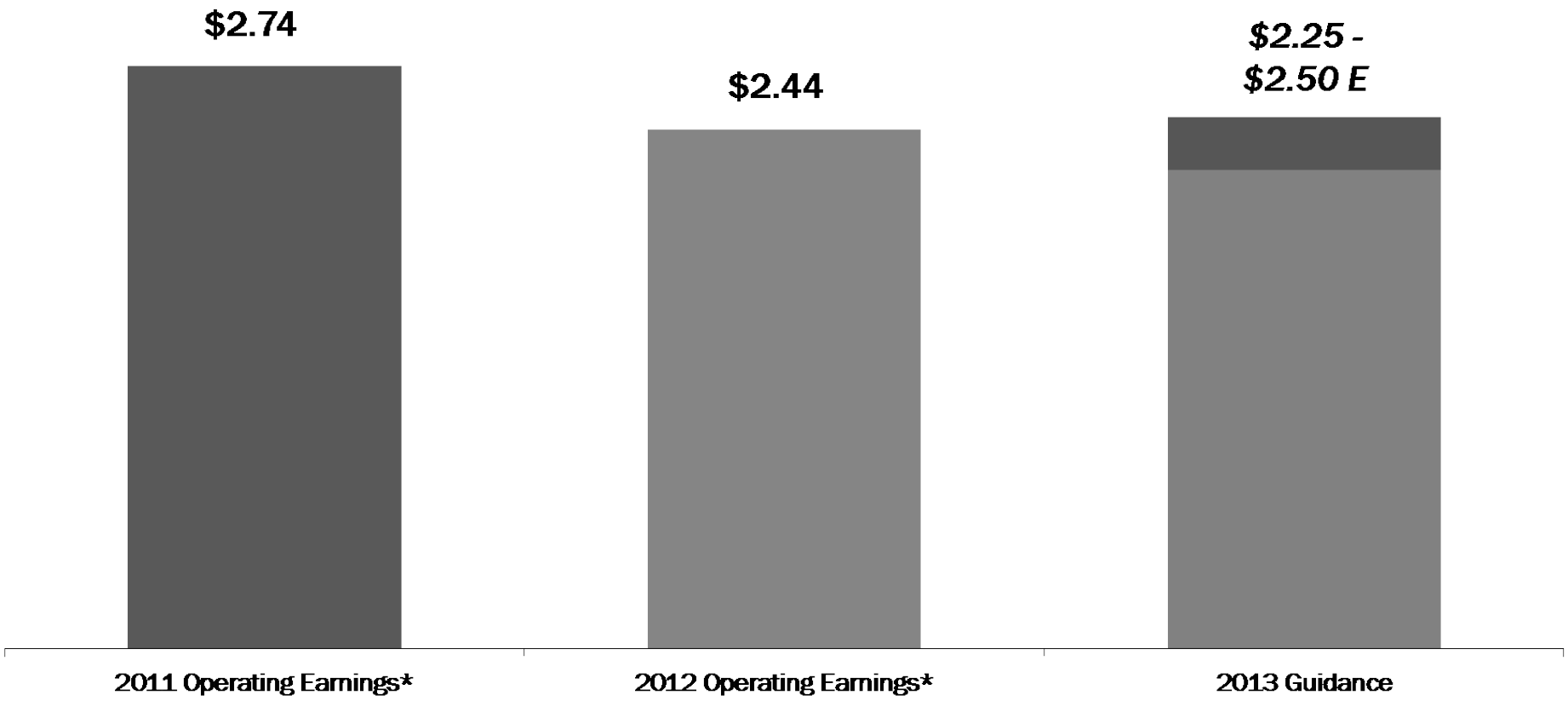
* In May 2013, the NJBPU approved the Solar Agreement reached with BPU Staff and other parties; see slide 46 for details.

2013 Operating Earnings Guidance



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PSEG

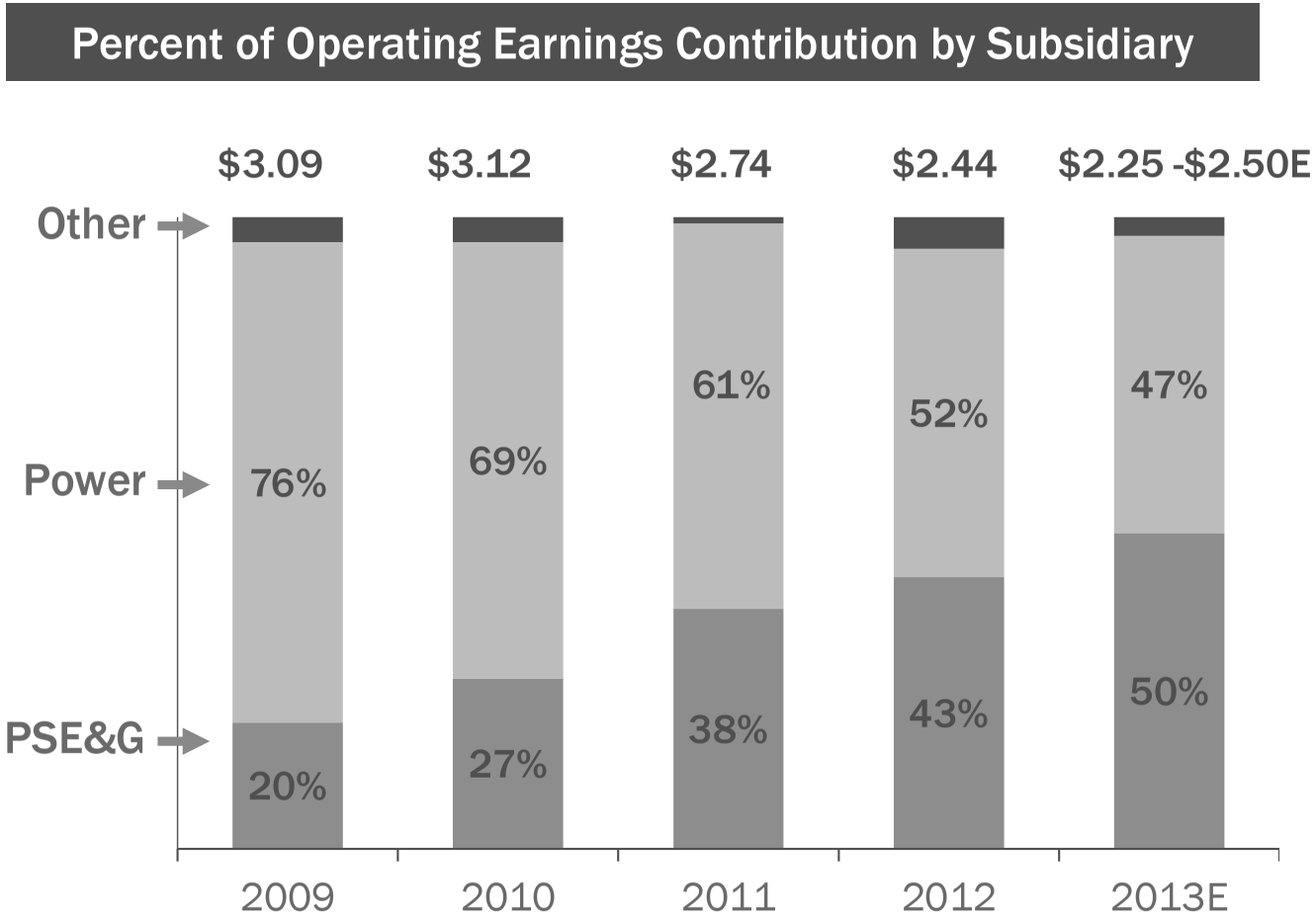
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-06034

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

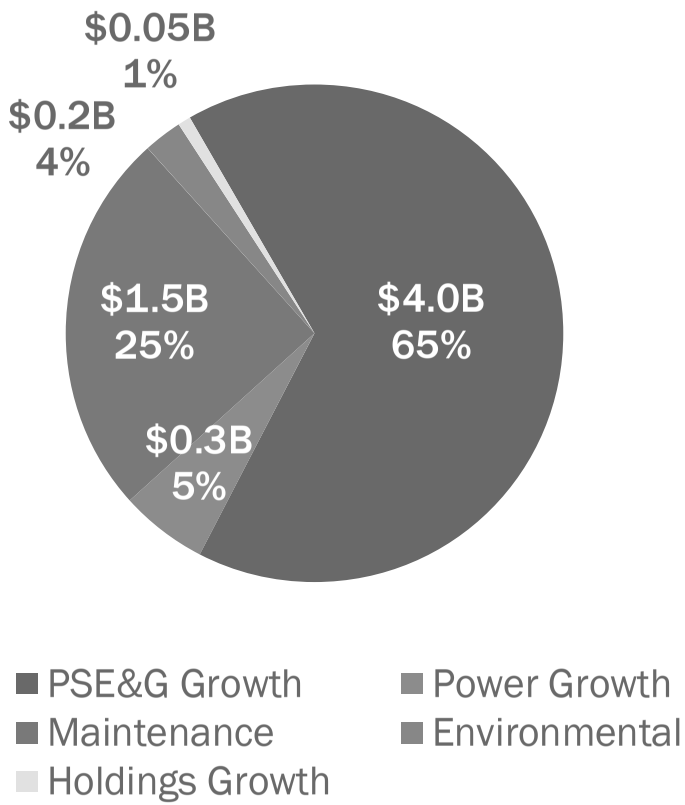
SI-SSA-0015-06035

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*

$6.1 Billion

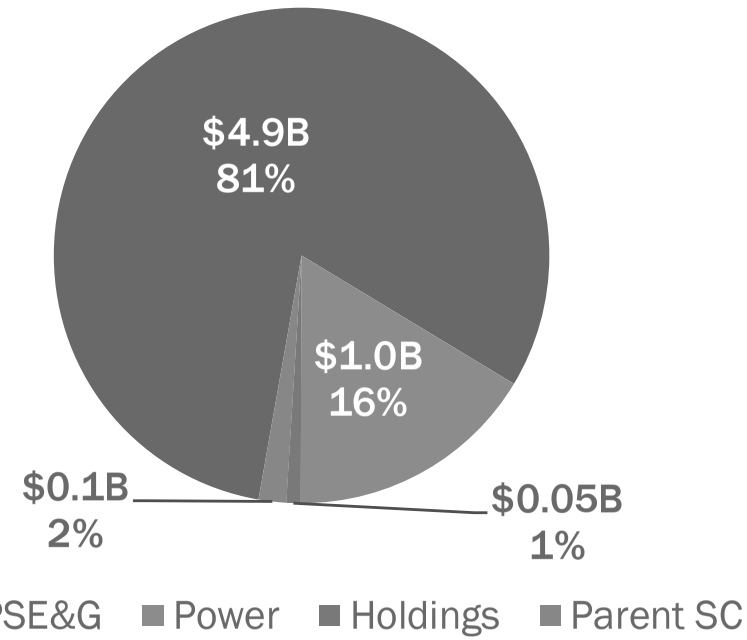
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*

$6.1 Billion

by Subsidiary

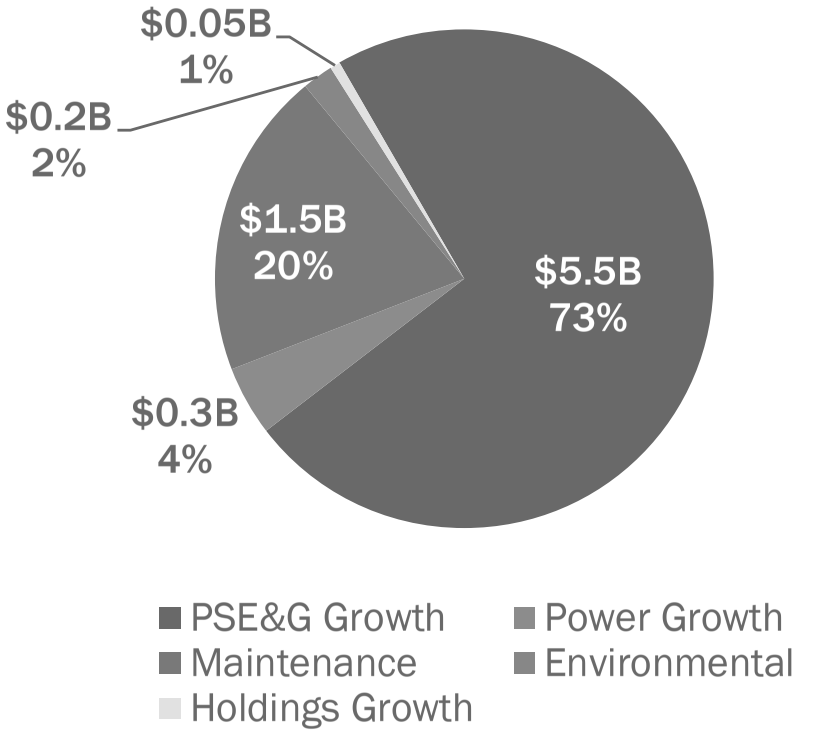


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

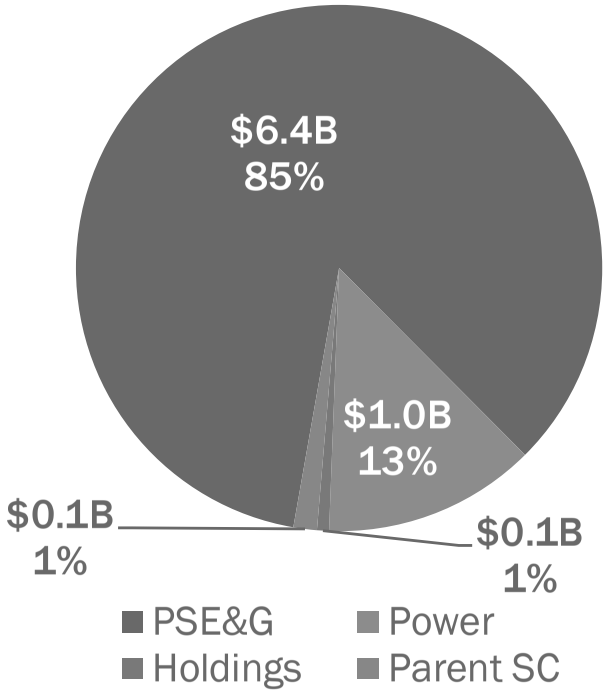
SI-SSA-0015-06036

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$454 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$415 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.1 Billion**)

- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-06038

54 local NJ towns and 5 counties support

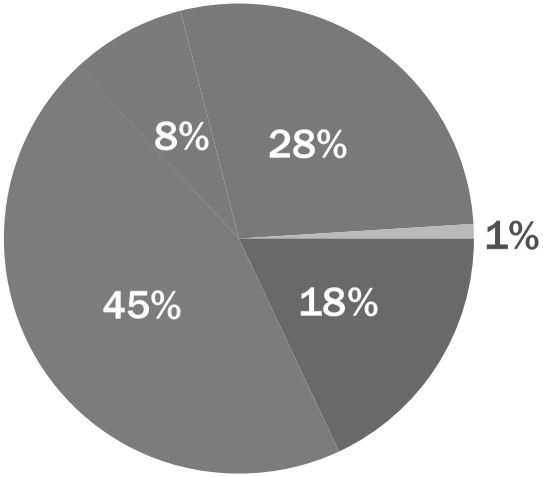
- 54 municipalities and five counties (Bergen, Hudson, Mercer, Passaic and Somerset) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

SI-SSA-0015-06039

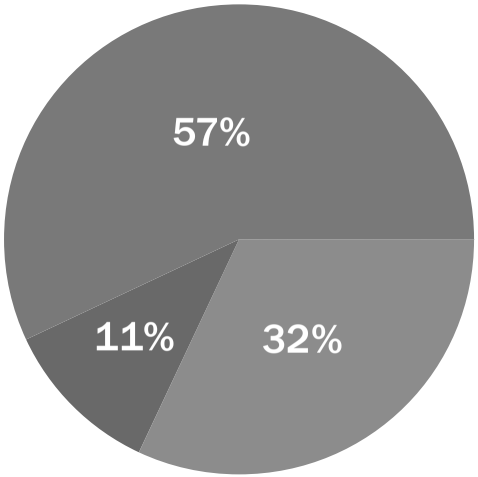
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

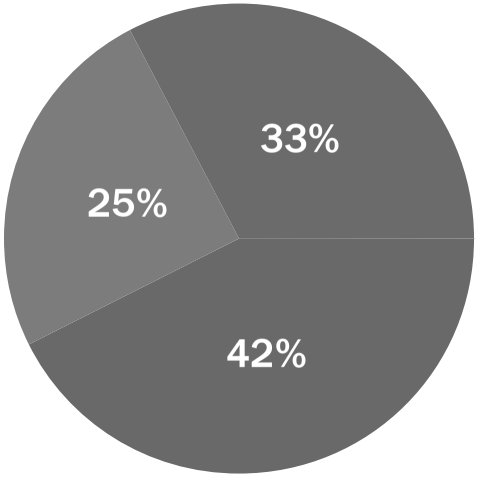


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

SI-SSA-0015-06040

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

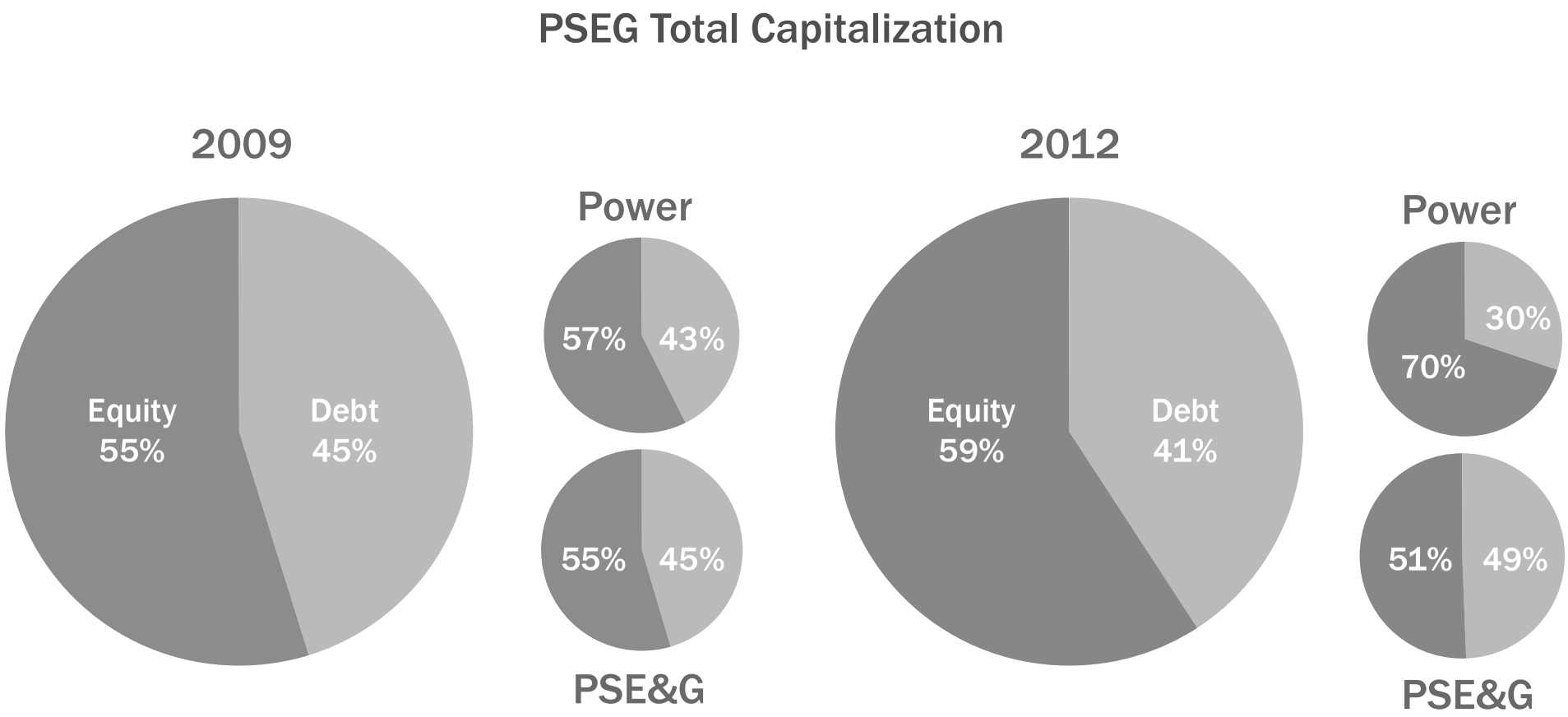
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-06041

Balance Sheet Strengthened

PSEG has reduced risk



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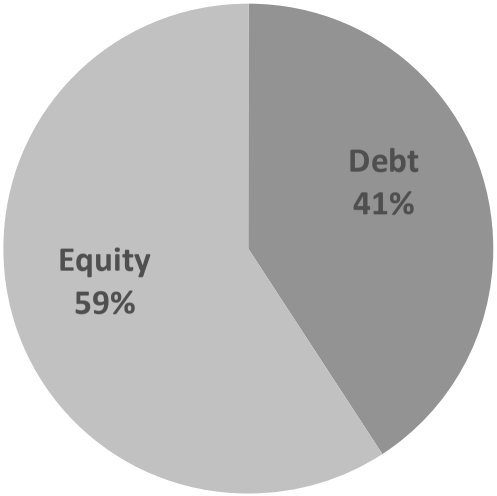
Using PSEG's balance sheet strength

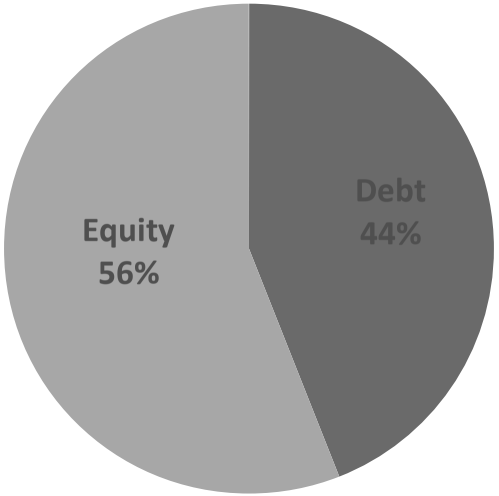
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



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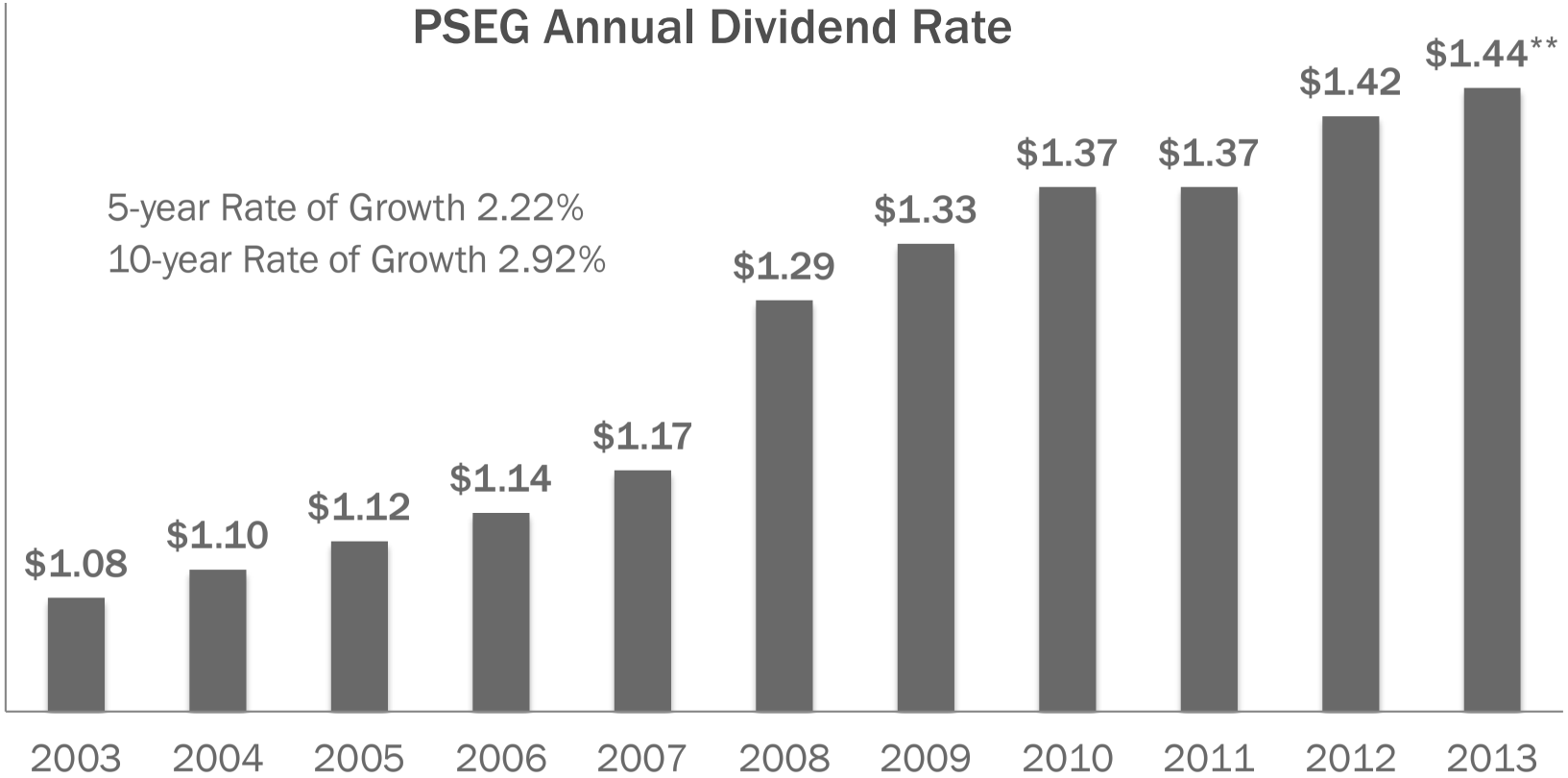
PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-06044

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-06045

PSEG

We make things work for you.

PSE&G

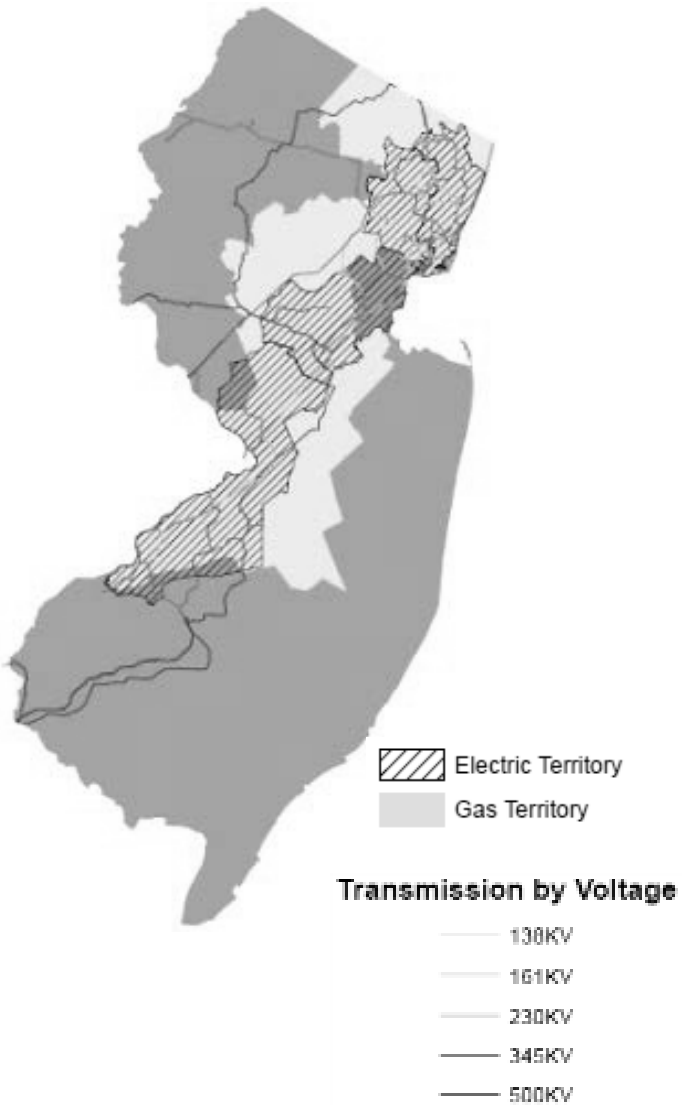
SI-SSA-0015-06046

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06047

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-06048

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

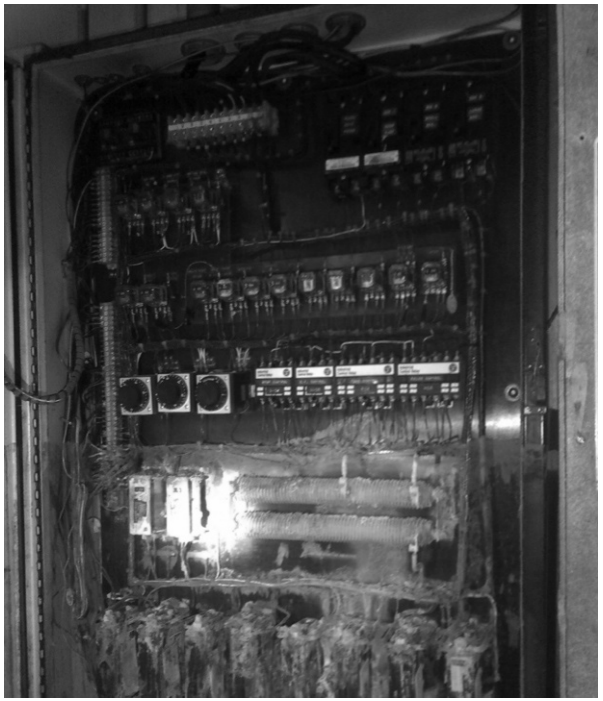
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-06049

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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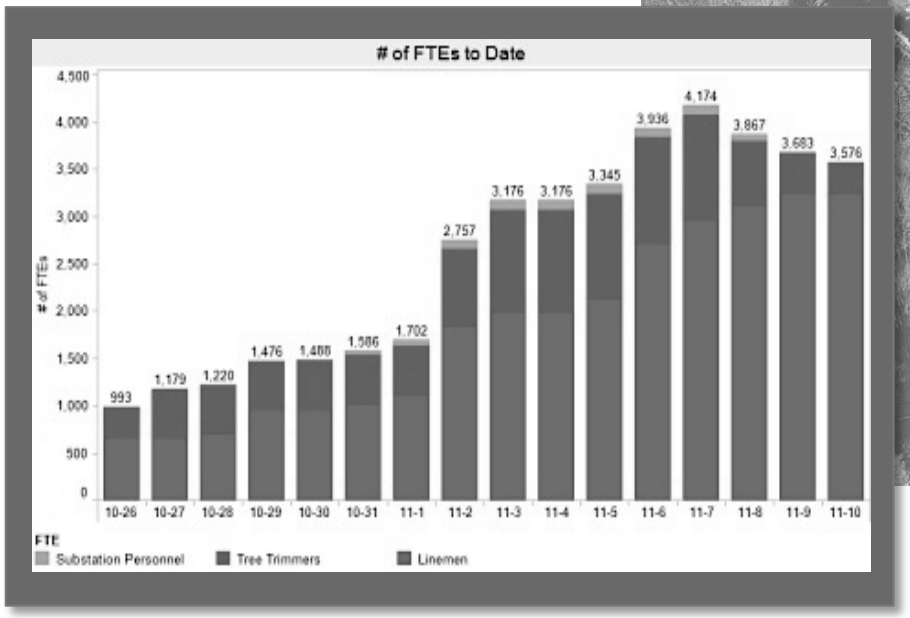
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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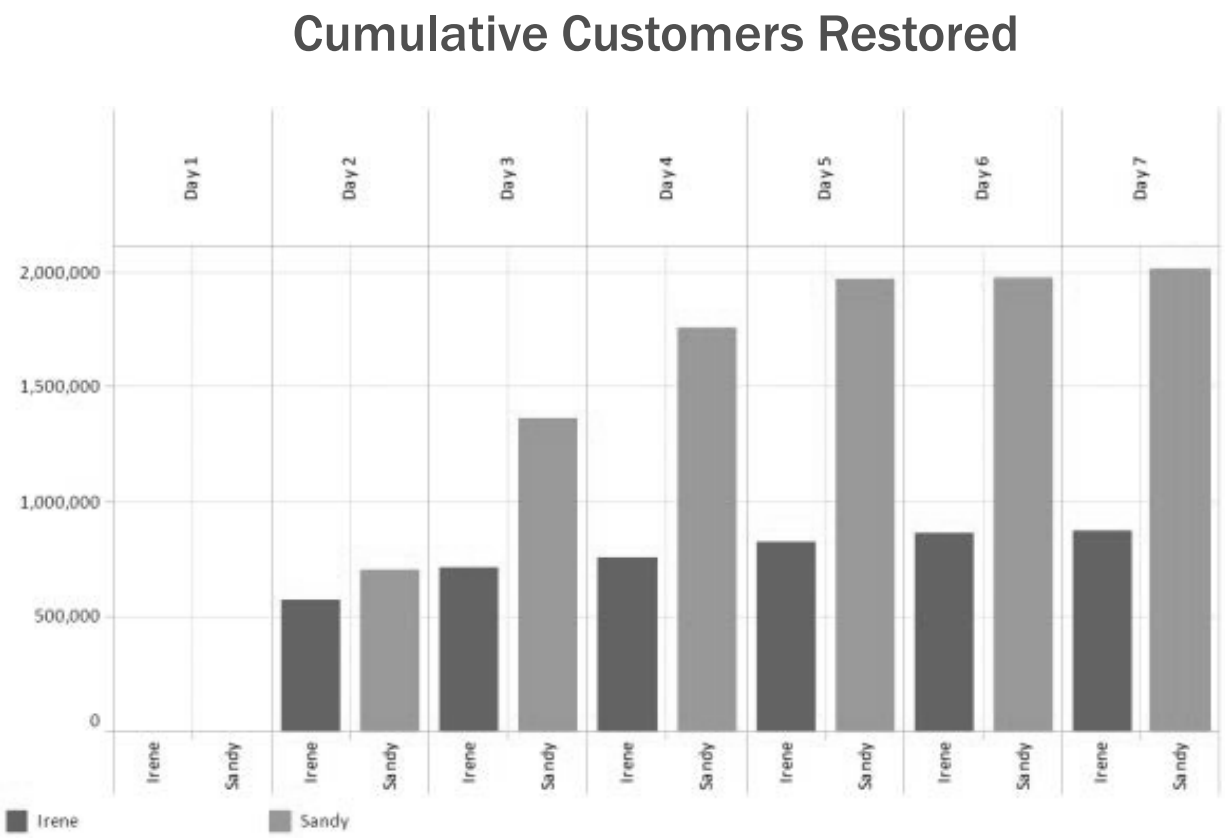
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



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PSE&G's operating earnings grew ~10%*

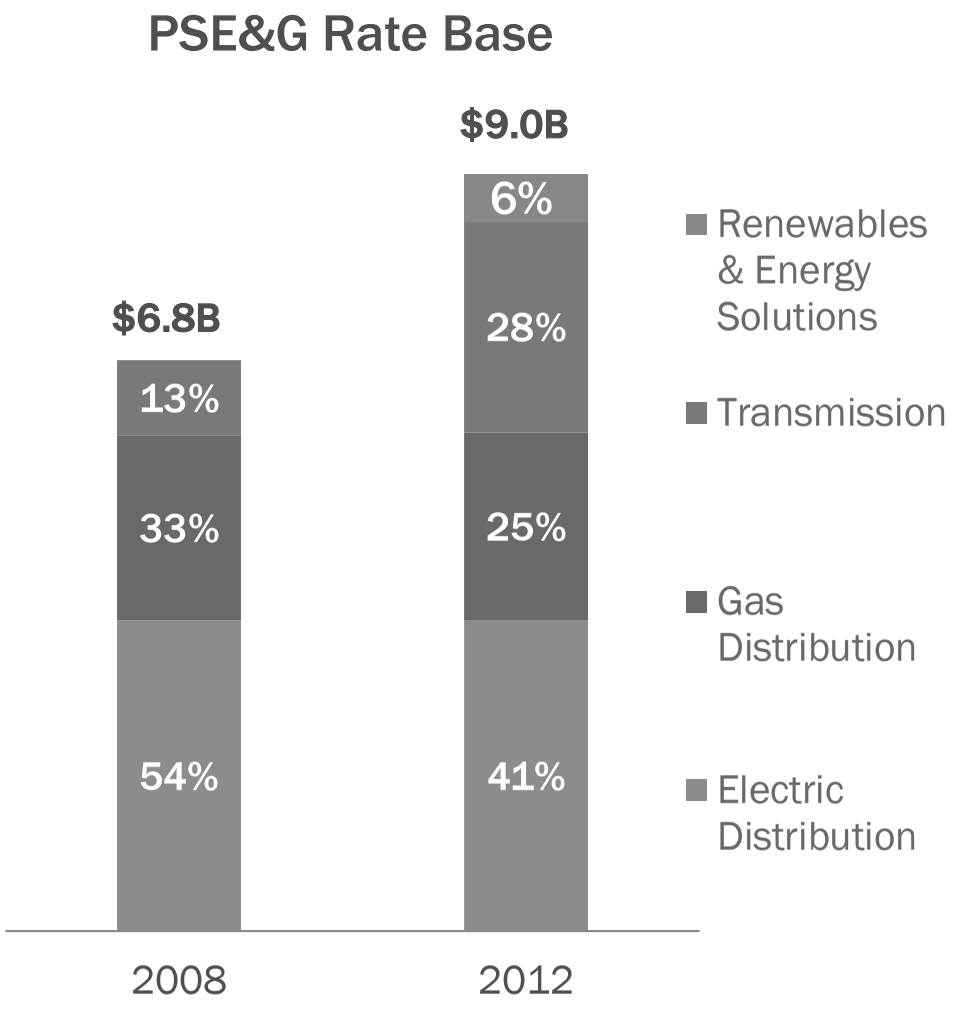
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-06053

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

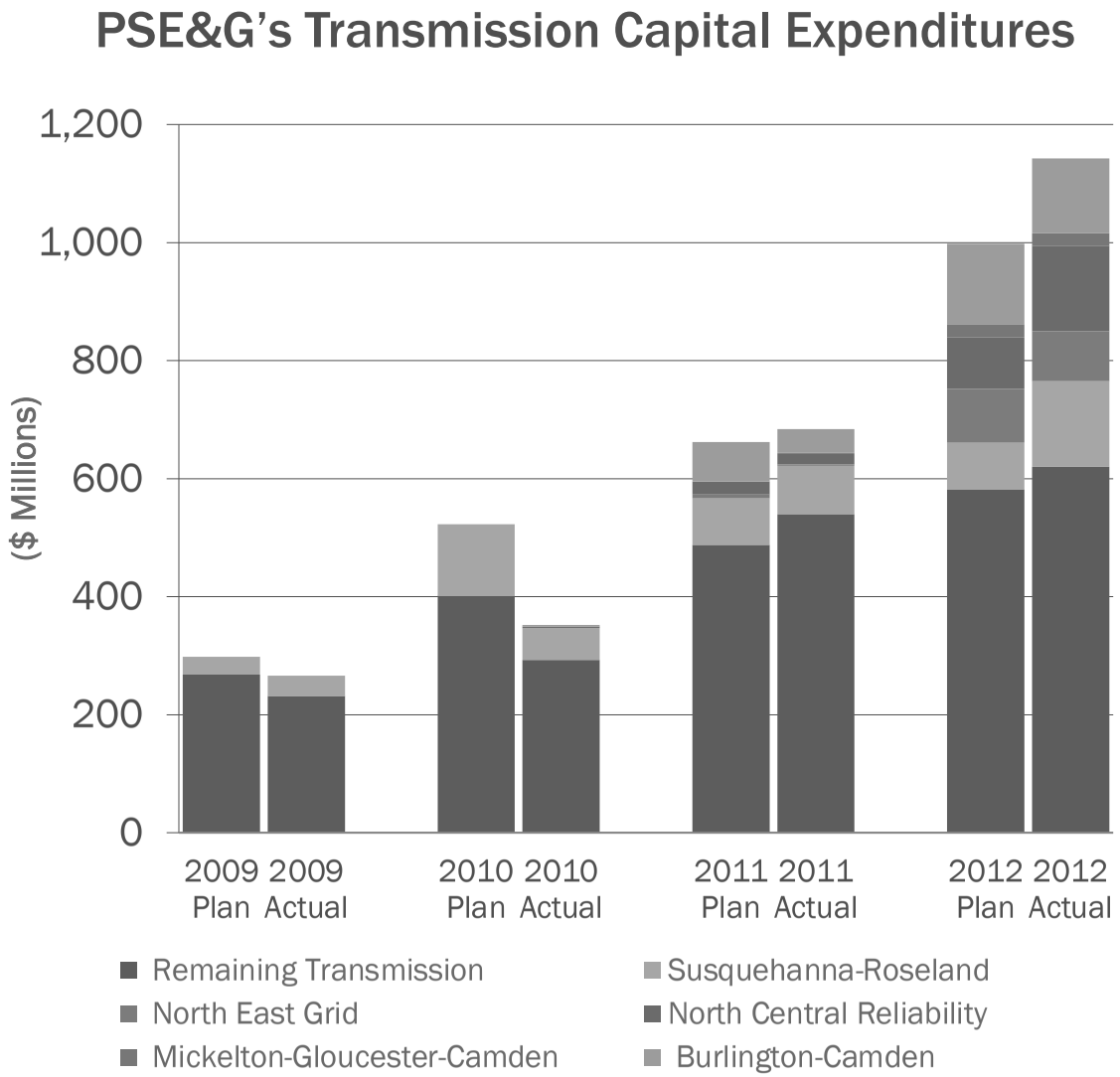
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-06054

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-06055

Providing solutions for New Jersey's energy and economic development goals

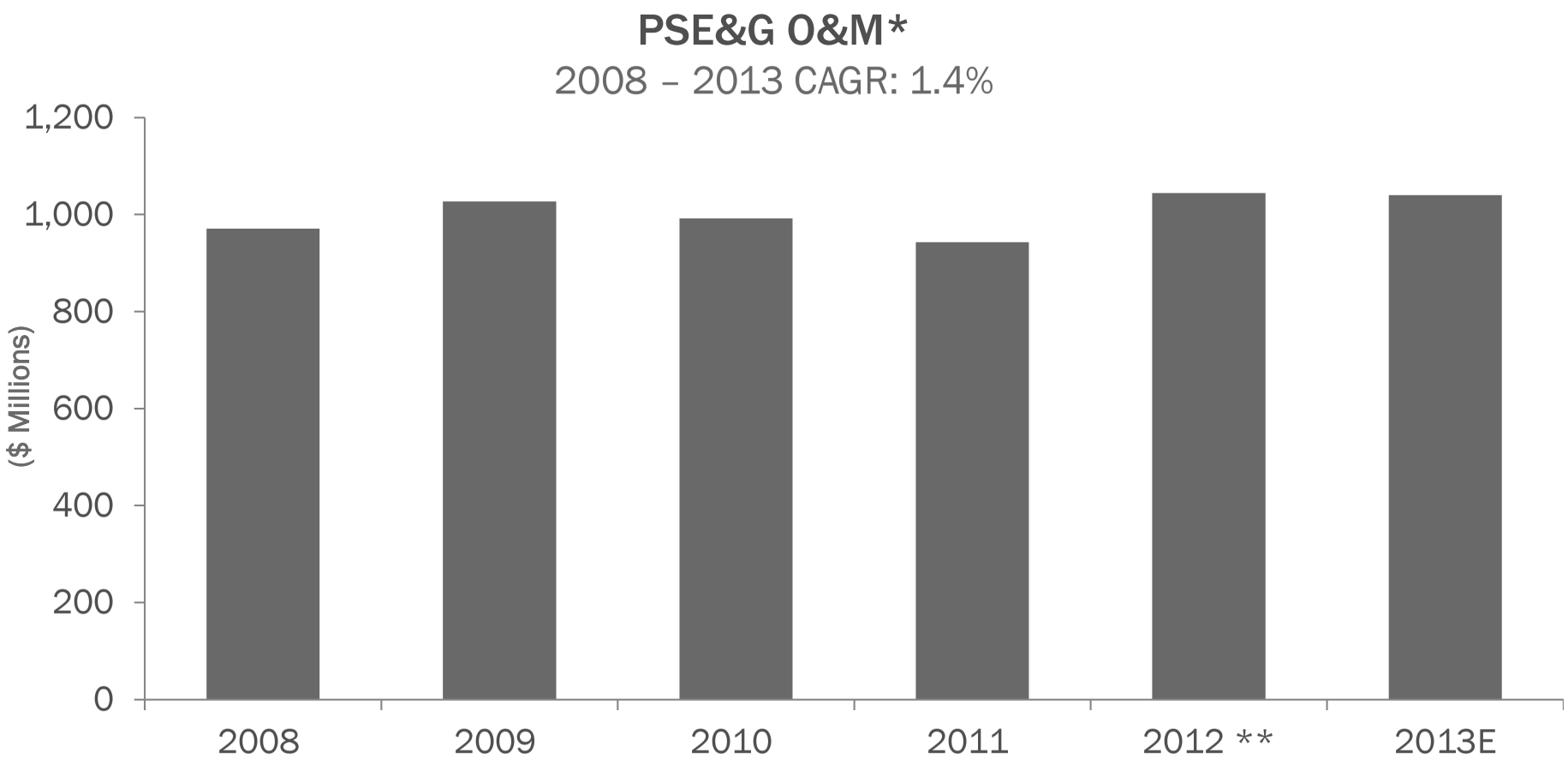
($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

SI-SSA-0015-06056

PSEG

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF A RECENTLY APPROVED AGREEMENT FOR SL3 AND S4AE. DATA AS OF MARCH 31, 2013.

Focus on controlling O&M allows us to earn our authorized return

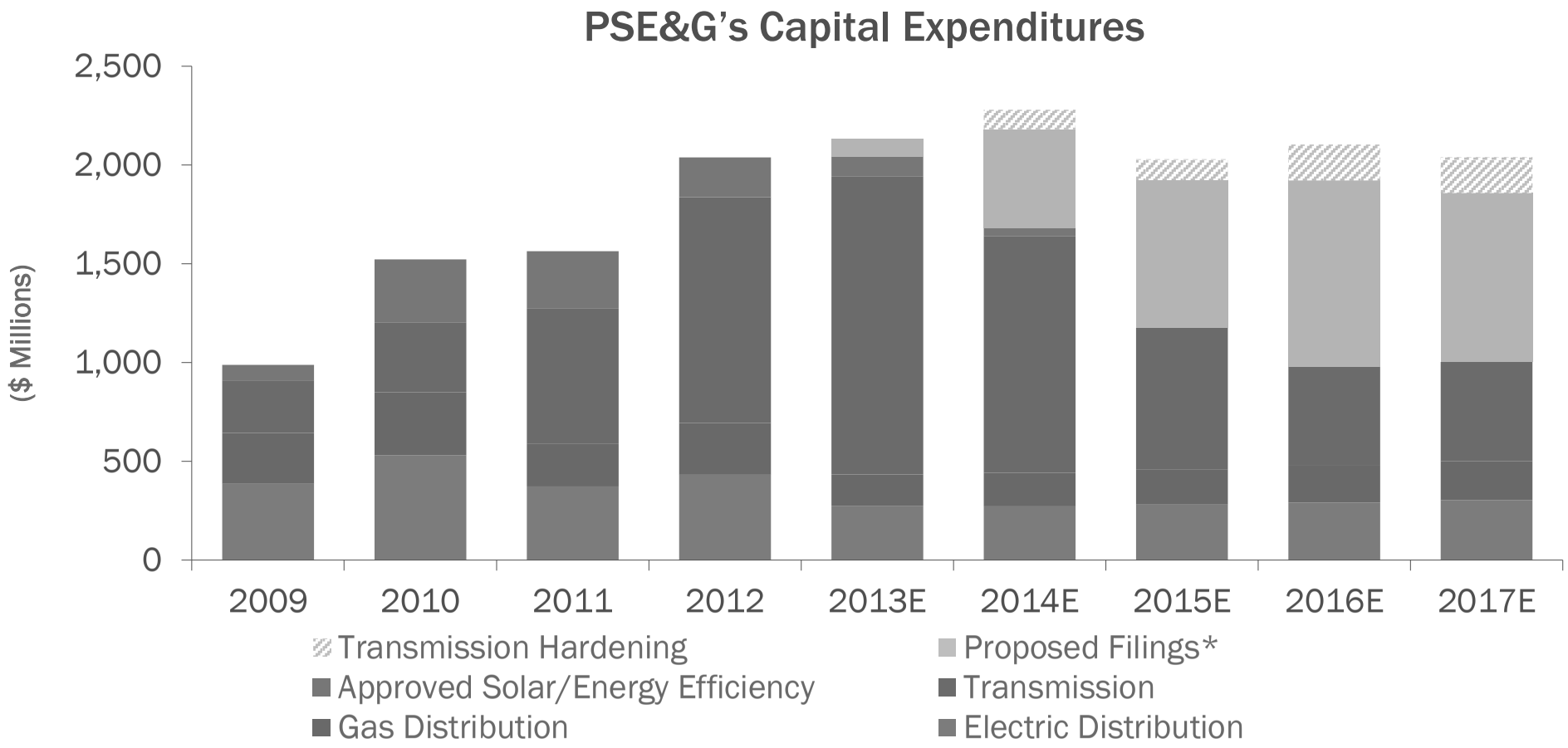


SI-SSA-0015-06057

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-06058

PSEG

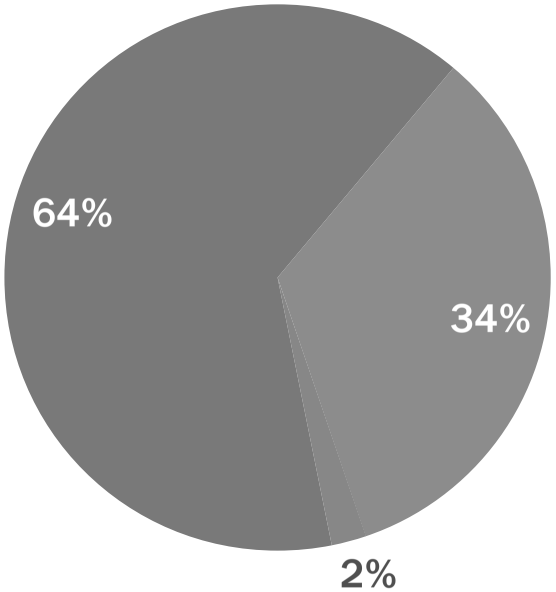
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES). DATA AS OF MARCH 31, 2013. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

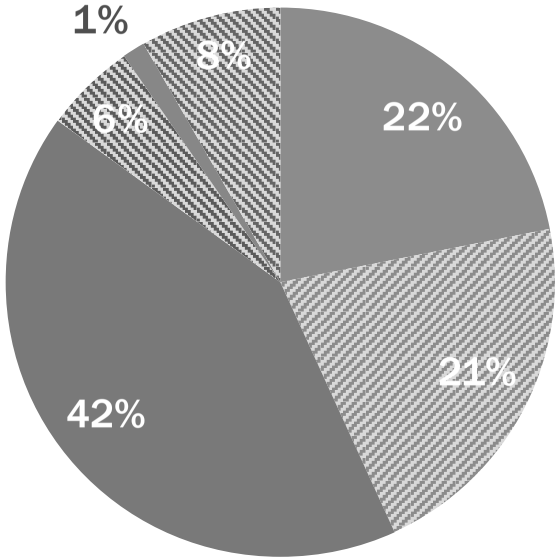
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

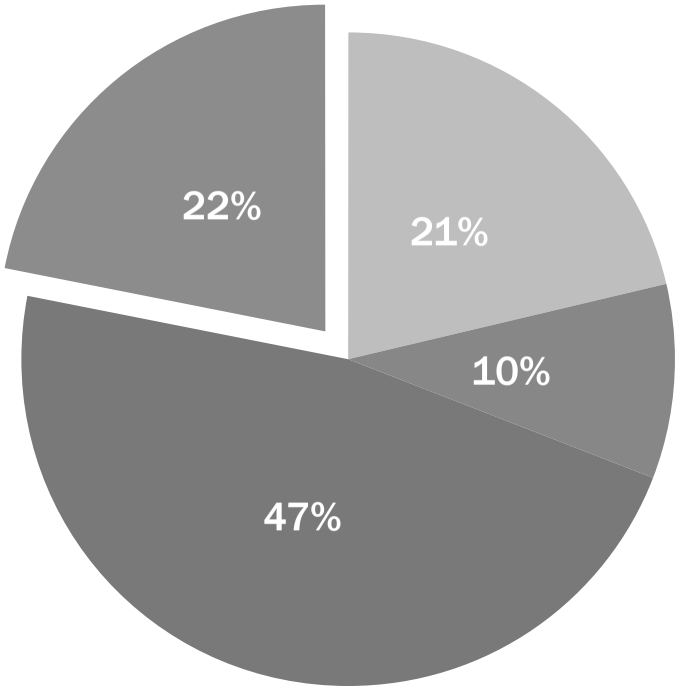
SI-SSA-0015-06059

DATA AS OF MARCH 31, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06060

DATA AS OF MARCH 31, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06061

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06062

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-06063

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06064

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06065

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06066

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-06067

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-06068

PSE&G is continuing to provide solutions

to assist New Jersey in achieving its EMP goals

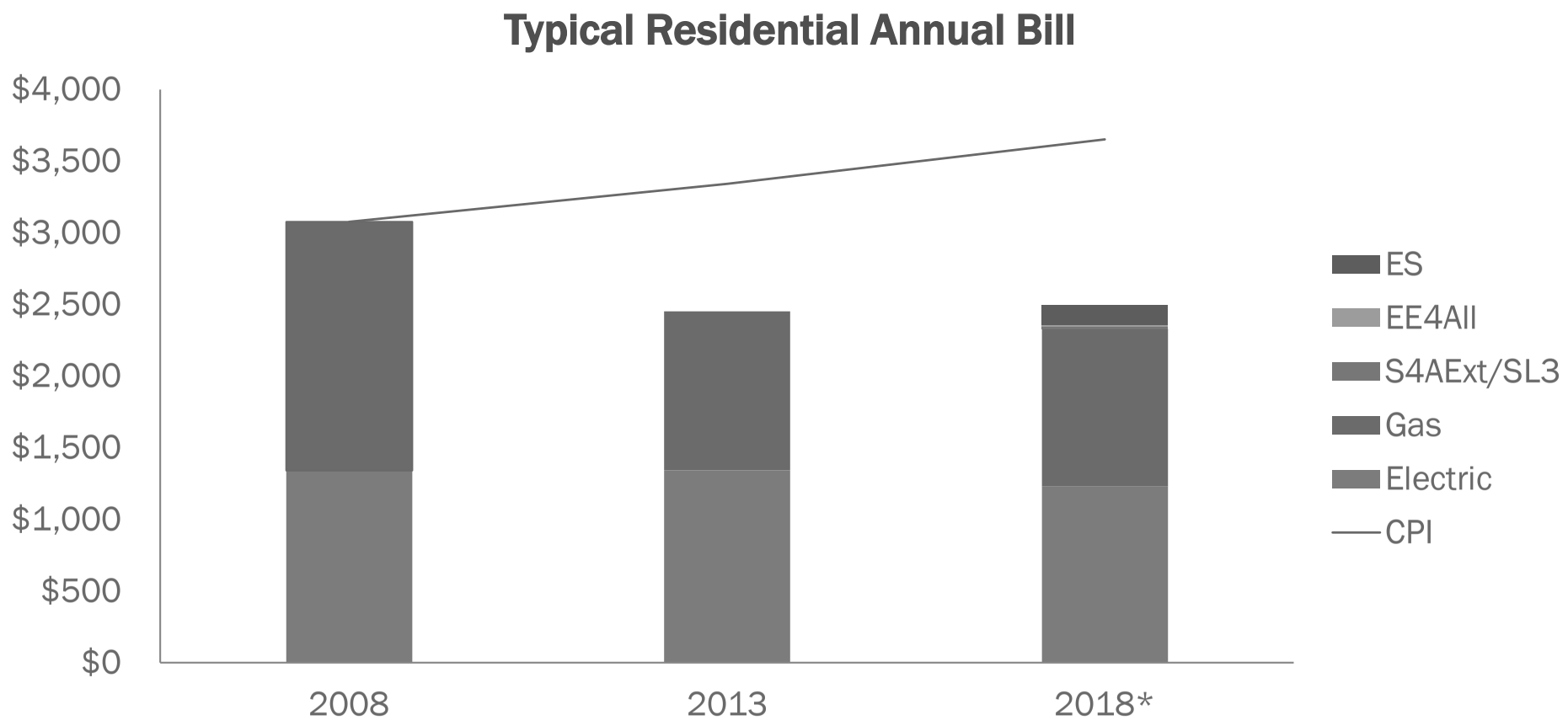
Solar Agreement Approved

- ✓ The NJBPU approved the Solar Agreement reached with BPU Staff and certain other parties on May 29
- ✓ The agreement provides for investment of $446 million over a 3-year period, and a return on equity of 10%

Solar 4 All extension (S4Ae)	Solar Loan III (SL3)
Agreement to invest up to $247 million to develop new solar capacity on landfills, brownfields (42MW) and 3 MW in smaller pilot programs	Agreement to invest up to $199 million on 97.5 MW of new solar

SI-SSA-0015-06069

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

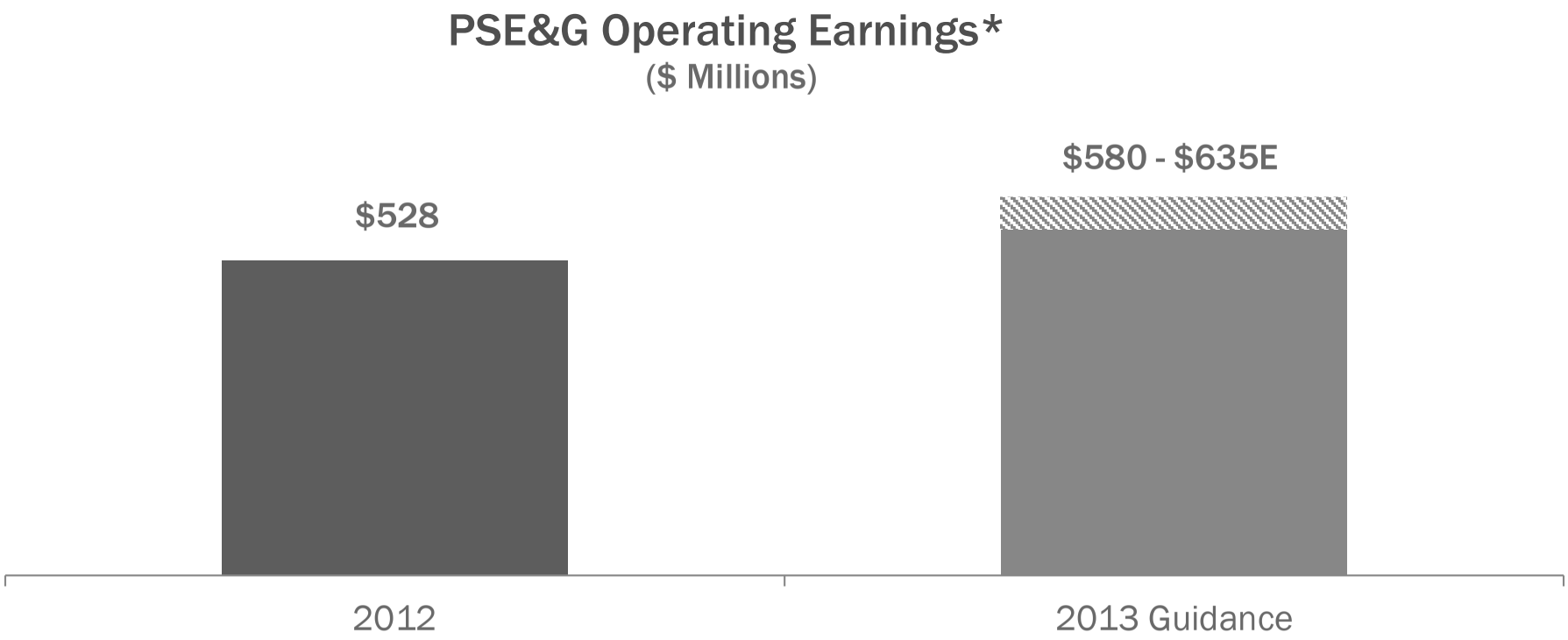


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-06070

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-06071

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-06072

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-06073

PSEG ENERGY HOLDINGS

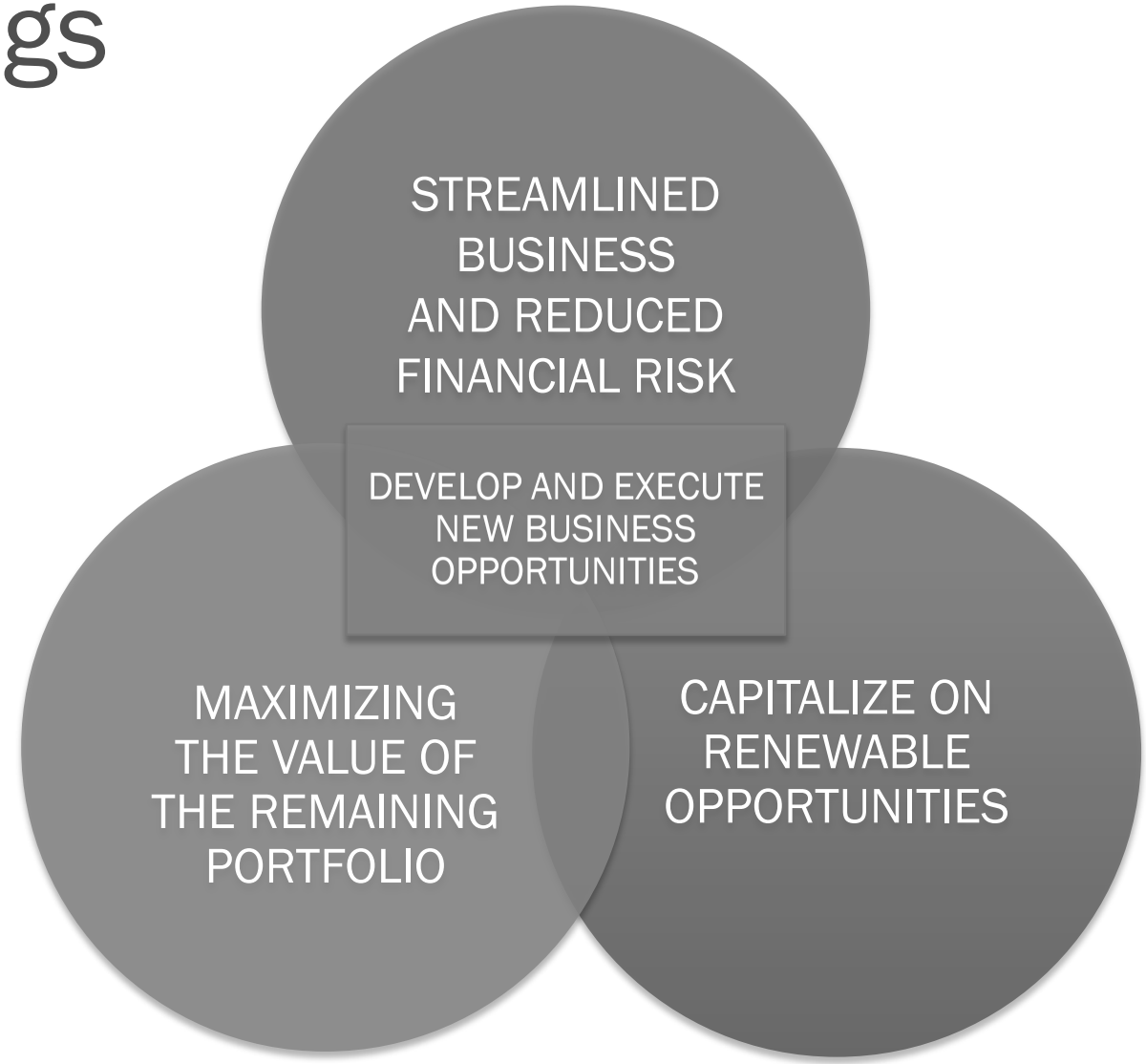
PSEG

We make things work for you.

SI-SSA-0015-06074

PSEG Energy Holdings strategy

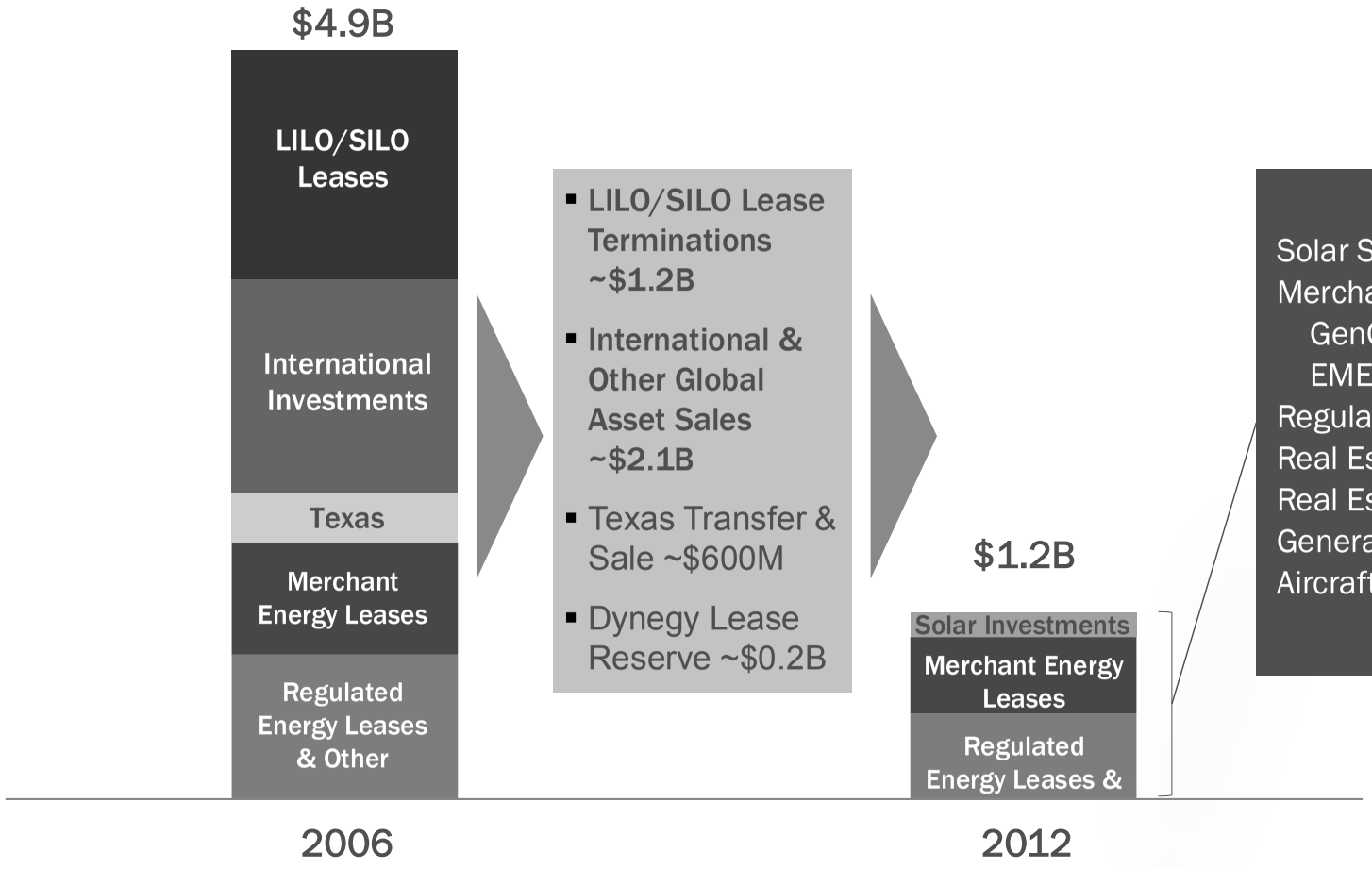
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-06075

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-06076

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-06077

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

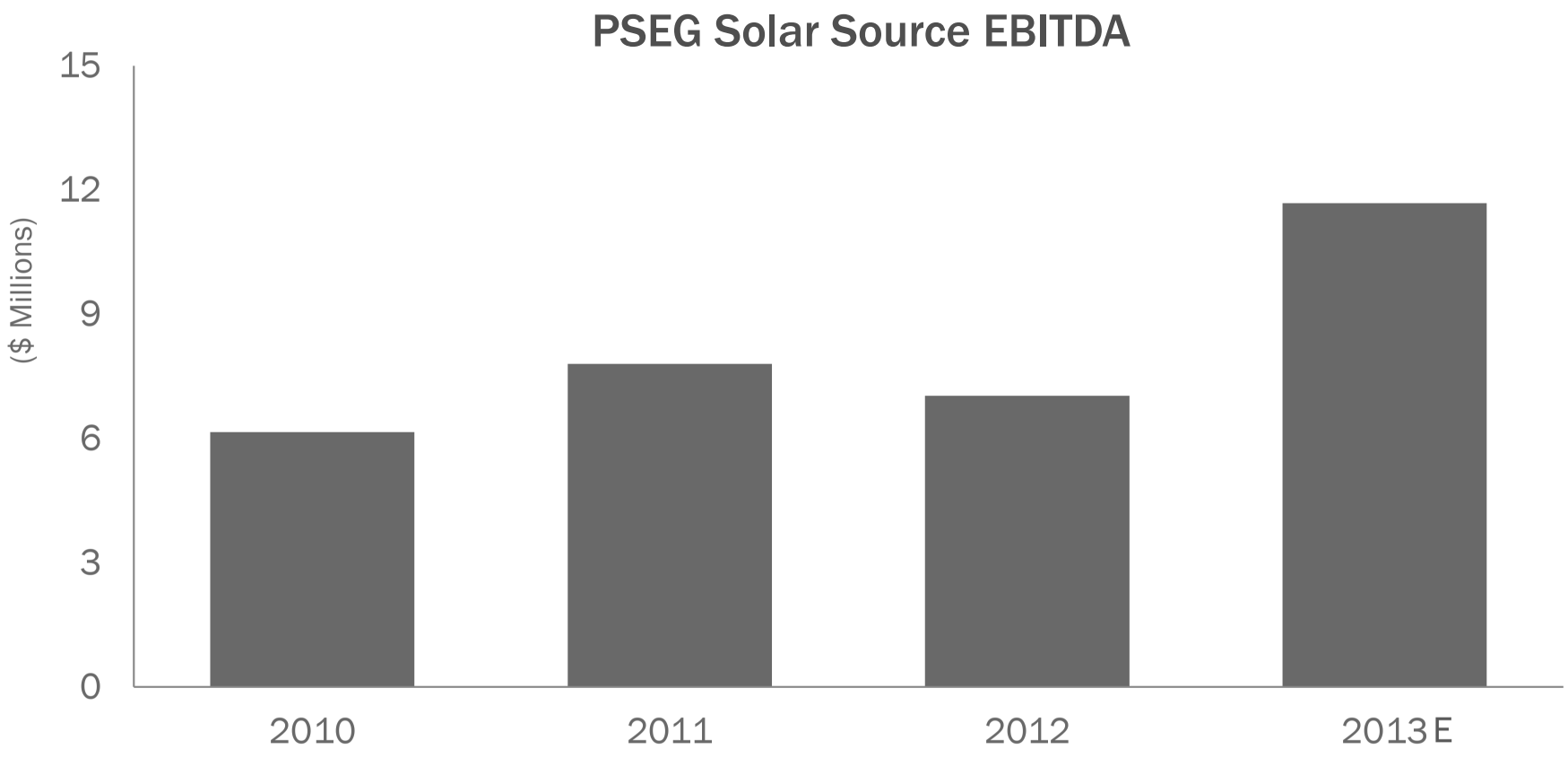
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-06078

PSEG Energy Holdings

These projects will produce steady results for PSEG

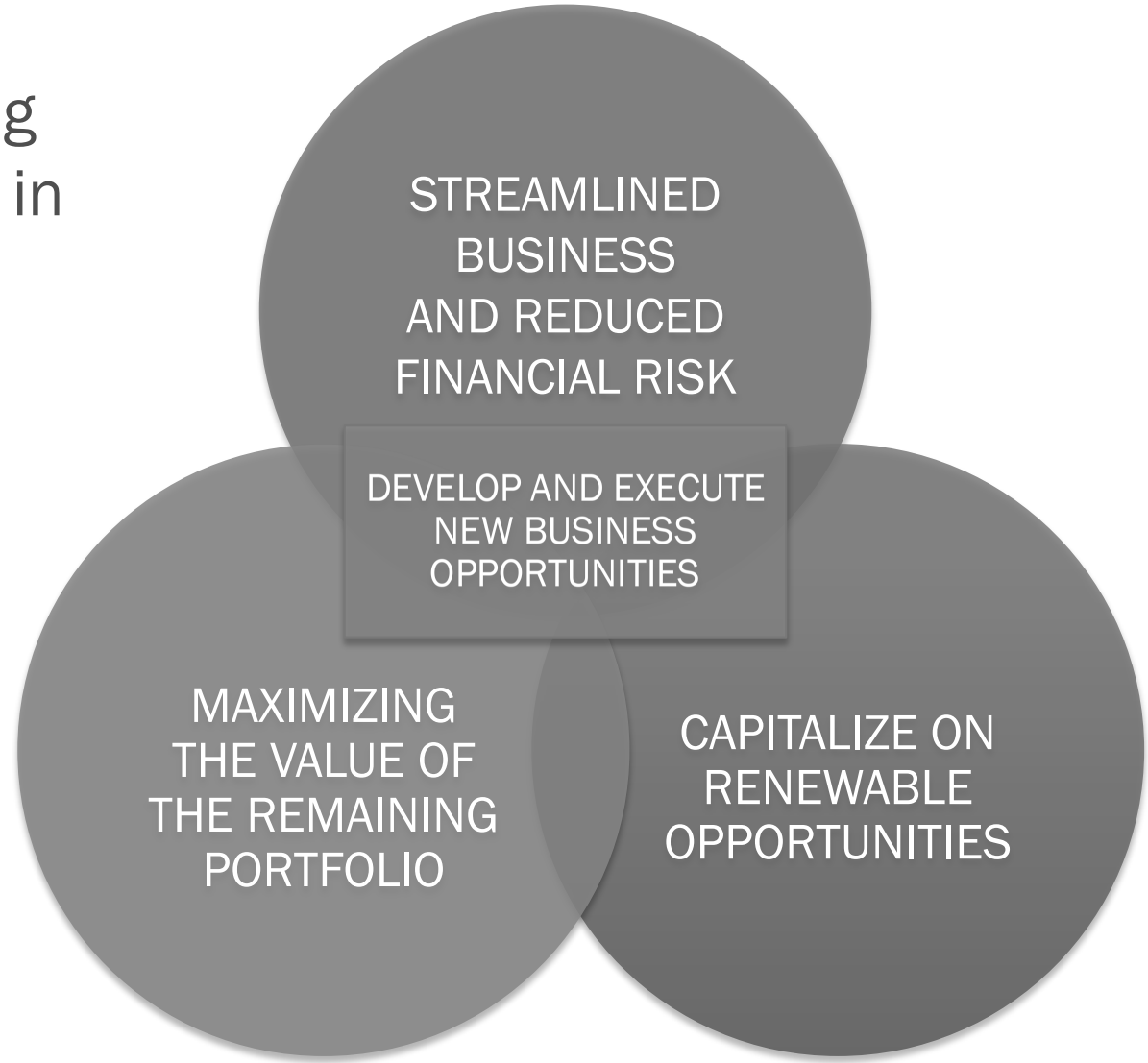


SI-SSA-0015-06079

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-06080

PSEG POWER

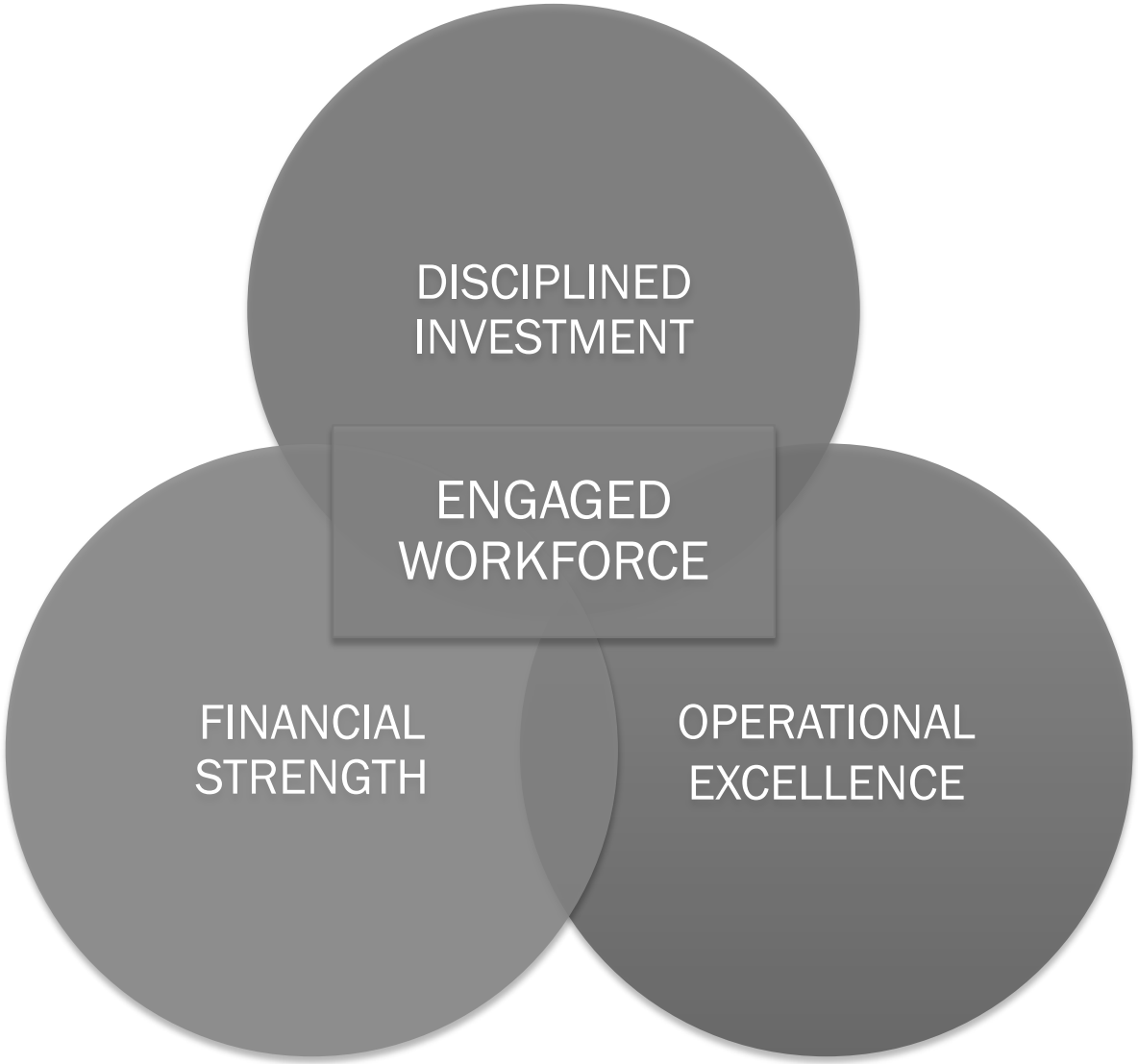
PSEG

We make things work for you.

SI-SSA-0015-06081

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-06082

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-06083

PSEG Power delivered in 2012

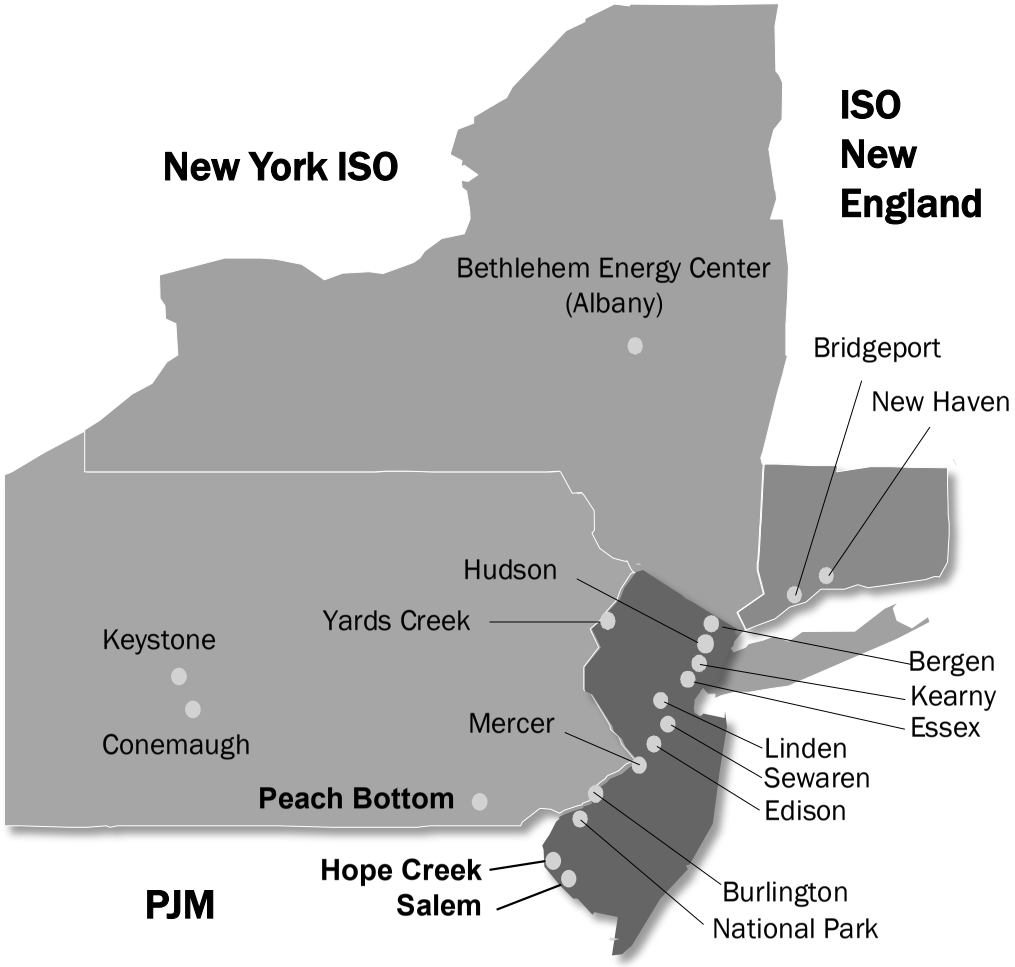
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-06084

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-06085

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-06086

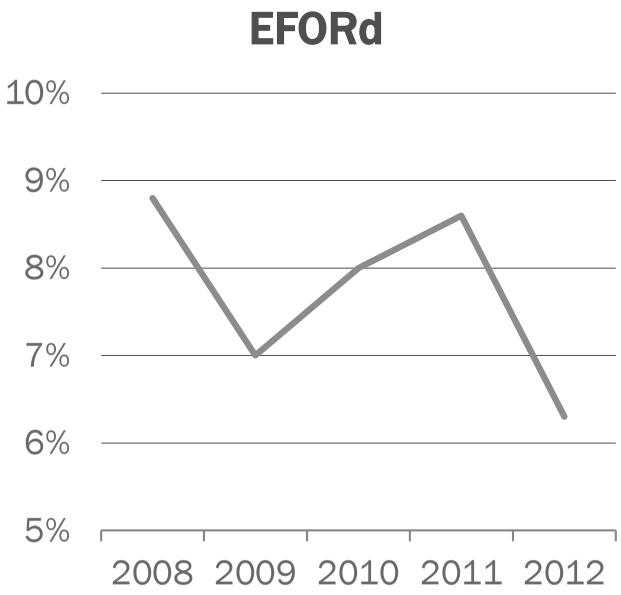
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

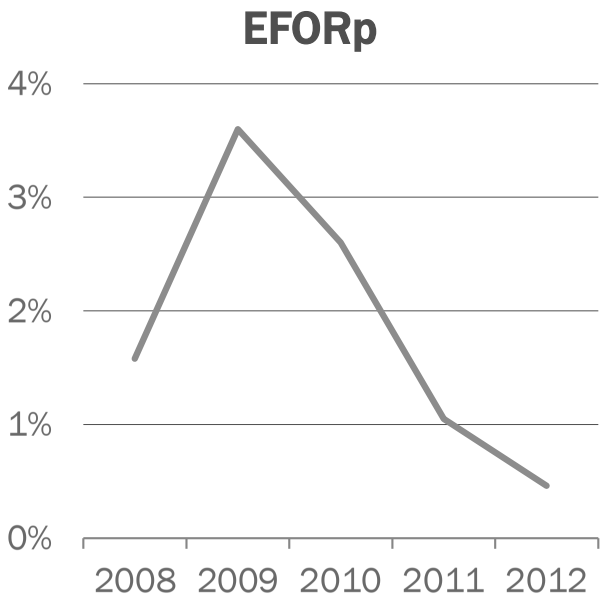
SI-SSA-0015-06087

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

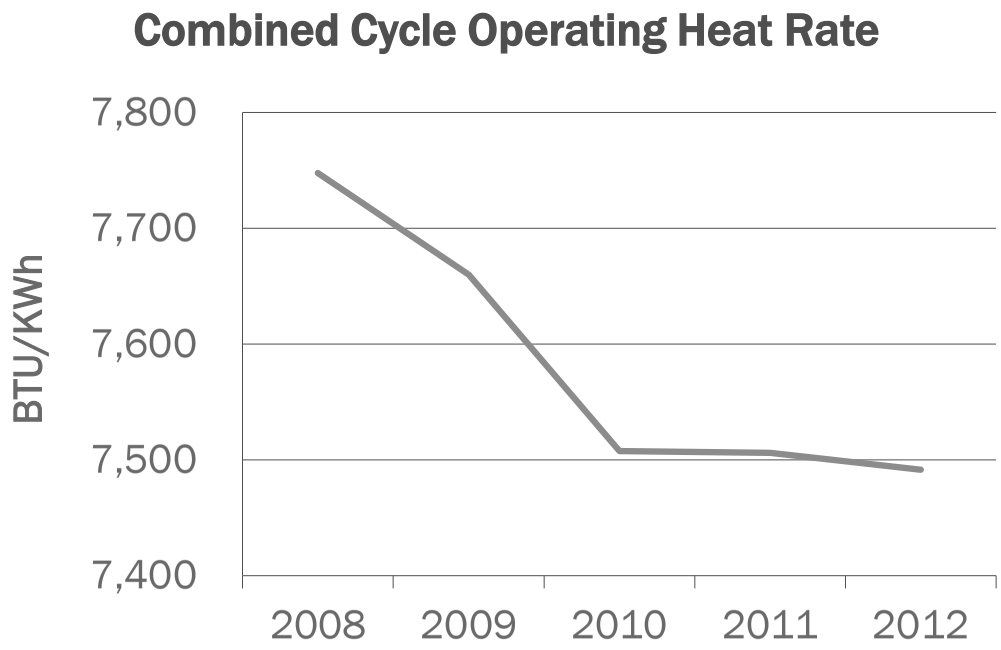


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-06088

PSEG Power improvements achieved in combined cycle fleet efficiency

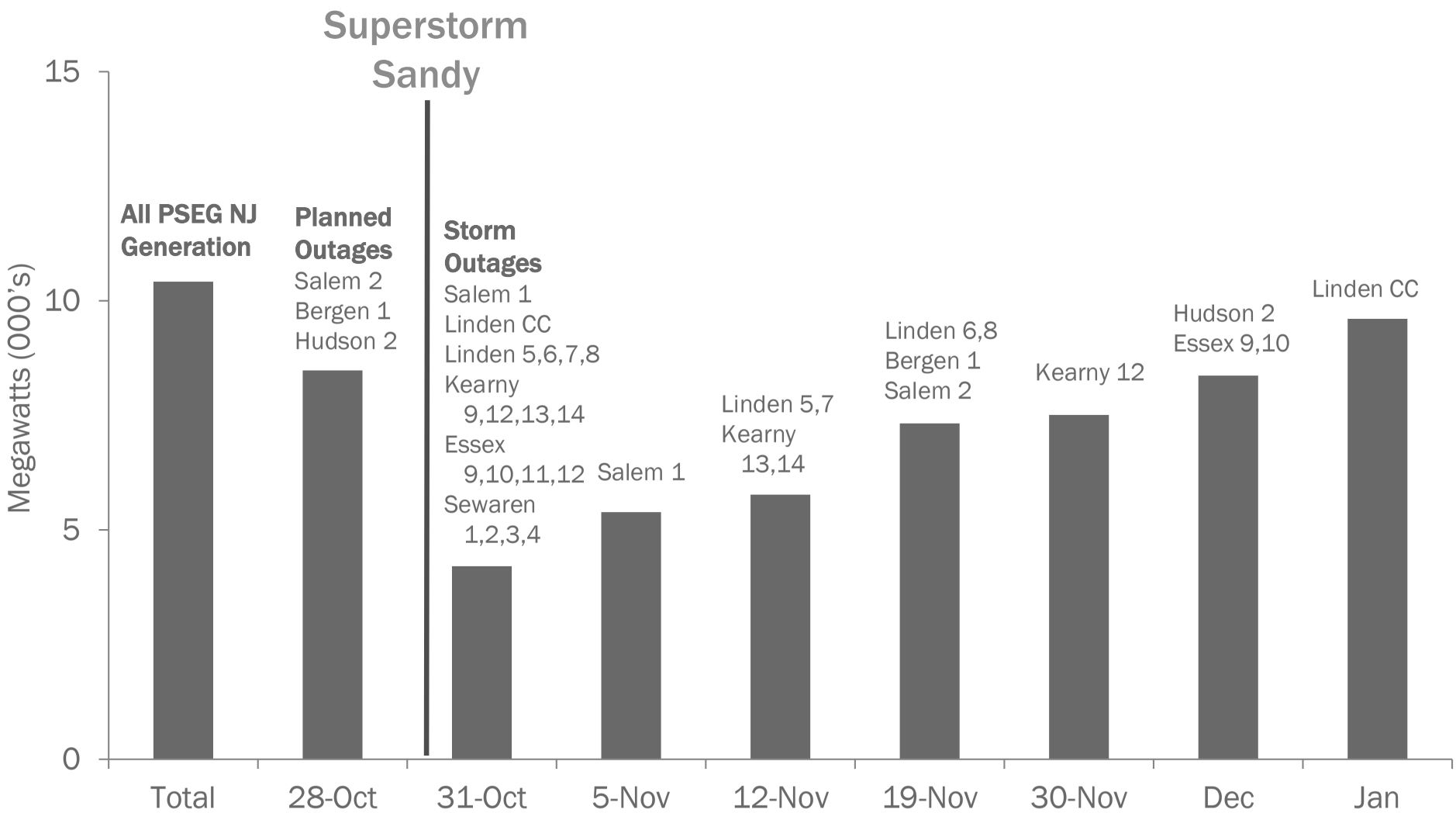


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-06089

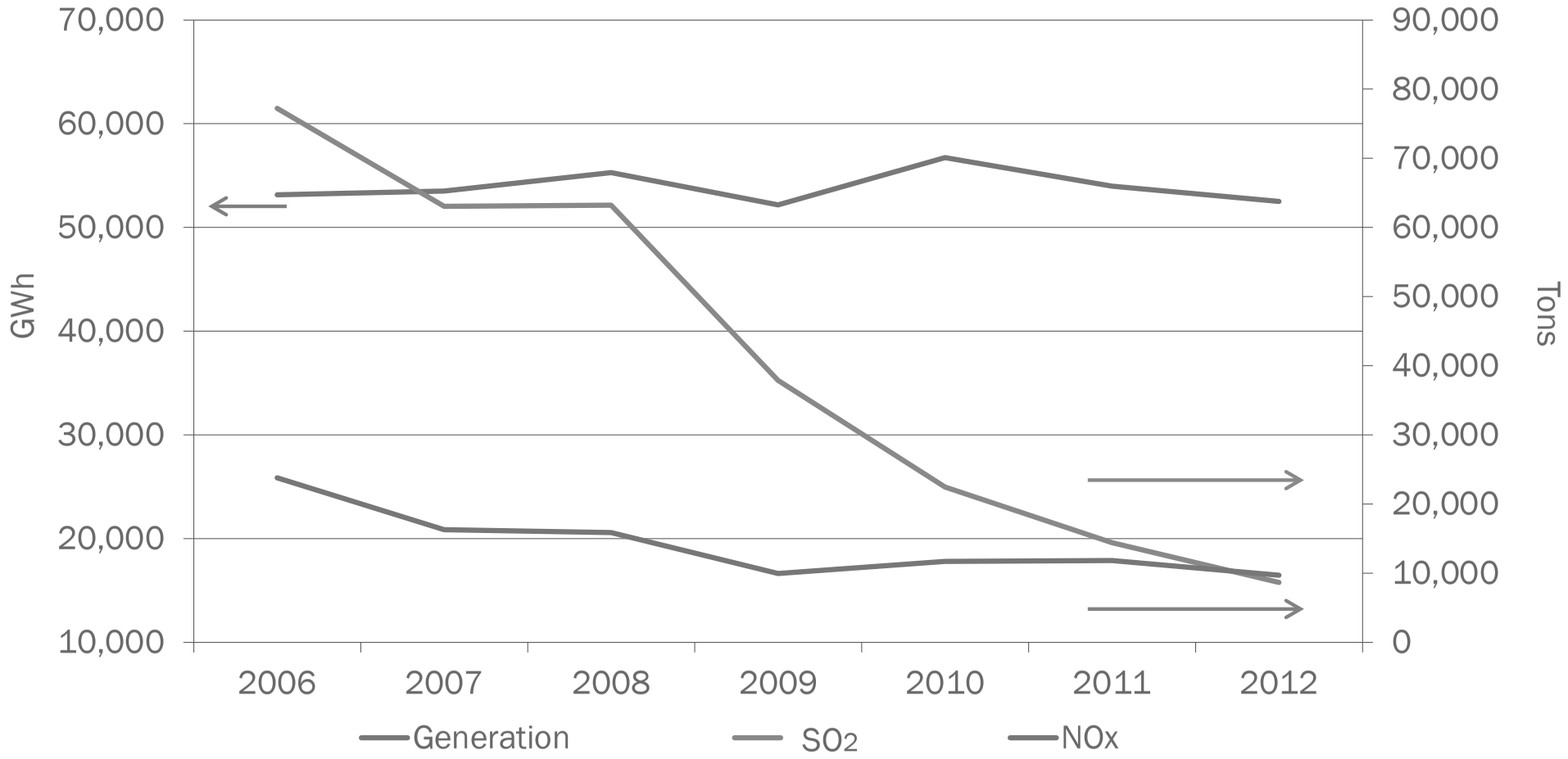
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-06090

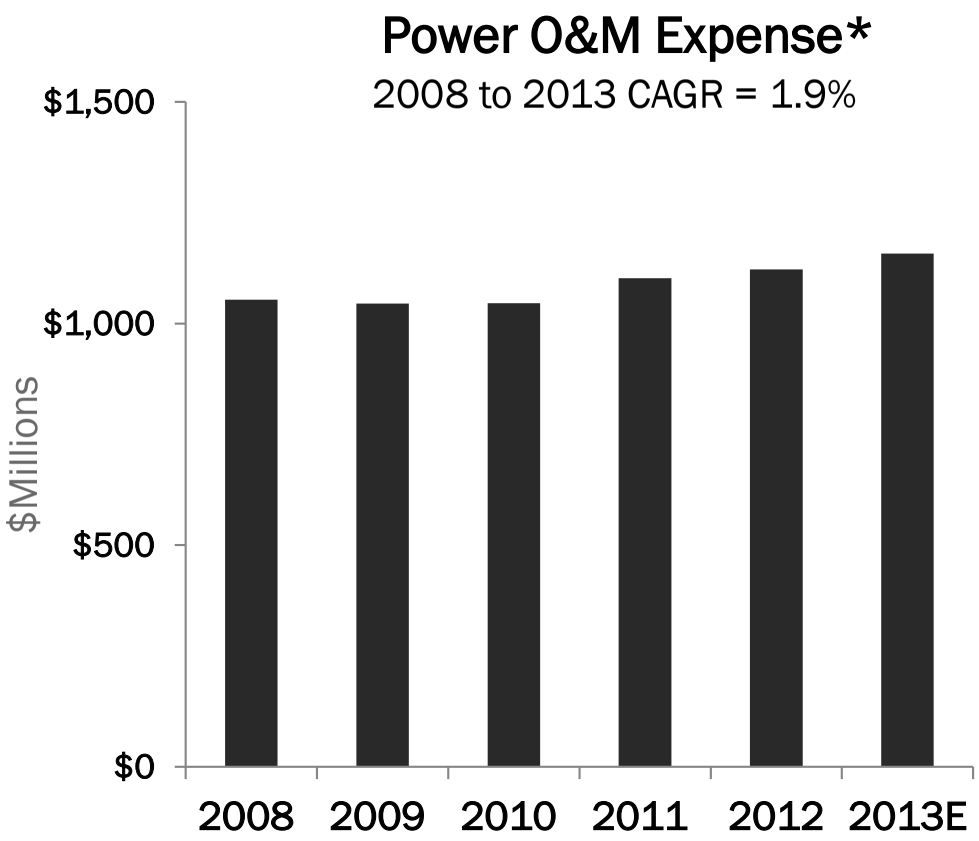
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-06091

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-06092

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

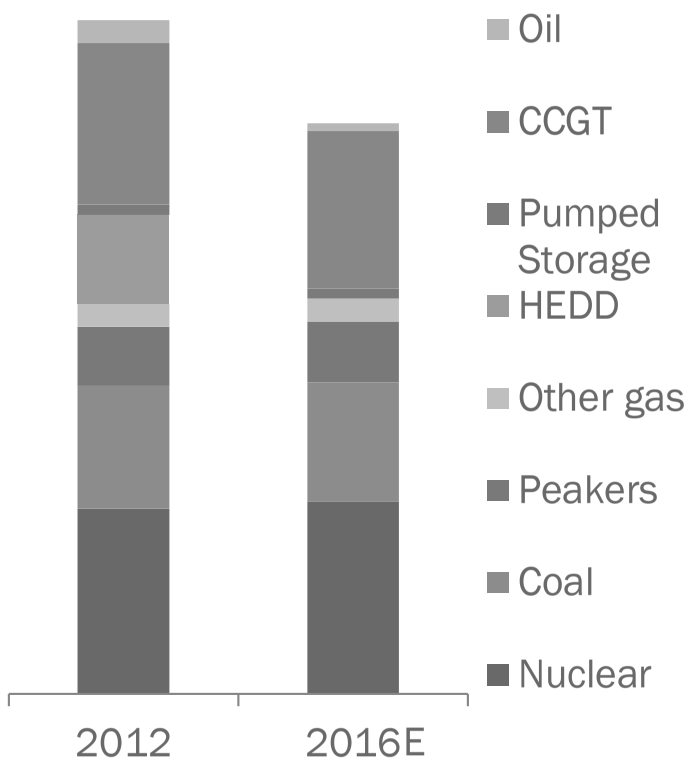
SI-SSA-0015-06093

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

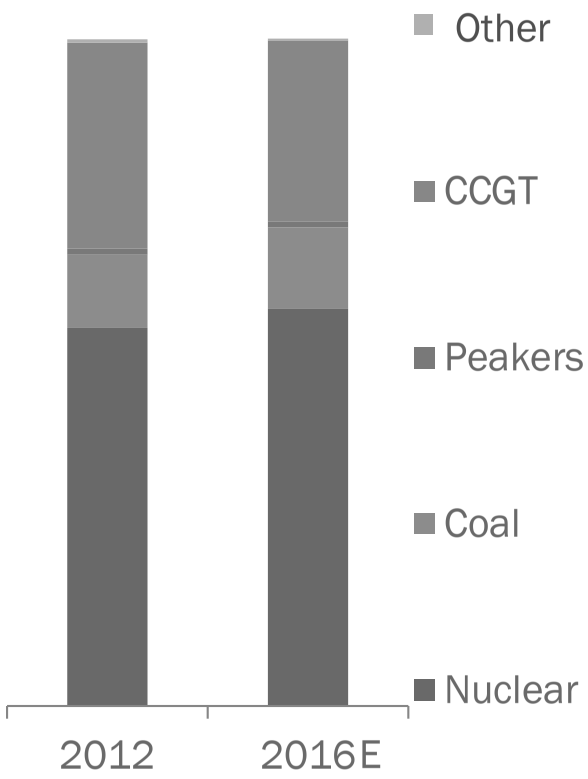
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-06094

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-06095

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-06096

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

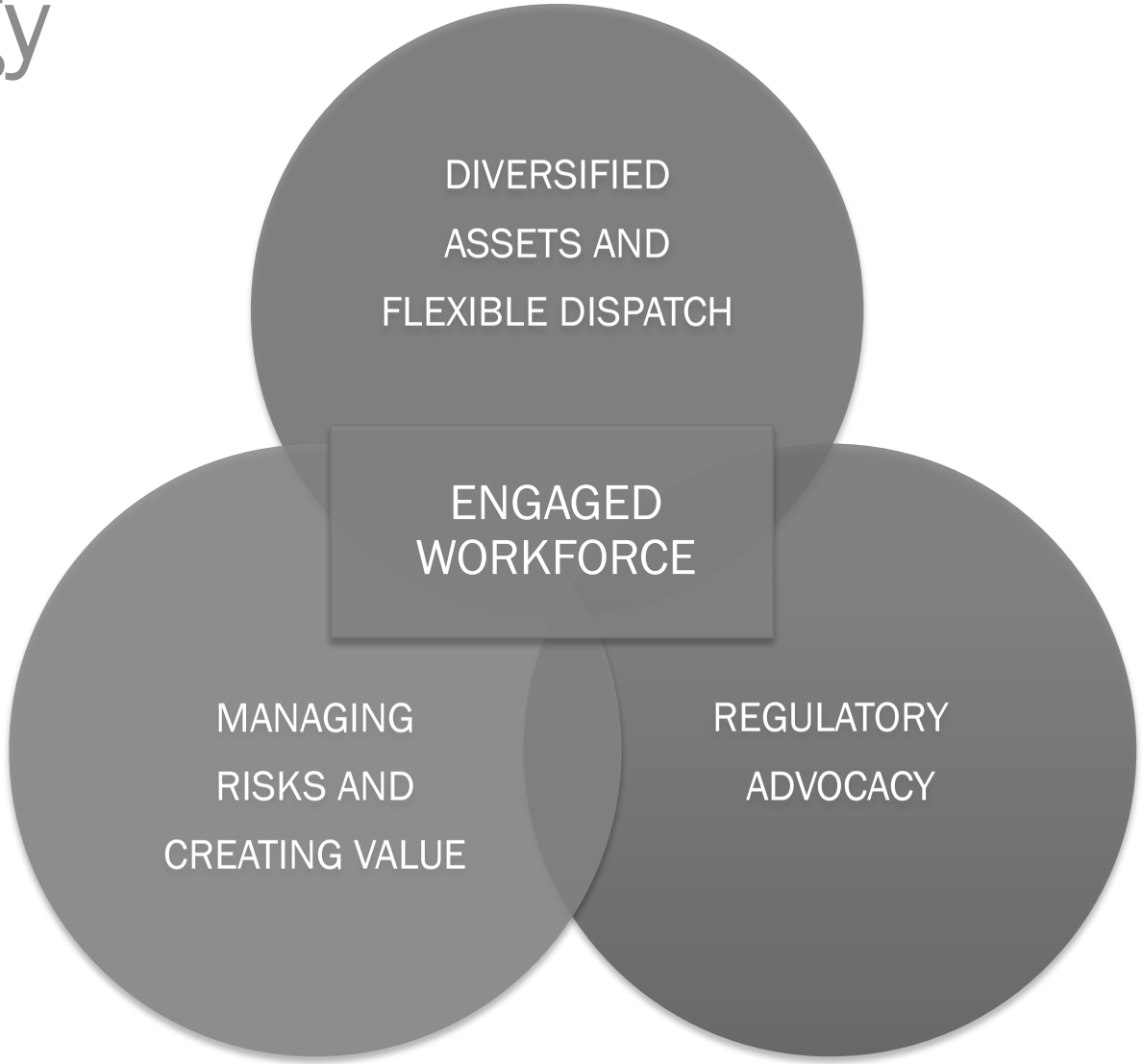
SI-SSA-0015-06097

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-06098

Diversified assets and flexible dispatch

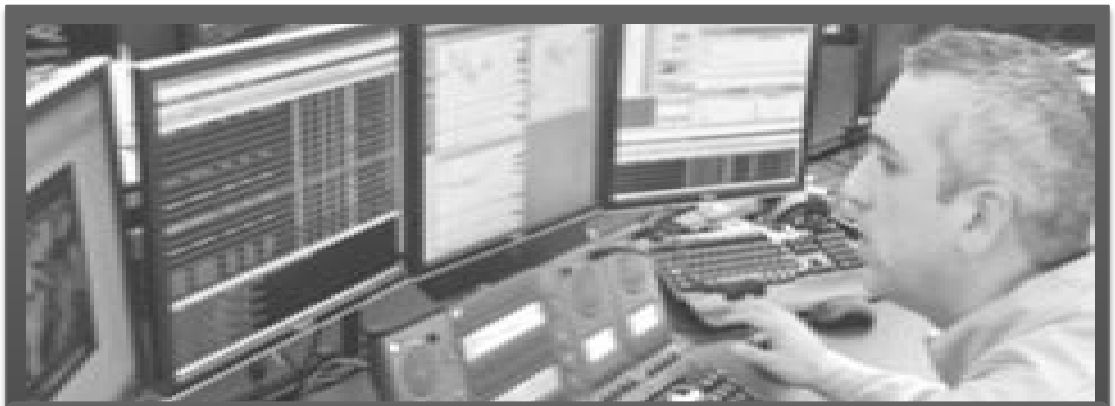
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

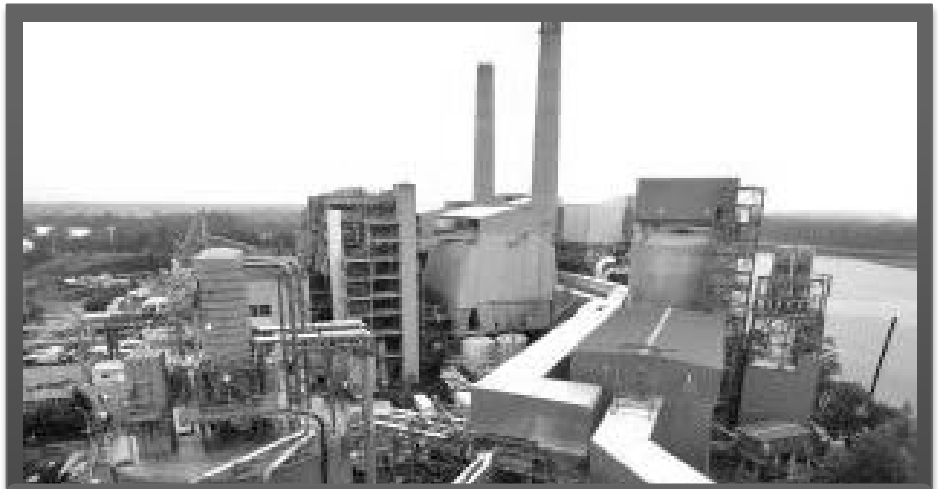
SI-SSA-0015-06099

Fleet capacity has been advanced by:

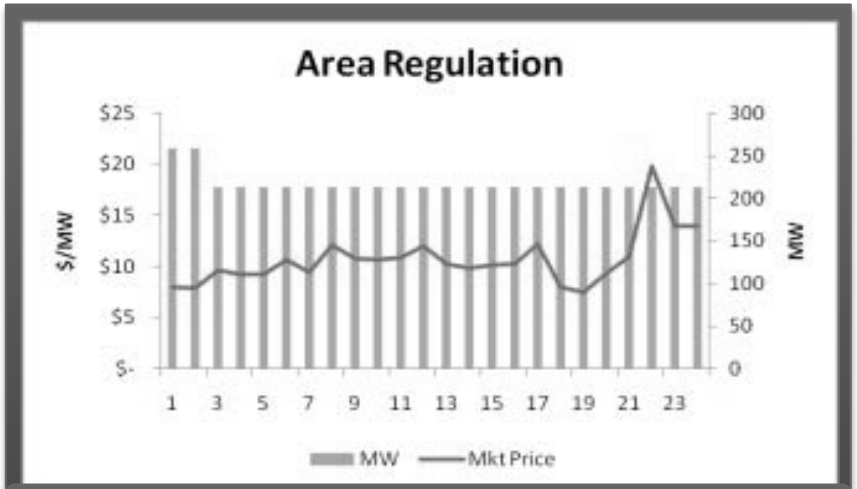
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



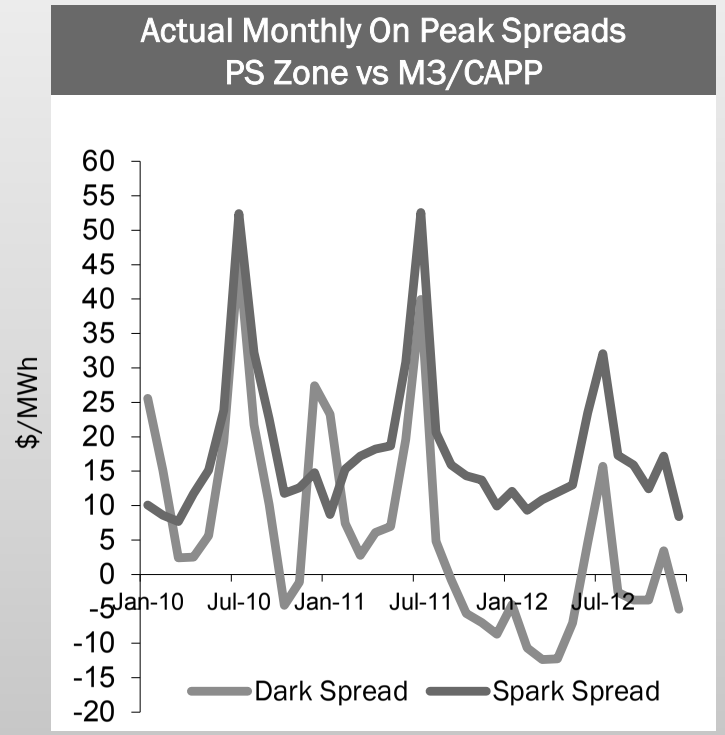
Reduced O&M and increased start-up success

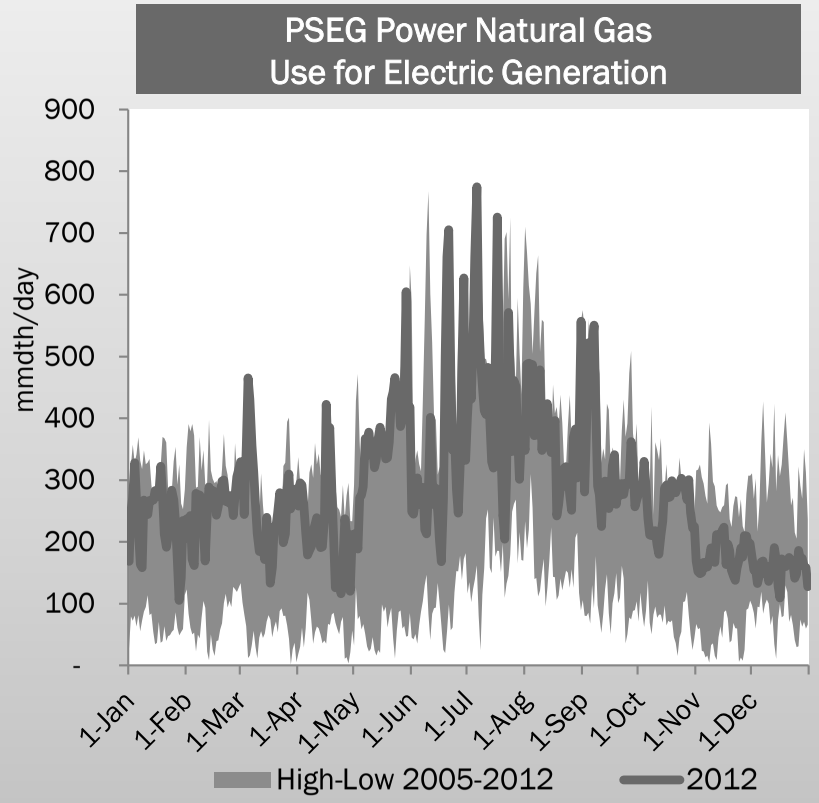


Capturing new products opportunity with minimal investment

SI-SSA-0015-06100

Spark spread replaces dark spread as major value driver

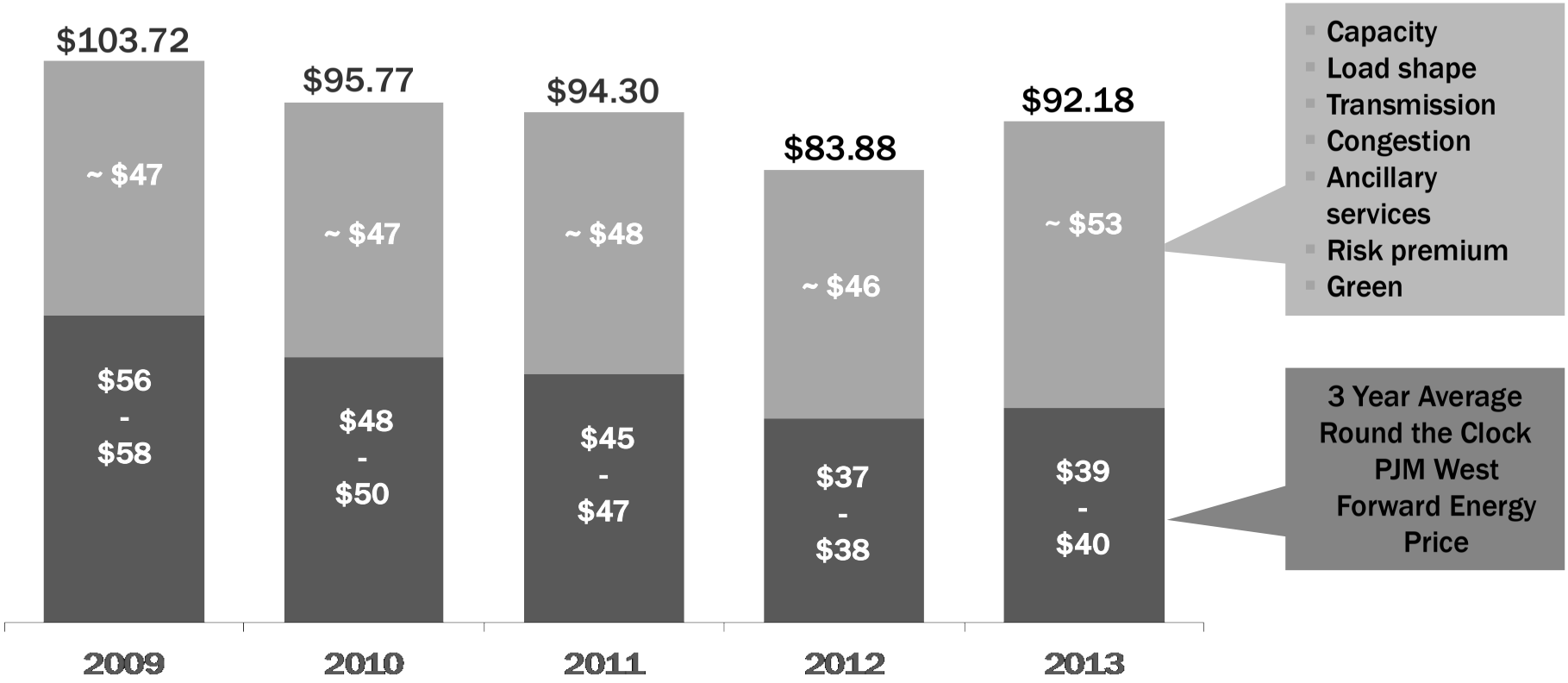




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-06101

2013 BGS Auction Results for PSE&G Zone

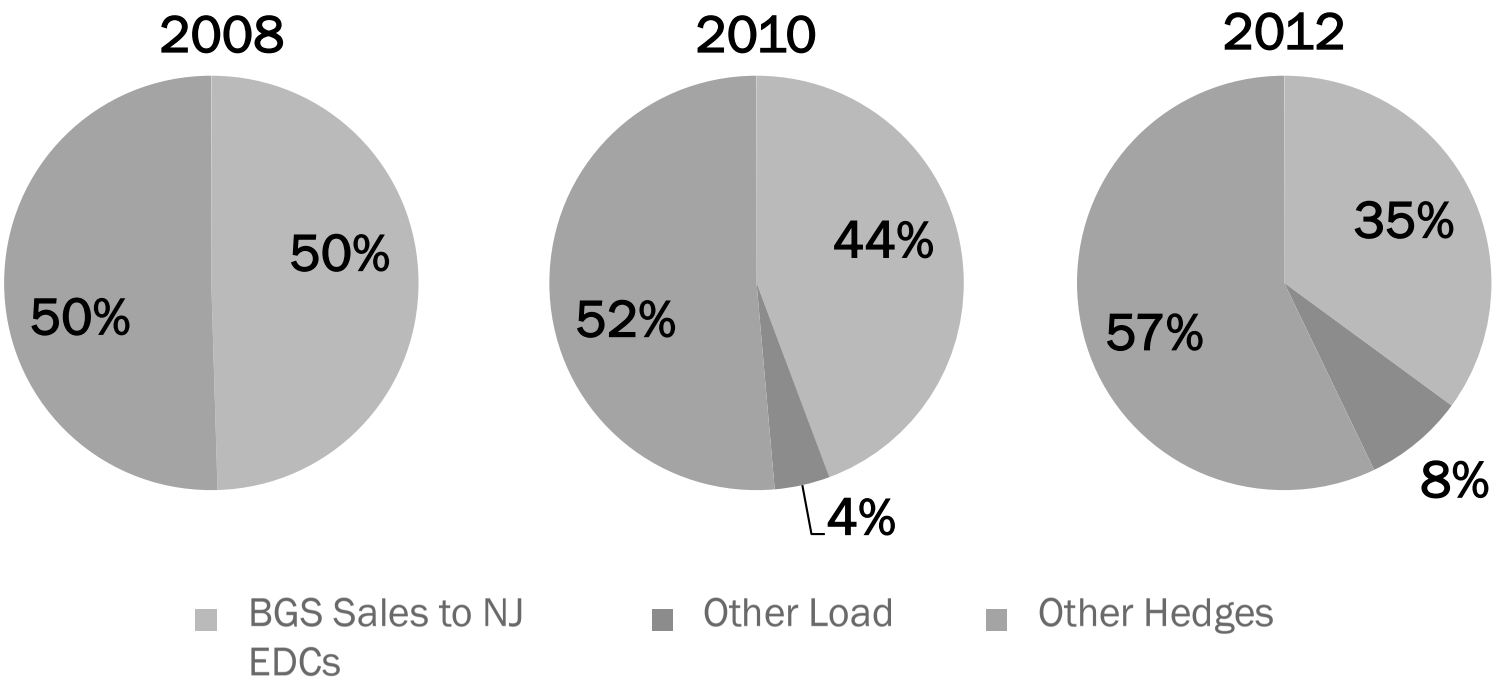


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-06102

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-06103

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

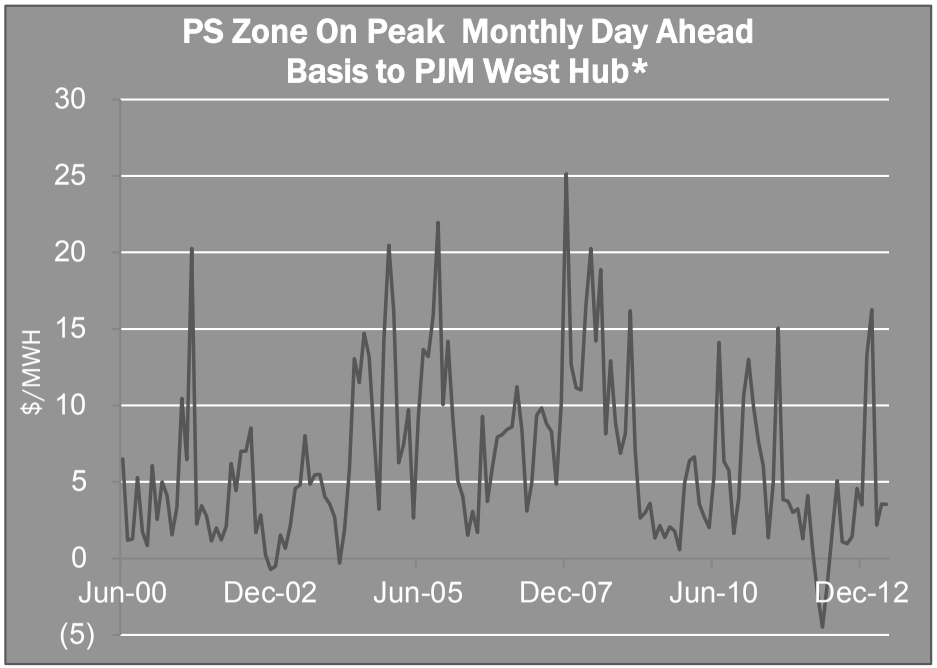
		Apr-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$50	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	15	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$50	$50
Total	Volume TWh	40-42	53-55	52-54
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$50	$50	$50

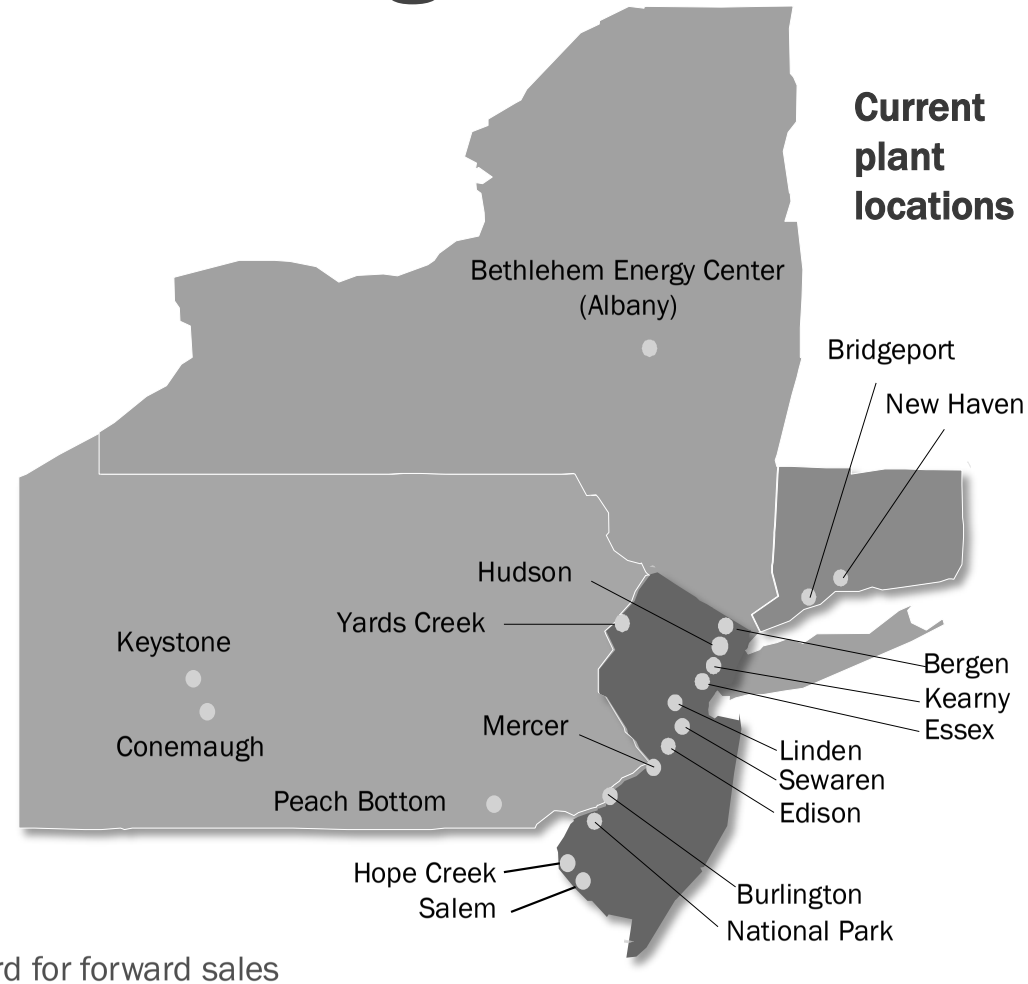
HEDGE PERCENTAGES AND PRICES AS OF MARCH 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-06104

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

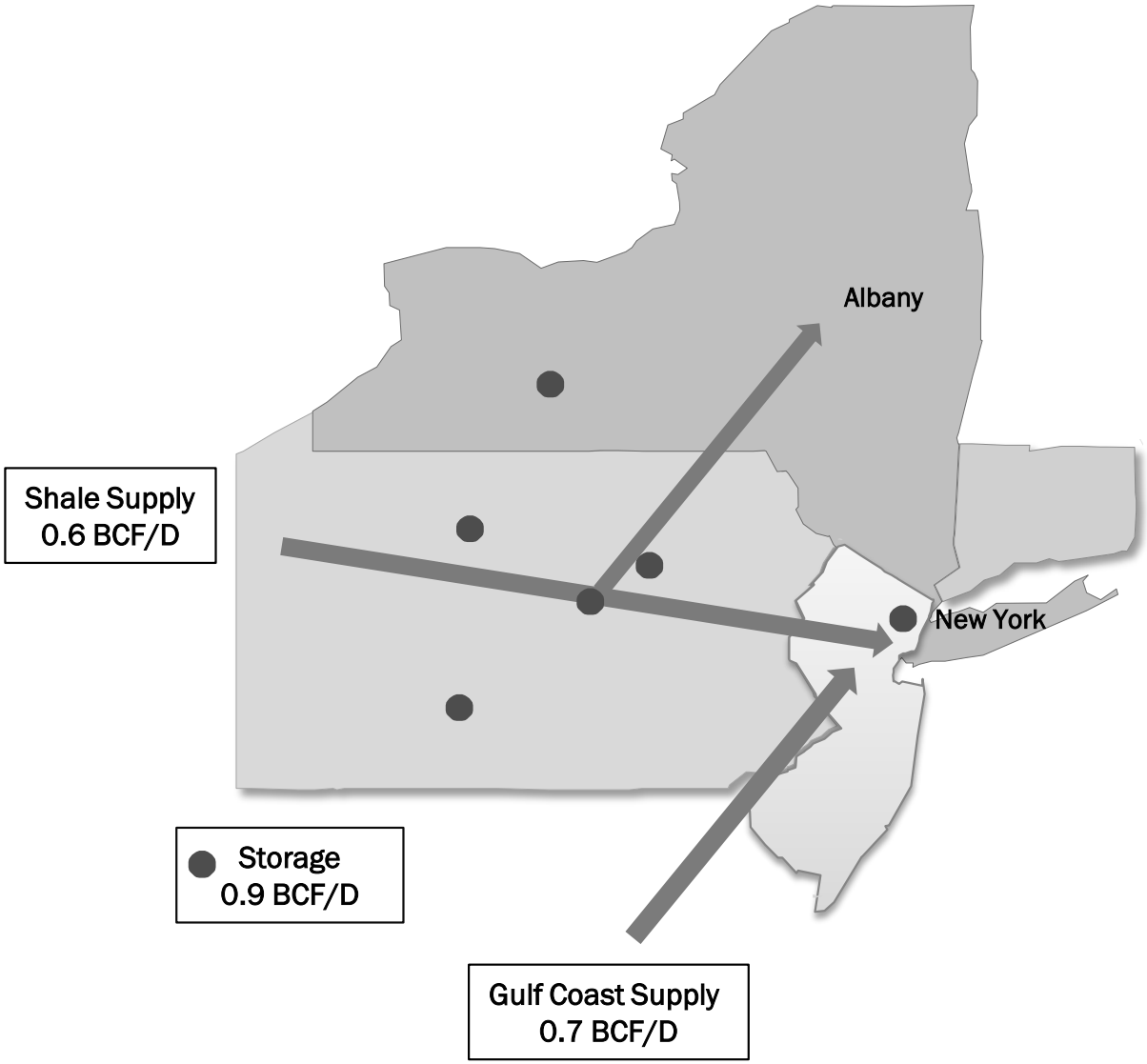
SI-SSA-0015-06105

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-06106

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,600*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

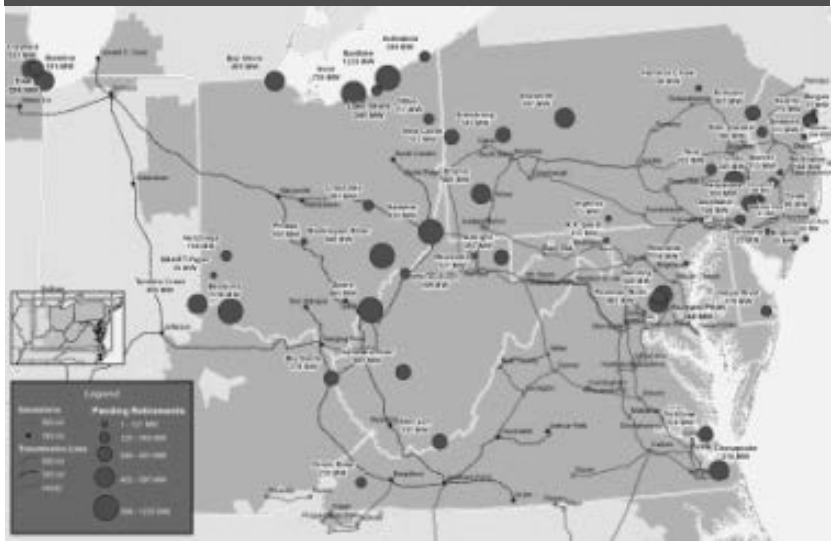
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-06107

Reserve margins in PJM declining with retirements

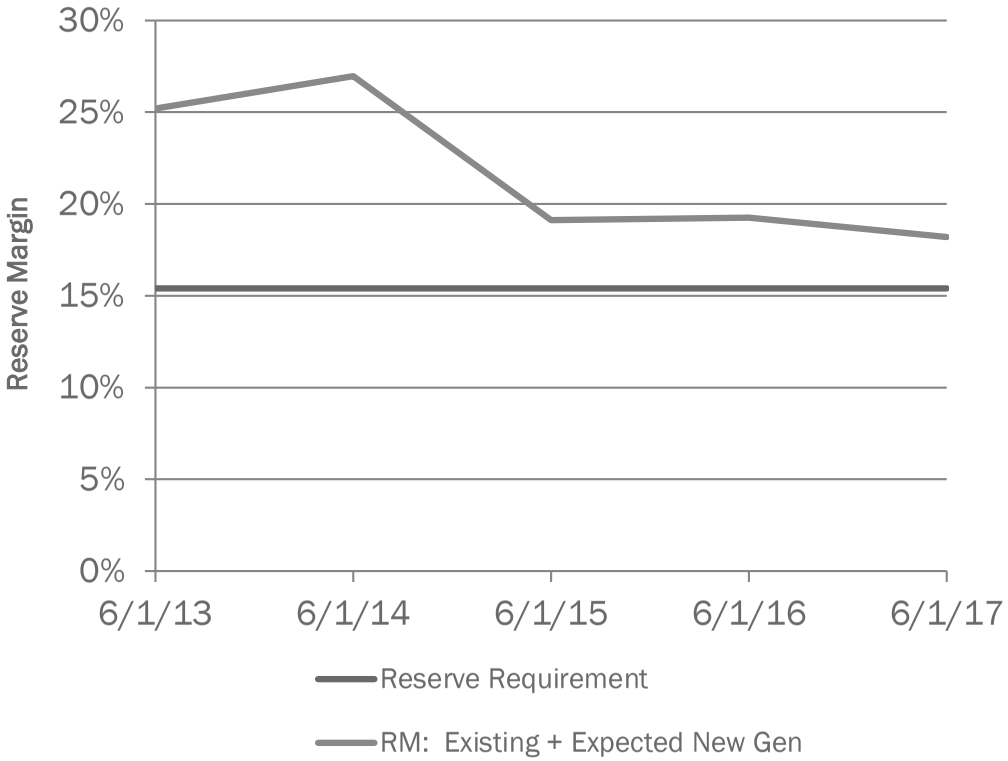
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-06108

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-06109

PSEG wholesale market strategy

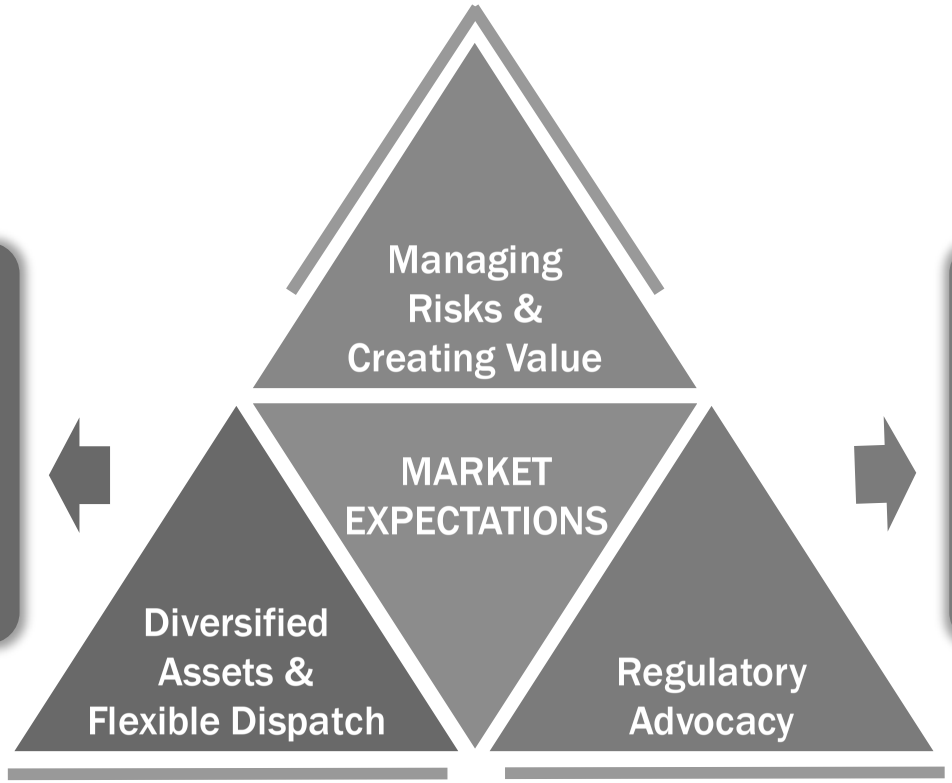
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-06110

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-06111

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-06112

Maintaining 2013 operating earnings guidance

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-06113

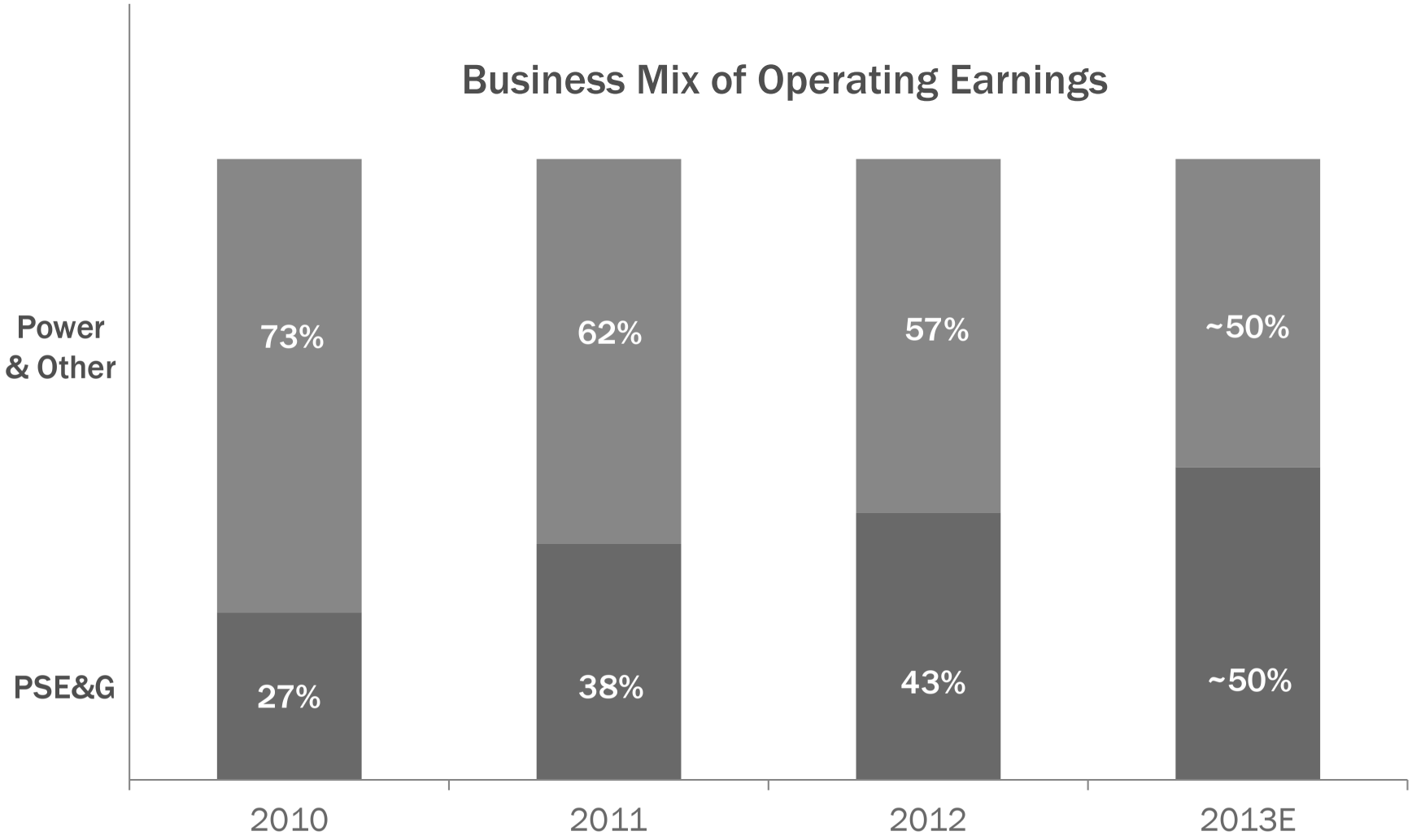
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings



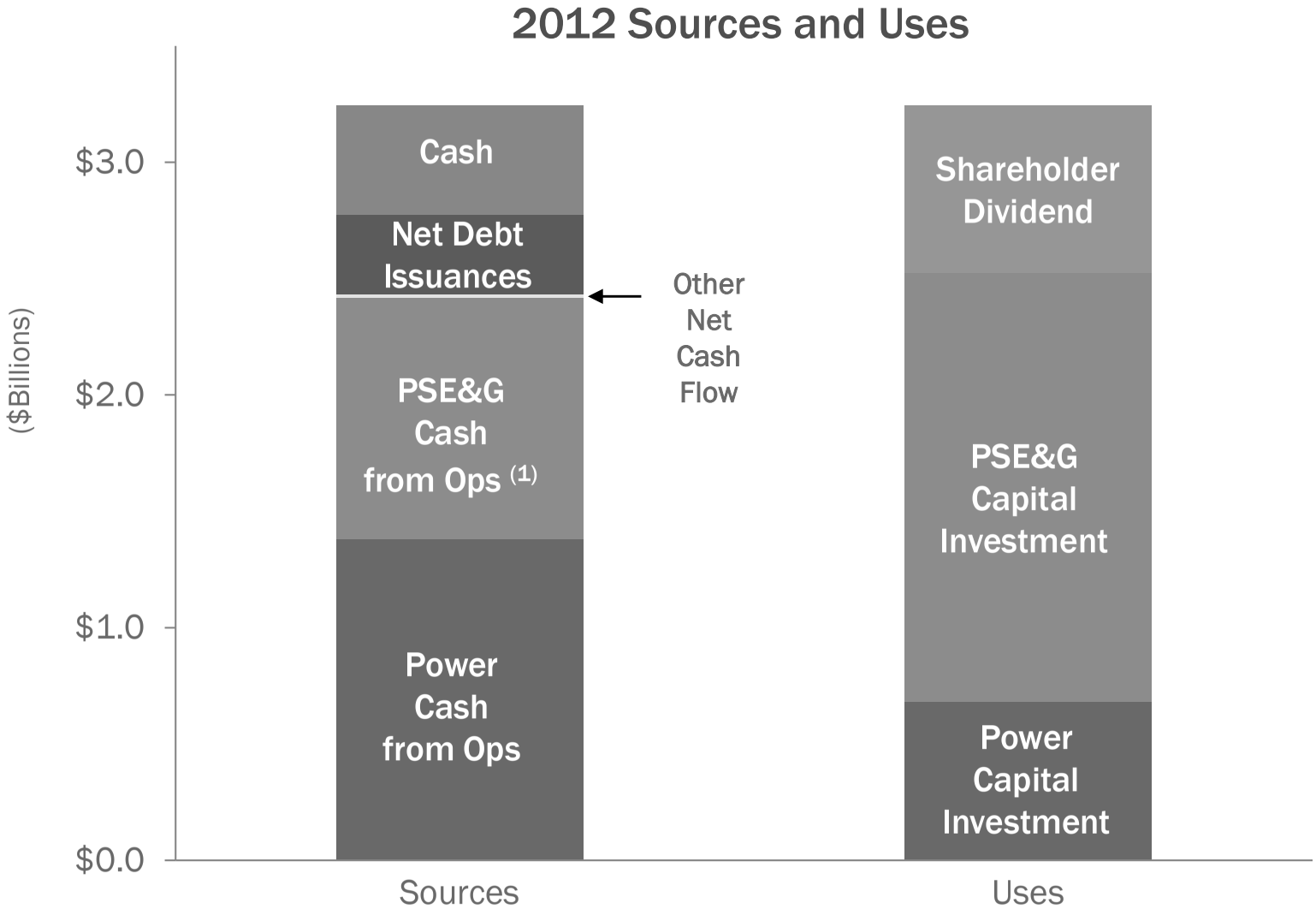
SI-SSA-0015-06114

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

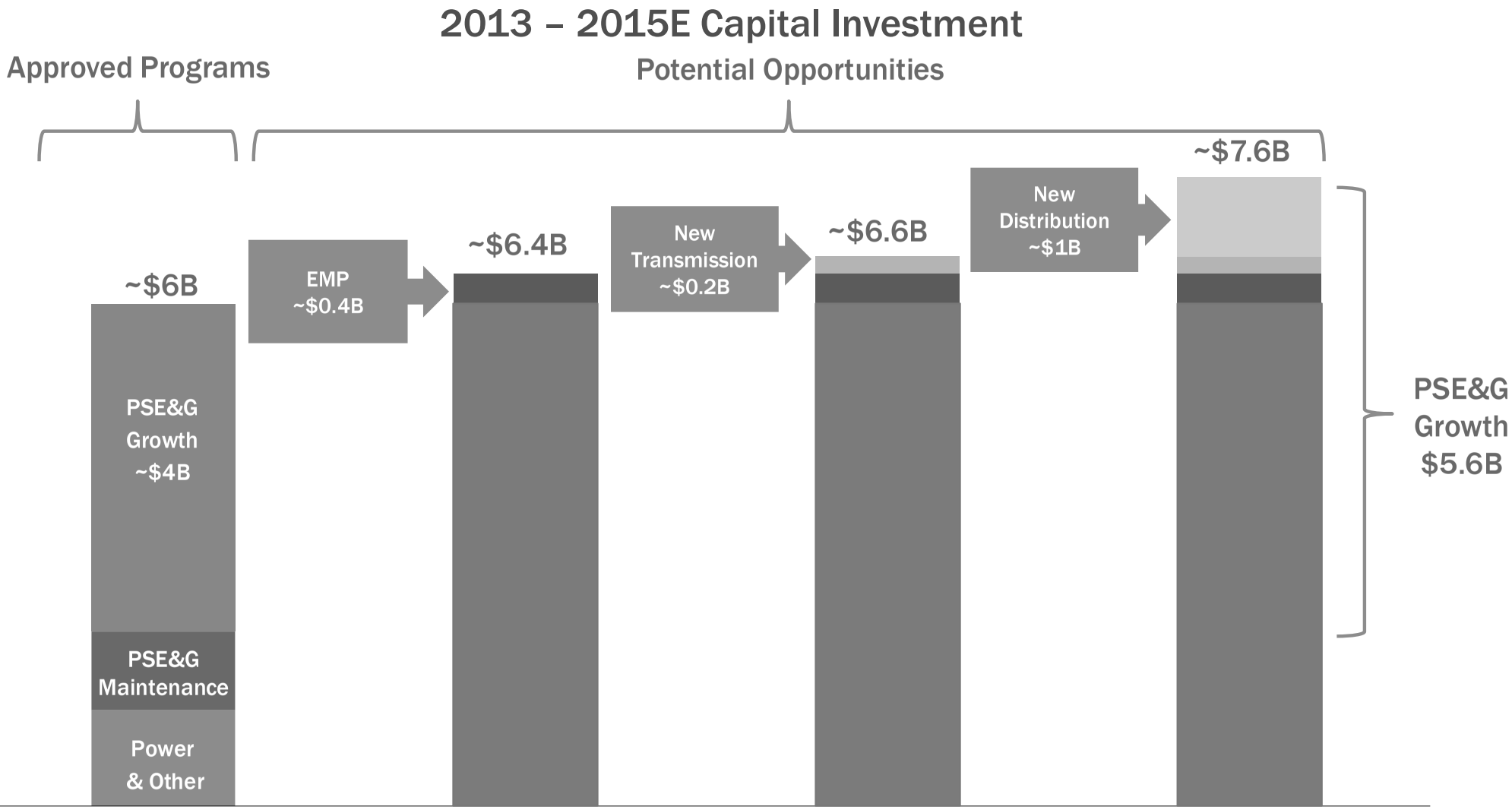
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

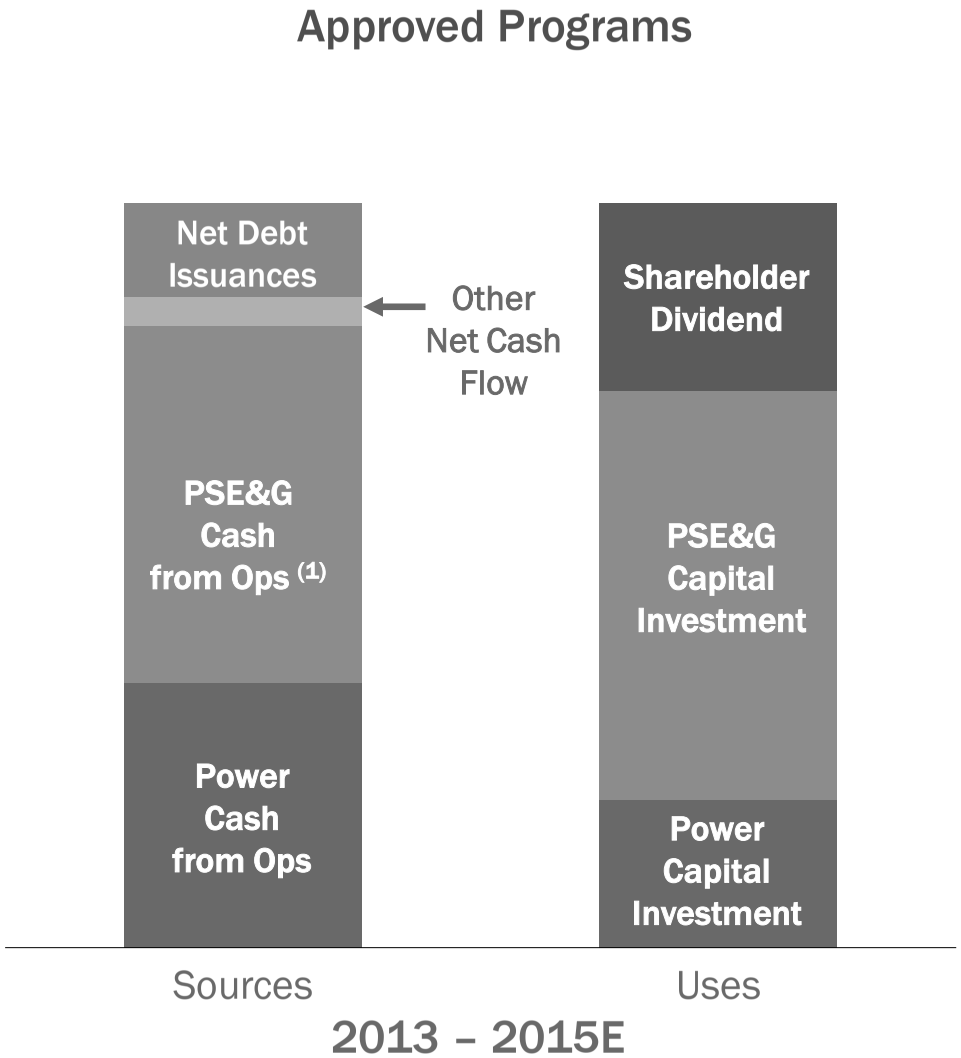
SI-SSA-0015-06115

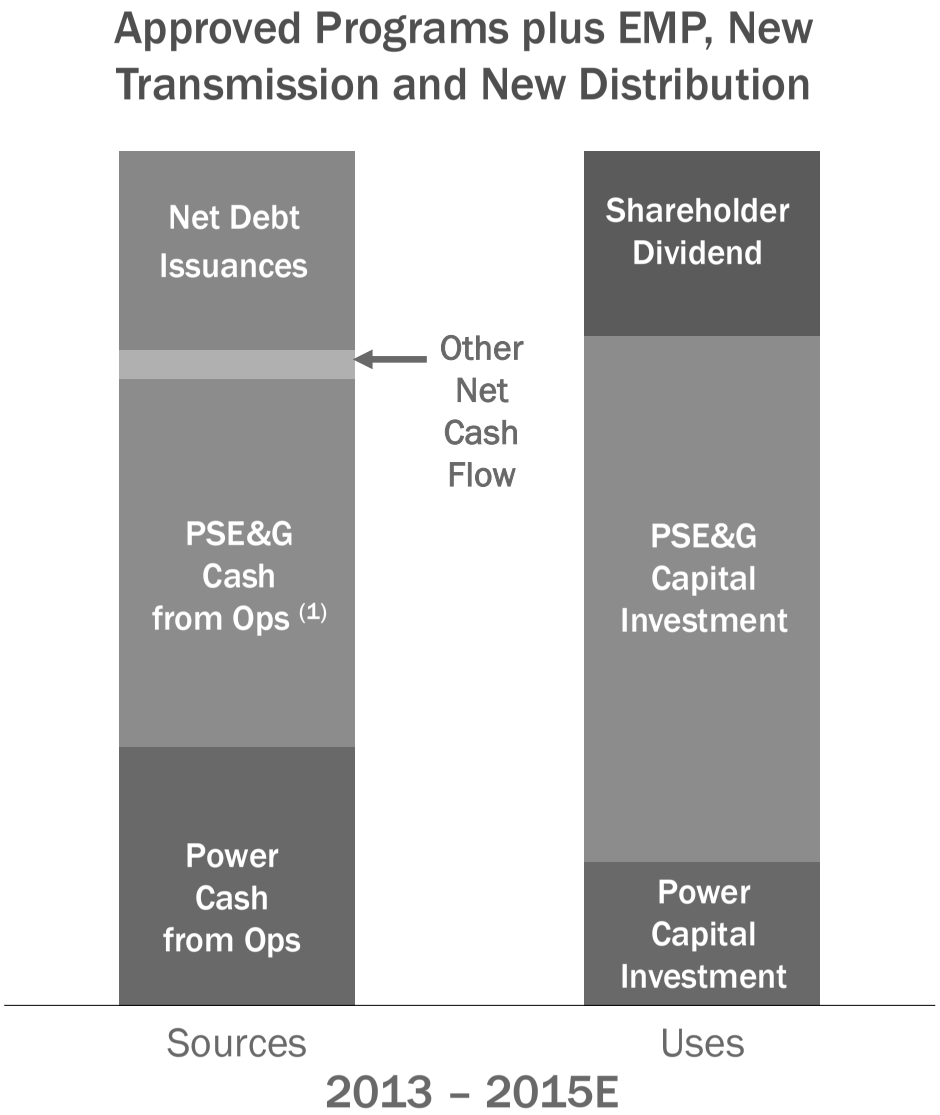
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-06116

All scenarios can be financed without new equity





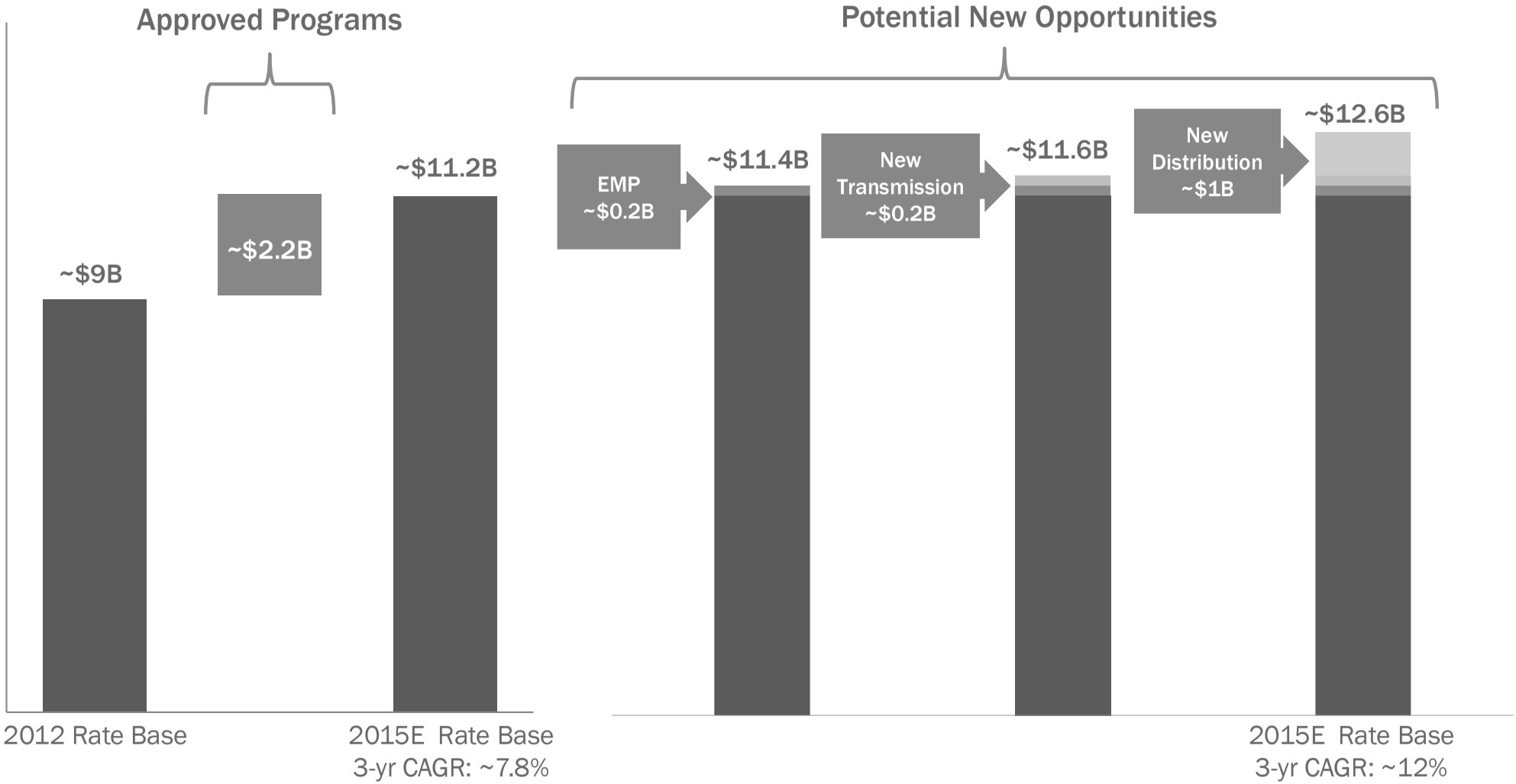
SI-SSA-0015-06117

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

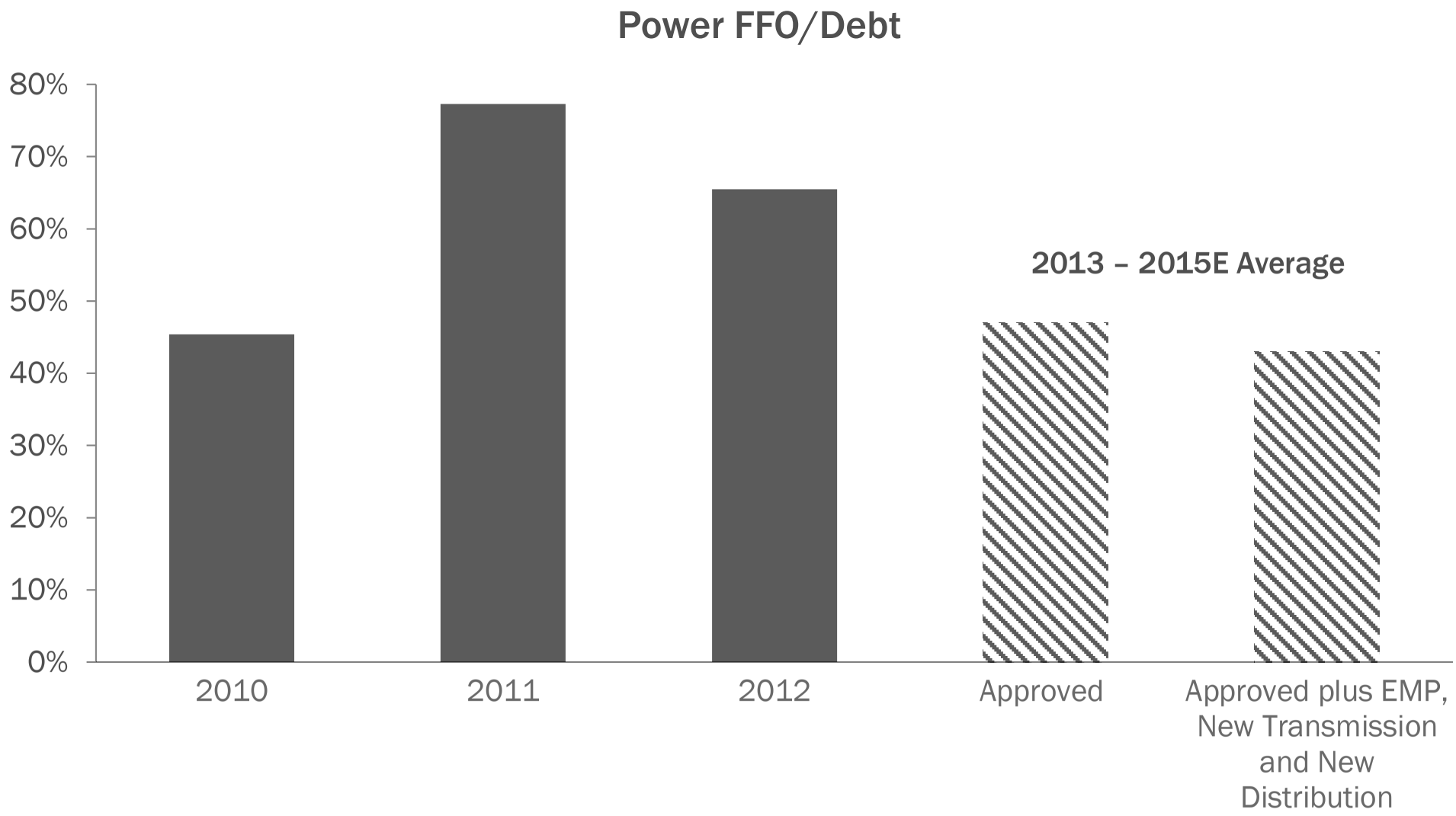
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-06118

Power's credit metrics are expected to remain strong



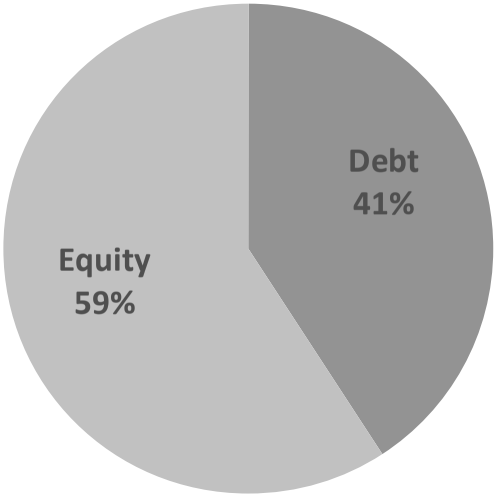
SI-SSA-0015-06119

Using PSEG's balance sheet strength

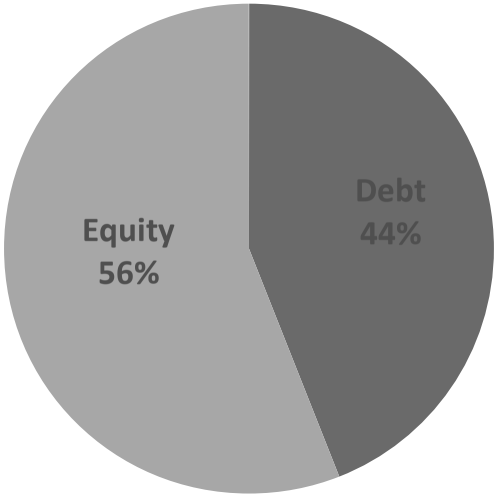
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



SI-SSA-0015-06120

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

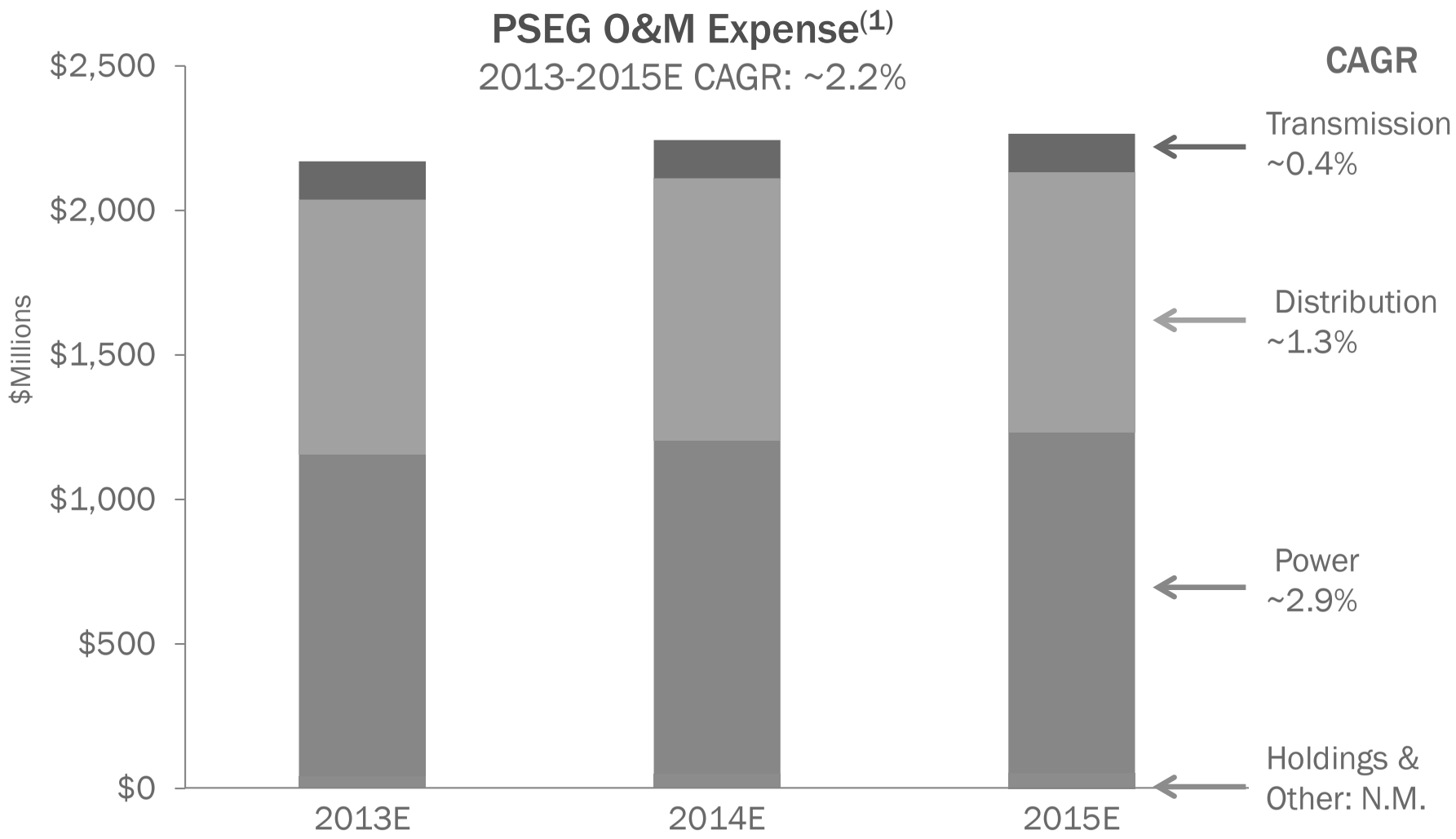
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-06121

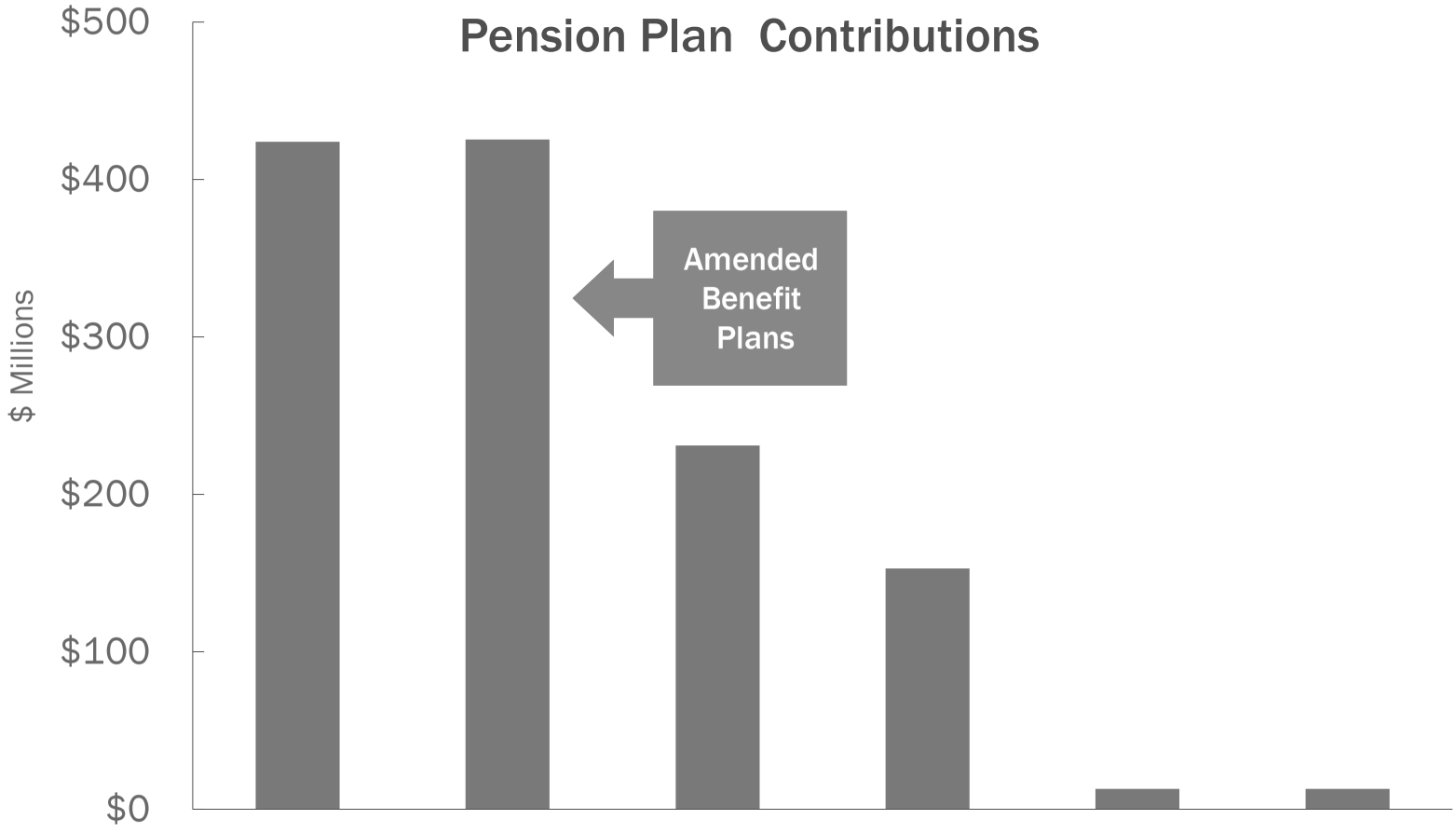
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-06122

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-06123

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

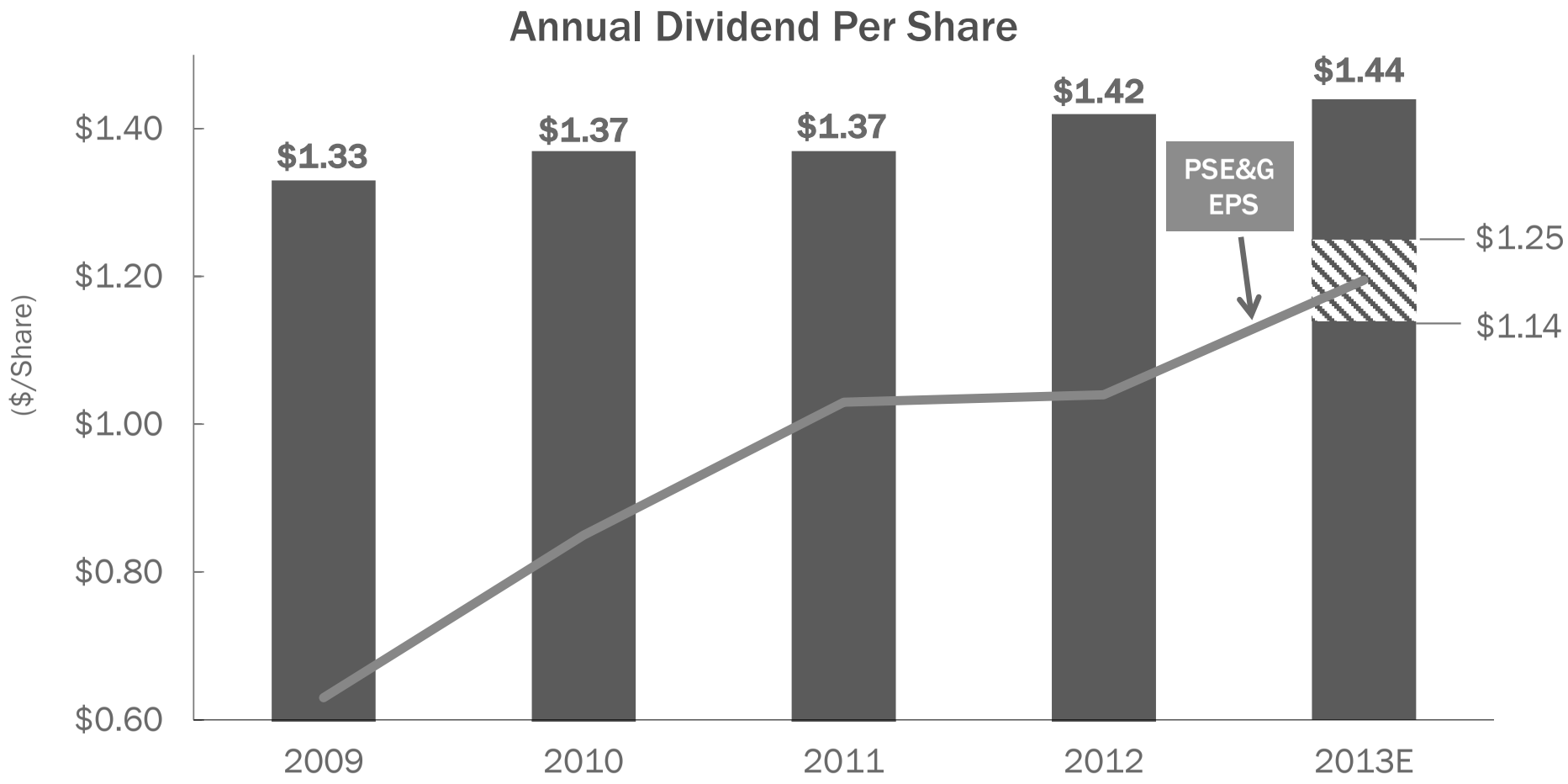
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-06124

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



E = ESTIMATE

SI-SSA-0015-06125

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share, with earnings mix shifting to ~50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-06126

APPENDIX

PSEG

SI-SSA-0015-06127

Q1 2013 Operating Earnings by Subsidiary

Quarter ended March 31

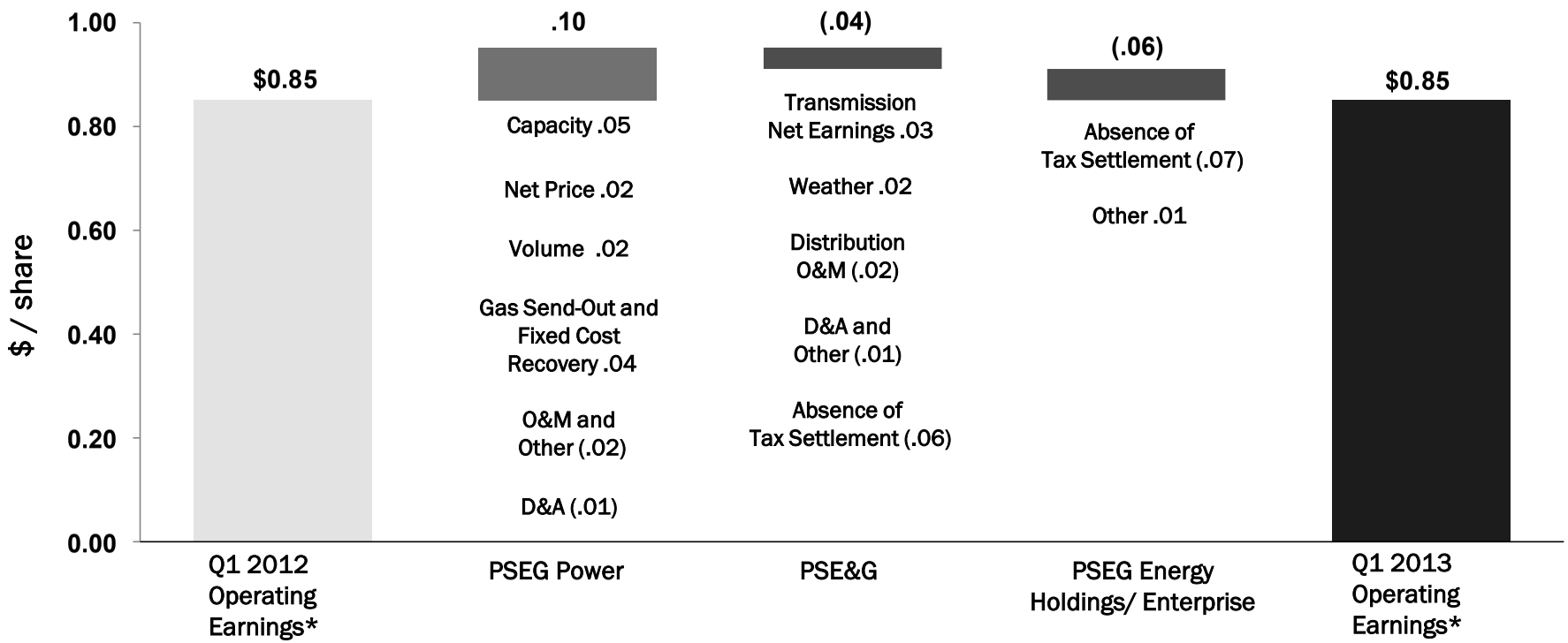
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 250	$ 196	$ 0.49	$ 0.39
PSE&G	179	197	0.35	0.39
PSEG Energy Holdings/ Enterprise	4	39	0.01	0.07
*Operating Earnings**	$ 433	$ 432	$ 0.85	$ 0.85

SI-SSA-0015-06128

PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2013 versus Q1 2012



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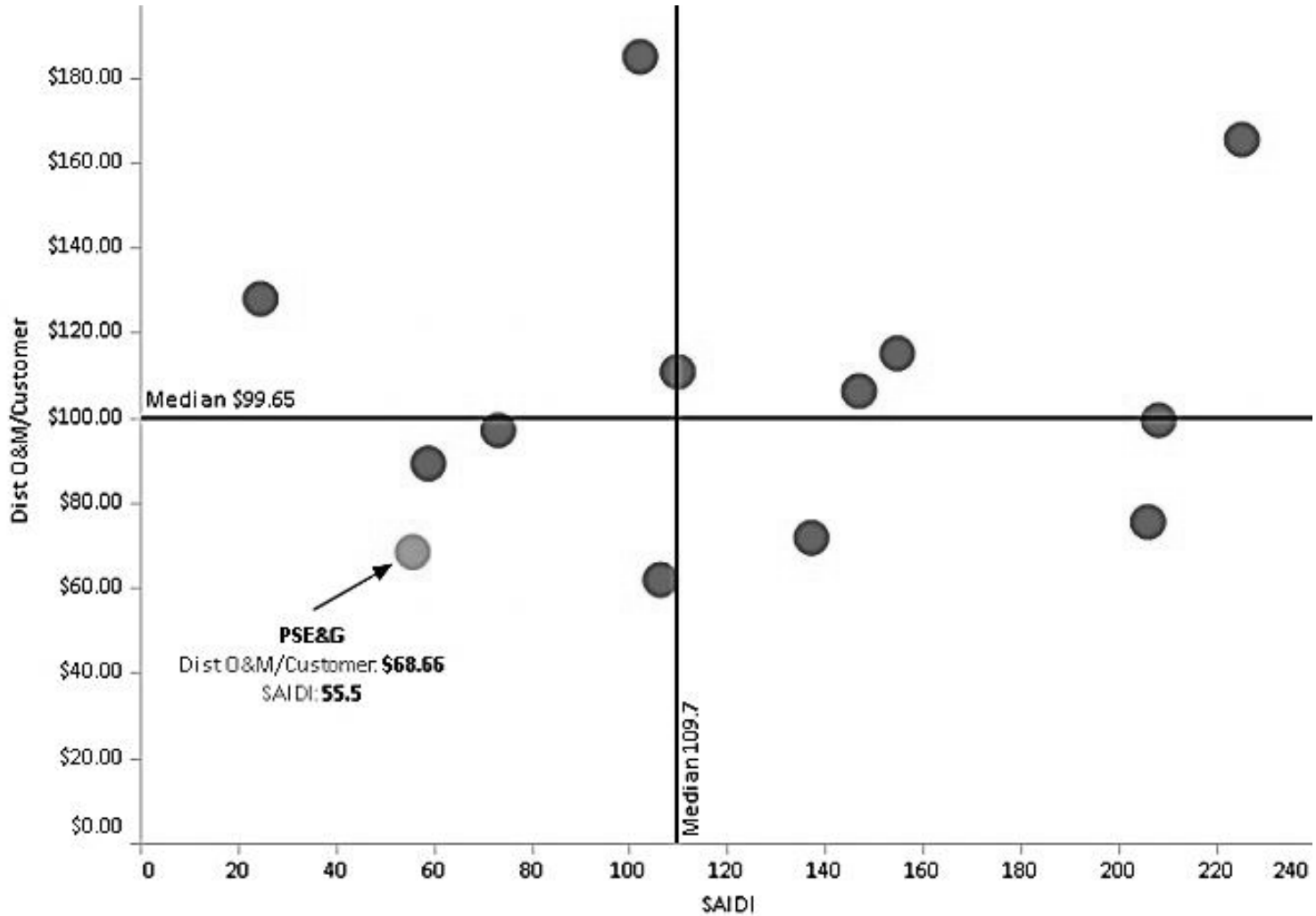
PSEG

* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers



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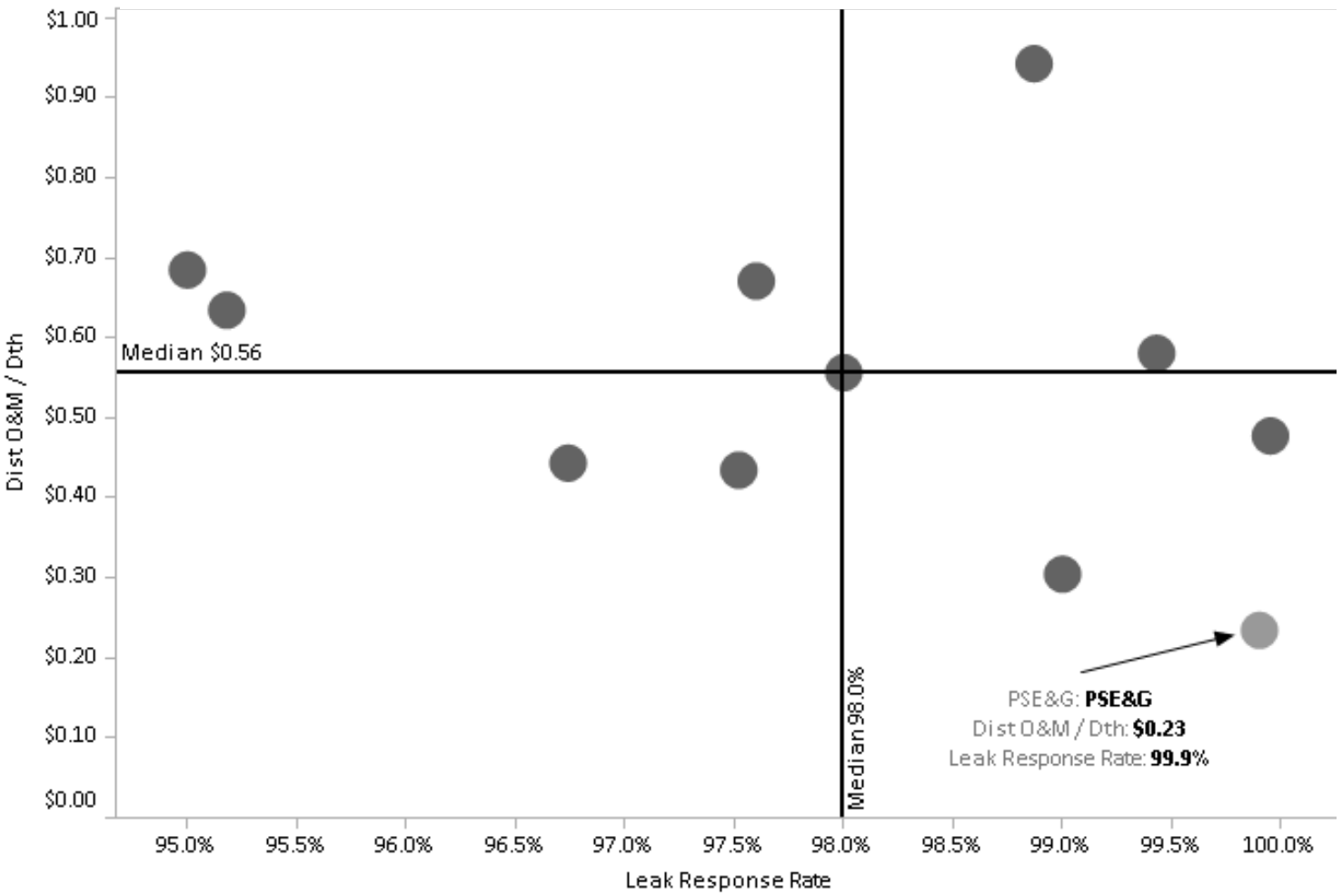
SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-06132

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-06133

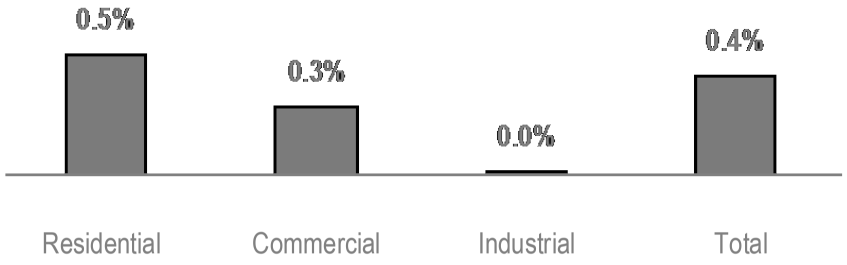
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

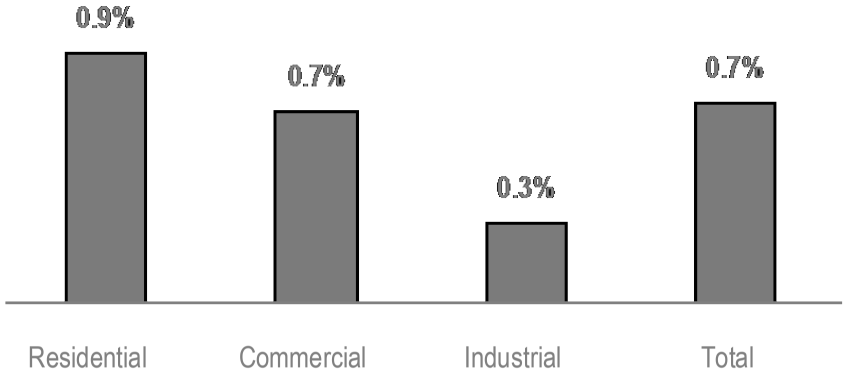
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-06134

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

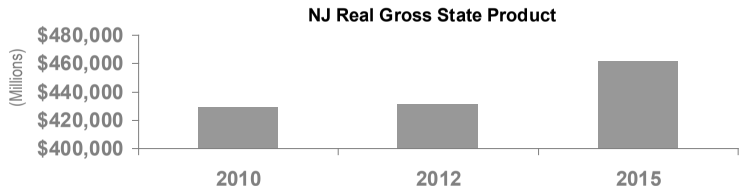
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

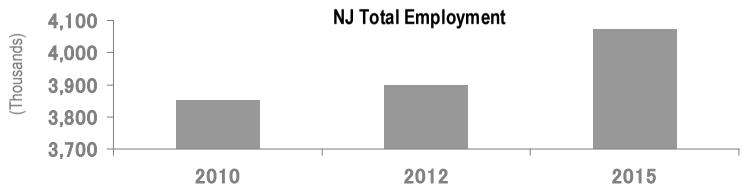
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

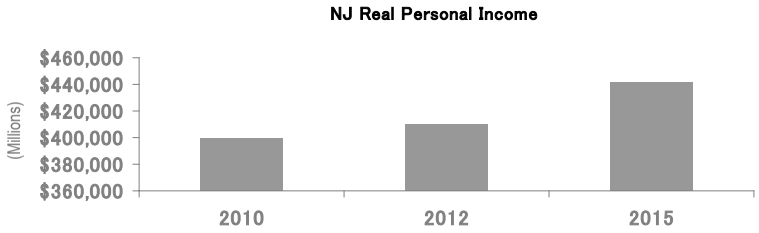
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

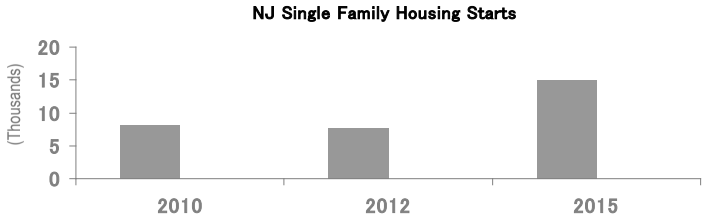
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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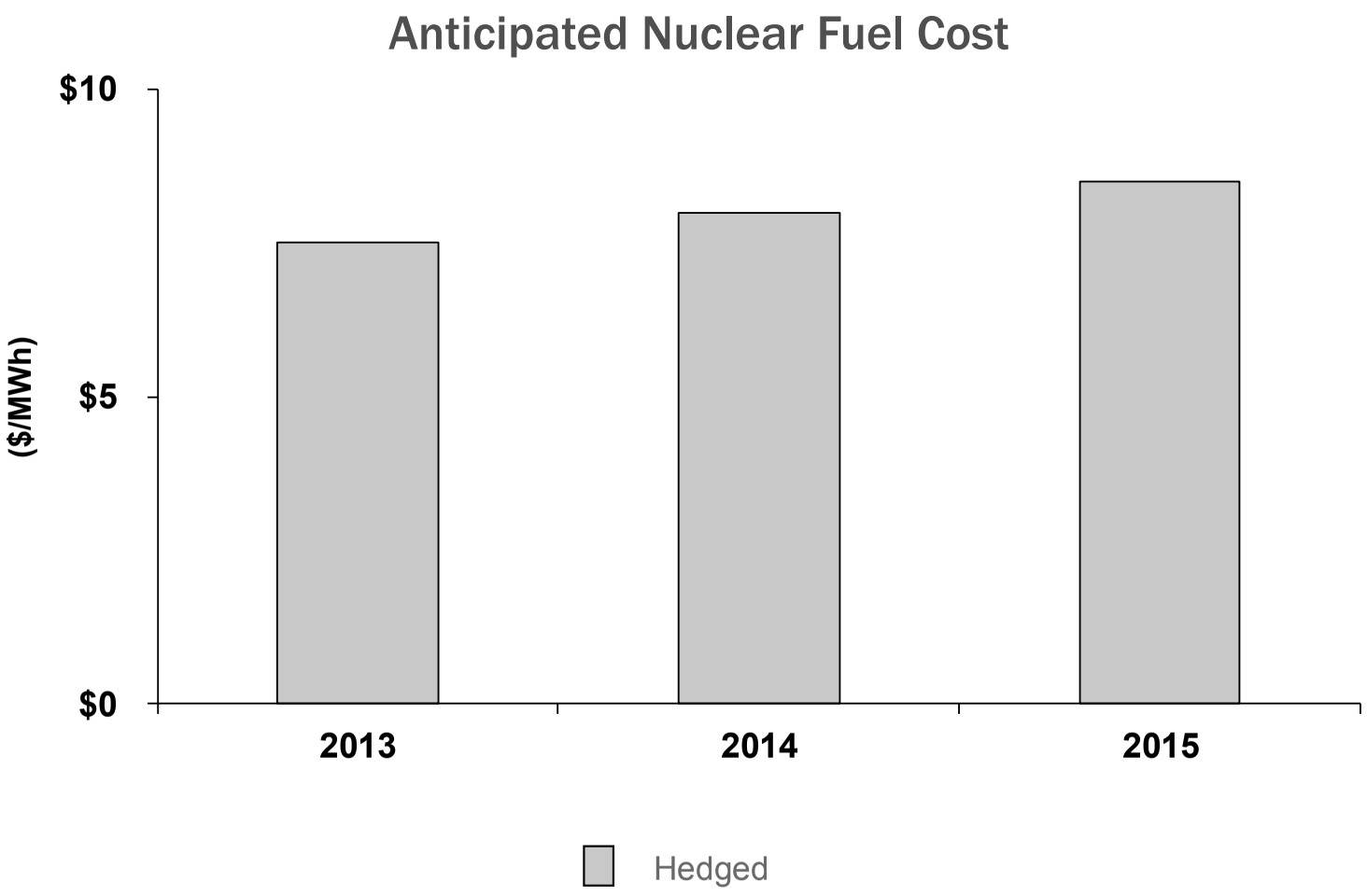
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



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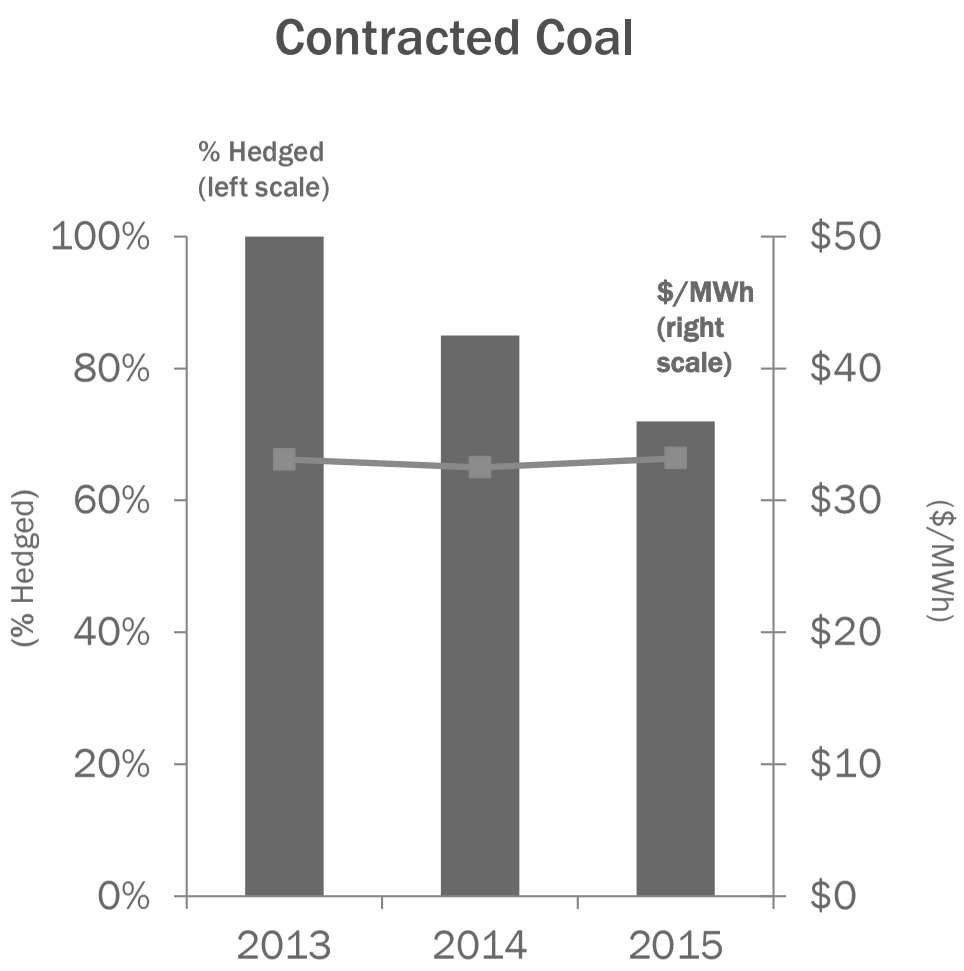
Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-06137

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	108
Hours per Year	8,760
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,000

SI-SSA-0015-06138

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-06139

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of March 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600	$178	$422
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	60	1,540
	5-Year Credit Facility (Power)	Mar-18	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Mar-18	500	0	500
		Total	$4,300	$342	$3,958
				PSEG Money Pool ST Investment	$289
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,247**
				Total Parent / Power Liquidity	**$3,825**

SI-SSA-0015-06140

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-06141

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

(Unaudited)

Pro-forma Adjustments, net of tax	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)							
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(105)	52	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	4	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(17)	-	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	34	-	-	(13)
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)							
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.21)	0.10	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.01	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

NYSE:
PEG

PSEG Investor Update
Capital World • June 20, 2018

PSEG

SI-SSA-0015-06143

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-06144

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last slide in this presentation (Slide A) includes a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of May 31, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-06145

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-06146

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Promoting Sound Energy Policy

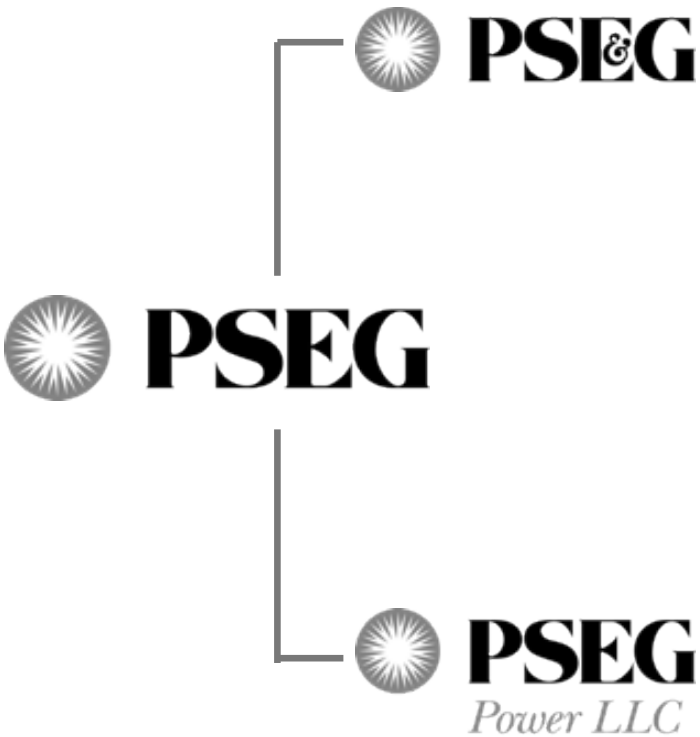
115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

SI-SSA-0015-06147

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $15.5 Billion infrastructure program expected to produce **8%-10%** annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

SI-SSA-0015-06148

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

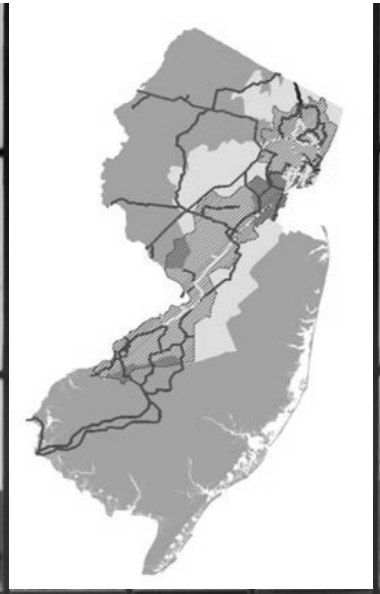
2018	PSEG 5-Year Capital Investment Program $14B - $17B

- ✓ Investing $12 Billion-$15.5 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-06150

Named Most
Reliable Electric Utility in
The Mid-Atlantic Region for
16th Consecutive Year



$6.2B
of 2017
Revenue

~$1 Billion
of 2017
Net Income

Supportive State
Regulatory
Environment

Approved **17**
Programs Over
Past **9** Years

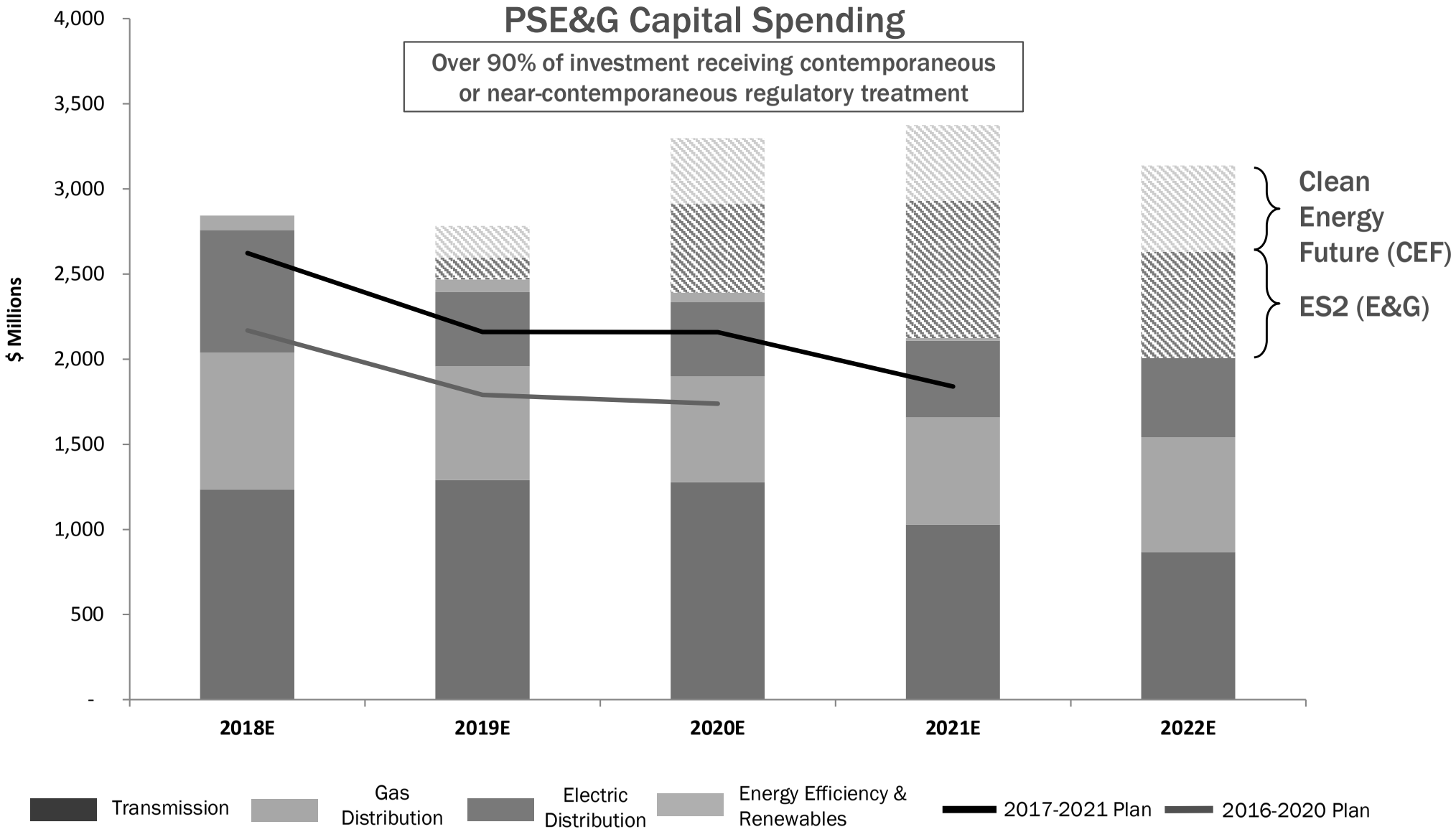
5-Year Compound Annual
Growth of **13%** in Net Income
and Rate Base

Leader in
NJ Clean Energy
Investment

PSEG

SI-SSA-0015-06151

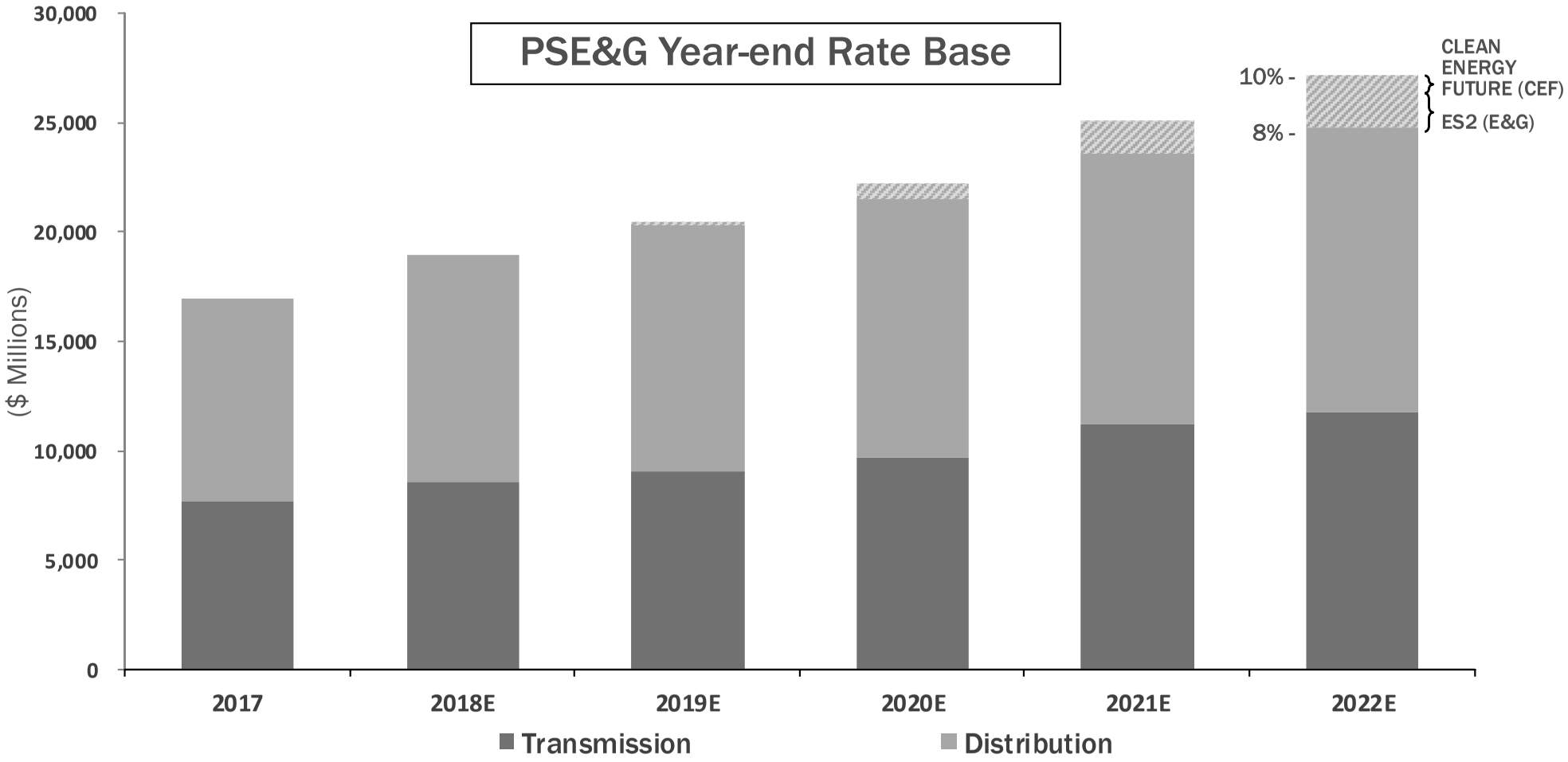
$12B-$15.5B investment program focused on grid modernization, reliability and clean energy



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-06152

Expanded utility investment program of $12B - $15.5B provides opportunity for rate base growth of 8% - 10%



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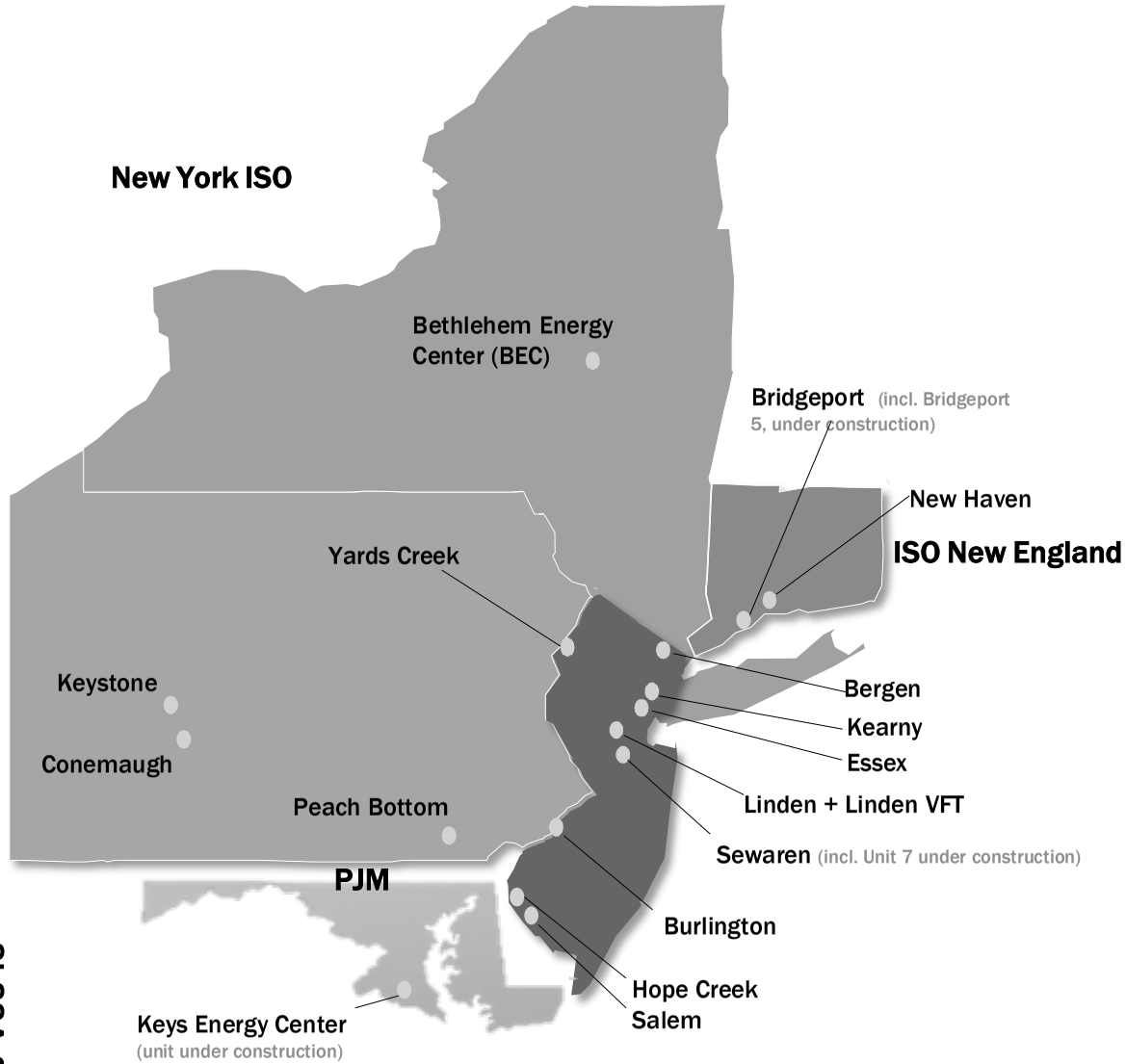
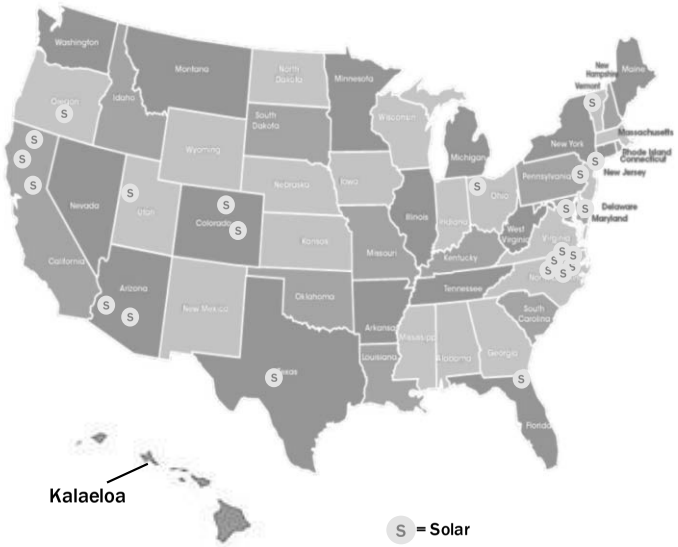
E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

Power's generating assets mainly located in three competitive markets





- Power Ventures assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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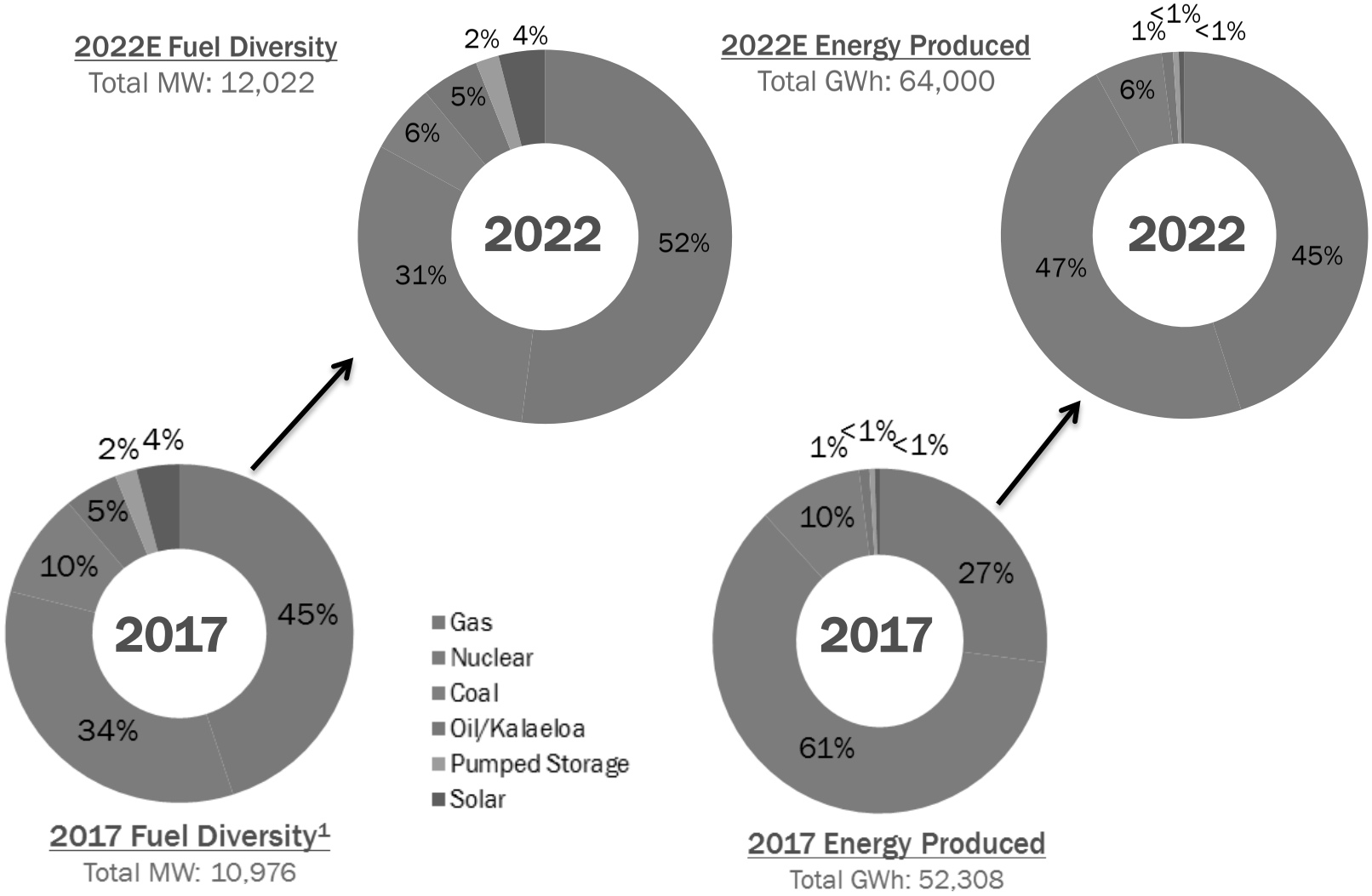
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-06155

PSEG

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filing Shortly

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage and EVs

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform expected in 2018

SI-SSA-0015-06156

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ Starts a 330-Day process – NJ Board of Public Utilities to determine eligibility and selection of nuclear plants eligible for ZECs
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

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PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication; AMI Regulated Renewables

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NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

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Partnership for a Clean Energy Future:

~$2.9 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Battery Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Battery Storage	$0.1
Investment Total	$2.9

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of decoupling
- Expect to file in the near-term

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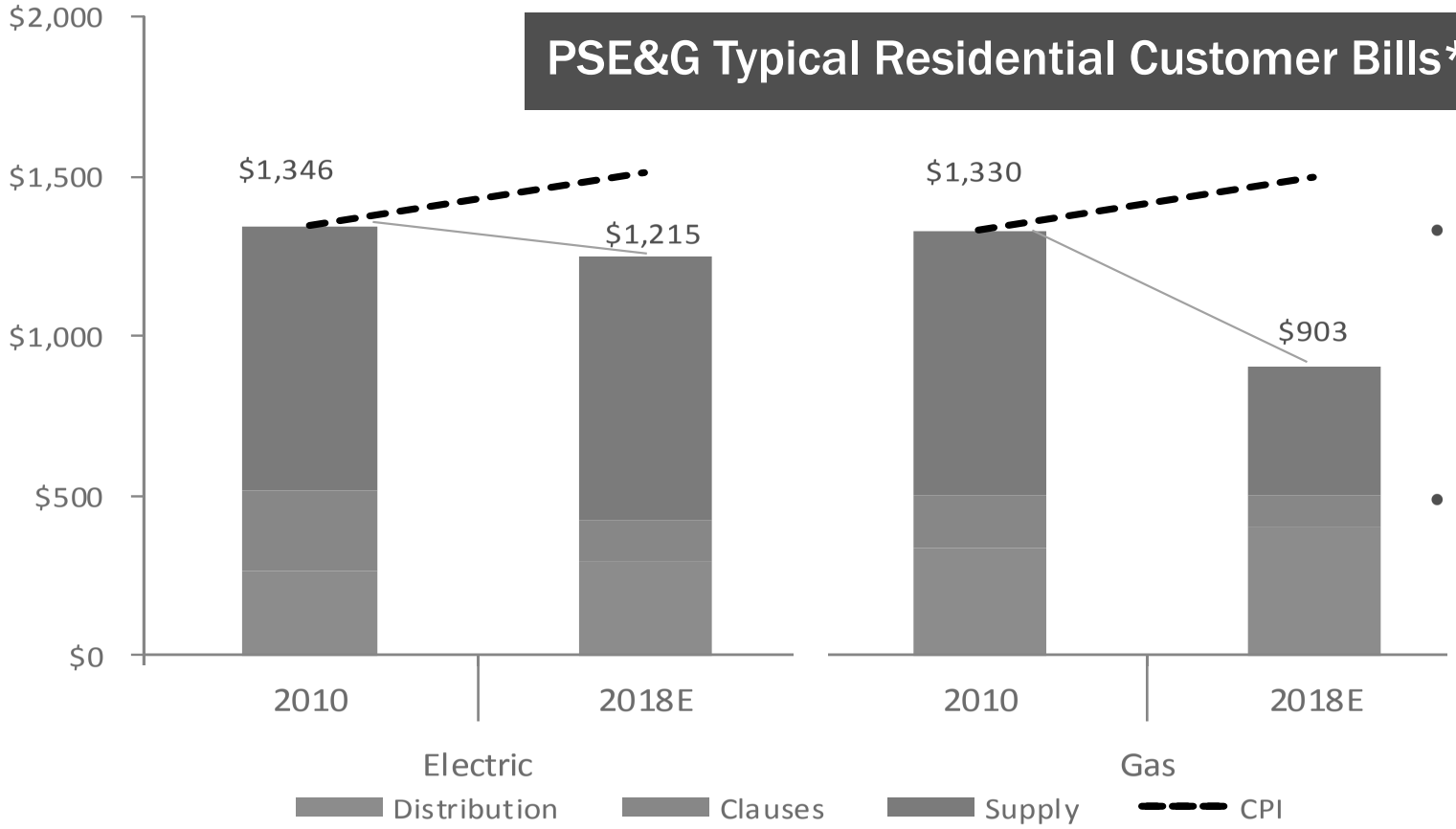
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

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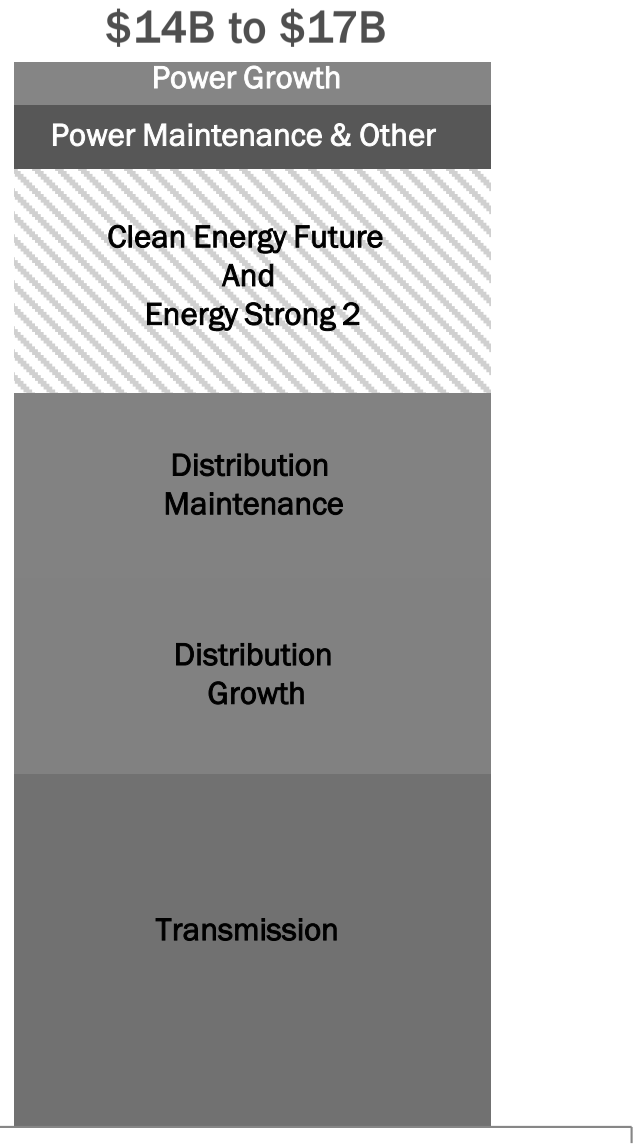
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending



Investment in regulated business represents ~90% of capital program

CAPITAL INCLUDES IDC AND AFUDC
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E=ESTIMATE

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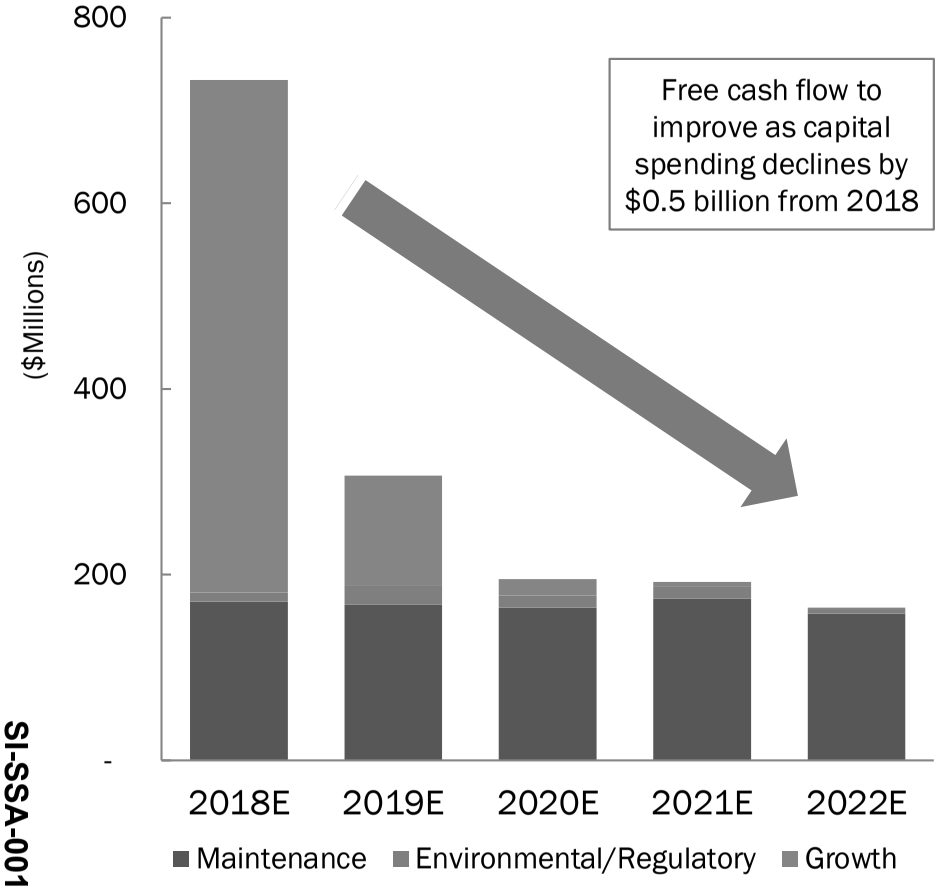
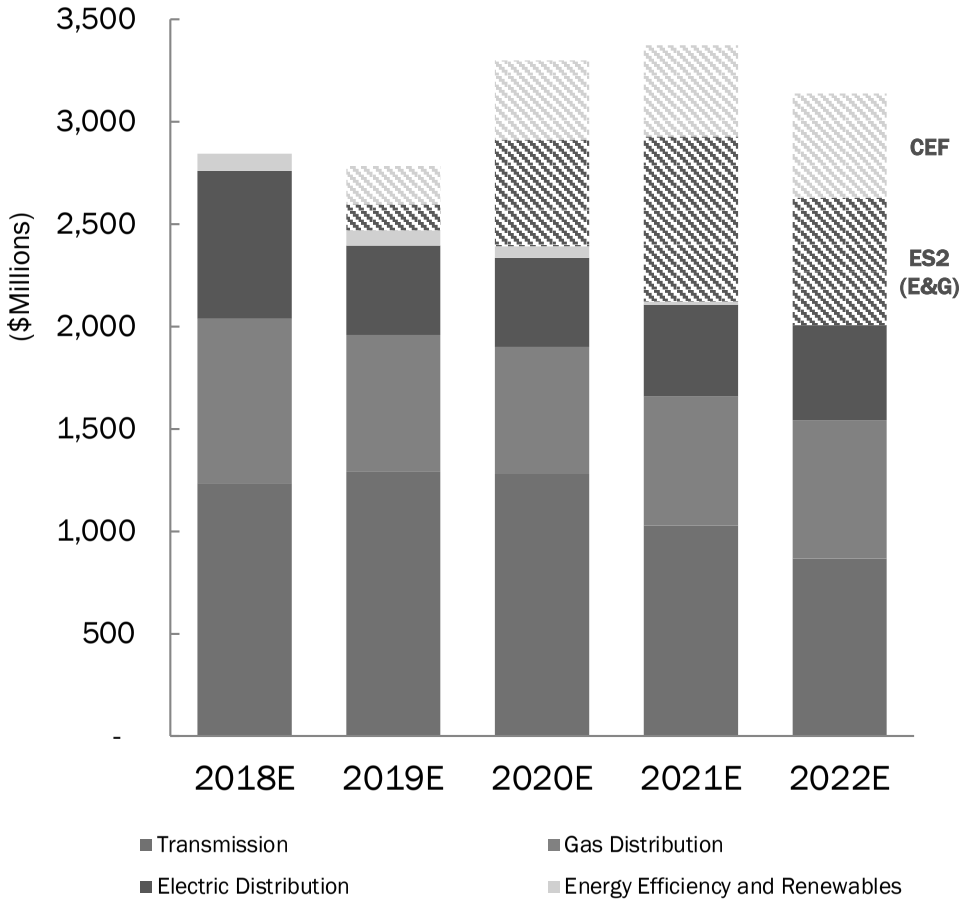
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE
2) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E = ESTIMATE.

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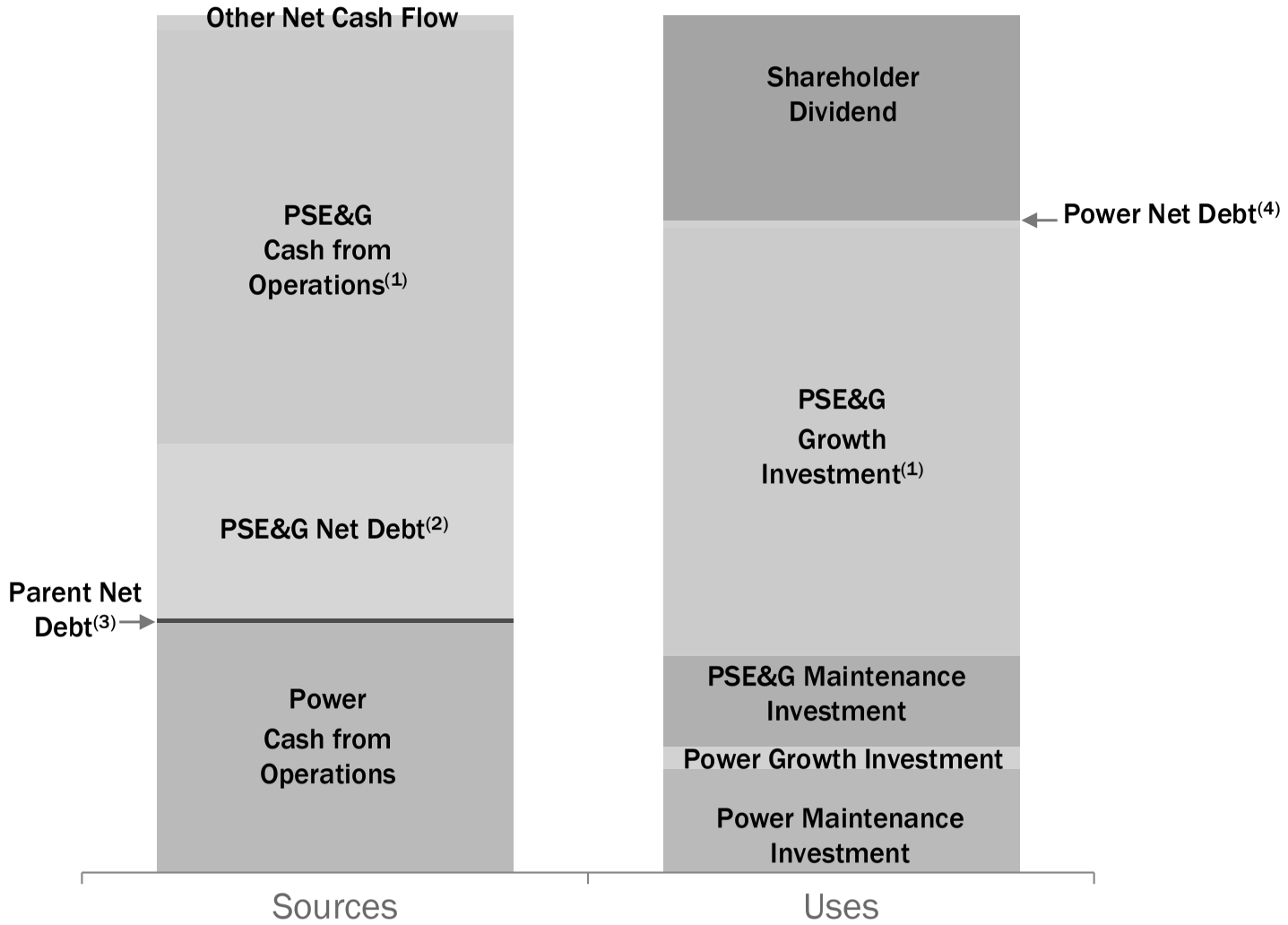
PSEG Cash from Operations exceeds investment

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) ADJUSTED TO SHIFT CUMULATIVE CLEAN ENERGY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
4) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING

E = ESTIMATE

SI-SSA-0015-06164

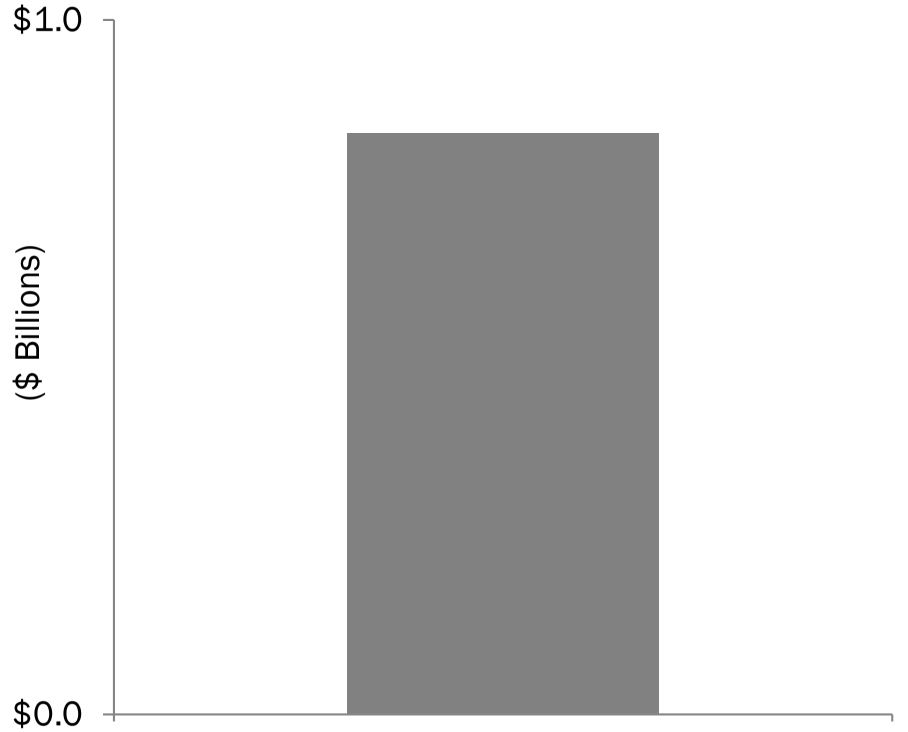
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

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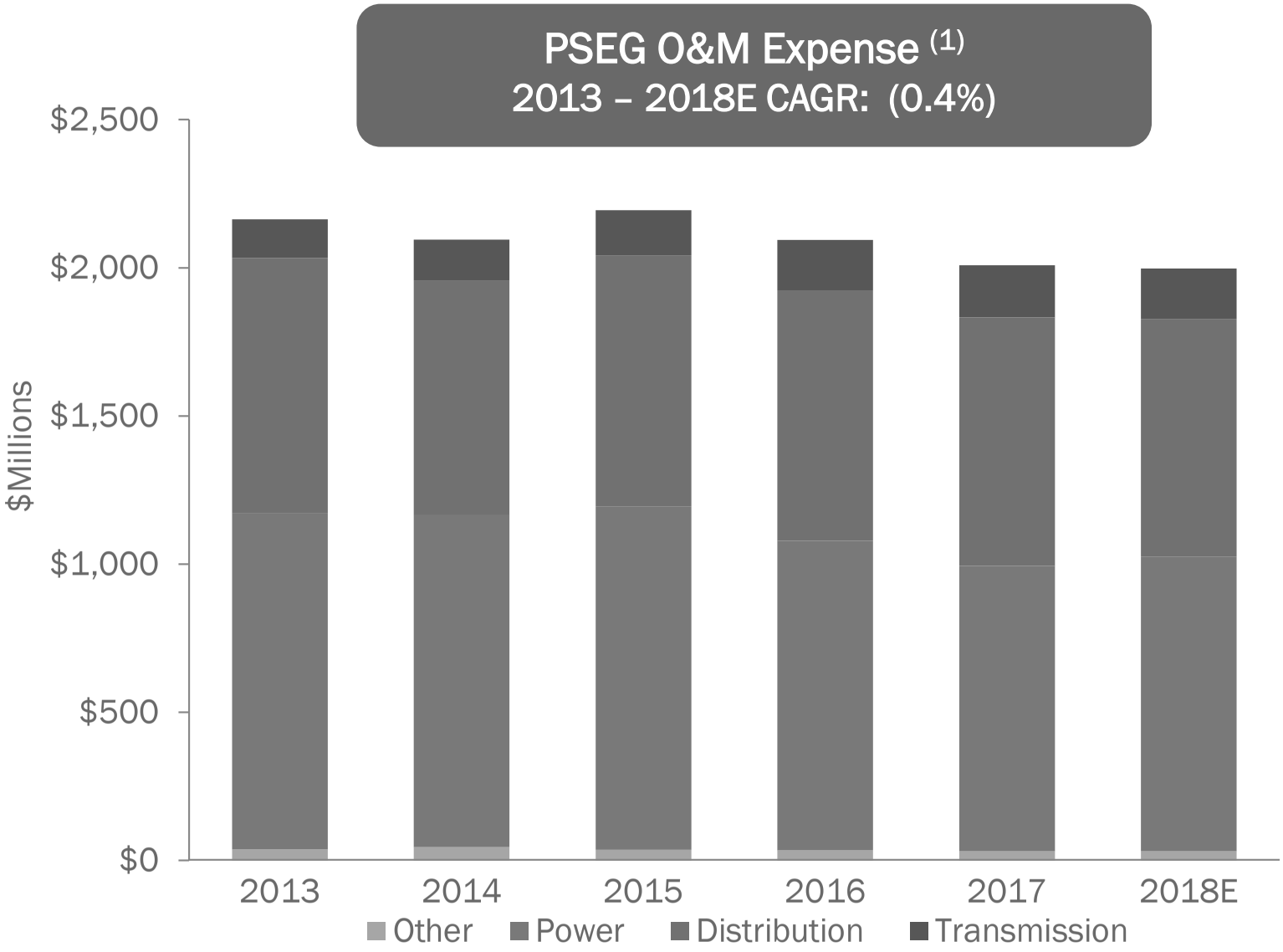
PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

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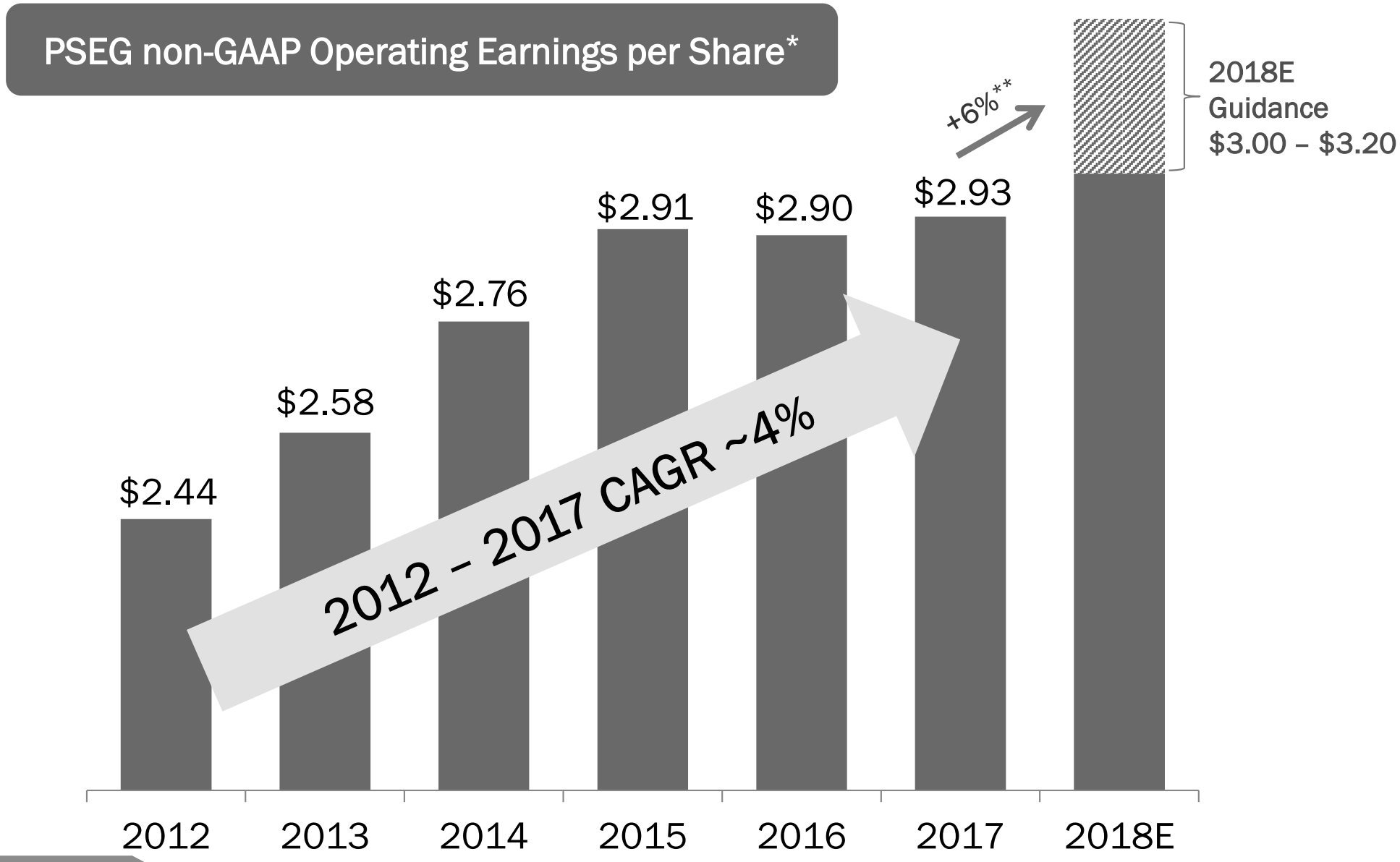
Strategic focus continues to deliver solid results



*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE AS OF 5/31/2018.
E = ESTIMATE.

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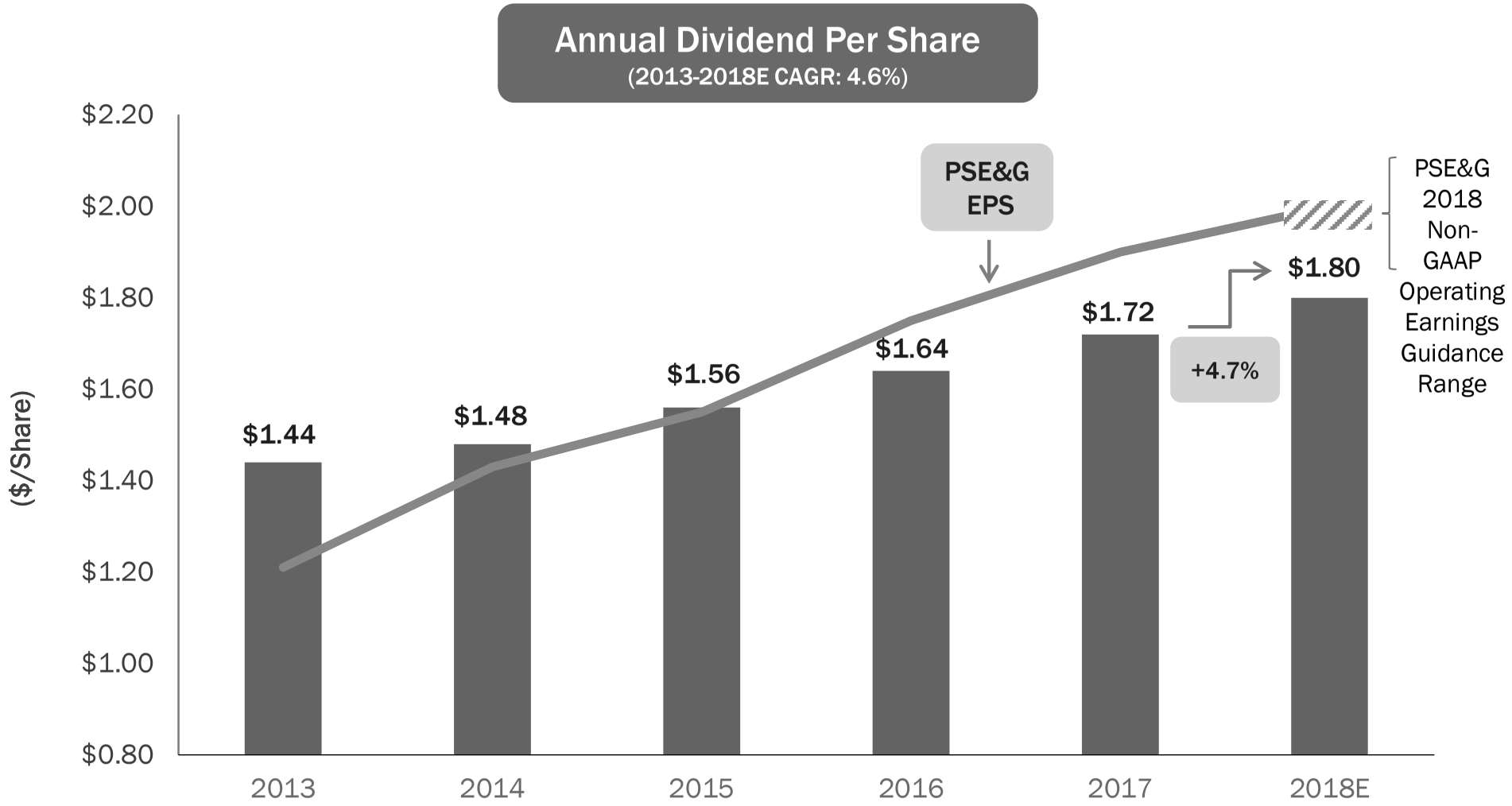
Opportunity for consistent and sustainable dividend growth



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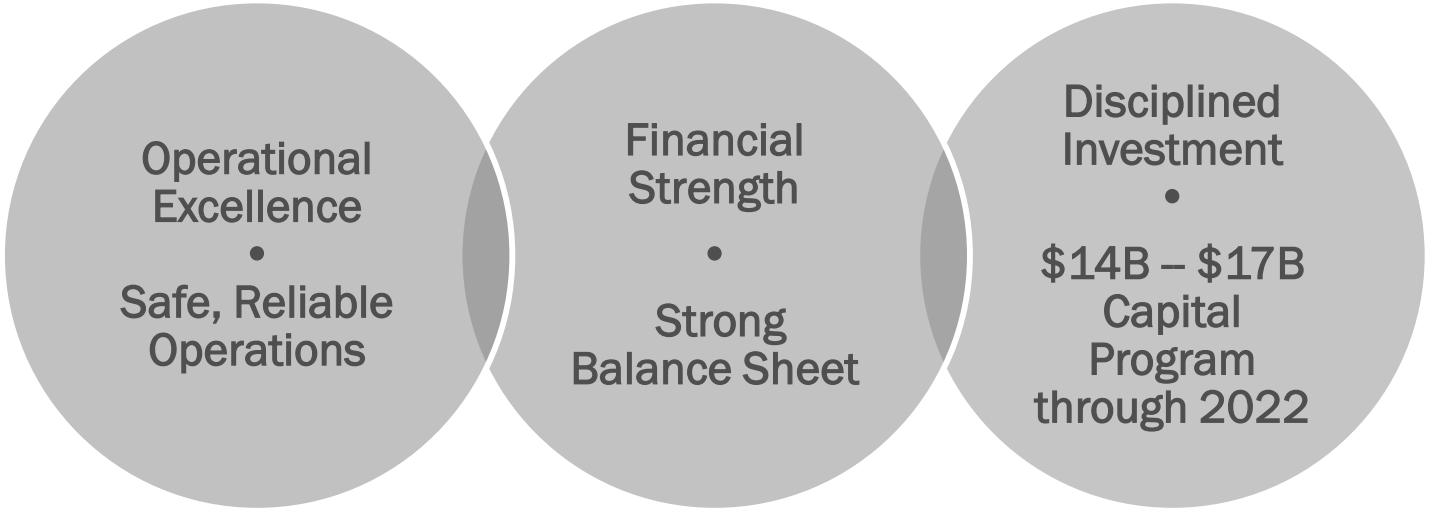
E=ESTIMATE.

PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-06170

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-06171

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Investor Summary

CAPITAL GROUP – CAPITAL WORLD • PM MEETING
NEW YORK • NOVEMBER 15, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06173

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-06174

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of October 31, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-06175

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

SI-SSA-0015-06176

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

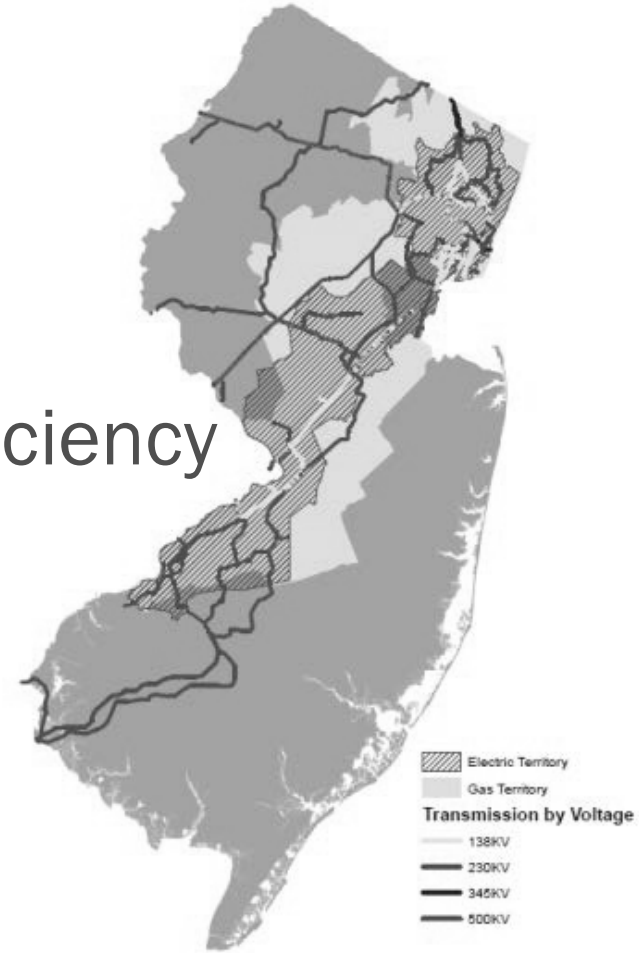
SI-SSA-0015-06177

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

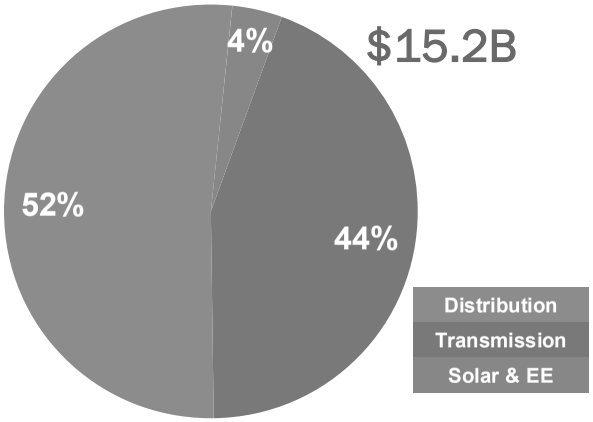
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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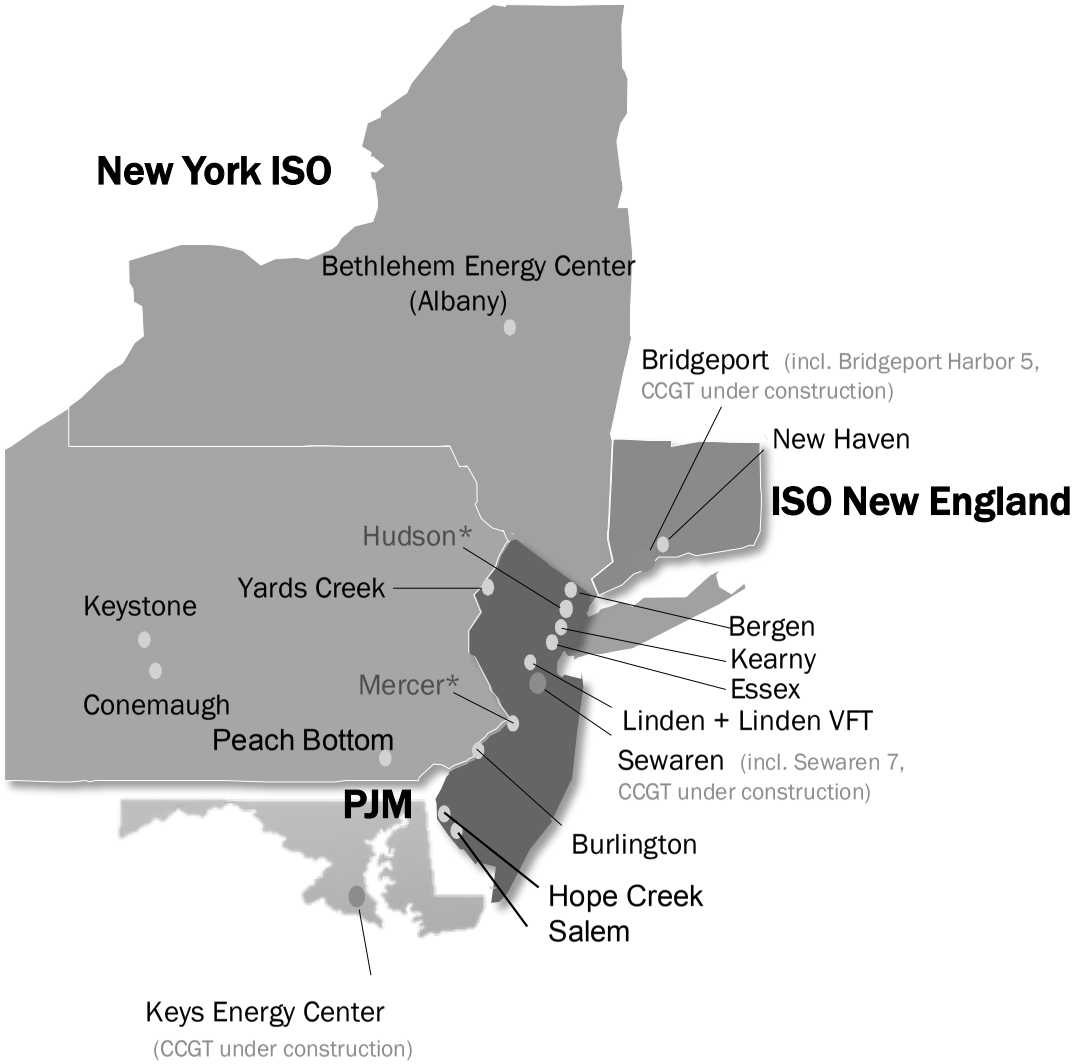
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing by one month to no later than December 1, 2017

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- A final BPU decision on the Infrastructure Investment Program (IIP) providing for 5-year investment programs is expected by year-end
- PSE&G preparing a multi-year extension filing for Energy Strong in coming months
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- FERC/PJM considering DOE Notice of Proposed Rulemaking (NOPR) issues of Price Formation and fuel-secure resource preservation

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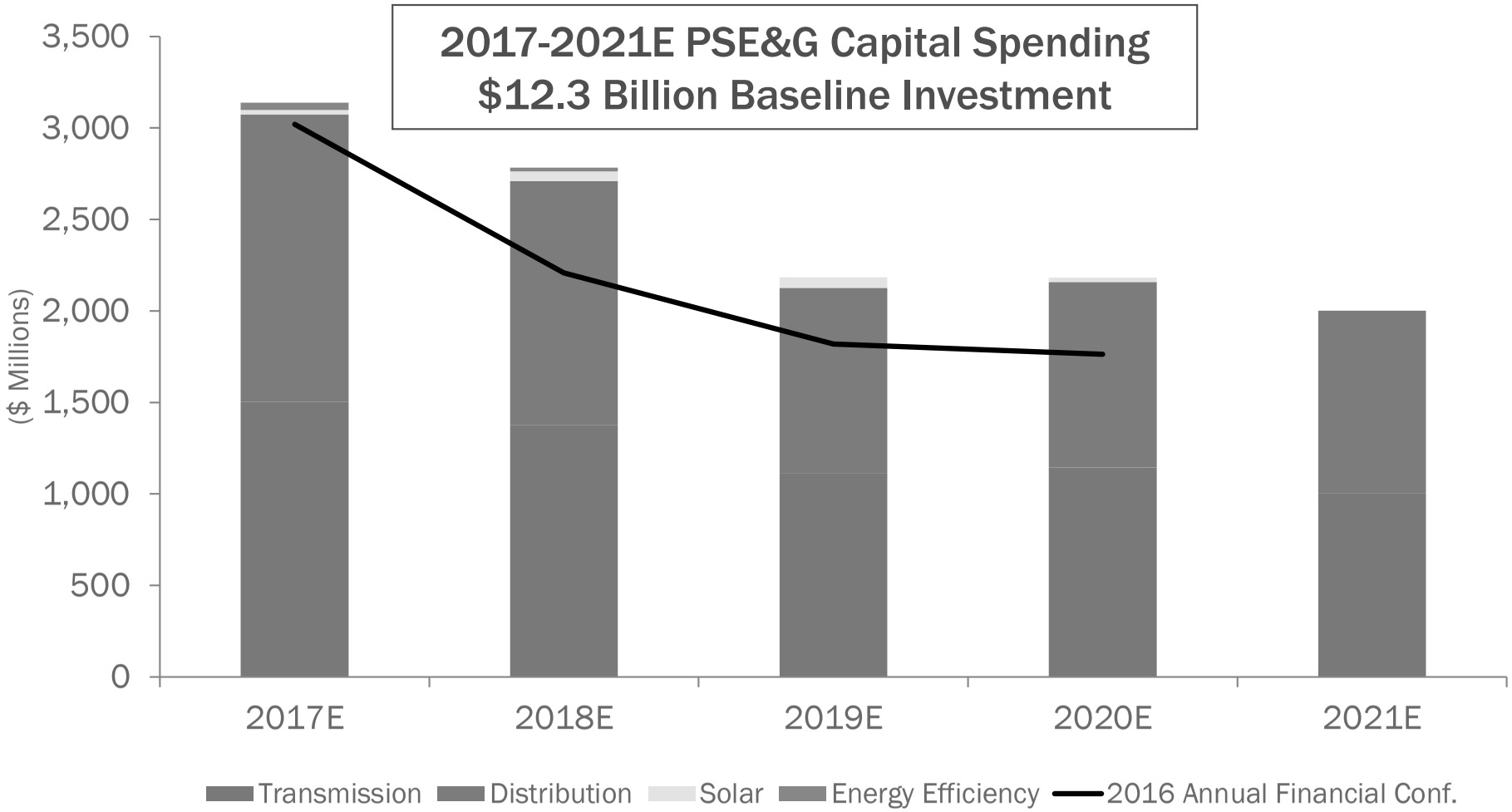
Baseline programs yield 7% compound annual growth in rate base



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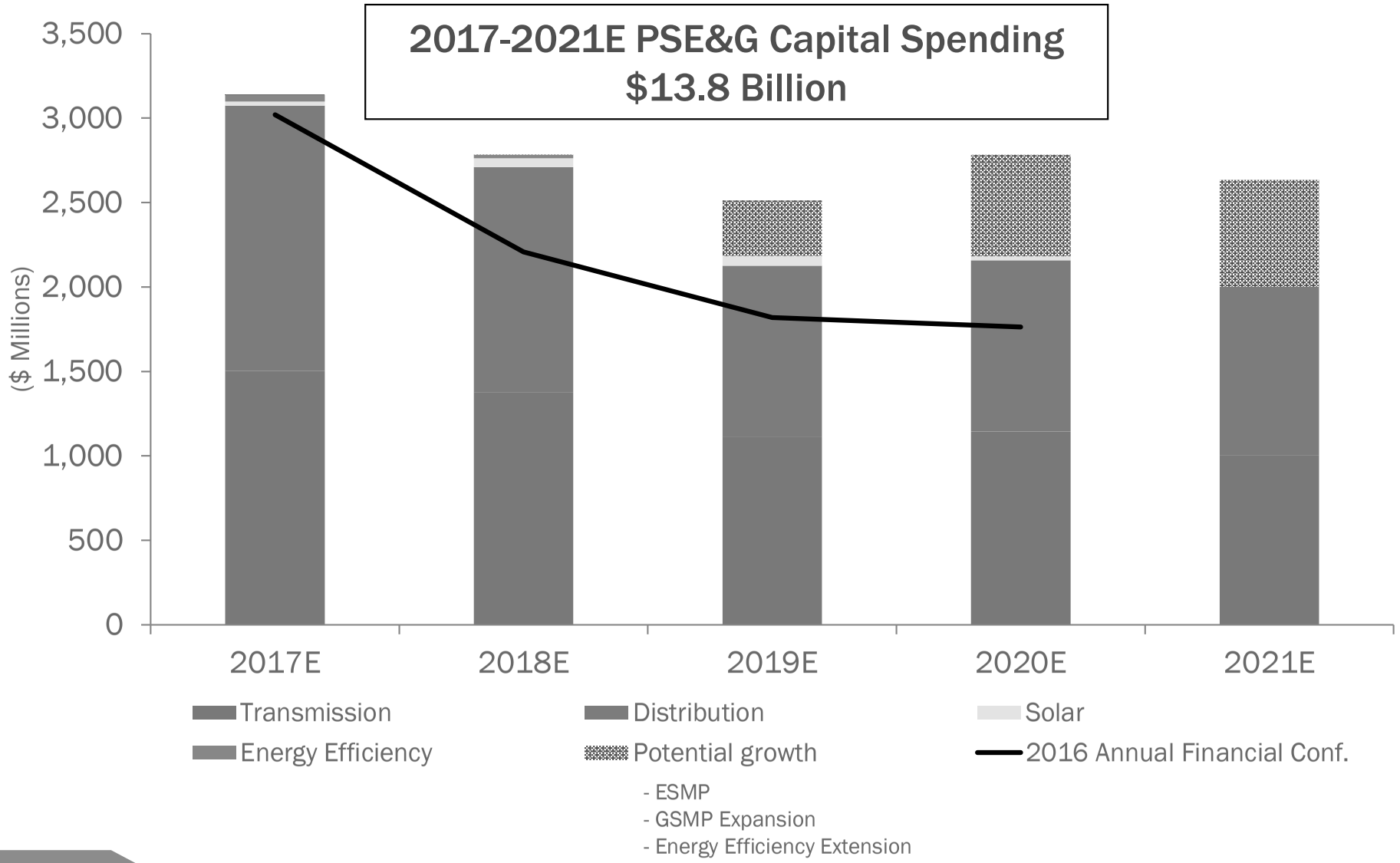
PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

Expansion/Extension of PSE&G's existing

baseline programs yield increasing confidence in ~9% rate base CAGR



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PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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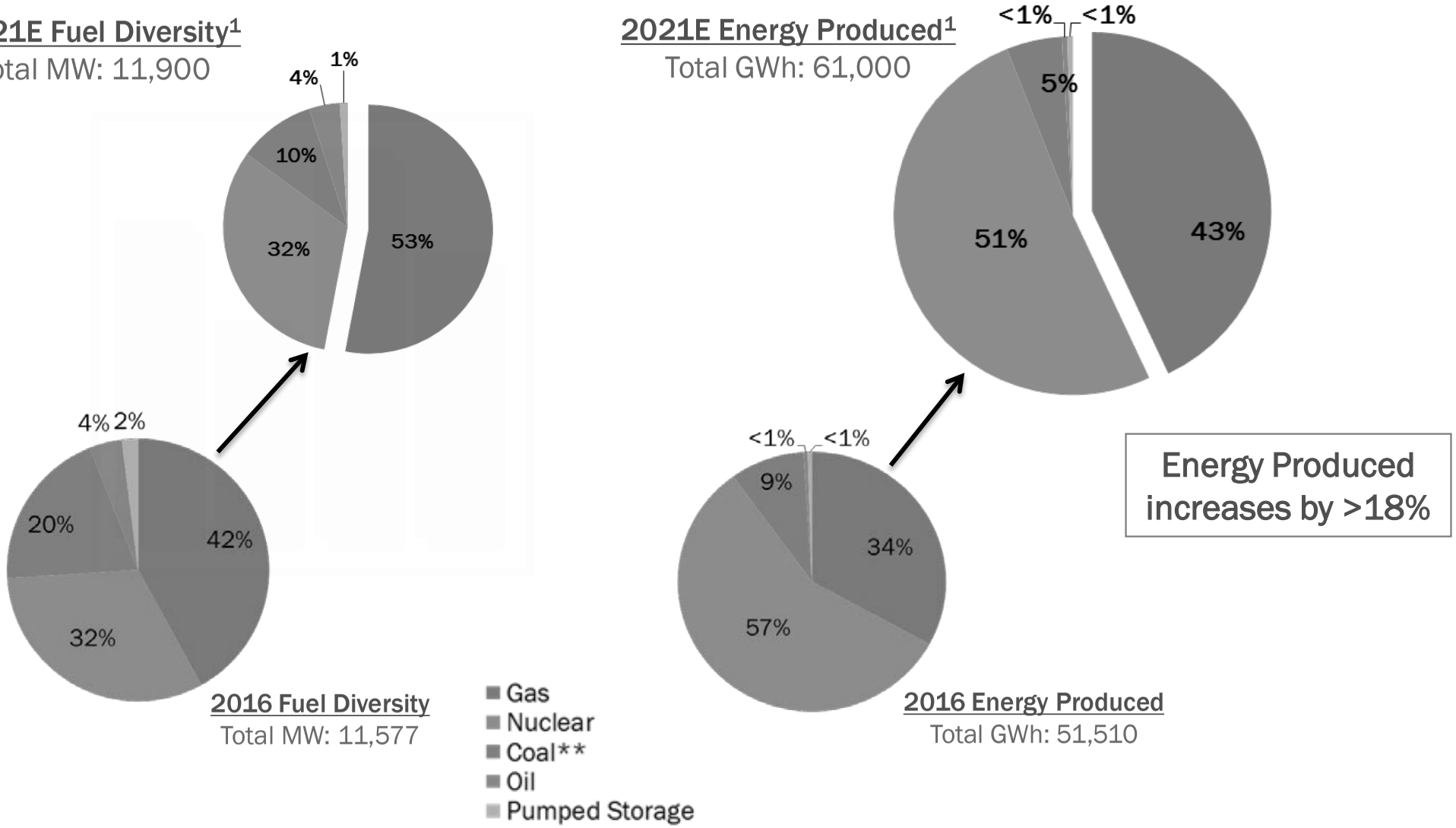
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

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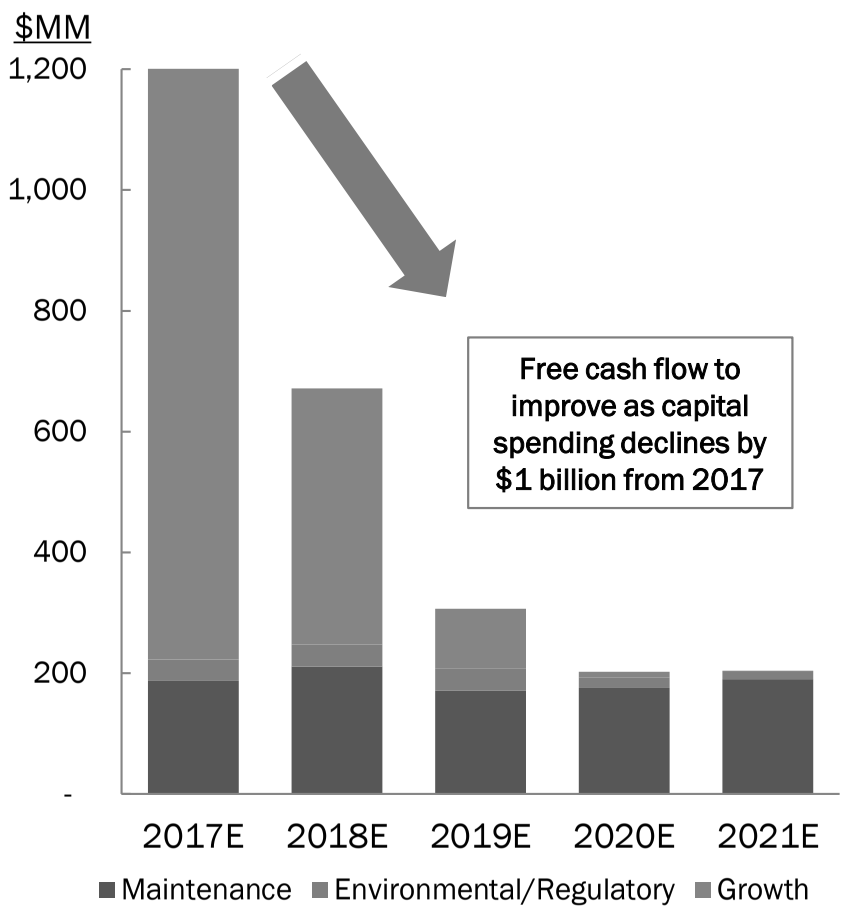
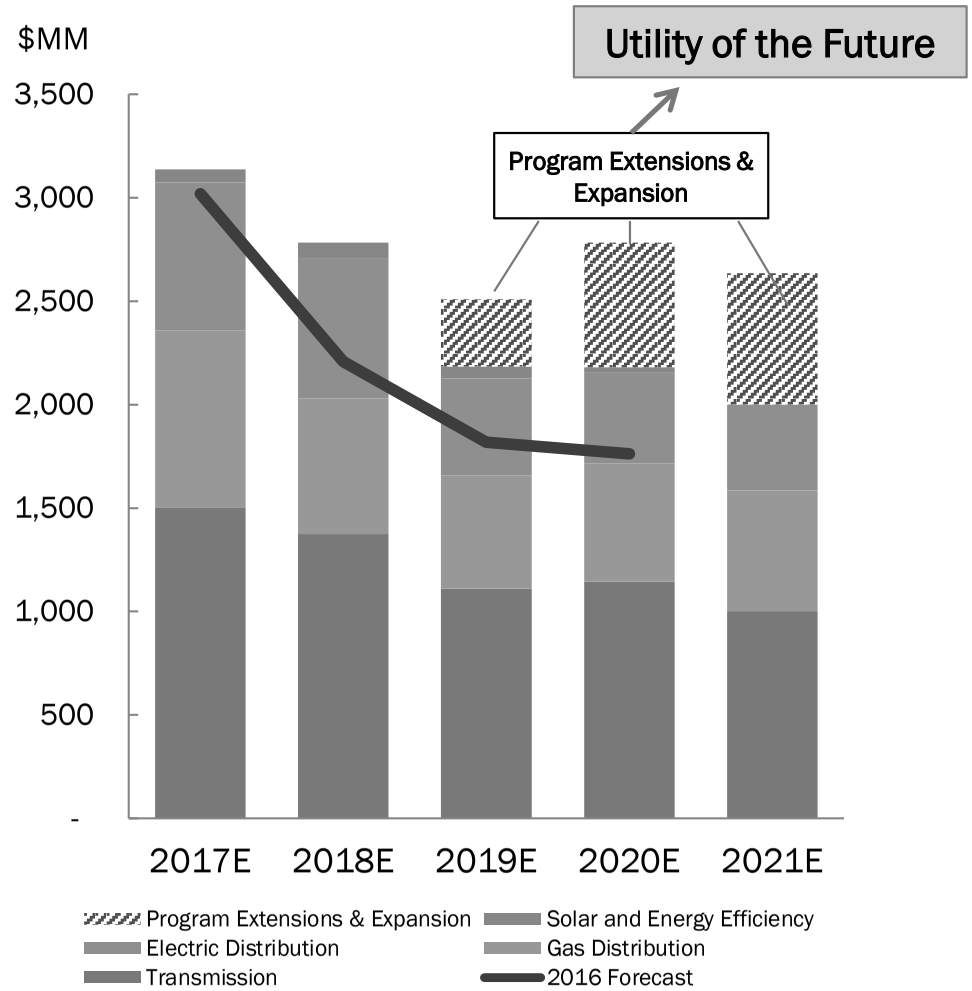
PSEG

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

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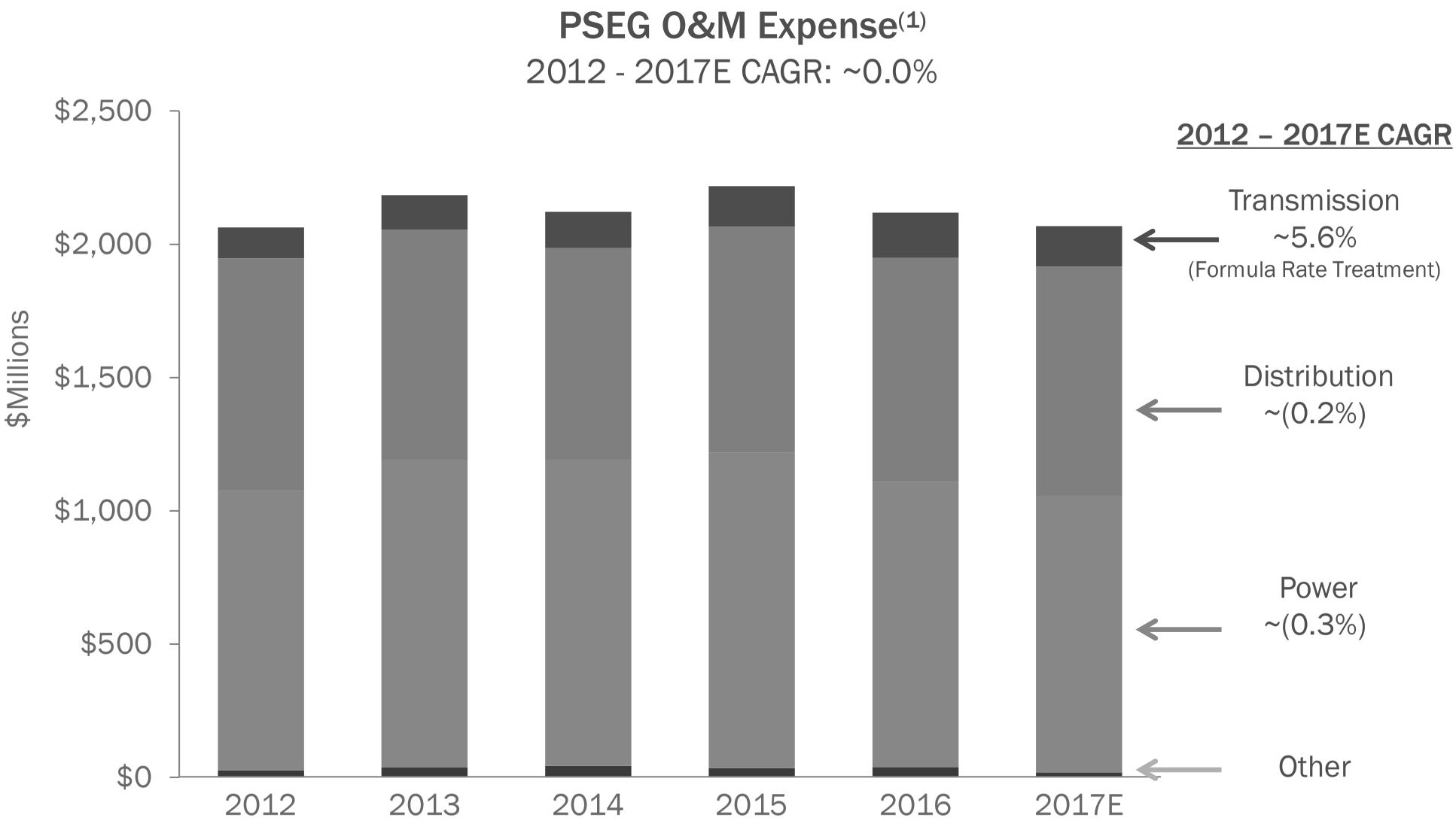
PSEG has demonstrated an ability to control O&M



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PSEG

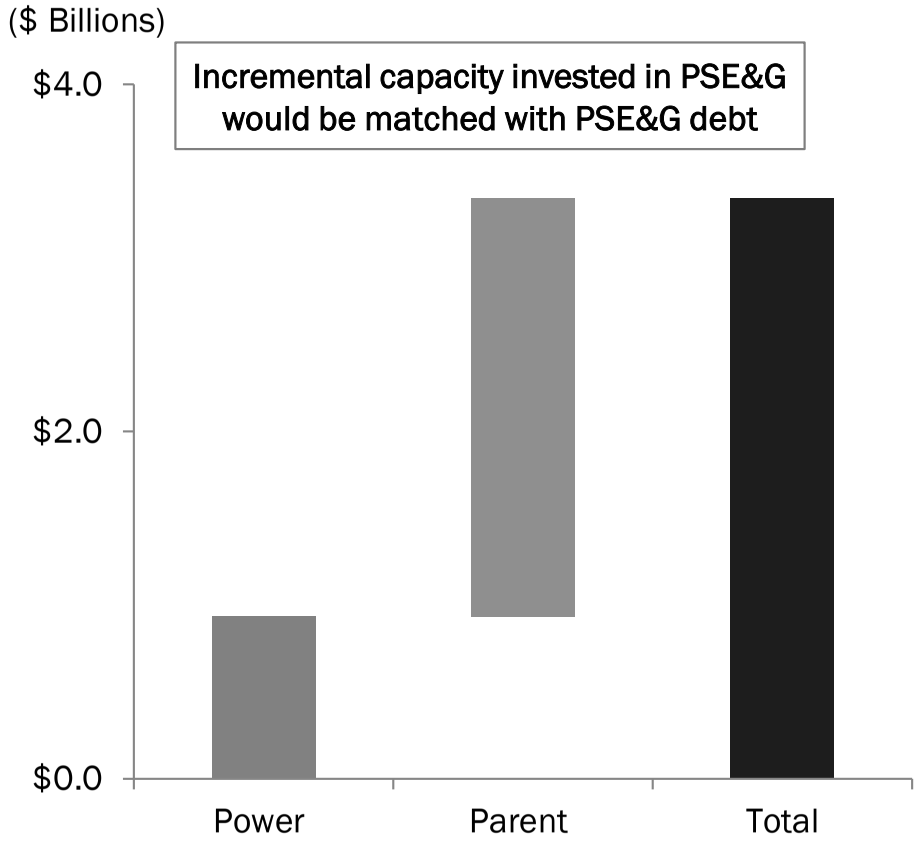
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Credit metrics remain strong as we fund growth and transition from bonus depreciation

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Existing bonus depreciation provision providing ~$300M in Funds from Operations in 2019 set to expire; this represents investment capacity of ~$1.8B

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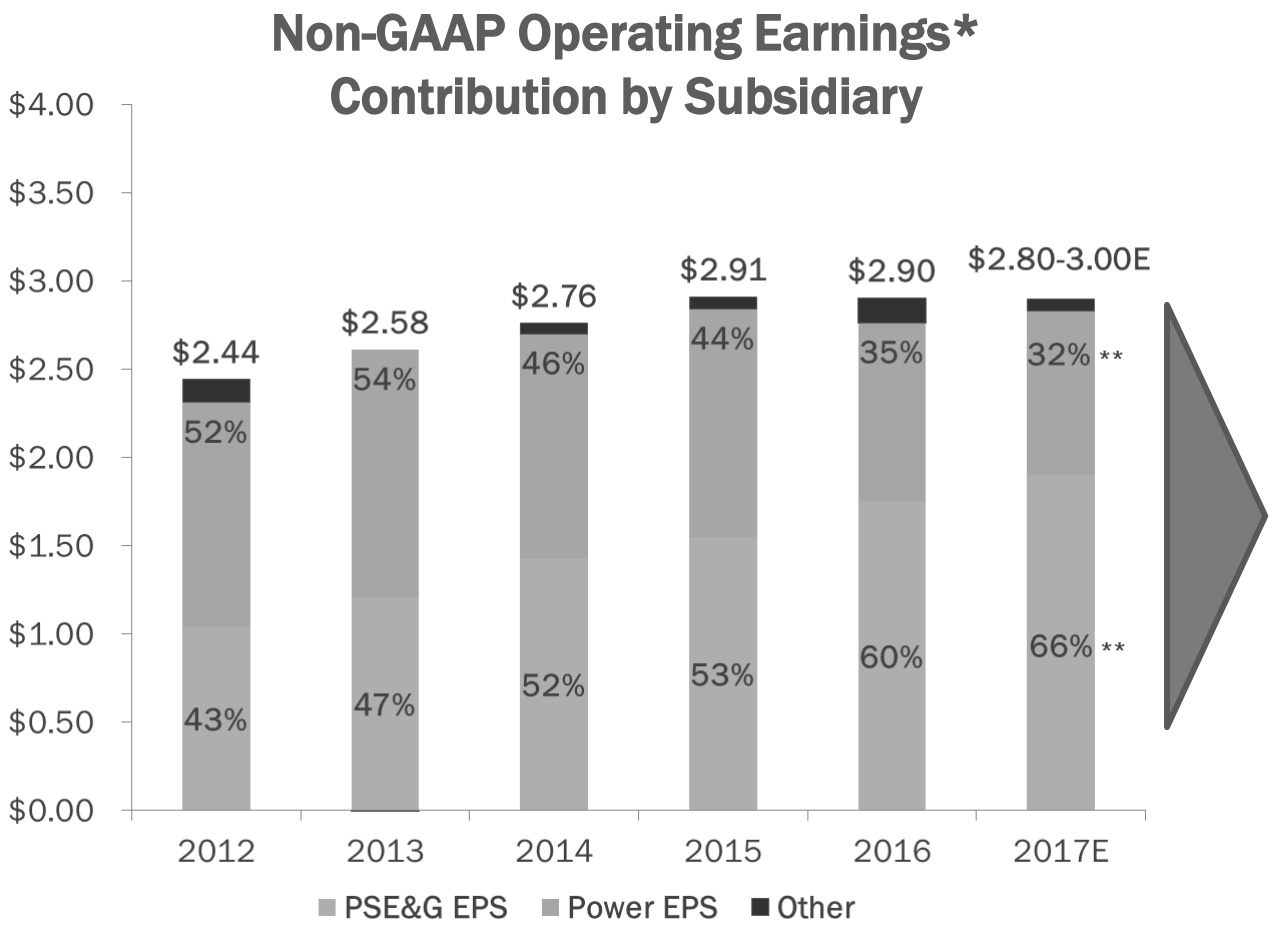
E=ESTIMATE.

2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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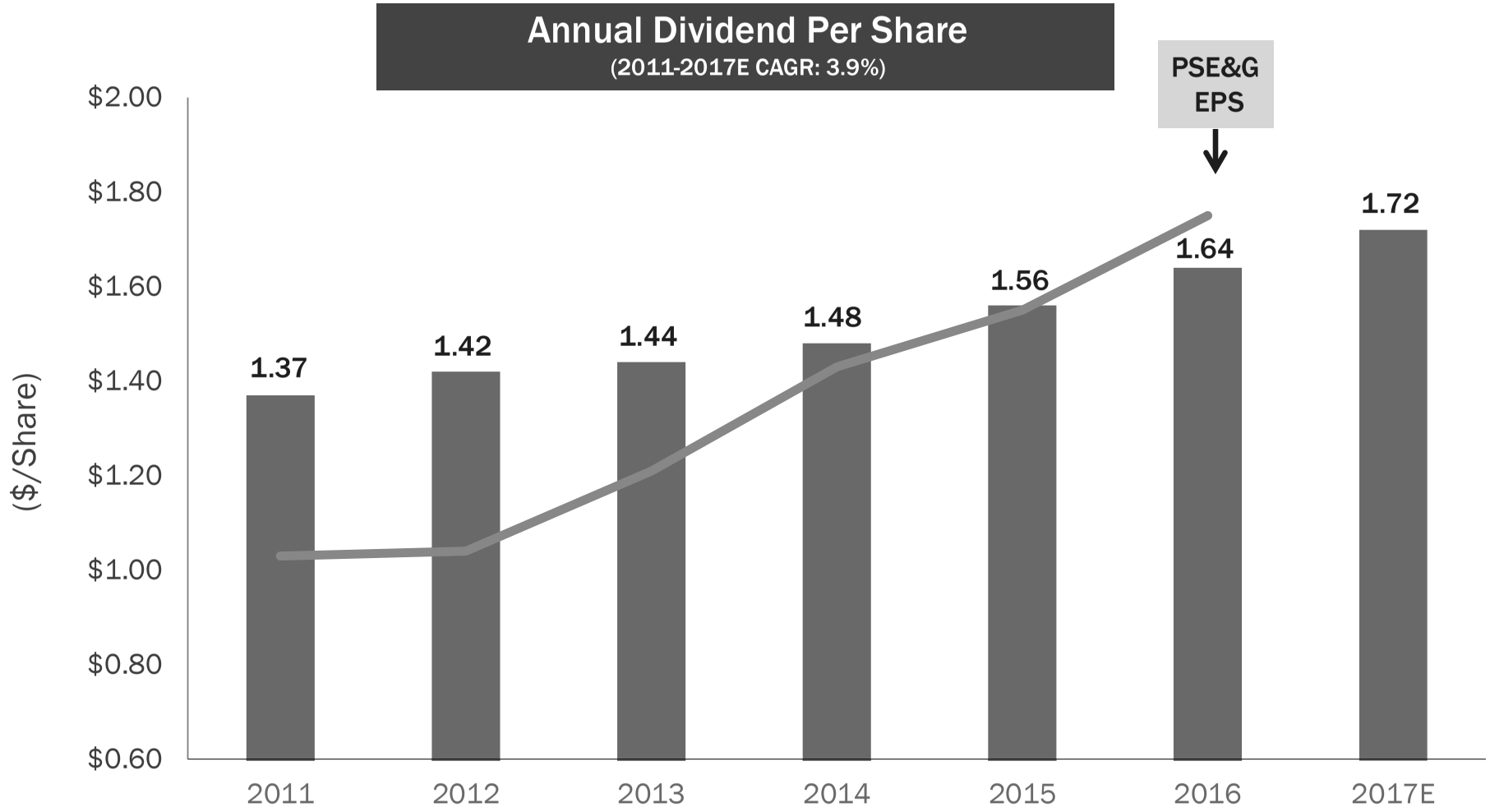
PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-06190

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-06191

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

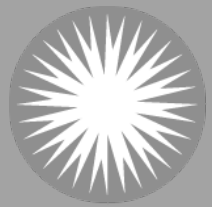
PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Citi – 2014 Global Energy and Utilities Conference

BOSTON – MAY 14, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06193

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-06194

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-06195

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-06196

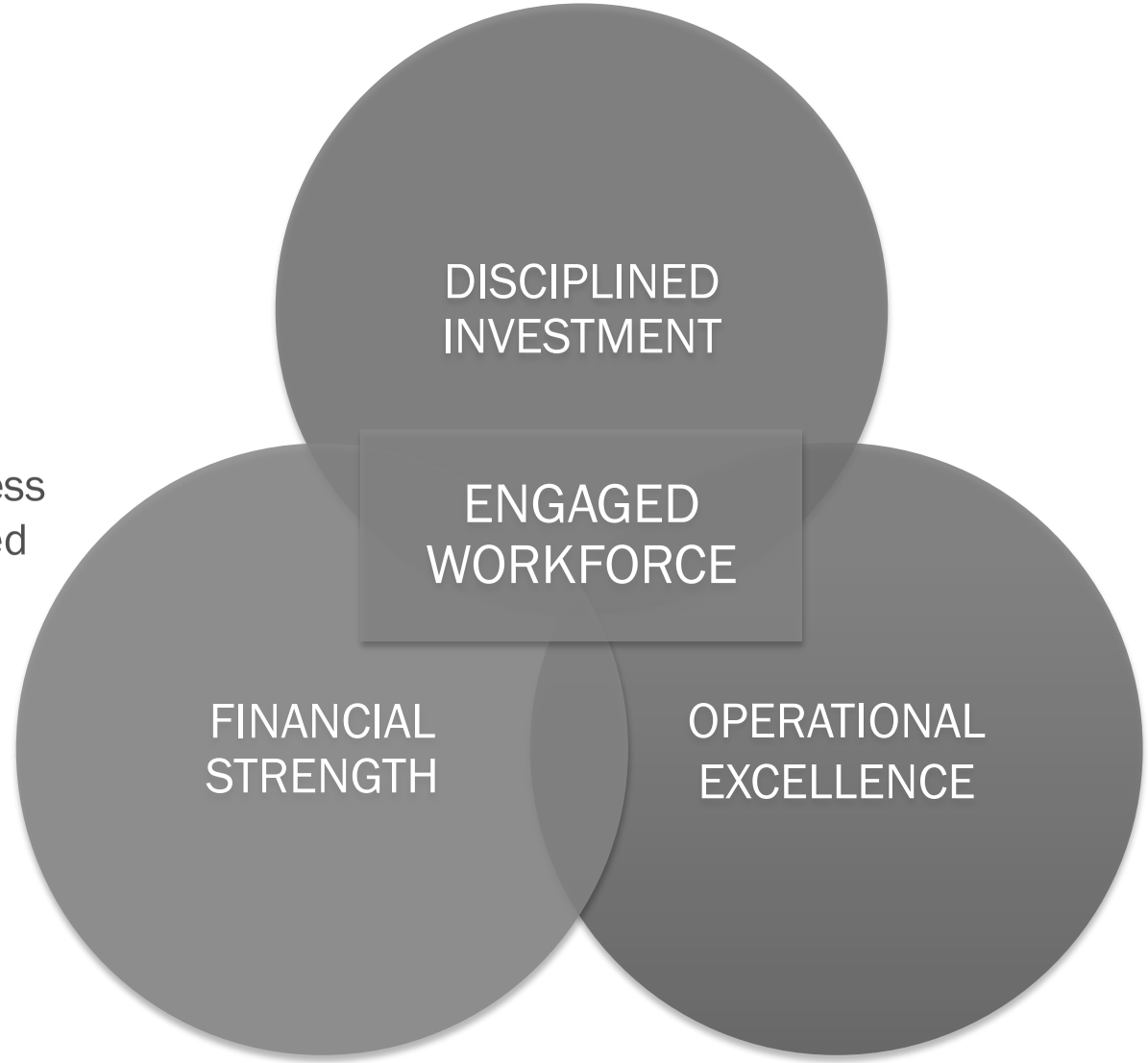
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $11.3 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-06198

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence

- Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year
- PSE&G: Mid-Atlantic Reliability Award (12th consecutive year)
- PSEG Long Island: Went "live" on January 1, 2014
- PSEG: Cost-control benefits continue

Financial Strength

- Strong cash flows supported credit rating increases
- Pension more than fully funded
- Dividend increased

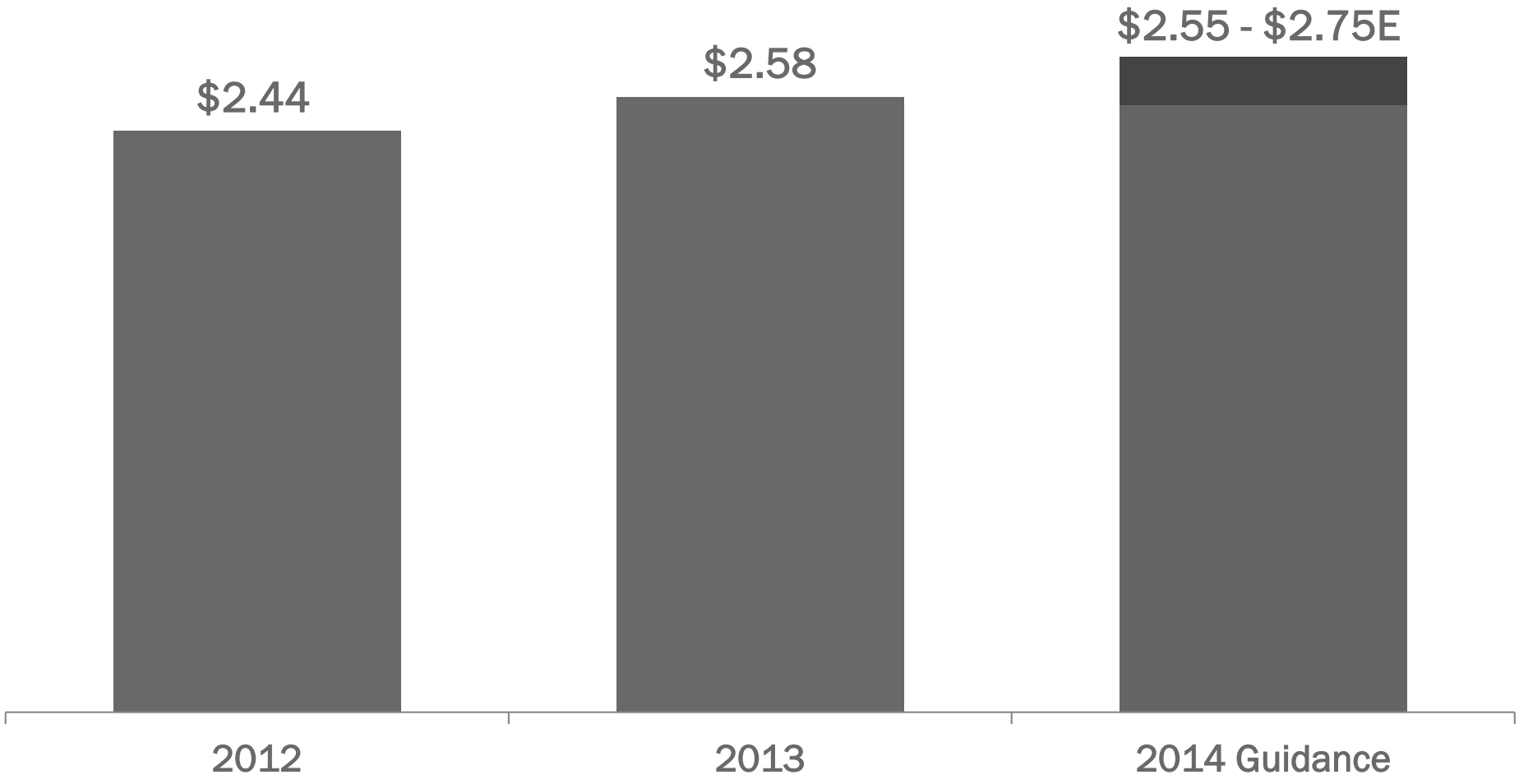
Disciplined Investment

- PSE&G
  - ✓ Transmission capital program execution and growth
  - ✓ Energy Strong settlement
  - ✓ Solar 4 All Extension and Solar Loan III programs
- Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-06199

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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PSEG

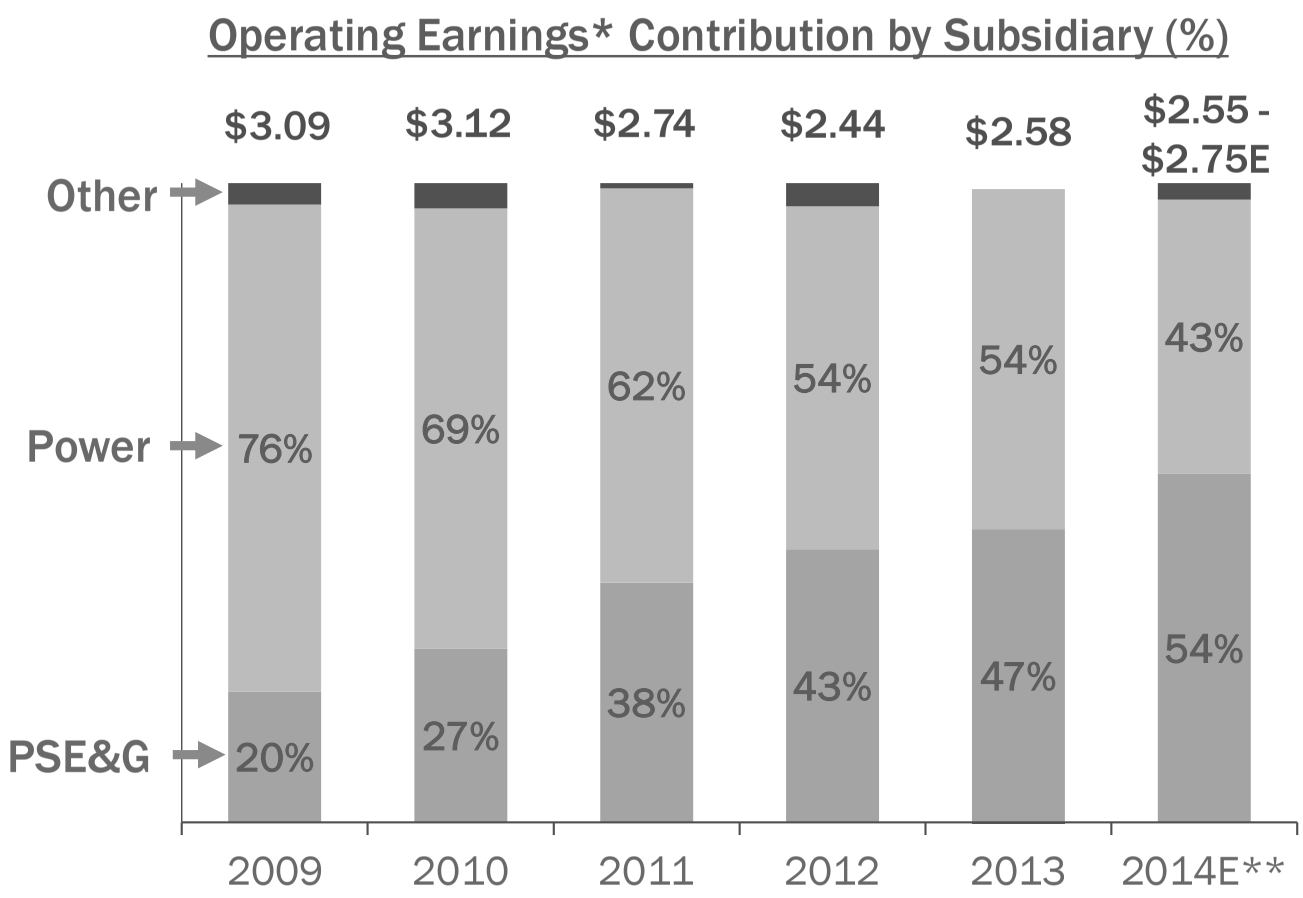
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



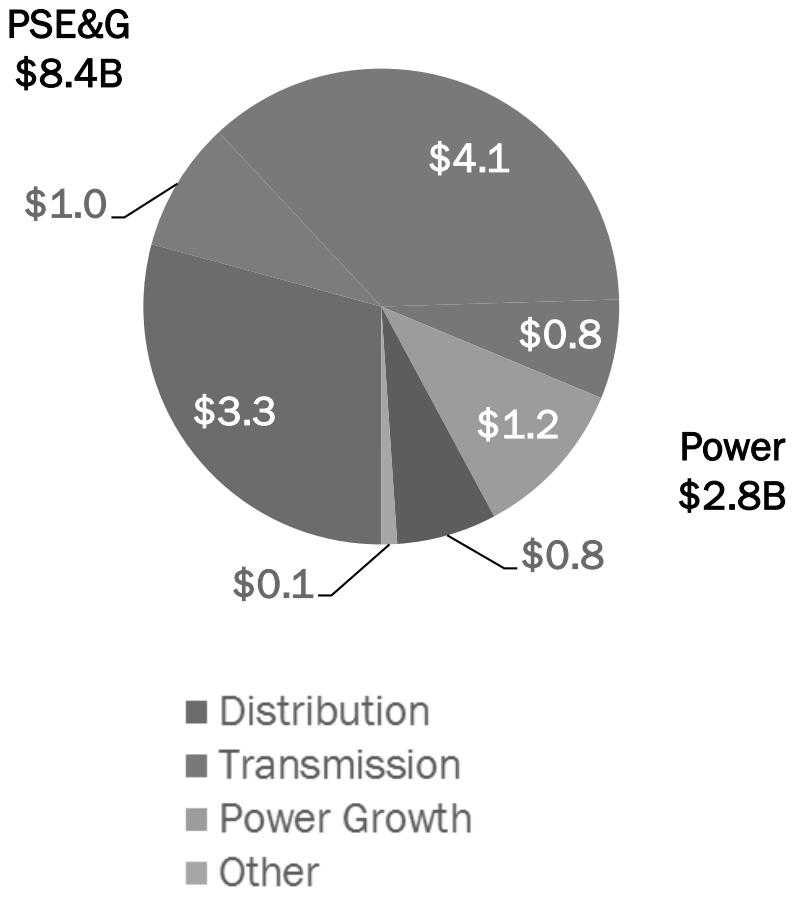
SI-SSA-0015-06201

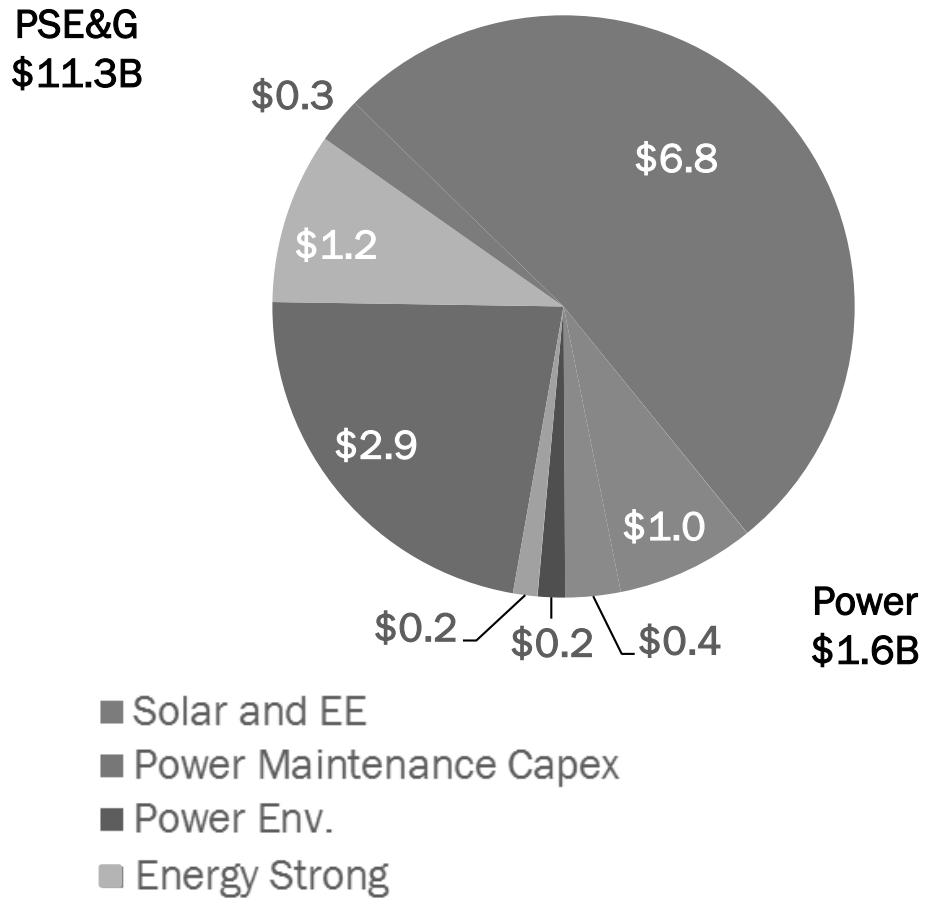
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion



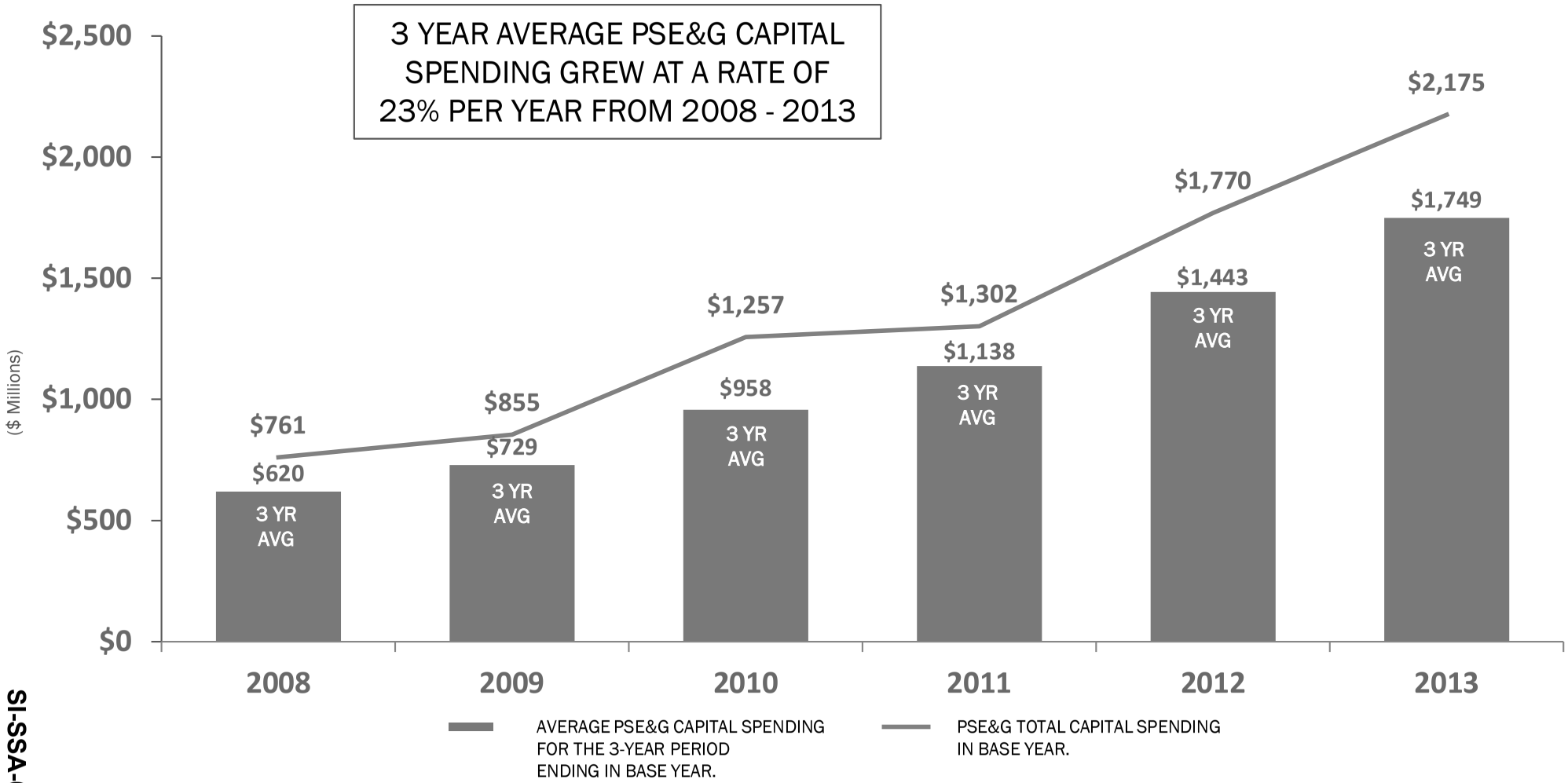


SI-SSA-0015-06202

PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-06203

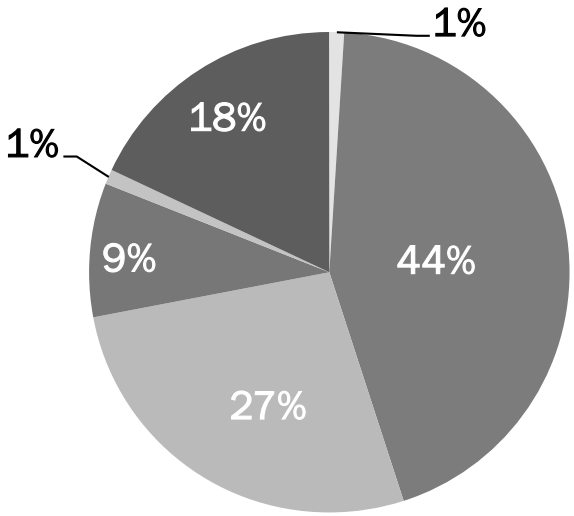
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered through mechanism
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Final NJBPU approval anticipated
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to pursue the initial phase of this robust capital program

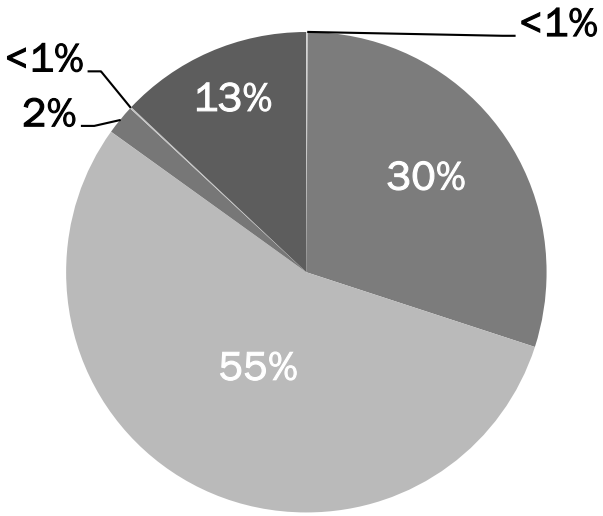
SI-SSA-0015-06204

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

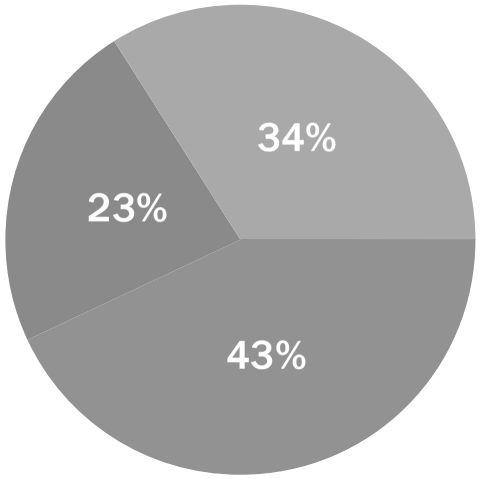
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

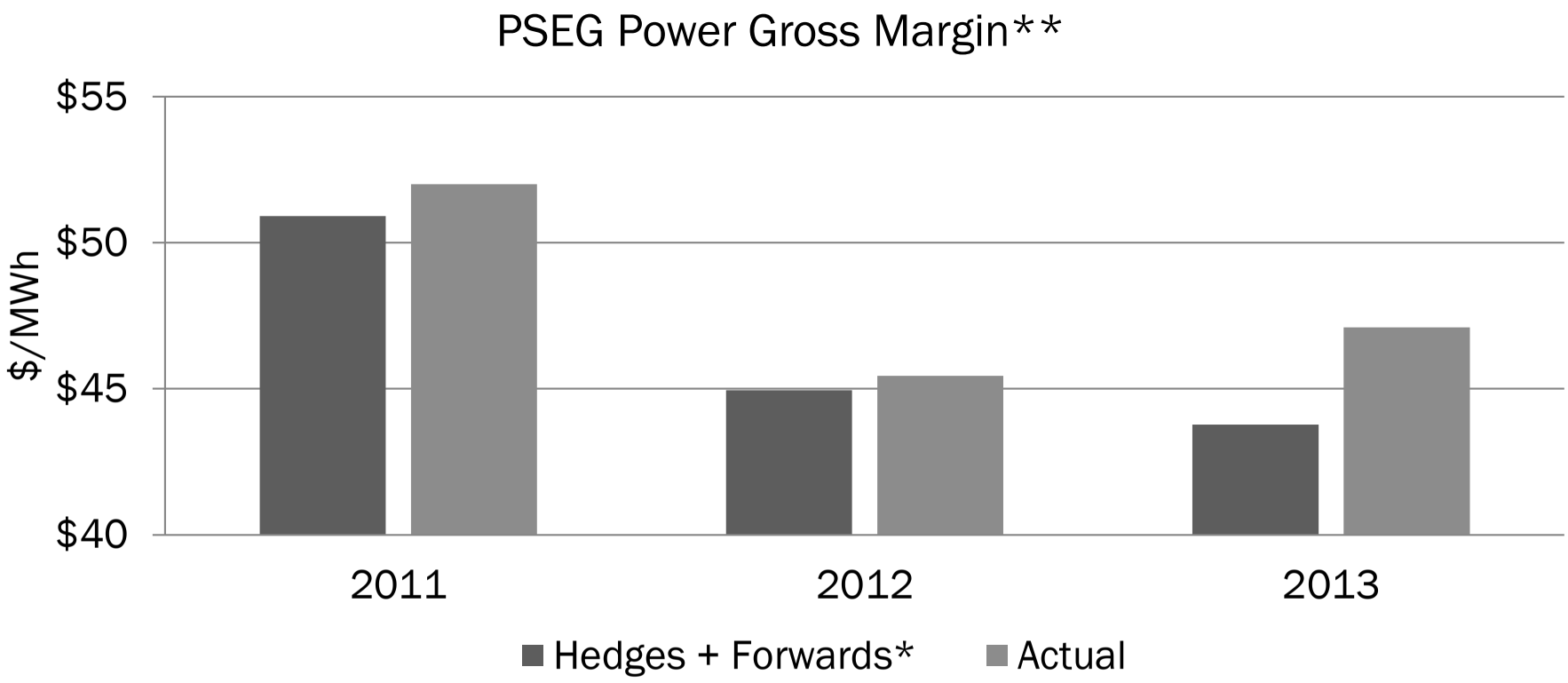


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-06205

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-06206

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-06207

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

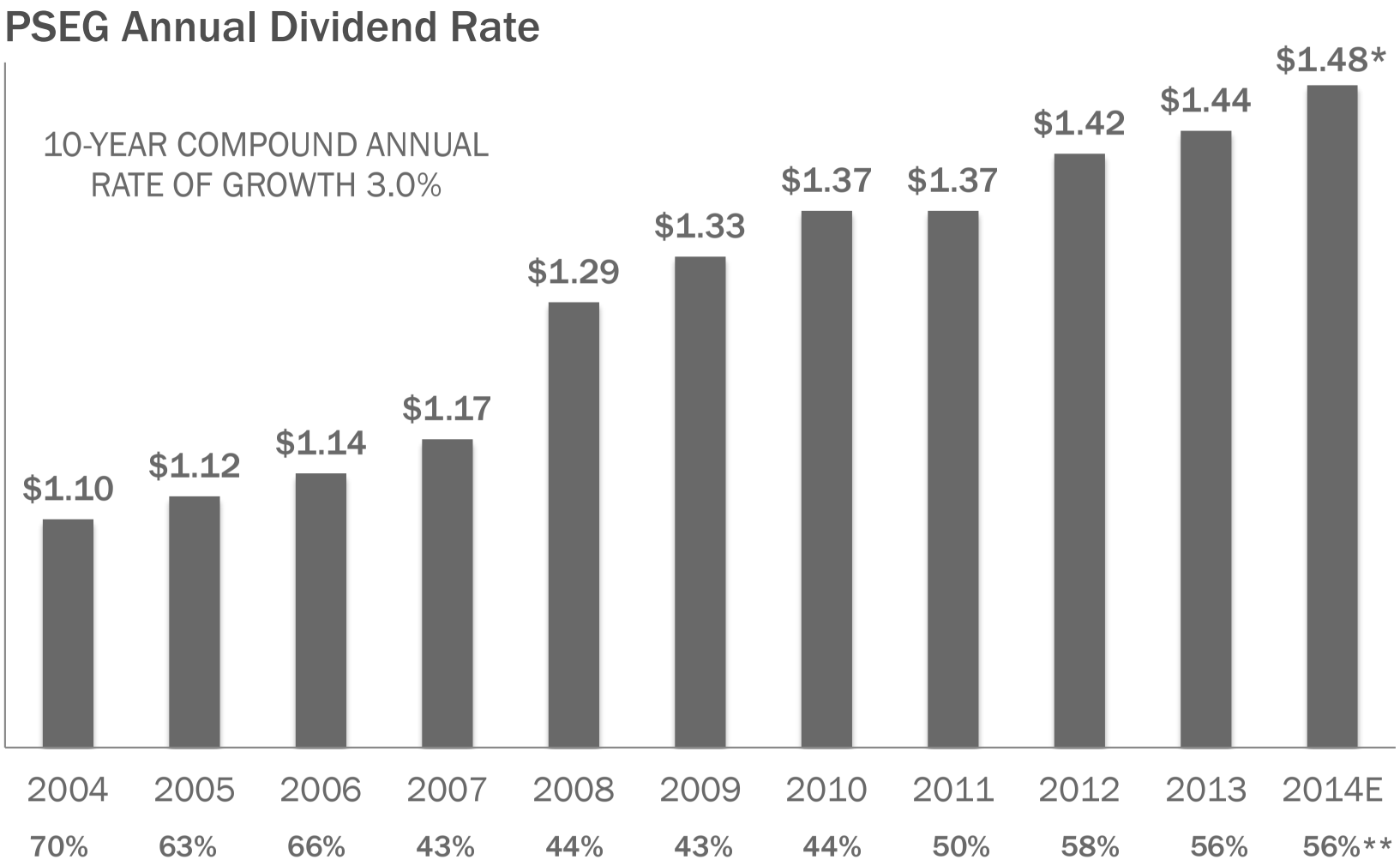
2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$44[6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.7%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $14,600
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $7,500
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 5/7/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-06208

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-06209

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018, awaiting final NJBPU approval

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-06210

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-06211

PSEG

We make things work for you.

PSE&G

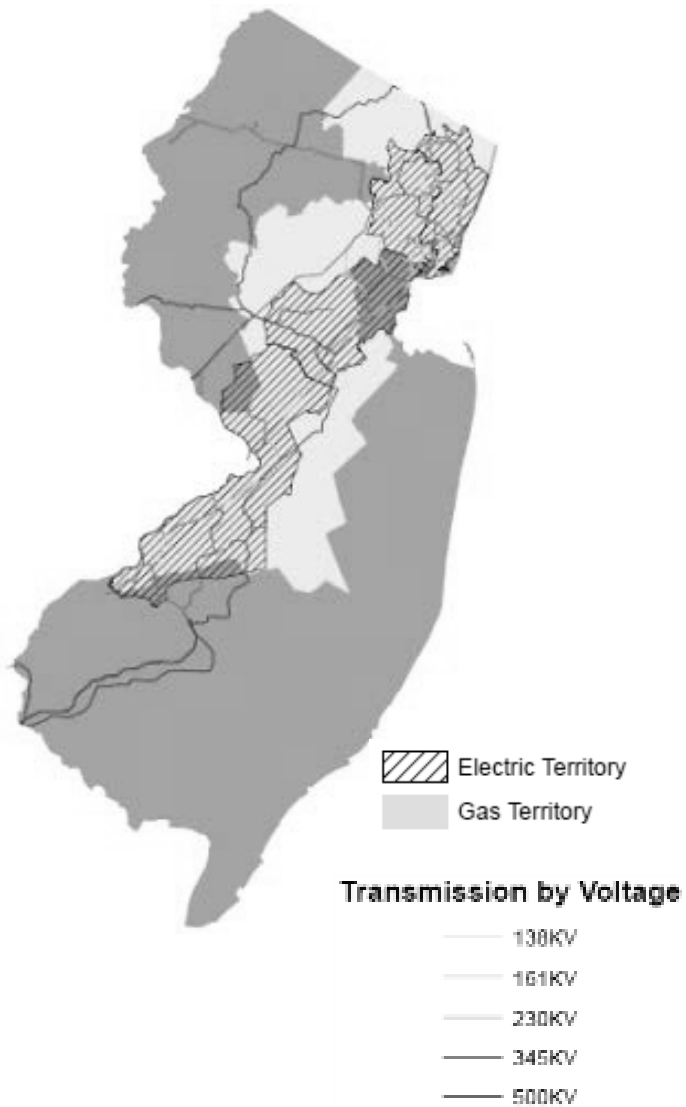
SI-SSA-0015-06212

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06213

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-06214

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-06215

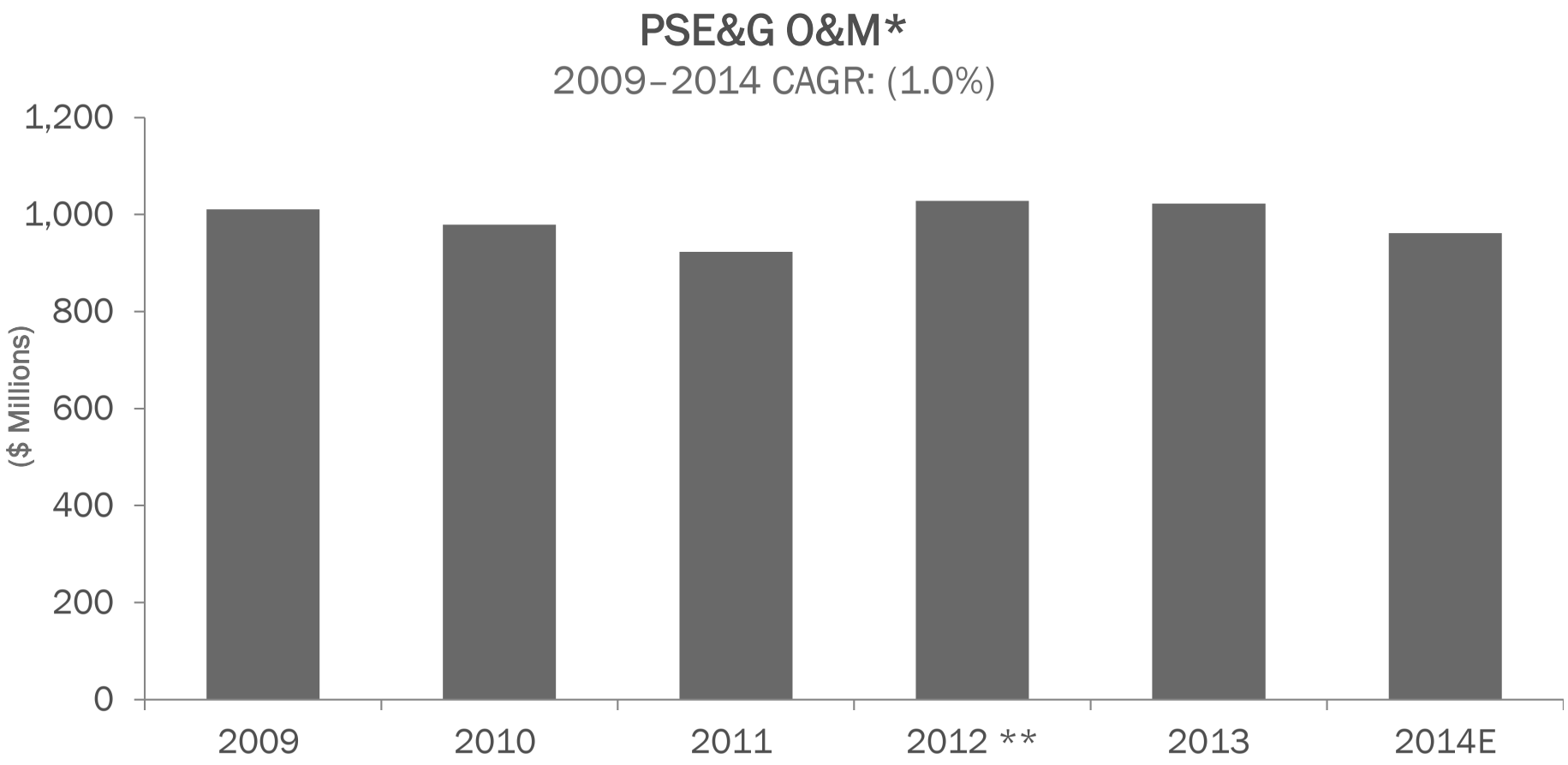
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06216

Focus on controlling O&M and lower pension costs support decline in expenses

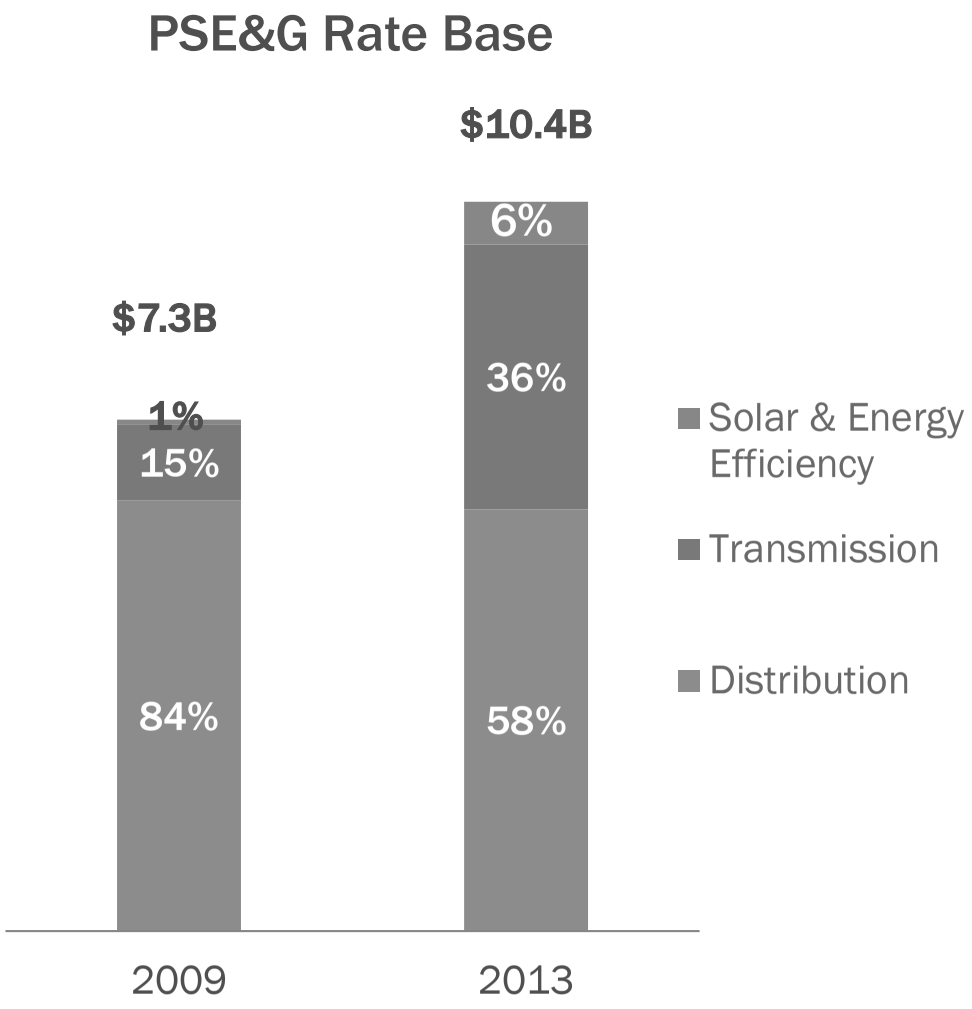


SI-SSA-0015-06217

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-06218

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

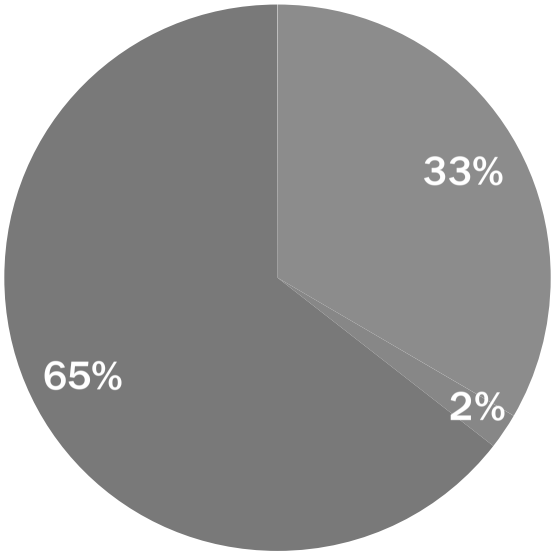
SI-SSA-0015-06219

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

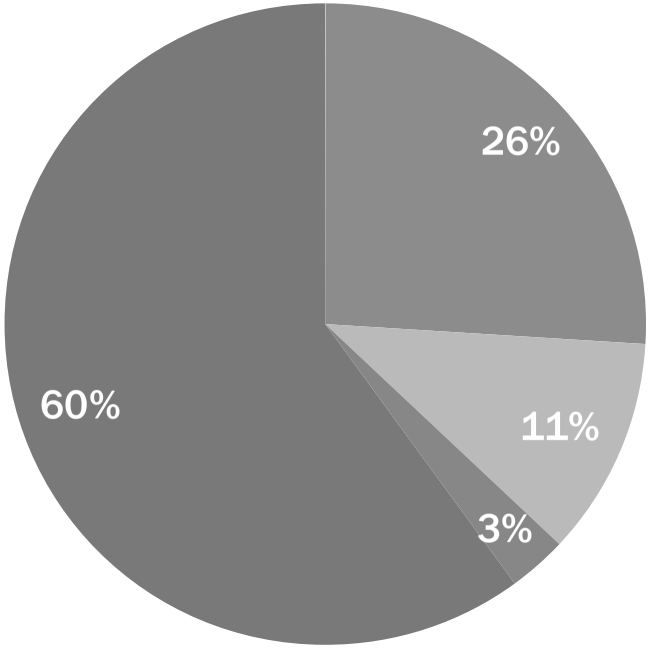
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

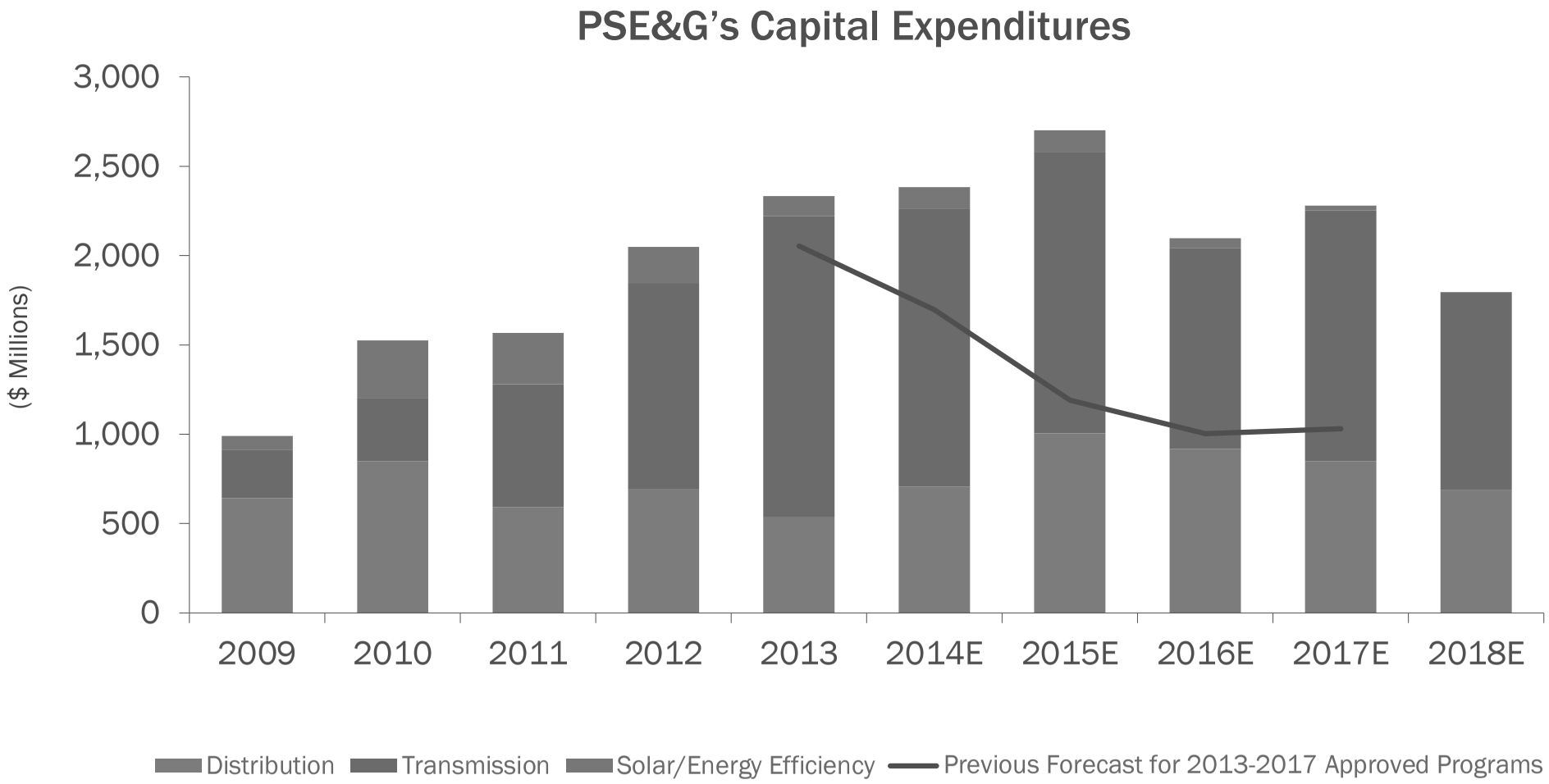


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-06220

PSE&G's capital program has expanded

with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-06221

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

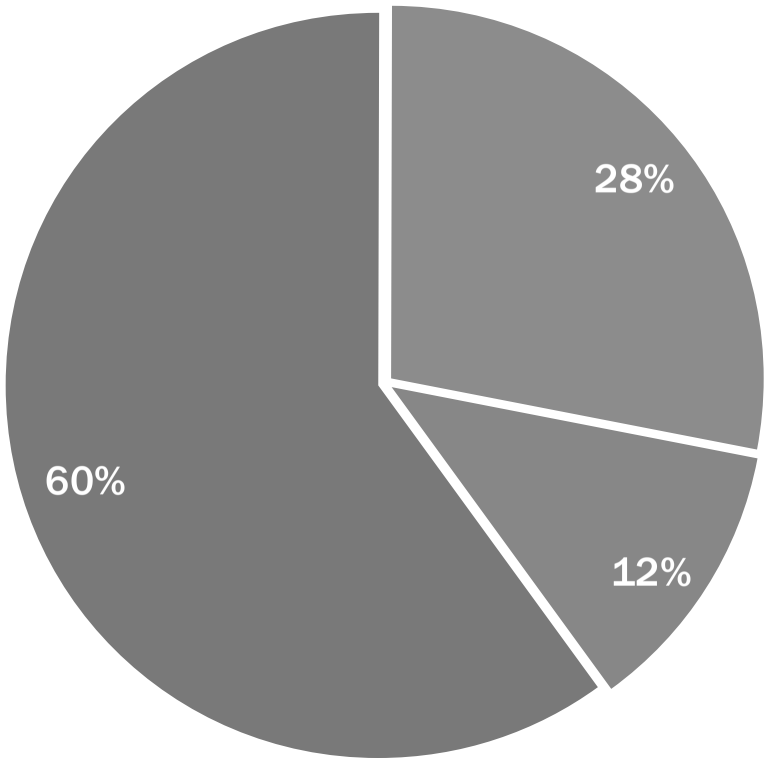
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-06222

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06223

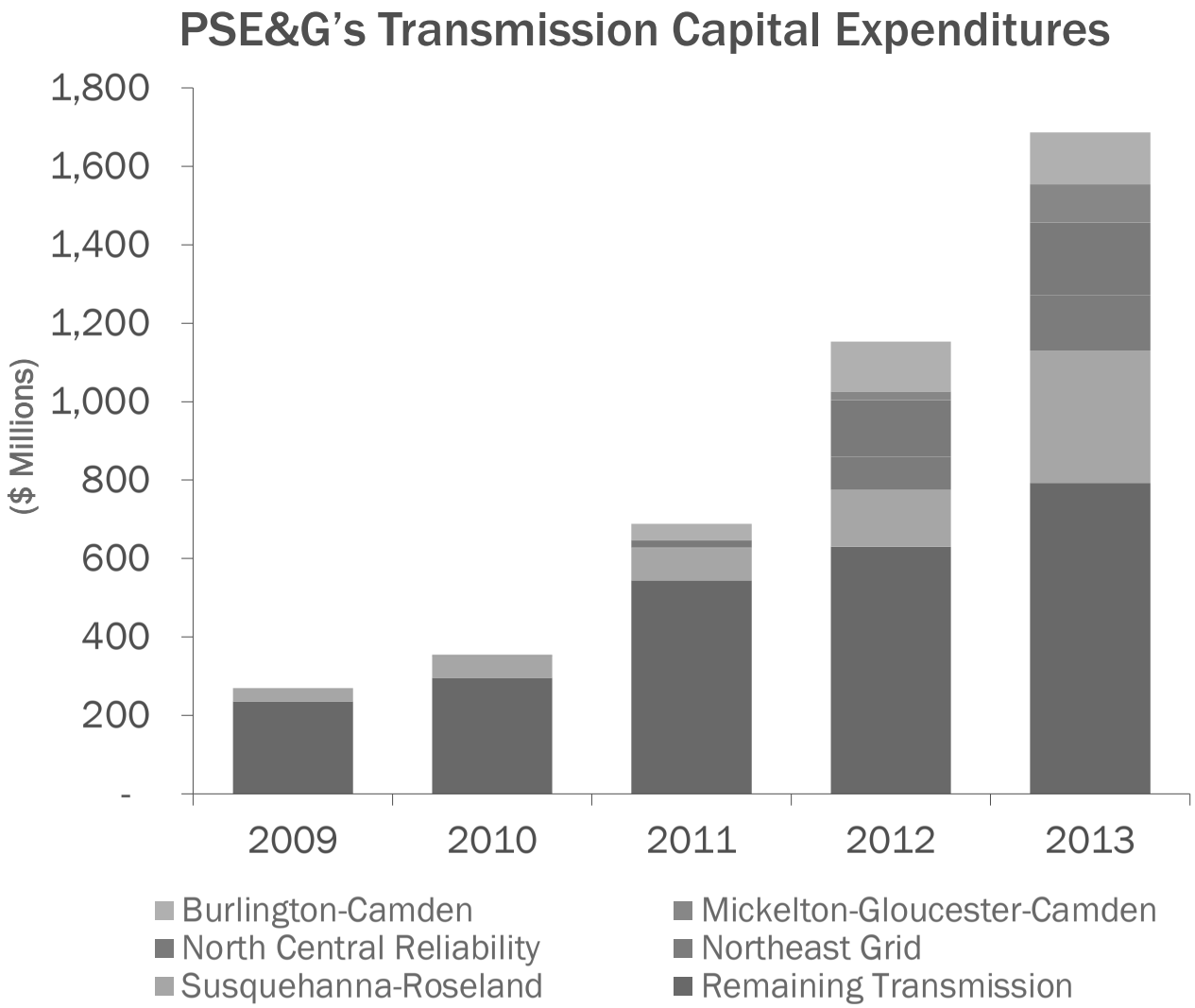
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-06224

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-06225

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06226

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-06227

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-06228

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-06229

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-06230

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06231

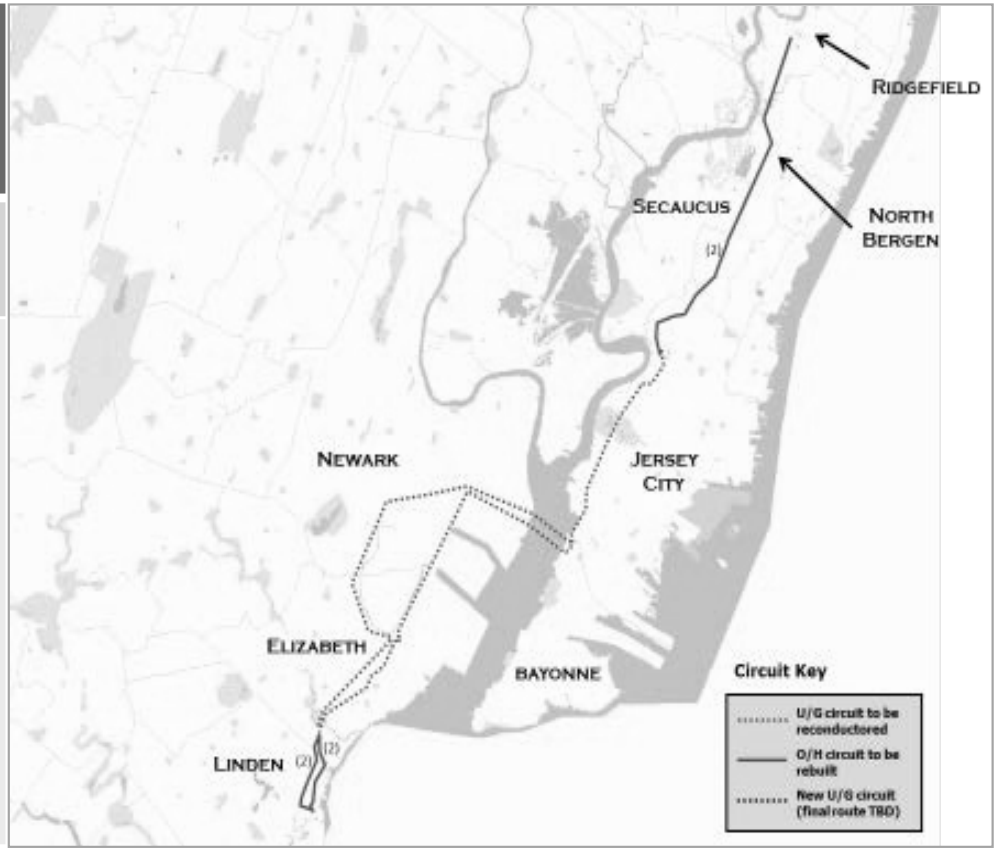
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

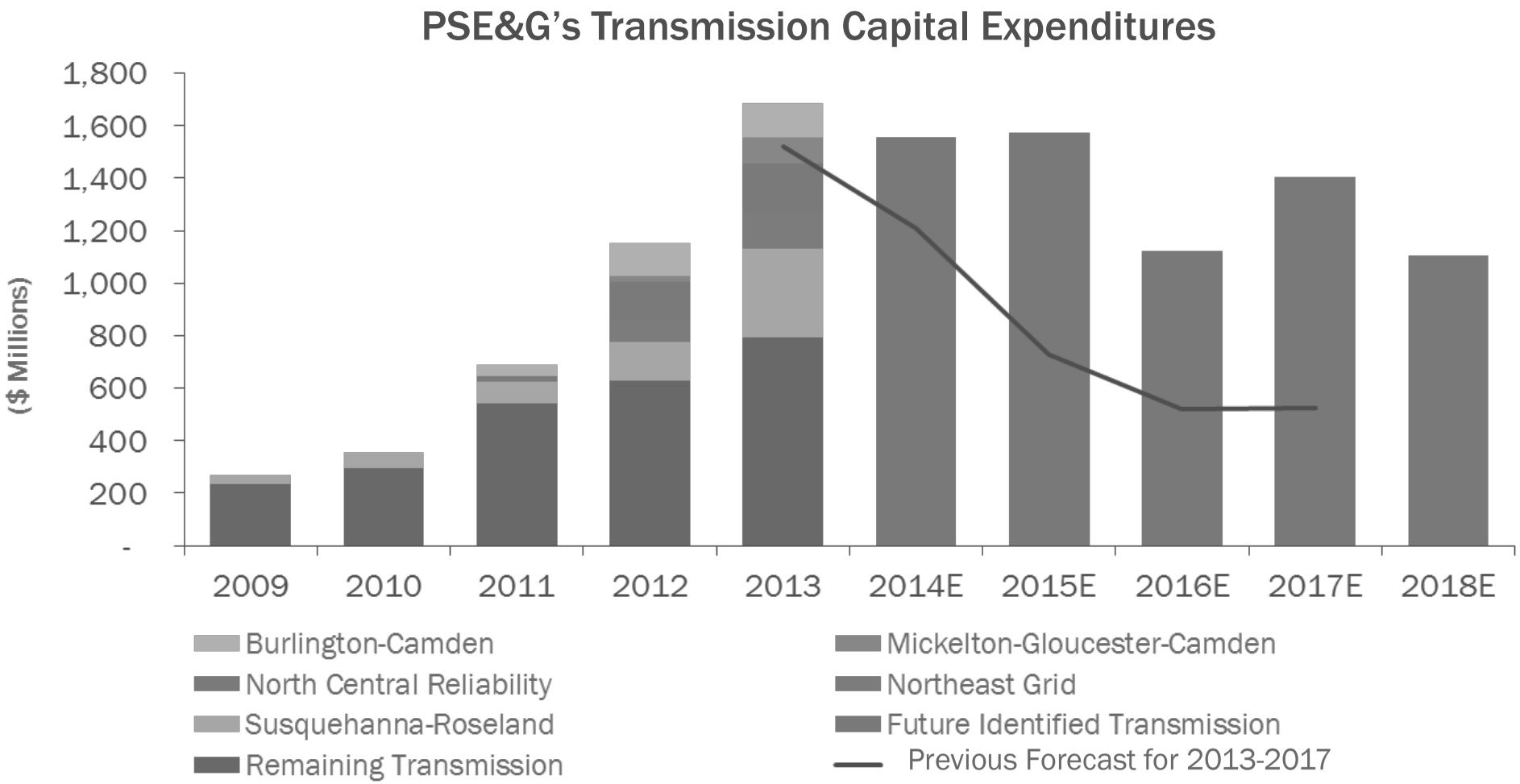
Project Status: Engineering



SI-SSA-0015-06232

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-06233

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-06234

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-06235

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-06236

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-06237

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-06238

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-06239

PSEG POWER

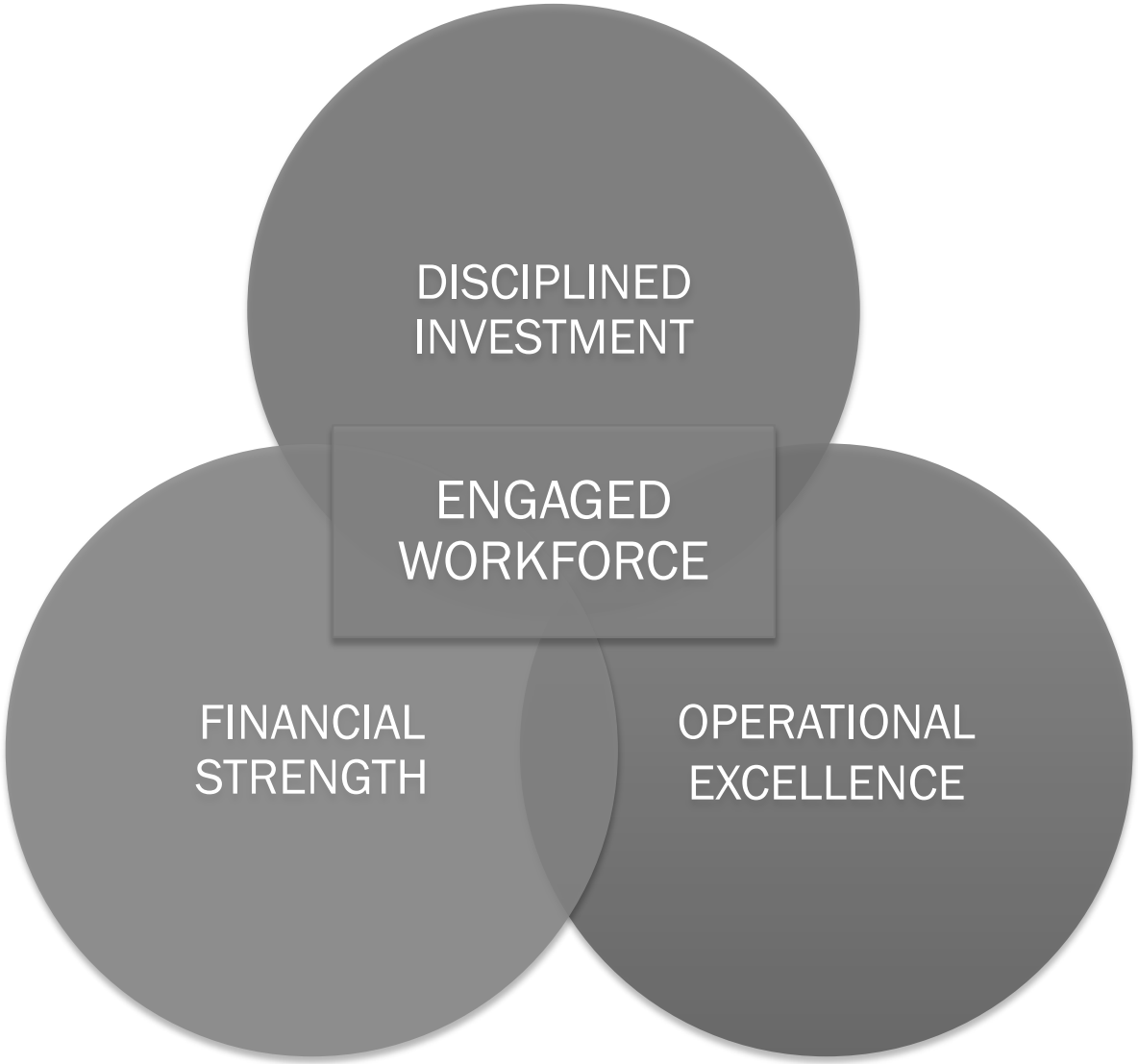
SI-SSA-0015-06240

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06241

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-06242

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06243

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

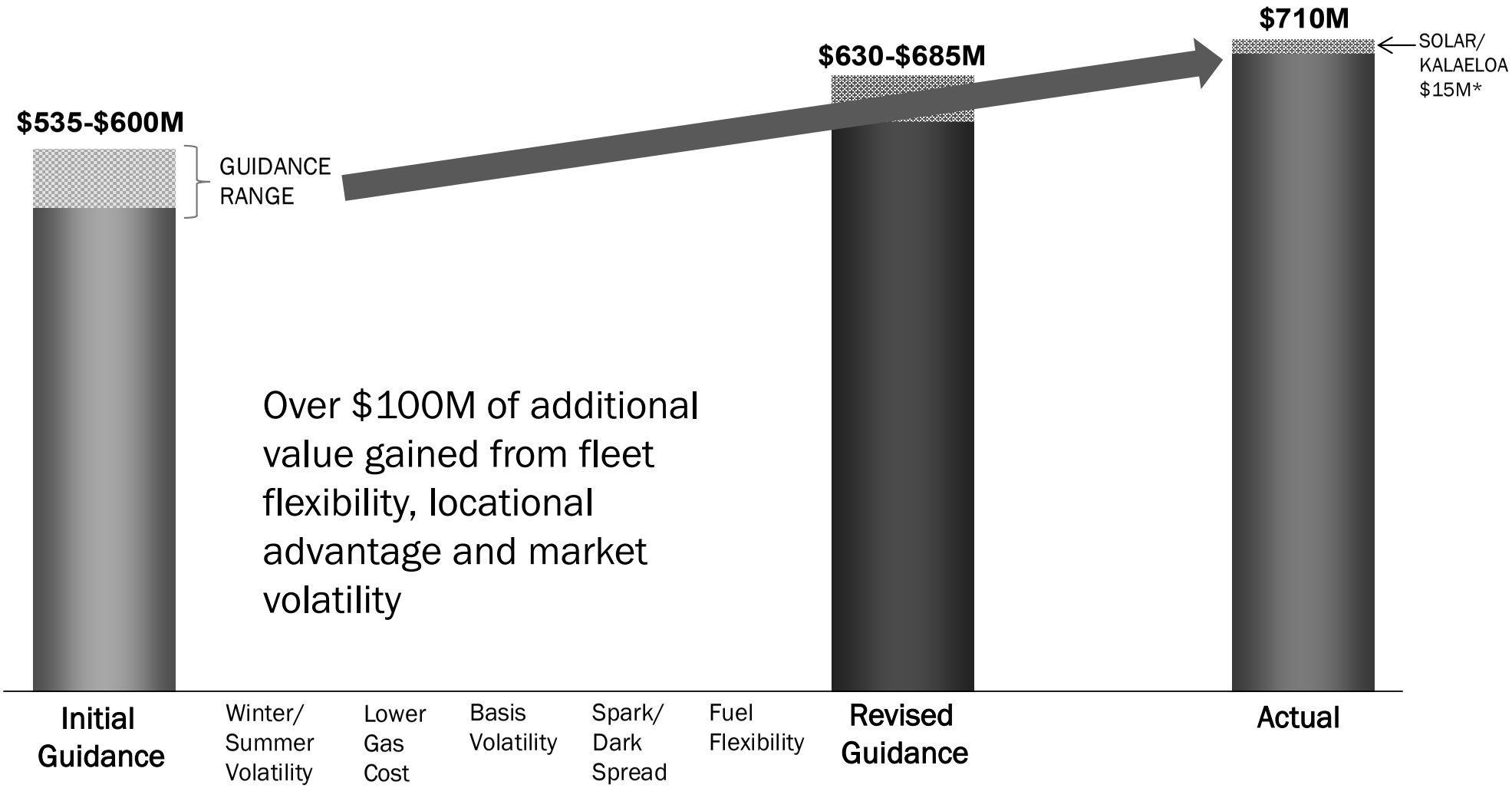
SI-SSA-0015-06244

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-06245

PSEG Power exceeded 2013's earnings guidance



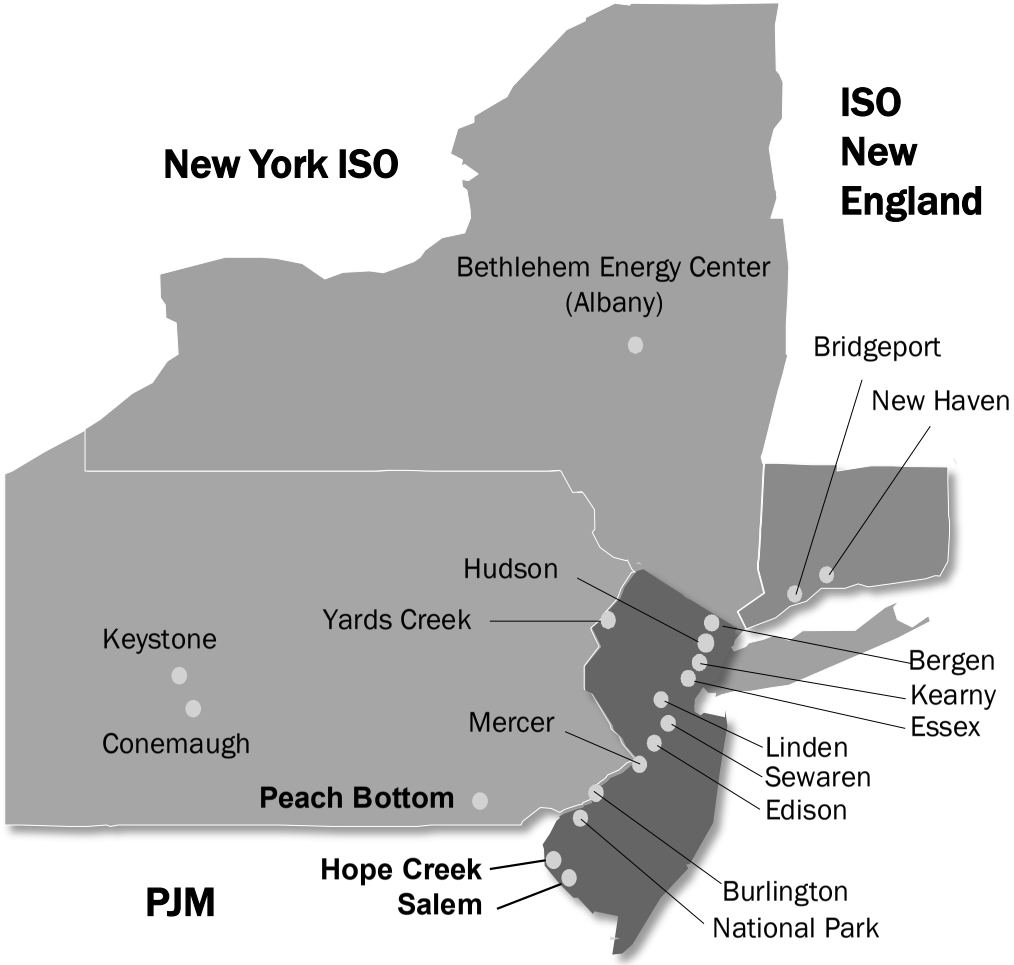
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-06246

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



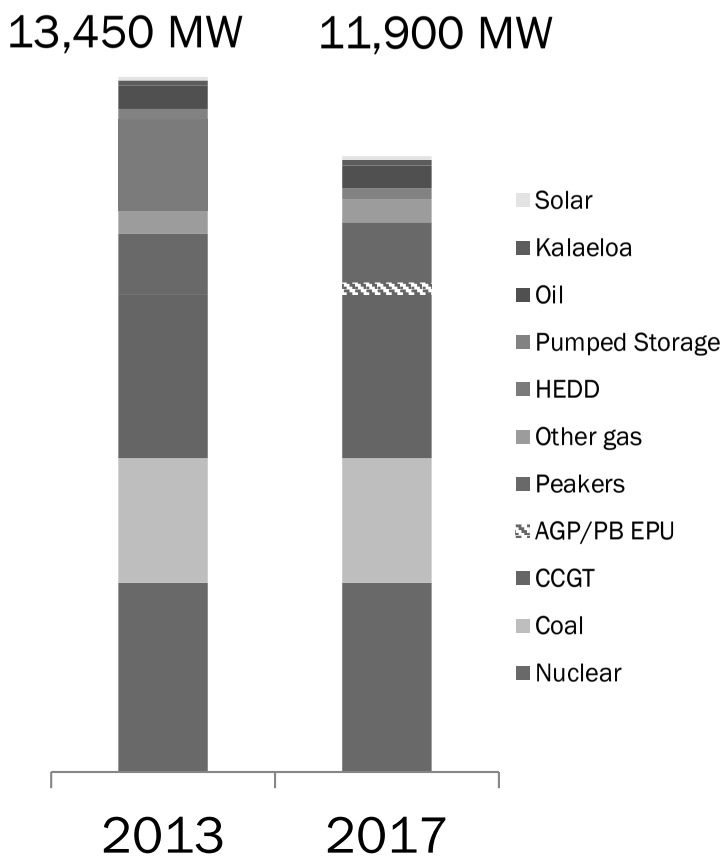
SI-SSA-0015-06247

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

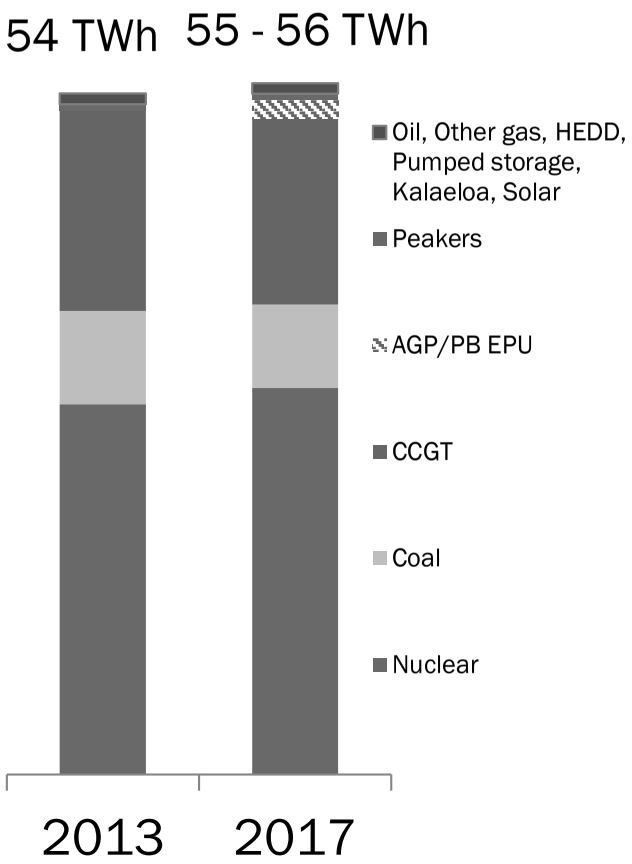
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

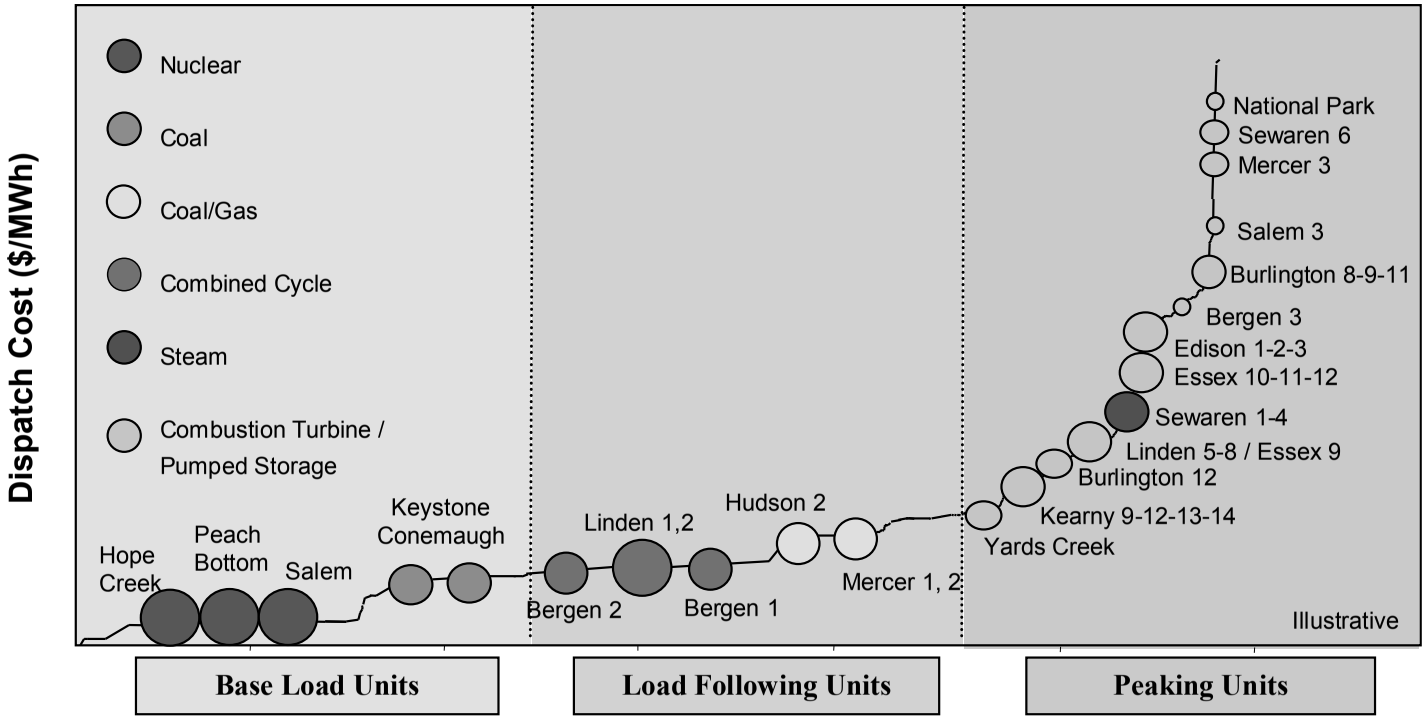


Energy Produced



SI-SSA-0015-06248

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-06249

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-06250

PSEG Power Nuclear is core to the fleet and has competitive advantages

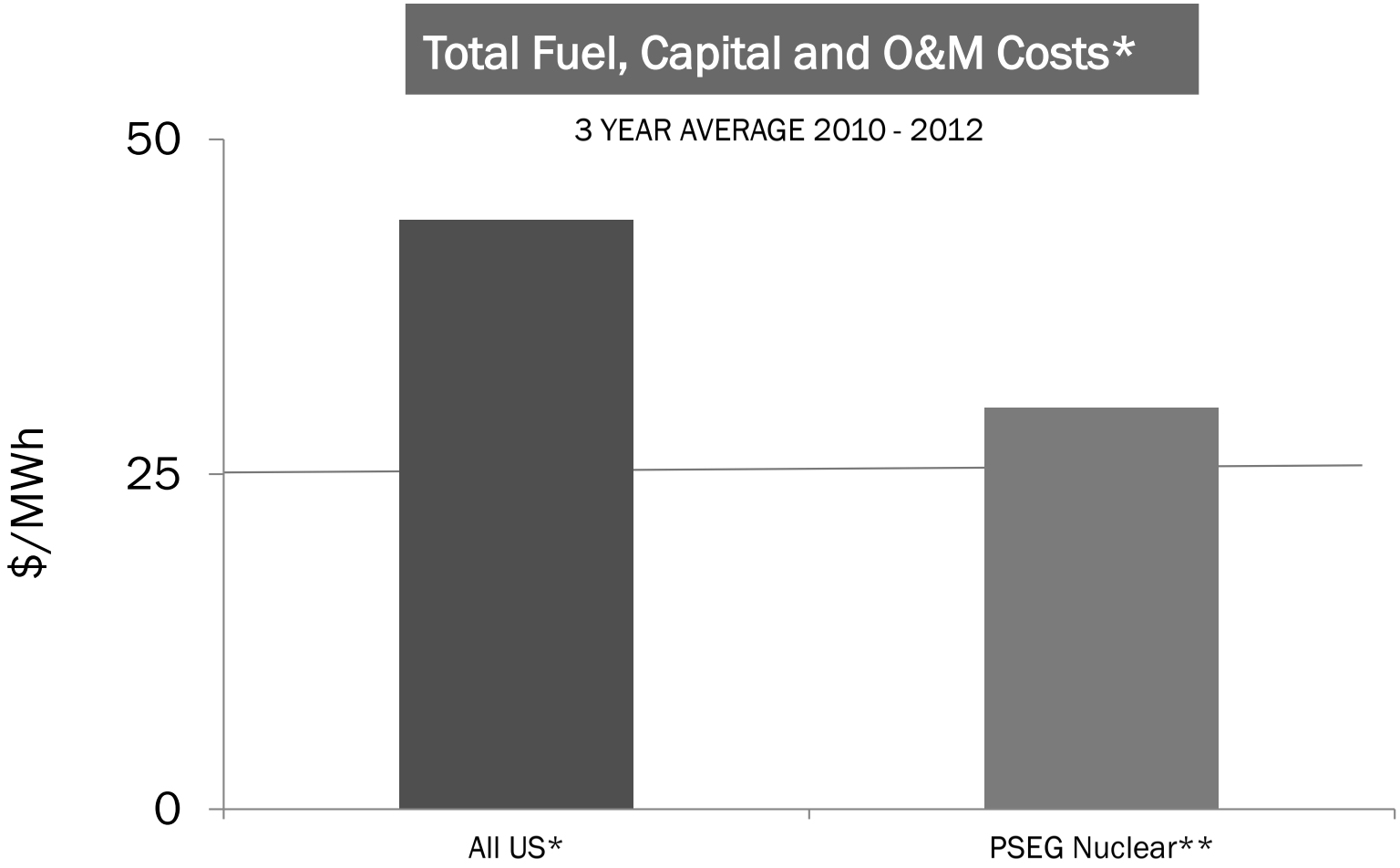
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-06251

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

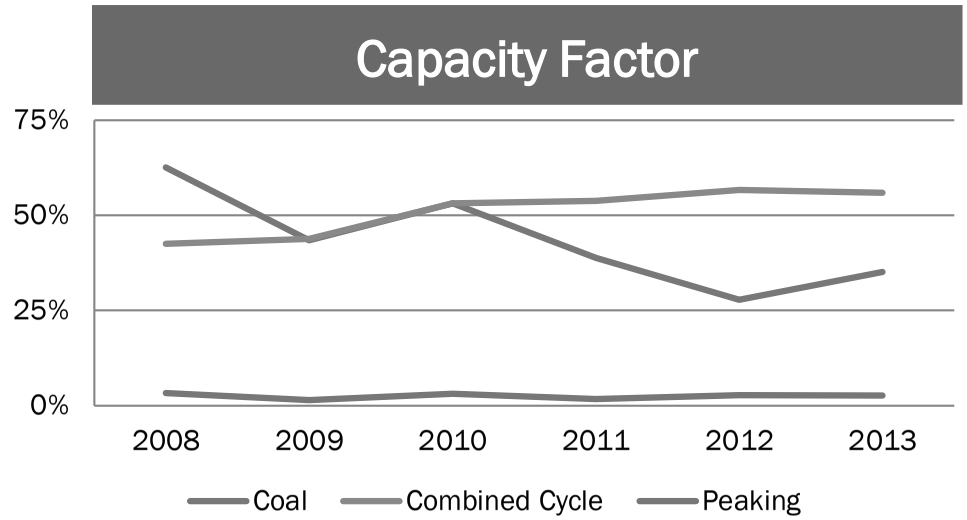


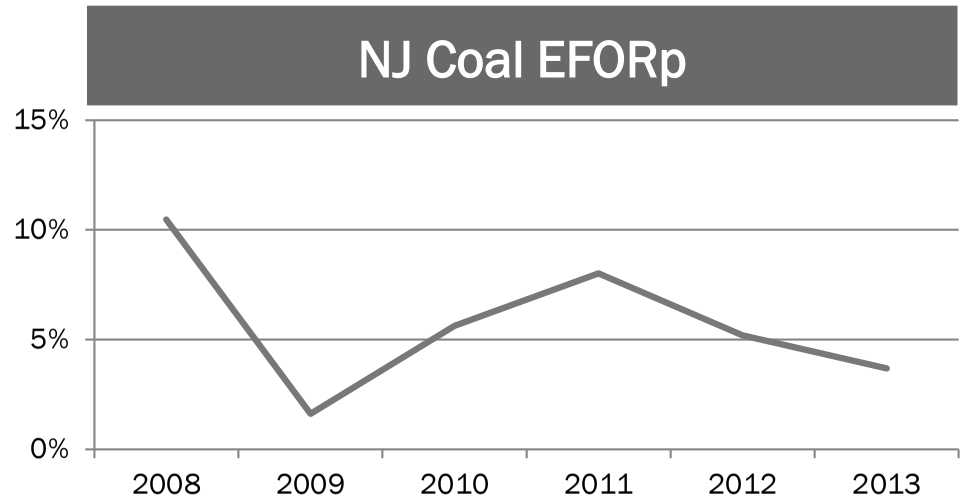
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

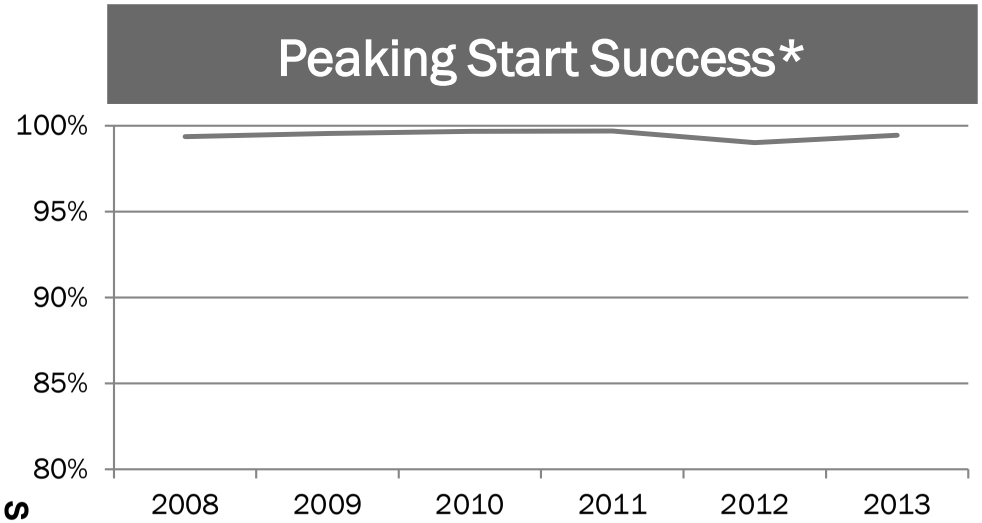
SI-SSA-0015-06252

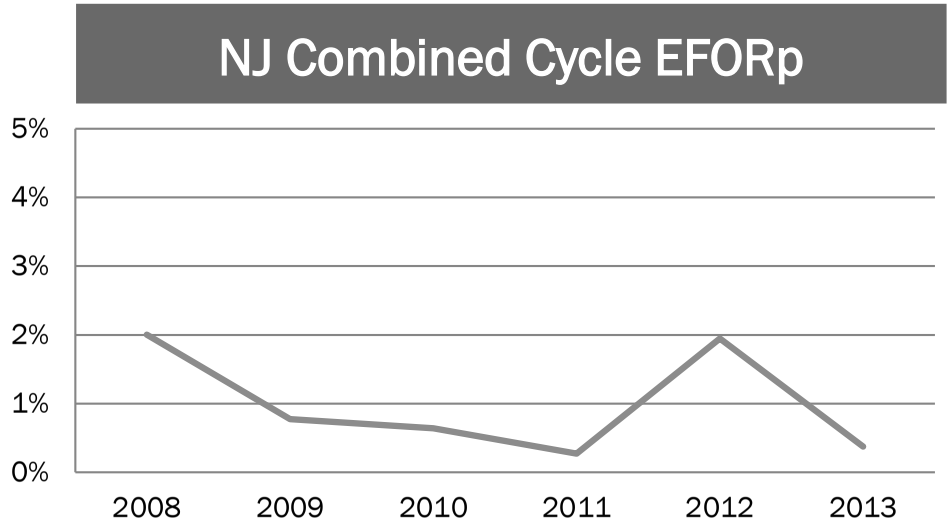
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

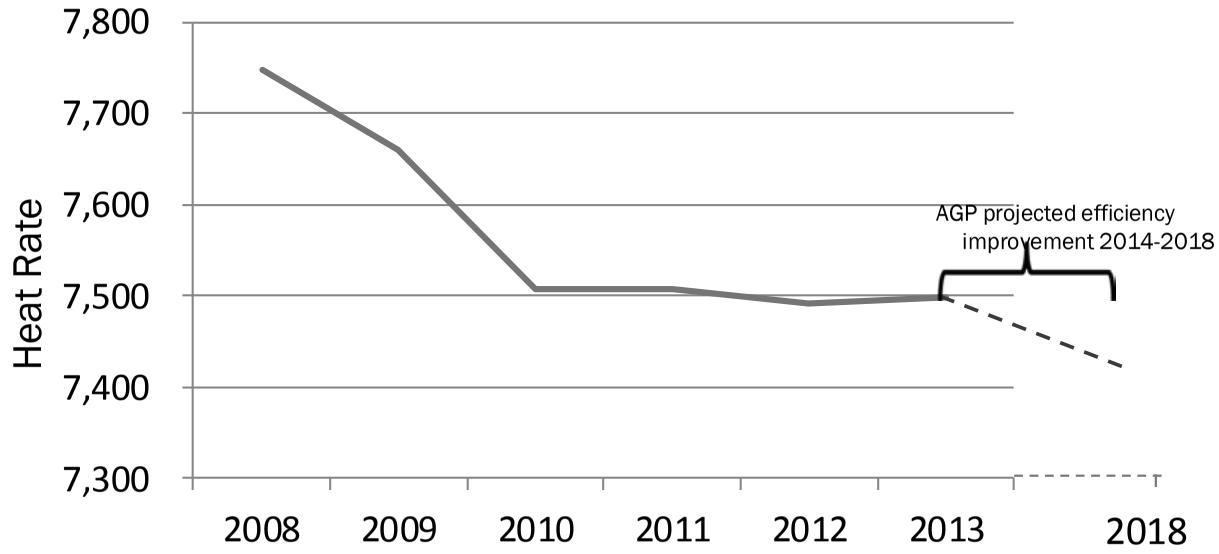
SI-SSA-0015-06253

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-06254

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

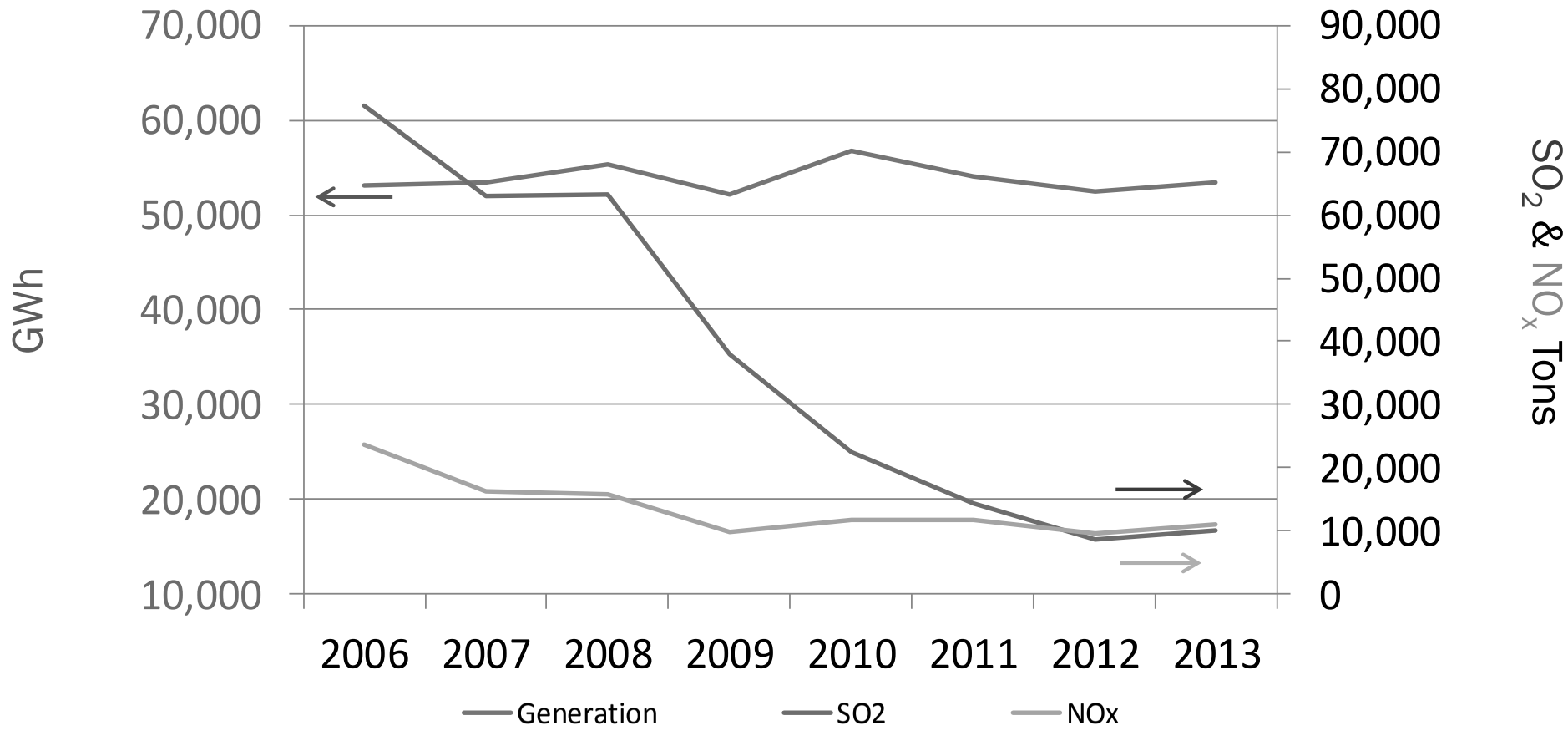
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-06255

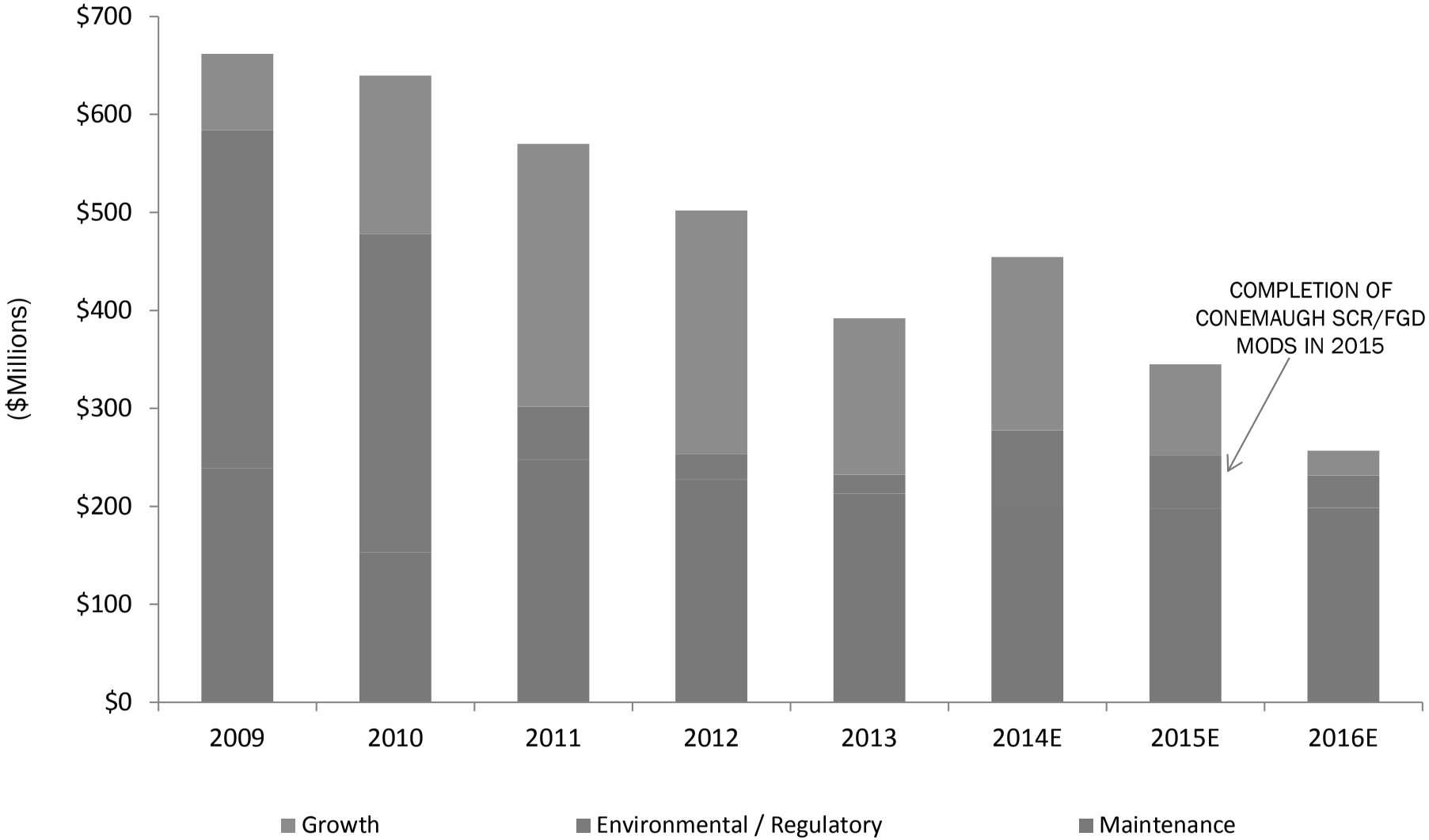
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-06256

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-06257

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

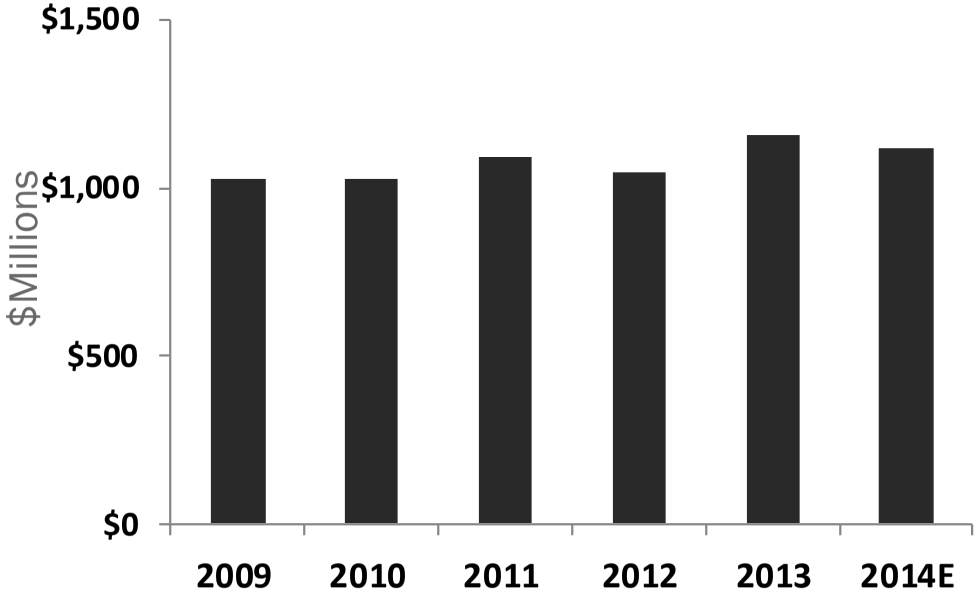
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-06258

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-06259

PSEG Solar Source owns 92 MW of operating solar facilities

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-06260

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-06261

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-06262

PSEG POWER
ER&T

PSEG

We make things work for you.

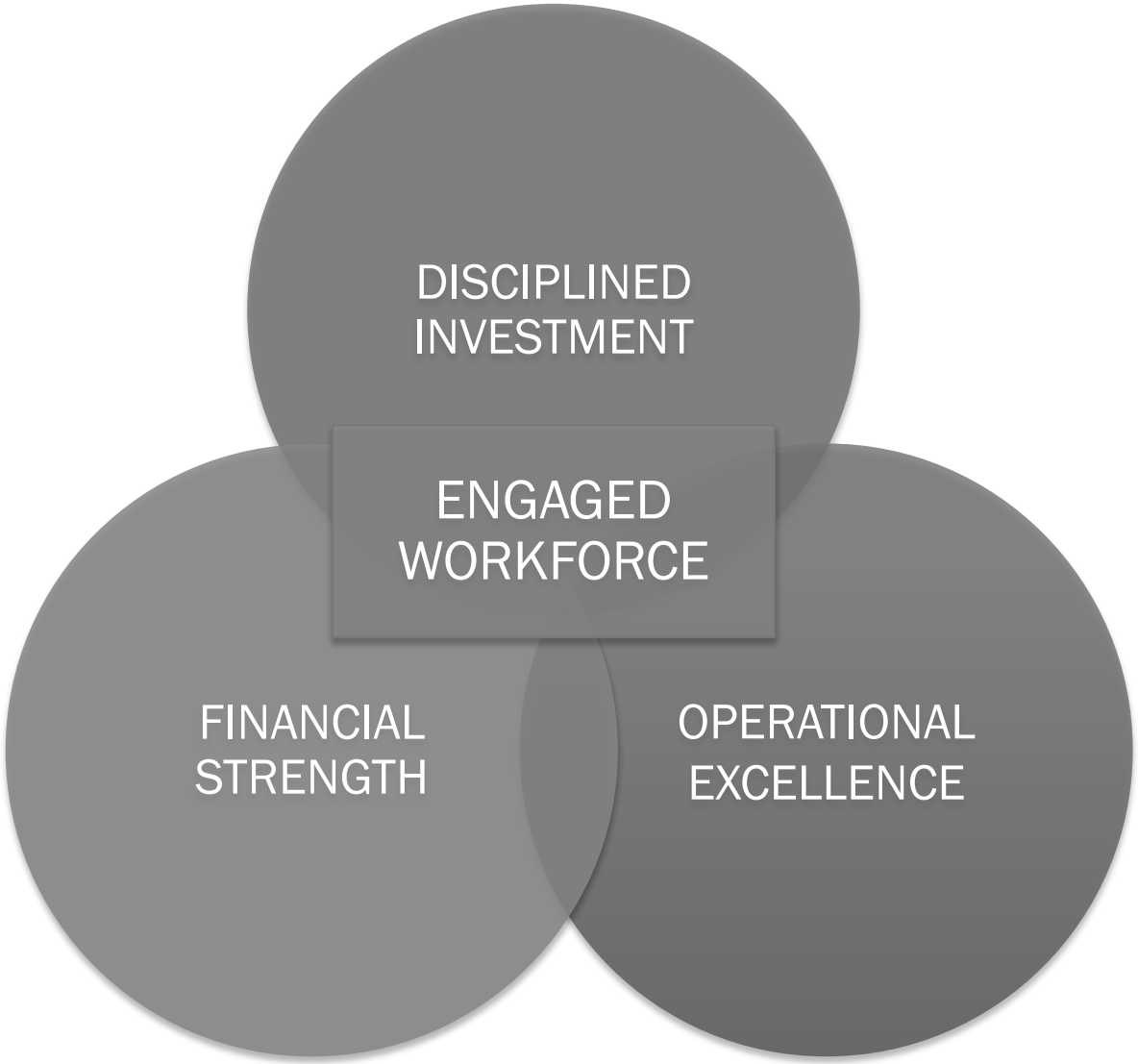
SI-SSA-0015-06263

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-06264

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

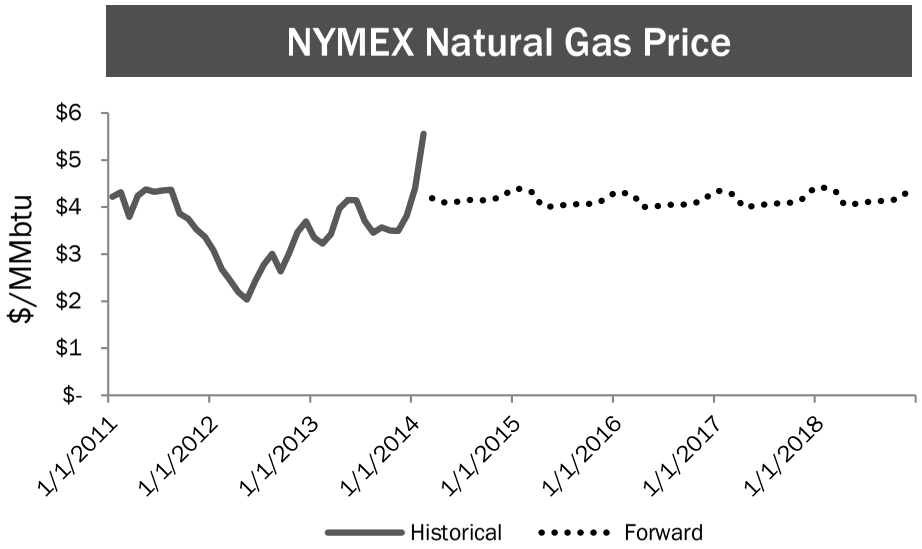
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

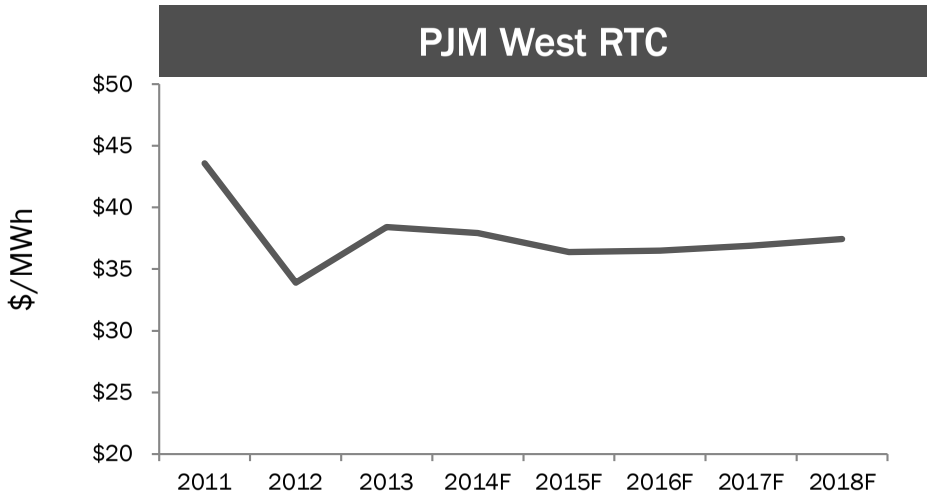
PSEG's Sustainable Advantage

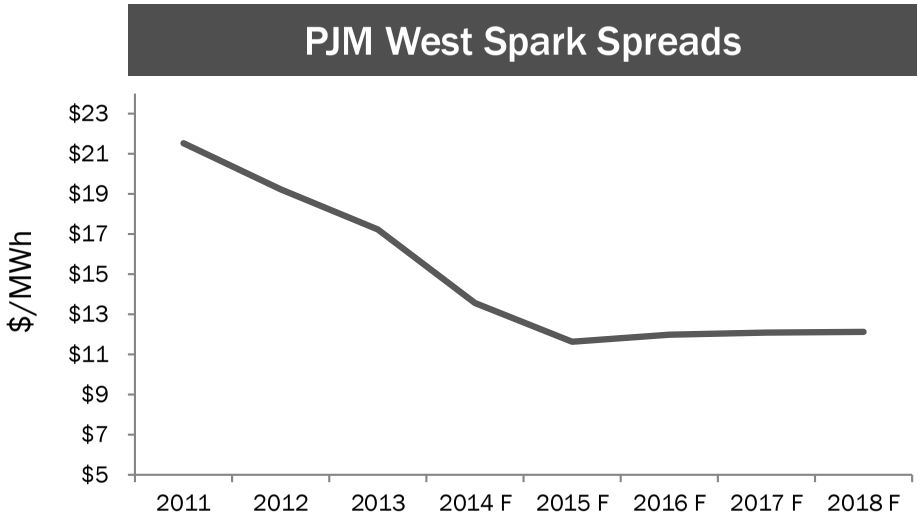
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-06265

Market Review: Prices have stabilized







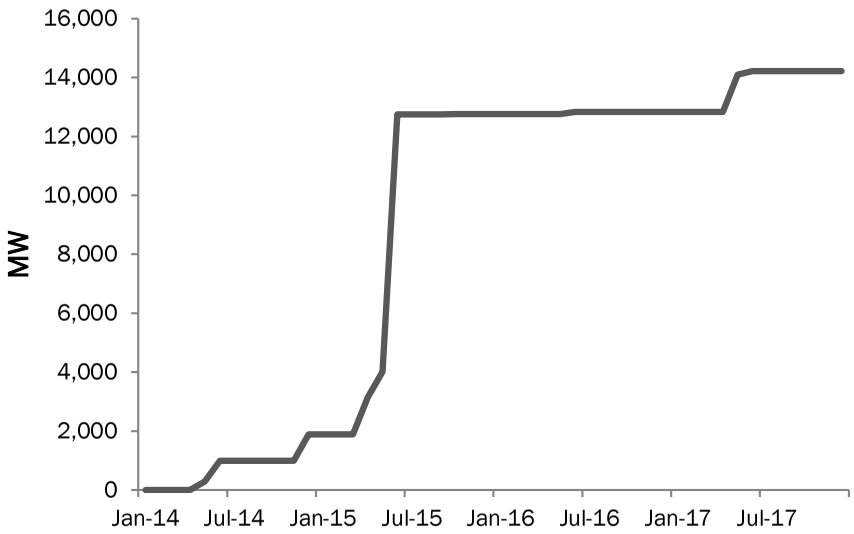
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-06266

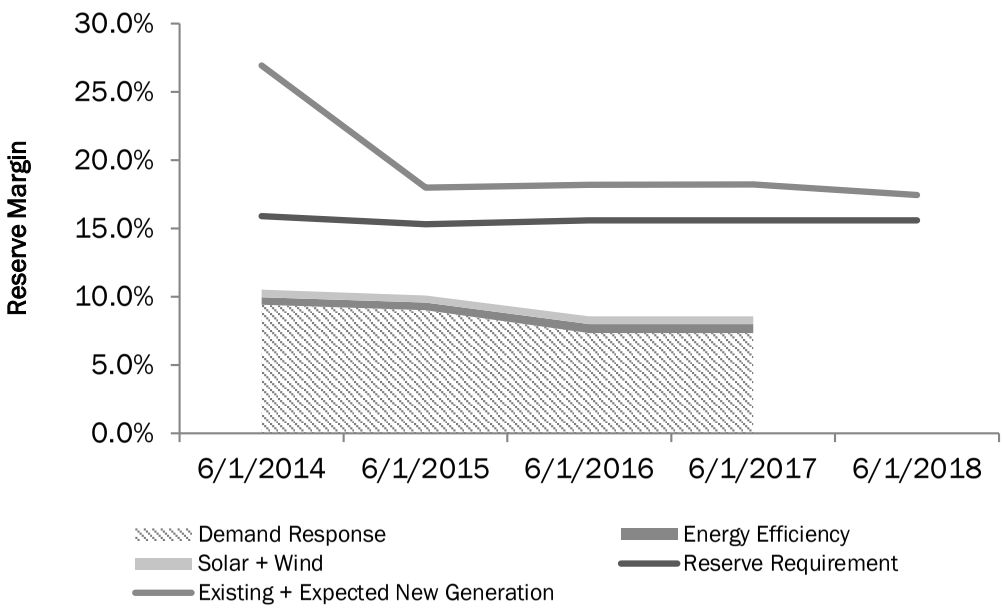
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-06267

PSEG

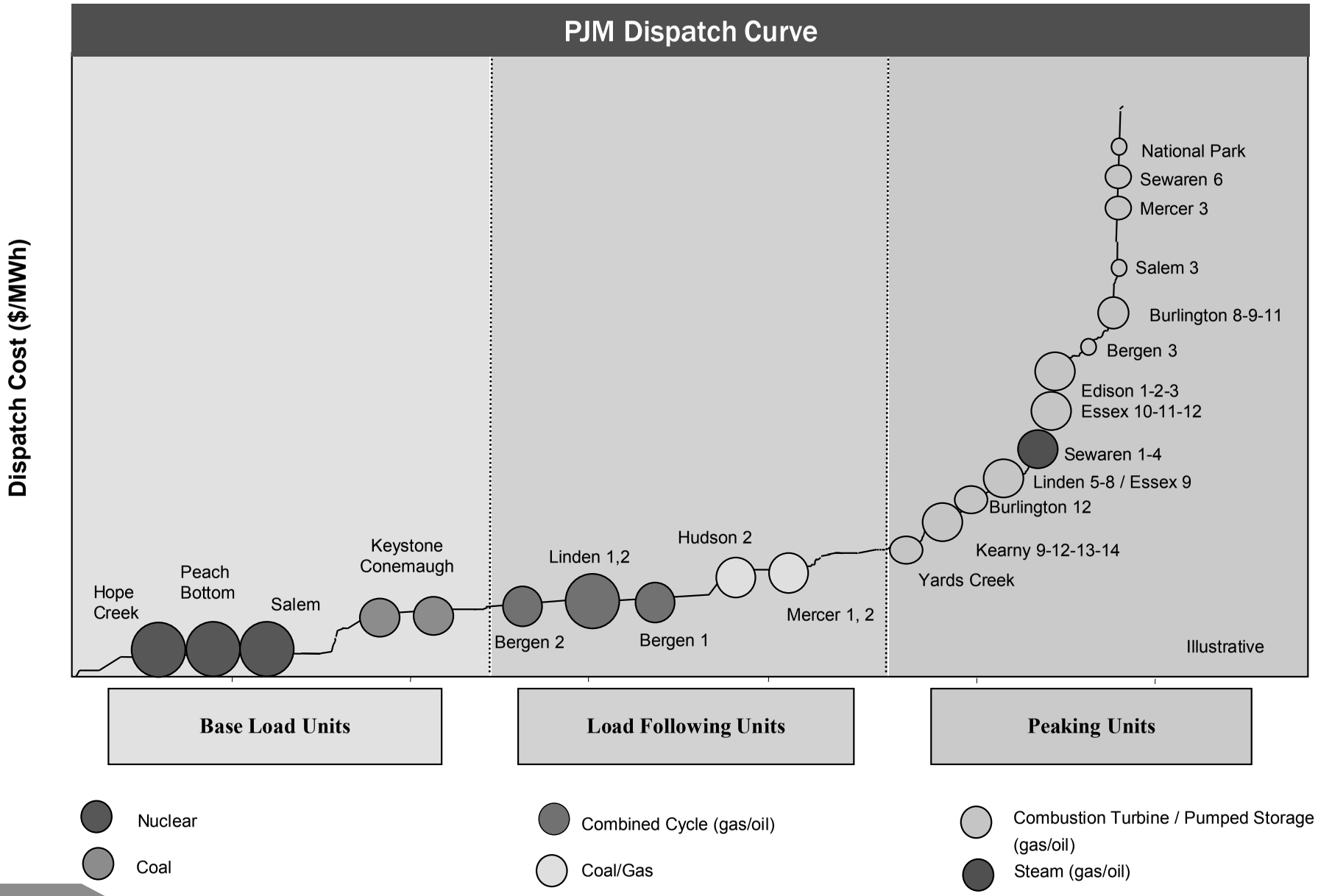
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

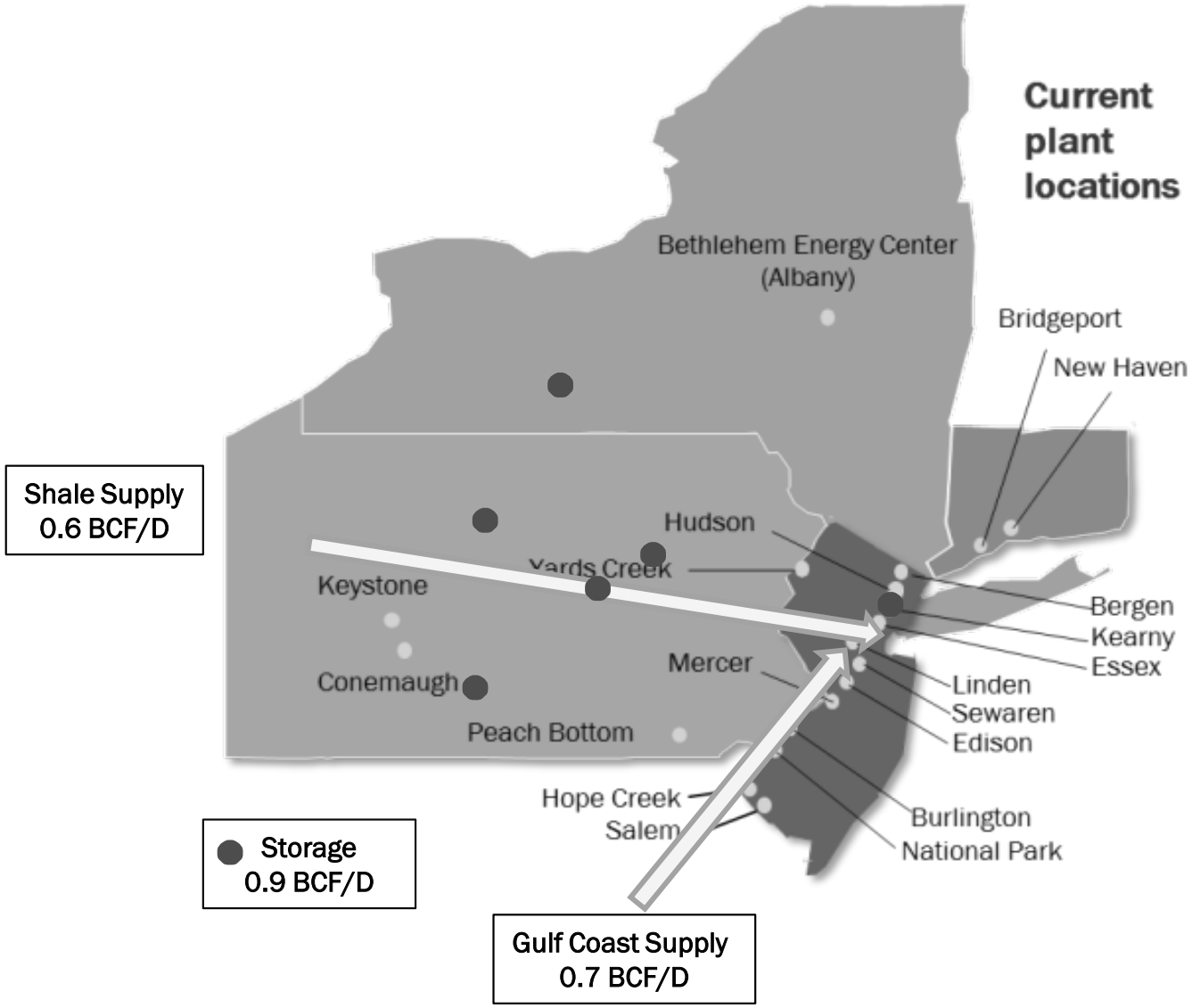
SI-SSA-0015-06268

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



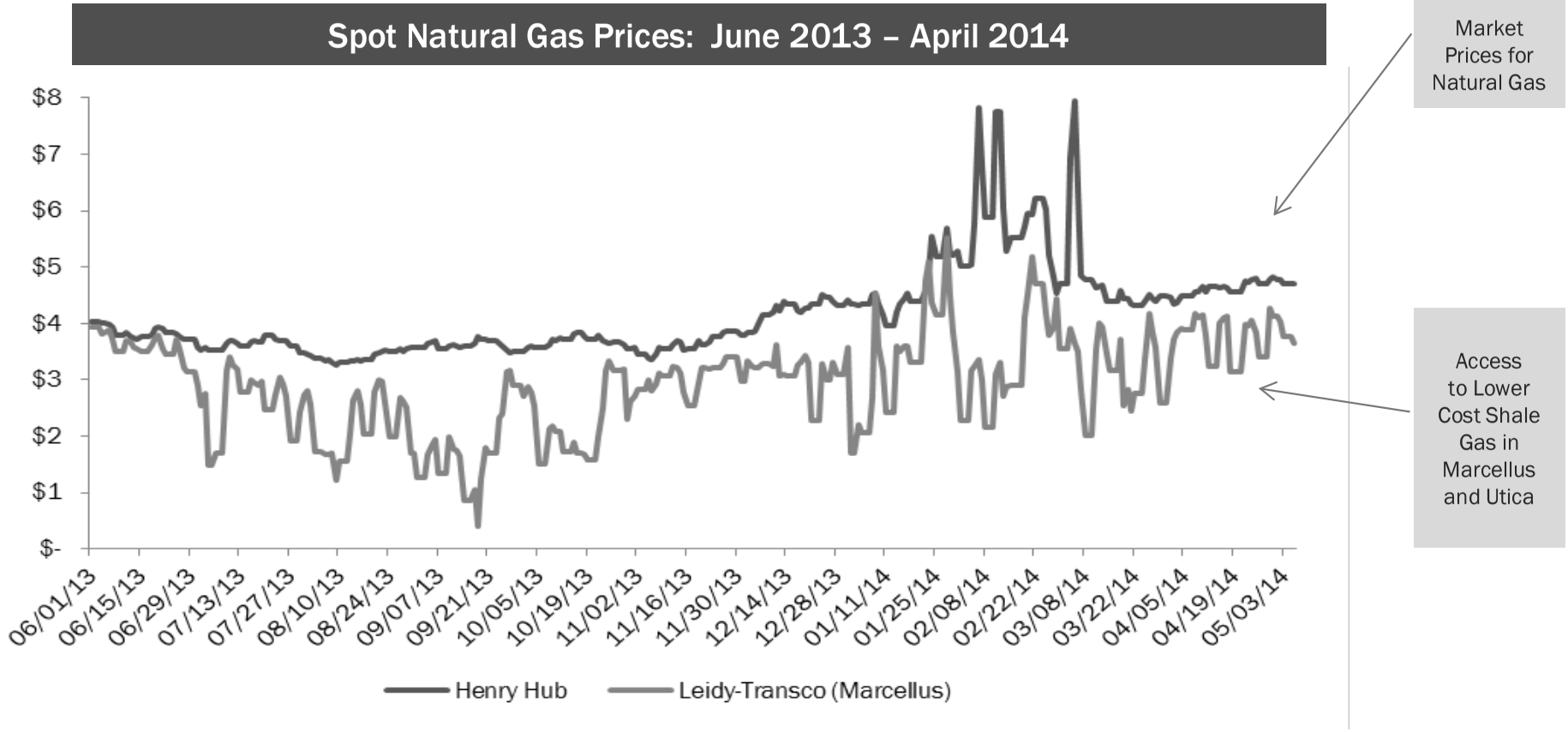
SI-SSA-0015-06269

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-06270

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

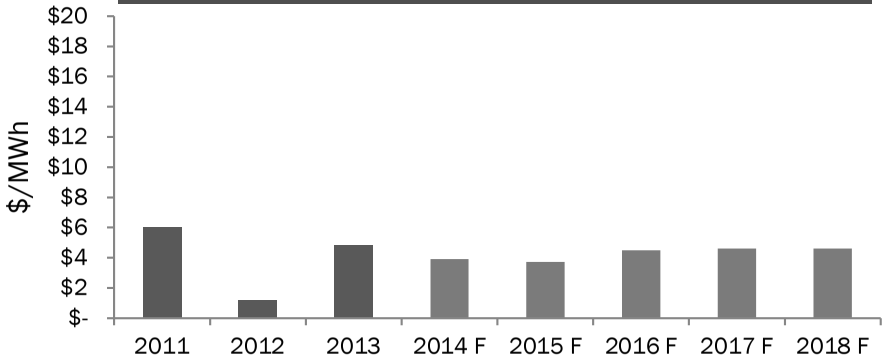


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

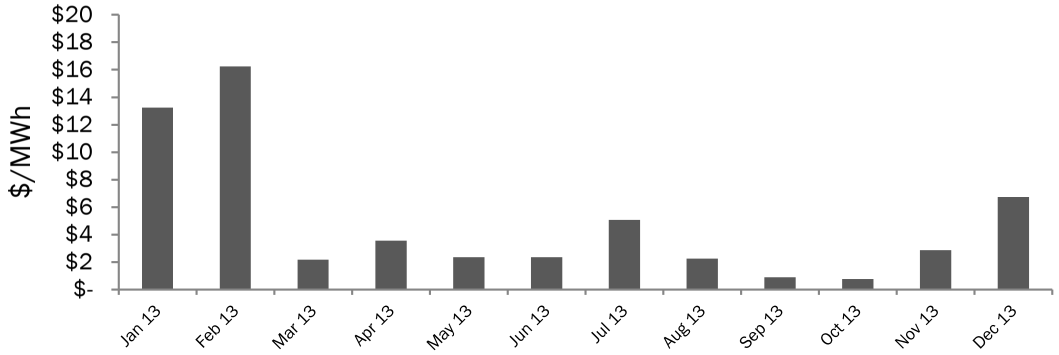
SI-SSA-0015-06271

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

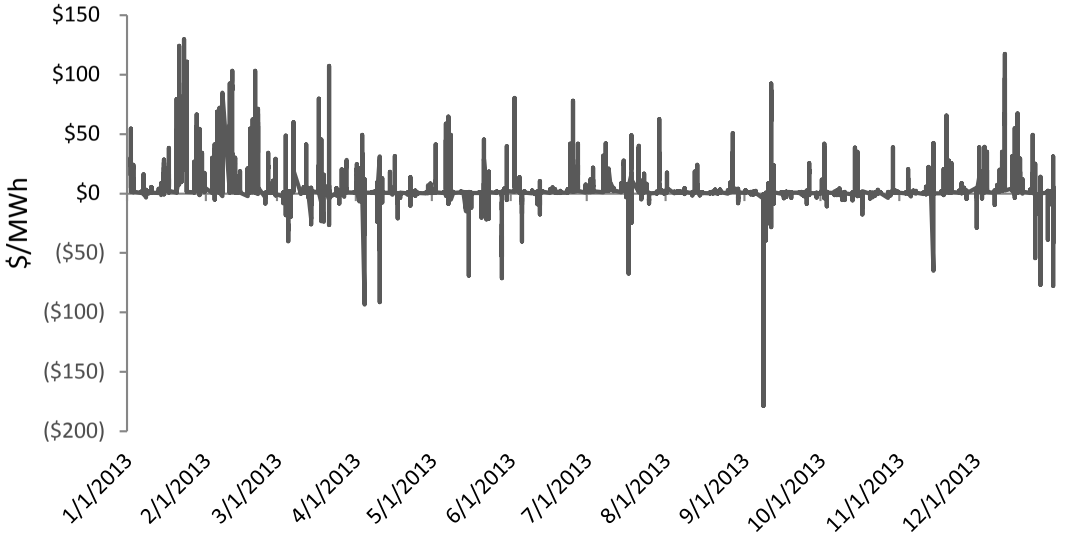


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

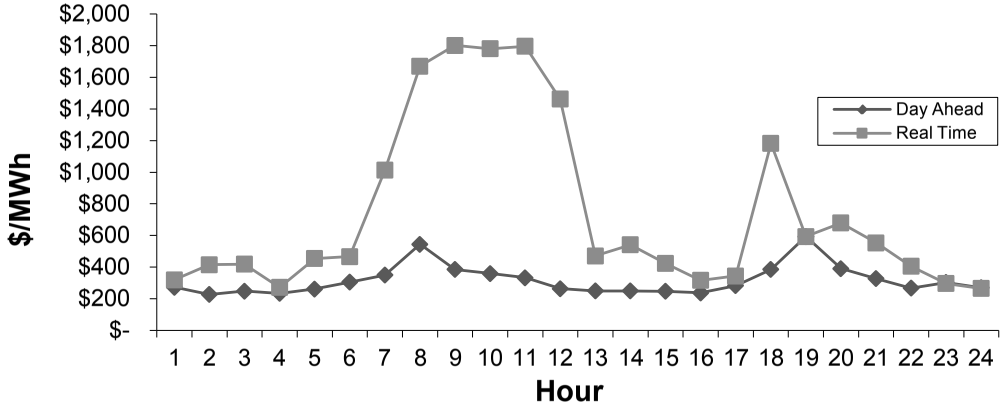
PS Zone Real Time On Peak Hourly Basis to PJM-W



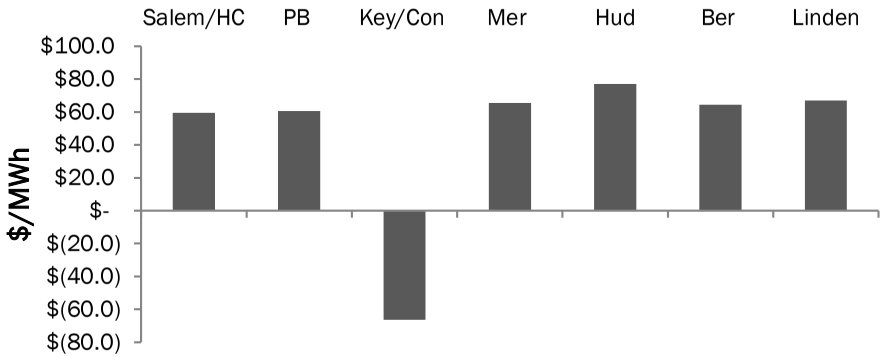
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

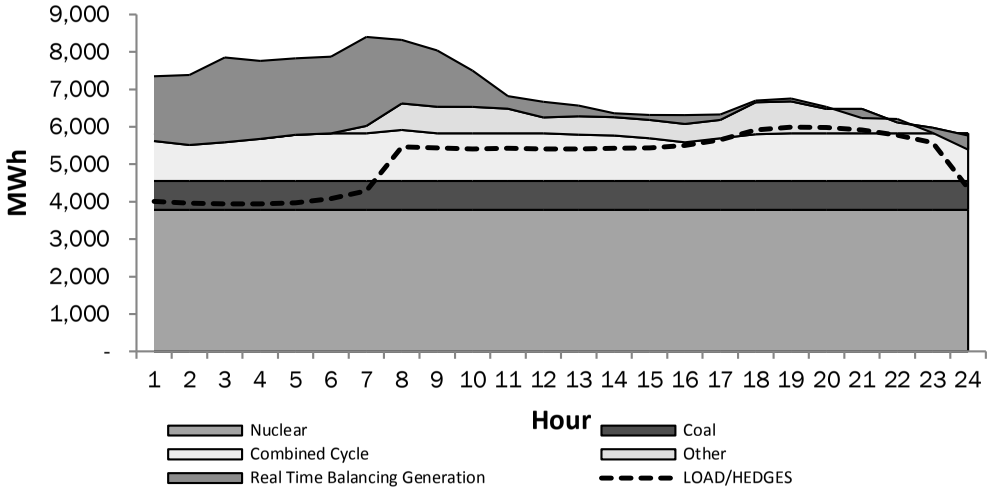
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

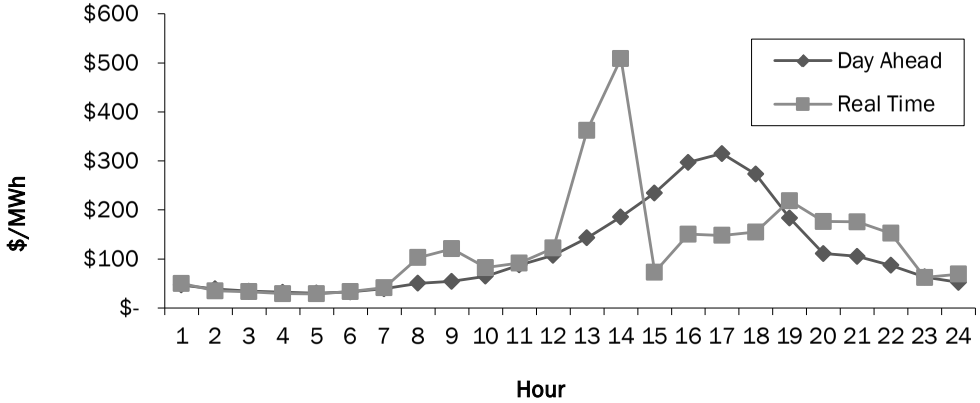


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

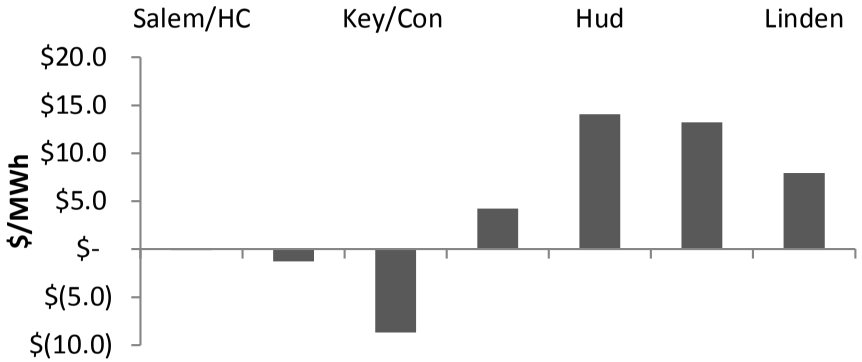
SI-SSA-0015-06273

Competitive Advantage: Trading & Asset Flexibility

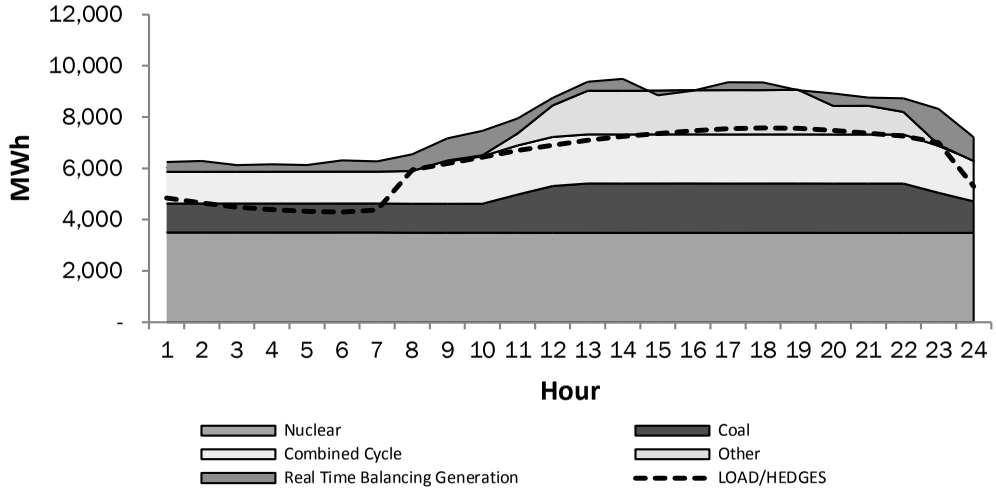
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



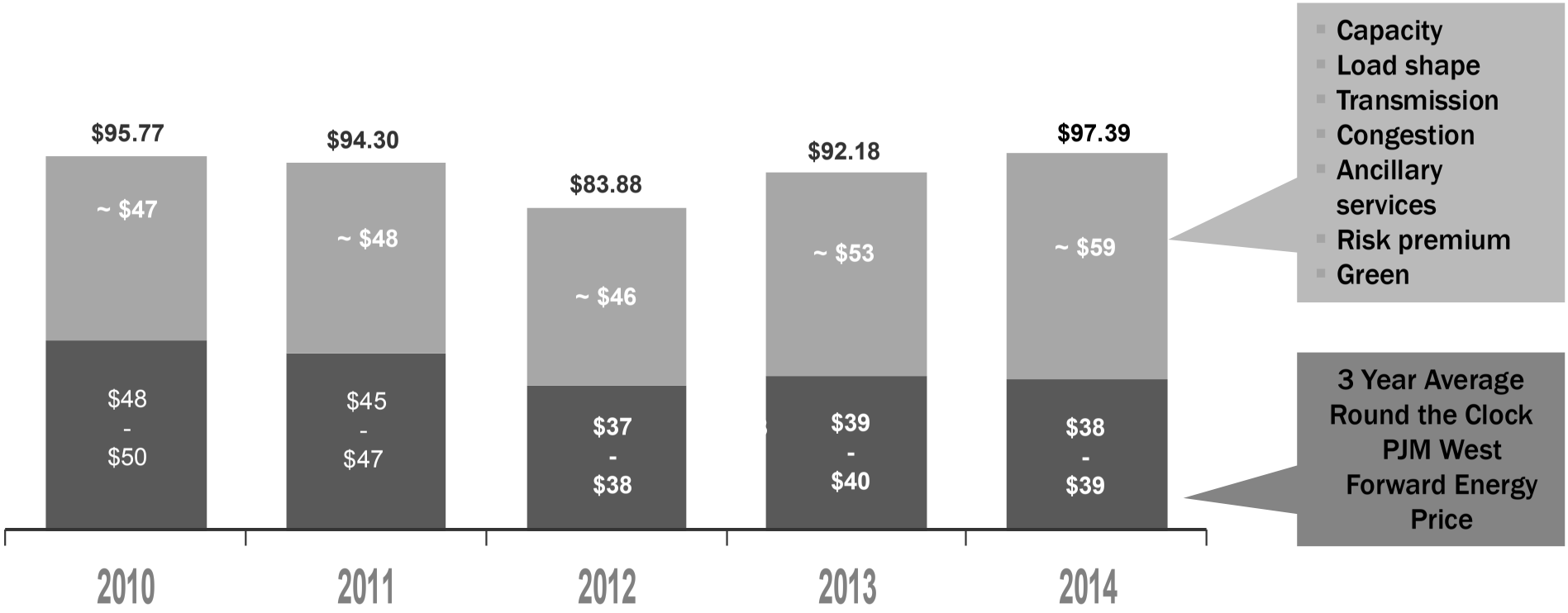
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-06274

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-06275

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06276

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

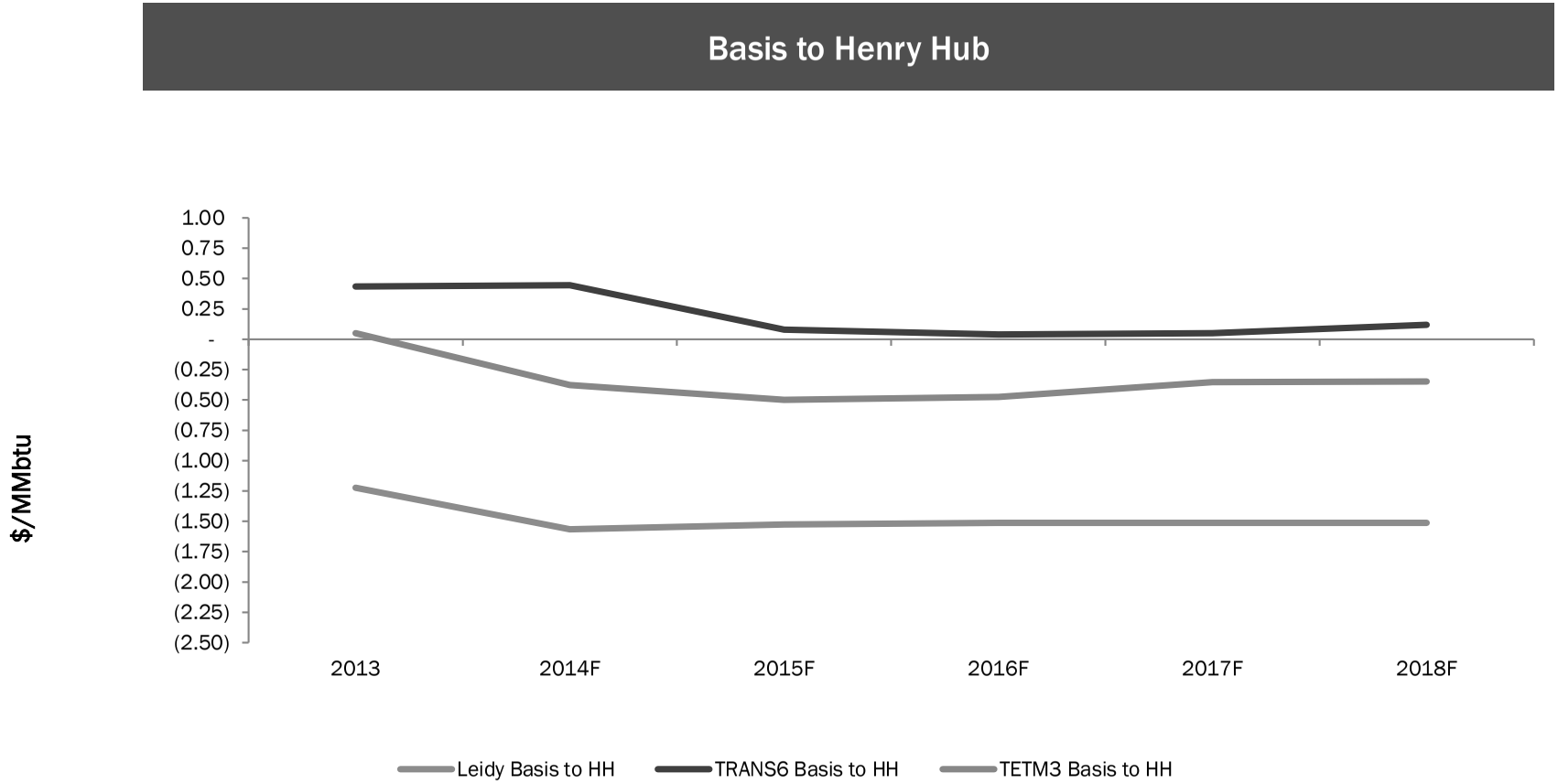
2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

SI-SSA-0015-06277

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-06278

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-06279

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-06280

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-06281

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

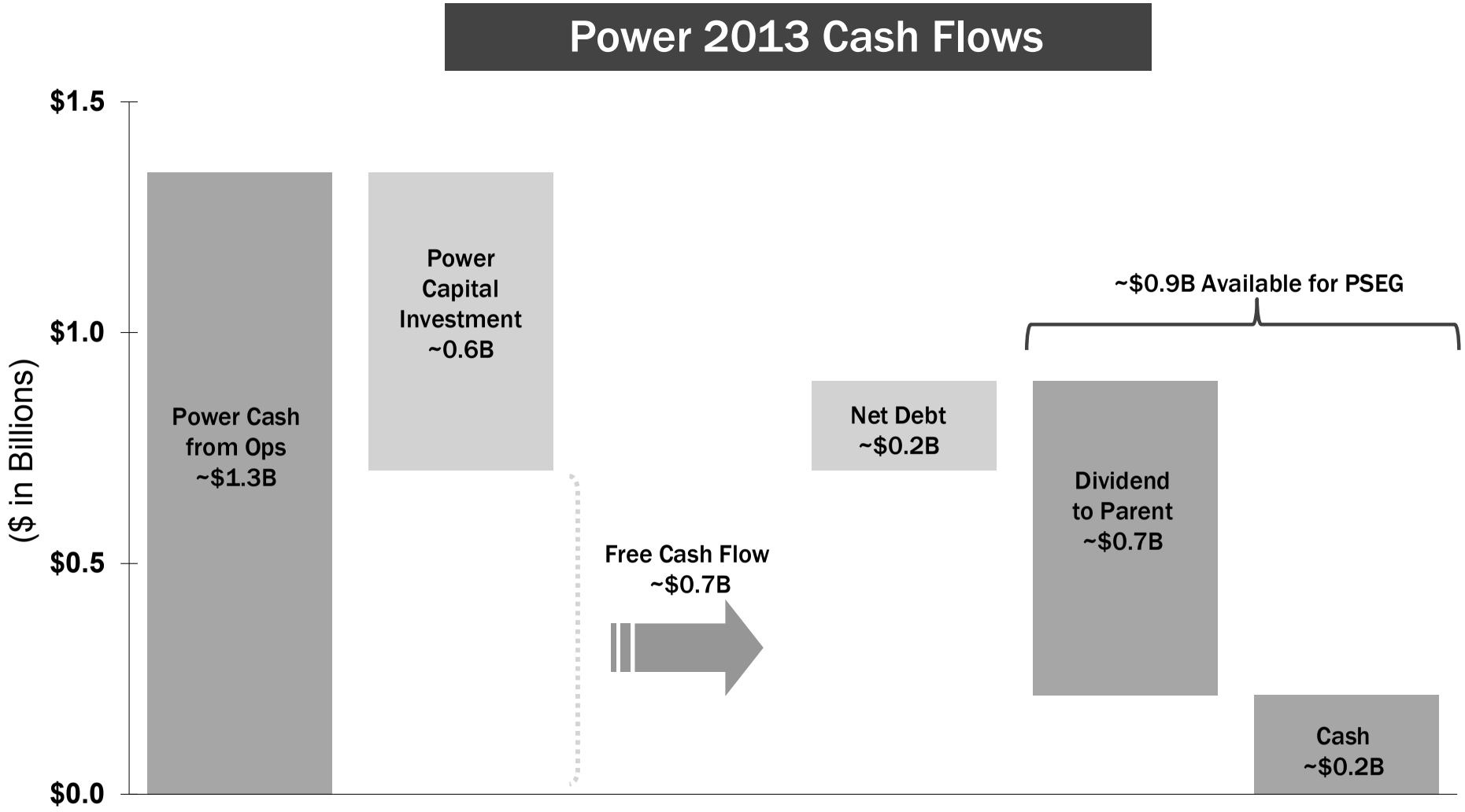
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

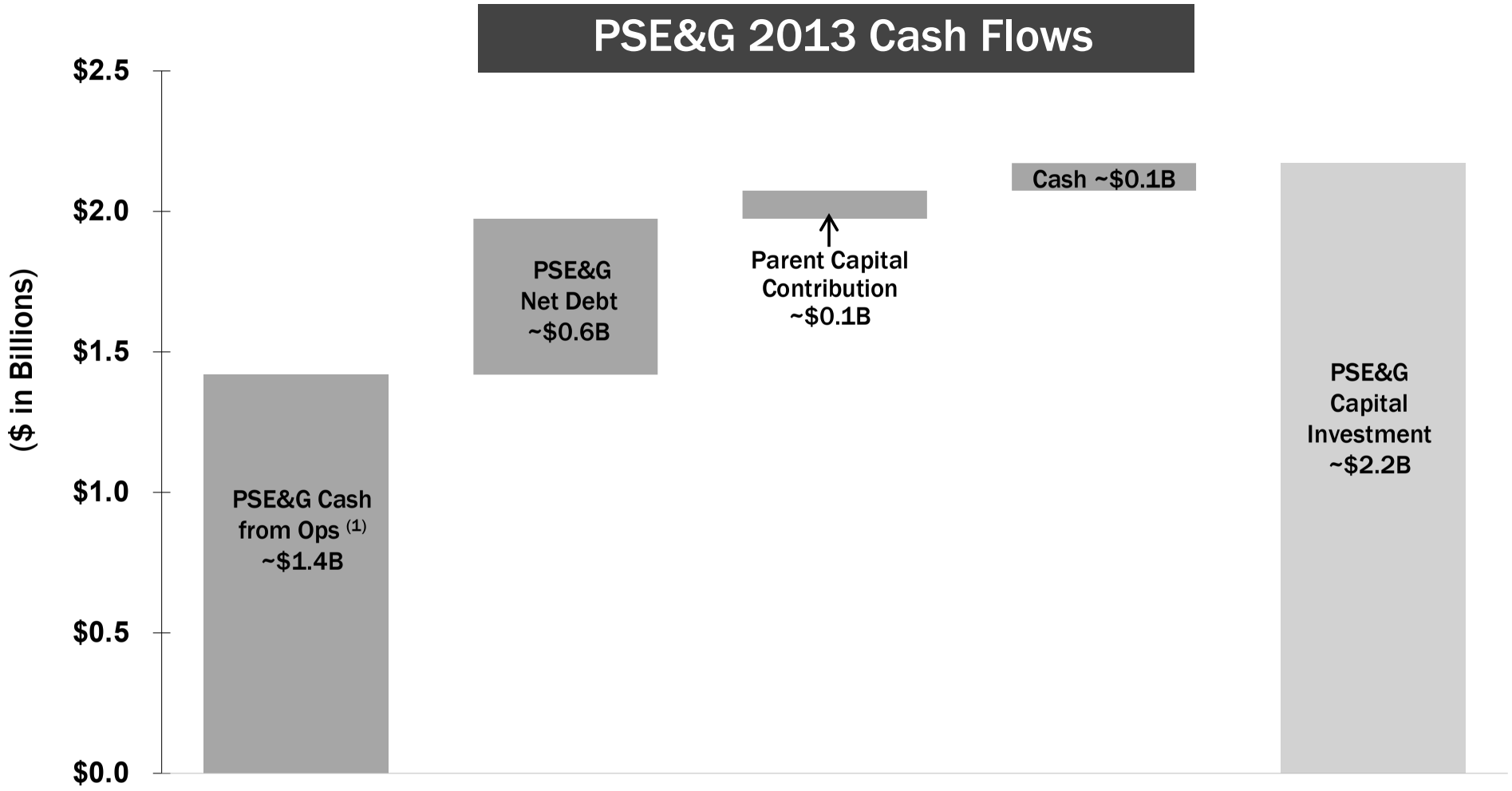
SI-SSA-0015-06282

In 2013, Power had significant free cash flow



SI-SSA-0015-06283

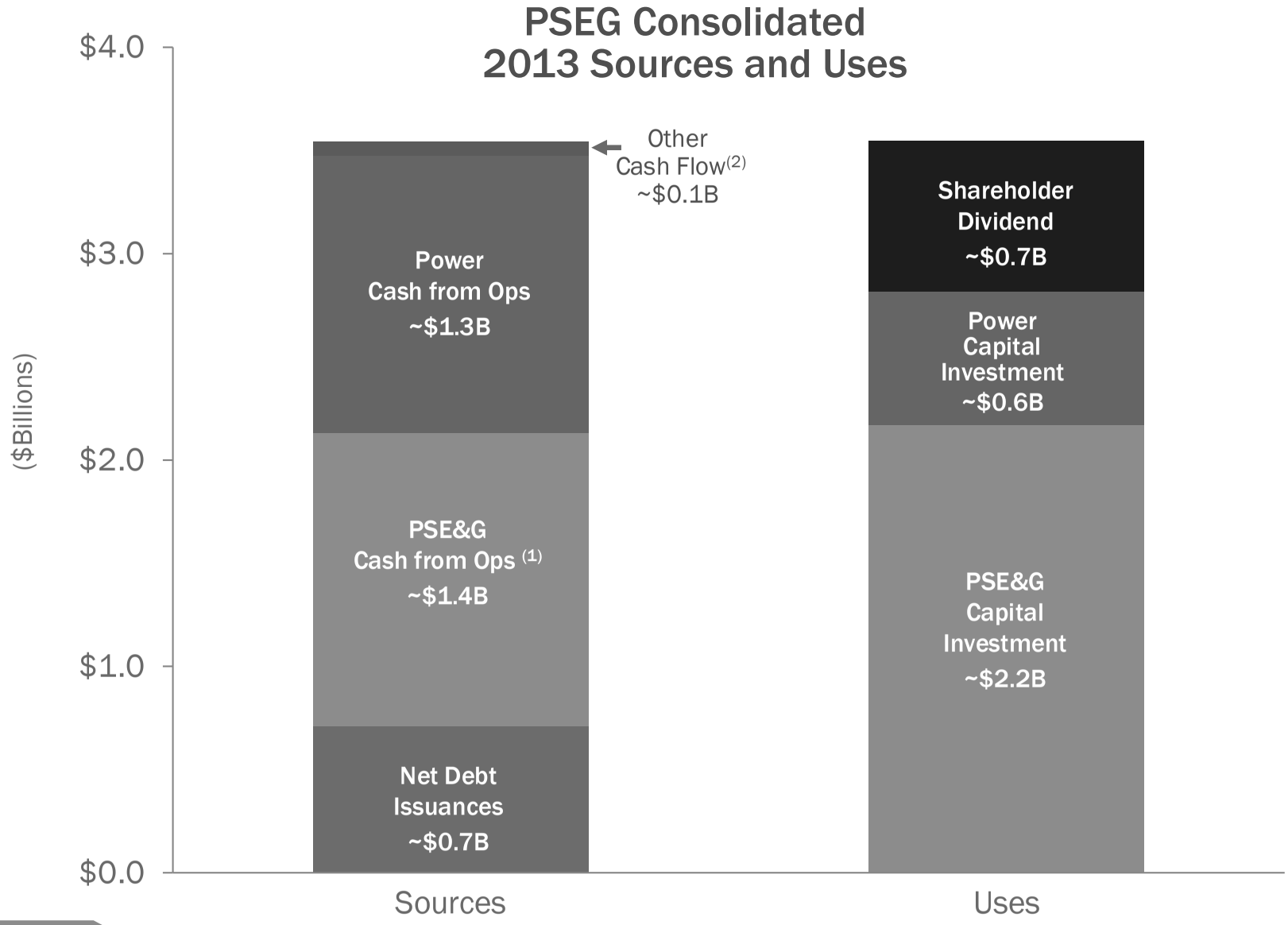
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-06284

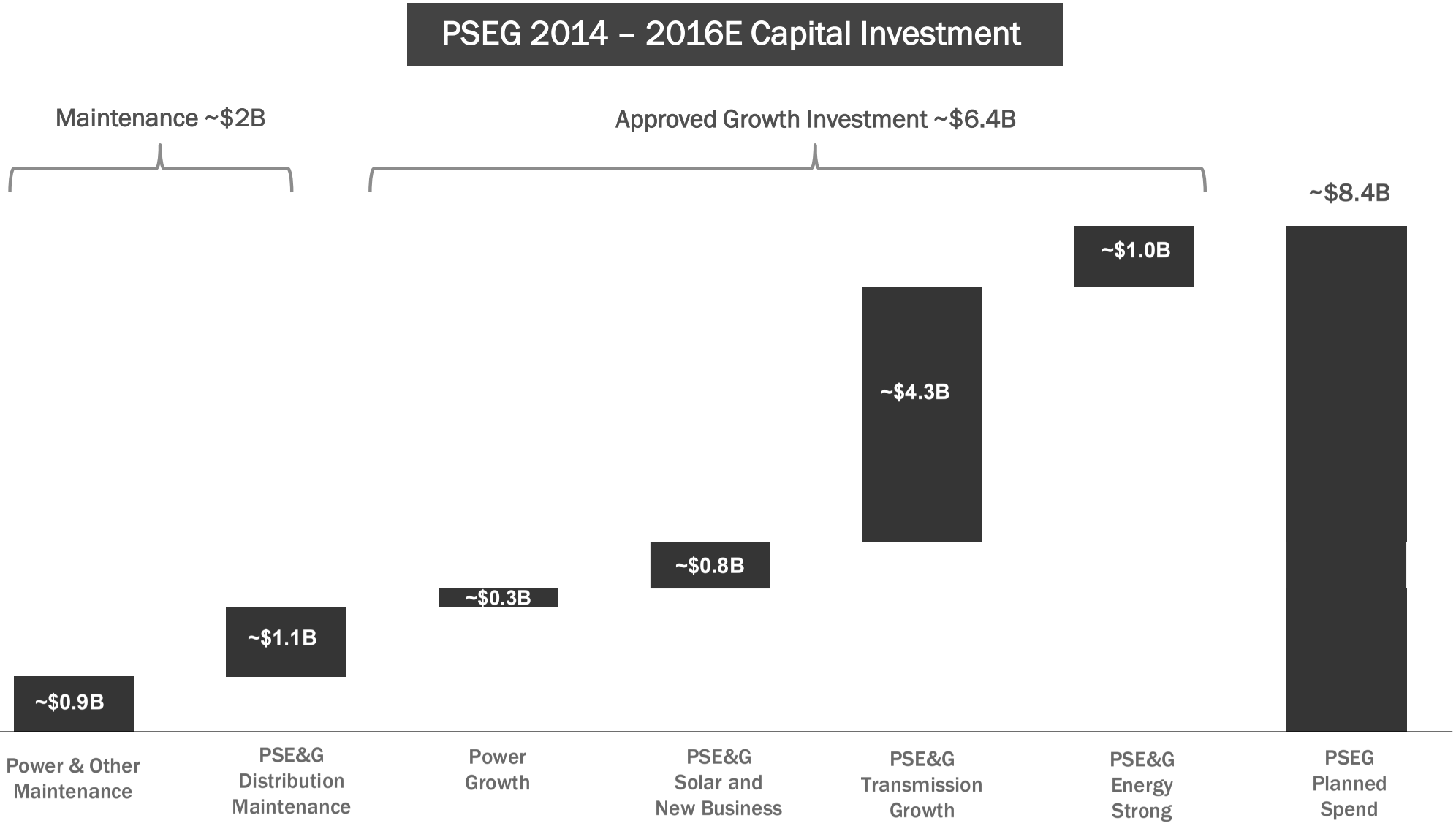
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-06285

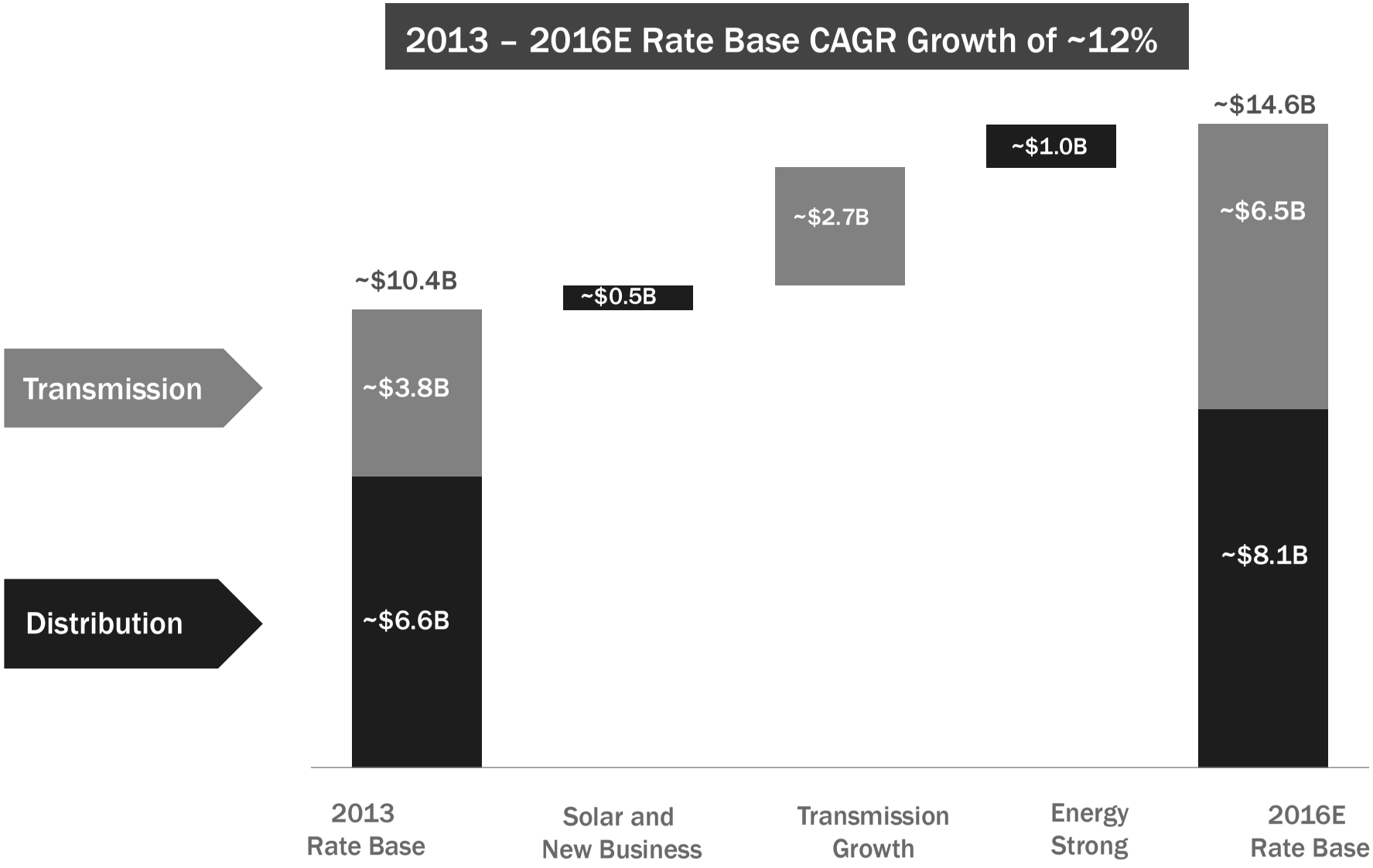
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-06286

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

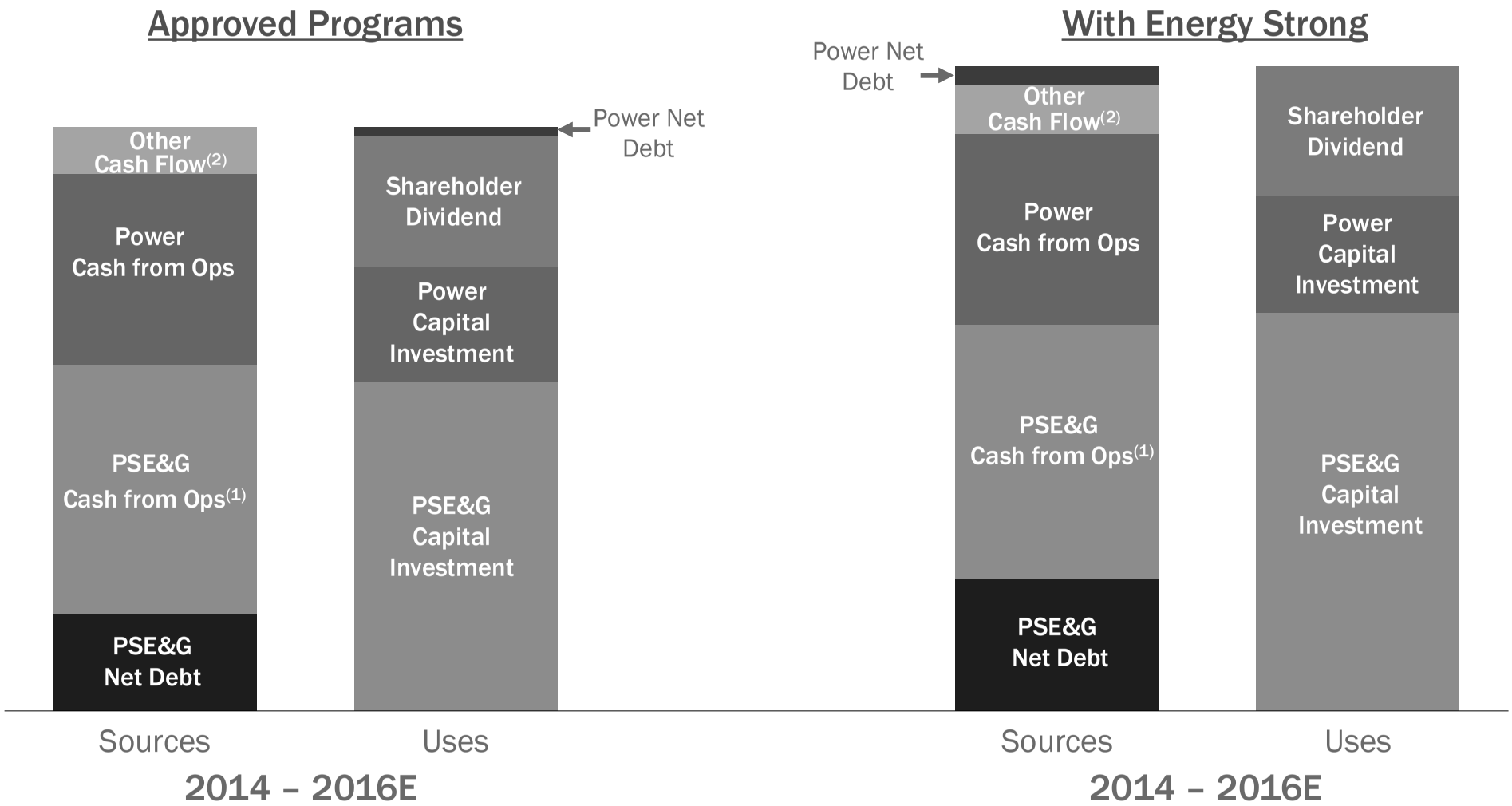


E = ESTIMATE

SI-SSA-0015-06287

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

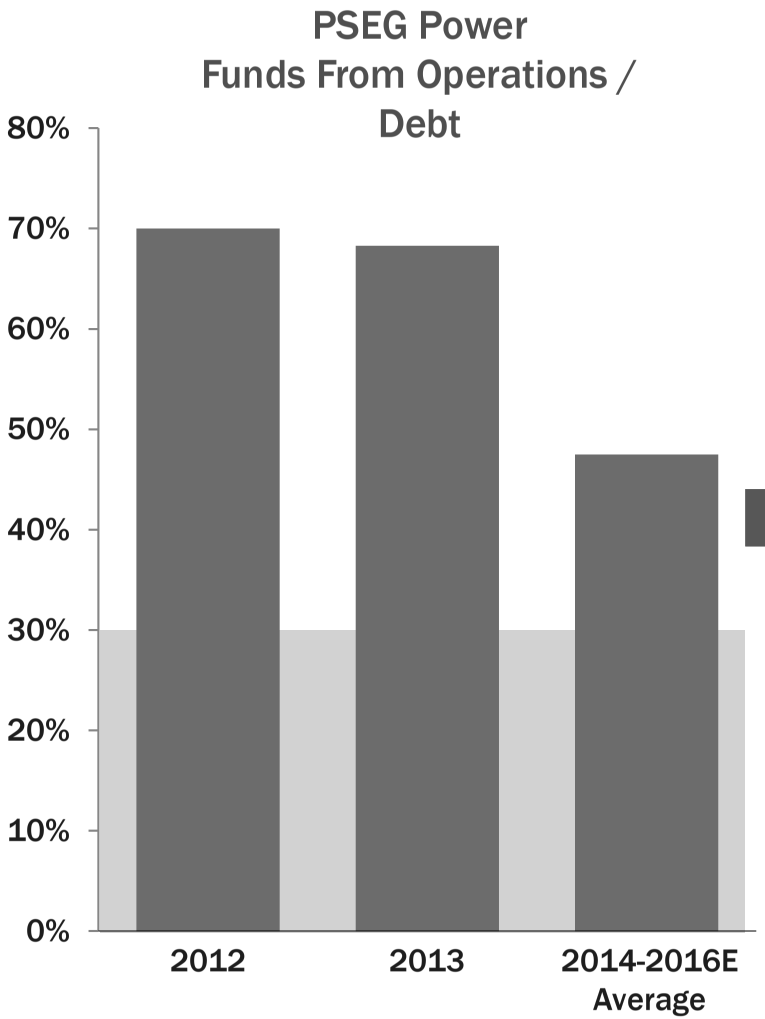
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-06288

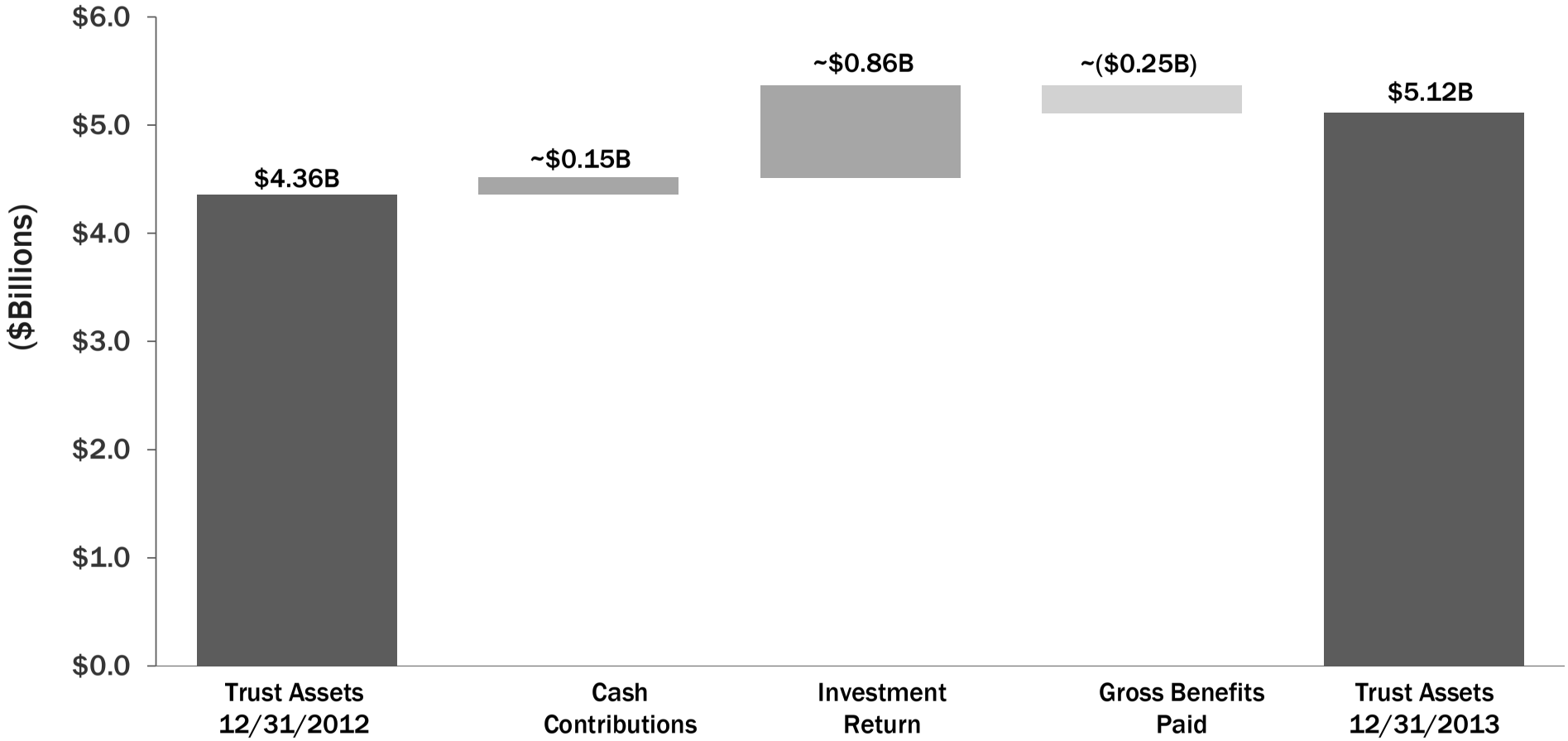
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-06289

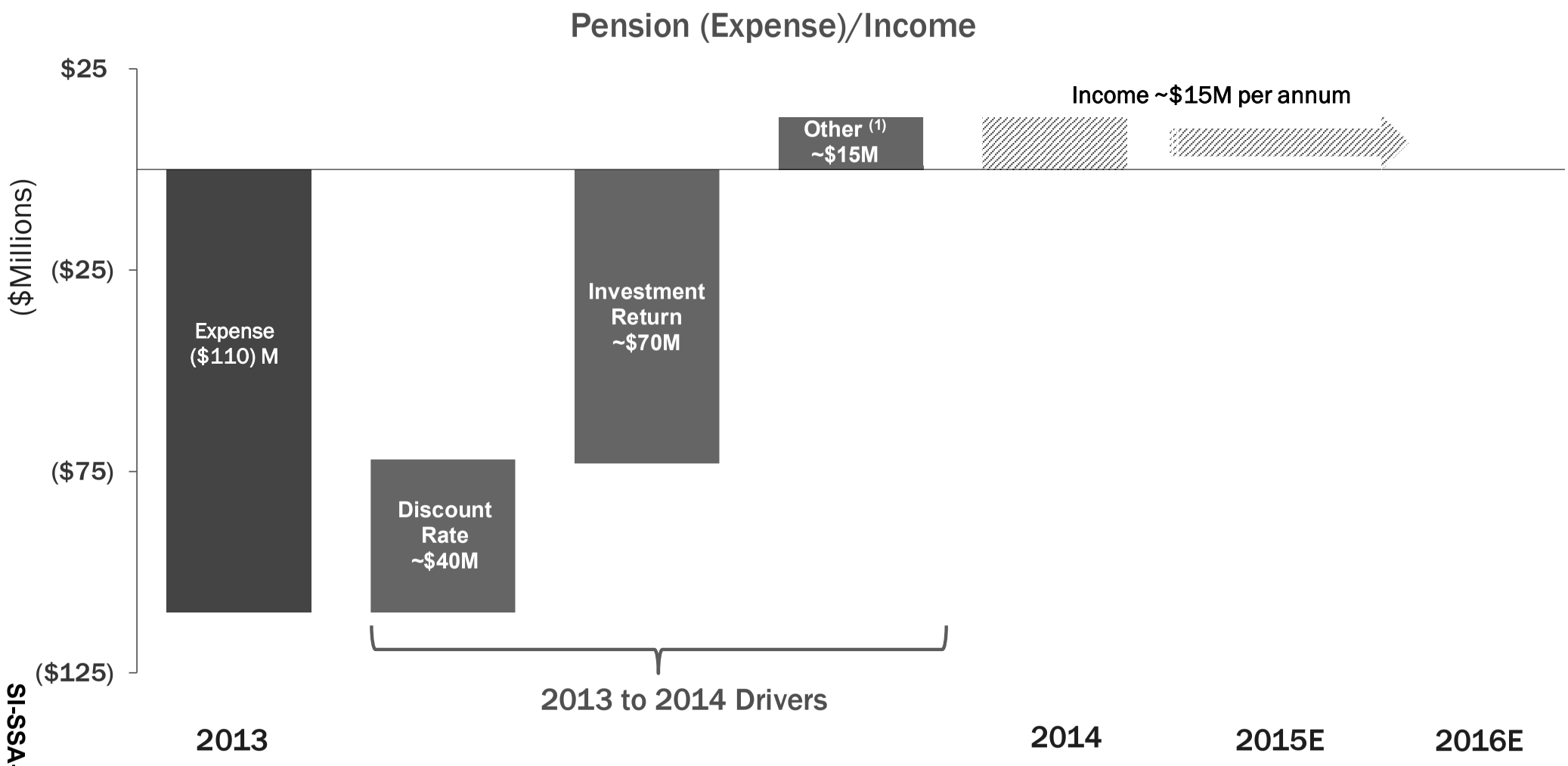
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-06290

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon

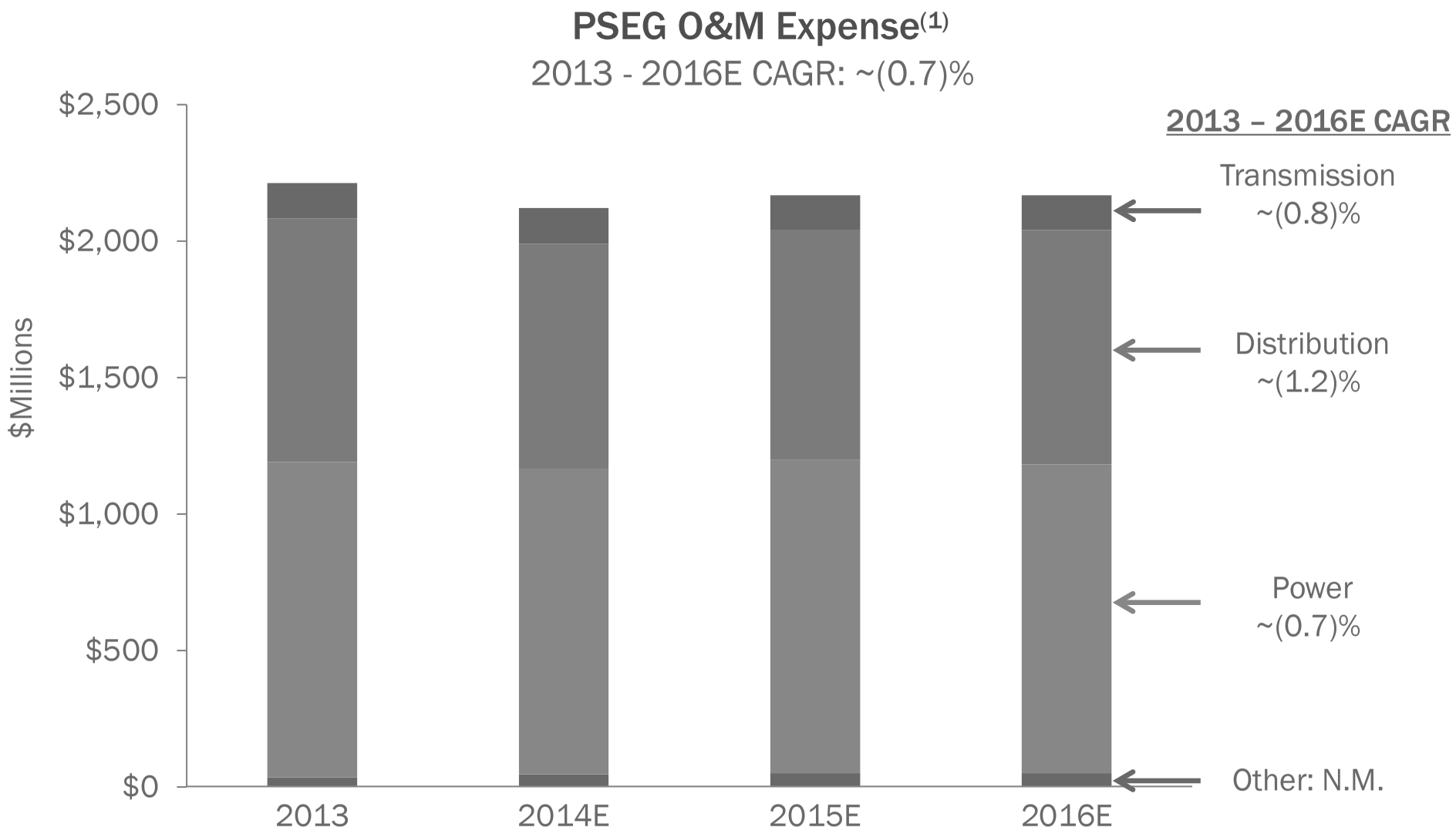


SI-SSA-0015-06291

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-06292

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

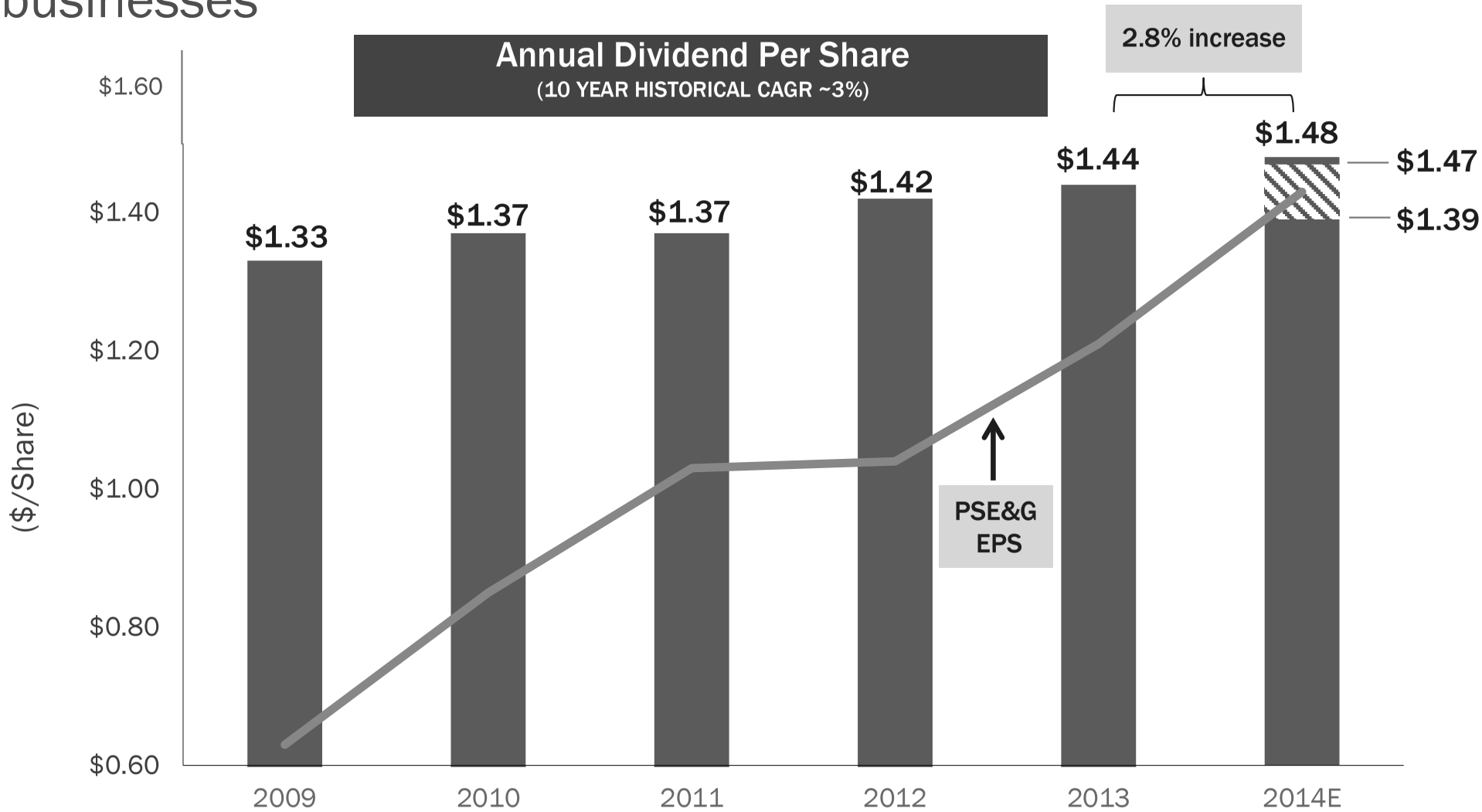
SI-SSA-0015-06293

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-06294

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-06295

PSEG Summary

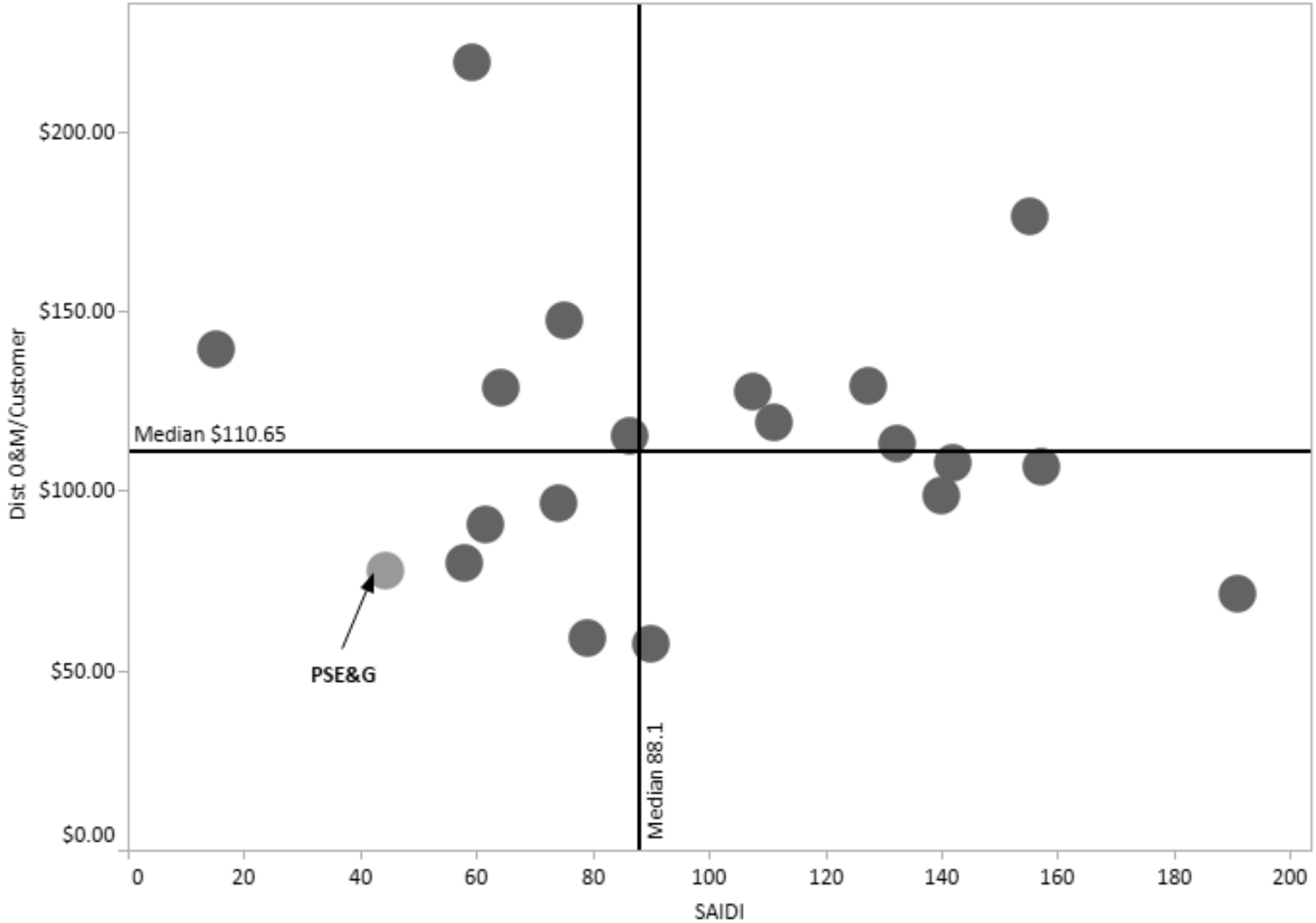
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-06296

PSE&G APPENDIX

SI-SSA-0015-06297

PSE&G provides high reliability at below average cost which creates superior value to customers



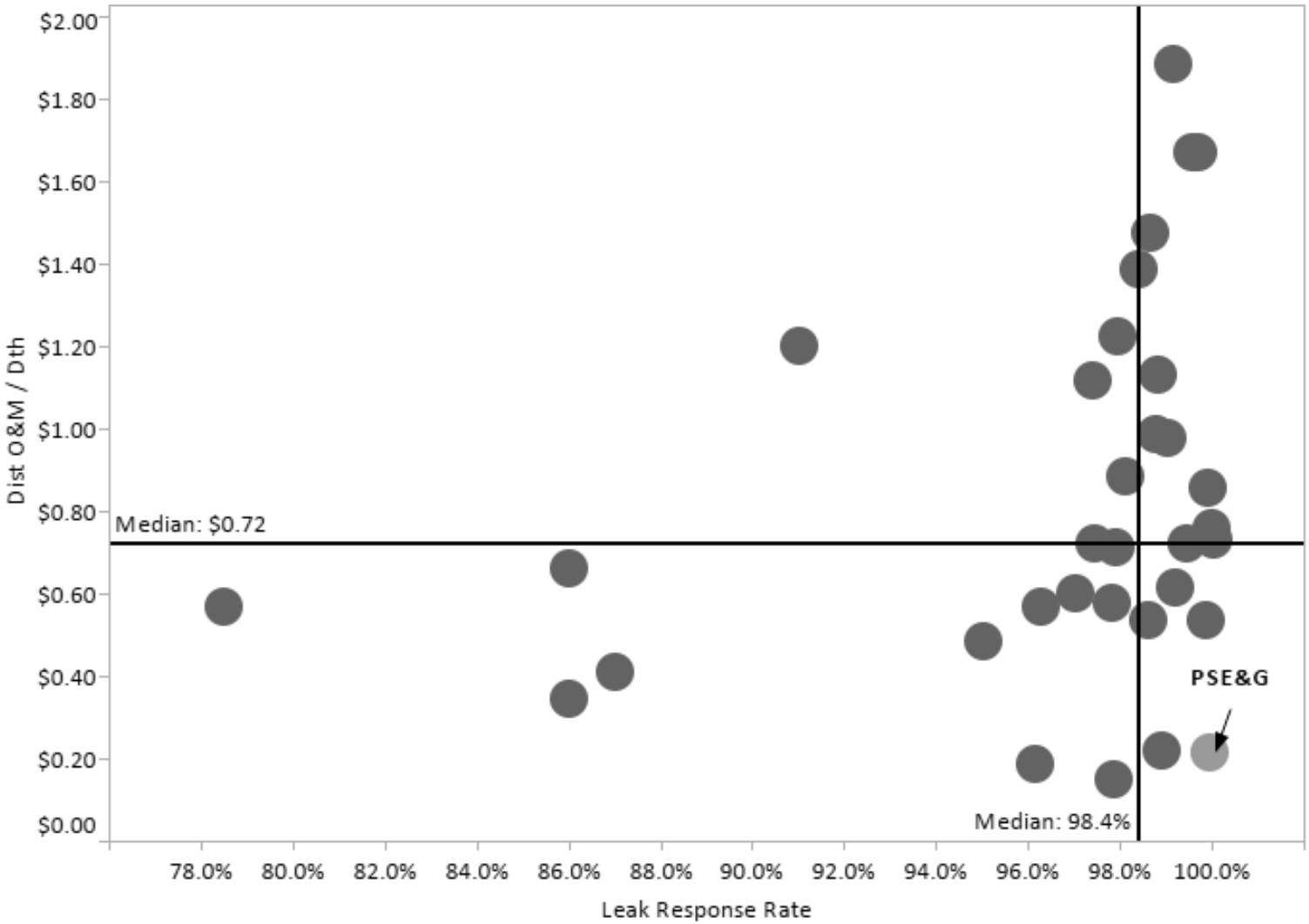
SI-SSA-0015-06298

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



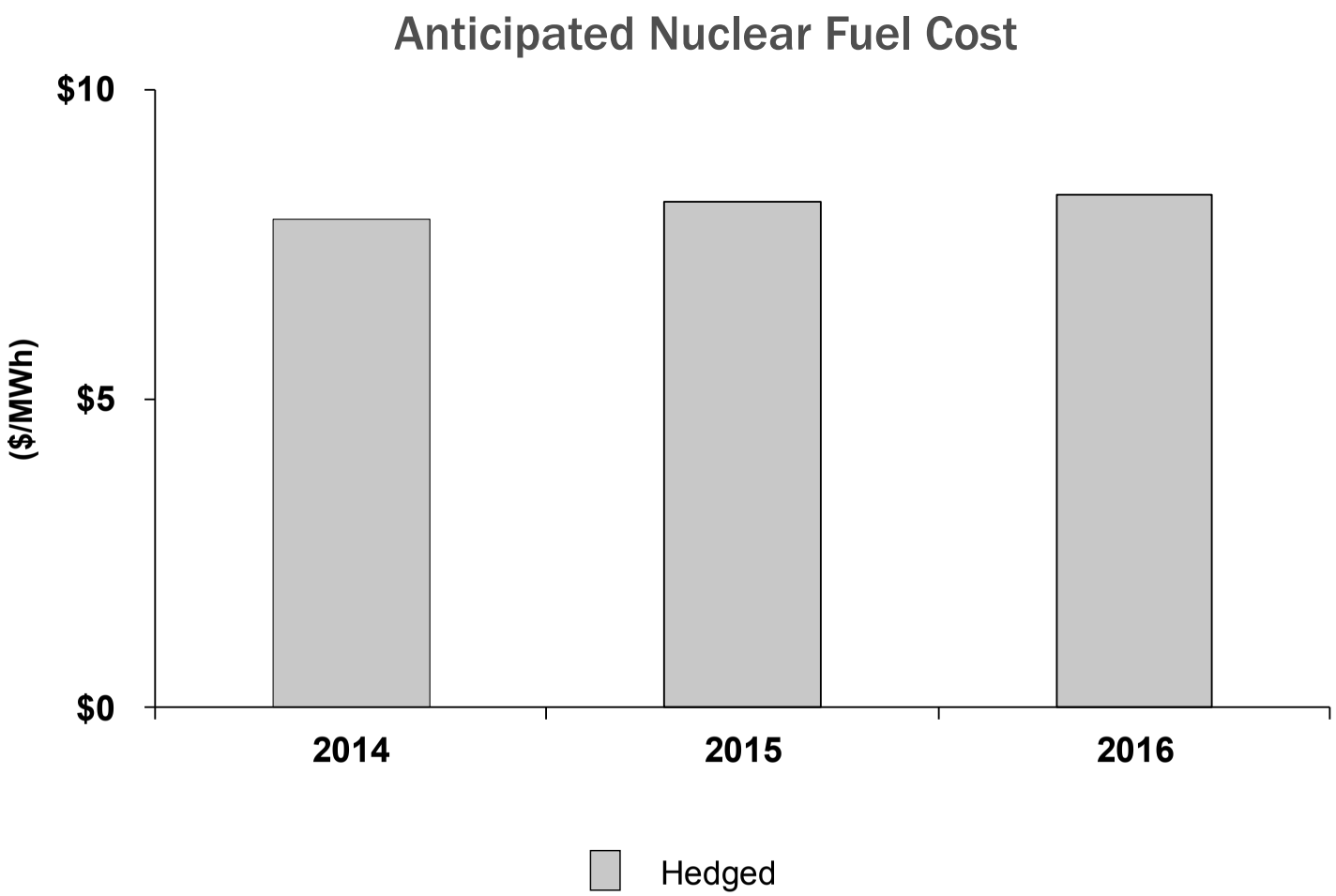
SI-SSA-0015-06299

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-06300

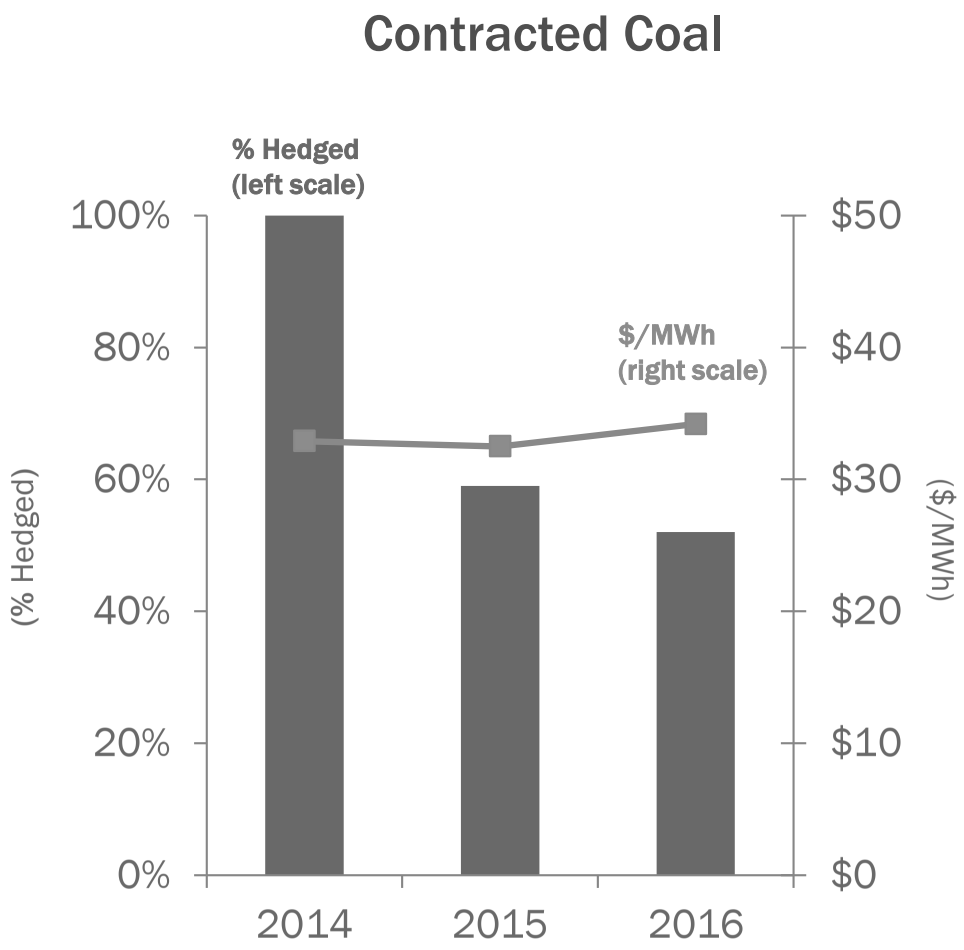
PSEG

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-06301

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-06302

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-06303

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06304

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

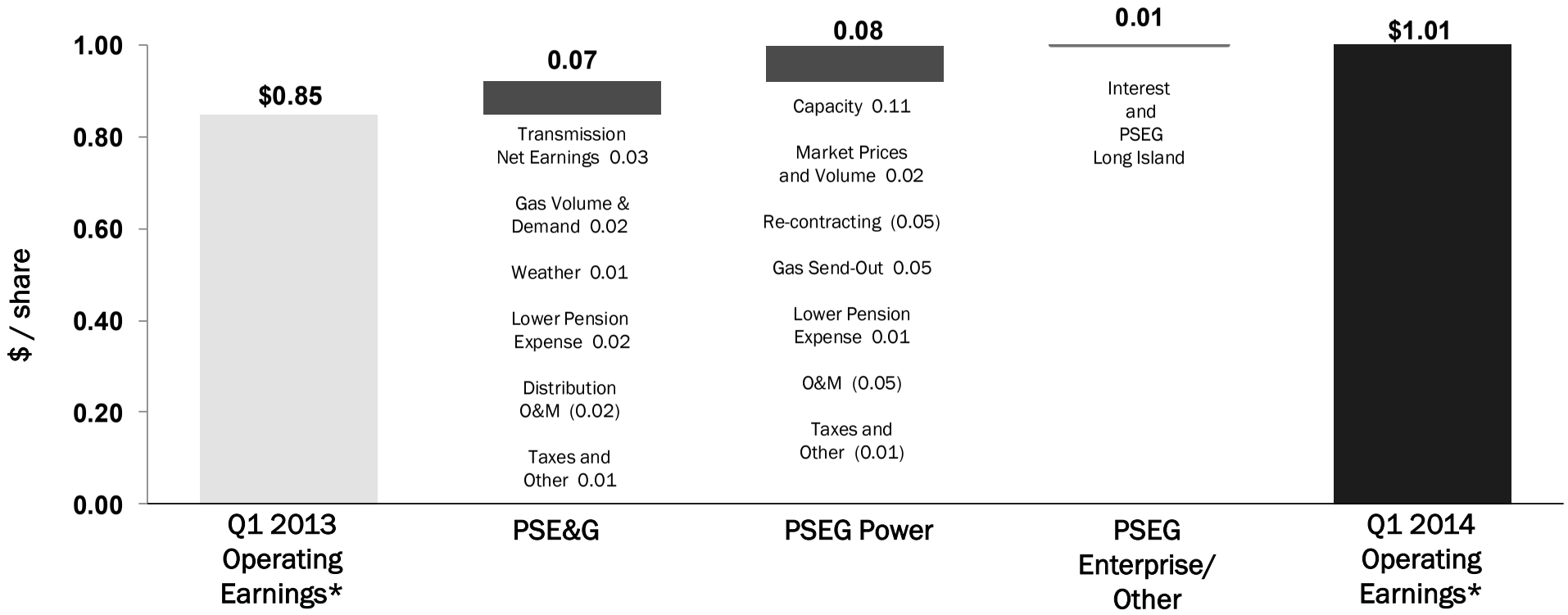
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-06305

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-06306

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

SI-SSA-0015-06307

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-06308

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-06309

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-06310

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a]Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	**(Unaudited)**			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-06312

CITI 2013 GLOBAL ENERGY & UTILITIES CONFERENCE

BOSTON, MA – MAY 16, 2013

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06313

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-06314

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-06315

PSEG met 2012's challenges

with our strong platform of assets

PSEG

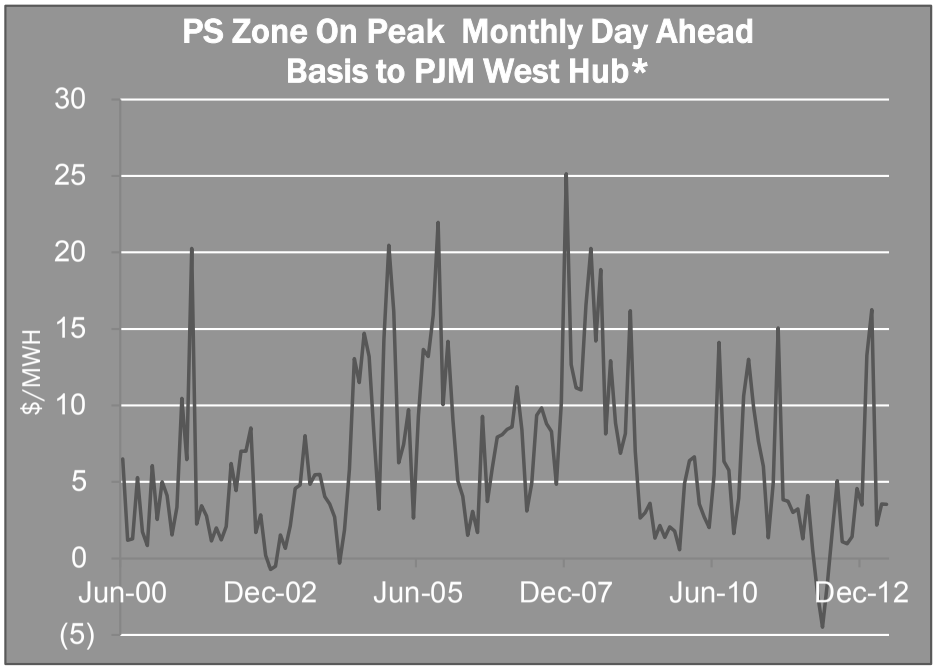
PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

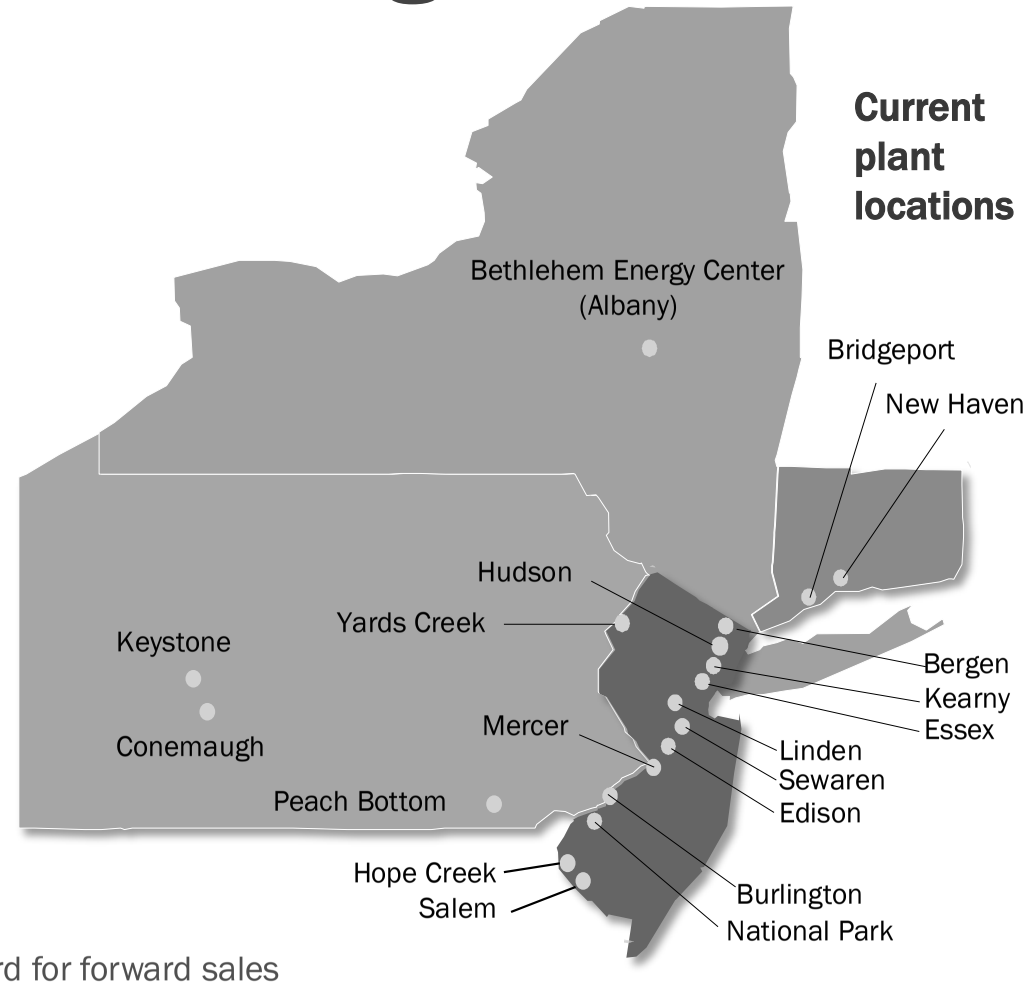
ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

SI-SSA-0015-06316

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

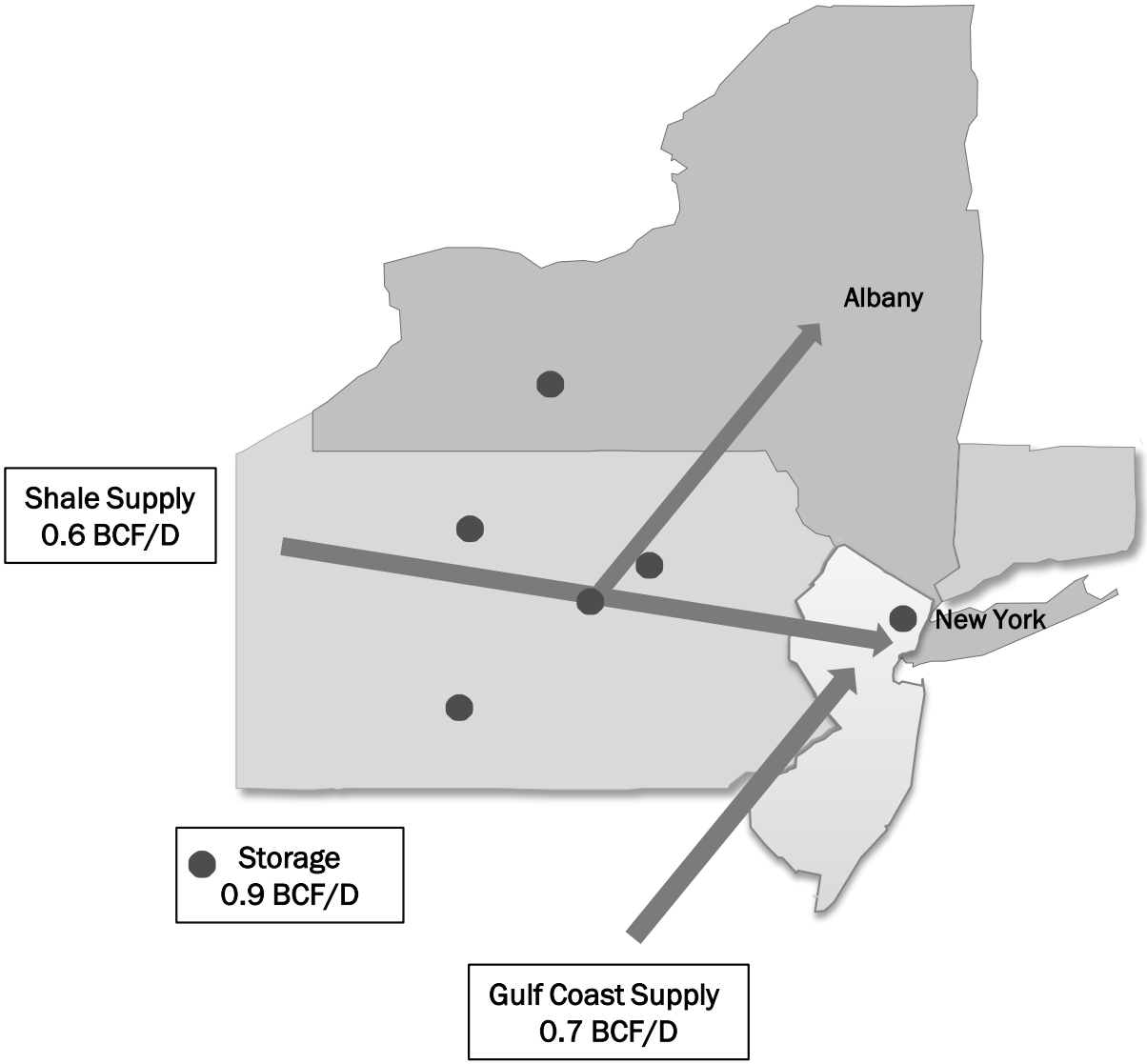
SI-SSA-0015-06317

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



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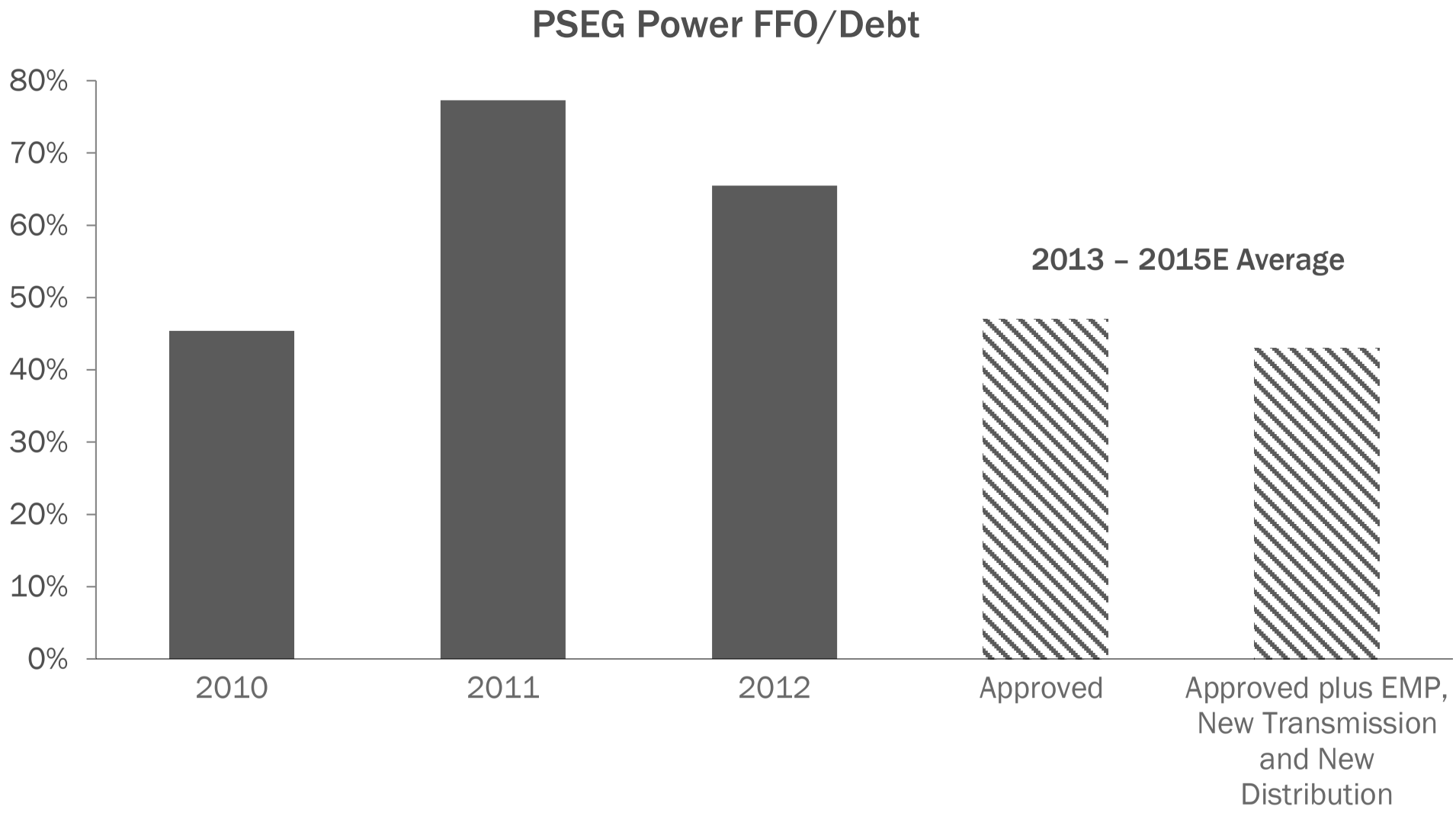
Power's credit metrics are expected to remain strong



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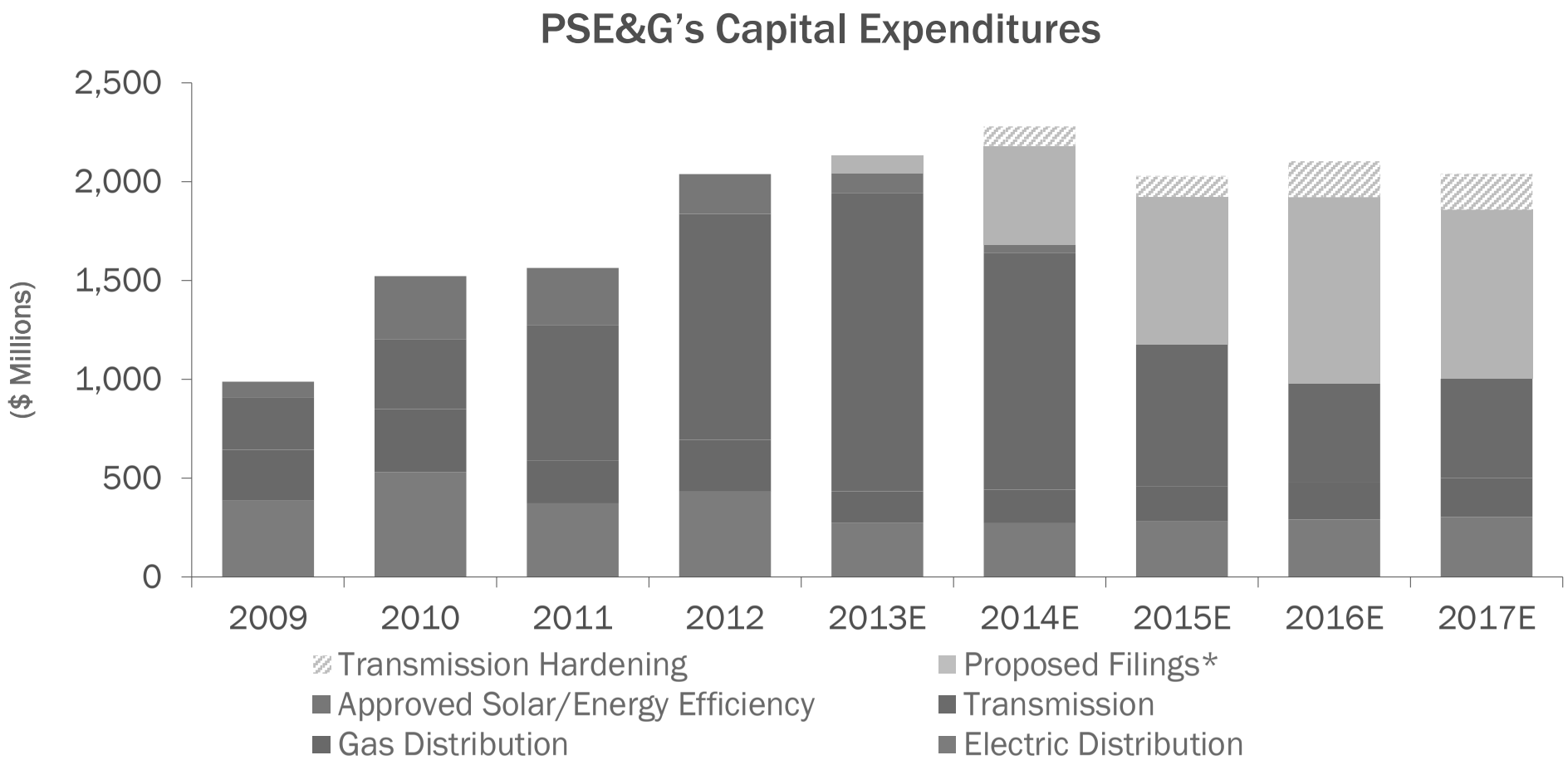
PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



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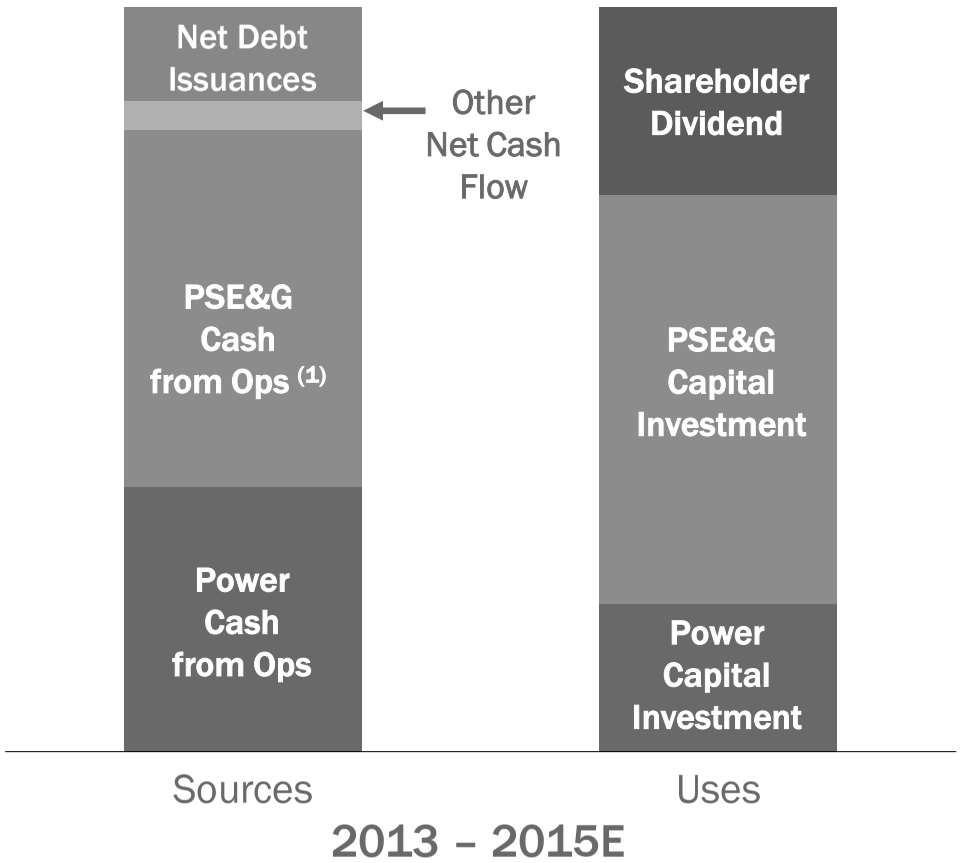
PSEG

* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

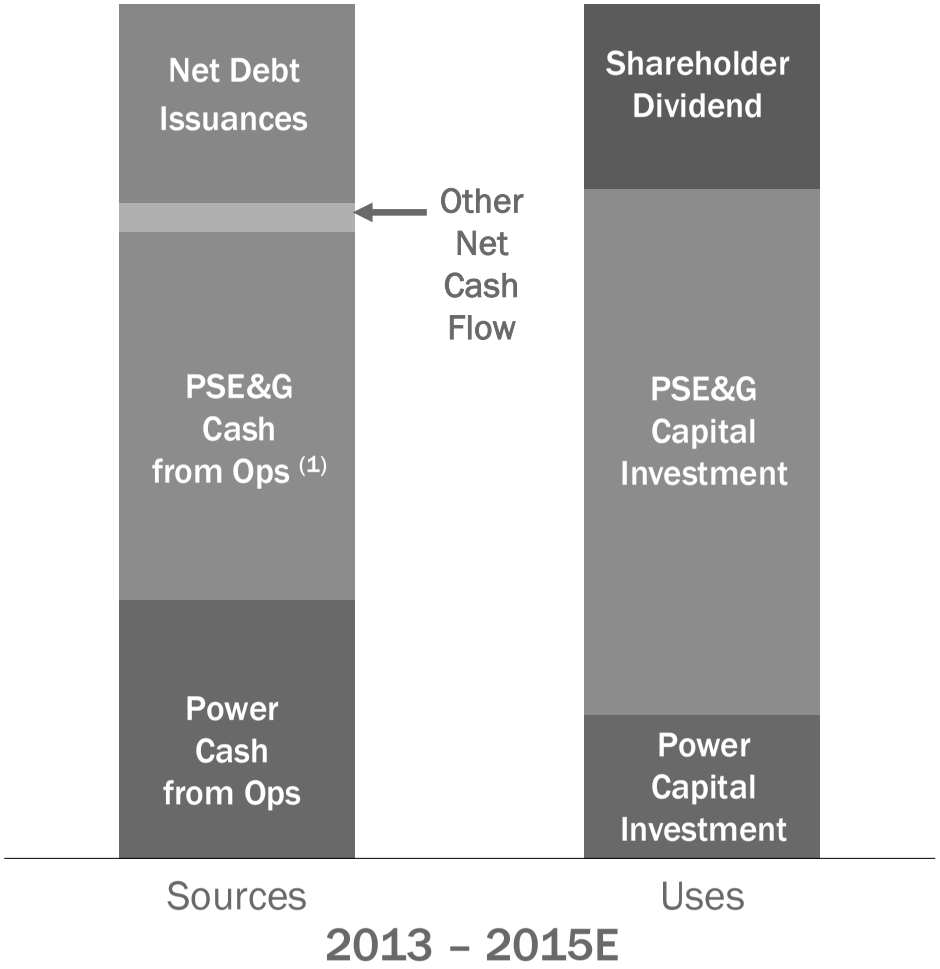
All scenarios can be financed without new equity

Approved Programs



2013 – 2015E

Approved Programs plus EMP, New Transmission and New Distribution



2013 – 2015E

SI-SSA-0015-06321

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-06322

Maintaining 2013 operating earnings guidance

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-06323

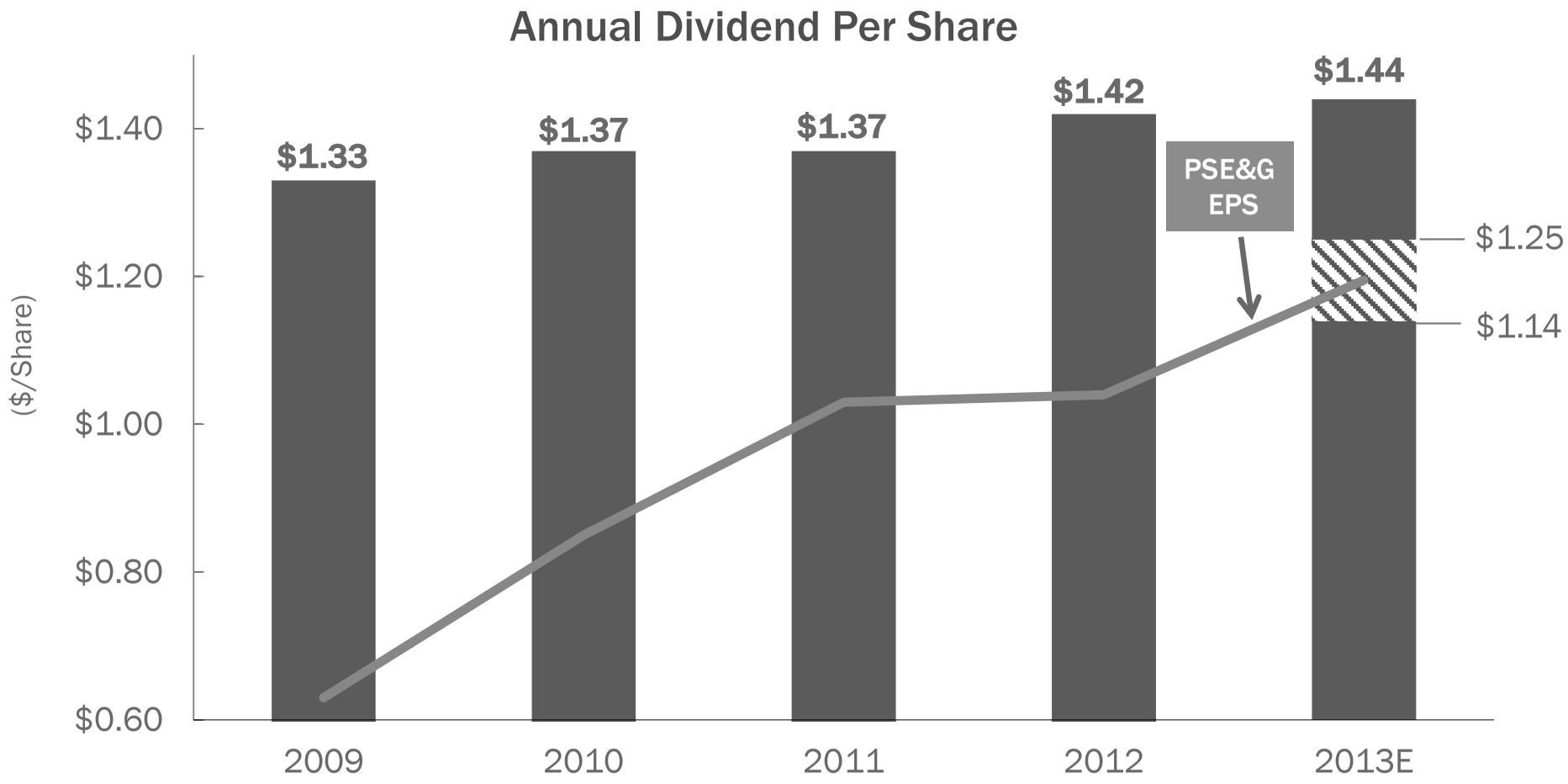
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



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

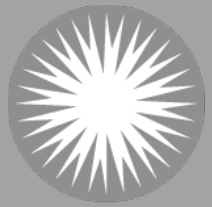
(Unaudited)

Pro-forma Adjustments, net of tax	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Earnings Impact ($ Millions)							
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(105)	52	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	4	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(17)	-	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	34	-	-	(13)
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)							
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.21)	0.10	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.01	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Citi – Mid-Atlantic Investor Meetings

MARCH 27-28, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06326

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-06327

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-06328

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-06329

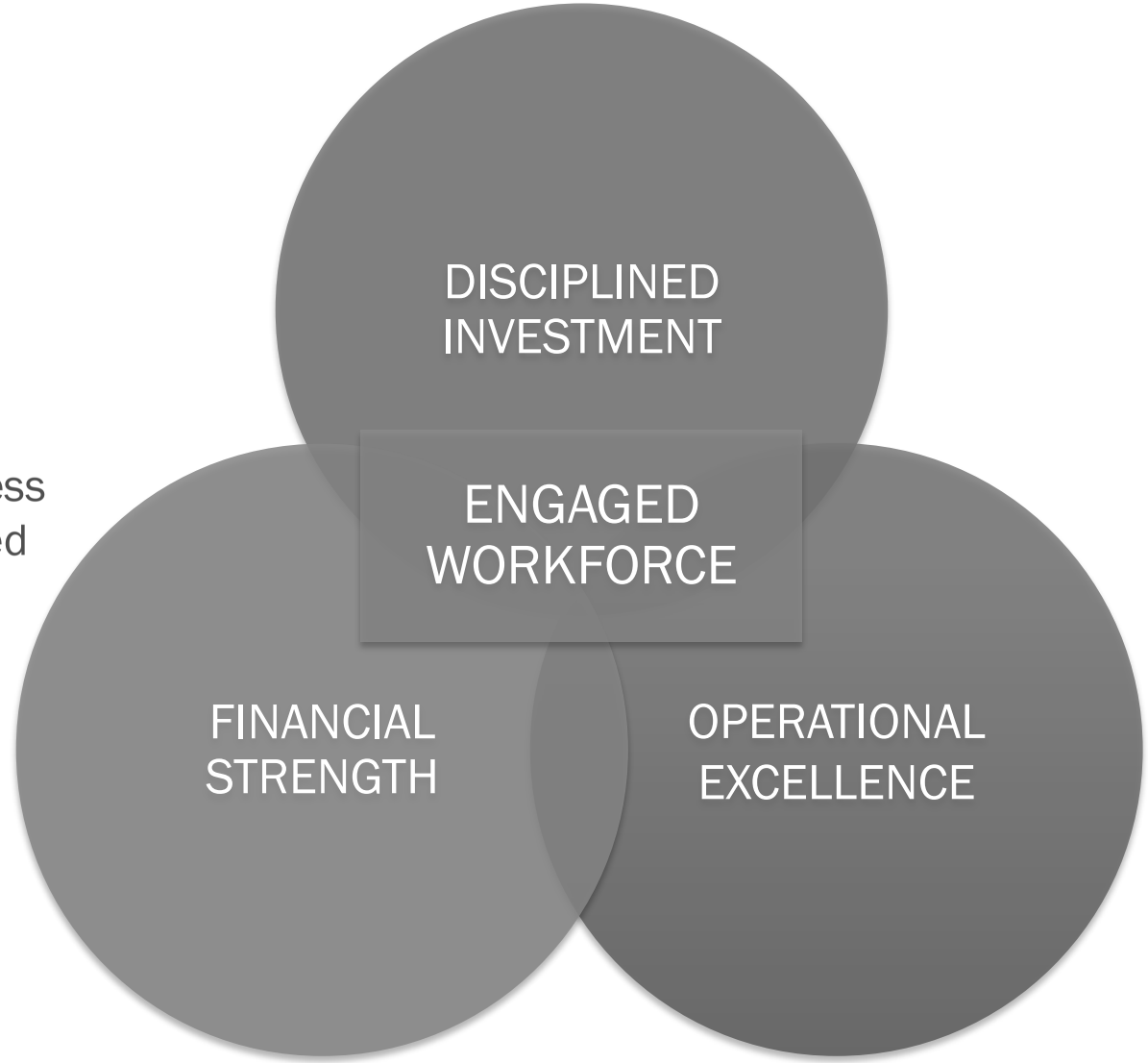
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-06330

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-06331

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

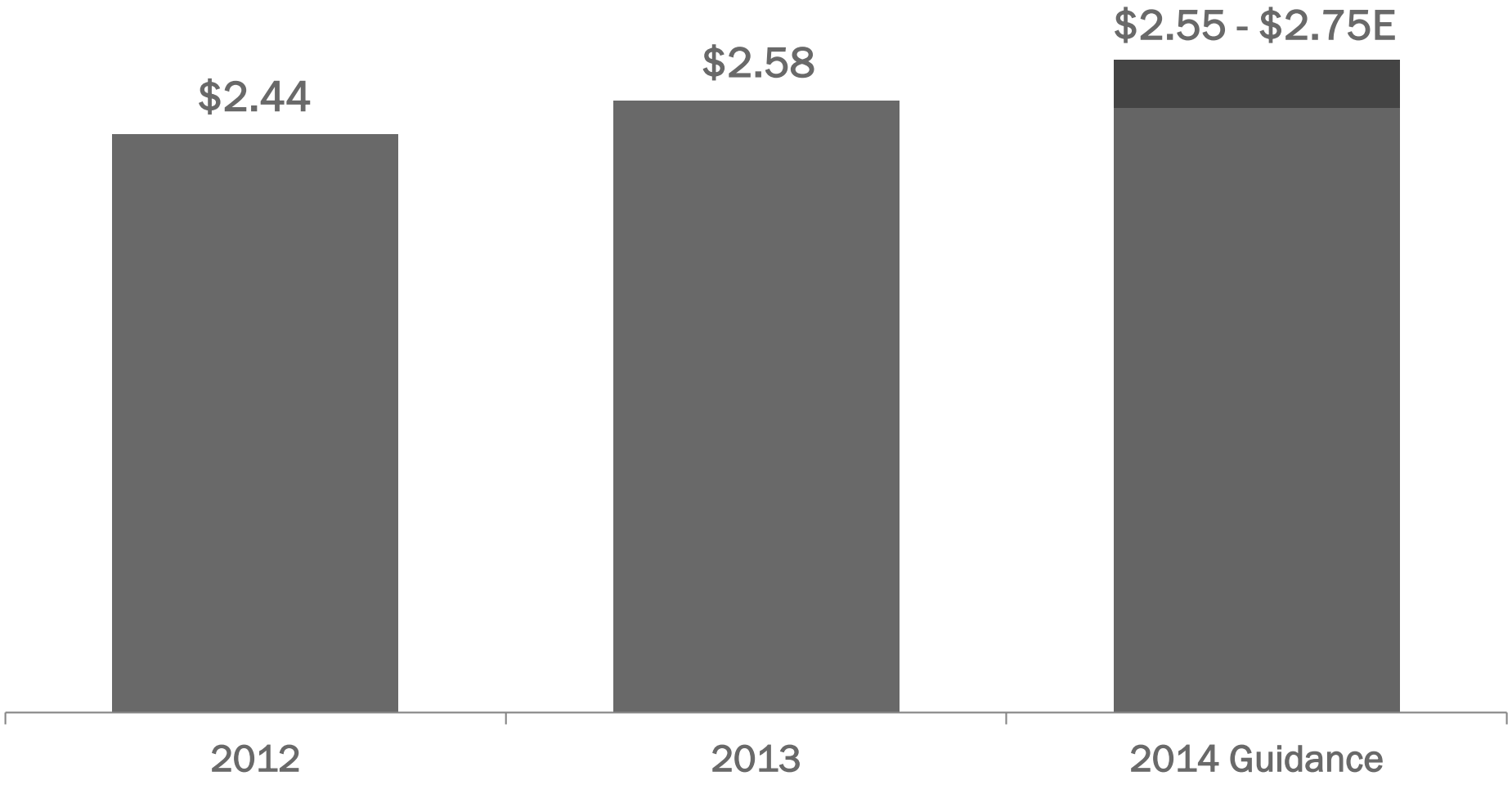
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong program under discussion ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-06332

Operating Earnings Guidance

Building on the successful implementation of our strategy



SI-SSA-0015-06333

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

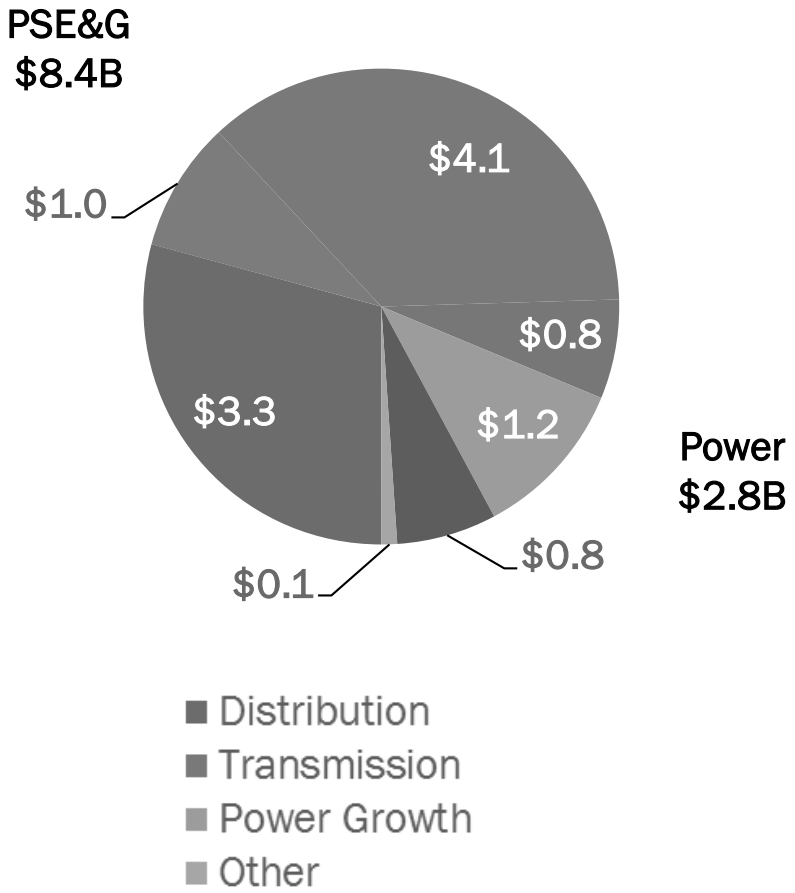
SI-SSA-0015-06334

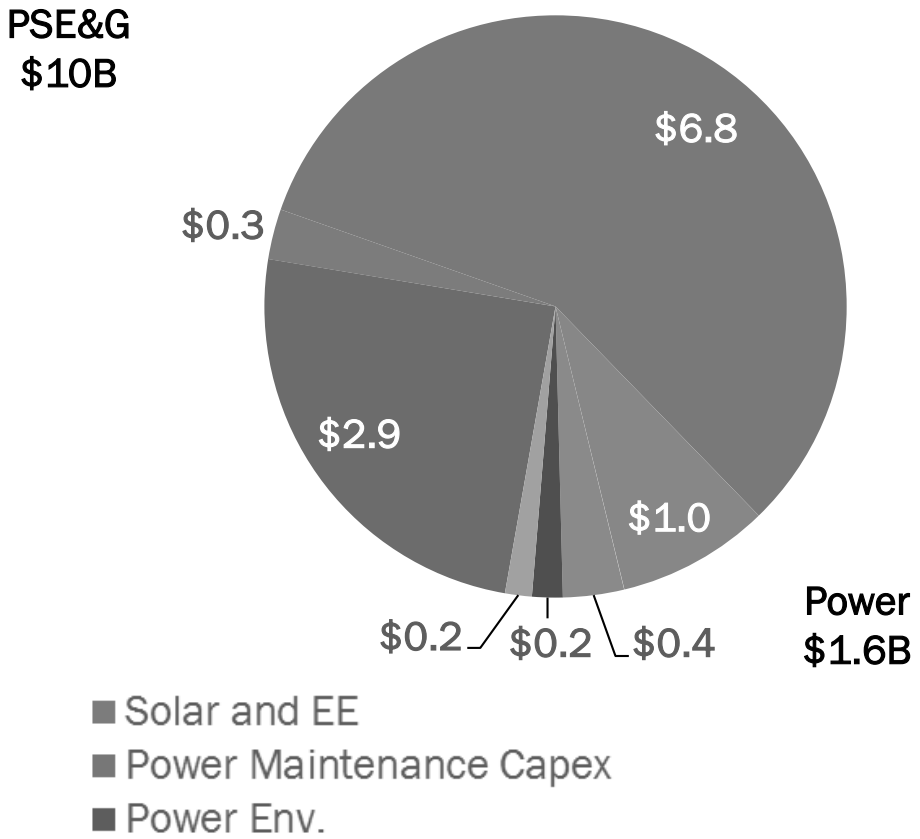
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion

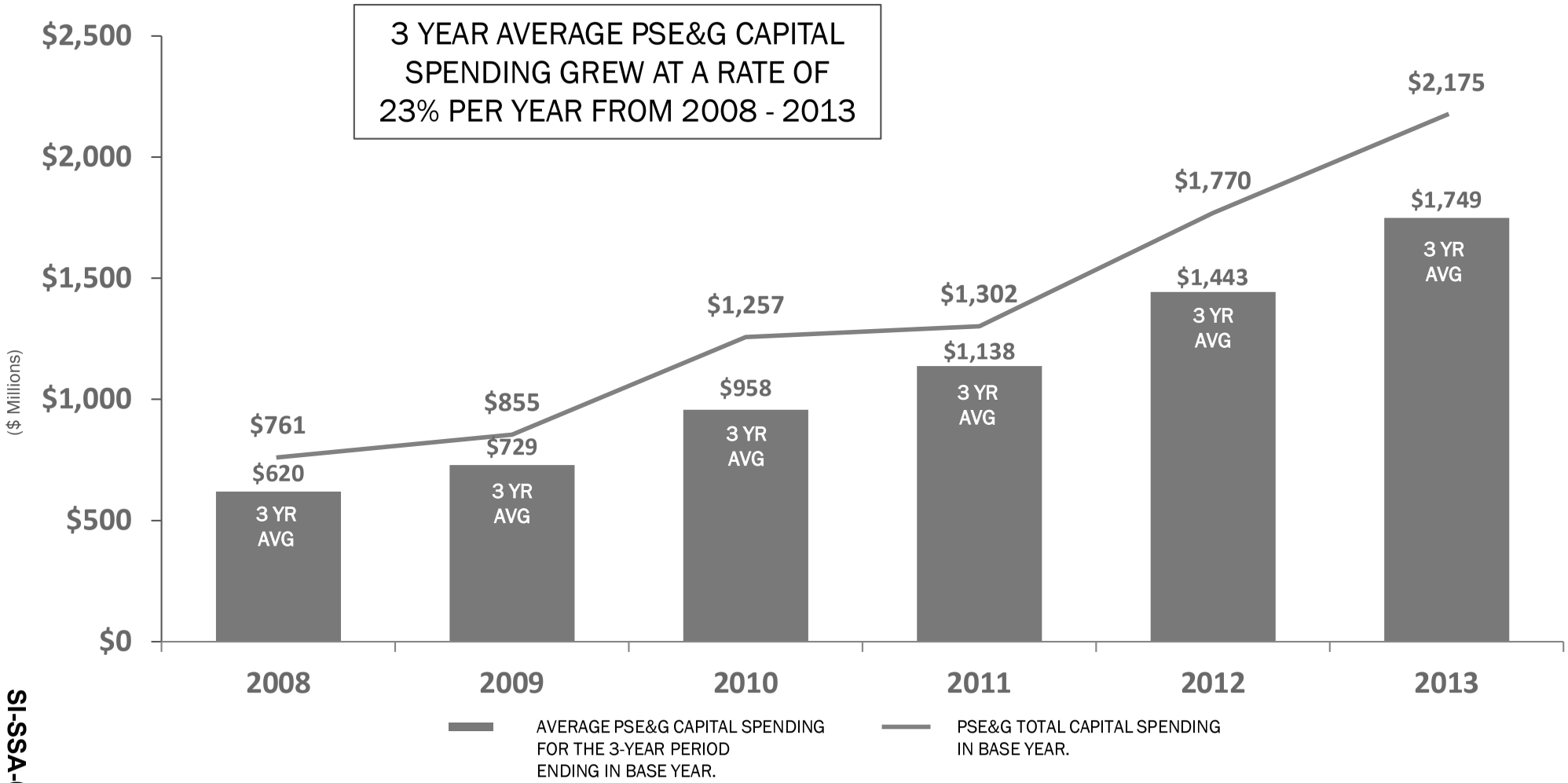




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-06335

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-06336

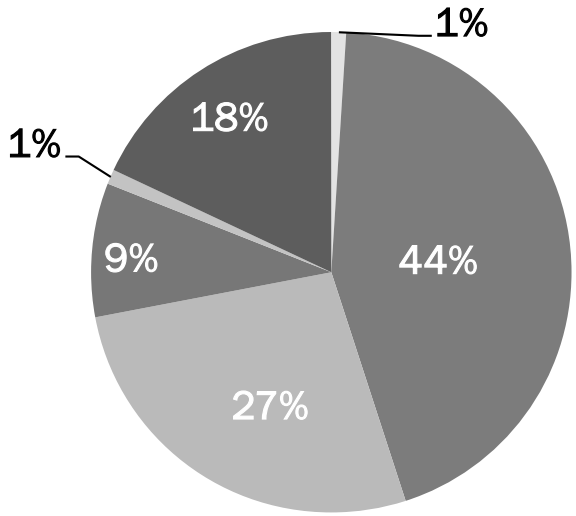
Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

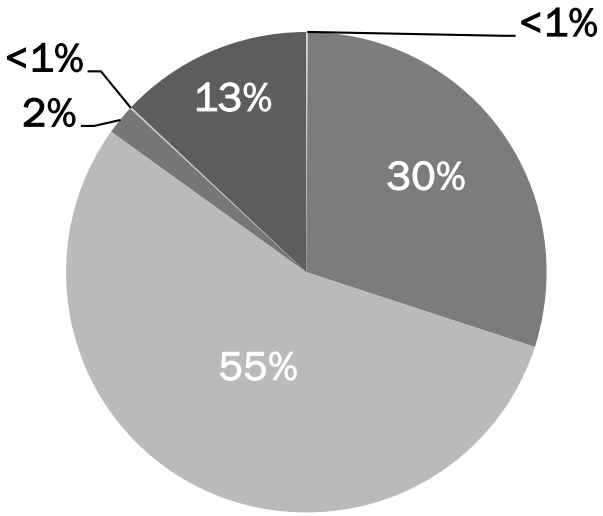
SI-SSA-0015-06337

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

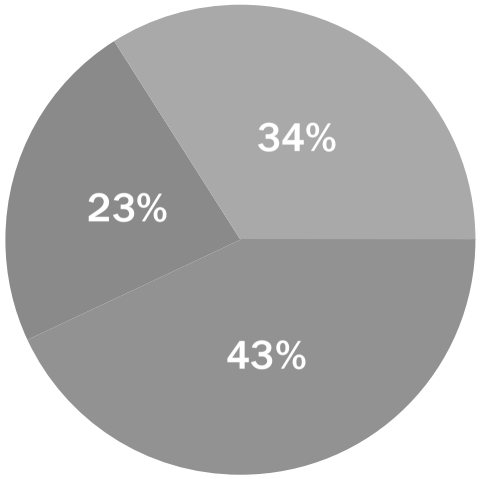
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

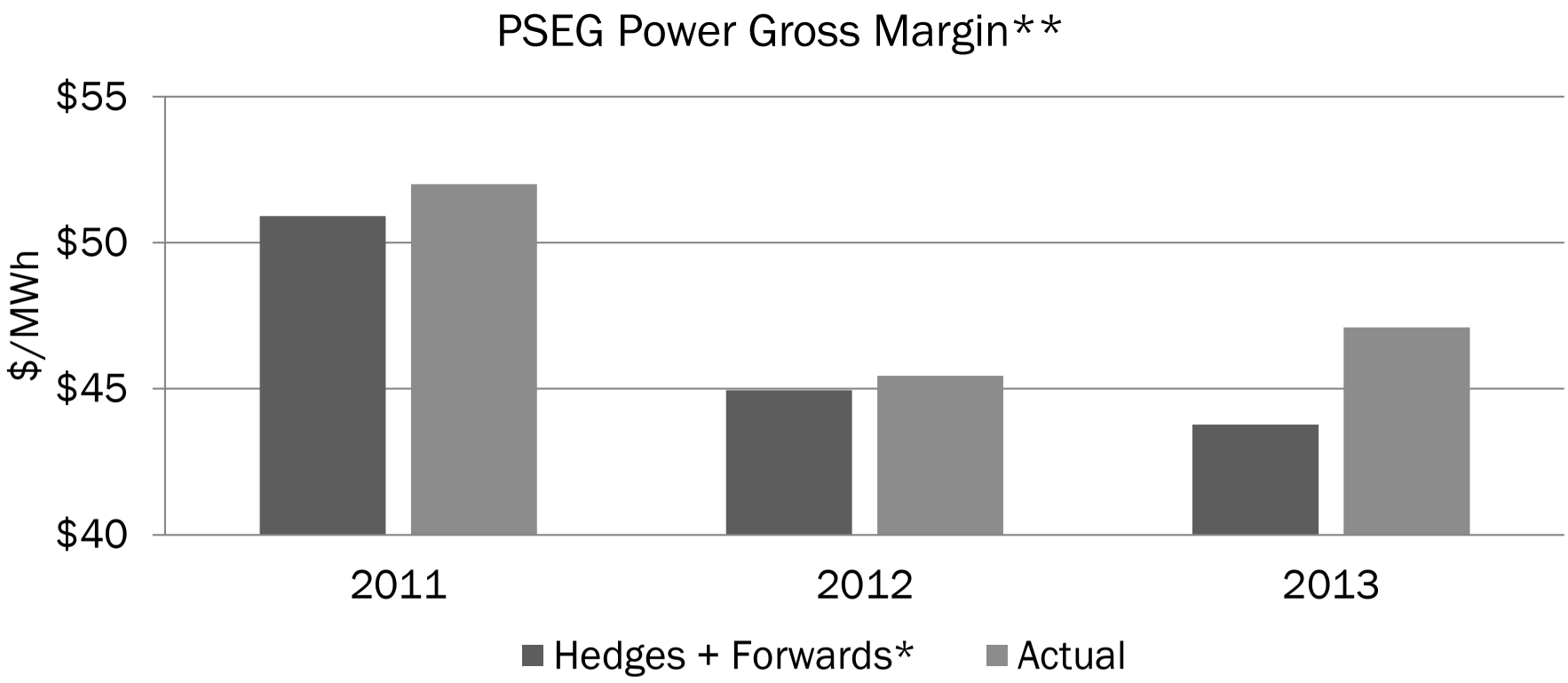


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-06338

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-06339

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-06340

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.5%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

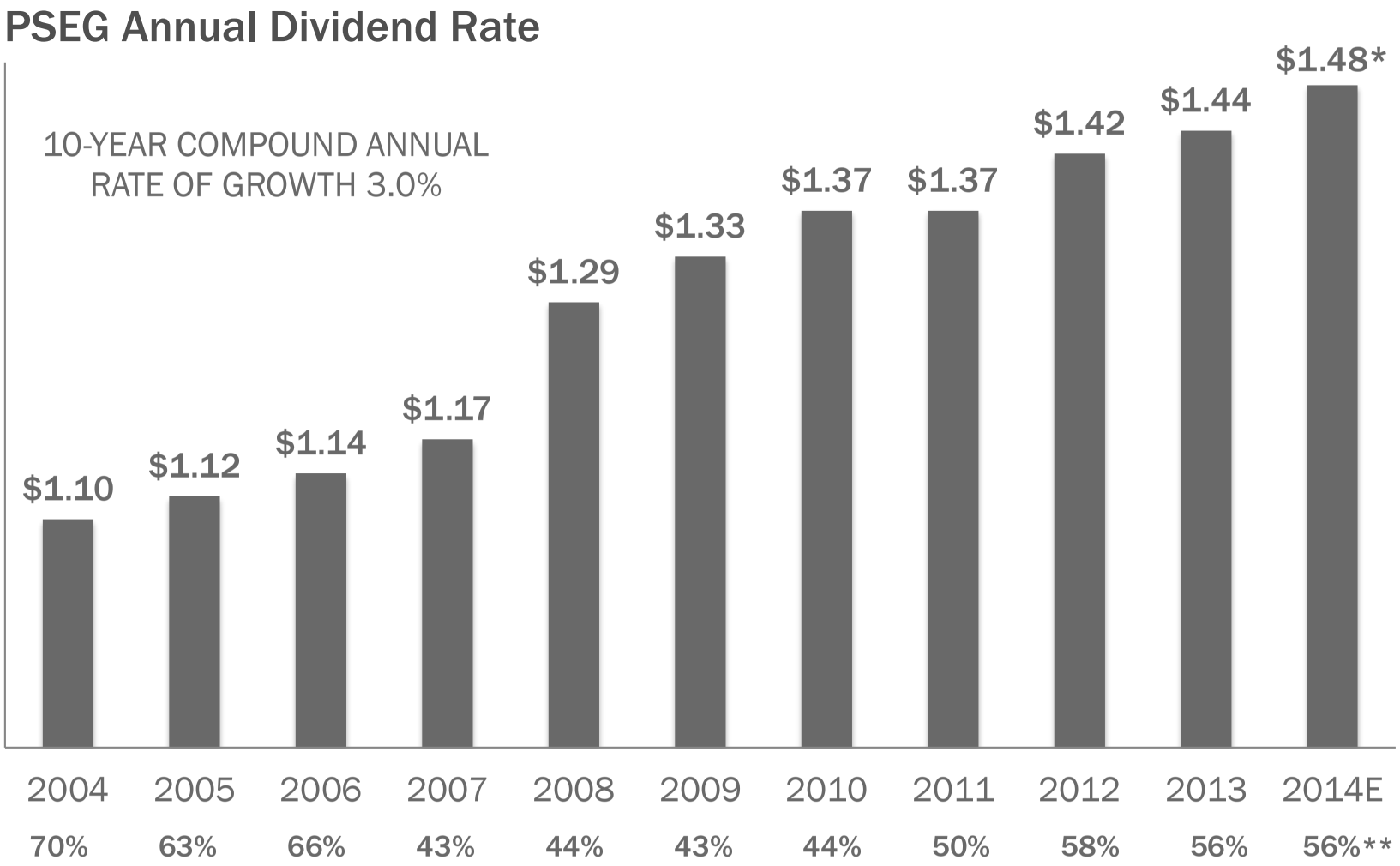
(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

SI-SSA-0015-06341

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-06342

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-06343

PSE&G

SI-SSA-0015-06344

PSEG

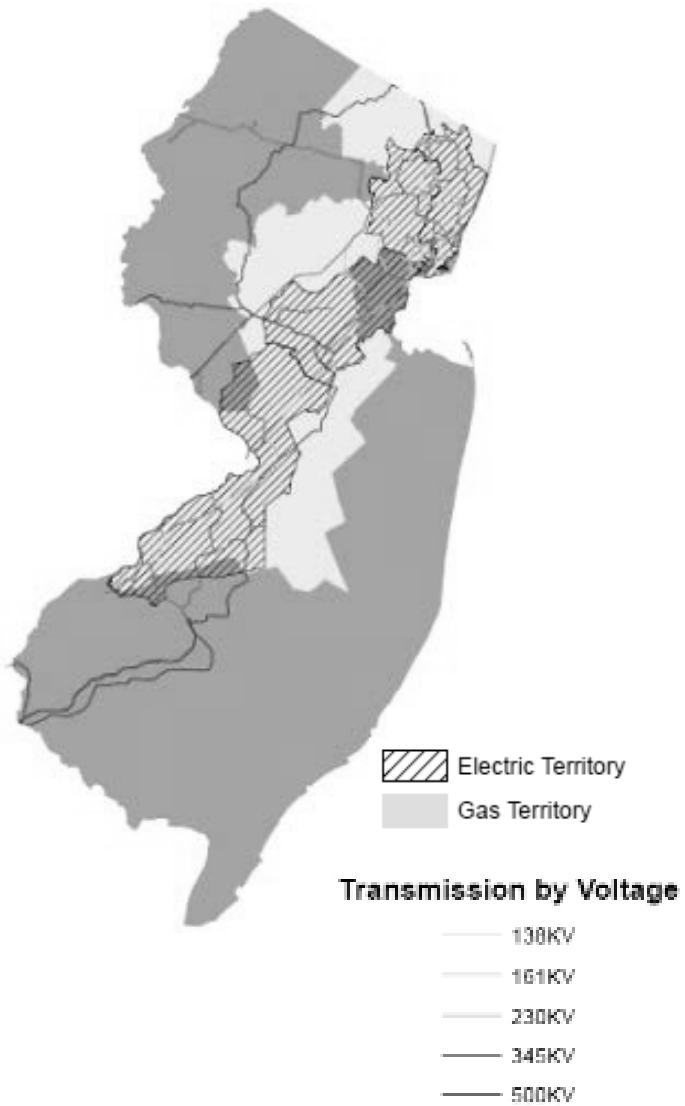
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06345

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-06346

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-06347

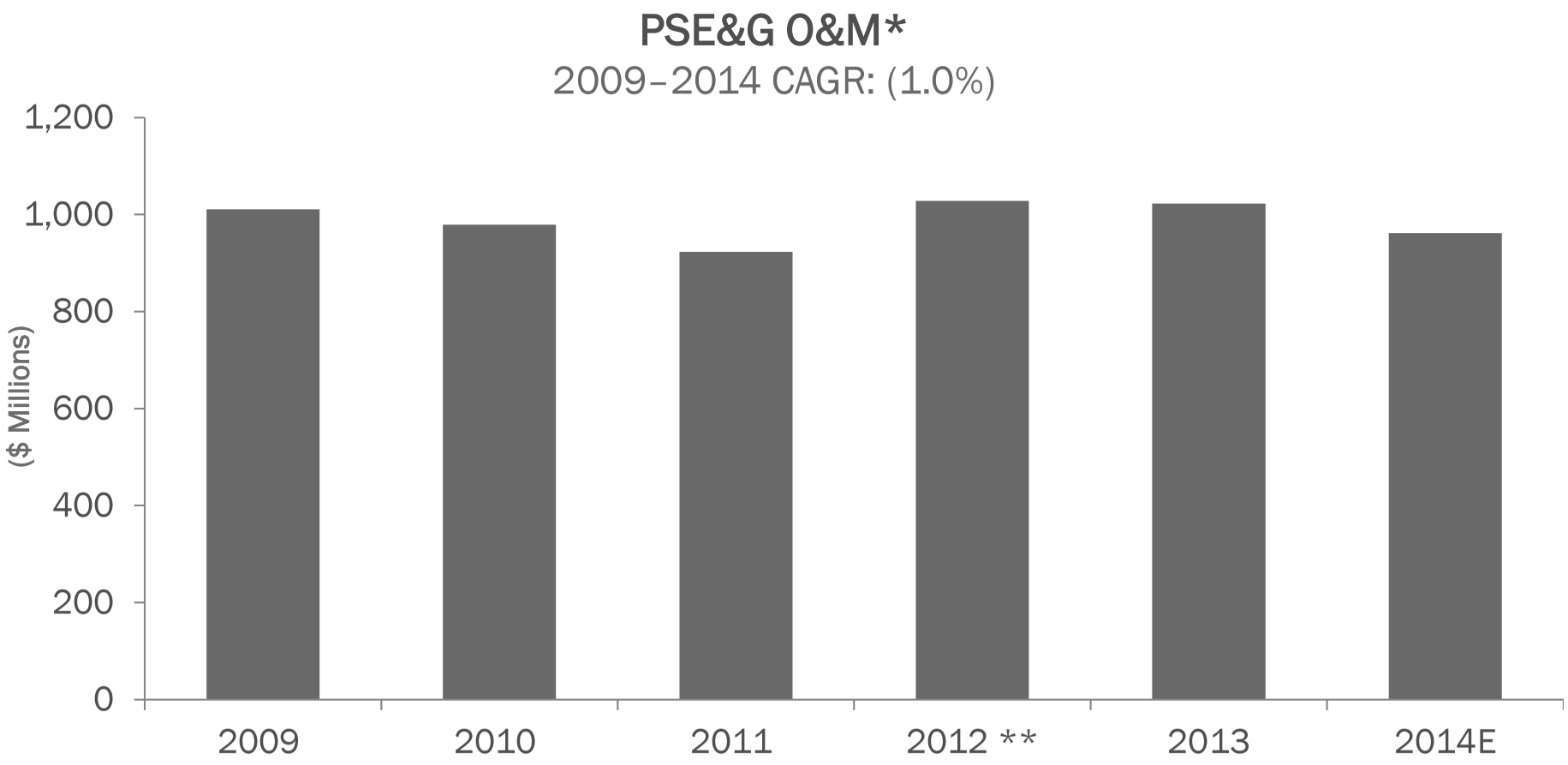
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06348

Focus on controlling O&M and lower pension costs support decline in expenses



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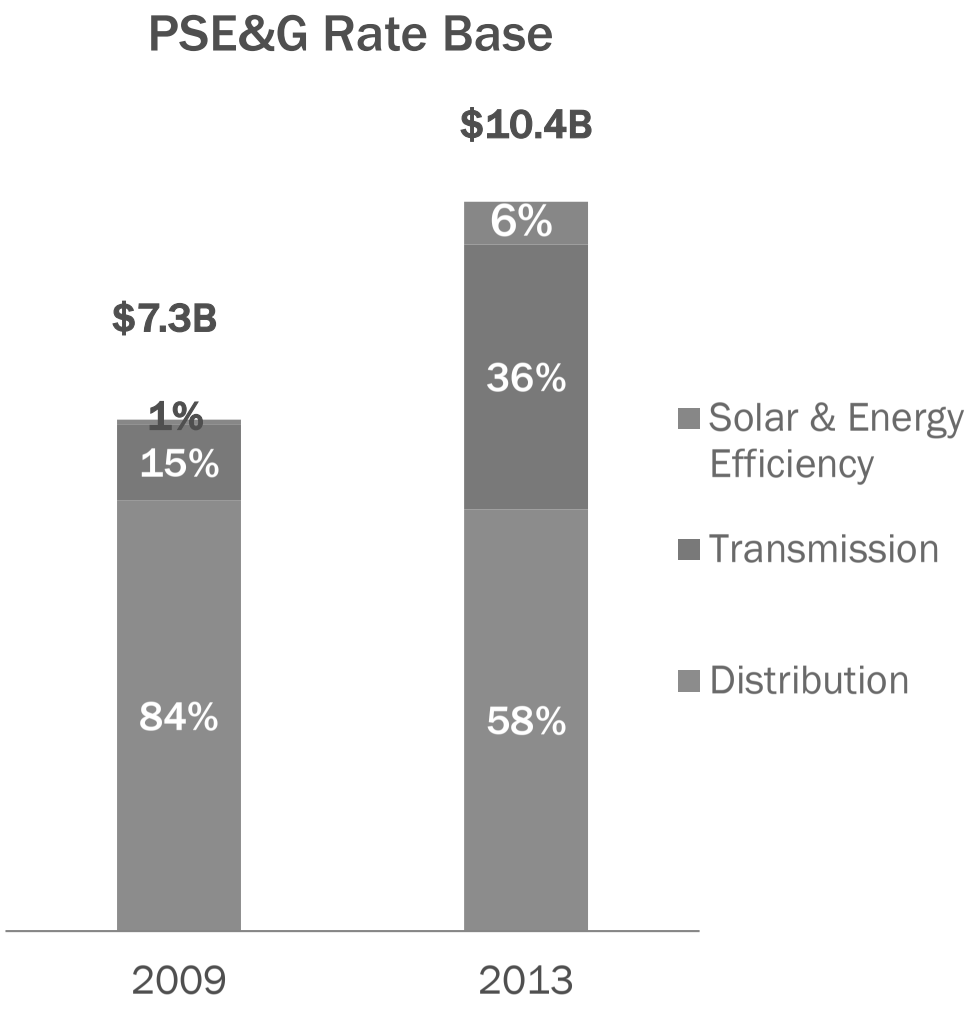
PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-06350

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

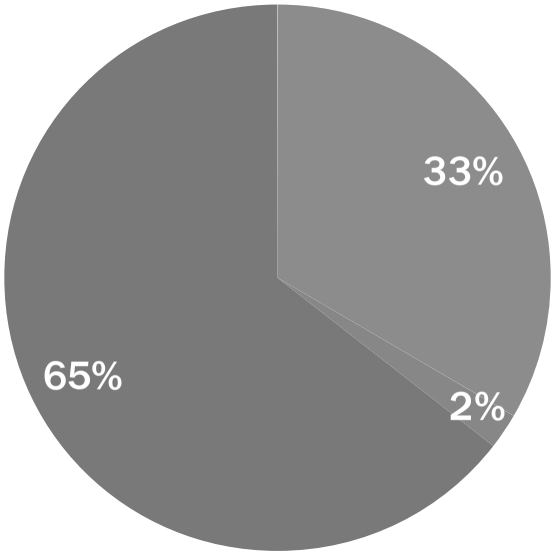
SI-SSA-0015-06351

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

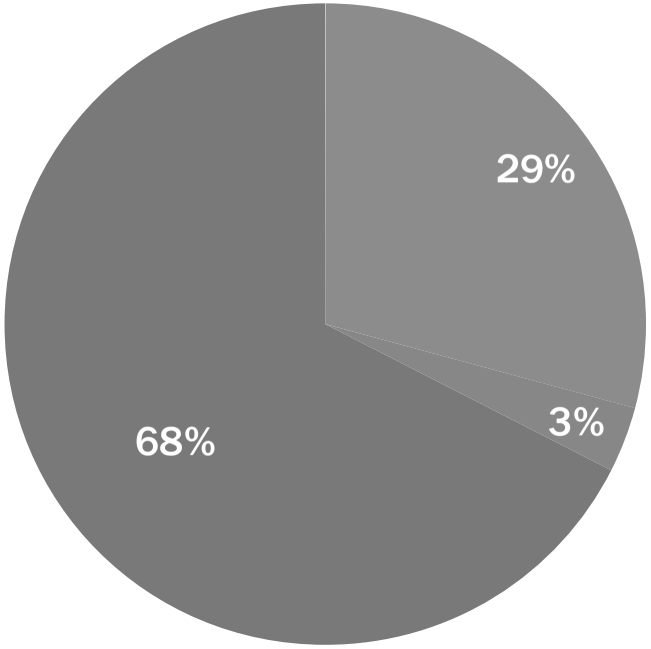
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



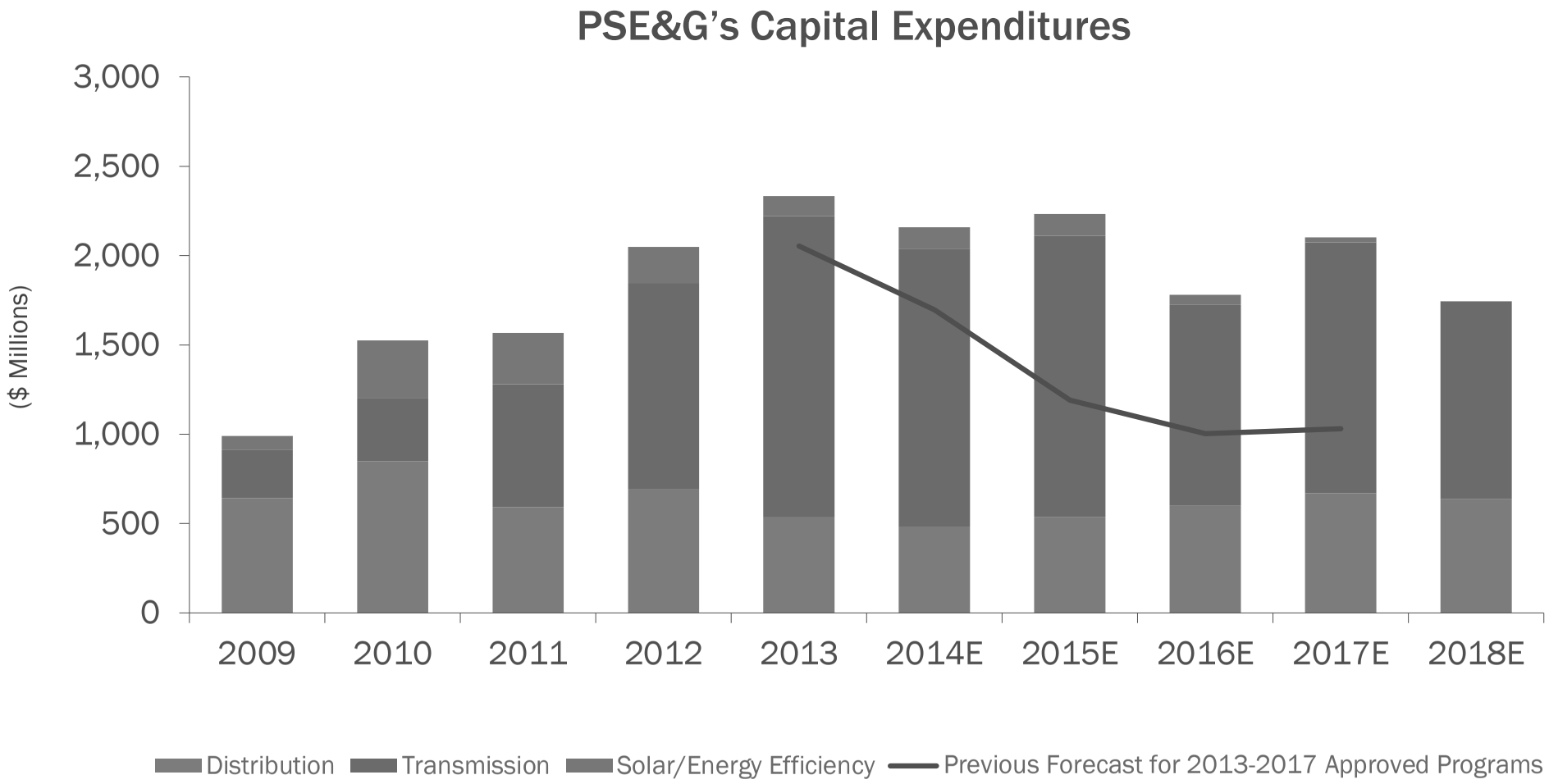
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

SI-SSA-0015-06352

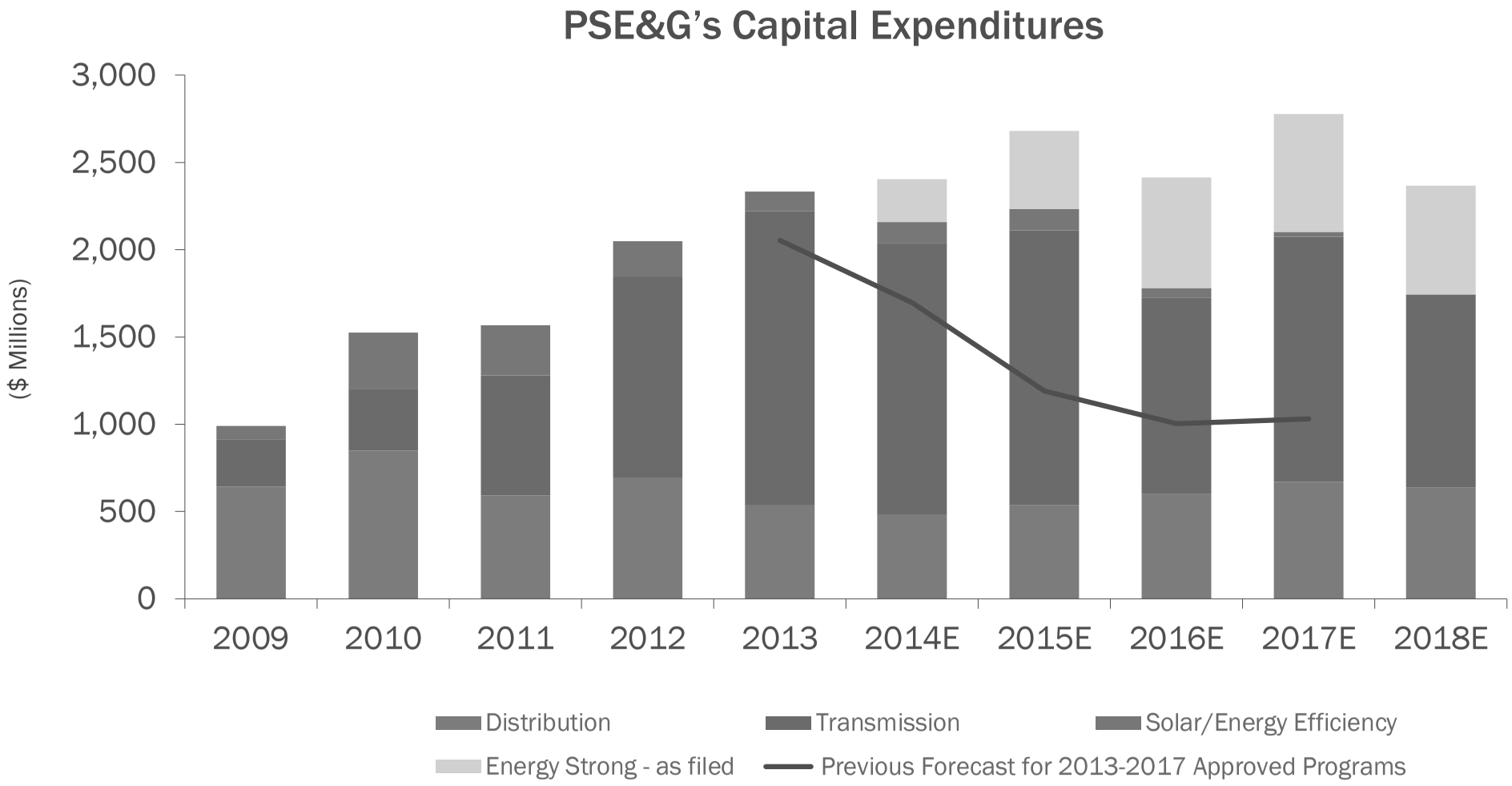
PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

SI-SSA-0015-06353

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-06354

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

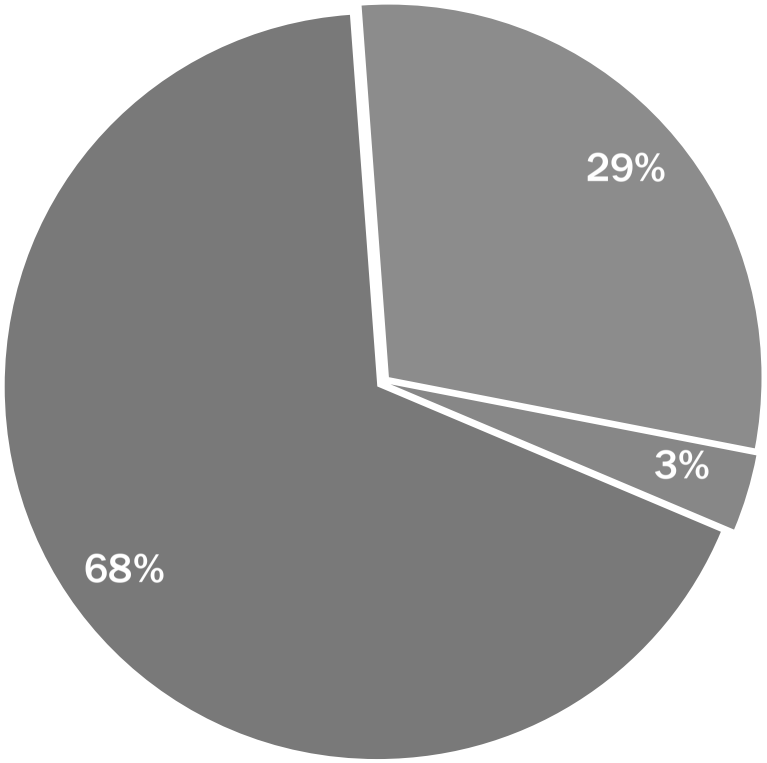
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-06355

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

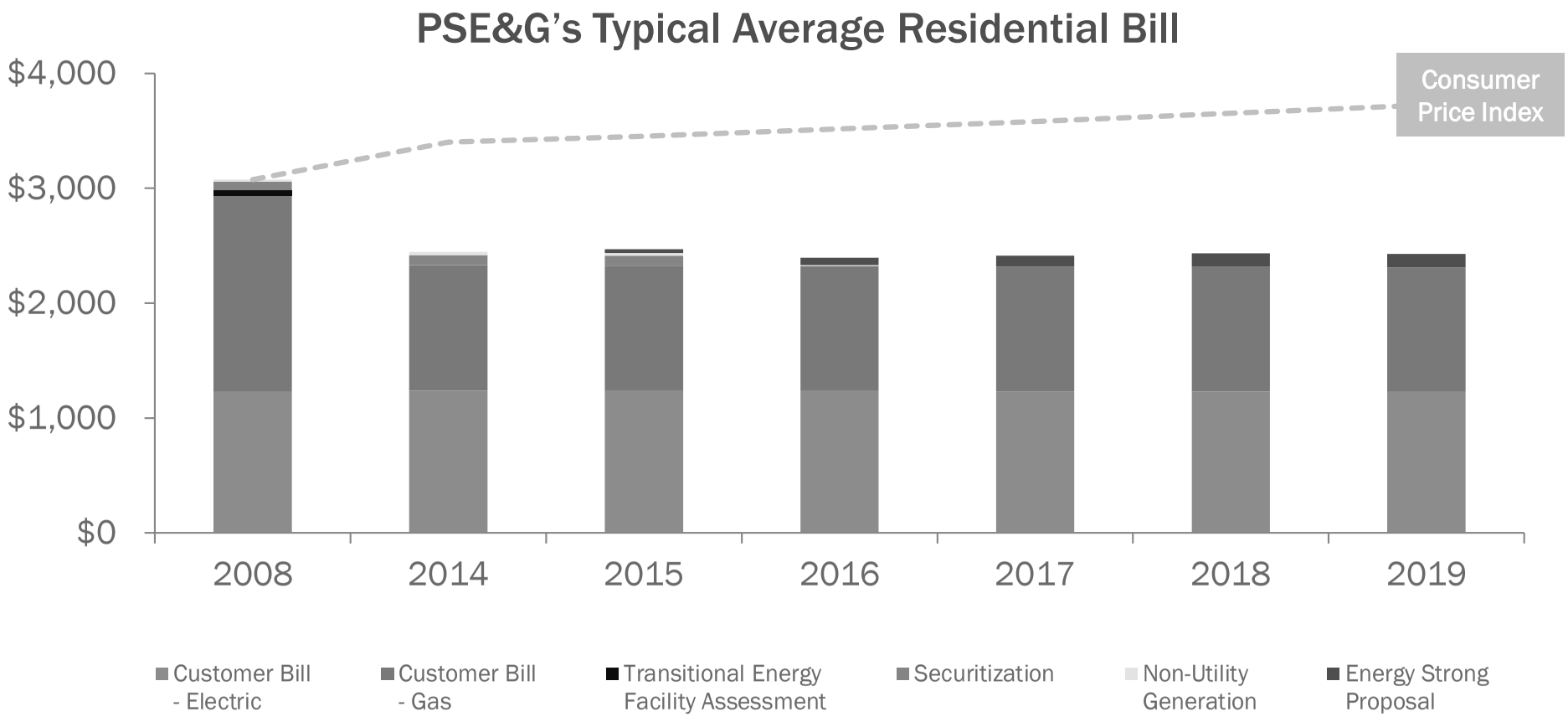
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06356

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-06357

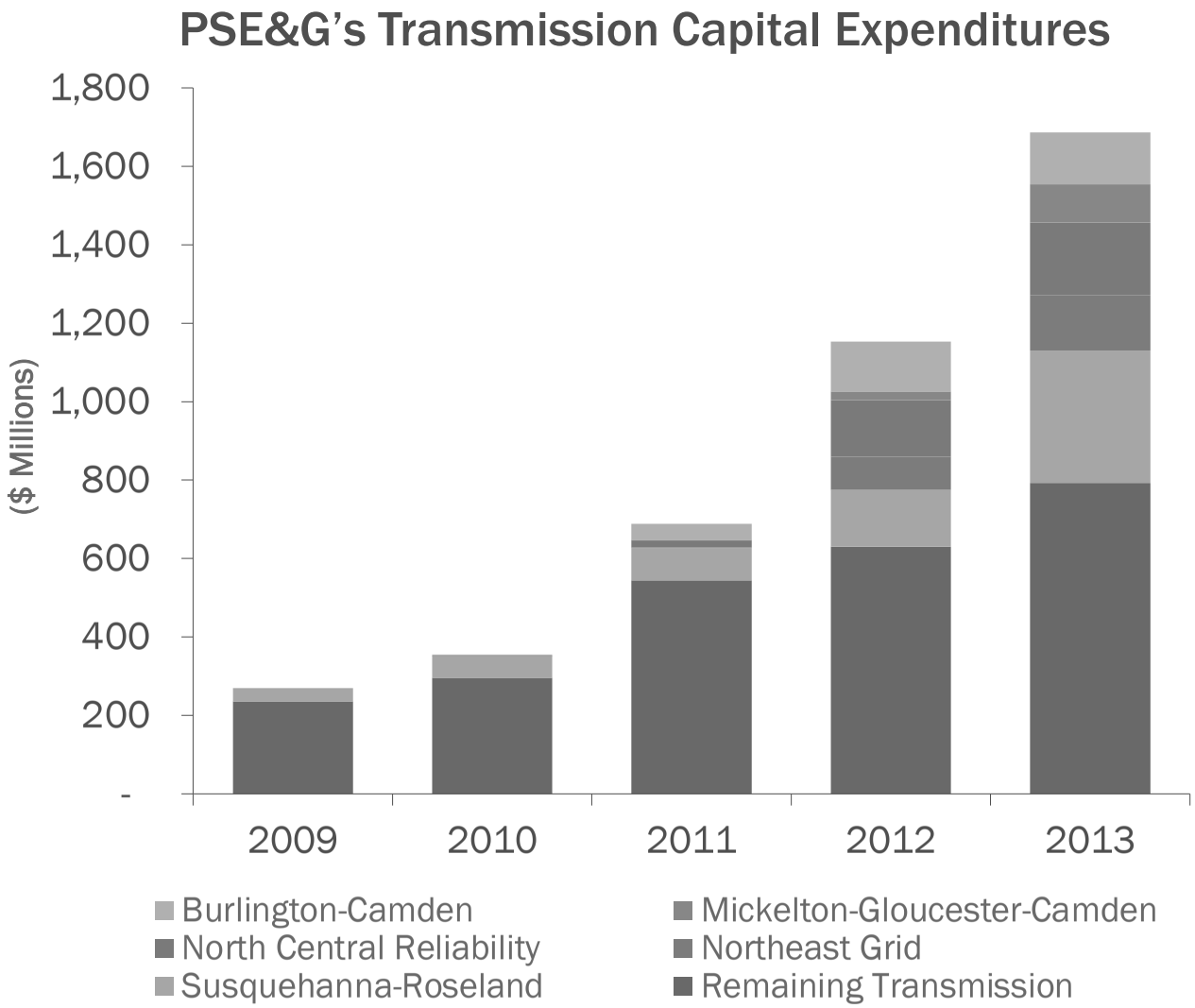
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-06358

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-06359

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06360

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-06361

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-06362

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-06363

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-06364

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06365

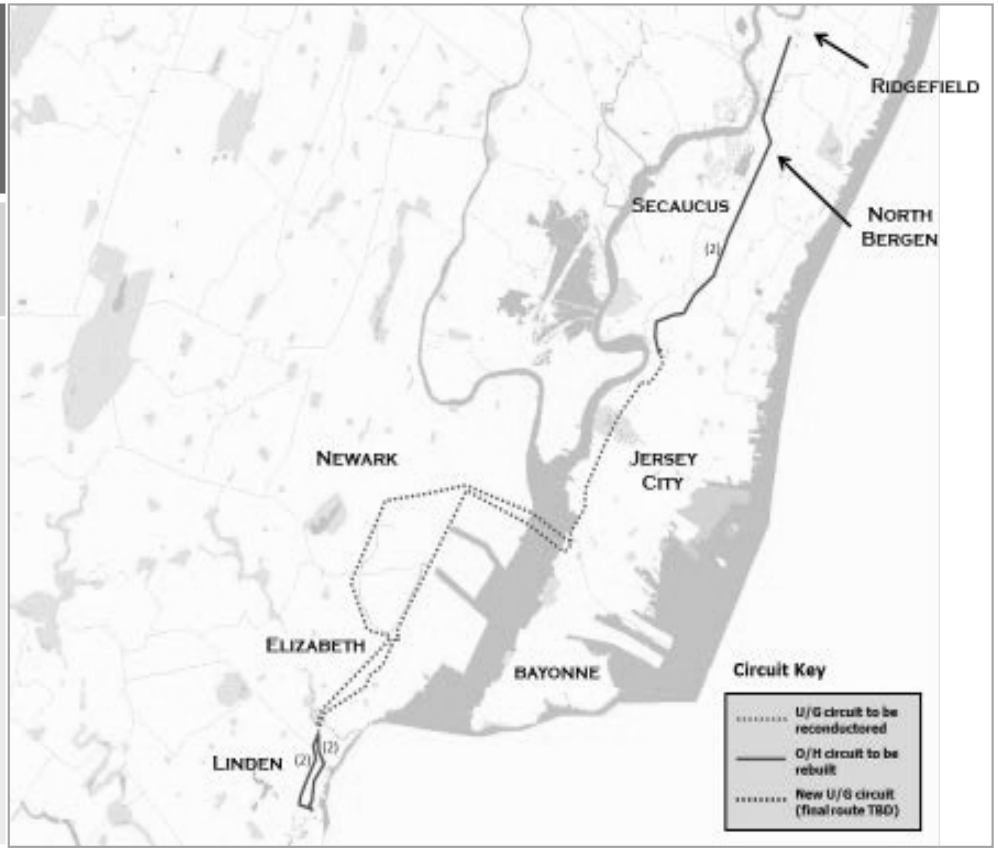
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

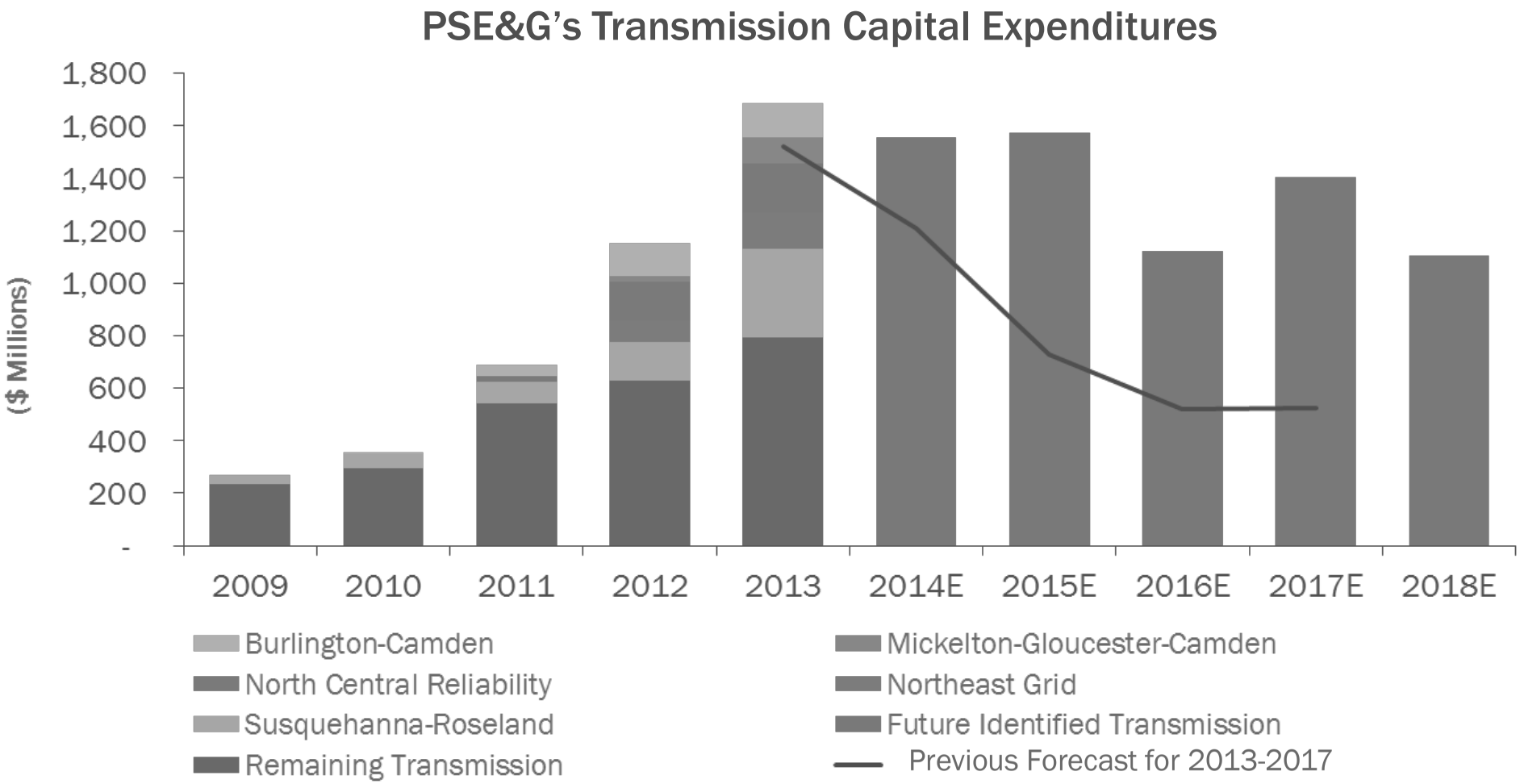
Project Status: Engineering



SI-SSA-0015-06366

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-06367

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-06368

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-06369

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-06370

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-06371

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-06372

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-06373

PSEG POWER

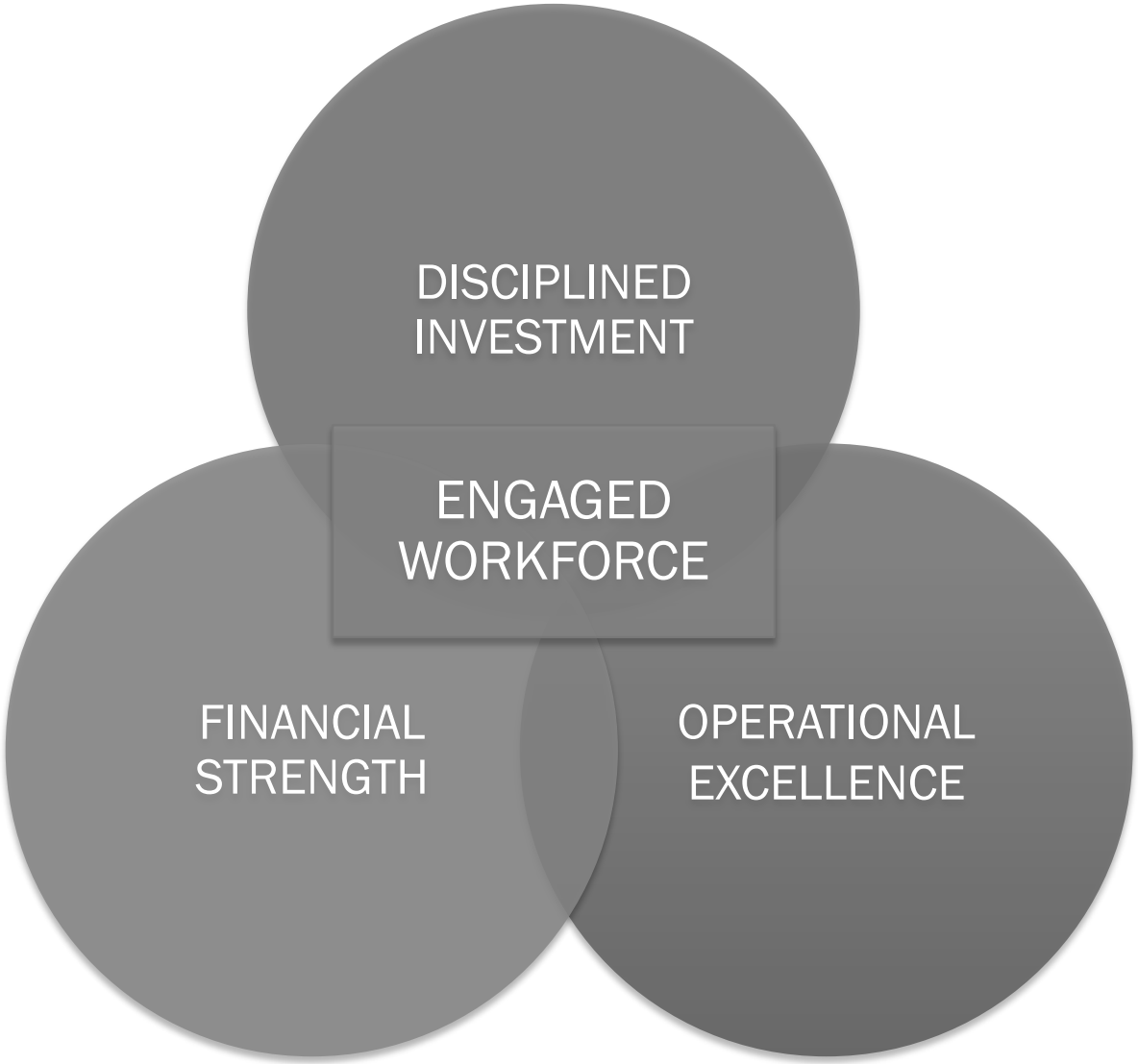
PSEG

We make things work for you.

SI-SSA-0015-06374

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06375

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-06376

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06377

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

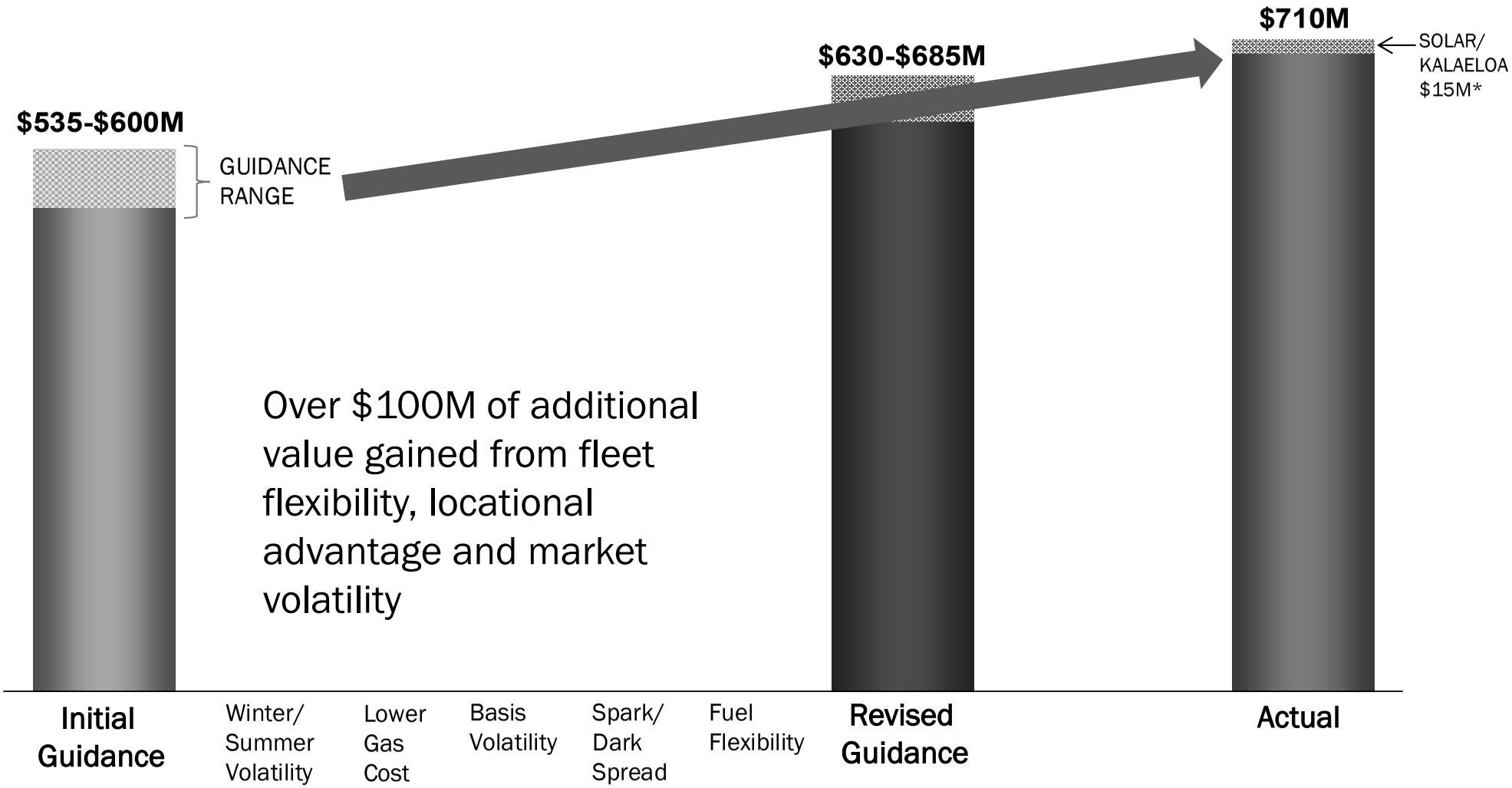
SI-SSA-0015-06378

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-06379

PSEG Power exceeded 2013's earnings guidance



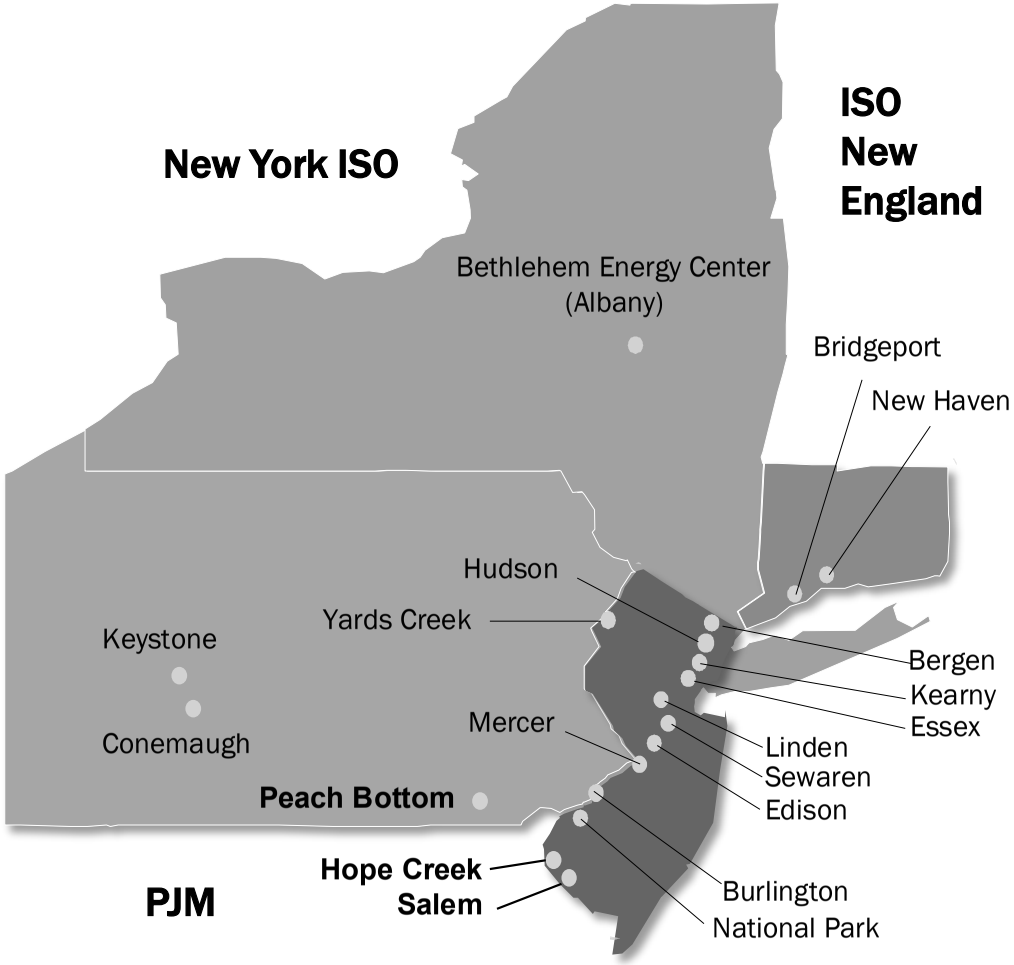
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-06380

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



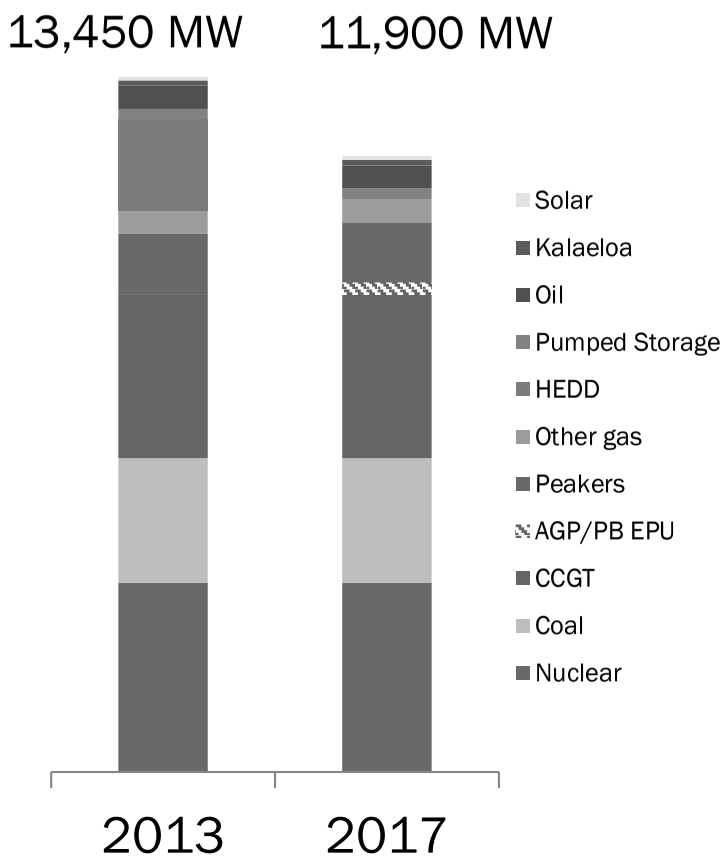
SI-SSA-0015-06381

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

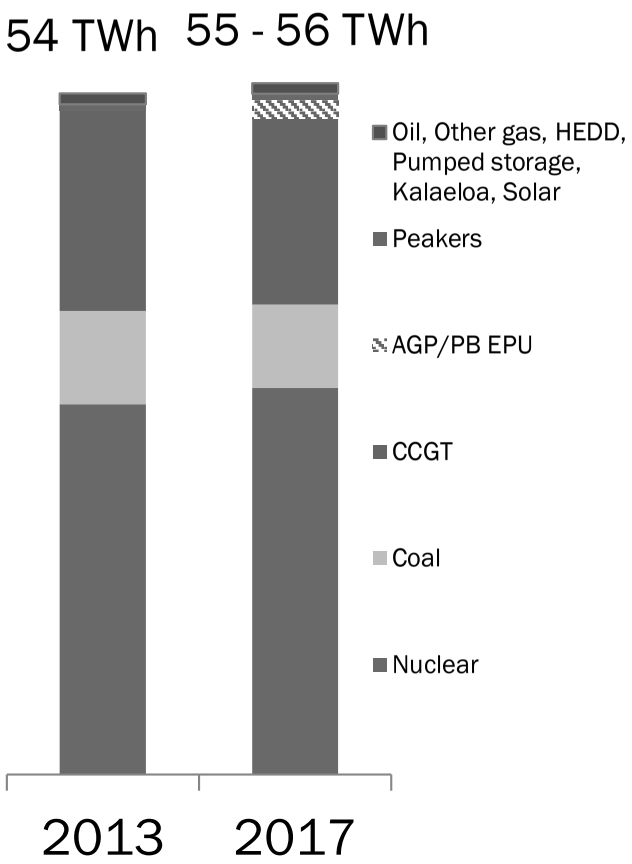
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

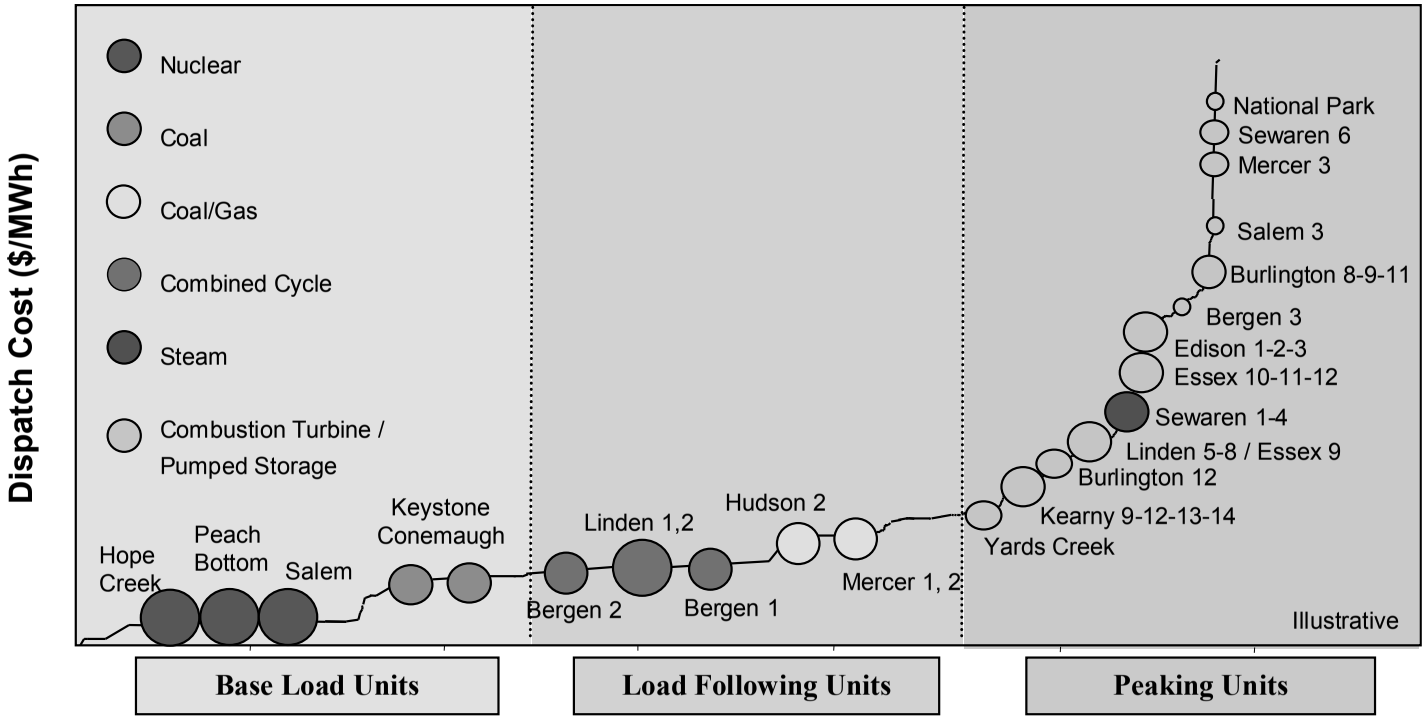


Energy Produced



SI-SSA-0015-06382

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-06383

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-06384

PSEG Power Nuclear is core to the fleet and has competitive advantages

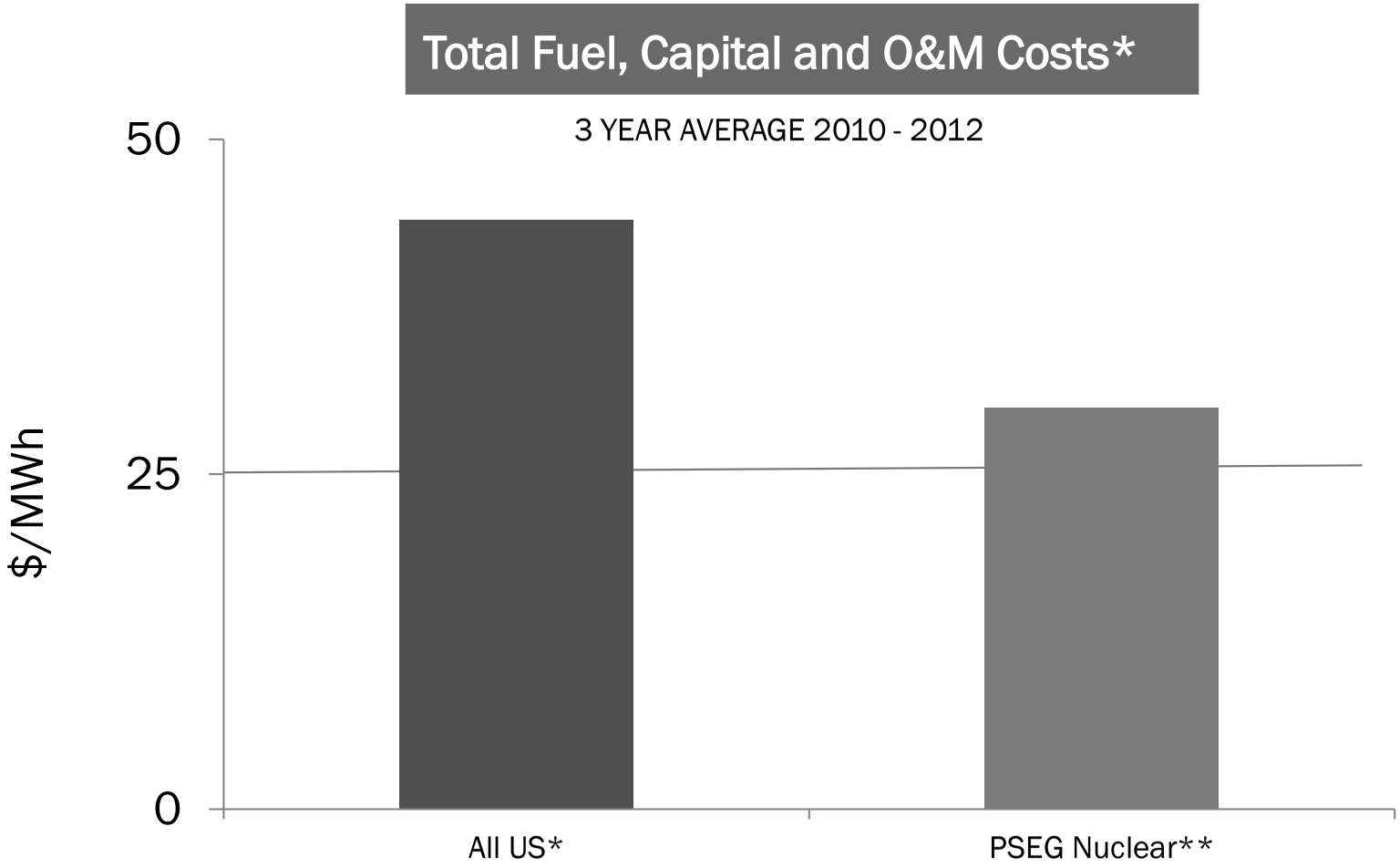
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-06385

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

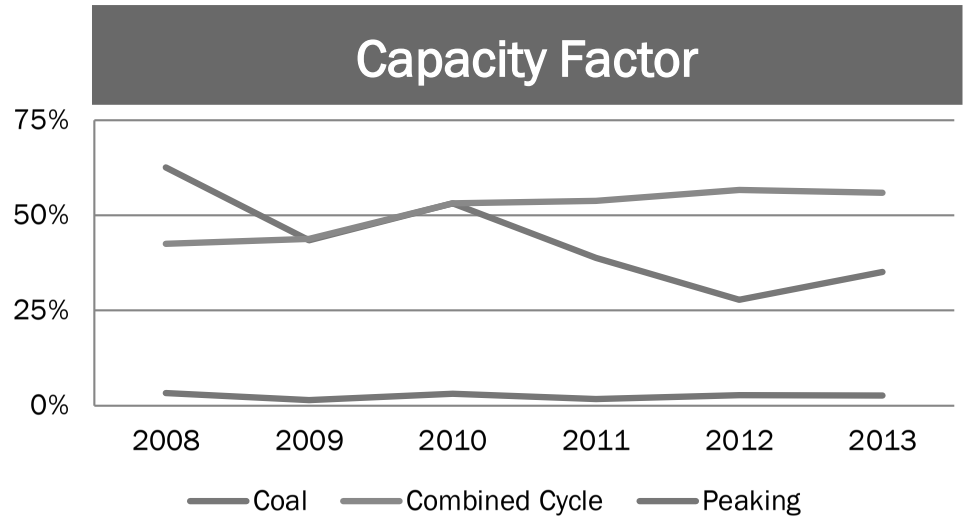


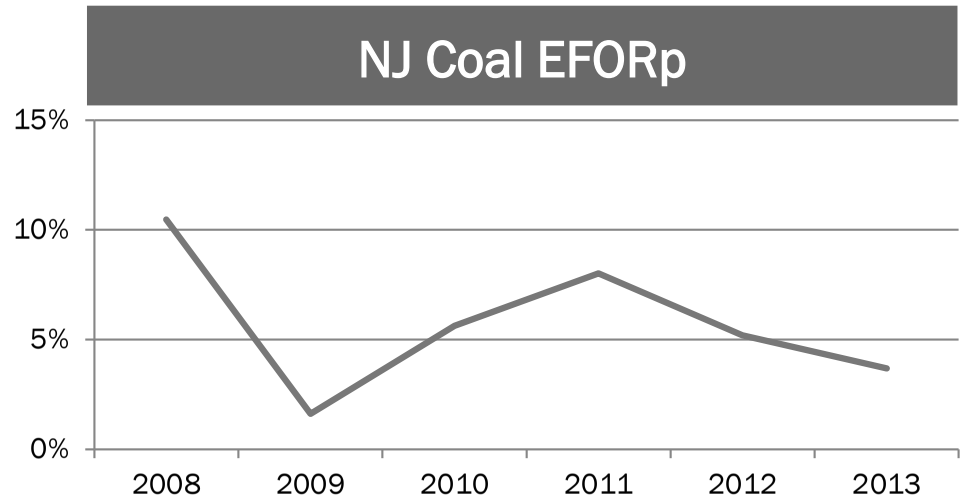
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

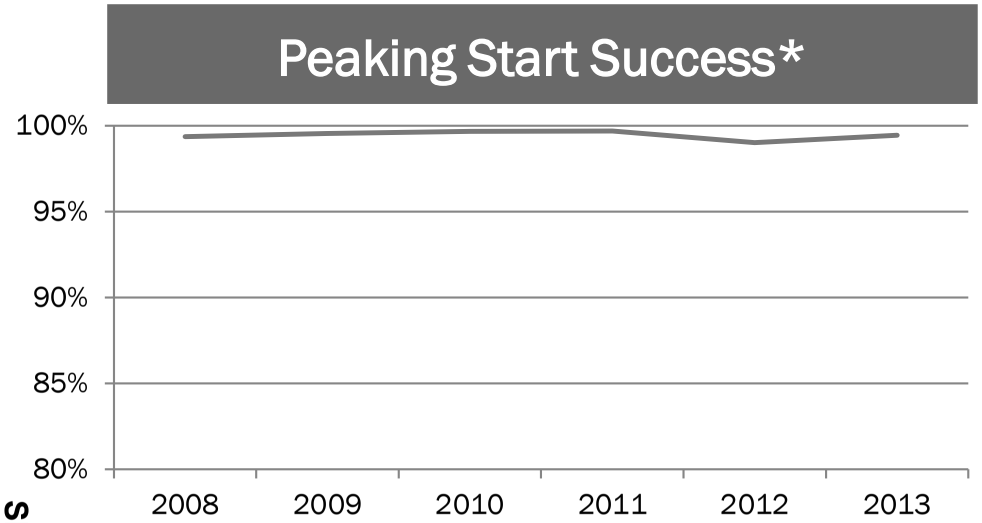
SI-SSA-0015-06386

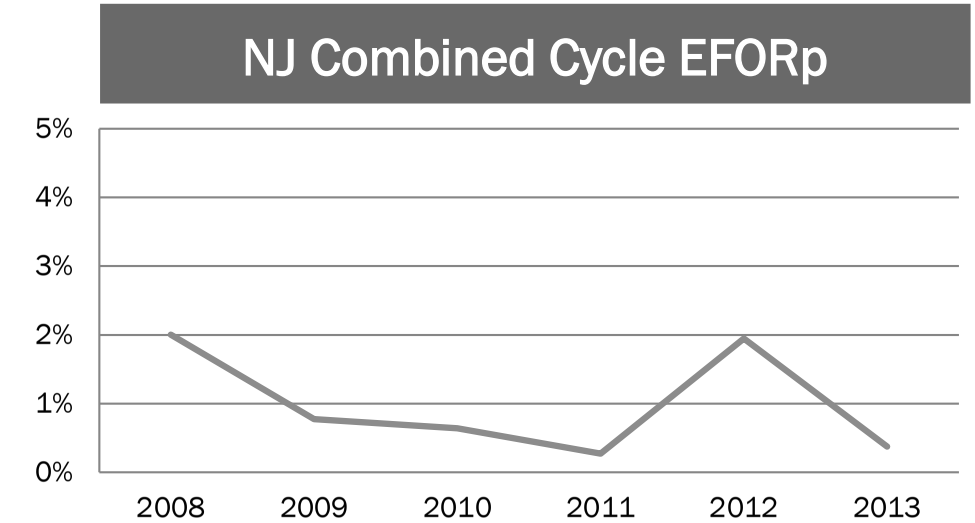
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

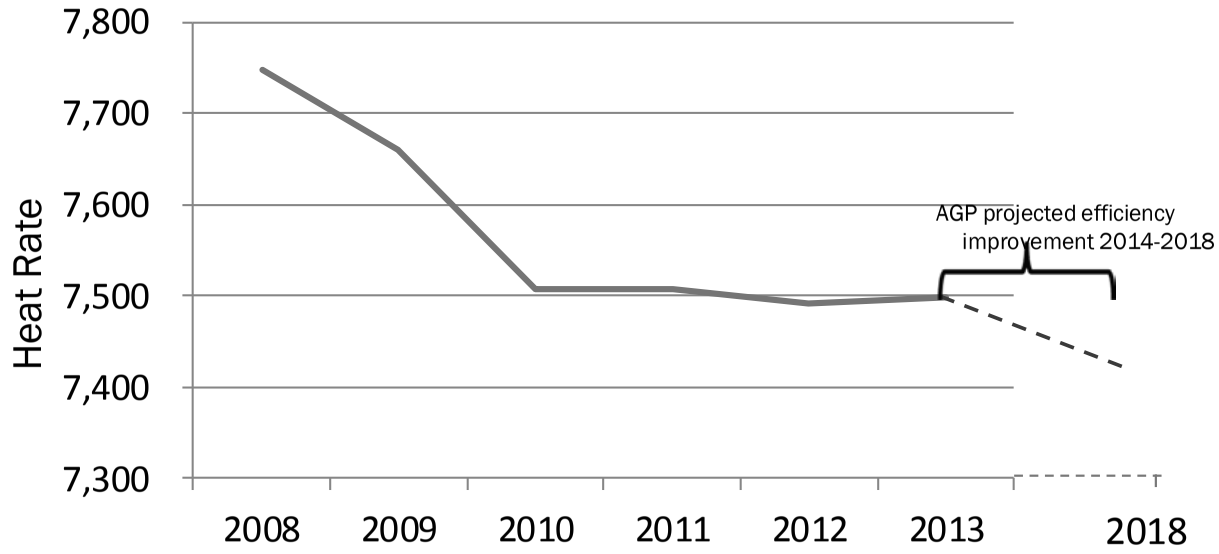
SI-SSA-0015-06387

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-06388

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

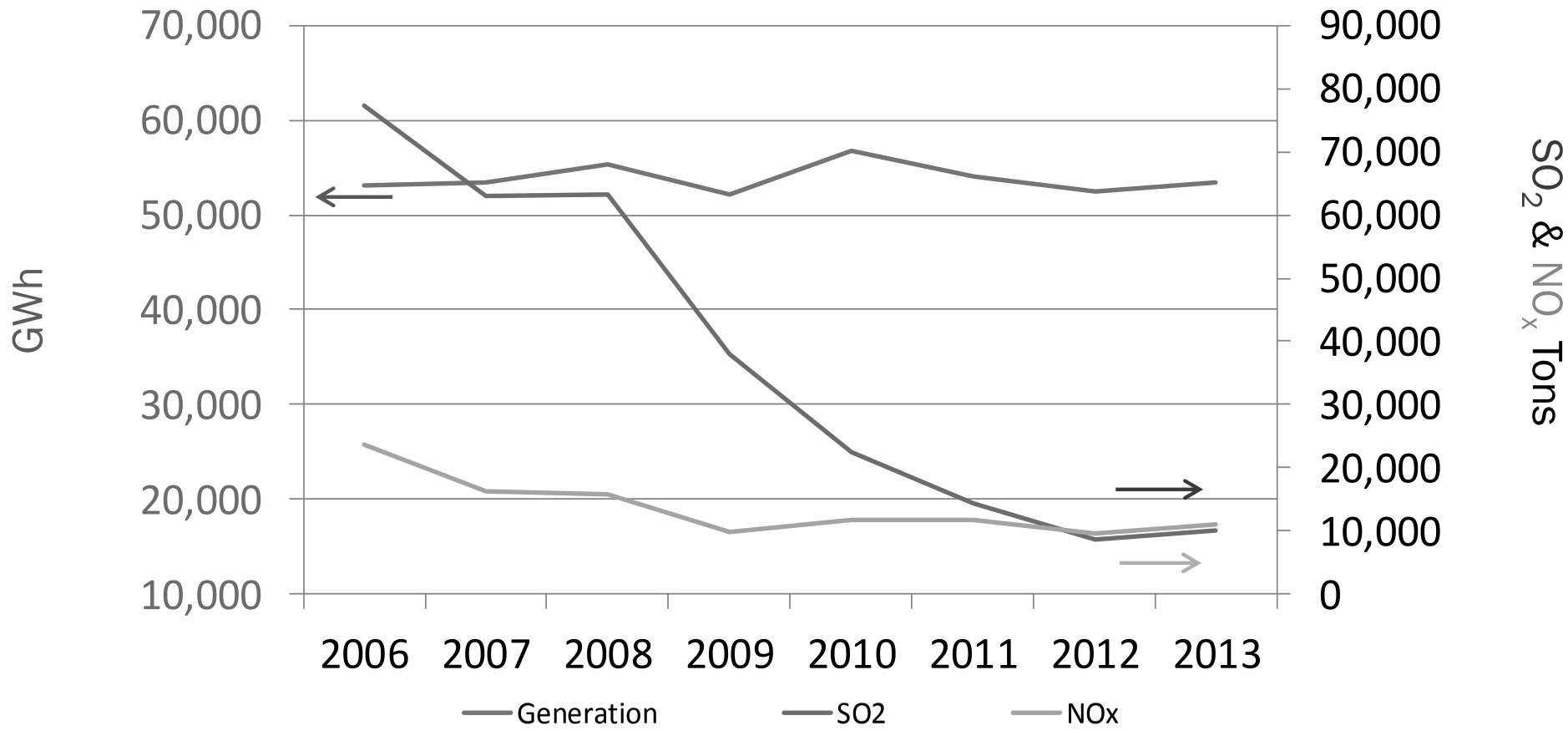
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-06389

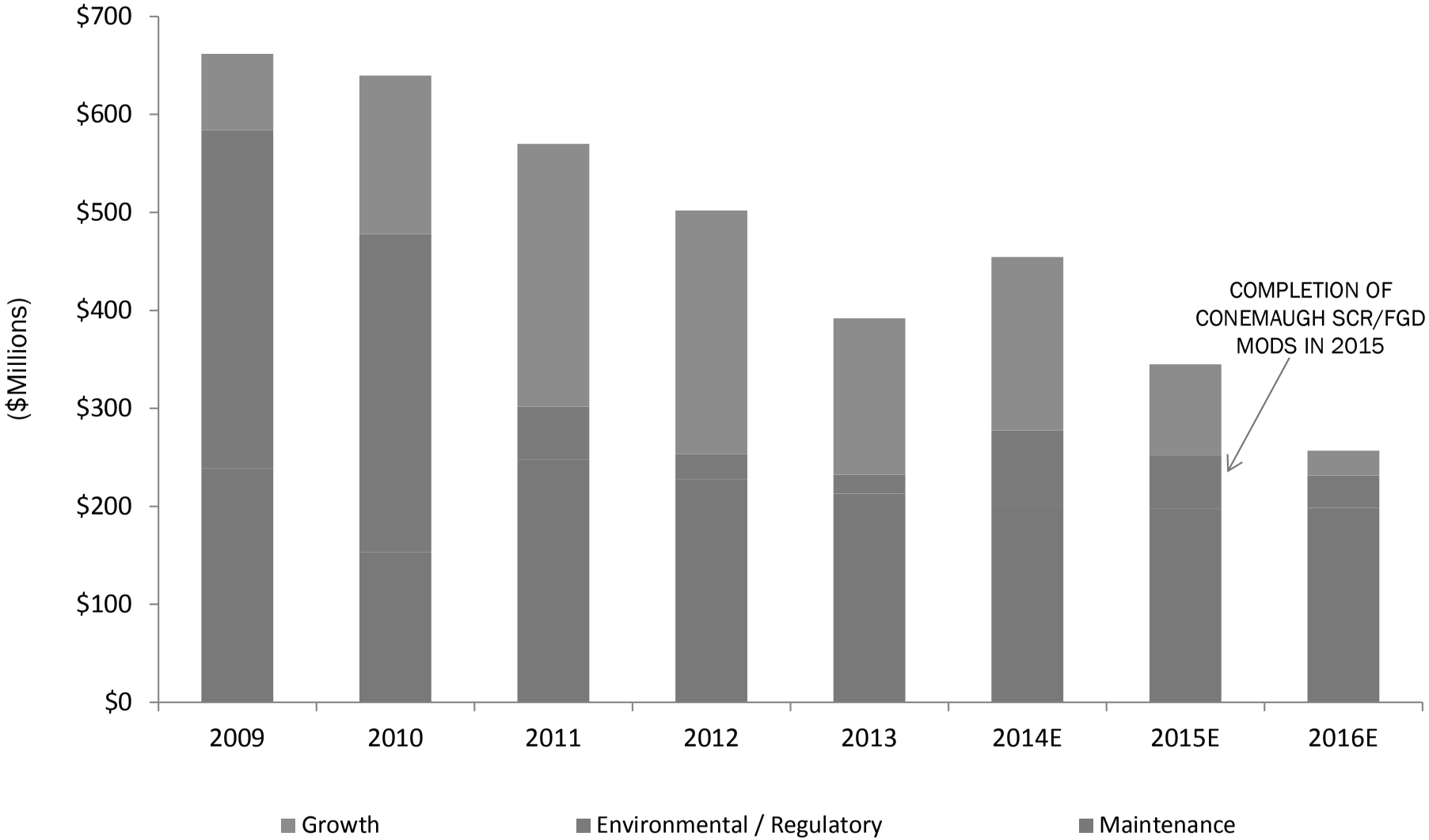
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-06390

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-06391

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

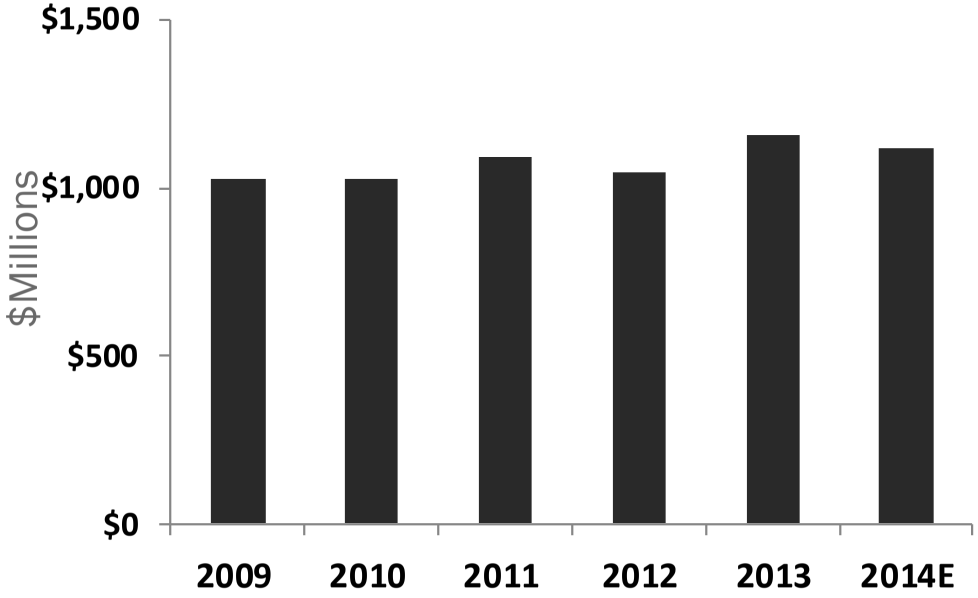
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-06392

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-06393

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-06394

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-06395

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-06396

PSEG POWER
ER&T

SI-SSA-0015-06397

PSEG

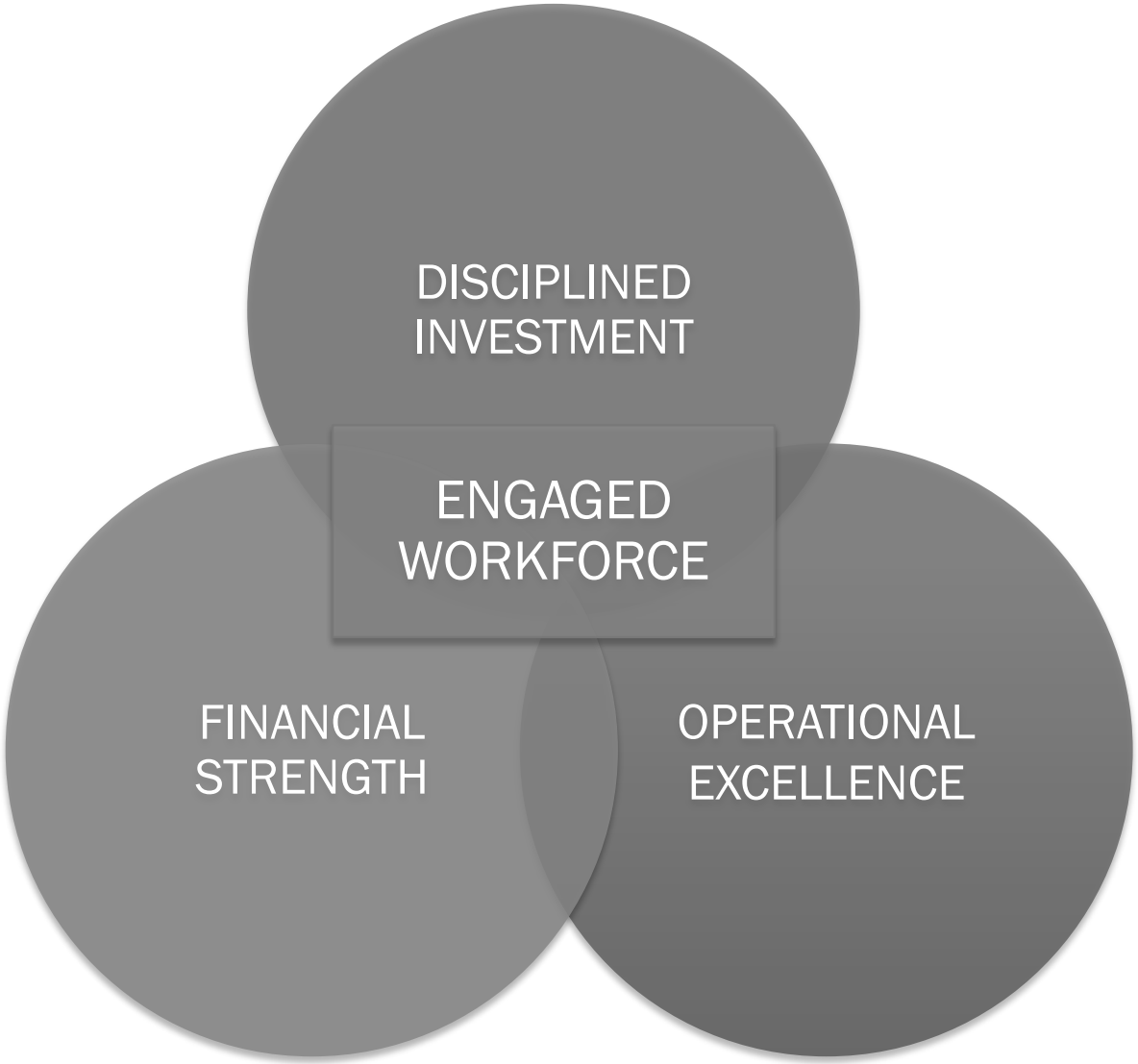
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-06398

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

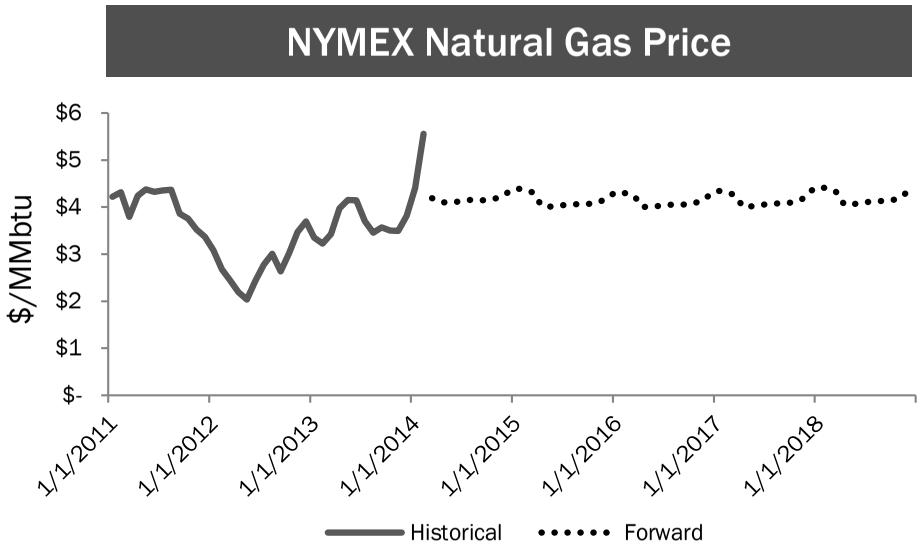
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

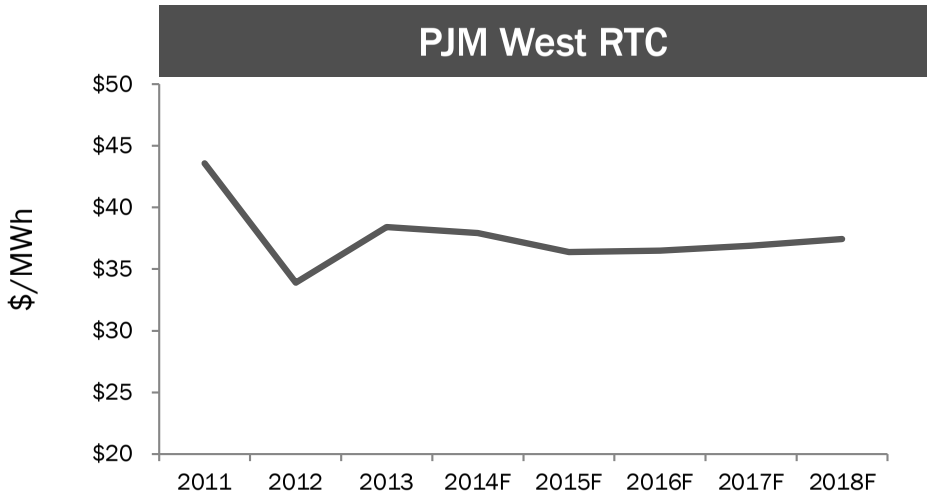
PSEG's Sustainable Advantage

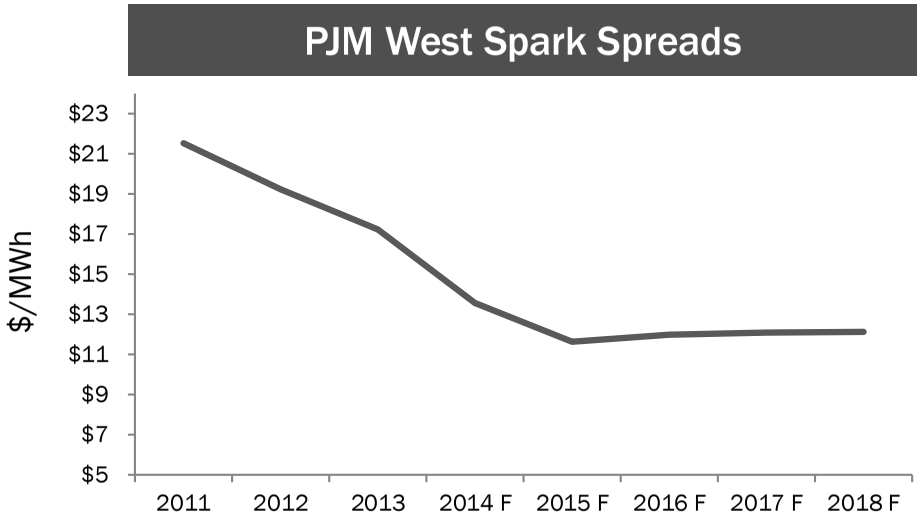
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-06399

Market Review: Prices have stabilized







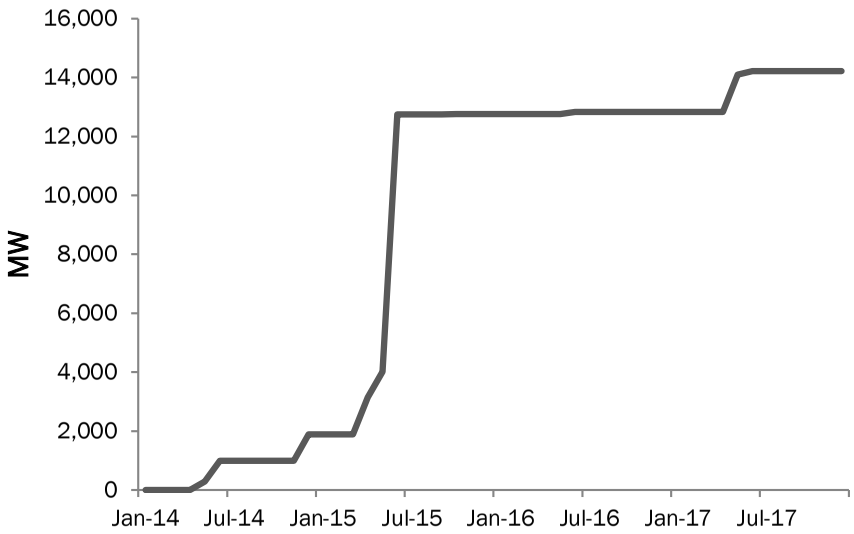
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-06400

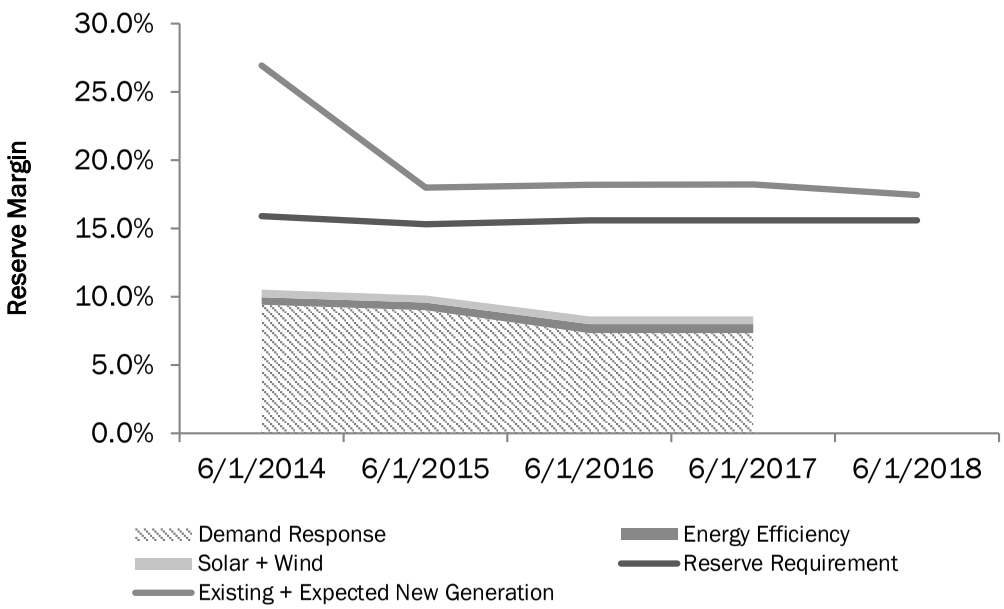
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-06401

PSEG

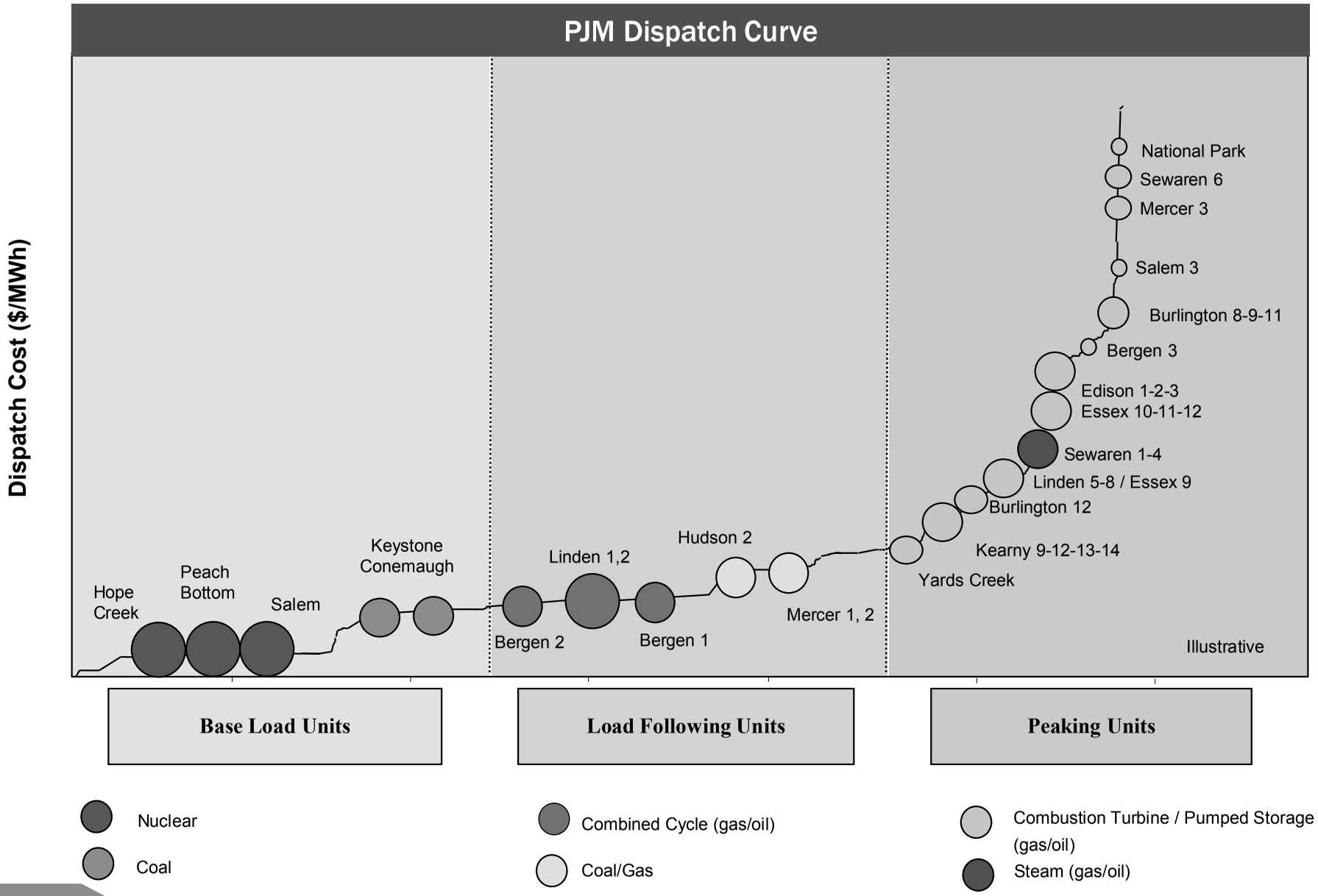
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

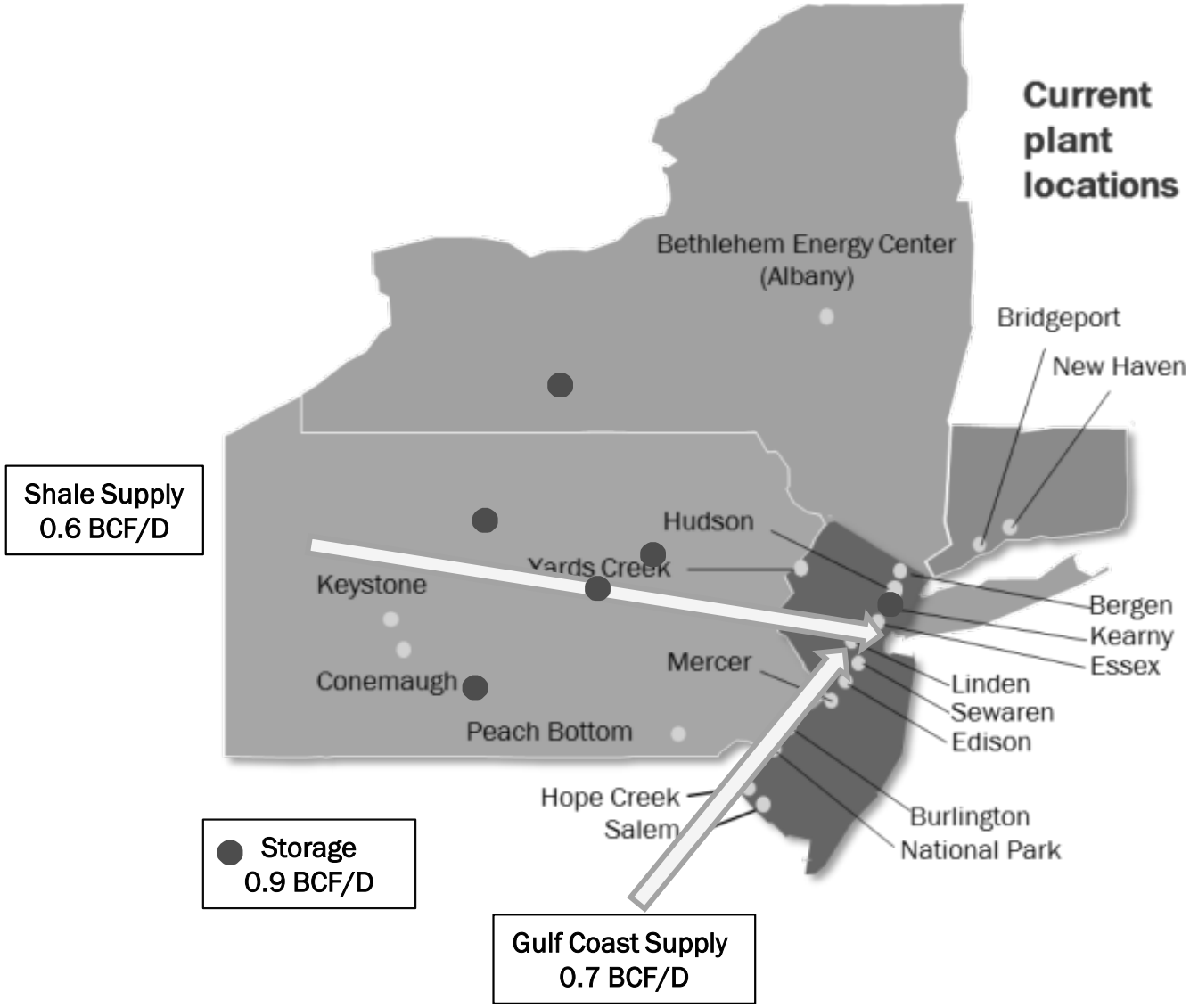
SI-SSA-0015-06402

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



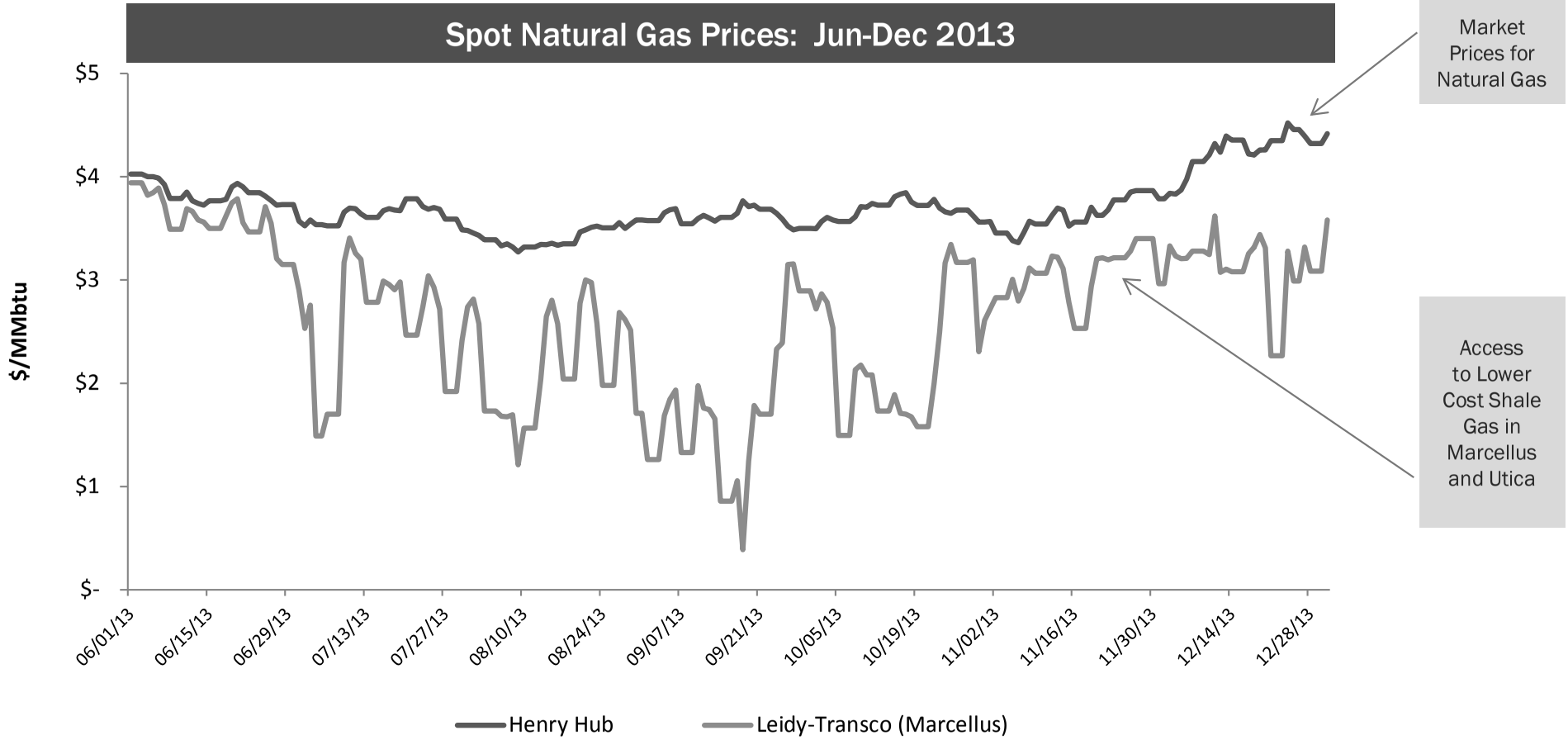
SI-SSA-0015-06403

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-06404

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

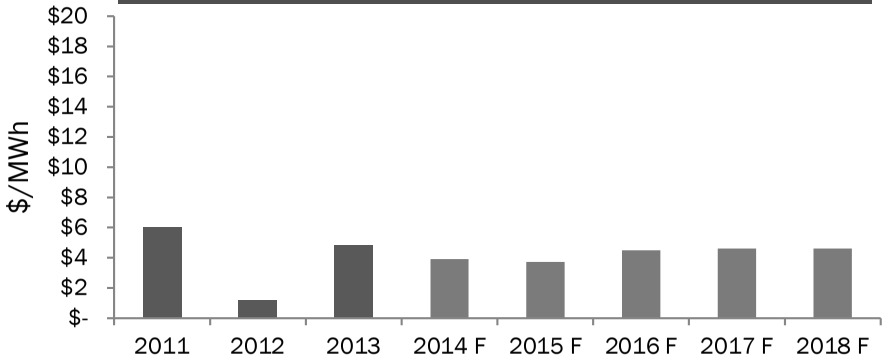


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

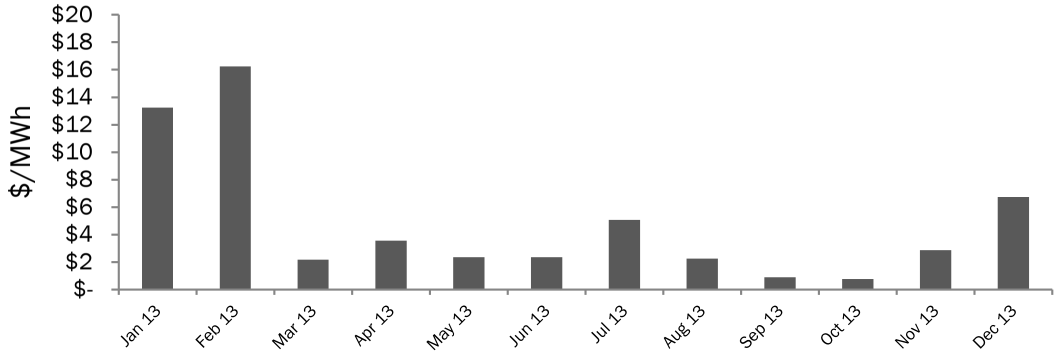
SI-SSA-0015-06405

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

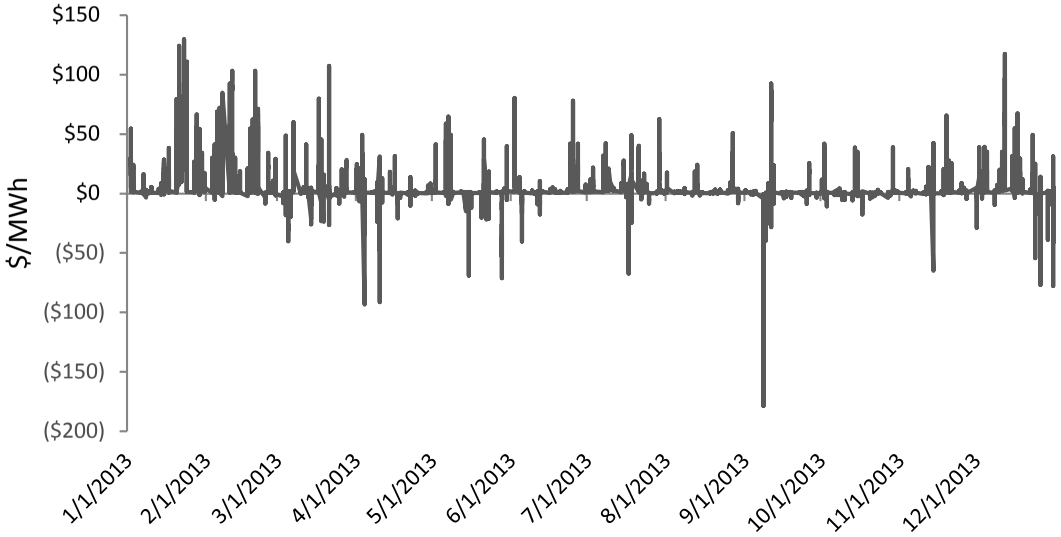


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

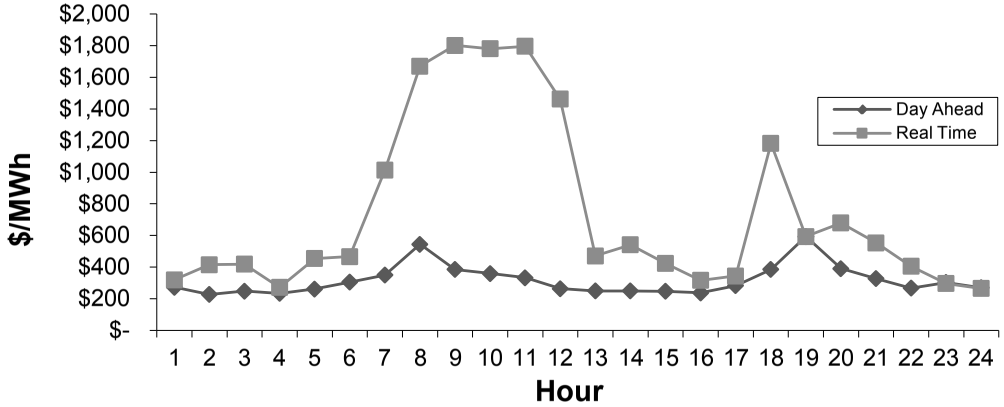
PS Zone Real Time On Peak Hourly Basis to PJM-W



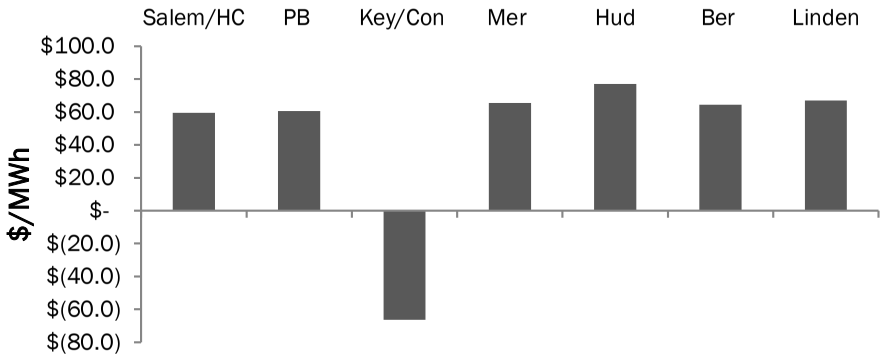
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

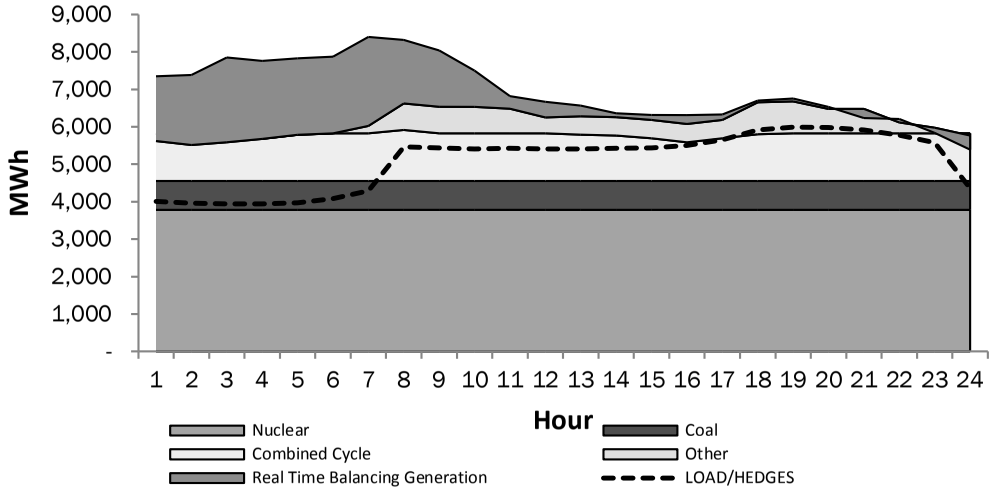
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

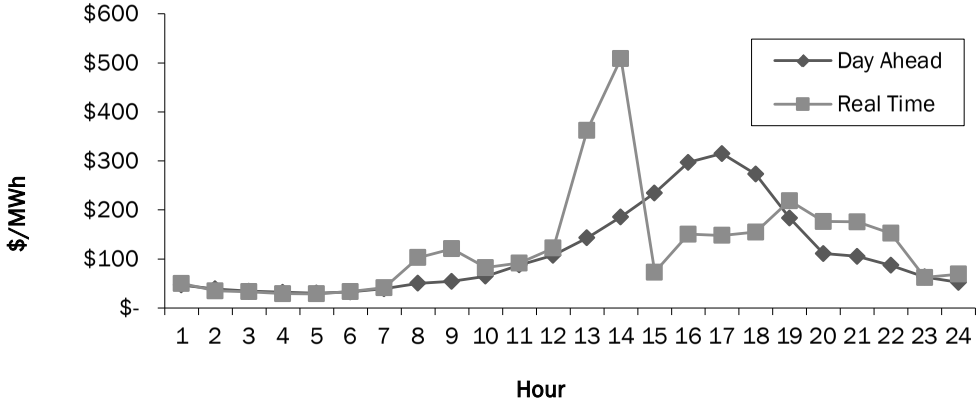


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

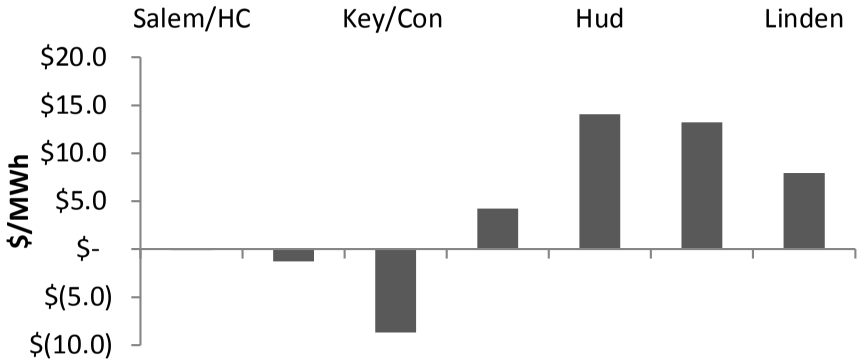
SI-SSA-0015-06407

Competitive Advantage: Trading & Asset Flexibility

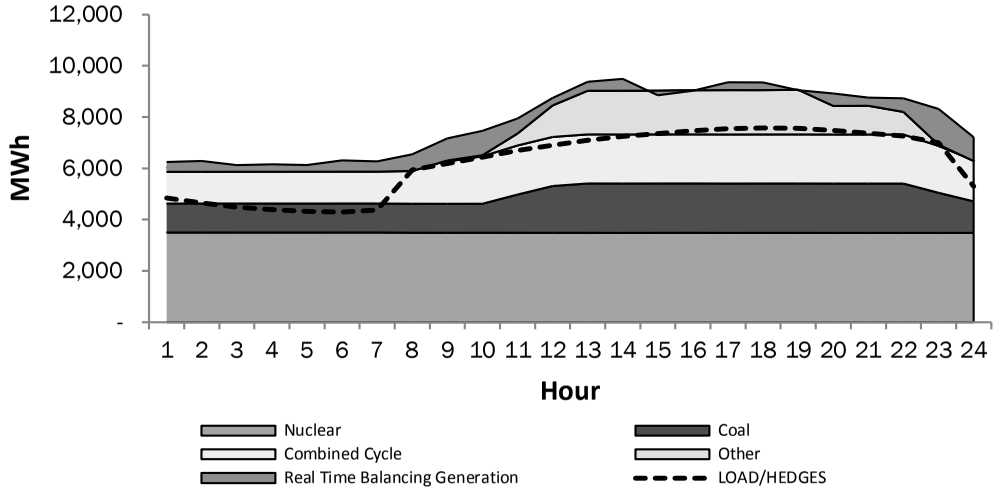
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



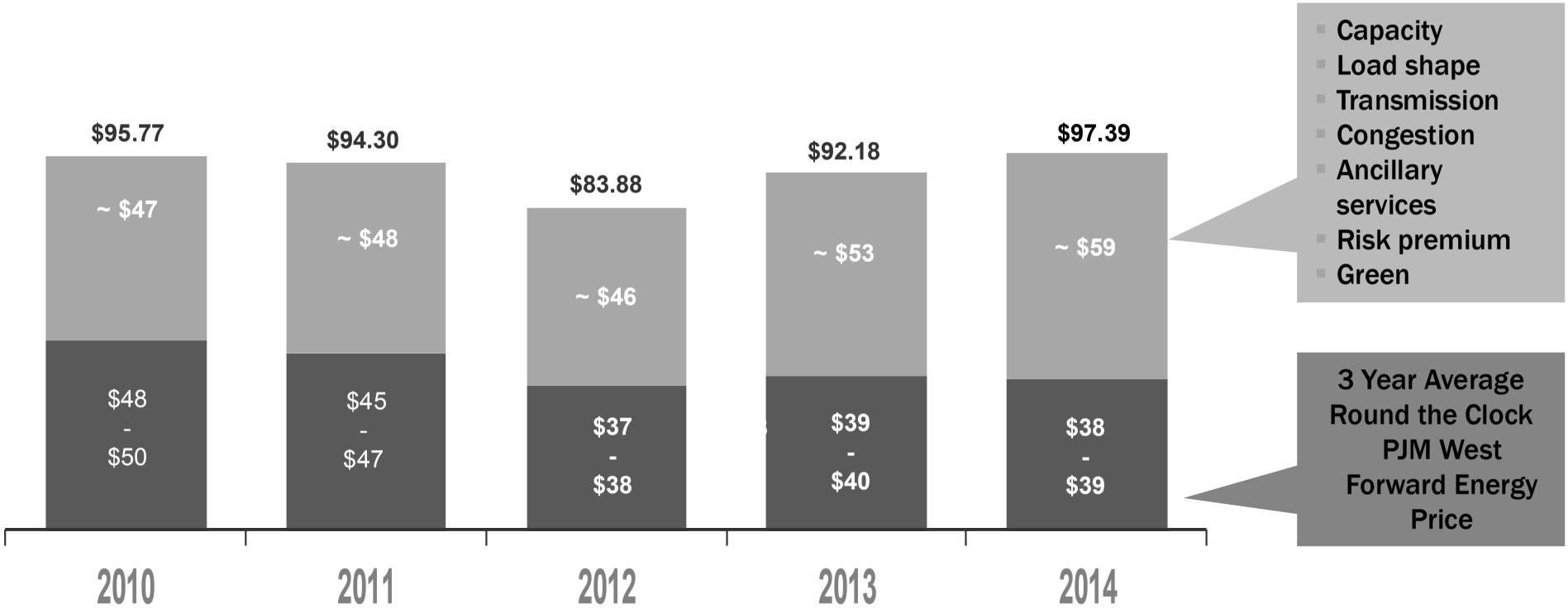
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-06408

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-06409

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06410

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

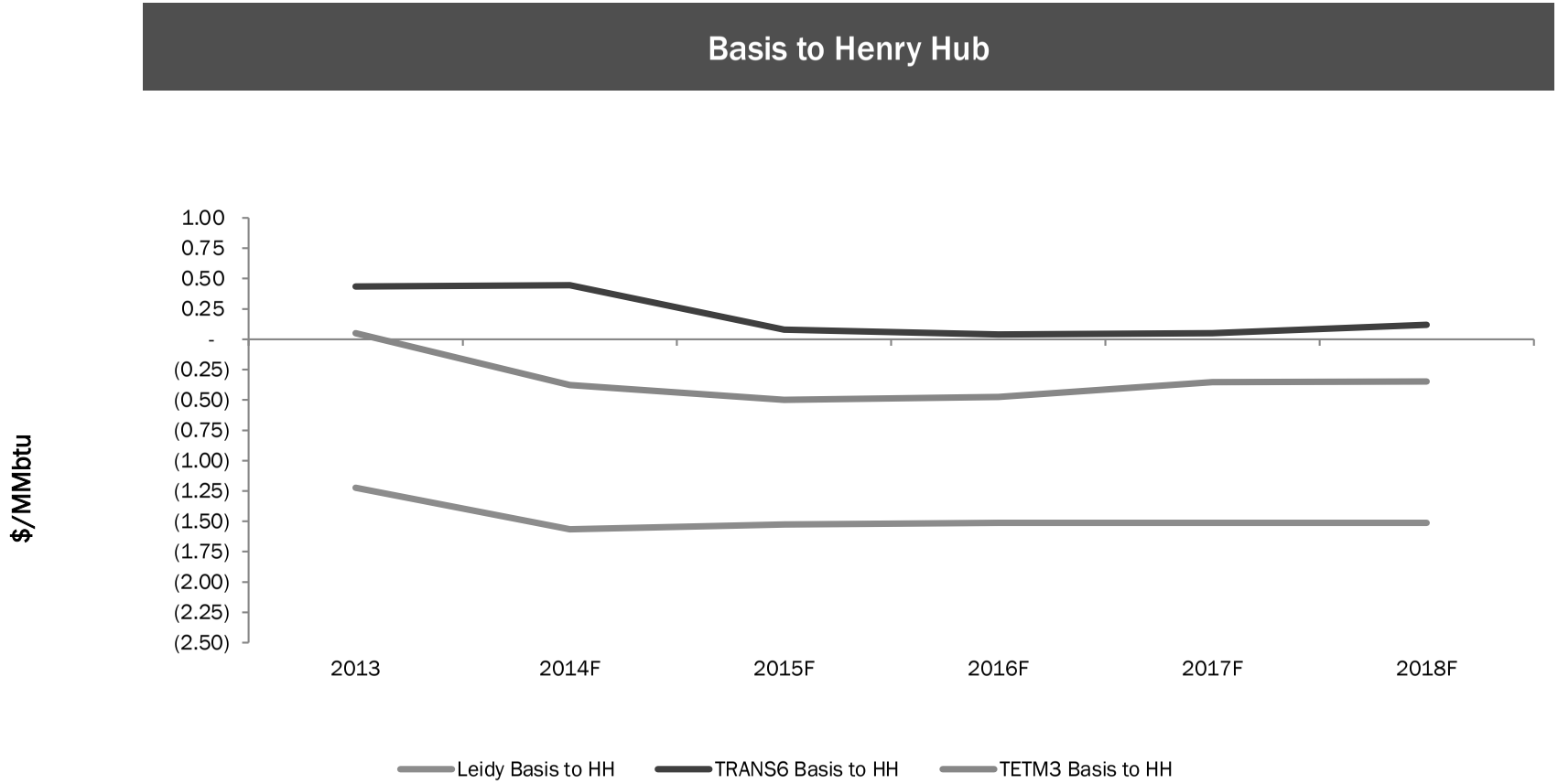
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-06411

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-06412

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-06413

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-06414

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-06415

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

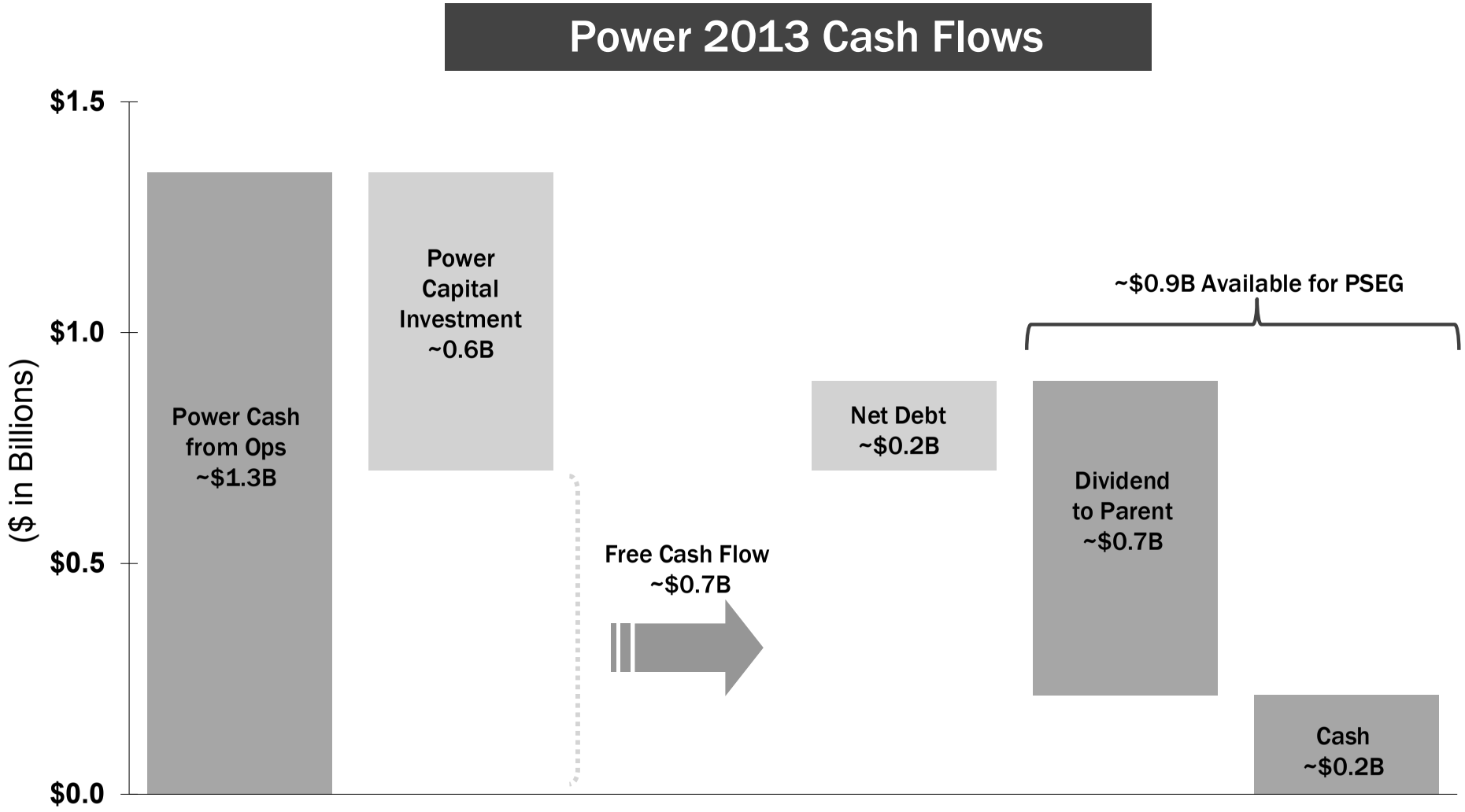
SI-SSA-0015-06416

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

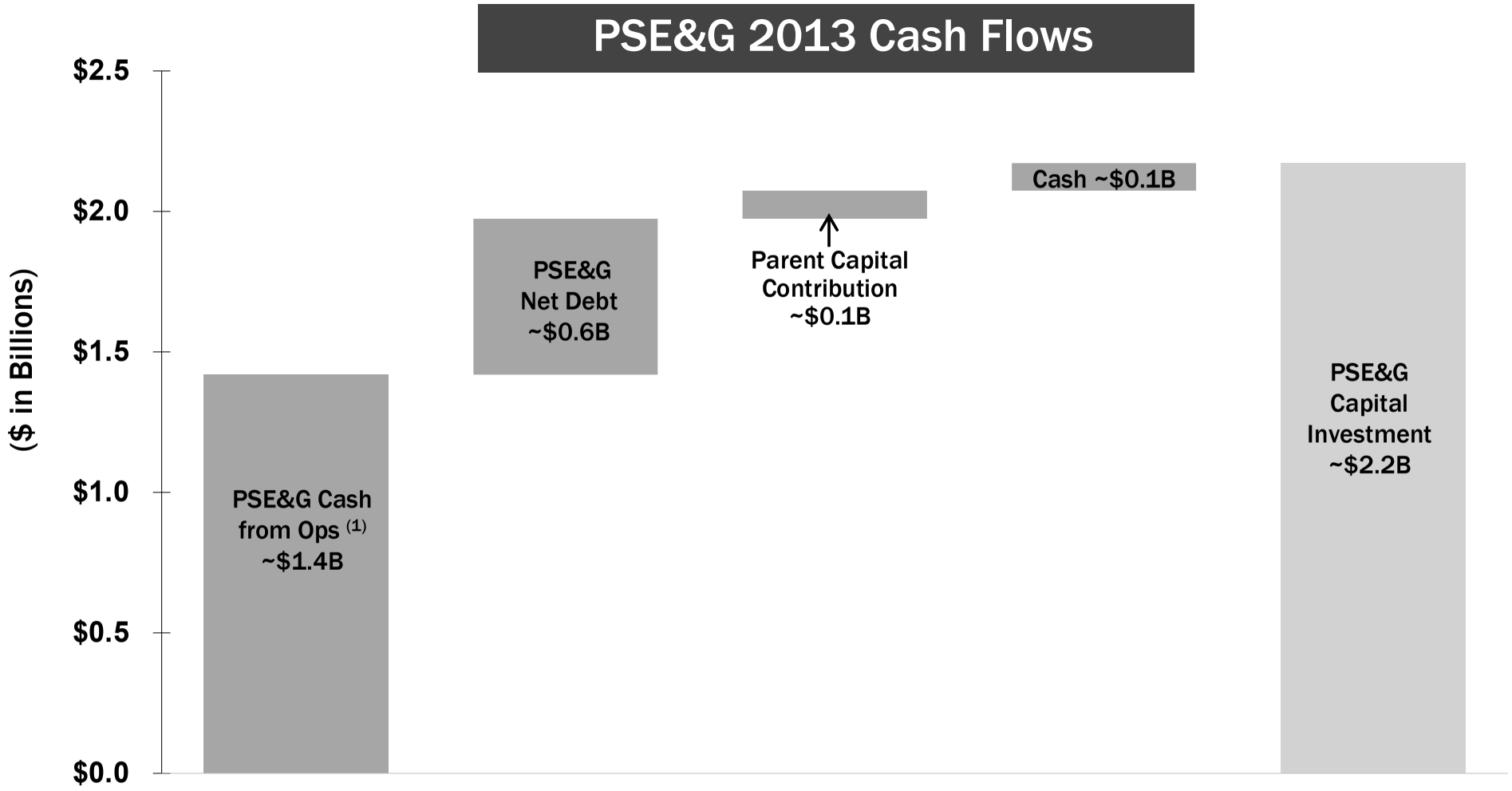
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-06417

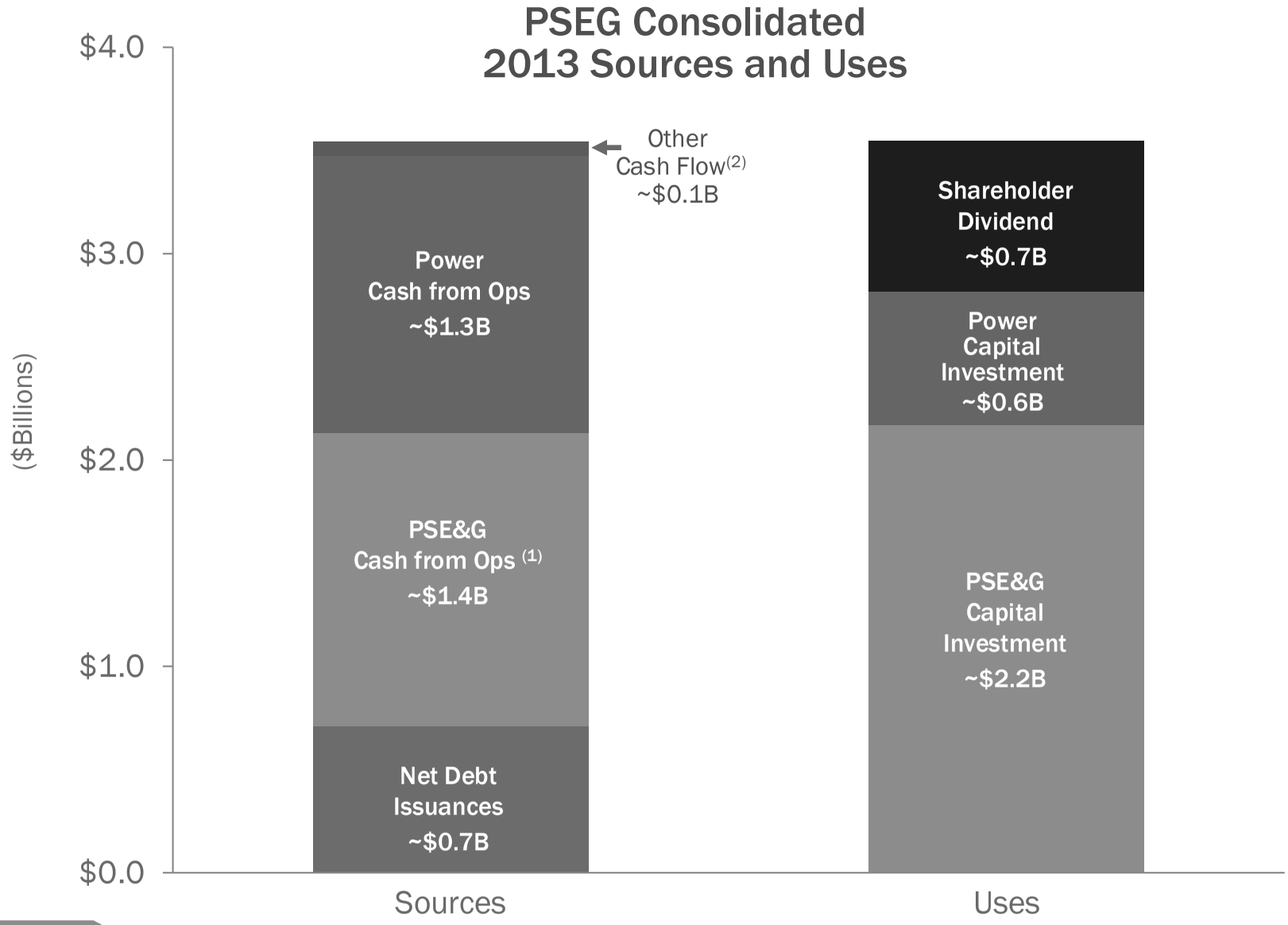
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-06418

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

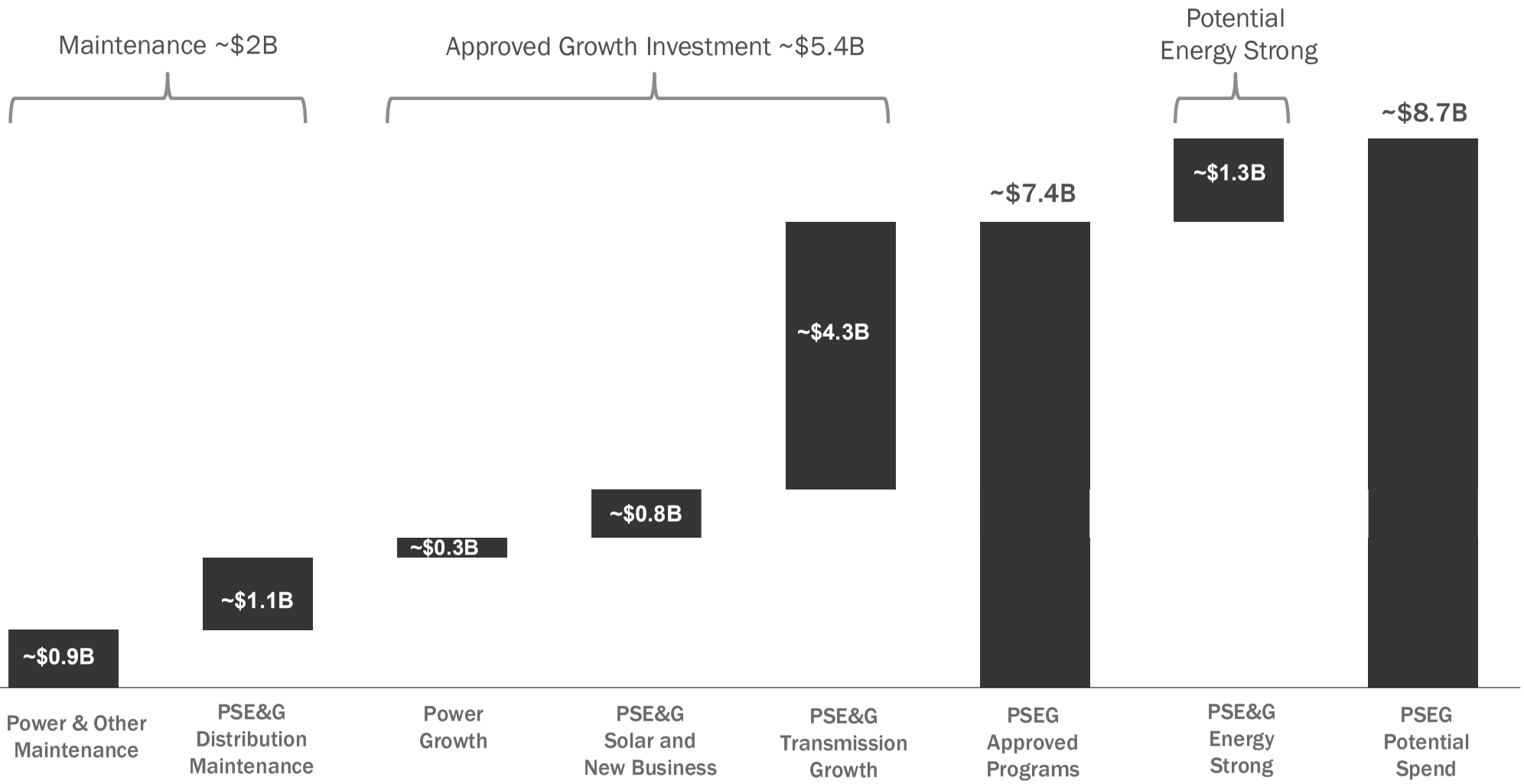


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-06419

PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

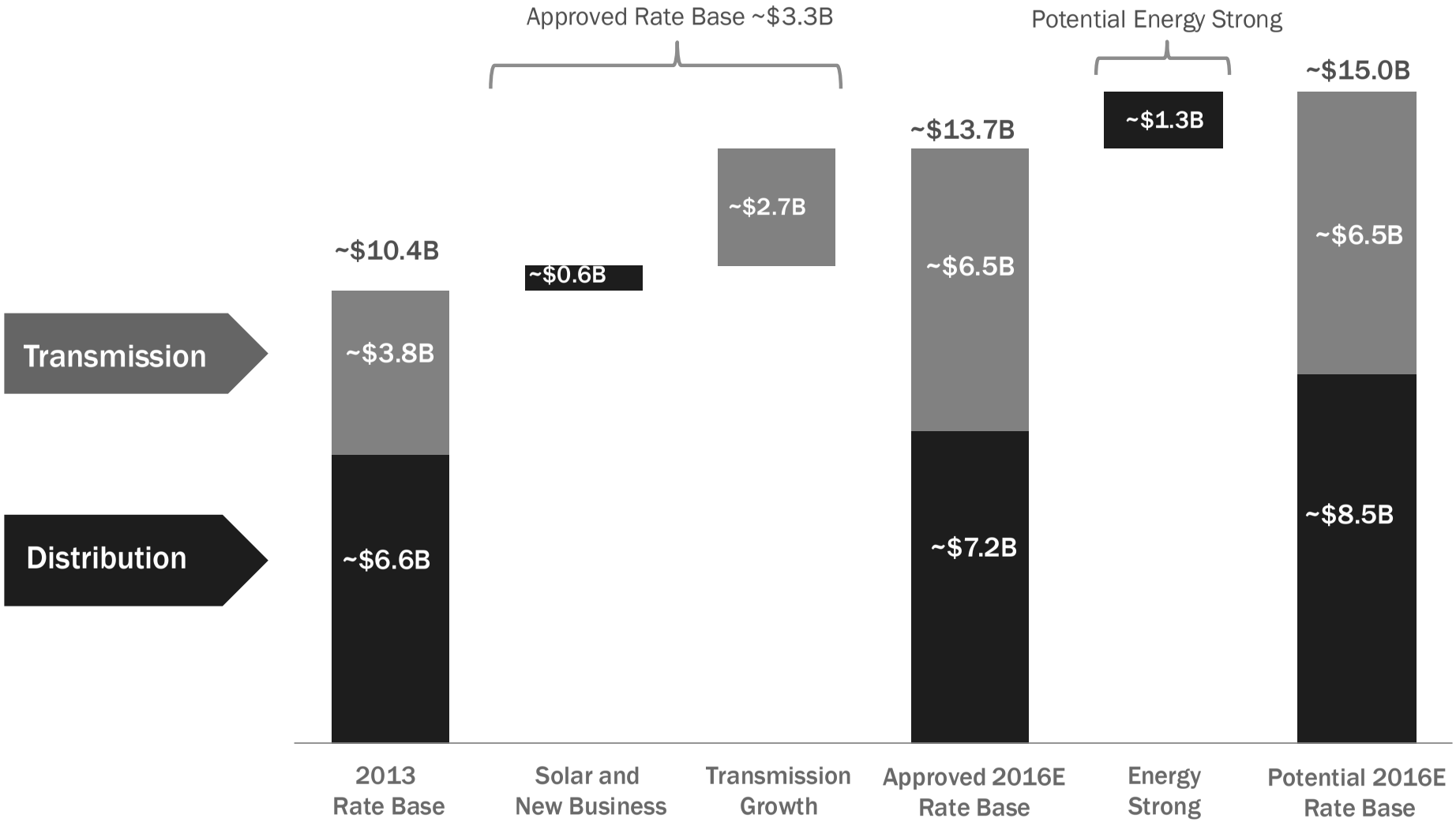


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-06420

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

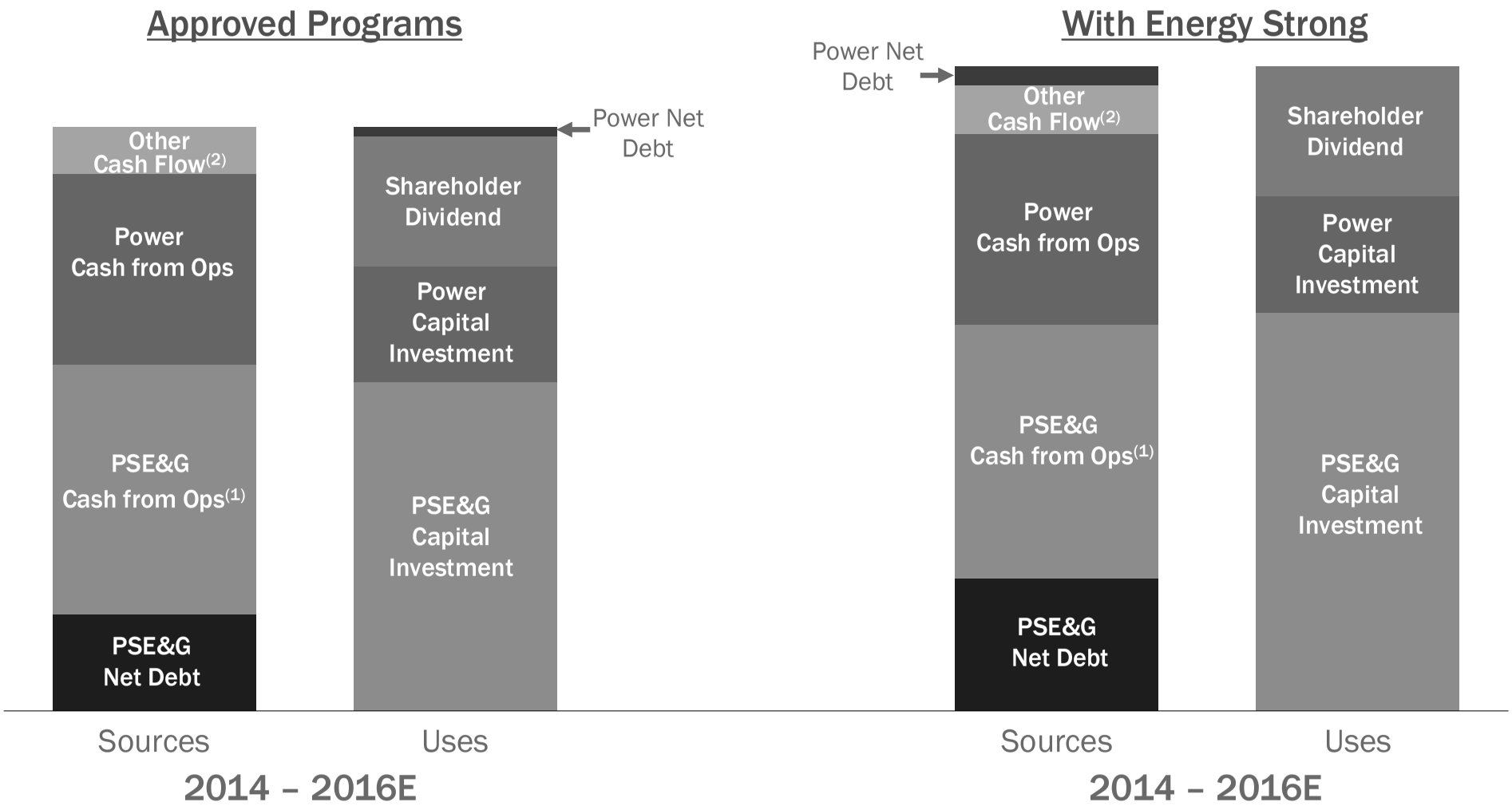
2013 – 2016E Rate Base CAGR in approved Growth of ~10%



SI-SSA-0015-06421

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

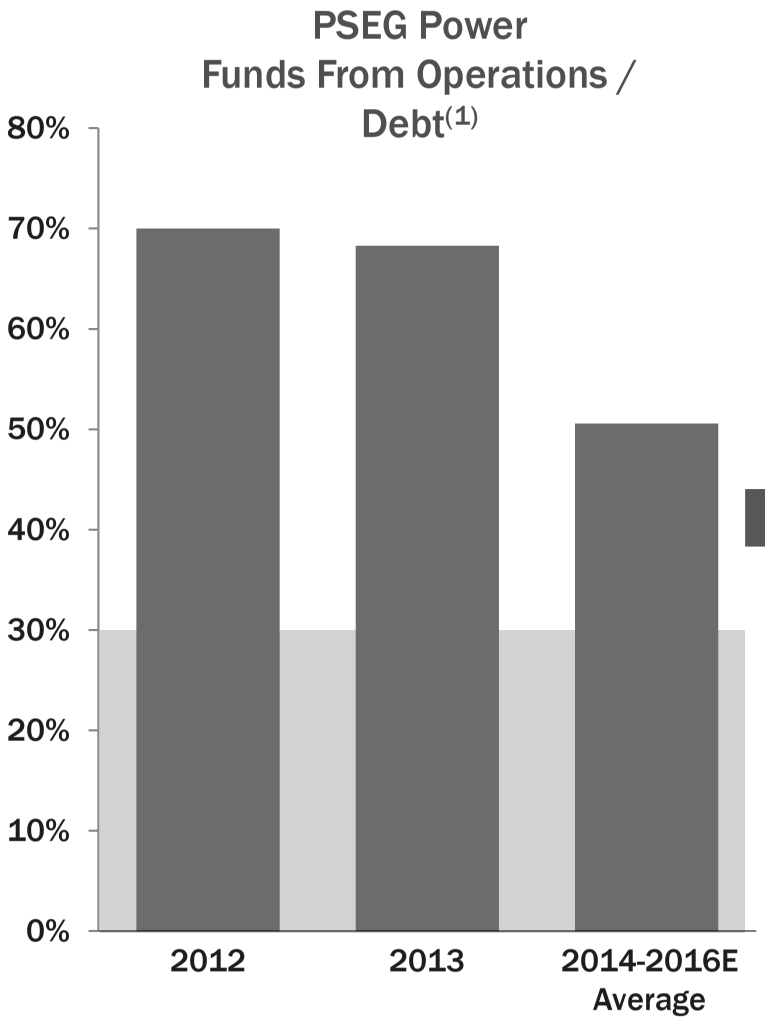
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-06422

Power's key credit metric supports incremental investment opportunities

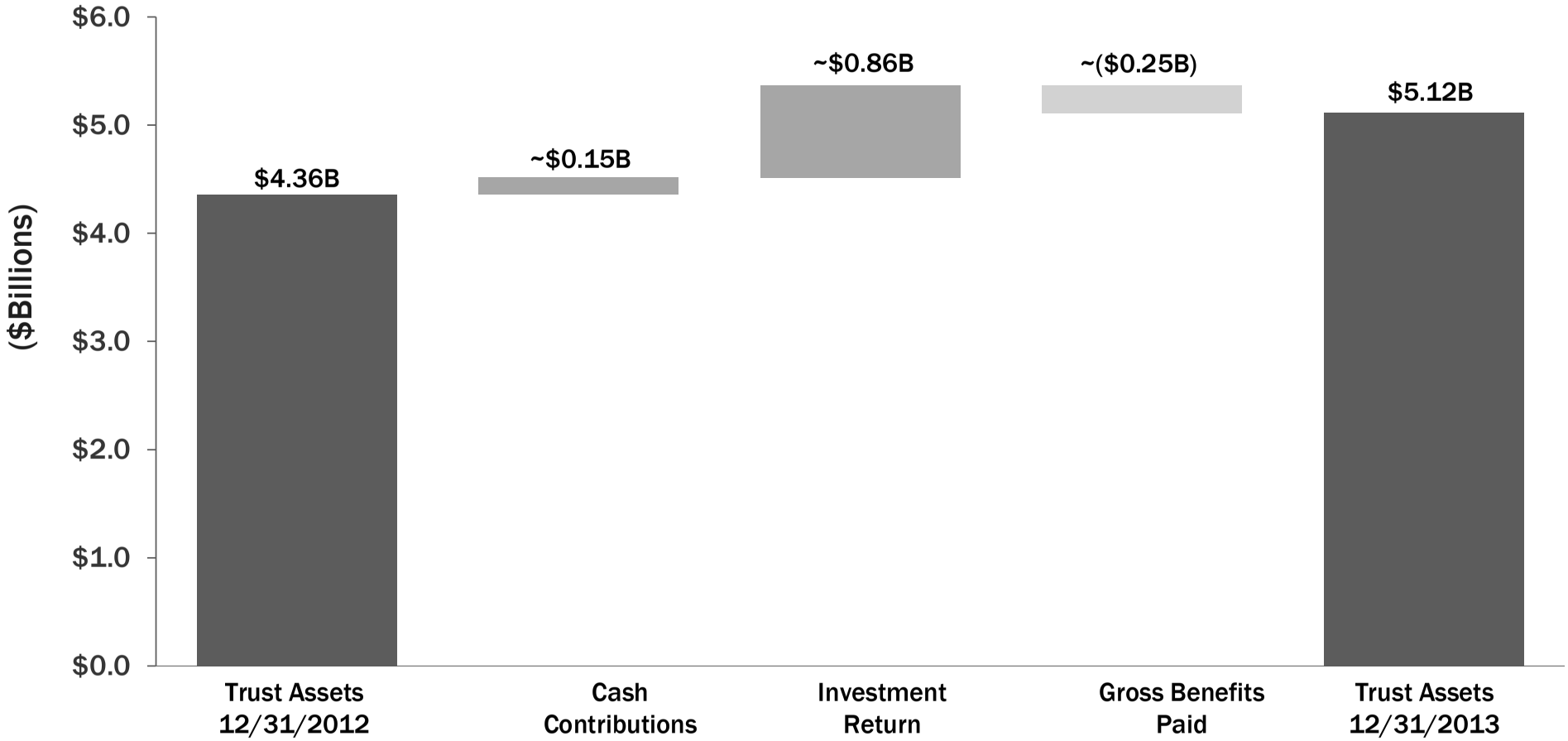


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-06423

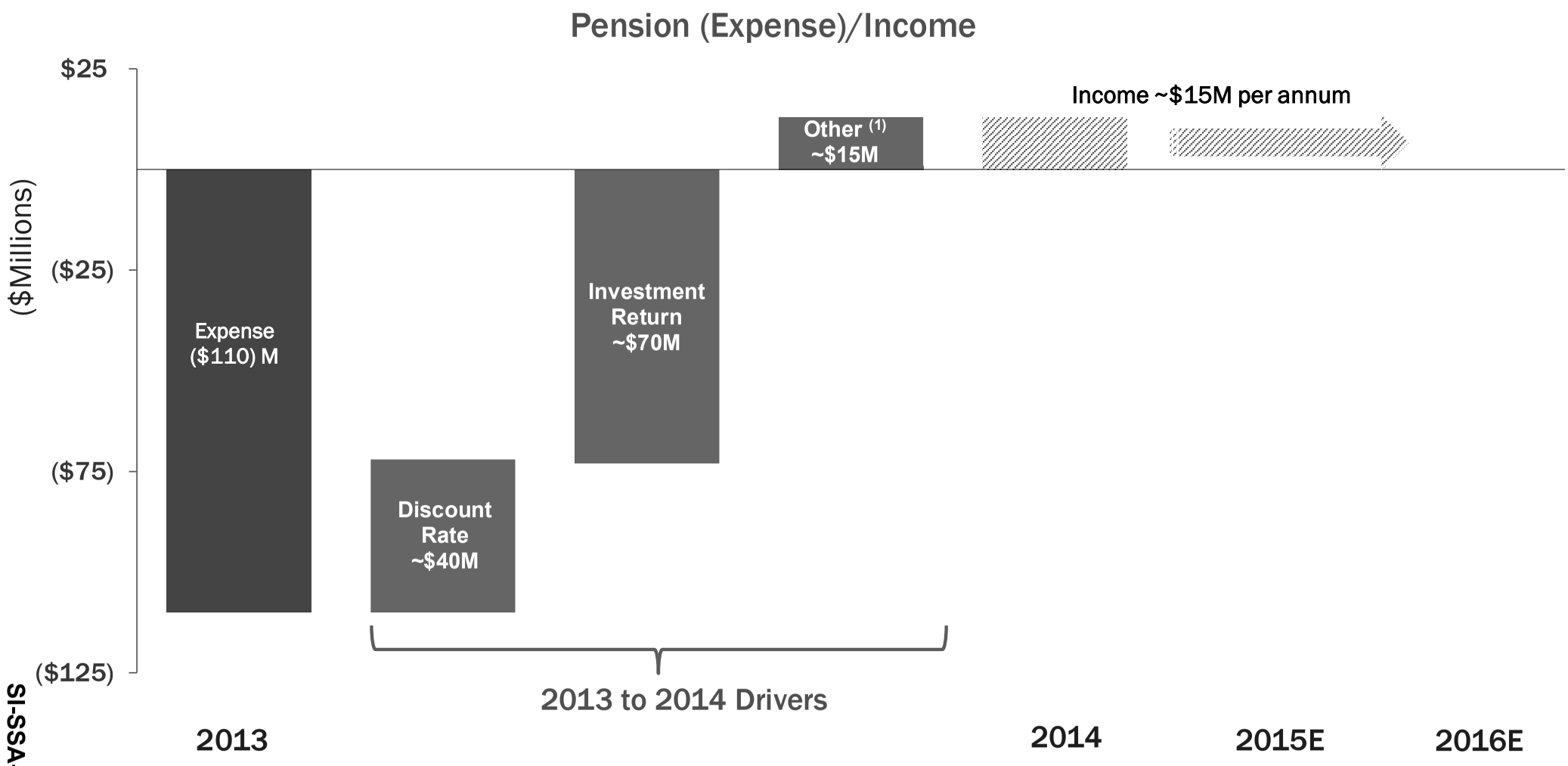
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-06424

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon

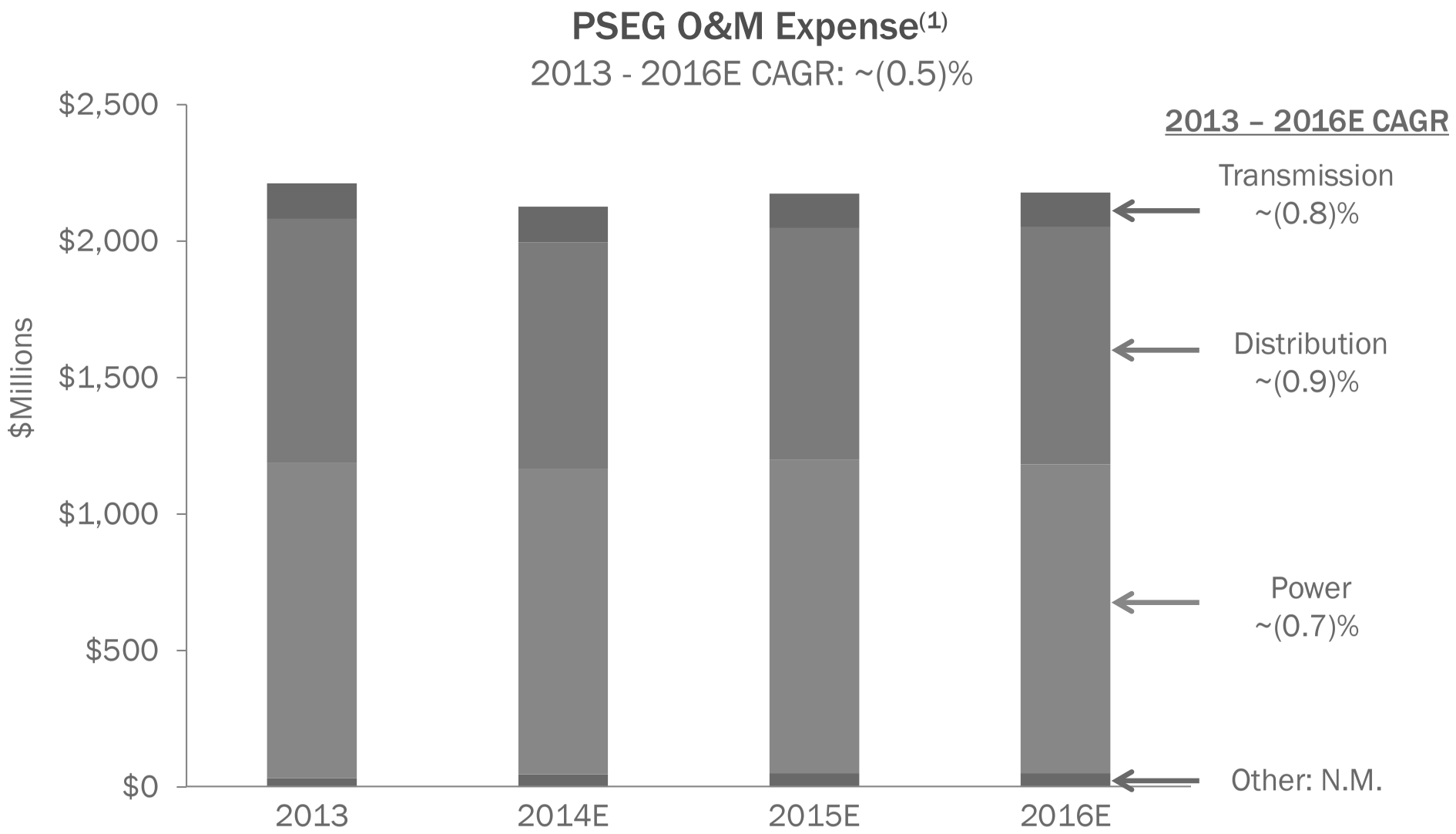


SI-SSA-0015-06425

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-06426

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

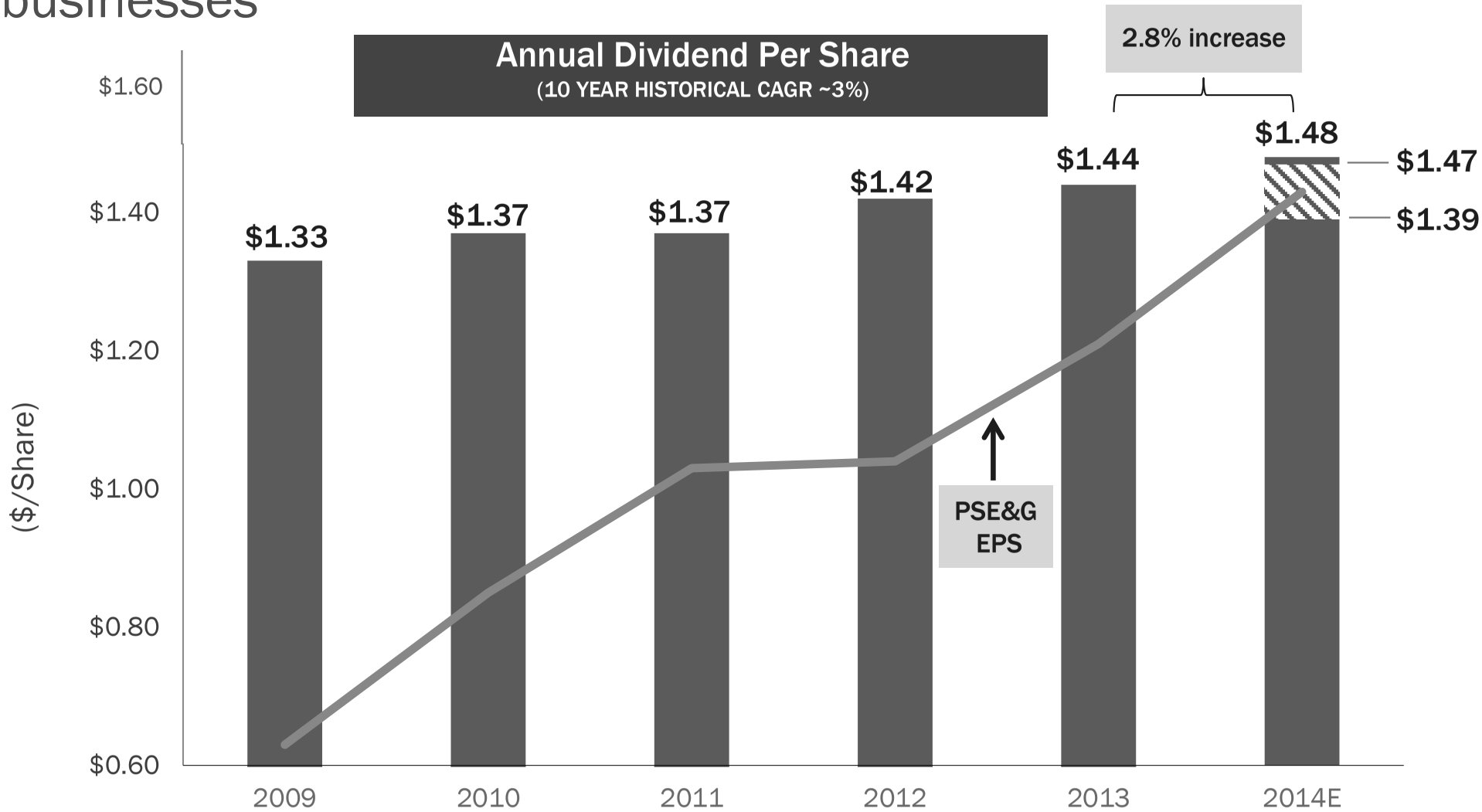
SI-SSA-0015-06427

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-06428

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-06429

PSEG Summary

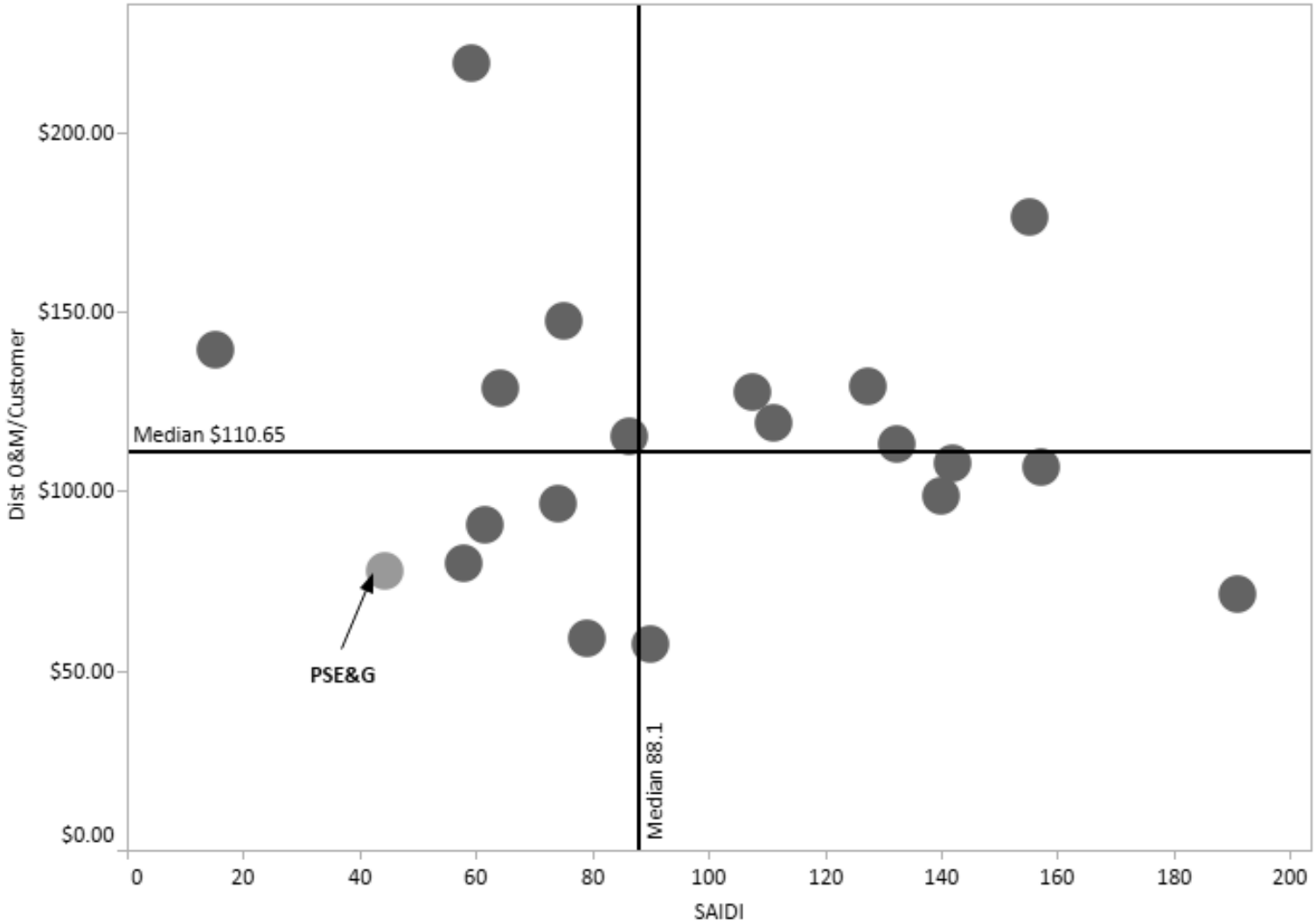
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-06430

PSE&G APPENDIX

SI-SSA-0015-06431

PSE&G provides high reliability at below average cost which creates superior value to customers

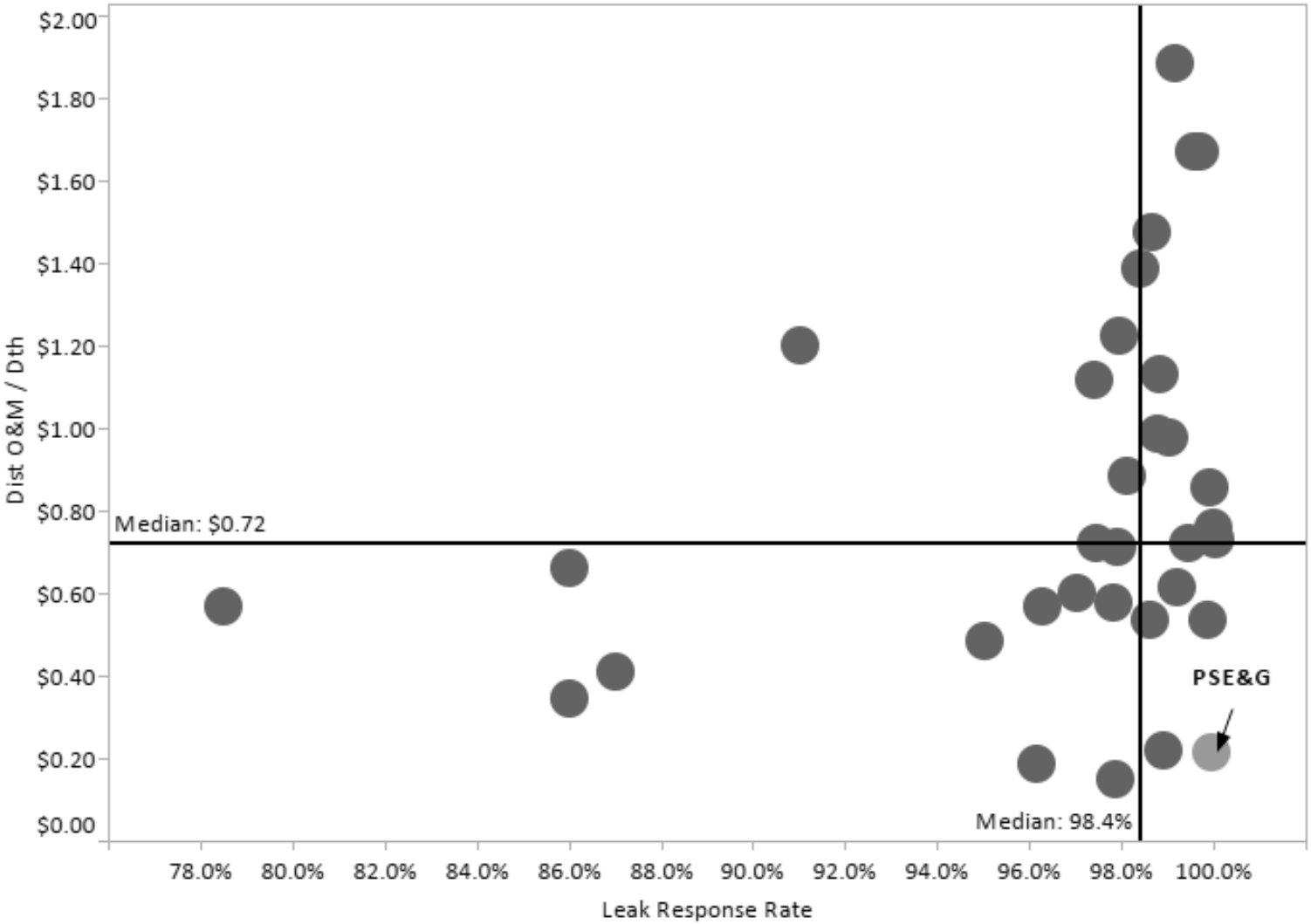


SI-SSA-0015-06432

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



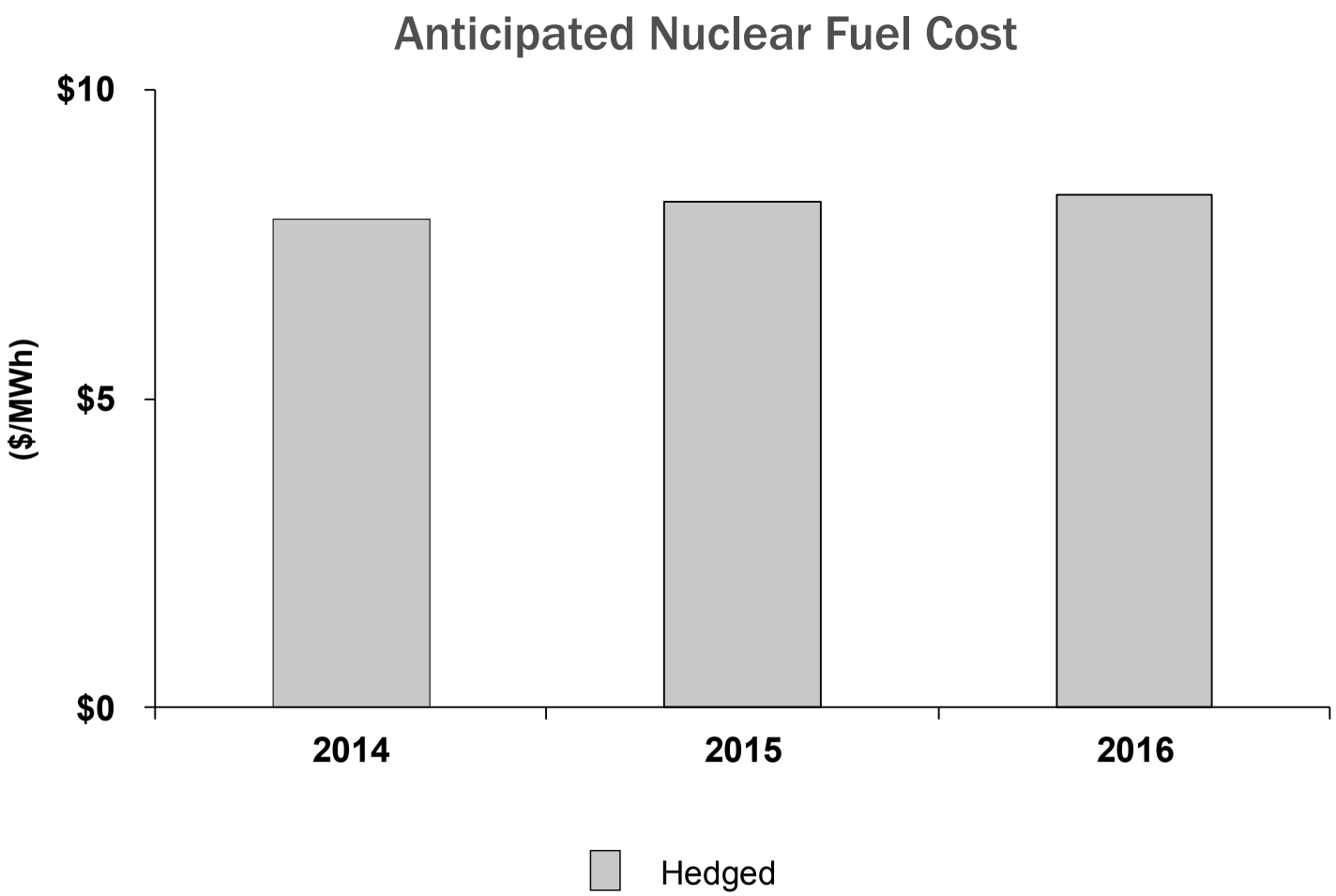
SI-SSA-0015-06433

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

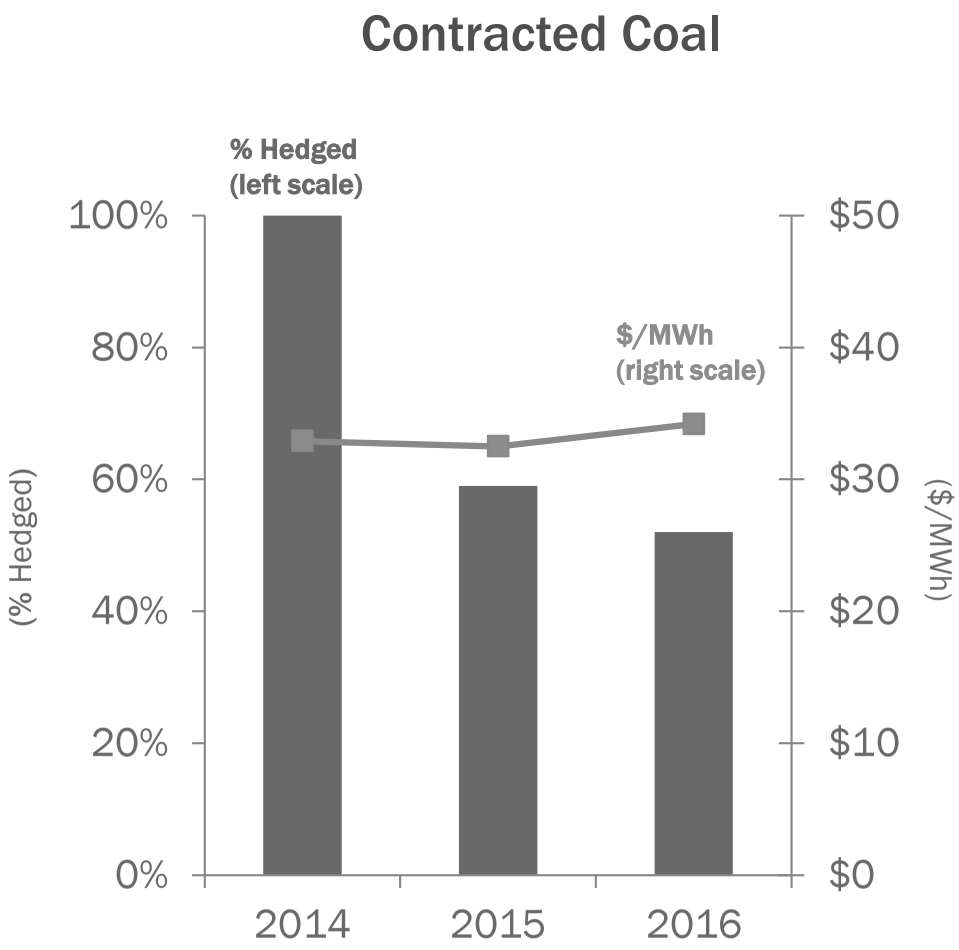
SI-SSA-0015-06434

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-06435

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-06436

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-06437

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06438

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-06439

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-06440

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-06441

Strong, full year 2013 operating earnings delivered

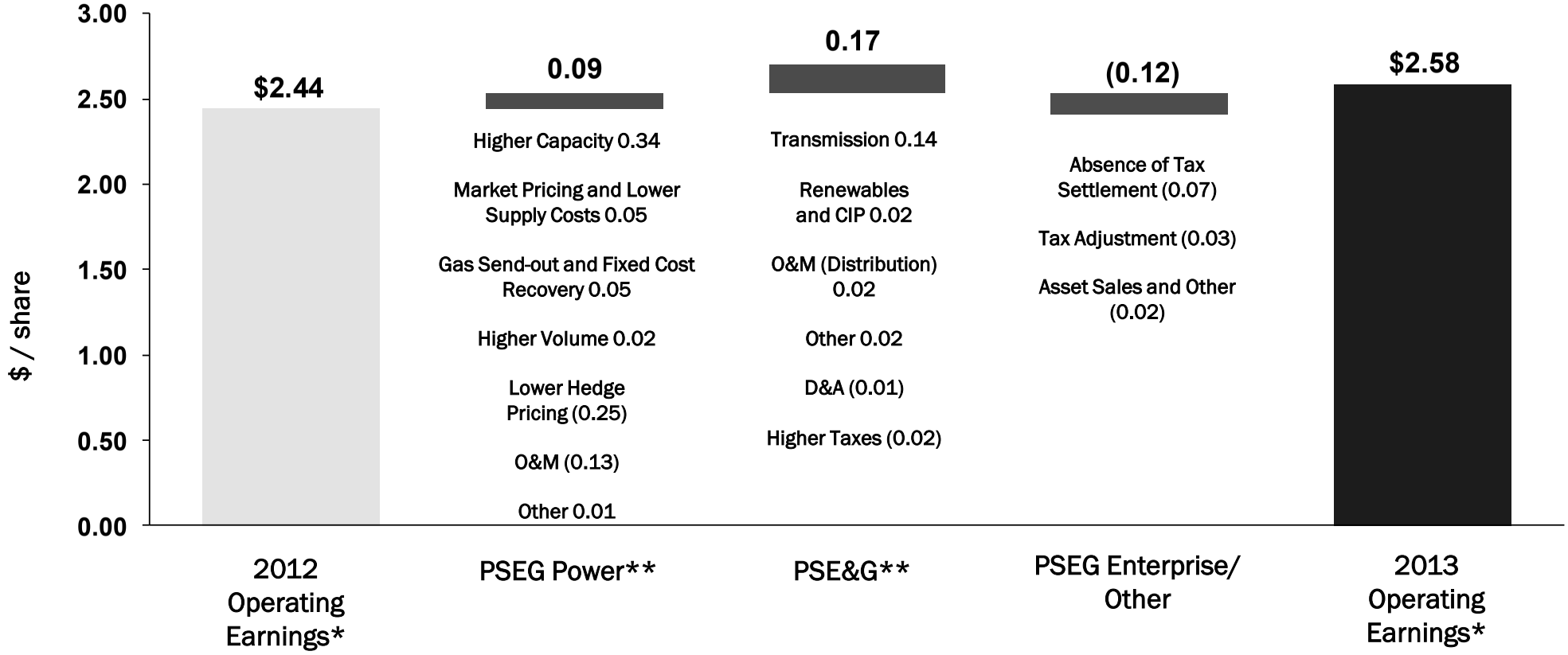
	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-06442

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



SI-SSA-0015-06443

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-06444

Credit Suisse – Investor Meetings

TEXAS, MARYLAND AND PENNSYLVANIA – JUNE 4-5, 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06445

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-06446

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-06447

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-06448

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-06449

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 **Assets $22B** **Operating Earnings $725M**	2014 **Assets $12B** **Operating Earnings $642M**

SI-SSA-0015-06450

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

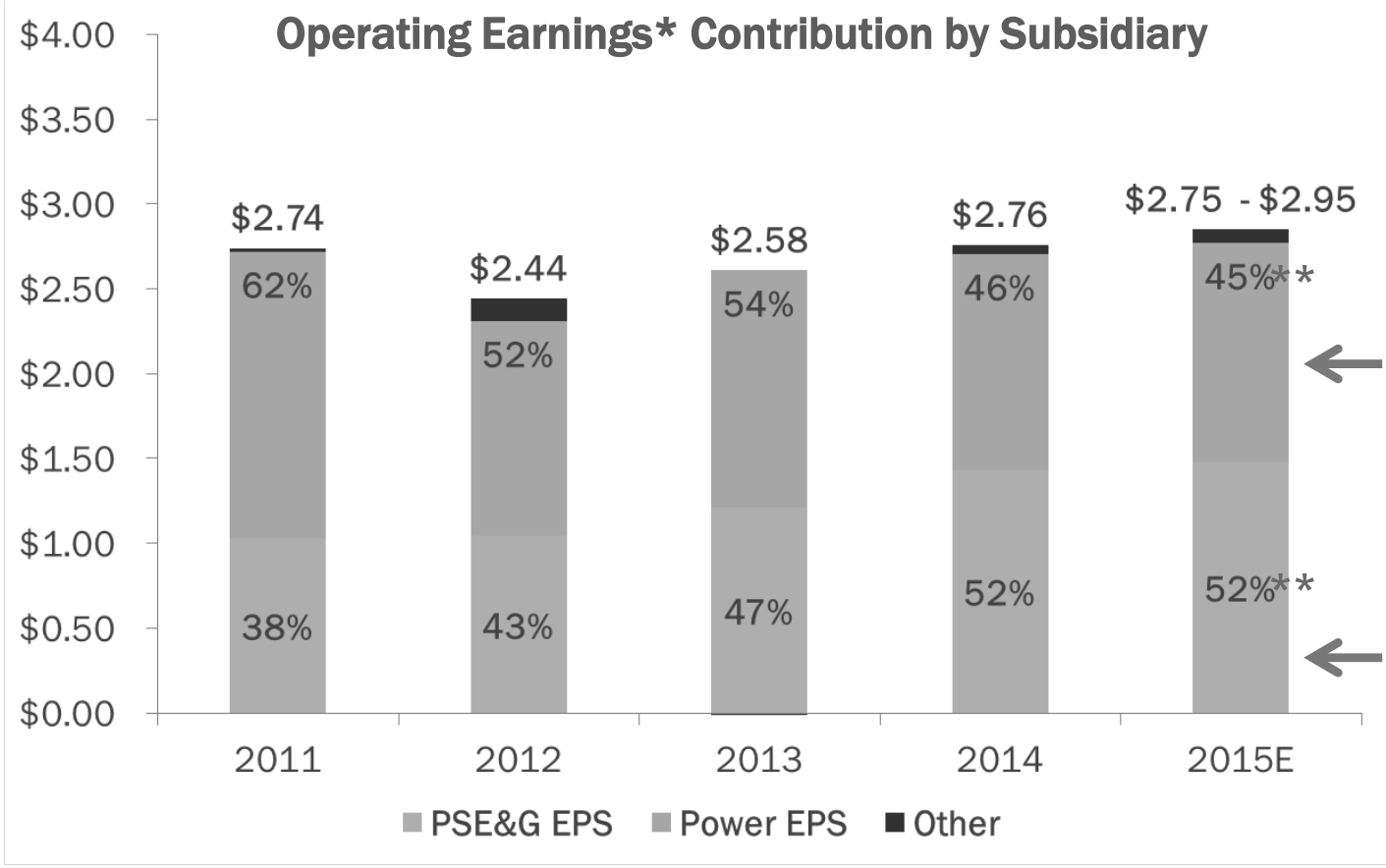
Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source

SI-SSA-0015-06451

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-06452

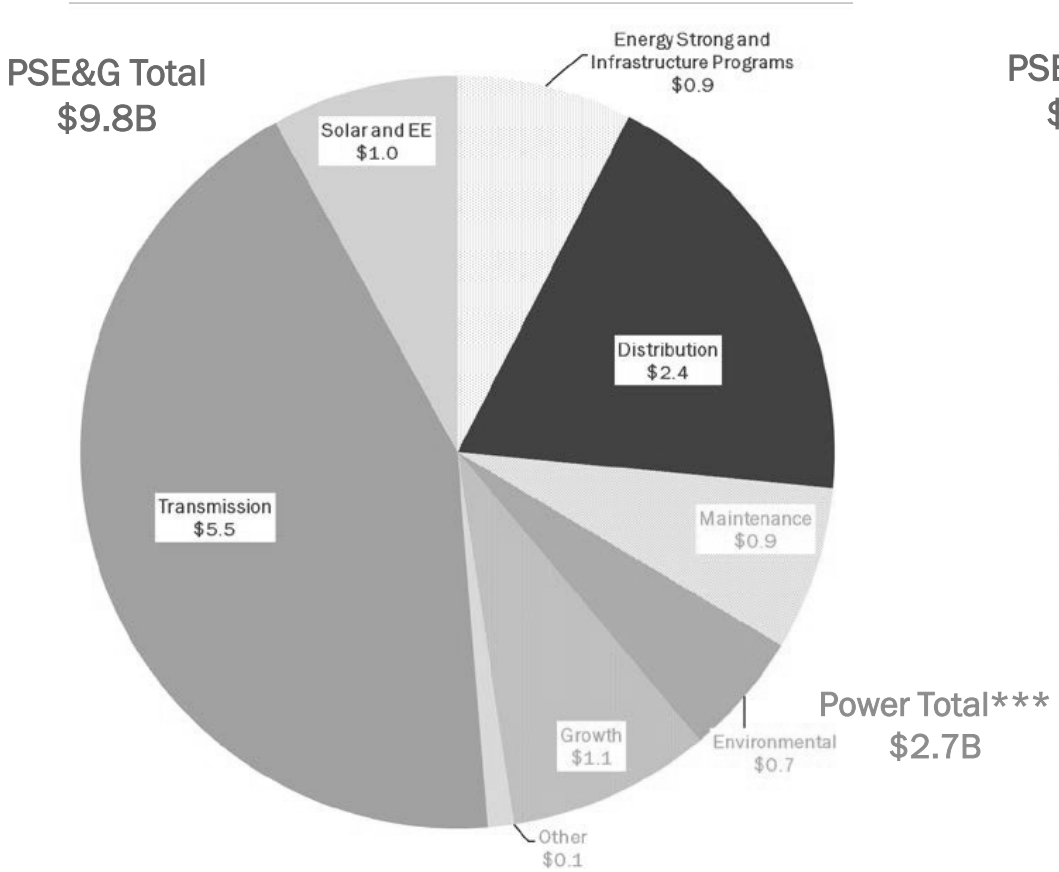
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Robust pipeline of investment opportunities

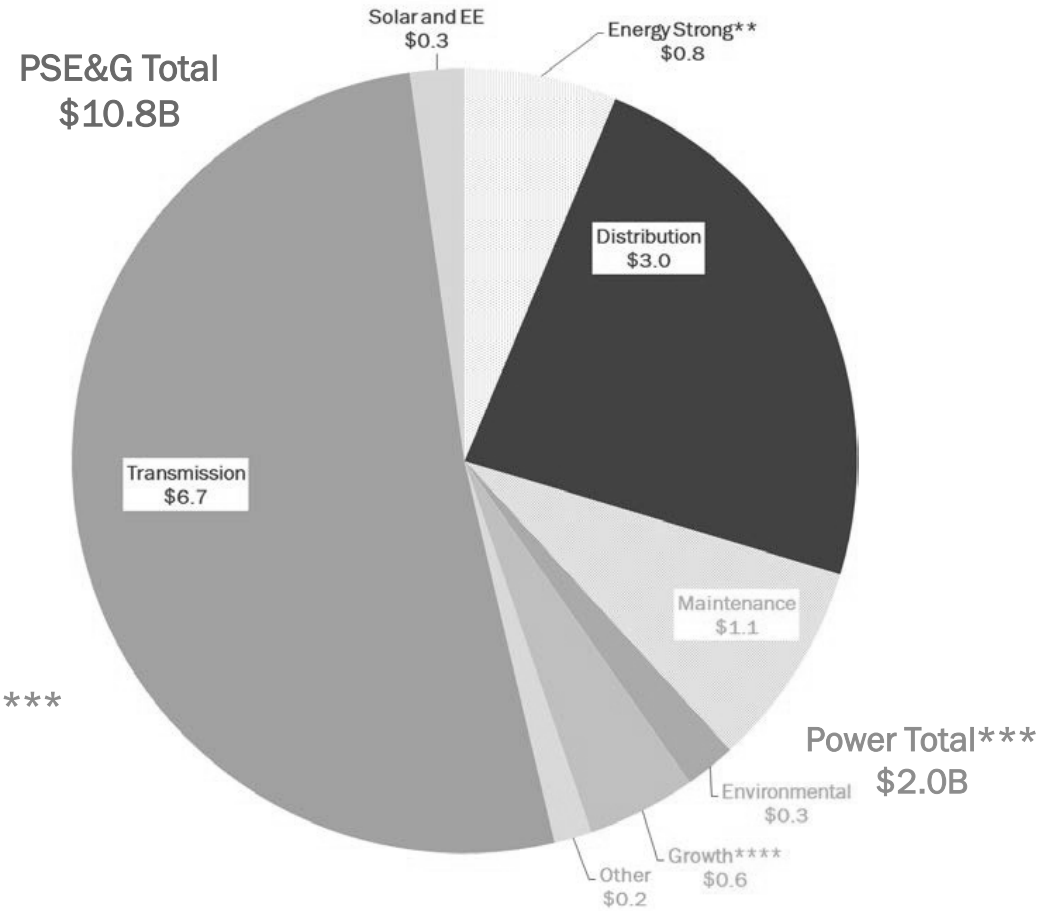
supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion



2015E - 2019E*: $13 Billion



2015E–2019E:

- $1.3B of capital for Gas System Modernization Program and Artificial Island would be incremental

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-06453

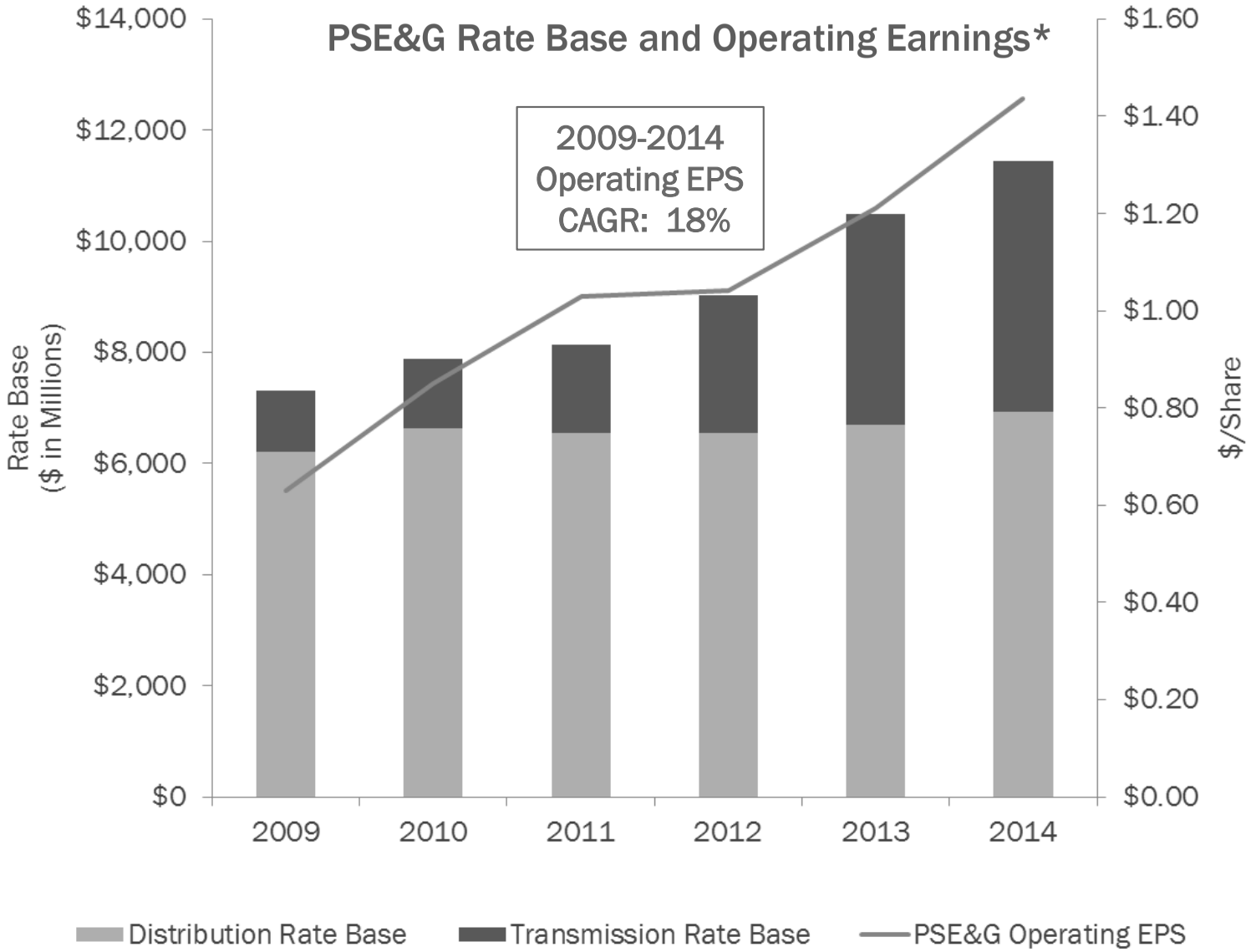
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program and Artificial Island increase capital program by $1.3 billion through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-06454

PSE&G's investment program

Meeting public policy goals and customer needs

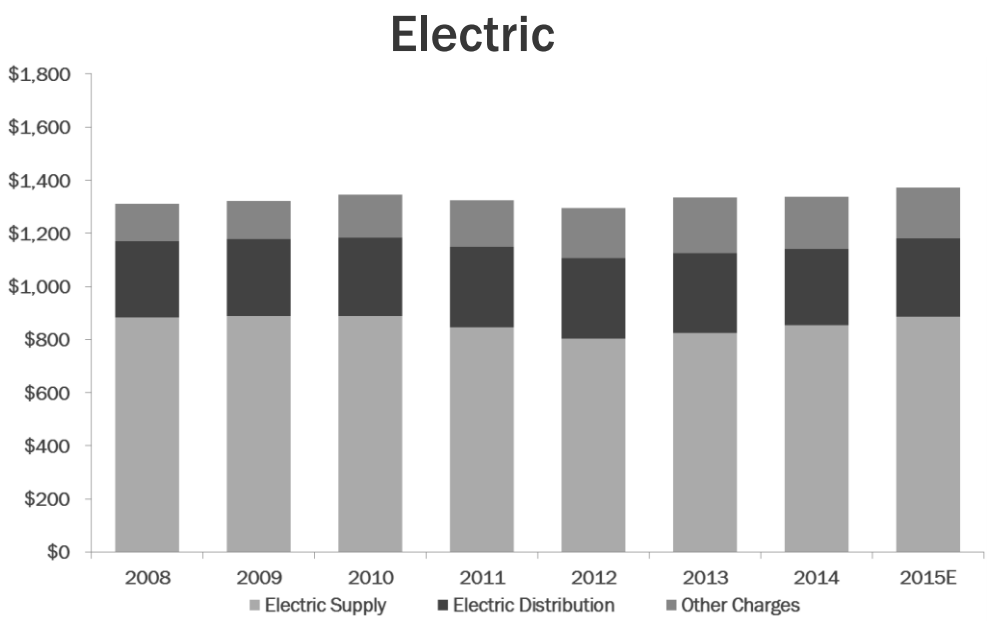


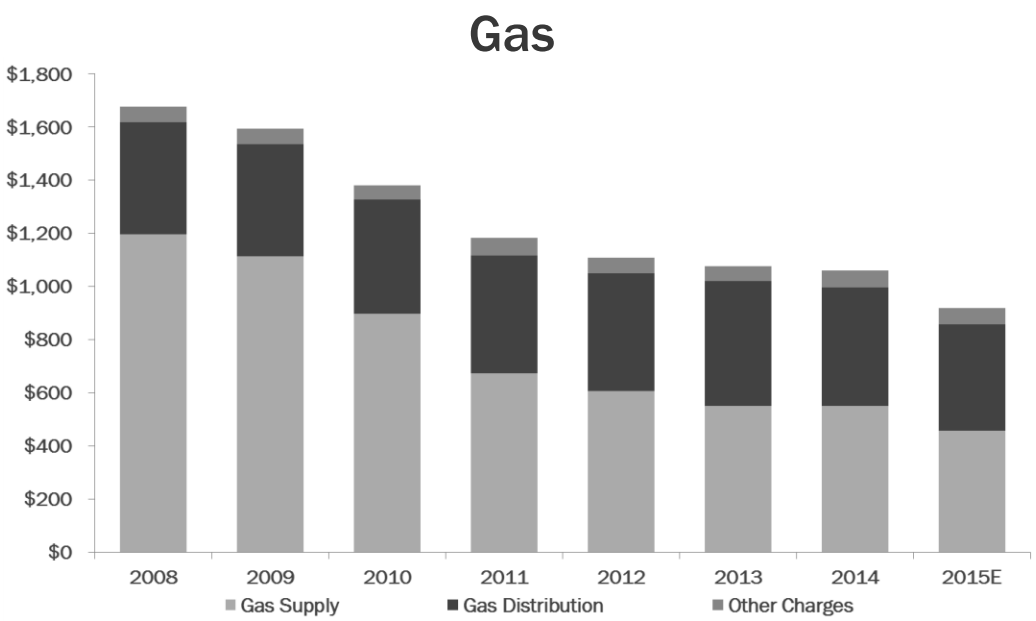
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06455

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





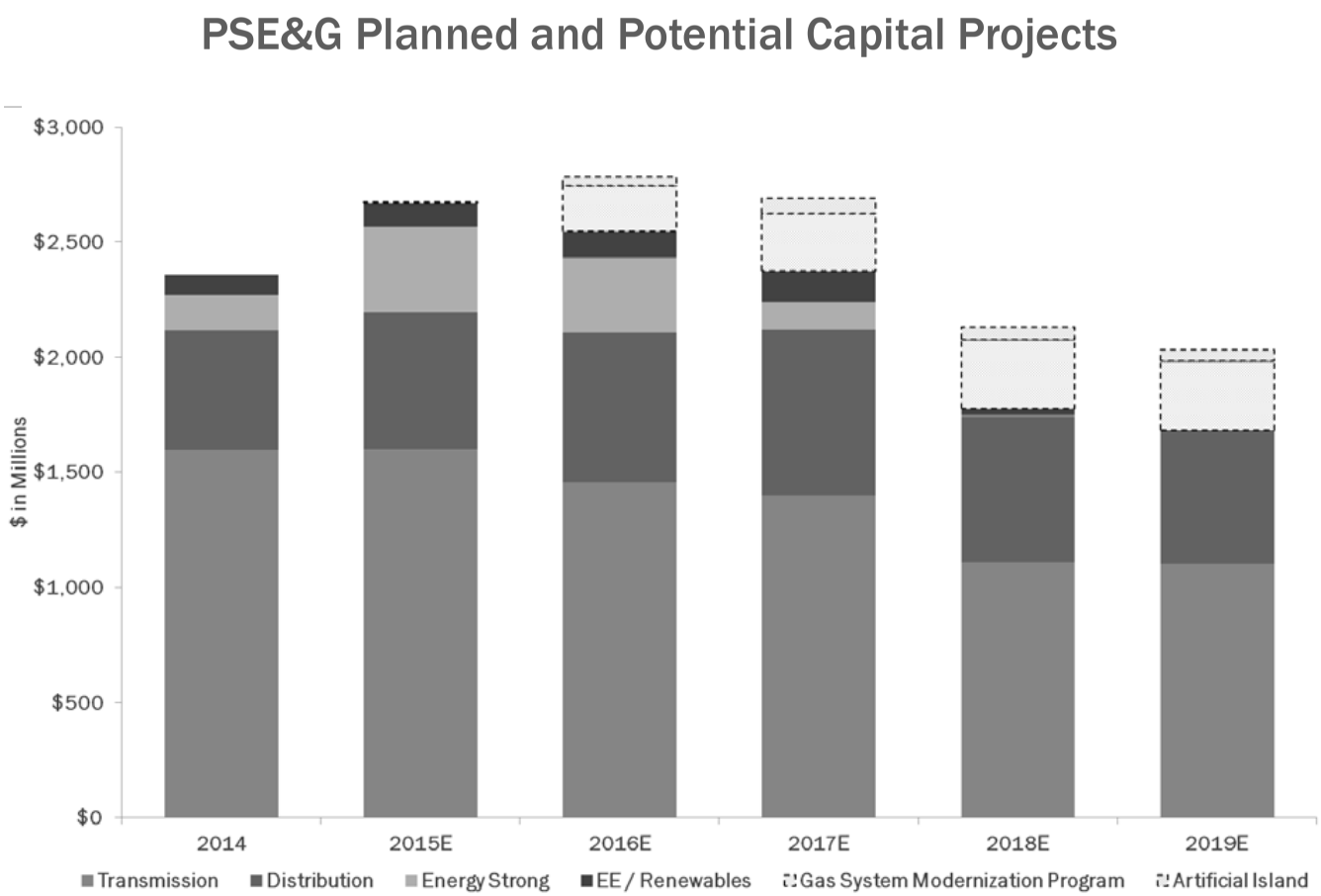
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-06456

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

SI-SSA-0015-06457

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-06458

Power – Growing value by improving market rules and developing investment opportunities

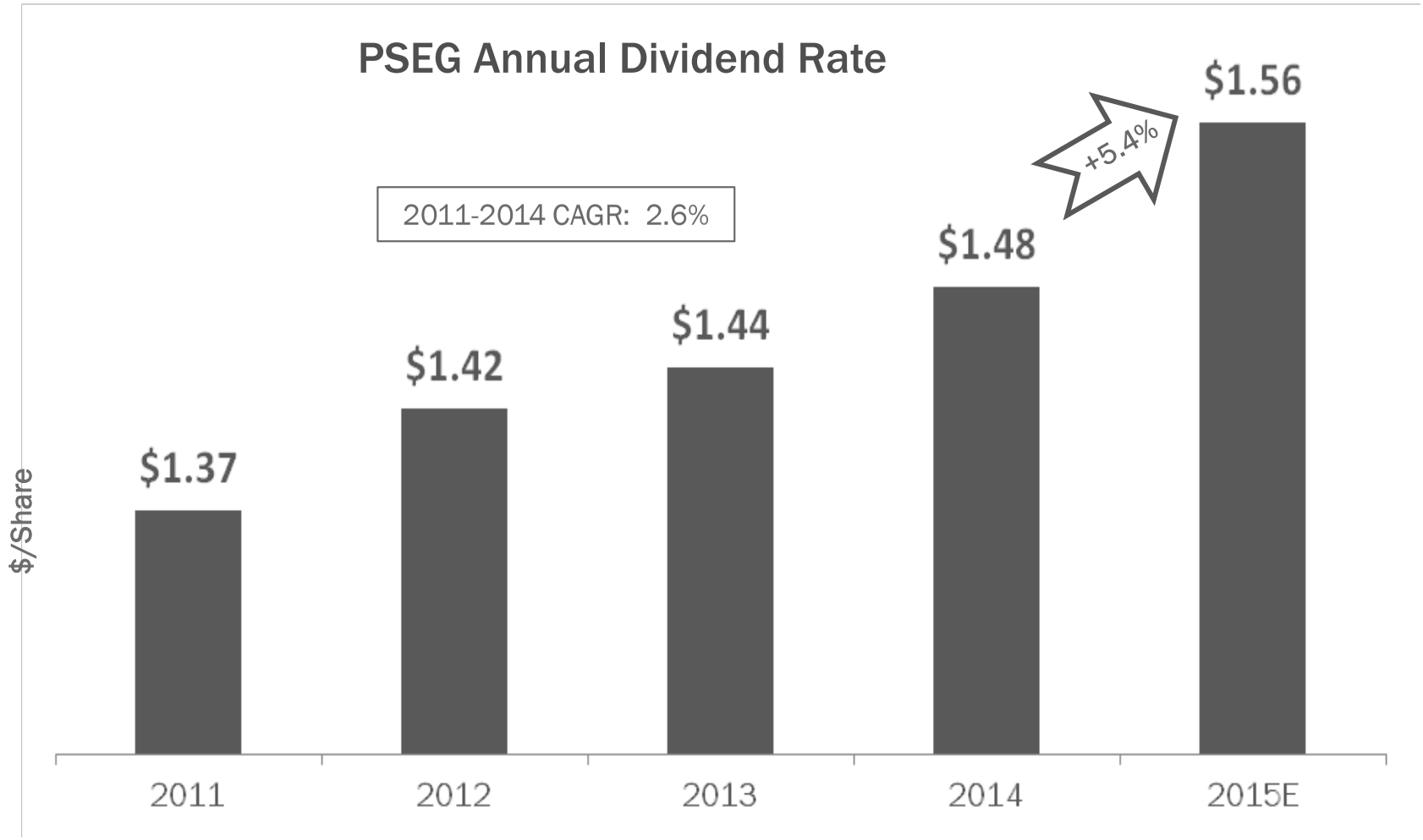
Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and 2015 Capacity Performance proposal • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates are underway • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~123 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.

SI-SSA-0015-06459

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

SI-SSA-0015-06460

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities**

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-06461

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-06462

PSEG

We make things work for you.

PSE&G

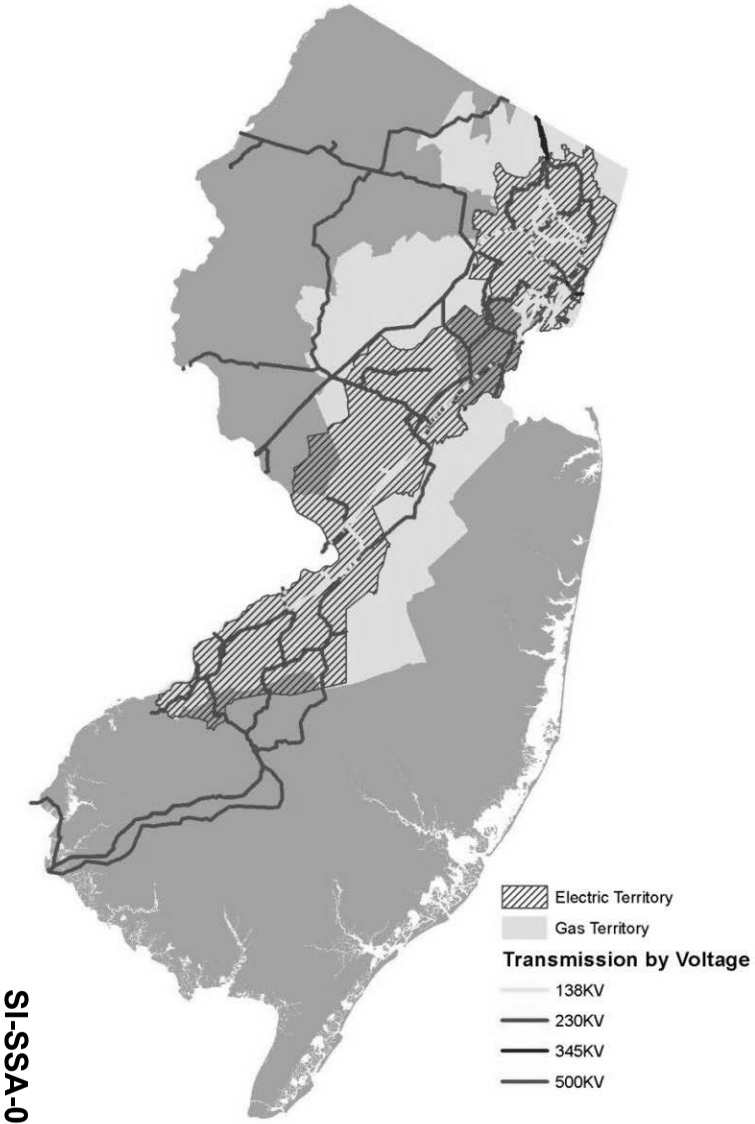
SI-SSA-0015-06463

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06464

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-06465

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

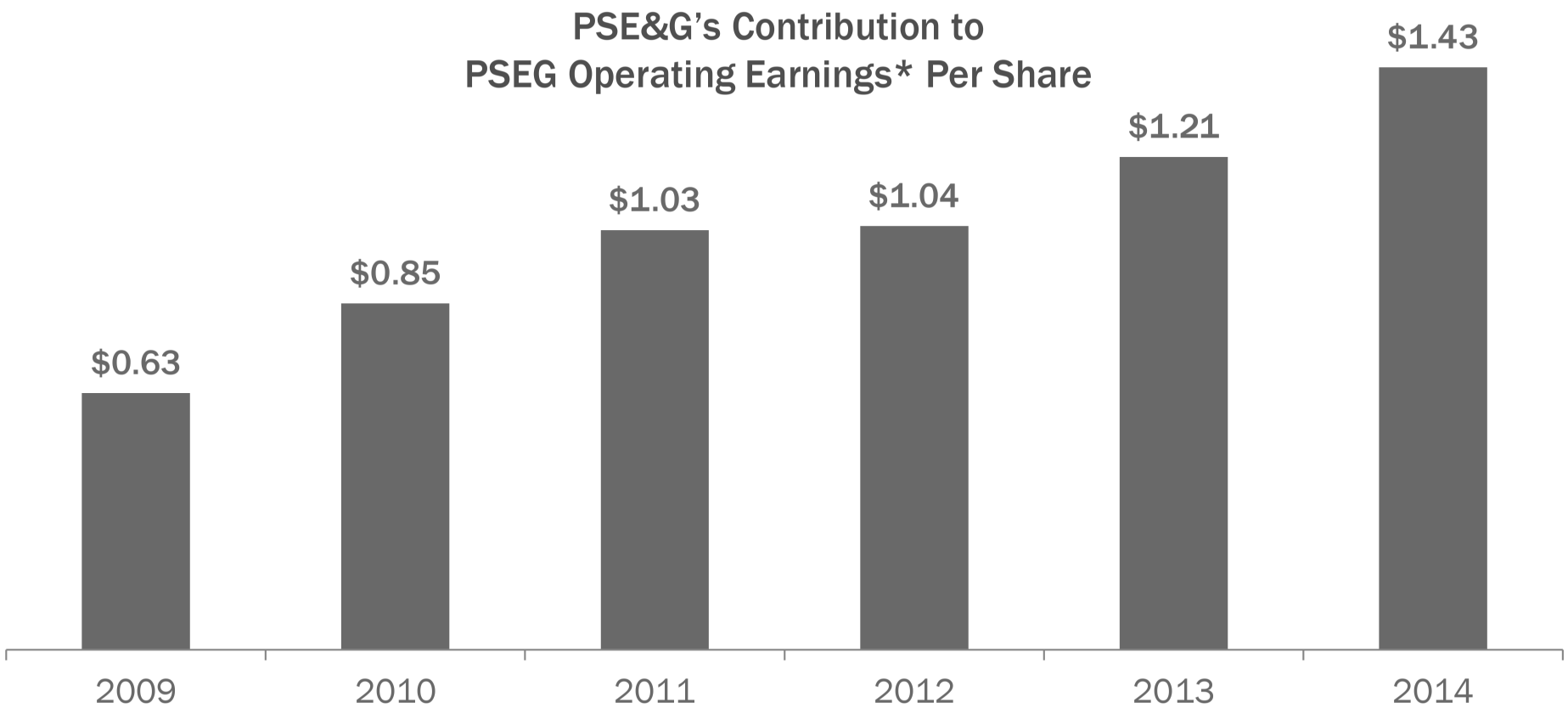
SI-SSA-0015-06466

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-06467

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control

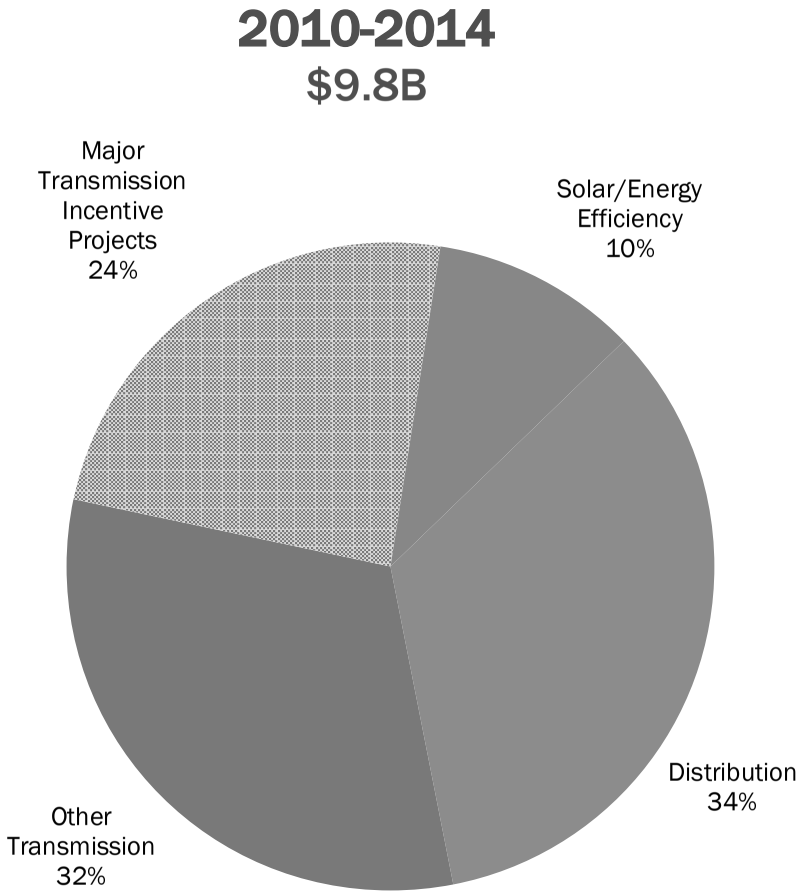


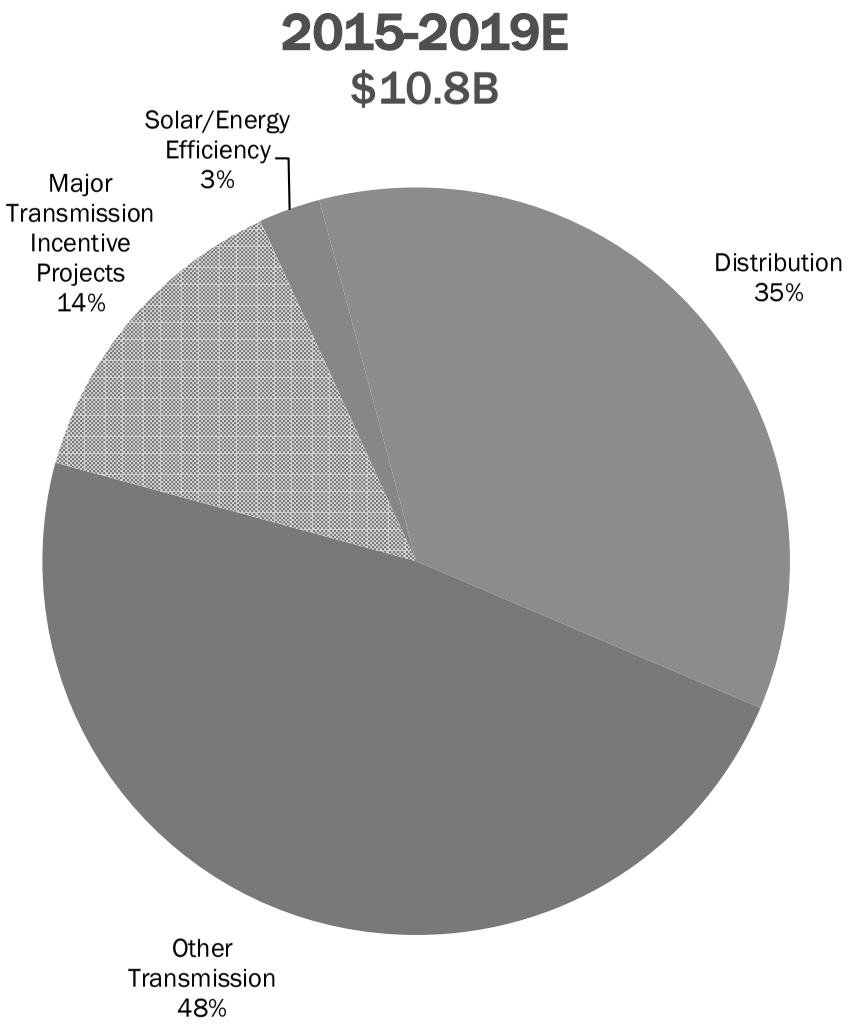
SI-SSA-0015-06468

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-06469

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06470

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-06472

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-06473

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System Modernization Program would increase potential investment by ~$1.6B

SI-SSA-0015-06474

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-06475

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal unit (RTU) has been installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-06476

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-06477

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term, 30-year cast iron and unprotected steel replacement plan
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Directly creates and supports 500 New Jersey jobs
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-06478

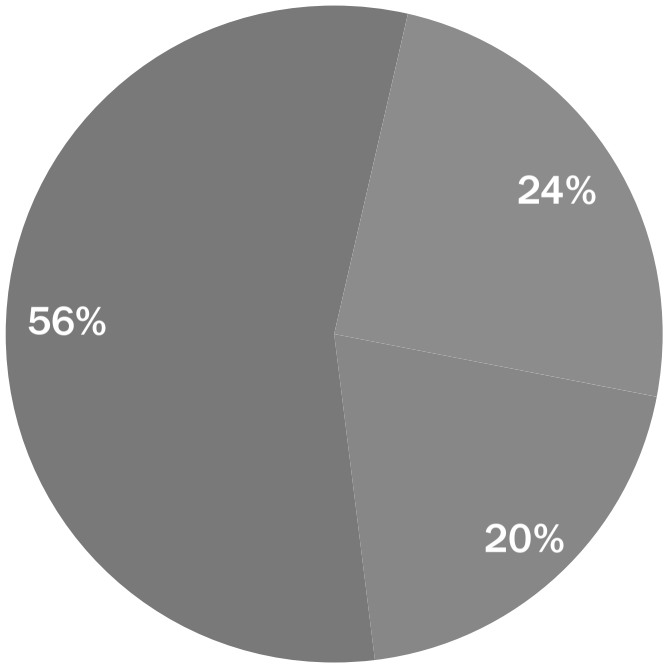
PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

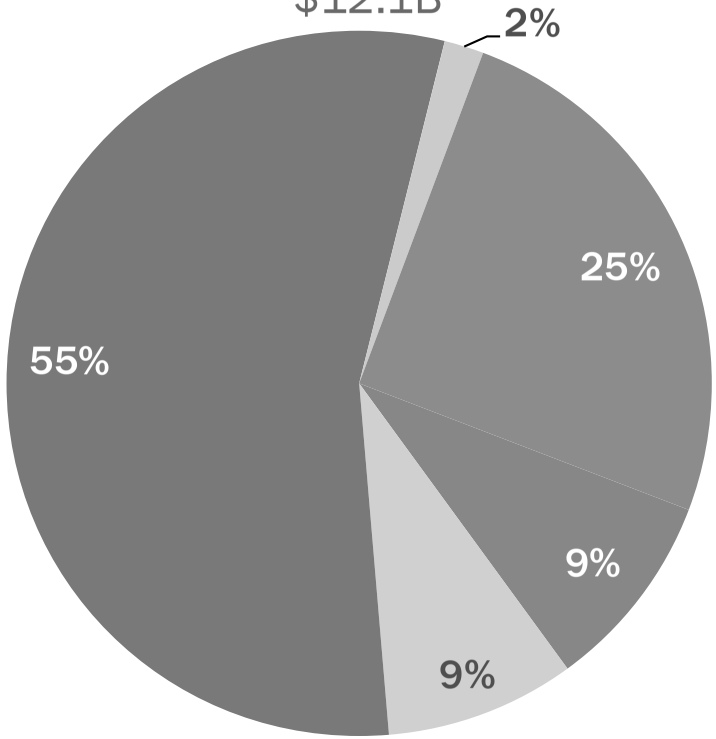
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

FERC Formula Rates
- Transmission
- Artificial Island

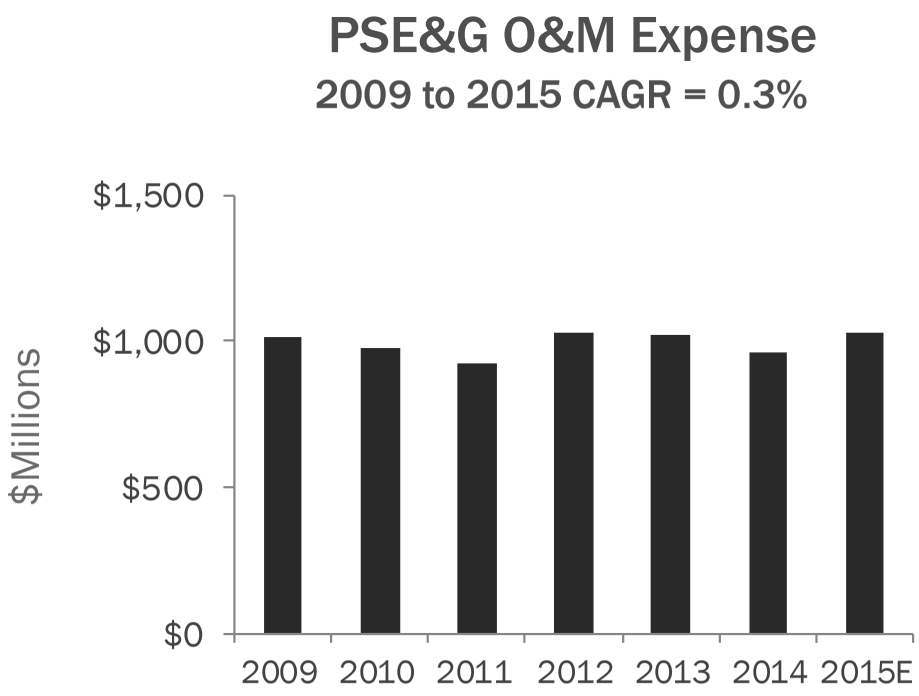
Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-06479

E = ESTIMATE. DATA AS OF MARCH 2, 2015

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-06480

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-06481

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-06482

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-06483

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

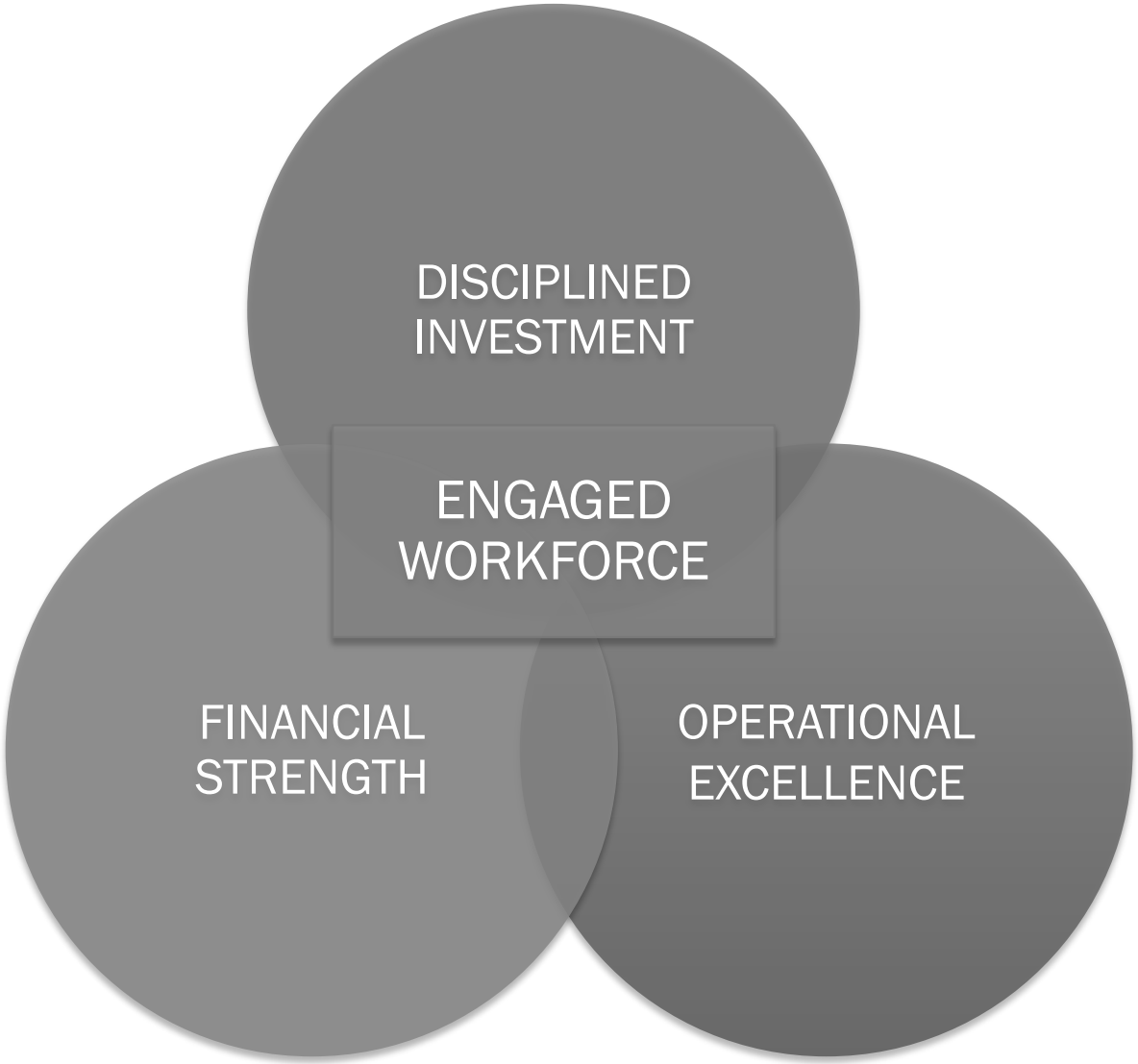
PSEG

We make things work for you.

SI-SSA-0015-06484

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06485

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06486

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Completed three projects with one underway, bringing Solar Source's portfolio to 123 MW_{DC} • Nuclear ESP is expected in 2016

SI-SSA-0015-06487

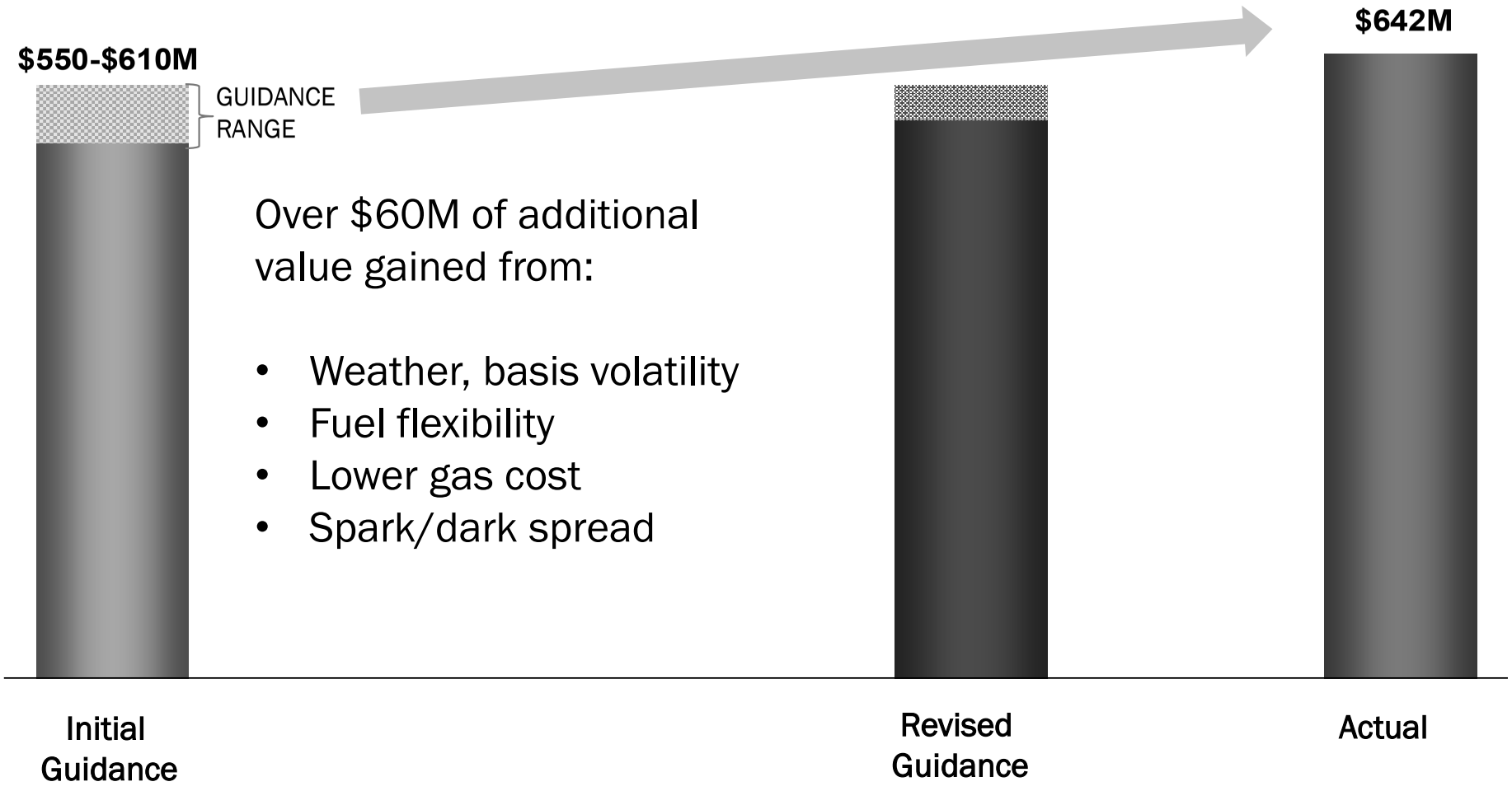
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-06488

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



Over $60M of additional value gained from:

- Weather, basis volatility
- Fuel flexibility
- Lower gas cost
- Spark/dark spread

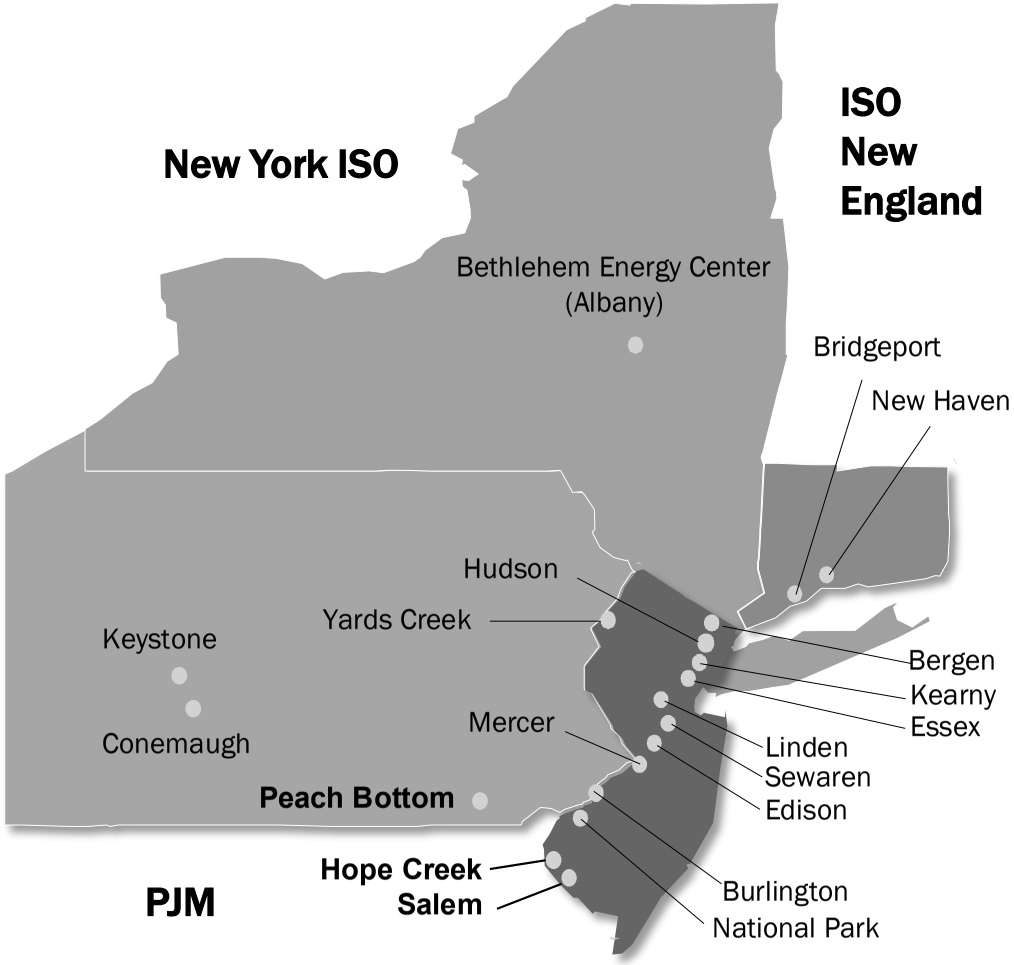
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06489

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



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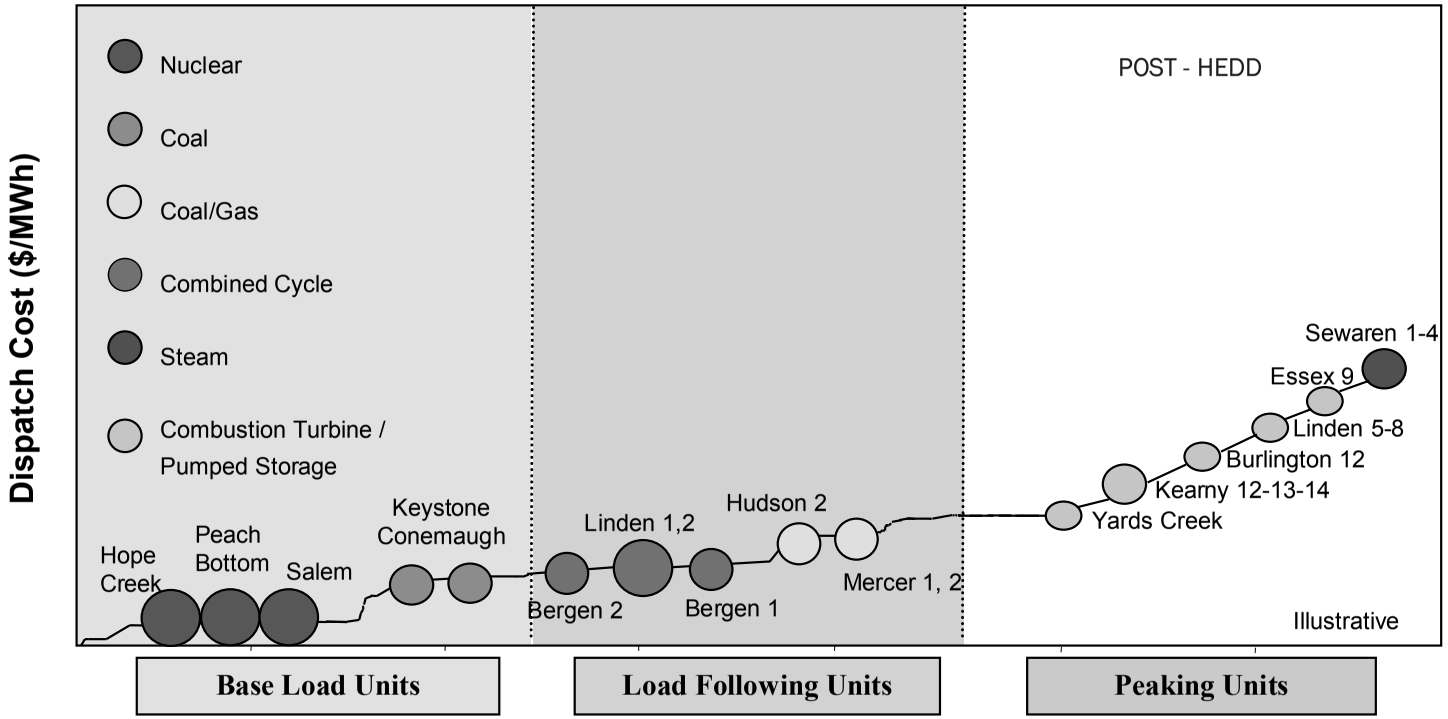
Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

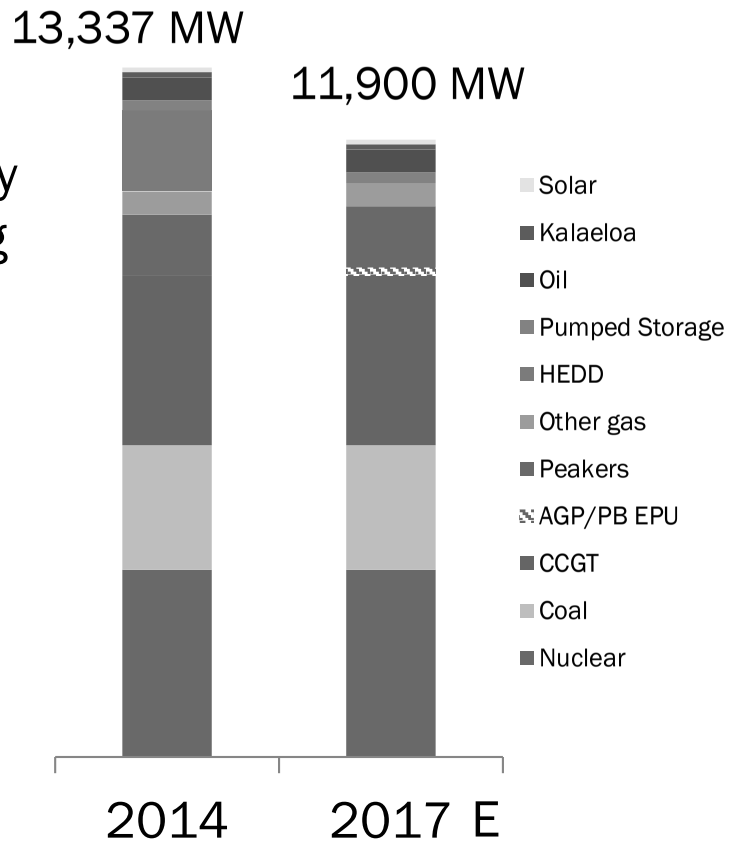
SI-SSA-0015-06491

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

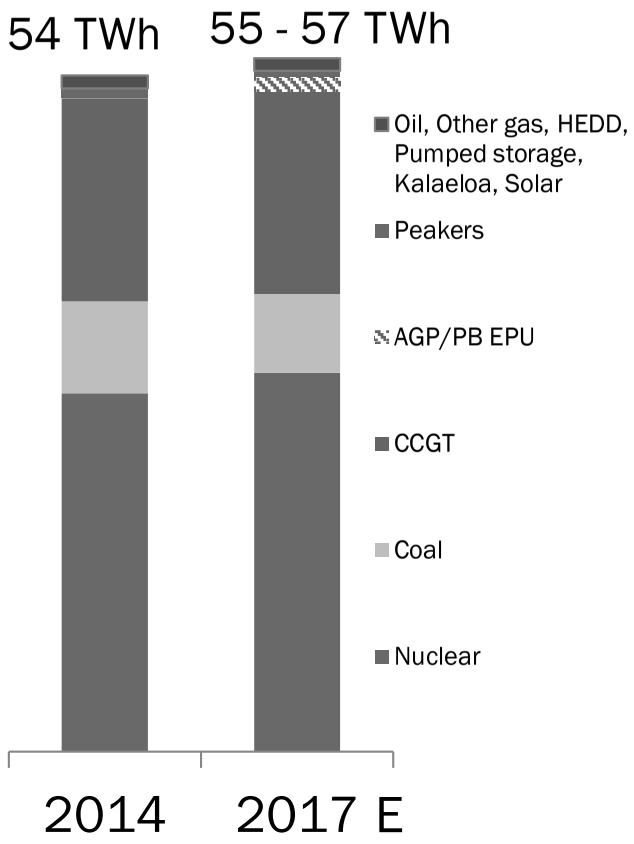
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



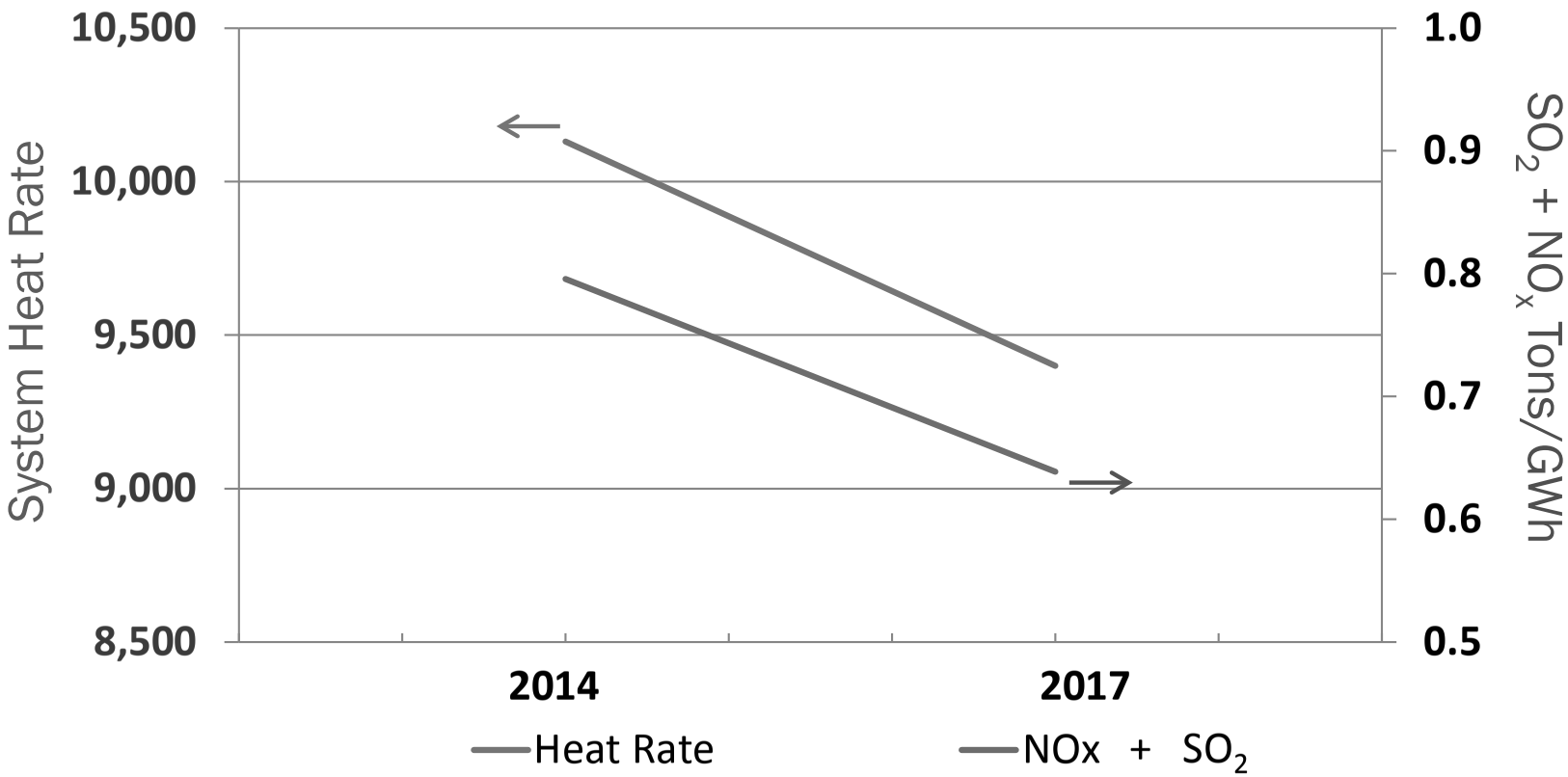
Energy Produced



E=ESTIMATE

SI-SSA-0015-06492

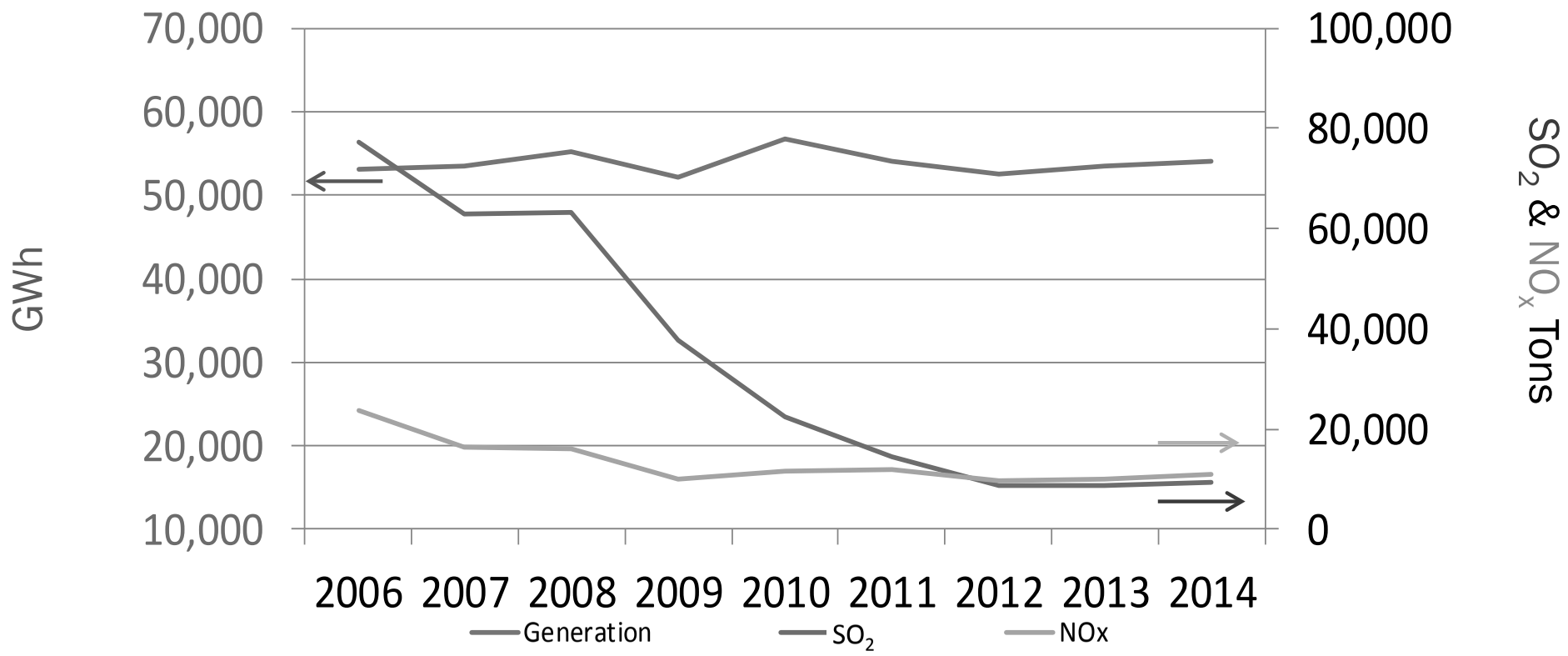
PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-06493

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-06494

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-06495

PSEG Power Nuclear has competitive advantages

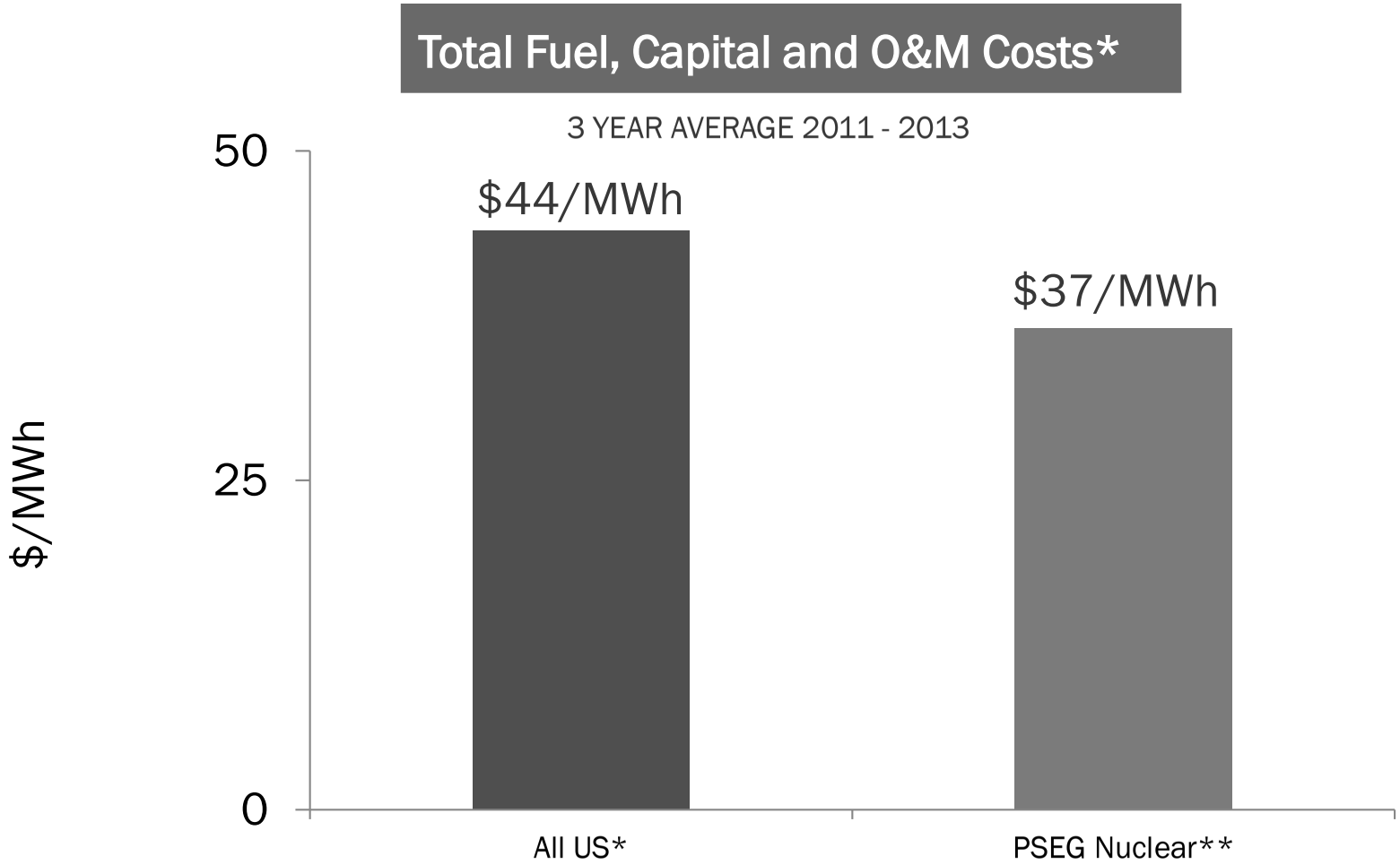
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-06496

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

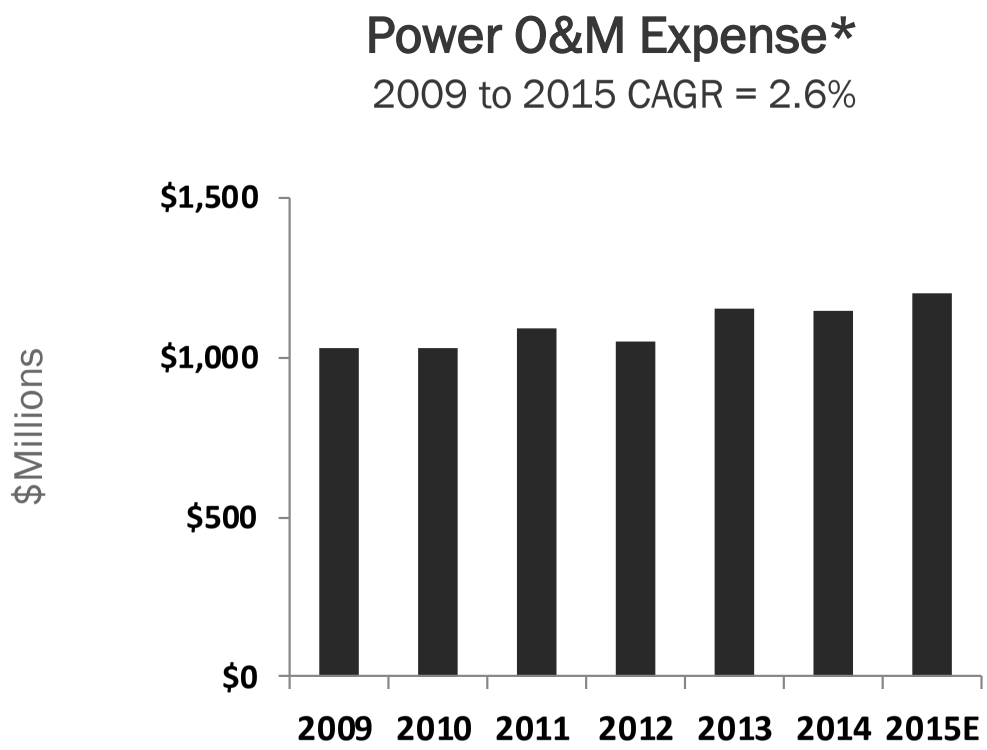


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-06497

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



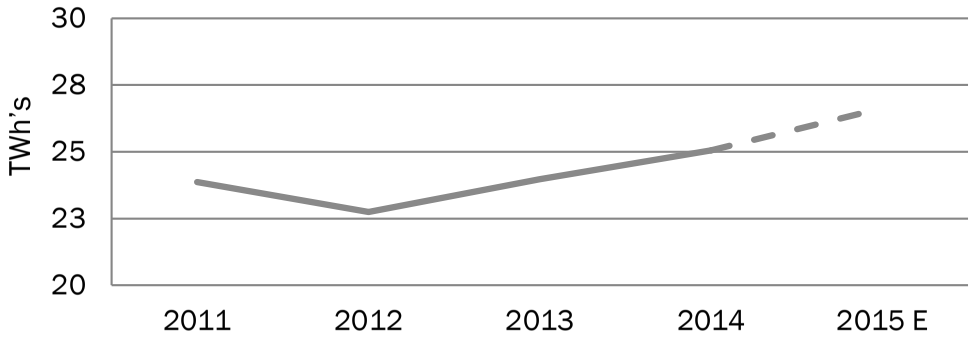
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

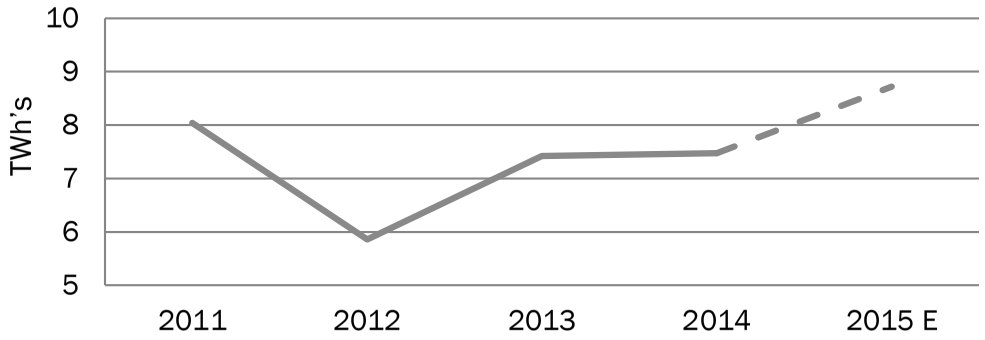
SI-SSA-0015-06498

PSEG Power's Fossil Fleet has shown improvement in performance

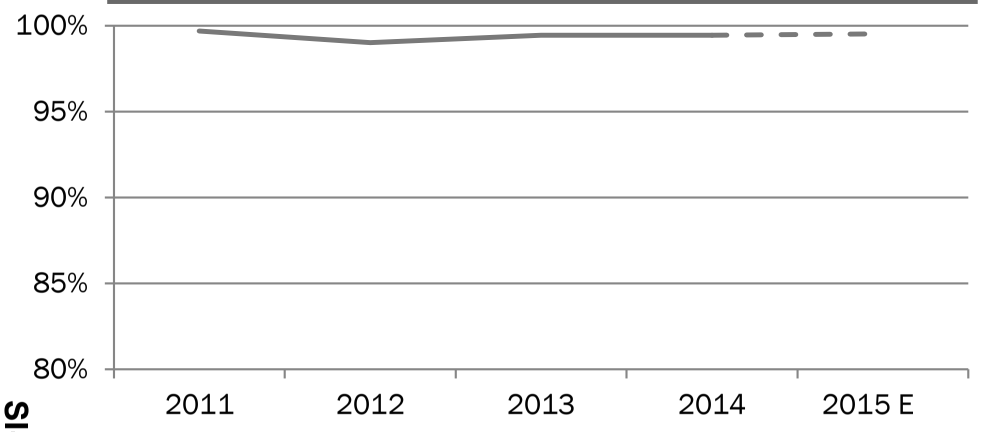
Fossil Generation



Coal Generation

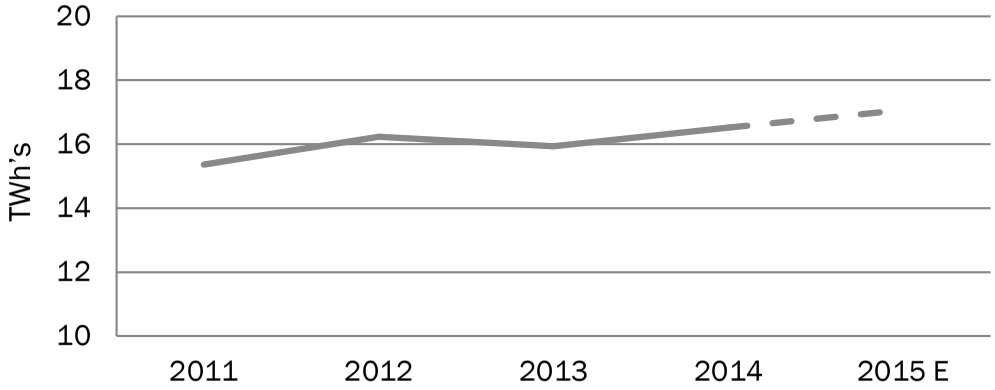


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

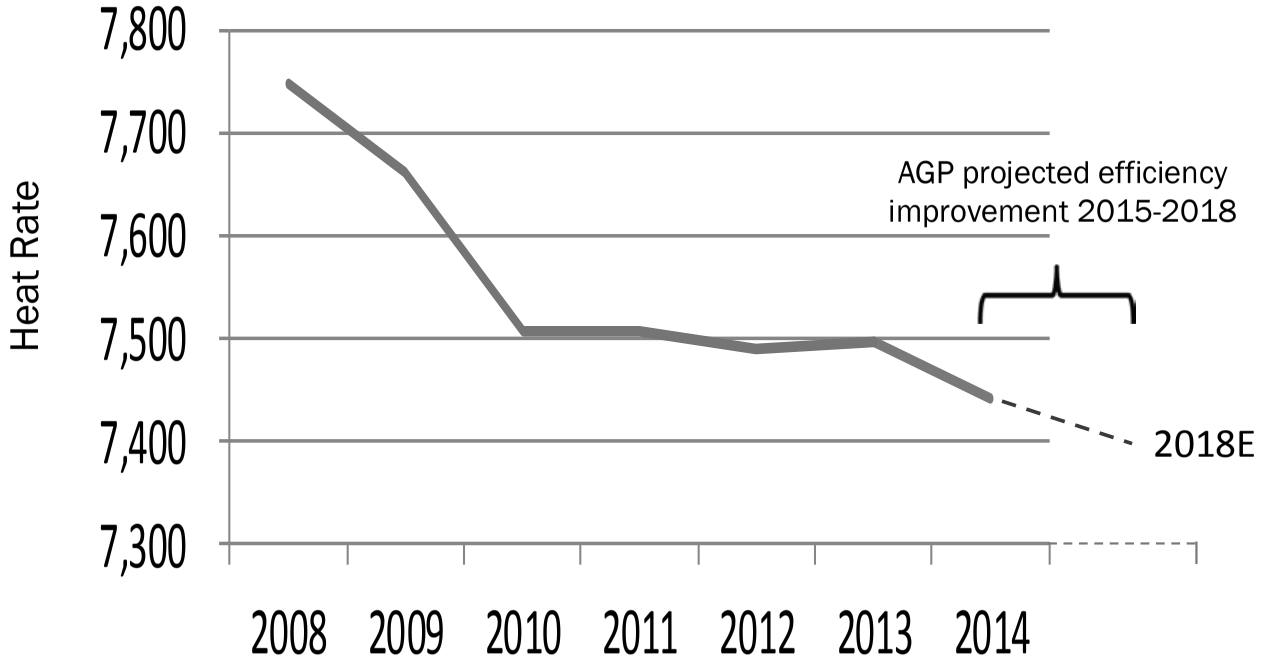
SI-SSA-0015-06499

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

SI-SSA-0015-06500

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

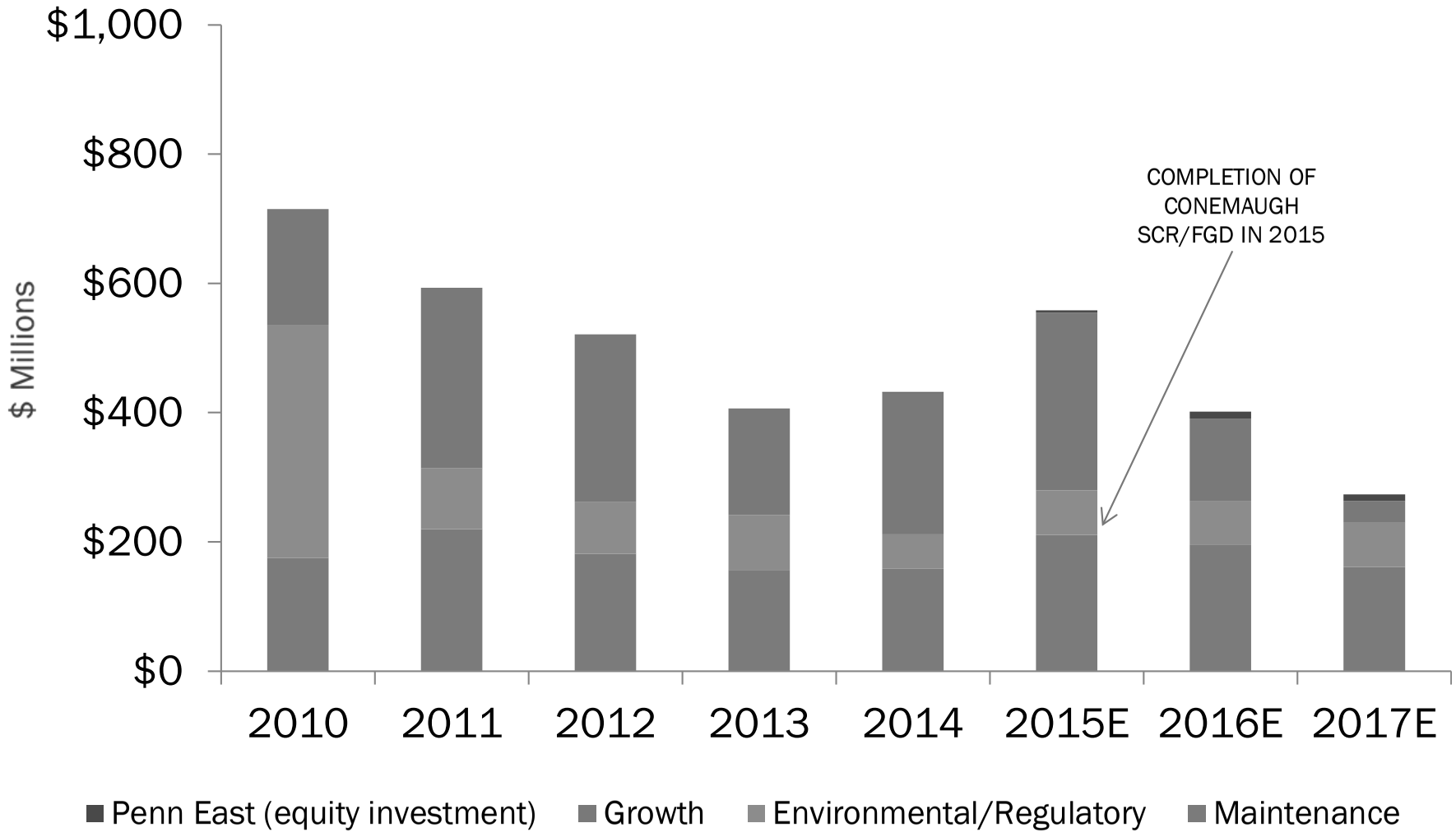
Capacity
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-06501

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-06502

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF DECEMBER 31, 2014.

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
Linden Kearny	Black Start: Linden 7/8 Kearny 12	$13	New ancillary revenue source: ~ $3 million per year	Linden Completed Kearny Underway
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 371 MW

* INTERCONNECTION SERVICE AGREEMENTS.

SI-SSA-0015-06503

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

SI-SSA-0015-06504

PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

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*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA Fuel and energy dispatch management

SI-SSA-0015-06506

PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

SI-SSA-0015-06507

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-06508

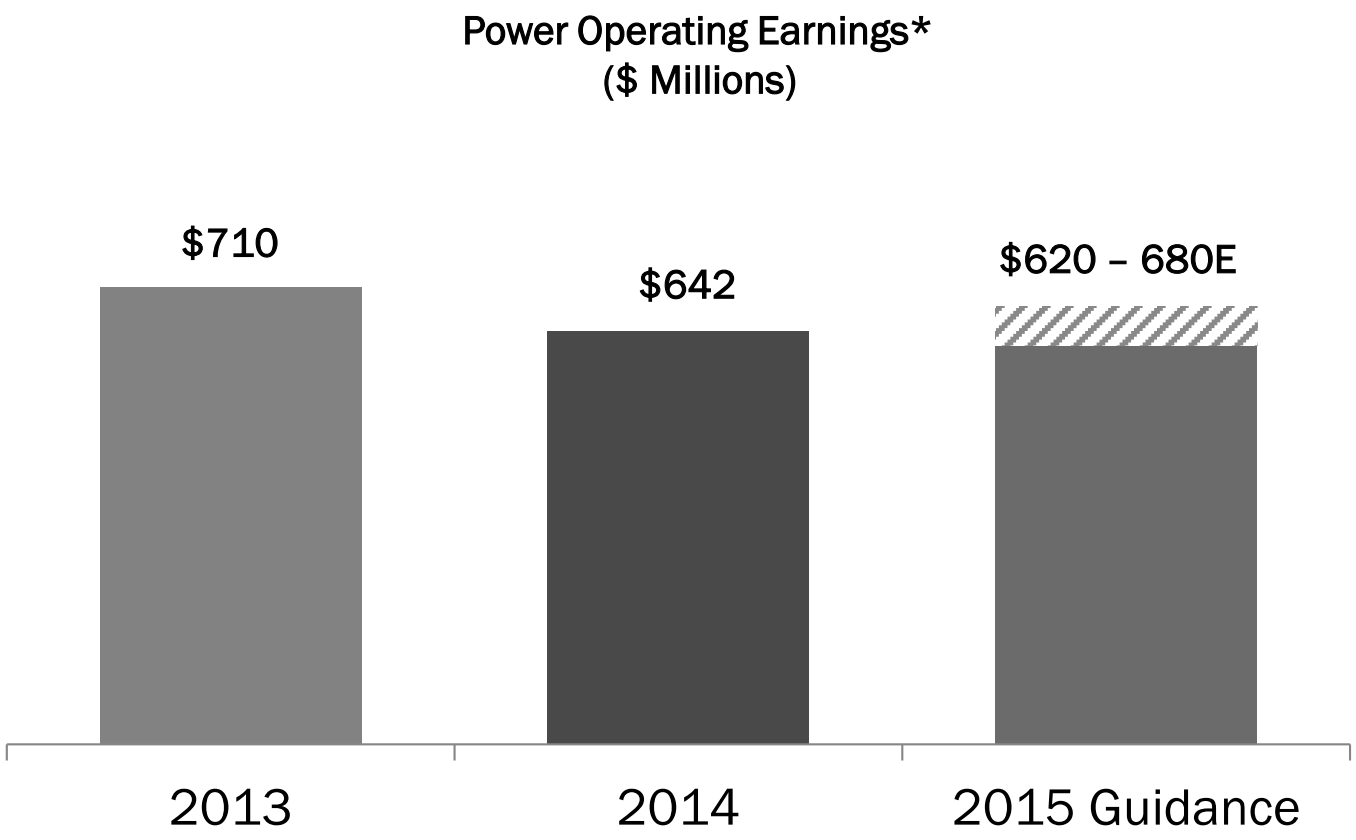
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-06509

Power's 2015 operating earnings

maintain solid performance



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-06510

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

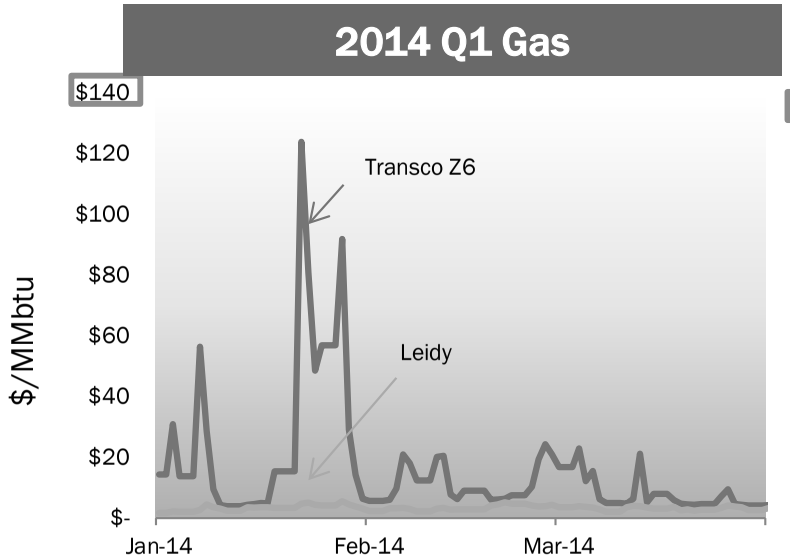
PSEG POWER
ER&T

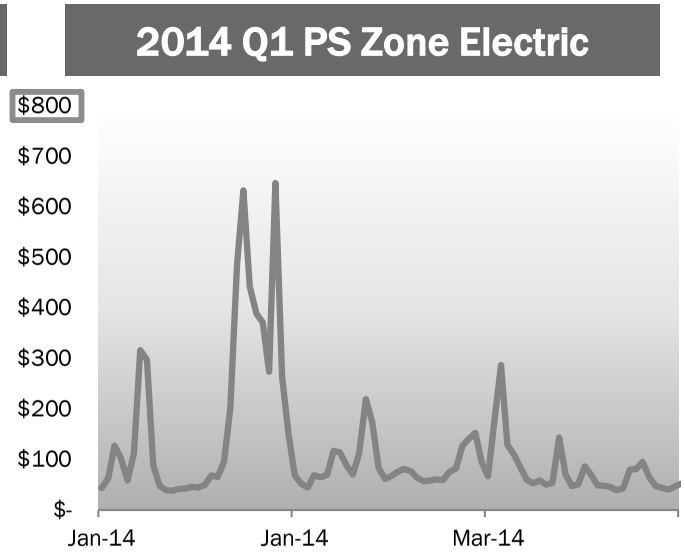
SI-SSA-0015-06511

PSEG

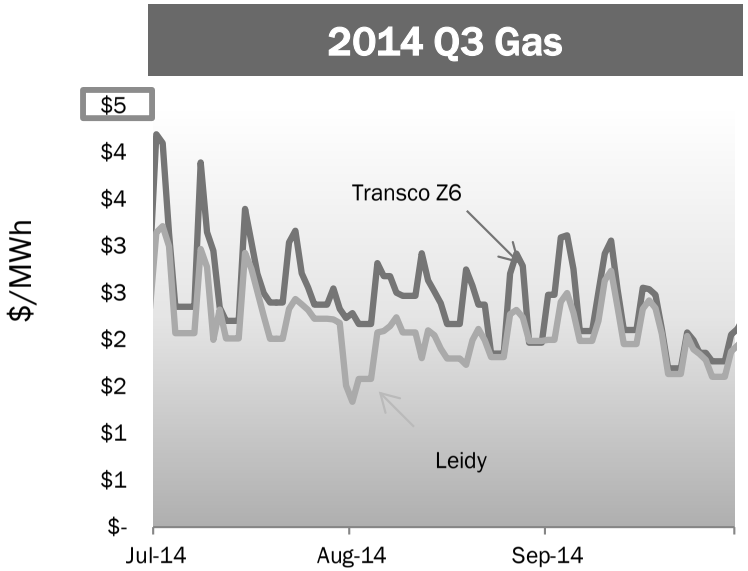
We make things work for you.

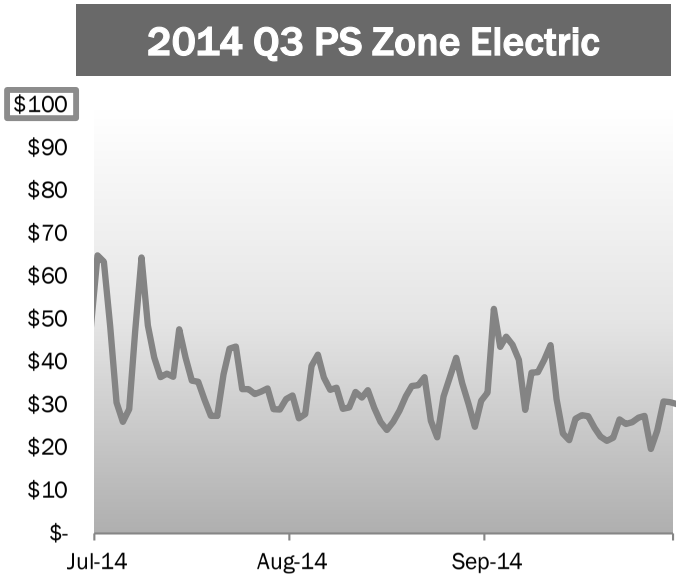
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



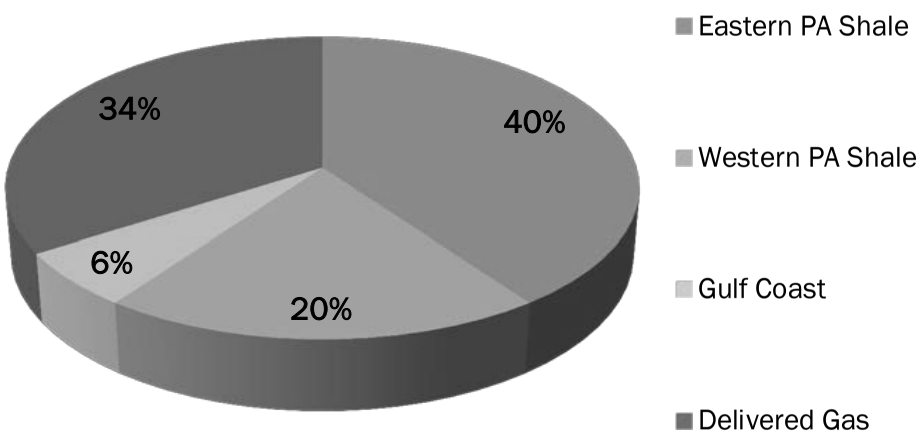


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-06512

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

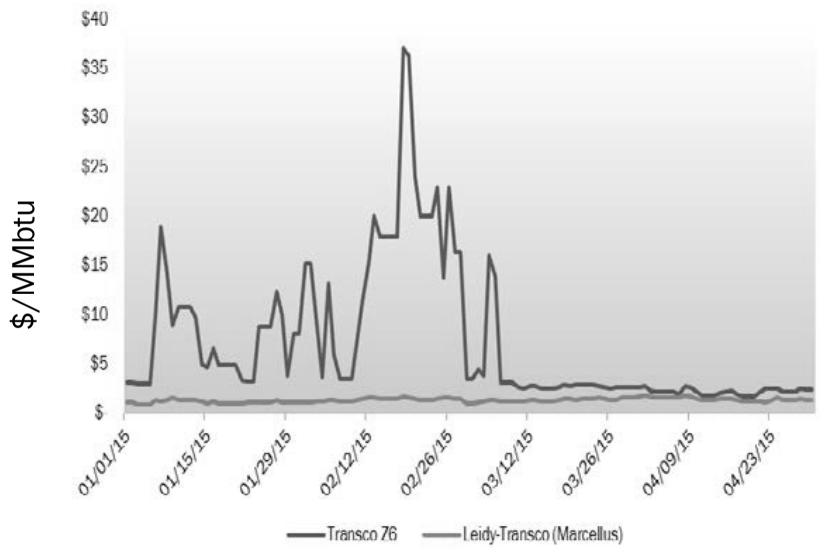


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

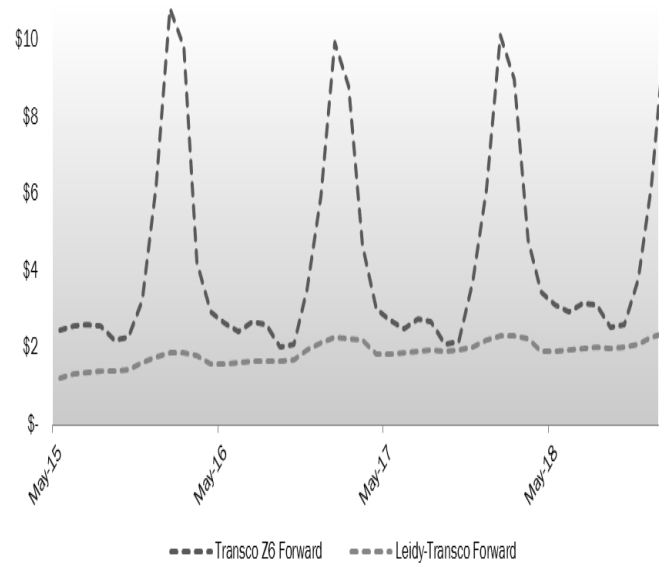
SI-SSA-0015-06513

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

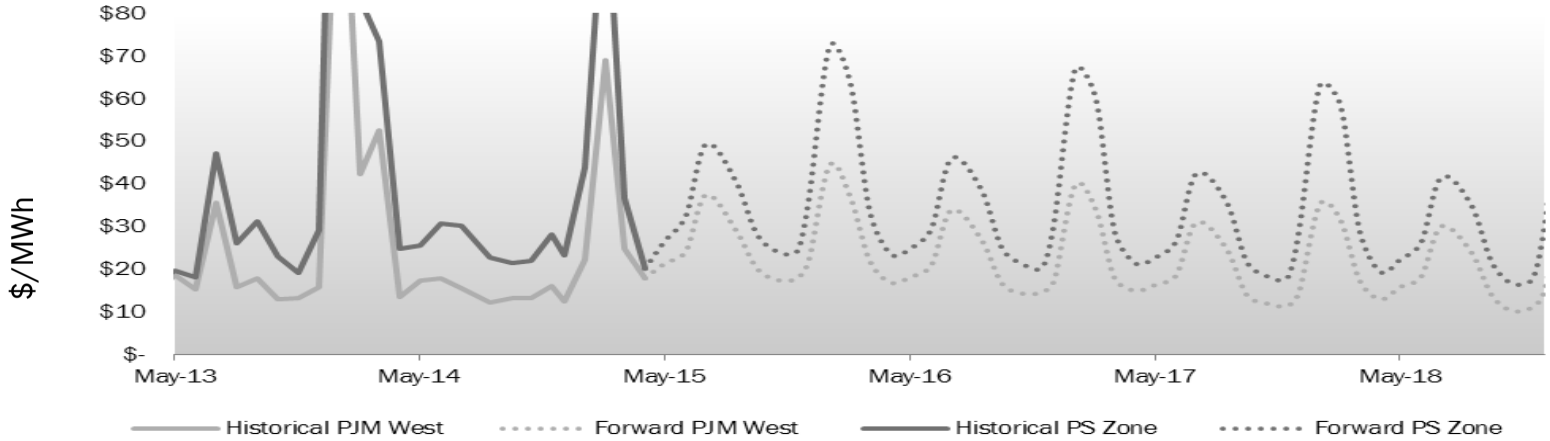
2015 YTD Z6



2015-2018 Z6



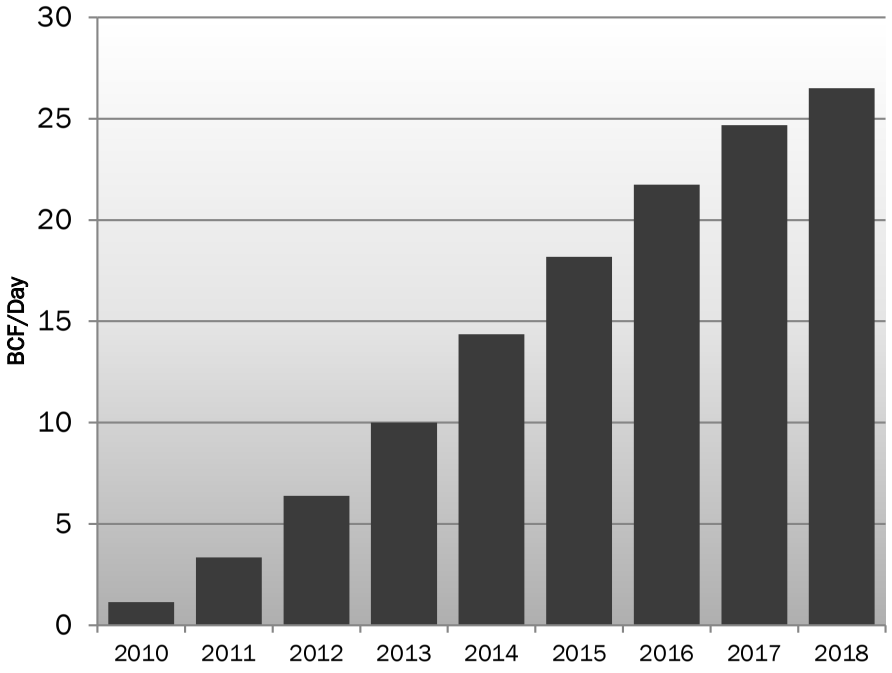
PJM West vs. PS Zone Spark Spreads (2013-2018)



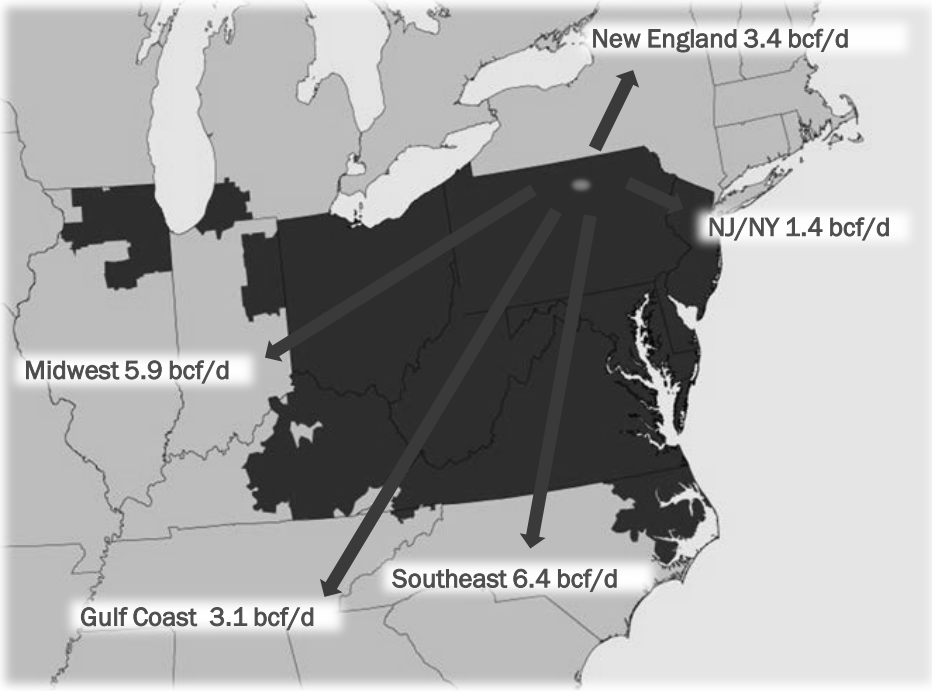
SI-SSA-0015-06514

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



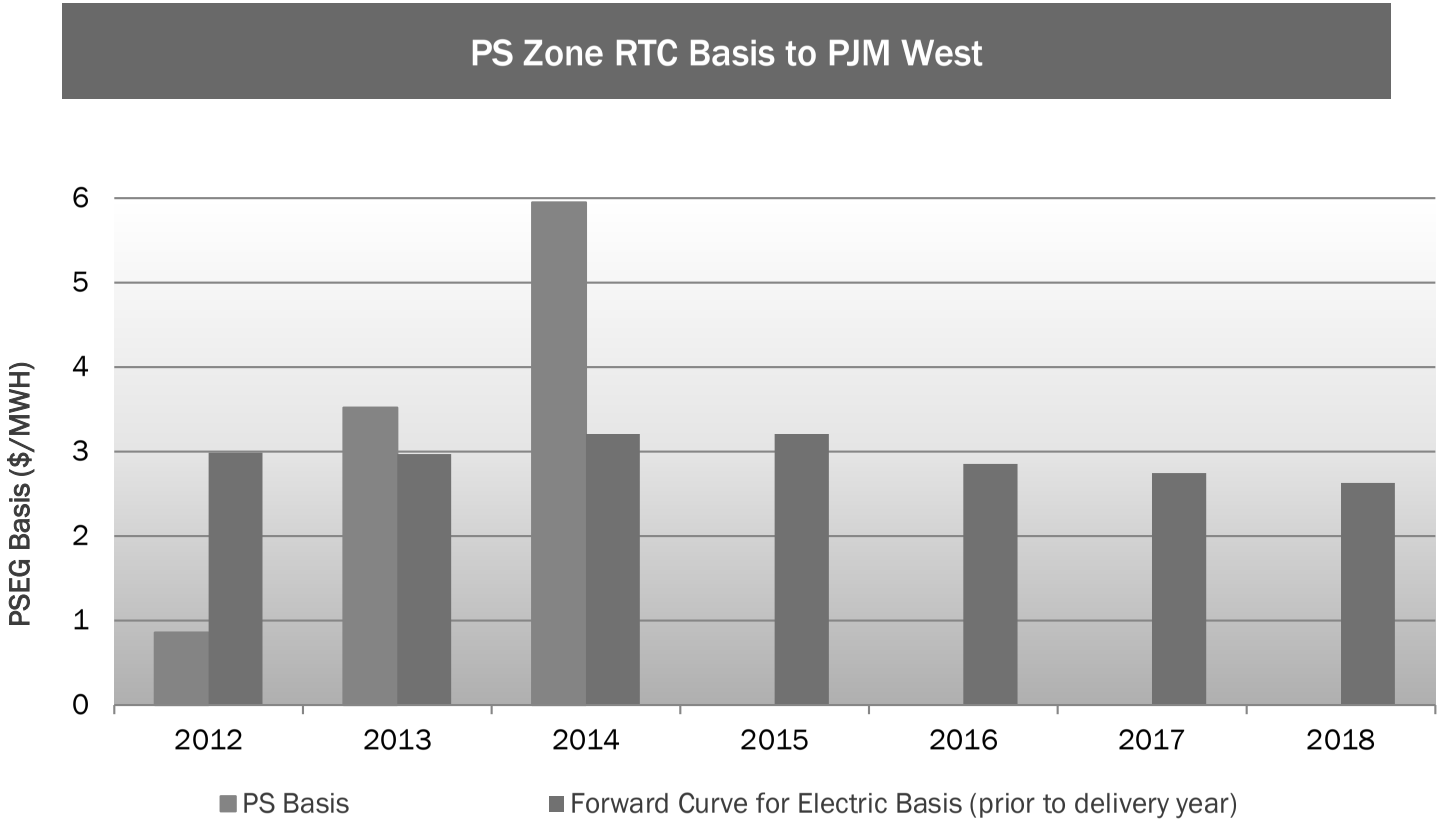
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-06515

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-06516

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications; US Supreme Court will hear case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-06517

PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places emphasis on reliability, given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

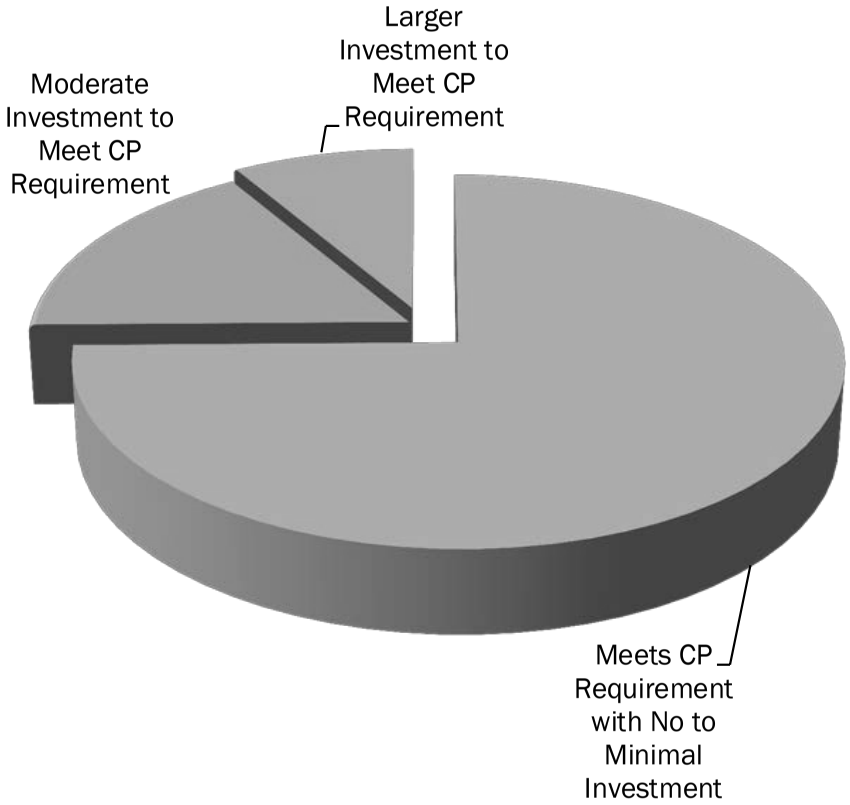
April 2015
Expected FERC Response
to PJM CP Proposal

FERC Granted Delay of
May 2015 RPM Auction for
2018/2019 Capacity Year

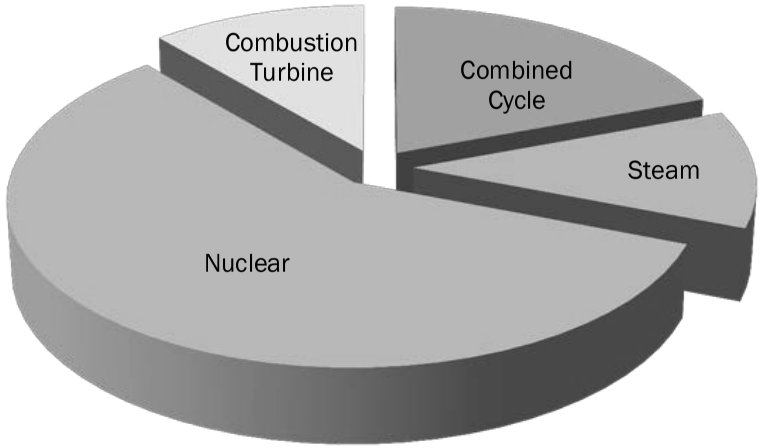
SI-SSA-0015-06518

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets



* EXCLUDES 205MW OF PUMPED STORAGE

SI-SSA-0015-06519

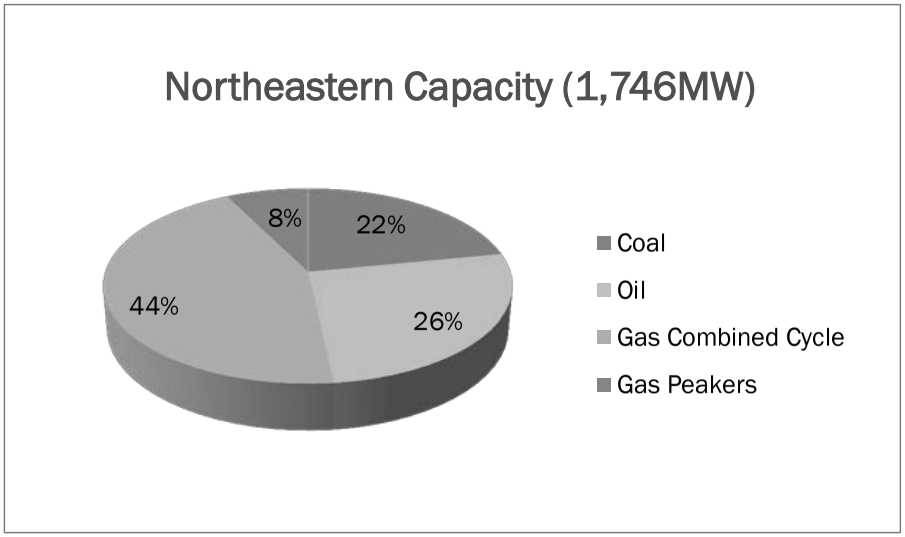
Northeast Portfolio: New York and New England

New England (972MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-06520

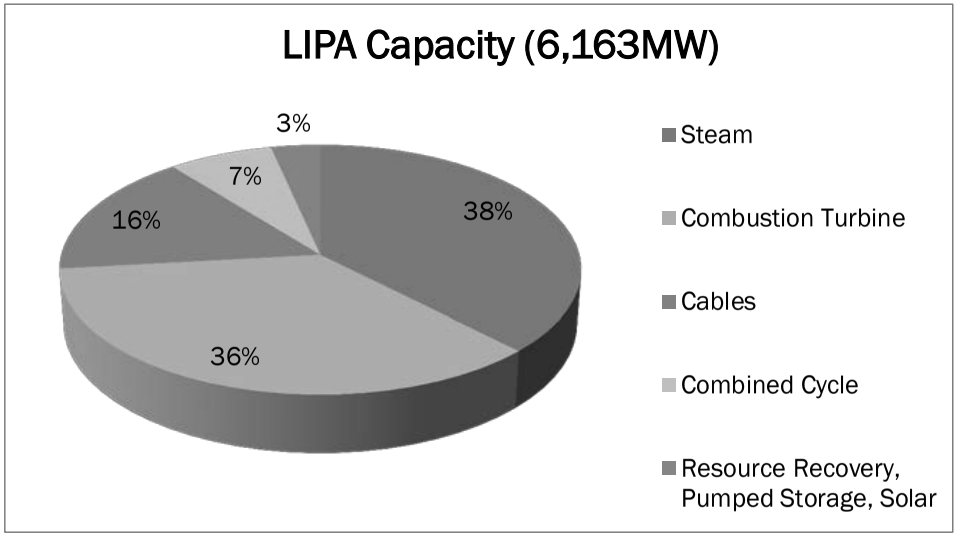
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-06521

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

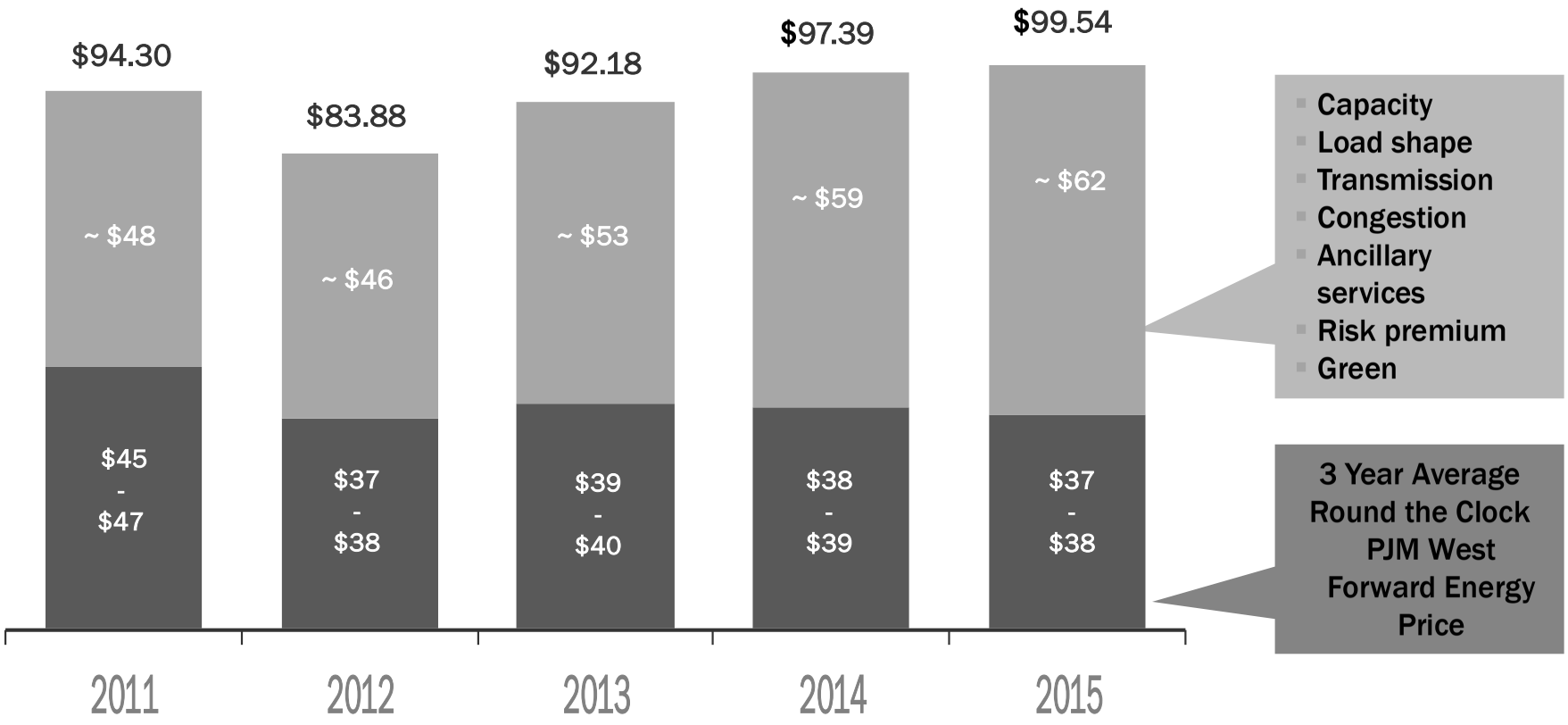
- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

SI-SSA-0015-06522

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-06523

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	37	37
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$51	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	17	20	20
	% Hedged	30-35%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	41-43	55-57	55-57
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$52	$51	$52

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06524

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-06525

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-06526

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-06527

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

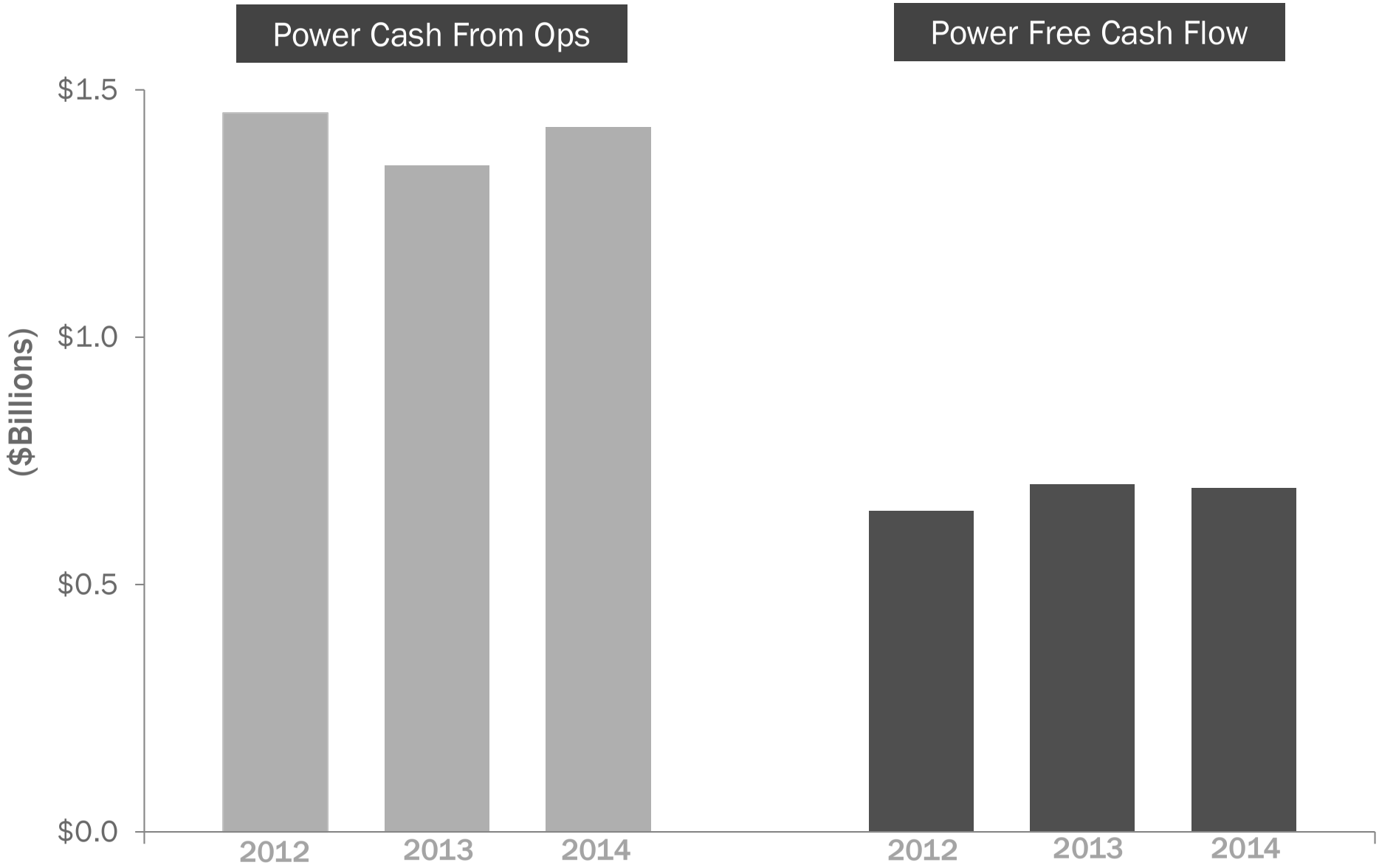
SI-SSA-0015-06528

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

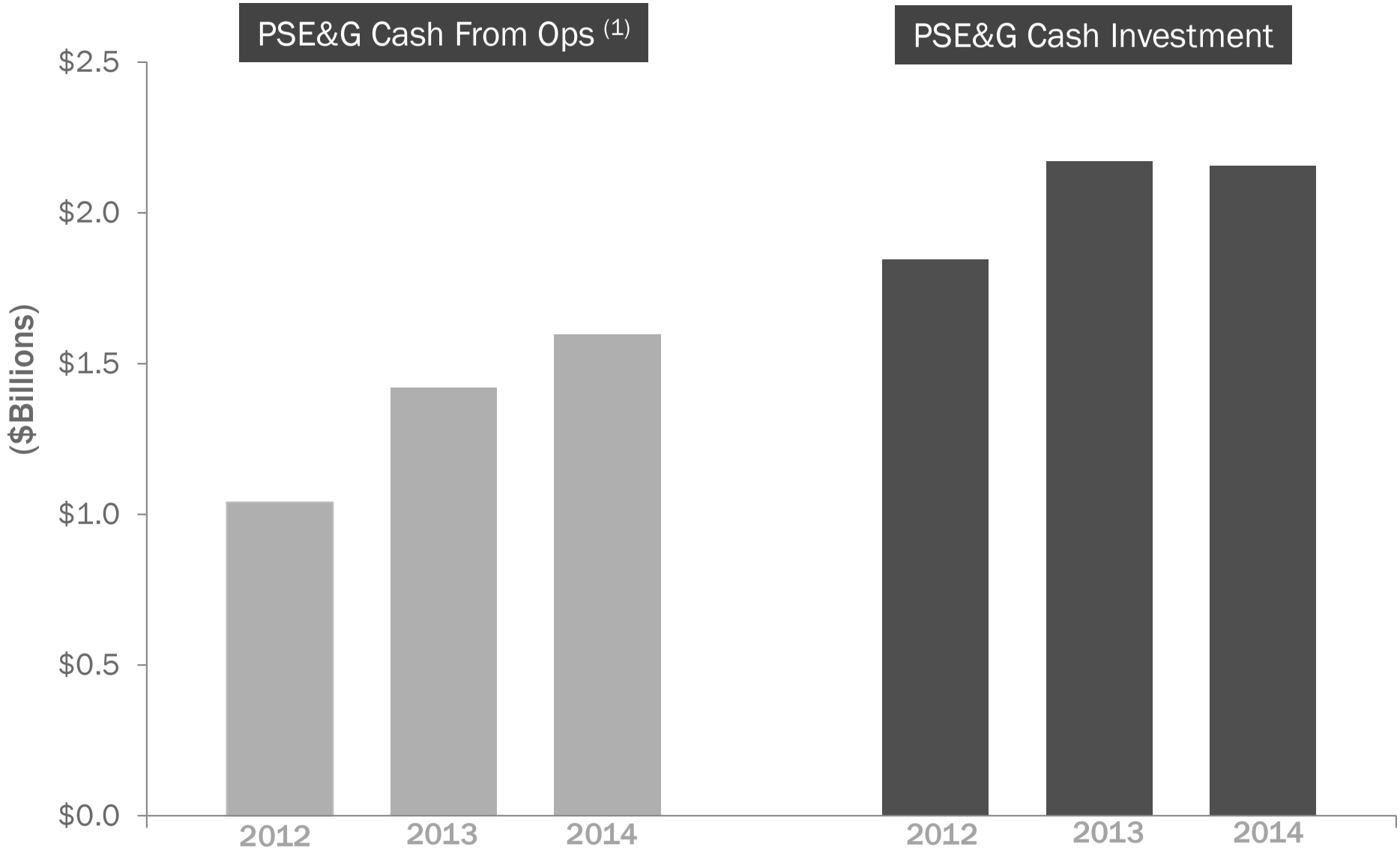
Power produced significant and consistent

Free Cash Flow



SI-SSA-0015-06529

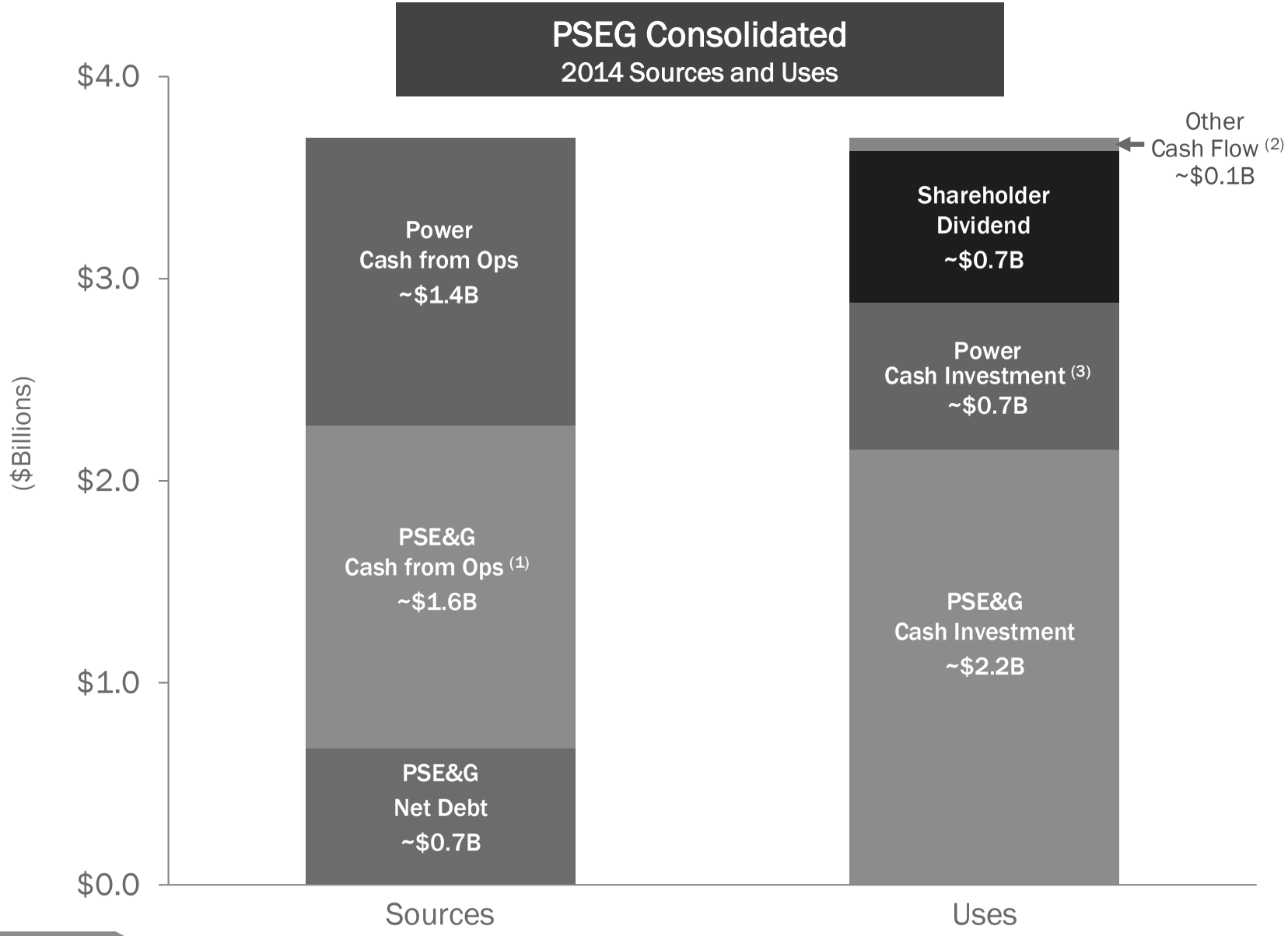
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-06530

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

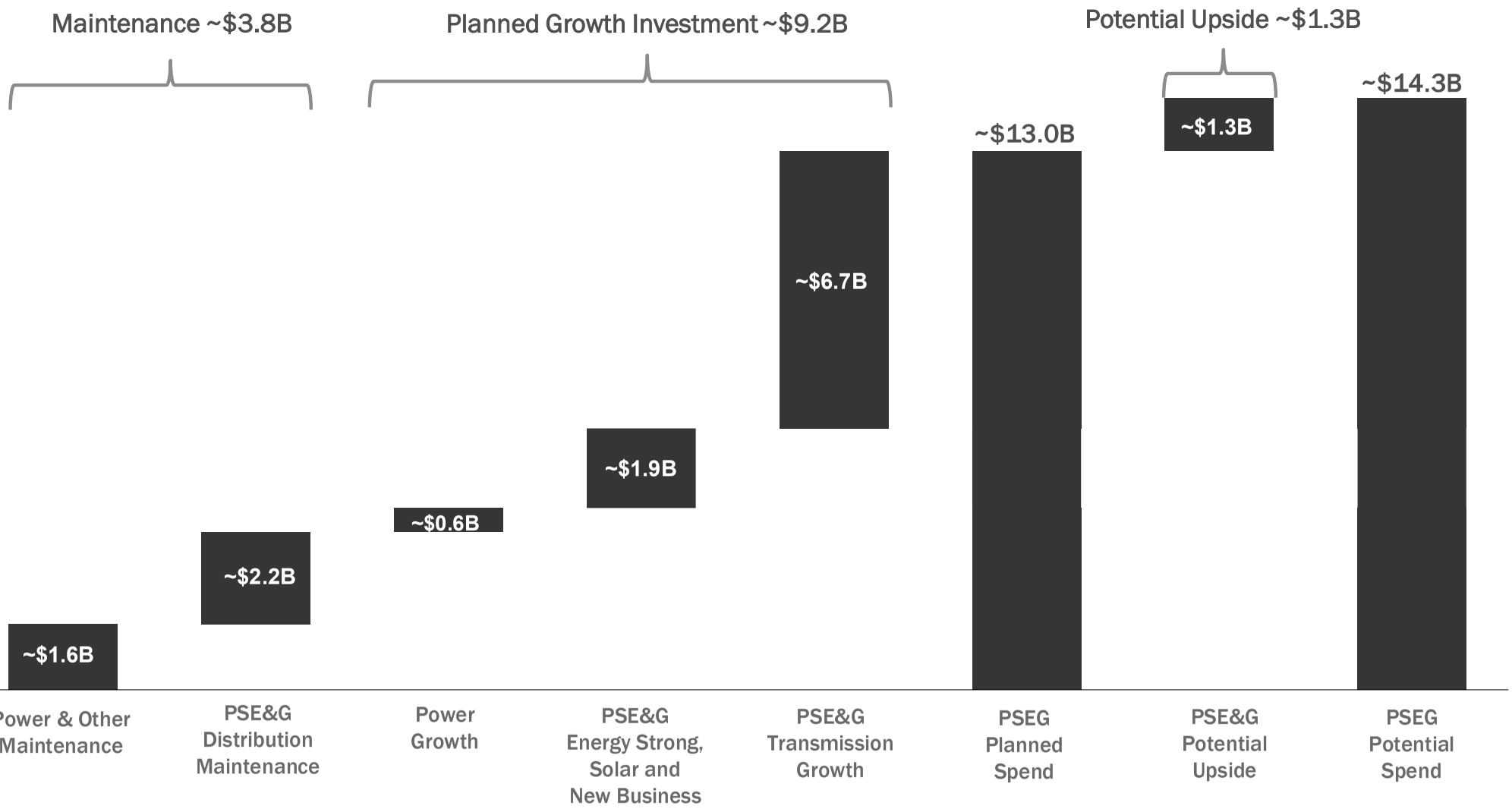


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-06531

PSEG growth spend represents ~70% of total investment with new PSE&G investment opportunities of over $1B

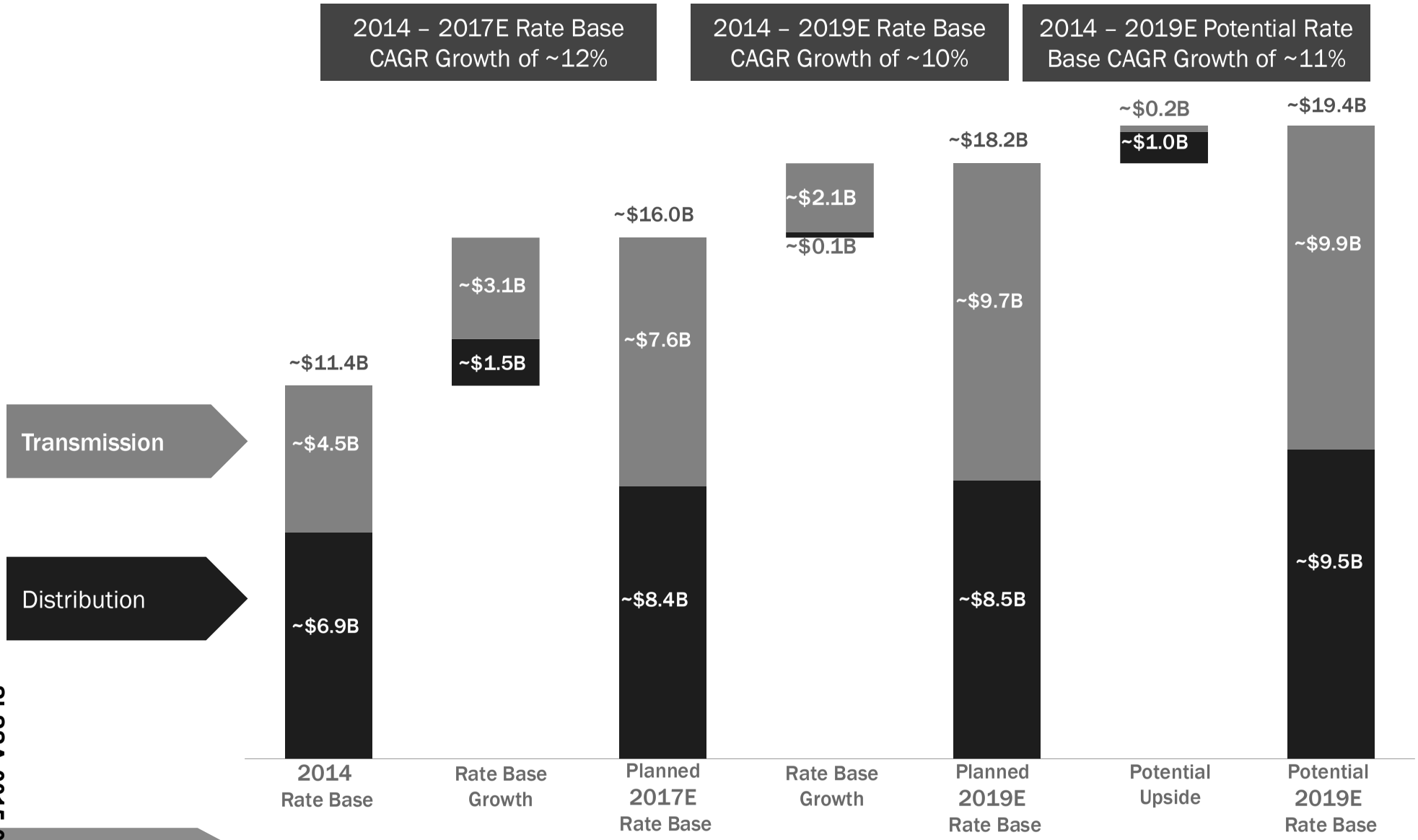
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC; PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-06532

PSE&G's Capital Program drives double-digit growth in rate base through 2019

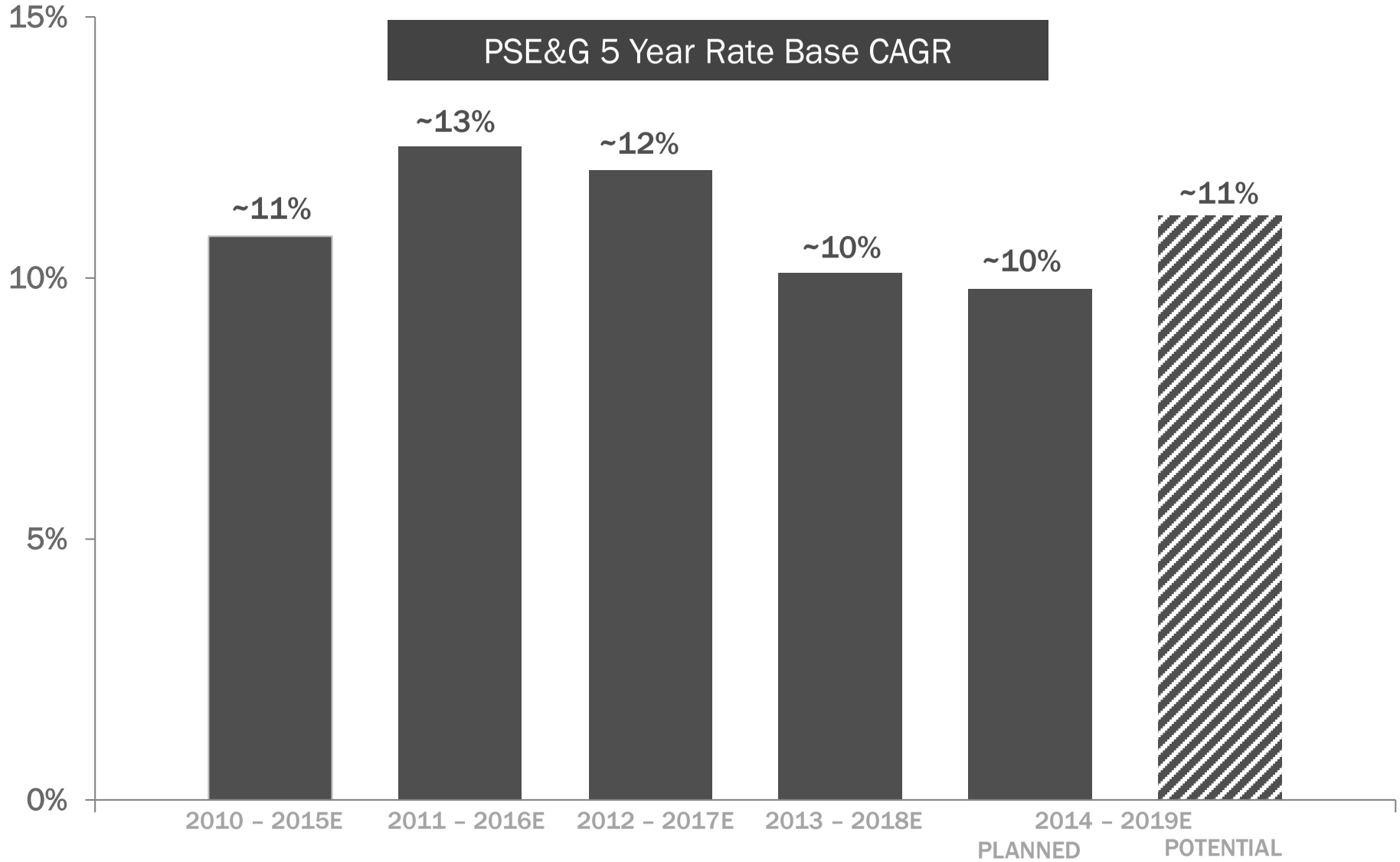


E = ESTIMATE

SI-SSA-0015-06533

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



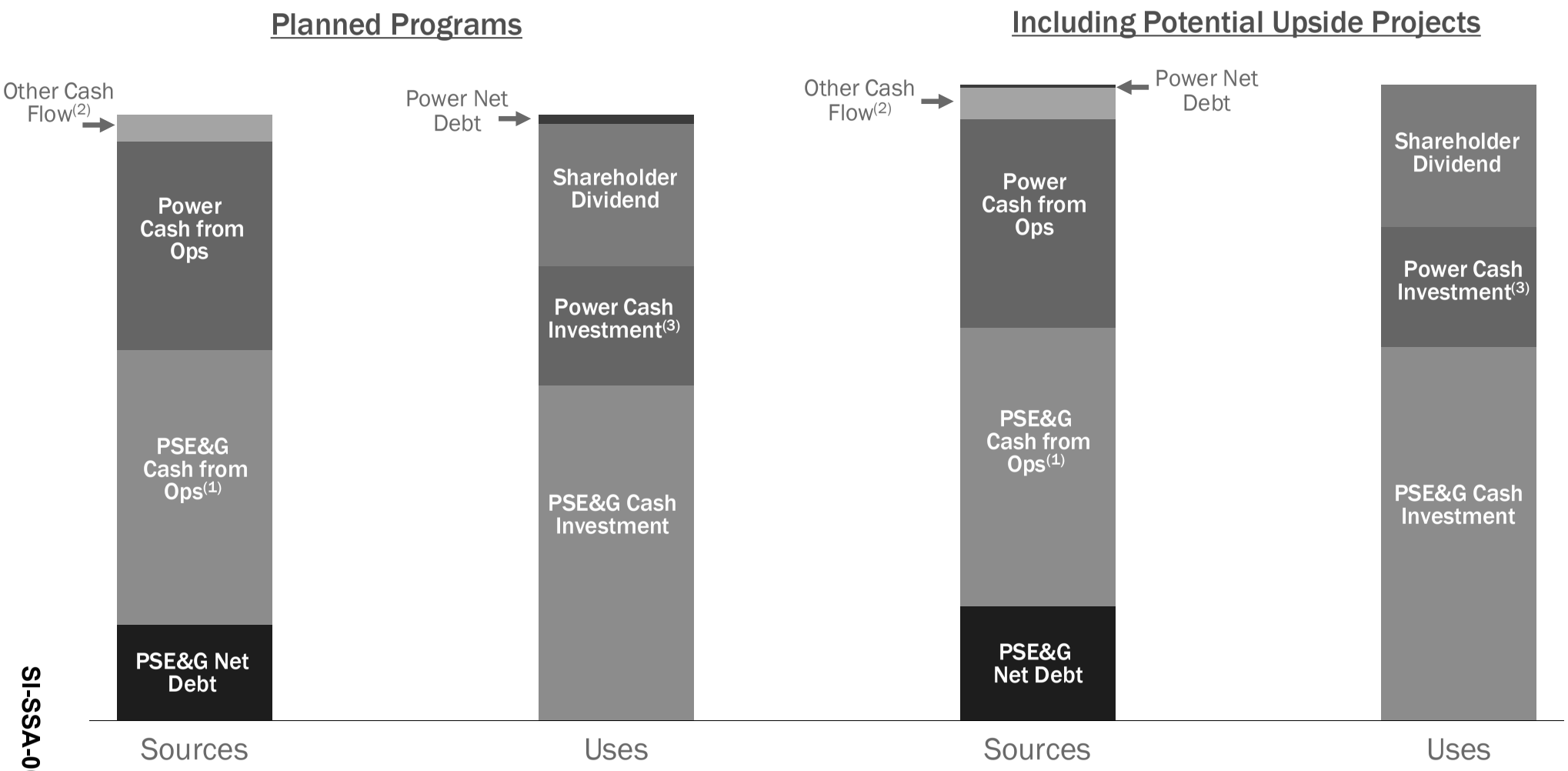
E = ESTIMATE

SI-SSA-0015-06534

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

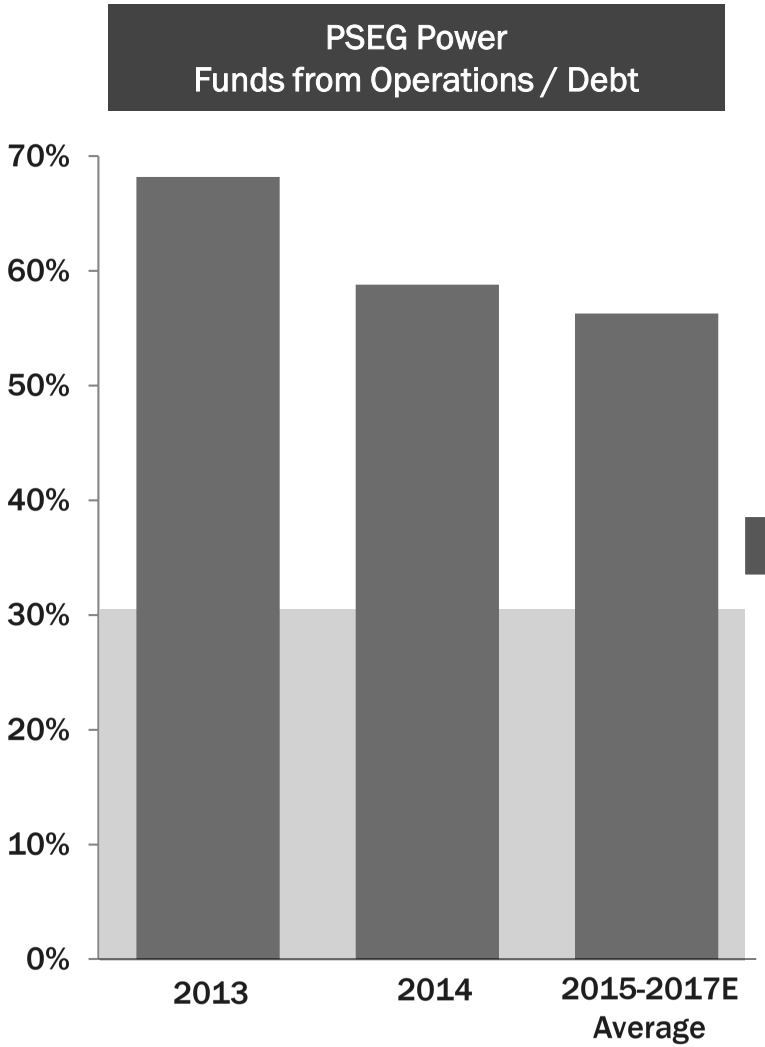
PSEG 2015 - 2019E Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

Power's key credit metric remains strong

providing opportunity for incremental investment



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-06536

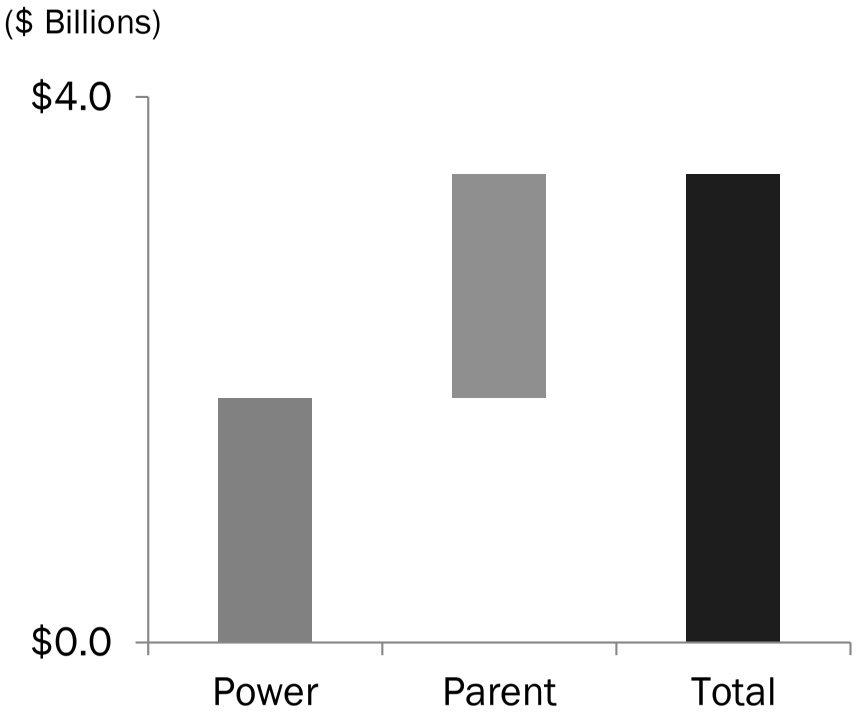
E = ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017

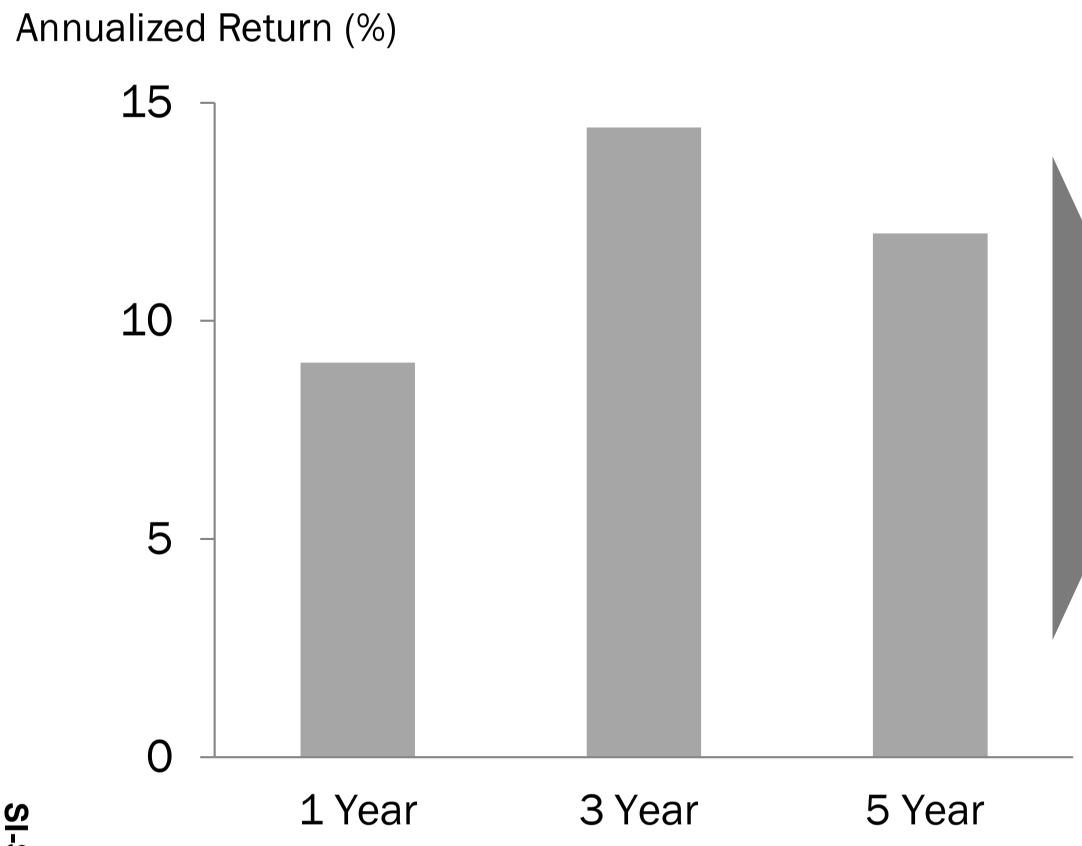


Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-06537

Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



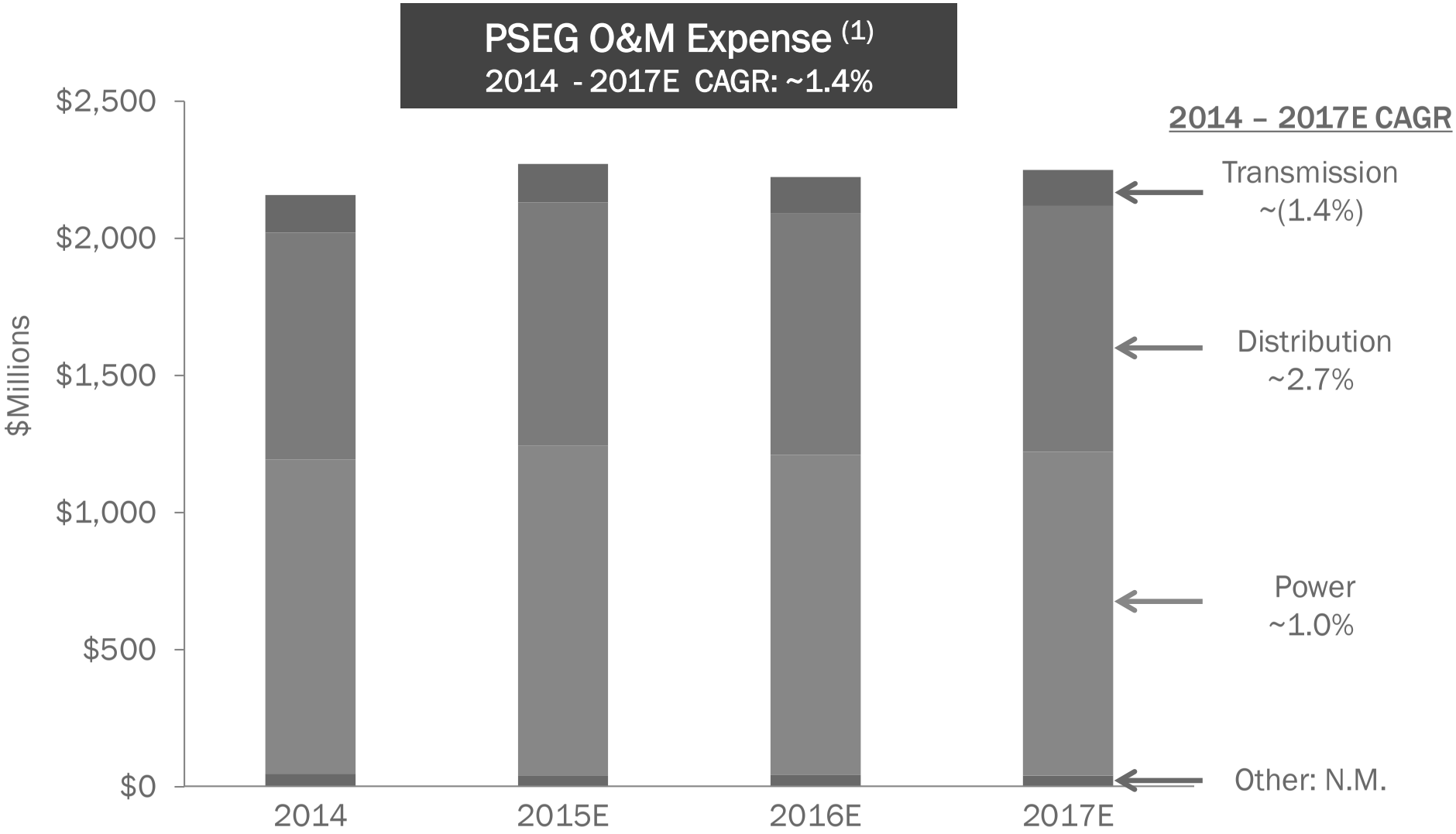
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

SI-SSA-0015-06538

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



SI-SSA-0015-06539

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

PSEG 2015 Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,395 - $1,500	$1,400
Earnings per Share	$2.75 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-06540

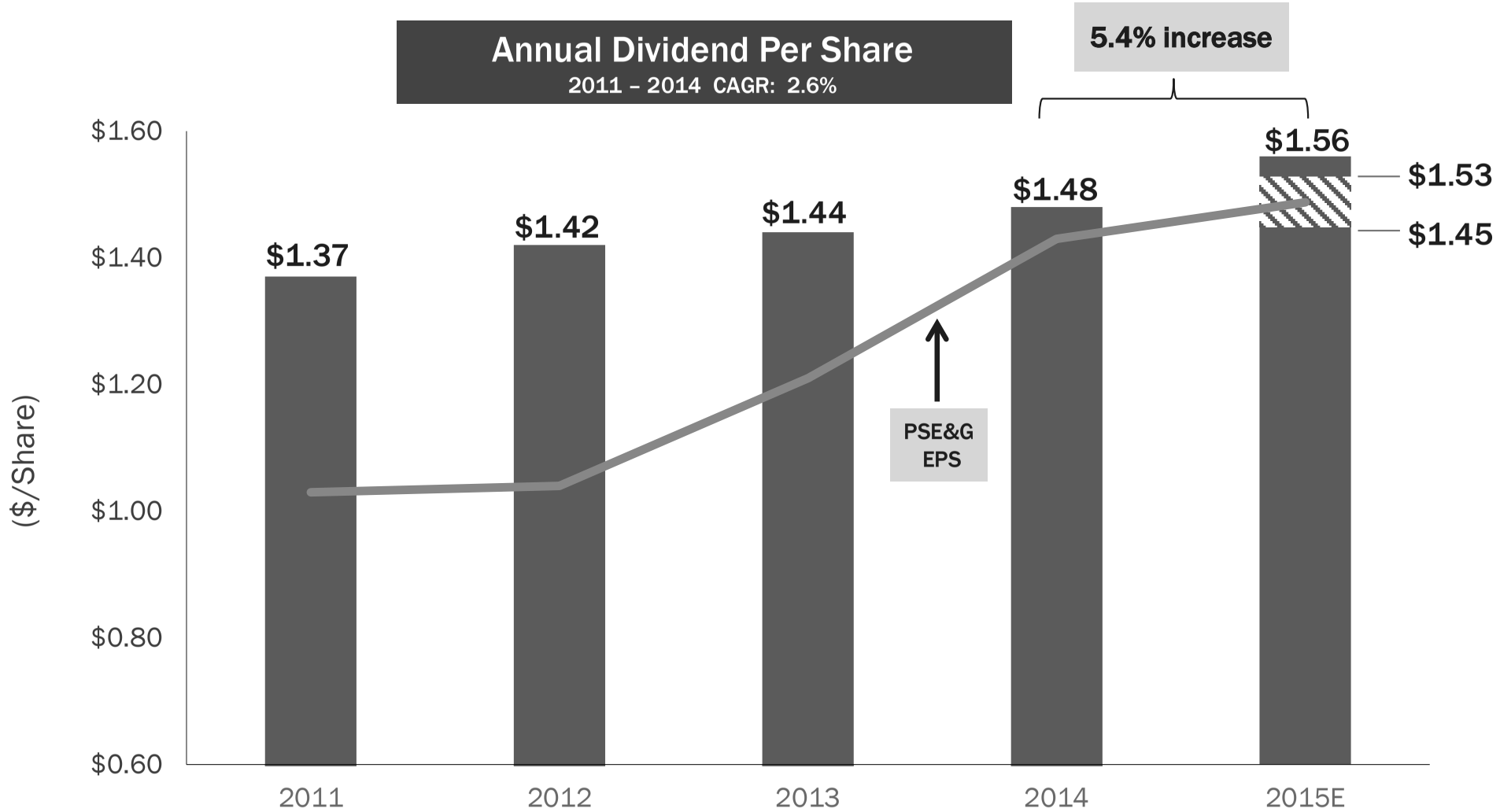
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 OPERATING EARNINGS GUIDANCE OF $2.75-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-06542

PSEG Summary

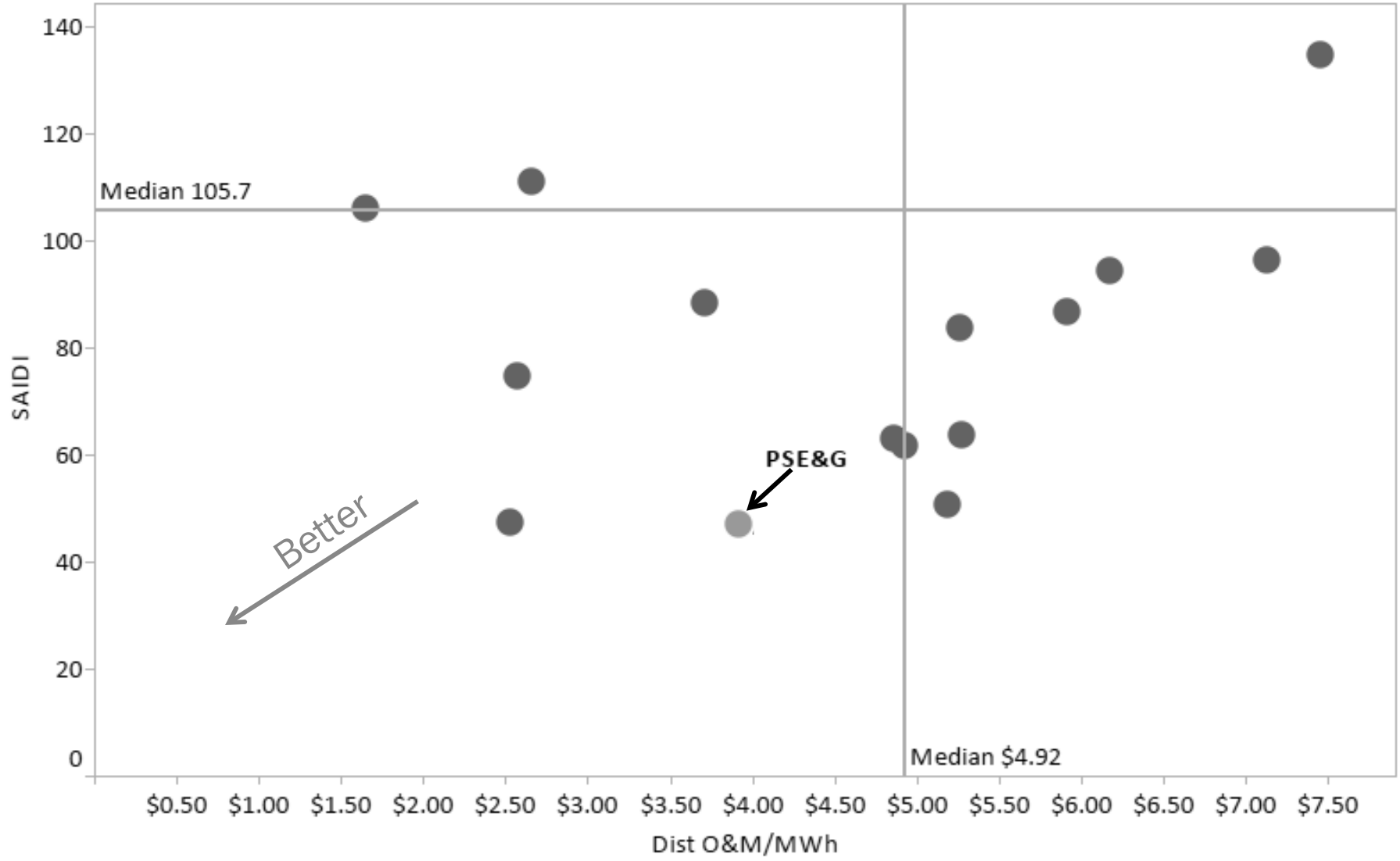
- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-06543

PSE&G APPENDIX

SI-SSA-0015-06544

PSE&G provides high reliability at below average cost which creates superior value to customers

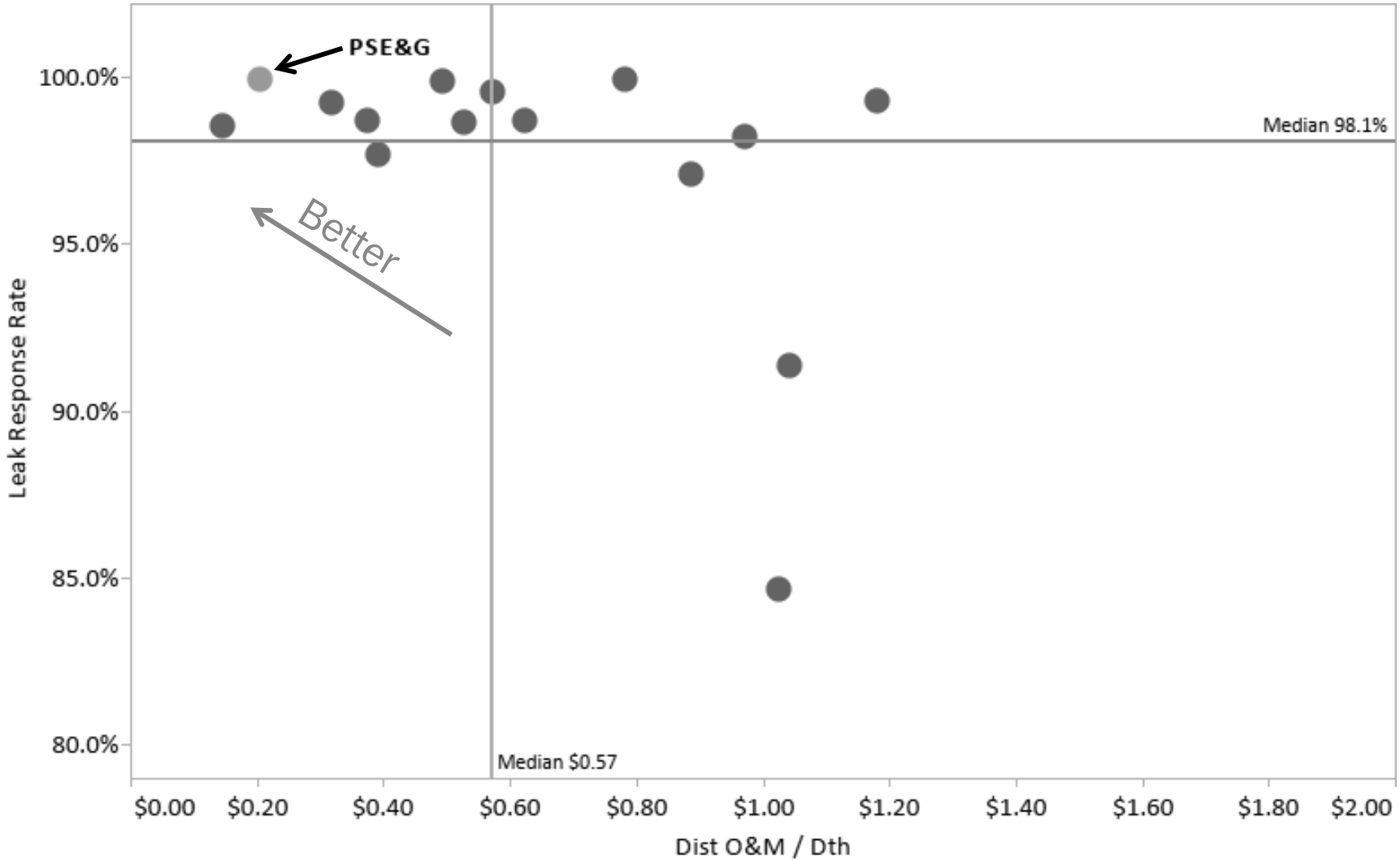


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-06545

PSE&G prioritizes public safety

while maintaining value to customers



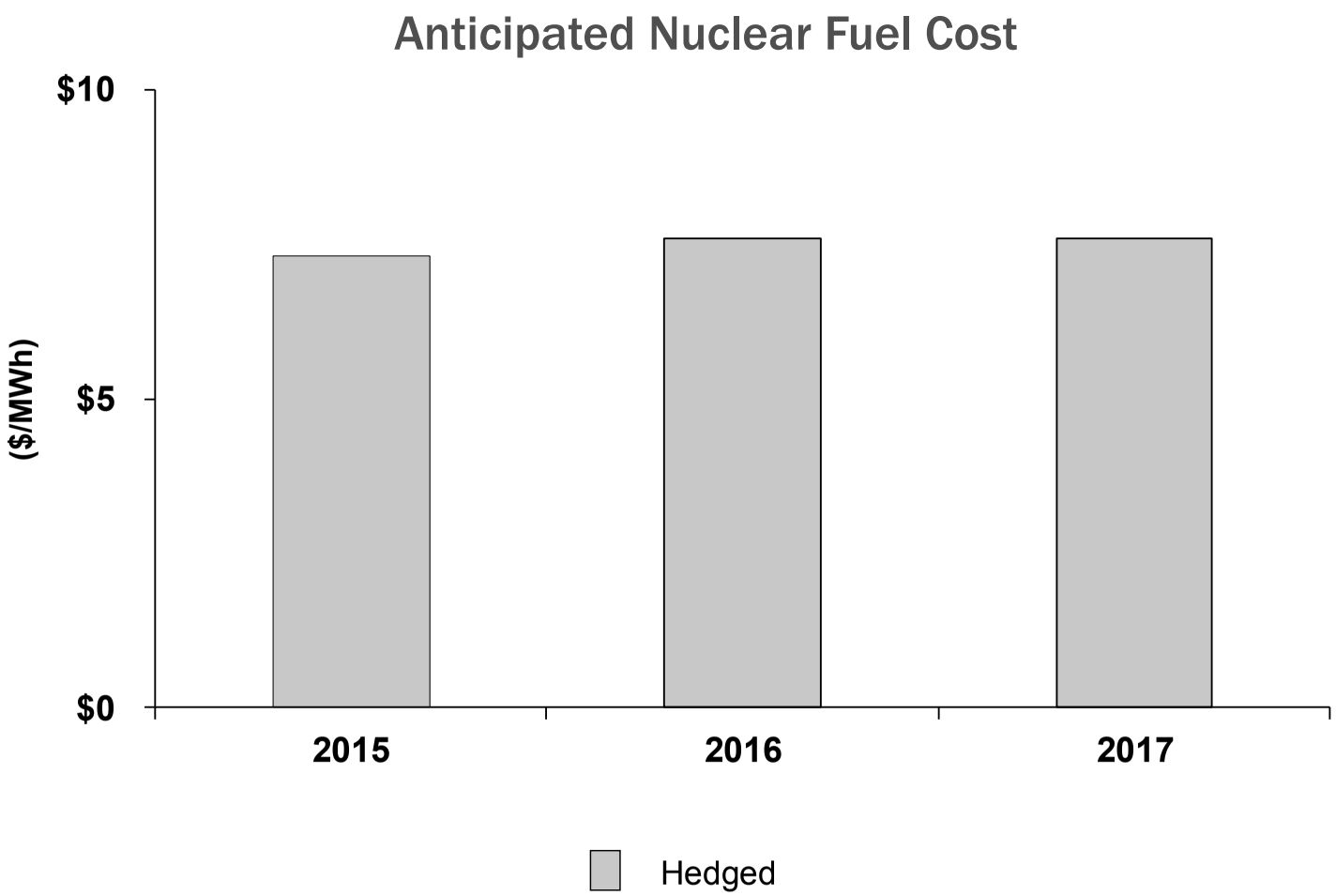
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-06546

PSEG POWER AND ER&T APPENDIX

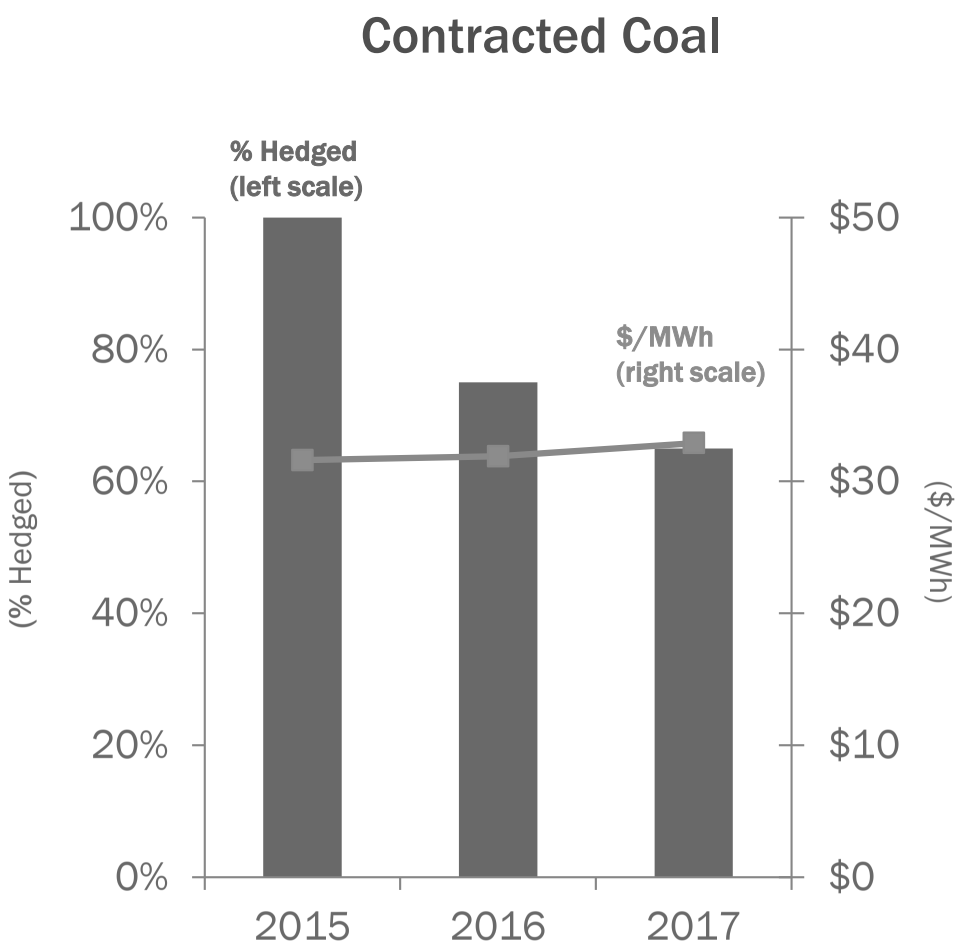
SI-SSA-0015-06547

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-06548

Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

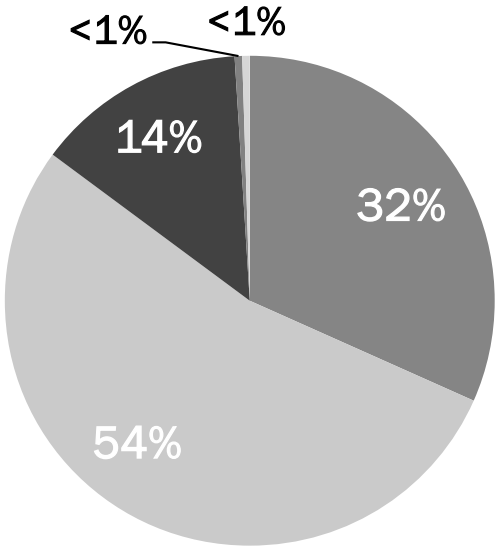
SI-SSA-0015-06549

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

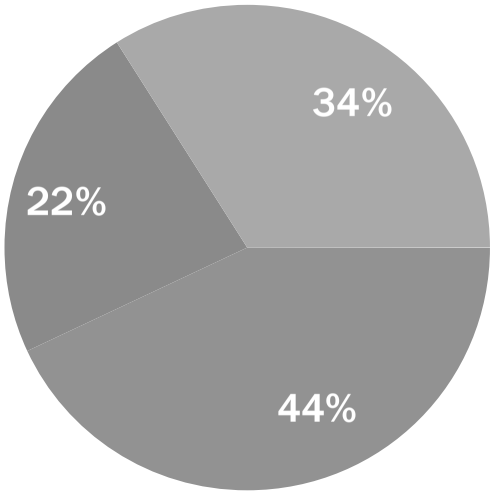
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

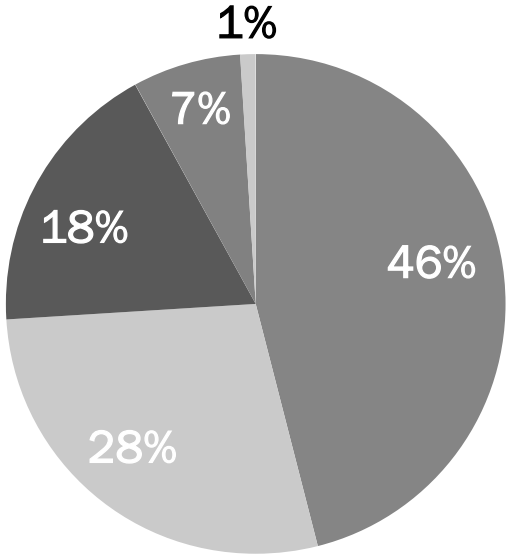
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-06550

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-06551

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06552

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

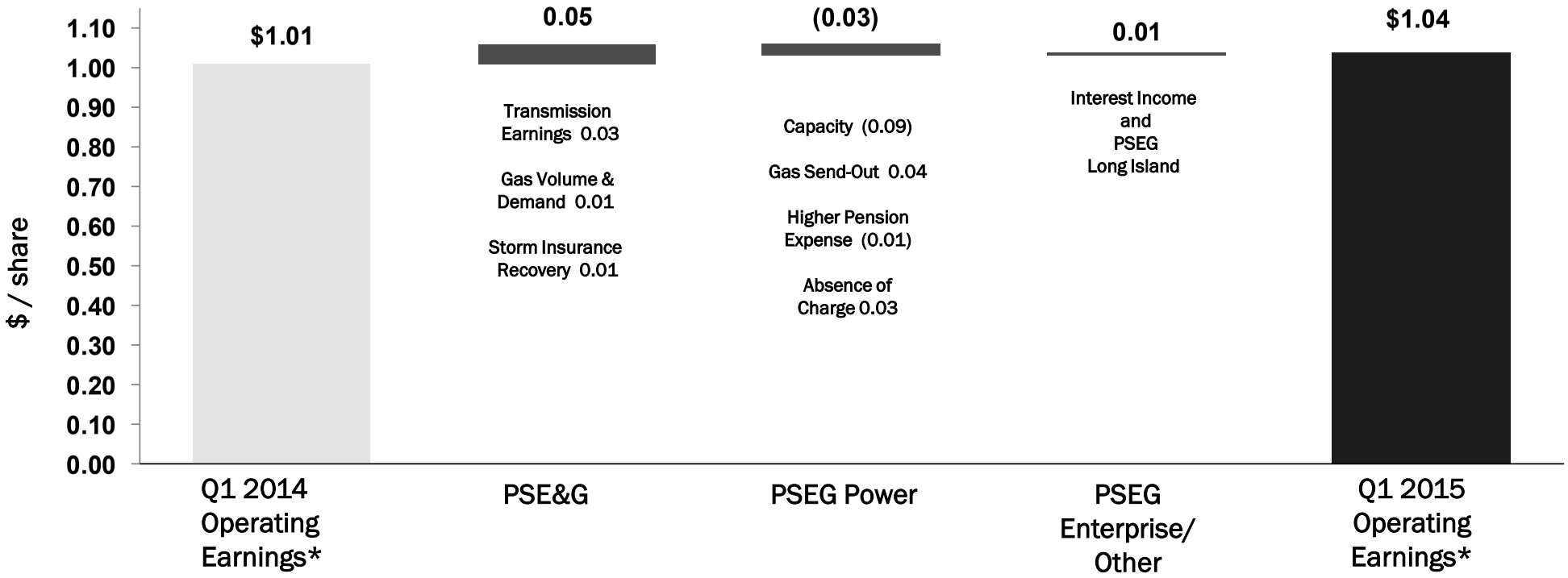
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 242	$ 214	$ 0.47	$ 0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$ 529	$ 515	$ 1.04	$ 1.01

SI-SSA-0015-06553

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2015 versus Q1 2014



SI-SSA-0015-06554

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$1.0	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[1]	8.9	6.3	2.5
Common Equity	12.5	7.0	5.7
Total Capitalization	**$21.4**	**$13.3**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[2] 52.3%

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $201 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

SI-SSA-0015-06555

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	Q1 2015	Q2 2015E	Total
PSEG Power	$44	$133	TBD	TBD
PSE&G	6	26**	TBD	TBD
PSEG	$50*	$159	~$54***	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

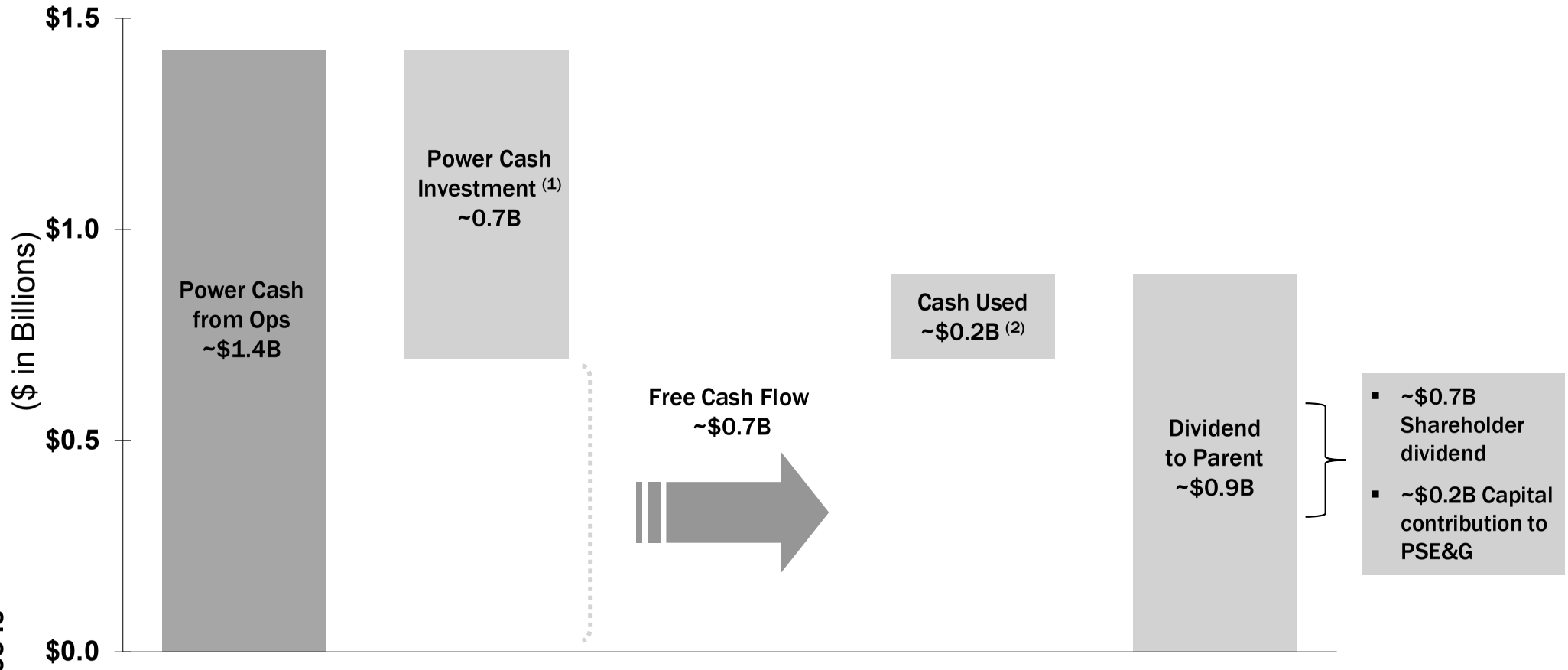
** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

***THE AMOUNTS TO BE RECORDED BY PSEG POWER AND PSE&G WILL BE DETERMINED IN SECOND QUARTER 2015. TBD = TO BE DETERMINED.

SI-SSA-0015-06556

In 2014, Power had significant free cash flow

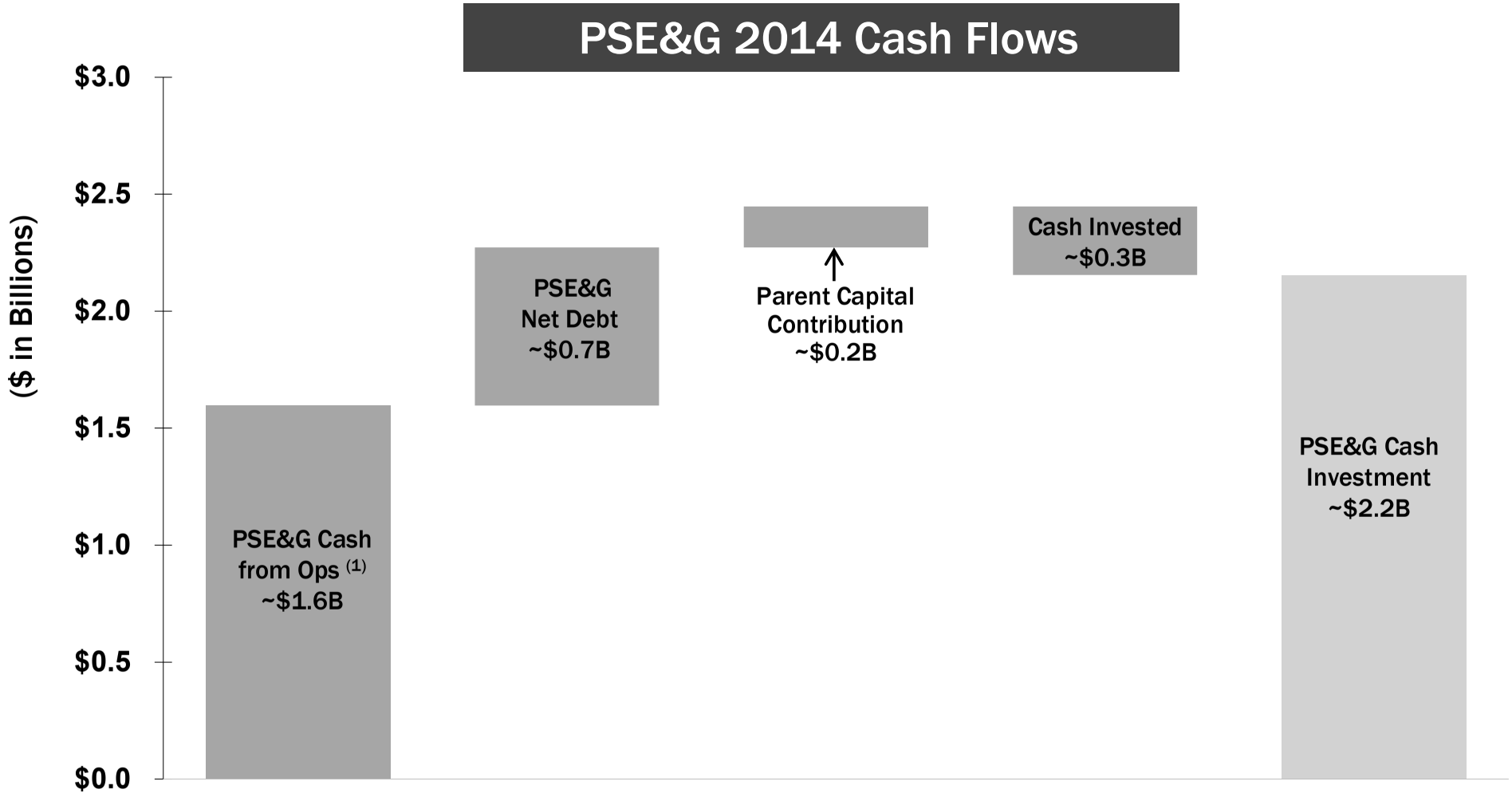
Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

SI-SSA-0015-06557

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-06558

PSEG Liquidity as of March 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 (A,C)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$178	$1,422
	5-Year Credit Facility (Power)	Mar-18	$1,000 (A,D)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 (A,B)	$0	$500
		Total	$4,300	$200	$4,100

PSEG Money Pool ST Investment	$636
PSE&G ST Investment	$316
Total Liquidity Available	**$5,052**
Total Parent / Power Liquidity	**$4,150**

(A) In April 2015, expiration dates of these facilities were extended to April 2020.

(B) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

(C) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018.

(D) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

SI-SSA-0015-06559

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 3/31/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	148
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	28
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	40
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$858**

SI-SSA-0015-06560

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-06561

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-06562

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2015	*2014*	*2014*
	($ Millions, Unaudited)		
Adjusted EBITDA	**$ 626**	**$ 651**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [b]	(77)	(73)	(291)
Interest Expense, pre-tax [b]	(31)	(31)	(120)
Income Taxes [b]	(191)	(196)	(387)
Operating Earnings	**$ 278**	**$ 293**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [a]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	**$ 335**	**$ 164**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

SI-SSA-0015-06563

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

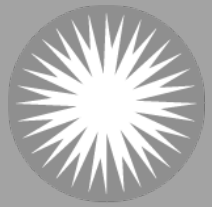
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*	
	2015	*2014*
Earnings Impact ($ Millions)	**(Unaudited)**	
Operating Earnings	**$ 529**	**$ 515**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	75	(6)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 586**	**$ 386**
Discontinued Operations	**-**	**-**
Net Income	**$ 586**	**$ 386**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**
Per Share Impact (Diluted)		
Operating Earnings	**$ 1.04**	**$ 1.01**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	0.15	(0.01)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 1.15**	**$ 0.76**
Discontinued Operations	**-**	**-**
Net Income	**$ 1.15**	**$ 0.76**

[a]Includes the financial impact from positions with forward delivery months.

Credit Suisse – Investor Meetings

BOSTON – JUNE 25, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06565

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-06566

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-06567

PSEG OVERVIEW

PSEG

We make things work for you.

SI-SSA-0015-06568

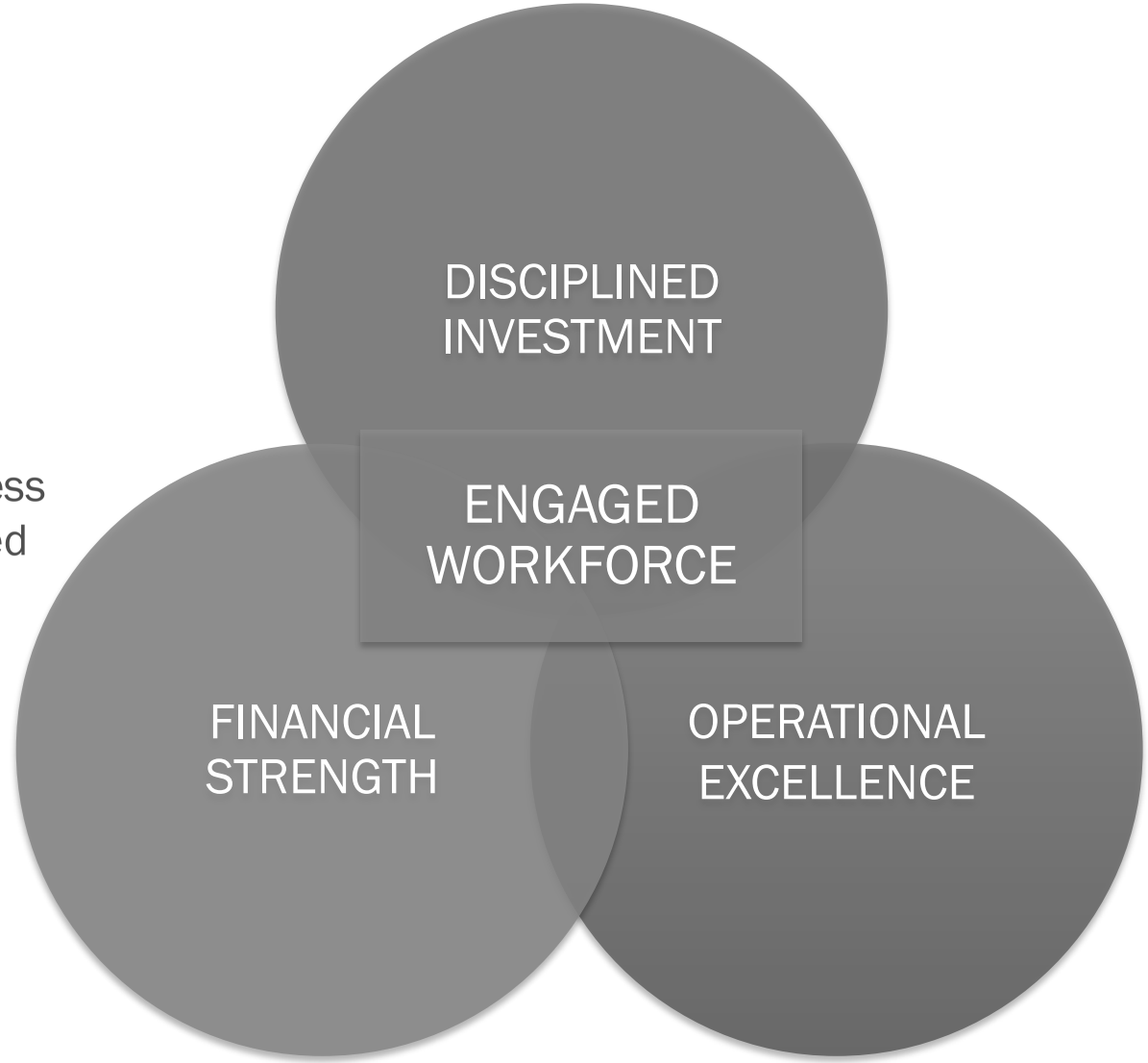
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-06570

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

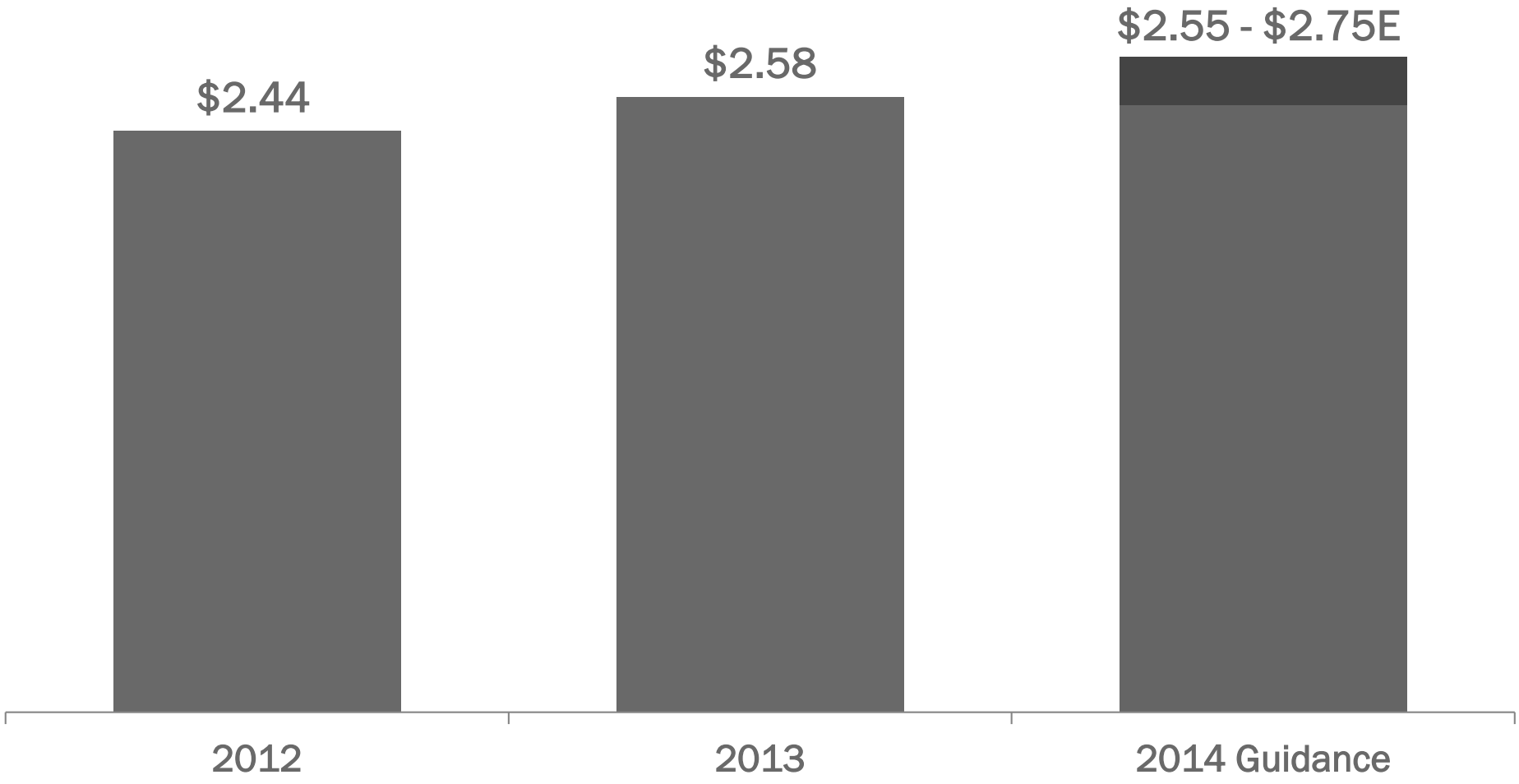
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-06571

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

SI-SSA-0015-06572

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

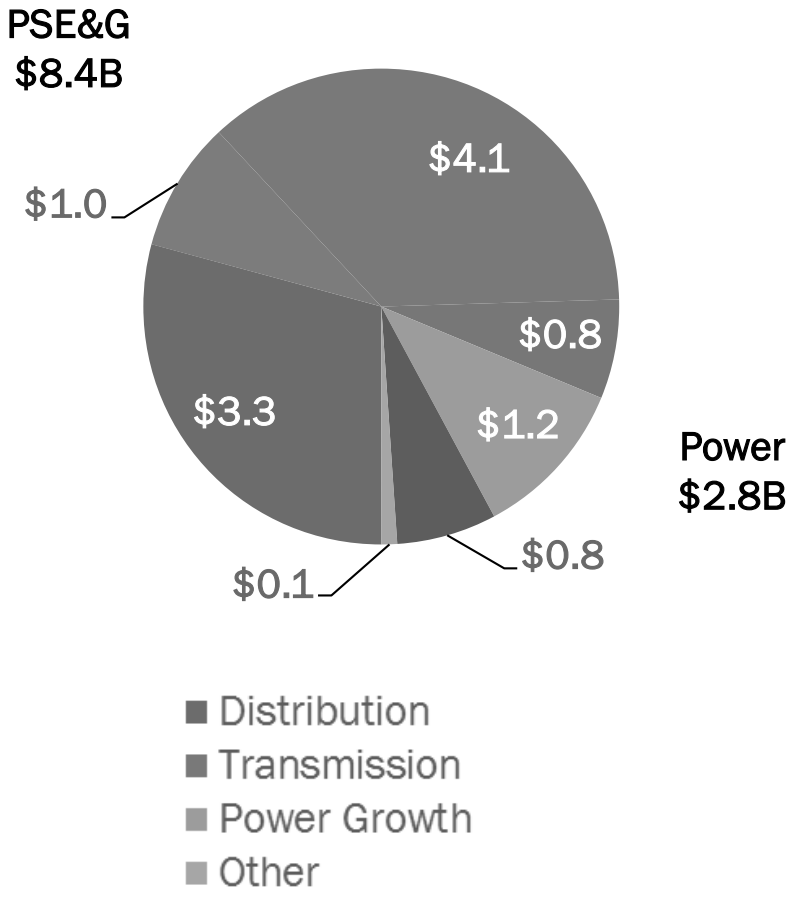
PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

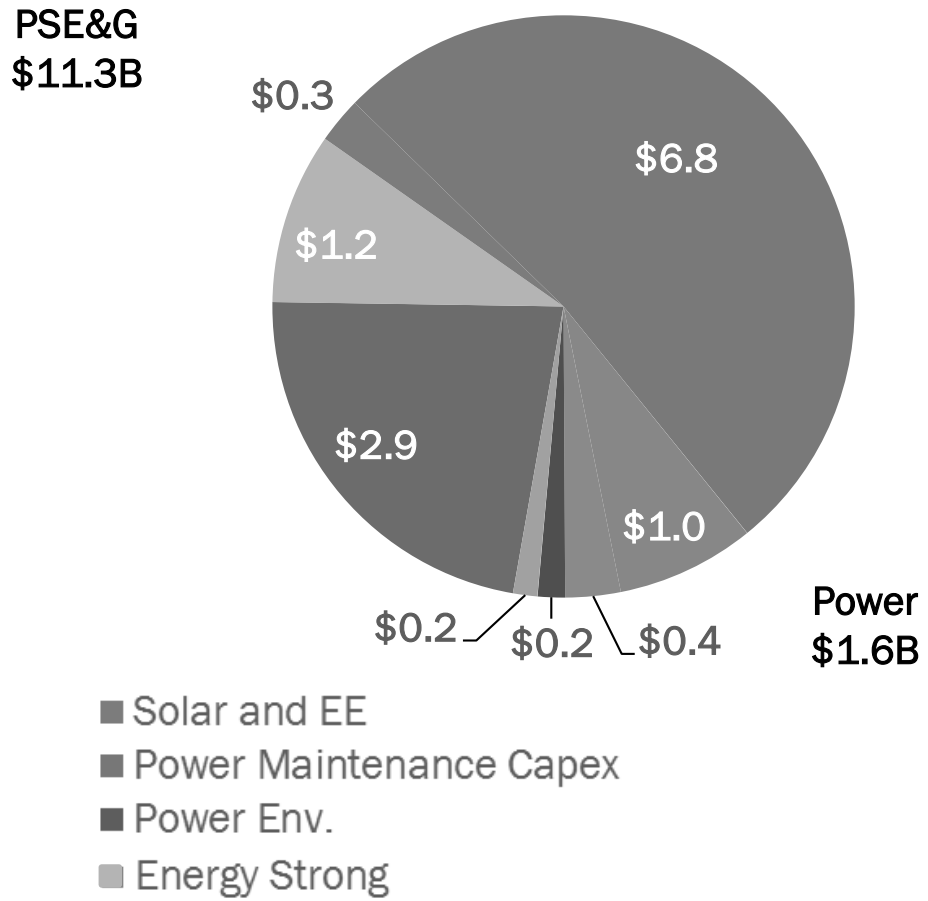
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

SI-SSA-0015-06573

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

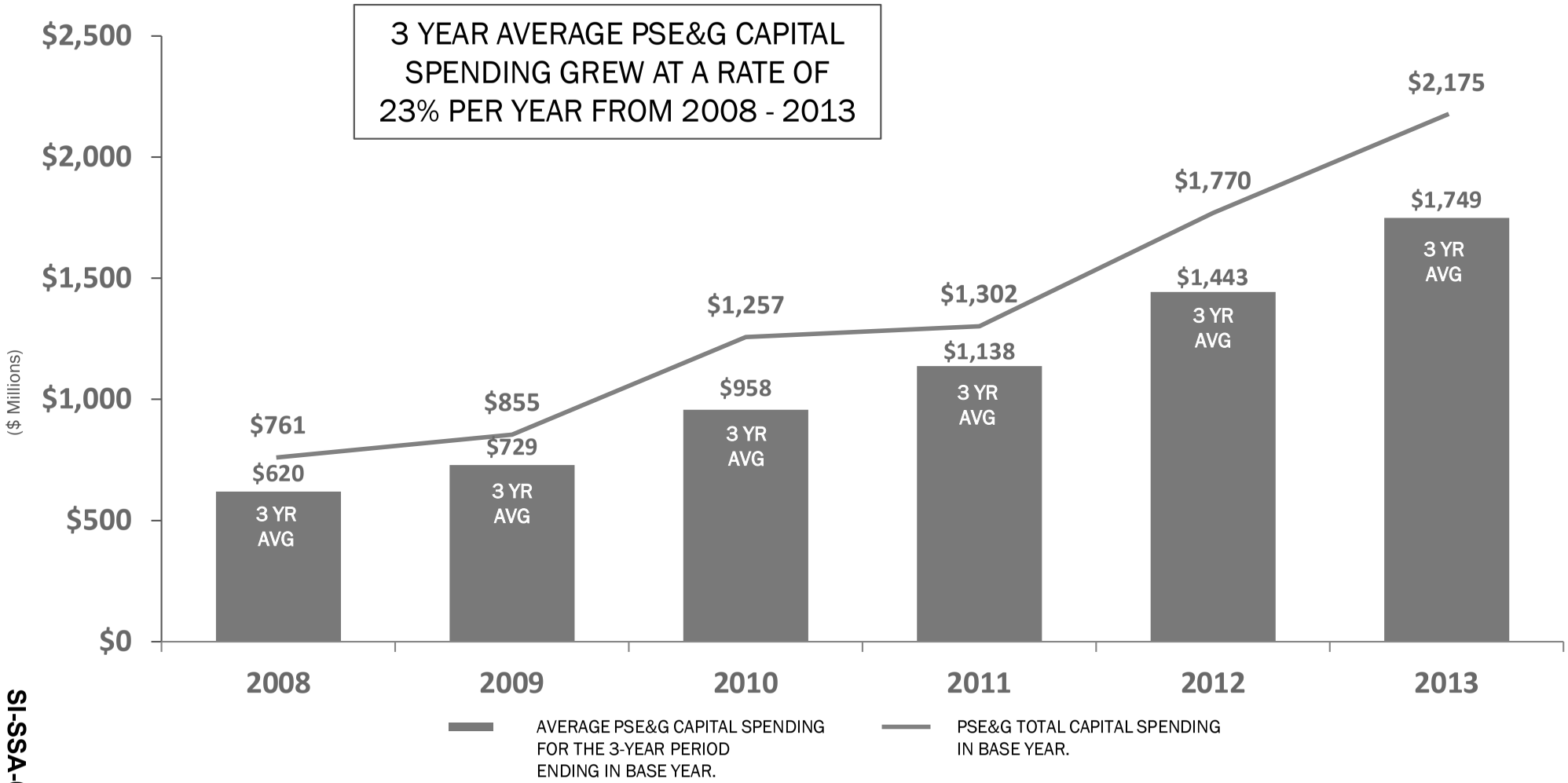




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-06574

PSEG's business profile has been transformed through significant growth in utility capital spending



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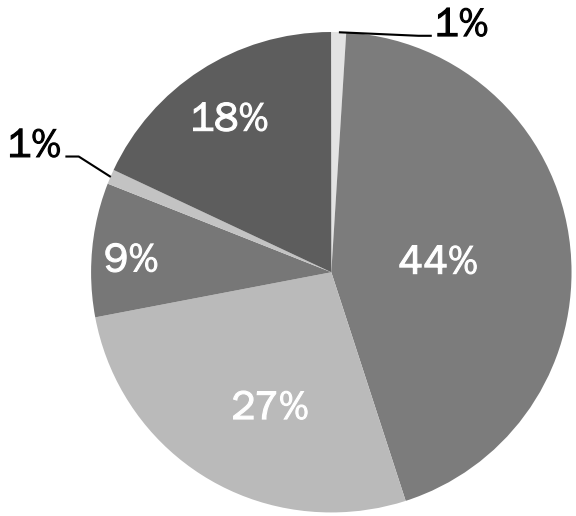
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

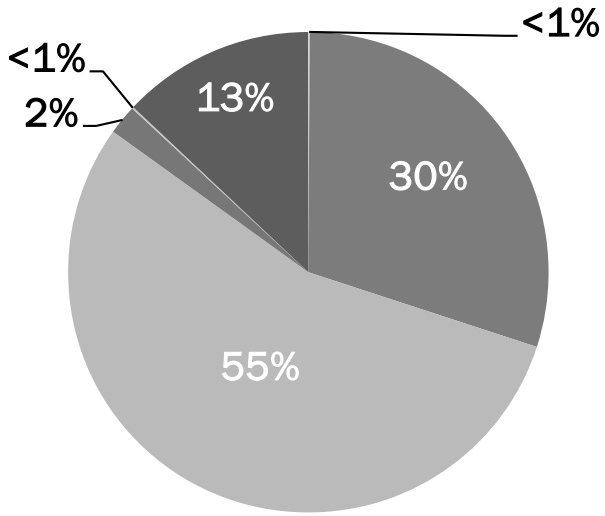
SI-SSA-0015-06576

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

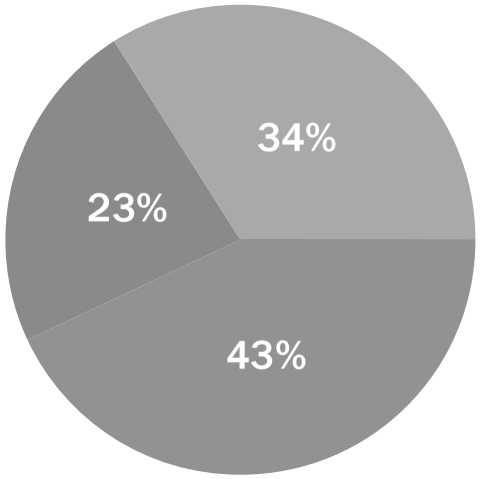
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

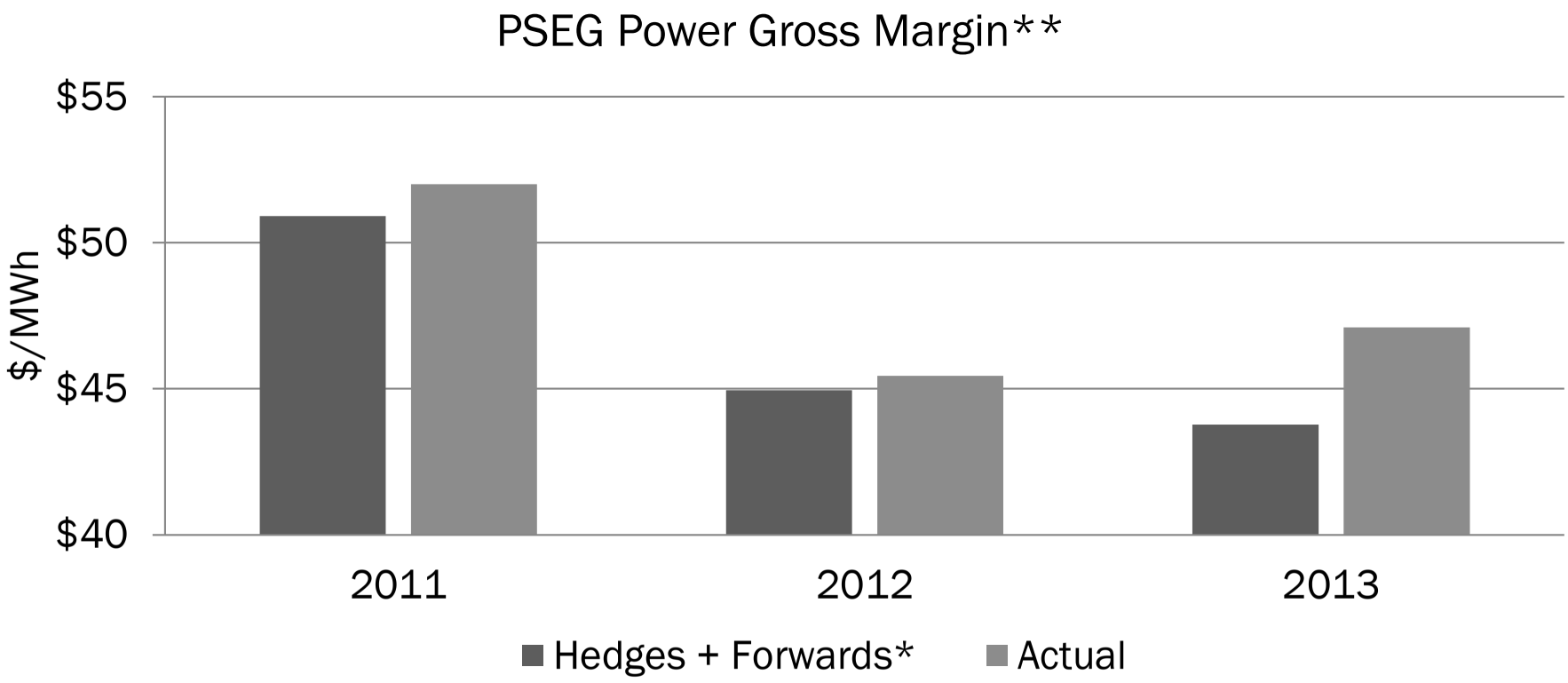


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-06577

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-06578

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

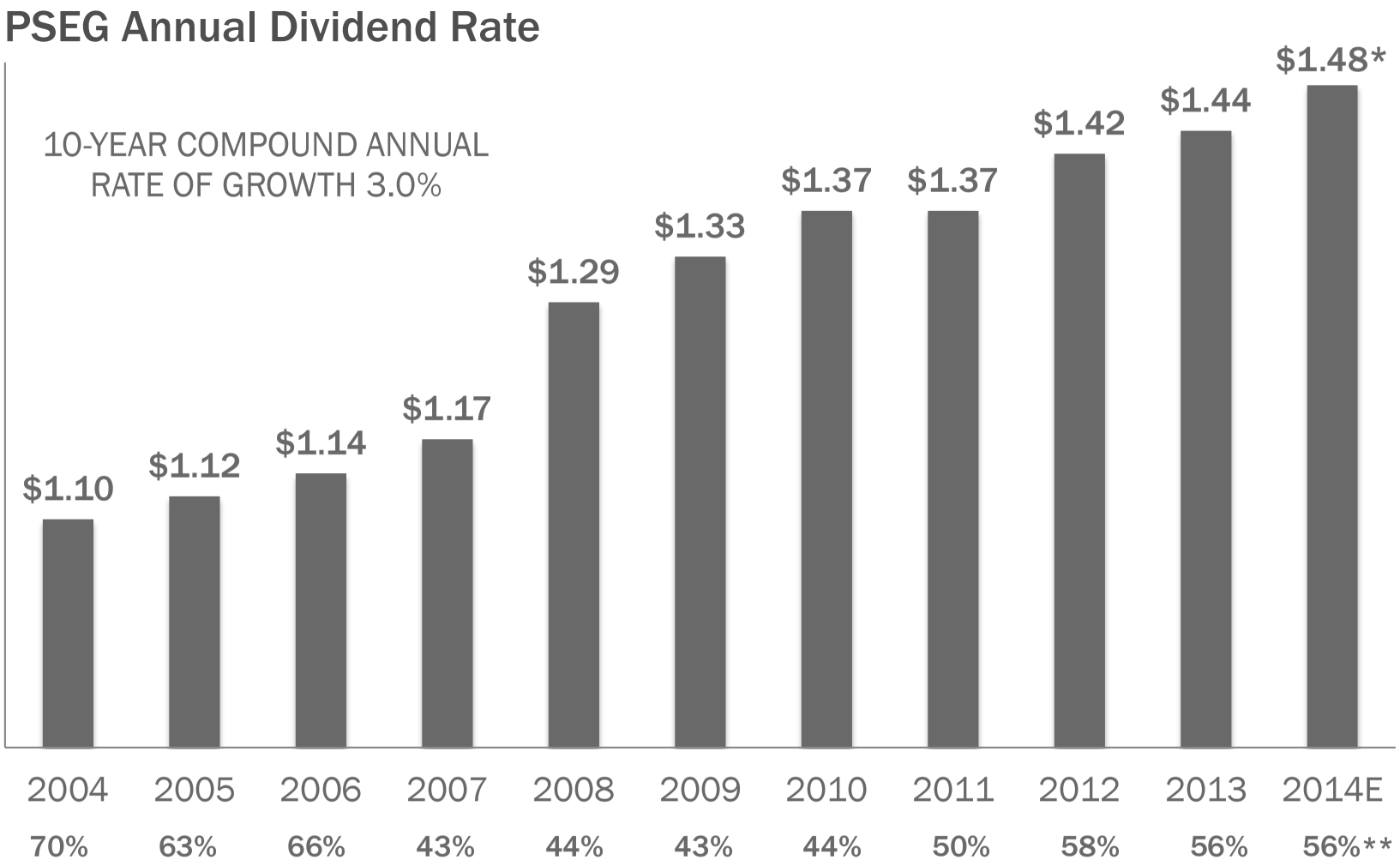
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-06579

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-06580

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-06581

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-06582

PSE&G

SI-SSA-0015-06583

PSEG

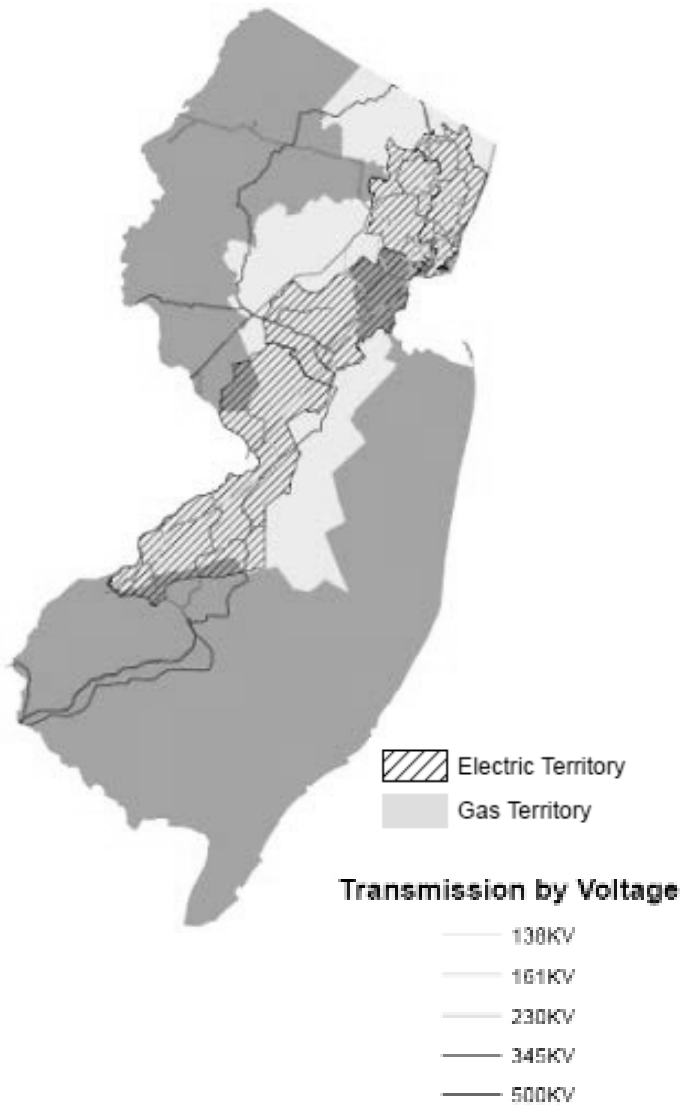
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06584

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-06585

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-06586

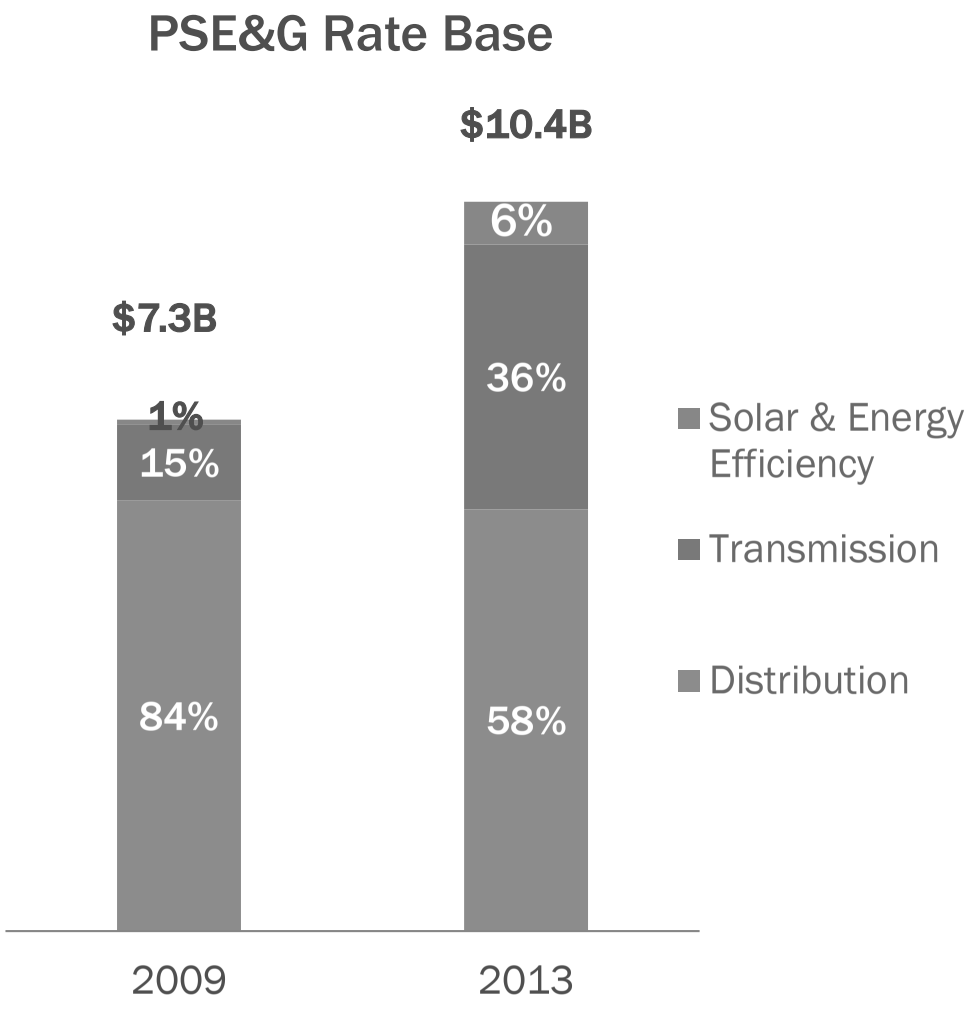
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06587

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-06588

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

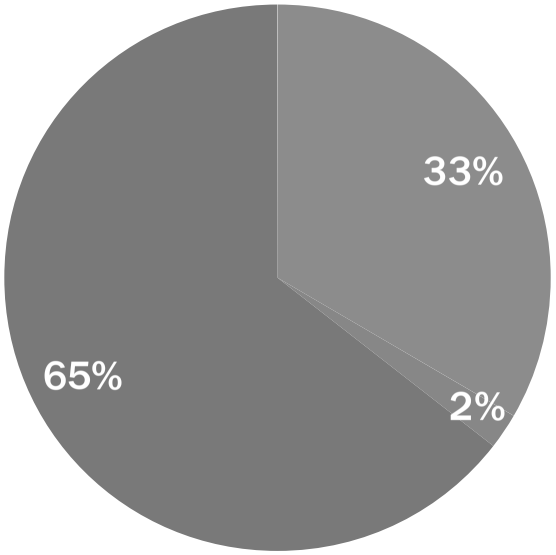
SI-SSA-0015-06589

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

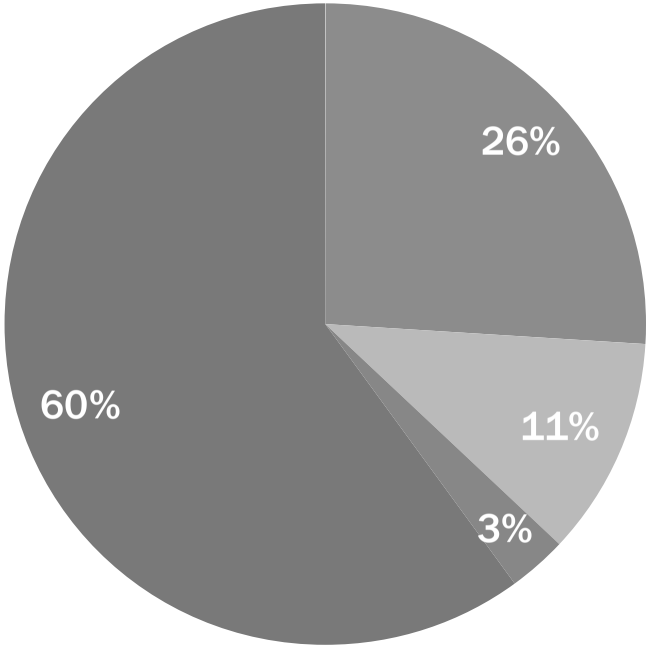
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

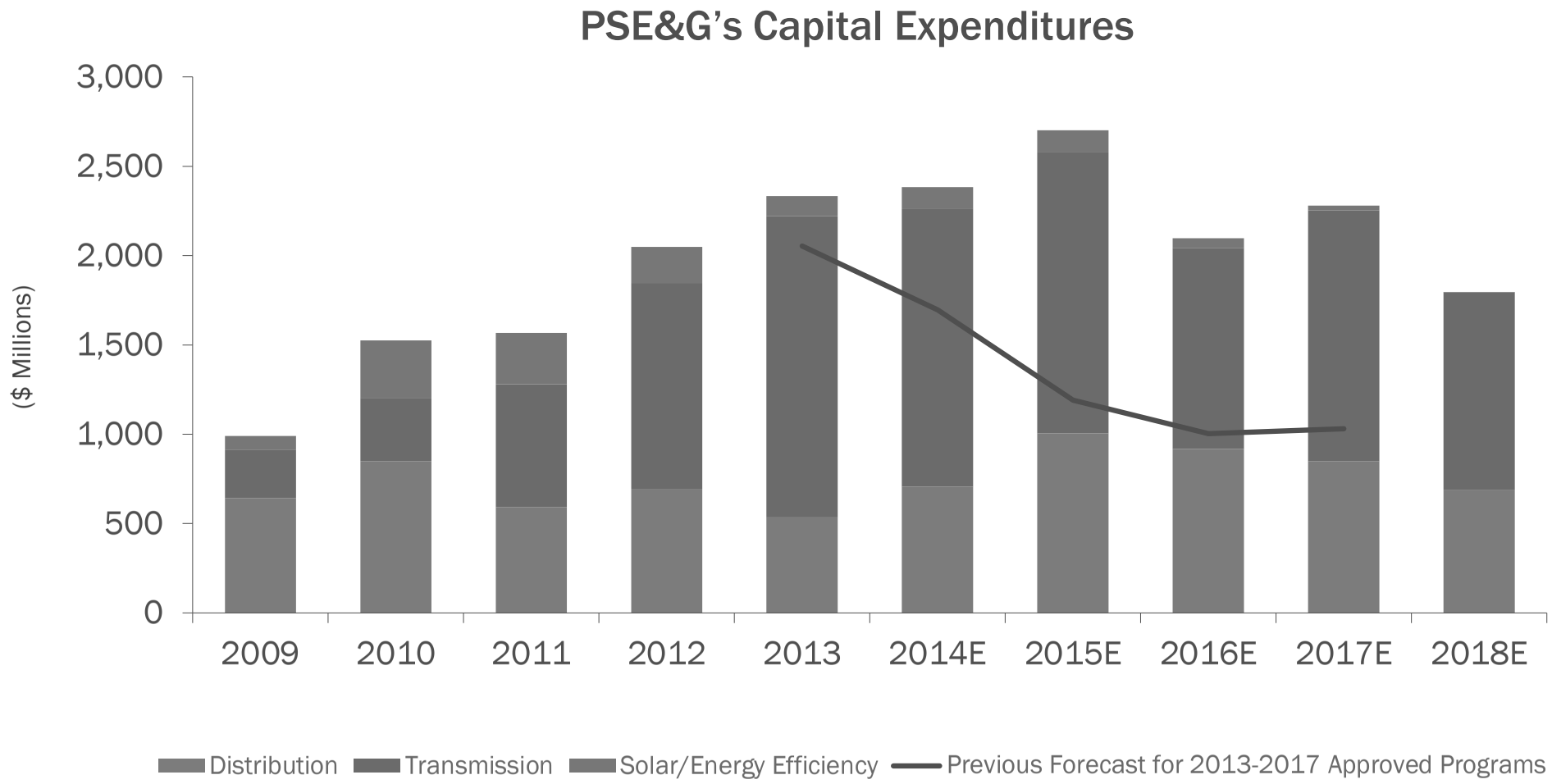


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-06590

PSE&G's capital program has expanded

with the addition of Energy Strong



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PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

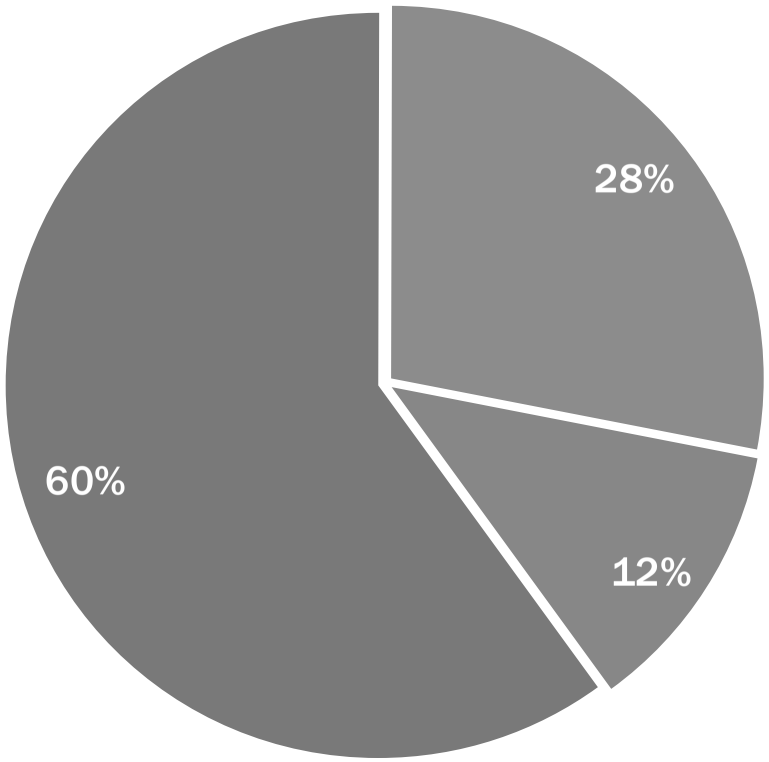
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-06592

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

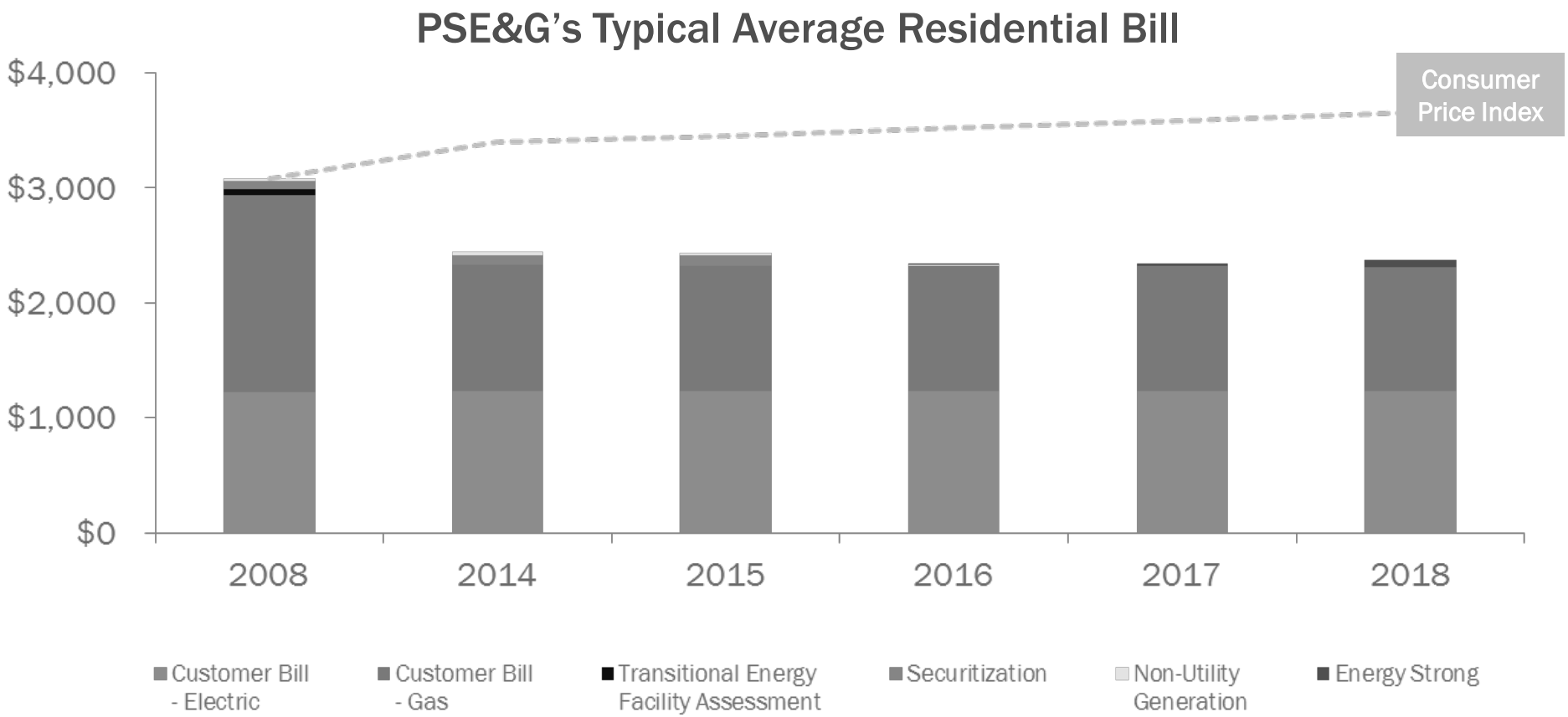
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06593

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-06594

PSE&G TRANSMISSION

PSEG

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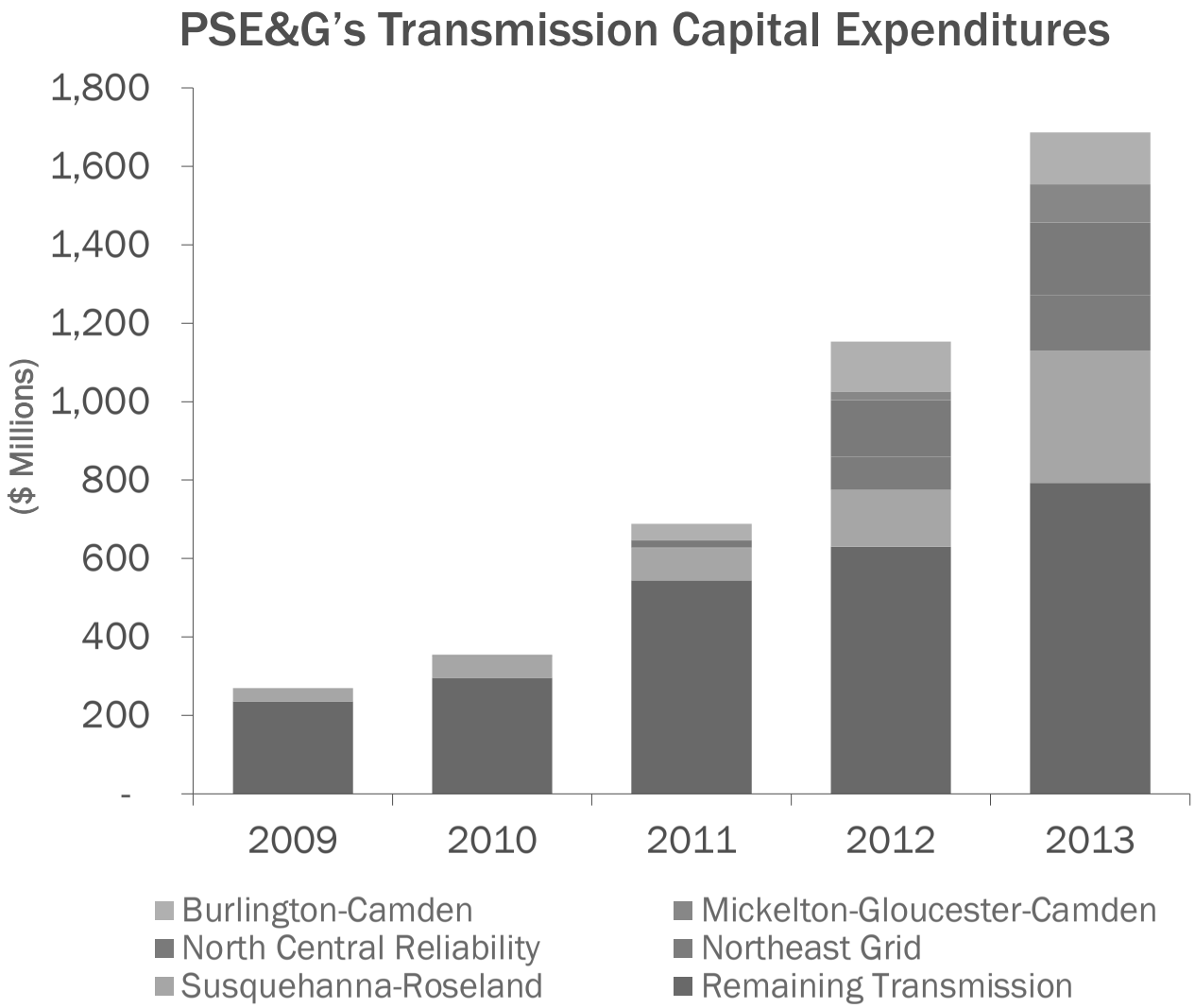
SI-SSA-0015-06595

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-06596

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06597

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-06598

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-06599

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-06600

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-06601

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06602

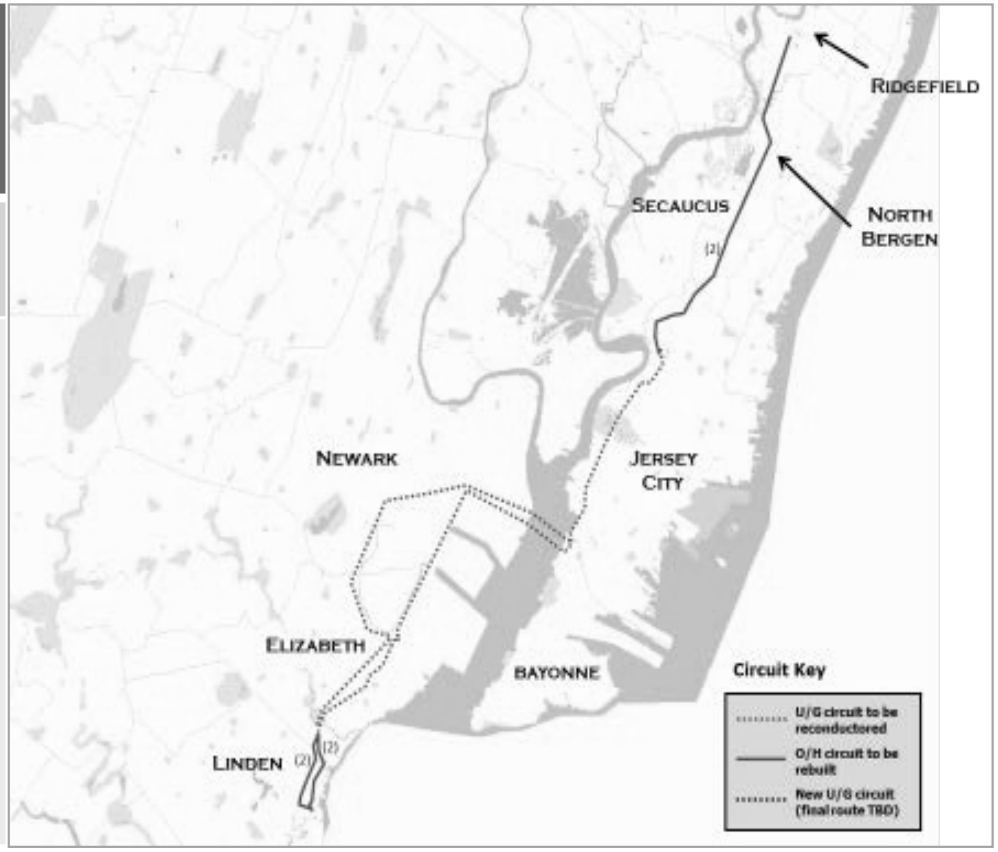
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

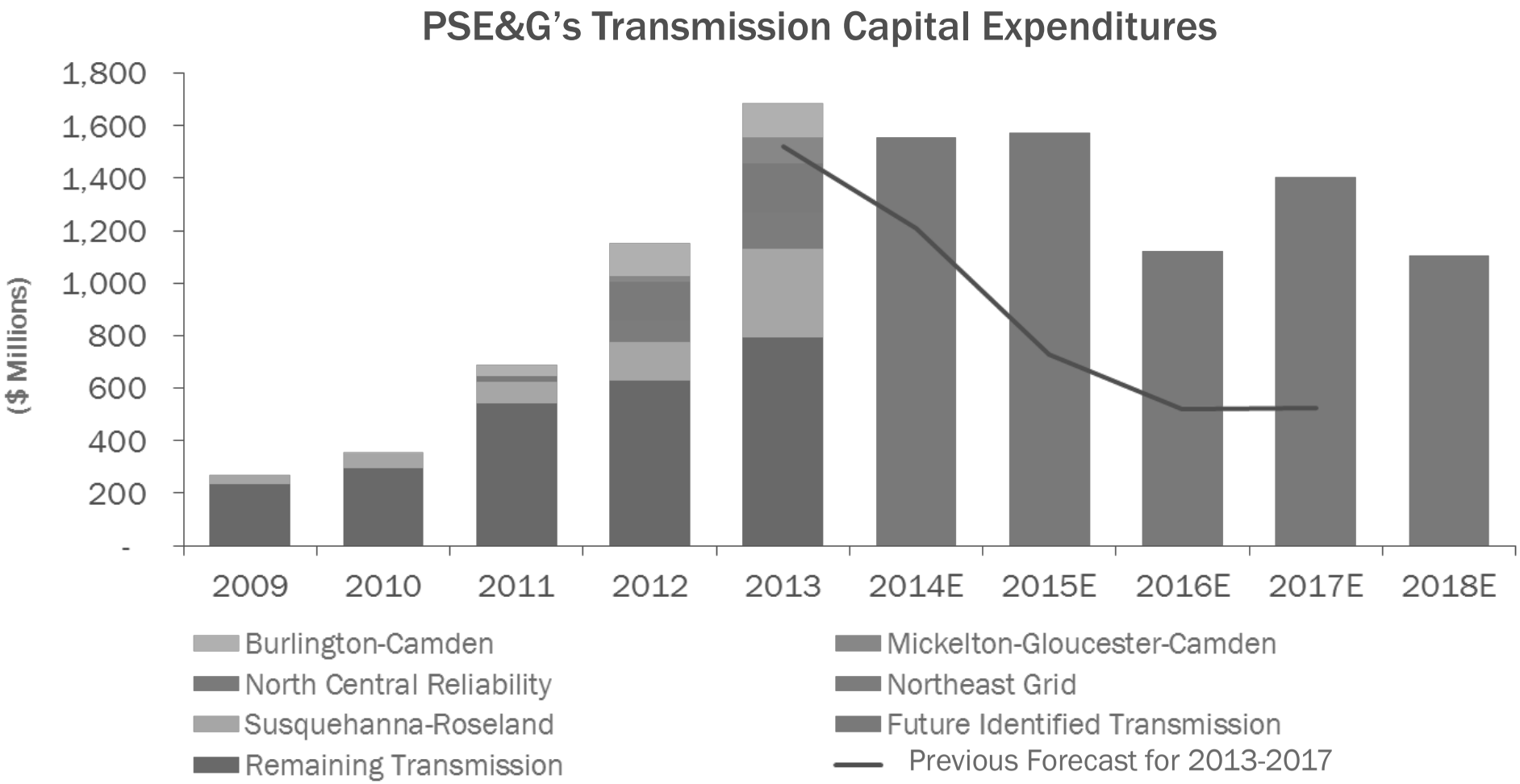
Project Status: Engineering



SI-SSA-0015-06603

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



SI-SSA-0015-06604

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-06605

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-06606

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-06607

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

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SI-SSA-0015-06608

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-06609

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-06610

PSEG POWER

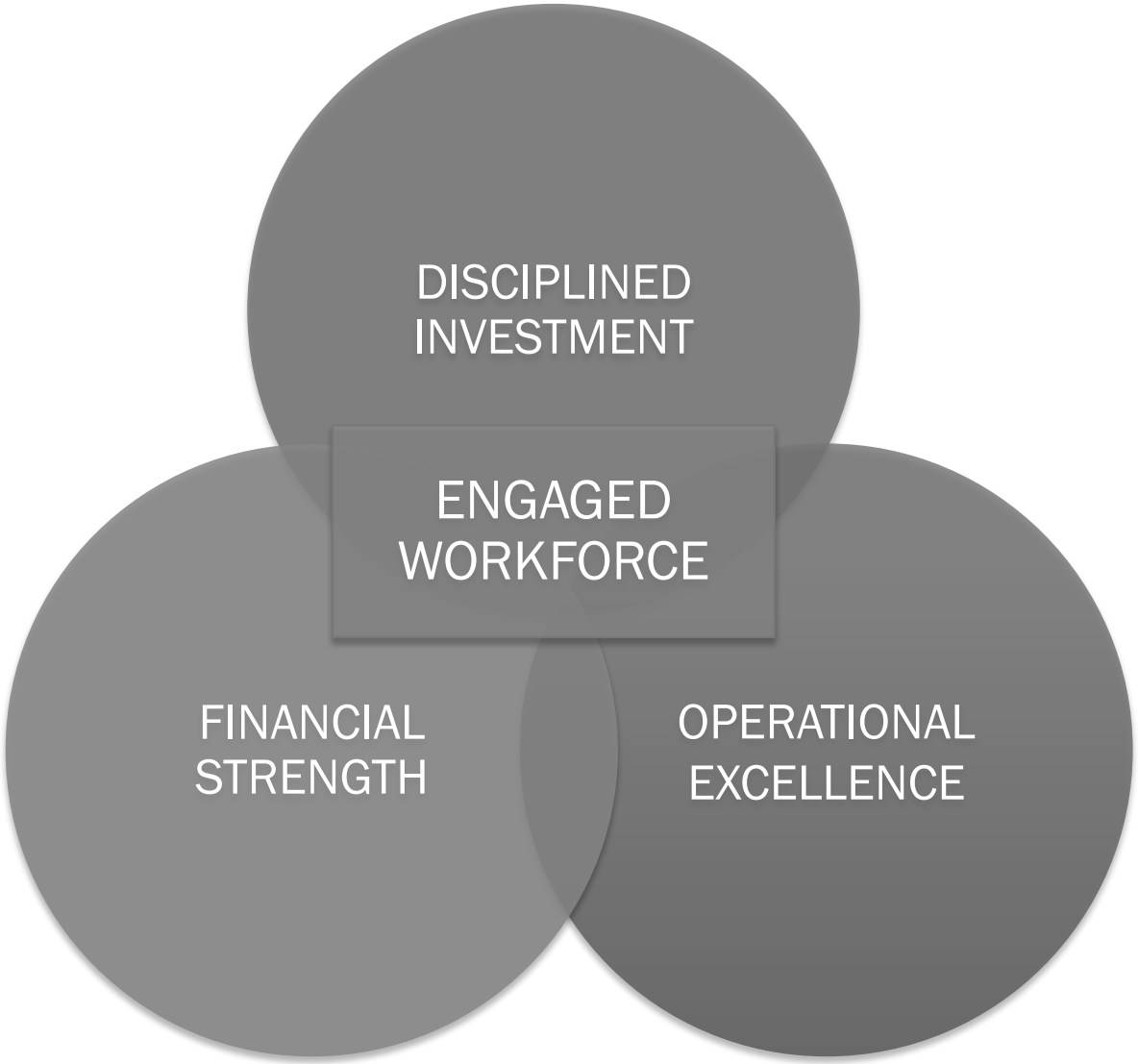
PSEG

We make things work for you.

SI-SSA-0015-06611

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06612

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-06613

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06614

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

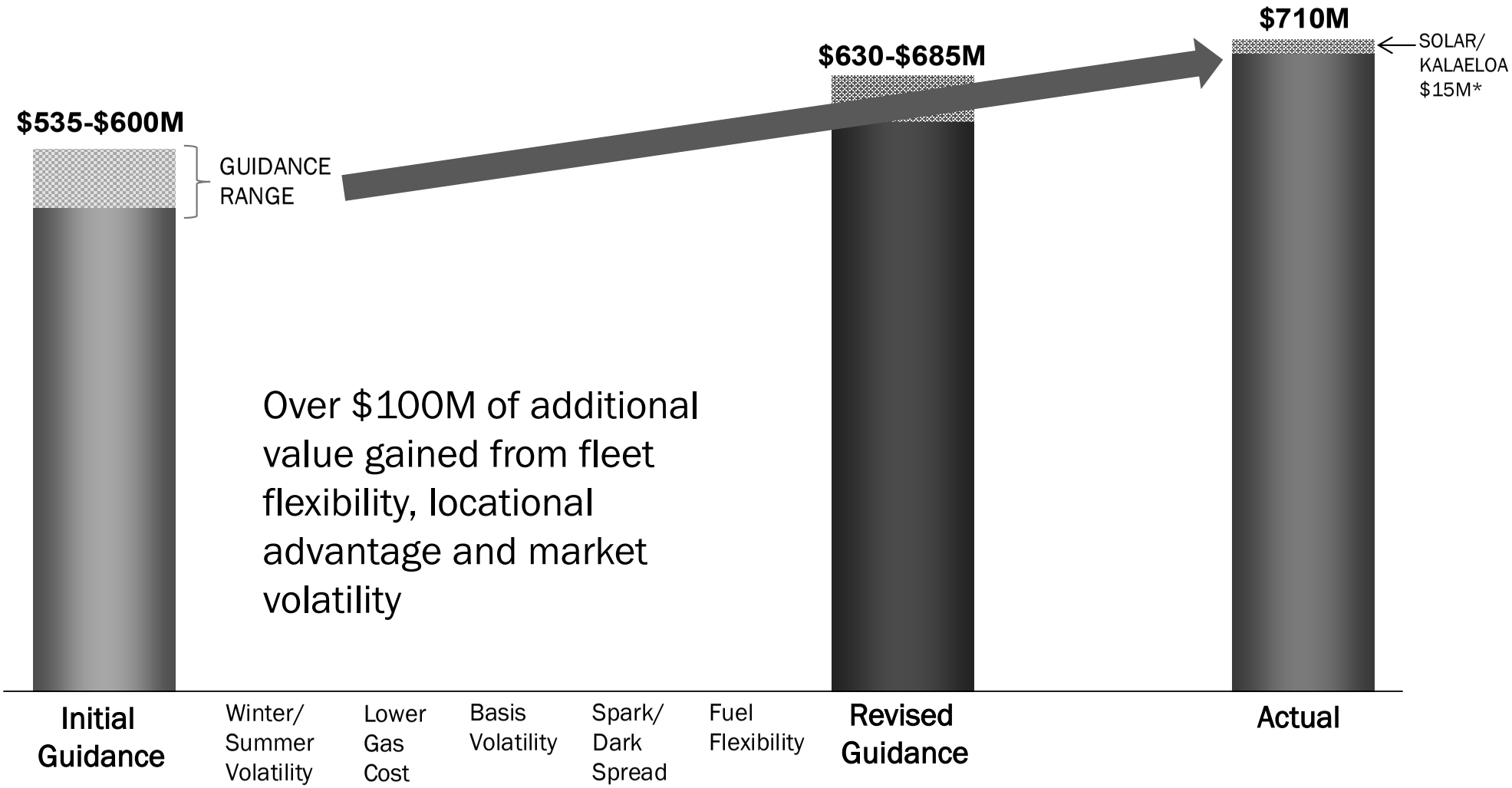
SI-SSA-0015-06615

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-06616

PSEG Power exceeded 2013's earnings guidance



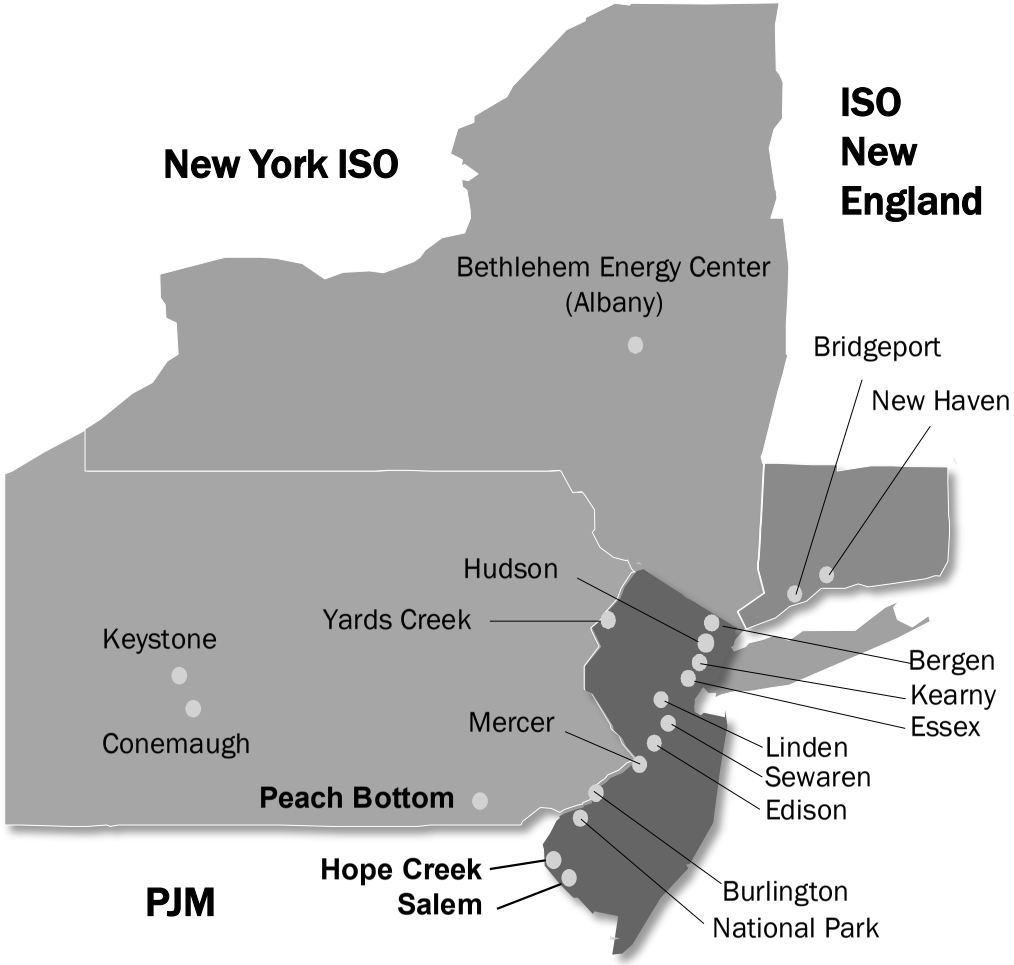
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-06617

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



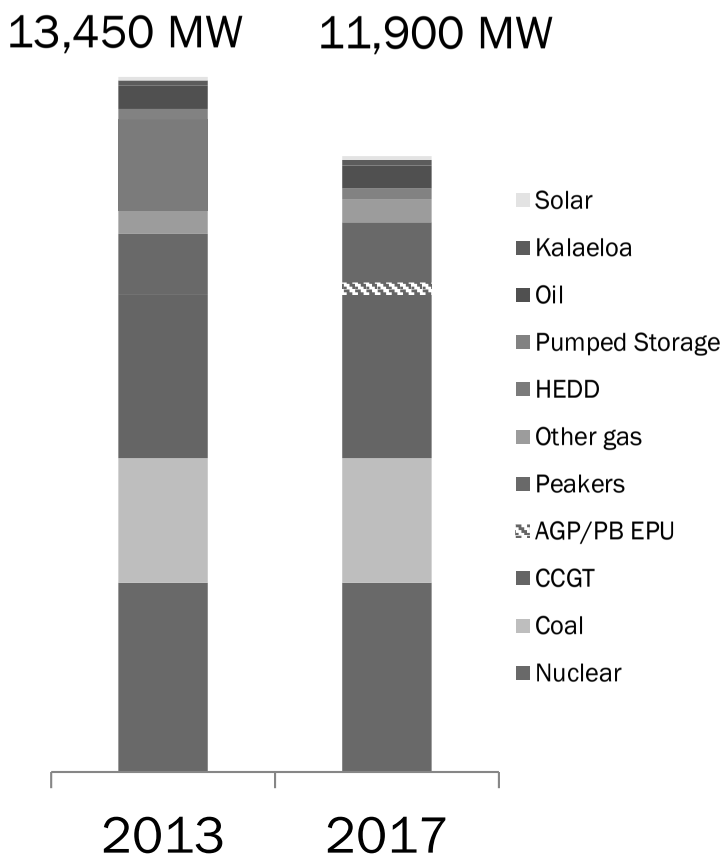
SI-SSA-0015-06618

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

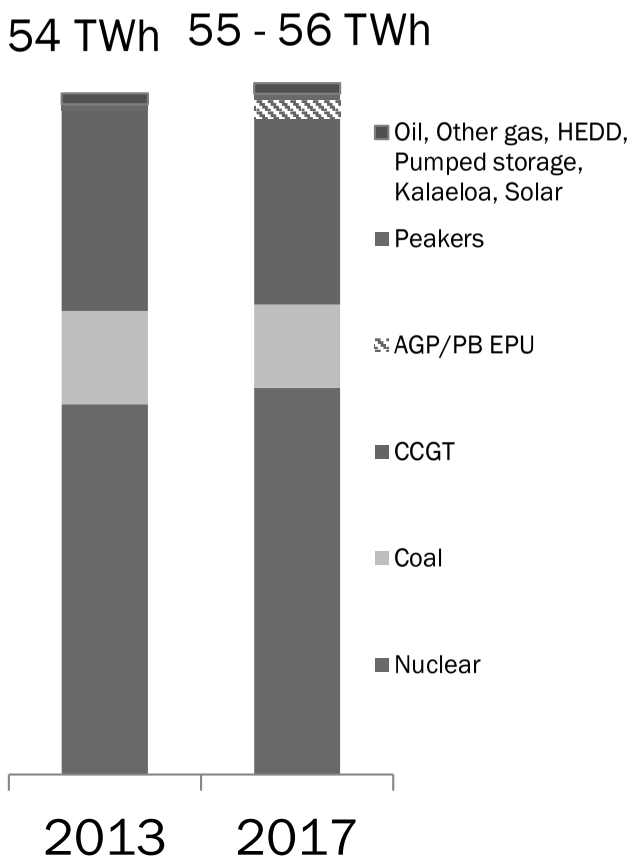
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

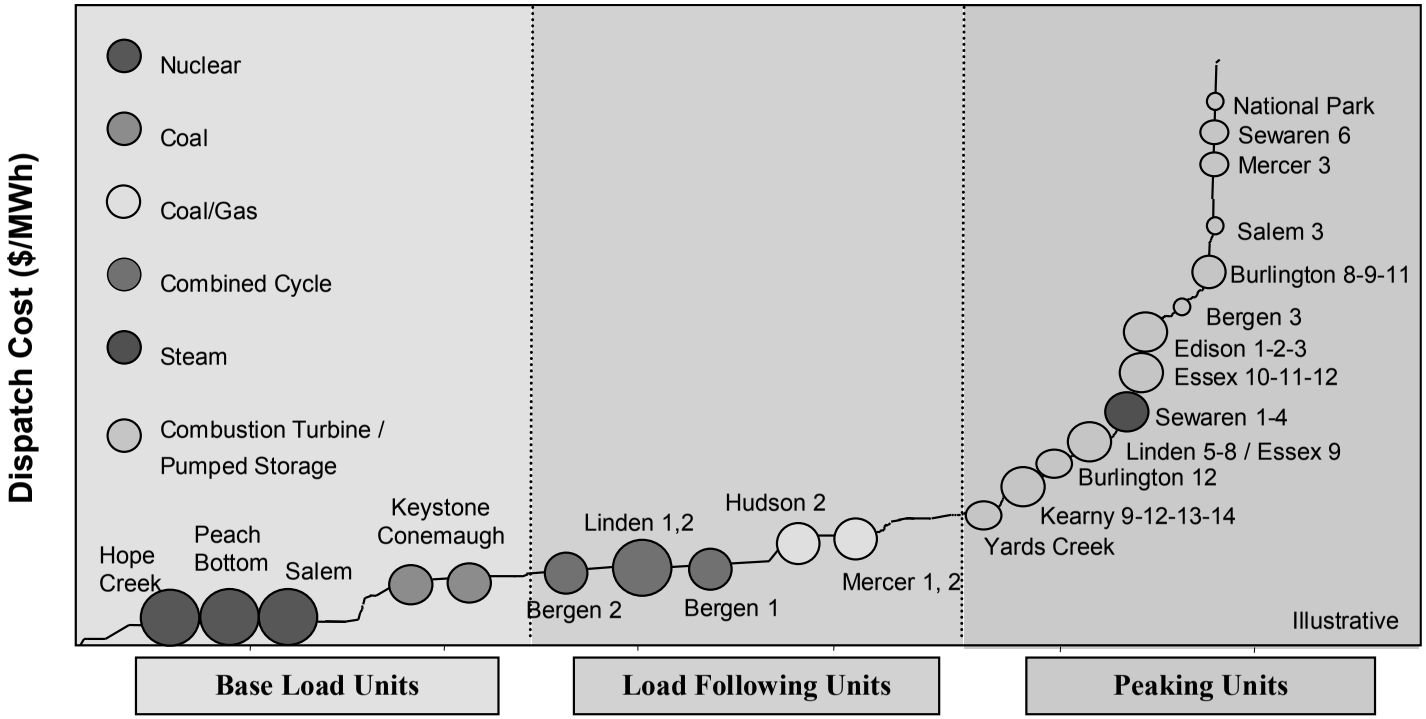


Energy Produced



SI-SSA-0015-06619

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-06620

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-06621

PSEG Power Nuclear is core to the fleet and has competitive advantages

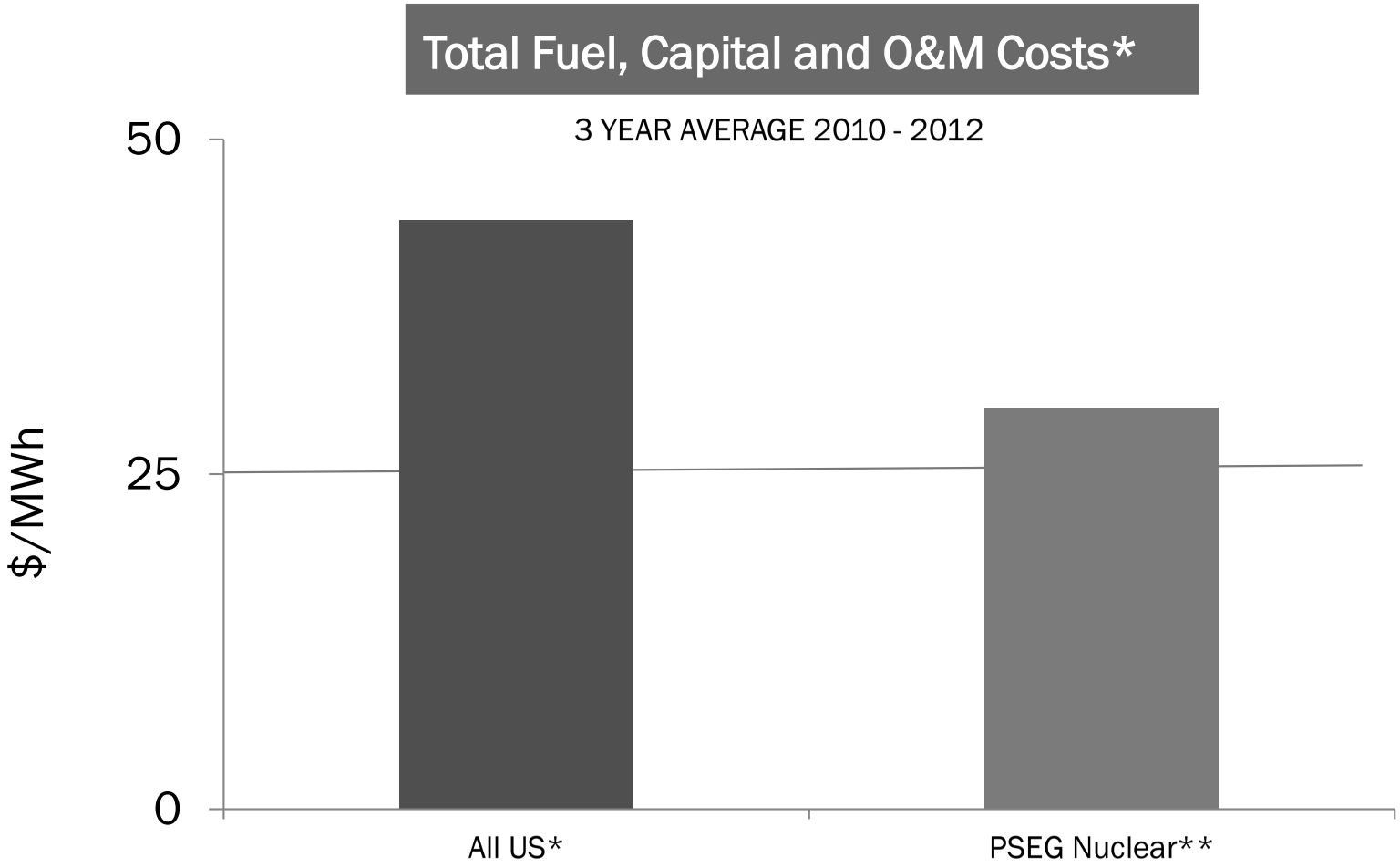
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-06622

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

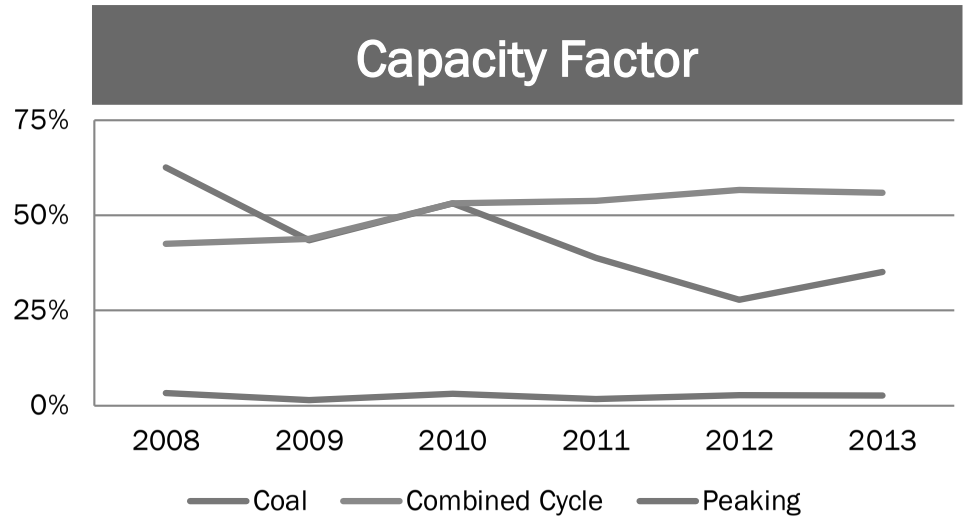


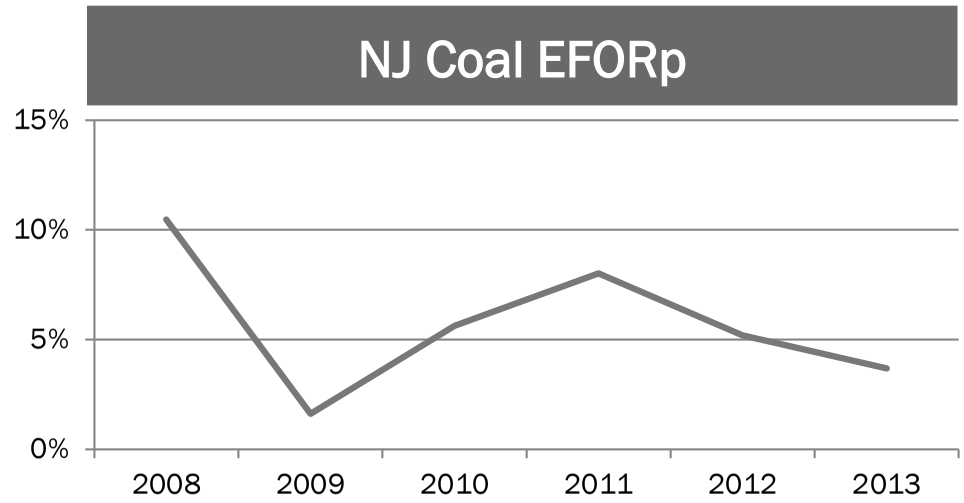
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

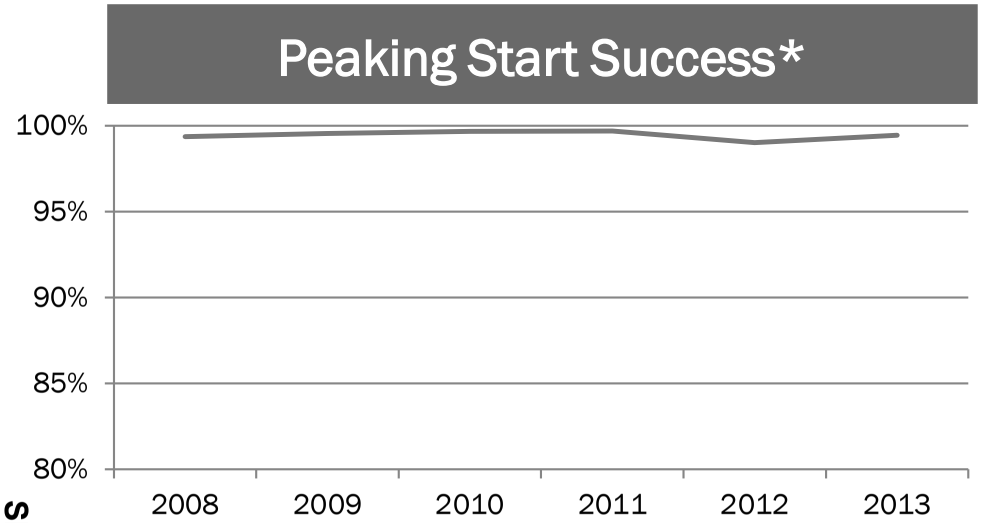
SI-SSA-0015-06623

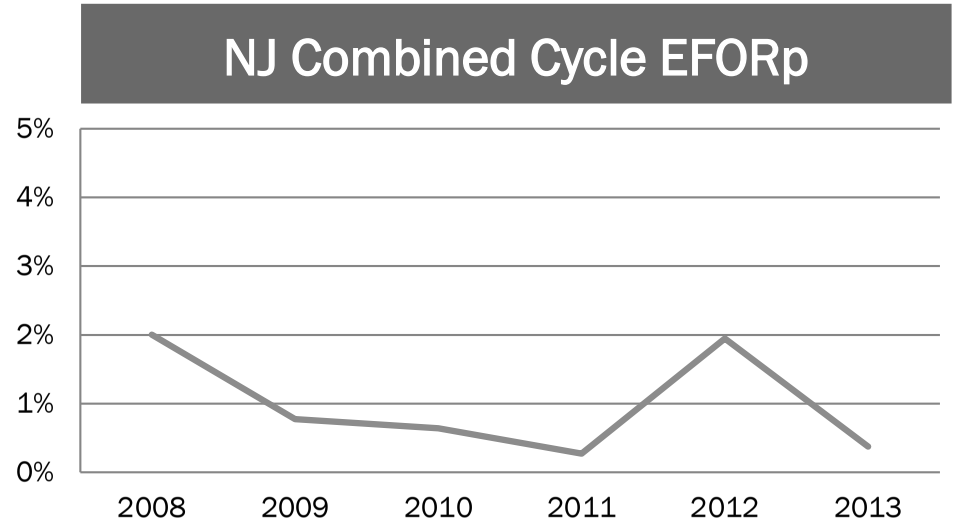
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

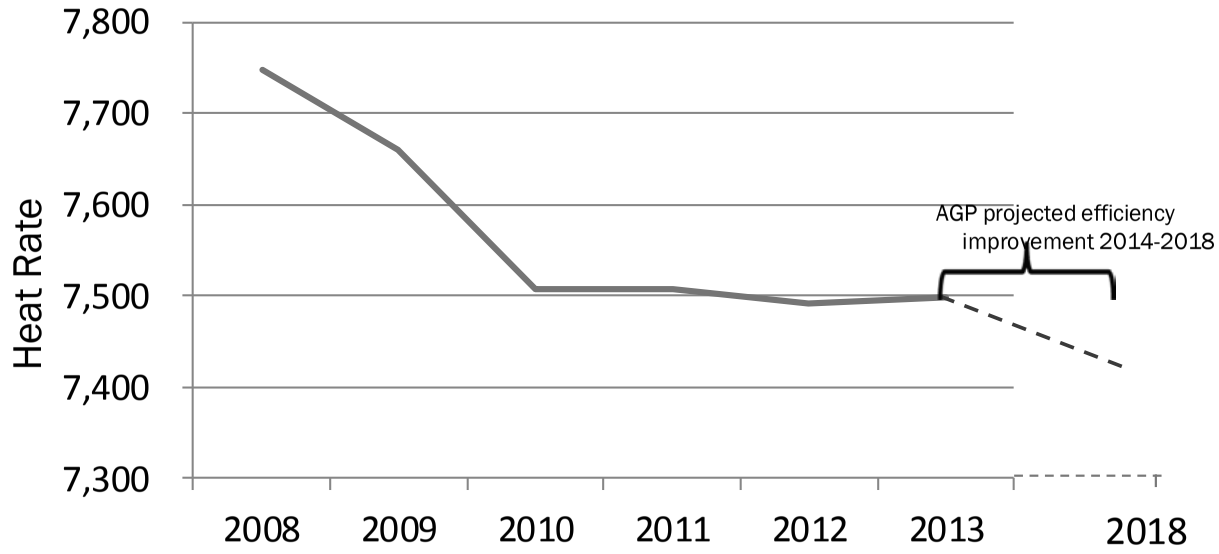
SI-SSA-0015-06624

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-06625

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

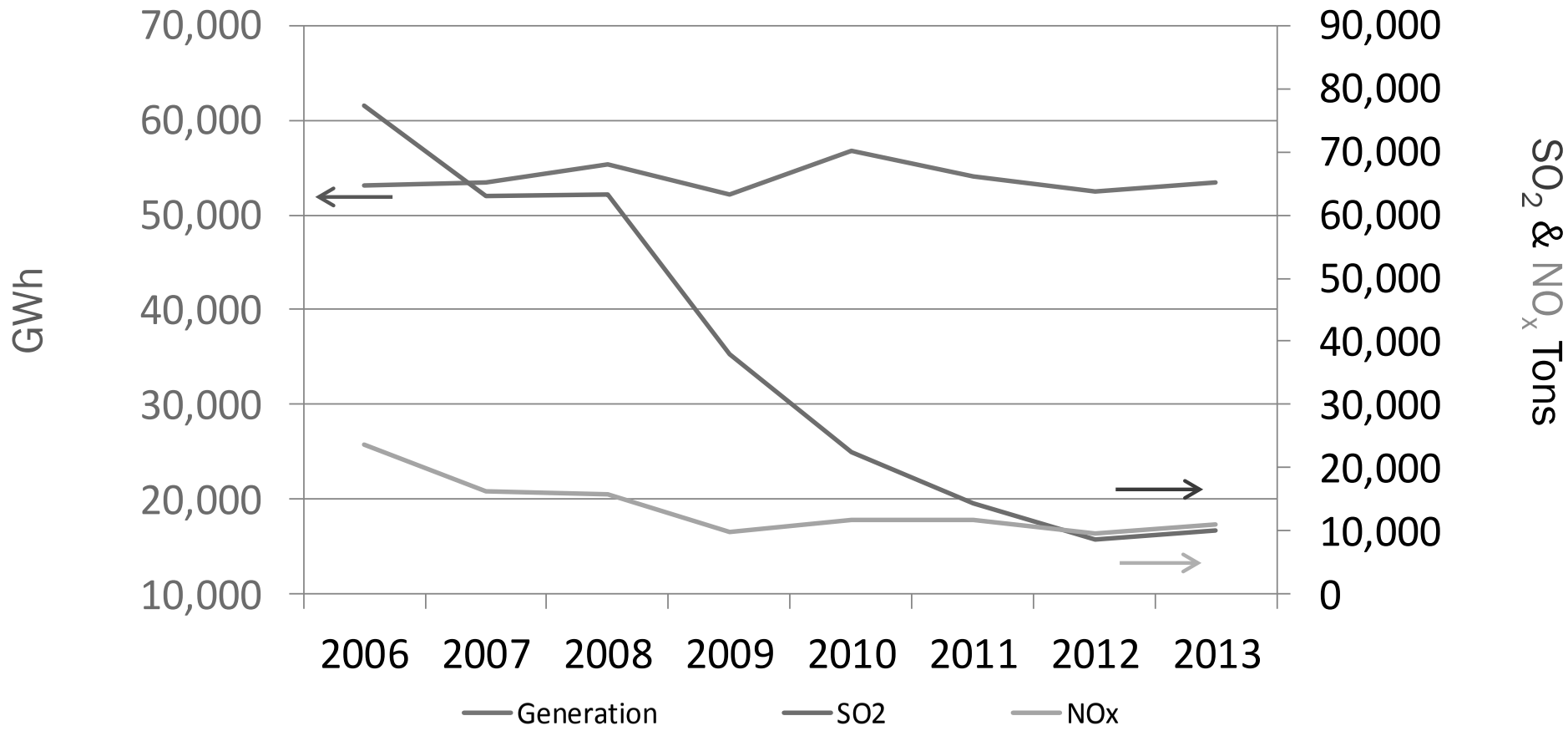
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-06626

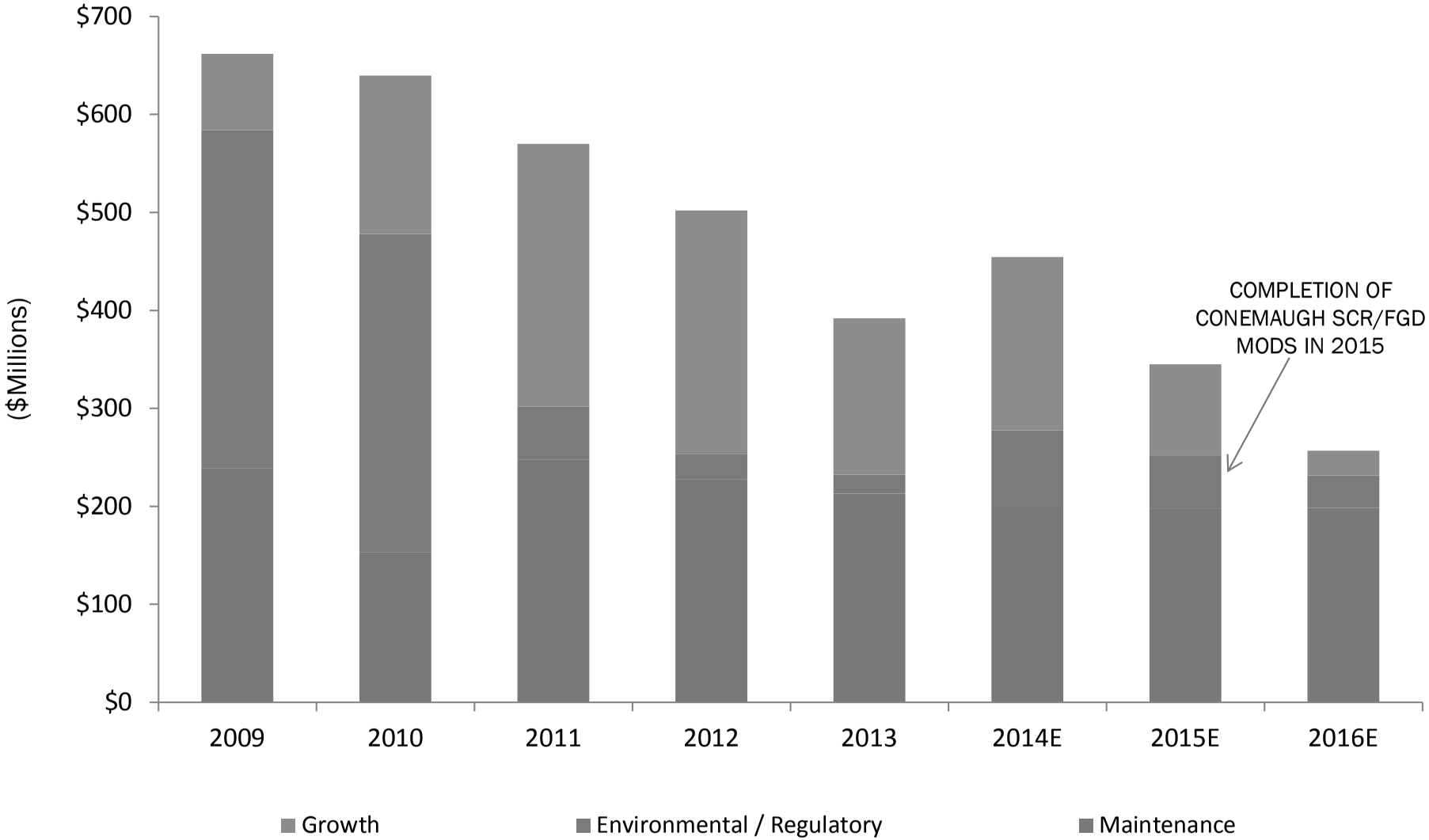
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-06627

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-06628

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-06629

PSEG Solar Source owns 92 MW of operating solar facilities

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-06630

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-06631

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-06632

PSEG POWER
ER&T

SI-SSA-0015-06633

PSEG

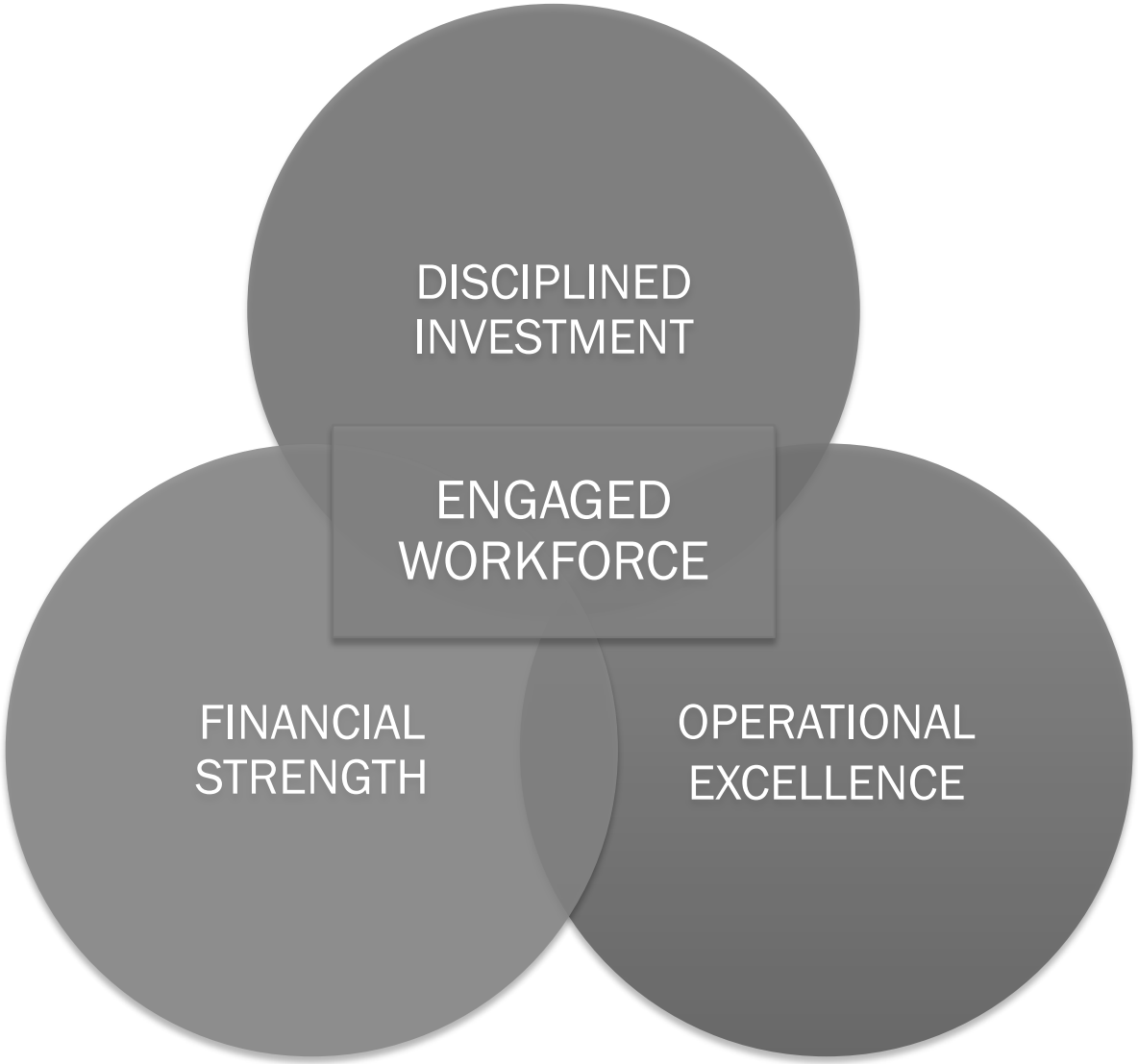
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-06634

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

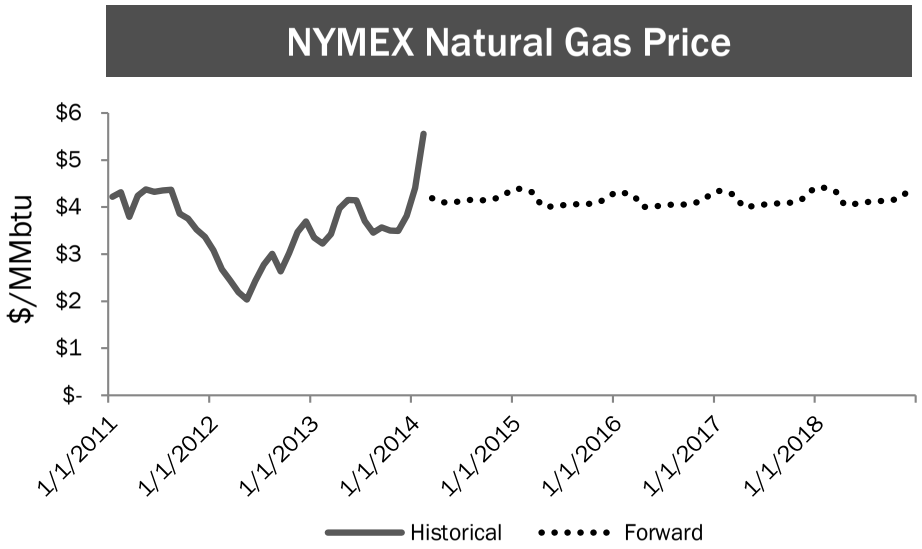
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

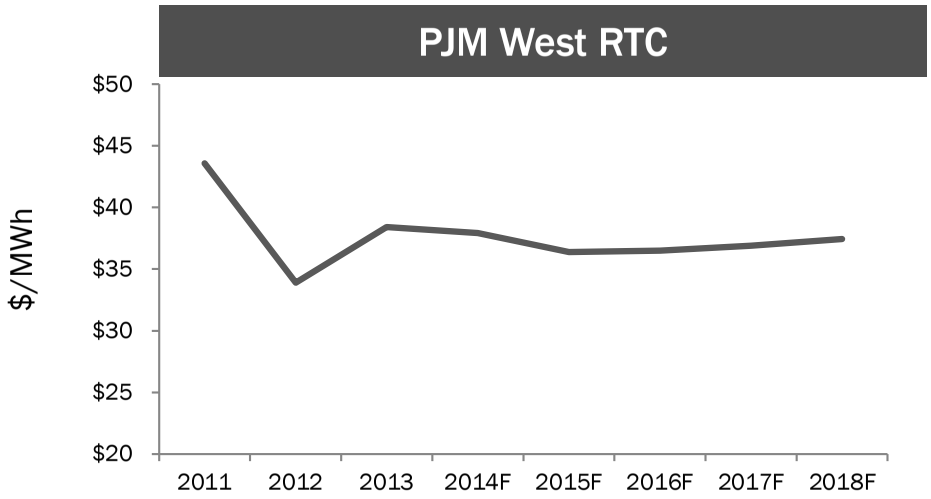
PSEG's Sustainable Advantage

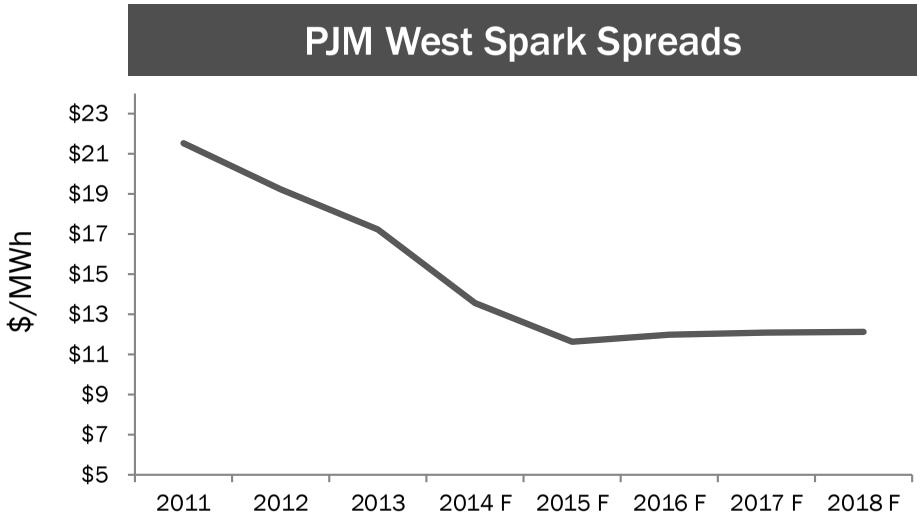
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-06635

Market Review: Prices have stabilized







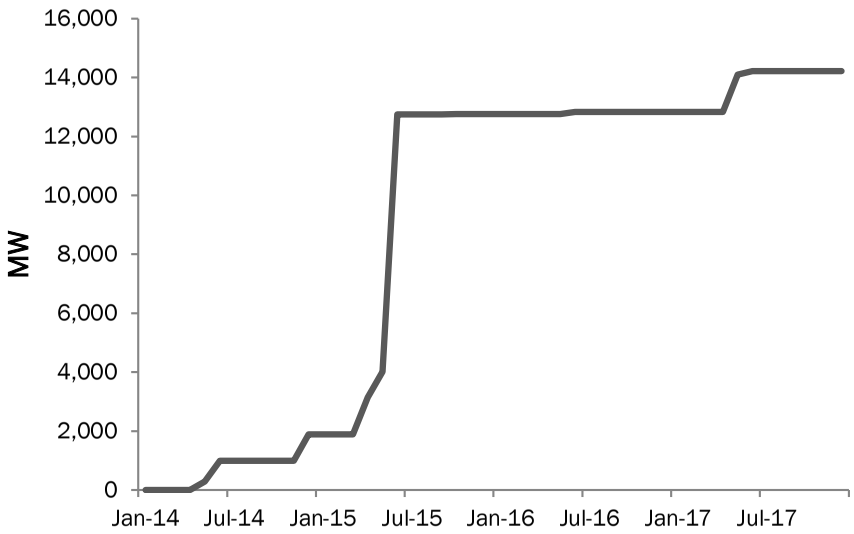
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-06636

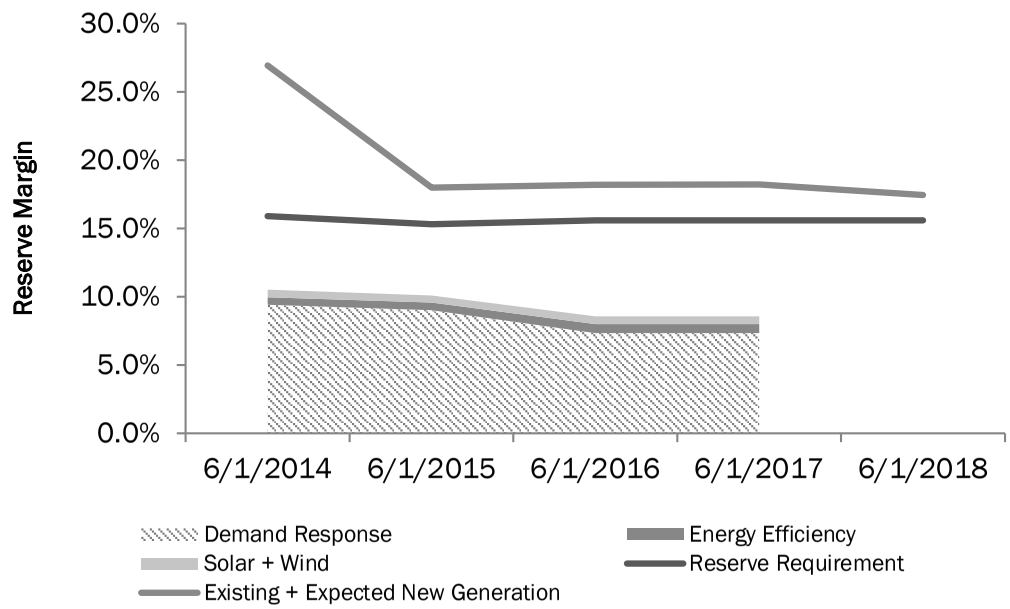
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-06637

PSEG

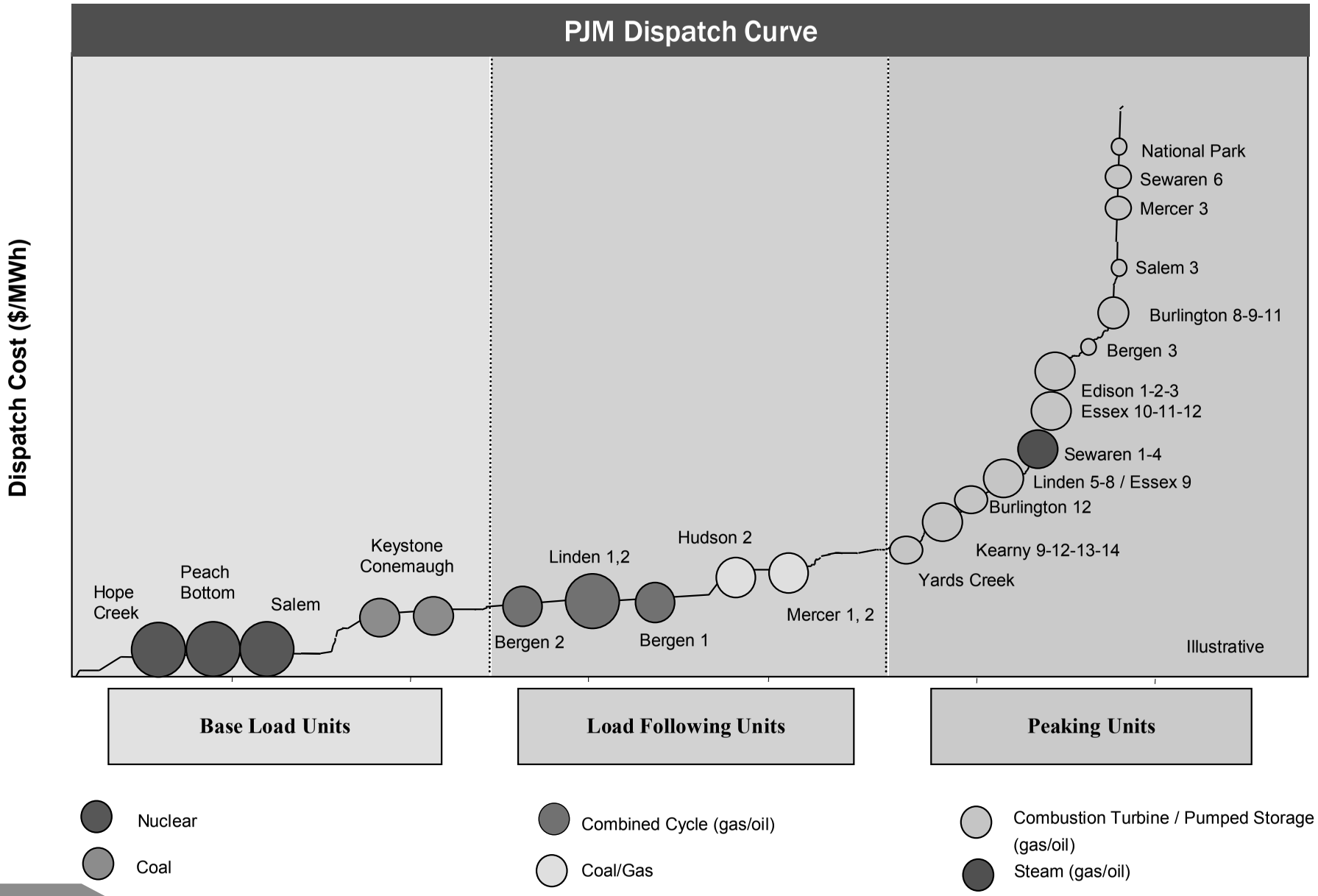
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

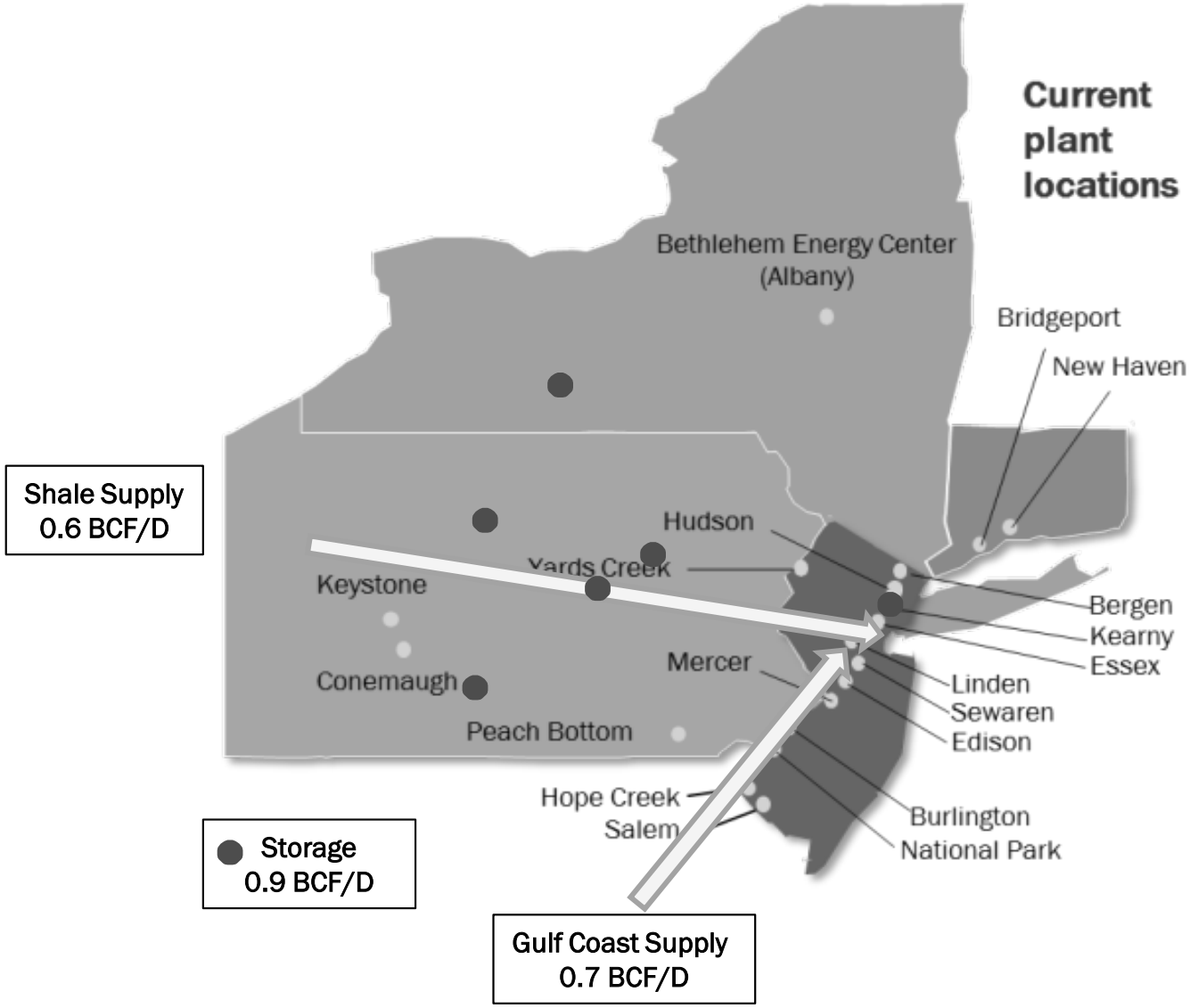
SI-SSA-0015-06638

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



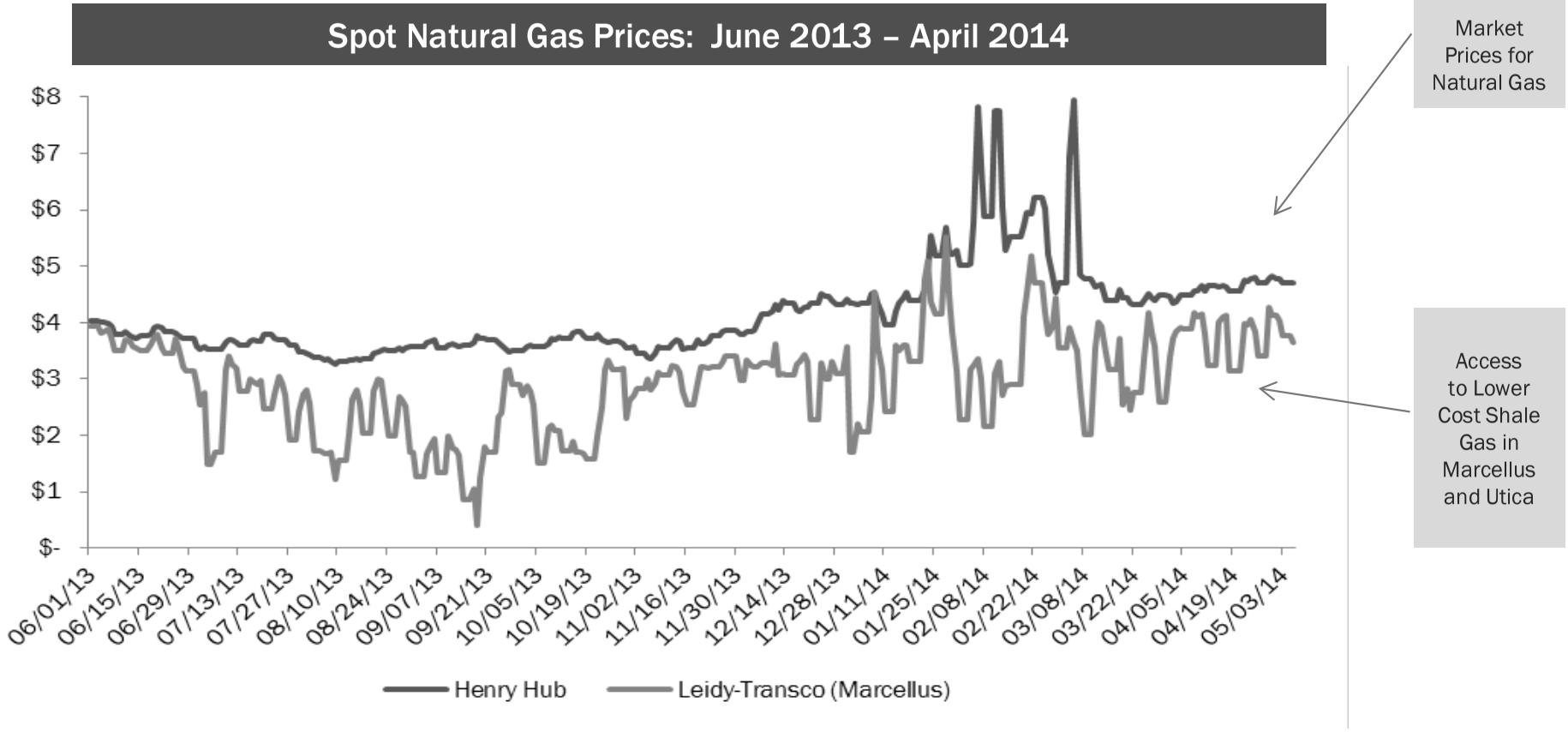
SI-SSA-0015-06639

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-06640

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

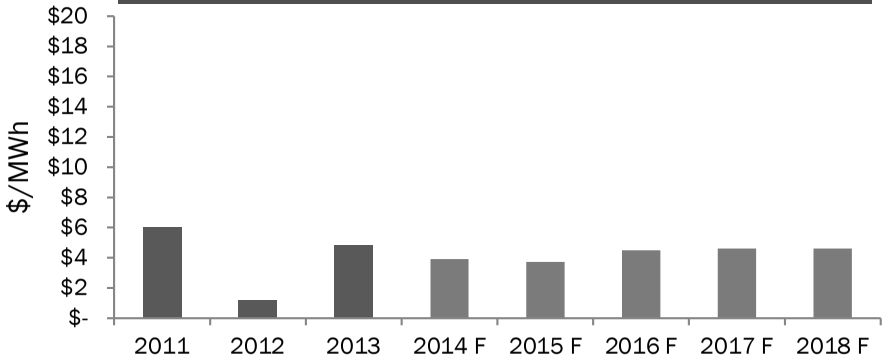


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

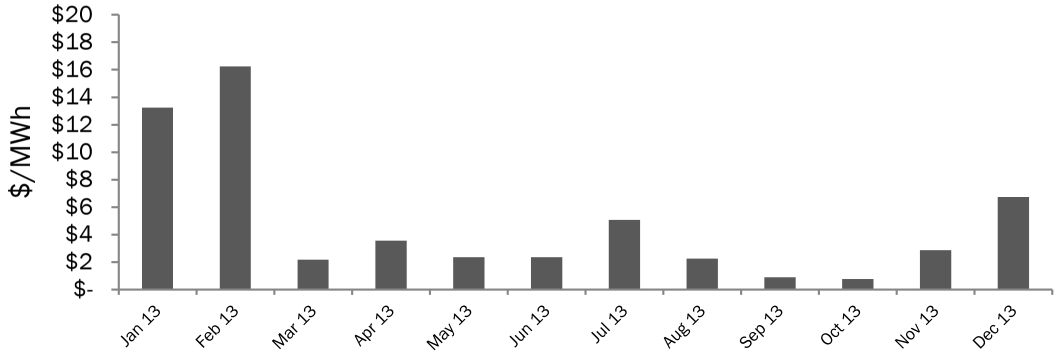
SI-SSA-0015-06641

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

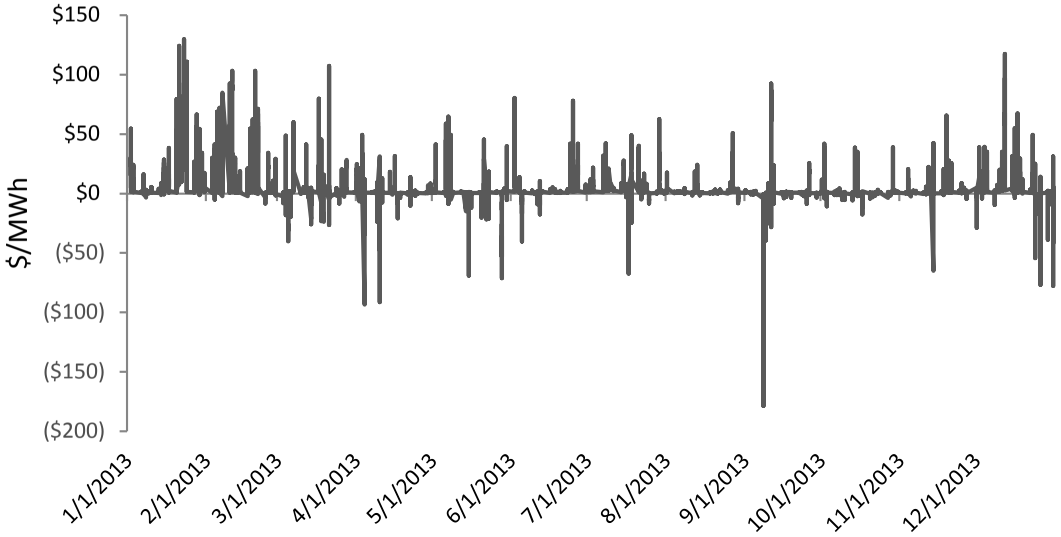


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W

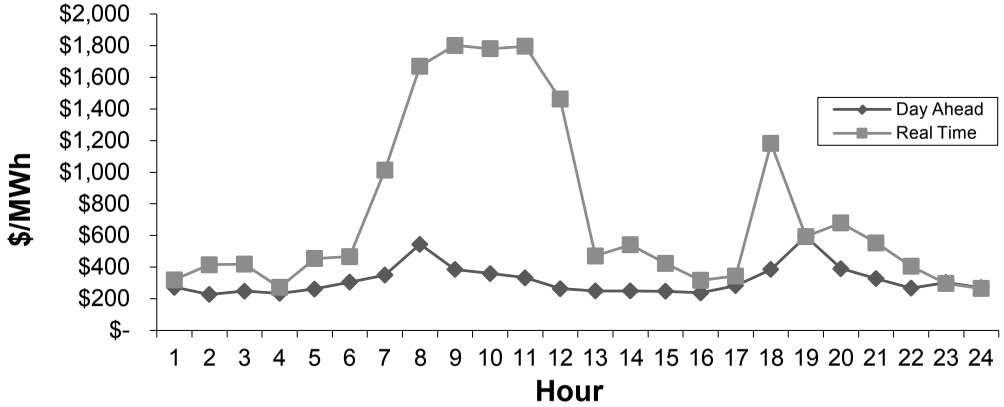


SI-SSA-0015-06642

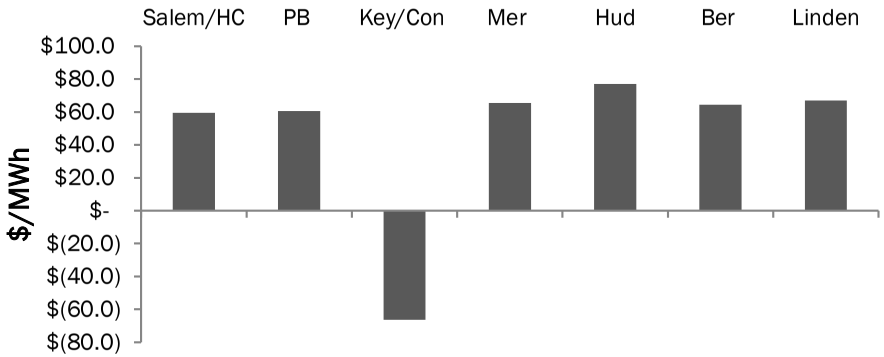
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

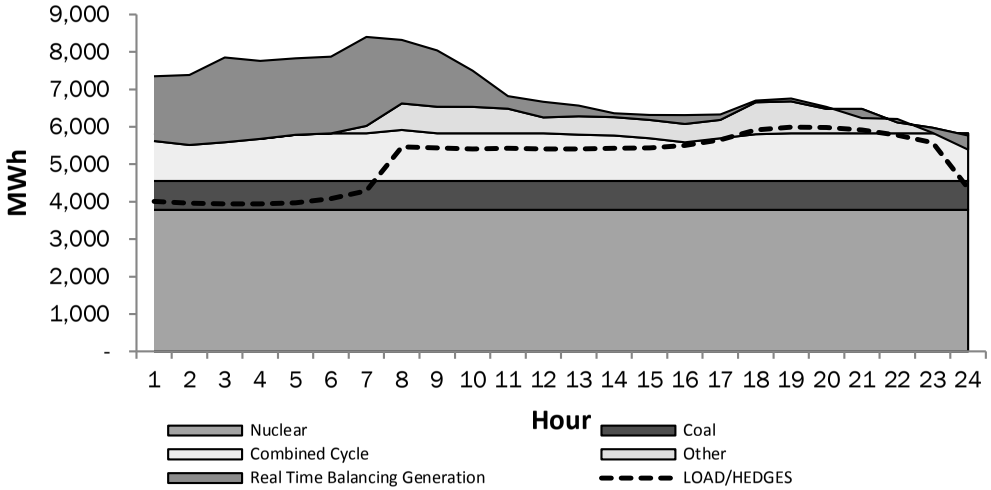
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

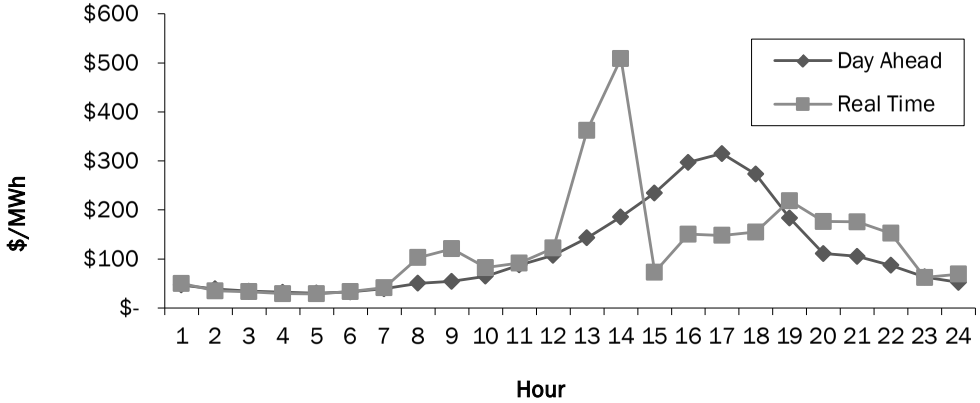


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

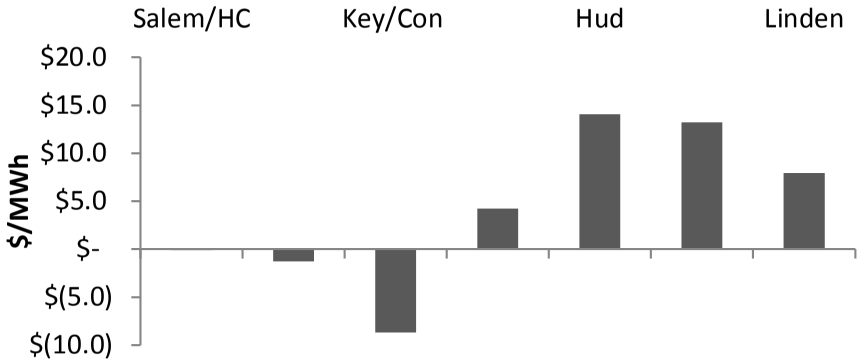
SI-SSA-0015-06643

Competitive Advantage: Trading & Asset Flexibility

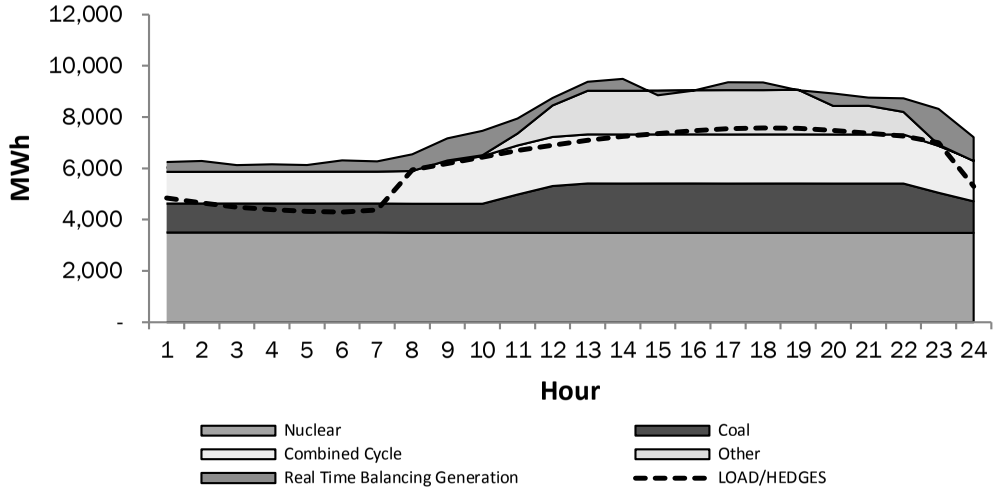
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



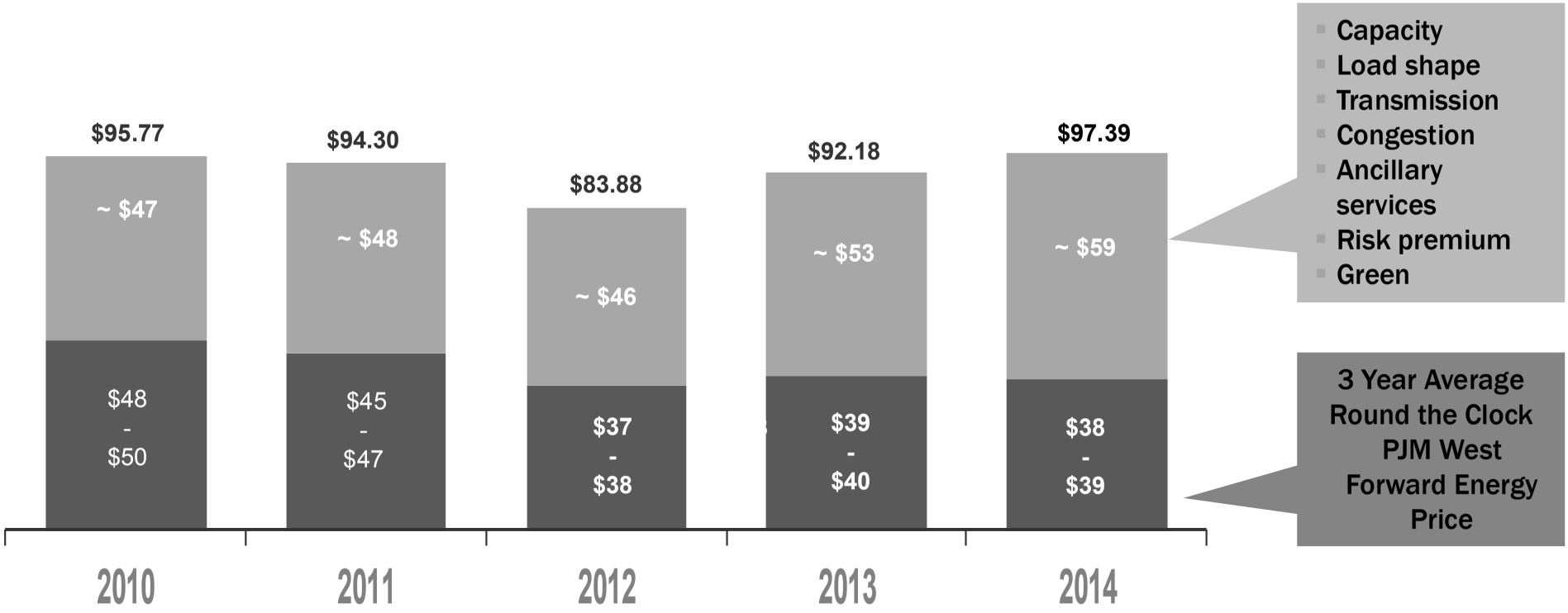
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-06644

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-06645

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06646

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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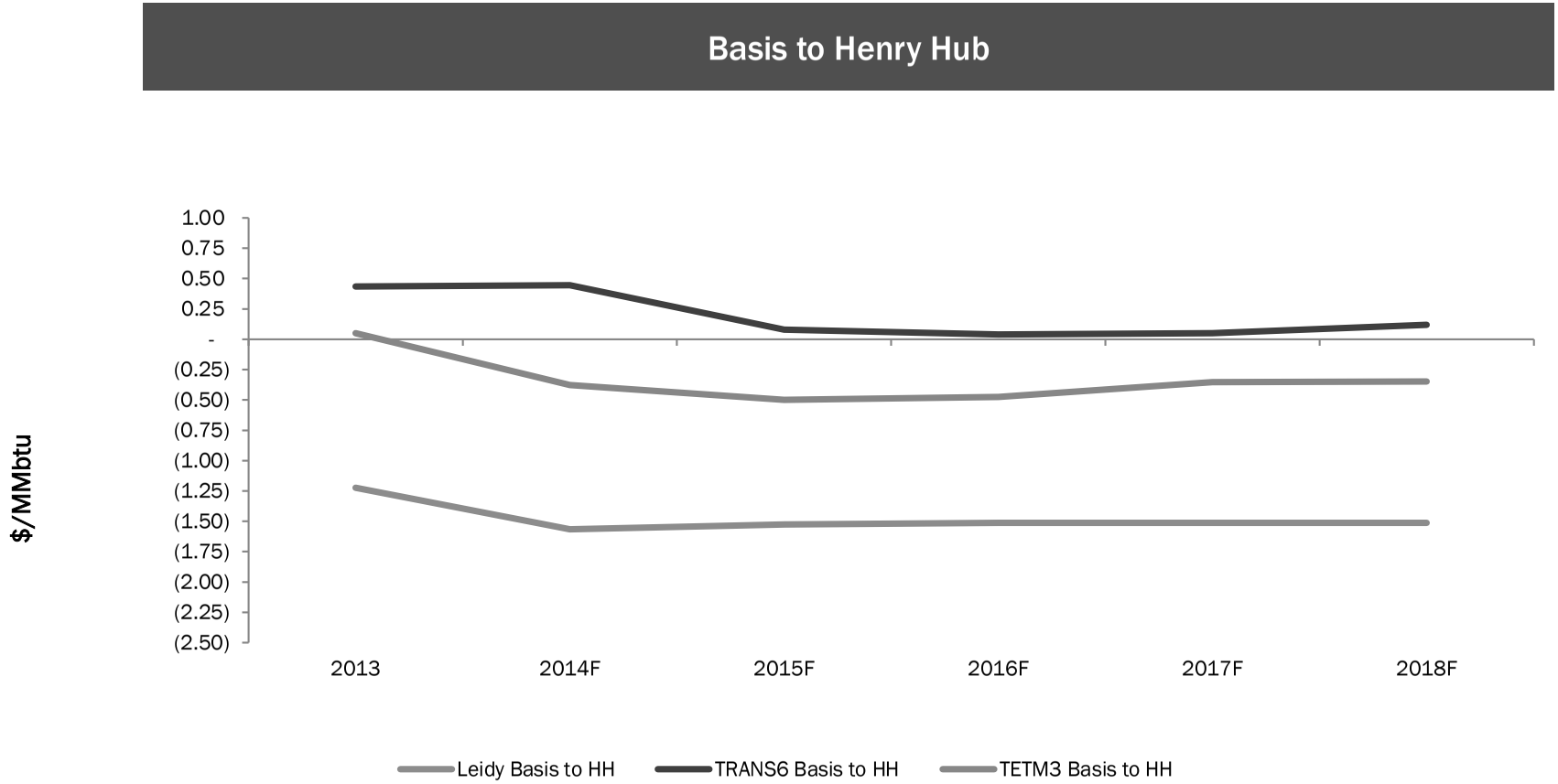
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-06648

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-06649

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-06650

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

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Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

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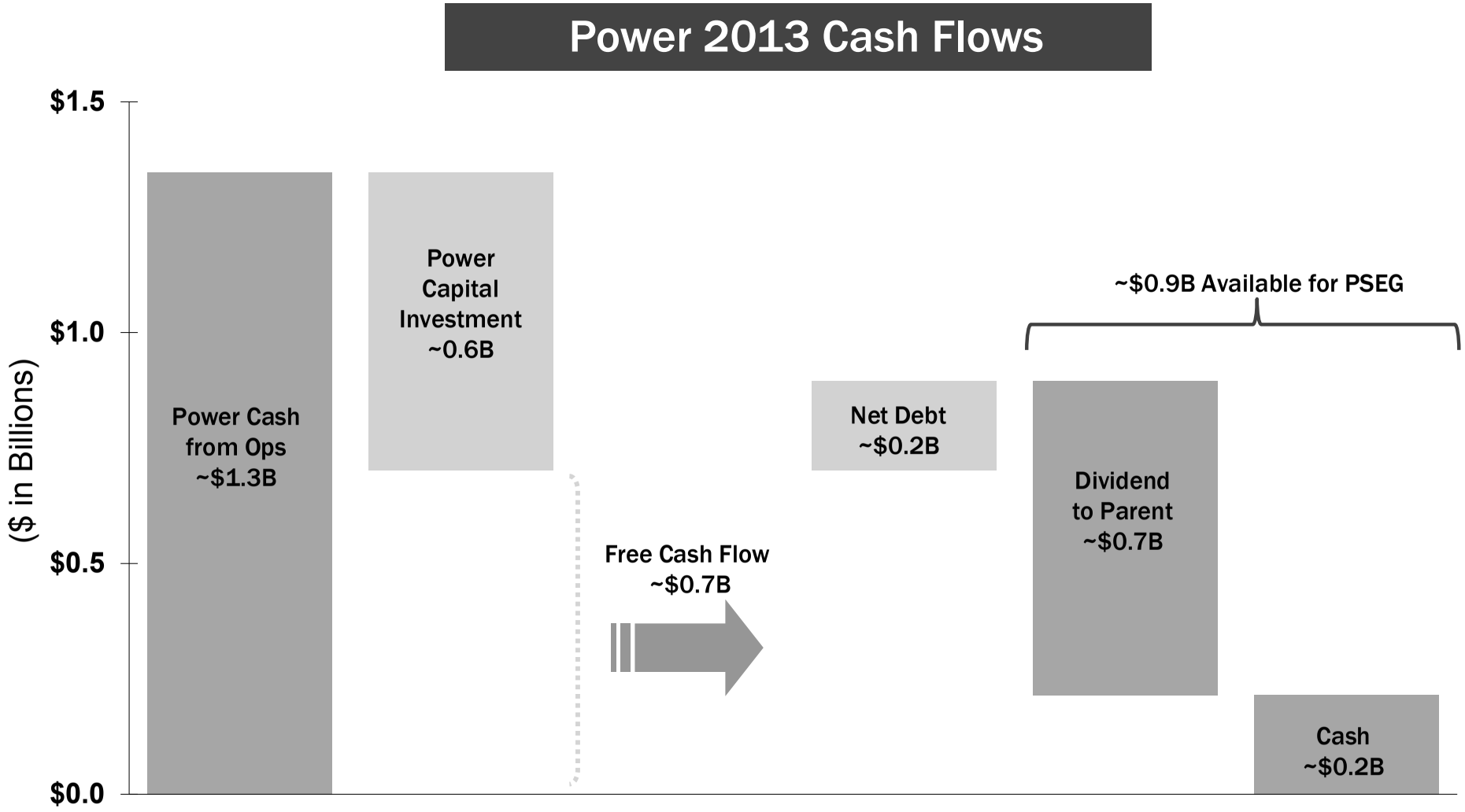
In 2013, Power had significant free cash flow



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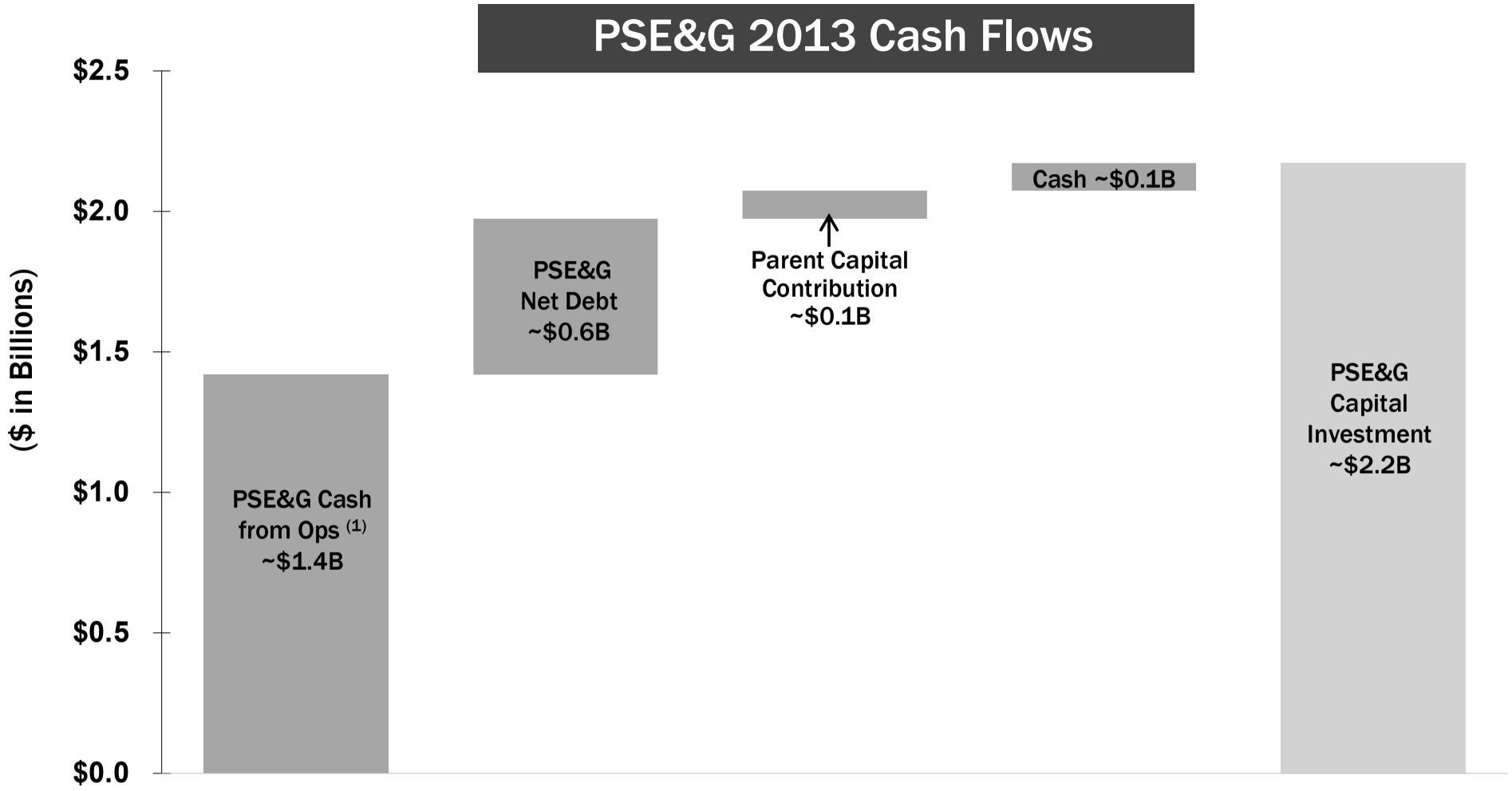
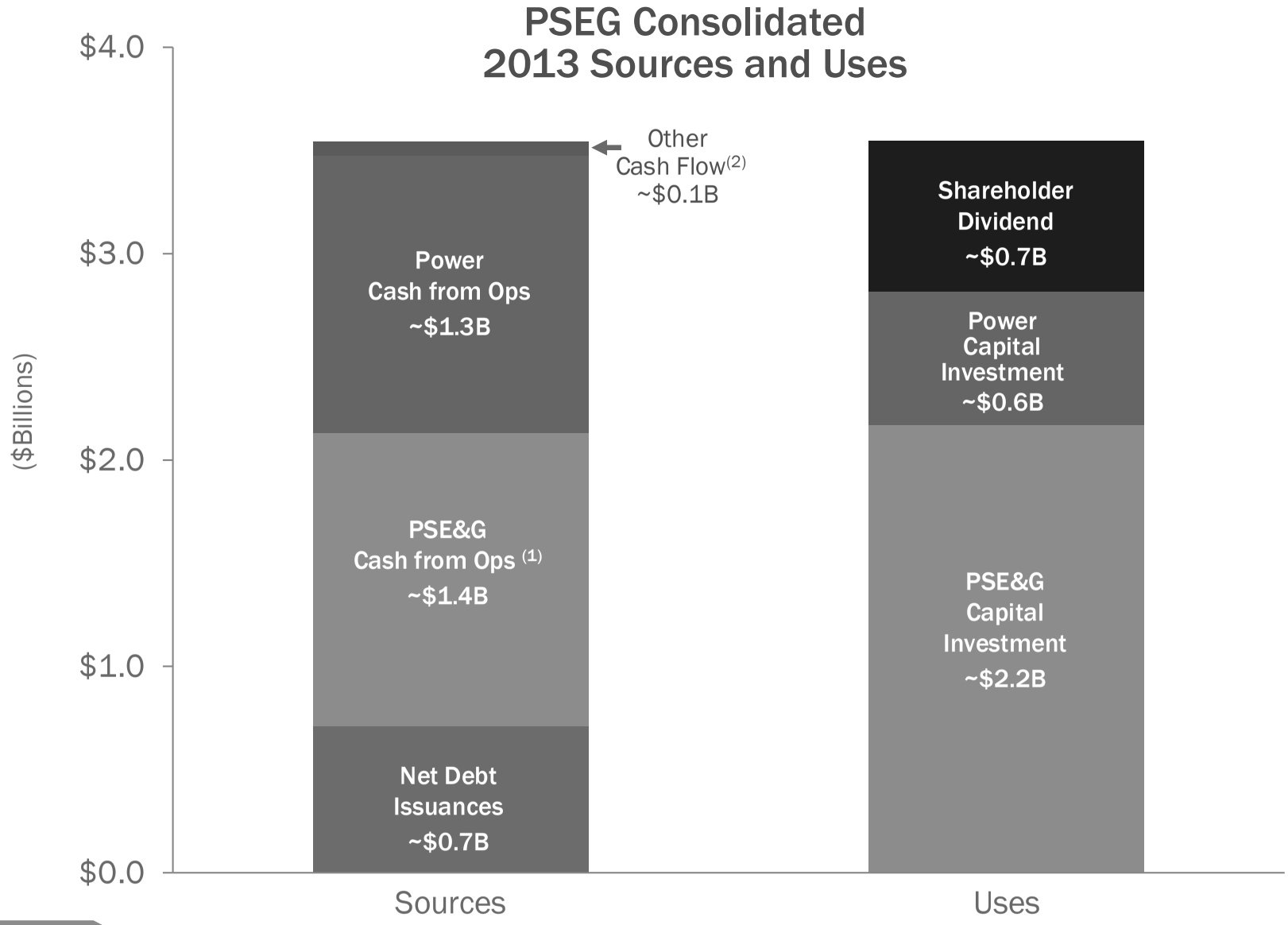
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-06654

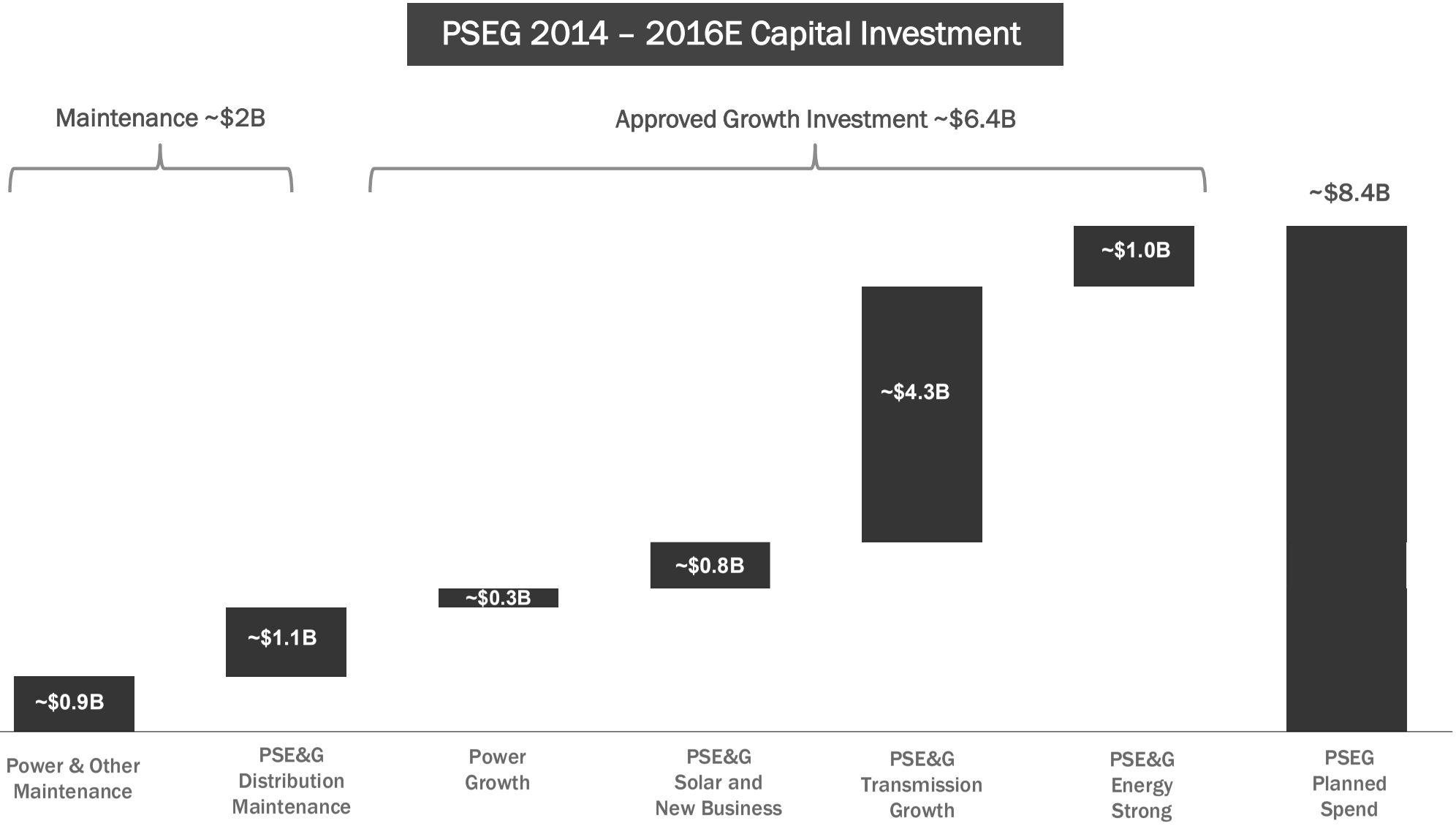
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-06655

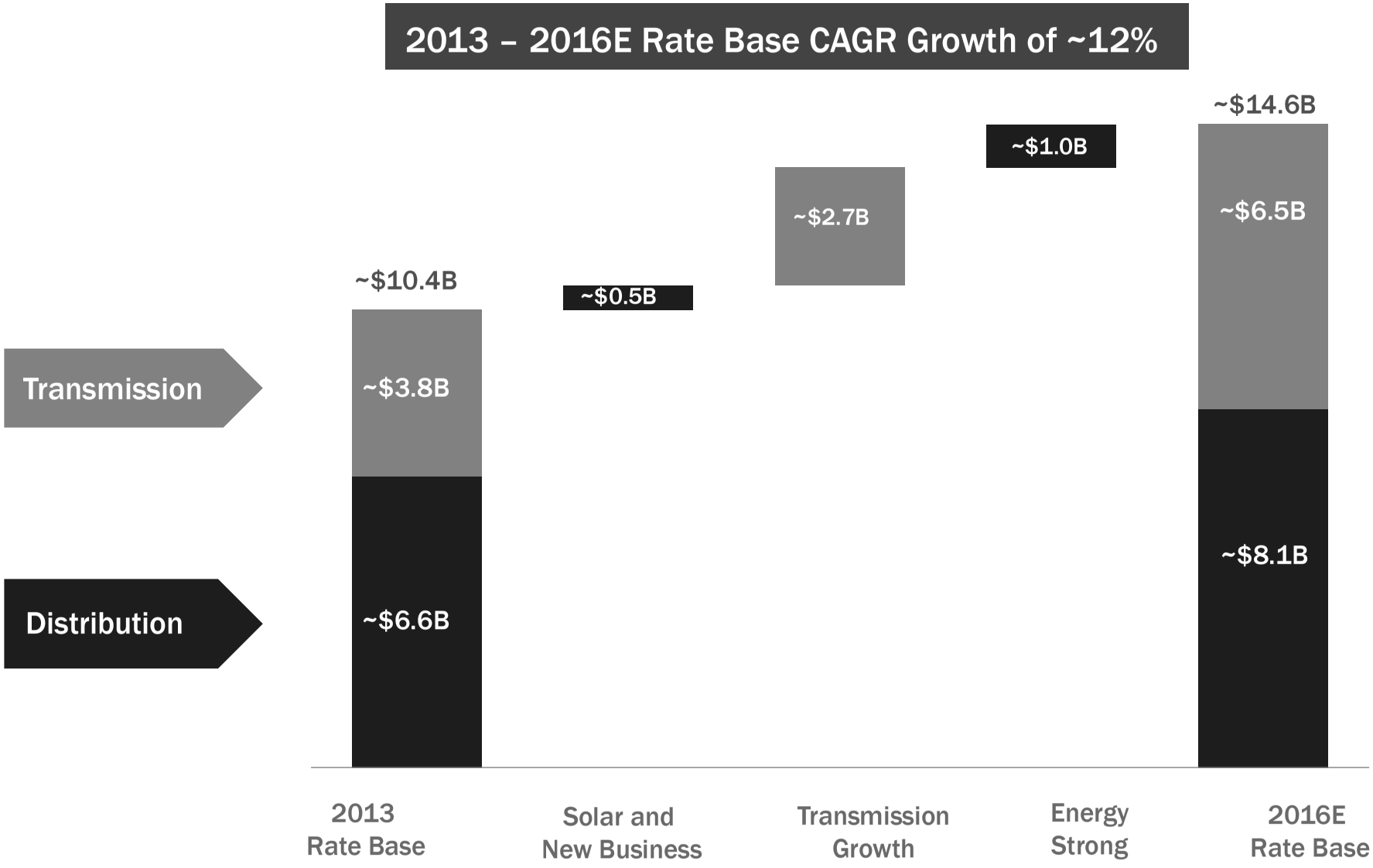
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-06656

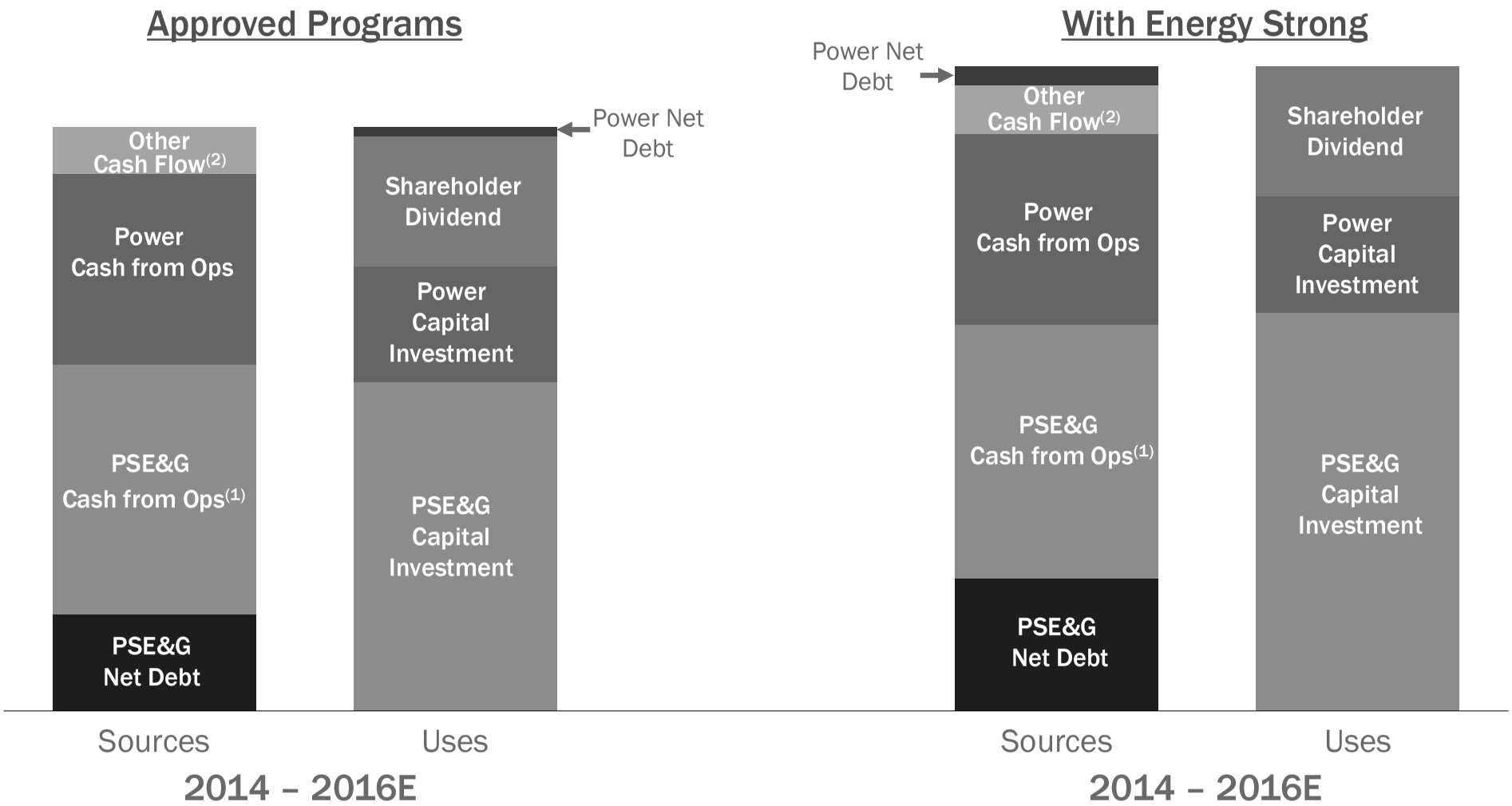
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-06657

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

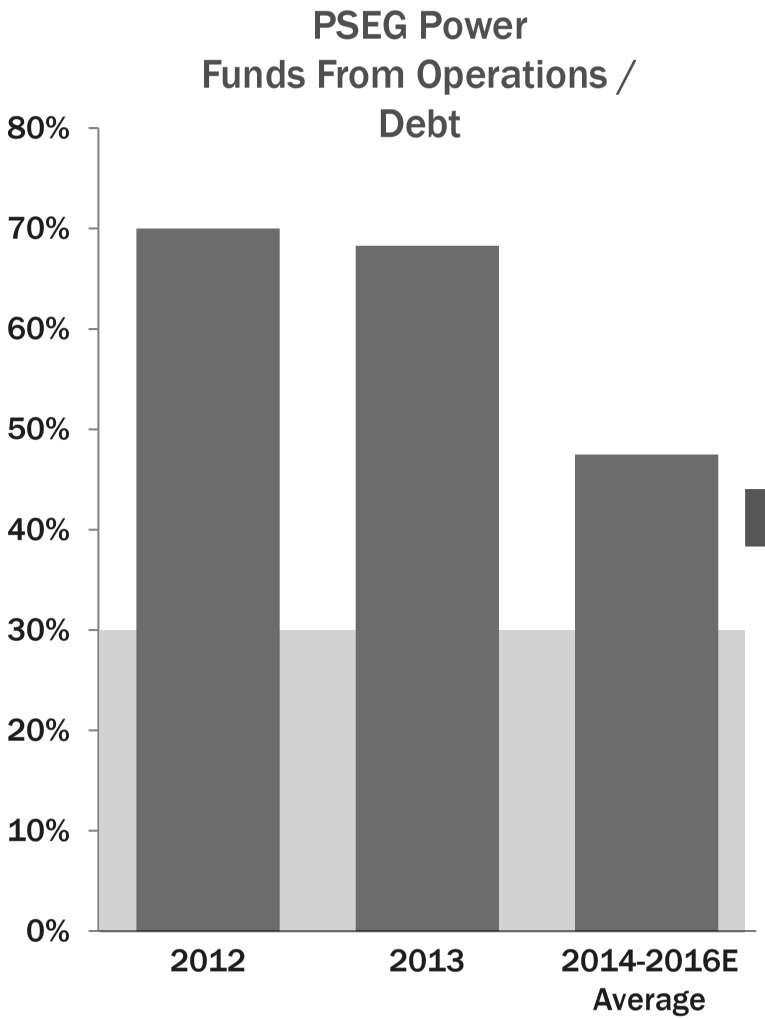
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-06658

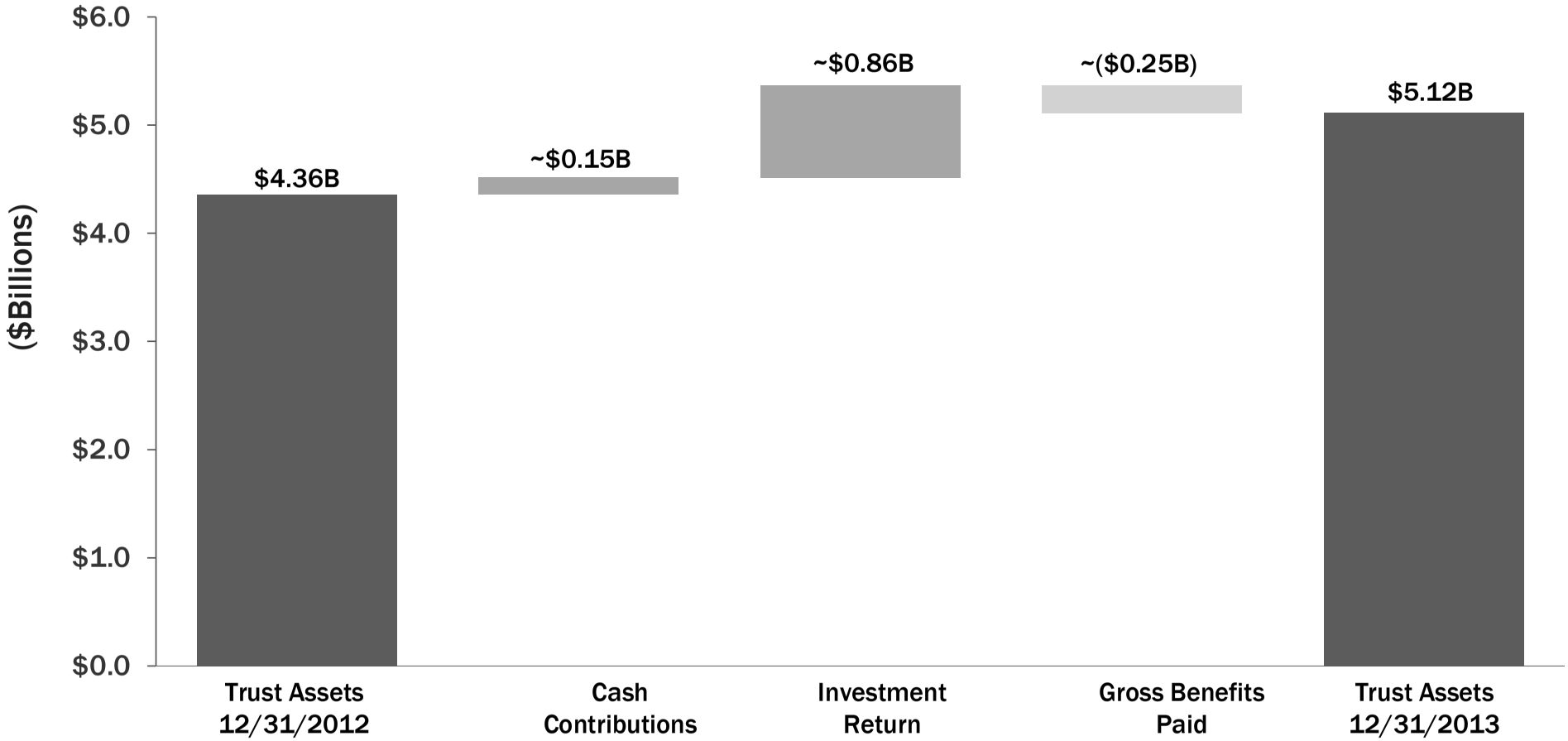
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-06659

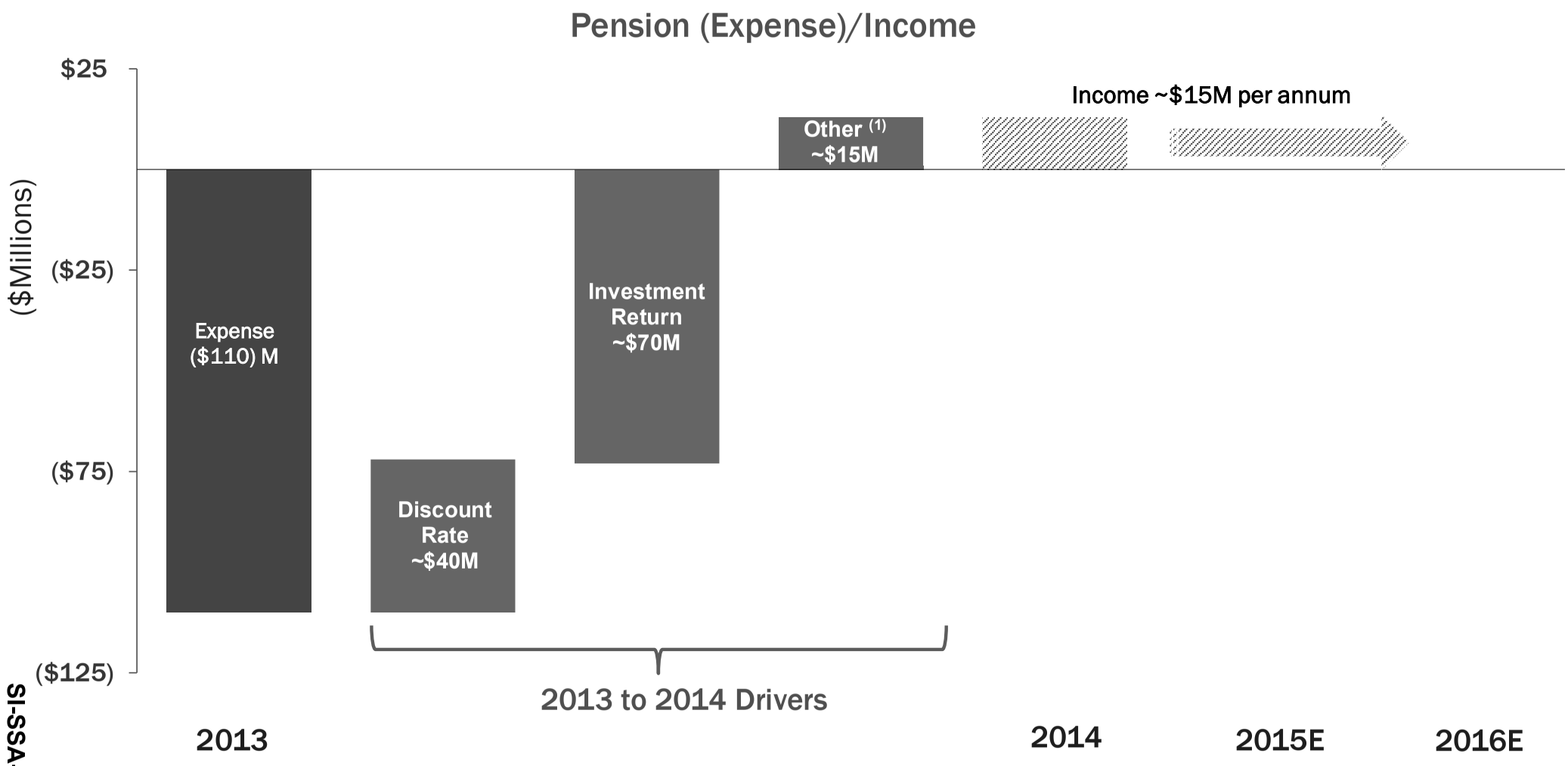
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-06660

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-06661

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

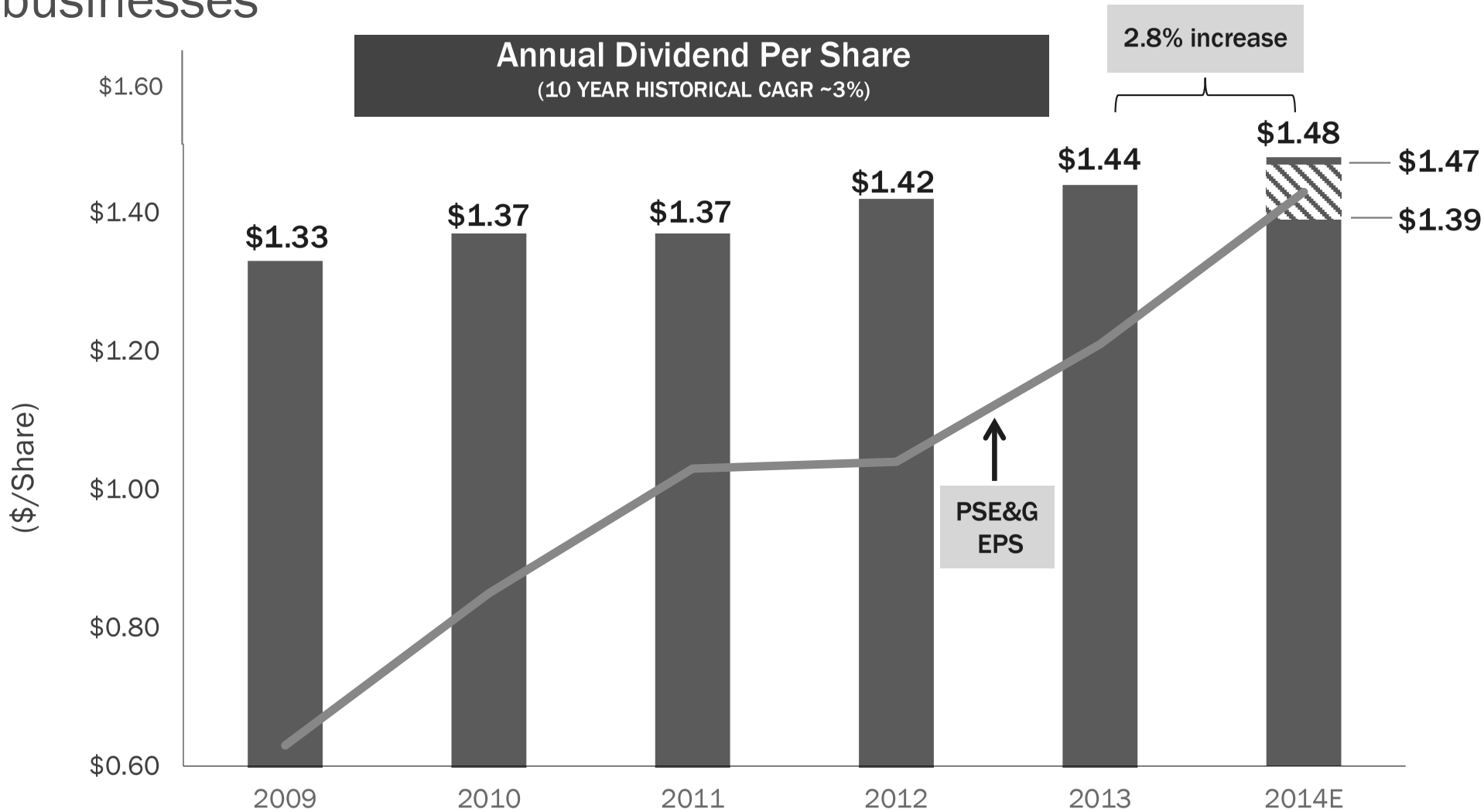
SI-SSA-0015-06662

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-06663

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-06664

PSEG Summary

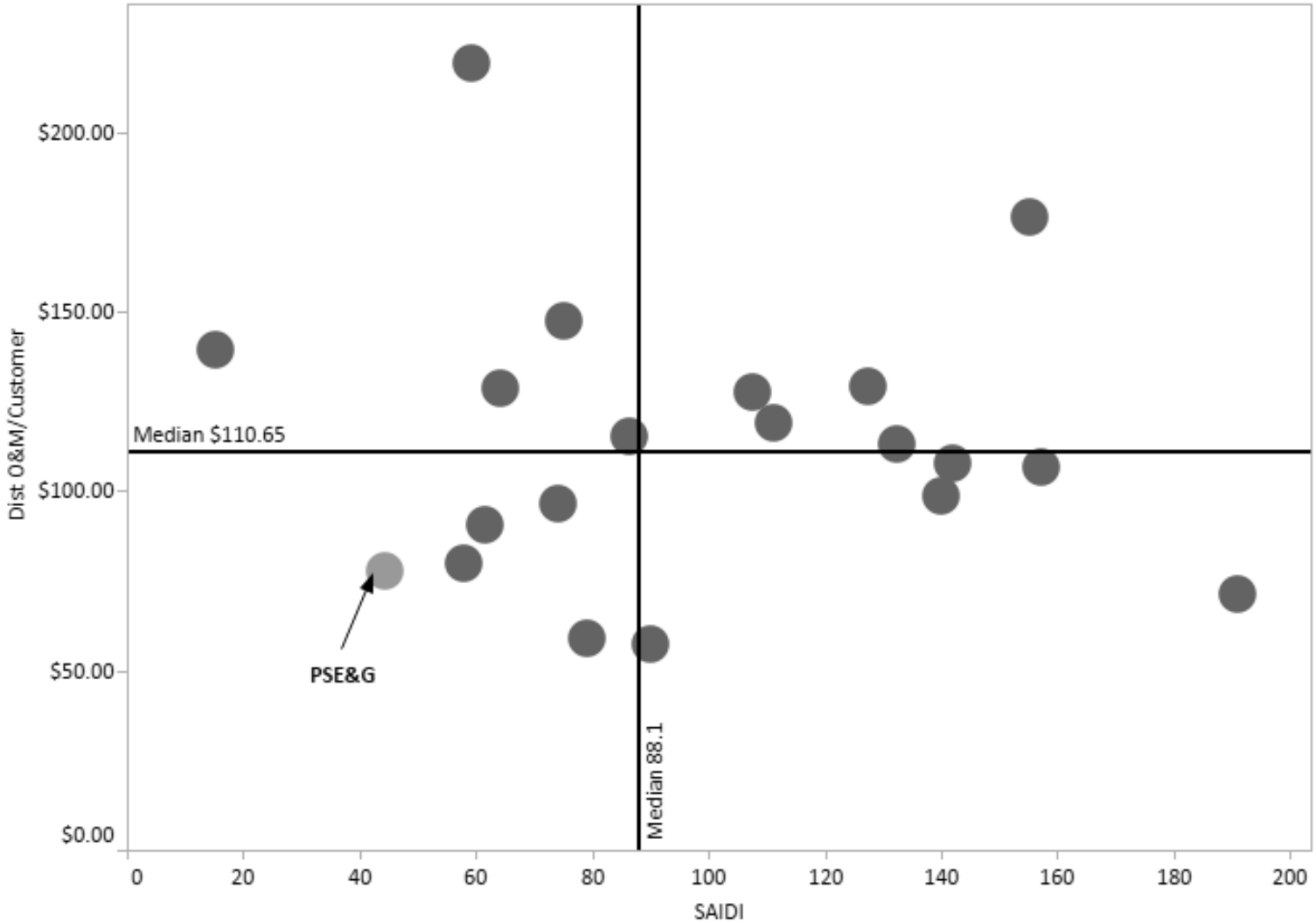
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-06665

PSE&G APPENDIX

SI-SSA-0015-06666

PSE&G provides high reliability at below average cost which creates superior value to customers

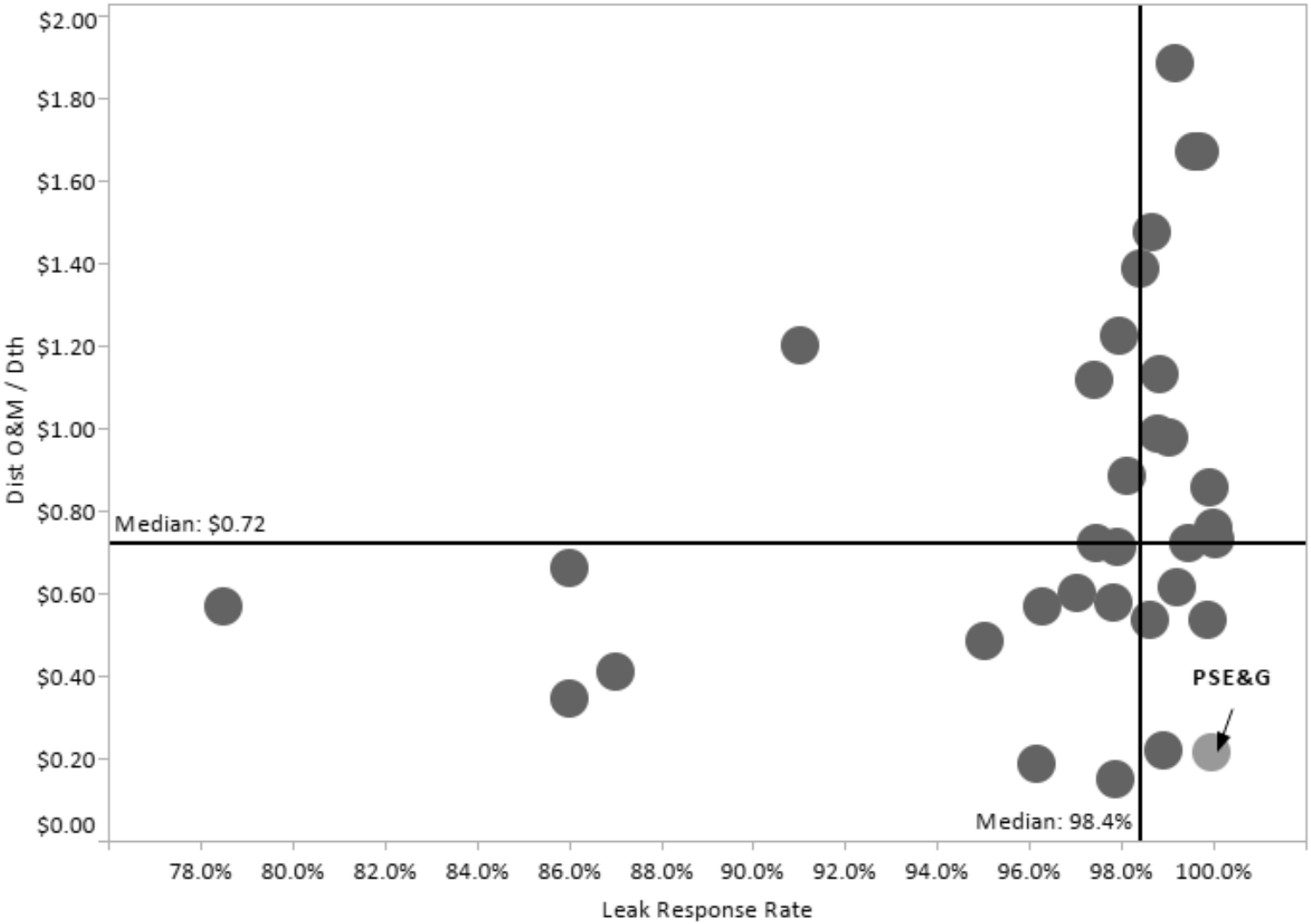


SI-SSA-0015-06667

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



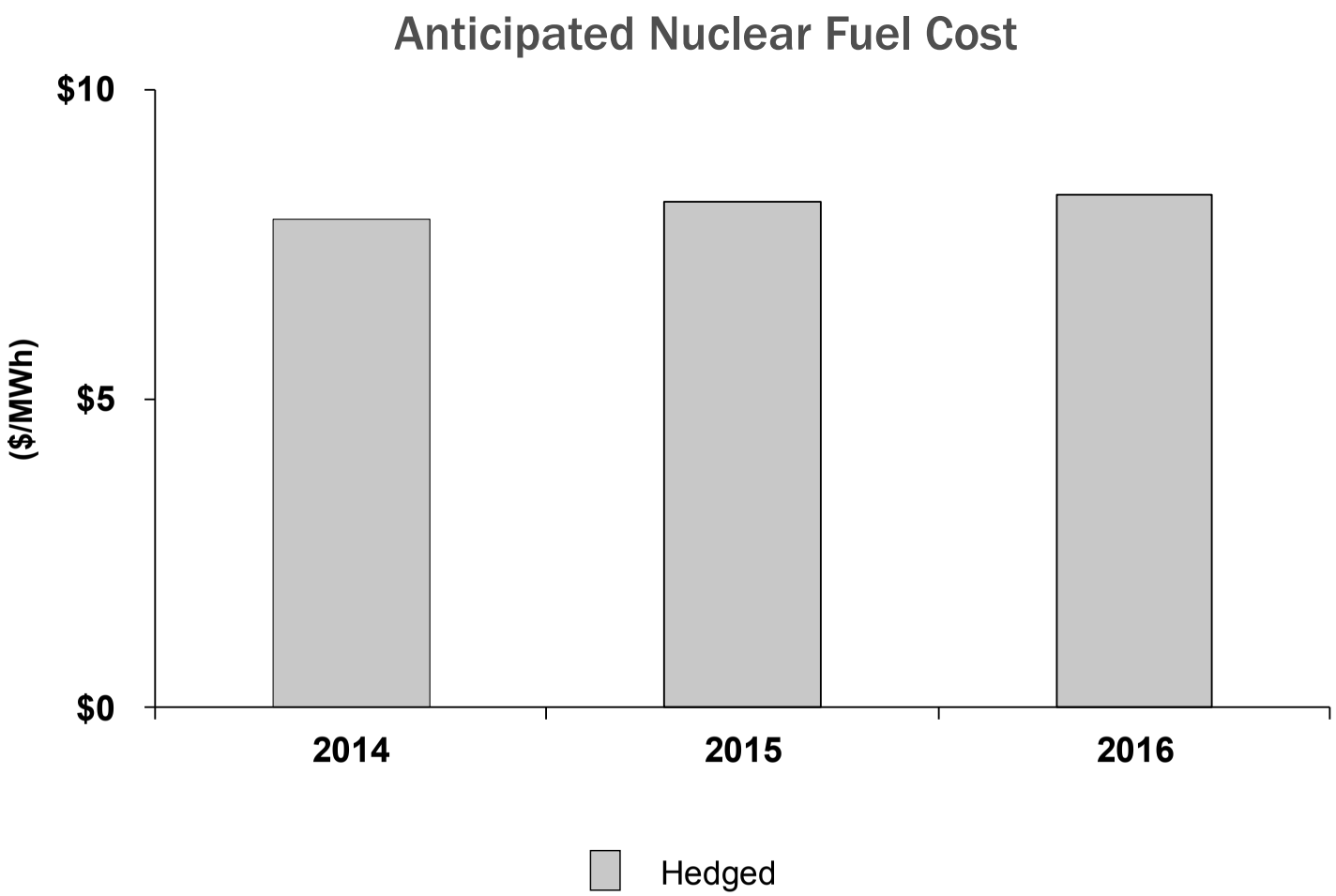
SI-SSA-0015-06668

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

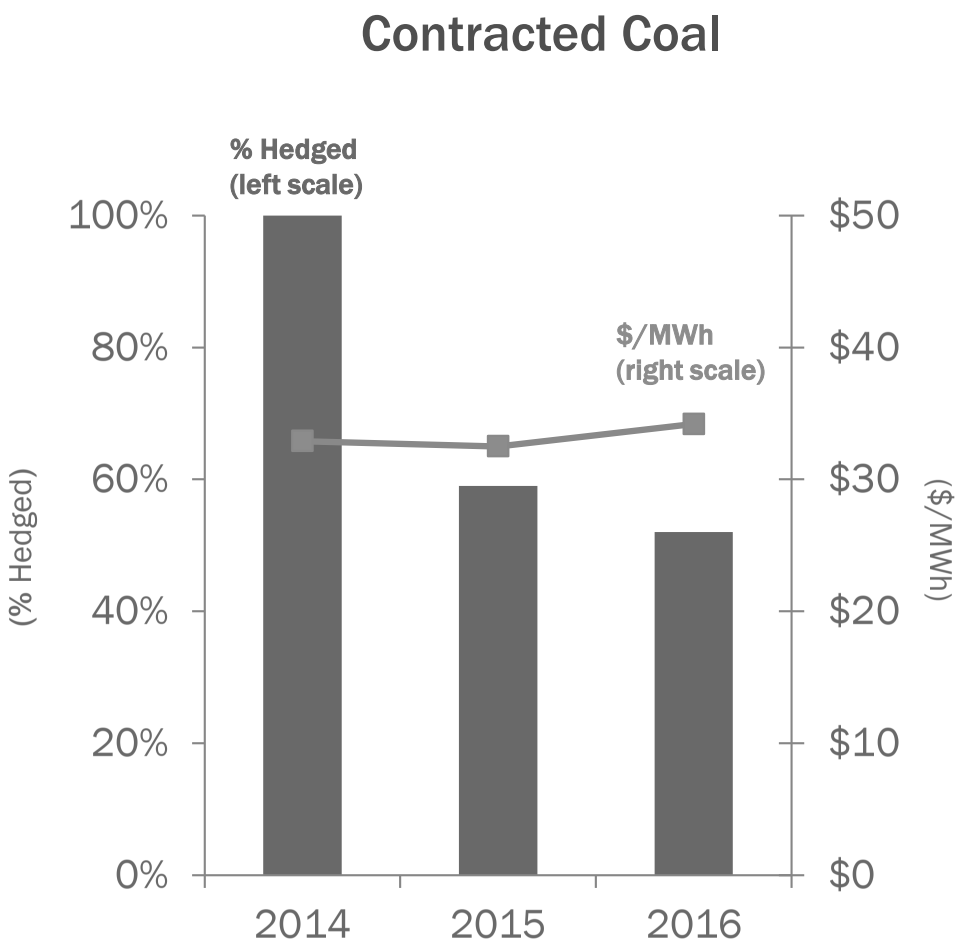
SI-SSA-0015-06669

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-06670

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-06671

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-06672

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06673

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

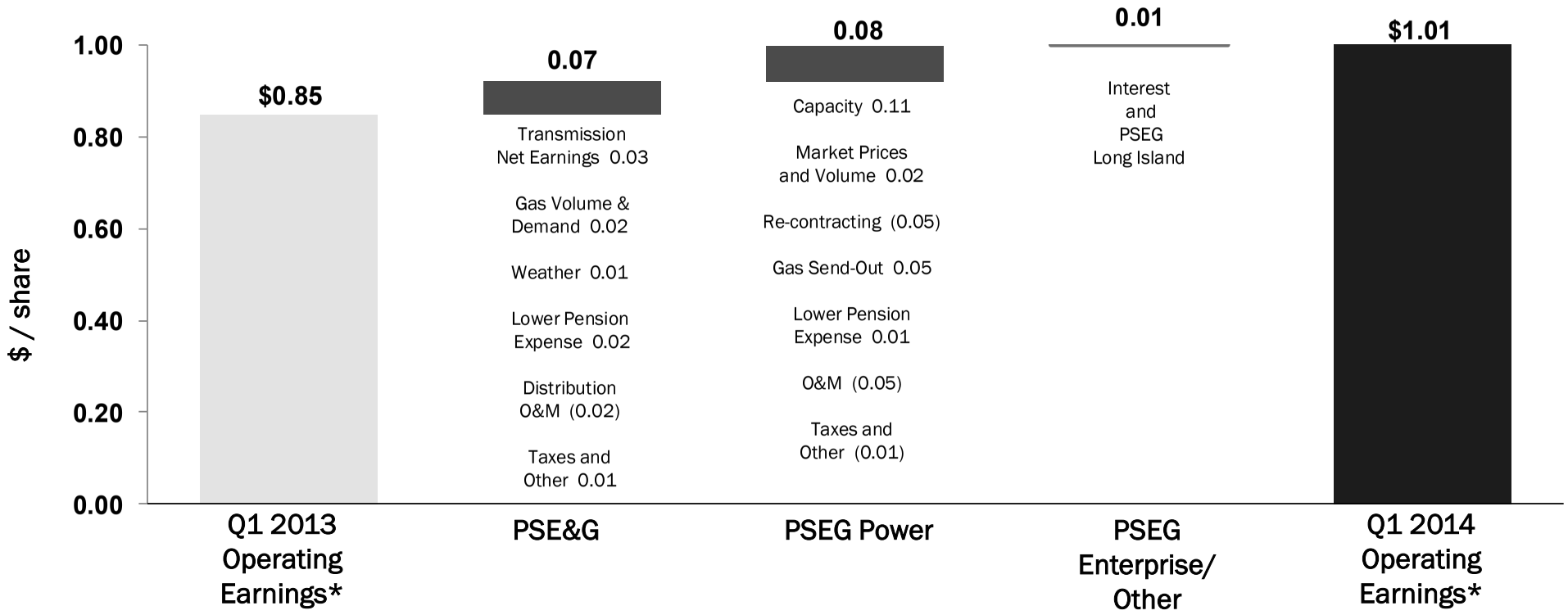
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-06674

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-06675

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

SI-SSA-0015-06676

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-06677

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-06678

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-06679

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a]Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	**(Unaudited)**			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-06681

Credit Suisse - Texas Investor Meetings

DALLAS * HOUSTON * AUSTIN - AUGUST 5, 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06682

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-06683

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-06684

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-06685

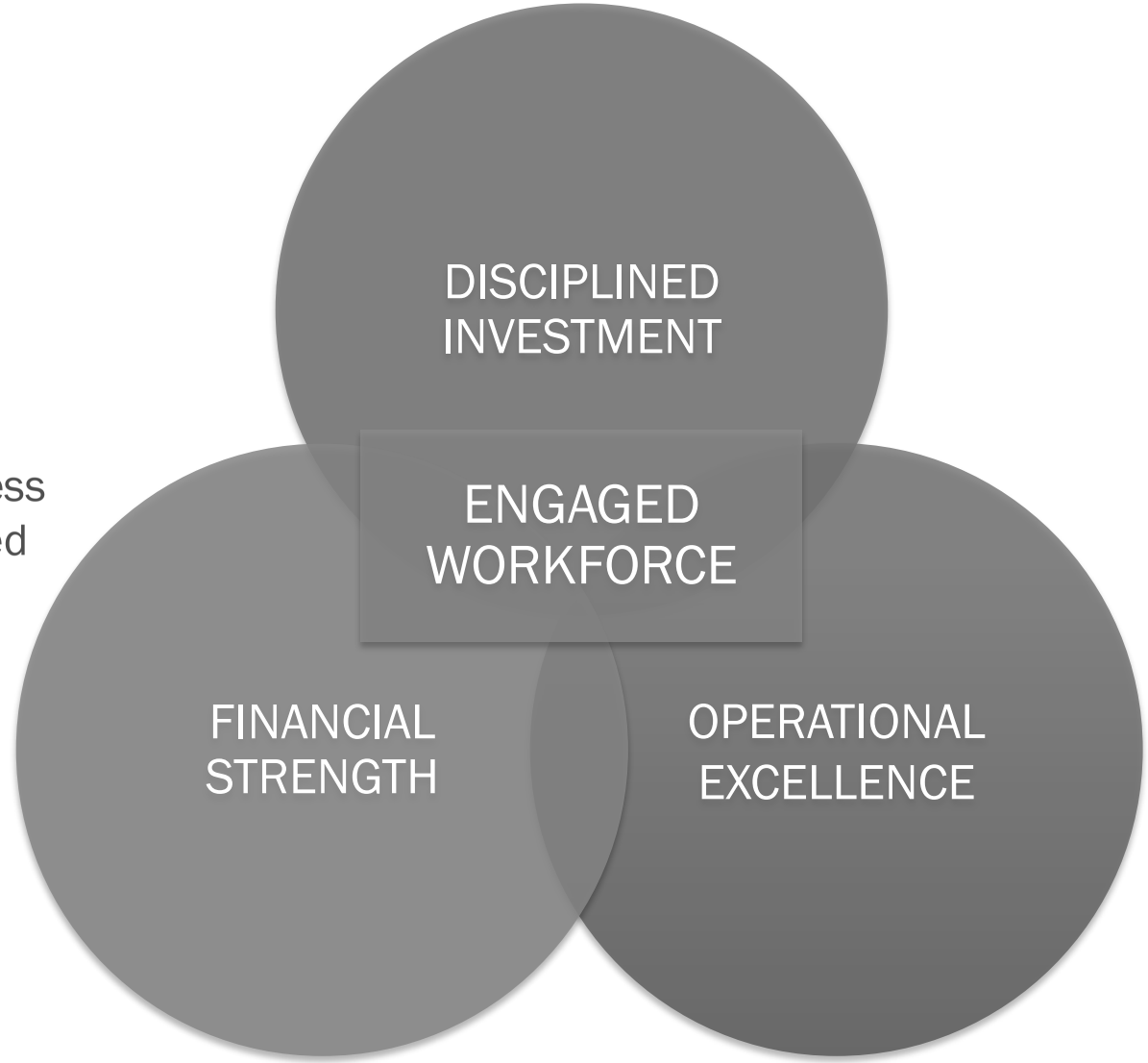
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-06686

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-06687

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

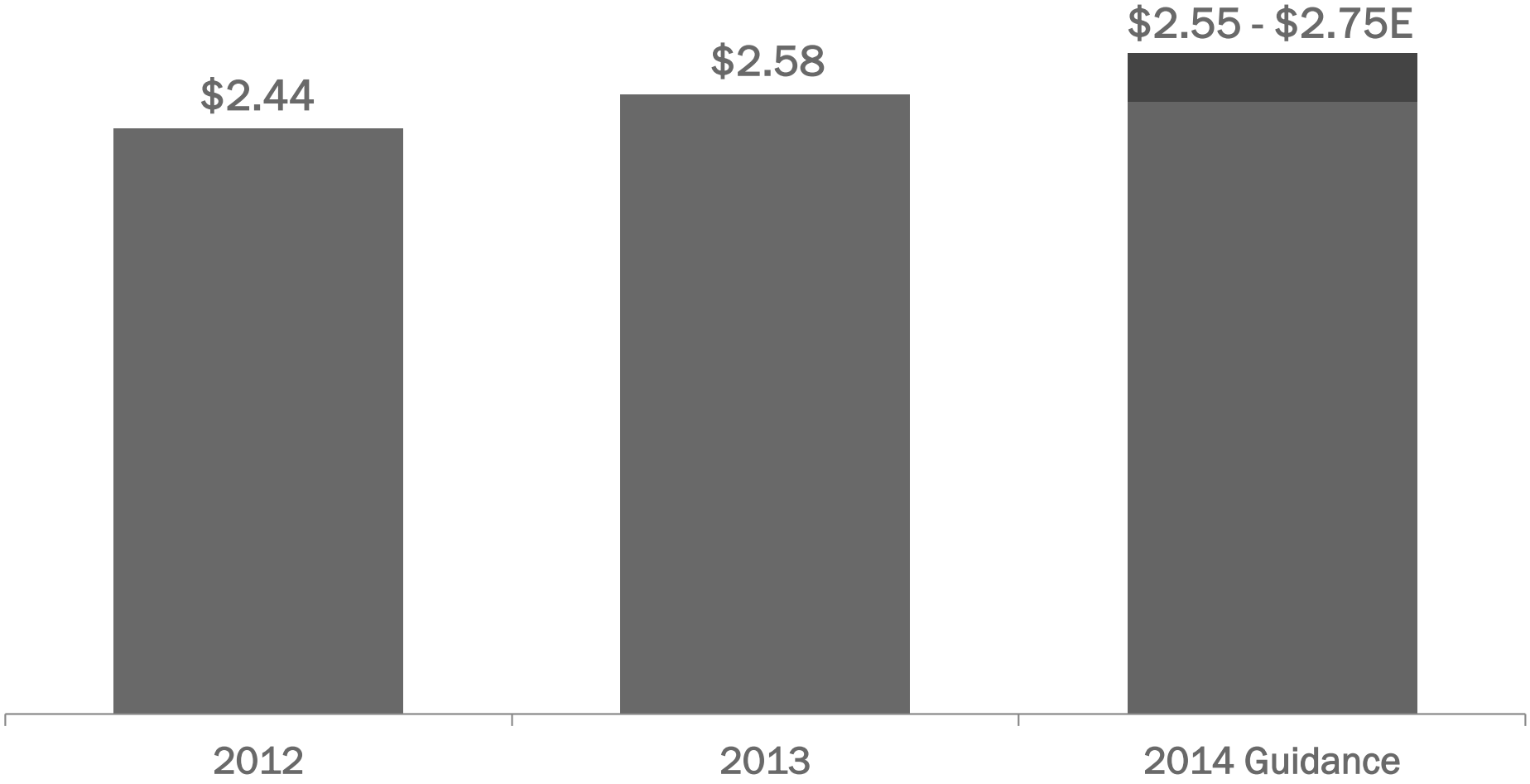
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-06688

PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SI-SSA-0015-06689

PSEG

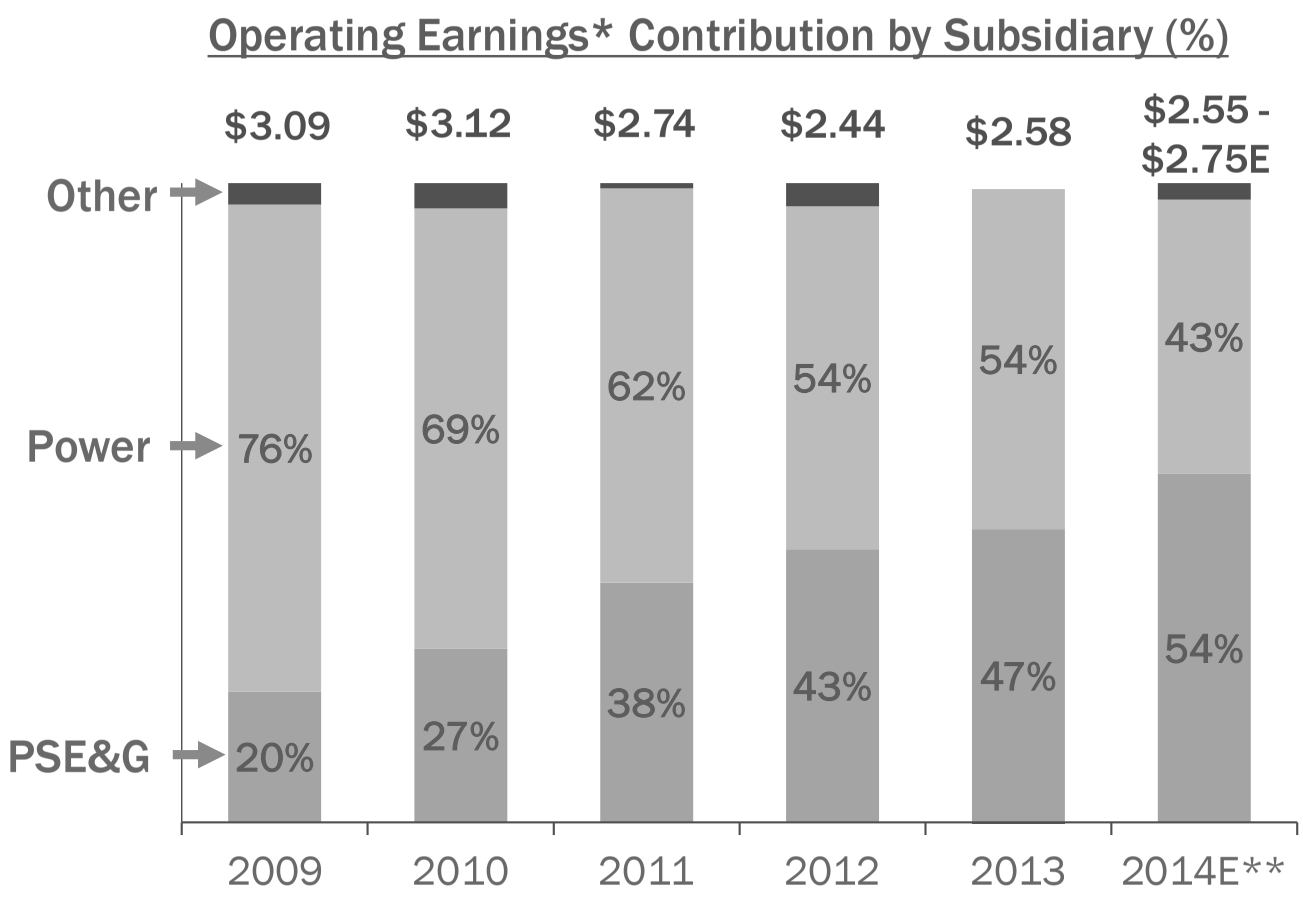
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



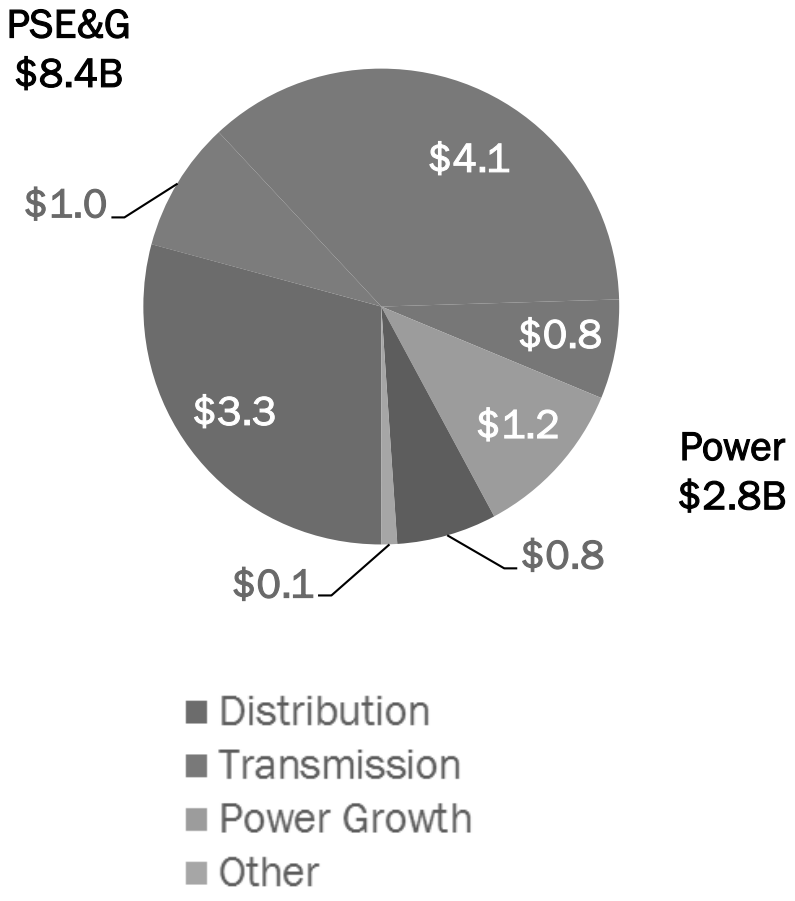
SI-SSA-0015-06690

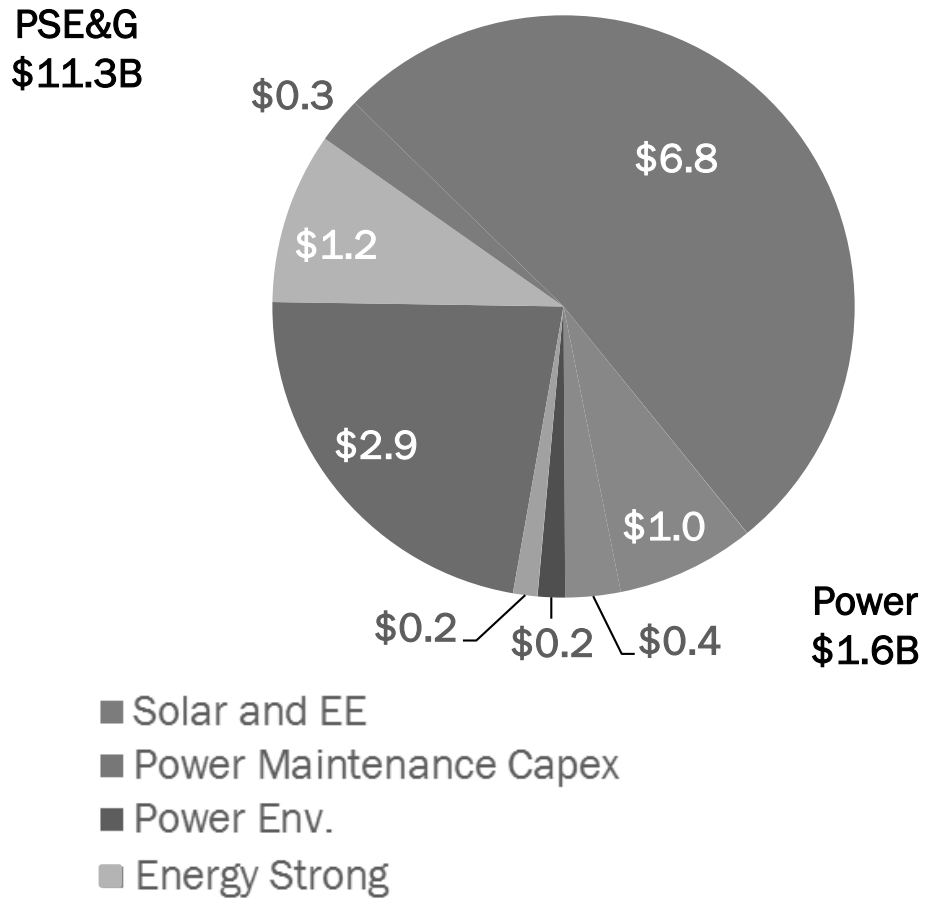
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

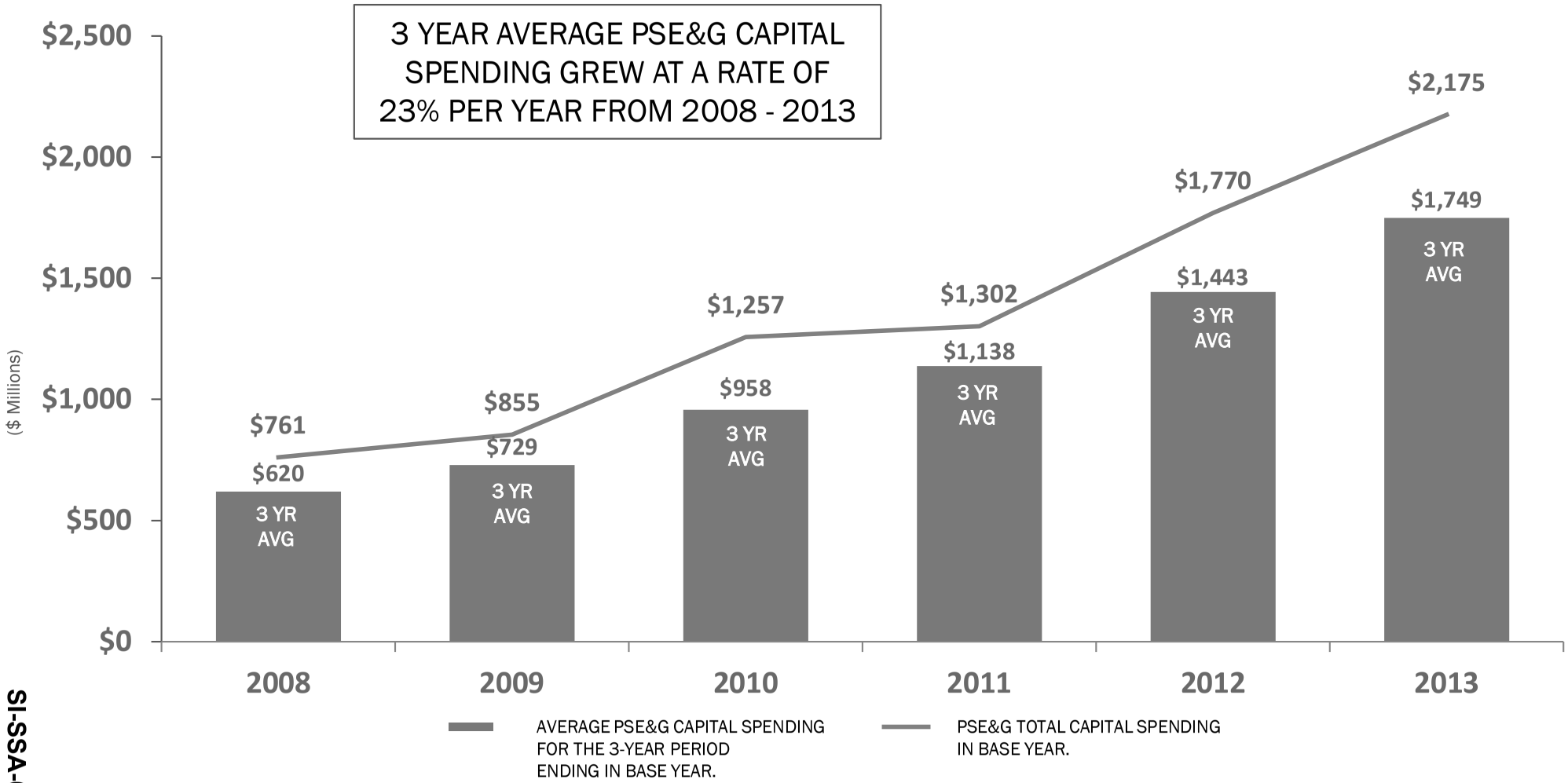




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-06691

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-06692

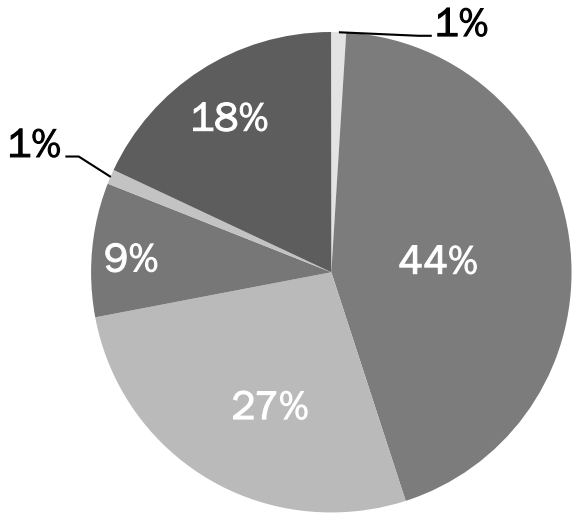
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

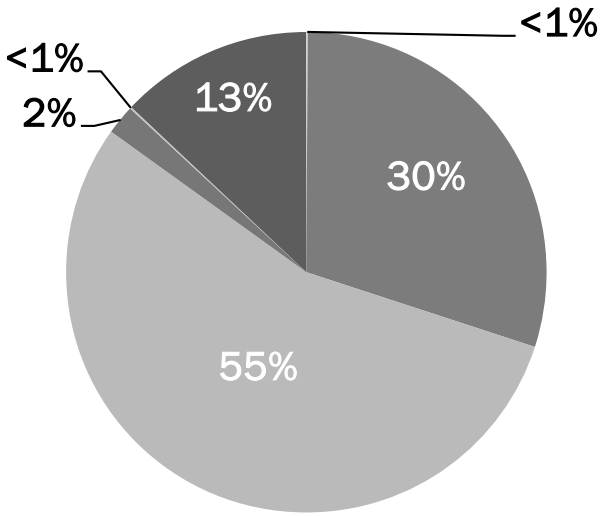
SI-SSA-0015-06693

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

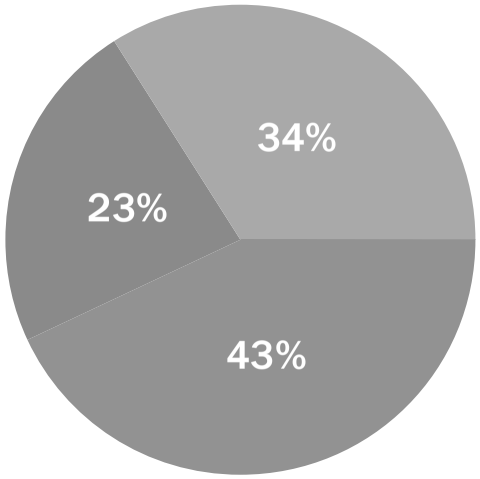
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-06694

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

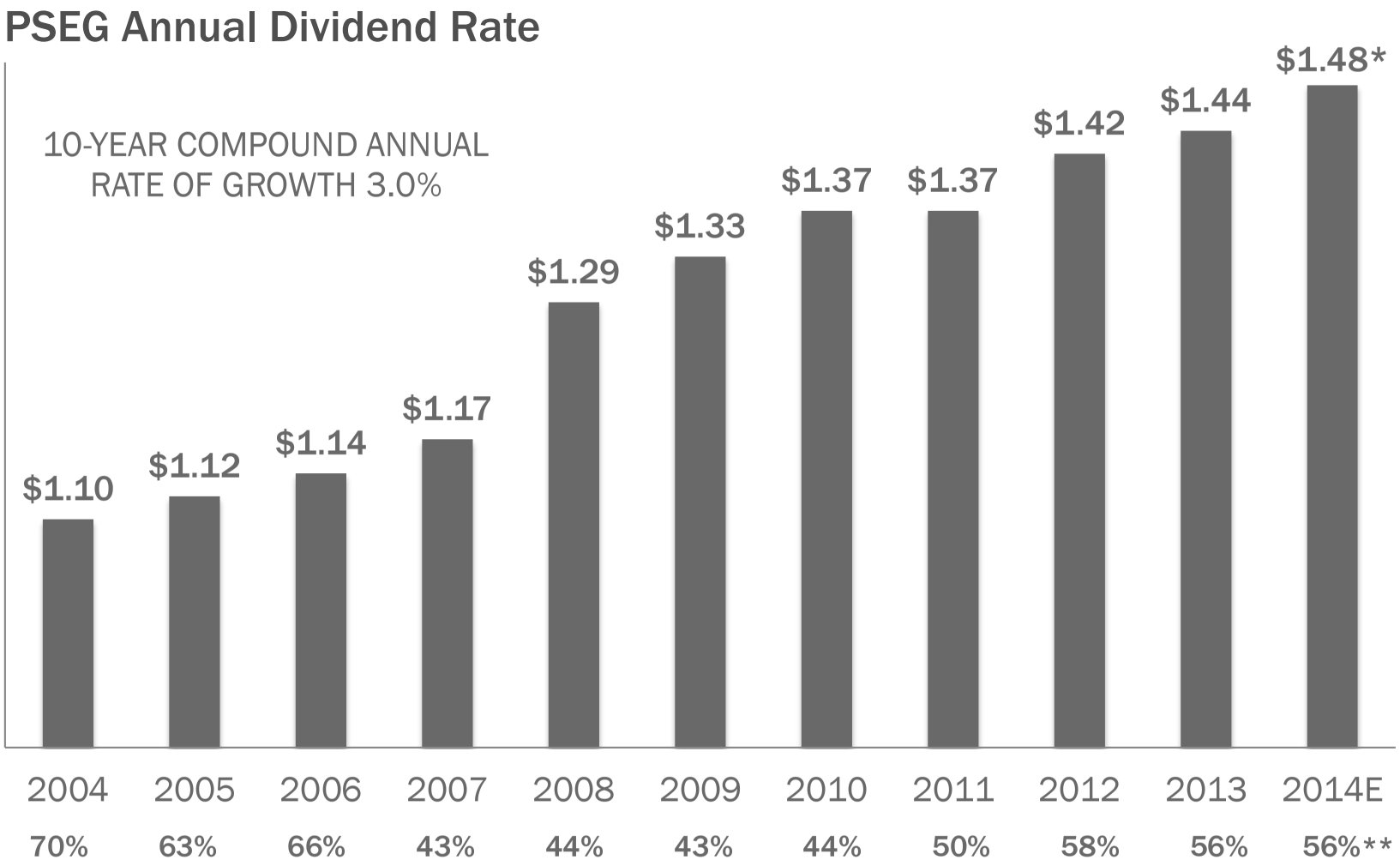
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-06695

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-06696

PSEG Q2 2014 Financial Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-06697

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-06698

PSE&G

PSEG

We make things work for you.

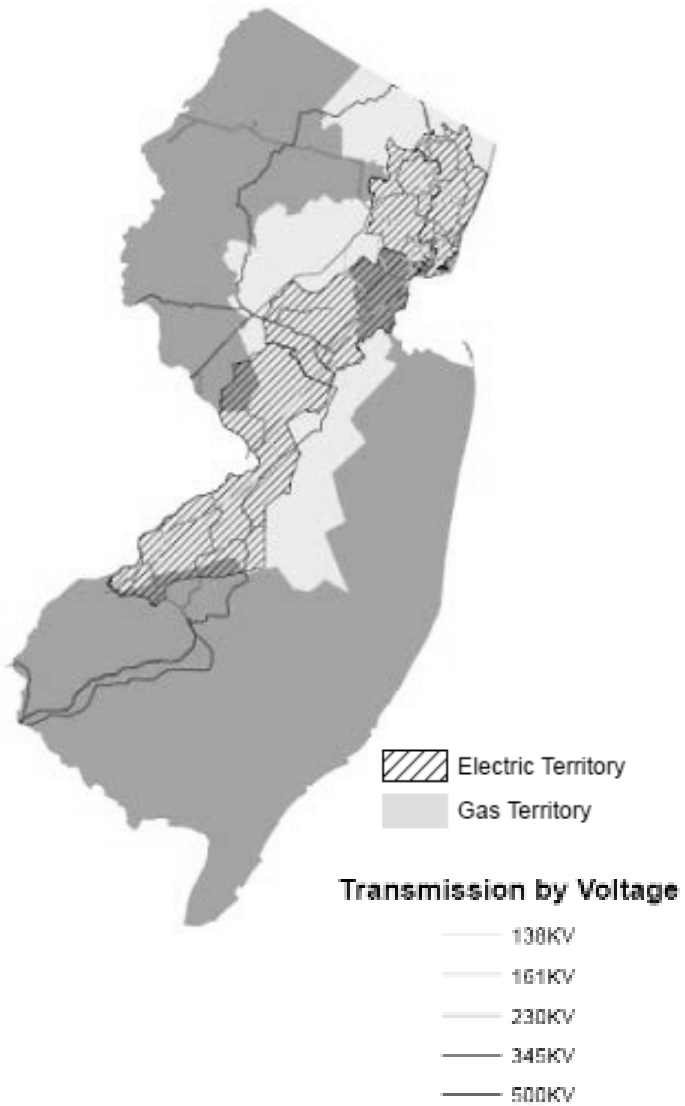
SI-SSA-0015-06699

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06700

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-06701

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-06702

PSE&G's operating earnings grew ~18%

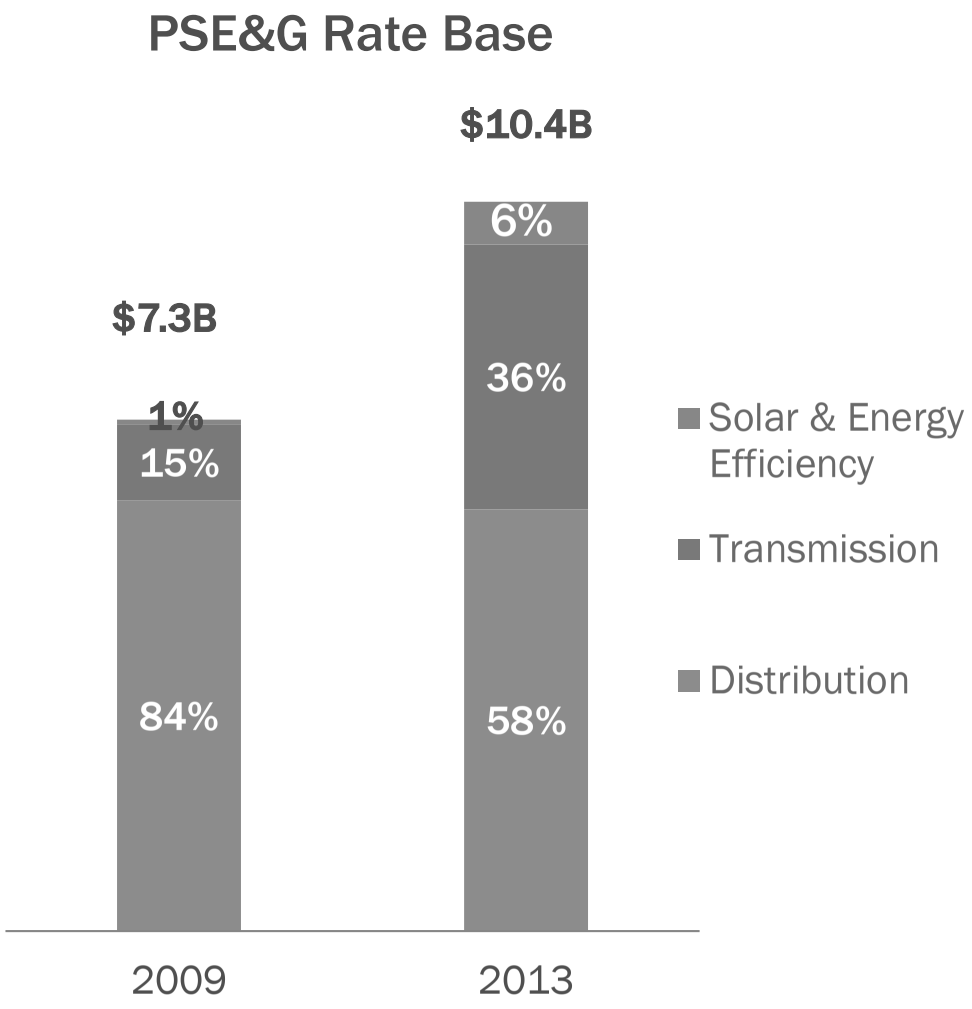
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-06703

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-06704

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

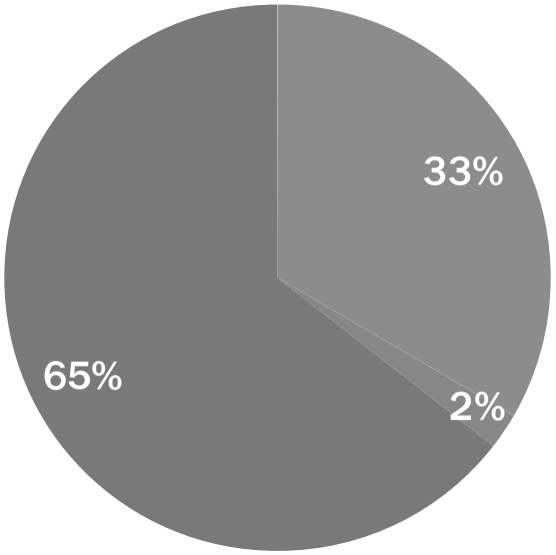
SI-SSA-0015-06705

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

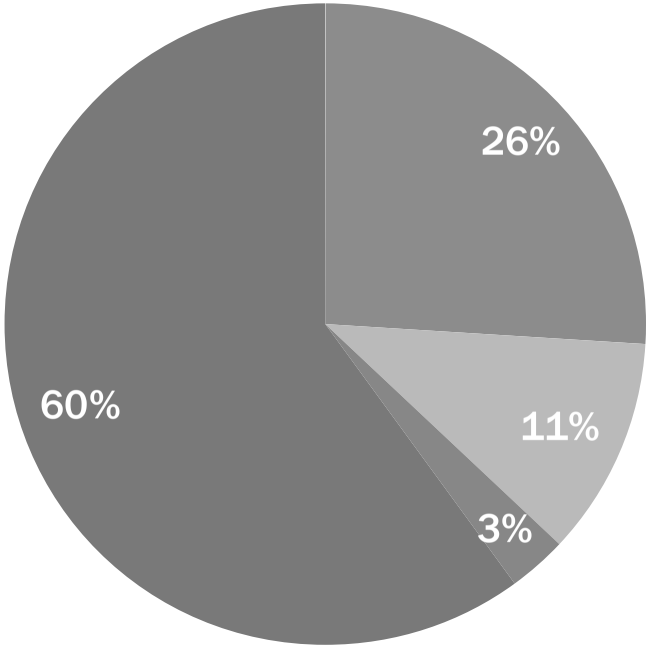
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

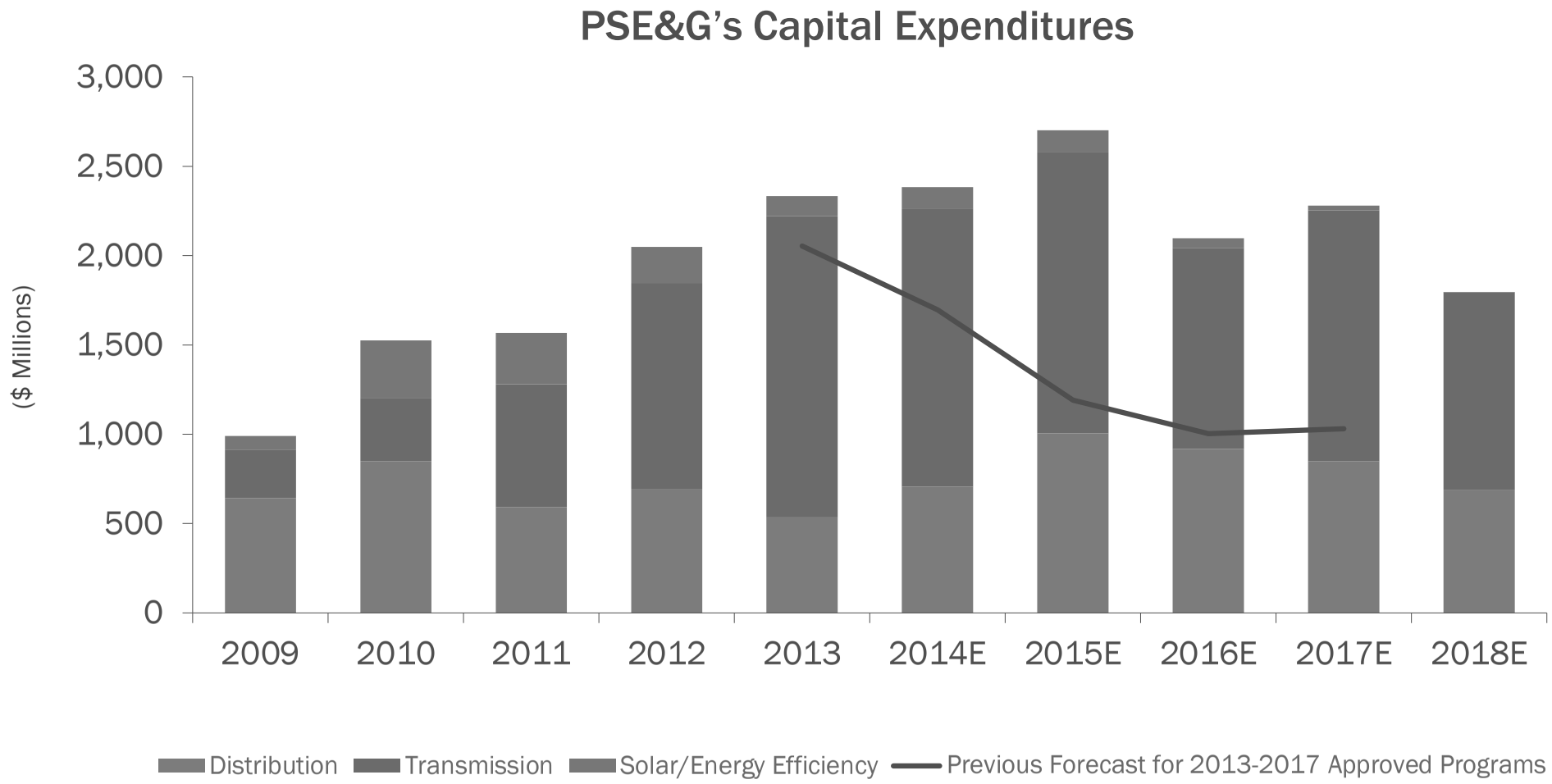


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-06706

PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-06707

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

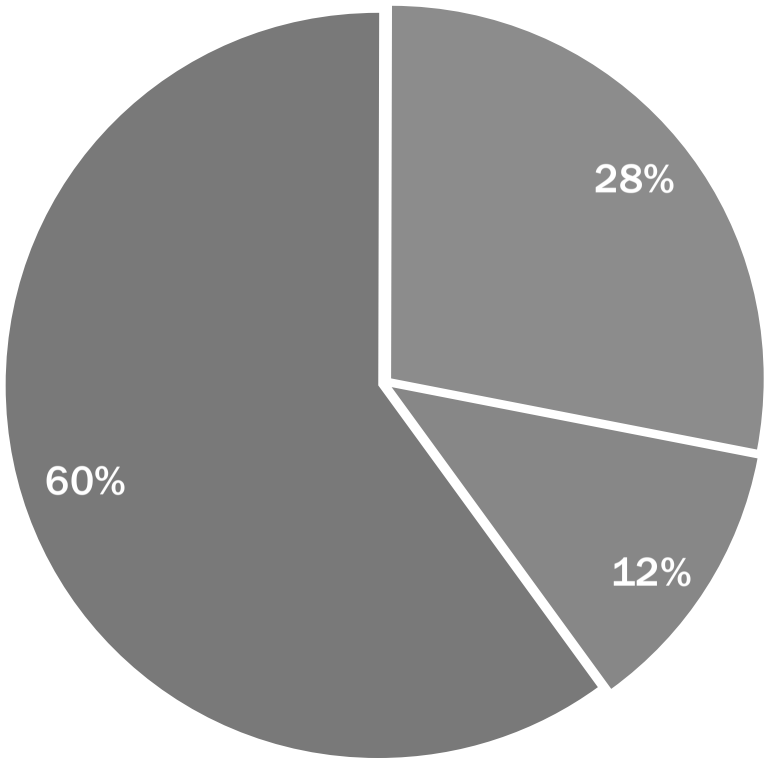
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-06708

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

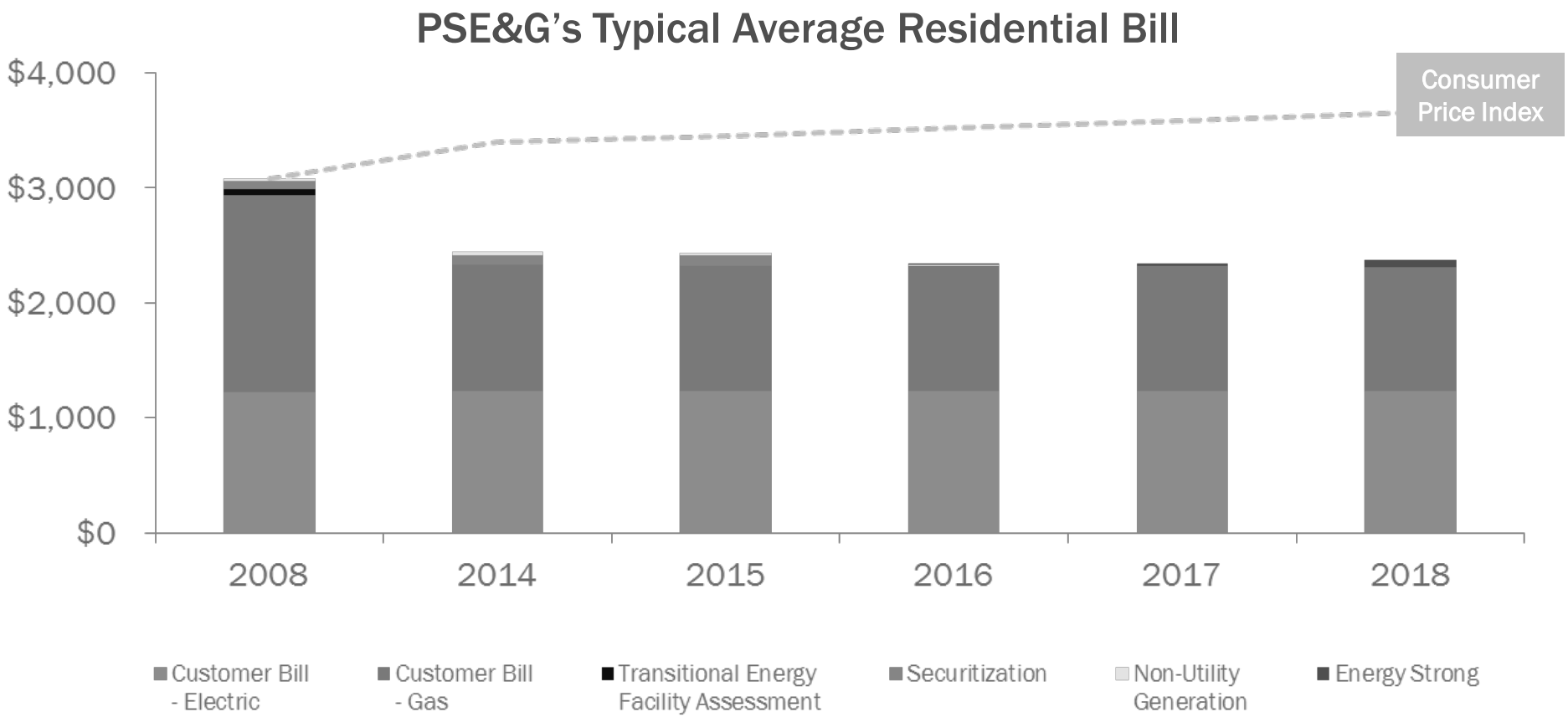
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06709

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-06710

PSE&G TRANSMISSION

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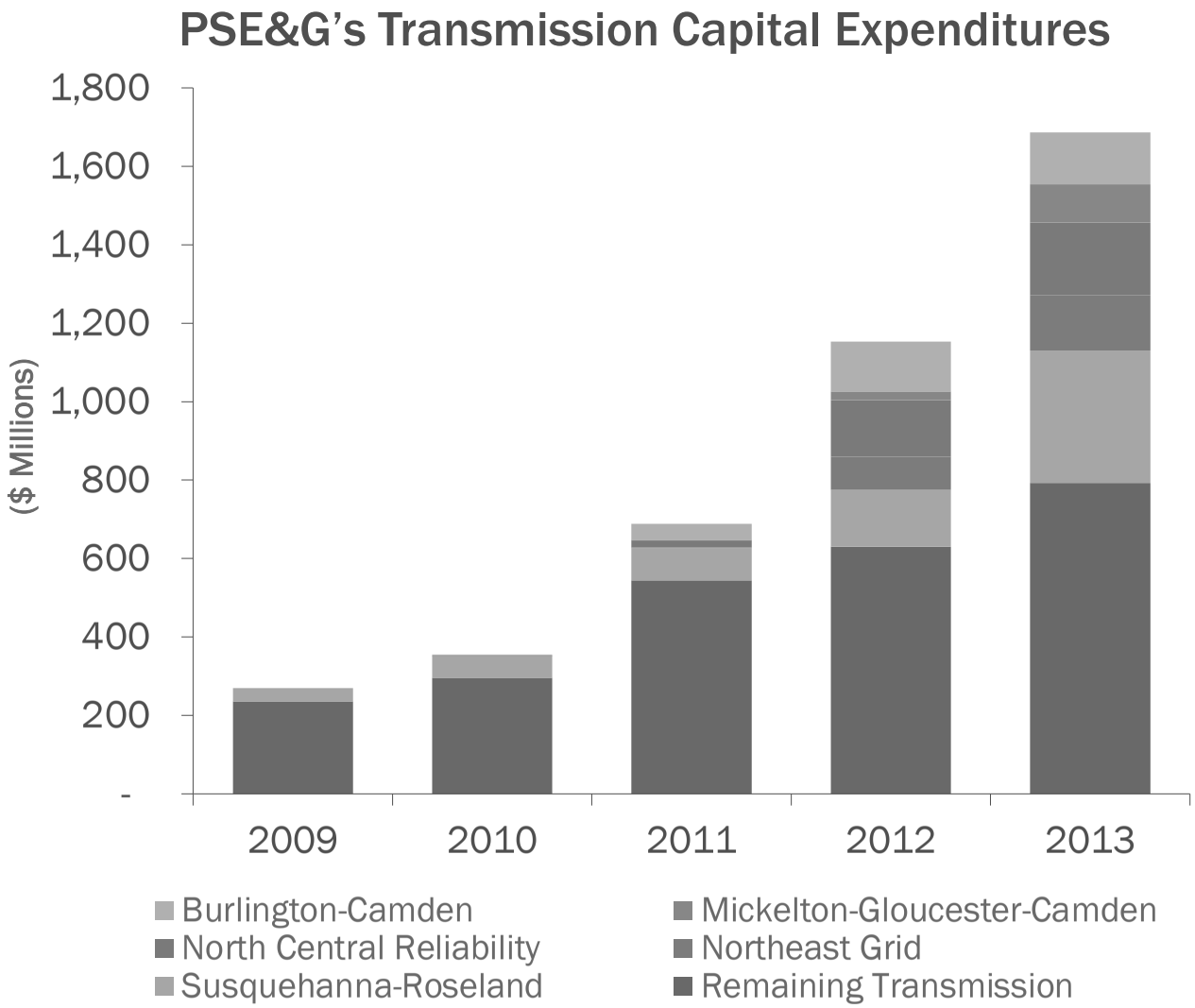
We make things work for you.

SI-SSA-0015-06711

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-06712

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06713

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-06714

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-06715

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-06716

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-06717

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06718

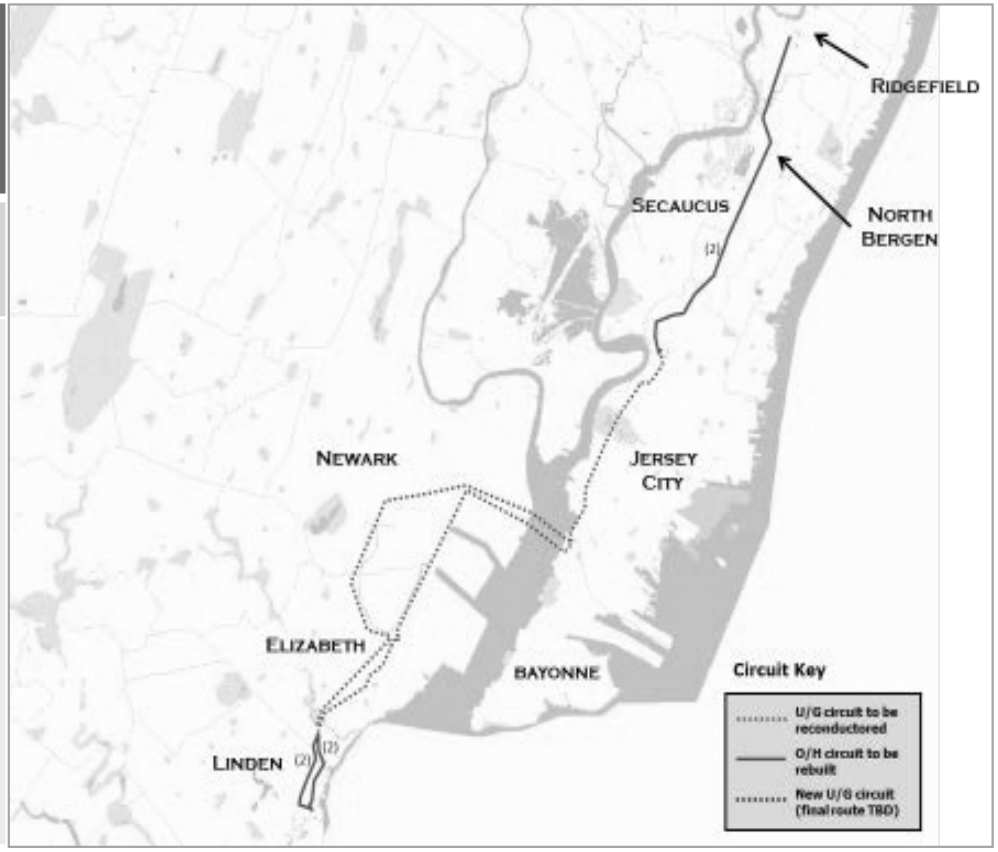
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

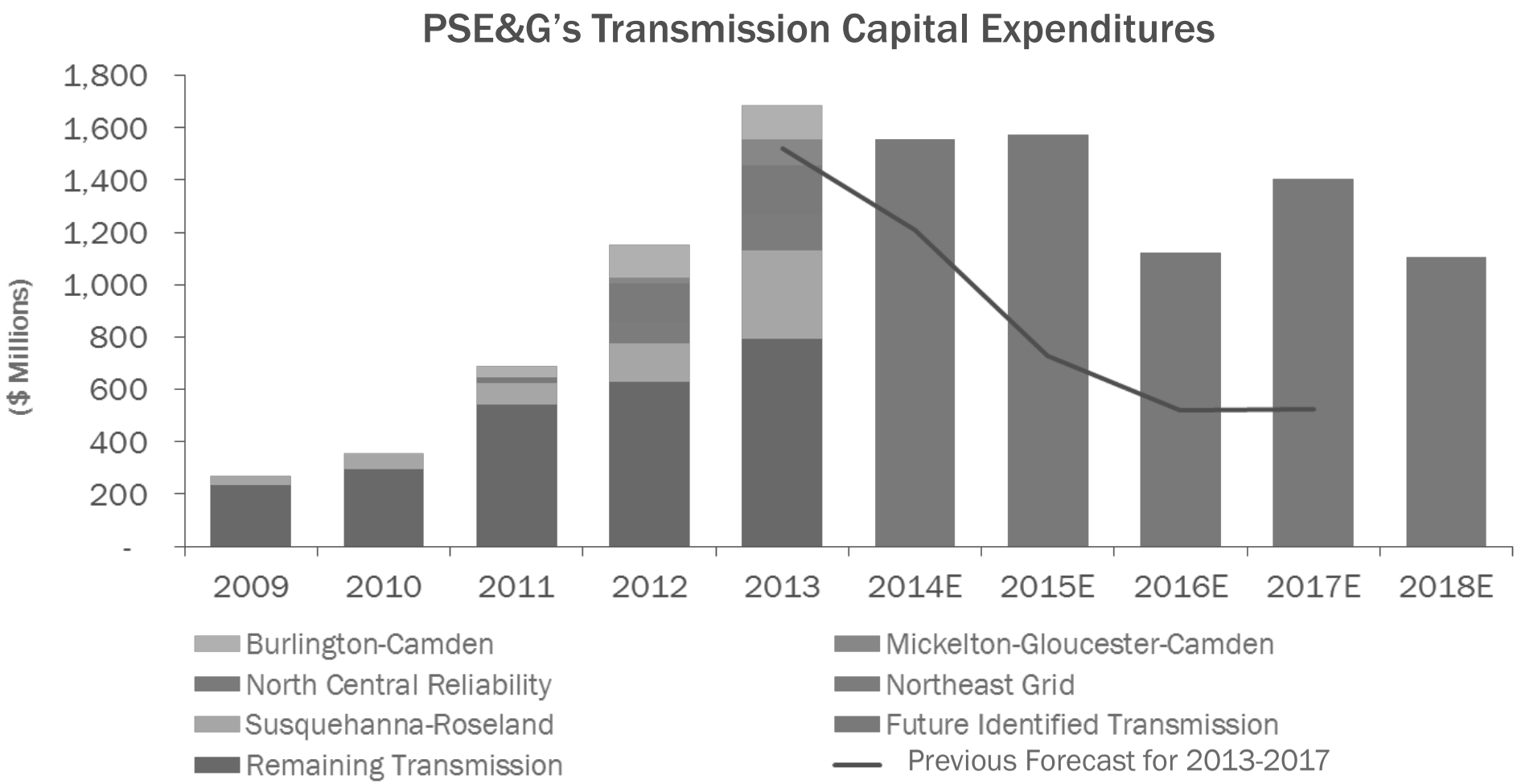
Project Status: Engineering



SI-SSA-0015-06719

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-06720

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-06721

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-06722

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-06723

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-06724

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-06725

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-06726

PSEG POWER

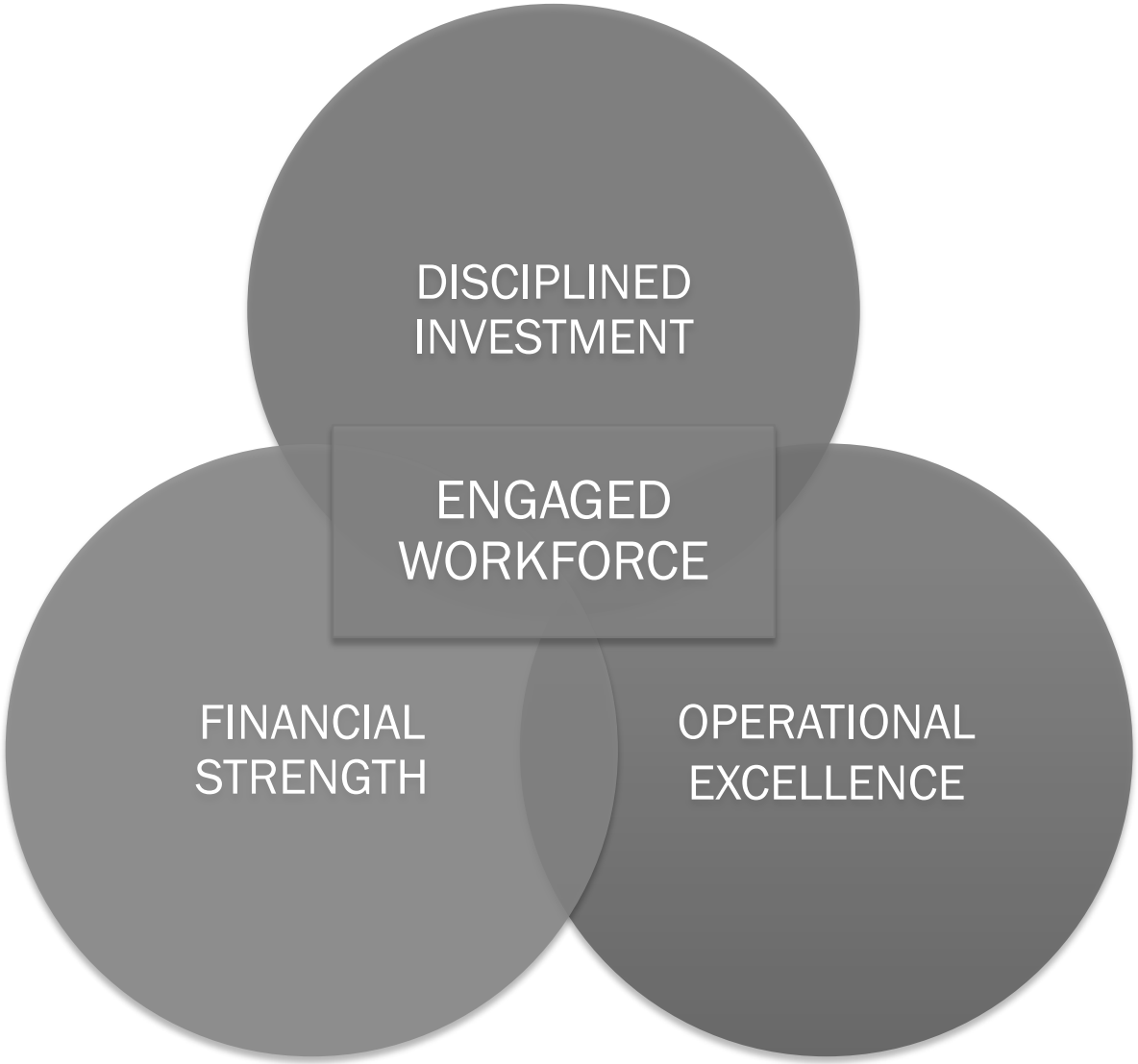
PSEG

We make things work for you.

SI-SSA-0015-06727

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06728

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-06729

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06730

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

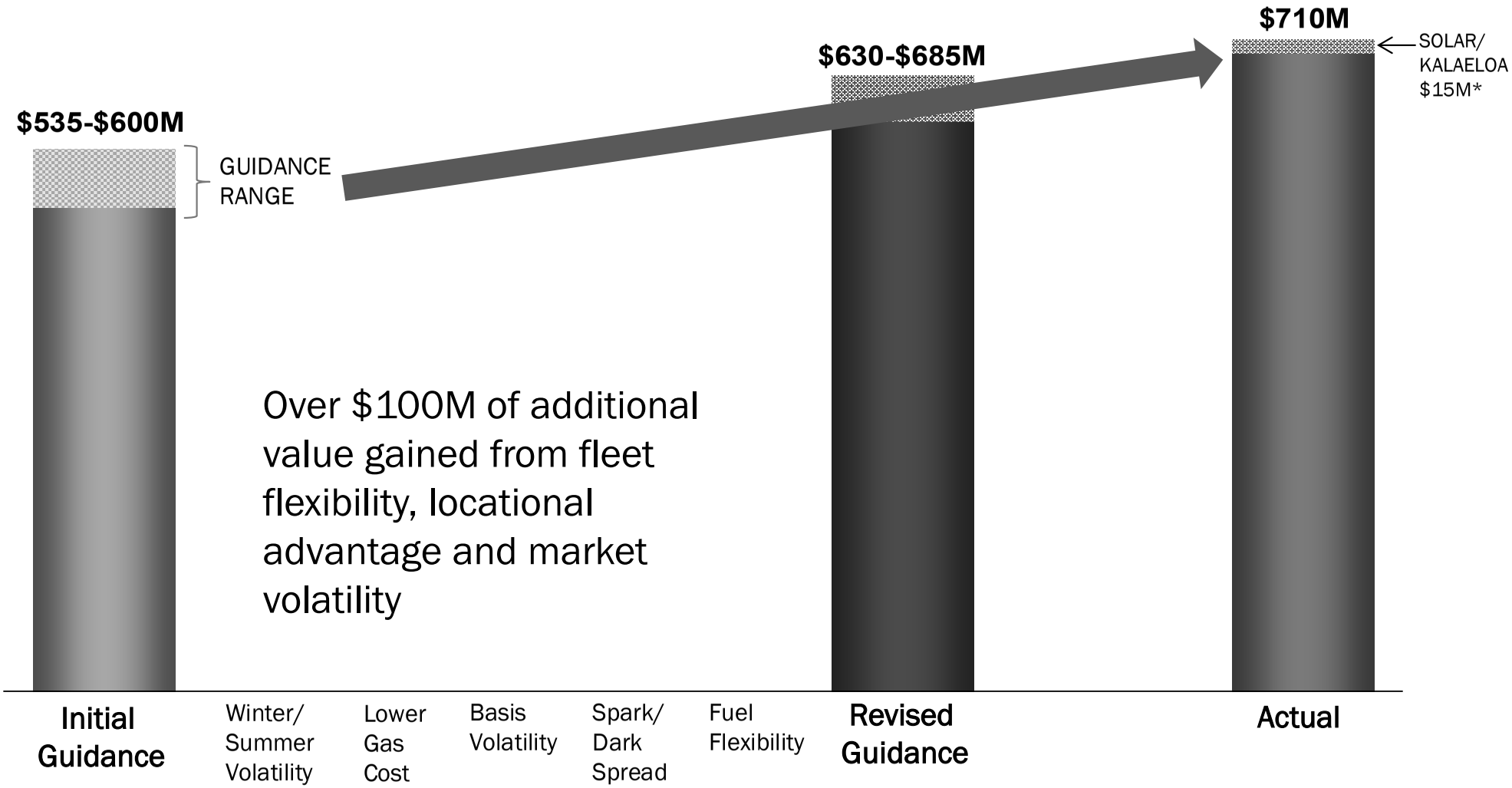
SI-SSA-0015-06731

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-06732

PSEG Power exceeded 2013's earnings guidance



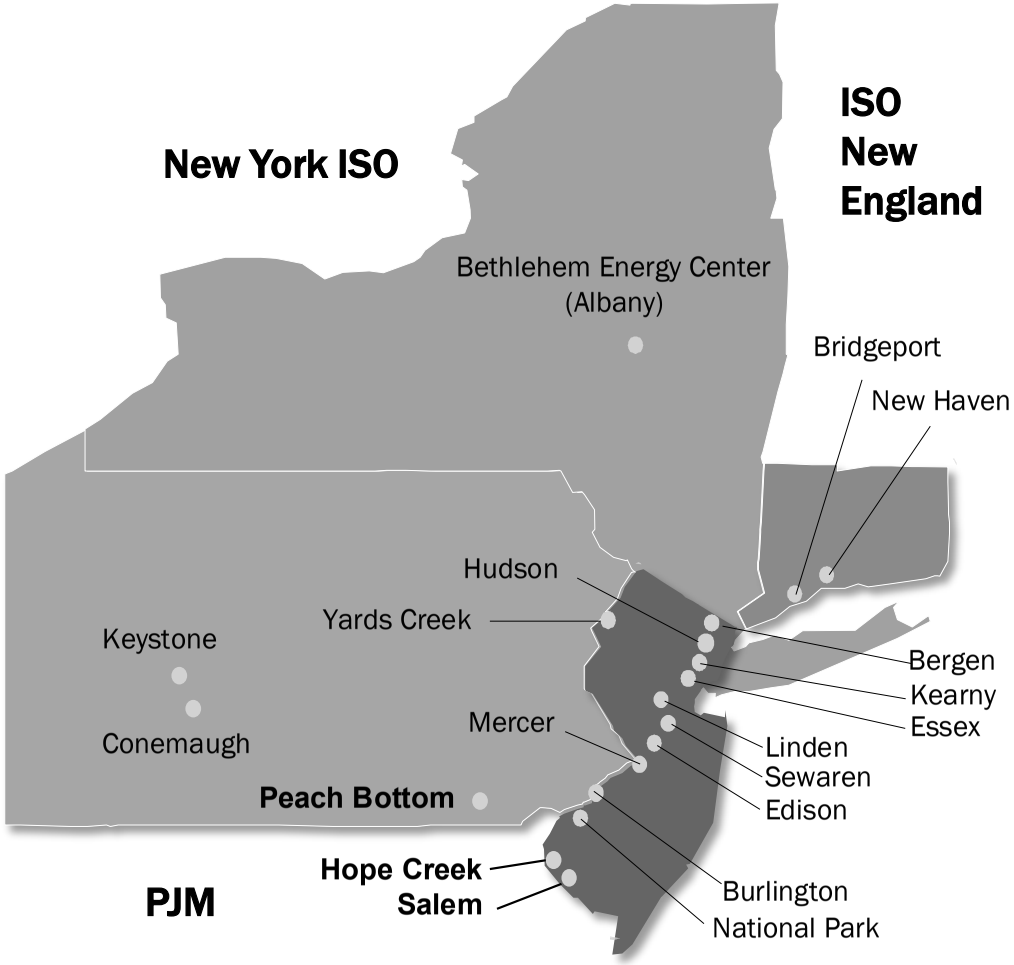
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-06733

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



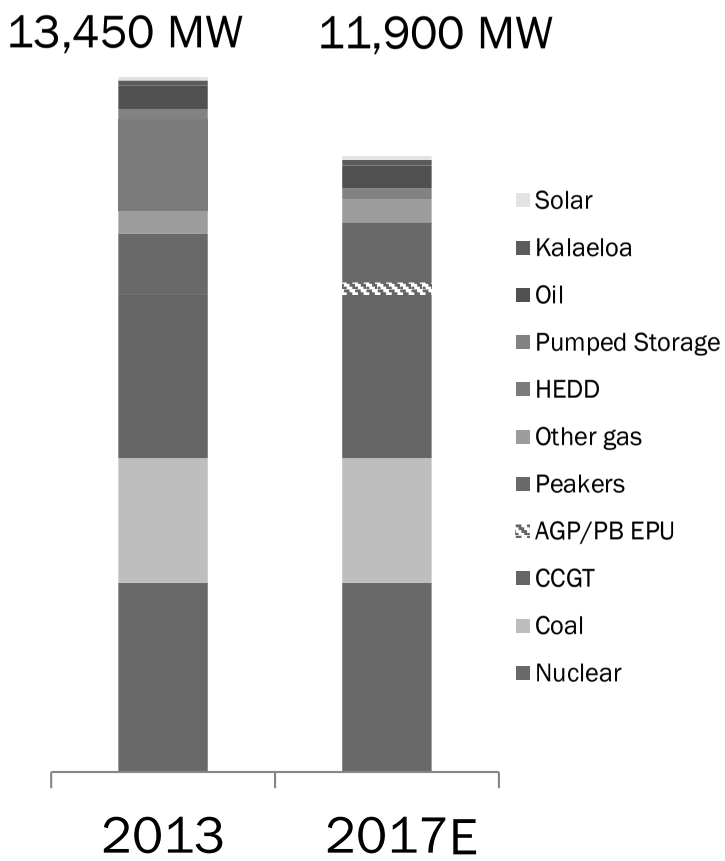
SI-SSA-0015-06734

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

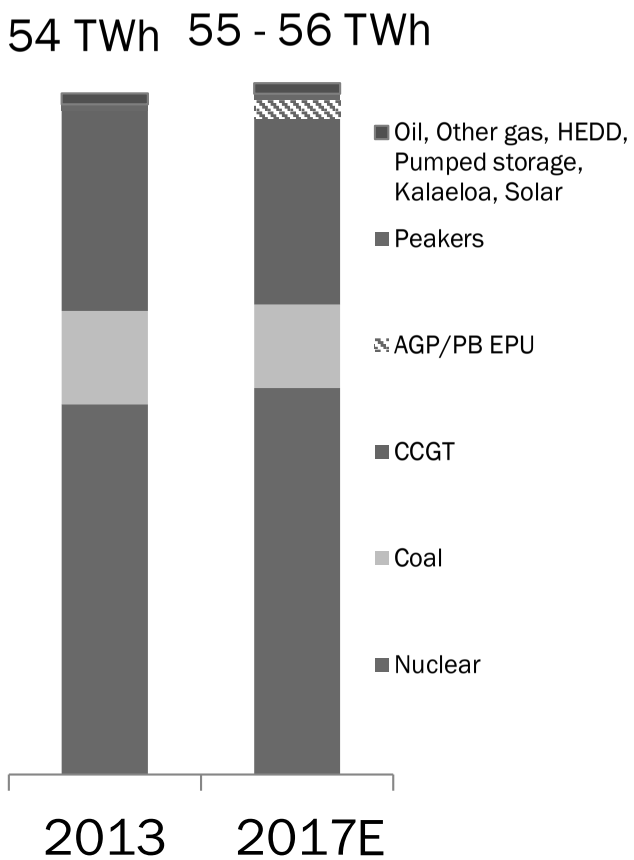
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



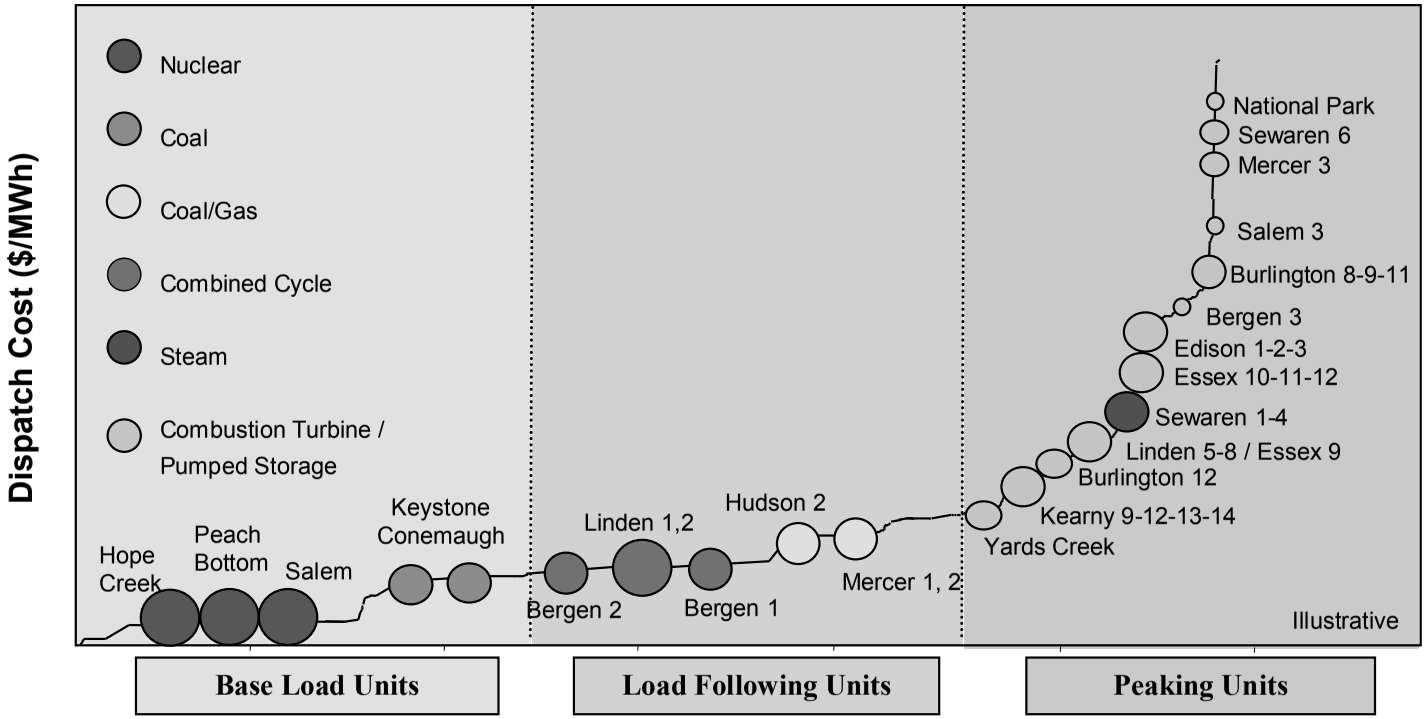
Energy Produced



E=ESTIMATE

SI-SSA-0015-06735

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-06736

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Fall 2014 ➢ Unit 2 – Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Fall 2014 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW in 2015/2016

SI-SSA-0015-06737

PSEG Power Nuclear is core to the fleet and has competitive advantages

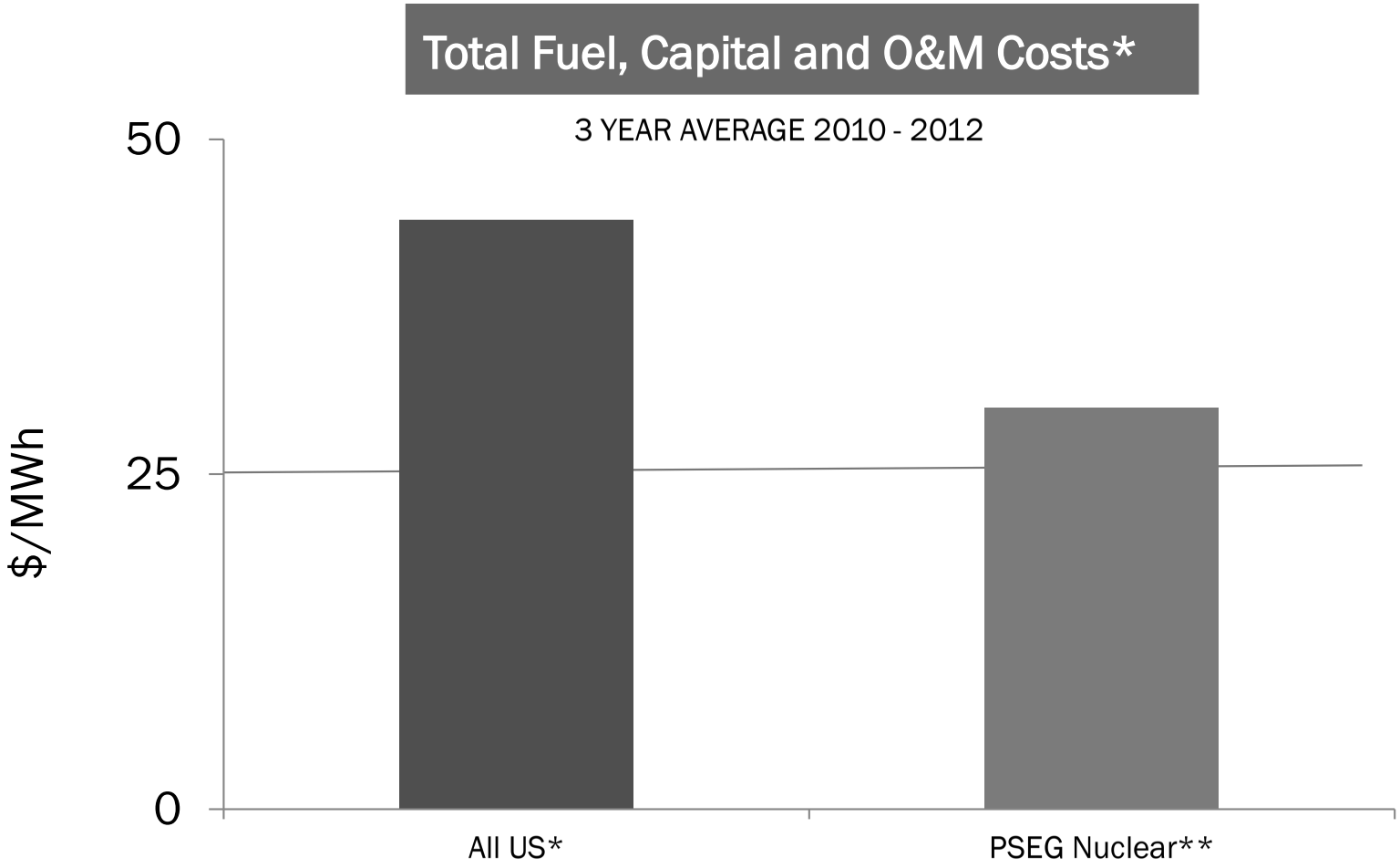
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-06738

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

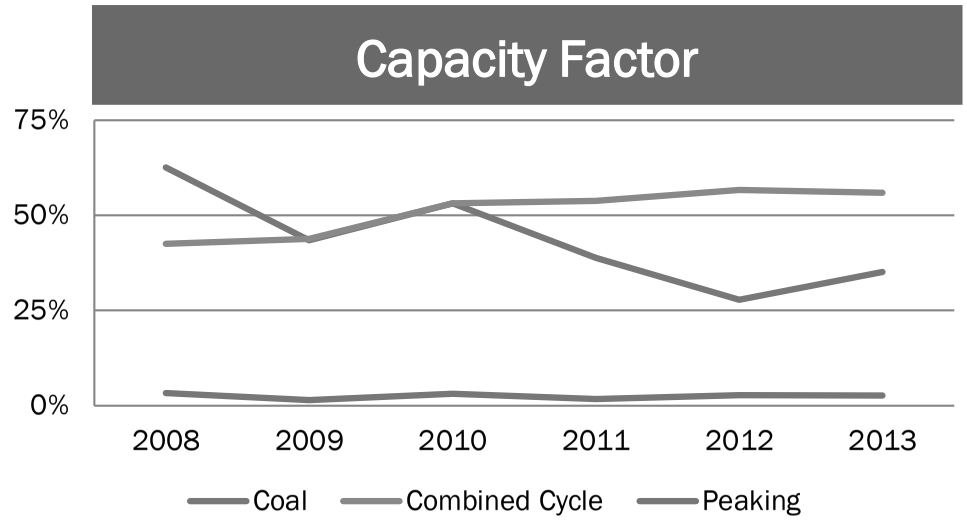


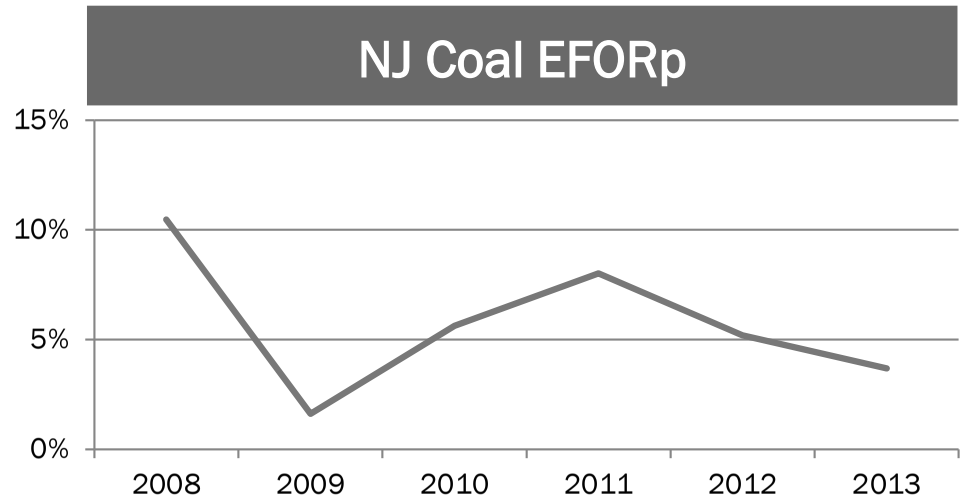
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

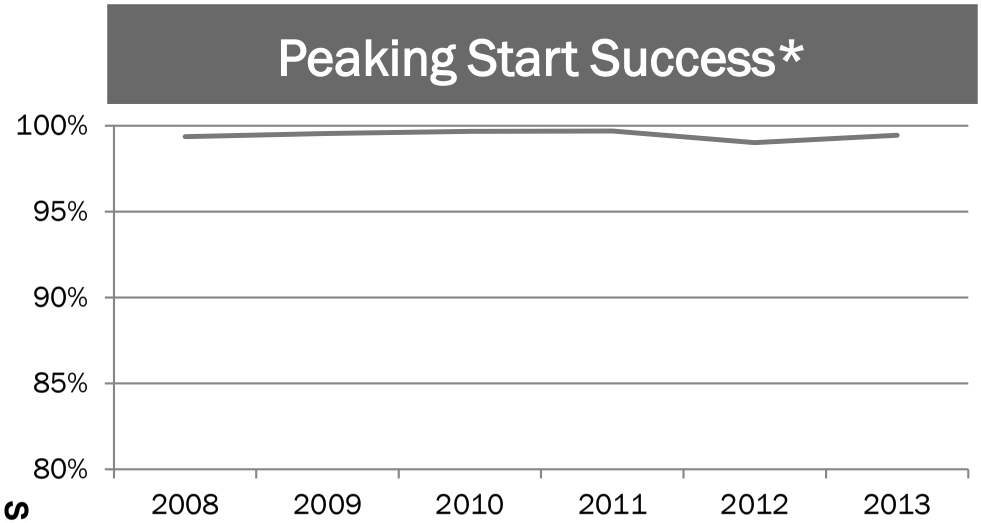
SI-SSA-0015-06739

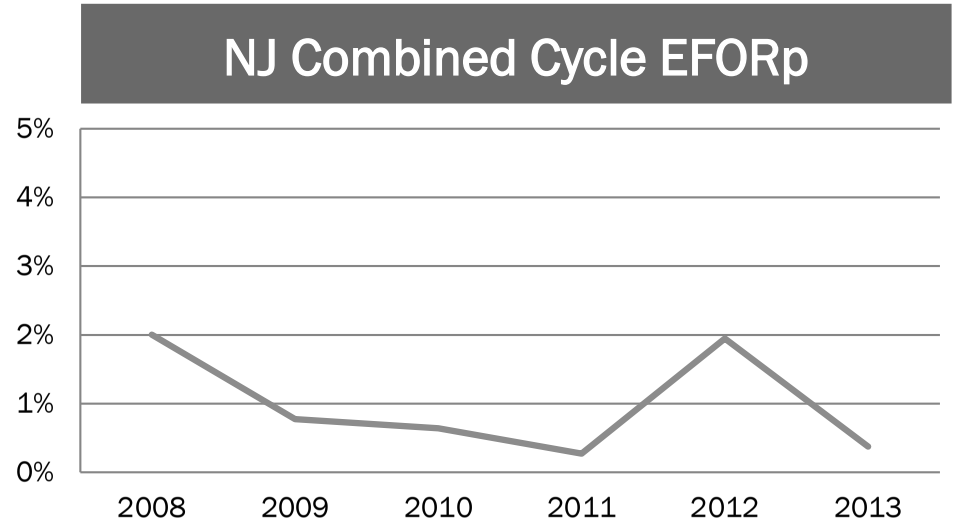
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

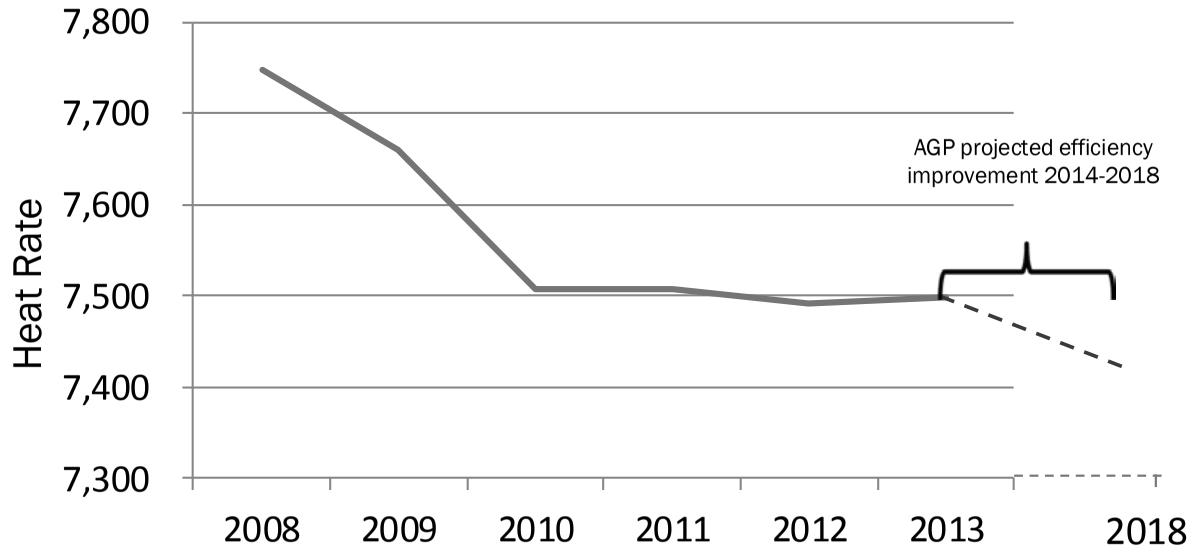
SI-SSA-0015-06740

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-06741

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

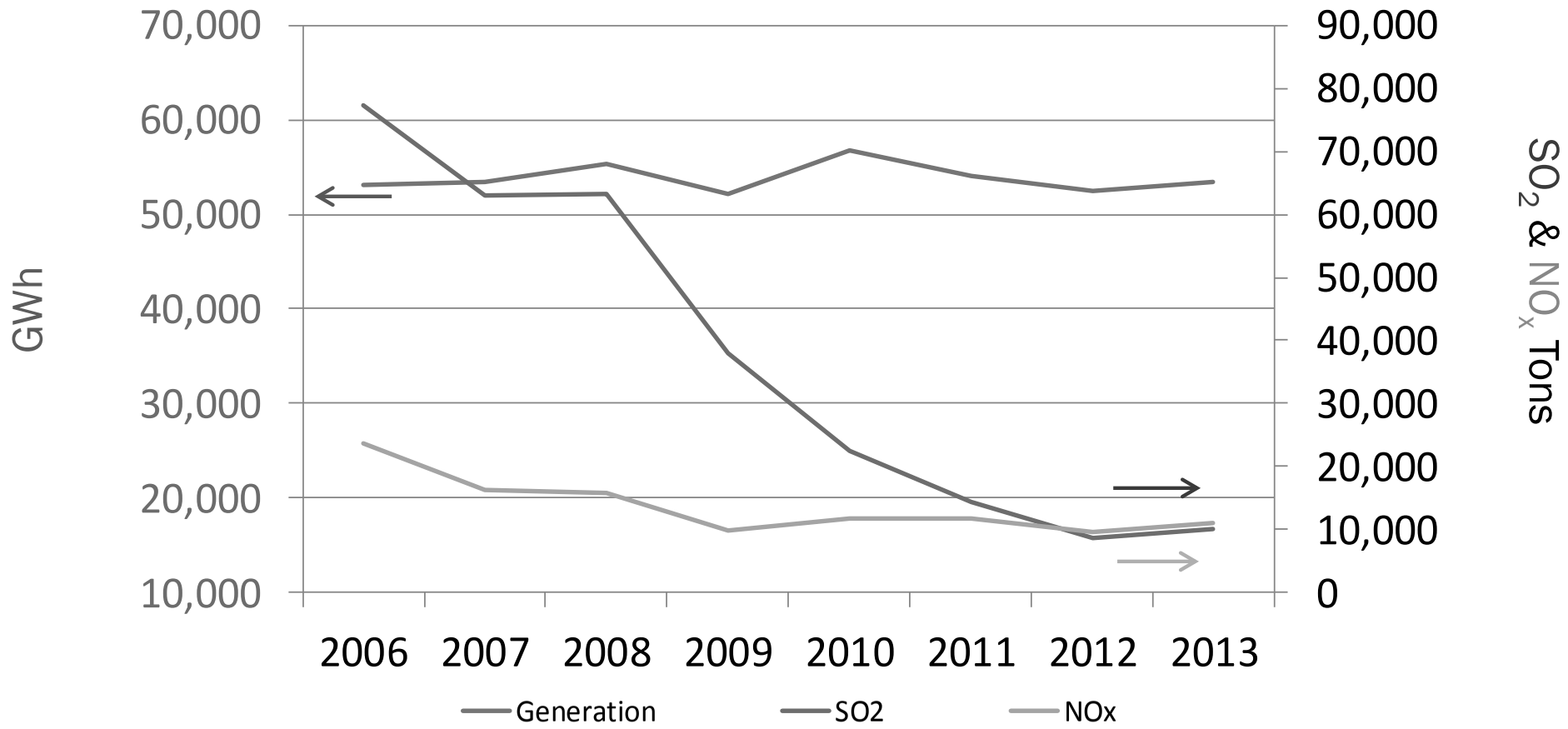
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-06742

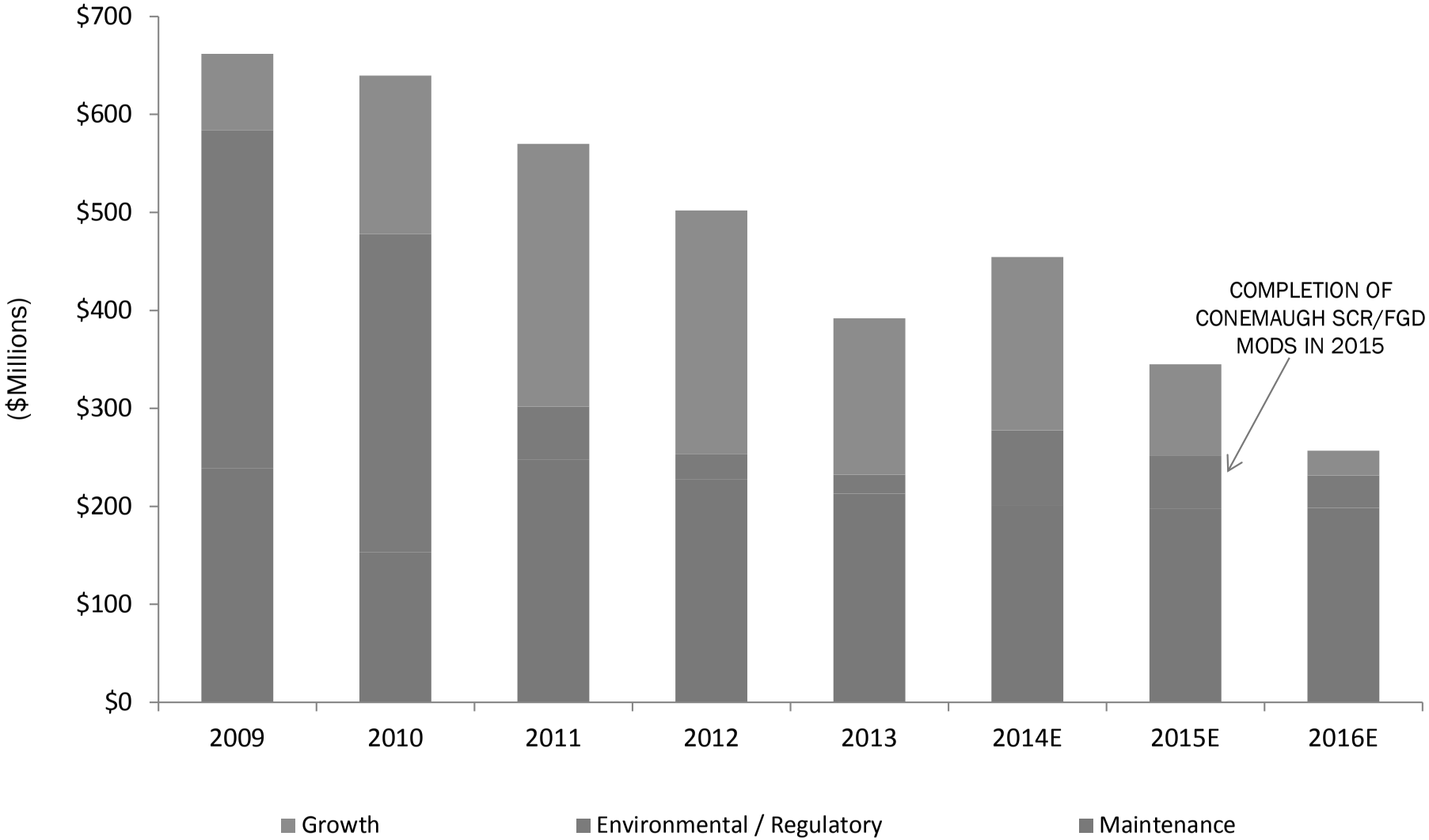
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-06743

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-06744

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-06745

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

In Construction
Texas (13 MW)/COD YE 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

In Construction
Vermont (4 MW)/COD Oct 2014E
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

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PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

PSEG

We make things work for you.

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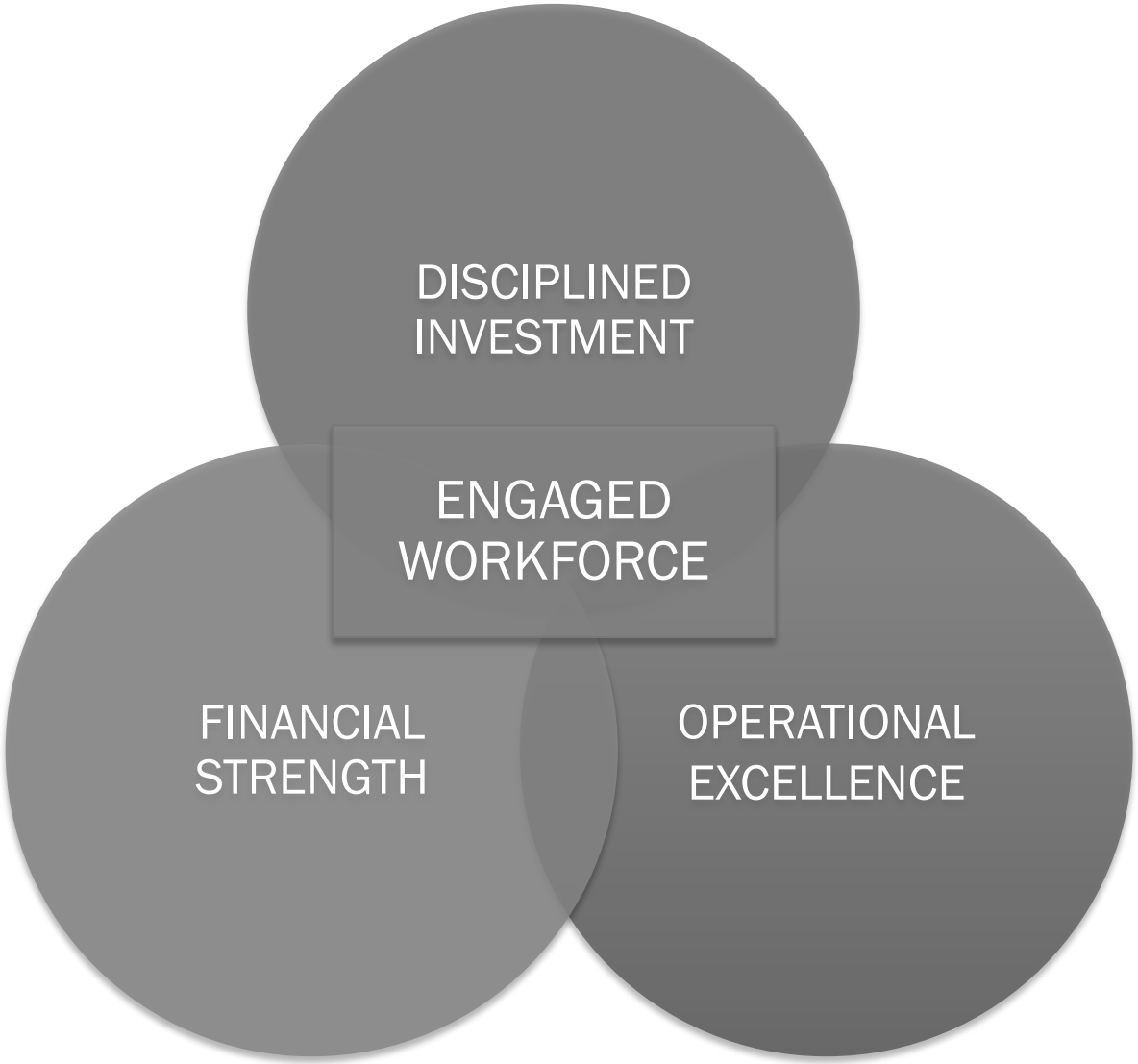
Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-06748

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

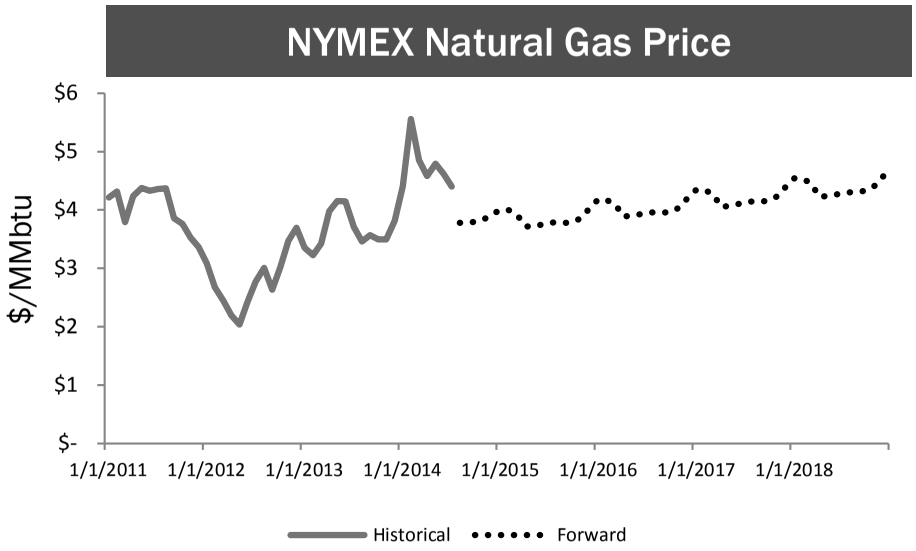
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

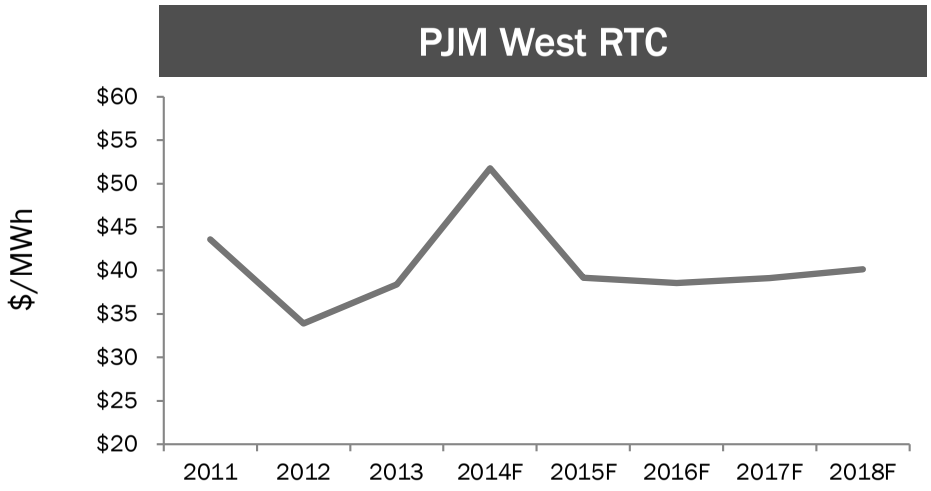
PSEG's Sustainable Advantage

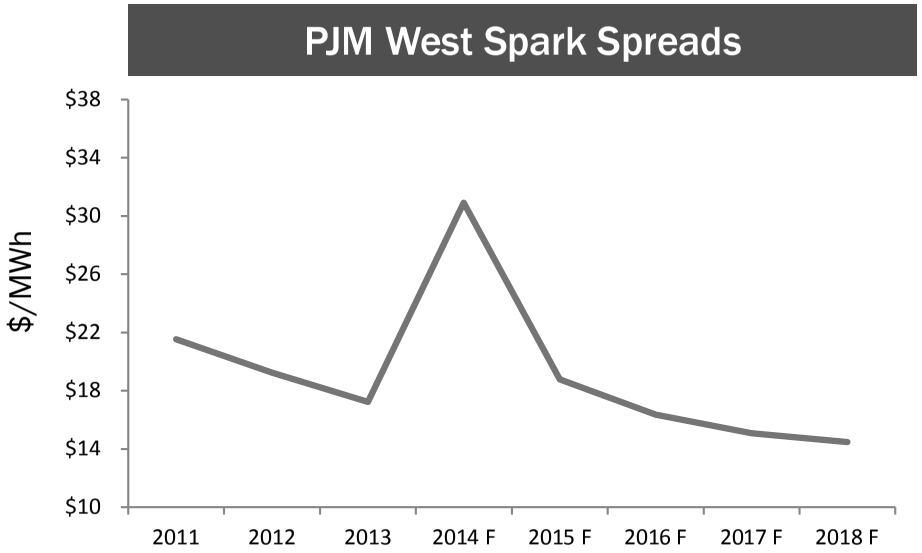
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-06749

Market Review: Long-term fundamentals remain sound







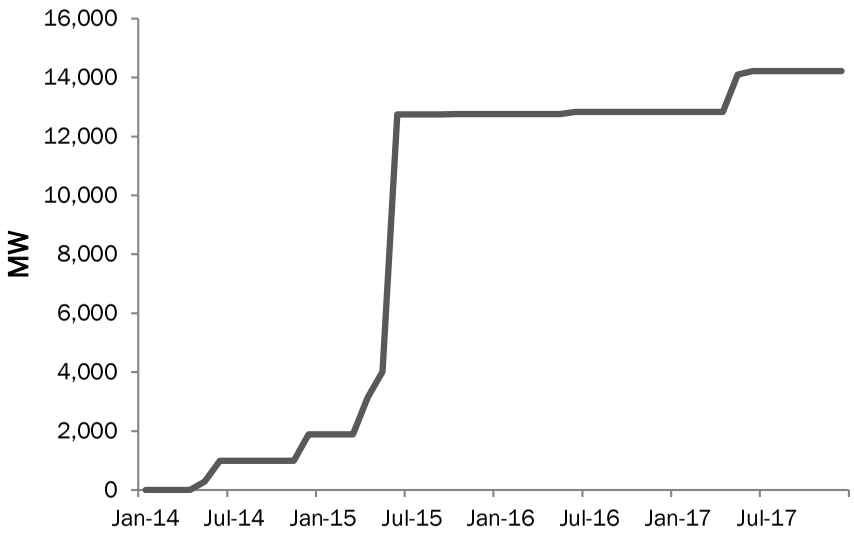
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-06750

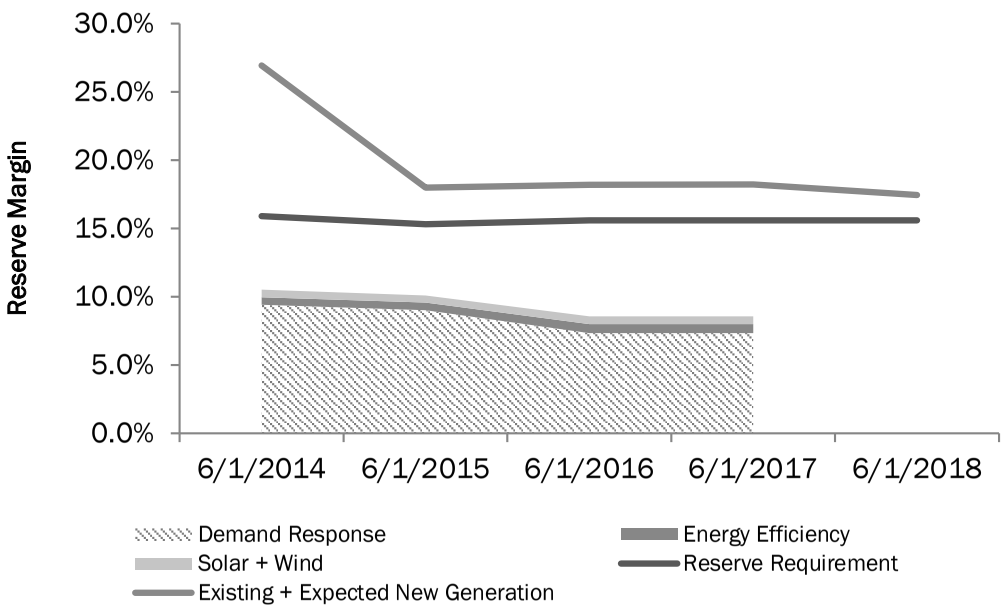
F=FORWARDS AS OF 7/25/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-06751

PSEG

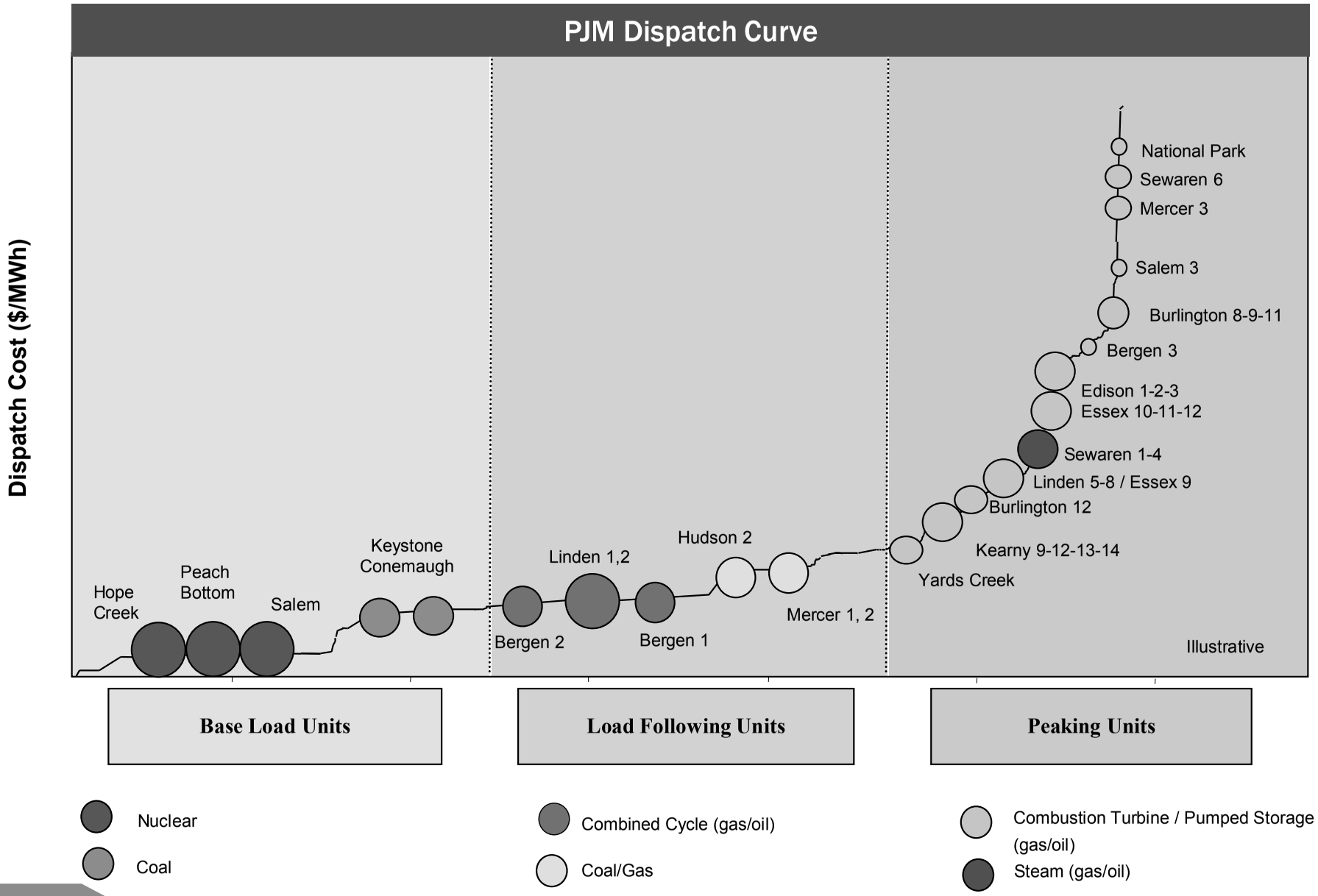
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

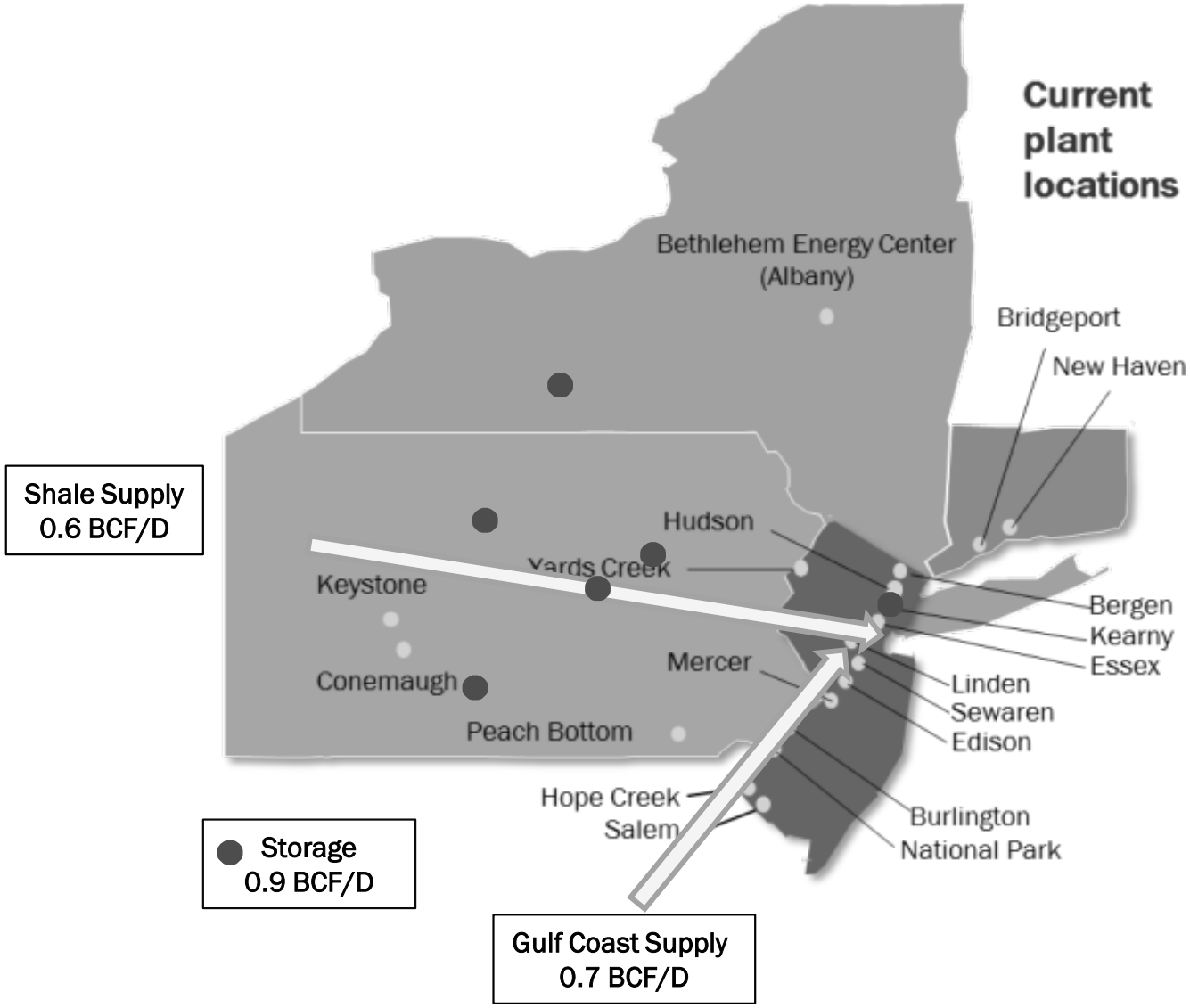
SI-SSA-0015-06752

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



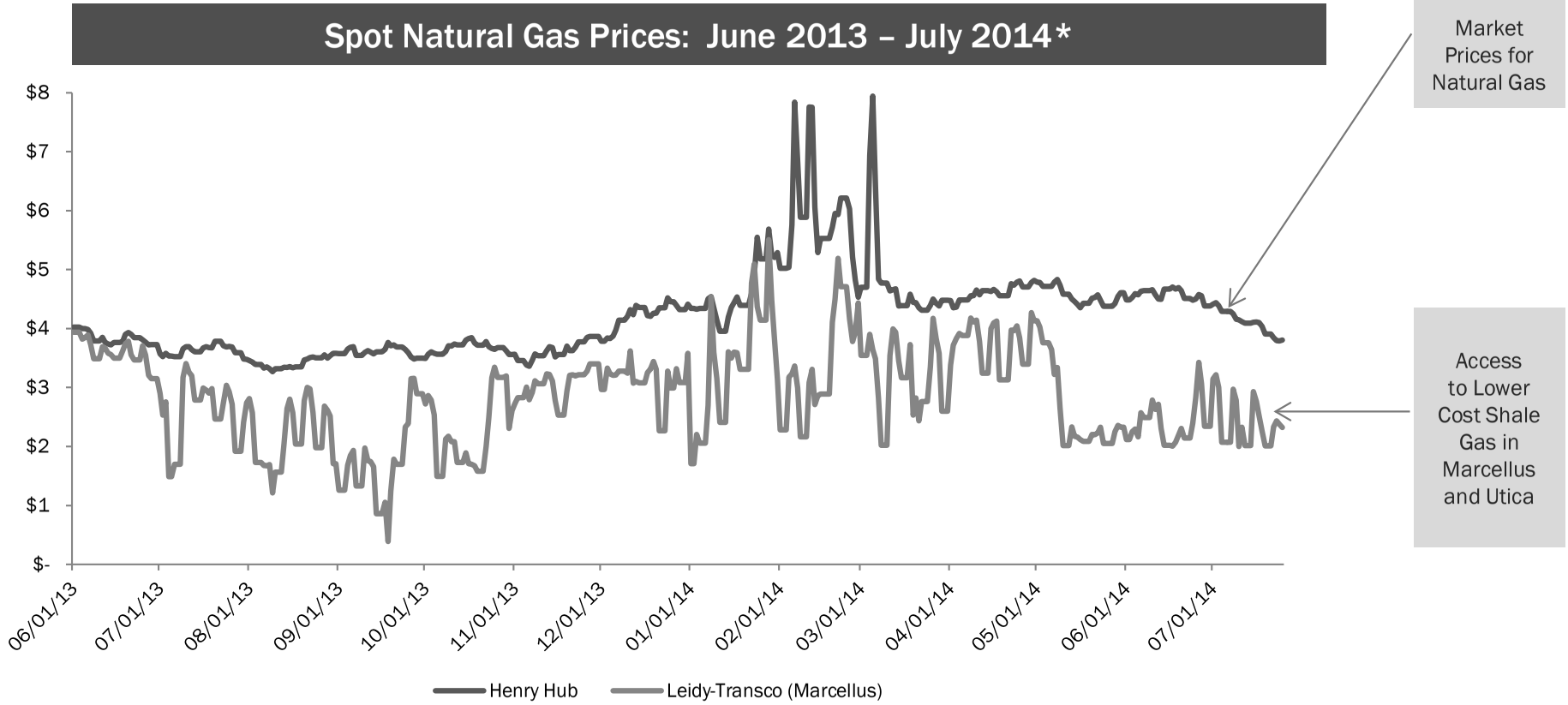
SI-SSA-0015-06753

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-06754

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

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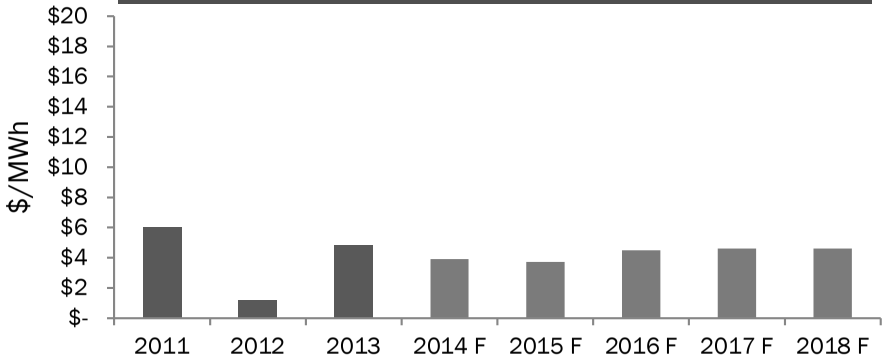
PSEG

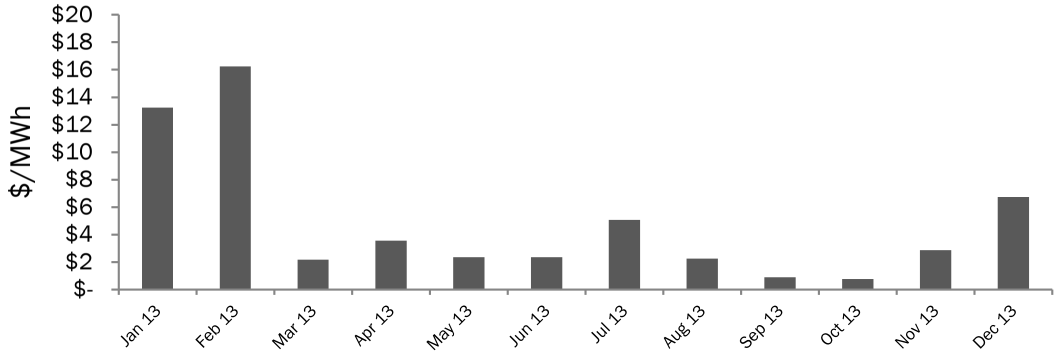
*AS OF 7/25/2014

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

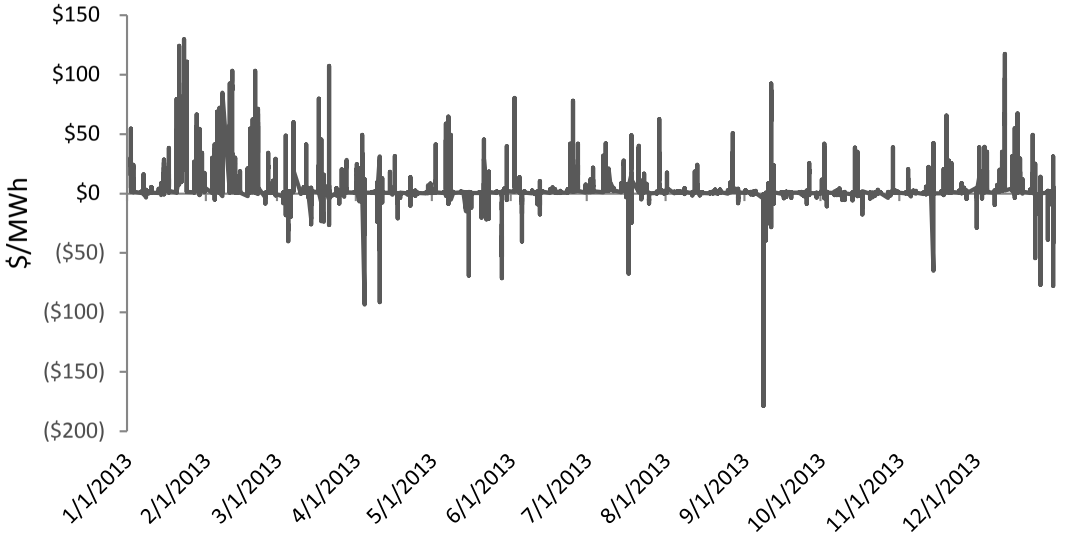


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



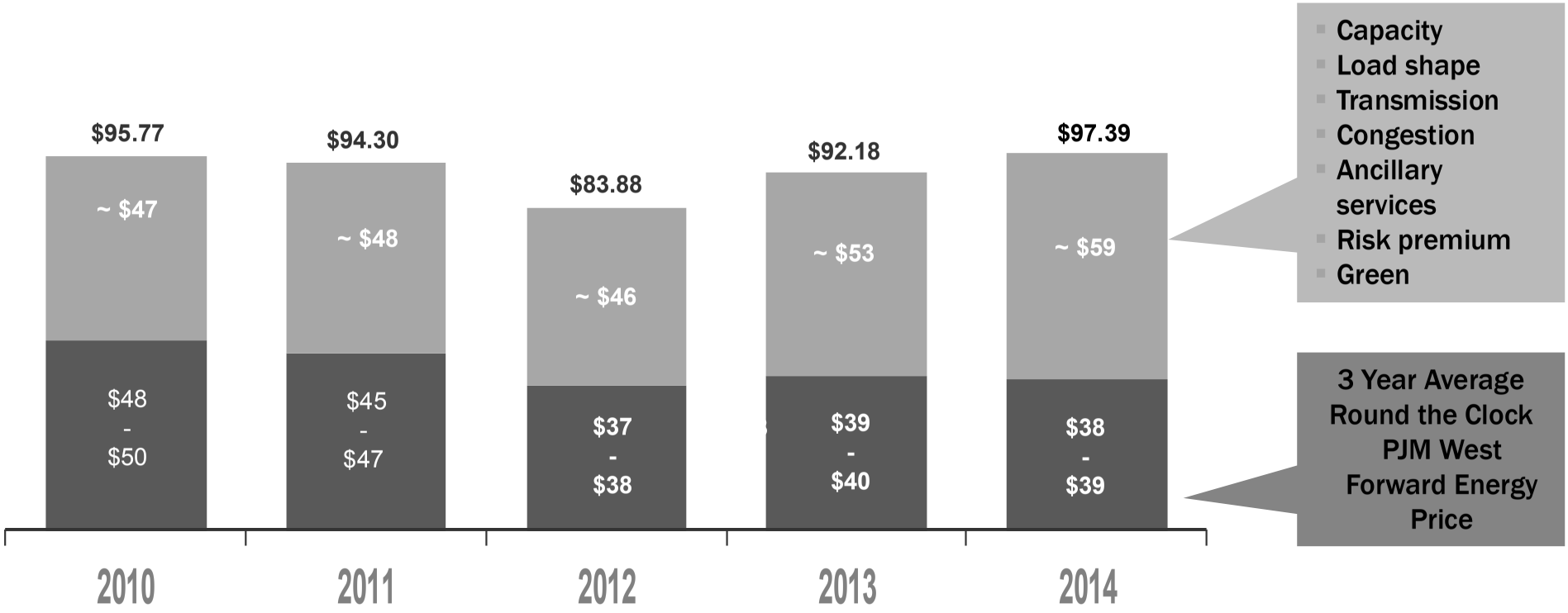
- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W



ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 12/31/2013.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-06757

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06758

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

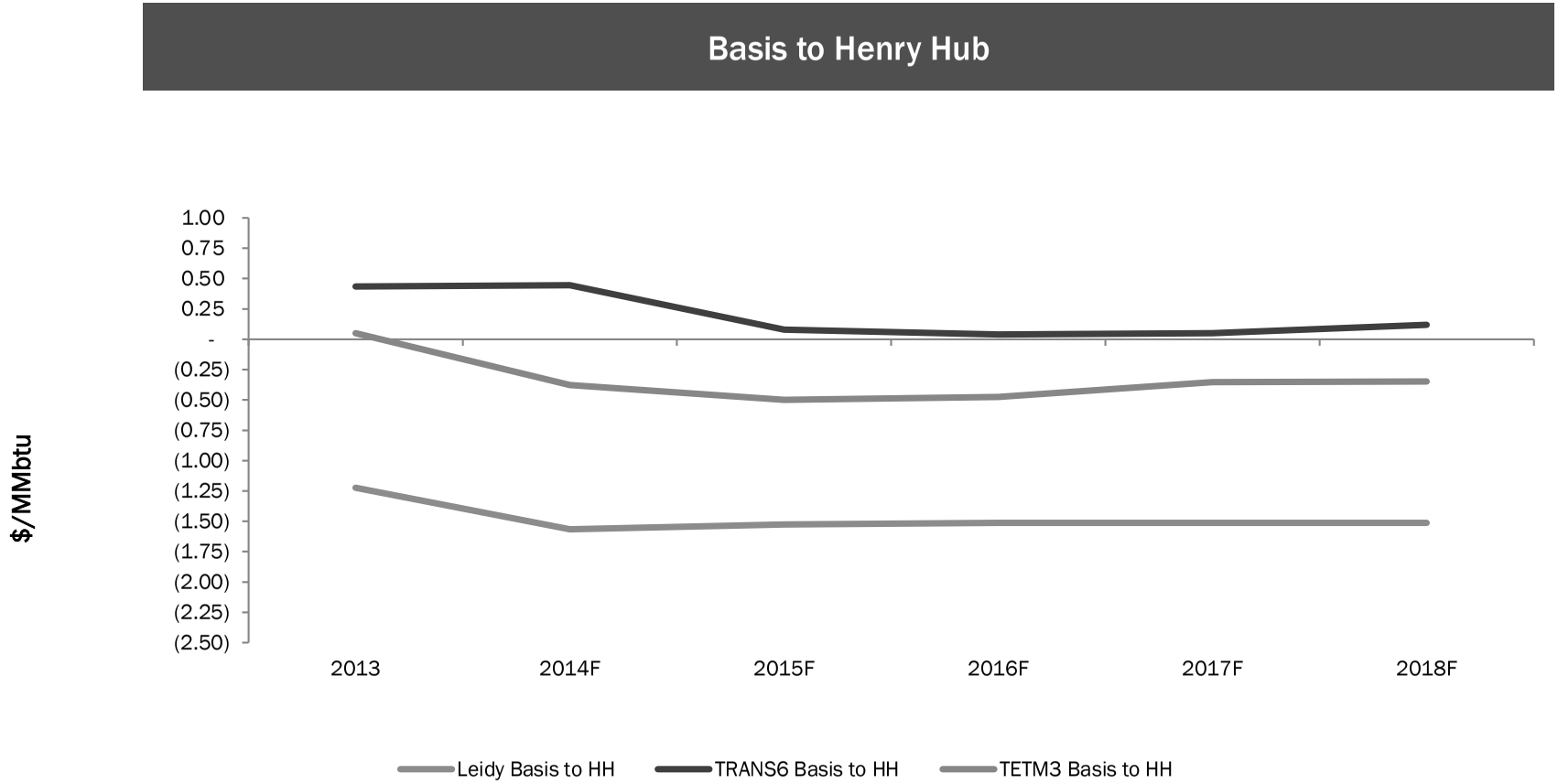
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-06759

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-06760

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-06761

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-06762

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-06763

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

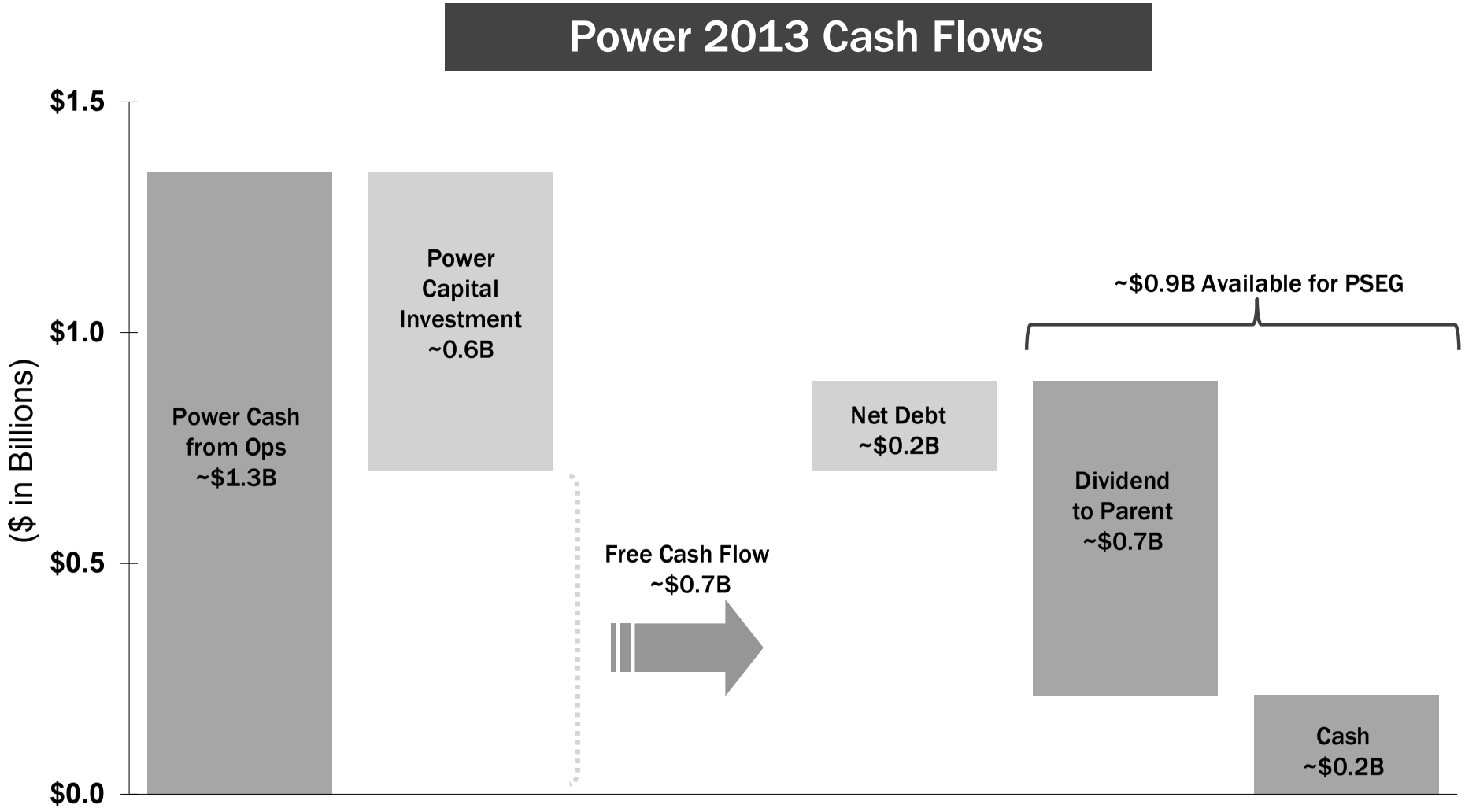
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

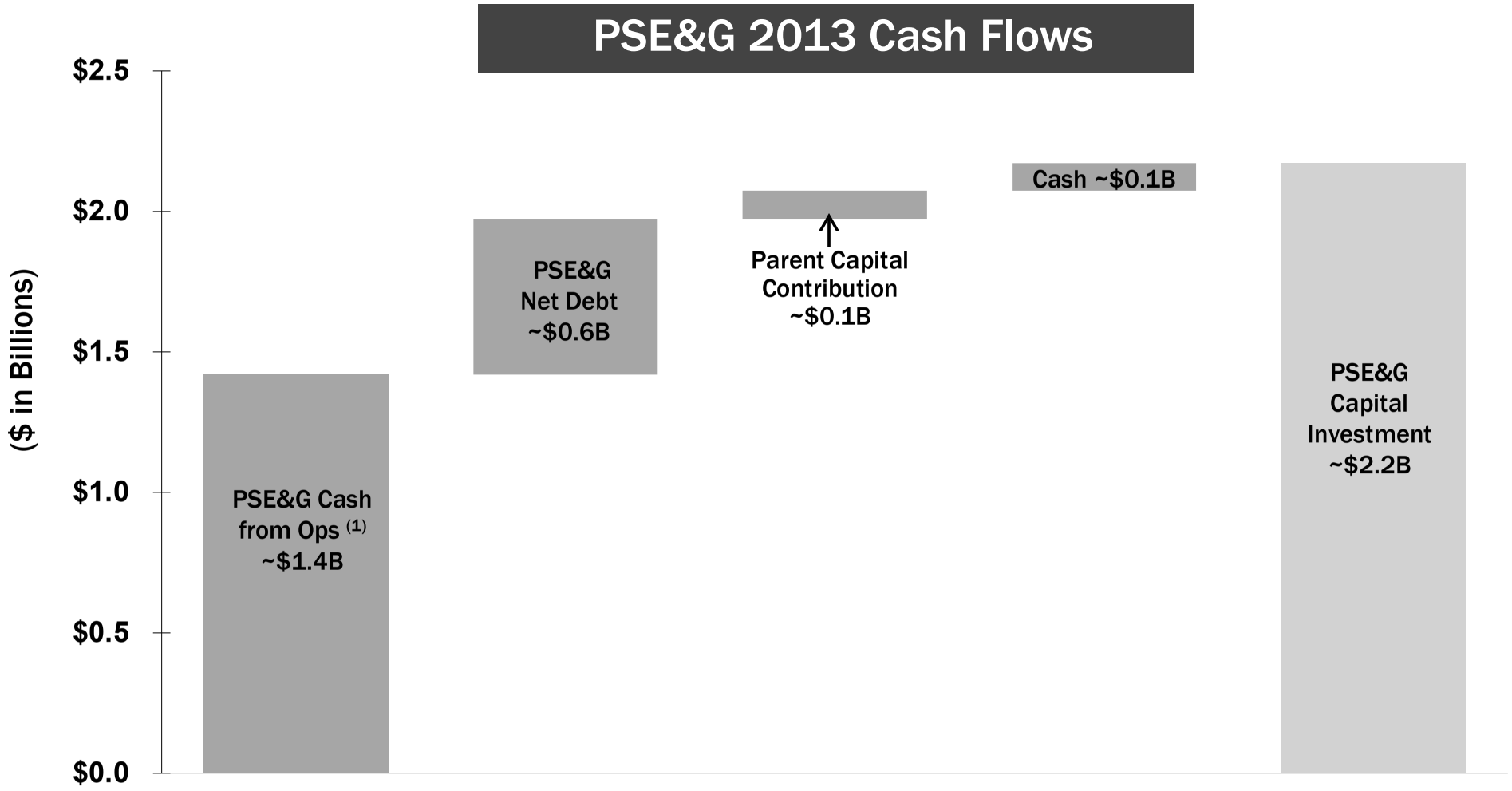
SI-SSA-0015-06764

In 2013, Power had significant free cash flow



SI-SSA-0015-06765

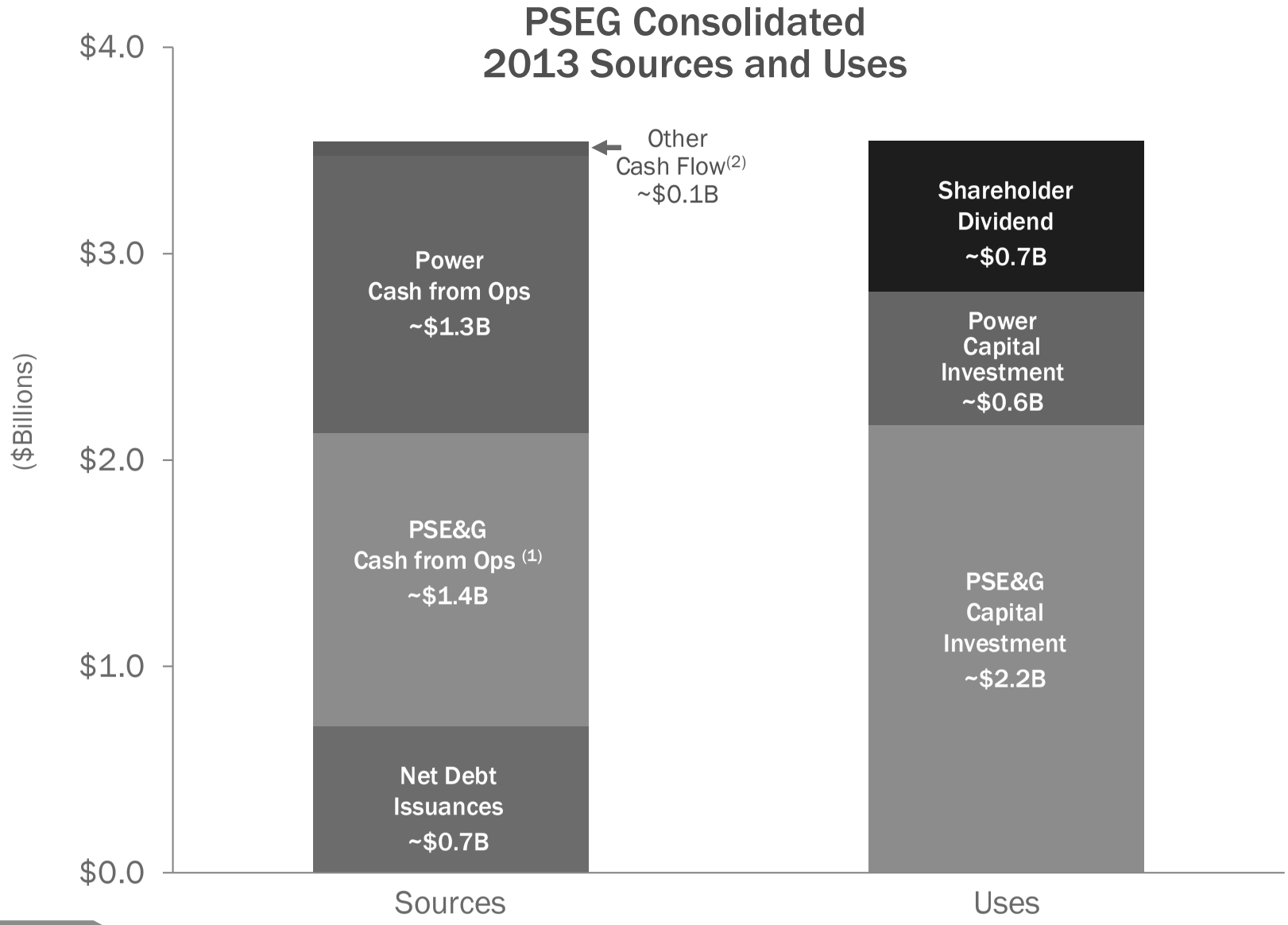
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-06766

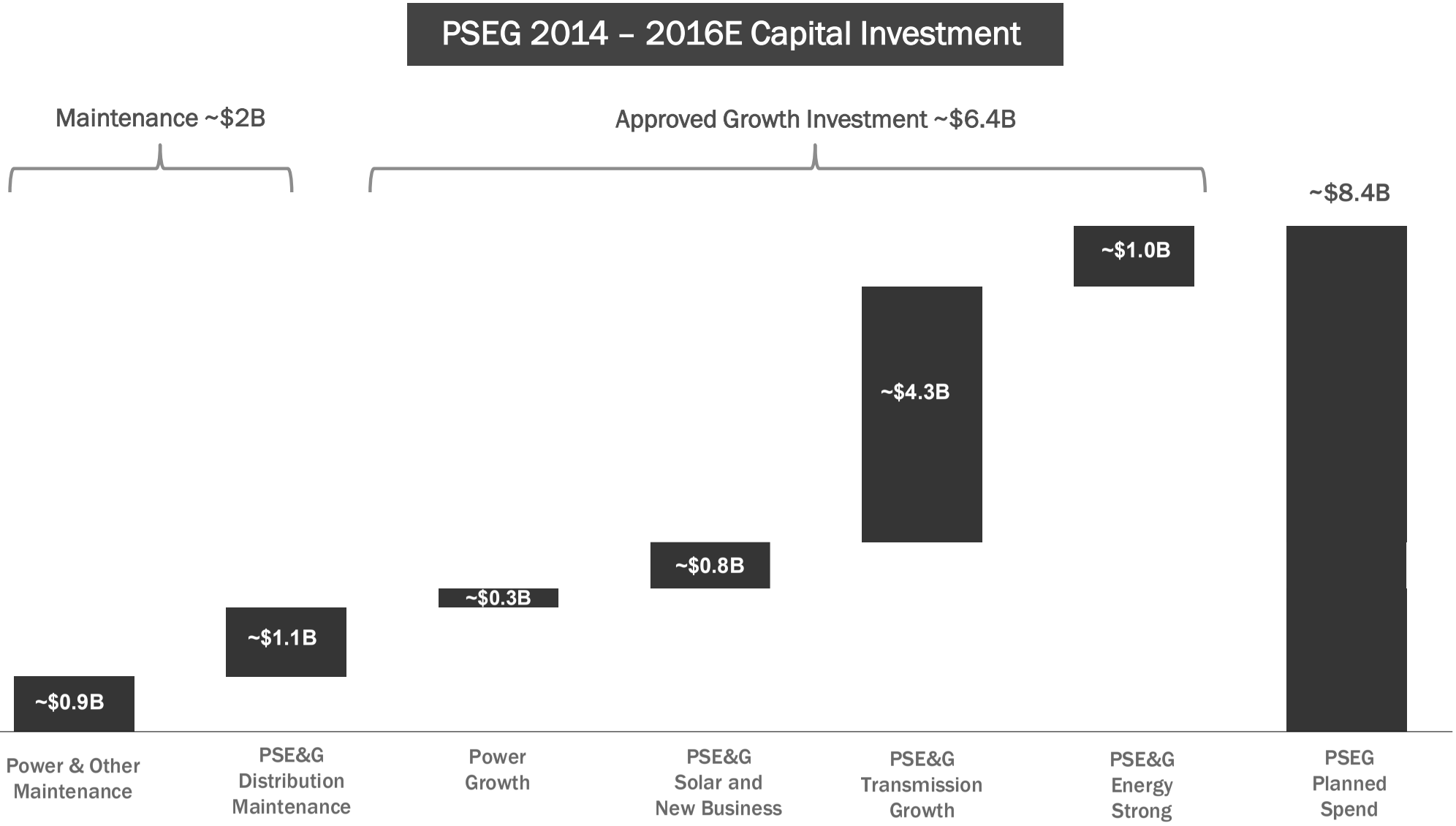
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-06767

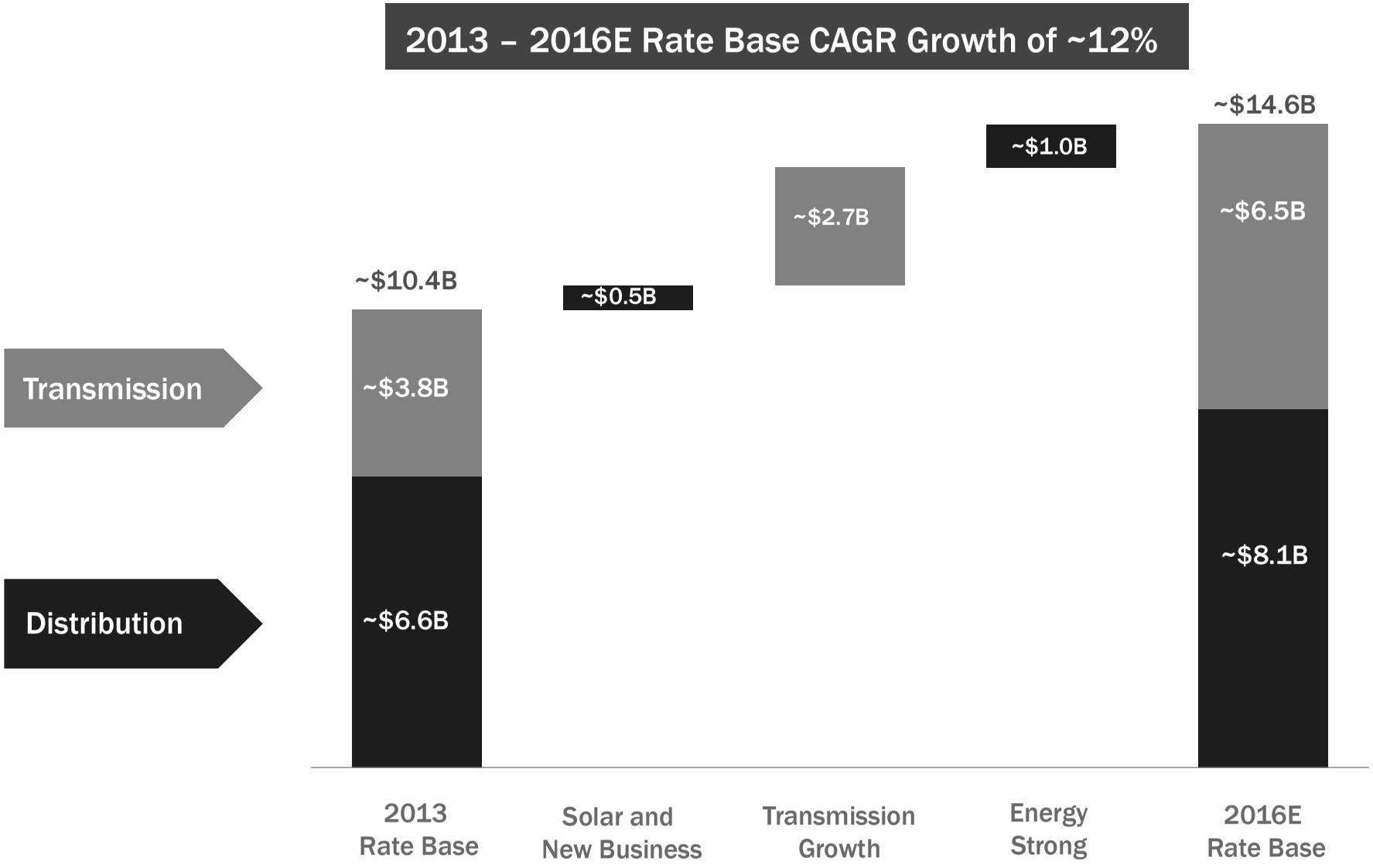
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

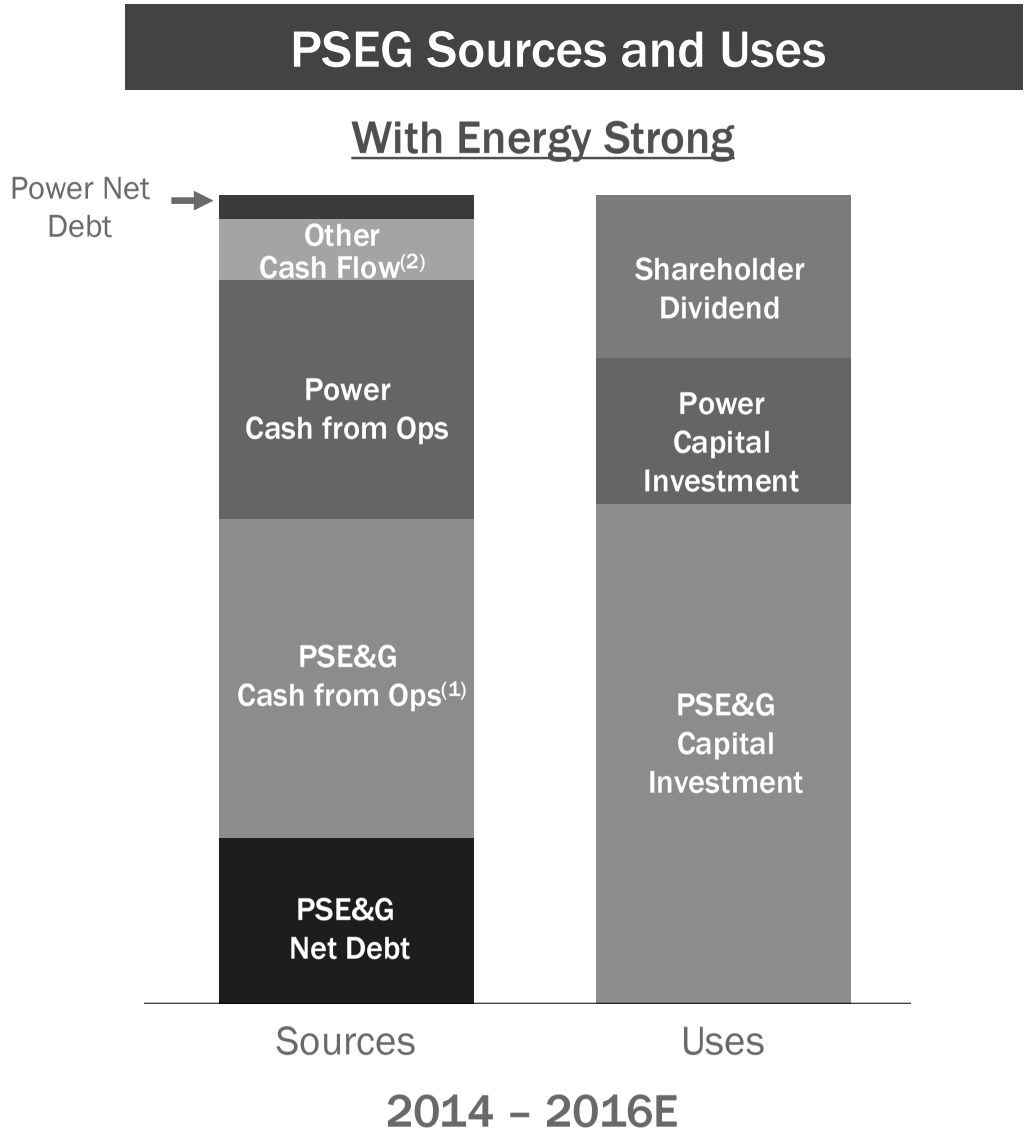
SI-SSA-0015-06768

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-06769

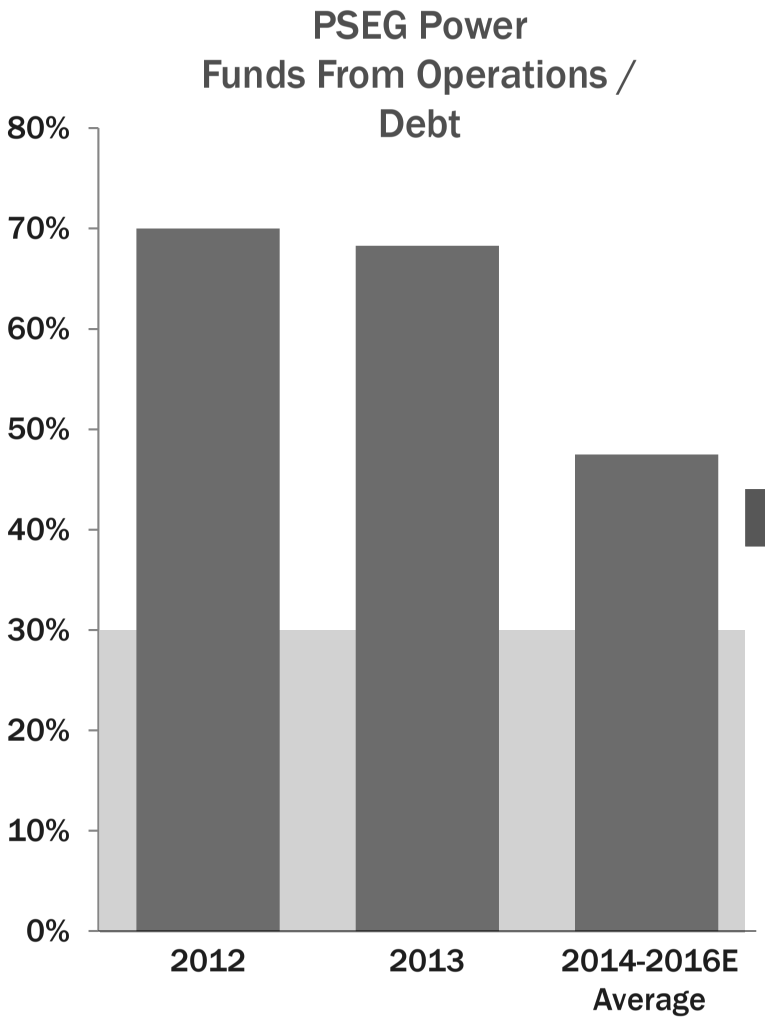
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-06770

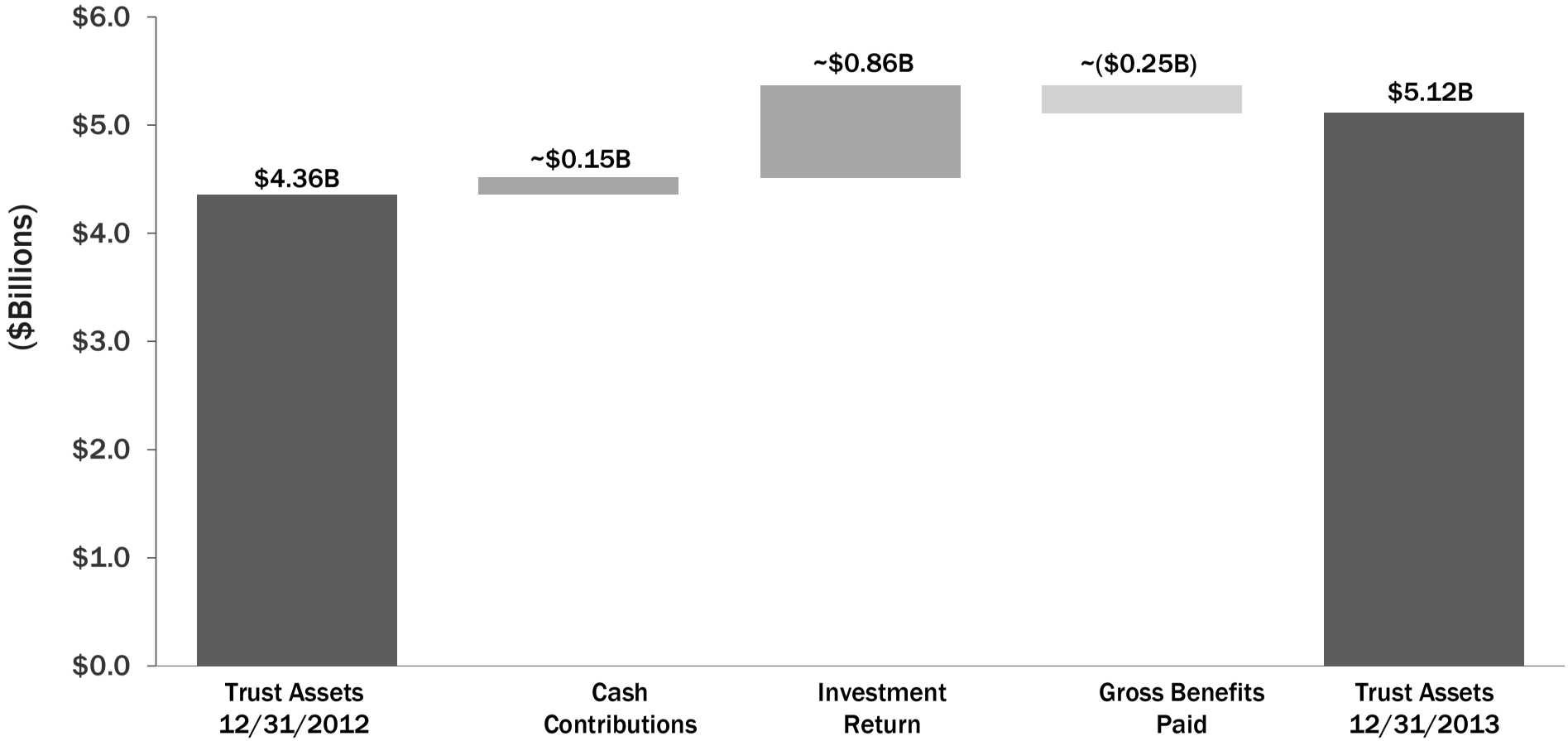
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-06771

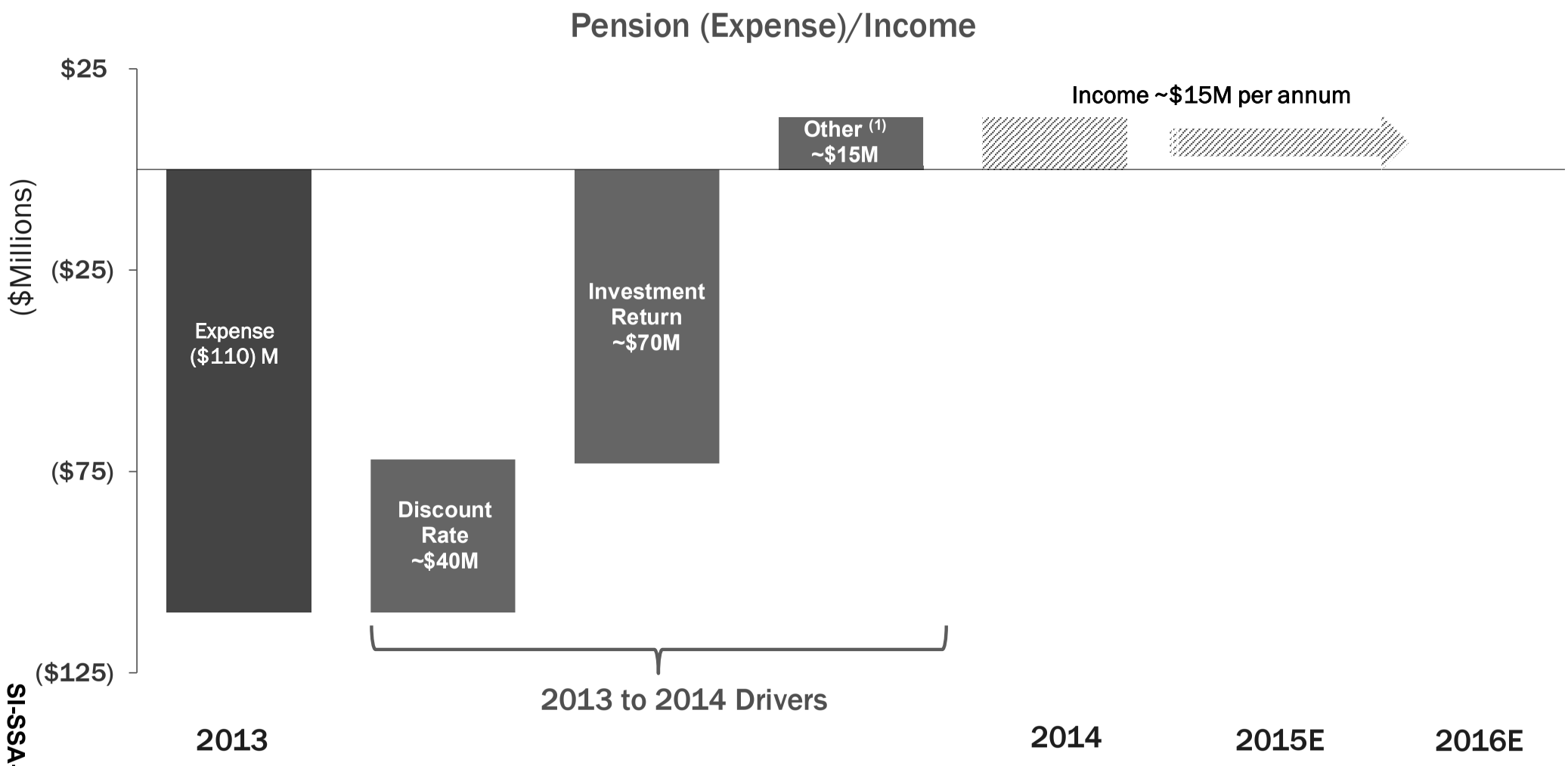
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-06772

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-06773

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Enterprise/Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

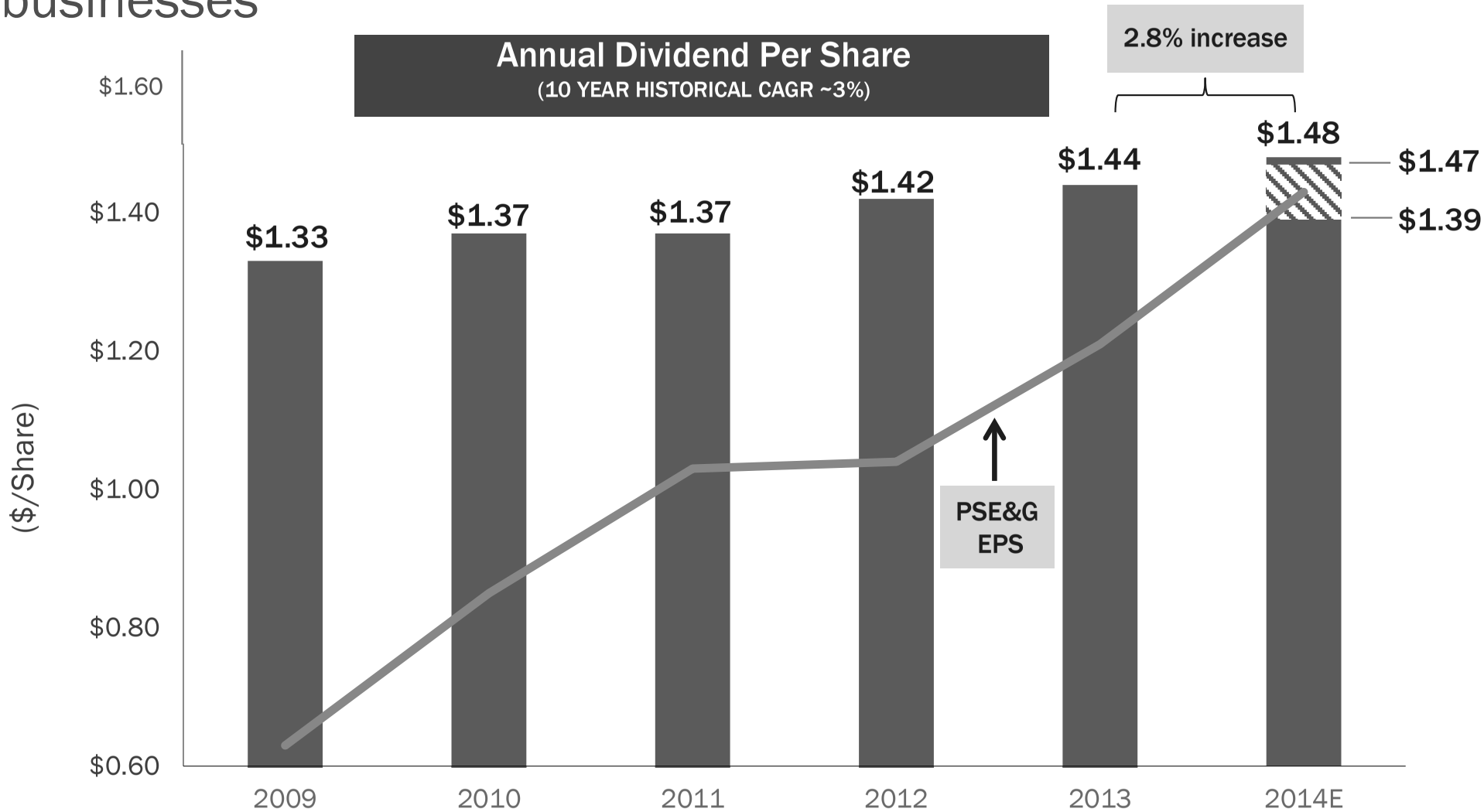
SI-SSA-0015-06774

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-06775

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-06776

PSEG Summary

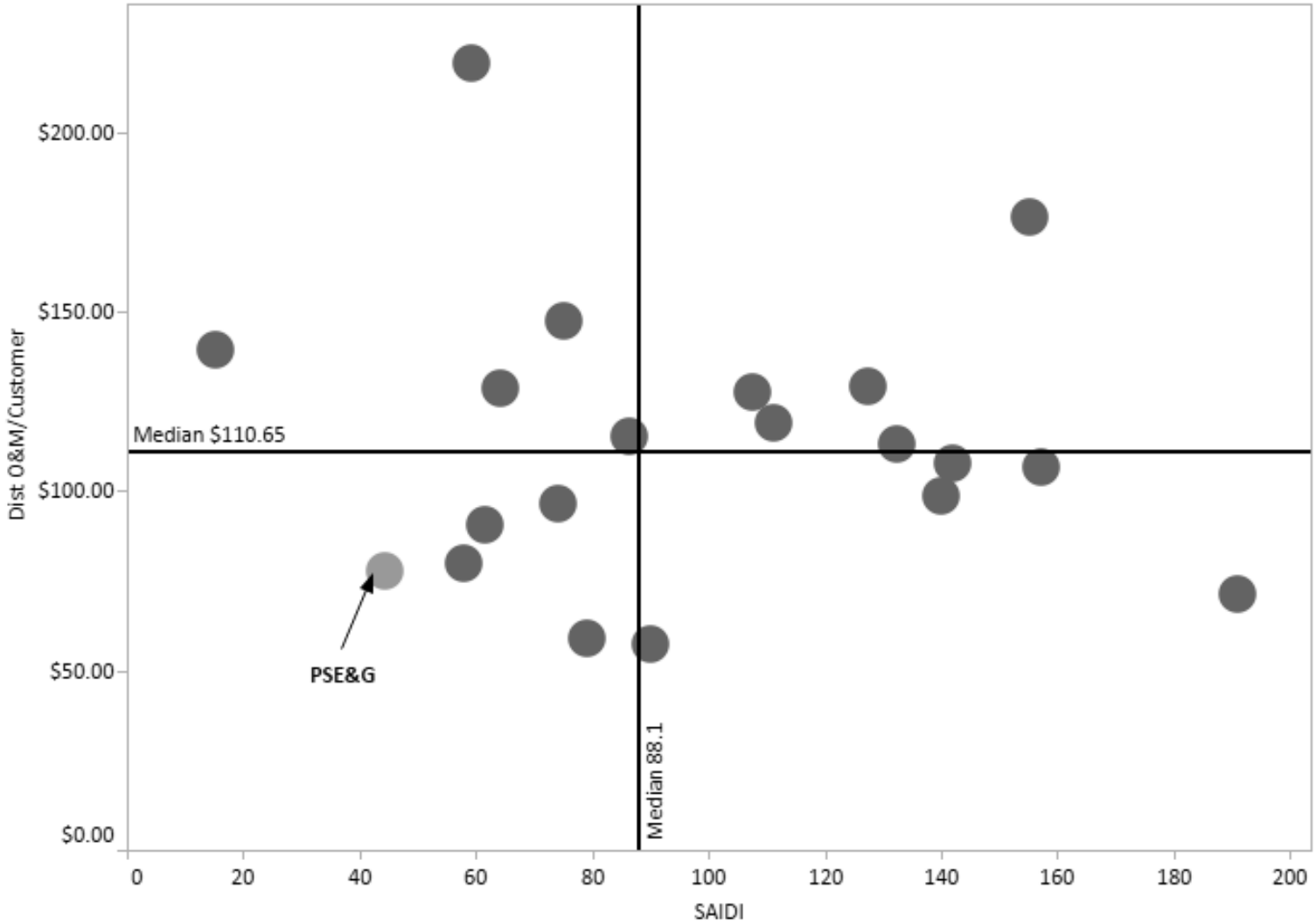
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-06777

PSE&G APPENDIX

SI-SSA-0015-06778

PSE&G provides high reliability at below average cost which creates superior value to customers

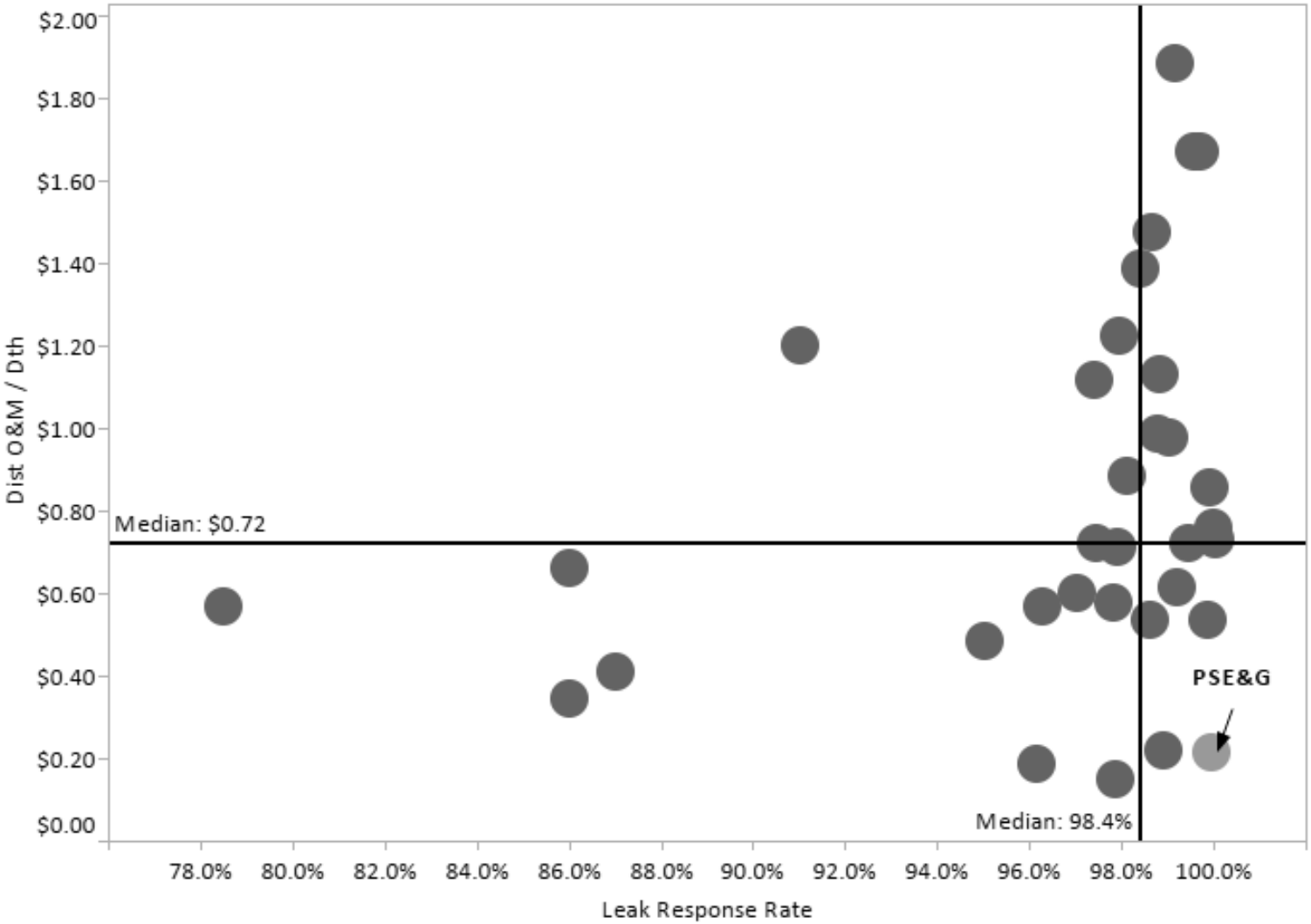


SI-SSA-0015-06779

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



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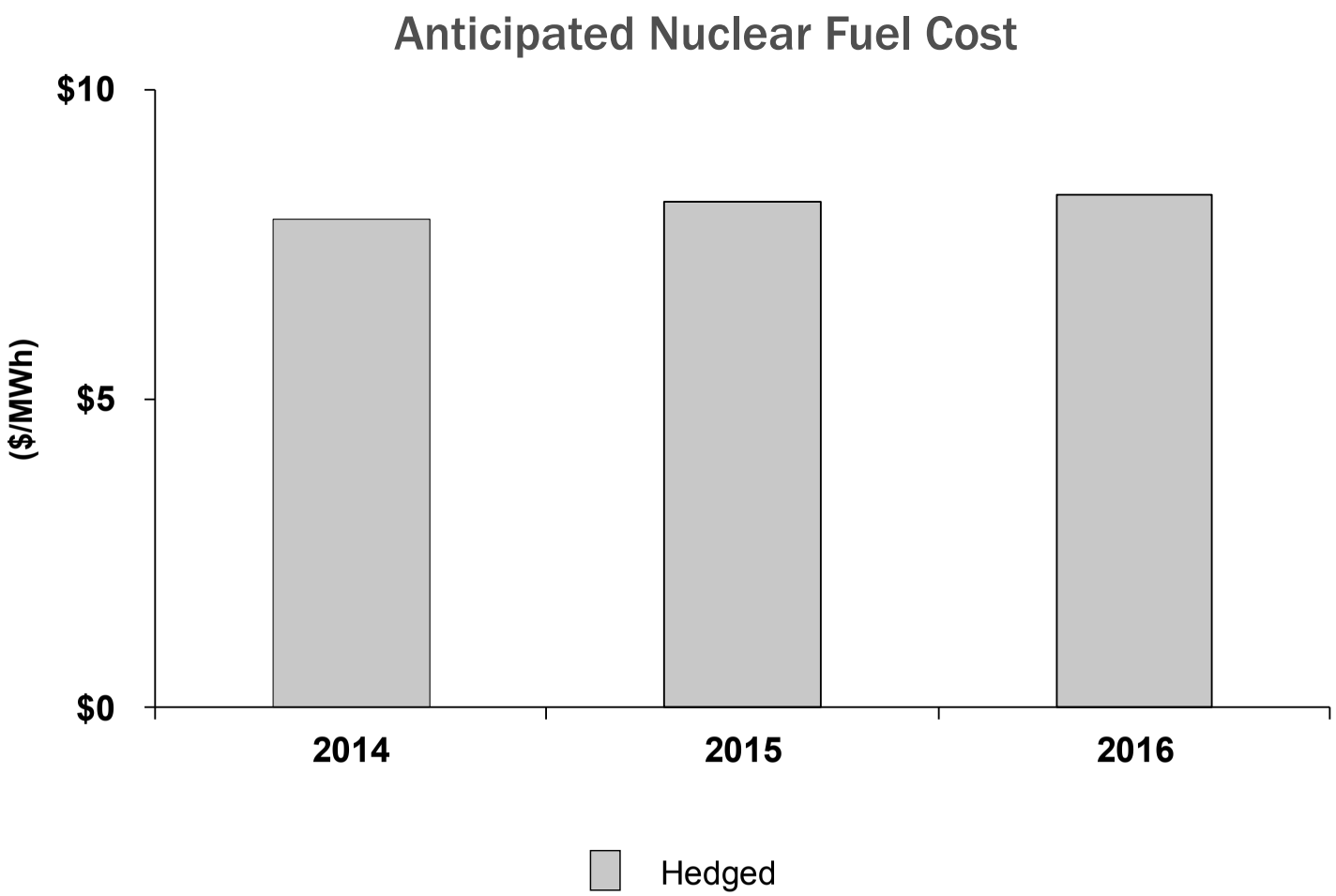
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

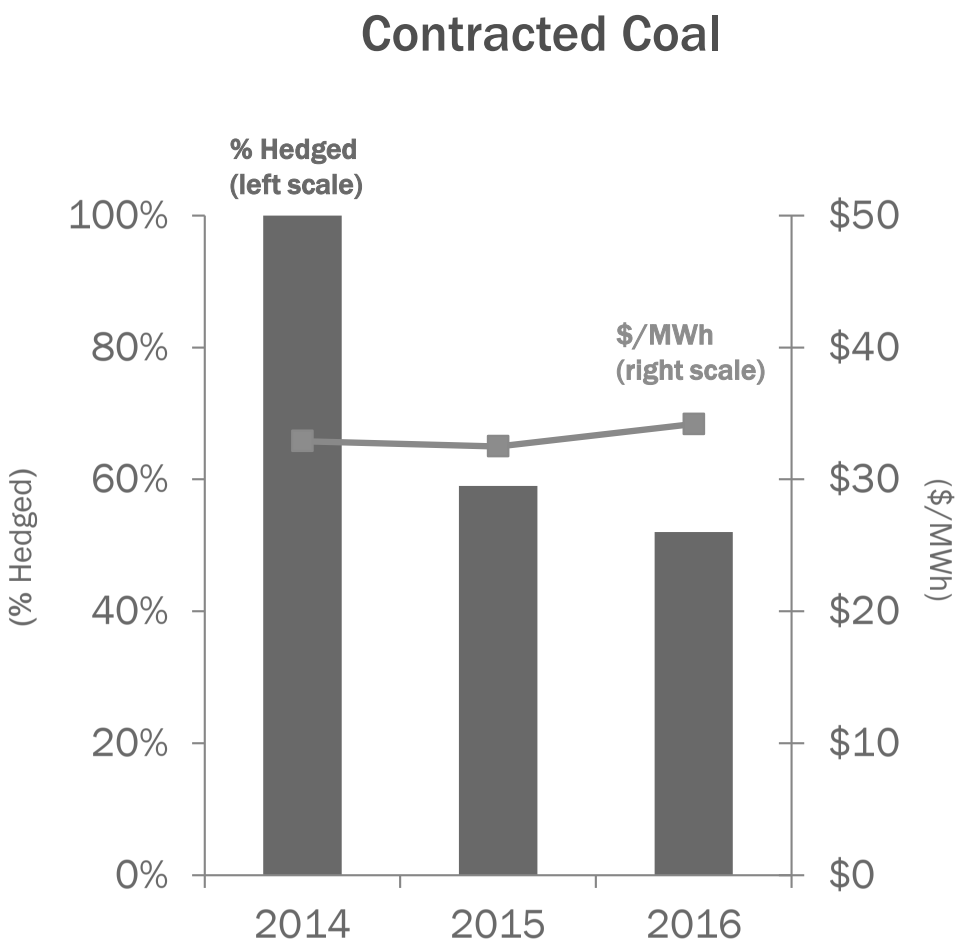
SI-SSA-0015-06781

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-06782

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-06783

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-06784

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06785

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

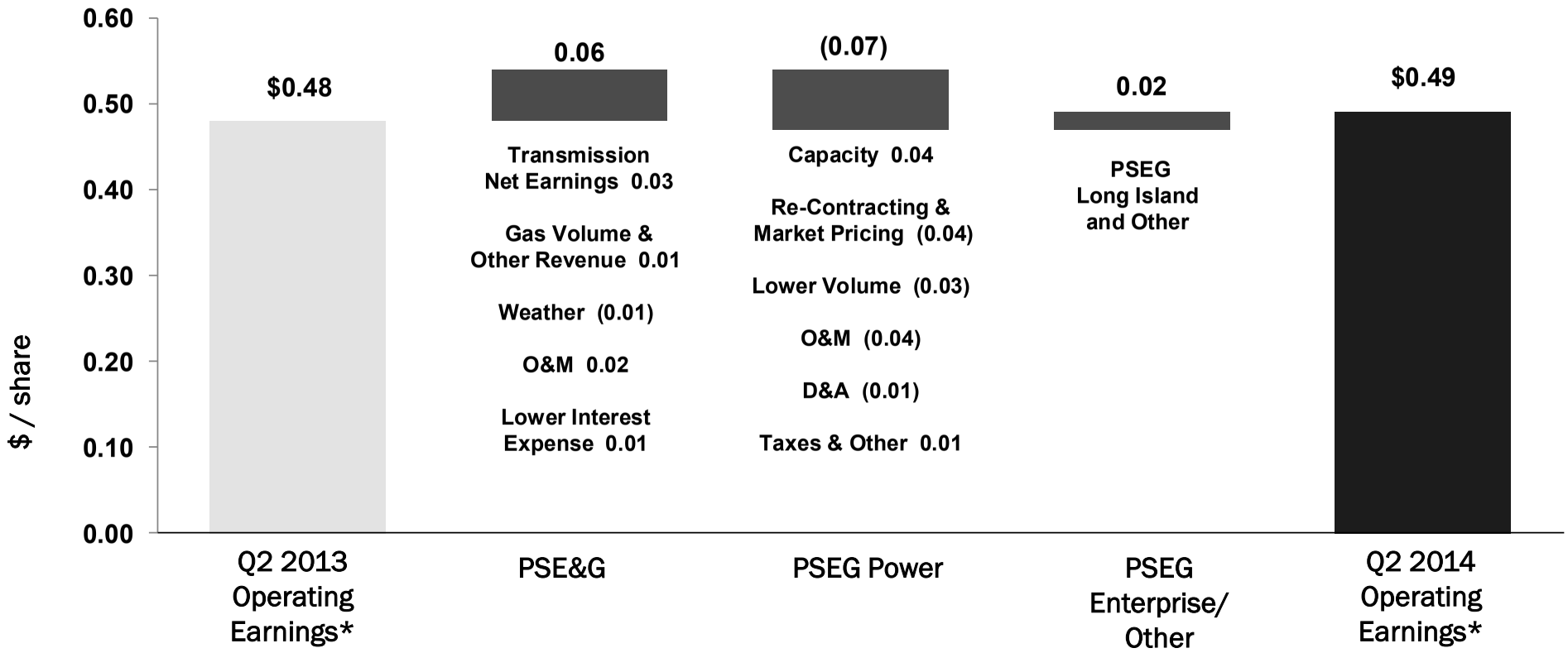
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
*Operating Earnings**	$ 245	$ 243	$ 0.49	$ 0.48

SI-SSA-0015-06786

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2014 vs. Q2 2013



SI-SSA-0015-06787

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

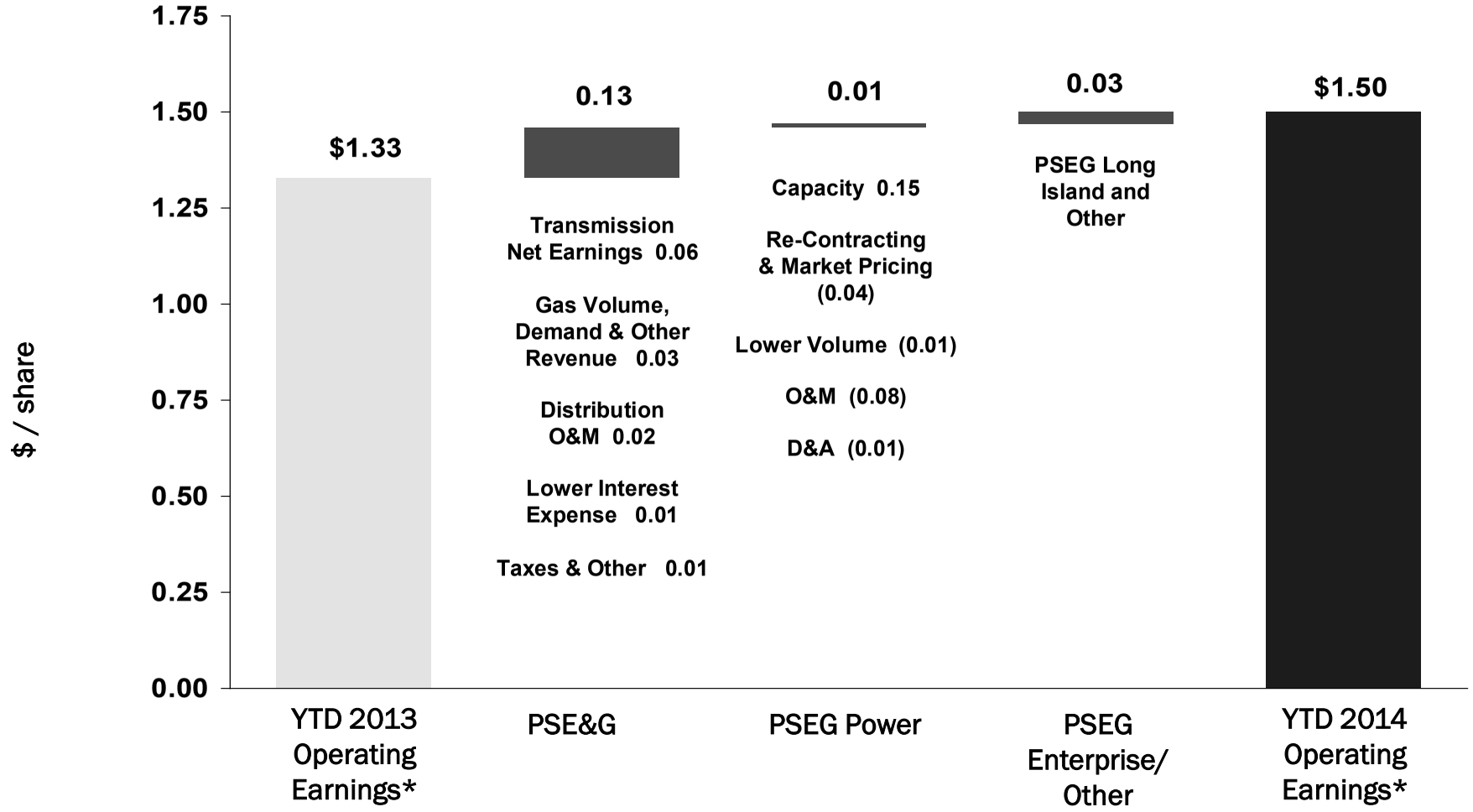
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
*Operating Earnings**	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-06788

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	8.6	6.1	2.5
Common Equity	11.8	6.4	5.5
Total Capitalization	**$20.4**	**$12.5**	**$8.0**
Total Debt / Capitalization	**42%**	**49%**	**32%**

PSE&G Regulated Equity Ratio(1) 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT..
(2) DOES NOT INCLUDE SECURITIZATION DEBT OF $385 MILLION.

SI-SSA-0015-06790

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
				PSEG Money Pool ST Investment	$278
				PSE&G ST Investment	$224
				Total Liquidity Available	**$4,567**
				Total Parent / Power Liquidity	**$3,756**

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

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

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

SI-SSA-0015-06791

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$195
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$899**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

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Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-06795

NYSE:
PEG

Deutsche Bank ESG Investing Conference

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October 15, 2018

SI-SSA-0015-06796

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-06797

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

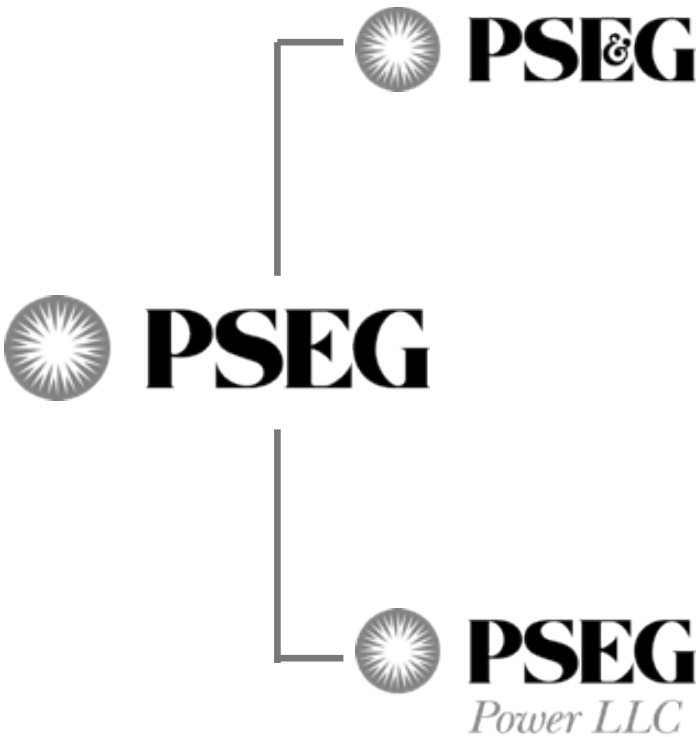
- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-06798

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M

SI-SSA-0015-06799

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop	☑
Energy Storage	• BPU to provide Governor and Legisla • BPU to initiate process within six mo mechanism for achieving 600 MW o	☑
EV Infrastructure	• Charging stations and related infrast	☑

New Jersey's recent Clean Energy legislation targets 50% of energy to be supplied by emission free fuel by 2030

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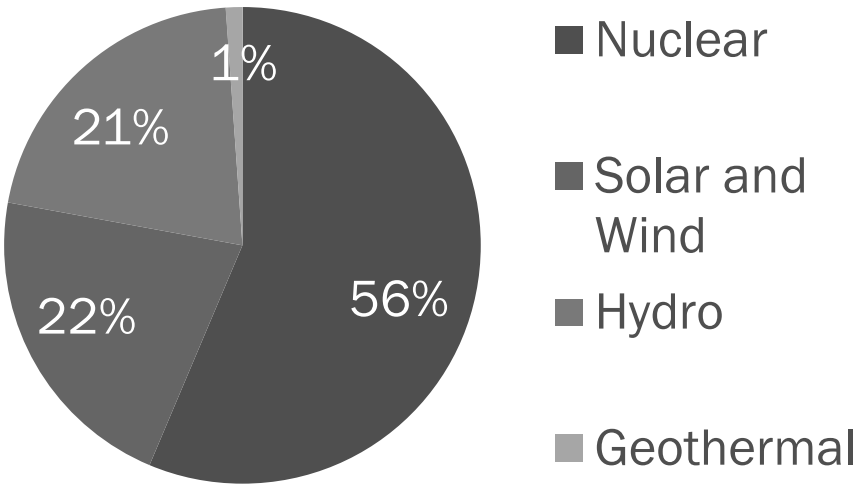
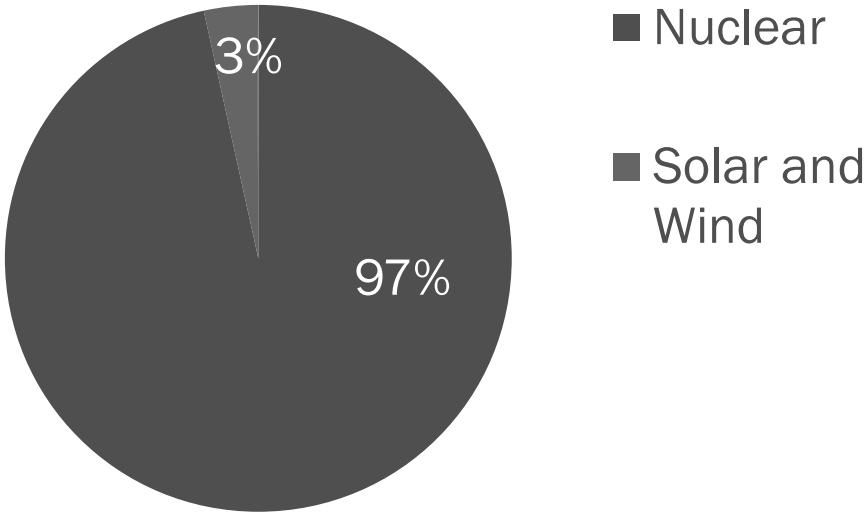
Sources of air emission-free generation
(CO_2, NO_x, SO_x, particulates)

United States



New Jersey



SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION (EIA-923 REPORT) BASED ON PRELIMINARY 2017 MONTHLY DATA

SI-SSA-0015-06801

Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency:** Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles:** "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage:** Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: Advanced Metering Infrastructure (AMI):** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

SI-SSA-0015-06802

Energy Strong – Increasing resiliency

In late October 2012, Superstorm Sandy caused severe damage to PSE&G's T&D system and to some of Power's generation infrastructure in the northern part of New Jersey. Strong winds and the resulting storm surge caused damage to switching stations, substations and generating infrastructure.

Energy Strong Program: In May 2014, the BPU approved Energy Strong, which enabled PSE&G to invest $1.22 billion to upgrade all of its electric substations that were damaged by water in recent storms; make investments that will create redundancy in the electric distribution system, reduce outages when damage occurs; and deploy technologies to better monitor system operations, enabling PSE&G to restore customers more quickly in the event of an electric outage. With respect to PSE&G's gas system, replace and modernize 250 miles of low-pressure cast iron gas mains in or near flood areas; and upgrade five natural gas metering stations and a liquefied natural gas station recently affected by severe weather or located in flood zones.

PSE&G recently filed **Energy Strong II** ($2.5 billion over a five years) to further strengthen the utility's electric and gas systems to withstand storms, improve reliability and significantly enhance resiliency. If approved, ES II will rebuild, raise and/or harden critical electrical equipment, including within flood prone areas; install stronger poles and wires to reduce wind and tree damage; deploy advanced technology to quicken restoration, build backup pipes to distribute natural gas to enhance reliability; modernize critical gas equipment within flood prone areas, and improve customer service.

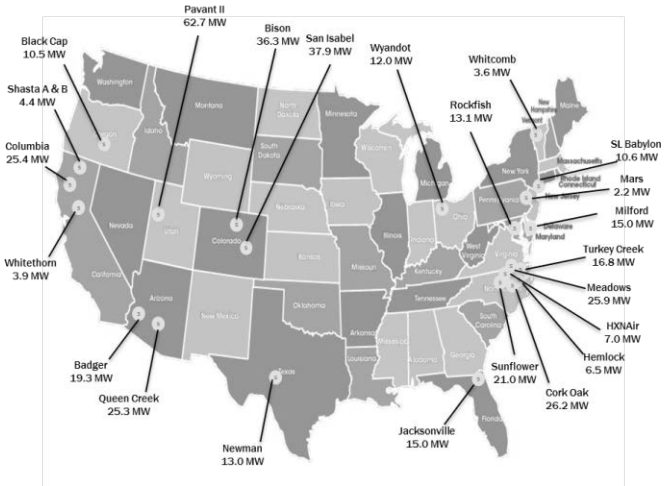
SI-SSA-0015-06803

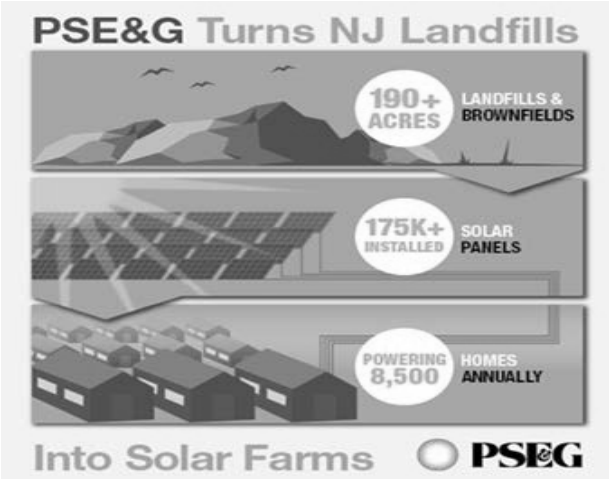
NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ 330-Day process underway – NJ Board of Public Utilities expected to determine eligibility and select nuclear plants to receive ZECs by mid-April 2019
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-06804

PSEG has invested ~$1.7 Billion in Solar





PSEG Power: Solar Source has invested $835M in 23 projects in 14 states totaling 414 MW_{DC}

PSE&G: has invested $876 M across its Solar Loan, Solar4All & Extensions totaling 211 MW_{DC}

SI-SSA-0015-06805

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels; PSE&G's recent Clean Energy Future filing has the potential to more than double this climate goal if approved
- ✓ Named to the Dow Jones North America Sustainability Index for the 11th year in 2018
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-06806

PSEG EXECUTIVE PROFILE

SI-SSA-0015-06807

PSEG

We make things work for you.

Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

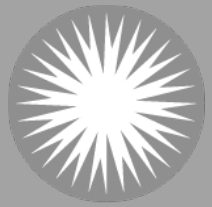
Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-06808

Deutsche Bank 2015 Clean Tech, Utilities & Power Conference

NEW YORK, NY – MAY 12, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06809

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-06810

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-06811

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-06812

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-06813

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 — Assets $22B Operating Earnings $725M	2014 — Assets $12B Operating Earnings $642M

SI-SSA-0015-06814

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source

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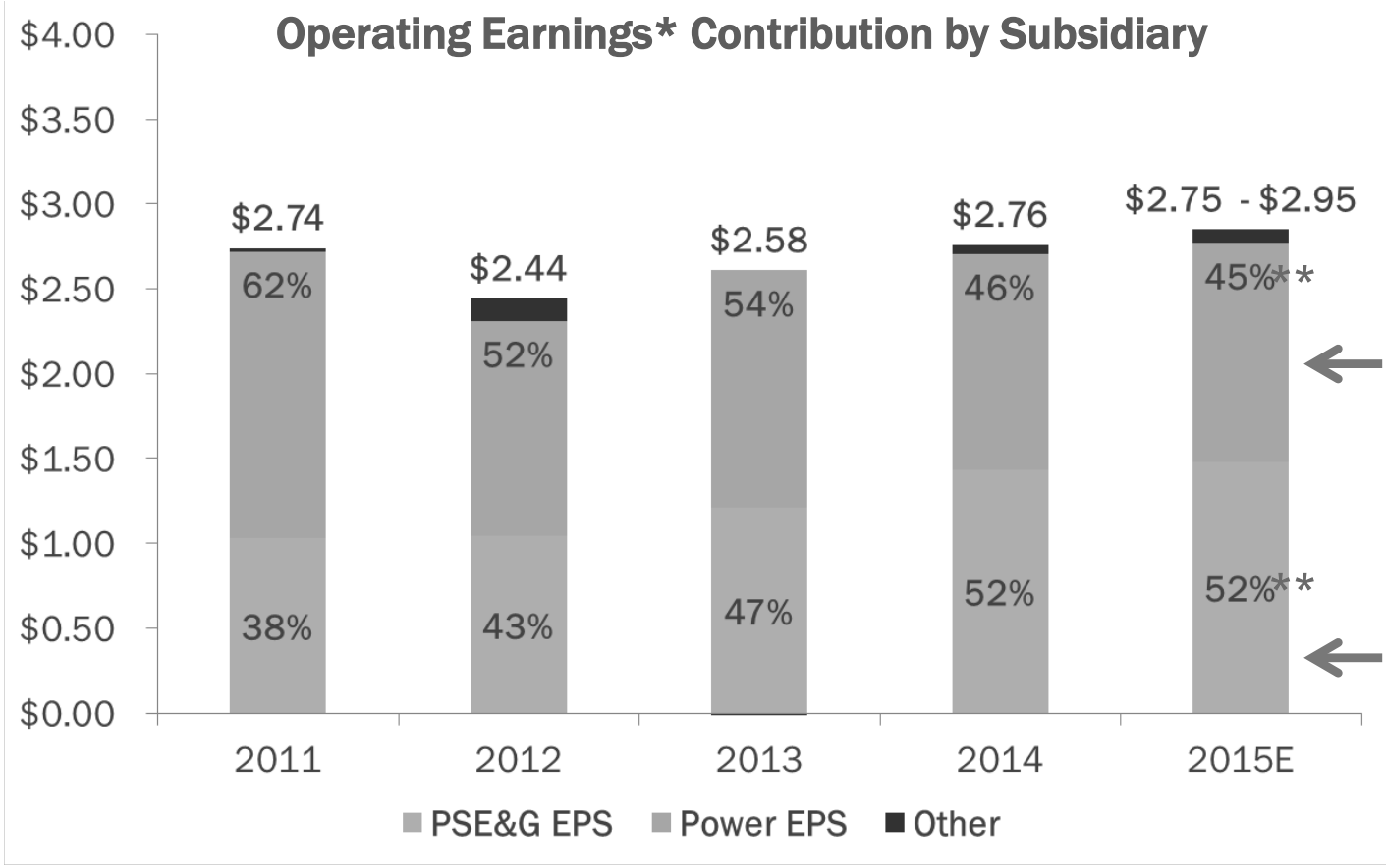
Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

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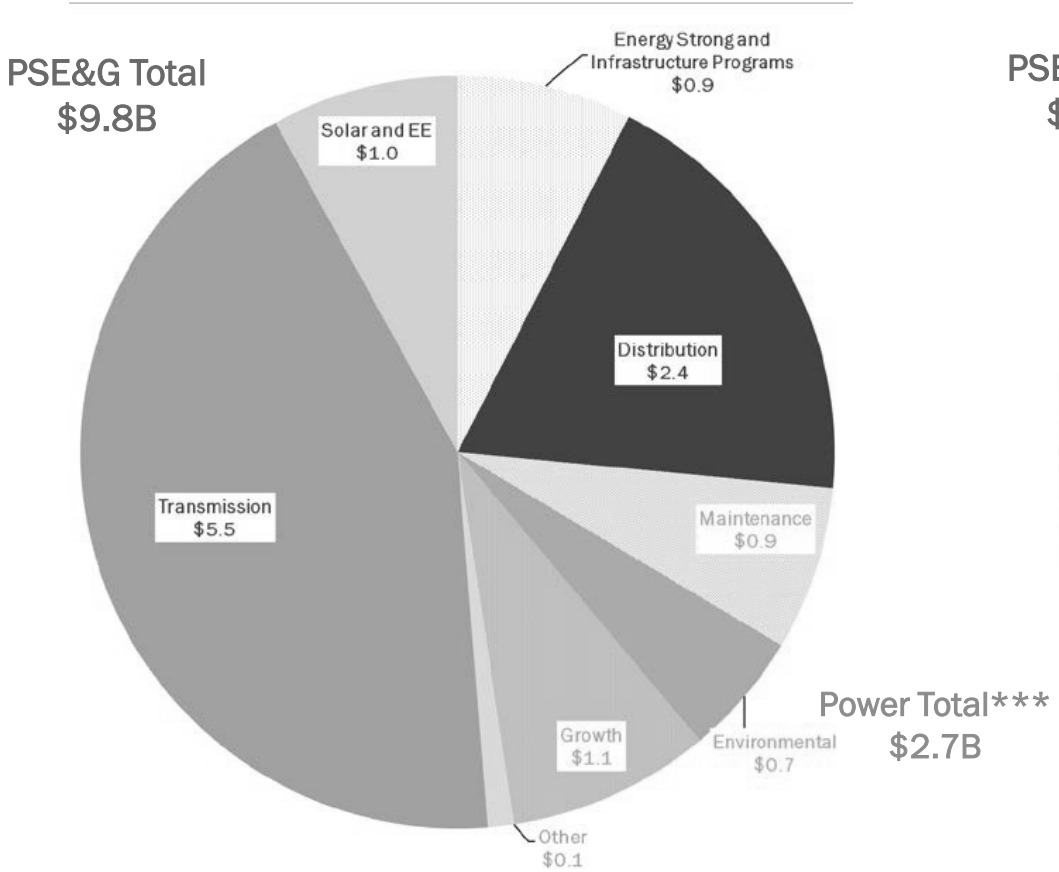
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Robust pipeline of investment opportunities

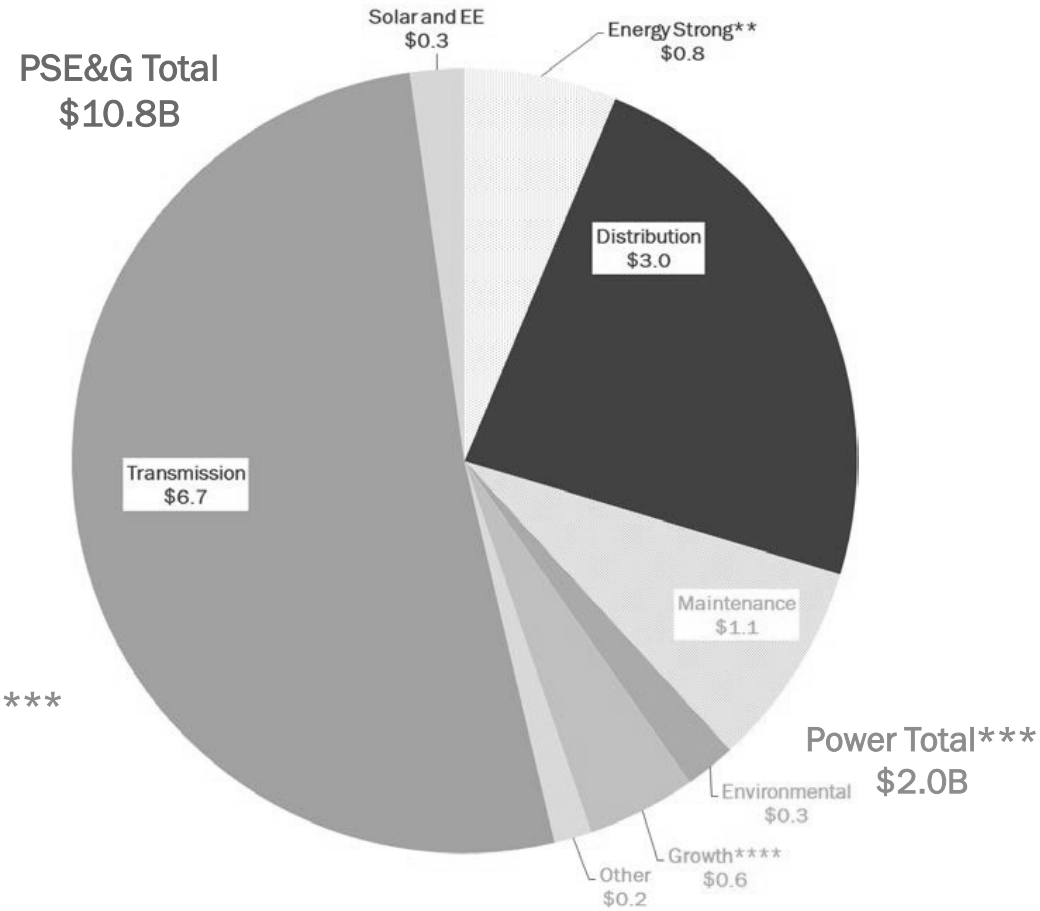
supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion



2015E - 2019E*: $13 Billion



2015E–2019E:

- $1.3B of capital for Gas System Modernization Program and Artificial Island would be incremental

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-06817

Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program and Artificial Island increase capital program by $1.3 billion through 2019 • Financial capability supports further expansion of the current capital plan

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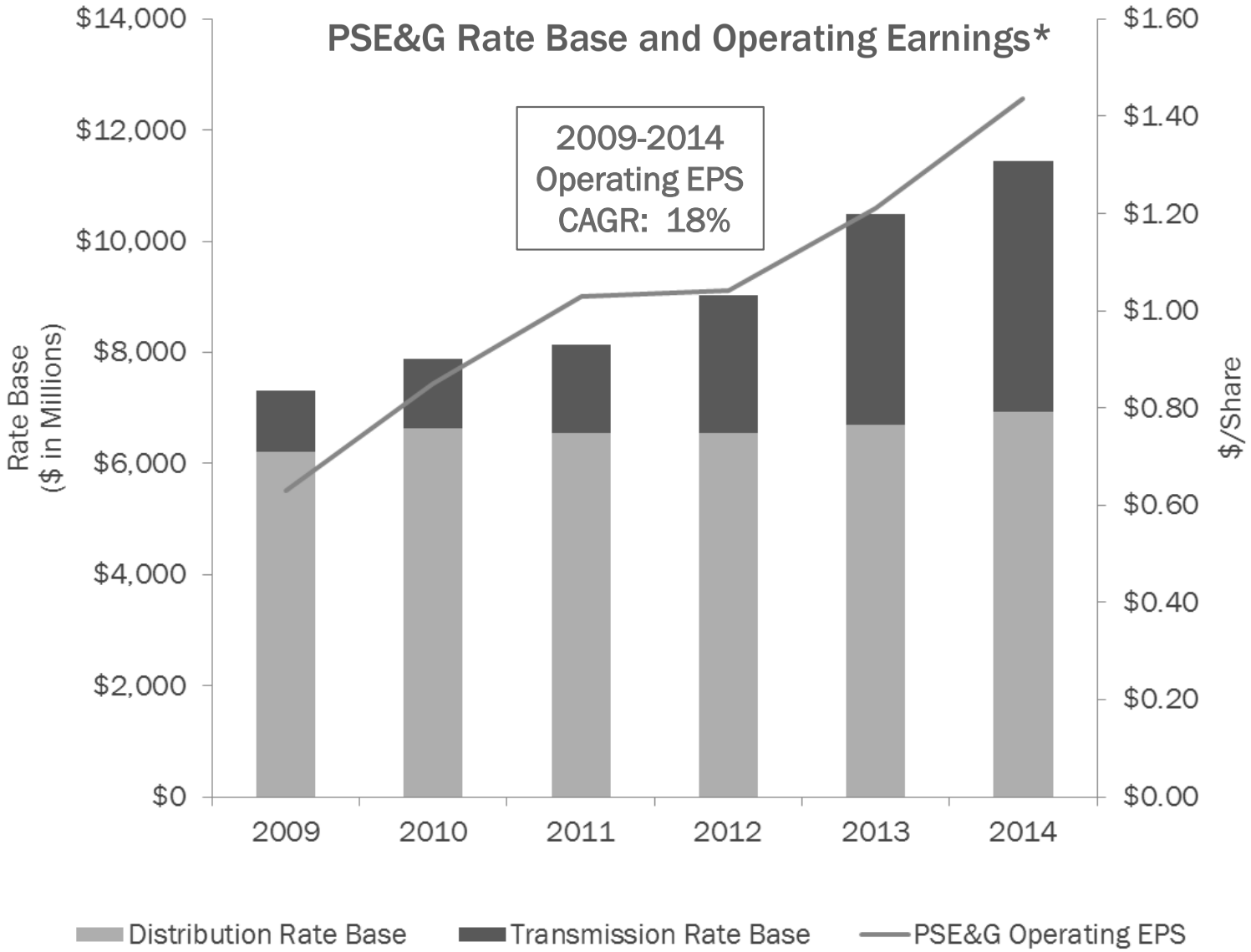
PSE&G's investment program

Meeting public policy goals and customer needs

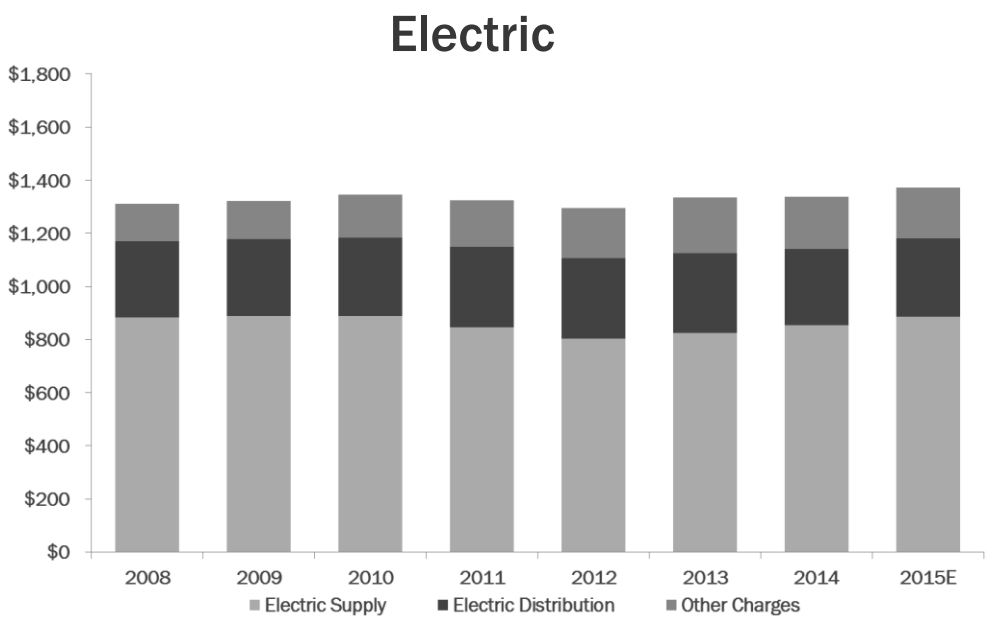


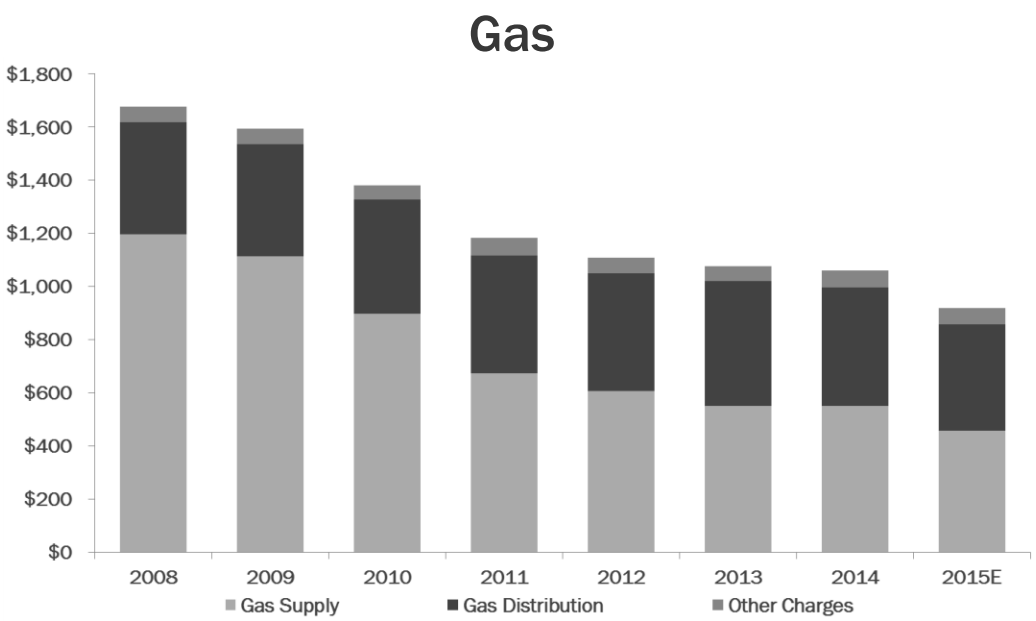
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06819

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





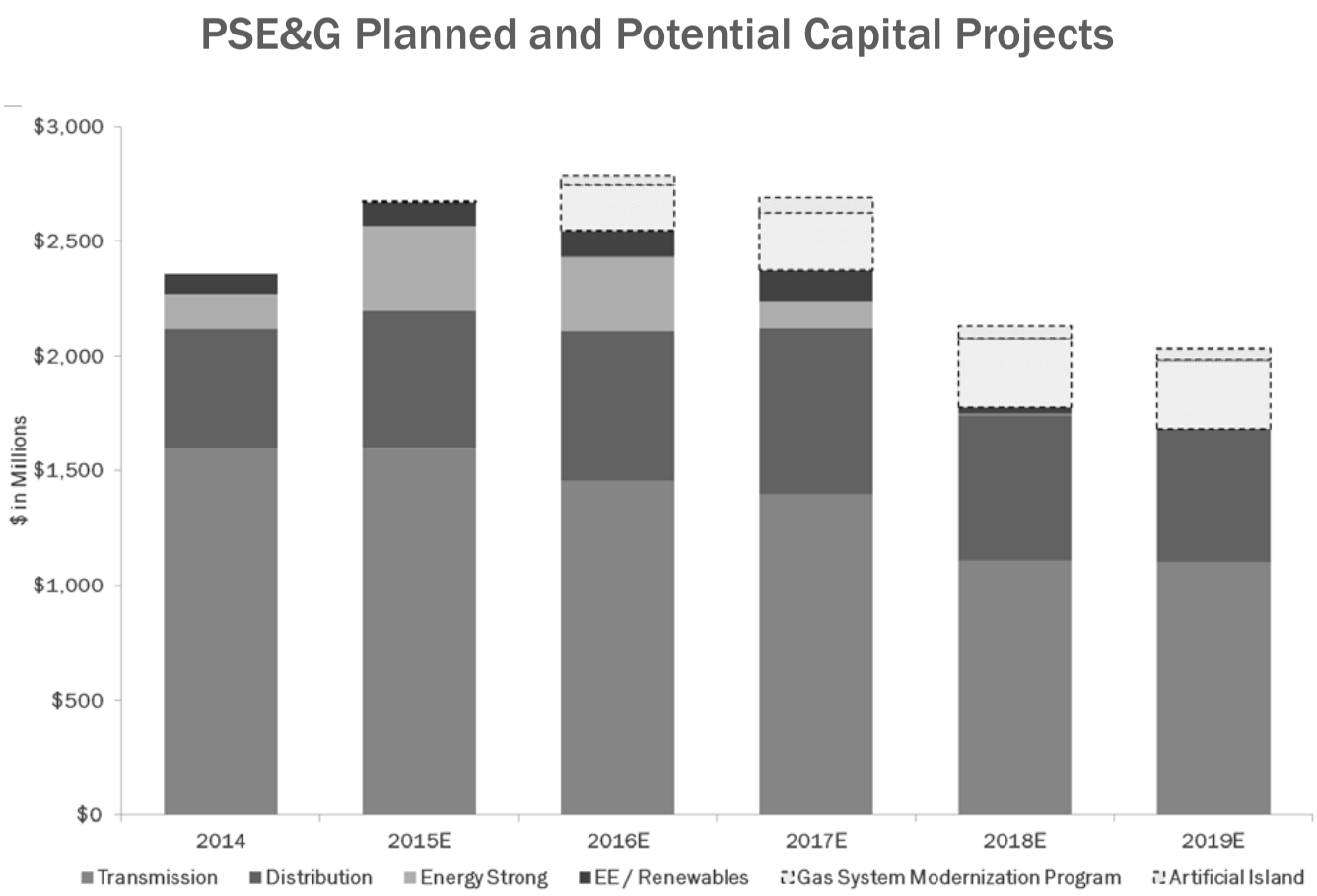
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-06820

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

SI-SSA-0015-06821

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-06822

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and 2015 Capacity Performance proposal • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations

Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates are underway
	• Brownfield expansions at existing sites
	  ➢ New peakers built at New Haven and Kearny sites
	  ➢ Continue to explore further opportunities
	• PennEast pipeline - equity investment and gas portfolio enhancement
	• Solar Source owns ~123 MW*, with significant project pipeline
	• Continue to seek opportunities to expand the fleet

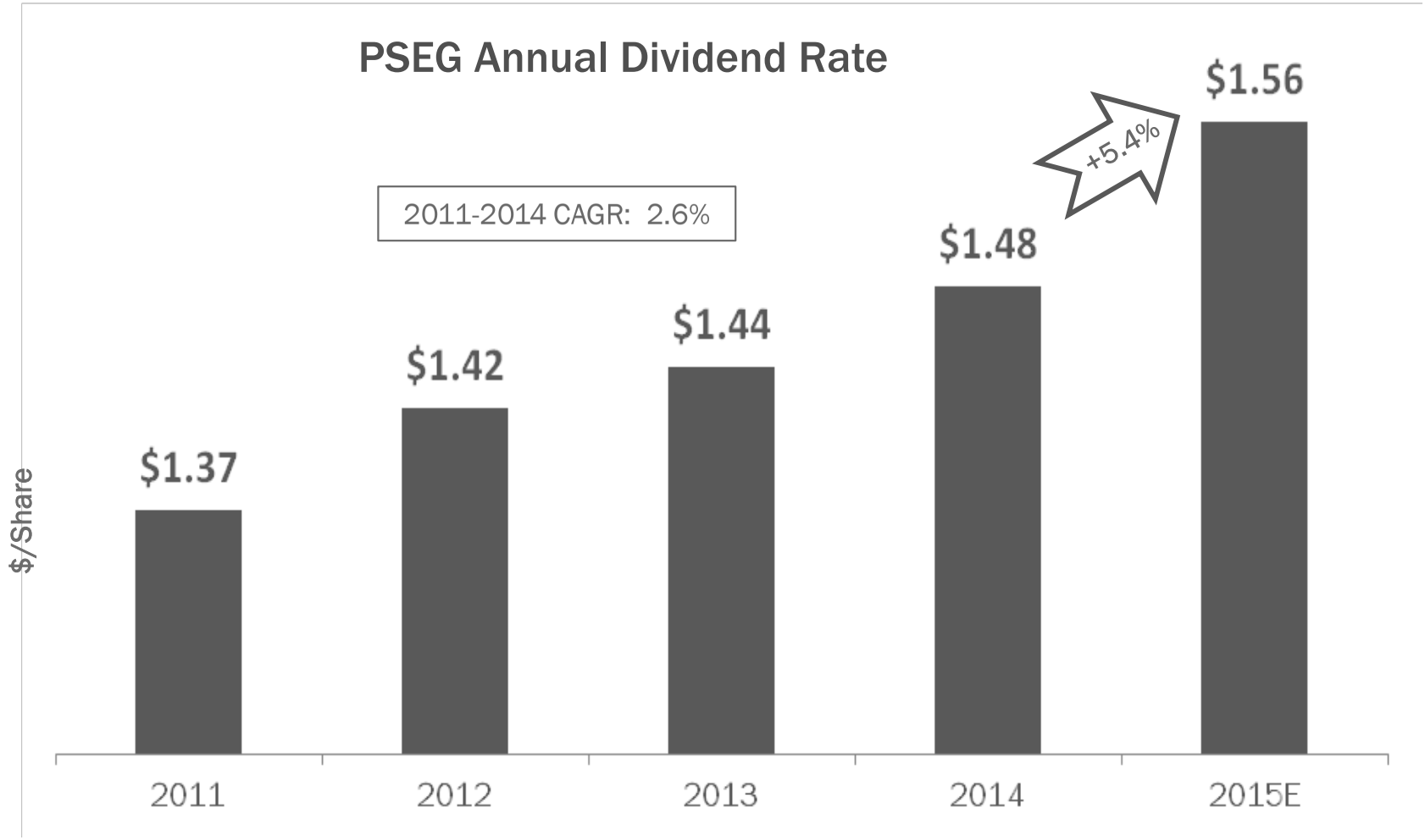
SI-SSA-0015-06823

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-06824

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities**

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-06825

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

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PSE&G

PSEG

We make things work for you.

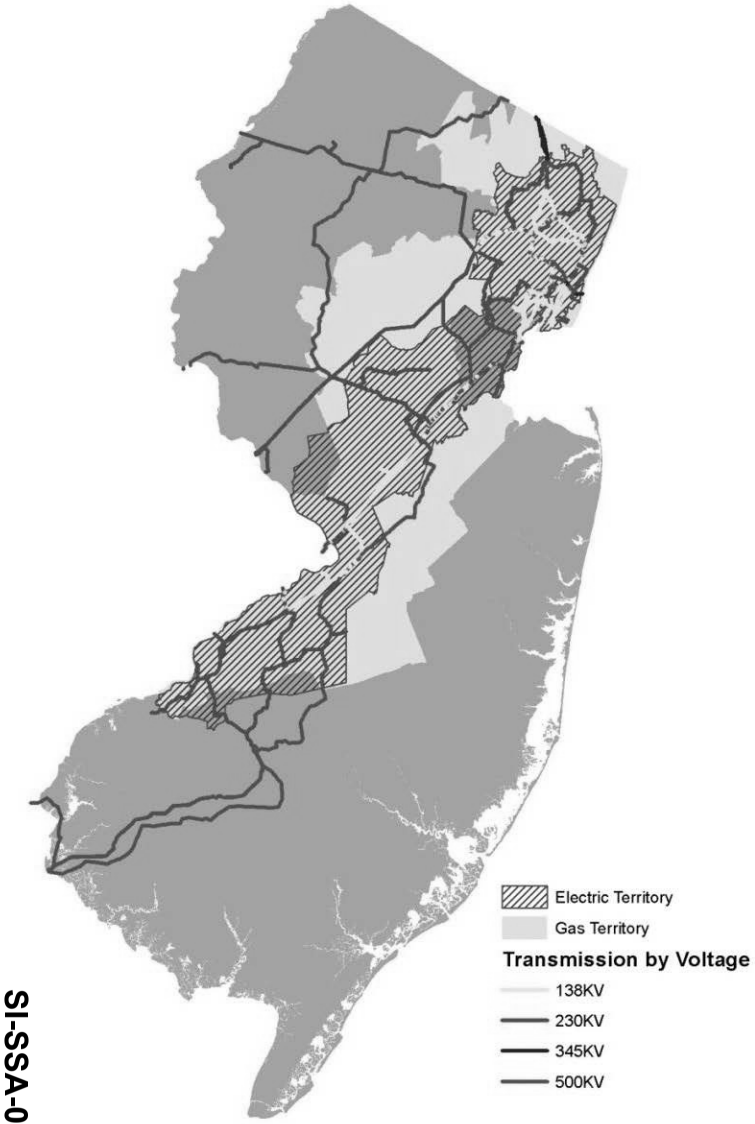
SI-SSA-0015-06827

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06828

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-06829

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

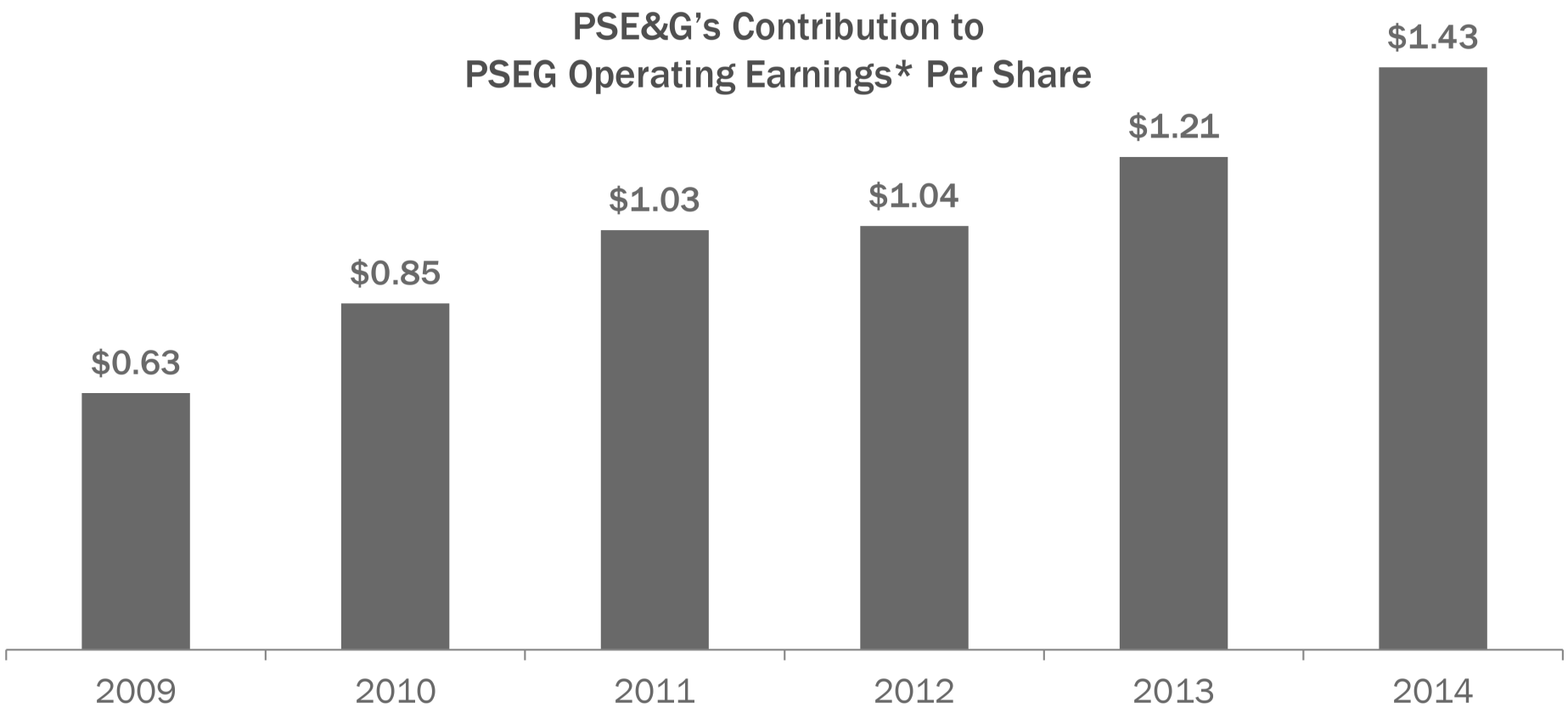
SI-SSA-0015-06830

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-06831

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control



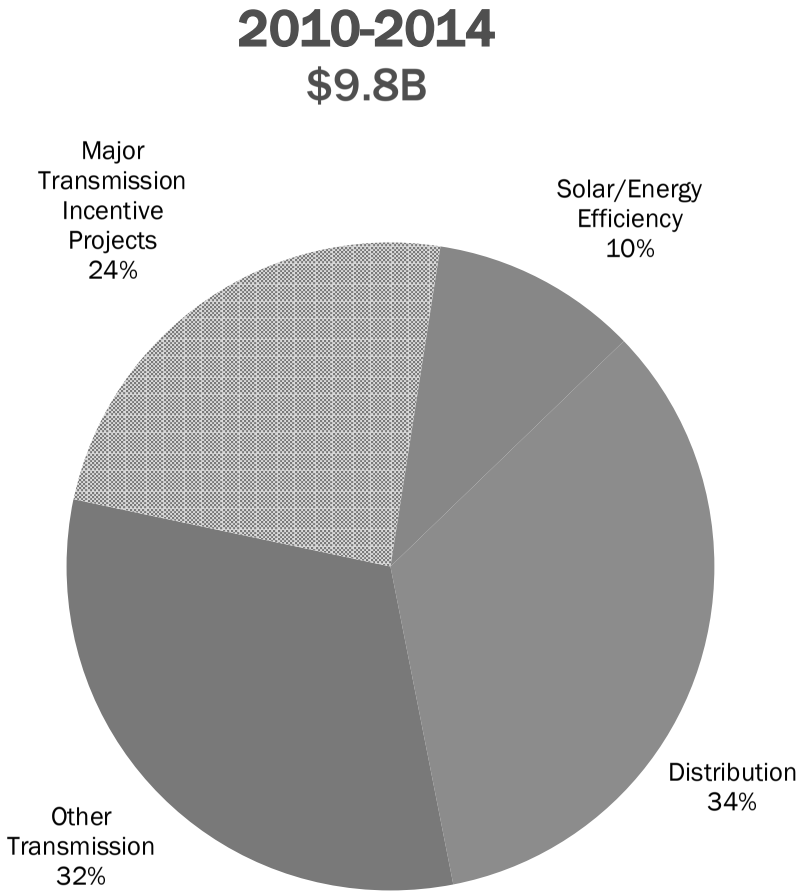
SI-SSA-0015-06832

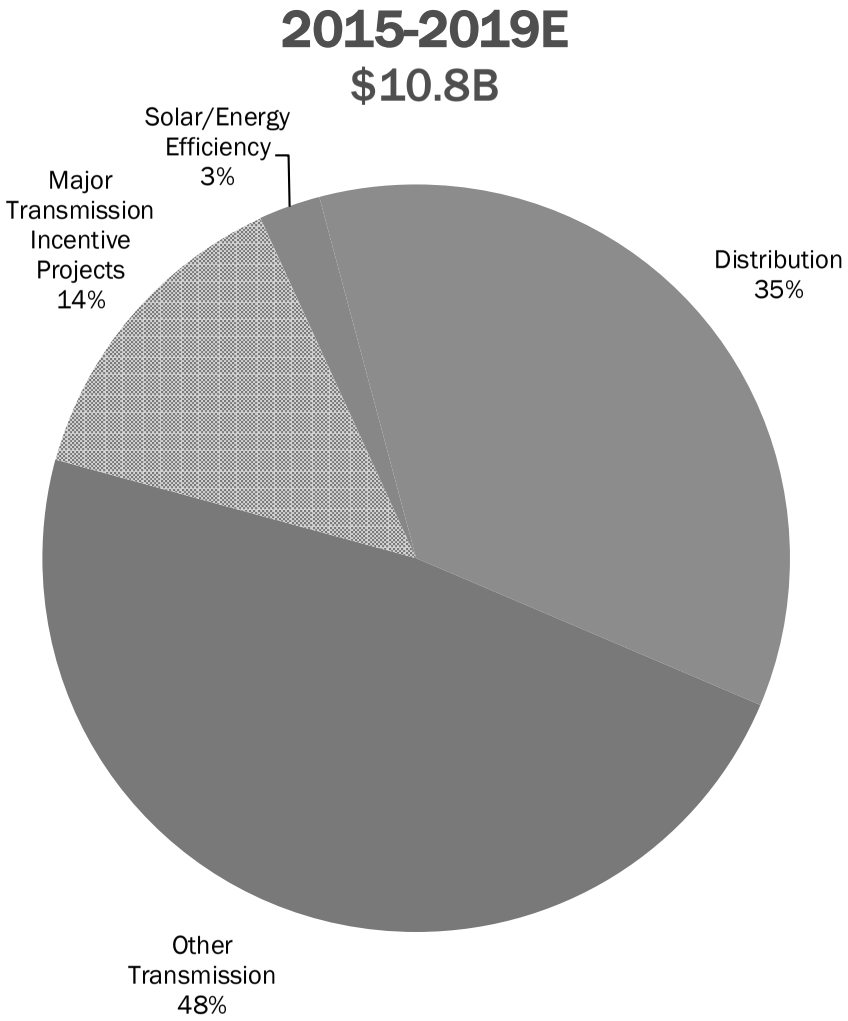
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-06833

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 -June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06834

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-06836

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-0015-06837

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System Modernization Program would increase potential investment by ~$1.6B

SI-SSA-0015-06838

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-06839

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal unit (RTU) has been installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-06840

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-06841

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term replacement strategy
  - 30-year cast iron and unprotected steel replacement program
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-06842

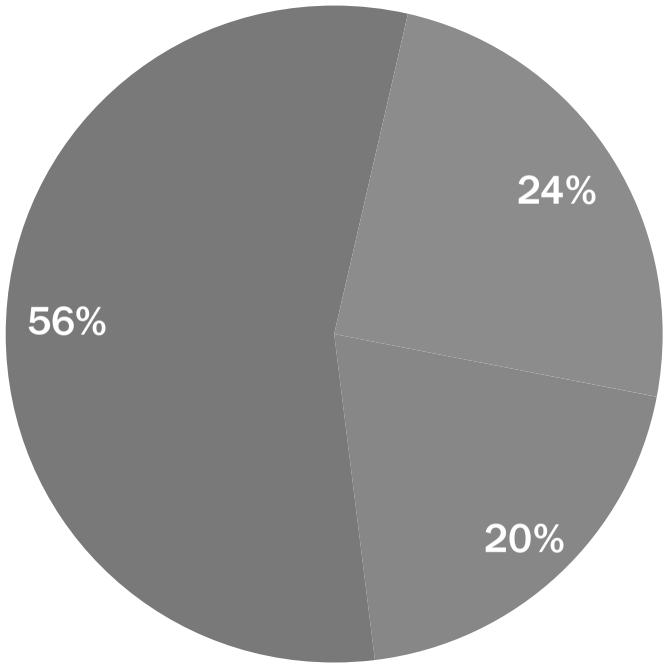
PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

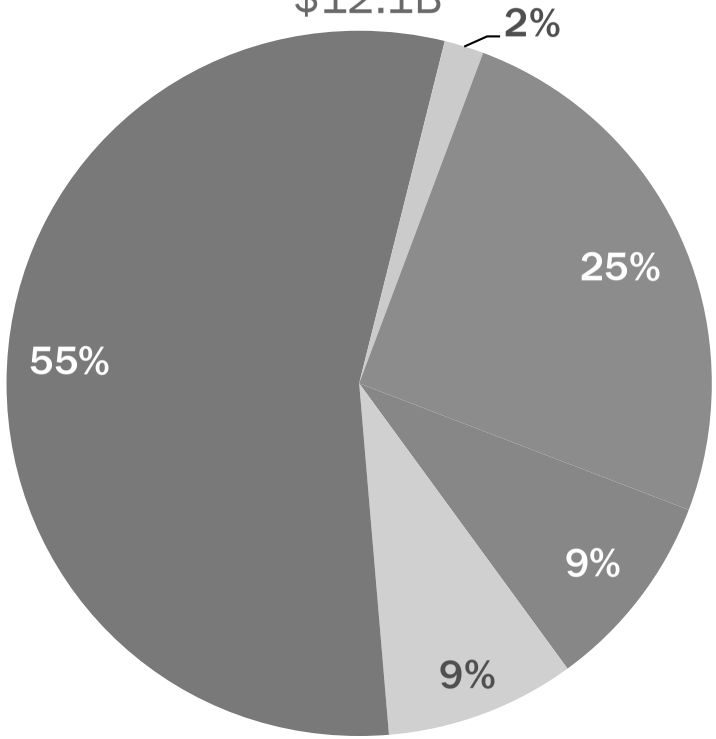
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

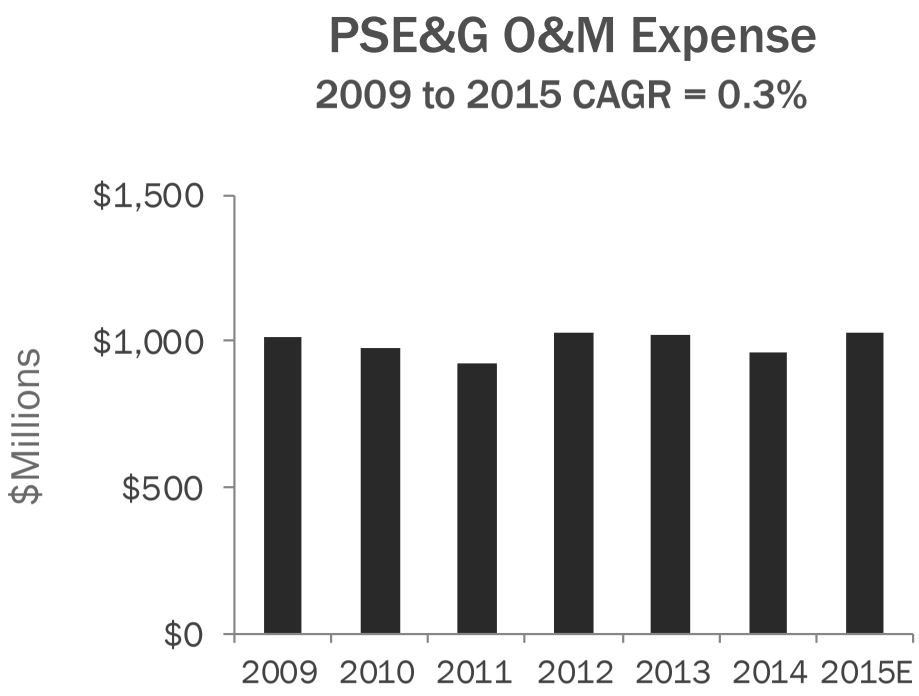
FERC Formula Rates
- Transmission
- Artificial Island

Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-06843

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-06844

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

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PSEG LONG ISLAND

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We make things work for you.

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PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-06847

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

PSEG

We make things work for you.

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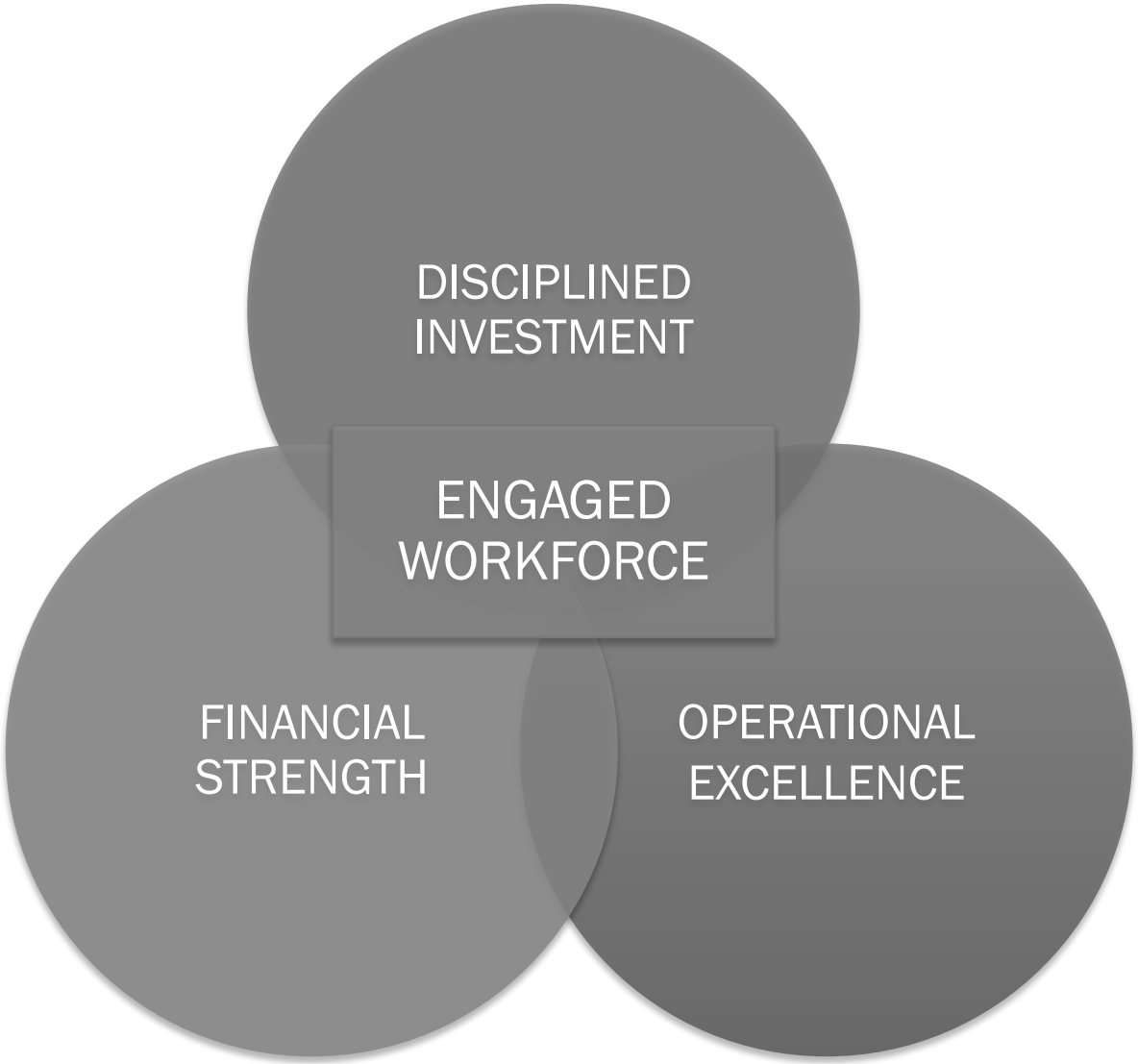
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-06849

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-06850

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Completed three projects with one underway, bringing Solar Source's portfolio to 123 MW_{DC} • Nuclear ESP is expected in 2016

SI-SSA-0015-06851

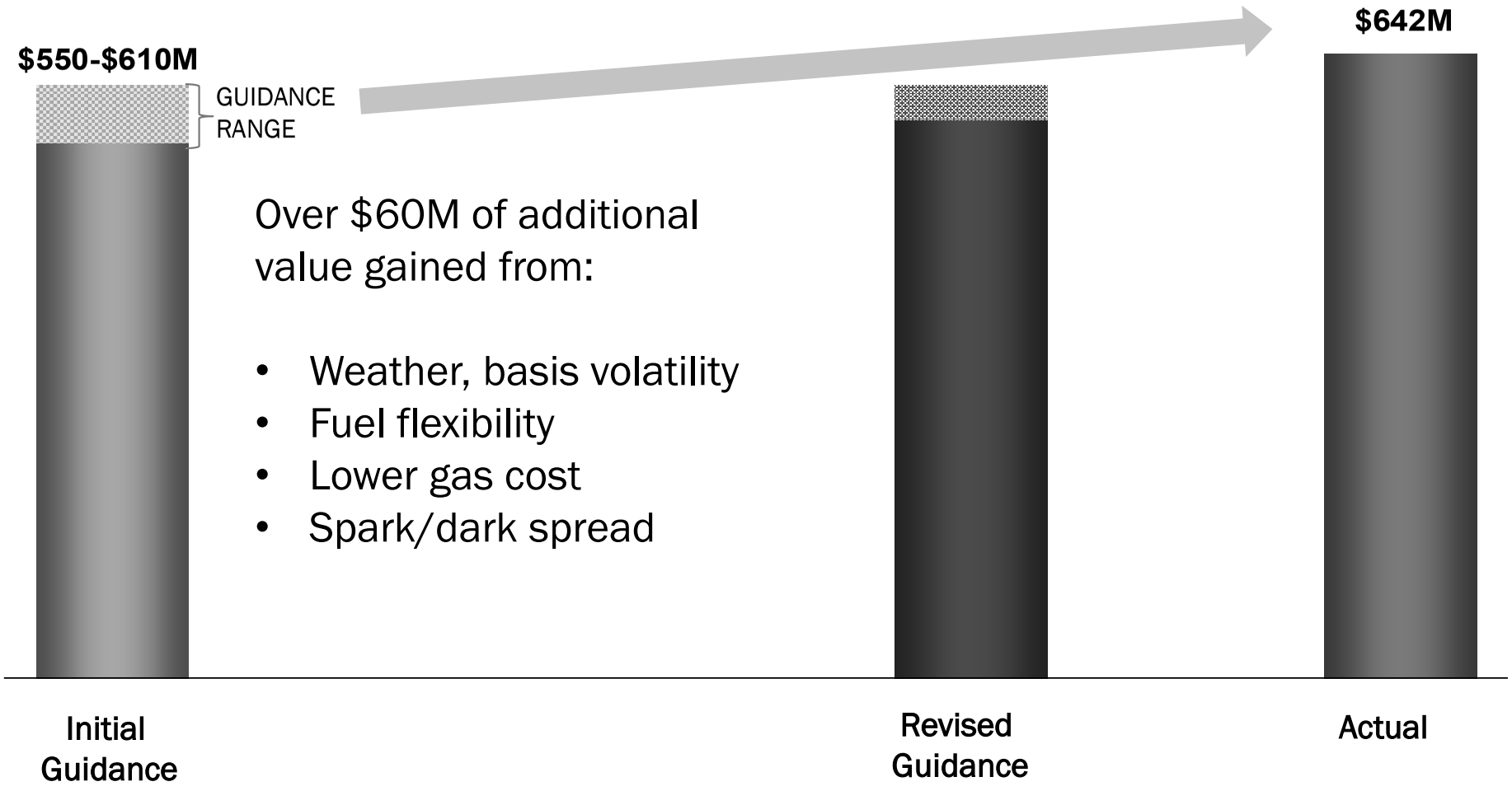
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-06852

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



Over $60M of additional value gained from:

- Weather, basis volatility
- Fuel flexibility
- Lower gas cost
- Spark/dark spread

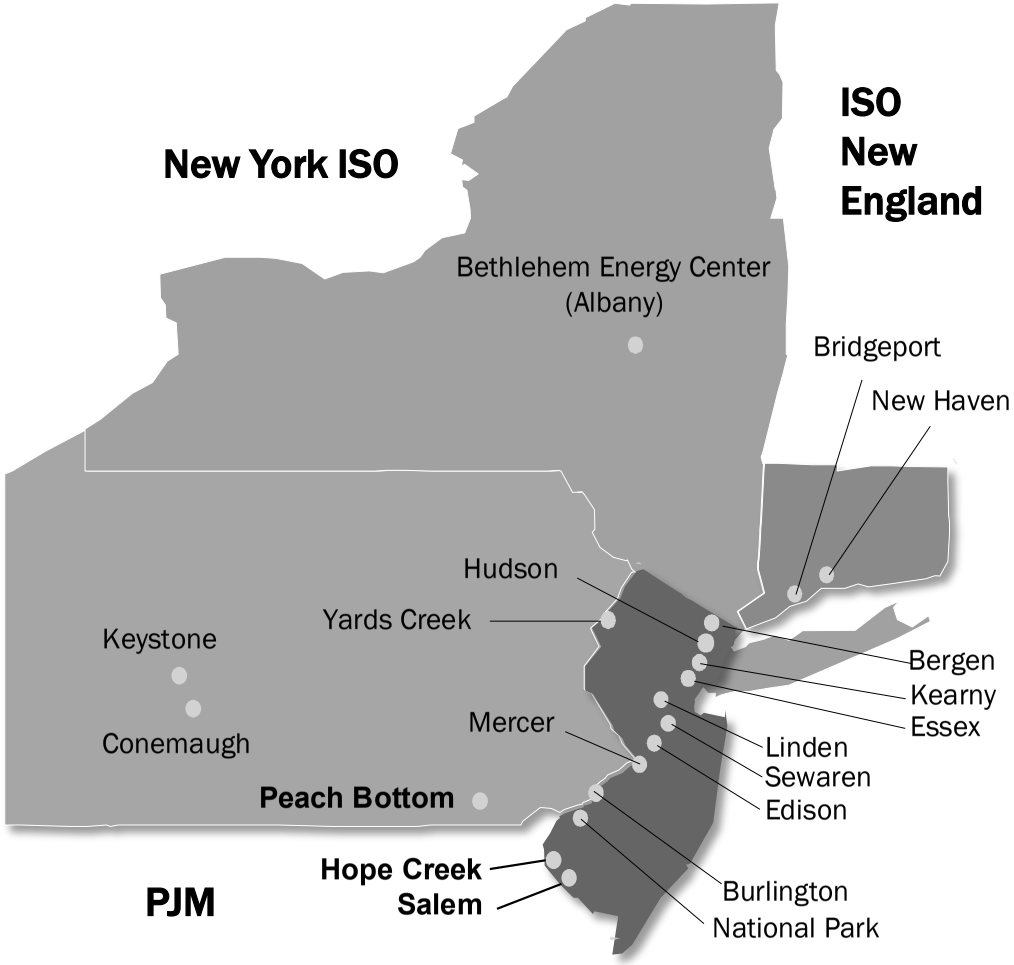
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06853

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



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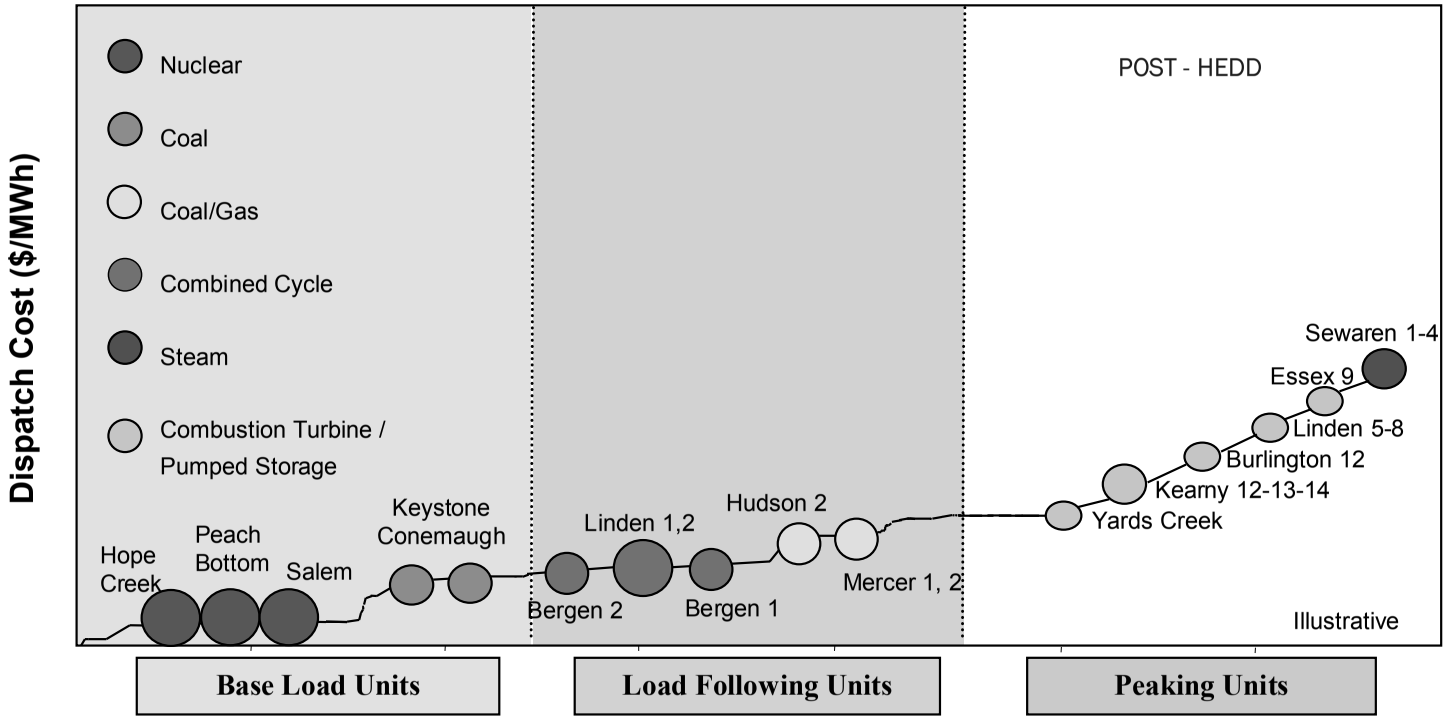
Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

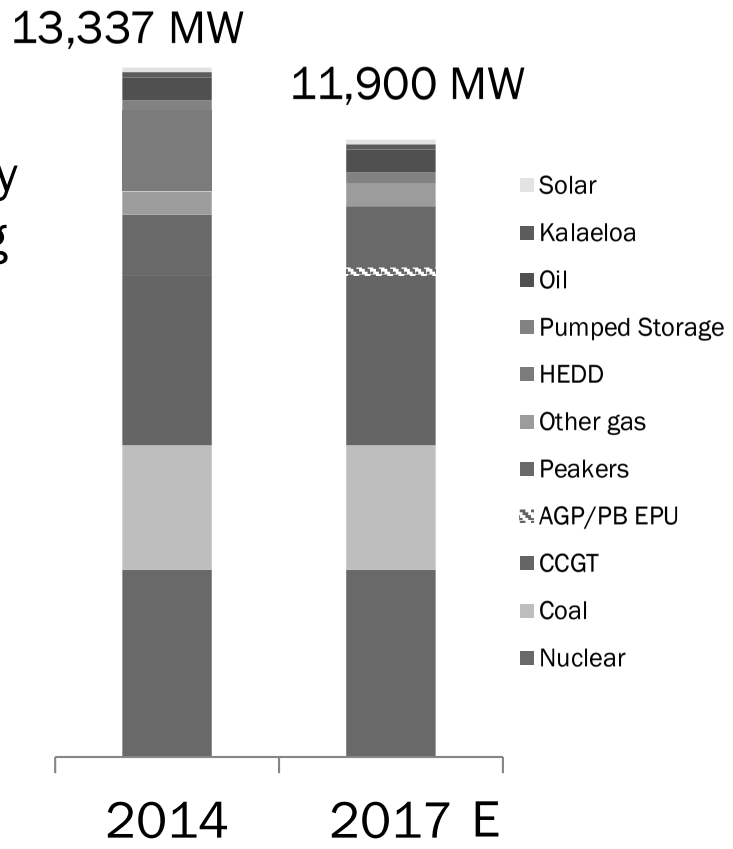
SI-SSA-0015-06855

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

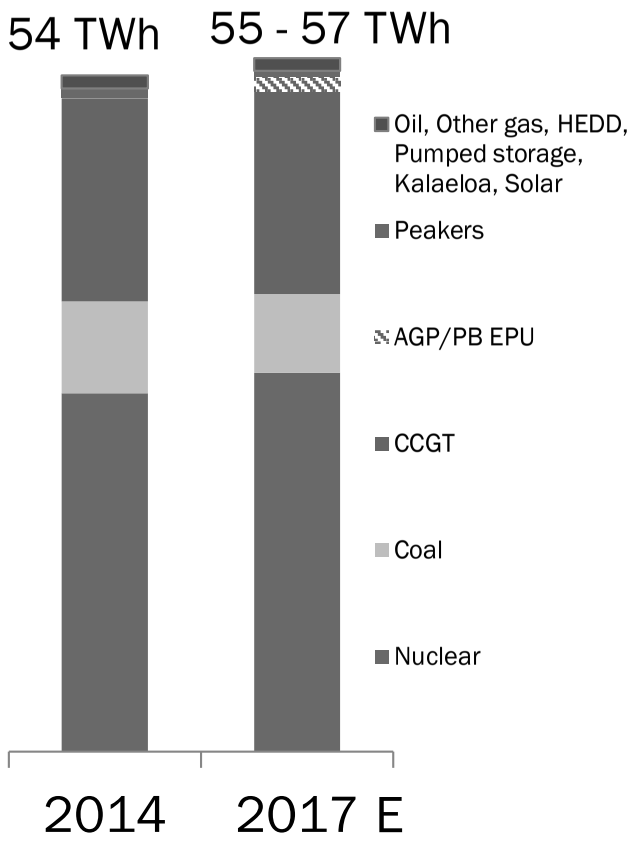
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



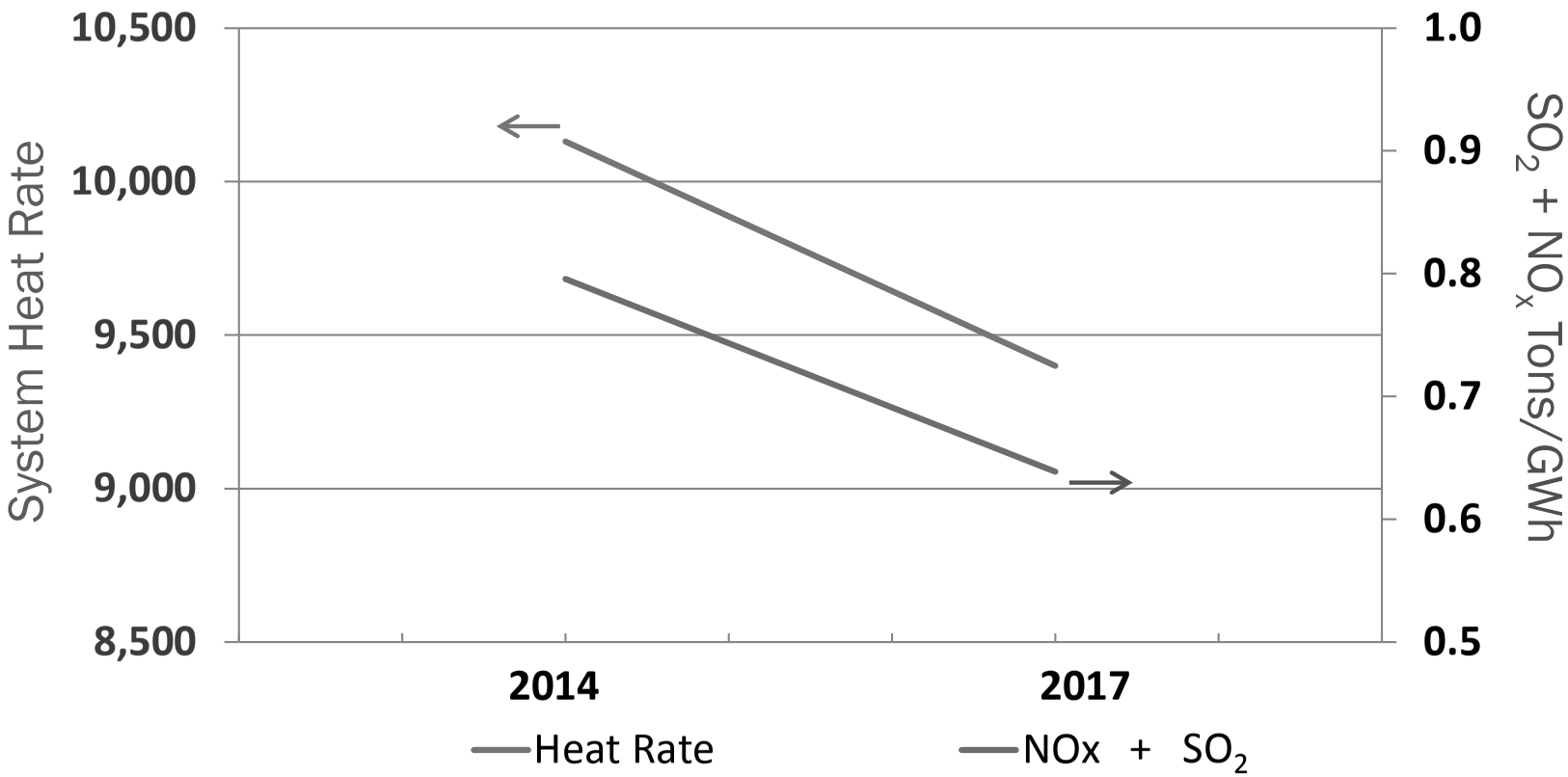
Energy Produced



E=ESTIMATE

SI-SSA-0015-06856

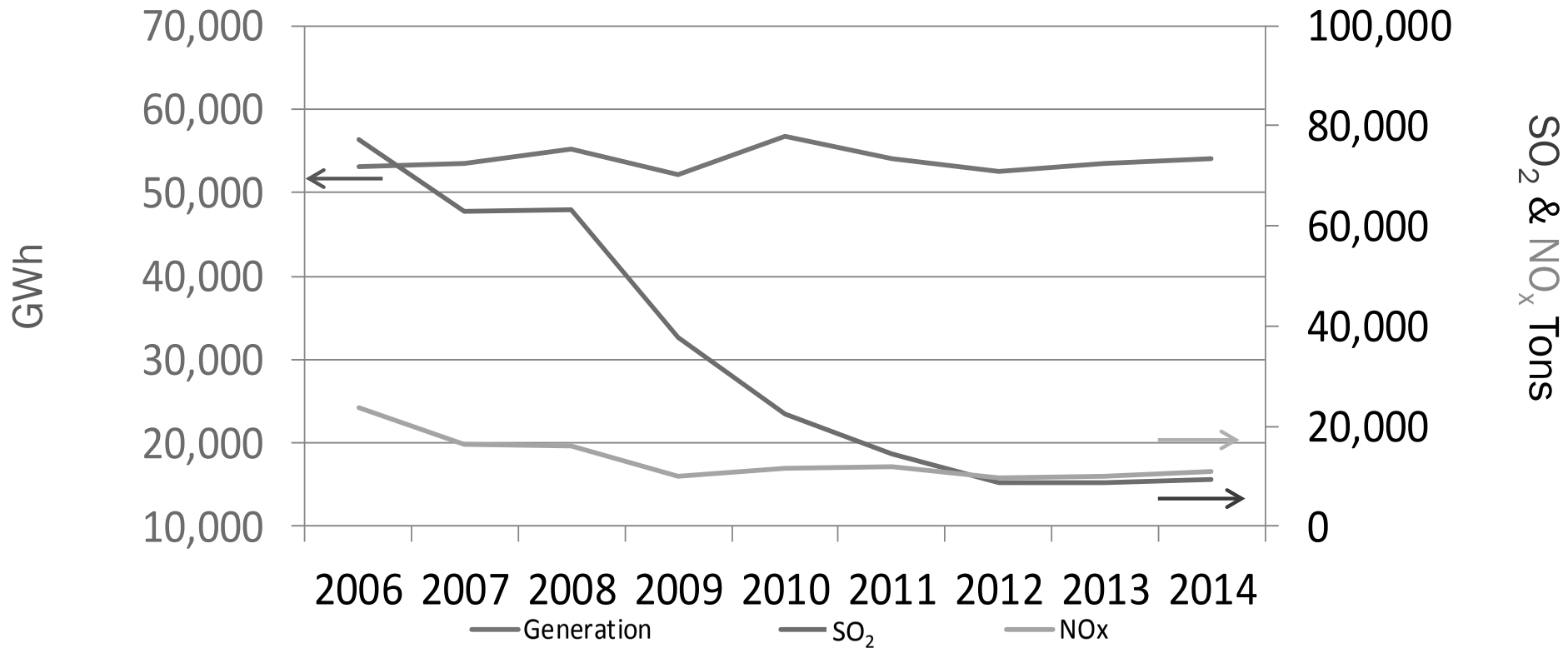
PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-06857

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-06858

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Spring 2015

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-06859

PSEG Power Nuclear has competitive advantages

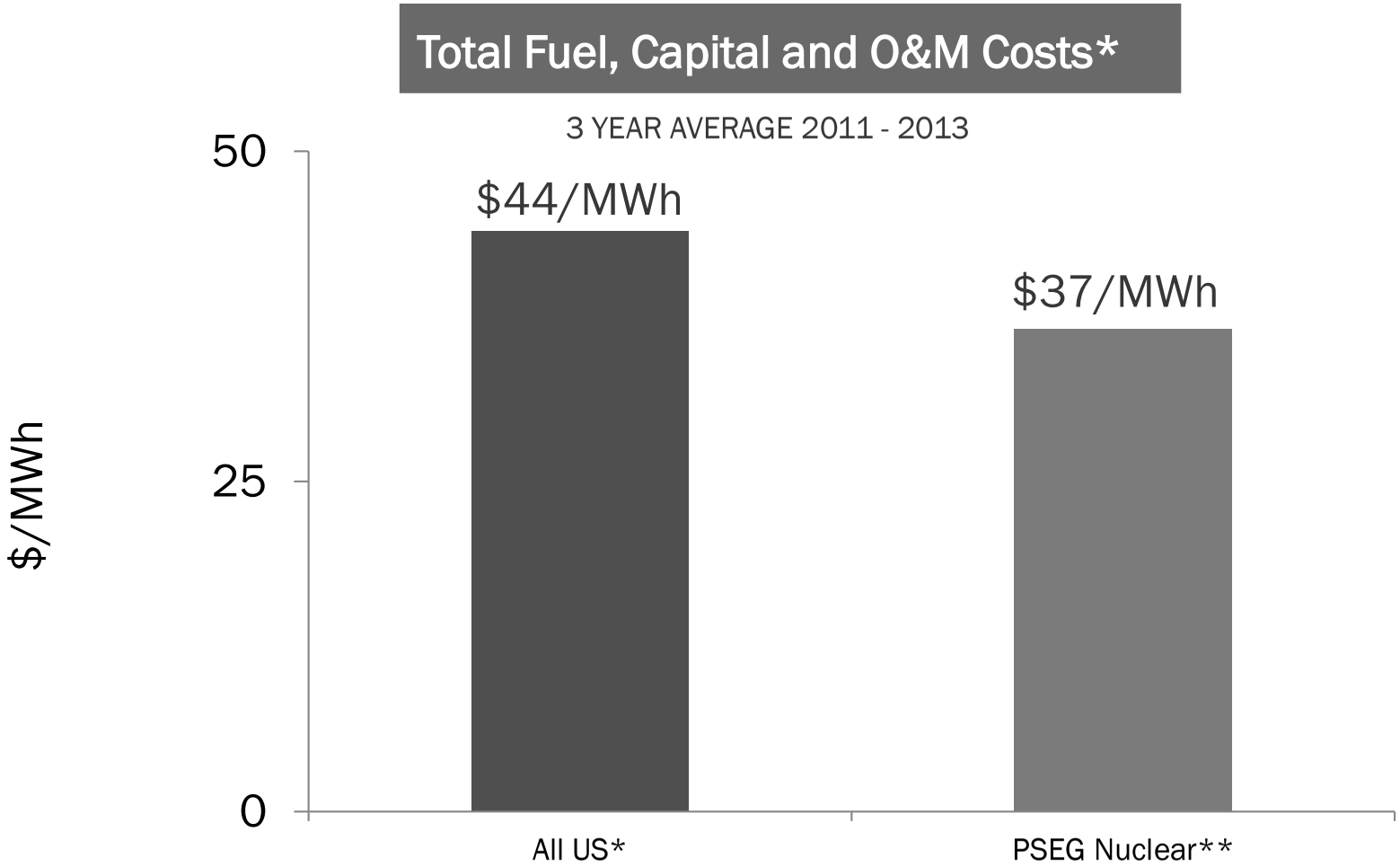
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-06860

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

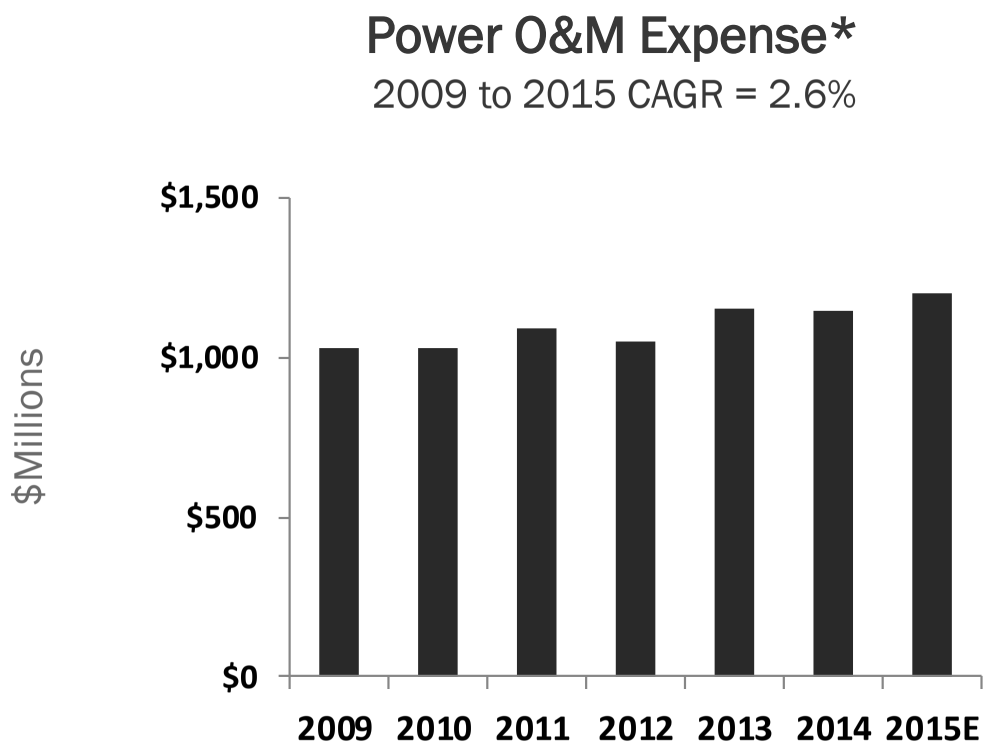


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-06861

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



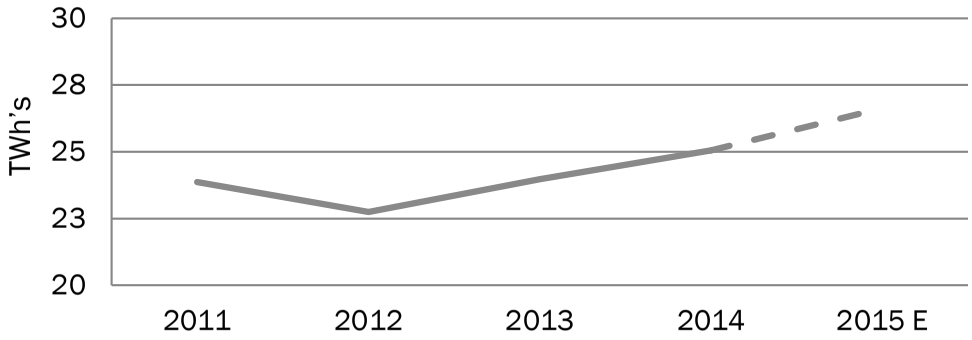
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

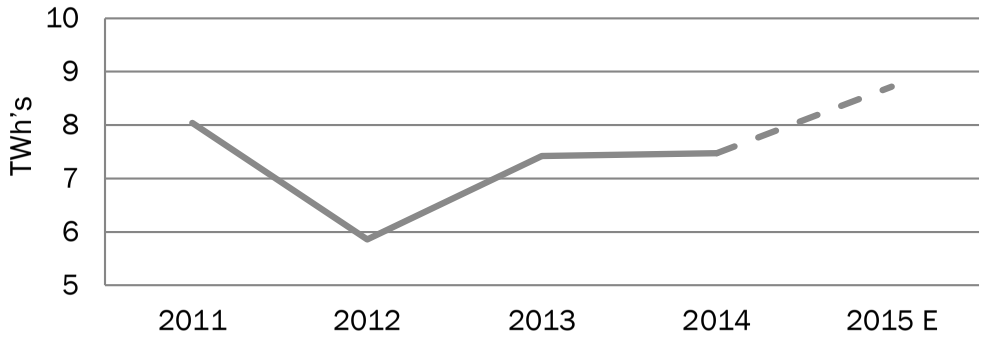
SI-SSA-0015-06862

PSEG Power's Fossil Fleet has shown improvement in performance

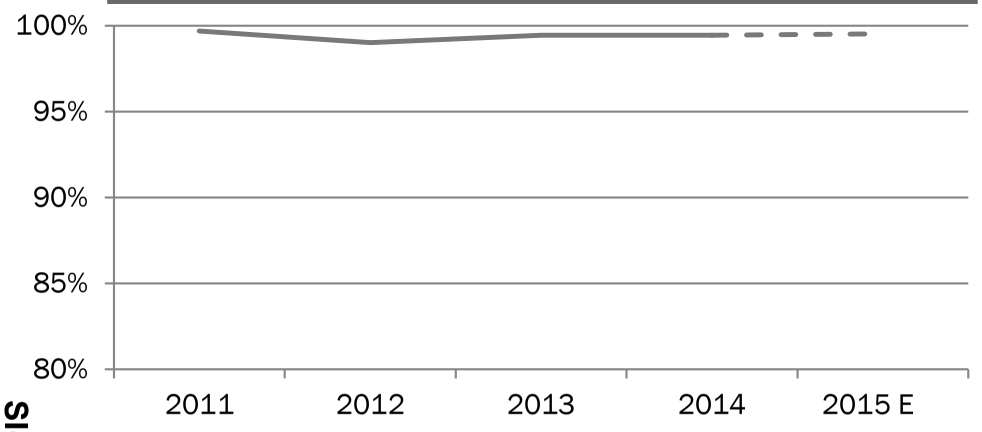
Fossil Generation



Coal Generation

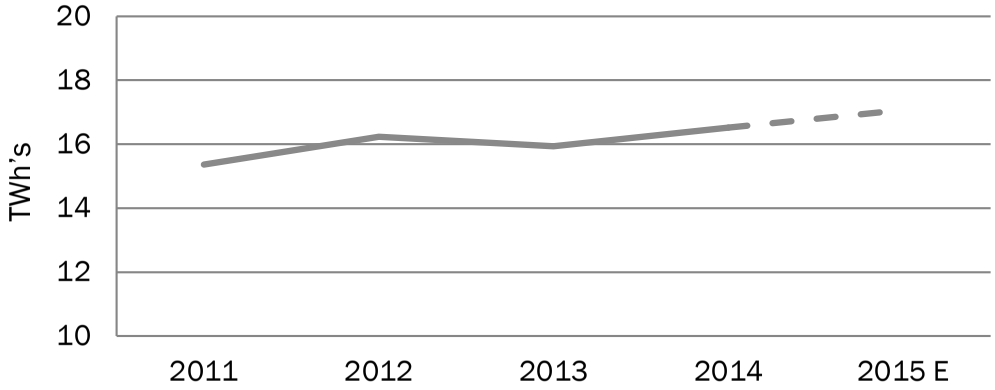


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

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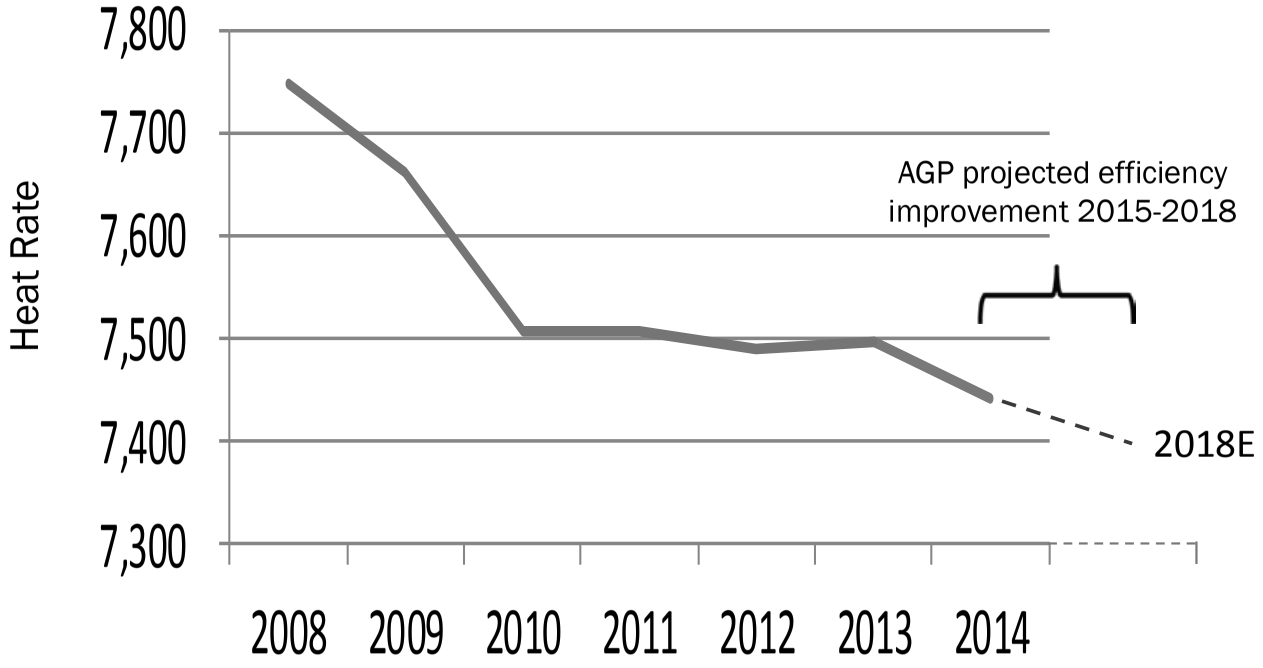
PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

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PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

Capacity
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

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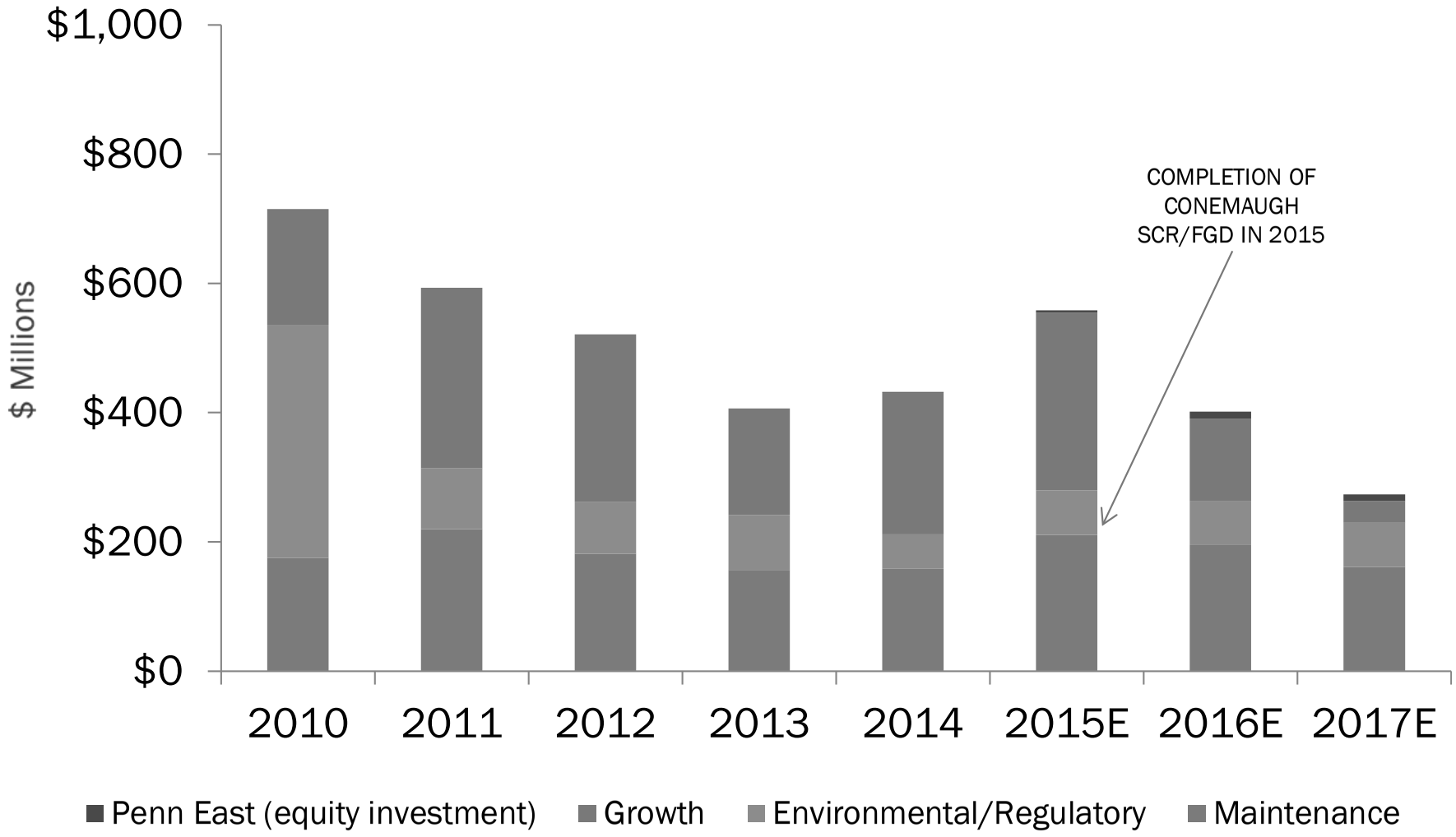
PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF DECEMBER 31, 2014.

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PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
Linden Kearny	Black Start: Linden 7/8 Kearny 12	$13	New ancillary revenue source: ~ $3 million per year	Linden Completed Kearny Underway
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 371 MW

* INTERCONNECTION SERVICE AGREEMENTS.

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Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

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PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

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*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA Fuel and energy dispatch management

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PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

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PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

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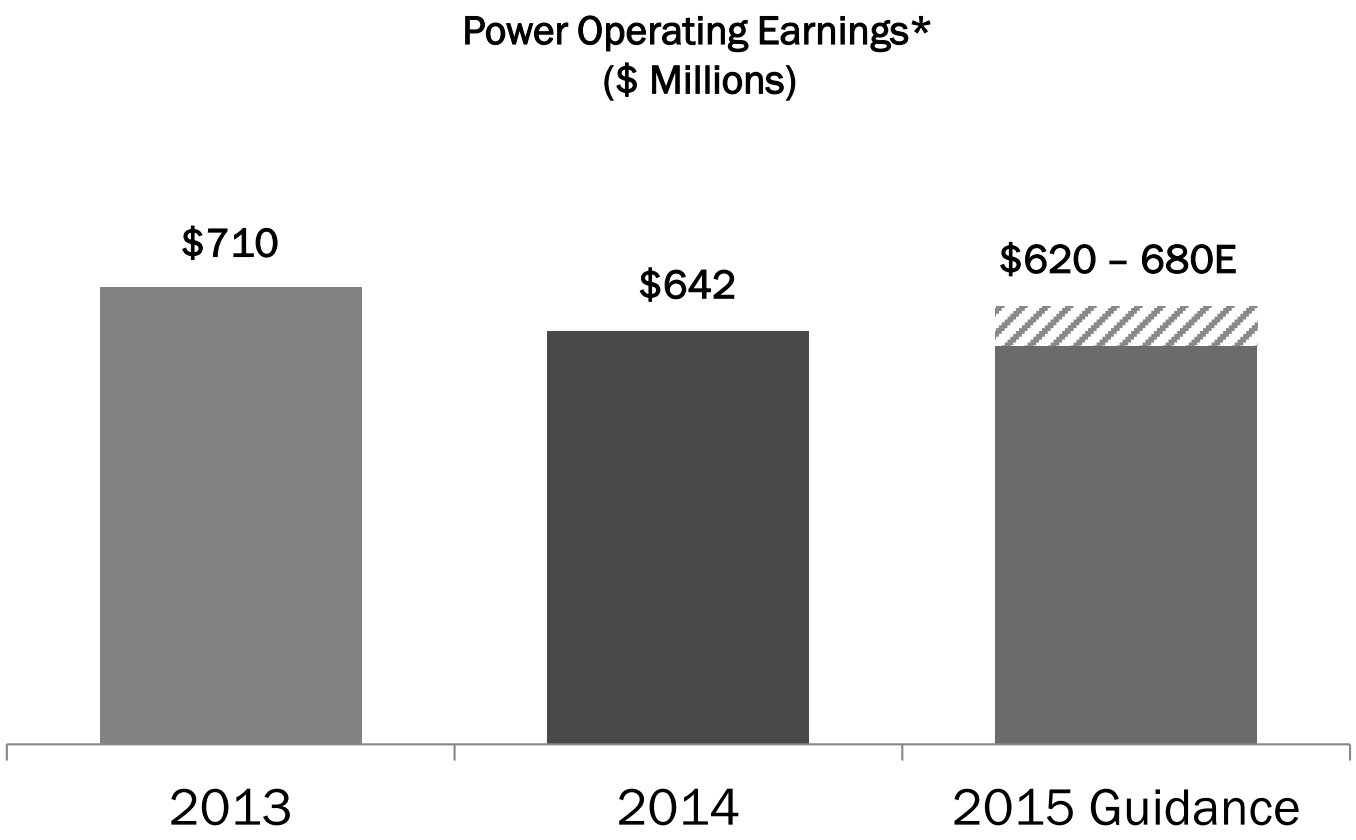
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-06873

Power's 2015 operating earnings

maintain solid performance



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG POWER
ER&T

PSEG

We make things work for you.

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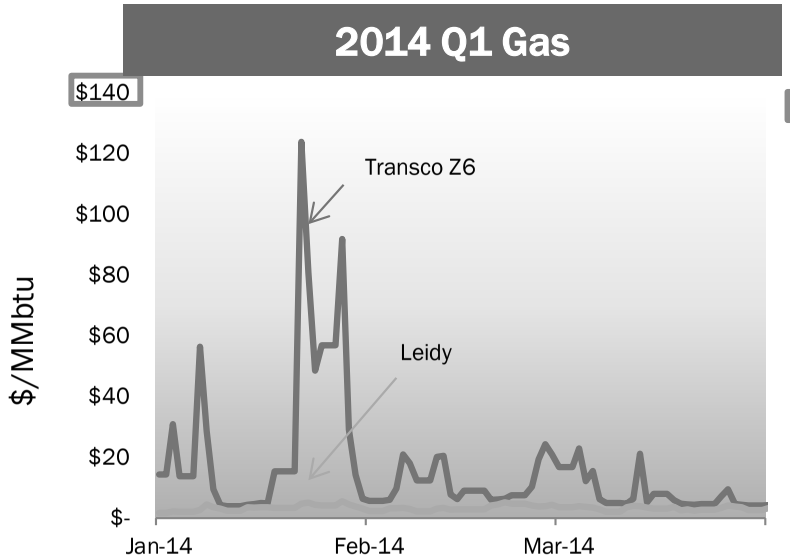
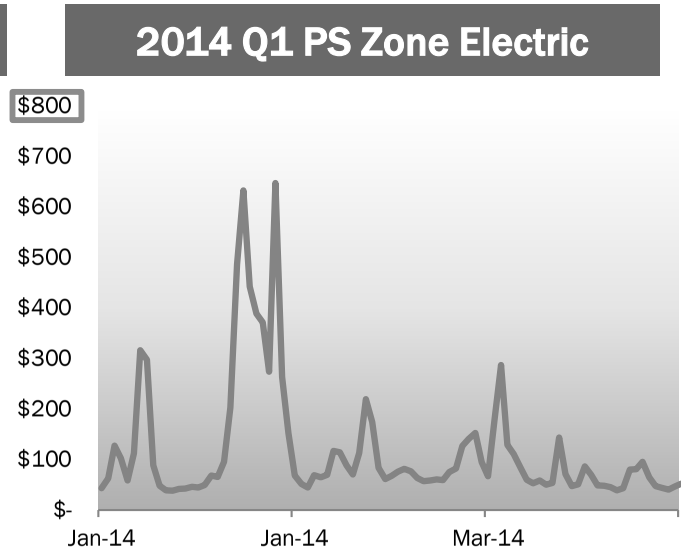
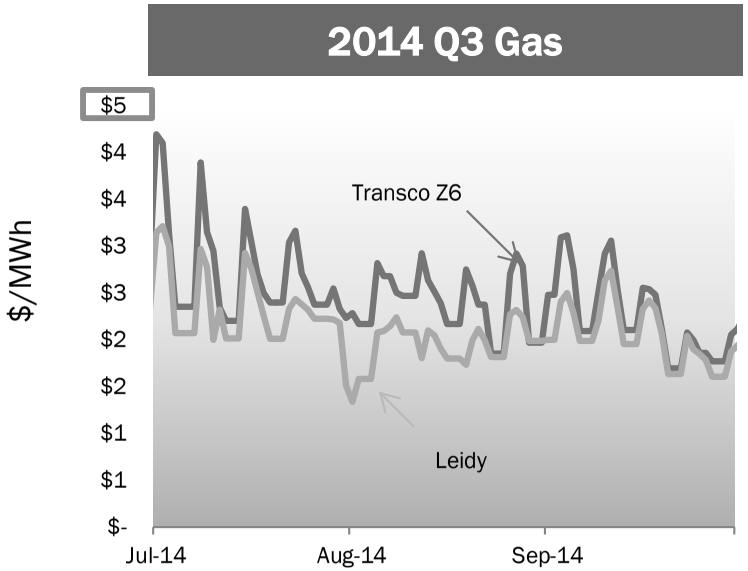
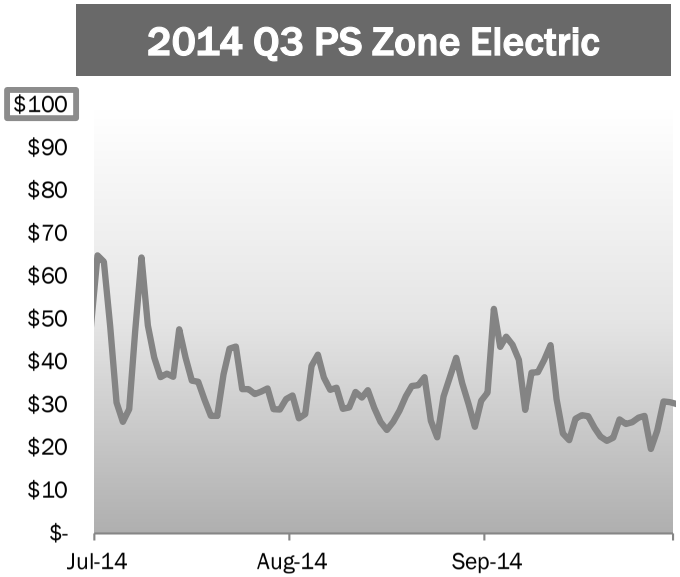
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



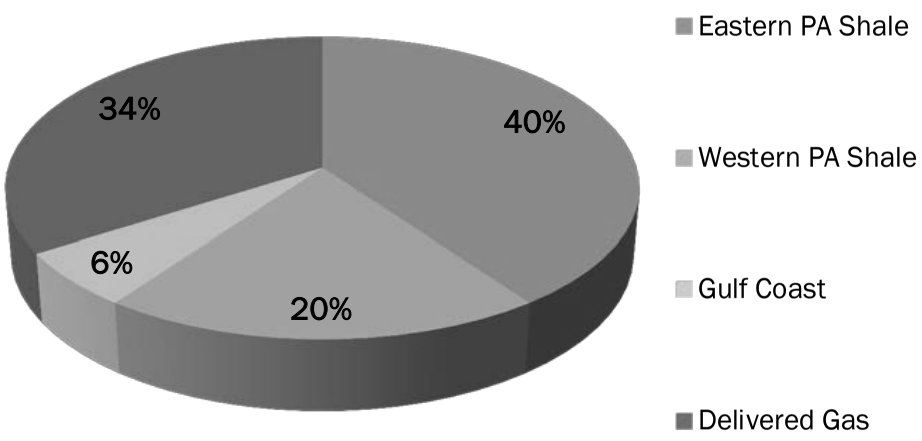


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-06876

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014



- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

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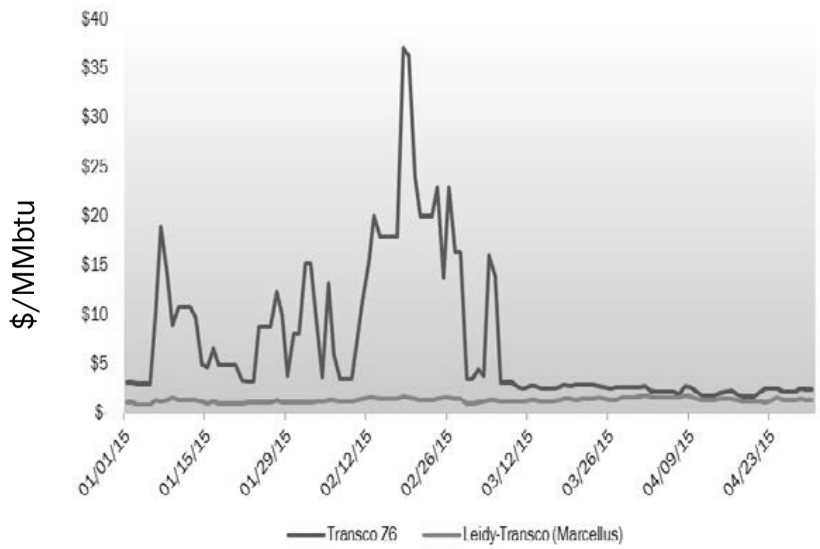
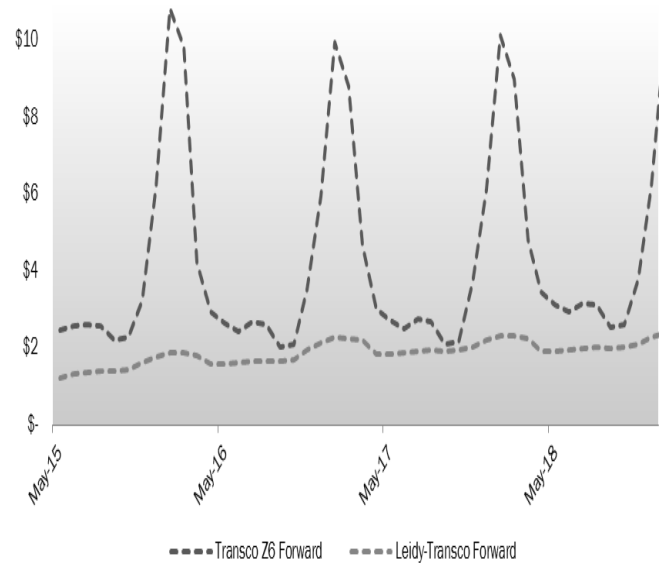
Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

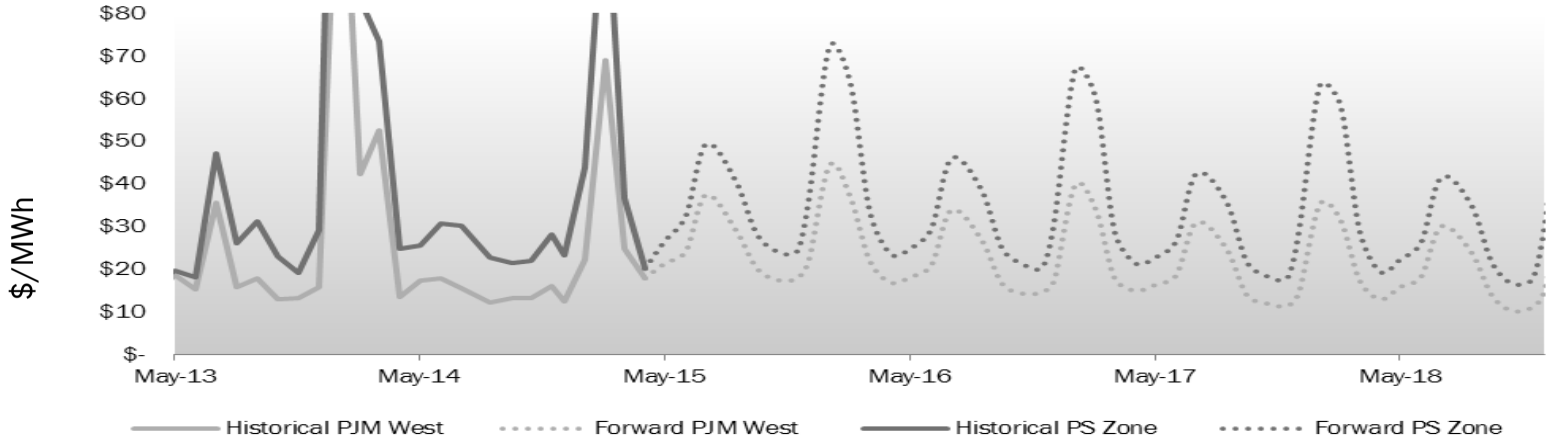
2015 YTD Z6



2015-2018 Z6



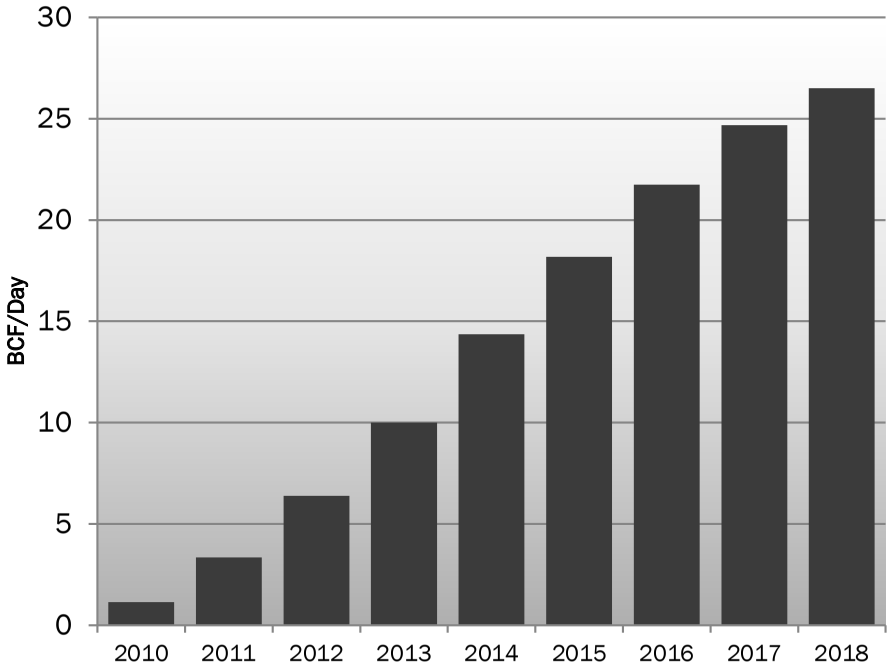
PJM West vs. PS Zone Spark Spreads (2013-2018)



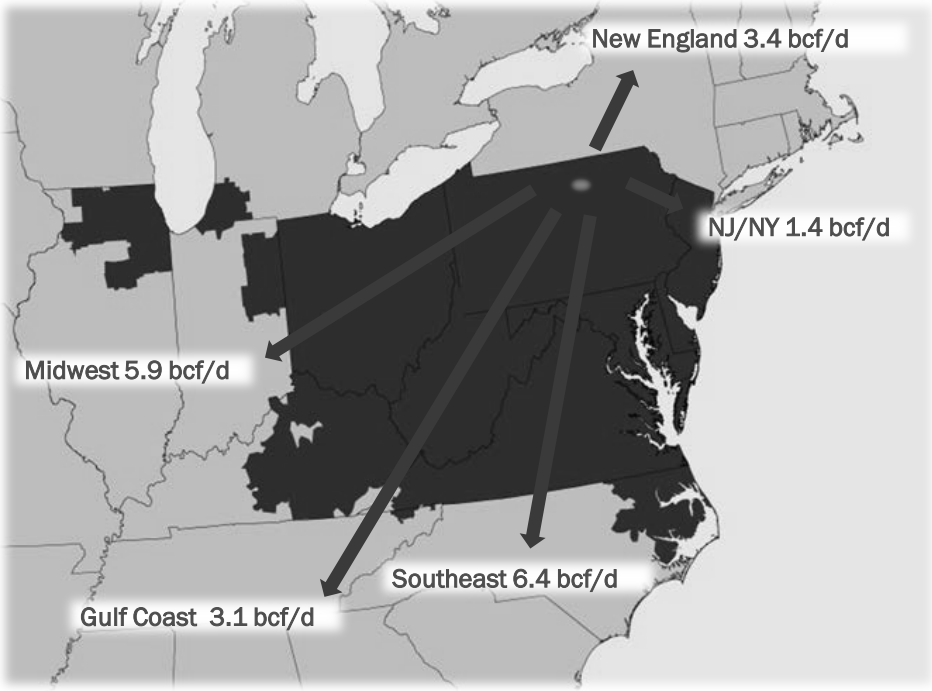
SI-SSA-0015-06878

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



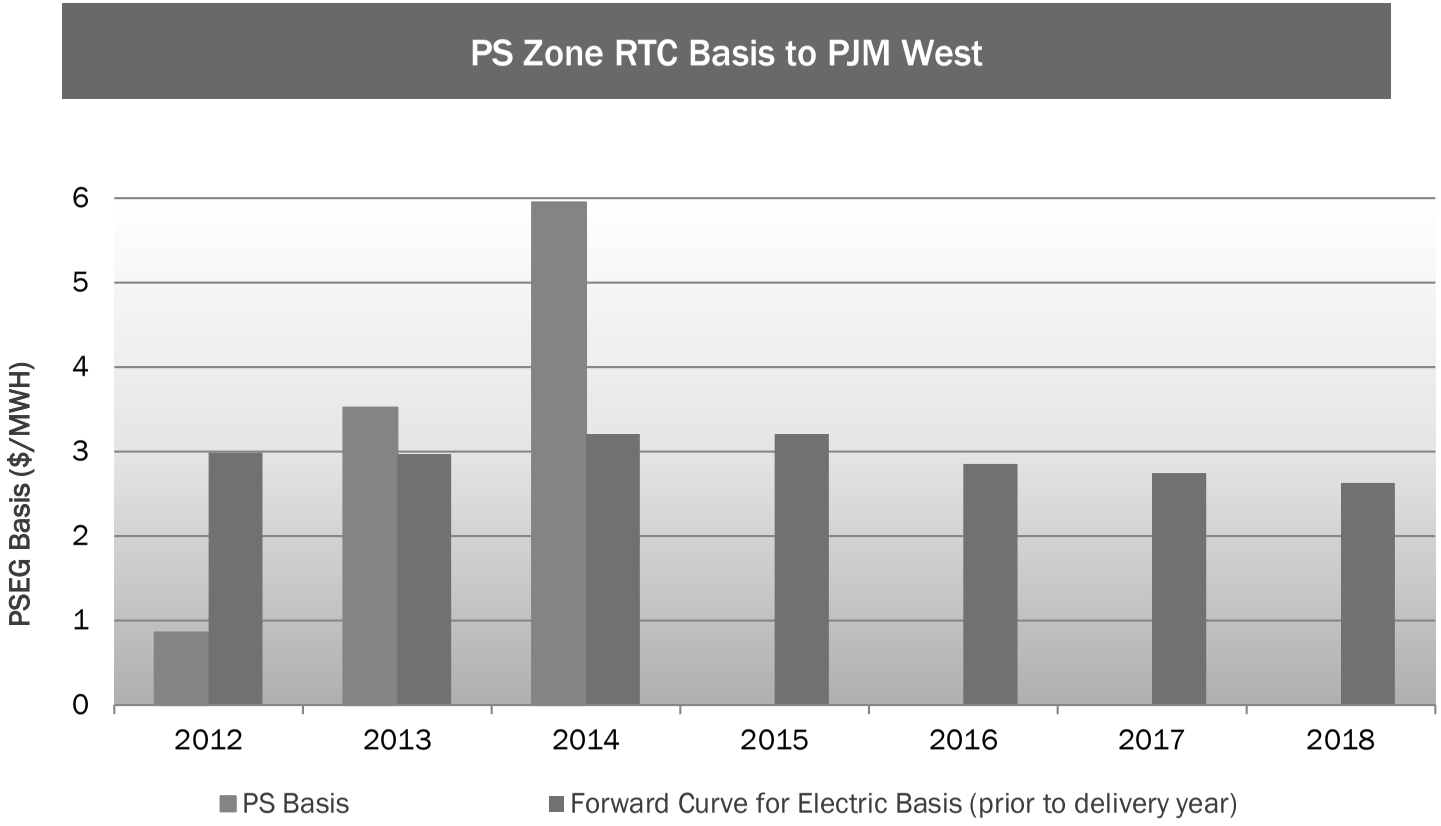
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-06879

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-06880

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications; US Supreme Court will hear case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-06881

PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places emphasis on reliability, given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

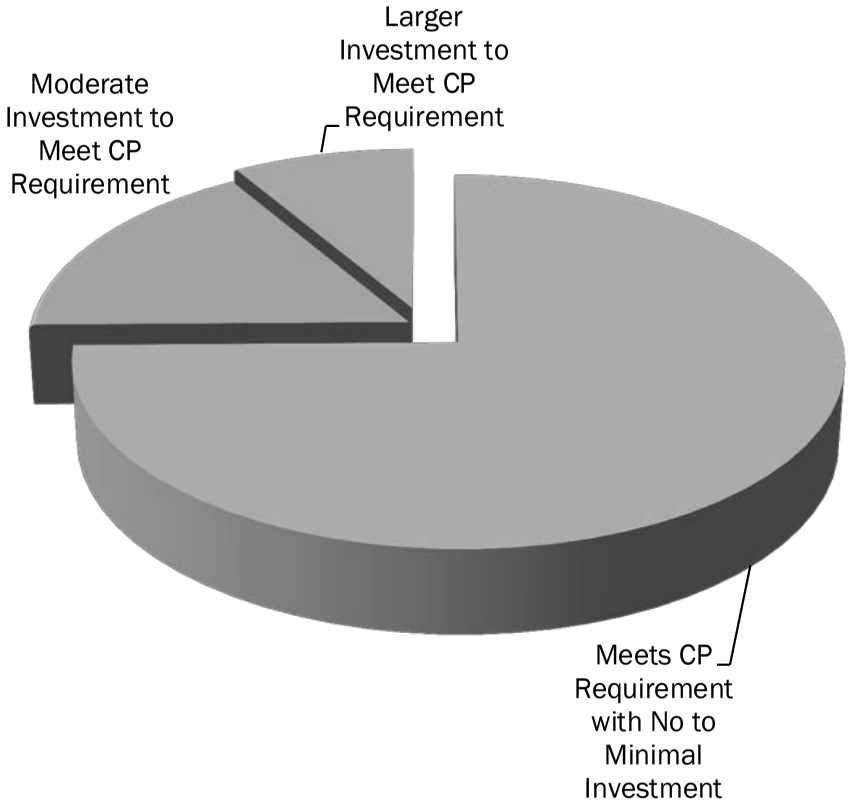
April 2015
Expected FERC Response
to PJM CP Proposal

FERC Granted Delay of
May 2015 RPM Auction for
2018/2019 Capacity Year

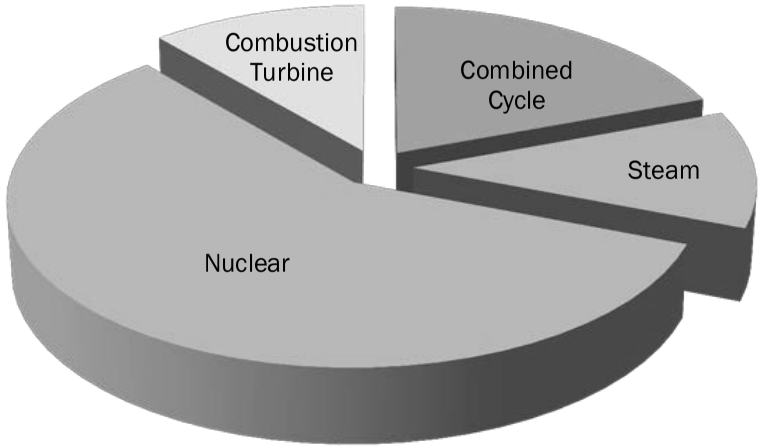
SI-SSA-0015-06882

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets



* EXCLUDES 205MW OF PUMPED STORAGE

SI-SSA-0015-06883

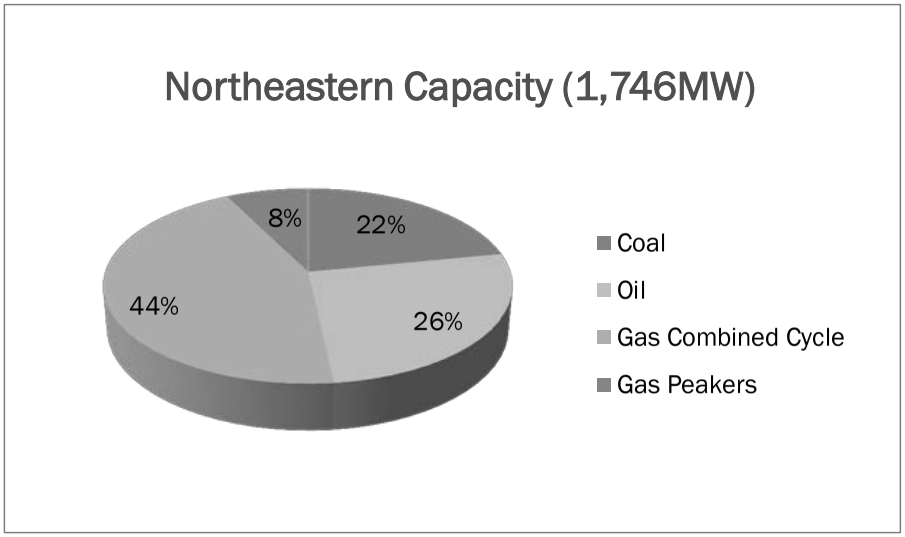
Northeast Portfolio: New York and New England

New England (972MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-06884

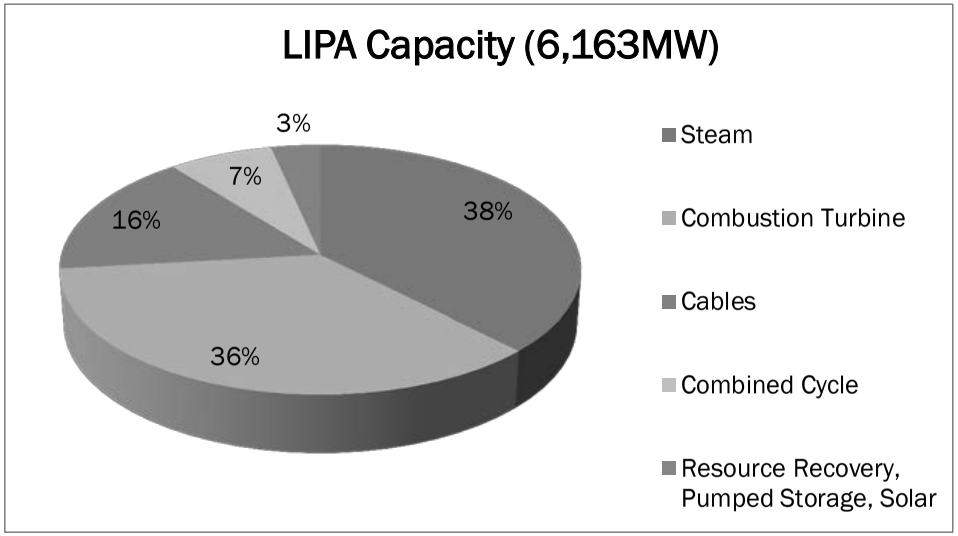
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

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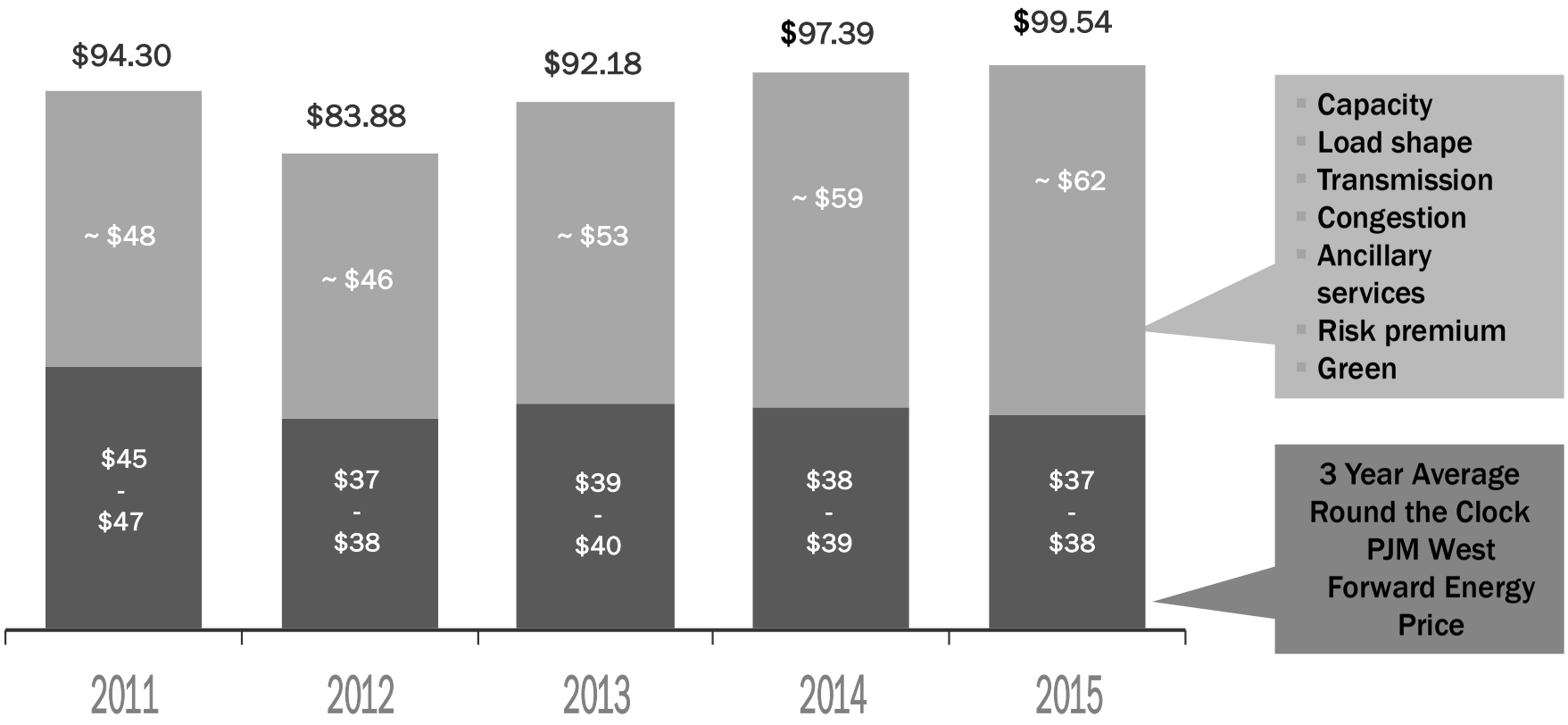
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

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PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	37	37
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$51	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	17	20	20
	% Hedged	30-35%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	41-43	55-57	55-57
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$52	$51	$52

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-06888

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-06889

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-06890

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-06891

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

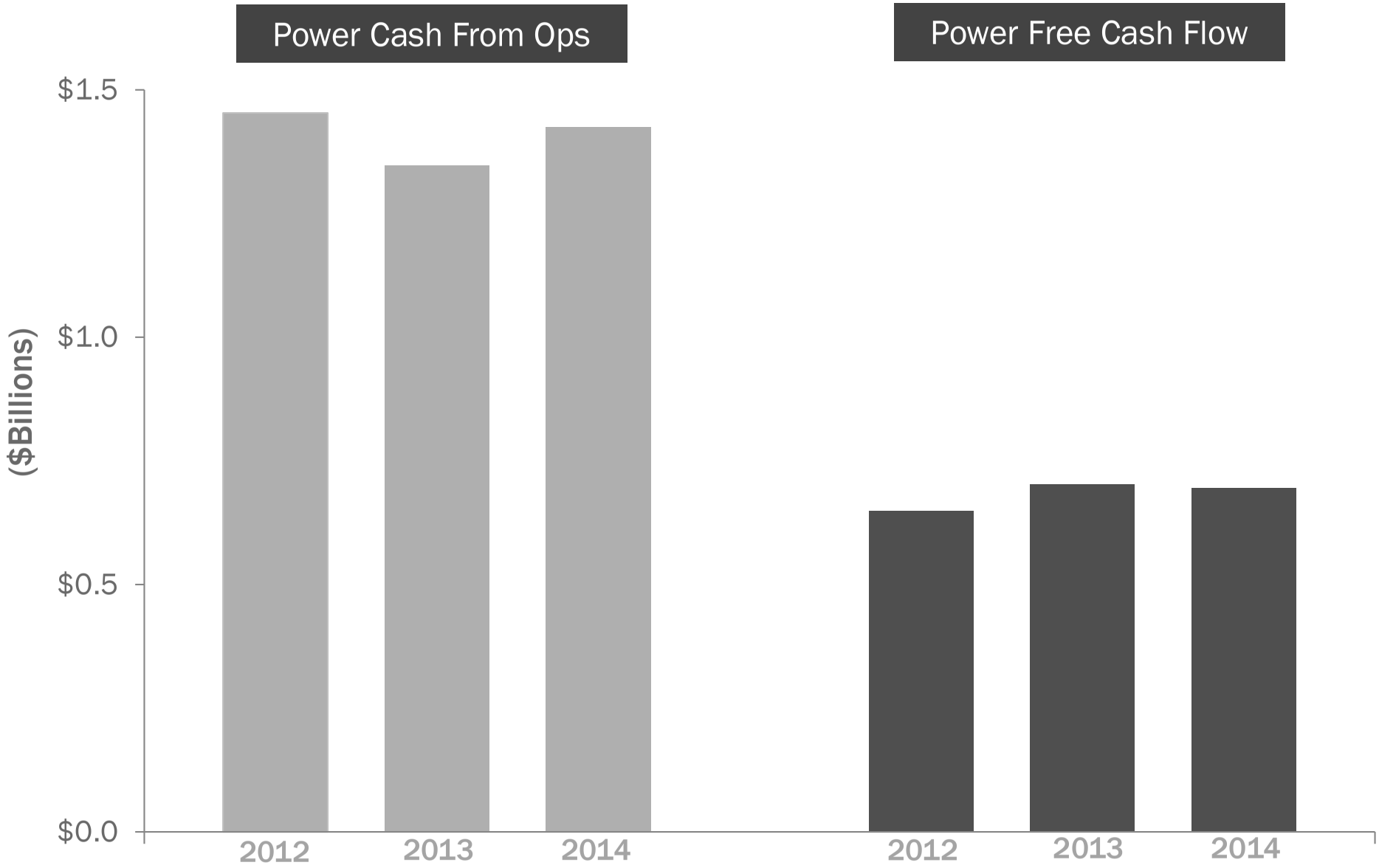
SI-SSA-0015-06892

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

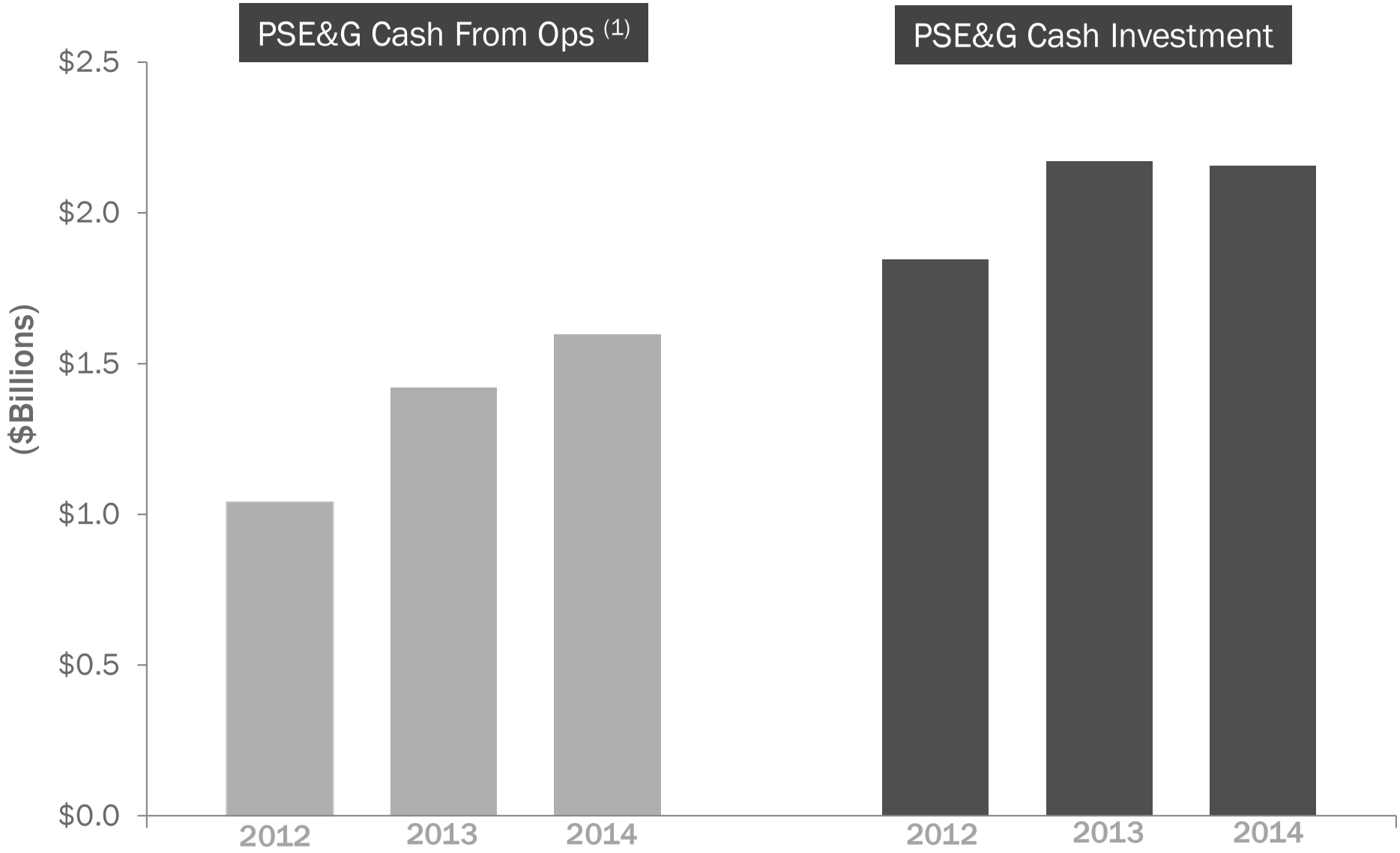
Power produced significant and consistent

Free Cash Flow



SI-SSA-0015-06893

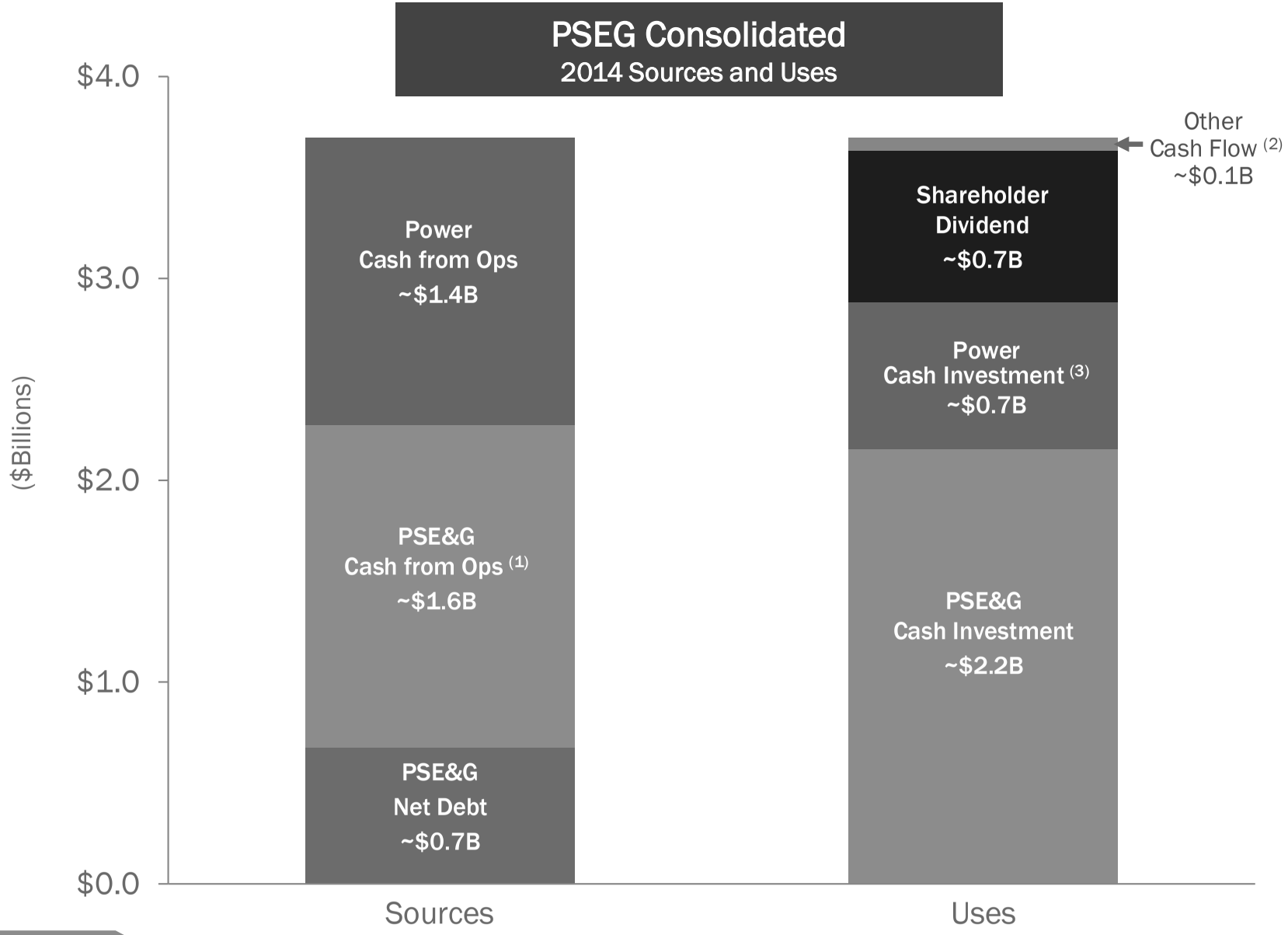
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-06894

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

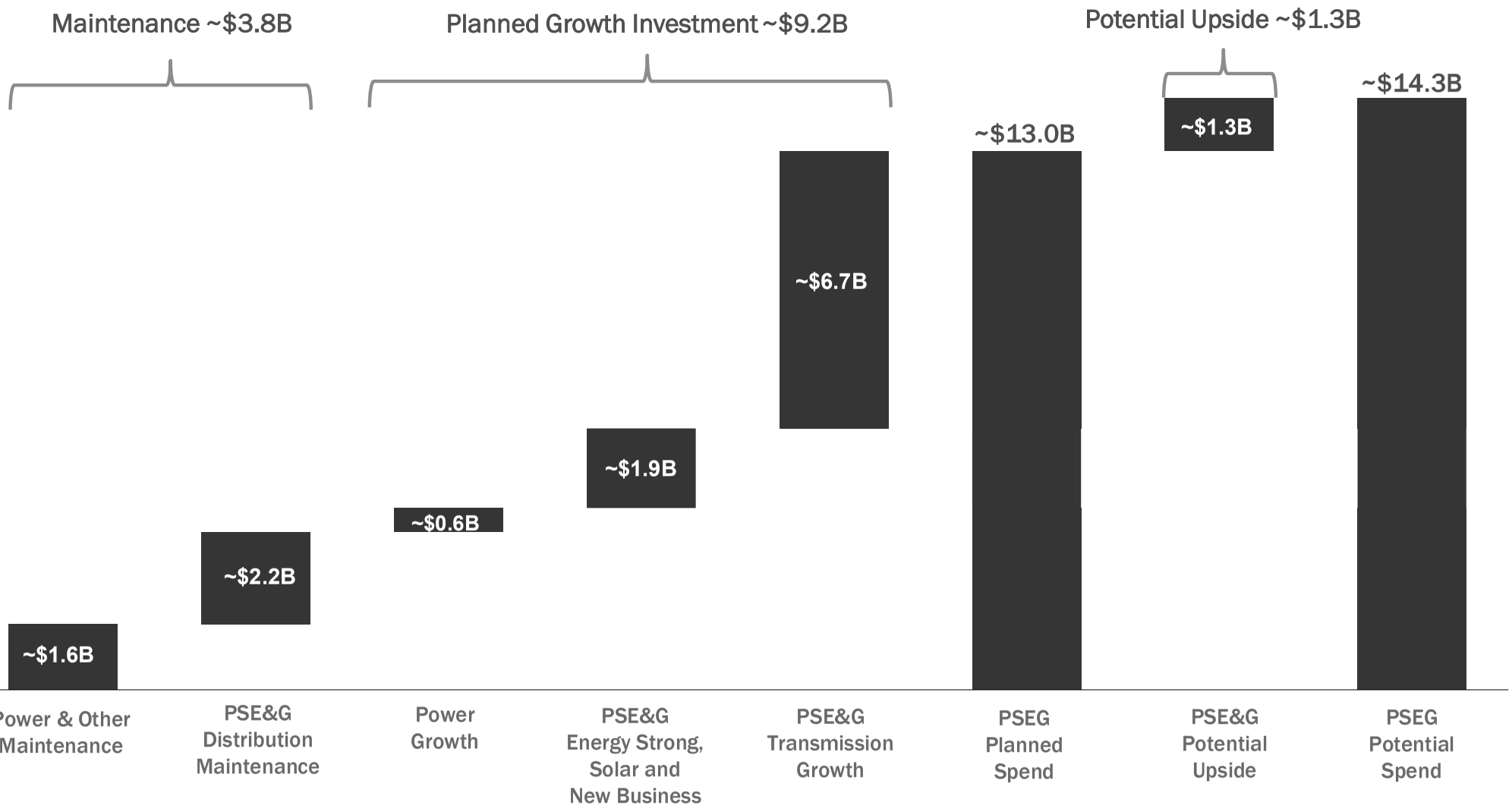


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-06895

PSEG growth spend represents ~70% of total investment with new PSE&G investment opportunities of over $1B

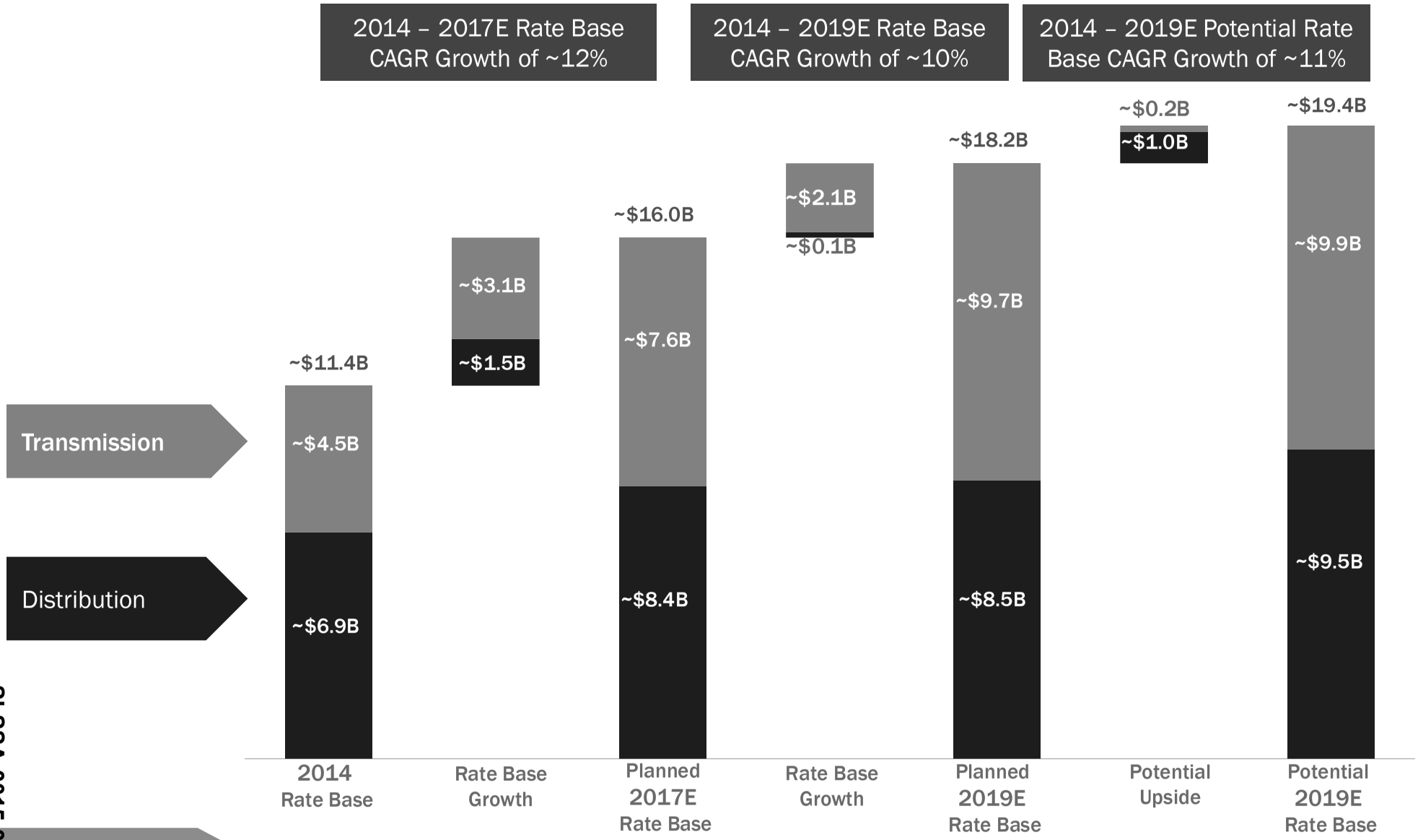
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC; PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-06896

PSE&G's Capital Program drives double-digit growth in rate base through 2019

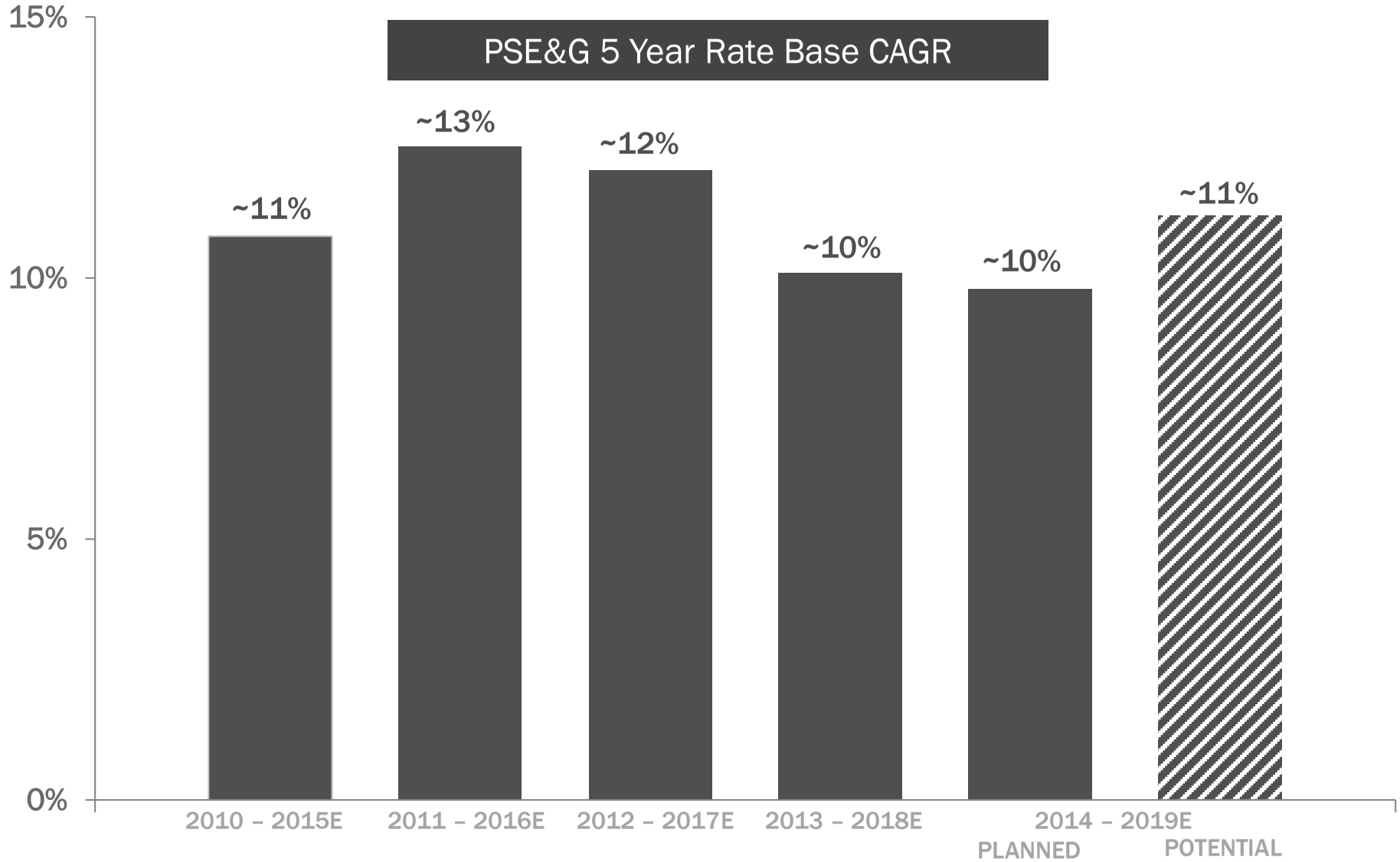


E = ESTIMATE

SI-SSA-0015-06897

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



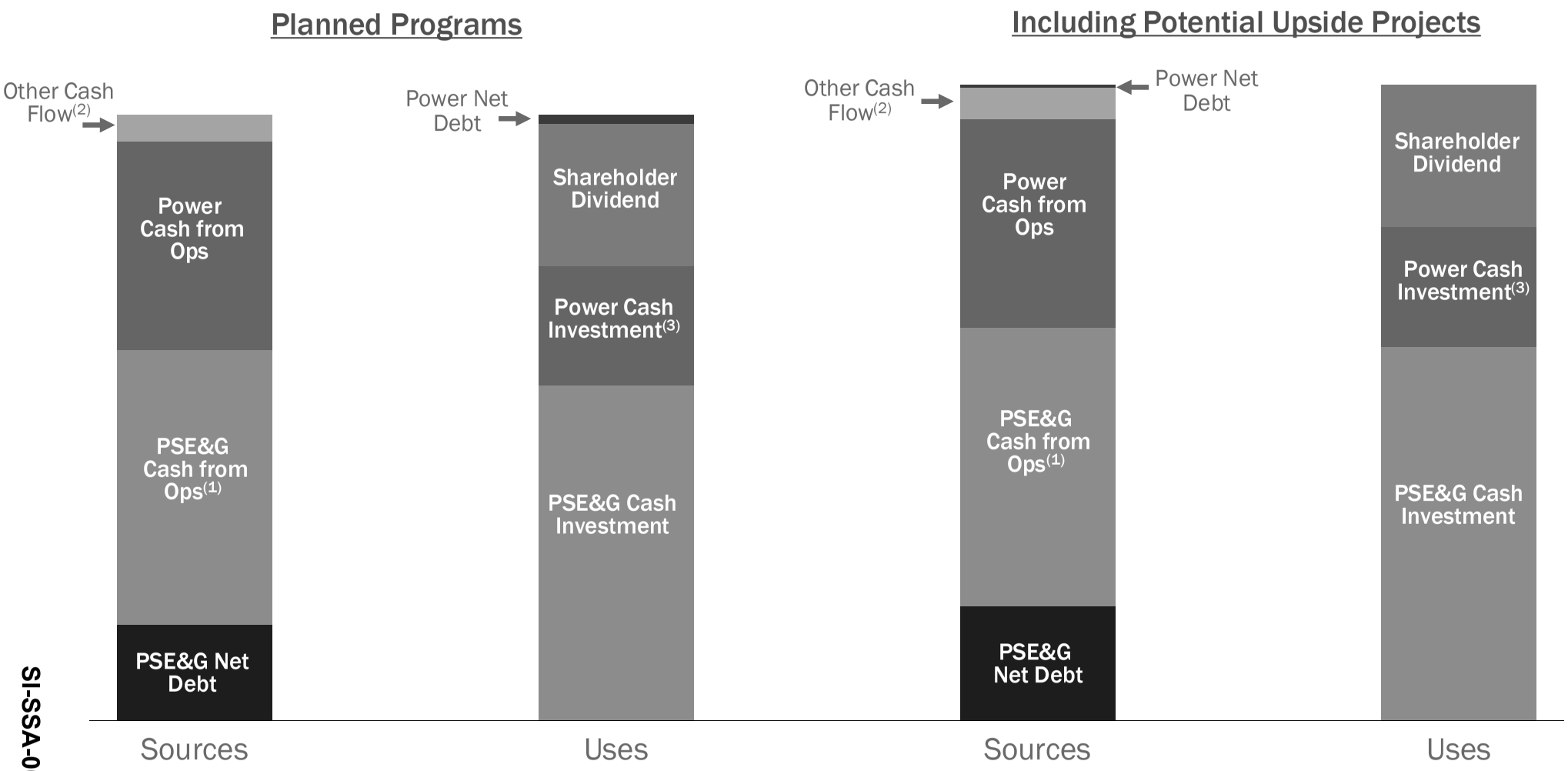
E = ESTIMATE.

SI-SSA-0015-06898

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

PSEG 2015 - 2019E Sources and Uses

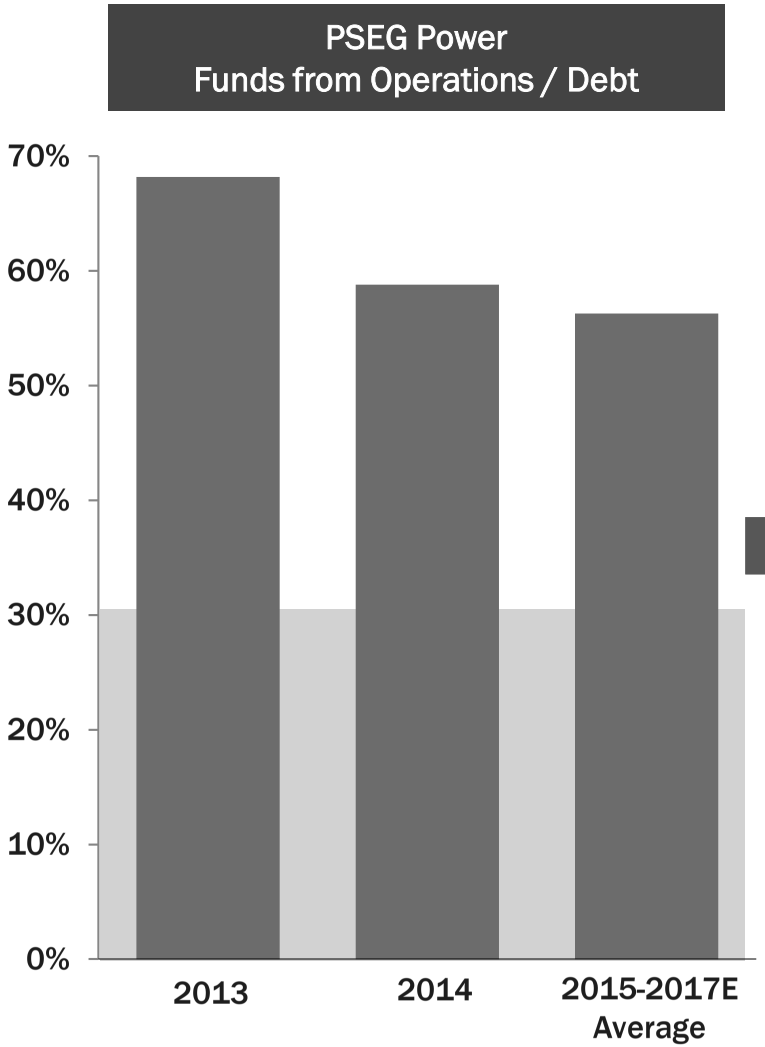


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-06899

Power's key credit metric remains strong

providing opportunity for incremental investment



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-06900

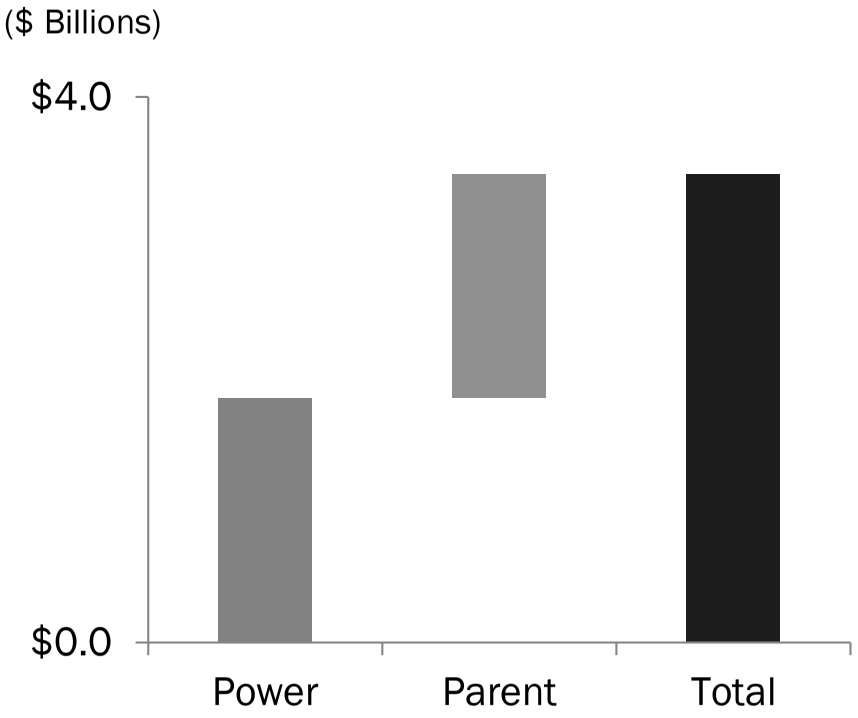
E = ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017

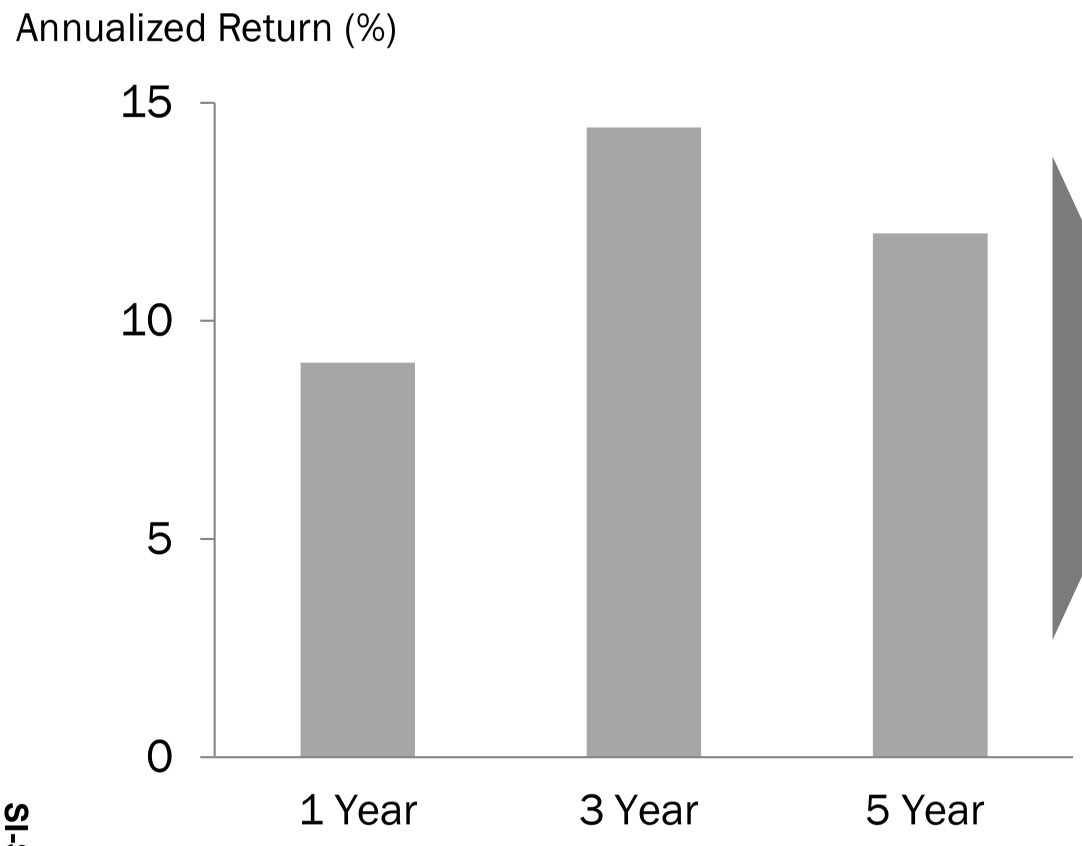


Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-06901

Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



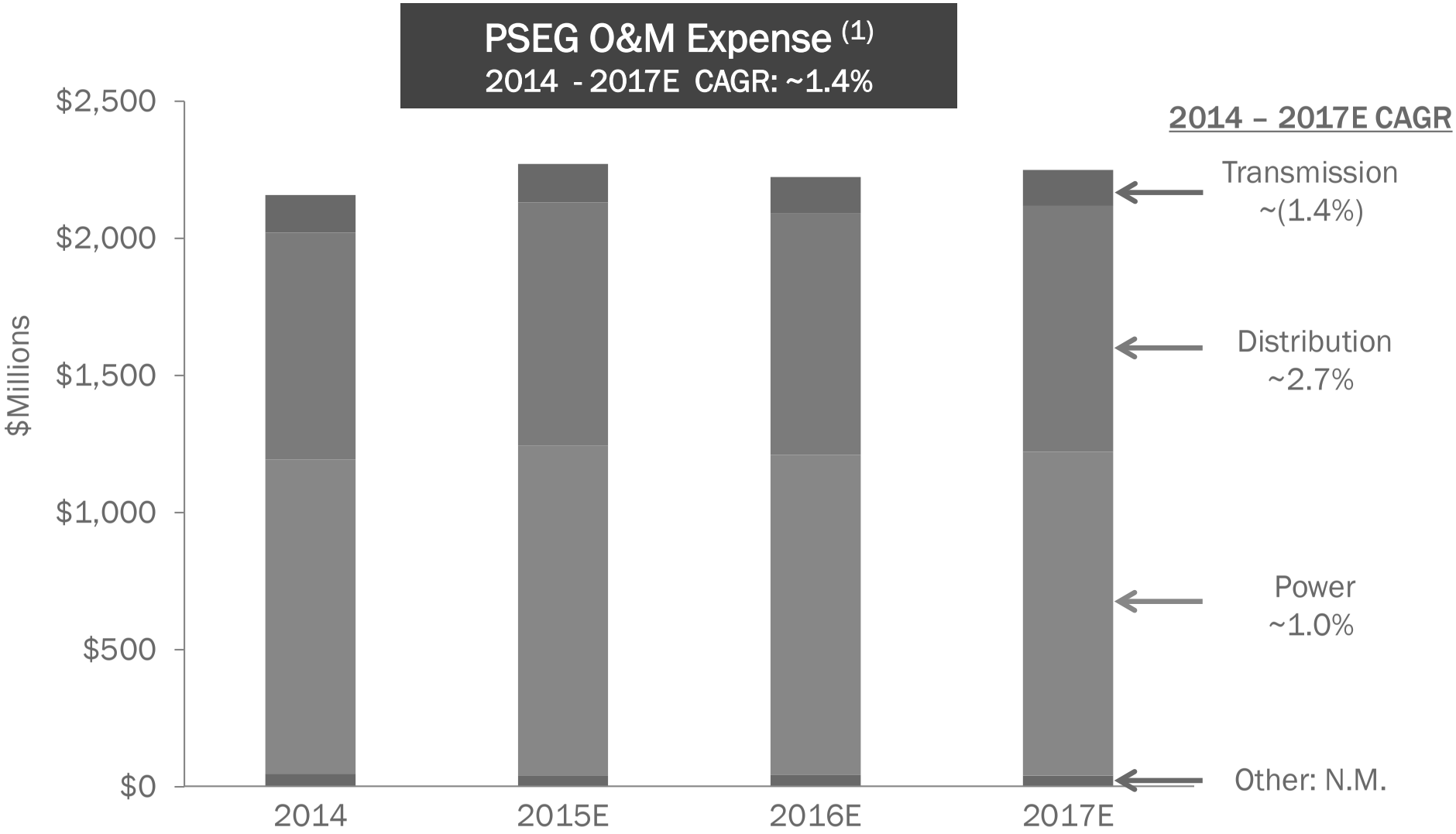
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

SI-SSA-0015-06902

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-06903

PSEG 2015 Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,395 - $1,500	$1,400
Earnings per Share	$2.75 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-06904

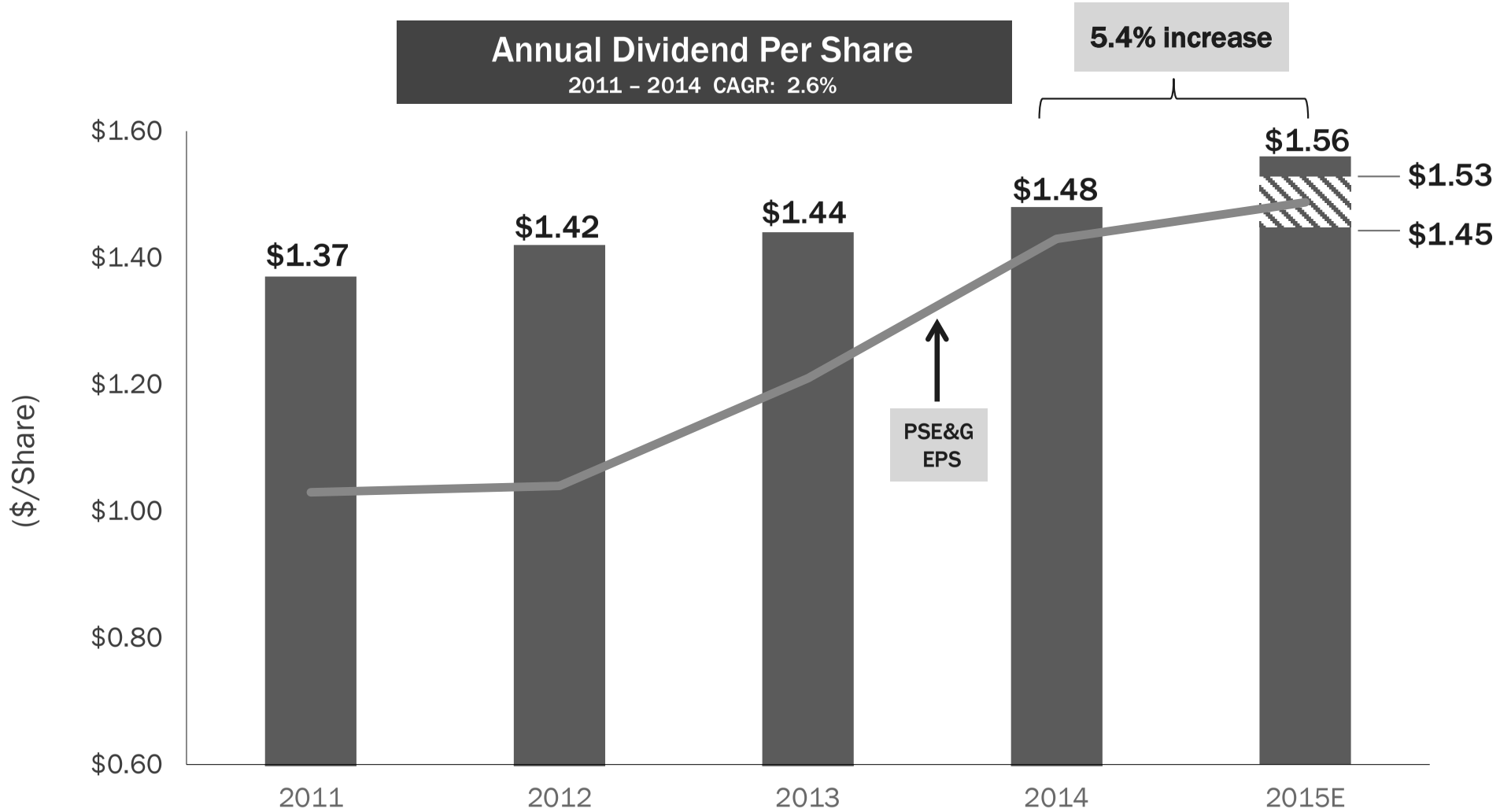
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

SI-SSA-0015-06905

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 OPERATING EARNINGS GUIDANCE OF $2.75-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-06906

PSEG Summary

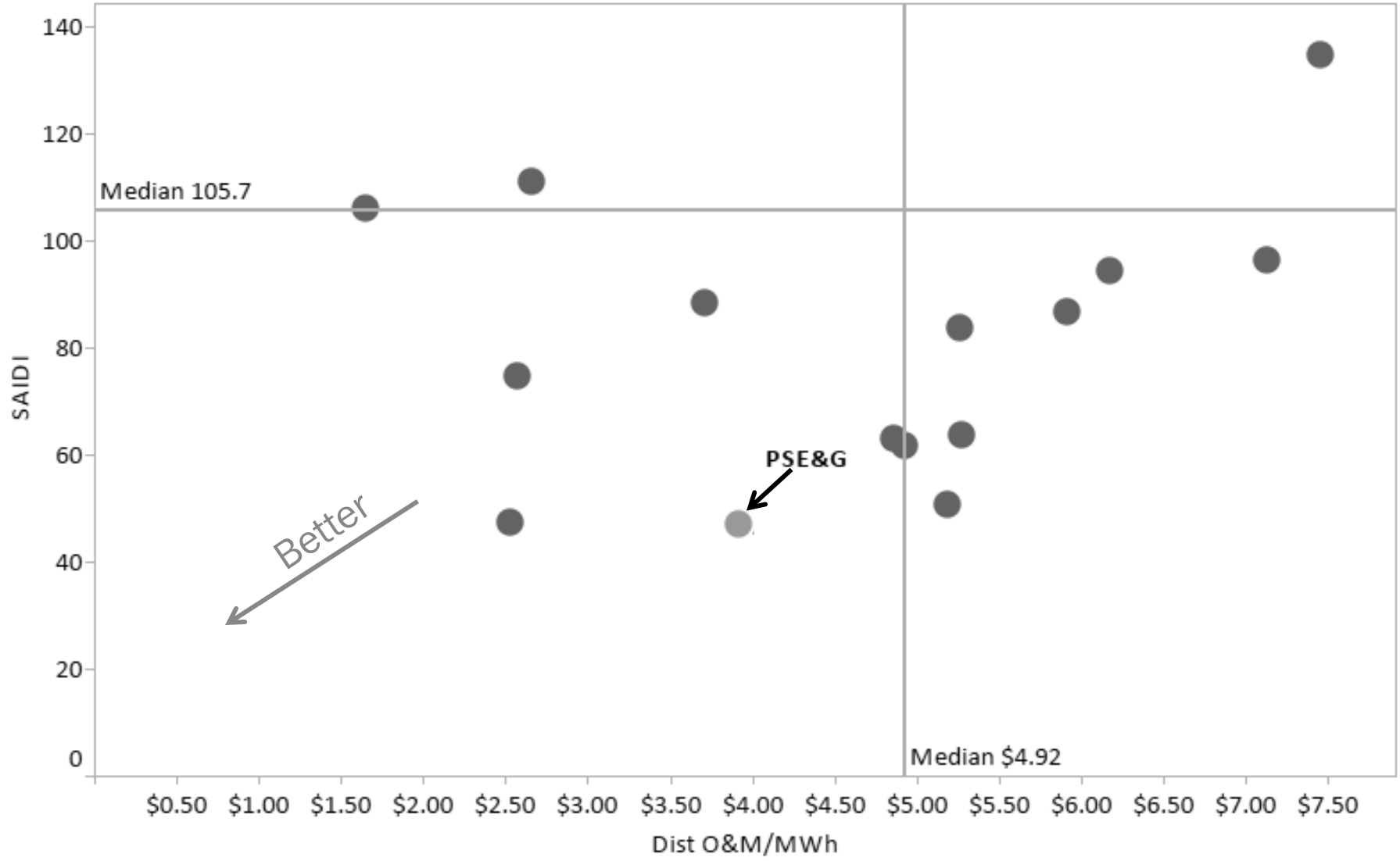
- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-06907

PSE&G APPENDIX

SI-SSA-0015-06908

PSE&G provides high reliability at below average cost which creates superior value to customers

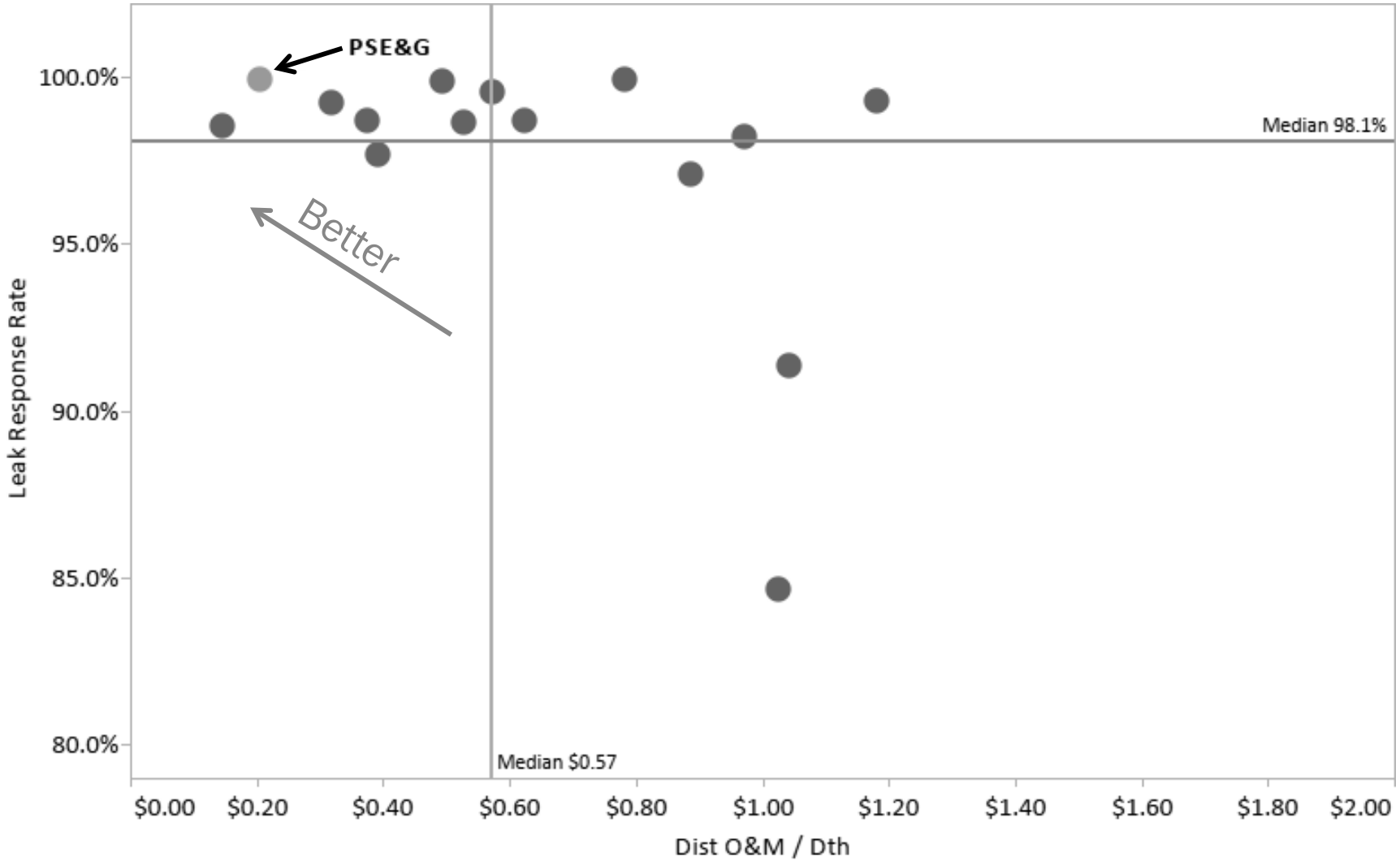


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-06909

PSE&G prioritizes public safety

while maintaining value to customers



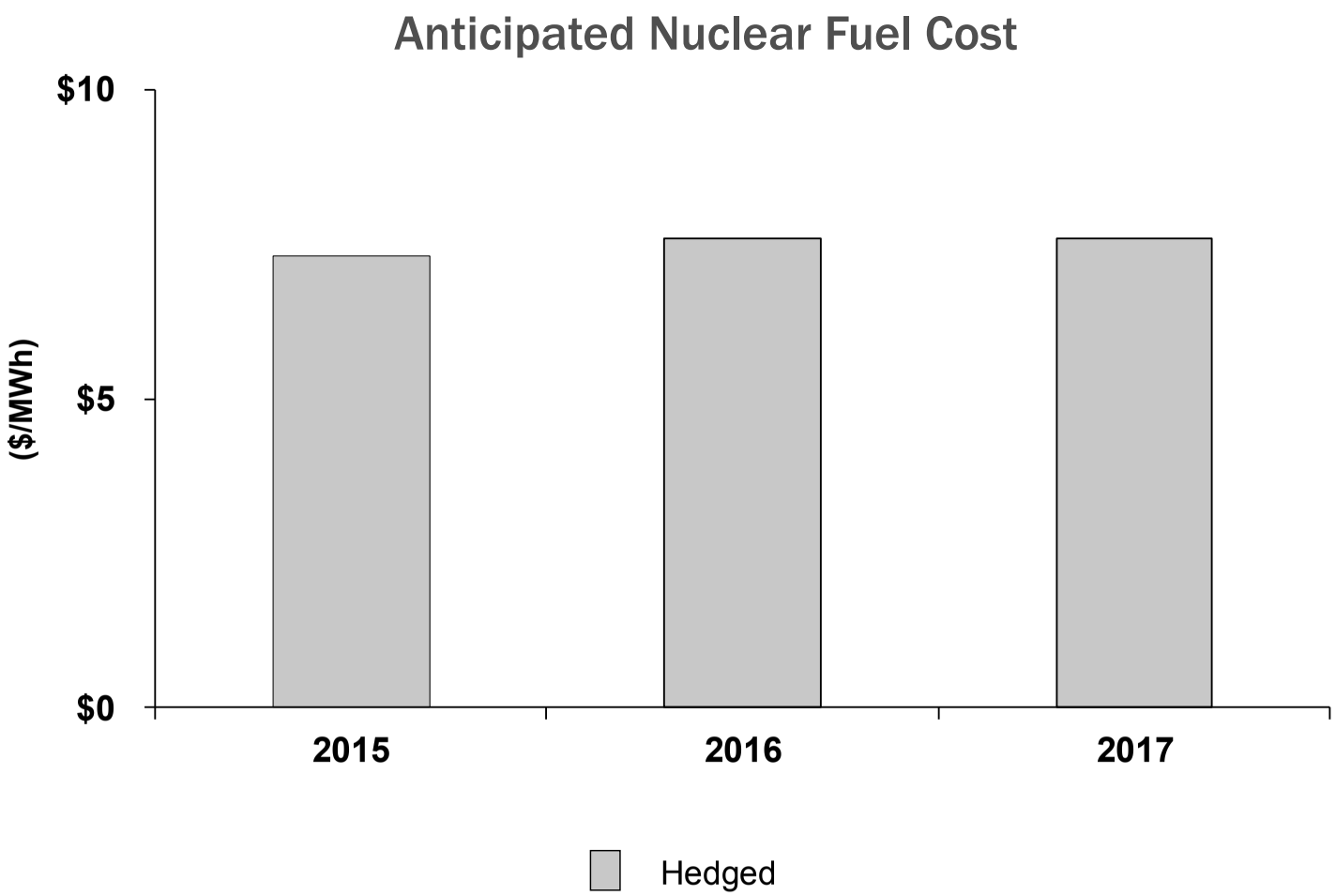
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-06910

PSEG POWER AND ER&T APPENDIX

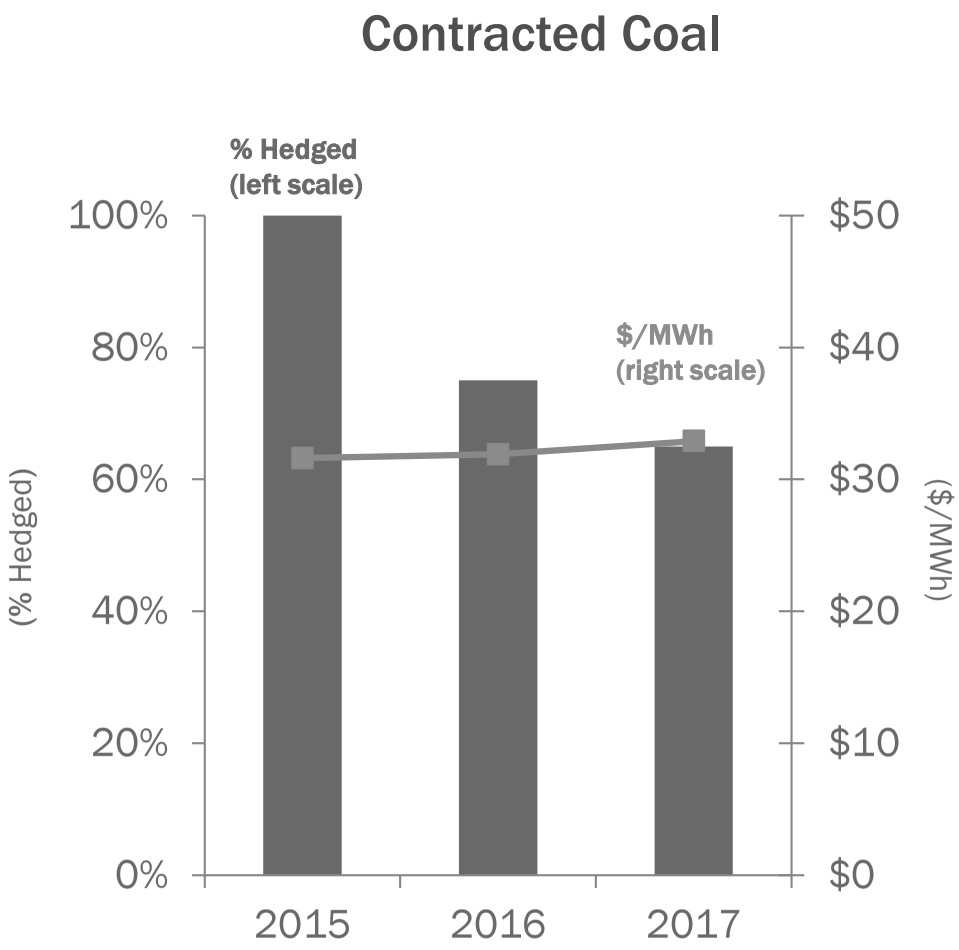
SI-SSA-0015-06911

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-06912

Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION

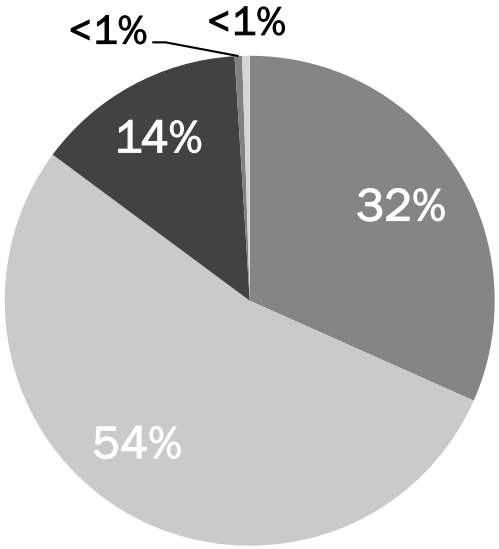
SI-SSA-0015-06913

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

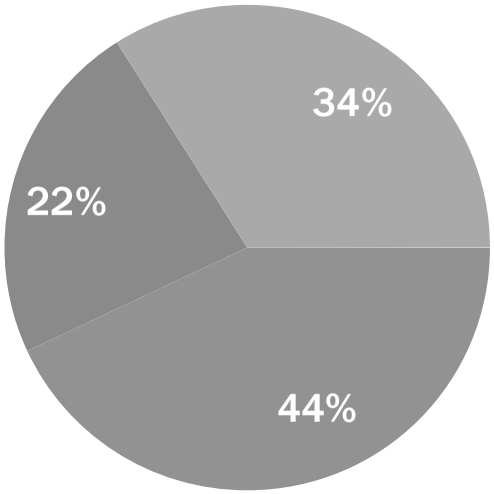
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

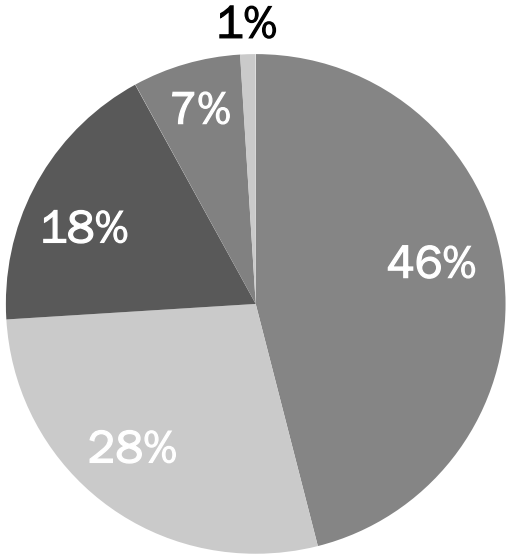
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-06914

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-06915

PSEG FINANCIAL APPENDIX

SI-SSA-0015-06916

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

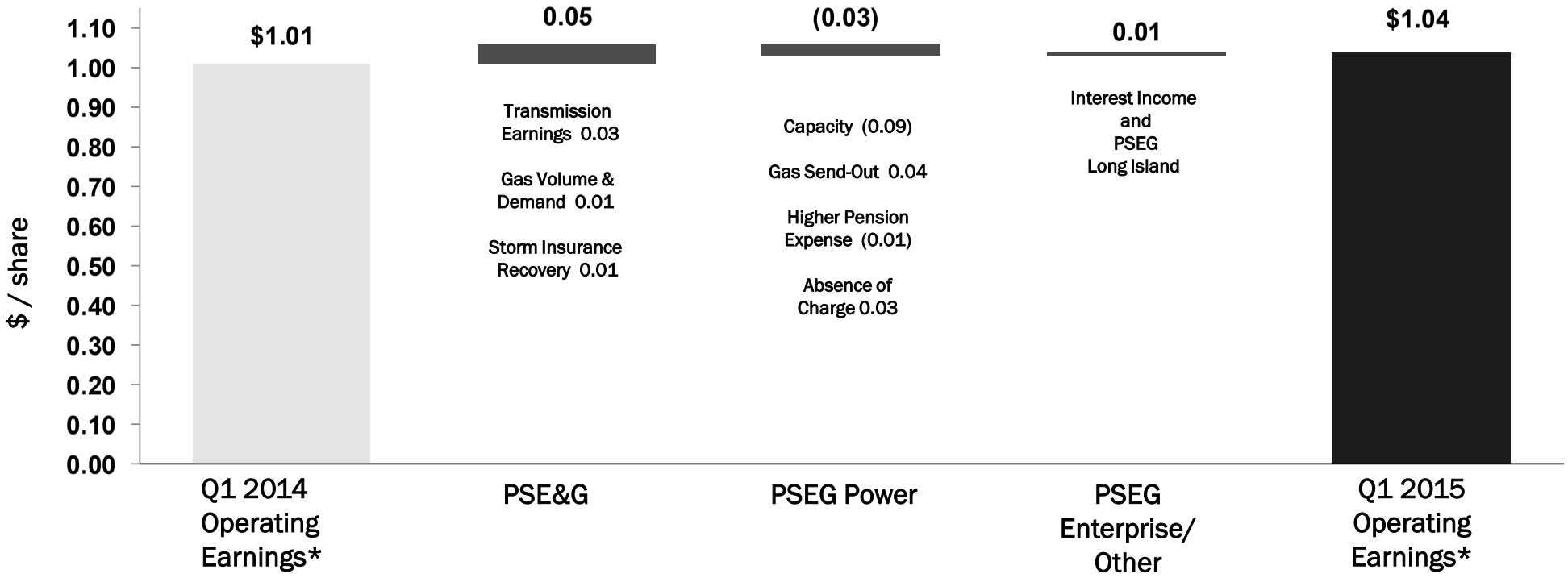
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 242	$ 214	$ 0.47	$ 0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$ 529	$ 515	$ 1.04	$ 1.01

SI-SSA-0015-06917

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2015 versus Q1 2014



SI-SSA-0015-06918

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$1.0	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[1]	8.9	6.3	2.5
Common Equity	12.5	7.0	5.7
Total Capitalization	**$21.4**	**$13.3**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[2] 52.3%

SI-SSA-0015-06919

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $201 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	Q1 2015	Q2 2015E	Total
PSEG Power	$44	$133	TBD	TBD
PSE&G	6	26**	TBD	TBD
PSEG	$50*	$159	~$54***	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

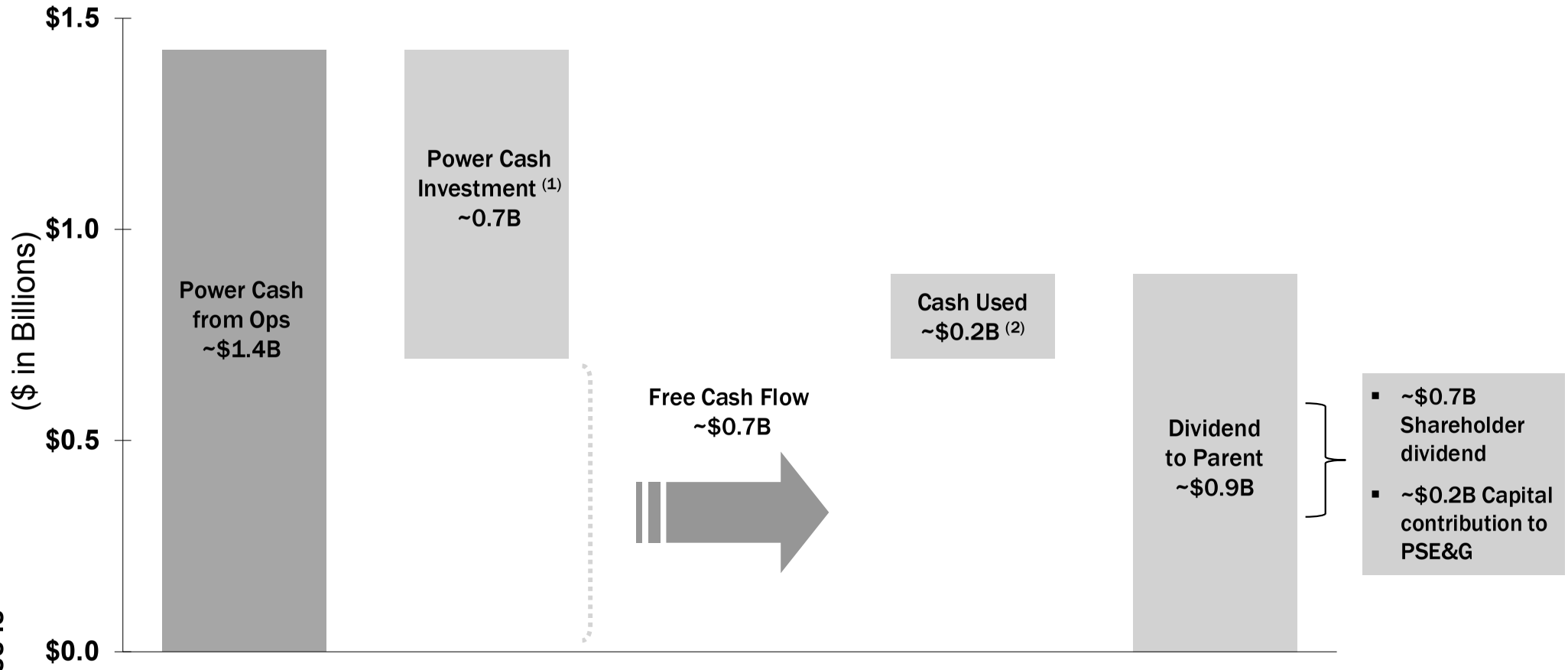
** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

***THE AMOUNTS TO BE RECORDED BY PSEG POWER AND PSE&G WILL BE DETERMINED IN SECOND QUARTER 2015. TBD = TO BE DETERMINED.

SI-SSA-0015-06920

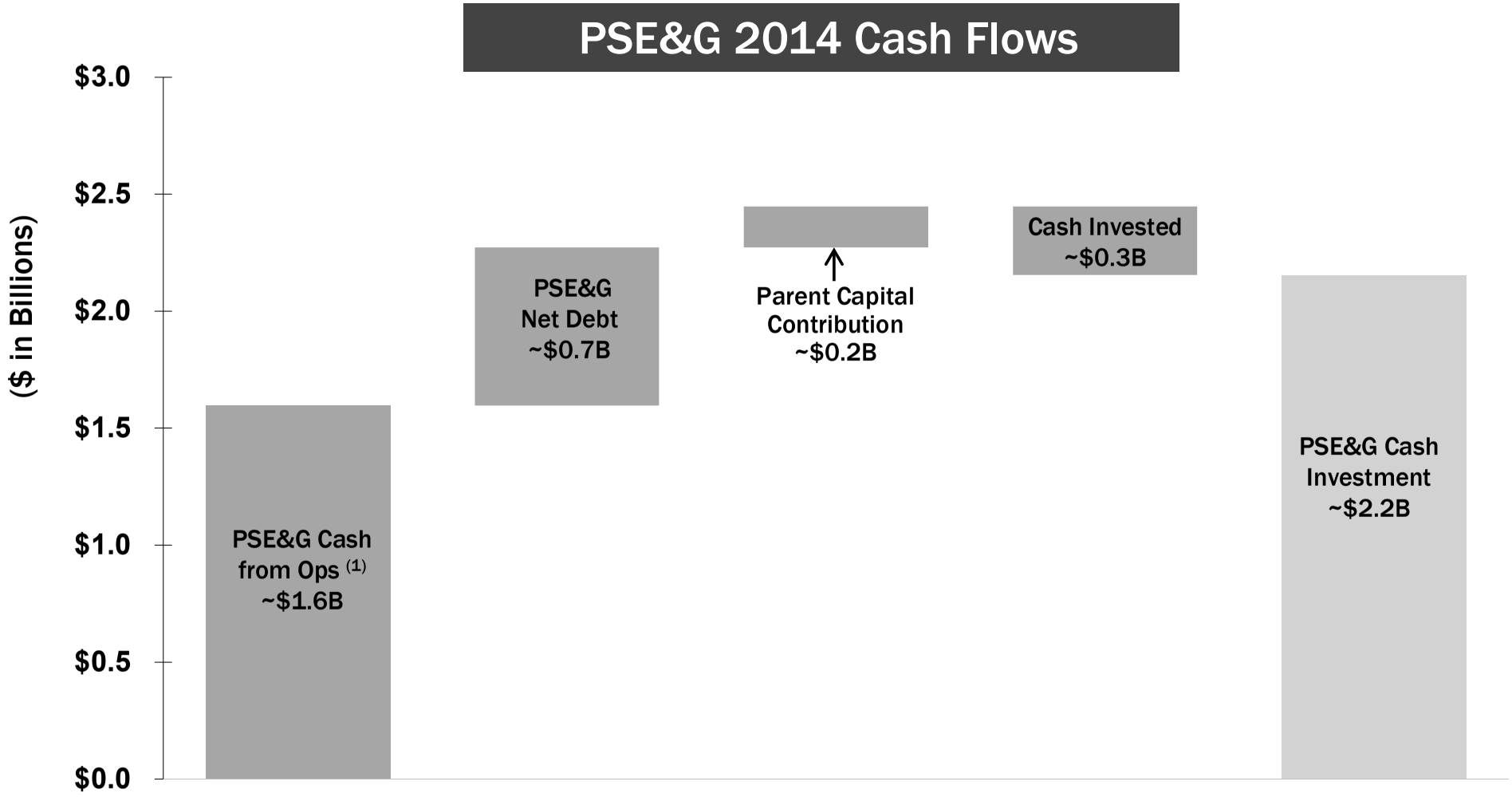
In 2014, Power had significant free cash flow

Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-06922

PSEG Liquidity as of March 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 (A,C)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$178	$1,422
	5-Year Credit Facility (Power)	Mar-18	$1,000 (A,D)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 (A,B)	$0	$500
		Total	$4,300	$200	$4,100

PSEG Money Pool ST Investment	$636
PSE&G ST Investment	$316
Total Liquidity Available	**$5,052**
Total Parent / Power Liquidity	**$4,150**

(A) In April 2015, expiration dates of these facilities were extended to April 2020.

(B) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

(C) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018.

(D) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

SI-SSA-0015-06923

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 3/31/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	148
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	28
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	40
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$858**

SI-SSA-0015-06924

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-06925

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-06926

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2015	*2014*	*2014*
	($ Millions, Unaudited)		
Adjusted EBITDA	**$ 626**	**$ 651**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [b]	(77)	(73)	(291)
Interest Expense, pre-tax [b]	(31)	(31)	(120)
Income Taxes [b]	(191)	(196)	(387)
Operating Earnings	**$ 278**	**$ 293**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [a]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	**$ 335**	**$ 164**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AND ADJUSTED EBITDA AS NON-GAAP FINANCIAL MEASURES AND HOW THEY DIFFER FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*	
	2015	*2014*
Earnings Impact ($ Millions)	**(Unaudited)**	
Operating Earnings	**$ 529**	**$ 515**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	75	(6)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 586**	**$ 386**
Discontinued Operations	**-**	**-**
Net Income	**$ 586**	**$ 386**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**
Per Share Impact (Diluted)		
Operating Earnings	**$ 1.04**	**$ 1.01**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	0.15	(0.01)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	**$ 1.15**	**$ 0.76**
Discontinued Operations	**-**	**-**
Net Income	**$ 1.15**	**$ 0.76**

[a]Includes the financial impact from positions with forward delivery months.

PSEG Investor Summary Deutsche Bank – 2017 Clean Tech, Utility & Power Conference

MAY 16, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-06930

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-06931

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-06932

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

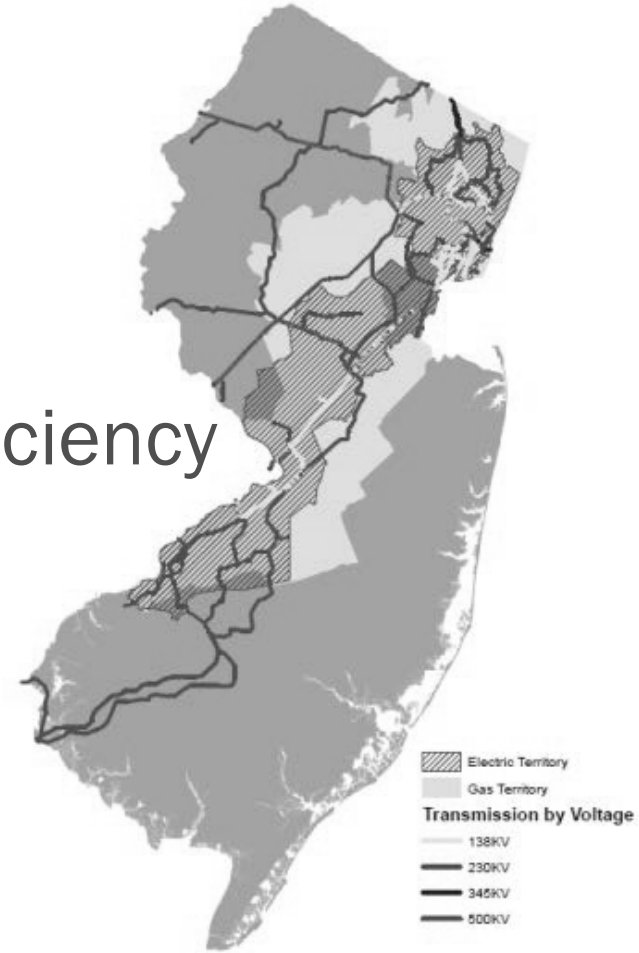
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-06933

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

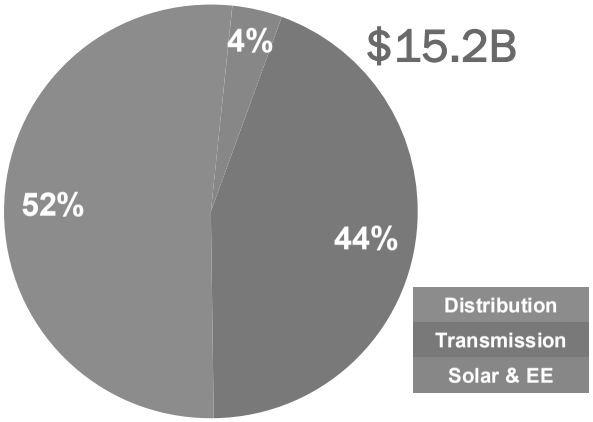
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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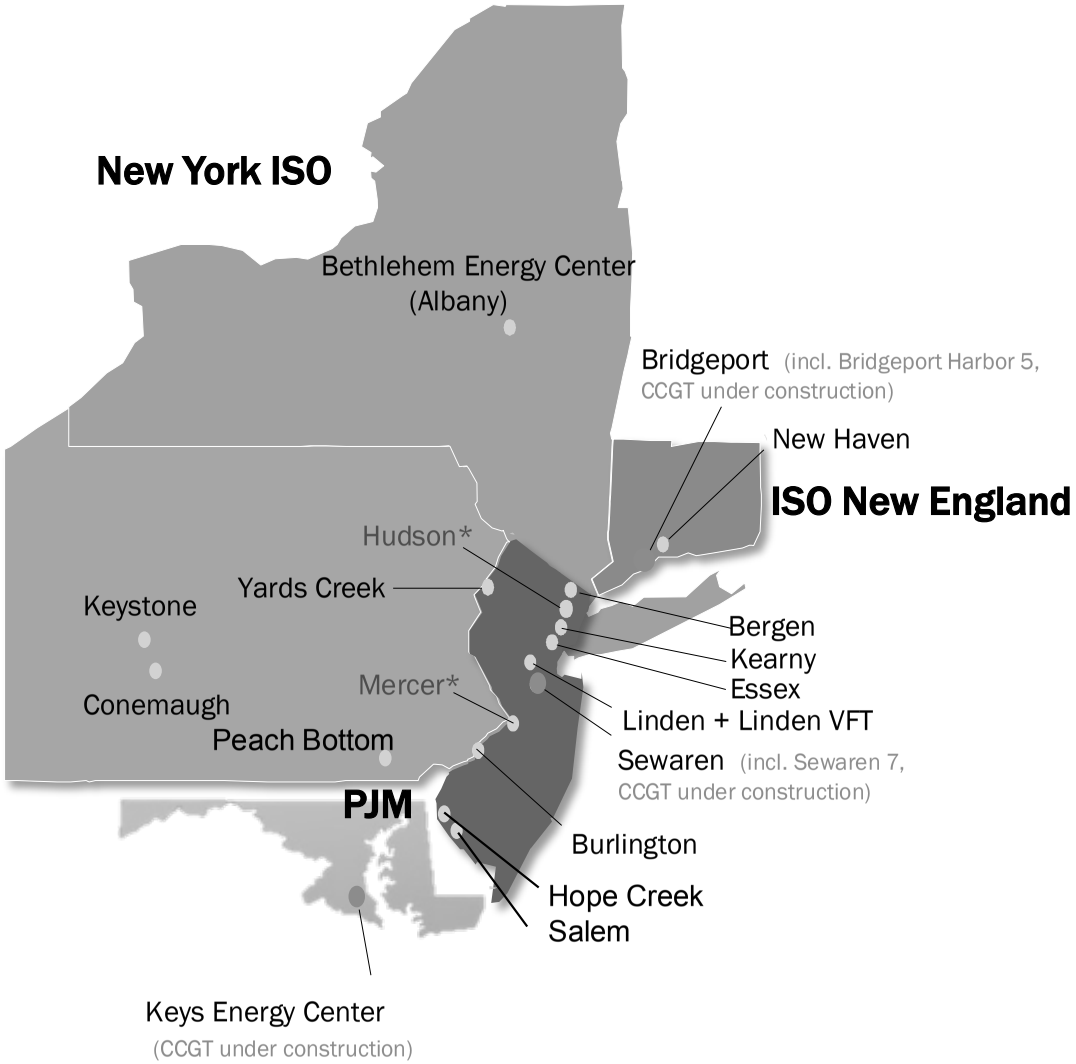
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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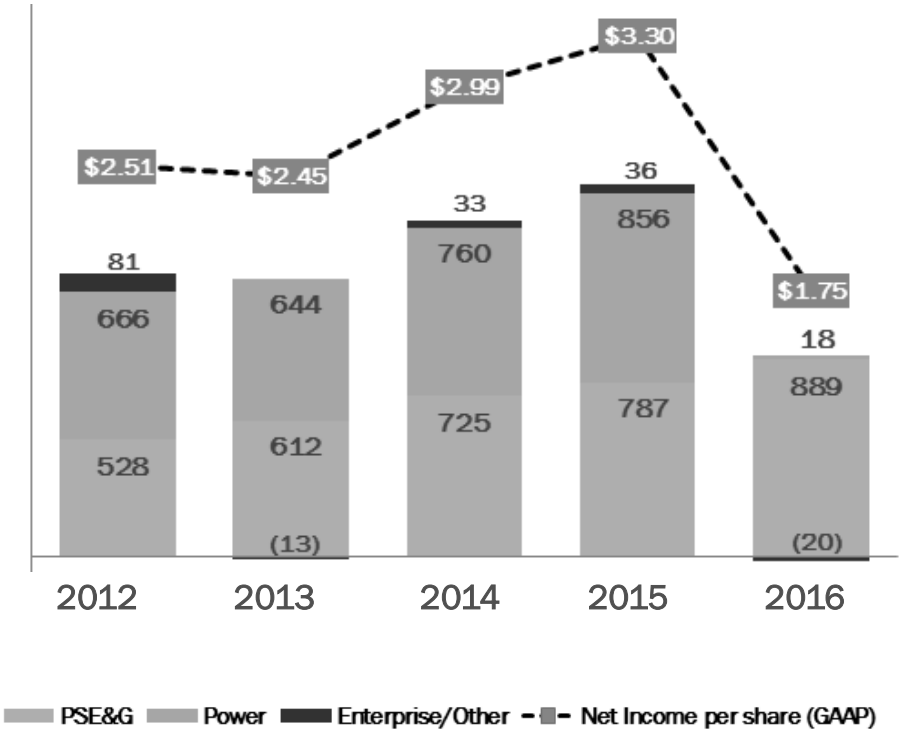
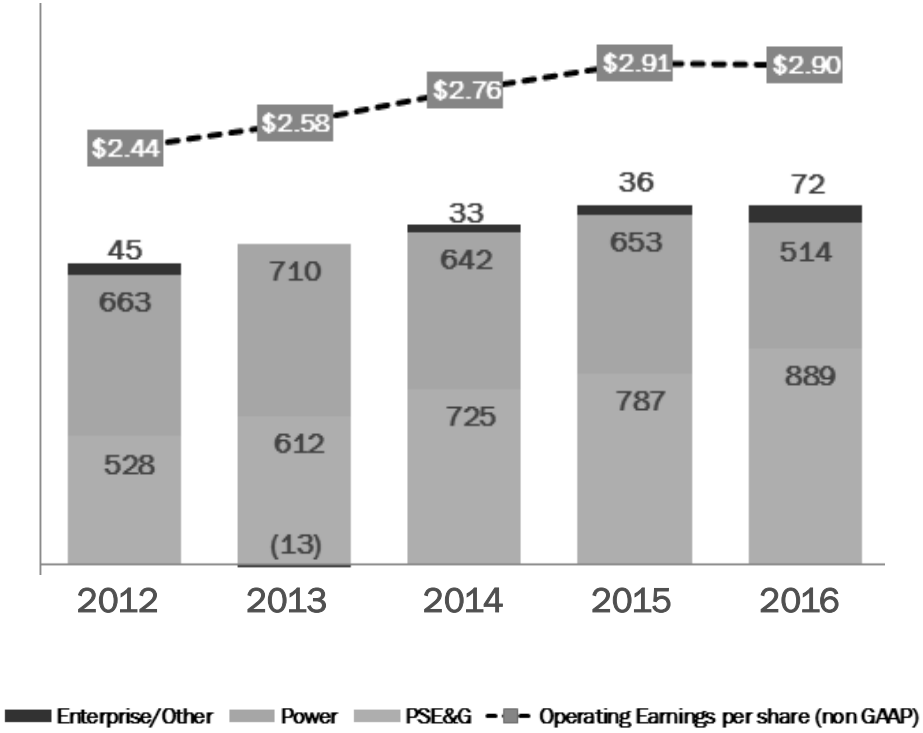
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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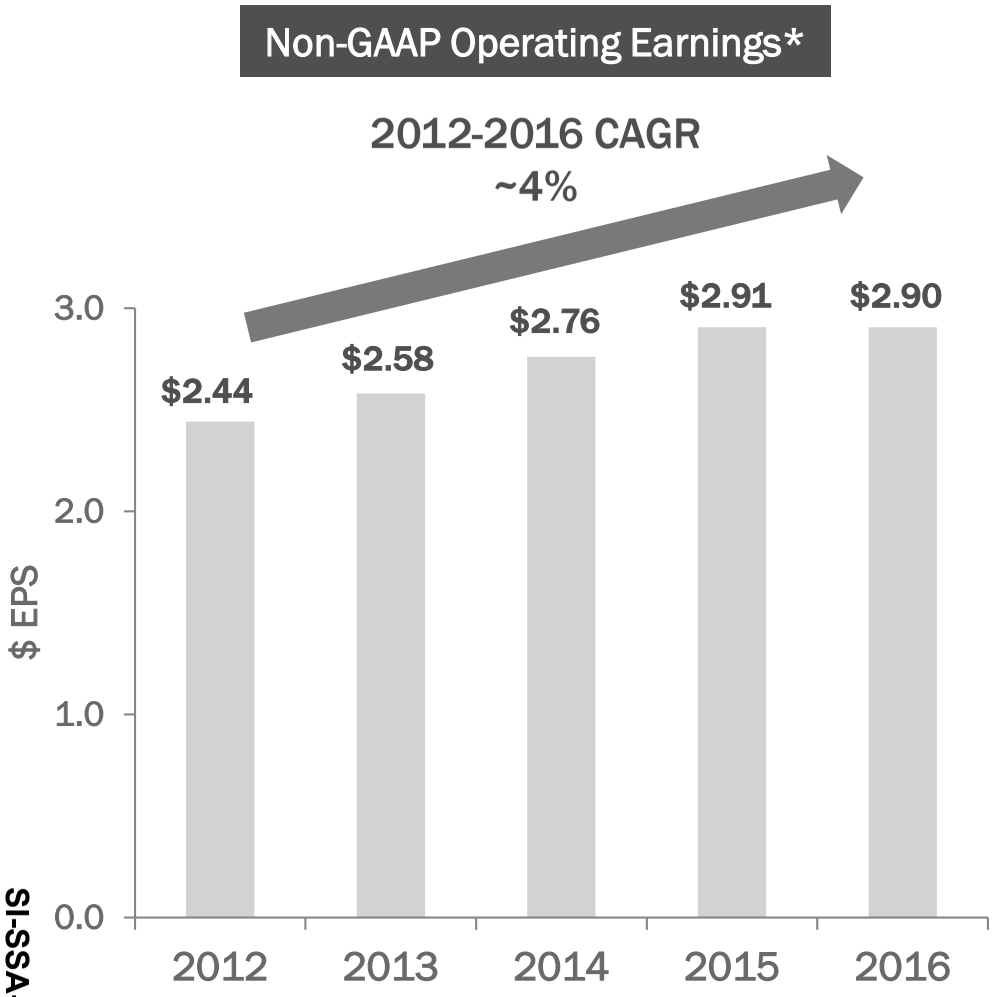
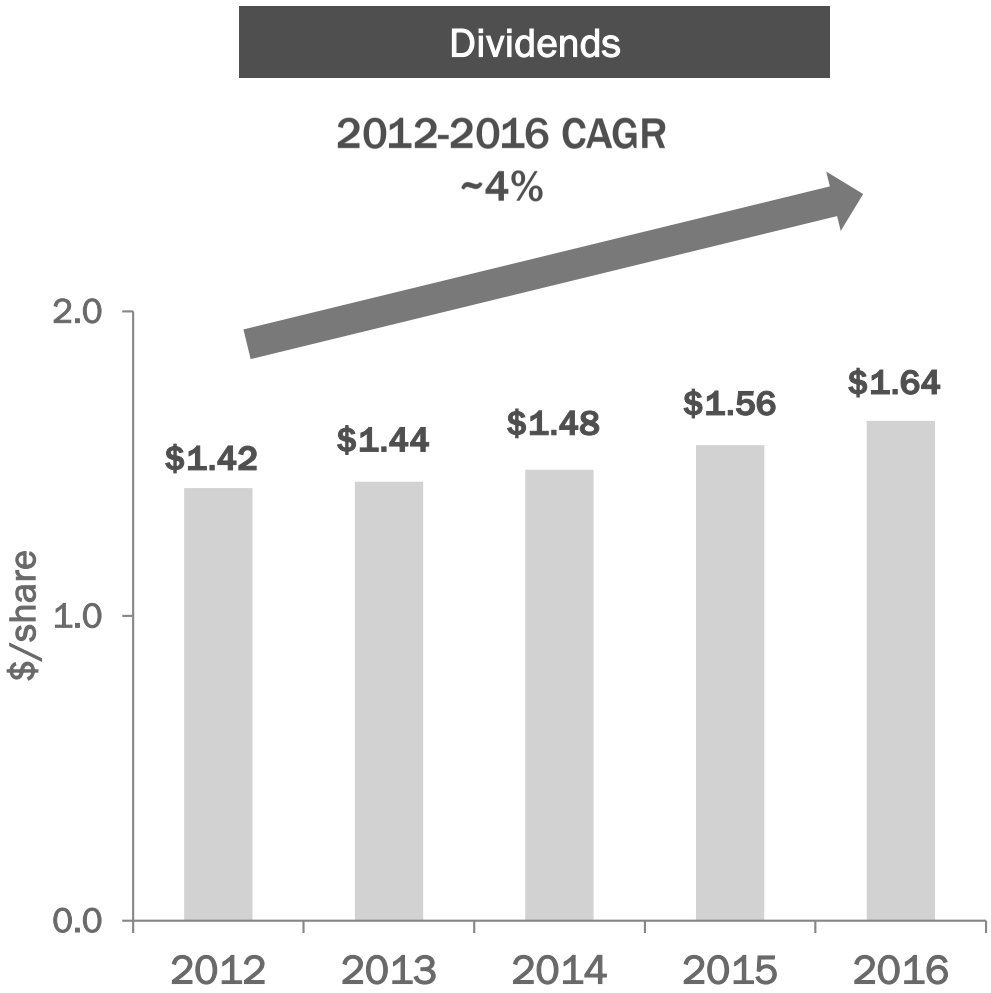
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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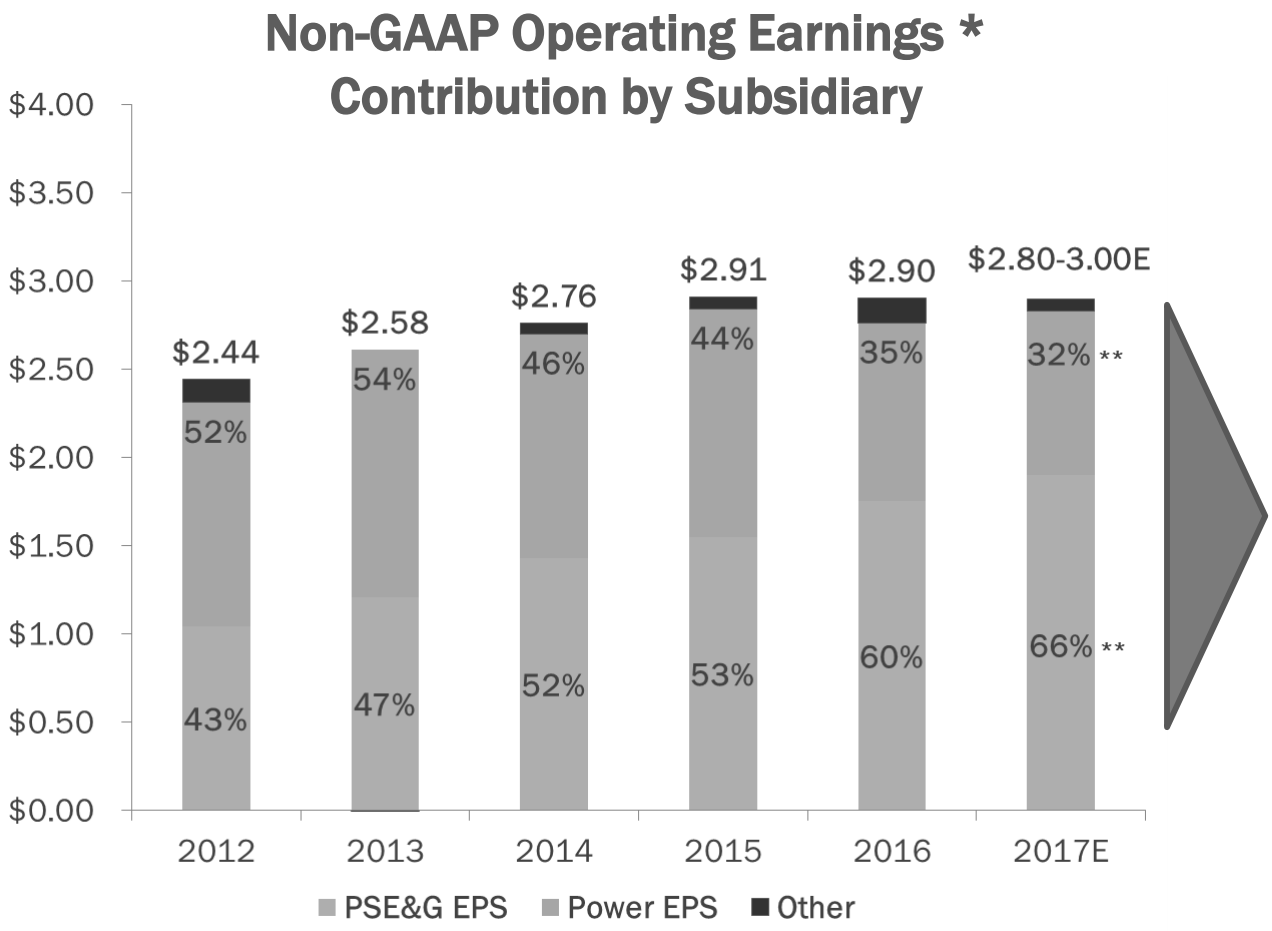
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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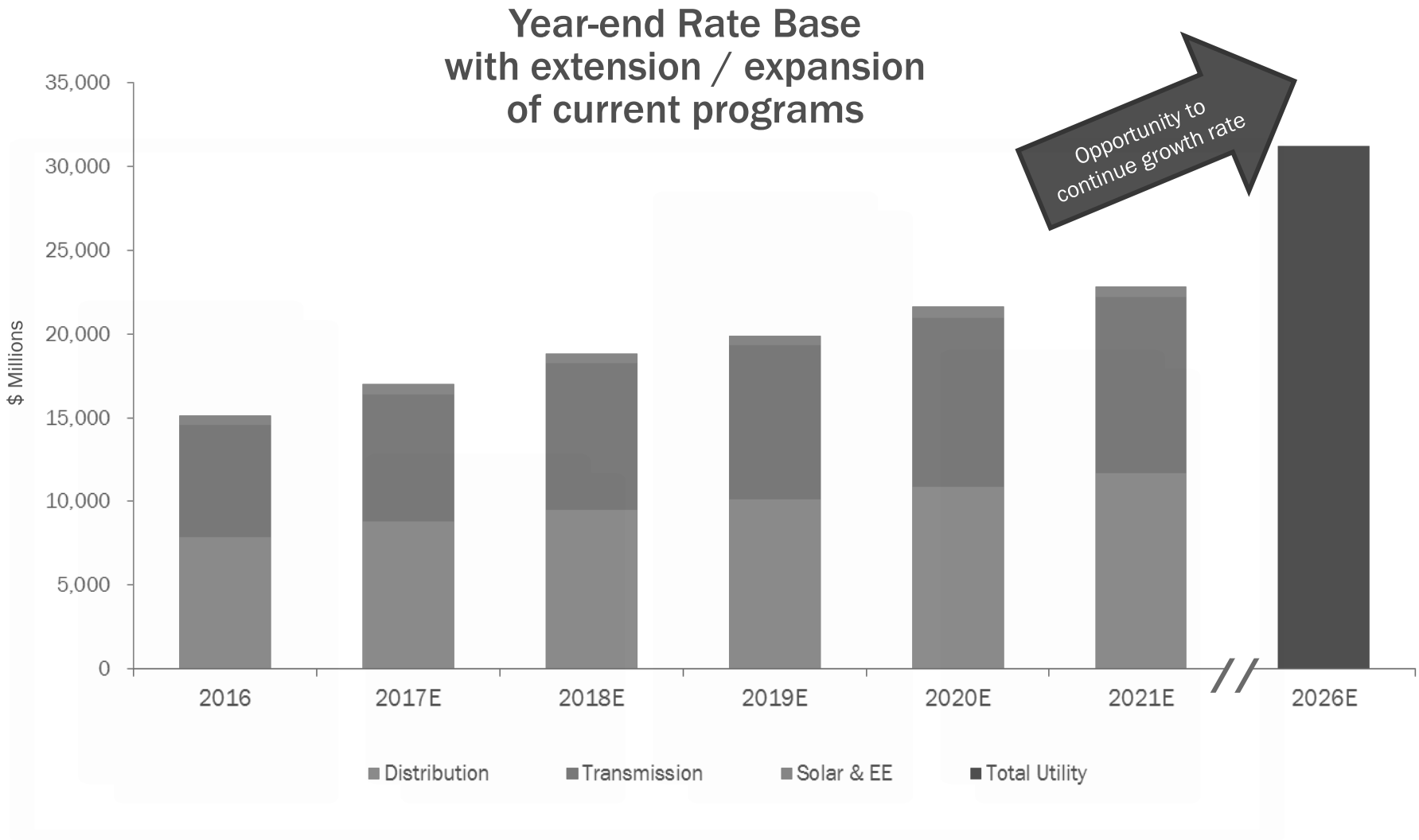
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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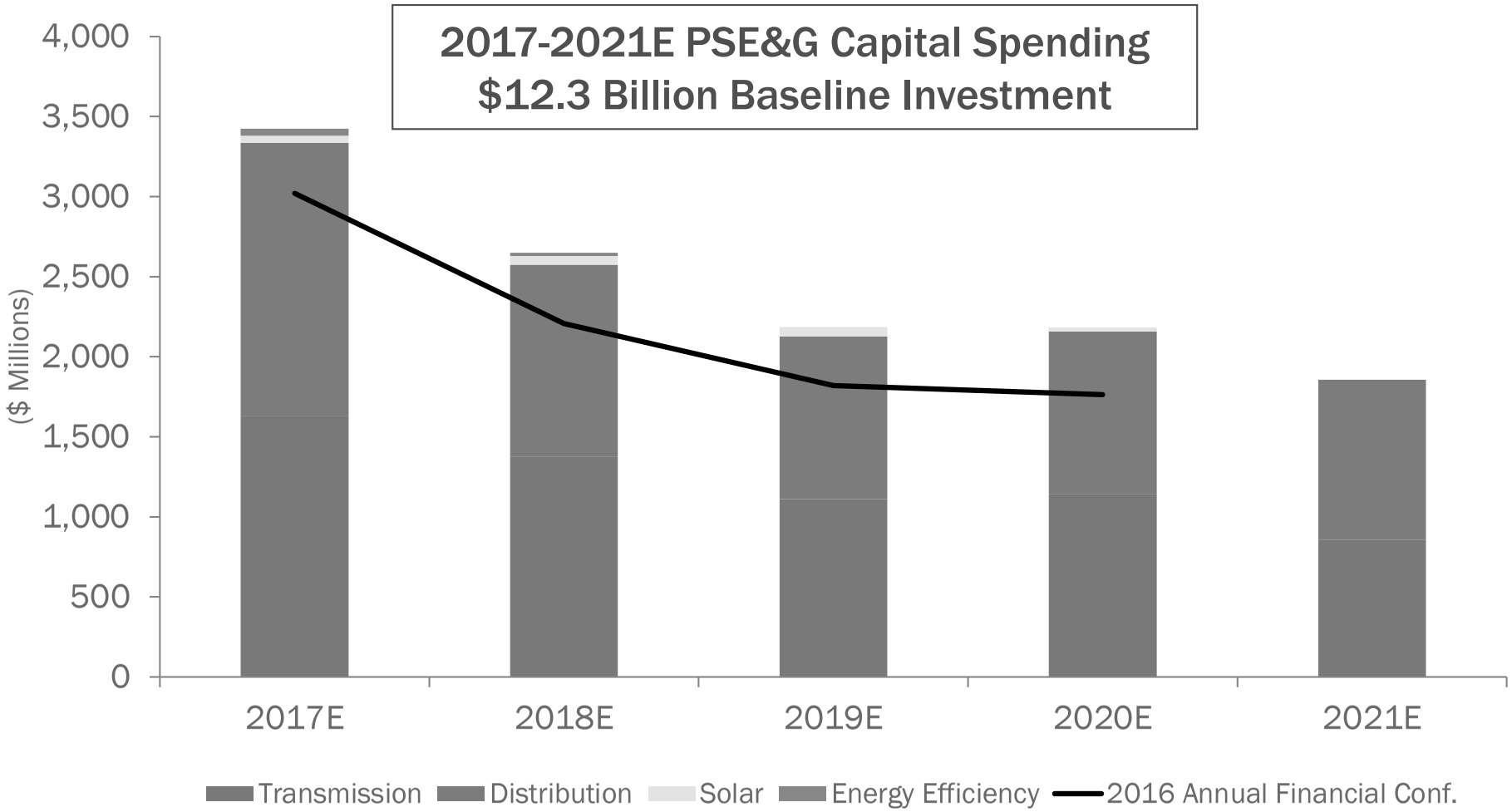
Baseline programs yield 7% compound annual growth in rate base



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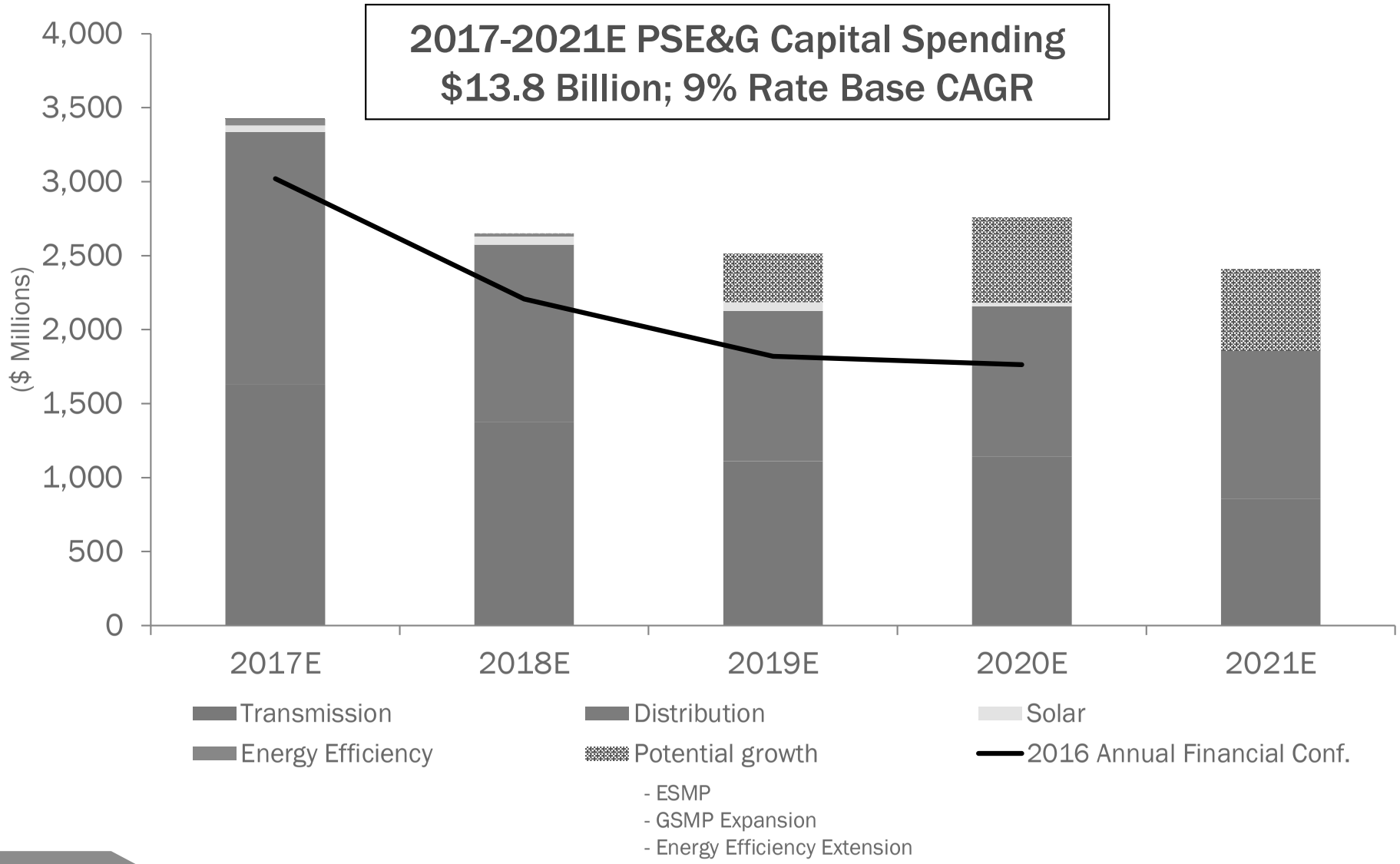
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-06942

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

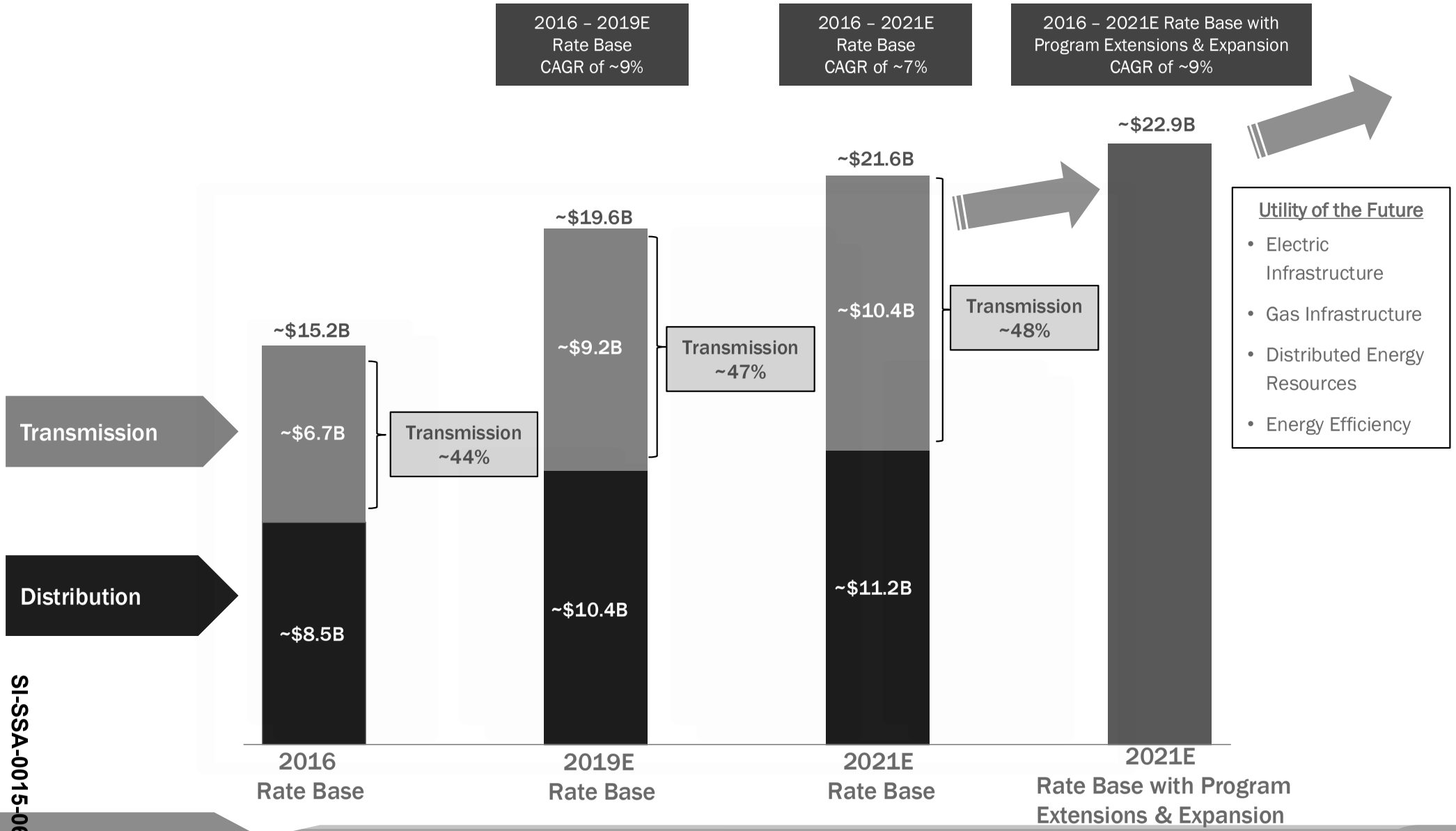
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-06943

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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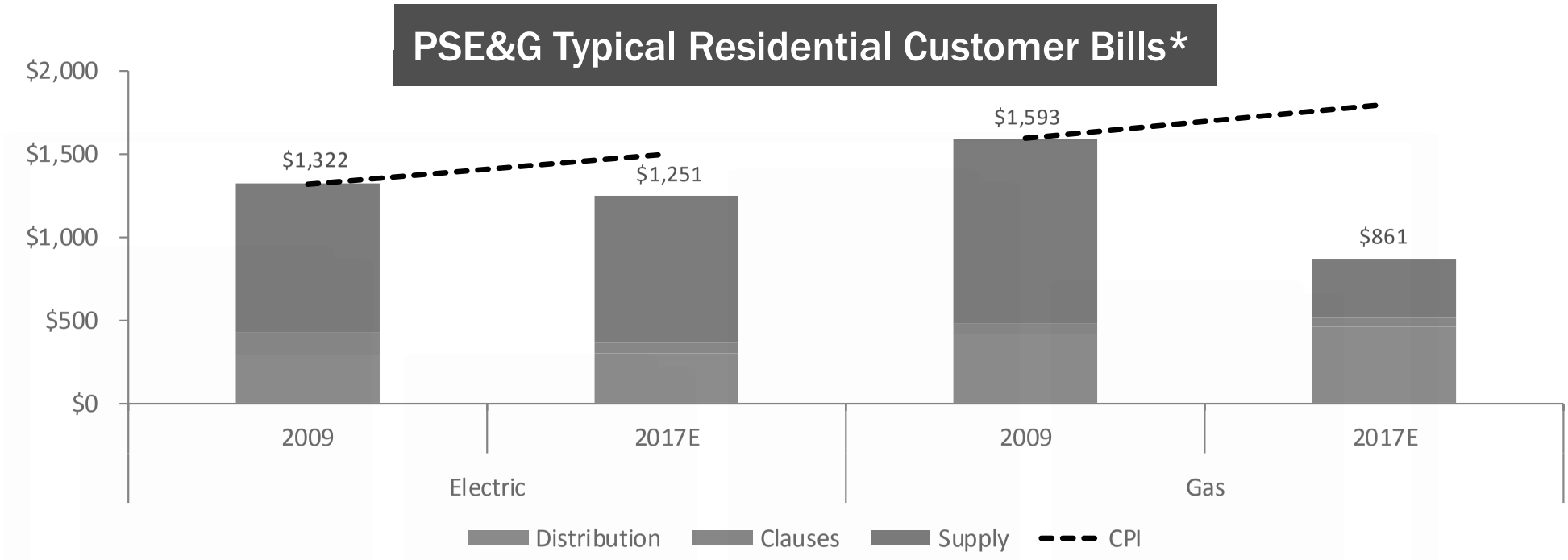
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

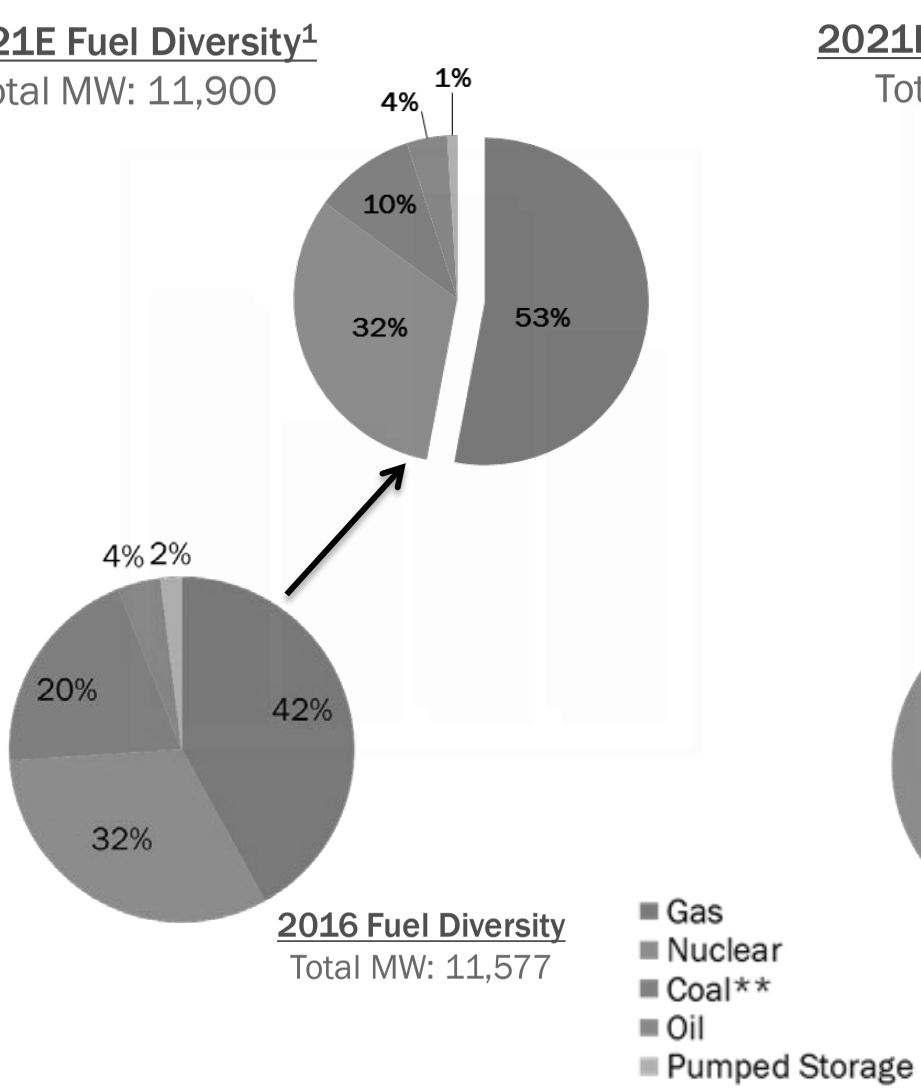
SI-SSA-0015-06945

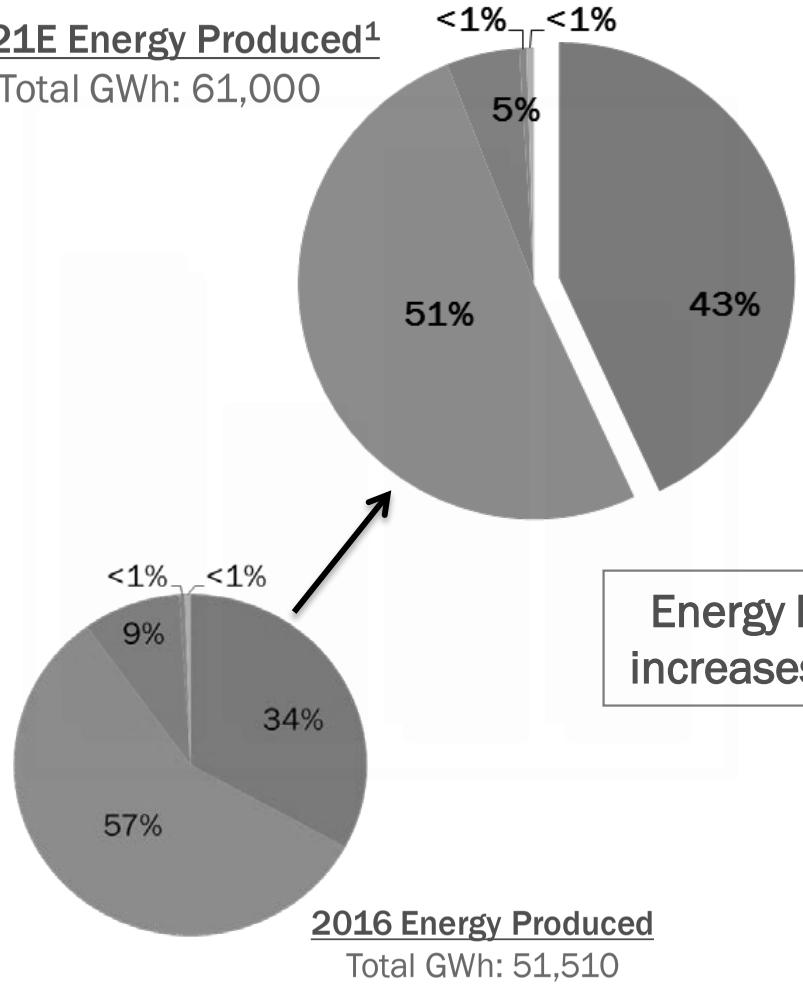
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





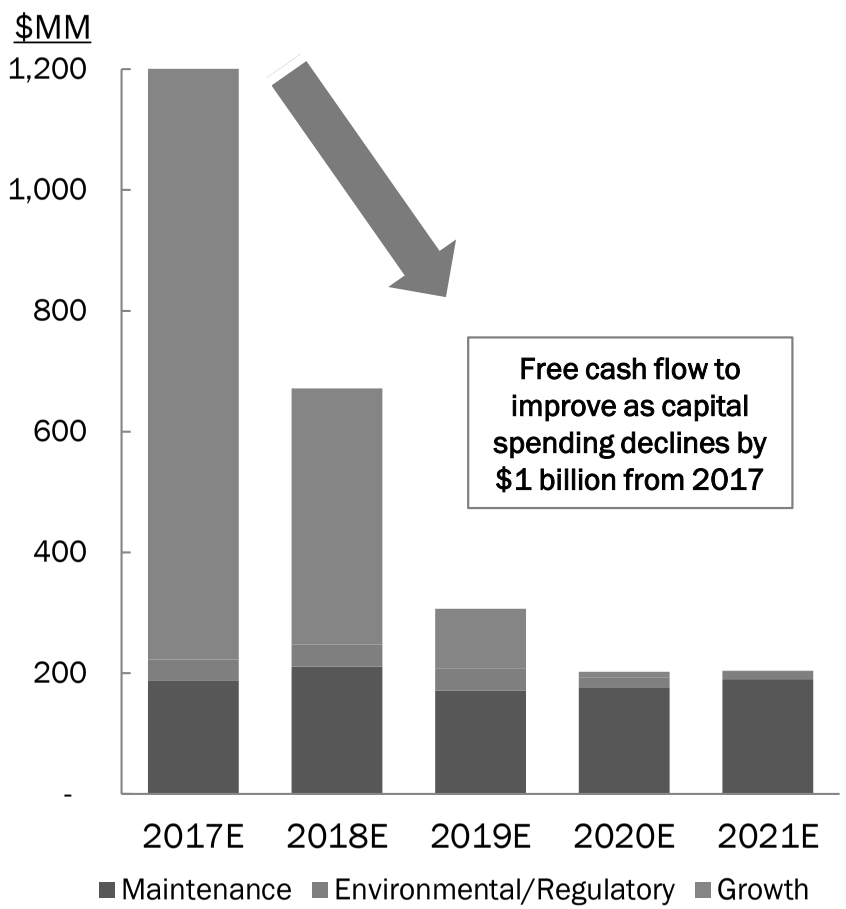
Energy Produced increases by >18%

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

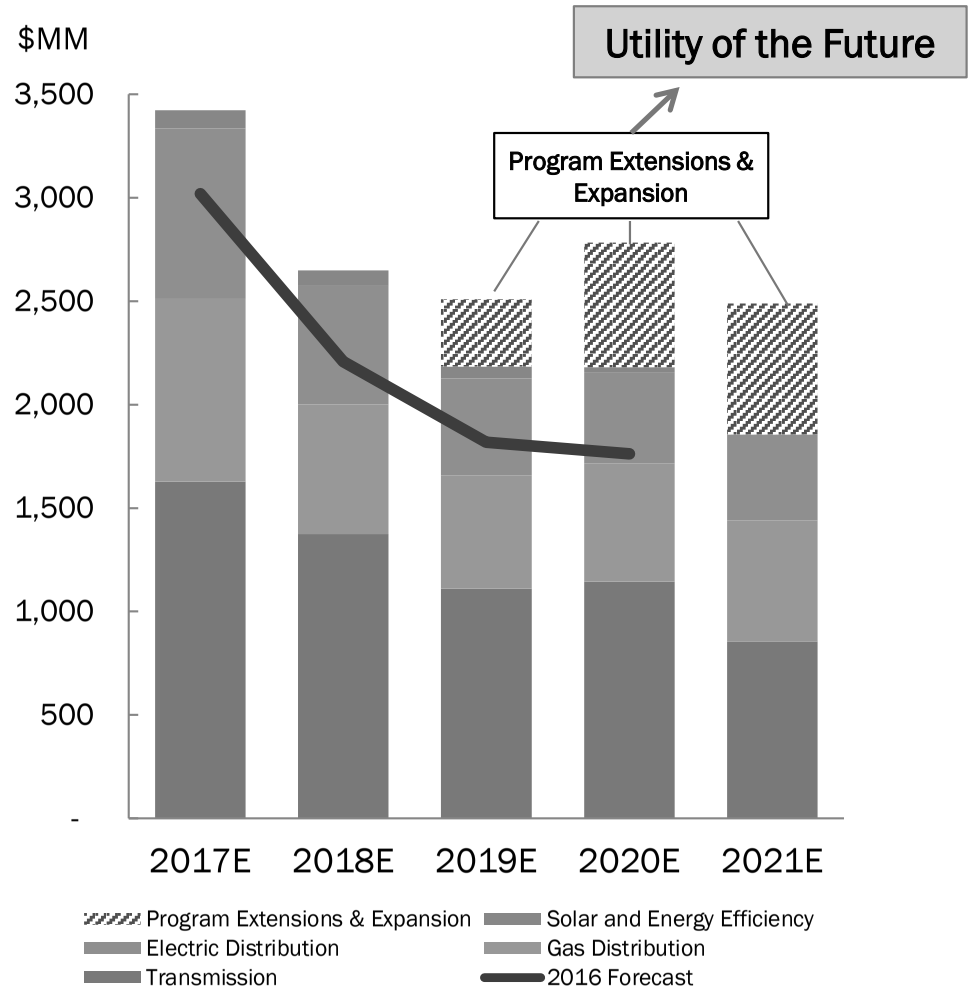
SI-SSA-0015-06946

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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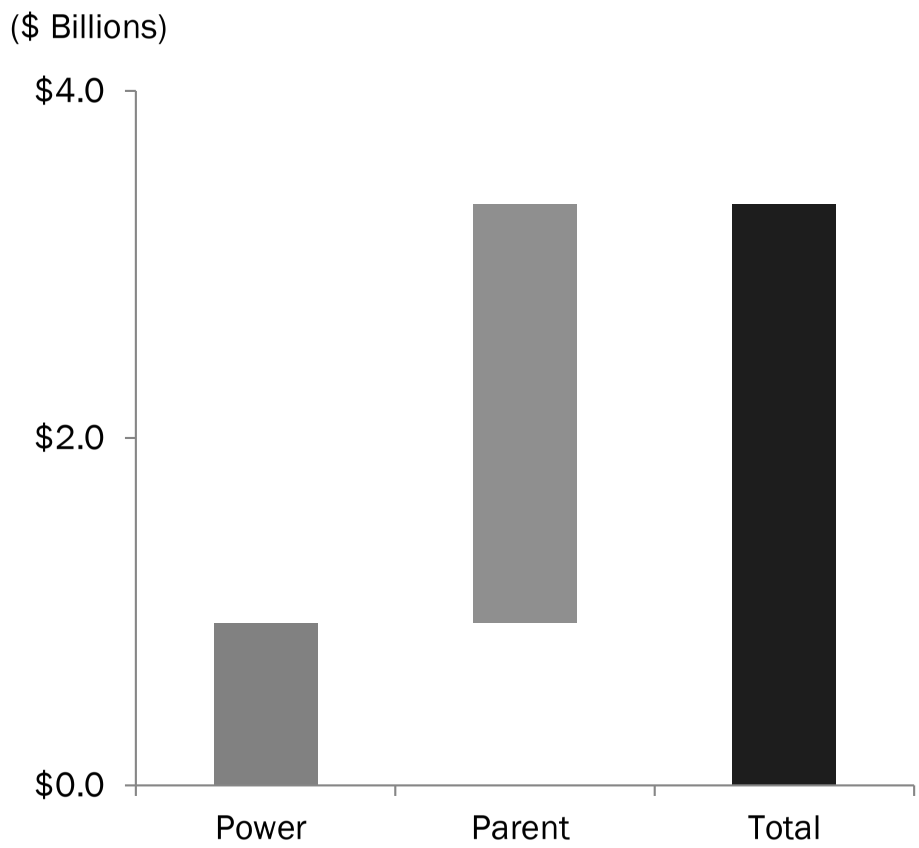
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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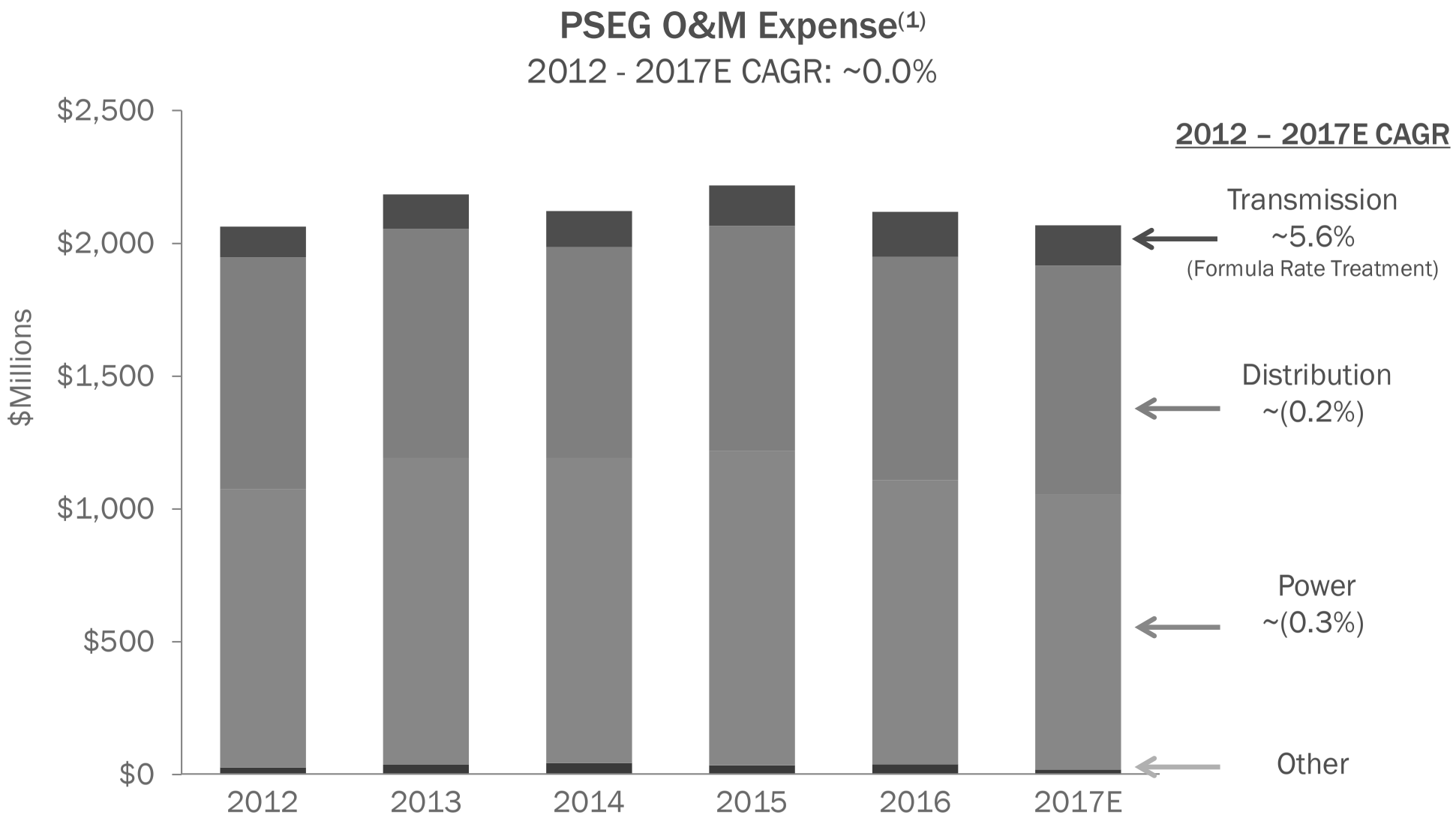
PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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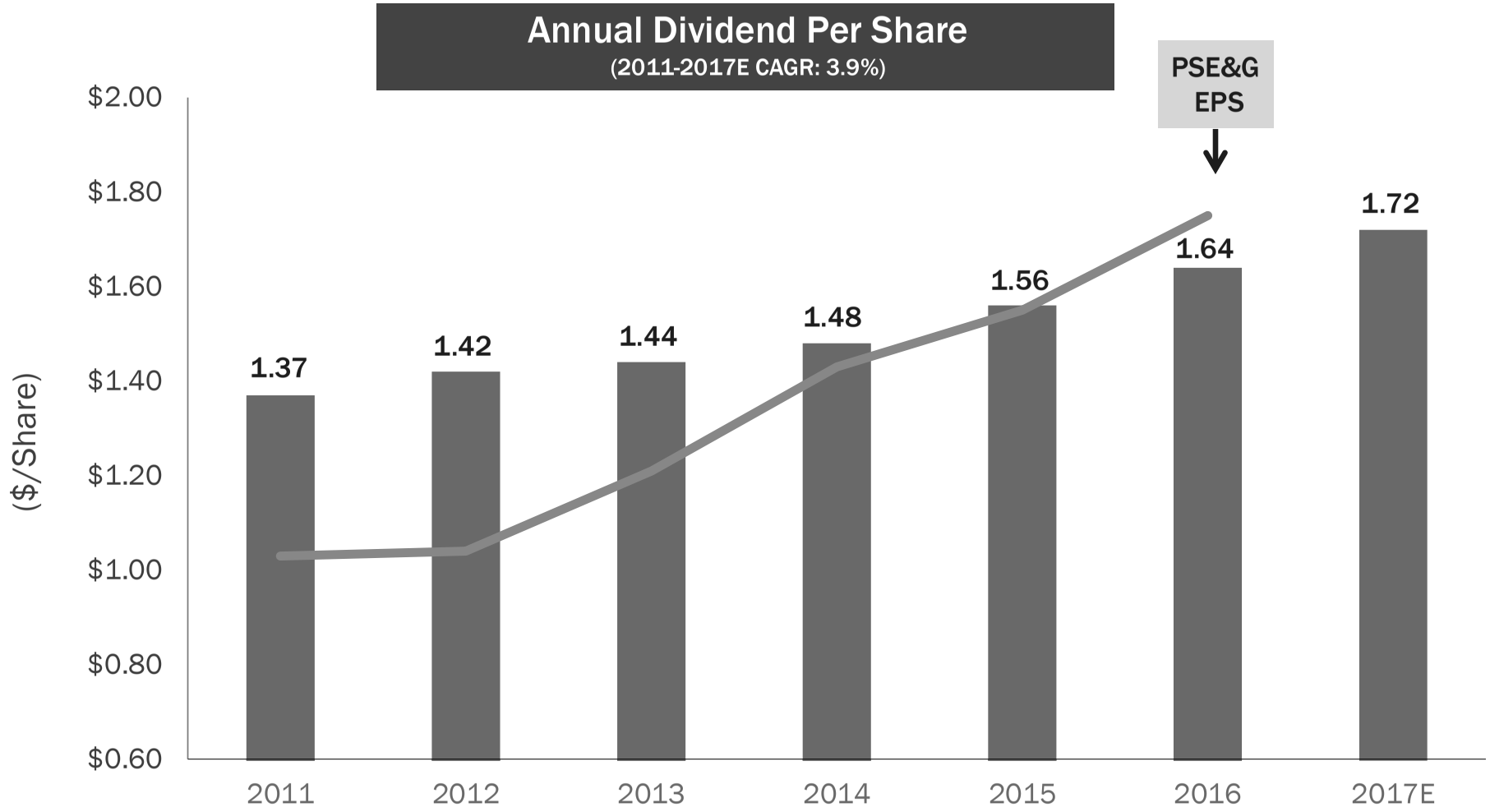
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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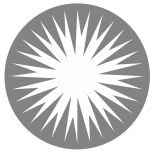
PSEG FINANCIAL APPENDIX



PSEG

We make things work for you.

SI-SSA-0015-06954

Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

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* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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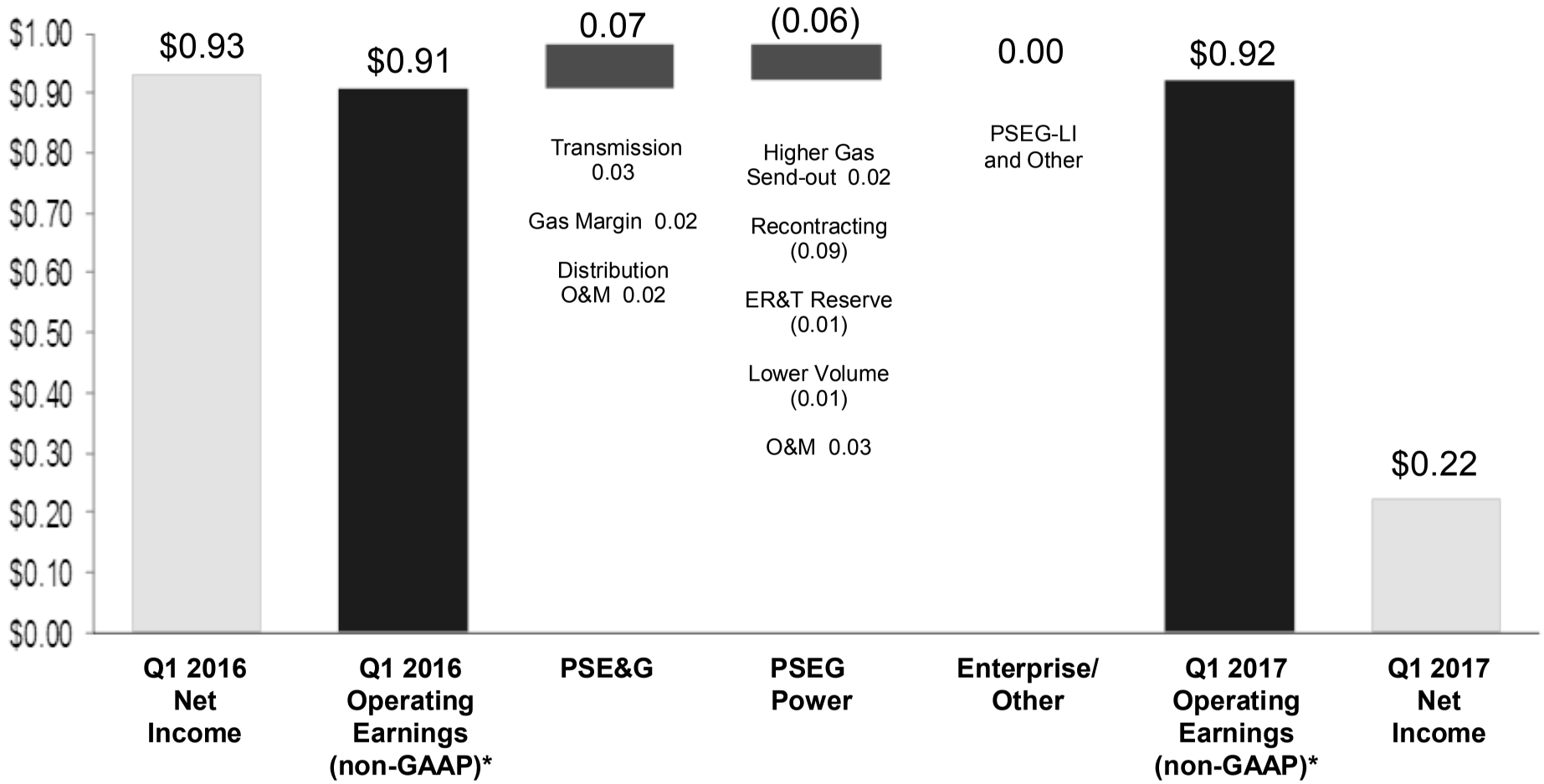
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	**$ 114**	**$ 471**	**$ 887**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 466**	**$ 463**	**$ 1,475**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	**$ 0.22**	**$ 0.93**	**$ 1.75**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 0.92**	**$ 0.91**	**$ 2.90**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

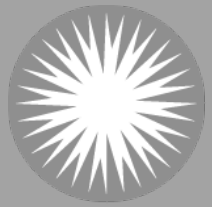
PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Deutsche Bank European Investor Meetings

LONDON • FRANKFURT • MILAN – OCTOBER 9-11, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-06960

PSEG

Ralph Izzo
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

PSEG
We make things work for you.

SI-SSA-0015-06961

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

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

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

SI-SSA-0015-06962

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-06963

PSEG OVERVIEW & OUTLOOK

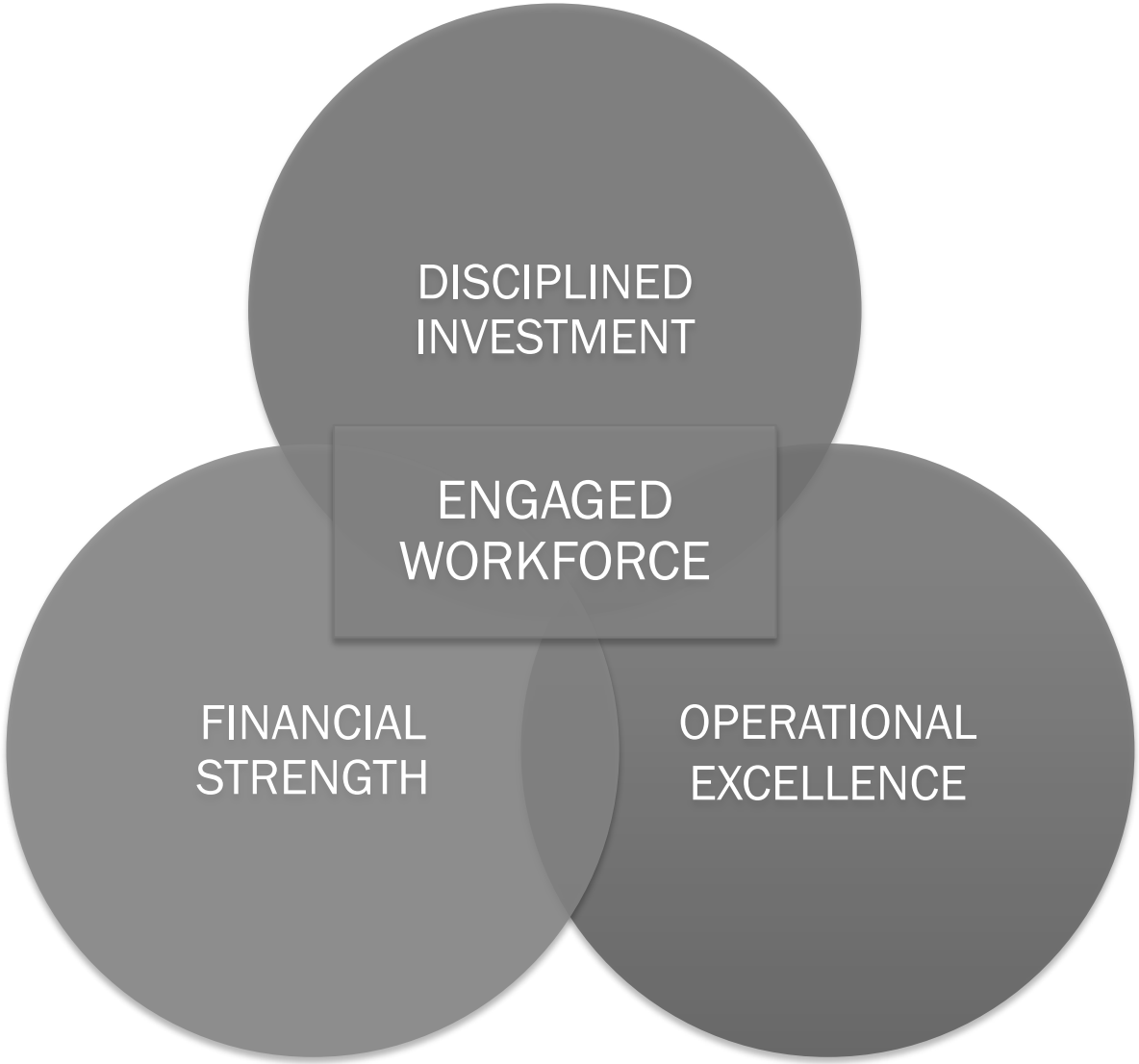
PSEG

We make things work for you.

SI-SSA-0015-06964

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-06965

PSEG meeting the market's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-06966

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-06967

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

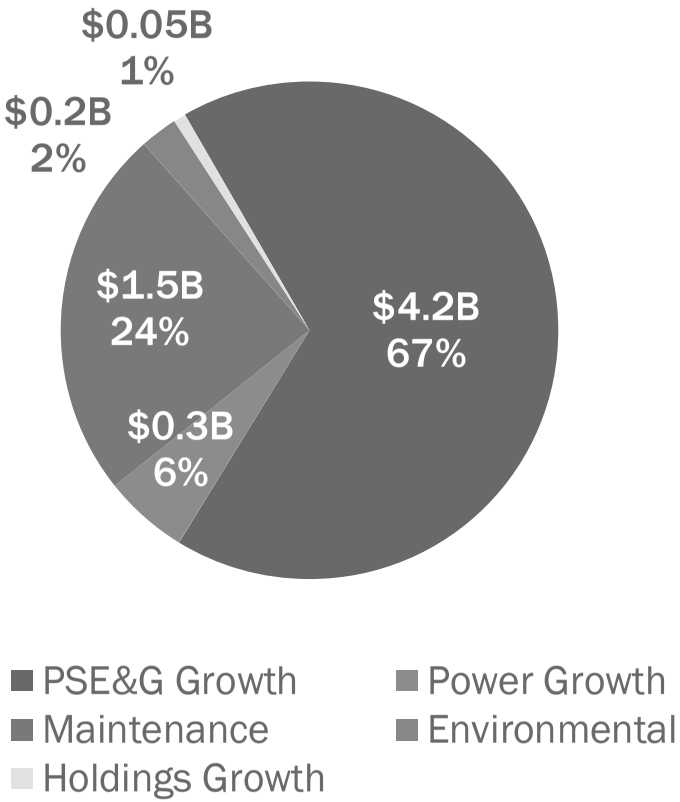
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

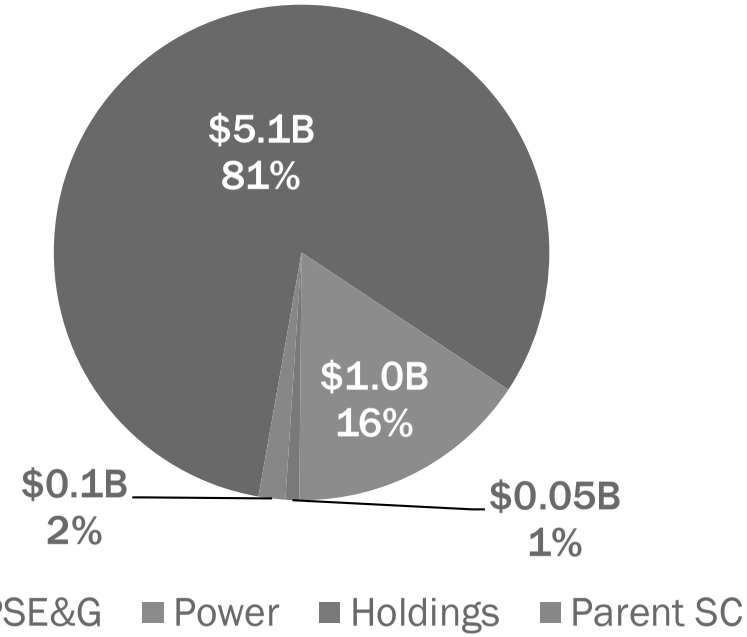
SI-SSA-0015-06968

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

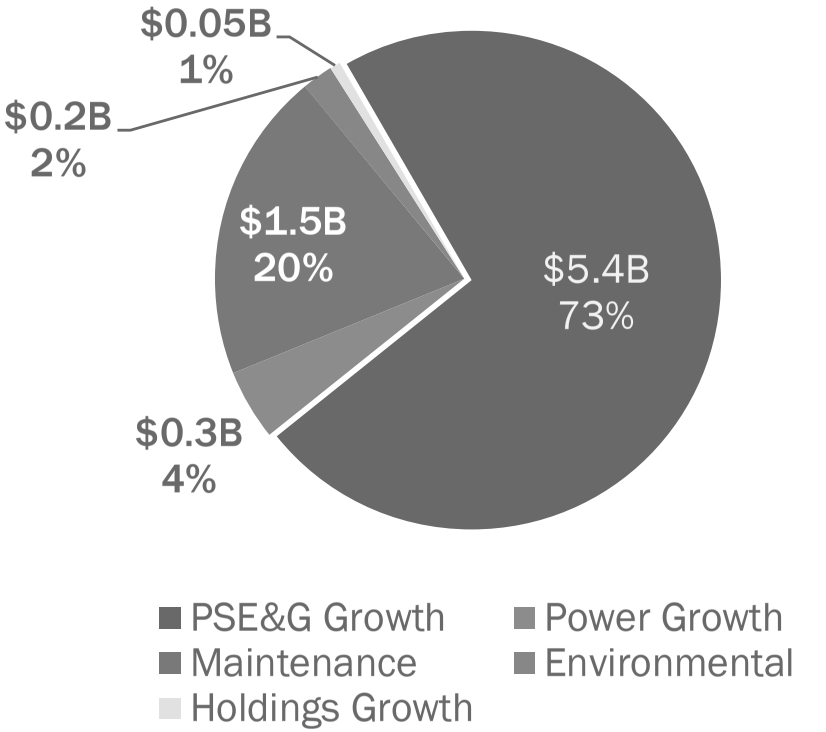


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

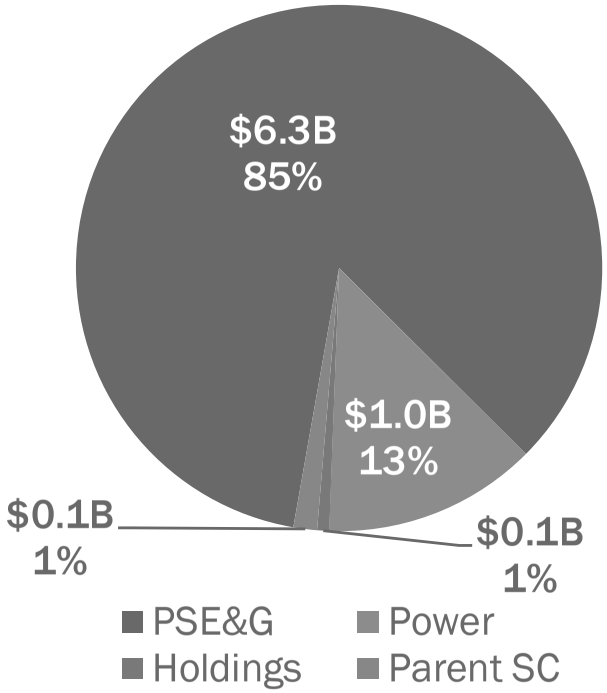
SI-SSA-0015-06969

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. *DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)

- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-06971

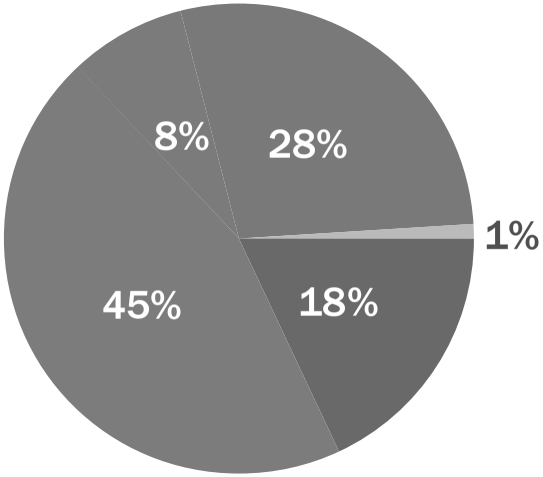
70 local NJ towns and 6 counties support

- 70 municipalities and six counties (Bergen, Hudson, Mercer, Passaic, Somerset and Union) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems
- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities
- Public hearings are scheduled for September and October 2013

SI-SSA-0015-06972

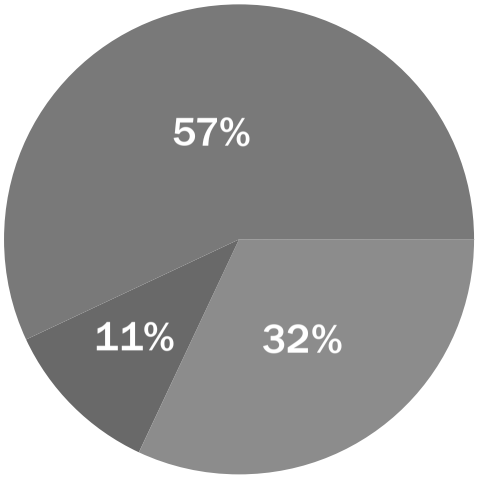
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

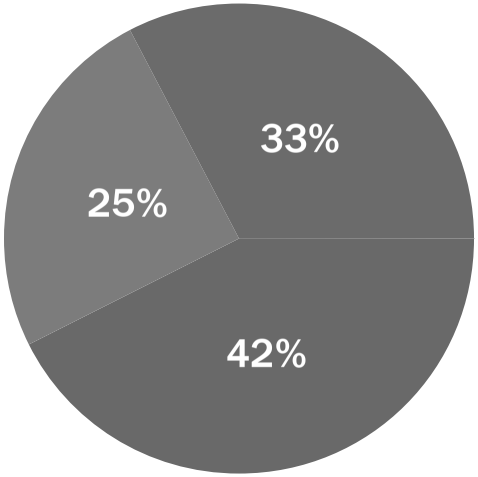


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Base load

SI-SSA-0015-06973

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

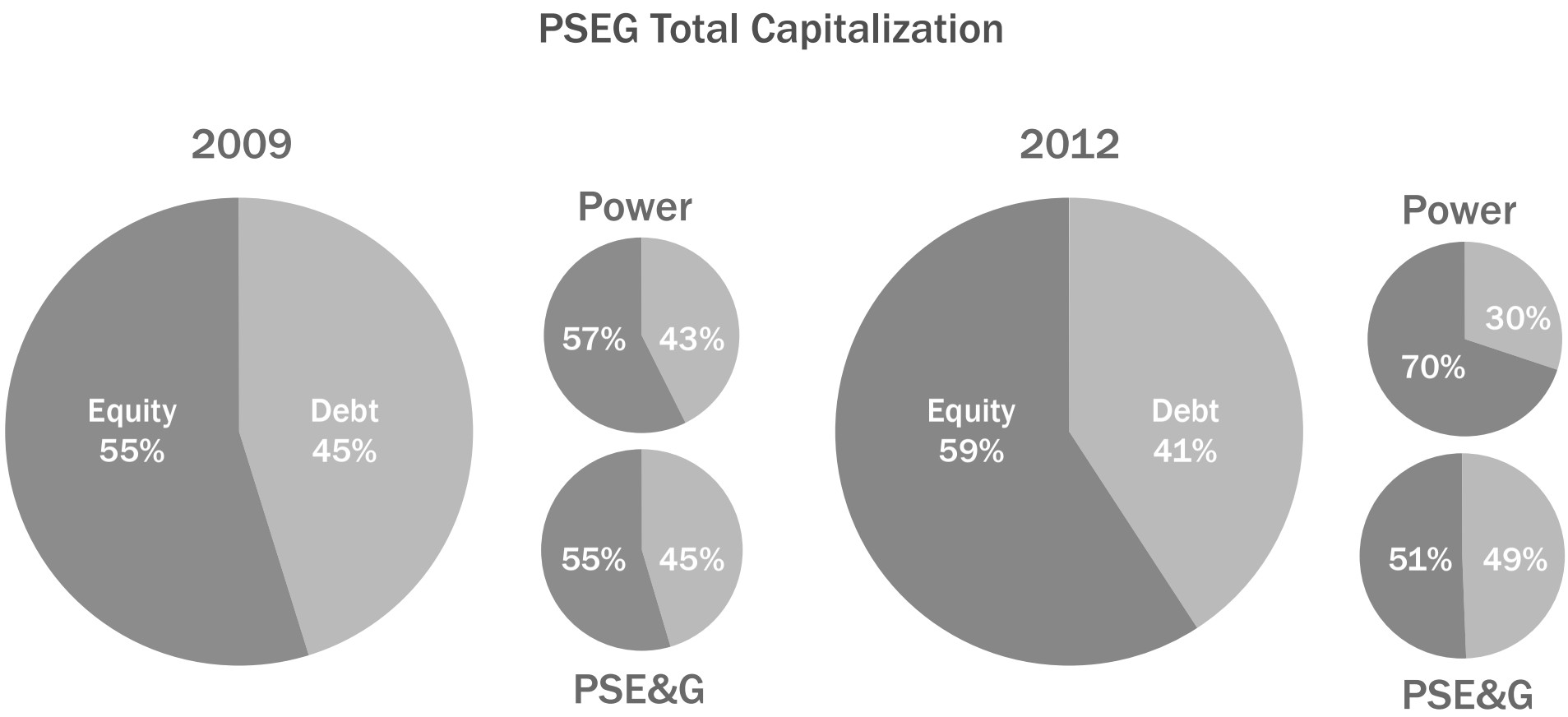
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-06974

Balance Sheet Strengthened

PSEG has reduced risk



SI-SSA-0015-06975

PSEG First Half 2013 - Highlights

Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share

- Strong earnings: First half 2013 earnings of $1.33 per share vs. $1.28 in year-ago period
  - Power benefitting from higher capacity prices and asset location
    - PSE&G seeing results from increased investment in transmission
      - O&M under control {Continuing control of O&M supporting results}

- Capital investment on schedule
  - PSE&G received approval to invest $446 million in extensions of Solar 4 All and Solar Loan programs
    - PSE&G's existing $3.4 billion Transmission investment program remains on schedule
      - Hearings scheduled for Energy Strong, PSE&G's $2.6 billion, 5-year capital infrastructure program

- Financial position remains strong
  - S&P credit rating upgrade across Enterprise, Power and PSE&G
    - Debt represented 41% of capital at June 30, 2013
      - Dividend increased 1.4% to $1.44 per share, the 9th increase in the last ten years

Full year 2013 operating earnings expected to be at the upper end of guidance, assuming normal weather and unit operations

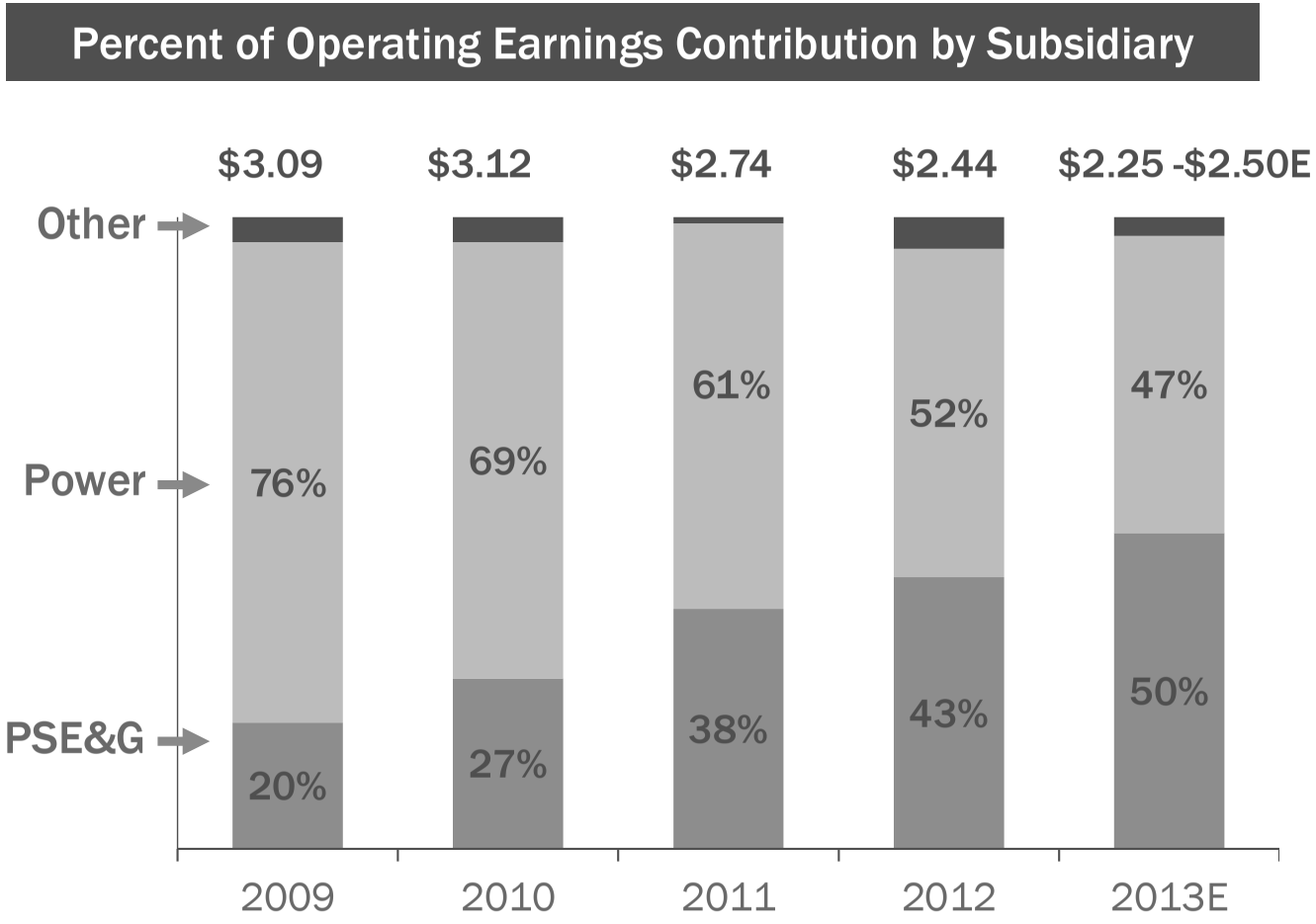
SI-SSA-0015-06976

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



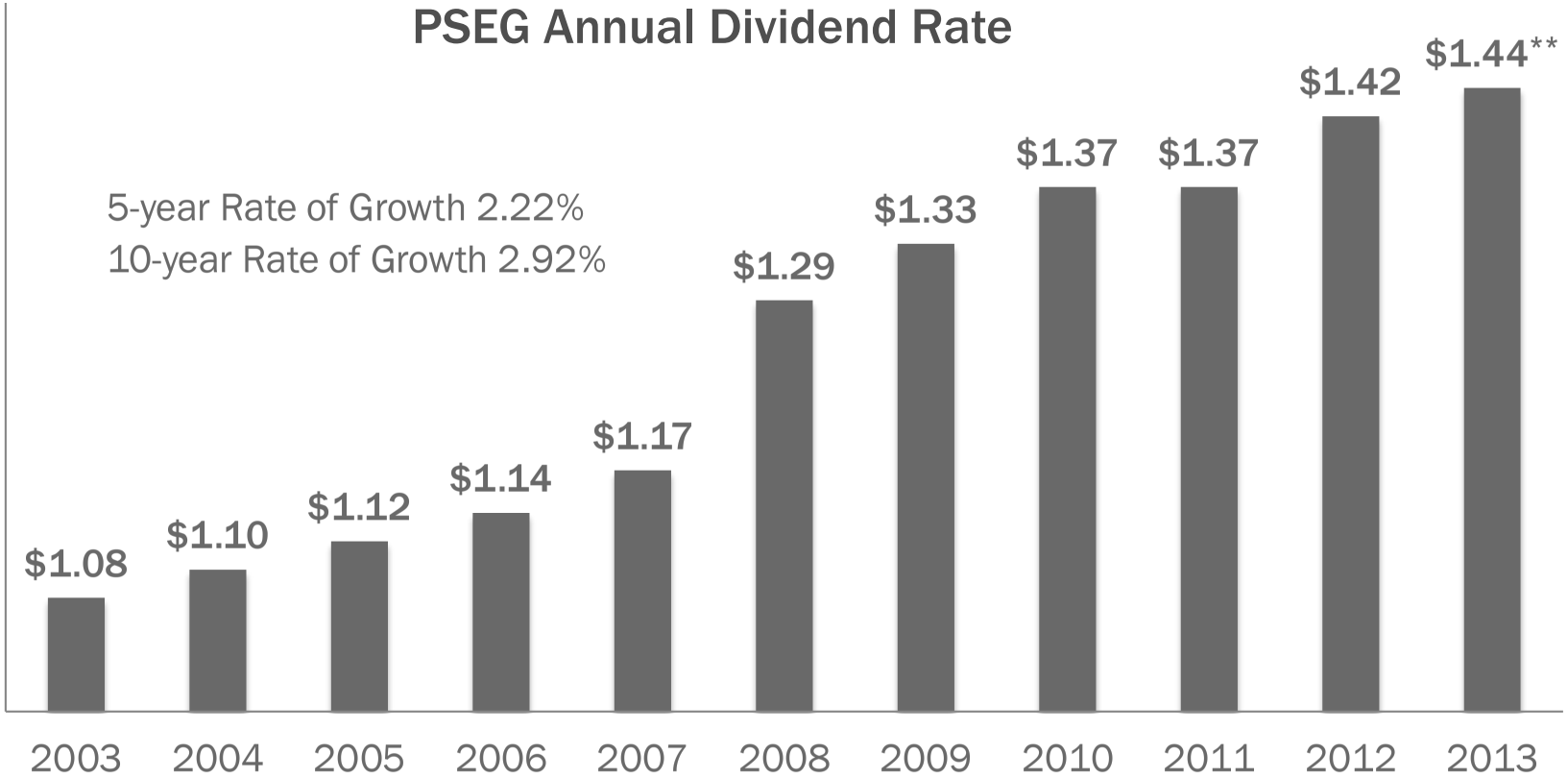
SI-SSA-0015-06977

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-06978

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-06979

PSEG

We make things work for you.

PSE&G

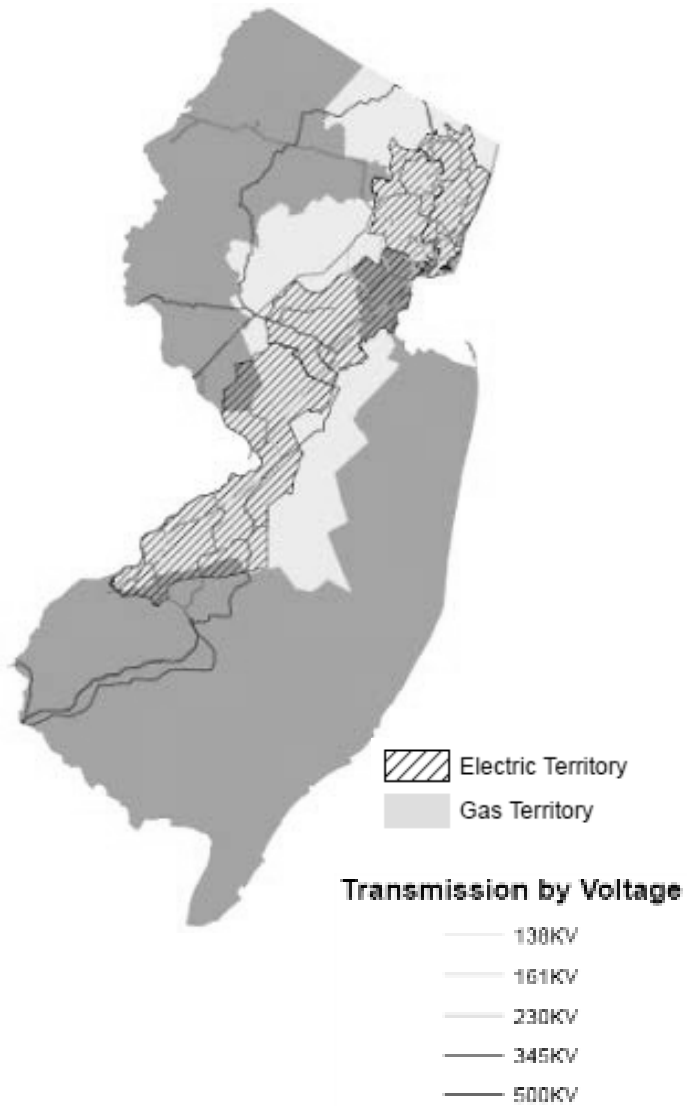
SI-SSA-0015-06980

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-06981

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-06982

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

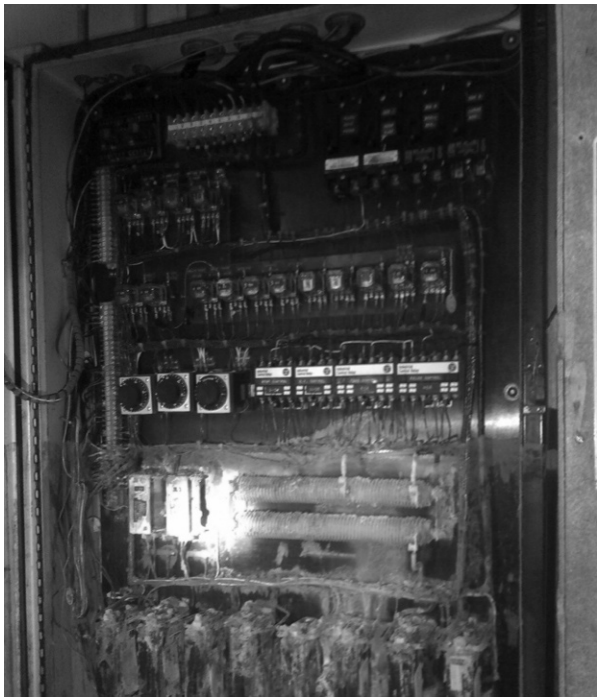
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-06983

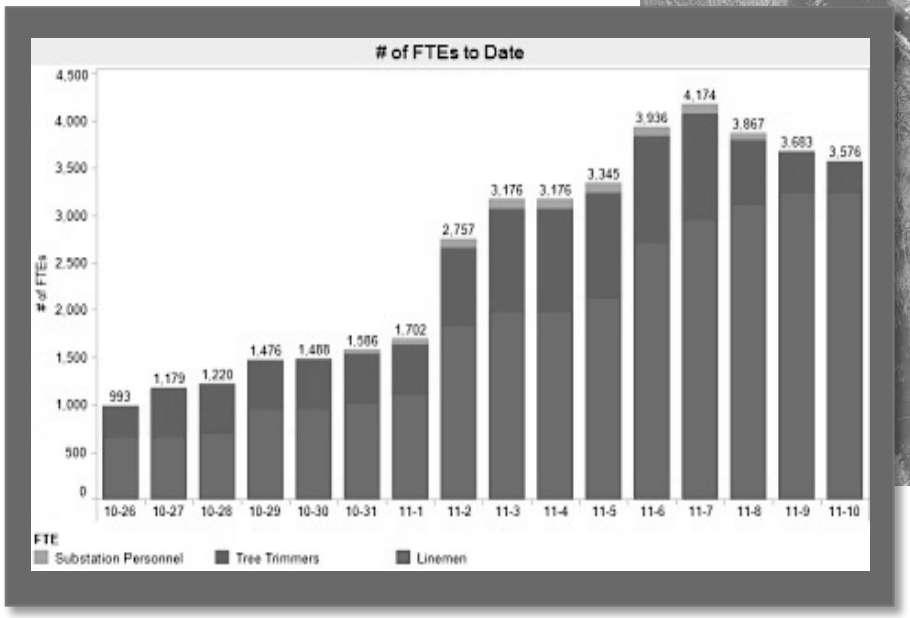
During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-06984

PSE&G brought in more than 4,000

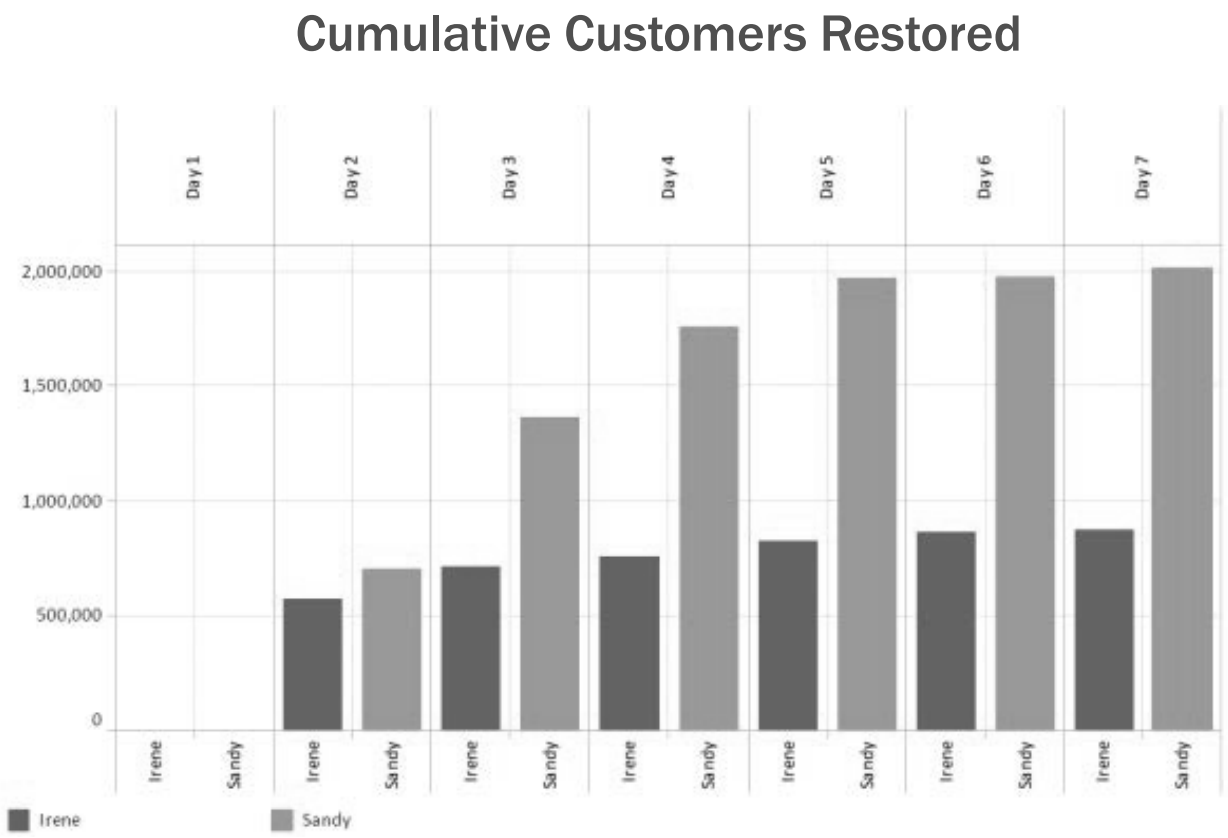
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-06985

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-06986

PSE&G's operating earnings grew ~10%*

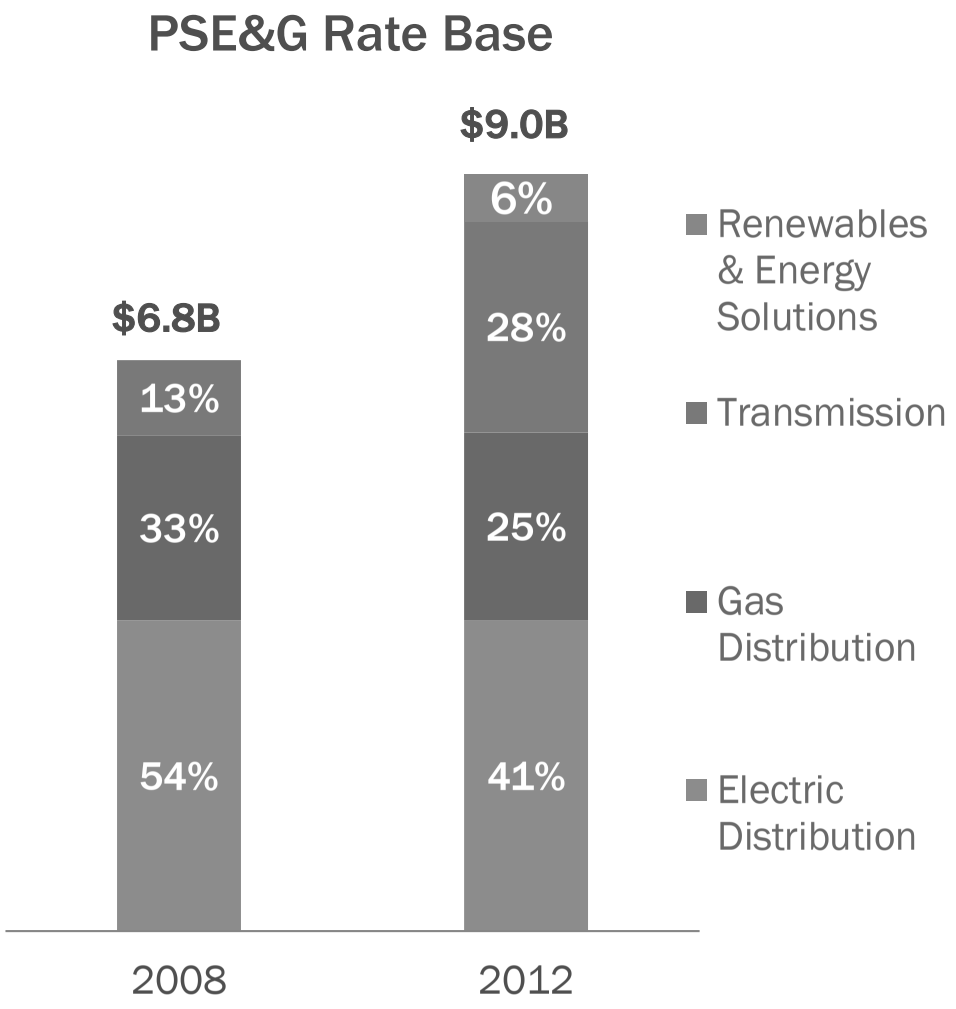
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-06987

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

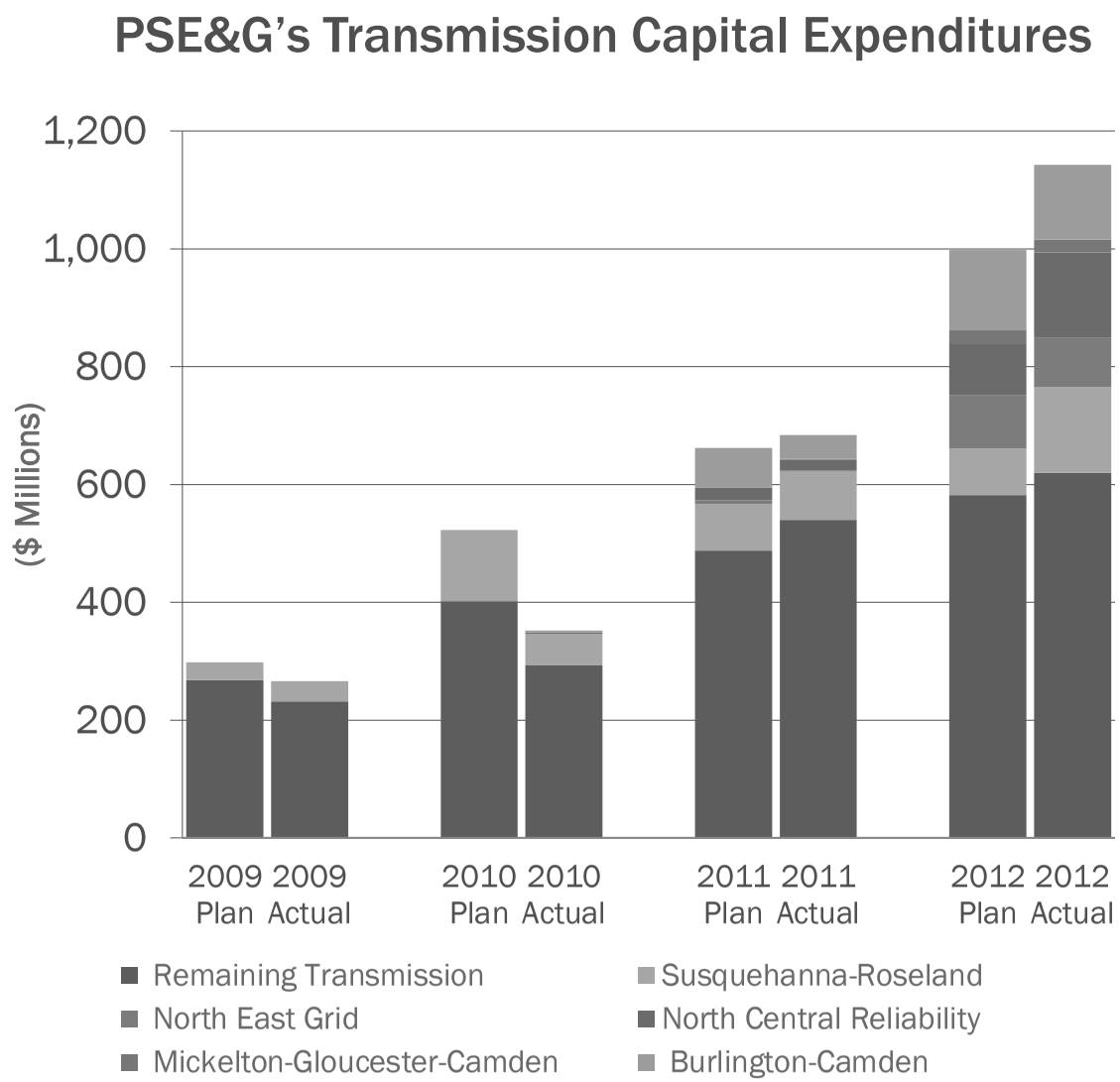
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-06988

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-06989

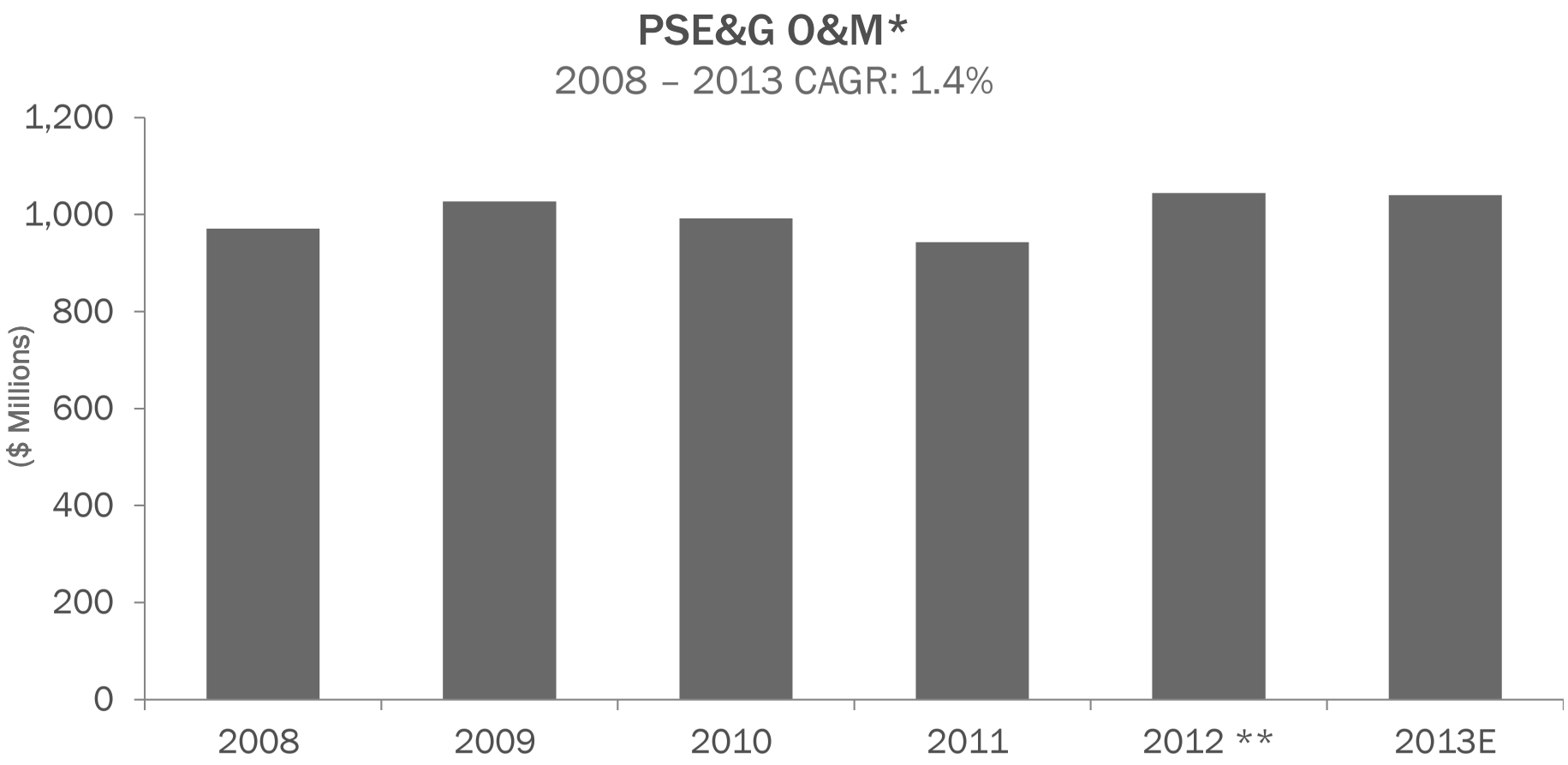
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 6/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$228	$16
Solar 4 All	July 2009	457	456	1
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	157	4
Demand Response	July 2009	34	29	5
Energy Efficiency Economic Stimulus Extension	July 2011	93	23	70
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,462**	**$1,920**	**$542**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-06990

Focus on controlling O&M allows us to earn our authorized return

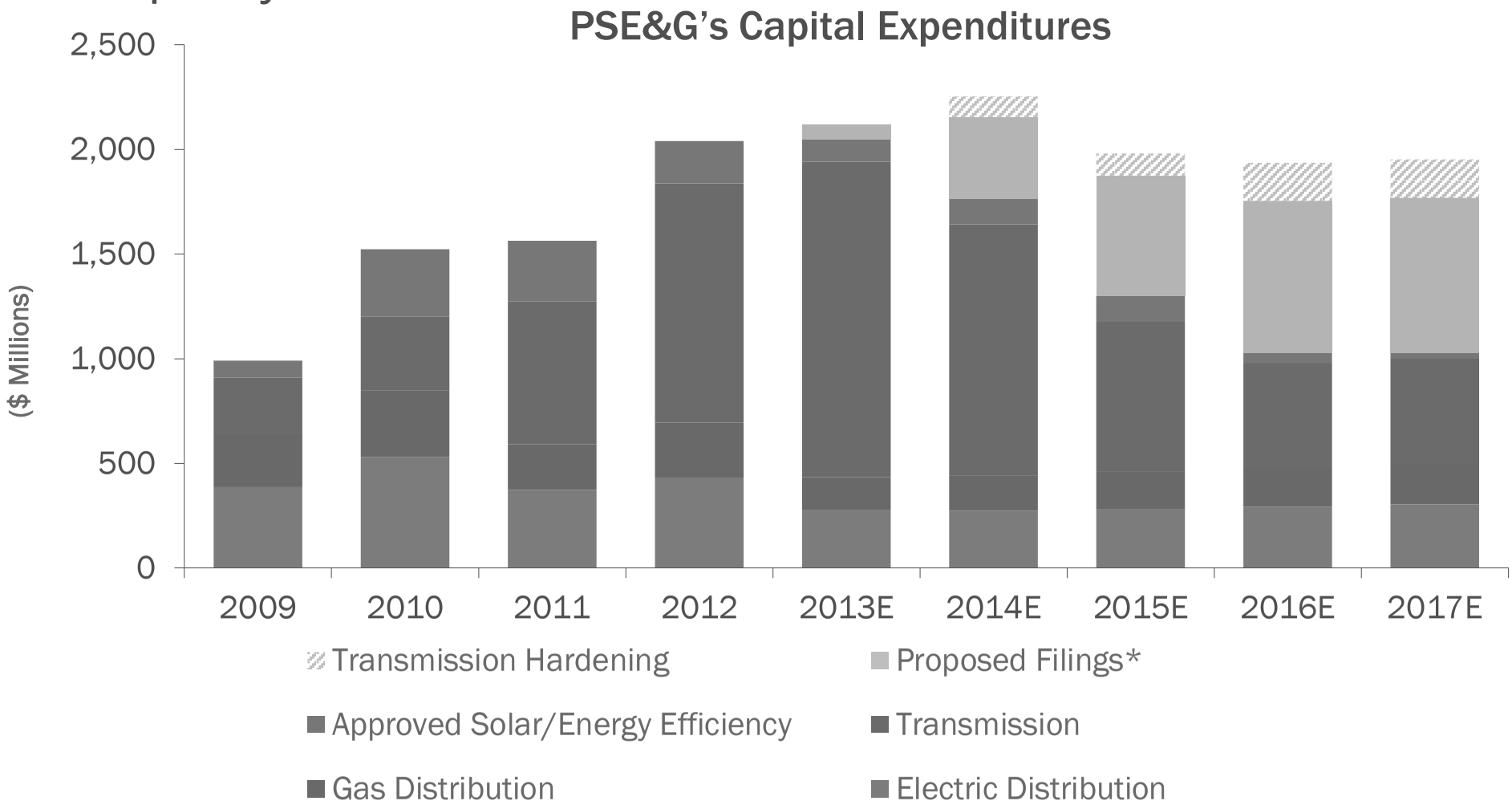


SI-SSA-0015-06991

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-06992

PSEG

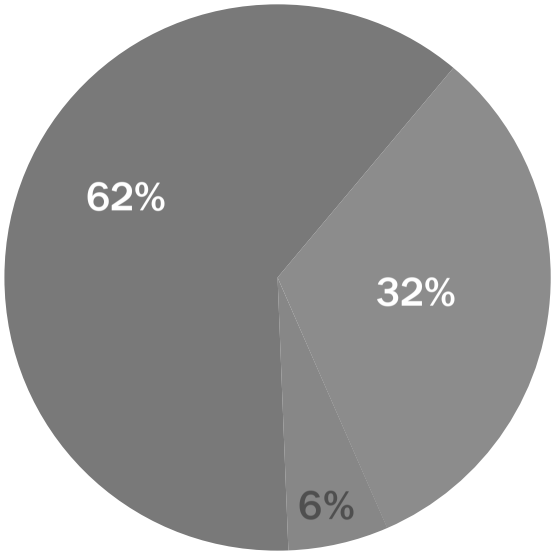
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EE4A. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

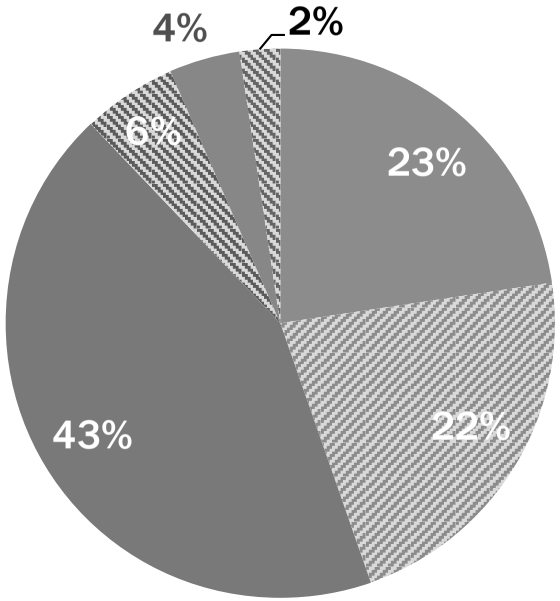
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

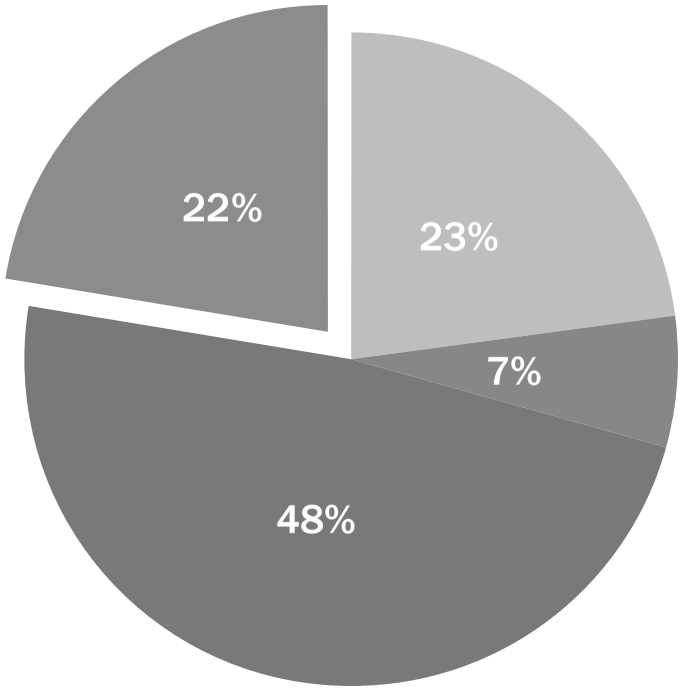
SI-SSA-0015-06993

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.3 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-06994

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-06995

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06996

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-06997

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06998

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-06999

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07000

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

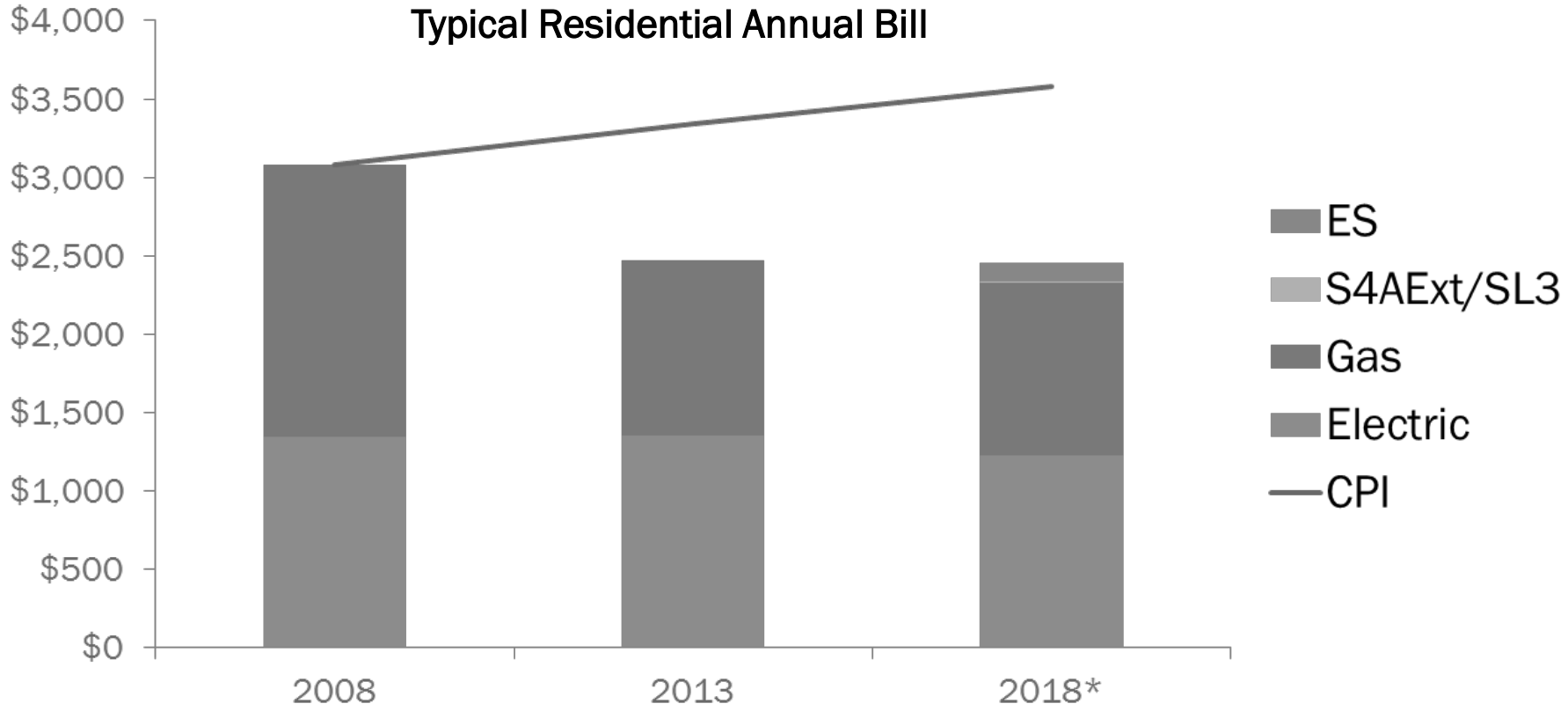
SI-SSA-0015-07001

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-07002

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

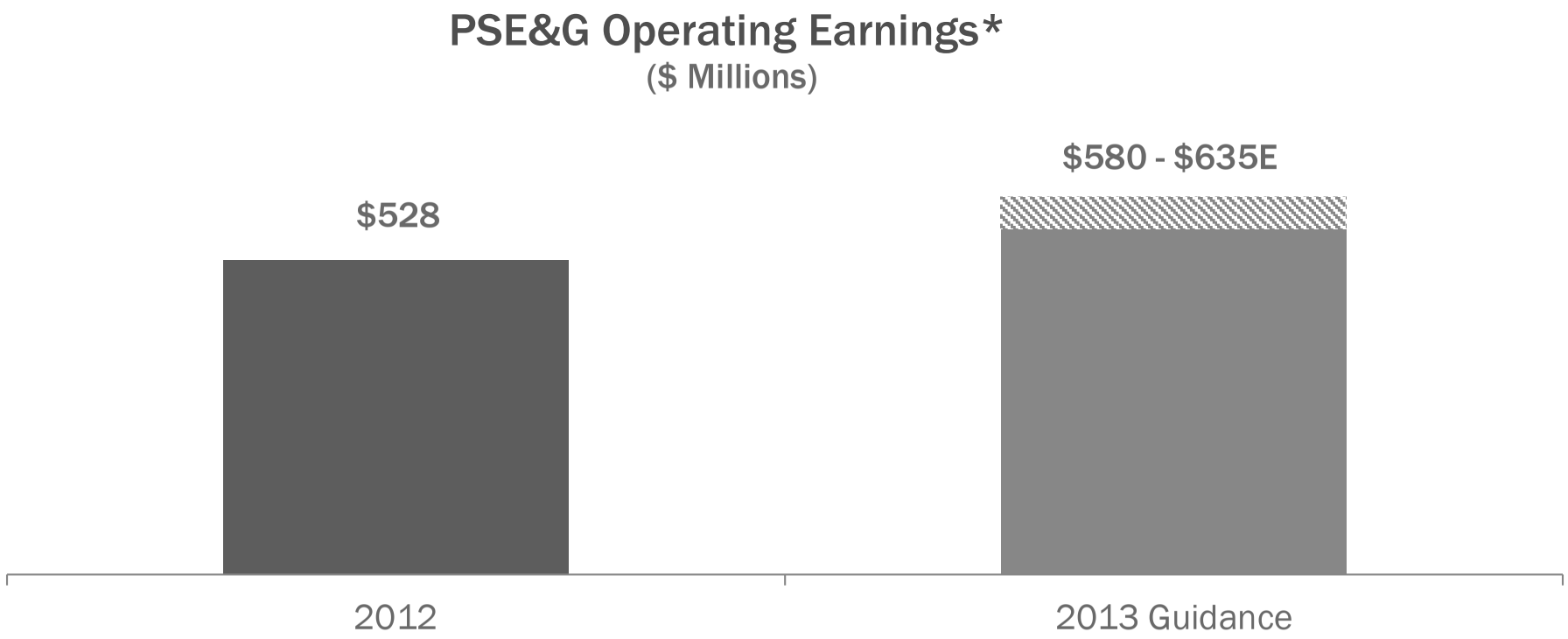


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-07003

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-07004

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-07005

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in January 2014

- Reasons for selecting PSEG included:
  - ✓ Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making

- Transition activities on-track – successfully achieving all milestones

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-07006

PSEG ENERGY HOLDINGS

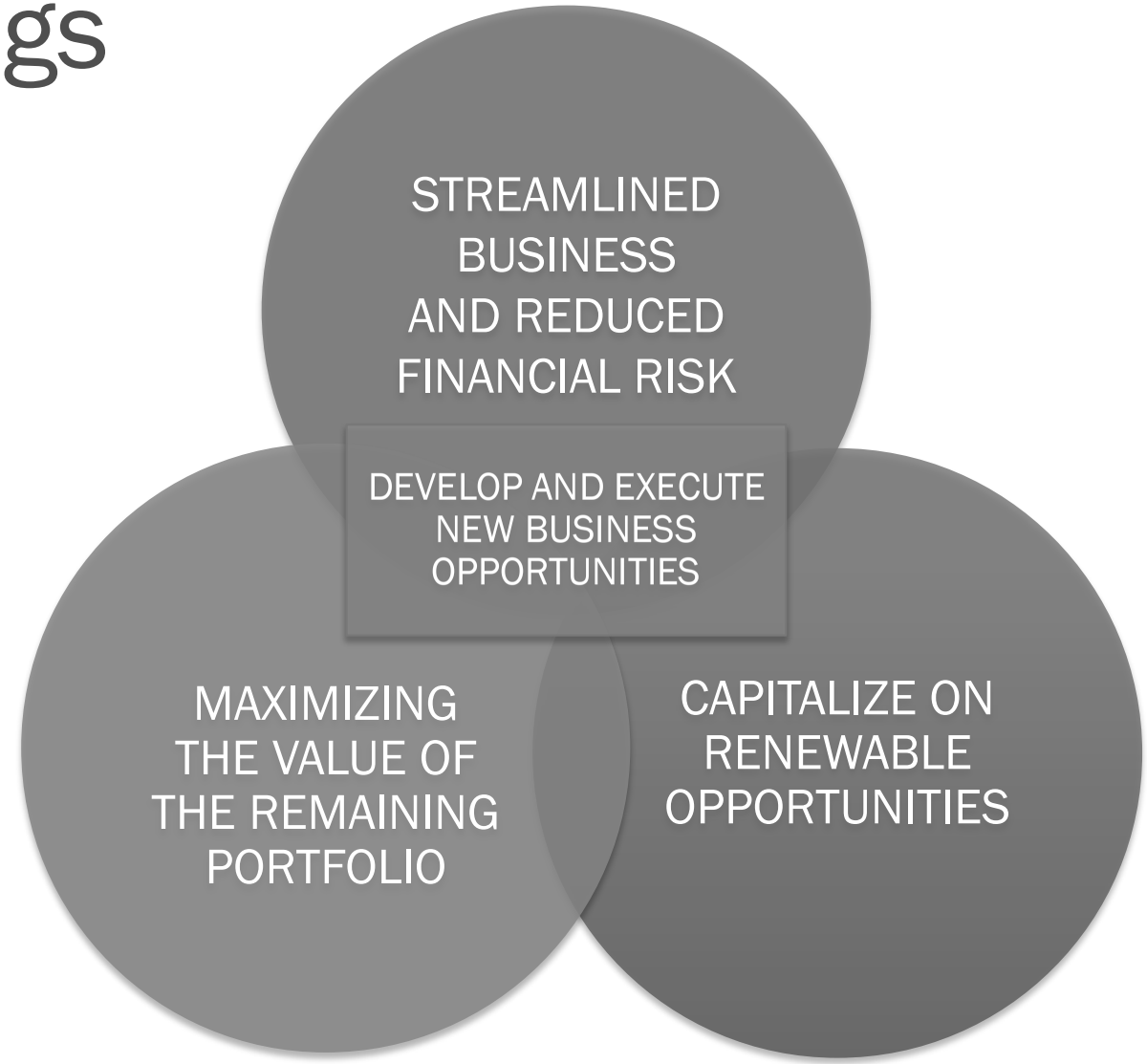
SI-SSA-0015-07007

PSEG

We make things work for you.

PSEG Energy Holdings strategy

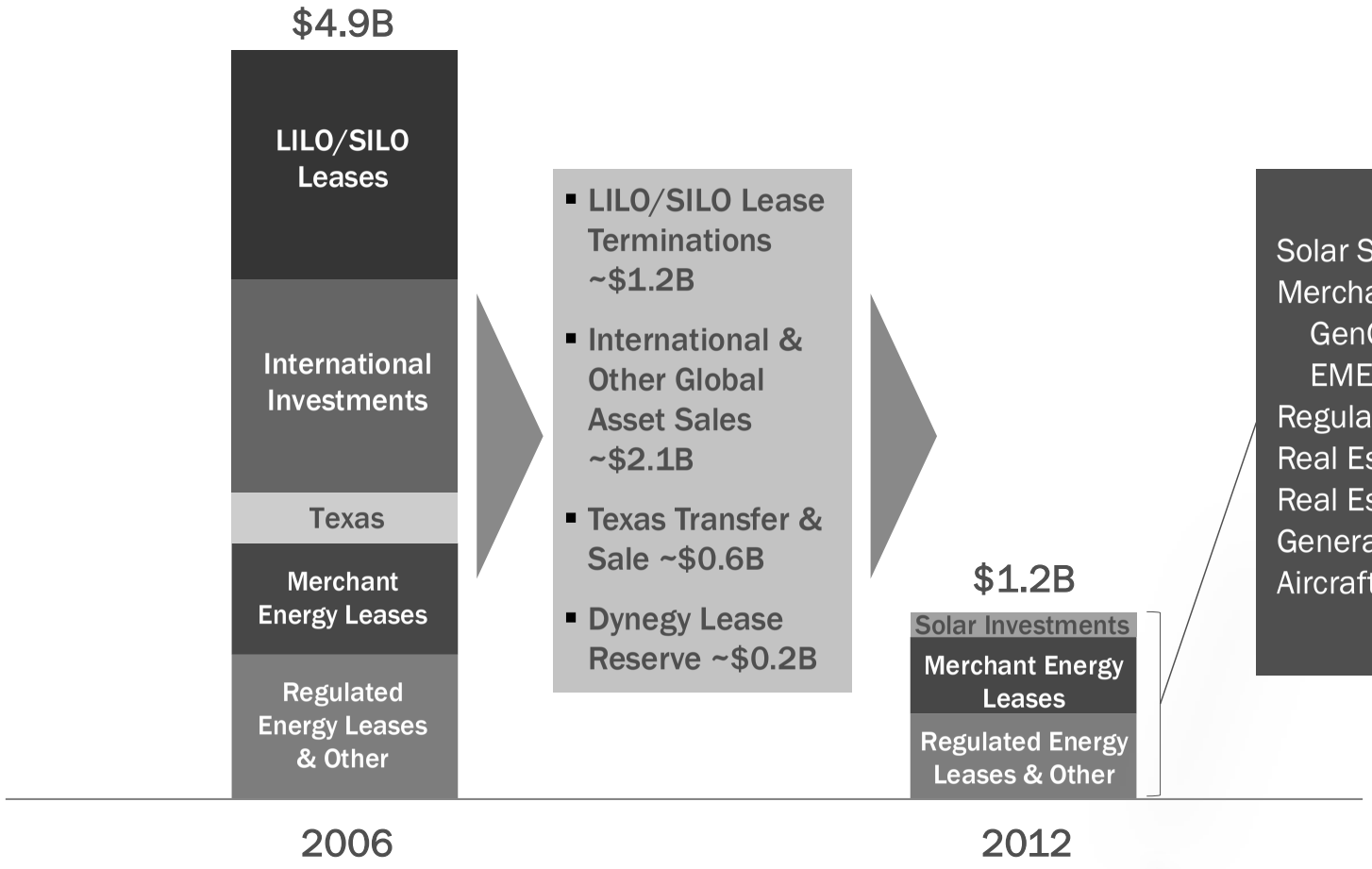
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-07008

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011.

SI-SSA-0015-07009

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-07010

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

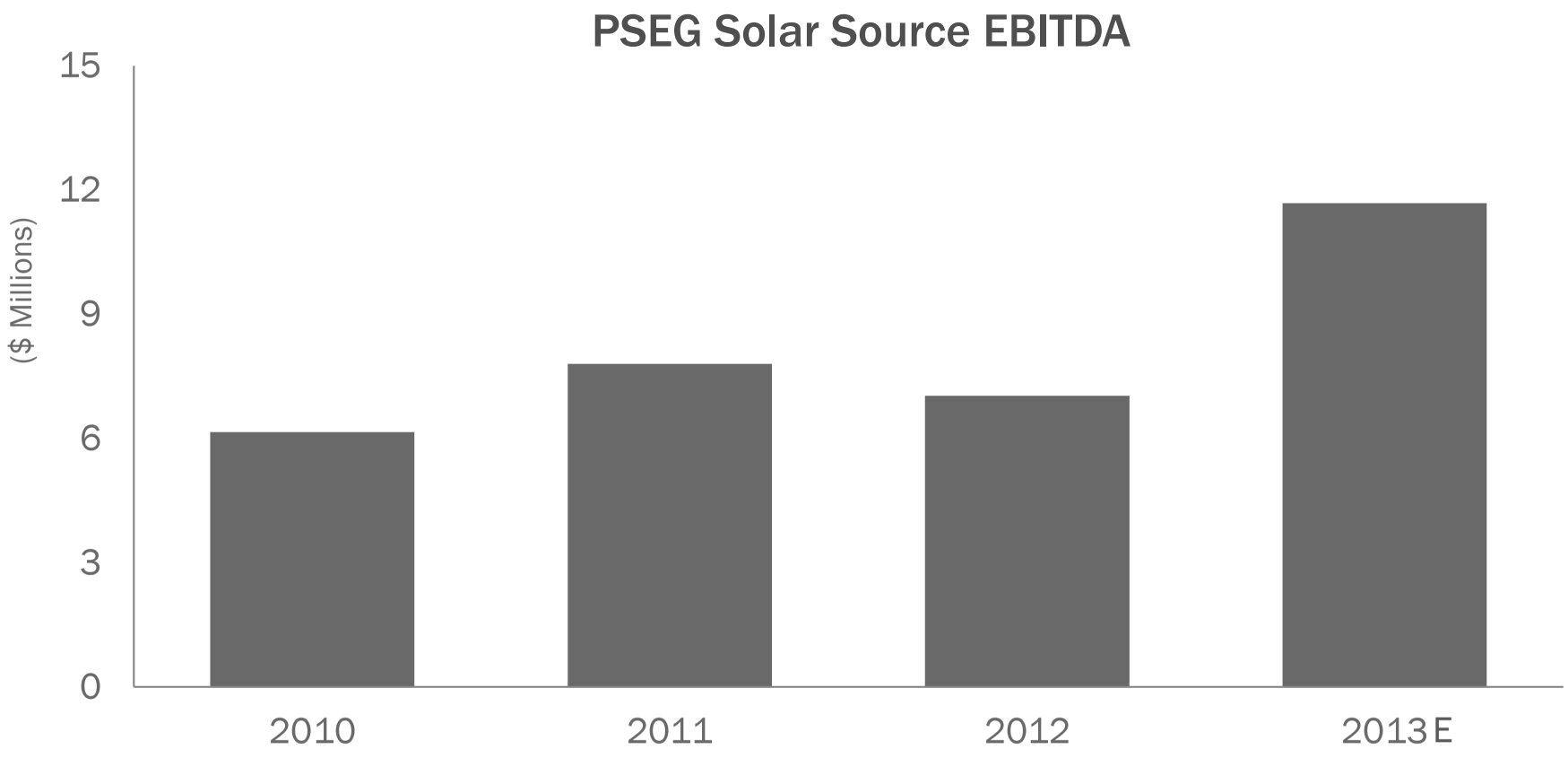
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-07011

PSEG Energy Holdings

These projects should produce steady results for PSEG

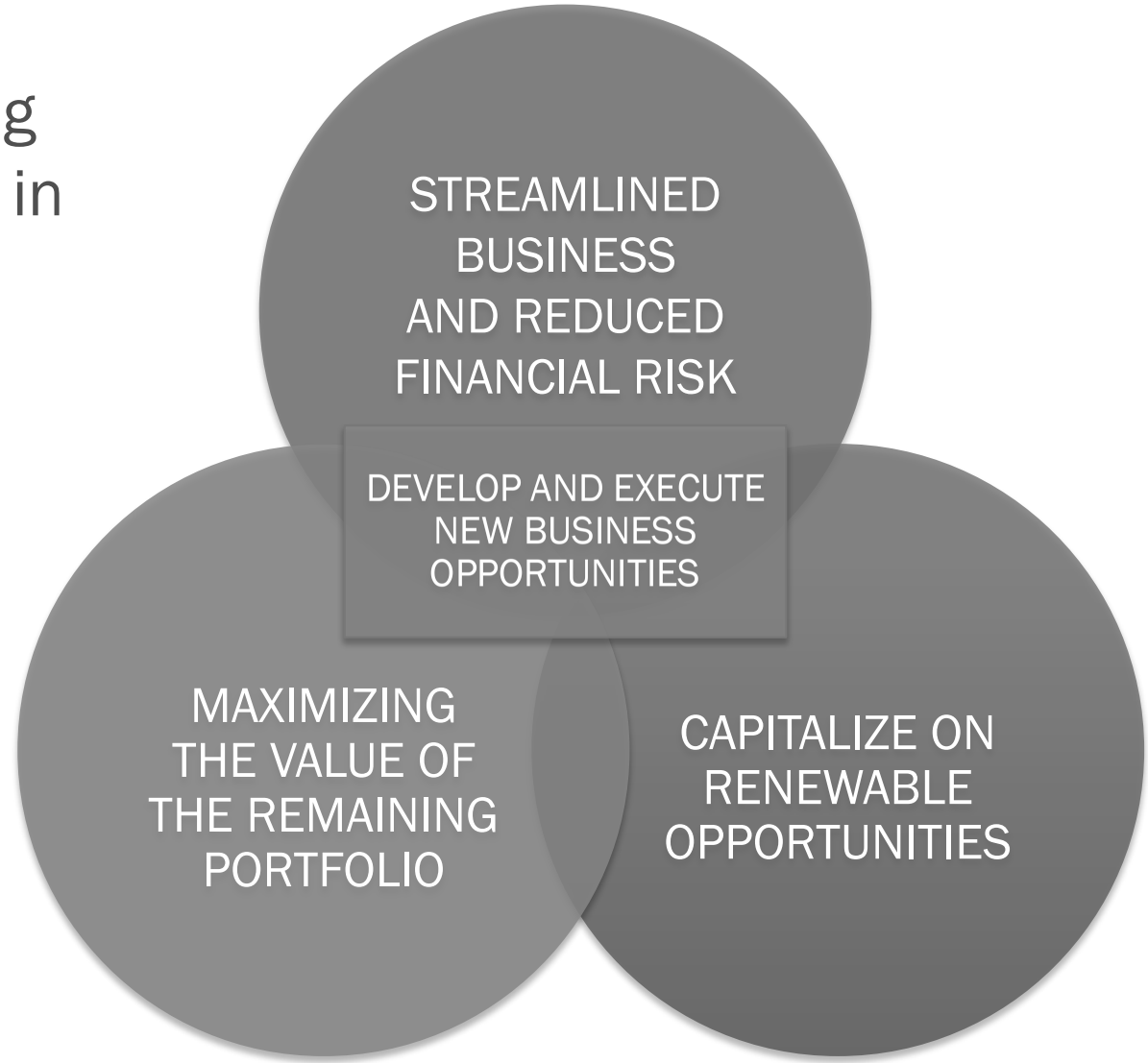


SI-SSA-0015-07012

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-07013

PSEG POWER

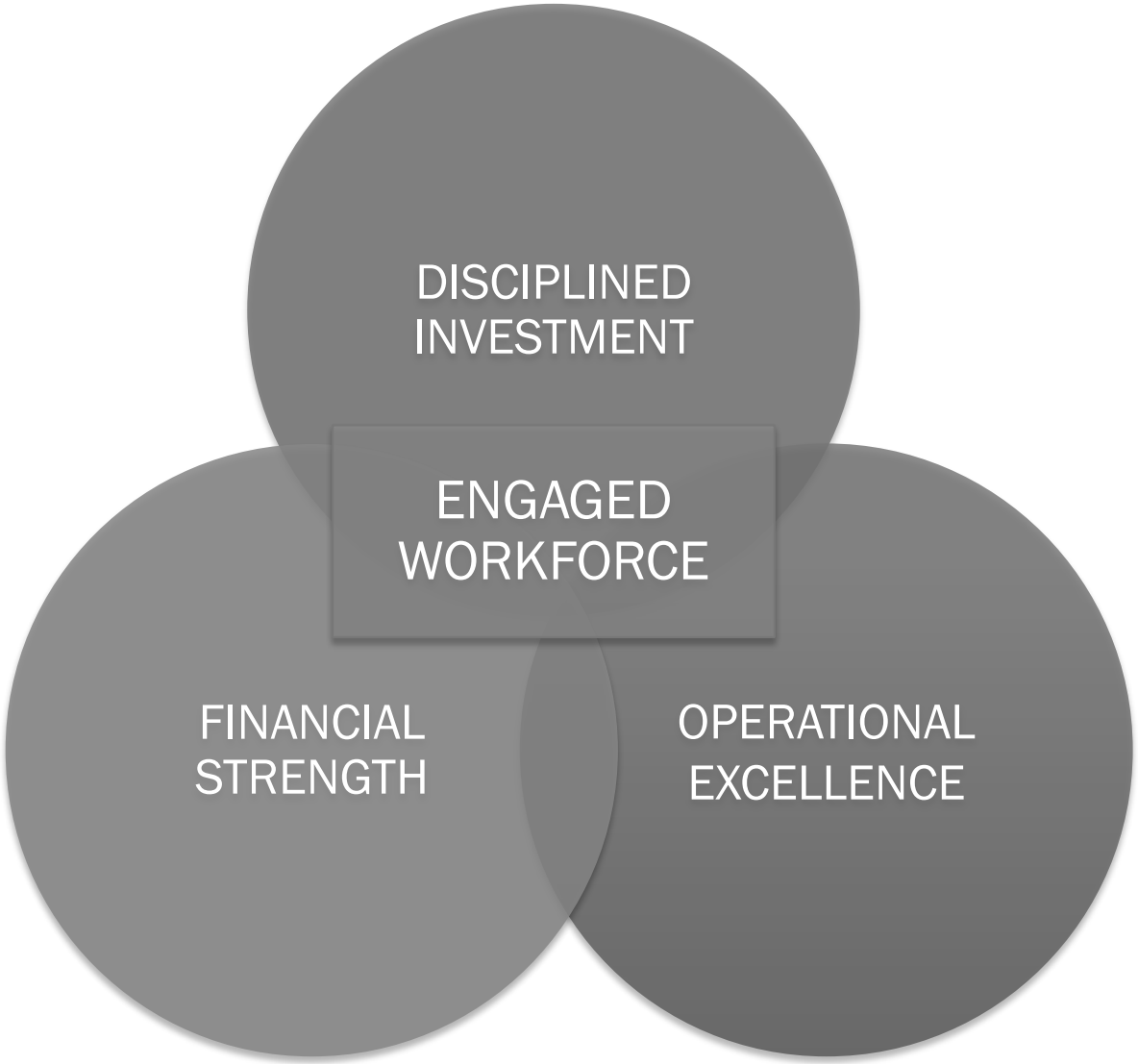
PSEG

We make things work for you.

SI-SSA-0015-07014

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-07015

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-07016

PSEG Power delivered in 2012

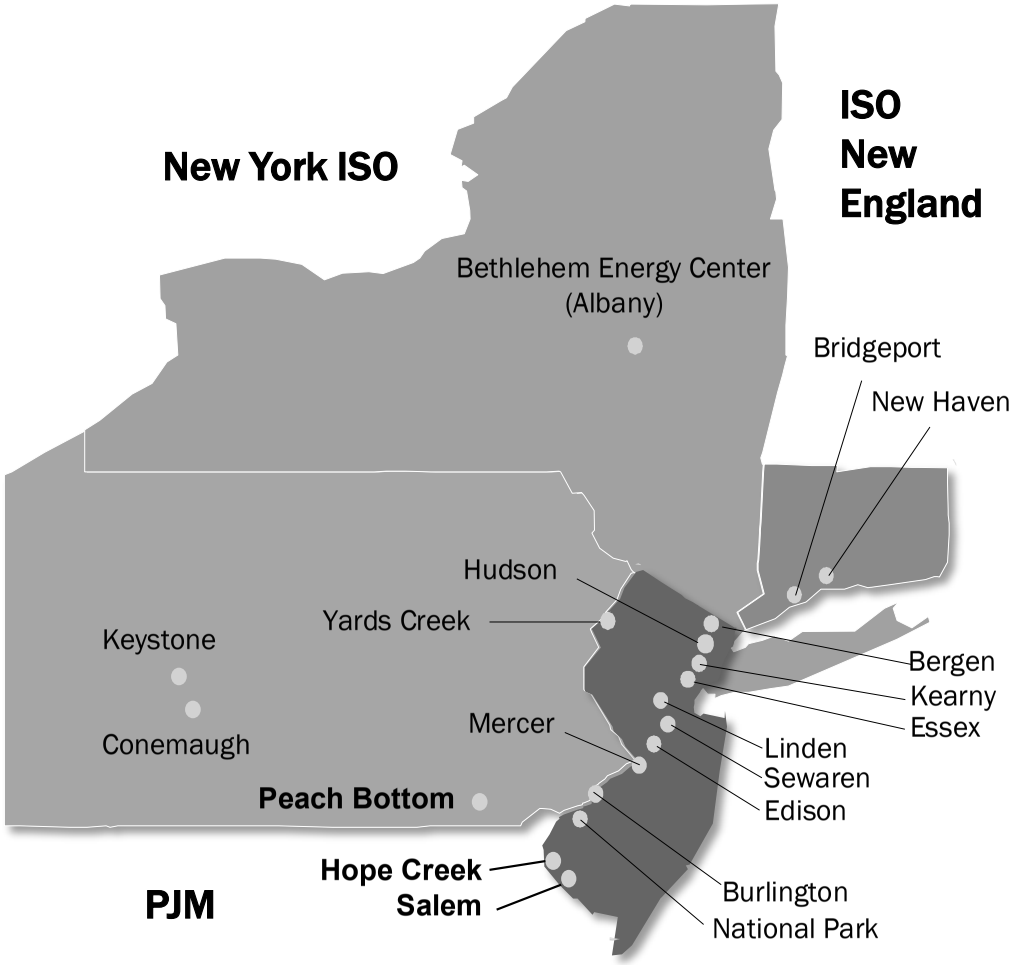
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-07017

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-07018

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-07019

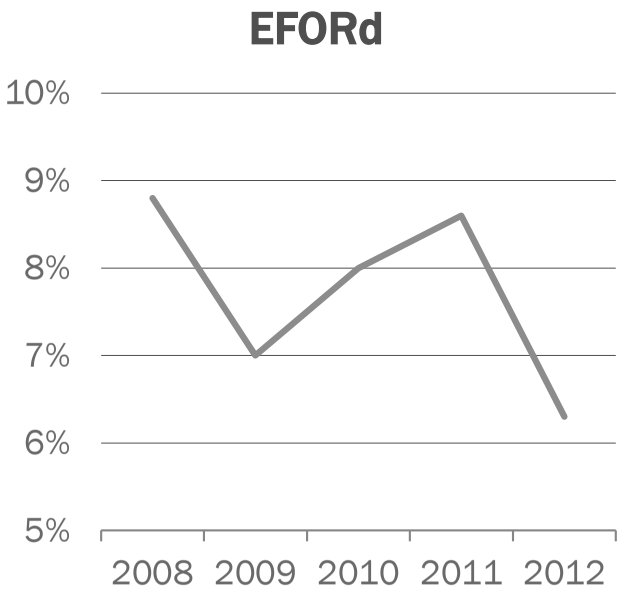
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

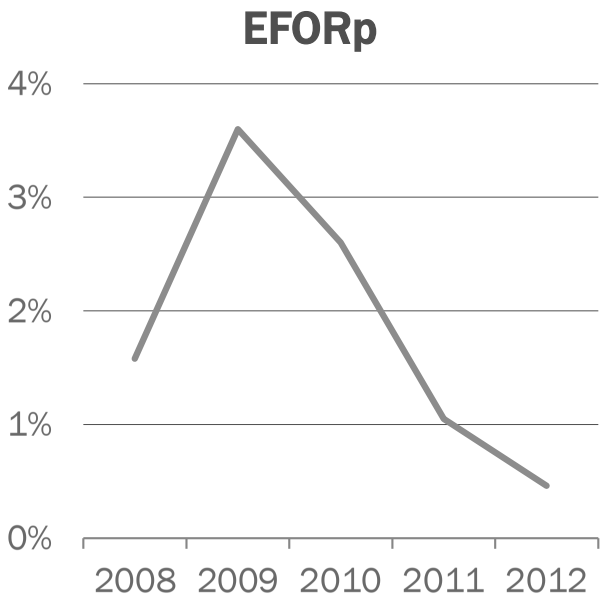
SI-SSA-0015-07020

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

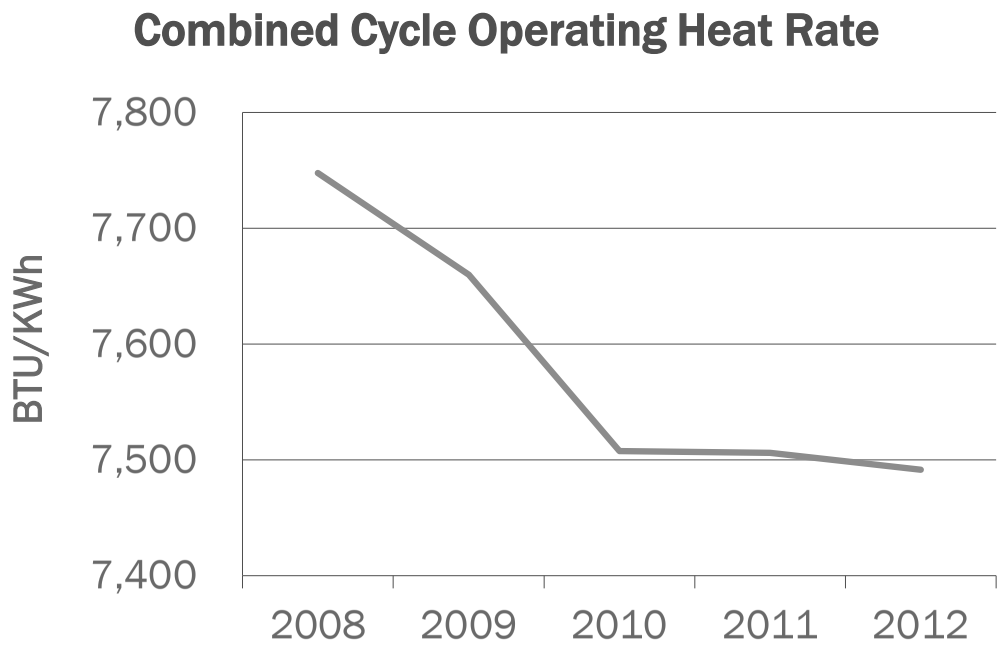


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-07021

PSEG Power improvements achieved in combined cycle fleet efficiency

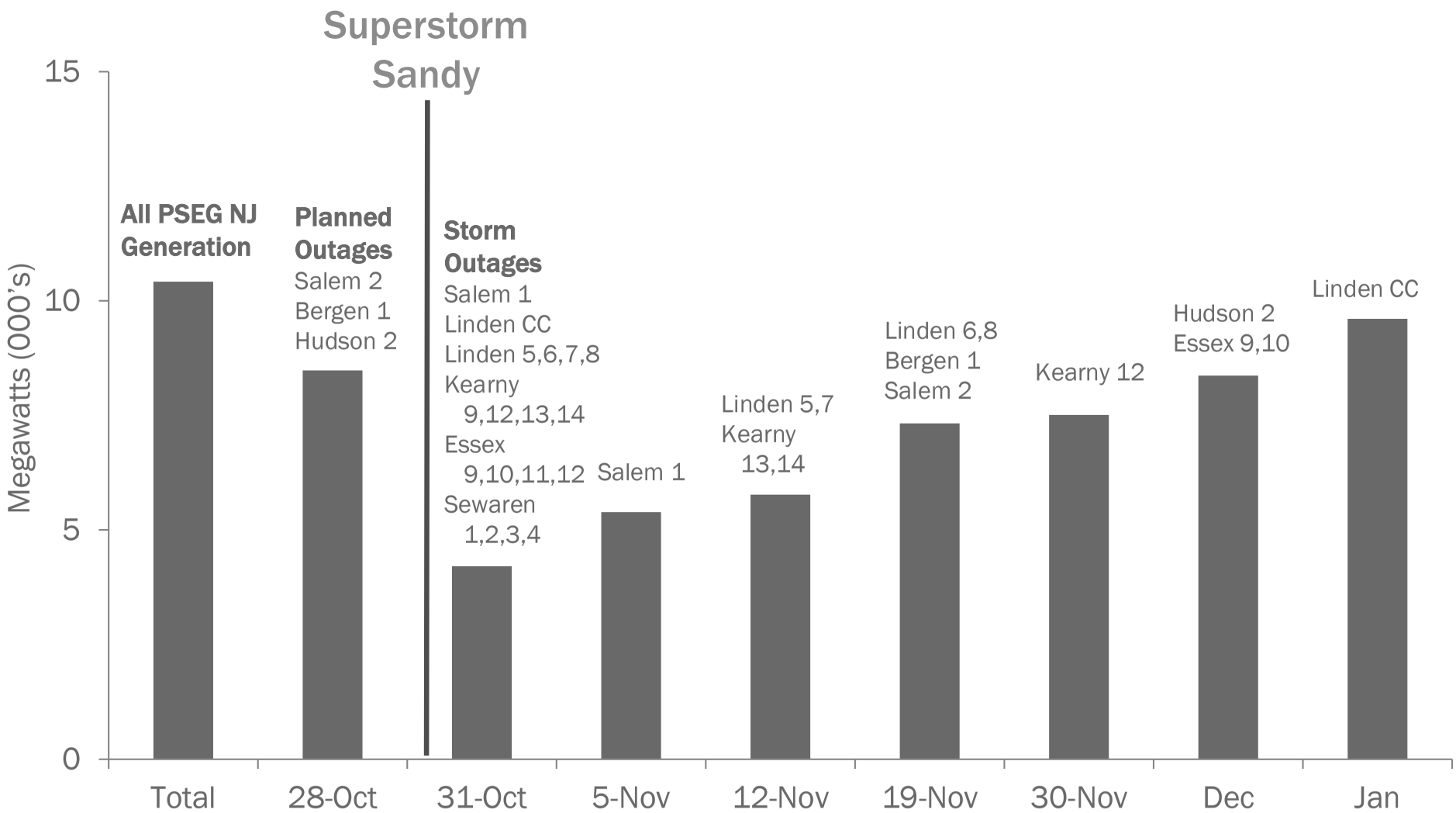


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-07022

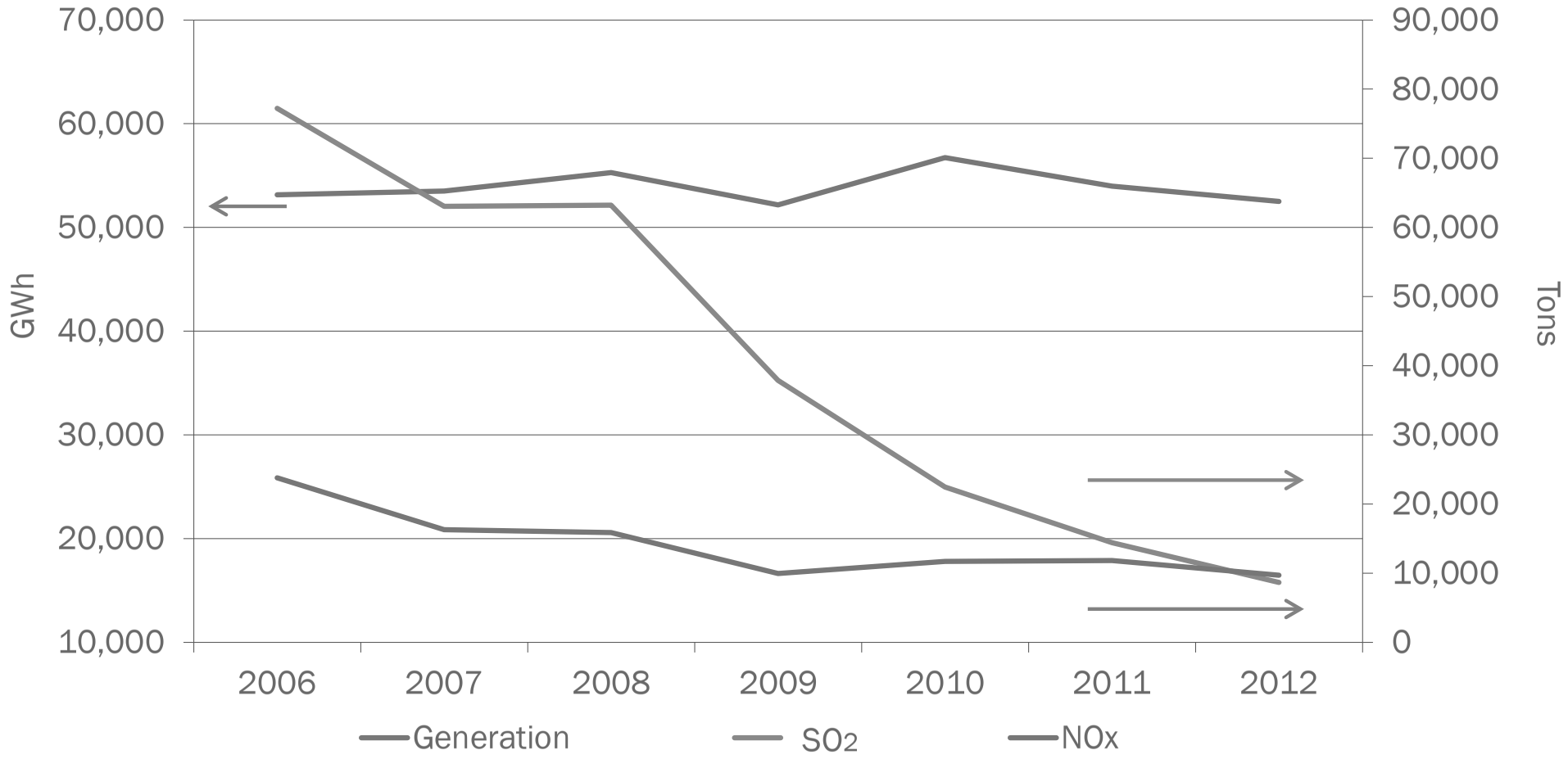
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-07023

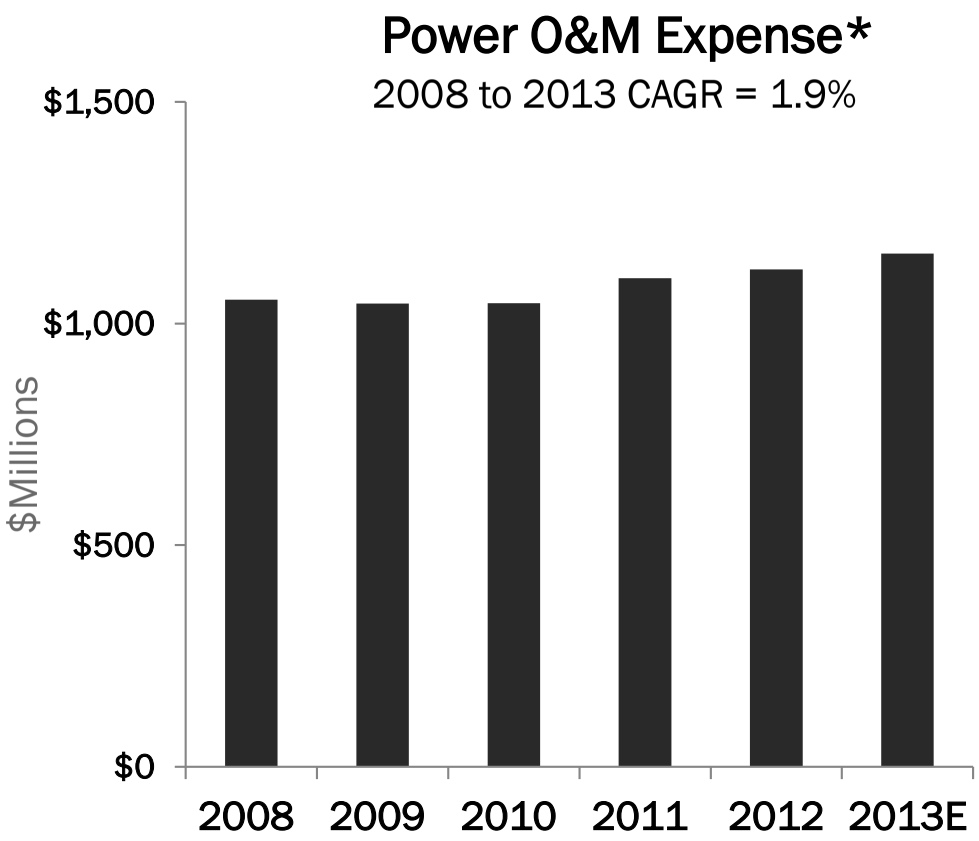
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-07024

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-07025

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

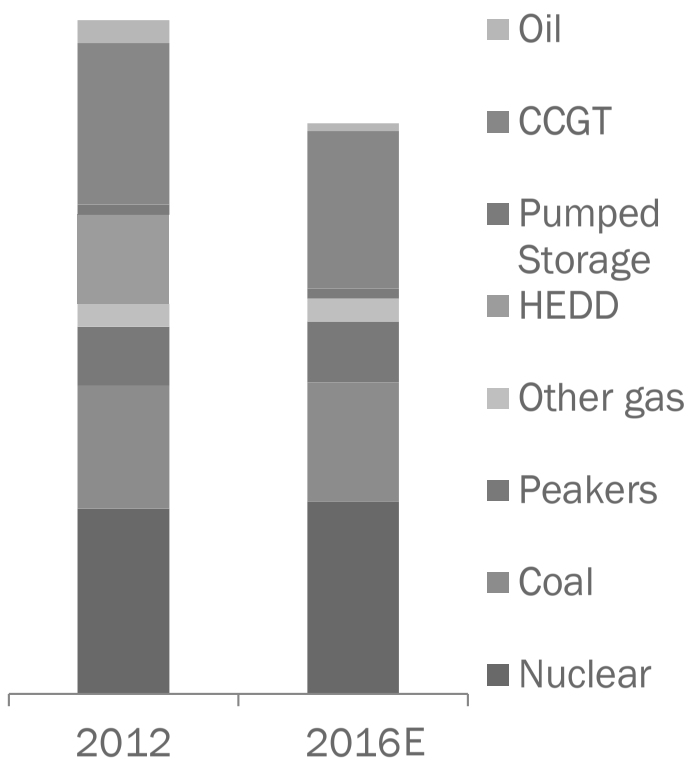
SI-SSA-0015-07026

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

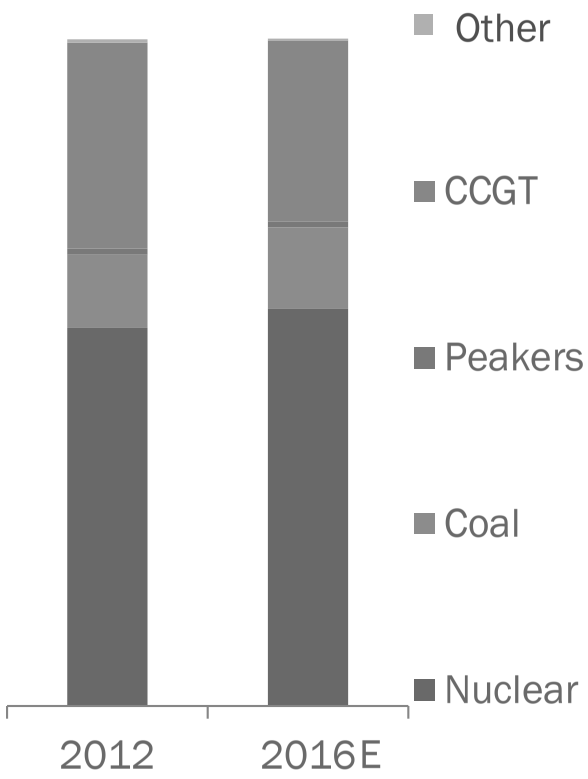
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-07027

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-07028

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-07029

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

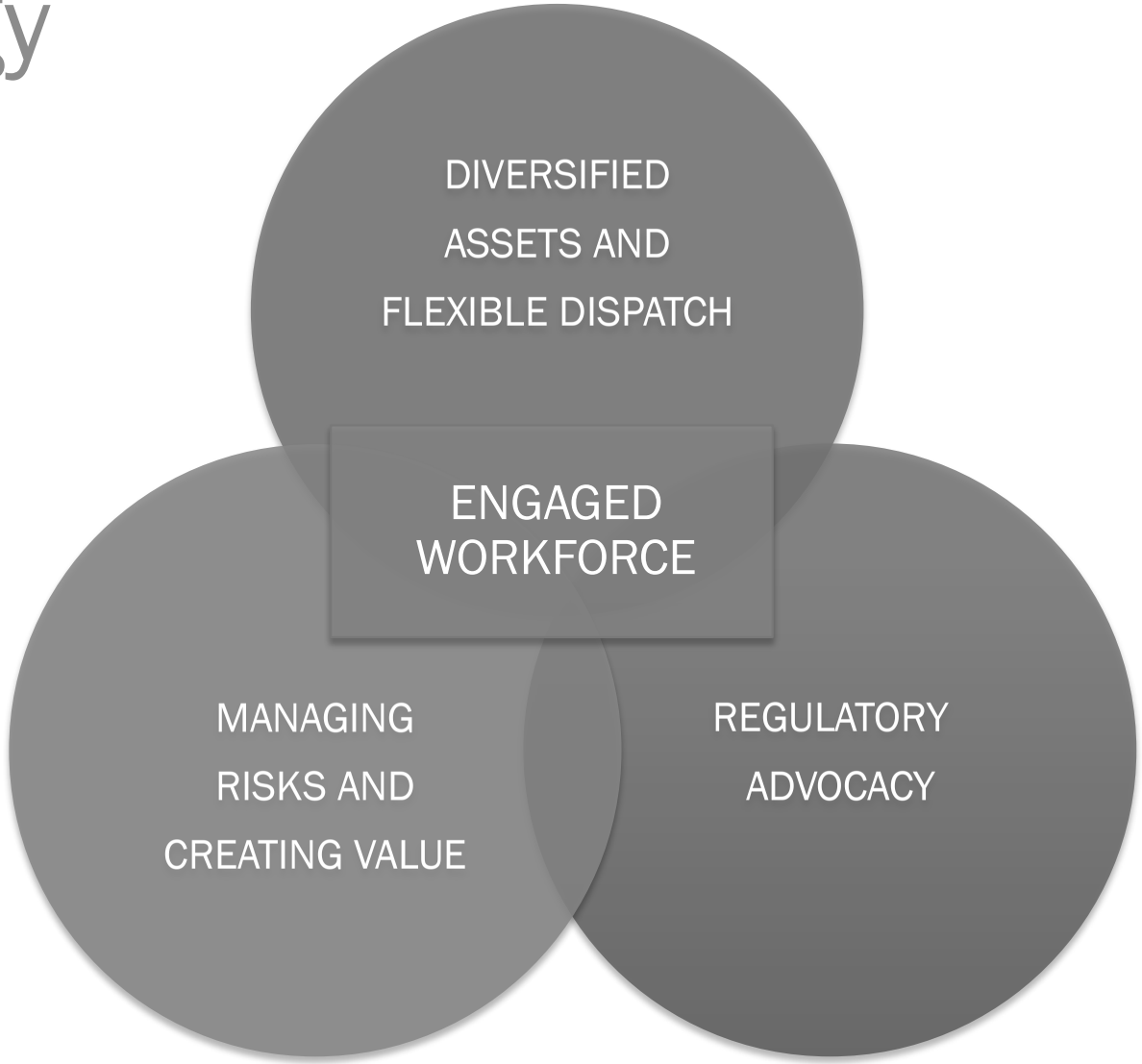
SI-SSA-0015-07030

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-07031

Diversified assets and flexible dispatch

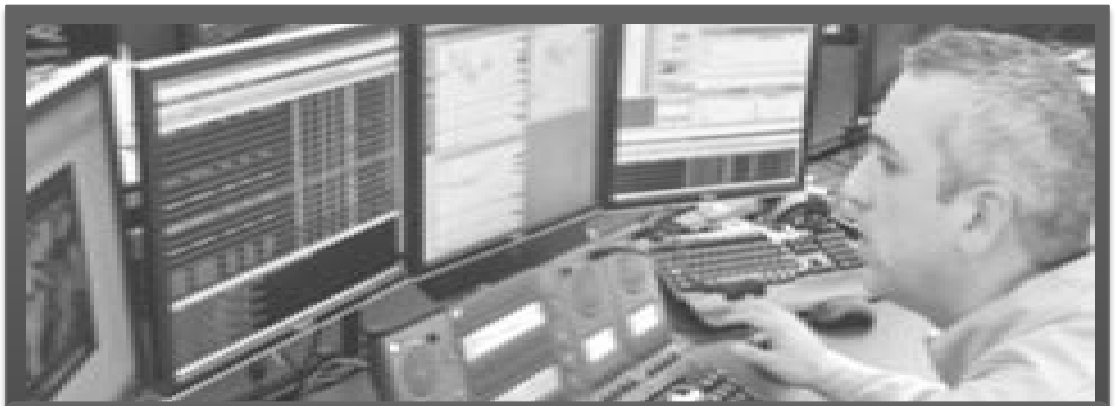
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

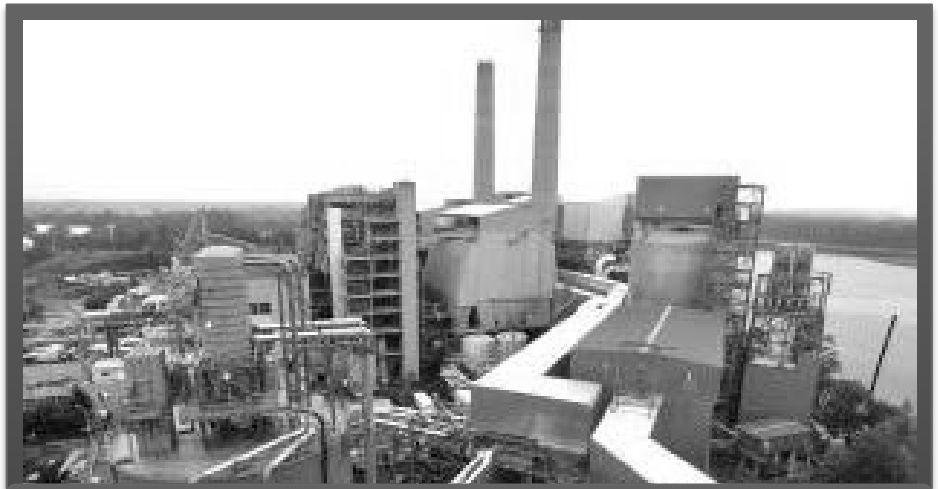
SI-SSA-0015-07032

Fleet capacity has been advanced by:

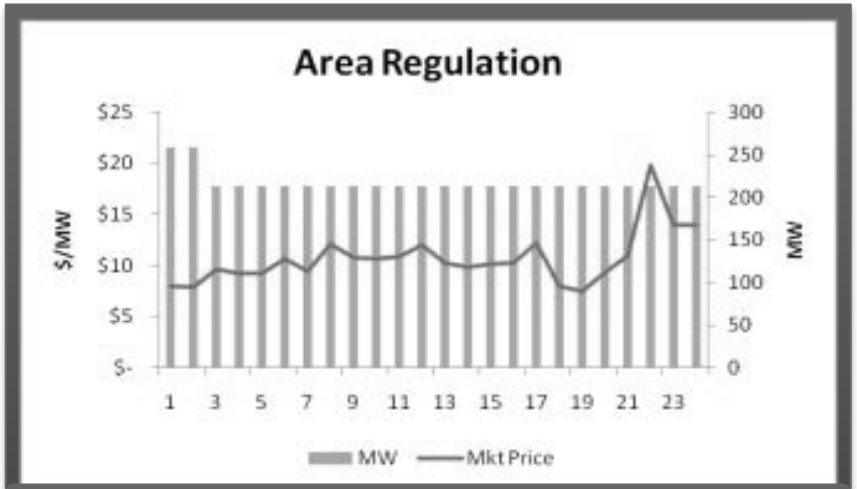
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



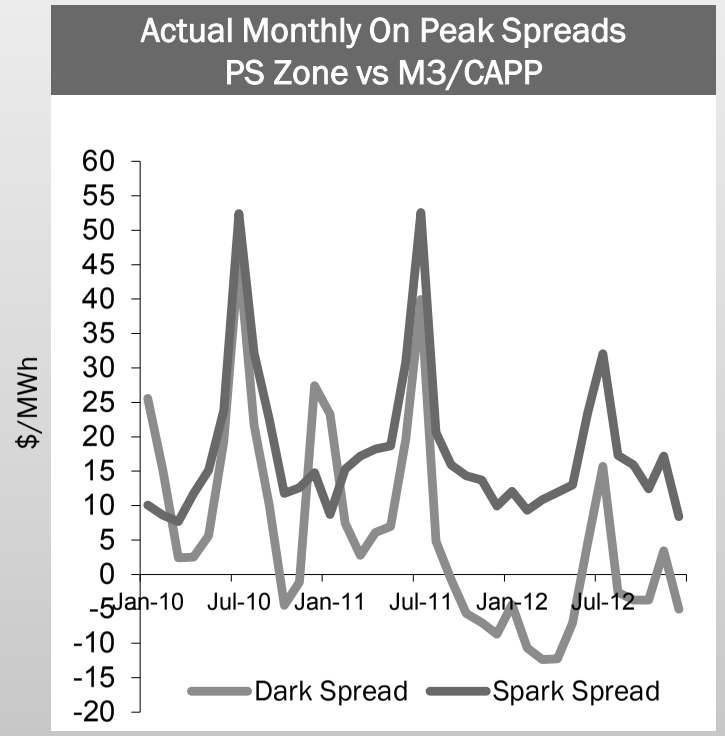
Reduced O&M and increased start-up success

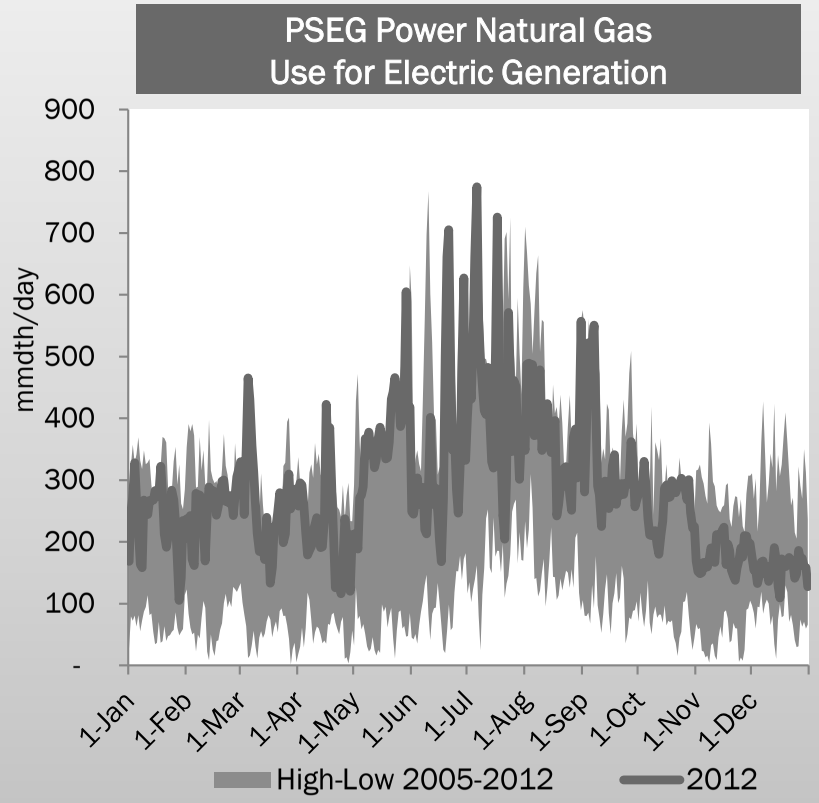


Capturing new products opportunity with minimal investment

SI-SSA-0015-07033

Spark spread replaces dark spread as major value driver

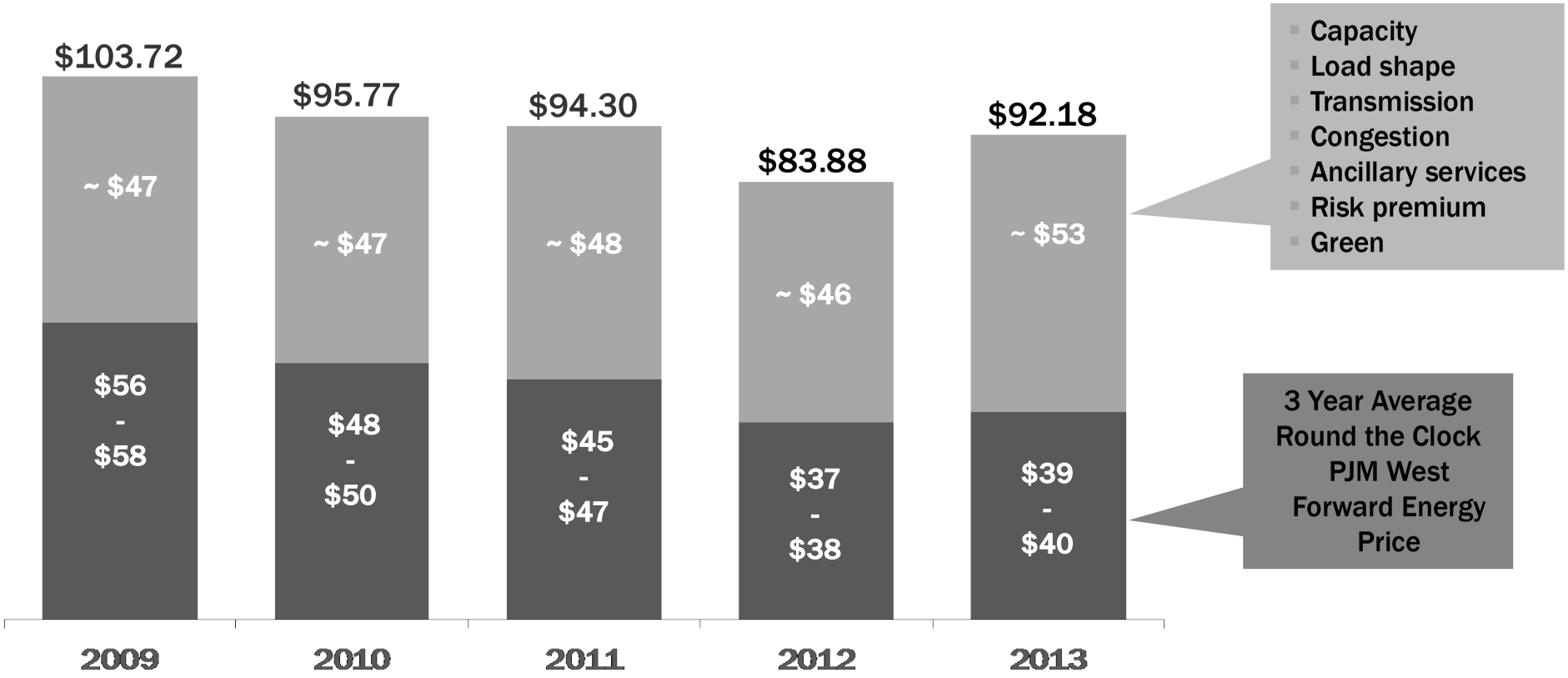




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-07034

2013 BGS Auction Results for PSE&G Zone

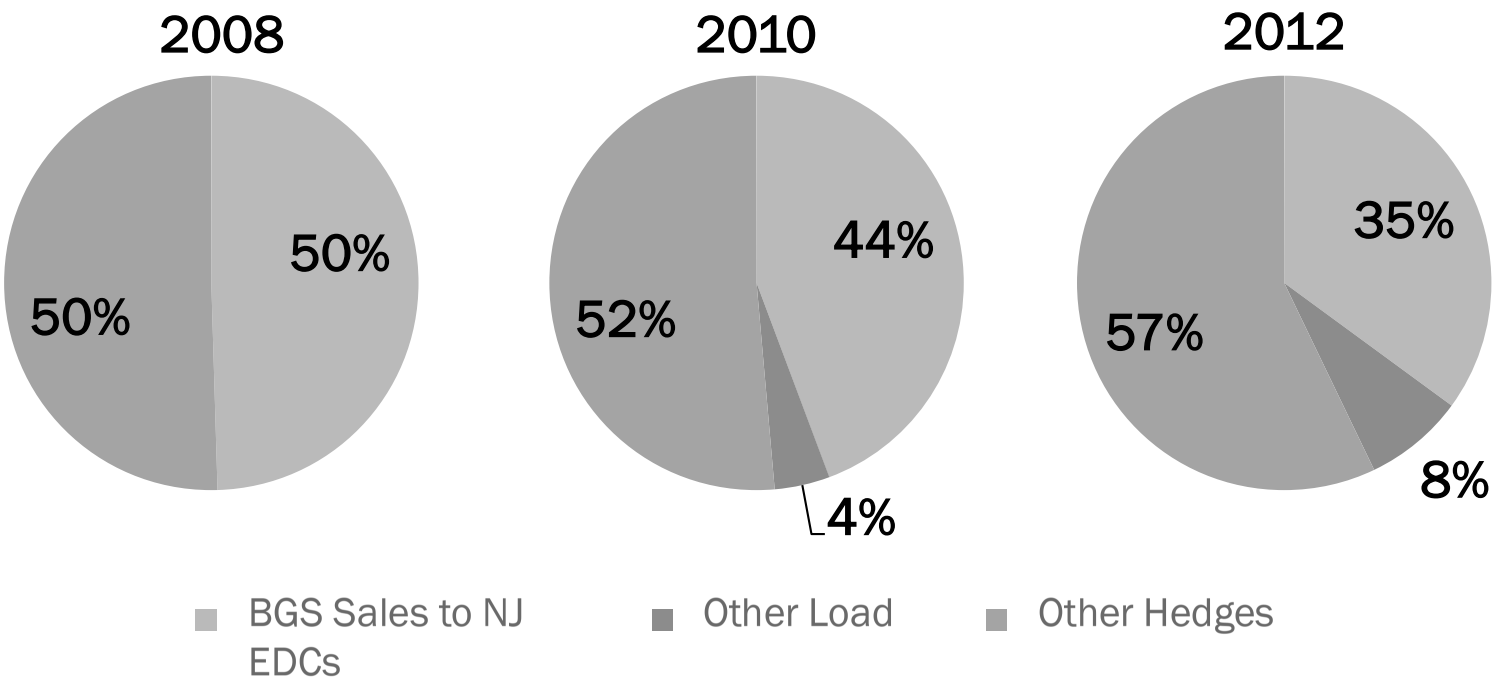


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-07035

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-07036

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

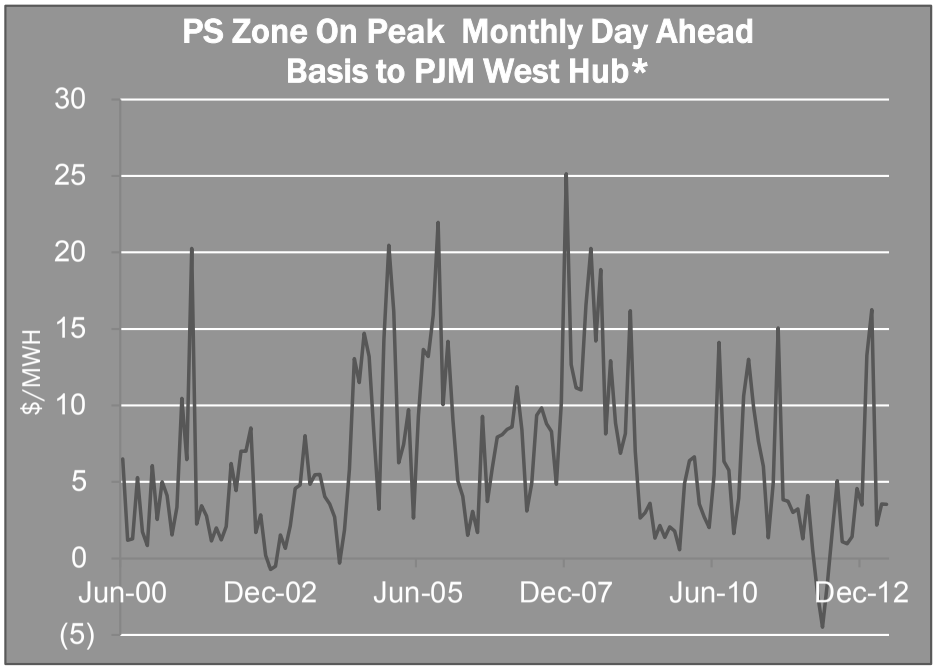
		Jul-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

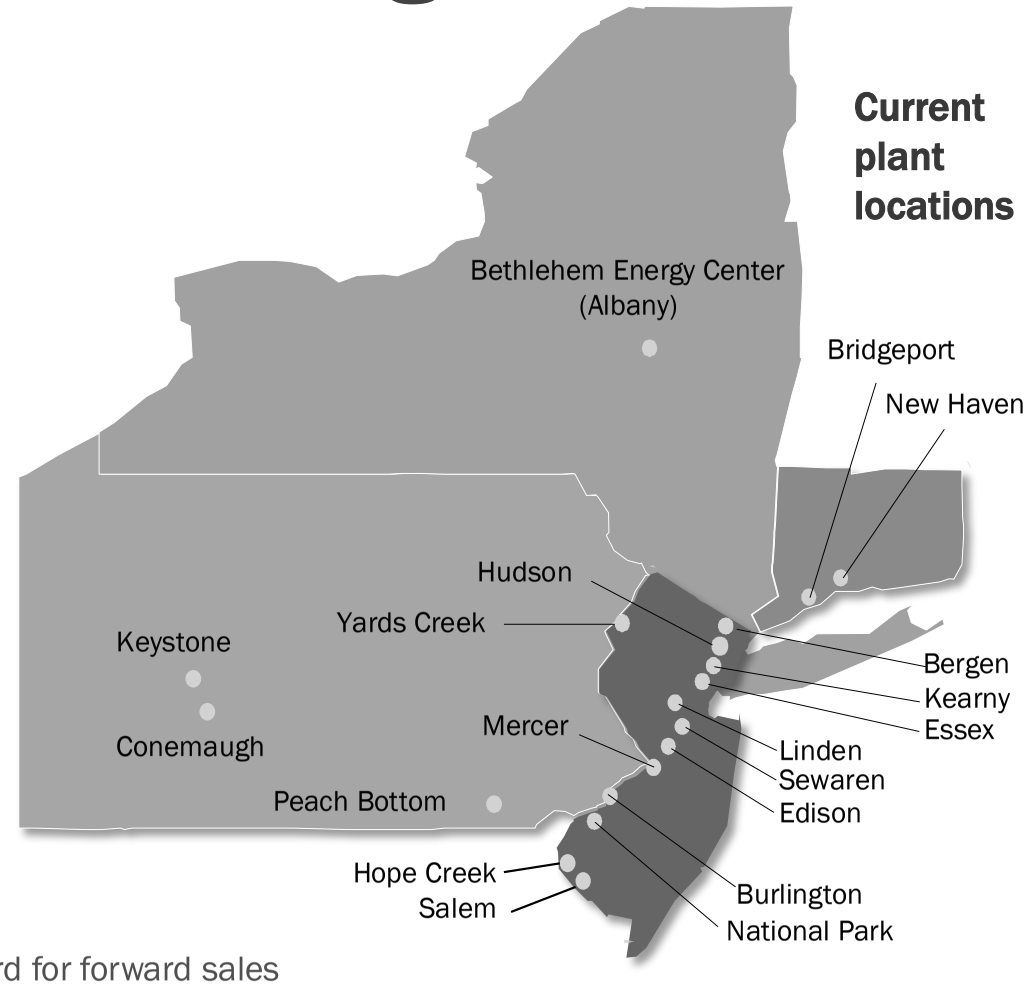
HEDGE PERCENTAGES AND PRICES AS OF JUNE 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-07037

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

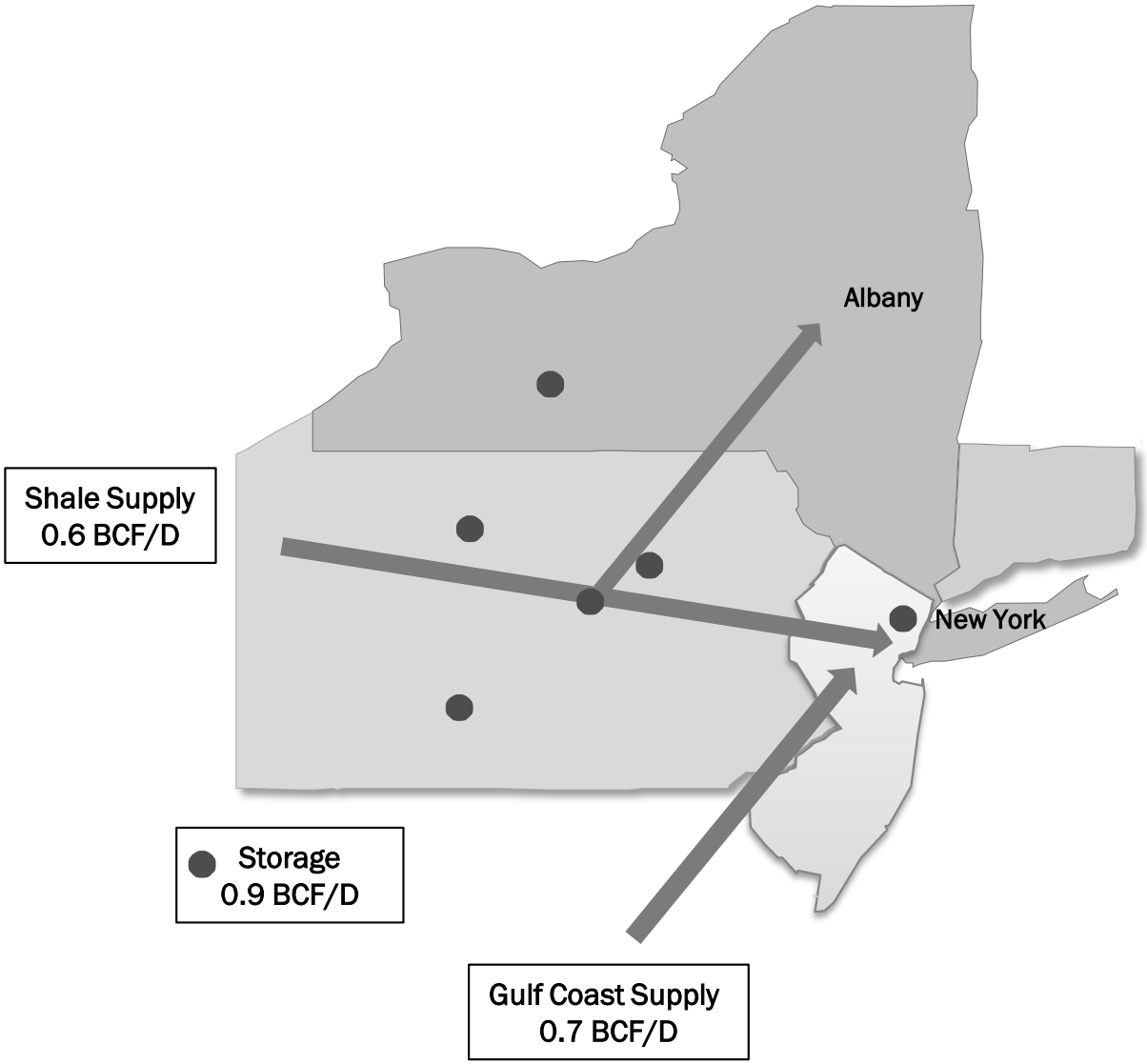
SI-SSA-0015-07038

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity benefits PSE&G customers and Power's generating assets



SI-SSA-0015-07039

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

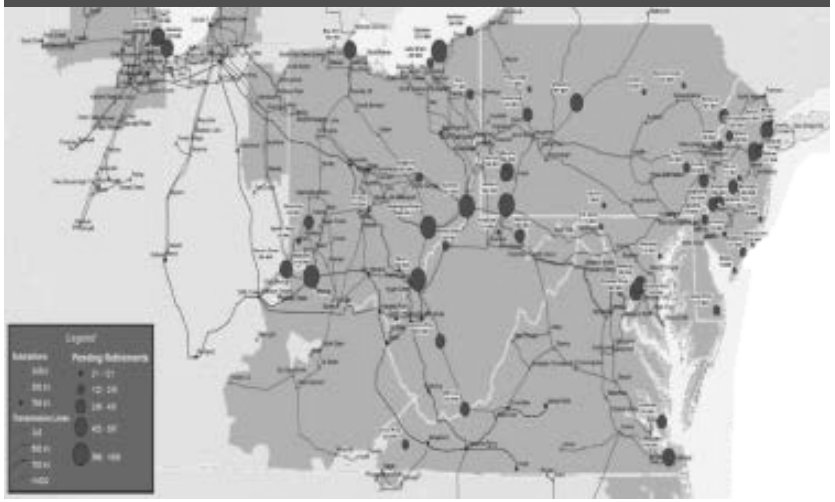
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-07040

Reserve margins in PJM declining with retirements

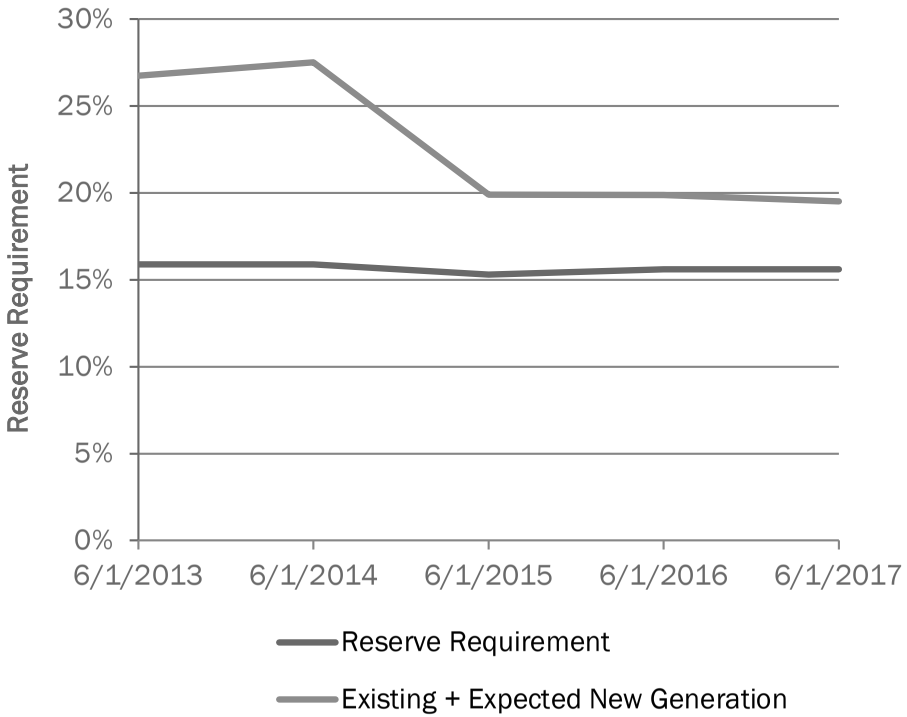
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-07041

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-07042

PSEG wholesale market strategy

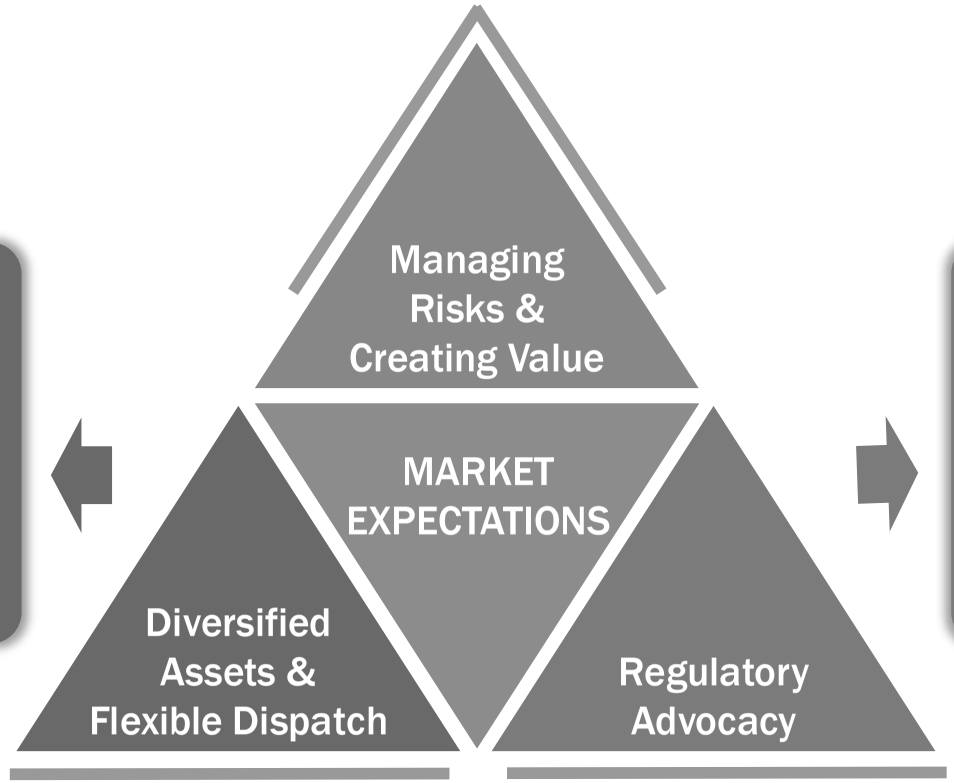
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-07043

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-07044

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-07045

Maintaining 2013 operating earnings guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

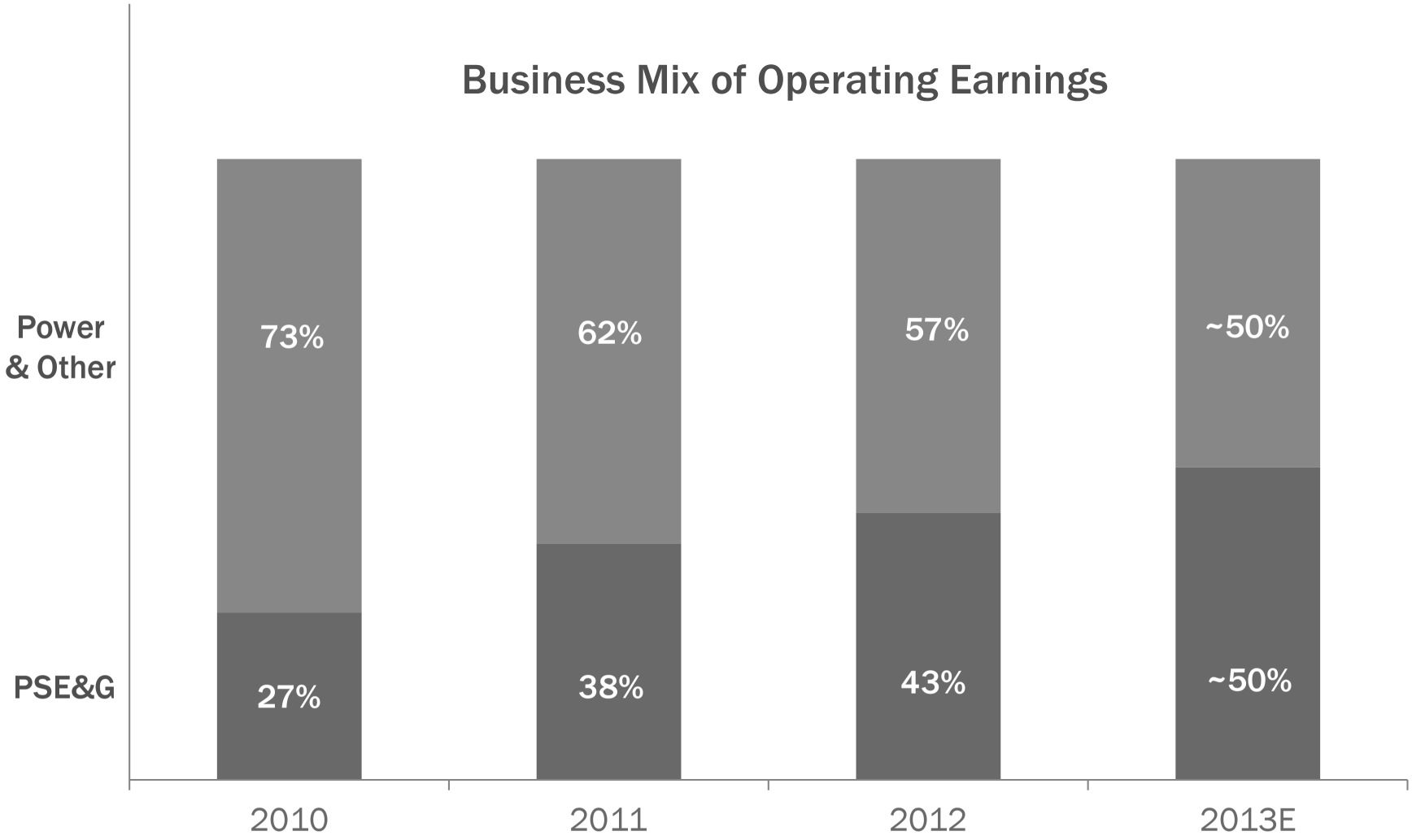
SI-SSA-0015-07046

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

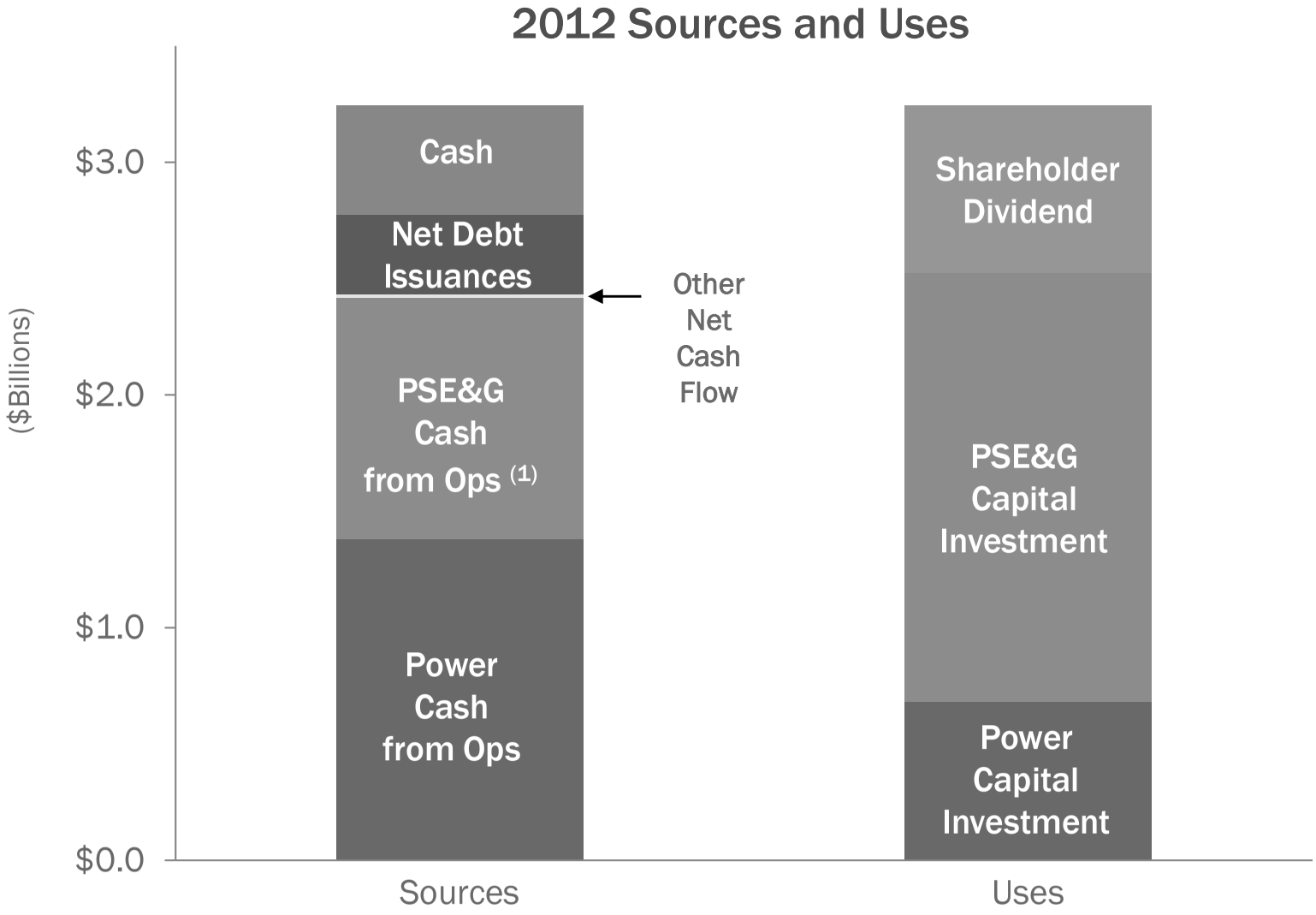


SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

SI-SSA-0015-07047

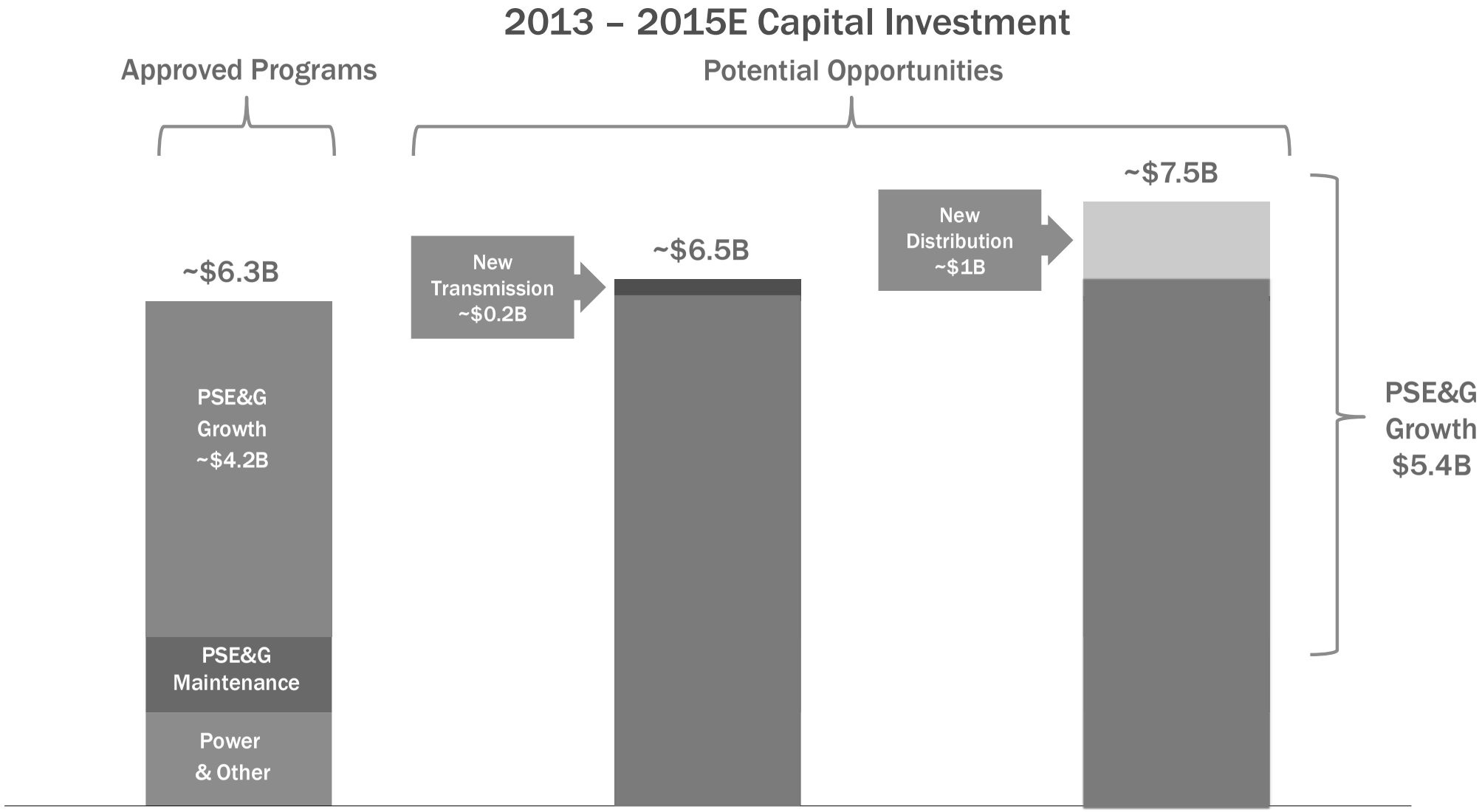
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

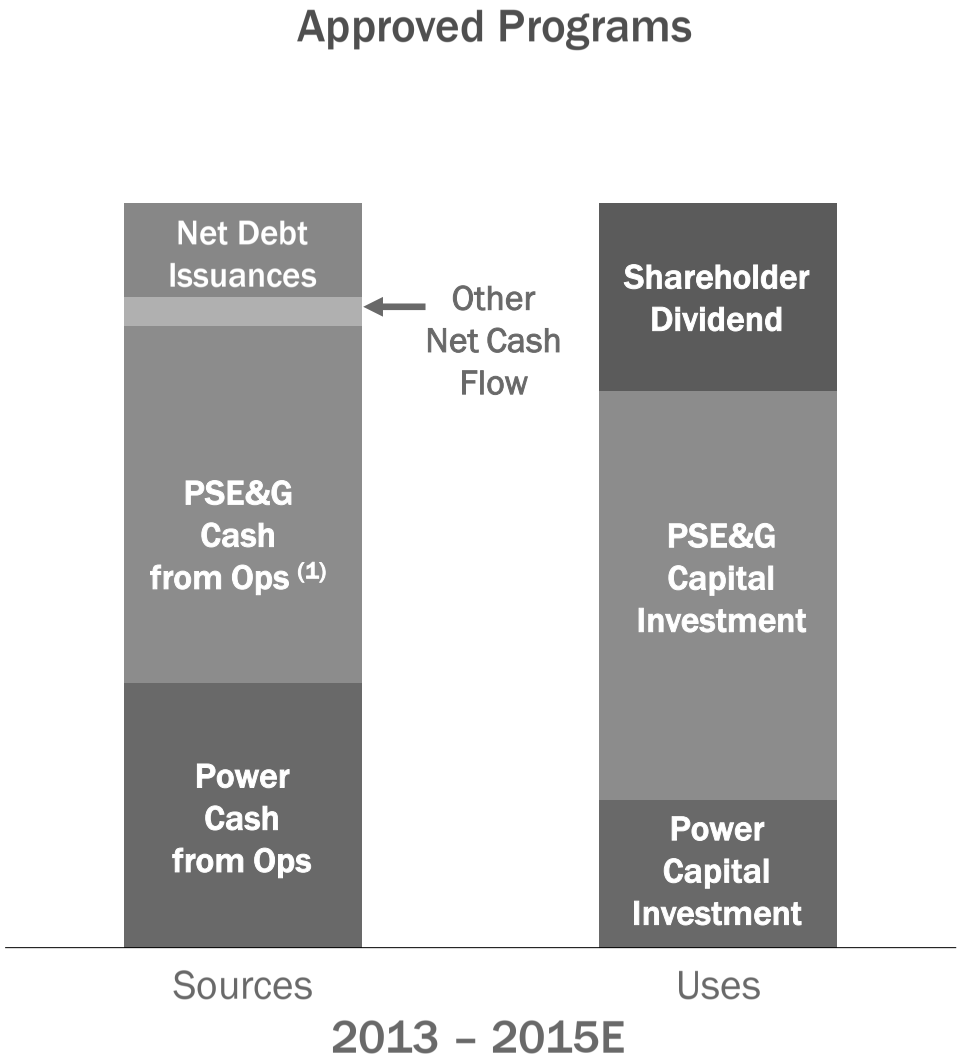
SI-SSA-0015-07048

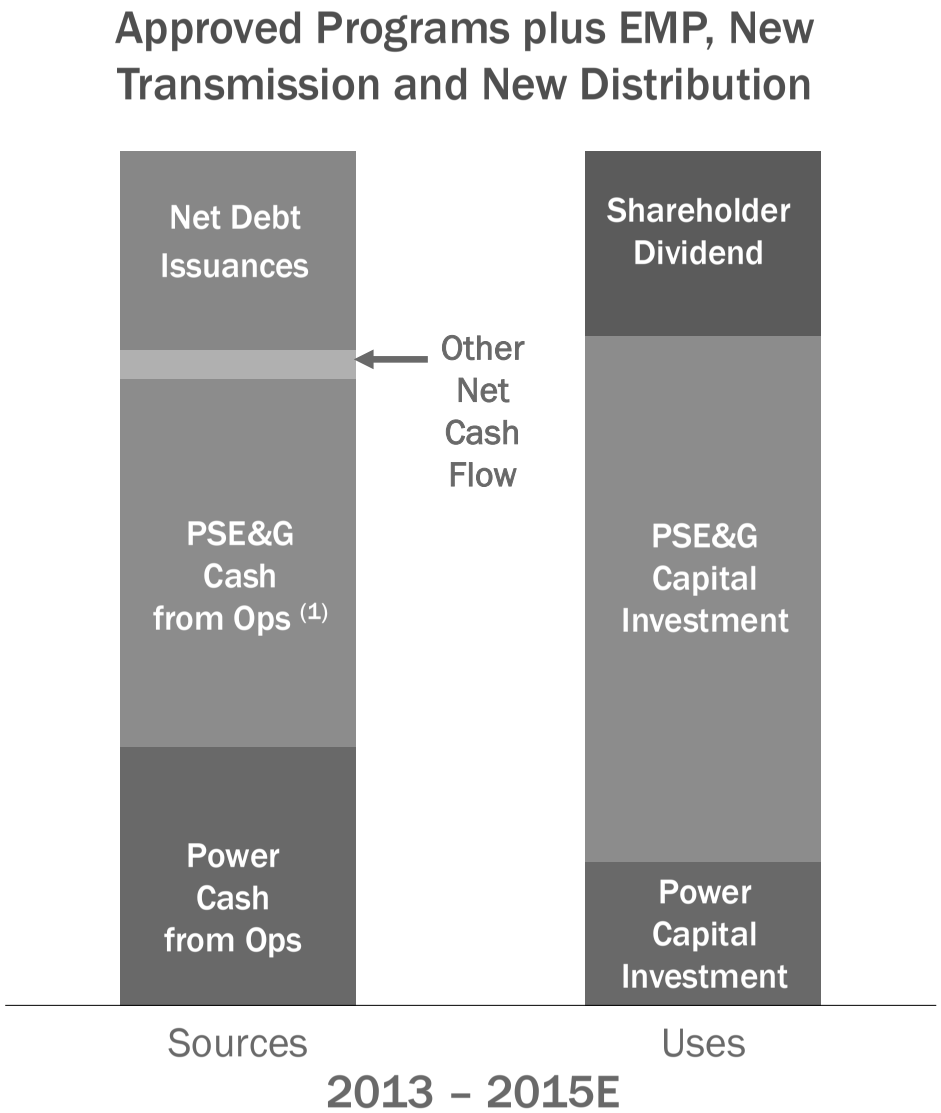
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-07049

All scenarios can be financed without new equity





(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

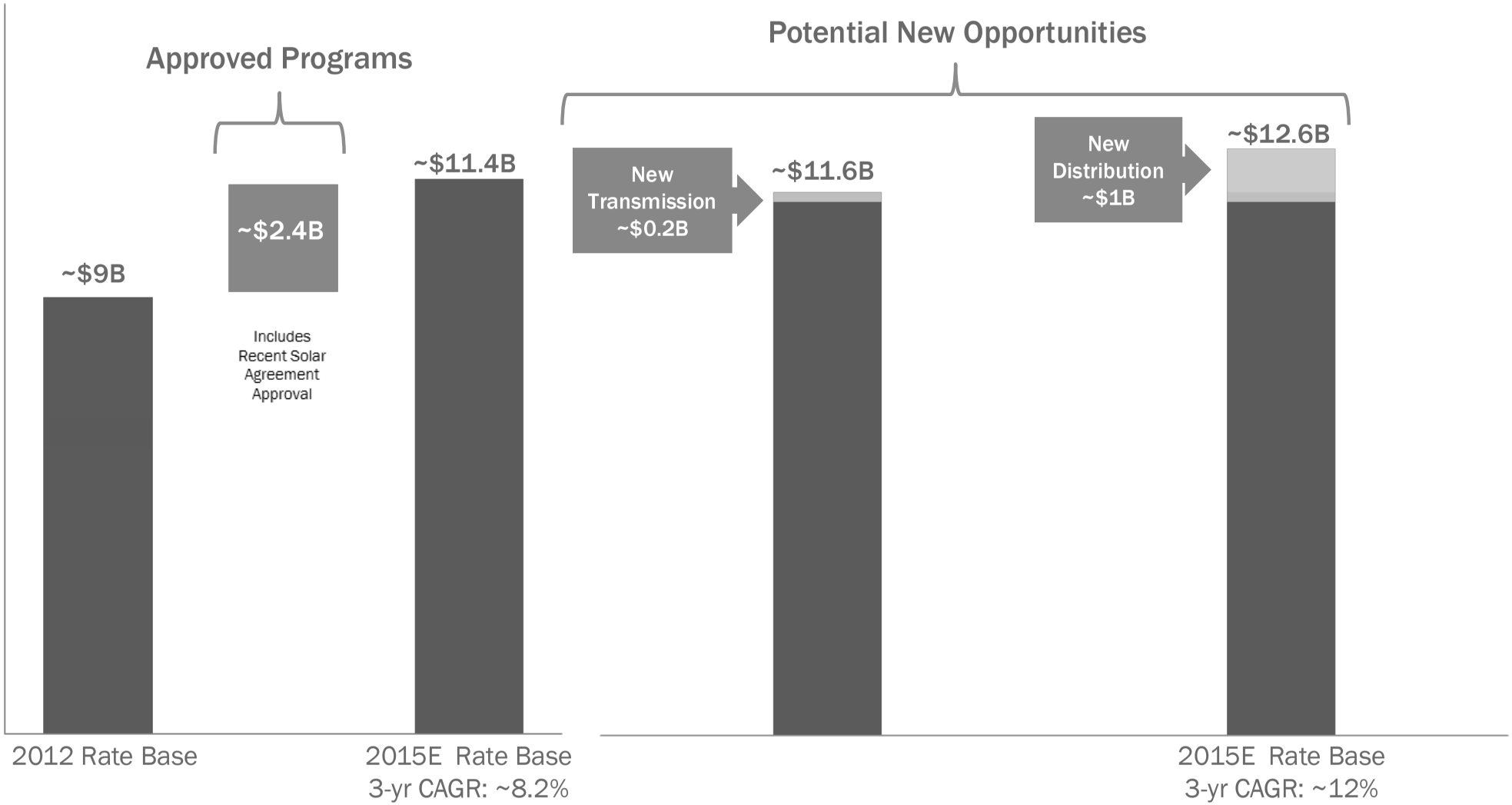
EMP: ENERGY MASTER PLAN

E = ESTIMATE

SI-SSA-0015-07050

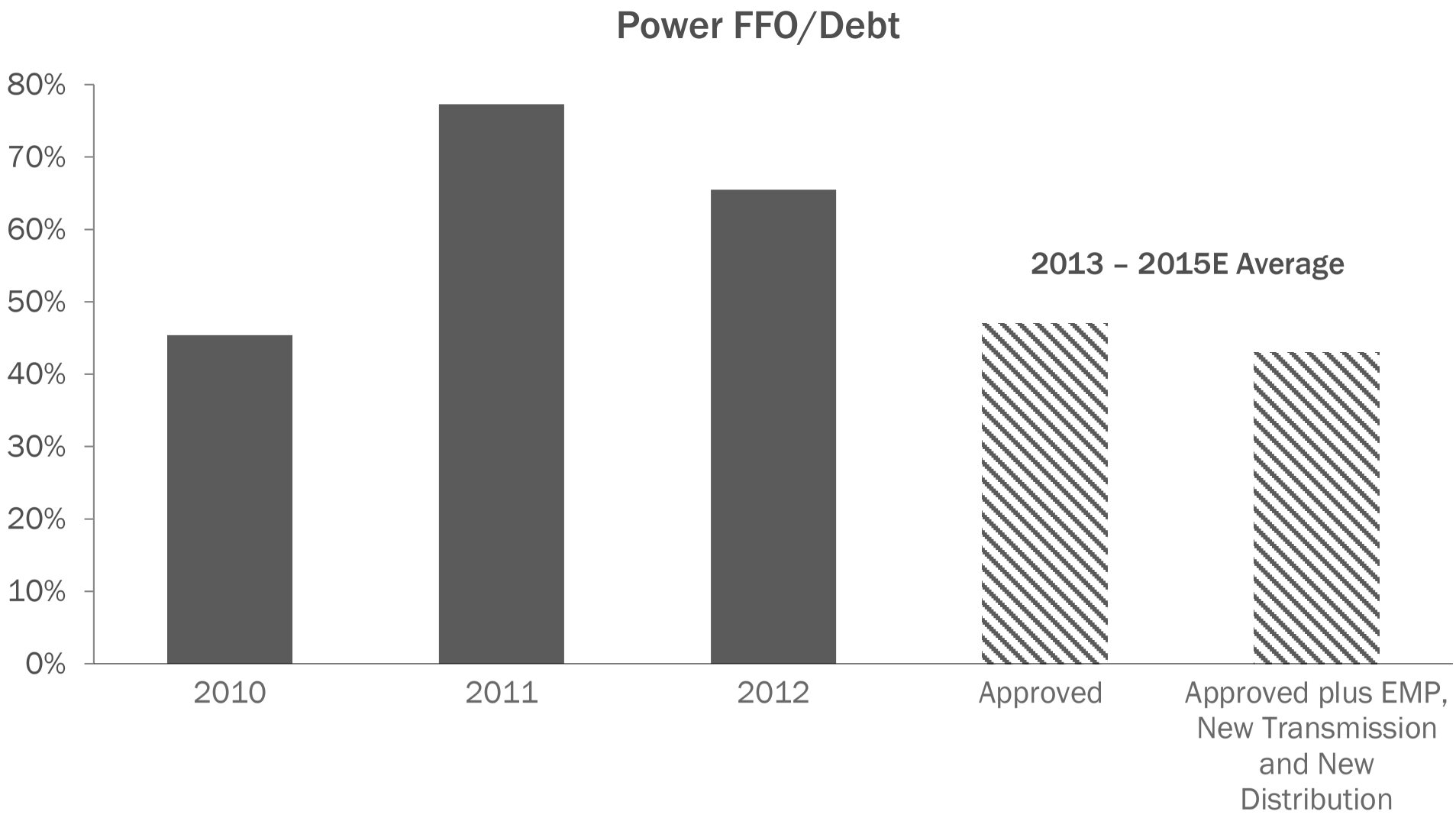
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-07051

Power's credit metrics are expected to remain strong



SI-SSA-0015-07052

Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

SI-SSA-0015-07053

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

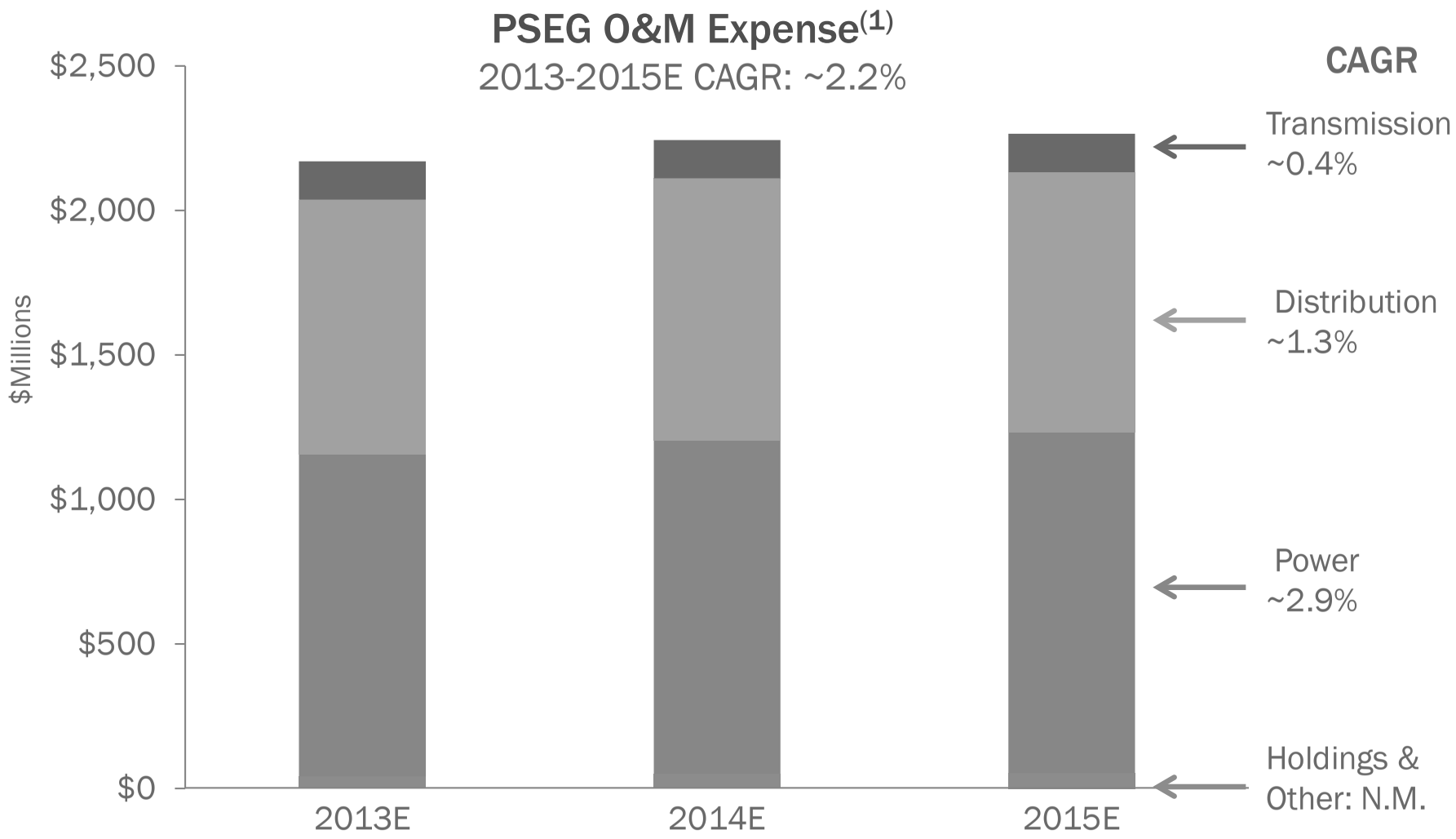
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-07054

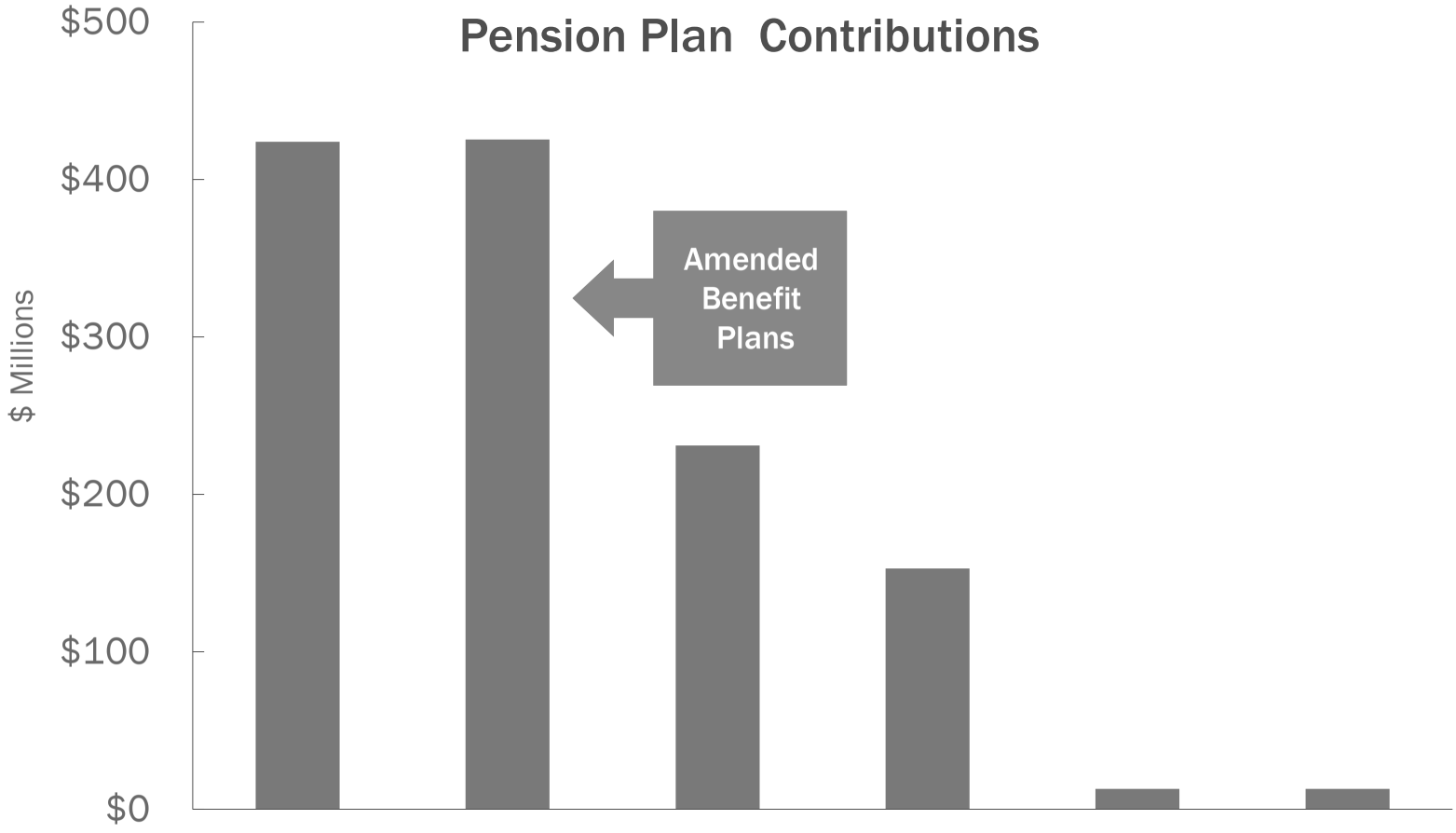
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-07055

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-07056

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

	Segment EPS Drivers 2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

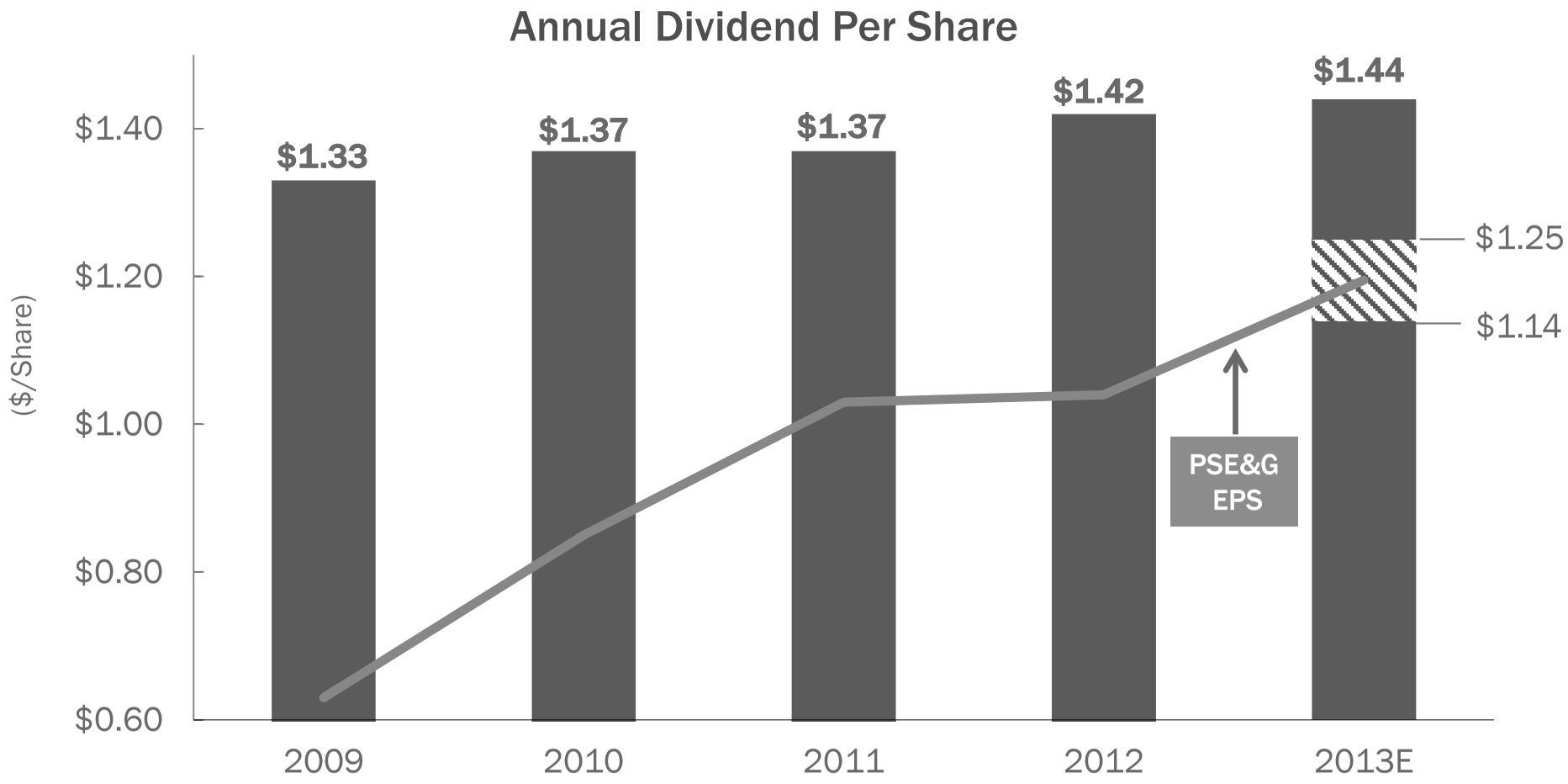
PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-07057

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-07058

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share -- based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-07059

APPENDIX

PSEG

SI-SSA-0015-07060

First Half 2013 Operating Earnings by Subsidiary

Six months ended June 30

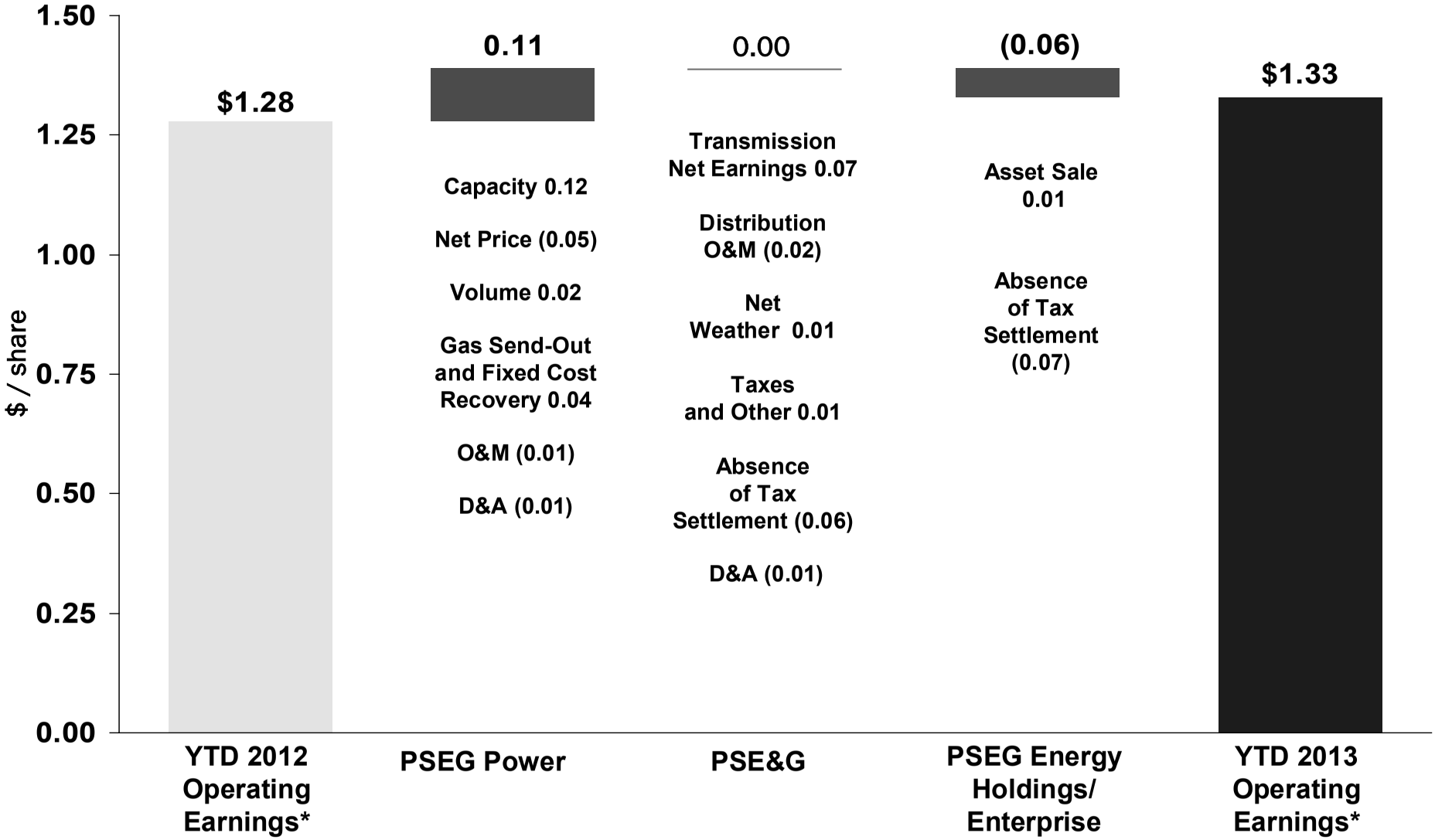
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

SI-SSA-0015-07061

PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First-Half 2013 versus First Half 2012



SI-SSA-0015-07062

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Second Quarter 2013 Operating Earnings by Subsidiary

Quarter ended June 30

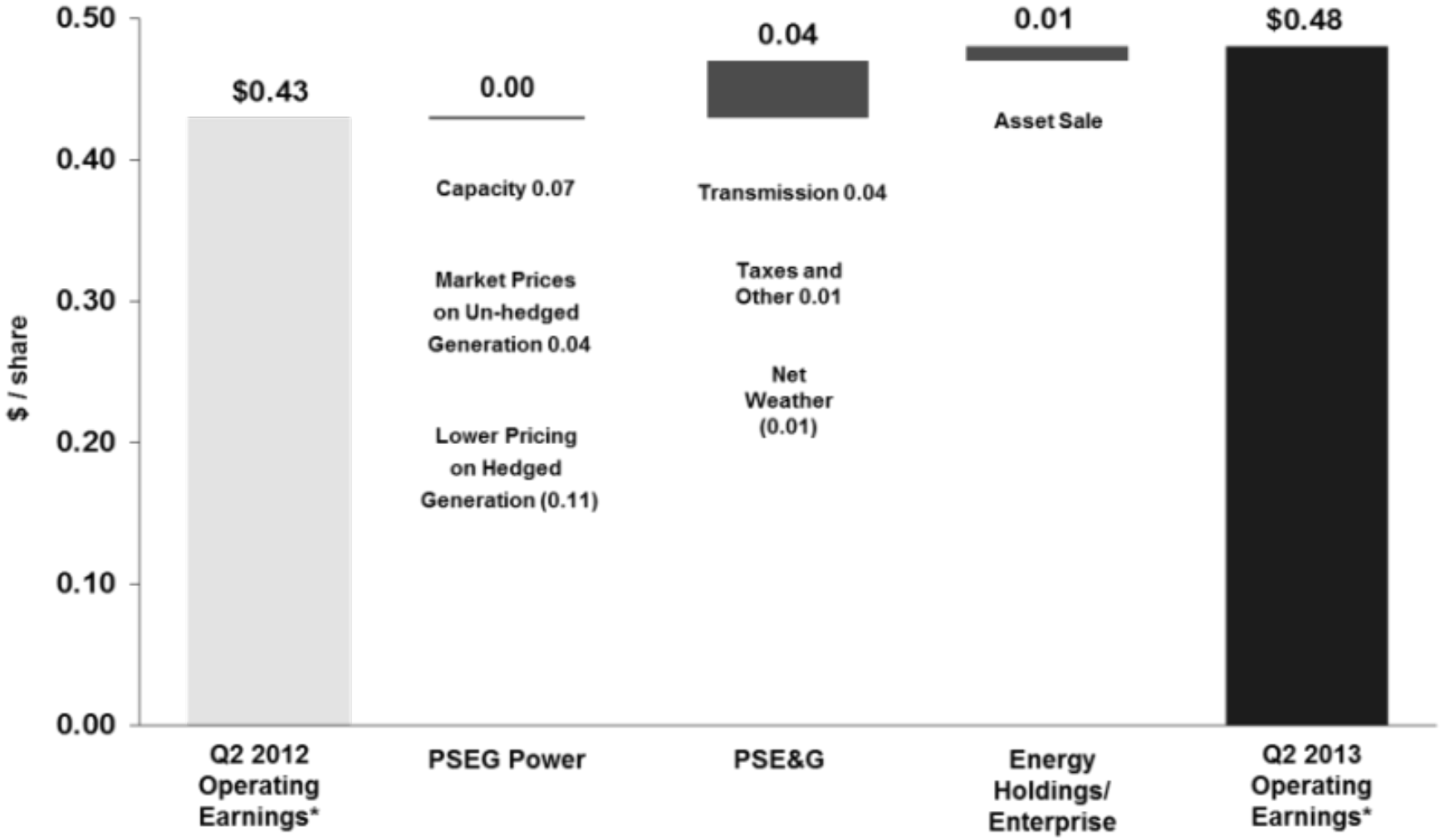
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-07063

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

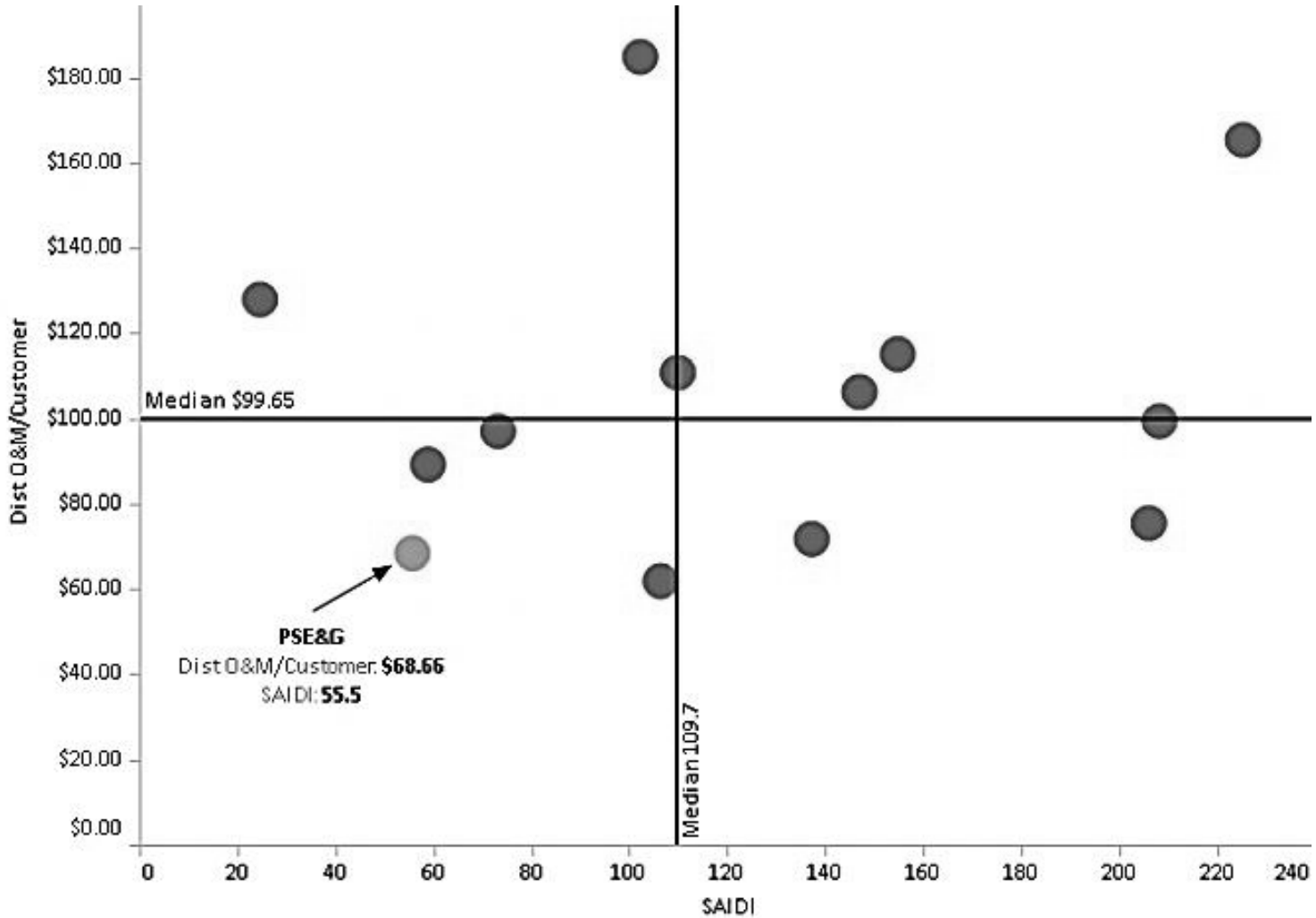
PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-07064

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers

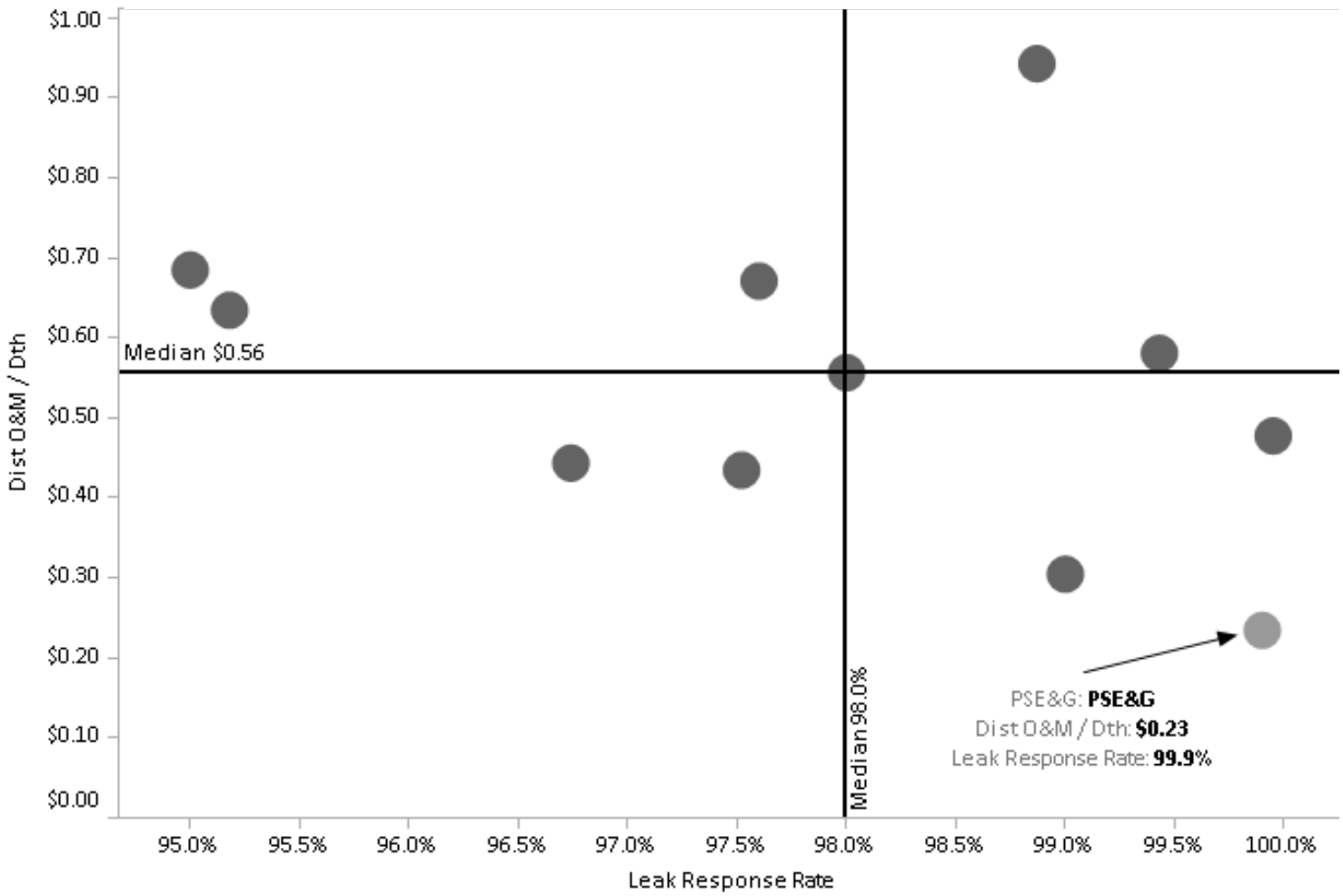


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

SI-SSA-0015-07065

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-07066

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-07067

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-07068

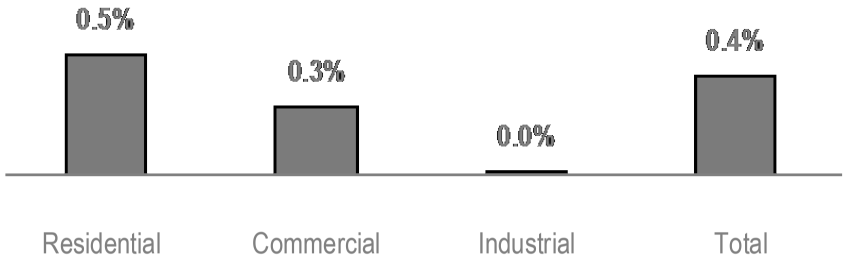
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

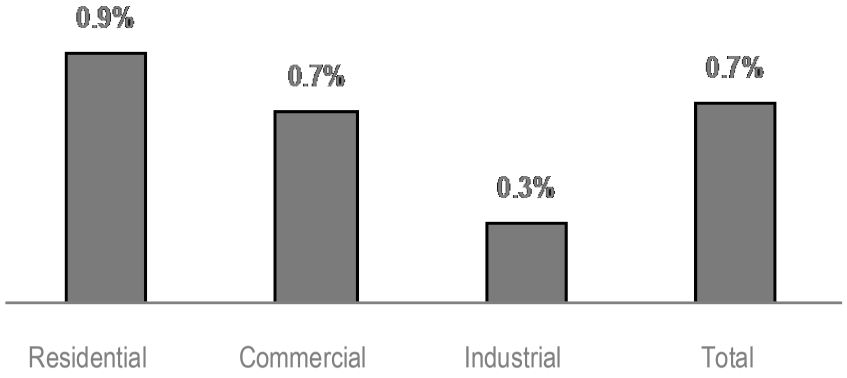
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



SI-SSA-0015-07069

PSEG

*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

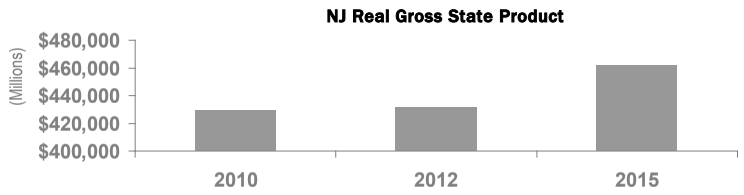
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

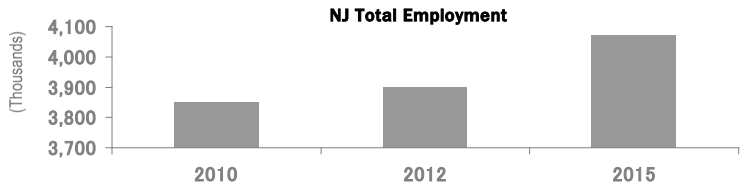
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

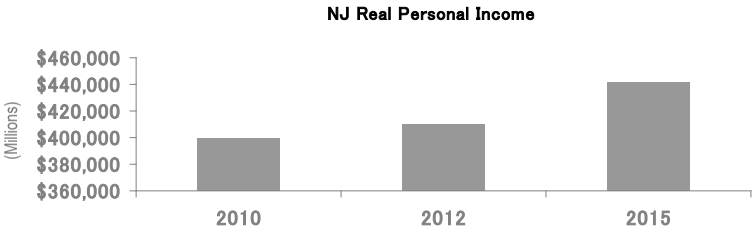
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

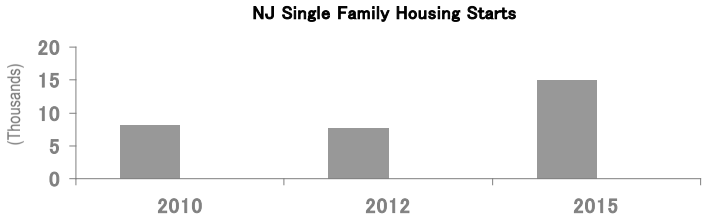
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





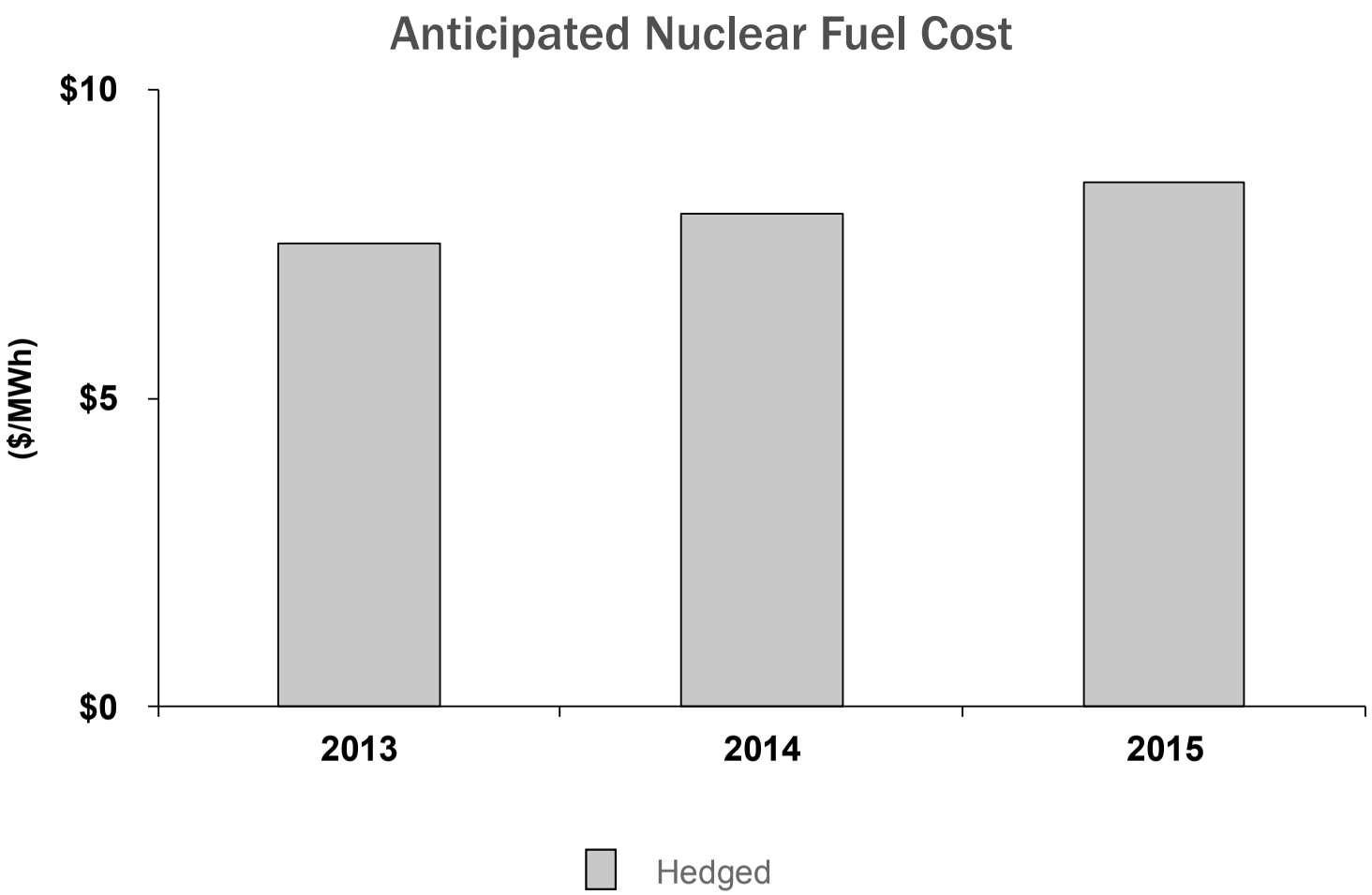




SI-SSA-0015-07070

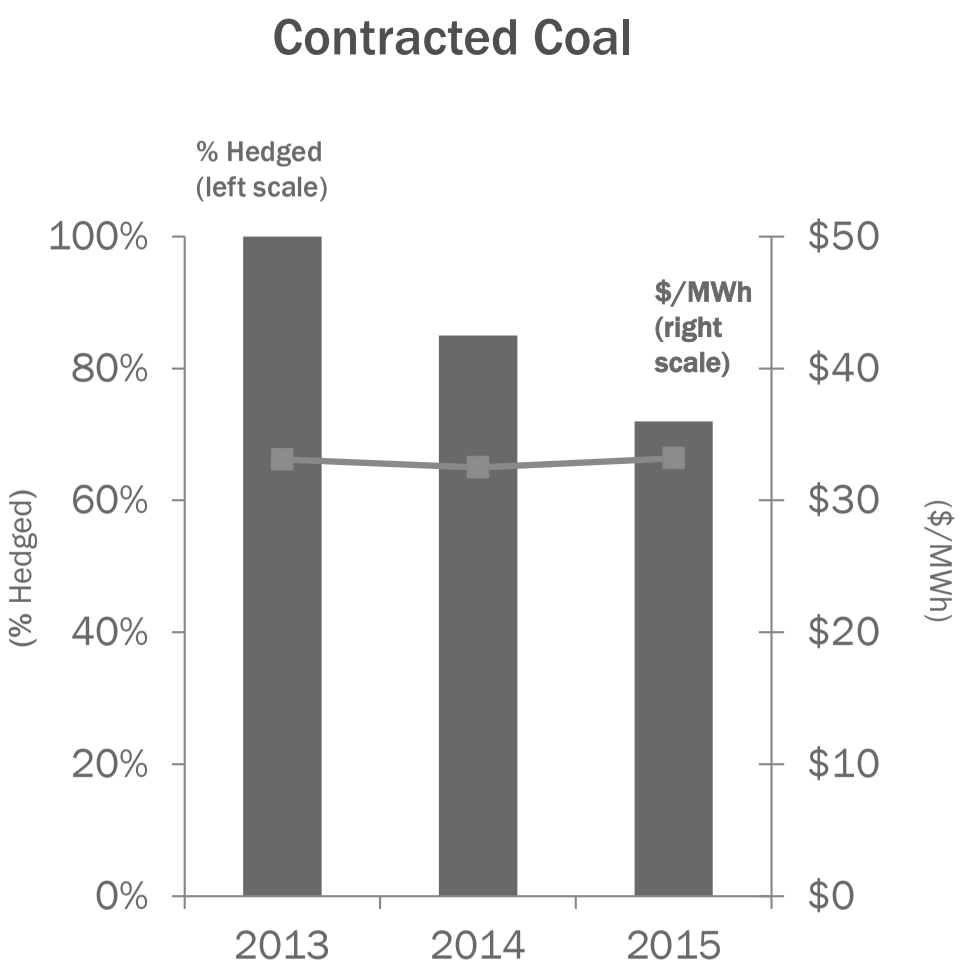
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-07071

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-07072

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-07073

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$199**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$343**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$190**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$84**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 97**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 23**
	Total Holdings Investments	**$1,221**

SI-SSA-0015-07074

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of June 30, 2013

Facility	Expiration Date	Total Facility		Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600	[1]	$170	$430
5-Year Credit Facility (Power)	Mar-17	1,600		54	1,546
5-Year Credit Facility (Power)	Mar-18	1,000	[2]	0	1,000
5-Year Bilateral (Power)	Sep-15	100		100	0
5-year Credit Facility (PSEG)	Mar-17	500		5	495
5-year Credit Facility (PSEG)	Mar-18	500	[3]	0	500
	Total	$4,300		$329	$3,971
				PSEG Money Pool ST Investment	$114
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,085**
				Total Parent / Power Liquidity	**$3,655**

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

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

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

SI-SSA-0015-07075

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

SI-SSA-0015-07076

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

(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

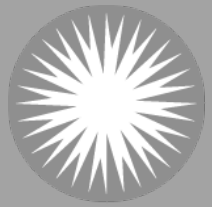
Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	80	(10)	(25)	42
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6
Storm O&M, (PSEG Power)	2	-	(15)	-
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02
Gain (Loss) on MTM[(a)] (PSEG Power)	0.16	(0.02)	(0.05)	0.08
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, (PSEG Power)	-	-	(0.03)	-
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**

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

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Deutsche Bank – European Investor Meetings

OCTOBER 6-8, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07079

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-07080

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07081

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-07082

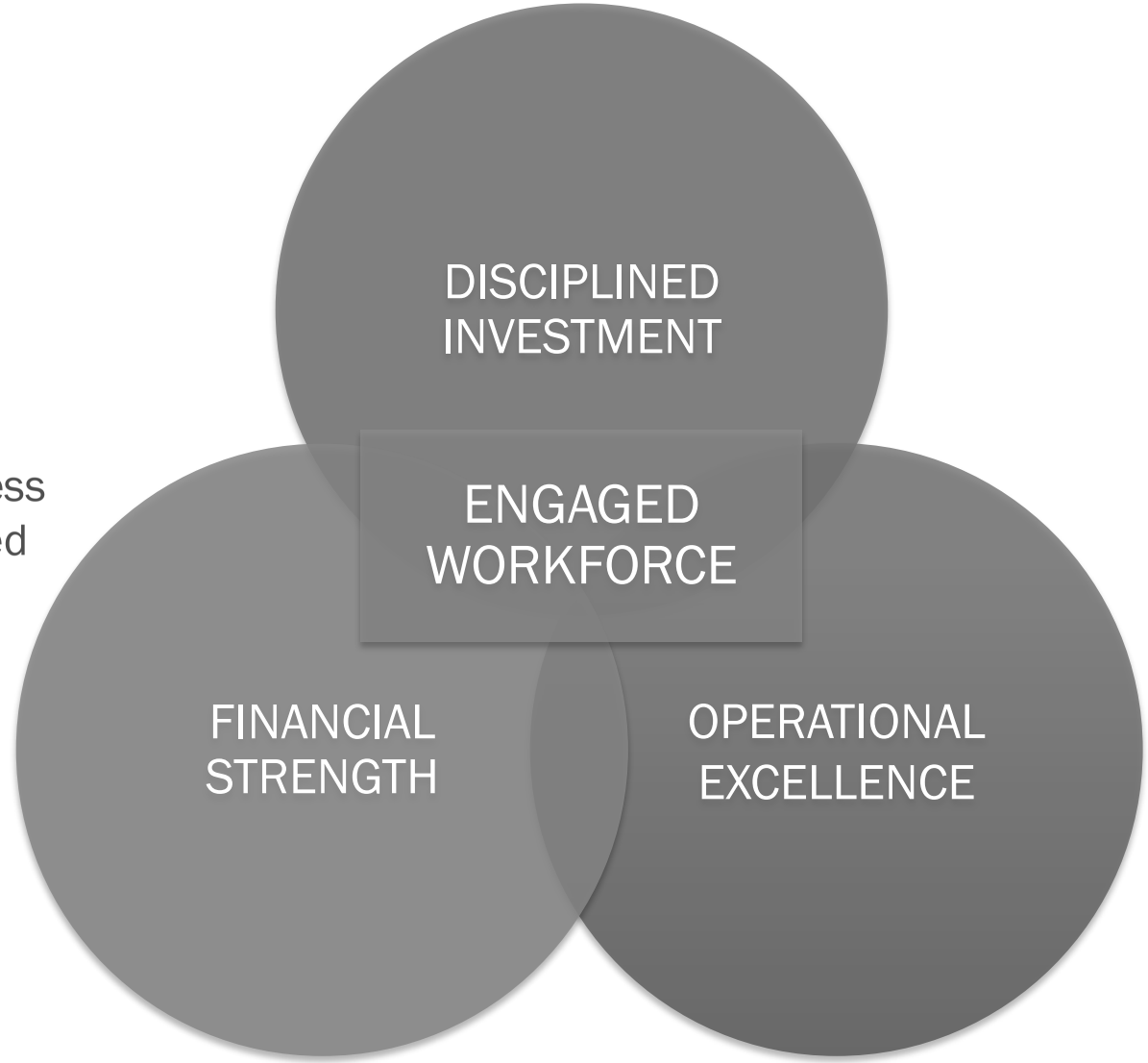
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-07084

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

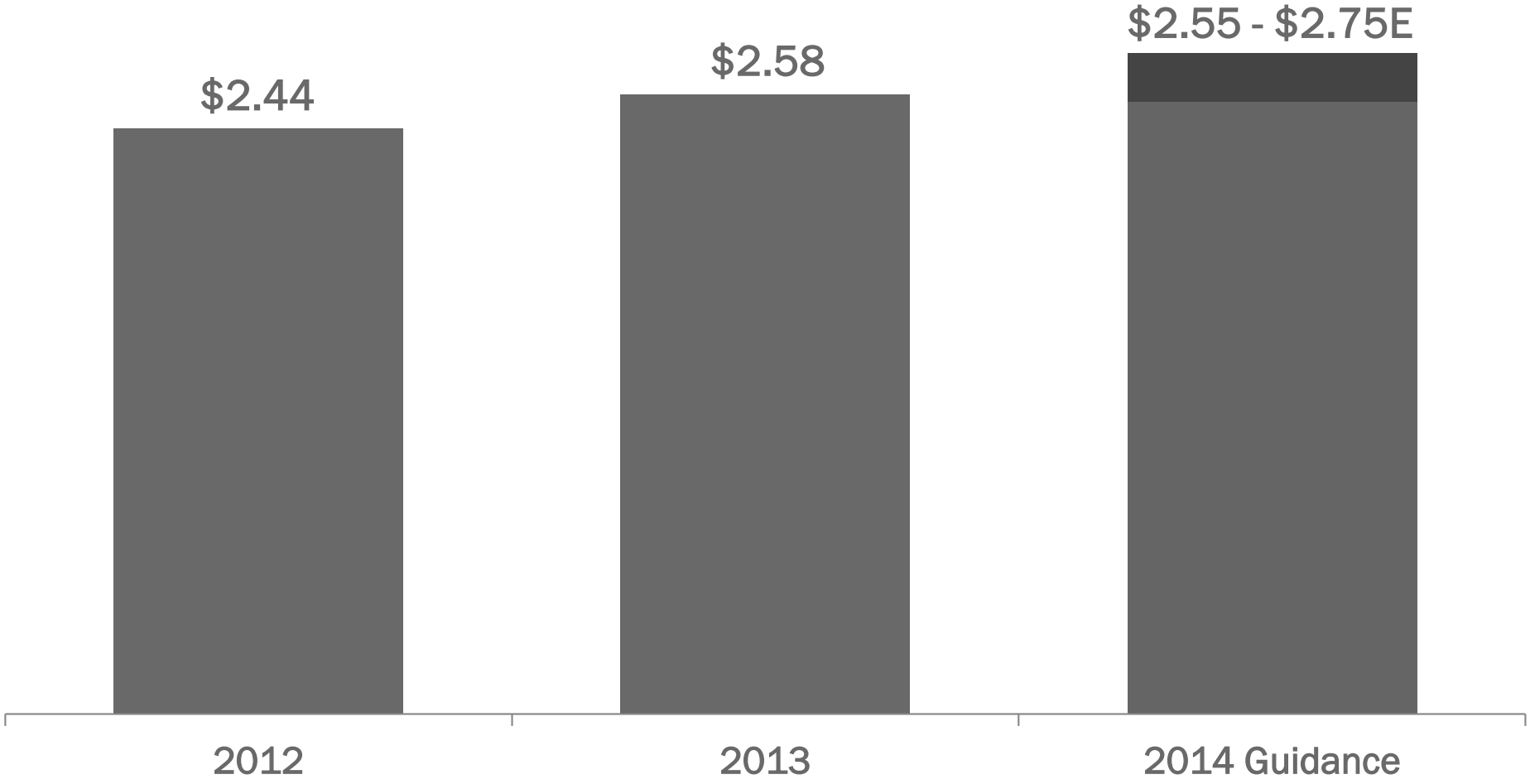
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-07085

PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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PSEG

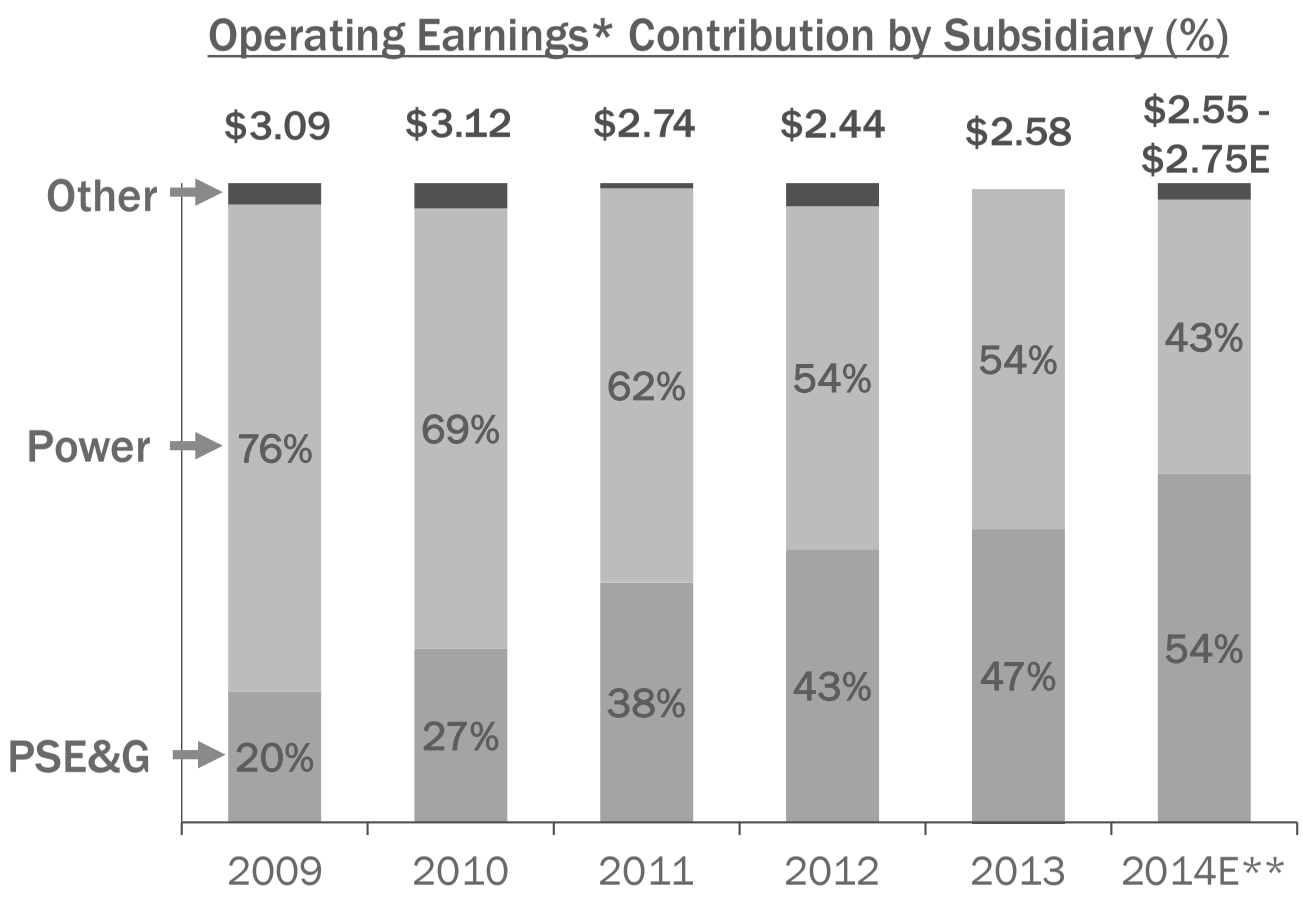
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

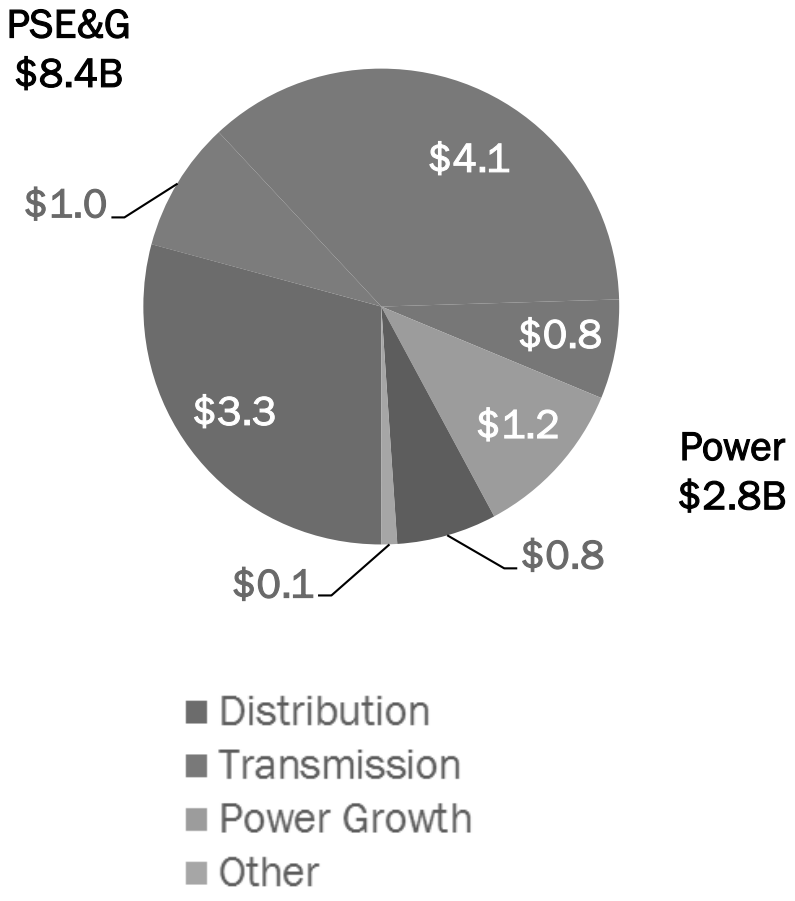


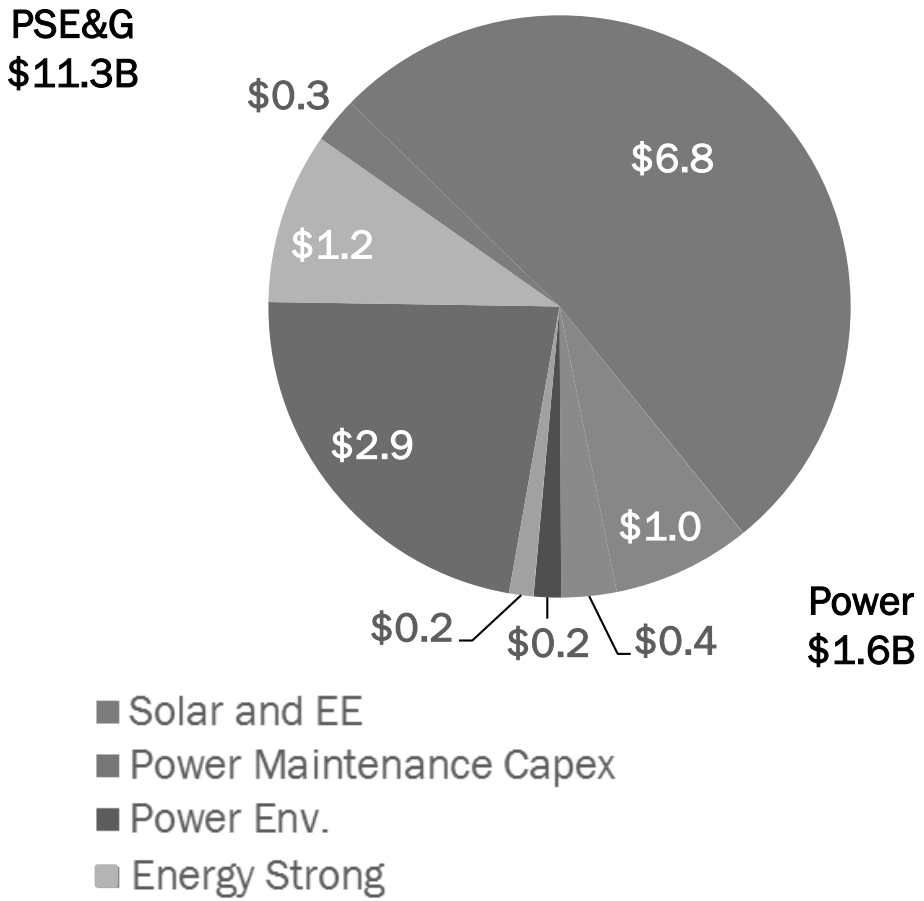
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

SI-SSA-0015-07087

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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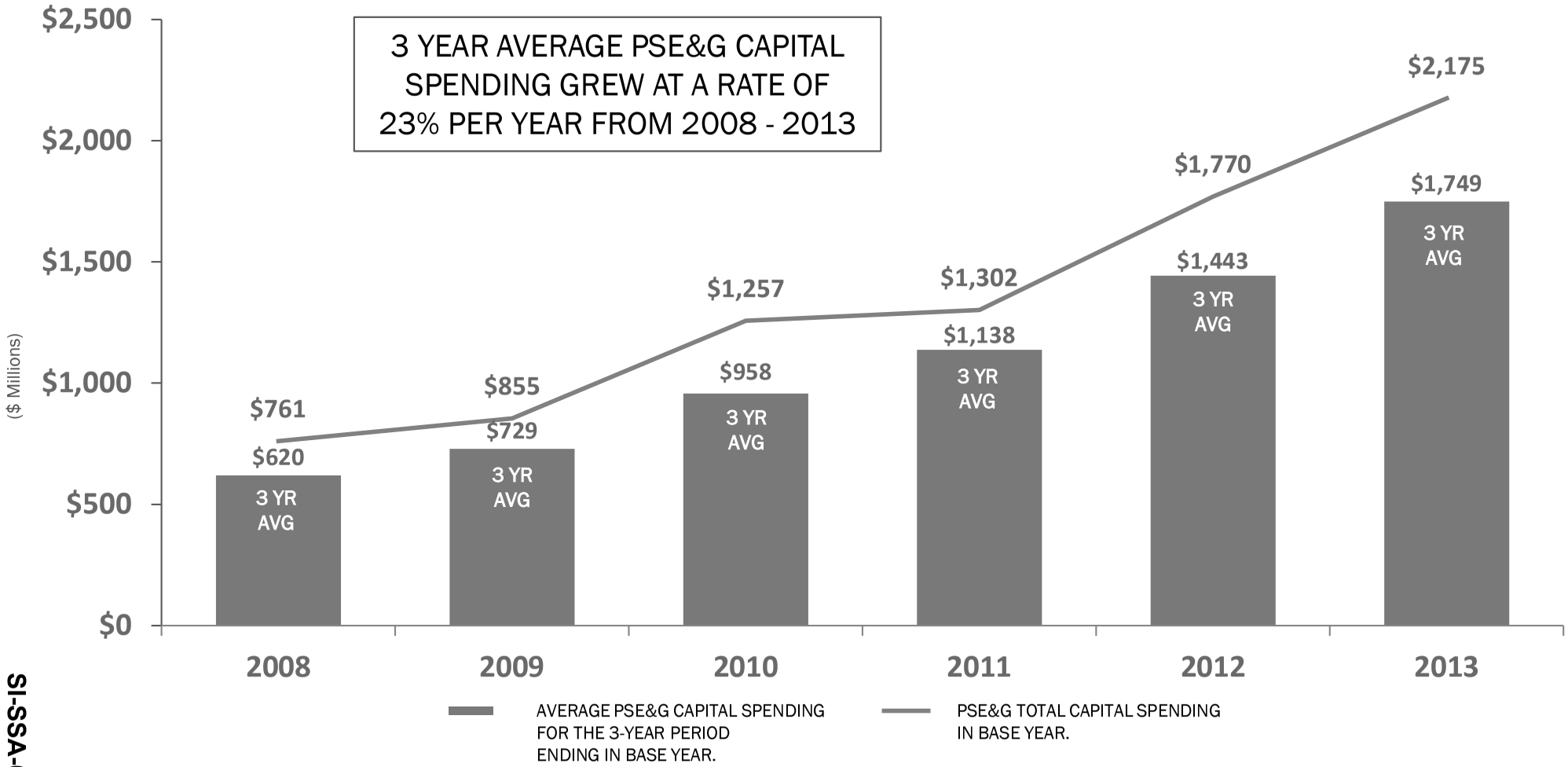
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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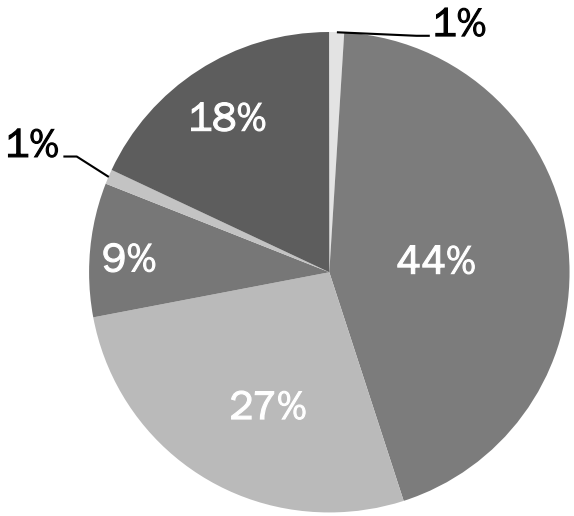
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

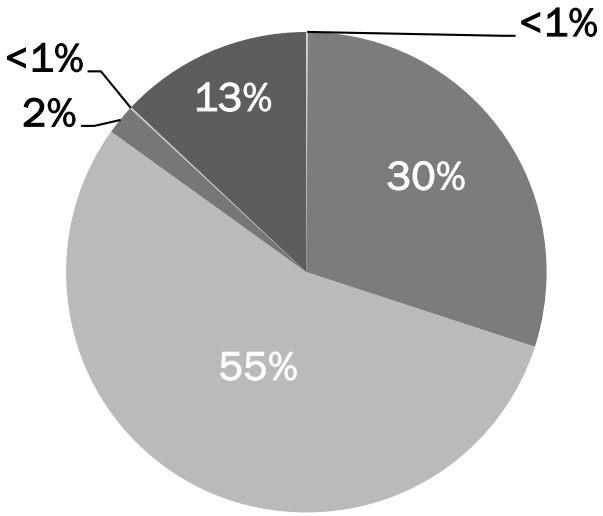
SI-SSA-0015-07090

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

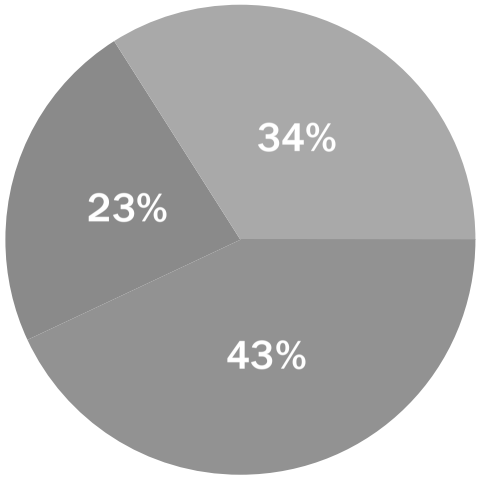
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-07091

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

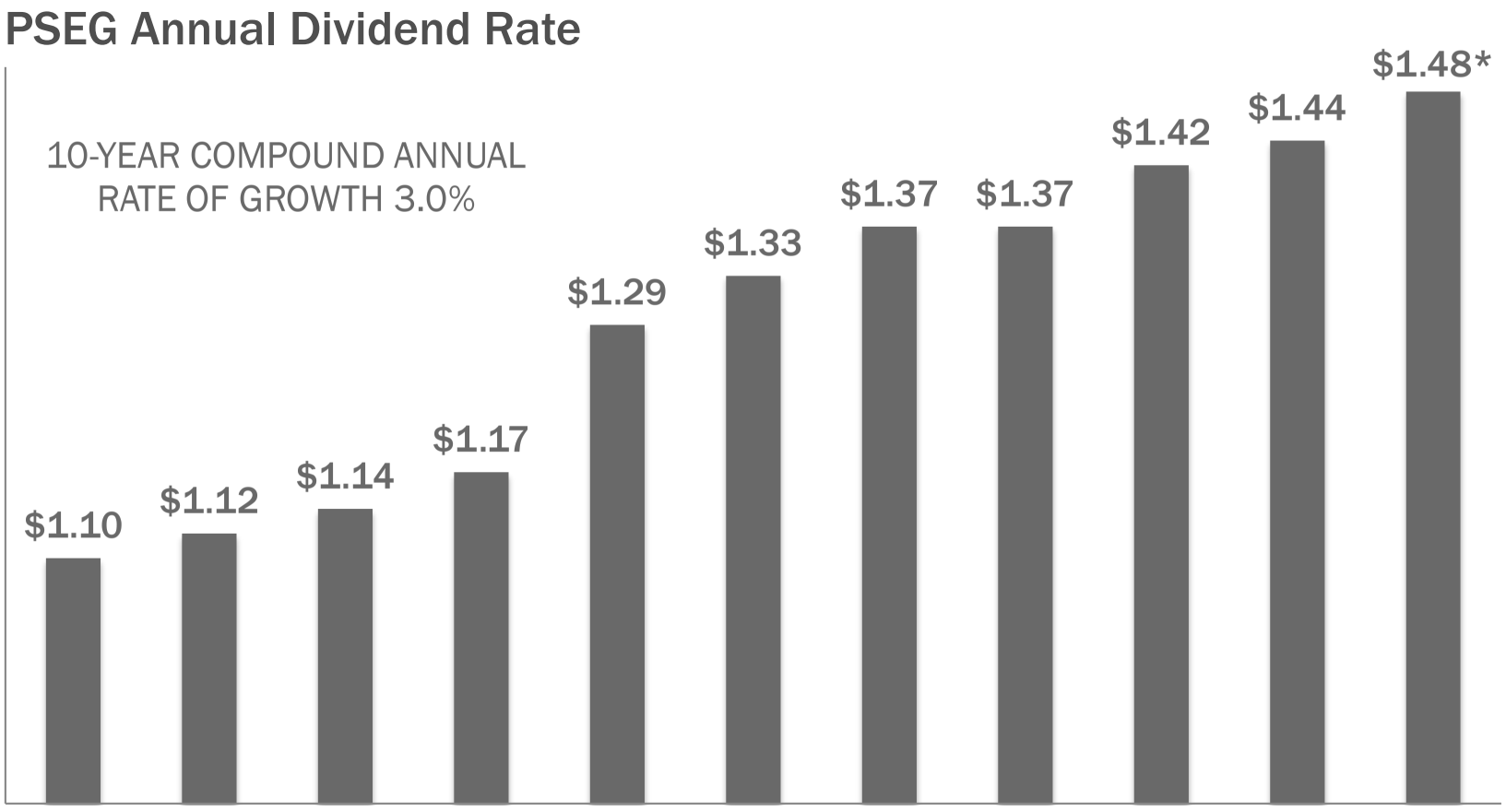
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-07092

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Payout Ratio	70%	63%	66%	43%	44%	43%	44%	50%	58%	56%	56%**

SI-SSA-0015-07093

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q2 2014 Financial Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-07094

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-07095

PSE&G

SI-SSA-0015-07096

PSEG

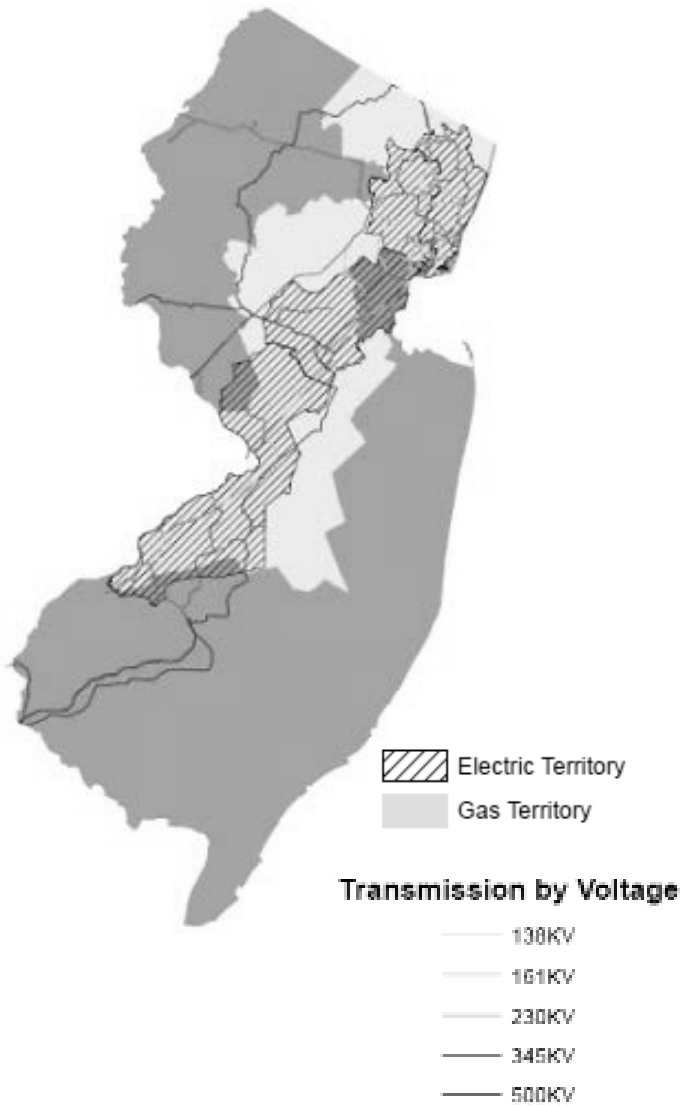
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-07097

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-07098

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-07099

PSE&G's operating earnings grew ~18%

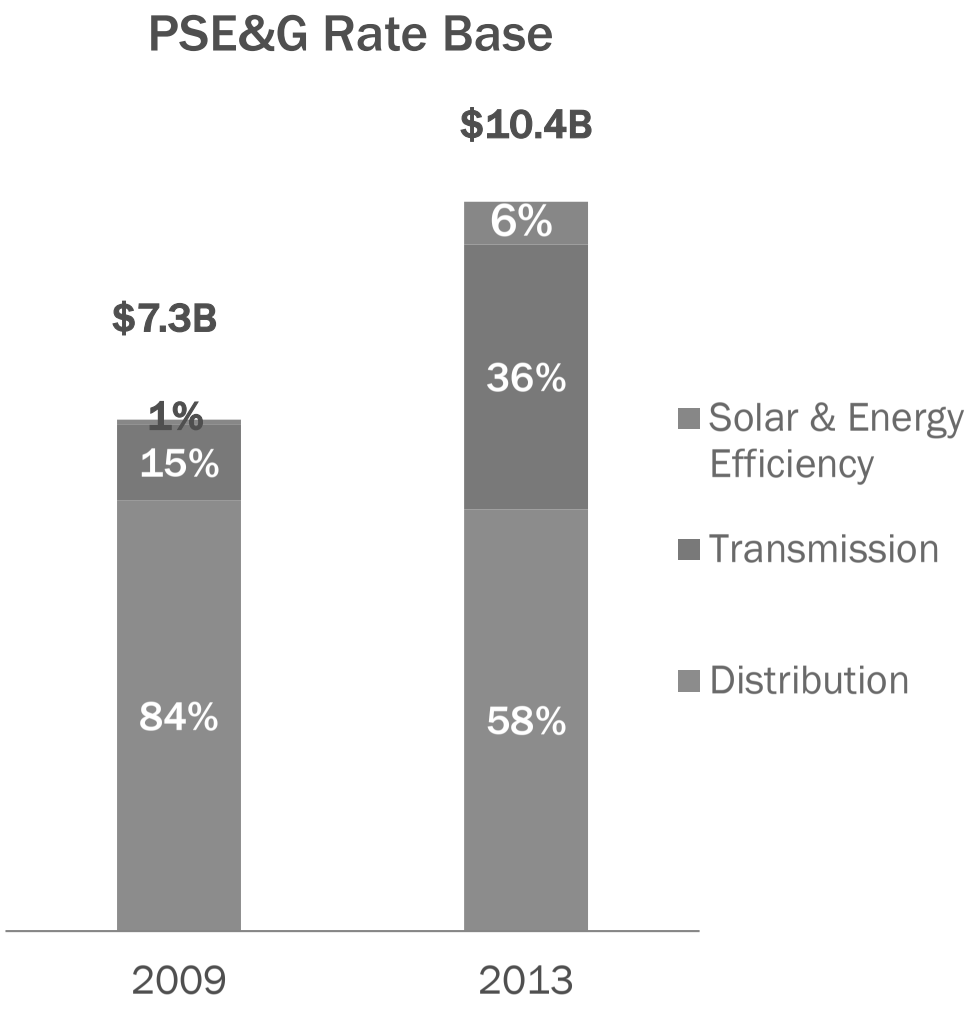
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-07100

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-07101

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

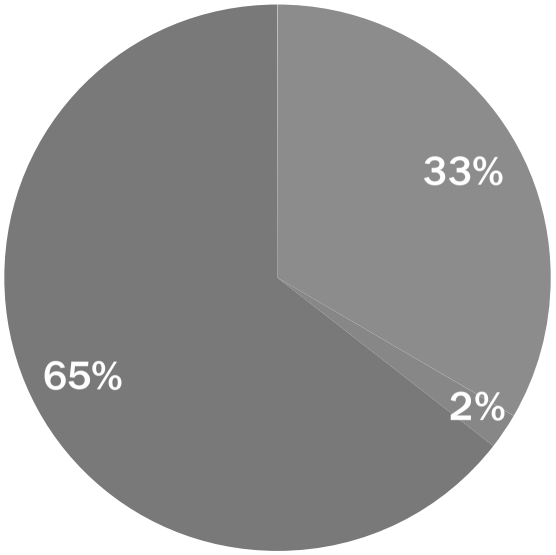
SI-SSA-0015-07102

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

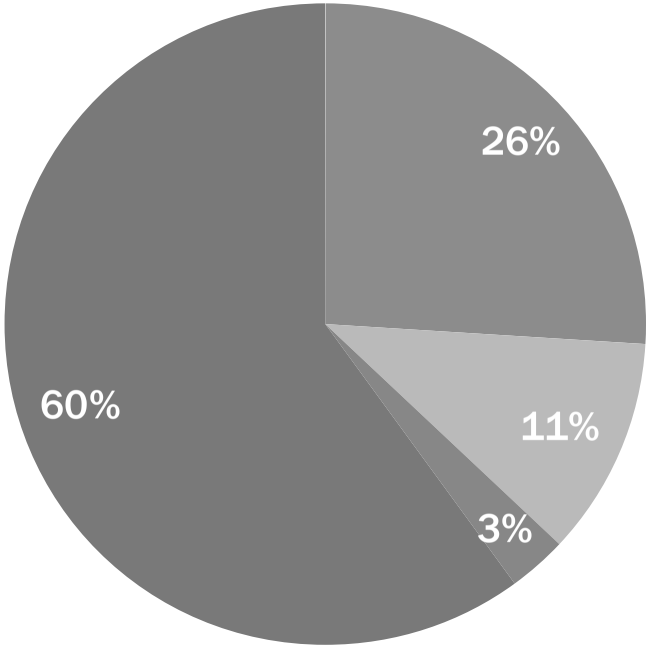
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-07103

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

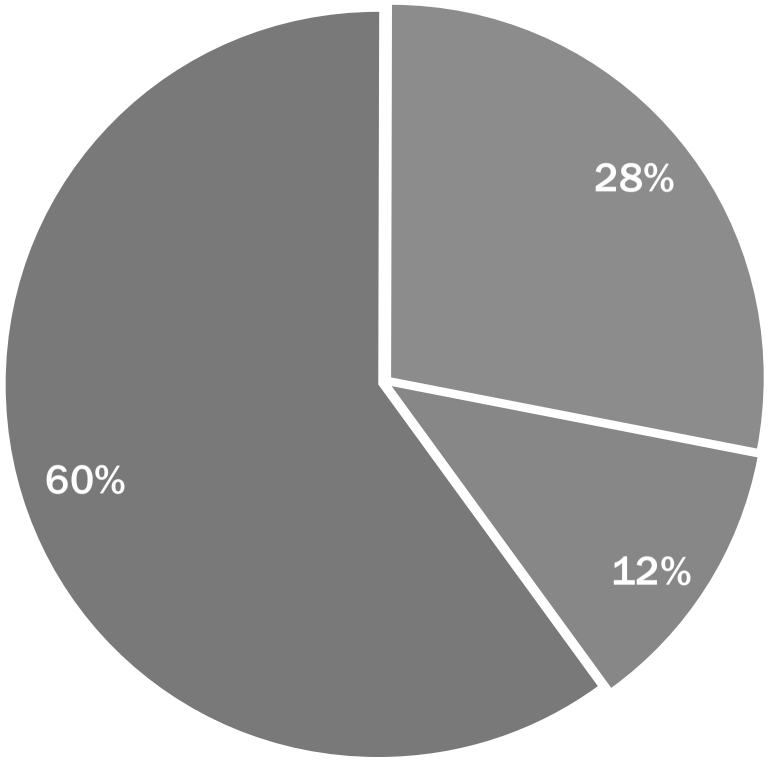
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-07104

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

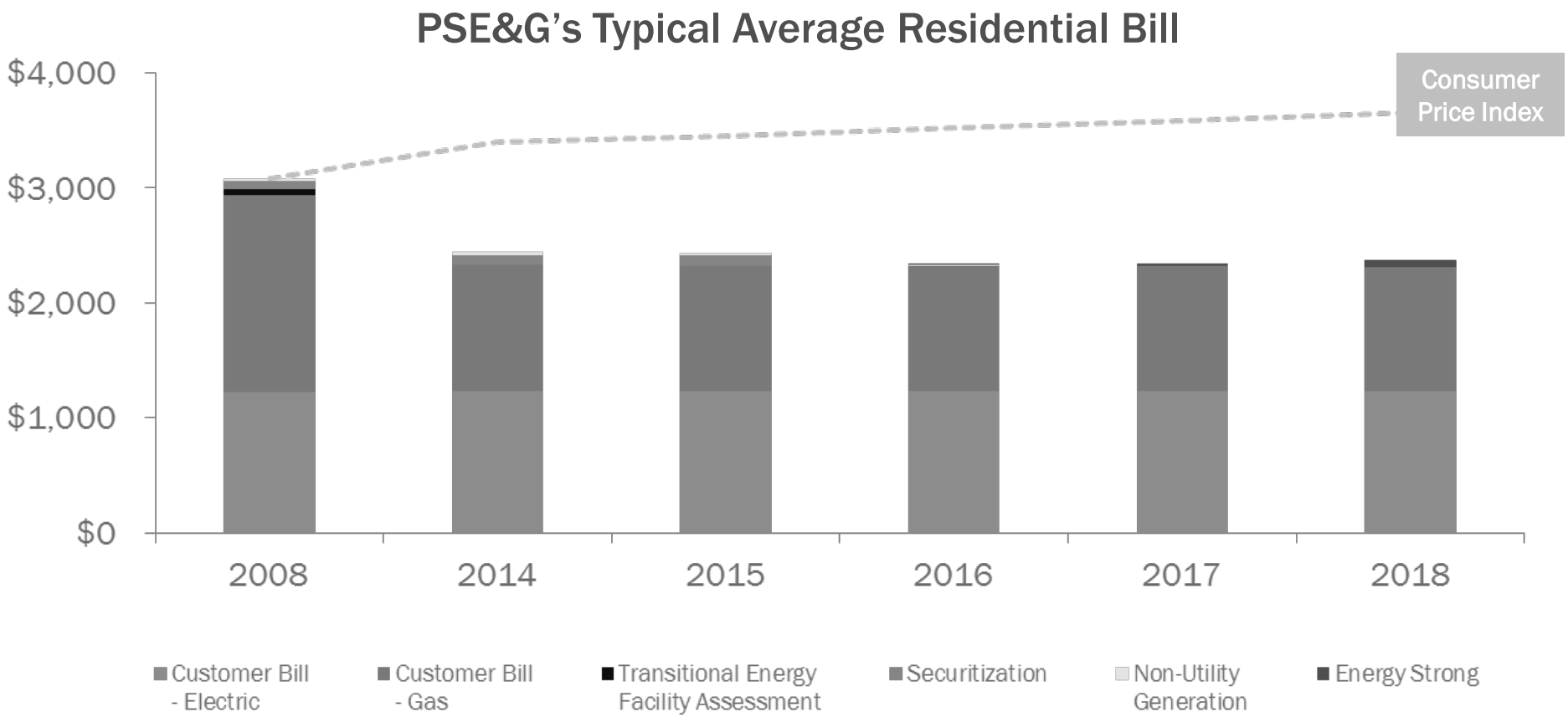
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-07105

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-07106

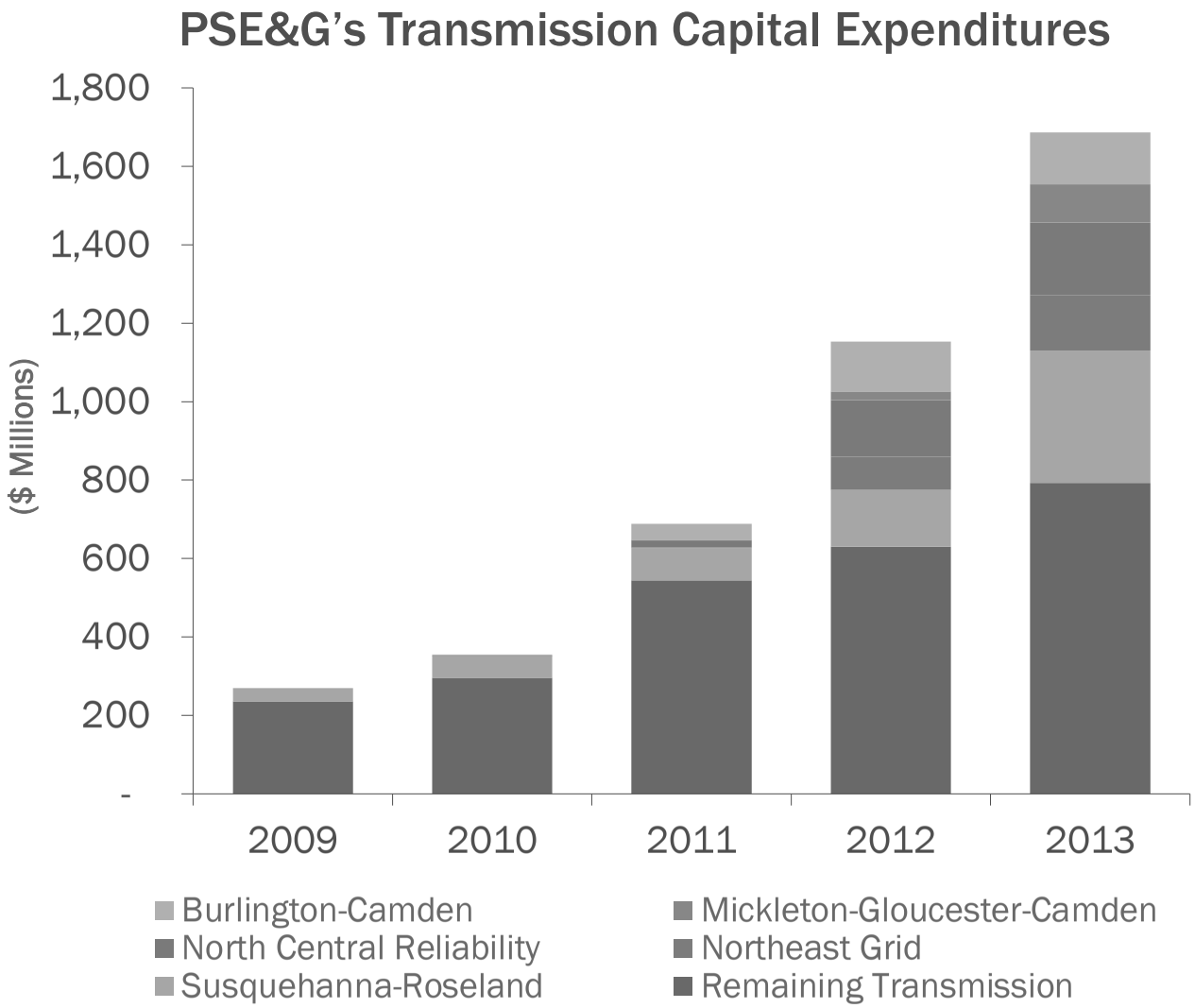
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-07107

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-07108

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-07109

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-07110

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-07111

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-07112

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-07113

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07114

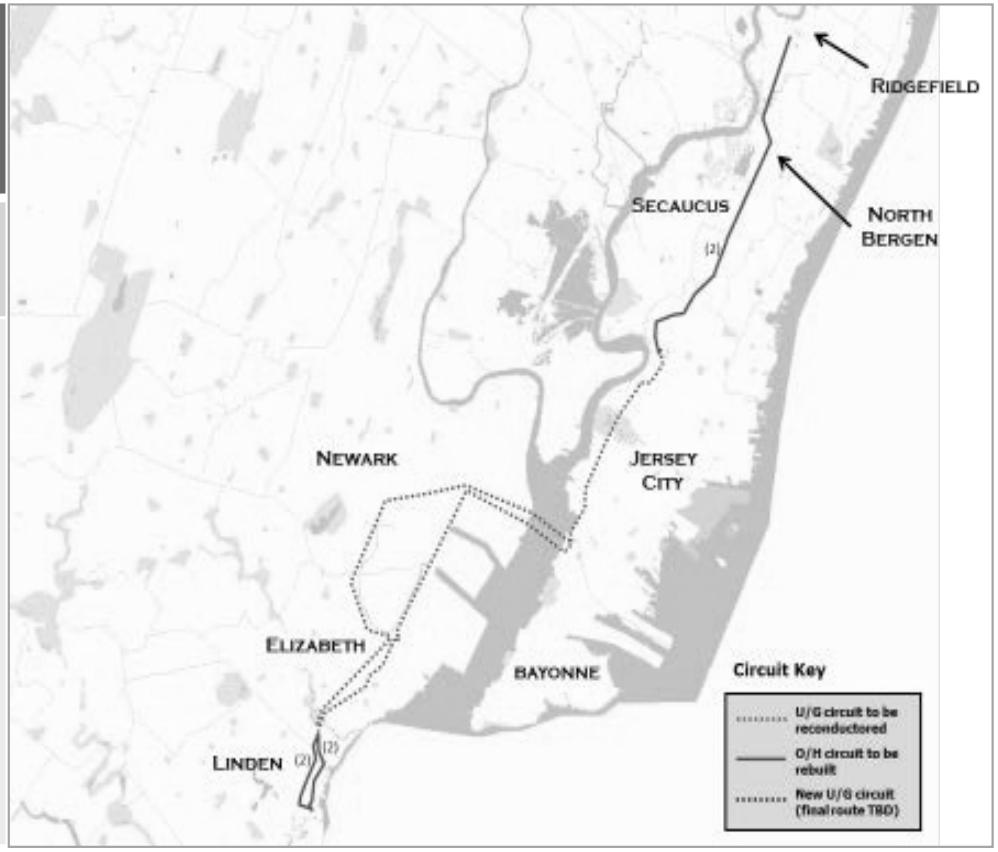
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

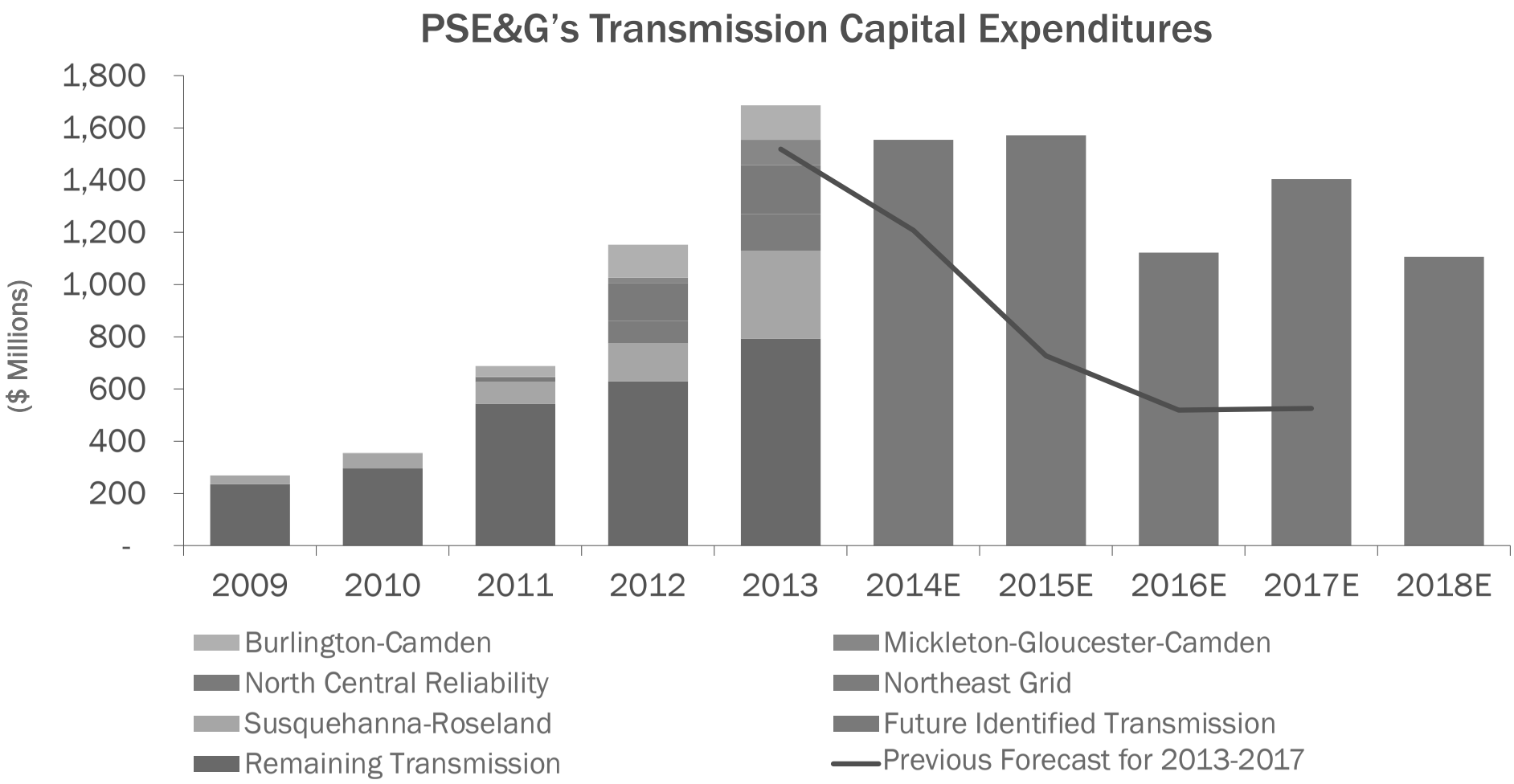
Project Status: Engineering



SI-SSA-0015-07115

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-07116

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-07117

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-07118

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-07119

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-07120

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-07121

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-07122

PSEG POWER

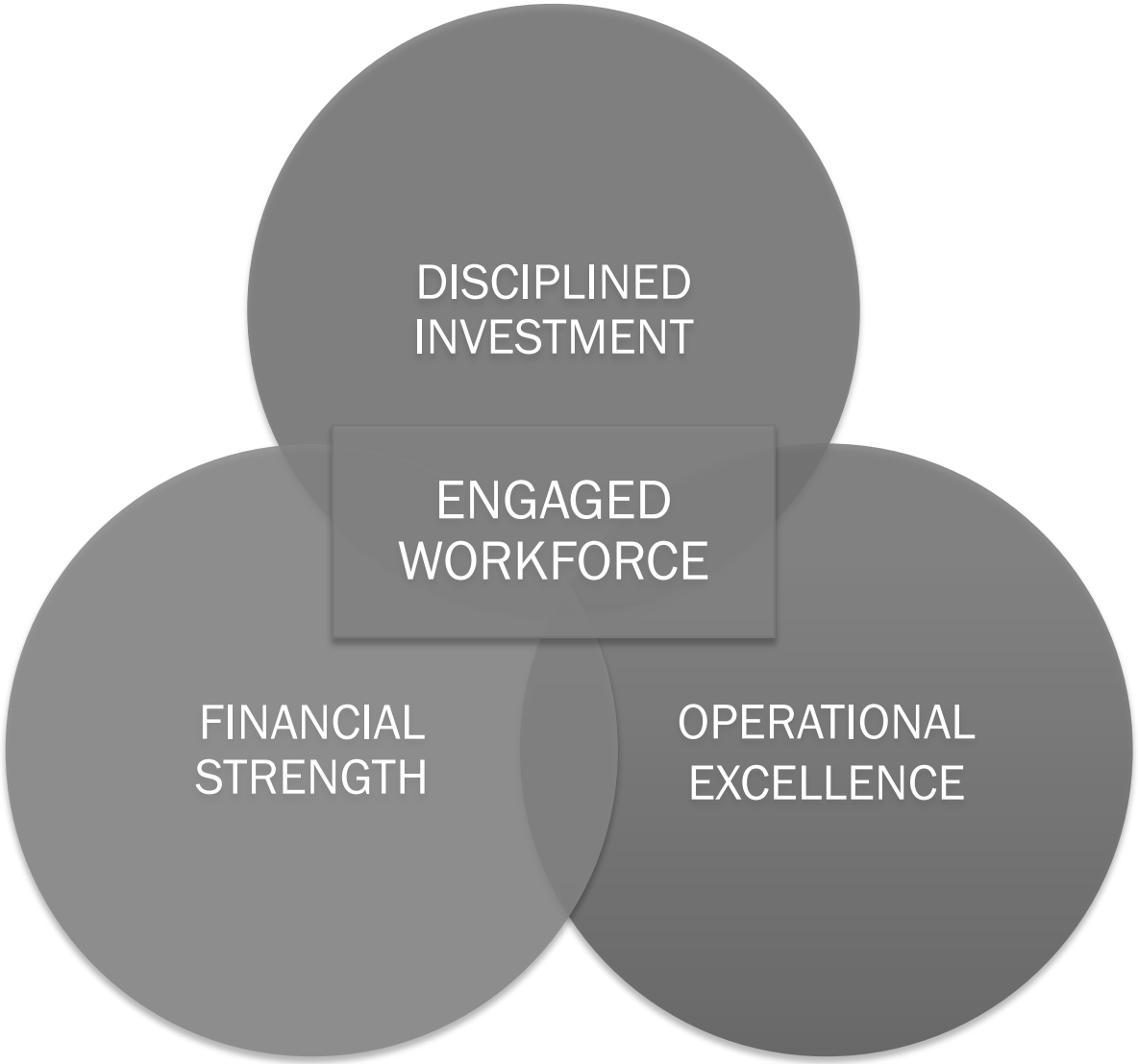
PSEG

We make things work for you.

SI-SSA-0015-07123

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07124

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-07125

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

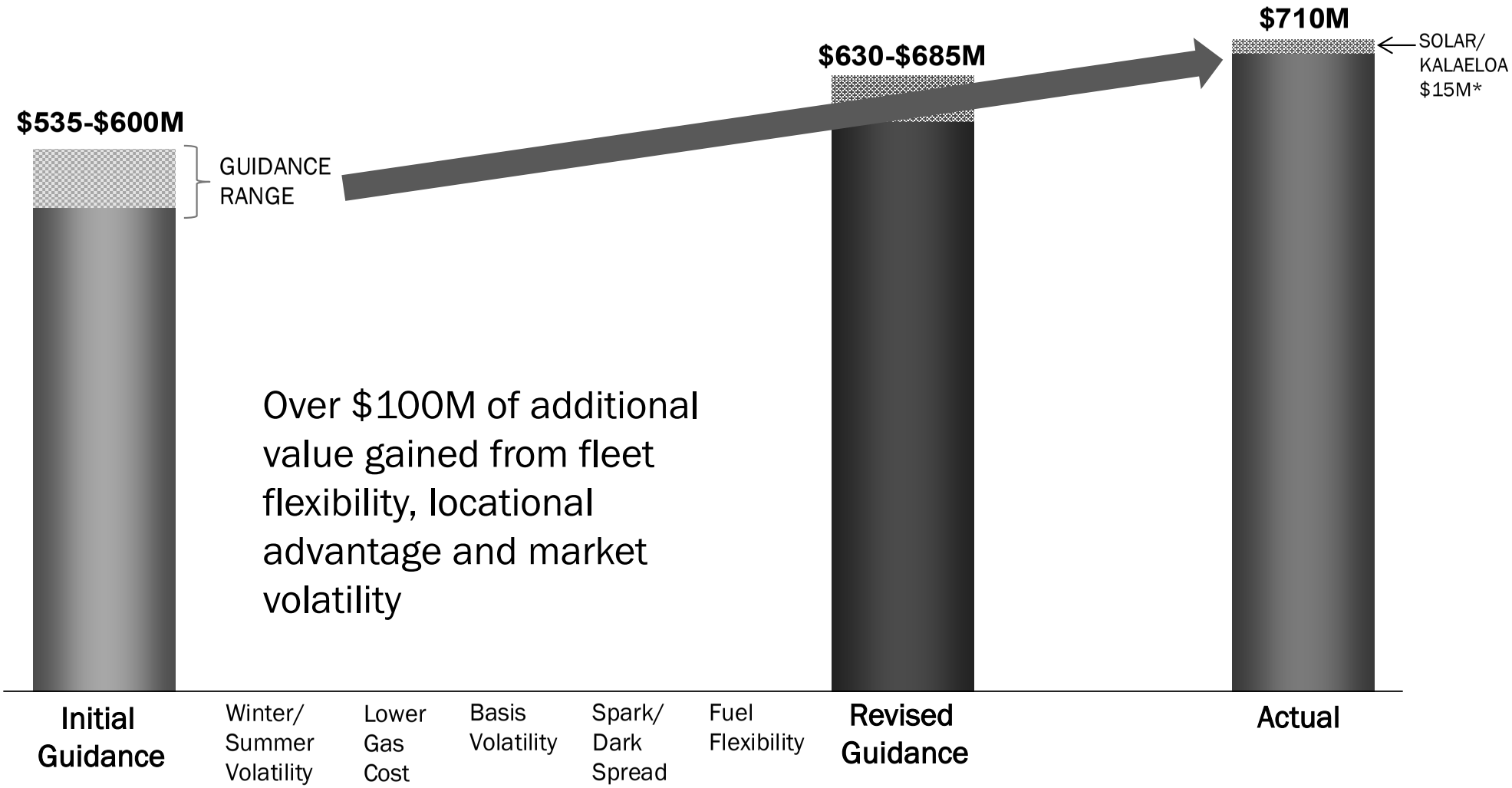
SI-SSA-0015-07126

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-07127

PSEG Power exceeded 2013's earnings guidance



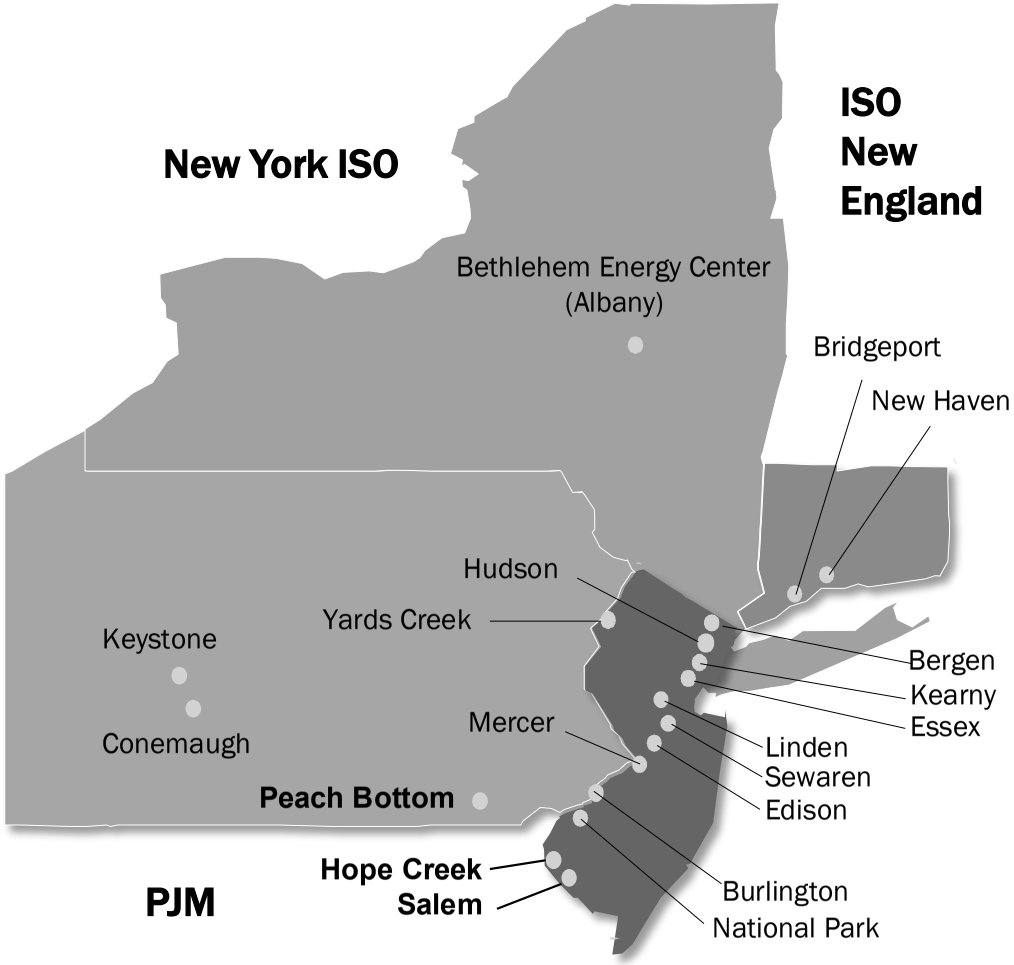
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-07128

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



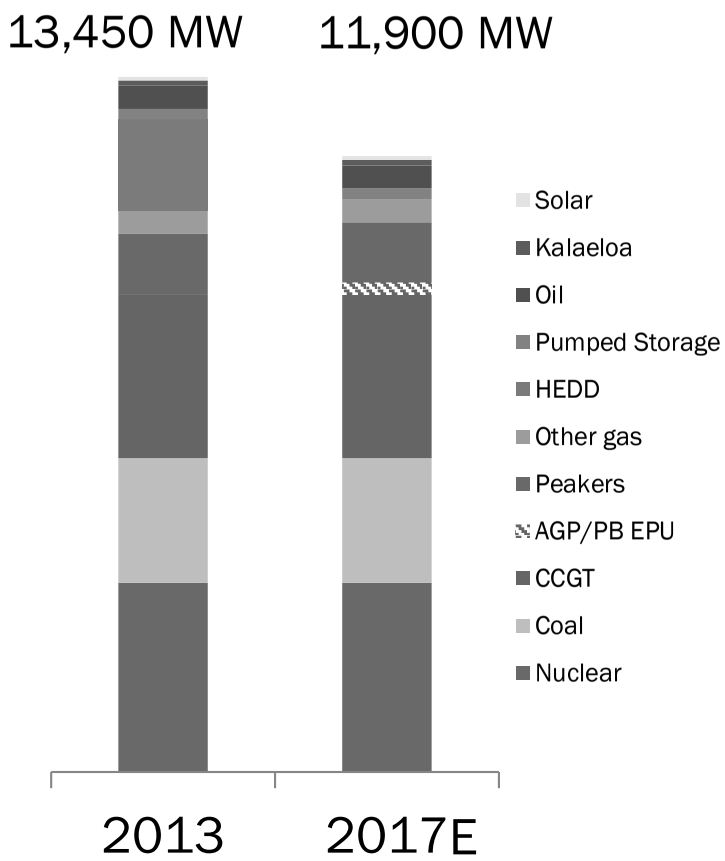
SI-SSA-0015-07129

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

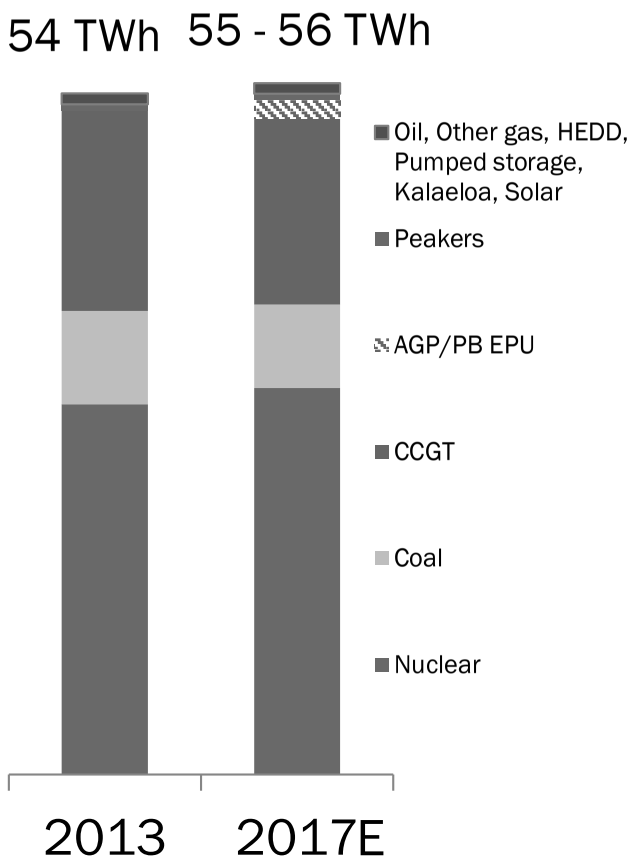
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



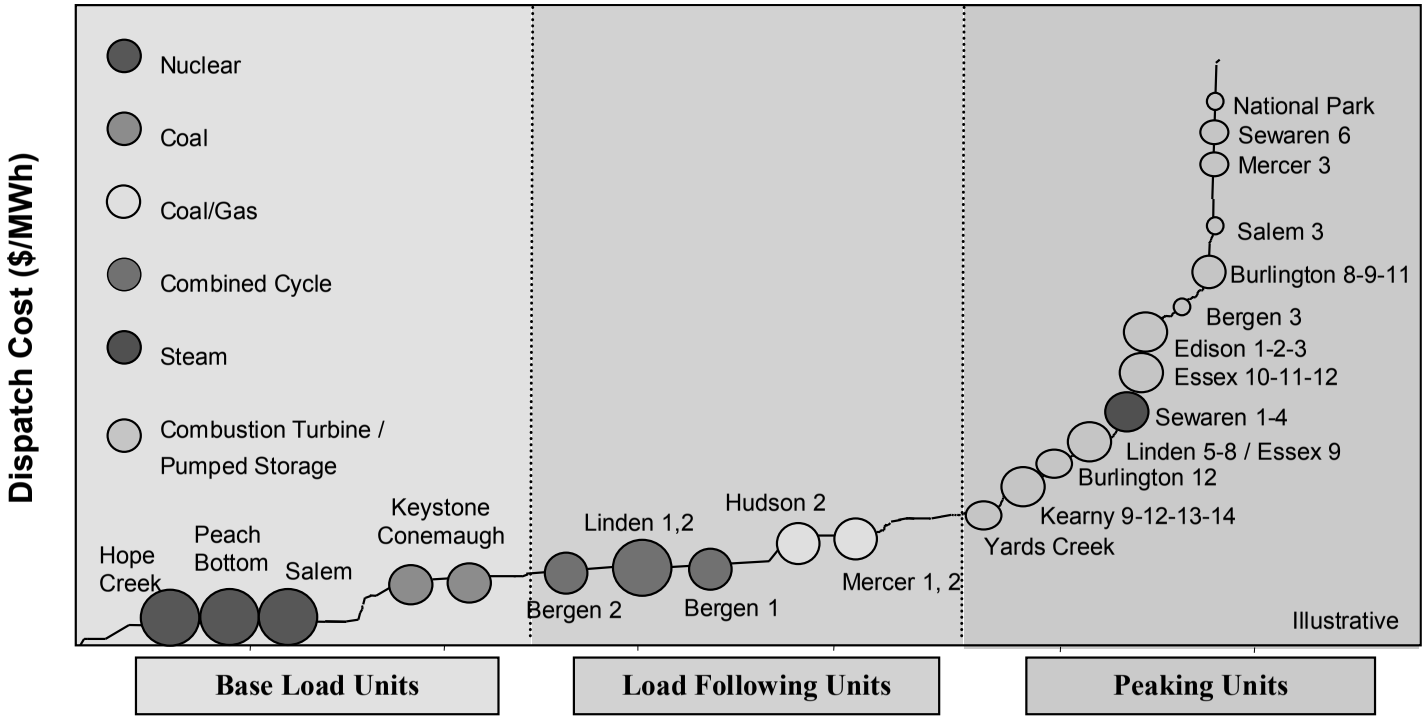
Energy Produced



E=ESTIMATE

SI-SSA-0015-07130

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-07131

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Fall 2014 ➢ Unit 2 – Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Fall 2014 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW in 2015/2016

SI-SSA-0015-07132

PSEG Power Nuclear is core to the fleet and has competitive advantages

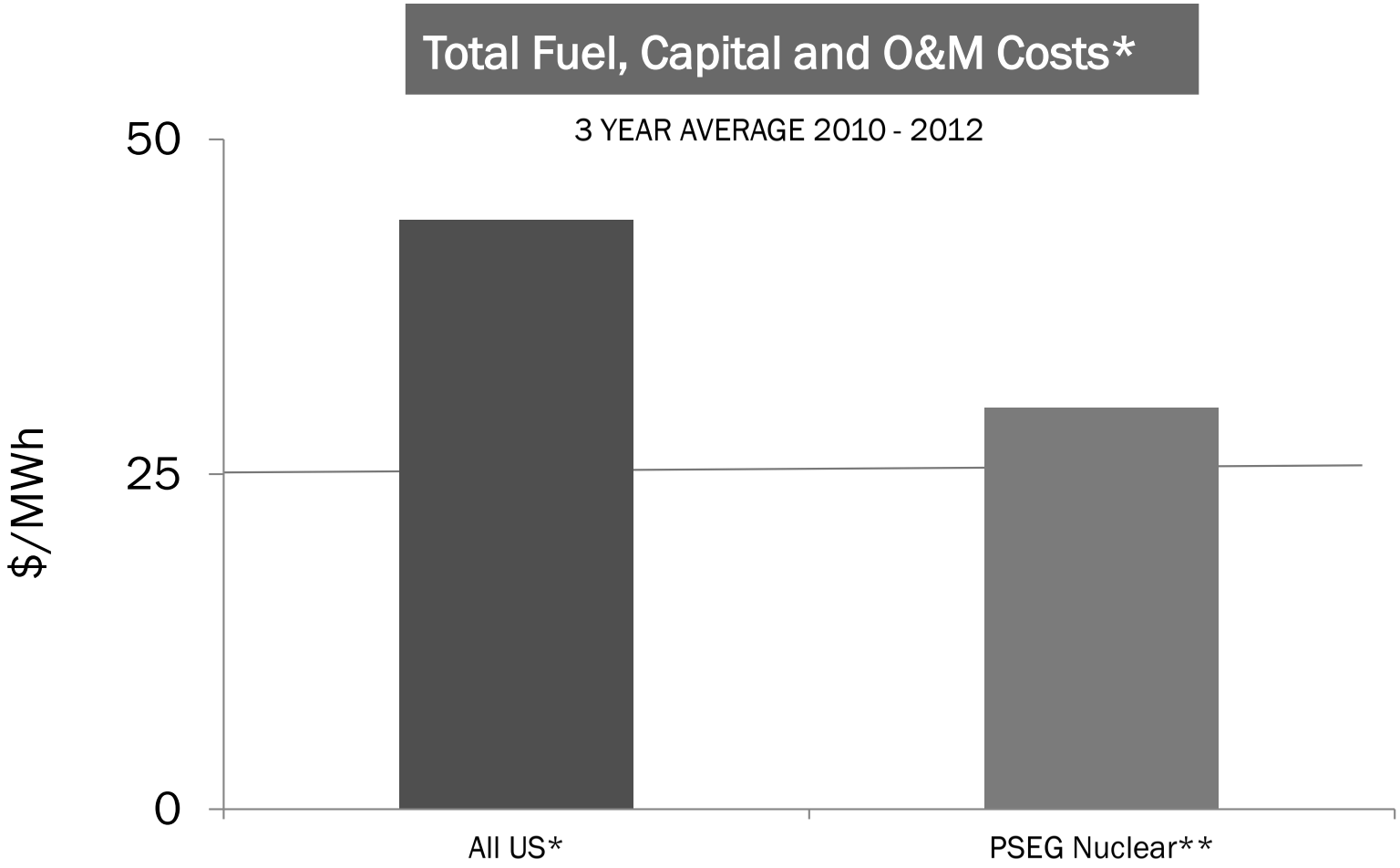
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-07133

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

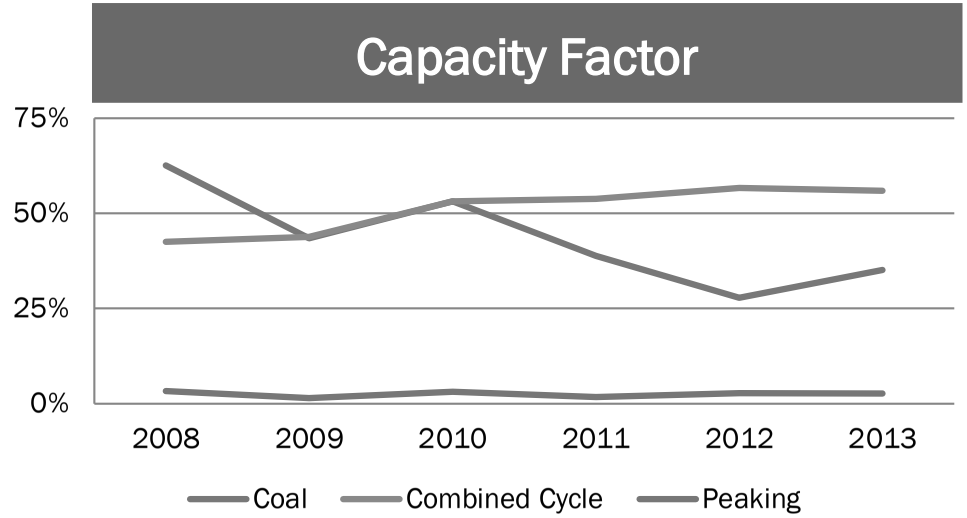


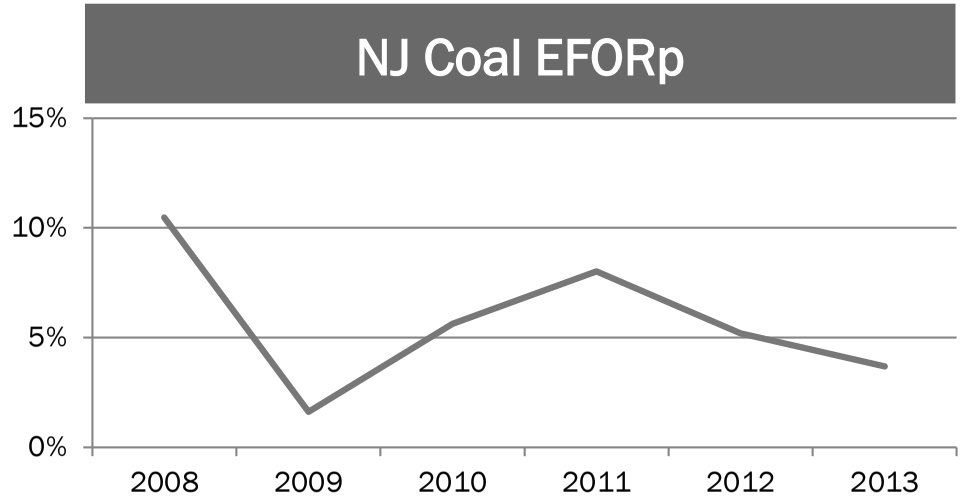
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

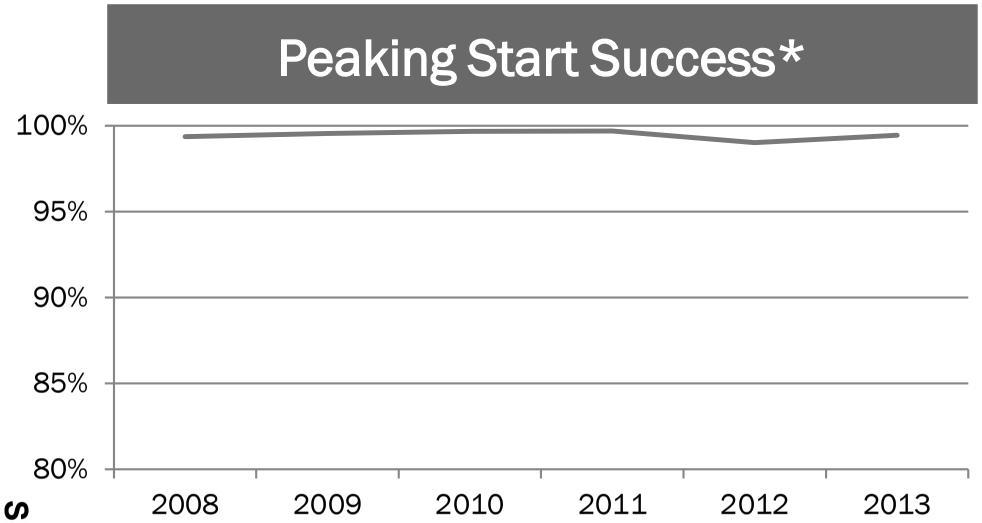
SI-SSA-0015-07134

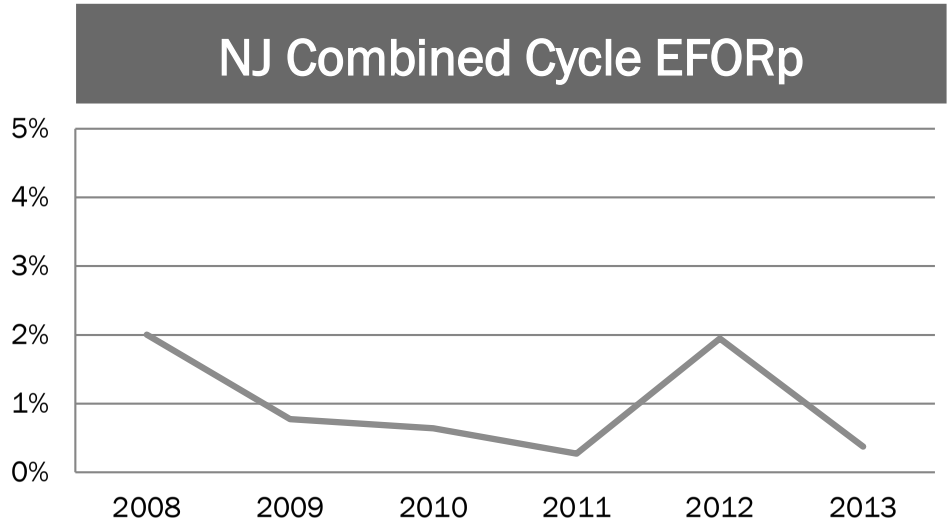
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

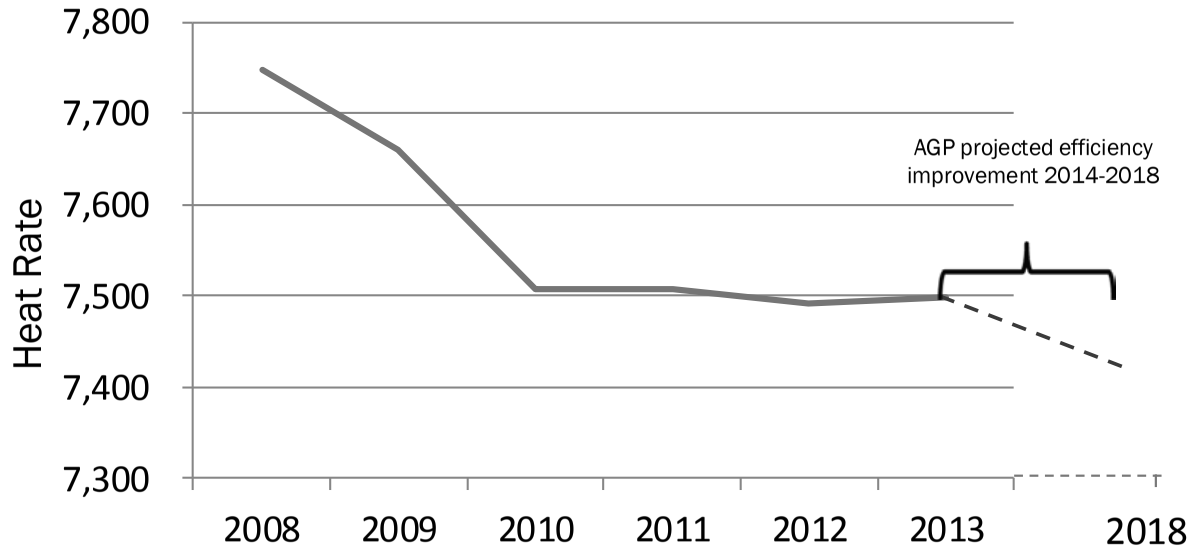
SI-SSA-0015-07135

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-07136

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

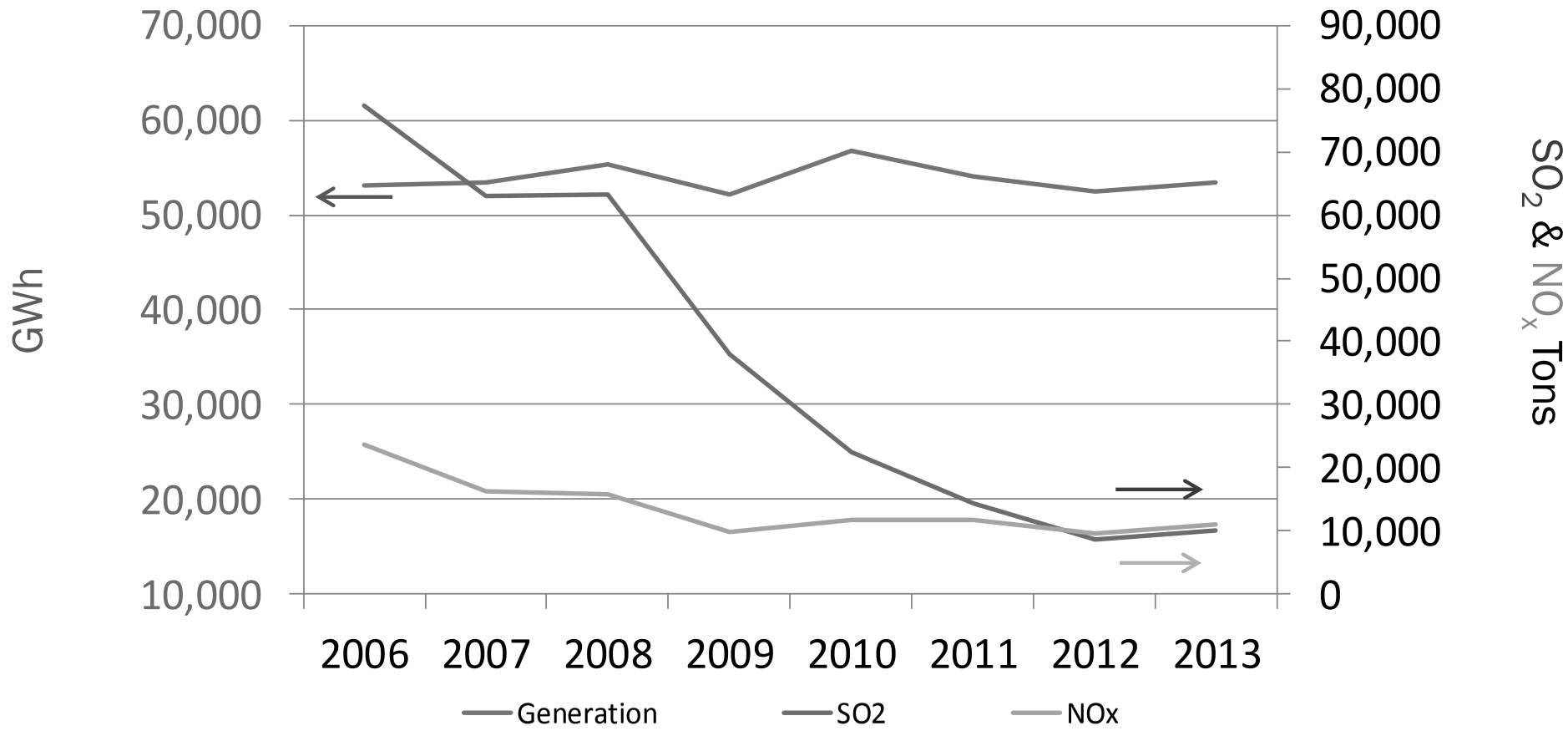
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-07137

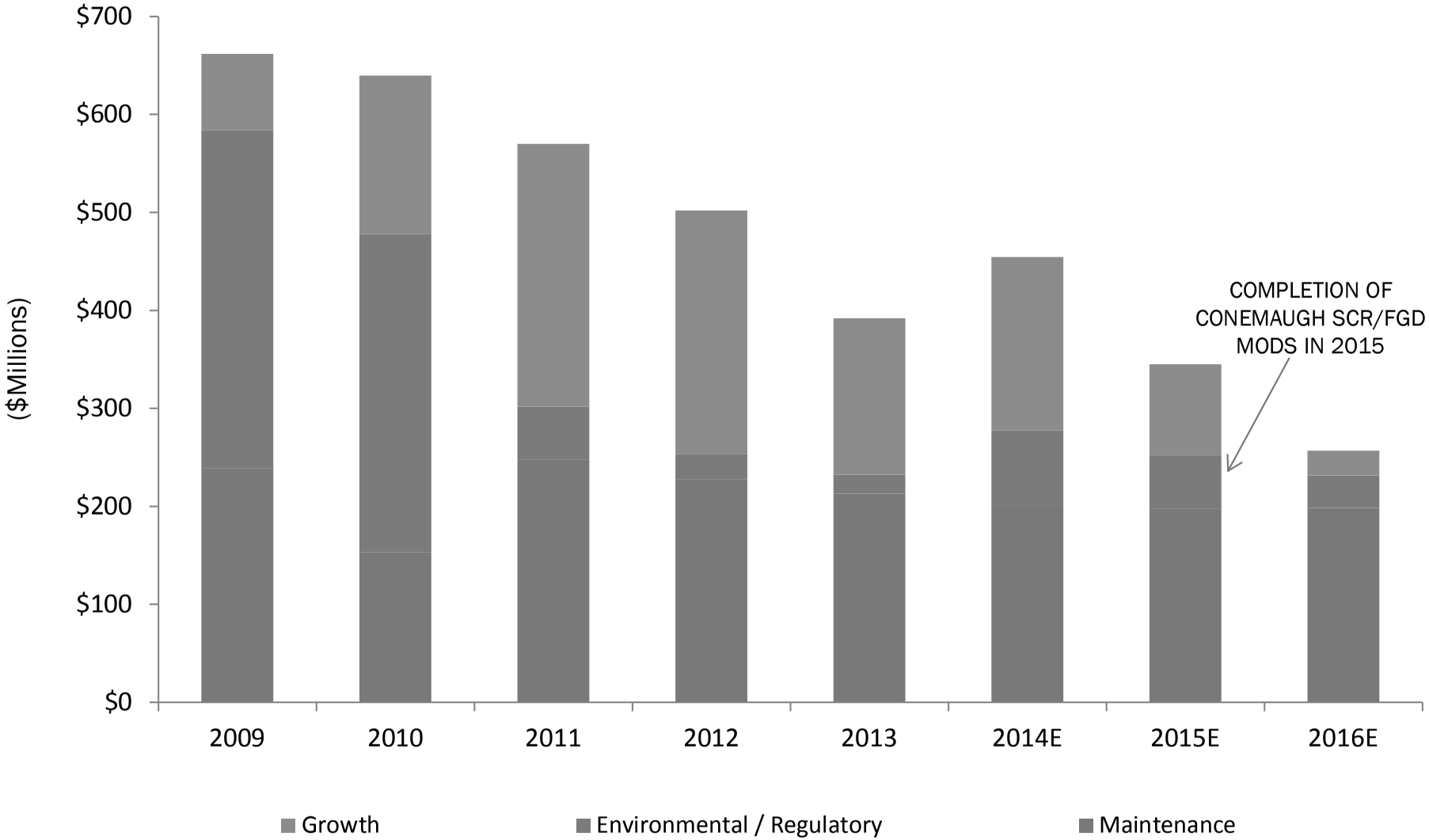
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-07138

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-07139

PSEG

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-07140

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

In Construction
Texas (13 MW)/COD YE 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

In Construction
Vermont (4 MW)/COD Oct 2014E
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-07141

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

SI-SSA-0015-07142

PSEG

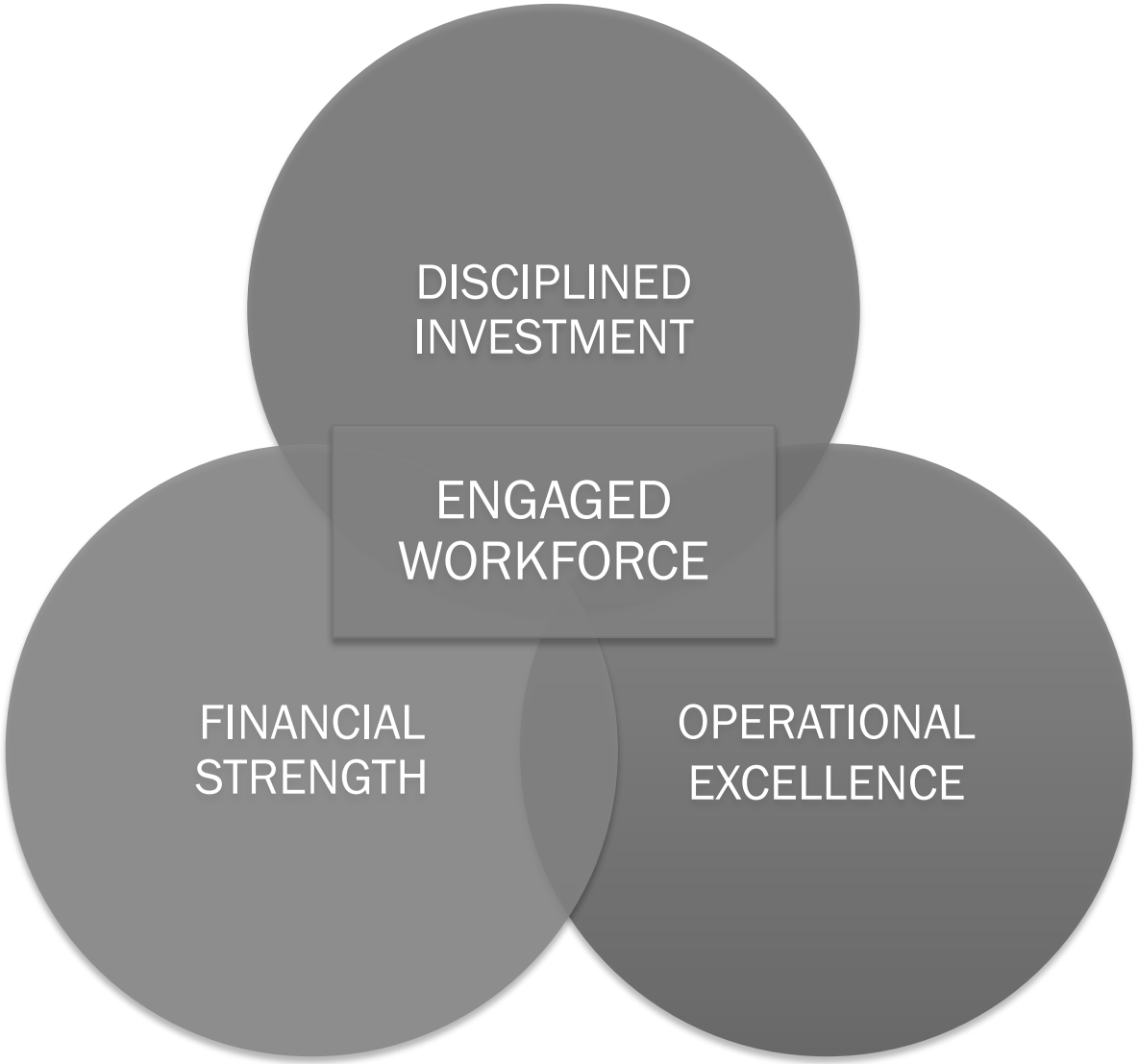
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-07143

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

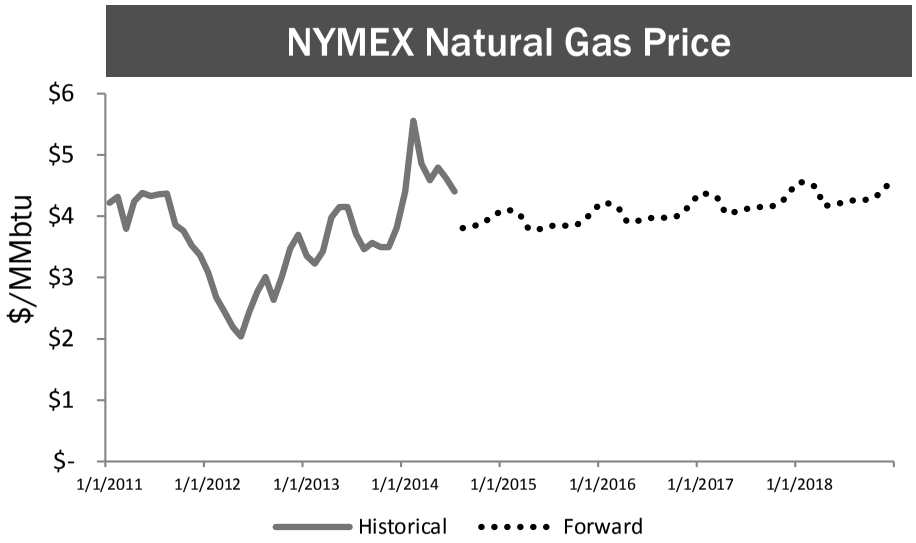
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

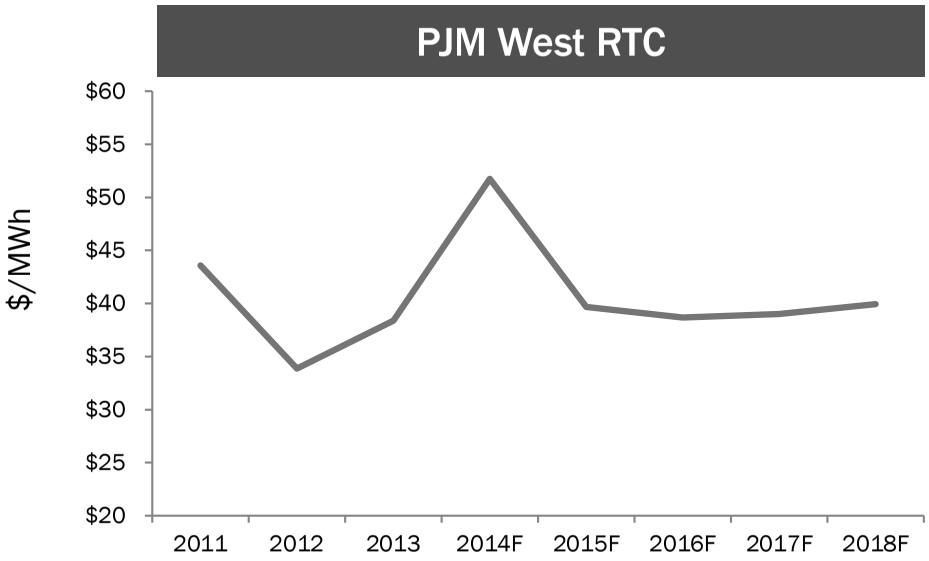
PSEG's Sustainable Advantage

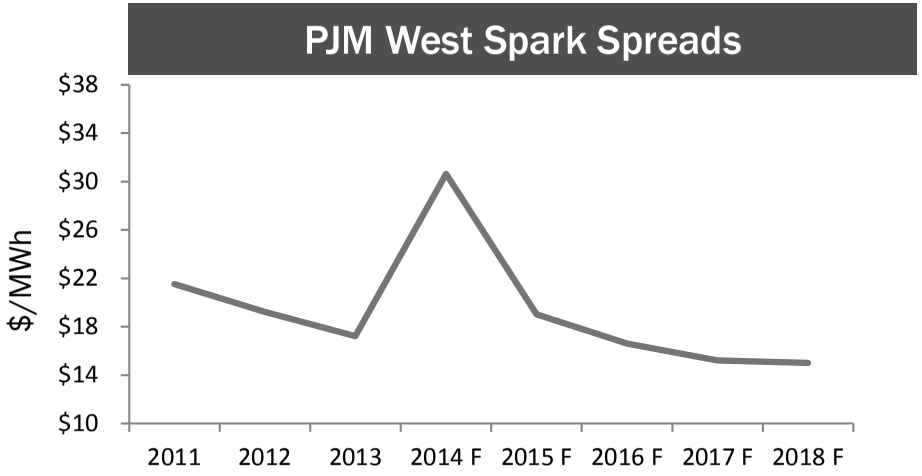
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-07144

Market Review: Long-term fundamentals remain sound







- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

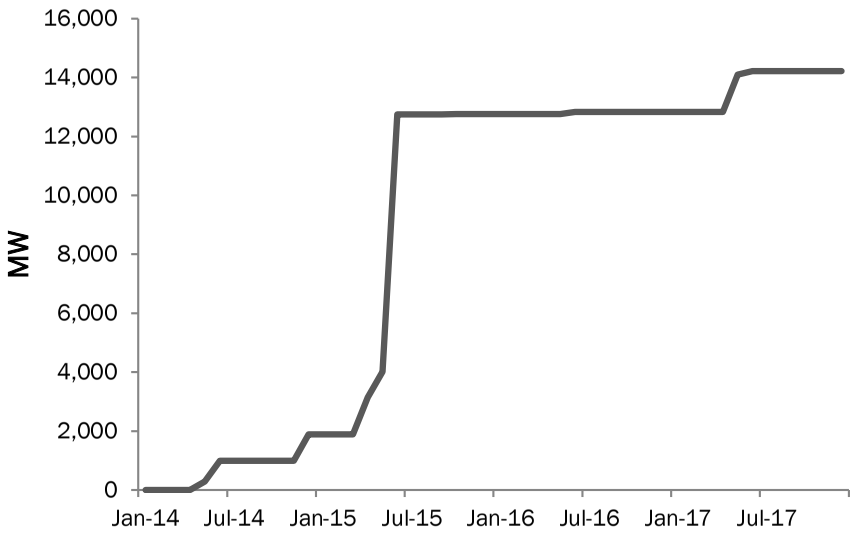
SI-SSA-0015-07145

PSEG

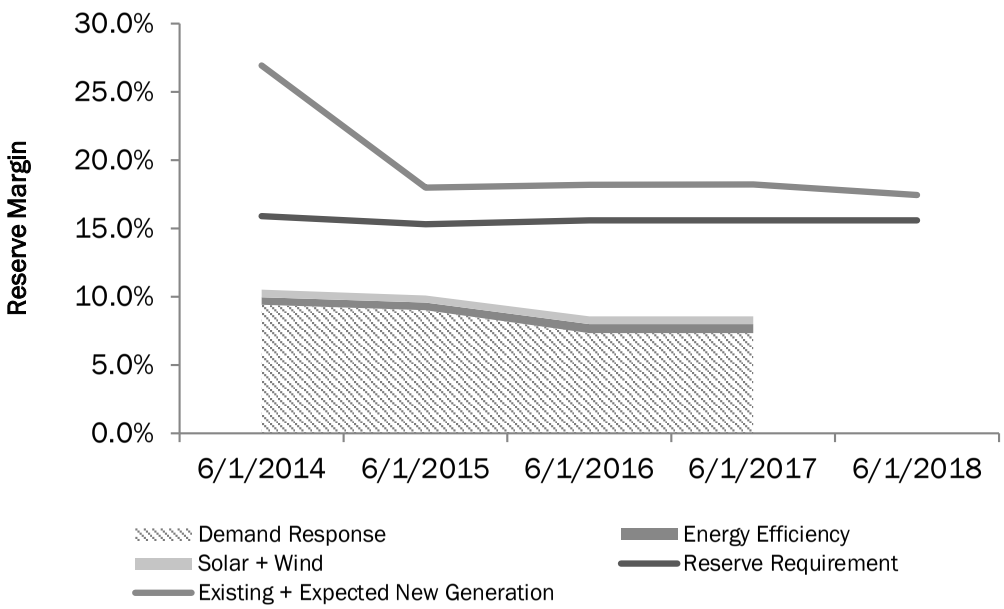
F=FORWARDS AS OF 8/13/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-07146

PSEG

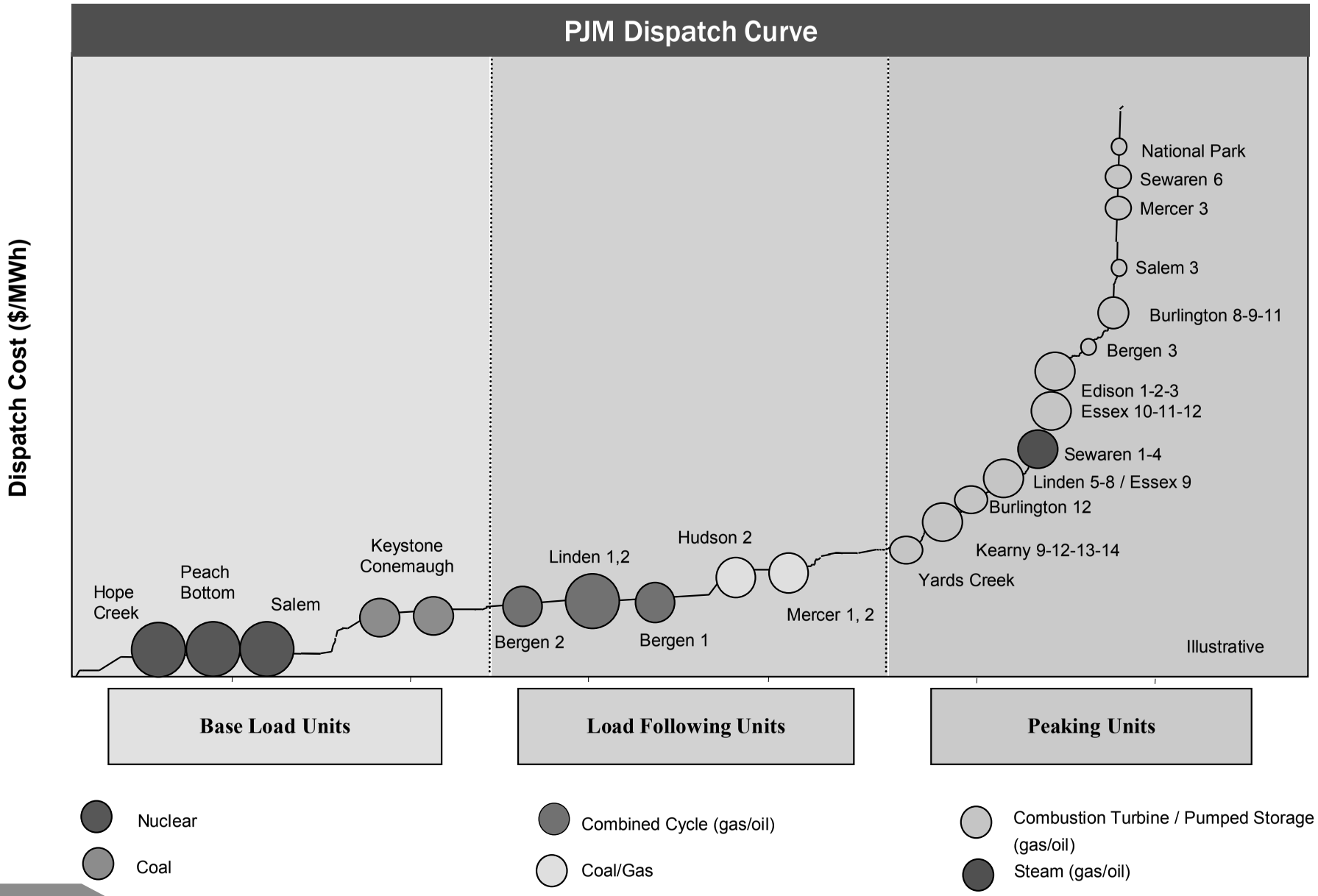
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

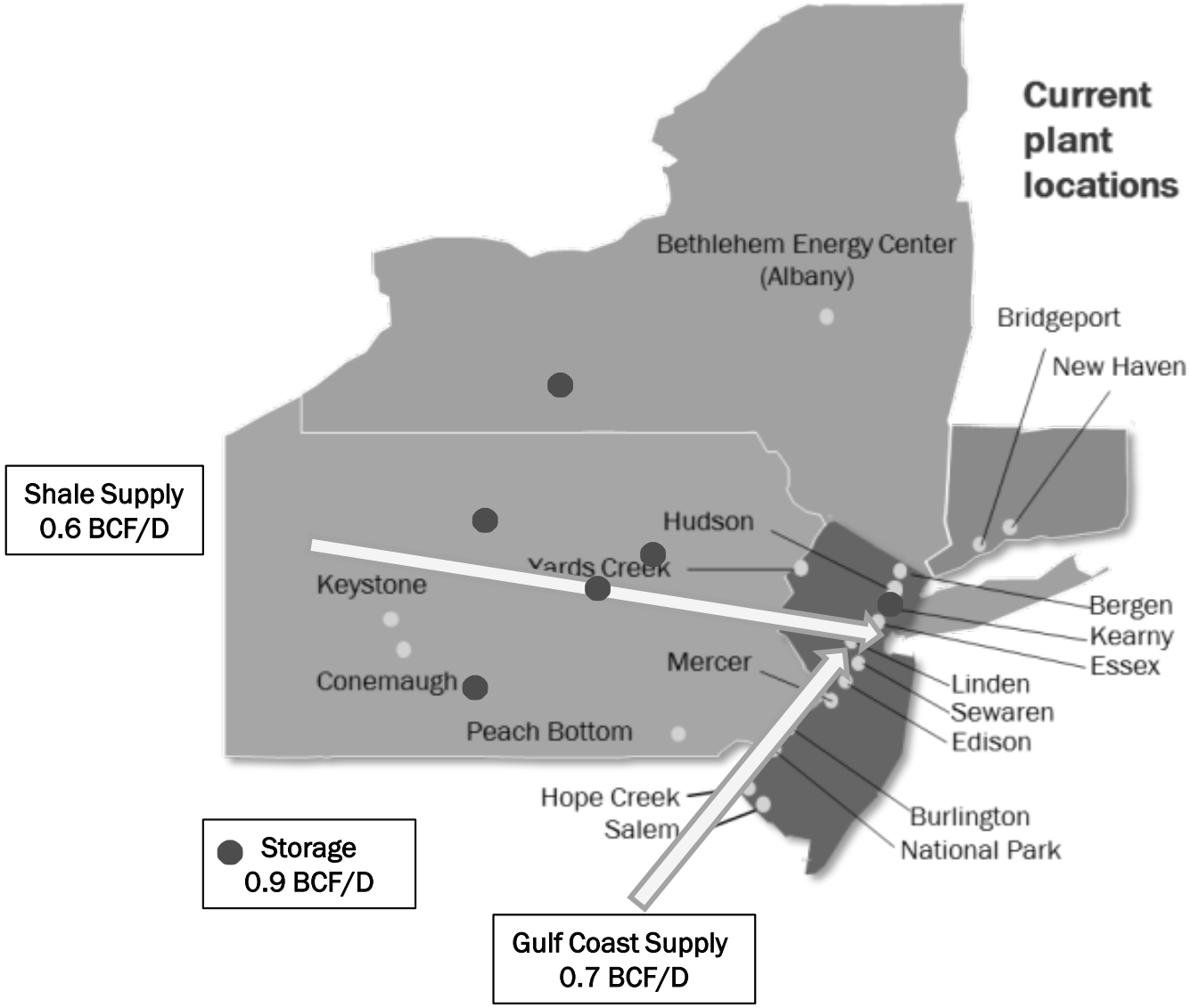
SI-SSA-0015-07147

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



SI-SSA-0015-07148

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

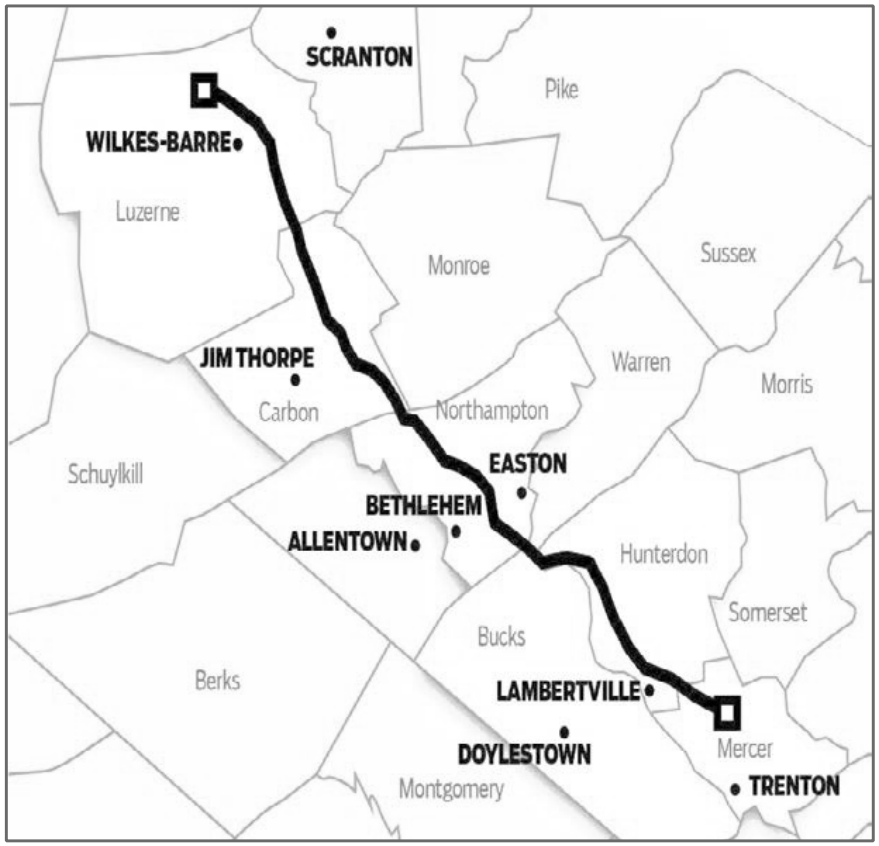


SI-SSA-0015-07149

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

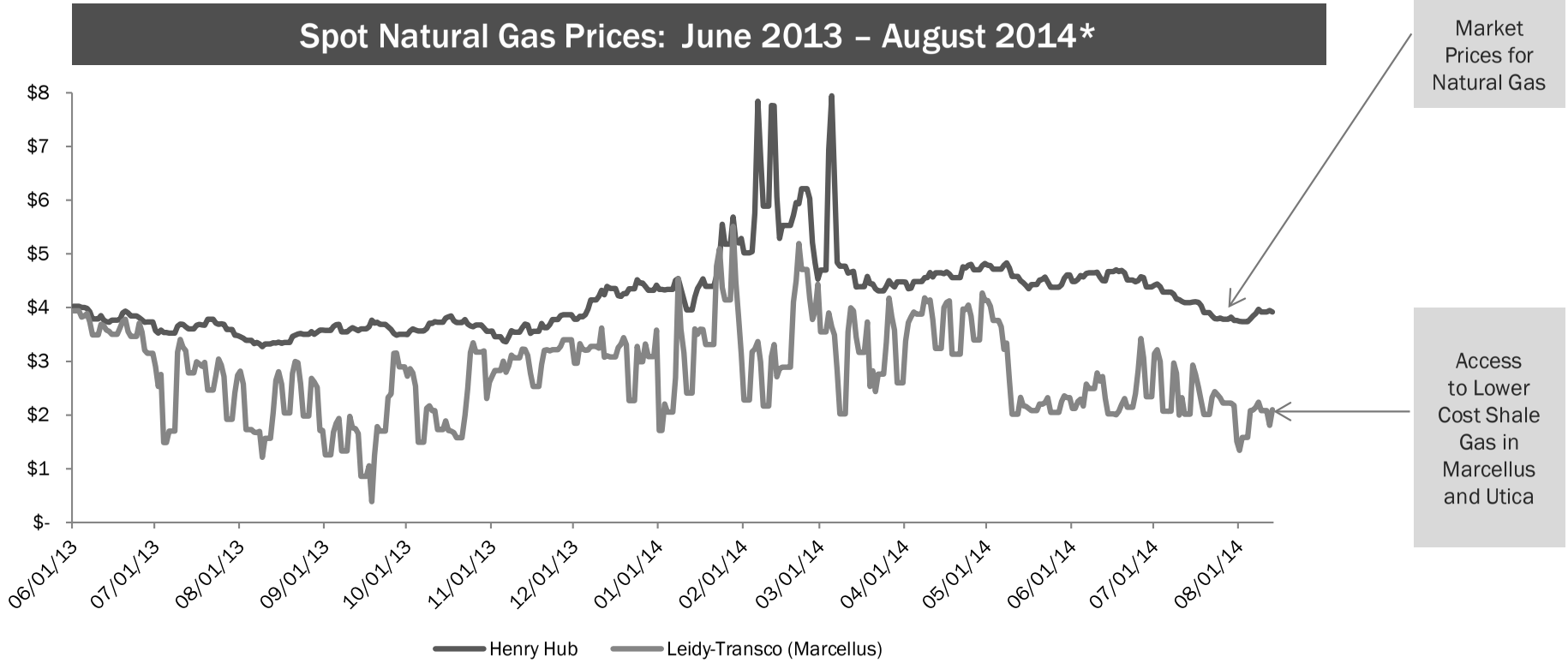
Proposed PennEast Pipeline Project



- PSEG plans to invest $100 - $120 million for a 12% equity interest in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors have committed to offtake ~500mmcf/day
- PSEG and its customers would benefit from the displacement of higher-cost, Gulf Coast gas supply
- Targeted in-service date is November 2017

SI-SSA-0015-07150

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

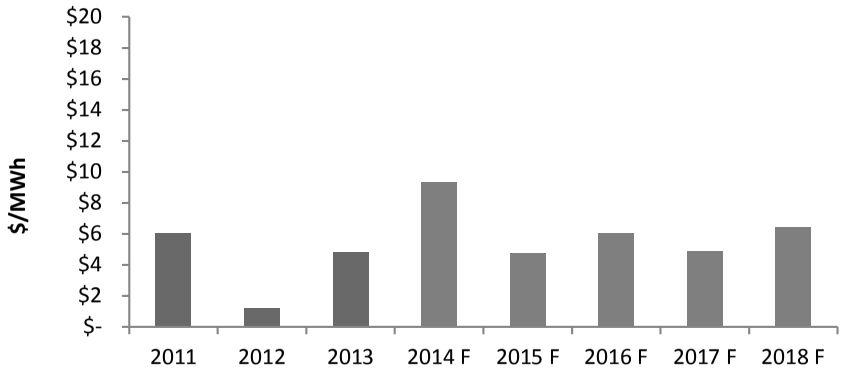
SI-SSA-0015-07151

PSEG

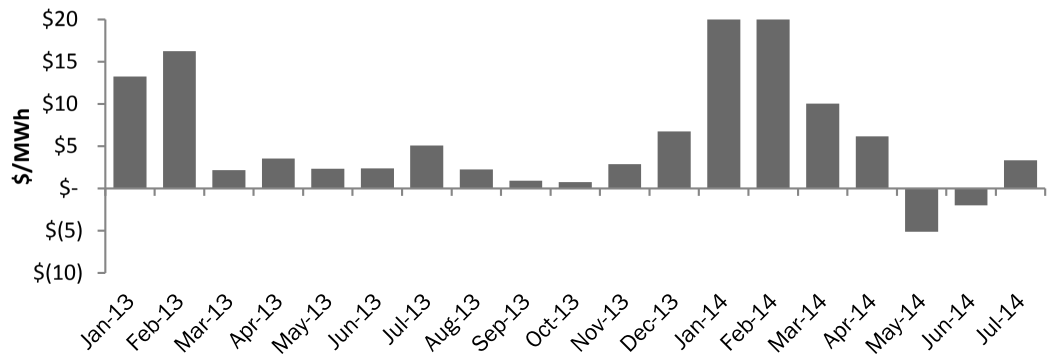
*AS OF 8/13/2014

Competitive Advantage: Locational advantage from short term basis volatility

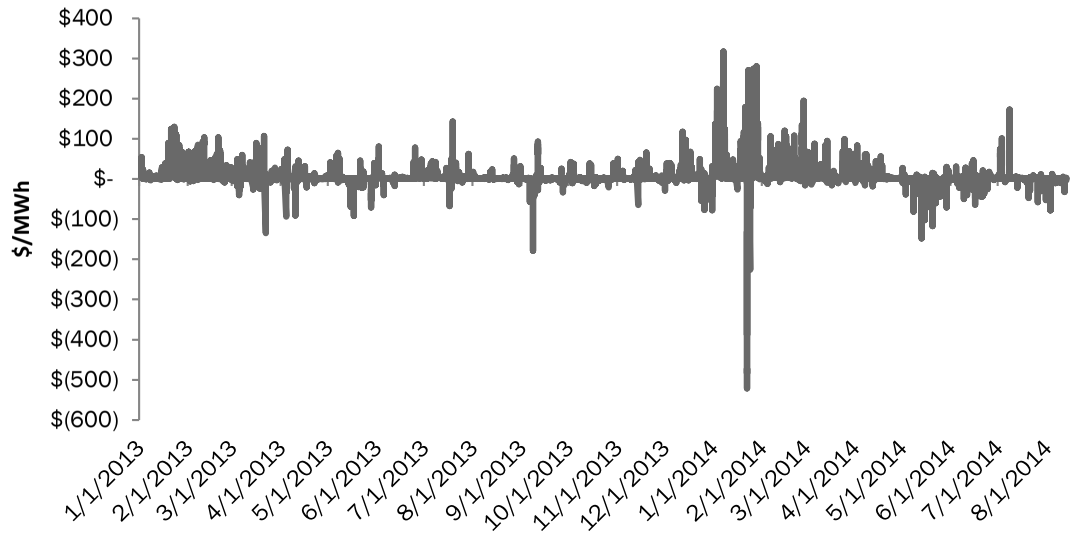
PS Zone Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W

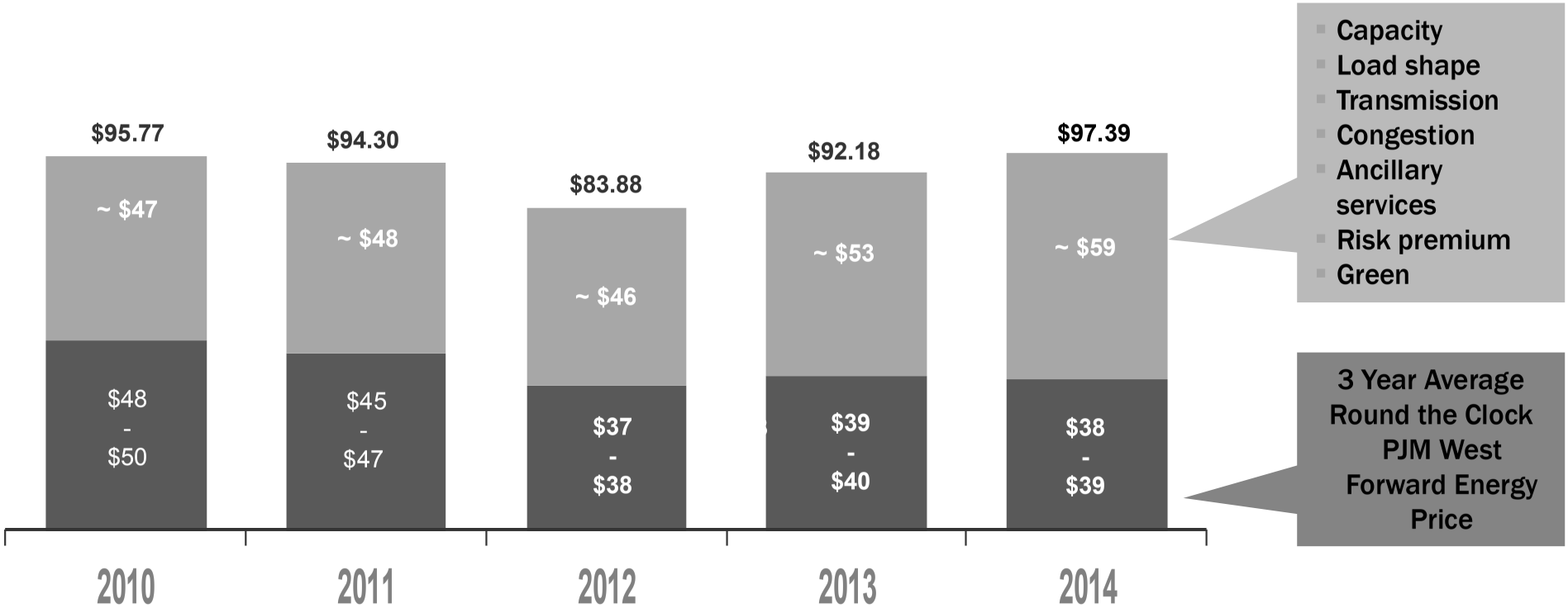


- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-07152

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 8/13/2014. 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-07153

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-07154

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

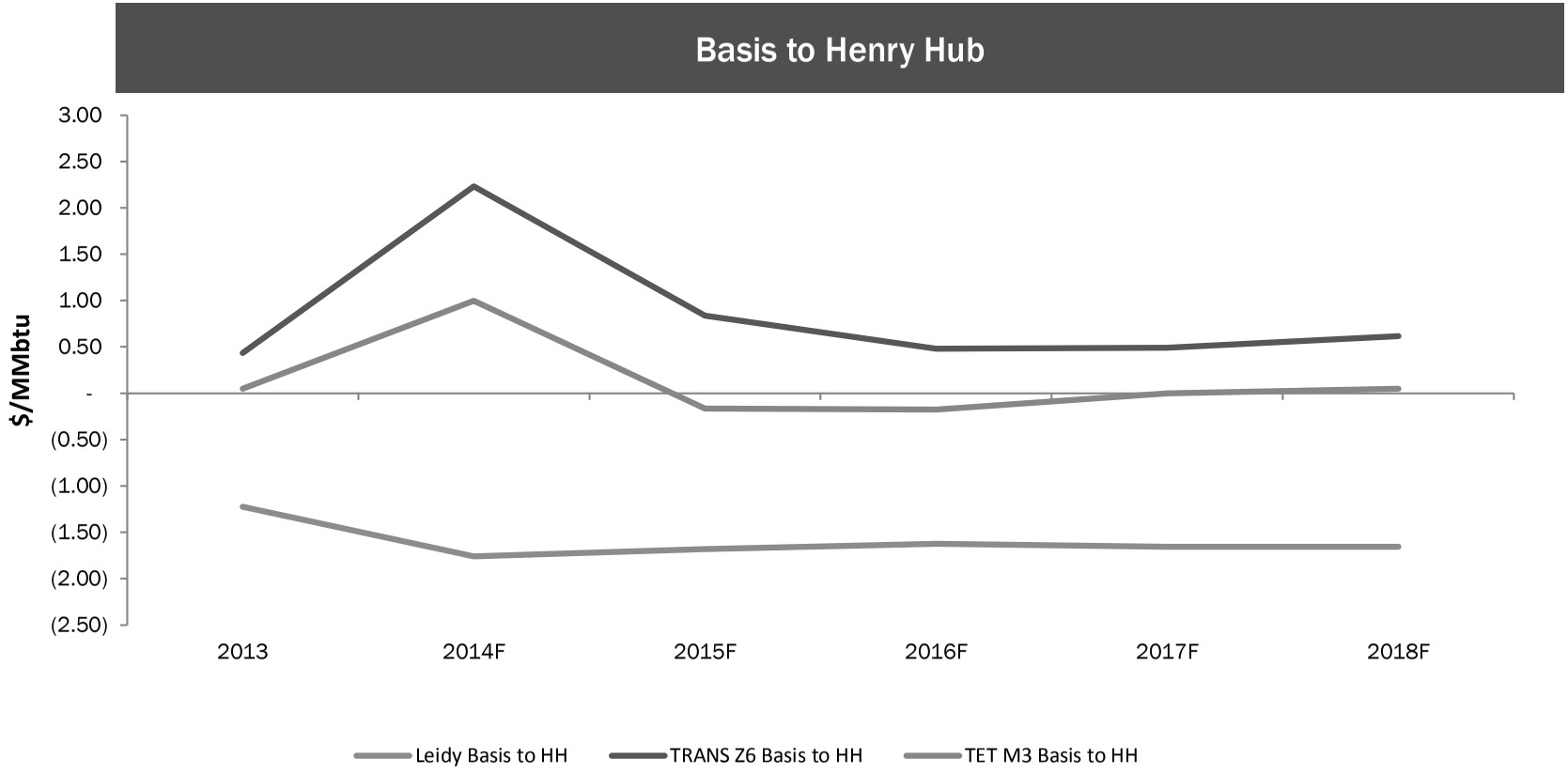
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-07155

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-07156

PSEG

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 8/13/14. 2014F INCLUDES HISTORY AND FORWARDS.
LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-07157

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-07158

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-07159

Exceeded upwardly revised guidance

in both businesses

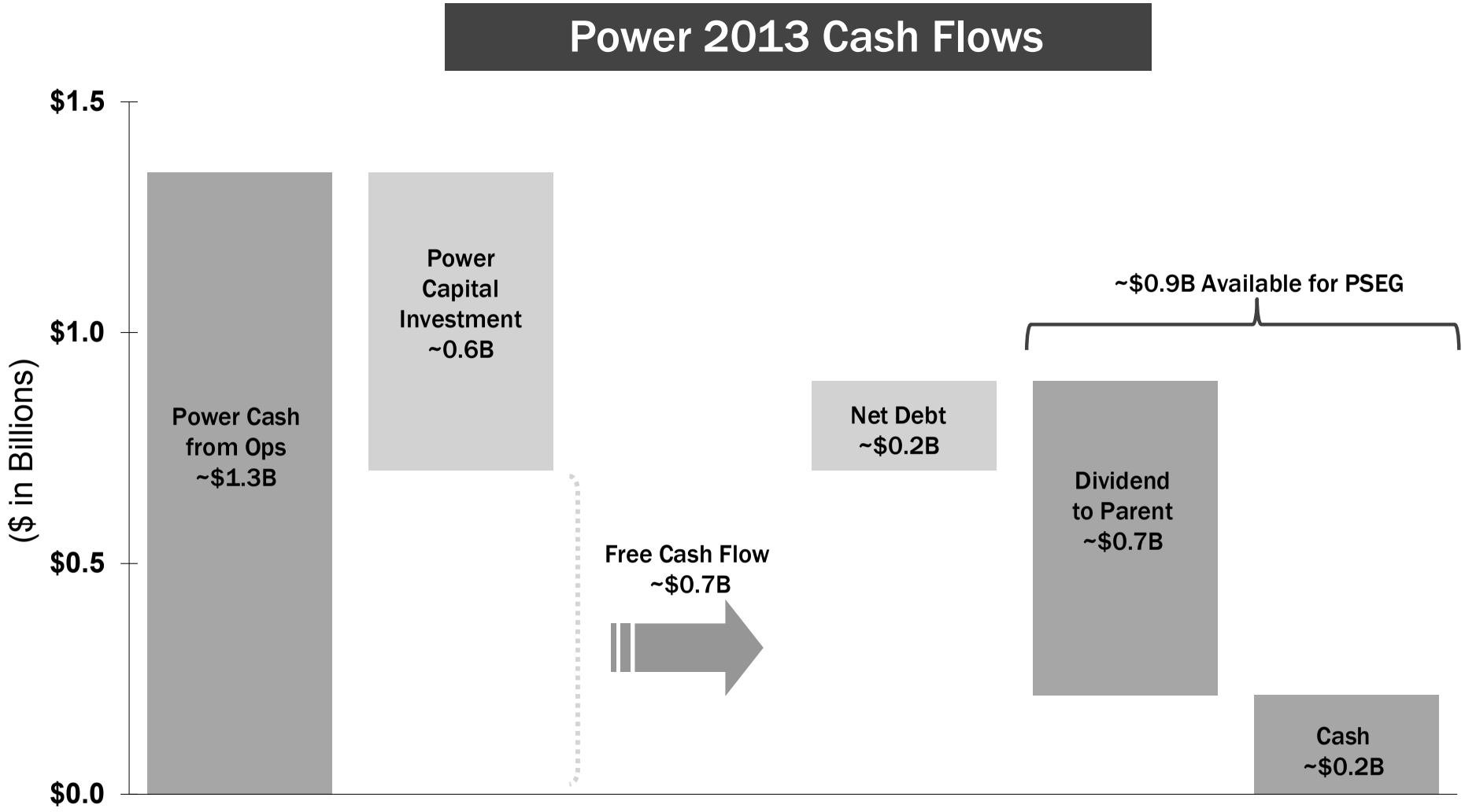
PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

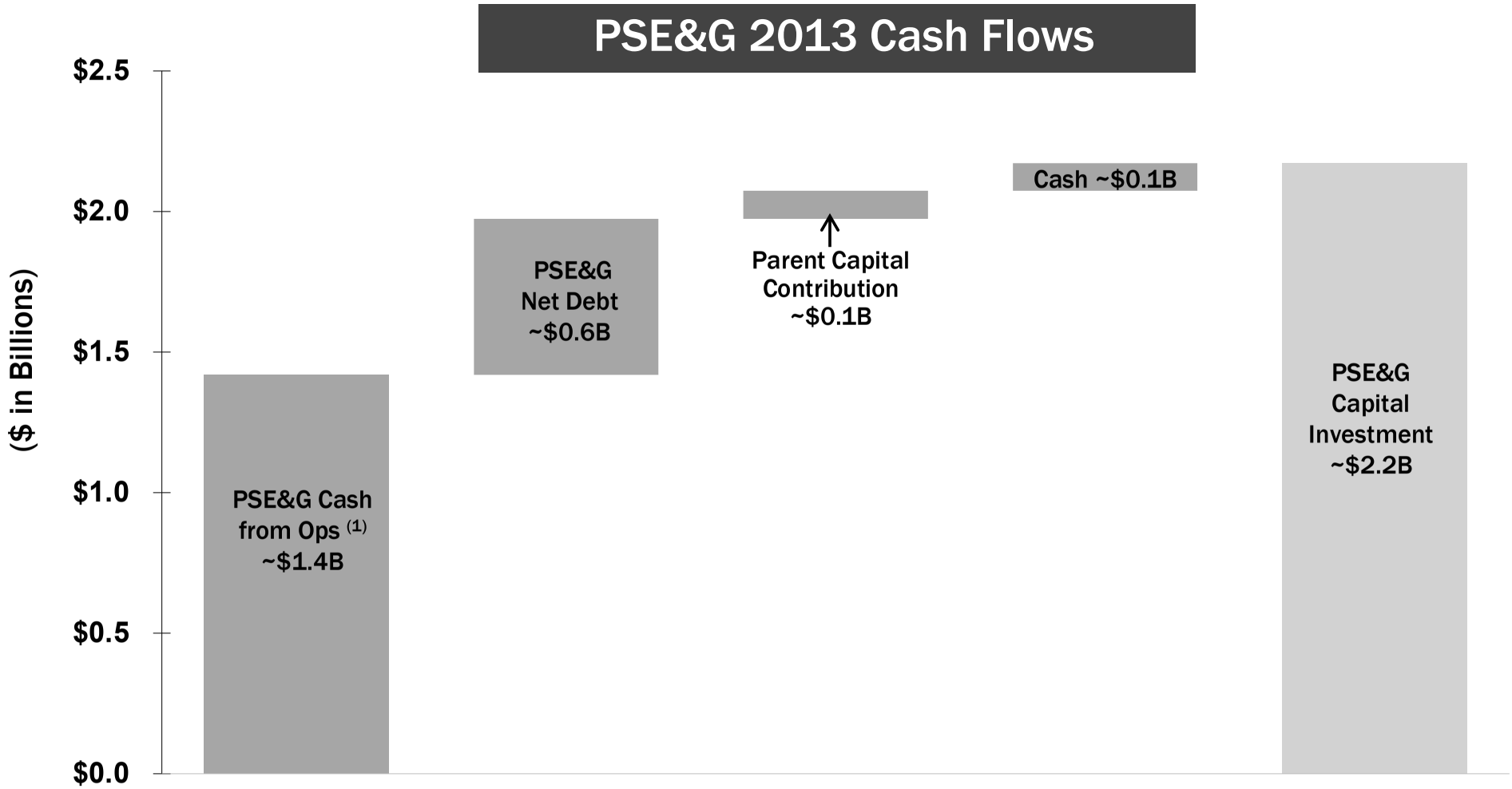
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-07161

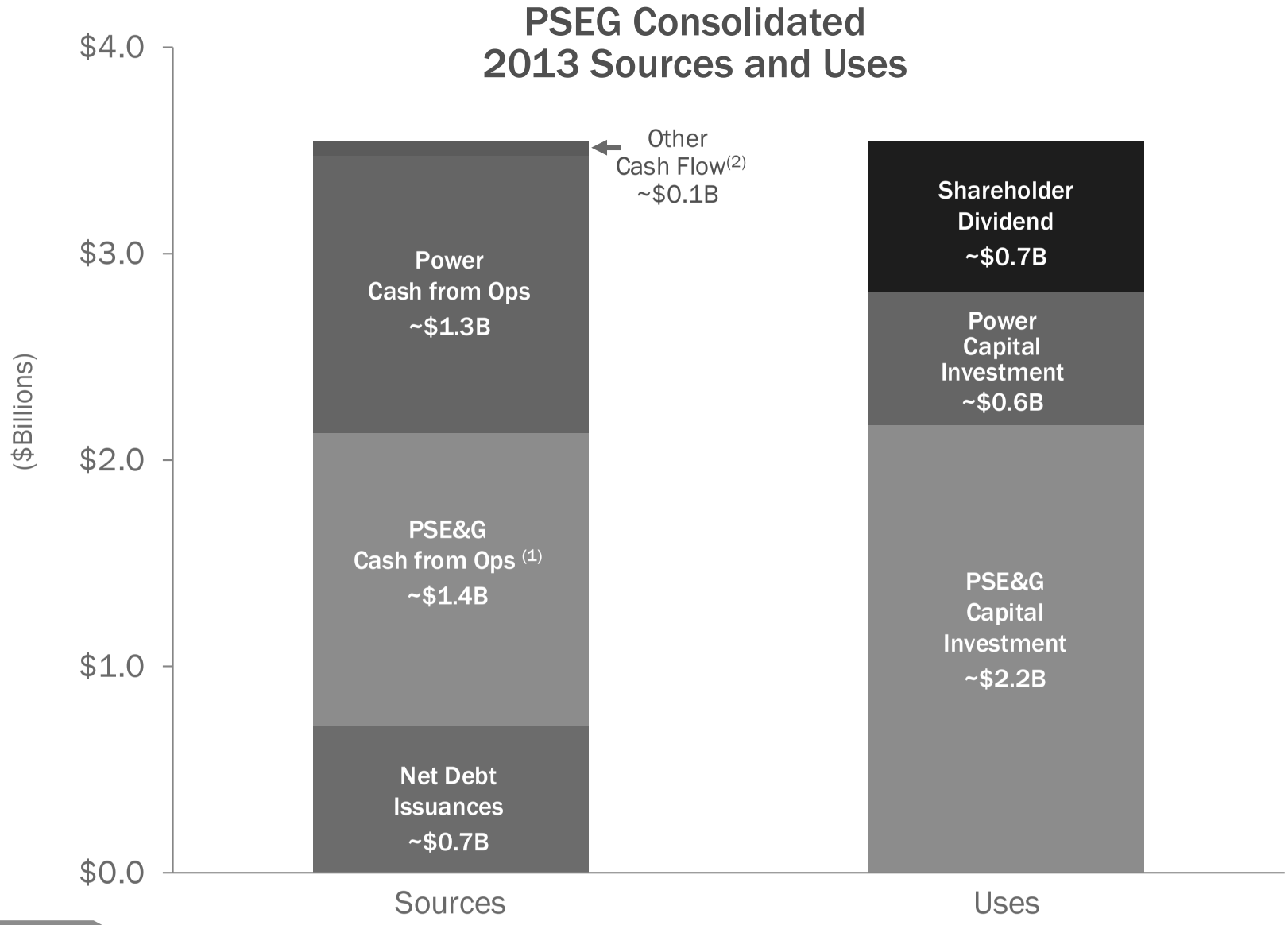
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-07162

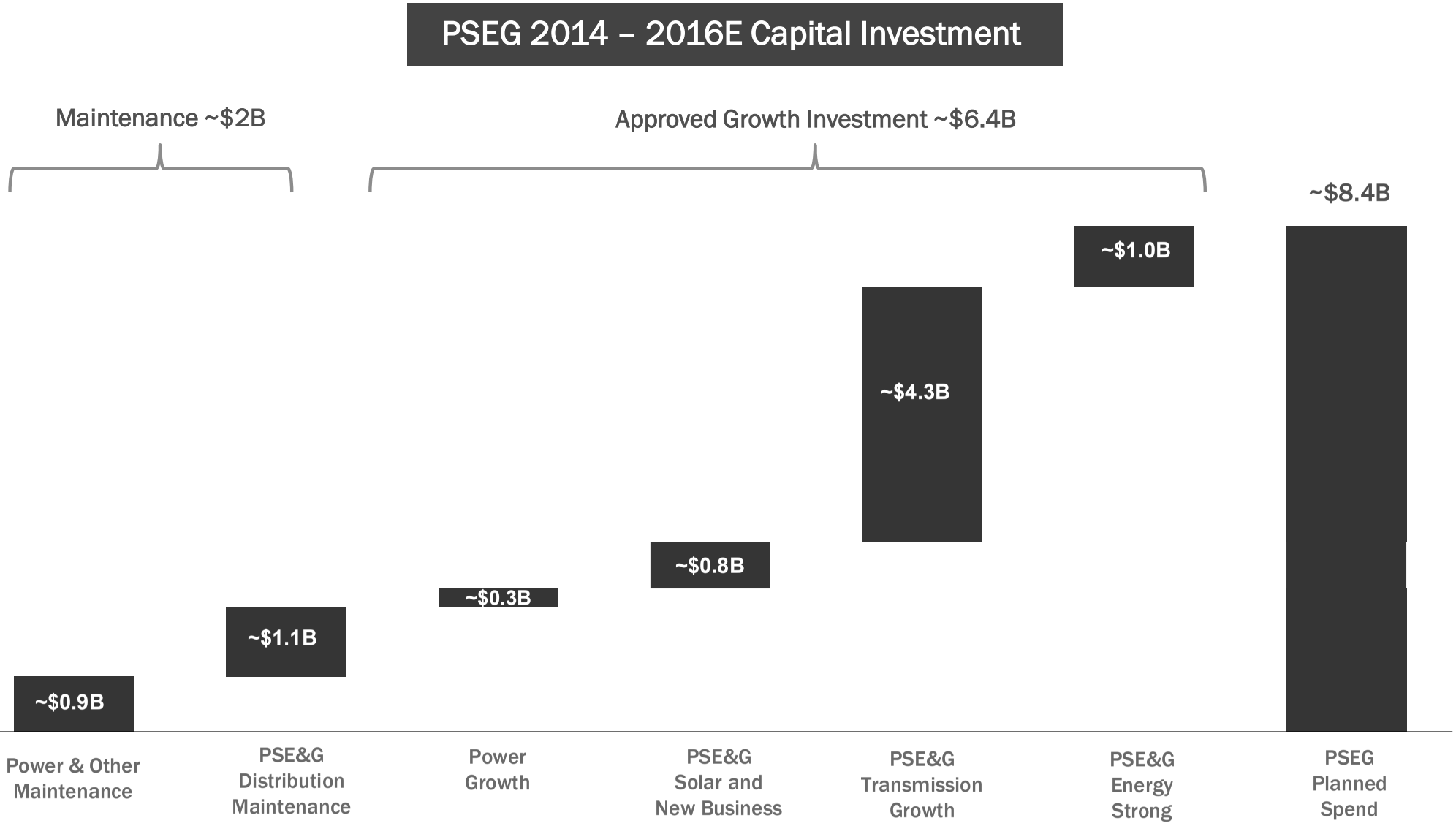
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-07163

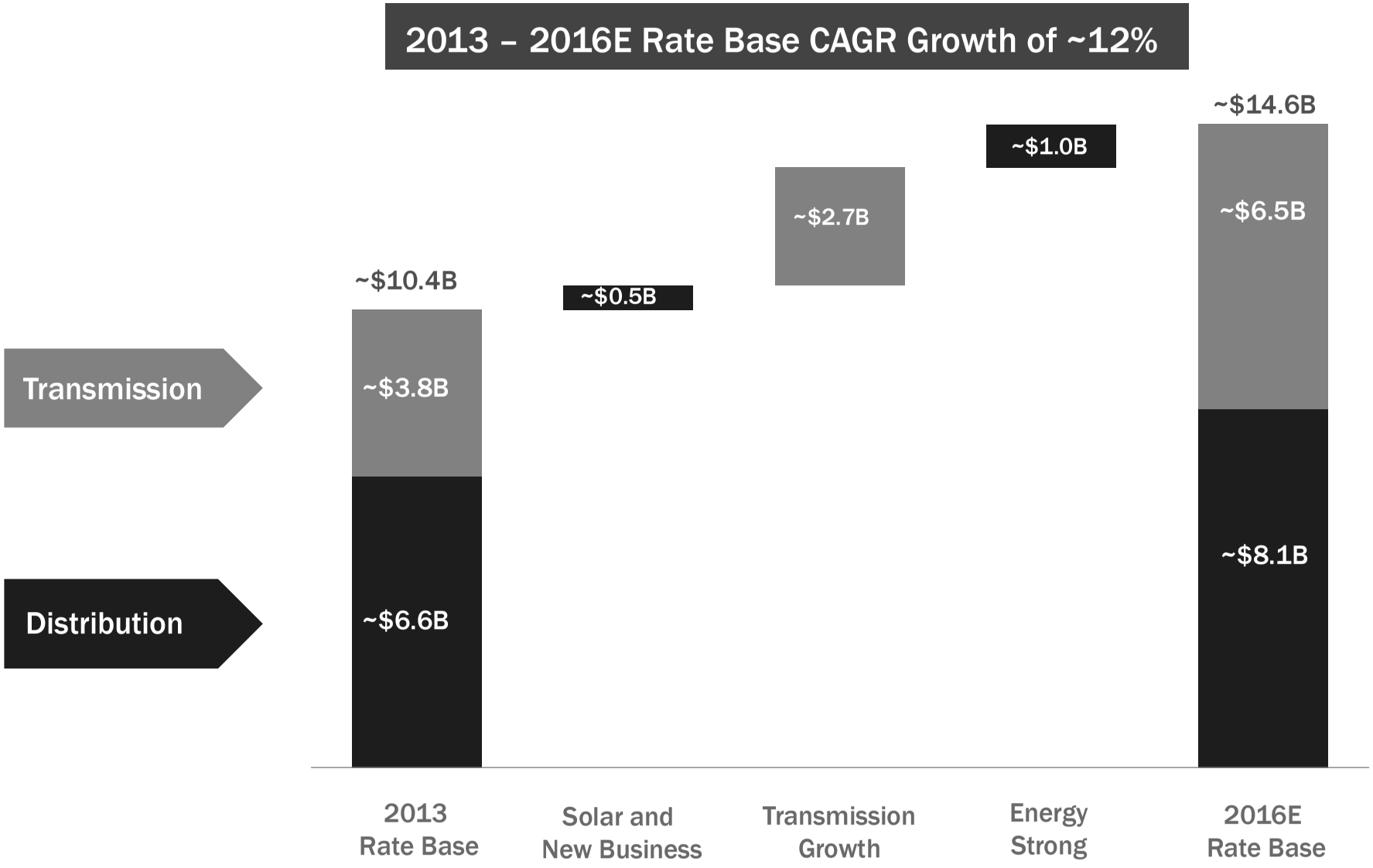
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

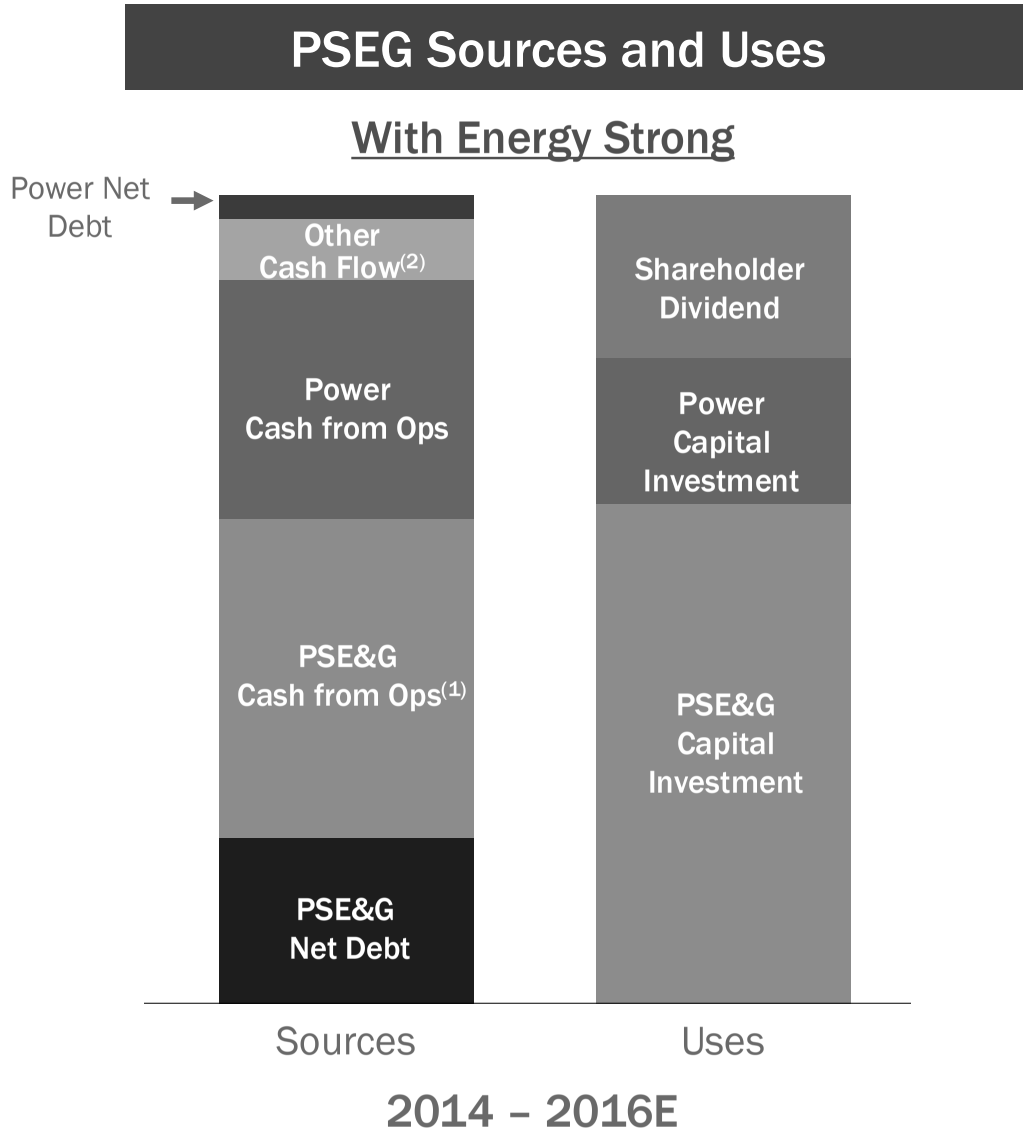
SI-SSA-0015-07164

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-07165

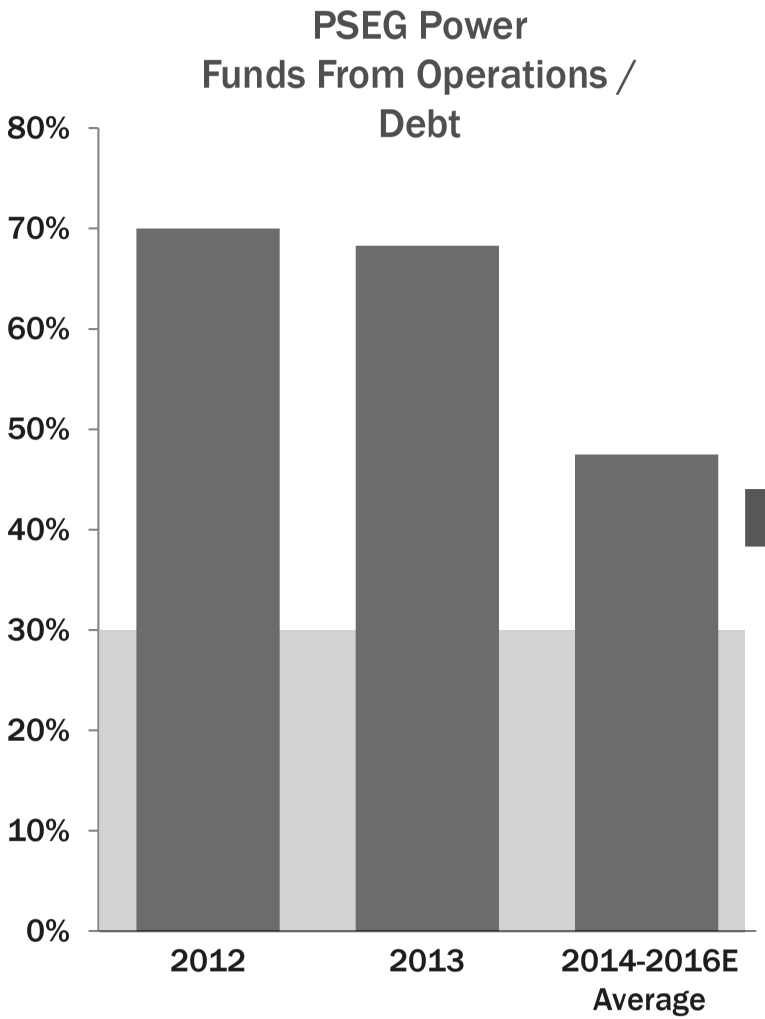
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-07166

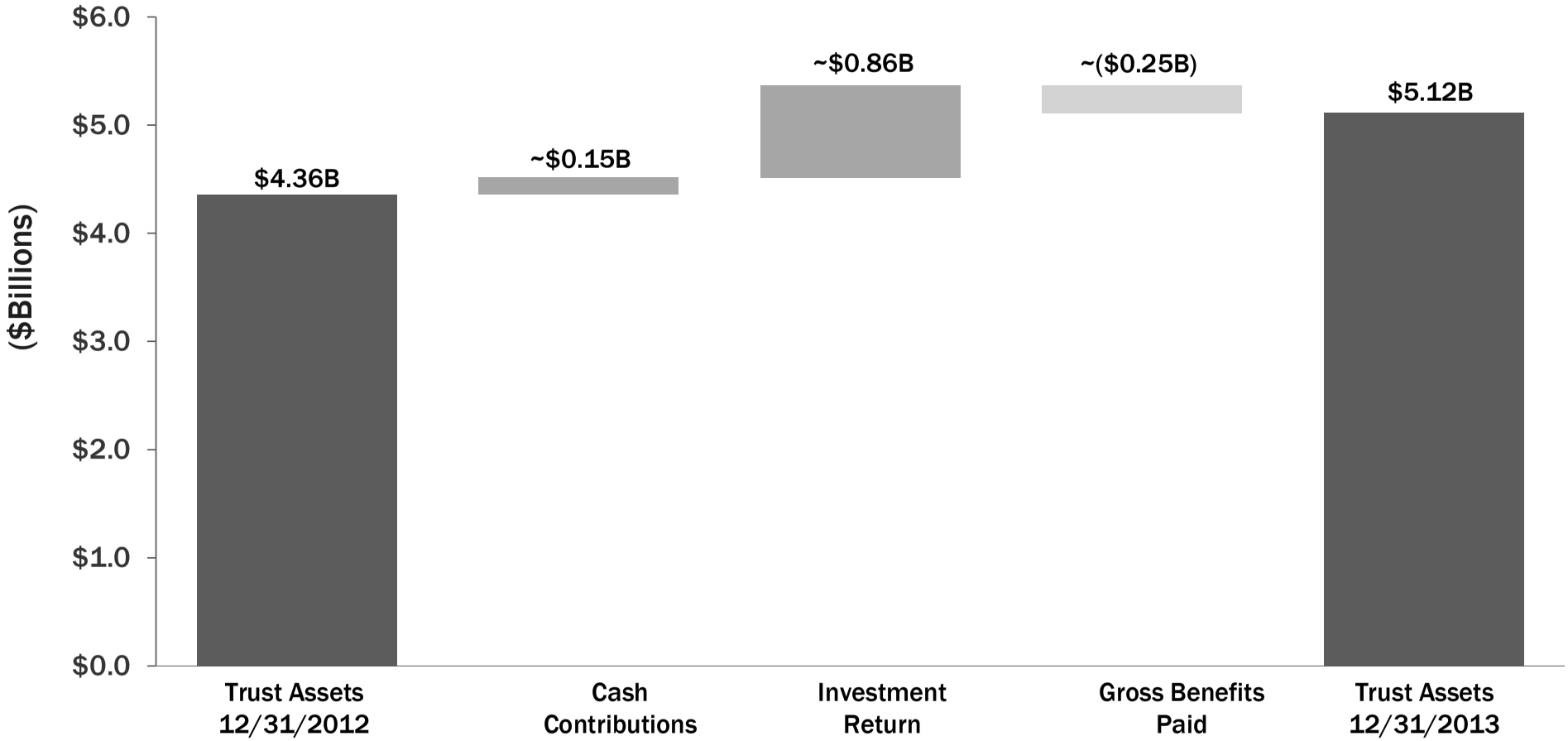
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-07167

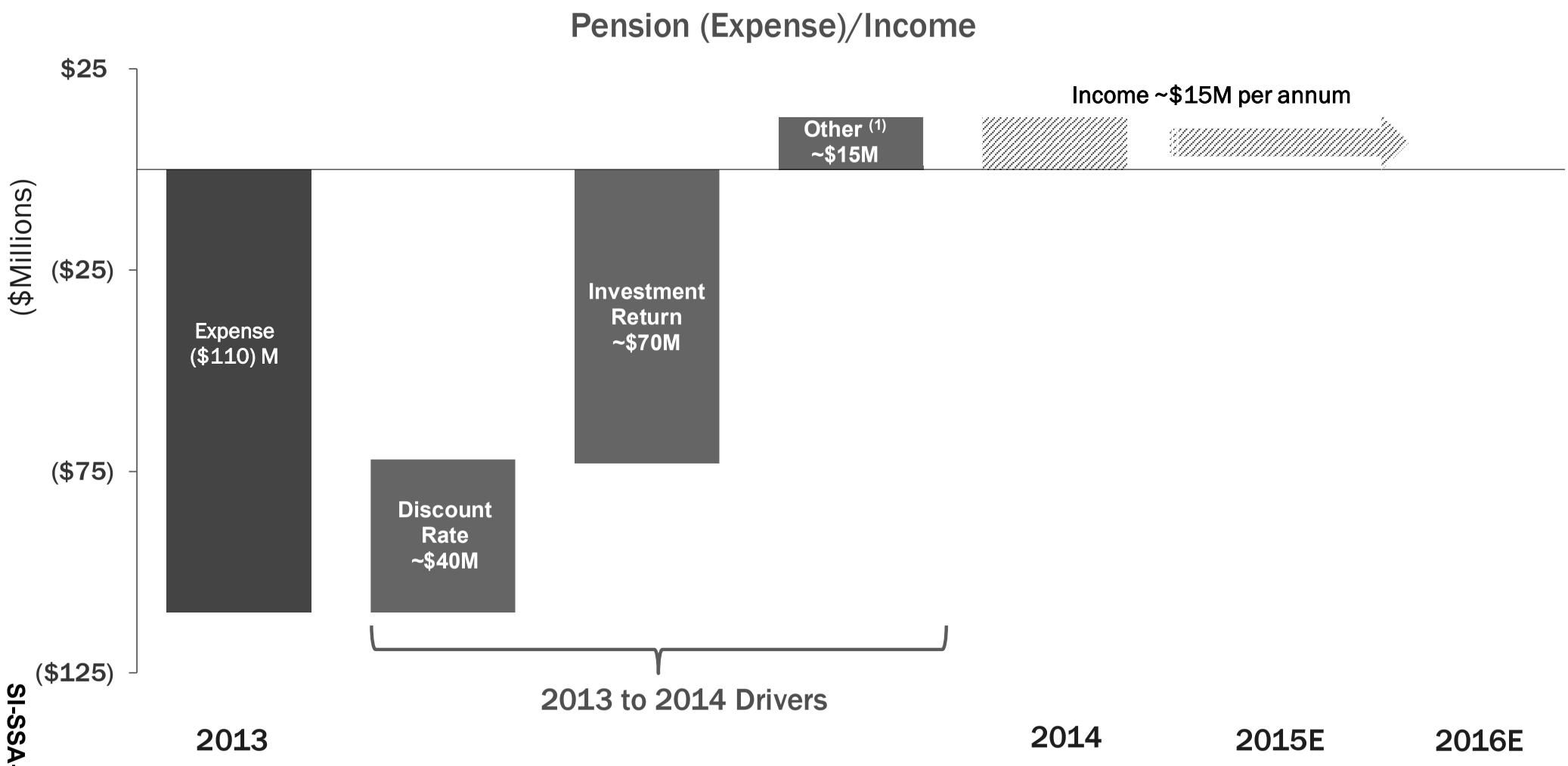
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-07168

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-07169

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Enterprise/Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

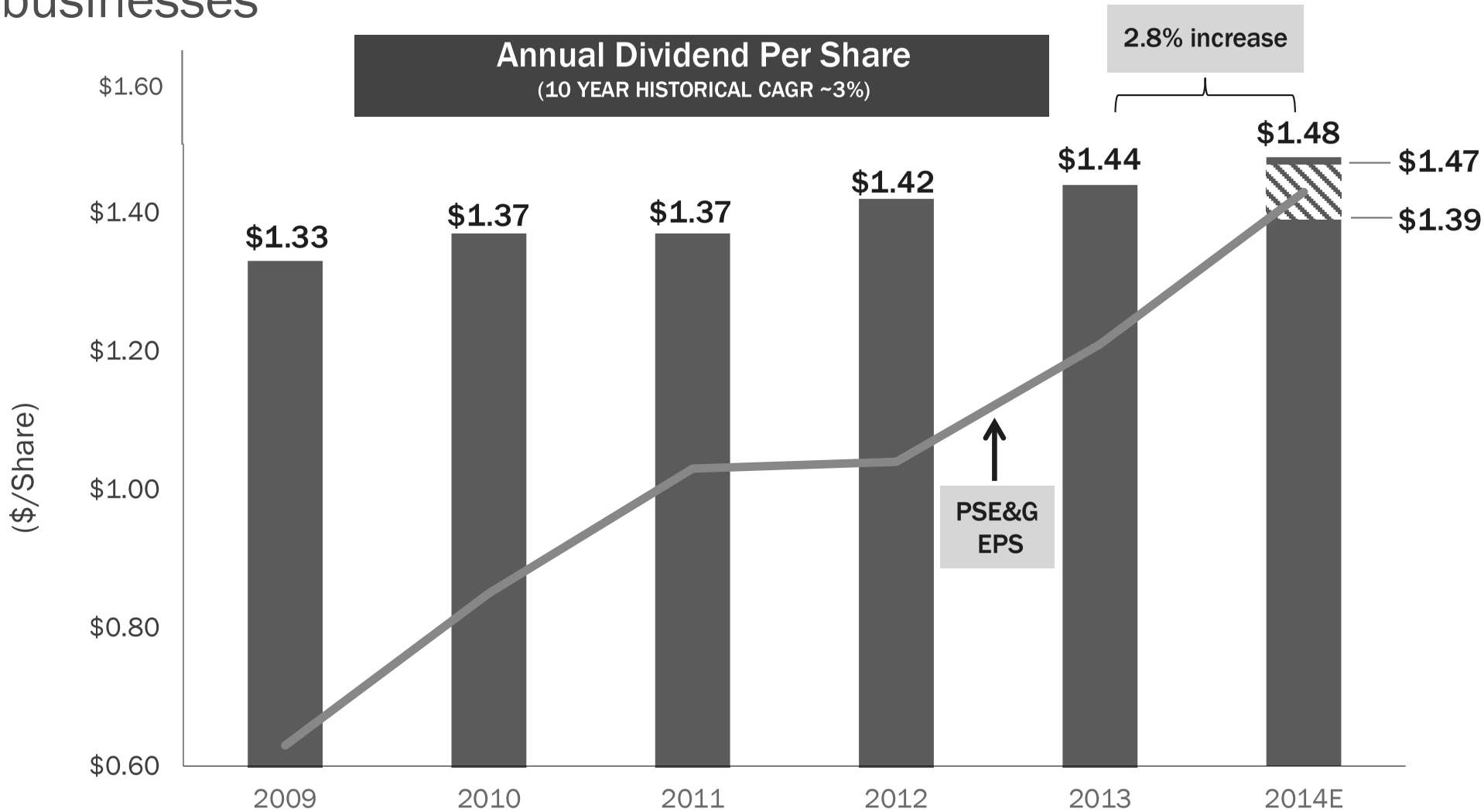
SI-SSA-0015-07170

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-07171

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00	$0.08 - $0.11
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

PSEG Summary

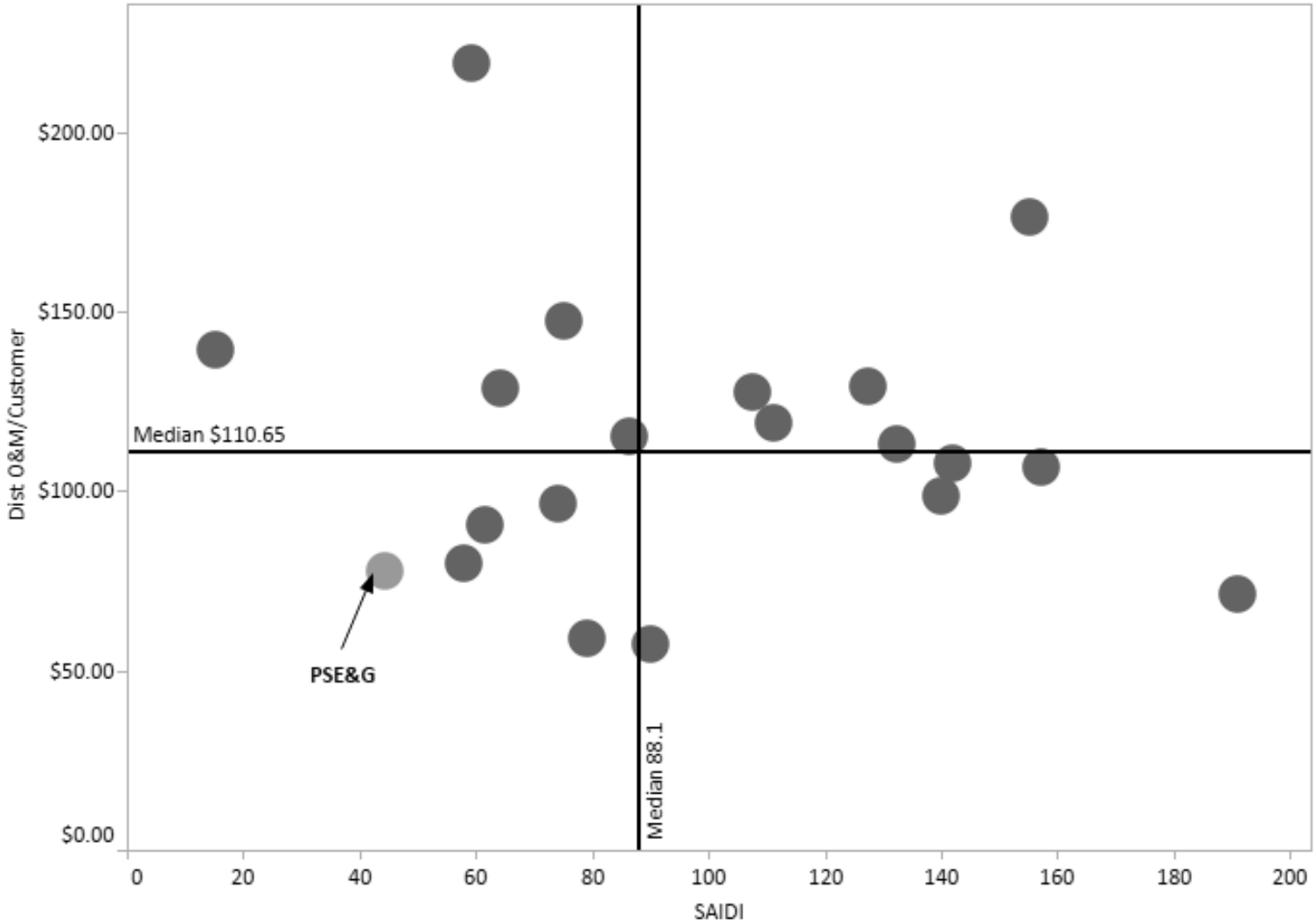
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-07173

PSE&G APPENDIX

SI-SSA-0015-07174

PSE&G provides high reliability at below average cost which creates superior value to customers

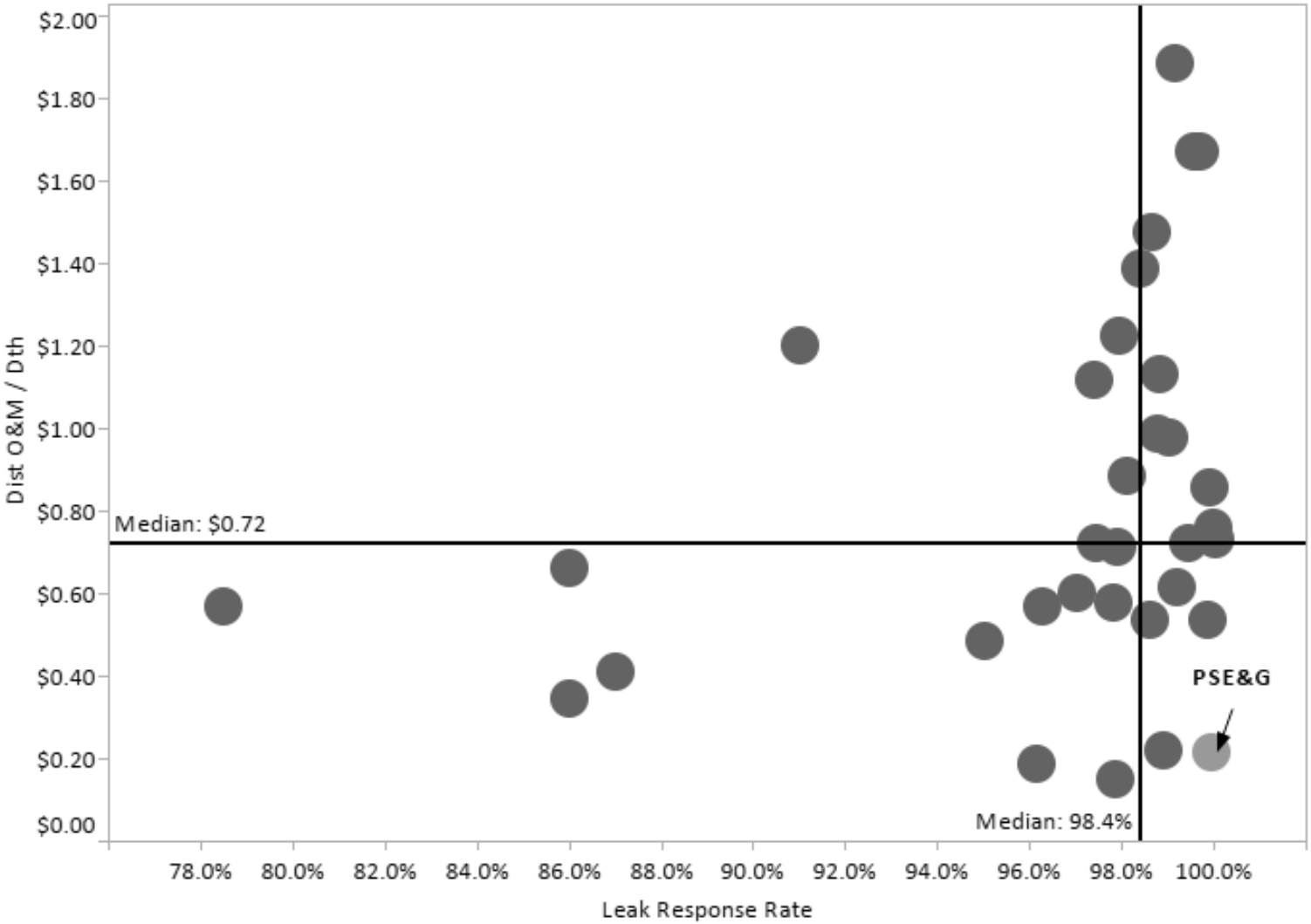


SI-SSA-0015-07175

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



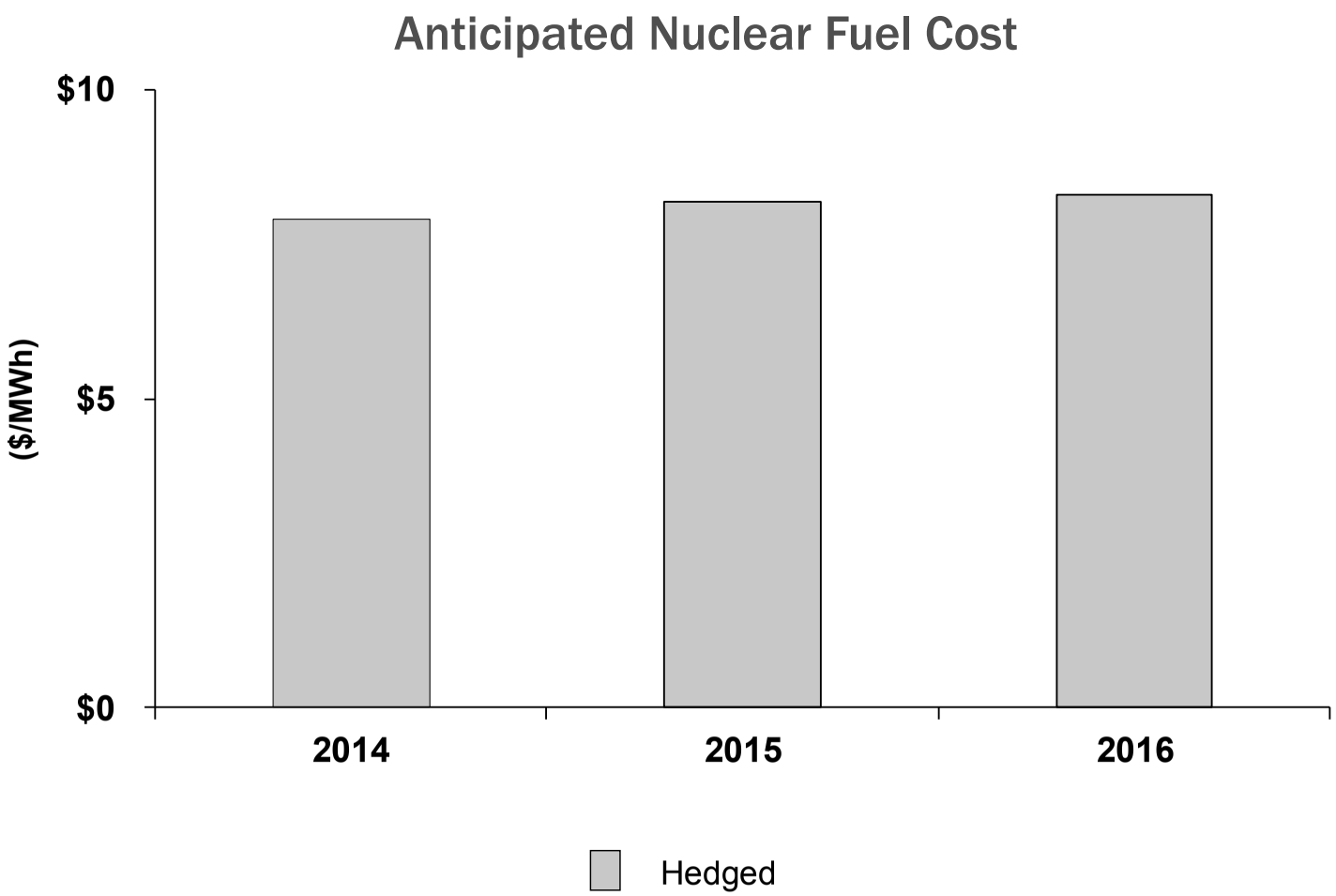
SI-SSA-0015-07176

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

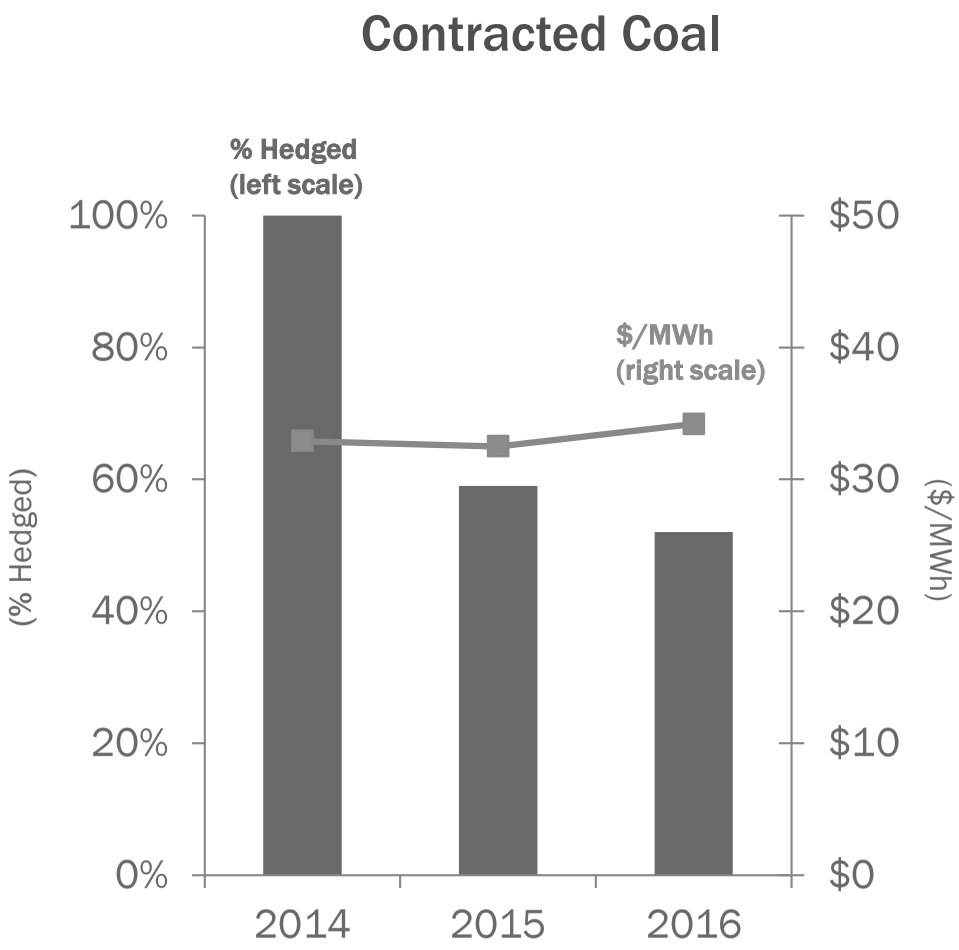
SI-SSA-0015-07177

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-07178

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-07179

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-07180

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07181

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

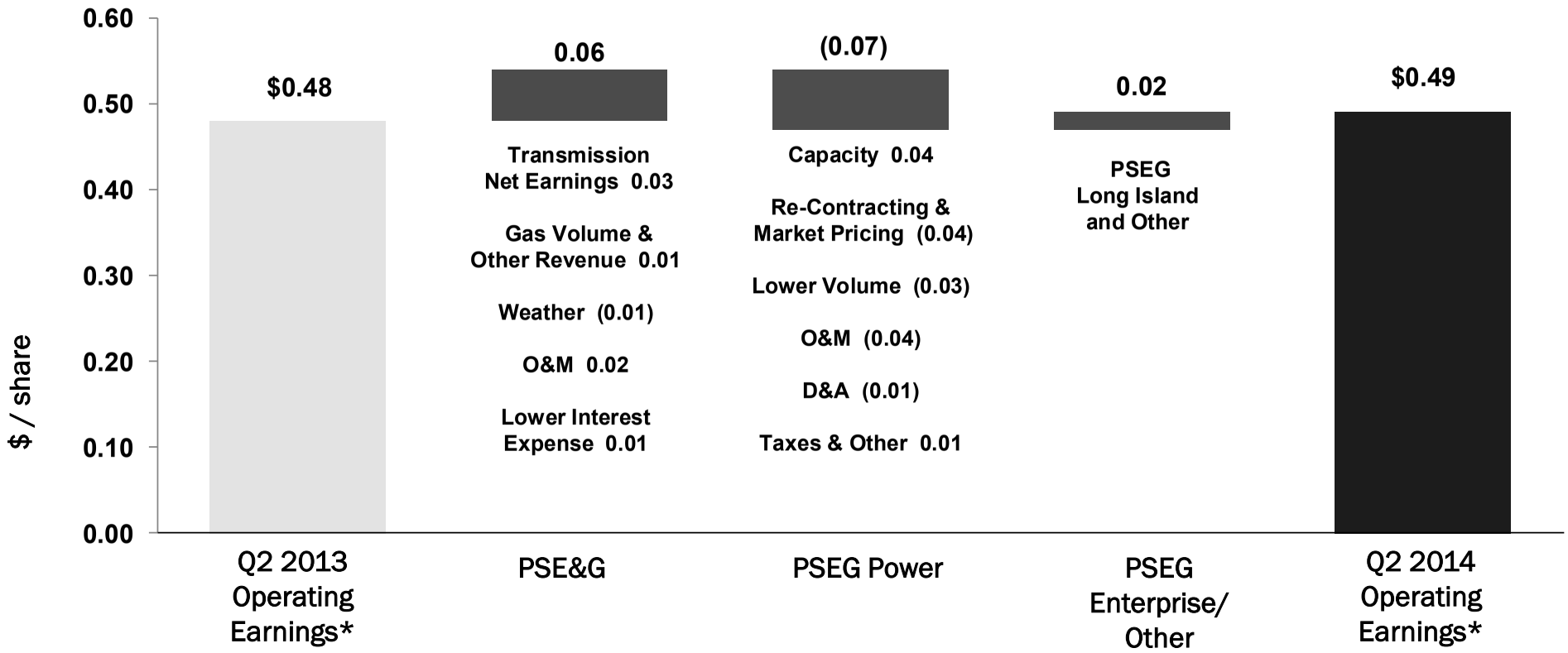
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
*Operating Earnings**	$ 245	$ 243	$ 0.49	$ 0.48

SI-SSA-0015-07182

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2014 vs. Q2 2013



SI-SSA-0015-07183

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

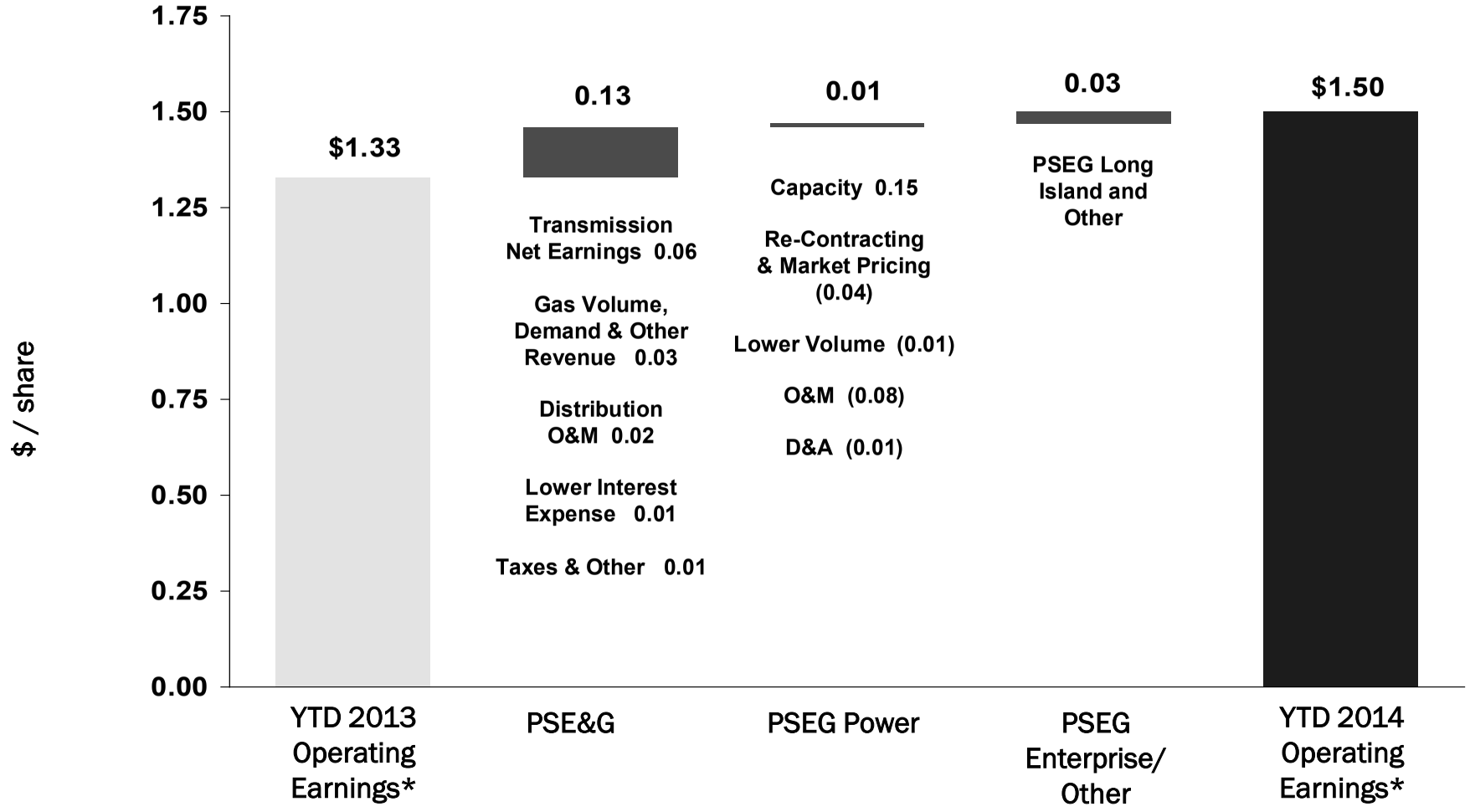
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
*Operating Earnings**	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-07184

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-07185

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	8.6	6.1	2.5
Common Equity	11.8	6.4	5.5
Total Capitalization	**$20.4**	**$12.5**	**$8.0**
Total Debt / Capitalization	**42%**	**49%**	**32%**

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT..
(2) DOES NOT INCLUDE SECURITIZATION DEBT OF $385 MILLION.

SI-SSA-0015-07186

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
				PSEG Money Pool ST Investment	$278
				PSE&G ST Investment	$224
				Total Liquidity Available	**$4,567**
				Total Parent / Power Liquidity	**$3,756**

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

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

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

SI-SSA-0015-07187

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 6/30/2014 ($ Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$195
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$899**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-07188

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-07189

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-07191

PSEG Investor Summary

DEUTSCHE BANK INVESTOR MEETINGS
EUROPE • OCTOBER 2–5, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07192

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-07193

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-07194

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VP–INVESTOR RELATIONS

SI-SSA-0015-07195

PSEG

We make things work for you.

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-07196

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

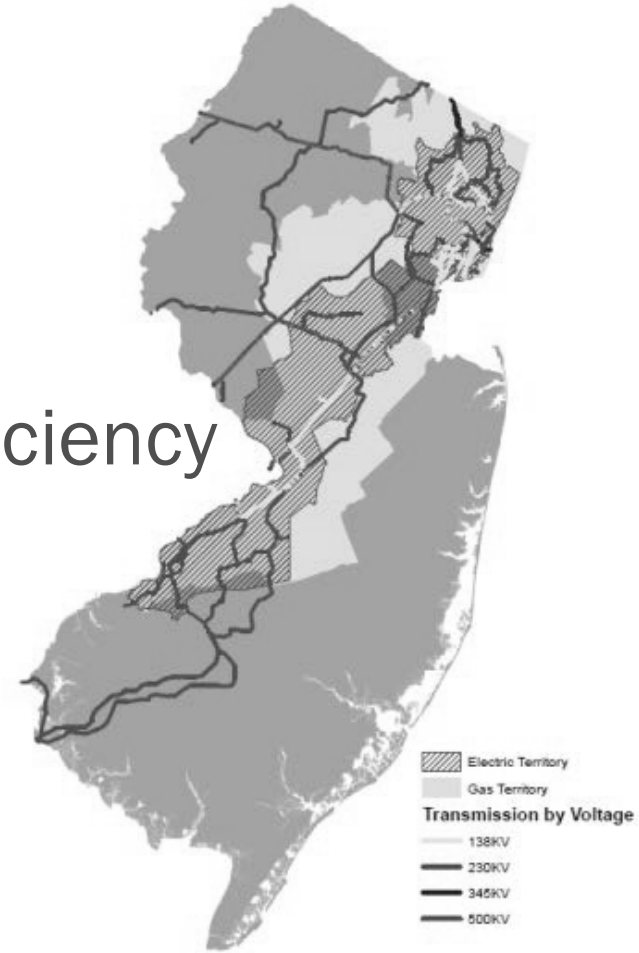
SI-SSA-0015-07197

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

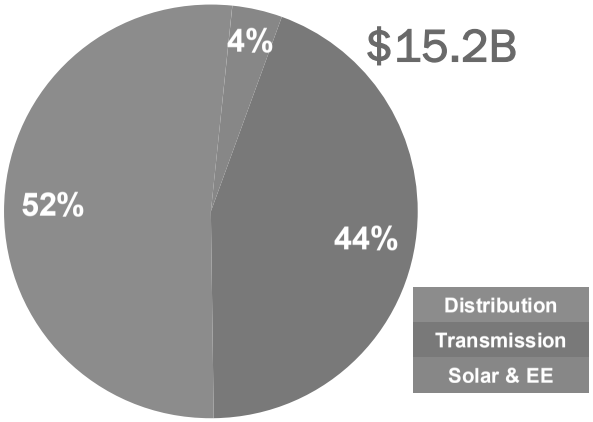
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

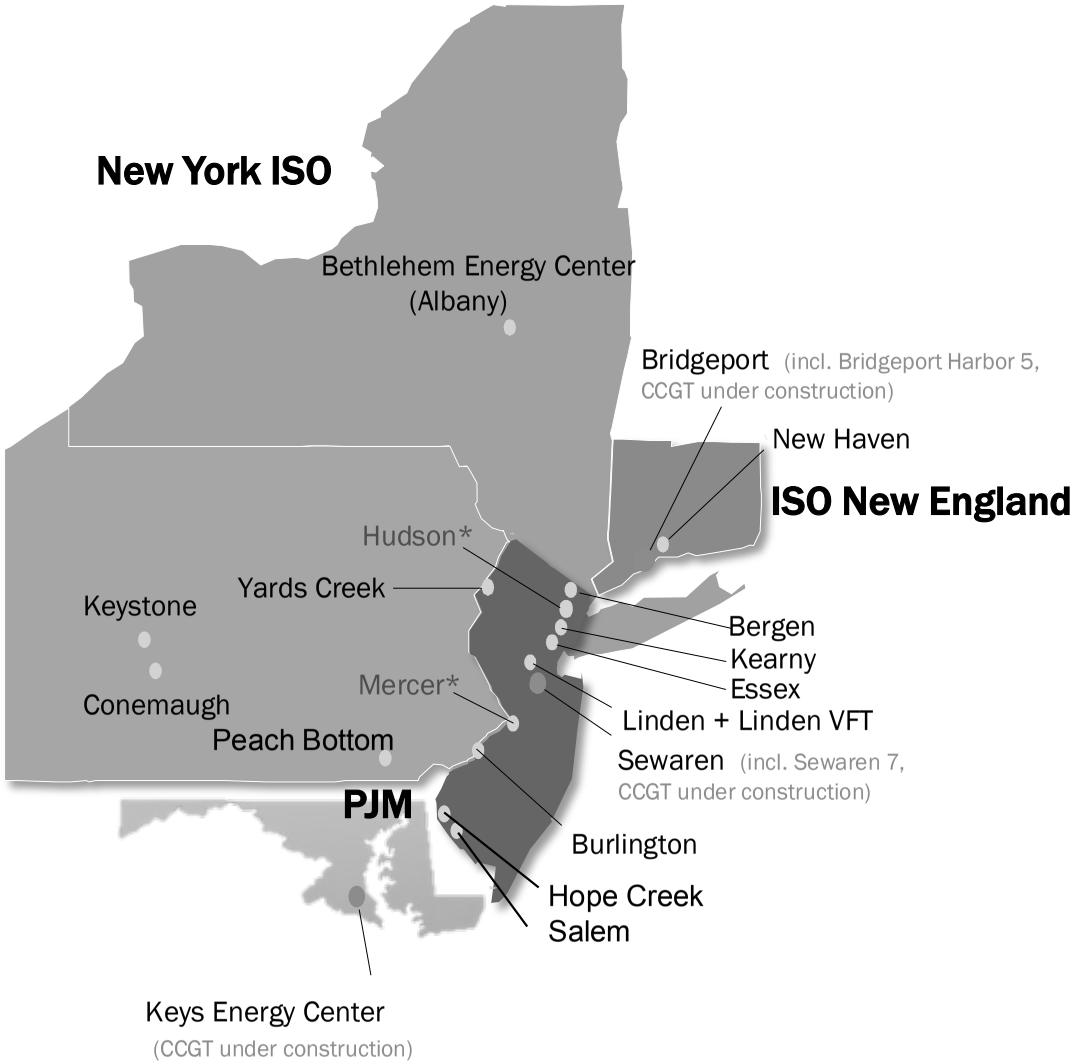


SI-SSA-0015-07198

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-07199

*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

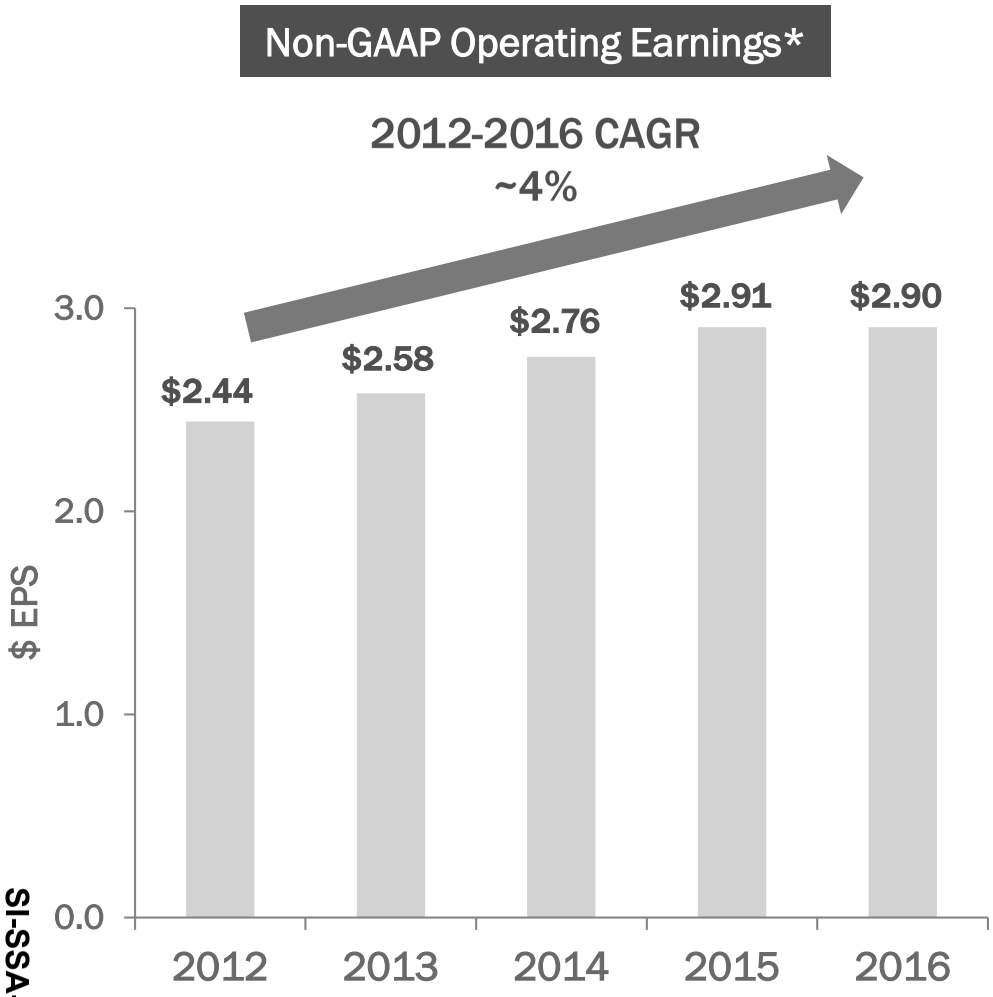
- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

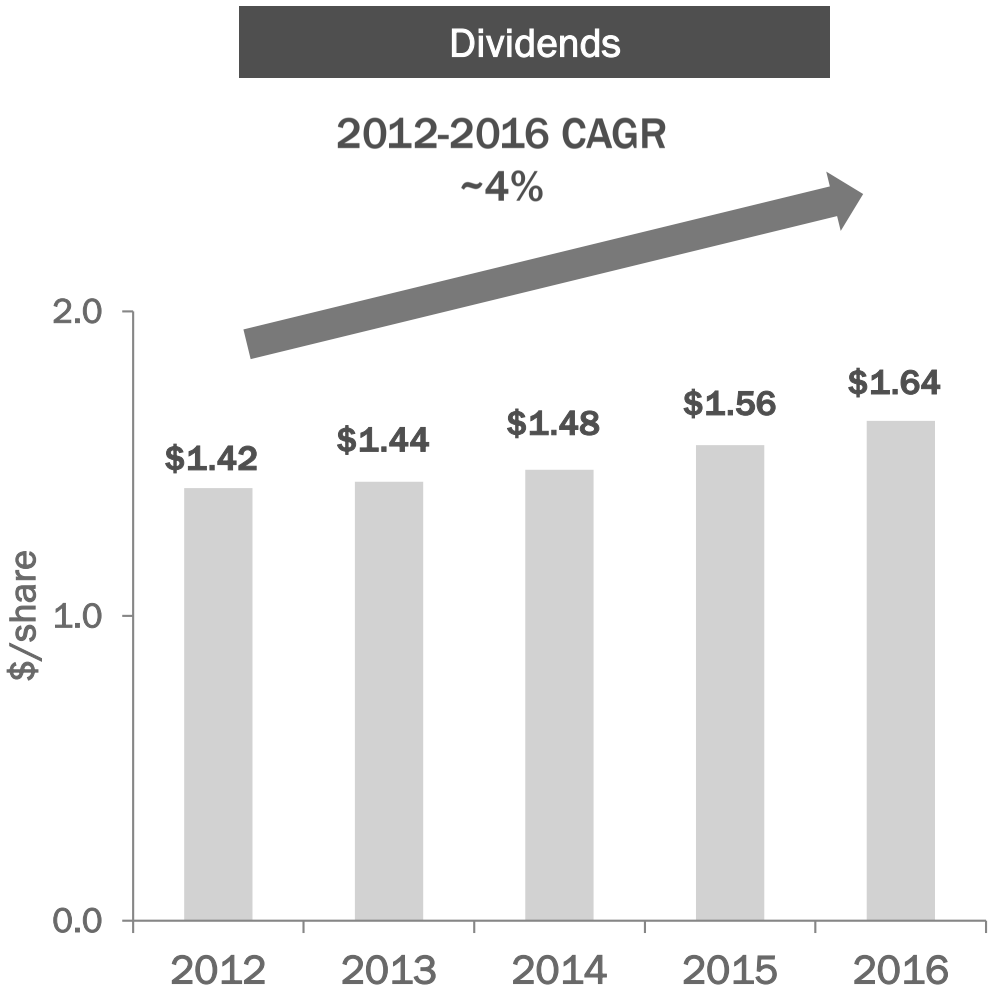
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-07200

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

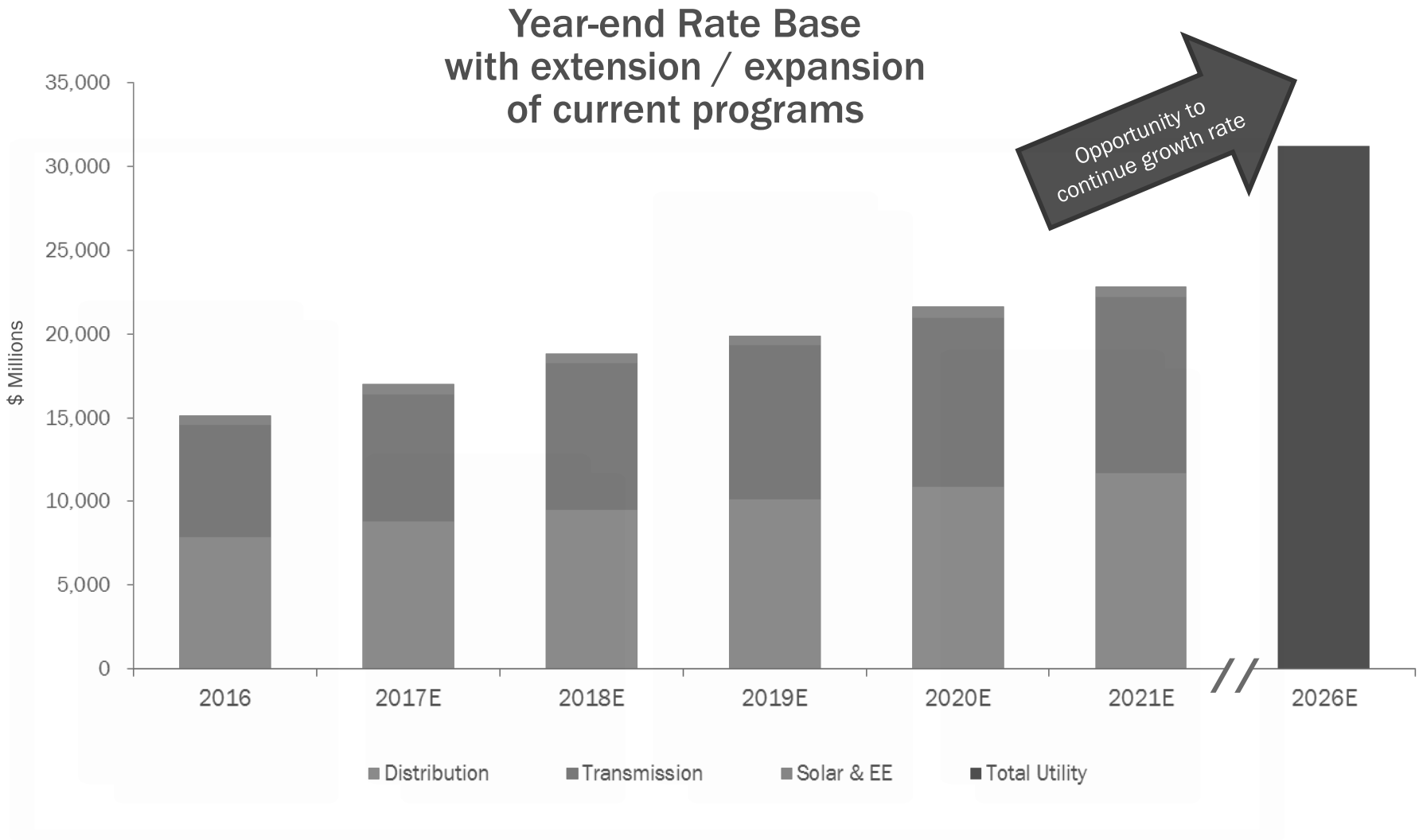




SI-SSA-0015-07201

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

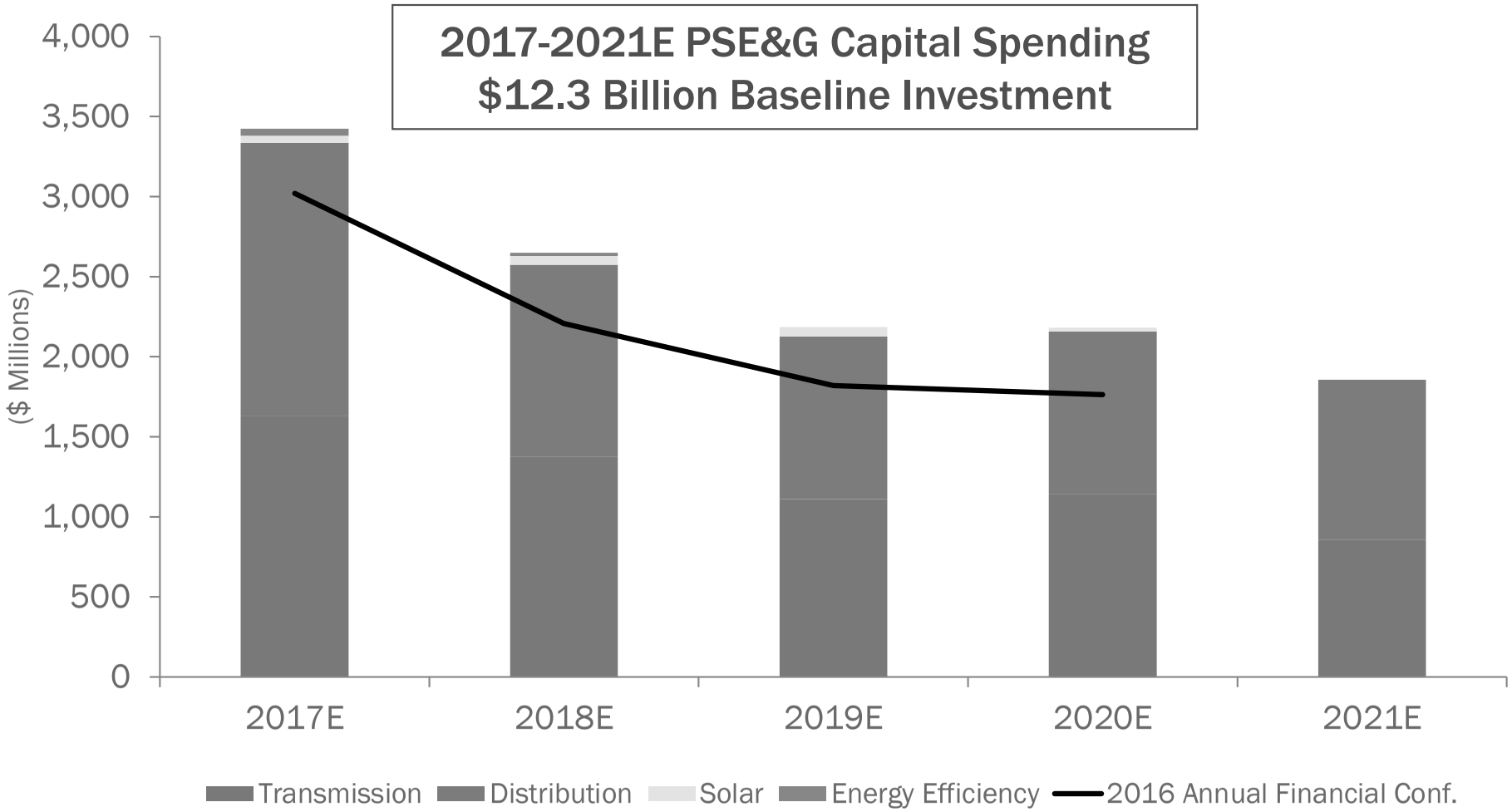
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-07202

Baseline programs yield 7% compound annual growth in rate base

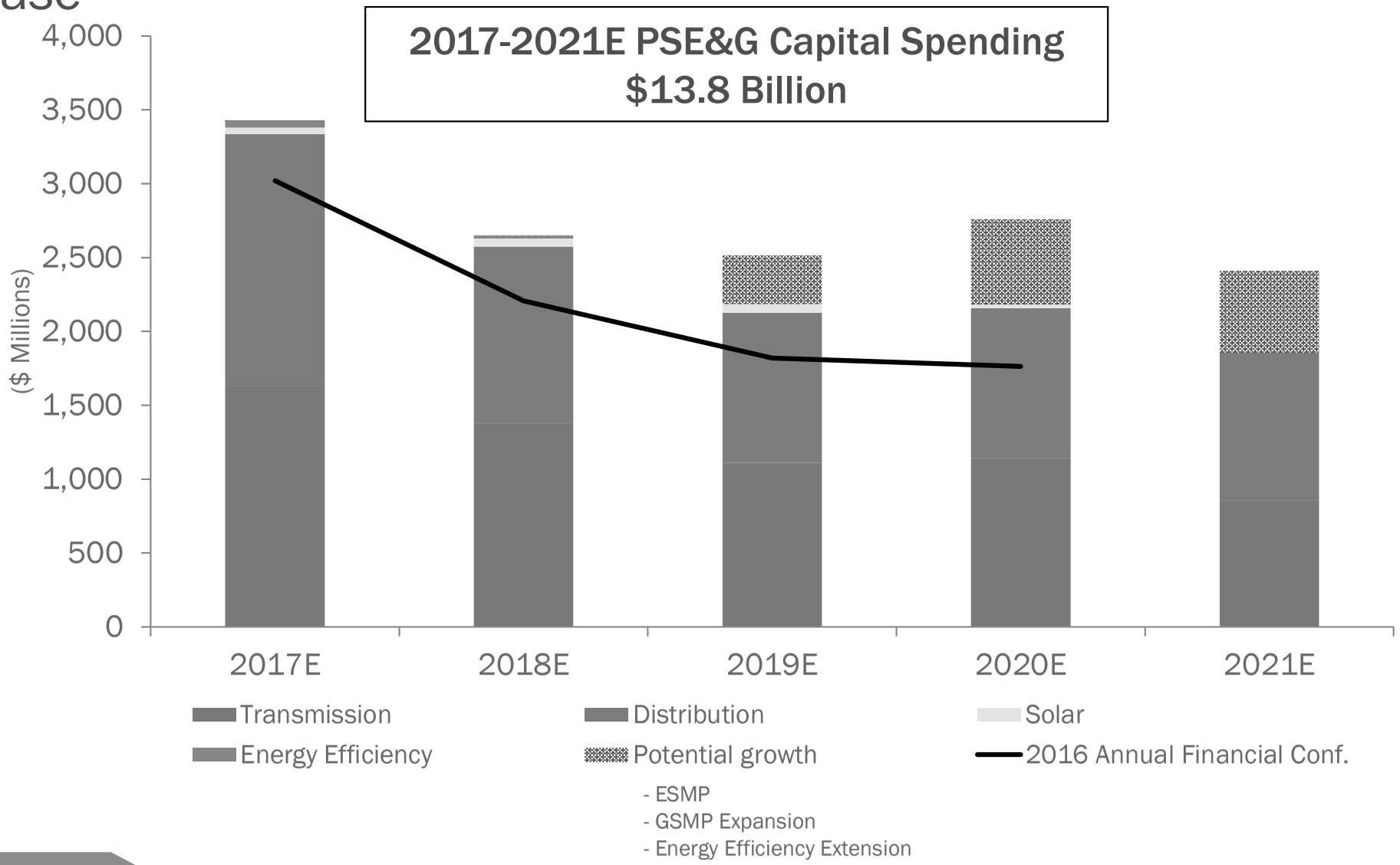


SI-SSA-0015-07203

PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

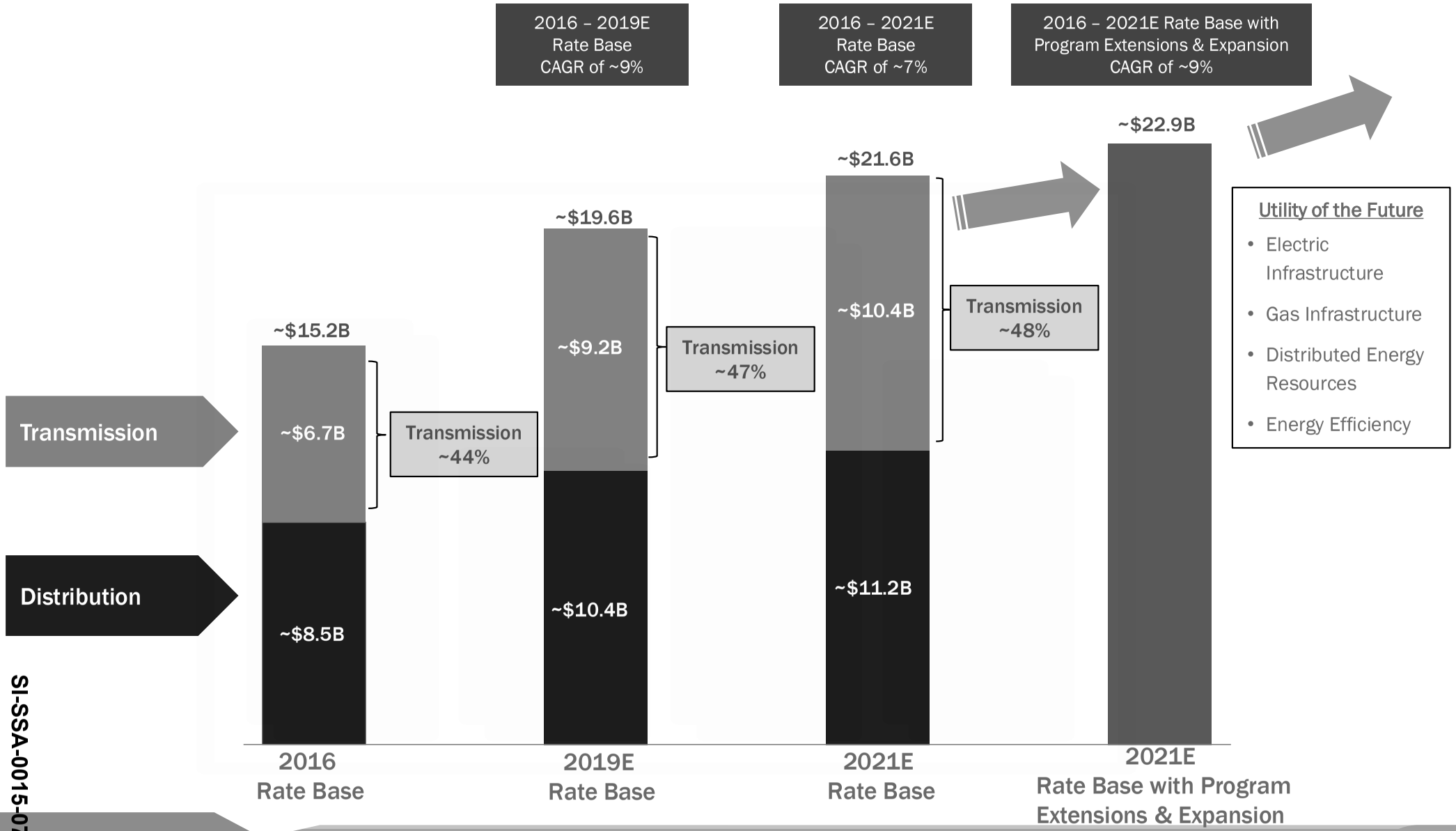
Expansion/Extension of existing baseline programs would yield 9% compound annual growth in rate base



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-07204

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-07205

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

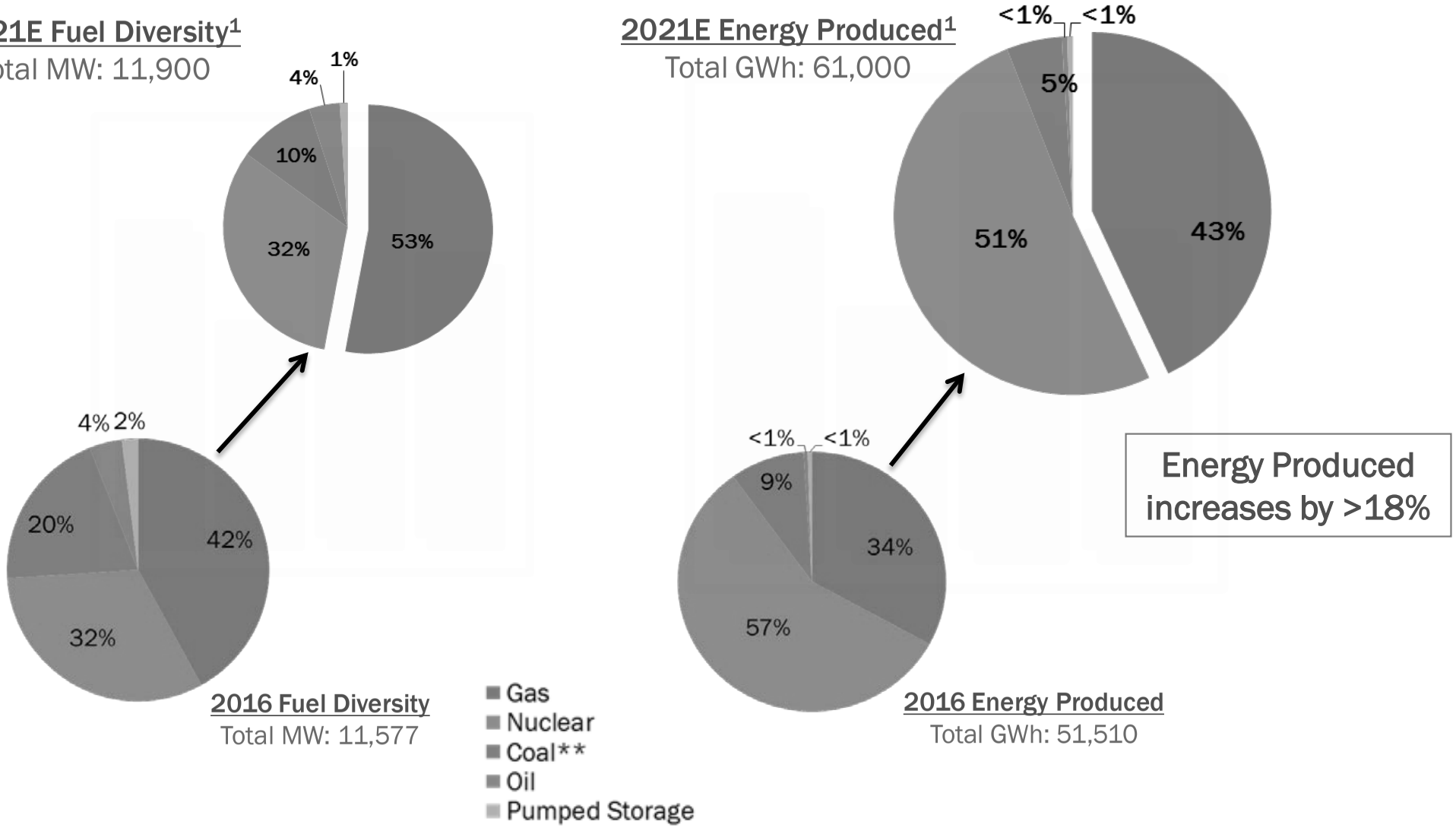
Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-07206

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

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PSEG

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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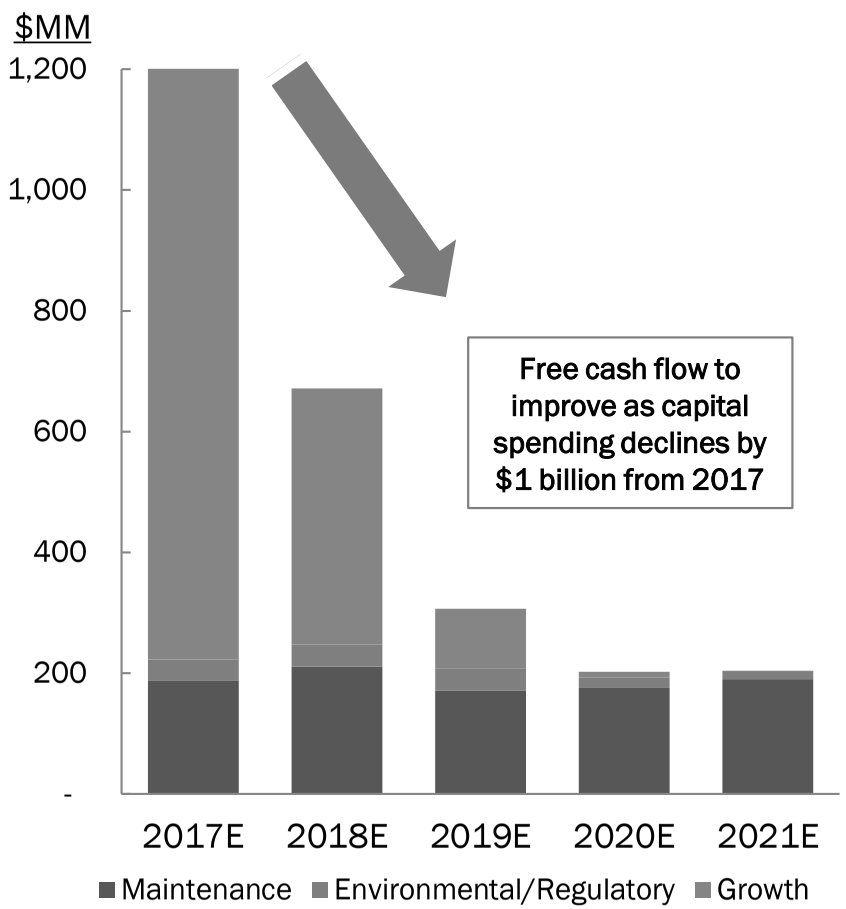
PSEG

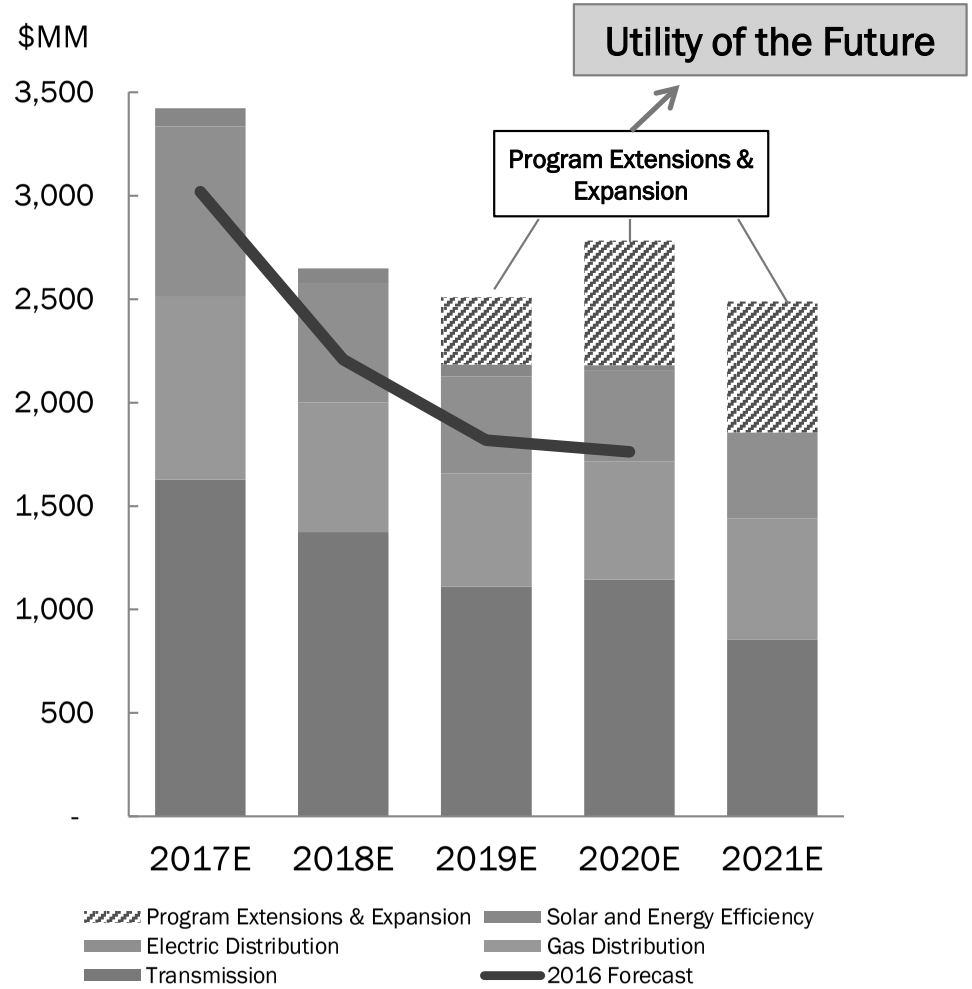
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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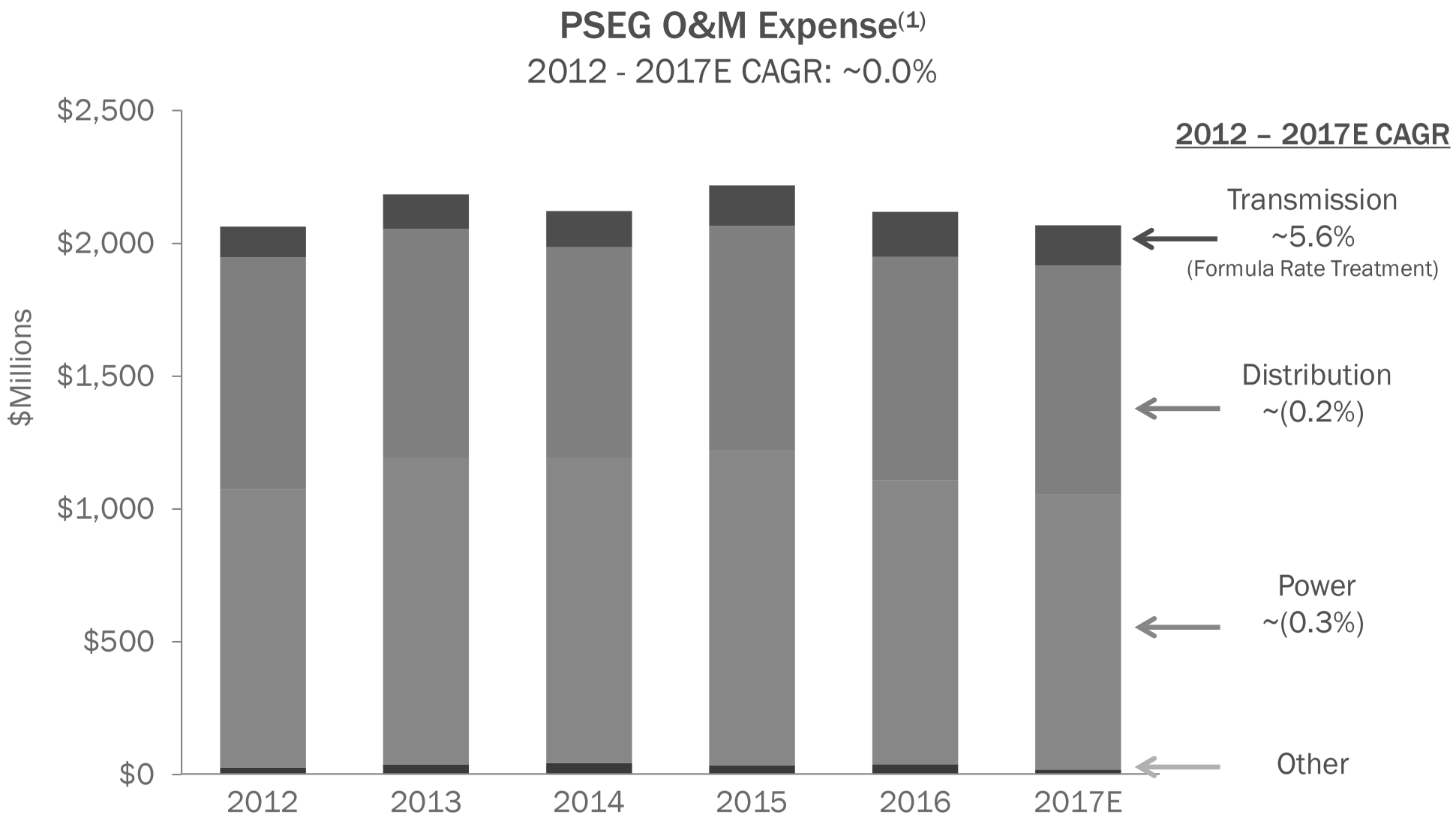
PSEG has demonstrated an ability to control O&M



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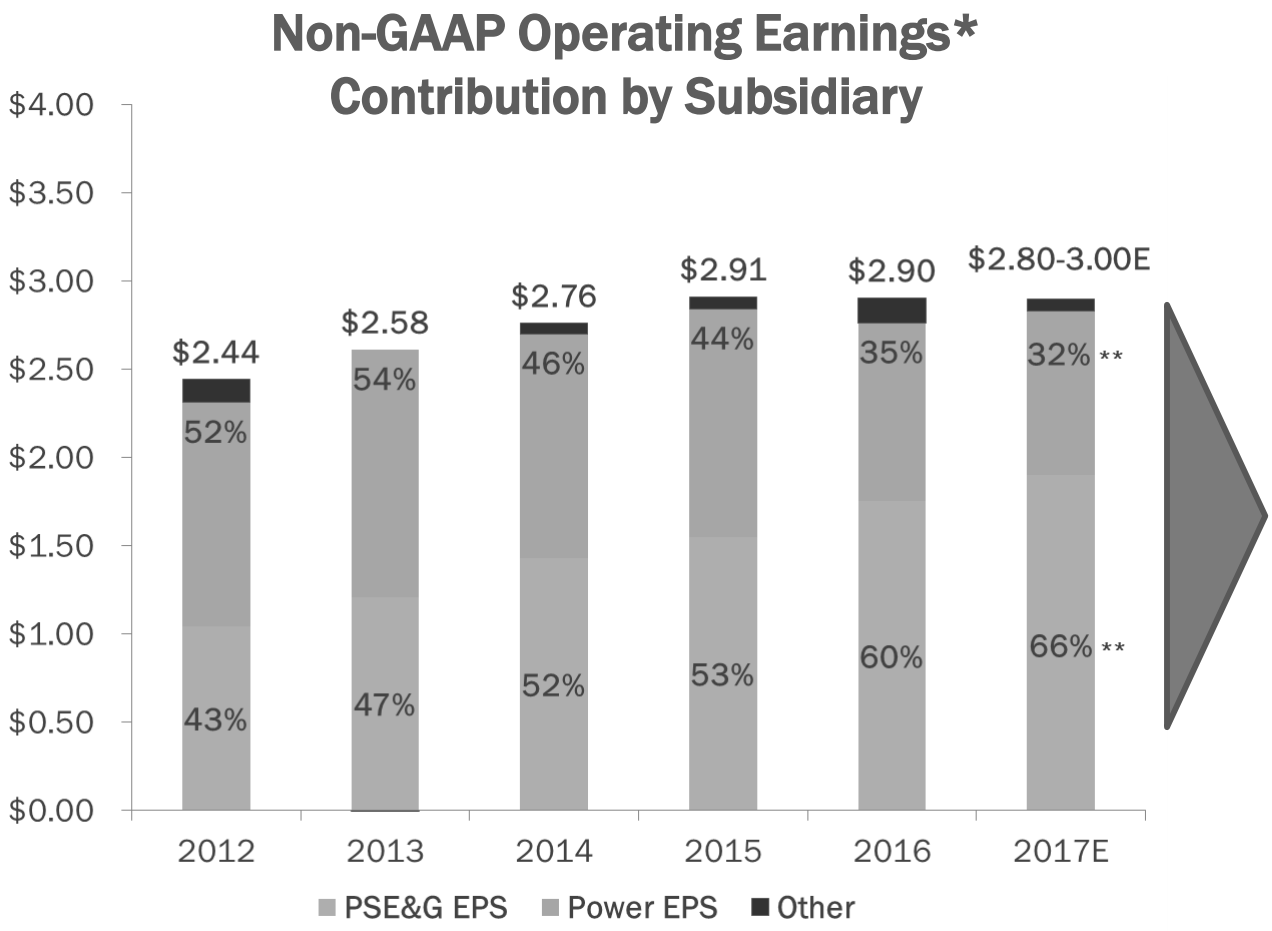
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



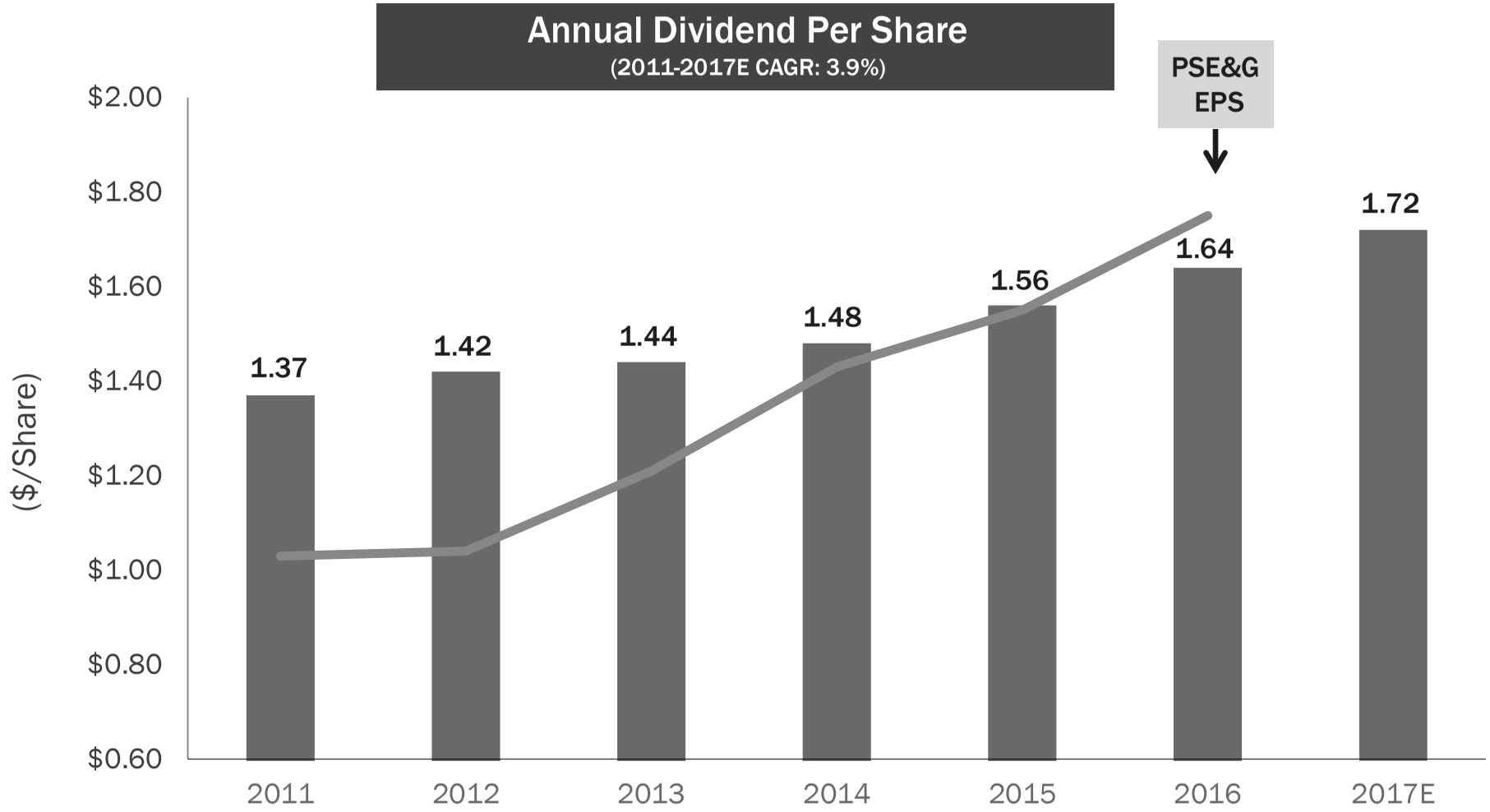
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-07211

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-07213

PSEG FINANCIAL APPENDIX

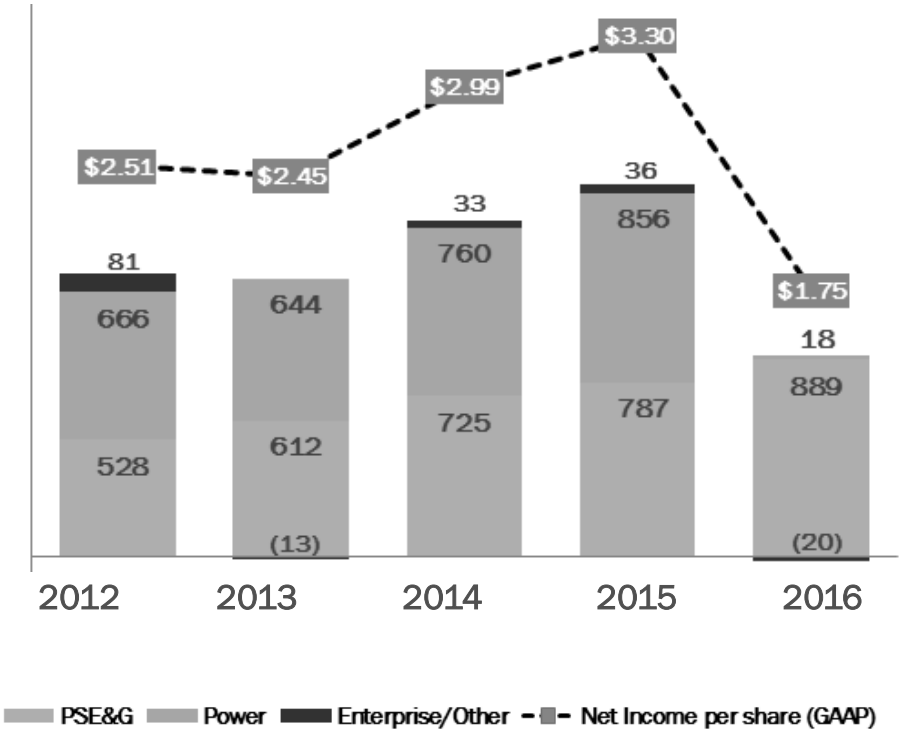
PSEG

We make things work for you.

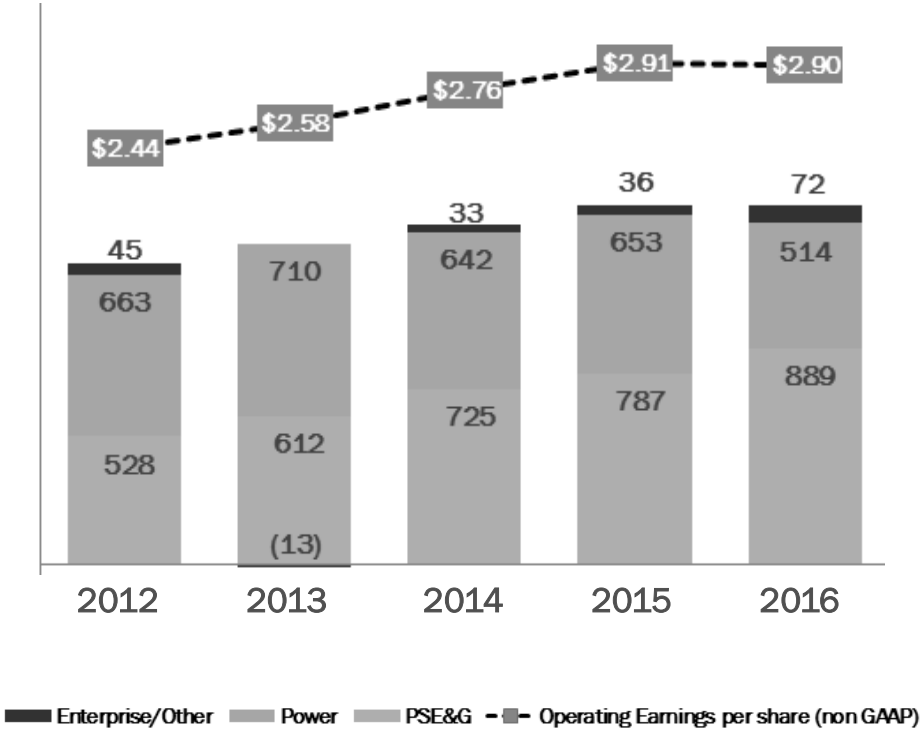
SI-SSA-0015-07214

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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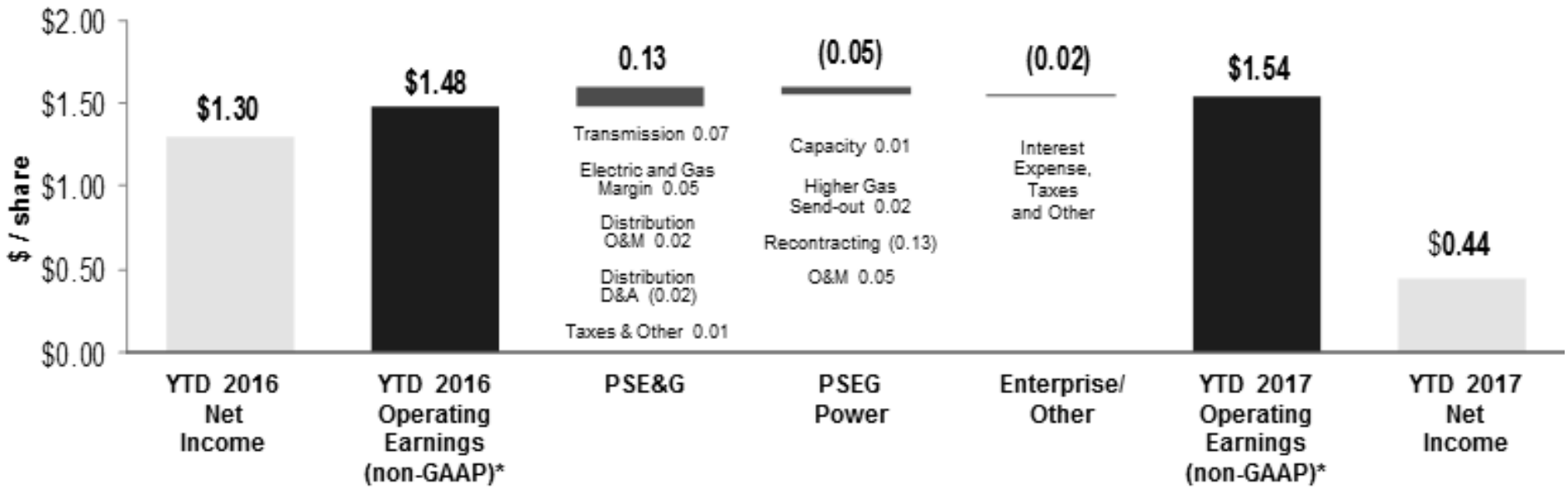
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-07217

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

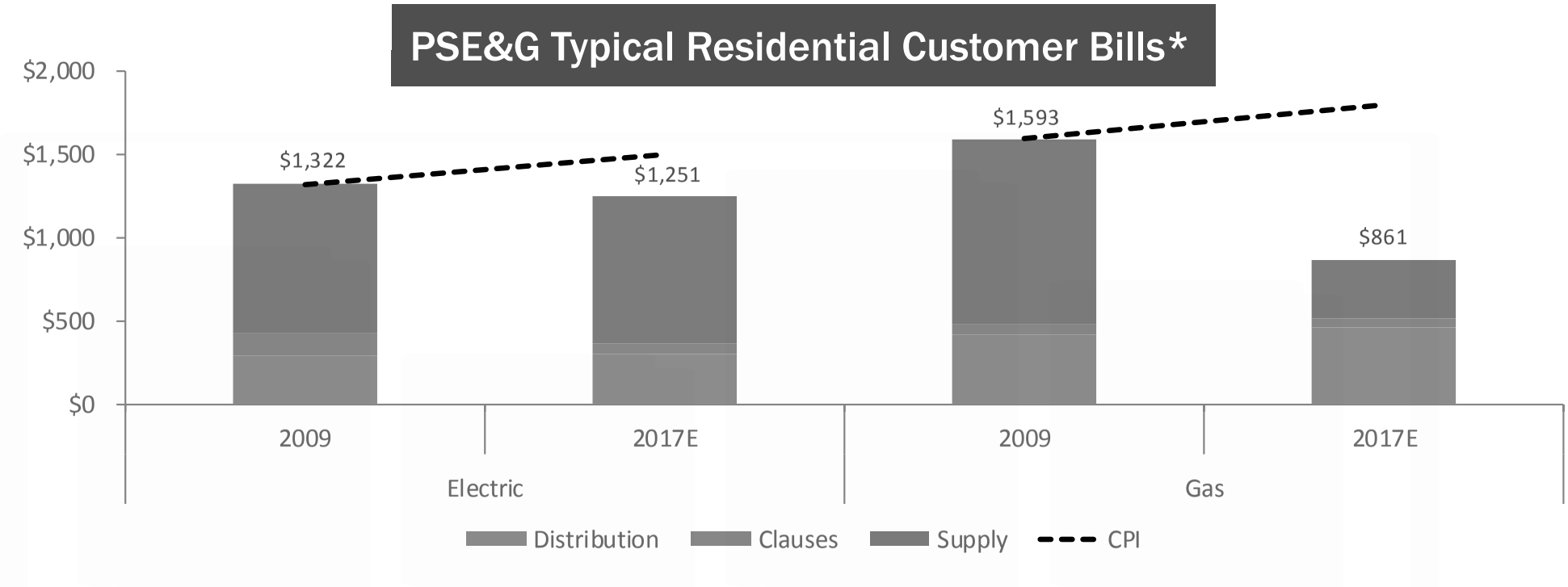
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-07218

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-07220

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Deutsche Bank Investor Meetings

JUNE 8-10, 2016

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07222

PSEG

We make things work for you.

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-07223

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items.

PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07224

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

SI-SSA-0015-07225

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-07226

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-07227

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-07228

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-07229

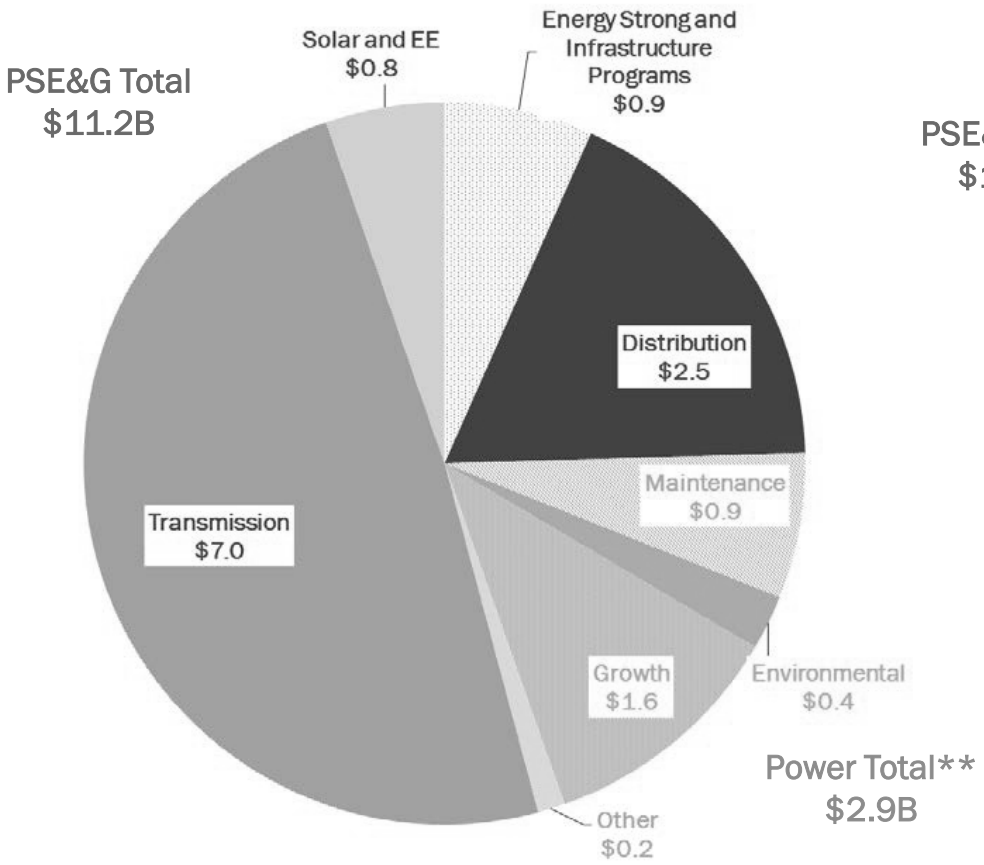
PSEG

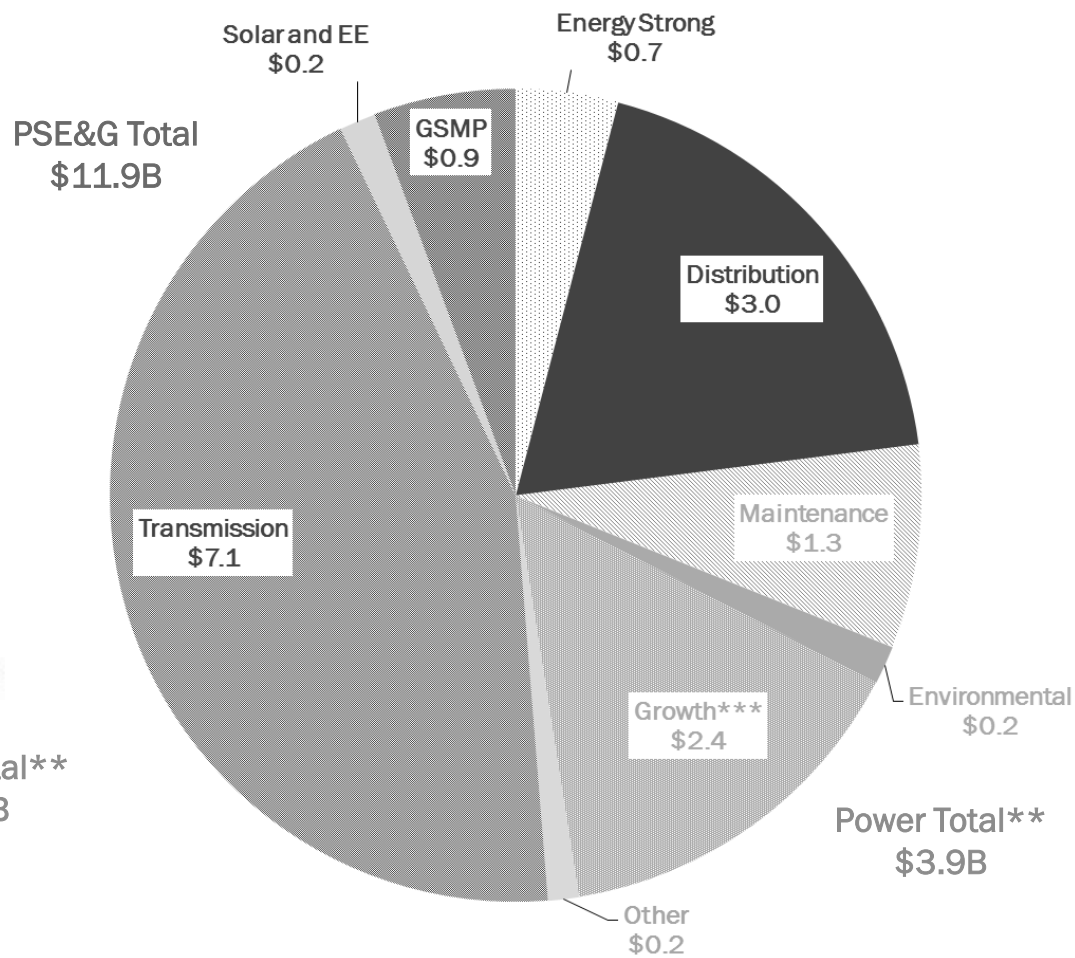
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-07230

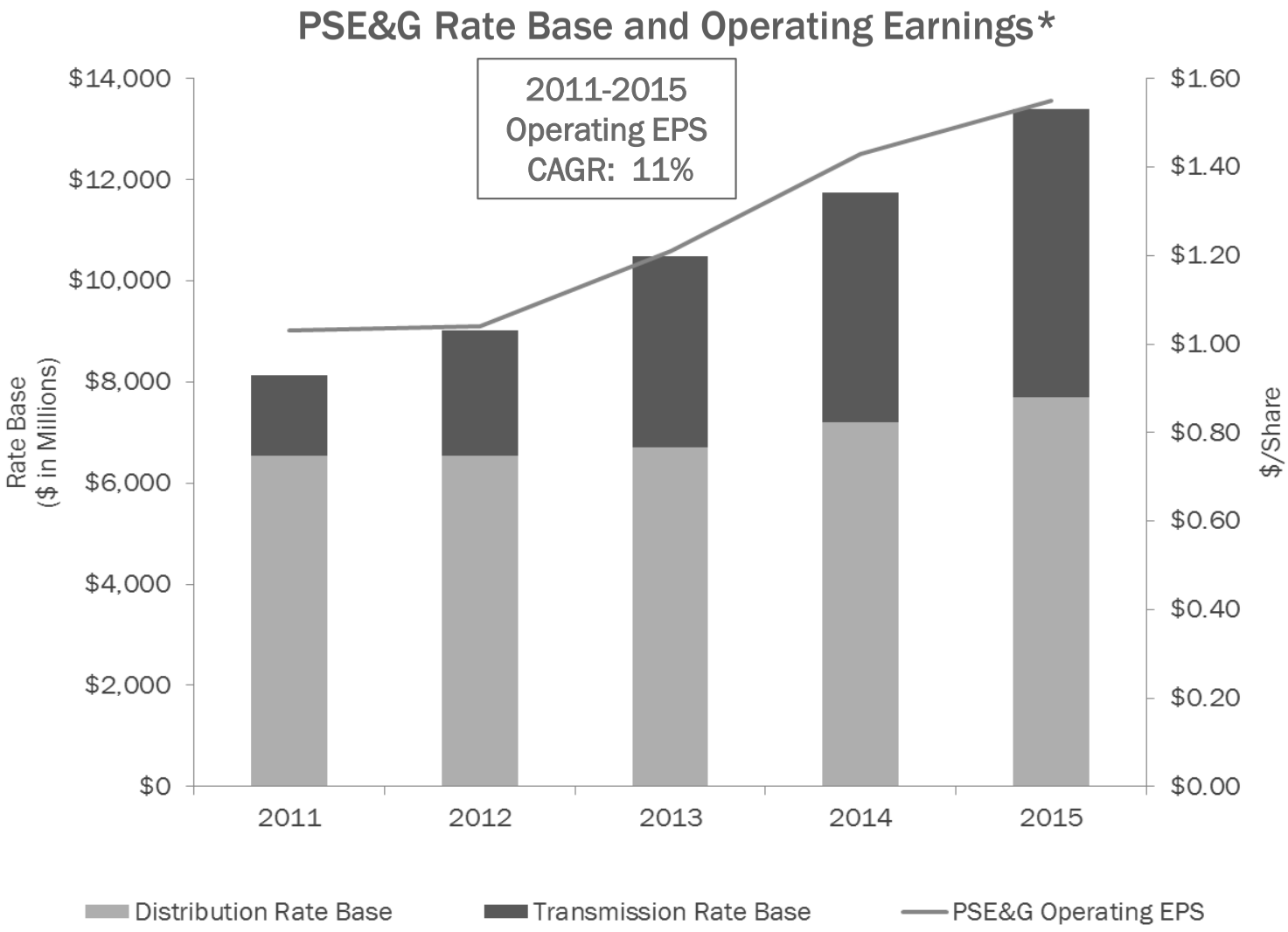
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-07231

PSE&G's investment program

Meeting public policy goals and customer needs



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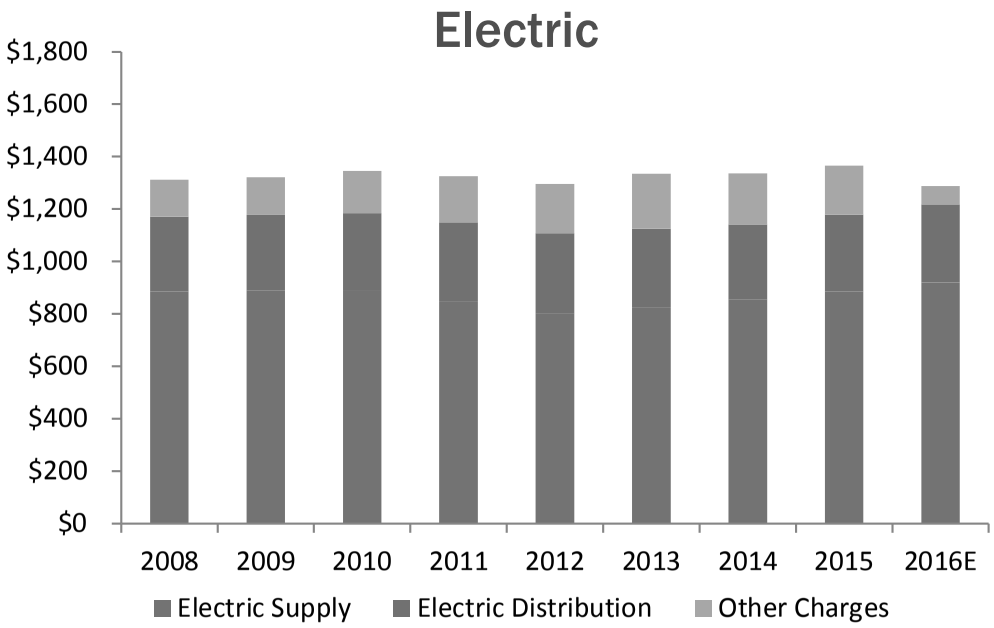
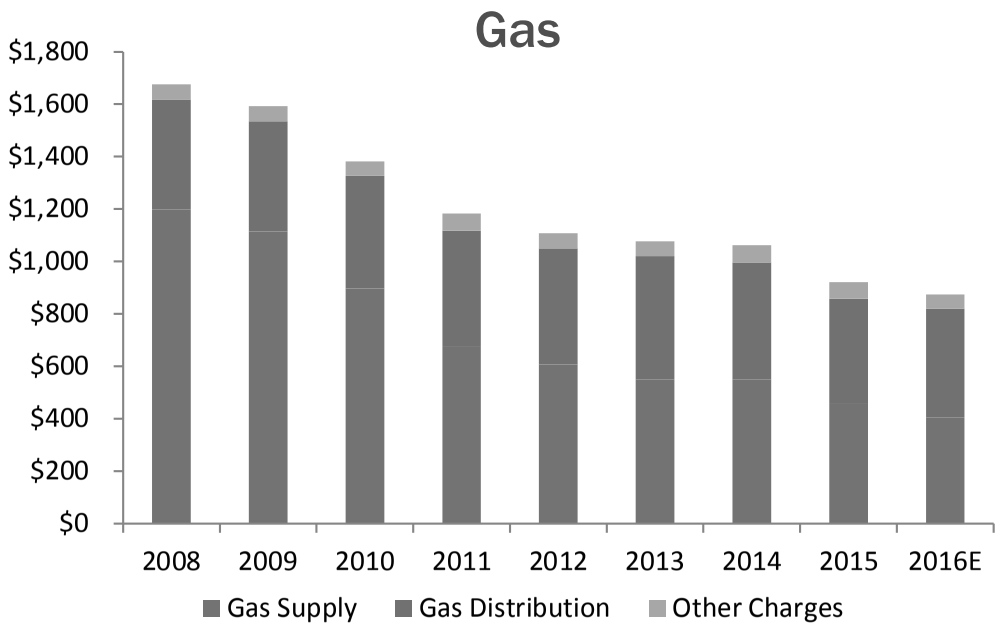
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

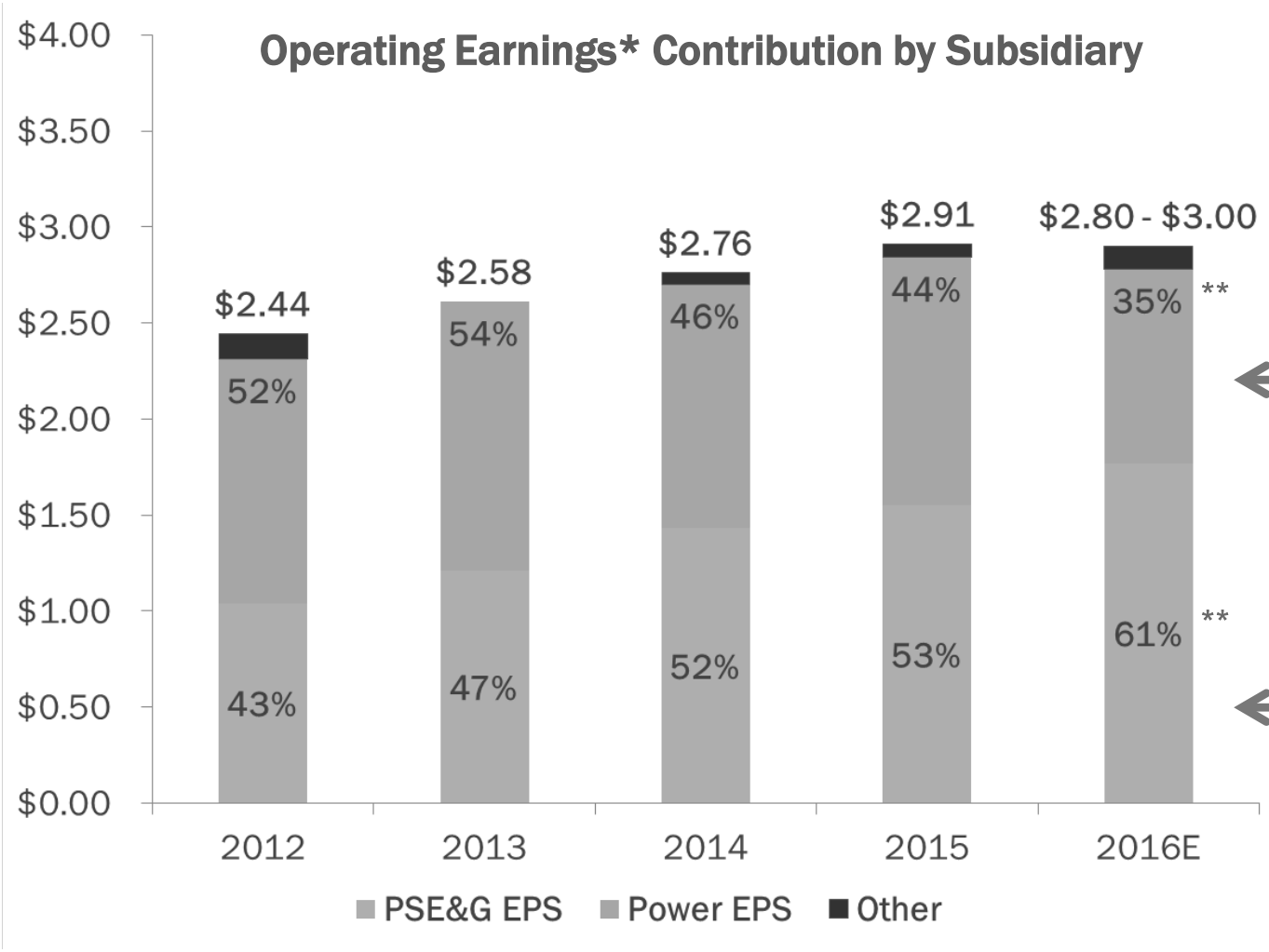
- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

SI-SSA-0015-07234

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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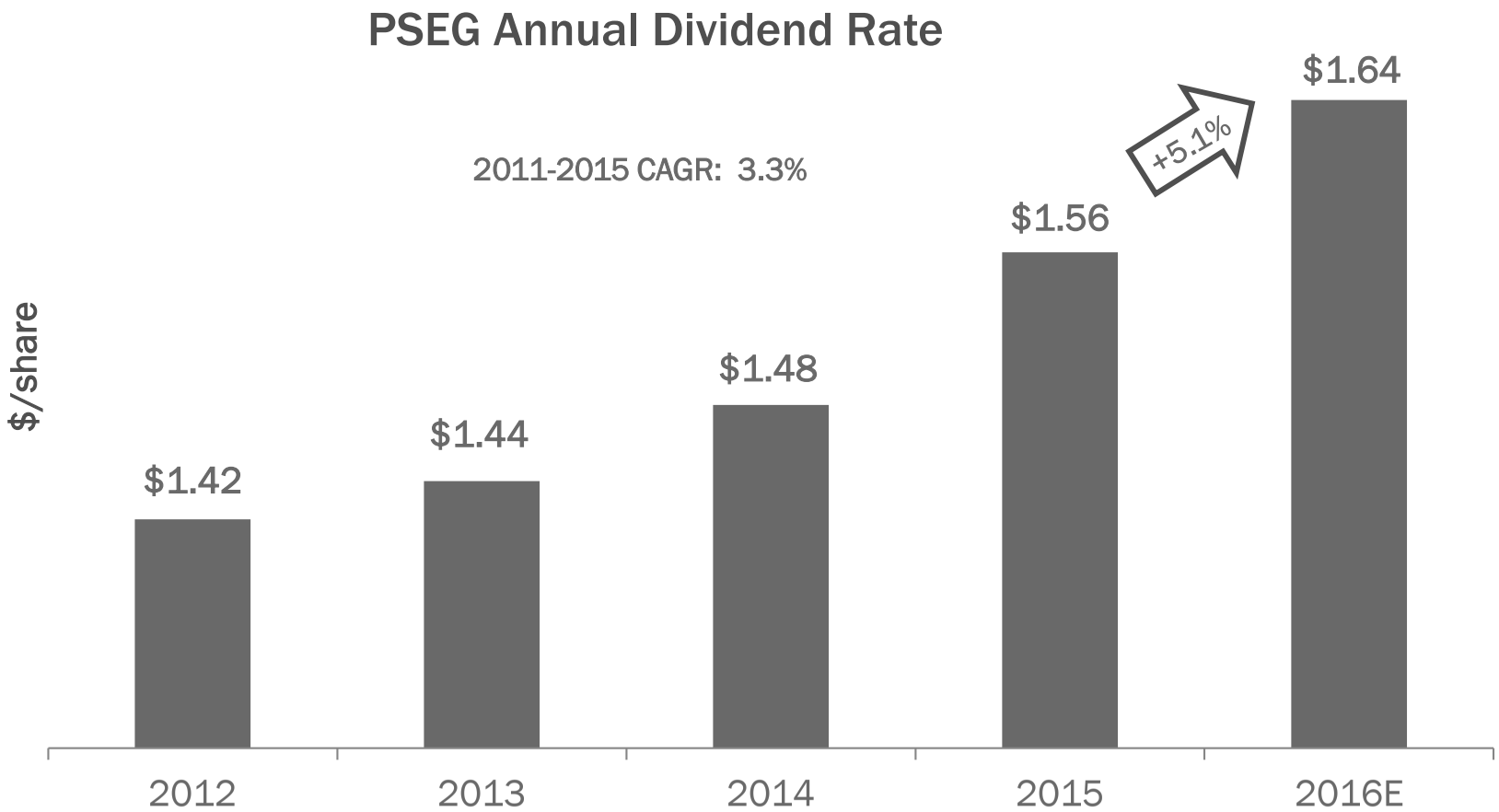
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

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PSEG

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

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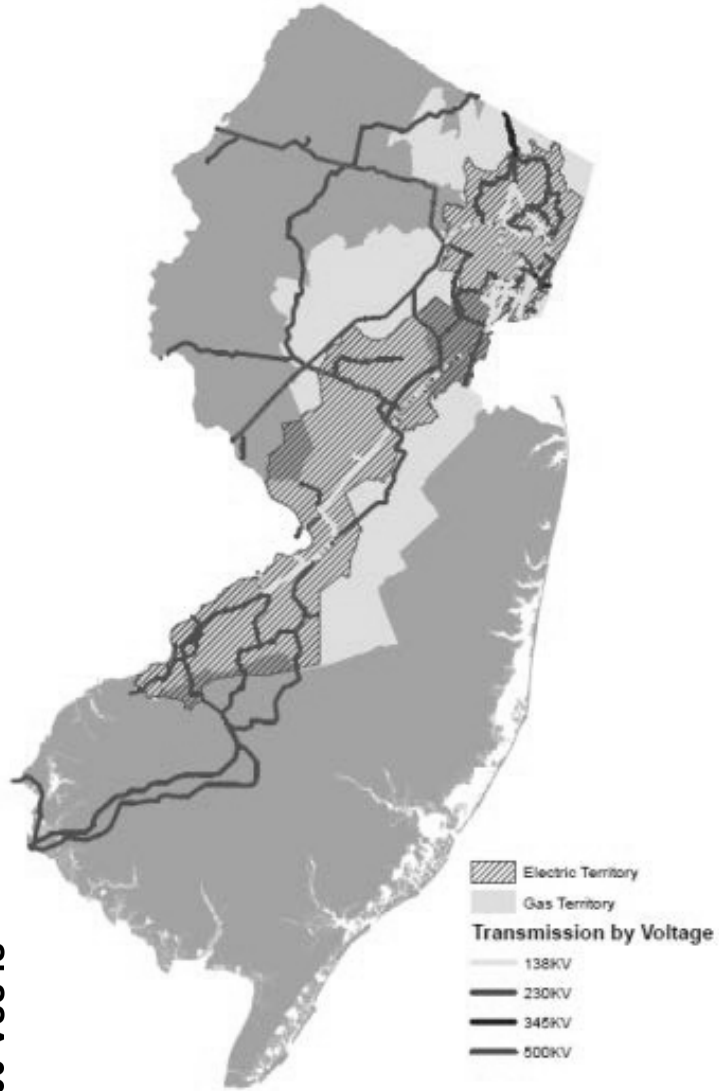
PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-07240

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-07241

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

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PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

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Operational Excellence

Reliability and Customer Service

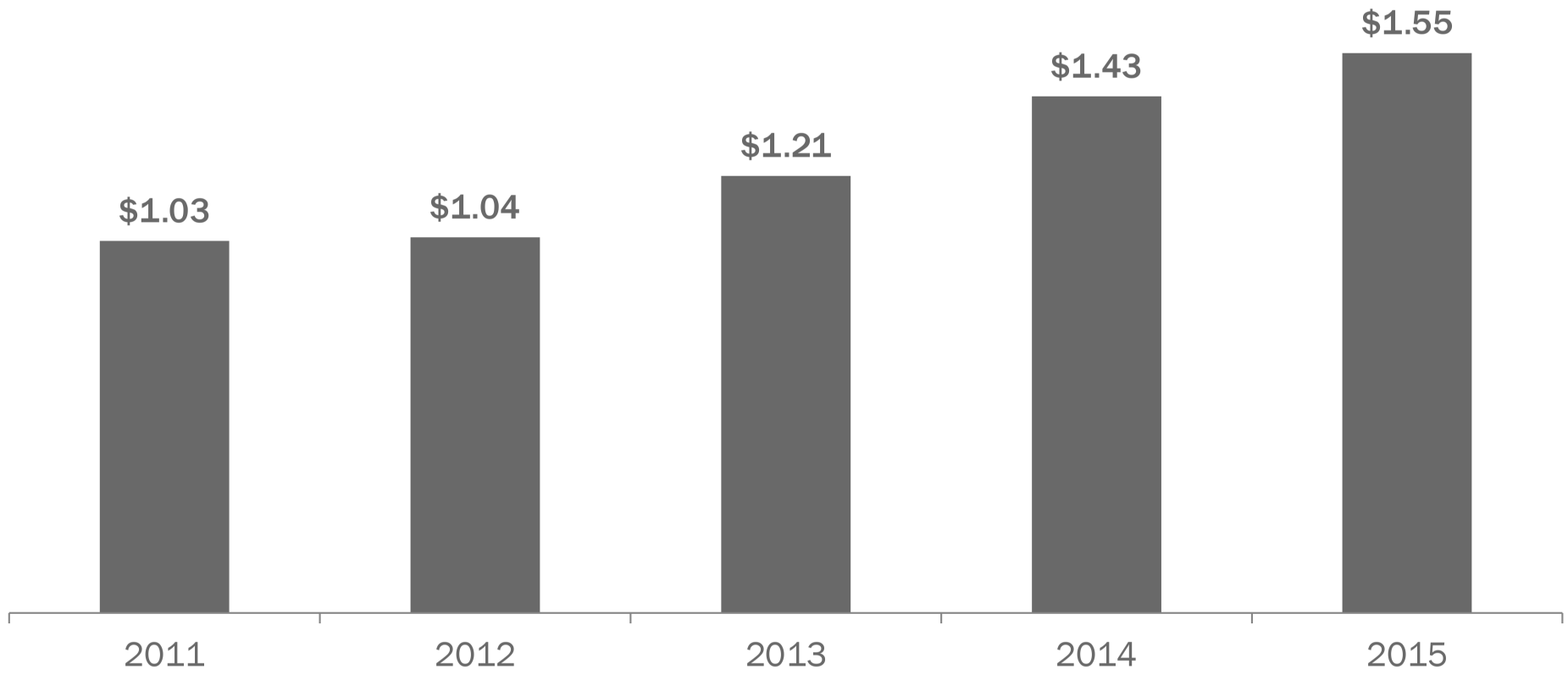
- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-07244

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

PSE&G Operating Earnings Per Share



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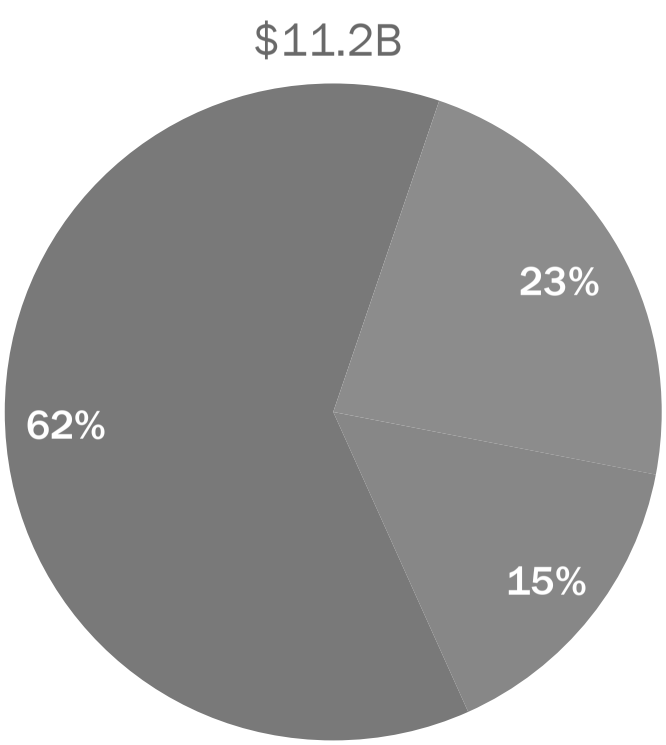
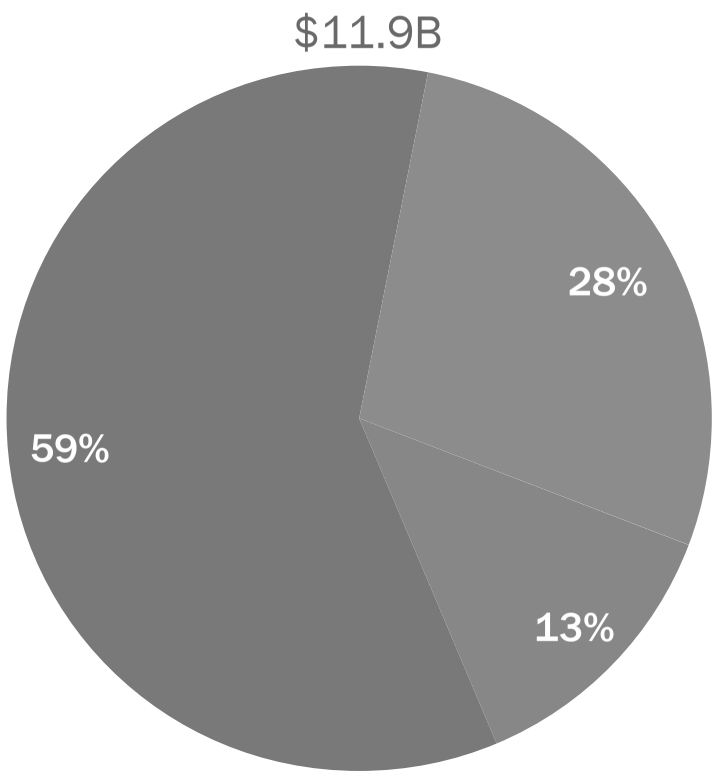
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

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Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

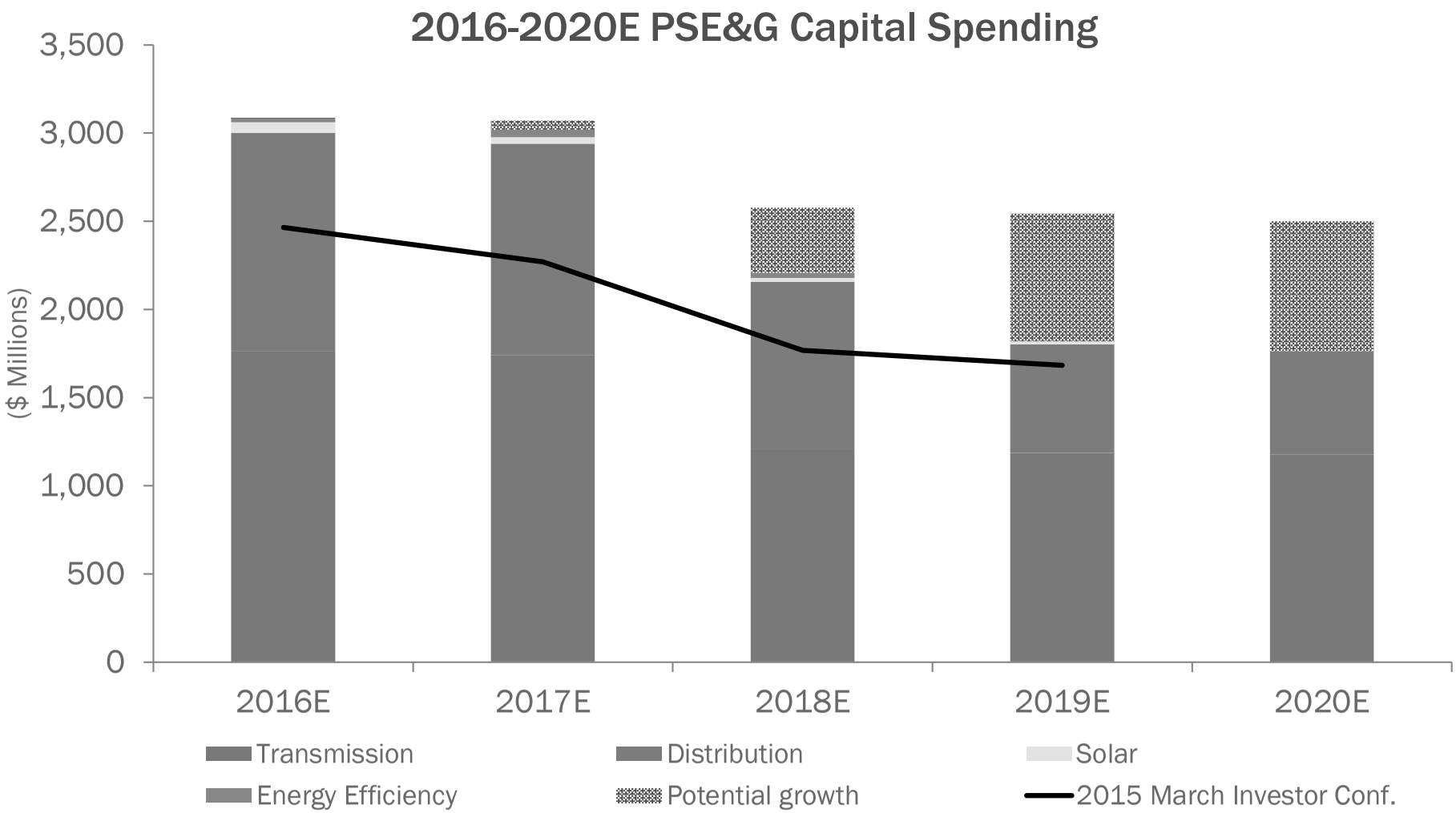
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional $275 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-07247

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-07248

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

*CURRENTLY APPROVED ROE.

SI-SSA-0015-07249

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

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PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

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PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$275M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-07252

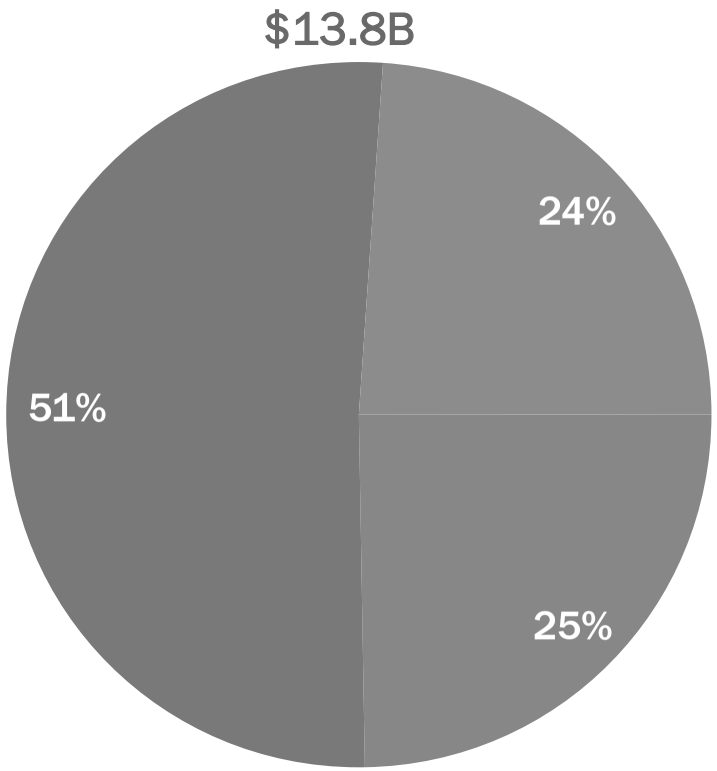
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-07253

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

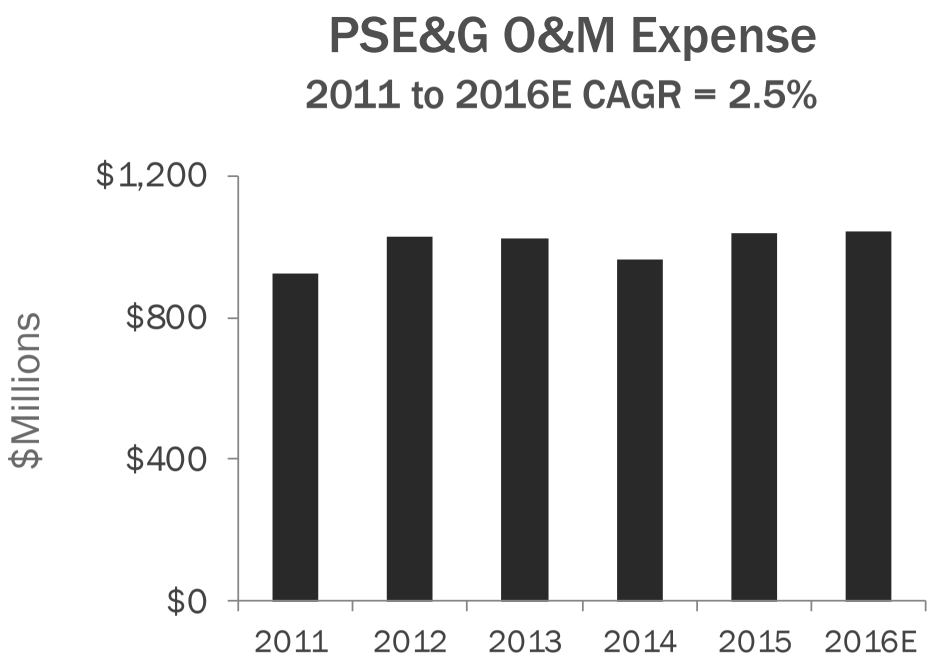
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-07254

Demonstrated ability to control O&M and plan to drive future efficiencies



Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

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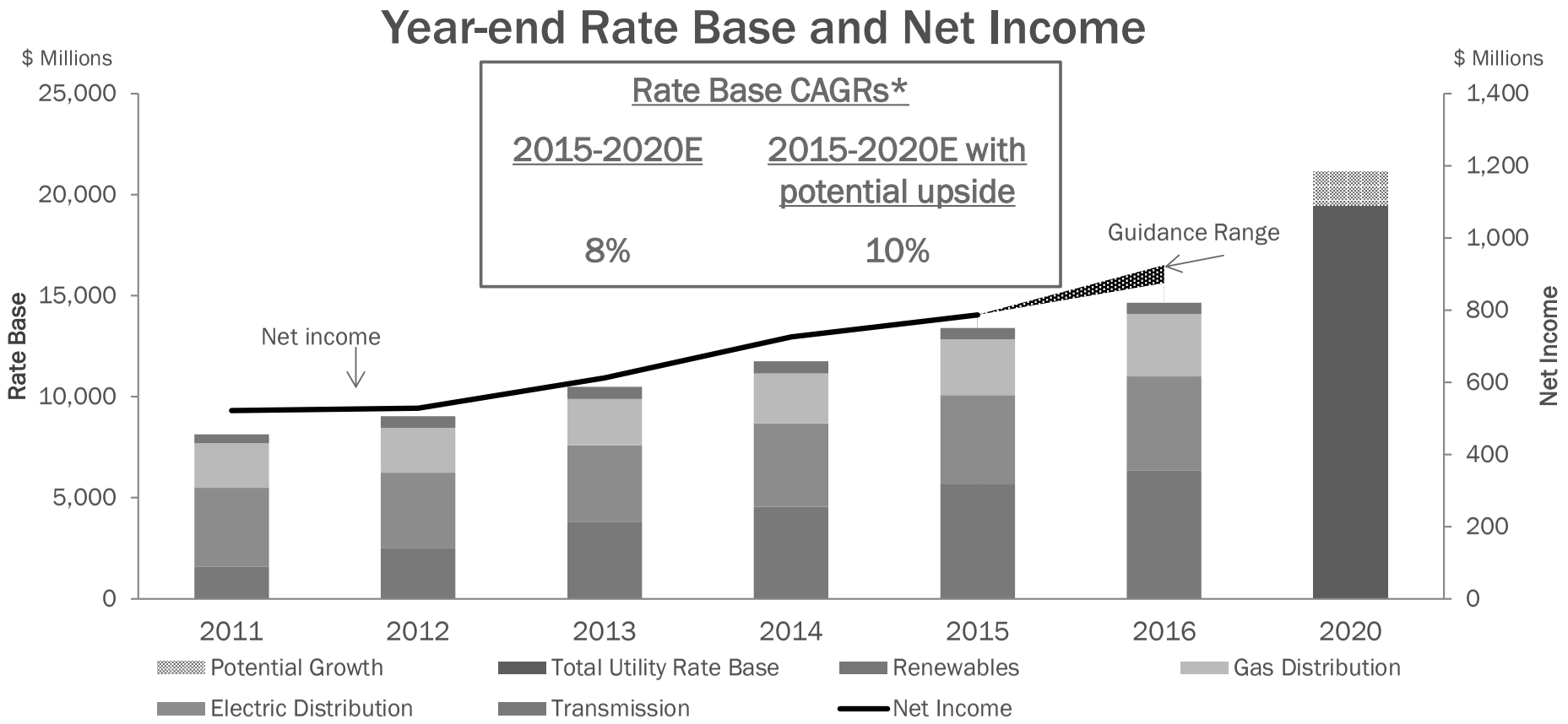
Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

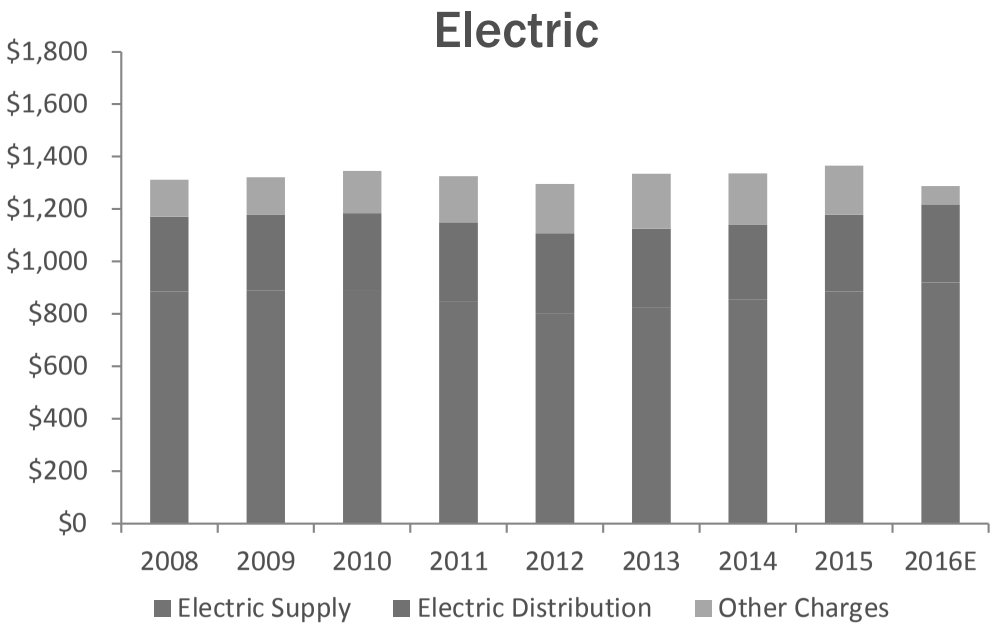
SI-SSA-0015-07256

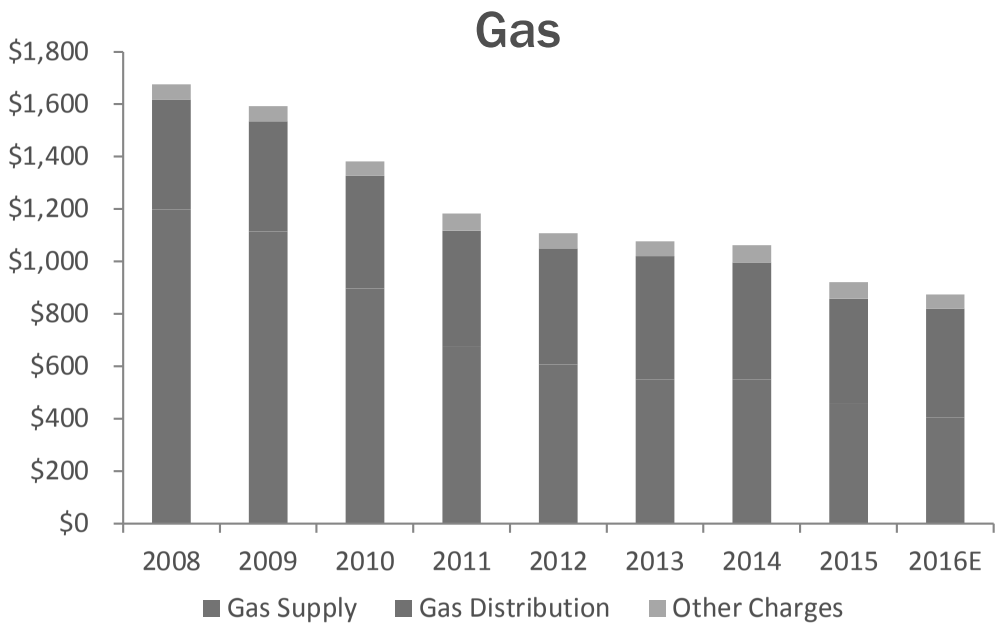
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-07257

PSEG

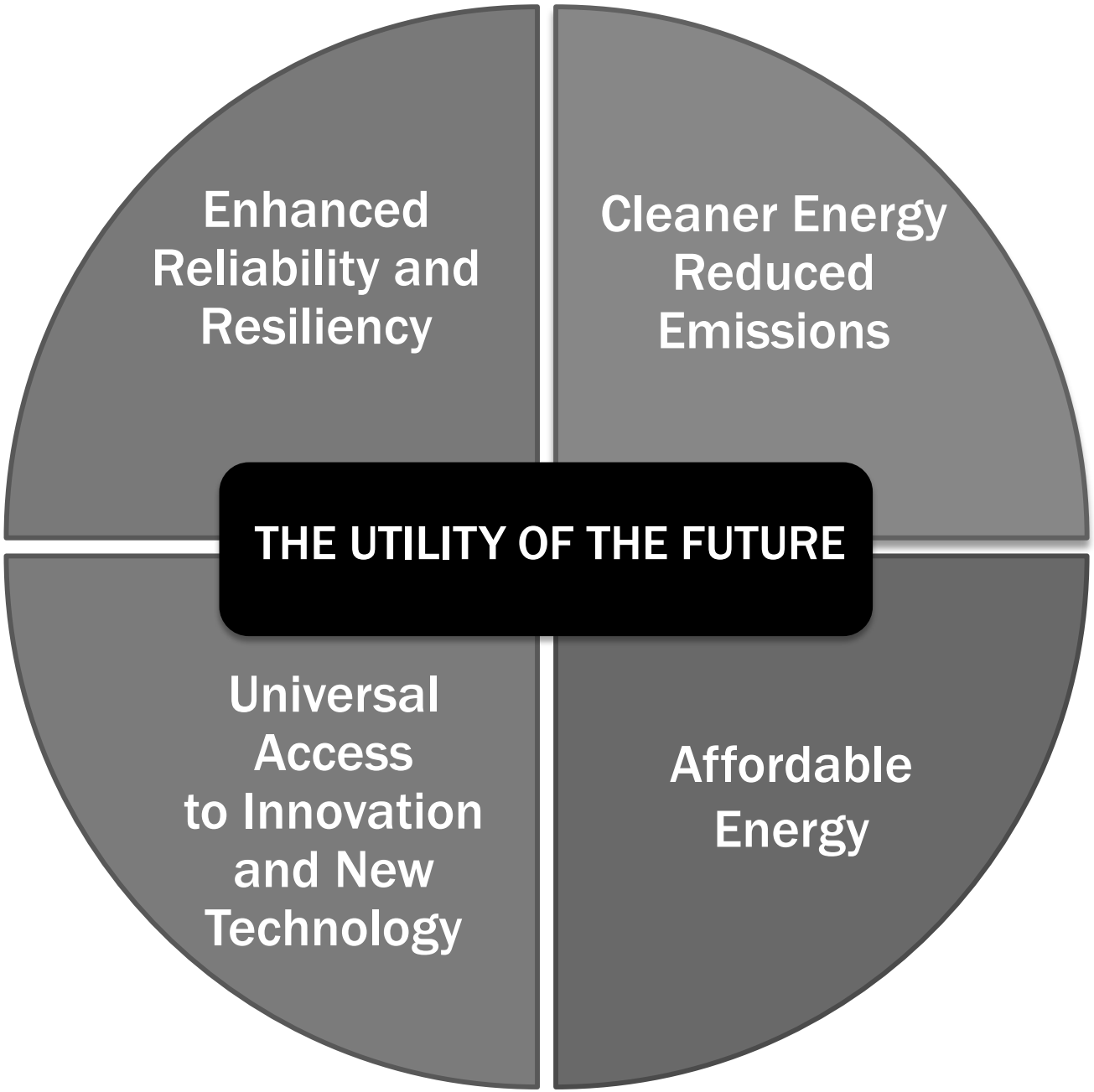
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

E =ESTIMATE.

SI-SSA-0015-07258



SI-SSA-0015-07259

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-07260

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-07261

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

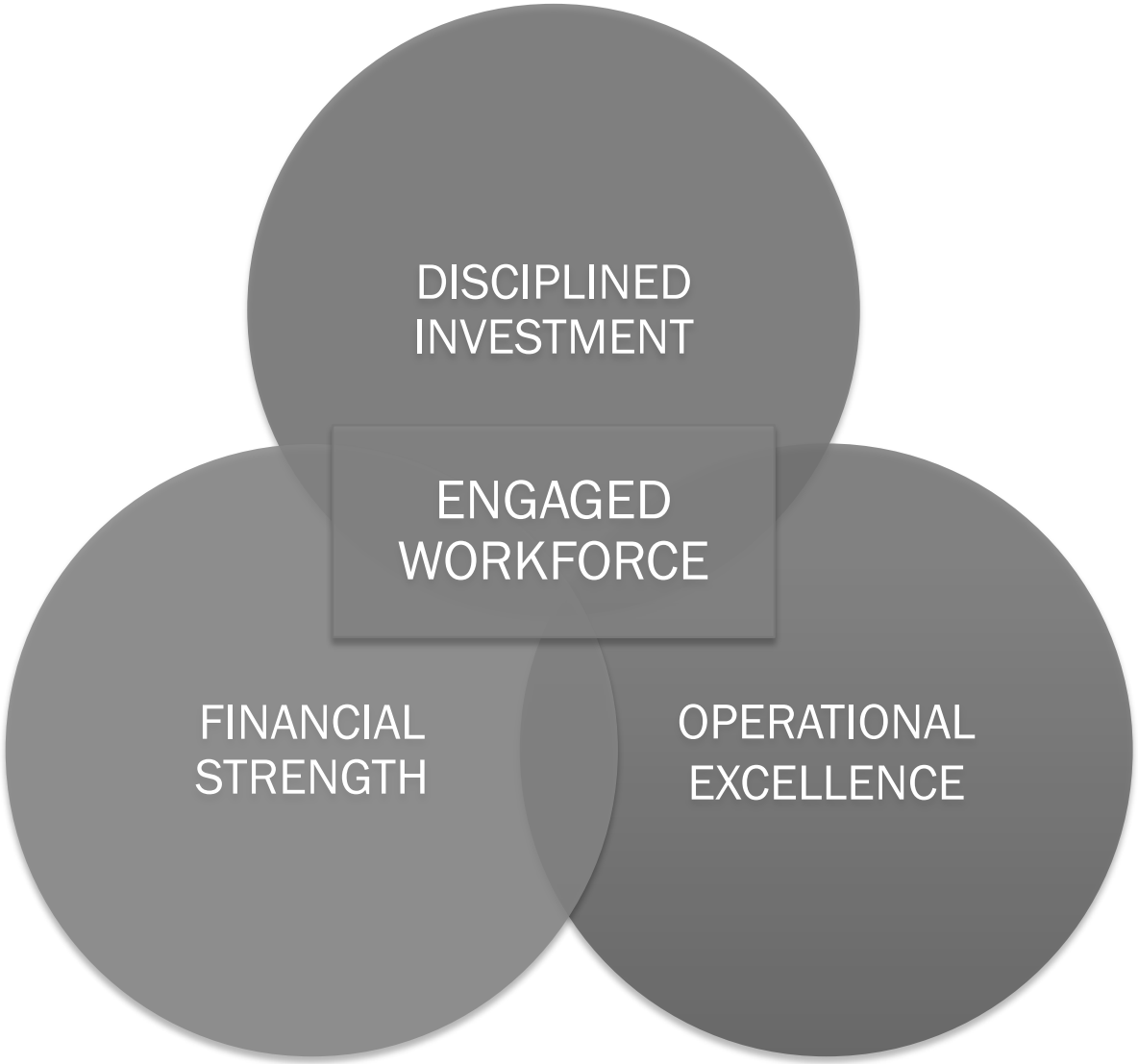
PSEG

We make things work for you.

SI-SSA-0015-07262

PSEG Power
strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07263

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

SI-SSA-0015-07264

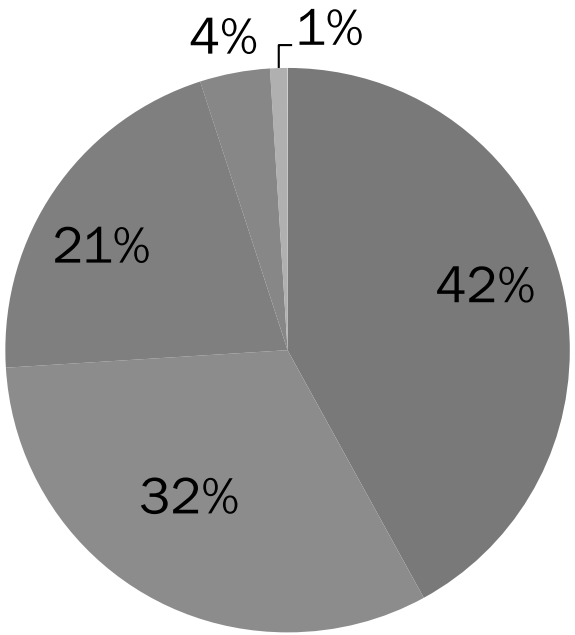
PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

2015 Actual

Fuel Diversity*

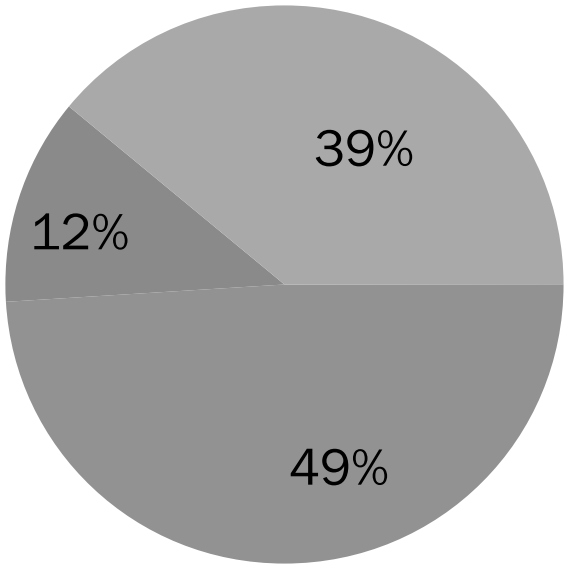
Total MW: 11,678



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

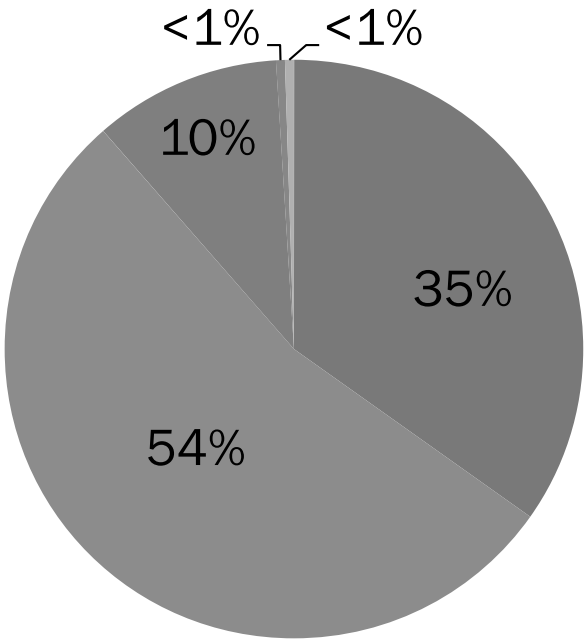
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 55,213



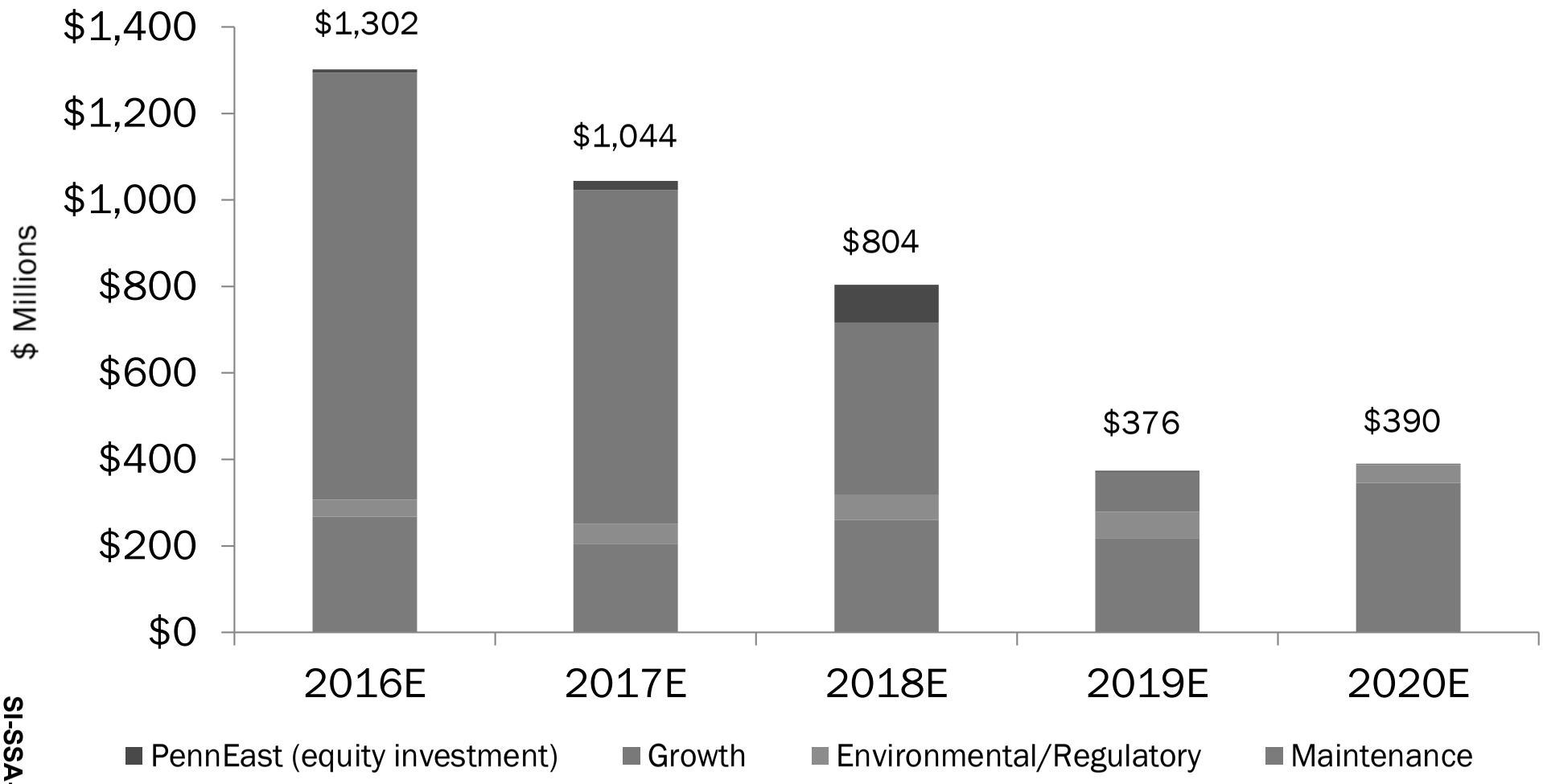
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

* EXCLUDES SOLAR AND KALAELOA.

**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-07265

Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

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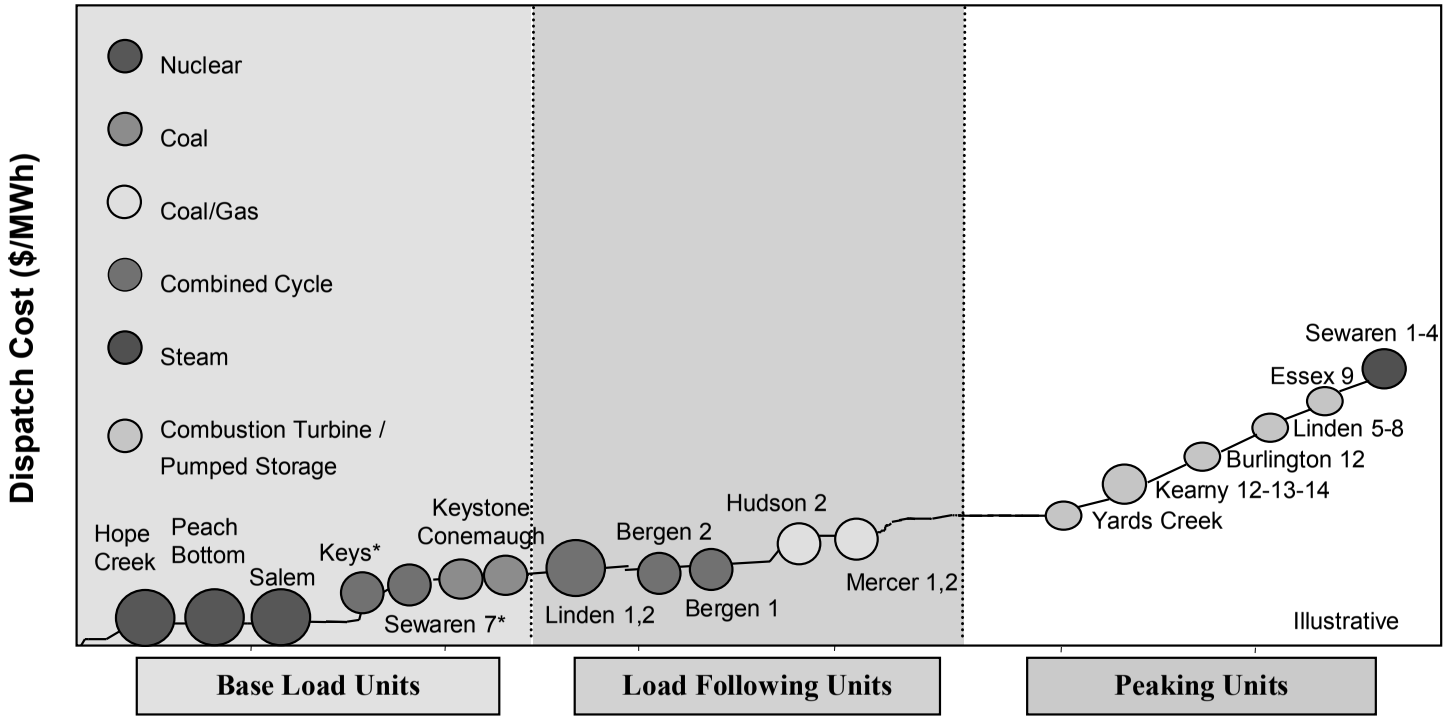
Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

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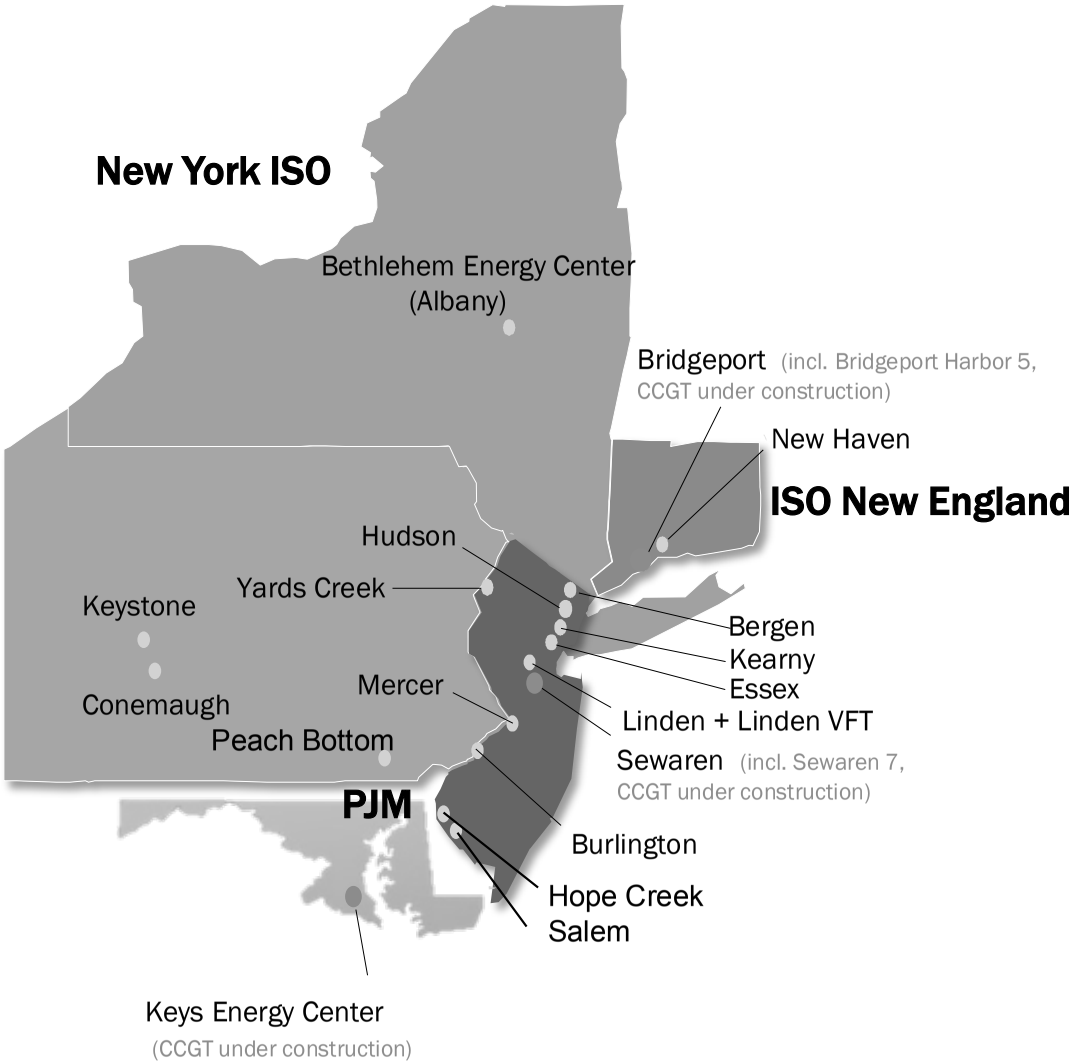
PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



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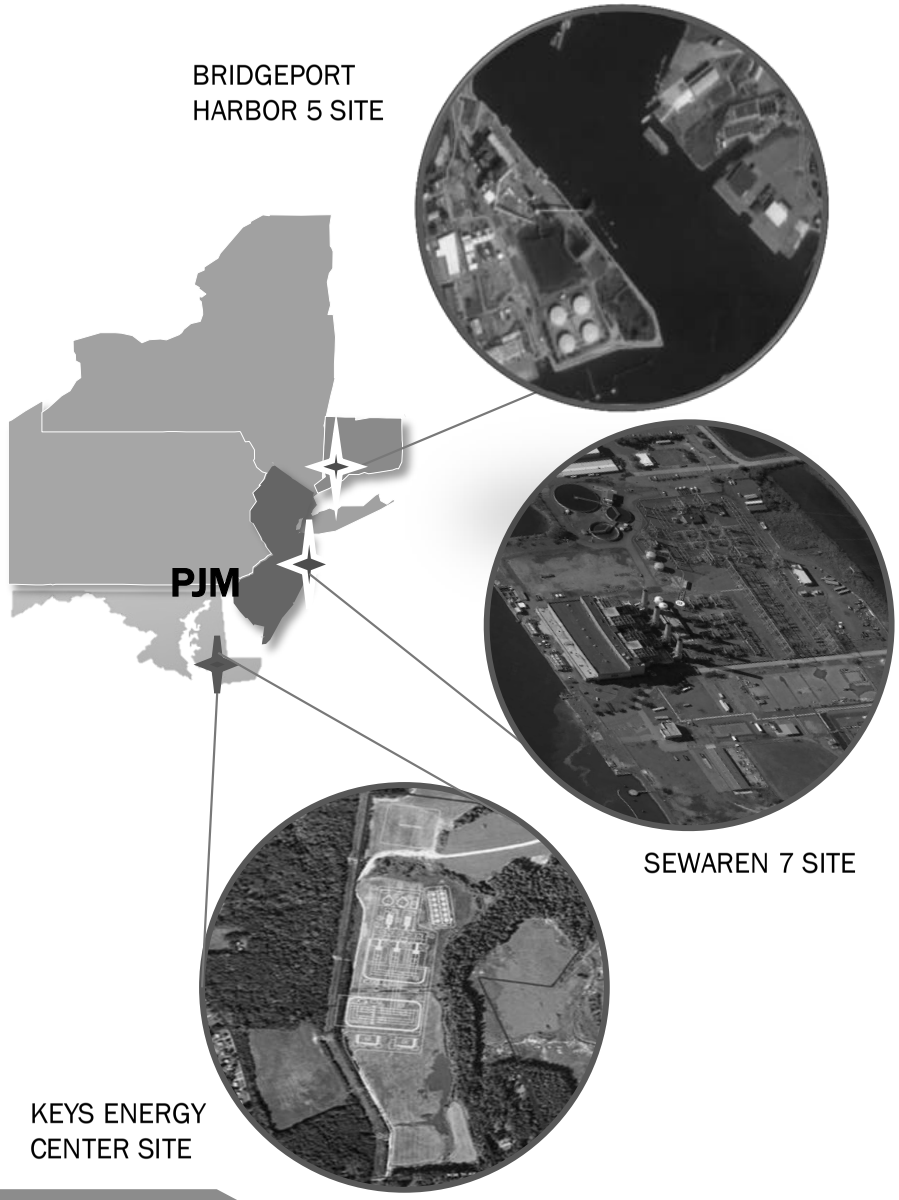
PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



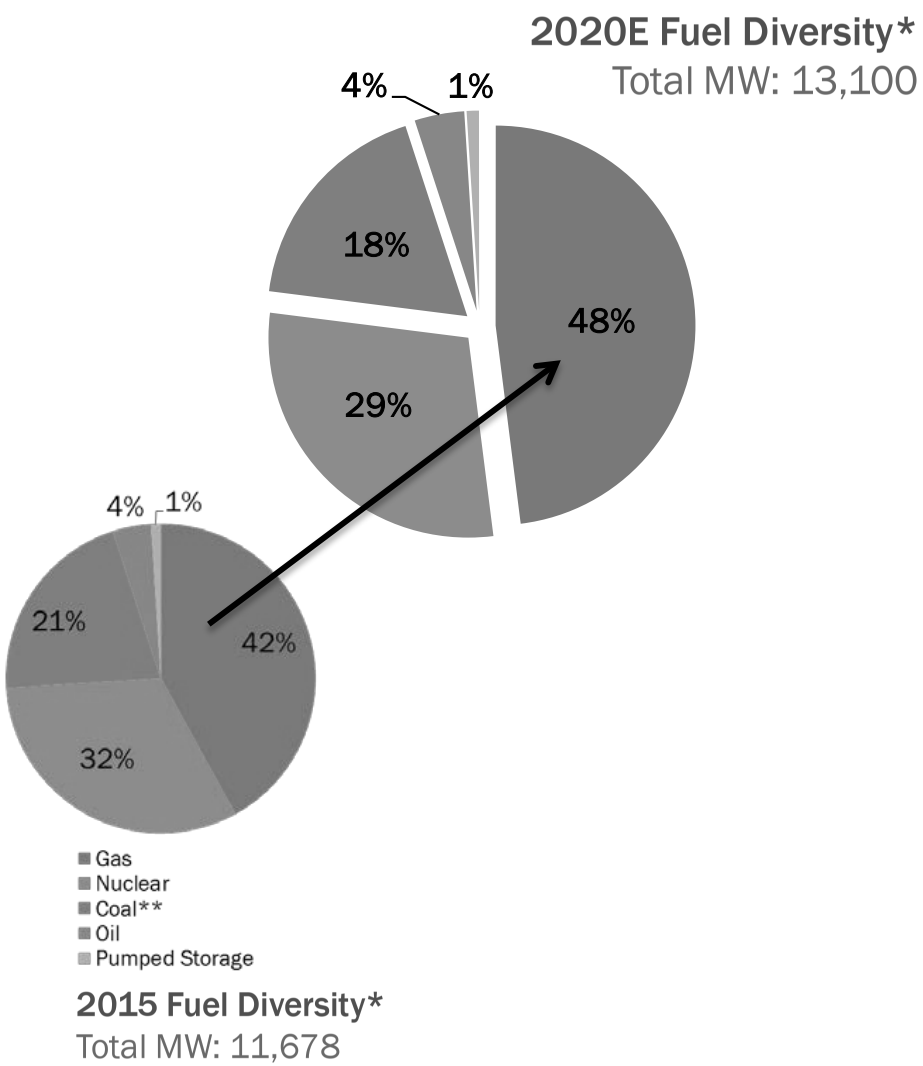
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

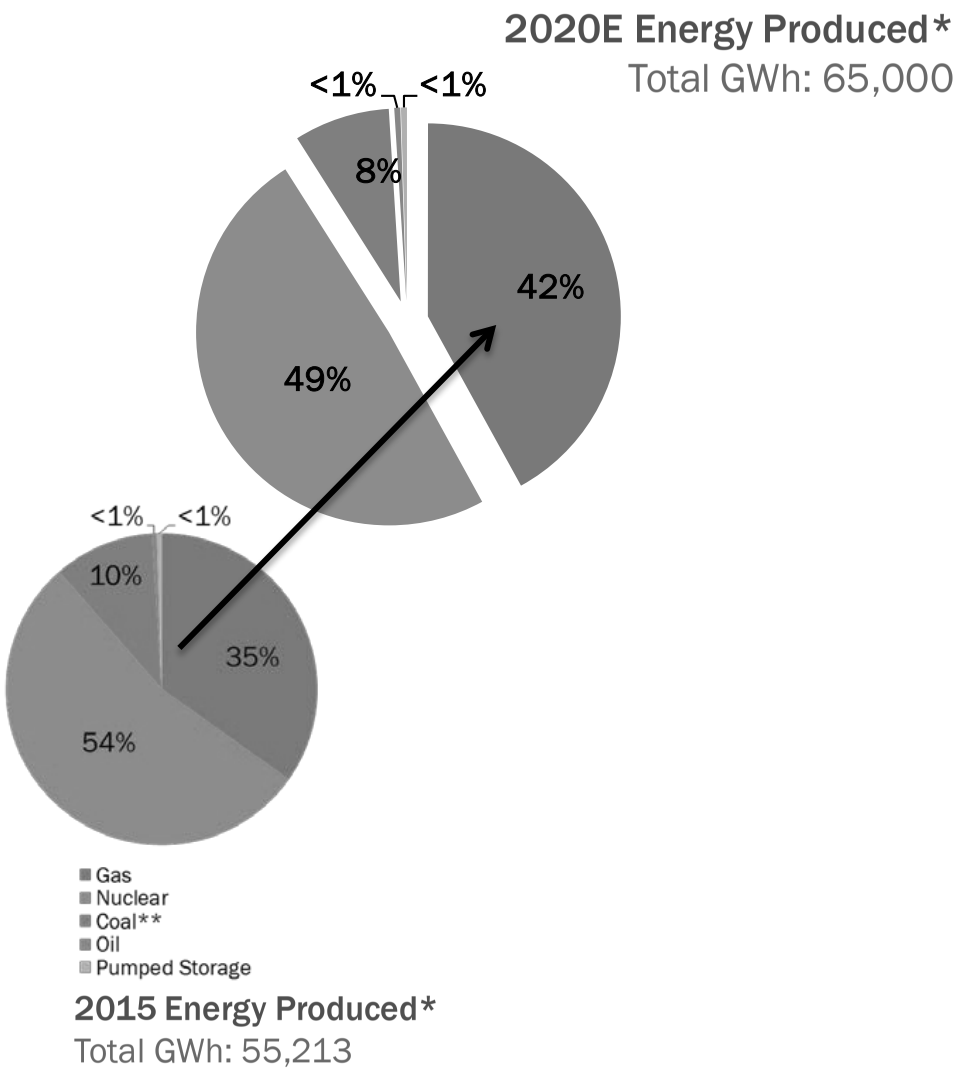
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-07269

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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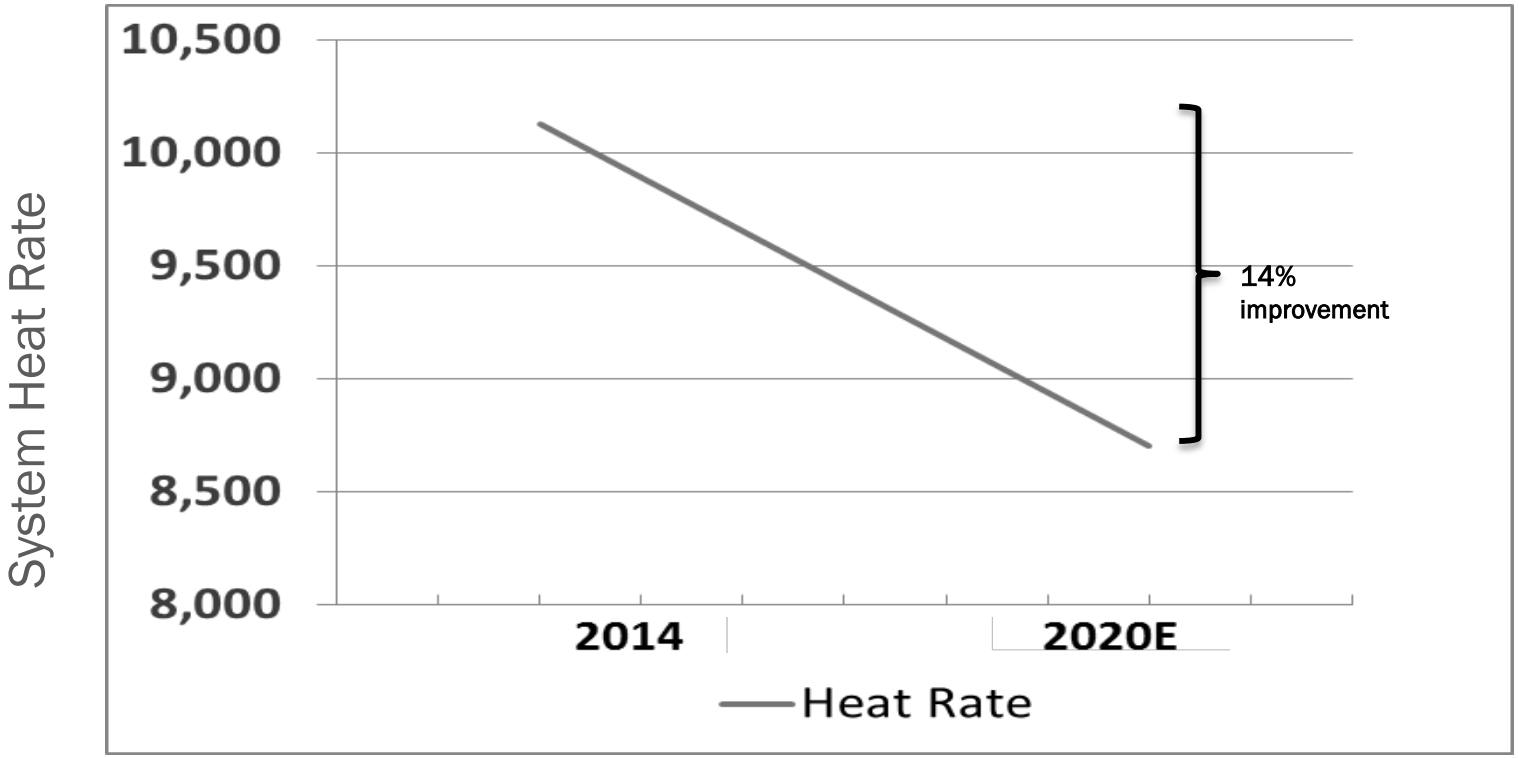
PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

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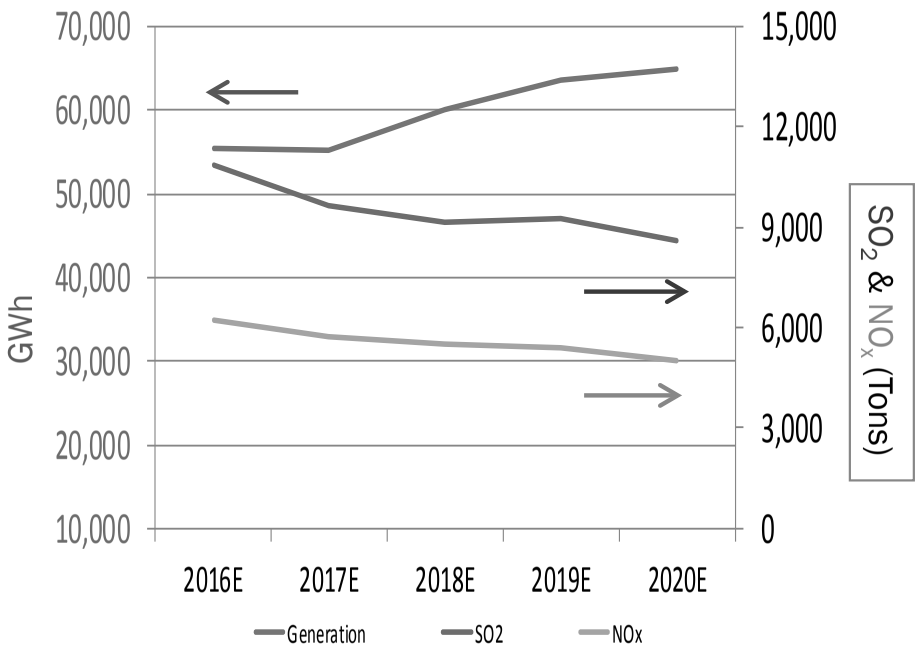
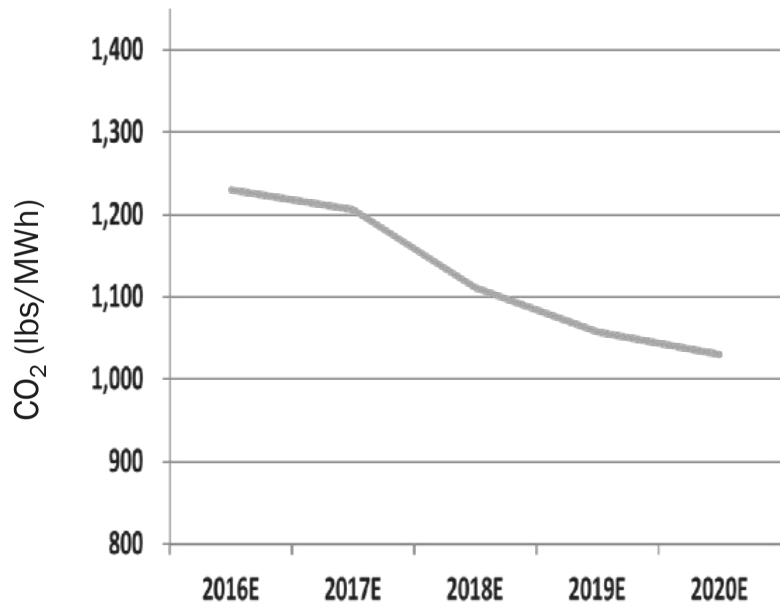
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

E = ESTIMATE

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

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PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

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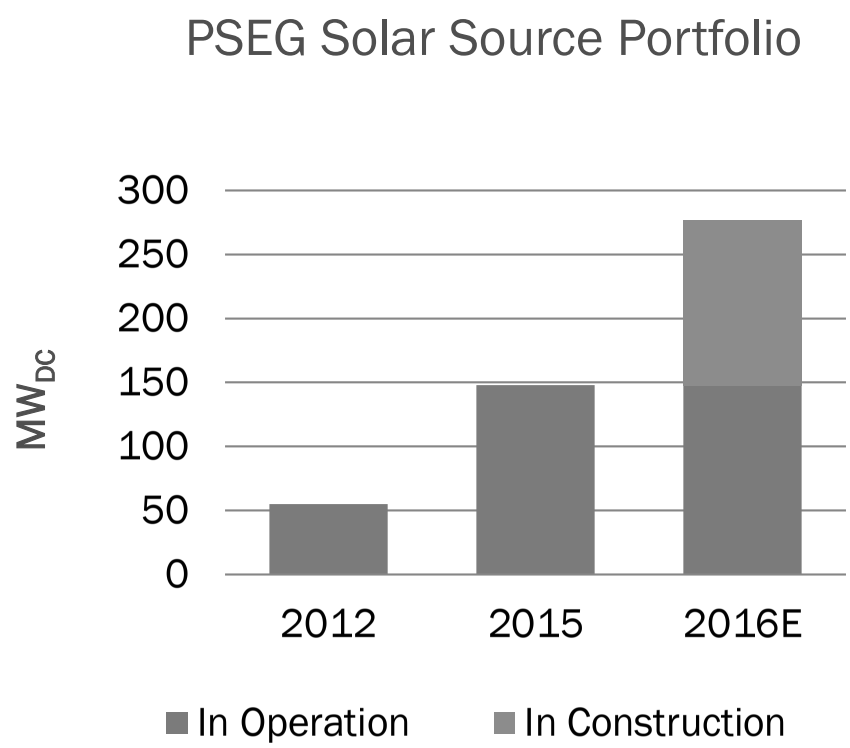
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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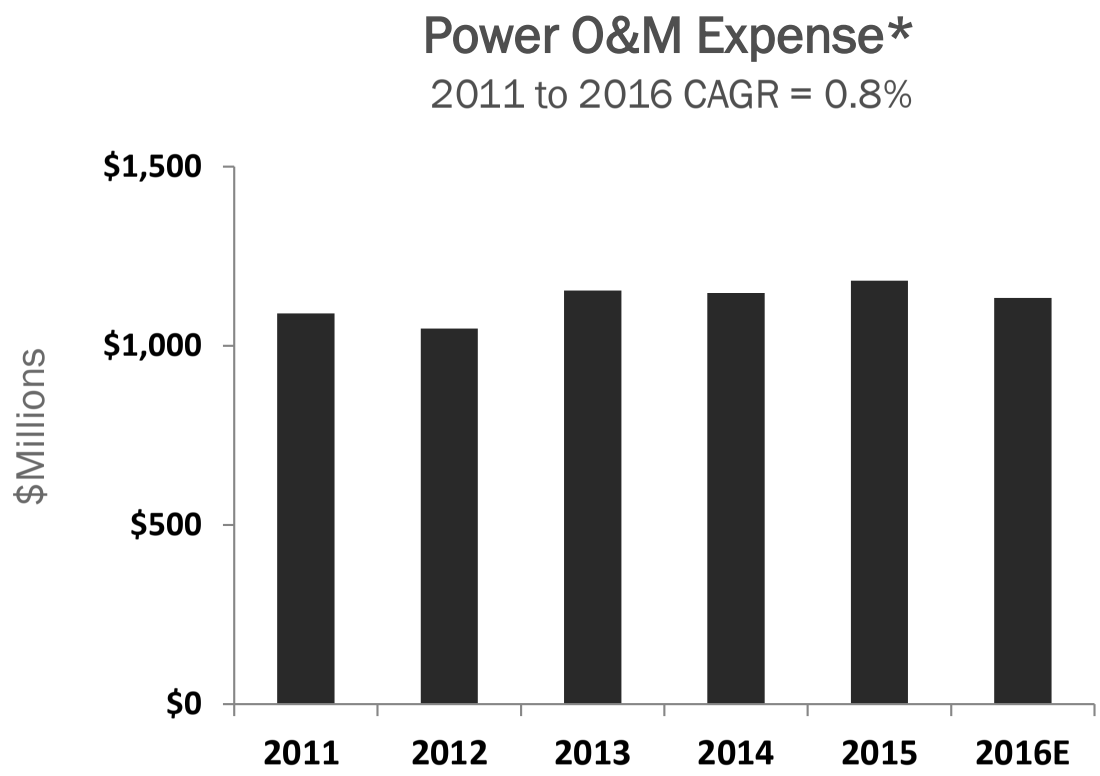
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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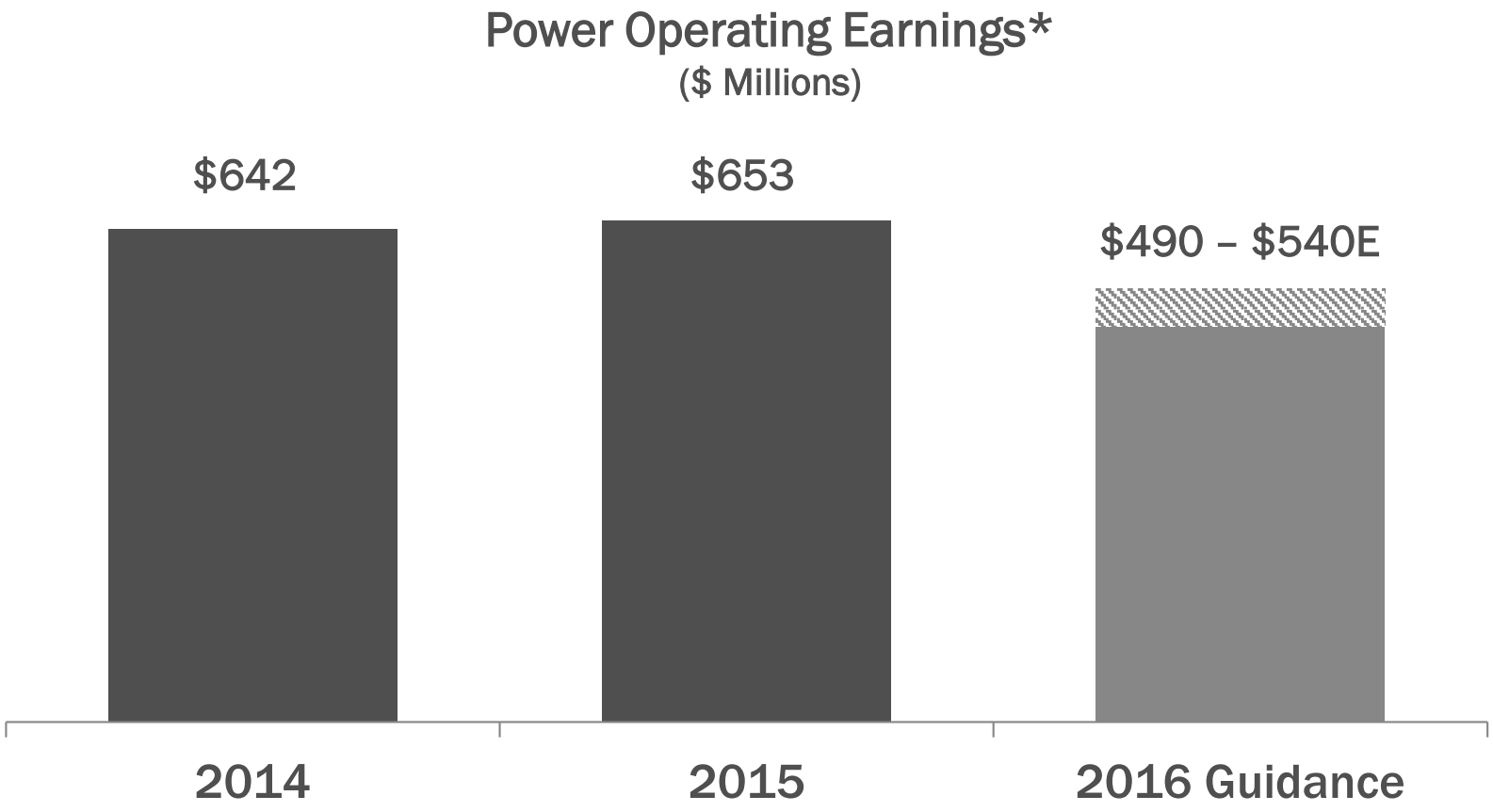
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-07278

Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



SI-SSA-0015-07279

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-07280

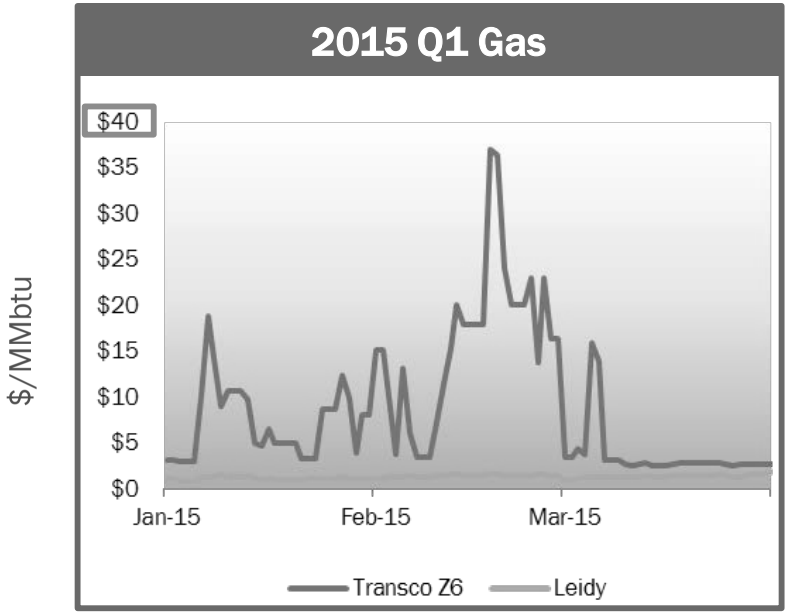
PSEG POWER
ER&T

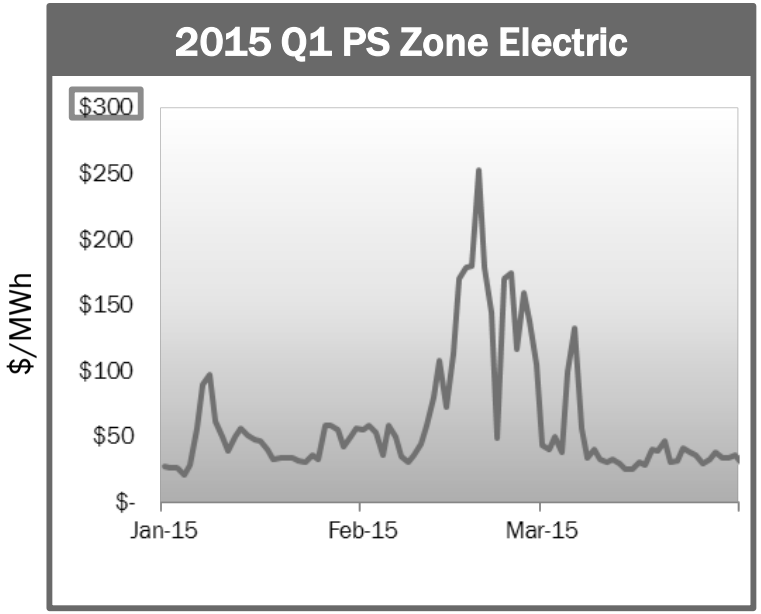
SI-SSA-0015-07281

PSEG

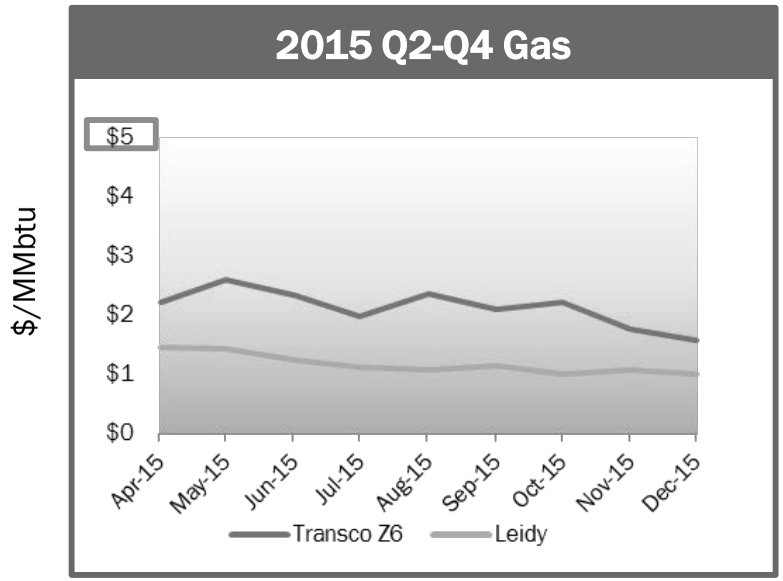
We make things work for you.

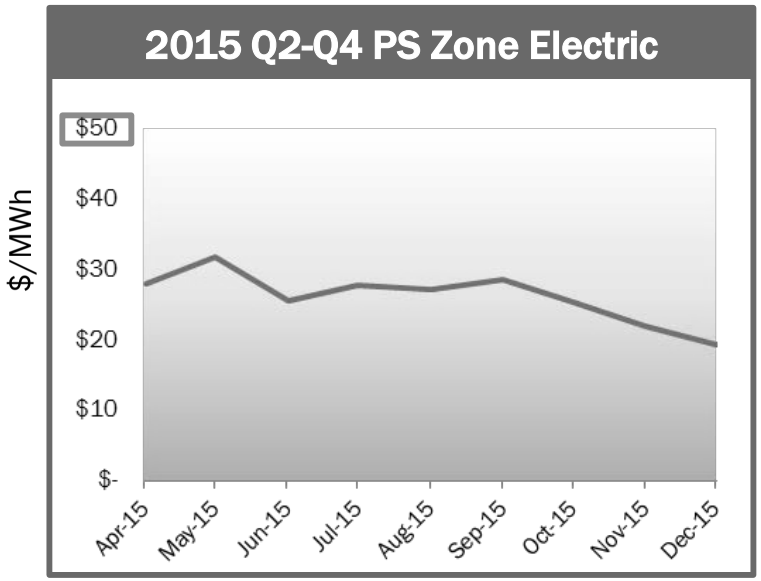
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

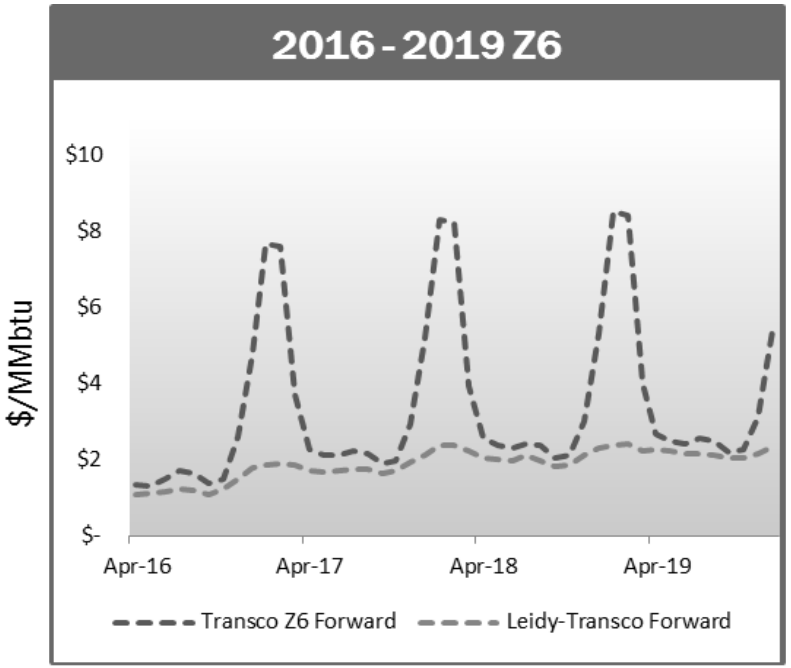


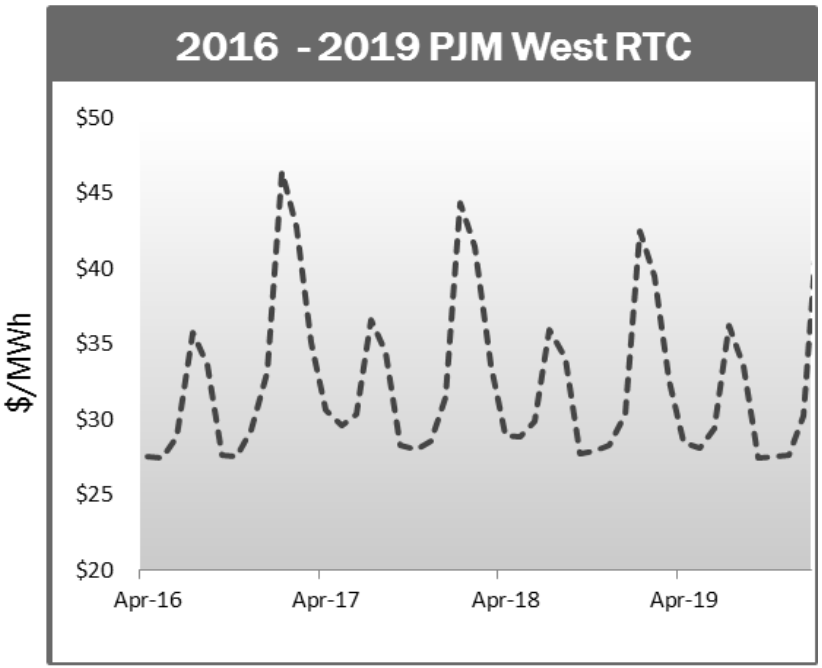


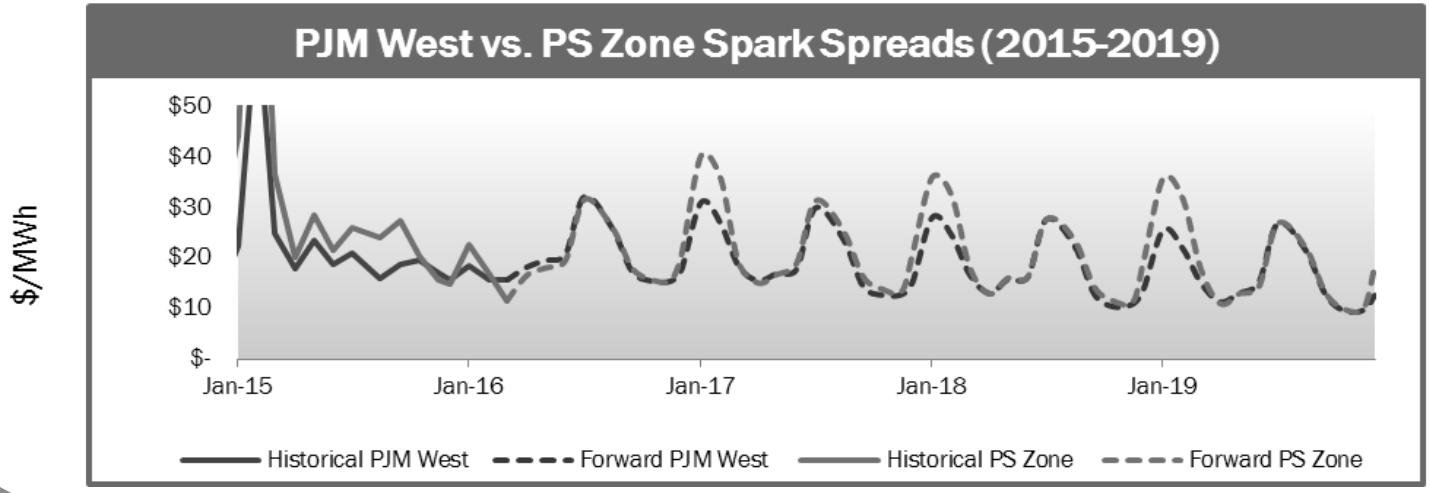
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-07282

Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

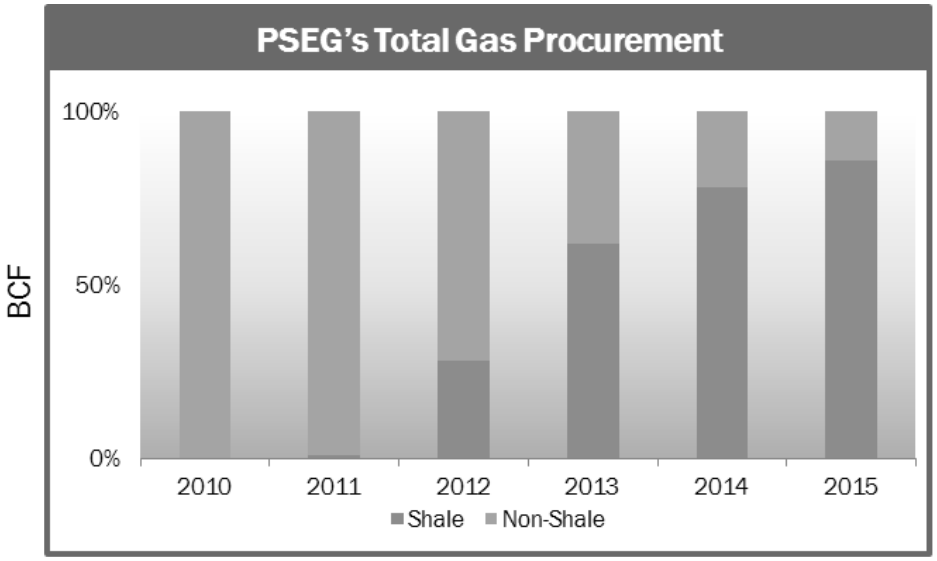


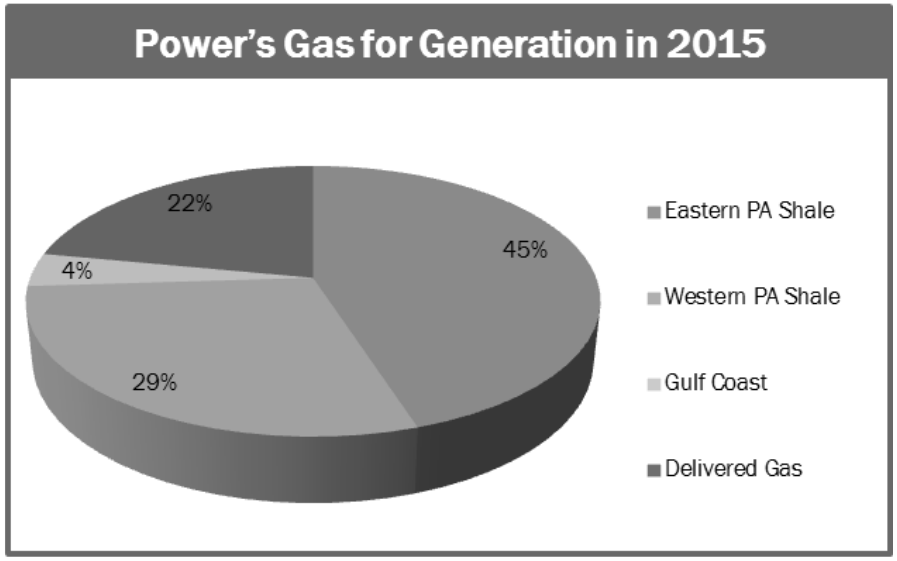




SI-SSA-0015-07283

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



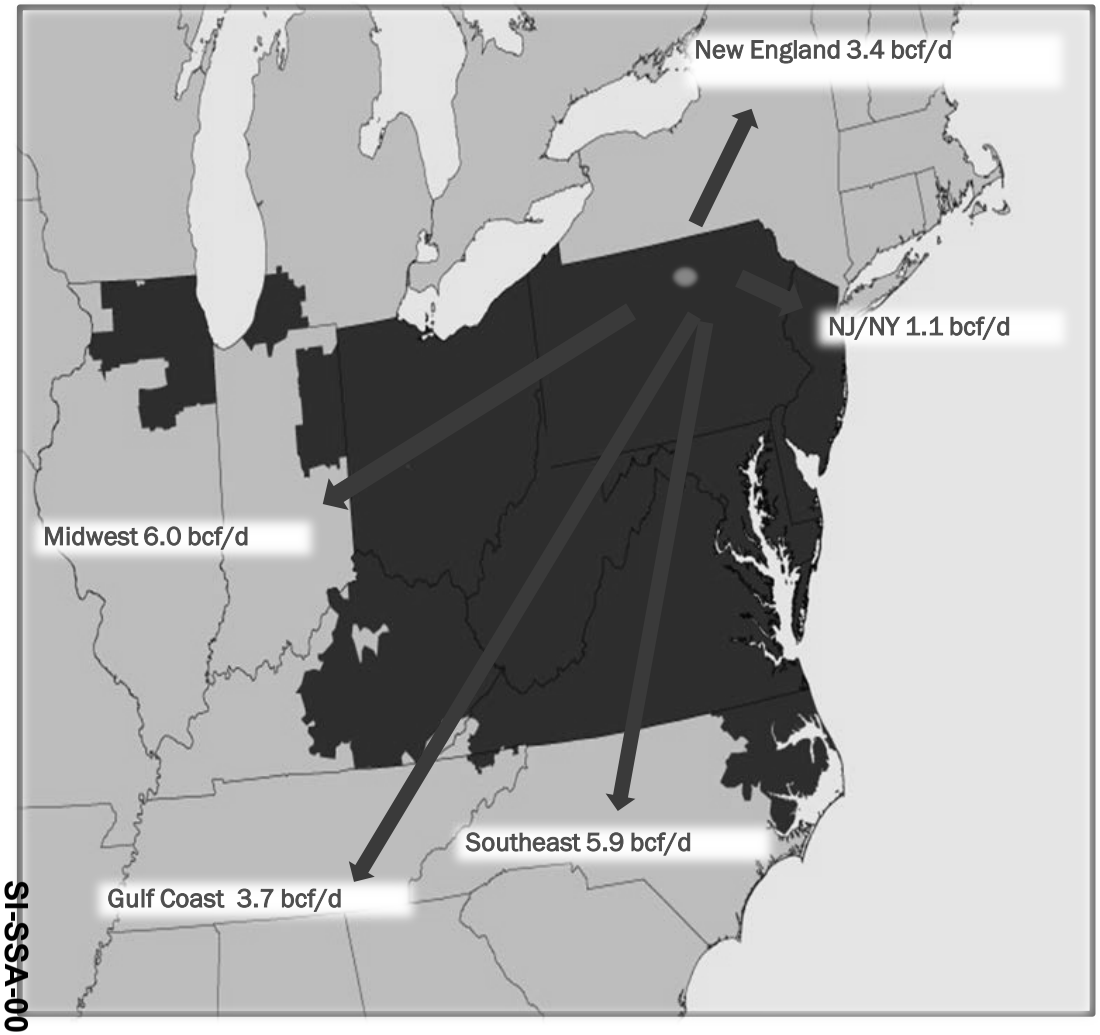


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-07284

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-07285

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

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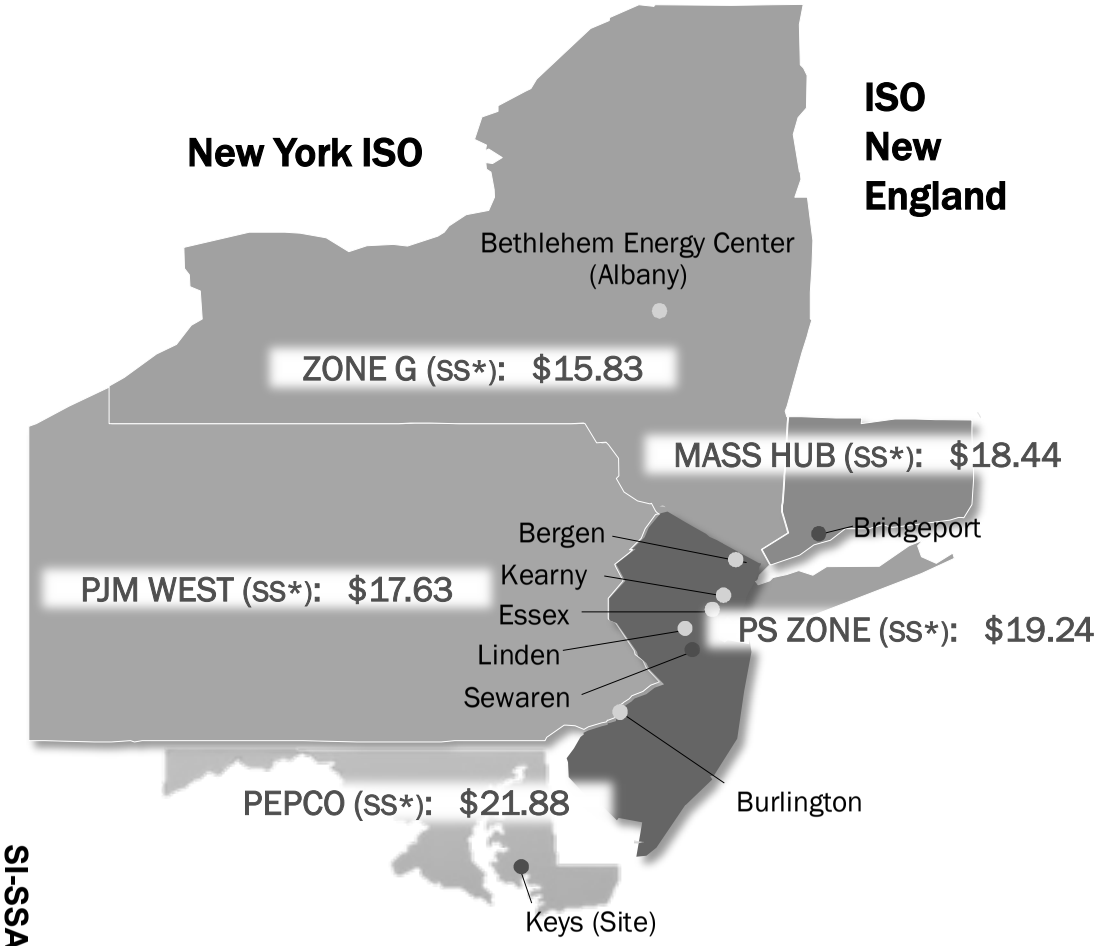
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	7.2	5,008

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PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

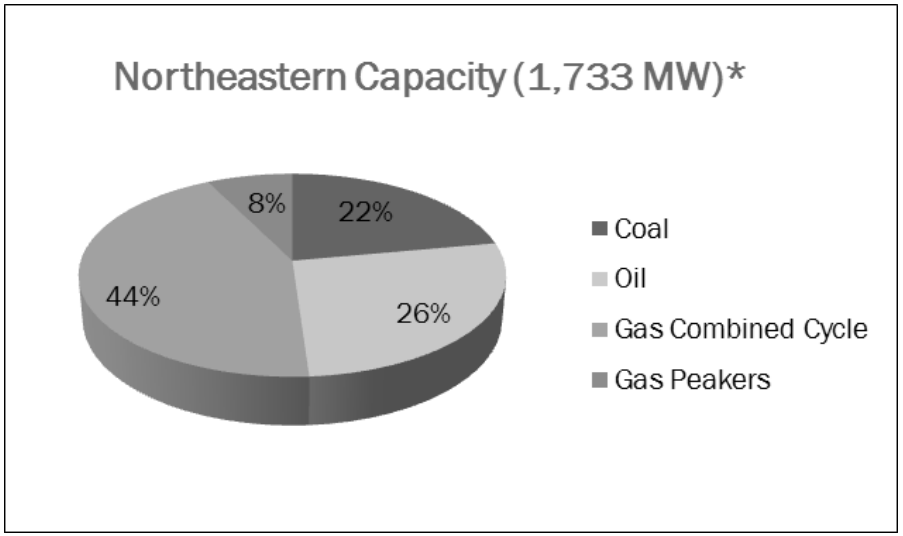
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-07288

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

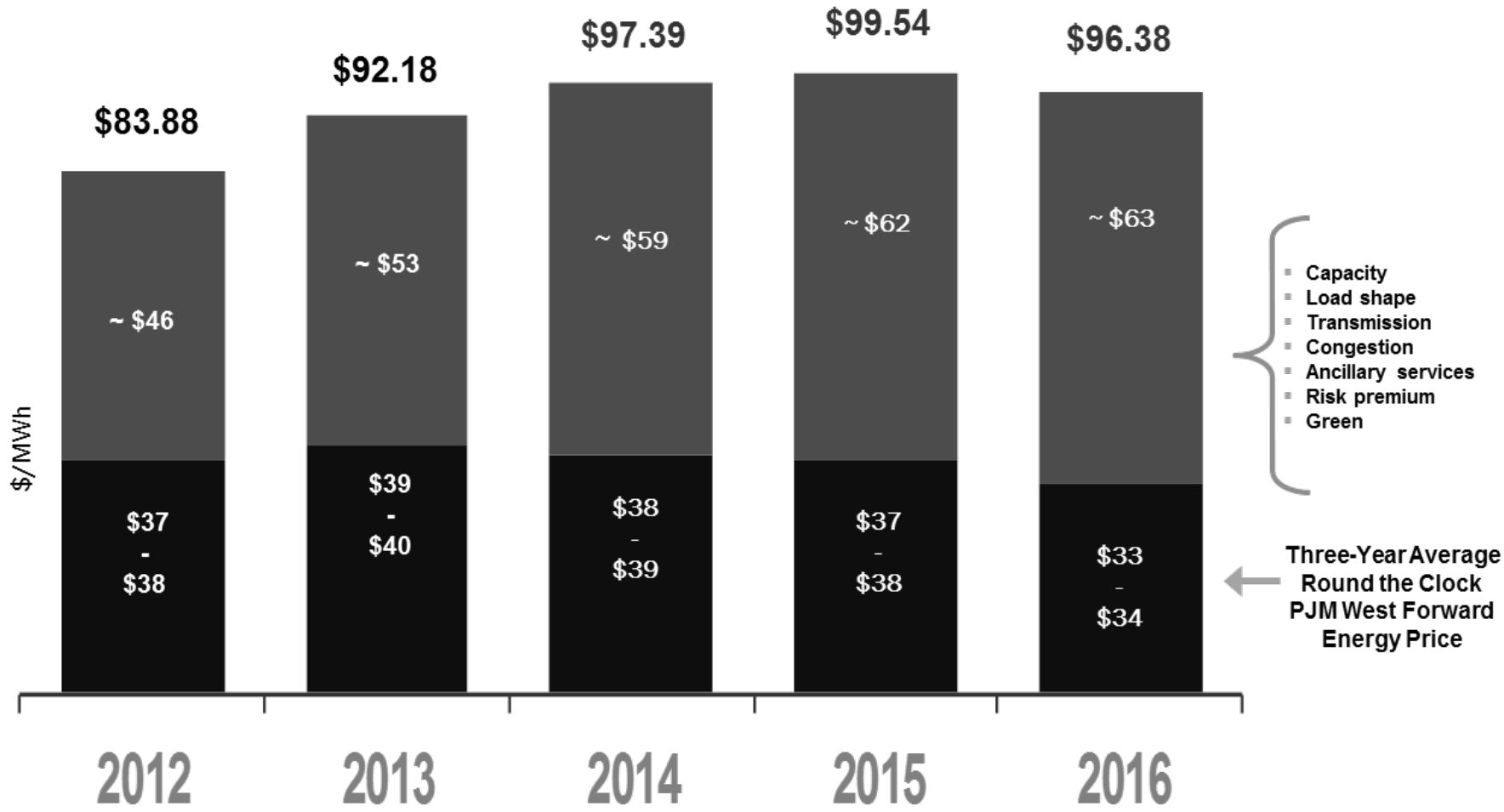
ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

SI-SSA-0015-07289

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-07290

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		April-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	36	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	14	19	24
	% Hedged	25-30%	0%	0%
	Price $/MWh	$49	-	-
Total	Volume TWh	39-41	54-56	59-61
	% Hedged	70-75%	50-55%	20-25%
	Price $/MWh	$49	$49	$49

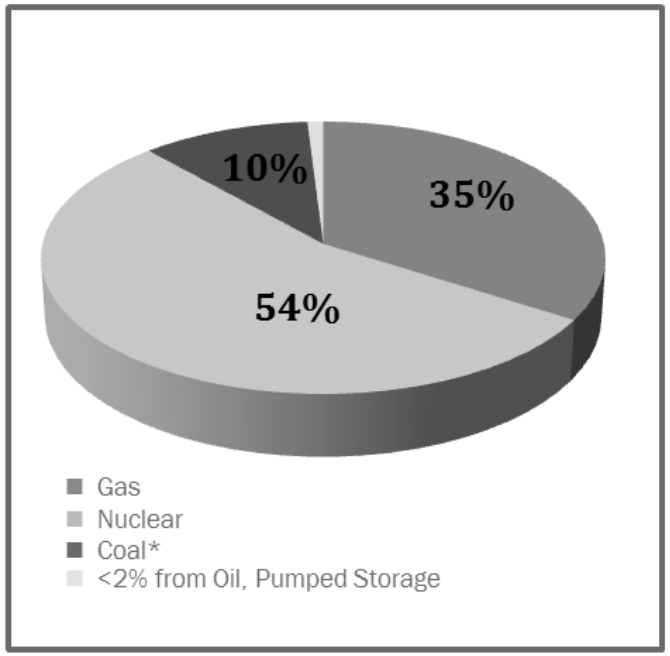
HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-07291

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

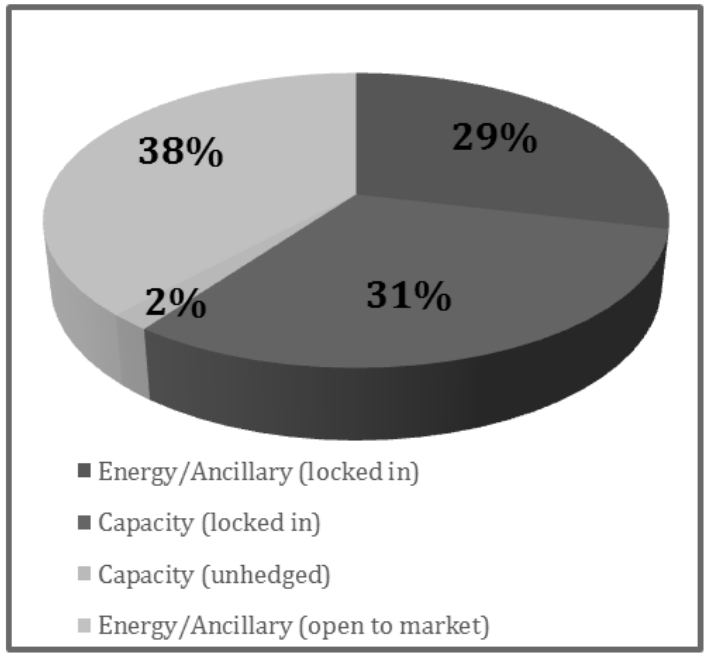
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



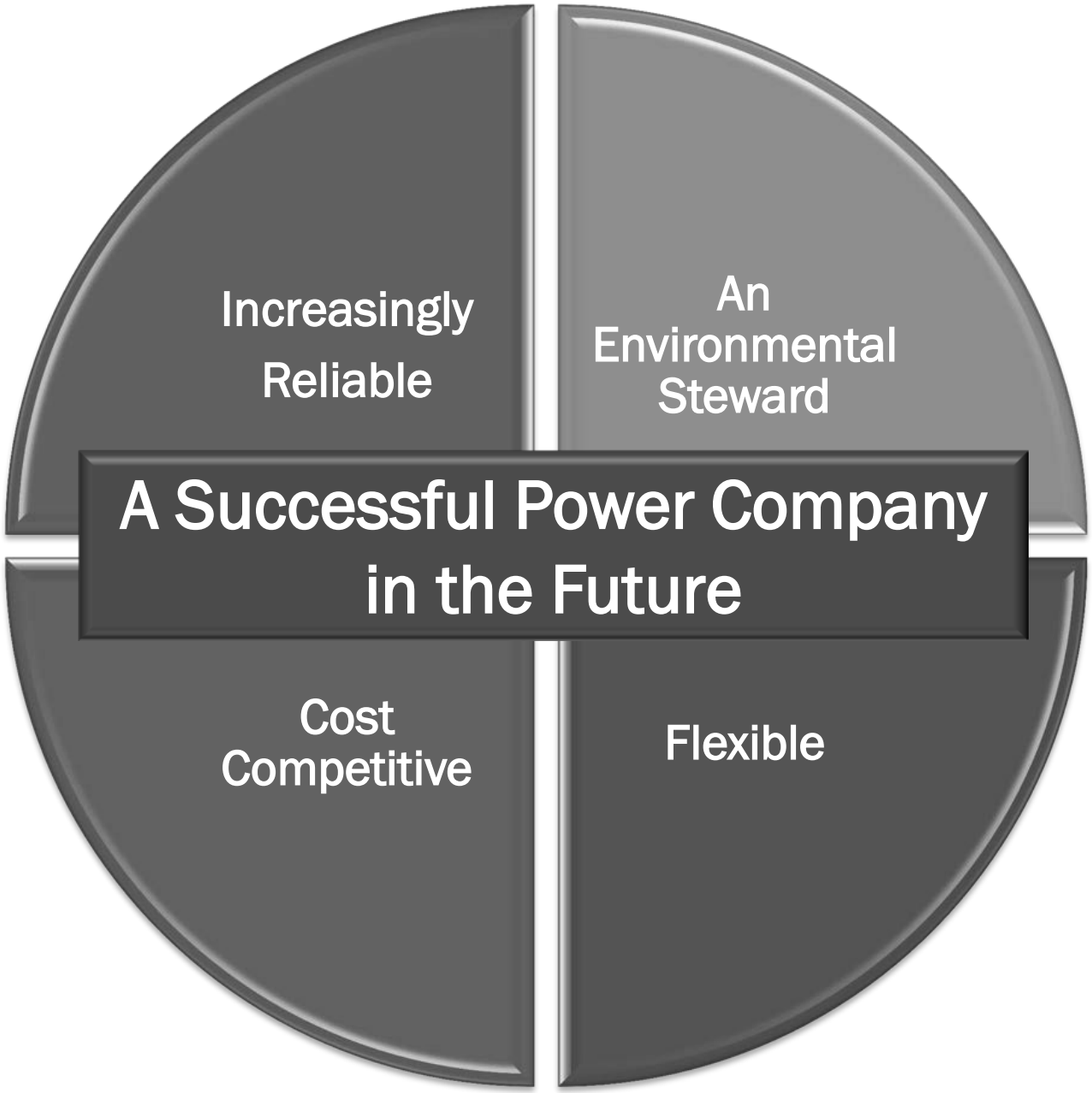
. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-07293



SI-SSA-0015-07294

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-07295

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-07296

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-07297

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-07298

PSEG

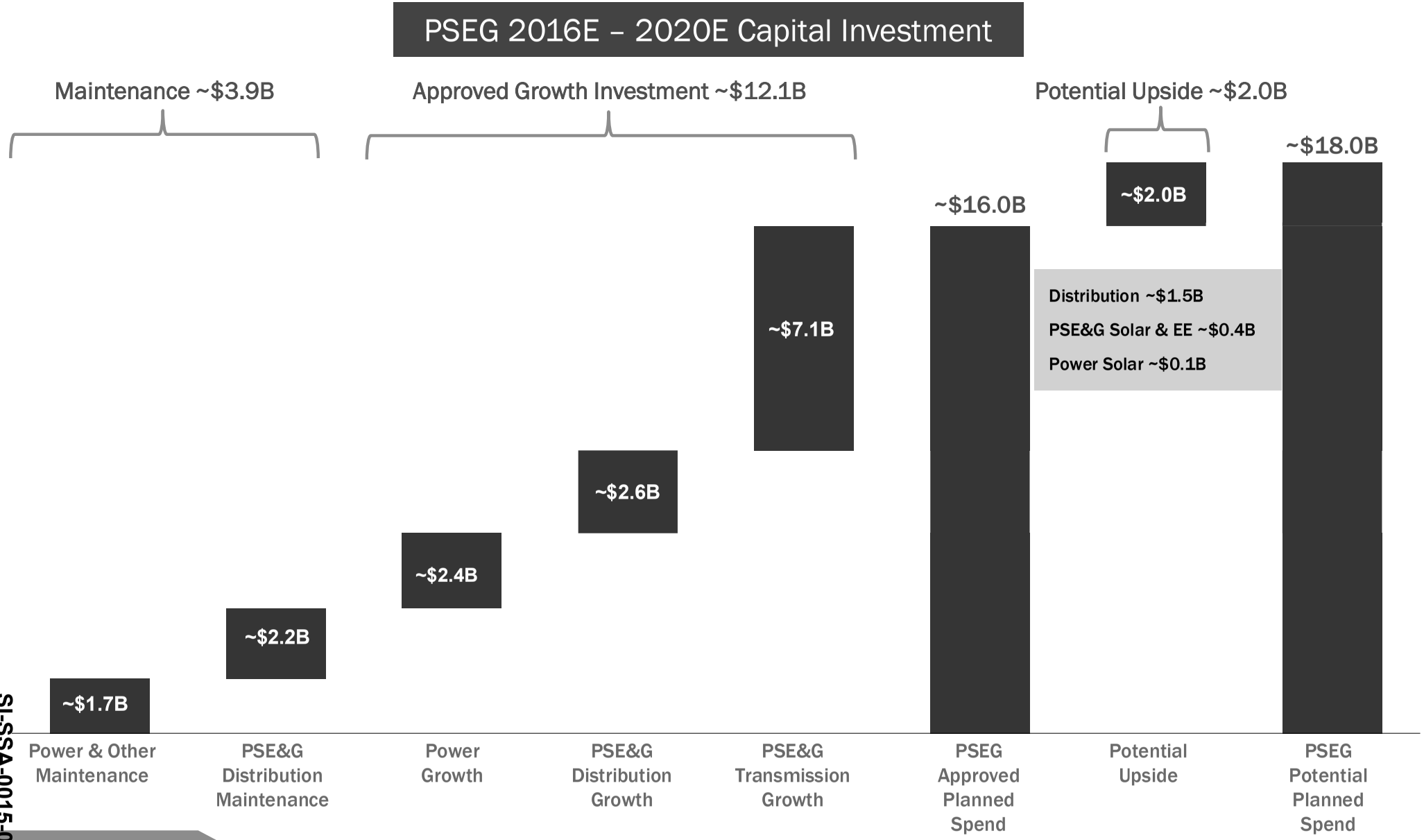
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-07299

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

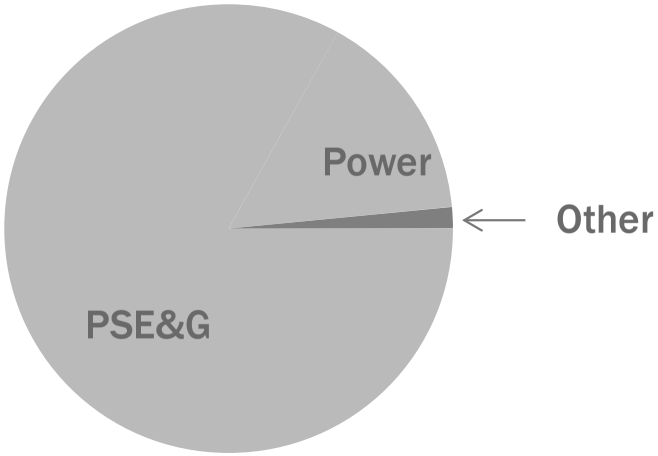
SI-SSA-0015-07300

We increased our Capital Program by $3B

since last year

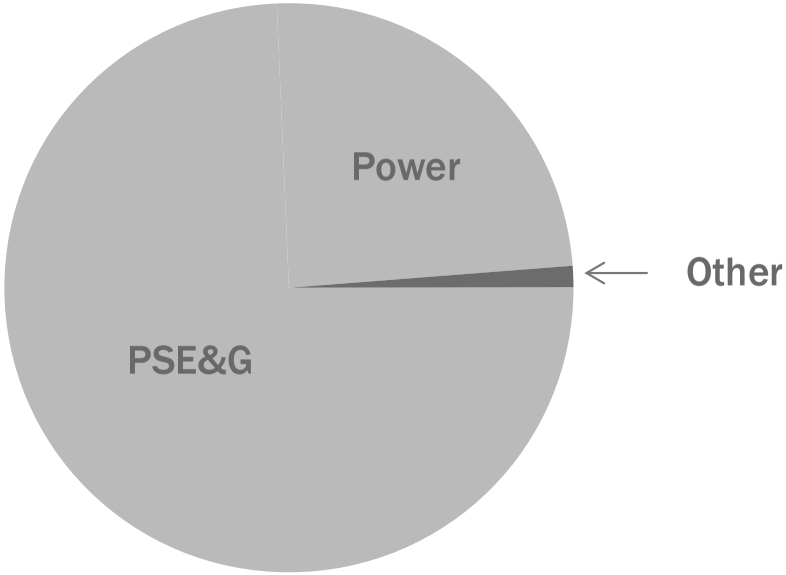
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

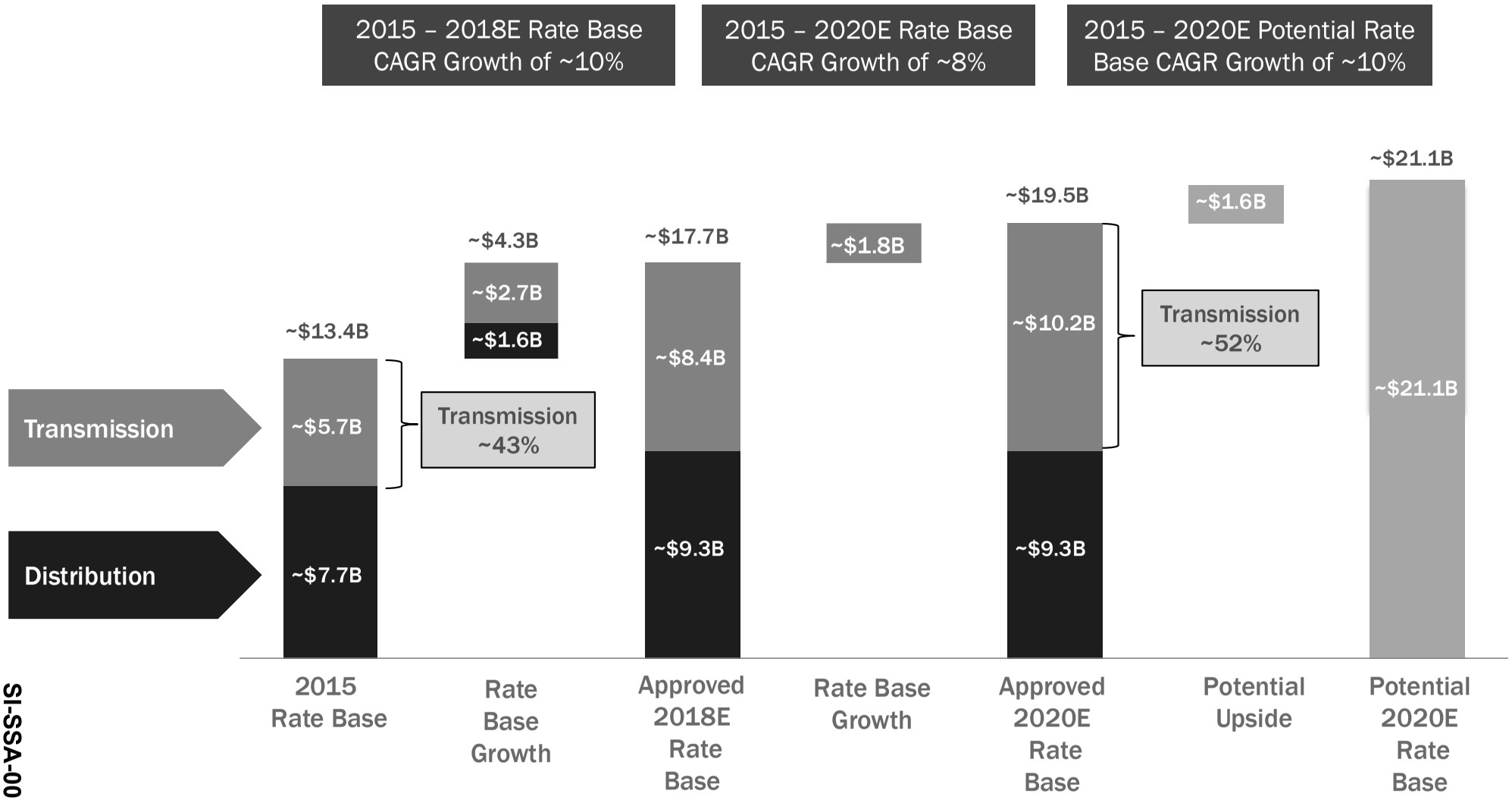


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-07301

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-07302

Bonus Depreciation adds $1.7B cash

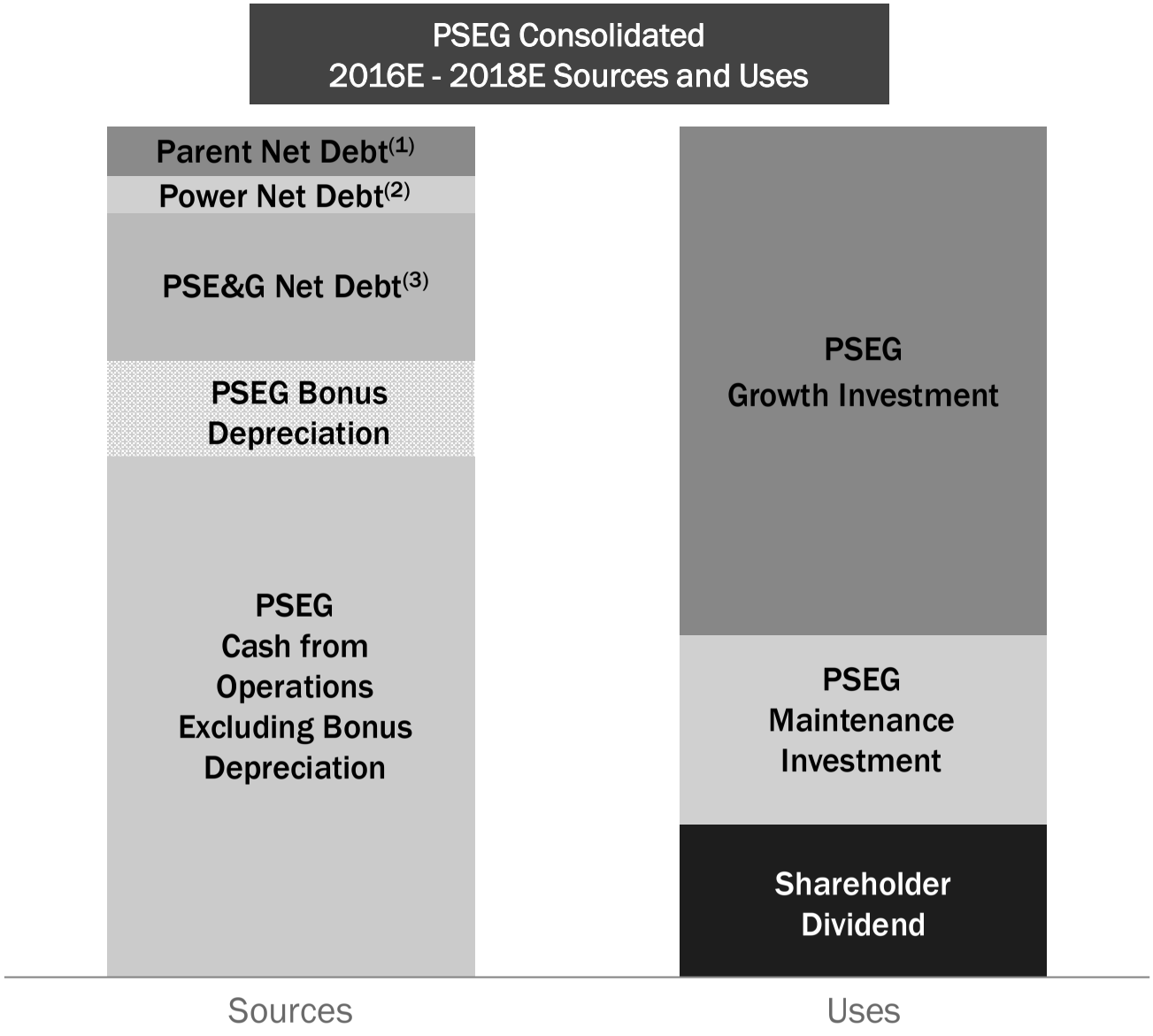
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-07303

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

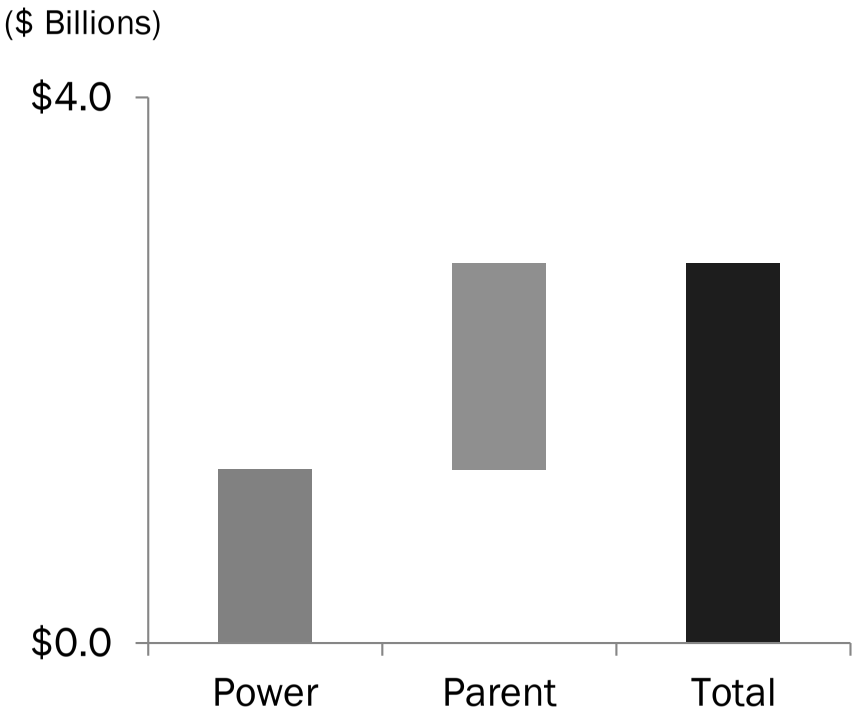
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

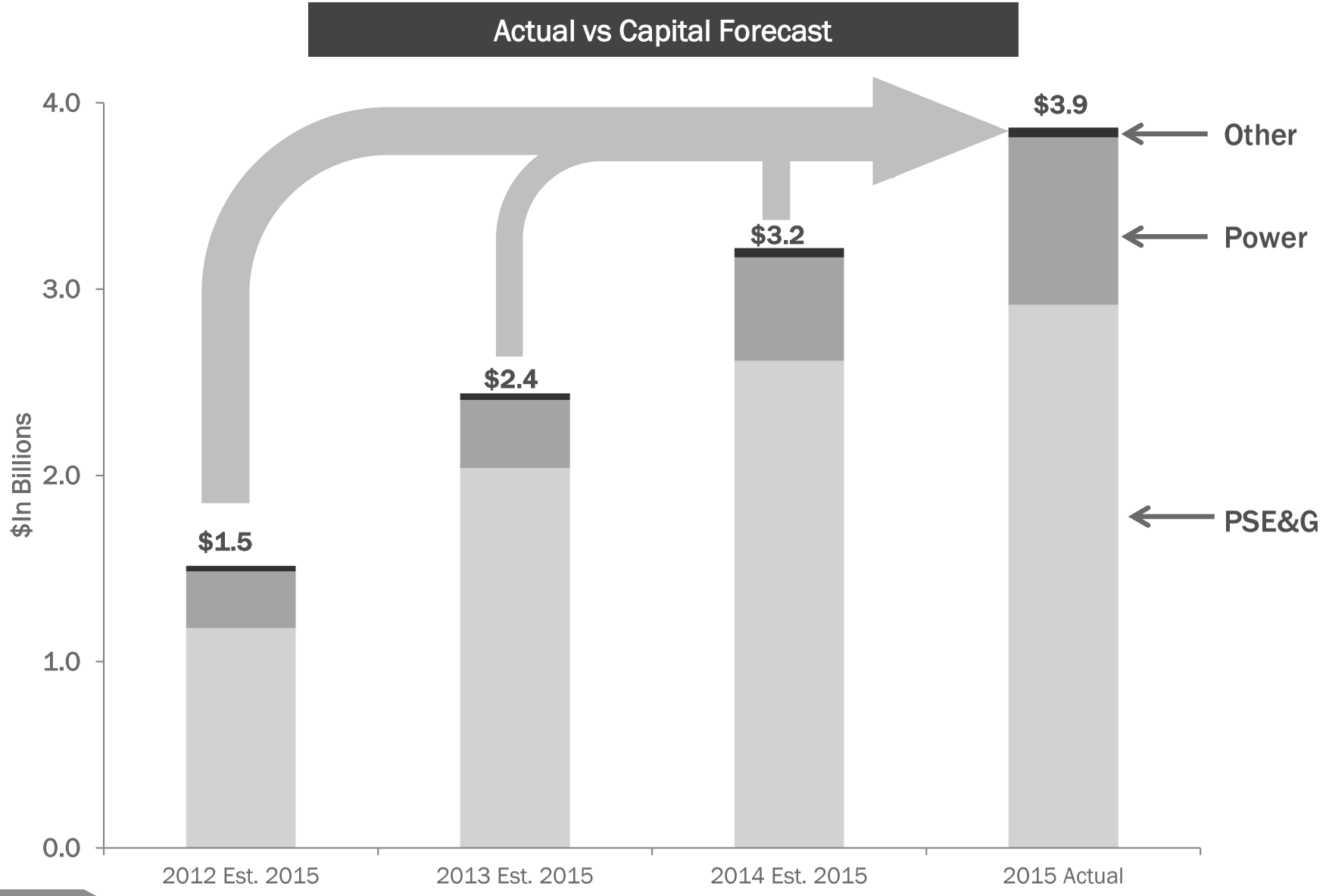
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

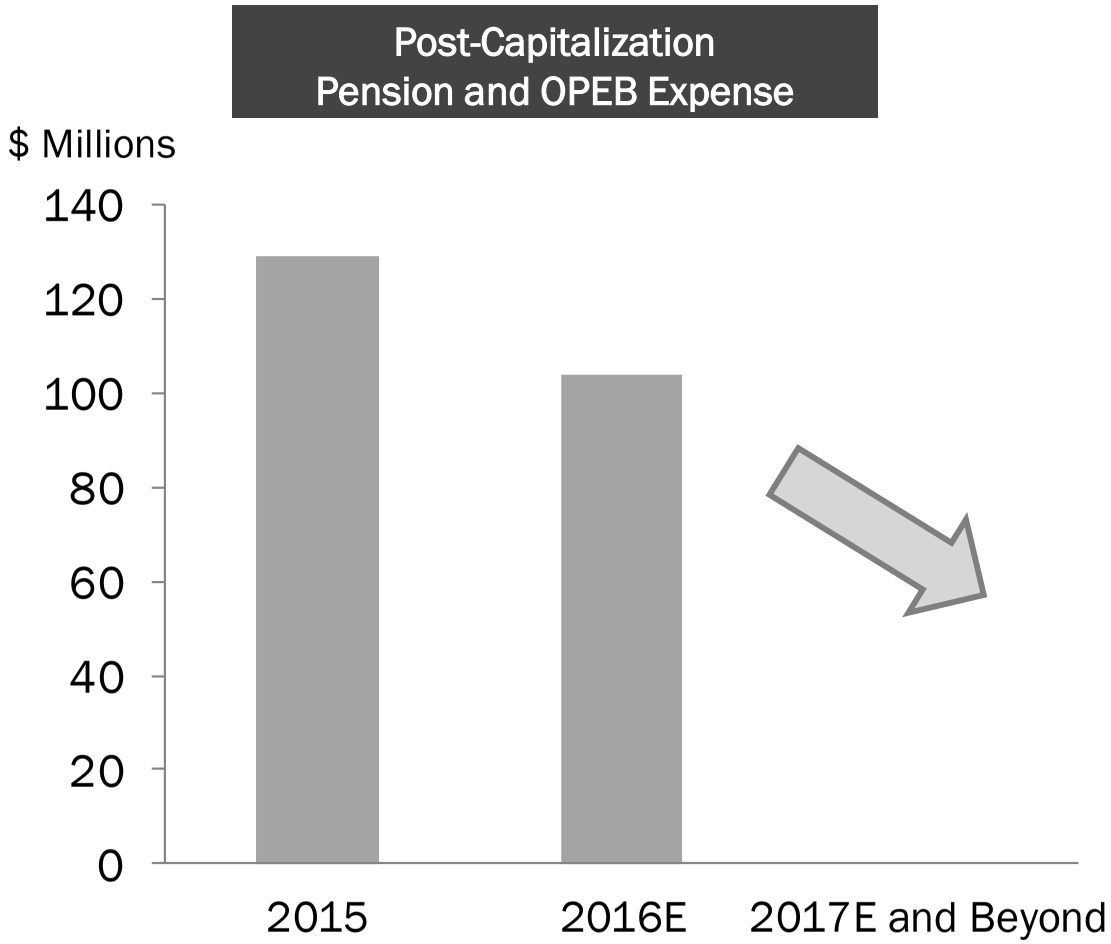
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-07306

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

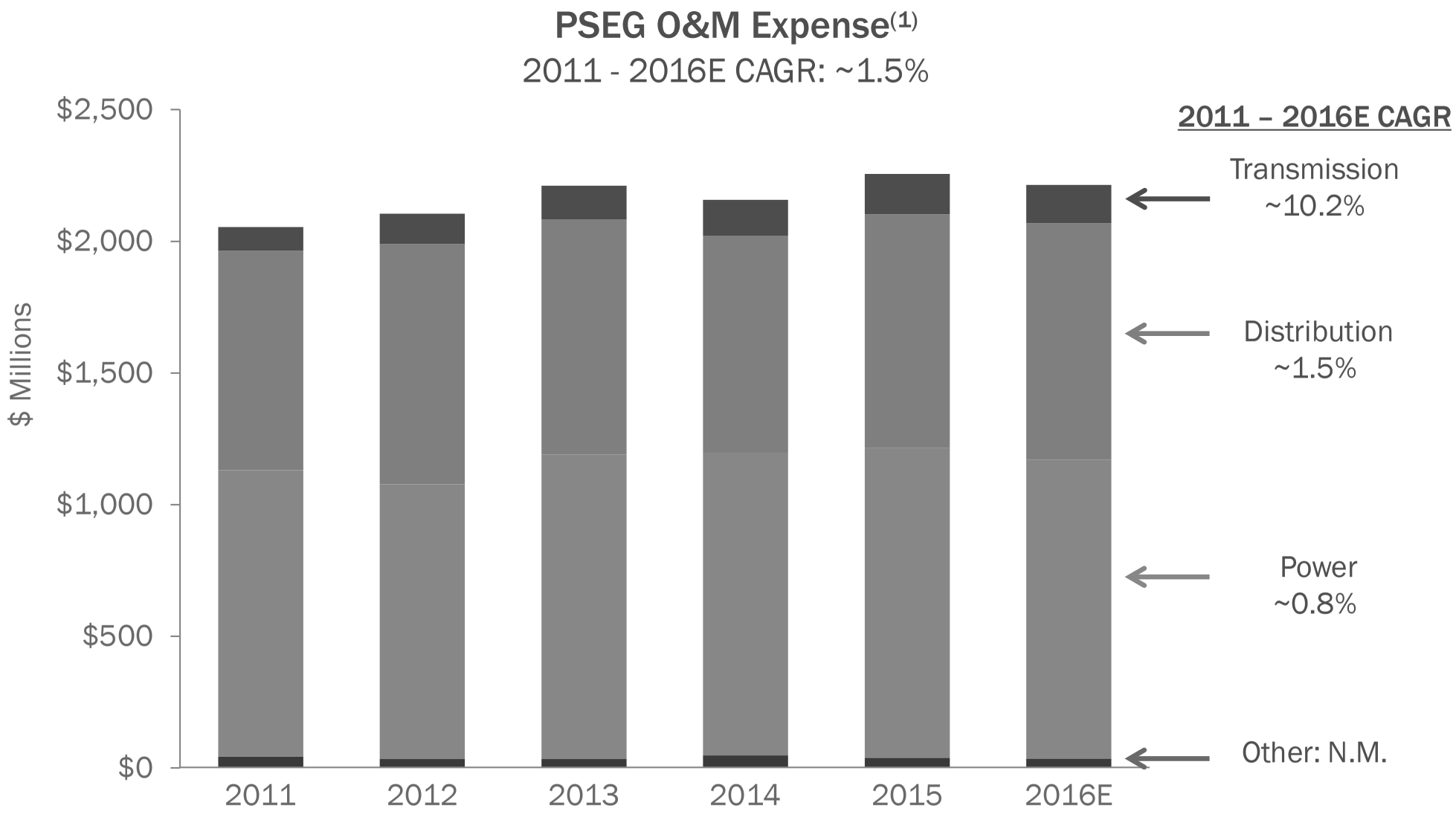


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-07307

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

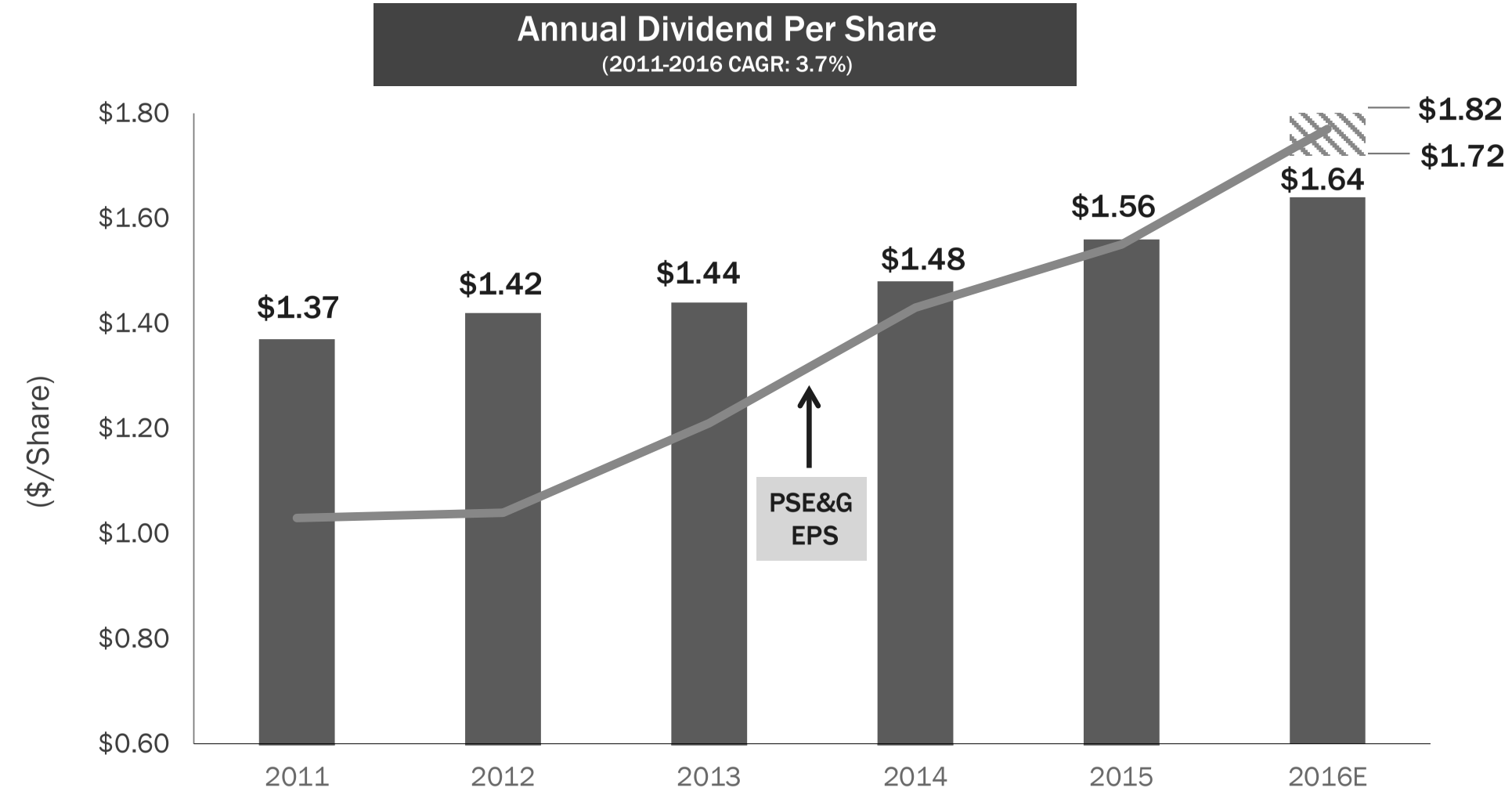


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

SI-SSA-0015-07308

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

SI-SSA-0015-07309

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-07310

PSEG Summary

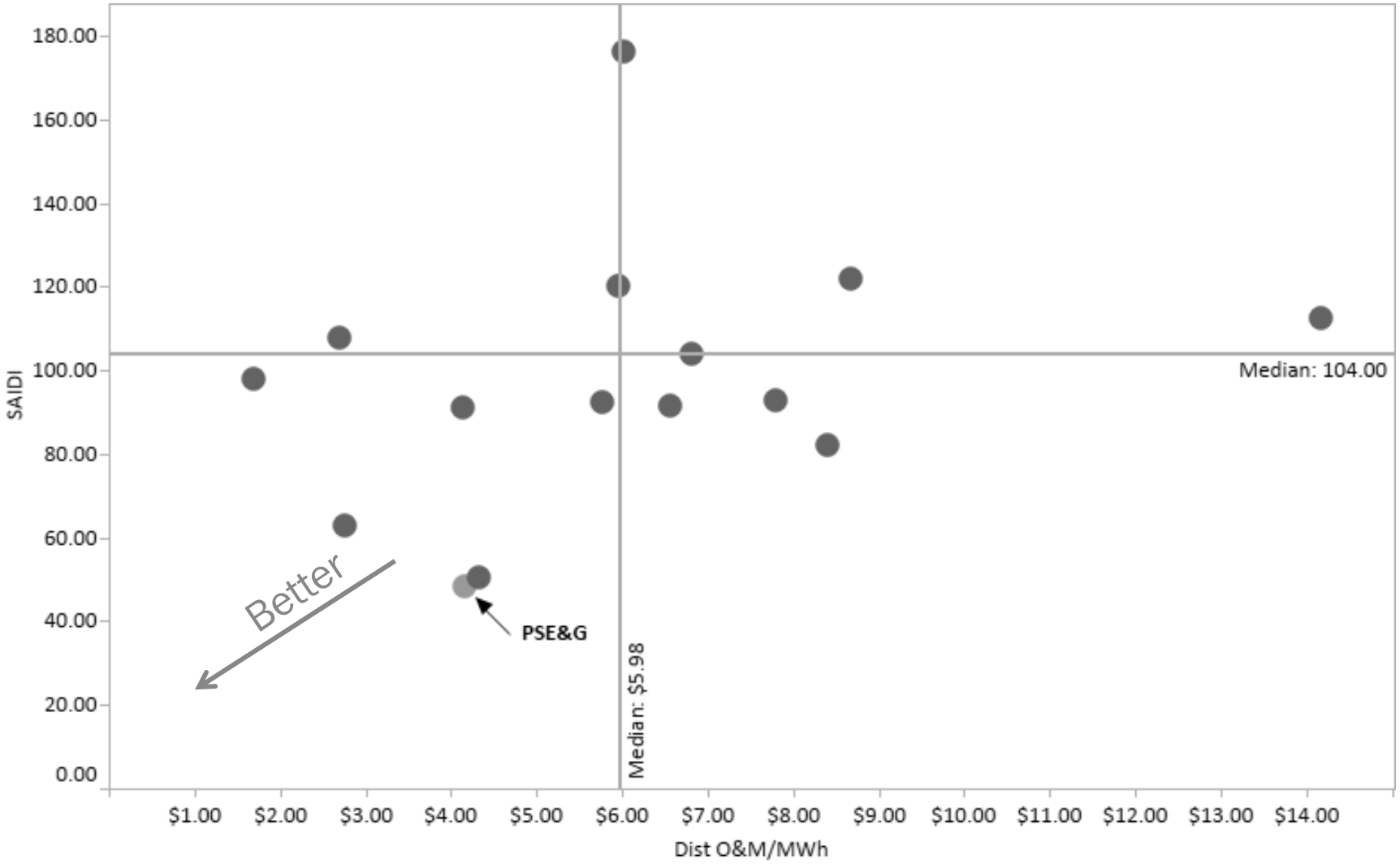
- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-07311

PSE&G APPENDIX

SI-SSA-0015-07312

PSE&G provides high reliability at below average cost which creates superior value for customers

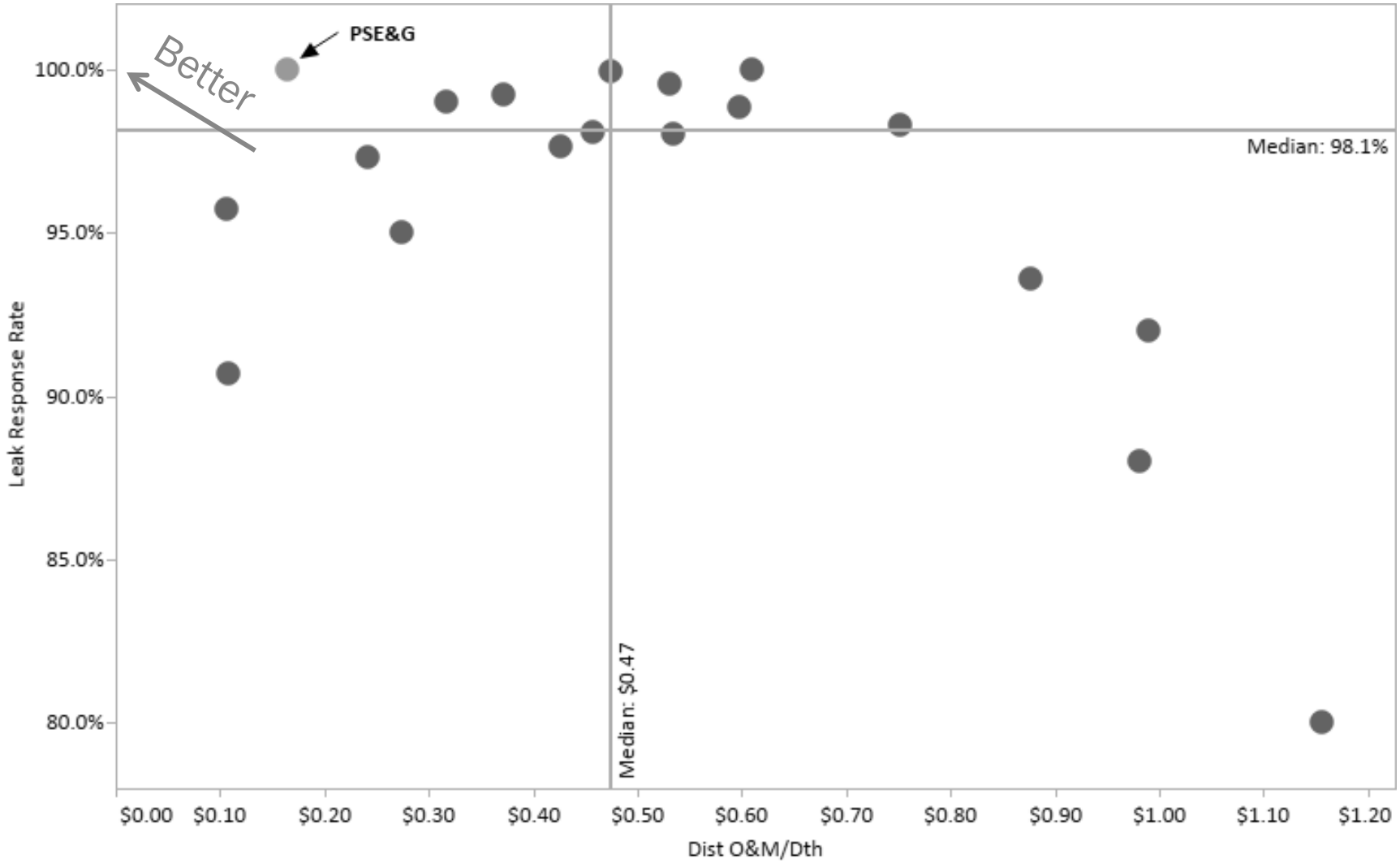


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-07313

PSE&G prioritizes public safety

while maintaining value for customers



SI-SSA-0015-07314

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-07315

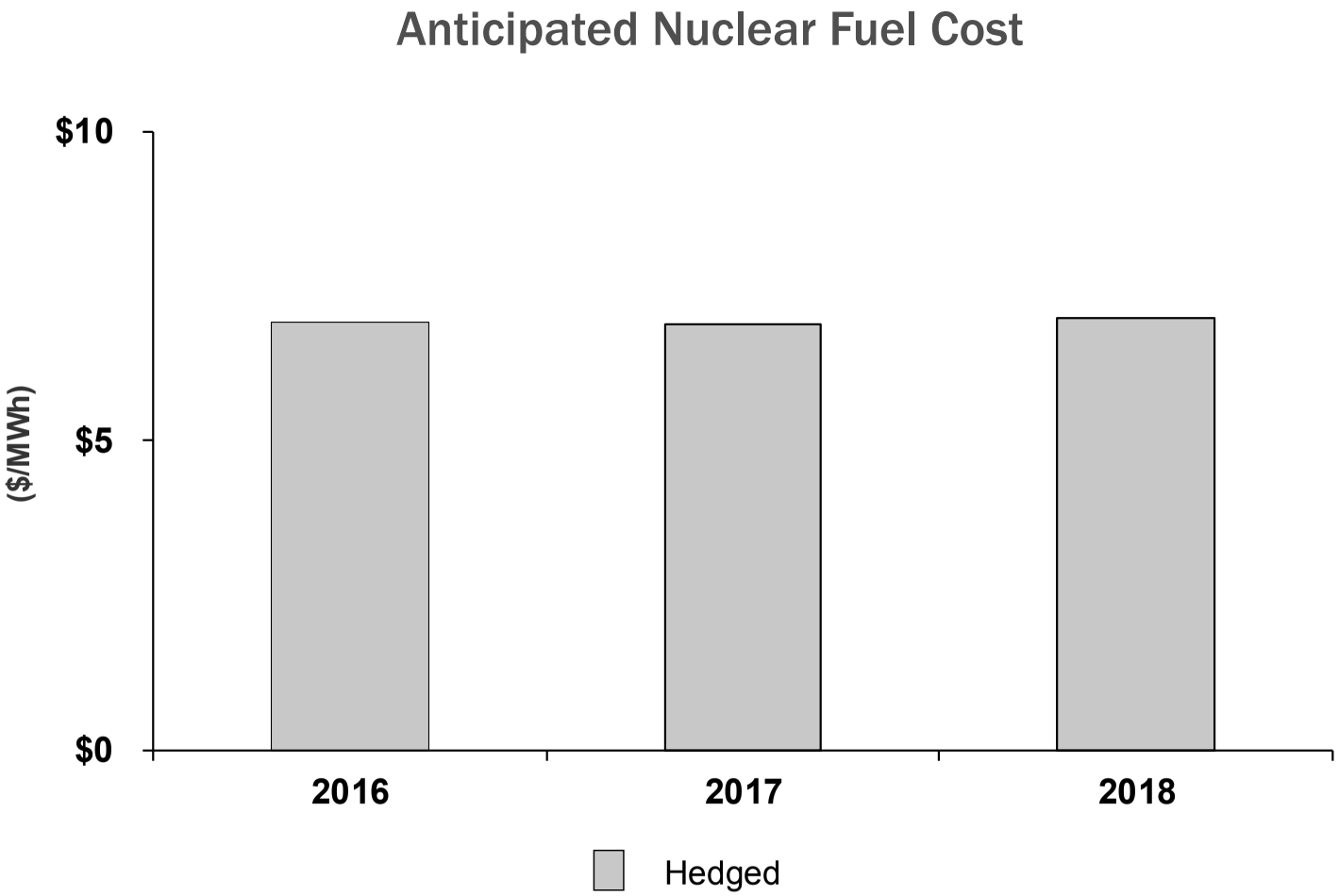
PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-07316

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-07317

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-07318

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07319

PSEG Financial Highlights

Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*
- ✓ PSEG Power: Salem Q2 refueling outage extended; testing of baffle bolts in reactor vessel complete, repair underway

Infrastructure spend

- ✓ PSE&G
  - Capital spending on T&D for 2016 expected to be $3 billion
  - Recently filed with NJBPU to extend the Solar 4 All program with an additional $275 million investment to develop 100 MW_{dc} of grid-connected, utility scale solar capacity
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

Financial position remains strong

- ✓ Strong operating cash flow at both businesses support dividend growth and fund capital spending program without the need to issue equity
- ✓ PSEG debt as a percentage of capitalization was 44% at March 31

Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Change in earnings mix supports opportunity for dividend growth

SI-SSA-0015-07320

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

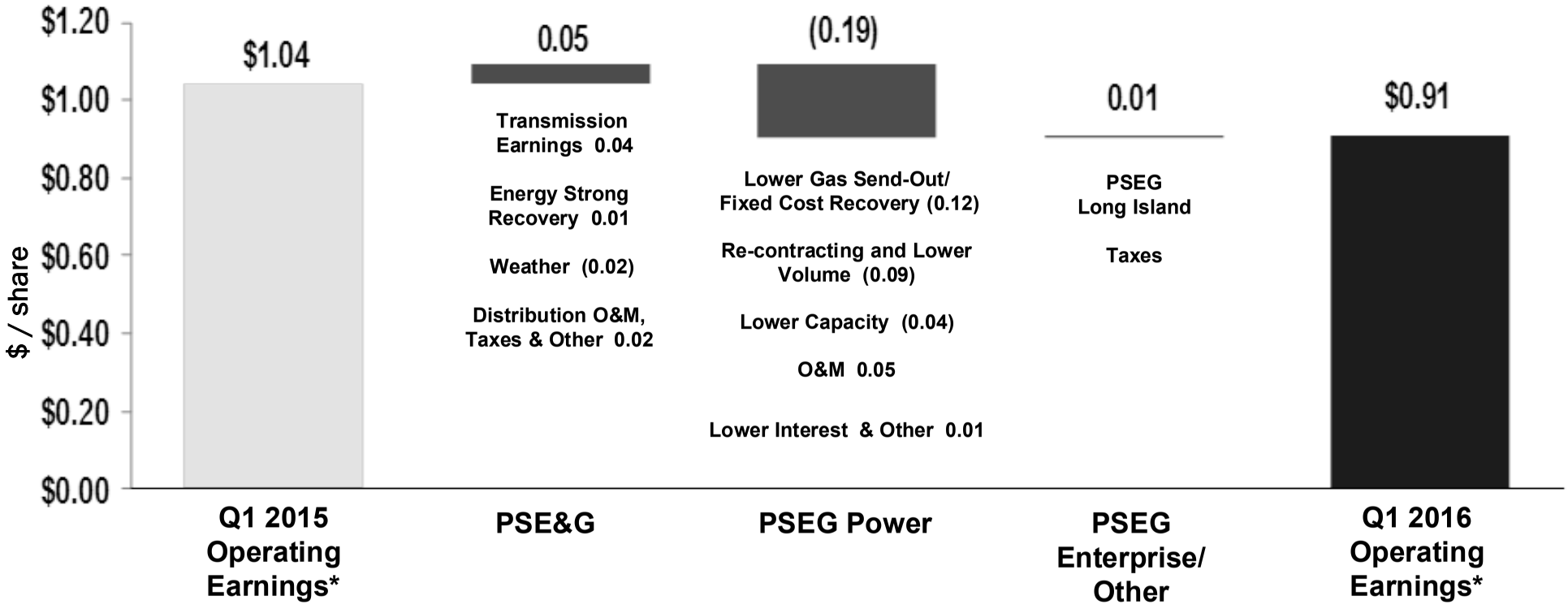
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 262	$ 242	$ 0.52	$ 0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$ 463	$ 529	$ 0.91	$ 1.04

SI-SSA-0015-07321

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



SI-SSA-0015-07322

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.6	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	10.3	7.5	2.3
Common Equity	13.3	7.8	6.2
Total Capitalization	**$23.6**	**$15.3**	**$8.5**
Total Debt / Capitalization	**44%**	**49%**	**27%**

PSE&G Regulated Equity Ratio[1] 50.8%

SI-SSA-0015-07323

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of March 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$629 (A)	$14	$615
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$202	$1,398
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$9	$991
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$524 (C)	$12	$512
	Total Money Pool		$3,624	$233	$3,391
	Total		$4,253	$247	$4,006

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

PSEG Money Pool ST Investment	$0
PSE&G ST Investment	$521
Total Liquidity Available	**$4,527**

SI-SSA-0015-07324

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 03/31/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 156
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$839**

SI-SSA-0015-07325

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	**$ 463**	**$ 529**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	**$ 471**	**$ 586**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	**$ 0.91**	**$ 1.04**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[(a)] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	**$ 0.93**	**$ 1.15**	**$ 3.30**	**$ 2.99**

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

SI-SSA-0015-07327

PSEG Investor Summary Deutsche Bank – 2017 Clean Tech, Utility & Power Conference

MAY 16, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07328

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-07329

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-07330

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-07331

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

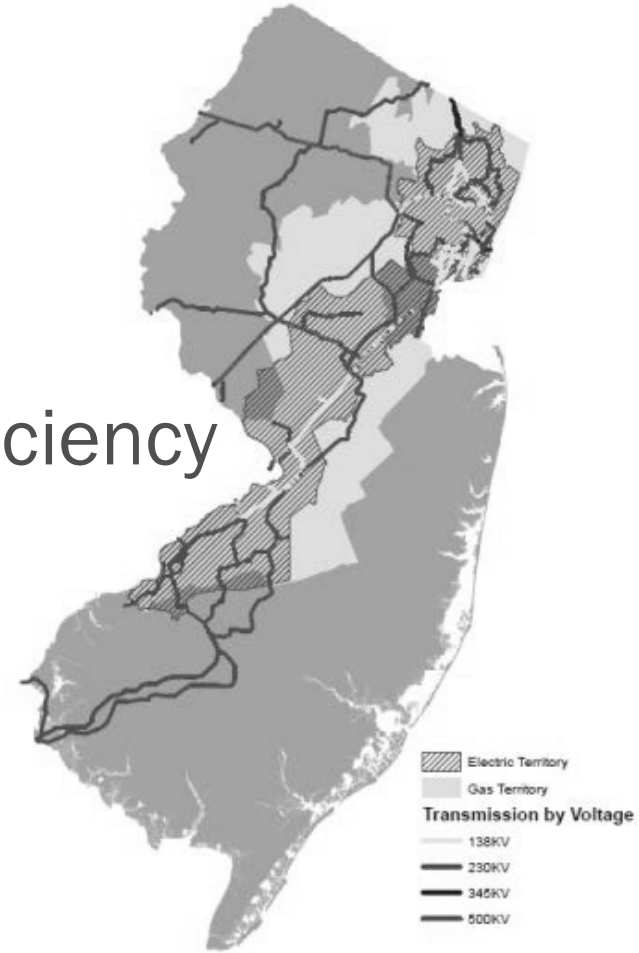
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-07332

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

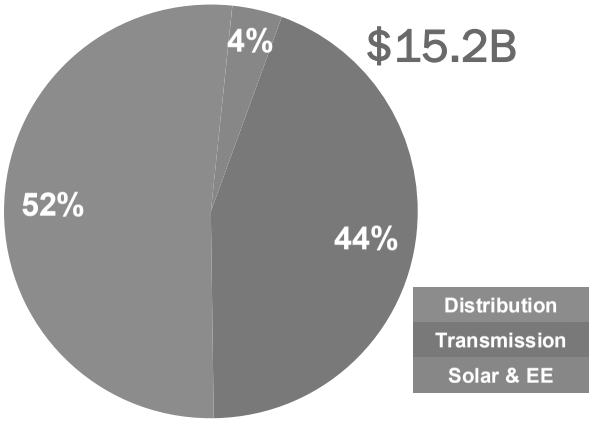
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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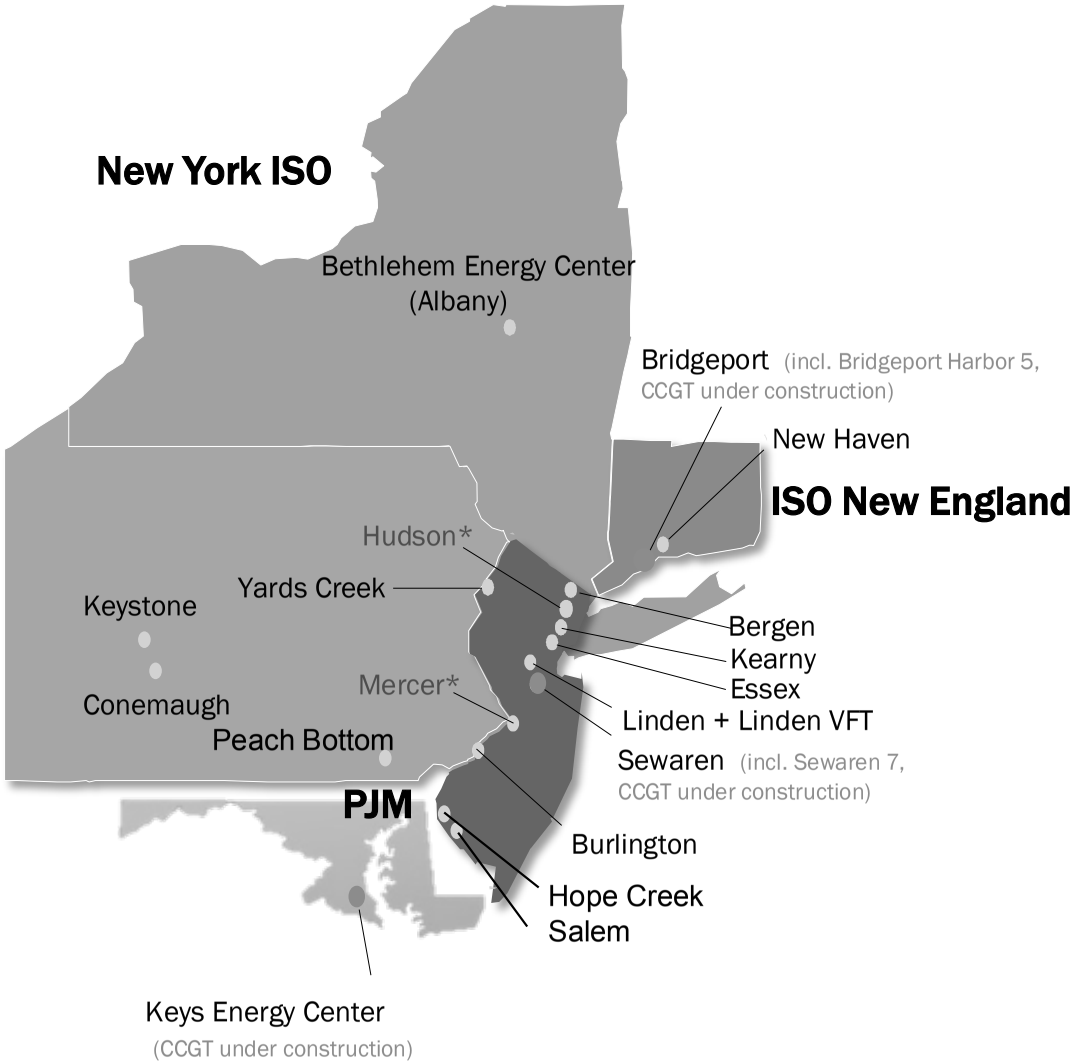
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-07334

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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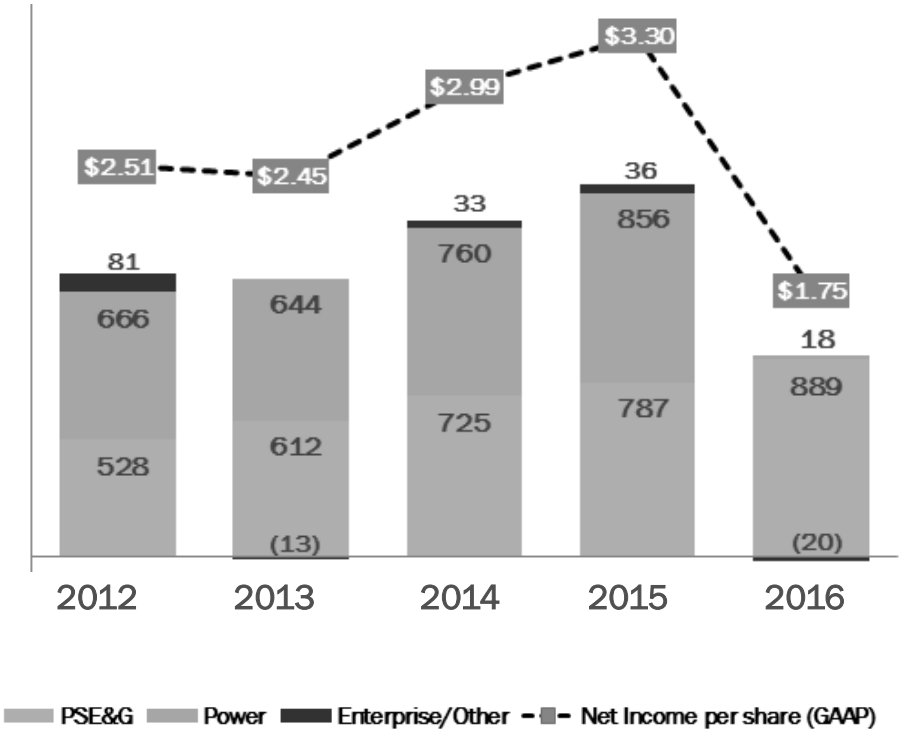
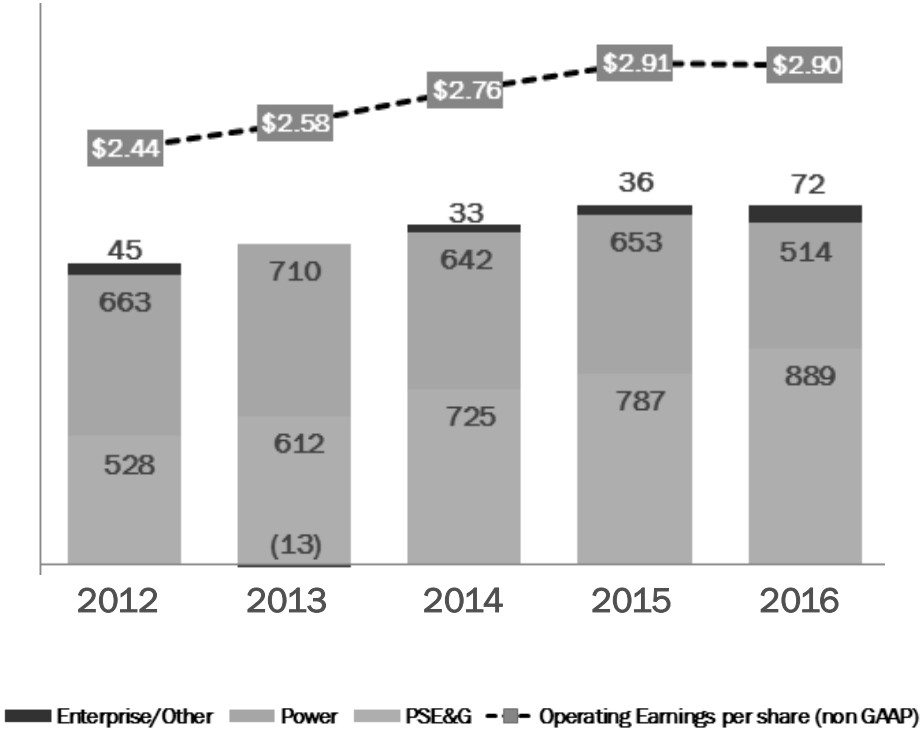
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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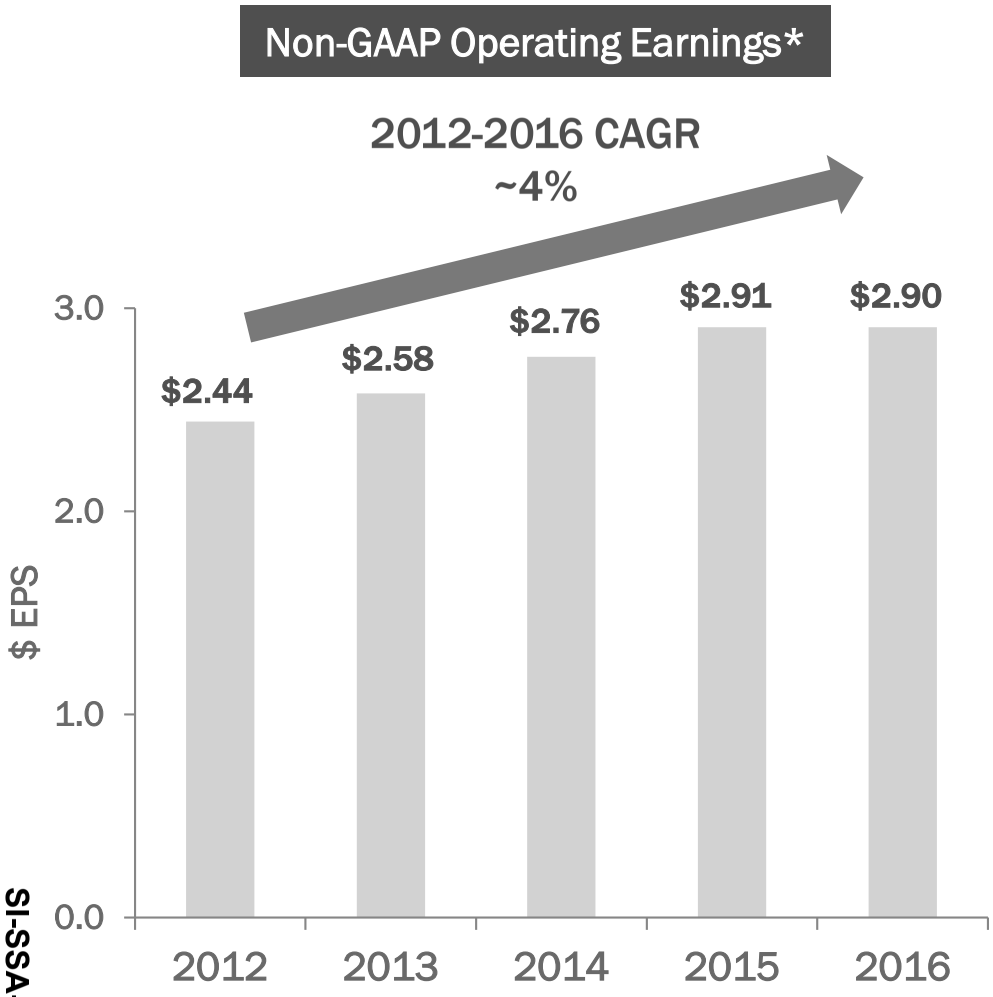
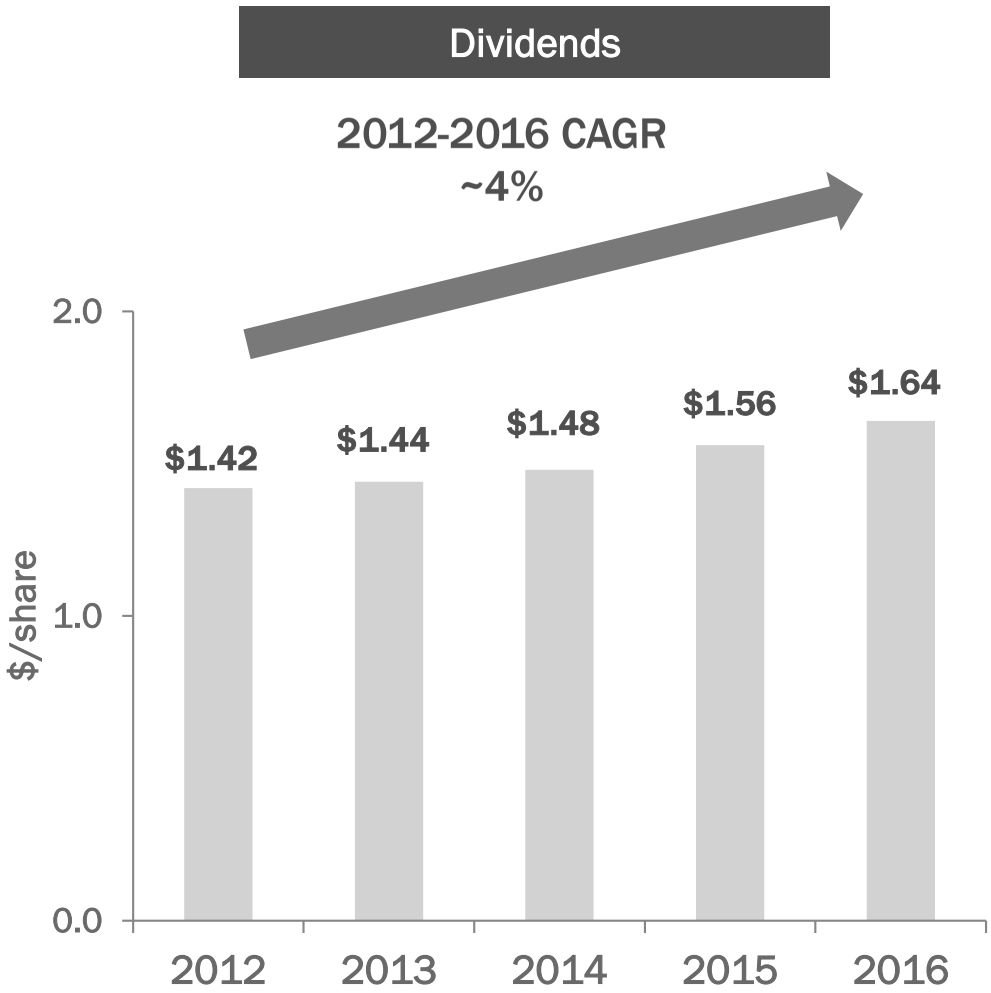
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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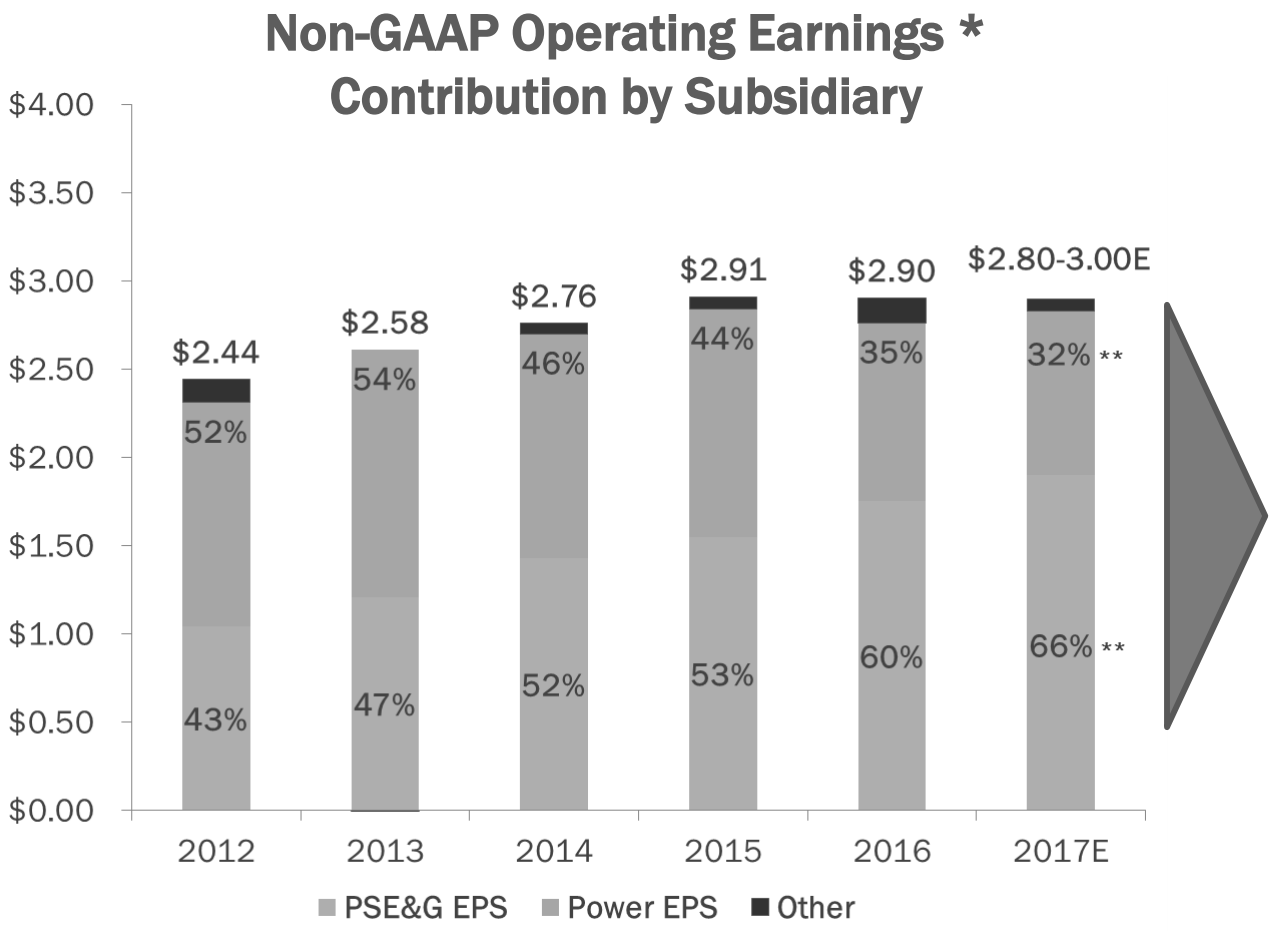
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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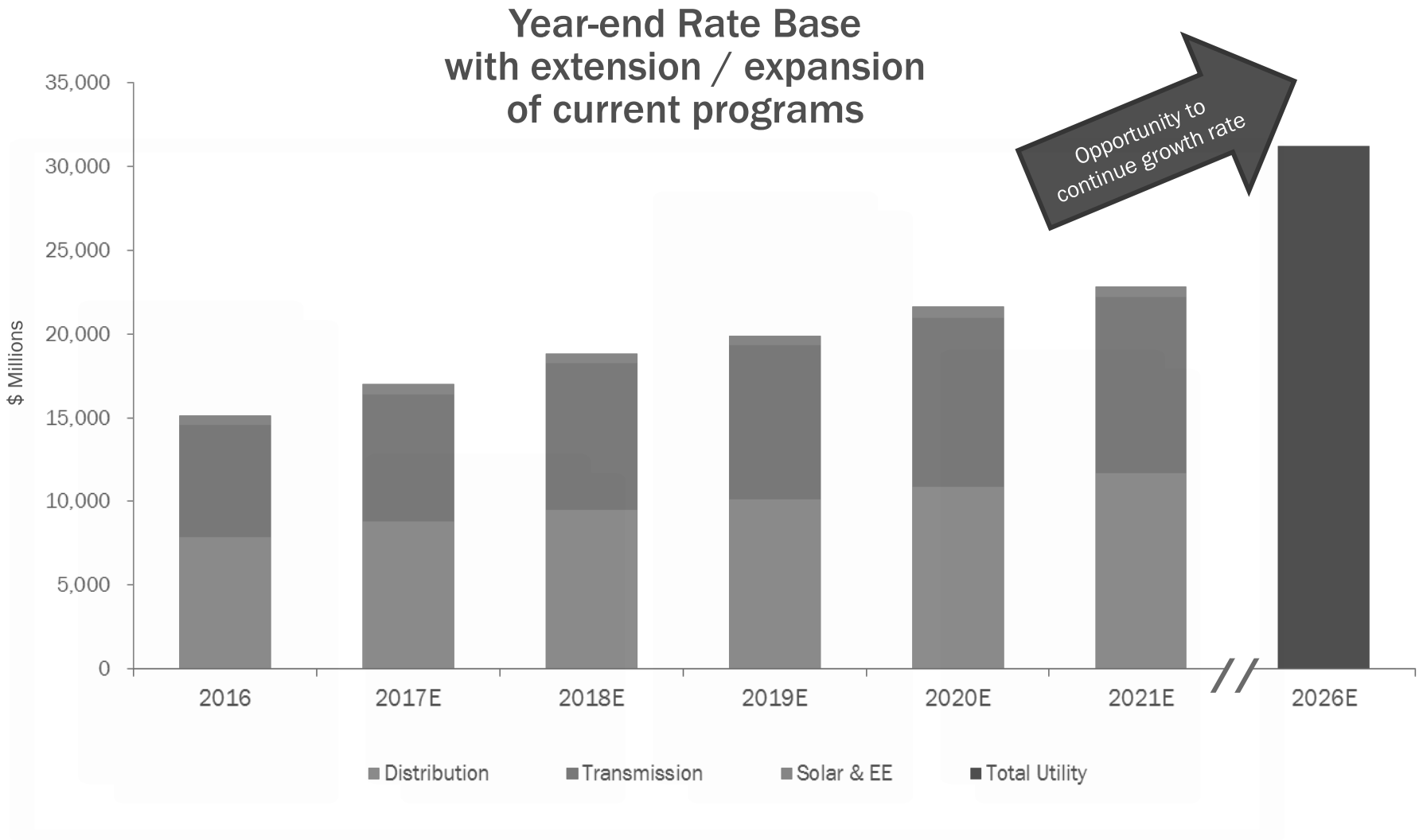
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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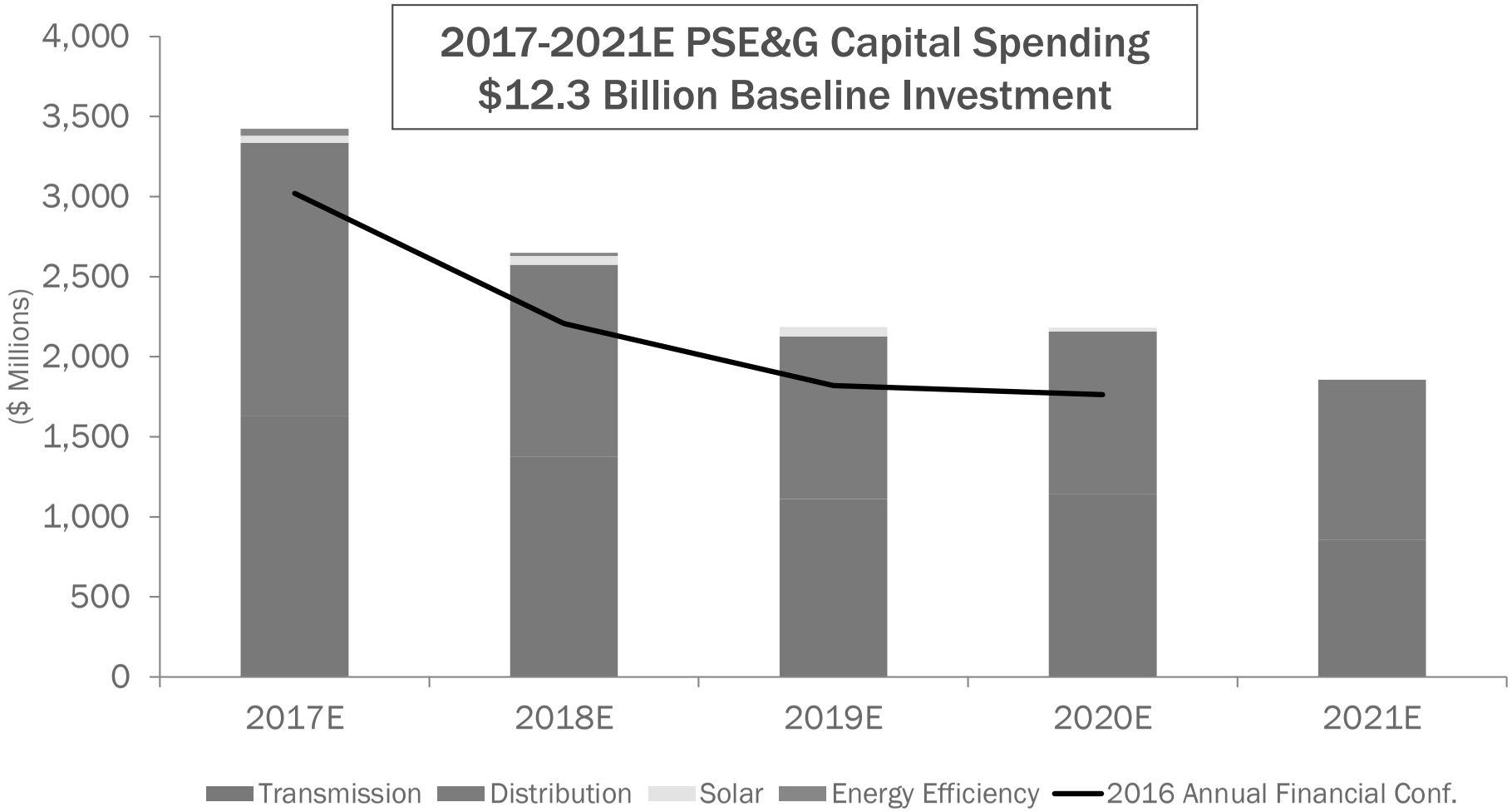
Baseline programs yield 7% compound annual growth in rate base



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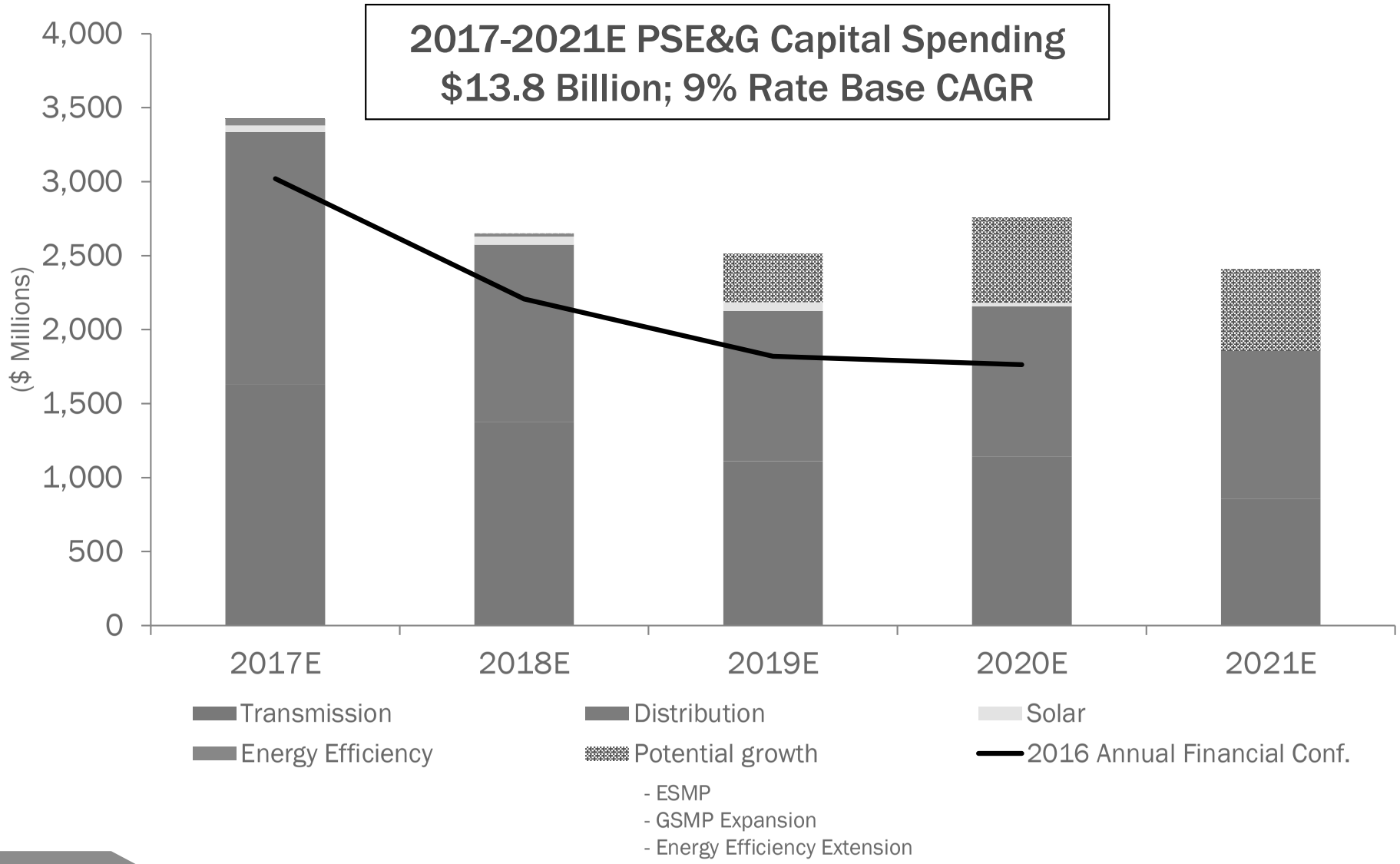
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-07341

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

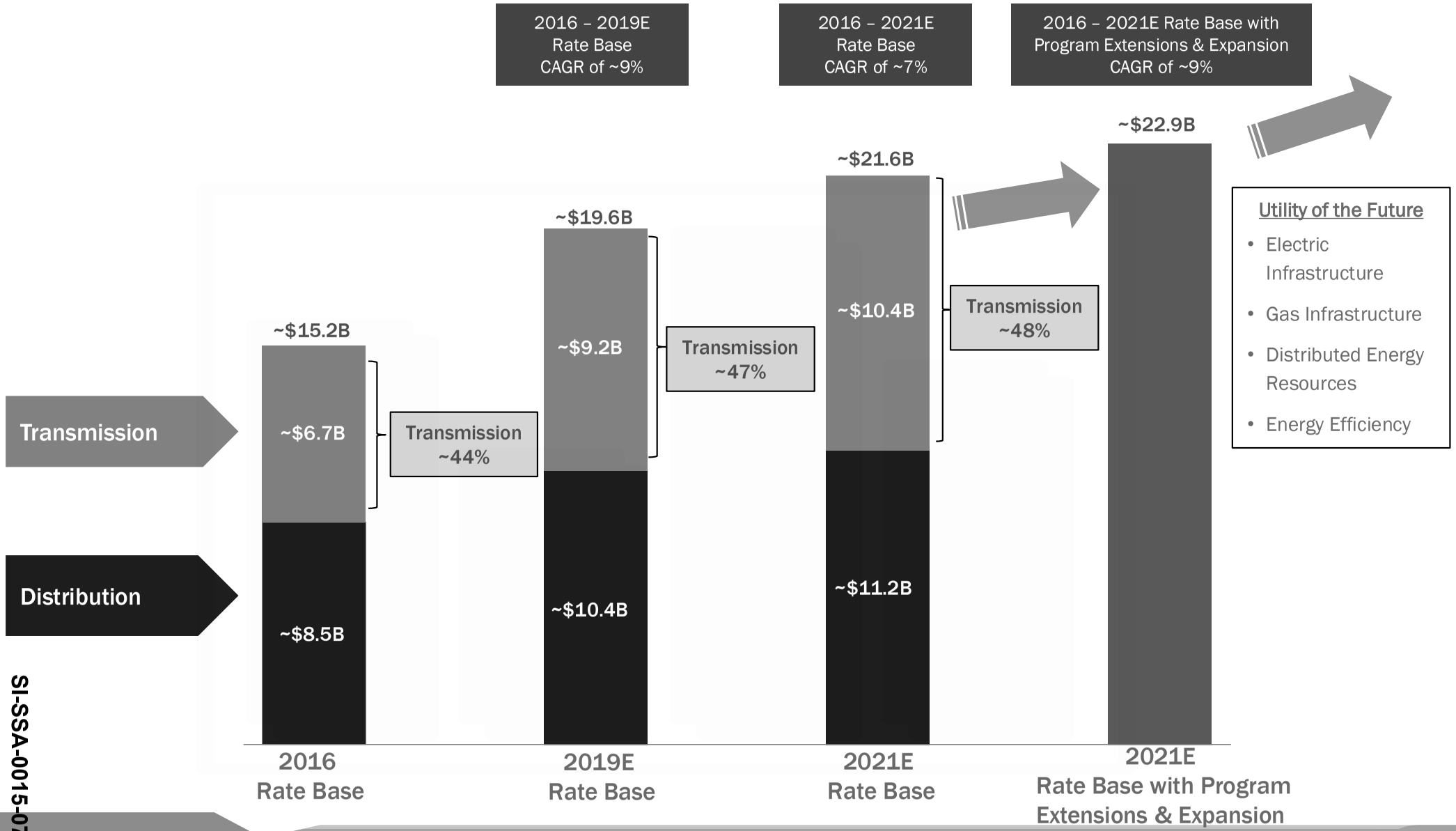
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

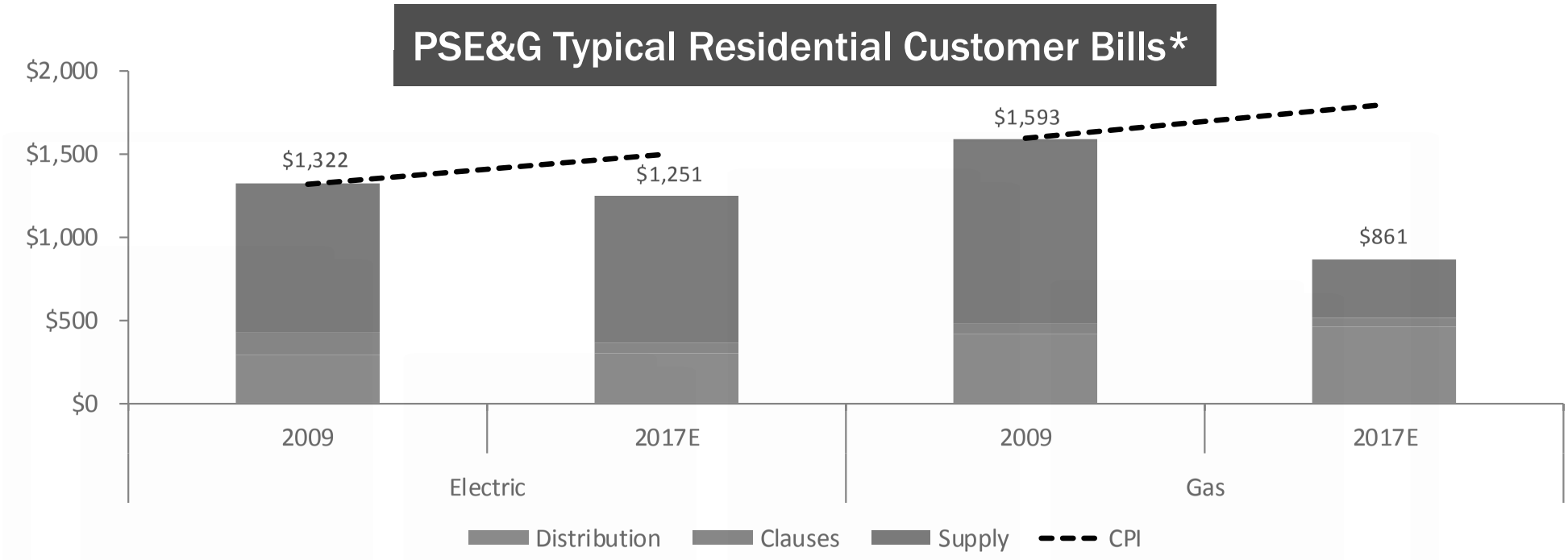
SI-SSA-0015-07342

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

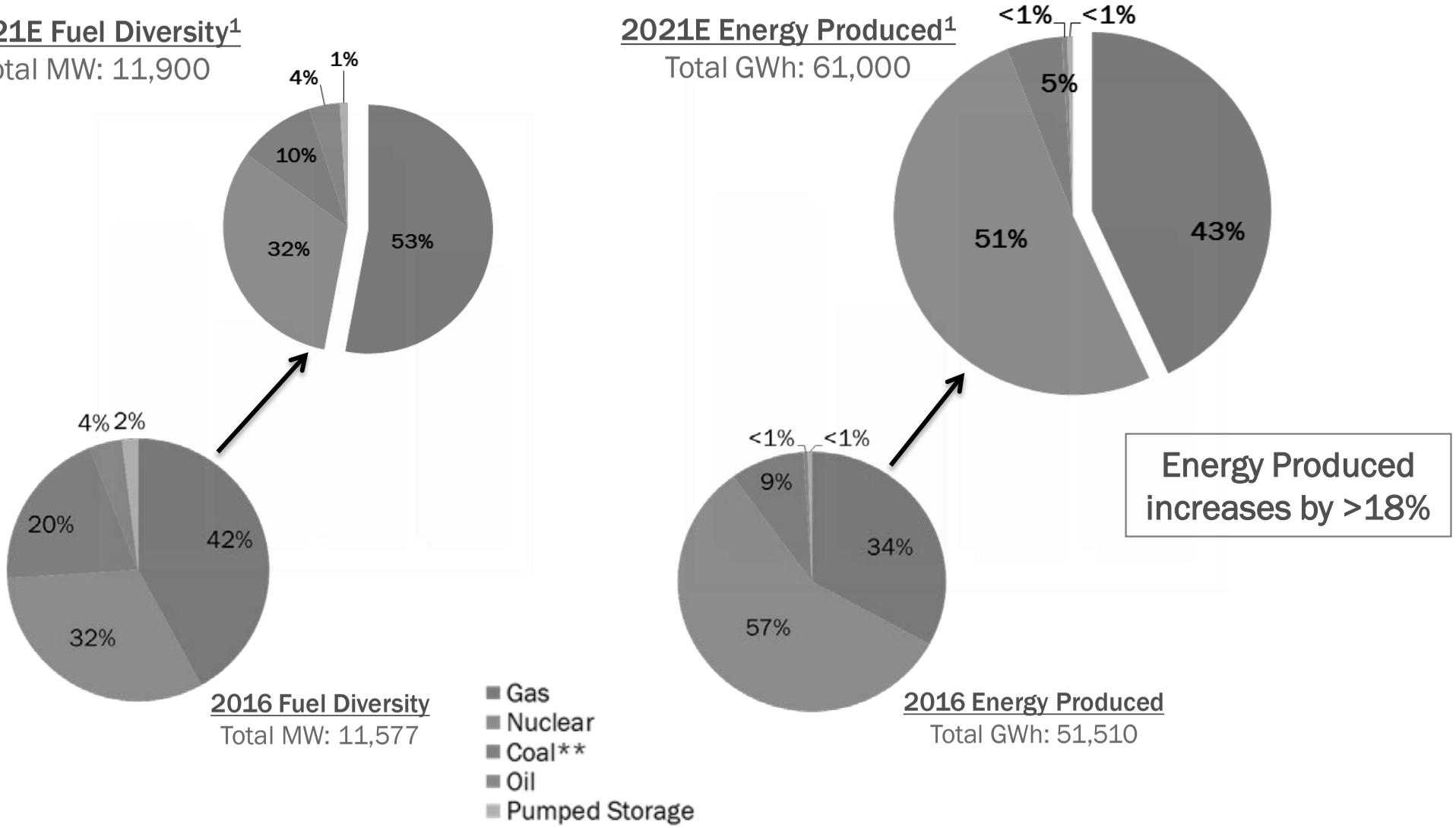
SI-SSA-0015-07344

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

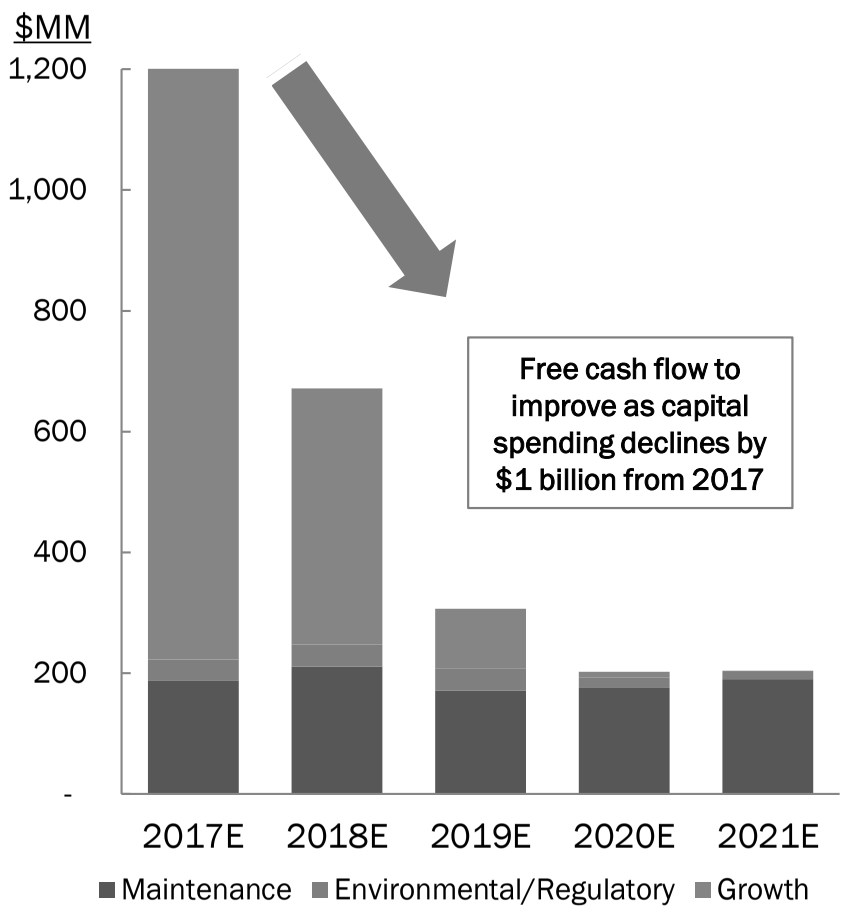
Projected Fleet Comparison 2016 to 2021E



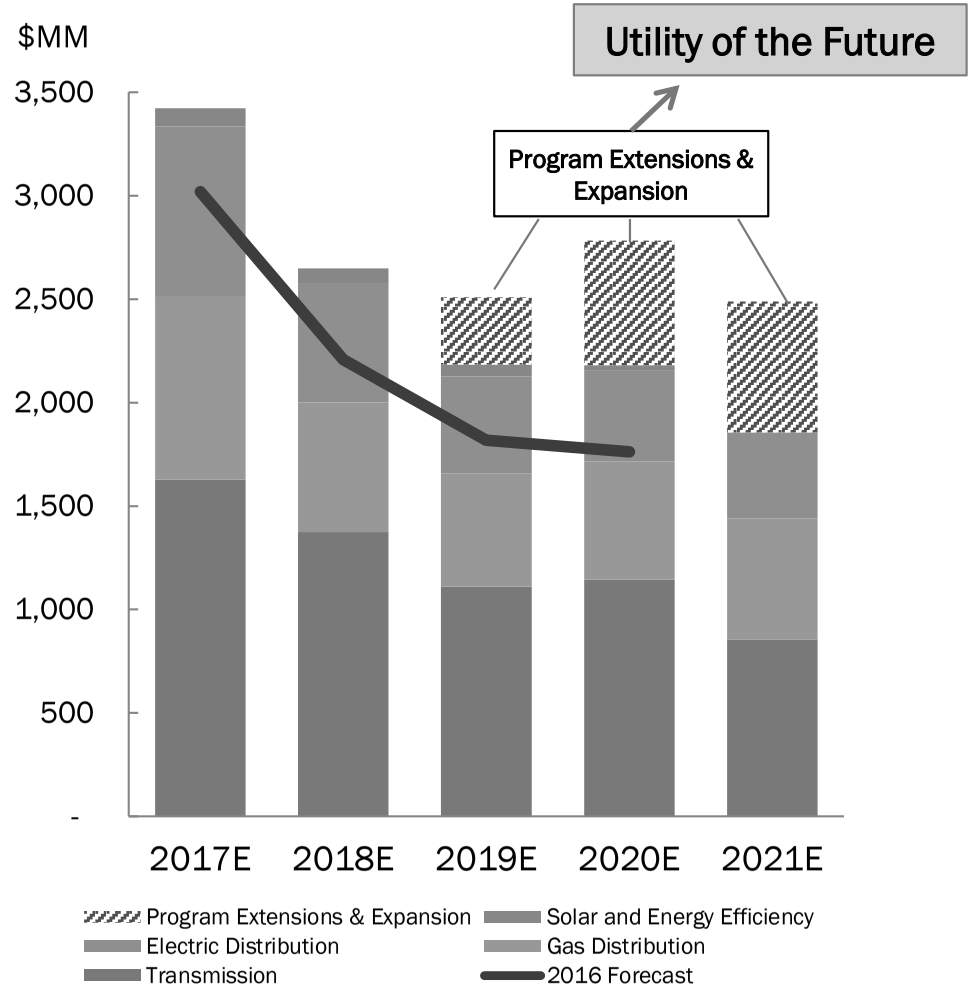
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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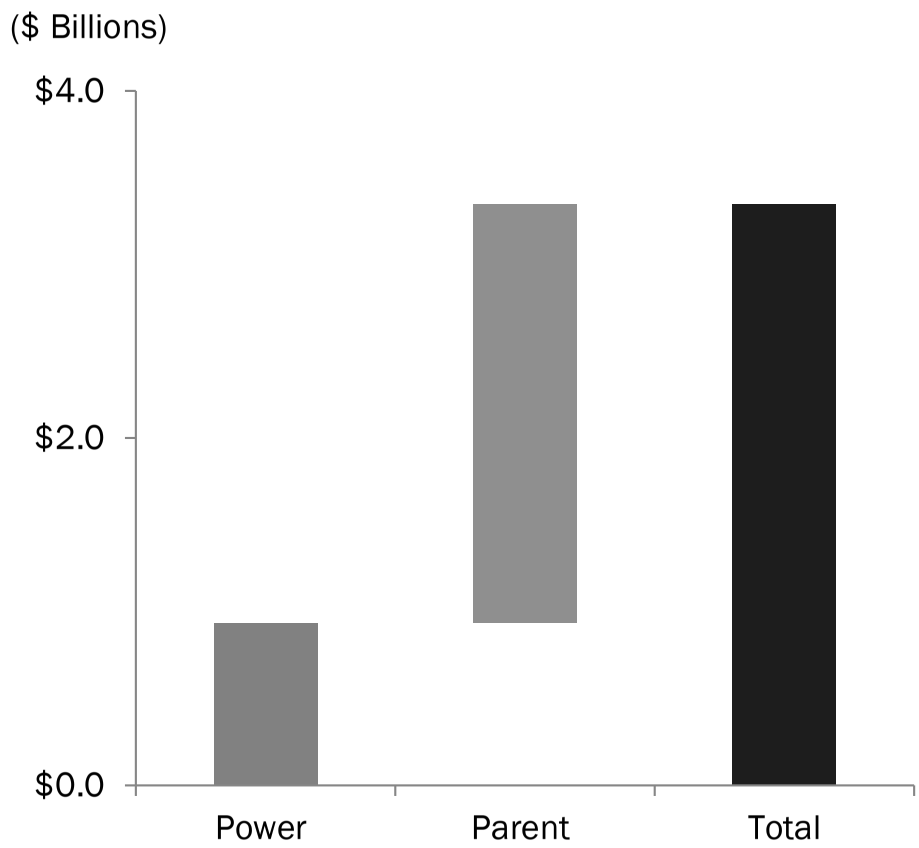
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

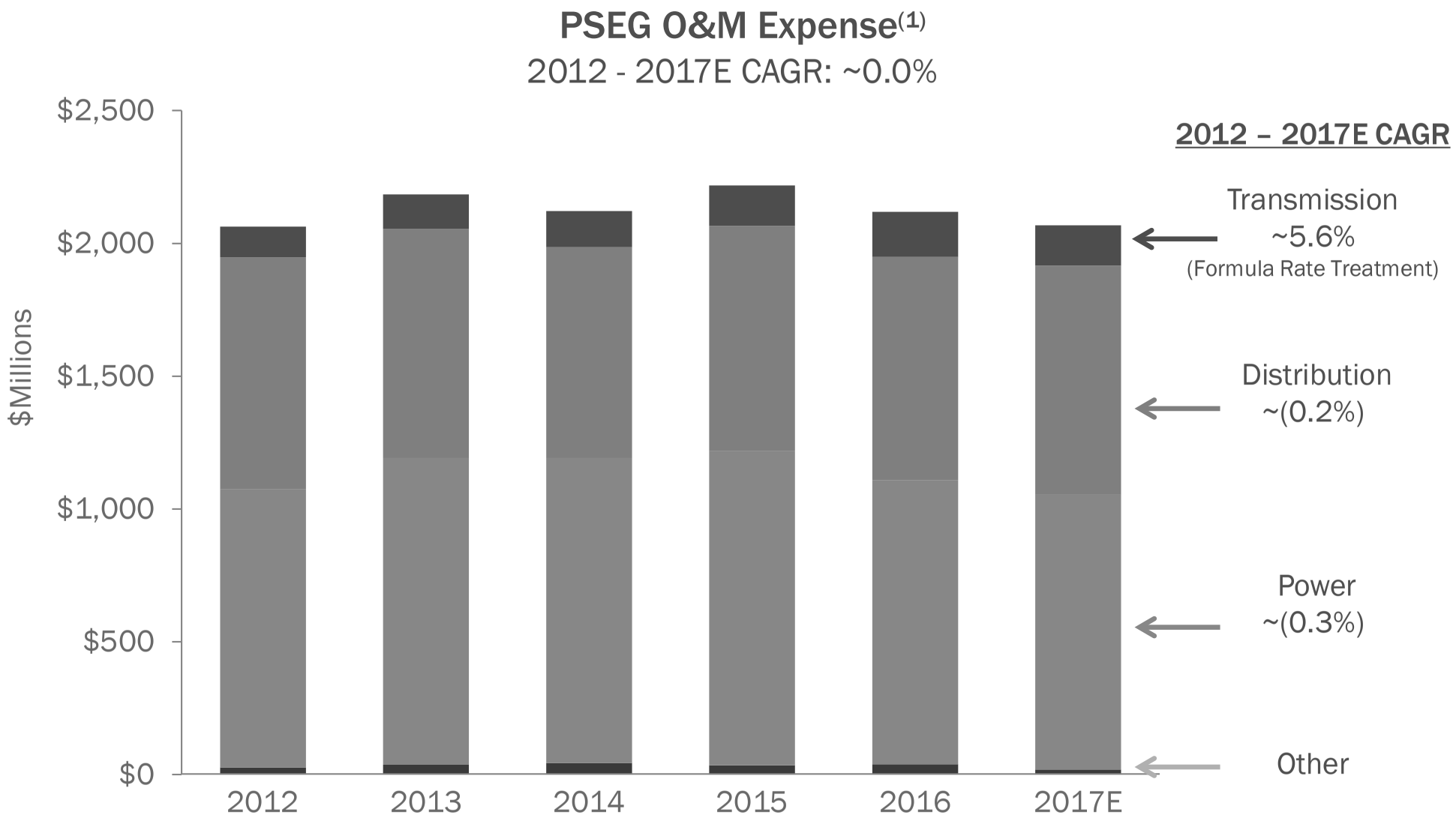
Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-07347

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

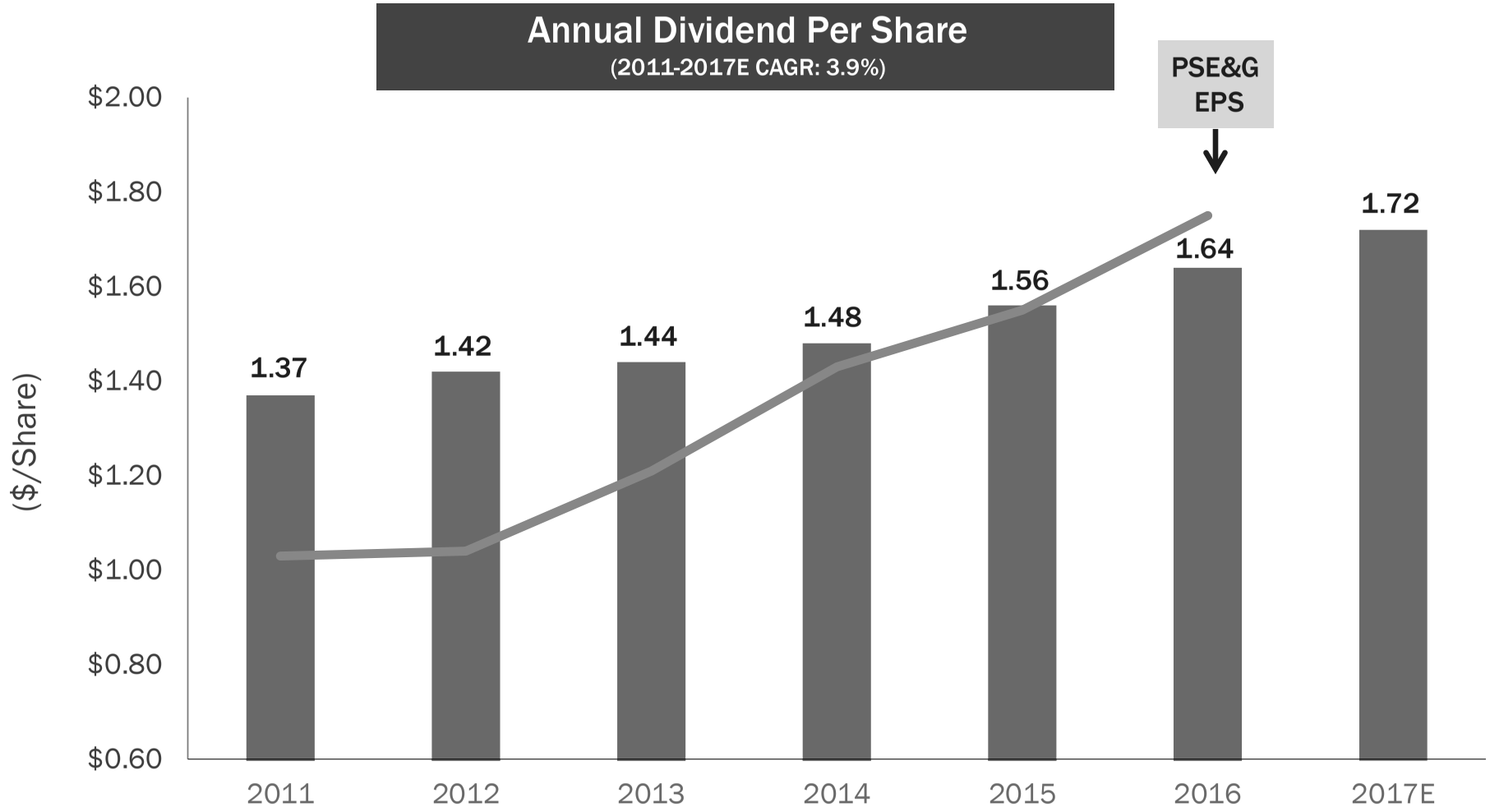
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-07349

Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

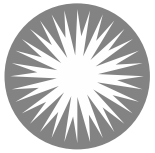
SI-SSA-0015-07351

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-07352

PSEG FINANCIAL APPENDIX



PSEG

We make things work for you.

SI-SSA-0015-07353

Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

SI-SSA-0015-07354

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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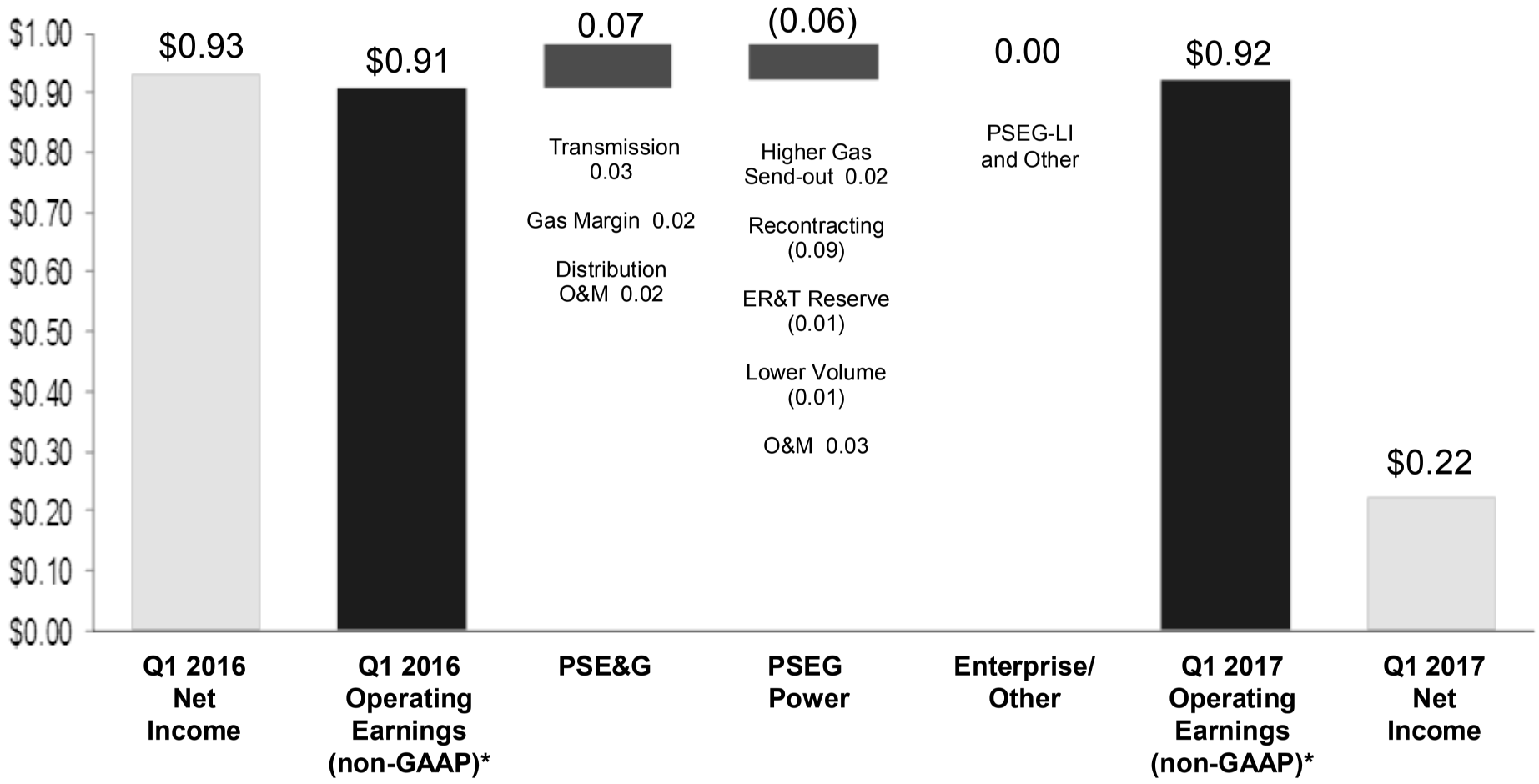
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Investor Summary

DEUTSCHE BANK INVESTOR MEETINGS
EUROPE • OCTOBER 2–5, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07359

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-07360

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-07361

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VP–INVESTOR RELATIONS

SI-SSA-0015-07362

PSEG

We make things work for you.

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-07363

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

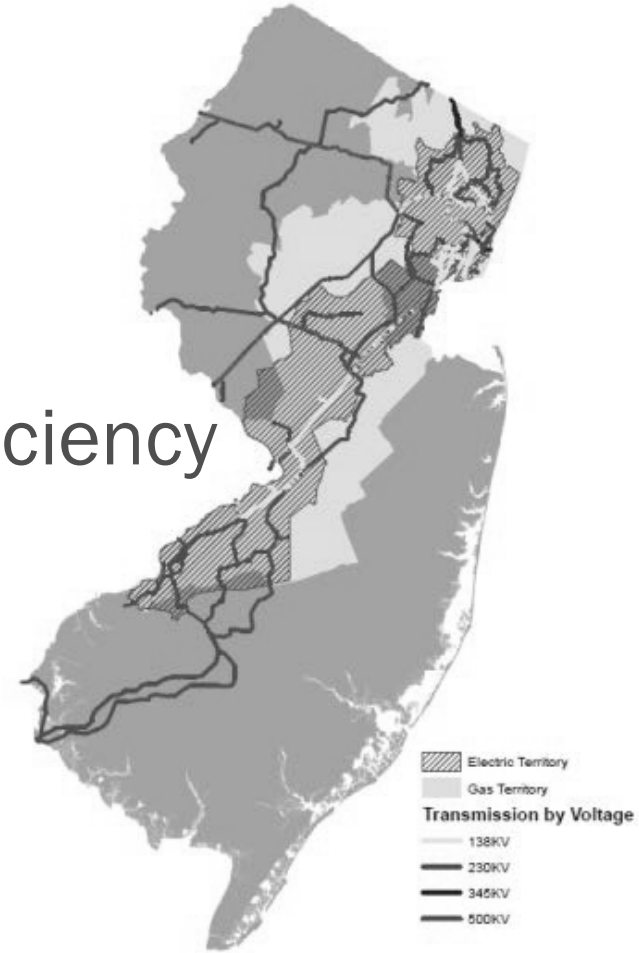
SI-SSA-0015-07364

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

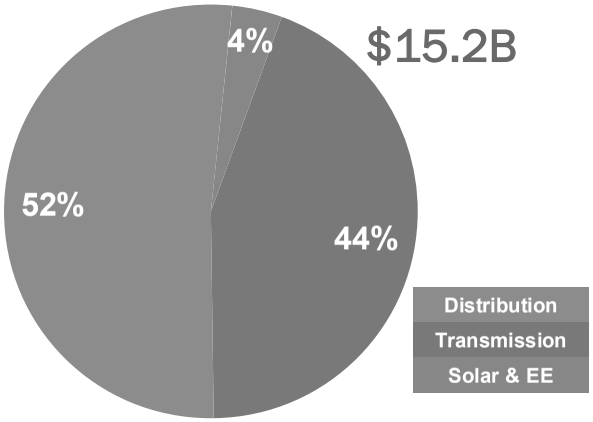
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

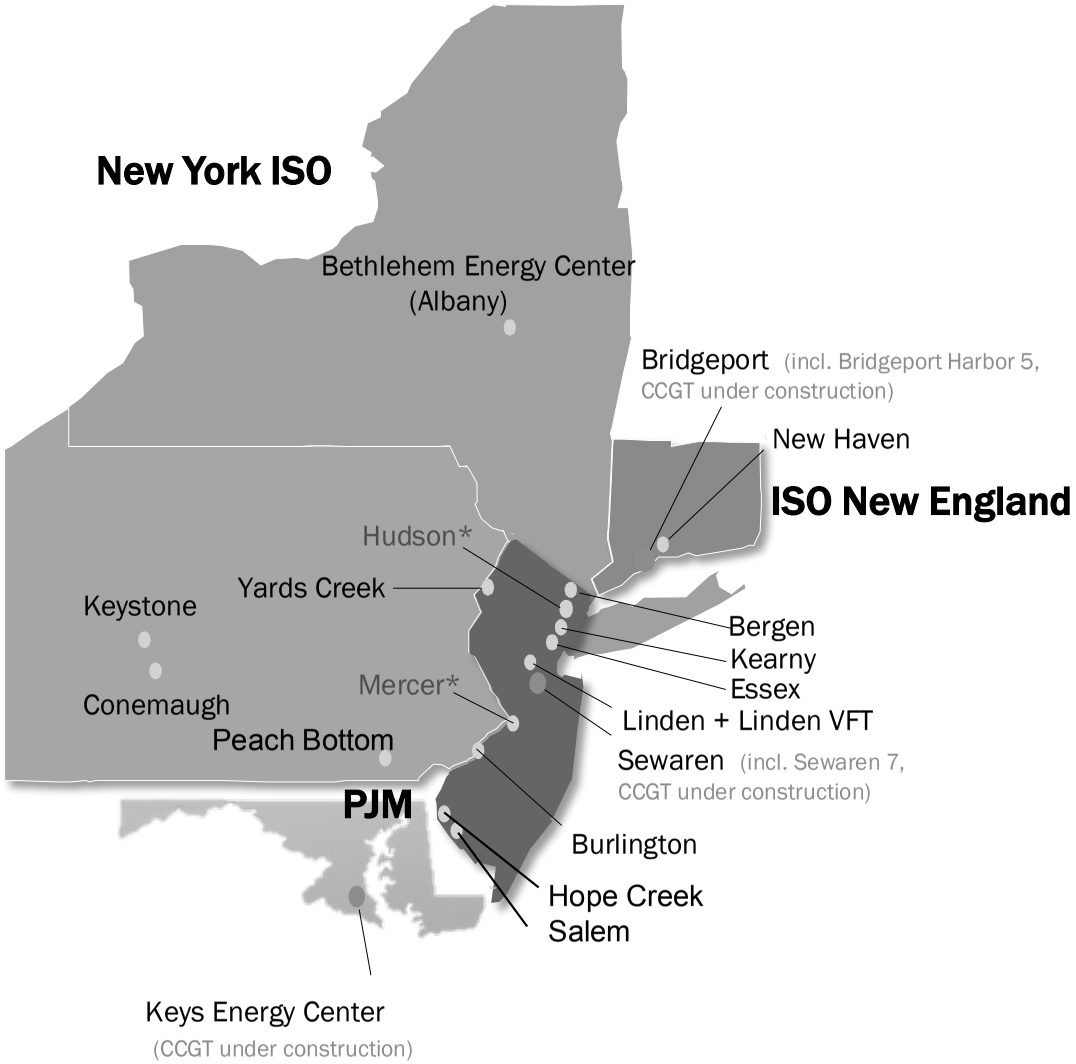


SI-SSA-0015-07365

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-07366

*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

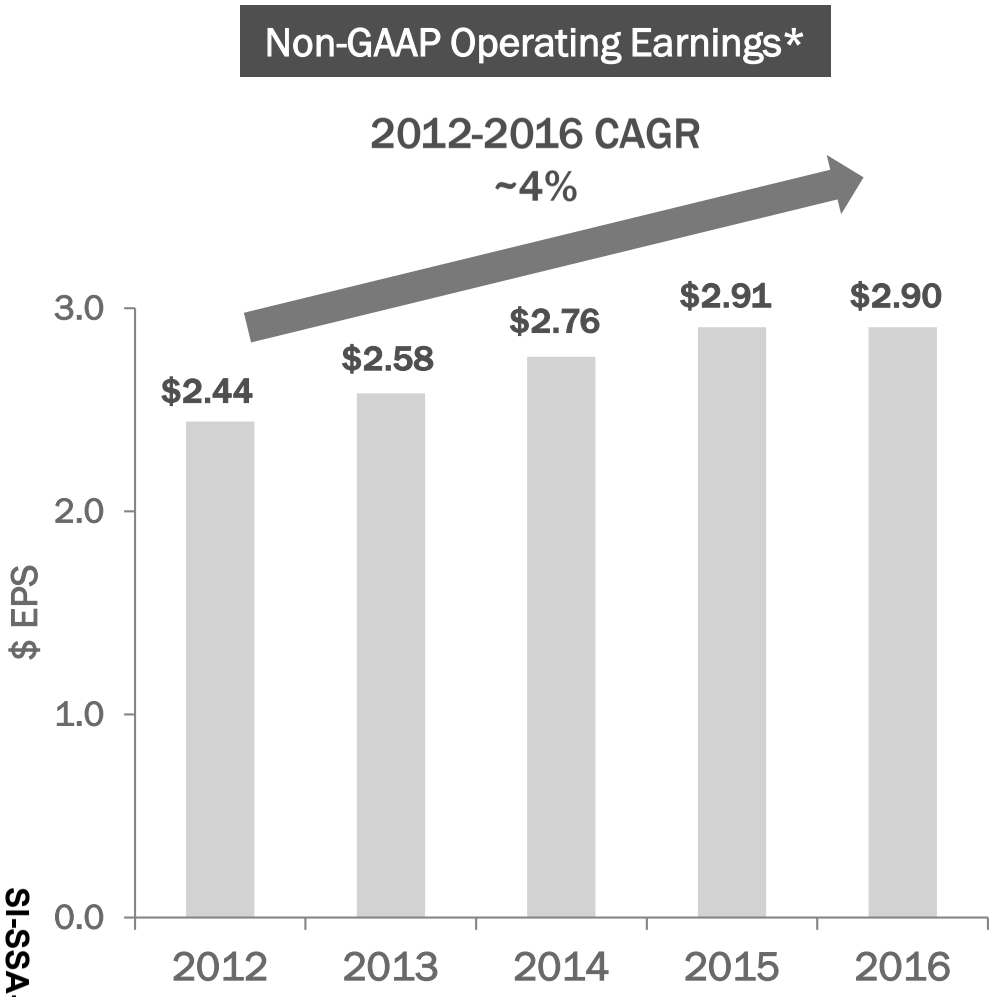
- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

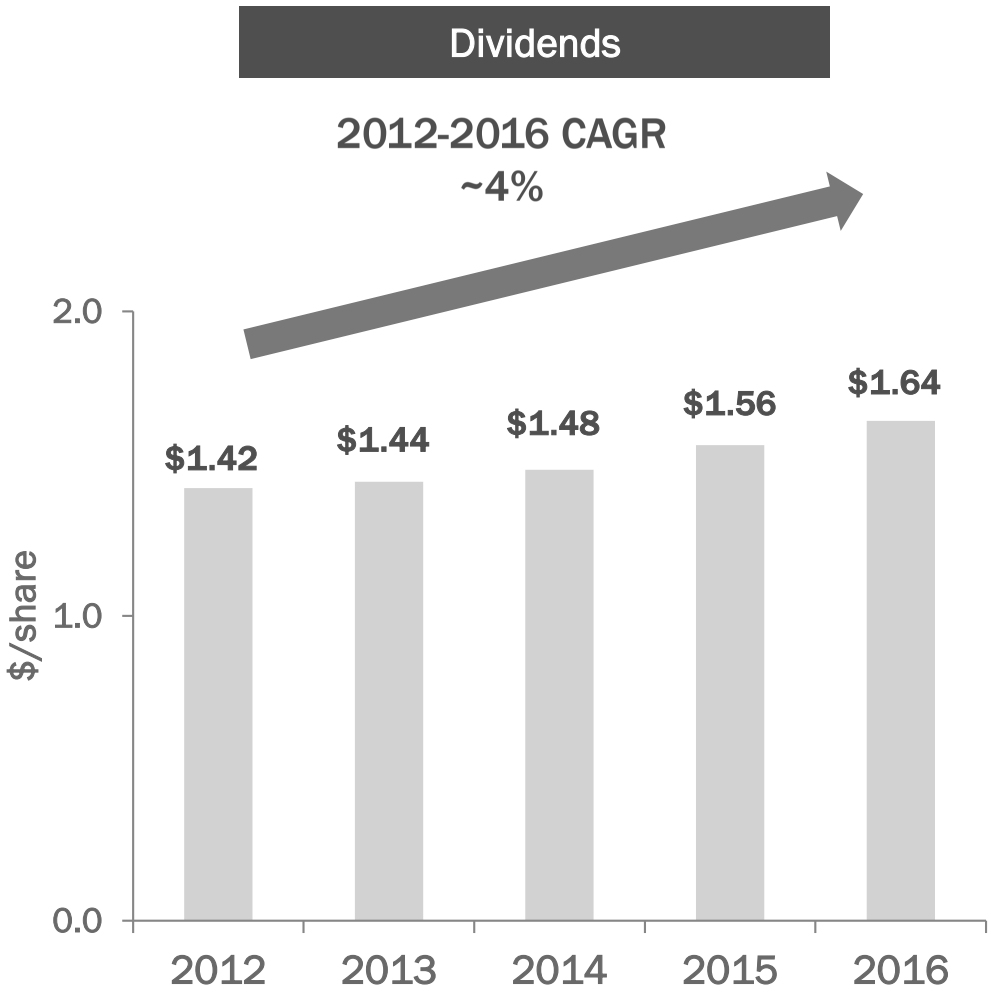
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-07367

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

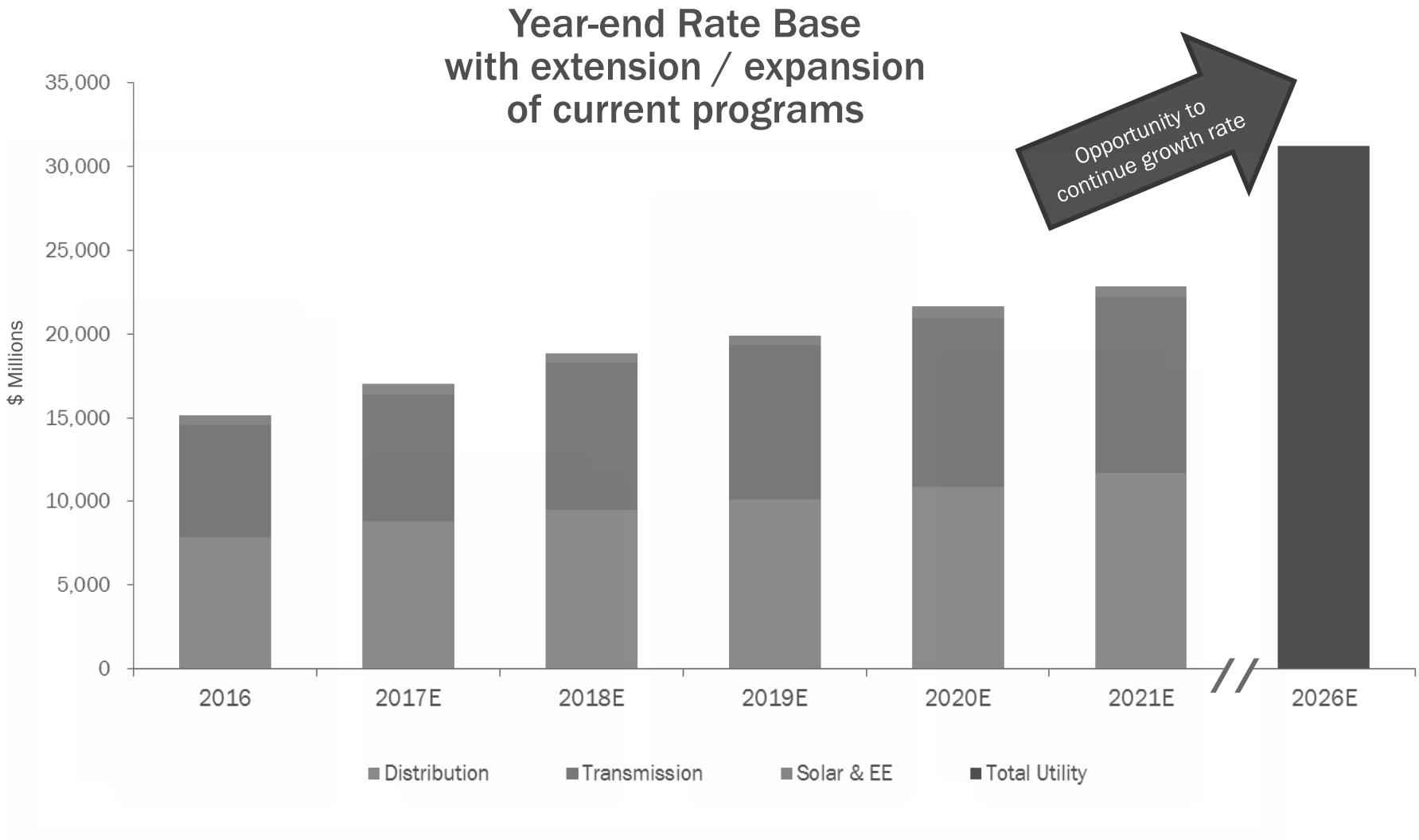




SI-SSA-0015-07368

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

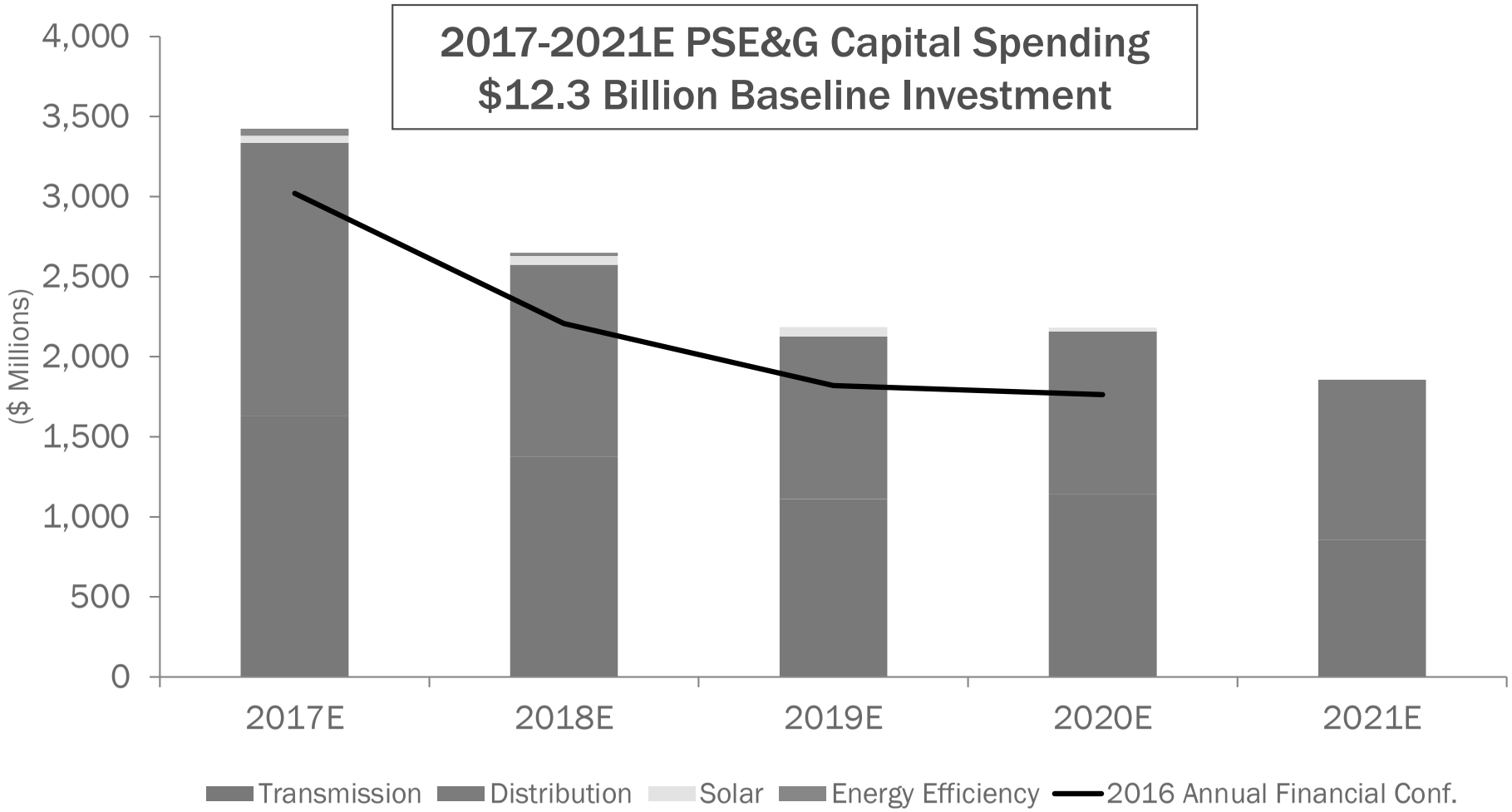
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-07369

Baseline programs yield 7% compound annual growth in rate base

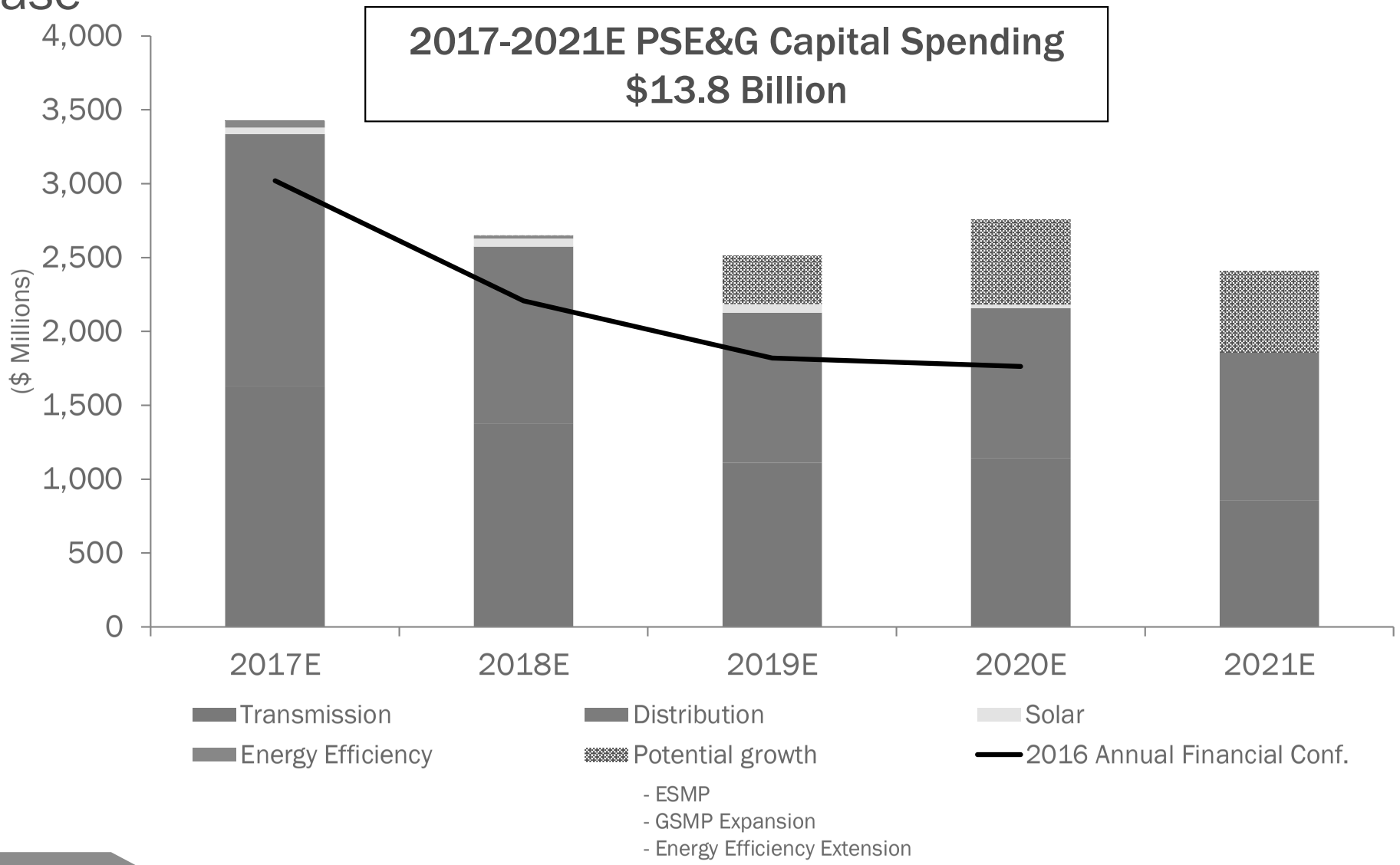


SI-SSA-0015-07370

PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

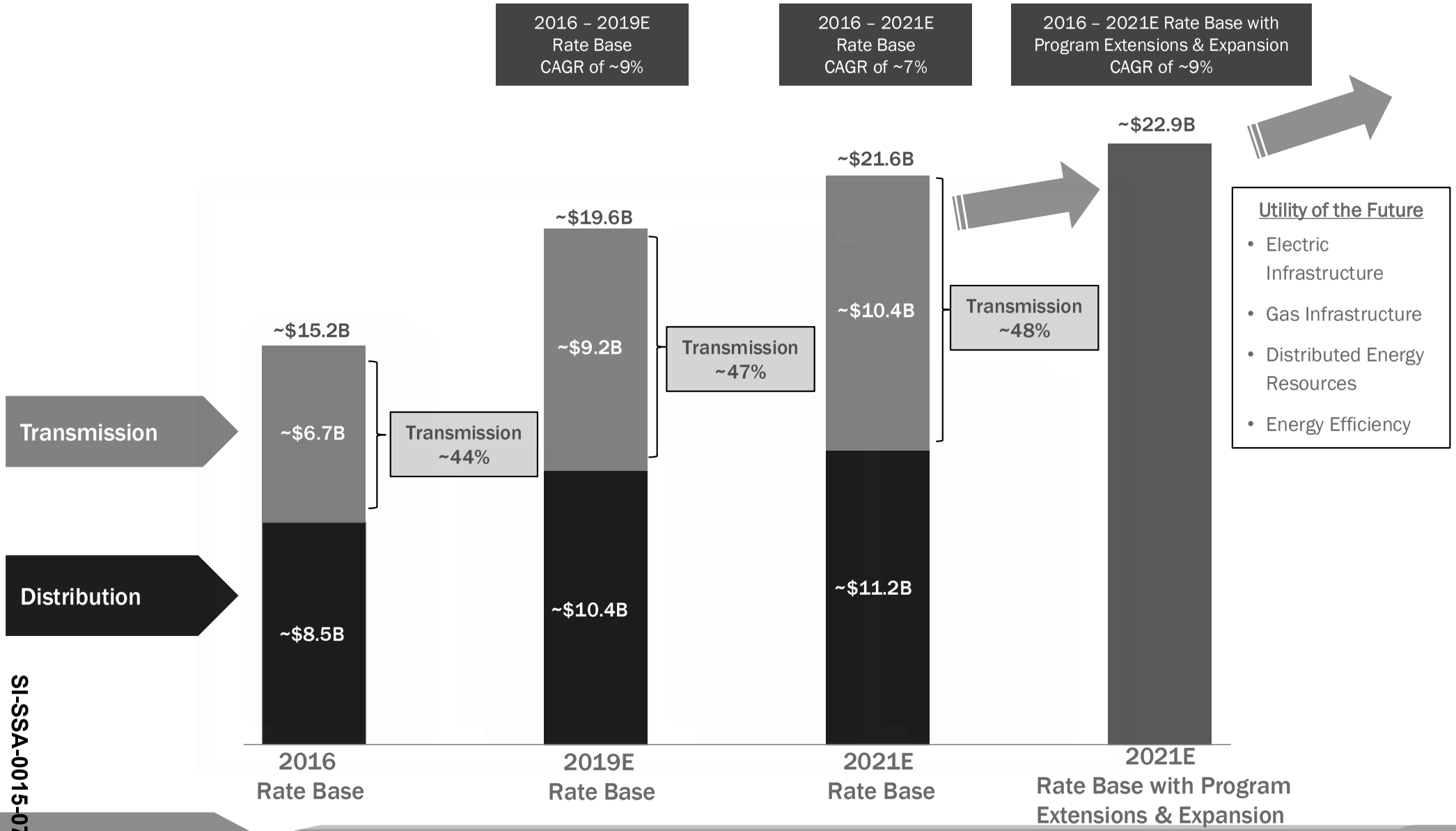
Expansion/Extension of existing baseline programs would yield 9% compound annual growth in rate base



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-07371

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-07372

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

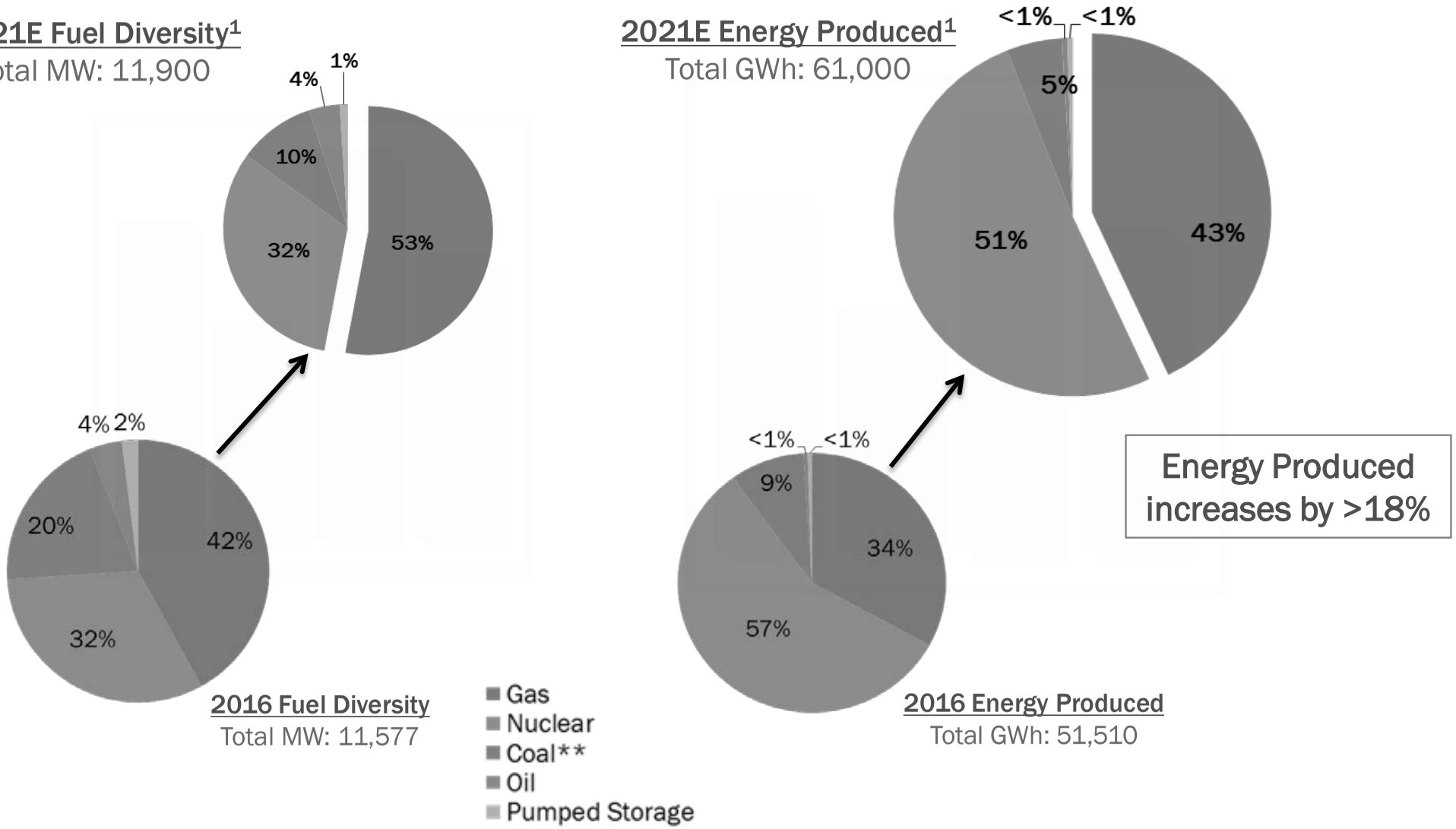
Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-07373

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

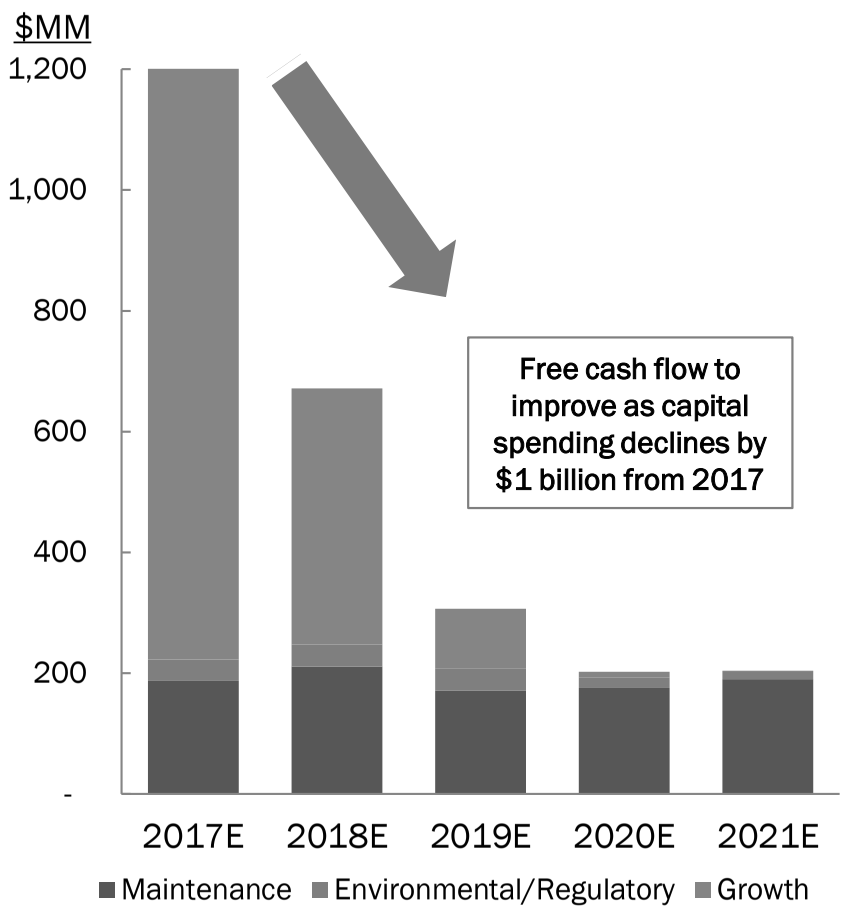
SI-SSA-0015-07375

PSEG

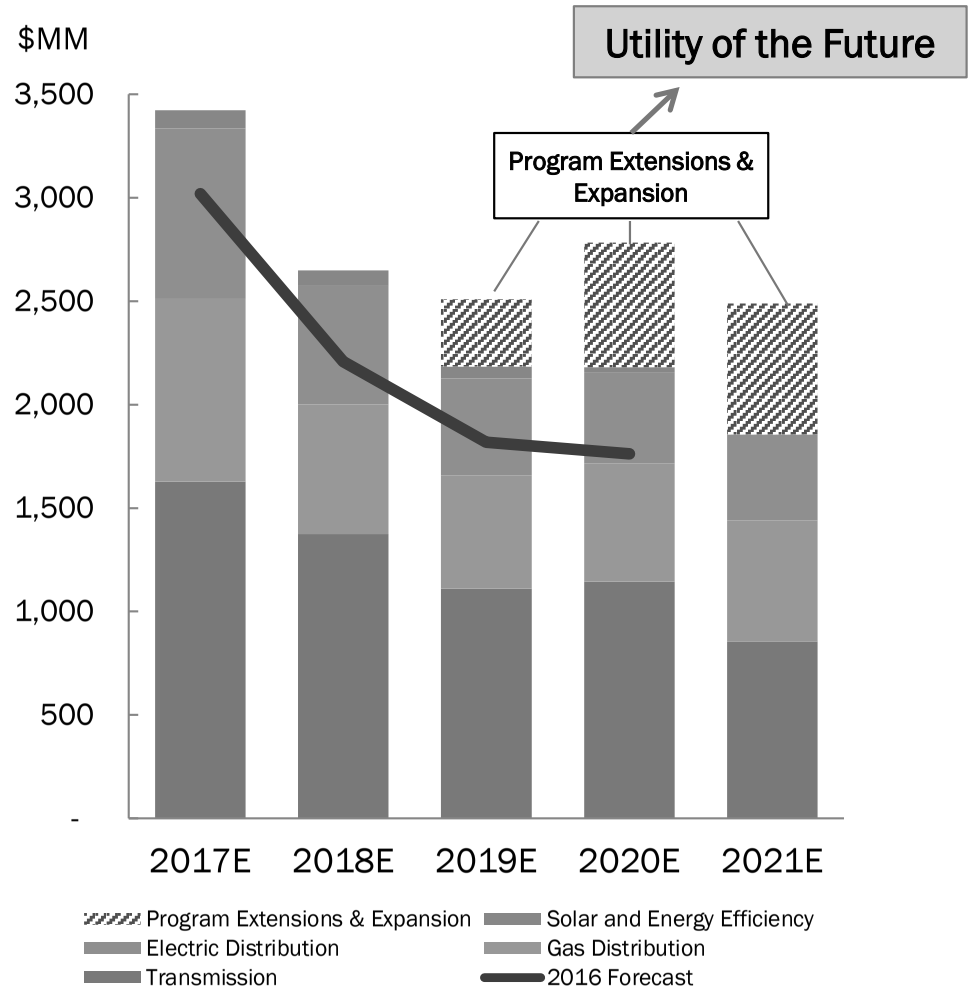
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending [1]



PSE&G
2017E – 2021E Capital Spending [1]



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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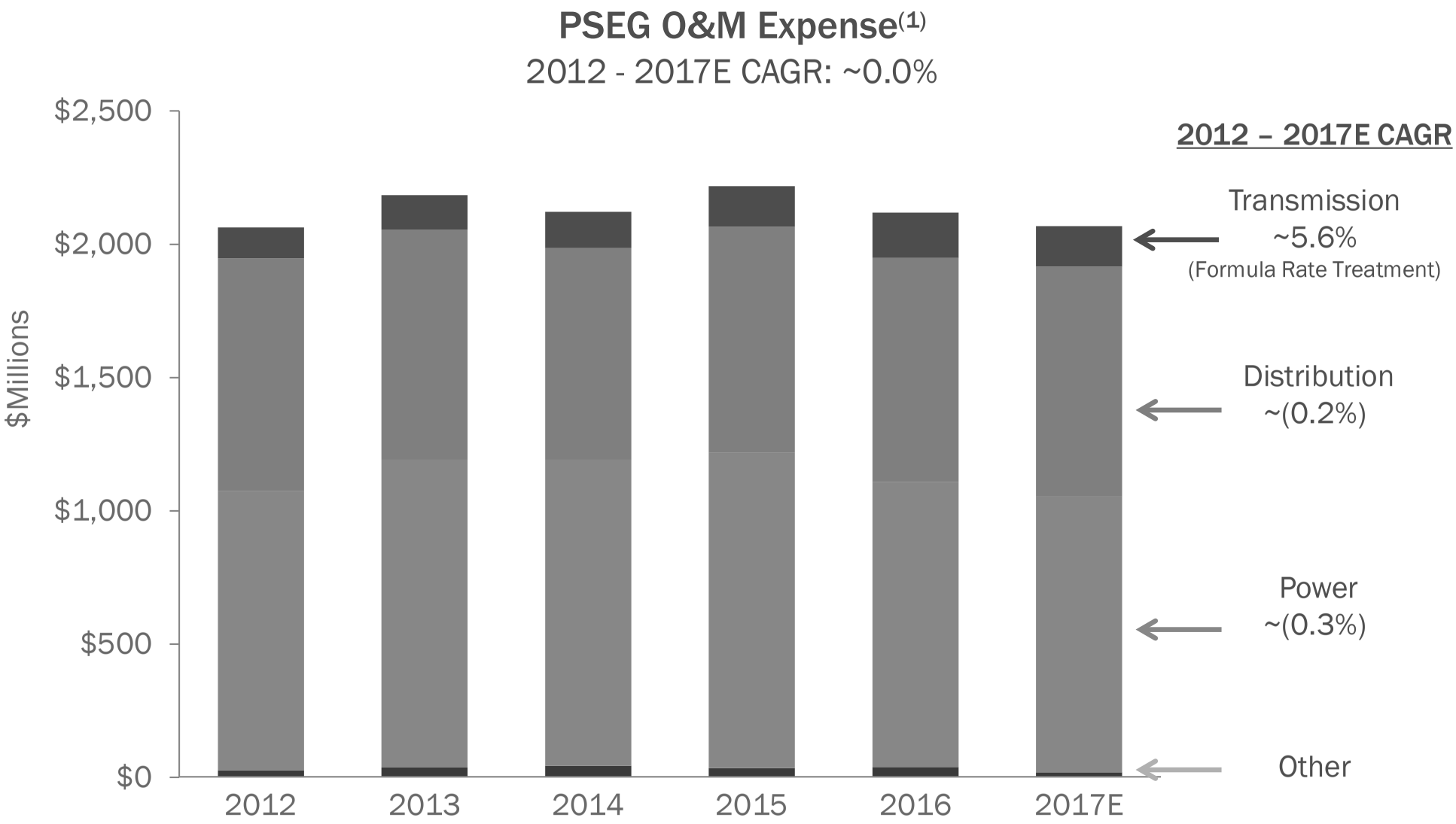
PSEG has demonstrated an ability to control O&M



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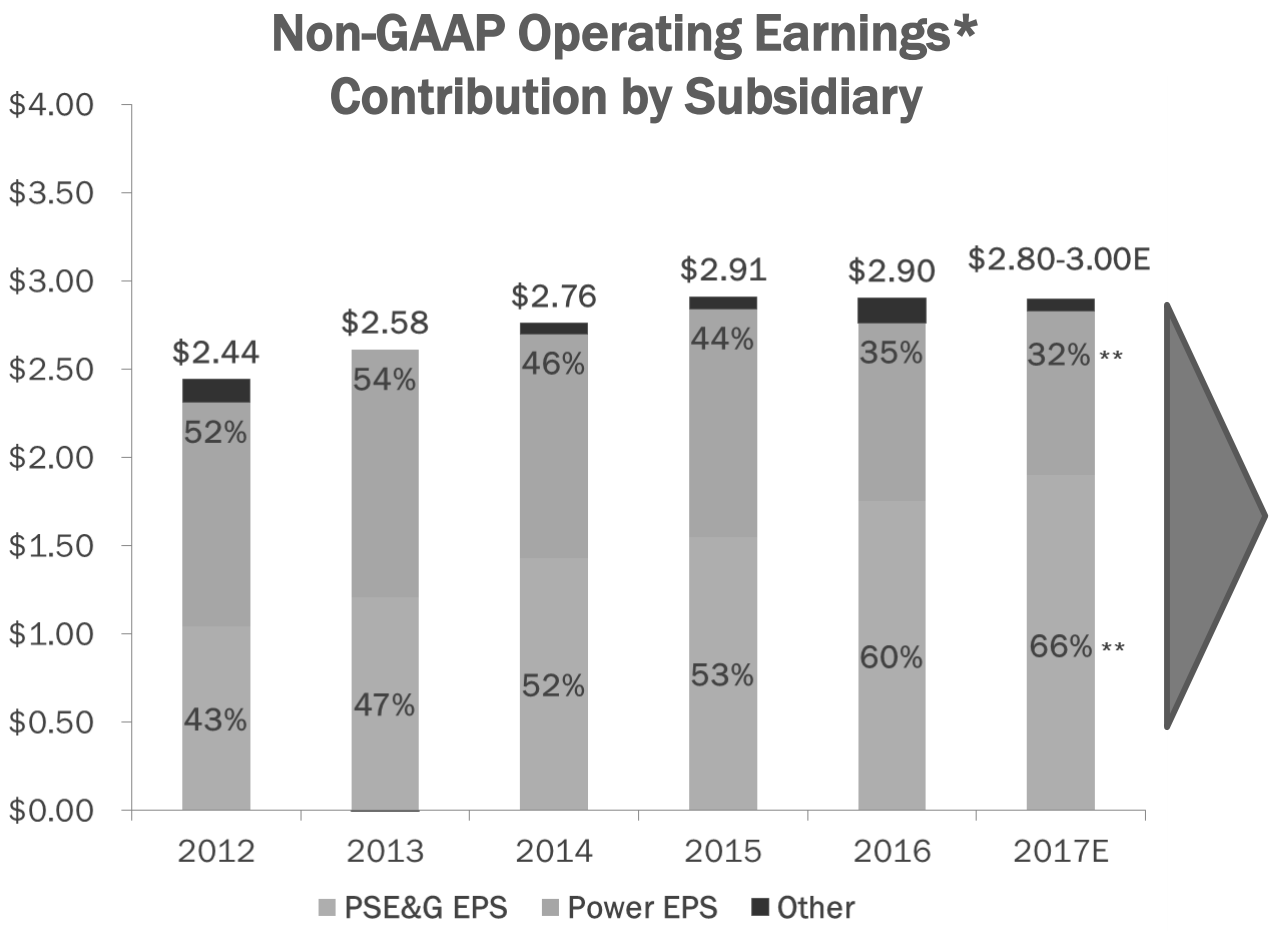
PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



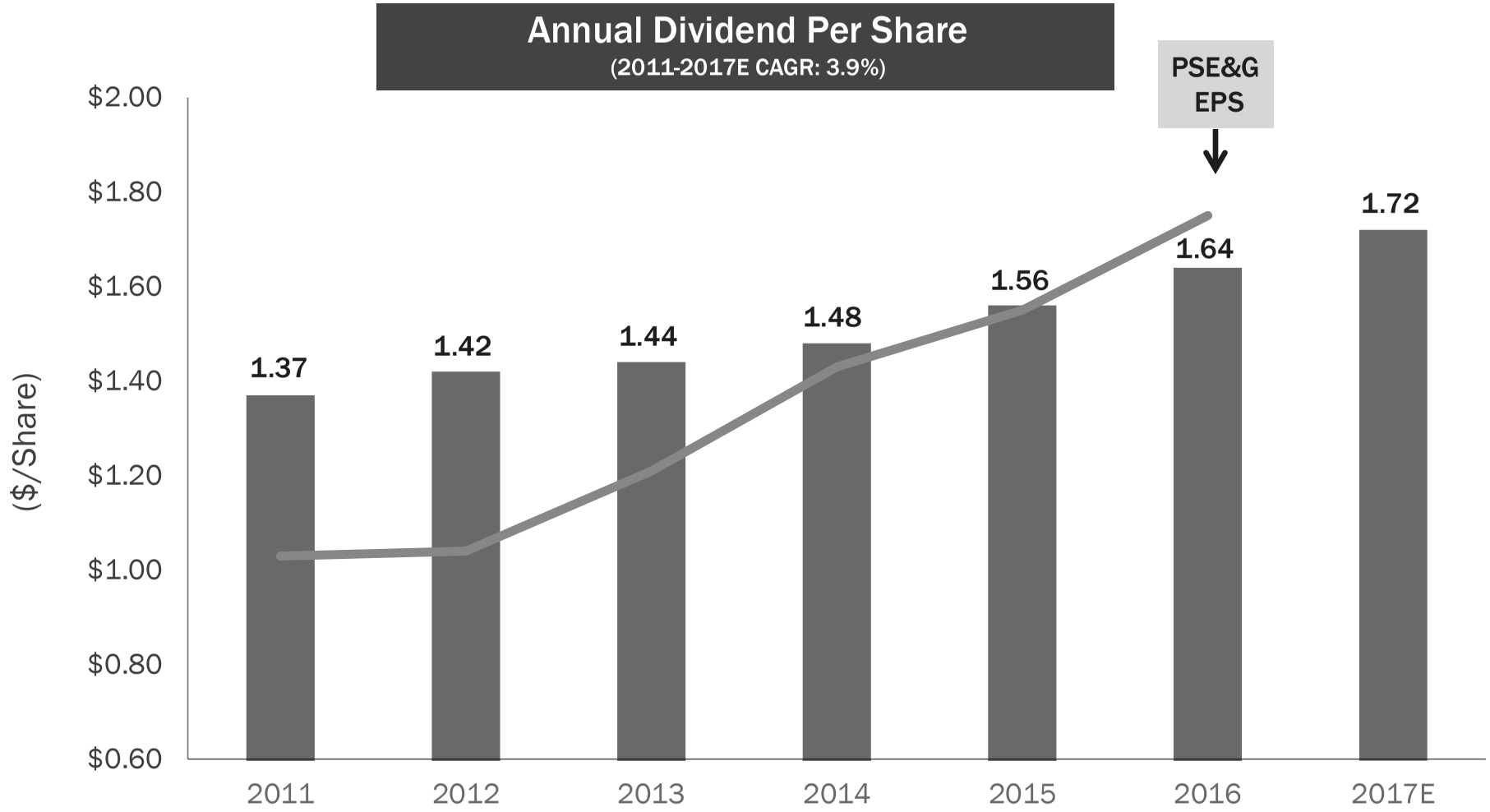
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-07378

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-07380

PSEG FINANCIAL APPENDIX

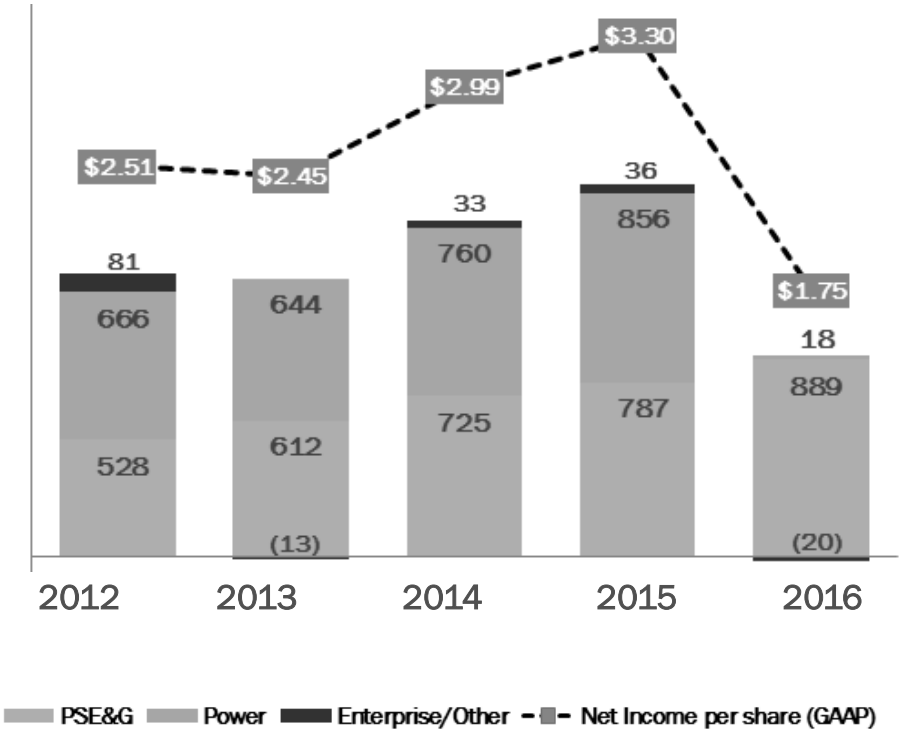
PSEG

We make things work for you.

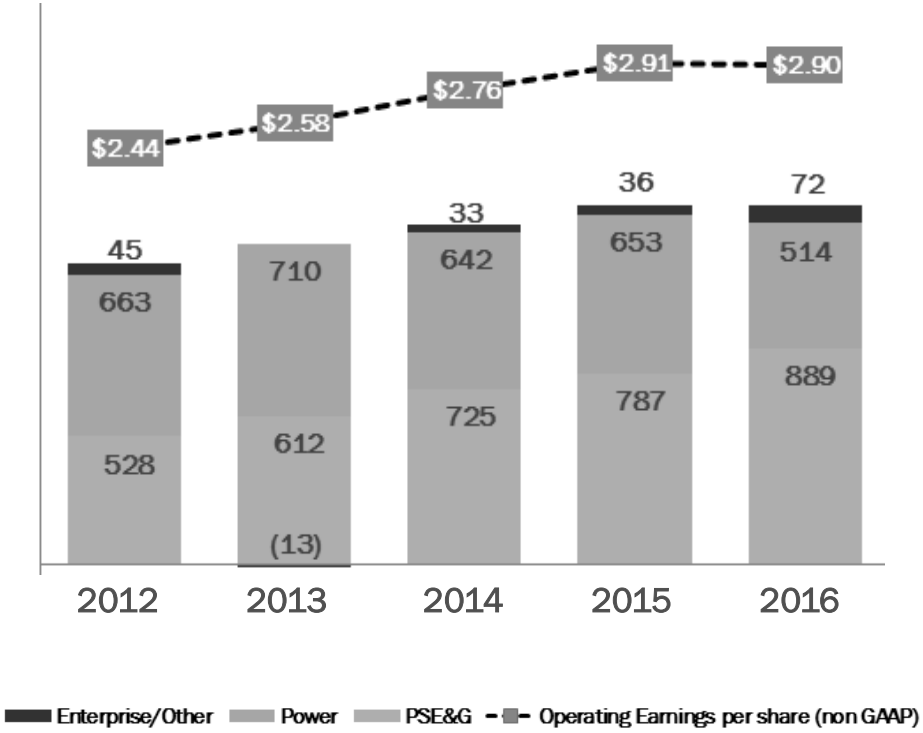
SI-SSA-0015-07381

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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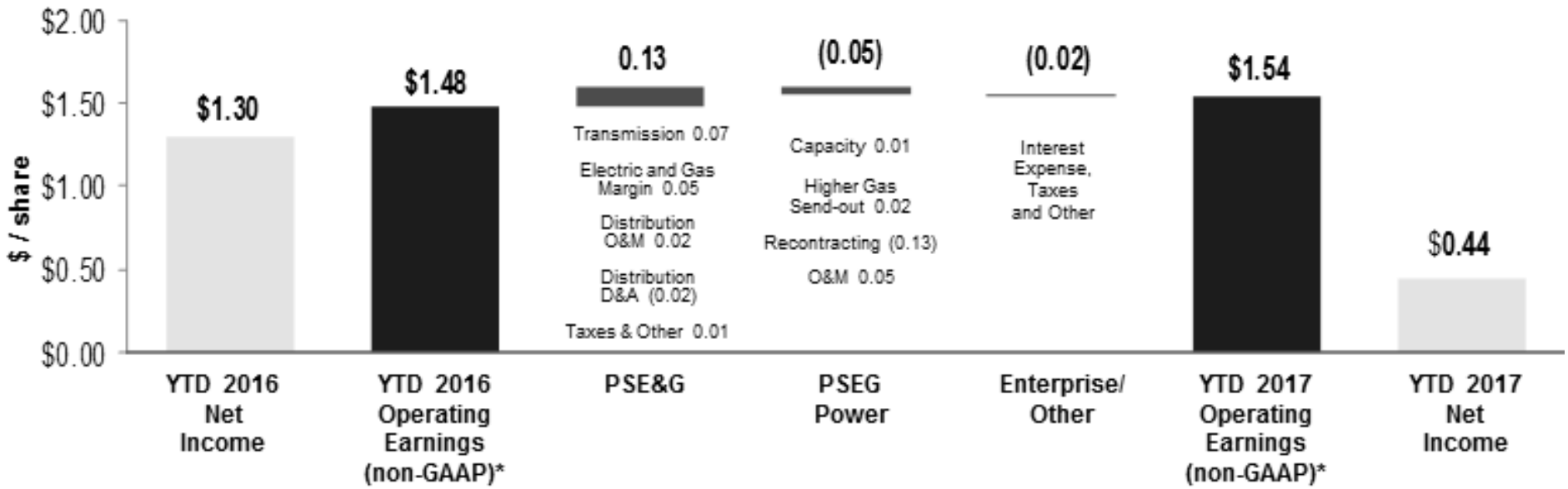
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-07384

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

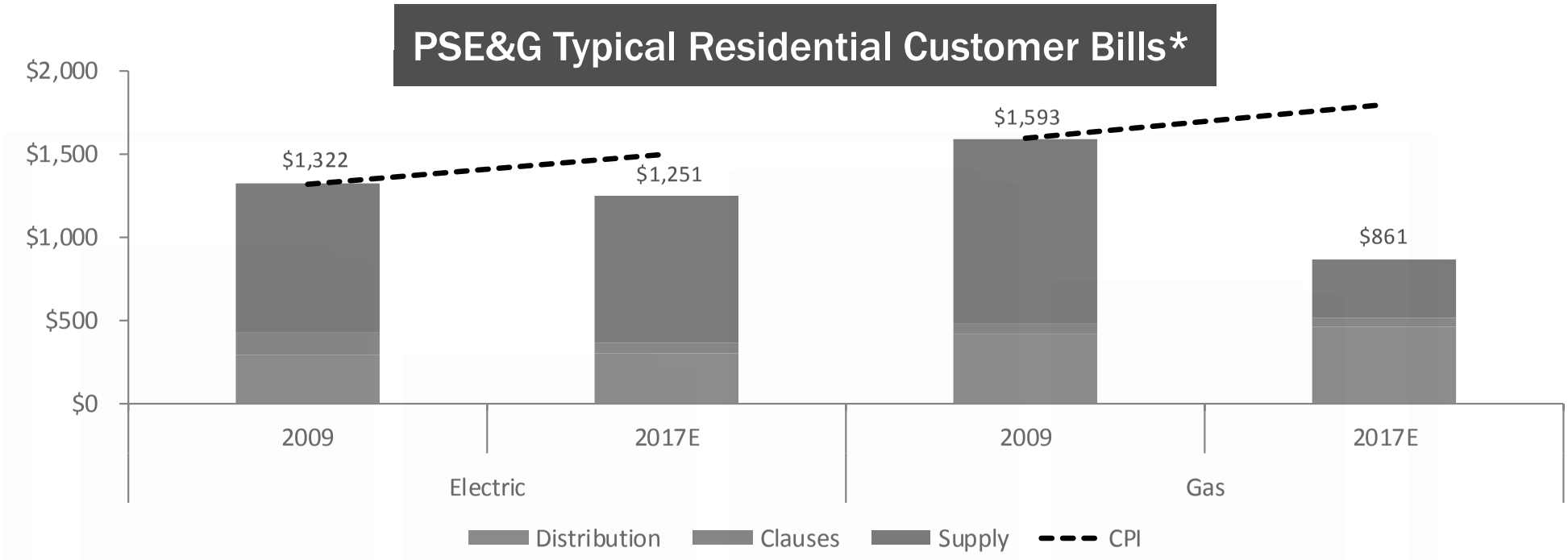
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-07385

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-07386

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-07387

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

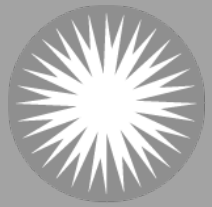
PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Deutsche Bank 8th Annual Clean Tech, Utilities and Power Conference

NEW YORK – MAY 12, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07389

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-07390

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07391

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-07392

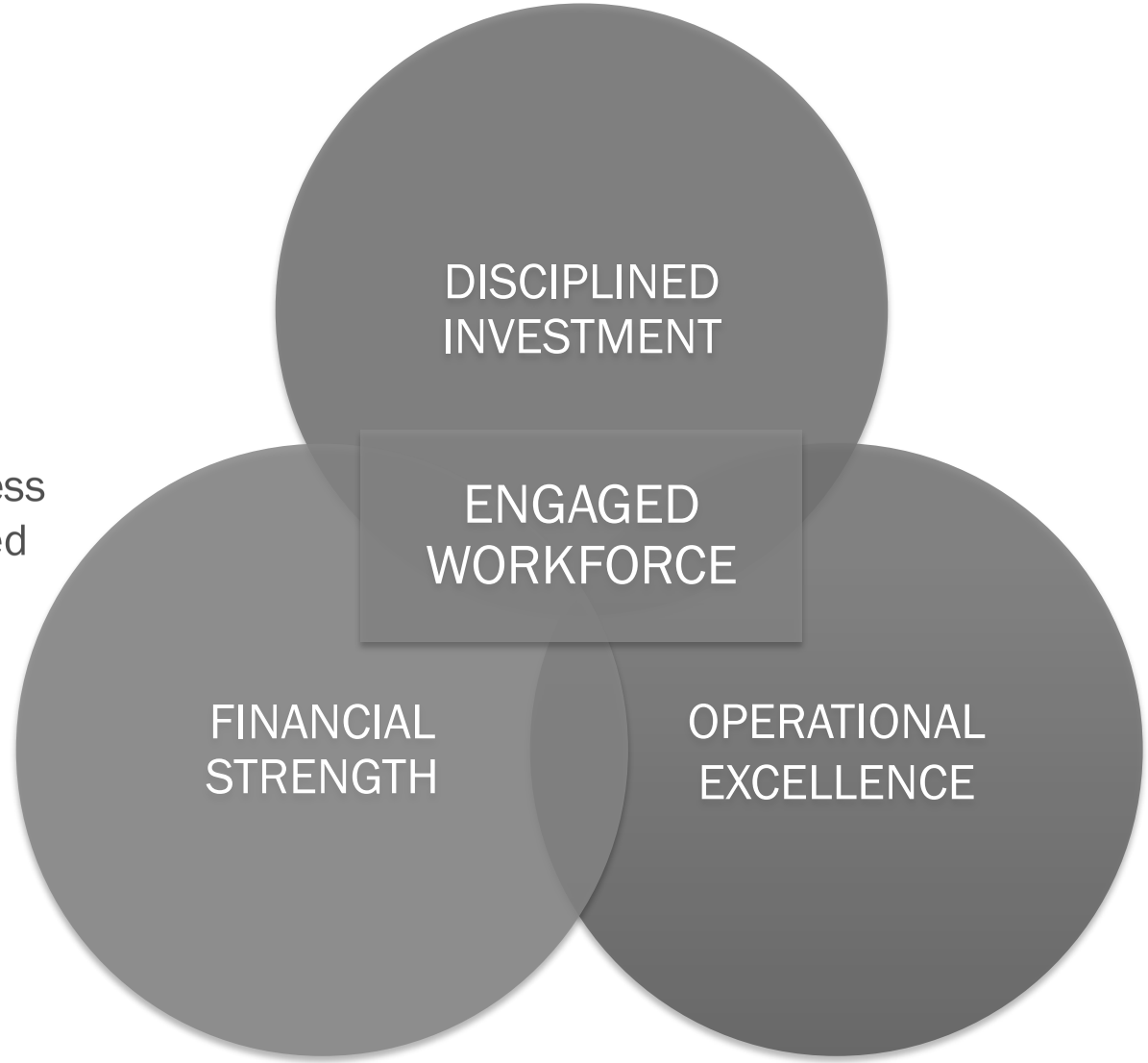
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $11.3 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-07394

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

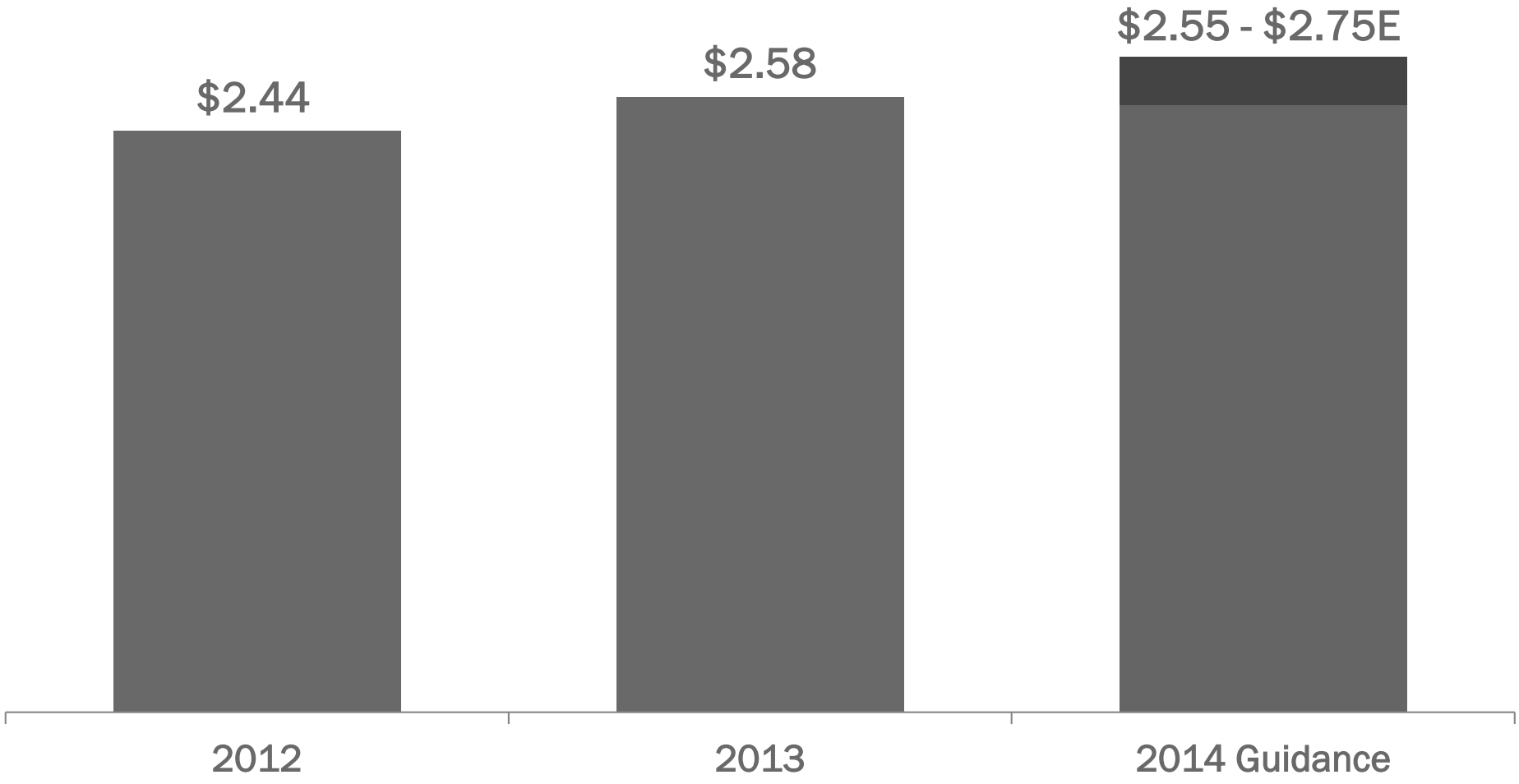
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong settlement ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-07395

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

SI-SSA-0015-07396

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

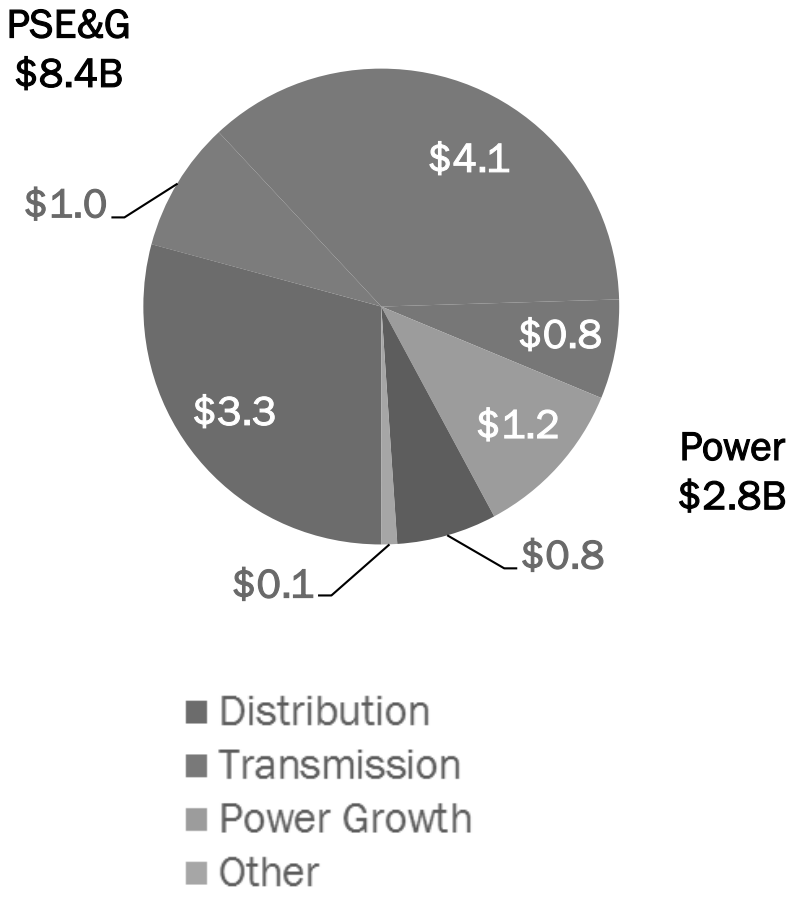
SI-SSA-0015-07397

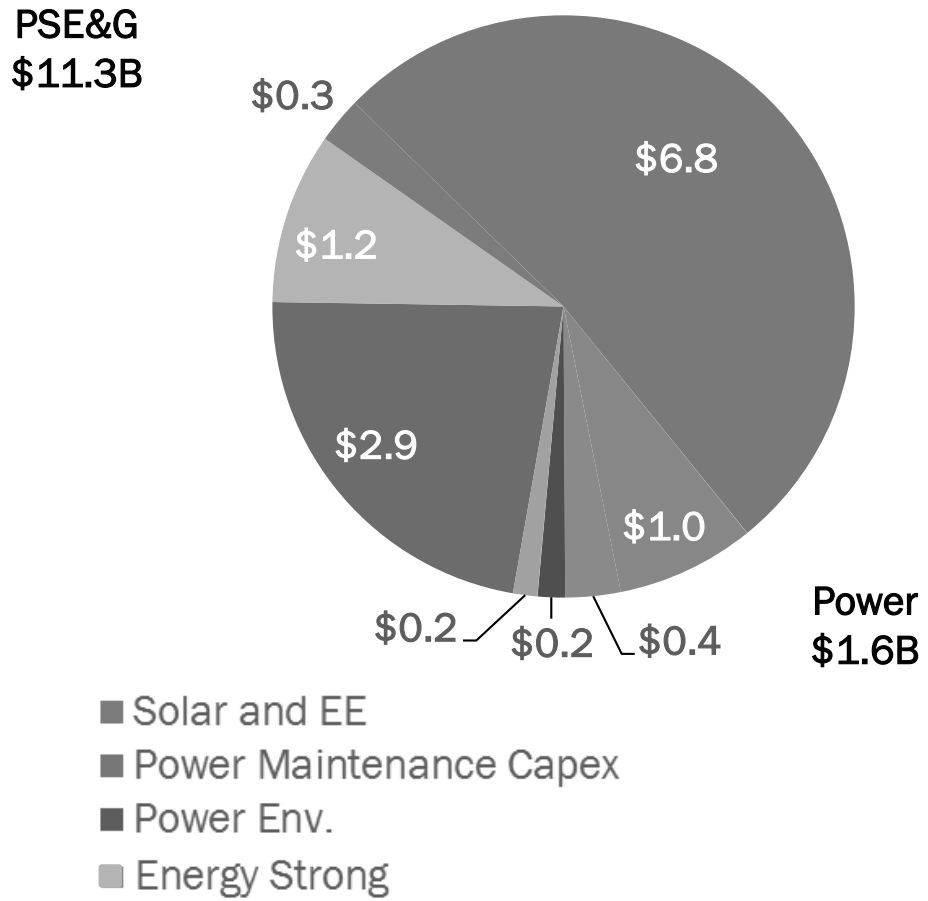
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

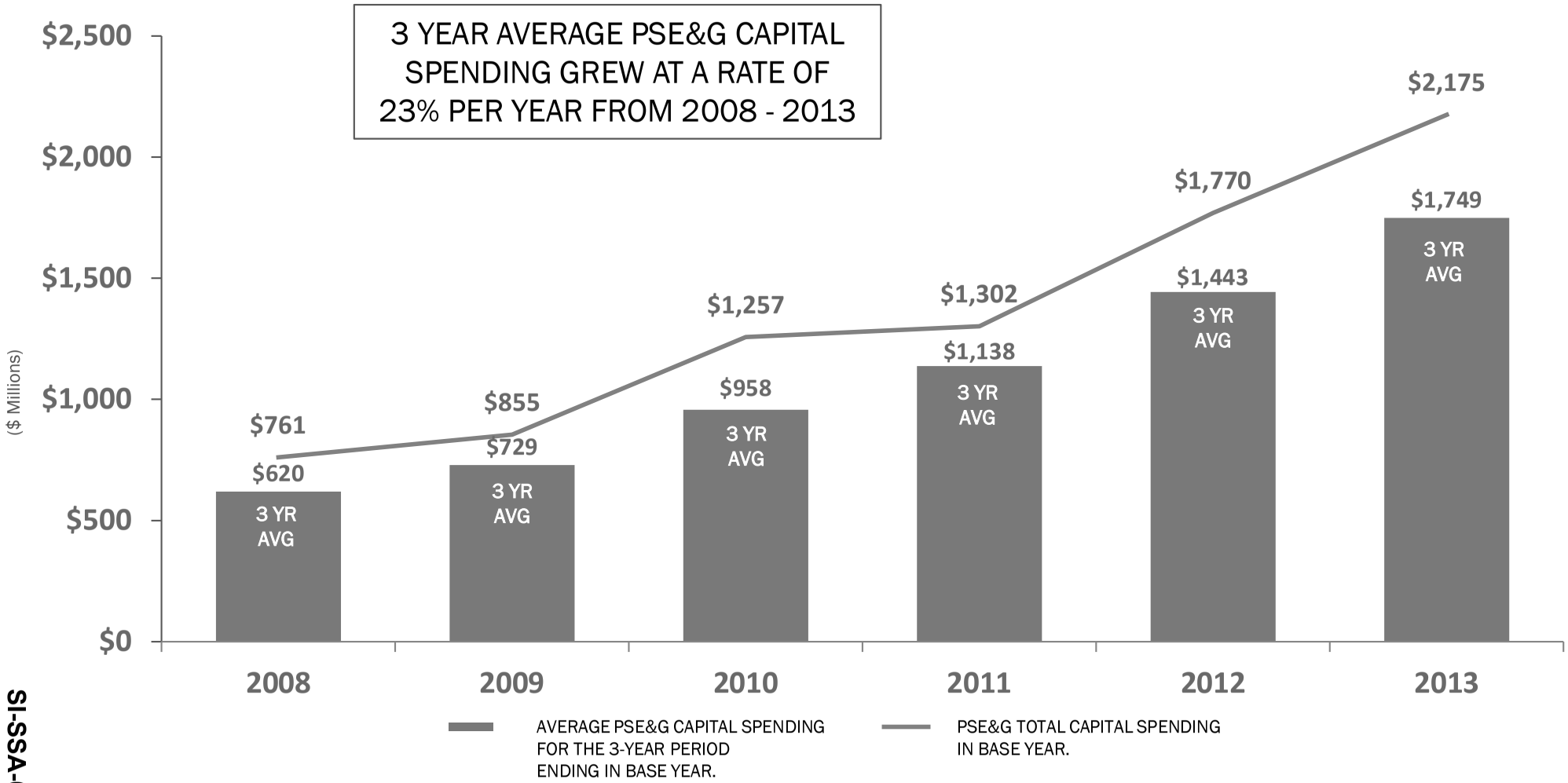




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-07398

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-07399

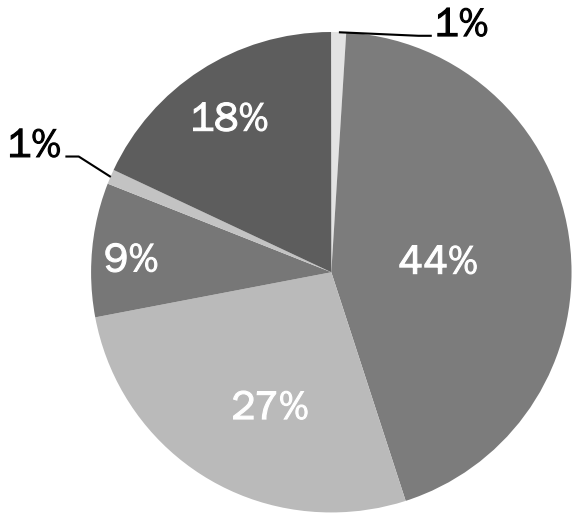
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered through mechanism
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Final NJBPU approval anticipated
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to pursue the initial phase of this robust capital program

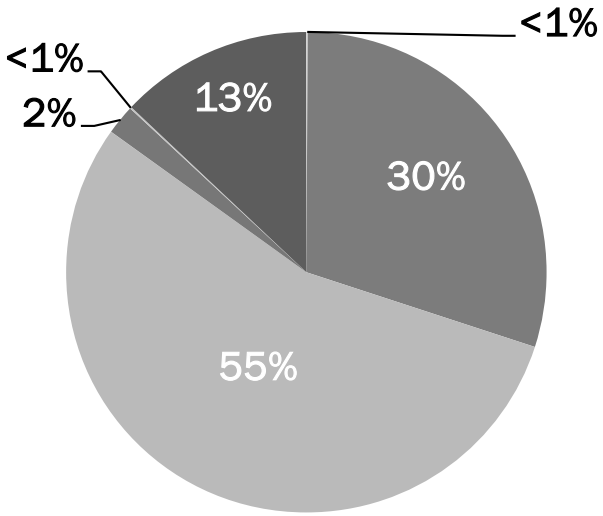
SI-SSA-0015-07400

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

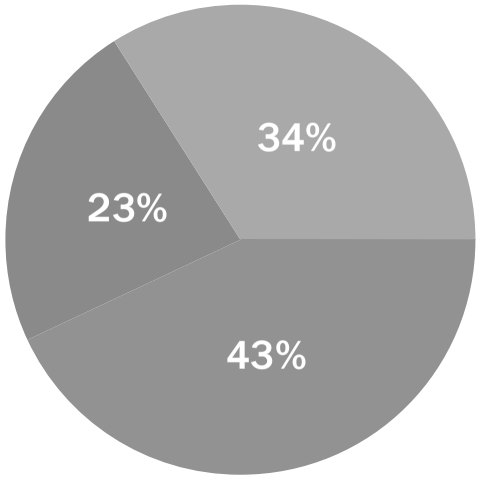
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

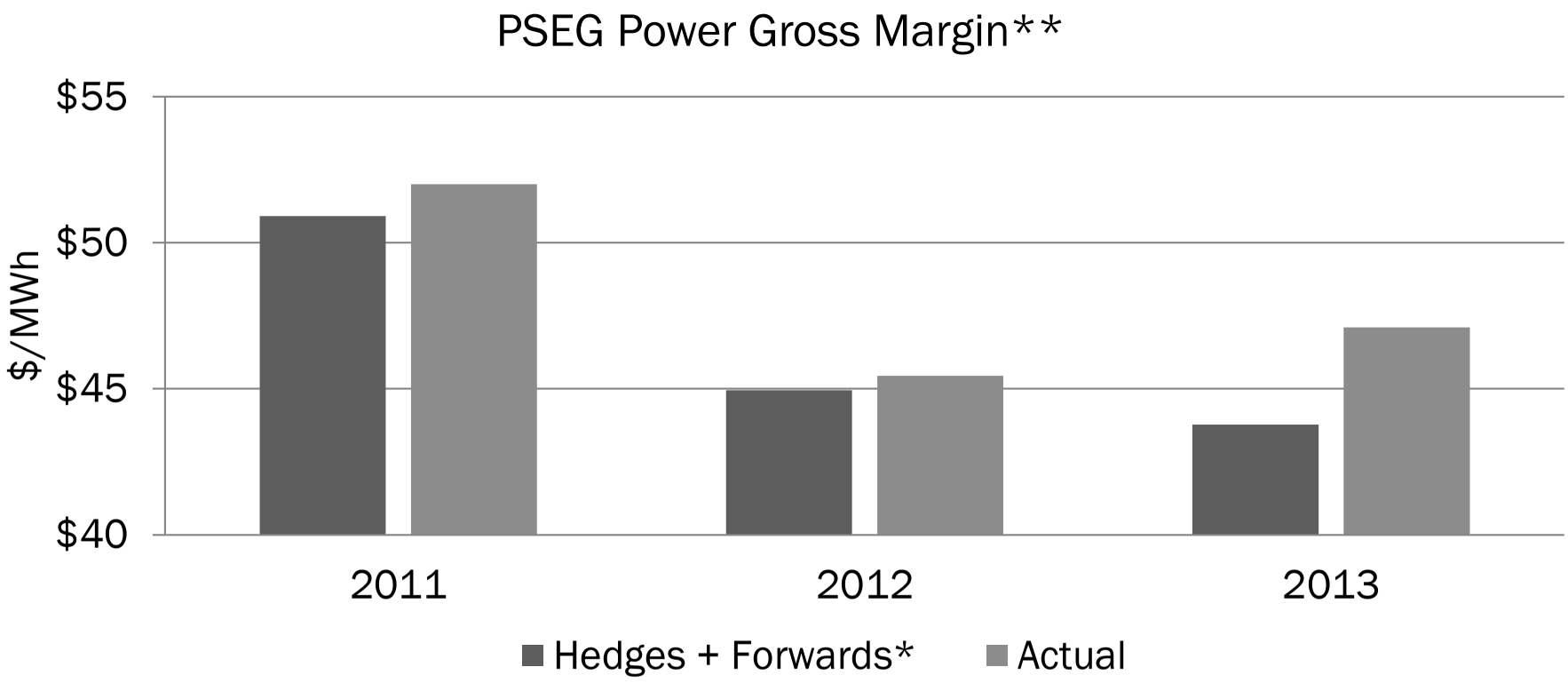


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-07401

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-07402

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-07403

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

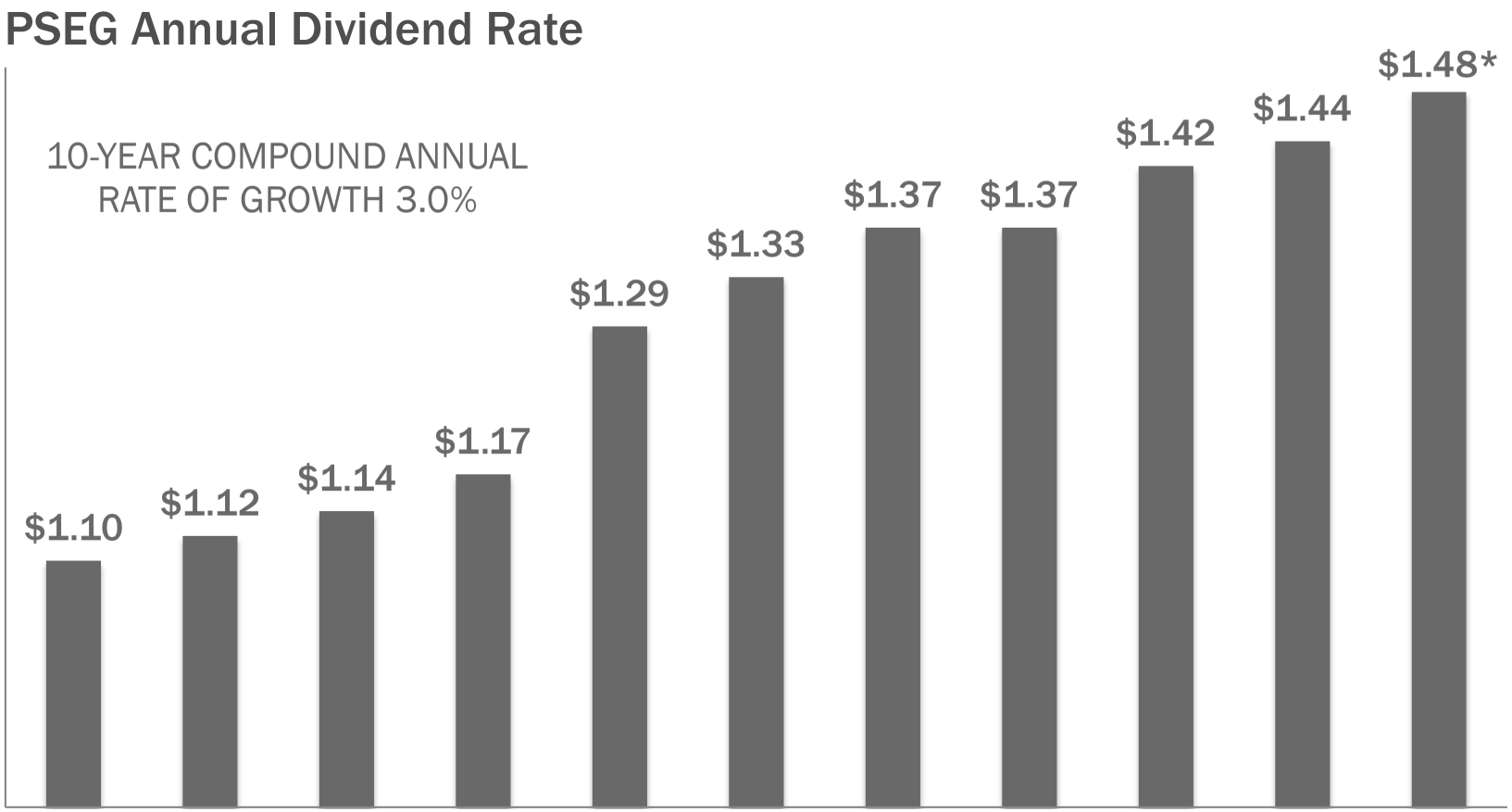
2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$44[6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.7%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $14,600
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $7,500
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 5/7/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-07404

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Payout Ratio	70%	63%	66%	43%	44%	43%	44%	50%	58%	56%	56%**

SI-SSA-0015-07405

PSEG

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018, awaiting final NJBPU approval

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-07406

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-07407

PSE&G

SI-SSA-0015-07408

PSEG

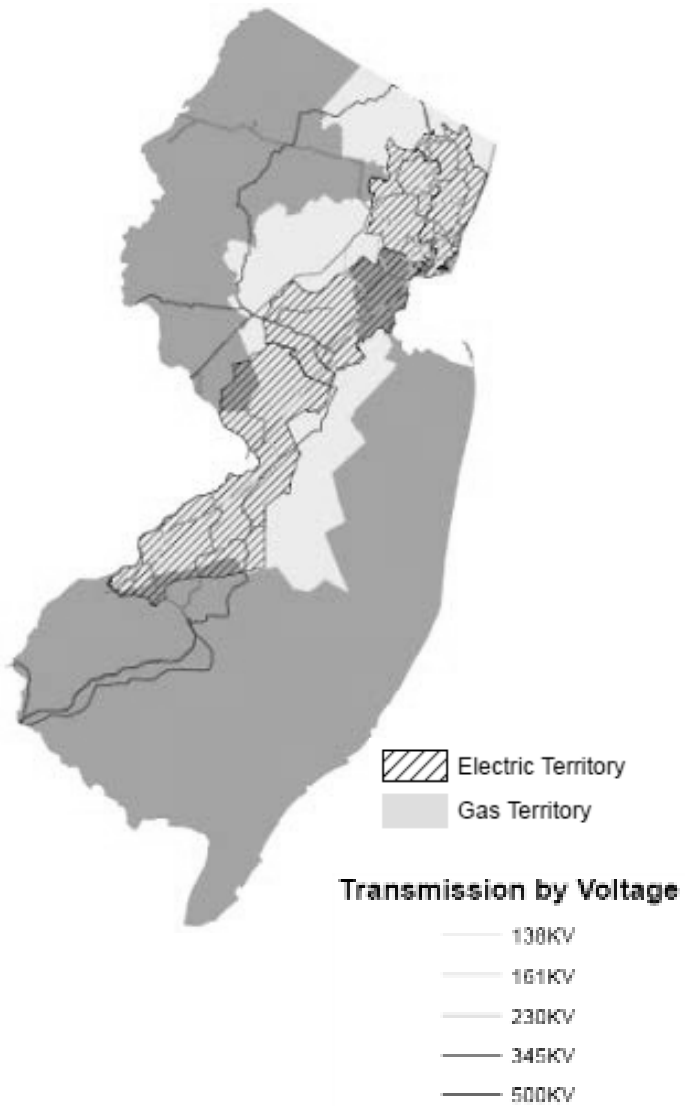
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-07409

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-07410

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-07411

PSE&G's operating earnings grew ~18%

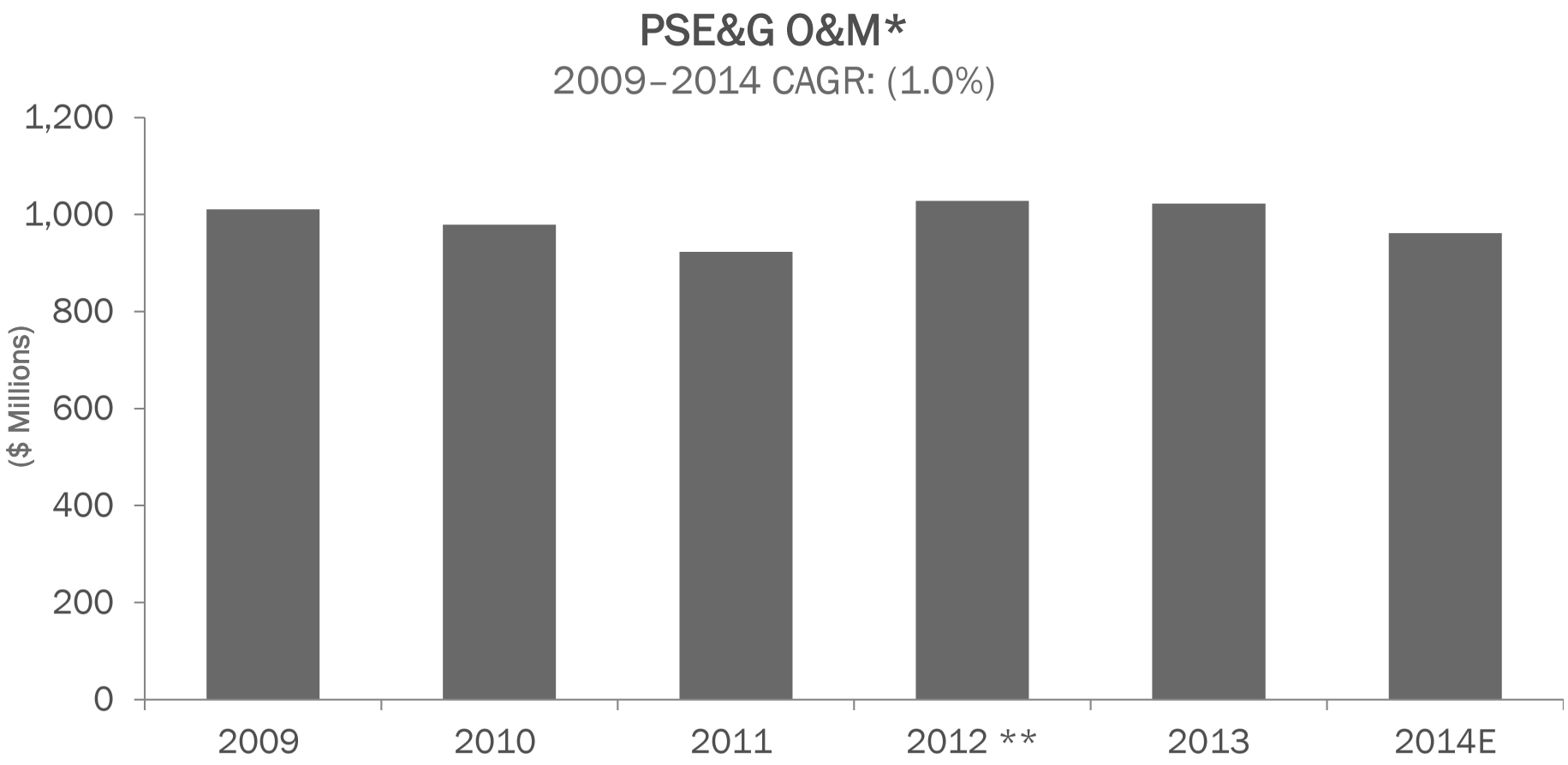
over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-07412

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on controlling O&M and lower pension costs support decline in expenses

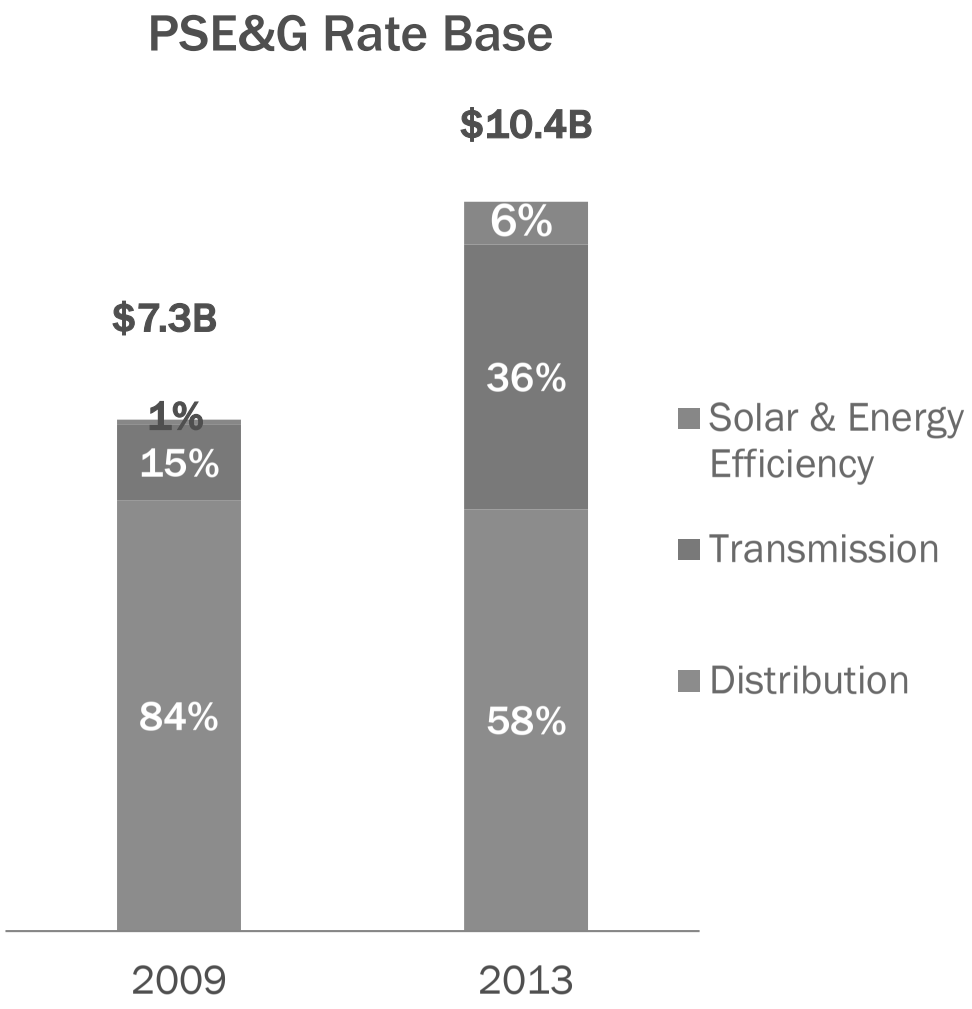


SI-SSA-0015-07413

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-07414

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

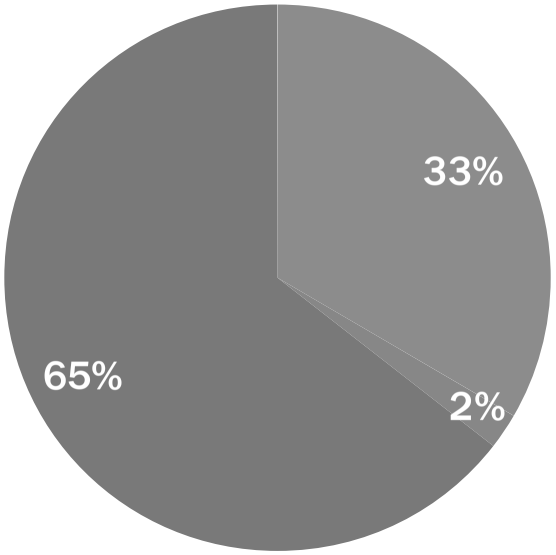
SI-SSA-0015-07415

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

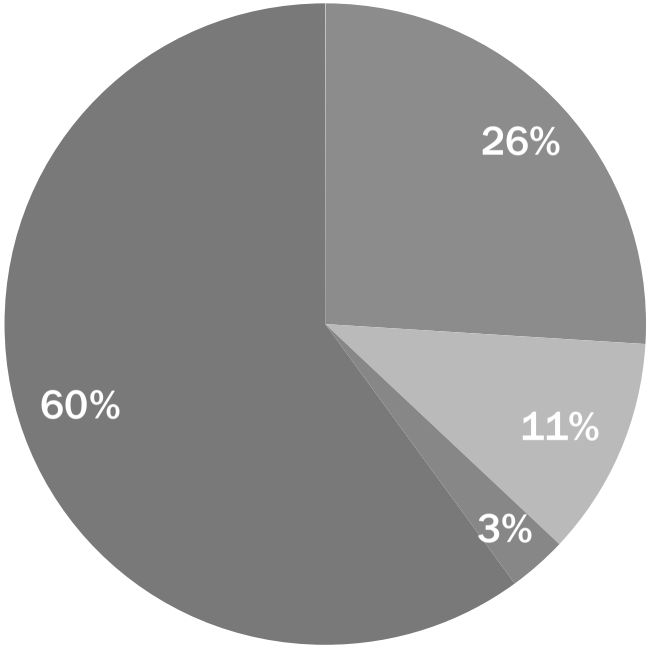
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

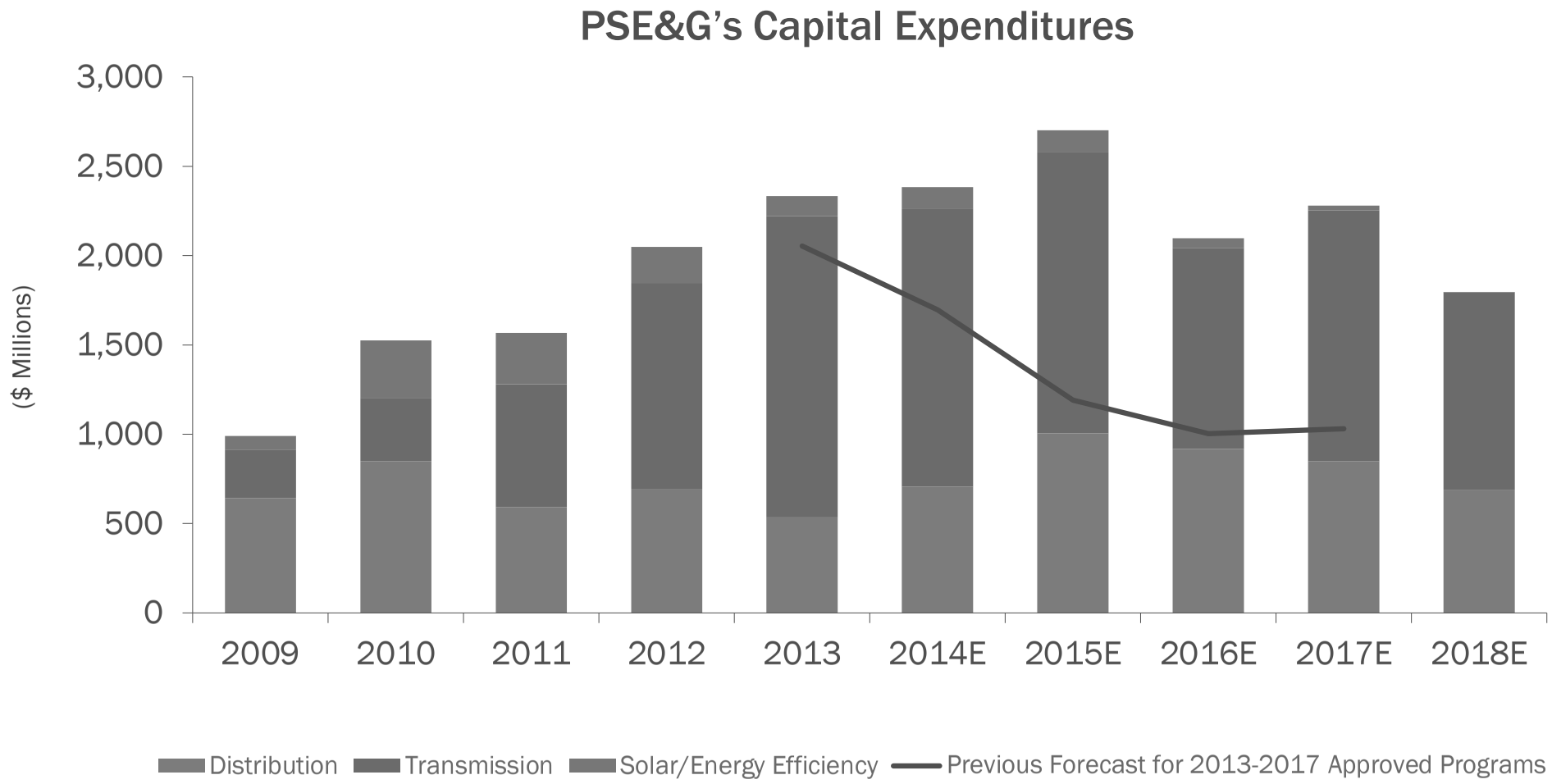


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-07416

PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-07417

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

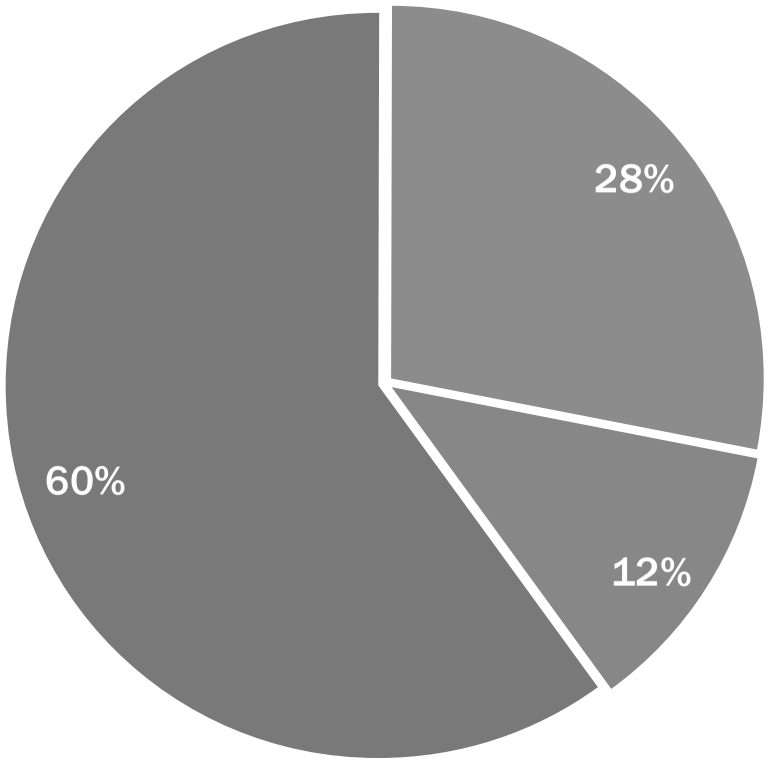
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-07418

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-07419

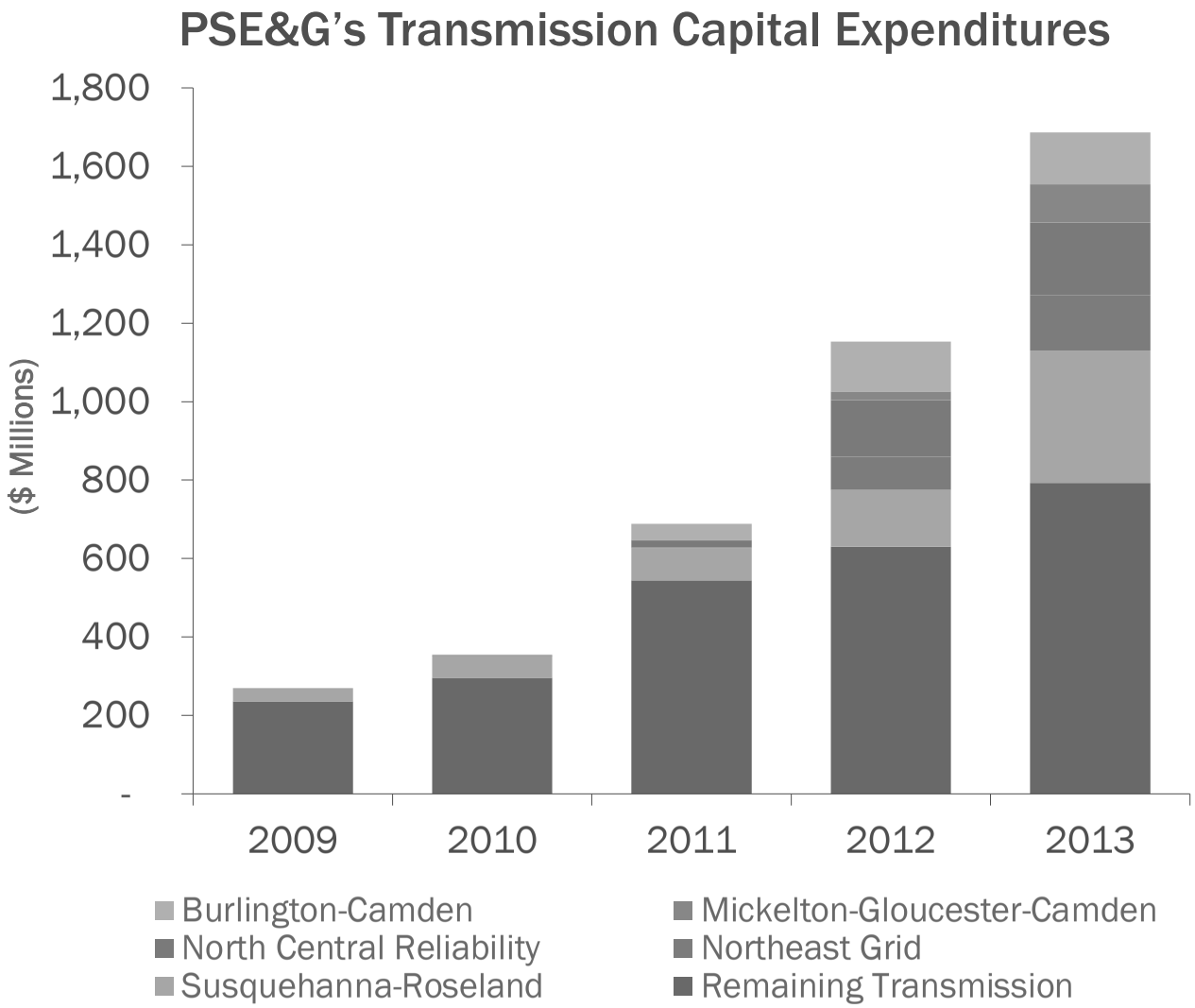
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-07420

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-07421

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-07422

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-07423

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-07424

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-07425

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-07426

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07427

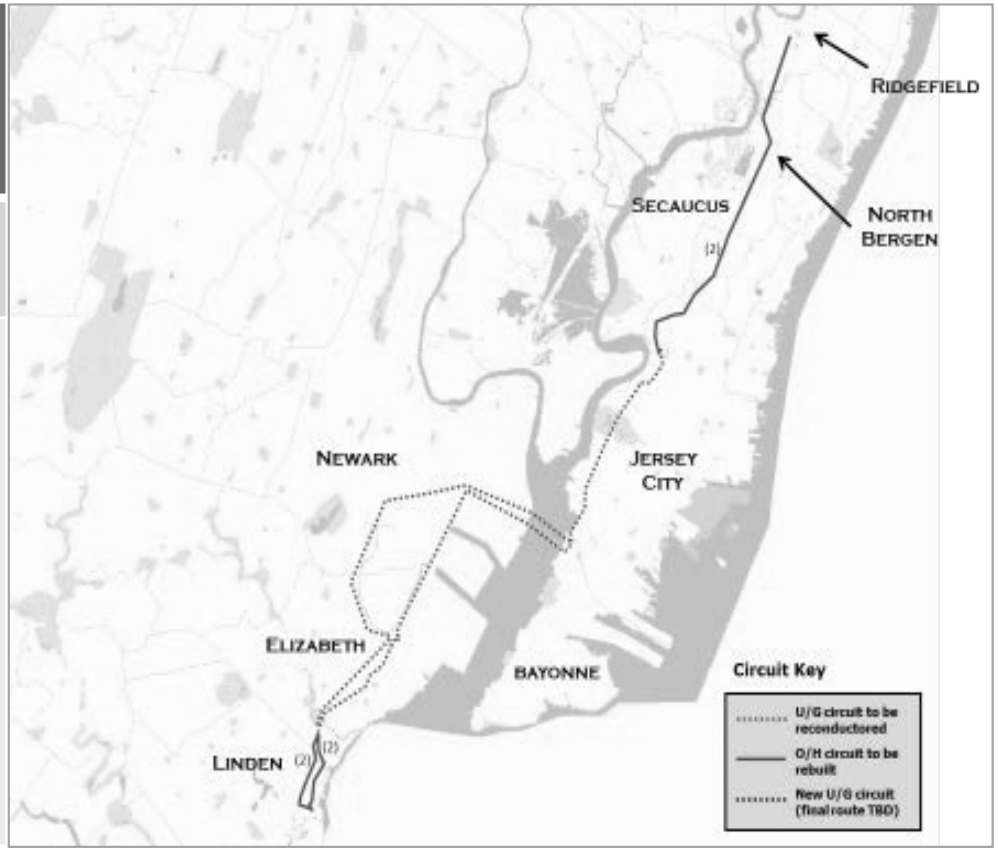
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

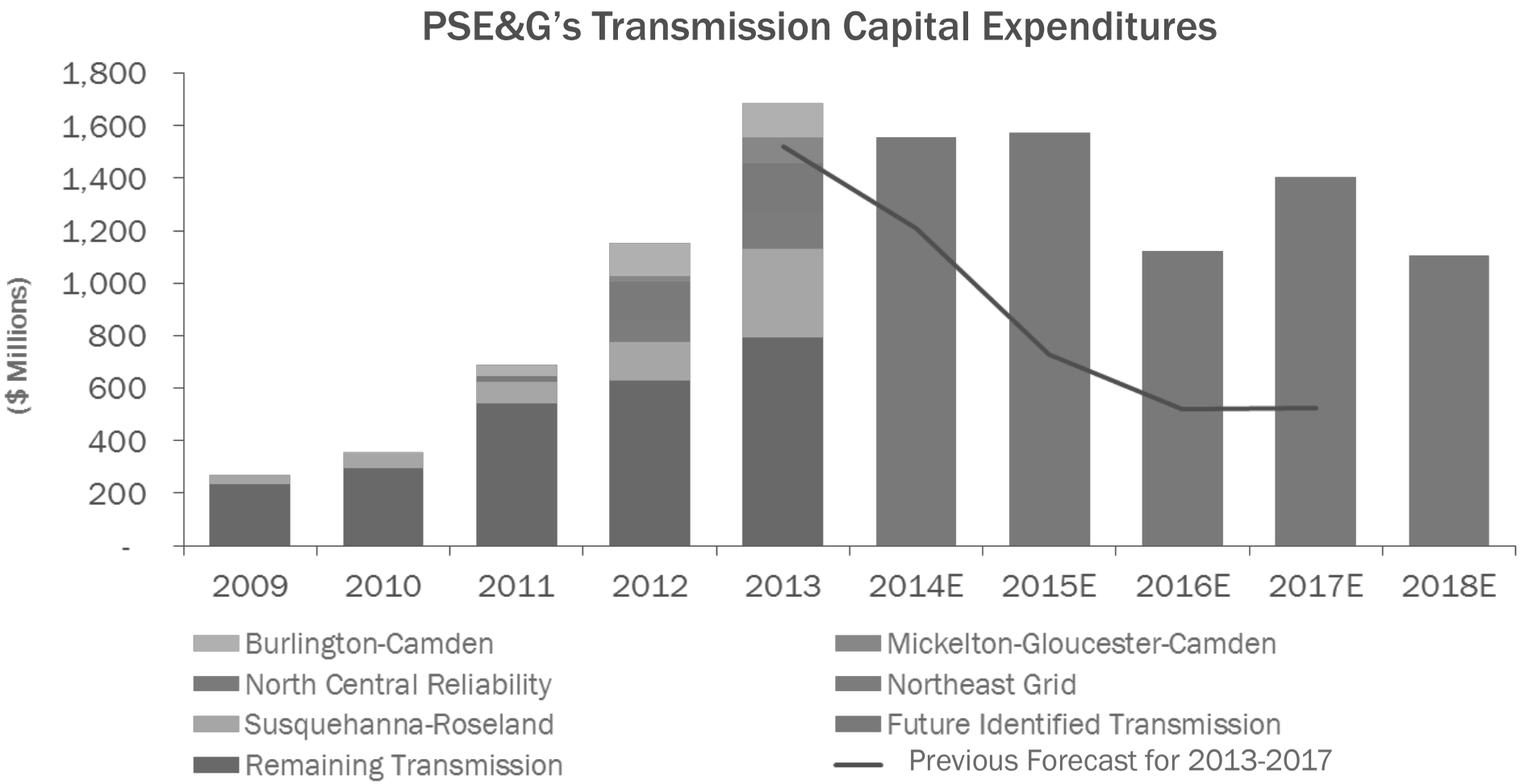
Project Status: Engineering



SI-SSA-0015-07428

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-07429

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-07430

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-07431

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-07432

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-07433

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-07434

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-07435

PSEG POWER

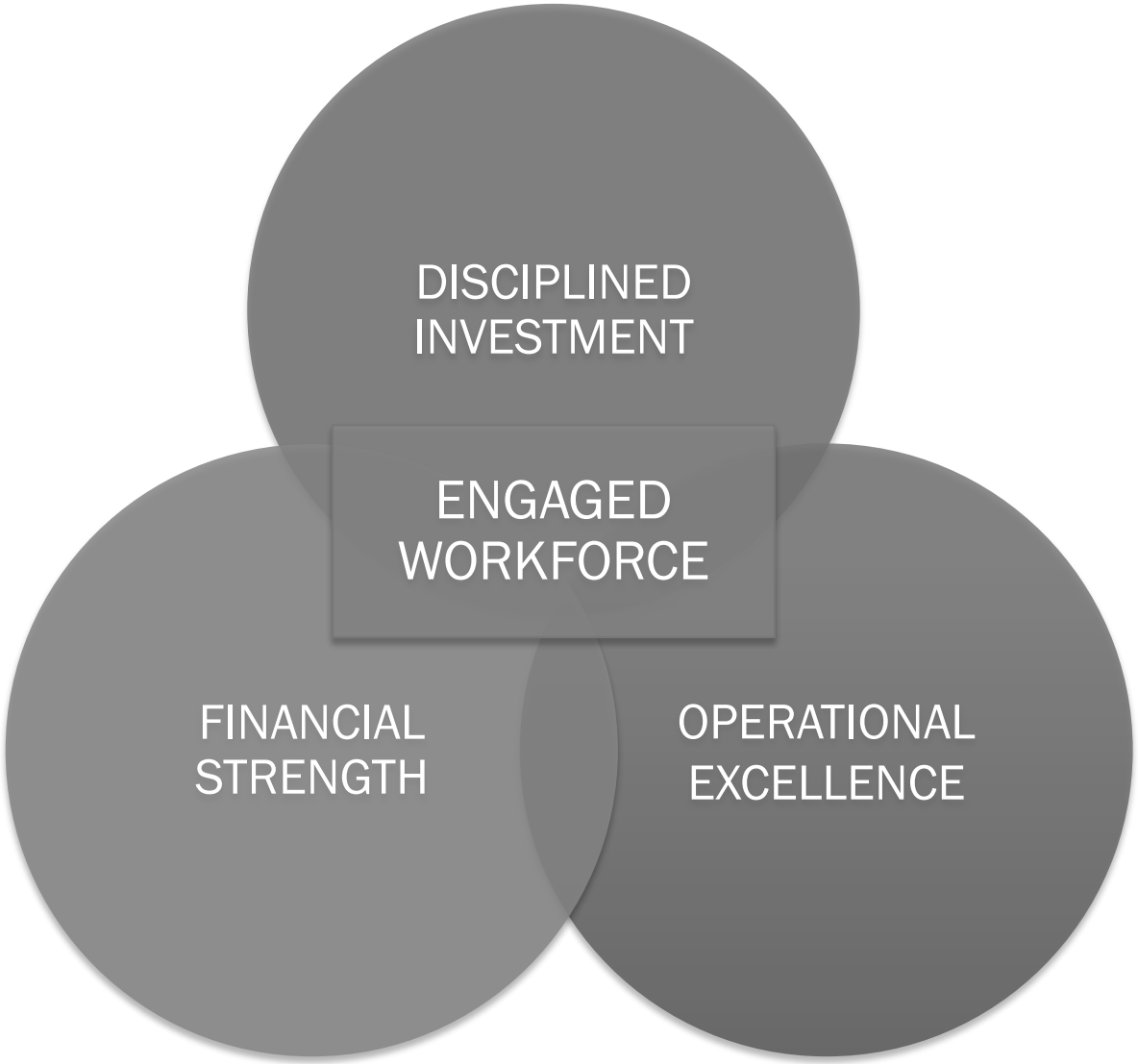
PSEG

We make things work for you.

SI-SSA-0015-07436

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07437

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-07438

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-07439

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

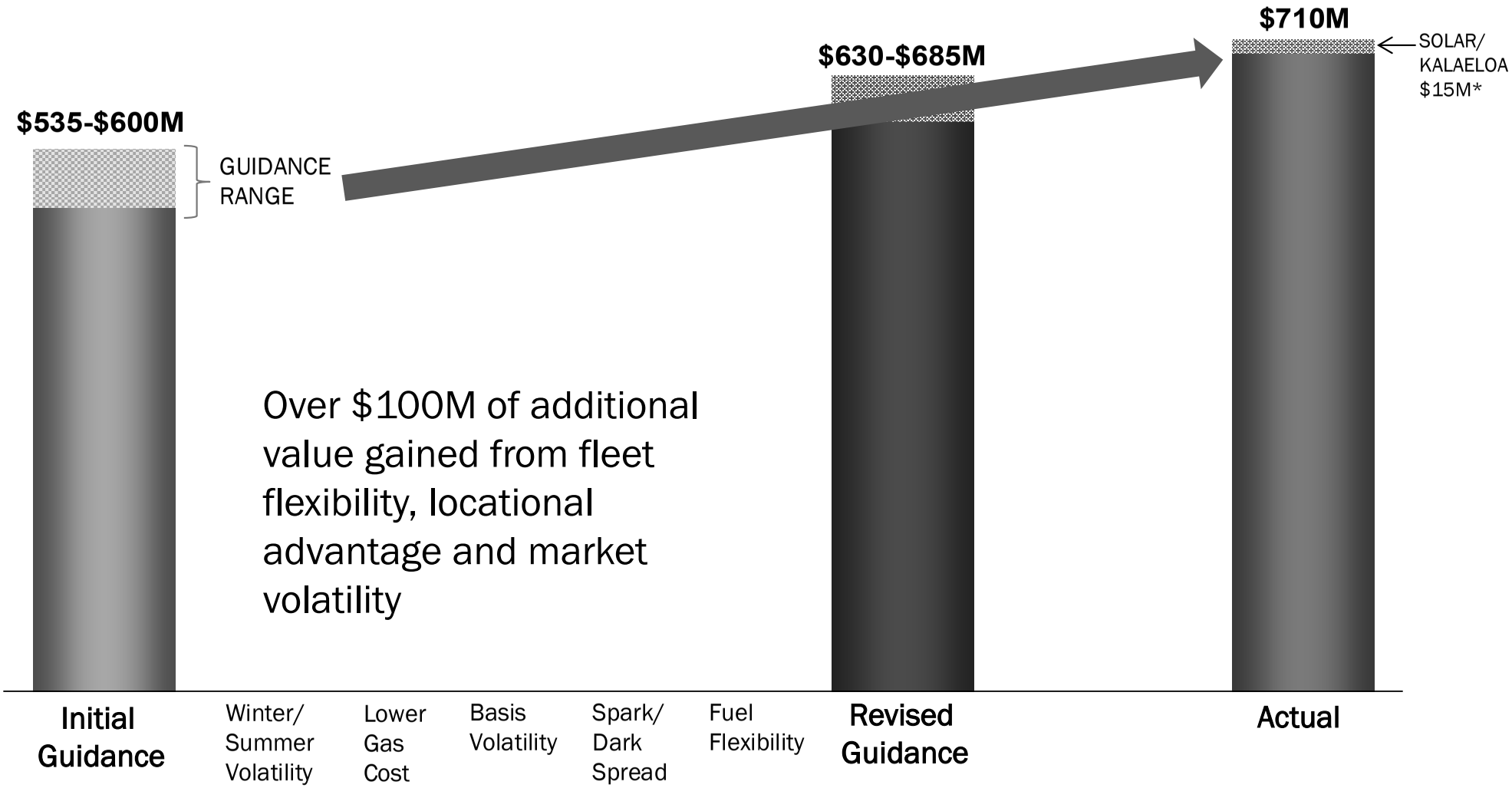
SI-SSA-0015-07440

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-07441

PSEG Power exceeded 2013's earnings guidance



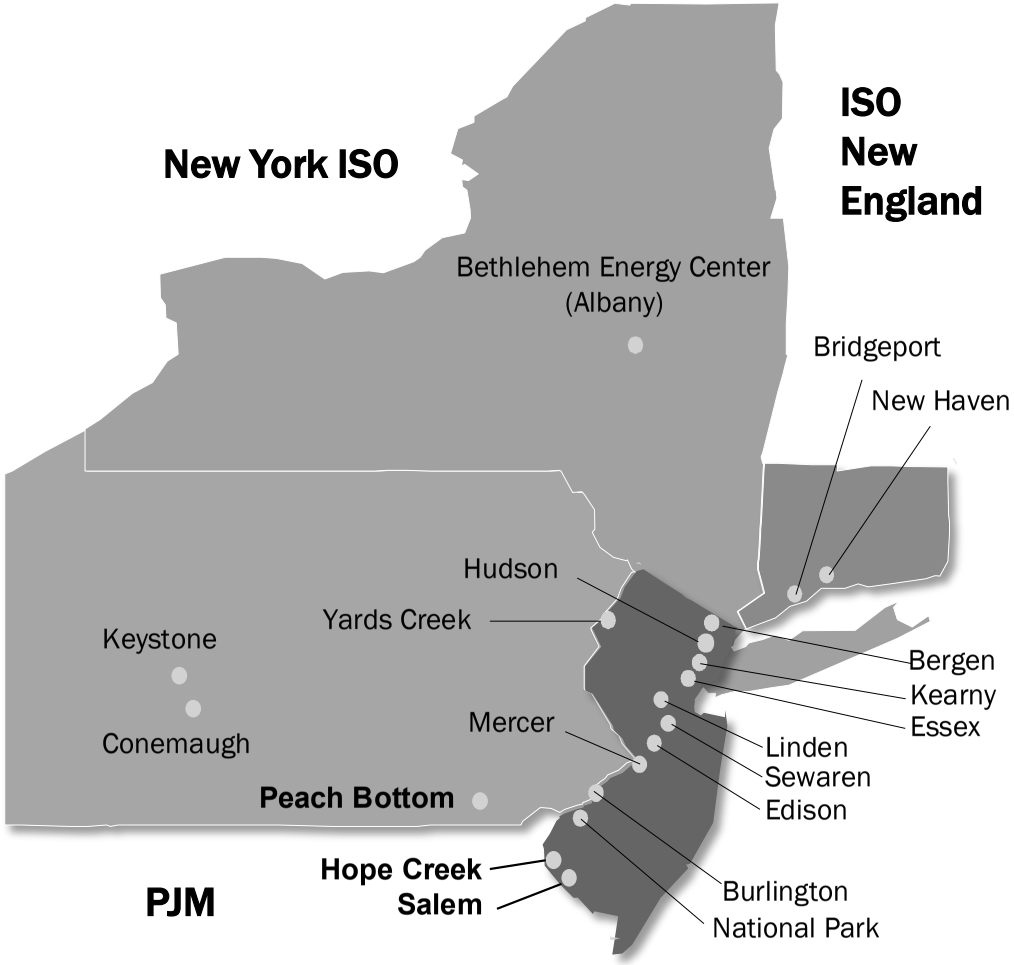
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-07442

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



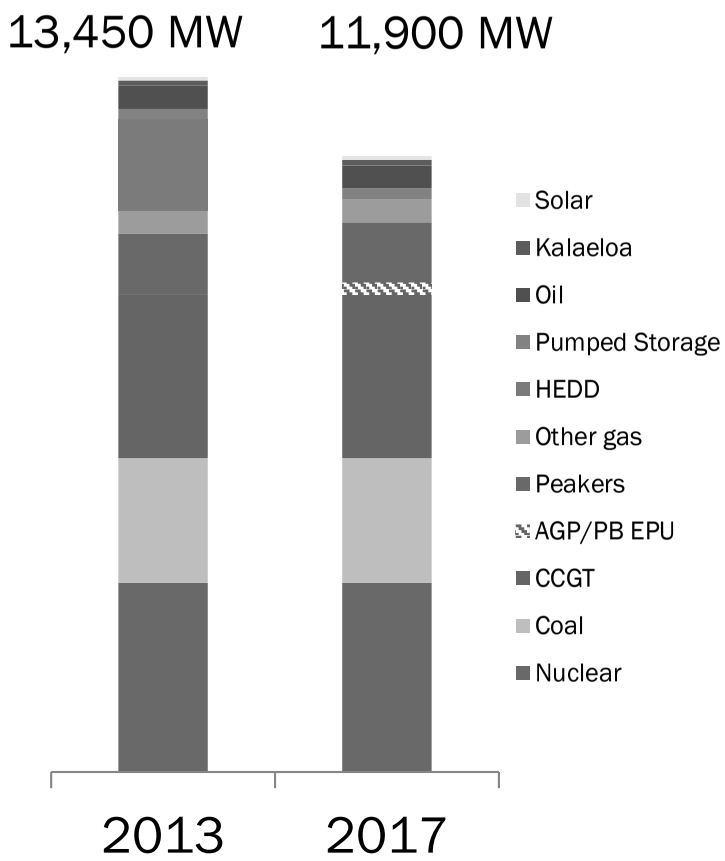
SI-SSA-0015-07443

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

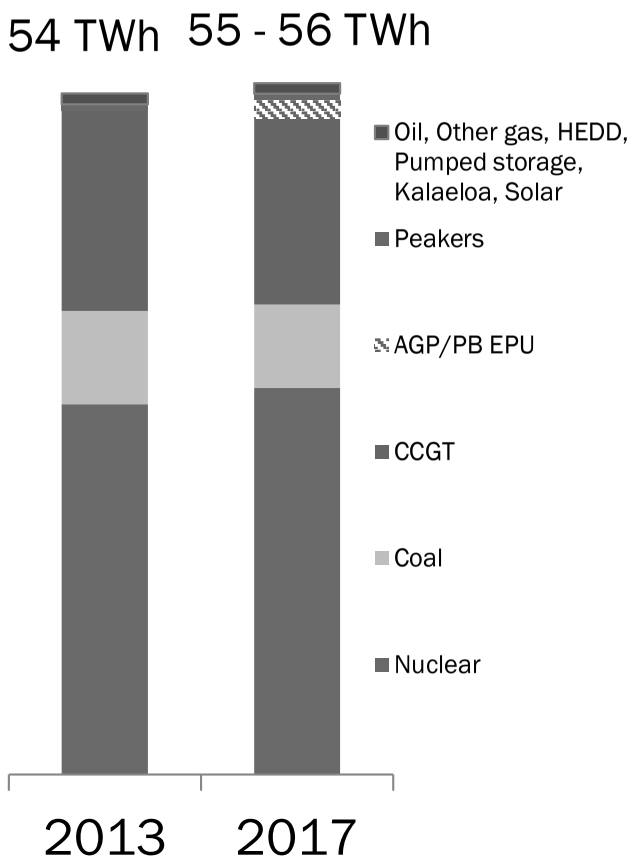
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

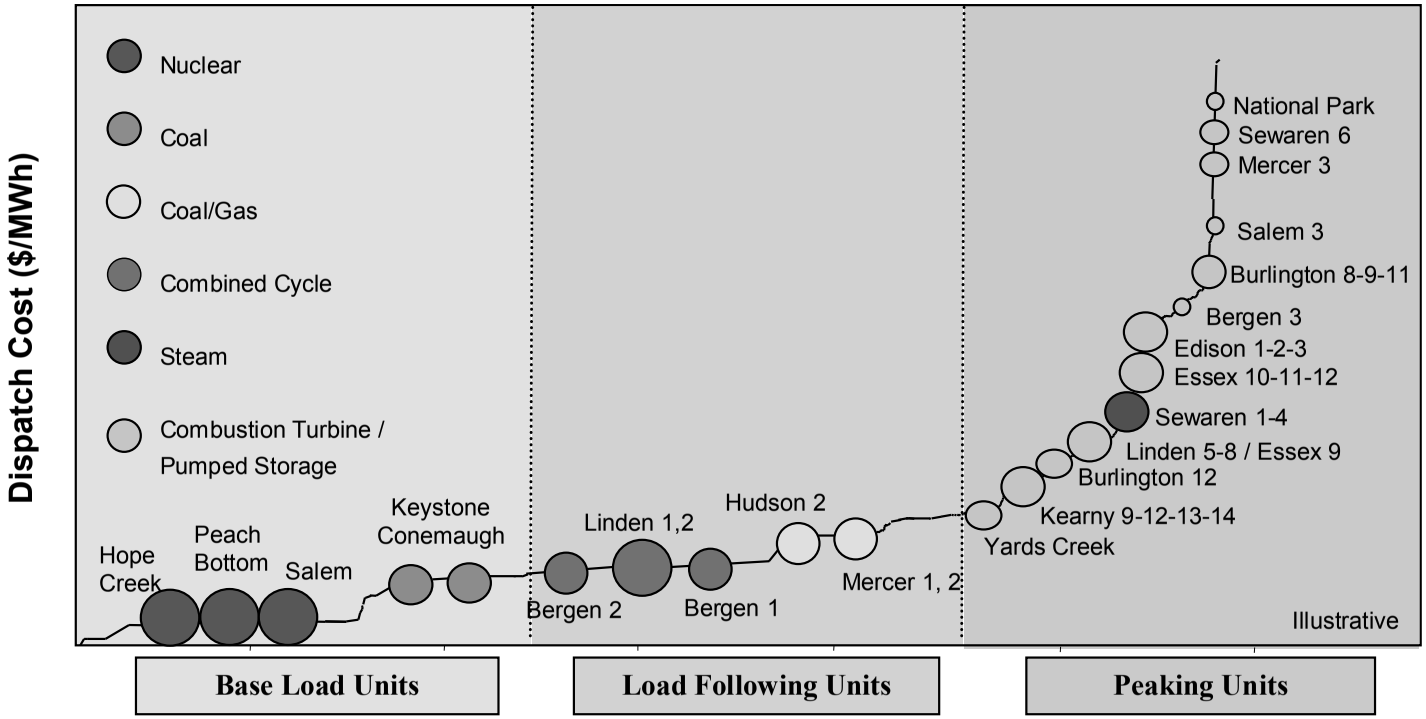


Energy Produced



SI-SSA-0015-07444

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-07445

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-07446

PSEG Power Nuclear is core to the fleet and has competitive advantages

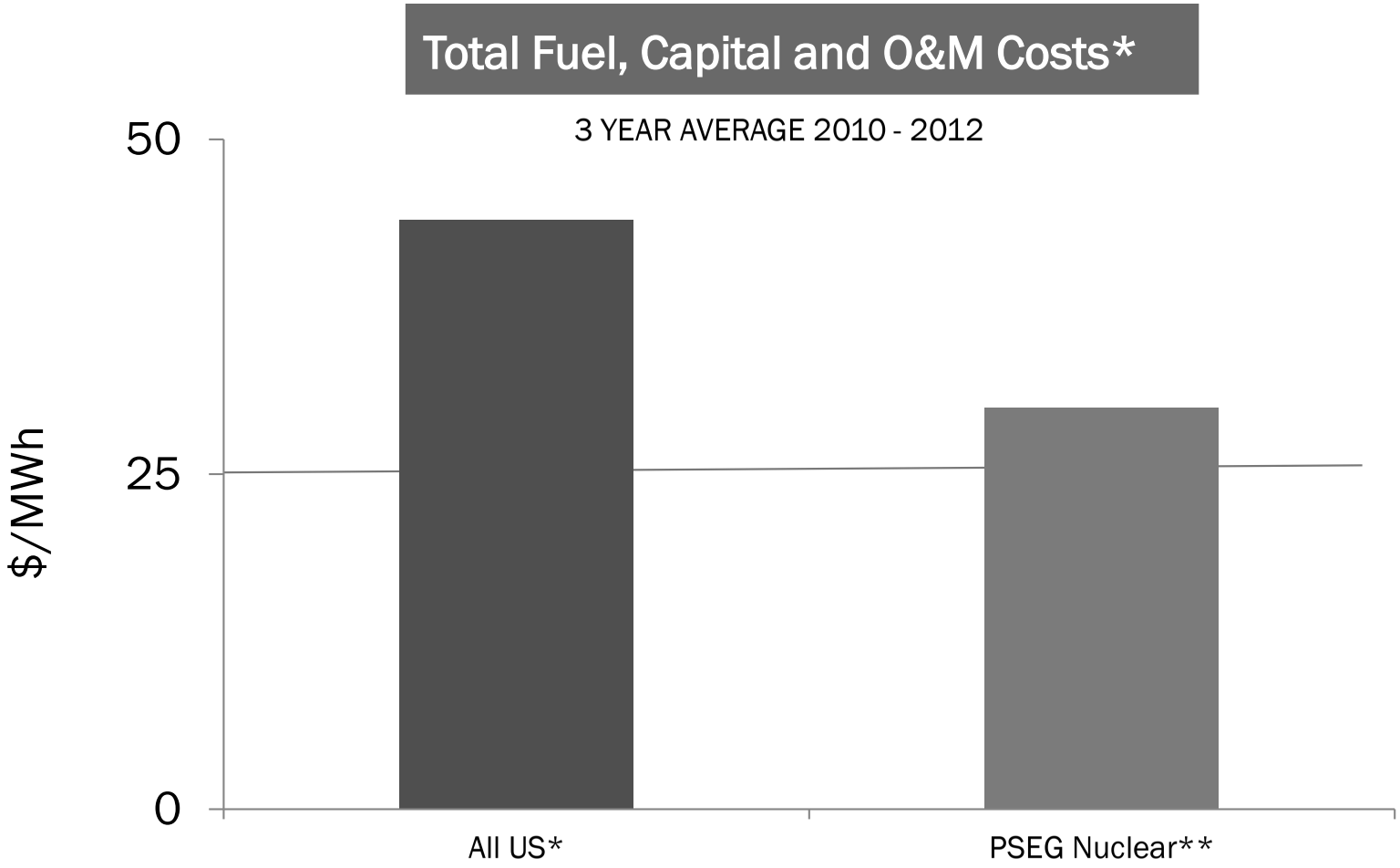
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-07447

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

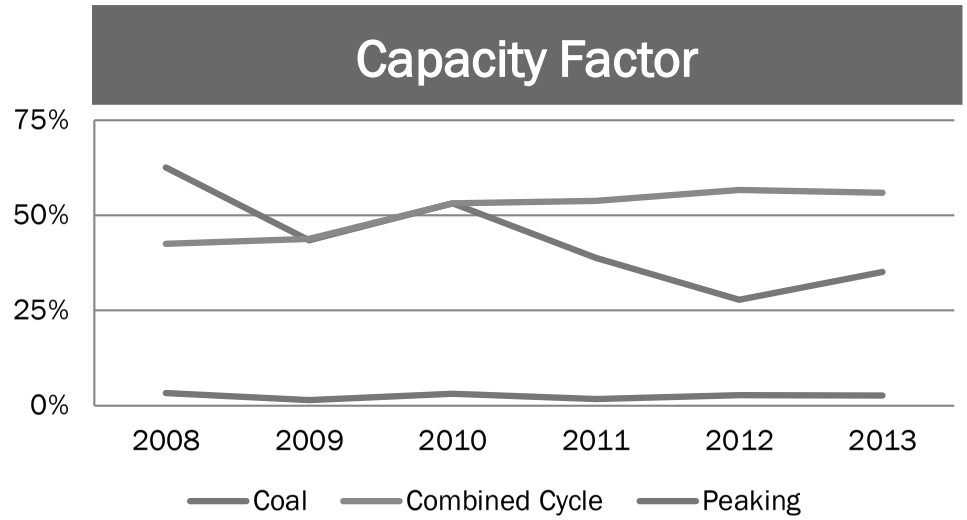


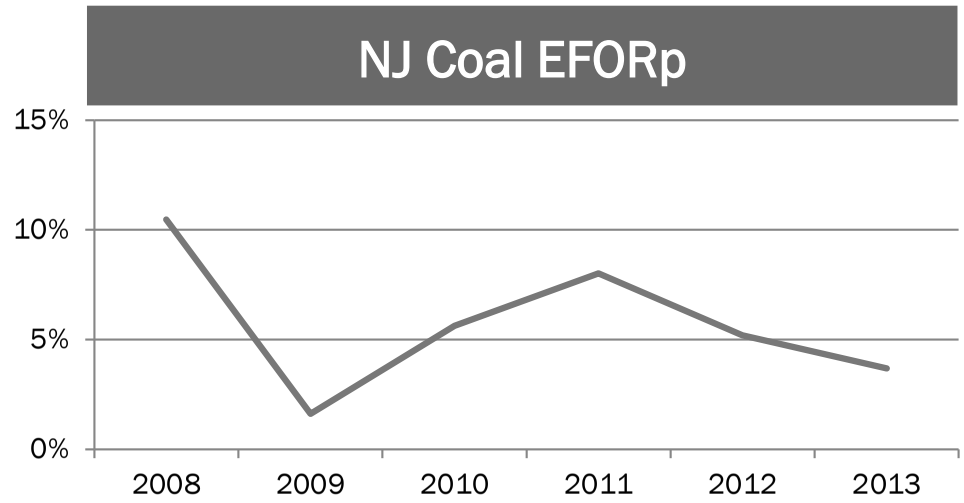
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

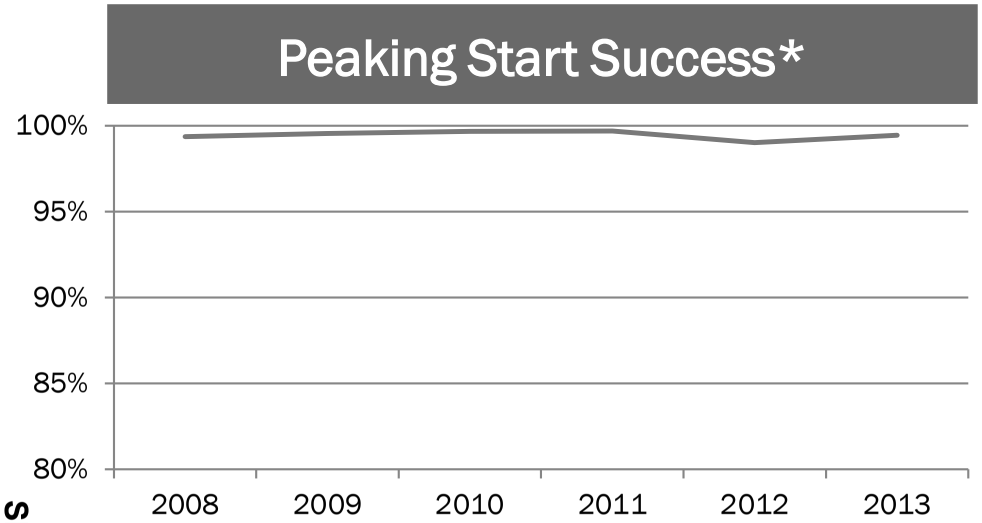
SI-SSA-0015-07448

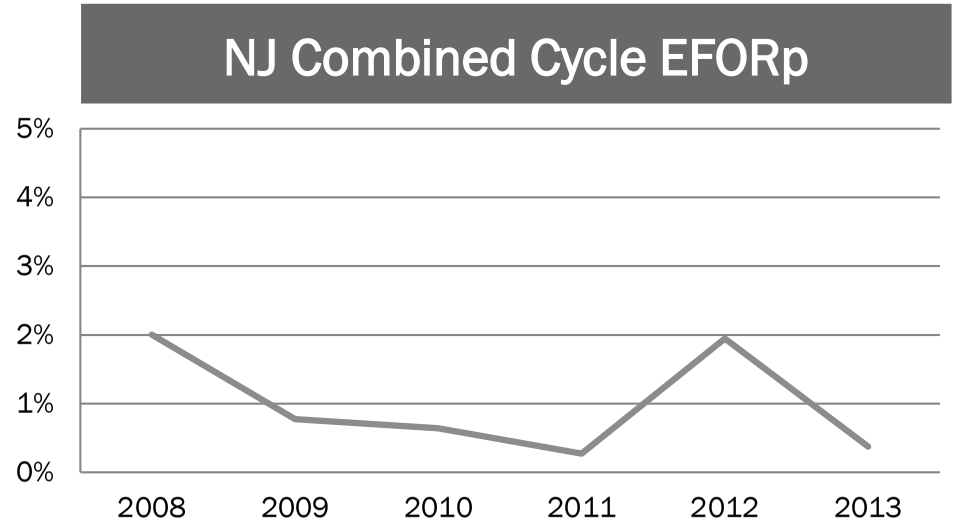
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

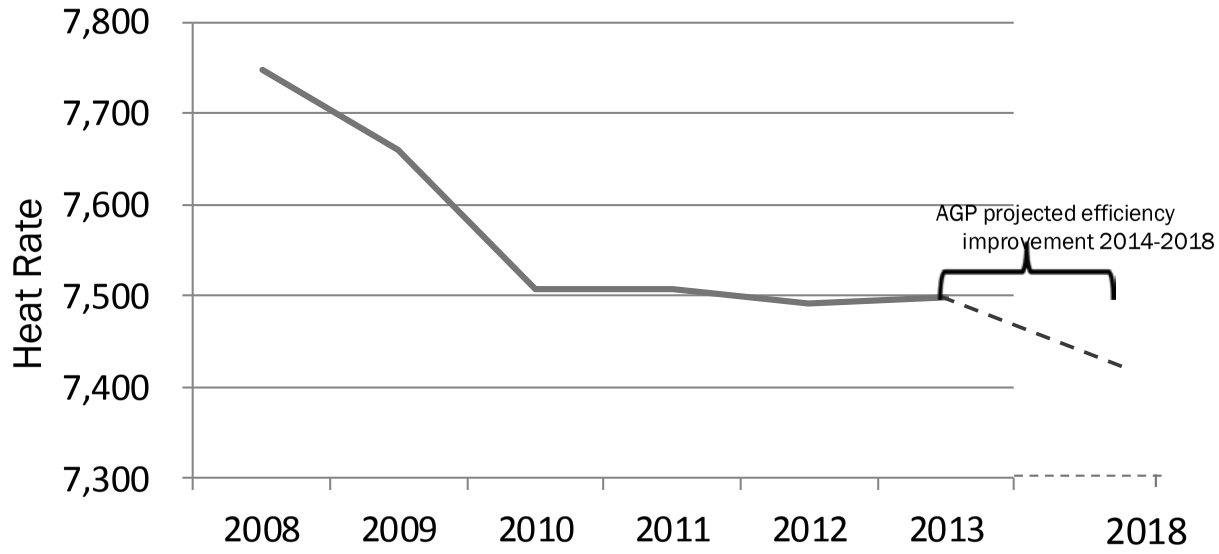
SI-SSA-0015-07449

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-07450

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

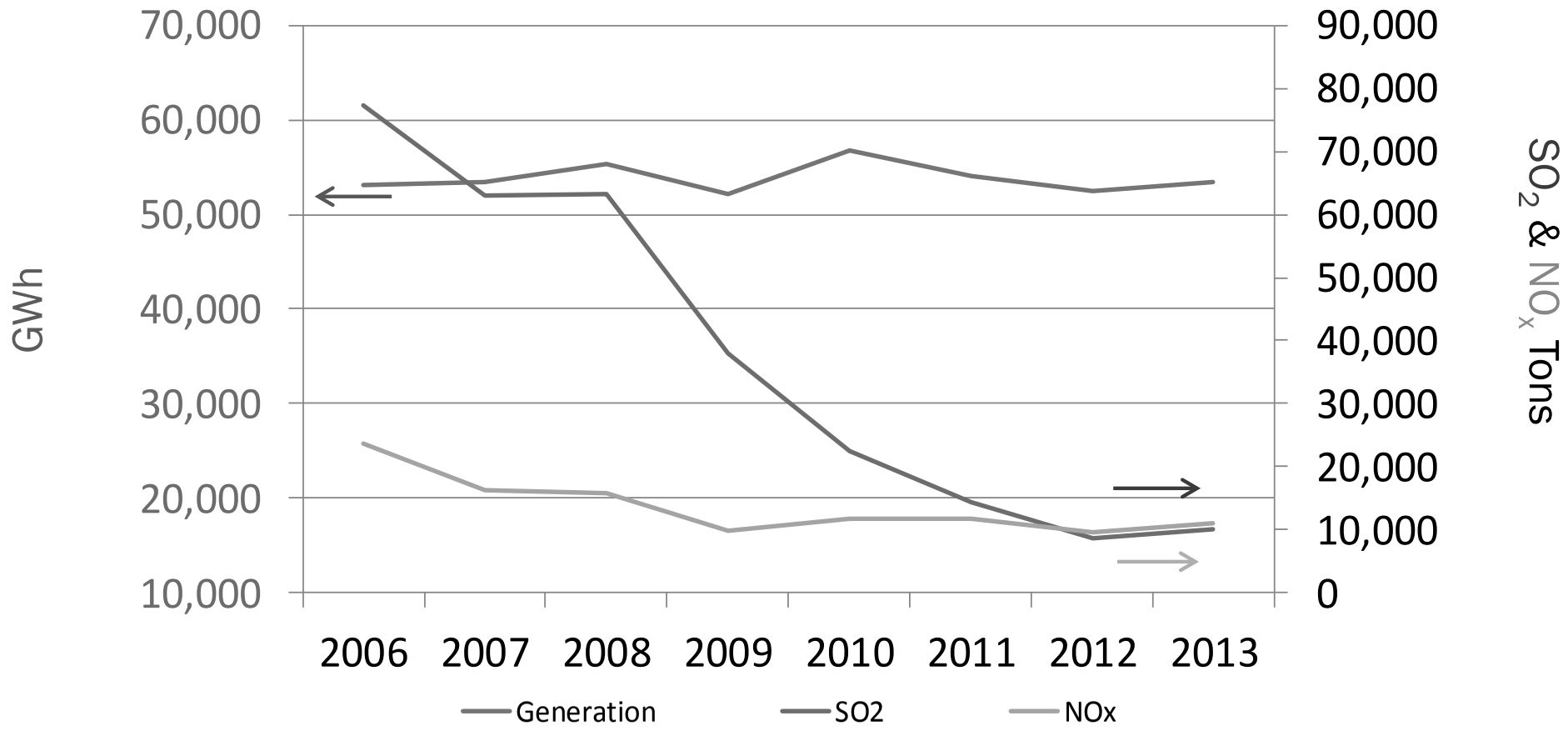
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-07451

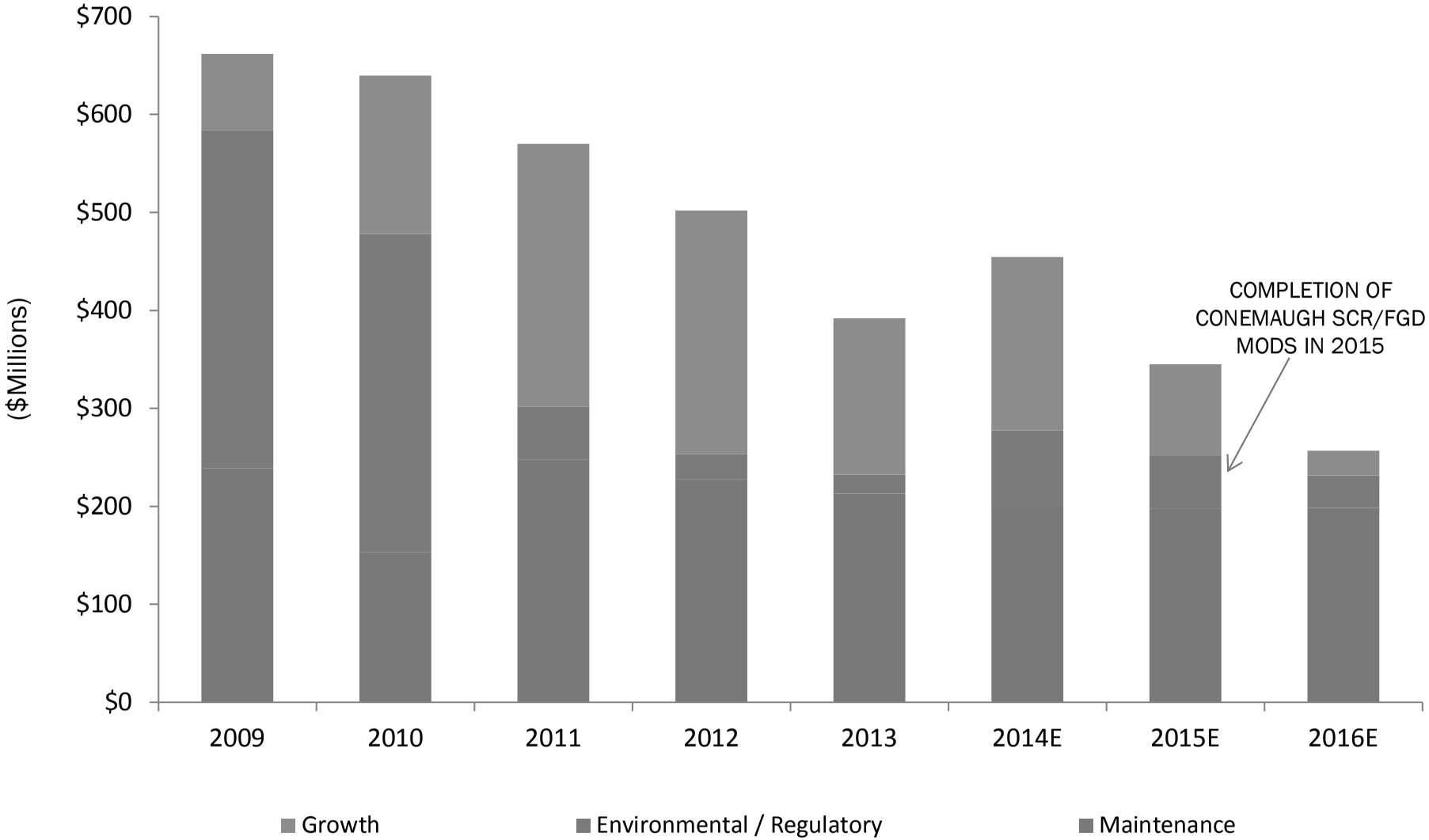
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-07452

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-07453

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

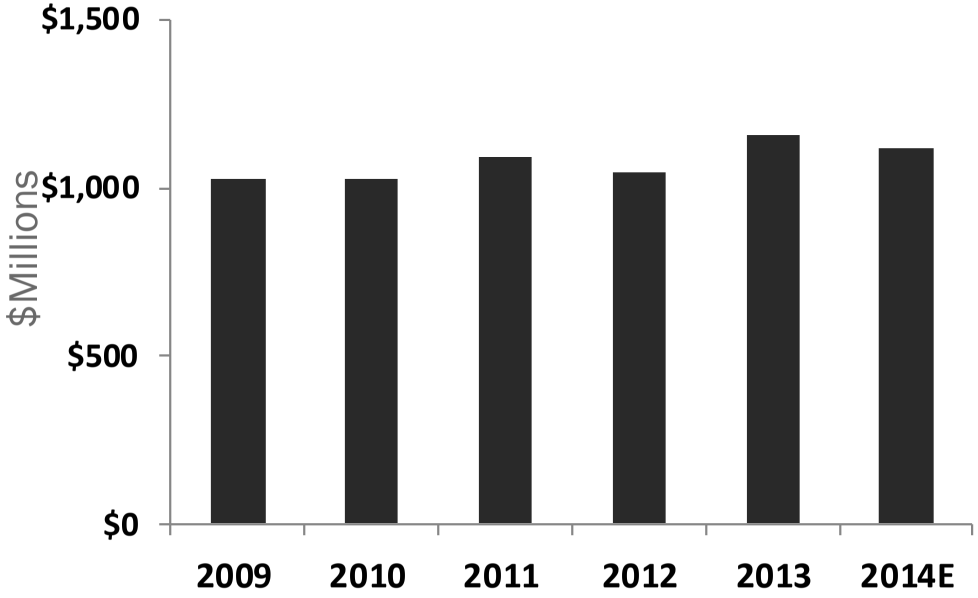
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-07454

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-07455

PSEG Solar Source owns 92 MW of operating solar facilities

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-07456

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-07457

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-07458

PSEG POWER
ER&T

SI-SSA-0015-07459

PSEG

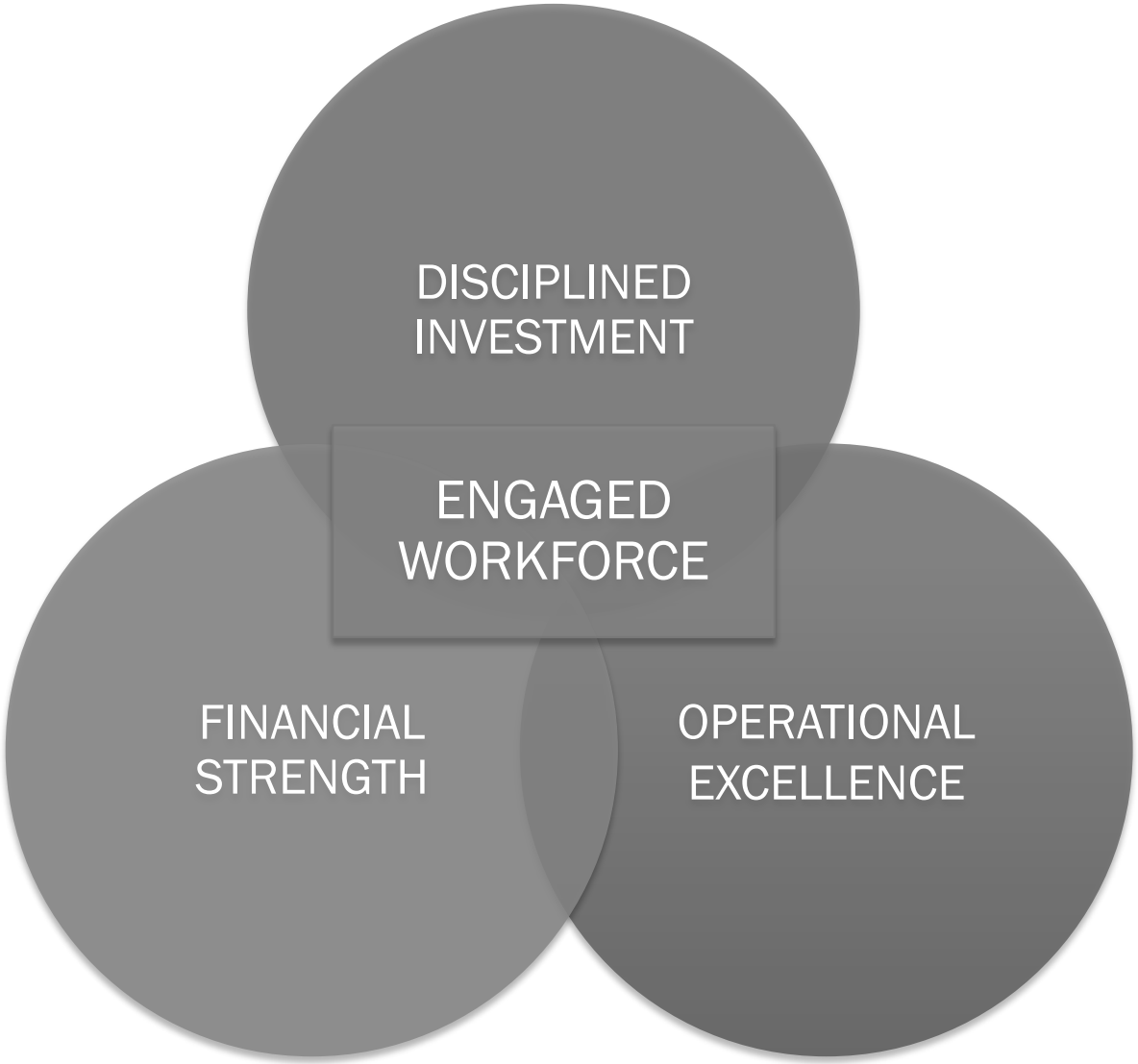
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-07460

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

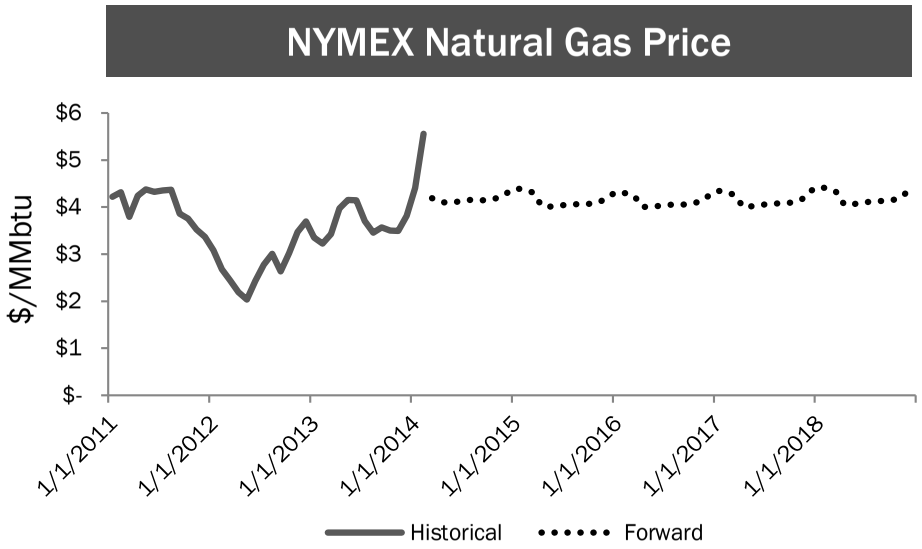
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

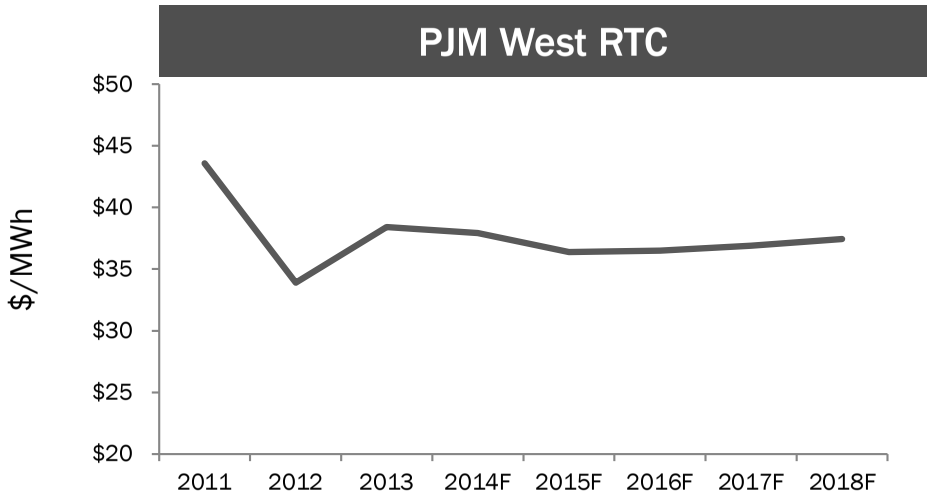
PSEG's Sustainable Advantage

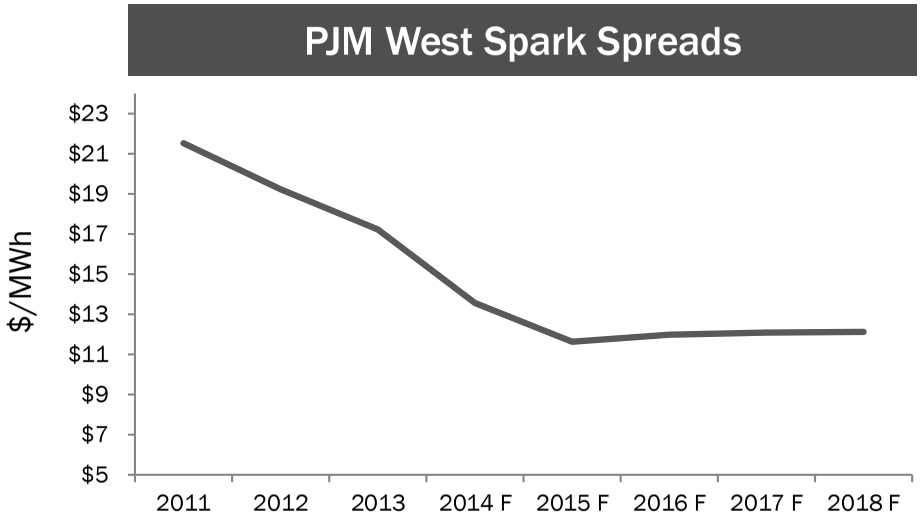
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-07461

Market Review: Prices have stabilized







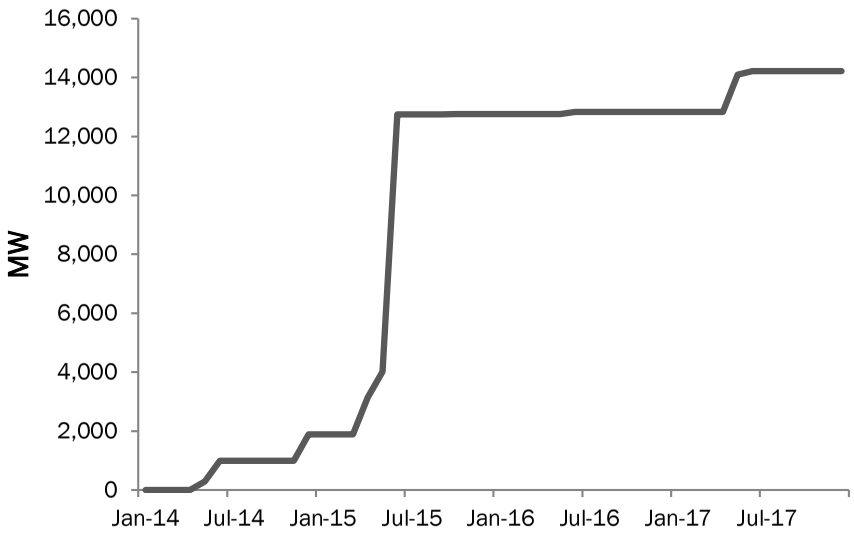
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-07462

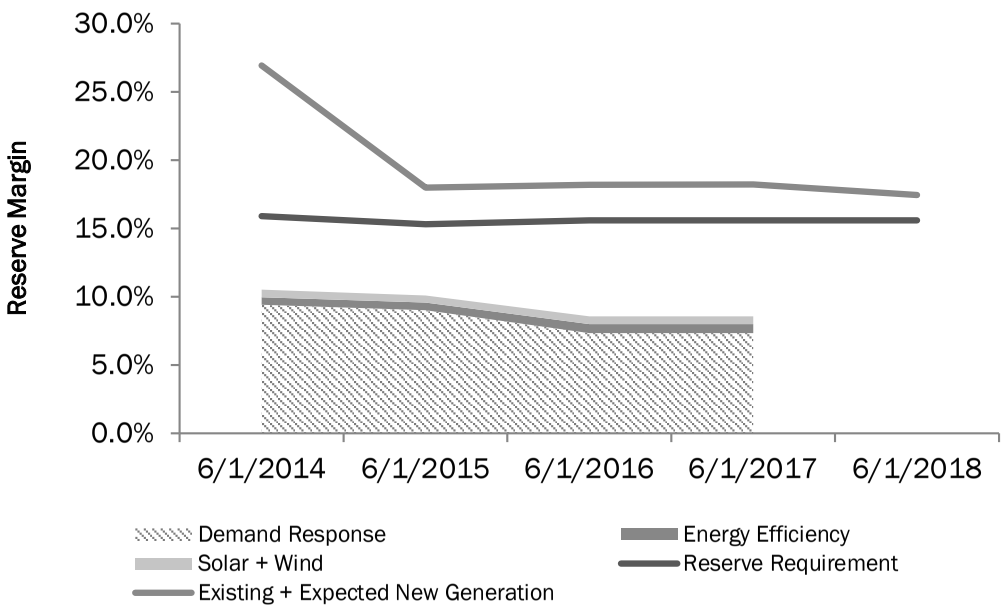
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-07463

PSEG

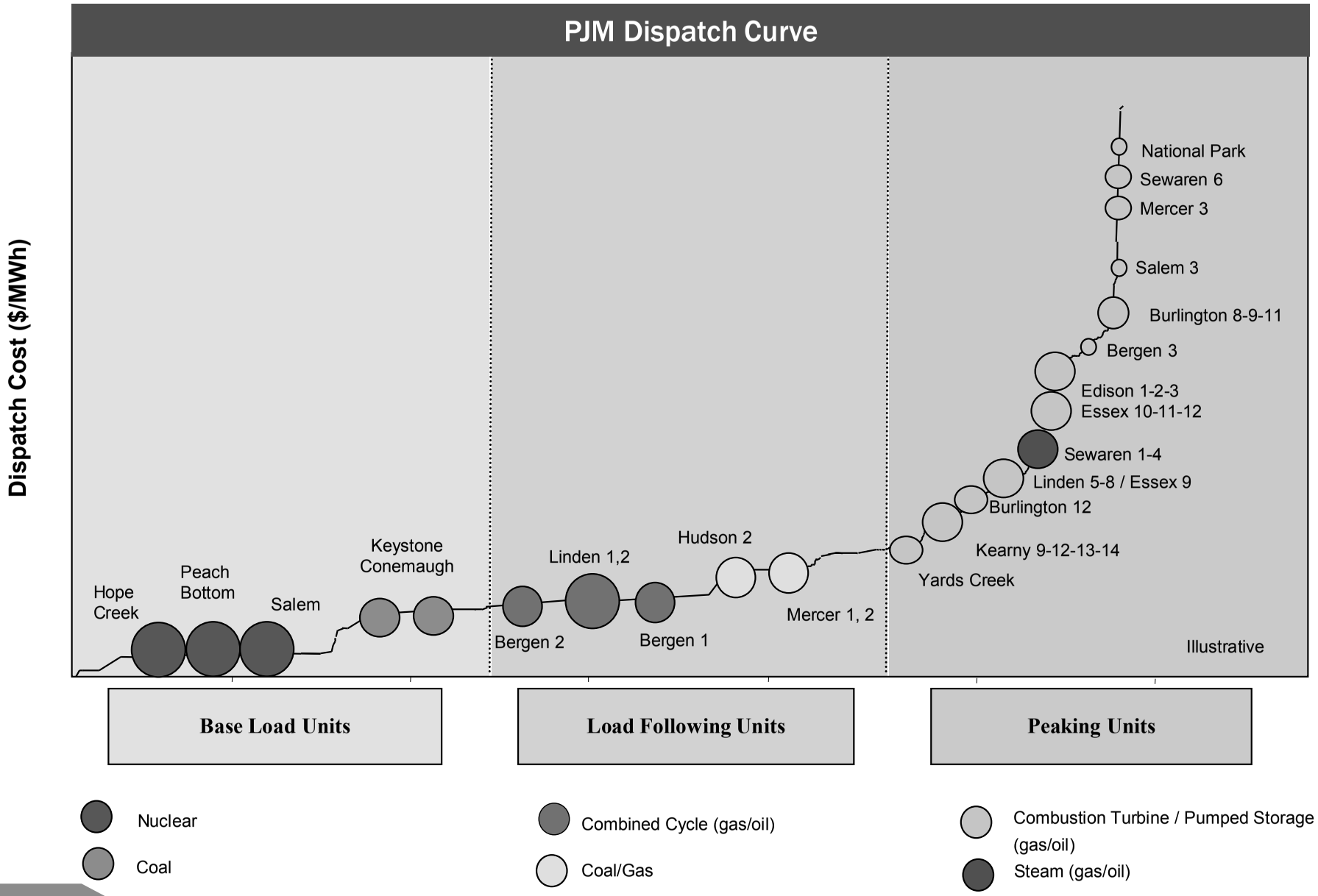
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

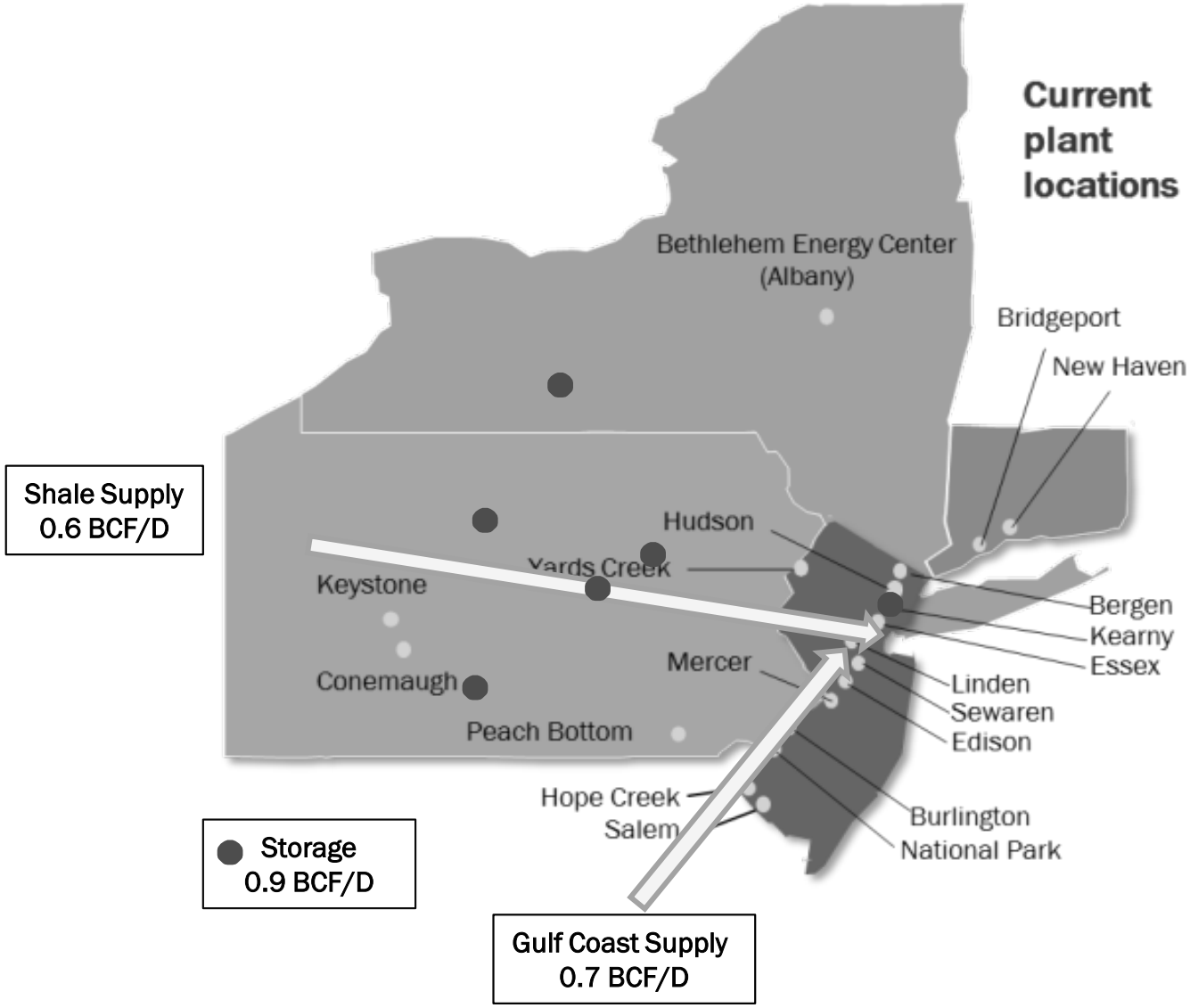
SI-SSA-0015-07464

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



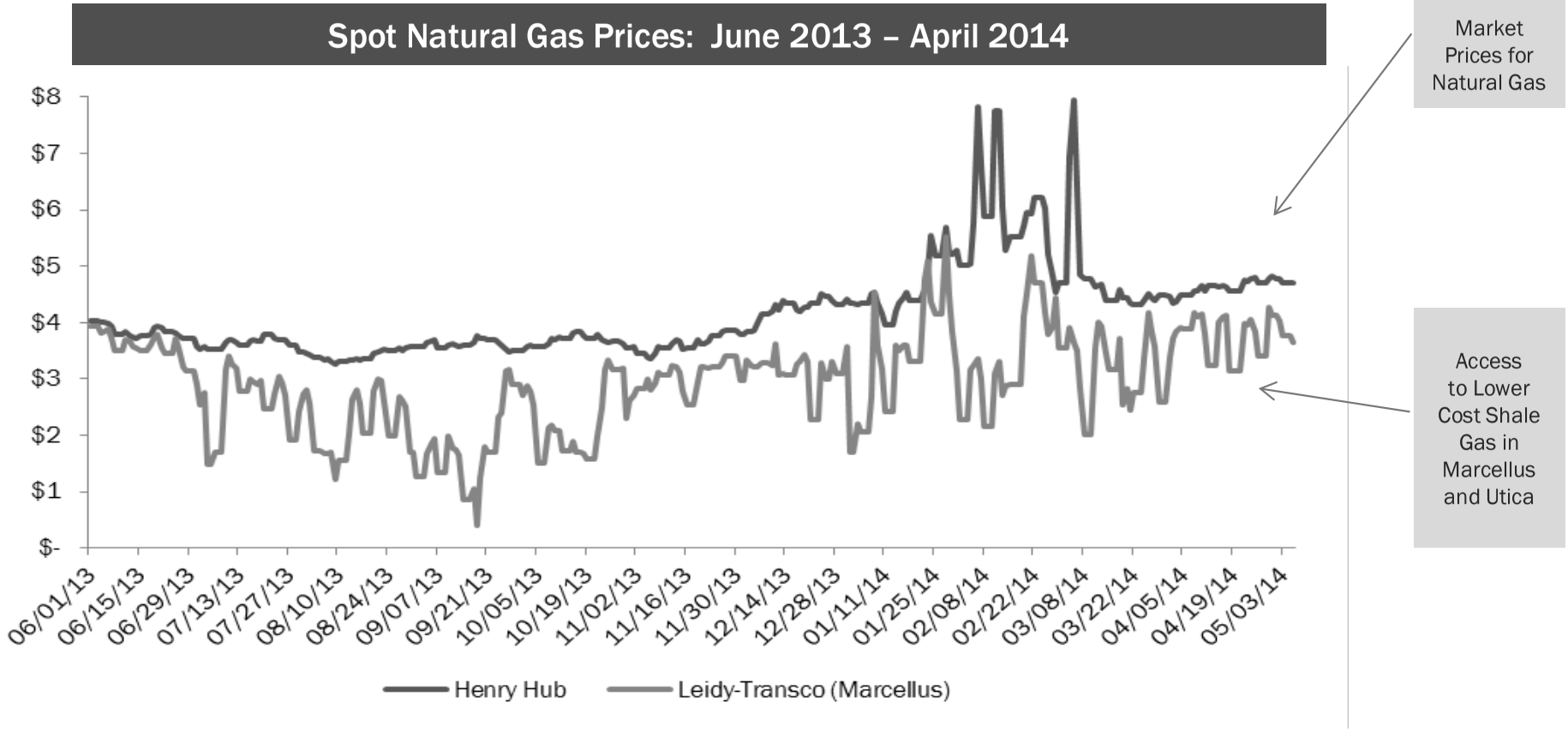
SI-SSA-0015-07465

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-07466

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

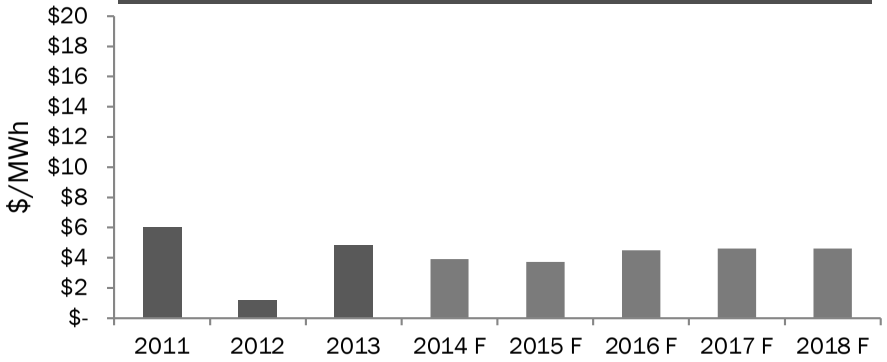


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

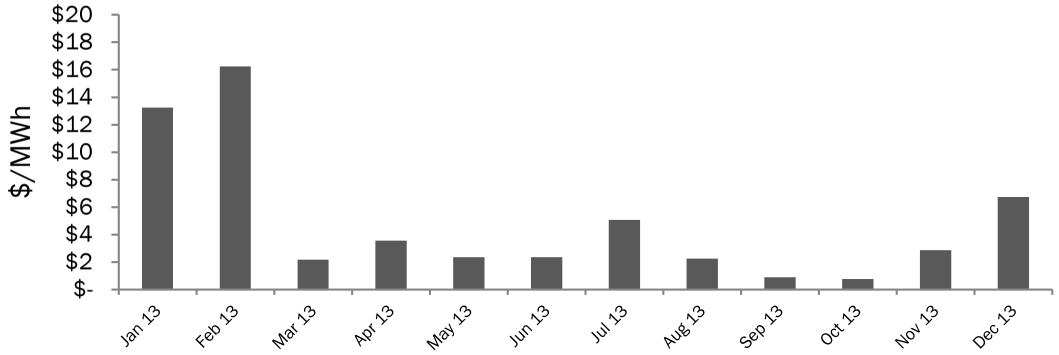
SI-SSA-0015-07467

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

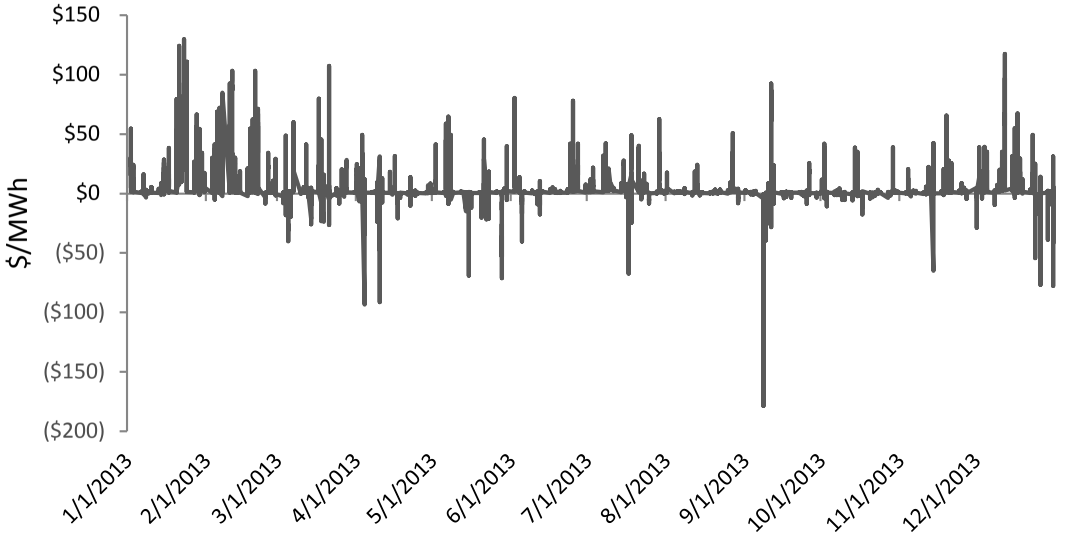


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

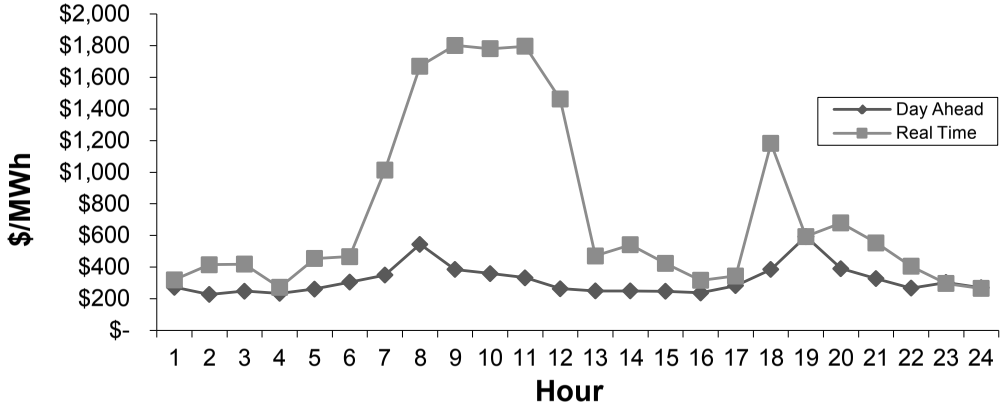
PS Zone Real Time On Peak Hourly Basis to PJM-W



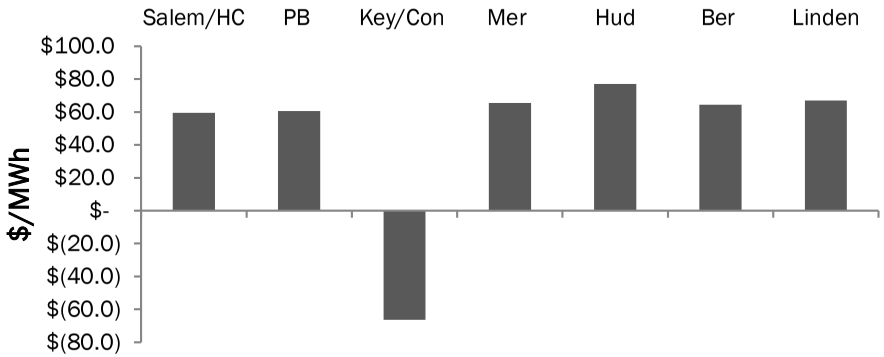
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

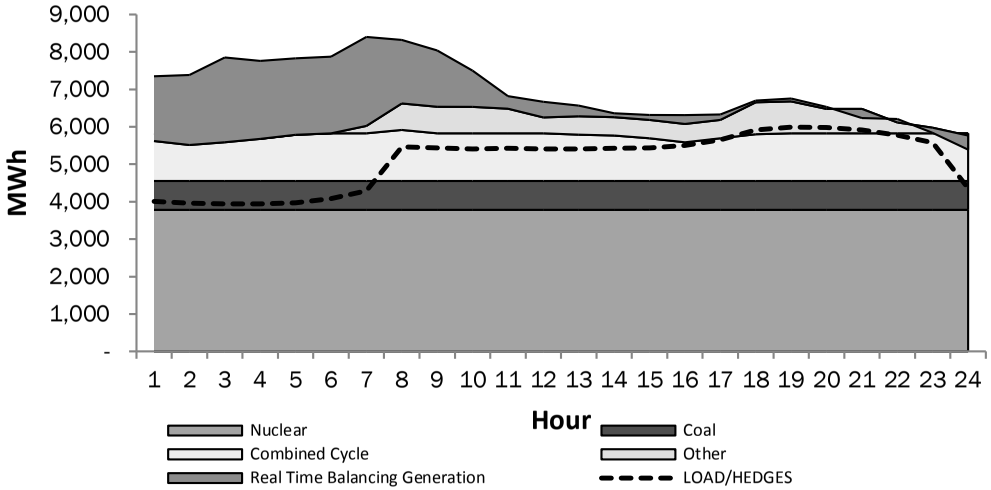
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

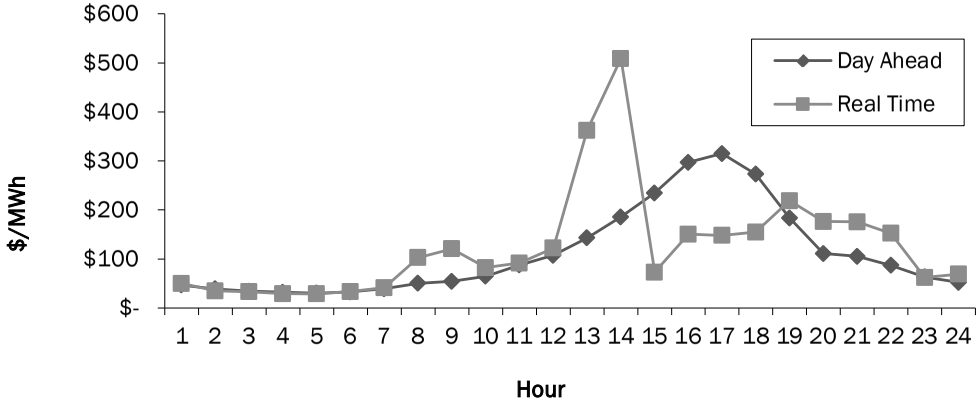


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

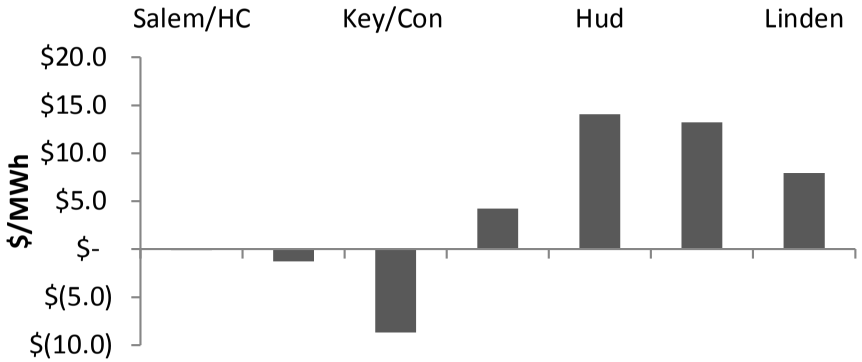
SI-SSA-0015-07469

Competitive Advantage: Trading & Asset Flexibility

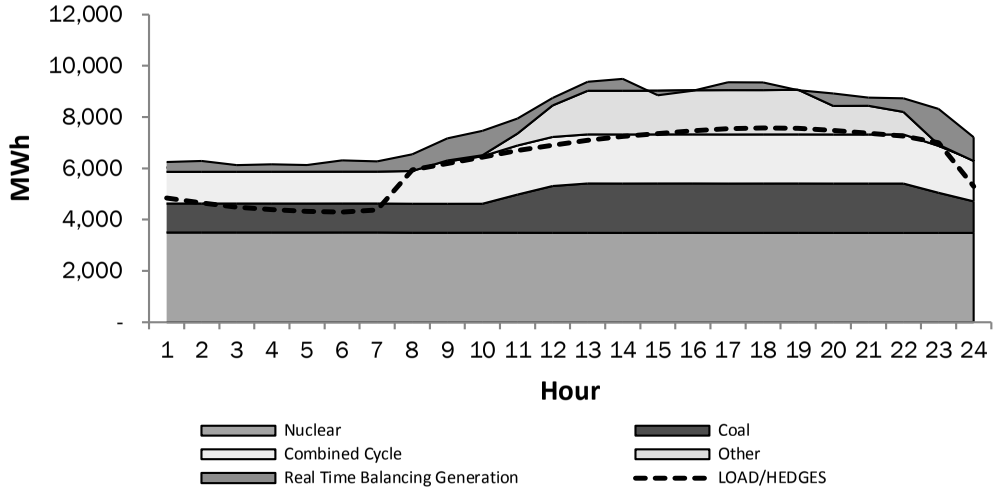
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



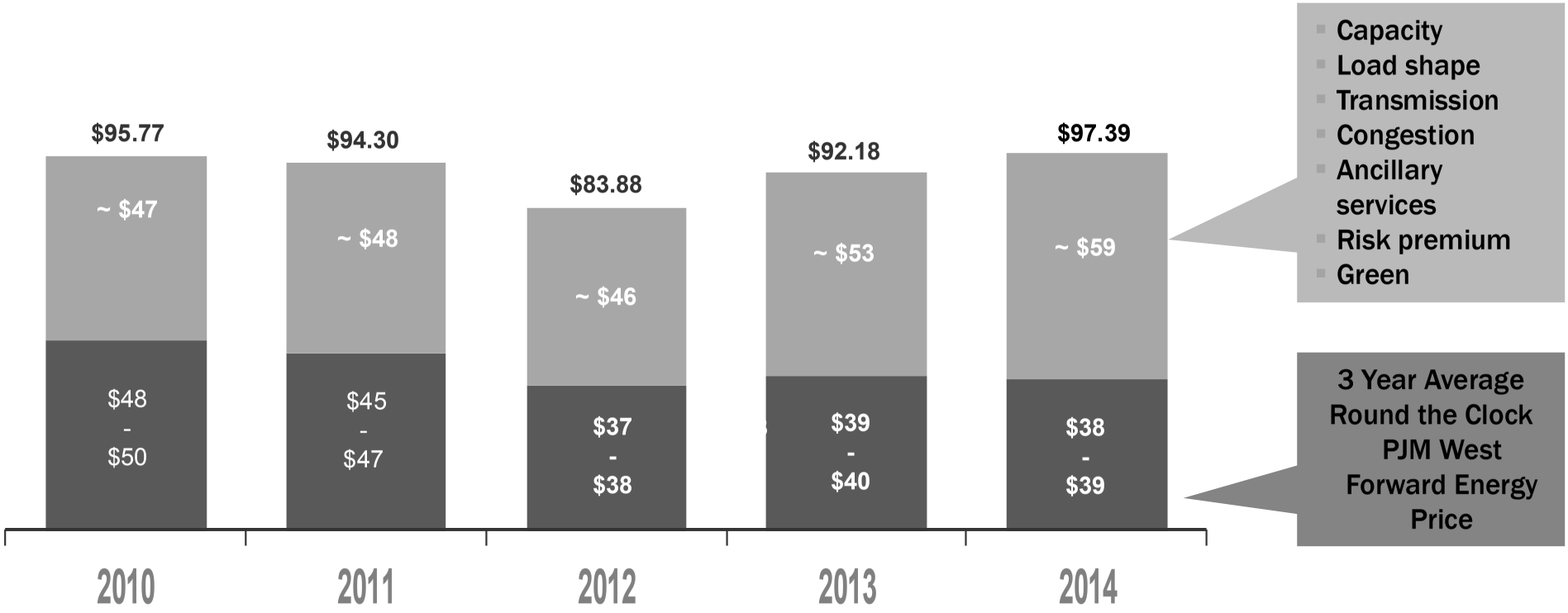
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-07470

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-07471

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-07472

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

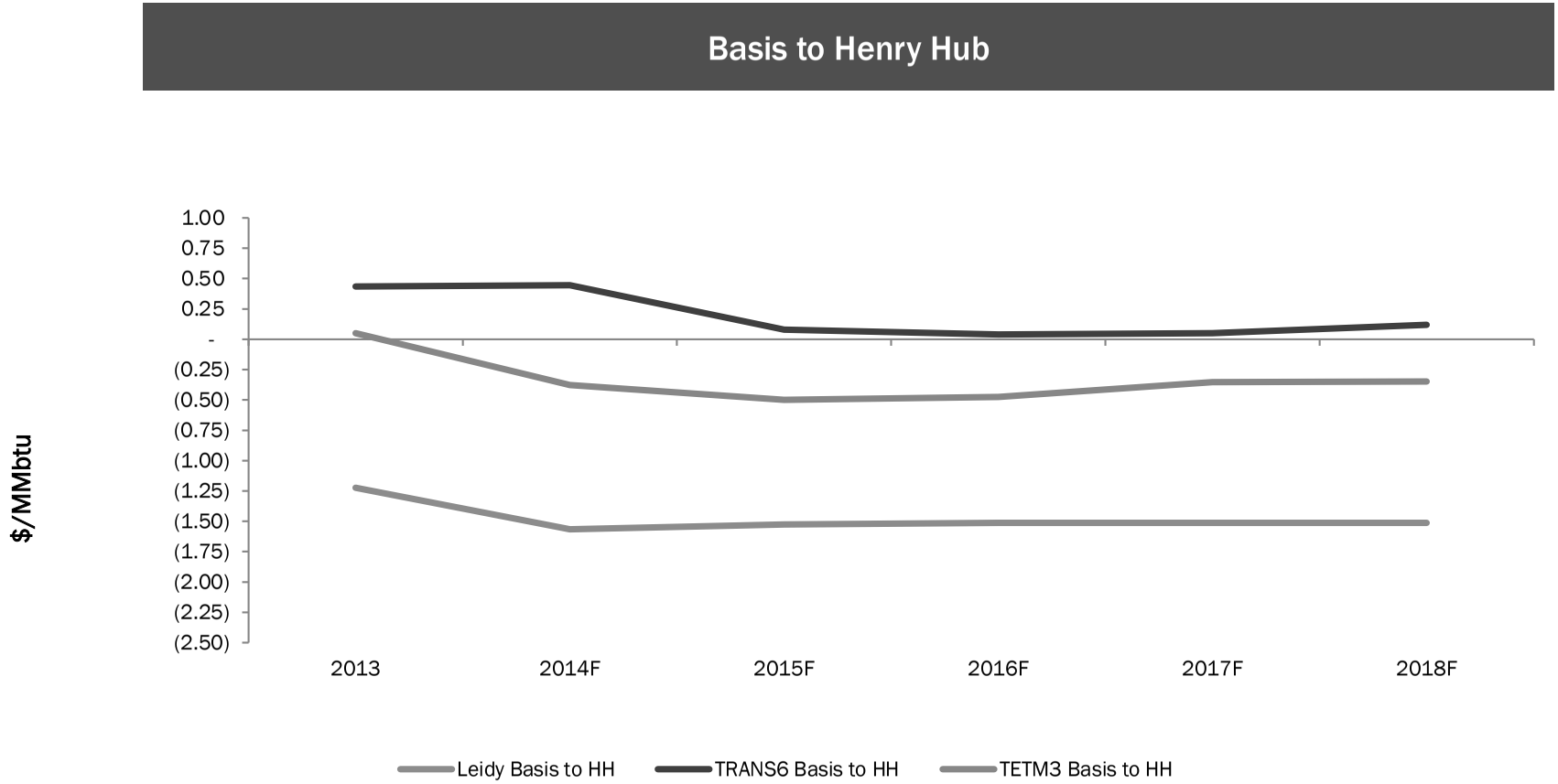
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-07473

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-07474

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-07475

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-07476

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-07477

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

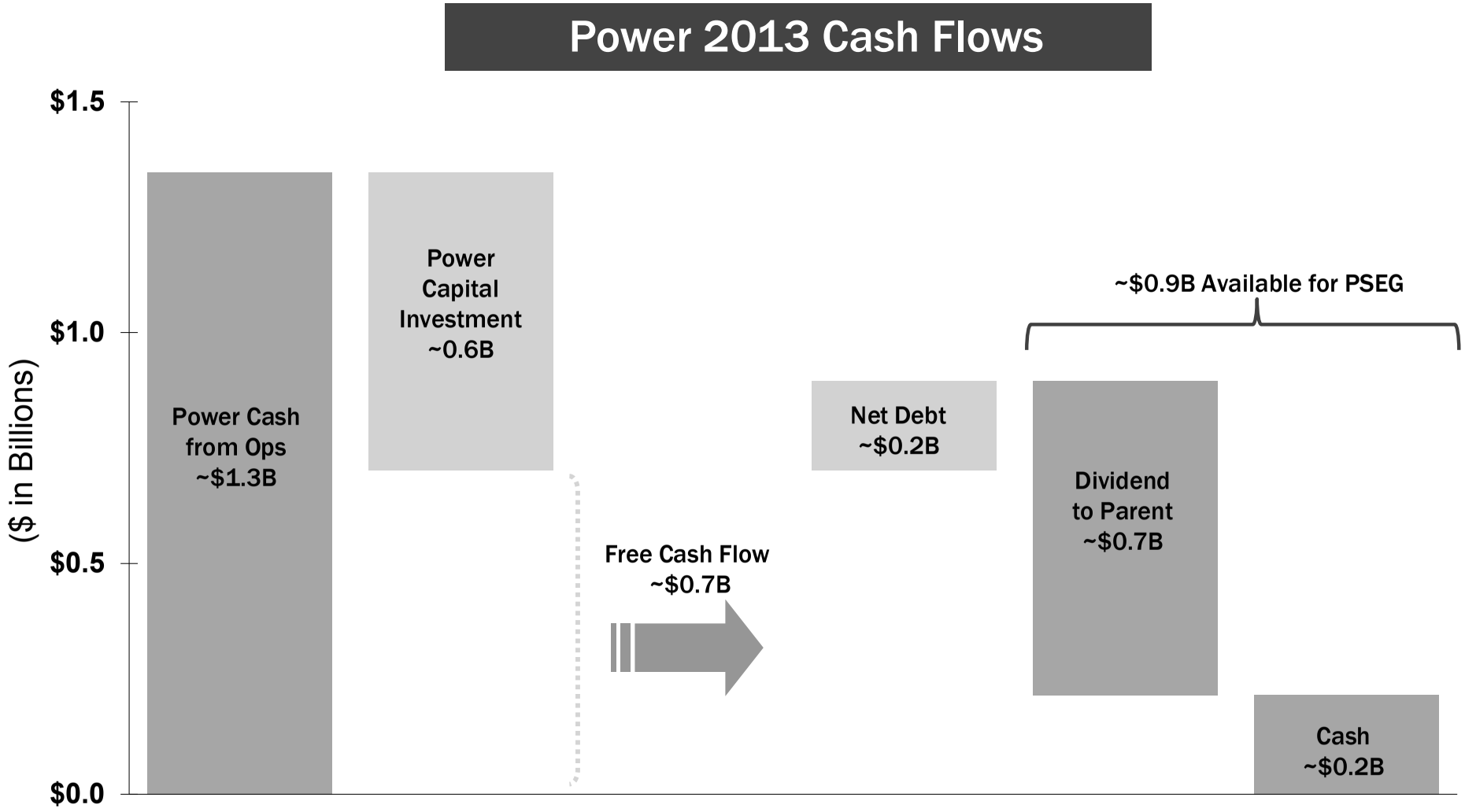
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

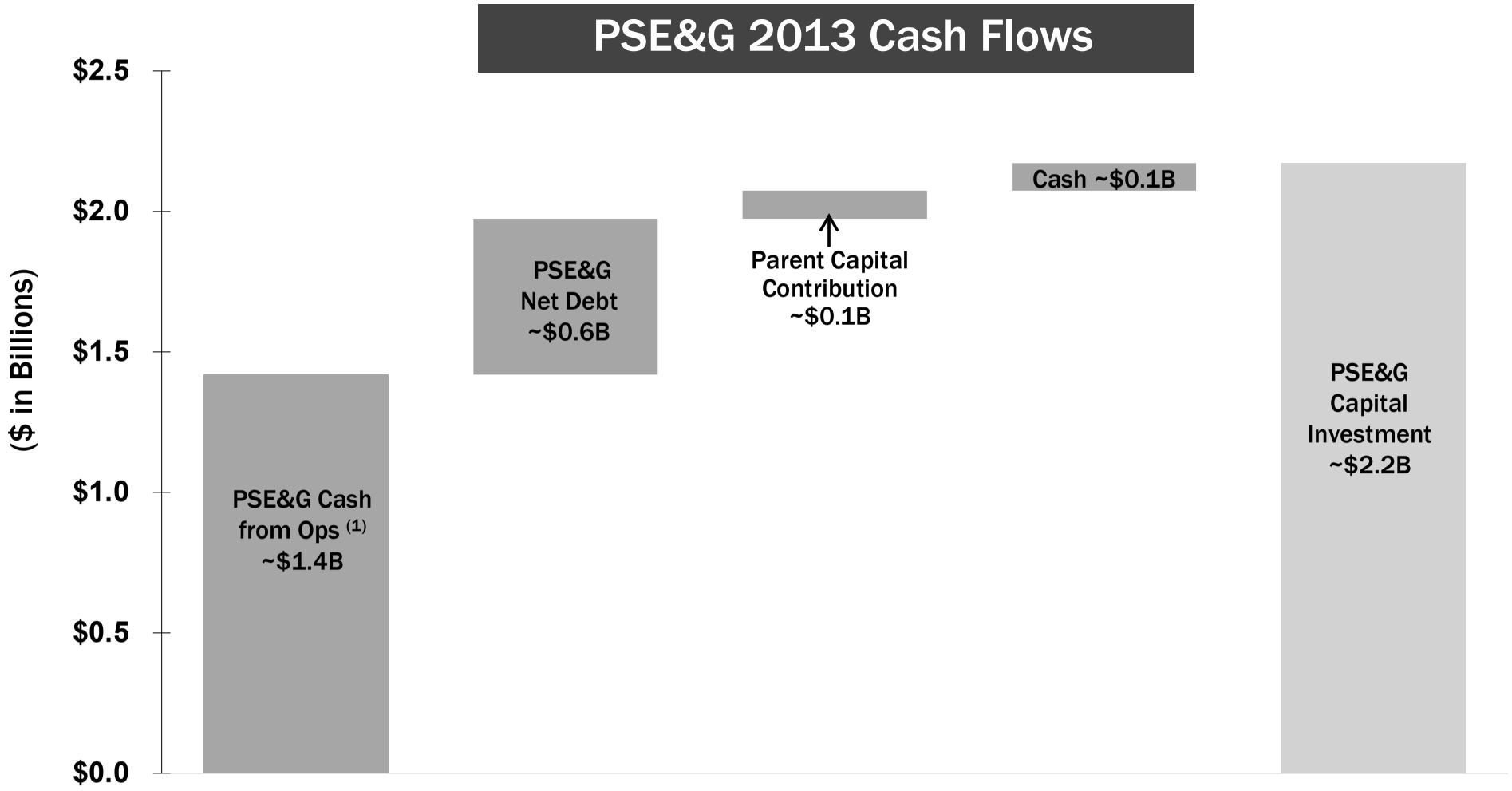
SI-SSA-0015-07478

In 2013, Power had significant free cash flow



SI-SSA-0015-07479

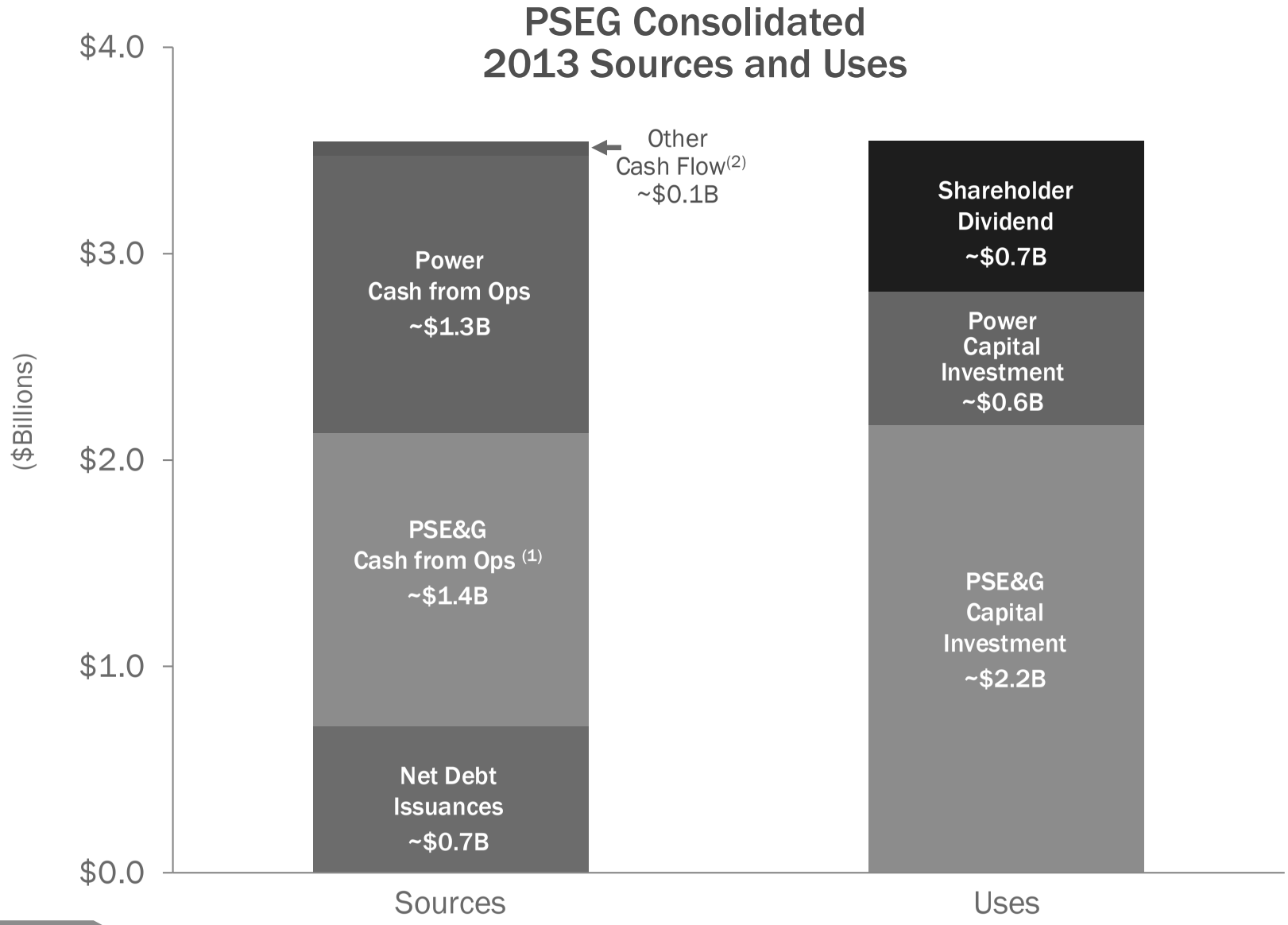
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-07480

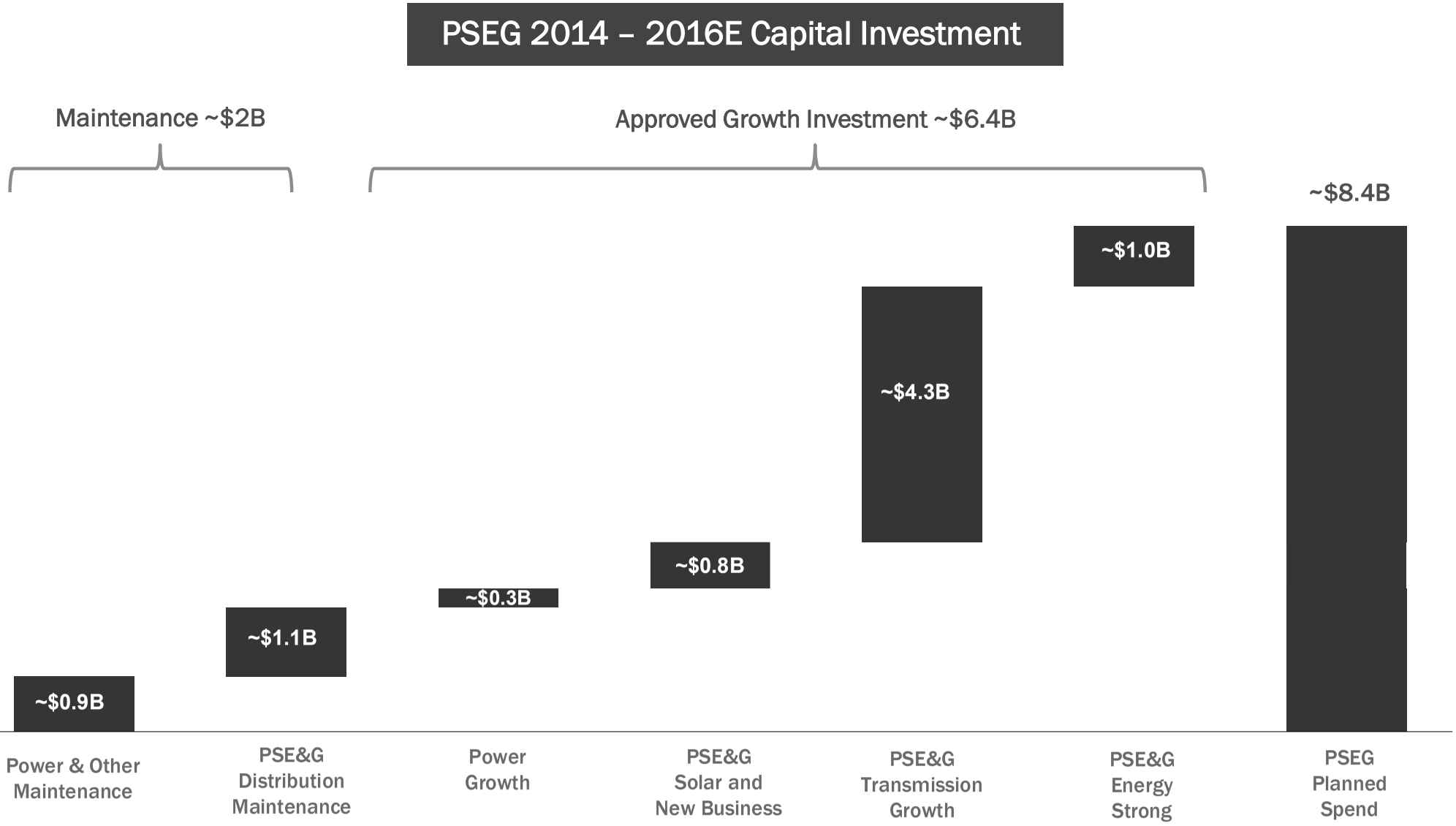
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-07481

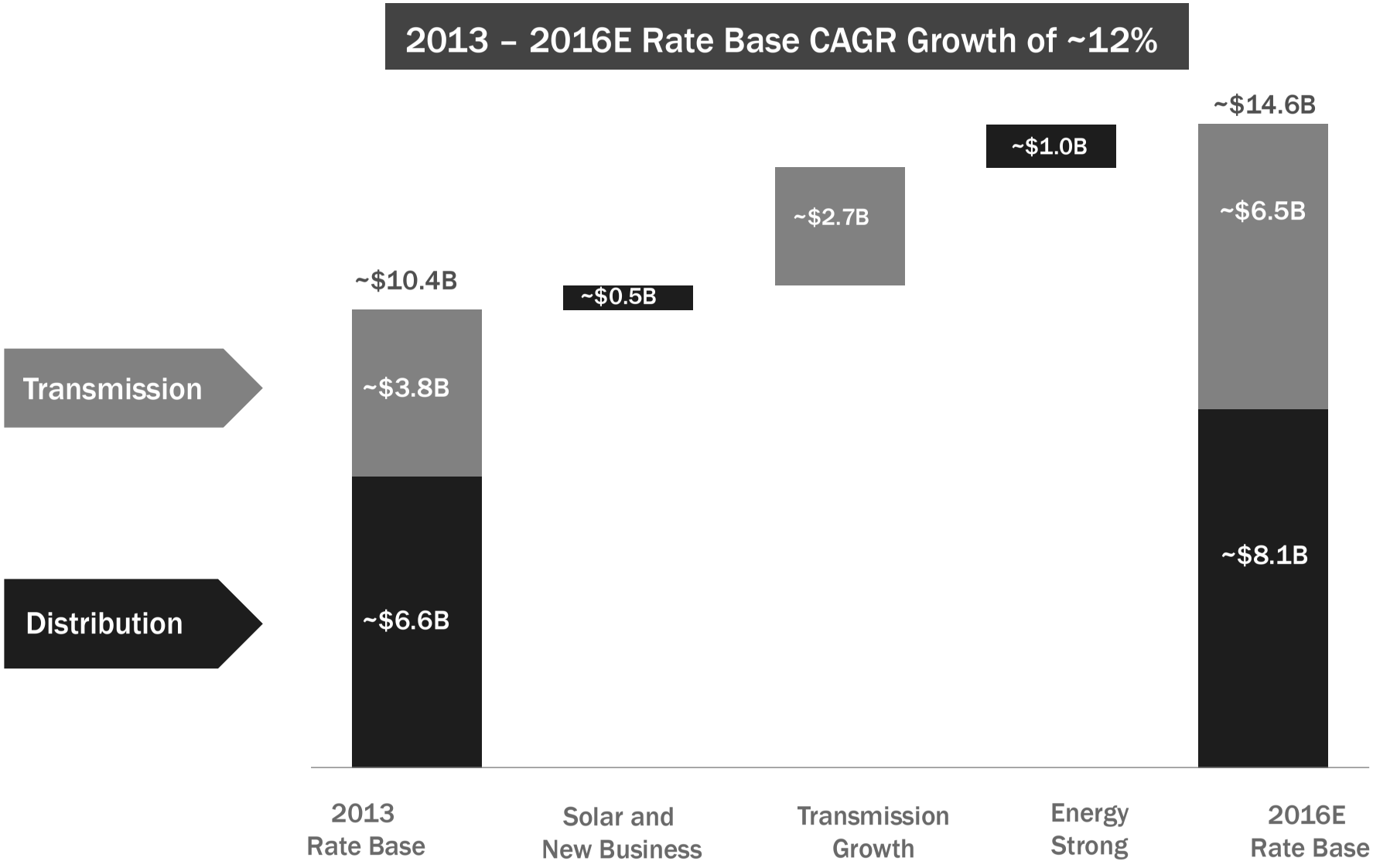
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-07482

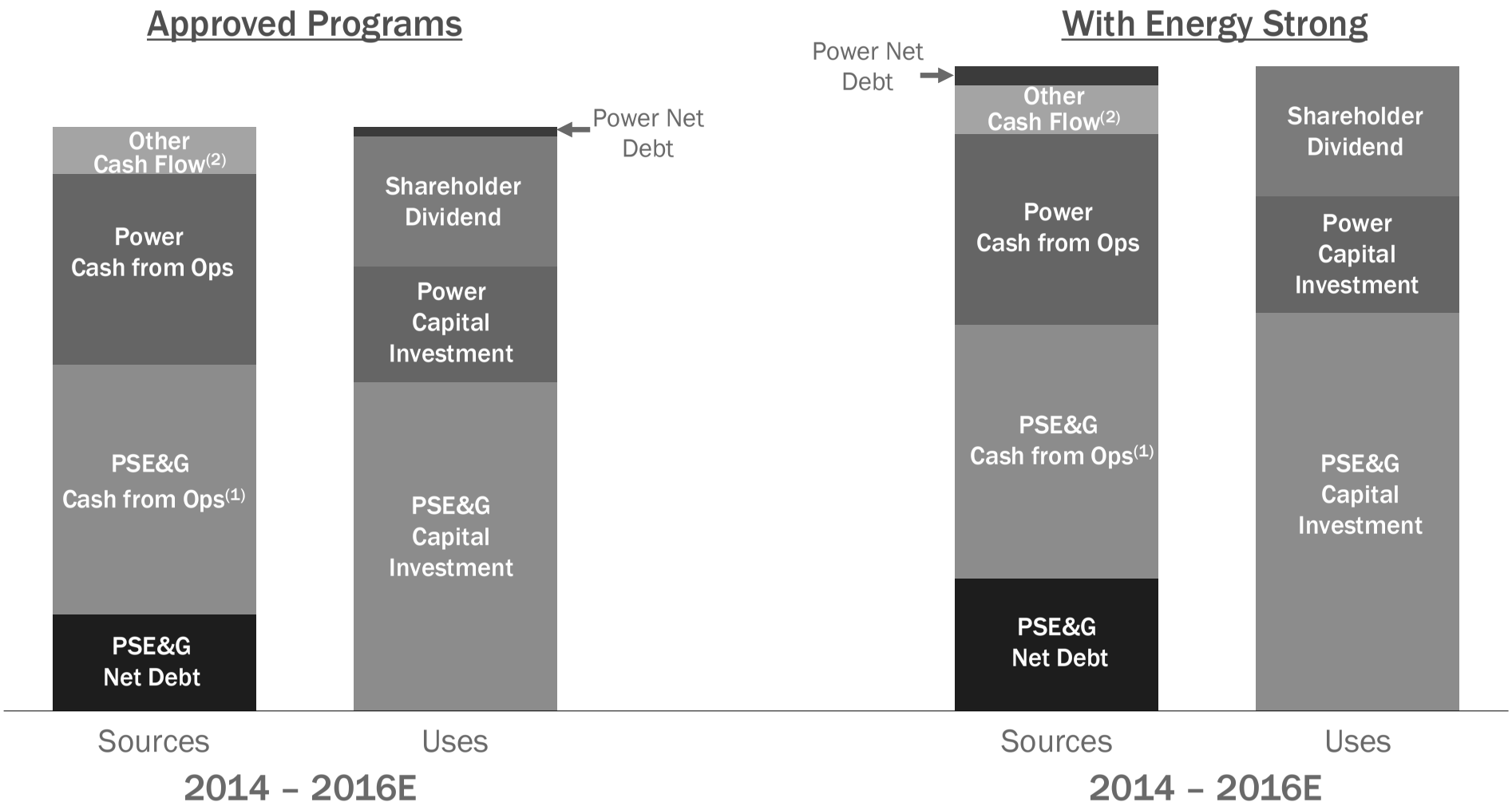
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-07483

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

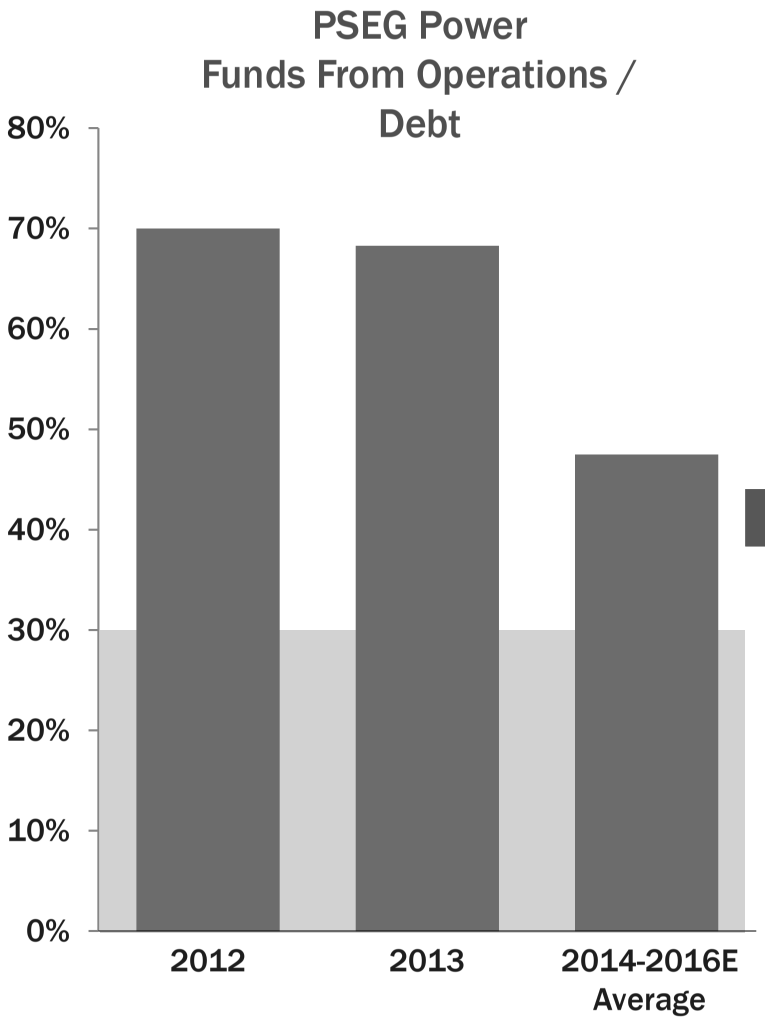
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-07484

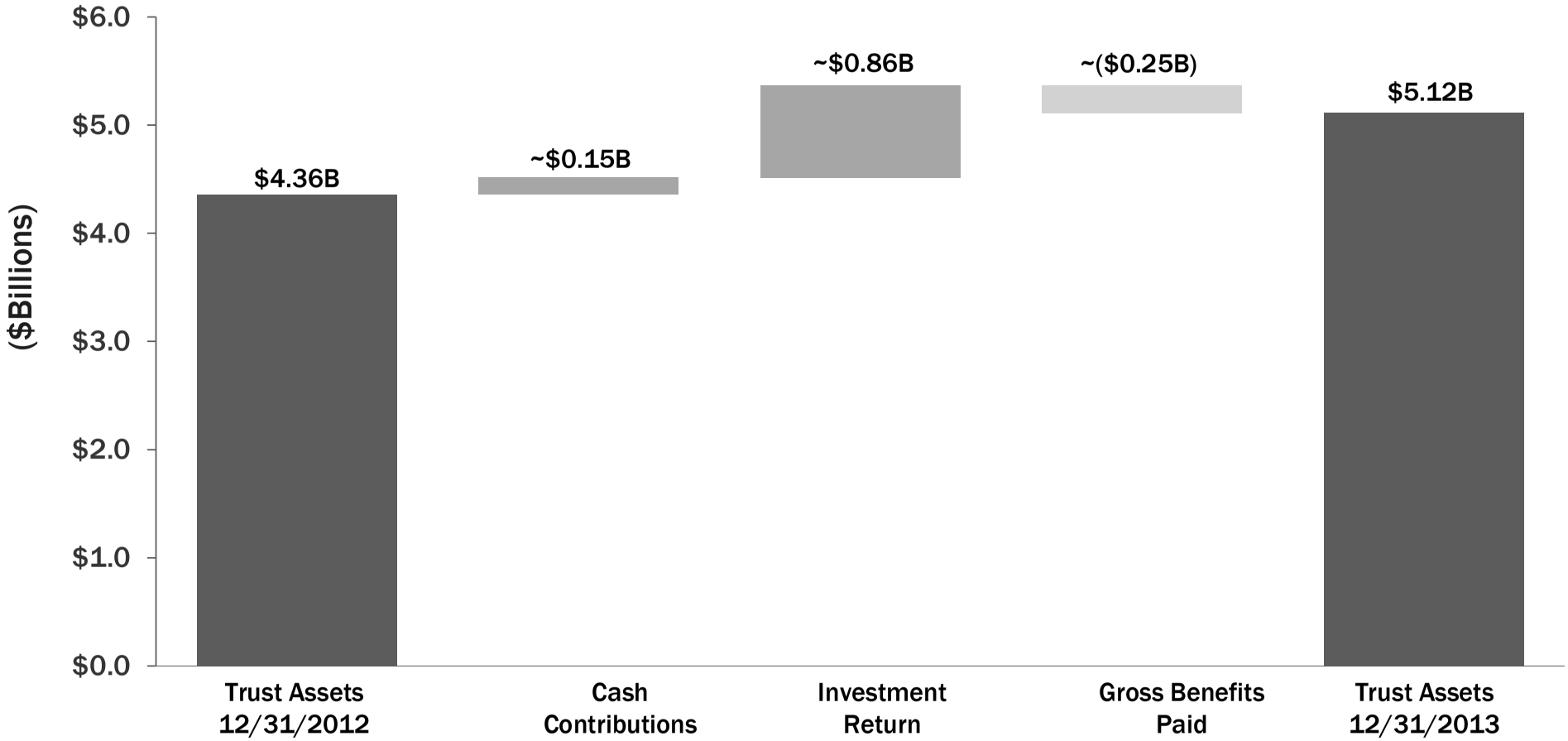
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-07485

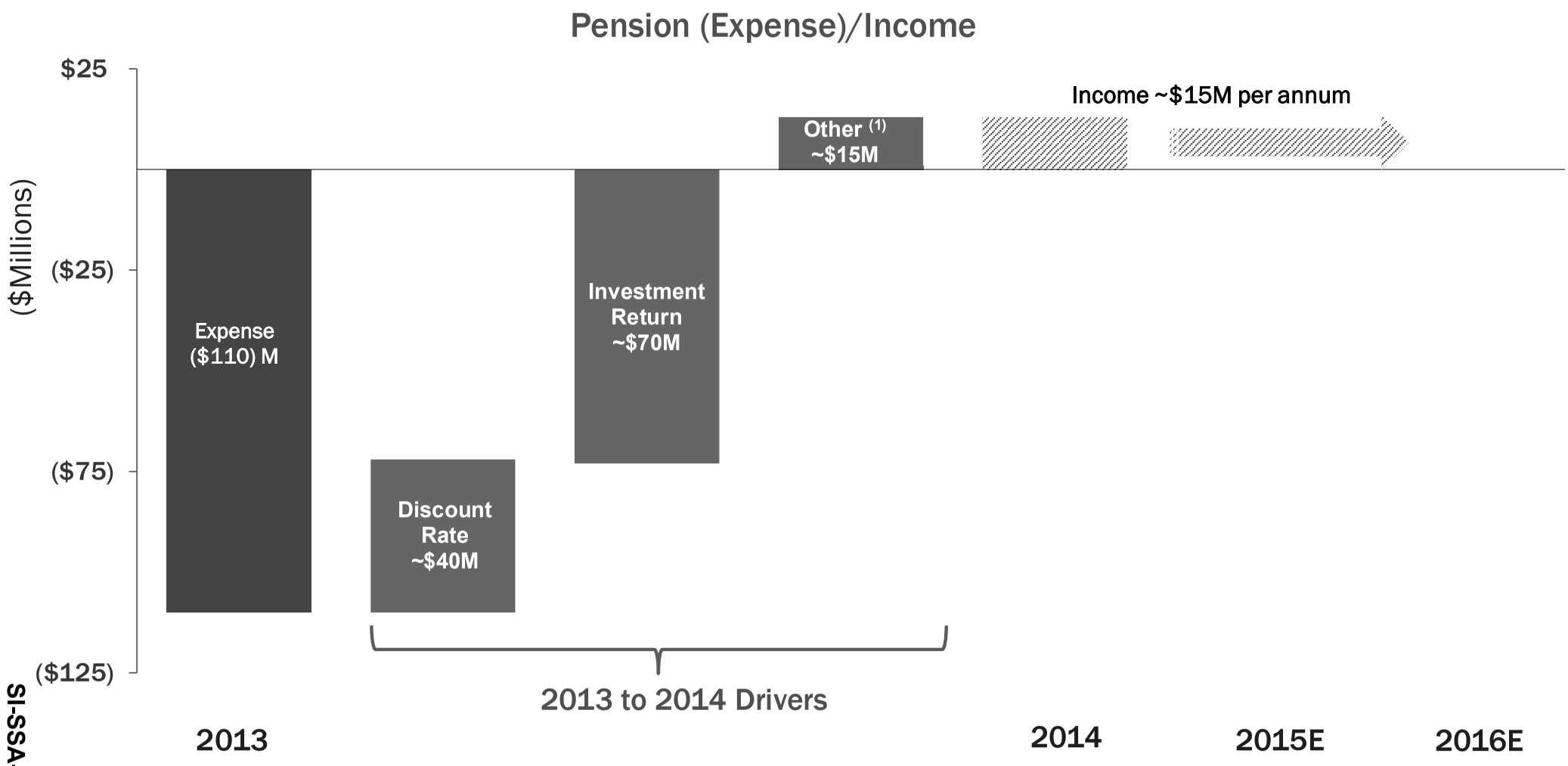
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-07486

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon

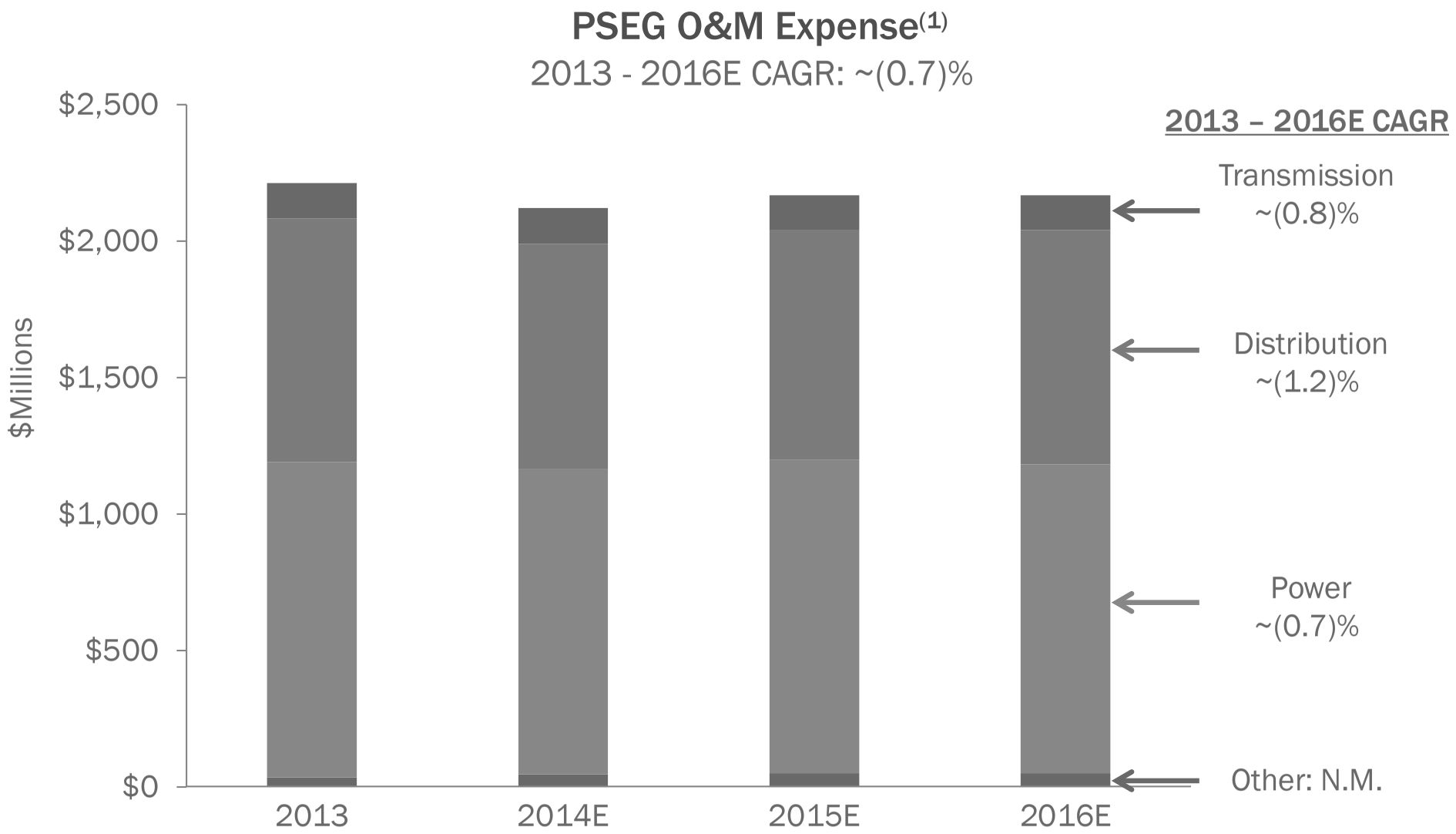


SI-SSA-0015-07487

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-07488

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

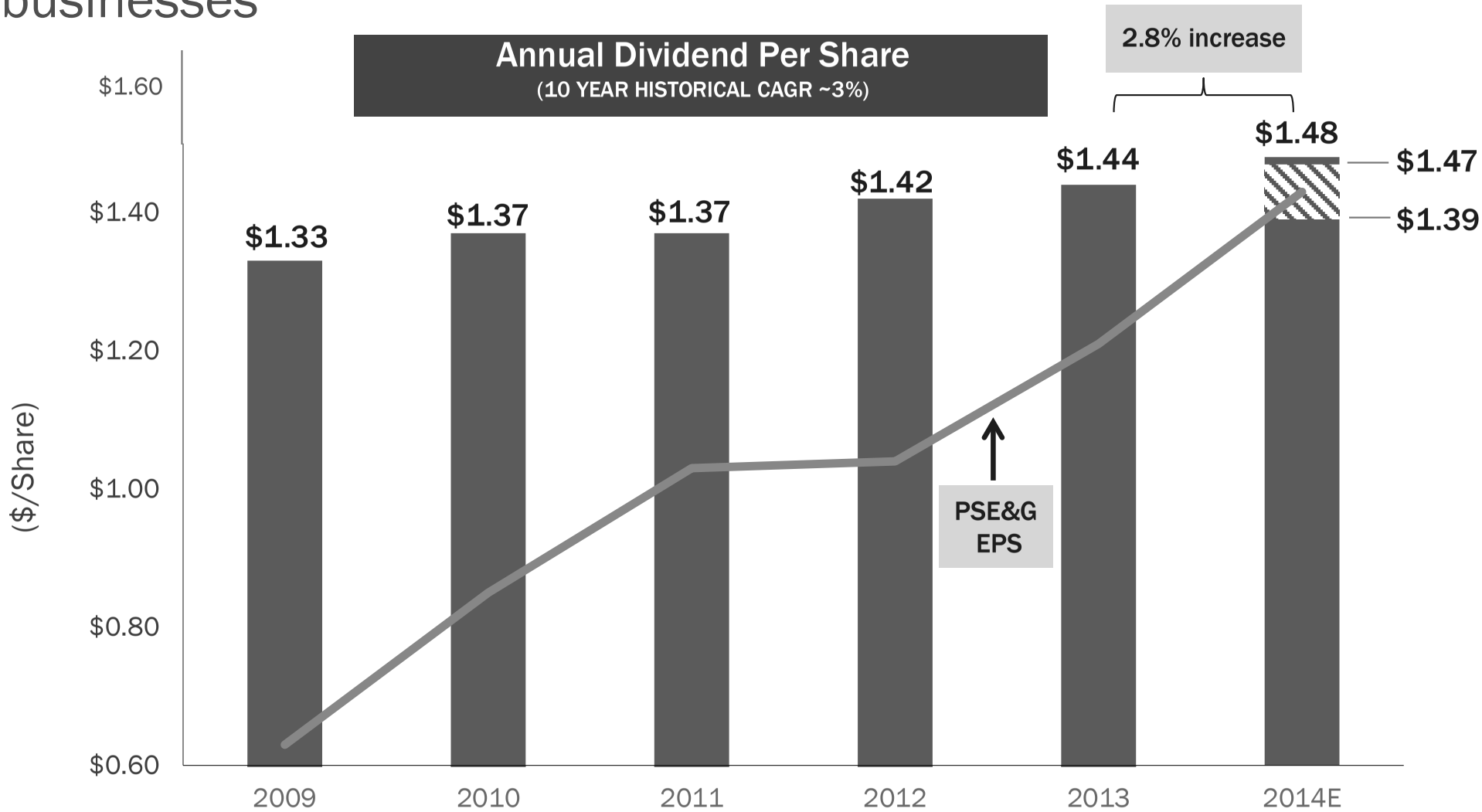
SI-SSA-0015-07489

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-07490

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-07491

PSEG Summary

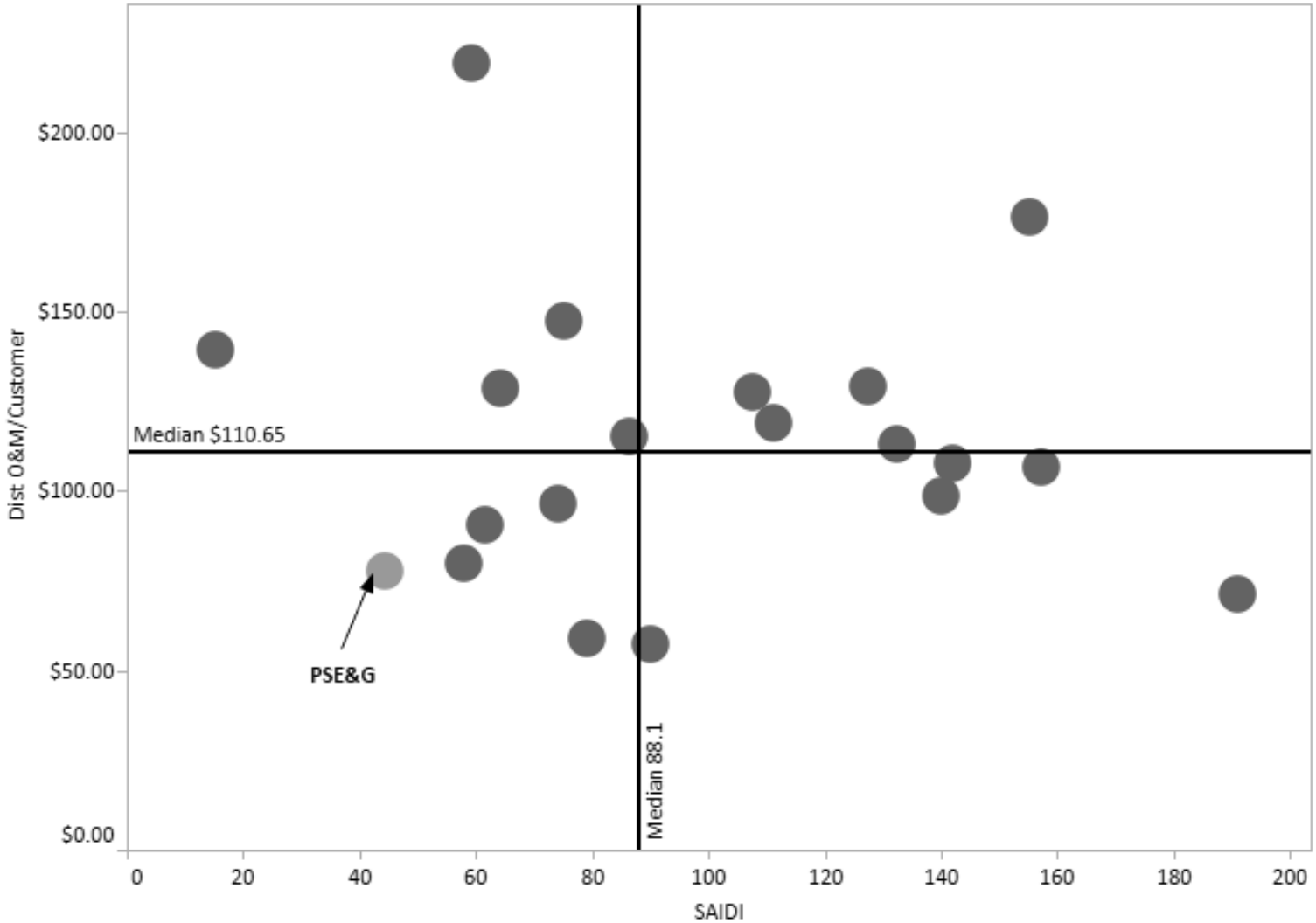
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-07492

PSE&G APPENDIX

SI-SSA-0015-07493

PSE&G provides high reliability at below average cost which creates superior value to customers

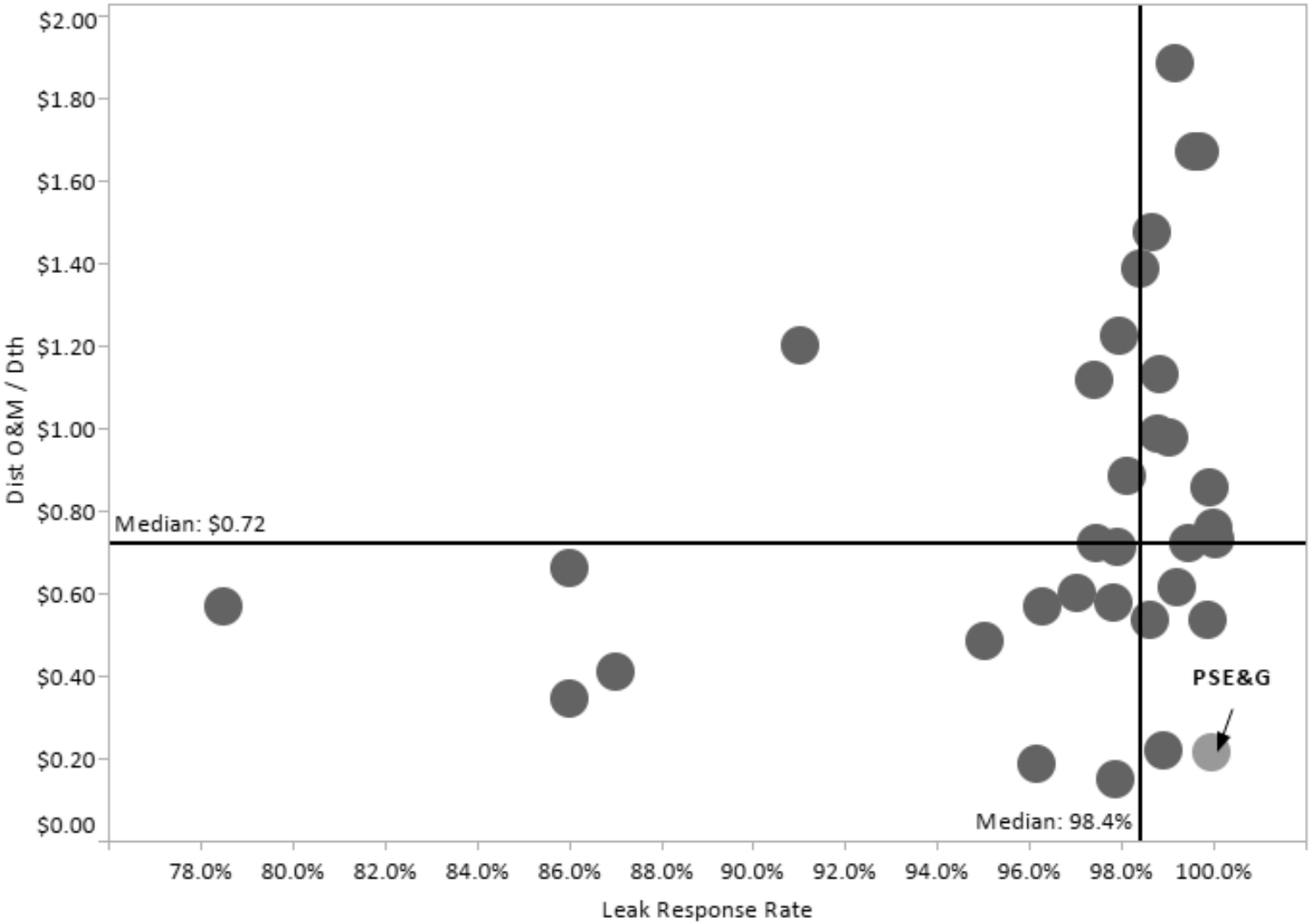


SI-SSA-0015-07494

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



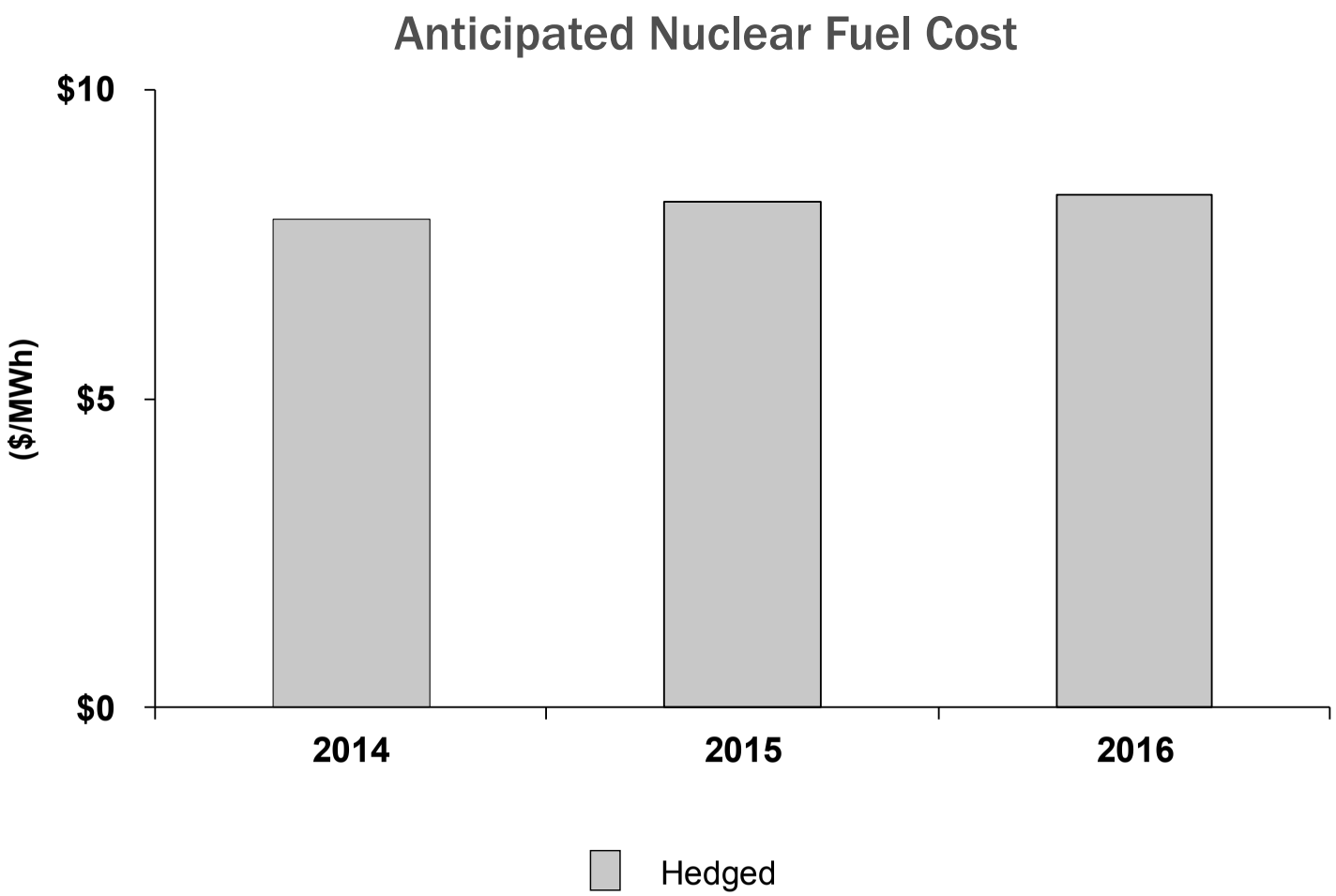
SI-SSA-0015-07495

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

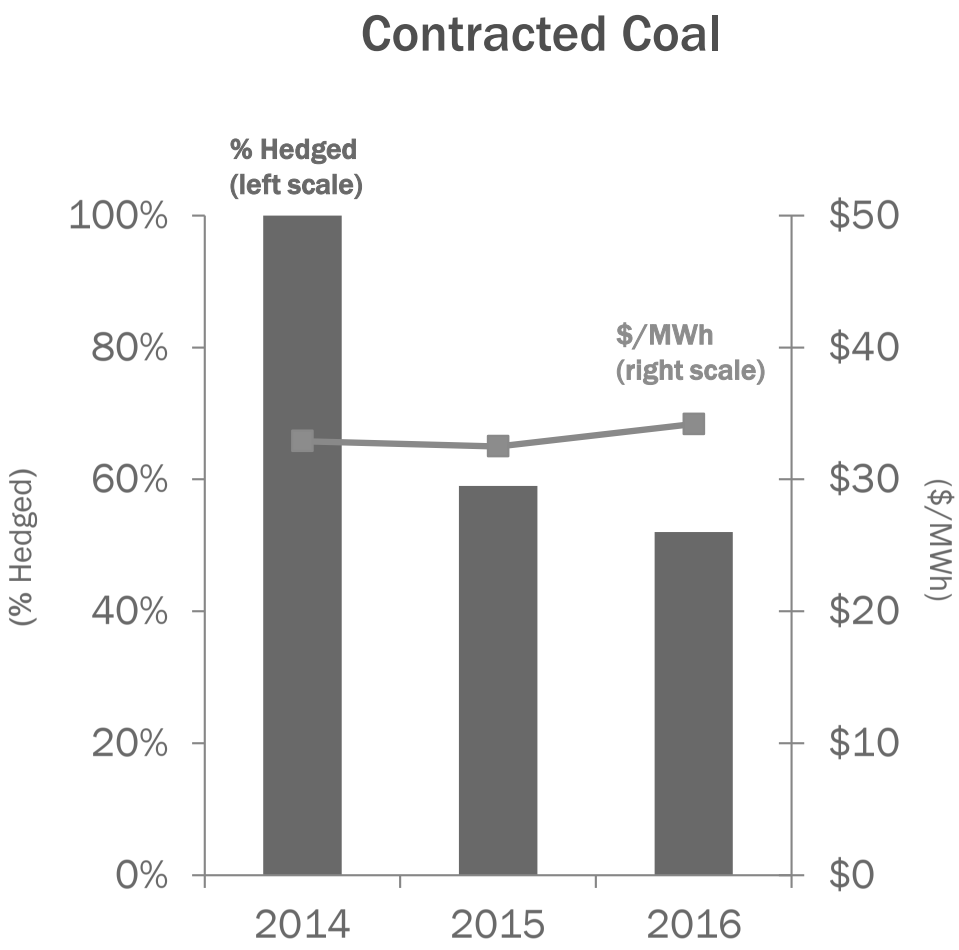
SI-SSA-0015-07496

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-07497

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-07498

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-07499

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07500

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

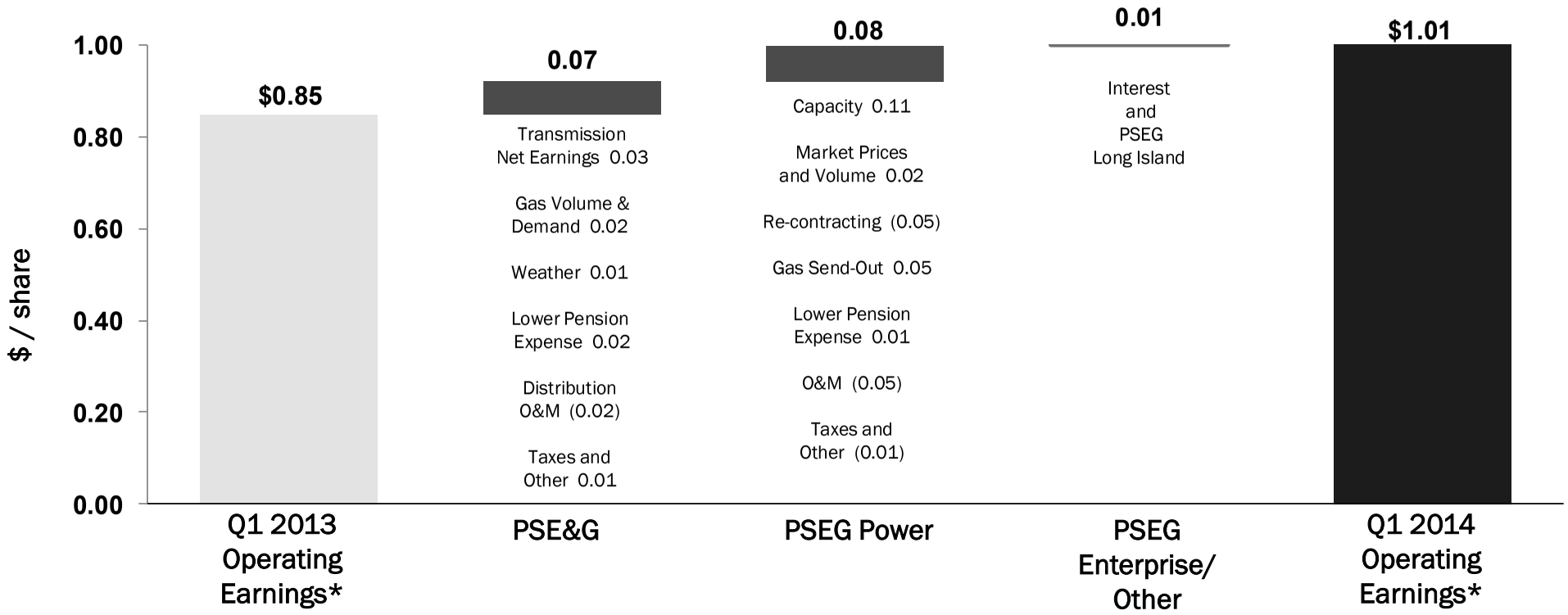
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-07501

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-07502

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

SI-SSA-0015-07503

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-07504

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-07505

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-07506

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a]Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	**(Unaudited)**			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-07508

Deutsche Bank 2016 Clean Tech, Utilities & Power Conference

NEW YORK CITY – MAY 10, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07509

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-07510

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items.

PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07511

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

SI-SSA-0015-07512

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-07513

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-07514

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-07515

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-07516

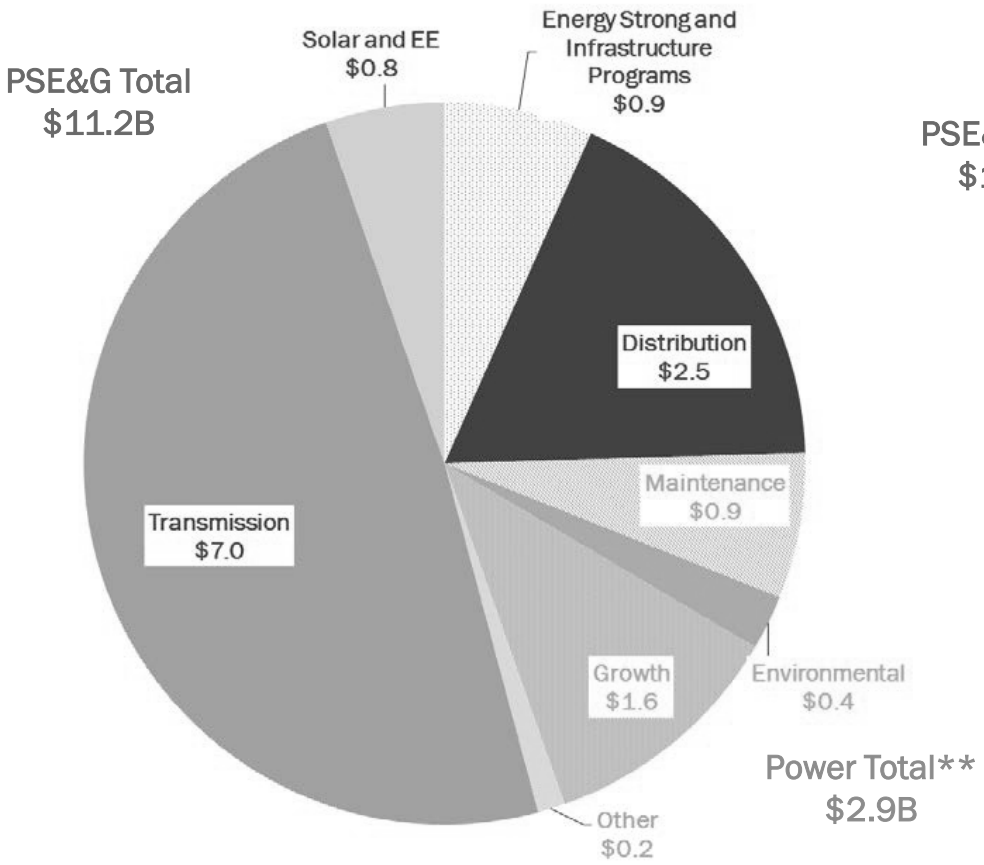
PSEG

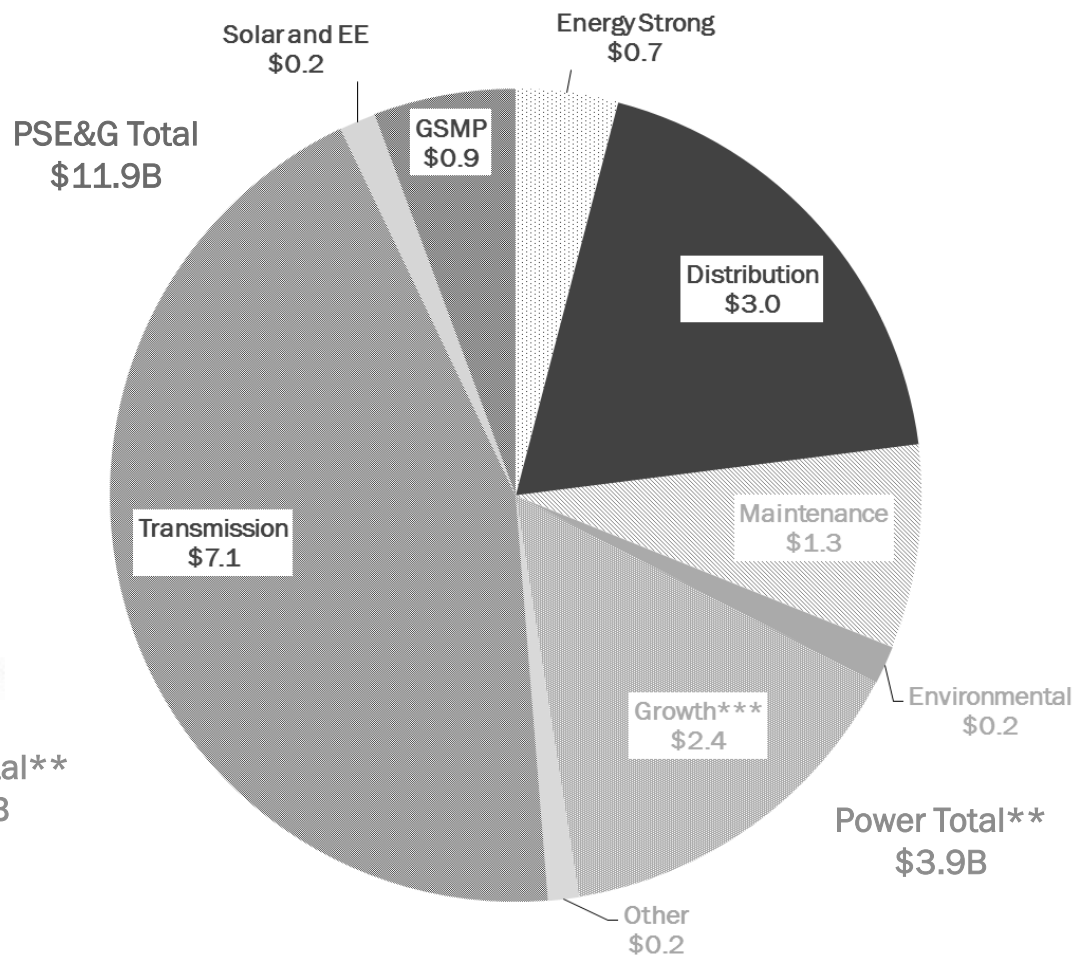
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-07517

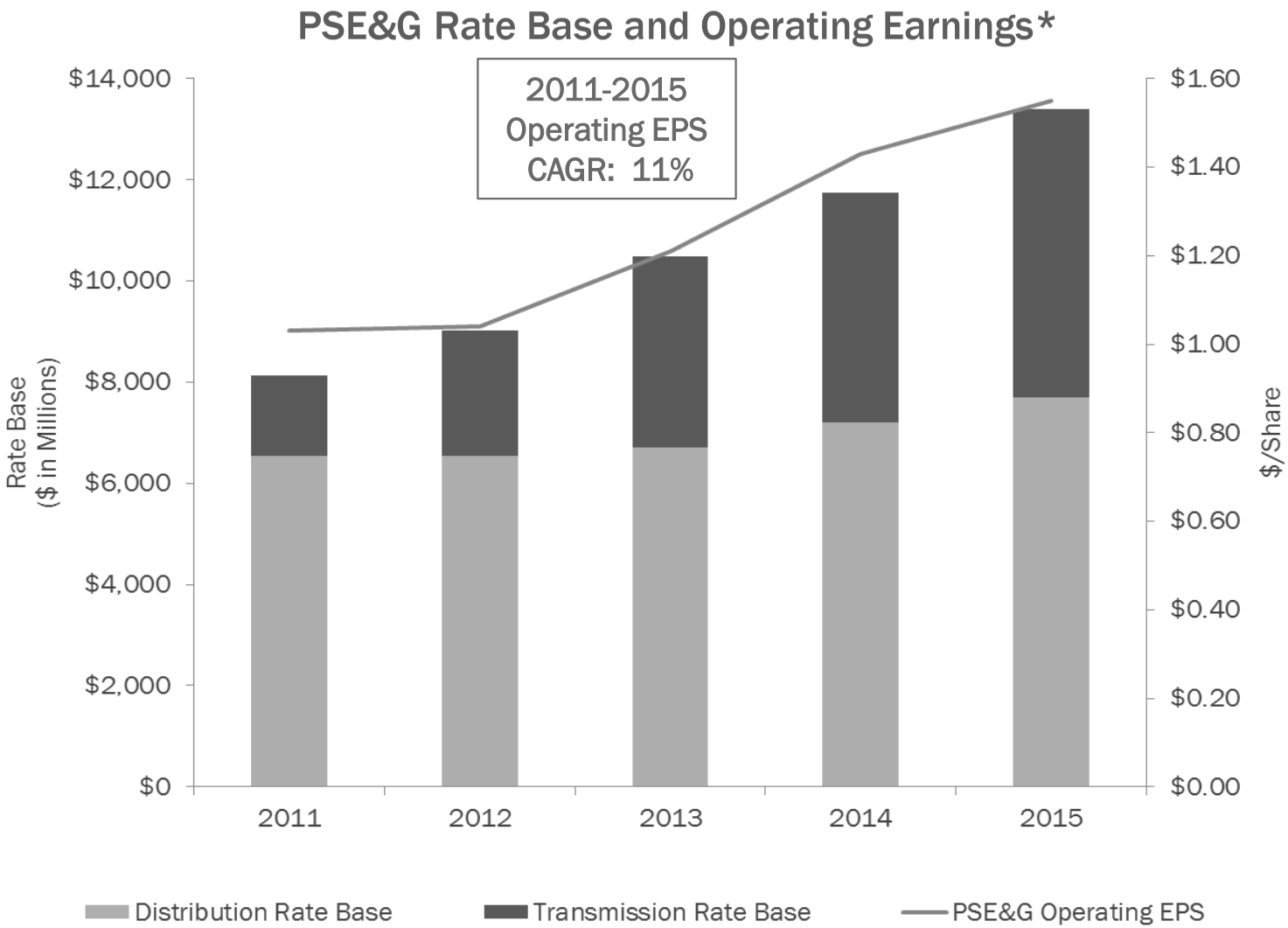
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-07518

PSE&G's investment program

Meeting public policy goals and customer needs



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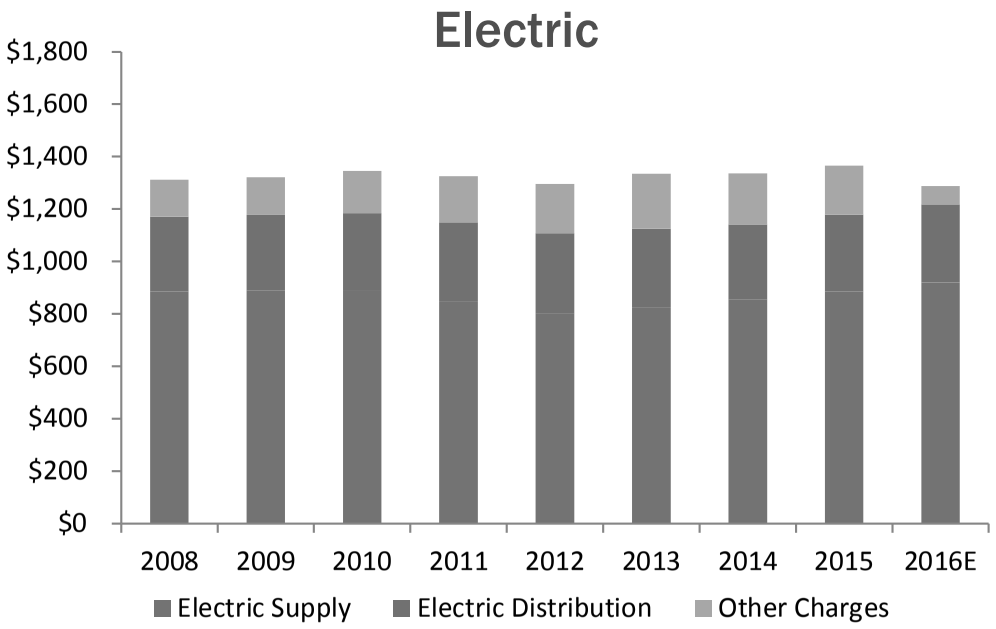
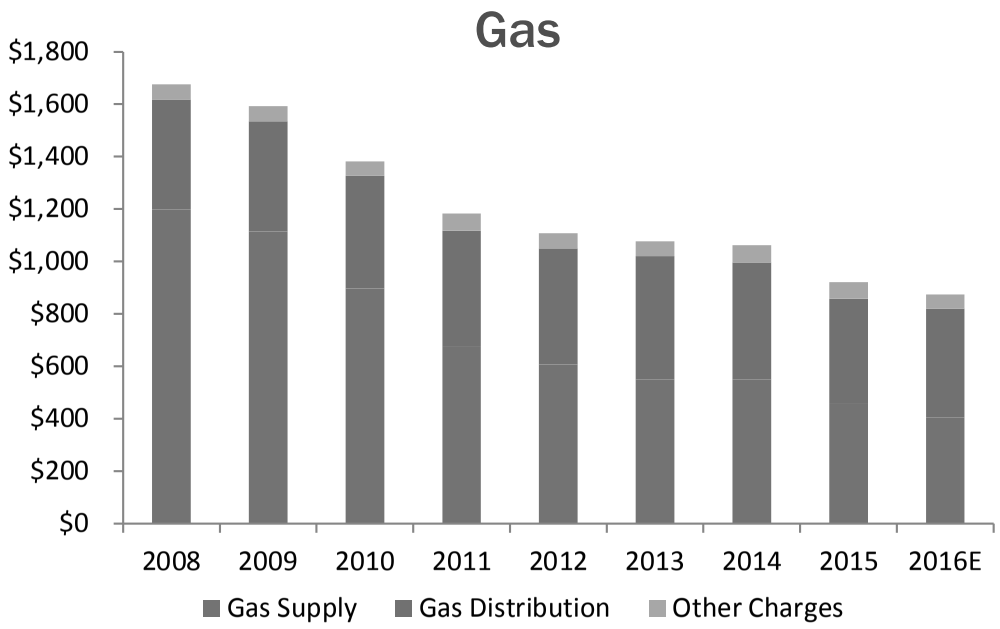
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-07520

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

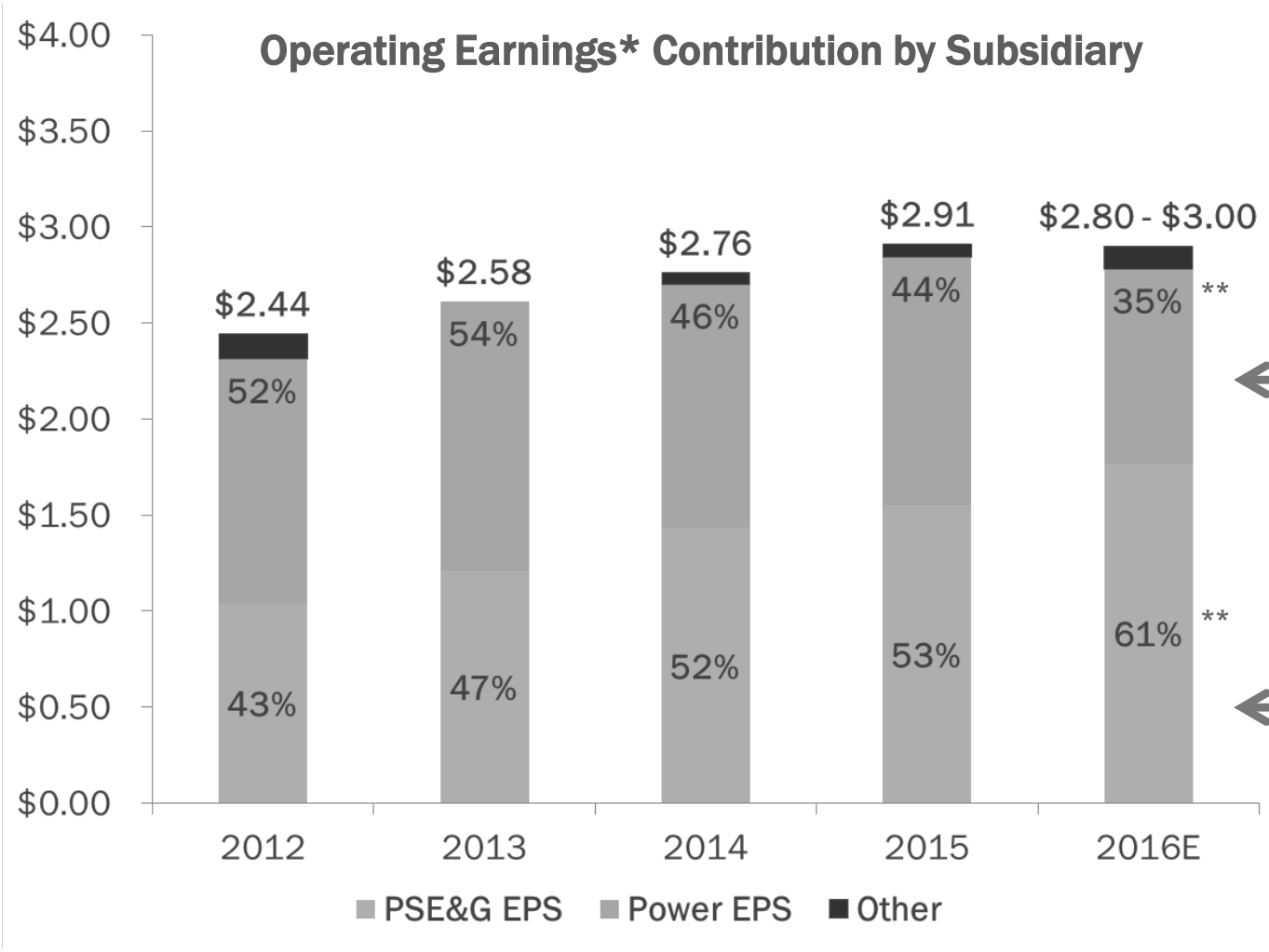
SI-SSA-0015-07521

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

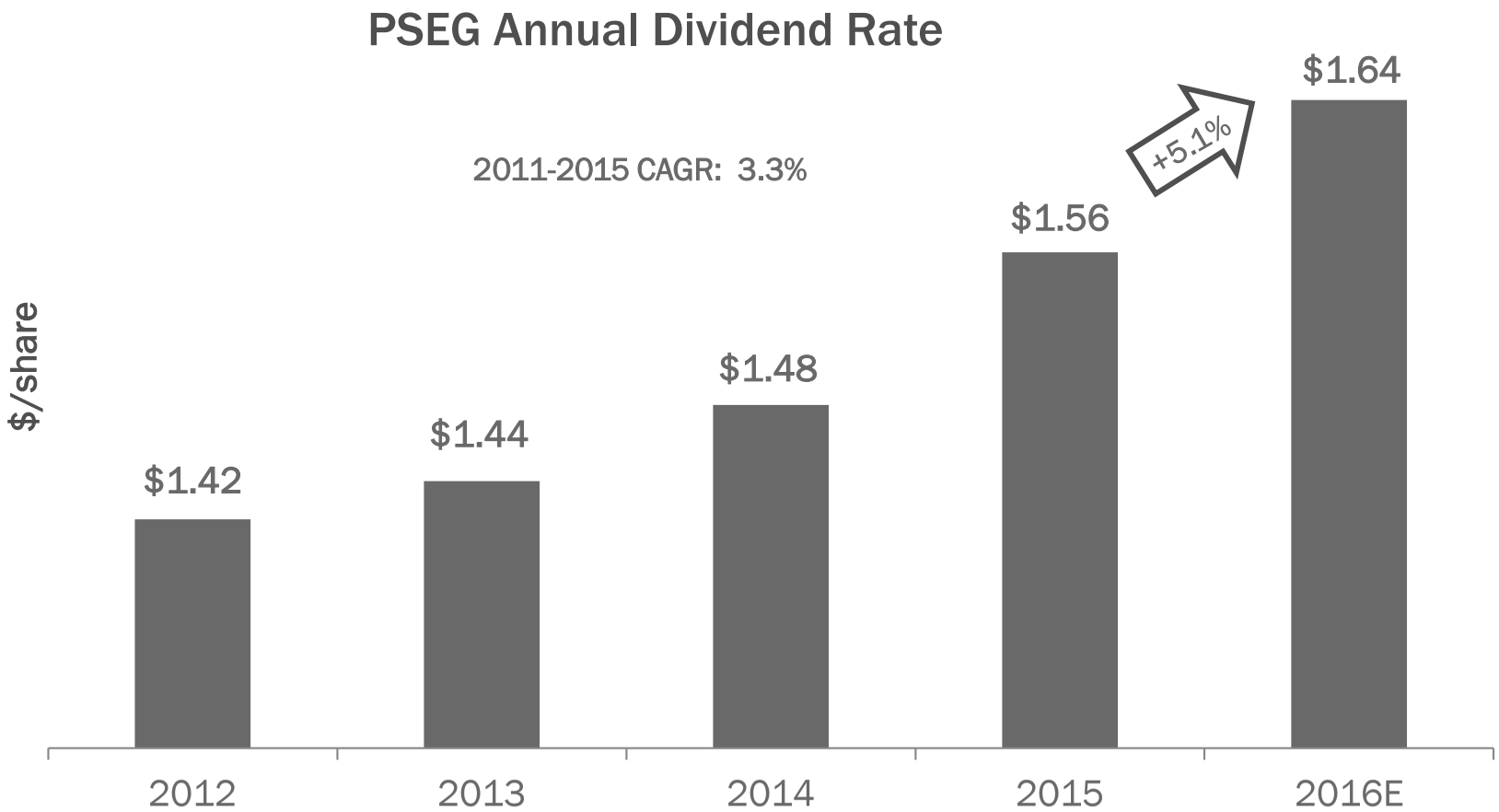
SI-SSA-0015-07522

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

SI-SSA-0015-07523

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

SI-SSA-0015-07524

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-07525

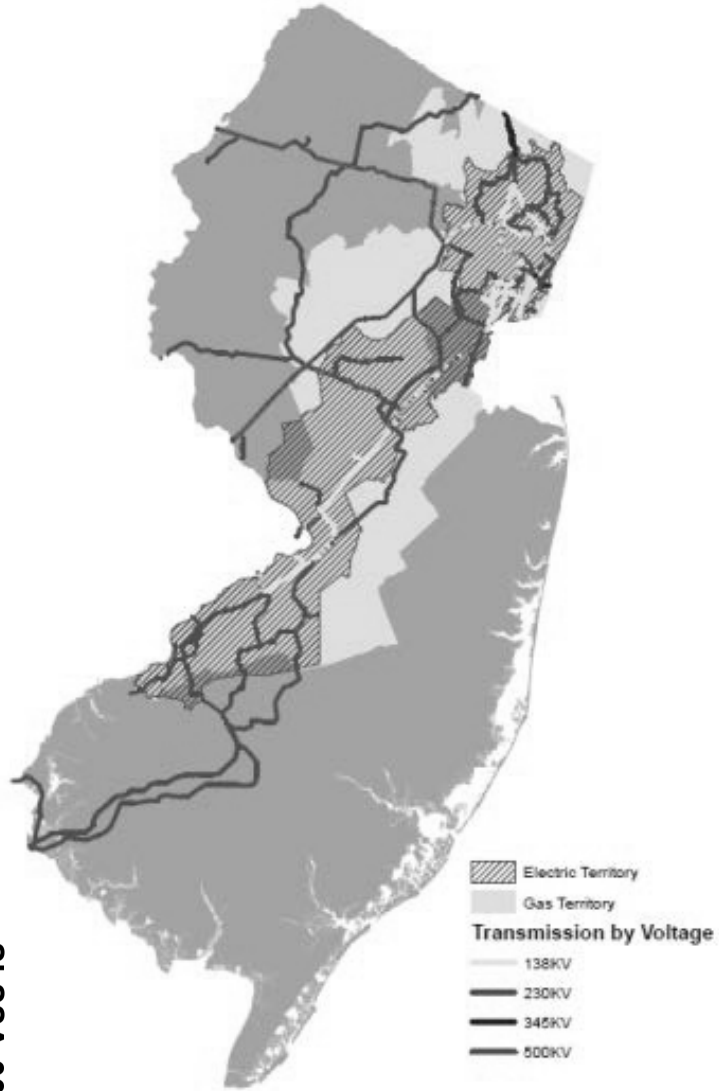
PSE&G

SI-SSA-0015-07526

PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-07527

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-07528

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-07529

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-07530

Operational Excellence

Reliability and Customer Service

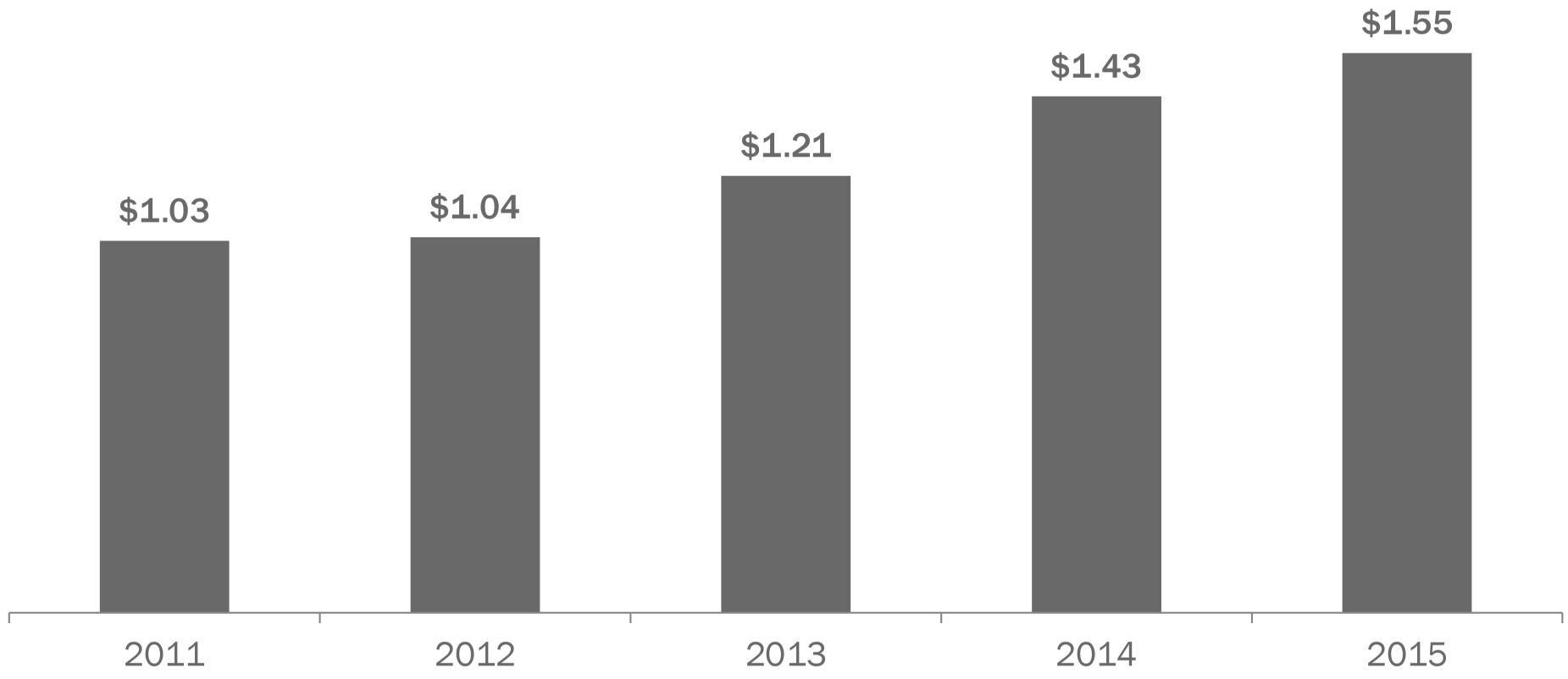
- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-07531

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

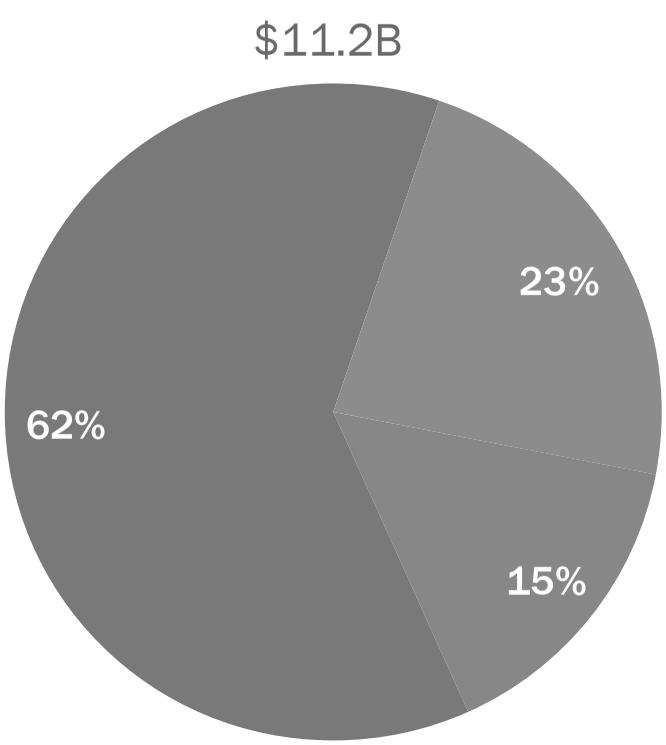
PSE&G Operating Earnings Per Share



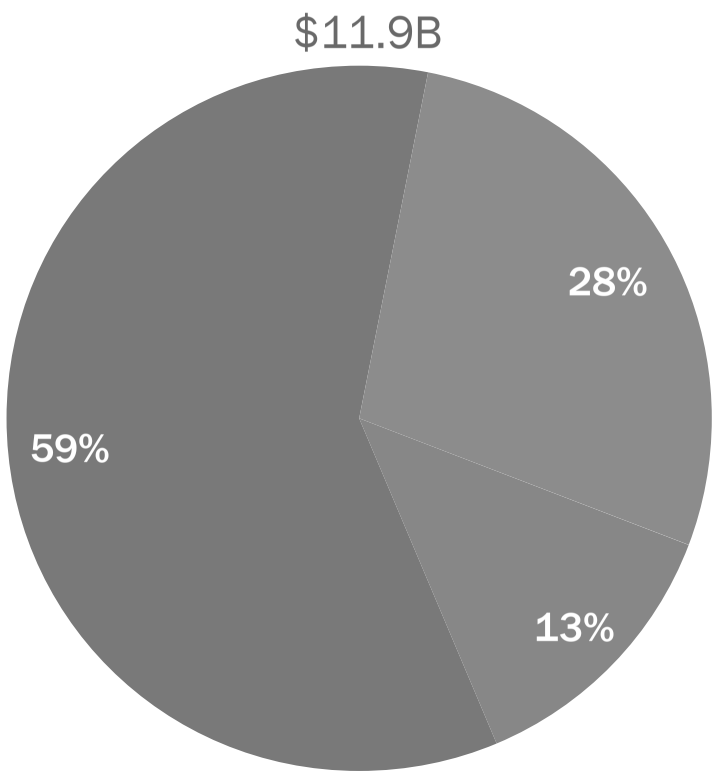
SI-SSA-0015-07532

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

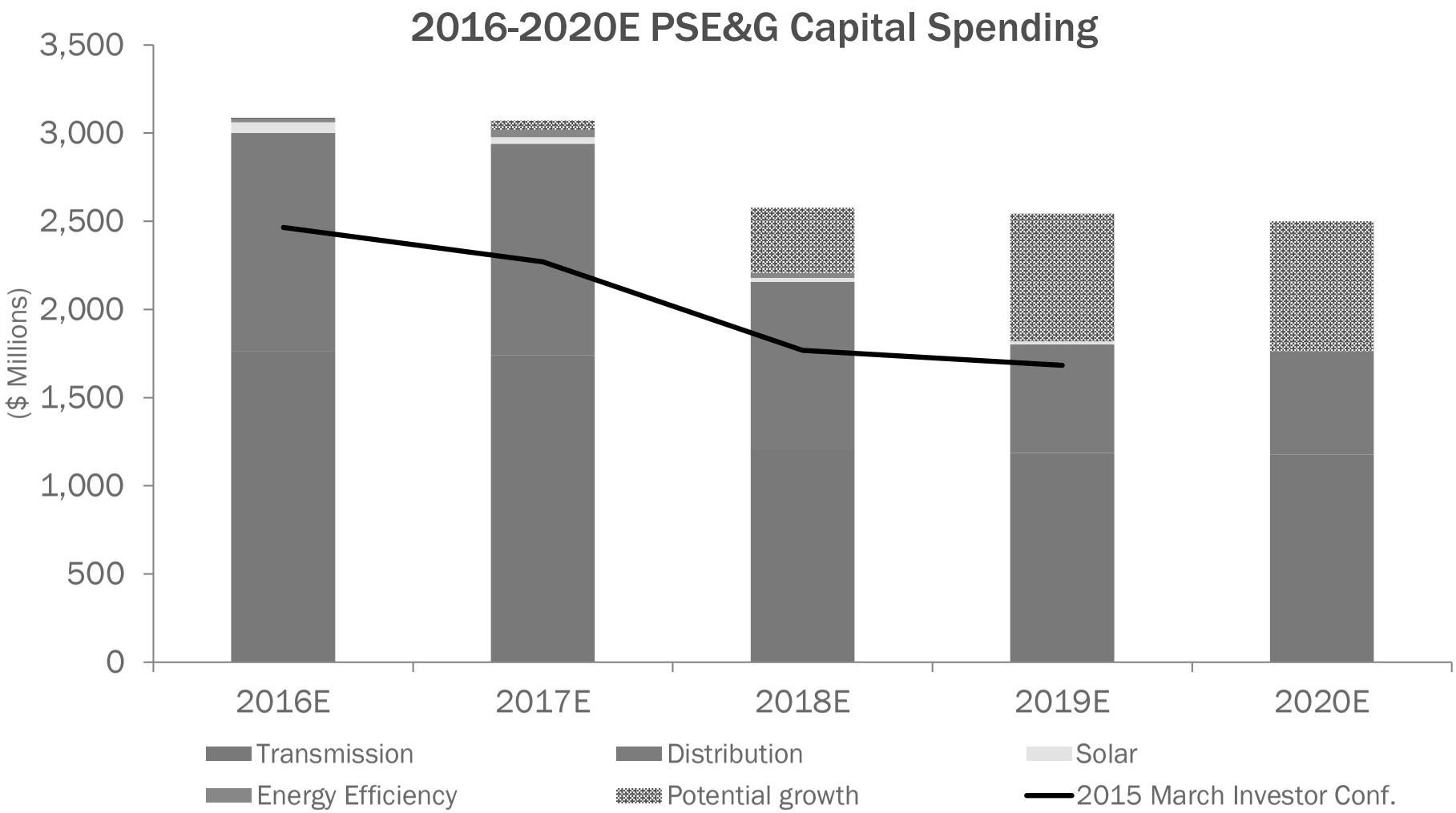
SI-SSA-0015-07533

Increasing investment across our portfolio

- **Transmission**
  - Large portfolio of projects to meet ongoing reliability and life-cycle requirements
- **Electric Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Electric System Modernization Program (ESMP)
- **Gas Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Gas System Modernization Program (GSMP)
- **Solar and Energy Efficiency**

SI-SSA-0015-07534

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-07535

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-07536

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-07537

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• GSMP	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-07538

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	• Further extension of S4A, focused on landfills (20 sites, ~150 MW identified)
Investment	~$545M	~$140M	Potential $200-$300M multi-year program filing
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-07539

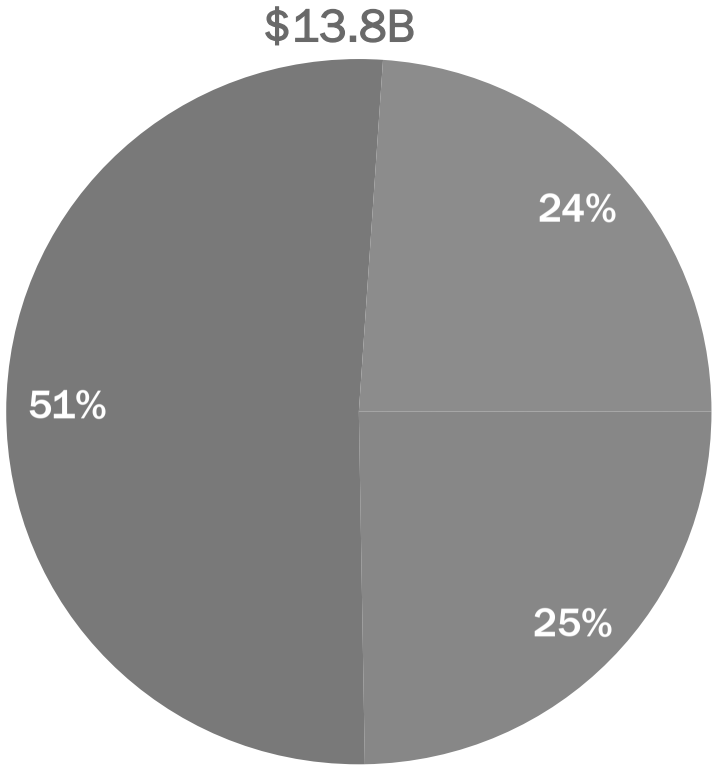
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-07540

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

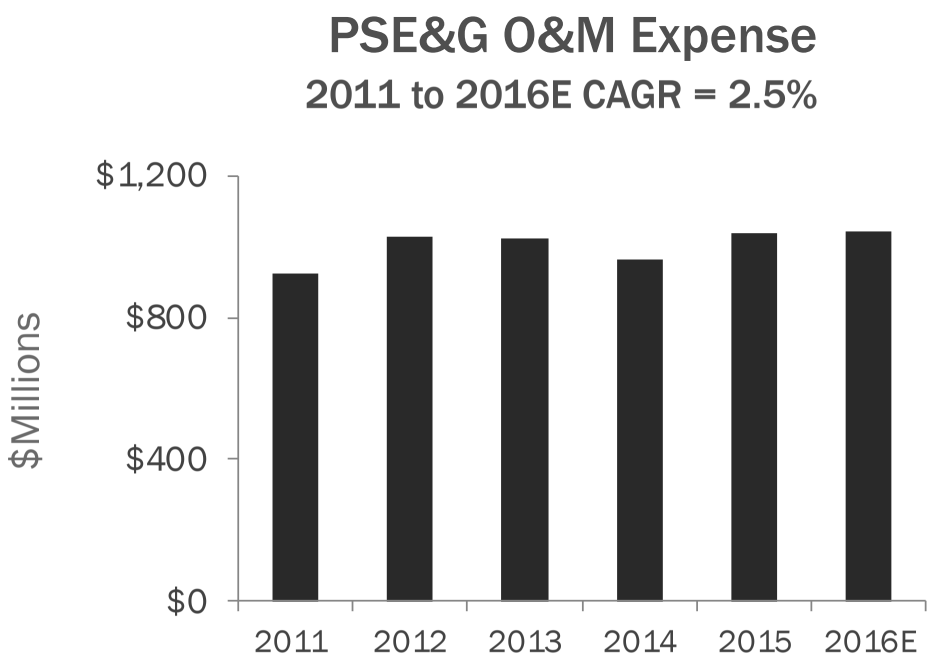
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-07541

Demonstrated ability to control O&M and plan to drive future efficiencies



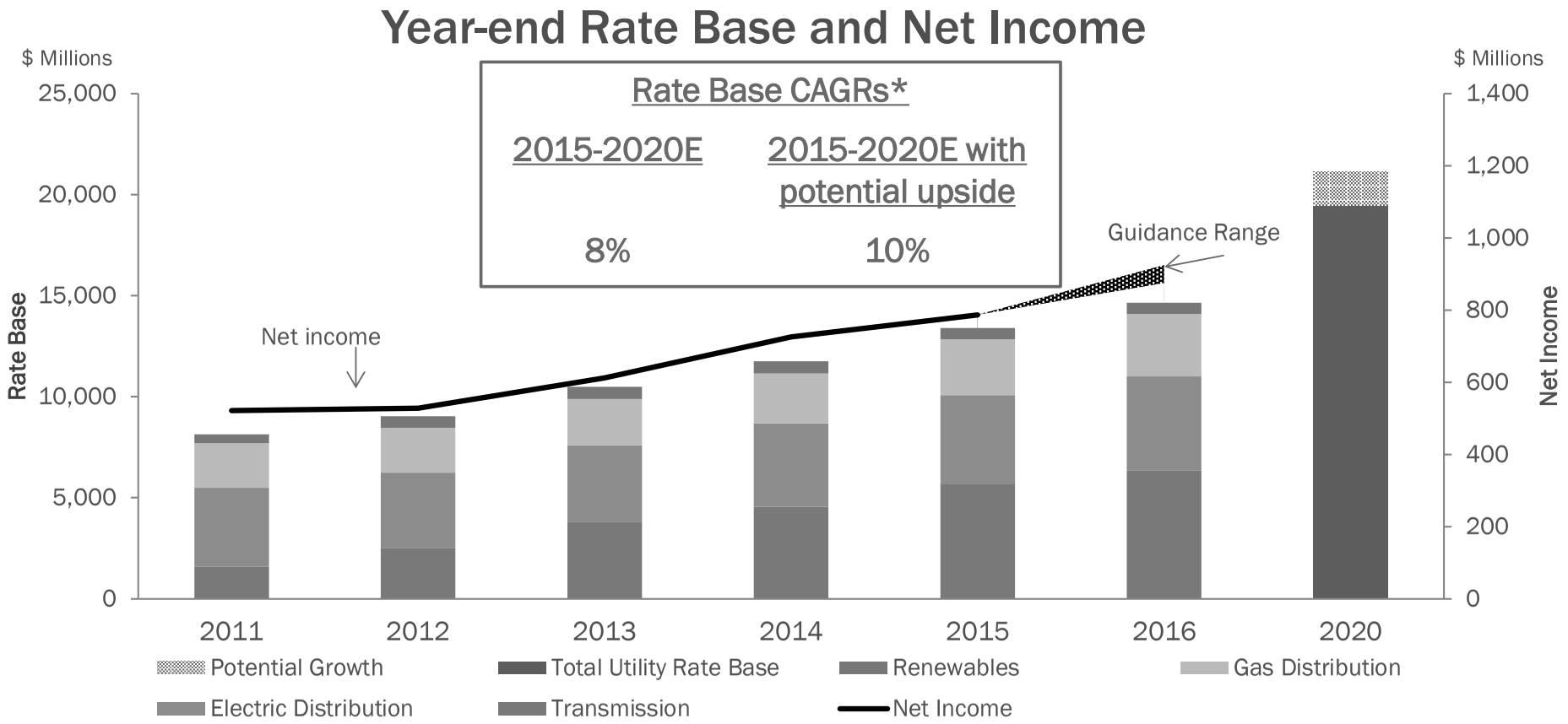
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-07542

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

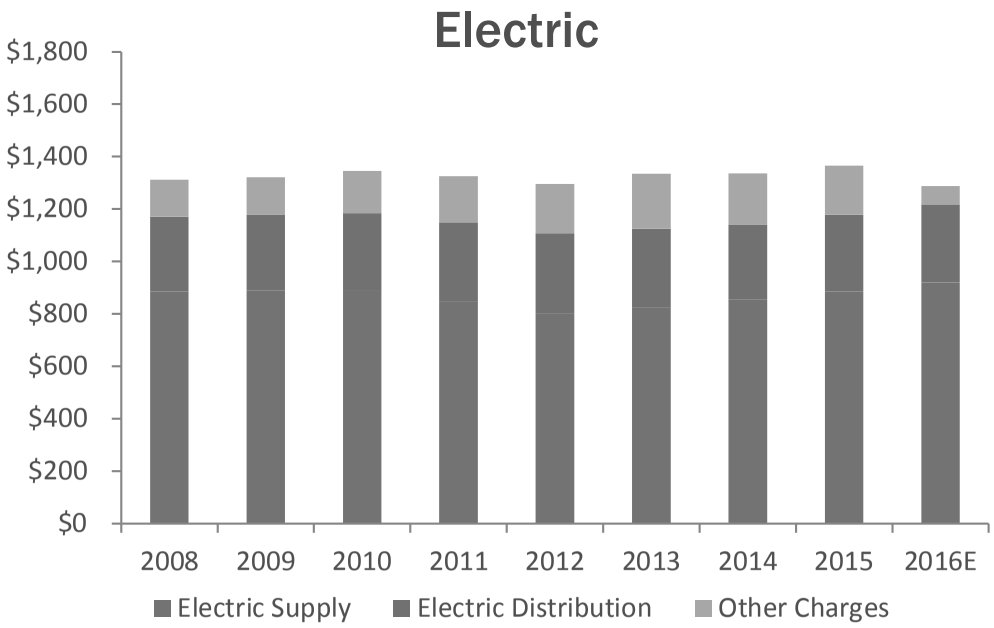
SI-SSA-0015-07543

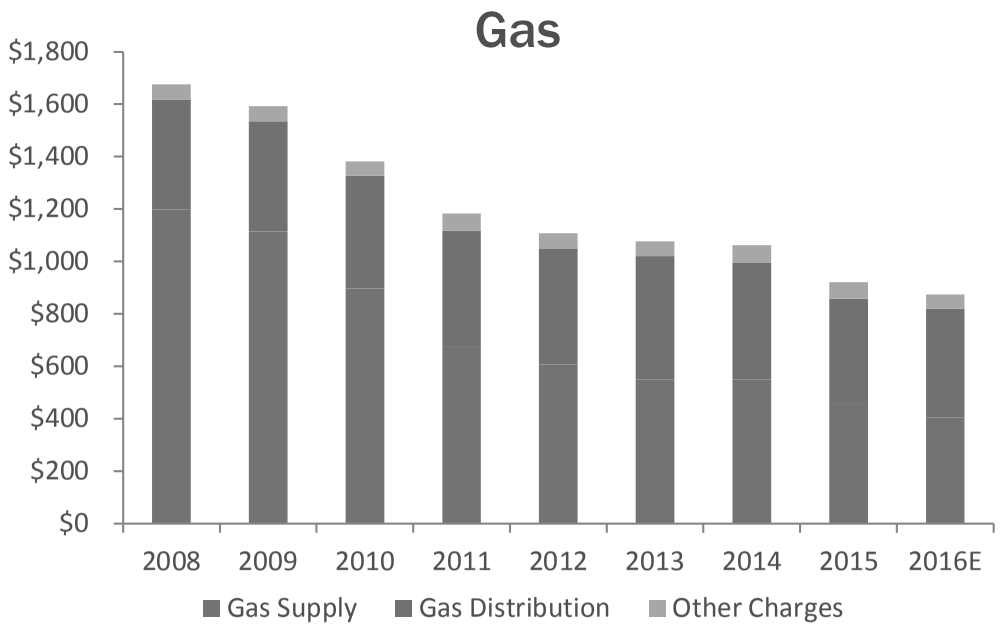
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-07544

PSEG

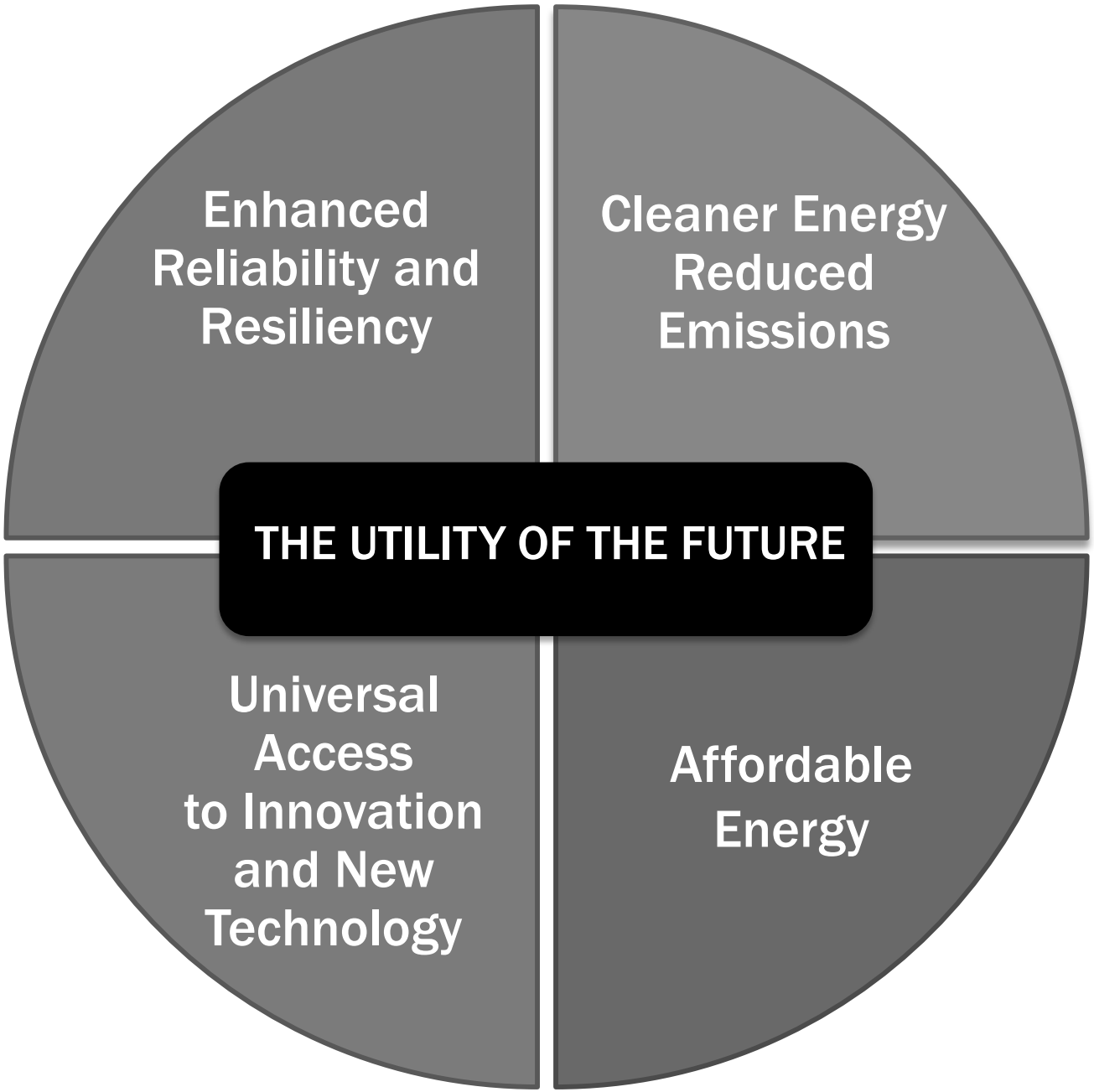
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

E =ESTIMATE.

SI-SSA-0015-07545



SI-SSA-0015-07546

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-07547

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-07548

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

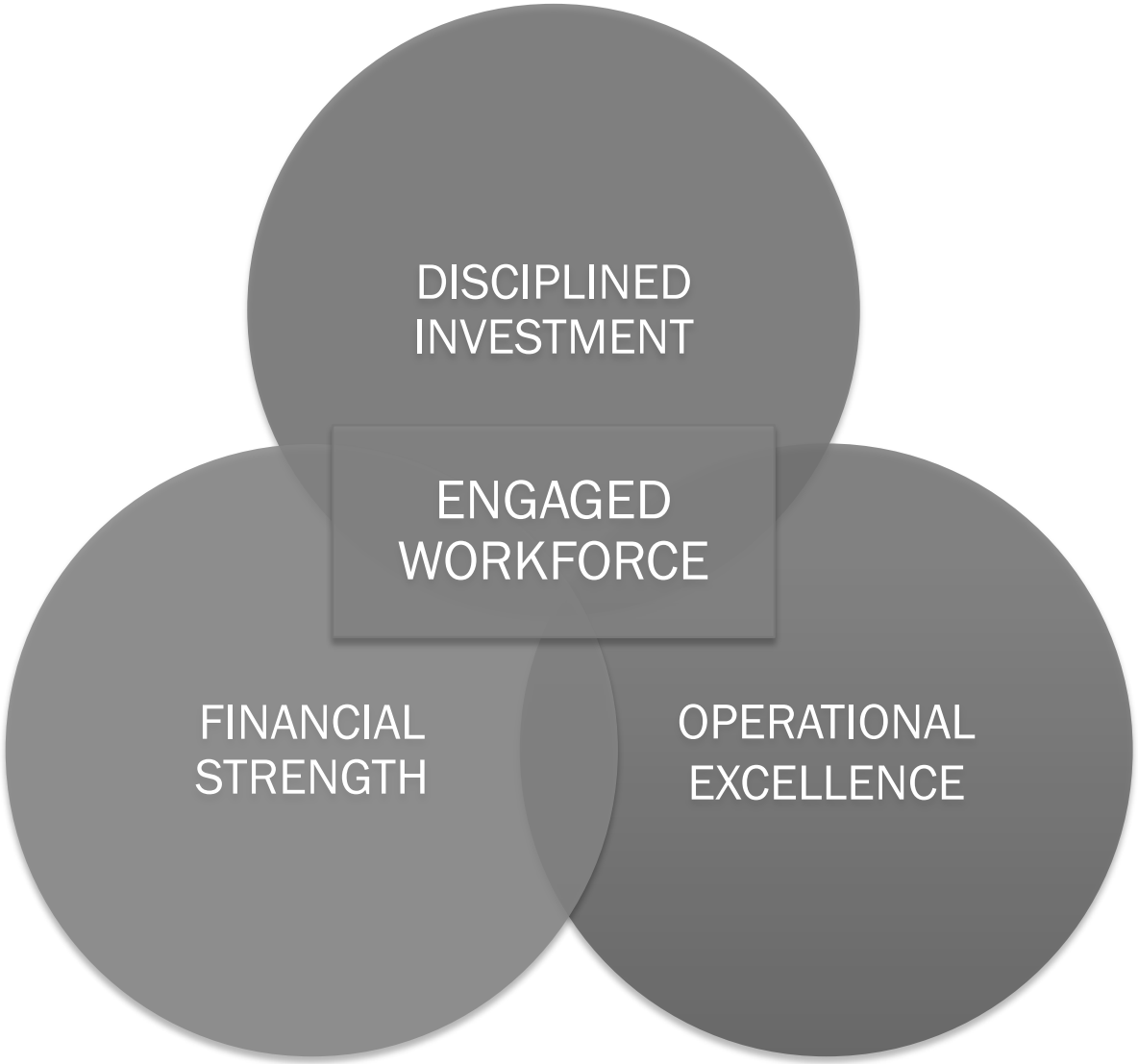
SI-SSA-0015-07549

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07550

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

SI-SSA-0015-07551

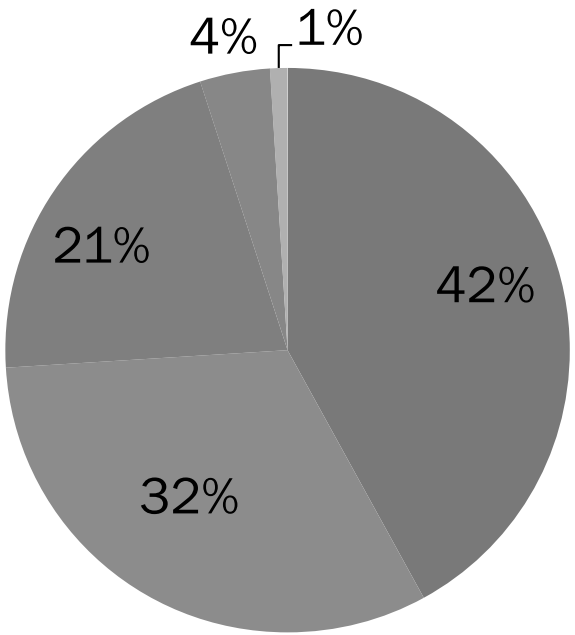
PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

2015 Actual

Fuel Diversity*

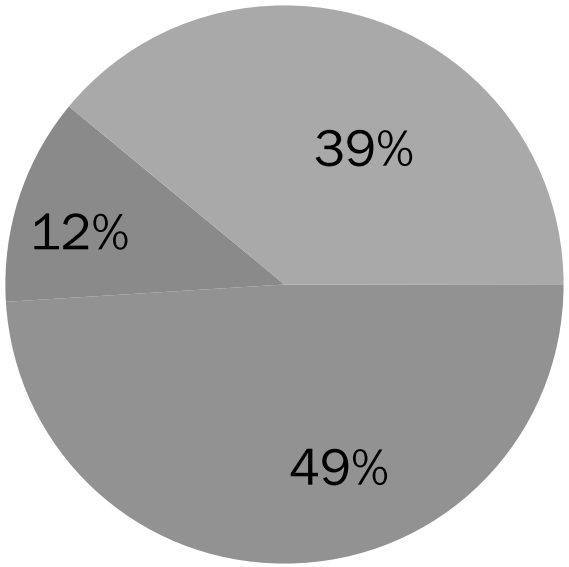
Total MW: 11,678



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

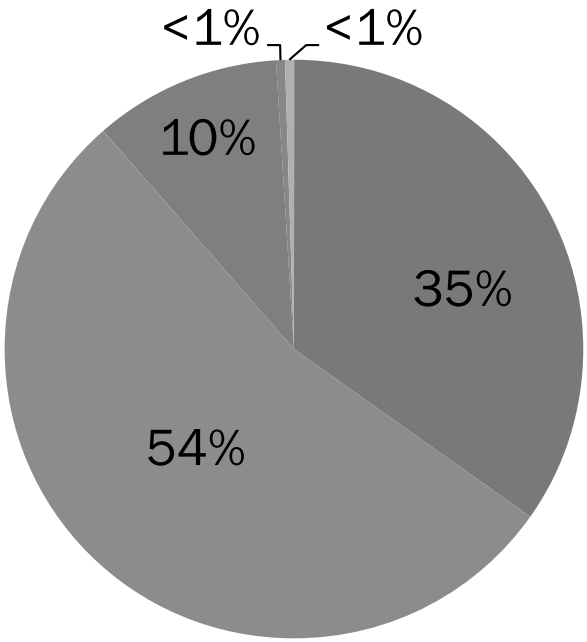
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 55,213



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

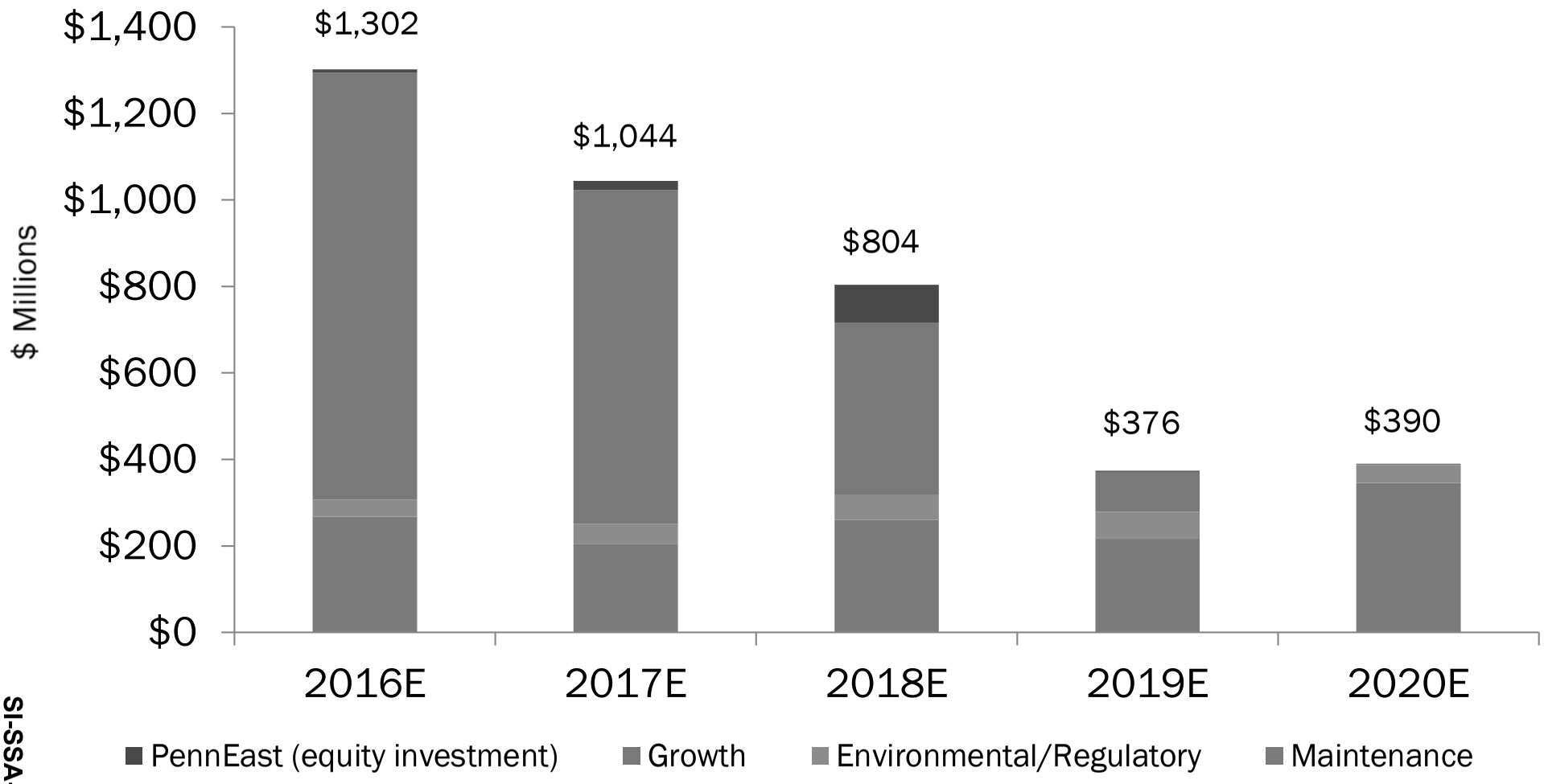
SI-SSA-0015-07552

PSEG

* EXCLUDES SOLAR AND KALAELOA.

**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

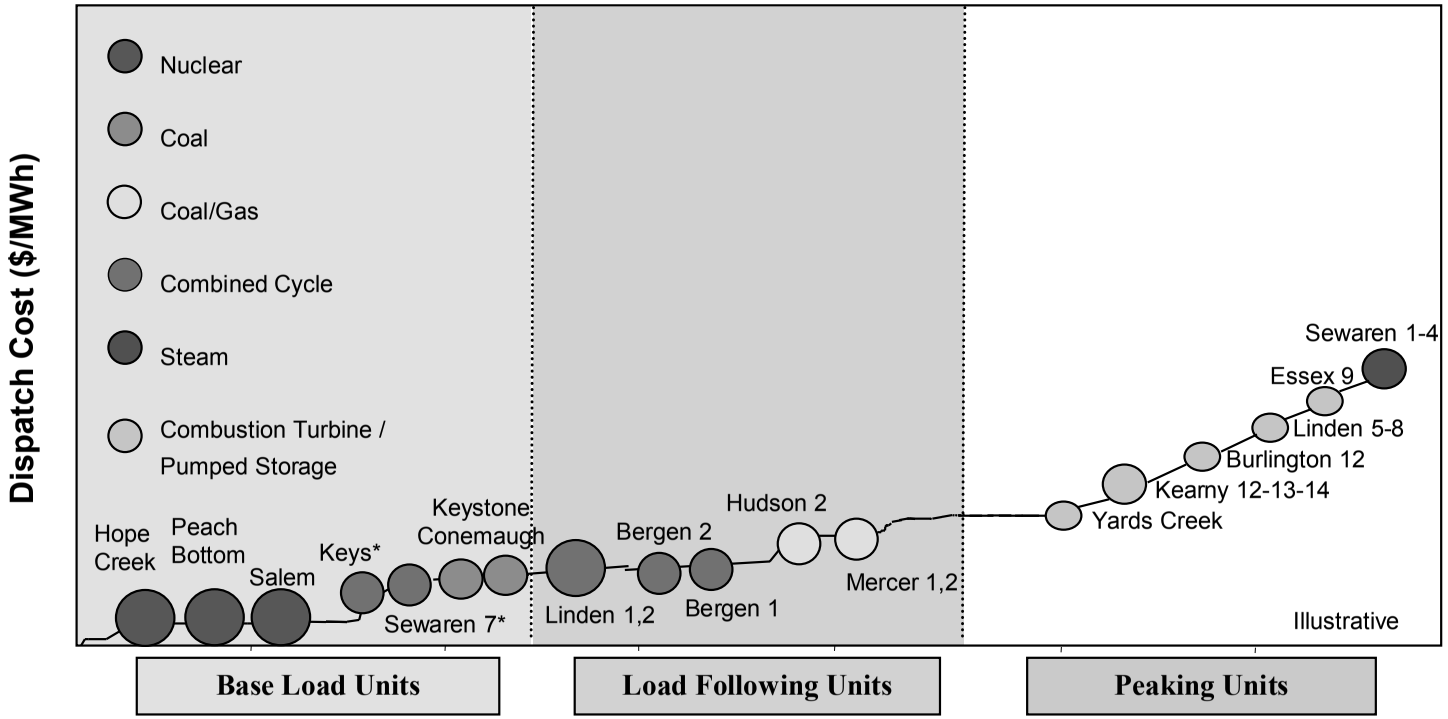
Power investing $2 billion of capital in new capacity



SI-SSA-0015-07553

E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

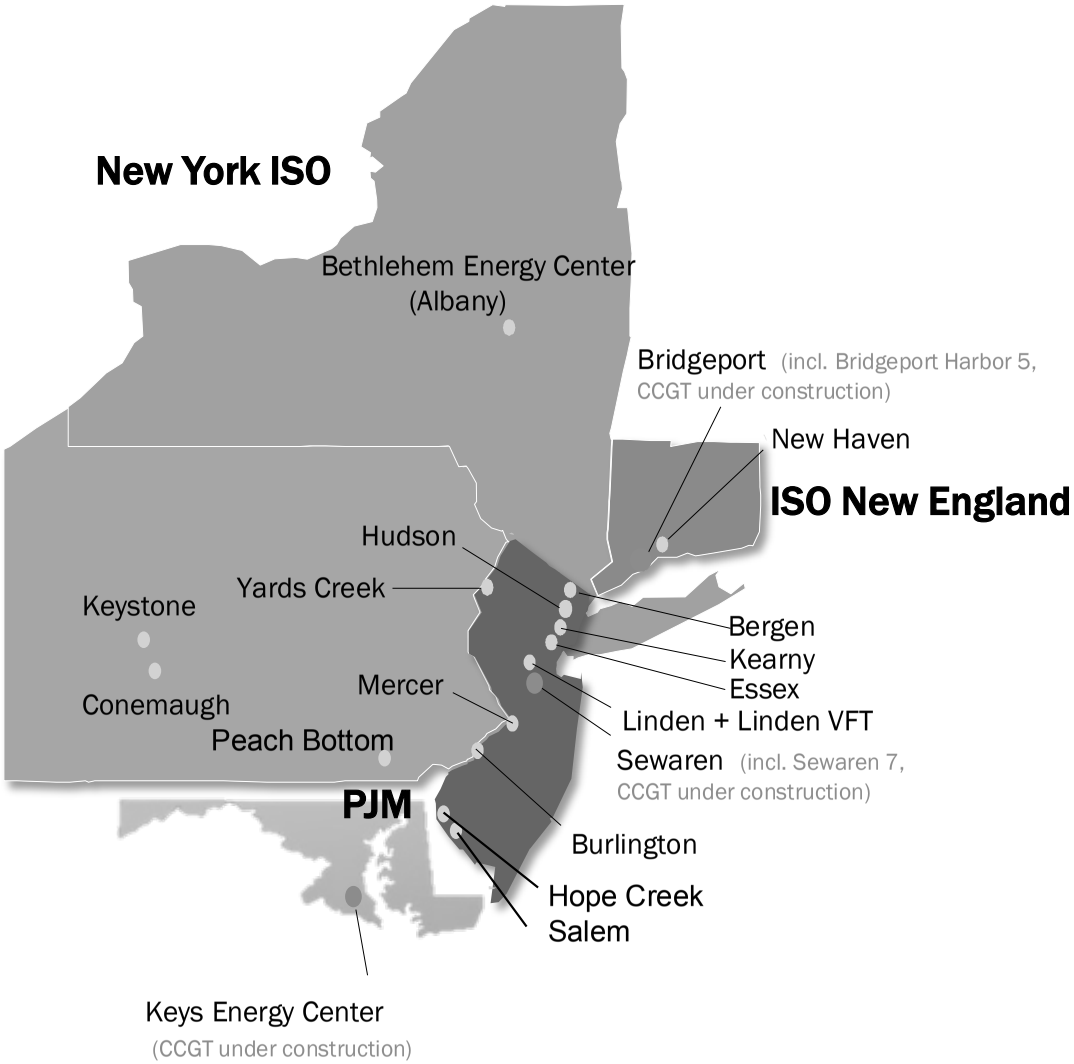
SI-SSA-0015-07554

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

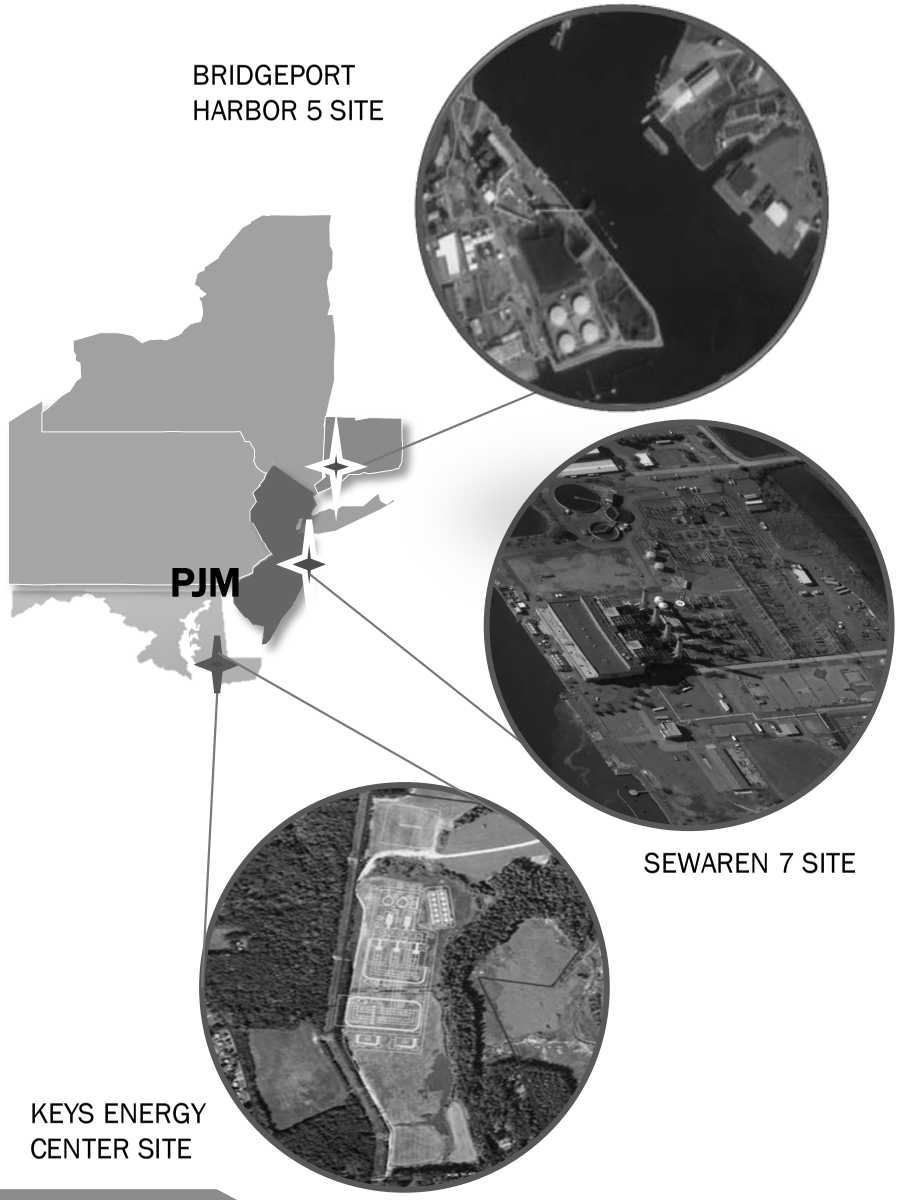
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-07555

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



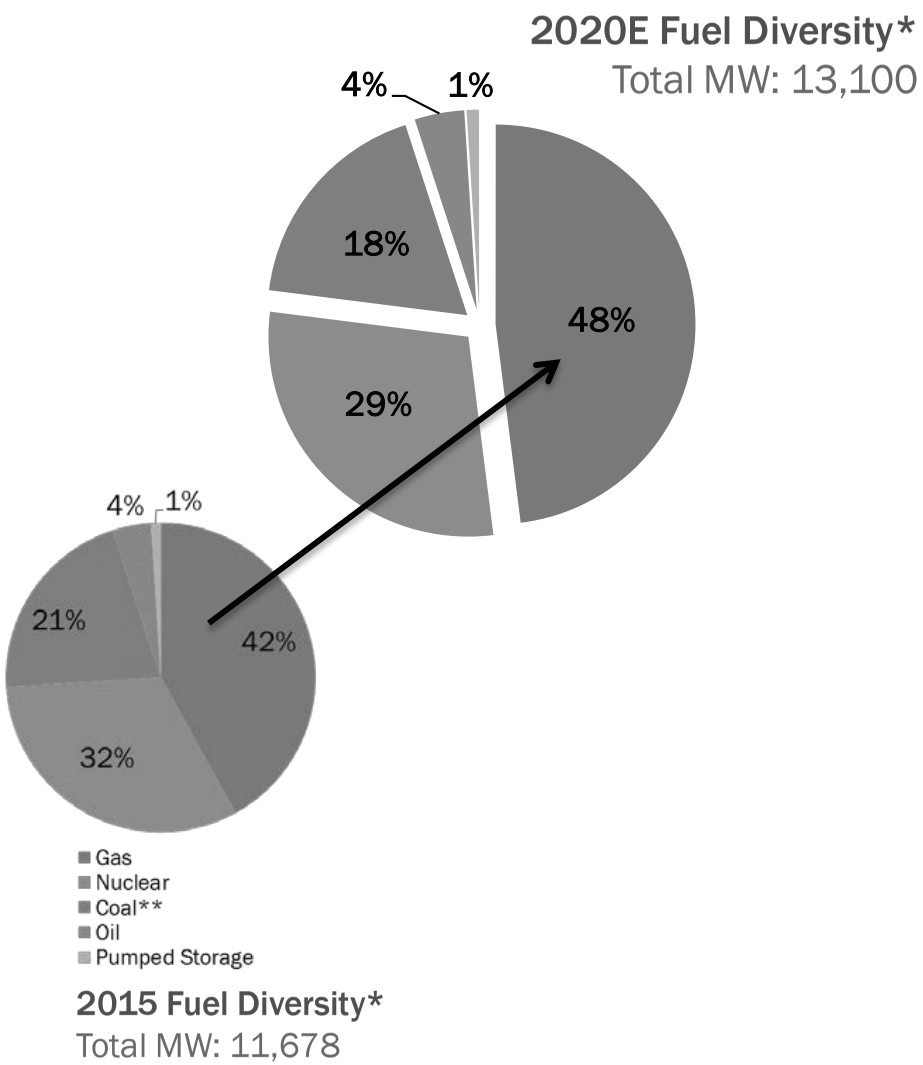
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

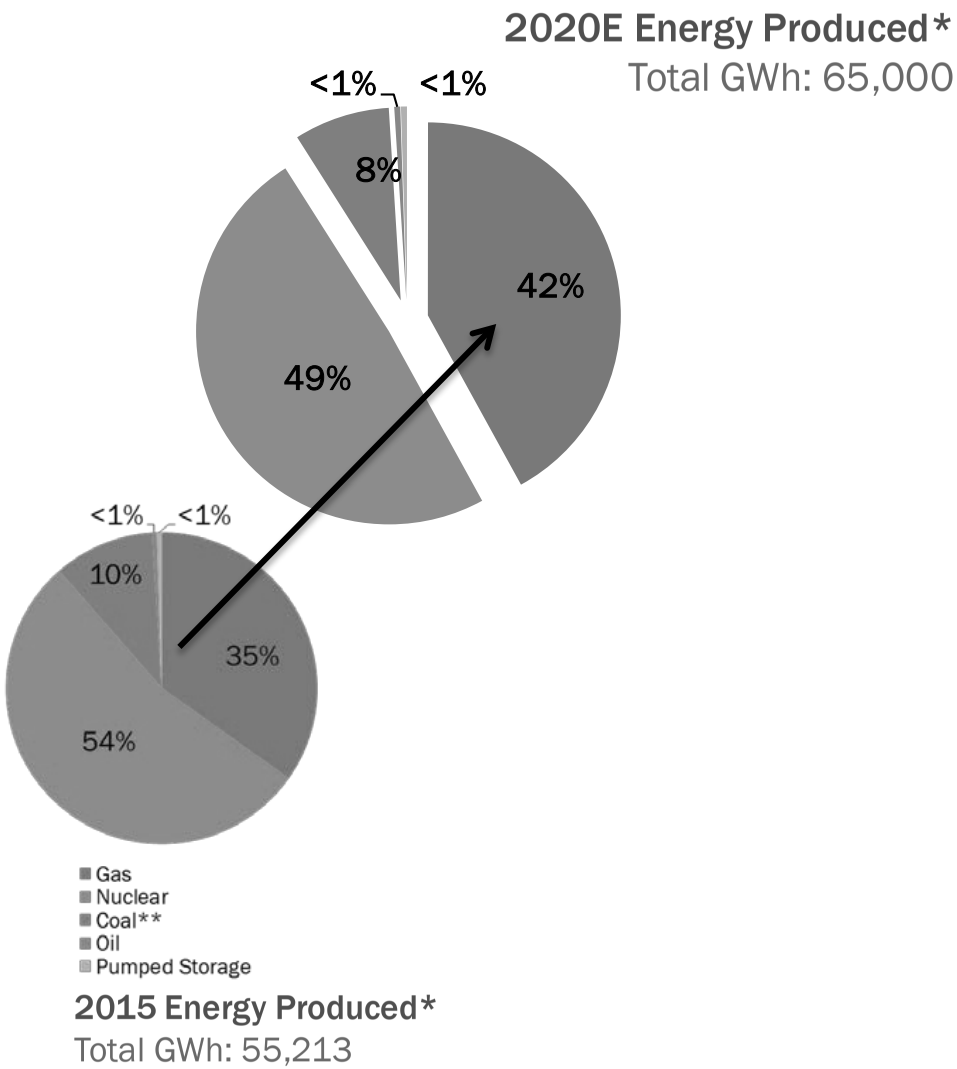
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-07556

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

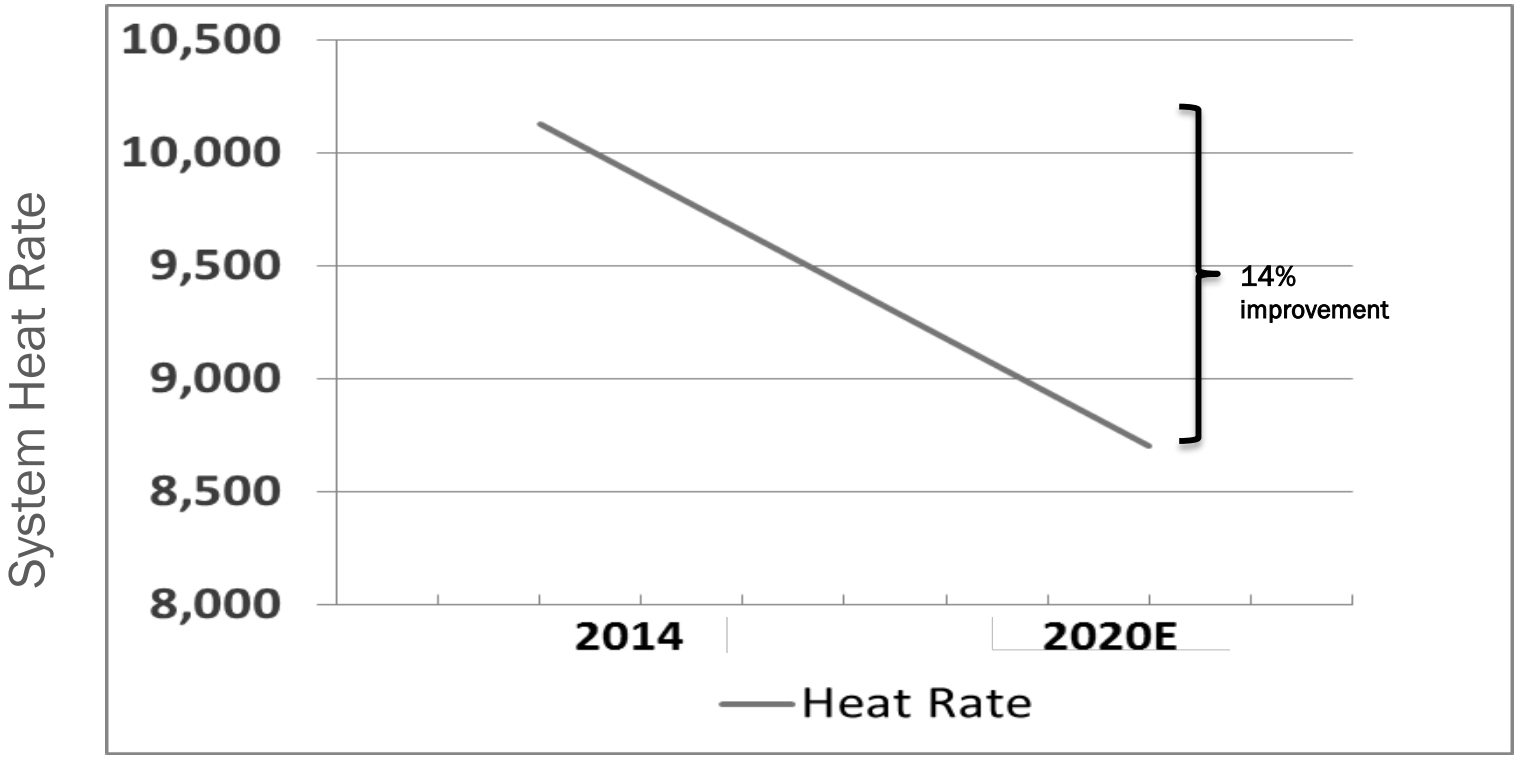




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-07557

PSEG Power's fossil fleet expected to see improvements in efficiency

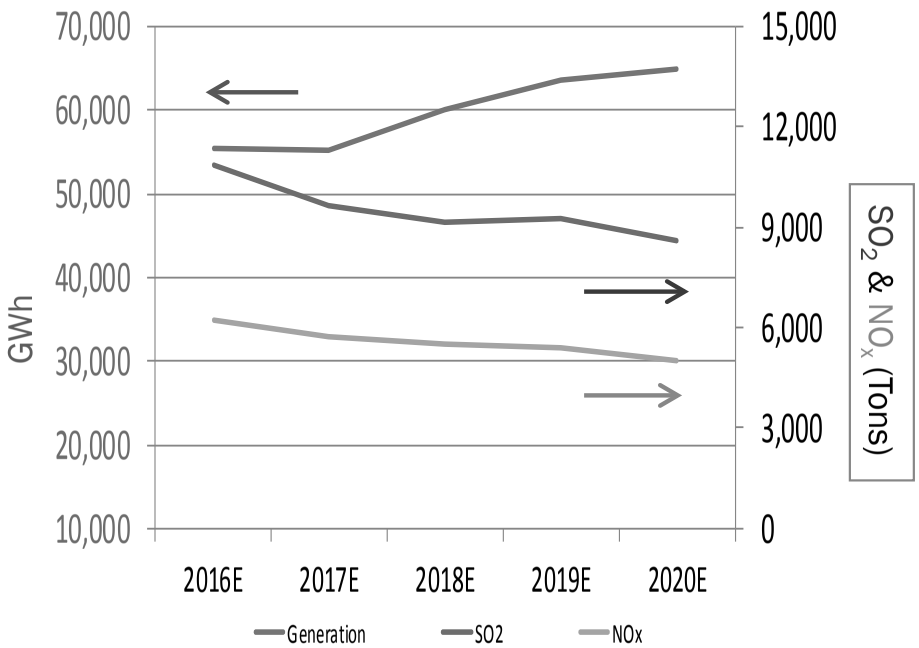


- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-07558

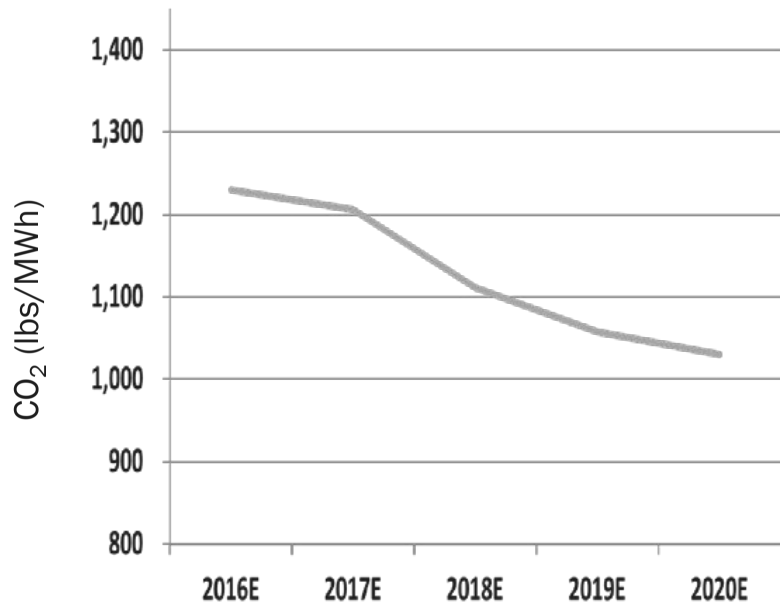
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-07559

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-07560

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-07561

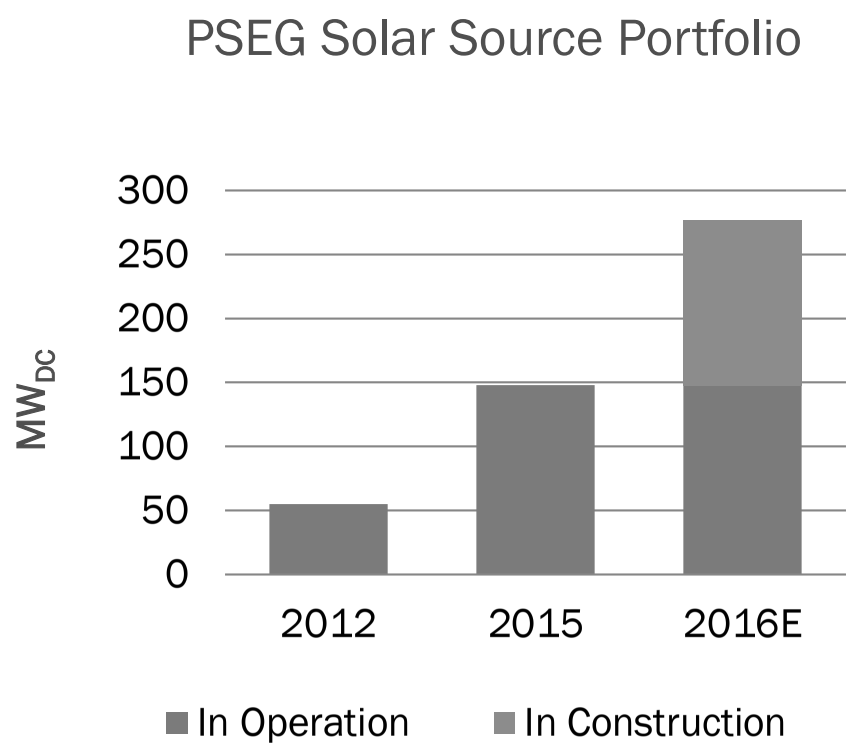
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



SI-SSA-0015-07562

* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

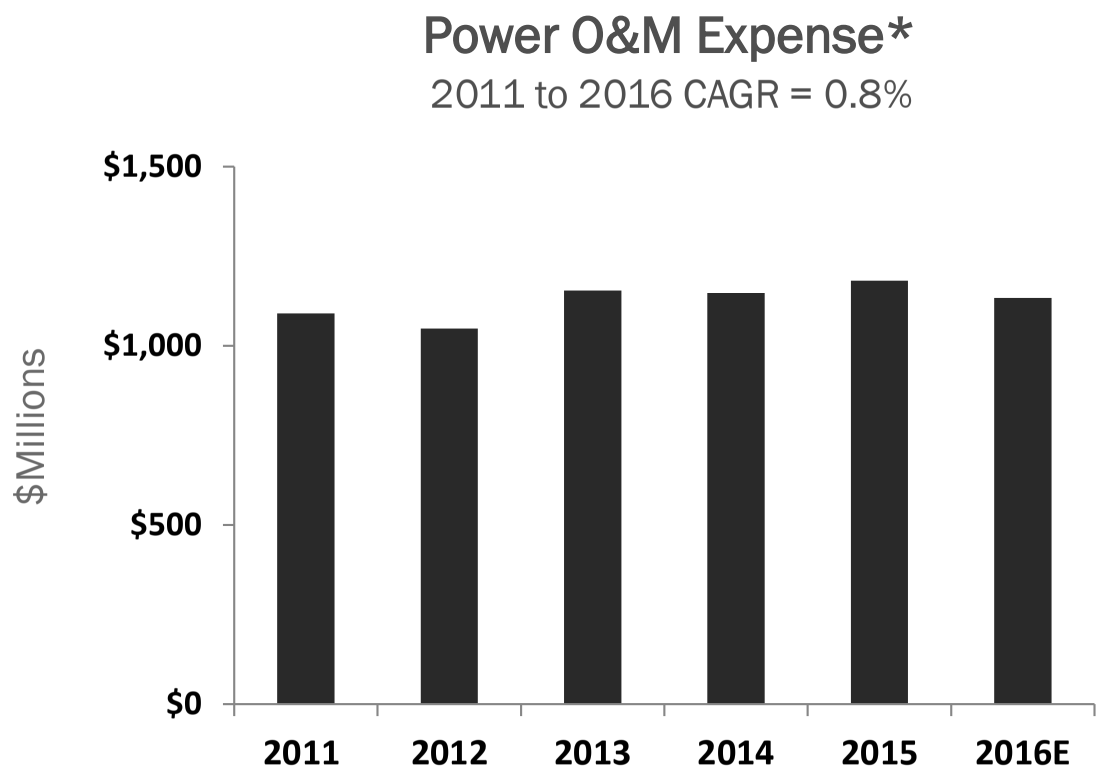
LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

SI-SSA-0015-07563

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-07564

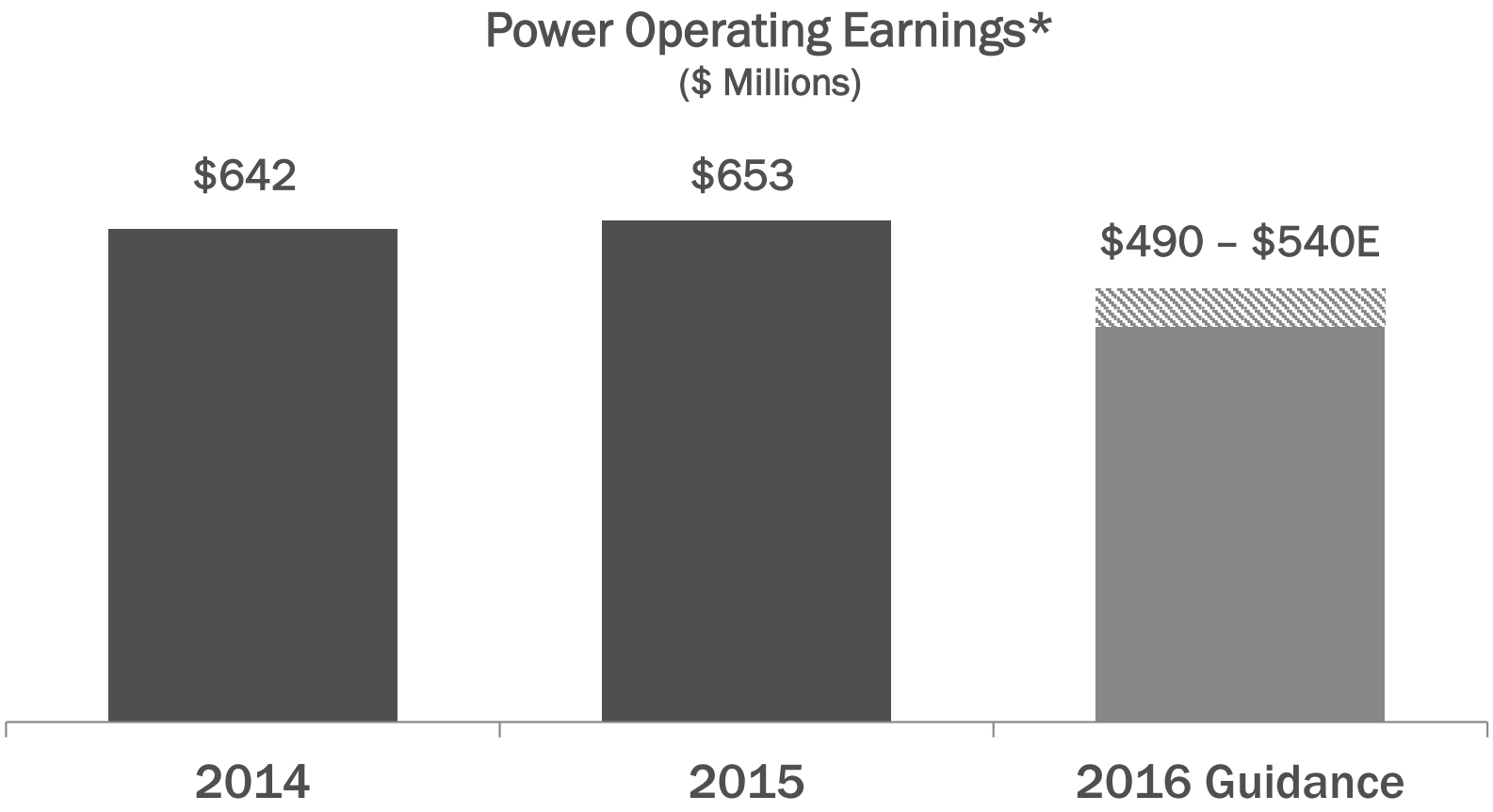
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-07565

Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



SI-SSA-0015-07566

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-07567

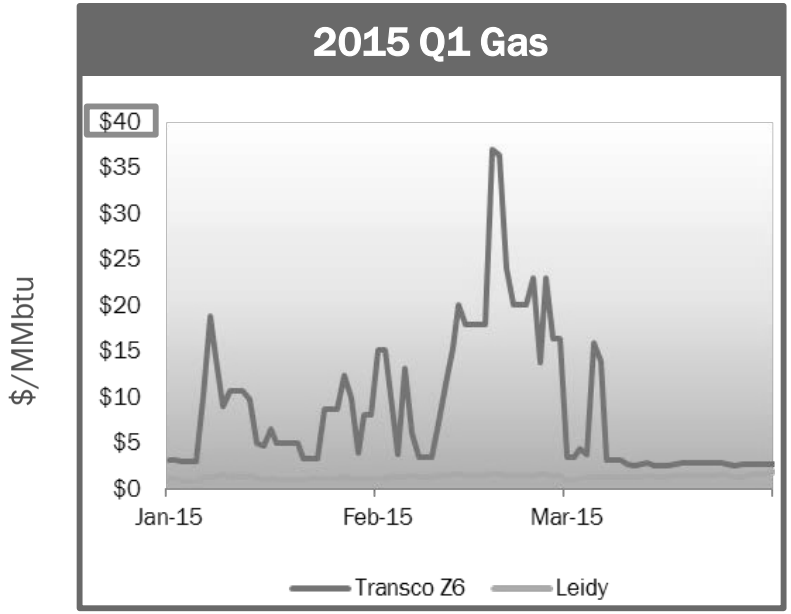
PSEG POWER
ER&T

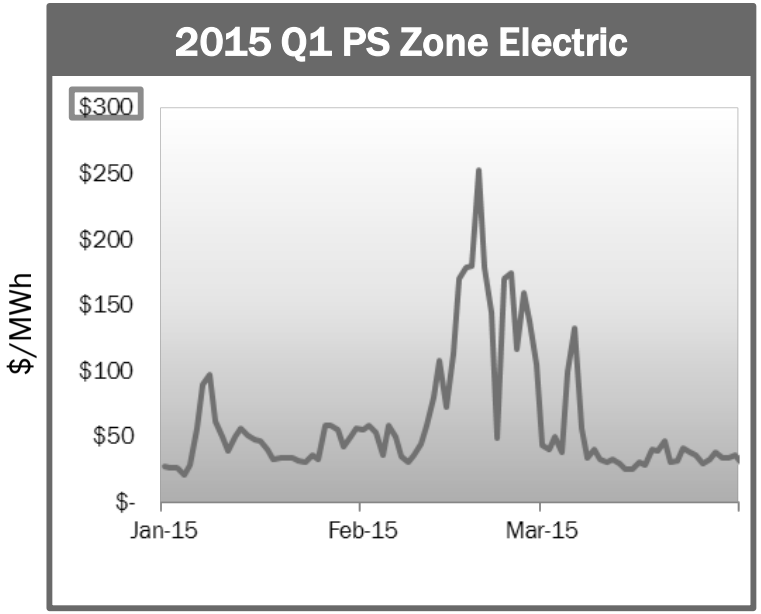
SI-SSA-0015-07568

PSEG

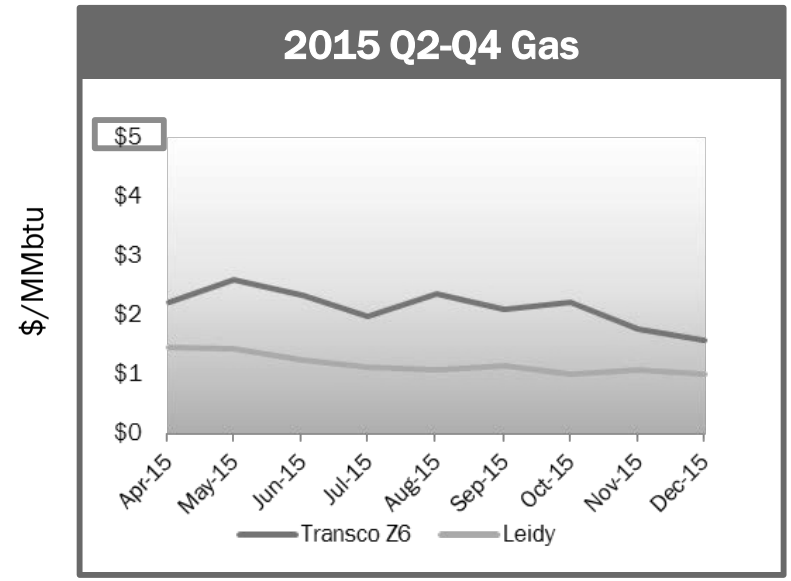
We make things work for you.

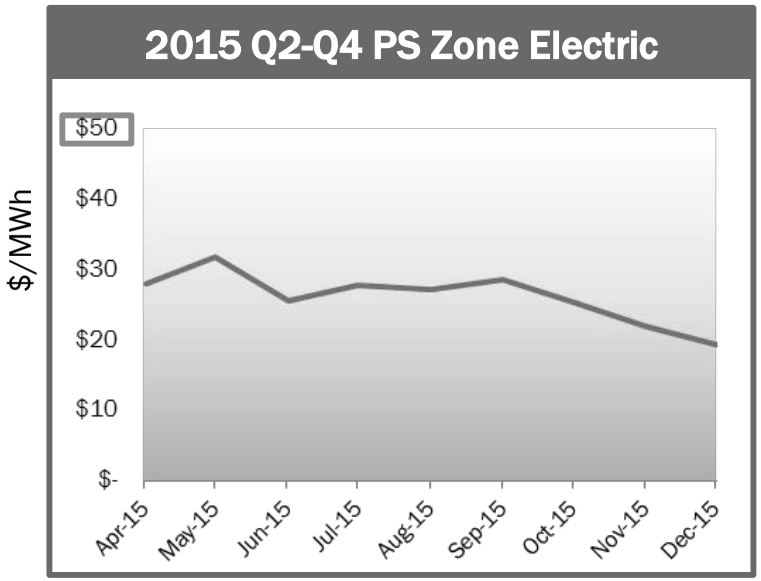
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

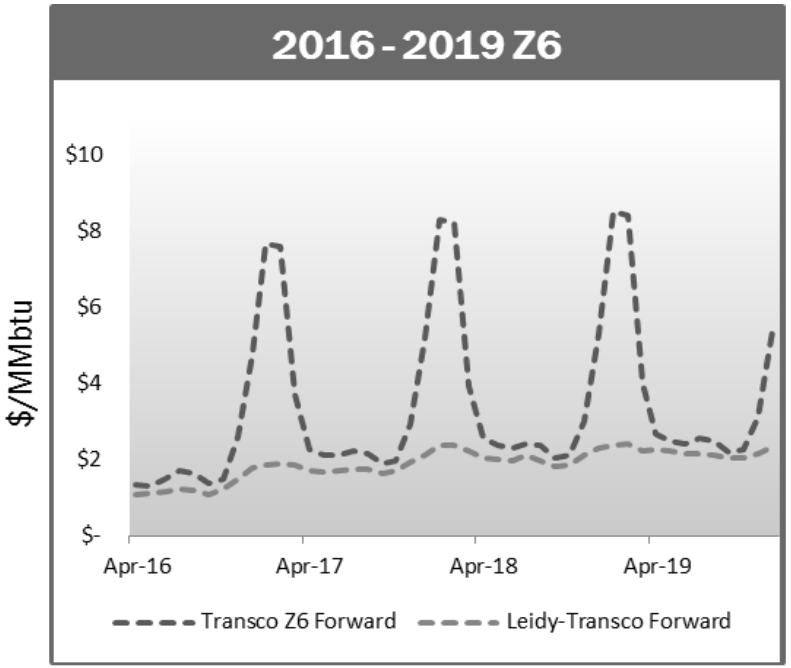


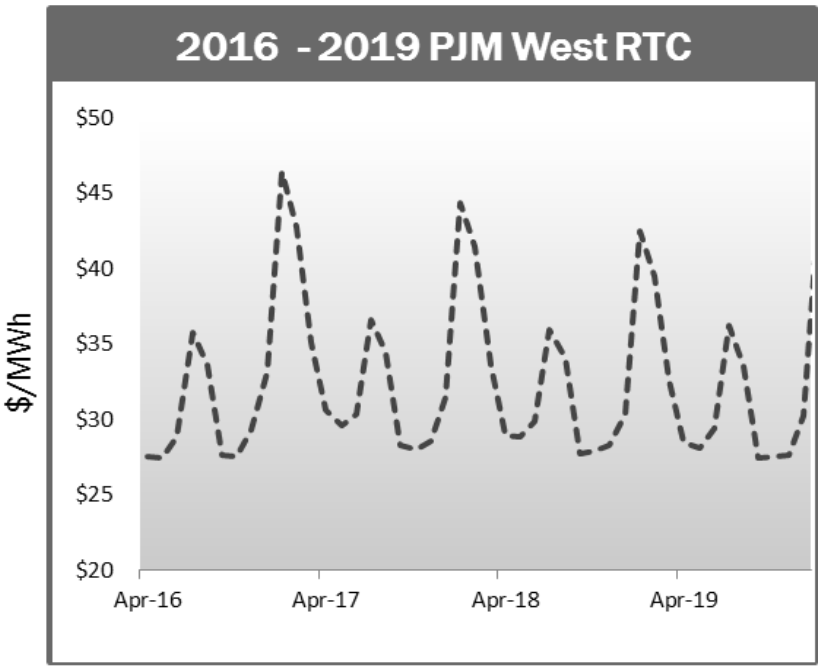


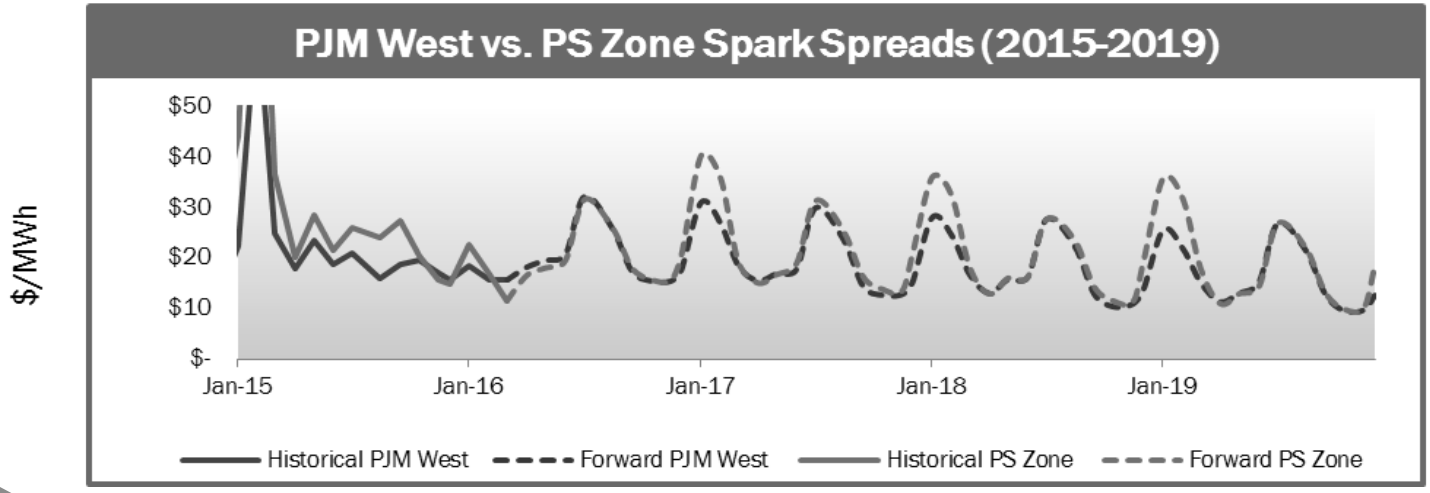
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-07569

Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

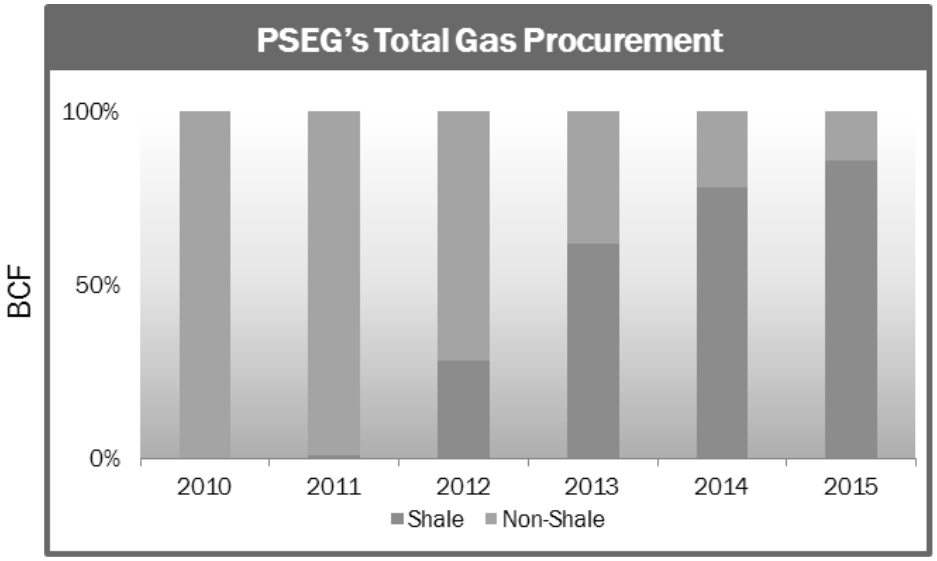


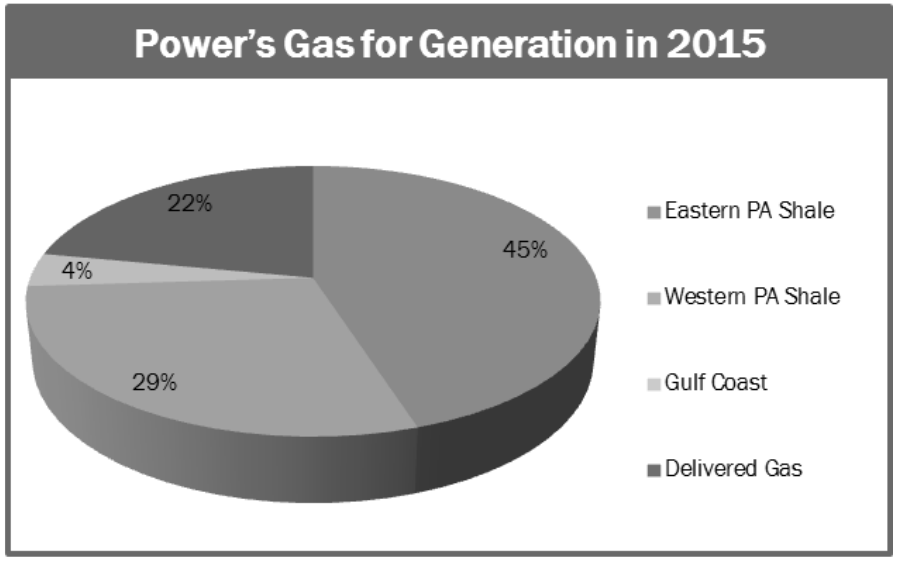




SI-SSA-0015-07570

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



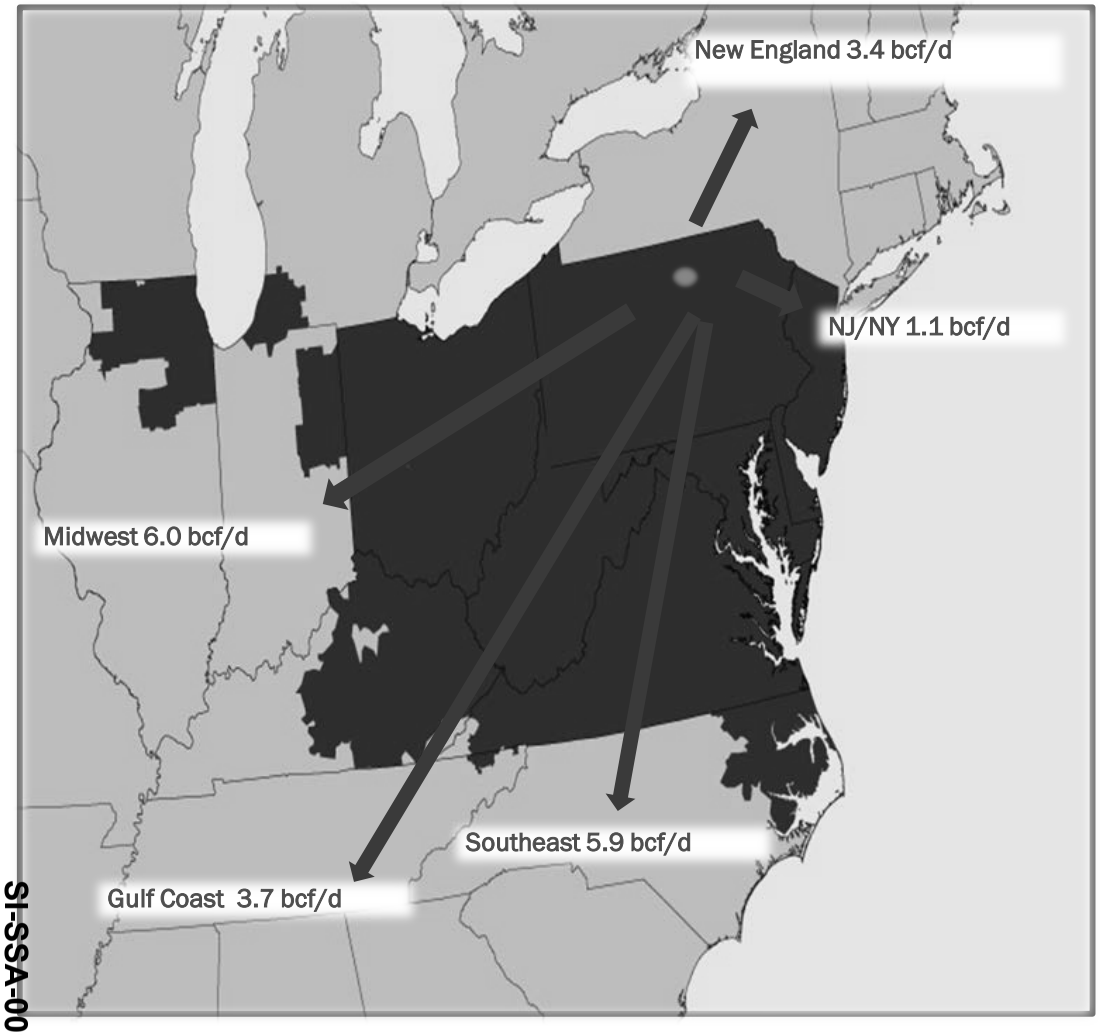


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-07571

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-07572

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

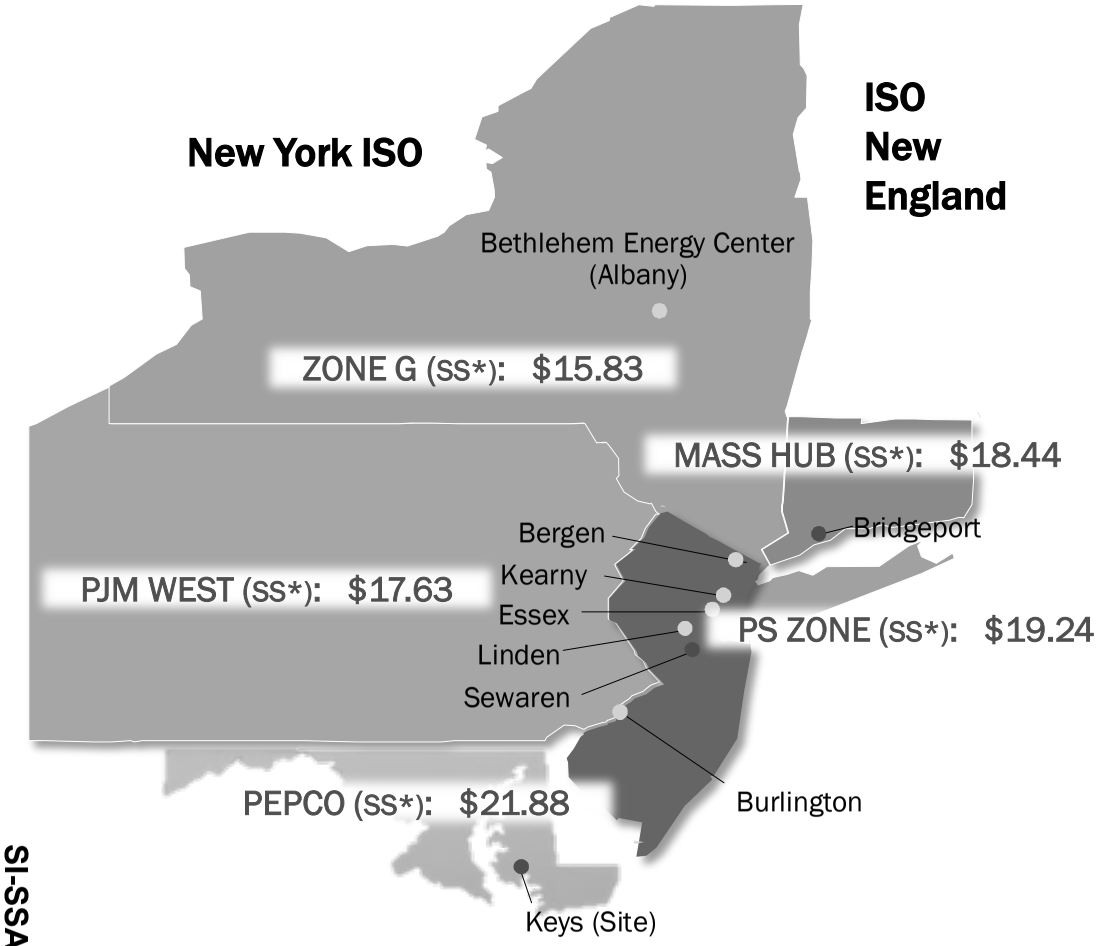
	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

SI-SSA-0015-07573

PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

SI-SSA-0015-07574

PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

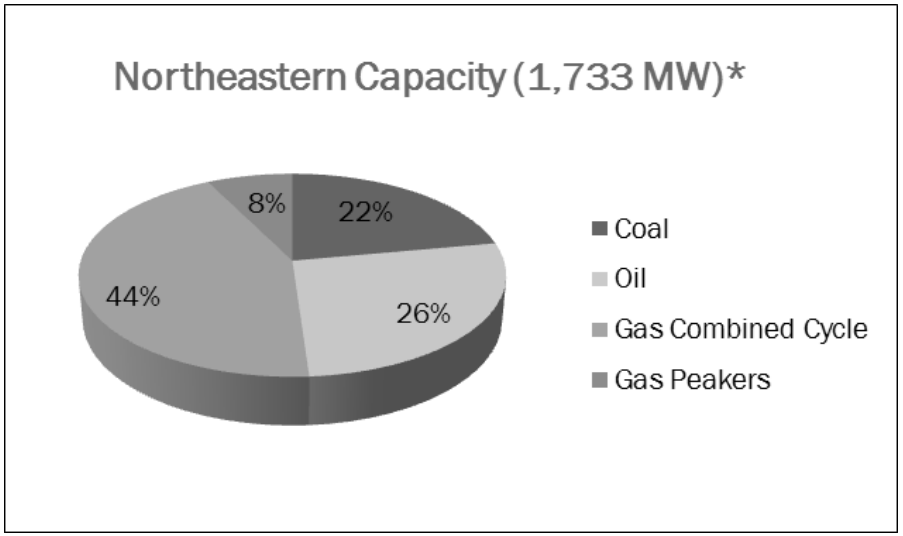
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-07575

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

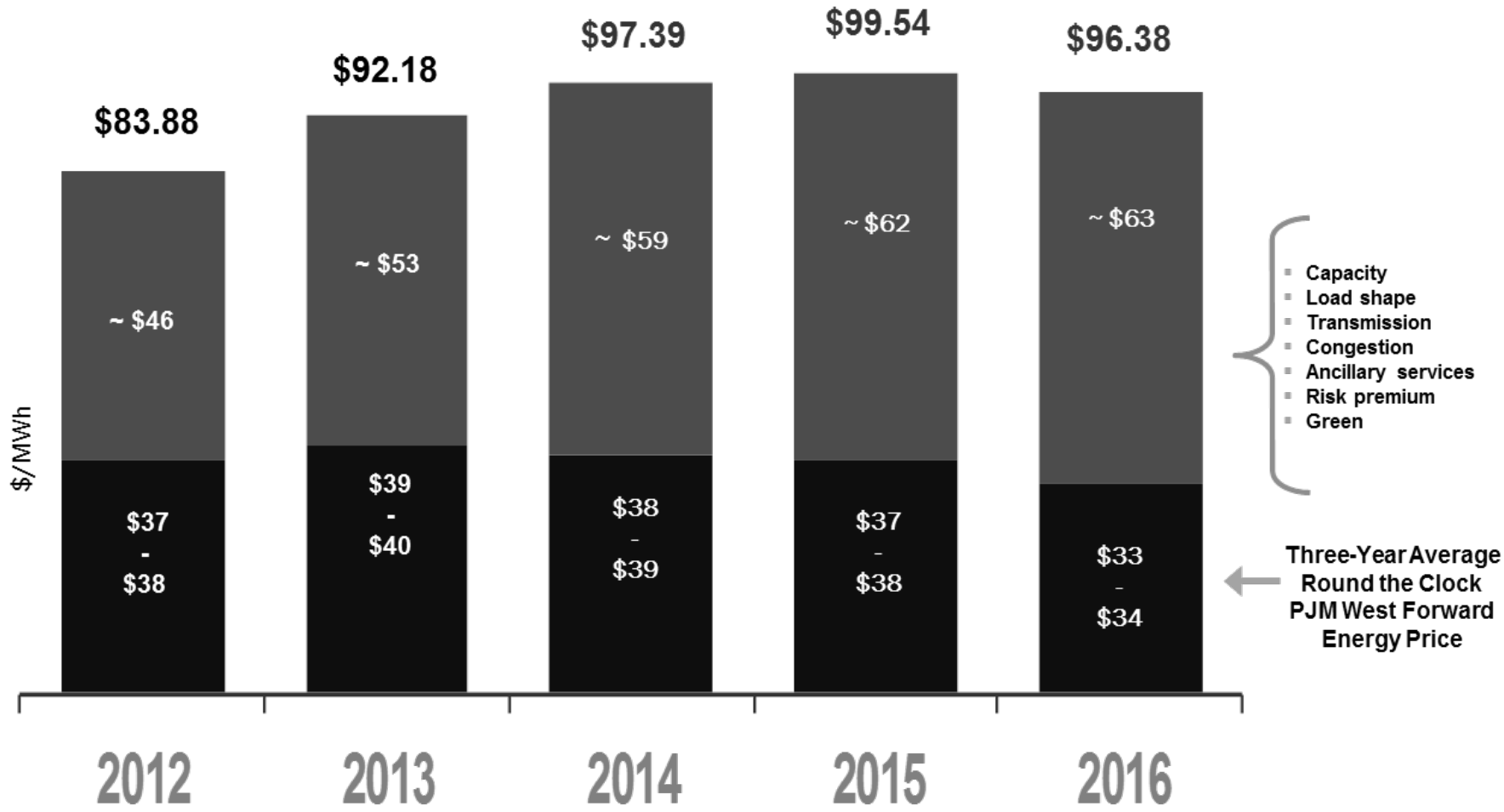
ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

SI-SSA-0015-07576

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-07577

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		April-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	36	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	14	19	24
	% Hedged	25-30%	0%	0%
	Price $/MWh	$49	-	-
Total	Volume TWh	39-41	54-56	59-61
	% Hedged	70-75%	50-55%	20-25%
	Price $/MWh	$49	$49	$49

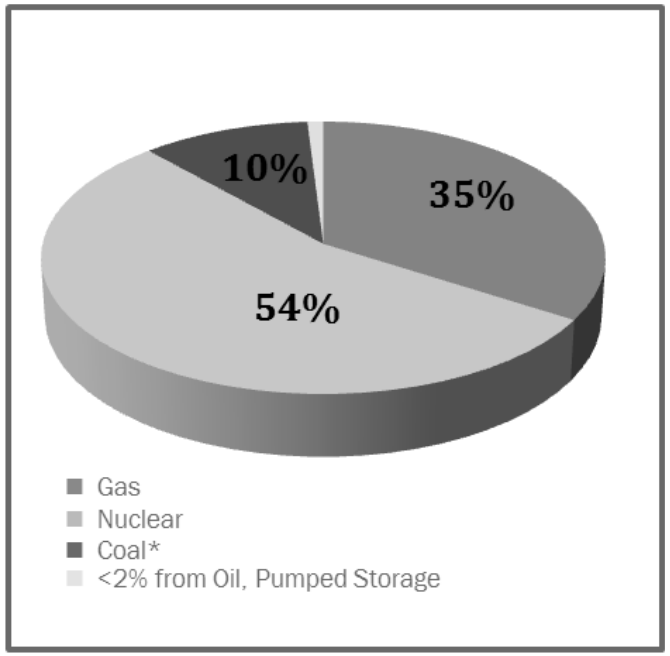
HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-07578

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

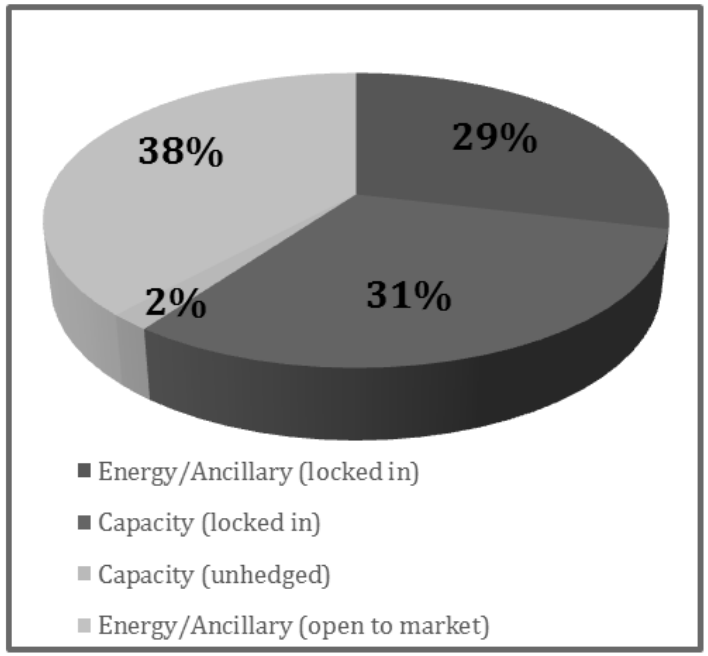
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



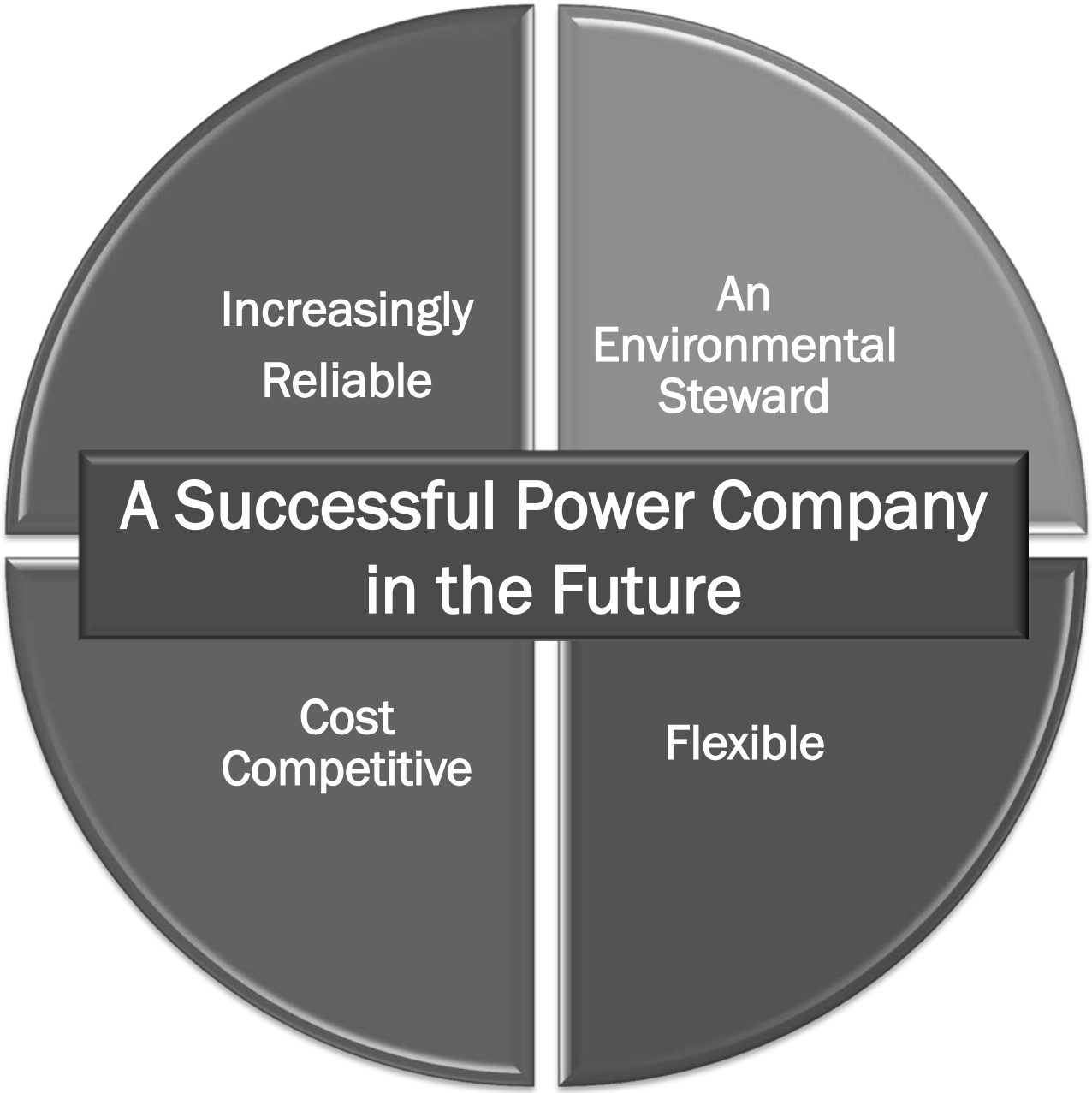
. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-07580



SI-SSA-0015-07581

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-07582

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-07583

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-07584

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-07585

PSEG

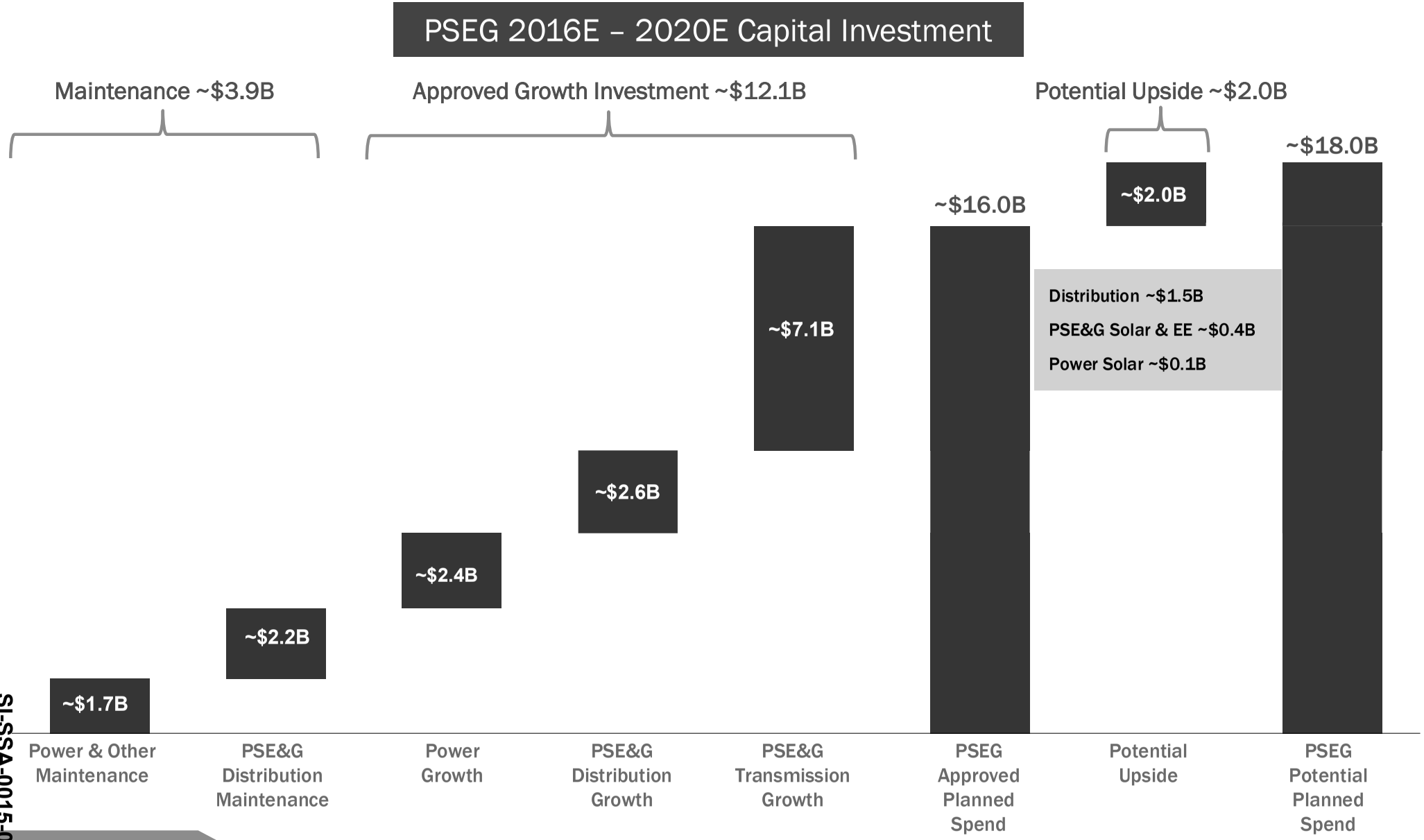
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-07586

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

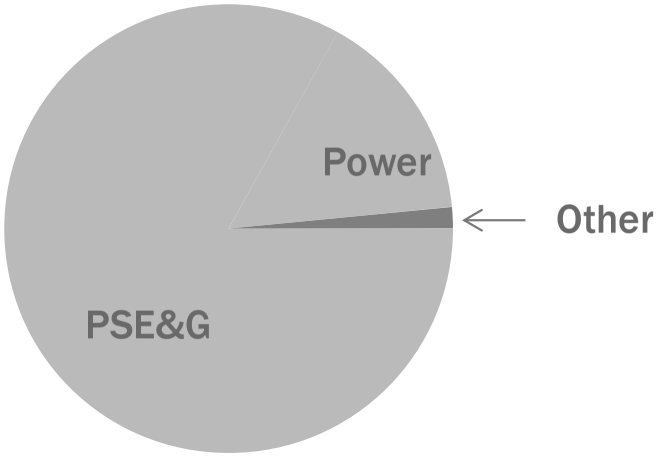
SI-SSA-0015-07587

We increased our Capital Program by $3B

since last year

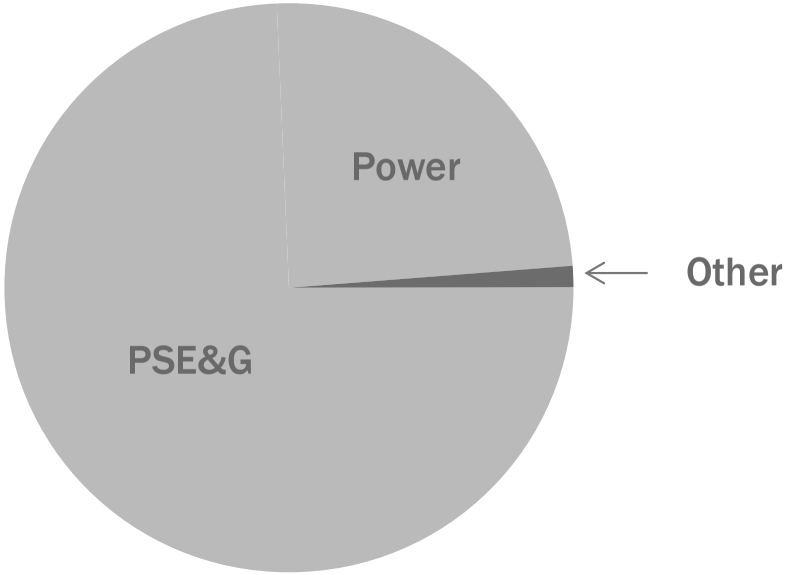
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

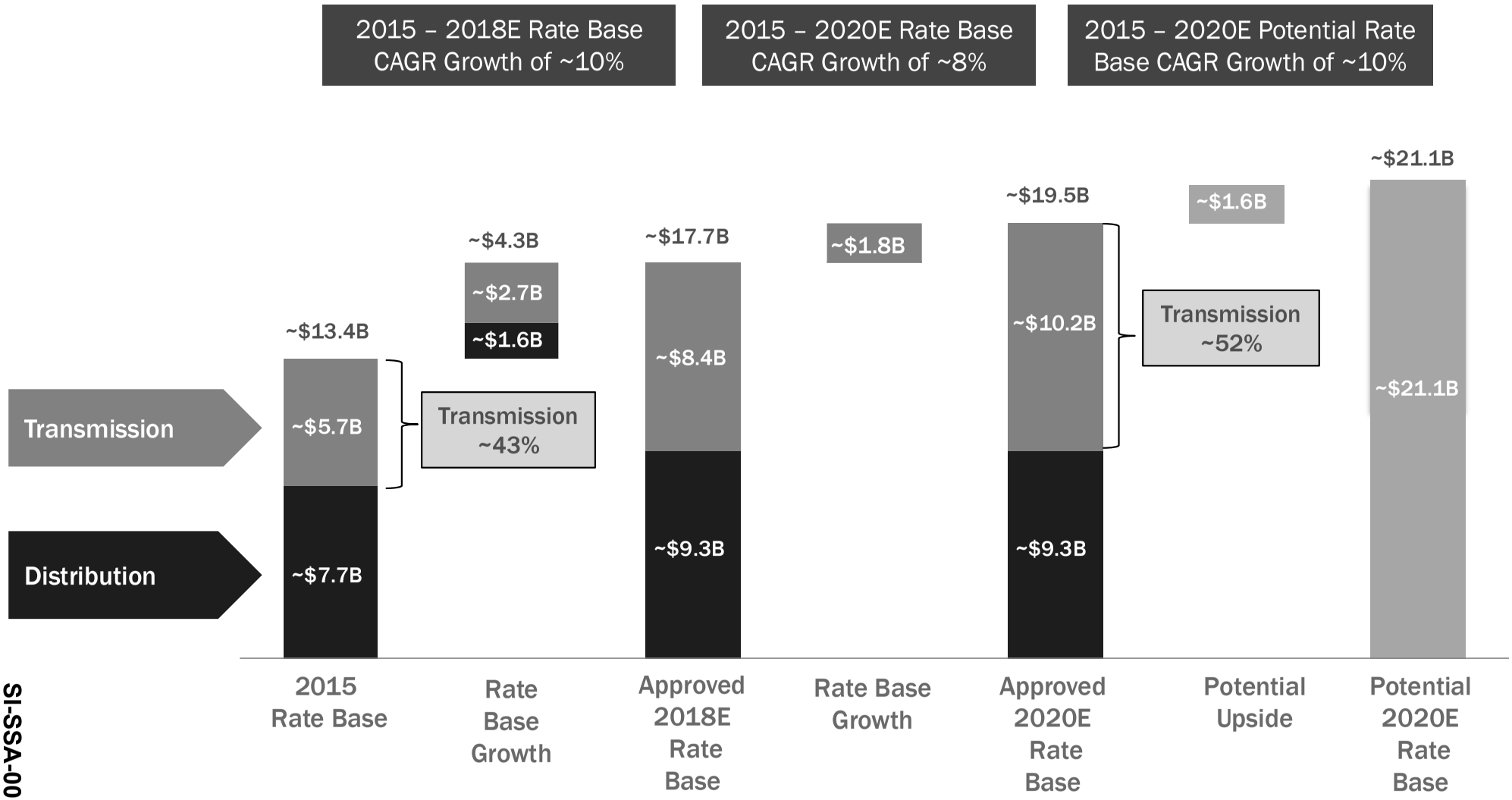


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-07588

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-07589

Bonus Depreciation adds $1.7B cash

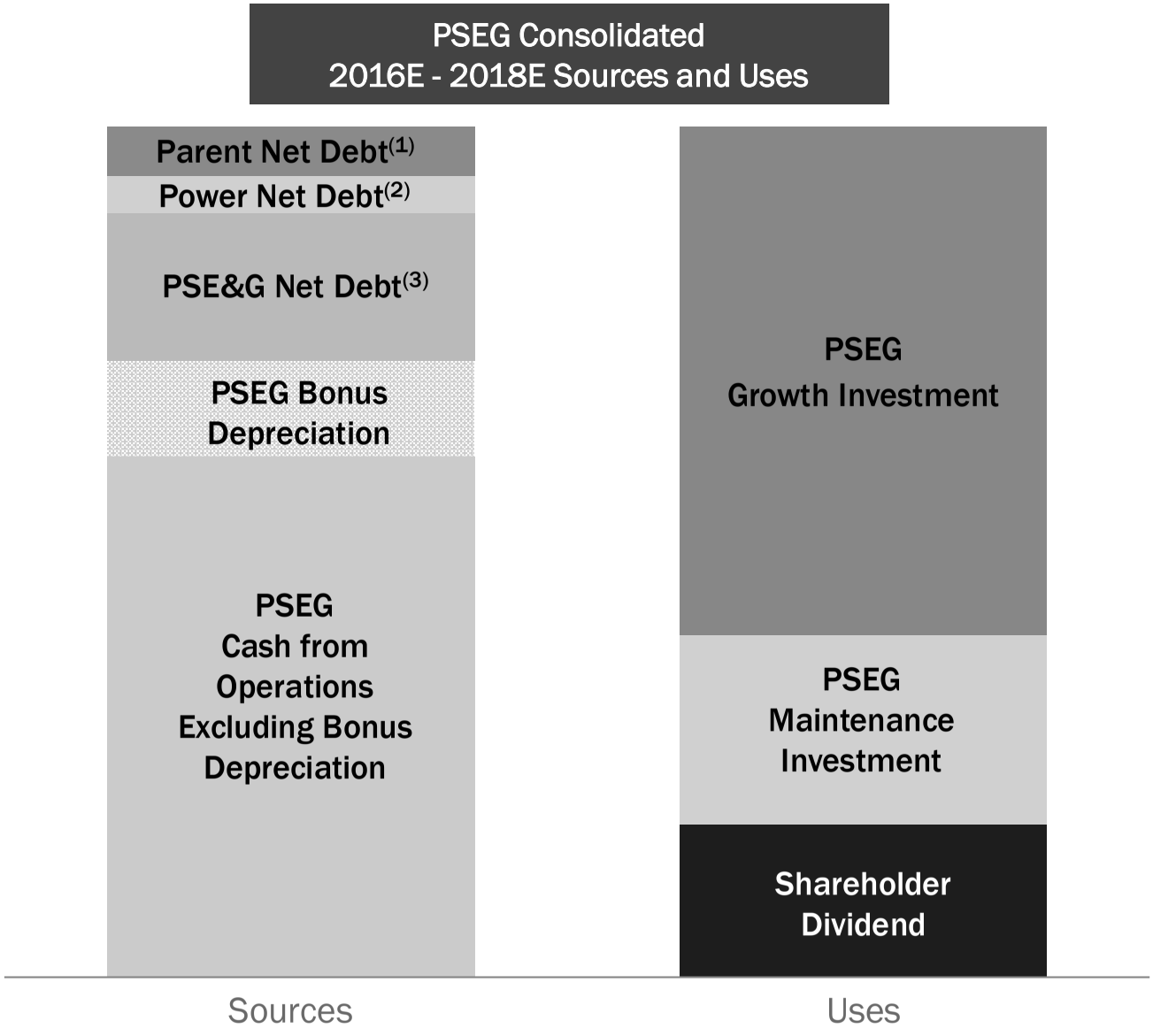
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-07590

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-07591

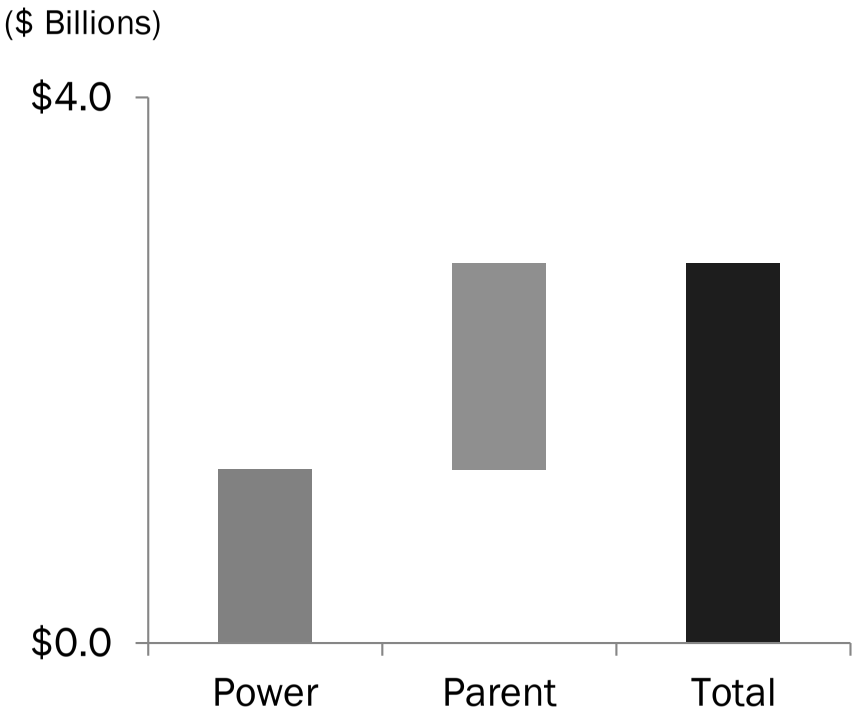
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

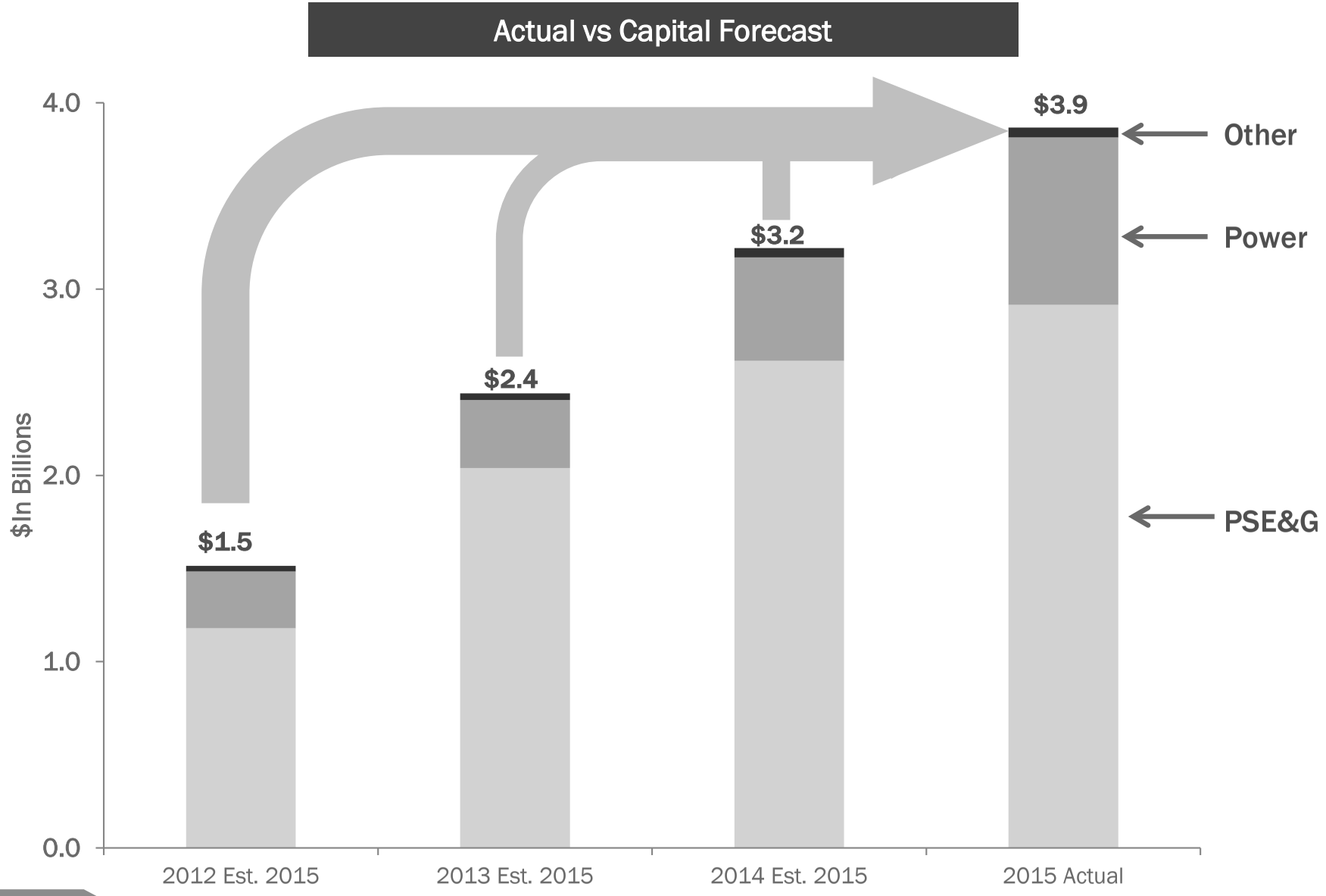
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

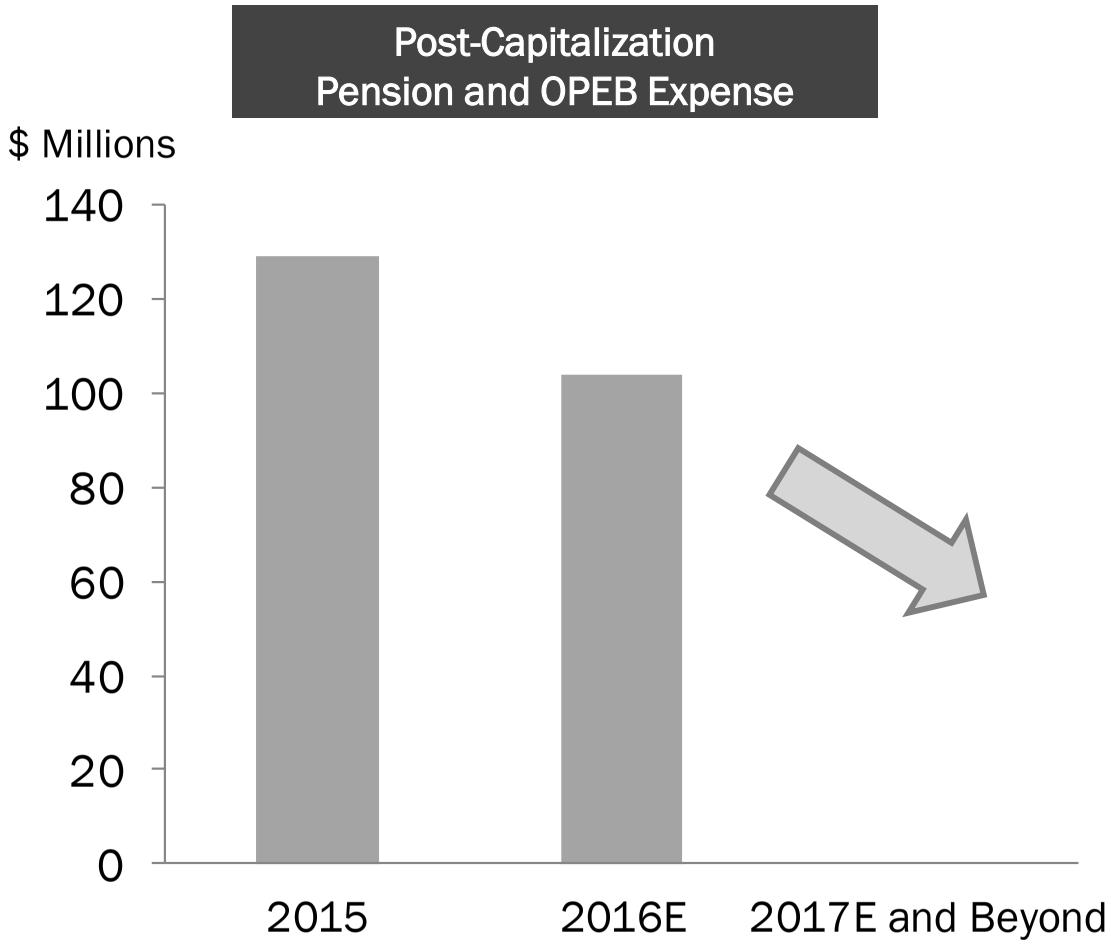
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-07593

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

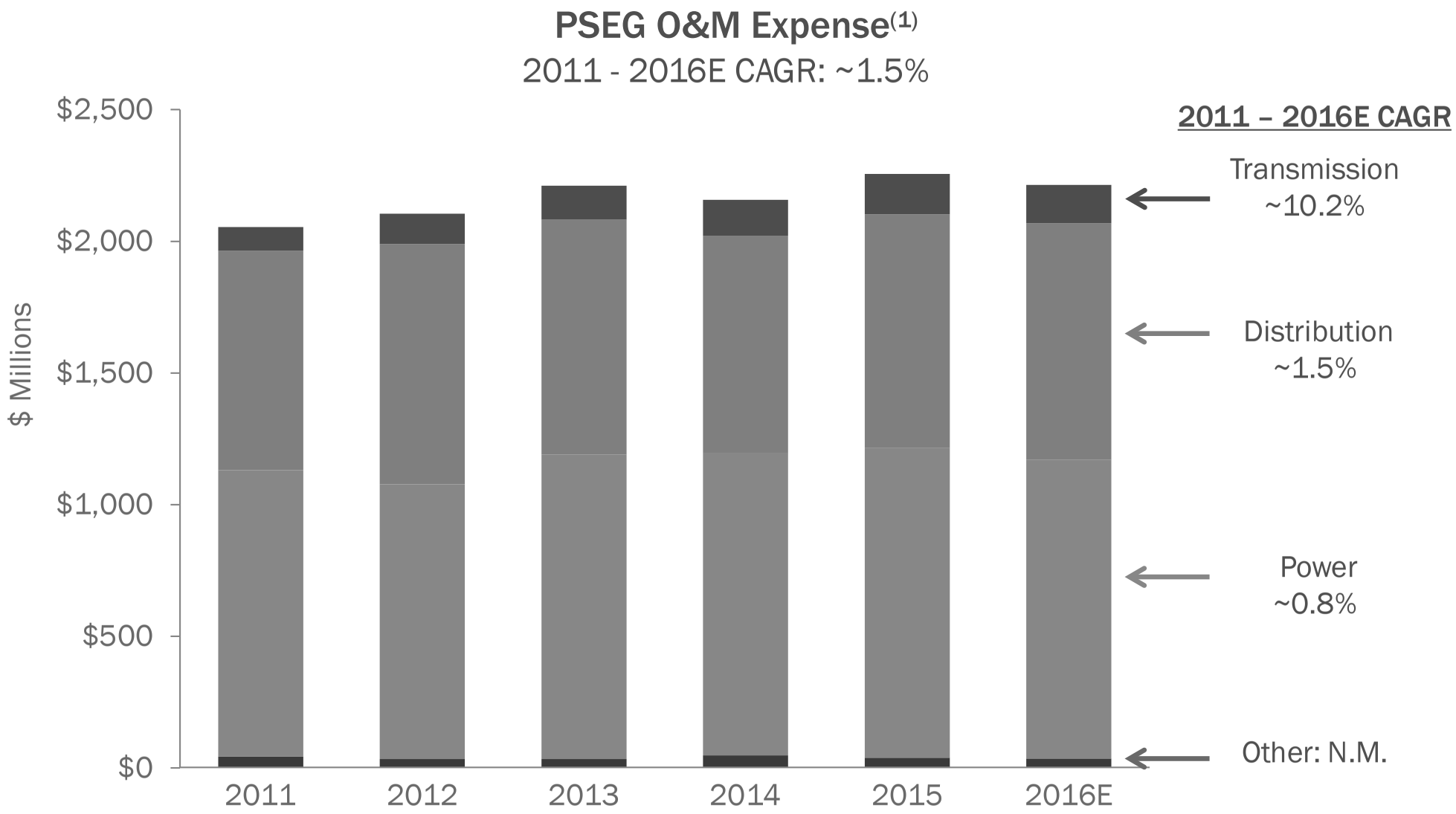


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-07594

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

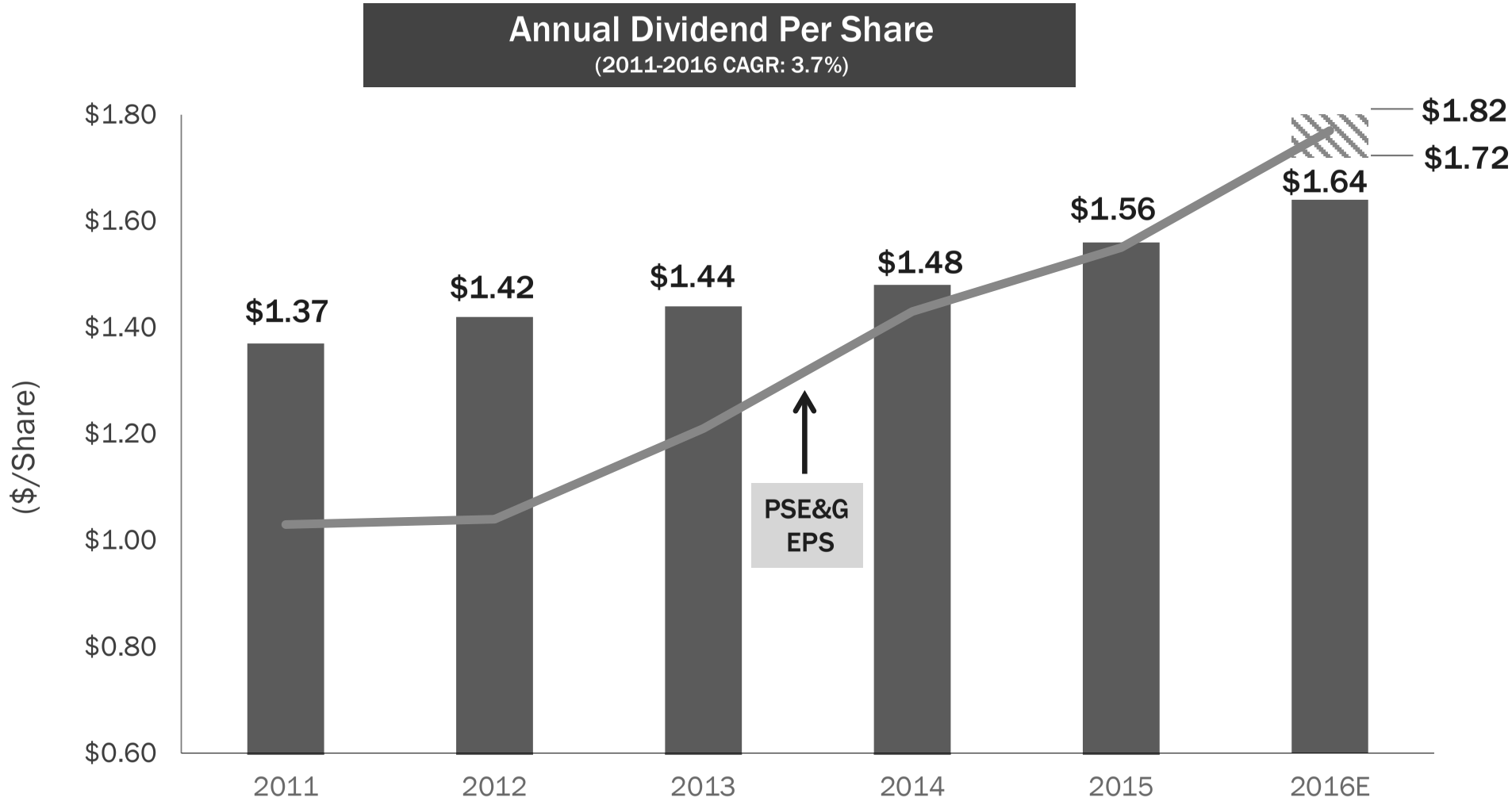


SI-SSA-0015-07595

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

SI-SSA-0015-07596

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-07597

PSEG Summary

- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

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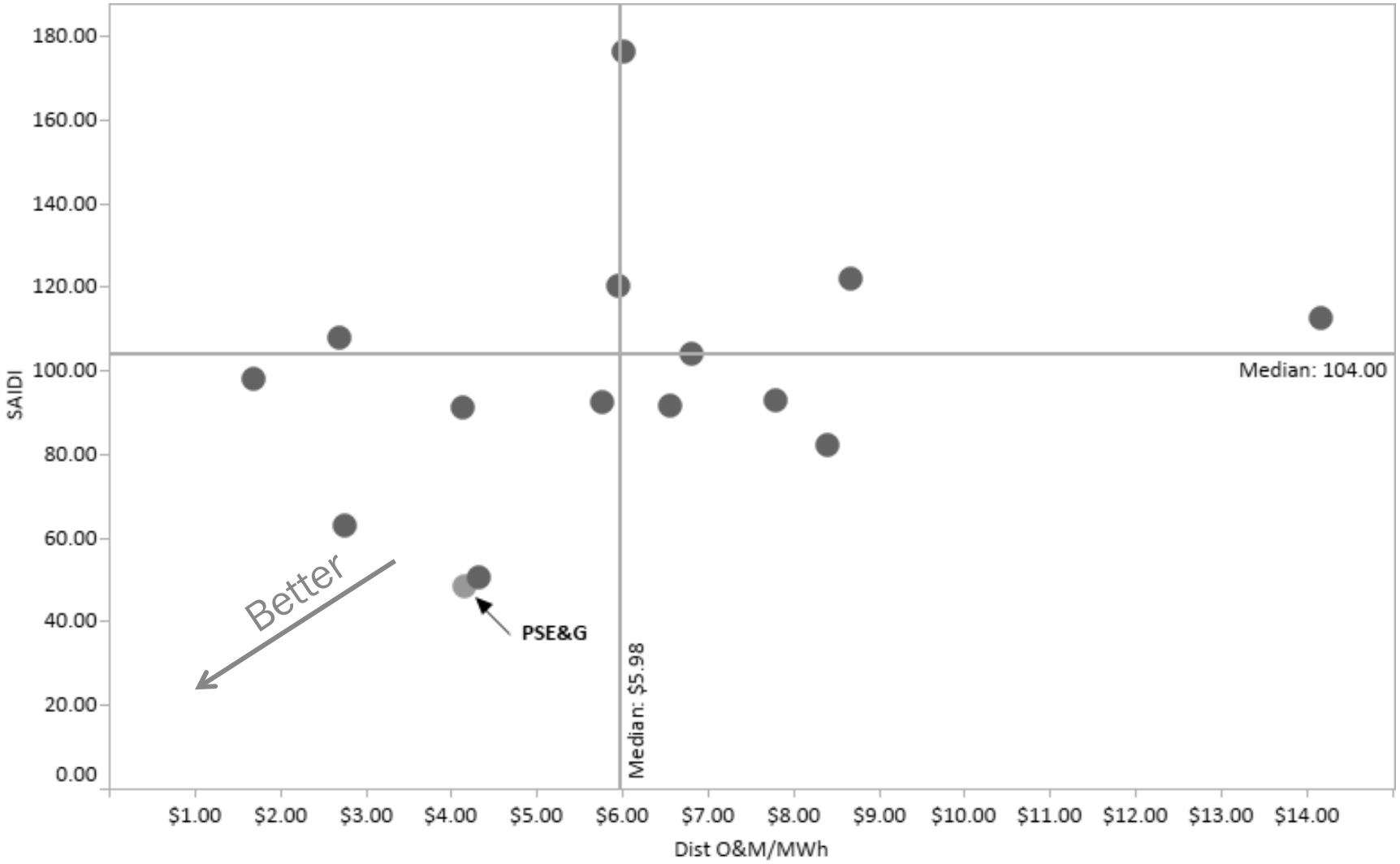
PSE&G APPENDIX

SI-SSA-0015-07599

PSE&G provides high reliability at below average cost which creates superior value for customers

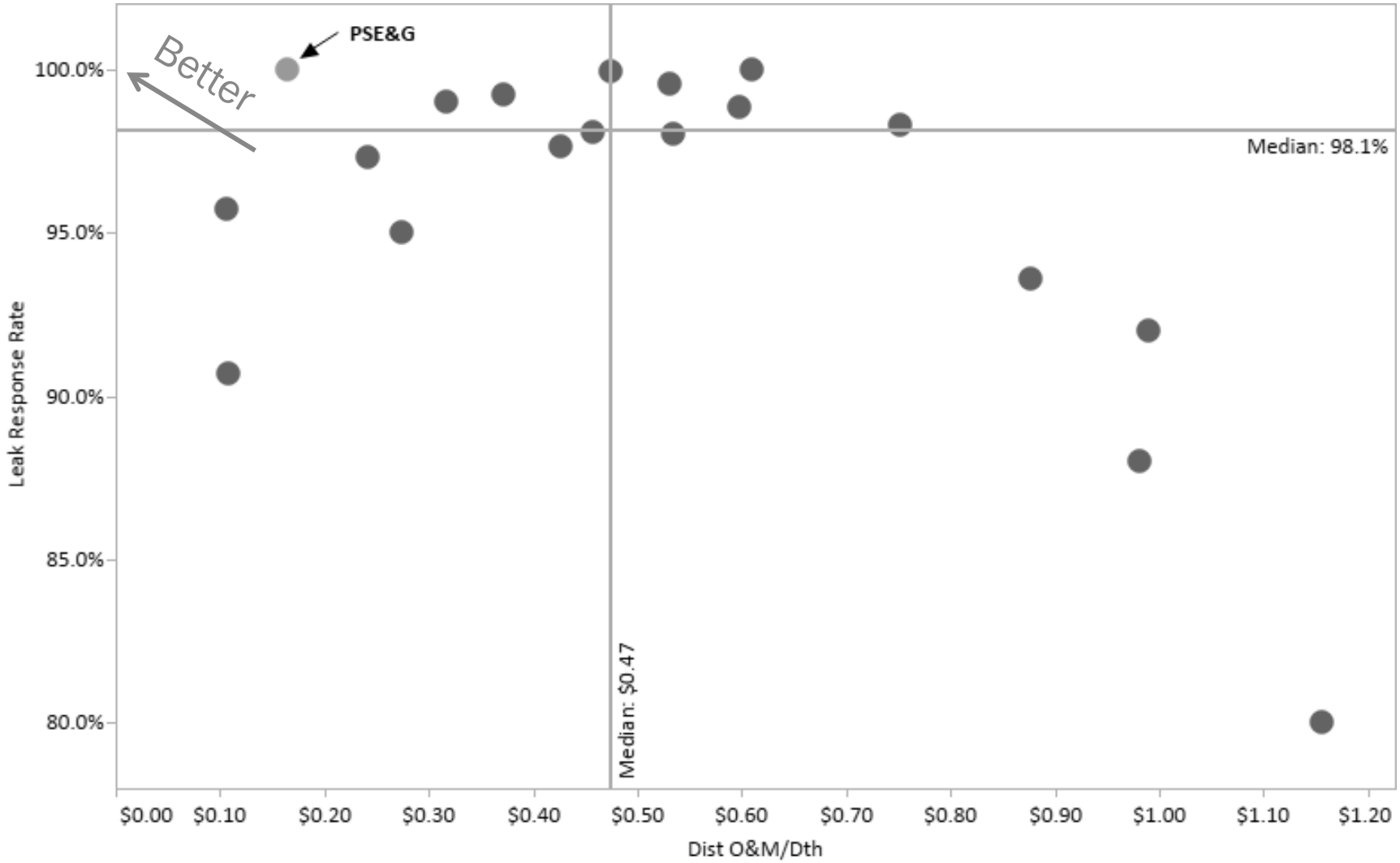


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-07600

PSE&G prioritizes public safety

while maintaining value for customers



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LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-07602

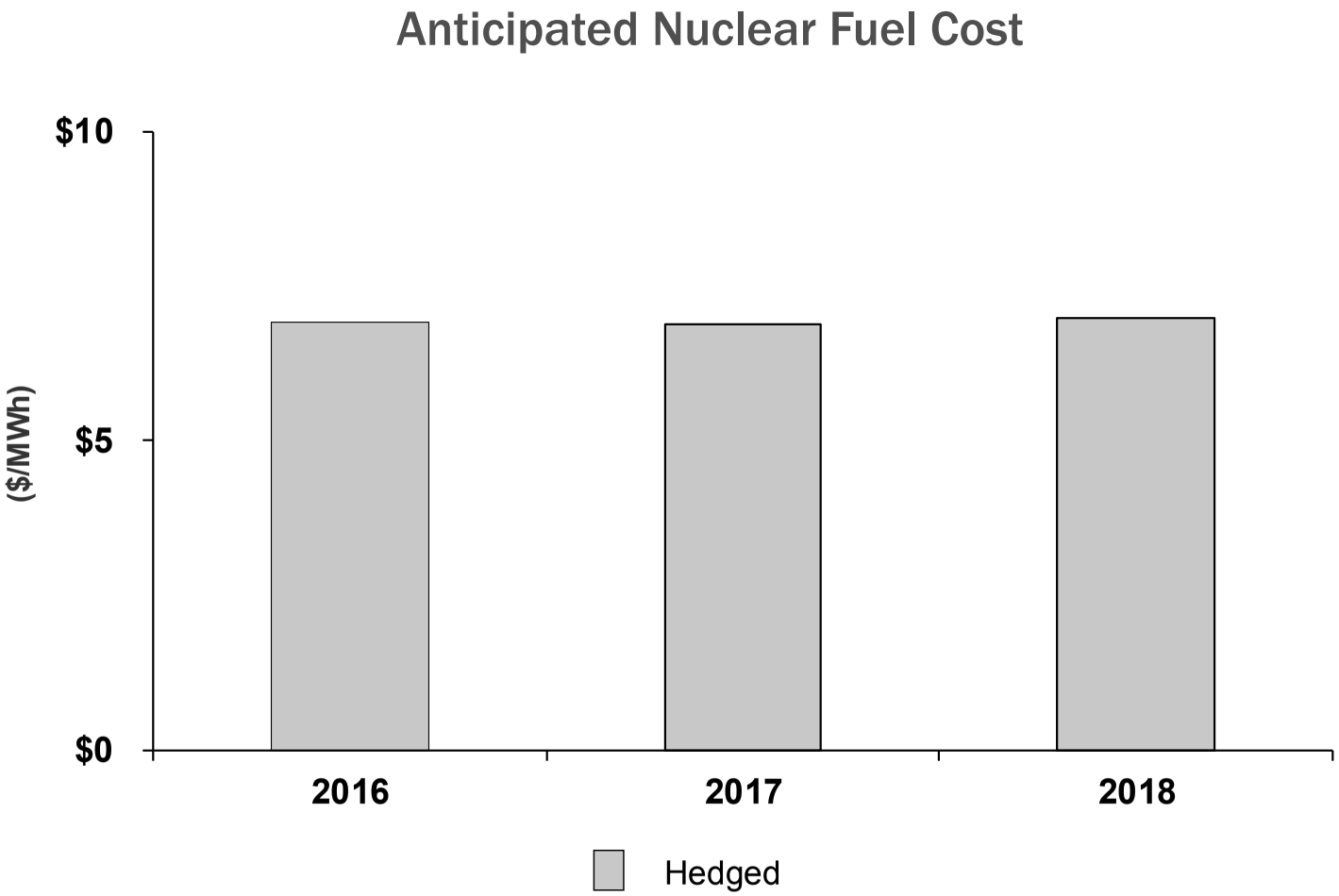
PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-07603

Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-07605

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07606

PSEG Financial Highlights

Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ Salem Q2 refueling outage extended to replace and repair baffle bolts in reactor vessel
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*

Infrastructure spend

- ✓ PSE&G T&D spend for 2016 expected to be $3 billion
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G support dividend growth and fund capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 44% at March 31

Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Increasing regulated earnings mix supports opportunity for dividend growth

SI-SSA-0015-07607

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

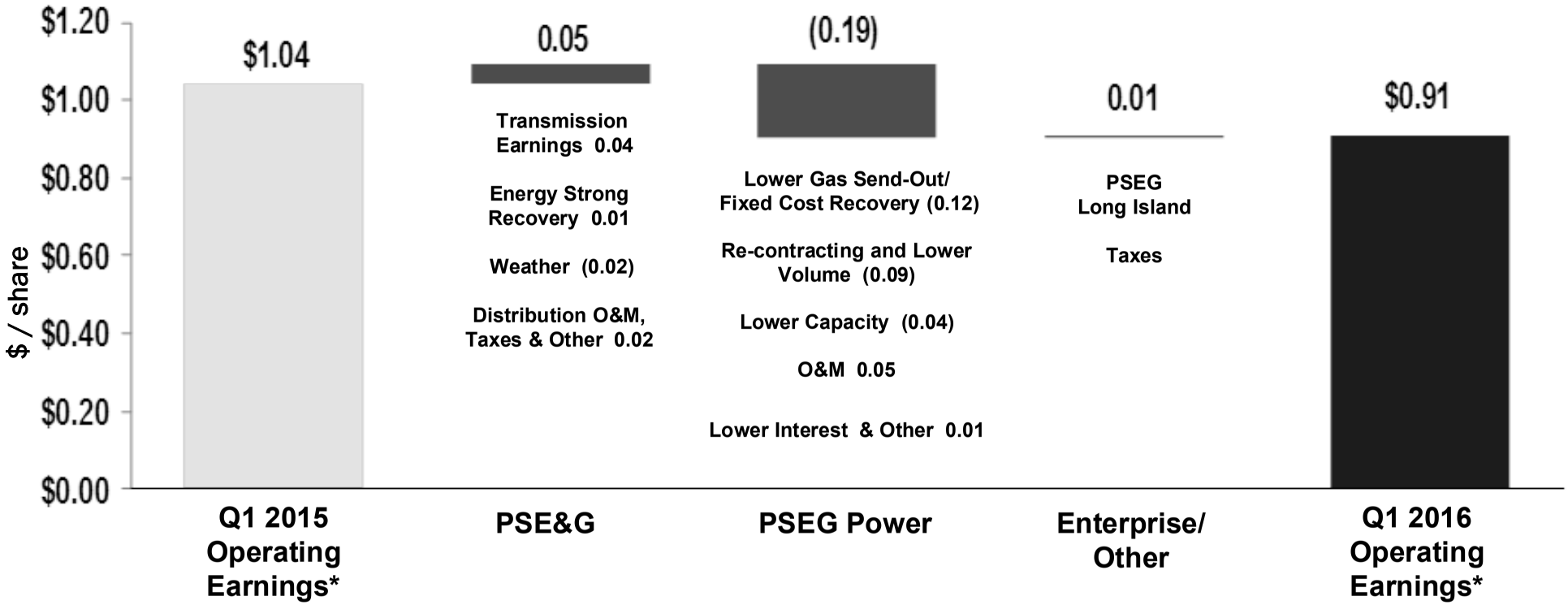
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 262	$ 242	$ 0.52	$ 0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$ 463	$ 529	$ 0.91	$ 1.04

SI-SSA-0015-07608

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.6	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.3	7.5	2.3
Common Equity	13.3	7.8	6.2
Total Capitalization	**$23.6**	**$15.3**	**$8.5**
Total Debt / Capitalization	**44%**	**49%**	**27%**

PSE&G Regulated Equity Ratio(1) 50.8%

SI-SSA-0015-07610

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of March 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$629 (A)	$14	$615
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$202	$1,398
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$9	$991
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$524 (C)	$12	$512
	Total Money Pool		$3,624	$233	$3,391
	Total		$4,253	$247	$4,006

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

PSEG Money Pool ST Investment	$0
PSE&G ST Investment	$521
Total Liquidity Available	**$4,527**

SI-SSA-0015-07611

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 03/31/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 156
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$839**

SI-SSA-0015-07612

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	**$ 463**	**$ 529**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	**$ 471**	**$ 586**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	**$ 0.91**	**$ 1.04**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[(a)] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	**$ 0.93**	**$ 1.15**	**$ 3.30**	**$ 2.99**

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

Deutsche Bank - Investor Meetings

BOSTON – JUNE 24, 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07615

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-07616

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07617

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

SI-SSA-0015-07618

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-07619

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 Assets $22B Operating Earnings $725M	2014 Assets $12B Operating Earnings $642M

SI-SSA-0015-07620

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance in 2014 • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source and Keys CCGT

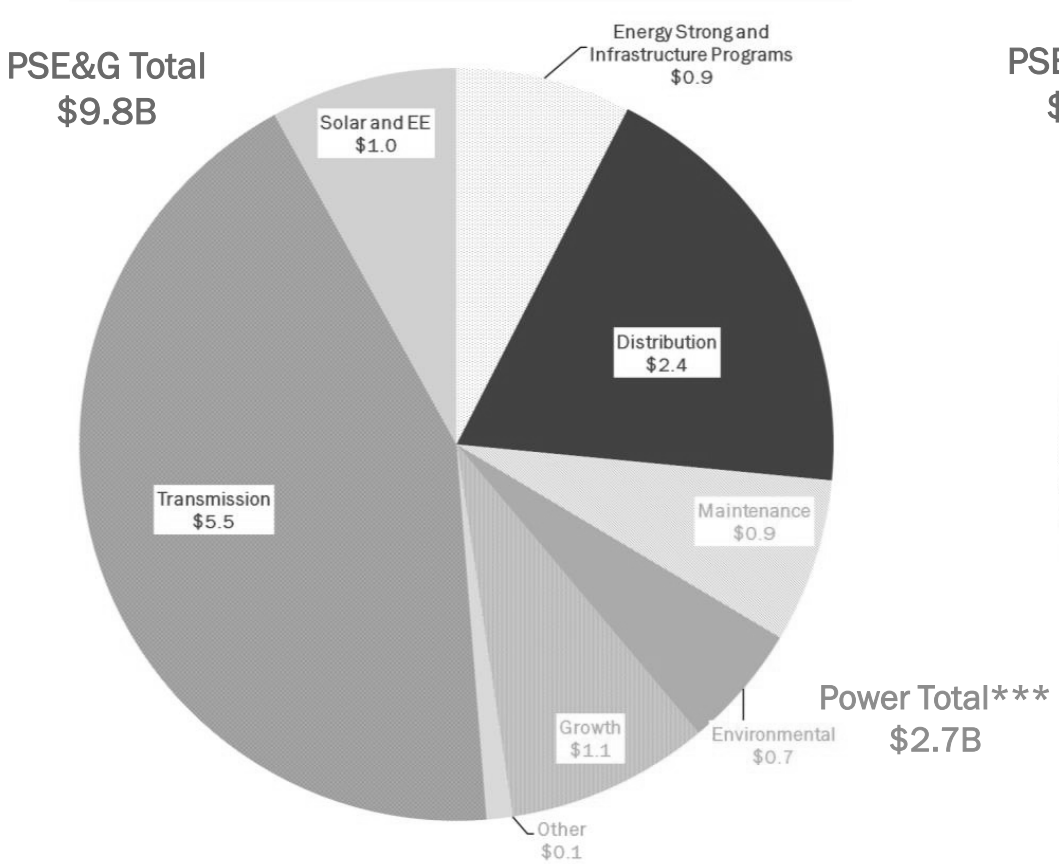
SI-SSA-0015-07621

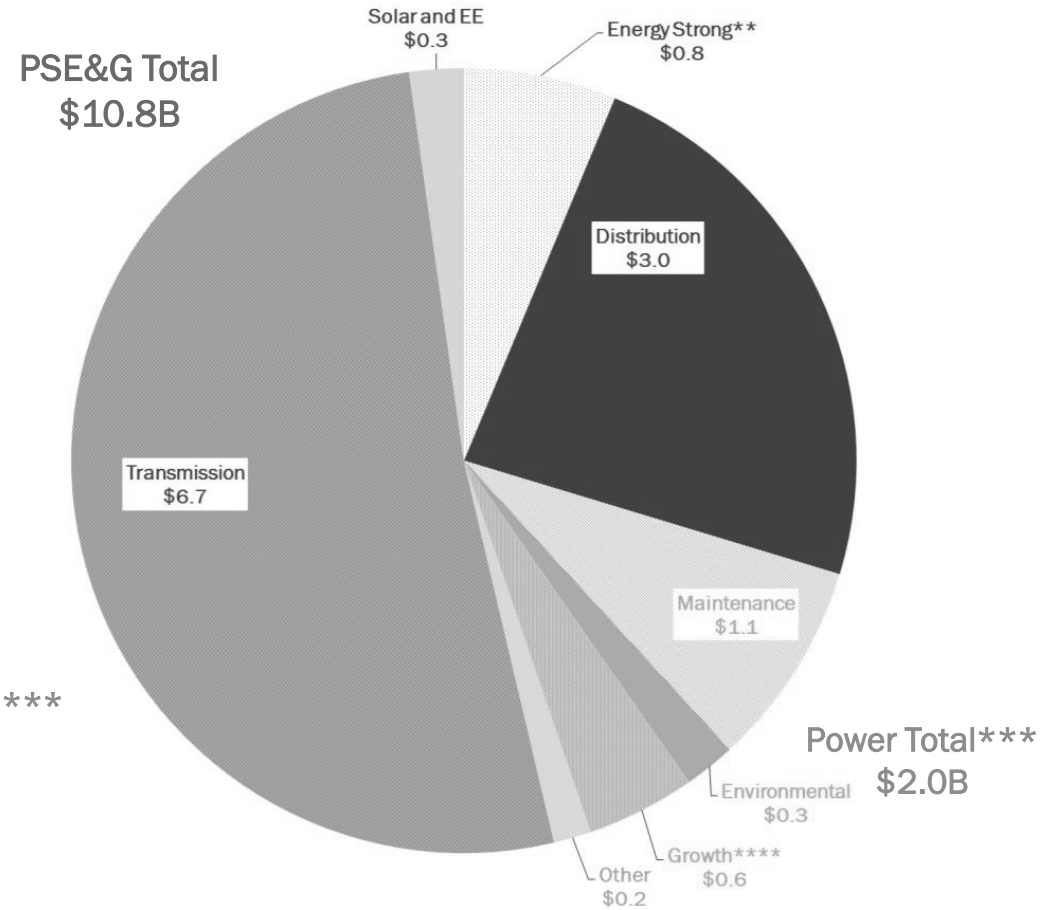
Robust pipeline of investment opportunities

supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $13 Billion**





2015E–2019E:

- $2.2B of capital for Gas System Modernization Program, Artificial Island and Keys CCGT would be incremental

SI-SSA-0015-07622

PSEG

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF MARCH 2, 2015. DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015

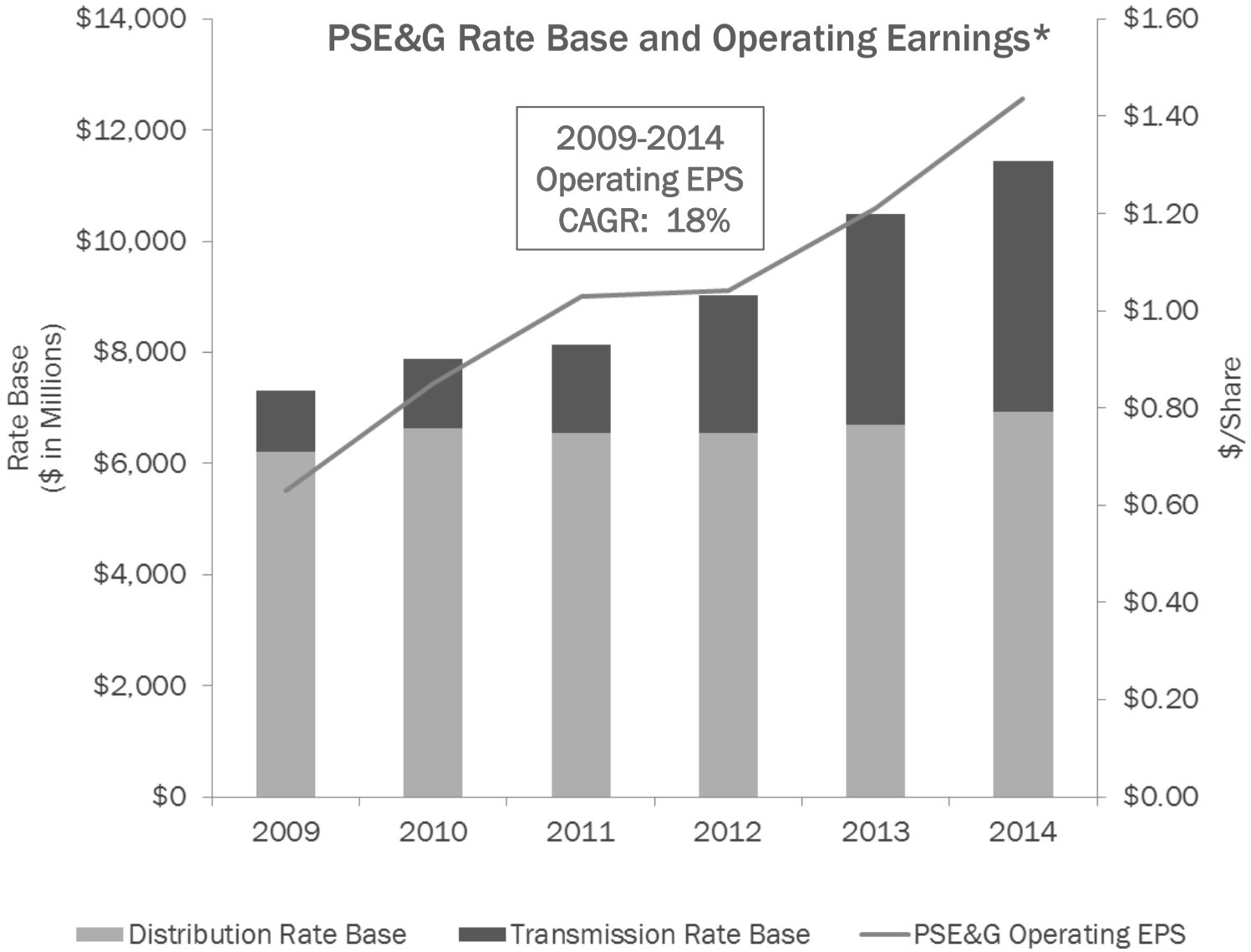
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program, Artificial Island and Keys CCGT increase capital program by up to $2.2 billion through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-07623

PSE&G's investment program

Meeting public policy goals and customer needs

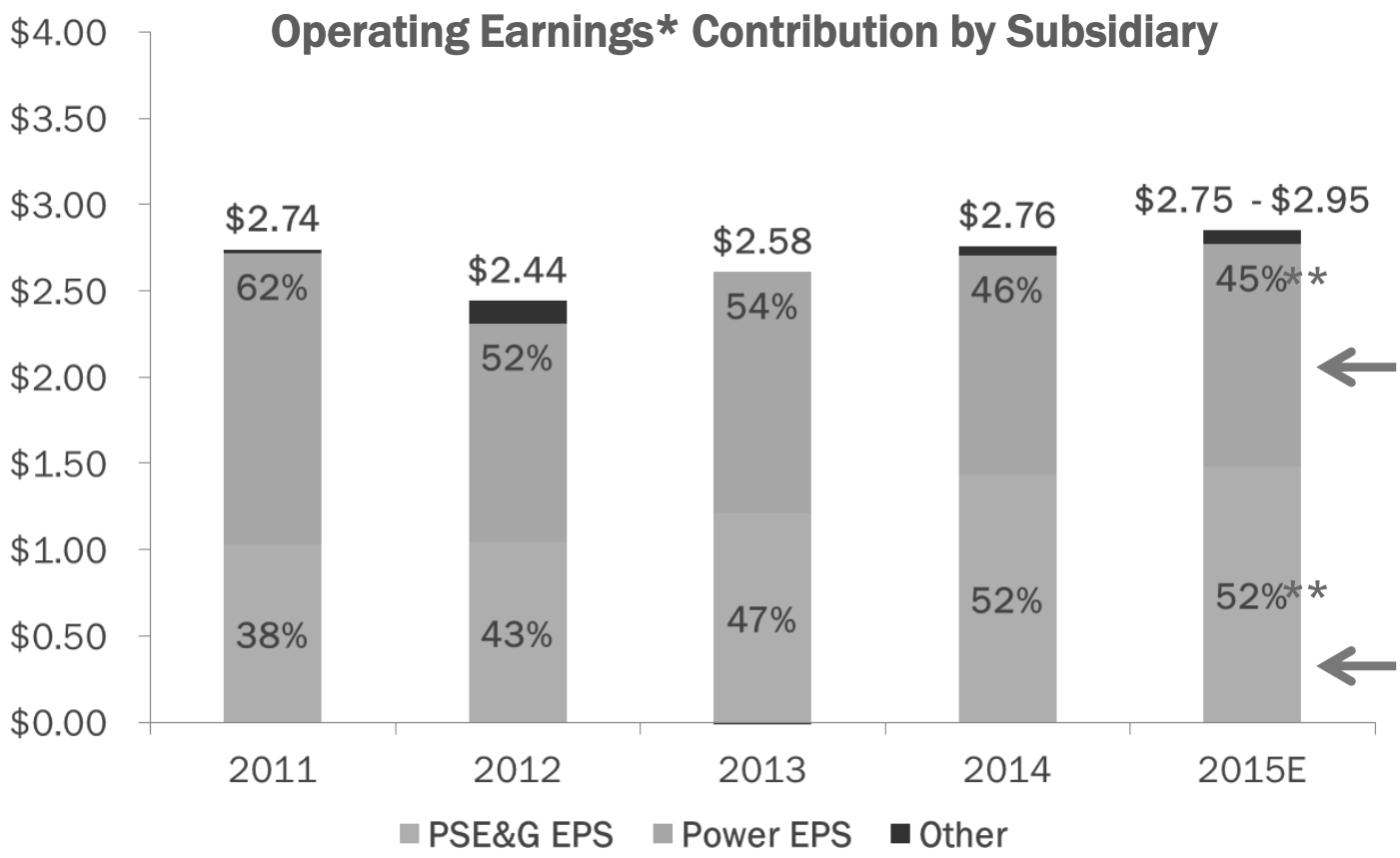


*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-07624

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

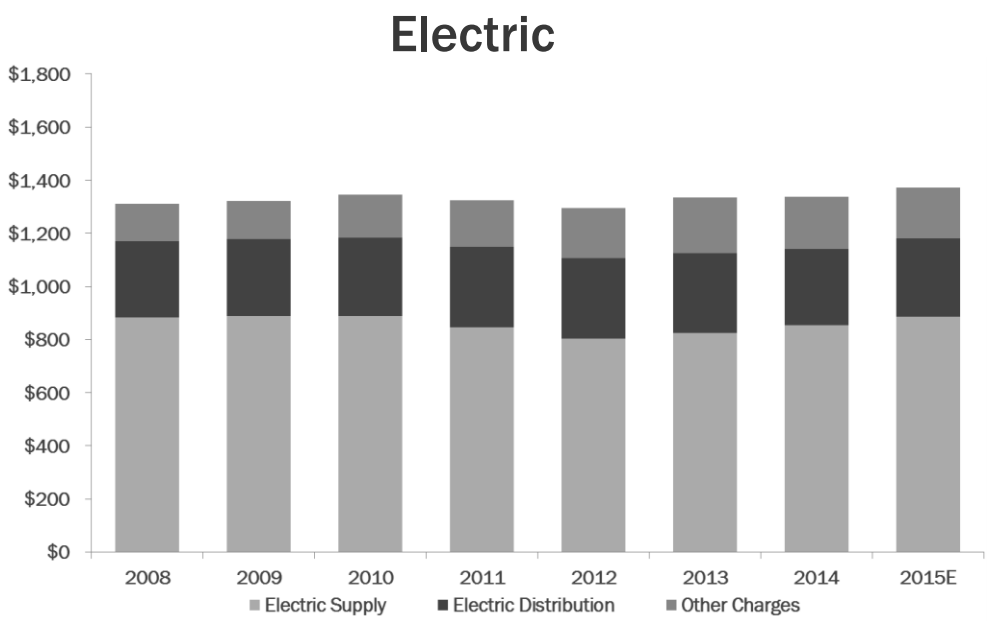
SI-SSA-0015-07625

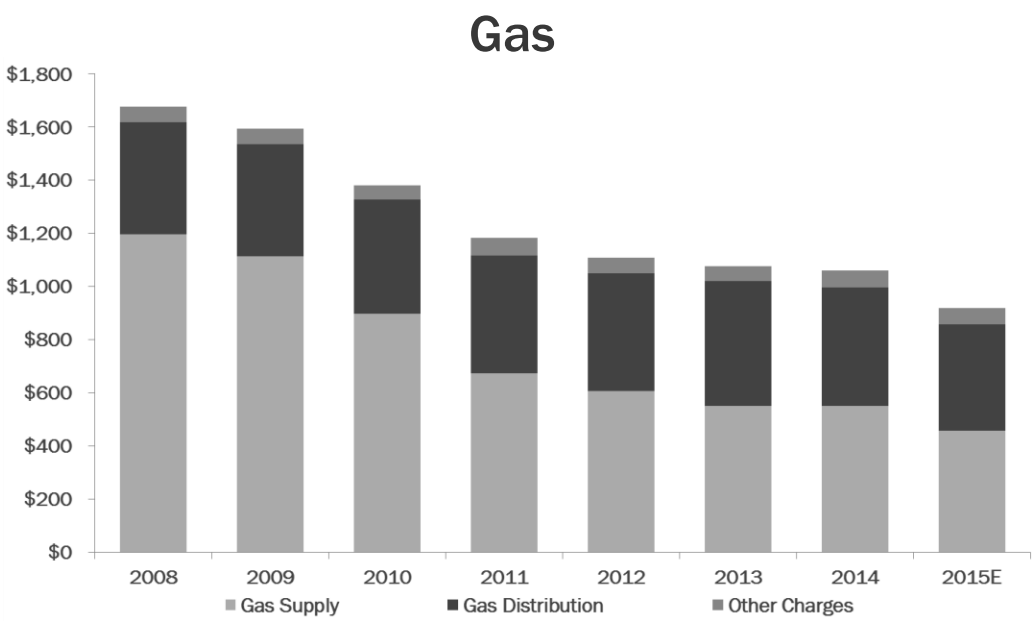
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





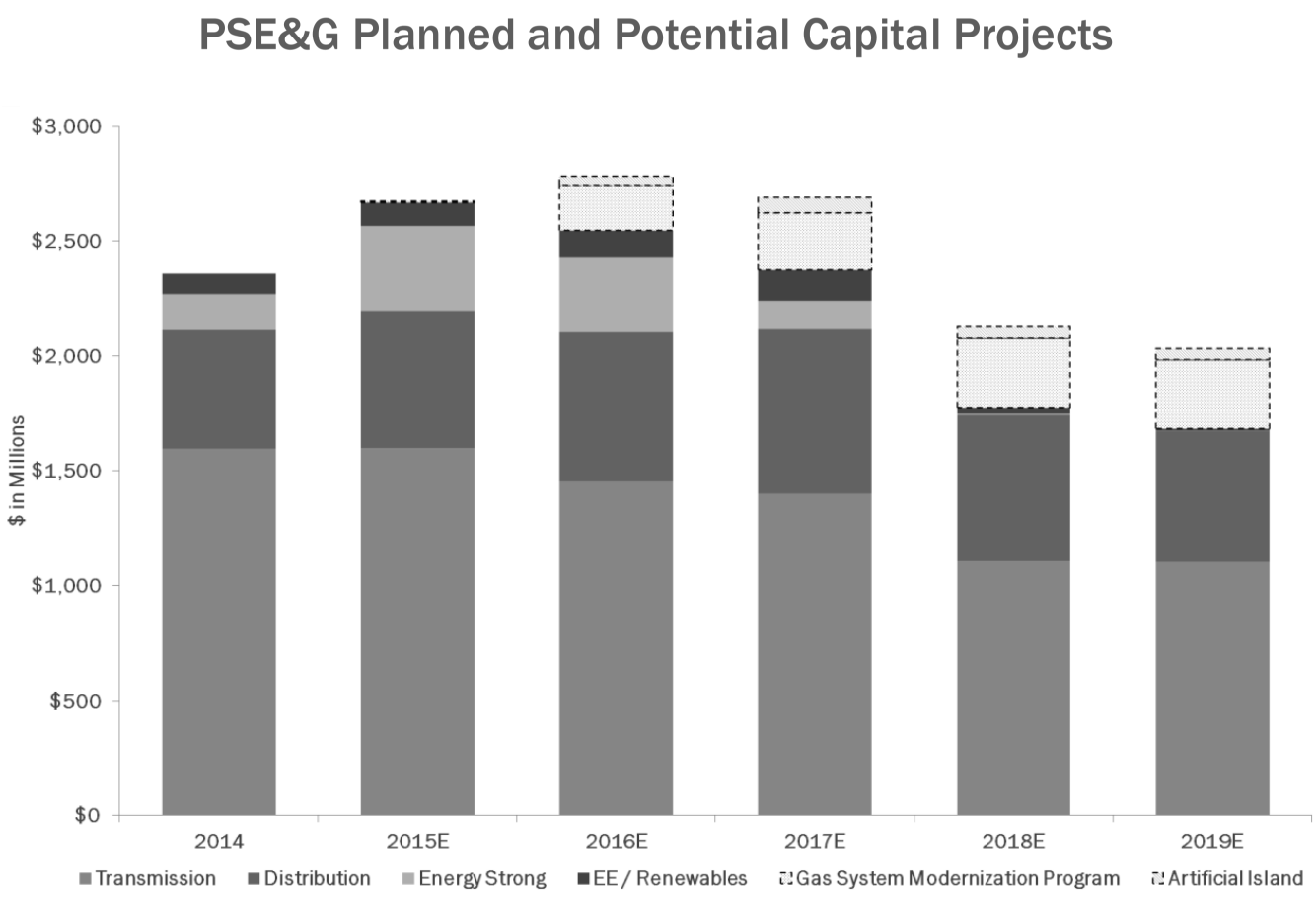
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-07626

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

SI-SSA-0015-07627

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-07628

Power – Growing value by improving market rules and developing investment opportunities

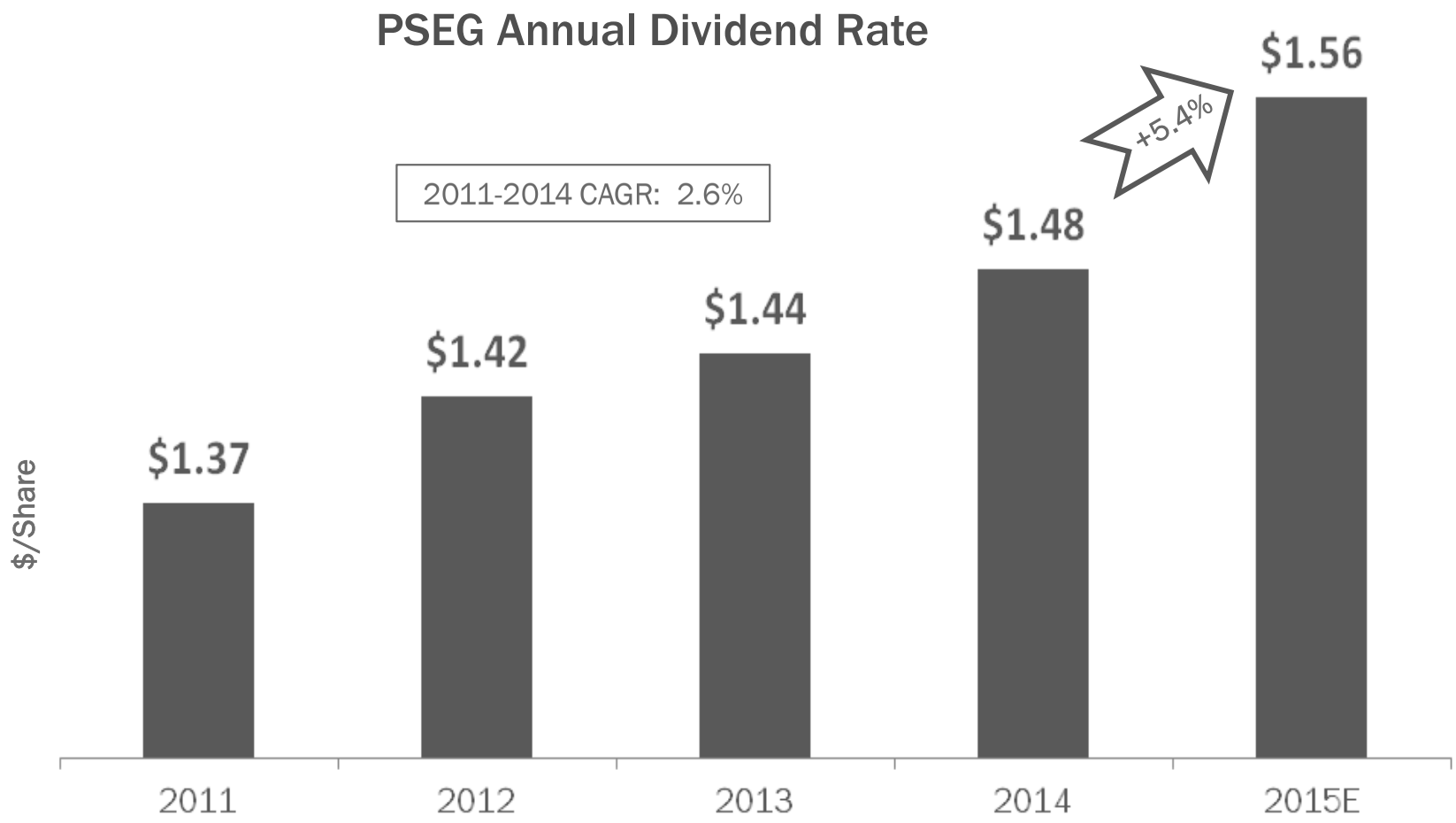
Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway • New build Keys CCGT in SWMAAC (Maryland) • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~123 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.
SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL - LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-07629

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

SI-SSA-0015-07630

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities** - Keys CCGT in SWMAAC*

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-07631

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL - LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-07632

PSE&G

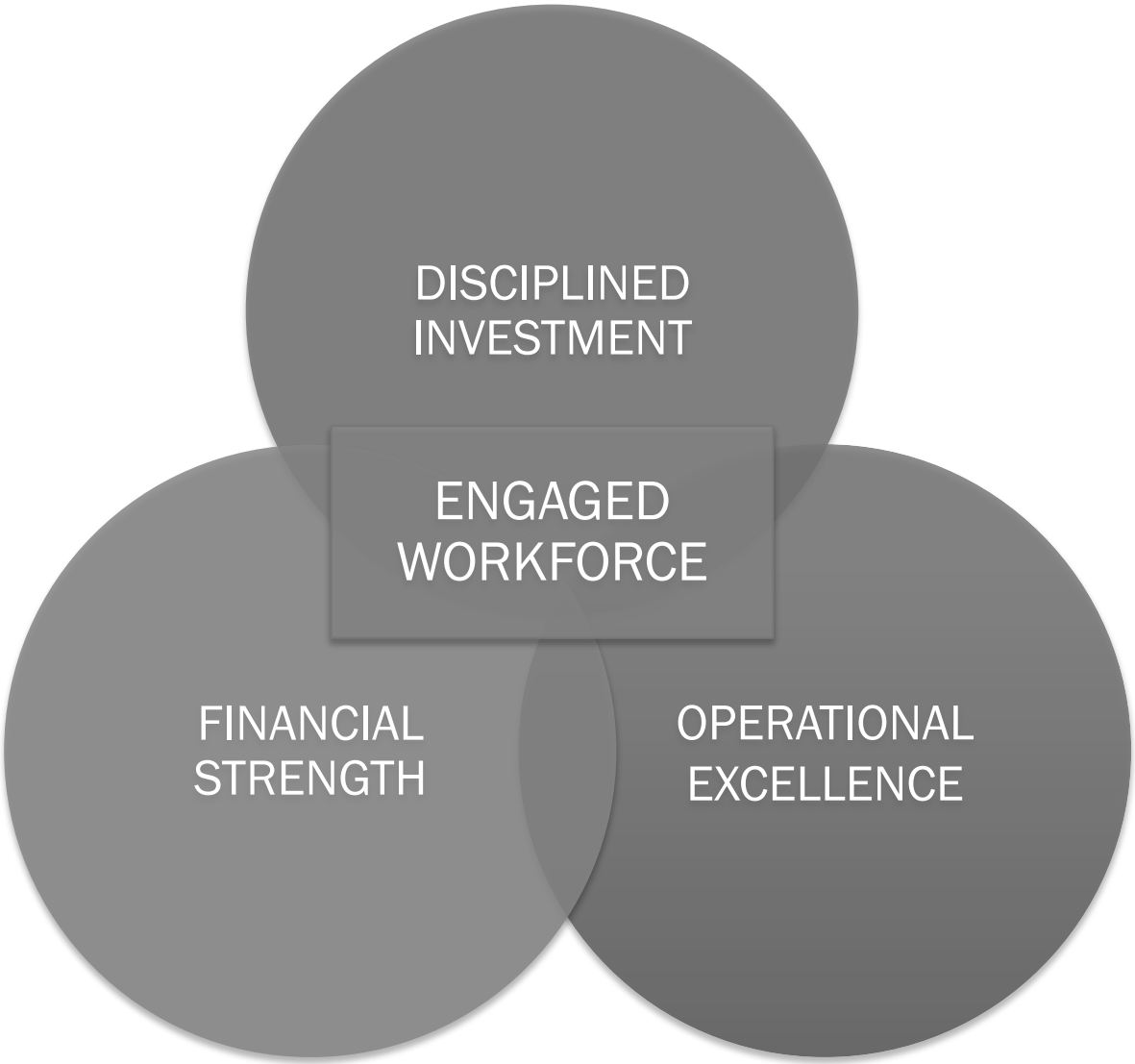
SI-SSA-0015-07633

PSEG

We make things work for you.

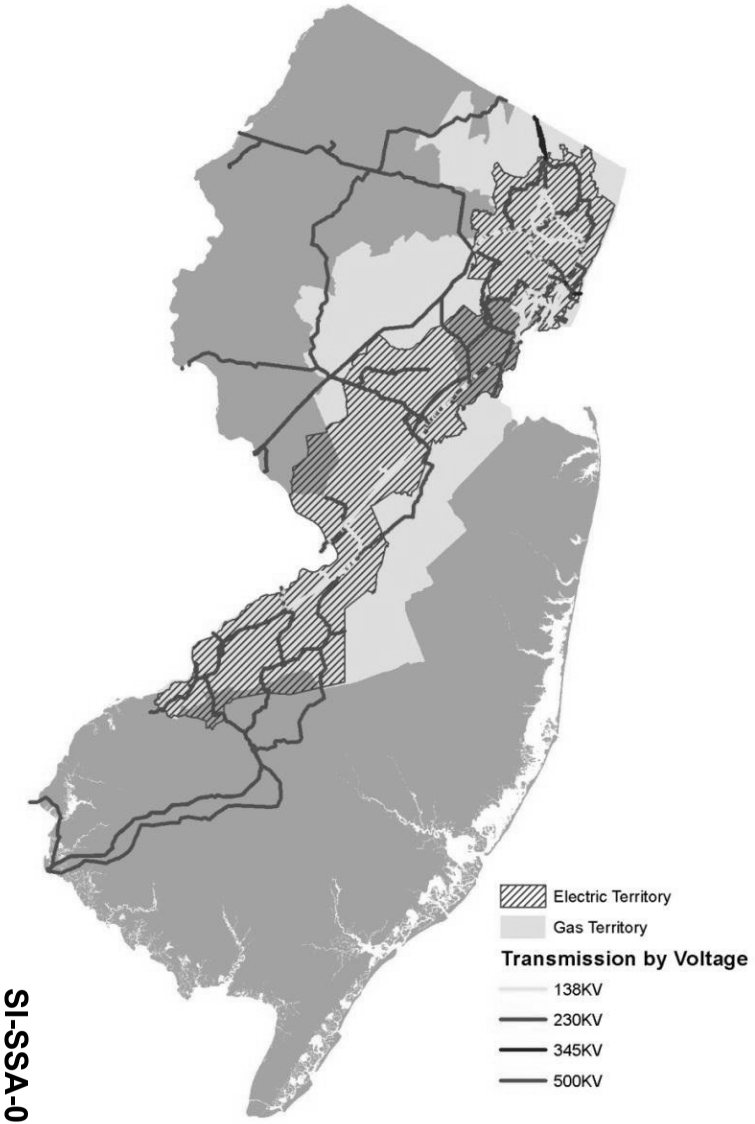
PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns



SI-SSA-0015-07634

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-07635

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

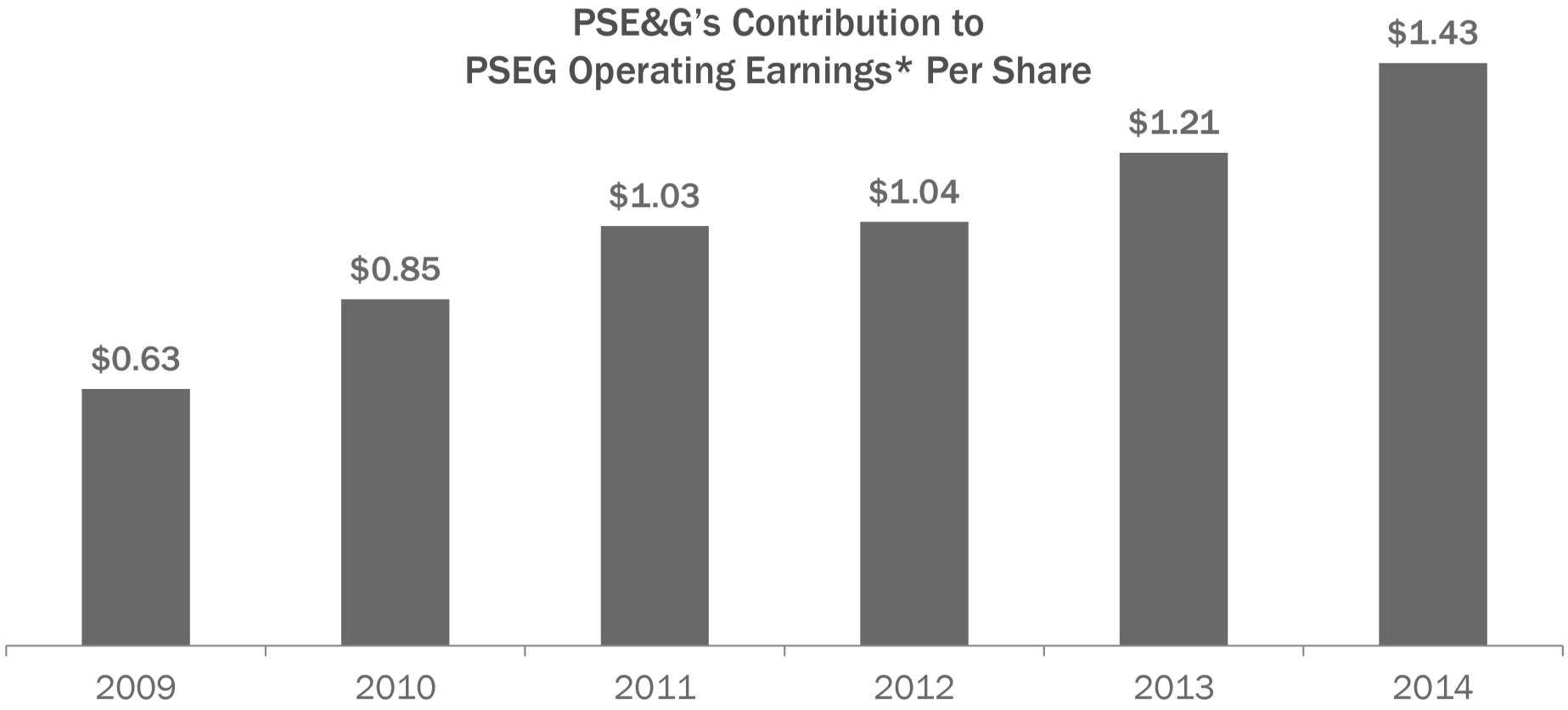
SI-SSA-0015-07636

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-07637

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control

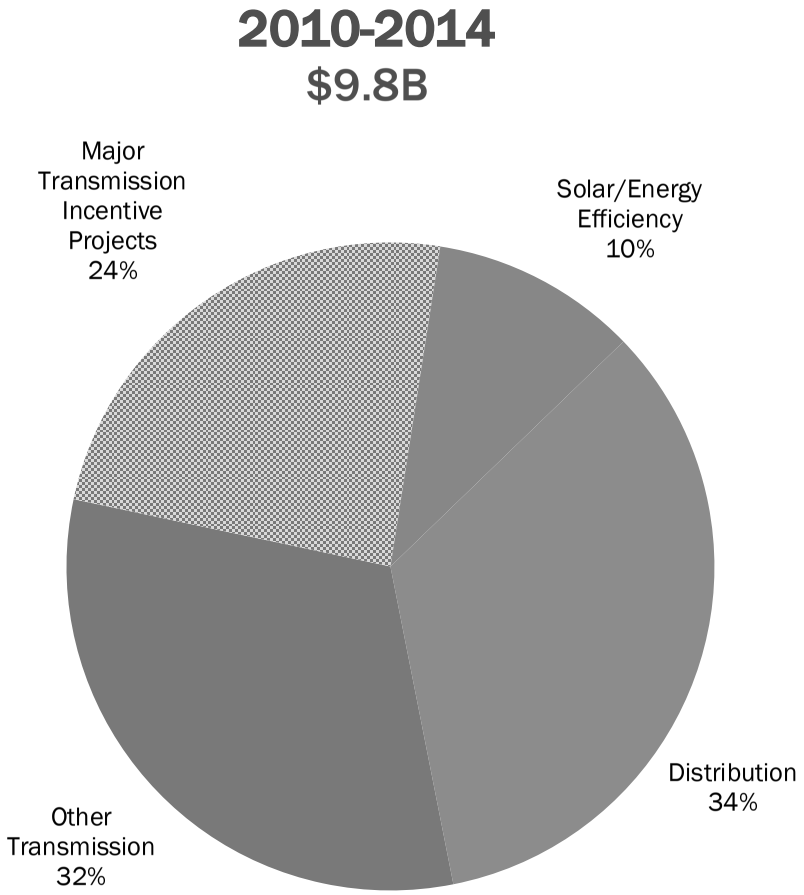


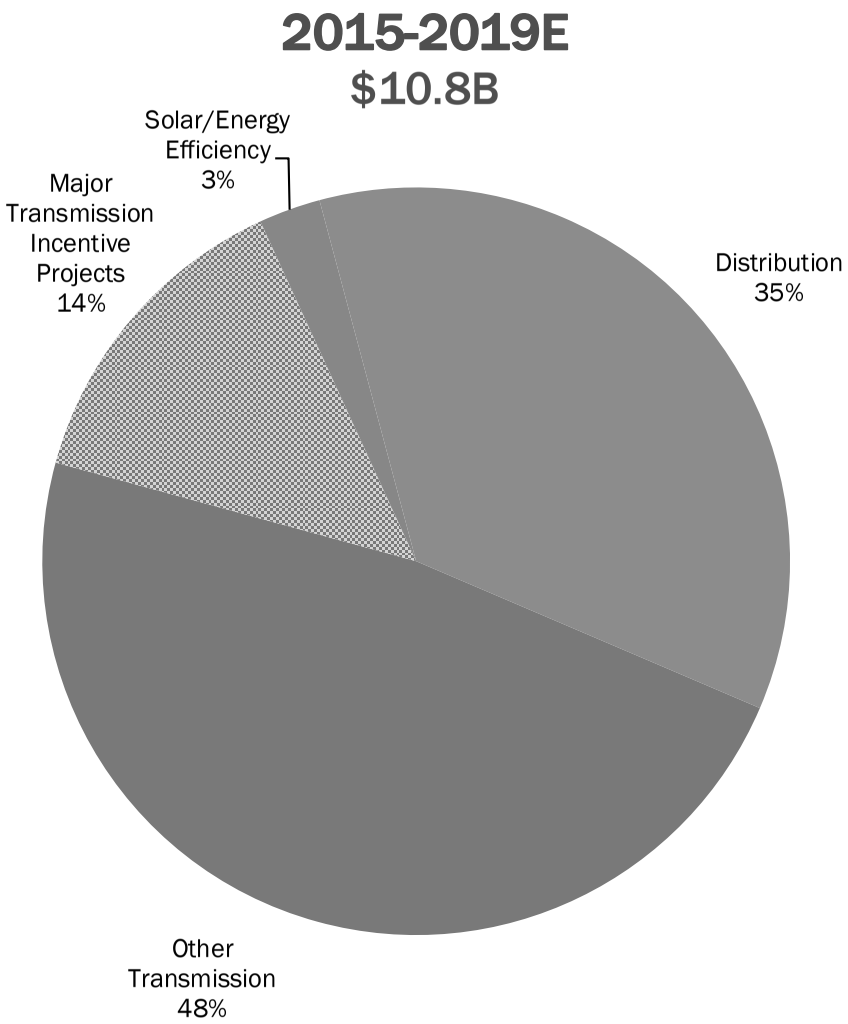
SI-SSA-0015-07638

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-07639

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-07640

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

SI-SSA-0015-07641

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-07642

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-07643

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System Modernization Program may increase potential investment by ~$1.6B

SI-SSA-0015-07644

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-07645

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal units (RTU) installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-07646

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-07647

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term, 30-year cast iron and unprotected steel replacement plan
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Directly creates and supports 500 New Jersey jobs
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-07648

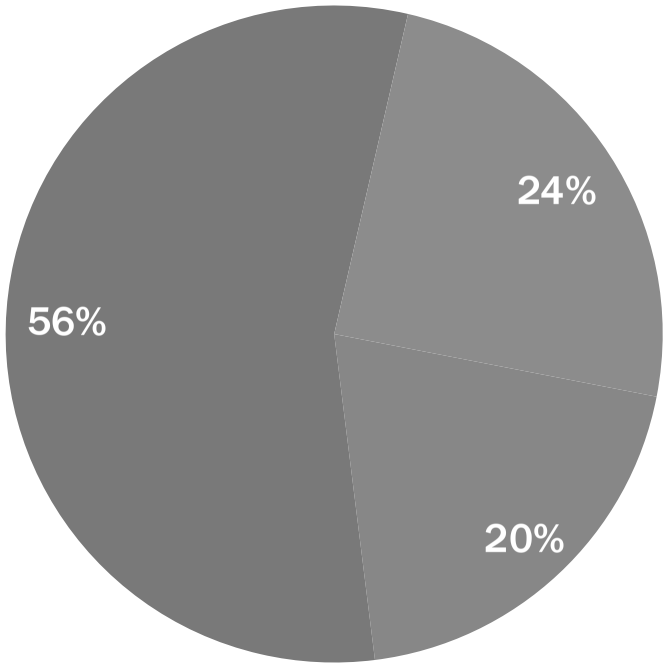
PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

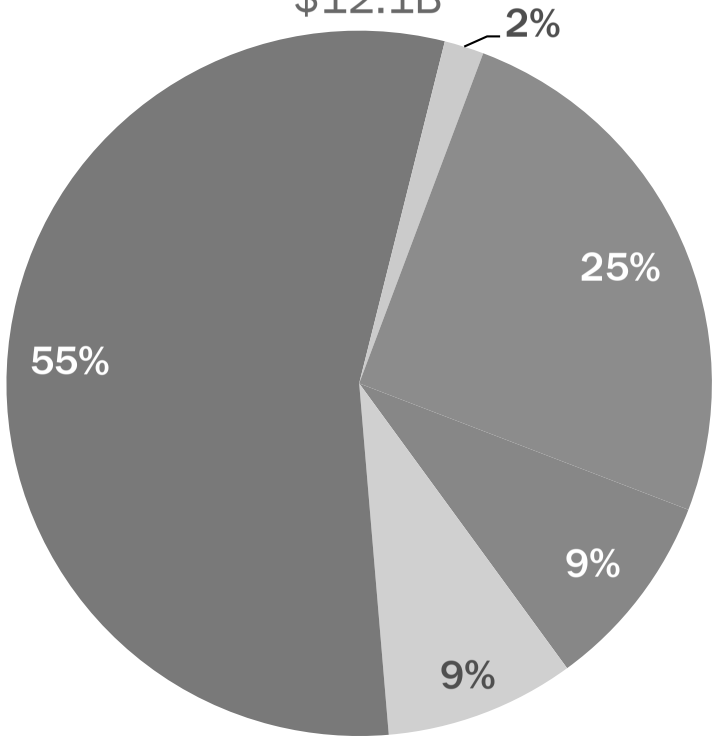
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

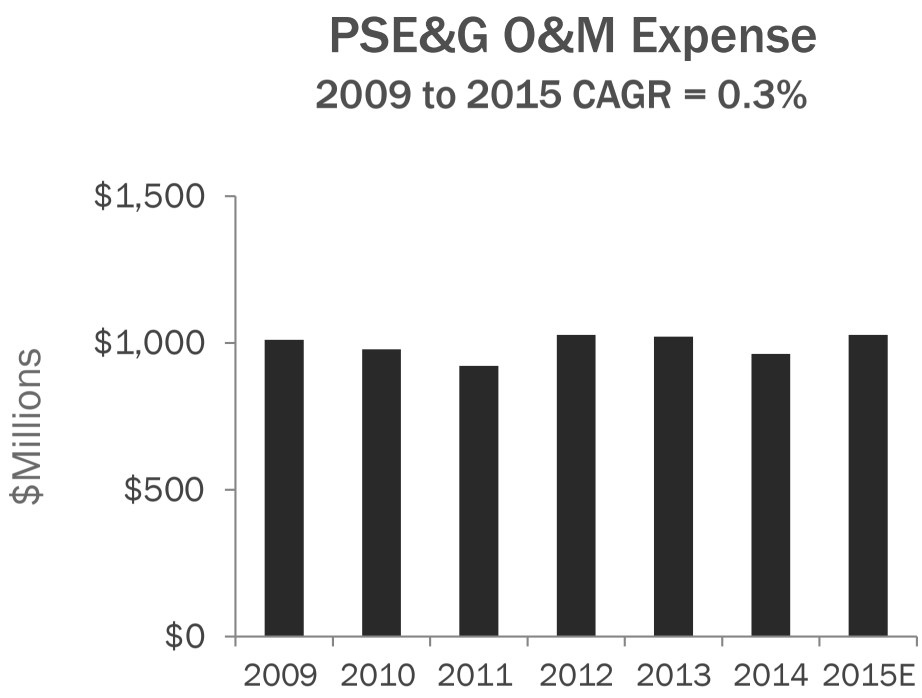
FERC Formula Rates
- Transmission
- Artificial Island

Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-07649

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-07650

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-07651

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-07652

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-07653

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

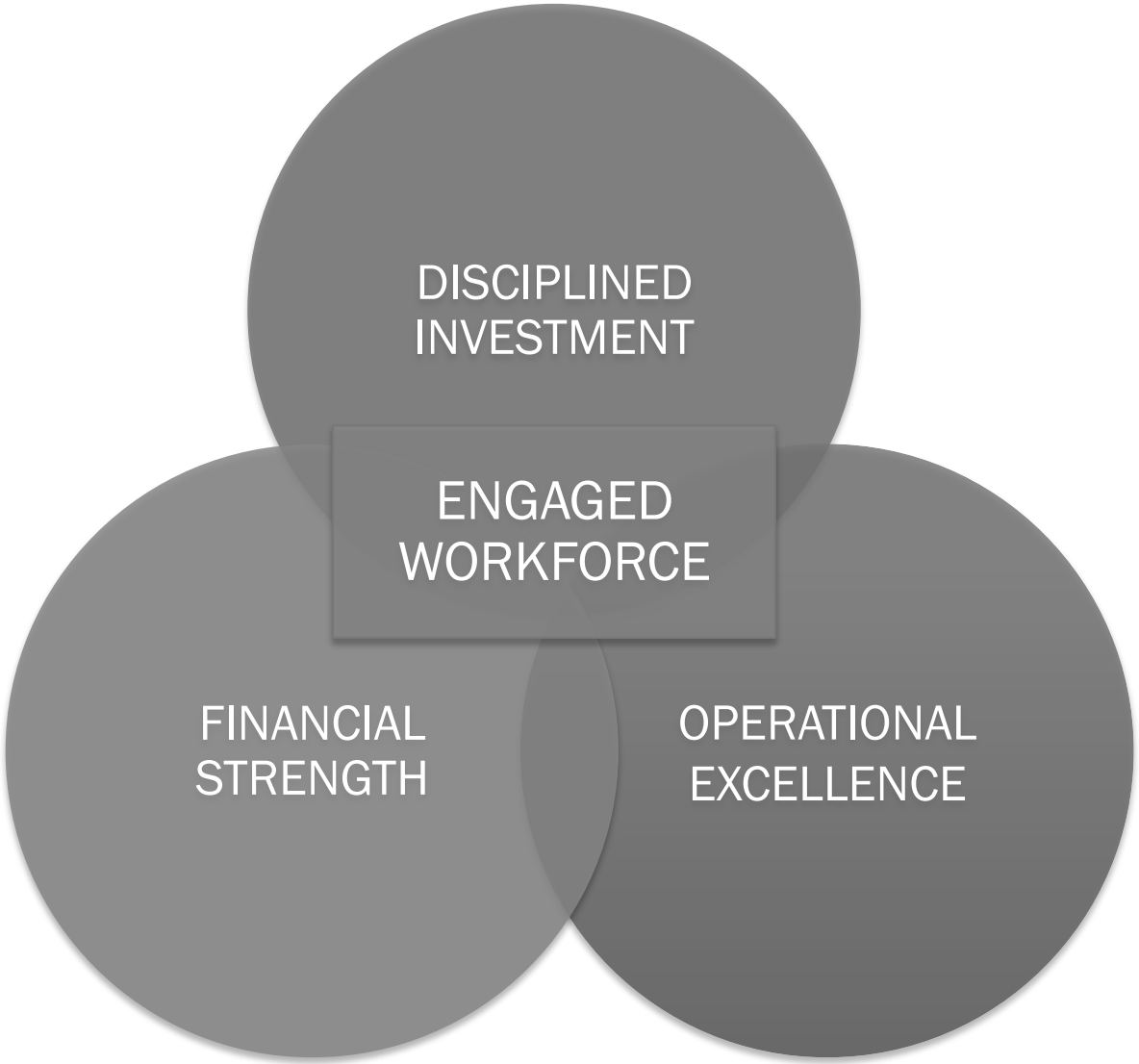
SI-SSA-0015-07654

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07655

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-07656

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 123 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT targeted in-service 2018 in Maryland

SI-SSA-0015-07657

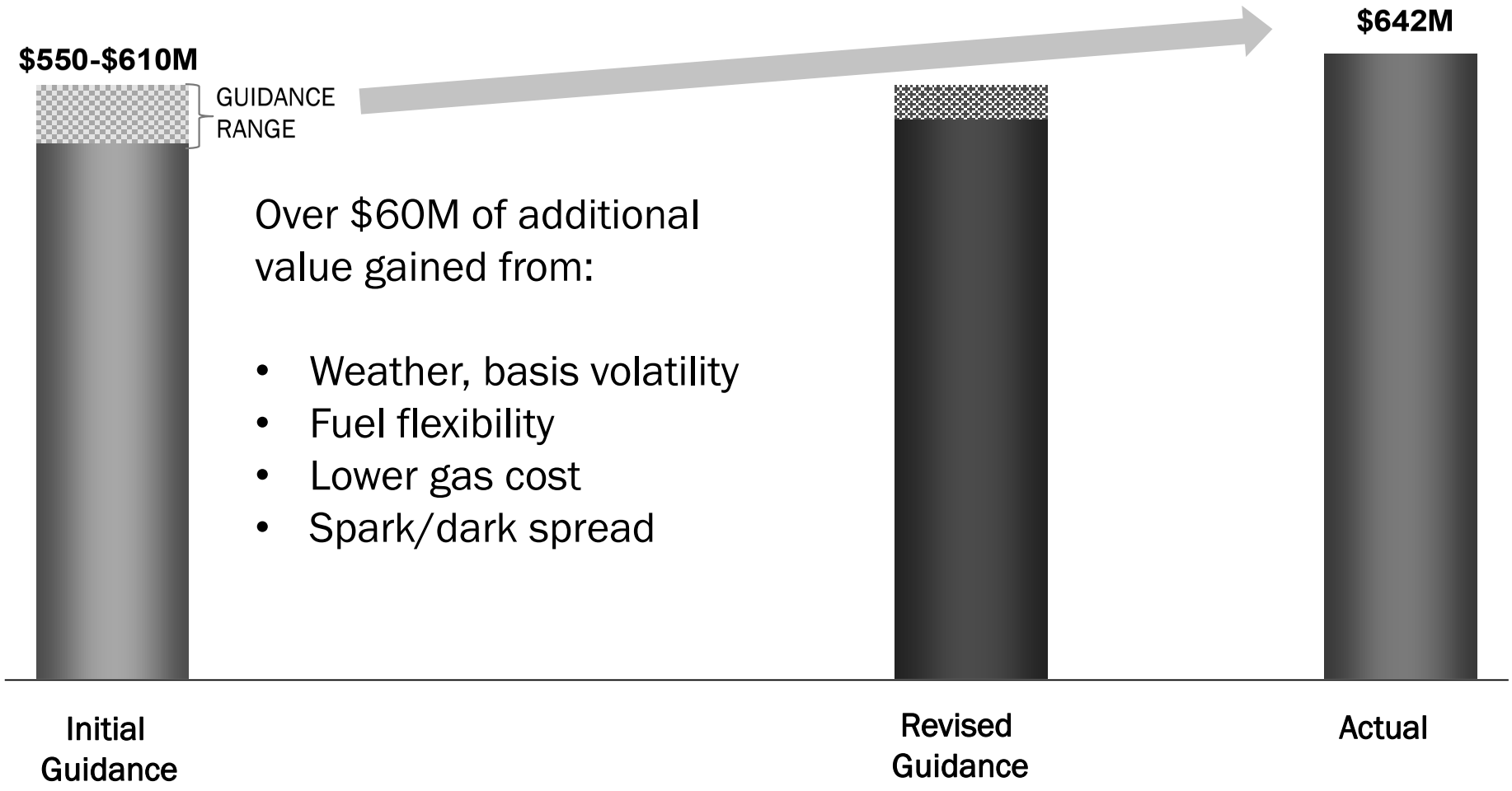
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-07658

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



Over $60M of additional value gained from:

- Weather, basis volatility
- Fuel flexibility
- Lower gas cost
- Spark/dark spread

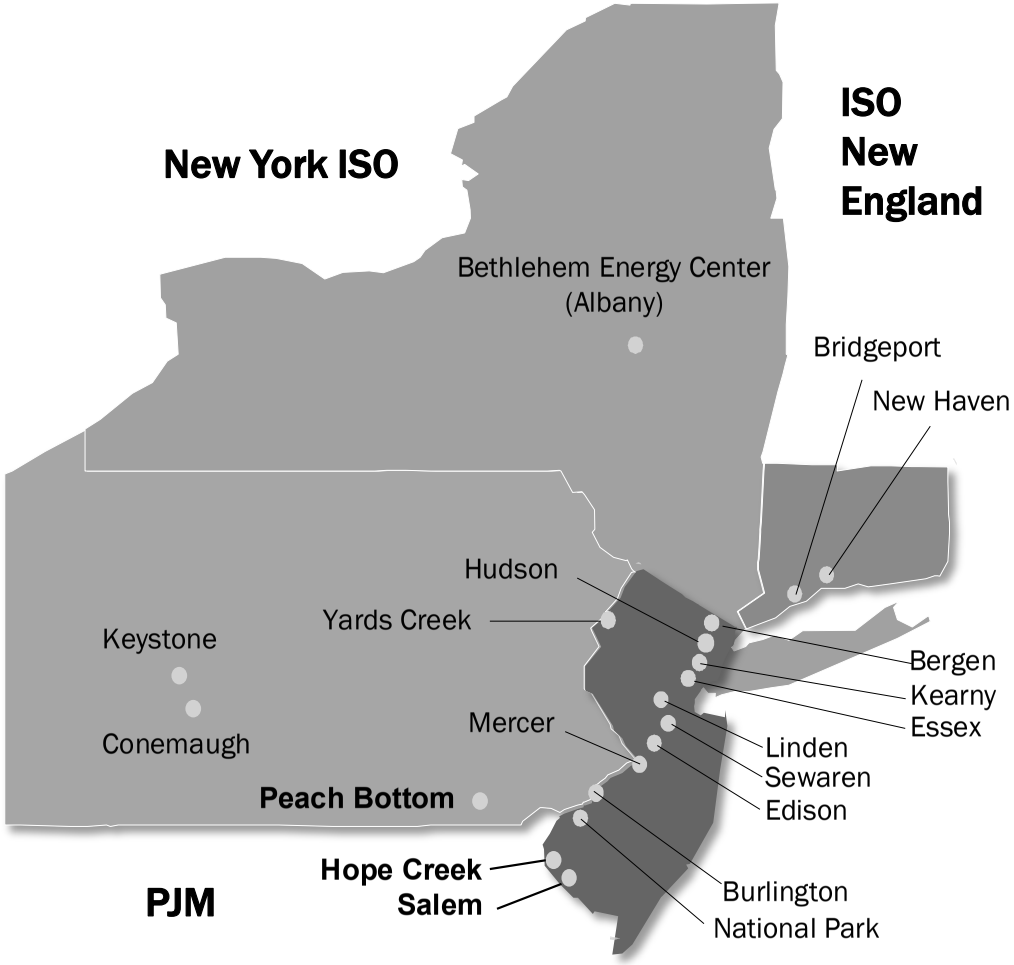
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-07659

PSEG Power has generating assets

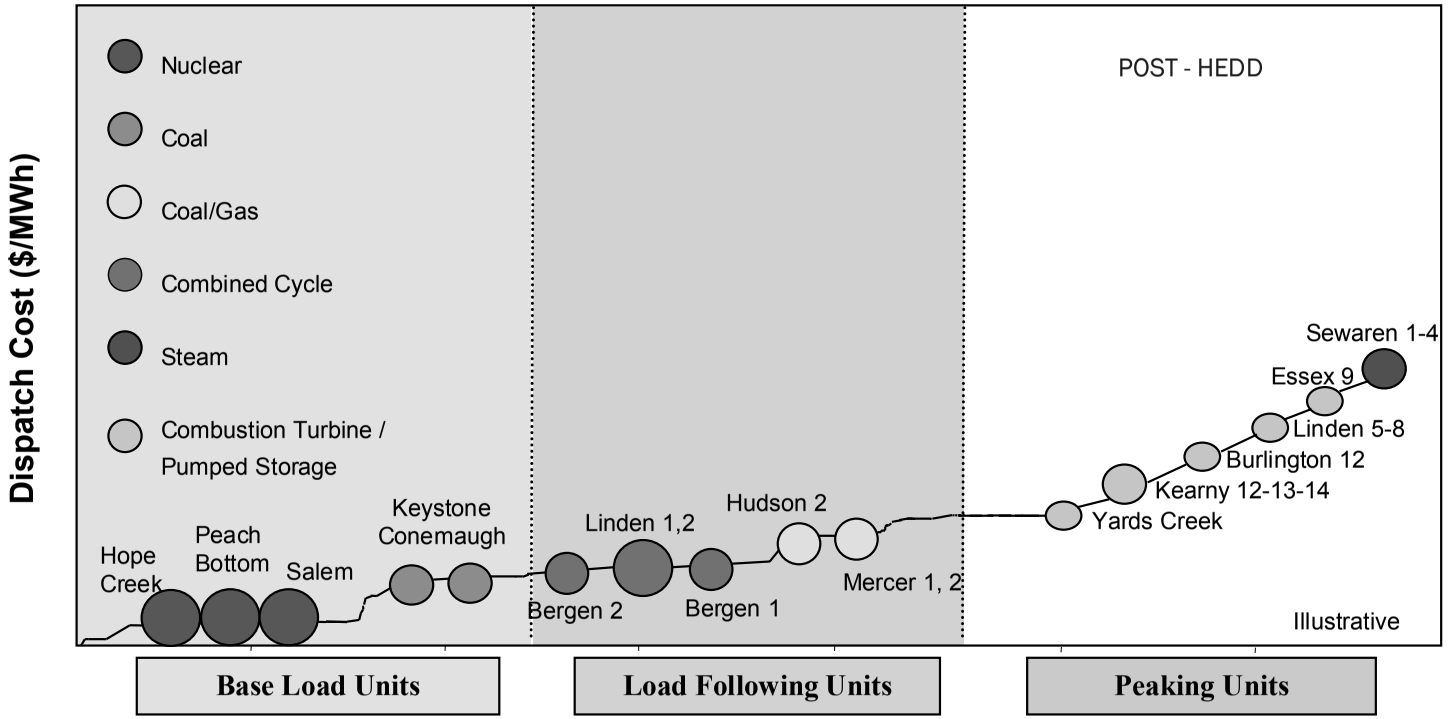
in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



SI-SSA-0015-07660

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys CCGT to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

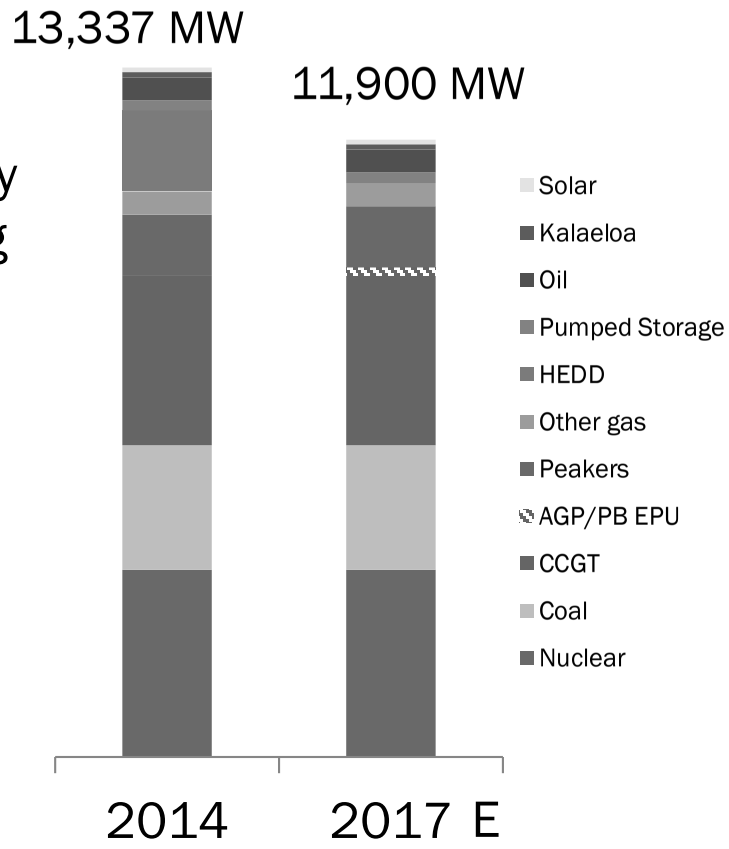
SI-SSA-0015-07661

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

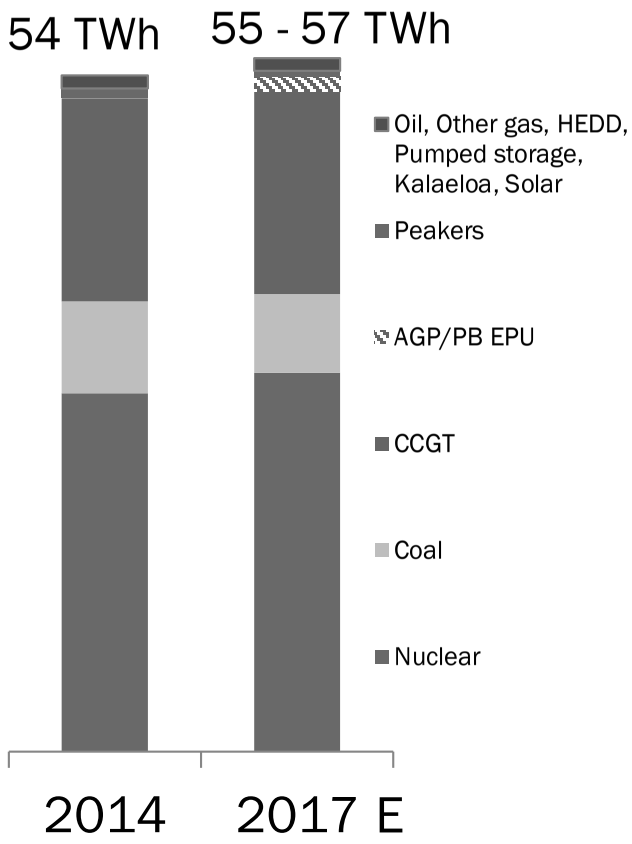
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity

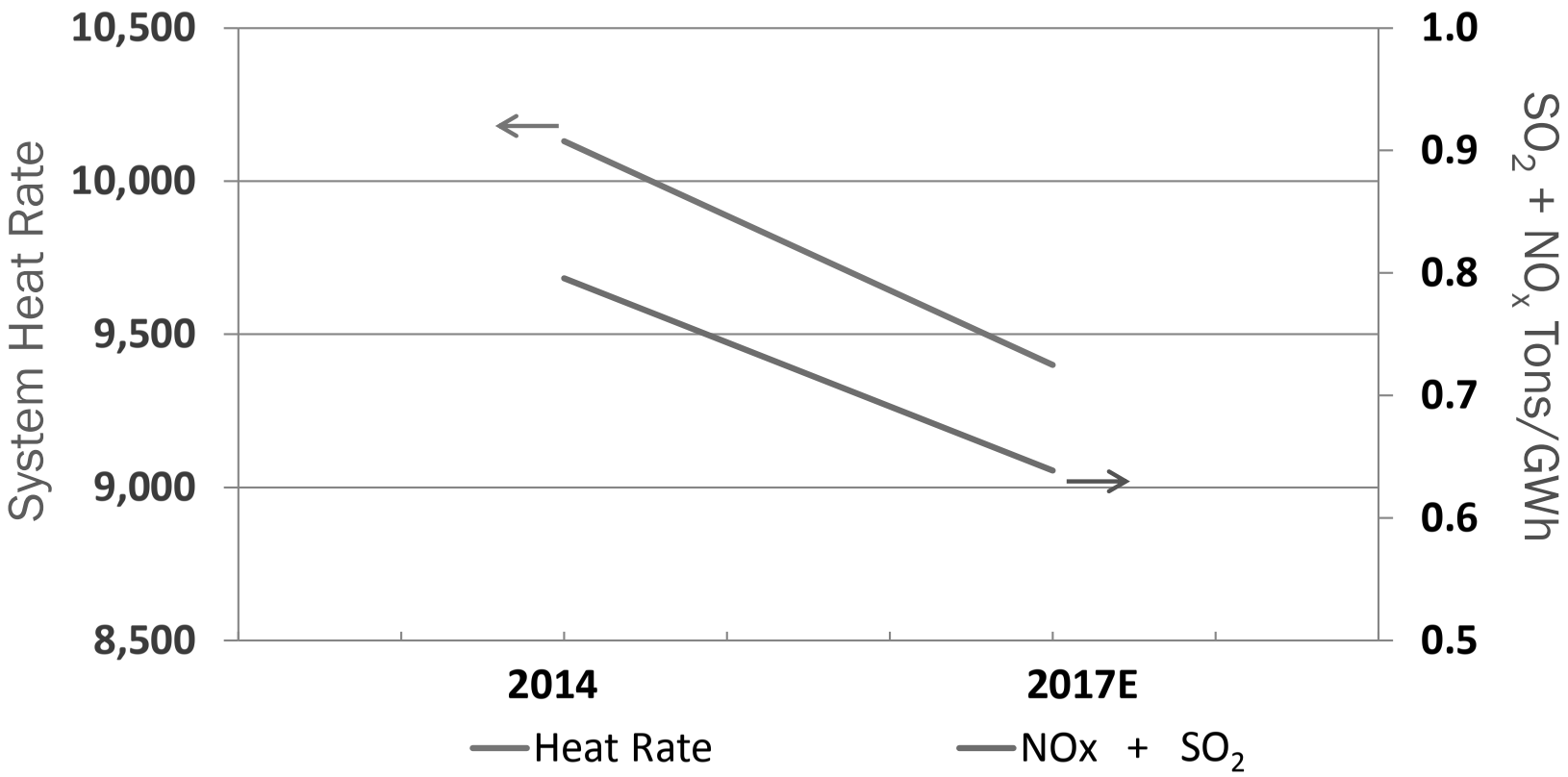


Energy Produced



E=ESTIMATE

PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



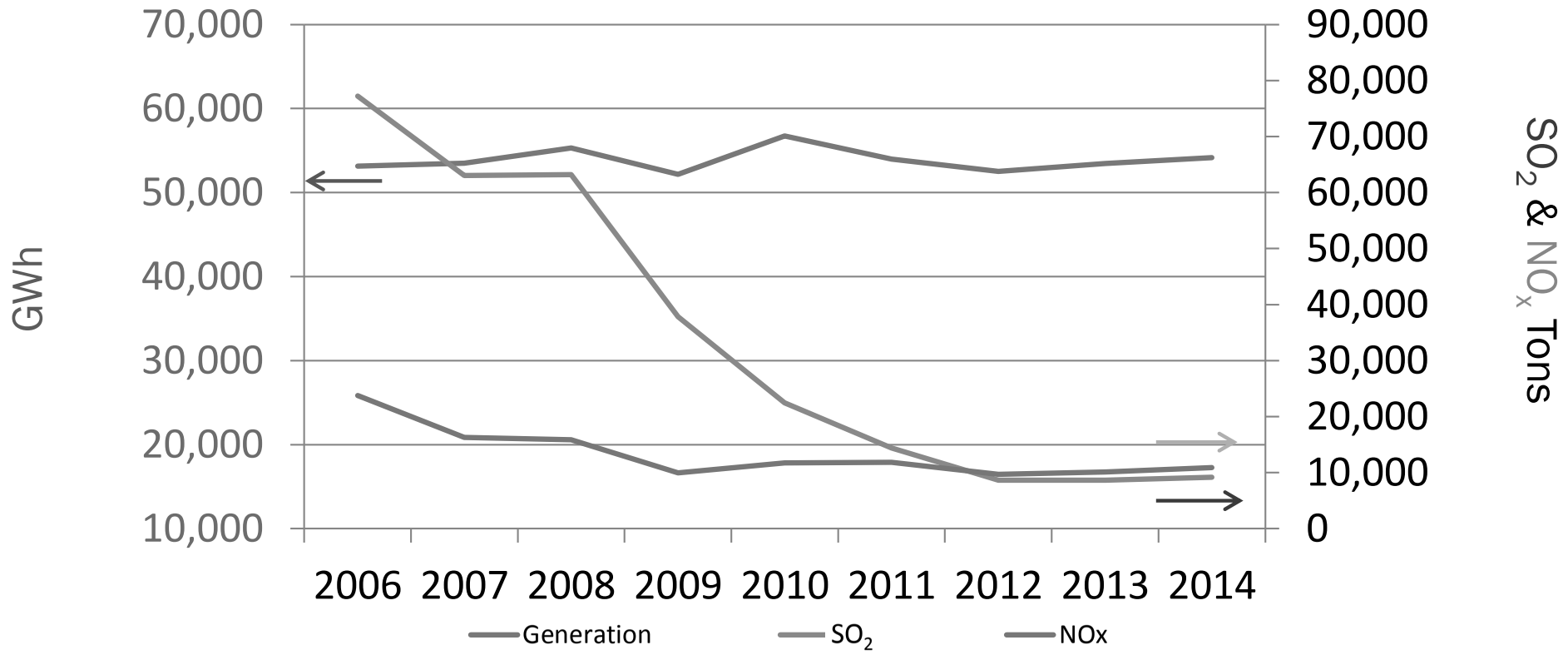
- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-07663

PSEG

E=ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-07664

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-07665

PSEG Power Nuclear has competitive advantages

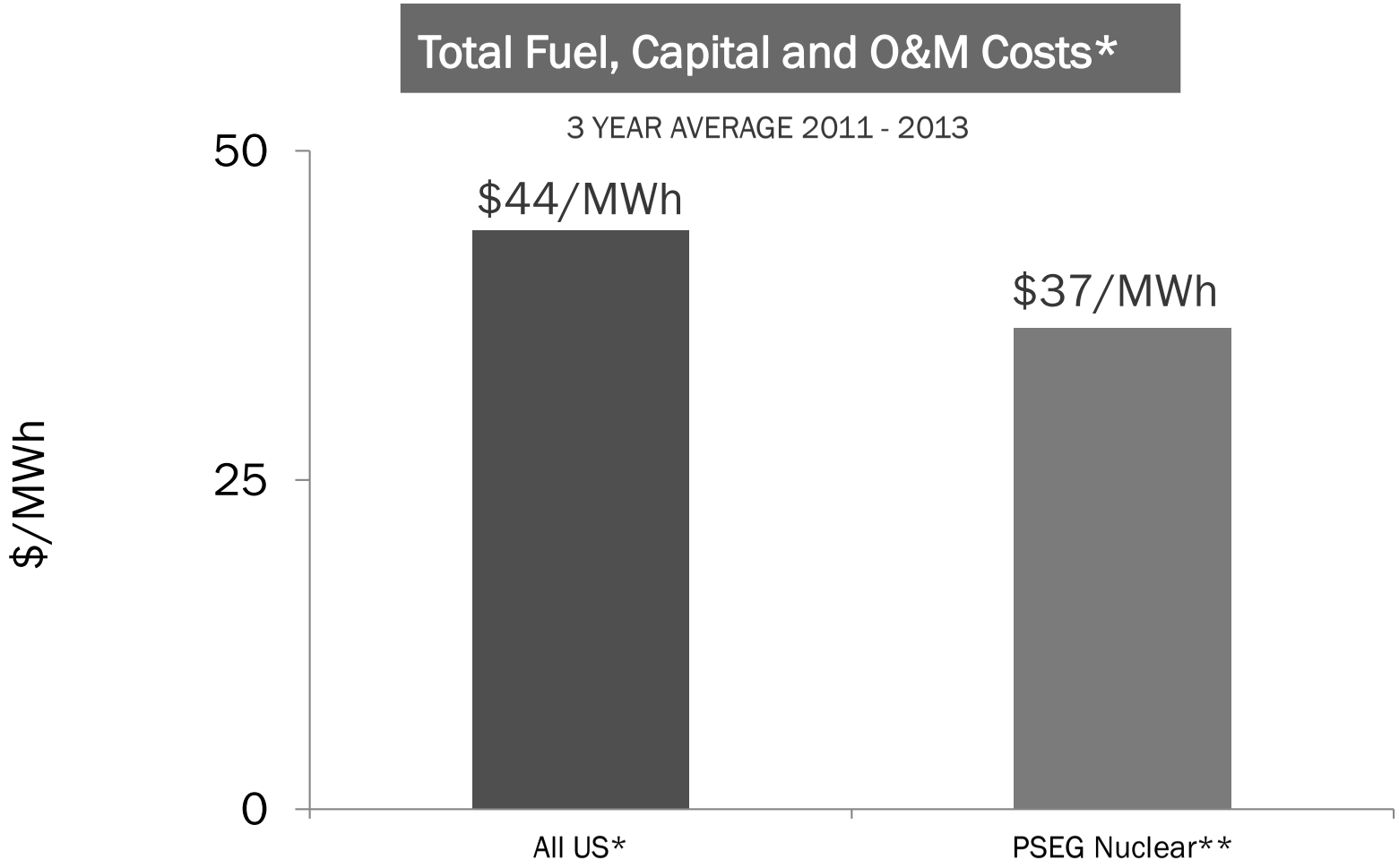
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-07666

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

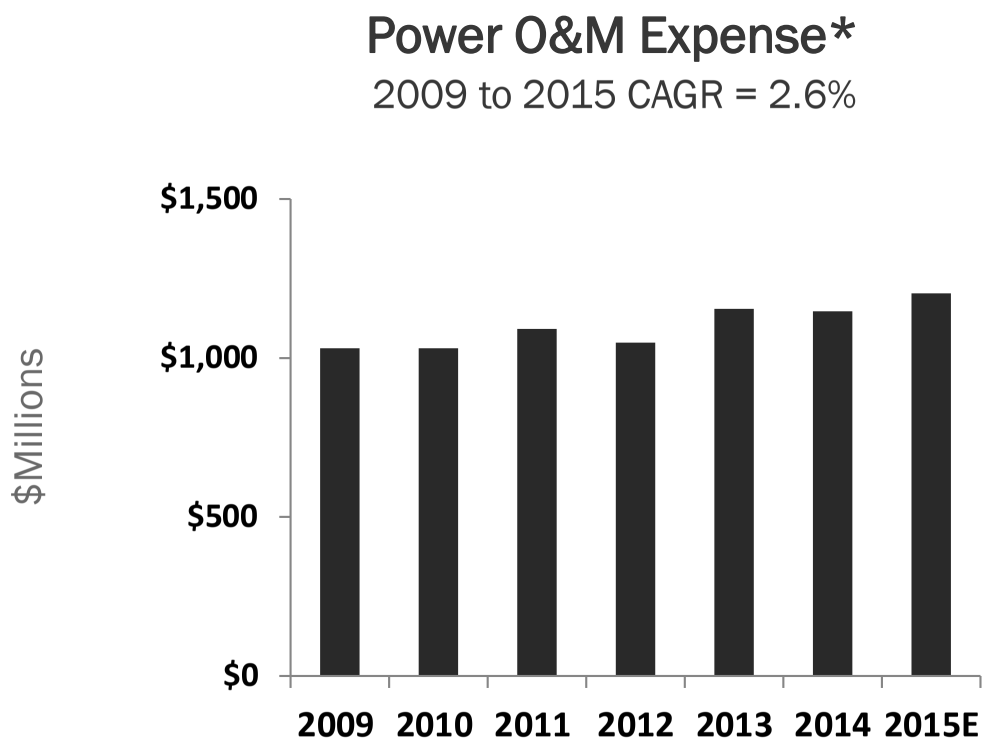


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-07667

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



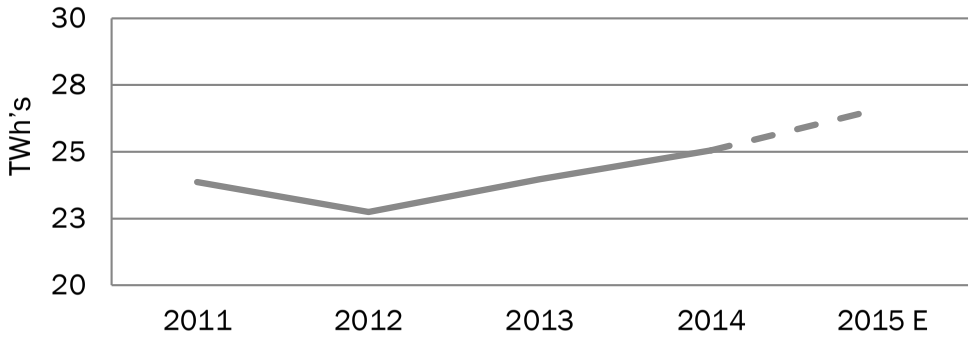
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

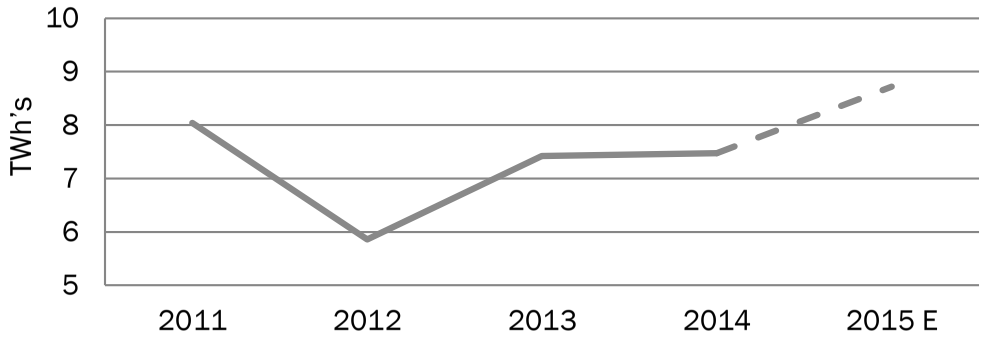
SI-SSA-0015-07668

PSEG Power's Fossil Fleet has shown improvement in performance

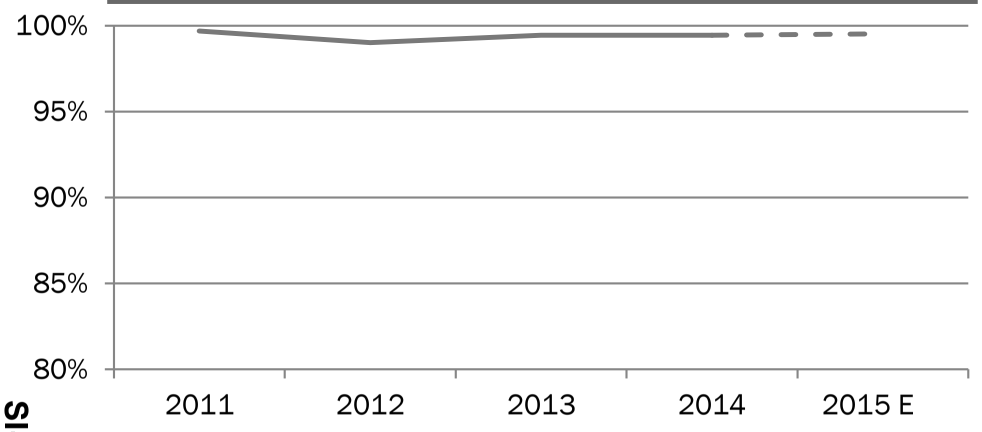
Fossil Generation



Coal Generation

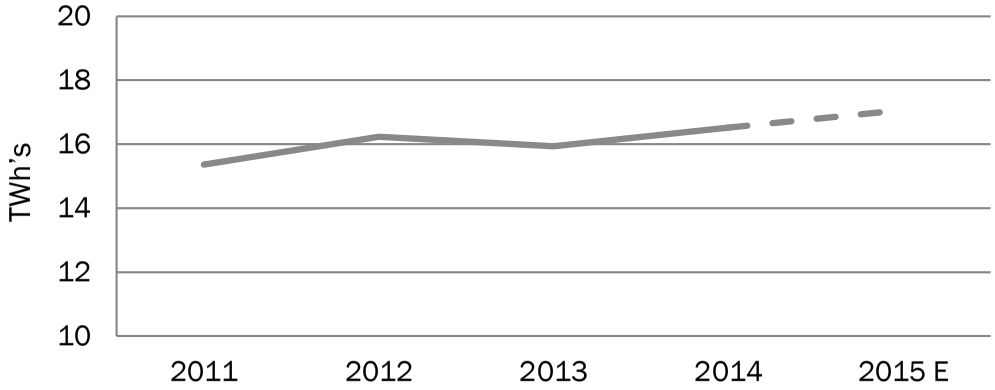


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

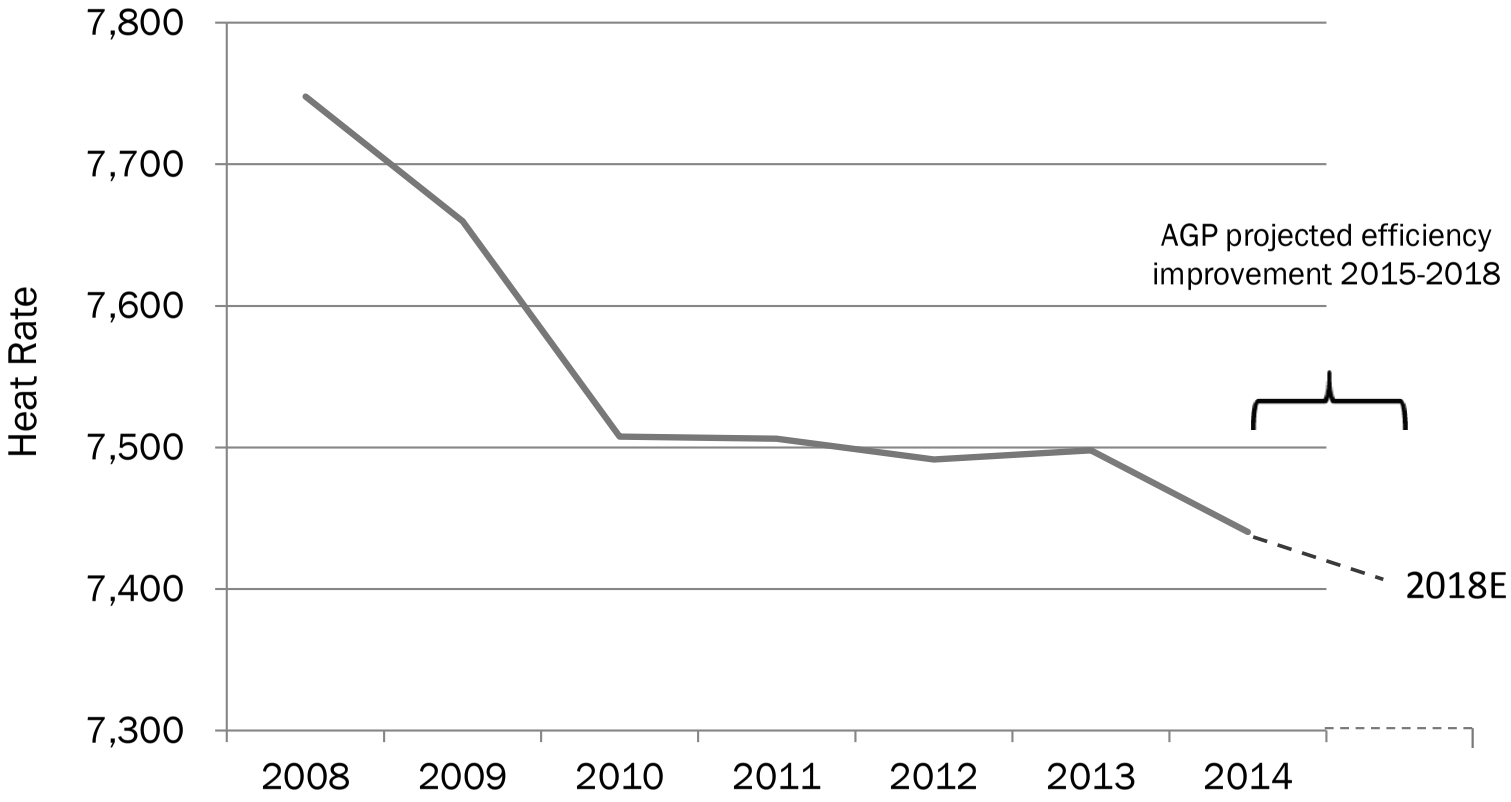
SI-SSA-0015-07669

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

SI-SSA-0015-07670

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

Capacity
- New Keys CCGT 755MW online in 2018E adds geographic diversity to fleet
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

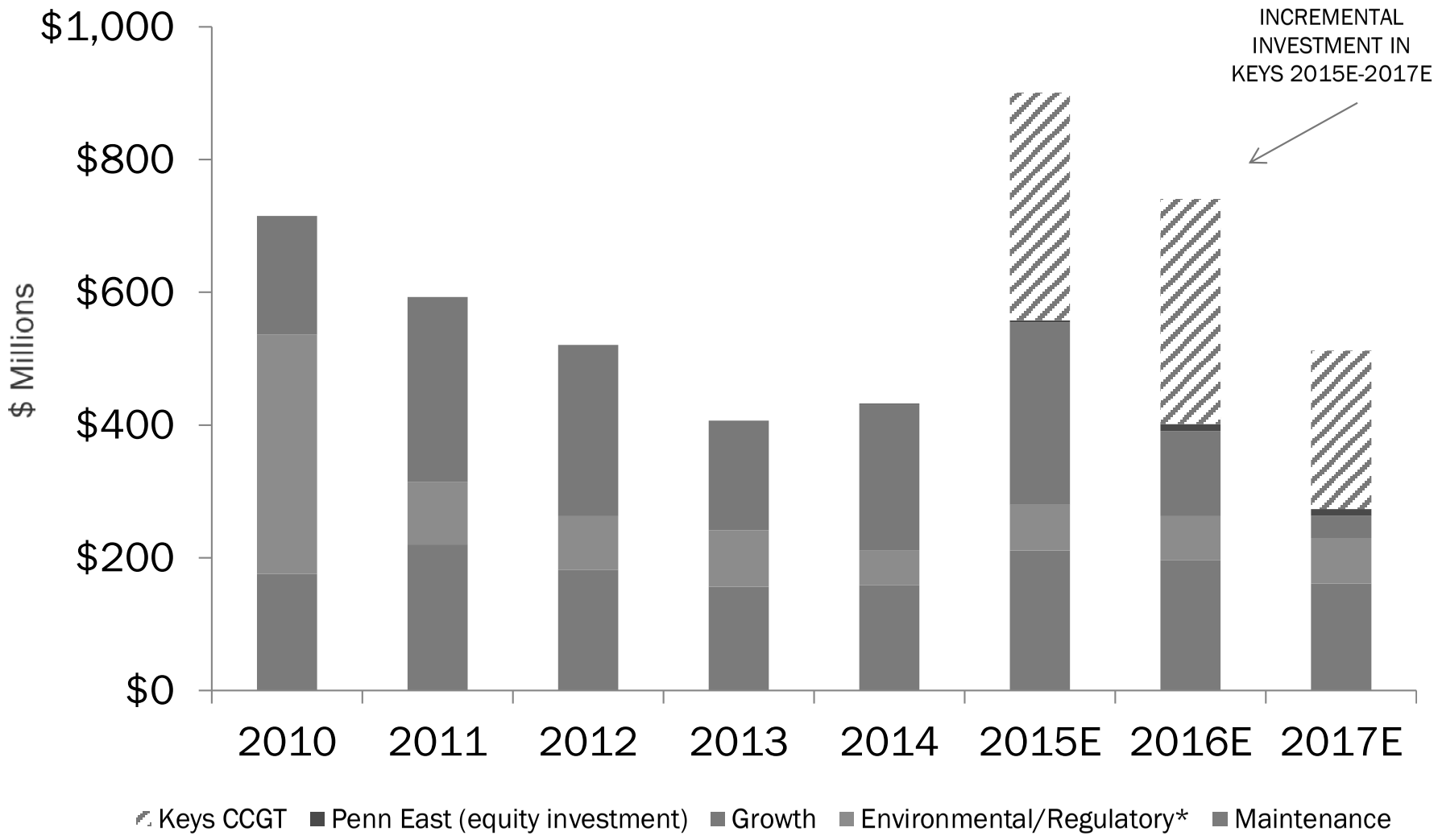
Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-07671

E = ESTIMATE

PSEG Power's capital expenditures

dedicated toward growing portfolio



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

SI-SSA-0015-07672

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,126 MW

* INTERCONNECTION SERVICE AGREEMENTS.

SI-SSA-0015-07673

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

SI-SSA-0015-07674

PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-07675

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-07676

PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

SI-SSA-0015-07677

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-07678

Developing People to drive operational excellence and to optimize the workforce

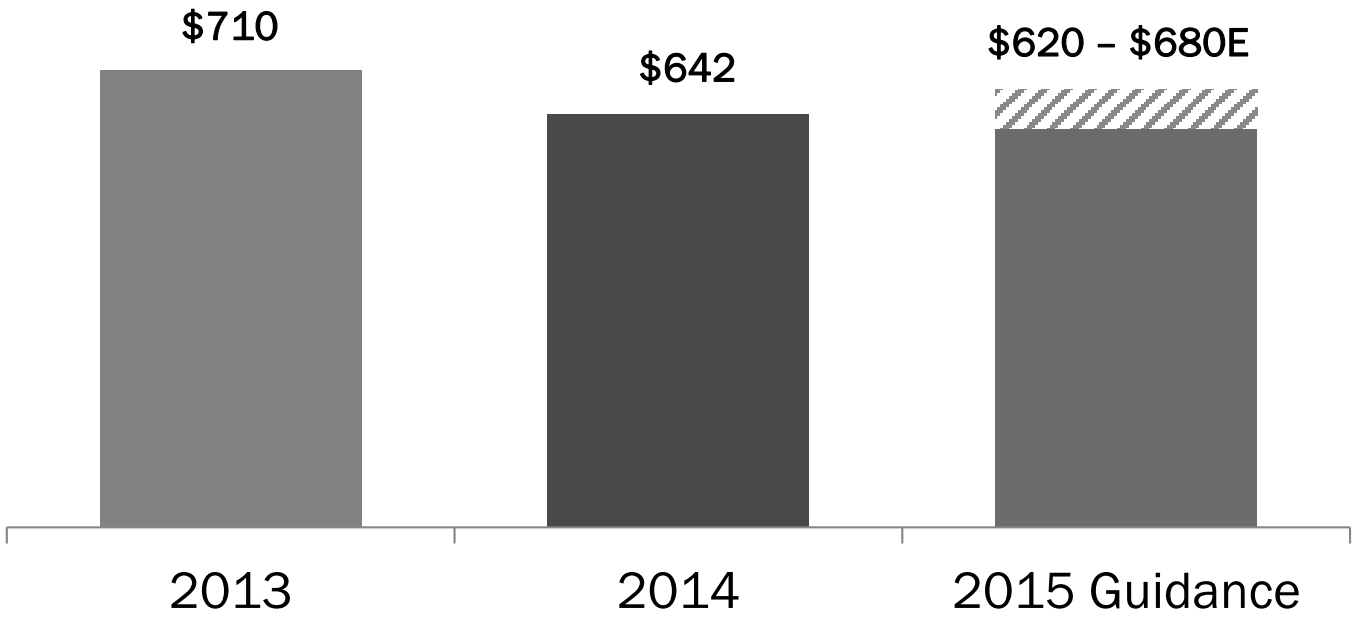
- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-07679

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-07680

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

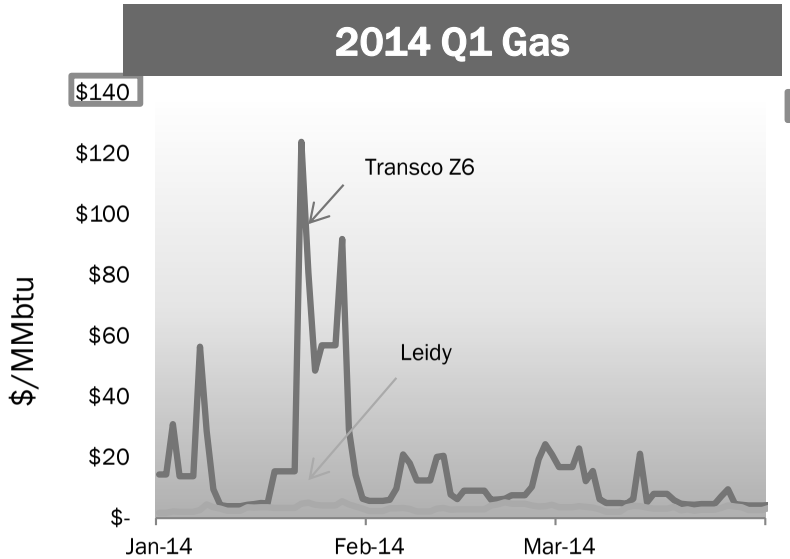
PSEG POWER
ER&T

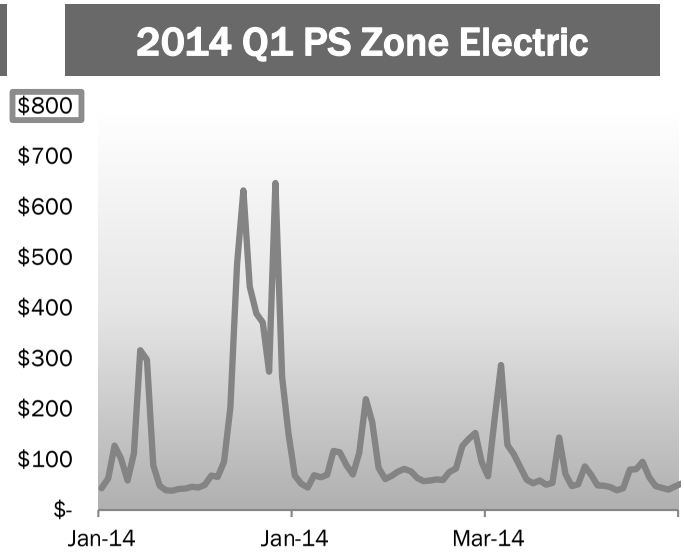
SI-SSA-0015-07681

PSEG

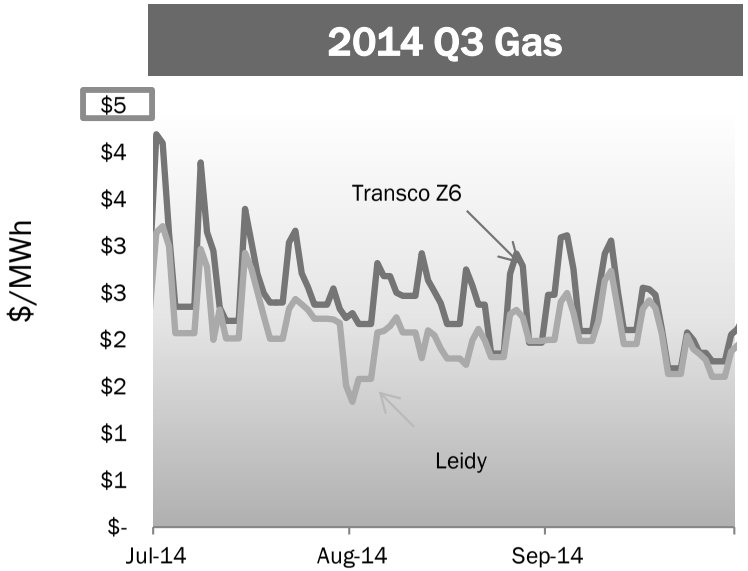
We make things work for you.

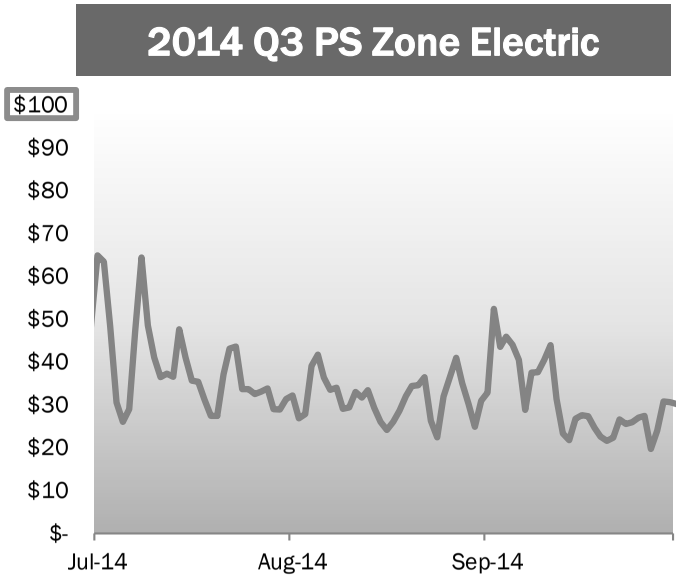
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



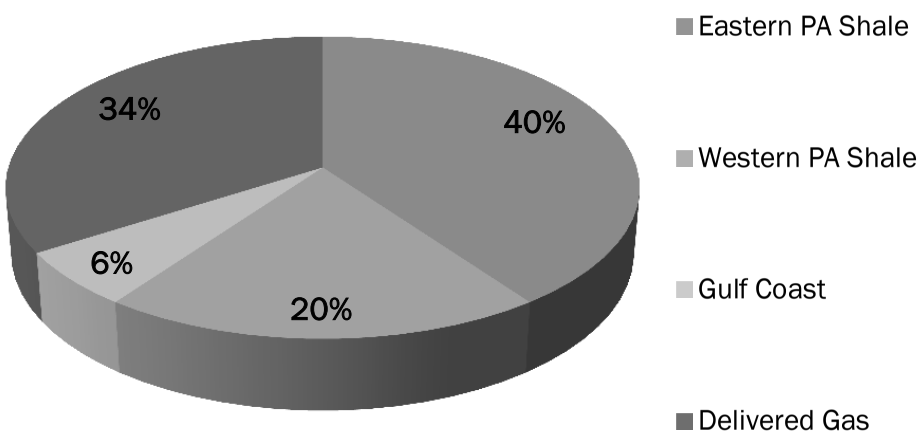


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-07682

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

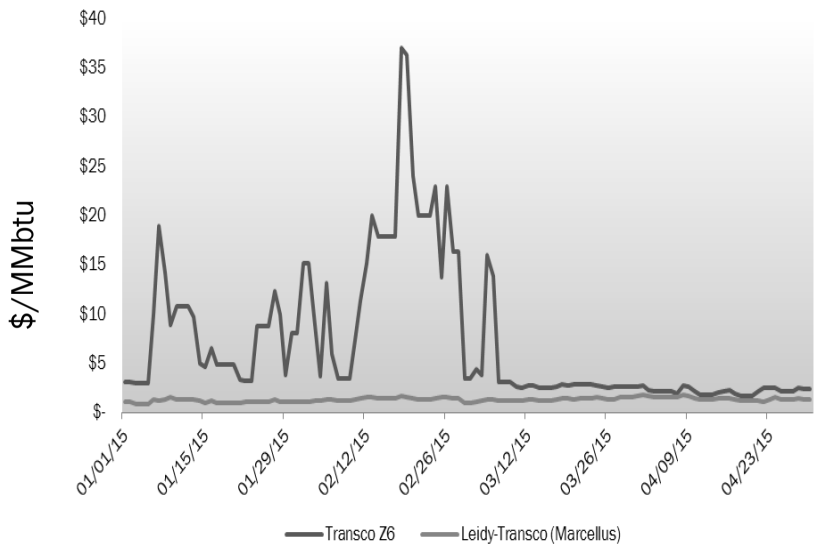


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

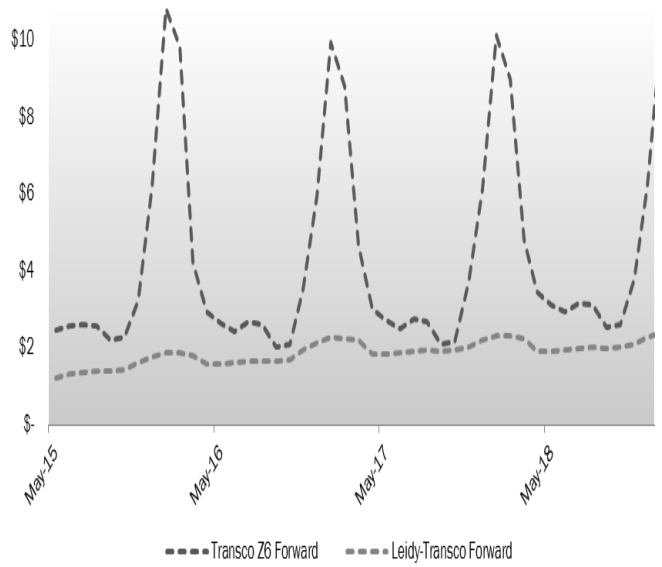
SI-SSA-0015-07683

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

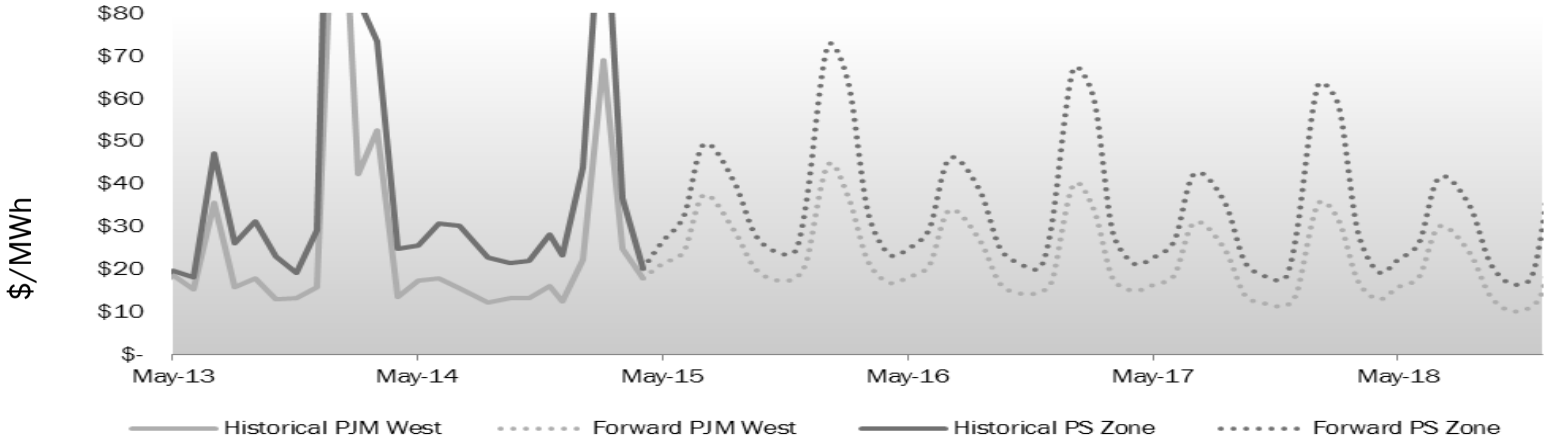
2015 YTD Z6



2015-2018 Z6

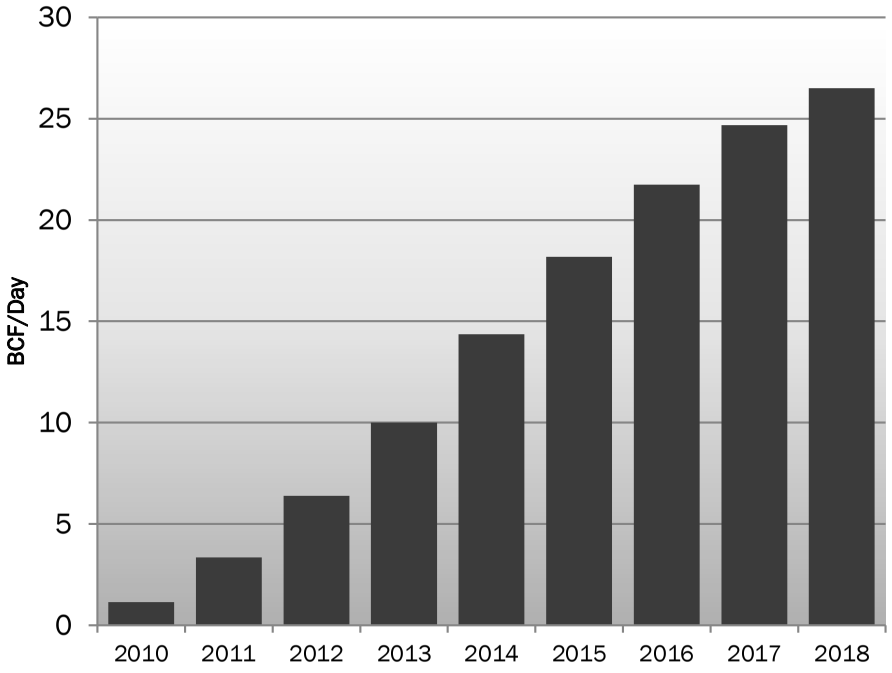


PJM West vs. PS Zone Spark Spreads (2013-2018)

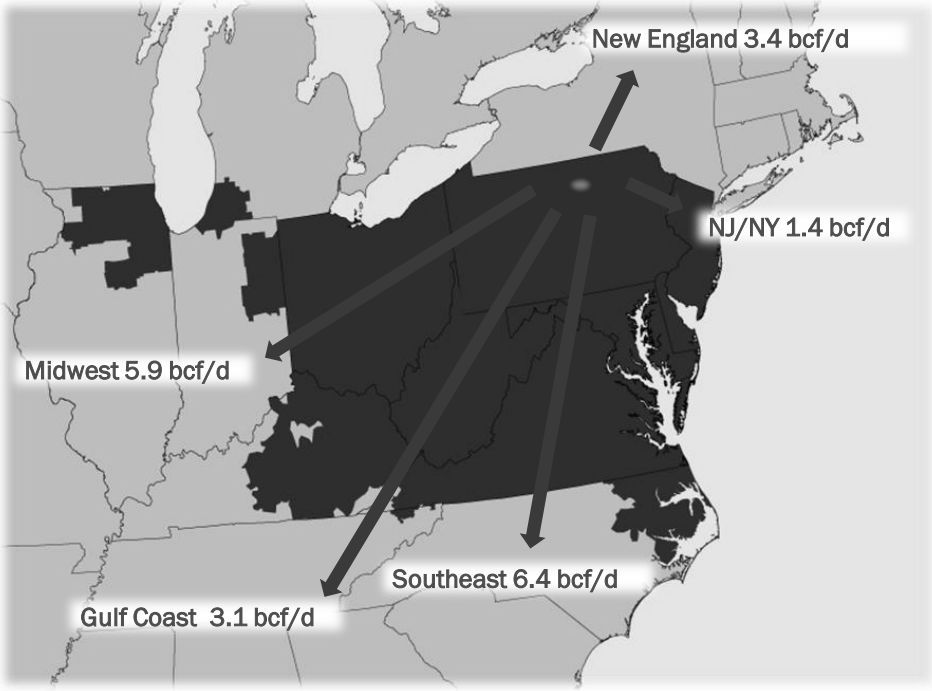


Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



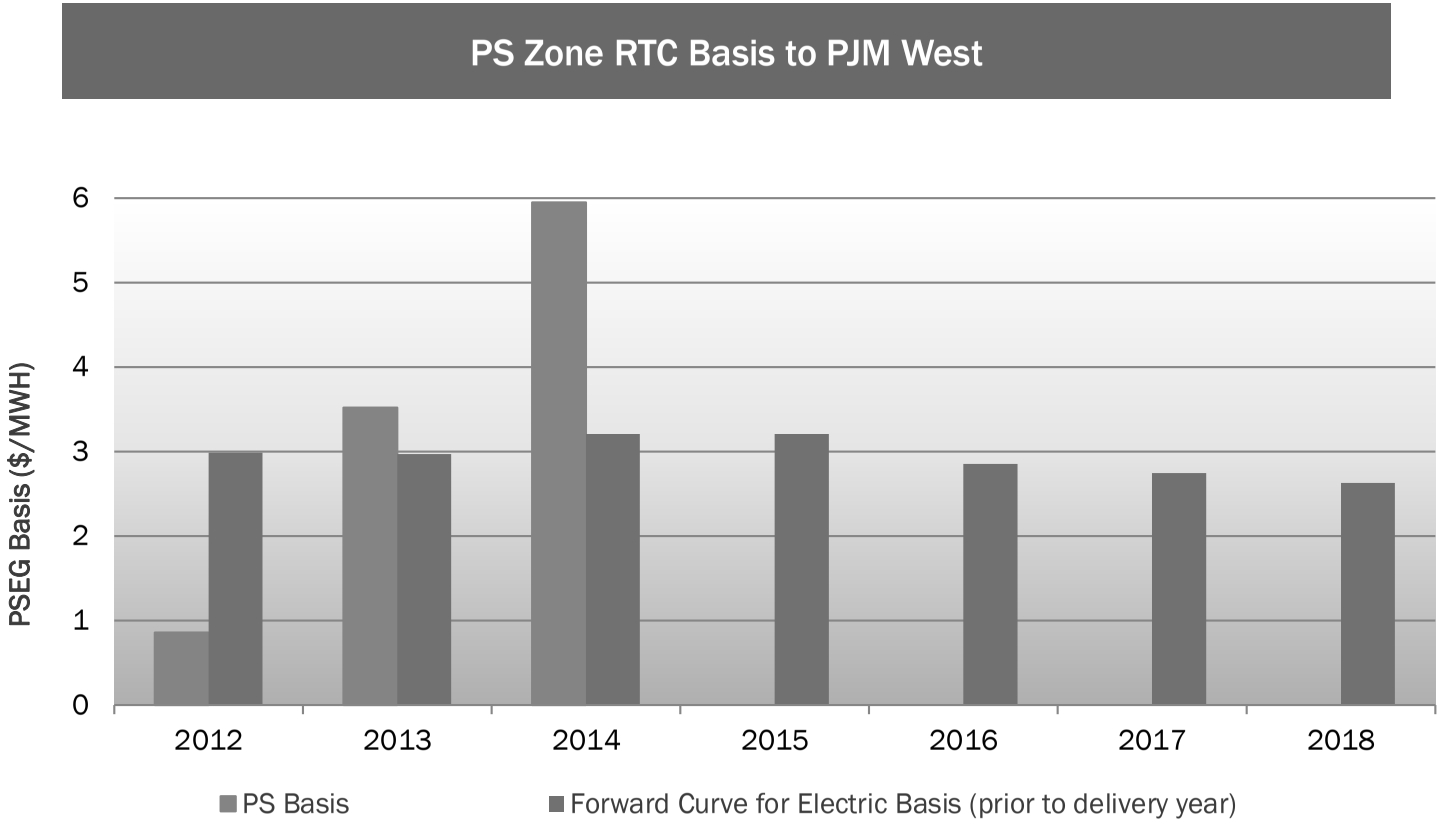
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-07685

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-07686

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications; US Supreme Court will hear case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-07687

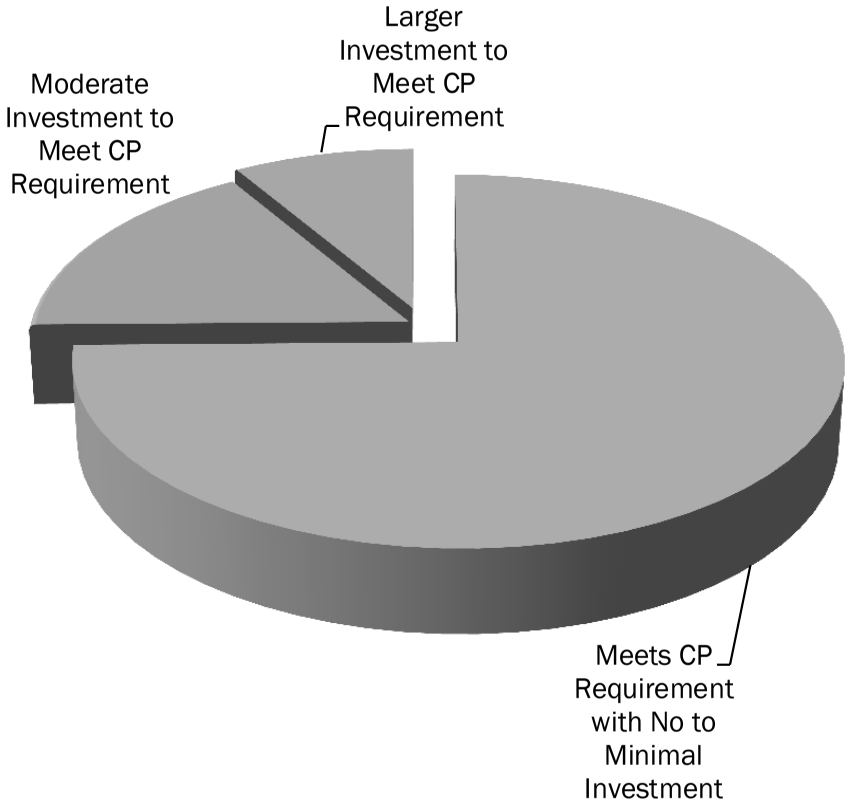
PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** product places emphasis on reliability, with robust performance standards, imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

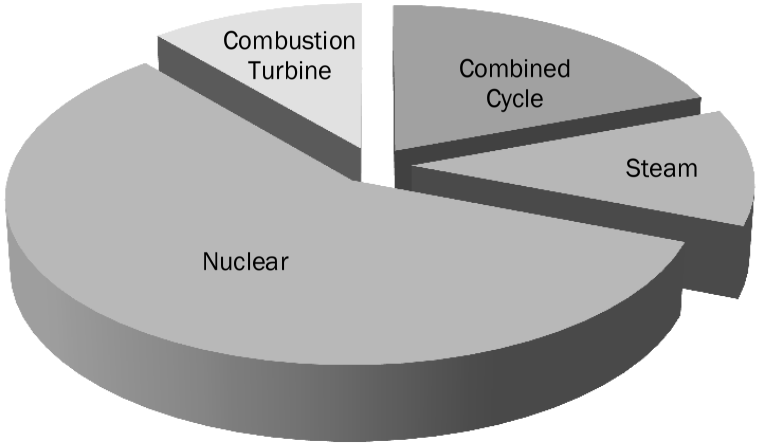
SI-SSA-0015-07688

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets**



SI-SSA-0015-07689

PSEG

* EXCLUDES 205MW OF PUMPED STORAGE.
** KEYS 755 MW CCGT UNIT EXPECTED TO BE CP COMPLIANT IN 2018

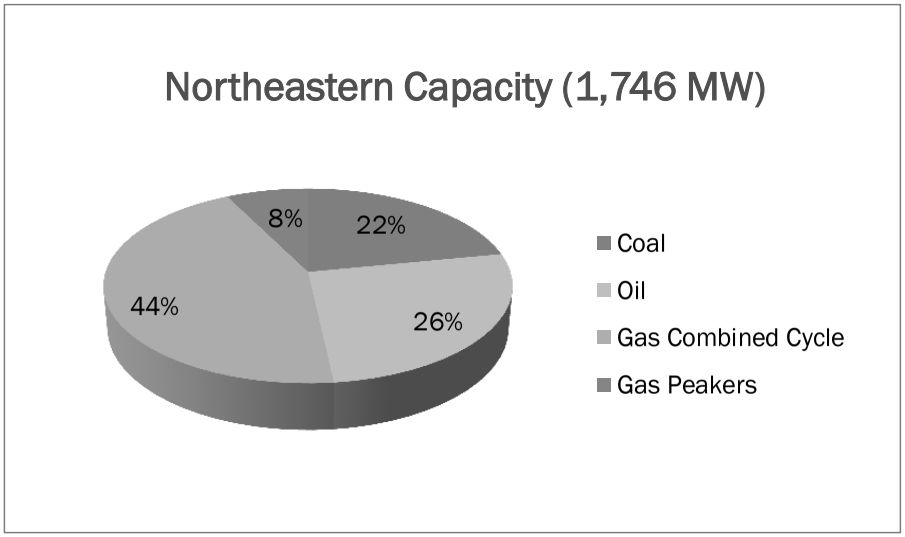
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-07690

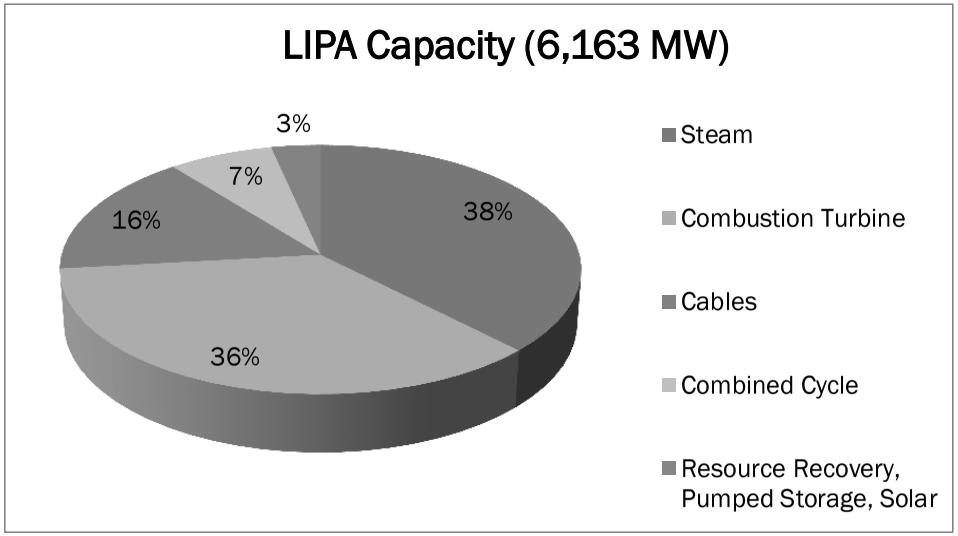
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-07691

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

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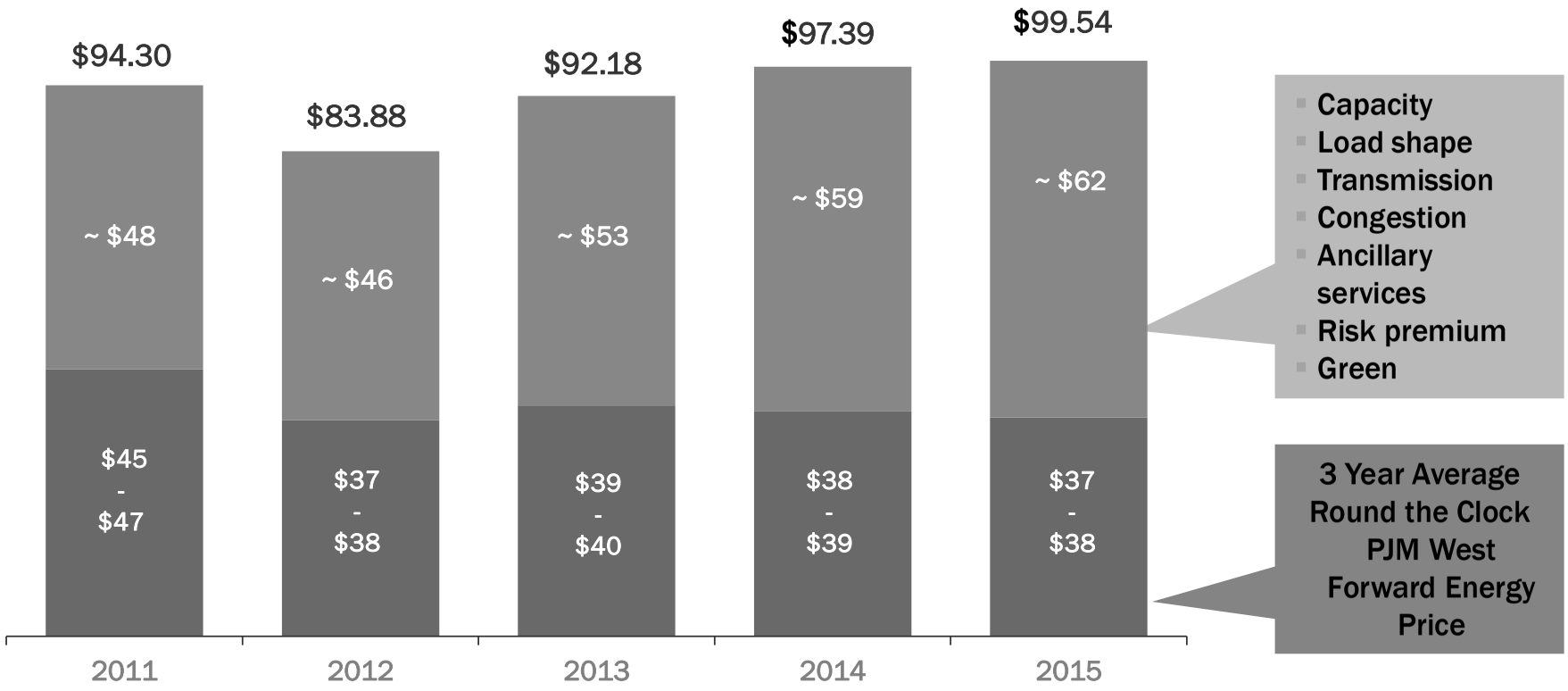
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-07693

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	37	37
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$51	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	17	20	20
	% Hedged	30-35%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	41-43	55-57	55-57
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$52	$51	$52

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-07694

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-07695

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-07696

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-07697

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

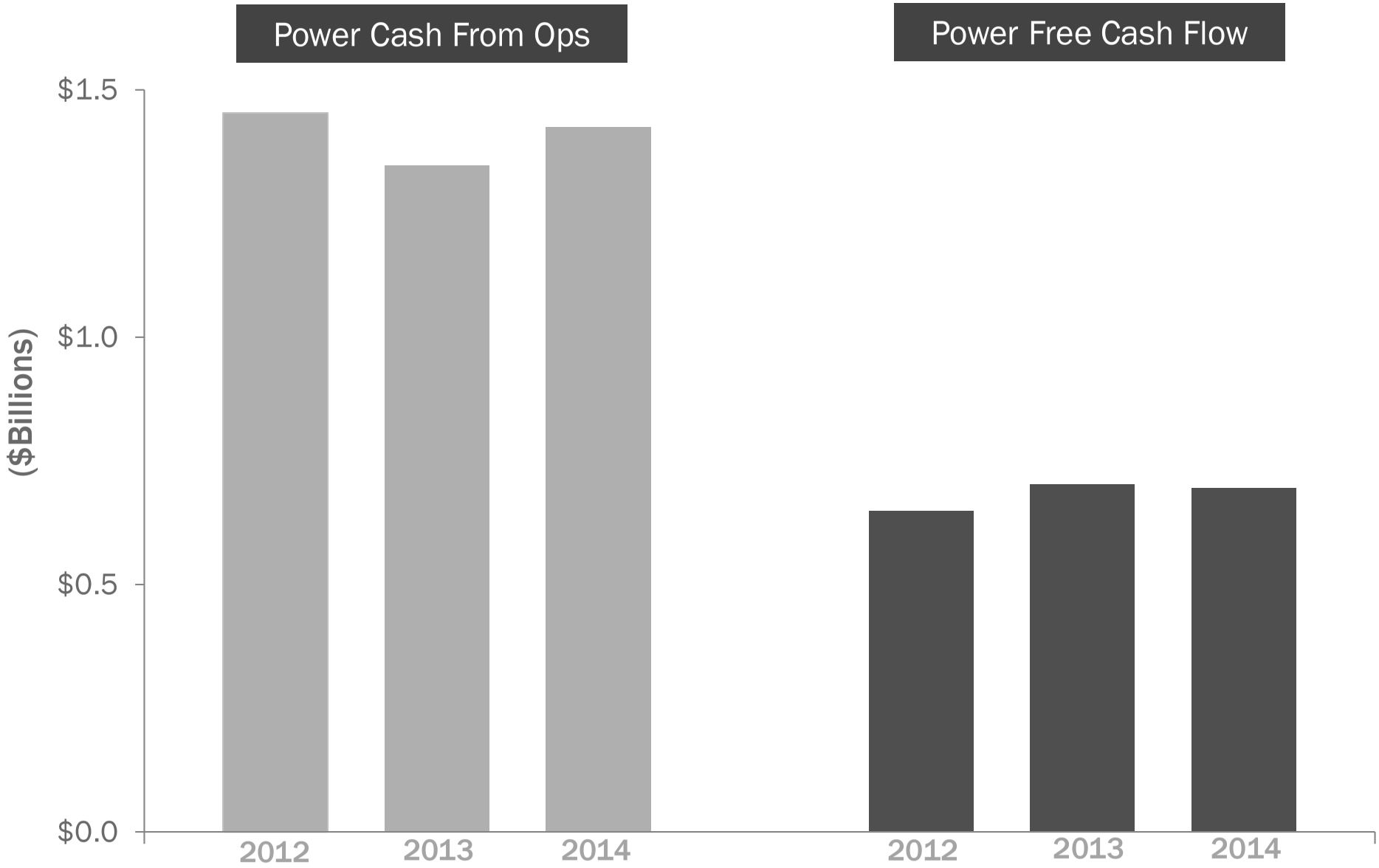
SI-SSA-0015-07698

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Power produced significant and consistent

Free Cash Flow



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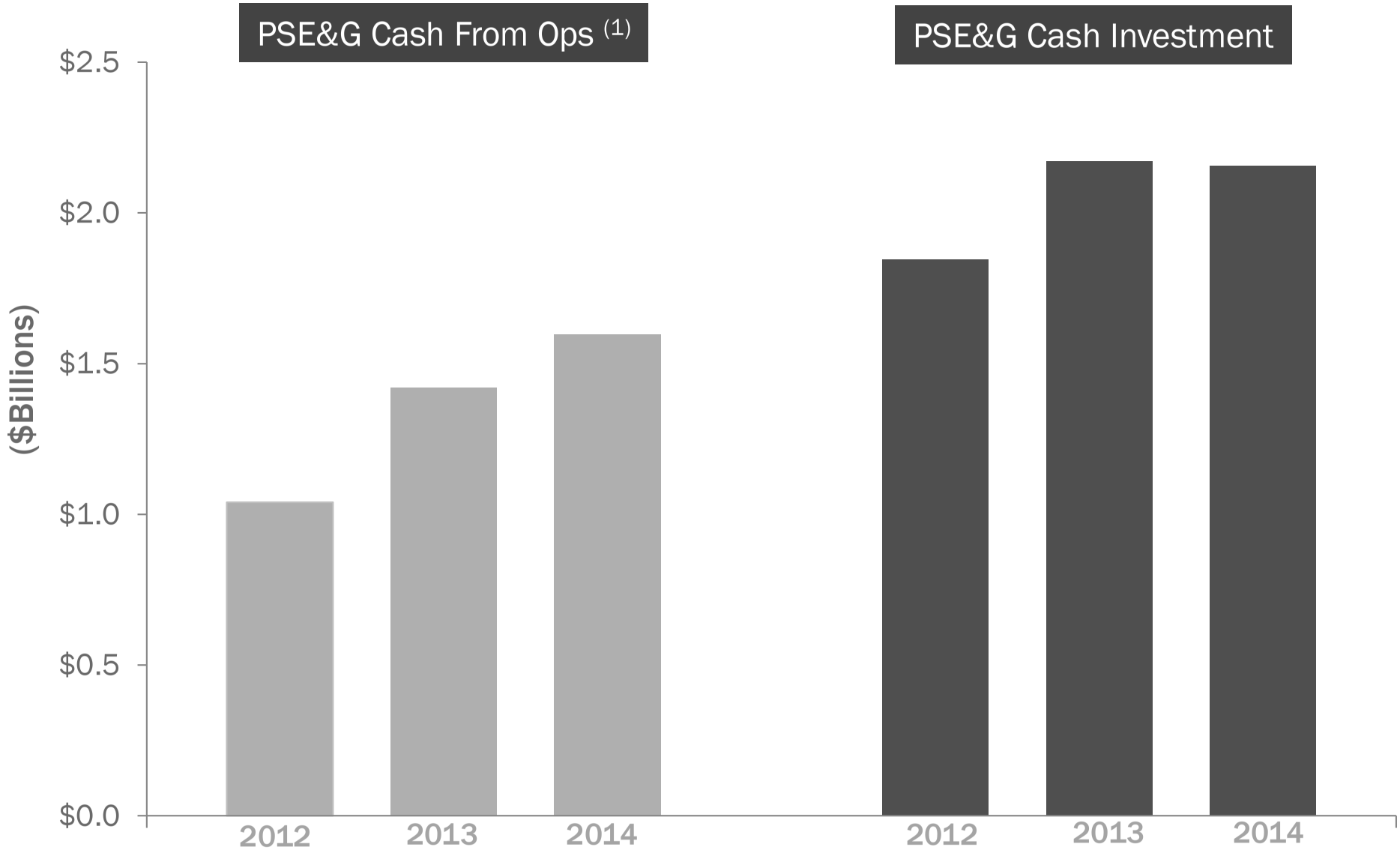
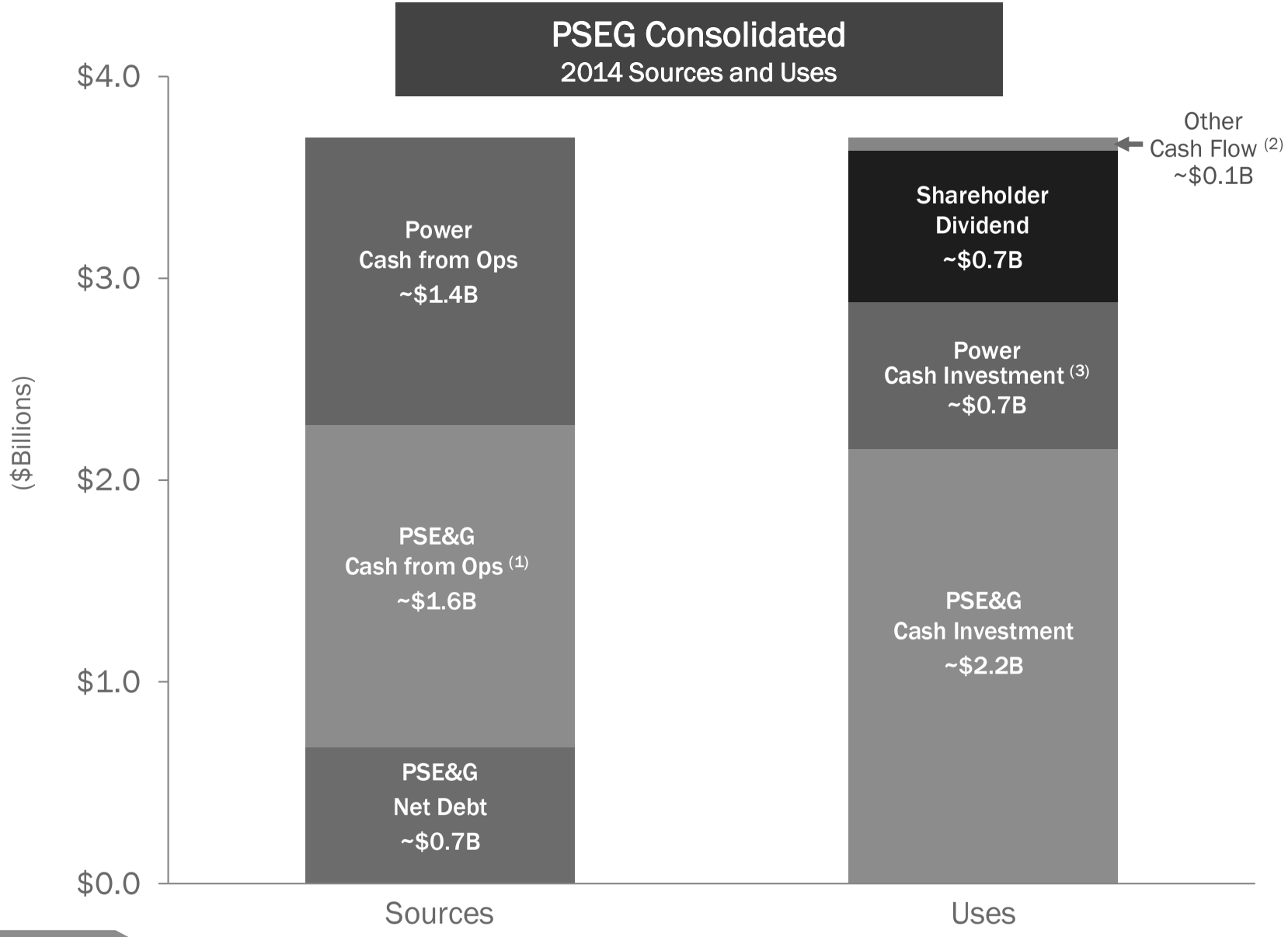
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-07700

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

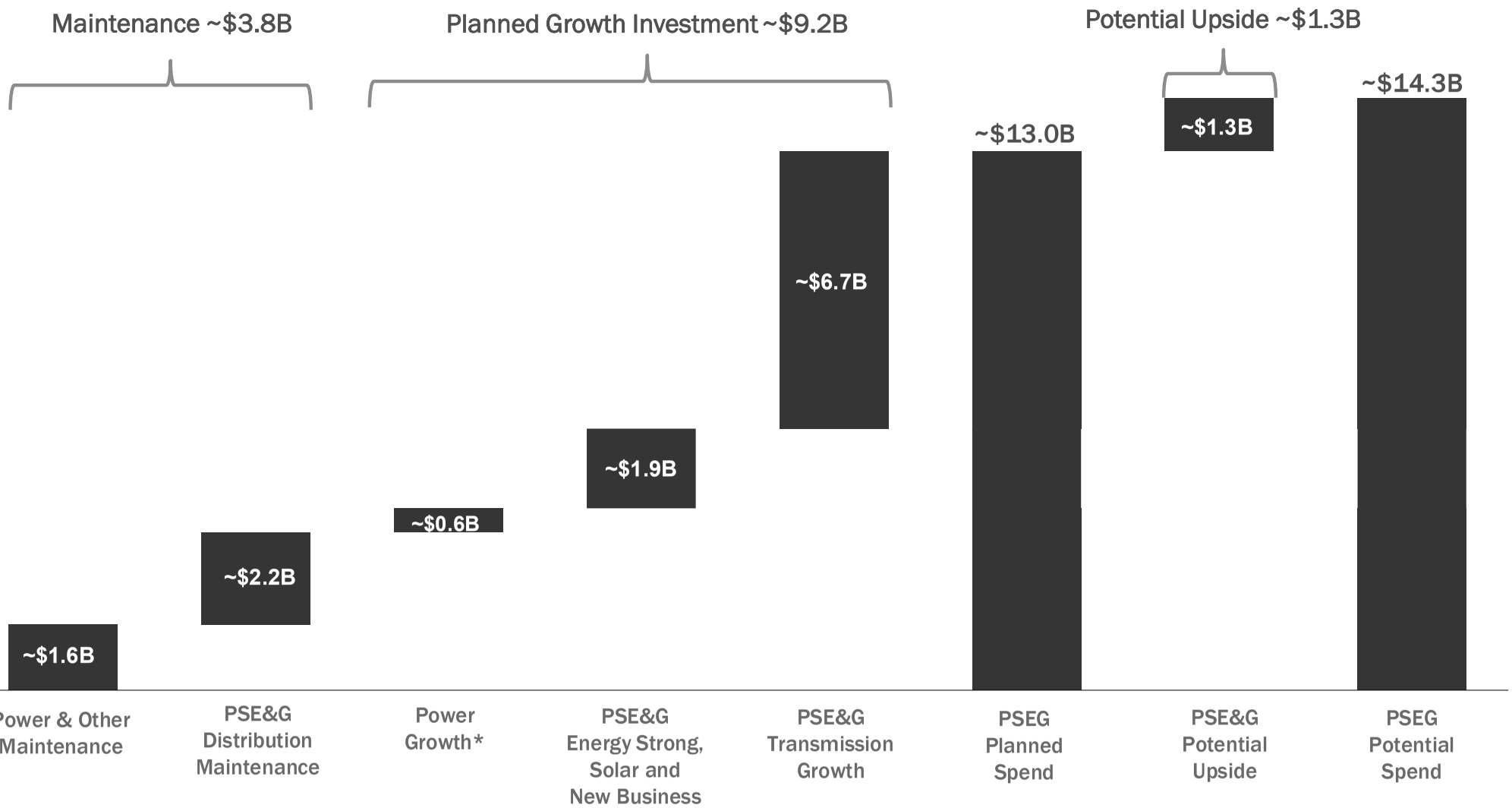


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-07701

PSEG growth spend represents ~70% of total investment

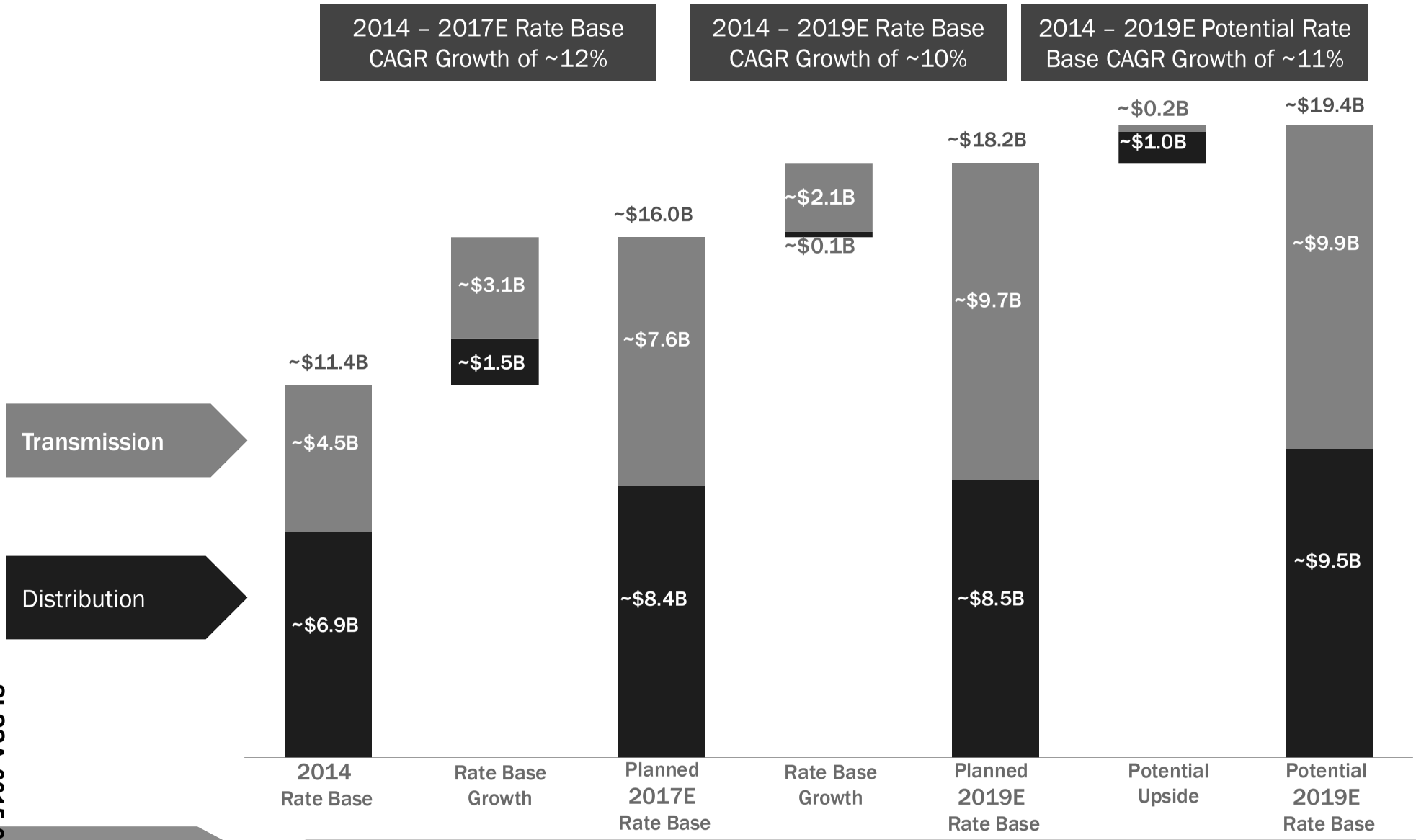
PSEG 2015– 2019E Capital Expenditures(1)



(1) INCLUDES AFUDC AND IDC; PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH.
E = ESTIMATE. *DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015.

SI-SSA-0015-07702

PSE&G's Capital Program drives double-digit growth in rate base through 2019

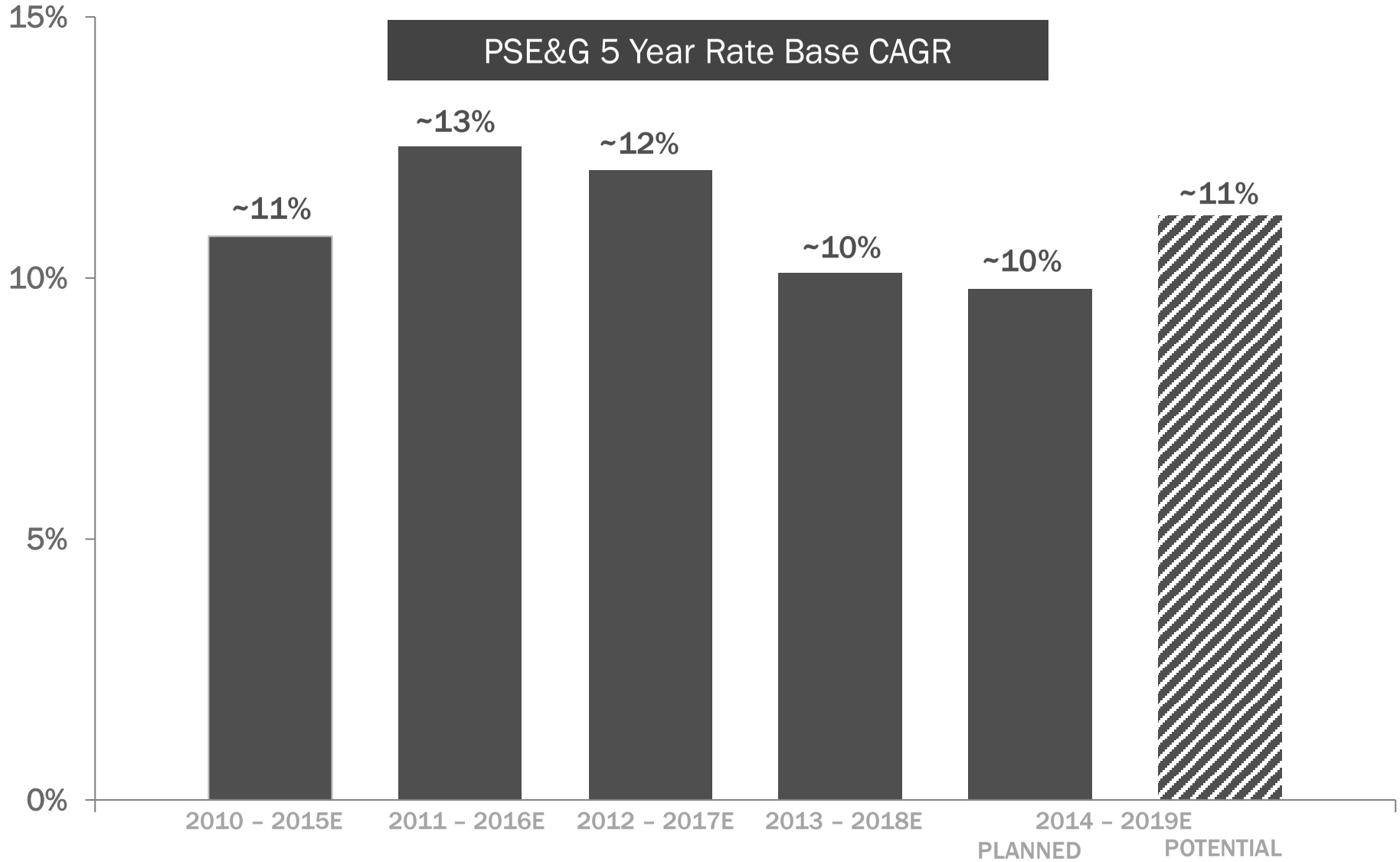


E = ESTIMATE

SI-SSA-0015-07703

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



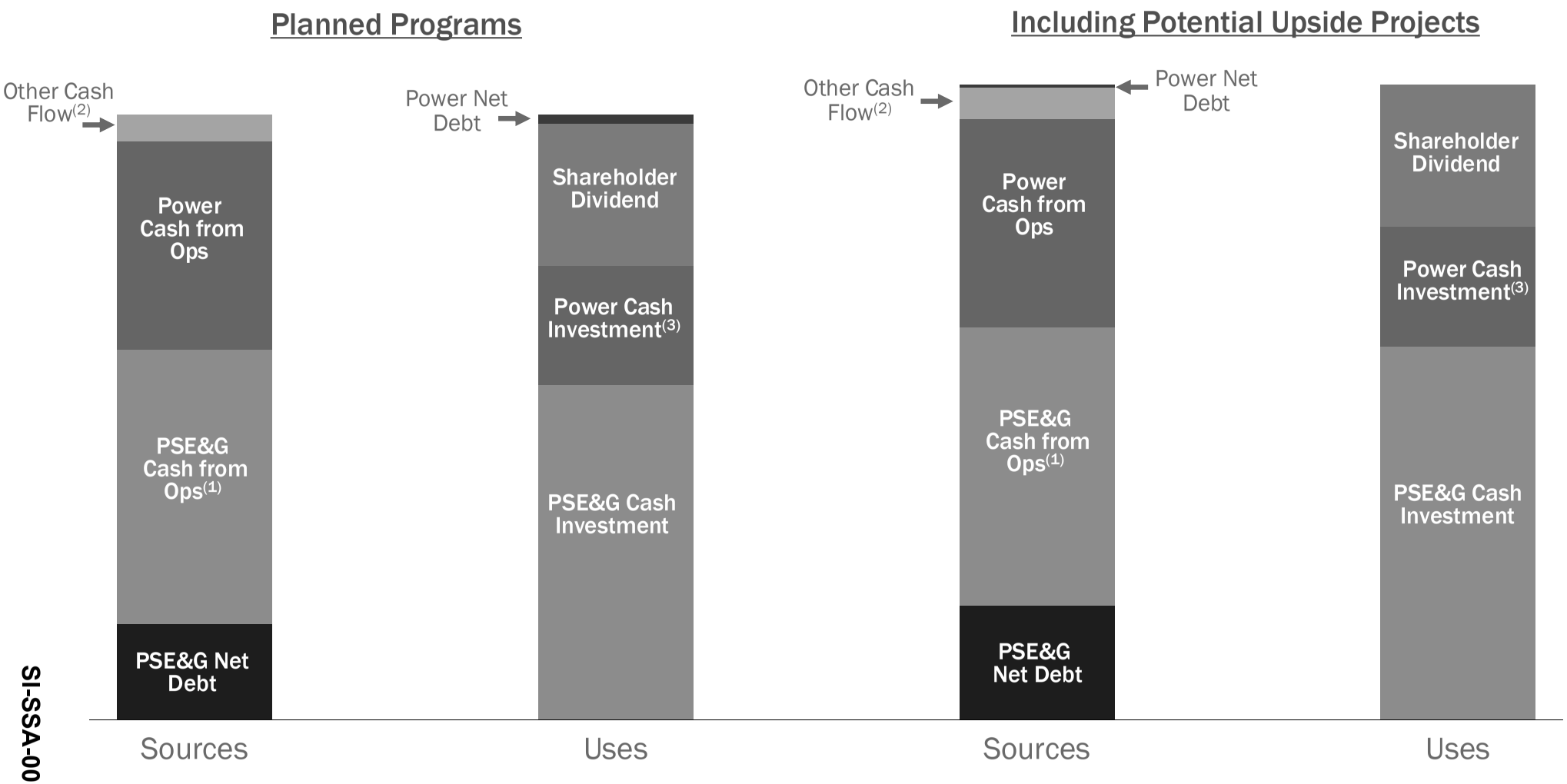
E = ESTIMATE

SI-SSA-0015-07704

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

PSEG 2015 - 2019E Sources and Uses

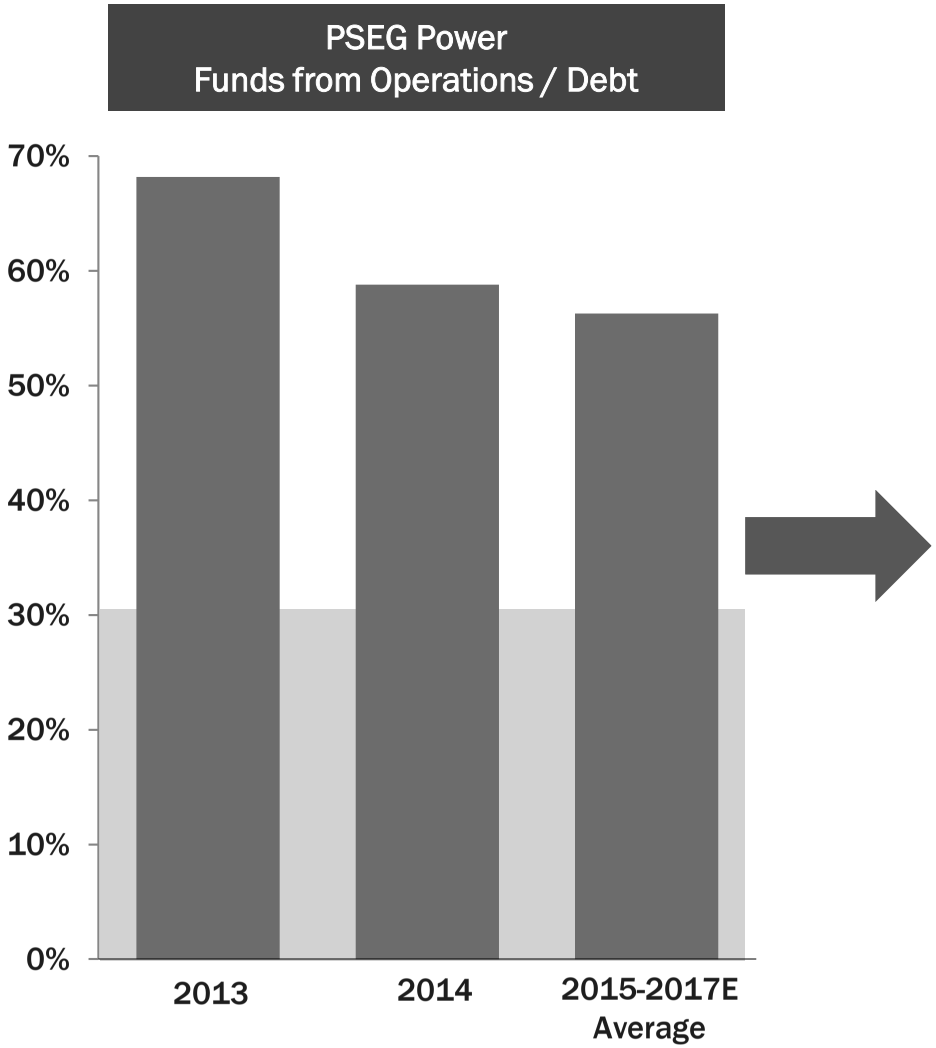


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES. DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015. E = ESTIMATE.

SI-SSA-0015-07705

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-07706

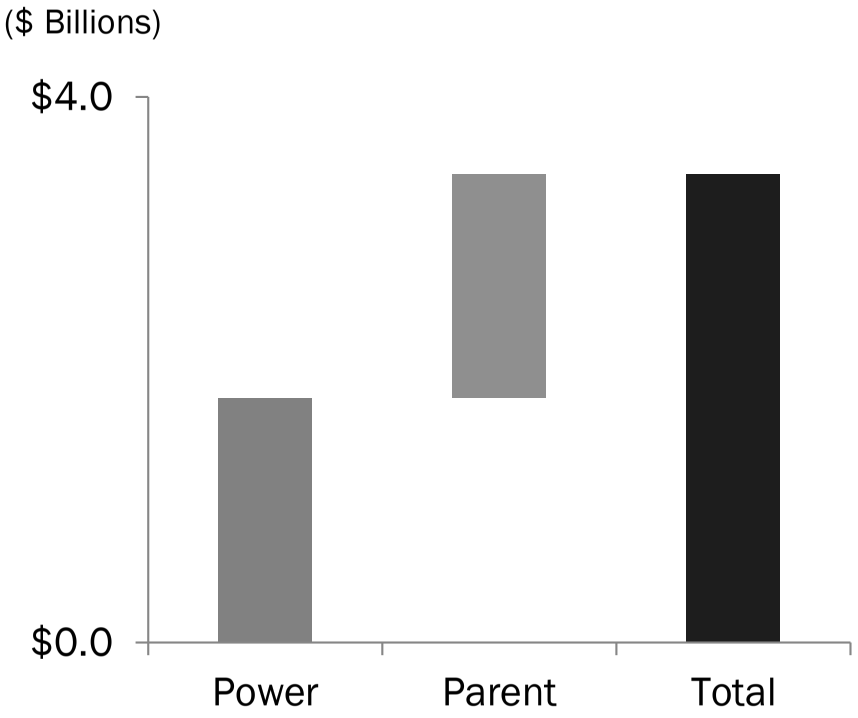
*DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017



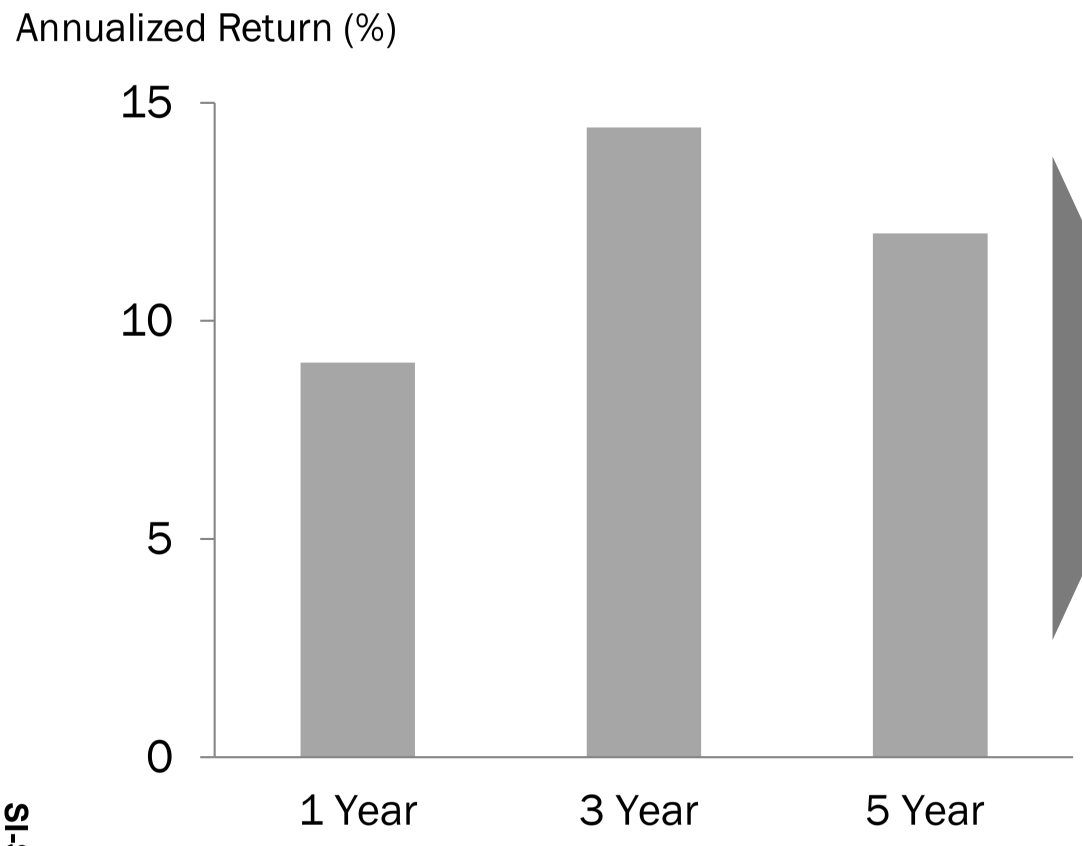
Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-07707

DOES NOT REFLECT THE IMPACT OF $825 - $875 MILLION KEYS CCGT INVESTMENT ANNOUNCED JUNE 17, 2015.

Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



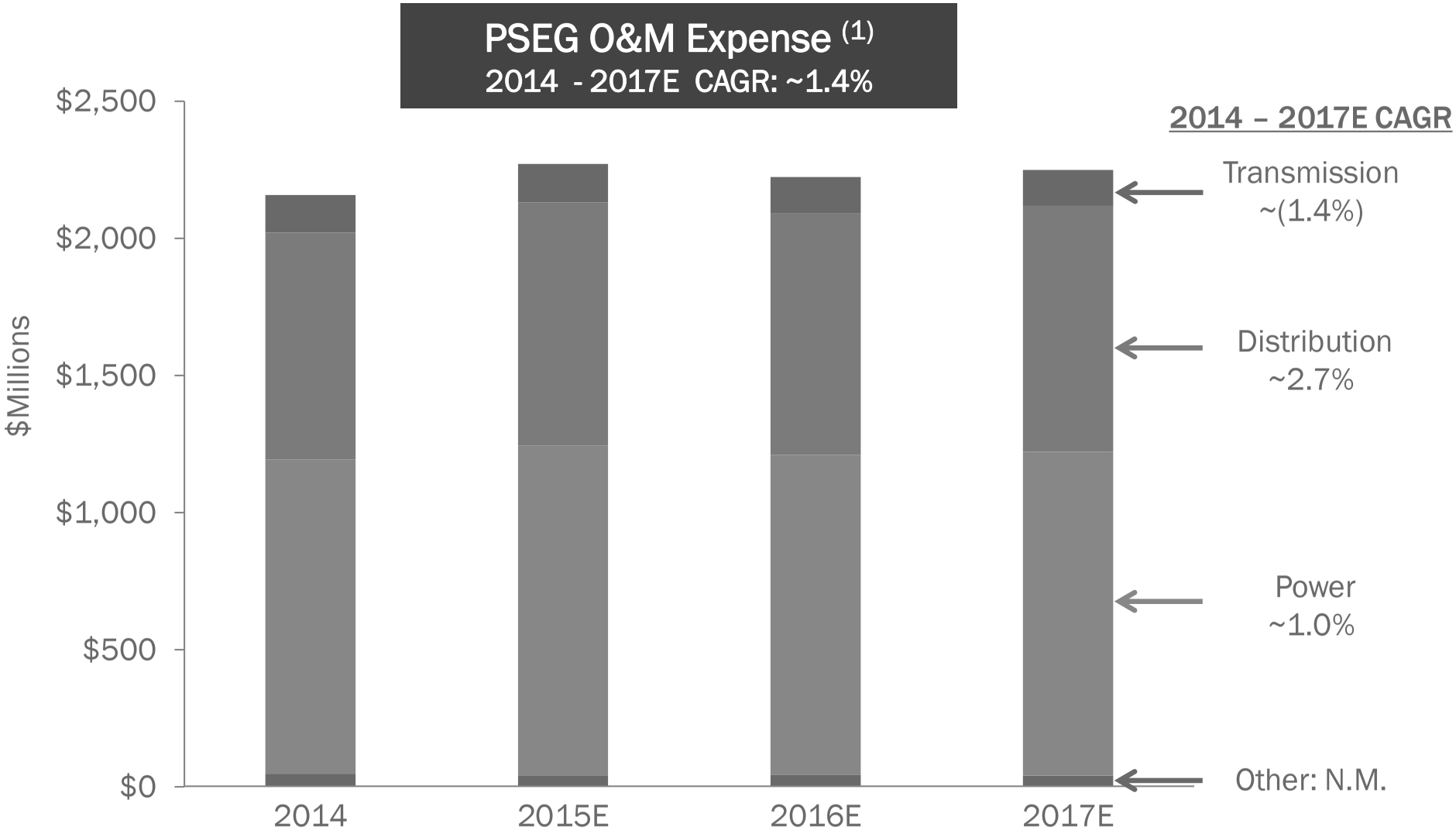
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

SI-SSA-0015-07708

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



SI-SSA-0015-07709

PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

PSEG 2015 Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,395 - $1,500	$1,400
Earnings per Share	$2.75 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-07710

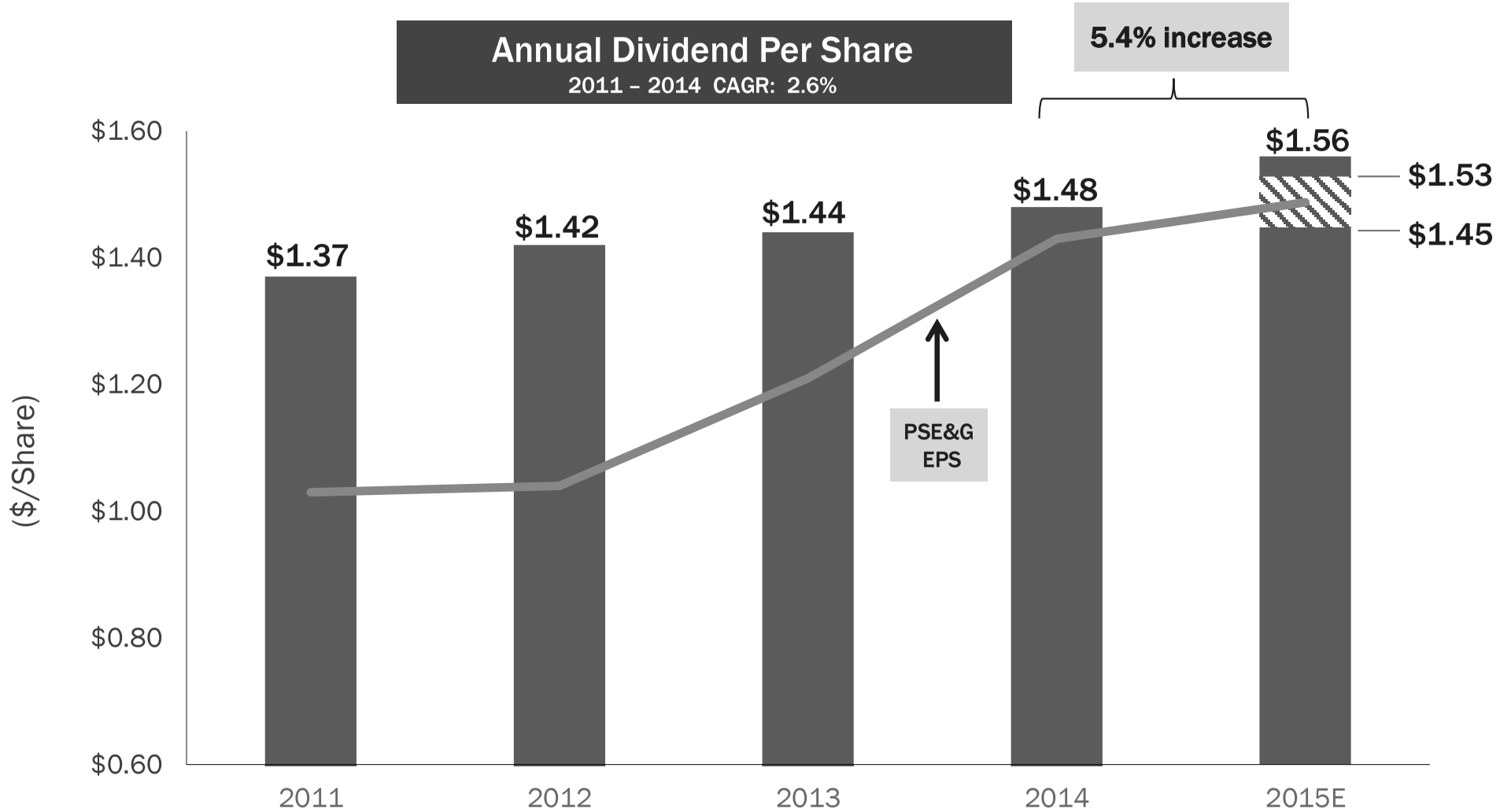
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

SI-SSA-0015-07711

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 OPERATING EARNINGS GUIDANCE OF $2.75-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-07712

PSEG Summary

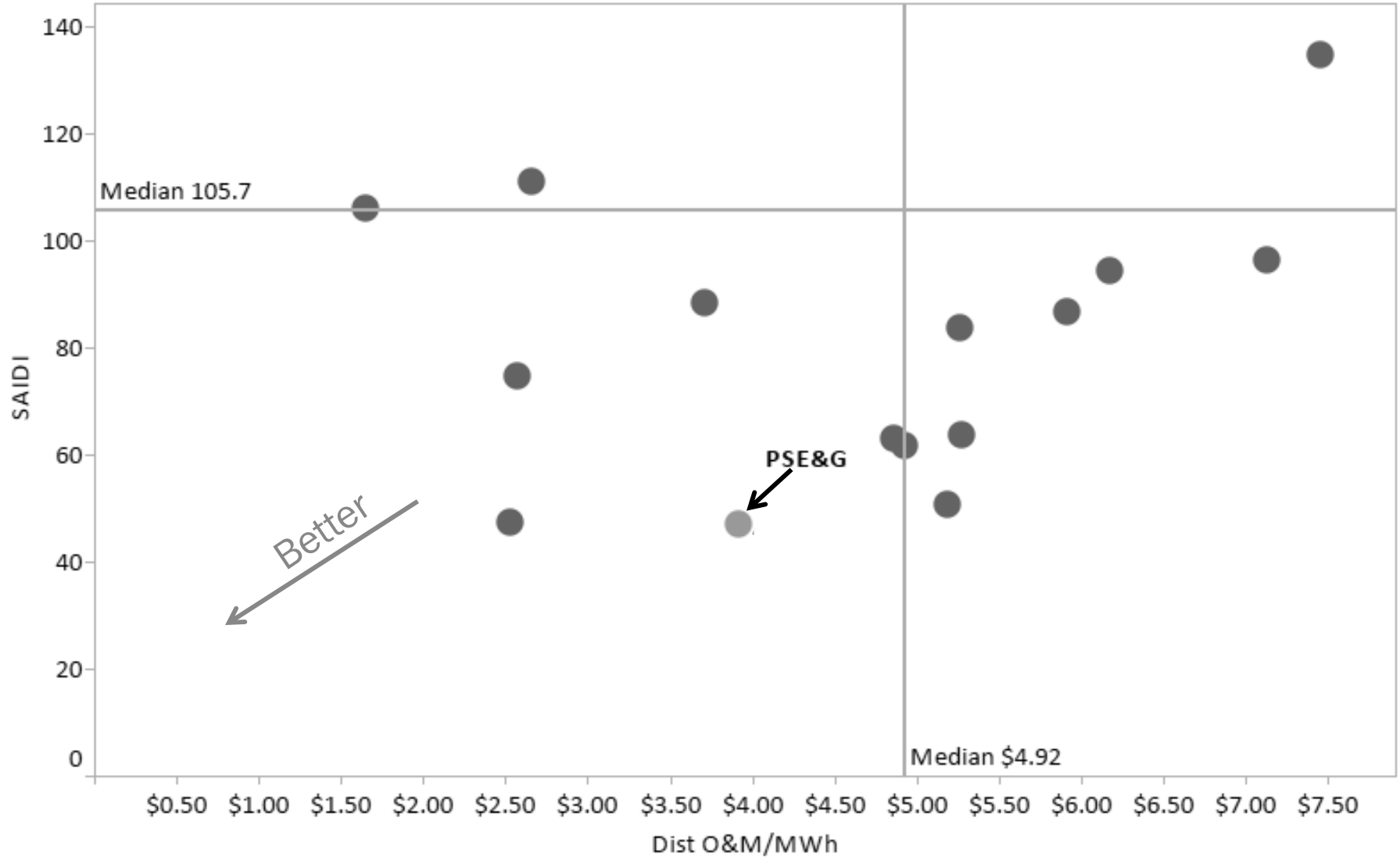
- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunity without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-07713

PSE&G APPENDIX

SI-SSA-0015-07714

PSE&G provides high reliability at below average cost which creates superior value to customers

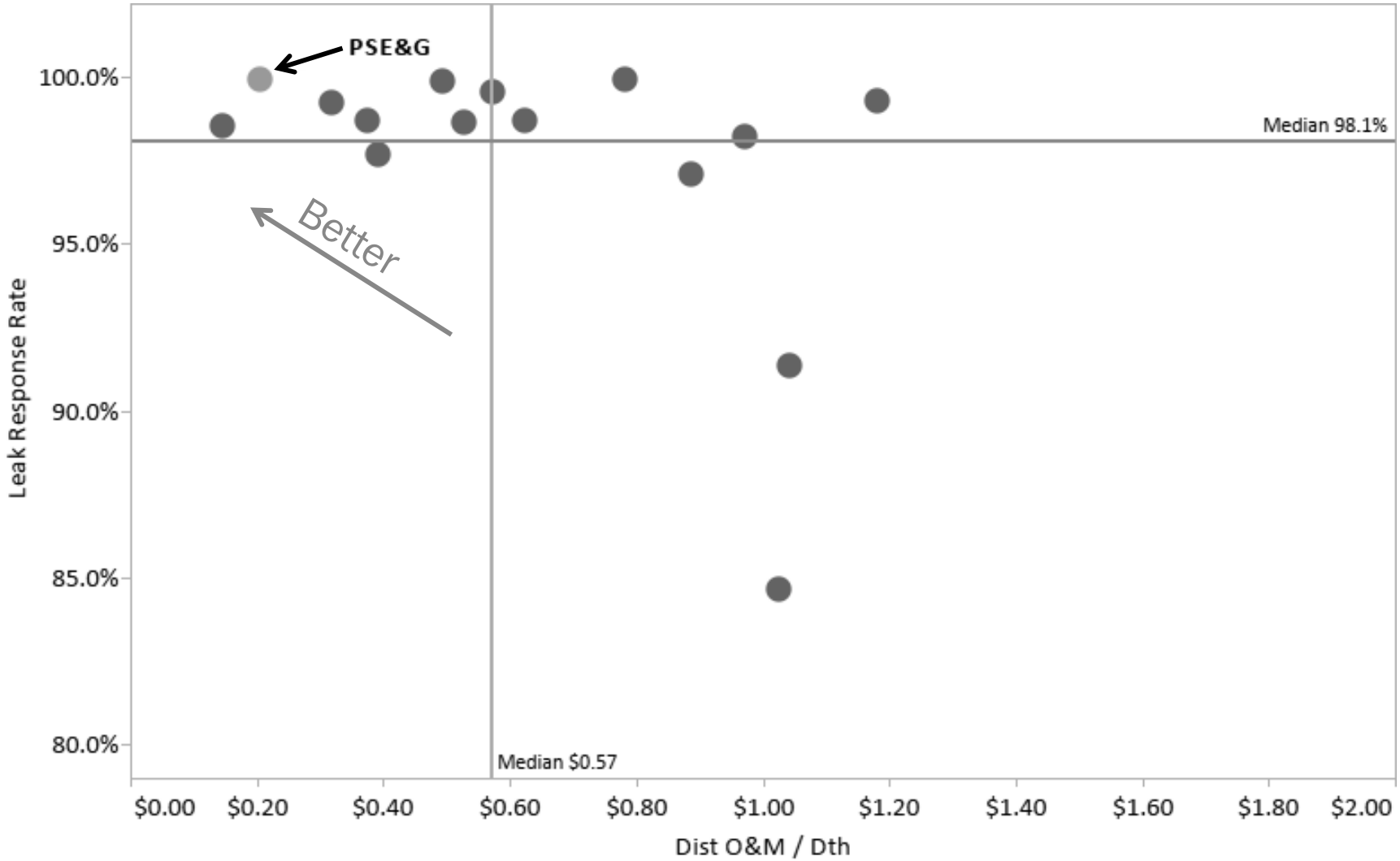


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-07715

PSE&G prioritizes public safety

while maintaining value to customers



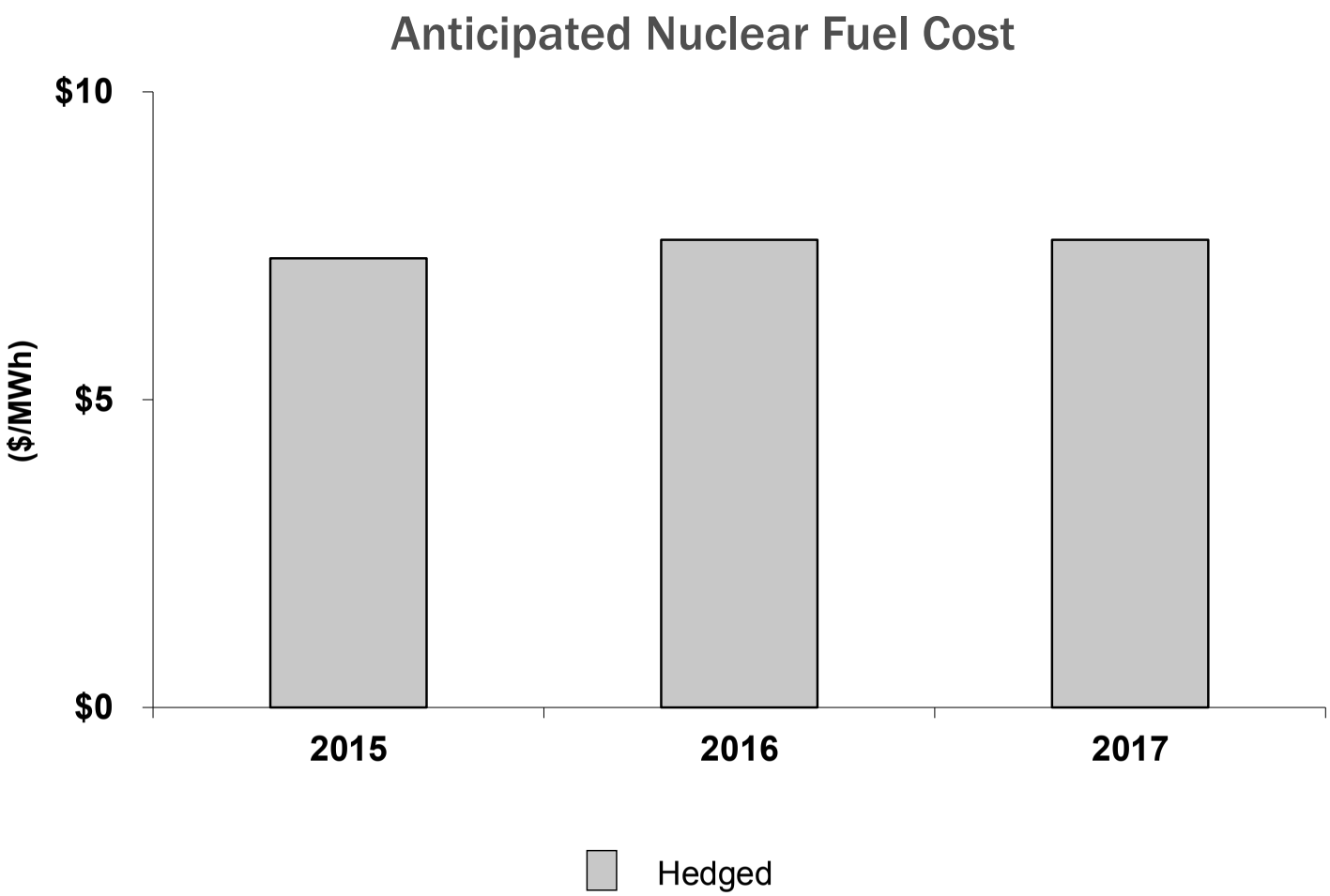
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-07716

PSEG POWER AND ER&T APPENDIX

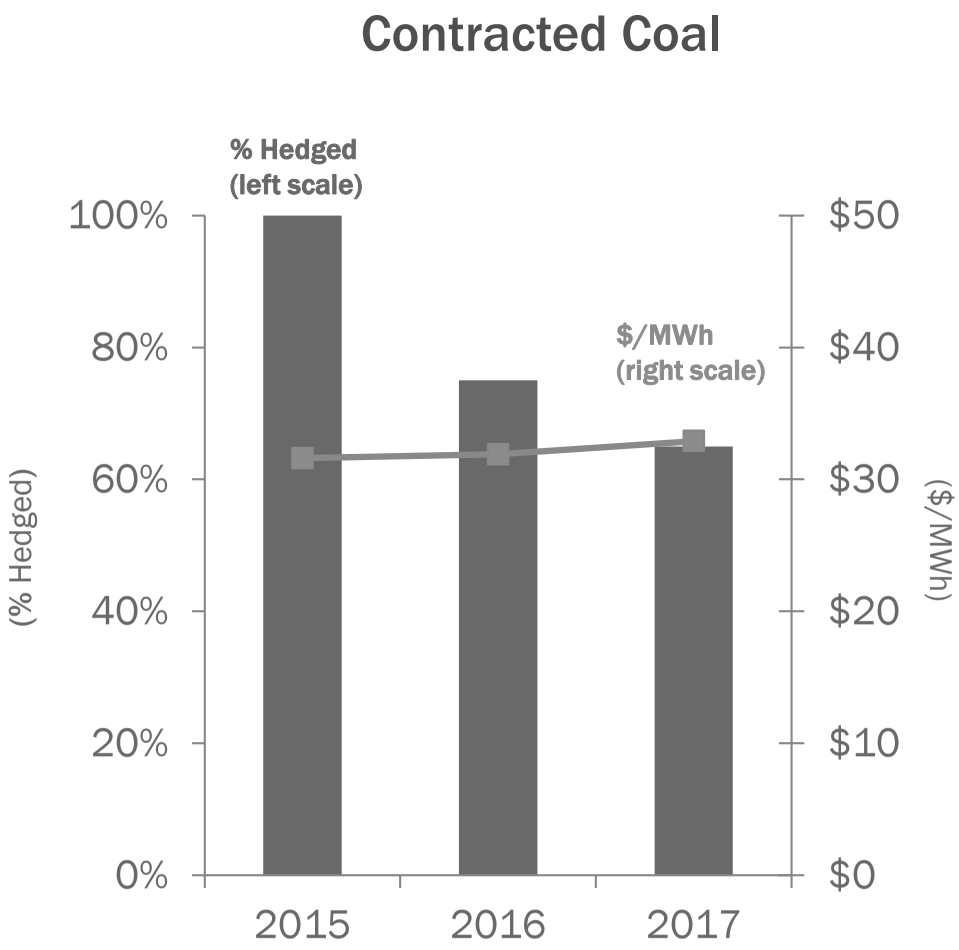
SI-SSA-0015-07717

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-07718

Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

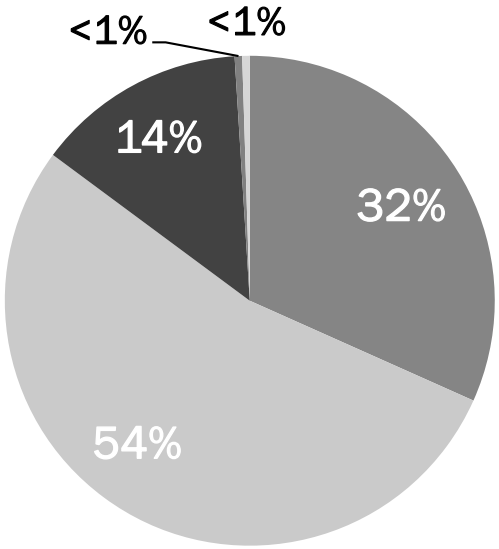
SI-SSA-0015-07719

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

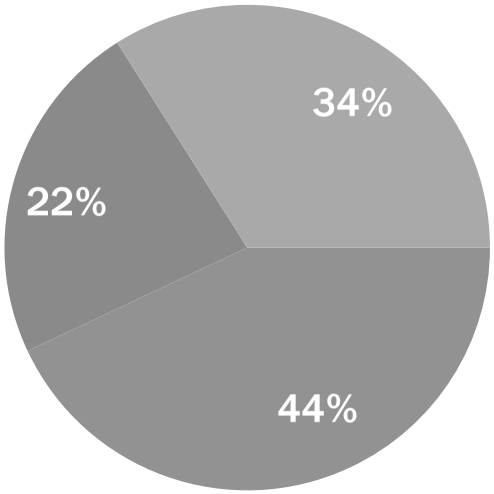
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

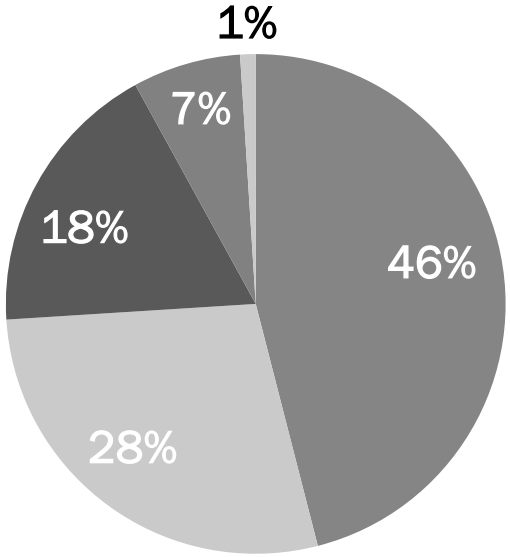
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-07720

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-07721

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07722

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

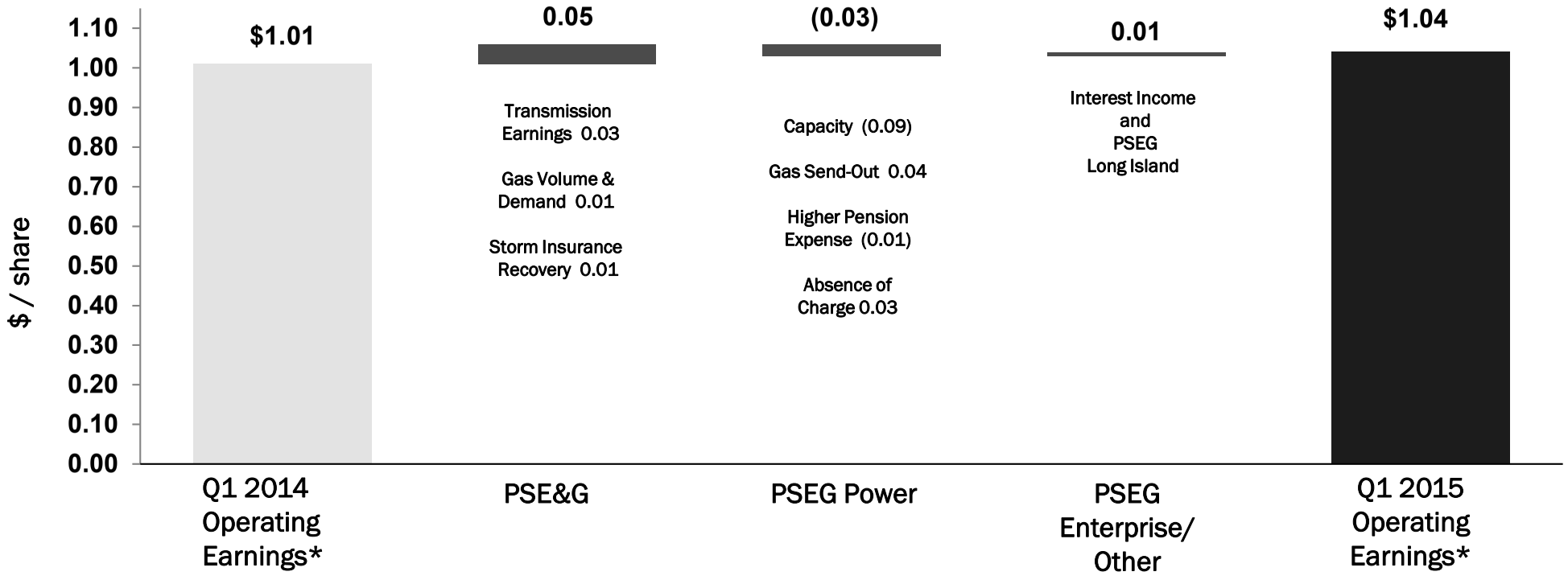
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 242	$ 214	$ 0.47	$ 0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$ 529	$ 515	$ 1.04	$ 1.01

SI-SSA-0015-07723

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2015 versus Q1 2014



SI-SSA-0015-07724

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$1.0	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	8.9	6.3	2.5
Common Equity	12.5	7.0	5.7
Total Capitalization	**$21.4**	**$13.3**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio(2) 52.3%

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PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $201 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	Q1 2015	Q2 2015E	Total
PSEG Power	$44	$133	TBD	TBD
PSE&G	6	26**	TBD	TBD
PSEG	$50*	$159	~$54***	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

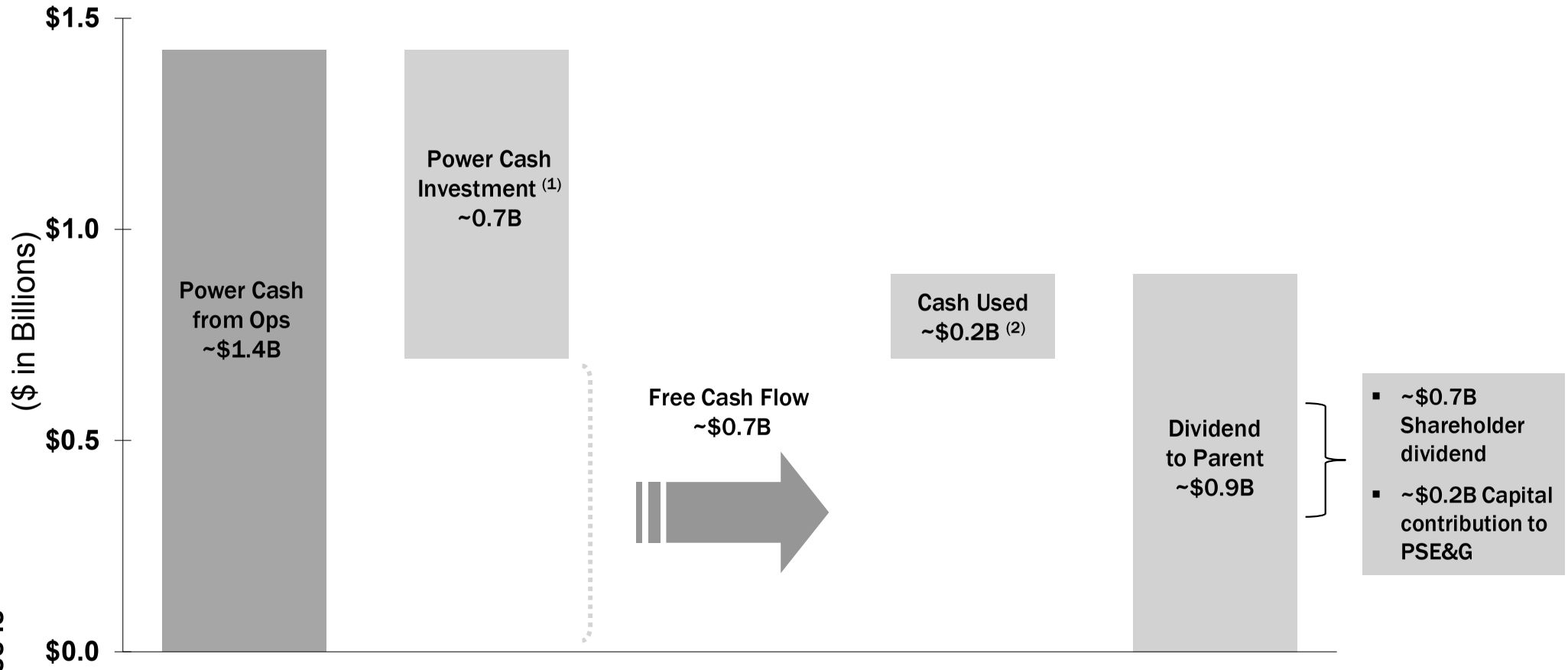
** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

***THE AMOUNTS TO BE RECORDED BY PSEG POWER AND PSE&G WILL BE DETERMINED IN SECOND QUARTER 2015. TBD = TO BE DETERMINED.

SI-SSA-0015-07726

In 2014, Power had significant free cash flow

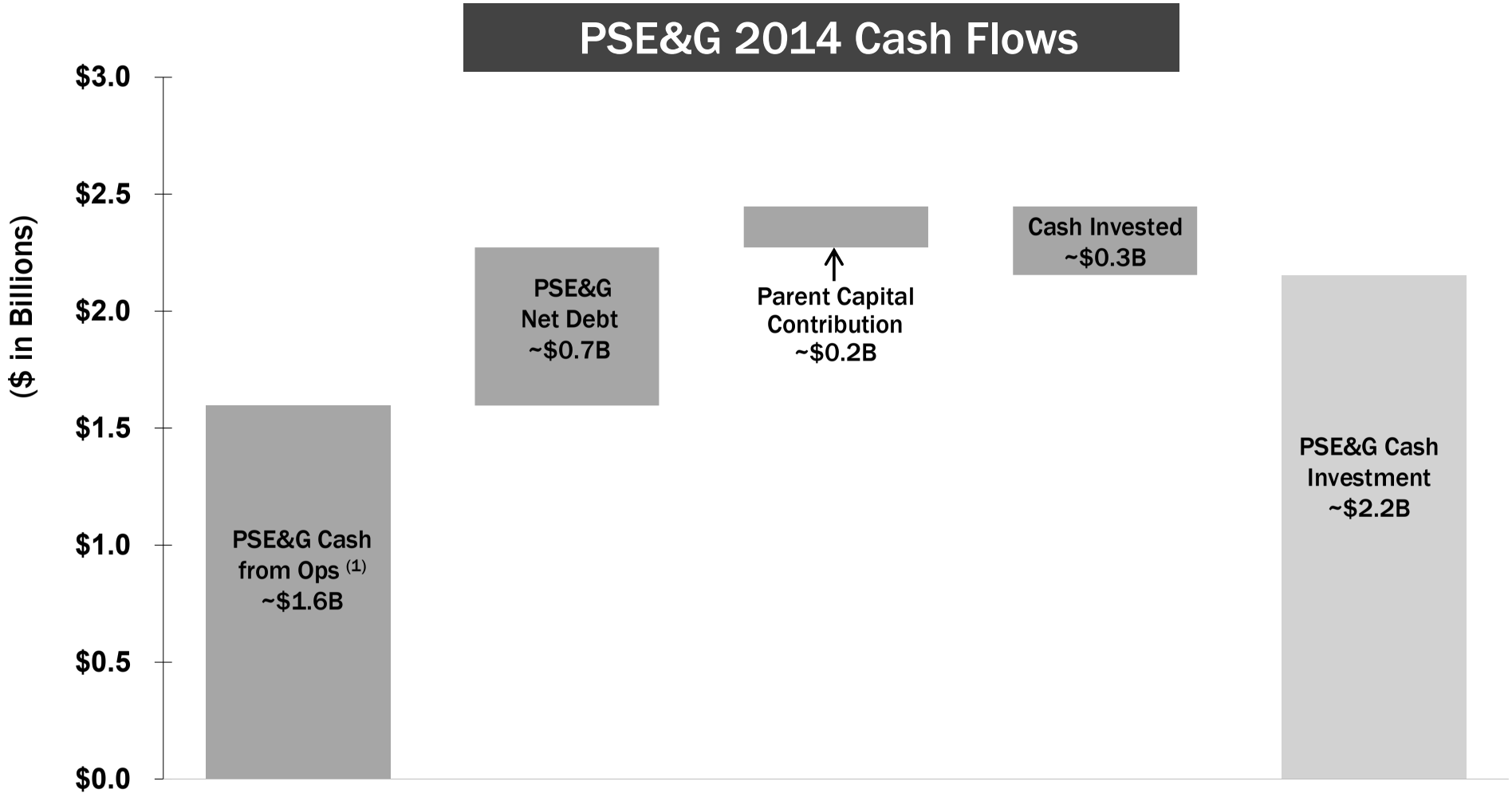
Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

SI-SSA-0015-07727

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-07728

PSEG Liquidity as of March 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 (A,C)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$178	$1,422
	5-Year Credit Facility (Power)	Mar-18	$1,000 (A,D)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 (A,B)	$0	$500
		Total	$4,300	$200	$4,100
				PSEG Money Pool ST Investment	$636
				PSE&G ST Investment	$316
				Total Liquidity Available	**$5,052**
				Total Parent / Power Liquidity	**$4,150**

(A) In April 2015, expiration dates of these facilities were extended to April 2020.

(B) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

(C) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018.

(D) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

SI-SSA-0015-07729

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 3/31/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	148
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	28
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	40
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$858**

SI-SSA-0015-07730

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-07731

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-07732

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2015	*2014*	*2014*
	($ Millions, Unaudited)		
Adjusted EBITDA	**$ 626**	**$ 651**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [(b)]	(77)	(73)	(291)
Interest Expense, pre-tax [(b)]	(31)	(31)	(120)
Income Taxes [(b)]	(191)	(196)	(387)
Operating Earnings	**$ 278**	**$ 293**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [(a)]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	**$ 335**	**$ 164**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

SI-SSA-0015-07733

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*	
	2015	*2014*
Earnings Impact ($ Millions)	**(Unaudited)**	
Operating Earnings	$ 529	$ 515
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	75	(6)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	$ 586	$ 386
Discontinued Operations	-	-
Net Income	$ 586	$ 386
Fully Diluted Average Shares Outstanding (in Millions)	508	508
Per Share Impact (Diluted)		
Operating Earnings	$ 1.04	$ 1.01
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-
Storm O&M (PSEG Power)	0.15	(0.01)
Market Transition Charge Refund (PSE&G)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-
Income from Continuing Operations	$ 1.15	$ 0.76
Discontinued Operations	-	-
Net Income	$ 1.15	$ 0.76

[a]Includes the financial impact from positions with forward delivery months.

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Dividend *fact* sheet 2015

NYSE: PEG

PSEG Dividends – 108 Years and Counting

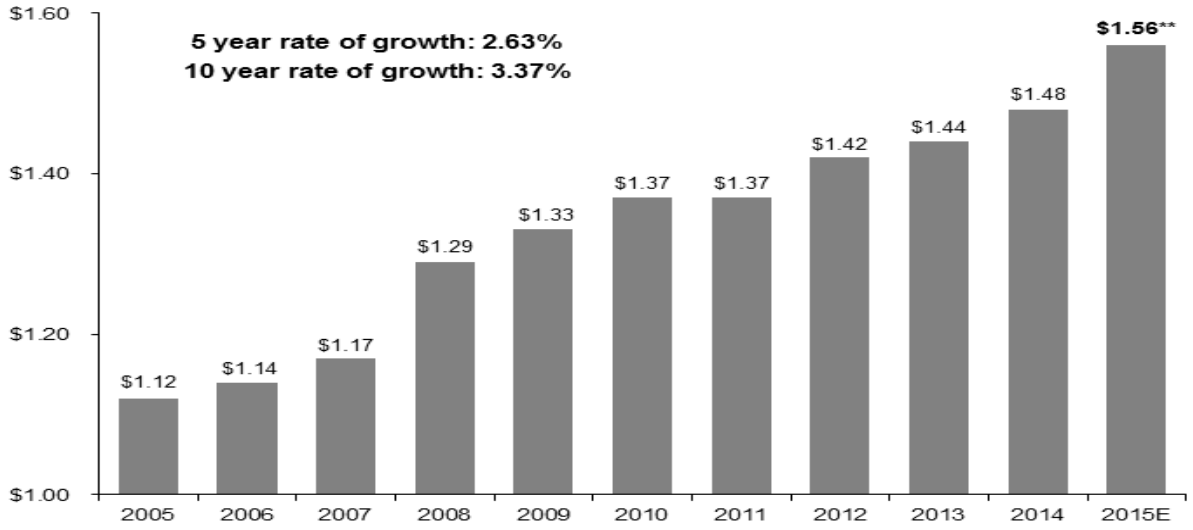
PSEG is continuing its remarkable record of paying common dividends. The year 2015 represents the 108th consecutive year PSEG or its predecessor company will be paying dividends to the holders of its common stock. PSEG has paid dividends each year since 1907 – a record matched only by General Electric and Exxon Mobil.

The Board of Directors of PSEG declared an increase in the common stock dividend on February 17, 2015. The Board increased the quarterly dividend to 39 cents per share from 37 cents per share. The indicated annual common dividend rate is $1.56 per share for 2015, a 5.4% increase from the prior $1.48 per share level.

In addition to investing in long-term growth opportunities, returning cash to our shareholders remains a top priority and underscores our commitment to a disciplined approach to capital allocation.

PSEG's dividend payment history has also been accompanied by growth in the dividend. The recently approved change results in a compound annual rate of growth in the dividend of 3.4% over the past decade, and marks the 11th dividend increase in the last 12 years. With this latest change, we have meaningfully increased the rate of growth in the dividend. We see the potential for our shareholders to continue to benefit from consistent and sustainable growth in the dividend given our business mix, continued positive cash flow from our generation business and our strong balance sheet. All future changes in the common dividend are subject to approval by the Board of Directors.

PSEG Annual Dividend Rate



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E
Payout Ratio*	63%	66%	43%	44%	43%	44%	50%	58%	56%	54%	55%E

*The 2015 payout ratio is based on the mid-point of PSEG's 2015 operating earnings guidance of $2.75 - $2.95 per share. Payout Ratio = percent of income paid to shareholders as common dividends. **Indicative annual rate for 2015.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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Dividend *fact* sheet 2016

NYSE: PEG

PSEG Dividends – 109Years and Counting

PSEG is continuing its remarkable record of paying common dividends. The year 2016 represents the 109th consecutive year PSEG or its predecessor company will be paying dividends to the holders of its common stock. PSEG has paid dividends each year since 1907 – a record matched by very few companies.

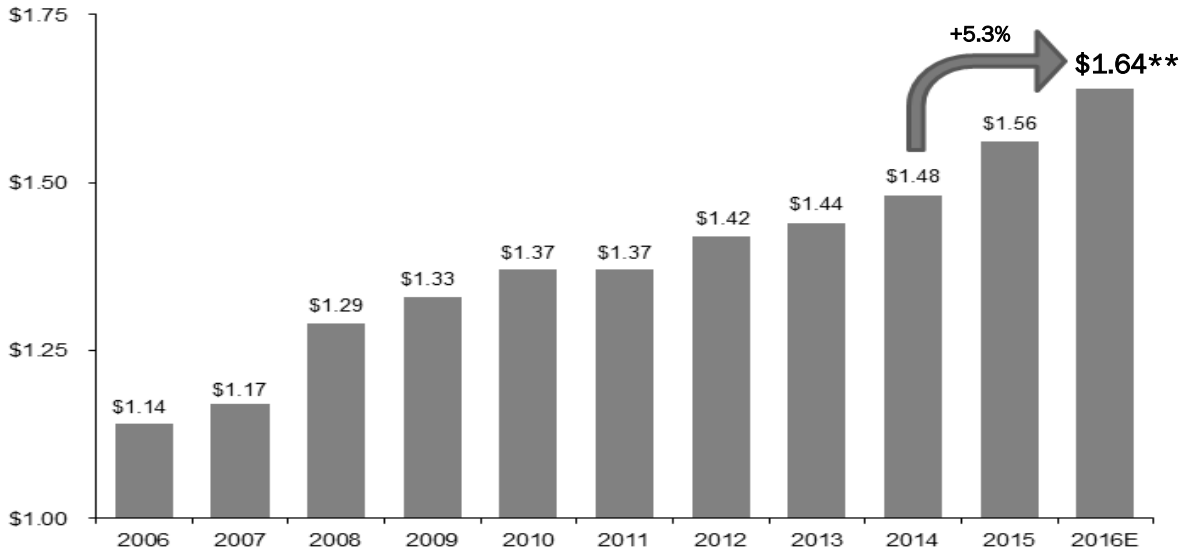
The Board of Directors of PSEG declared an increase in the common stock dividend on February 16, 2016. The Board increased the quarterly dividend to 41 cents per share from 39 cents per share. The indicative annual common dividend rate is $1.64 per share for 2016, a 5.1% increase from the prior $1.56 per share level.

We are pleased to be able to increase the cash return to our shareholders. In addition to investing in long-term growth opportunities, returning cash to our shareholders remains a top priority and underscores our commitment to a disciplined approach to capital allocation. This latest change is in line with the 5% growth in the dividend in 2015 and results in a compound annual rate of growth in the dividend of 3.7% over the past decade, and marks the 12th dividend increase in the last 13 years.

The dividend is supported by our business mix, continued positive cash flow from our generation business and our strong balance sheet, which are expected to yield the opportunity for consistent and sustainable dividend growth. All future changes in the common dividend are subject to approval by the Board of Directors.

PSEG Annual Dividend Rate

10-Year Rate of Growth: 3.7%



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016E
Payout Ratio*	66%	43%	44%	43%	44%	50%	58%	56%	54%	54%	57%

*The 2016 payout ratio is based on the mid-point of PSEG's 2016 operating earnings guidance of $2.80 - $3.00 per share.
Payout Ratio = percent of income paid to shareholders as common dividends. **Indicative annual rate for 2016.

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Dividend *fact* sheet 2017

NYSE: PEG

PSEG Dividends – 110 Years and Counting

PSEG is continuing its remarkable record of paying common dividends. The year 2017 represents the 110th consecutive year PSEG or its predecessor company will be paying dividends to the holders of its common stock. PSEG has paid dividends each year since 1907 -- a record matched by very few companies.

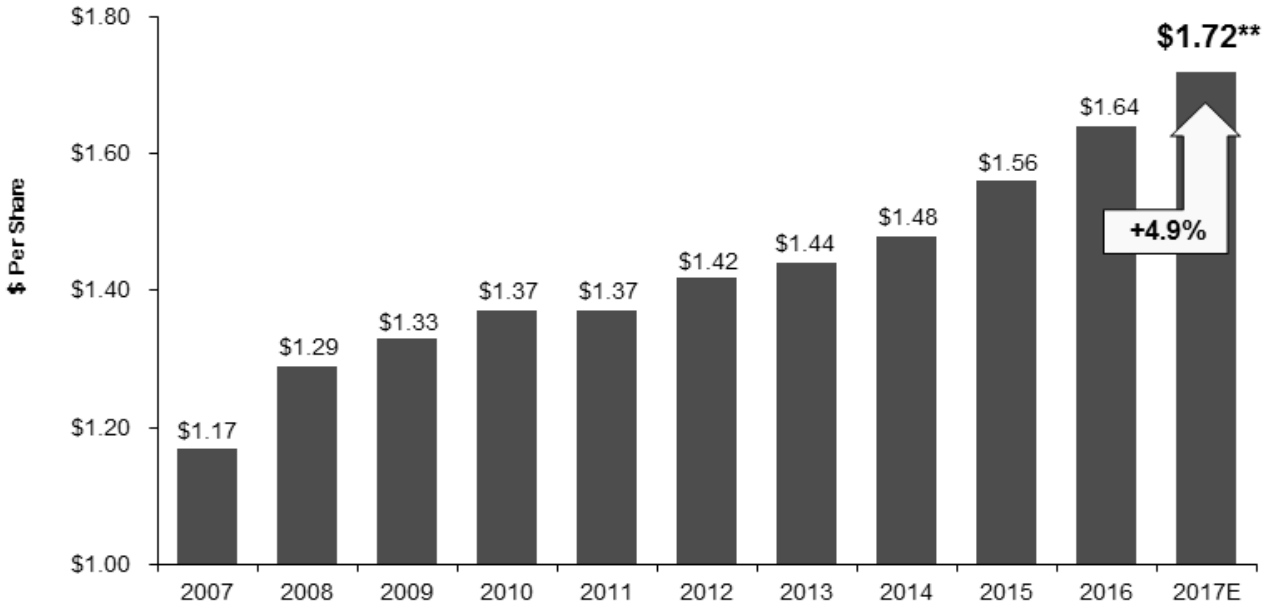
The Board of Directors of PSEG declared an increase in the common stock dividend on February 21, 2017. The Board raised the quarterly dividend to 43 cents per share from 41 cents per share. The indicative annual common dividend rate is $1.72 per share for 2017. This represents a 4.9% increase over the prior $1.64 per share level, and results in a compound annual rate of growth in the dividend of 3.9% over the past decade. This year's increase also marks the 13th dividend increase in the last 14 years.

We are pleased to be able to increase the cash return to our shareholders. In addition to investing in long-term growth opportunities, returning cash to our shareholders remains a top priority and underscores our commitment to a disciplined approach to capital allocation. "This latest increase is supported by our business mix and our strong balance sheet, which are expected to support consistent and sustanable growth in the dividend." said Ralph Izzo, PSEG chairman, president and chief executive officer.

All future dividend payments, and any changes thereto, are subject to approval by the Board of Directors.

PSEG Annual Dividend Rate

10-Year Rate of Growth: 3.9%



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E
Payout Ratio*	43%	44%	43%	44%	50%	58%	56%	54%	54%	57%	59%

*The 2017 Payout Ratio is based on the mid-point of PSEG's 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share. Payout Ratio = Common dividend per share as a percentage of non-GAAP Operating Earnings per share.

**Indicative annual common dividend rate for 2017. E = ESTIMATE.

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80 Park Plaza, Newark, NJ 07102
Investor Relations: 973.430.6565
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Dividend *fact* sheet 2018

NYSE: PEG

PSEG – Our 111th Year of Paying a Common Dividend

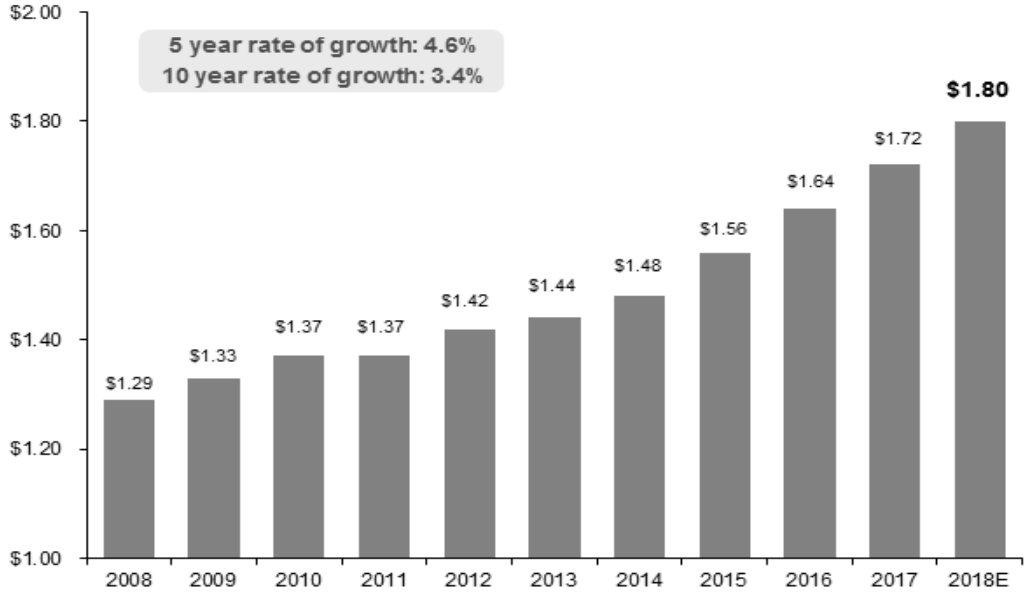
PSEG is continuing its remarkable record of paying common dividends. PSEG has paid dividends each year since 1907 – a record matched by very few companies. In addition to investing in long-term growth opportunities, returning cash to our shareholders remains a top priority and underscores our commitment to a disciplined approach to capital allocation.

In early 2018 the Board of Directors of PSEG raised the quarterly dividend to 45 cents per share from 43 cents per share. The indicative annual common dividend rate is $1.80 per share for 2018. This represents a 4.7% increase over the prior $1.72 per share level, and results in a compound annual rate of growth in the dividend of 4.6% over the past five years.

"We are pleased to be able to continue PSEG's long history of paying a common dividend to the holders of our common stock. This latest increase represents the 14th increase in the common dividend in the past 15 years making this our 111th consecutive year of paying a common dividend to shareholders. Our strong balance sheet and business mix are expected to support consistent and sustainable growth in the common dividend." said Ralph Izzo, PSEG chairman, president and chief executive officer.

All future dividend payments, and any changes thereto, are subject to approval by the Board of Directors.

PSEG Annual Dividend Rate



($ Million, except per share)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018E
Dividend Per Share	$1.29	$1.33	$1.37	$1.37	$1.42	$1.44	$1.48	$1.56	$1.64	$1.72	$1.80
Payout Ratio	44%	43%	44%	50%	58%	56%	54%	54%	57%	59%	NA
Cash Dividends Paid	$655	$673	$693	$693	$718	$728	$748	$789	$830	$870	$683*

E = Indicative annual common dividend rate for 2018. *For the year-to-date ended September 30, 2018.

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80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
https://investor.pseg.com

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Dividend *fact*sheet 2013

NYSE: PEG

PSEG Dividends – 106 Years and Counting

PSEG is continuing its remarkable record of paying common dividends. The year 2013 represents the 106th consecutive year PSEG or its predecessor company will be paying dividends to the holders of its common stock. PSEG has paid dividends each year since 1907 – a record matched only by General Electric and Exxon Mobil.

The Board of Directors of PSEG declared an increase in the common stock dividend on February 19, 2013. The Board increased the quarterly dividend to 36.0 cents per share from 35.5 cents per share. The indicated annual common dividend rate is $1.44 per share.

The Board's action is consistent with the company's dividend payout policy that pays out a greater percentage of earnings as dividends, with an expectation for future dividend growth.

PSEG's dividend payment history has been accompanied by growth in the dividend. The recent approved change results in a compound annual rate of growth in the dividend of 2.9% over the past decade, and the 9th annual increase in the last 10 years. All future common dividends are subject to Board approval.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*
Yield	5.6%	4.8%	3.8%	3.5%	2.8%	3.3%	4.3%	4.3%	4.2%	4.6%	4.5%*

*2013 yield calculation based on PSEG stock price as of February 21, 2013; 2013 payout ratio based on the mid–point of 2013 operating earnings guidance.
Payout Ratio = percent of income paid to shareholders as common dividends.
Yield = annual dividend as a percent of the year–end or dated stock price.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
973.430.7000

www.pseg.com

This document contains forward-looking information. Actual results may differ from those anticipated. Information describing the significant factors that could cause results to differ from those anticipated are described in Public Service Enterprise Group's filings with the SEC, which are available on our website www.pseg.com. Information provided is as of February 21, 2013. Any foward-looking statements included herein represent our estimates as of this date, and we disclaim any obligation to update the information provided.

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EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Edison Electric Institute Financial Conference

EVENT DATE/TIME: NOVEMBER 12, 2013 / 2:00PM GMT

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CORPORATE PARTICIPANTS

Ralph Izzo *Public Service Enterprise Group Inc. - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc. - EVP, CFO*

PRESENTATION

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

Okay, well, thank you and good morning. Thanks for joining us here. I think we are the last house on the block, so you really had to want to be here, to arrive at this room. So it's greatly appreciated.

I'm Ralph Izzo, Chairman, President and CEO of PSEG. I am joined today by Caroline Dorsa, our Executive Vice President and CFO, as well as Kathleen Lally and Carlotta Chan, our Vice President and Manager of Investor Relations, and Kevin Quinn, our Vice President of Finance at PSEG Power. They are here to help me with any questions that I might not be able to give an accurate answer on my own.

So we will begin by just referring you to our forward-looking statement. I'm obviously not going to read this. As well as our note on some of the statistics that I will present you with today are not of the GAAP nature and are more, we think, representative of the ongoing financial picture of the Company, but therefore deviate somewhat from our GAAP numbers.

In terms of our major thesis, the story really here has three parts to it. Part number one is a very, very strong financial condition to PSEG. Part number two is that we are making use of that strong financial position to continue the growth story at the utility.

And part number three is that we continue to demonstrate the many locational advantages of PSEG Power. And I will describe all of that in more detail in the ensuing slides.

If I just take a look at some of the numbers posted here, you can see a $10 billion-plus capital program at PSEG. That is inclusive of known programs and one program that is not fully baked just yet, but we have filed for, that I will refer to in a moment as Energy Strong.

In addition to the unique size of the investment program at PSE&G, I must emphasize that nearly 80% of that capital improvement program at PSE&G is something that receives what I will call contemporaneous recovery mechanisms that are divorced from the traditional regulatory lag that one would associate with regulated utilities.

At PSEG Power, our traditional locational advantages that you are accustomed to hearing us speak about pertain primarily to capacity prices and basis differentials in energy markets. And while all of that remains true today, we have had a new locational advantage that has appeared in the form of basis differentials pertaining to our cost of goods sold, specifically in our access to Marcellus and Utica shale gas, and the lower-cost gas that we are able to feed into our largest -- our combined cycle fleet, which is the largest combined cycle fleet in PJM.

And lastly, the story of de-risking PSEG Energy Holdings continues, as well as the modest growth to its PPA-supported renewable portfolio continues. And we will talk about bit about each one of these in turn.

So while no one can ever be proud of a 15% decline in earnings per share that we have experienced from 2009 to 2012, we are guiding in 2013 to $2.40 to $2.55 a share, which at the midpoint would be about a 1% to 2% increase in earnings. We are particularly proud of the fact that we have managed that earnings profile in light of an over 50% decline in power prices.

And the way we have done that has been very, very simple. It has been a religious fervor around O&M control. It has been a disciplined approach to investing in the utility while managing to keep the customer bill flat to declining.

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And while we have had that religious fervor around O&M control, we have managed to maintain and improve our operations, as witnessed here by our forced outage rate on our combined cycle fleet. And all the time not only continuing the track record of over 100 years of paying a dividend each and every year, but actually growing that dividend at slightly over 2% over the past five and ten years.

So it is really hard to believe that one year ago today when I stood before you, I asked how many of you were PSE&G customers, and then I sheepishly asked how many of you had power back in your homes. I'm not going to ask that question today because it had better be every one of you who is a PSEG customer has power back in your home. And we will stop talking about Sandy eventually.

I remind you of this not because I am a masochist in any way, shape or form. But I won't go through the numbers. It is the motivation behind the one program that I alluded to a moment ago that we do not have resolution on just yet, although we are feeling quite confident that we will gain resolution of this.

So the numbers that are listed here are for the $3.9 billion program that we call Energy Strong over a 10-year period. Let me again remind you, however, that we have filed for a five-year program seeking $2.6 billion in approvals. And while much more can be done than the $3.9 billion over ten years or the $2.6 billion over five years, we are looking at the cost-benefit associated with each of these components of the program.

And, at some point, the dollars per customer benefit does begin to turn over and flatten. Or, I guess, depending on what you plot on the Y axis versus the X axis, it begins to go up faster than it should.

So in addition to the distribution level investments which are the $2.6 billion and $3.9 billion number that I referred to, there's a $1.5 billion spend in transmission hardening that also applies over the 10-year period that we are in discussion with the regulators over.

The support for this has been unlike any support I've seen for any other program PSE&G has proposed. We have 74 towns in eight counties that have issued resolutions. This is not just running into a mayor or a County official at a local sporting event or at a cocktail party and saying, gee, do you like this idea? And then saying, attaboy, go for it.

This is governing bodies passing resolutions and saying this needs to be done. It's by no means independent of the fact that the last three major storms we have experienced in PSEG have been at or around election day. And mayors only know too well the challenges that their residents feel when they live without electricity for several days and how people turn to them for help and they then, in turn, of course turn to us.

In addition to local officials being supportive, we have had just about every major labor union in New Jersey come out in support. Certainly, all of the construction and blue-collar labor unions -- we have had the New Jersey Chamber of Commerce, the Commerce and Industry Association of New Jersey, the Hospital Association of New Jersey. And the list just goes on and on and on.

So the question is not if this is needed; it's what is the size of the program, what should be the design of the program. And a fully litigated outcome would probably result in a decision end of March/early April. A settlement decision could advance that by couple months and we certainly fully expect and are working towards a settlement decision on this program.

Notwithstanding the importance of Energy Strong to the reliability and resiliency of our grid, in the regulated utilities still the number one component of the capital program is in our transmission investments. It remains our largest.

Here we list our five biggest transmission projects and the allowed ROEs granted to them by FERC. The story here summarizes -- and in fact construction is underway for each of these projects. It is on schedule for each one of these projects. And as you can see, they will all be online in the June 2014 to June 2015 timeframe.

Just a great story in terms of our construction efforts, our project management efforts. All the permits are in hand and we are doing everything from helicopter installation of transmission towers to right-of-way expansion and tree removal. And the nature of the construction activities is everywhere in between that as well.

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All of the impacts to wholesale power markets -- these are reliability projects. But there are impacts to wholesale power markets -- is it safe to say are fully factored into the PJM RPM auctions that have taken place already, just given the in-service dates of these, any transfer capability that results from them. And they are sizable in the case of Susquehanna-Roseland, given the fact that the in-service date, the last in-service date is June 15, that would have been factored into the base residual auction of May of 2012.

As you add all of that up, the combination of Energy Strong and transmission and various other programs that we have filed for, among them our solar-for-all extension program, what you see is that the utility rate base growth continues at about 8%-plus. And that is the basis upon which we continue to confidently forecast to our investors that we will have double-digit earnings growth at the utility, solely on the basis of already approved programs. That the Energy Strong programs, if they were approved in their entirety, would take that rate base growth from the 8% level to more of a 12% compounded annual growth rate.

It obviously continues to double-digit earnings growth. It's just a different double digit at that point, and we are not more specific than that, at this point in time.

Looking ahead, then, switching gears a bit and looking at PSEG Power, this is one of my favorite slides. It doesn't quite get the same enthusiastic response from others that I seem to want to encourage, though. And let me tell you why I love this slide.

You have three pie charts in front of you. If you replay this presentation I've given now for seven years, the pie chart on the left and the pie chart on the far right don't change. We have a blend of assets that have quite a diversity of fuel and a diversity of technology. By technology I mean base load, load following your peaking.

What changes is the pie chart in the middle, which is which one is called upon to run. So the nuclear piece tends to be over 50%. It has been as low as 52%. Here we are showing 57%.

And that is really just a function of a refueling outage duration and the type of work that has to be done in the refueling outage. But we have run now our nuclear plants at greater than 90% capacity factors for eight years. It's something that we are quite proud of.

I would like to get that number even higher, but nuclear safety comes before production. So we are pushing the limits of capacity factor in our nuclear fleets. The energy expansion that we tend to get from our nuclear fleet more comes from nuclear uprates than better operations, just expanding the potential output from those plants.

But what changes is the label on the other two pieces of that pie. In years past, the orange part would have been coal at 30% and gas at 10%. And now it's natural gas at the 30%-plus and coal at that 11%. So diversity of assets and the flexibility of the assets just allows us to be successful in any price environment for any fuel. And that's something we are quite proud of in terms of the diversity of the fleet.

The other part of the advantage and the diversity of the fleet -- so let me talk about the diversity of the fleet from the technology point of view, the peaking and the load following, is really reflected in this slide. So we have historically enjoyed a locational advantage that is most visible in the electric basis differentials between PJM West and our part of the service of the PJM zone.

That double-digit basis differential -- it used to be a number, he says wistfully, of about $20 per megawatt hour. And now it's more of a number of about $3 to $4 a megawatt hour, if you look at that forward price curve.

Well, we don't hedge 100% of our portfolio. As a matter of fact, we are substantially open for our load following and peaking units. So what we've plotted here is 12 years of data where we take the monthly average of the day-ahead basis differential.

Now, what causes this kind of volatility in basis differentials? Well, it could be a transmission line that is taken out of service, either planned or unplanned. It could be a refueling outage that goes two days longer than expected.

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It could be 5 degrees warmer than planned or 5 degrees cooler than normal weather. It's a myriad of conditions, which virtually guarantees some volatility. The drivers may change from year to year and from month to month.

But what you see is that, while there are deviations around the forward price curve reduction of a $3 basis differential, some negative deviations around that, and negative would be bad for us, by and large there's an upward bias, and a very positive bias from our point of view. And the diversity of our fleets allows us to capture this positive bias.

I always alarm some of my colleagues by threatening to try to take the area under that curve to actually quantify this. But whether or not that's useful in predicting the future is probably a little bit doubtful. But our locational advantage to a positive basis differential continues, both as we look in the rearview mirror and as we look out the windshield of driving this car known as the PSEG Power fleet.

The new basis, the new locational advantage that we are getting a lot of questions about and that we want to make sure everyone understands is described here. This is born out of our access to low-cost natural gas coming from the Marcellus and Utica Shale regions.

So for a long time now, the better part of 15 years, PSEG Power has had contracts that allow us to access on the order of 0.6 BCF a day of natural gas coming from the Western regions. In addition to that, we have contracts that allow us to access about 0.7 BCF a day coming out of the more traditional Gulf regions from the area southwest of us.

We also have contracts that allow us to store about 72 BCF, which translates into a daily throughput of about 0.9 BCF a day. And we have all of this capability to both transmit gas over pipelines and to store it because PSEG Power is responsible for serving the PSE&G retail gas customer. And so that is historic fact and we do that quite well.

There is no cross subsidization. The customer pays PSEG power for providing that service. We spread some of our fixed cost.

And then the benefit to PSEG Power has been that after meeting the needs of those customers at a very low cost way, then PSEG Power is able to sell any additional capacity from those pipes to others that are off the PSE&G system, and share the profits associated with those off-system sales roughly 70-30, 75-25 with the majority going to the PSE&G customer.

We have been doing that for many years. It has been a great advantage to the PSE&G customer. It has also been a profit-making venture for PSEG Power. We have never broken those numbers out separately.

But in general, those two things are the types of things that have contributed to, for example, 39% reduction in the PSEG customer's gas bill since 2009 and, more recently, a 33% reduction in the November and December 2013 bill of the PSE&G customer. So, really good news for the PSEG customer as well as some profitable -- we are getting some thumbs-up from PSEG customers; that's great.

I know this is a webcast. Those of you who can see it, trust me. I'm not making it up. But a little good news for the customer and some profit-sharing for the PSEG Power investor.

The new phenomenon is not the existence of this capability. The new phenomenon is the amount of supply coming out of the region with respect to the capability to bring that supply to market. And the amount of gas coming out has exceeded the capability of bringing that to market.

As a result, those of us who have contracts and access to the supply -- and we are, we believe, the single biggest, we are not the majority but we are the single biggest customer of, in particular, the Leidy pipe -- have gotten a good deal. We have gotten this gas at a low-cost. And in fact we have enjoyed a basis differential of about $1 to $1.50 per BCF that started appearing in June of this year and it grew throughout the third quarter.

And even though we are required to serve the residential customer first and foremost, and then the off-system sales secondly, there isn't much demand for natural gas in the third quarter when the demand for electricity is peaking. And so we are getting Marcellus Leidy gas hub pricing and burning it in combined cycle natural gas turbines that are primarily using zone 6 natural gas. So that basis differential is something that is then completely to the benefit of PSEG Power.

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However, the volume of what you can do -- that varies depending on the time of year. So you can expect in December and January and February, PSEG Power will continue to serve the residential gas customer, who will be burning a lot of gas to heat their home and therefore will not have a lot of that gas for its power plants. And we'll be buying zone 6 type gas or at least we will see that basis differential skinny down.

The good news is, if there's no access to gas because the customer is using a lot, that means we are probably selling a lot of electricity because the fan on the blower unit of the heating system is spinning a lot. So when demand for natural gas goes up, typically the demand for electricity goes up, too. So that is a right way for PSEG Power.

And to the extent that winter doesn't show up the way it did not show up in 2012, then demand for natural gas will go down. Demand for electricity will go down. But the cost of goods sold benefits to PSEG Power will go up.

So in terms of how you think about this benefit throughout the year, it's always there. It's just difficult to quantify throughout the year because of the weather dependency of gas demand.

So there's this new effect. Now the question is how long can we expect it to persist. And what we have been saying to our investors is, well, we run our business on the basis of the forward price curve.

We don't think we are smarter than the market, so we simply direct you to -- one particular case could be Bloomberg. Take a look at where the Leidy basis differential is. And what you would see is that according to the market reports, that $1.20 looks like it will persist at least into 2016.

We do not hedge our gas plants out that far. We stay open -- I know I've said that about half a dozen times. But we would venture a guess that it is probably fairly thinly traded that far out into the future. But suffice to say that market is predicting that this benefit to us will persist for at least three more years.

And the reason for that is that that benefit is likely to decrease as infrastructure gets built. And infrastructure doesn't get built overnight. It's a challenging proposition to build pipelines that go across multiple states, in particular the last few miles of this region.

So with that in mind we have taken a look at what that means for our natural gas fleet. And we are announcing at this meeting that we are making some investments consistent with the way in which we have been making investments in the past at PSEG power. So these are small relative to what we are doing at the utility, but they are incremental additions to existing power plants.

For the most part what you have heard us speak about in the past few years have been incremental additions to our nuclear fleet. And in fact we are continuing, along with Exelon, to add a few hundred megawatts to our Peach Bottom units that we co-own with them. And we completed, as you may recall, in 2012 some small peaking plants which in aggregate, though, added up to 400 megawatts of natural gas peakers.

But this year what we're going to begin is a four-year process of expanding the output at our combined cycle units. And these are improvements to the hot gas path of those units. It will be all of our GE units.

And there will be three benefits from this. Benefit number one is 150 megawatts of additional output, 110 megawatts of which will have operational characteristics that are similar to our combined cycle units' load following capability. And 40 megawatts of which, while they are on the combined cycle units, will have more operational features that resemble our peaking plants.

So there will just be some energy margin from that and some capacity margin from that as we bid that into the incremental auctions at PJM as well as the base residual auction at PGM.

The second benefit is the entire power plant, not just the up rate, will have a heat rate improvement of about 1%, 1.2%. And the third benefit is that it allows us to extend the time between major maintenance outages at these plants.

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So when we looked at those three benefits we decided that it was worth $120 million of investment to achieve that. So, continued incremental growth at Power, once again nowhere near the growth at the utility, but definitely value-enhancing from a shareholder perspective.

So as we take a look at the total PSEG capital spending program, what you see is that 85% on the left pie chart is oriented to growth. And 15% of the $7.5 billion is oriented to environmental maintenance or more generic maintenance programs.

And if you look at it by Company, what you see is that over 80%, 85% is at the regulated utility. And as I mentioned a moment ago, of that 85%, 80% gets contemporaneous return treatment.

And these numbers on these pie charts are without Energy Strong. So this is inclusive of our recently approved solar program, but they are exclusive of the Energy Strong numbers that we hope to get resolution of sometime within the first quarter of next year.

Take a look at where we are in 2013. These are the same numbers, obviously, we reported on our third-quarter call -- very strong performance at PSEG Power, both with respect to where we initially guided and with respect to last year, largely driven by two phenomena.

Number one I have already talked about, which is the gas basis differential coming out of the Leidy hub. And number two being some very, very strong performance at Power coming from some significant blowout and basis differentials in zone 6 pricing for natural gas that benefited us, given our access to natural gas supply in the winter months.

The utility is right on target to achieve what we have promised, namely the double-digit earnings growth. This compare versus 2012 may not look like double-digit earnings growth for the first three quarters, but I will remind you that that $0.89 a share at the utility last year has included in it a benefit of about $0.05 or $0.06, was it not, Caroline, on the tax advantage?

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP, CFO*

$0.06.

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

$0.06 a share from a one-time tax benefit that we included in operating earnings last year. And even with that one-time benefit, PSE&G will outperform last year by double-digit.

And PSEG Holdings are much below last year, but that is just a result of an asset sale that we have not replicated this year. So we are guiding each subsidiary at the levels that we show here. So you could see the utility now is approaching that half of the overall earnings of the Company.

We did increase our outlook for guidance this year from $2.25 to $2.50, to $2.40 to $2.55. And we did narrow the utility earnings guidance, just given the fact that we now have only just the weather variability of December that one would question at this point in time.

As we look to -- as I reported to you, what we did to get from 2008 to 2012, as we look to 2015, and we will offer our guidance for 2014 in February of next year, as we have traditionally done for the past few years -- some things to highlight.

Continued discipline around O&M. These are the same numbers we reported in our March investor conference. It is safe to say that we will refresh that O&M number when we get to February-March of next year.

One of the factors that we have been asked about and we have been making sure that we disclose to all is that a not inconsequential part of O&M is our pension expense. We do not smooth pension. And if you look at our 10-K and all of our disclosures, that assumptions around pension were about a 4.5% discount rate on calculating the PBO and an assumed 8%, 8.5% return on assets in the trust.

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We are 70% invested in equities. Suffice to say that our performance has been consistent with that of the market, which is well north of that 8%. And interest rates currently are north of that 4.5%. So we would expect a decrease in our pension expense next year that could positively influence that prior forecast of 2.2% O&M growth.

We just want to signal that without giving a number. We will give that number, as I said, in our investor conferences certainly in March, if not in our call in February, more likely in our investor conference in March.

The other thing that I want to highlight here is the size of the transmission investment. We have been at transmission investments for years now. Our transmission capital program this year will be $1.5 billion.

We have grown transmission from something that was $800 million in the rate base to something that was $2.5 billion and 28% of rate base in 2012. It will be fully 40% of rate base by 2015 on the basis of already approved programs.

So we have people moving dirt, digging holes, tightening bolts. And the result of that work will get us this $5 billion component and 40% of the full utility rate base.

On top of that, while we control O&M we expect to make further improvements in our forced outage rate at our combined cycle units. We expect to increase output from our nuclear generation. Part of that is driven by the up rate at Hope Creek, as I said before. Squeezing higher capacity factors is not going to be the bigger component at this point in time.

And we will, by 2015, being in our second year of managing the Long Island Power Authority distribution and transmission system. So we do expect to see that $0.03 to $0.04 a share from managing those assets as well as managing their supply.

So the aggressive utility growth, the modest investments in Power talked about here in this slide. And all of that, all of that can be financed without the need for outside new equity.

So we have the balance sheet, we have the borrowing capacity to make all this happen without the need for new equity. We show you two scenarios here, both of them summarizing three years of investment. On the left are existing approved programs.

You can see here for now the first time PSE&G will actually be a bigger cash generator then PSEG Power. However, PSE&G's need for the cash is much greater than PSEG Power. So power is still a contributor to the PSE&G earnings growth.

On the right side we basically include the Energy Strong program as well as part of the $1.5 billion in expansion and transmission that is associated with the Energy Strong program. And there you see the same pattern as on the left side of the slide, just larger numbers. Right? So PSE&G is an even bigger cash generator than PSEG Power but its capital investment needs are even larger.

So we have the growth. We have the ability to finance the growth. And the icing on the cake, if you will allow me to use that analogy, is that we can look at all of this and still forecast confidence in the ability to sustain and modestly grow the dividend. We have enjoyed a 2% to 3% growth in the dividend over the past five and ten years. And we believe that we can continue to do that into the future, even with the capital program at the utility.

So $6.3 billion to $7.5 billion in CapEx at the utility, 150 megawatts expansion of our gas fleet, when 150-megawatt expansion of our nuclear fleet, no new equity; power at FFO to debt levels, even with the $7.5 billion in utility capital growth of about 40% on average. Our internal targets are to be 35% to preserve that BBB+ rating and room to grow, on a sustainable basis, the utility dividend.

So that's the summary in numbers. The summary in words is here. It really is the same thing as how I began the presentation, which is making use of that financial strength to meet the needs of our customers in the form of resiliency of the grid, to meet the needs of the state in terms of its public policy objectives in the form of renewable power, and to use the strong cash flow of power to seek out incremental growth opportunities

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that are value-creating for our shareholders, all the while recognizing that a strong financial position serves us well and can continue to support that dividend growth.

So I've been given the ten-minute sign. So we will open up for questions in the remaining probably eight minutes that we have. And Judy does have a microphone. If there are questions, I would ask you to just wait till she reaches you. We have a question over there.

QUESTIONS AND ANSWERS

Unidentified Audience Member

I have a question about the uprate at Peach Bottom. I know that is a partnership undertaking. I know it's not a steam turbine generator job.

But are there any kind of lessons learned off of Crystal River and San Onofre for even the most humble improvements to a nuclear power plant that could be discussed in respect of Peach Bottom?

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

So I have enormous respect for my colleagues at those companies. But I had to hold onto the podium when you mentioned us in the same breath as those. So there's always lessons to be learned.

I'm on the NPO board and dutifully go to every meeting to make sure that I hear about what's going on at other units. NPO is great about publishing what is called operating experience that our team at our nuclear plants -- I make sure that they analyze and study.

But to my knowledge, the two primary areas through which we act to expand output are, number one, it's a paper exercise in understanding the rich margins that are available to us that allow us to run the plants at higher outputs. So that's not touching any hardware.

And, number two, to the extent that we do touch hardware, and in this case we will be touching hardware, it's all on the steam side of the plant. It's not on the reactor side of the plant. So if you want more detailed information of that, the days of me pretending to be an engineer and a scientist are long past.

We will get you more information. But no, one should not mention those three power plants in the same question. Please don't ever do that again. But thank you. So, apologies to Lynn Good and to Ted Craver; they run fine companies.

Okay. So I thank you for joining us. We really hope you -- you are sharing our good news story. We think we have a really positive story to tell, one with not only a proud past but a very, very optimistic future. Thanks and enjoy the rest of your day.

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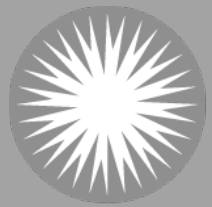
SI-SSA-0015-07748

EEI 2013 Financial Conference

ORLANDO, FLORIDA – NOVEMBER 11-13, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07749

PSEG

Ralph Izzo
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

SI-SSA-0015-07750

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We make things work for you.

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition from certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-07751

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-07752

PSEG OVERVIEW & OUTLOOK

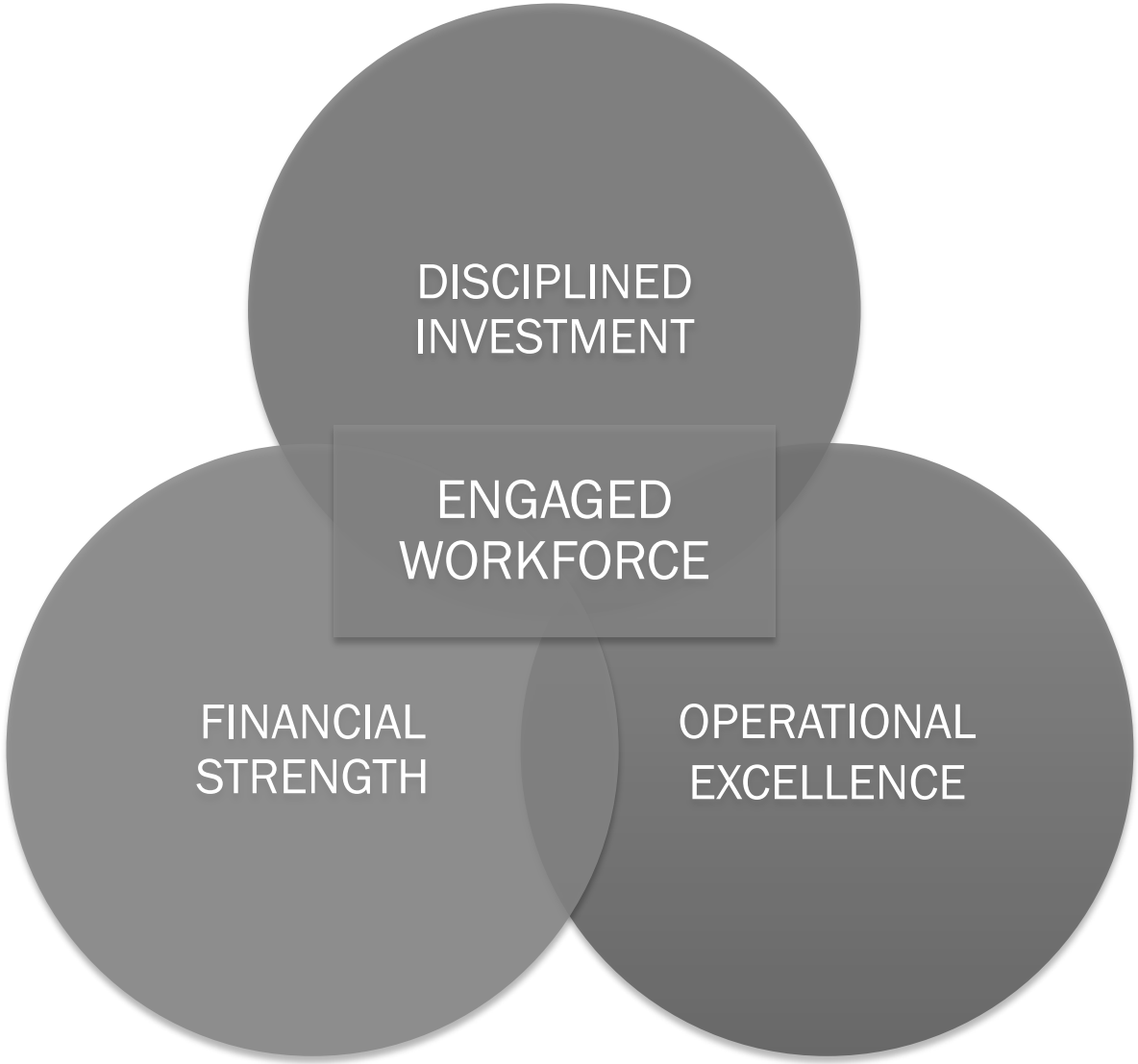
PSEG

We make things work for you.

SI-SSA-0015-07753

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-07754

PSEG meeting the market's challenges

with our strong platform of assets

Electric & Gas Delivery and Transmission

PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017

Assets $19.2B
Operating Earnings $528M

Regional Wholesale Energy

PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible

Assets $11.0B
Operating Earnings $644M

Renewable Investments

PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities

Assets $1.5B
Operating Earnings $64M

SI-SSA-0015-07755

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Focus

Operational excellence and disciplined investment helped reduce exposure to power markets

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-07756

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

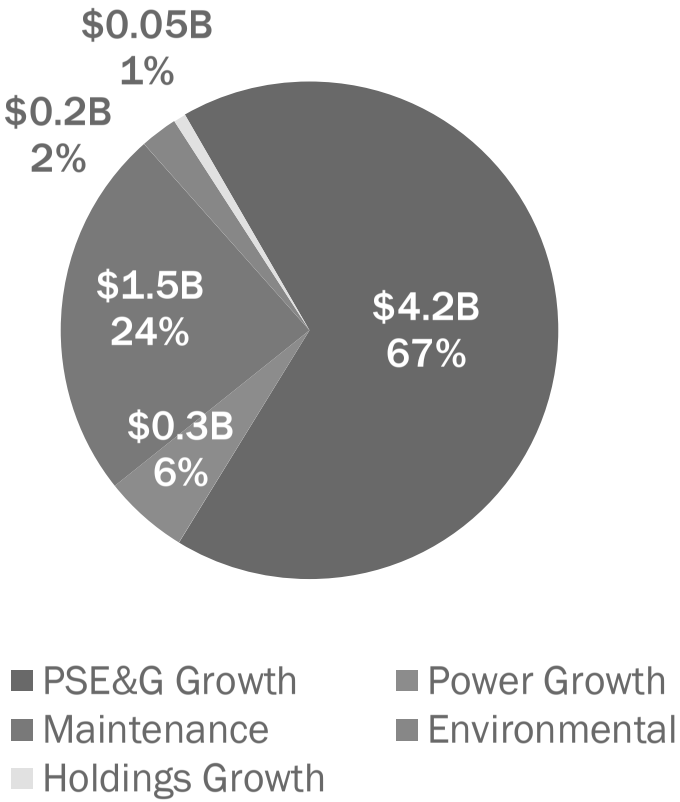
SI-SSA-0015-07757

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*

$6.3 Billion

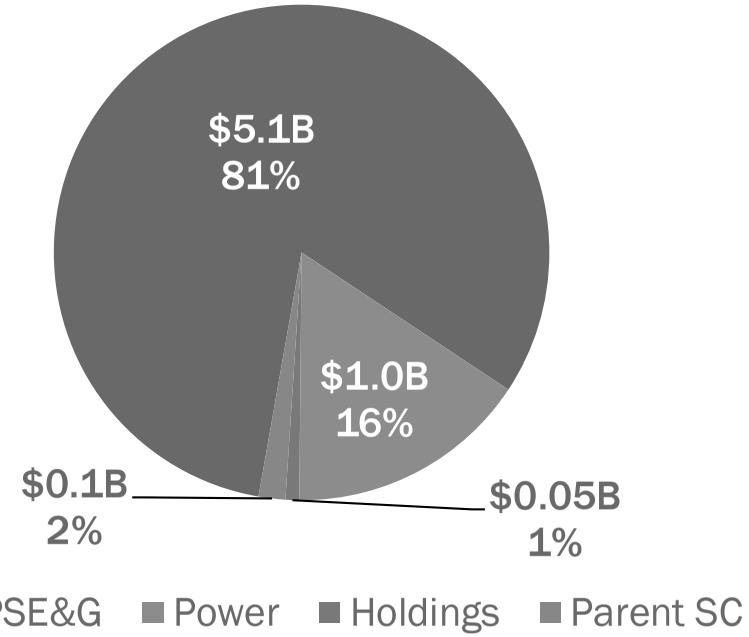
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*

$6.3 Billion

by Subsidiary

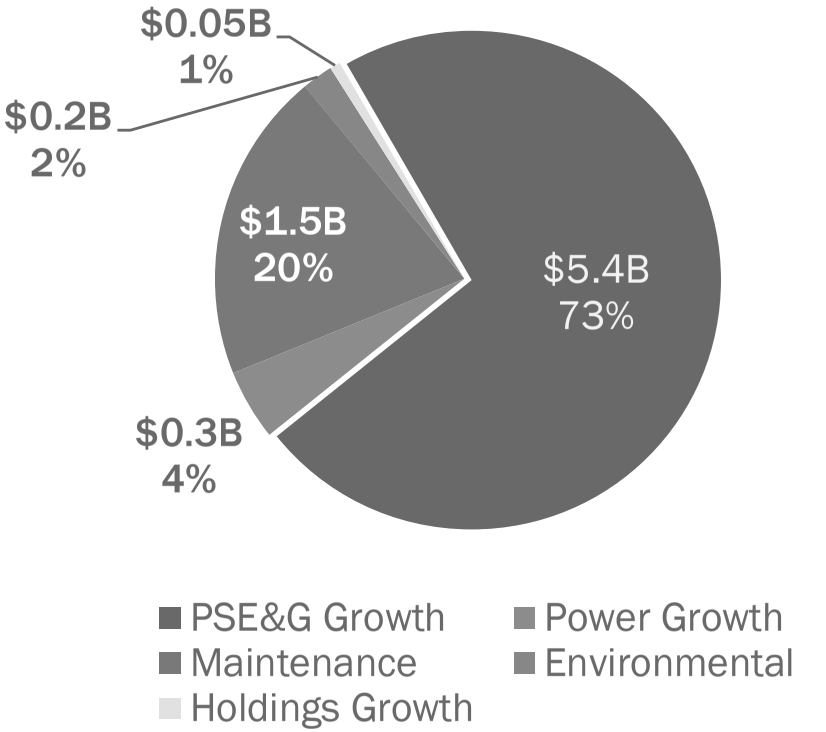


E = ESTIMATE; CAPITAL EXCLUDES AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

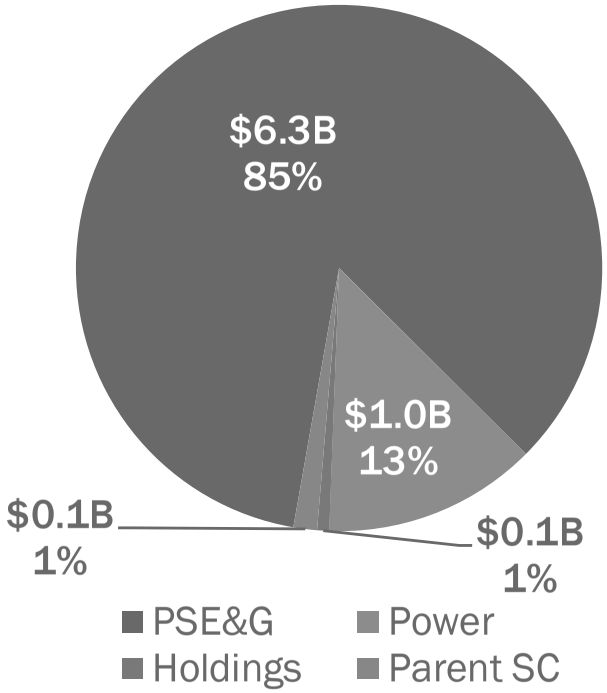
SI-SSA-0015-07758

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



SI-SSA-0015-07759

PSEG

E = ESTIMATE; CAPITAL EXCLUDES AFUDC. *DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-07760

74 local NJ towns and 8 counties support

- 74 municipalities and eight counties (Bergen, Essex, Hudson, Mercer, Passaic, Somerset, Union and Middlesex) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

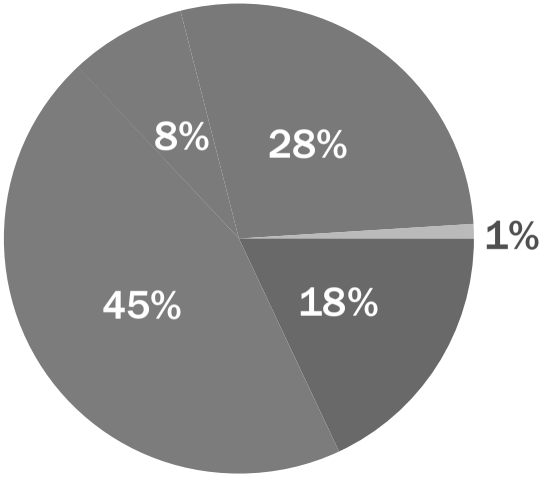
- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

SI-SSA-0015-07761

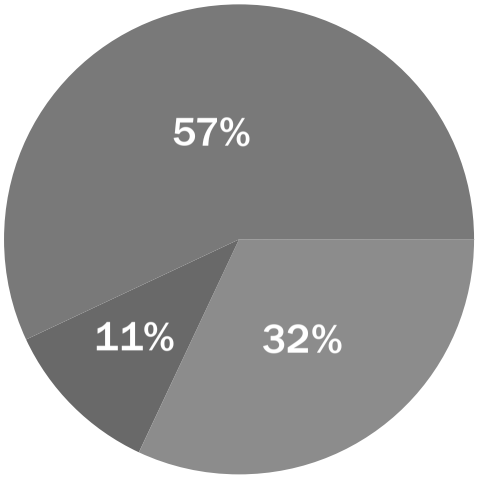
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

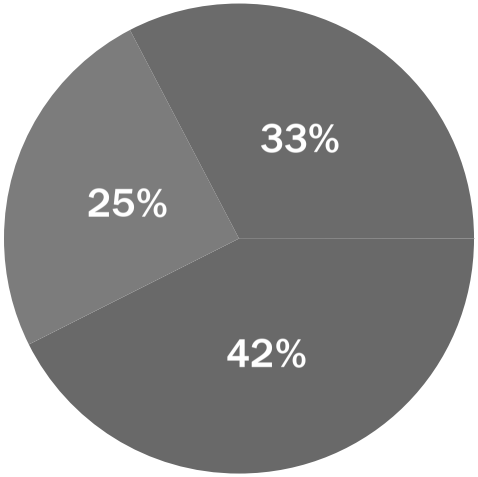


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Base load

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PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015 with growth in transmission

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $15-$20[6]

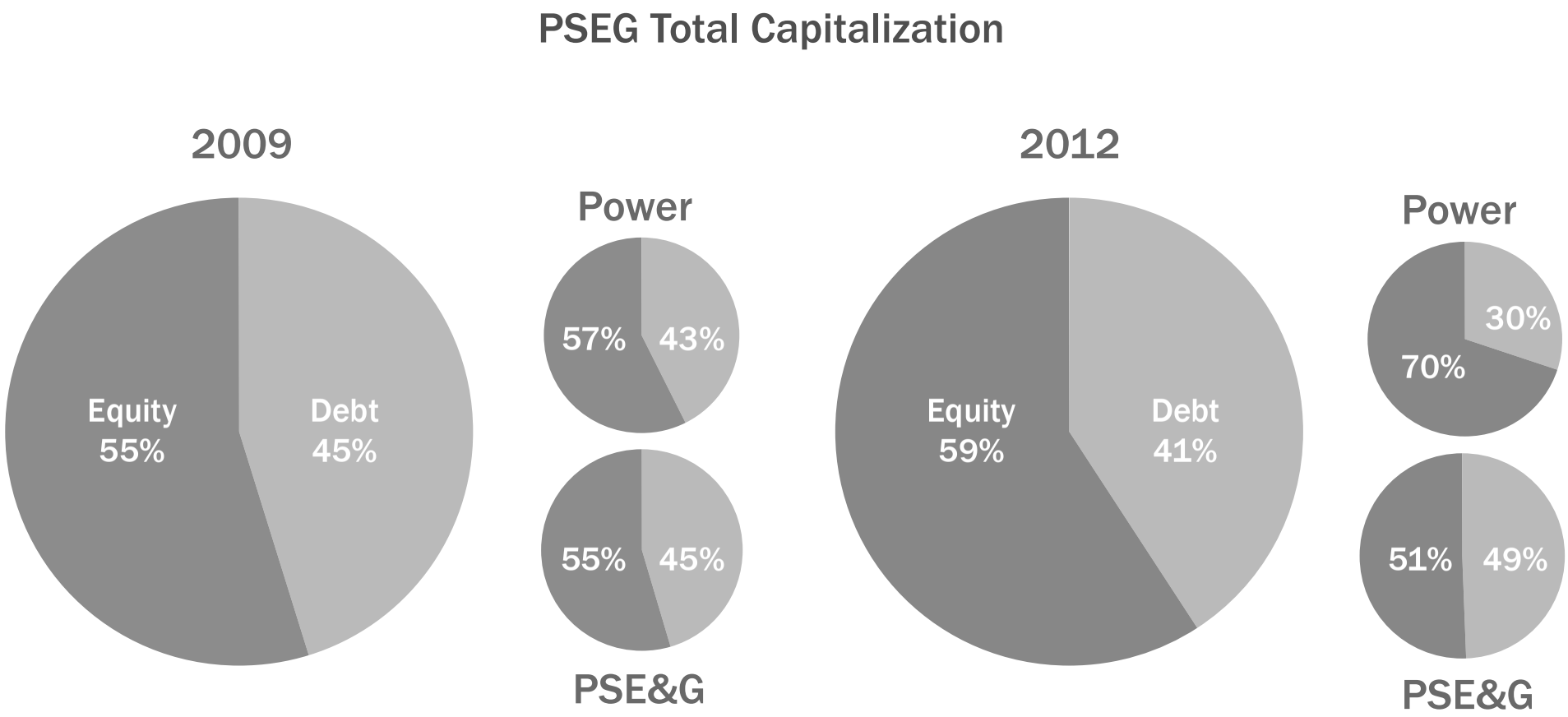
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes approved solar programs and proposed ES programs.
(6) Reflects a fully-executed, expanded Operating Services Agreement with LIPA.

E = ESTIMATE.

SI-SSA-0015-07763

Balance Sheet Strengthened

PSEG has reduced risk



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PSEG Year to Date 2013 - Highlights

- **Operating Earnings of $2.09 vs. $2.03 per share for YTD 2012**
  - ✓ Delivered solid results in Q3 driven by Power's locational value, and PSE&G's continuing investment in transmission
  - ✓ Raised 2013 full–year, operating earnings guidance from $2.25 - $2.50 to **$2.40 - $2.55**, per share
- **Executing on operational goals**
  - ✓ Power met summer demand using diverse fleet
  - ✓ Continued control of O&M supports full-year expectations
- **Executing on capital program**
  - ✓ Transmission program of $3.4 billion, including construction of 5 major transmission projects, continues on schedule and on budget
  - ✓ Review of Energy Strong proposal underway by NJBPU
  - ✓ 74 NJ municipalities and 8 county governments have passed resolutions in support of the Energy Strong infrastructure proposal
- **Market developments**
  - ✓ US District Courts in NJ and MD rendered decisions supportive of competitive markets and FERC's rate-setting authority
  - ✓ New LIPA agreement will broaden and extend original agreement when fully executed

SI-SSA-0015-07765

Strength in YTD operating earnings supports increase in 2013 operating earnings guidance

Based on our performance year-to-date, we have raised guidance for full year operating earnings from $2.25-$2.50 to $2.40-$2.55 per share

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$630 - $685
PSE&G	$585 - $600
PSEG Energy Holdings/Parent	$0 - $10
Operating Earnings*	$1,215 - $1,295
2013 Earnings Guidance	**$2.40 - $2.55**

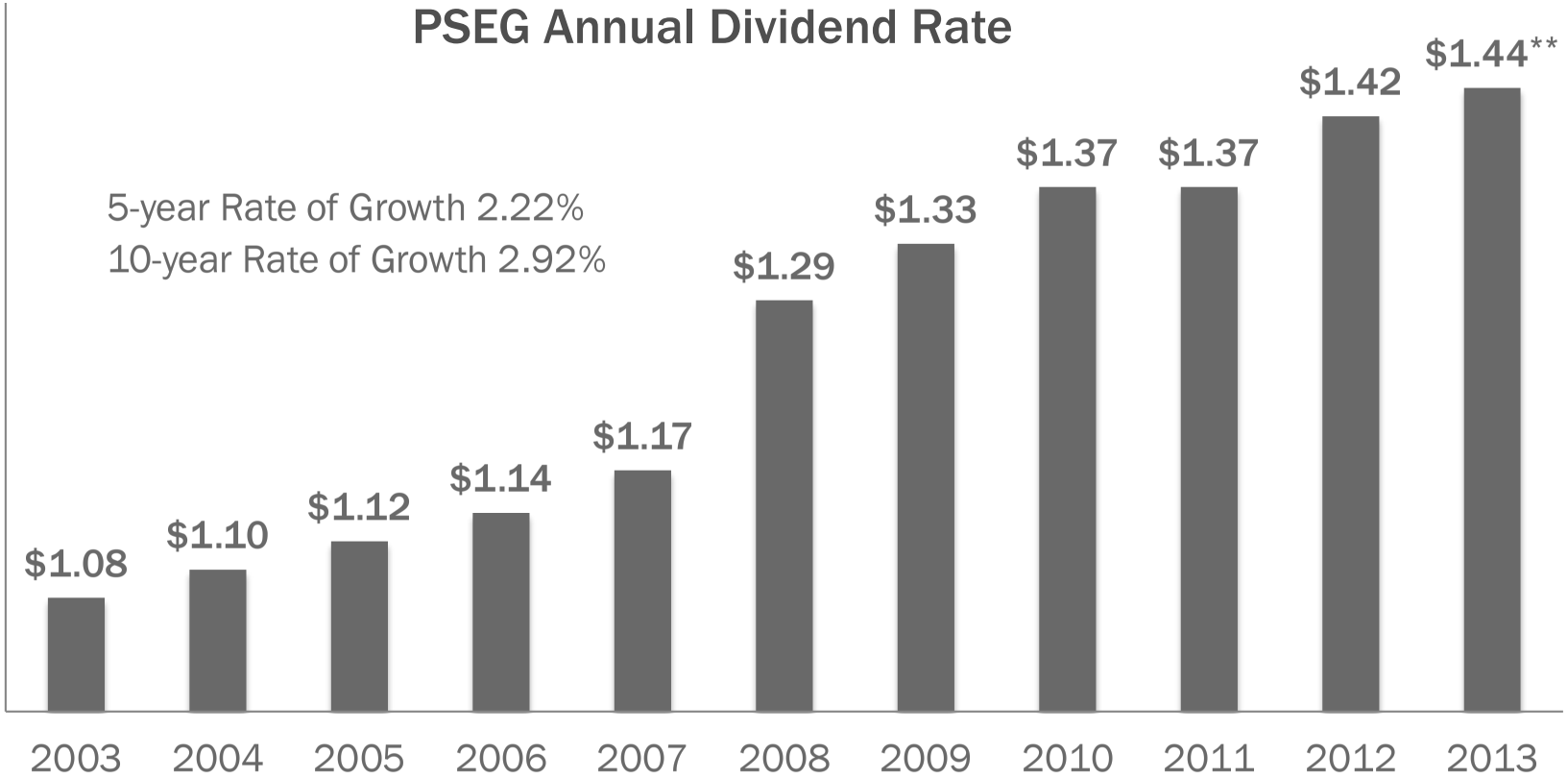
SI-SSA-0015-07766

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	58%*

SI-SSA-0015-07767

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-07768

PSEG

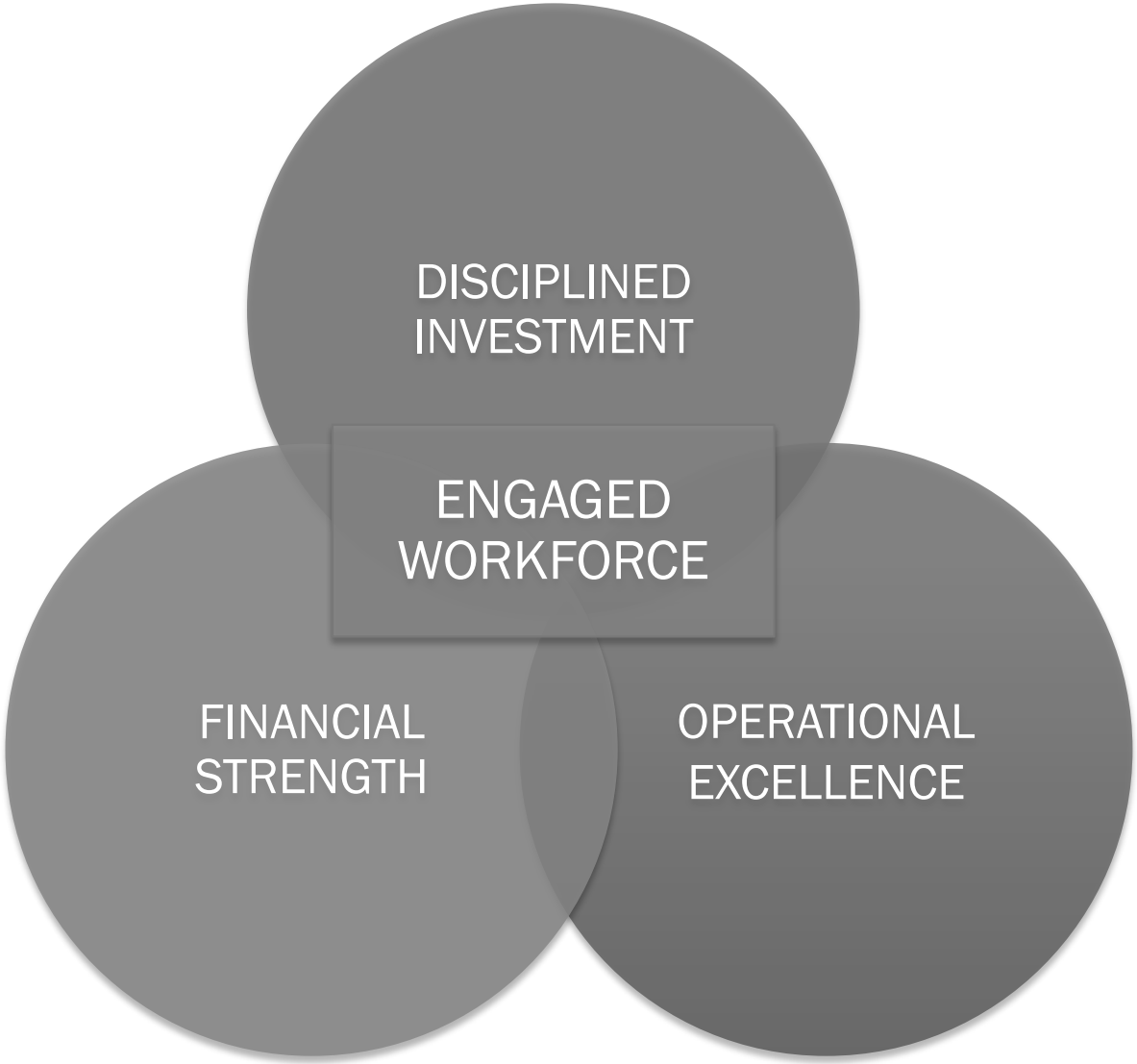
We make things work for you.

PSE&G

SI-SSA-0015-07769

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns



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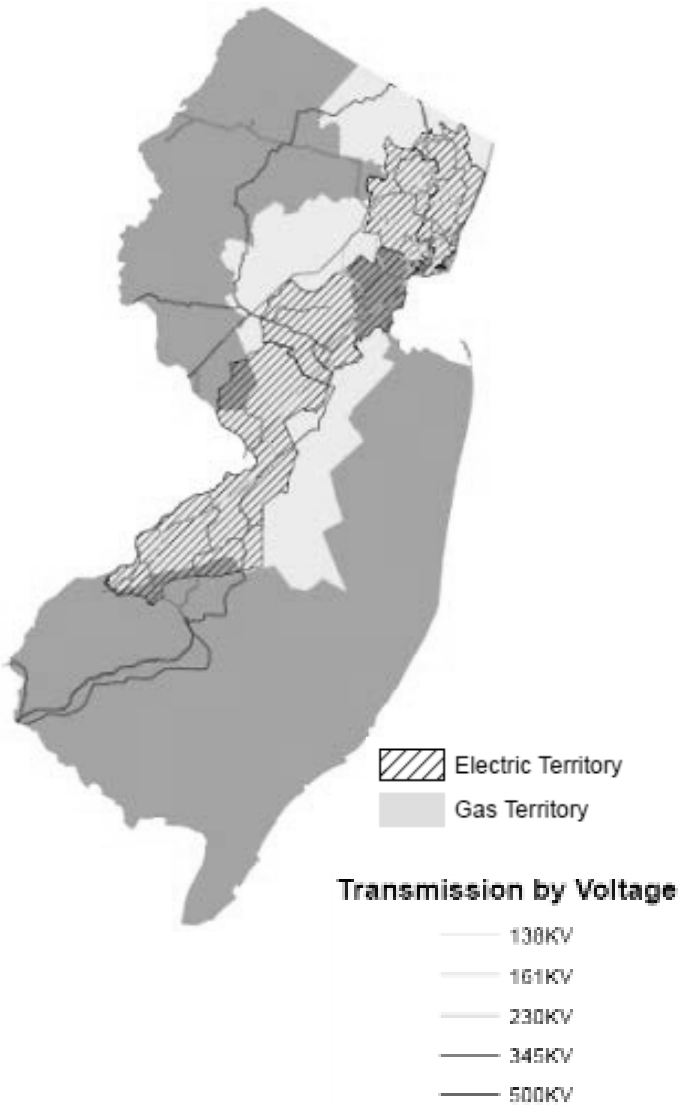
PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-07771

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

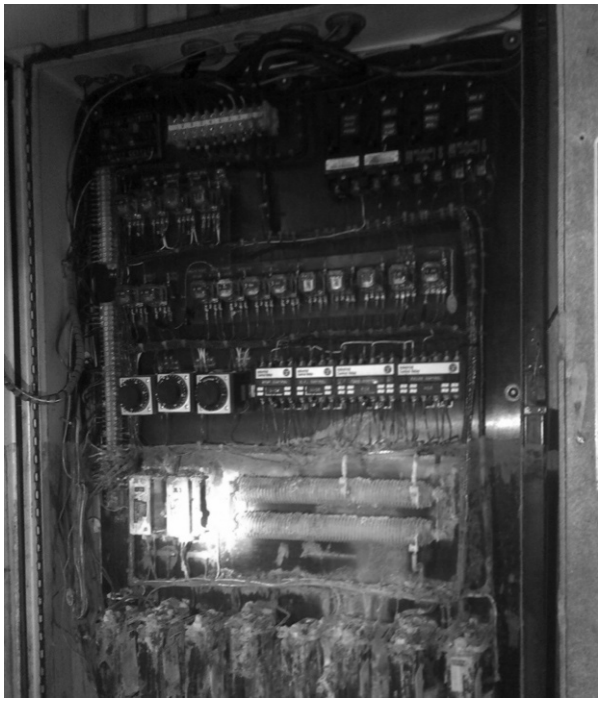
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-07772

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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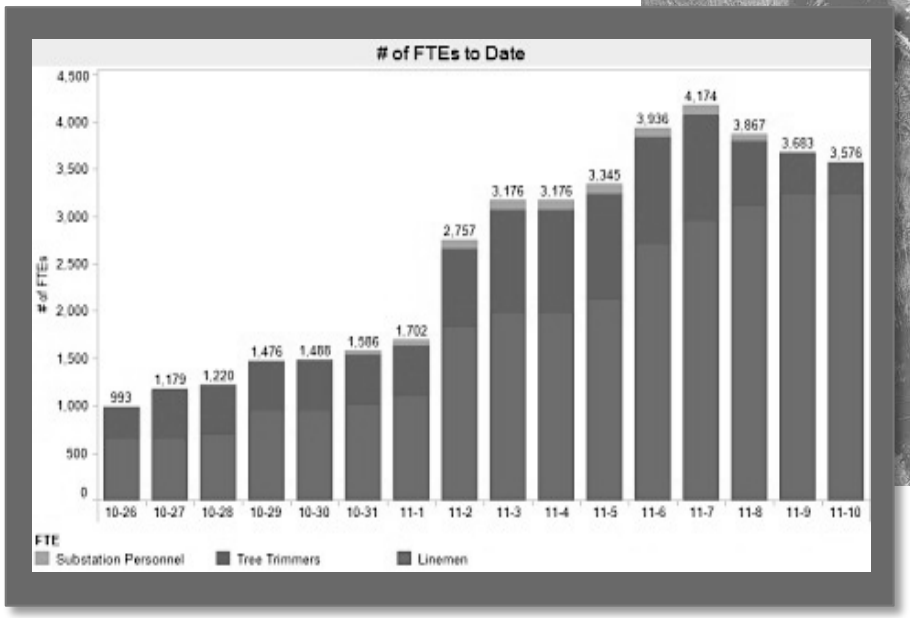
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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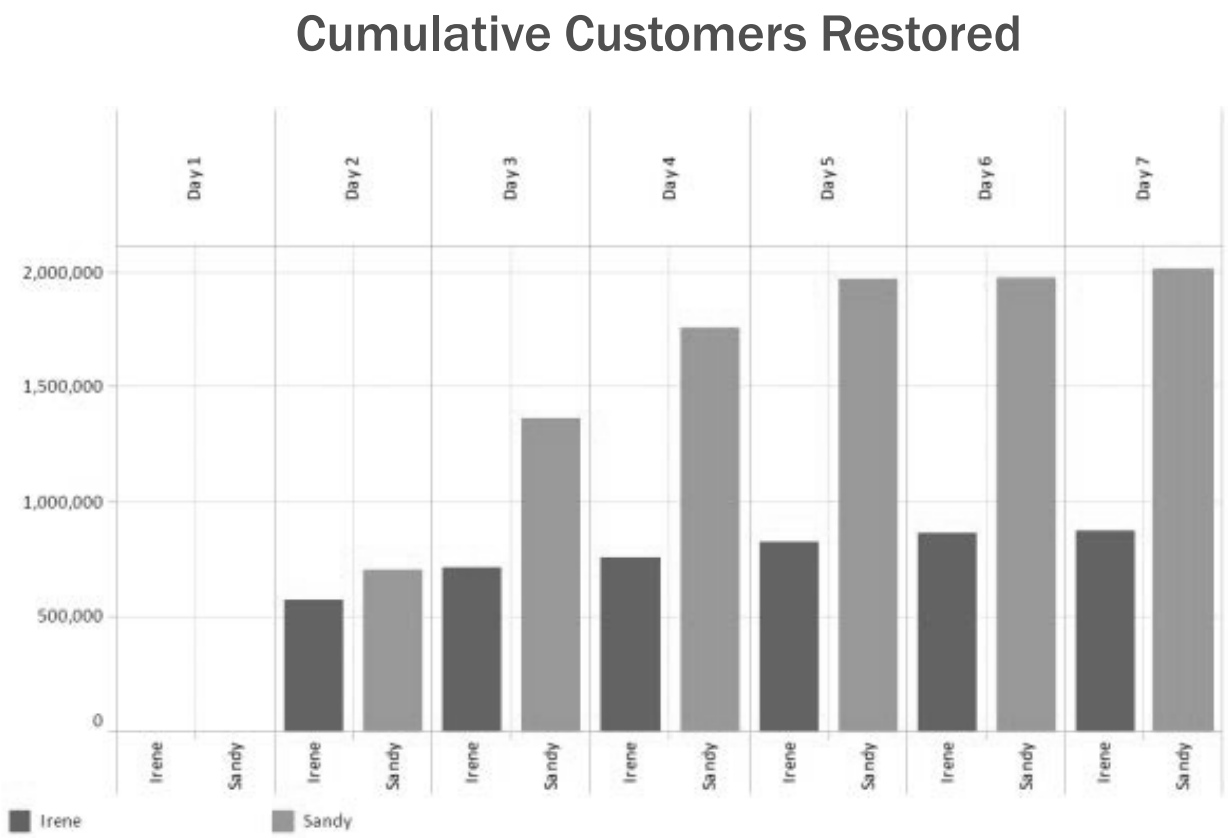
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-07775

PSE&G's operating earnings grew ~10%*

with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-07776

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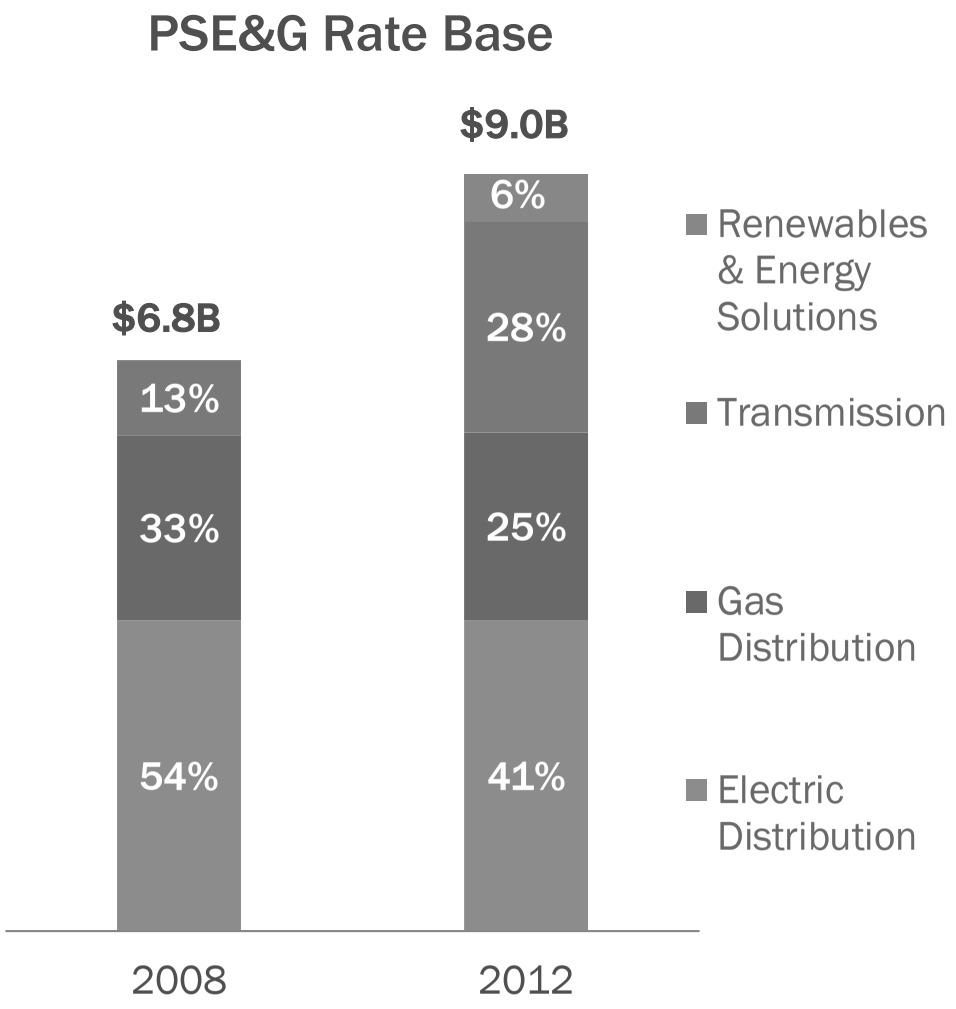
* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

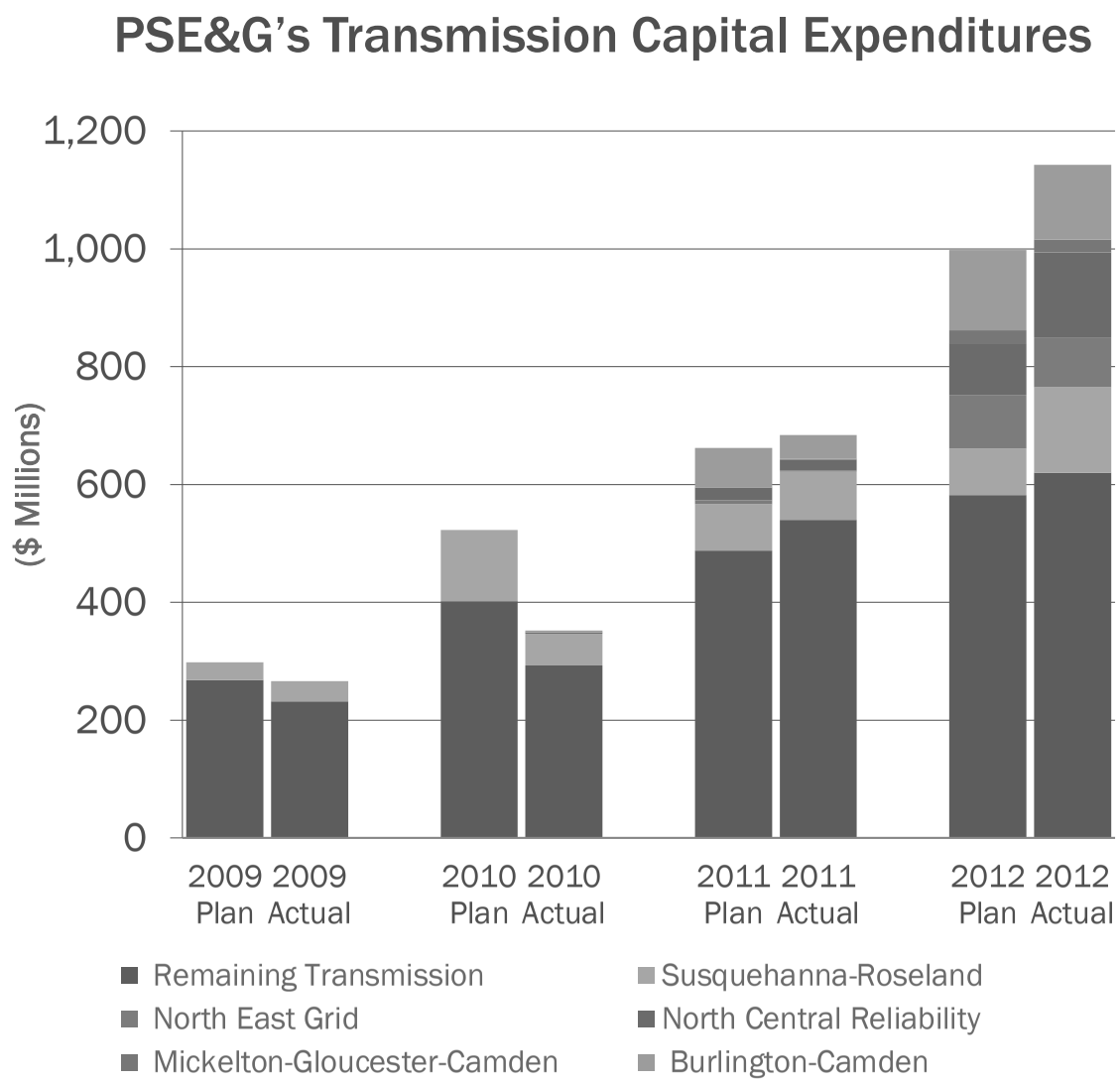
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-07777

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-07778

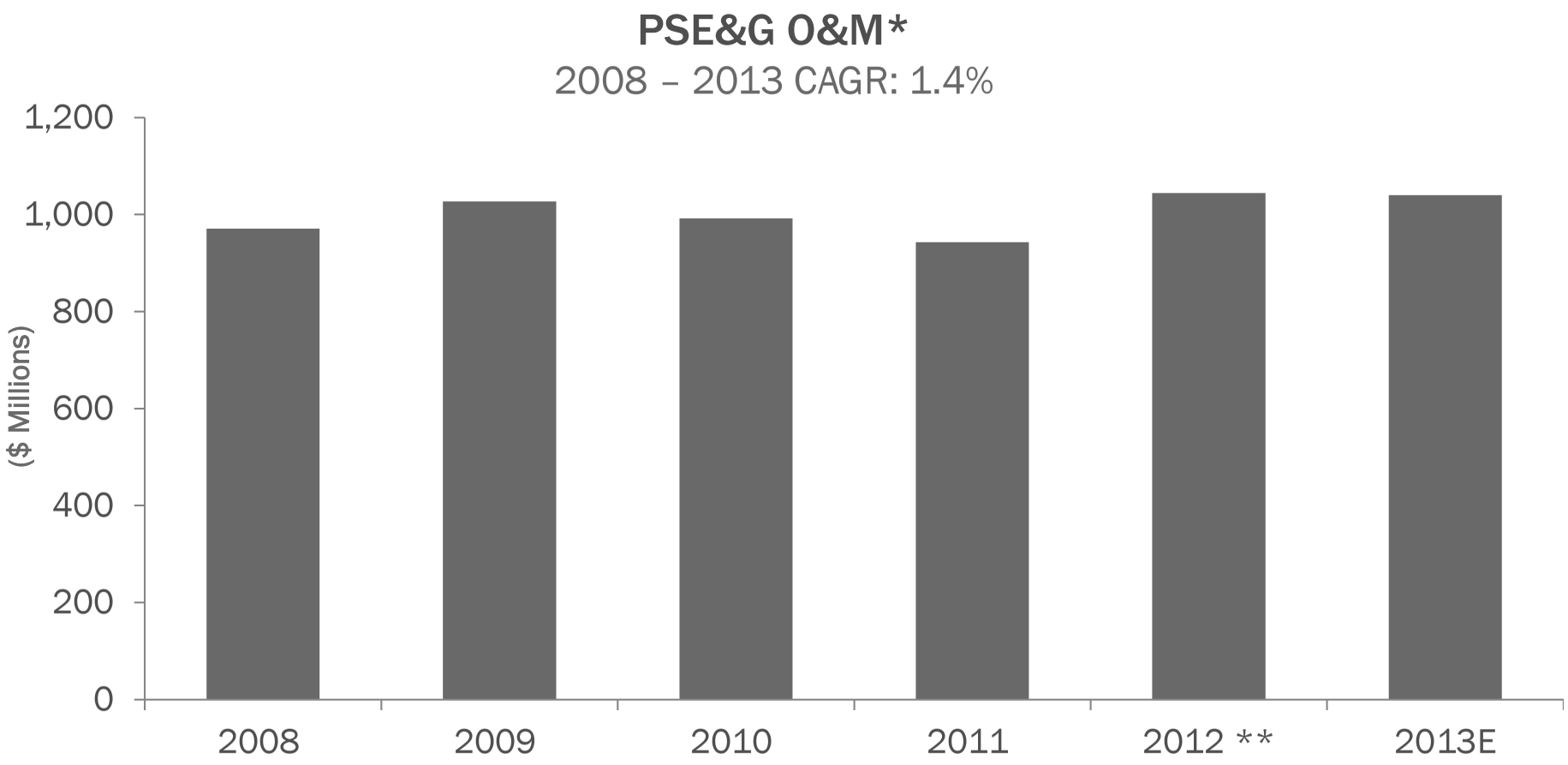
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 9/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$229	$15
Solar 4 All	July 2009	464	457	7
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	158	3
Demand Response	July 2009	35	31	4
Energy Efficiency Economic Stimulus Extension	July 2011	94	37	57
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,471**	**$1,939**	**$532**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-07779

Focus on controlling O&M allows us to earn our authorized return

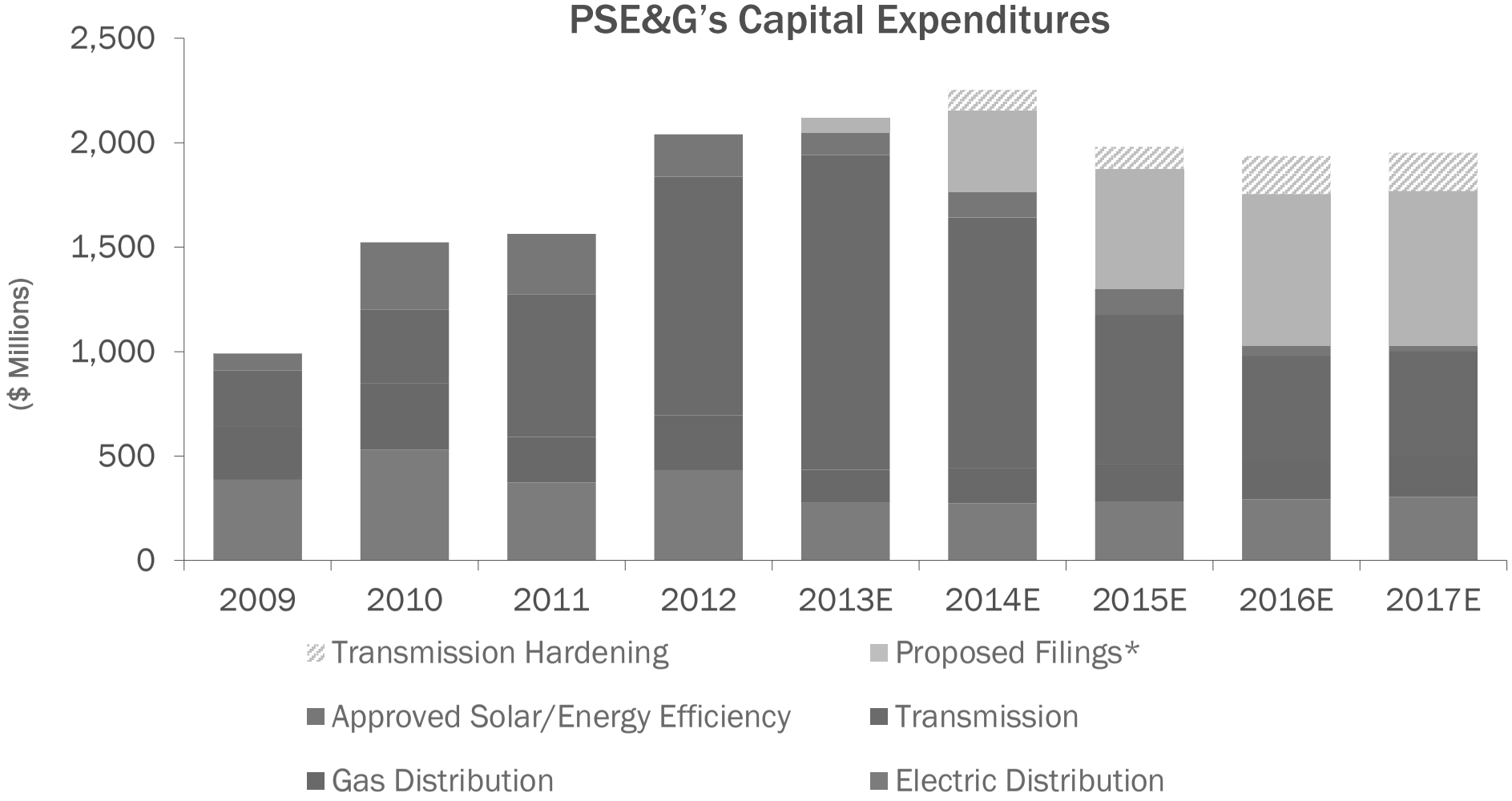


SI-SSA-0015-07780

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-07781

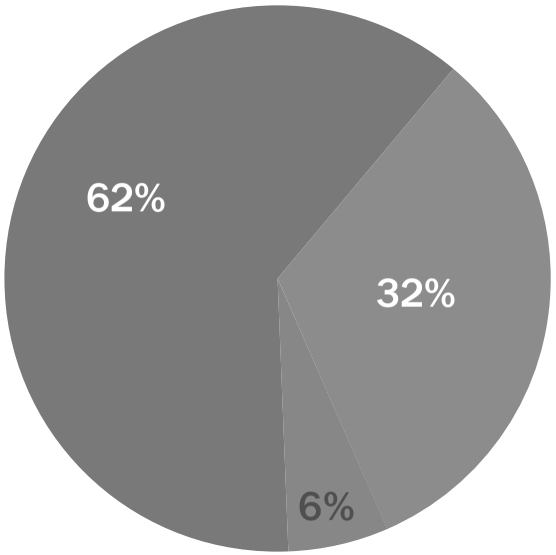
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EEEIII. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

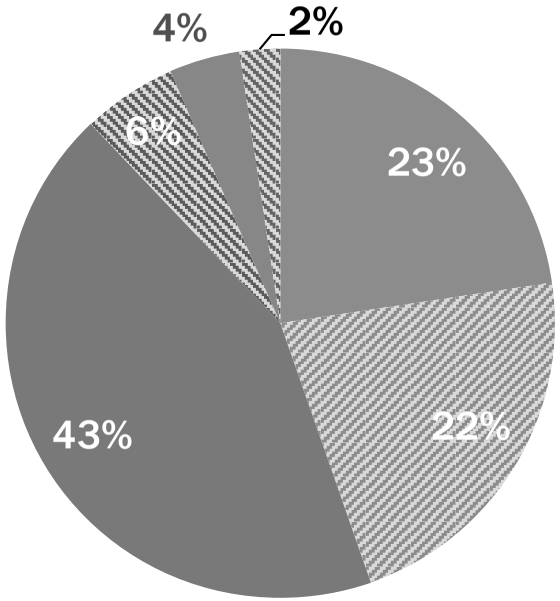
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



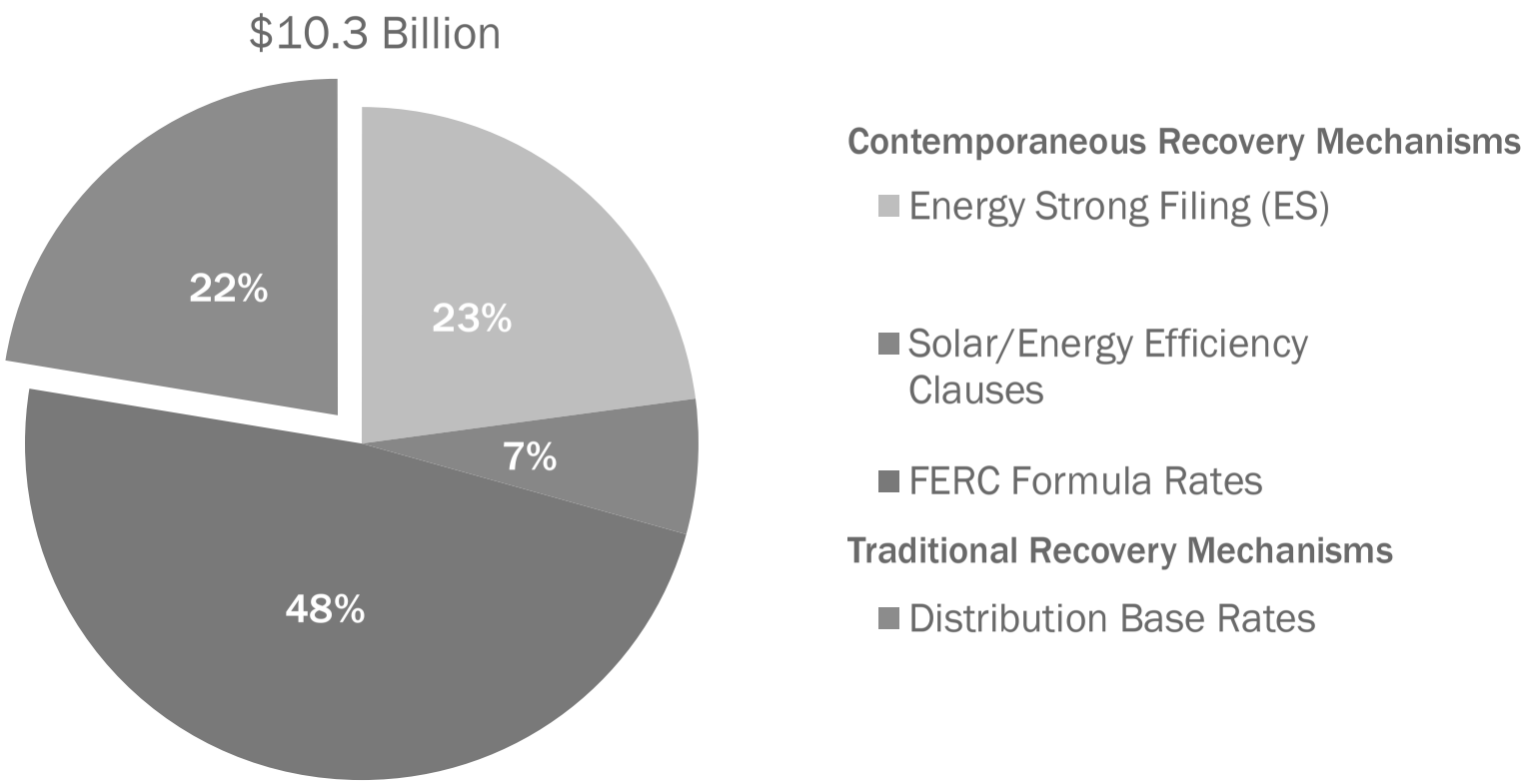
- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-07782

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Potential Capital Spending by Recovery Method



SI-SSA-0015-07783

PSEG

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-07784

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07785

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-07786

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07787

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07788

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07789

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the NJBPU granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the BPU voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding*

SI-SSA-0015-07790

PSEG

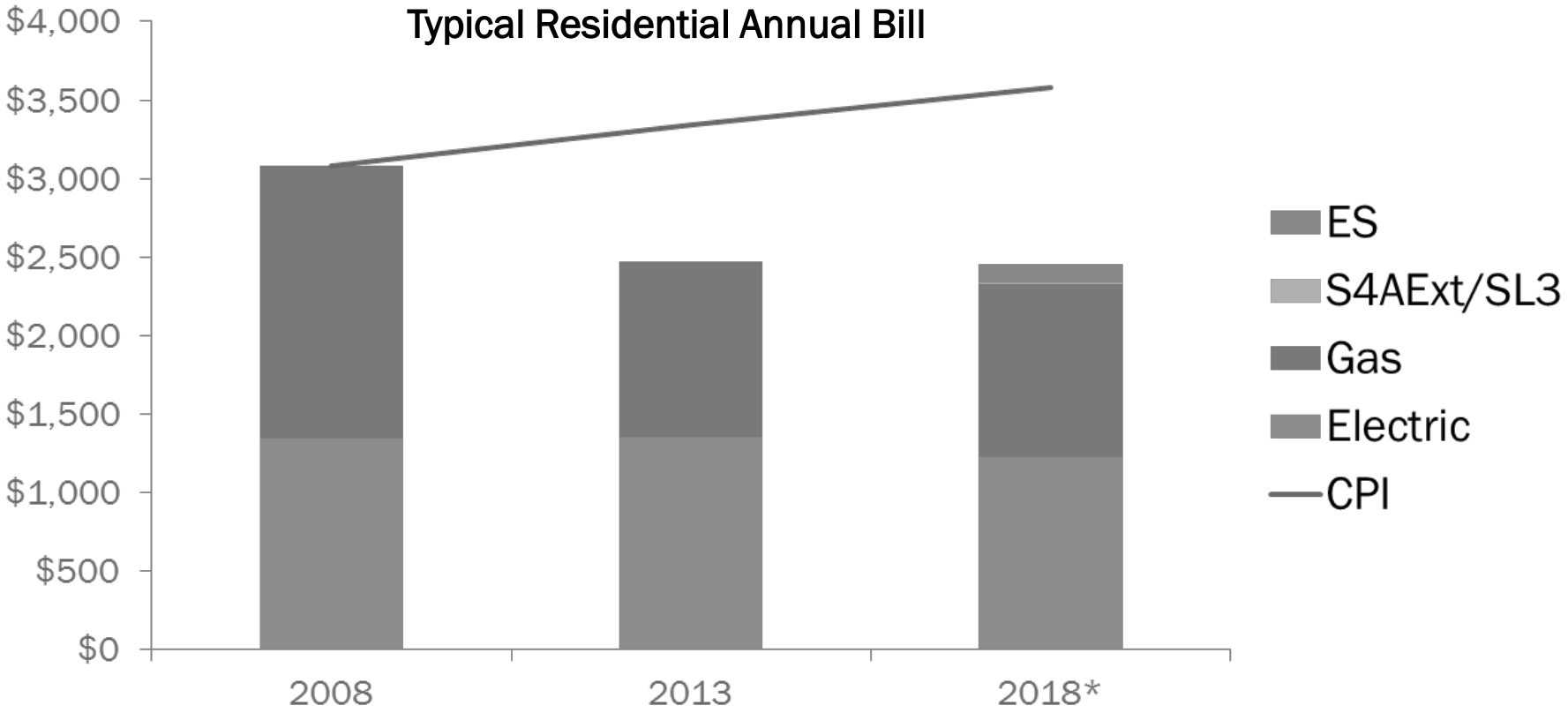
* NJBPU proceeding on storm recovery is currently in discovery phase.

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-07791

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

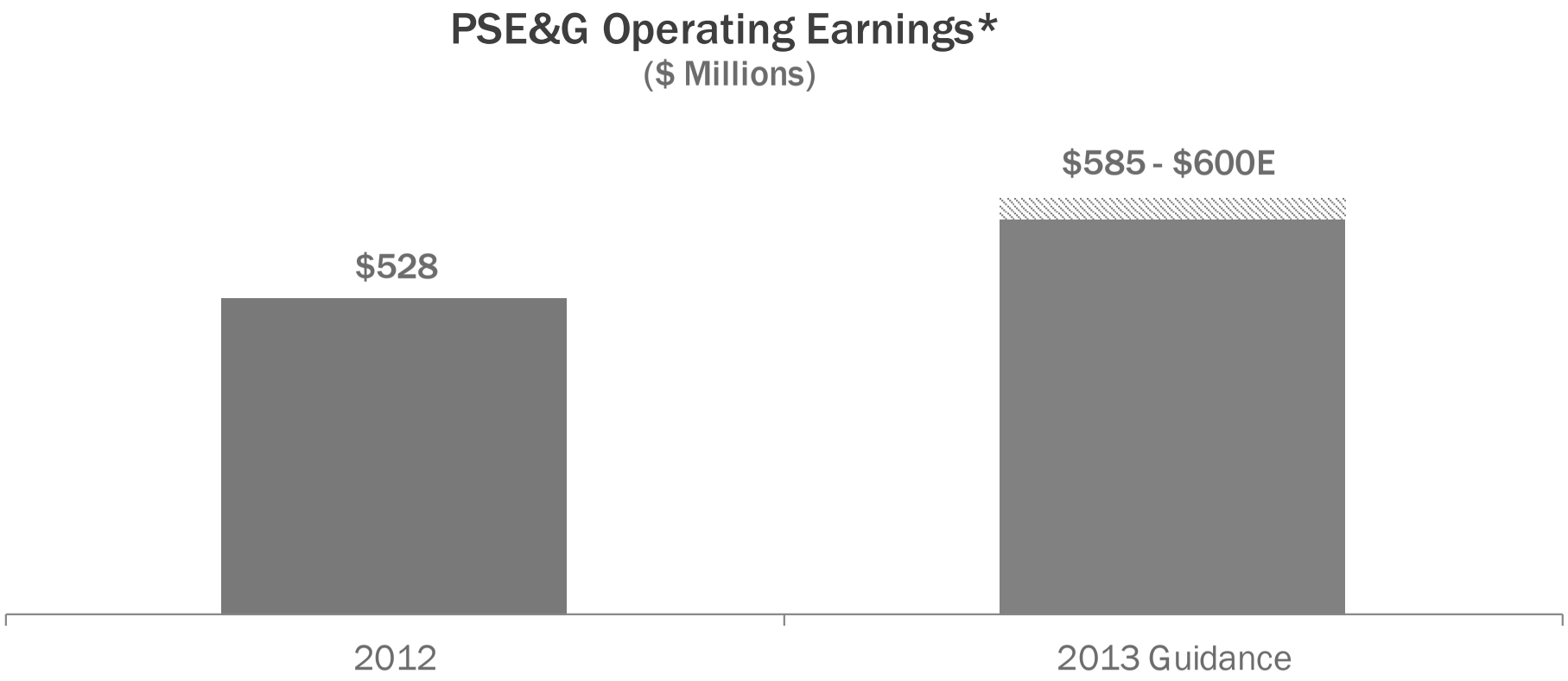


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-07792

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-07793

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

PSEG

SI-SSA-0015-07794

LIPA T&D management contract

Amended Operating Services Agreement will begin January 1, 2014, subject to LIPA receiving IRS ruling on tax status of debt

- Increases PSEG-Long Island's management responsibility to operate and maintain the LIPA T&D system
- Extends original 10-year contract by two years
- PSEG Power will procure LIPA's fuel requirements beginning 2015
- PSEG-LI compensation will increase in 2016 for expanded management role

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-07795

PSEG POWER

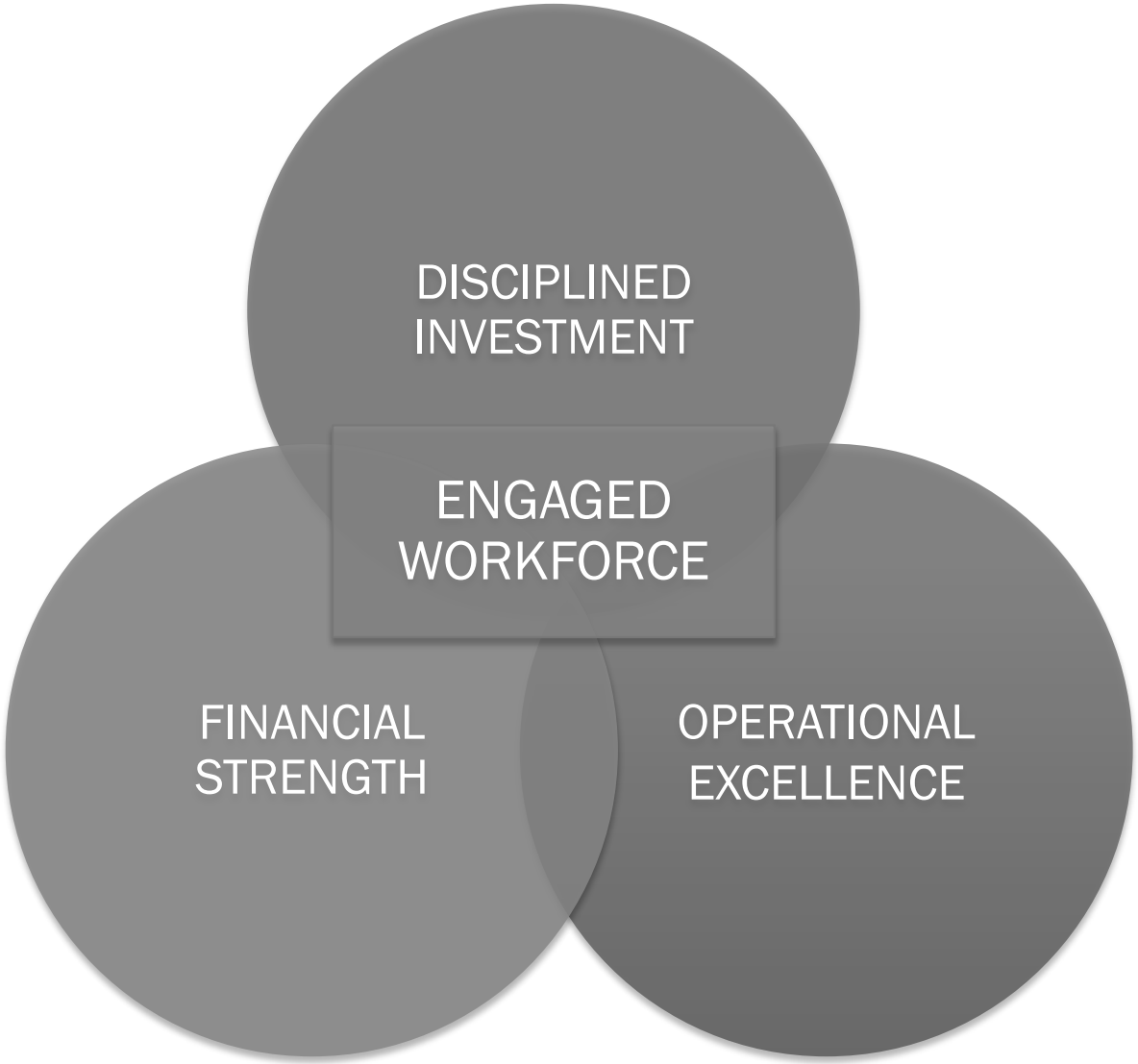
PSEG

We make things work for you.

SI-SSA-0015-07796

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-07797

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-07798

PSEG Power delivered in 2012

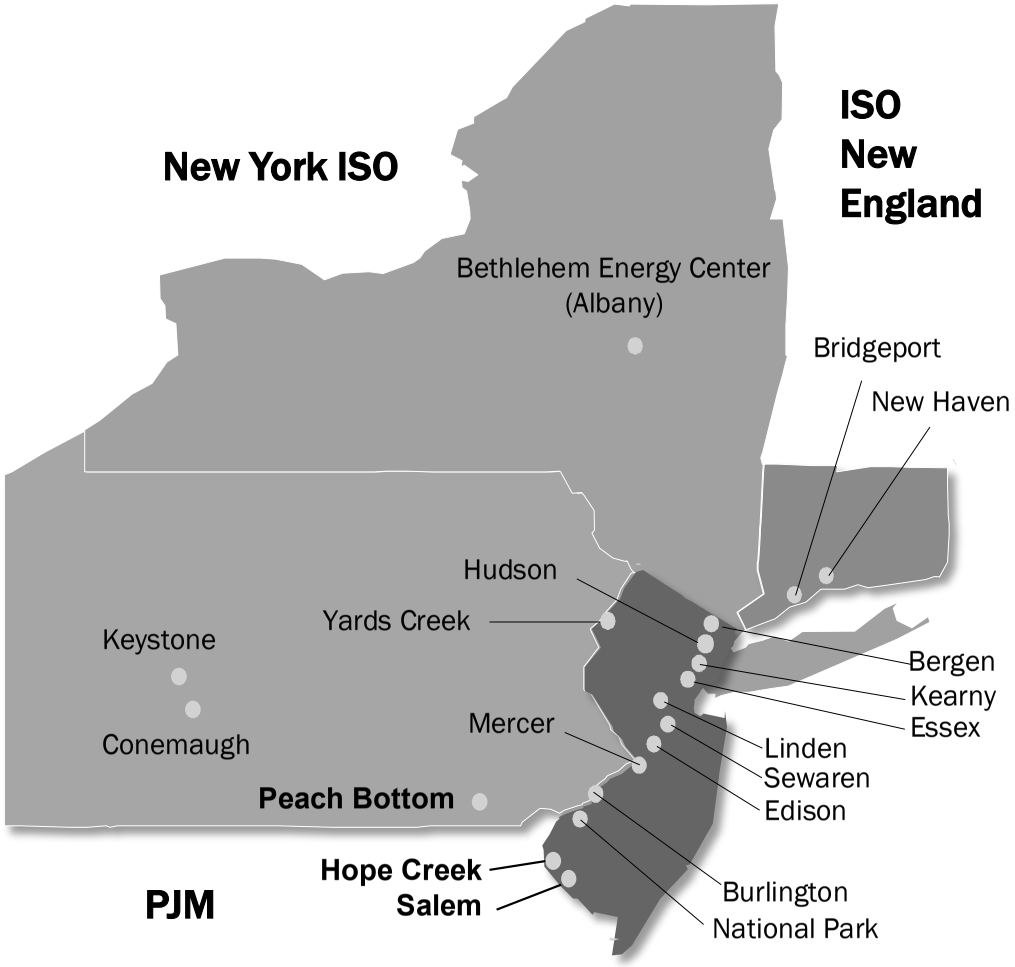
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-07799

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-07800

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015

SI-SSA-0015-07801

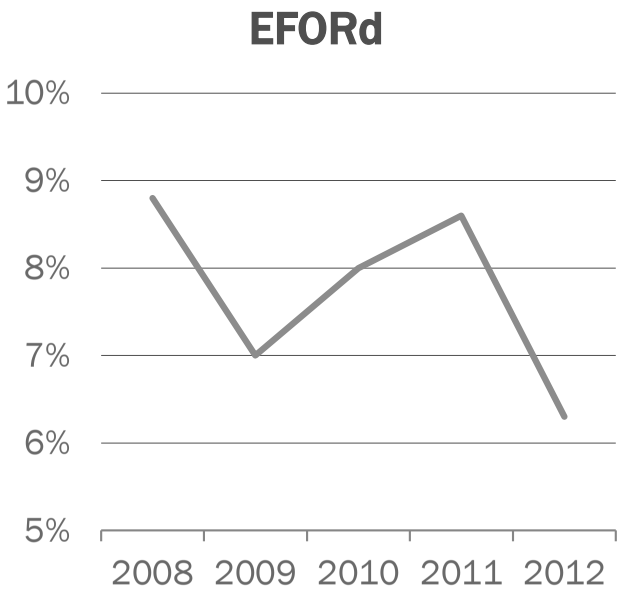
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

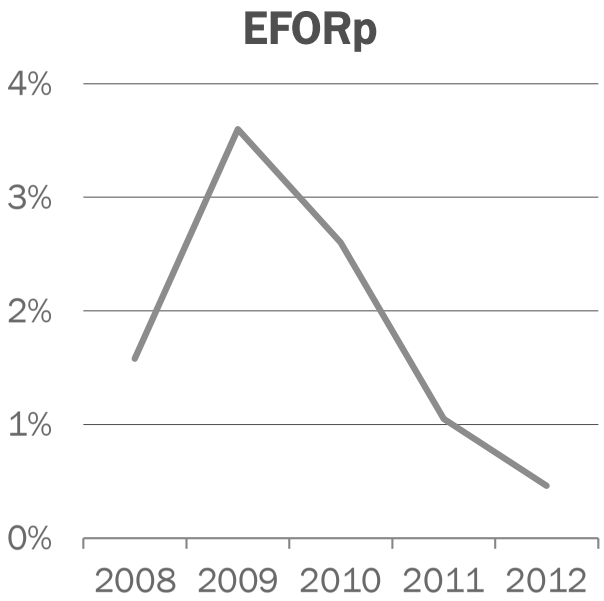
SI-SSA-0015-07802

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

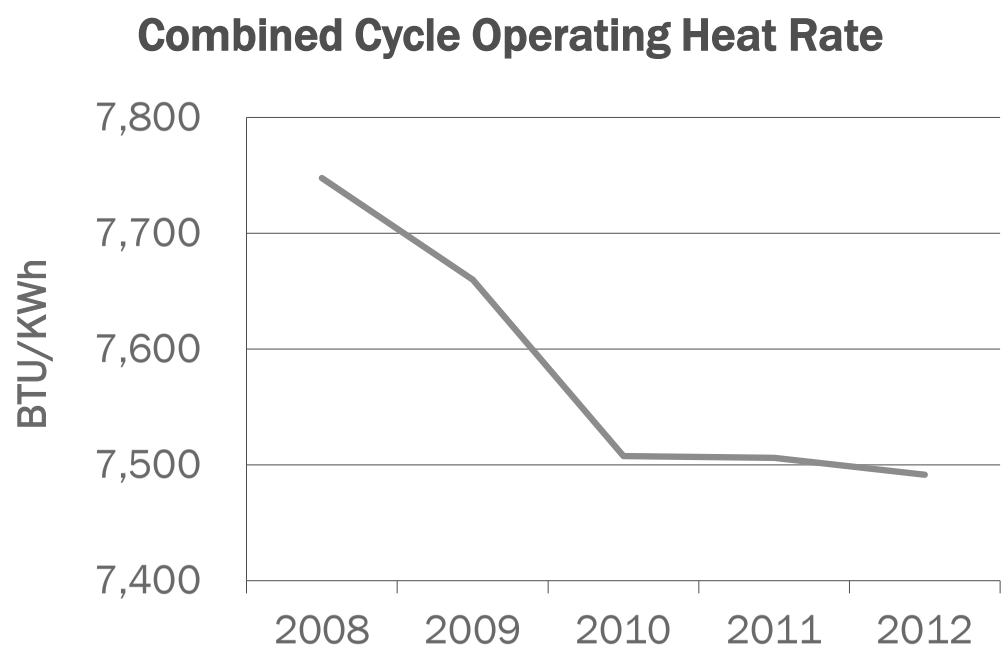


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-07803

PSEG Power improvements achieved in combined cycle fleet efficiency

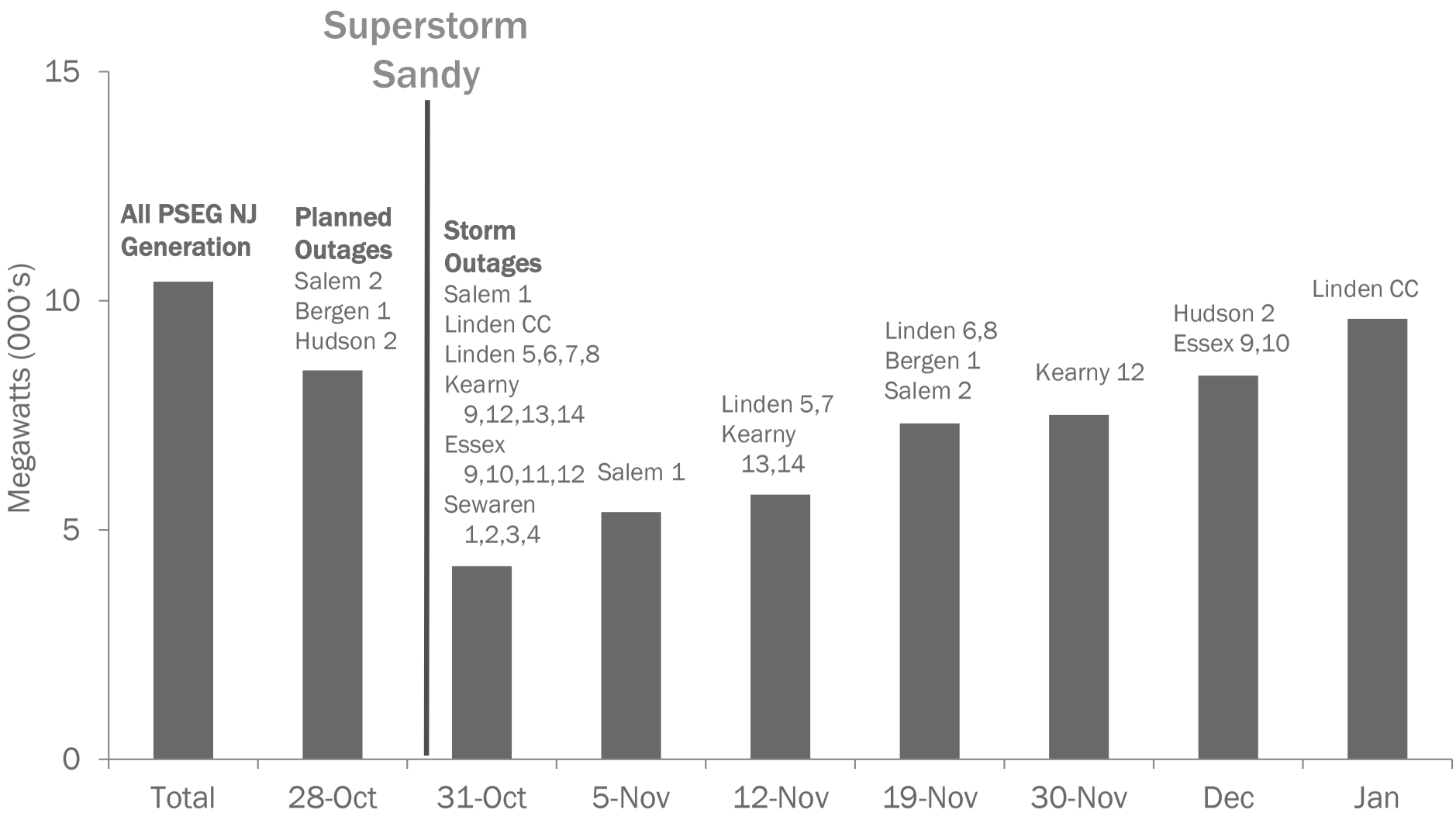


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-07804

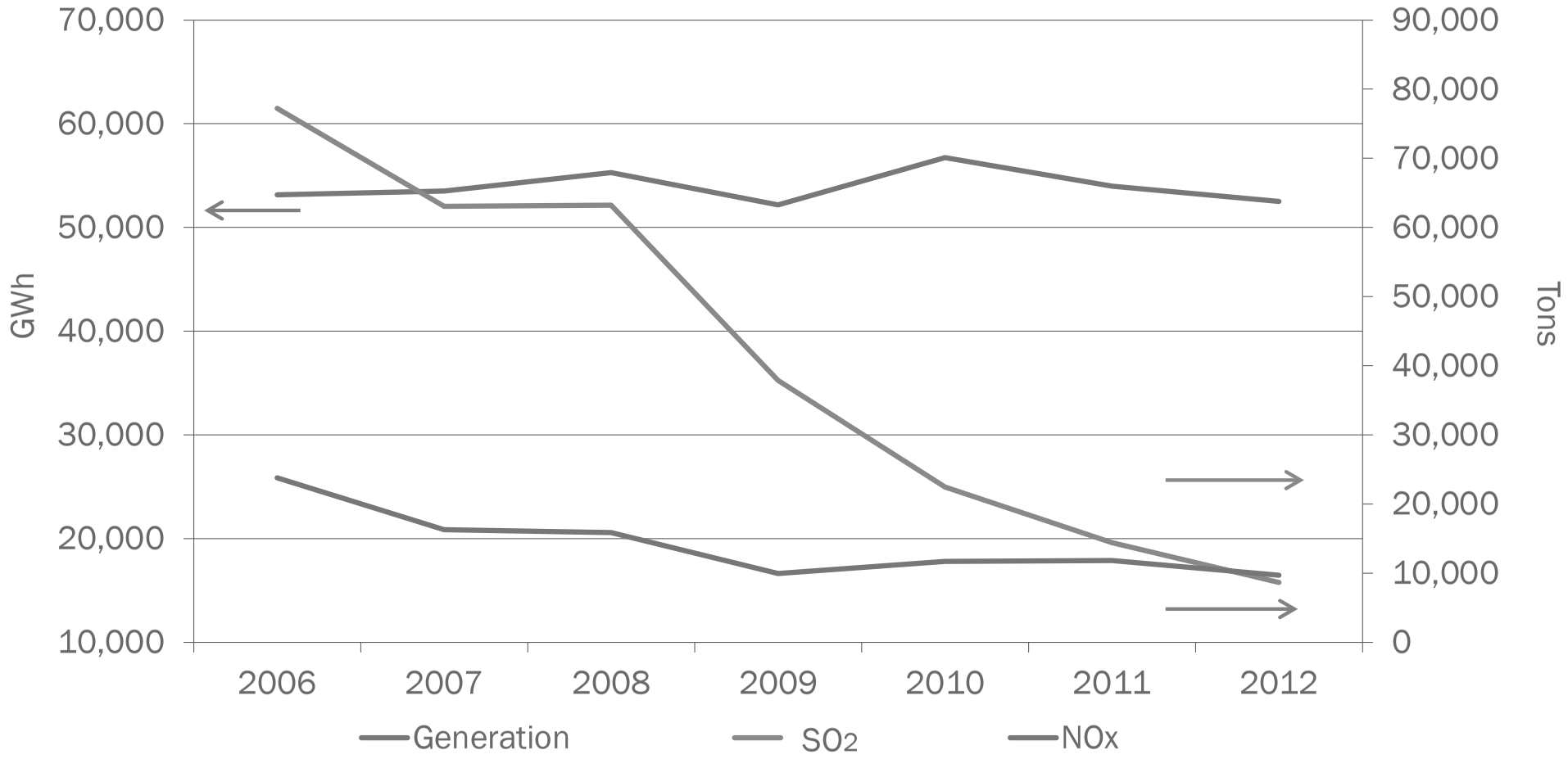
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-07805

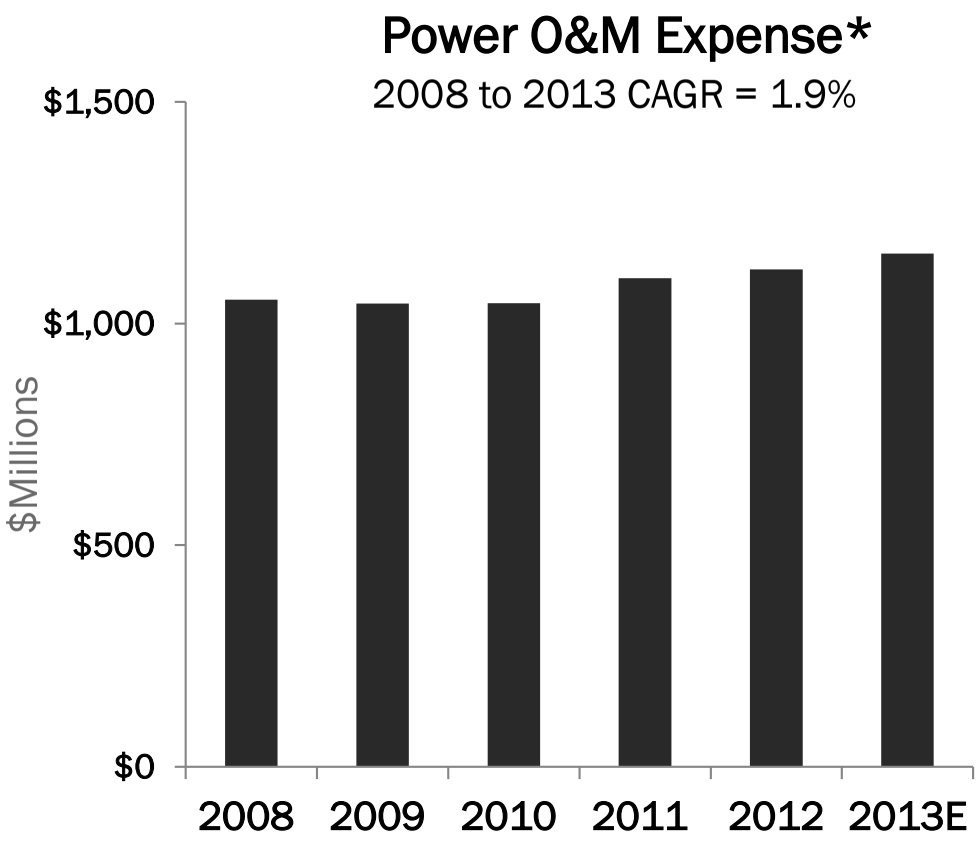
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-07806

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-07807

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned

to grow the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-07808

Investing in Power to expand CCGT capacity

and improve efficiency

PSEG Power - CCGT Uprate Project
○ Over 2014–2018, retrofit Bergen, Linden and BEC (GE CCGTs) with Advanced Gas Path (AGP) components ○ Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs ○ Potential project investment of ~$120 million over the 5-year period

AGP Project Benefits
✓ Expands CCGT capacity by over 150 MWs: Base MW's increase by 3.5% (112MW) with an additional 40 MWs of peak-firing capability ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2% ✓ Extends maintenance outage cycles and upgrades technology

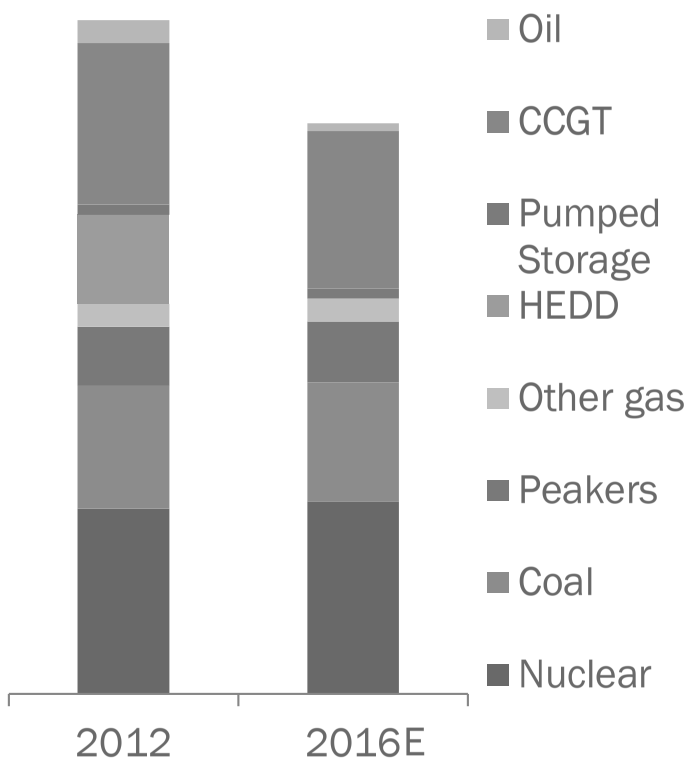
SI-SSA-0015-07809

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

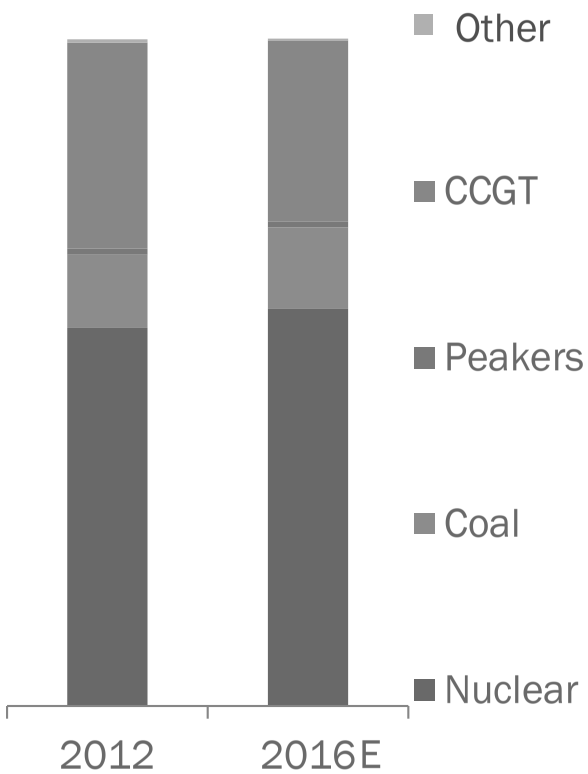
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve heat rate of the fleet by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-07810

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-07811

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

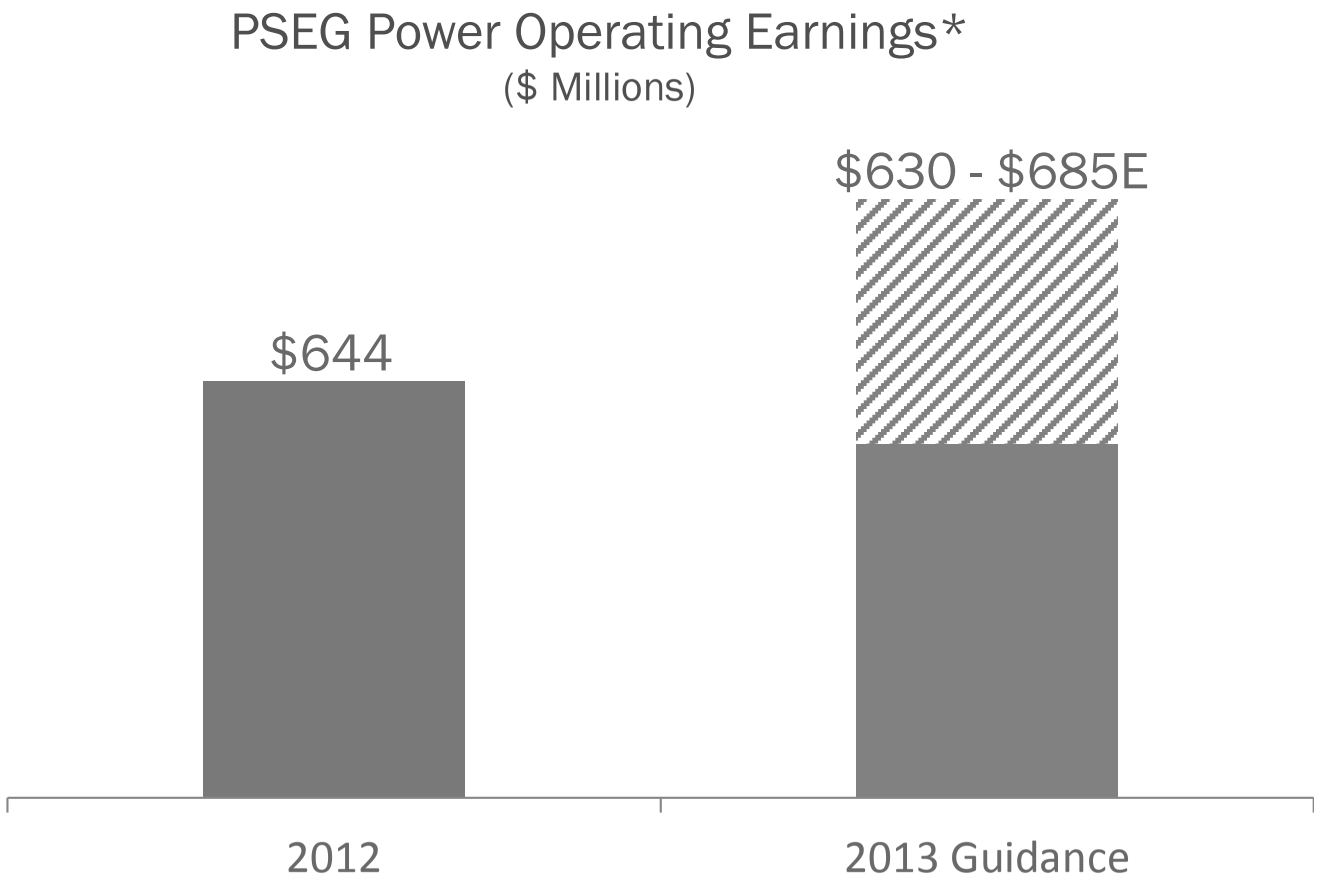
SI-SSA-0015-07812

PSEG

* EXCLUDES SANDY IMPACT.

Power's 2013 operating earnings

benefiting from locational value and operational efficiency



SI-SSA-0015-07813

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

PSEG POWER
ER&T

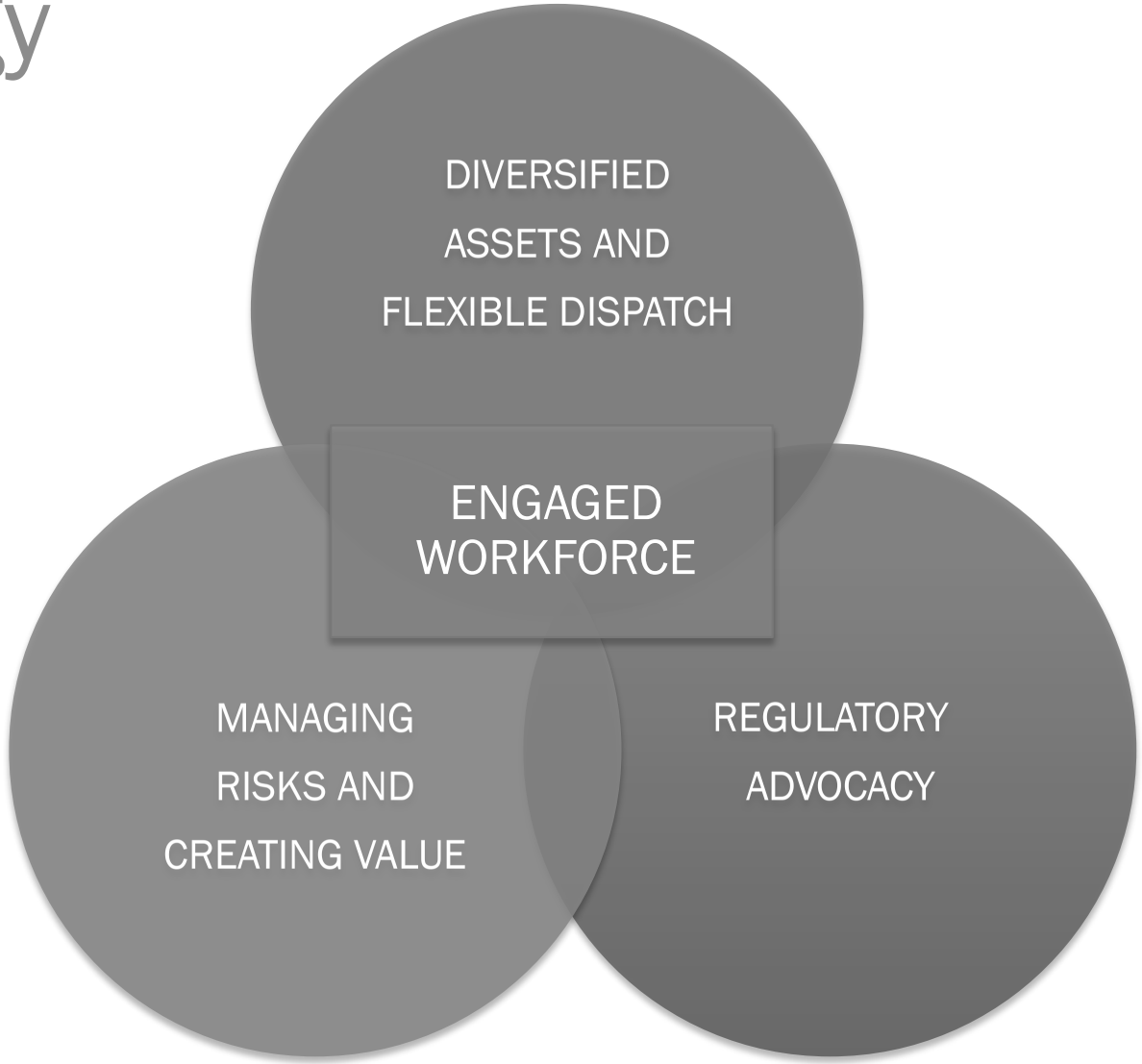
SI-SSA-0015-07814

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-07815

Diversified assets and flexible dispatch

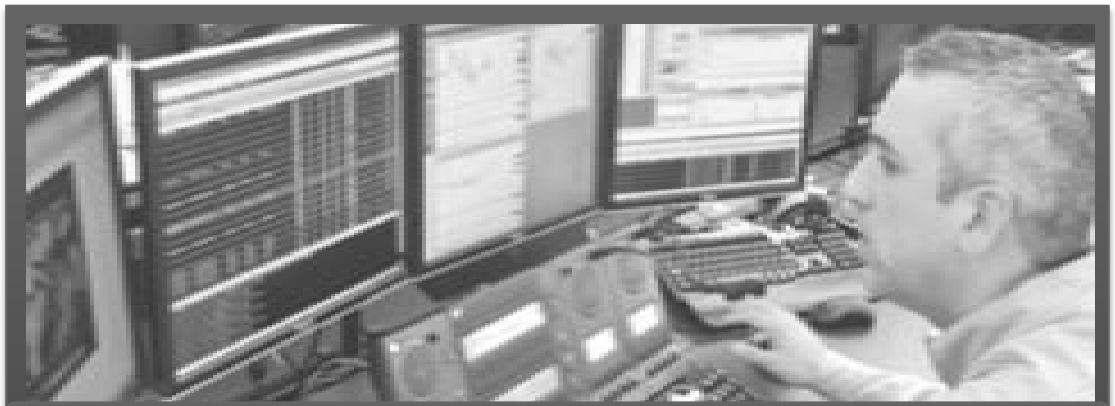
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

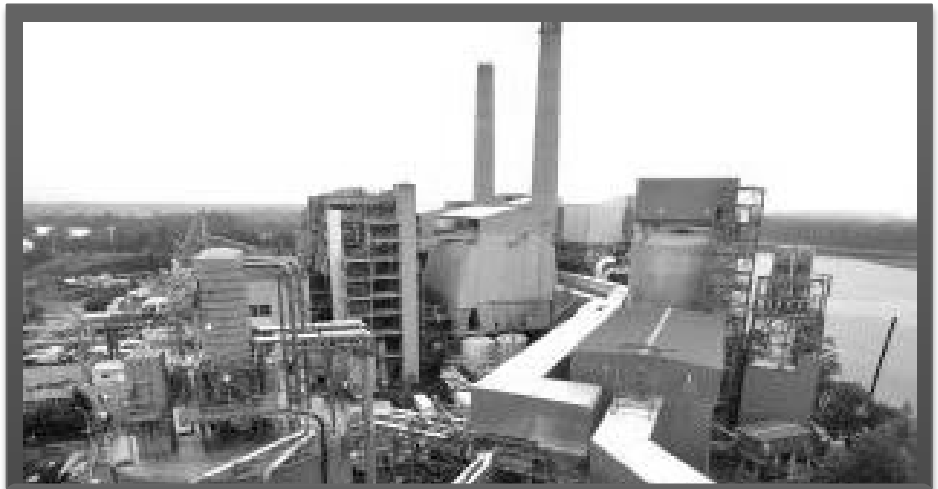
SI-SSA-0015-07816

Fleet capacity has been advanced by:

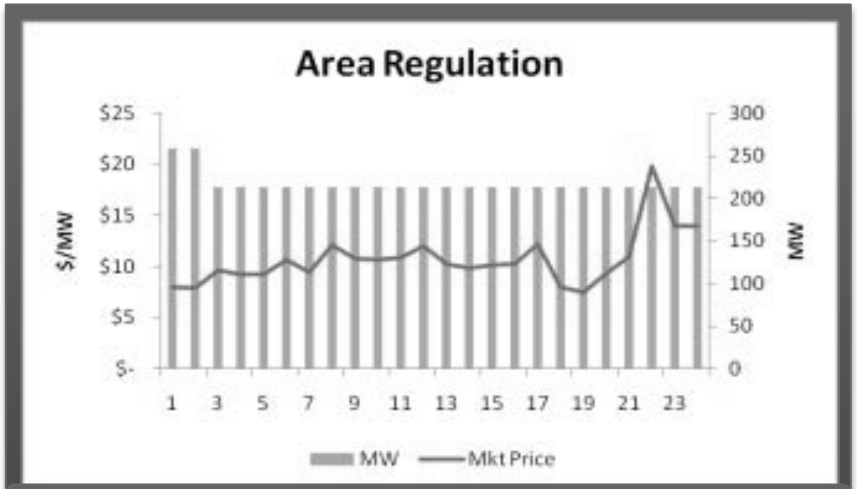
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



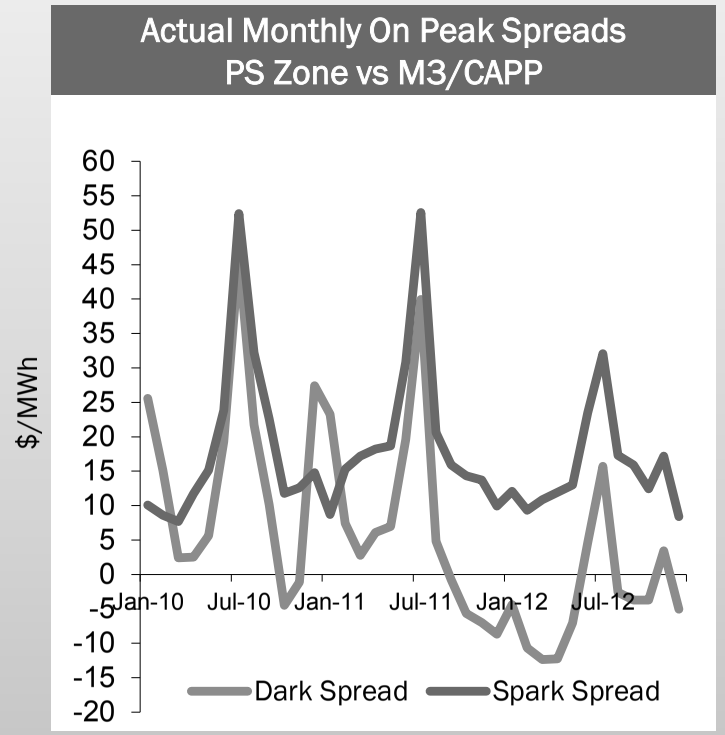
Reduced O&M and increased start-up success

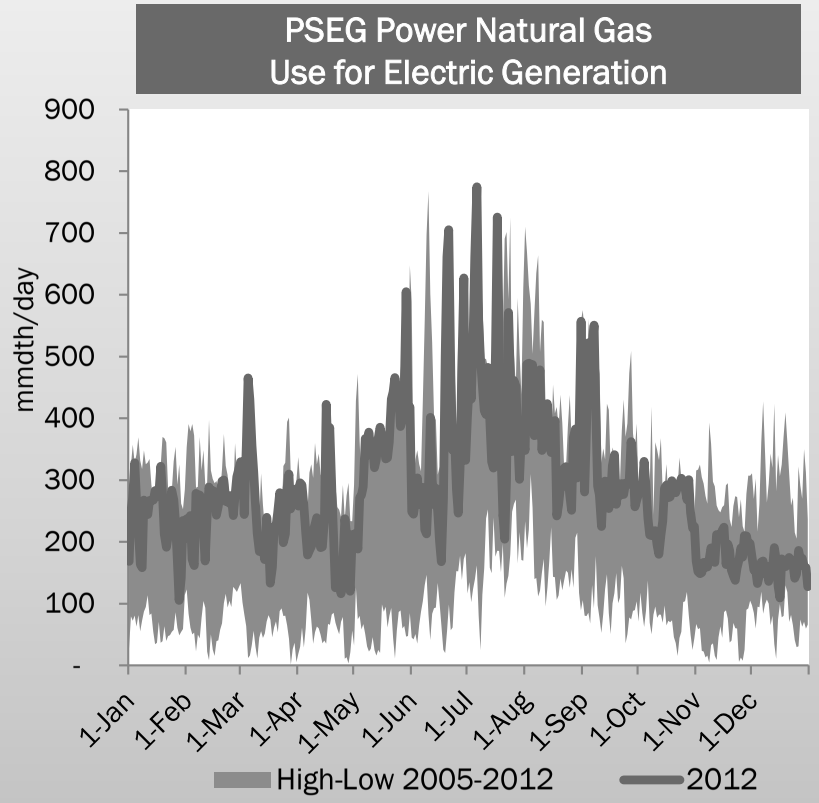


Capturing new products opportunity with minimal investment

SI-SSA-0015-07817

Spark spread replaces dark spread as major value driver

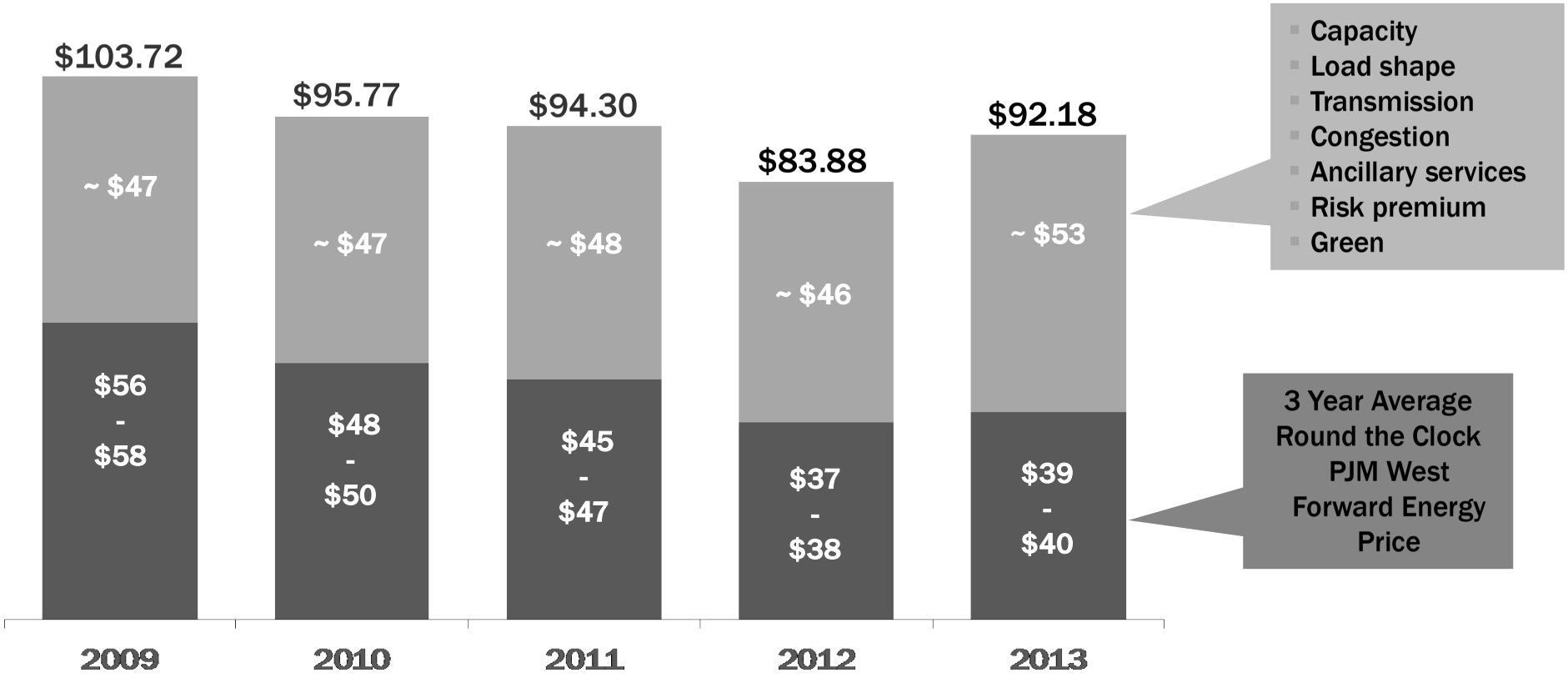




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-07818

2013 BGS Auction Results for PSE&G Zone

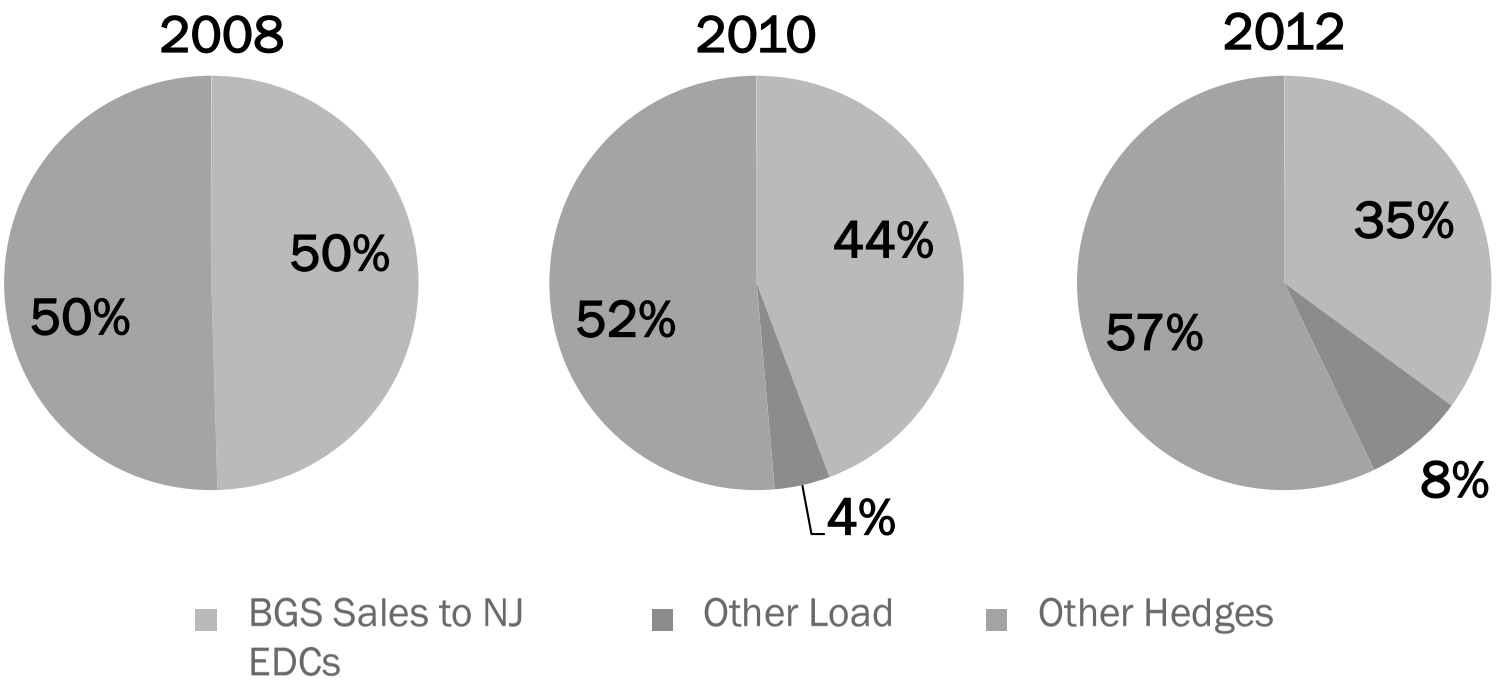


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-07819

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-07820

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

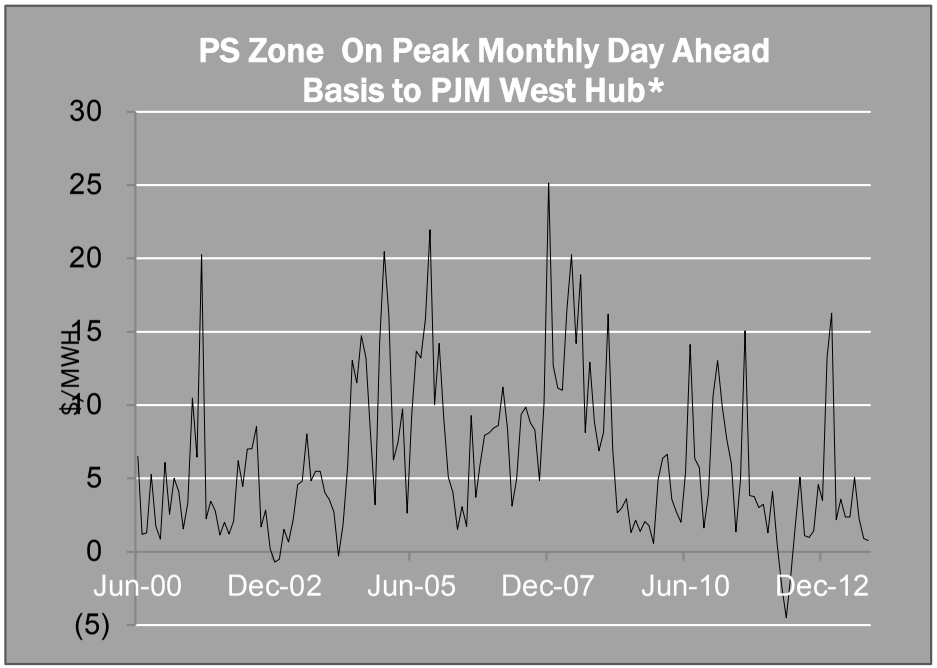
		Oct-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	35
	% Hedged	100%	100%	55-60%
	Price $/MWh	$50	$48	$48
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	5	18	17
	% Hedged	30-35%	5-10%	0%
	Price $/MWh	$50	$48	$48
Total	Volume TWh	13-14	53-55	52-54
	% Hedged	70-75%	65-70%	35-40%
	Price $/MWh	$50	$48	$48

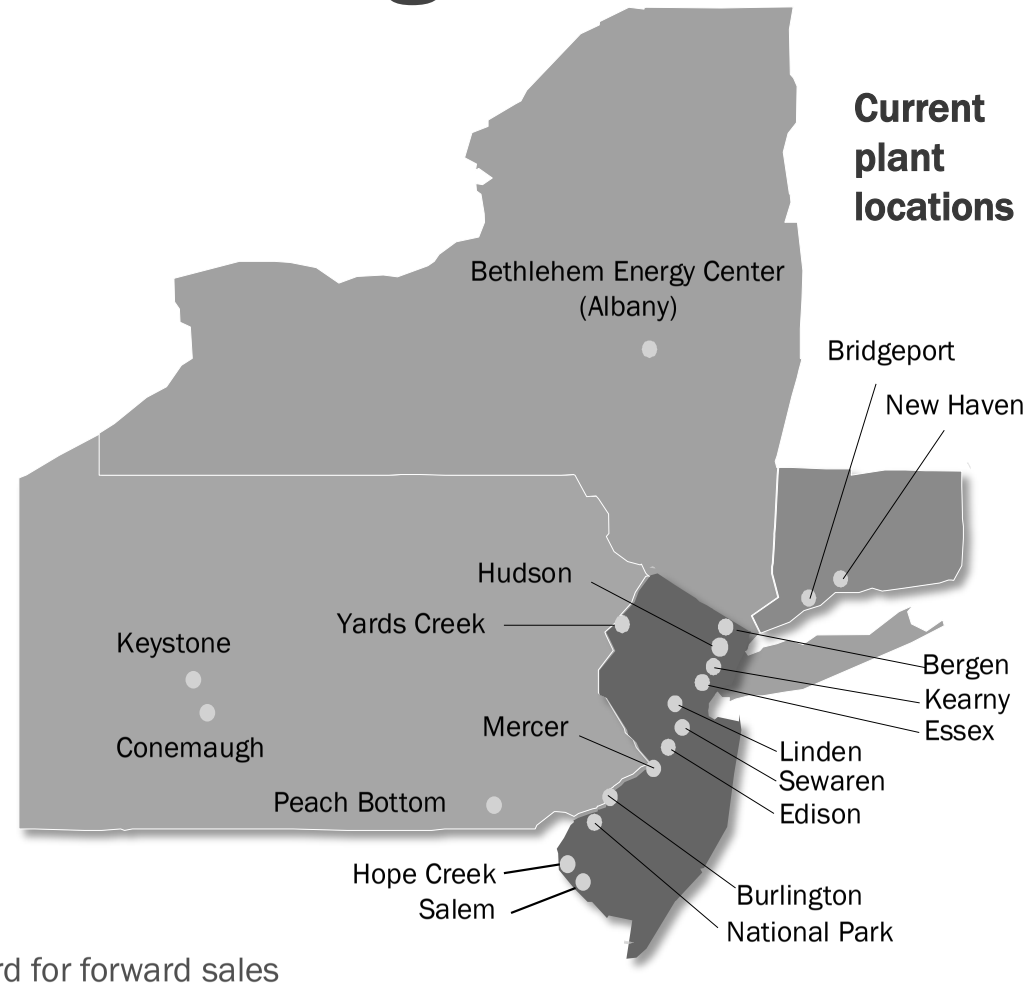
HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-07821

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility may remain significant in the prompt periods
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

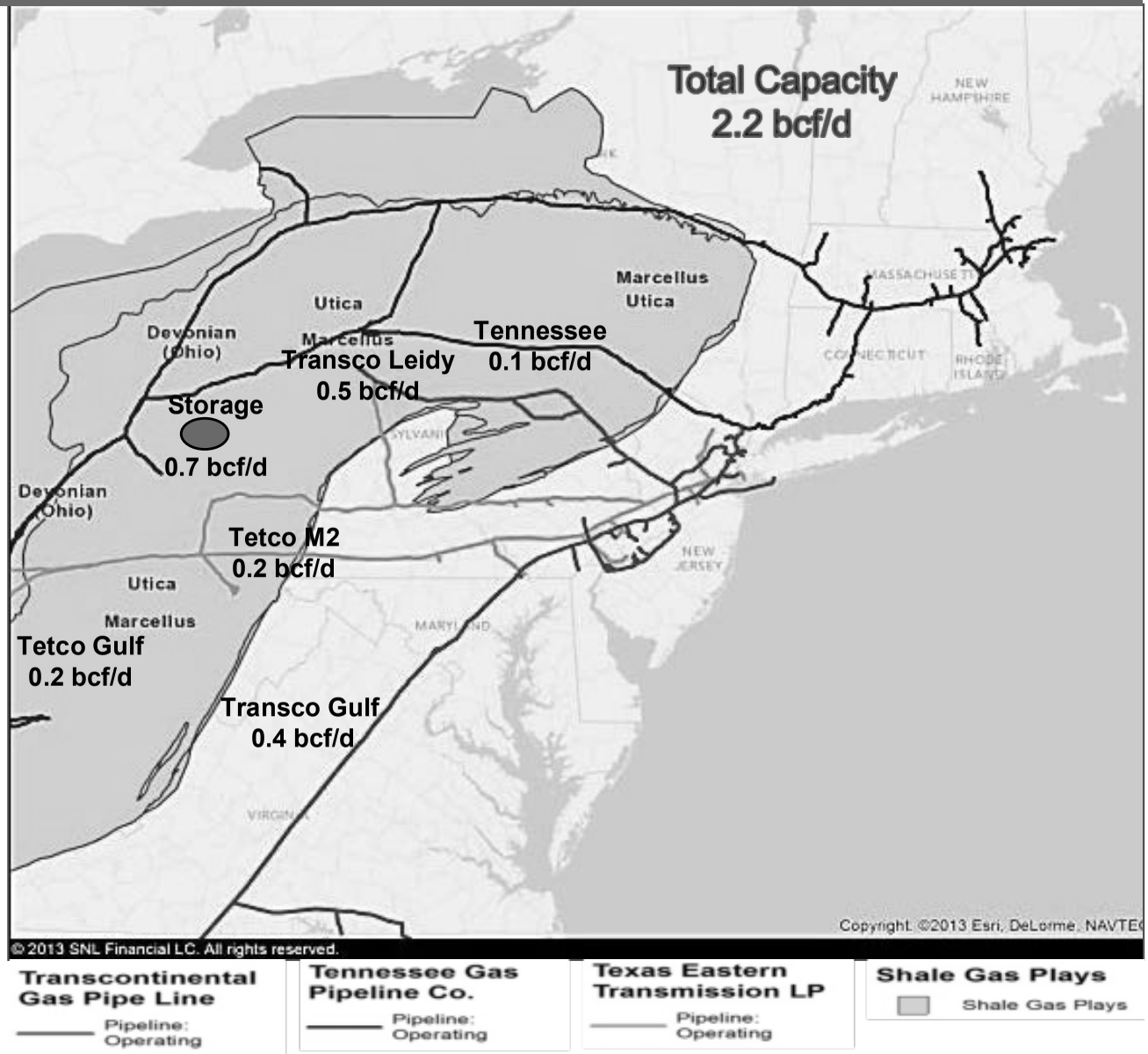
SI-SSA-0015-07822

*AS OF OCTOBER 31, 2013.

PSEG's locational advantage

PSEG Pipeline and Storage Capacity

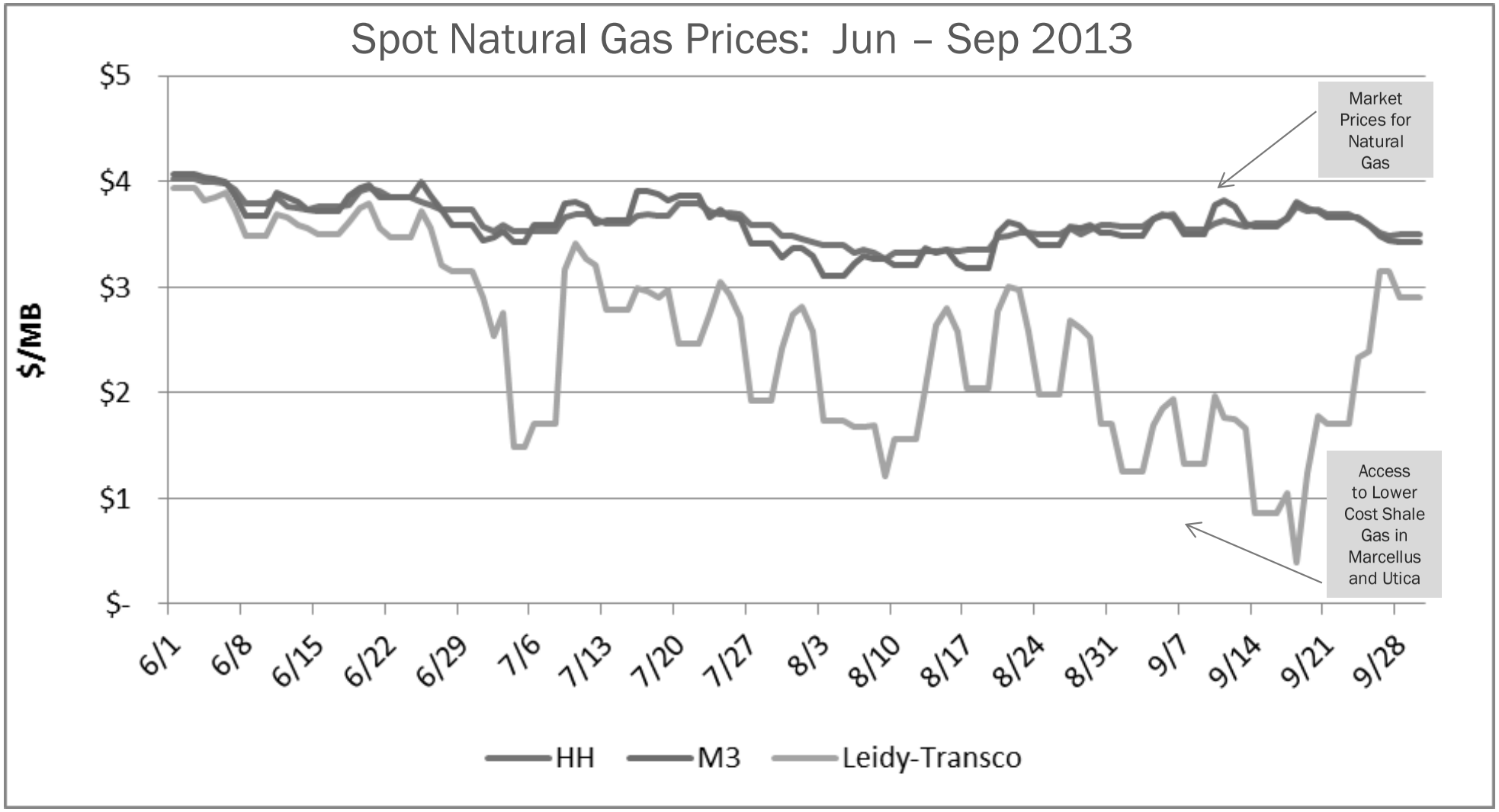
- PSEG is well positioned to realize supply cost advantages from the shale deposits in PA and OH
- The majority of Power's pipeline capacity goes through the shale regions or emanates from locations in the region
- The lowest cost supplies have come from the Tennessee 300 line in northeast PA and the Transco Leidy line in central PA
- Power also has significant Texas Eastern capacity in southwest PA, the next region to develop
- Availability of a robust gas portfolio of storage and pipeline capacity primarily benefits PSE&G's gas customers and then Power, as conditions permit
- Power buys approximately 350BCF/year of gas



SI-SSA-0015-07823

Access to lower cost shale supply

an advantage for PSE&G's gas customers and Power's CCGT portfolio

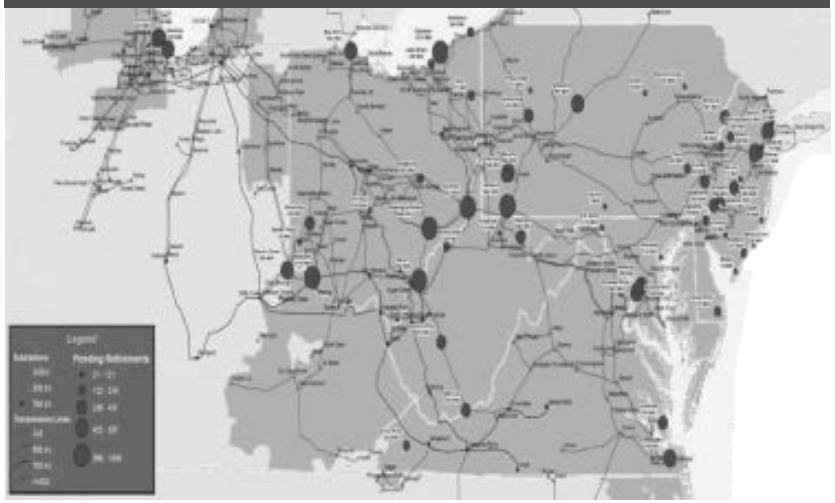


SI-SSA-0015-07824

HH - Henry Hub M3 – Texas Eastern (TETCO)

Reserve margins in PJM declining with retirements

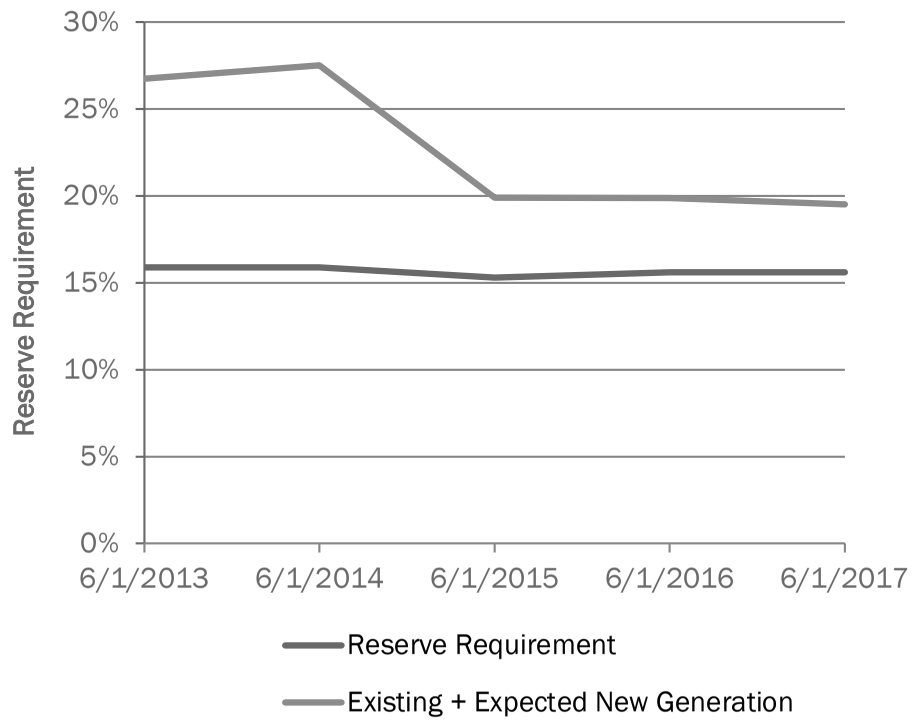
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-07825

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-07826

PSEG wholesale market strategy

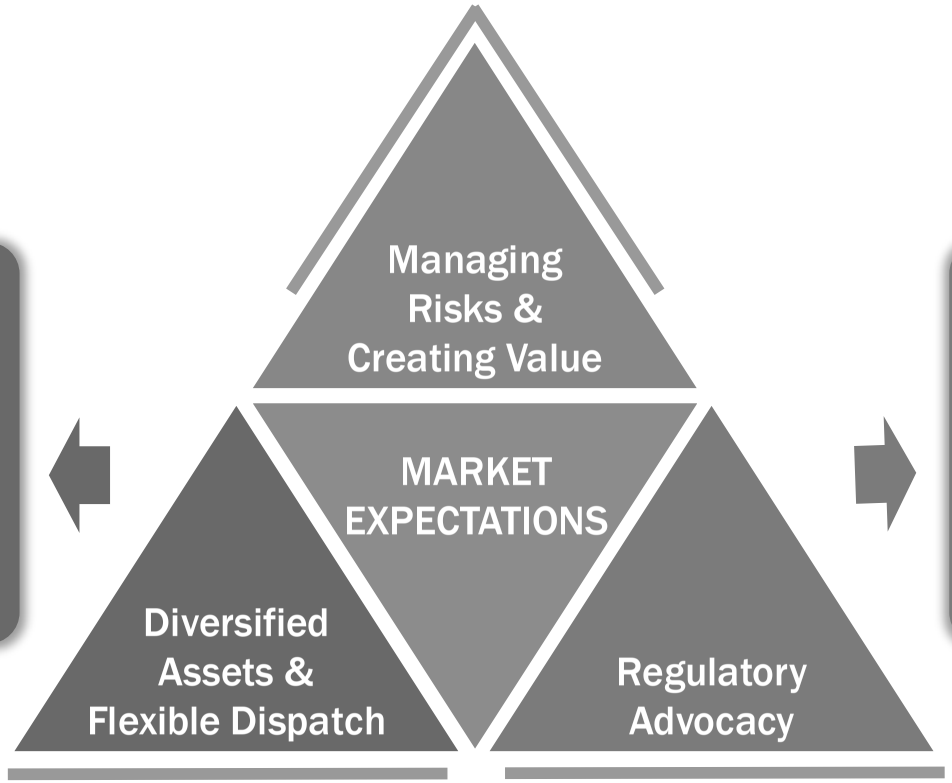
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-07827

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-07828

PSEG ENERGY HOLDINGS

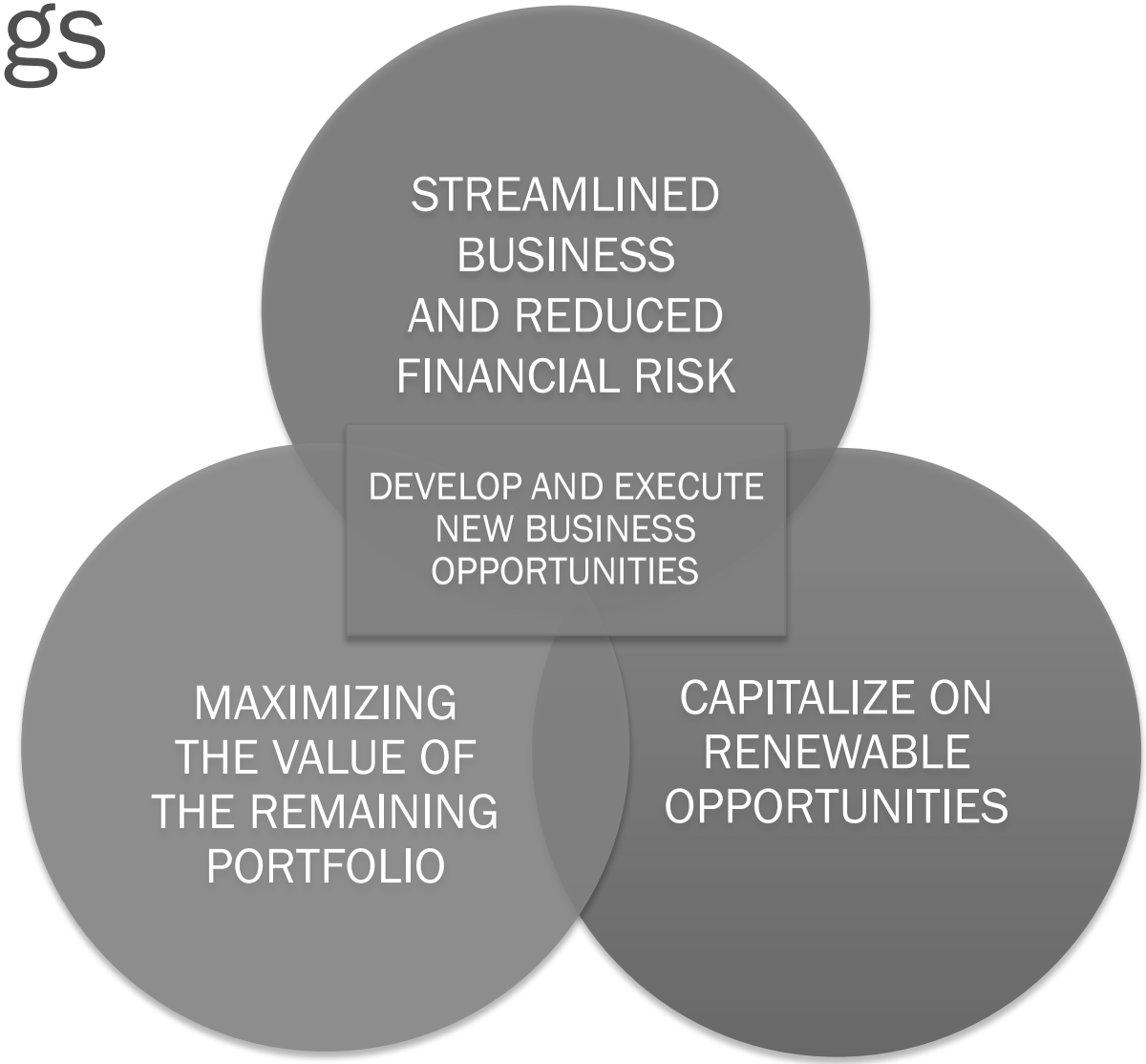
PSEG

We make things work for you.

SI-SSA-0015-07829

PSEG Energy Holdings strategy

Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-07830

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-07831

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

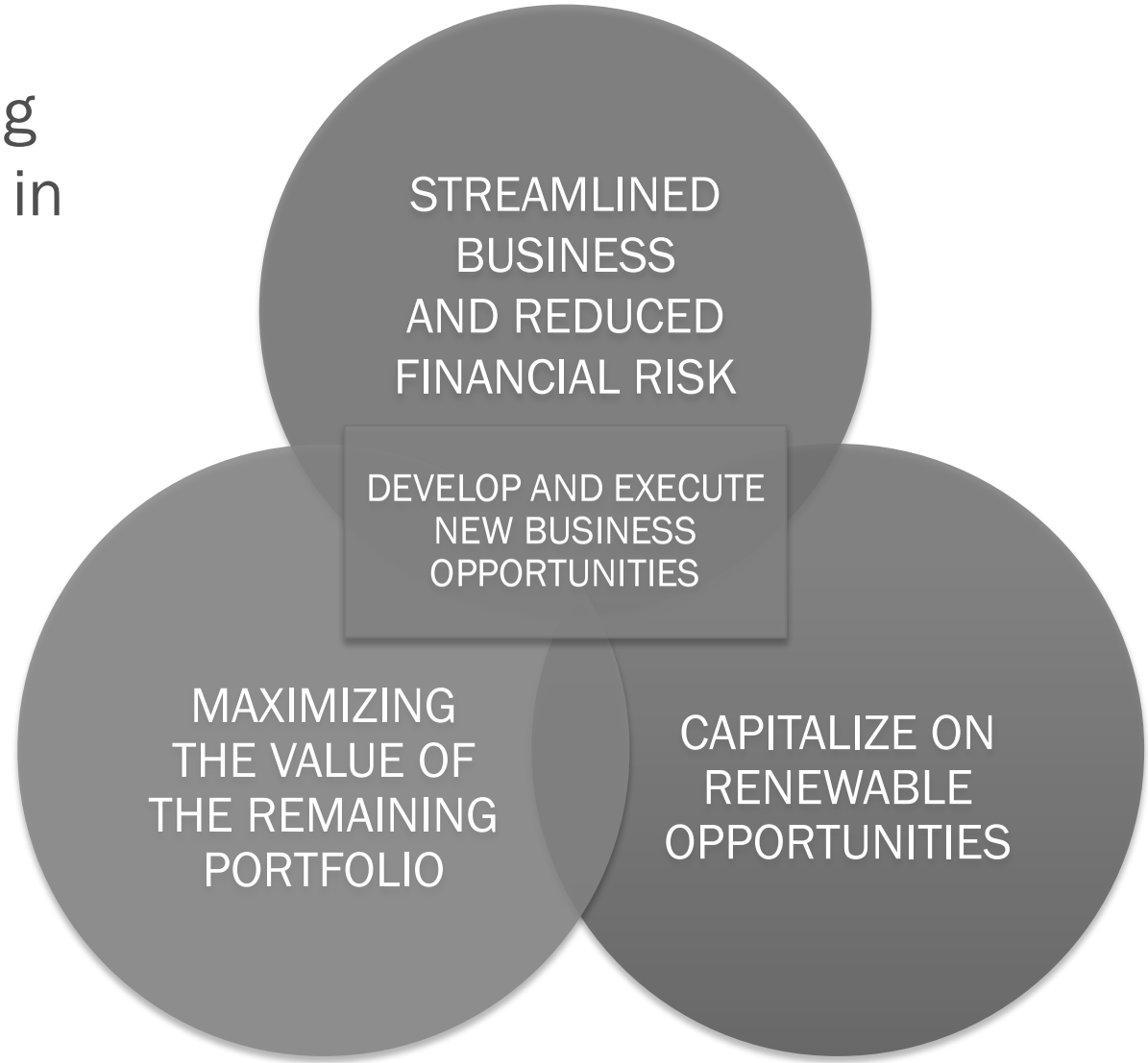
Badger I
Arizona (19 MW)
Expected COD Q4 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-07832

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-07833

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-07834

PSEG

We make things work for you.

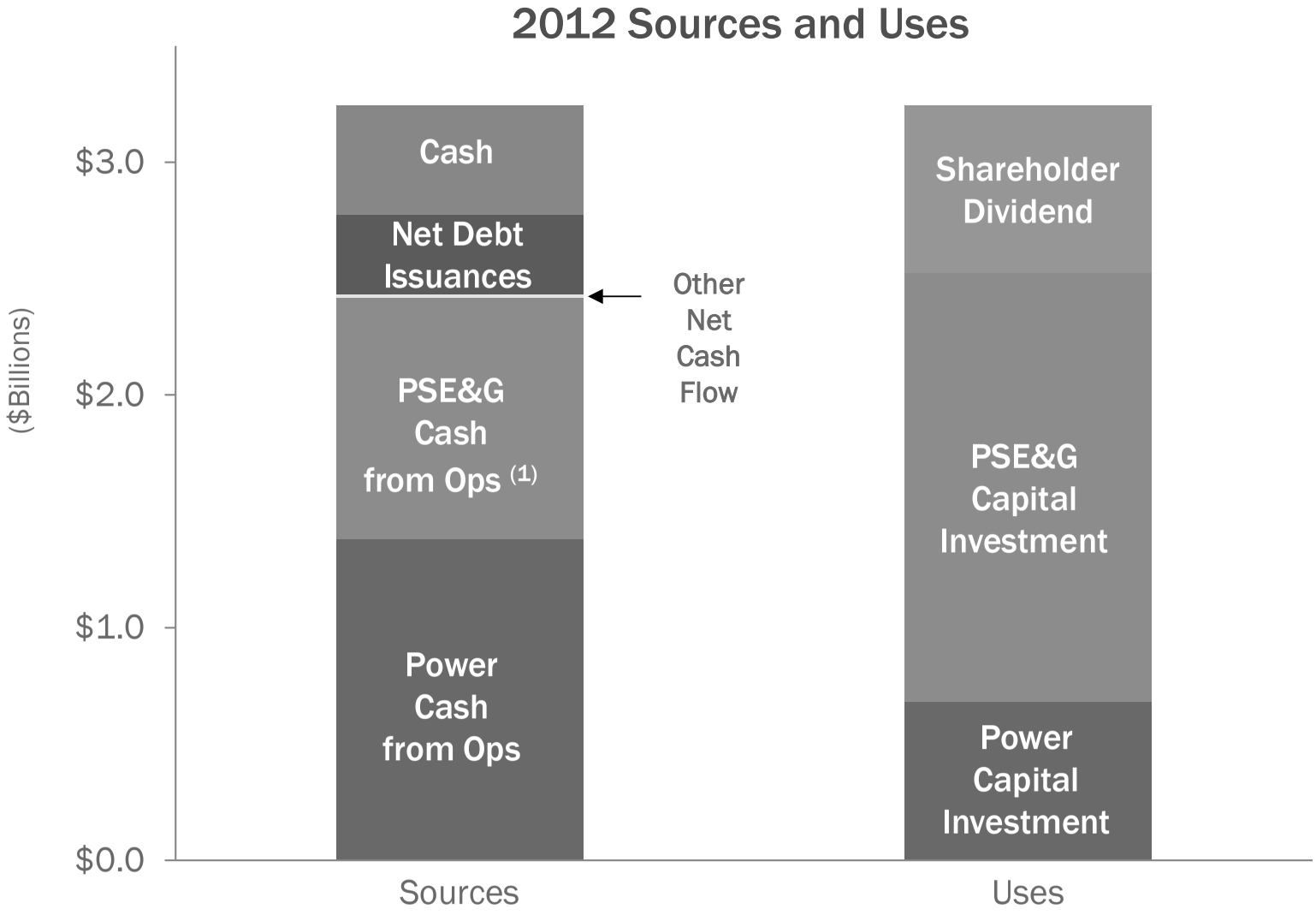
Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-07835

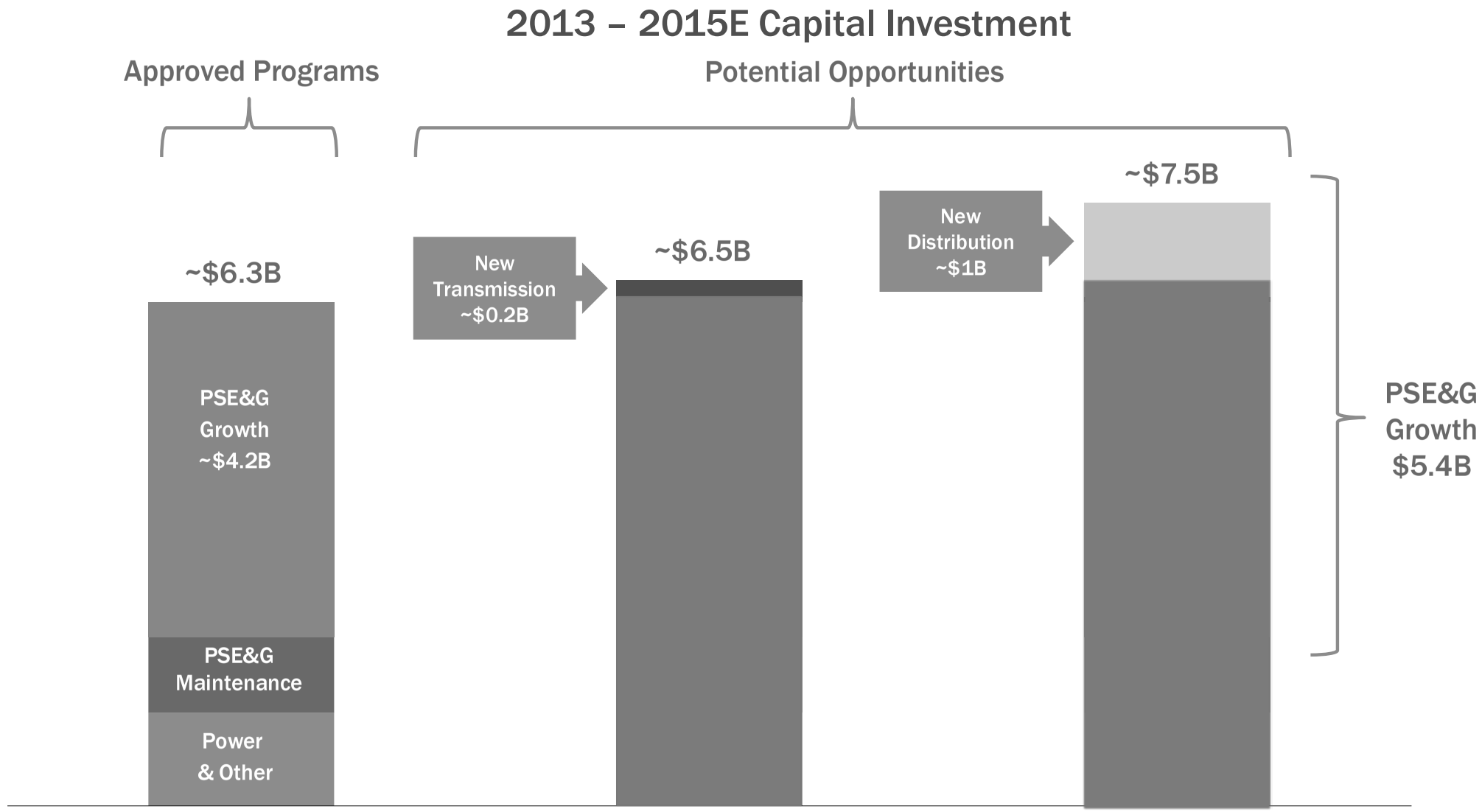
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

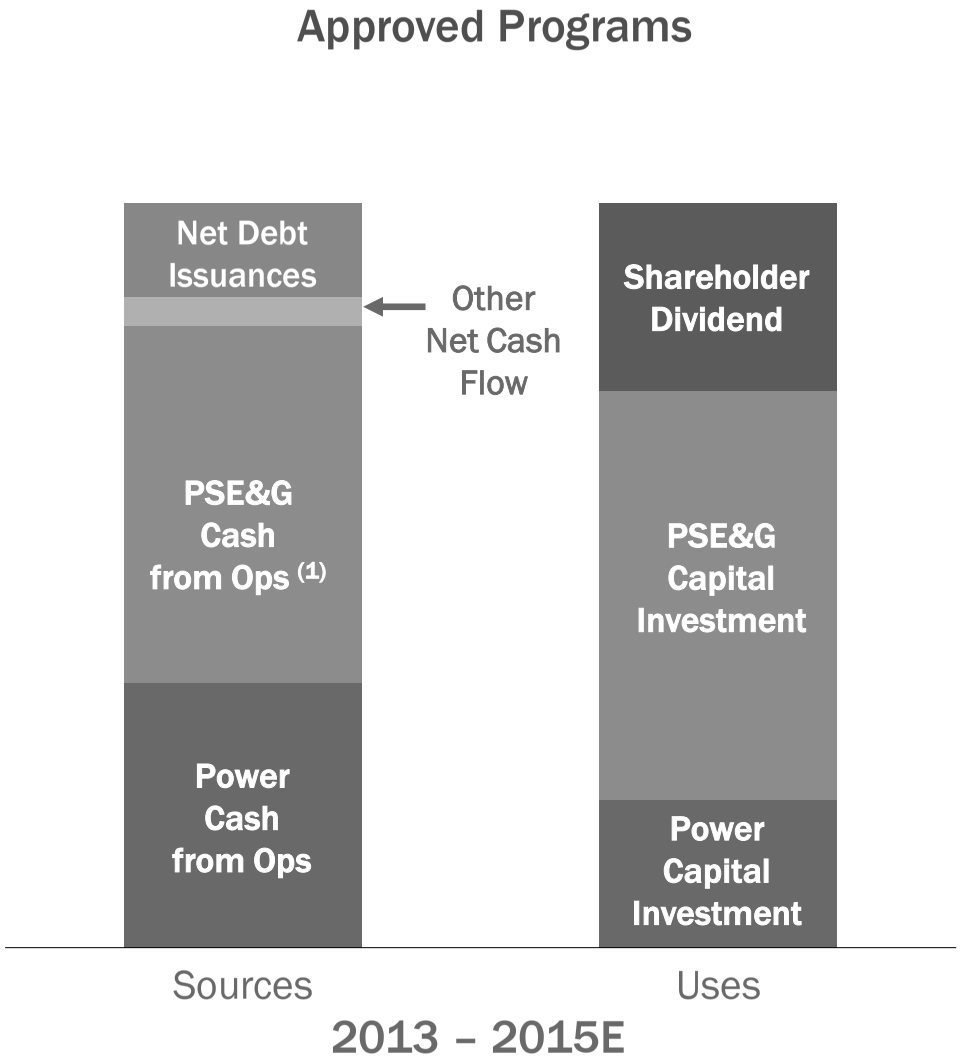
SI-SSA-0015-07836

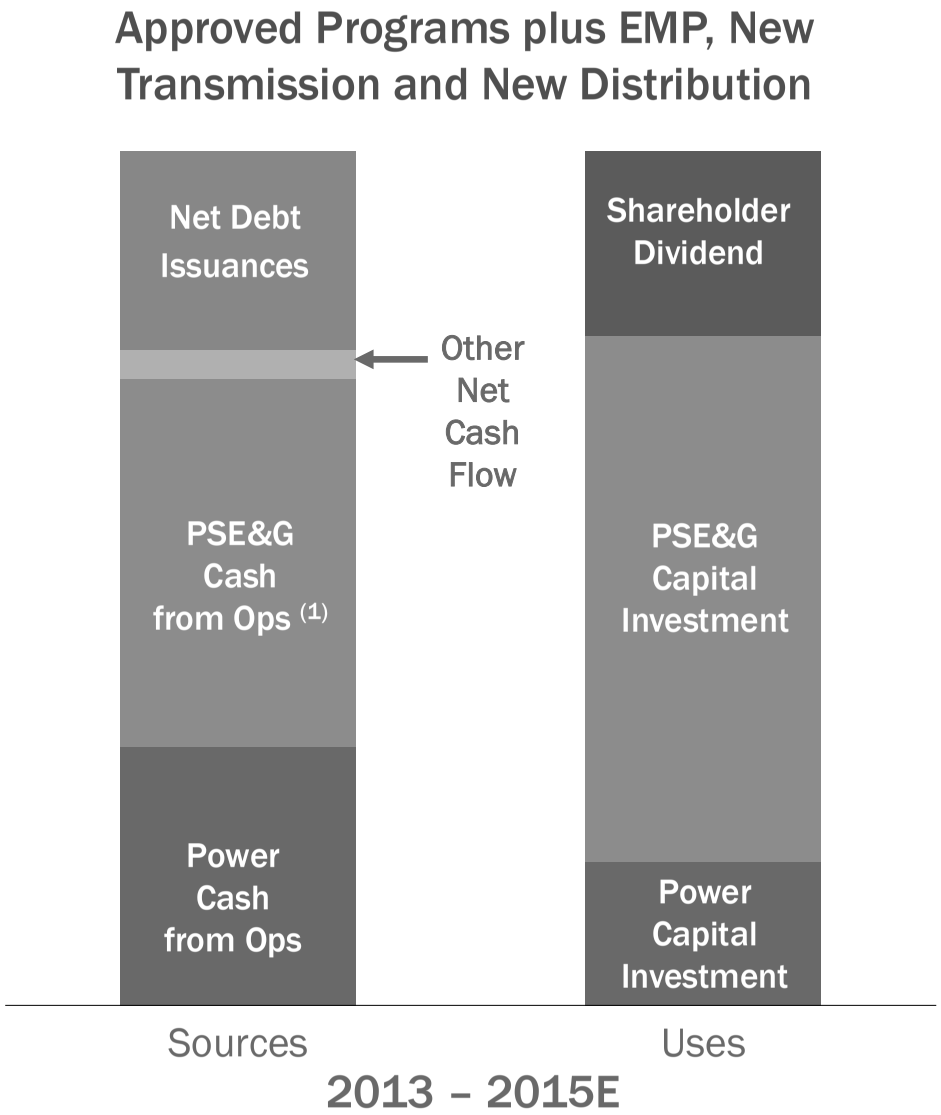
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-07837

All scenarios can be financed without new equity





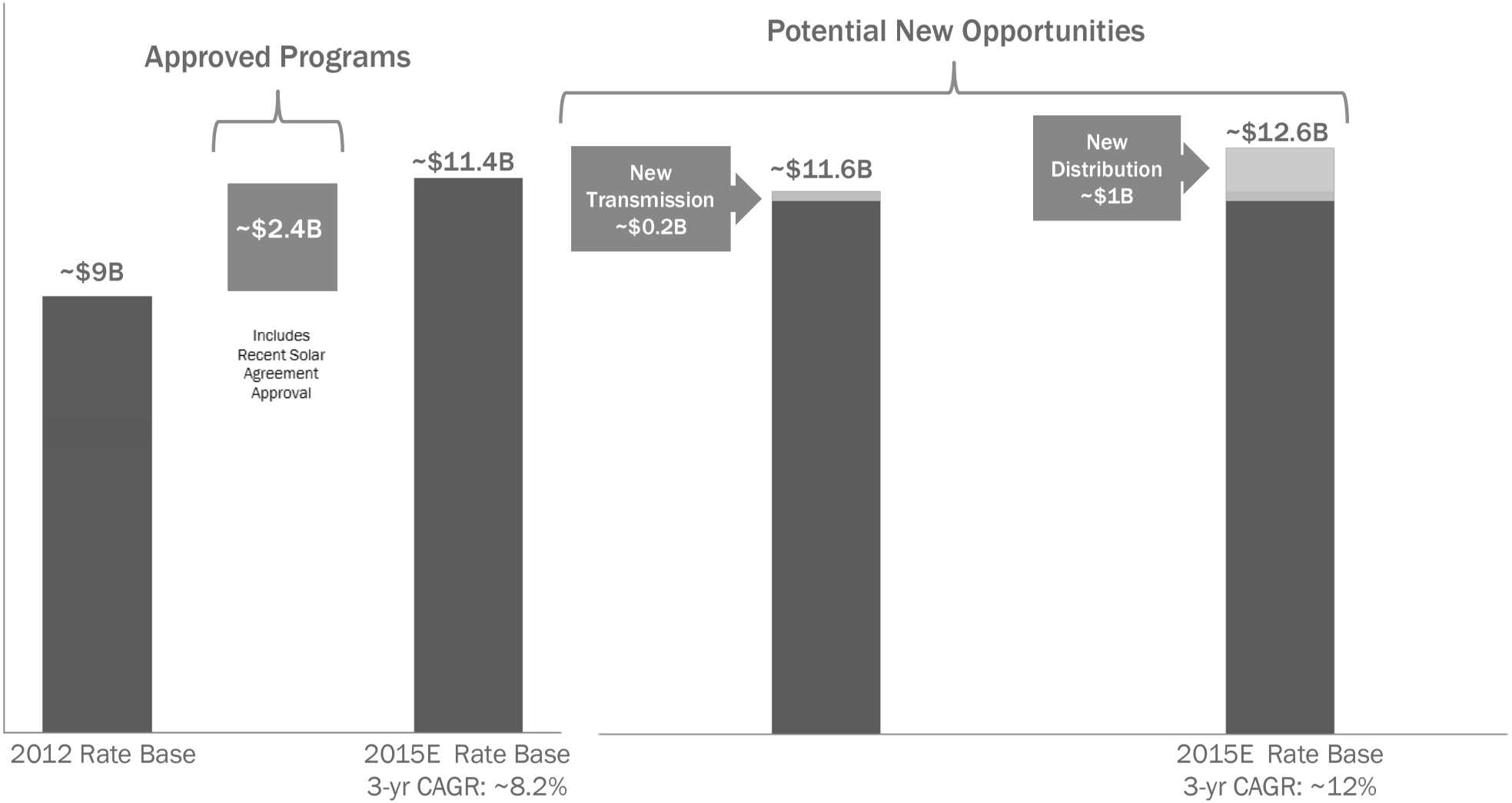
SI-SSA-0015-07838

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015 EMP: ENERGY MASTER PLAN

E = ESTIMATE

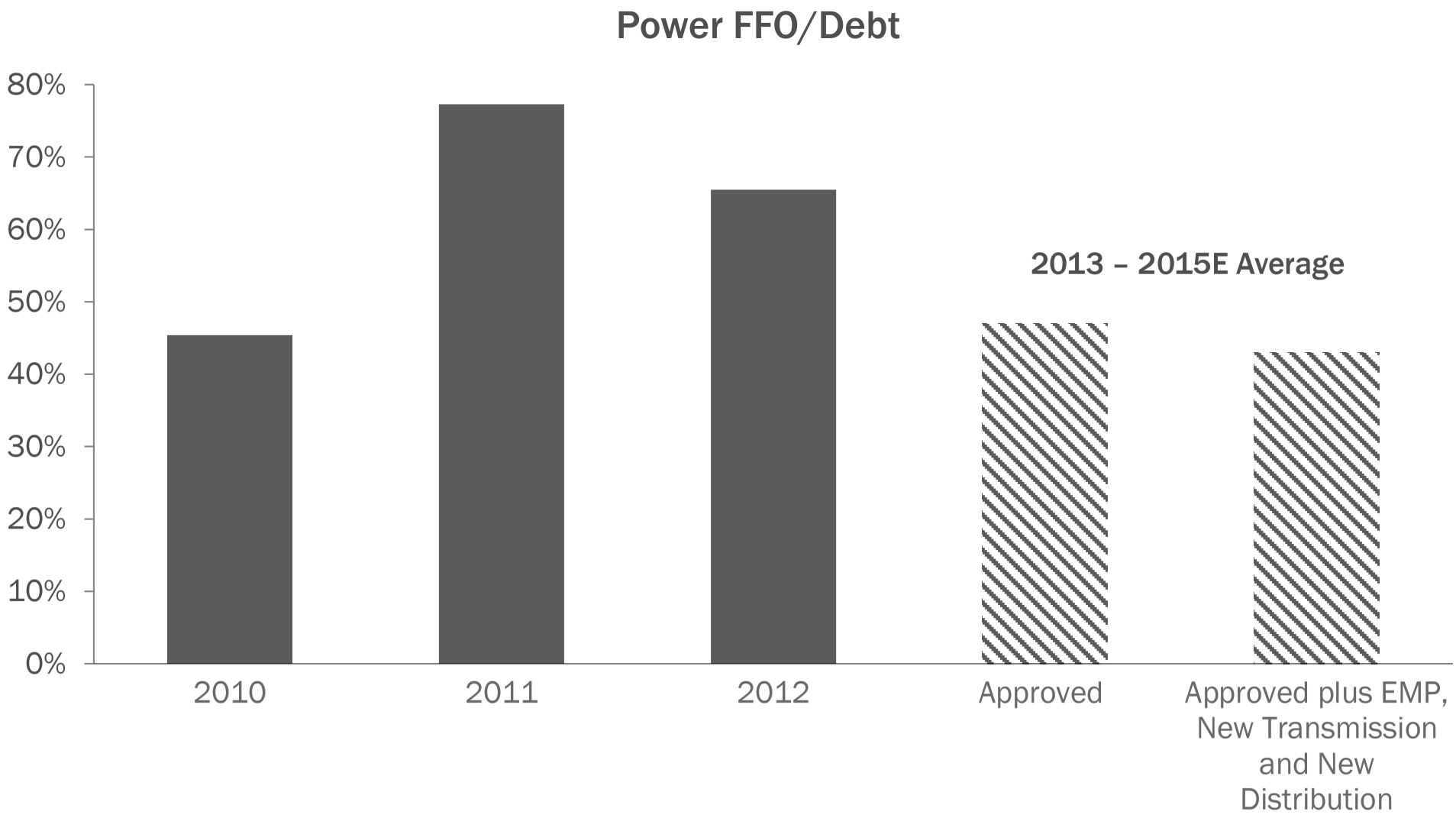
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-07839

Power's credit metrics are expected to remain strong



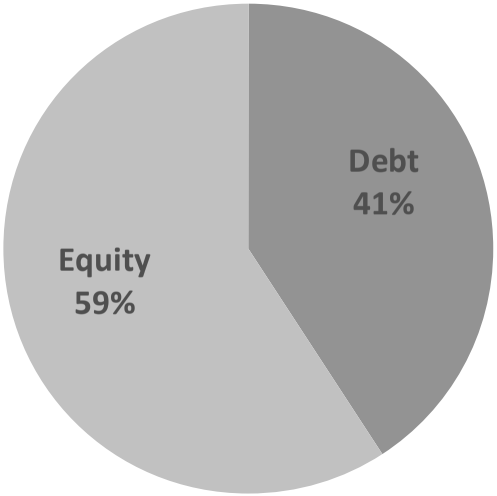
SI-SSA-0015-07840

Using PSEG's balance sheet strength

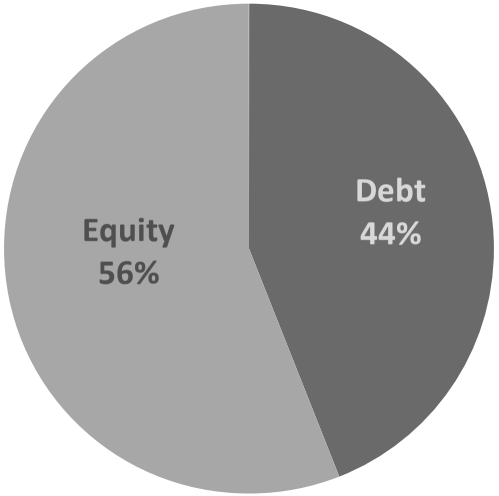
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

SI-SSA-0015-07841

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

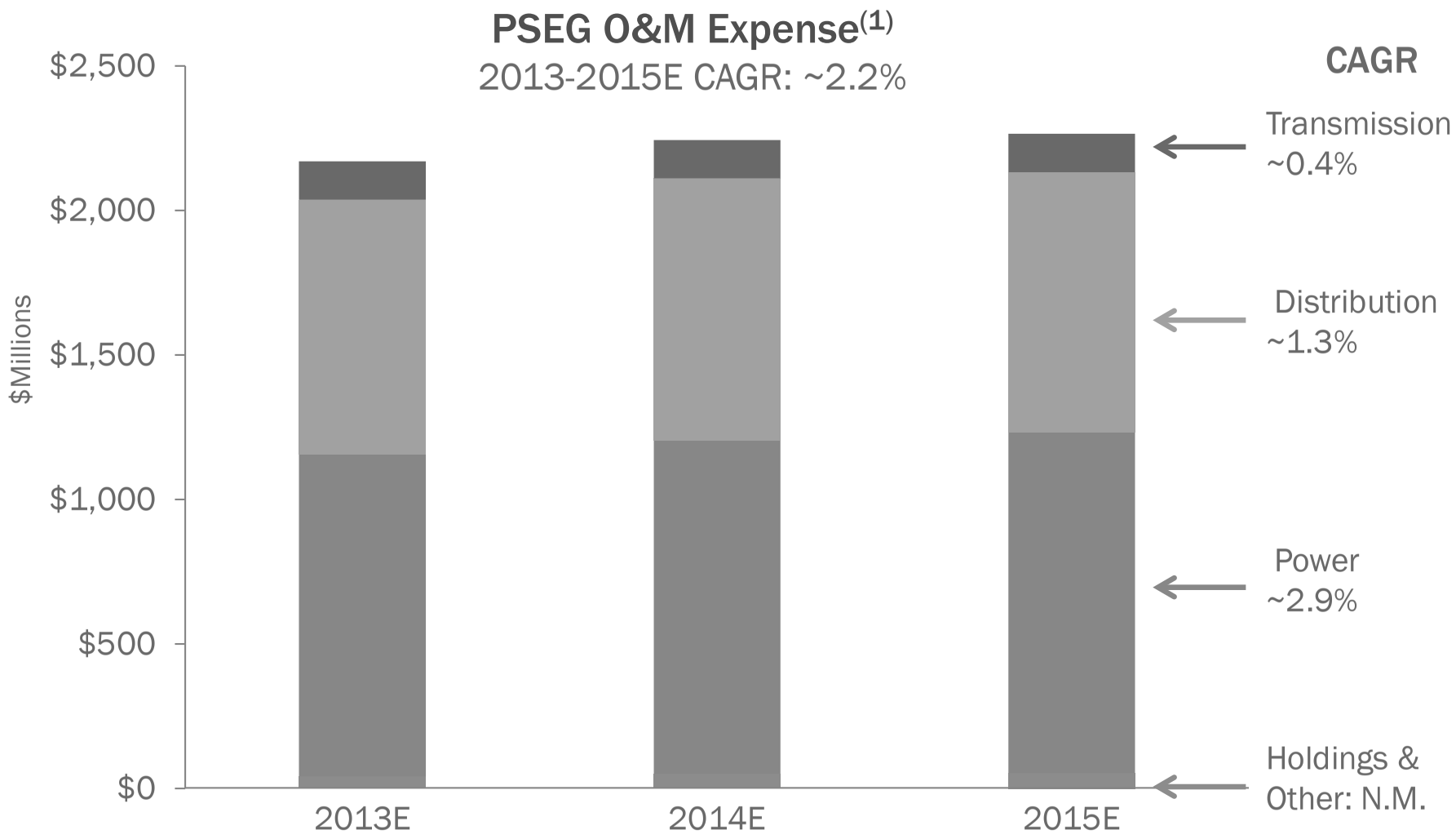
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-07842

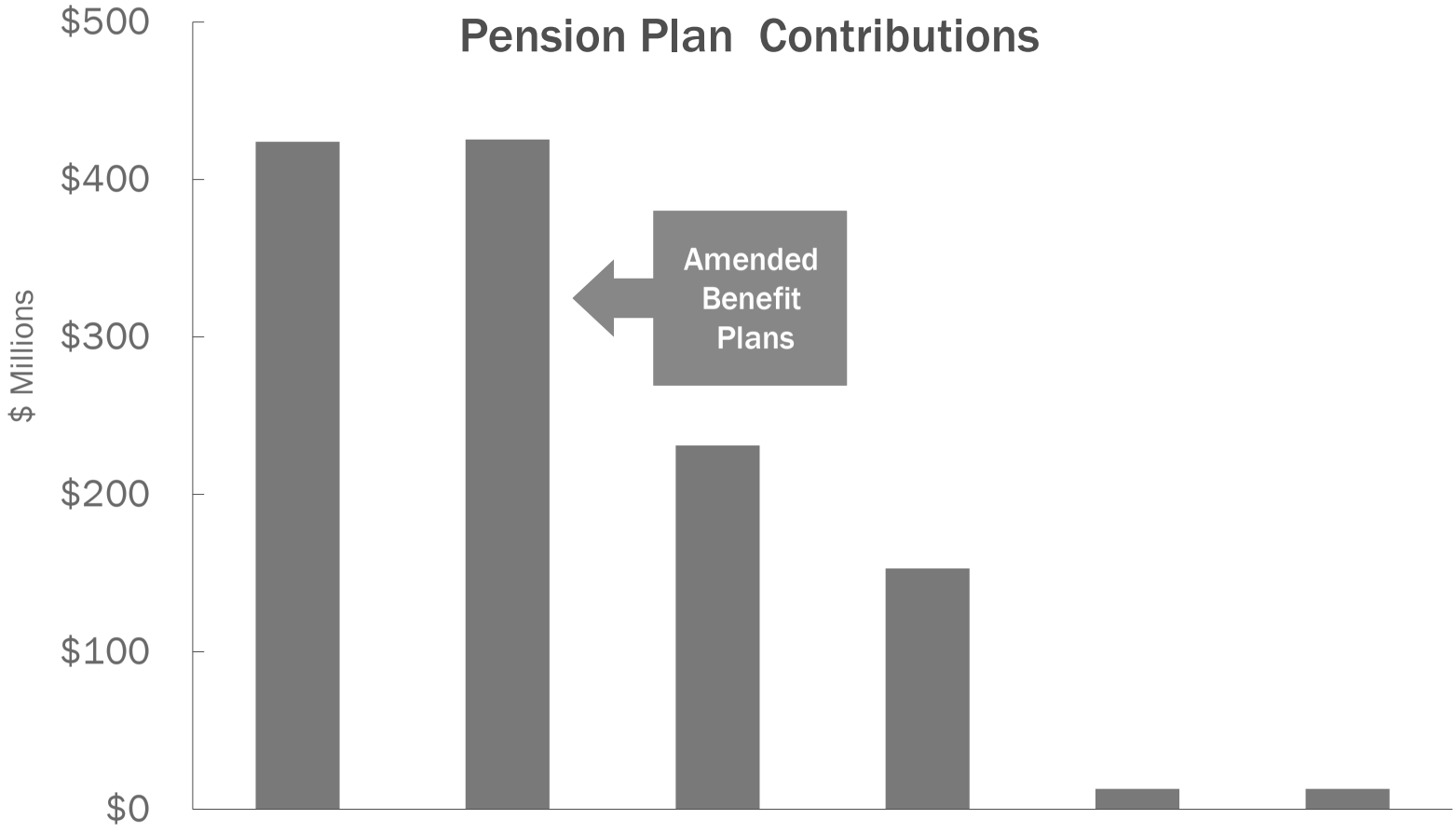
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-07843

Pension contributions expected to decline with well funded plan

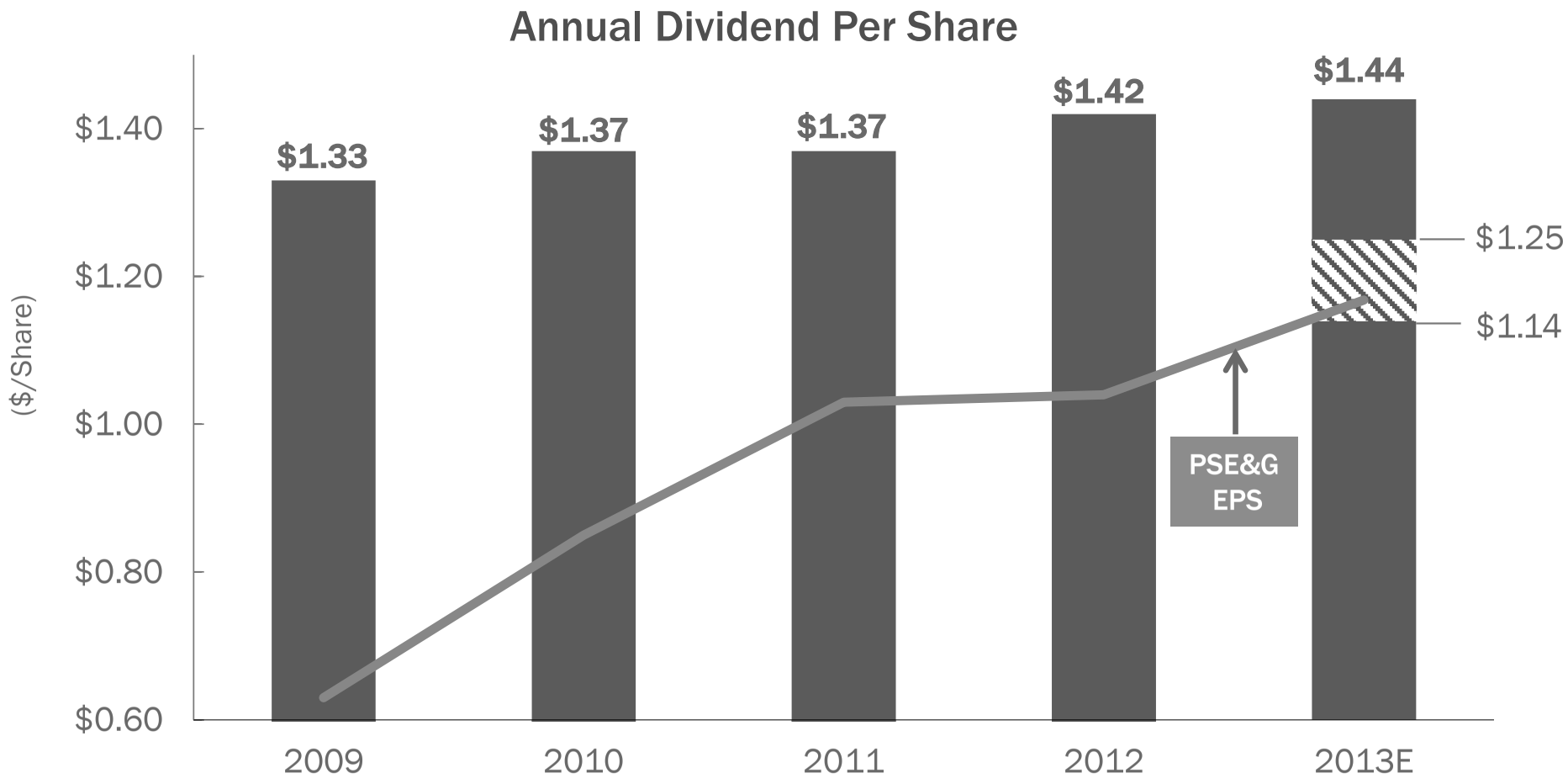


	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-07844

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-07845

PSEG Summary

- Raised 2013 full-year operating earnings guidance to $2.40 - $2.55 per share – based on financial results year-to-date
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-07846

APPENDIX

PSEG

SI-SSA-0015-07847

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

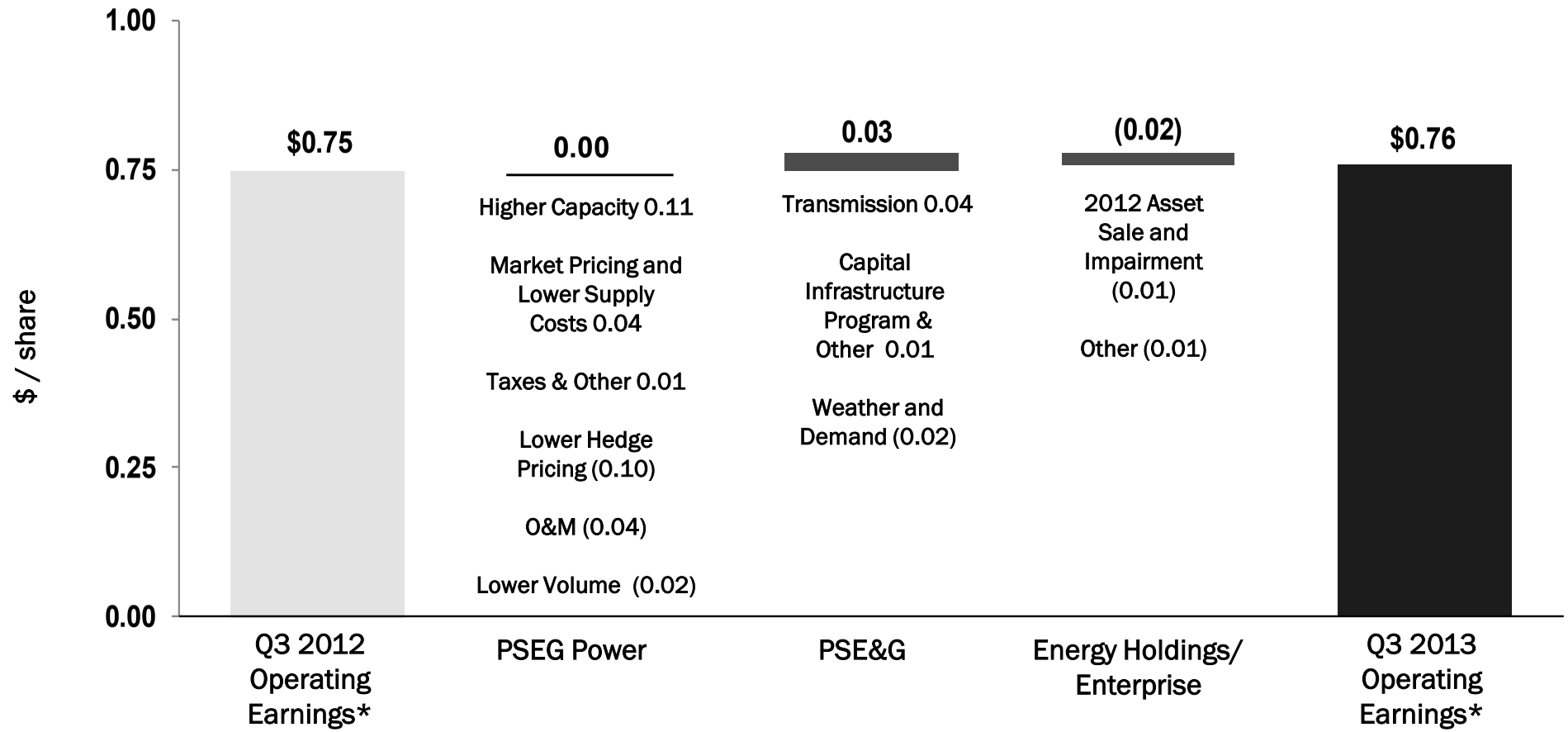
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 216	$ 217		$ 0.43	$ 0.43
PSE&G	168	155		0.33	0.30
PSEG Energy Holdings/ Enterprise	1	10		-	0.02
Operating Earnings*	$ 385	$ 382		$ 0.76	$ 0.75

SI-SSA-0015-07848

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2013 versus Q3 2012



SI-SSA-0015-07849

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

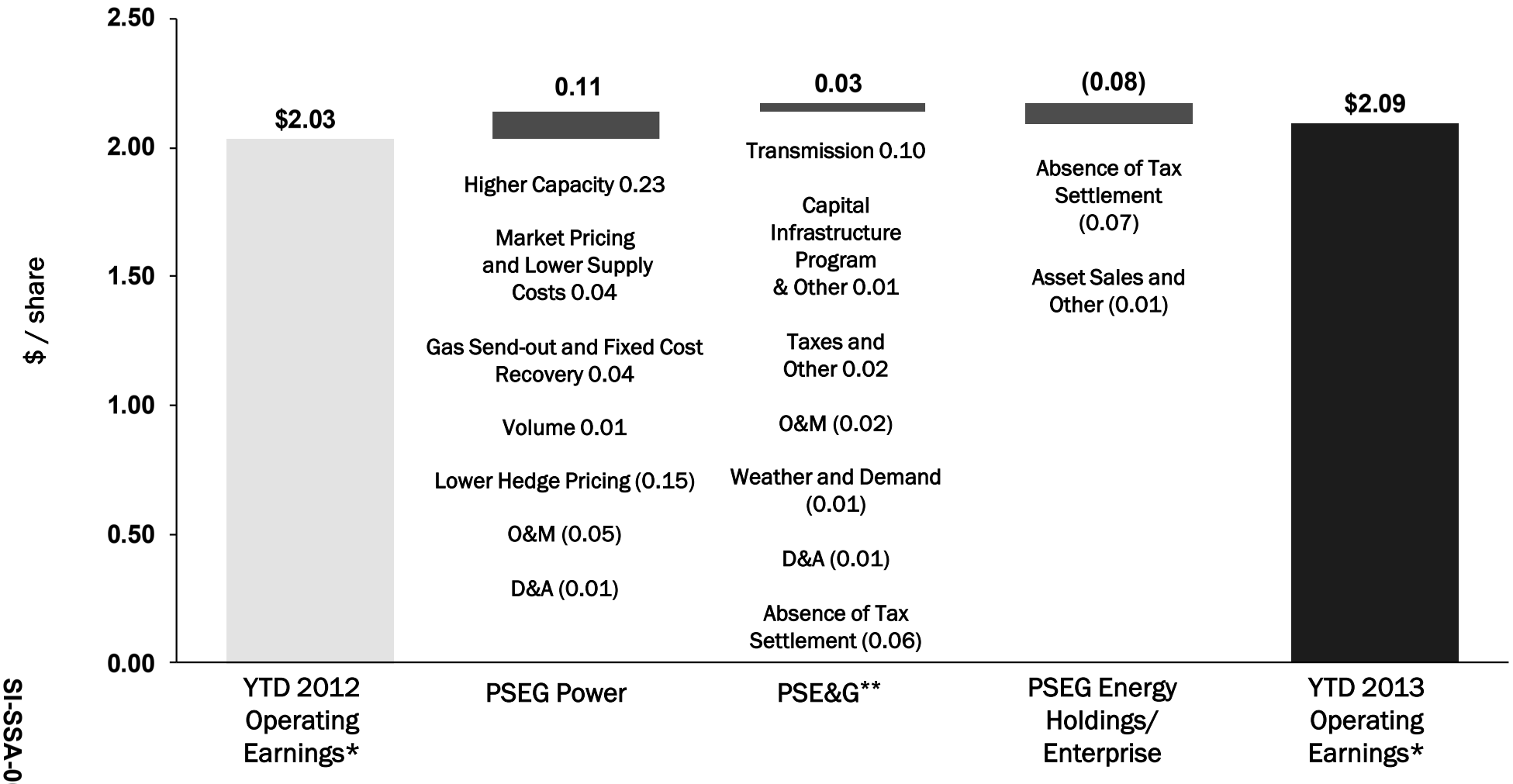
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 580	$ 523		$ 1.14	$ 1.03
PSE&G	468	453		0.92	0.89
PSEG Energy Holdings/ Enterprise	13	53		0.03	0.11
Operating Earnings*	$ 1,061	$ 1,029		$ 2.09	$ 2.03

SI-SSA-0015-07850

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2013 versus YTD 2012

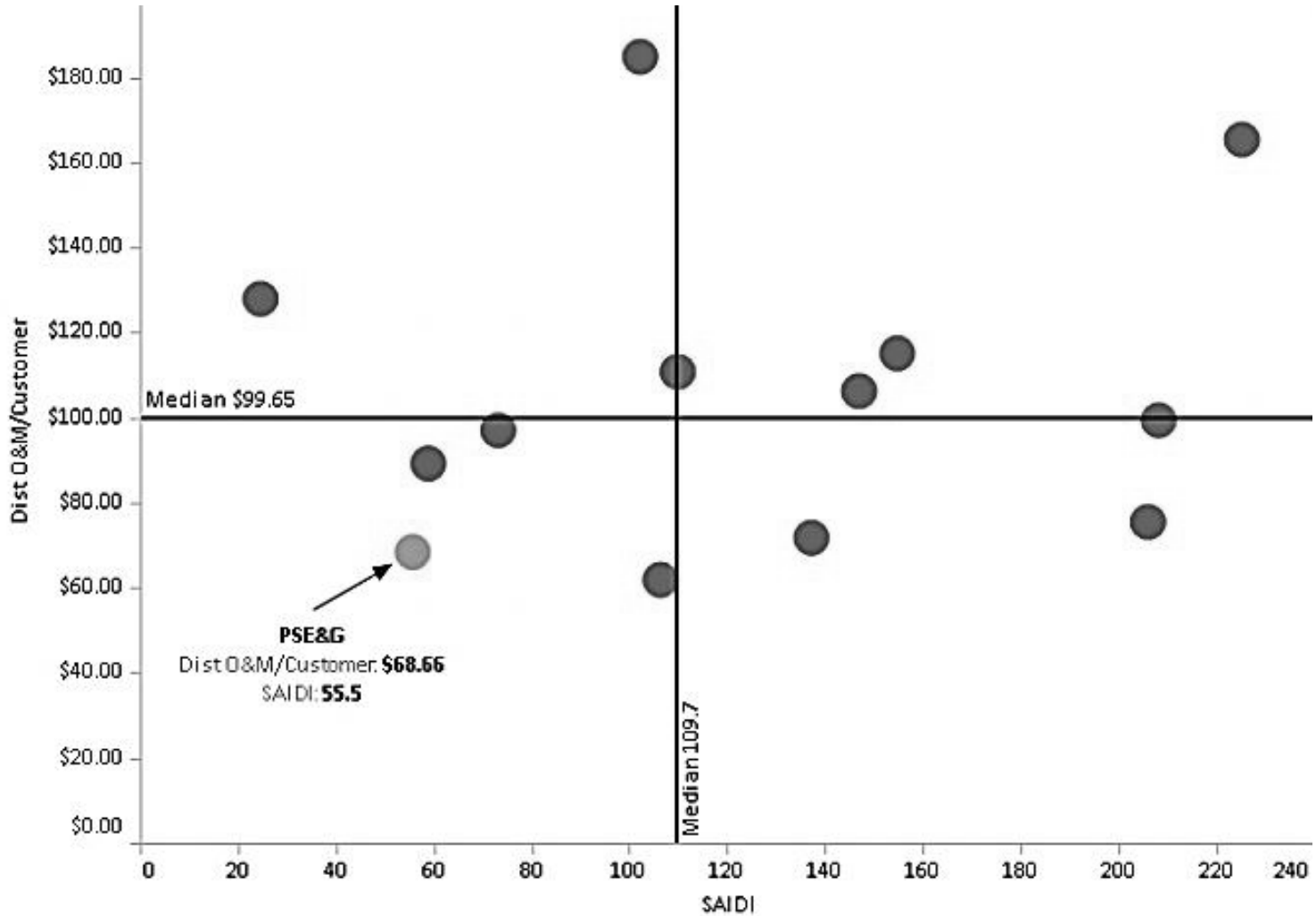


SI-SSA-0015-07851

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

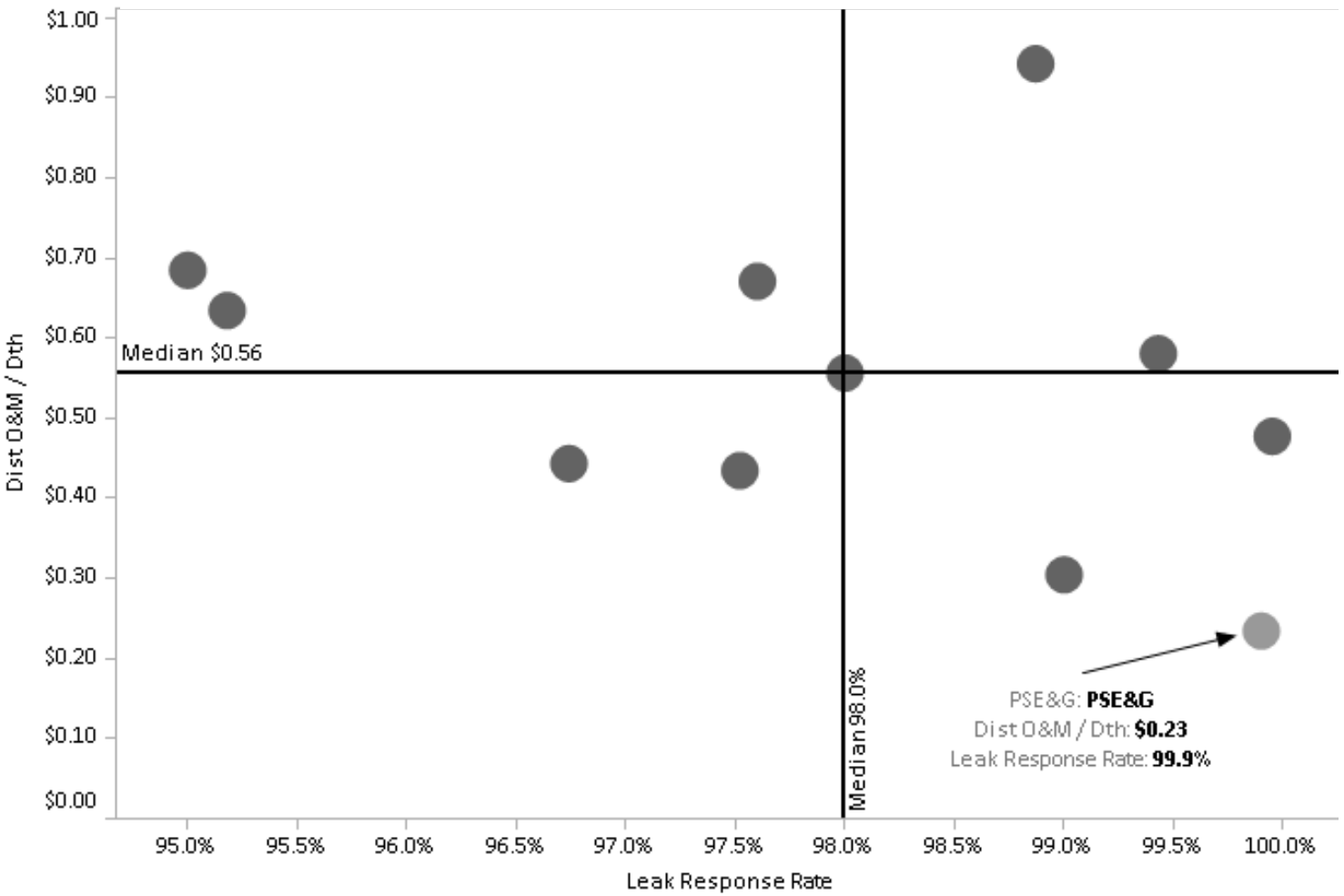
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-07853

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-07854

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-07855

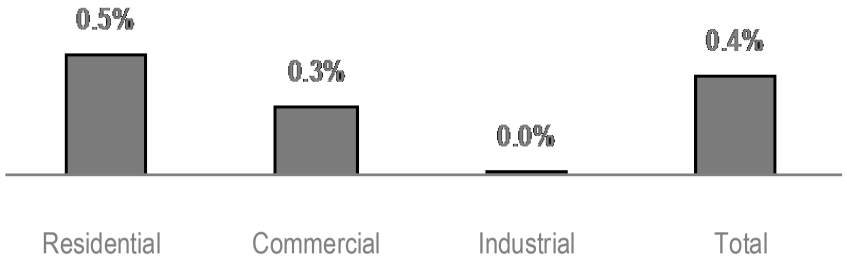
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

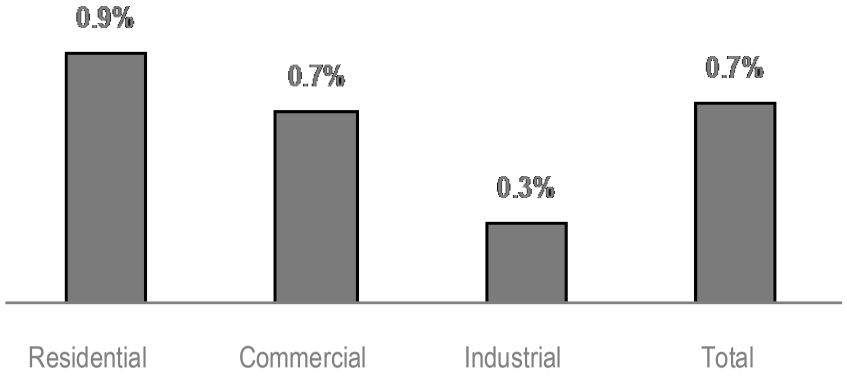
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

SI-SSA-0015-07856

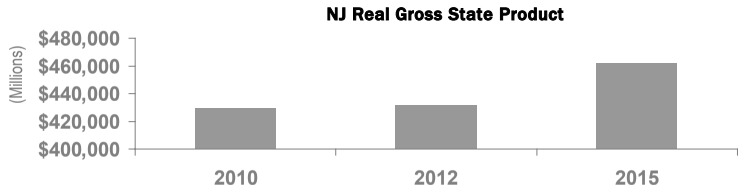
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

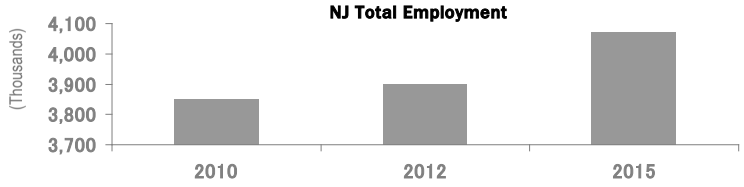
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

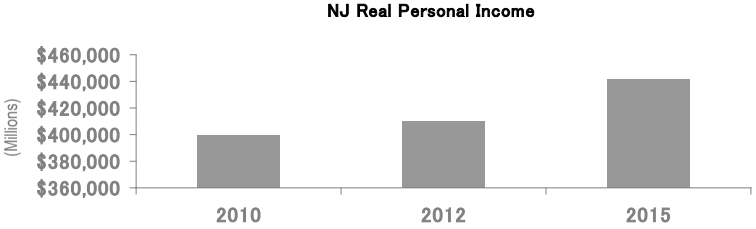
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

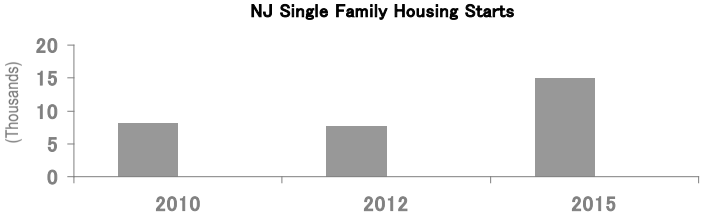
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

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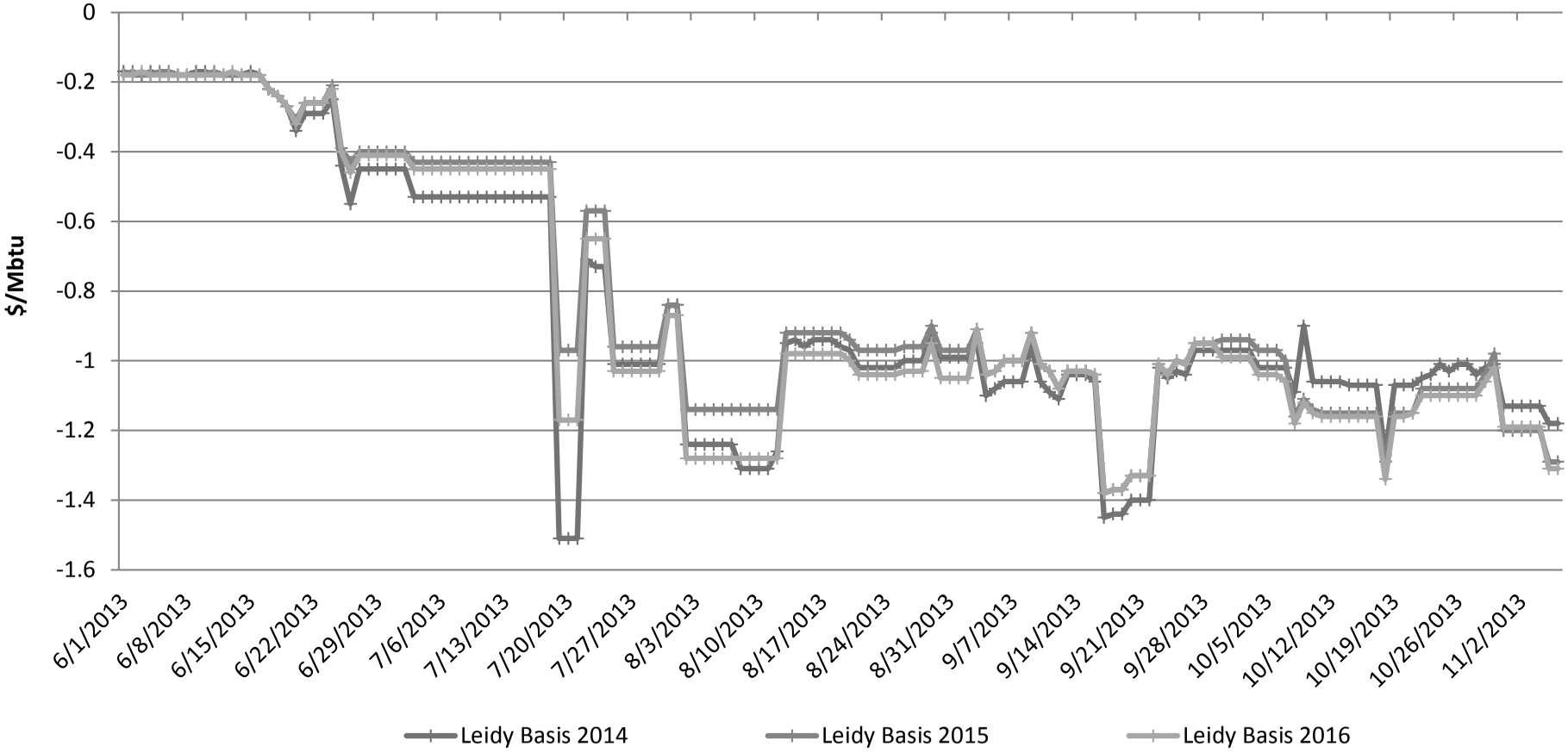
Leidy Gas Basis to Henry Hub



- Current market data indicates Leidy gas basis remains negative to Henry Hub into 2016 but market is illiquid the further out you go

SI-SSA-0015-07859

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 9/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$195**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$344**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$189**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$80**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 98**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 22**
	Total Holdings Investments	**$1,213**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013,NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-07860

PSEG Liquidity as of September 30, 2013

Facility	Expiration Date	Total Facility		Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600	1	$13	$587
5-Year Credit Facility (Power)	Mar-17	1,600		58	1,542
5-Year Credit Facility (Power)	Mar-18	1,000	2	0	1,000
5-Year Bilateral (Power)	Sep-15	100		100	0
5-year Credit Facility (PSEG)	Mar-17	500		5	495
5-year Credit Facility (PSEG)	Mar-18	500	3	0	500
	Total	$4,300		$176	$4,124
				PSEG Money Pool ST Investment	$154
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,278**
				Total Parent / Power Liquidity	**$3,691**

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

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

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

SI-SSA-0015-07861

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-07862

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM) [a] (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	96	7	(2)	270
Net Income	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM [a] (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	0.19	0.01	-	0.53
Net Income	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

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

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

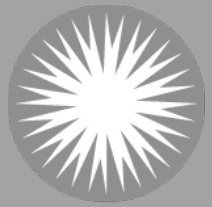
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Unaudited)			
Earnings Impact ($ Millions)				
Operating Earnings	$ 385	$ 382	$ 1,061	$ 1,029
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	3	(76)	(22)	(34)
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-
Income from Continuing Operations	$ 390	$ 347	$ 1,043	$ 1,051
Net Income	$ 390	$ 347	$ 1,043	$ 1,051
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507
Per Share Impact (Diluted)				
Operating Earnings	$ 0.76	$ 0.75	$ 2.09	$ 2.03
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-
Income from Continuing Operations	$ 0.77	$ 0.68	$ 2.06	$ 2.07
Net Income	$ 0.77	$ 0.68	$ 2.06	$ 2.07

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

EEI 2014 Financial Conference

DALLAS, TEXAS – NOVEMBER 11-13, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07865

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-07866

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slides in this presentation include a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07867

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-07868

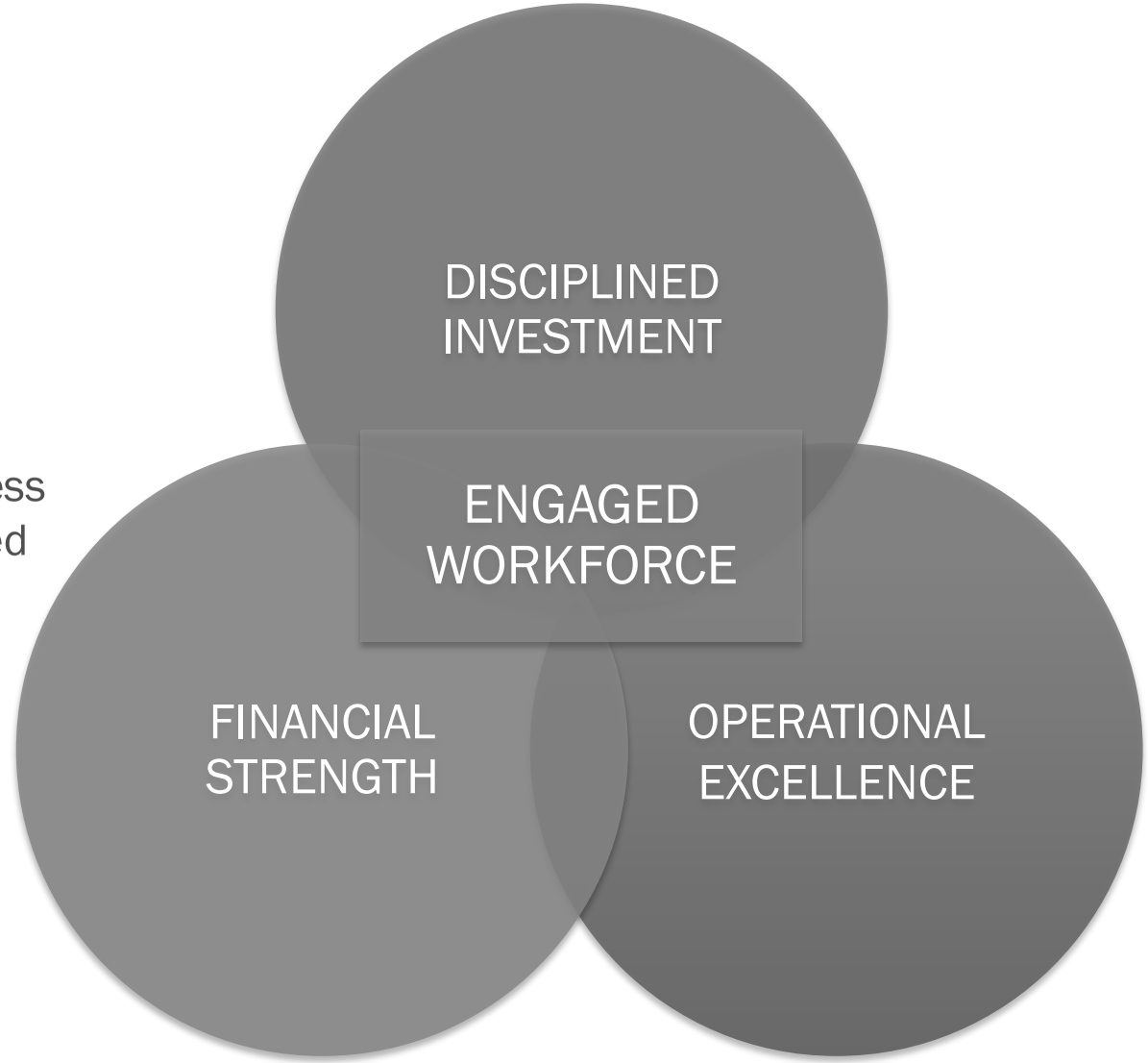
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-07869

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-07870

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-07871

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

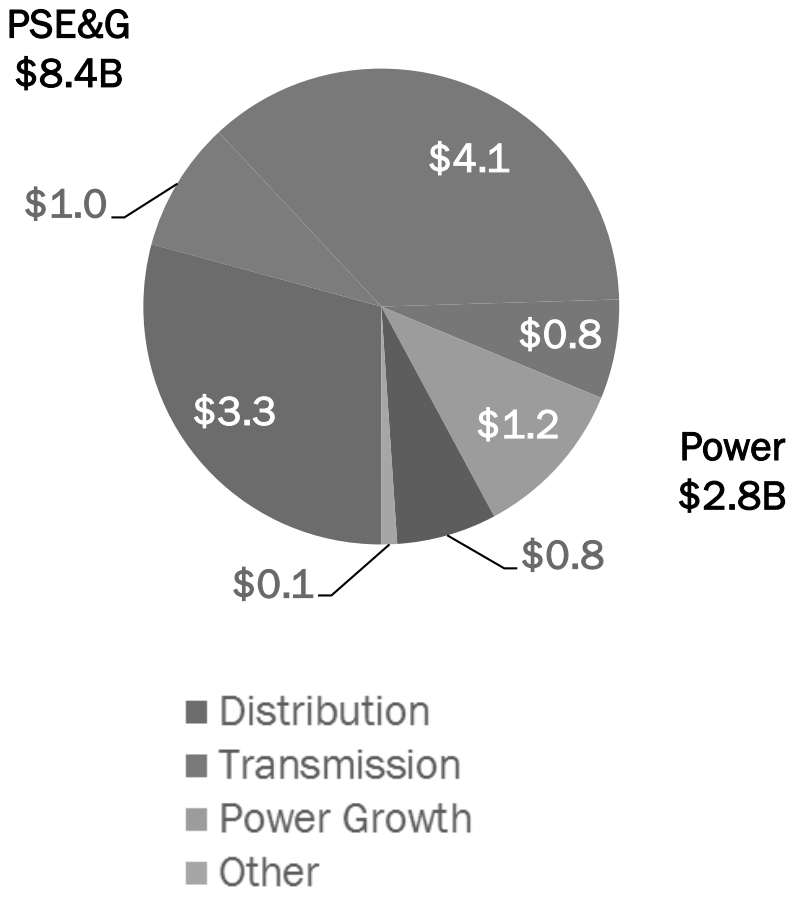
SI-SSA-0015-07872

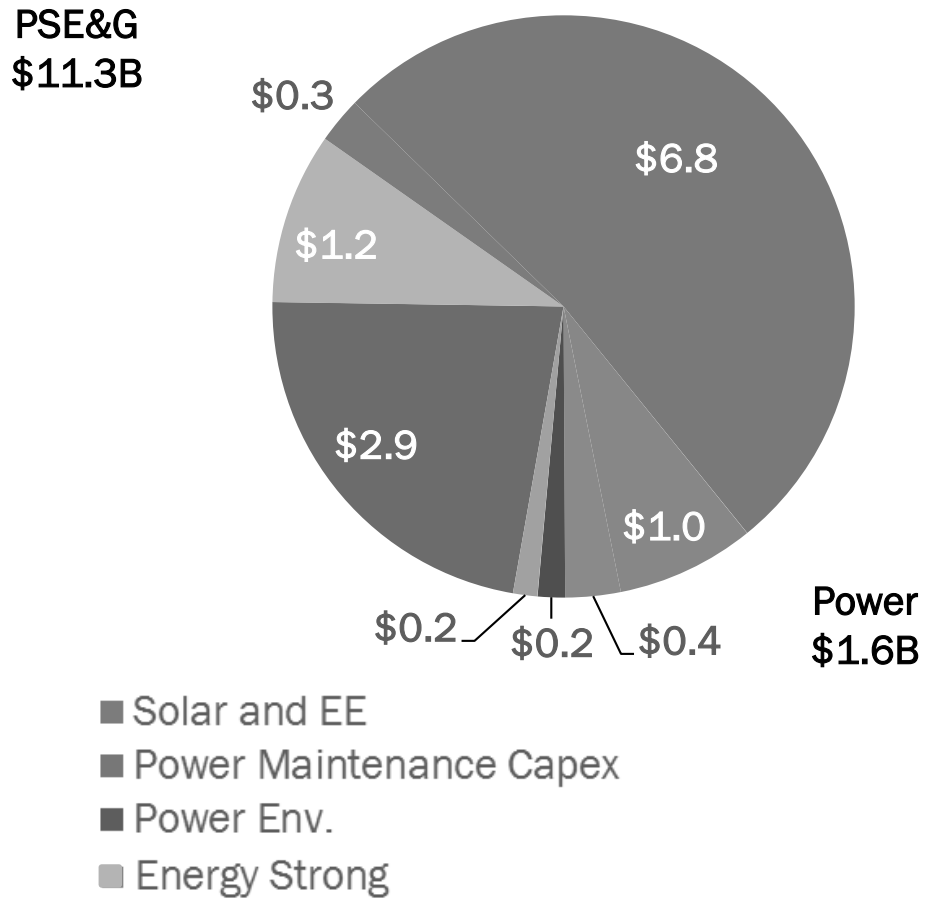
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

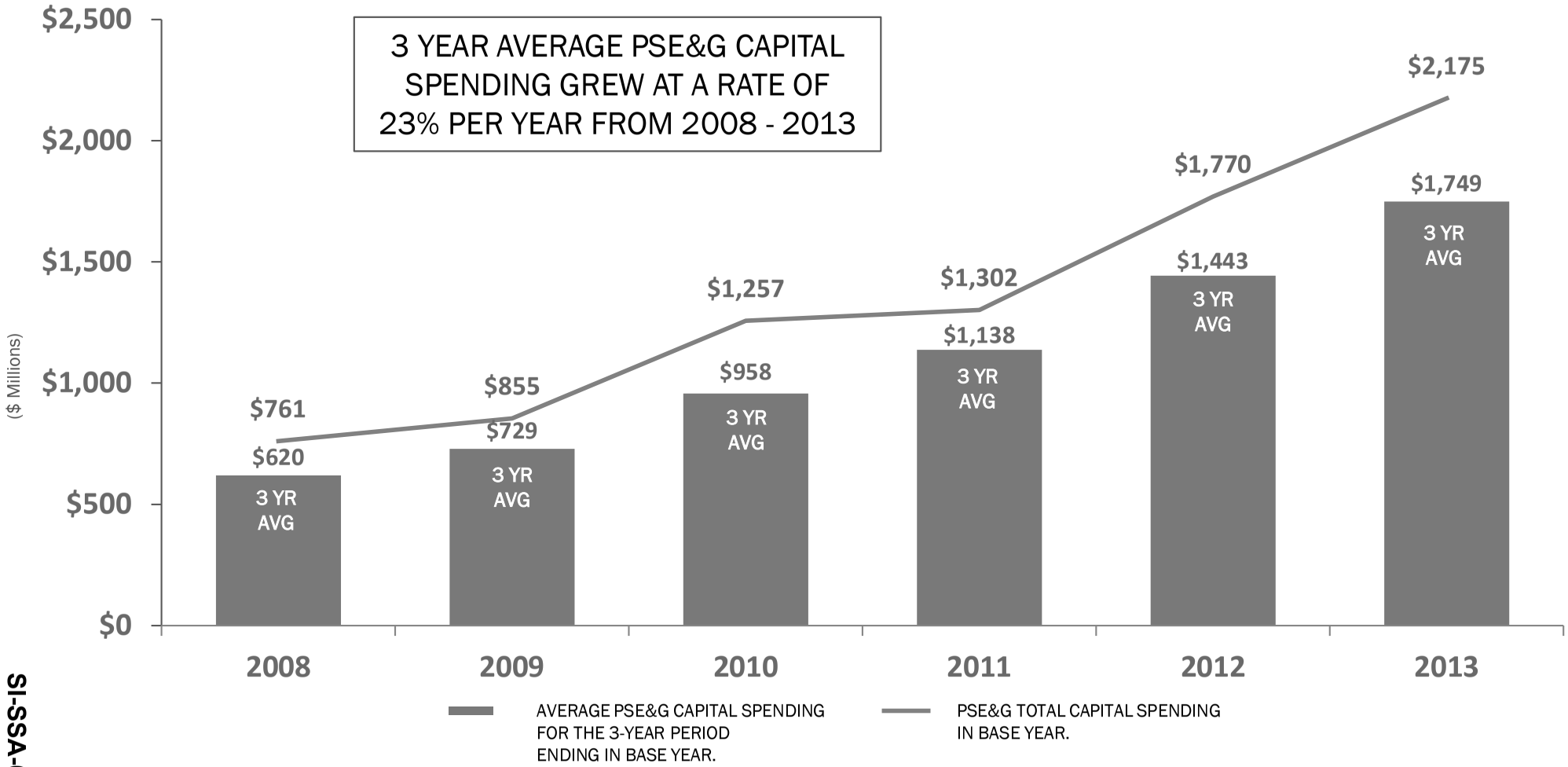




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-07873

PSEG's business profile has been transformed through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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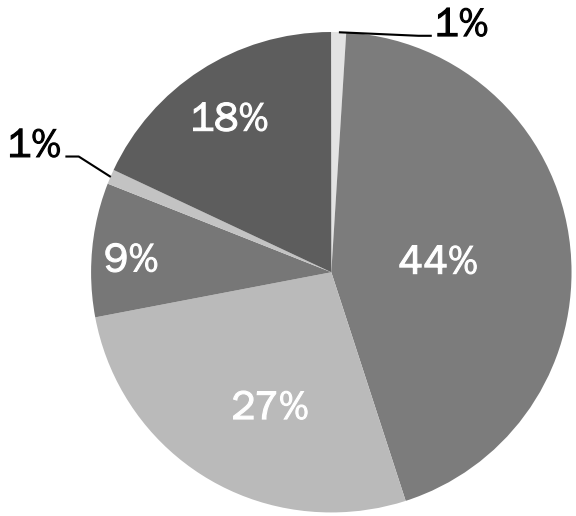
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

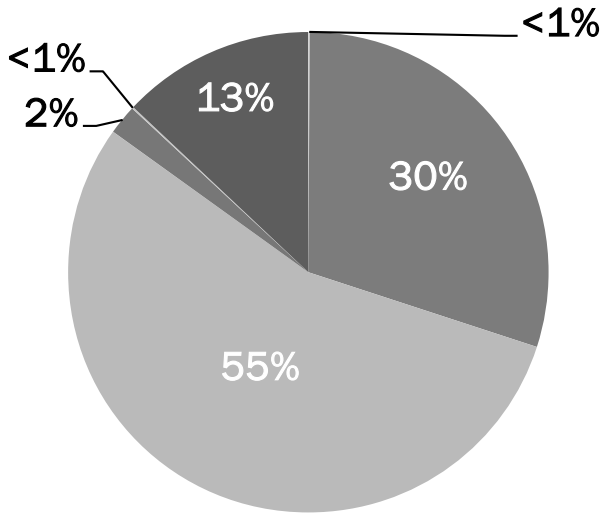
SI-SSA-0015-07875

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

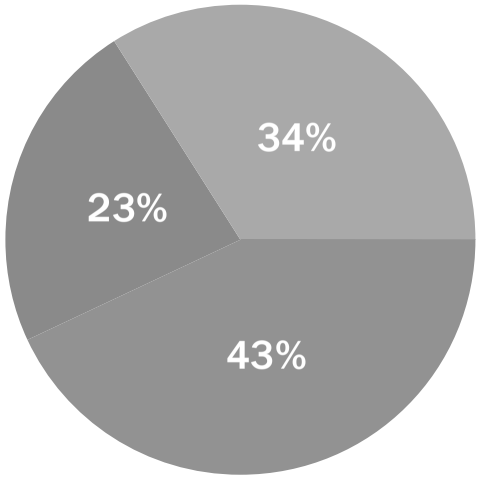
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-07876

PSEG – Year to Date 2014 Highlights

- **Operating Earnings YTD up 9% to $2.27 per share from $2.09 for YTD 2013**
  - ✓ PSE&G on track to record double-digit growth in earnings on expanded capital investment program
  - ✓ PSEG Power expected to earn at upper level of expectations for the full year
  - ✓ Narrowed 2014 full–year, operating earnings guidance to $2.60-$2.75 per share, from $2.55-$2.75 per share prior

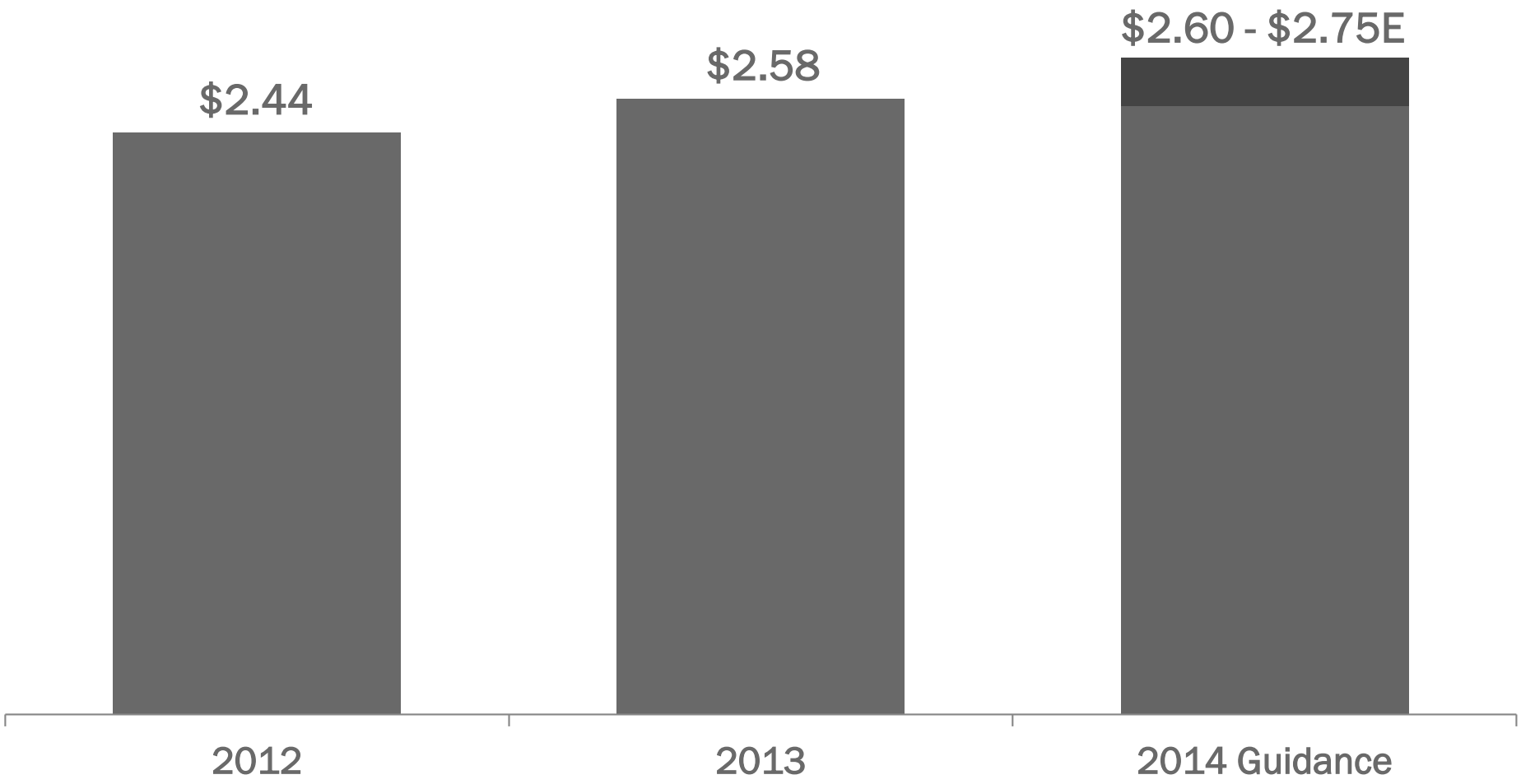
- **Executing on our capital program**
  - ✓ Replacement of PSE&G's gas cast-iron pipe underway as part of $1.22 billion Energy Strong capital program
  - ✓ Major transmission projects under $6.8 billion capital program are on-time and on-budget

- **Market developments**
  - ✓ PJM proposed changes to its Reliability Price Mechanism, Demand Curve Adjustment and pending Demand Response (DR) issues supportive of price formation

SI-SSA-0015-07877

PSEG – 2014 Another Year of Growth

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



SI-SSA-0015-07878

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-07879

Investment opportunities exceeding $1 billion

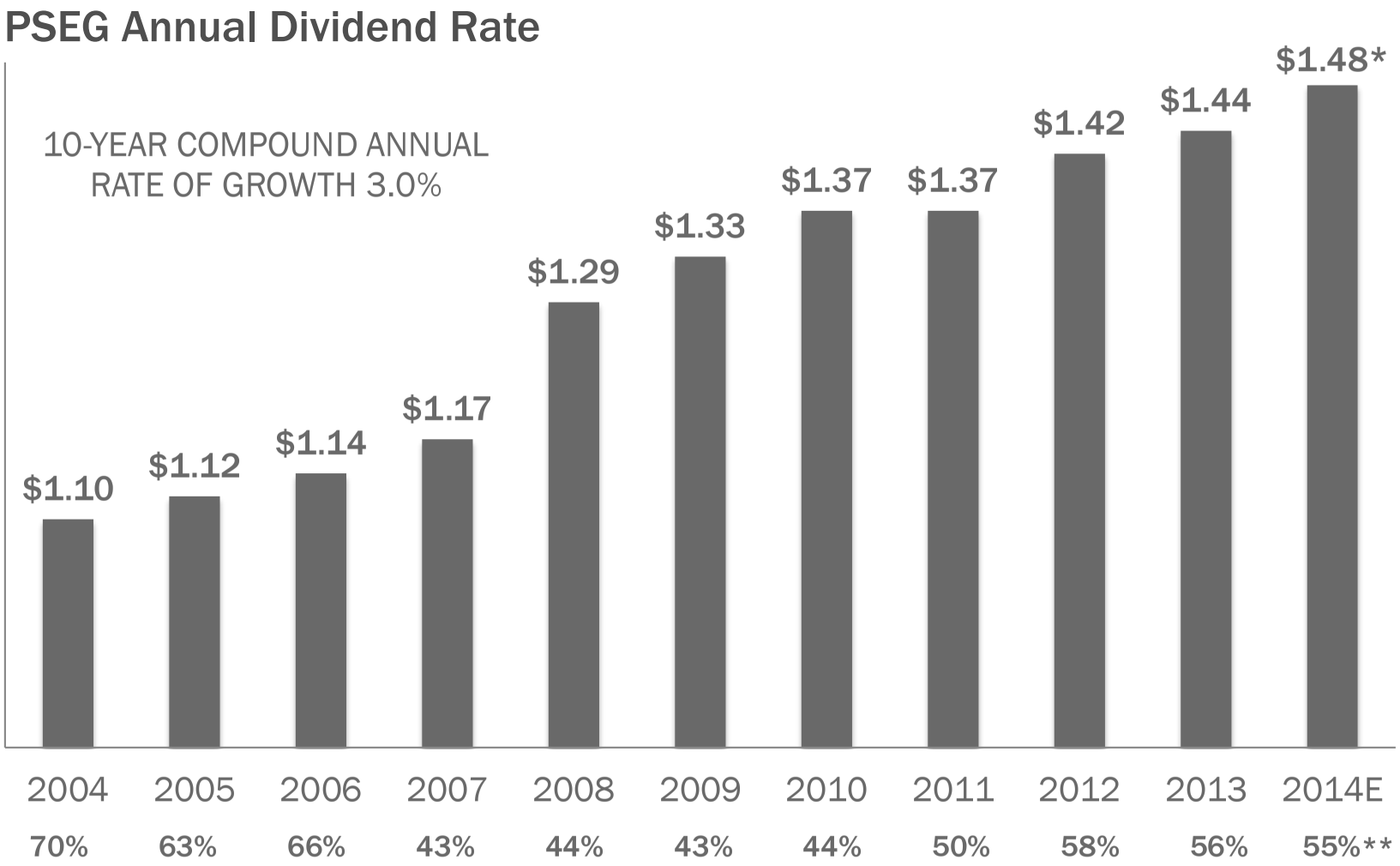
Focused on providing our customers with access to low-cost gas
and cost-effective technologies that reduce emissions
as they also improve system reliability

Potential Investment	Description	Amount
Bridgeport Harbor Station	New 450 MW CCGT Unit	$500 -- $700
PSEG -- Long Island	Utility 2.0 Energy Efficiency Filing	$200 -- $345
Artificial Island	FERC 1000 Project*	$250 -- $300
PennEast Pipeline	Equity Interest	$100 -- $120
PSE&G Energy Efficiency	Program Extension	$100 -- $100
Total		$1,150-$1,565

*Artificial Island Project includes amount for related compensator which has been assigned to PSE&G.

SI-SSA-0015-07880

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-07881

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-07882

PSE&G

PSEG

We make things work for you.

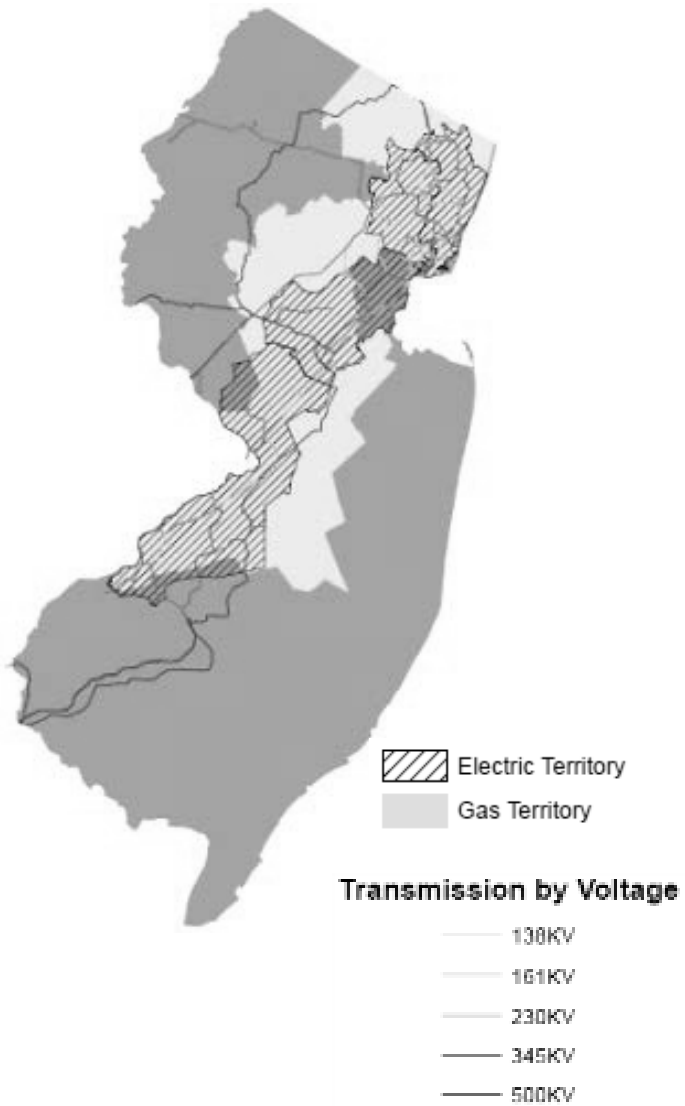
SI-SSA-0015-07883

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-07884

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-07885

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-07886

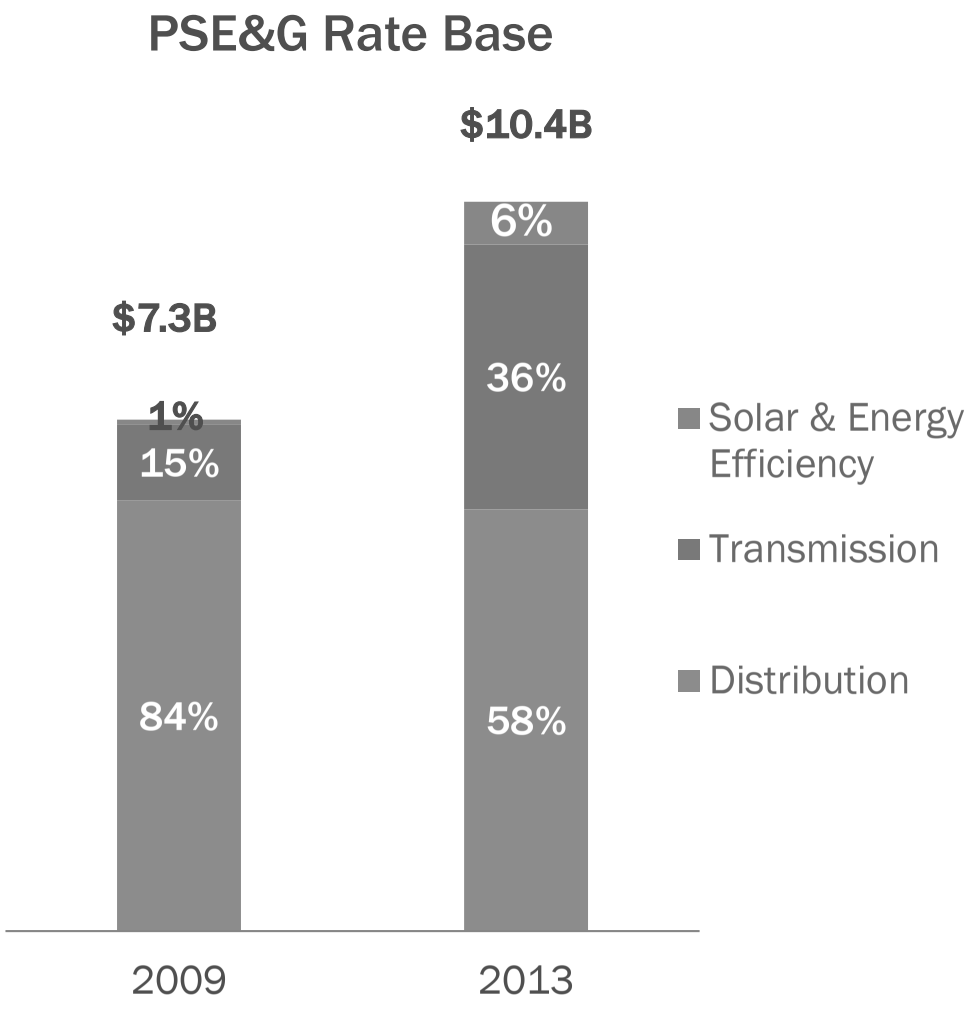
PSE&G's operating earnings grew ~18%

per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-07887

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-07888

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

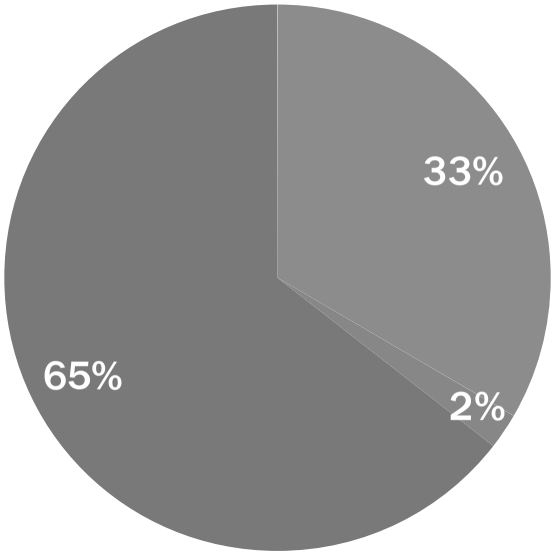
SI-SSA-0015-07889

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

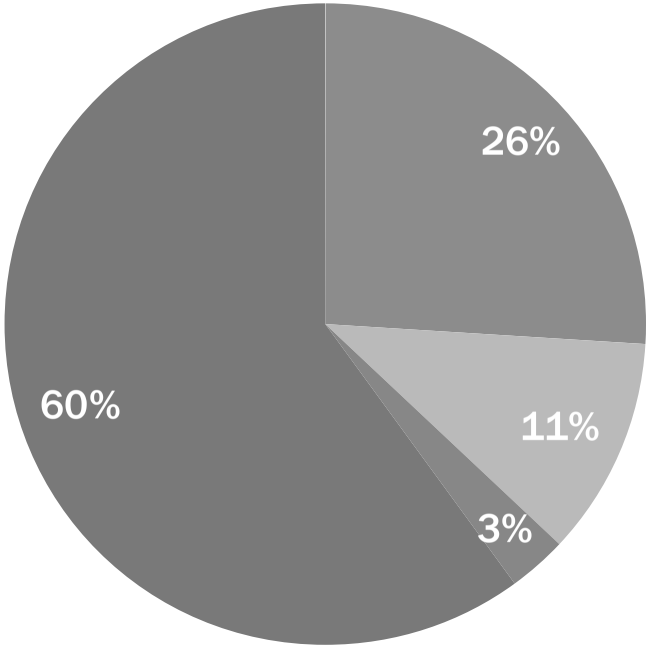
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-07890

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

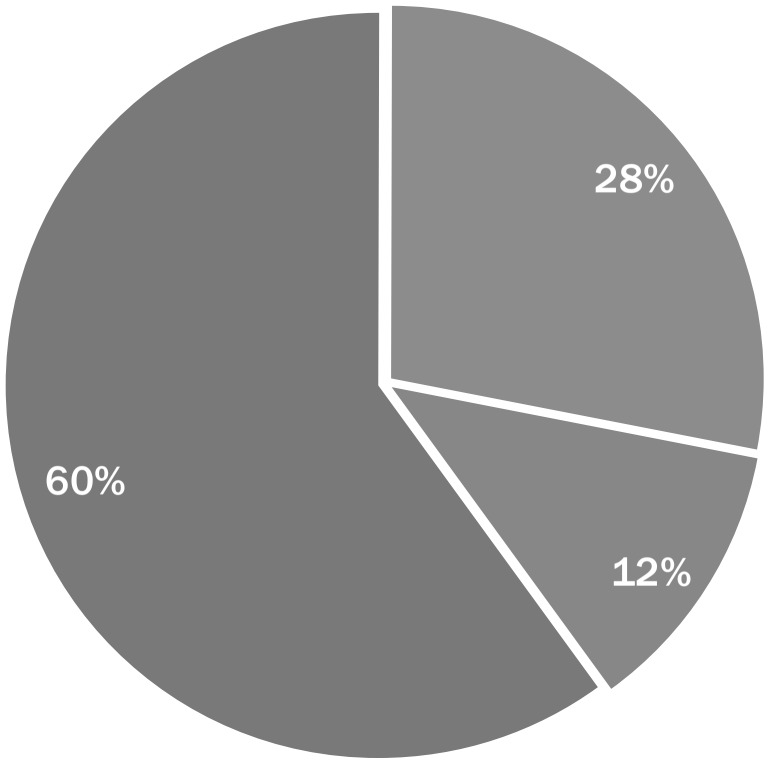
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-07891

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

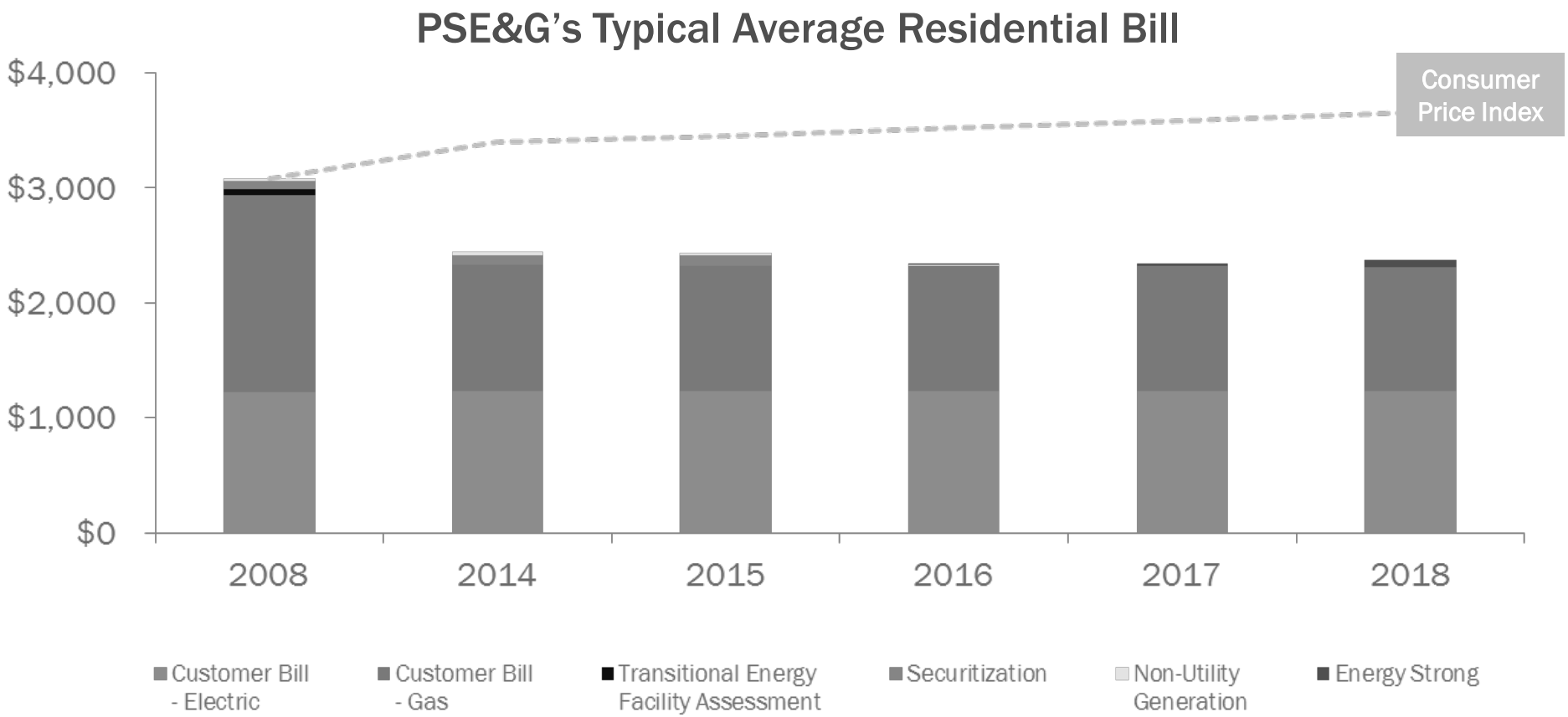
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-07892

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-07893

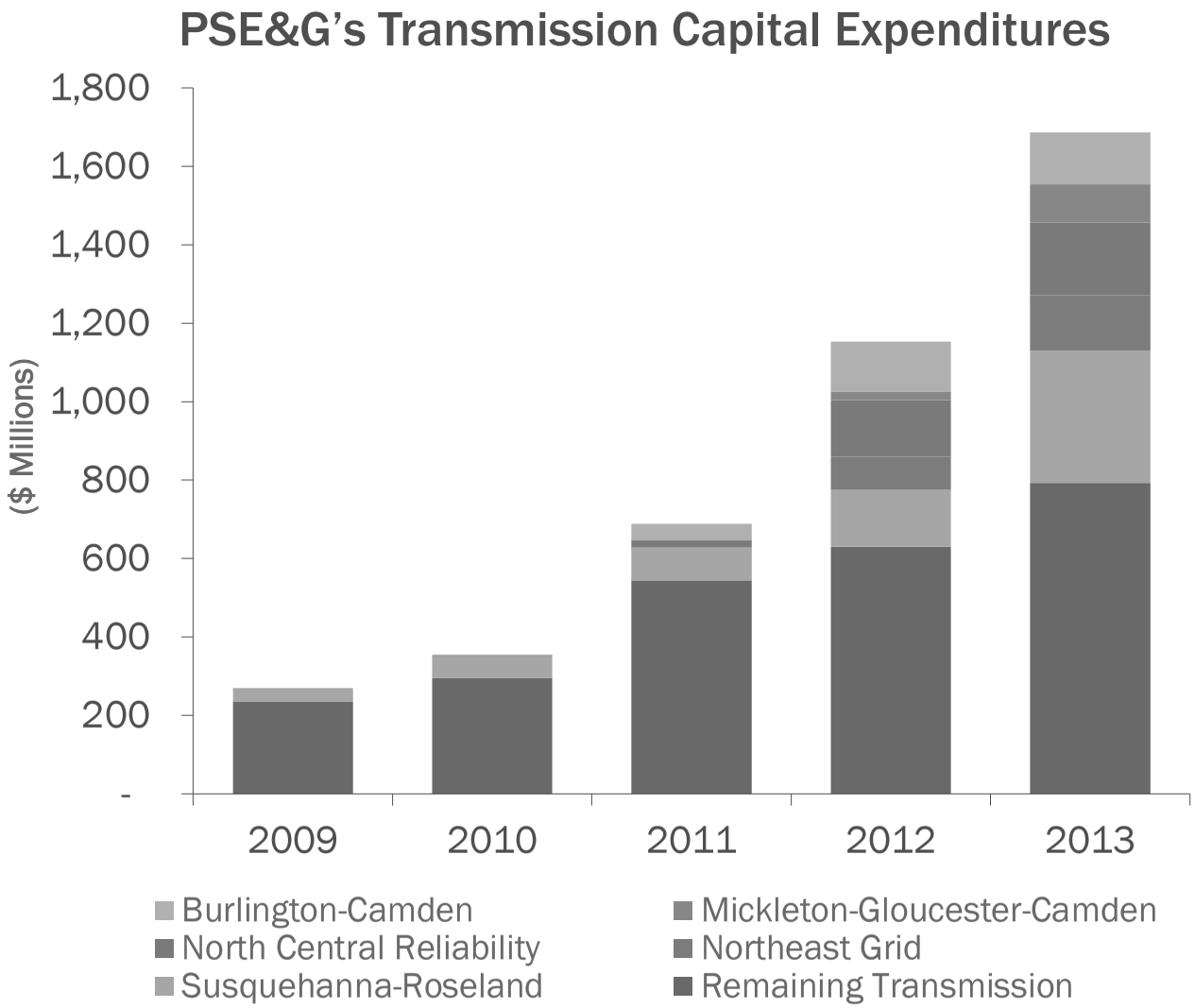
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-07894

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-07895

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-07896

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-07897

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-07898

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-07899

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-07900

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-07901

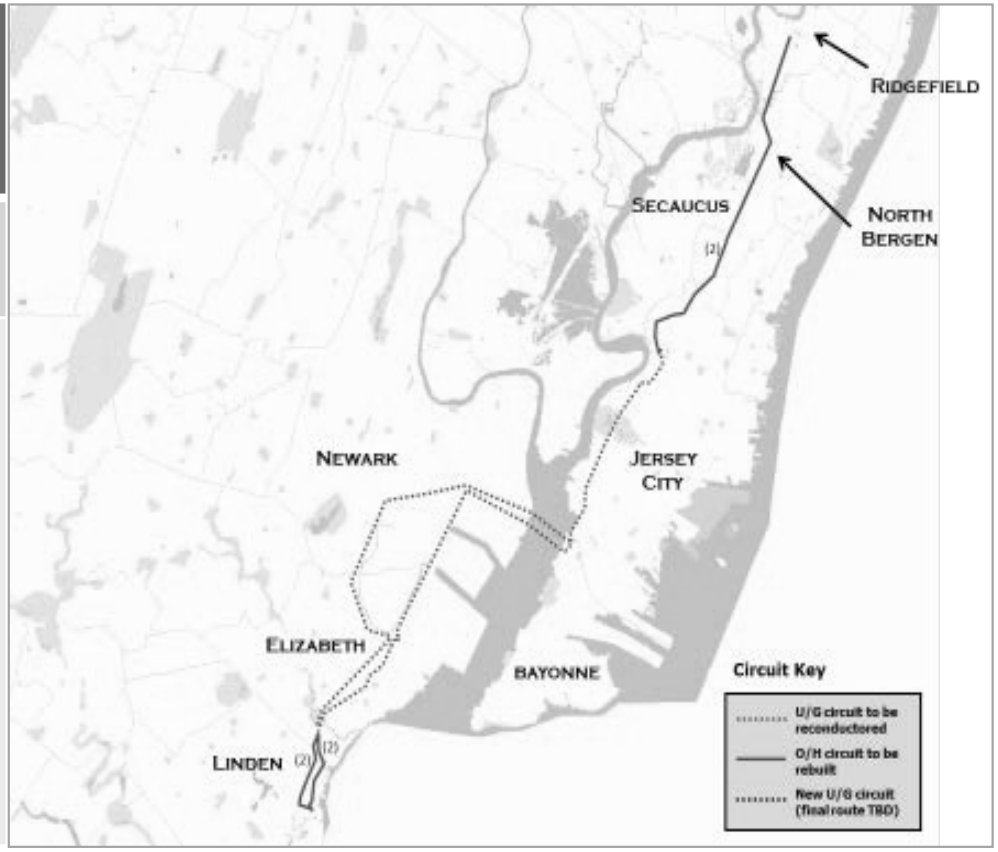
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

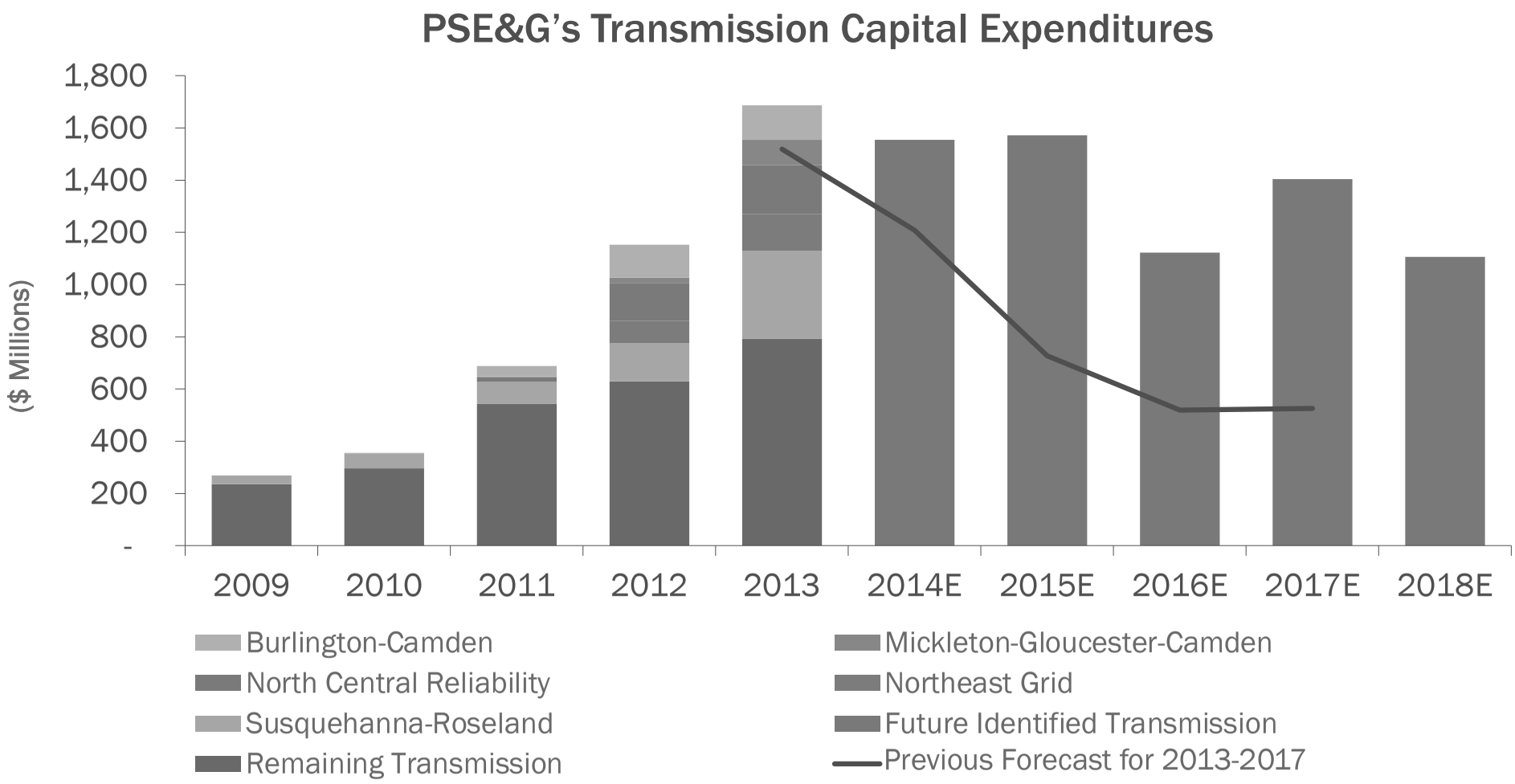
Project Status: Engineering



SI-SSA-0015-07902

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-07903

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-07904

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-07905

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-07906

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

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PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-07908

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Utility 2.0 – Expanded program filed ~$345 million

Early performance

Successful transition to PSEG Long Island	Improved stakeholder communications	Achieving reliability and customer satisfaction metrics

SI-SSA-0015-07909

PSEG POWER

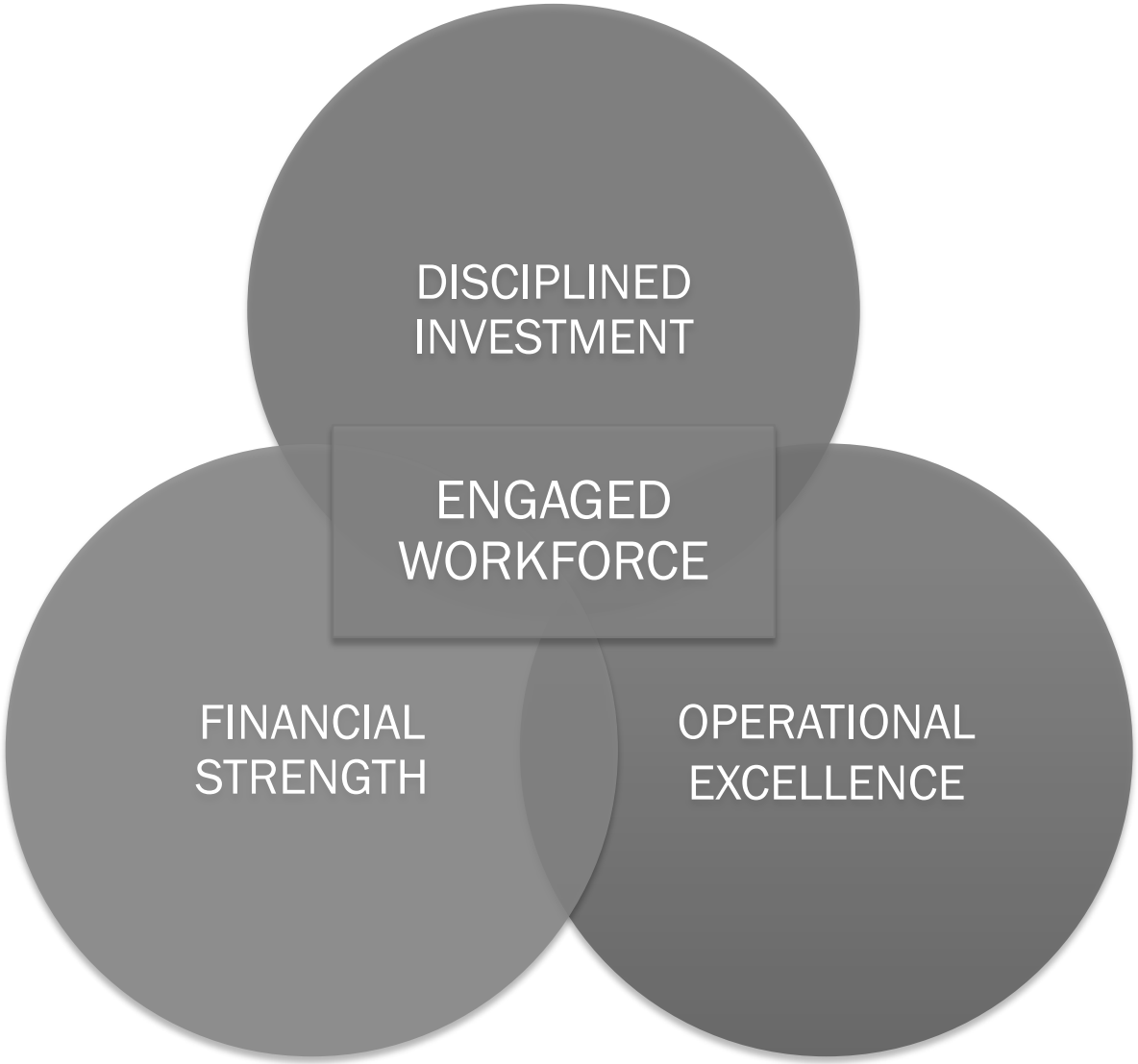
PSEG

We make things work for you.

SI-SSA-0015-07910

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-07911

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-07912

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

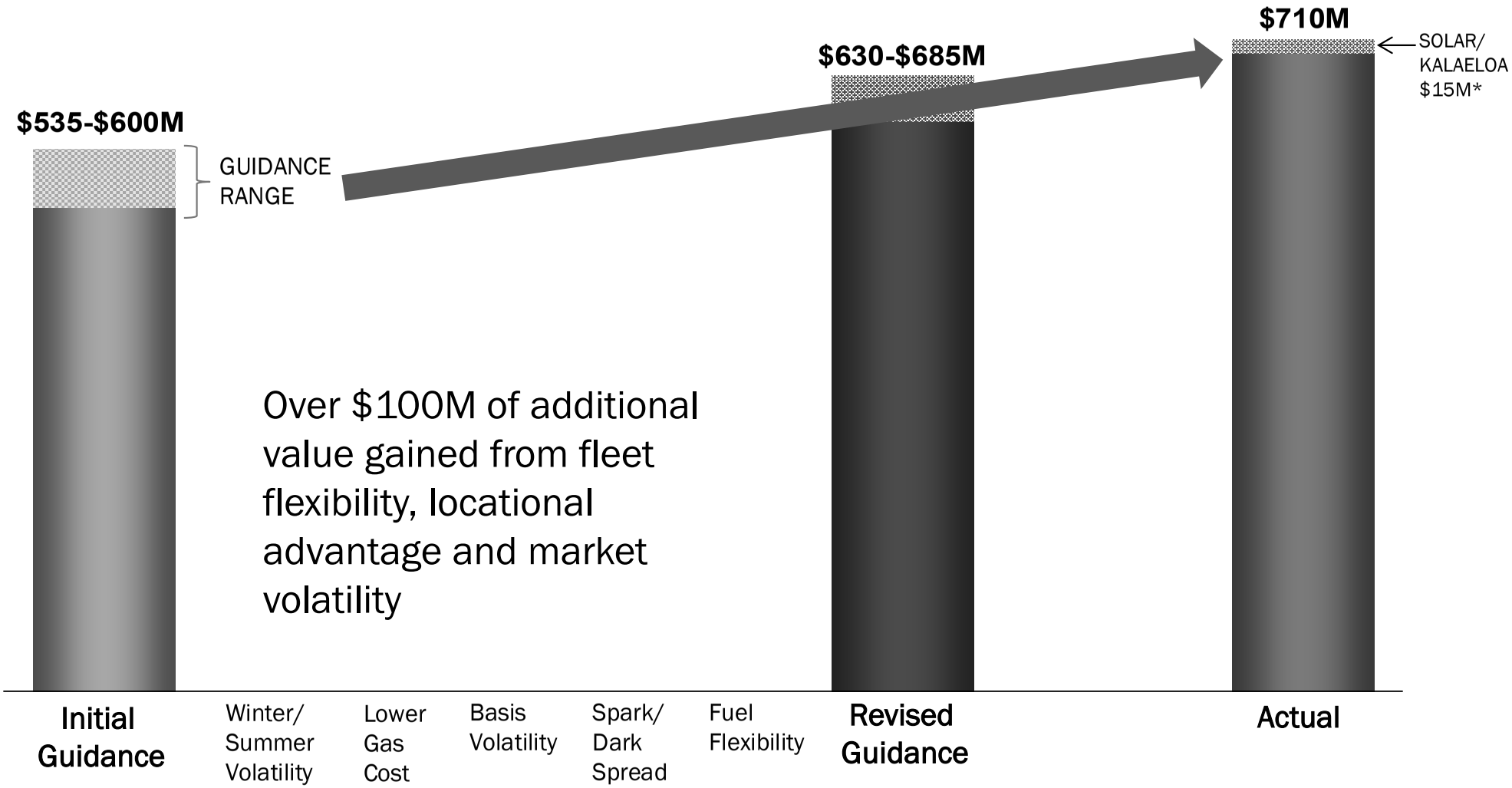
SI-SSA-0015-07913

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-07914

PSEG Power exceeded 2013's earnings guidance



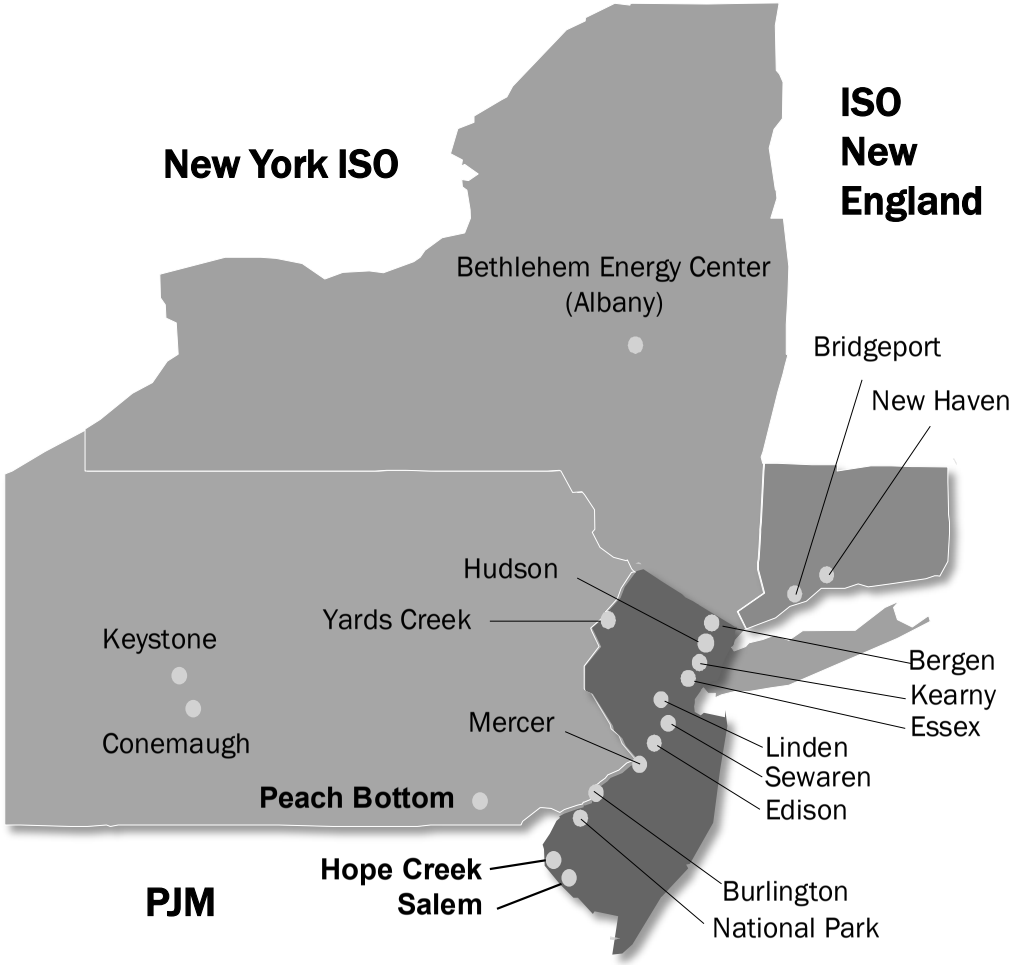
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-07915

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



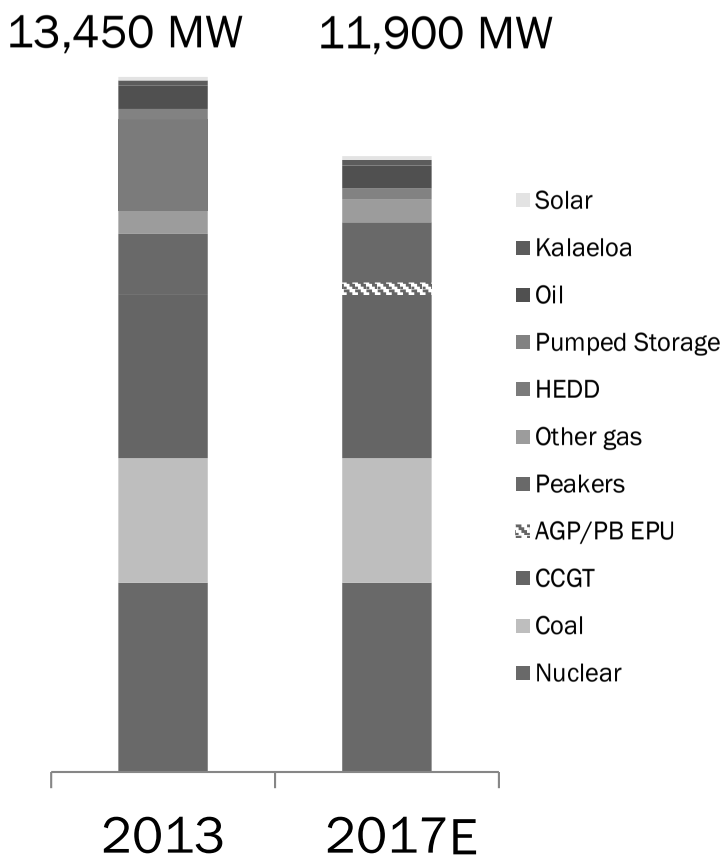
SI-SSA-0015-07916

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

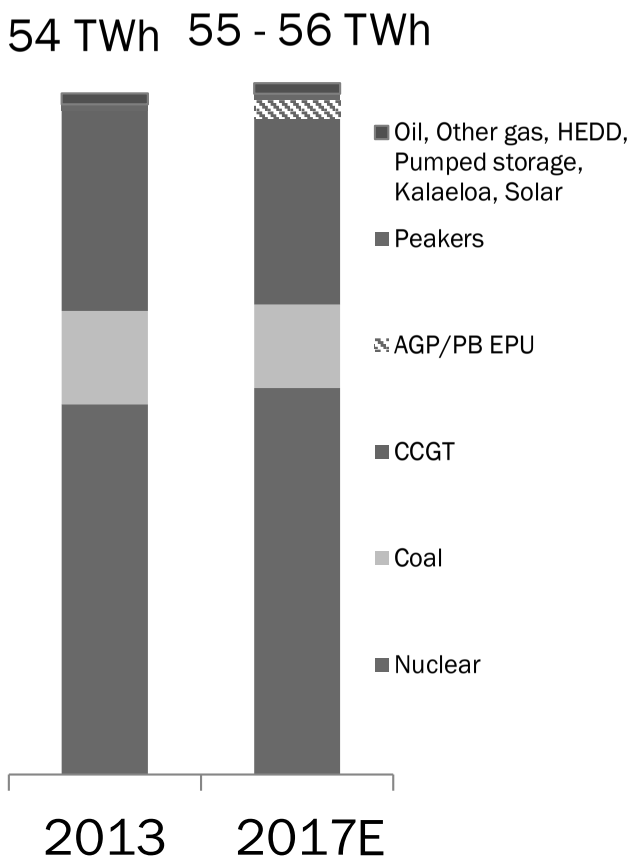
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



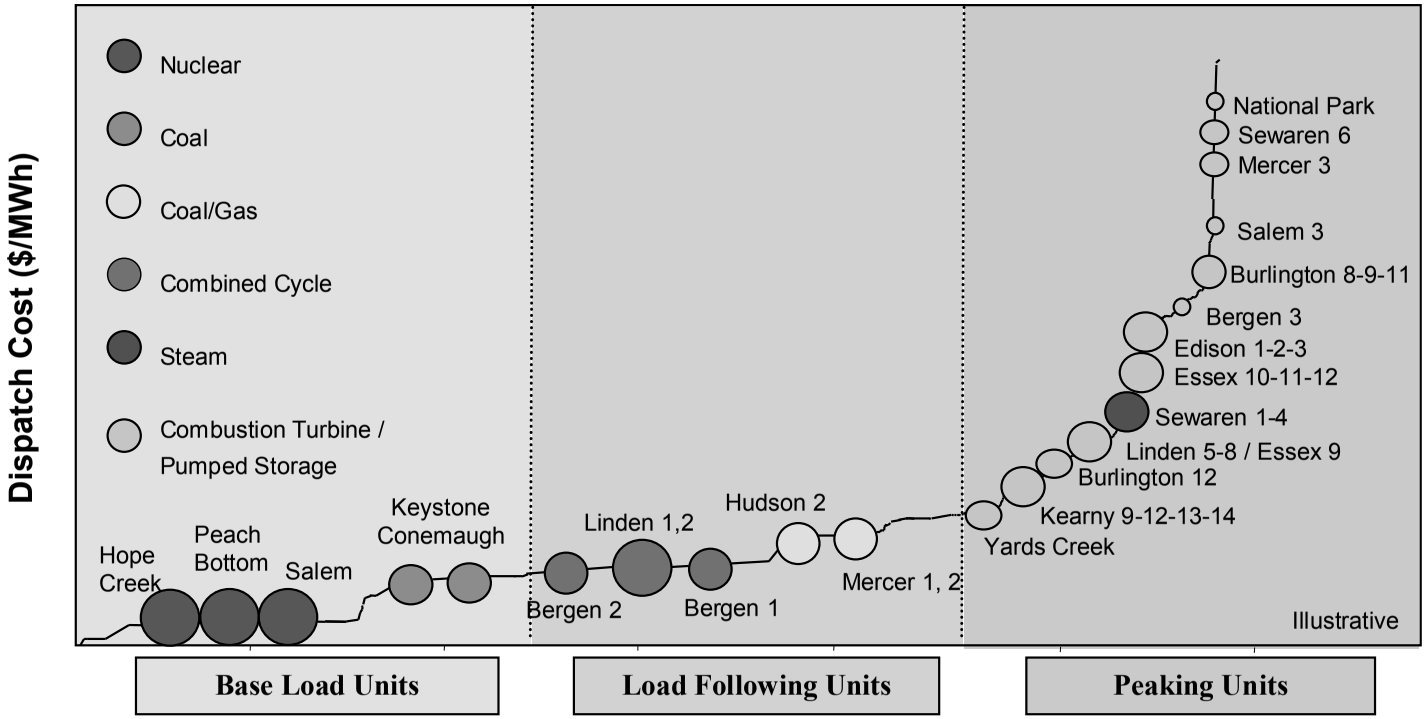
Energy Produced



E=ESTIMATE

SI-SSA-0015-07917

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-07918

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Spring 2016 ➢ Unit 2 -- Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Spring 2016 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW (PS Share) Unit 2 - 2015/Unit 3 - 2016

SI-SSA-0015-07919

PSEG Power Nuclear is core to the fleet and has competitive advantages

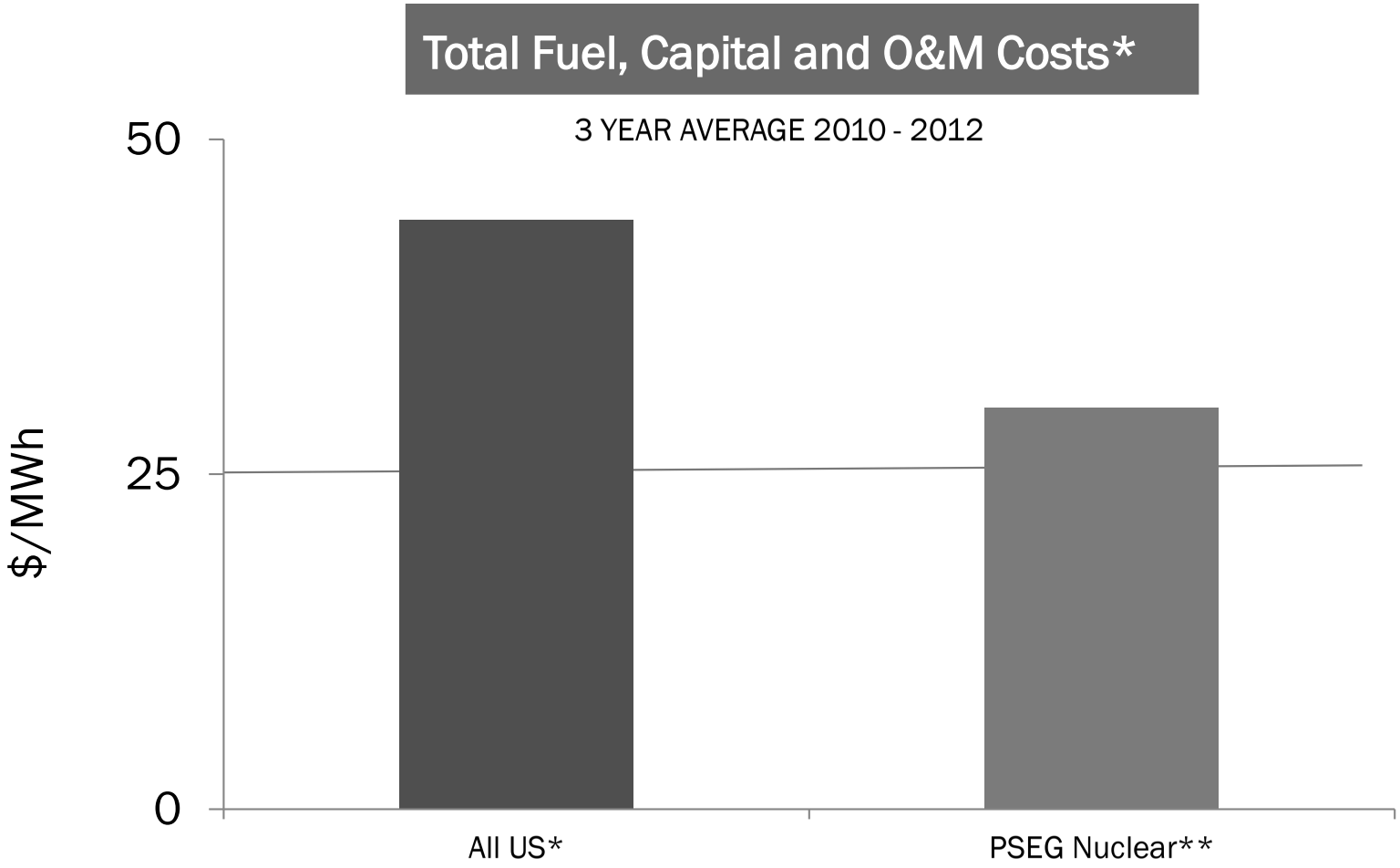
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-07920

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

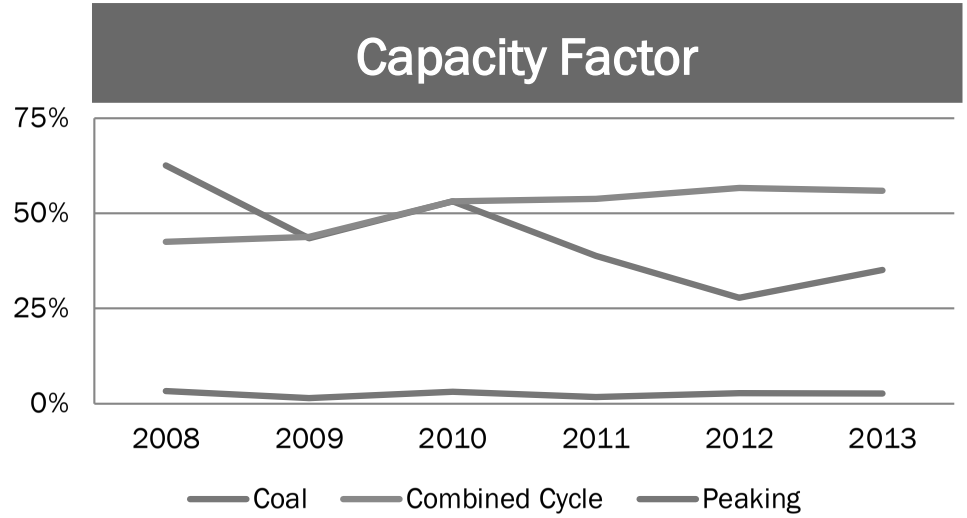


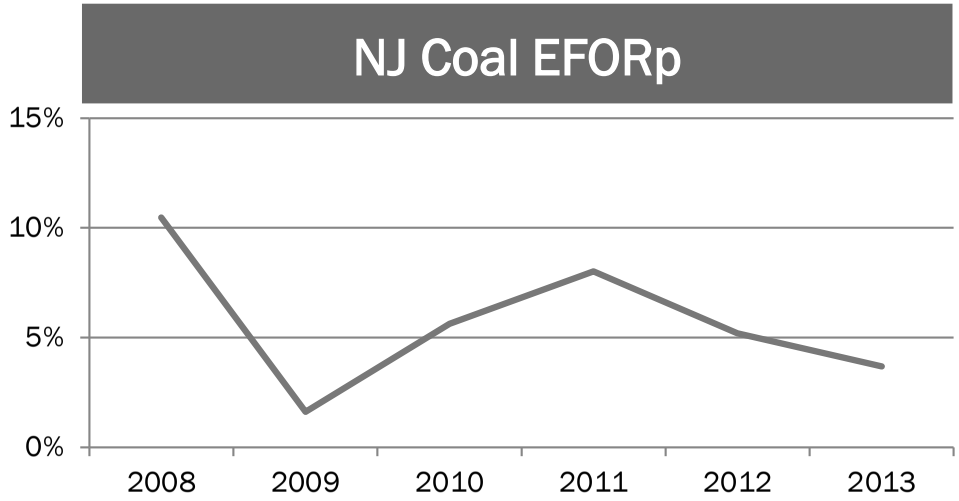
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

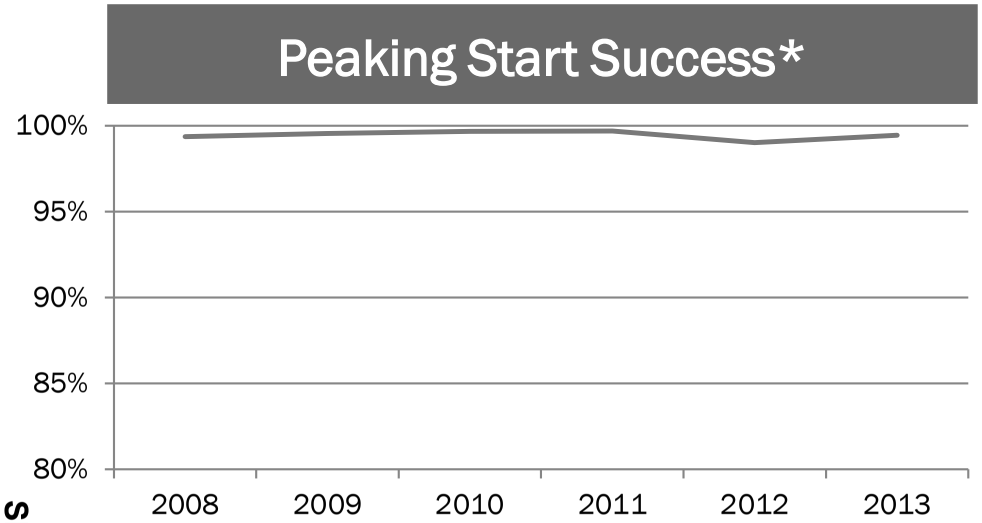
SI-SSA-0015-07921

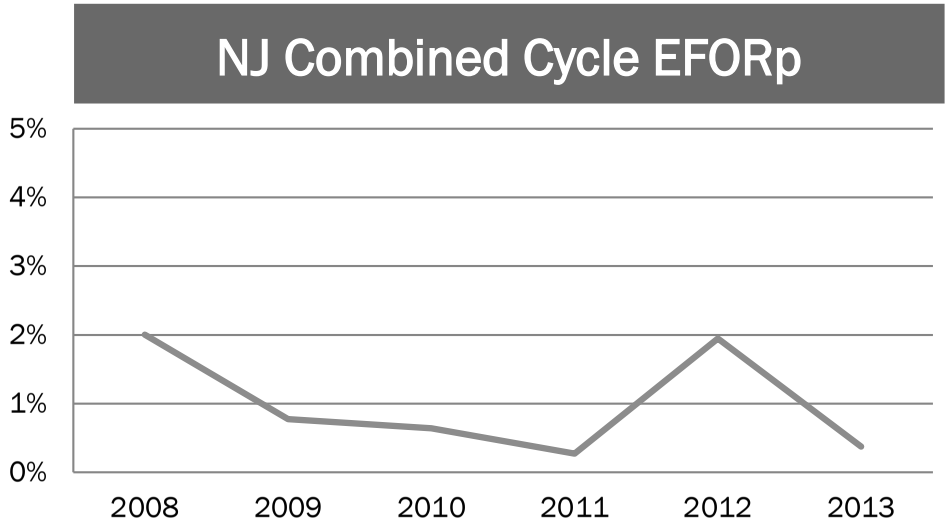
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

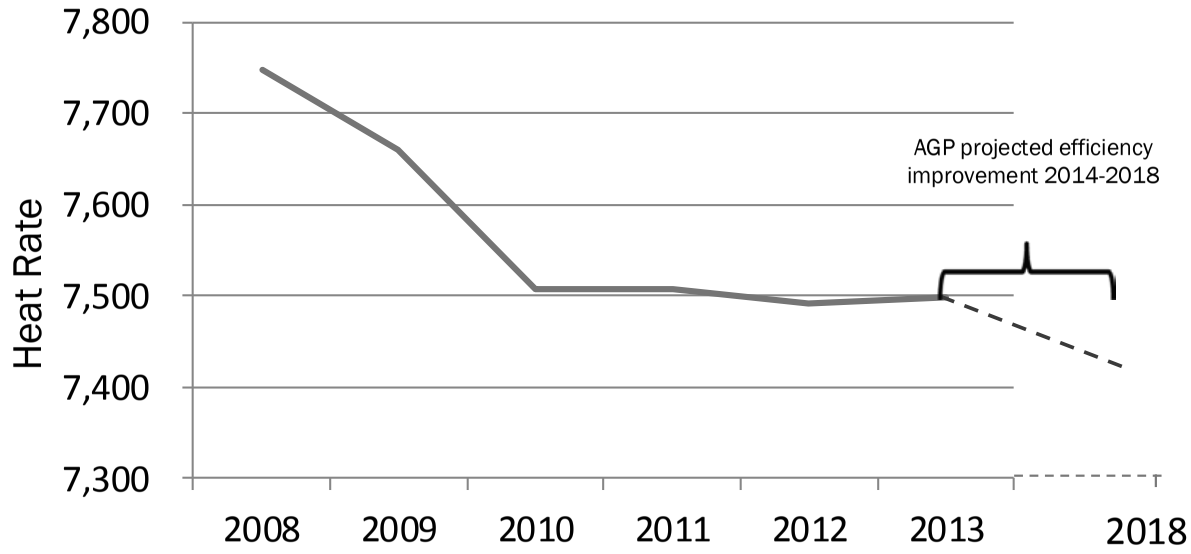
SI-SSA-0015-07922

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-07923

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

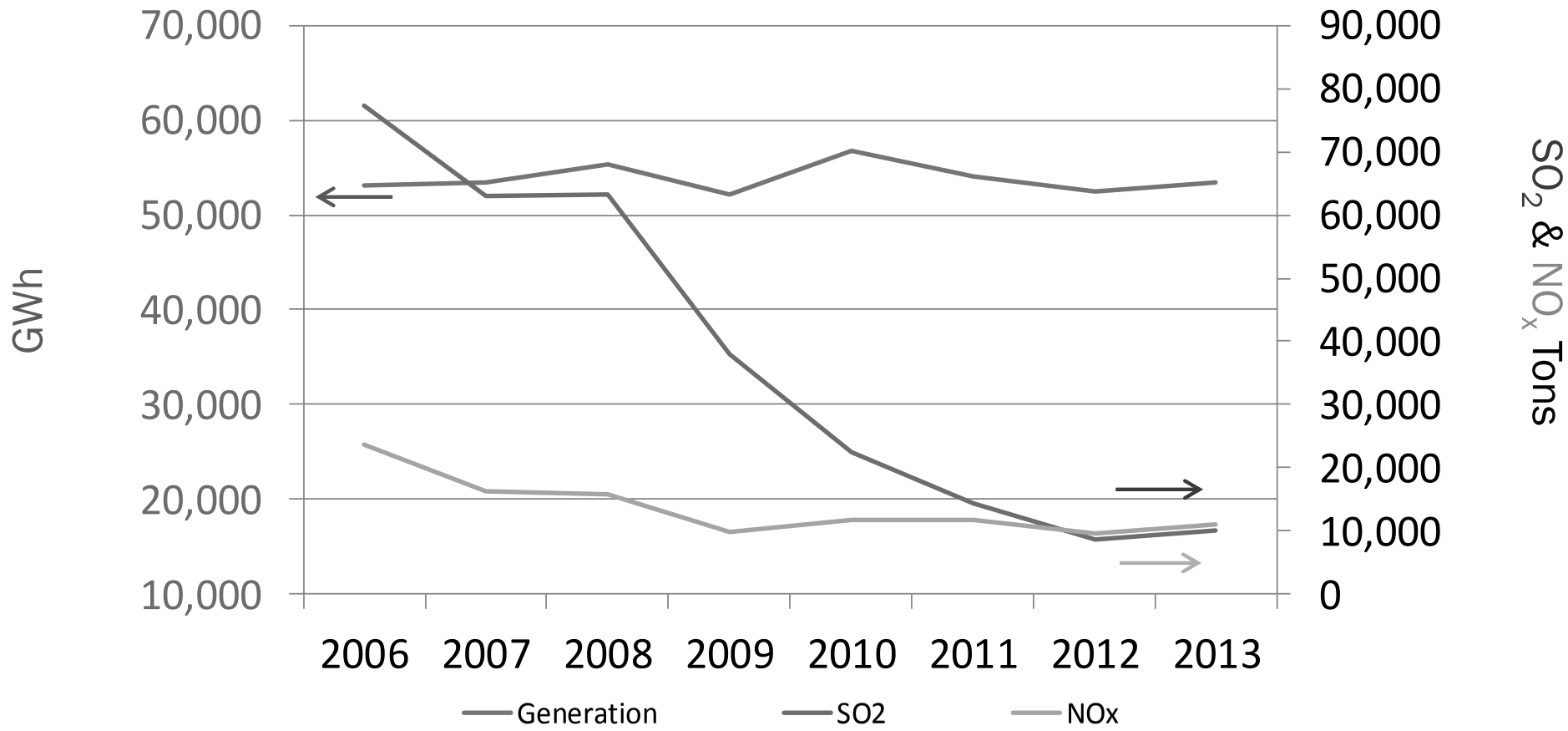
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-07924

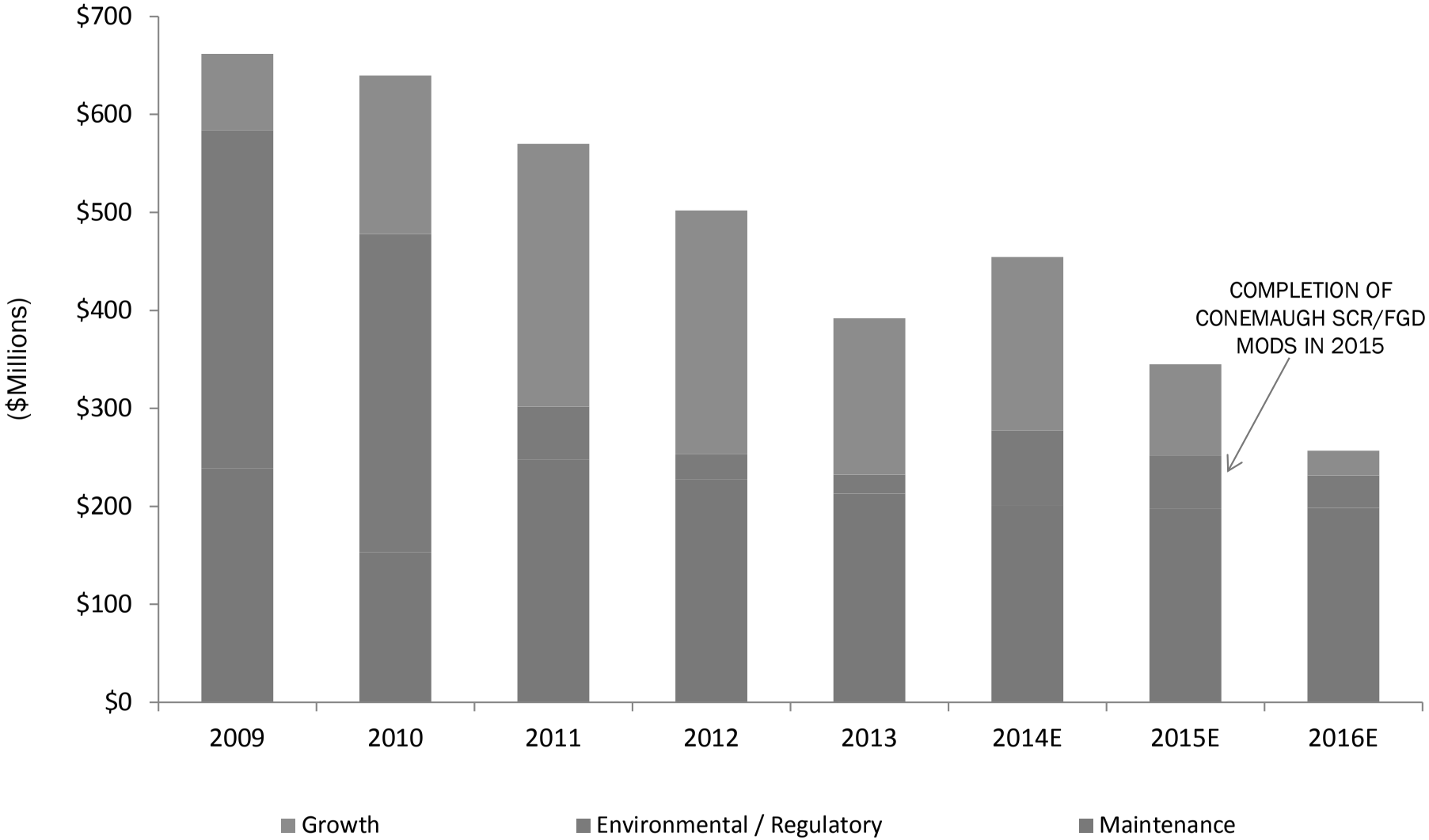
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-07925

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-07926

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-07927

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

In Construction
Texas (13 MW)
COD Year-End 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

SI-SSA-0015-07928

PSEG POWER
ER&T

PSEG

We make things work for you.

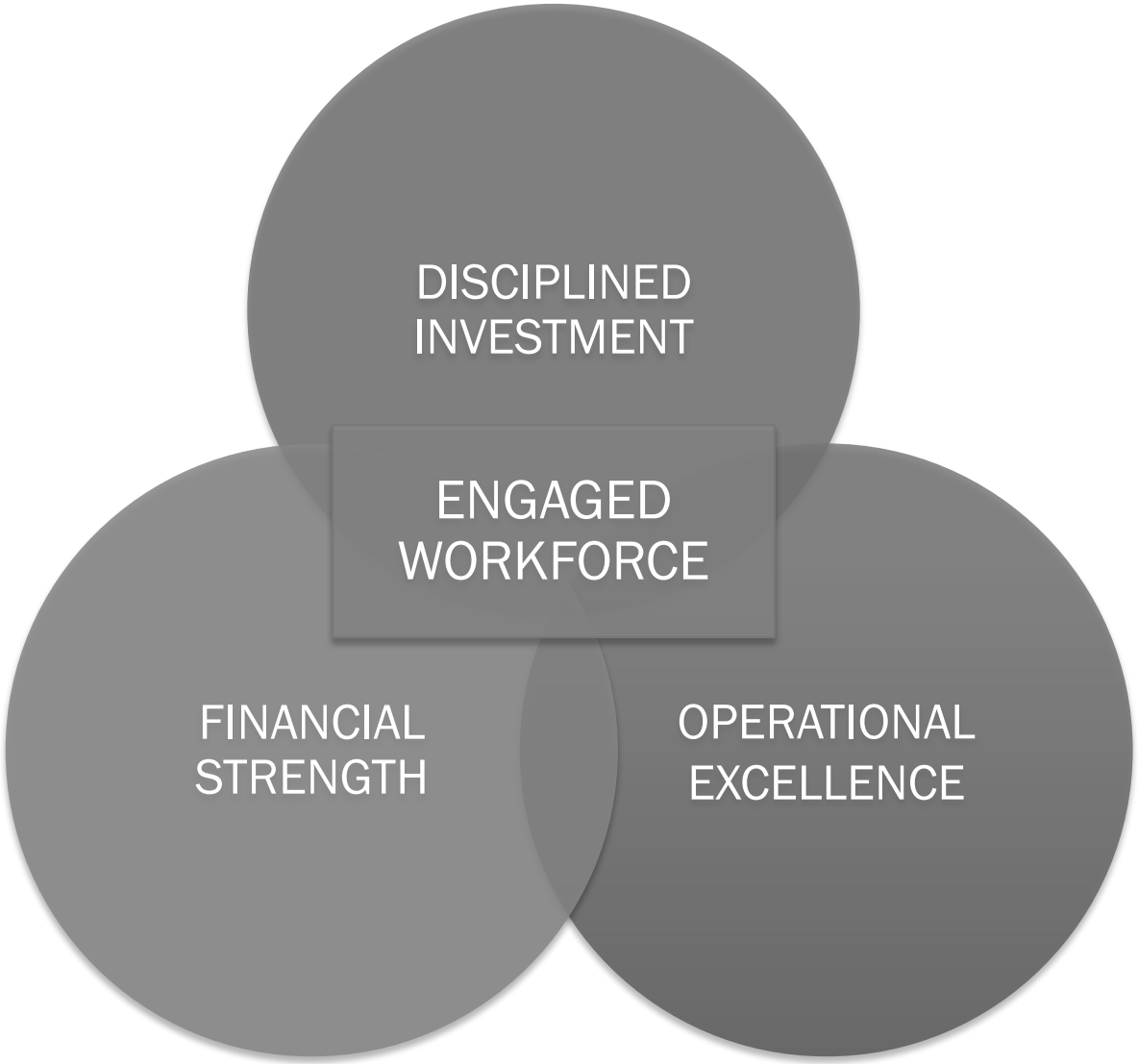
SI-SSA-0015-07929

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-07930

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

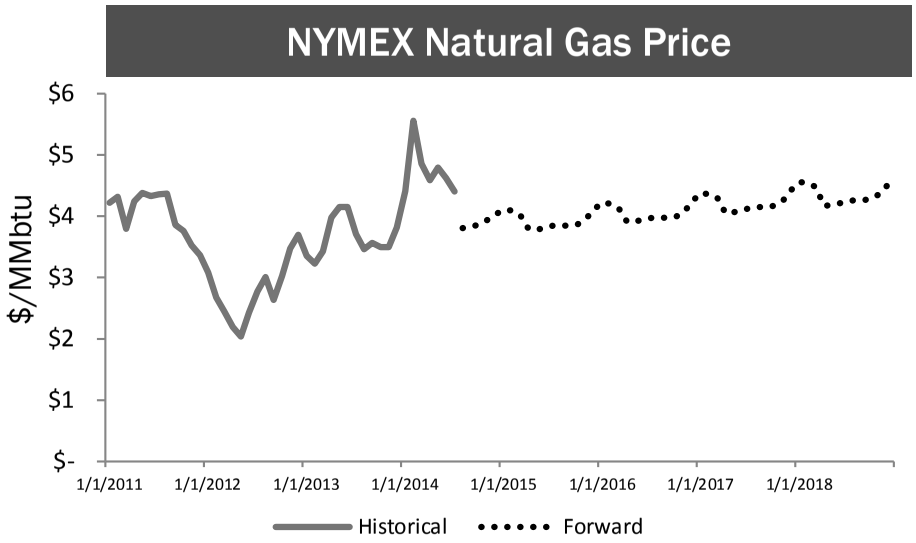
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

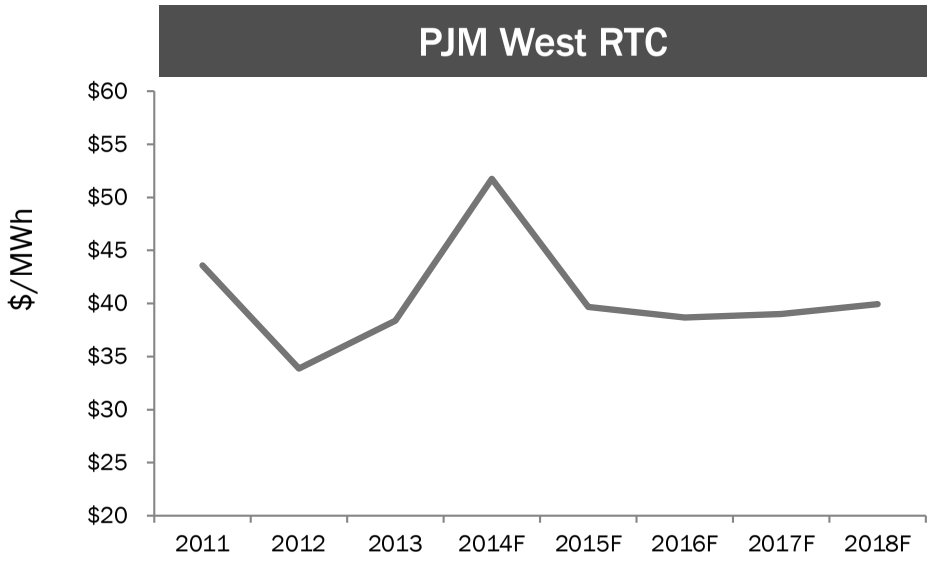
PSEG's Sustainable Advantage

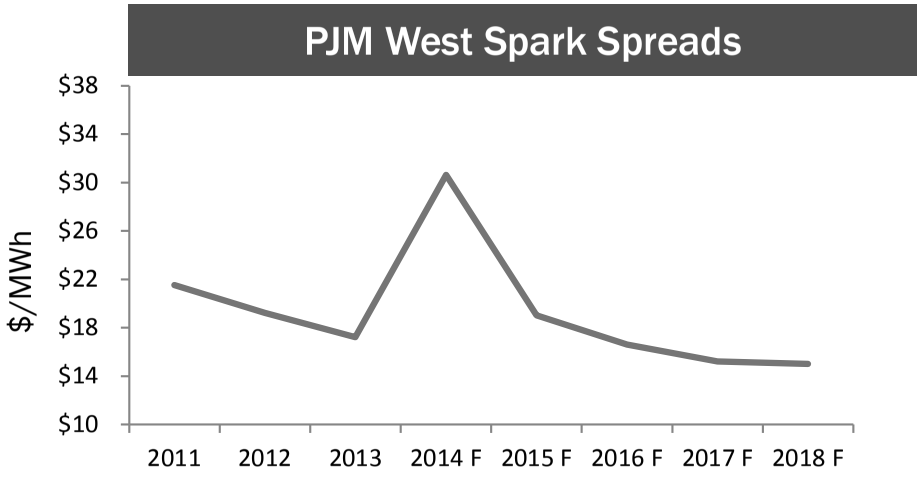
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-07931

Market Review: Long-term fundamentals remain sound







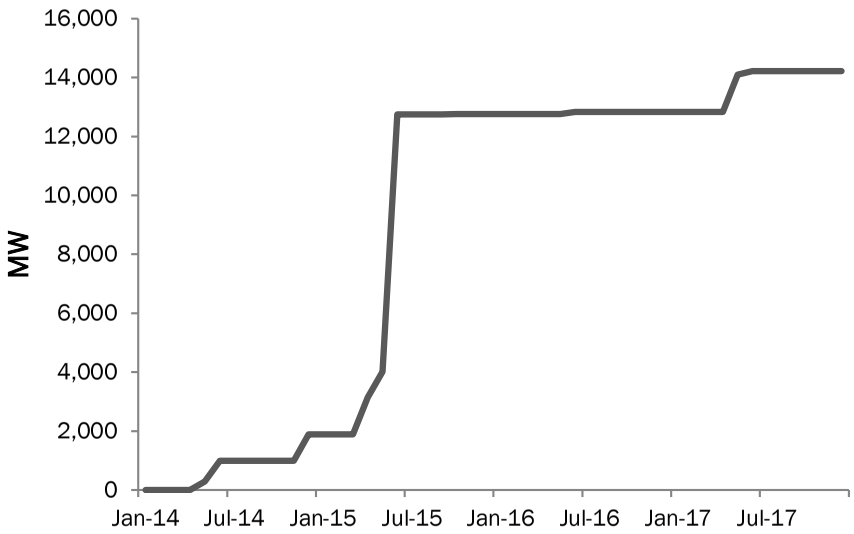
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-07932

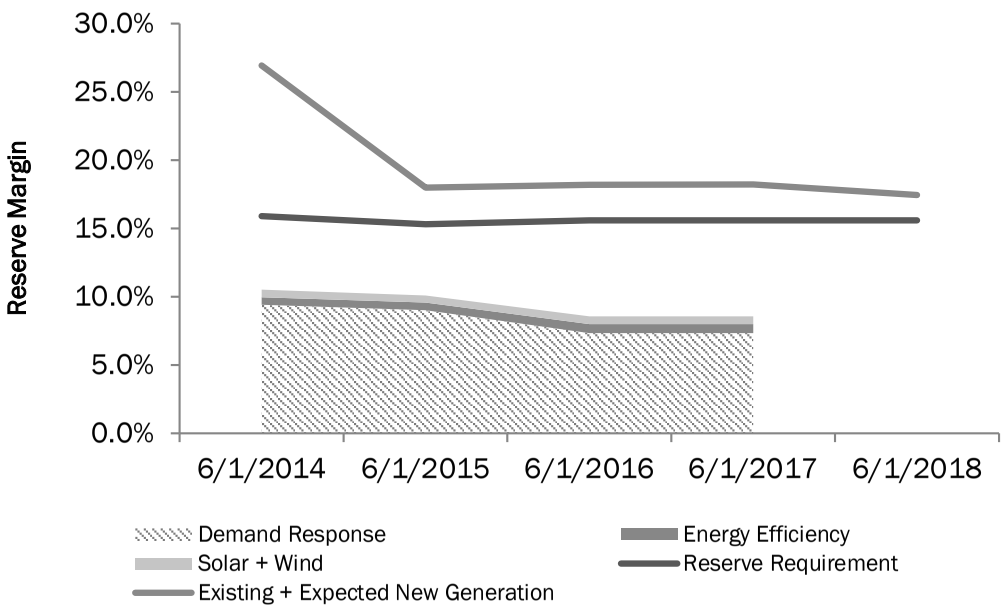
F=FORWARDS AS OF 8/13/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



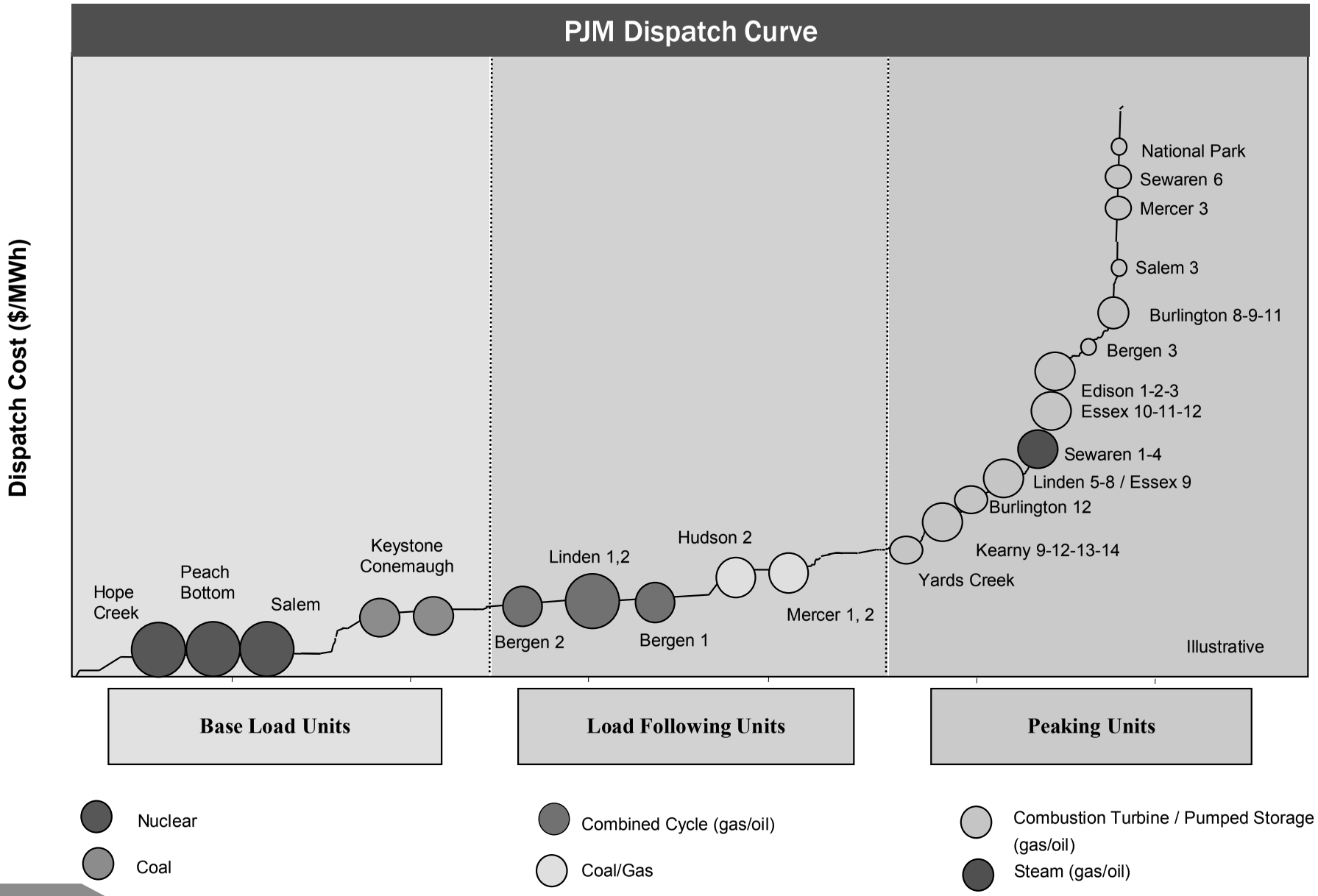
- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-07933

PSEG

*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch

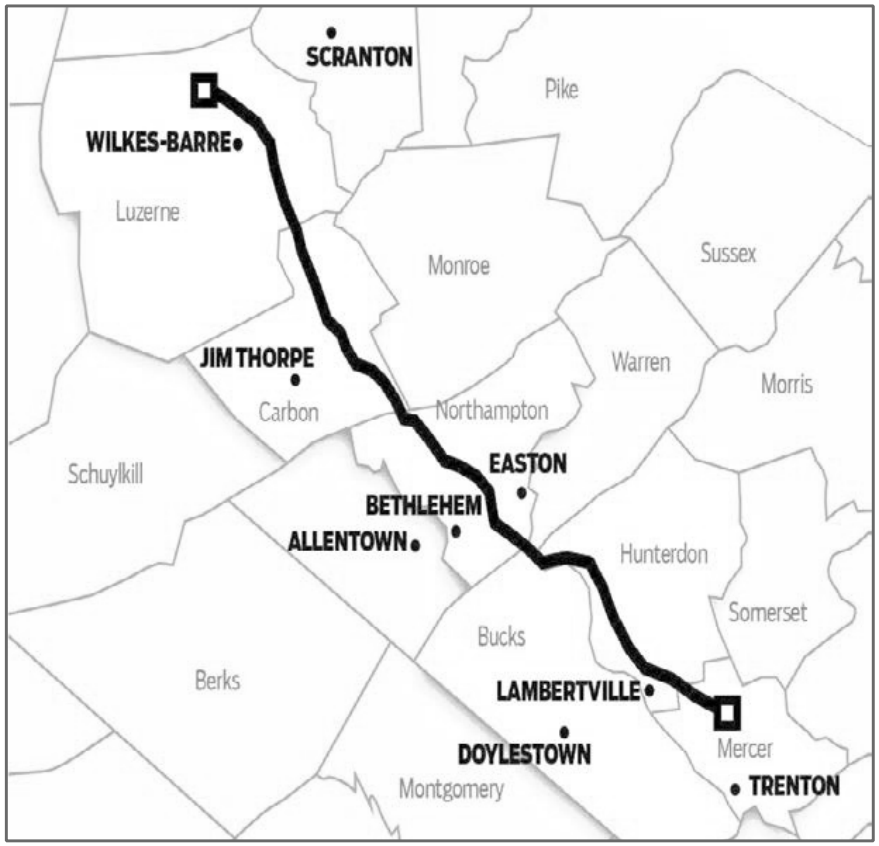


SI-SSA-0015-07934

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



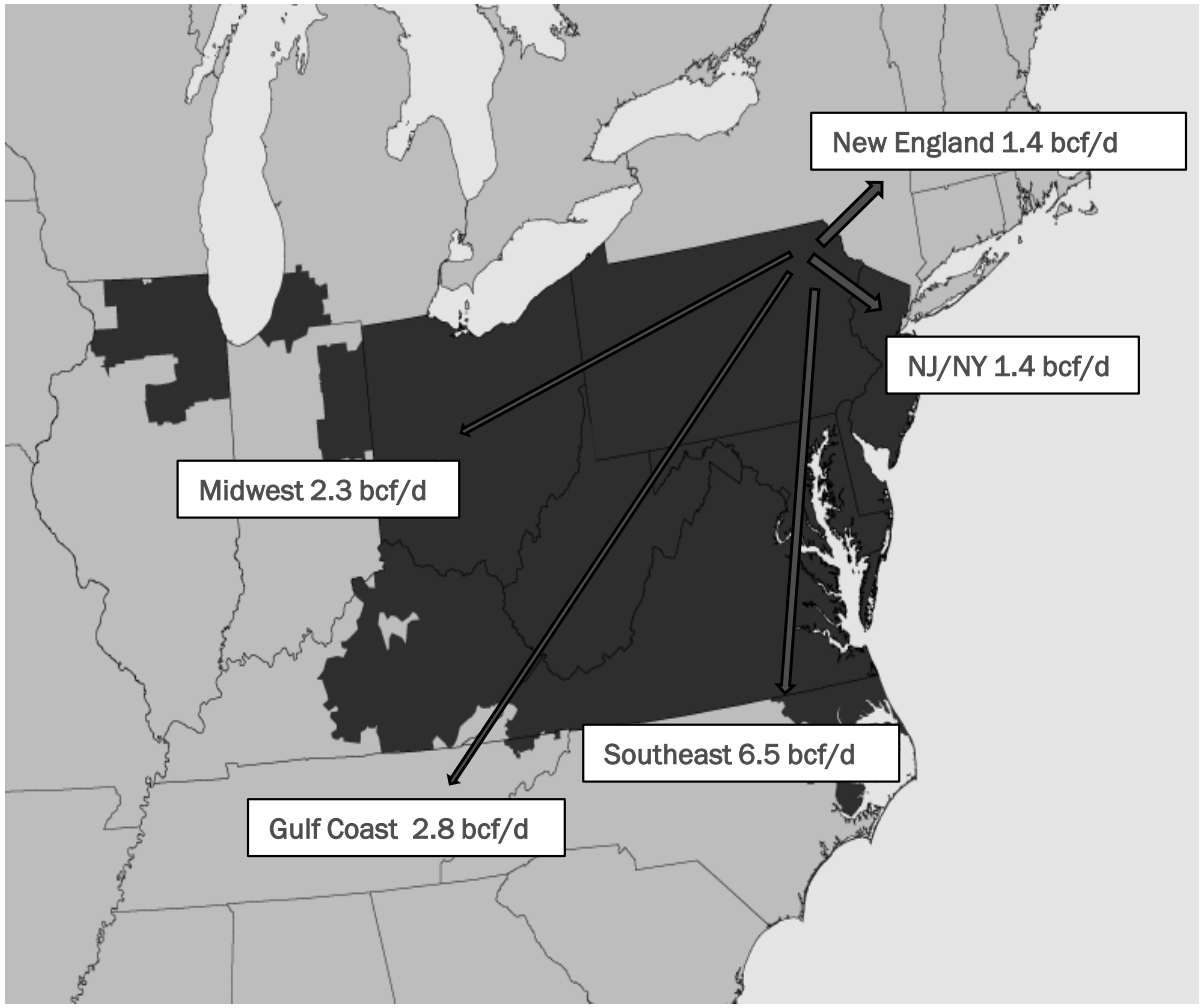
- PSEG plans to invest $100 - $120 million in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors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

SI-SSA-0015-07935

Industry infrastructure build through 2018

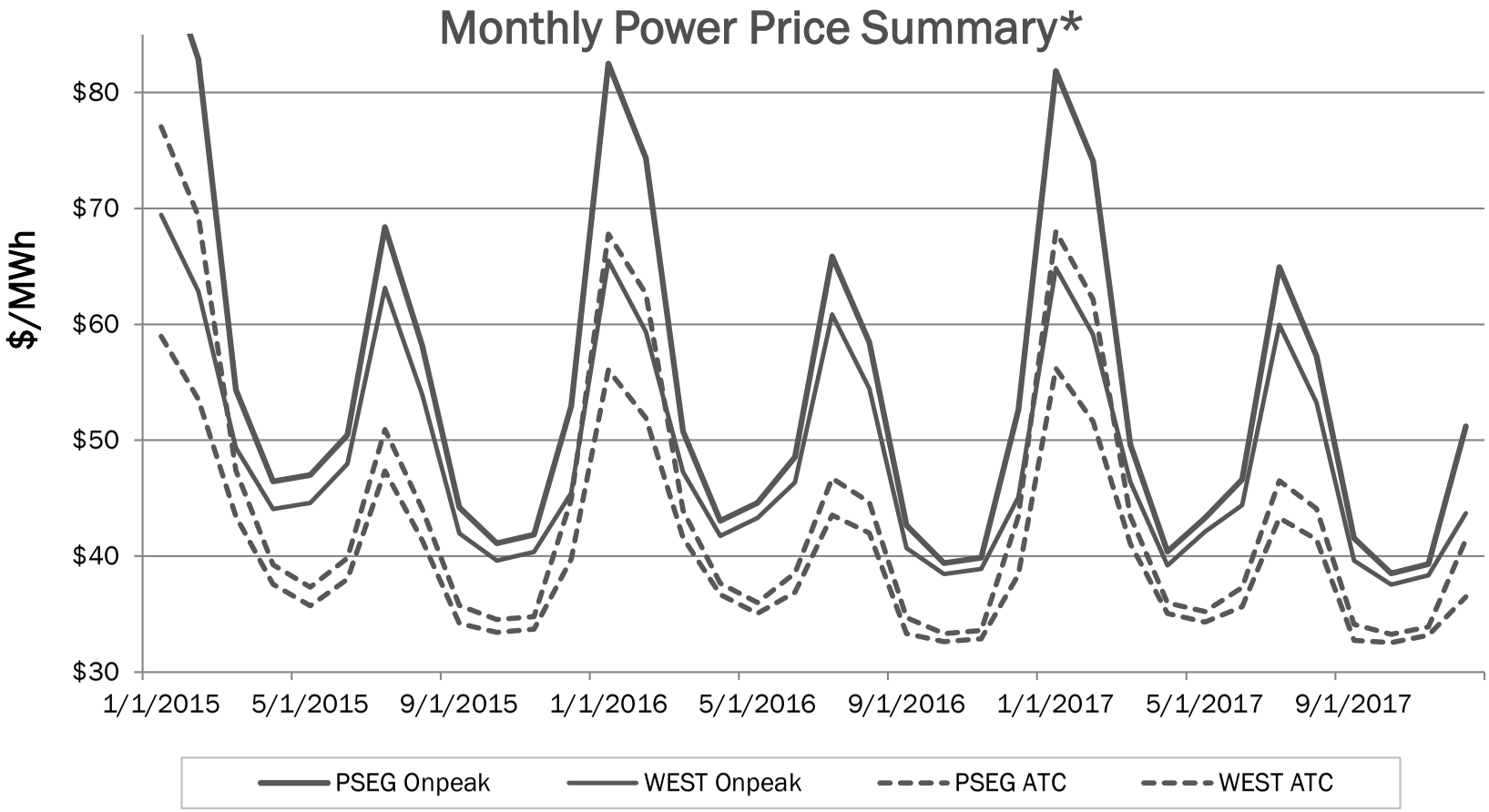
to meet demand growth

New investment will increase pipeline takeaway capacity from low-cost Marcellus and Utica shale basins to meet demand in the South and Midwest



SI-SSA-0015-07936

Sustainable Advantage: Forward power curves indicate PSEG Zone retains premium price



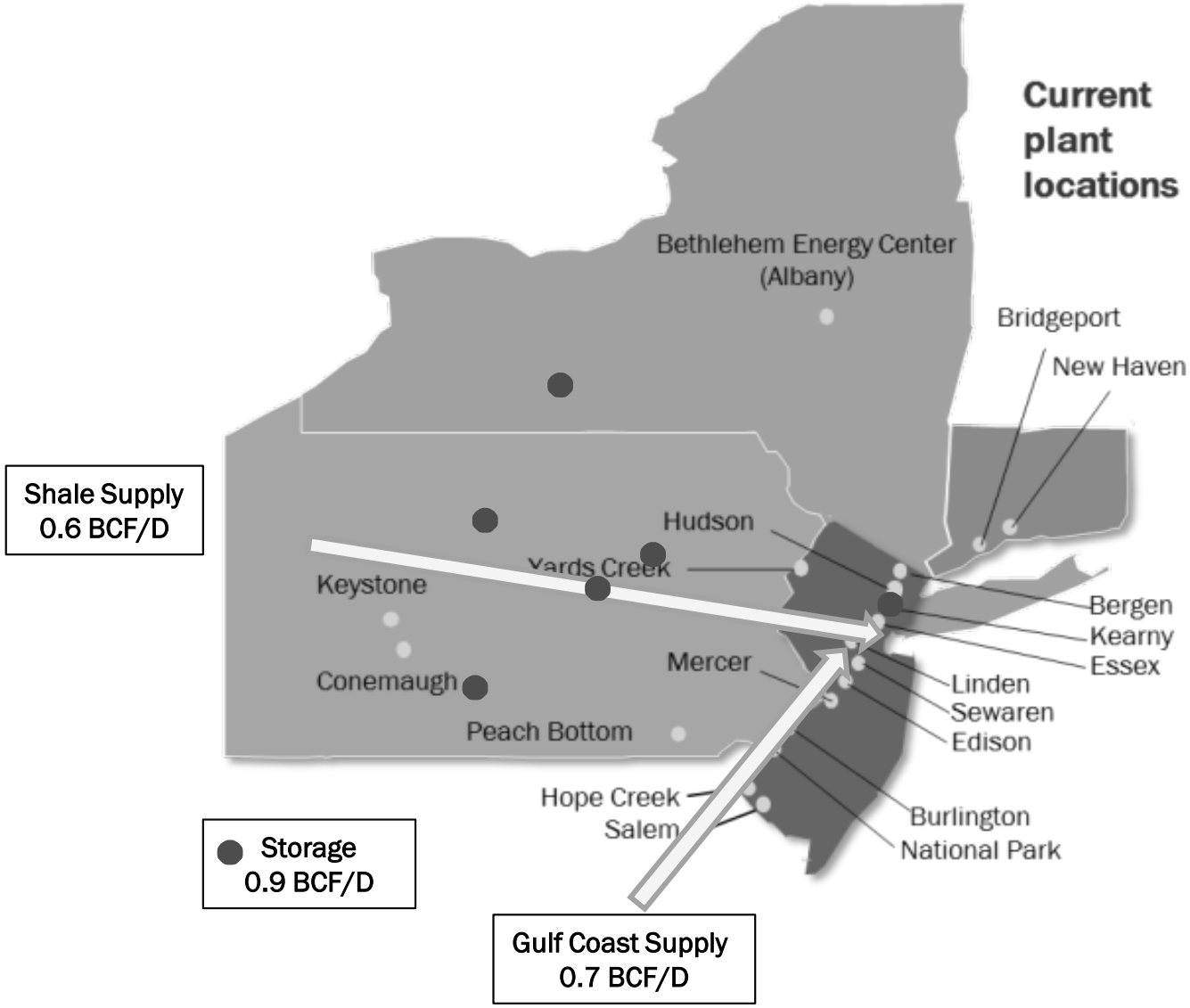
Growing importance of the winter peak has influenced PJM reliability planning … with supportive implications for price formation

SI-SSA-0015-07937

PSEG

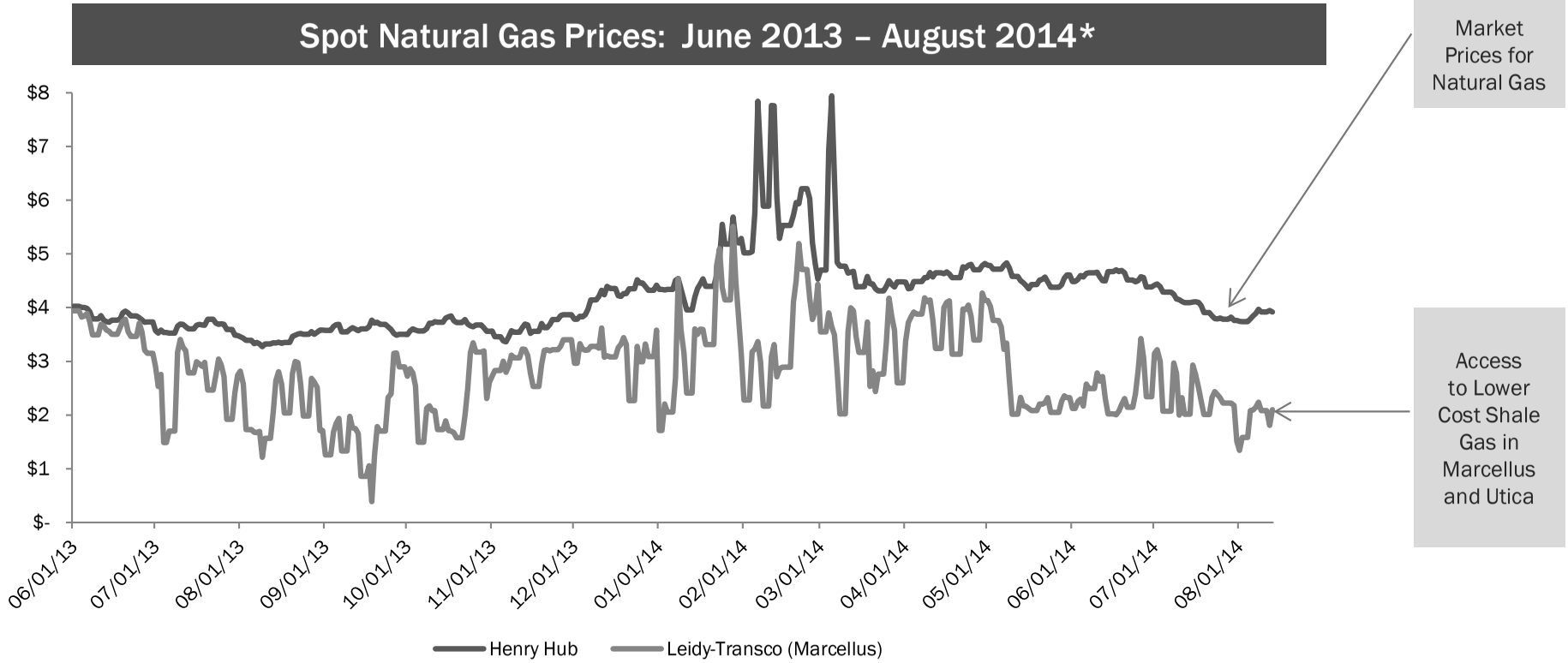
* MARKET AS OF OCTOBER 22, 2014. SOURCE: ICE/BROKER QUOTES.

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-07938

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

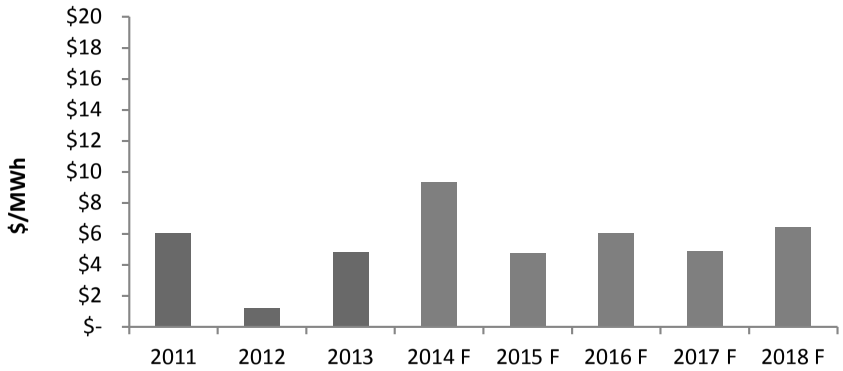
SI-SSA-0015-07939

PSEG

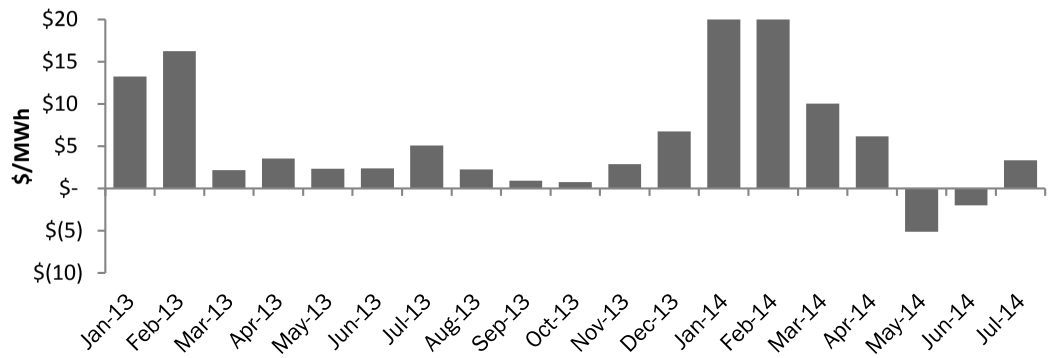
*AS OF 8/13/2014

Competitive Advantage: Locational advantage from short term basis volatility

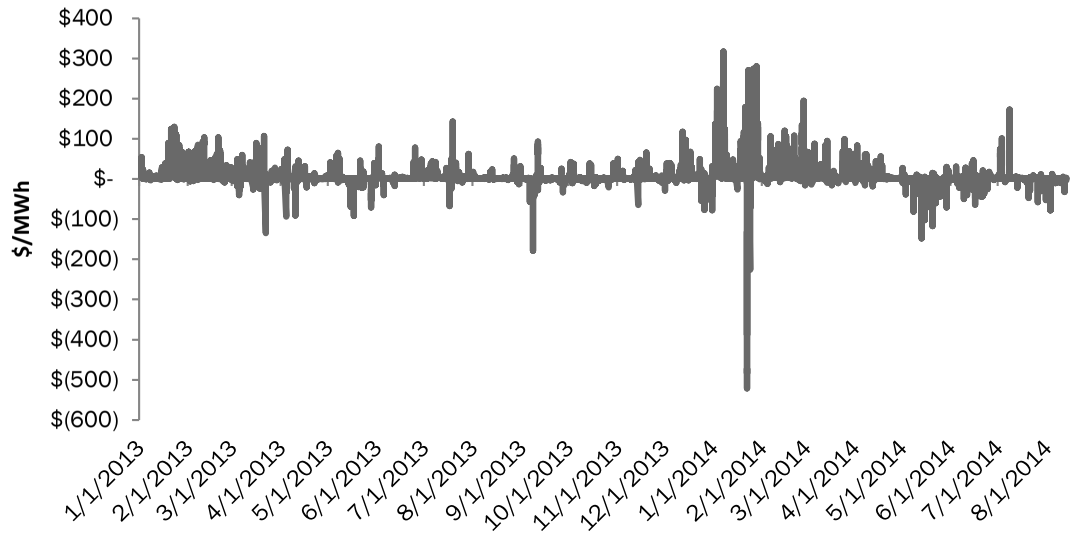
PS Zone Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W

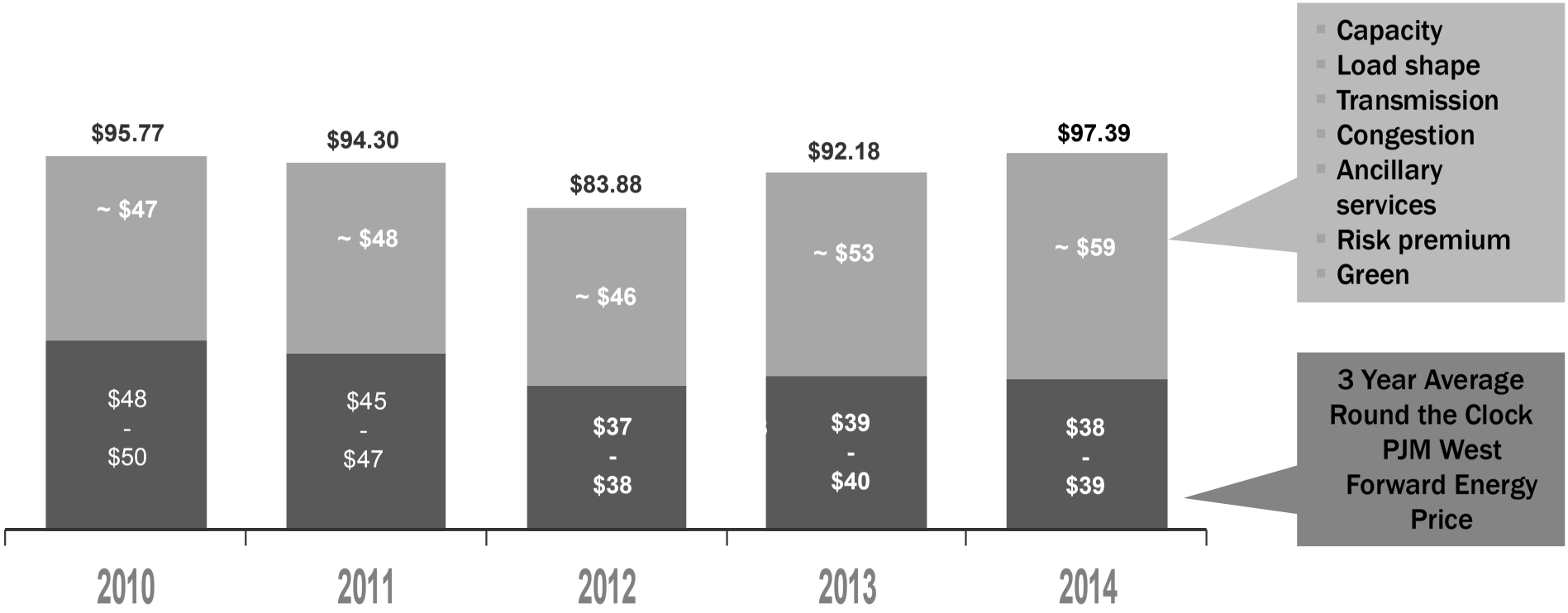


- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-07940

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 8/13/2014. 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-07941

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

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

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-07942

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-07943

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PJM Capacity Performance Proposal:
aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places **emphasis on reliability** given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure to **encourage availability**

- **Generator availability/flexibility is key** objective for units with secure fuel supply capable of meeting operating standards

- **Elimination of 2.5% holdback**, making all capacity resources annual products, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Expected to File
Final CP Proposal

February 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

SI-SSA-0015-07944

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-07945

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-07946

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-07947

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

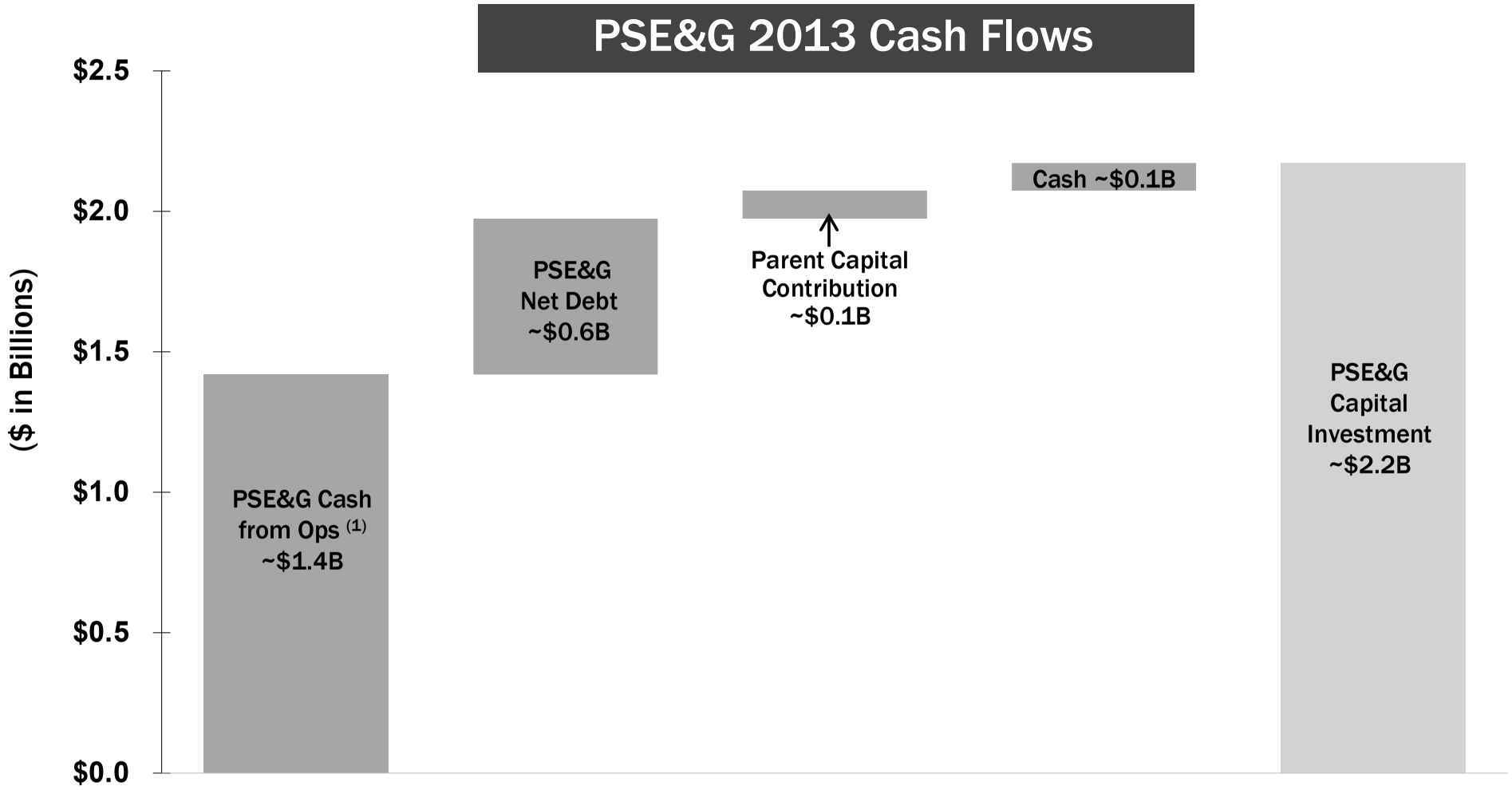
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

SI-SSA-0015-07948

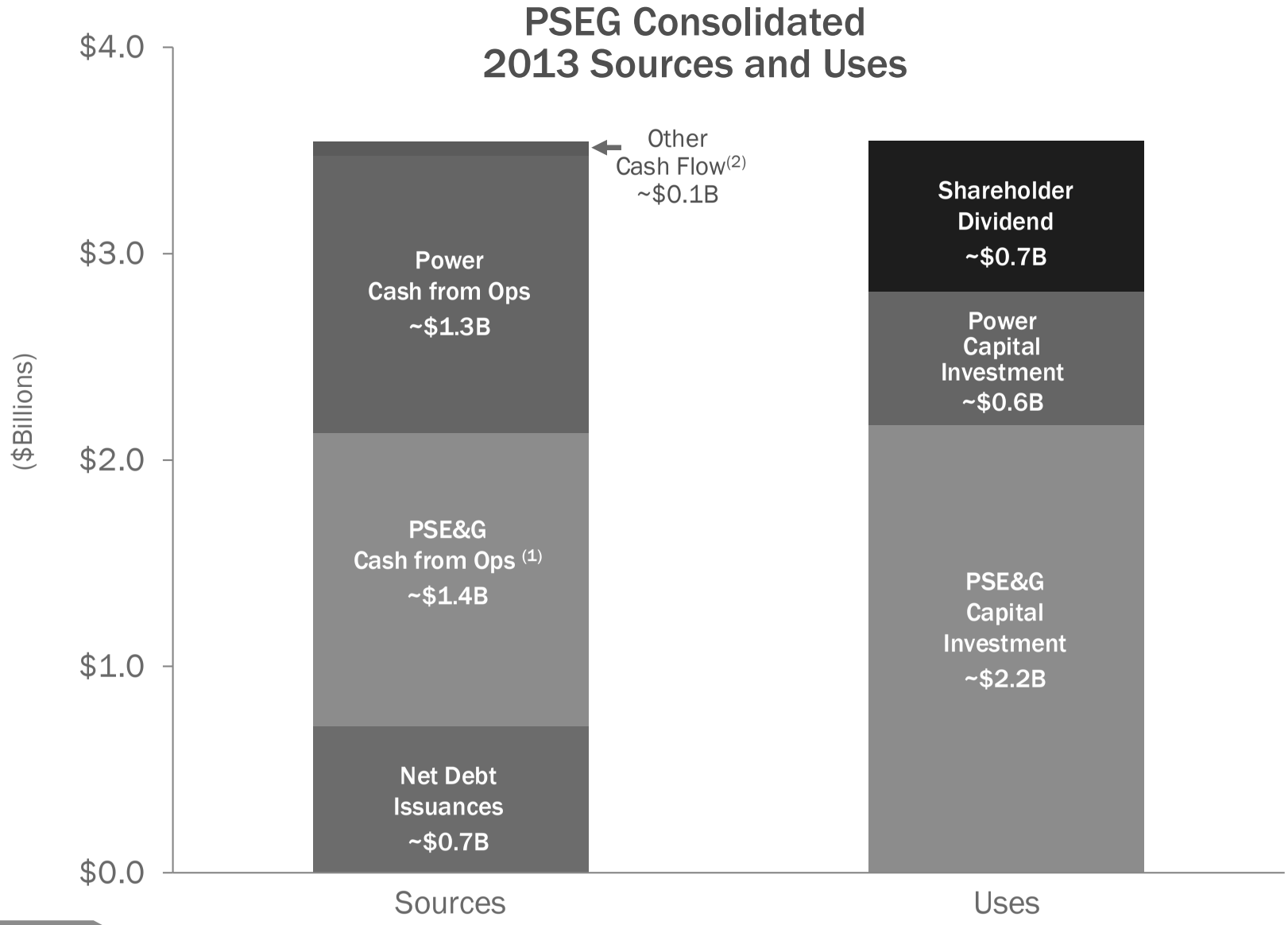
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-07949

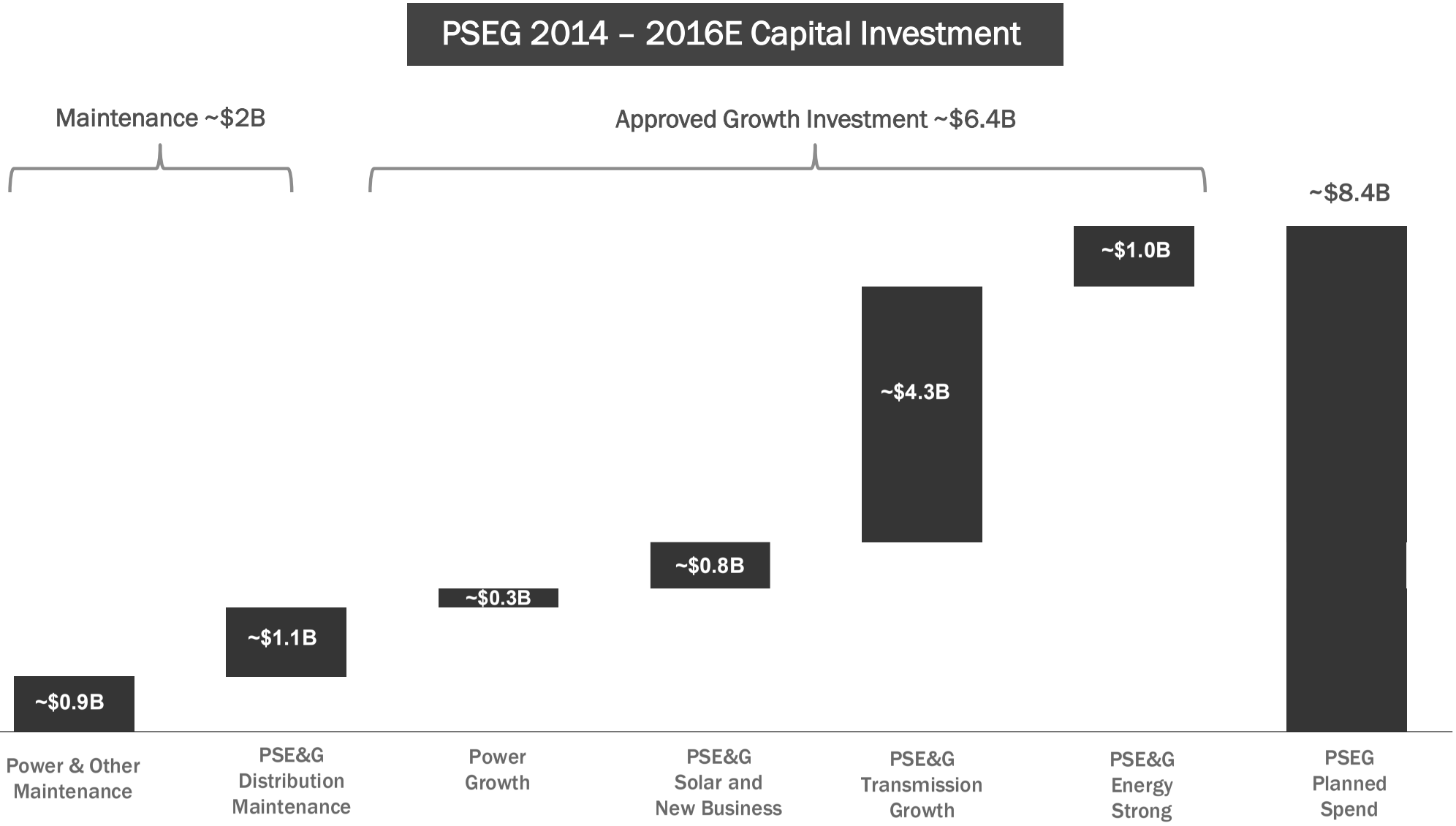
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-07950

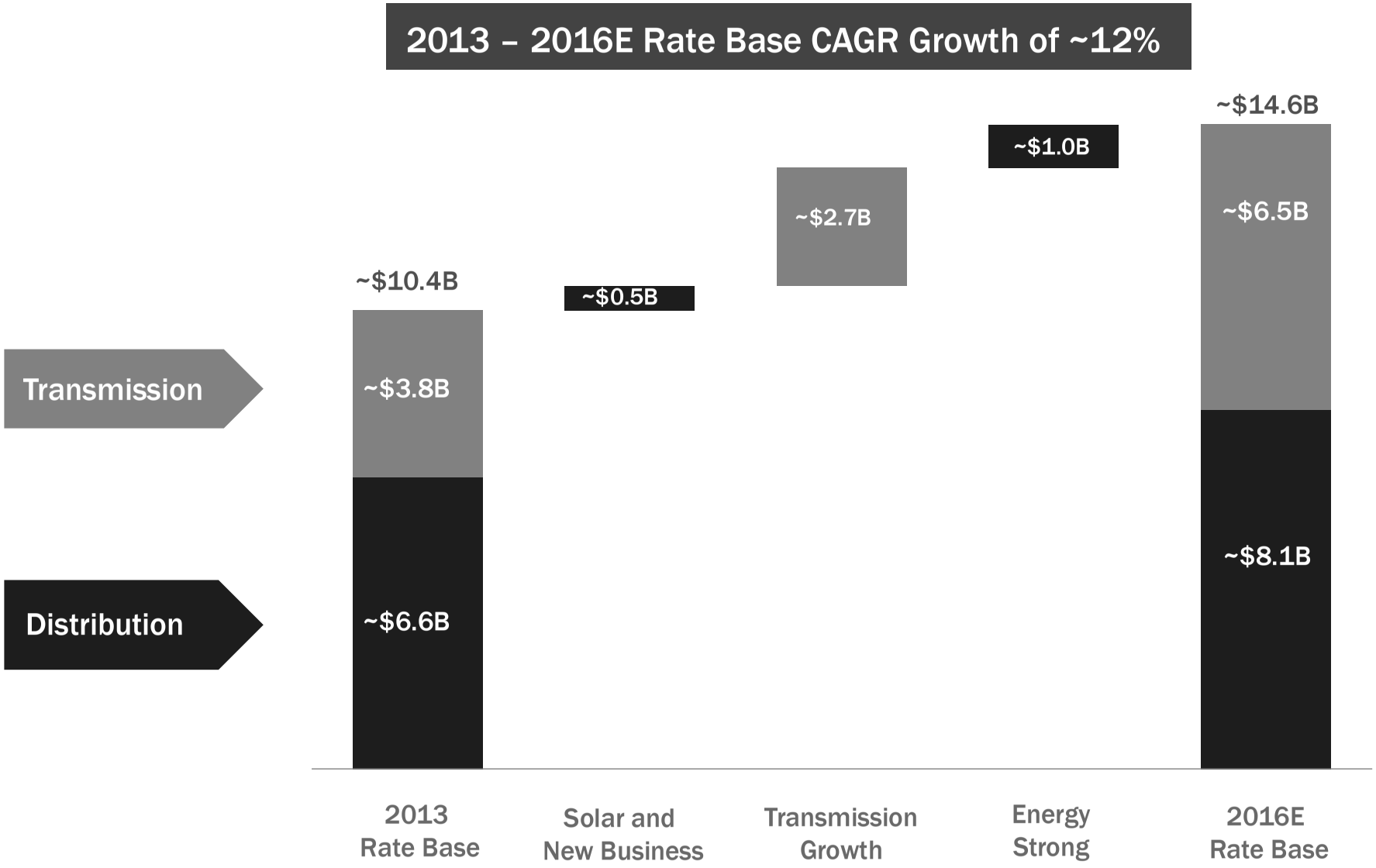
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

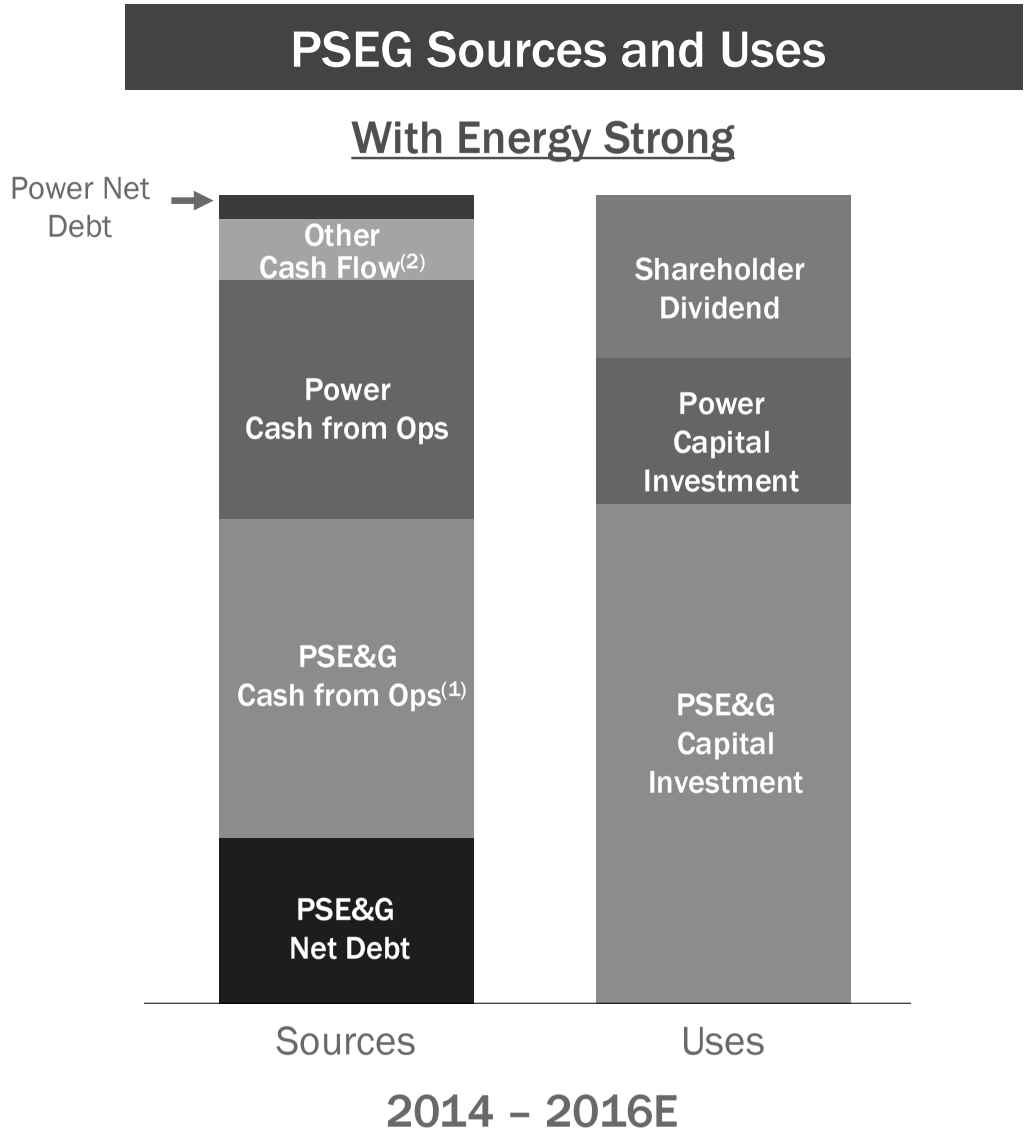
SI-SSA-0015-07951

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-07952

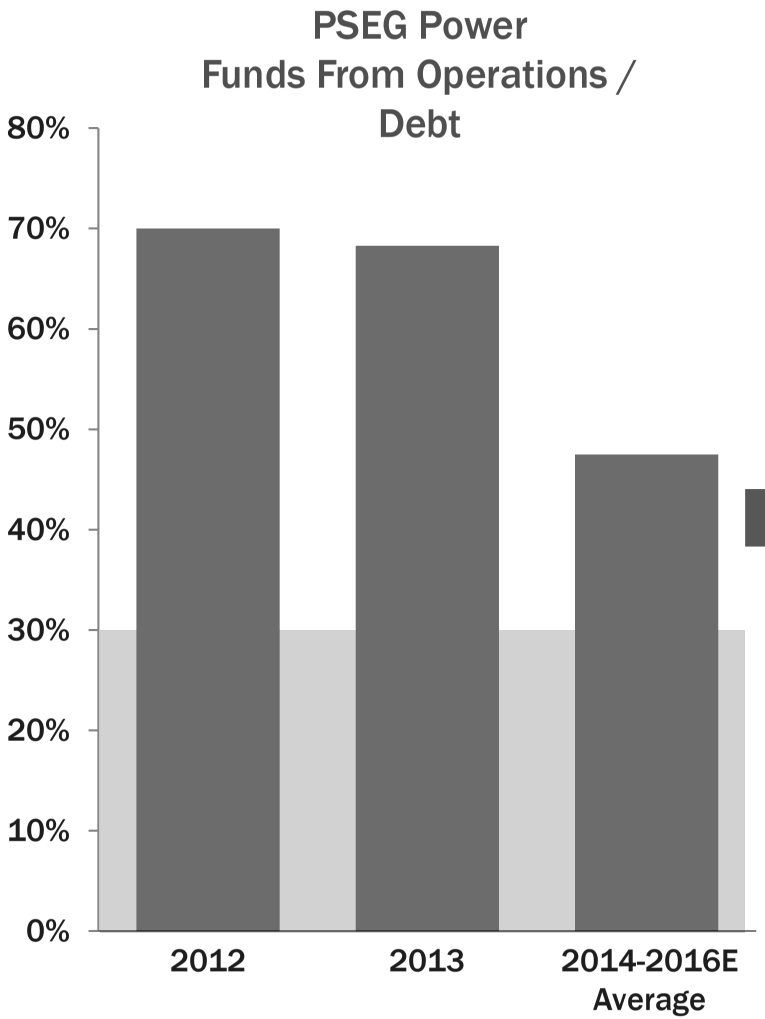
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-07953

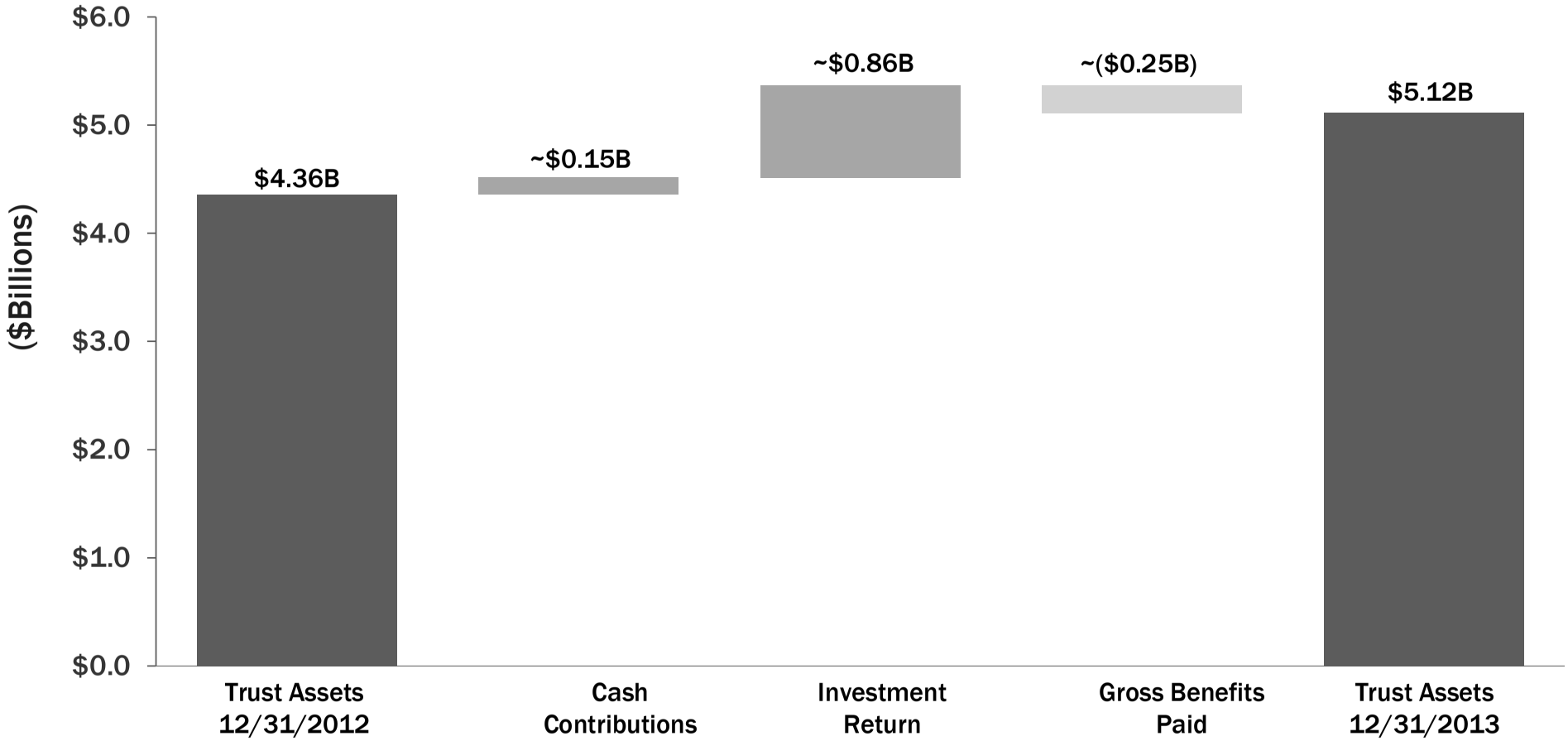
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-07954

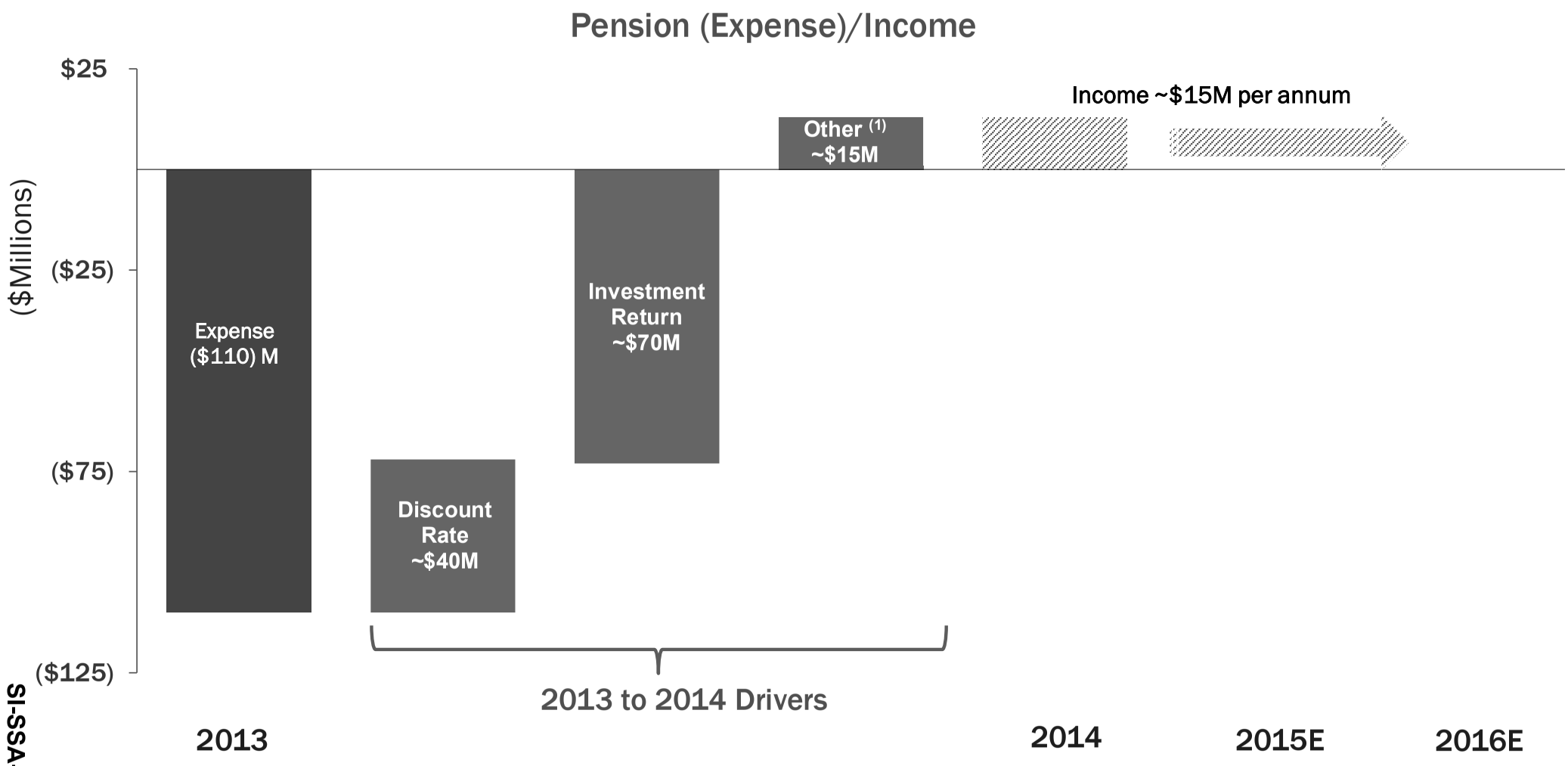
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-07955

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-07956

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

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

Regulated % of Earnings	**43%**	**47%**	**53% - 54%**

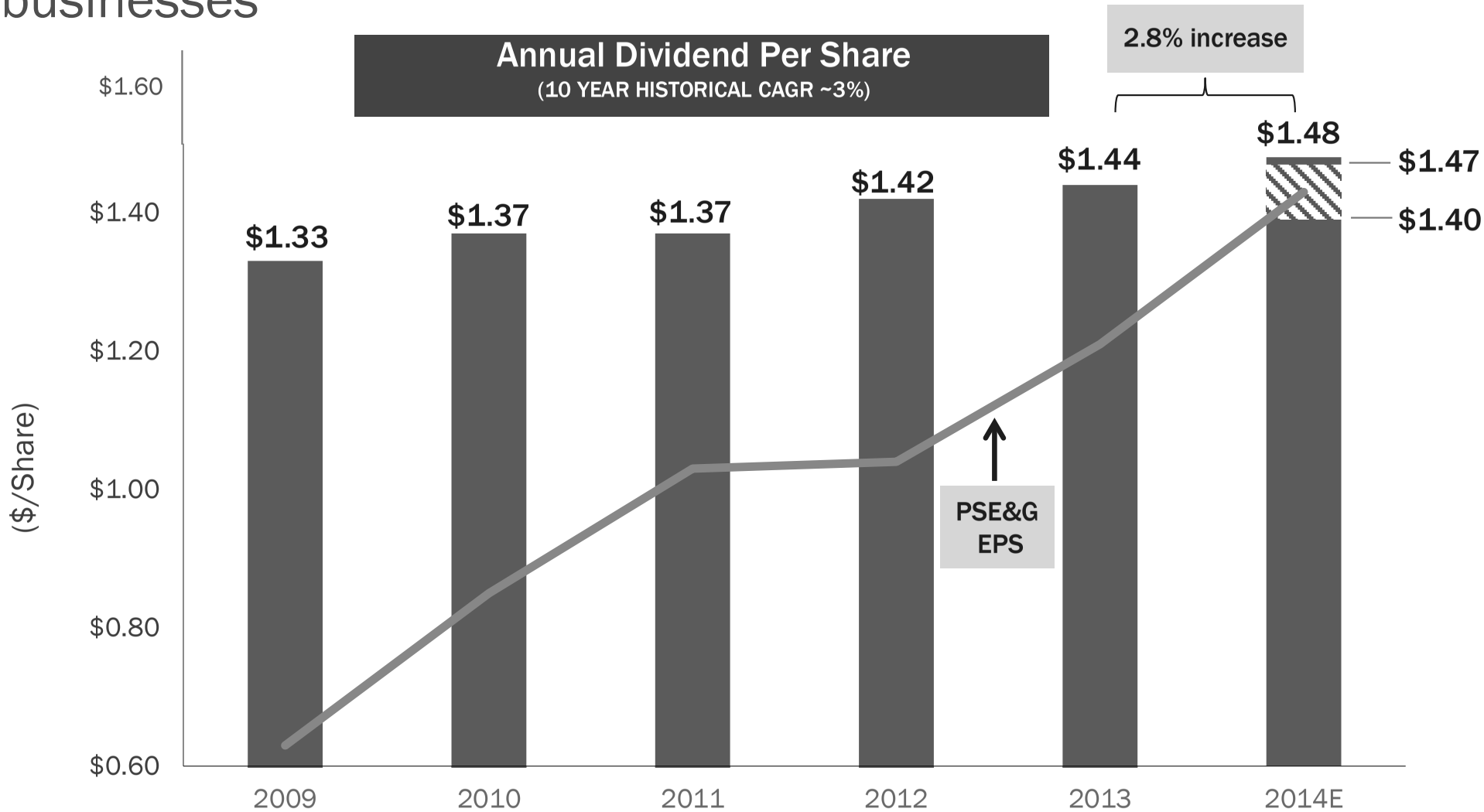
SI-SSA-0015-07957

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	55%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.60-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-07958

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00	$0.08 - $0.11
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

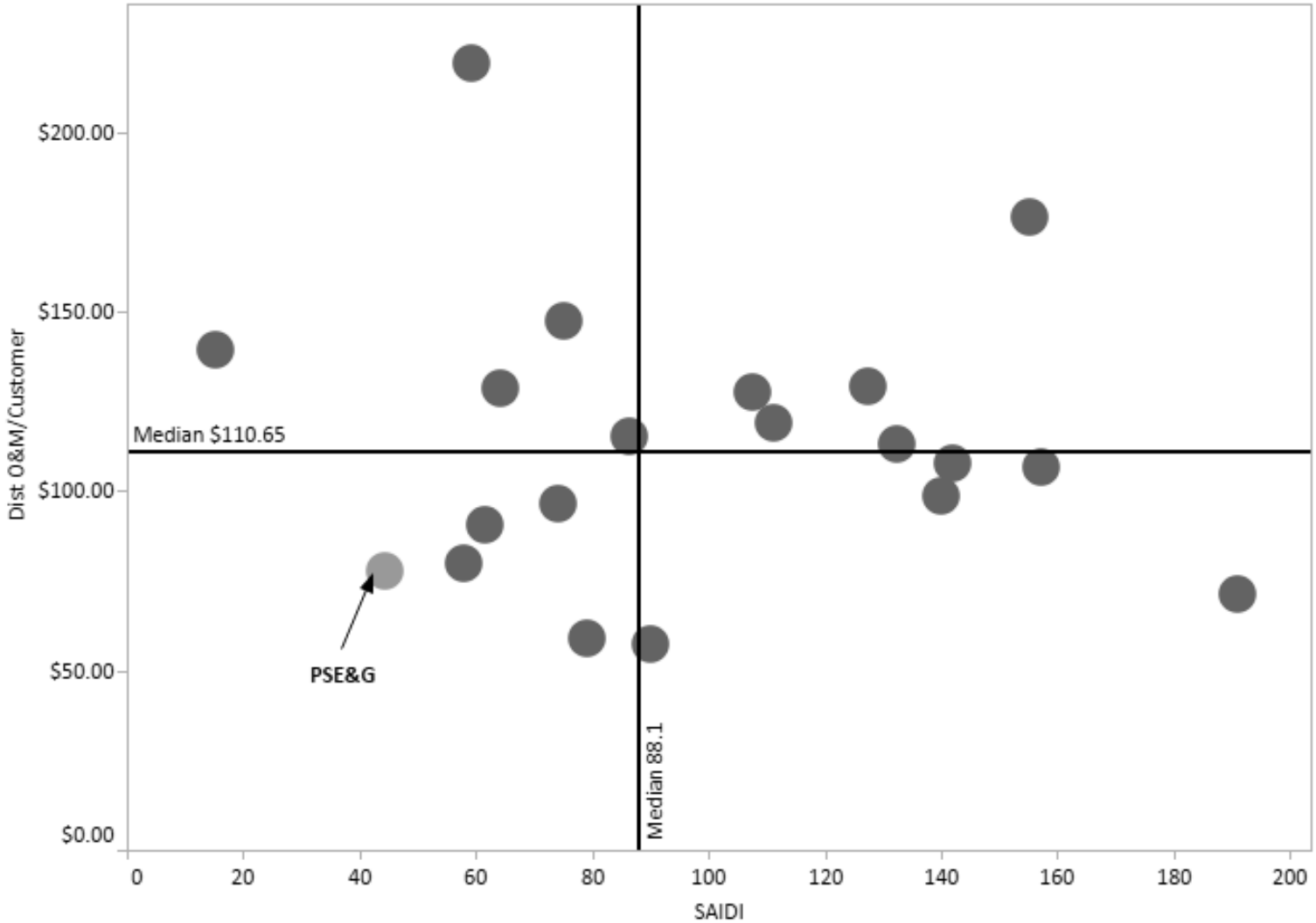
* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-07959

PSE&G APPENDIX

SI-SSA-0015-07960

PSE&G provides high reliability at below average cost which creates superior value to customers

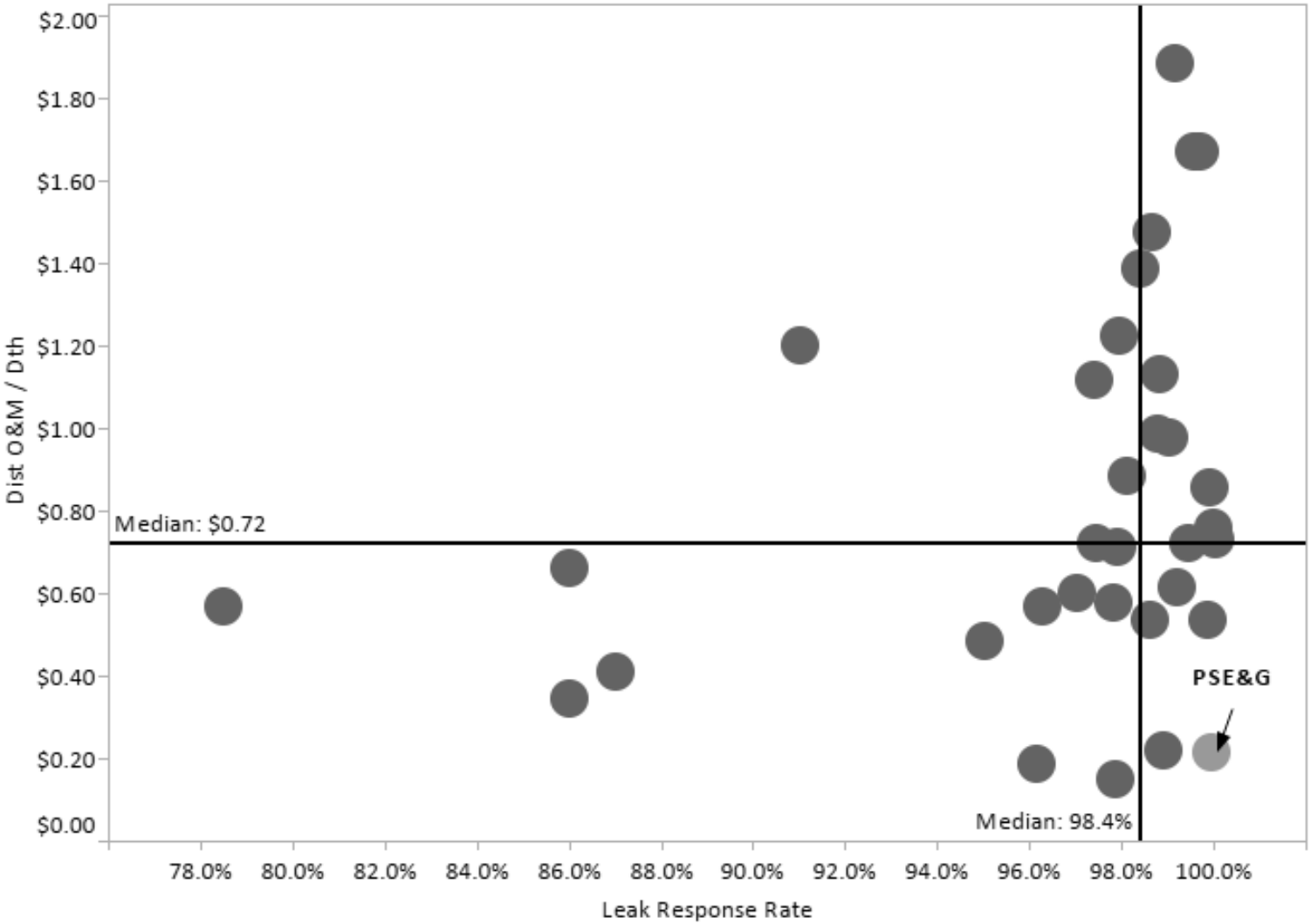


SI-SSA-0015-07961

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



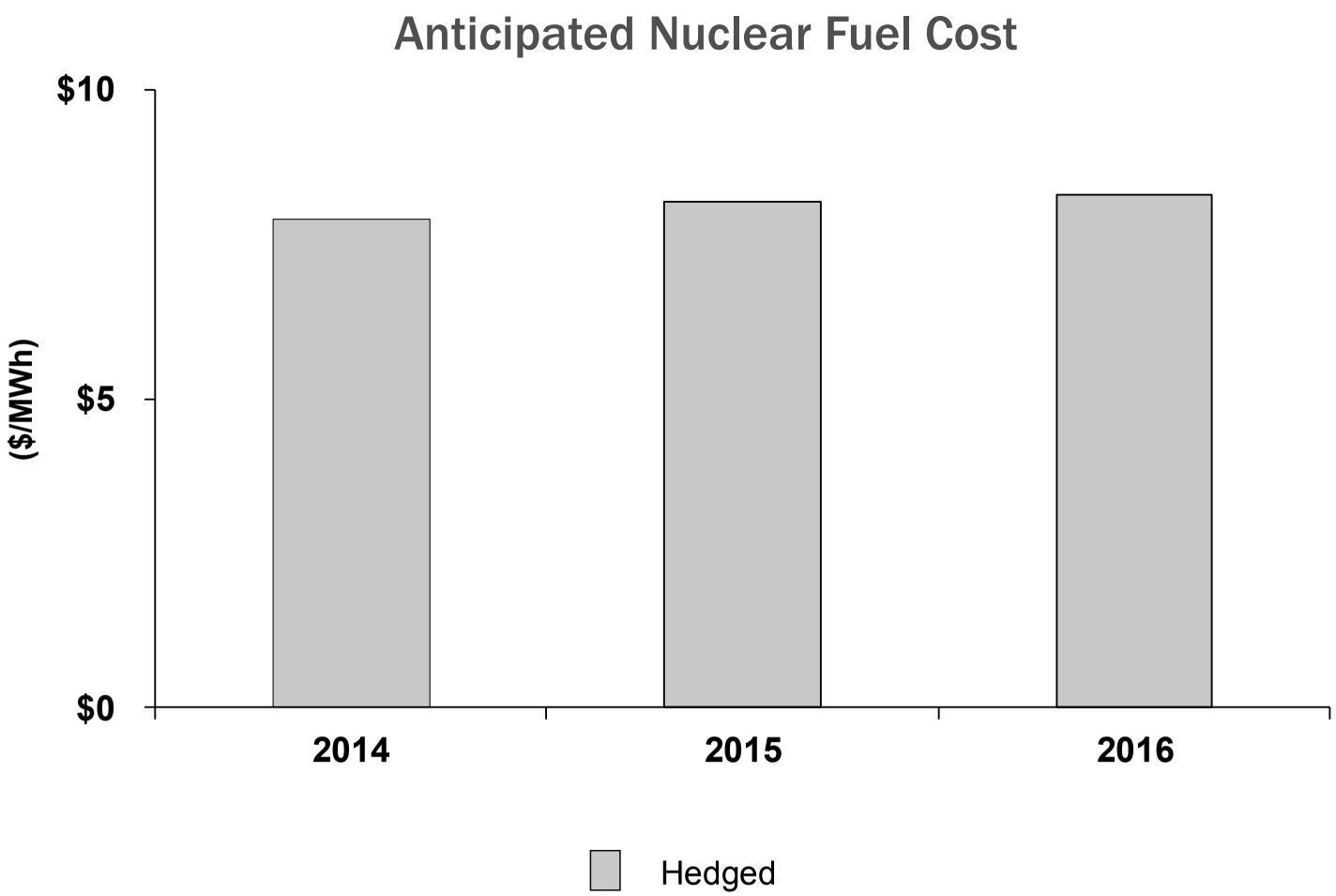
SI-SSA-0015-07962

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

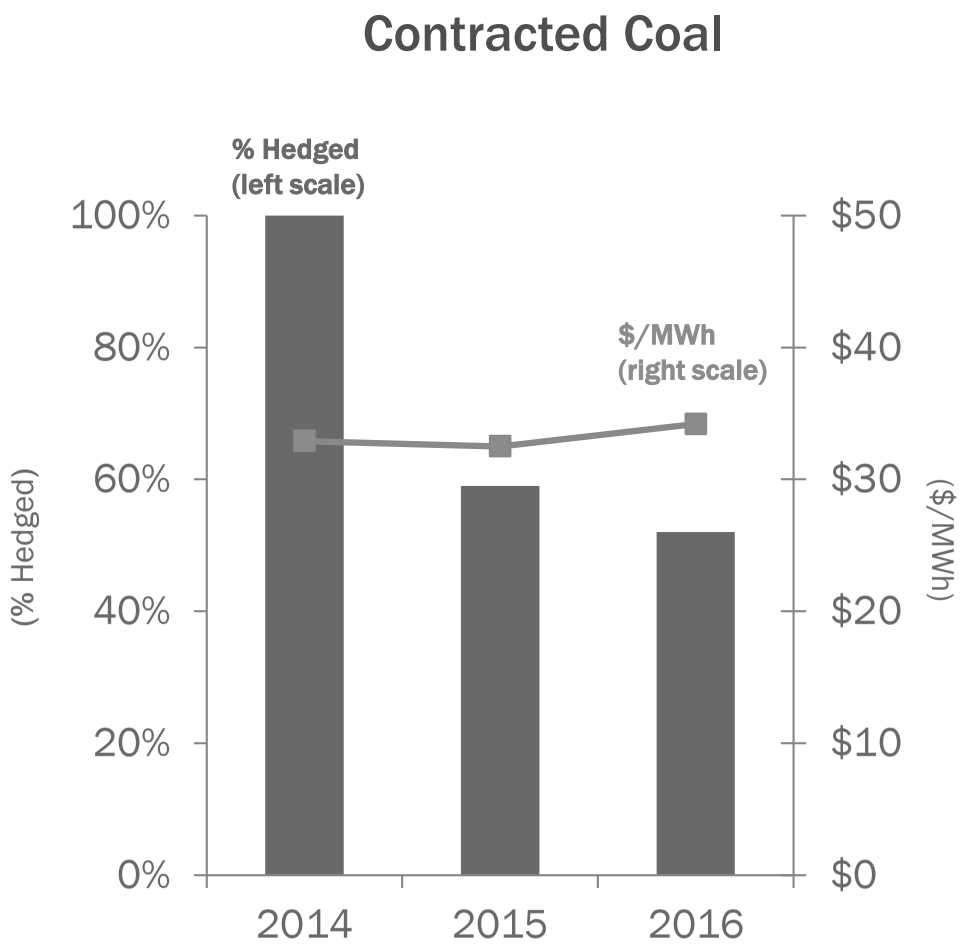
SI-SSA-0015-07963

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-07964

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-07965

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-07966

PSEG FINANCIAL APPENDIX

SI-SSA-0015-07967

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

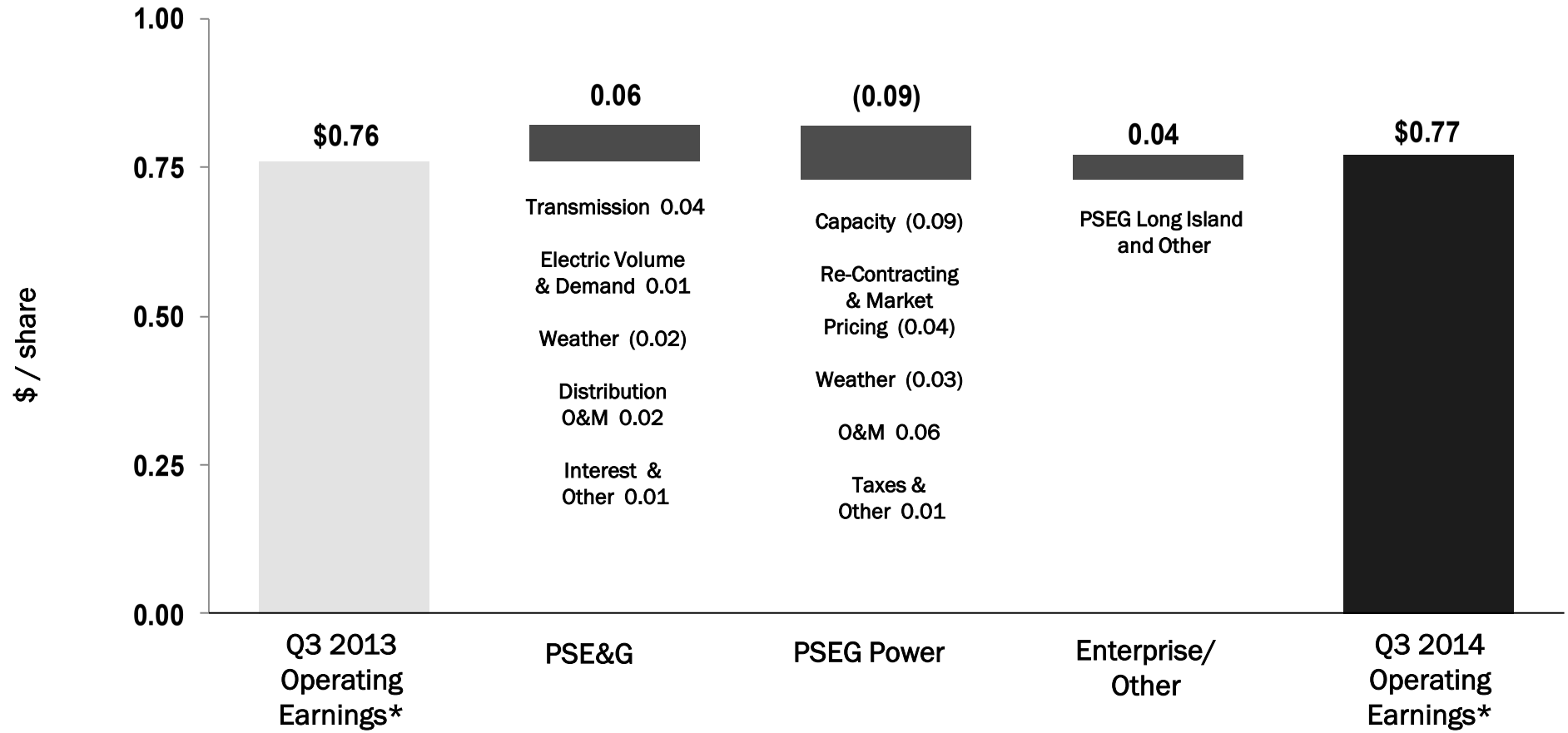
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 200	$ 168	$ 0.39	$ 0.33
PSEG Power	171	221	0.34	0.43
PSEG Enterprise/Other	22	(4)	0.04	-
*Operating Earnings**	$ 393	$ 385	$ 0.77	$ 0.76

SI-SSA-0015-07968

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2014 vs. Q3 2013



SI-SSA-0015-07969

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

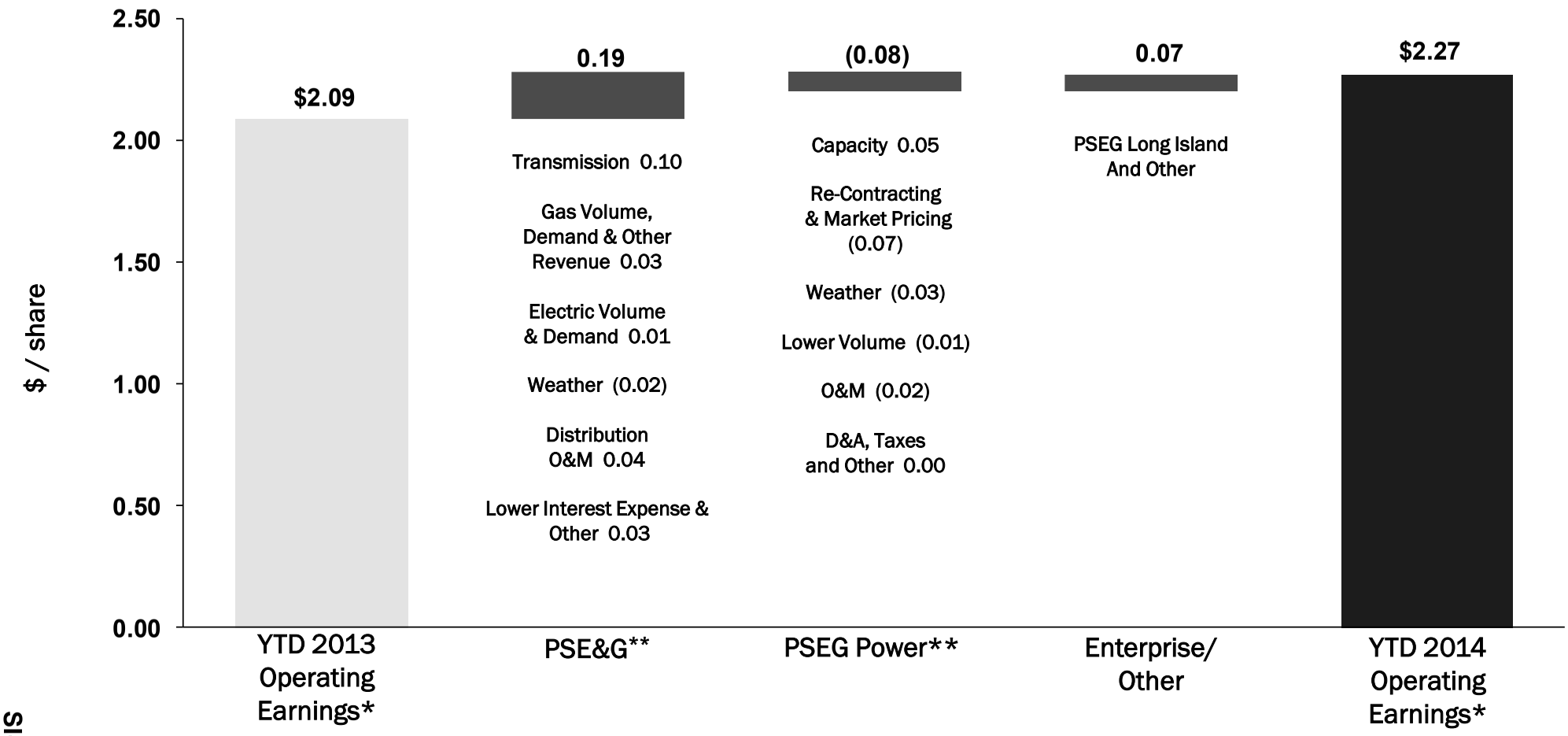
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 565	$ 468	$ 1.11	$ 0.92
PSEG Power	551	595	1.09	1.17
PSEG Enterprise/Other	37	(2)	0.07	-
*Operating Earnings**	$ 1,153	$ 1,061	$ 2.27	$ 2.09

SI-SSA-0015-07970

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-07971

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

Our balance sheet remains strong

September 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.7	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	8.6	6.1	2.5
Common Equity	12.1	6.6	5.5
Total Capitalization	**$20.7**	**$12.7**	**$8.0**
Total Debt / Capitalization	**42%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.8%

SI-SSA-0015-07972

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $326 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.

PSEG Liquidity as of September 30, 2014

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

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

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

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

SI-SSA-0015-07973

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 9/30/2014 ($ millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$197
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$3
Other	Land & Receivables	$5
	Total Holdings Investments	**$898**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-07974

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-07975

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

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

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

SI-SSA-0015-07977

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Edison Electric Institute Financial Conference

EVENT DATE/TIME: NOVEMBER 10, 2015 / 02:00PM GMT

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CORPORATE PARTICIPANTS

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group Incorporated - EVP & CFO*

PRESENTATION

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Good morning everyone. Thanks for joining us. I'm Ralph Izzo, Chairman, President and CEO of PSEG.

I'm joined today by seated up front with me here is Dan Cregg, our Executive Vice President and Chief Financial Officer. Also in the audience are Kathleen Lally and Carlota Chen, our Vice President and Manager of Investor Relations, who will also be available to answer any questions you might have.

So as is usually the case I will begin with our forward-looking statements just of course cautioning you that some of what I'll be talking about are predictions. I won't read it for you in detail. And also I'll talking a little bit about operating earnings which are not GAAP numbers and we do have a reconciliation for you in the back of the presentation.

So I'll start with an overview of the Company. For those of you who are a little less familiar with Public Service Enterprise Group we consist primarily of two operating companies, Public Service Electric & Gas which is a regulated electric and gas transmission and distribution system serving New Jersey. It's the largest regulated utility in New Jersey.

Primary characteristic that I'll feature and describe for you today is a pretty ambitious $12 billion capital program in the next five years that will result in a compound annual growth rate of its regulated rate base of approximately 11%. I post here for you some numbers in terms of how we ended the year 2014 which are available for your reading.

Operating alongside PSE&G is PSEG Power, our unregulated competitive generation business. Its hallmark and value proposition is its advantaged environmental and geographic location as well as an asset mix, a portfolio of assets that are characterized by fuel diversity and technological diversity. By that I mean a combination of peaking load following and highly reliable baseload generation.

As I look at the strategy we've deployed over the past few years it really does begin with our employees. By setting clear expectations, making sure they have the ability to succeed and explain why we do the things that we do we produce a very engaged workforce focused purely on two words: operational excellence.

And that excellence is demanded whether it's in our nuclear plants, our fossil plants, our field operations in the utility or our support functions, IT, accounting and a whole myriad of others. We absolutely believe and we've demonstrated that with that operational excellence comes solid financial performance. With that solid financial performance comes the opportunity to redeploy capital in a disciplined manner.

The result of that strategy has been three years of earnings growth, earnings per share growth, an increased rate of growth of our dividend and what we believe is a best-in-class utility growth story as well as an increased competitiveness of our fossil fleet through the expansion of some of our combined cycle gas turbines and more recently plans to build new combined cycle gas turbines.

As I take a look at the capital program both past, present and future, you'll see that over the past five years we deployed a little over $12 billion in capital, approximately 78% of that at the utility with the lion's share of the utility investment in transmission. A significance of that is that the transmission investment is FERC regulated and recovered through a formula rate proceeding which minimizes the degree of regulatory lag. We basically file for our rates in October and three months later in January those rates are made actual for us subject to prudency review of course but not subject to ROE review.

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As we look ahead for the next five years we've expanded that capital program by about 20% for both the utility and PSEG Power. And you can see the utility capital program now approaching $12 billion, still with the lion's share being in transmission of about 60% and power now having some growth opportunities as well that I will go into in a few moments, mostly in the form of new gas-fired power capability.

Approximately 70% of the utility's capital program receives some form of contemporaneous return. So the 60% due to transmission and an additional 10% through various clauses that have been negotiated with the state of New Jersey through regulatory proceedings. The remaining 30% of the utility capital program is modestly in excess of depreciation and the result of which means that we have very little capital that's deployed that's subject to regulatory lag.

The most recent approval that we received in the form of a contemporaneous return mechanism in New Jersey, I need to qualify that. The most recent program that we have come to an agreement with the staff on and we expect to have approved in six days next Monday is on the board of public utility docket is a gas system modernization program which has been approved for $900 million in expenditures over the next three years.

PSE&G has what we believe is the largest cast-iron main system in the nation. It is a low-pressure system so safety is not the issue; however, chronic leaks, methane emissions, contribution to greenhouse gases and simply excessive O&M expense associated with needing to repair those leaks warrant the replacement of the system.

At a $300 million per year run rate it will take 30 years to replace the system. So it's an ongoing program. It's one which we've had three prior approvals for special clause/track of recovery, this being the most recent one.

And as is listed here the return mechanism is identical to what we had in an energy strong filing that we received approval for in May 2014. And in this particular case we are being allowed a return on equity of 9.75%.

A little over $600 million of the $900 million will be subject to that clause and tracker return. And a little bit over $250 million is expected to be recovered through a standard base rate case that we must file no later than November 2017. And that had been planned for the prior year and half.

If I look at the utilities overall capital program, this is a $12.6 billion that I referred to two slides ago, you can see at the bottom of each bar chart is a significant amount of transmission investment. Just above that is a combination of some special clause mechanisms but mostly maintenance capital on the gas and electric distribution system inclusive of some modest amount of new business. Above that is our Energy Strong tracker mechanism which for those of you who don't recall Energy Strong was born out of the consequences of Superstorm Sandy and a recognition that many of our legacy assets were built in industrial areas which were low-lying areas with respect to possible flood and storm surge consequences and needed to be either elevated or protected from future events.

The piece above the lighter shaded blue is our new gas system modernization program which you see is scheduled to start January 1 of 2016 and then run for three years. And we've been quite active at PSE&G in some nontraditional programs which are largely a combination of rooftop solar, grid connected solar and energy efficiency. Just prior to the approval of the $900 million for the gas program we received approval for a $95 million energy efficiency program inclusive of the opportunity to recover fixed costs associated with the distribution system and the lack of throughput resulting from an energy efficiency program.

I will point out that as has often been the case in the past this six-year profile, current year plus five future years, has been pretty consistent over the last eight years. It just keeps shifting out in terms of the expectations for future growth. That's not a guarantee that we'll continue to add 20% to the capital program with each annual revision of the five-year plan.

However, I do think that one should expect that the out years where there's a forecasted decline is really more reflective of the fact that it's difficult to predict what the needs will be out there. But suffice to say in a fairly mature infrastructure such as ours infrastructure replacement for preservation of reliability is something that is likely to continue.

If I switch over now to PSEG Power you can see that we had some good news in terms of market design and market rules. The best example of that has been the most recent capacity auction run by PJM, otherwise known as the RPMBRA for reliability pricing model based residual auction, in which PJM has modified the rules whereby the penalties for an asset that has is the recipient of capacity revenues are great much increased if the capacity asset does not perform at critical points in time. The risk premium associated with that greater penalty was reflected in a fairly robust price realized by market participants inclusive of PSEG Power.

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We're also encouraged by the fact that FERC is now giving much-needed attention to the issue, not so much prevalent in capacity markets but in energy markets, around price formation. And this is merely the fact that there have been a substantial number of cases where for reliability's sake units have been dispatched with specific uplift payments that have not been available to all market participants.

And we believe this is part of the well discussed in well-known hidden money problem that FERC is stepping up to address. And I'm sure you're all aware of the ongoing interest at the Supreme Court of the United States revolving the proper location for the regulation of demand response where most recent court decisions have we believe correctly suggested that these are retail services and not the purview of FERC and therefore more than likely not eligible for wholesale power capacity or energy pricing opportunities.

In addition to just those kind of progressive or positive outcomes in terms of market design we've had some good news specific to PSEG Power. We have been adding capacity at our Hope Creek and Peach Bottom nuclear units. We have been adding capacity at our existing combined cycle units, notably Linden, Bergen and we'll do Bethlehem Energy Center I believe in the coming year and a half.

And most recently we've announced the acquisition of a to-be-built plant in Prince George County, Maryland known as the Keys Energy Center as well as having cleared in the most recent PJM auction a new combined cycle unit known as the Sewaren unit in Woodbridge, New Jersey. So some combination of recent brownfield site newbuilds, primarily in the form of simple cycle gas turbines at Carbon and Carney, these uprates at our nuclear plants and the planned construction at Keys and at Sewaren have taken an already competitive fleet and truly enhanced its competitive position, particularly with access to low-cost Marcellus Shale gas.

A little bit more color on the 1,300 megawatts of combined cycle gas turbine plant for Maryland and New Jersey, the Keys facility is 755 megawatts. Expect it to be in operation in 2018.

The Sewaren facility is 540 megawatts. That will replace an existing 560 megawatts of an old steam unit at the Sewaren site which quite candidly was not a candidate for bidding into a CP type market just given the age and the reliability of the unit. So these two plants will both be quite efficient units with heat rates in the 6,500 to 6,700 BTU per kWh and therefore jump pretty much to the front of the dispatch queue.

As we look at earnings for this year we recently adjusted the lower end of our guidance and took it up $0.05. We're now forecasting earnings in 2015 of $2.85 to $2.95. If one were simply to look at the midpoint of that earnings range you would see a third year of consecutive growth in earnings per share.

In addition to the earnings growth that we've realized you see a continued growth in the proportion of the earnings coming from the regulated utility. And with the capital program designed as I've tried to describe to you you should continue to expect an increase in the regulated component of the total earnings of the Company. In addition to being a solid earnings producer PSEG Power enjoys a very healthy free cash flow component which is used to provide the equity needs of the utility in its $12 billion-plus capital program over the next five years.

With that I'm going to turn the podium over to Dan Cregg. And then I will rejoin Dan later on for any questions you might have.

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP & CFO***

Thank you, Ralph, and good morning. I will touch a little bit on some of the financial aspects of the business in my remarks and I will start with our operating earnings.

So our recent earnings call we reported earnings year to date of $2.41 versus $2.27 in the year-ago period. So about a 6% increase. And I'll touch more on the individual Company contributions to that in a slide in a minute but what that means from a year-end operating earnings forecast is the following.

For PSE&G we see an increase. So we were previously at $760 million to $775 million of operating earnings and that number has been increased to $785 million to $805 million of operating earnings at year-end.

And Power has slid down to the lower end of its prior range. And their current year-end guidance is $620 million to $650 million of operating earnings for the year.

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And as Ralph mentioned we're at $2.85 to $2.95 of operating earnings for PSEG, the parent company. And that's an increase from where we were earlier in the year as Ralph mentioned.

Related to the capital program it's been a pretty busy year for identifying opportunities. And Ralph talked about the major elements that we see on both sides of the business, both on our gas system as well as at Power. So I won't go further into those.

Further down the slide other elements worth mentioning and repeating here are PJM's capacity performance market. So first time we've had that change in the market at PJM, it's been a long-standing capacity market but more rigorous expectations.

And I think that it was a well done auction completed in August of this year. And I think there was both discipline on the market generator side as well as a good structure that was put in place.

And also the FERC note around price formation more to come there. But I think really good focus on the energy side of the business. So good to see both the capacity side and the energy side being addressed and improved as we walk forward.

Last point here is the reliability one award for PSE&G. So this is the 14th straight year that PSE&G has been named the most reliable utility in the Mid-Atlantic region. Something we're very proud of and the result of a lot of good hard work from the people at the utility side of the business.

So a little more color on the results year to date and I'll start on the left-hand side at the utility. $0.13 increase year over year and the first piece that you see there is transmission. You previously saw from Ralph's slide all the CapEx that has gone into that business and the continued investment there worked its way into our earnings stream through that $0.10 of earnings that we saw through the first three quarters of the year.

A big important part of growth program. And it has served us well and has been a pretty consistent provider of earnings increases over the year.

Next both on the electric and gas side we have seen increases in volumes of demand, adding $0.07 throughout the year. Some of that weather and some of it the programs that Ralph talked about as well coming through from an earnings perspective.

On the O&M side we see about $0.03 of downdraft, about $0.01 a quarter for pension. So that is a most entirely the pension expense going through the utility side of the business, we'll see something similar on the Power side. And then finally that last item, a $0.01 down, that's just the absence of an uptick from last year related to taxes.

Moving over to the Power side a $0.01 to the good, $0.22 of recontracting and lower cost to serve. So gas prices coming down, some of our hedges coming into play have increased our results by $0.22, largely offset if you go down that column a little bit by a 21% reduction in capacity.

Now recall in PJM where most of our assets are that capacity market is a three-year forward market. So we know three years in advance what those prices are going to be. So this impact that you see here is the effect of prices that have come through as we've gone year over year in the auction and frankly an uplift that we've have seen in the prior period coming back to more regular capacity prices.

Beyond that some help from gas sendout in the winter and some higher volumes in the summer helped us to the tune of $0.06 and then the O&M I mentioned a little bit about the pension earlier. Some of that is pension coming through roughly half and then the other is mainly outage timing. So some of our nuclear outages can bridge different quarters depending upon the timing of that outage, so we would expect to see that reverse out as we go to the fourth quarter and that is not an uptick in a run rate O&M spend. And then finally just $0.01 on D&A.

So moving on to the balance sheet I think if you look at this slide it tries to lay out two different timeframes. And during the 2010 to 2014 timeframe we talk about transforming our business mix and I might say even that simplifying our business mix. So we had some non-core assets at our energy holdings portfolio, those have been monetized and we put $12.6 billion to work towards investments.

At the same time we were able to improve our credit ratings and during a low price environment increase the dividend. So a little bit of a simplification of the business over that timeframe which sets us up for the bottom of the slide where we talk about the following five years. So continue dividend growth; if you look at 2015, I'll talk a little bit more about the dividend that we saw there. And Ralph showed in those pie charts is a $15.6 billion investment program that we are embarking on through 2019.

So good growth opportunities for the business and the financial capacity to support further expansion. I'll touch on that on the next couple of slides.

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This slide here is a five-year look at sources and uses. So if I start on the left-hand side of this page the cash from ops at the utility has eclipsed Power's cash from ops as you take a look at where we've been. And that's not because of Power's cash from ops going down, that's because the utility's cash from ops coming up. So a good answer in that regard.

Ralph talked about the contemporaneous return we have on the utility side of the business. So 70% of that capital that we're putting to work is providing a return on a contemporaneous or near contemporaneous basis either from transmission or from the clause recovery mechanisms that are in place. So real important for the utility from that perspective when you look at cash from ops that it's getting a return on its investments on a fairly quick basis.

On the debt side you see on the bottom of the left-hand side PSE&G's net debt. So that just supports the growth that we're seeing at PSE&G and again think about that regulatory cap structure, 51.2% equity on the PSE&G side of the business. So we will match the 48.8% debt with that 51.2% and we will have the debt issuances that you see there.

And then blast at Power you see a slice in the middle of parent long-term debt. So we currently do not have parent long-term debt but would intend to move in that direction in the future. Power seeing incremental investment opportunities will have more of a use for its cash. So the opportunity to invest at the parent level and the investment capacity that I'll talk about again in just a second is there to help the business as a whole.

And on the right-hand side you can see the strong investment opportunities that we have in place for both companies. And at the top very, very important is our dividend allocation that we will make to our shareholders.

So I'll back talk a little bit about the source of funding. And we'll start on the power side of the business and take a look at Power's credit metrics.

So we seek to maintain a floor of FFO to debt of 30% at the Power business. That's consistent with the ratings that we have.

And as you can see from the bars on the left-hand side here we have comfortably exceeded that in each of the last couple of years. And the last bar shows that from 2015 to 2017 we would intend to be at roughly 50% FFO to debt. So still comfortable margin there, and that's derived from a $1.6 billion funds from operation at the Power part of the business. So Power, very good cash generator and very strong credit metrics.

What that means from an investment capacity standpoint is that there is incremental headroom above our credit stats that we can utilize at the Power level. And so looking at the blue bar on the left-hand side you can see that with a 50% current FFO to debt forecasted for the next three years and with a 30% floor we have incremental headroom and that headroom shows up on the right side of this graph in the green bar. So room to invest on the Power side and debt capacity to do so.

Also at the Power side on the parent side of the business a similar phenomenon happens as well. So FFO to debt at 27% at the parent is compared to a minimum threshold given the regulatory mix that we have as well as the credit ratings that we have.

So more room at the parent to borrow as well to create investment capacity and that manifests itself on the right-hand side in the gray bar. So all in all if you look on the right-hand side about $2 billion of investment capacity that we see coming out of the excess headroom that we have. Layering that in it could be spent on the Power side of the business and that really is on a dollar for dollar basis.

But recall at the utility I talked about roughly a 50/50 cap structure. So that funding can be used at the utility as equity and utility and that equity can and will be matched by borrowing at the utility to maintain that cap structure. So to the extent that the funding is used at the utility it's a two-for-one ratio that would increase that investment capacity further.

So in summary what we see is another year of growth in 2015. Operating earnings guidance as you can see on the bottom of the slide began the year $2.75 to $2.95 and we've pulled a nickel off the bottom of that range twice. So we stand today at $2.85 to $2.95 which would be the third year of operating earnings growth for the Company.

Another slide that we wanted to talk about as we look forward into 2016 is a sensitivity of different elements that can impact the business. And as you go across the top of the slide these are a lot of sensitivities that we have shown in the past. There is not a lot of information here.

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Just trying to give an indication as to what different elements would mean from either a market change or from incremental investment at the utility. I will call your attention just to the bottom for a second as we get to this time of year and we think about the pension expense moving from year-to-year and different companies have different exposures in that regard. With us we did a calculation in the third quarter and we look at our year-over-year pension expense and we estimated somewhere in the range based upon that third quarter timeframe of about a $0.02 to $0.03 increase on the pension expense.

You can see three elements of building blocks if you will that will impact that expense. One is return that we will see from the pension funds, the second is the discount rate that we would use in discounting the liability that we have and the third is a series of actuarial assumptions that come into play as well.

So that actuarial assumption looks like it will add about $0.02 to the good year over year. But again thinking about the third quarter and where the financial markets are we saw a downturn in our returns. So for every 1% of a change in our return on our investment base is about $0.01 down and the discount rate is $0.01 up for about every 15 basis point change.

So the sum of those at the third quarter resulted in about a $0.02 to $0.03 downdraft. We've seen some improvement as we've gone through the years since then but obviously that discount rate and those returns will all be finalized at year-end. And we'll manage all of that against the backdrop of a larger O&M program.

And last but by no means least the dividend. So you can see we've had a growing dividend over the last number of years and we're currently at $1.56. It's a very, very important part of our value proposition to our shareholders and I think what we've said here is exactly what we need to say, it's a consistent, sustainable dividend growth given contributions from both sides of the business.

We've overlaid here for you the utility EPS, just to give a frame of reference it is by no means the only thing we look at in determining that the dividend is going to be for next year. By taking a look at what the green line shows we were about at a payout ratio that's equivalent to our utility earnings and about 854% payout ratio across all of enterprise.

So a host of factors goes into that look every year. As we move into February of this year with our Board of Directors we will discuss what our dividend will be on a go-forward basis. But we anticipate consistent and sustainable dividend growth.

And with that I think we will open up to questions.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

I think we have another few minutes available. So if there are any questions, Dan and I would be happy to try and answer them.

I believe we also have the slideshow available for folks in terms of booklets that can be handed. Out and we do have some thicker books if folks want more detail in the rear. Yes, there's a question here.

QUESTION AND ANSWER

Unidentified Audience Member

Yes, Ralph, how do you think about the investment decision to buy new assets in Power? And will you look to buy additional assets in Power and what type of geographic focus will you have?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Yes, thanks, Frank. So we have consistently looked for purchasing existing or newbuild opportunities. We deploy the same valuation technique. We don't have a price curve for newbuild and a price curve for existing assets.

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There are some differences obviously, typically the new assets have a better heat rate and therefore a lower operating cost and they have a longer life so there's a few years of value creation when you do the discounted cash flow calculation. But I think what was unique in terms of our ability to succeed in making the Keys acquisition versus our consistent inability to succeed in making other acquisitions is it was probably a smaller pool of competitors given that there was construction risk associated with this. And whether it's our transmission program or our uprates at the nuclear units or our simple cycle gas turbine builds we have a lot of confidence in our team's ability to manage the construction.

The interest in the Keys facility was a long-standing interest that we've had in having an asset in the PJM West region to give us a little bit more flexibility in managing basis risk differentials between the PS zone and PJM West. That has been an evolving relationship over the past five years from the heady days of the 2008 era where PS enjoyed a $20 to $25 basis differential to now on an annualized basis it looks kind of flat. But that's a very misleading characterization because as you know in the winter it tends to blow out positive and then in the other nine months of the year it gets somewhat negative.

So Keys will give us an opportunity to have a physical presence in PJM West, actually geographically located in Maryland but somehow that gets scooped into PJM West and we like that portfolio management aspect of it. We've been looking to purchase assets down there. I think we hit on this one because of the construction risk did not intimidate us the way it may have intimidated others.

Sewaren is quite a different story. That's a case where there isn't enough duct tape in the world that could have kept the old unit viable for the new CP market. So we were faced with a retirement there.

You're familiar with the PS zone which is where Sewaren it is. It's a fairly tight zone. Extracting 560 megawatts would have tightened that zone further.

When we ran the numbers we said wow, attractive regional spark spreads due to Marcellus gas, nice capacity prices, somebody is going to build here. That will cannibalize some of our older combined cycle units.

It's one of those pills that you have to just say, okay, who's going to do the cannibalizing, somebody else or us, and we said it's going to be us. So in general though we're not fans of introducing new supply given paltry demand growth that we see but these were two special situations that made sense.

We have been public about the fact that we bid and did not succeed at building a new unit at Bridgeport. We will bid that new unit again in February. That's really born out of the fact that you have some supply retirements in the New England region.

Unidentified Audience Member

Ralph, you in talking about Power during your presentation you talked about potential rule changes that you would like and I put that in the category of divinely to be wished for. I assume that there are some things in the same category as far as the DPU is concerned and the rate case that you won't file for another two years. And I wonder if you could elaborate overall because predicting ahead is something that you all are known for and have done very successfully?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Thank you. So in Power's case as you correctly pointed out it's capacity markets and price formation. Feel pretty good about capacity markets, price formation yet to be determined.

In the case of the utility there is a very clear direction we'd like to encourage regulators to head. As I think about the three things that have huge financial and operational implications at the utility it's capital deployment, load growth and O&M.

The reality is load growth is going to be less than half a percent. We're a very service economy-oriented part of the nation, highly mature service territory. There's only so many additions you can put on a house, so load growth combined with appliance efficiencies and various other things is going to be modest.

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I am so proud of our team's O&M cost control. But their ability to keep that O&M cost control to 1% to 2% is probably a best-in-class type of thing we can do on a compound annual rate which means your load growth is not going to make up for your O&M growth which means you have to go in four rate cases depending upon what you do with your capital.

We're not a believer in shrinking the rate base. We have an aging infrastructure that needs reinvestment in order to preserve the reliability people are accustomed to. So I'd like to get to a future where we simply agree in advance, we will come in for a rate case every seven years, every five years, that will make up for the disconnect between rate, between load growth and O&M.

But in the intervening years we're not going to deploy capital and let it be subject to a seven-year lag. What we like to do is have programmatic approval of where we would deploy capital and then have trackers applied to it. So everybody has predictability and there's so many benefits to that, not only from an investment point of view but from a workforce point of view.

And we have a 30-year gas pipe replacement challenge ahead of us getting approved 18 months at a time. It's been approved four times but even though it's been approved four times we use contractors, we're not training people to become permanent employees. We're not training kids in community colleges; even though they could have a 30-year career doing this, when you're getting yes every 18 months we're just not willing to make that kind of long-term commitment to people.

So I think if you have trackers that say okay, during these five years here are the things we want you to do, raise your substations, replace your gas pipe, improve your SCADA, all those things are reliability focused, every five years you're coming in here so we're going to take a closer look, maybe every year we will take a light look through some sort of performance standards. And I just think you enhance your predictability, you enhance our ability to invest in people and everyone's better off. So that's the kind of discussion we want to have with regulators.

Unidentified Audience Member

It's always good to hear a little bit about regulation. I'm a former chair of the Pennsylvania commission. I want to make sure I understood the good news.

Did you just say that you were going to come in about every five years which is good? And second did I also understand you to say that returns on equity are somewhere in the 9.7%, 9.8% range in New Jersey?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

So our most recent rate case was 2010, so our base allowed return is 10.3%. But as interest rates had come down from that time as we went in for separate clauses the allowed return we agreed to for those clauses varied from the 10.3%. So we have a couple of clauses that are at 10% and the most recent one was at 9.75%.

Unidentified Audience Member

I think you more or less answered what my next question was going to be. Just as a follow-up on what you divinely hope for in the next few years, 9.75% as interest rates climb will probably climb or should probably climb. Do you think that the Board is likely to recognize that or is there something you can do to have them recognize that?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

I think the answer to that is yes. Of course we know that there's not a 1 basis point correlation between rising rates and rising allowed ROEs and that's a good thing because if there had been as rates had come down I don't want to conjecture with the ROEs might have done either. So historically we've looked at anywhere from 600 to 800 basis point differential between the 10-year Treasury and allowed ROEs.

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So we have to file no later than November 2017 between now and if we did file at the last allowable date rates would be effective January 1 of 2019. I can't predict what's going to happen next week let alone what's going to happen over the next three years.

So I do think that they would recognize an increase in the interest rate environment. I just wouldn't want people to think that the 10-year Treasury just moved 25 basis points so we're guaranteed a 10% ROE right now. I don't think that's the case.

And our hostess is very efficient at flashing all sorts of threatening signs at me in terms of how much time I have. And knowing how long-winded I am with answers we were under five minutes, so I will simply thank you for your participation today and hope to see you soon.

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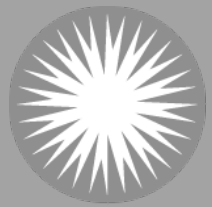
Edison Electric Institute 2015 Financial Conference

NOVEMBER 9-11, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-07988

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-07989

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-07990

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-07991

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-07992

Two complementary businesses

A stable platform, each with growth opportunities

Electric & Gas Delivery and Transmission	Regional Competitive Generation
Strategy: Investments aligned with public policy and customer needs	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity
Value Proposition: A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 Assets $22B Operating Earnings $725M	2014 Assets $12B Operating Earnings $642M

SI-SSA-0015-07993

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (14th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.85-$2.95 per share from $2.80-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = double digit rate base growth over 5-year period (2015-2019) with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

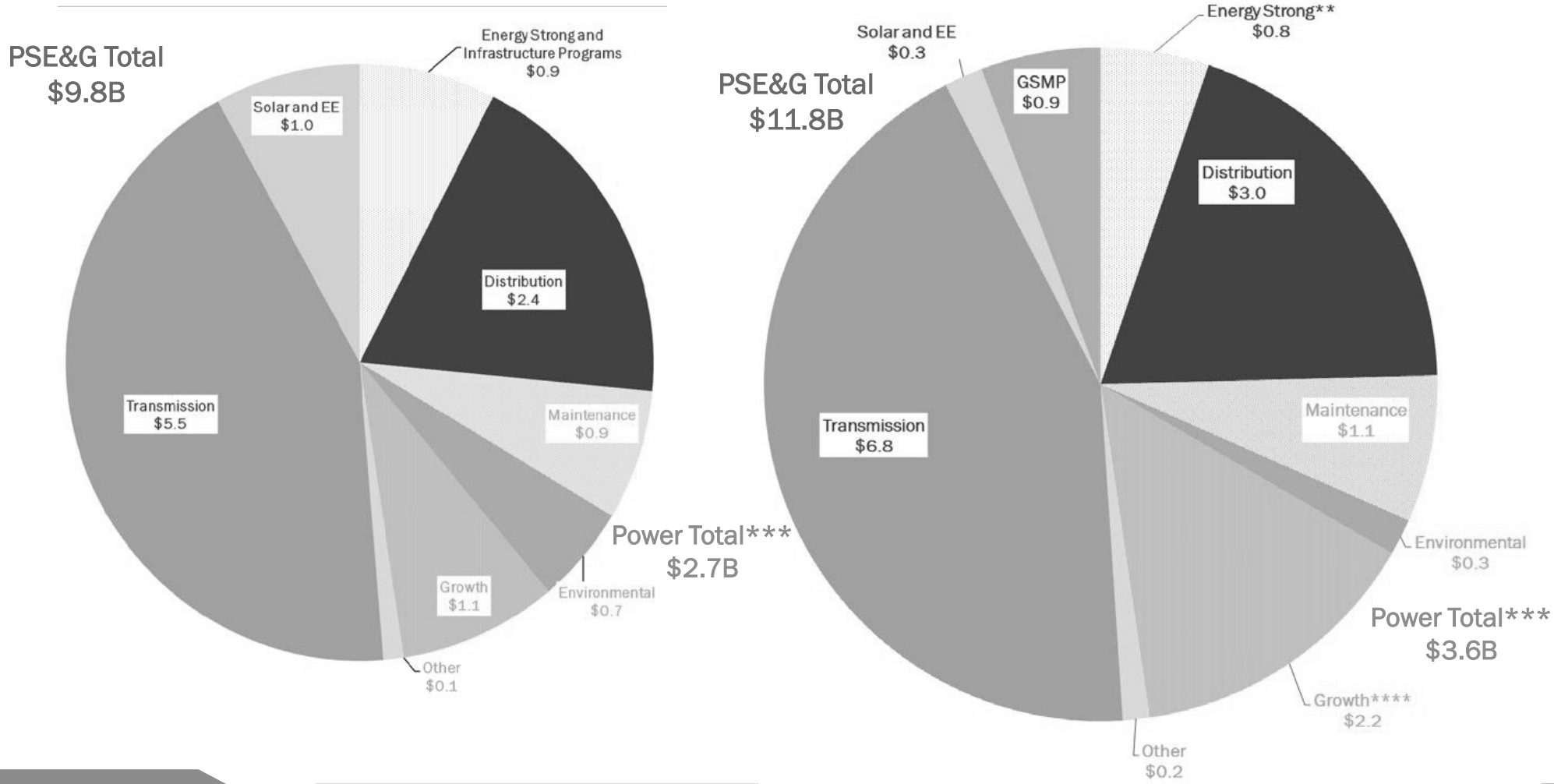
SI-SSA-0015-07994

Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6 Billion**



*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF OCTOBER 30, 2015.

SI-SSA-0015-07995

Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $12.6 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $15.6 billion investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

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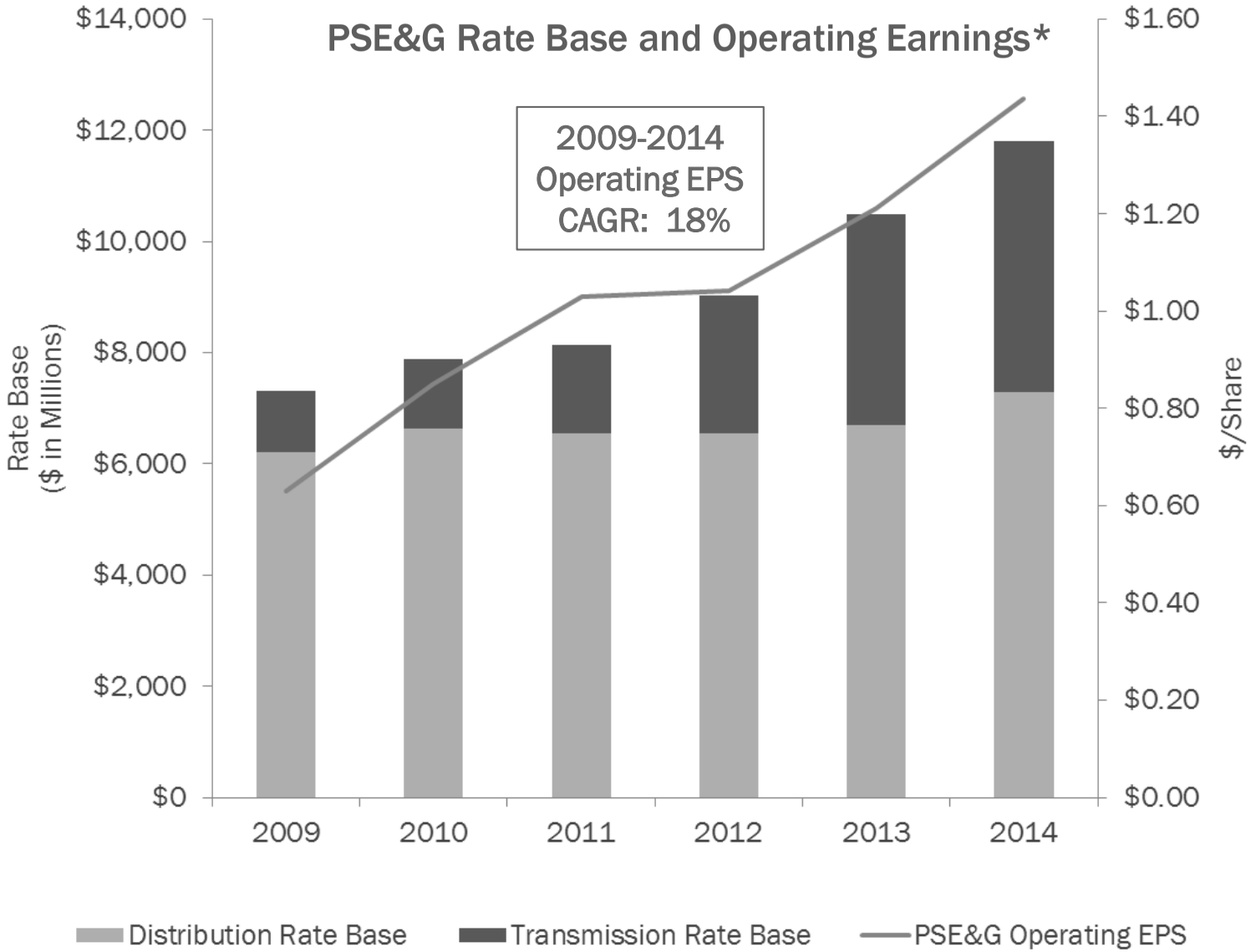
PSE&G's investment program

Meeting public policy goals and customer needs



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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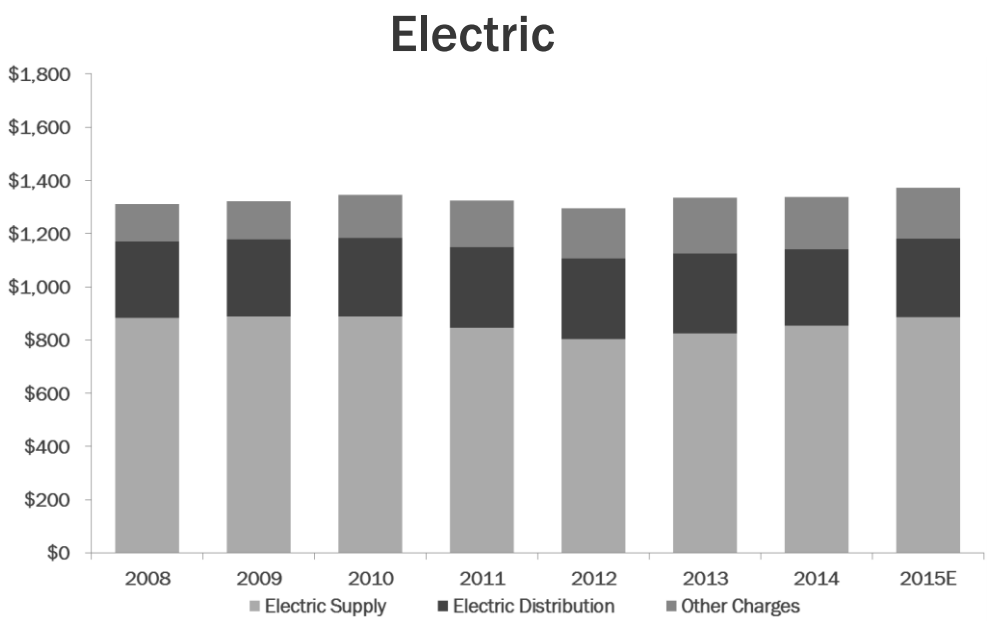
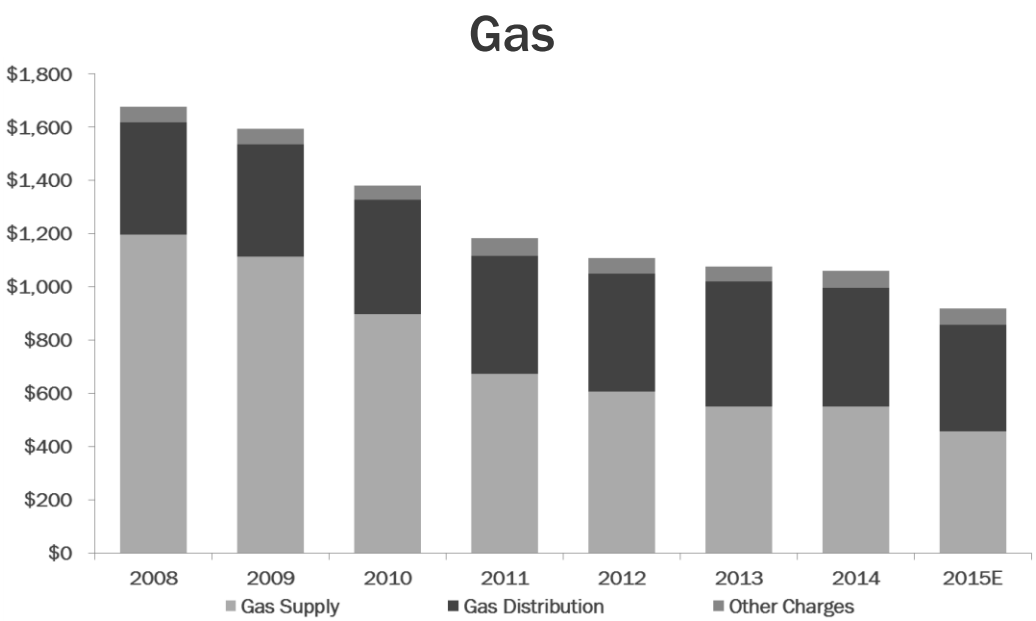
Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

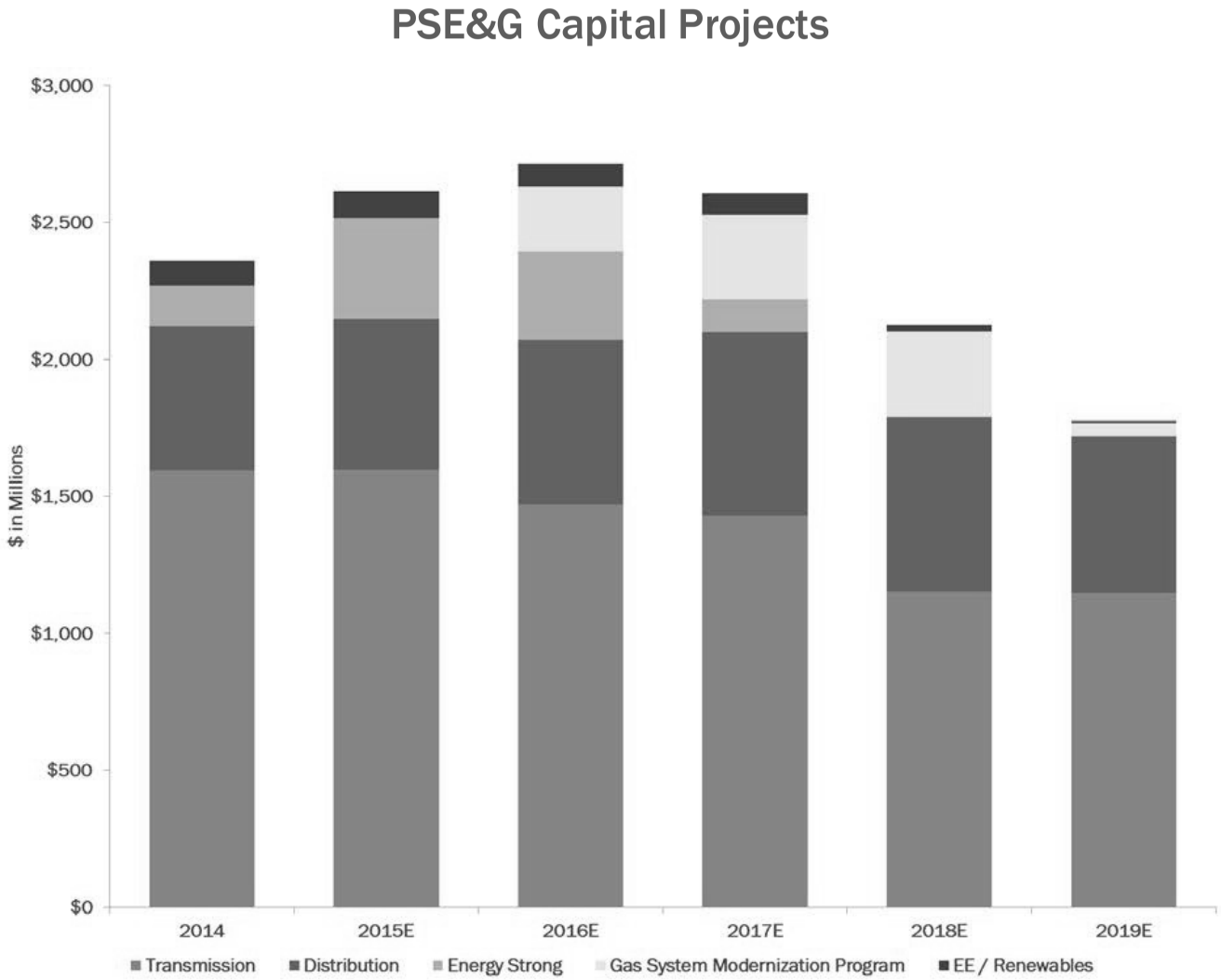
SI-SSA-0015-07998

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019



- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

E=ESTIMATE

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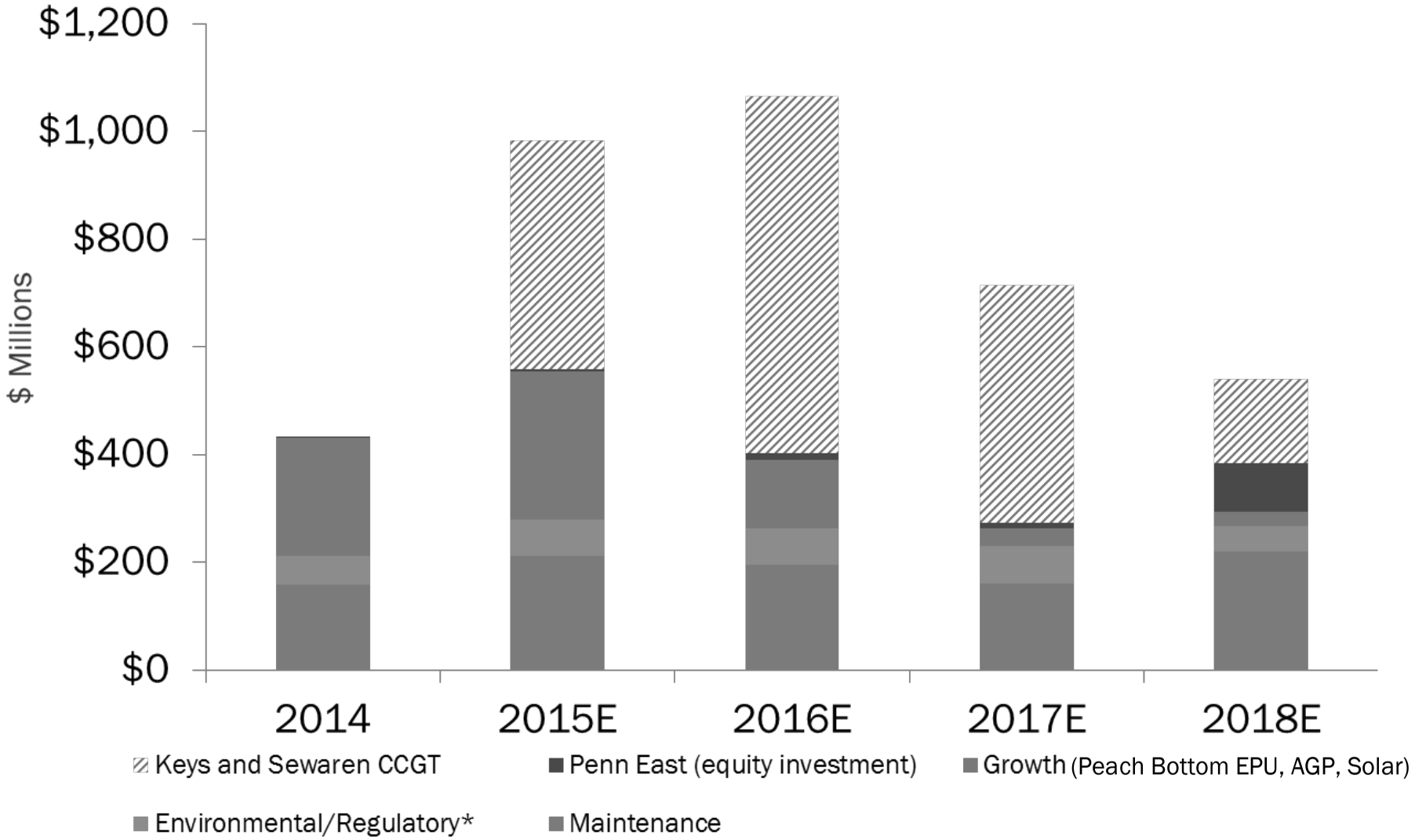
PSEG Power increased capital spending

by $1.5 billion with addition of new generating capacity focused on improving efficiency and reliability



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*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

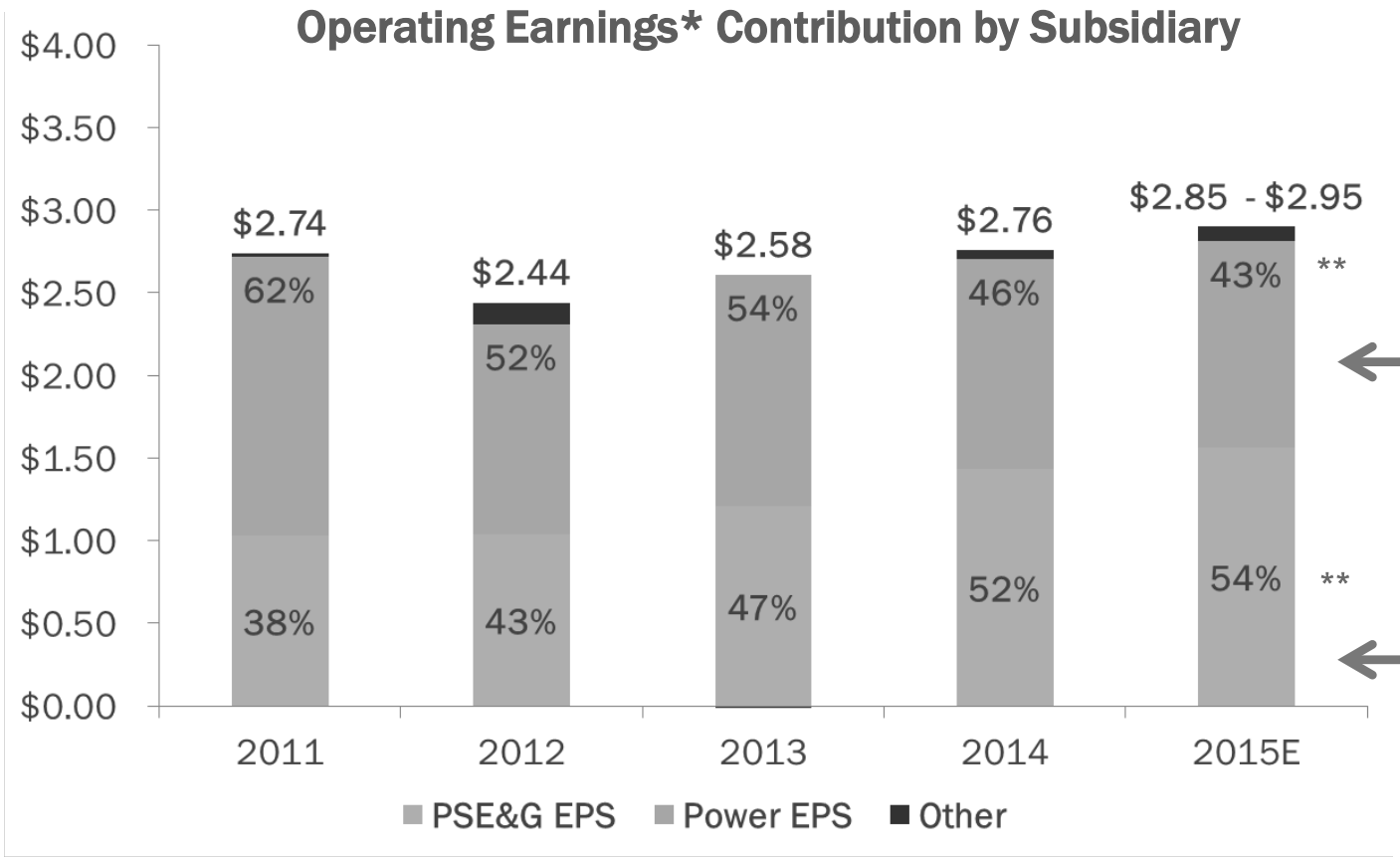
SI-SSA-0015-08001

PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-08002

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE AS OF OCTOBER 30, 2015.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air quality standards via Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates adding capacity • New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC* • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • ~152 MW** of utility-scale solar, with significant project pipeline • Continue to seek opportunities to expand the fleet

SI-SSA-0015-08003

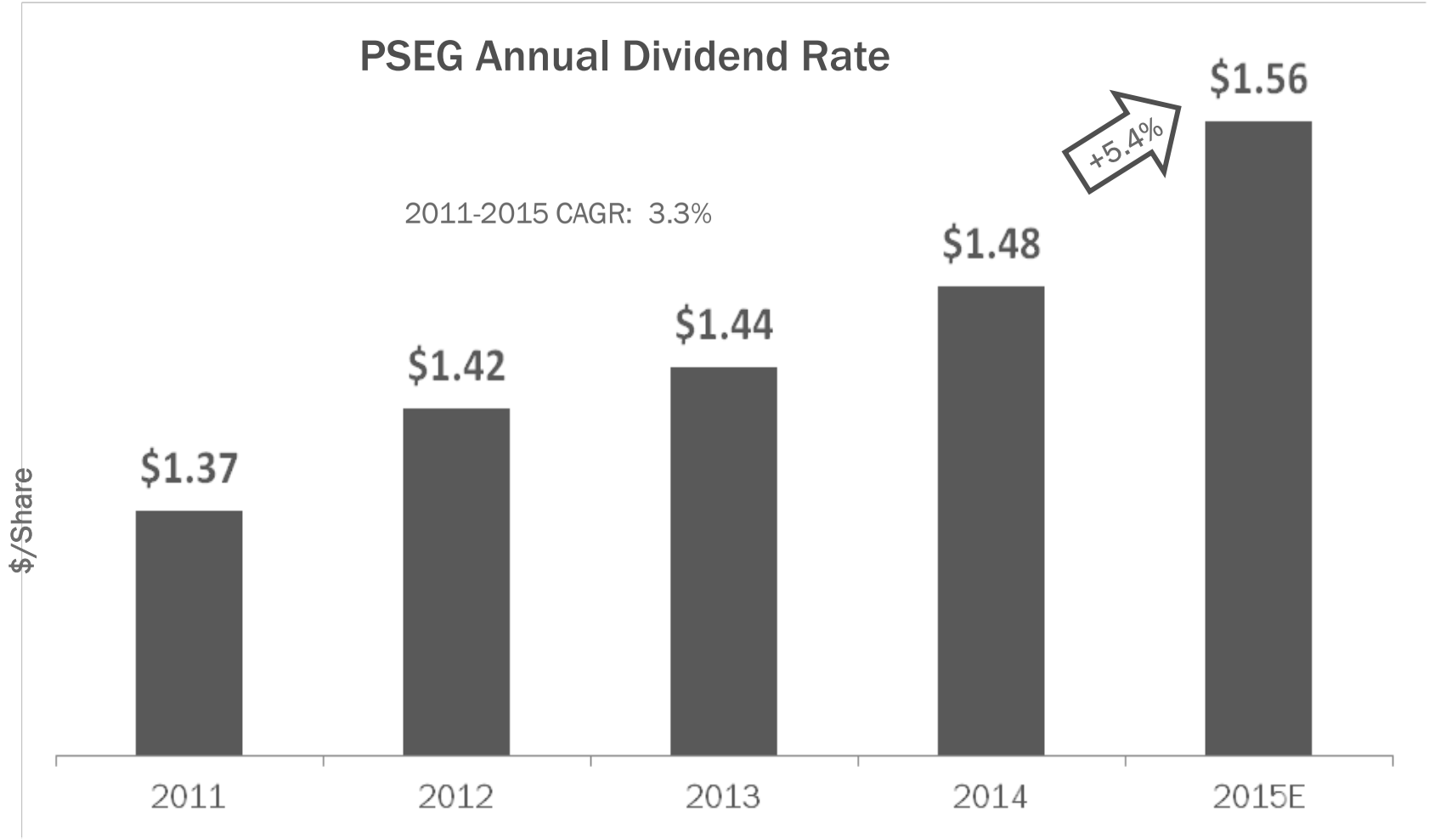
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

SI-SSA-0015-08004

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE AS OF 10/30/2015. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-08005

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-08006

PSEG

We make things work for you.

PSE&G

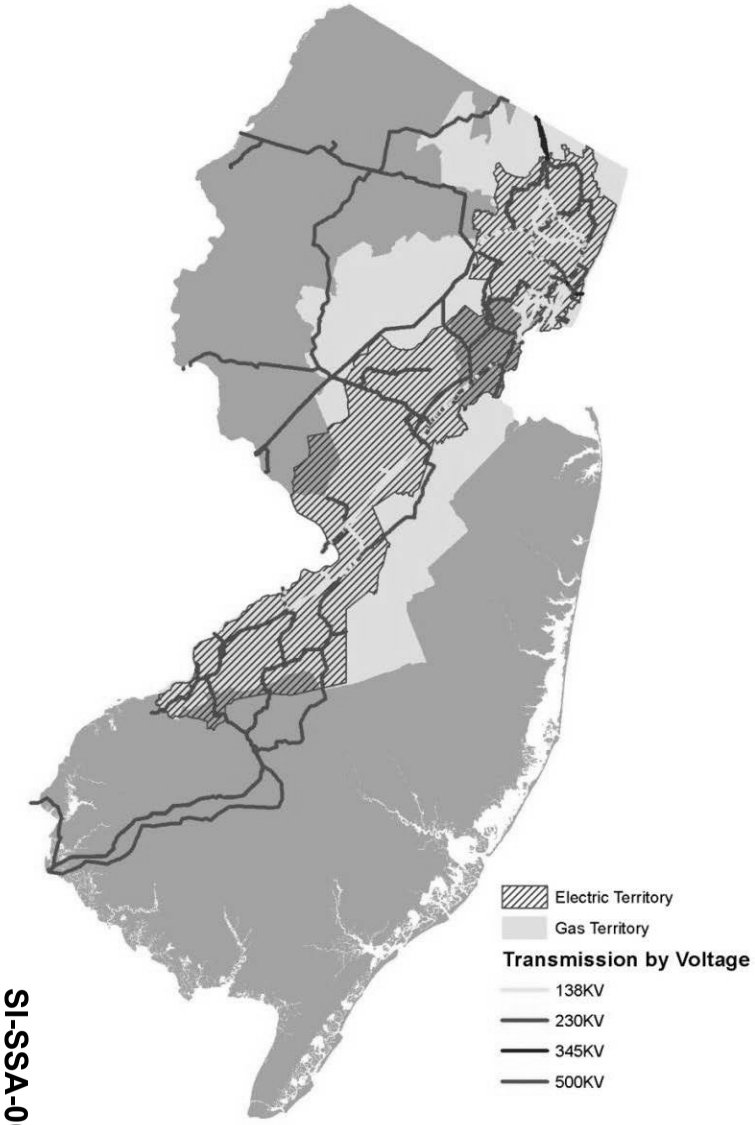
SI-SSA-0015-08007

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08008

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-08009

Mid-Atlantic ReliabilityOne award winner for 14 years in a row

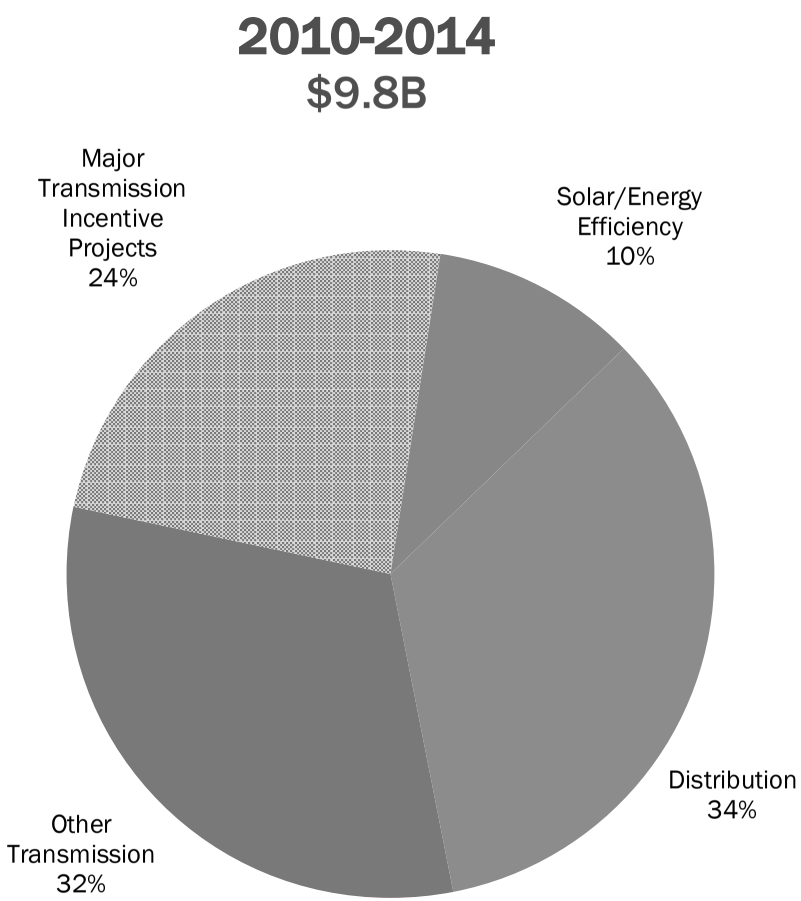
SI-SSA-0015-08010

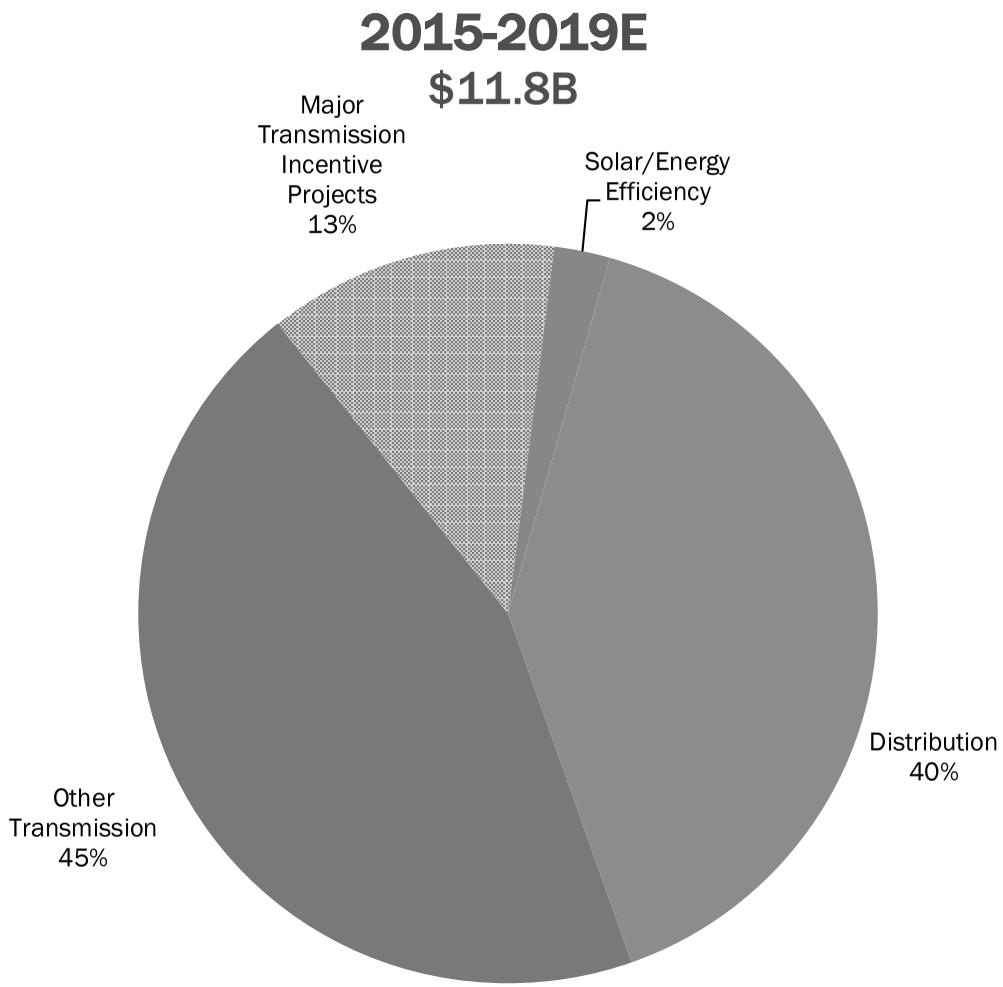
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-08011

PSE&G plans to invest $11.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-08012

PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-08013

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$975	Jun '15 – Dec '16
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

* PJM ESTIMATE

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-08015

PSE&G is successfully executing on Energy Strong with ~$440M deployed

Program	Approved	Spend thru Sept 2015
Flood Mitigation	$620M	$83M
Electric Contingency Reconfiguration	$100M	$53M
Electric Advanced Technology	$100M	$42M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$252M
Gas Metering & Regulating (M&R)	$50M	$7M
TOTAL	$1,220M	$437M

SI-SSA-0015-08016

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-08017

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-08018

Settlement reached on Gas System Modernization Program for ~$900 million over three years

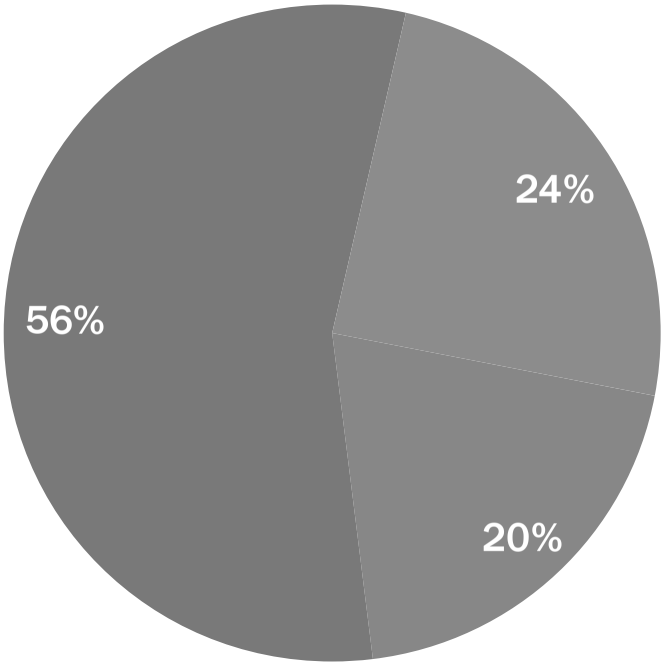
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed by November 2017

SI-SSA-0015-08019

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

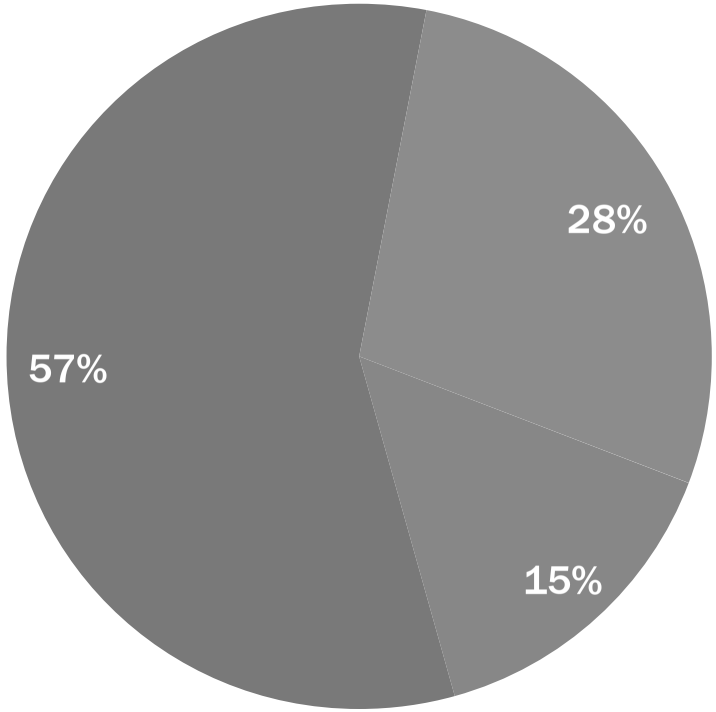
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

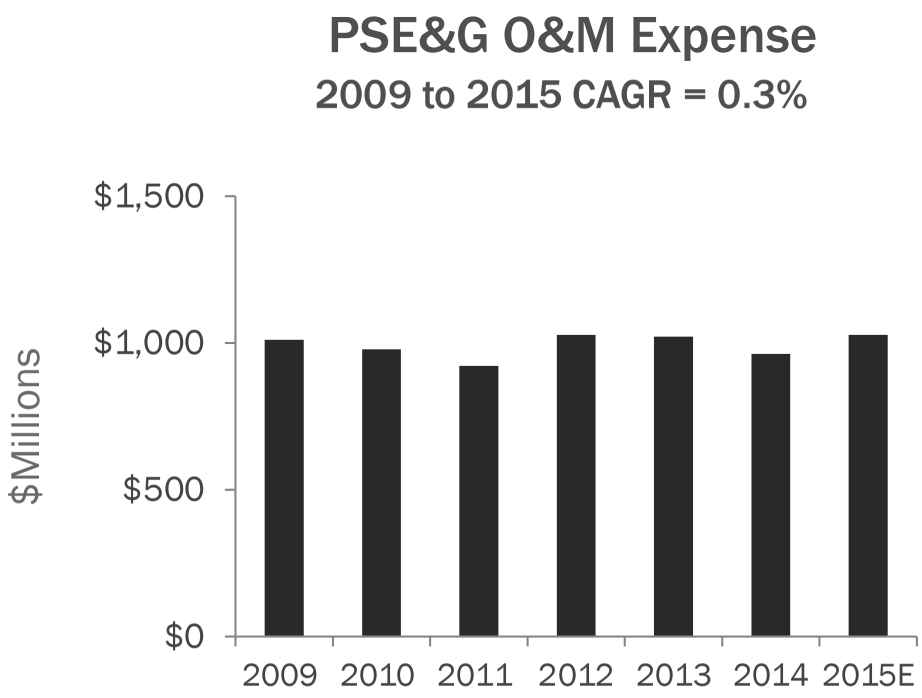
SI-SSA-0015-08020

PSEG

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-08021

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

SI-SSA-0015-08022

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON OCTOBER 30, 2015.

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-08023

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-08024

PSEG

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

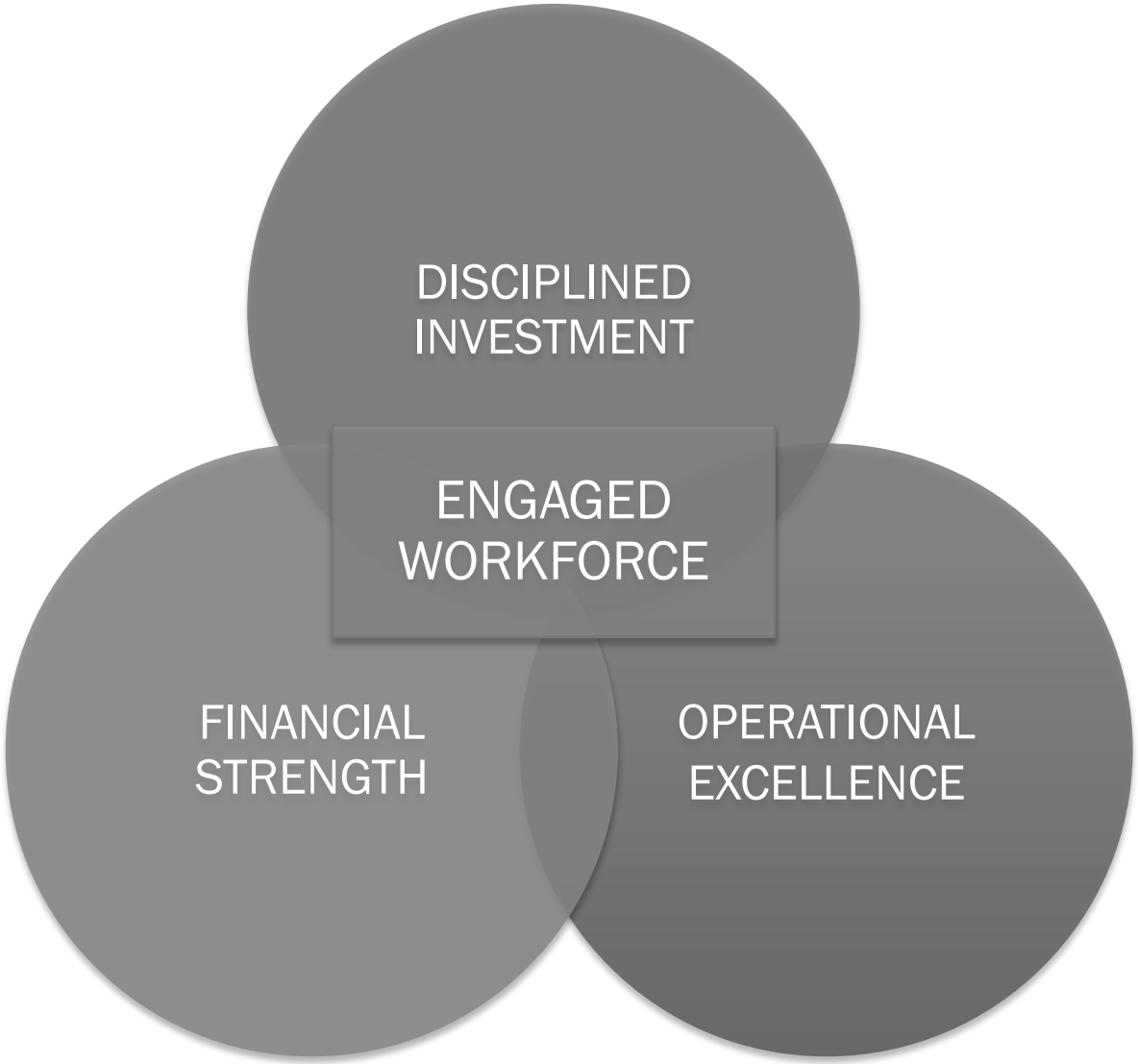
SI-SSA-0015-08025

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-08026

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-08027

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 152 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-08028

PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-08029

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Sites suitable for expansion

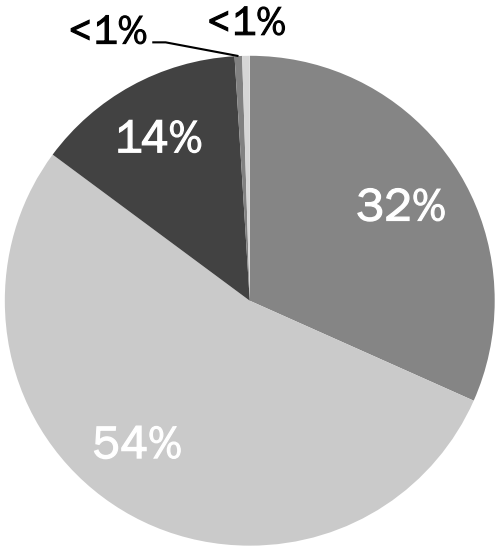
SI-SSA-0015-08030

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

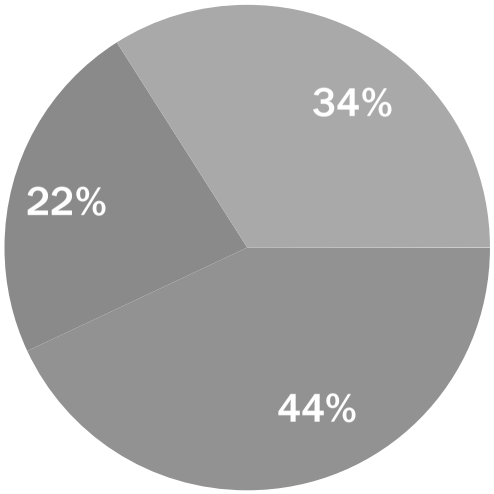
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

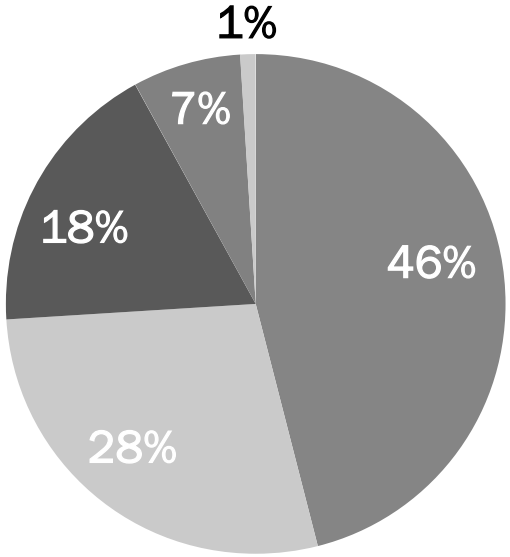
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146

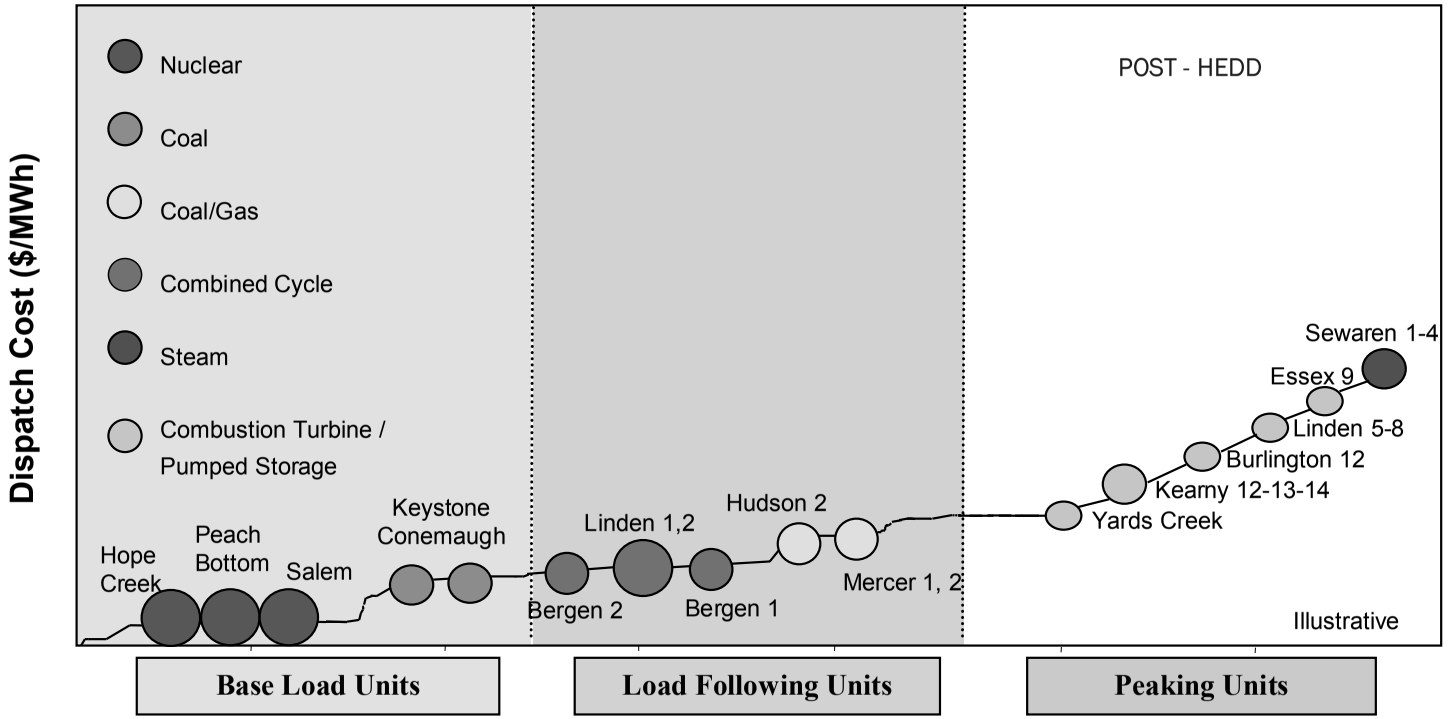


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*YEAR-END 2014 DATA, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-08031

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

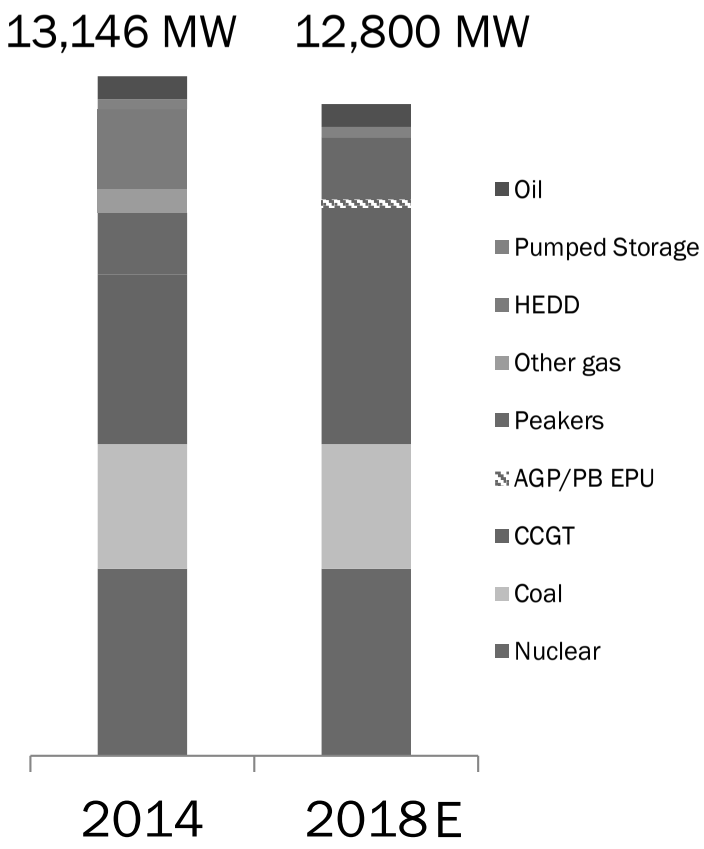
SI-SSA-0015-08032

PSEG Power will improve diversity and efficiency as we invest in the fleet

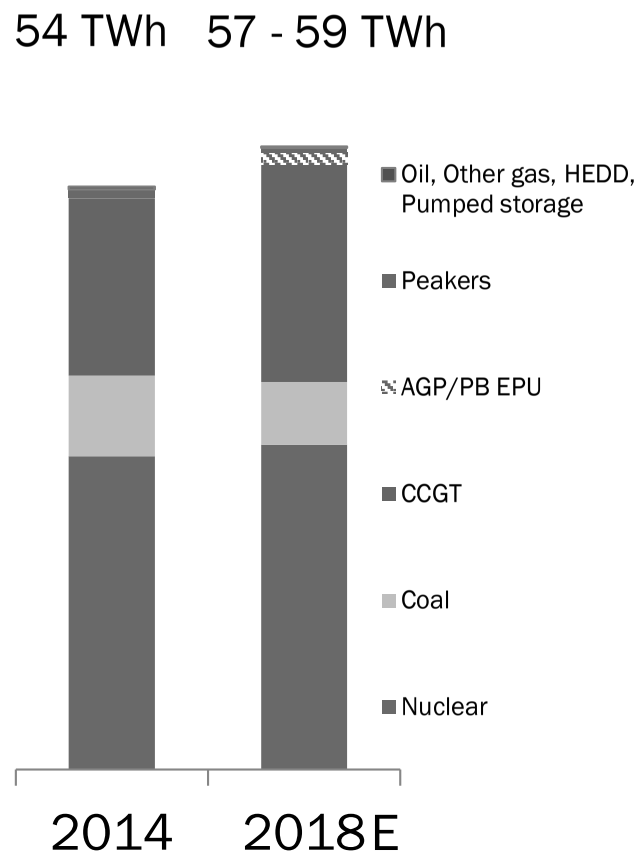
Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprates
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren 7 operational in 2018

Fuel Diversity



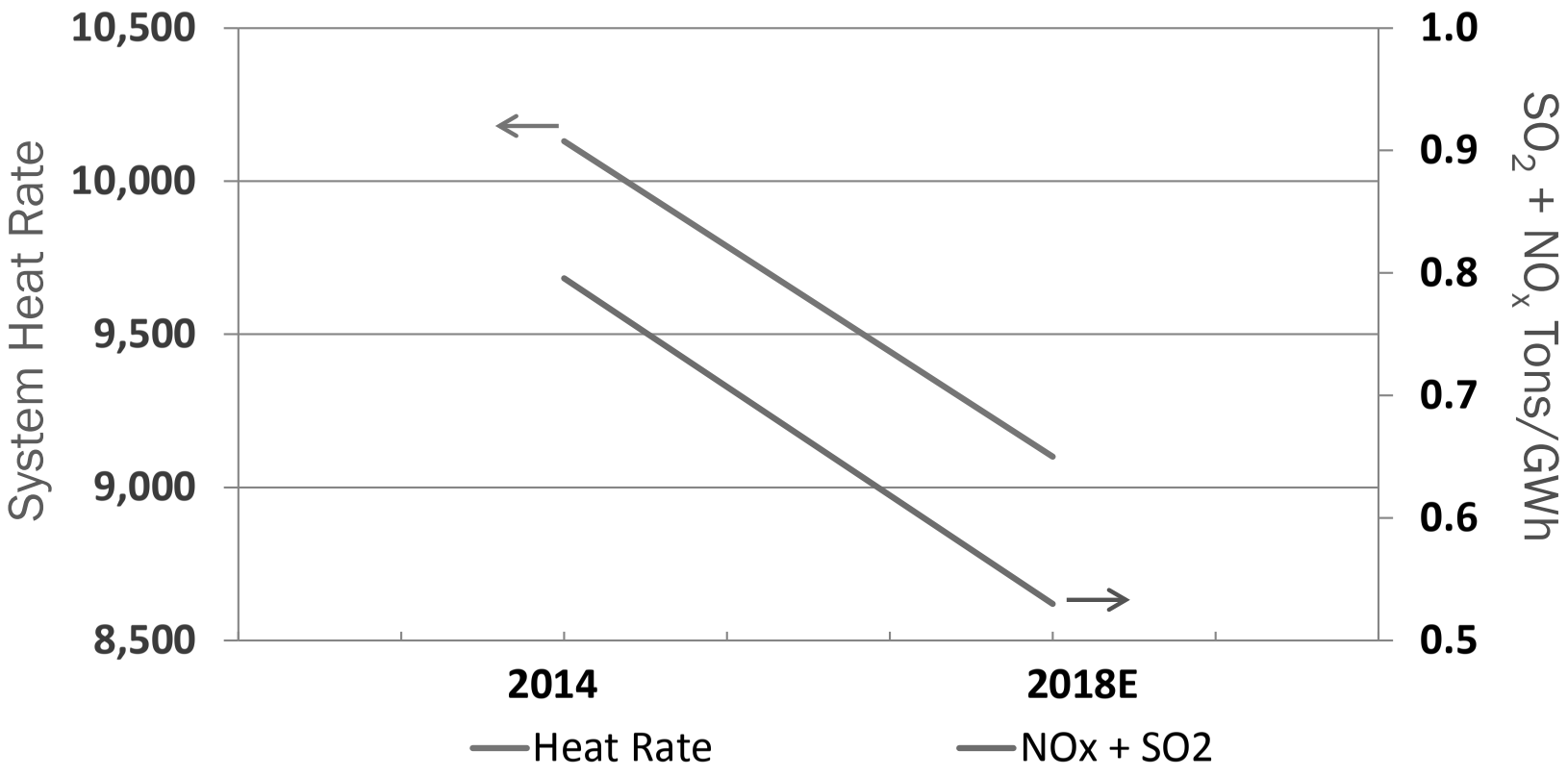
Energy Produced



E=ESTIMATE.

SI-SSA-0015-08033

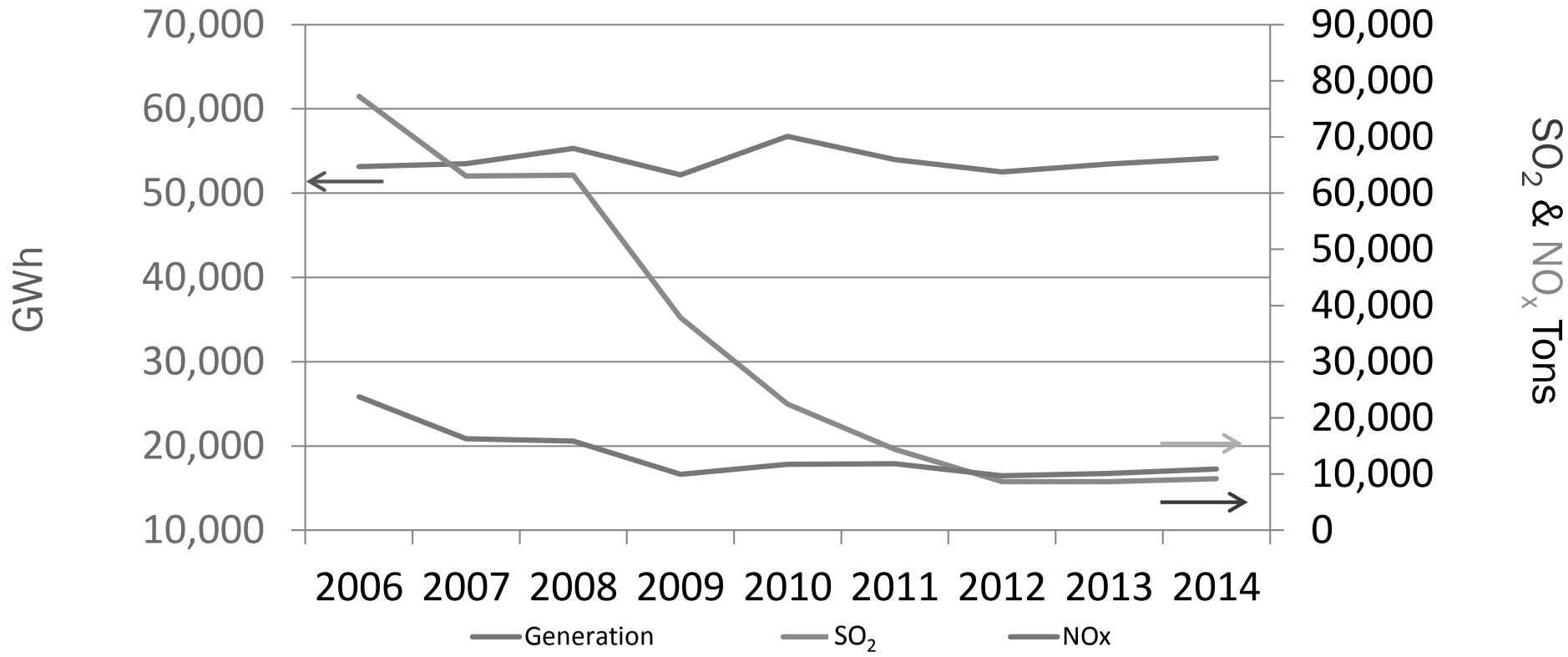
PSEG Power's fleet will experience heat rate and emissions improvements



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

E = ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-08035

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-08036

PSEG Power Nuclear has competitive advantages

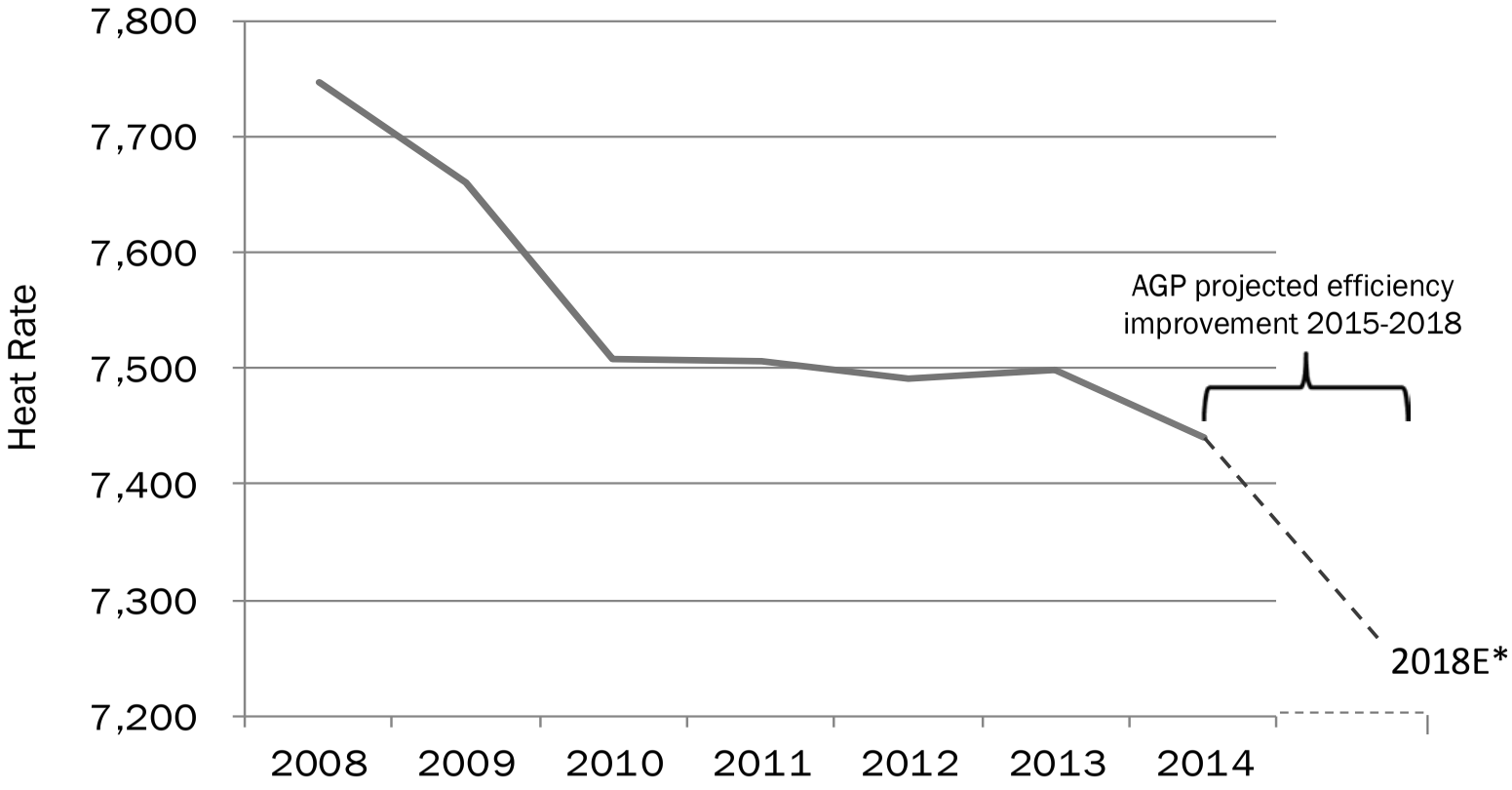
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-08037

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Operating Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-08038

PSEG

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

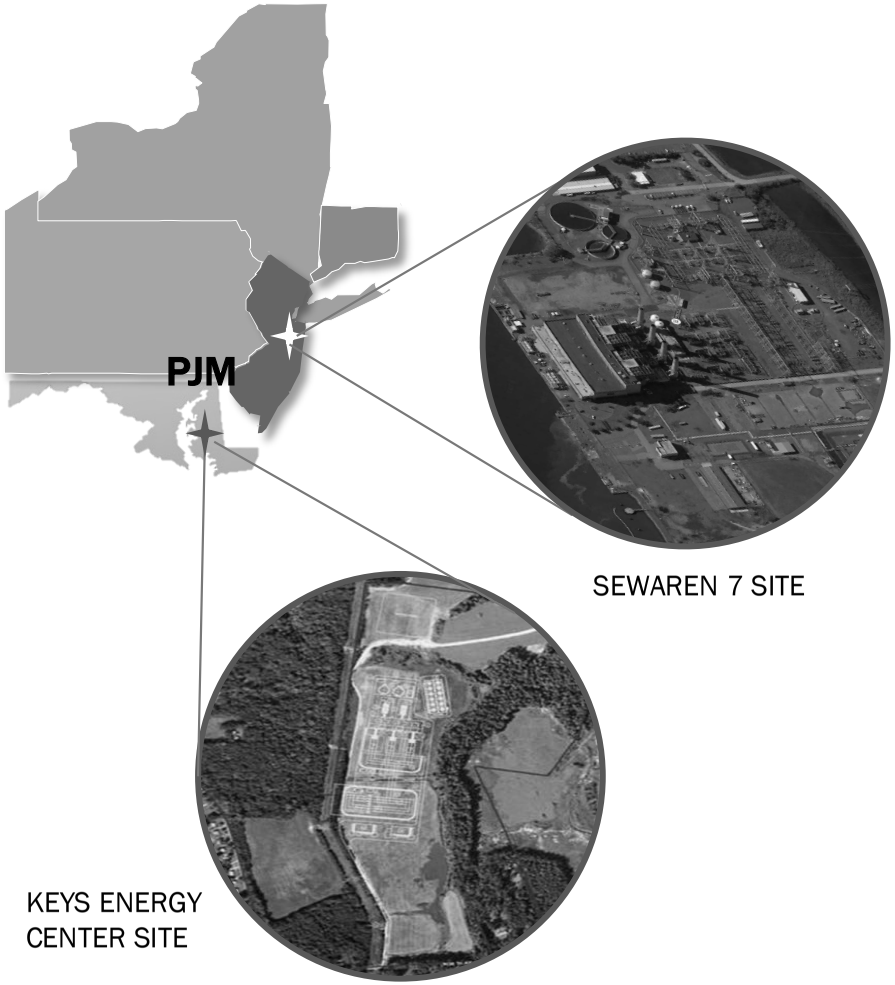
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-08039

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- Construction of 755 MW Keys Energy Center to begin this Fall on a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Power cleared a new 540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*), in the recent 2018/2019 RPM auction; the new unit is expected to cost $625 to $675 million and will replace the older Sewaren units upon completion
- Both Keys and Sewaren 7 are targeted to be in-service in 2018

SI-SSA-0015-08040

PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7, 540 MW CCGT	$625- $675	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Linden/ Bergen/ BEC	**Advanced Gas Path Uprates (AGP):** Linden -- 63 MW Bergen – 31 MW BEC -- 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	**Completed:** Linden (2014) Bergen (2015) **Planned:** BEC 2017/2018E
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-08041

PSEG

* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~152 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish (Waldorf)
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD October 2015
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb (Essex Junction)
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

Whitethorn
California (4 MW)
COD March 2016 E
Polycrystalline – fixed tilt
Investment $8 million
20 year PPA with WAPA Power Producers, Inc.

SI-SSA-0015-08042

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E = ESTIMATE

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-08043

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-08044

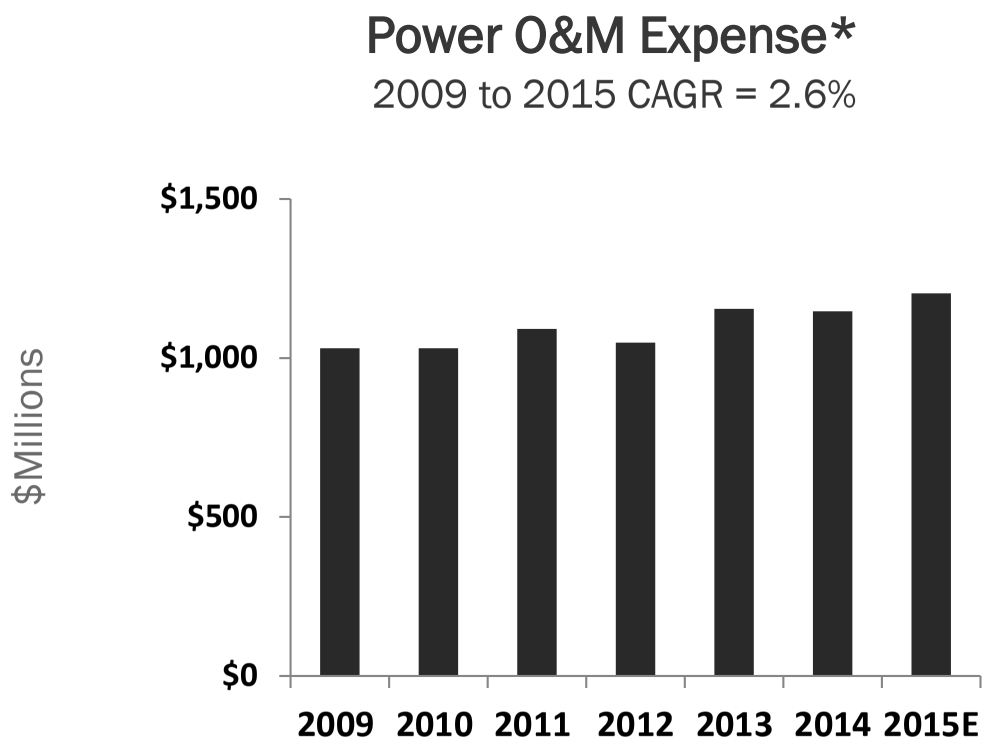
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-08045

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



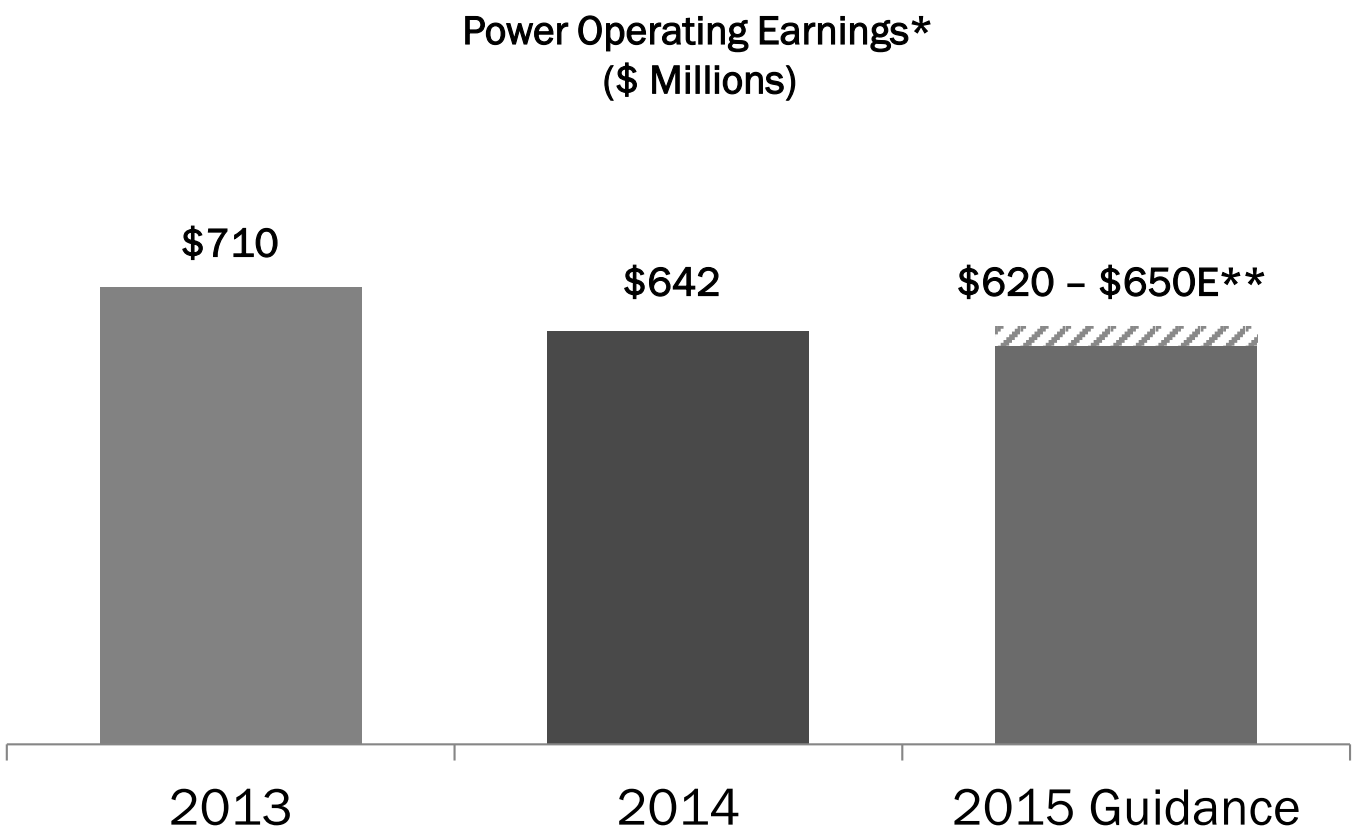
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-08046

Power's 2015 operating earnings

maintain solid performance



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-08047

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
** UPDATED GUIDANCE ON OCTOBER 30, 2015.

PSEG POWER
ER&T

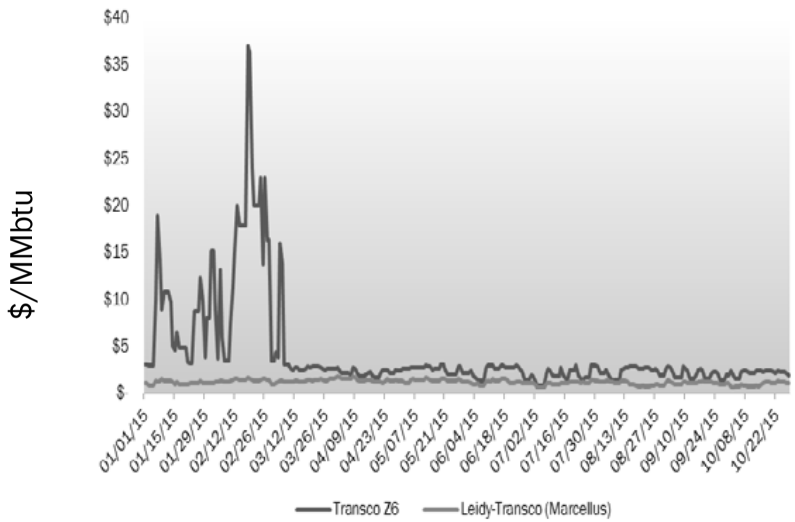
SI-SSA-0015-08048

PSEG

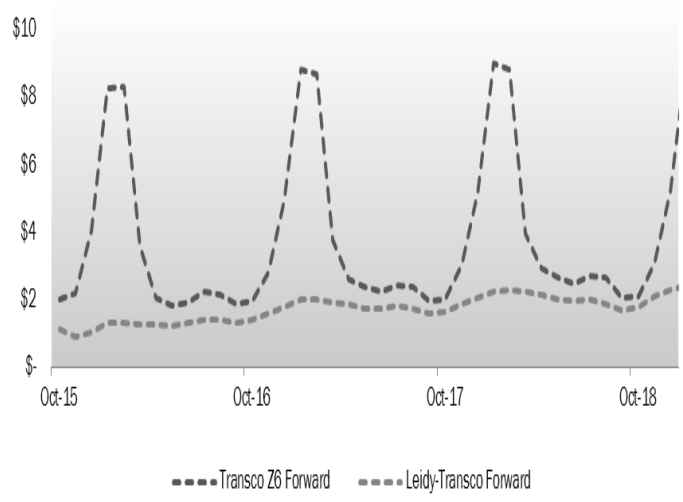
We make things work for you.

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

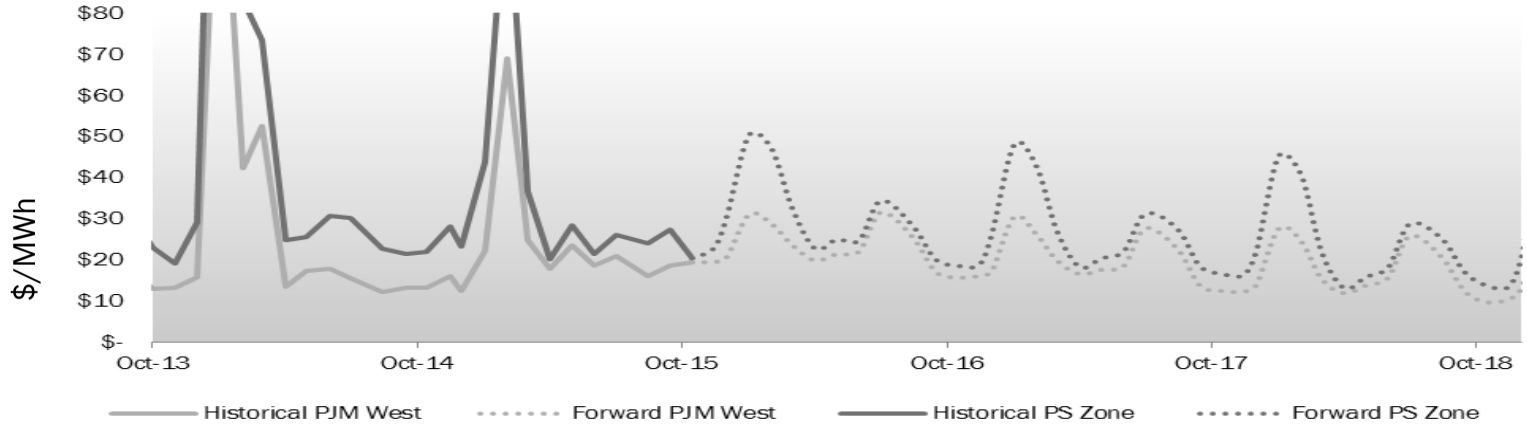
2015 YTD Z6



2015-2018 Z6

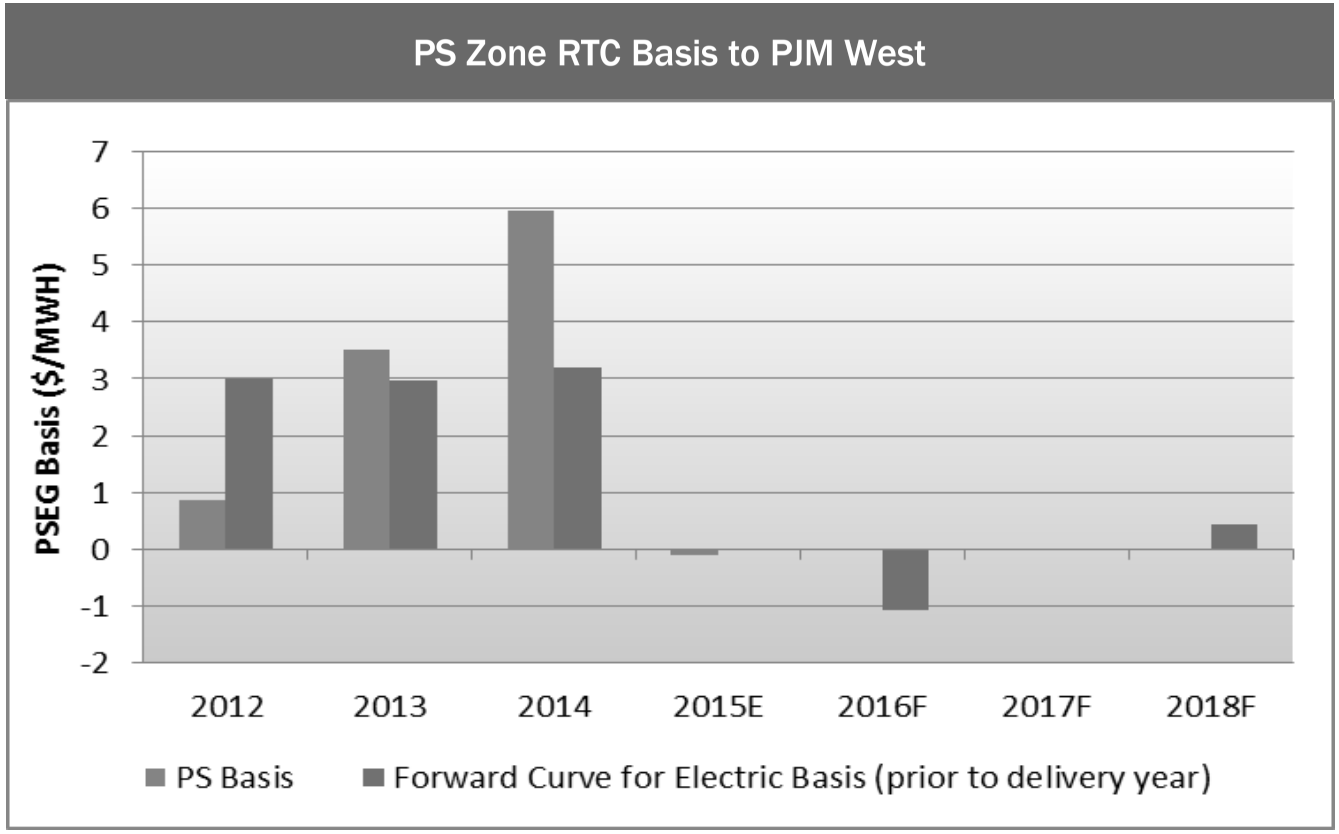


PJM West vs. PS Zone Spark Spreads (2013-2018)



SI-SSA-0015-08049

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

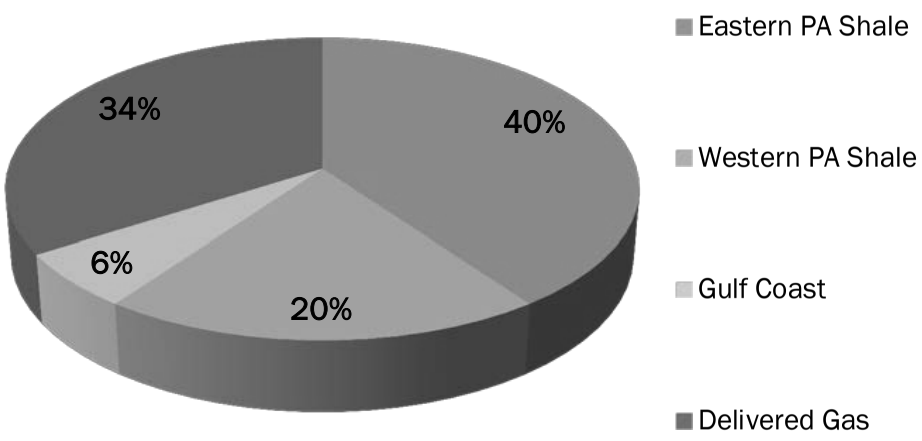
- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF OCTOBER 28, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

SI-SSA-0015-08050

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

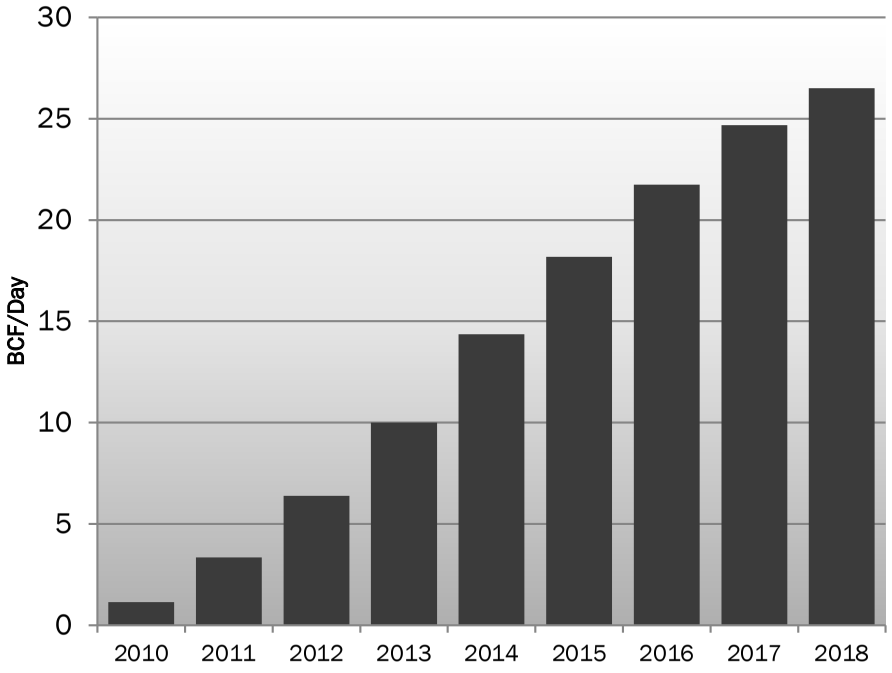


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

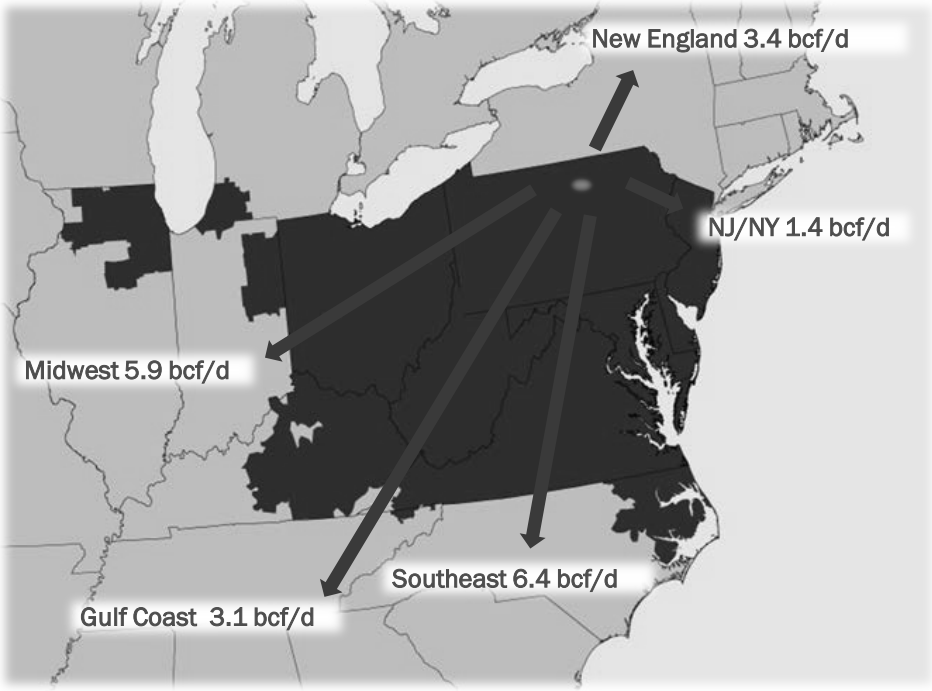
SI-SSA-0015-08051

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-08052

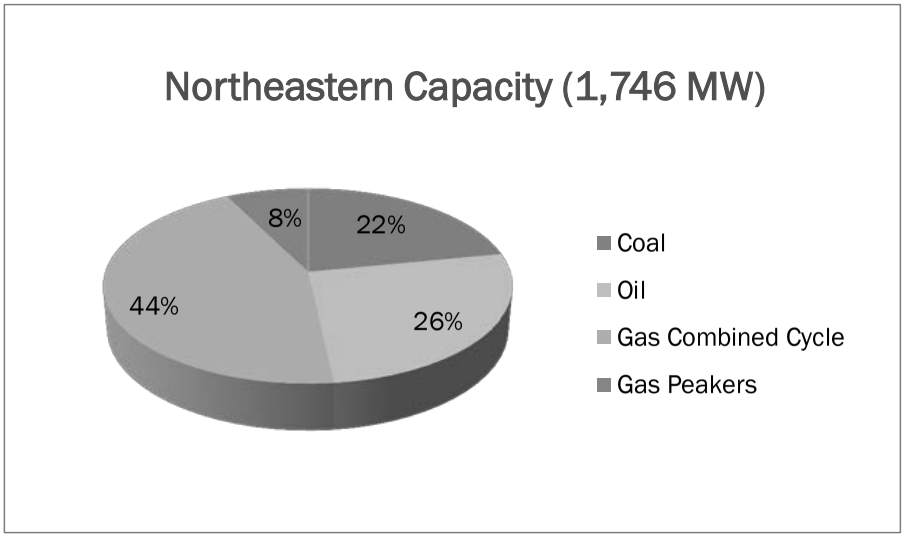
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-08053

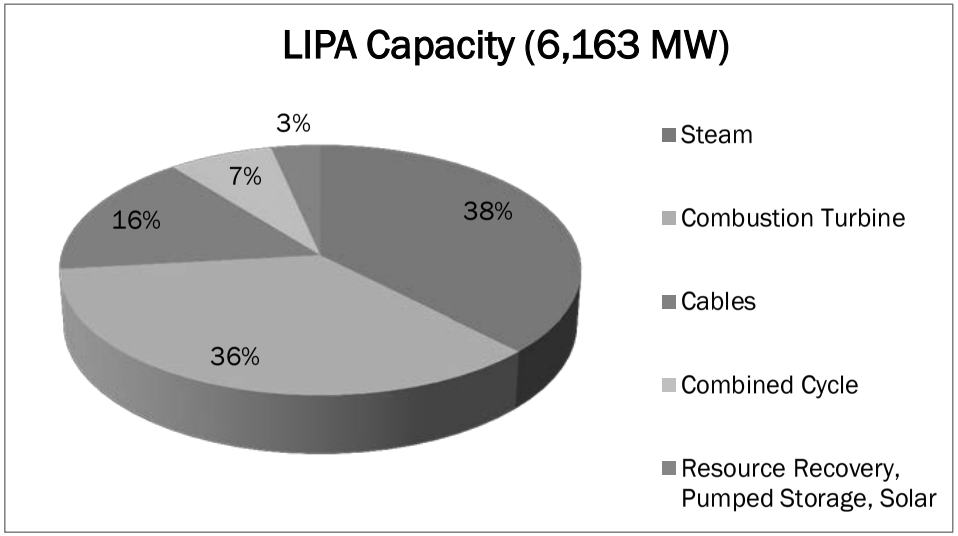
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-08054

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction met the new CP standards

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

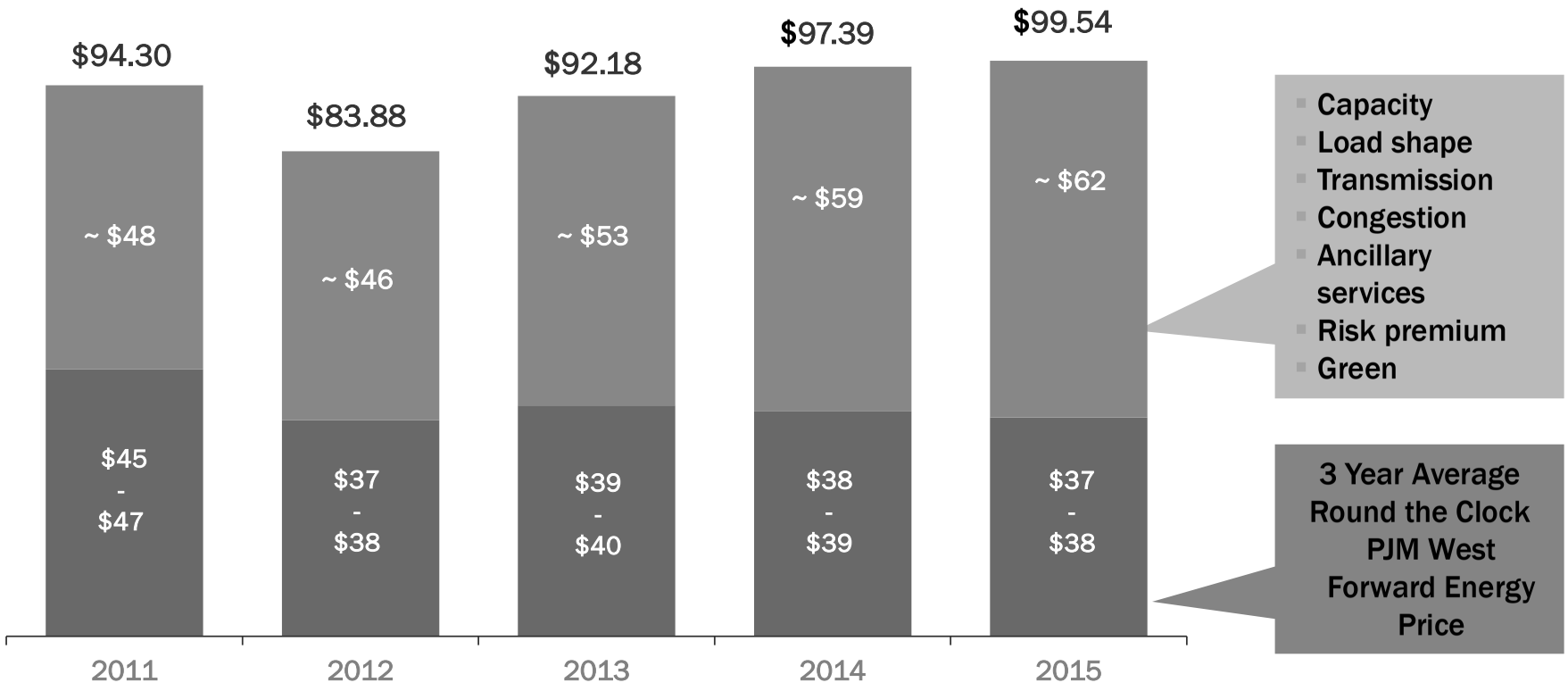
- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

SI-SSA-0015-08055

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

NJ default service provides Power the ability to forward hedge generation and protect energy basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-08056

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Oct-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	9	36	36
	% Hedged	100%	100%	55-60%
	Price $/MWh	$52	$51	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	4	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	12**	55-57	55-57
	% Hedged	80-85%	65-70%	35-40%
	Price $/MWh	$52	$51	$49

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA. **VOLUMES REFLECT ROUNDING.

SI-SSA-0015-08057

Regulatory Framework: Significant reforms implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) • Tighter performance obligations for Demand Response

	ENERGY	• FERC directed improvements to energy price formation:
		  • 5 minute settlement (FERC Notice of Proposed Rulemaking)
		  • Developing day-ahead hourly offers/real-time reoffers in Q4 2016

ISO-NE	CAPACITY	• Implemented two settlement capacity market (Pay for Performance) • Higher prices in recent auction better reflect tight supply conditions in concert with implementation of sloped demand curve in FCA 9 • Supply and demand near equilibrium • Zonal demand curves expected in FCA 11
	ENERGY	• Implemented day-ahead hourly offers/real-time reoffers in Q4 2014 • Reserve market prices better reflect scarcity prices • 5 minute settlement expected implementation Q1 2017
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals • FERC directed NYISO to develop RMR Rules in place of NYPSC rules
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• *FERC v. EPSA* before Supreme Court and national implications • DC Circuit RICE NESHAPs decision affecting diesel engines pending
	CAPACITY	• Supreme Court to review Maryland subsidized generation case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-08058

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-08059

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-08060

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for consistent and sustainable dividend growth

SI-SSA-0015-08061

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$785 - $805	$725
PSEG Power	$620 - $650	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,445 - $1,500	$1,400
Earnings per Share	$2.85 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,595	$1,584

SI-SSA-0015-08062

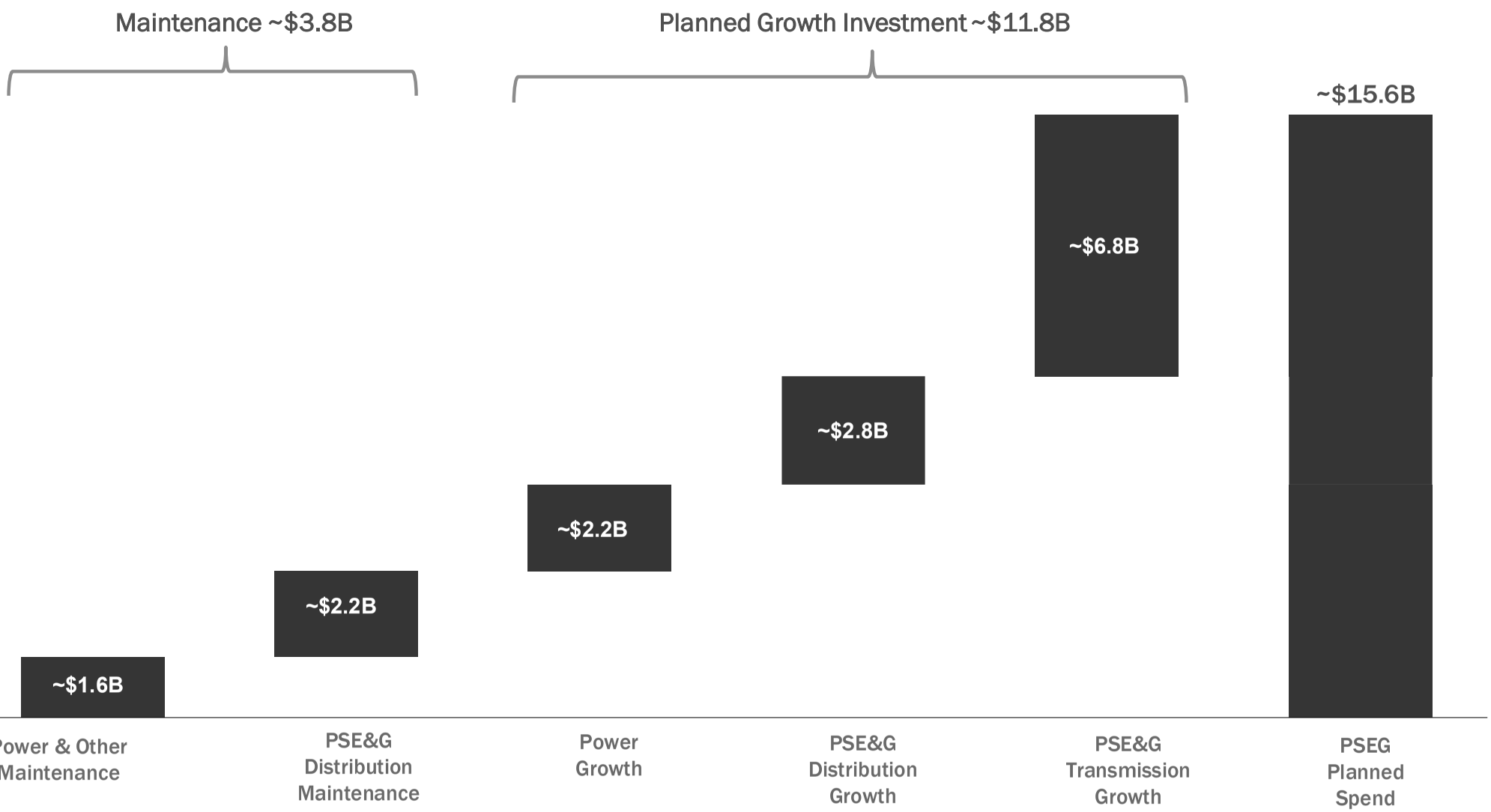
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

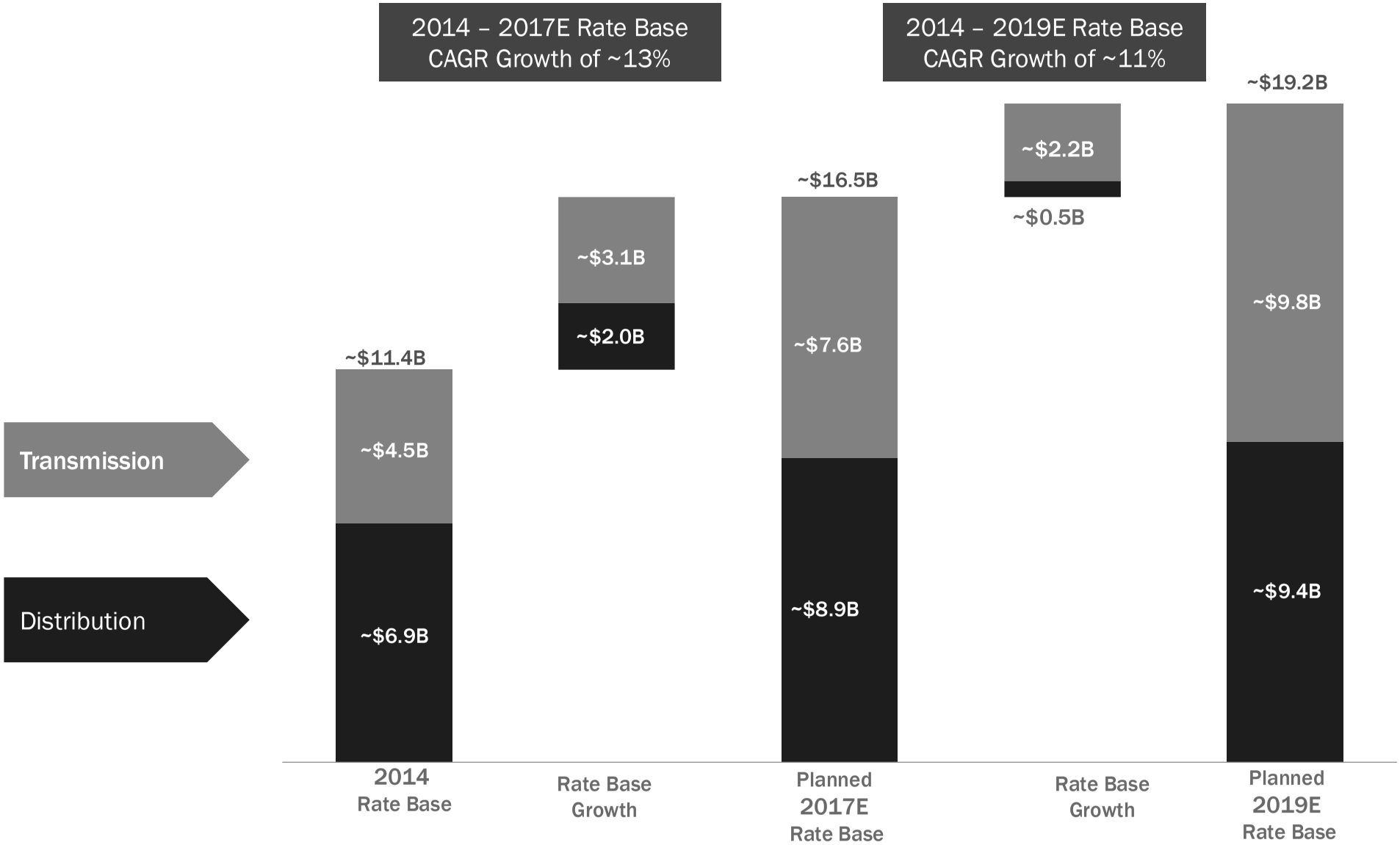
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-08063

PSE&G's Capital Program drives double-digit growth in rate base through 2019



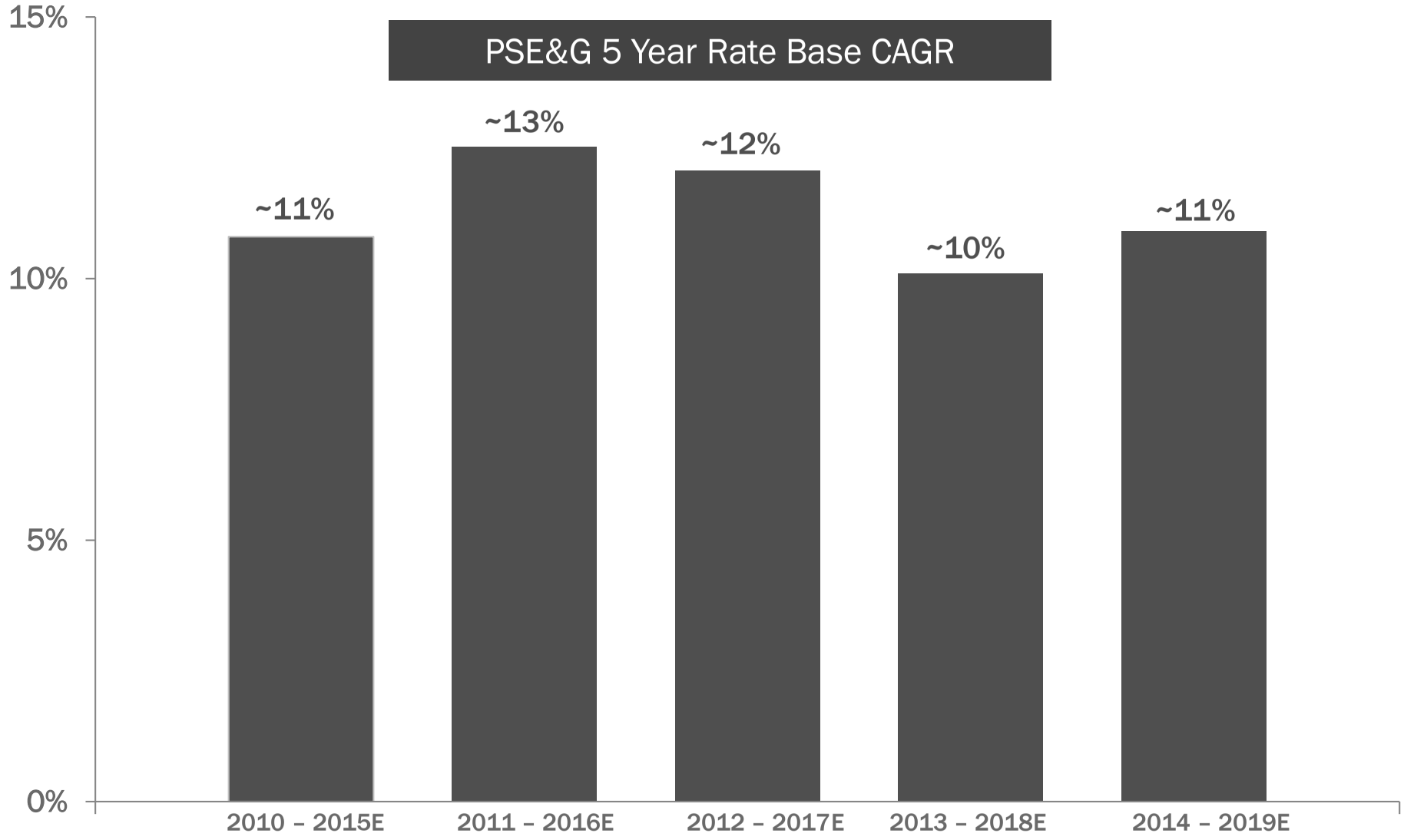
SI-SSA-0015-08064

INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



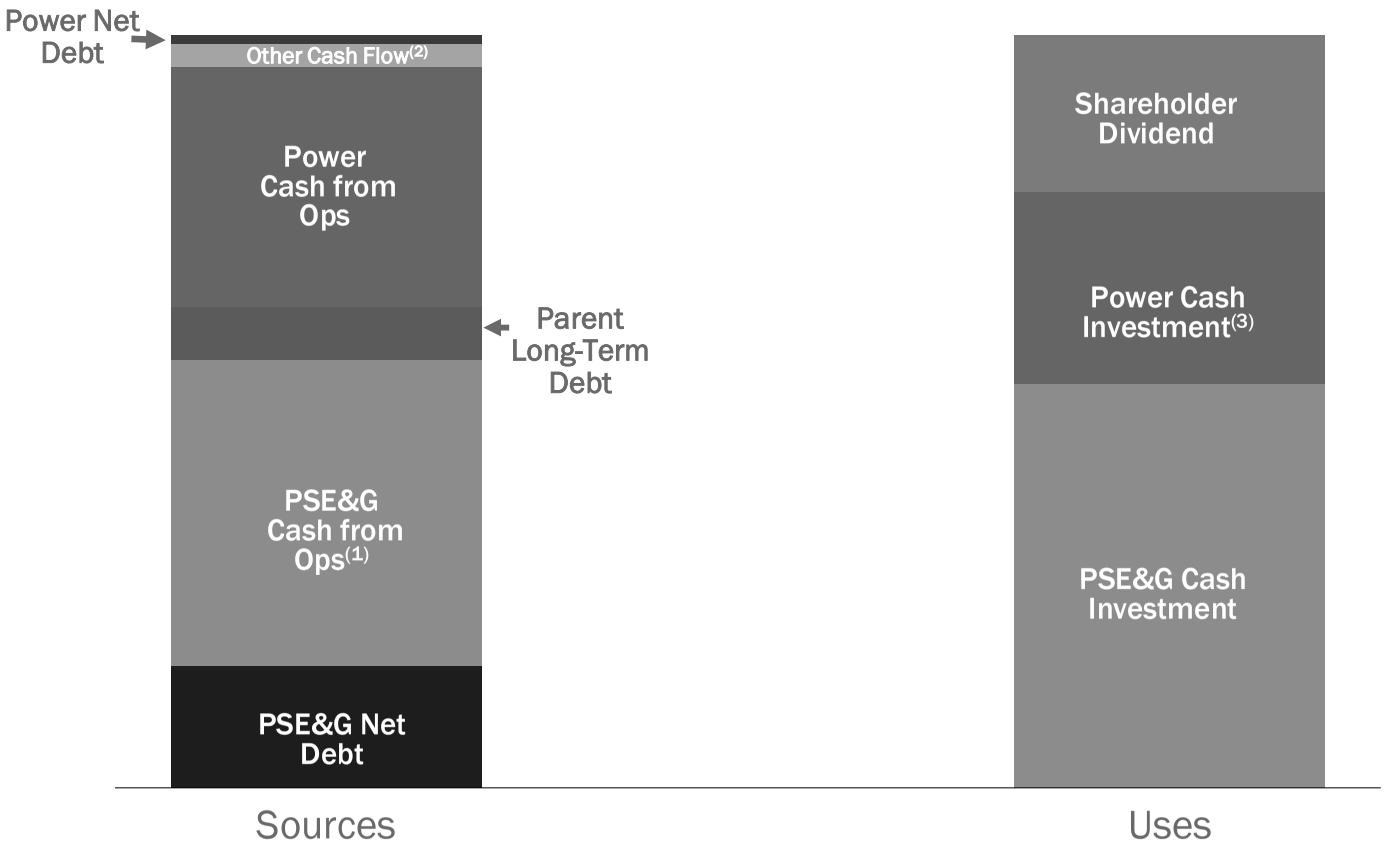
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-08065

Utilizing financial strength to issue debt at the parent level in support of growth

PSEG 2015 - 2019E Sources and Uses

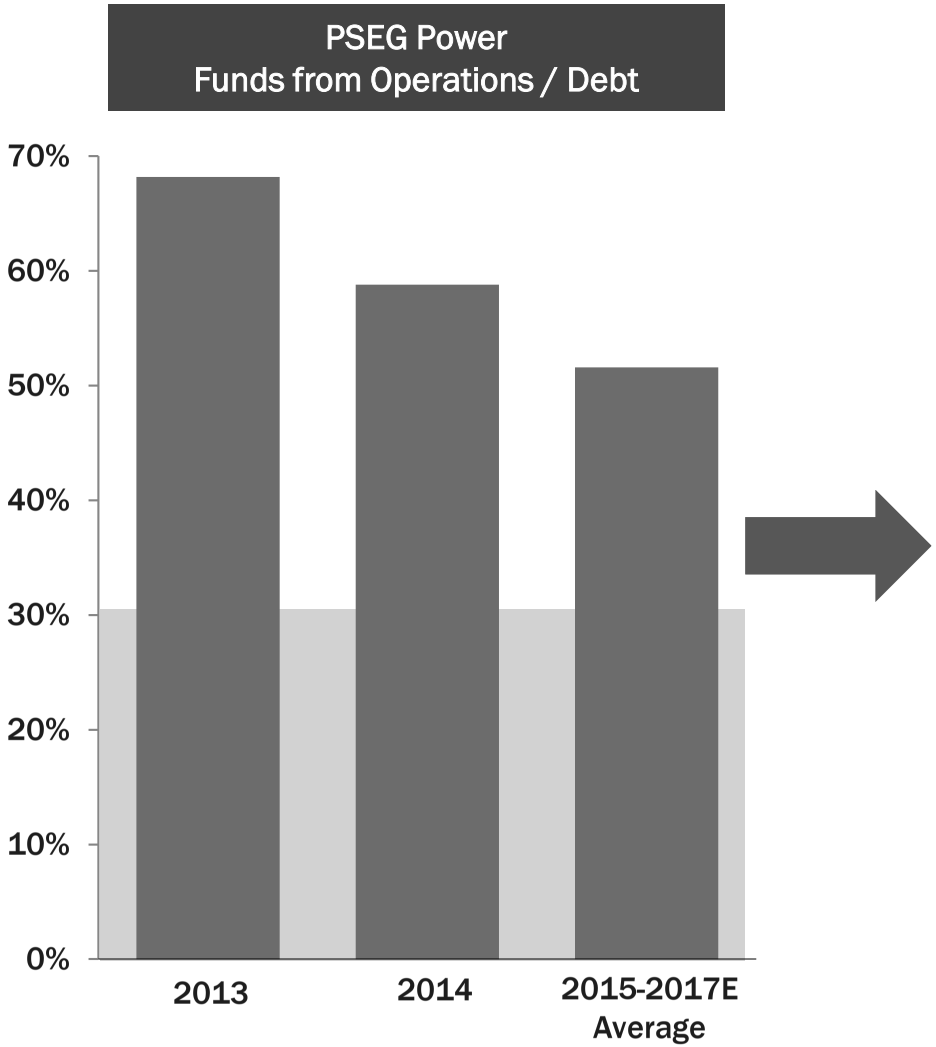


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-08066

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-08067

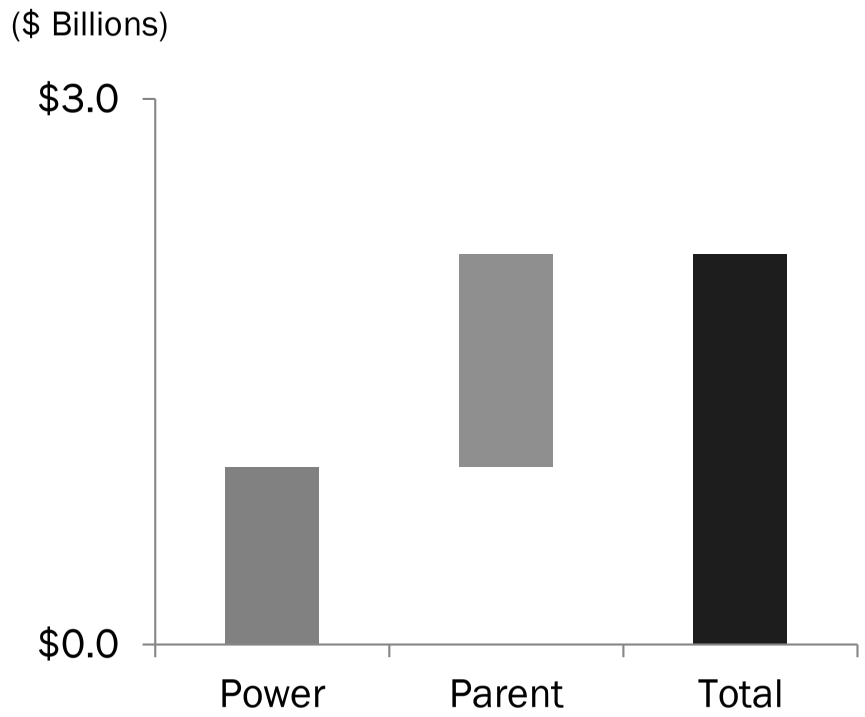
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



Our incremental investment capacity can support growth at both PSE&G and Power

SI-SSA-0015-08068

*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011–2013 historical data and forward curve estimates applied to Power's open positions. **Jul-Dec 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

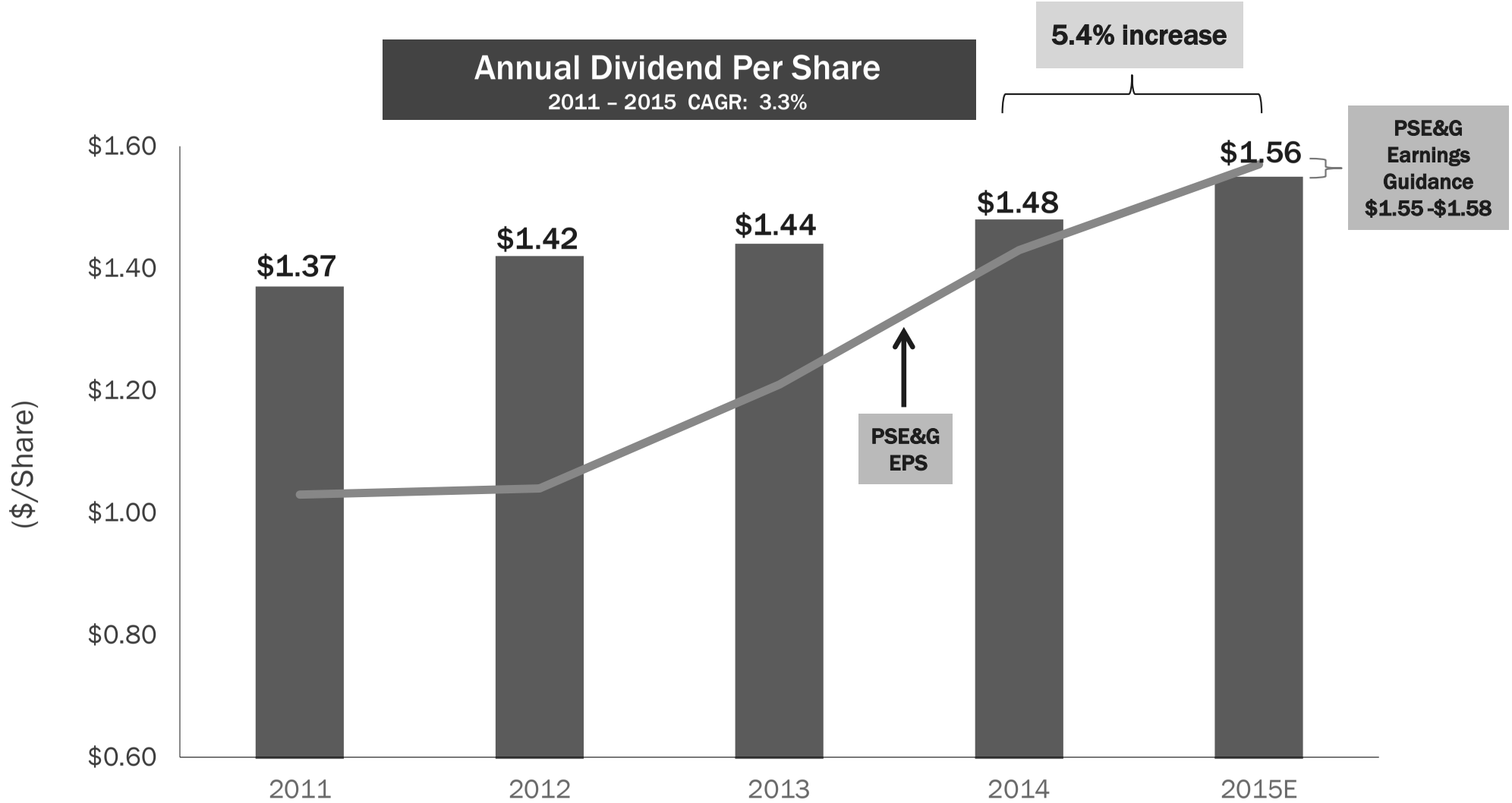
		2016E
Pension Expense	Each 1% Change in 2015 Rate of Return on Pension Assets	($0.01)
	Each 15 basis point Change in 2015 Year-End Discount Rate	$0.01
	Estimated Change in Actuarial Assumptions	$0.02

PSEG 2015 pension expense of $55M based on YE 2014 discount rate of 4.2% and 2015 expected rate of return on pension assets of 8%. As of 9/30/15, pension expense in 2016 was estimated to increase by $0.02-$0.03 per share. This will be updated at YE and managed as part of overall O&M.

SI-SSA-0015-08069

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



Payout Ratio	50%	58%	56%	54%	54% (1)

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.85-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

SI-SSA-0015-08070

PSEG Summary

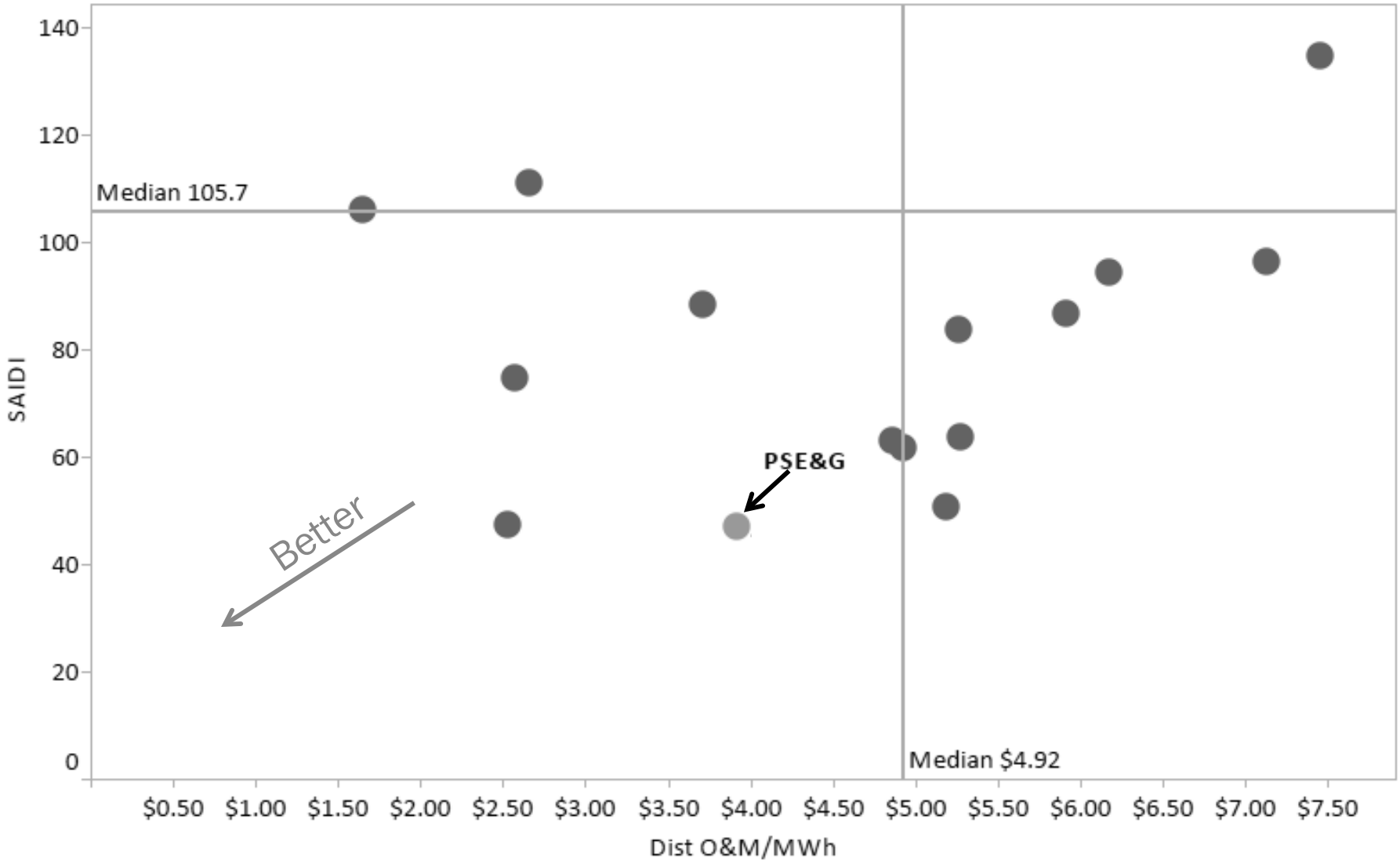
- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.85 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-08071

PSE&G APPENDIX

SI-SSA-0015-08072

PSE&G provides high reliability at below average cost which creates superior value to customers

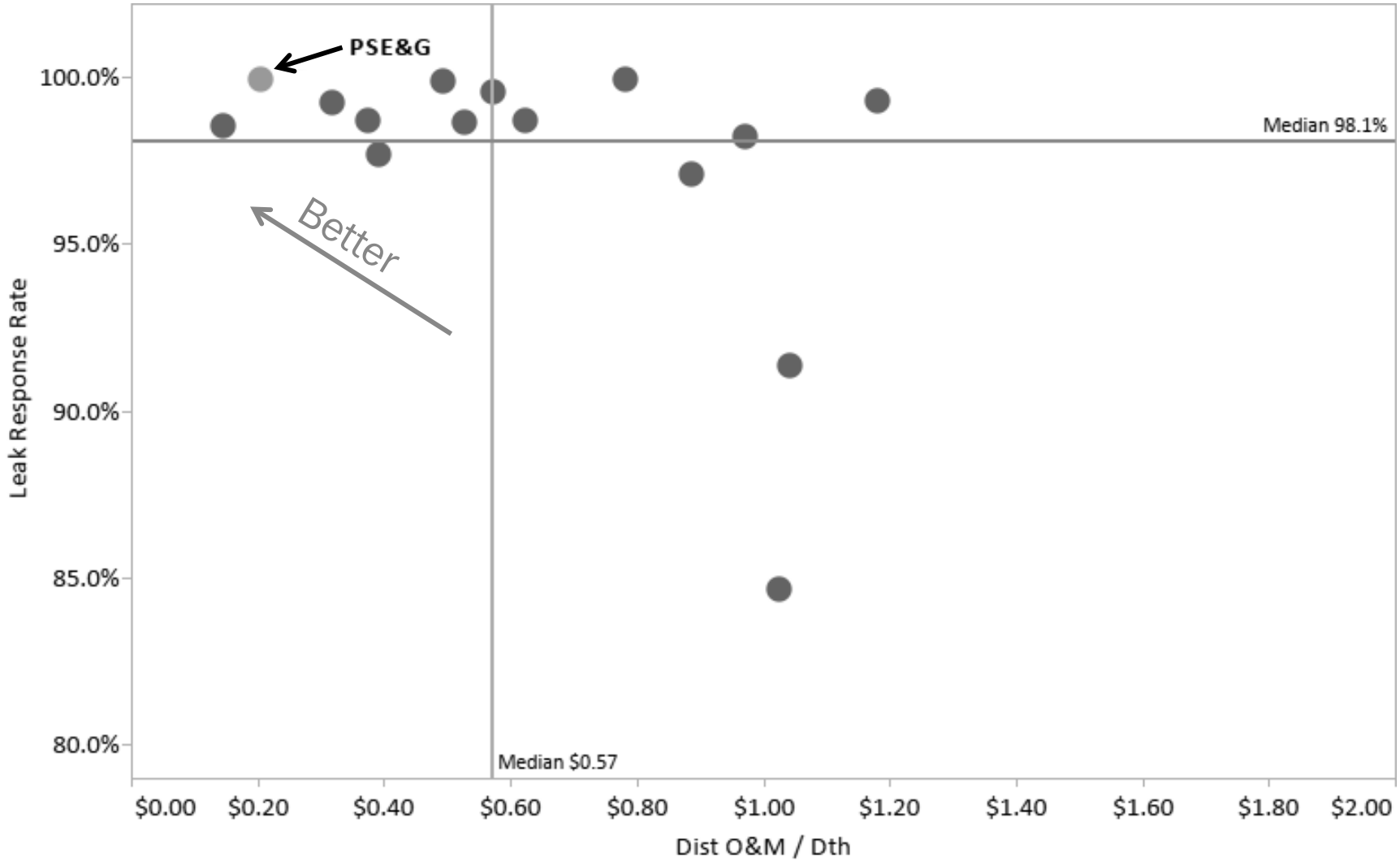


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-08073

PSE&G prioritizes public safety

while maintaining value to customers



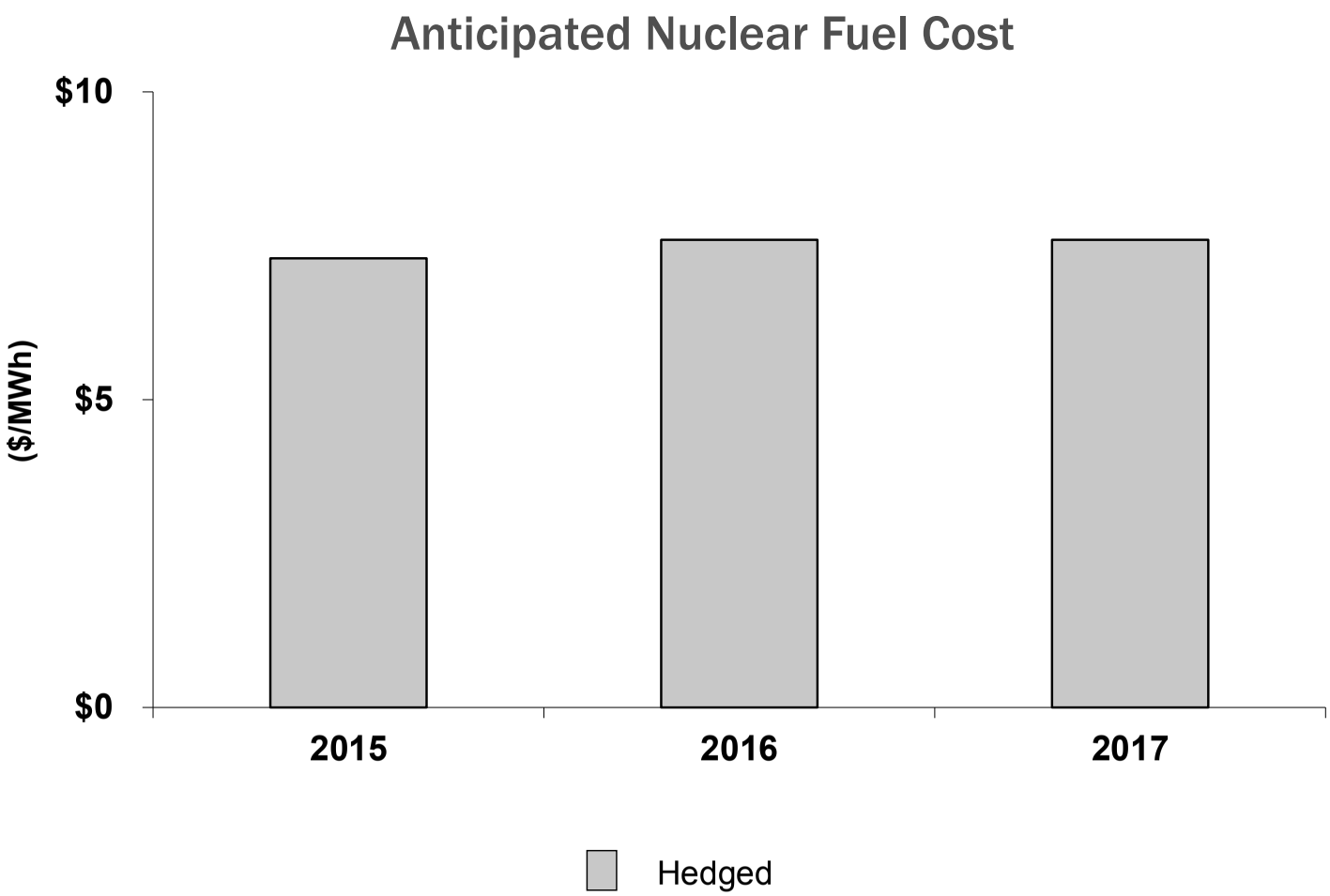
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-08074

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-08075

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-08076

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-08077

PSEG FINANCIAL APPENDIX

SI-SSA-0015-08078

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 631	$ 565	$ 1.24	$ 1.11
PSEG Power	558	551	1.10	1.09
PSEG Enterprise/Other	32	37	0.07	0.07
Operating Earnings*	$ 1,221	$ 1,153	$ 2.41	$ 2.27

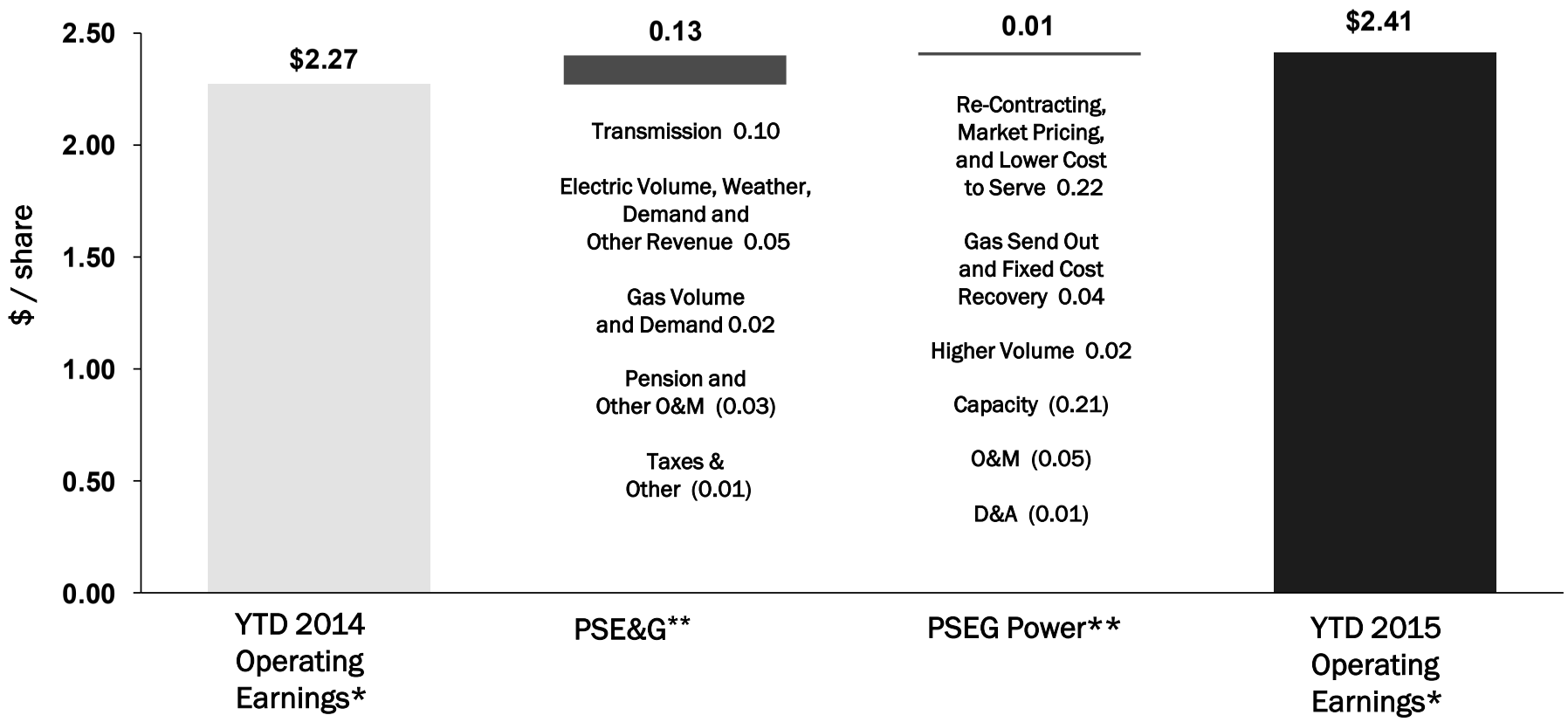
SI-SSA-0015-08079

PSEG

• SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2015 versus YTD 2014

Revenue growth supported EPS increase



SI-SSA-0015-08080

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

PSEG Power's Adjusted EBITDA – Q3 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended September 30,		Nine Months (YTD) Ended September 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$170	$171	$558	$551	$620	$650
Add:						
Fossil Major Maintenance, pre-tax	10	10	111	117	115	115
Depreciation & Amortization, pre-tax	76	71	228	217	305	305
Interest Expense, pre-tax	30	31	93	91	125	125
Income Taxes	115	103	338	337	380	400
Adjusted EBITDA	**$401**	**$386**	**$1,328**	**$1,313**	**$1,545E**	**$1,595E**

* SEE SLIDE C FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.
** SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

SI-SSA-0015-08081

Our balance sheet remains strong

September 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.3	$0.0	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.9	7.4	5.8
Total Capitalization	**$22.1**	**$14.0**	**$8.4**
Total Debt / Capitalization	**42%**	**47%**	**30%**

PSE&G Regulated Equity Ratio(2) 52.5%

SI-SSA-0015-08082

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $68 MILLION AND NON-RECOURSE DEBT OF $7 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Liquidity as of September 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$34	$566
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$201	$1,399
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$14	$986
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,600	$225	$3,375
	Total		$4,200	$259	$3,941

PSEG Money Pool ST Investment	$227
PSE&G ST Investment	$0
Total Liquidity Available	**$4,168**
Total Money Pool Liquidity Available	**$3,602**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-08083

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 9/30/15 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 152
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$ 34
Generation Legacy Assets	GWF (in wind down stage), GSOE	$ 1
Other	Land	$ 5
	Total Holdings Investments	**$836**

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

SI-SSA-0015-08084

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	$ 403	$ 393	$ 1,221	$ 1,153	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(14)	17	(11)	40	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	50	36	58	(138)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(2)	102	(13)	(16)	(32)
Net Income	$ 439	$ 444	$ 1,370	$ 1,042	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.80	$ 0.77	$ 2.41	$ 2.27	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.02)	0.04	(0.02)	0.08	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.09	0.07	0.11	(0.27)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	0.20	(0.03)	(0.03)	(0.07)
Net Income	$ 0.87	$ 0.87	$ 2.70	$ 2.05	$ 2.99	$ 2.45

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

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 401	$ 386	$ 1,328	$ 1,313	$ 1,584
Fossil Major Maintenance, pre-tax	(10)	(10)	(111)	(117)	(144)
Depreciation and Amortization, pre-tax [b]	(76)	(71)	(228)	(217)	(291)
Interest Expense, pre-tax [b]	(30)	(31)	(93)	(91)	(120)
Income Taxes [b]	(115)	(103)	(338)	(337)	(387)
Operating Earnings	$ 170	$ 171	$ 558	$ 551	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	(24)	36	(14)	85	138
Gain (Loss) on MTM, pre-tax [a]	84	60	98	(233)	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(23)	(27)
Income Taxes related to Operating Earnings reconciling items	(24)	(41)	(107)	60	(104)
Net Income	$ 206	$ 222	$ 707	$ 440	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-08087

Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-11-08
Event Description: EEI Financial Conference

Market Cap: 20,554.56
Current PX: 40.63
YTD Change($): +1.94
YTD Change(%): +5.014

Bloomberg Estimates - EPS
Current Quarter: 0.542
Current Year: 2.874
Bloomberg Estimates - Sales
Current Quarter: 2891.250
Current Year: 9975.818

EEI Financial Conference

Company Participants

- Ralph Izzo

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

Good morning, everyone. Hopefully, you're here to listen to presentation by Public Service Enterprise Group. I'll begin with our forward-looking statement, which I won't read here in detail but it obviously has the usual guidance around some of the cautionary statements regarding some of the information we'll be displaying as predictive in nature nor will I read here our GAAP disclaimer. Some of the data we'll be presenting does not conform to GAAP, but we do believe is helpful and complementary in illustrating the financial performance of the company.

I am Ralph Izzo, the Chairman, President and CEO of Public Service Enterprise Group. I'm joined on the stage by Dan Cregg, our Chief Financial Officer and Executive Vice President. In the audience with me are Kathleen Lally and Carlotta Chan of our Investor Relations Department. And again, thank you for being with us this morning.

For those of you who are less familiar with PSEG, we operate with two primary subsidiaries. On your left, you will see a little dialogue box describing Public Service Electric and Gas. It's a regulated combination electric and gas utility thus the name at the risk of being a bit trivial. Operating in New Jersey with over 2 million electric customers, a little under 2 million gas customers. The financial data you see recorded there is accurate for 2015.

The hallmark of PSE&G is a very robust capital program, which I'll describe in a little further detail in a moment that seeks to replace an aging infrastructure with a quality of service consistent with the high regard in which we've been held by our customers for over 100 years.

To the right, we have brief description of PSEG Power, a regional independent power business – merchant power business with primary operations in New Jersey and Pennsylvania. Once again, I will describe in a moment with some plant operations in Connecticut and New York State as well. Power is over 50% nuclear in its operations. So, we do consider ourselves to be a nuclear power company.

Our operating strategy has been the same for as long as one can remember. It all begins with an engaged workforce. We fully realize that the equipment which we operate is common throughout the industry. We think that the unique aspect of our company is all related to the quality of our employees, their training, their commitment to our customers, our shareholders, and other stakeholders. So, no one can be in front of me for more than 30 seconds without them hearing me mutter the two words, operational excellence. It's our fervent belief that if we provide safe, reliable, economic and environmentally-friendly energy services, that yields an outcome of – a desirable outcome for our investors. Good husbanding of those resources yields a financially strong entity. And by financial strength, our definition is the ability to not only produce the results that our shareholders expect today, but produce an outcome that allows us to invest wisely in the future.

And some of those wise investments, we'll go through in a moment but we have had successive years of growth in operating earnings, which is one of the non-GAAP measures I alluded to a moment ago. And over 100-year history of paying dividends every year, a recent history of dividend growth of 5% for the past couple of years, close to 4% for the last 10 years. And candidly, some improvements in our power production fleet that will give us a fleet that has enviable environmental profile and enviable efficiency profile.

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If I take a look at the capital program that we expect and compare it to the capital program that we've just finished, you can see here an illustration of a $14 billion capital program in the prior five years heavily, heavily weighted towards the utility. In fact, about 78% of the capital program were utility investments; 70% of that, which received contemporaneous return treatments either at the FERC or at the New Jersey Board of Public Utilities.

That $14 billion program is now morphing into a $16 billion capital program for the next five years, and a 78% spending at the utility is now 74% spending of utility. So, a strategy that has been pretty consistent for the prior five years and remains consistent for the next five years of heavy organic growth at our regulated entity. The 70% contemporaneous return expectations persists out into the future as well, largely driven by the single-biggest component of the program being transmission investment.

Let's break down some of these components in a little more detail now going forward. You can see this large portfolio of projects in transmission are primarily born out of a process at PJM known as the Regional Transmission Expansion Program (sic) [Regional Transmission Expansion Plan) (05:12), most often referred to as RTEP, by people familiar with PJM governance.

The RTEP process is PJM's annual look over the next 10 to 15 years at the reliability requirements of the bulk power system across the PJM region given the competitive nature of generation in the PJM region and the absence of the traditional integrated planning for transmission and generation in that region.

Every year, there are new requirements that come forward to account for unexpected retirements, unexpected new build that may come out of the various PJM wholesale power market mechanisms that encourage either retirement or new build. So transmission has been and continues to be the single largest component of the utility capital program going forward.

Second to that would be our investments in electric distribution. New Jersey, like many other states, has an increasingly electrified customer base, which is to say that despite the absence of load growth, our load growth numbers have typically been on the weather-adjusted basis low-single digit tenth of a percent, so 0.1 percentage. Given the vagaries of weather normalization, one could say that's pretty close to zero obviously.

Nonetheless, the reliance on electricity is spiraling upward, thus the need for ever increasing reliability and in fact bridging over from reliability to resiliency, where resiliency to us simply means having blue sky reliability on stormy occasions.

This was never more apparent coming out of Superstorm Sandy which is, hard to believe, four years ago just last week. And that has resulted in infrastructure improvements, storm hardening throughout our electric system. The program that we launched two-and-a-half years ago to do this was known as Energy Strong. We will see a continuation of that that we will refer to us Electric System Modernization Program.

So, these are a combination of Board of Public Utility approved capital improvement programs that receive tracker treatment in addition to our base spending in maintenance capital. We just recently filed with the New Jersey Board of Public Utilities a special project for $270 million substation improvement to serve one particular customer, the New Jersey Transit, which is the public transportation system in the State of New Jersey.

So, in addition to the transmission build-out for bulk system reliability, the electric distribution build-out for storm hardening and electric resiliency, we have some increased investment opportunities in our gas distribution business in addition to the normal base spending that's associated with service connection and new load.

We have a major undertaking in the area of cast iron main replacement. PSE&G has the largest cast iron main and bare steel system in the nation that comes along with being one of the oldest and largest gas utilities in the nation.

At our current investment rate in our Gas System Modernization Program of $300 million a year, our needs would last for the next 30 years before we would be able to fully replace the cast iron and bare steel system.

And we recently, last year, received approval for a three-year contemporaneous return clause recovery mechanism in that program. And our expectations are that since we've asked permission for special trackers on this type of program

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four times and received approvals four times, that this program will continue out into the future.

Lastly, New Jersey's Energy Master Plan, a policy document that guides energy policy in the State of New Jersey is ambitious in its aspirations for solar energy, as well as energy efficiency. We have been an active participant in that. We have invested over $700 million in regulated solar projects, and we're recently able to achieve an agreement with third parties and interveners in a filing we had made for an additional 33 megawatts or $80 million of solar investment dedicated to sites that are characterized as brownfields. Brownfields would be inclusive of landfills or old industrial sites that are underutilized.

Last year, we received an additional approval for $95 million in energy efficiency projects geared primarily towards hospitals, multi-family dwellings, low-income housing opportunities. So, the utility capital program as you can see is rather comprehensive, in dollars is primarily driven by the top part of this slide, the transmission, electric and gas distribution components. But in terms of policy implications and non-traditional services, there's a small complementary piece as well that we would expect to continue.

The growth rate in the utility rate base is known to be 8% per year for the next five years, with the potential for close to 10%. To go from that 8% to 10% would require $2 billion in additional investment over the forecasted numbers that you saw earlier. And over the last few weeks, we announced $650 million of opportunities that are fairly visible to us and are in front of the BPU today for approval, making up fully one-third of the additional $2 billion in opportunity set that we anticipate realizing over this period.

The story is somewhat different at PSEG Power. Over the near term, we are seizing on some investment opportunities in the construction of some combined-cycle units that I'll describe more fully in a moment, but Power's opportunity set is one that we would view looking forward as more in the potential of acquisition. However, we are historically conservative in our offerings for asset acquisitions and have, I like to boast, about a 96% failure rate in our ability to consummate transactions. But that's a good thing. That just means that we're not the victim of the winner's curse. It's probably not a bad thing, given the slow growth in demand and equally slow growth – slow decline in supply stack that many of us have anticipating would occur at a faster pace.

So we typically show a slide like this for the utility where the headline is: don't believe it, because the out-years, which show a decline in capital spending, are always gets filled in. This slide, however, for Power should have as a headline: you should believe this. Because what it illustrates clearly is that 2018, we begin a restoration of Power's role as a free cash flow generator, able to feed the equity needs of the utility, and in 2019 that it becomes a very robust free cash flow generator feeding the equity needs of the utility.

The slide is just ever so slightly out-of-date because we just recently announced the closing – that we will be closing two coal units that we operate in New Jersey. They are referred to as the Mercer and Hudson units. So, in the out-years of this chart, in 2019 and 2020, there's about $100 million each year of capital that was intended for those units that will now not be spent. So you can see Power's capital needs in 2019 and 2020 look to be just south of $300 million per year and a business that's generating in the neighborhood of a $1 billion plus in funds from operations. So, a tremendous free cash flow generator to meet the equity needs of the utility.

In the short term, however, Power is in a construction mode, replacing some aging assets in Bridgeport, Connecticut and in Sewaren, New Jersey. Sewaren is a subzone of the Township of Woodbridge, New Jersey with highly efficient combined-cycle gas turbines. And a wholly new construction program in Maryland at the Keys Energy Center, which has some attractiveness to us, not so much for its replacement value, because it's not replacing anything here, but this part of PJM is a load pocket with some fairly strong growth and also allows us to do a better job of managing our portfolio, given the fact that the PJM West zone is the liquid hub and we are lacking in assets around that liquid hub. Most of our assets are in PJM East, but Keys will give us an ability to better manage the portfolio and hedge profile of our system of plants.

Most importantly, however, the combination of the construction of these three units and the closing of the Hudson and Mercer units really continues the transformation of the PSEG Power fleet. What we're trying to illustrate here is if you take a snapshot of our fleet in 2015 and what we expect it to look like in 2020, on the left side of this chart, the pies are

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a little bit misleading. The change in nameplate capacity is a little less than 2%. So the vagaries of PowerPoint here, yielding a bigger pie, one should not take literally.

You can see, however, the shift in the fuel of choice that's being used, going from one pie to the next. So the slight increase in capacity of 2% is very different when one moves to the right of the slide and takes a look at the energy output that's expected from the fleet, which is nearly 20%, and this just reflects the fact that we will have 5,000 megawatts of combined-cycle gas turbines with an average heat rate of 7,200 Btus per kWh. That will be complemented by an existing nuclear fleet that for 10 of the last 11 years has run at a capacity factor north of 90%. That's 3,500 megawatts of nuclear, spread across the Salem, Hope Creek, and Peach Bottom units, four of which are co-owned by us and Exelon, complemented by about 3,000 megawatts of peaking capacity at an average heat rate of a little north of 9,000 Btus per kWh, anchored by some pretty efficient units that we've newly built in New Haven, Connecticut and Kearny, New Jersey.

So we're positioning Power not as a larger fleet – once again, the reason for that is because demand is not growing – but as a far more efficient, cleaner, and flexible fleet, which we are convinced will meet the demands of a very competitive, challenging marketplace going on into the future.

Beyond the capital program, the ability to control O&M is something we obsess about every day. It's a byproduct and an offshoot of having that engaged workforce I spoke about before. You can see here that Power's O&Ms had some years of slightly up and slightly down. But over the last six years, the compound annual growth rate has been zero.

The puts and takes are a function of whether or not our 100% owned Hope Creek unit is in a refueling outage that might lead to a slightly up year in O&M, whether or not there's an absence of major maintenance at some of our fossil fleets that would result in a down year in O&M. But overall, very good cost control at the Power business.

You can see similar strong cost control at the Electric and Gas distribution business, an annual CAGR of 1.5%. There's a misleading 10% CAGR on the transmission business. It's misleading for two reasons. Number one, when you start at zero, it doesn't take much to have a high percentage growth rate. But also, given the very strong capital program in the transmission business, obviously, for system stability, when one is doing work at one transmission location, there is related work that has to take place at another transmission switching station. That related work is not capital work. That becomes O&M work, and that drives the O&M expense. However, given the FERC formula rate treatment that we receive, we are able to earn our allowed return across the transmission business in each of these years.

So the robust capital program at Power and at the Utility coupled with the strong O&M cost control yields a set of financial credit metrics that we are quite proud of. Our emphasis is on maintaining strong investment grade credit ratings across all three entities: the parent, the merchant business, and the utility. Our minimum thresholds in our key measures are FFO to debt.

As you can see here, we set that target at PSEG Power at 30%. Over the next three years, the average will be somewhere in the mid-40%s. At the parent, given our current mix of about two-thirds, 60% to 66% regulated earnings and the balance unregulated earnings, we think our parent FFO to debt ratio can remain anywhere from the high teens and above and it currently is in the low 20%s.

What that implies is that we have additional investment capacity just through the debt markets that Power are somewhere in the neighborhood north of $1 billion and at the parent north of $1.5 billion. Given the regulated capital structure of the utility and given the predominance of utility type investments, the utility itself has access to the debt markets. Our allowed equity ratio is, just think of it as 50% debt, 50% equity. So, this $2.5-ish billion additional investment capacity in terms of debt yields a $5 billion unutilized investment capacity at the utility on top of the numbers I've already spoken about.

The strength in the balance sheet, the growth in the utility, the efficiency of the Power fleet gives us confidence to continue speaking about our growth that we've not only experienced but expect to experience. You can see here the transition that we've undergone over the past five years, not only have we grown our operating earnings, but the utility has grown as a percentage of that operating earnings. So the utility is the primary earnings driver of the business today, as I mentioned a moment ago. If one is just to look at the midpoint of our guidance, the utility would be slightly more

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than 60% of the earnings of the company.

This combination of factors, the increasing importance of the utility, the expectation of future growth of the utility, the continued O&M control, the efficiency of the Power fleet allows us to continue to embrace a dividend guidance that is qualitative and not formulaic, that speaks about the opportunity for meaningful and sustainable growth in that dividend. Here, you see the utility earnings now north of the dividend payout ratio this year of $1.64 on an indicative basis. Of course, our Board of Directors determines this on a quarterly basis and it's solely at their discretion.

So, hopefully, in summation, what you've heard me say is that we have a truly stable platform in terms of the combination of a regulated utility making up the majority of our earnings, a PSEG Power business, and an efficient, highly liquid power market at PJM, one which through the combination of our hedging of energy contracts and our combination of participation in PJM capacity auctions gives clear visibility to the next three years of top line revenue streams at Power business.

We are of the opinion that PSE&G certainly through its service history and its customer satisfaction scores and growth profile would be ranked certainly among top-tiered growth and performing utilities throughout the nation. Power's fleet, the combination of nuclear, and combined-cycle natural gas turbines make it not only efficient and clean from today's standpoint, but well-positioned for a future of carbon constraints. And the balance sheet continues to support growth across these businesses, sustains the dividend, and gives us the opportunity for further investments that we fully expect to identify in the months and years to come.

So, with that, I'll stop. I think we have plenty of time for questions if I'm not mistaken. That was certainly our intent. And I'll join Dan at the table and be open to your questions. Thank you.

Q&A

<Q>: [ph] It's working, Dan (22:39). Ralph, given your excellent outline of where things are and what you're looking for, bring to mind the fact that the earlier presentation that I went through this morning was by FirstEnergy, they're going to have some nuclear plants that will be available that they'd like to dispose them. Will you have a look at those? Do you believe that there's a price for everything? And at the right price, yes, you could look?

<A - Ralph Izzo>: Thanks, [ph] Karl (23:12). So, I guess, there's kind of two answers to that. One is you're absolutely right. At the right price, things can be of interest. But second is I've got a lot of respect for FirstEnergy. They have a long history of successfully operating nuclear plants and if they think economically they're not supportable, it sort of – it stretches my imagination to wonder how we could do anything different to make them economically viable. So, I would think that's a low probability event that we would be able to do something different than they could.

On the broader topic of nuclear, separate and apart from FirstEnergy, as you know, this is a challenge across competitive markets, and my only hope is that the nation realizes this is extraordinarily shortsighted to sacrifice what is, without question, one of our cleanest sources of energy from not only a carbon point of view but from traditional pollutant point of view and the short-term dislocation being caused by natural gas, compounded by the subsidization of renewables is something we're going to greatly regret if we don't start pricing some of the externalities associated with nuclear into those plants.

We are not in the same position with some of these challenged plants just because of the location, the size of our plants. The location has a twofold benefit for us. Number one, we have better pricing. And number two, we don't have the same pressure from renewables. But nonetheless we are out there shoulder-to-shoulder with people like Exelon and FirstEnergy saying: policymakers better figure this out because it doesn't make sense to have negative dispatch prices caused by wind, shutting down nuclear plants only to be replaced by natural gas. It's just policy insanity.

So I thank you for the question. But, no, my guess would be that we would have limited interest in those assets only because I think FirstEnergy is a good company. And if they can't make them work, I don't how somebody else could.

<Q>: Given the strength of the balance sheet, could you comment on the types of investments that might be attractive opportunities going forward?

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<A - Ralph Izzo>: Yes. So, I mean, our primary emphasis is going to be continuing to grow the regulated utility. If you just think about the Gas System Modernization Program, which we have just about universal acceptance in New Jersey needs to be done, we're pushing the run rate from $300 million a year up to $400 million a year. We think that's probably going to be the natural limit for the foreseeable future. That will take us from a 30-year program to maybe a 25-year program, 20-year program. By the time we're done with that, the pipe that we laid 40 years ago will need some replacing, right?

So, our growth story in utilities is not about load growth. It's about an aging infrastructure that people rely on every day that just constantly needs refreshment. The value of being a combination utility is that even while we're doing this major overhaul of the infrastructure, we're lowering bills. Now, this is water, it's not vodka. The reason why I'm able to say that is because as gas prices have come down as a combination utility, we're able to lower the bill while making these investments in the utility.

So, my prediction is that we'll continue to have the vast majority of our investment in the utility. But as I said a moment ago, we'll keep poking at existing power plants to see whether or not they fit into our portfolio. I don't want to overstate the likelihood of being successful there, thus the 96% failure rate. But I don't want to have one land in our lap and then have people say, well, you never mention that, so.

<Q>: With regard to your plans for growth in transmission investment, is there a limit to future needs in PJM? And we noticed in the RTEP process, things keep getting pulled out of the RTEP, pull – are pushed further out because of declining power demand or changing directions of flows or whatever?

<A - Ralph Izzo>: Yes. And we are seeing a decline in the big projects, right? So we had a period of time in the past decades where some major, major projects needed to be built to debottleneck the East/West flows of the powers and that worked. I mean, it helped free up some congestion. It was done for reliability. But obviously, electrons don't follow paths because of reliability or economic conditions. They follow path because of Dr. Kirchhoff of years ago. So most of the big projects have decreased. We have one that remains. It's corrective seam issue between PJM East and New York ISO.

However, I will remind you that long gone are the days when utility engineers looked at load distribution, transmission and generation in one fell swoop. And given the slow-moving nature of load changes and given their ability to control where generation was built and where it was it was retired, you can have a fairly stagnant transmission system that would meet the reliability needs.

PJM did not know we were going to retire Mercer and Hudson until literally two weeks ago. Nobody knew that developer A, B, and C was going to build a combined-cycle gas turbine in RTO, six months ago. So as PJM addresses these changes, these major perturbations in the bulk power system, there's an ongoing need for projects. They're just not as big as they were before. So, I don't see the need for transmission going away, but I do see it as sort of more isolated programs than I do see kind of the mega projects that are going to decongest major systems.

A big part of that program also, if I might go on just for another moment or two is in an effort to enhance reliability, which I think we've been successful at. We're upgrading our 26kV loop system, which is a distribution level system to a 69kV system. So, we're still anticipating a very robust transmission program.

<Q>: Yes, [ph] Barry (29:03).

<Q>: Well, about one year from now, there'll be an election in New Jersey for Governor, and what would you like to see in terms of policy changes that would come in with the new administration that might create the opportunities for investment in energy beyond what is now allowed by the current policies?

<A - Ralph Izzo>: I can't think of any changes that I'd like to see, [ph] Barry (29:32), in terms of the areas in which we've been allowed to invest. We've been upgrading our traditional infrastructure and we've been allowed to participate at very active level in some non-traditional areas, in solar and in energy efficiency.

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The one policy change – so in terms of areas of investment, no change. I think we've been welcomed into all areas that we've asked to be allowed to participate in. The policy change I'd like to see is, the duration of the programs that receive approval. So, I'll refer to the gas system program as hopefully with a little bit of humor.

It's a 30-year program. We'd like a 30-year approval. The regulatory [indiscernible] (30:15), stop whining, you've come in four times and we've said year four times. And I turn back and say yeah, but the first two times you said yes, for 18 months, the last two times you said yes for 36 months. And they say, well, you should be very confident that we'll say yes the next time. And I say yeah, there's a difference between confidence and certainty. So, unfortunately, they win. So, what I'd like to see is changes in the duration of the program, but I don't think we've been denied any opportunities in terms of where we can invest.

The banter is not quite that pleasant when it actually takes place.

<Q>: What are the prospects for PSEG Long Island.

<A - Ralph Izzo>: Yes. So, there's really two dimensions for PSEG Long Island. We thought there could be a third, but I'll get to that in a moment. Number one is, we operate their transmission and electric system. And that's under a contract. It's a 12-year contract. It has, I think, another nine years to run. And secondly, we dispatch the generation fleet, as well as contract with other generation.

In my opinion, both are going exceedingly well. They've gone far beyond my expectations in terms of how well we've performed. In the former case, we had 21 performance metrics we needed to meet as part of the contract. We've consistently met 18 and 19 of them, which resulting in slight bonus payments. It's a modest bonus payment. And in the case of managing the generation and their fuel supply, we've been able to pass on strong savings to them as a result of that.

So, I think we've done well. We're the student. The teacher would be the Long Island Power Authority. They give us the grade and I think they've been happy. That's contributing about $0.07 a share. It's indexed to inflation, so it will creep up over the course of next nine years.

The part that's been a disappointment, quite candidly, there was a vague reference in the contract to our ability to participate in something called Utility 2.0. It was not defined in terms of what it would be. We had hoped it would be a very ambitious program of kind of distributed generation energy efficiency that we could deploy our own capital.

But we've not been able to come to an agreement with life about what that really means. They would like to see us sort of manage other people's efforts in that area and our response is no, that's not what the core contract was. If you want us to do it as opposed to manage others, then here's what we'd like to do. So, it's unfortunate I think, but it doesn't keep me awake at night.

That's what I like. We're a very clear company, no confusing questions. Everyone's good. So we'll give back the balance of our time. Thank you all very much for joining us today.

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SI-SSA-0015-08094

EEI 2016 Financial Conference

PHOENIX, ARIZONA – NOVEMBER 7-9, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08095

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover insurance proceeds with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- economic recessions,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-08096

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense, depreciation and amortization and major maintenance expense at Power's fossil generation facilities, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure, whether assets were constructed or acquired and accounting methods. Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-08097

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

SI-SSA-0015-08098

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G

PSEG Power LLC

Electric & Gas Delivery and Transmission	Regional Competitive Generation
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 Assets $24B Net Income $787M Operating Earnings* (non-GAAP) $787M	2015 Assets $12B Net Income $856M Operating Earnings* (non-GAAP) $653M

SI-SSA-0015-08099

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. *SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-08100

* SECOND YEAR OF NET INCOME EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating Earnings (non-GAAP) for 2015 at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-08101

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-08102

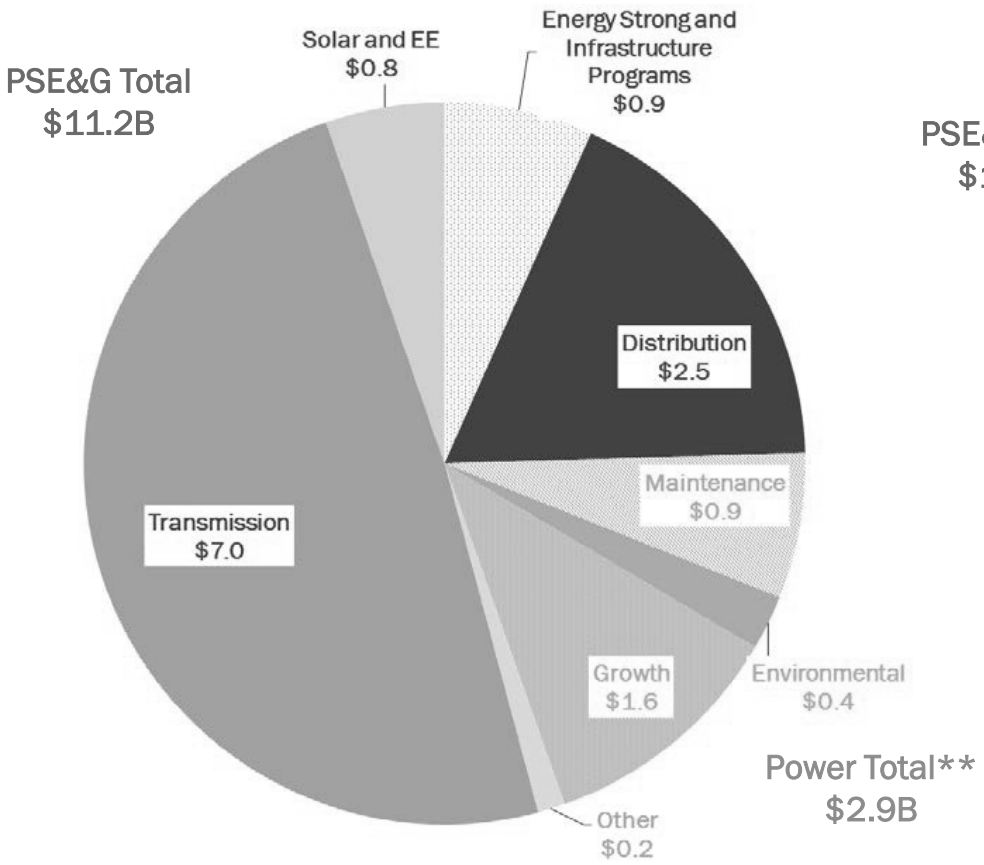
PSEG

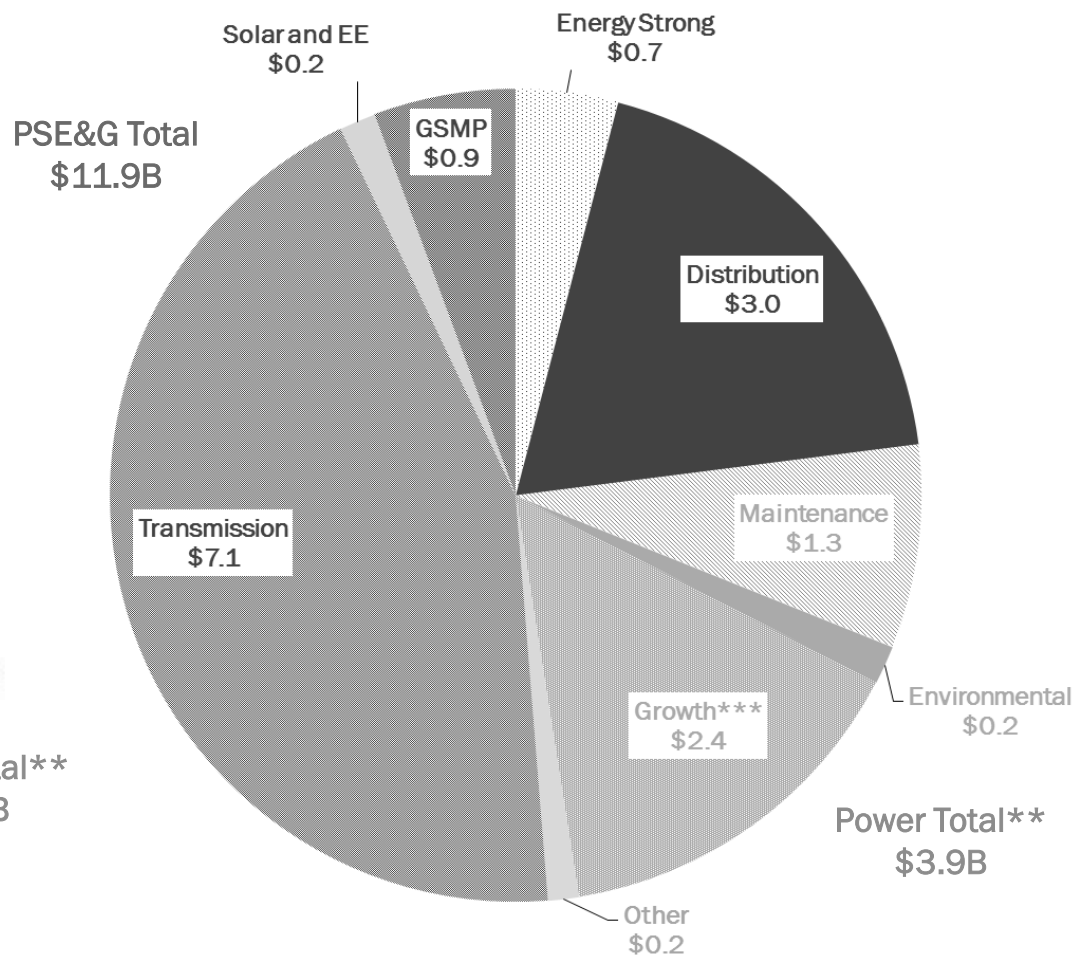
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DOES NOT REFLECT EARLY RETIREMENT OF HUDSON AND MERCER IN MID-2017 AND $600M OF RECENT PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

SI-SSA-0015-08103

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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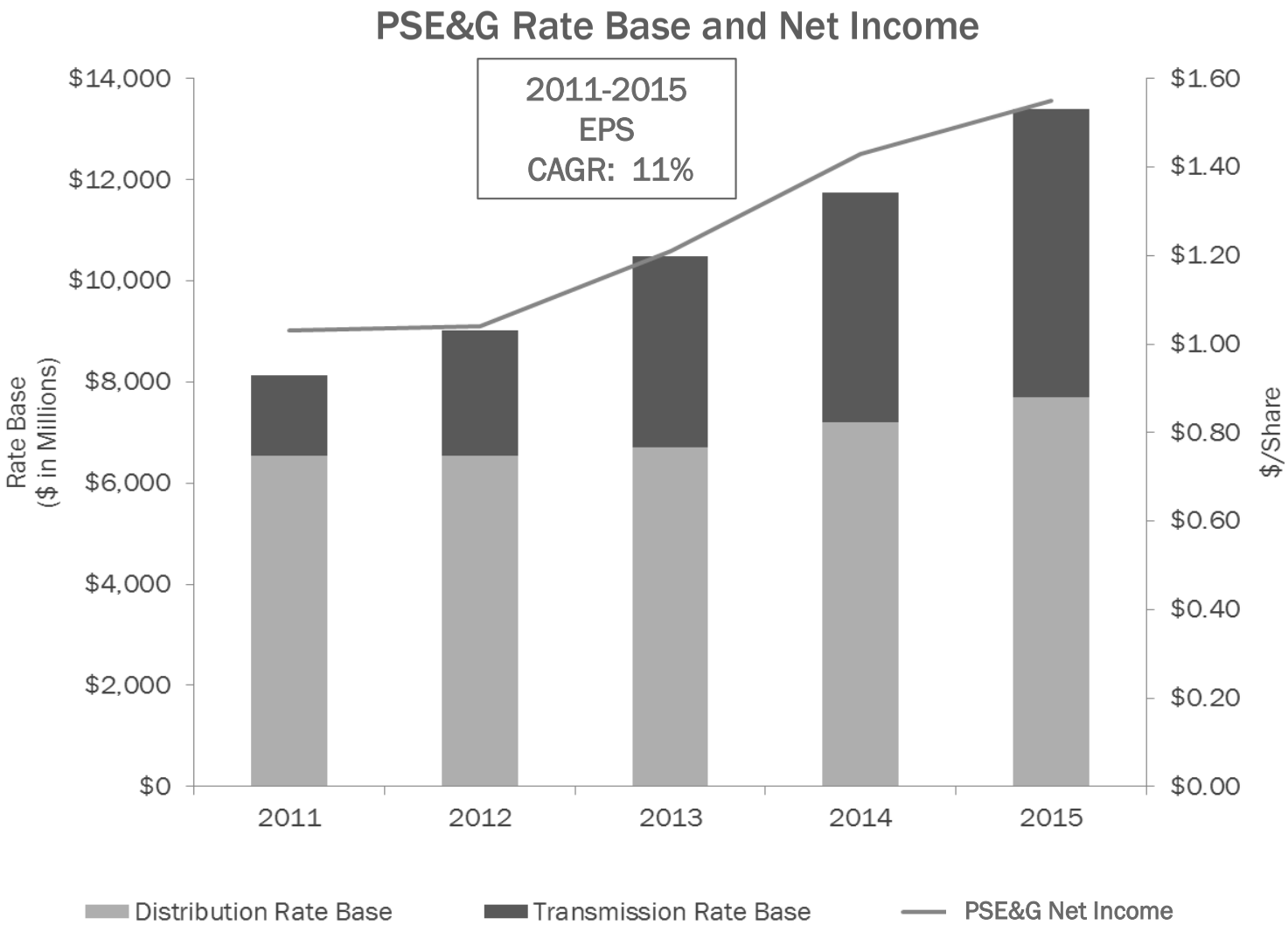
PSE&G's investment program

Meeting public policy goals and customer needs



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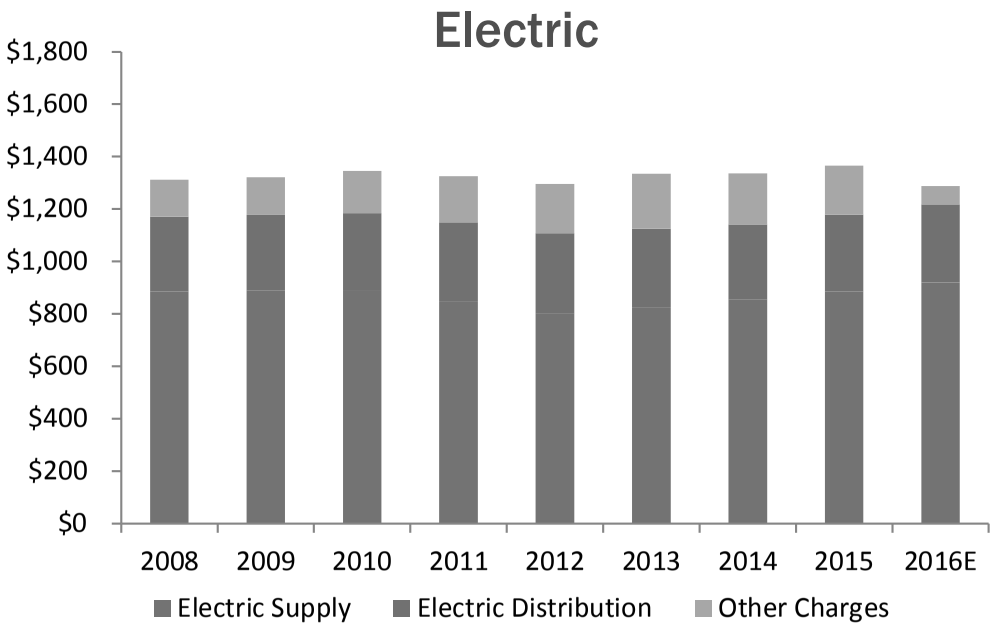
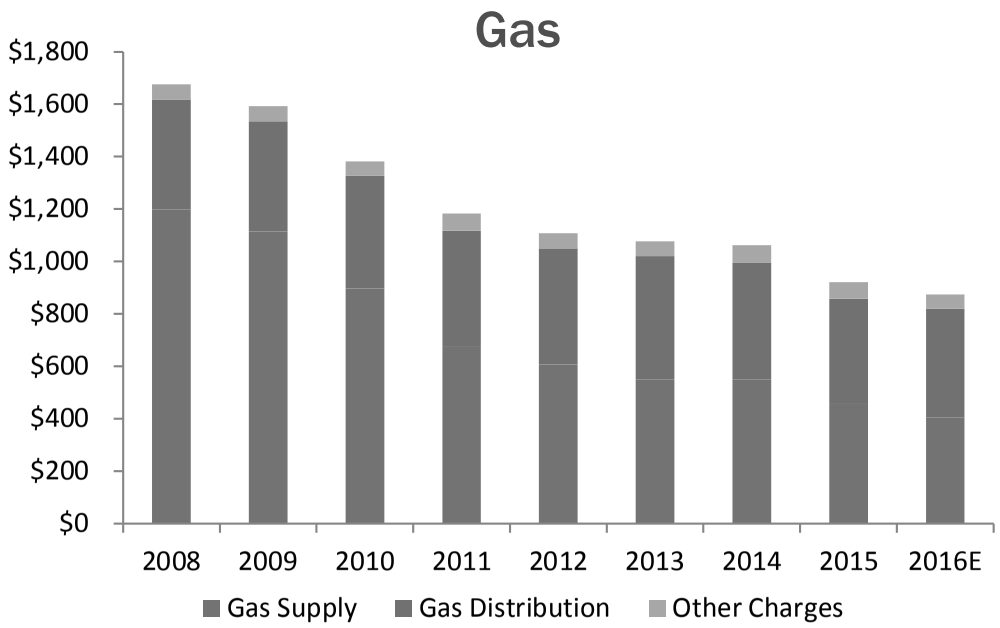
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 12 GW *		5.0	3.8	1.2	1.8	0.2

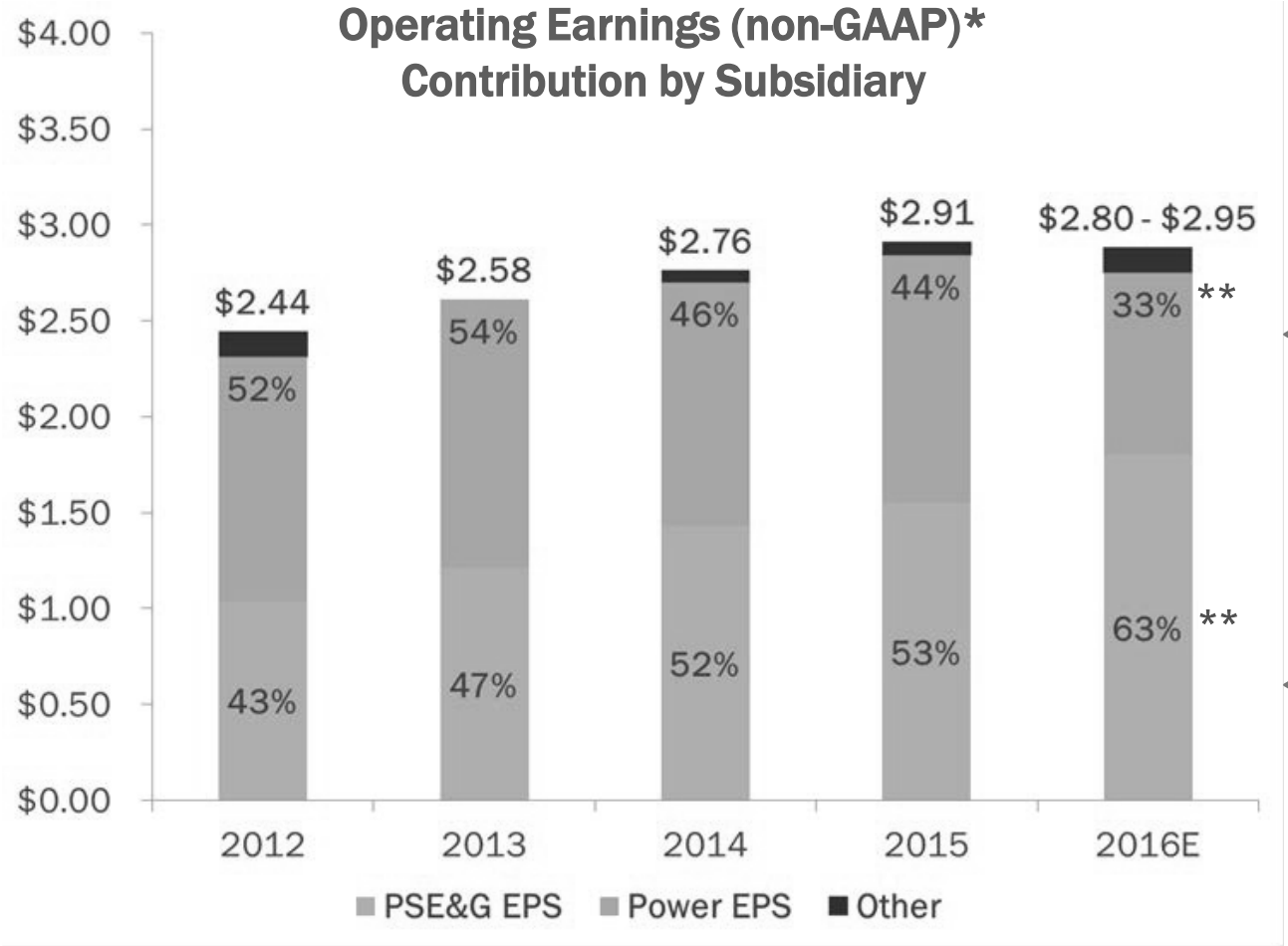
- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

SI-SSA-0015-08107

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS. REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER IN MID-2017.

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's results

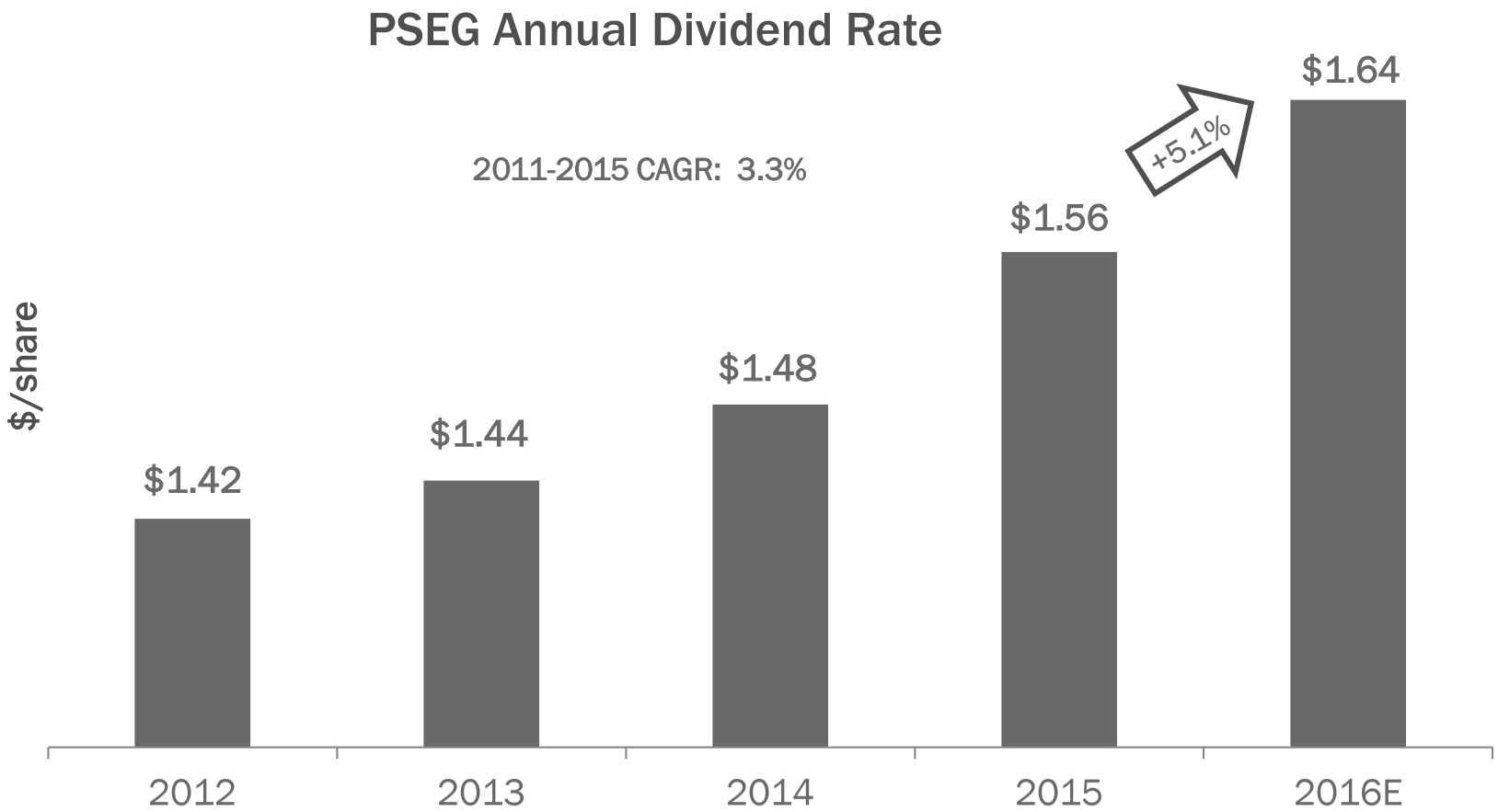
SI-SSA-0015-08108

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP). E=ESTIMATE
** 2016 PERCENTS USE MID-POINT OF 2016 OPERATING EARNINGS (NON-GAAP) GUIDANCE AS OF OCTOBER 31, 2016.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS (NON-GAAP) GUIDANCE AS OF OCTOBER 31, 2016. E = ESTIMATE

SI-SSA-0015-08109

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

SI-SSA-0015-08110

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Top tier utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-08111

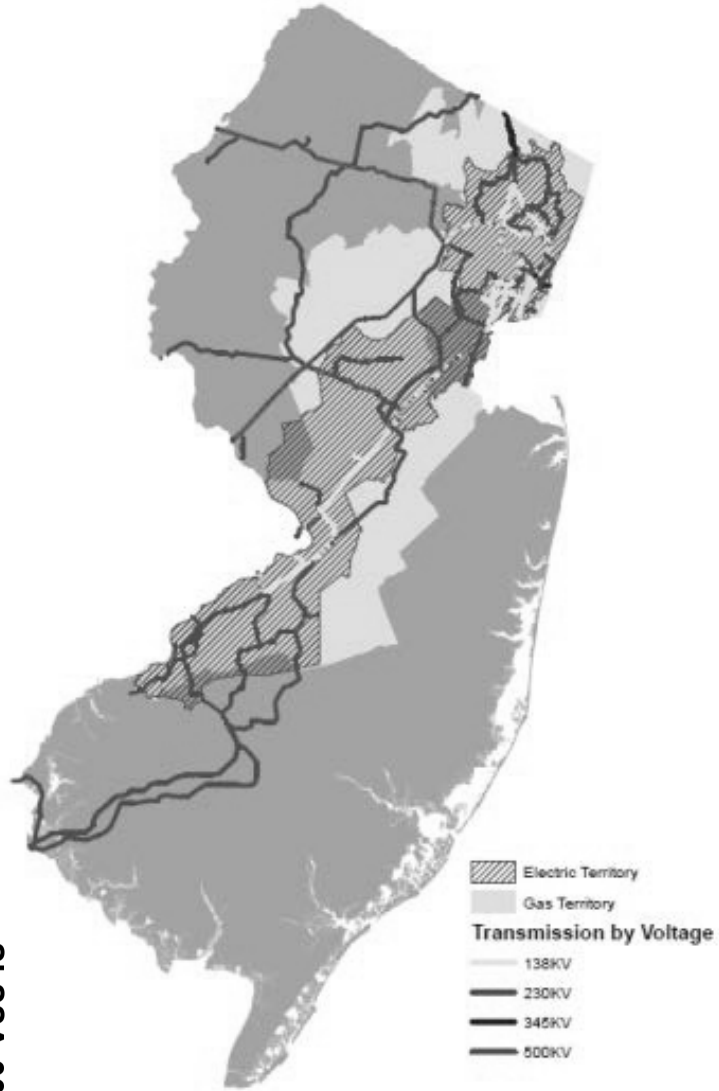
PSE&G

SI-SSA-0015-08112

PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customer Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix (2015)		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-08113

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08114

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-08115

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-08116

Operational Excellence

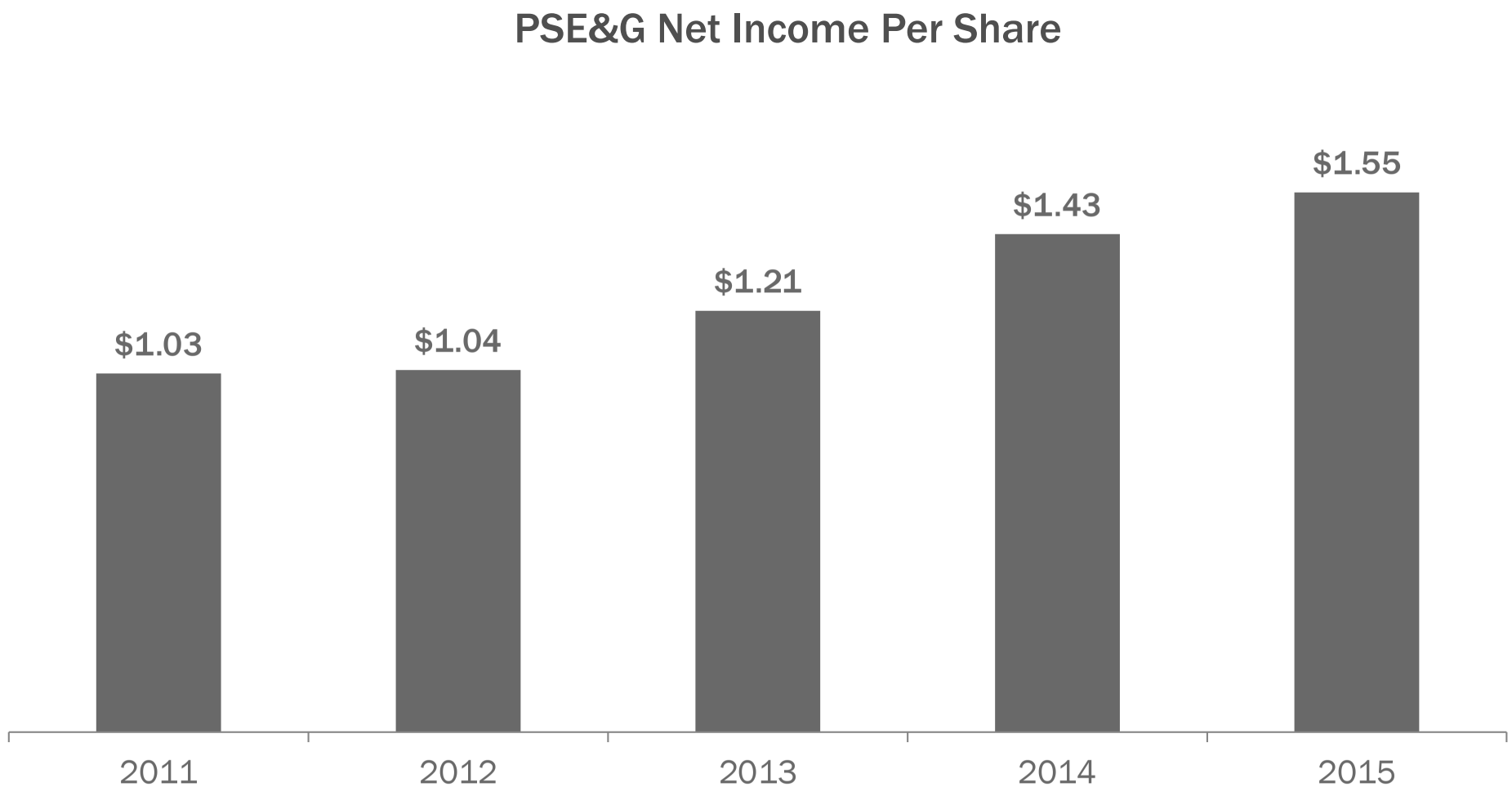
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-08117

Achieved ~11% annual net income growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



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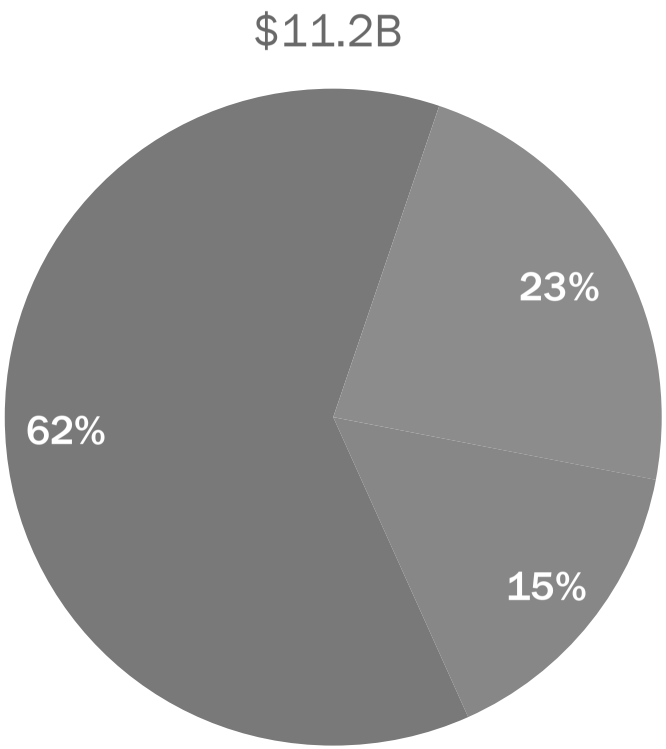
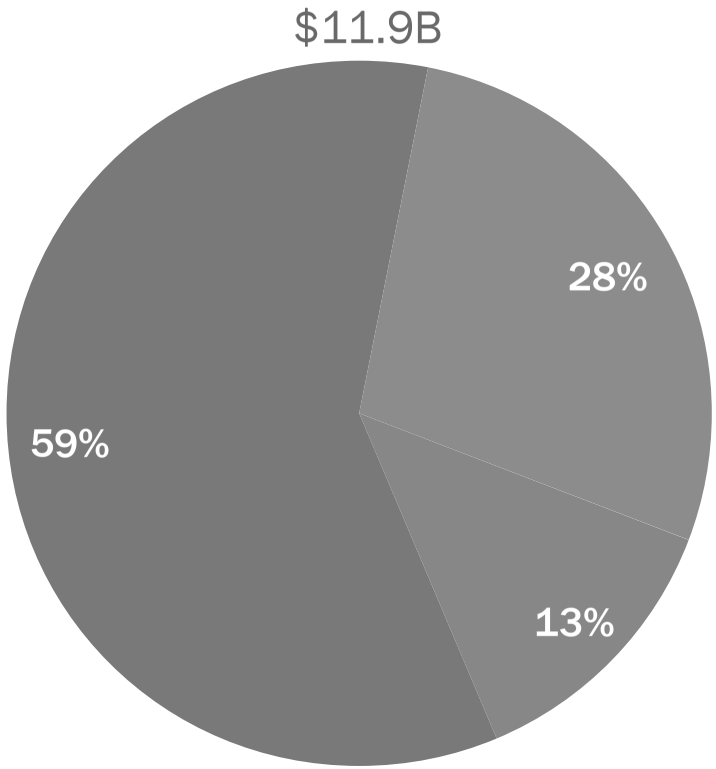
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC.
DOES NOT REFLECT $600M OF RECENT PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

SI-SSA-0015-08119

PSE&G increasing investment across the portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)
- Proposal filed with the BPU for NJ Transit investment partnership to develop a new $270 million substation

Gas Distribution

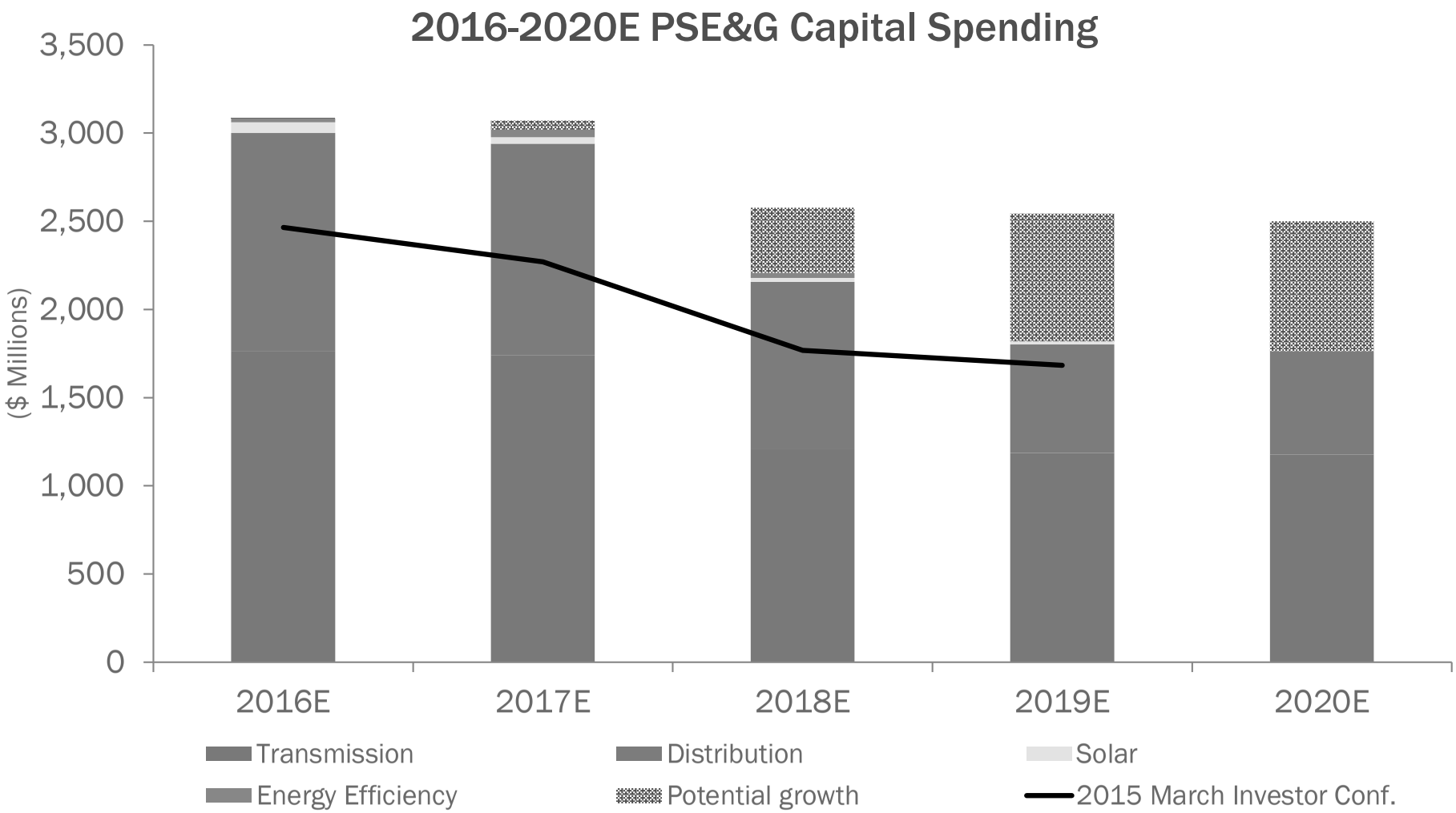
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recent settlement reached to extend our successful Solar 4 All program, supporting an additional ~$80 million investment over 3 years to develop 33MW_{DC} of grid-connected solar on landfills and brownfields awaiting final approval at NJBPU

SI-SSA-0015-08120

Continued identification of investment opportunities focused on improving reliability for our customers



E = ESTIMATE. DOES NOT REFLECT $600M OF RECENT PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

SI-SSA-0015-08121

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-08122

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements • NJ Transit Proposal filed for joint investment in new substation
Investment*	~$525M	~$560M	~$300M/year NJ Transit ~$270M
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-08123

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-08124

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	October 2016 settlement to develop an additional 33 MW_{dc} focused on landfill and brownfield sites
Investment	~$545M	~$140M	October 2016 settlement to invest ~$80M over three years
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	Indicated 9.75% Clause recovery

SI-SSA-0015-08125

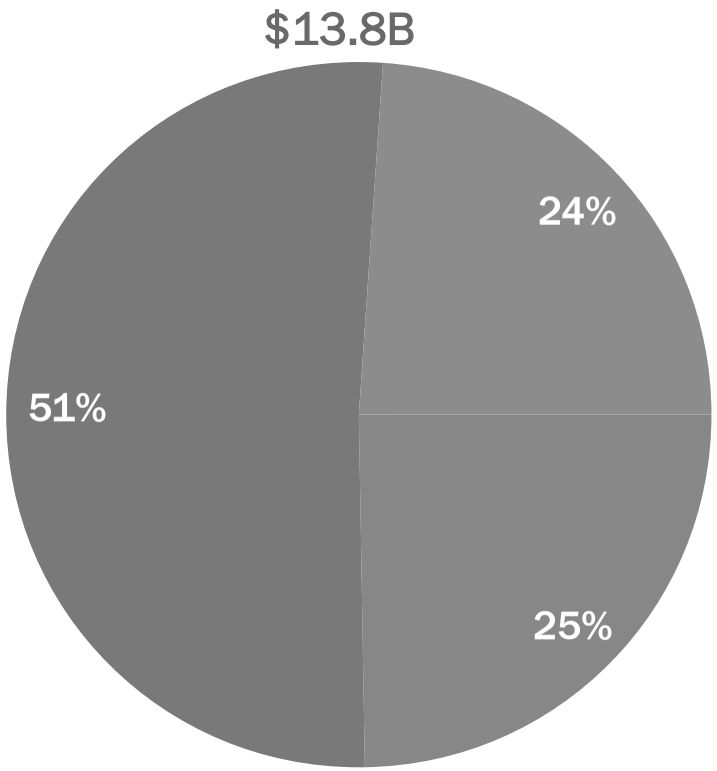
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-08126

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

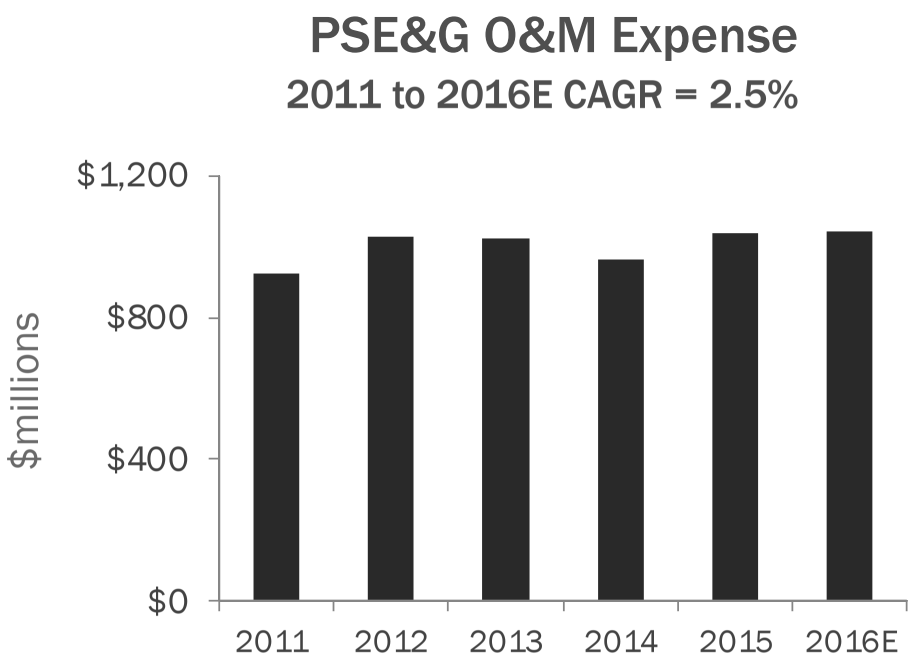
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DOES NOT REFLECT $600M OF RECENT PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

SI-SSA-0015-08127

Demonstrated ability to control O&M and plan to drive future efficiencies



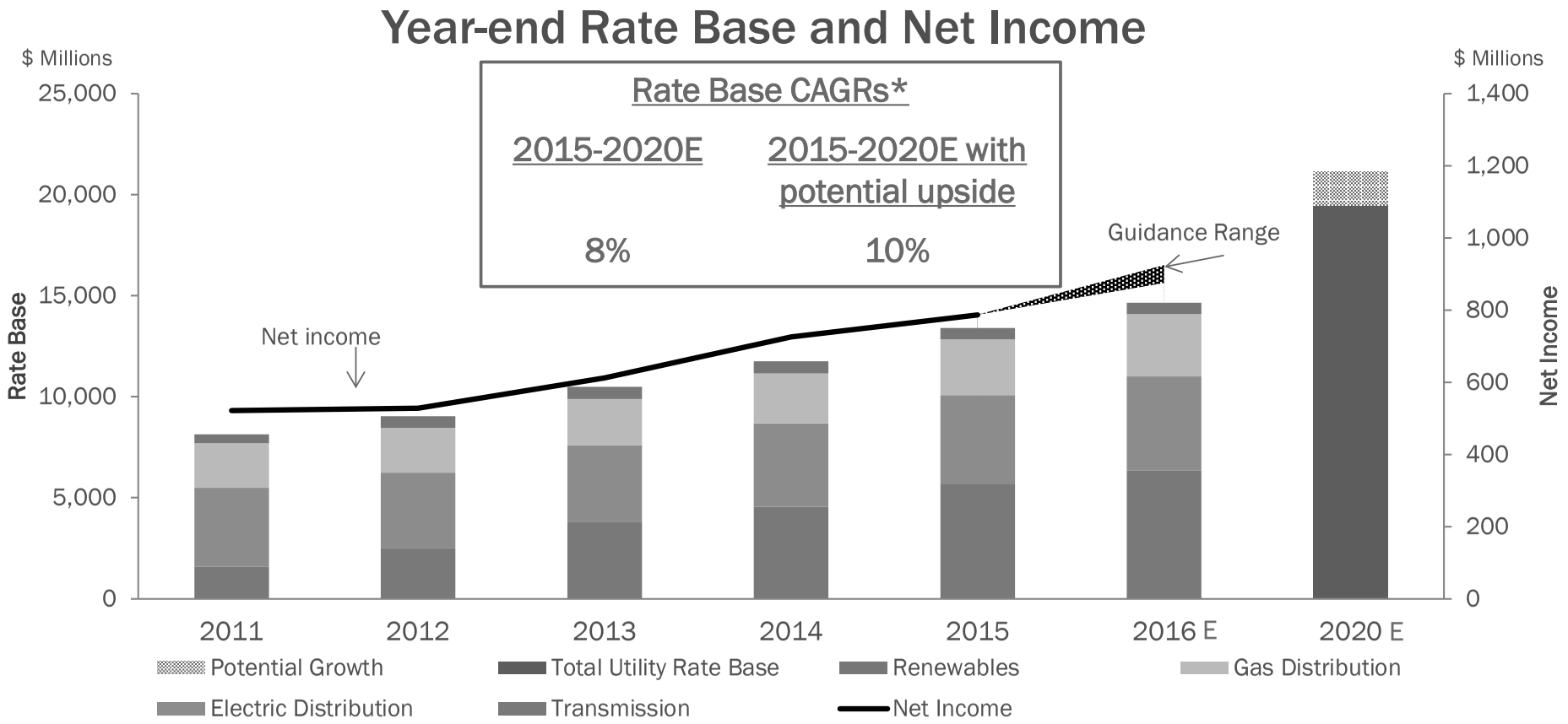
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-08128

Investment program combined with cost control drives growth in net income



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

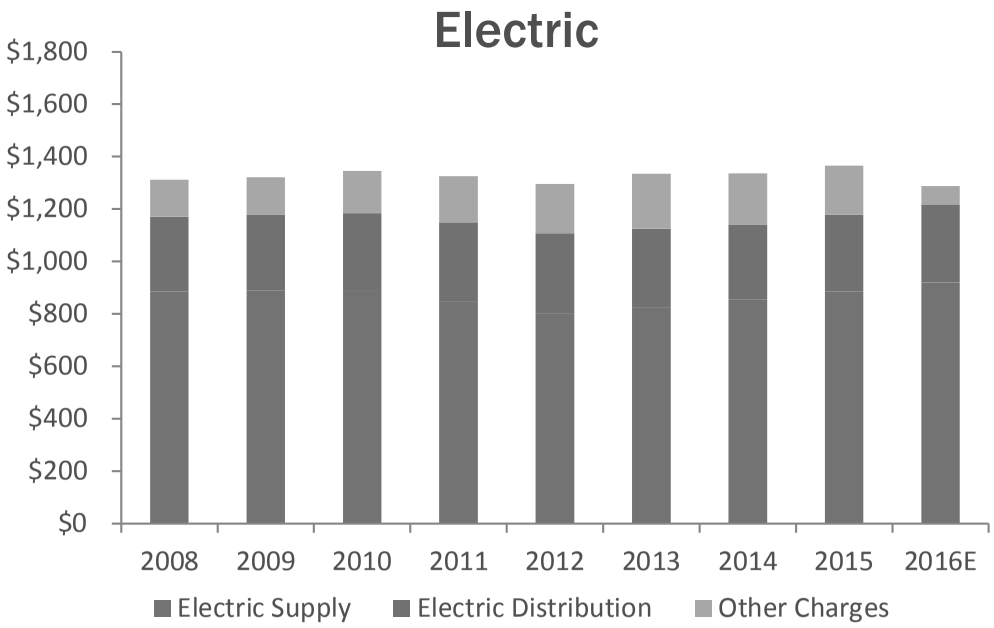
SI-SSA-0015-08129

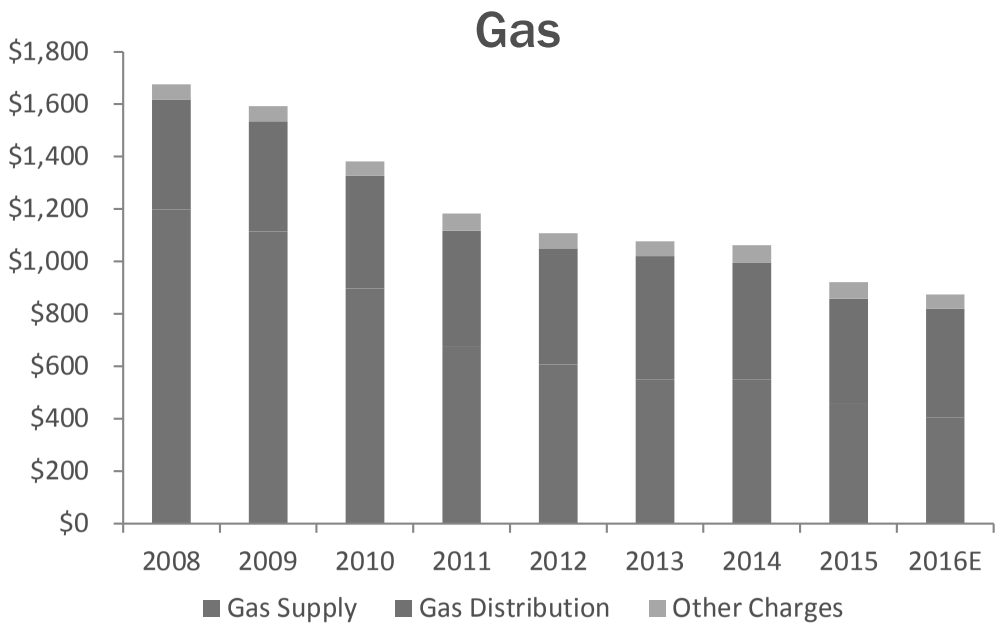
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

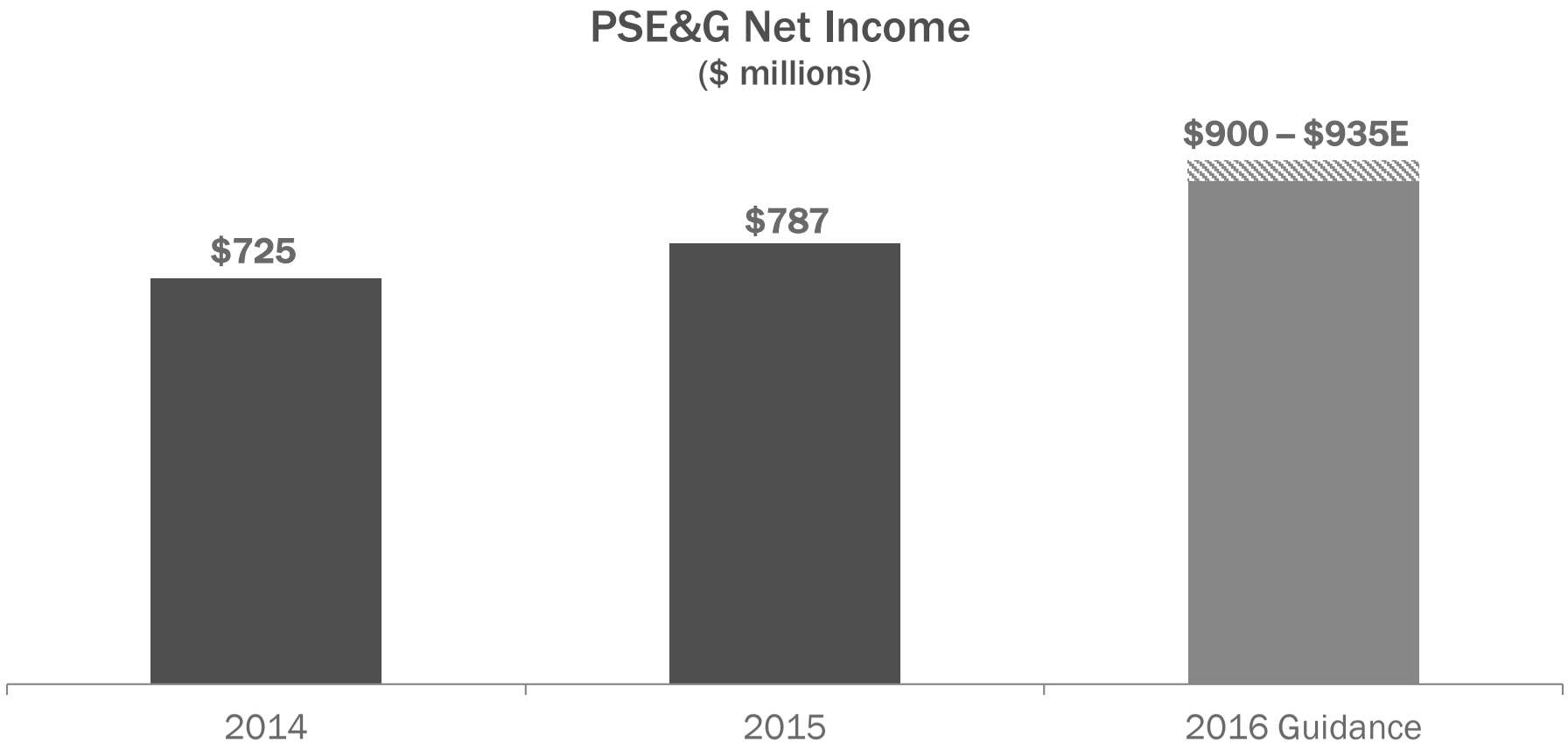
SI-SSA-0015-08130

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

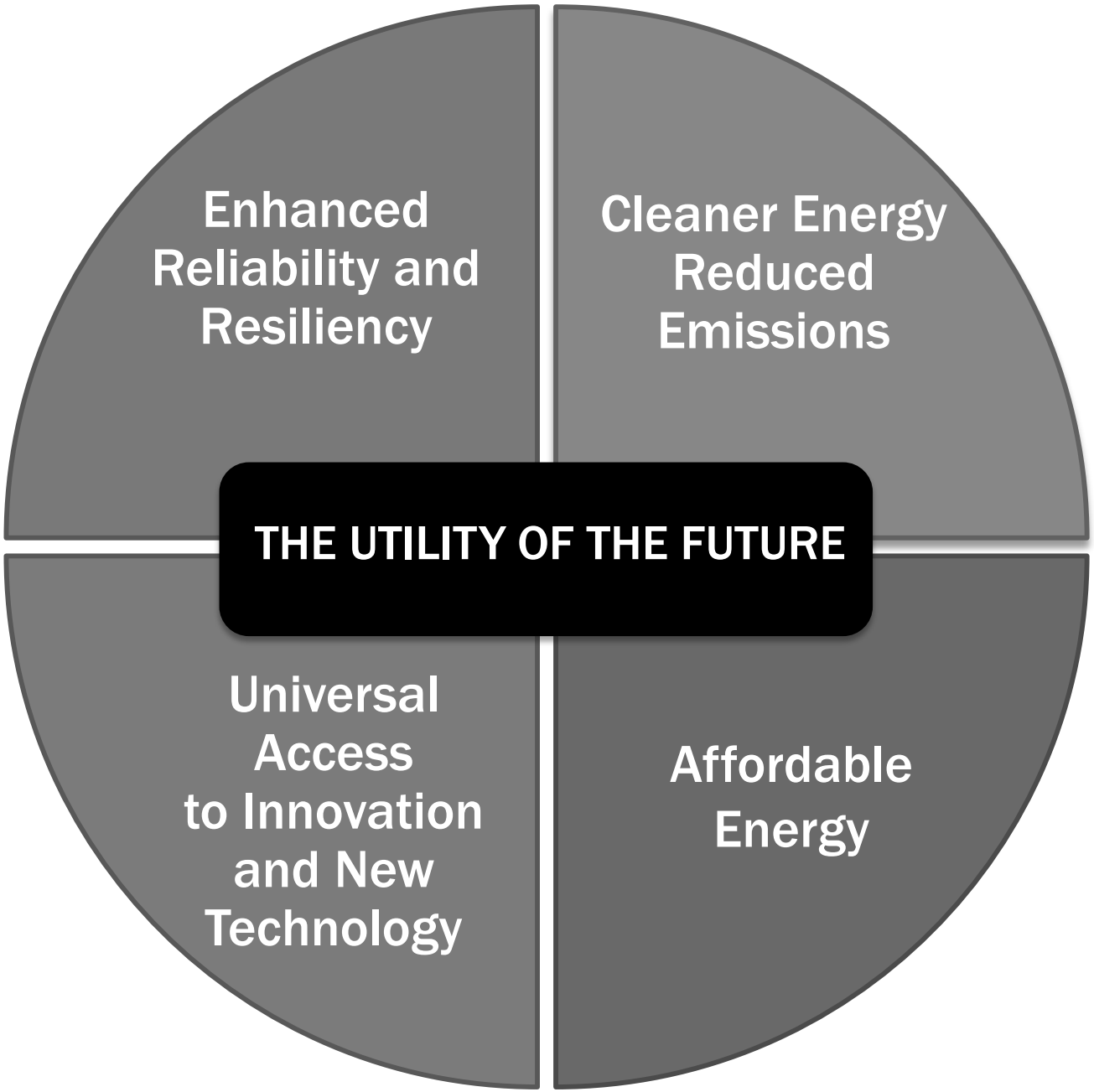
PSE&G's 2016 net income updated

to reflect year-to-date 2016 results, expanded investment programs and cost control over the balance of the year



SI-SSA-0015-08131

E =ESTIMATE. UPDATED AS OF OCTOBER 31, 2016,



SI-SSA-0015-08132

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-08133

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-08134

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

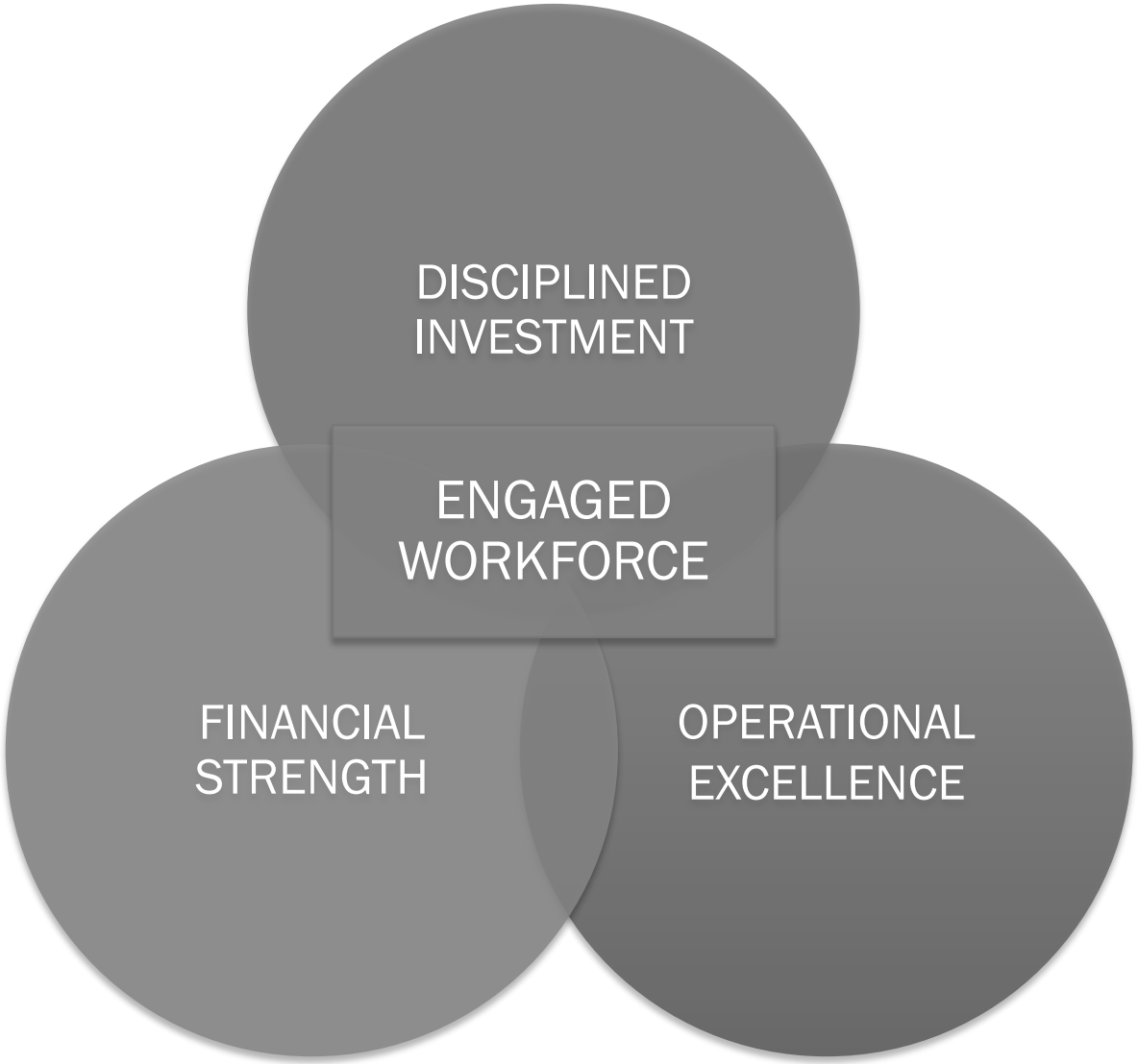
PSEG

We make things work for you.

SI-SSA-0015-08135

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-08136

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

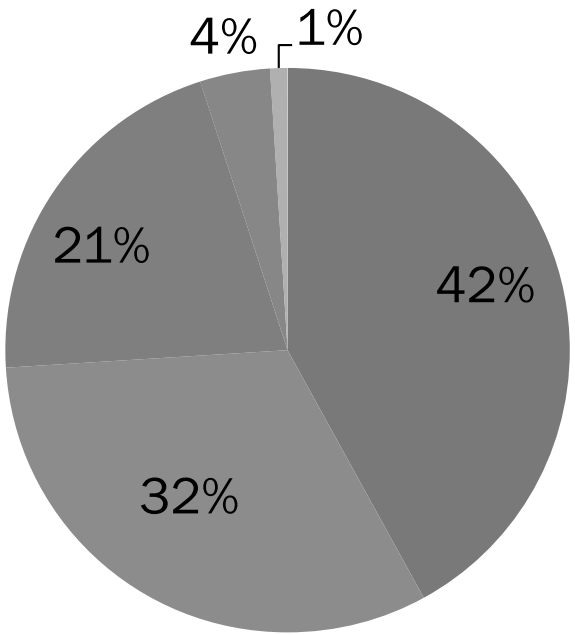
SI-SSA-0015-08137

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

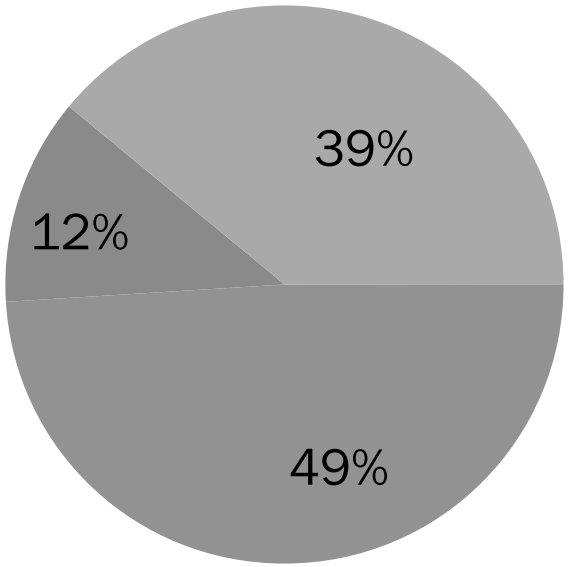
2015 Actual

Fuel Diversity*
Total MW: 11,678



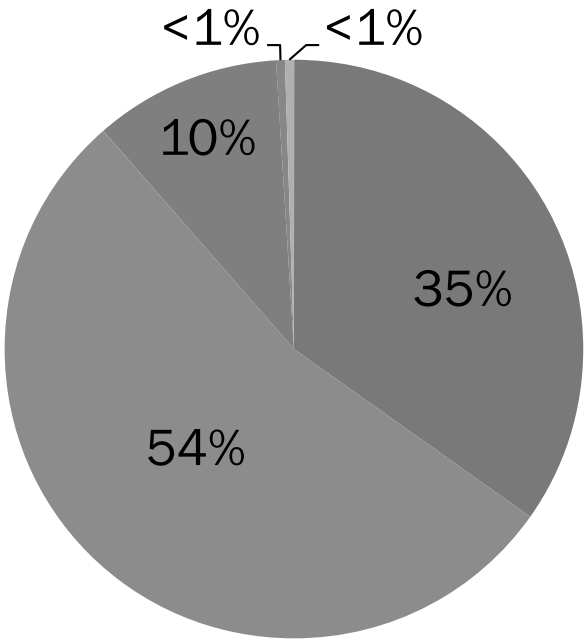
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



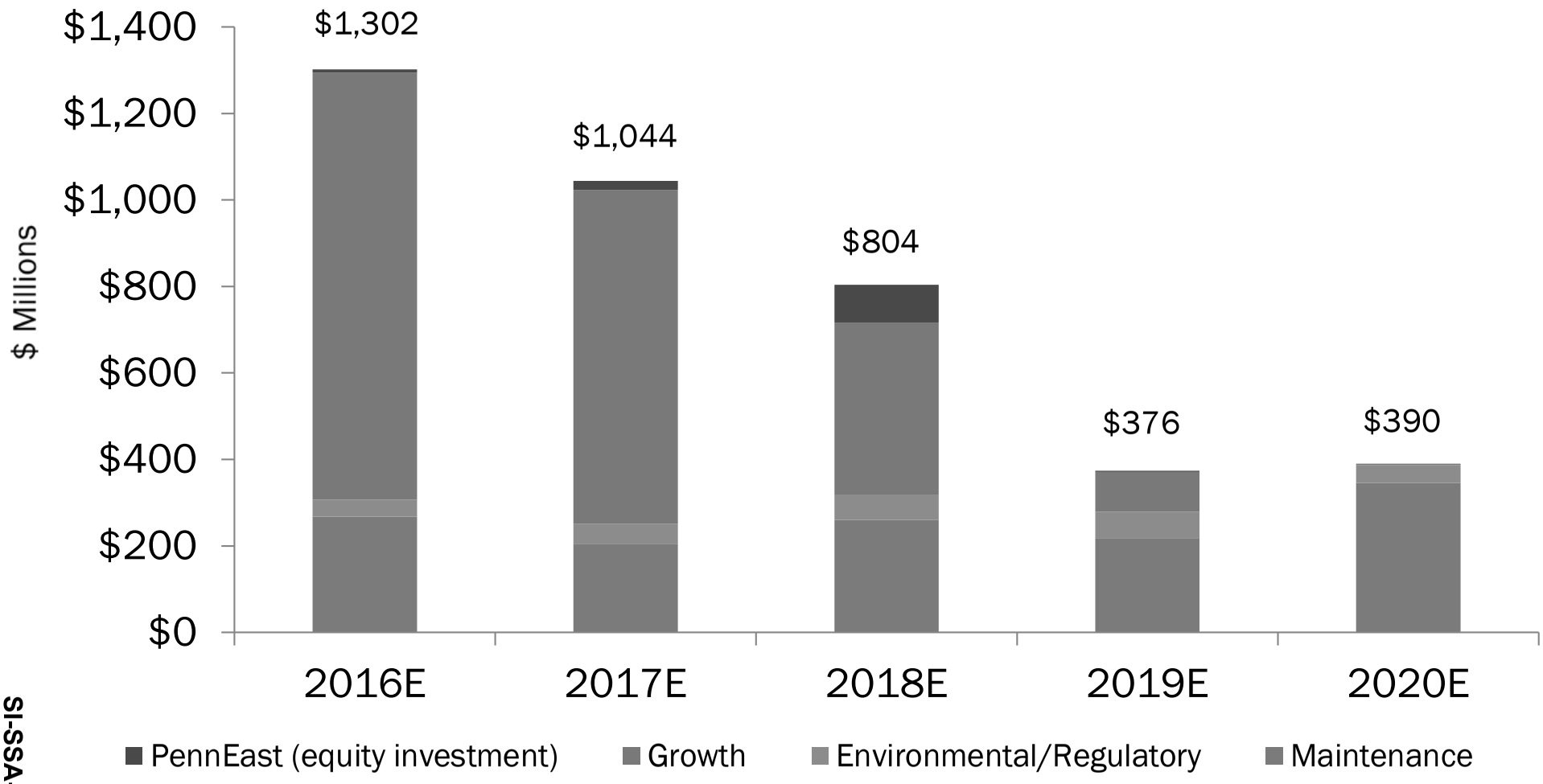
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-08138

PSEG

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

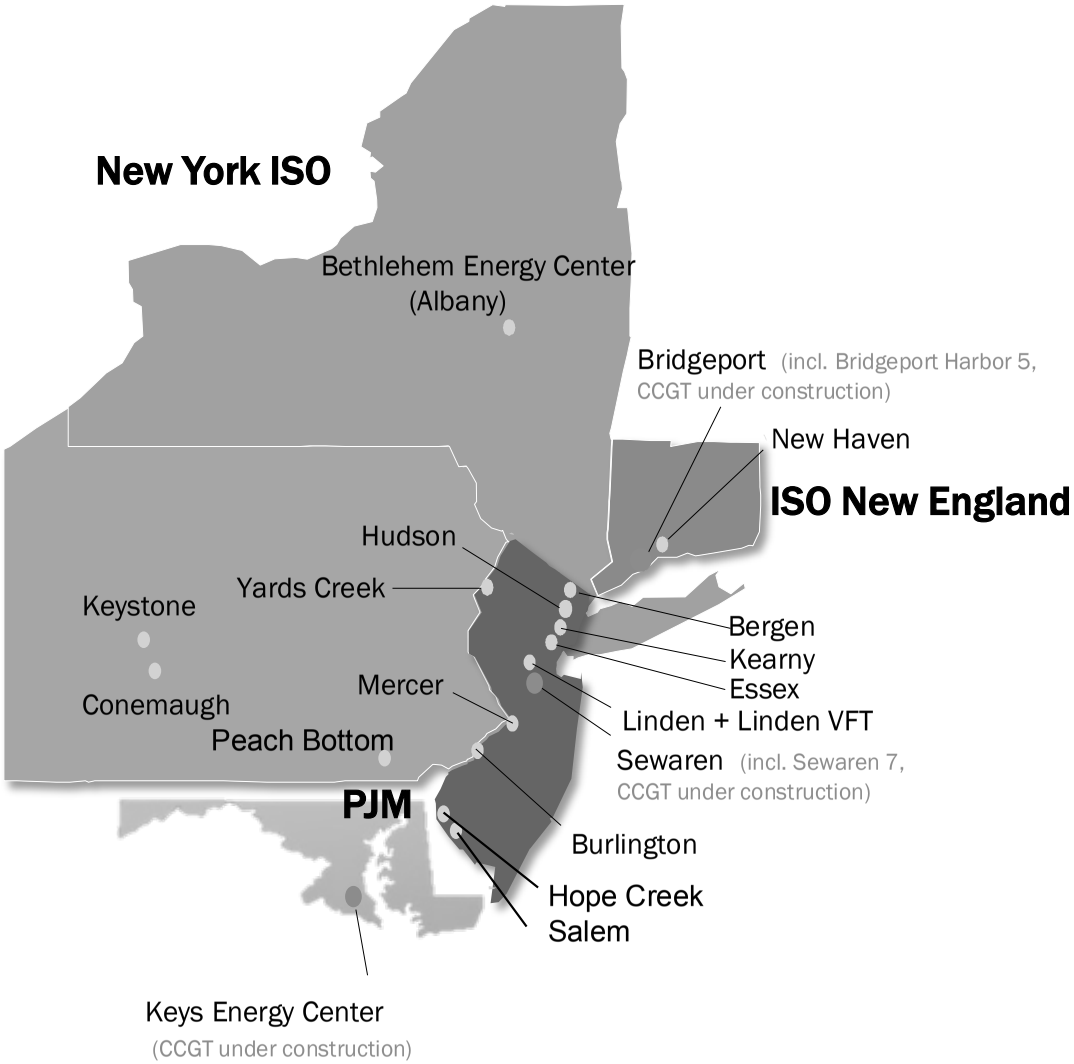
Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016. DOES NOT REFLECT CAPITAL SPENDING REDUCTION OF ~$200 MILLION OVER THE PERIOD RELATED TO ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER IN MID-2017,

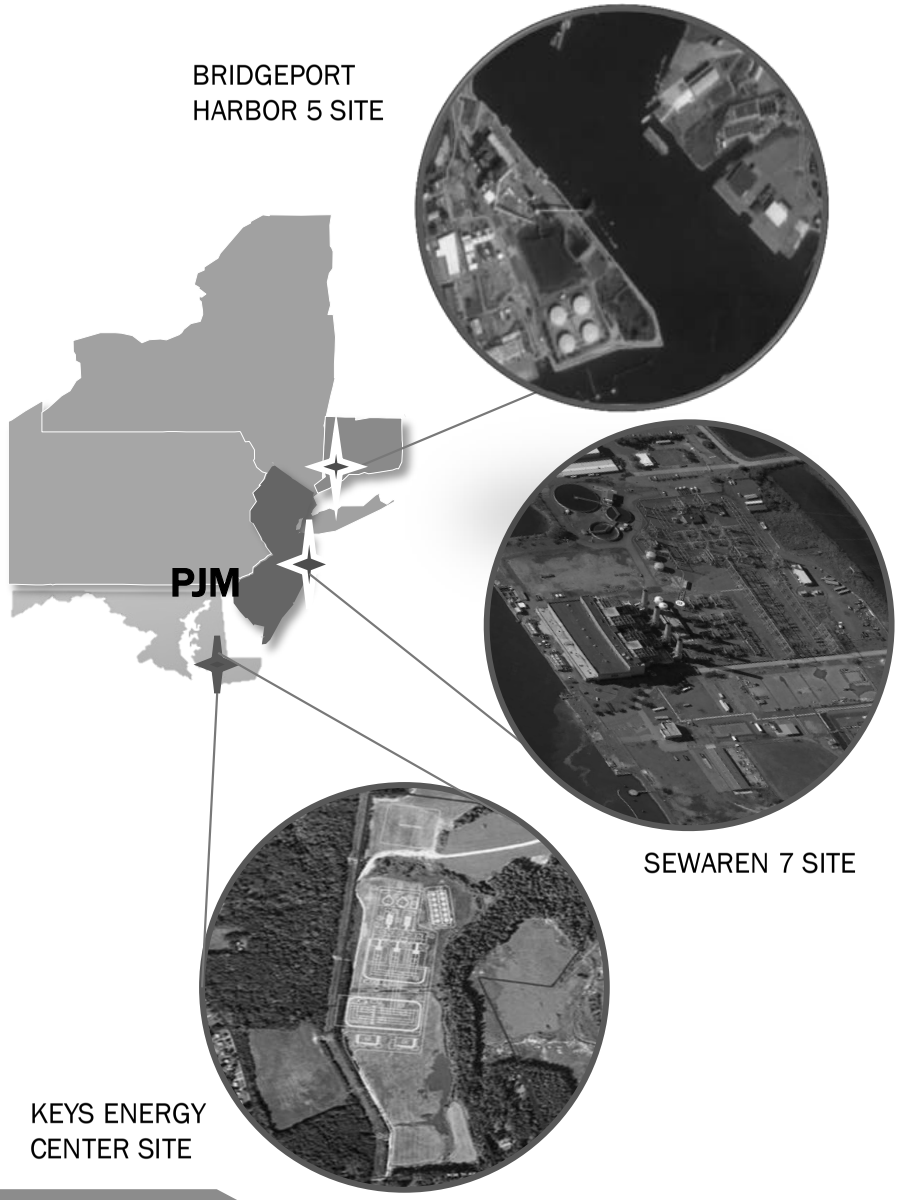
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-08140

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



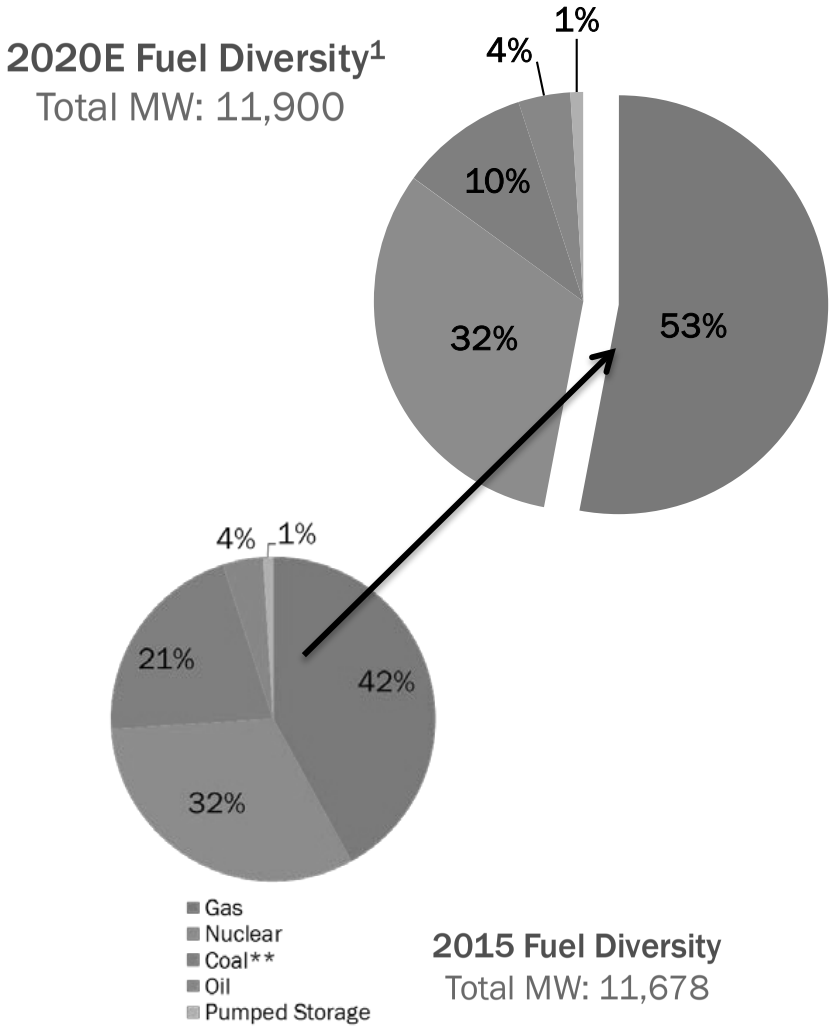
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

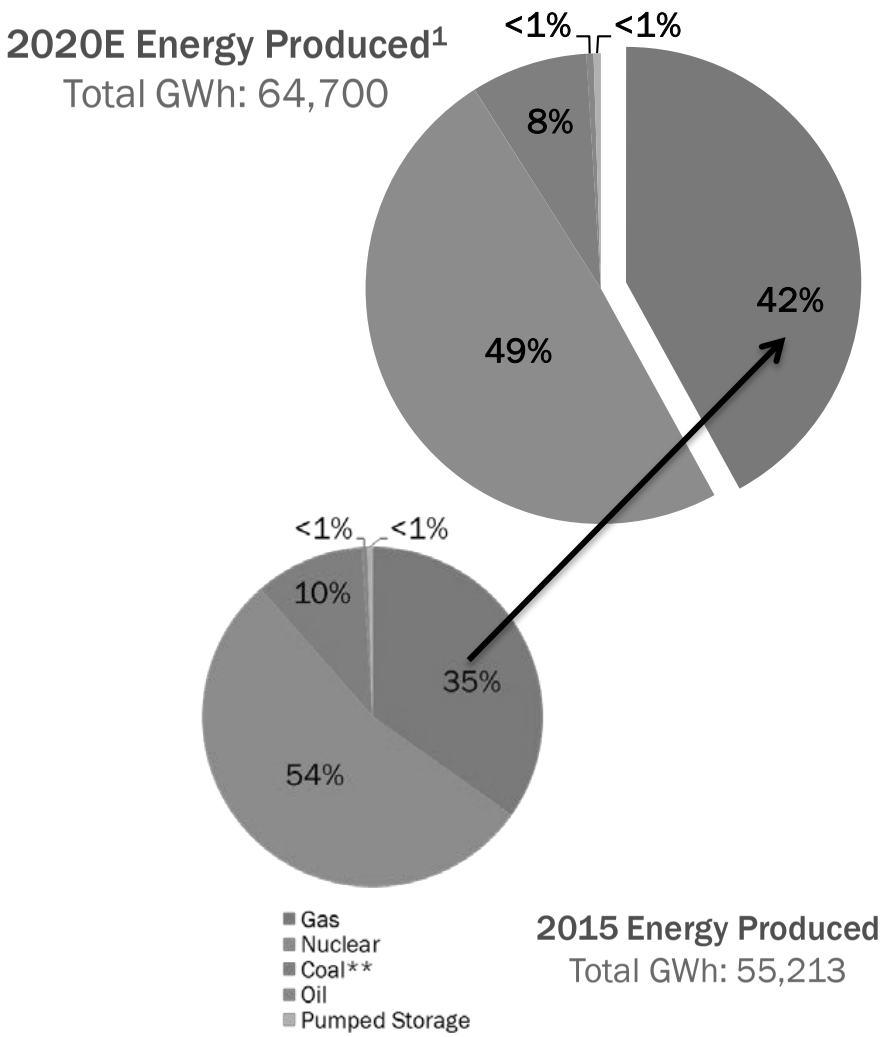
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-08141

Power's fleet to be transformed with focus on new investment and improvement in efficiency

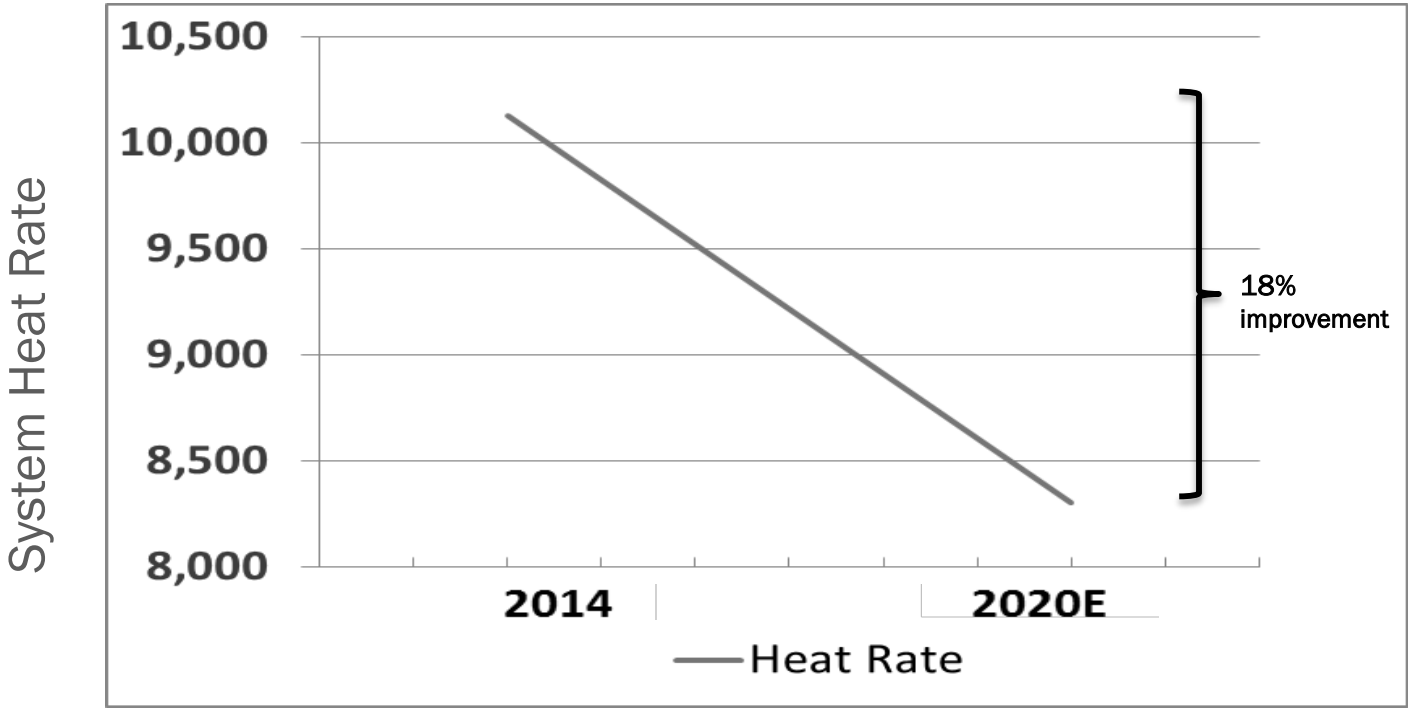
Projected Fleet Comparison 2015 to 2020E





1 REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
**2015 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.
ALL PERIODS EXCLUDE SOLAR AND KALAELOA E= ESTIMATE.

PSEG Power's fossil fleet expected to see improvements in efficiency



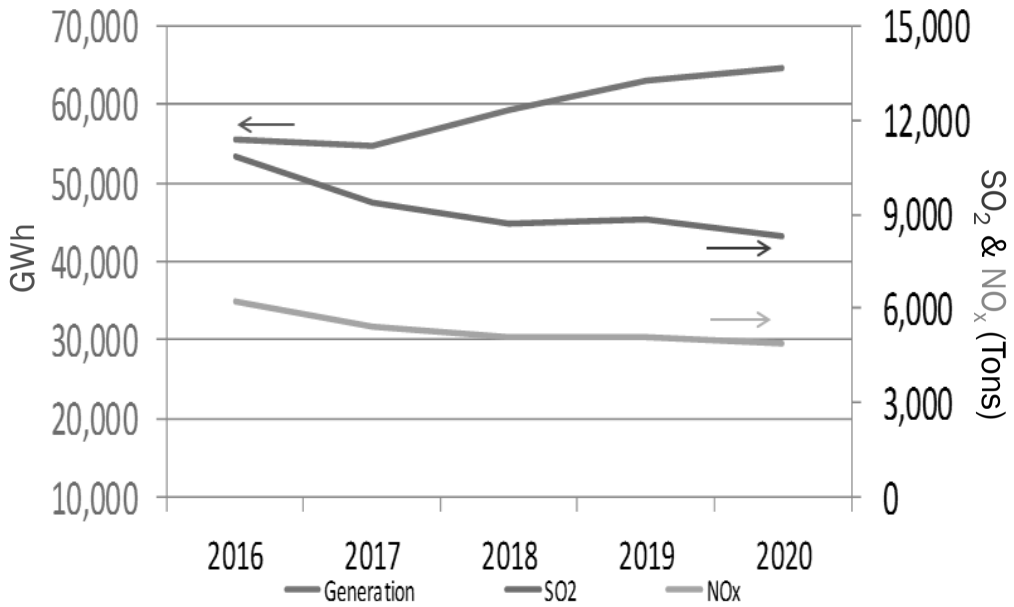
- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD (2015) and Hudson/Mercer (mid-2017) retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-08143

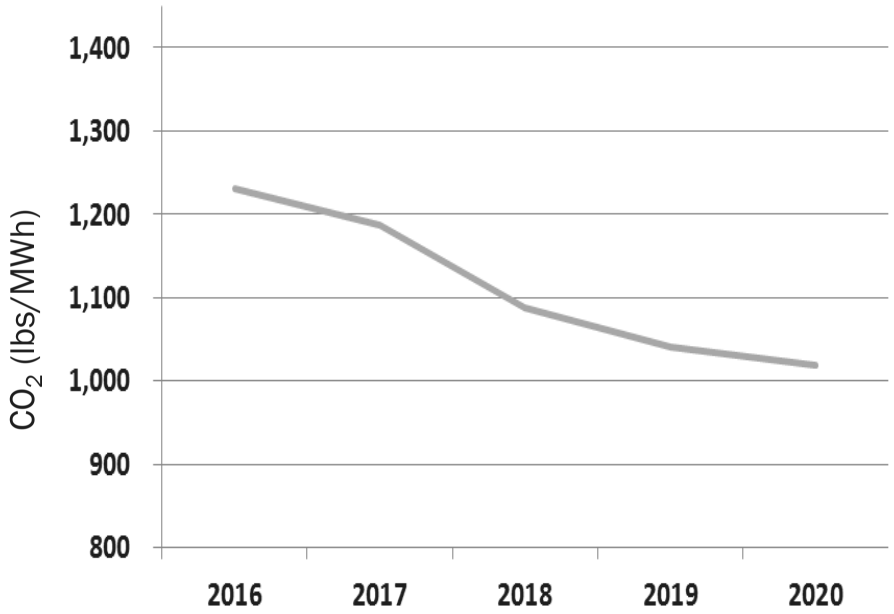
E = ESTIMATE

PSEG Power's fossil fleet …

Continued improvement in emissions profile



Expected to reduce its carbon footprint



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

- Carbon emission rates are steadily approaching EPA national pollution standards for new and reconstructed natural gas combined cycle (1,000 lbs CO2/MWh-gross)

SI-SSA-0015-08144

E = ESTIMATE. REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Scheduled Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Scheduled Refueling
  - Unit 1 – Fall 2017
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Scheduled Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-08145

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 Completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

SI-SSA-0015-08146

PSEG

E = ESTIMATE AS OF MARCH 31, 2016.

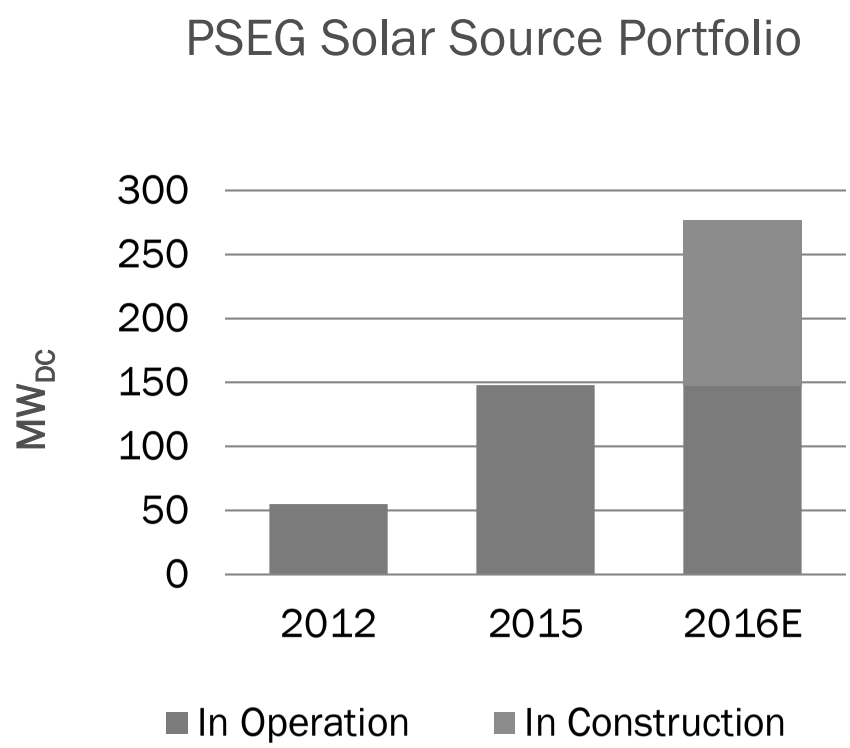
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



SI-SSA-0015-08147

* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

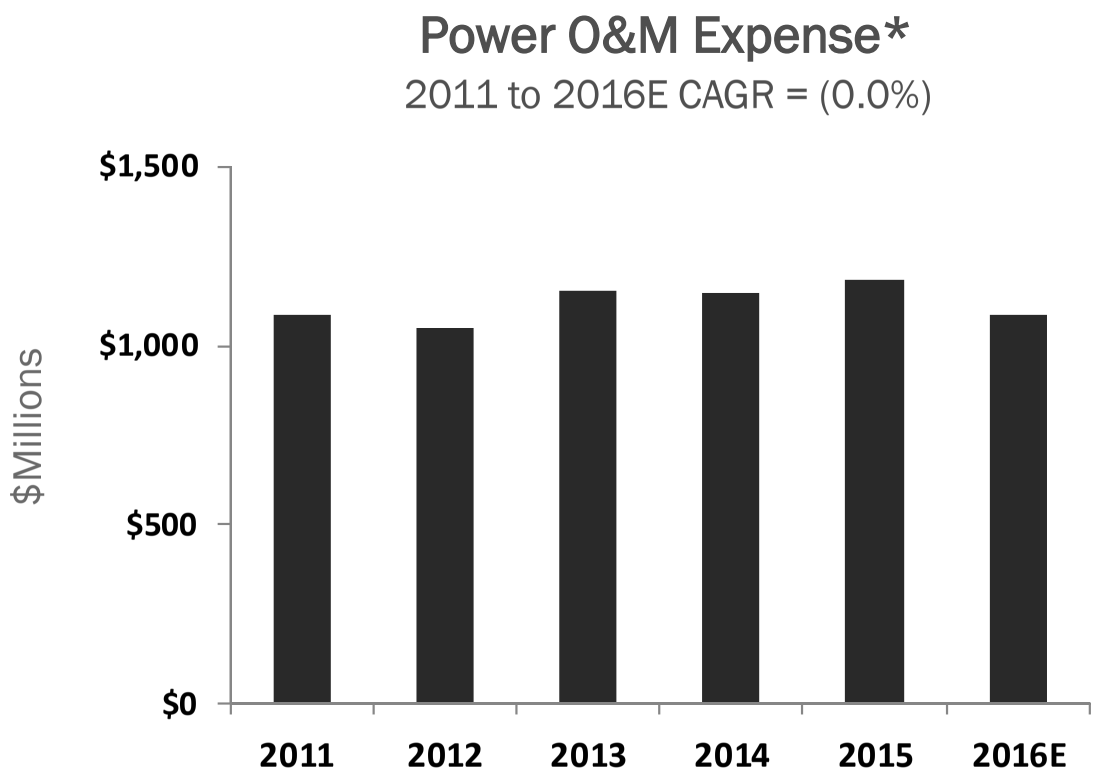
LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

SI-SSA-0015-08148

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

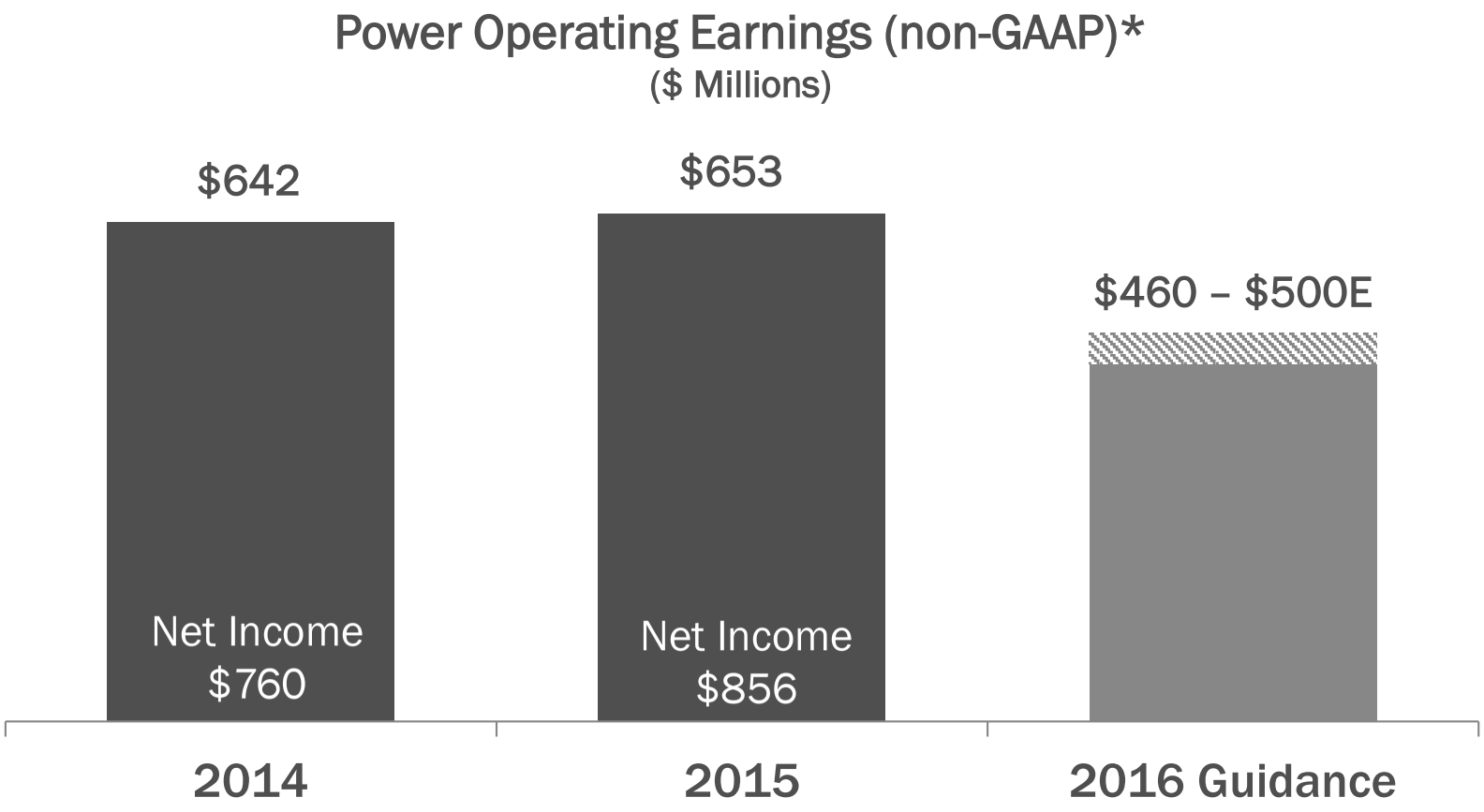
- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND IMPAIRMENTS RELATED TO HUDSON/MERCER RETIREMENT.
E=ESTIMATE

SI-SSA-0015-08149

Power's 2016 guidance range

adjusted to incorporate year-to-date results



SI-SSA-0015-08150

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON_GAAP).
E = ESTIMATE. UPDATED AS OF OCTOBER 31, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90% in 2015; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-08151

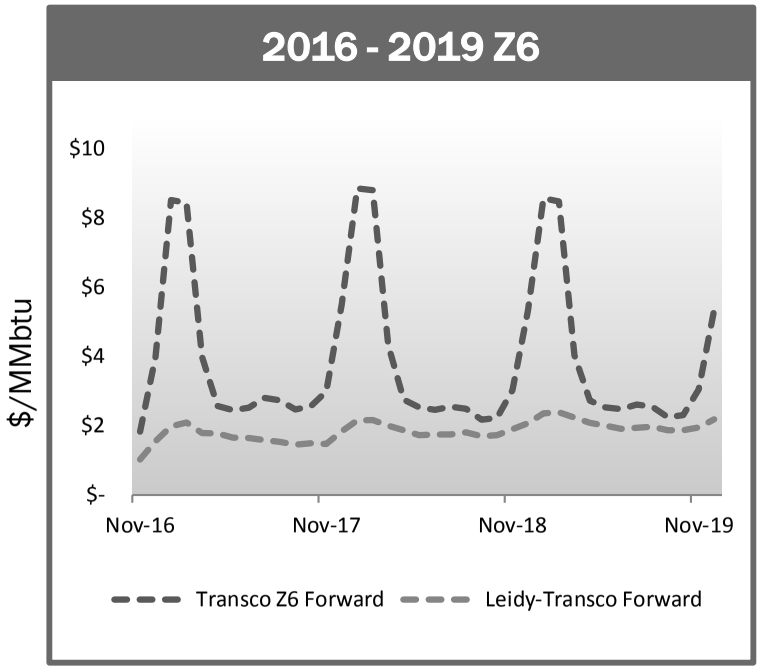
PSEG POWER
ER&T

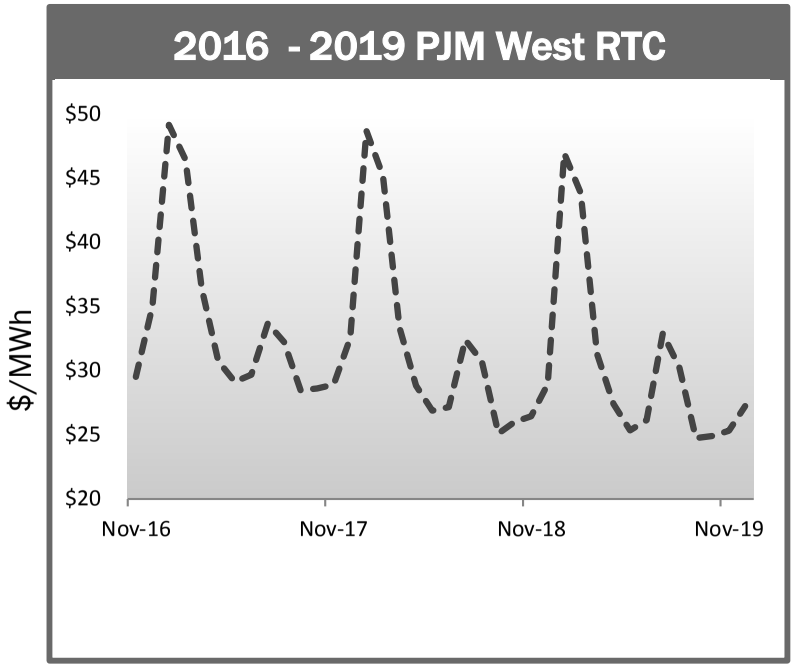
SI-SSA-0015-08152

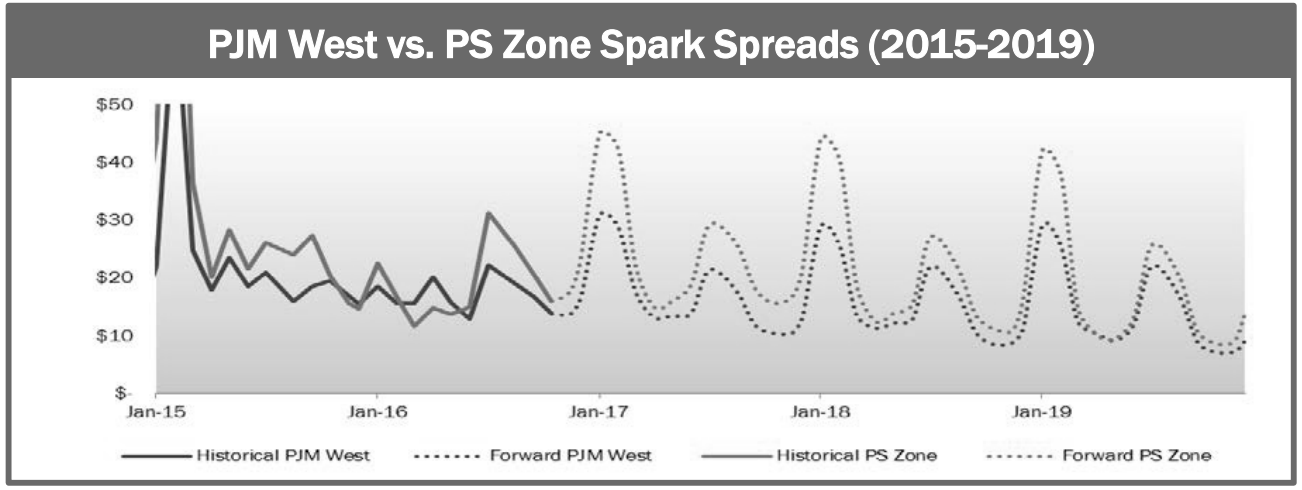
PSEG

We make things work for you.

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

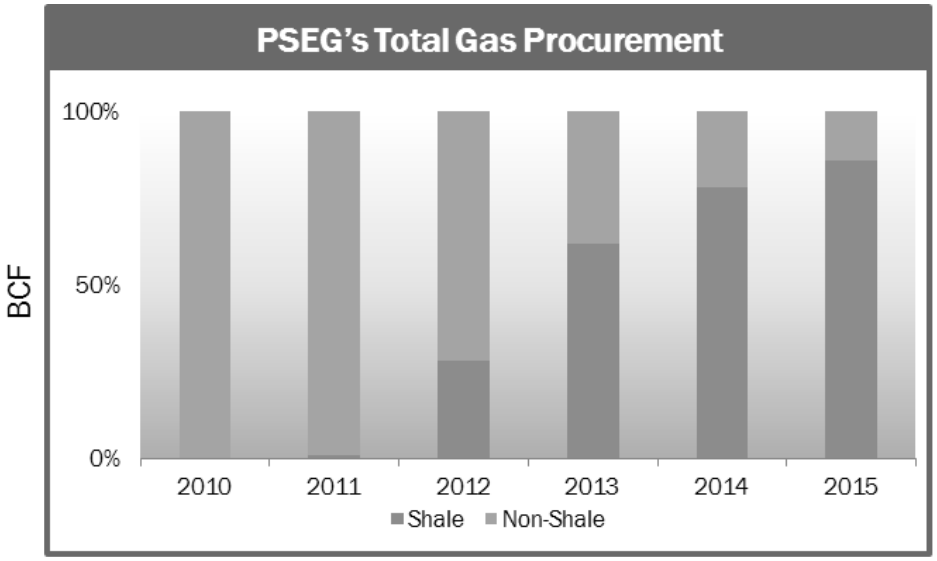


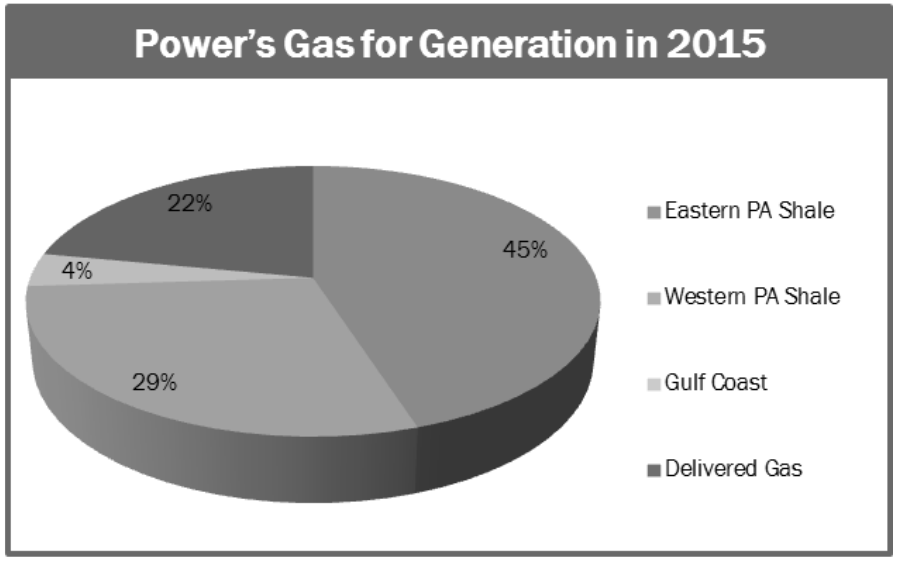




SOURCE: PSEG POWER DATA
FORWARDS AS OF OCTOBER 31, 2016

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



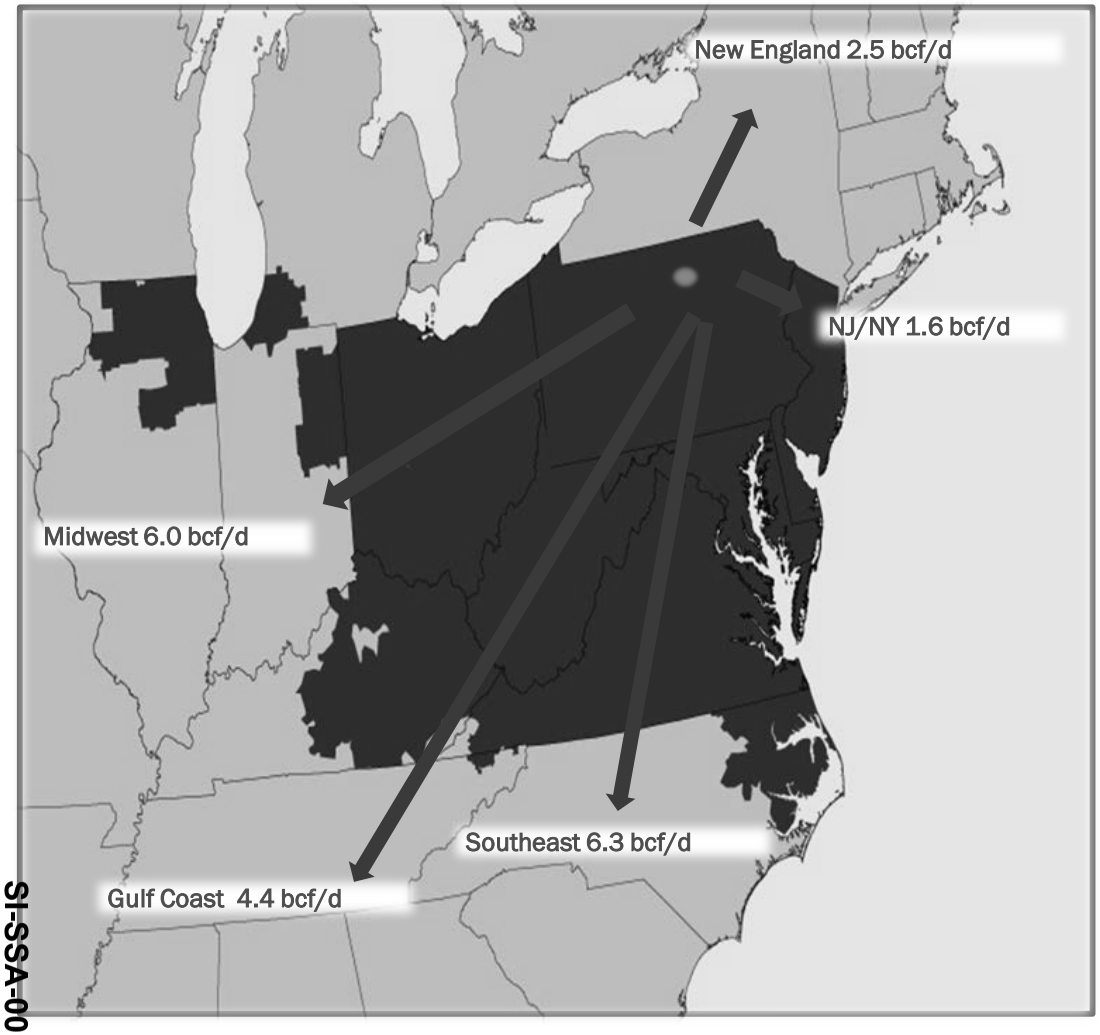


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-08154

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development
- More pipelines expected to be built post-2018
- Regulatory and environmental threats to timelines

SI-SSA-0015-08155

Regulatory Framework: Market structures are evolving to appropriately recognize value of reliable, diverse and clean dispatchable generation.

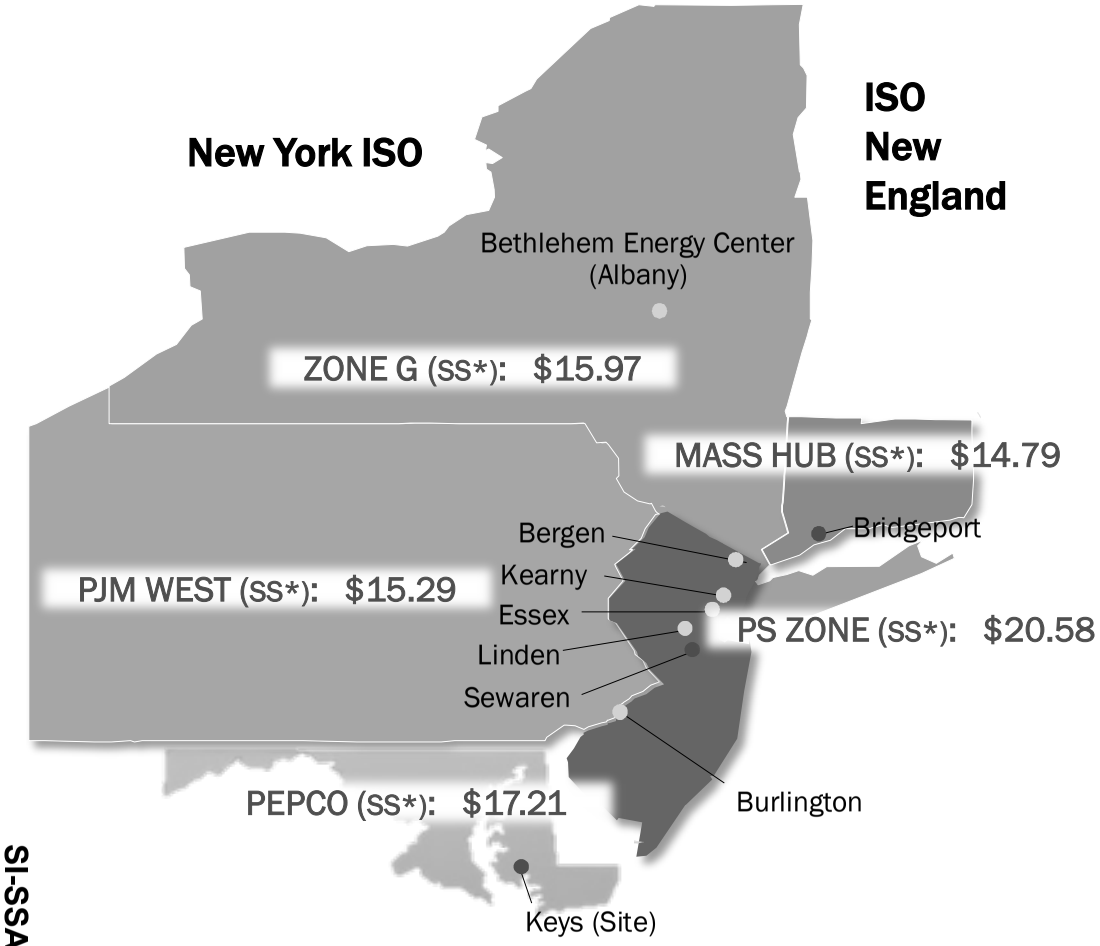
	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held in May 2017
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – five minute settlements and shortage pricing improvements are on the horizon
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment following full deployment of Capacity Performance expected to limit participation in capacity markets
	STATE INTERVENTION	• Efforts in Ohio to subsidize uneconomic resources met with significant opposition and led to FERC finding that affiliate abuse standards would apply • PJM commenced process to develop rules for integrating public policy driven resources that would protect competitive markets; PJM also has commenced study to determine value of fuel diversity
ISO-NE	CAPACITY	• Zonal demand curves approved by FERC for FCA 11 • Nuclear and coal under pressure; closure of Pilgrim and Vermont Yankee • New initiative to incorporate state carbon goals in wholesale markets consistent with competitive outcomes
	ENERGY	• Proposed gas pipelines are stalled • Significant rule changes to improve price formation – five minute settlement and fast start pricing
NYISO	CAPACITY	• Retirement of upstate coal plants tighten market • NYPSC develops a clean energy standard that retains upstate nuclear and recognizes the value of zero emissions
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS; oral argument before D.C. Circuit scheduled for September 27, 2016 • Some states will still prepare implementation plans for 2020+ timeframe • CSAPR update rule cuts ozone season NOx emissions

SI-SSA-0015-08156

PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF OCTOBER 31, 2016. CAPACITY IN MEGAWATTS

SI-SSA-0015-08157

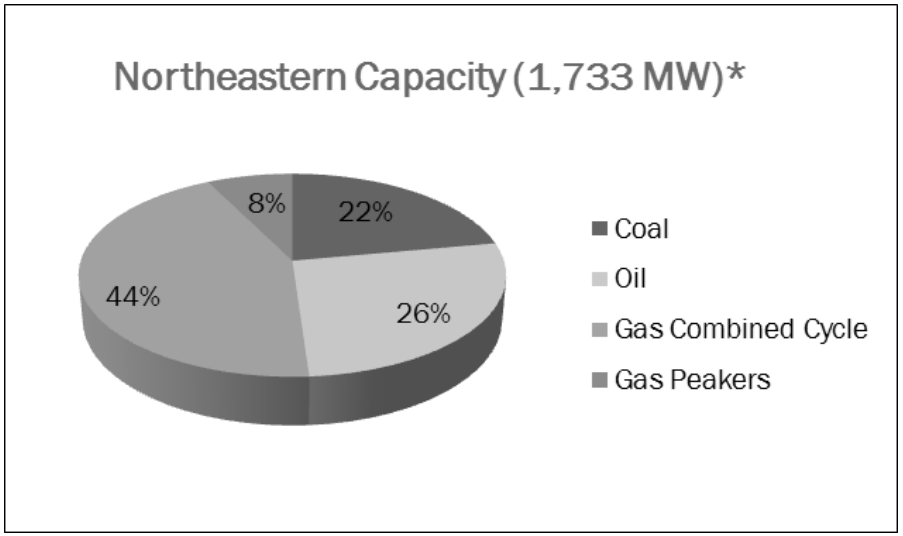
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-08158

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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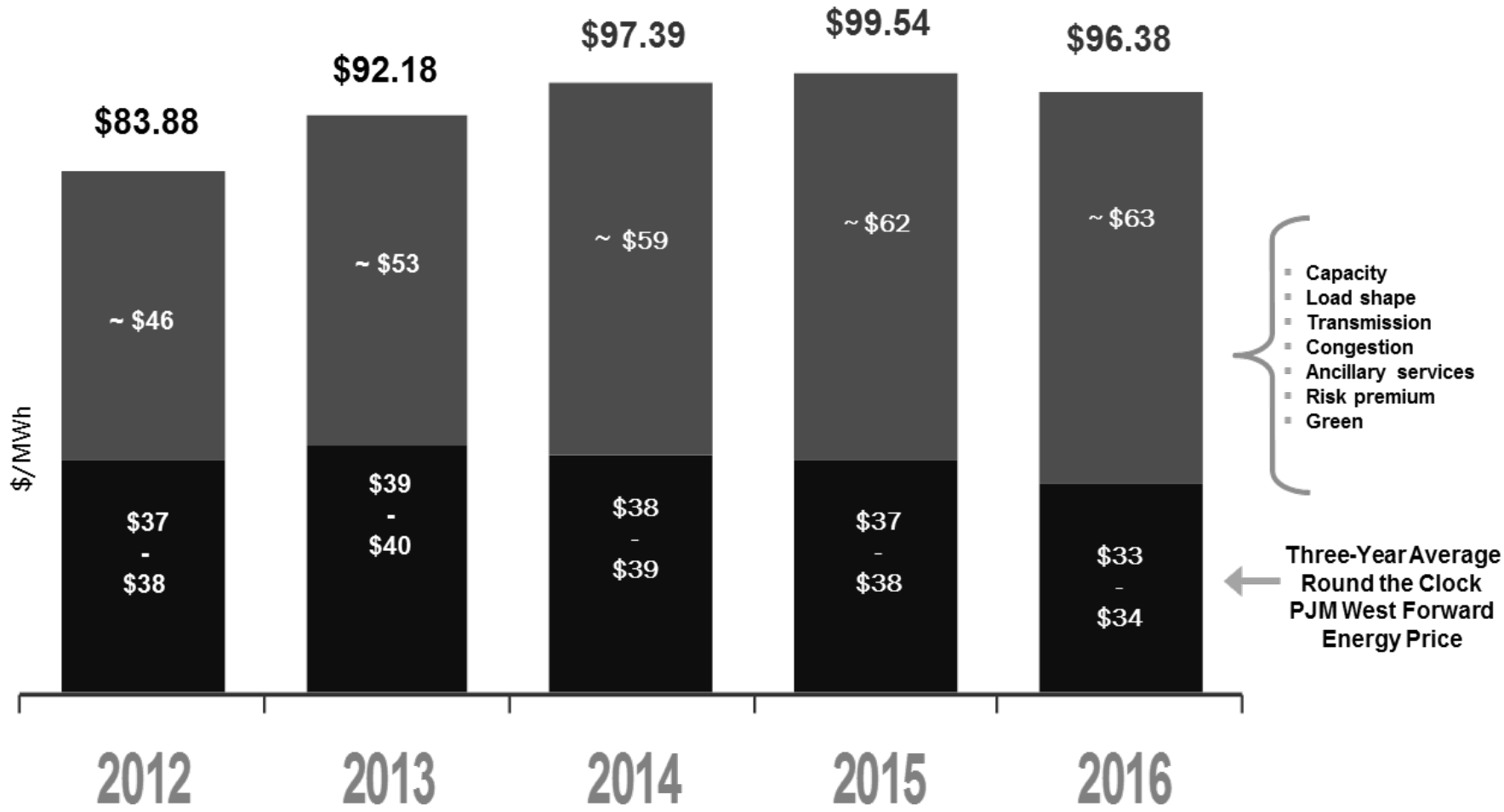
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

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NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Oct-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	34
	% Hedged	100%	100%	45-50%
	Price $/MWh	$48	$47	$45
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	4	17	22
	% Hedged	25-30%	0-5%	0%
	Price $/MWh	$48	$47	-
Total	Volume TWh	11-12	51-53	56-58
	% Hedged	75-80%	65-70%	25-30%
	Price $/MWh	$48	$47	$45

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

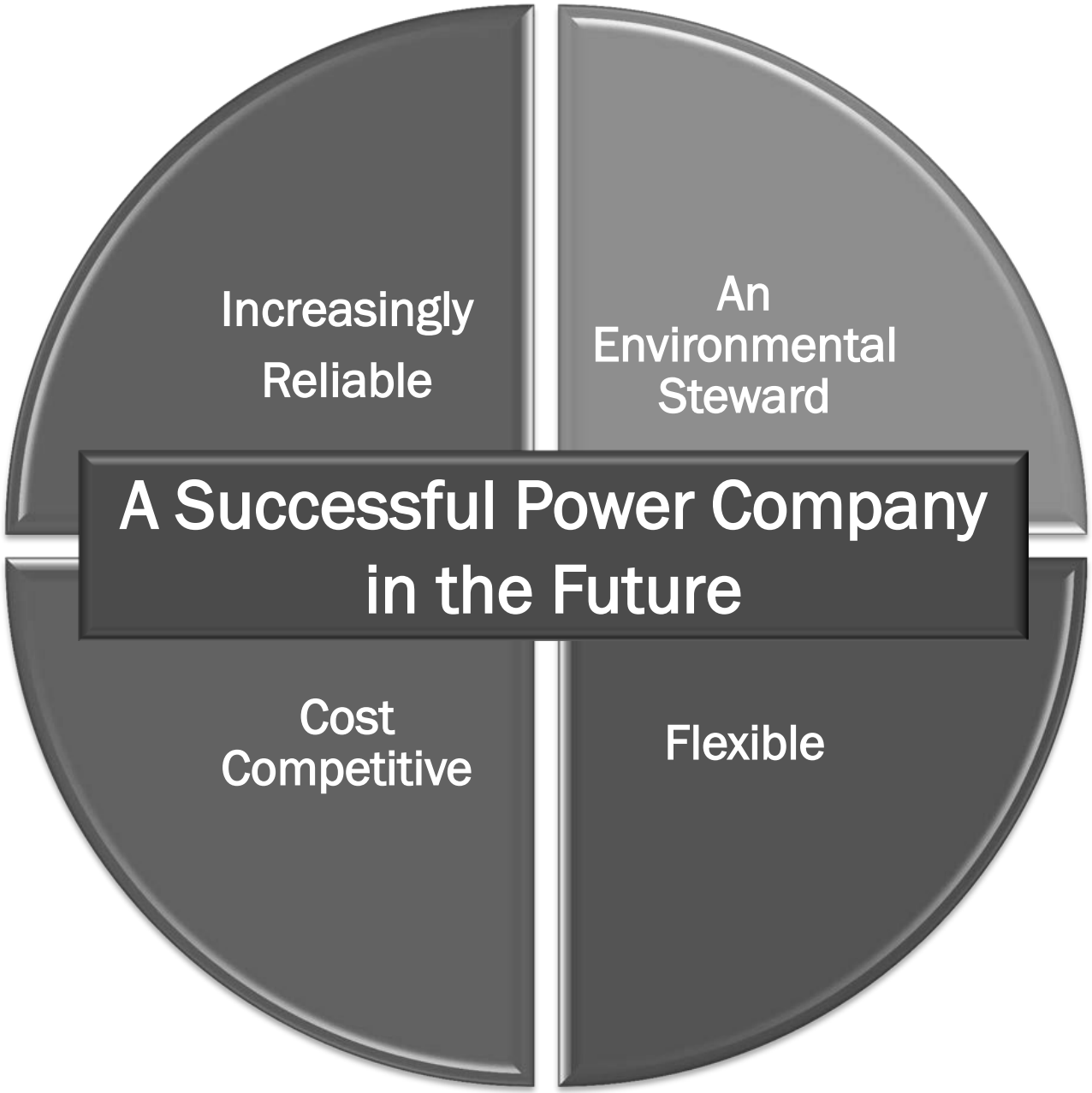
SI-SSA-0015-08161

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Announced early retirement of Hudson and Mercer in mid-2017 expected to improve cash flow and return profile
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-08162



SI-SSA-0015-08163

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

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Strong financial position demonstrated by 2015 results

	2015 Financial Position
Financial Results	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-08165

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Results					
$ millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSEG Net Income	$1,275	$1,243	$1,518	$1,679	
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $500
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings (non-GAAP)*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,500
*Operating EPS (non-GAAP)**	$2.44	$2.58	$2.76	$2.91	$2.80 - $2.95E
Net Income EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	63%[1]

SI-SSA-0015-08166

PSEG

1 - BASED ON MID-POINT OF 2016 PSEG OPERATING EARNINGS (NON-GAAP) GUIDANCE AS OF OCTOBER 31, 2016.
E= ESTIMATE *SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

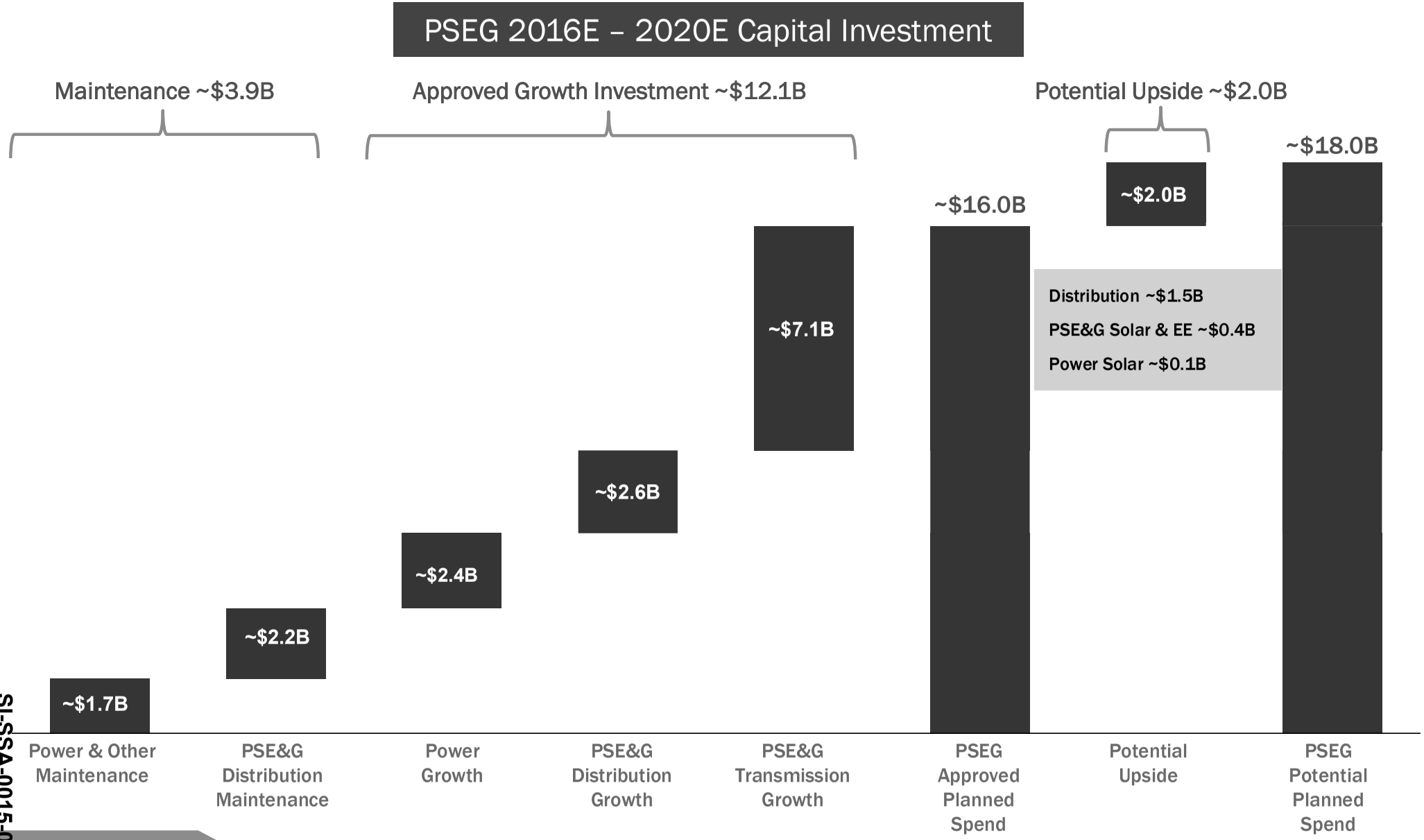
Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Financial Results	✓ Continuing strong trend in 2016 with Operating Earnings (non-GAAP) guidance of $2.80 to $2.95 per share*
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

SI-SSA-0015-08167

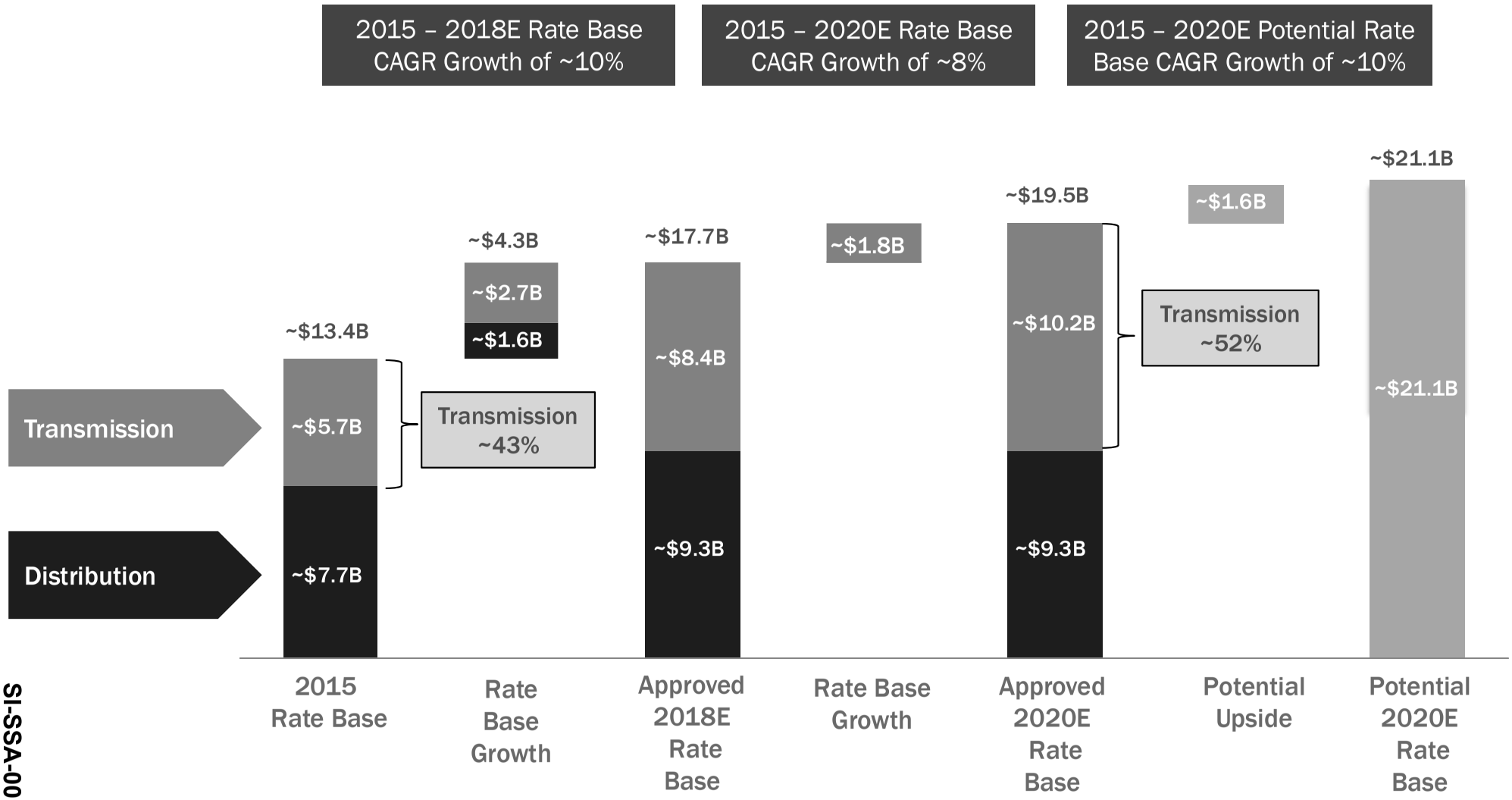
Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC
DOES NOT REFLECT EARLY RETIREMENT OF HUDSON AND MERCER IN MID-2017 AND $600M OF RECENT PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

SI-SSA-0015-08168

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



SI-SSA-0015-08169

E = ESTIMATE.
DOES NOT REFLECT RECENT, EXPECTED PSE&G CAPITAL SPENDING ADDITIONS AS OF OCTOBER 31, 2016.

Bonus Depreciation adds $1.7B cash

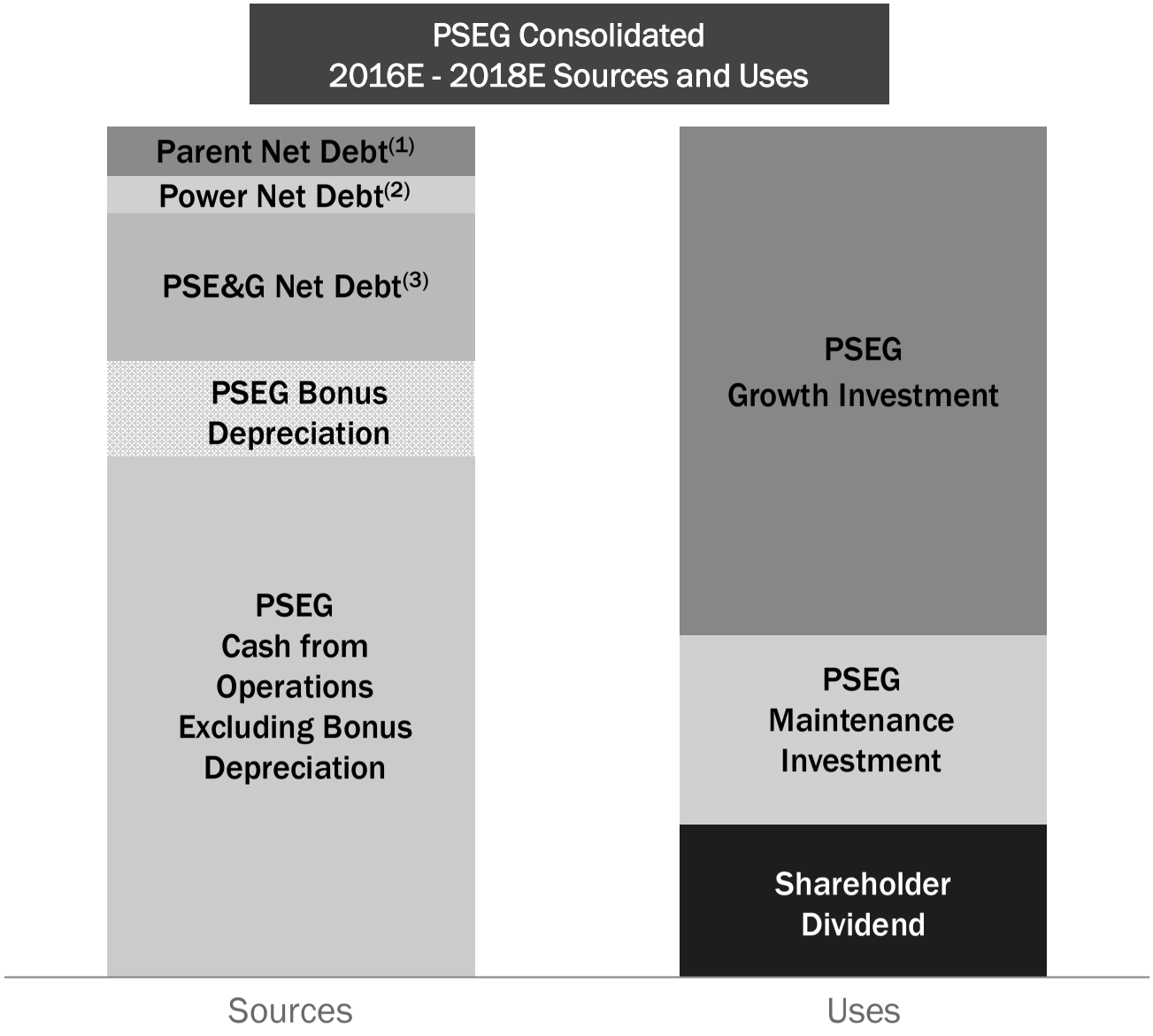
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-08170

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM DEBT POSITION E = ESTIMATE

SI-SSA-0015-08171

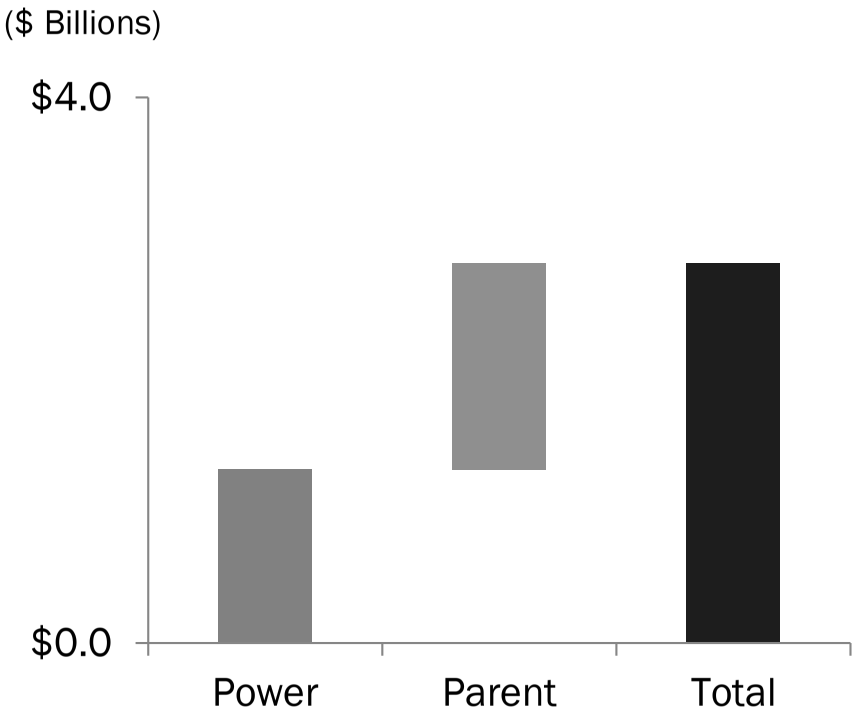
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt*
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity
through 2018E

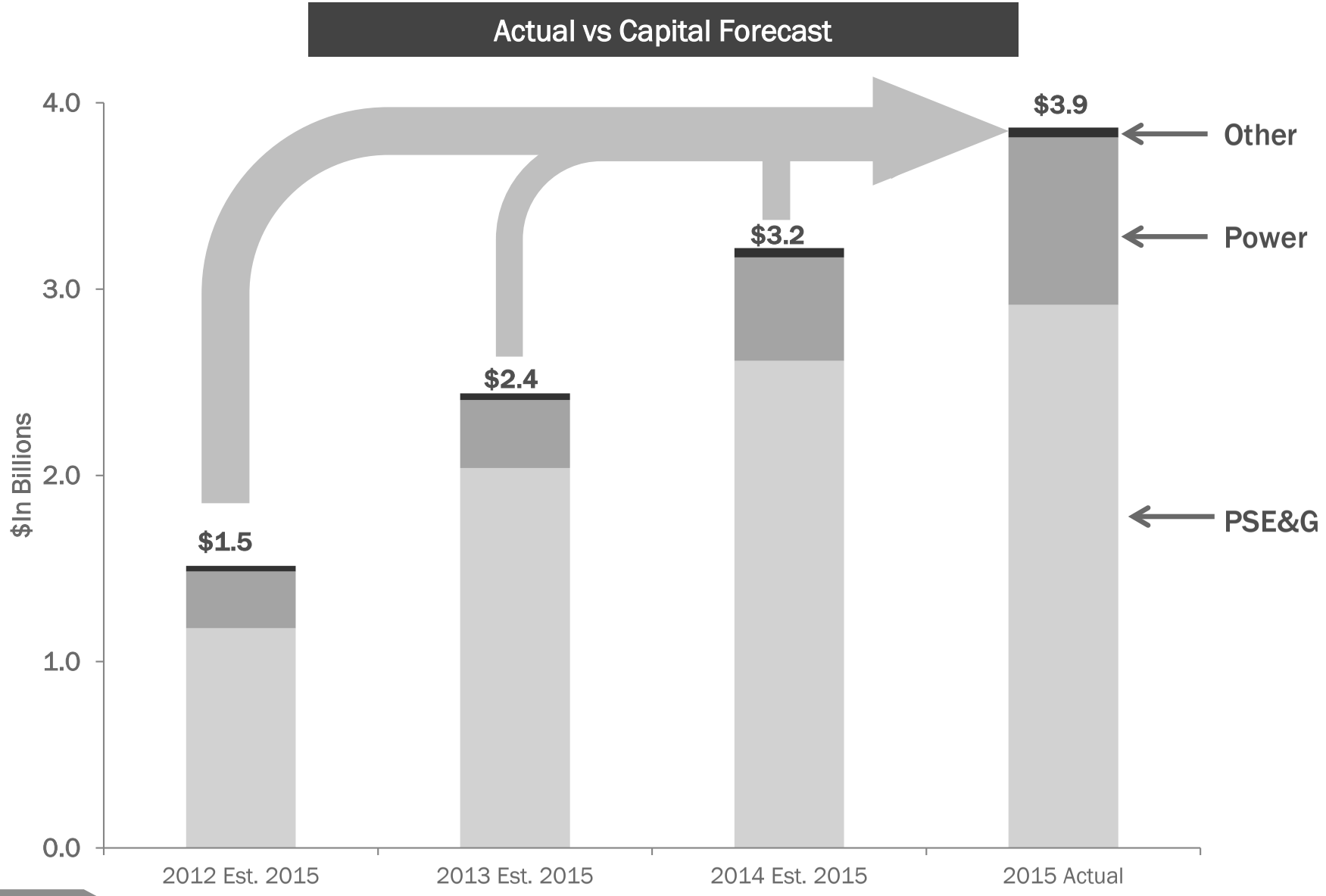


- We have flexibility between Power and Parent for utilization of our Investment Capacity

SI-SSA-0015-08172

*FUNDS FROM OPERATIONS PRIMARILY REFLECTS CASH FROM OPERATIONS EXCLUDING WORKING CAPITAL IMPACTS AND CERTAIN OTHER ADJUSTMENTS FOR OPERATING CASH ITEMS. DEBT INCLUDES RECOURSE LONG-TERM DEBT, SHORT-TERM DEBT, SHORT-TERM INVESTMENTS AND ADJUSTMENTS FOR OTHER OBLIGATIONS. E = ESTIMATE.

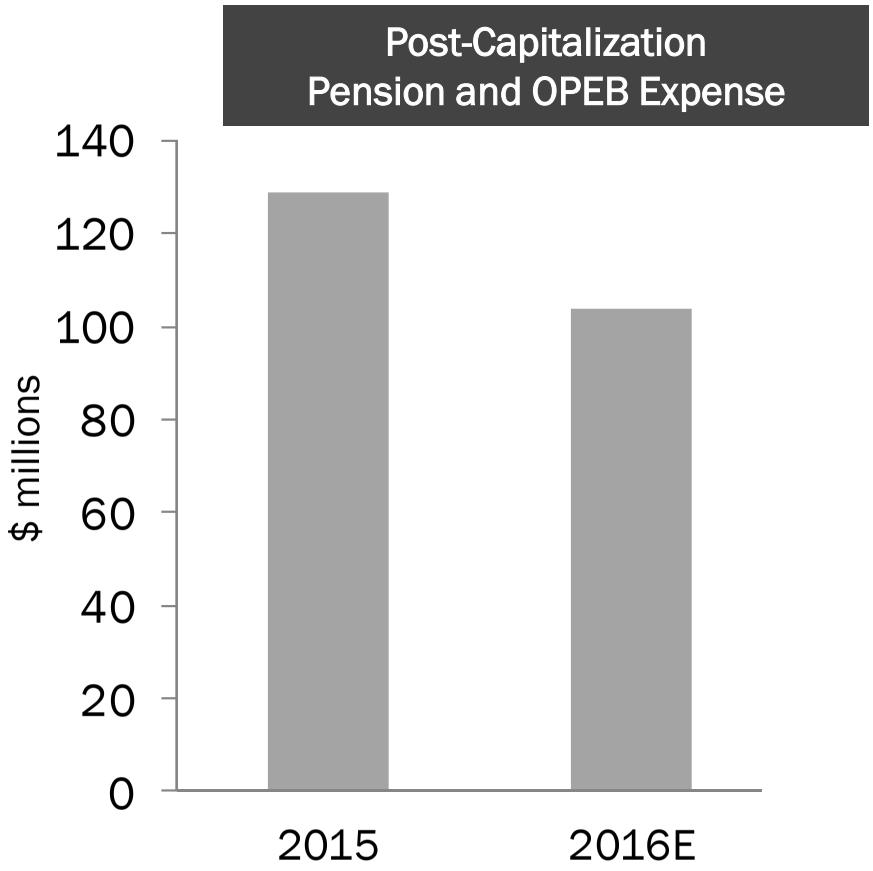
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-08173

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

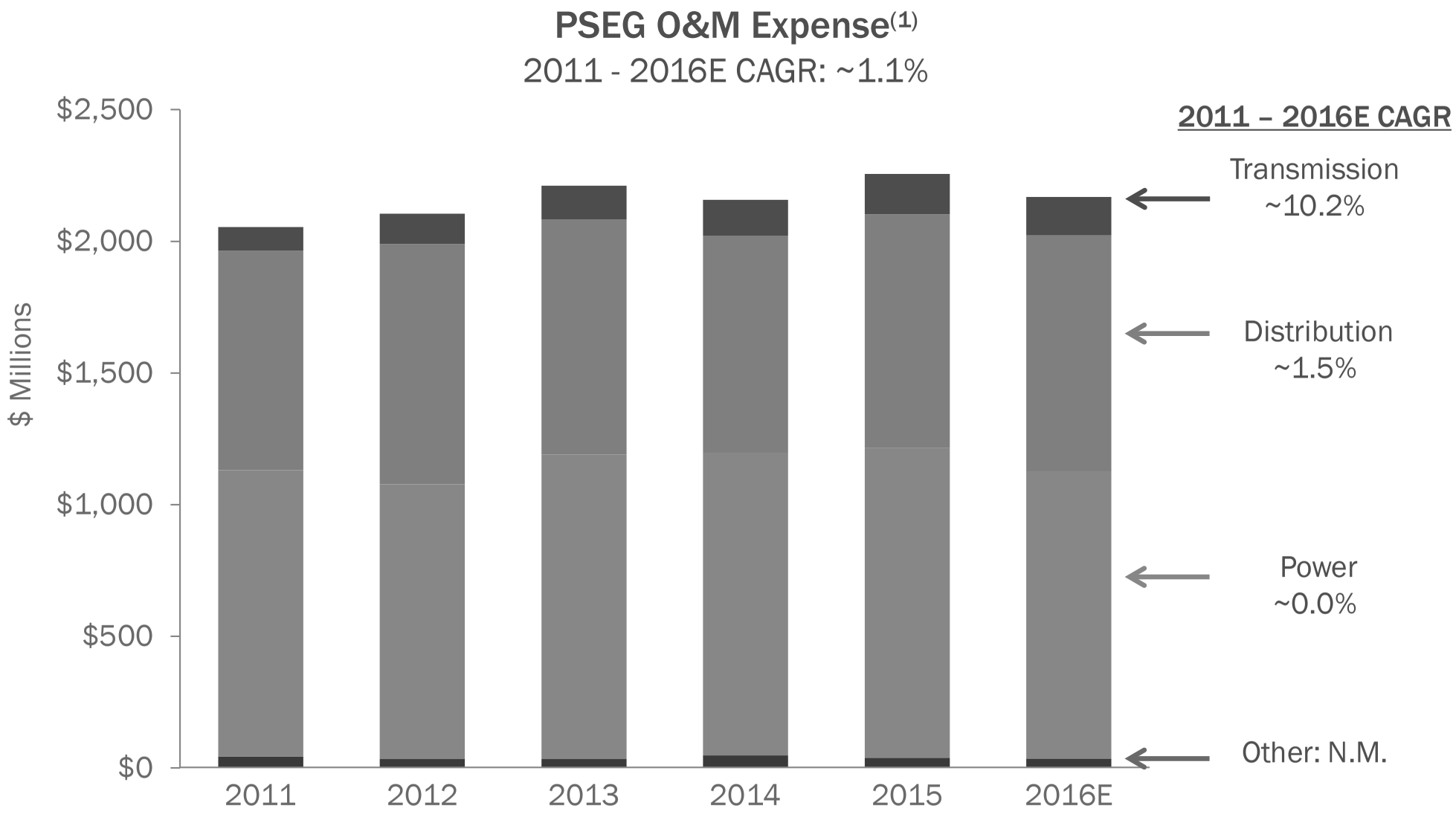


- Pension expense in 2017 is estimated to increase by ~ $0.03 per share (excluding any actuarial updates or other potential impacts that are under evaluation)
- Pension expense details will be updated at YE and managed as part of overall O&M
- Historical 3-year and 5-year annualized pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- 2016 Pension contribution was $21M

SI-SSA-0015-08174

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

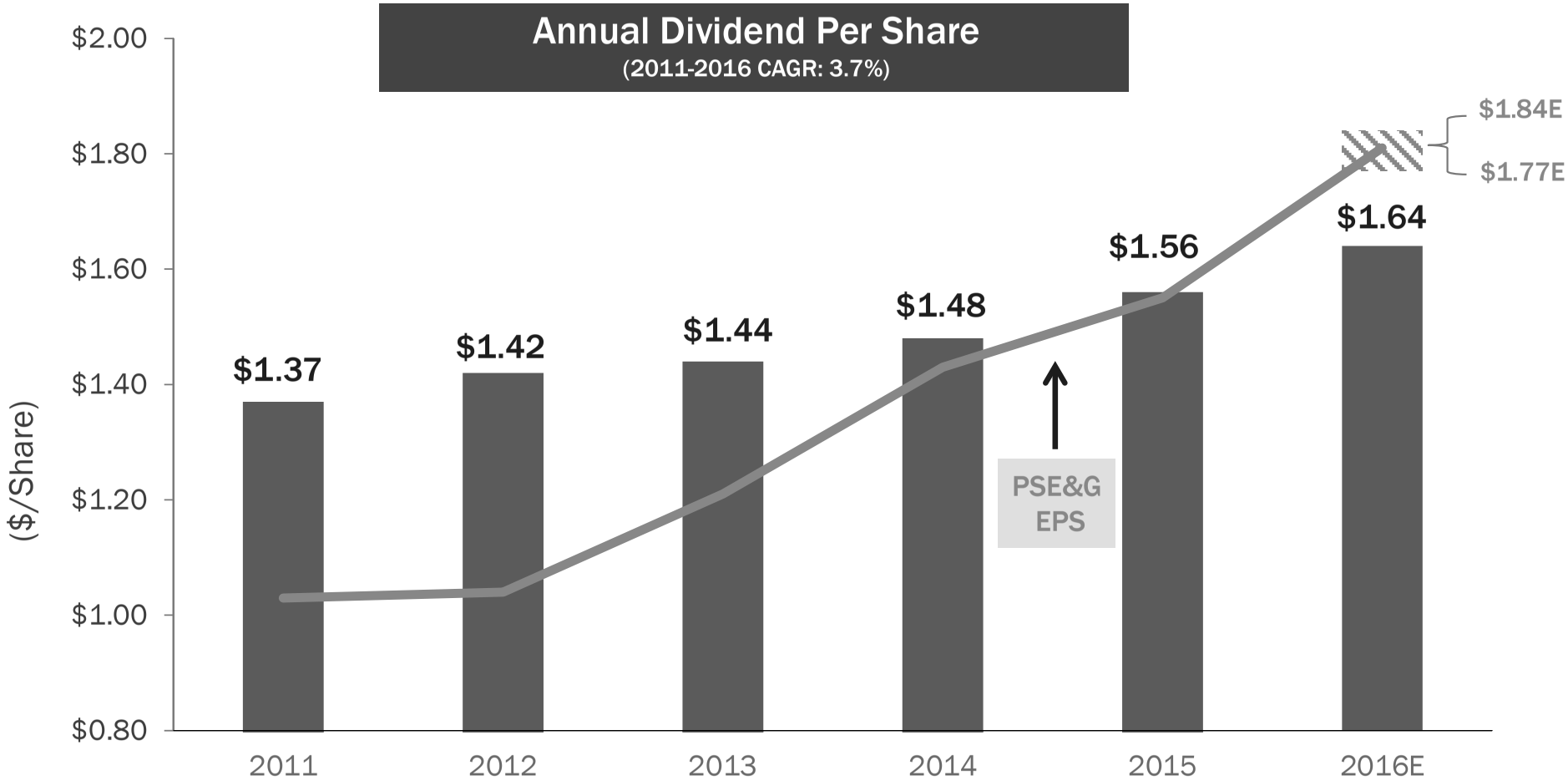


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS AS WELL AS IMPAIRMENTS RELATED TO HUDSON/MERCER RETIREMENTS. NM = NOT MATERIAL E = ESTIMATE

SI-SSA-0015-08175

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-08176

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNING (NON-GAAP) GUIDANCE OF $2.80-$2.95E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

		2017E
Pension Expense	Each 1% Change in 2016 Rate of Return on Pension Assets	$0.01
	Each 15 basis point Change in 2016 Year-End Discount Rate	$0.01

PSEG 2016 pension expense of $40M based on YE 2015 discount rate of 4.54% and 2016 expected rate of return on pension assets of 8%. As of 9/30/16, pension expense in 2017 is estimated to increase by ~$0.03 per share excluding any actuarial updates or other potential impacts that are under evaluation. This will be updated at year-end and managed as part of overall O&M.

SI-SSA-0015-08177

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

PSEG Summary

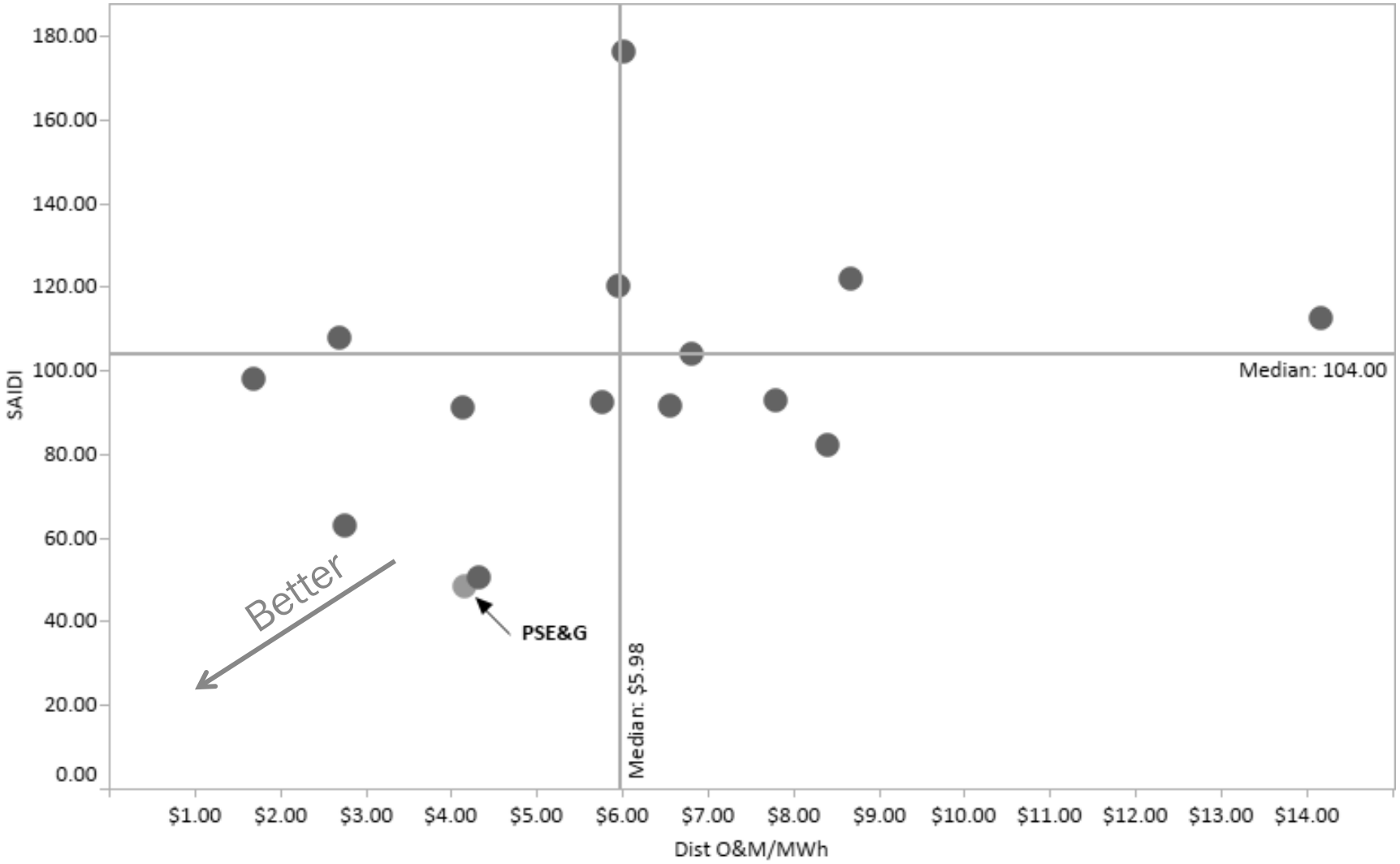
- 2015 Operating Earnings (non-GAAP) were at the upper end of our upwardly revised guidance
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-08178

PSE&G APPENDIX

SI-SSA-0015-08179

PSE&G provides high reliability at below average cost which creates superior value for customers

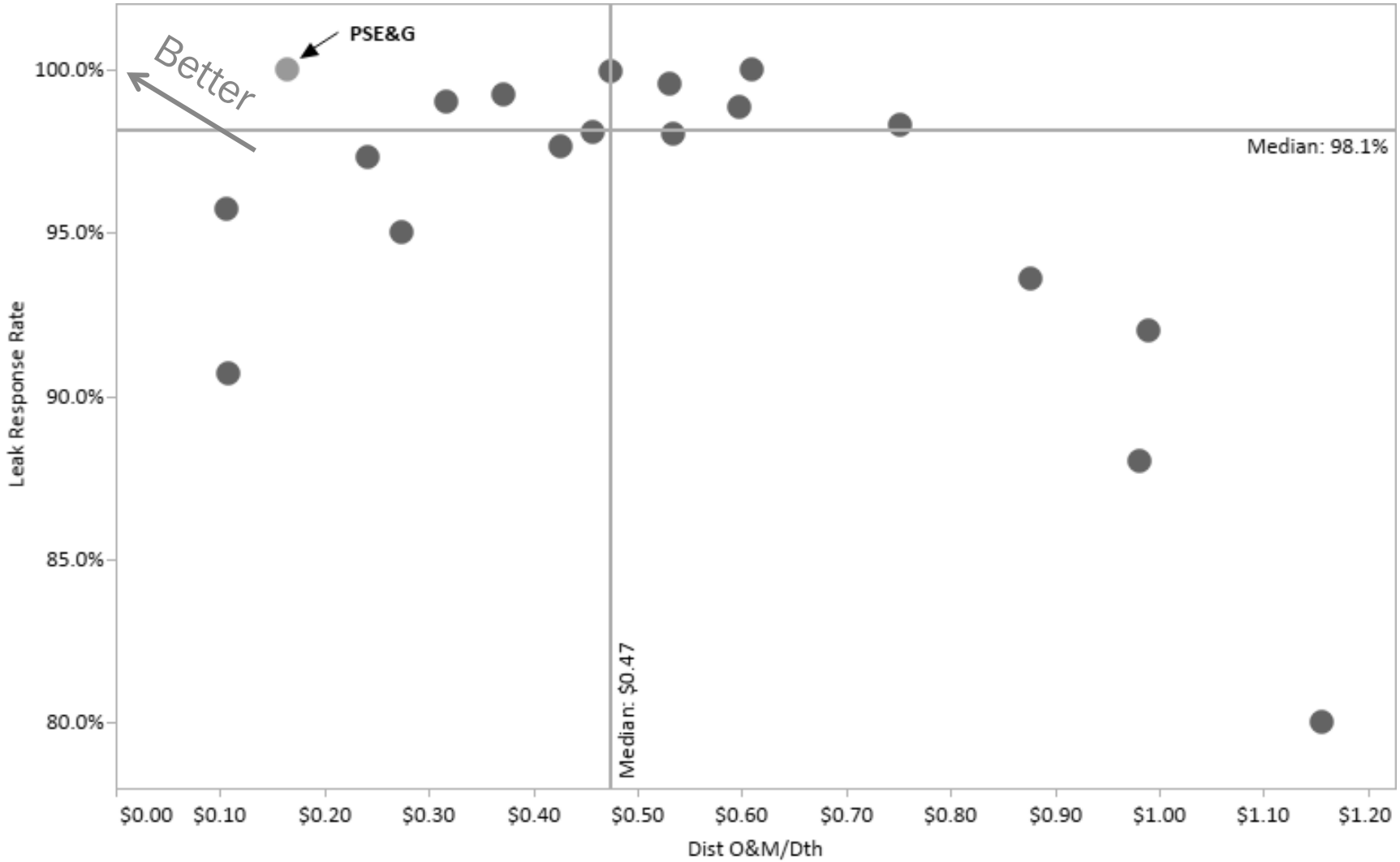


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCE: PSE&G

SI-SSA-0015-08180

PSE&G prioritizes public safety

while maintaining value for customers



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LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCE: PSE&G.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-08182

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

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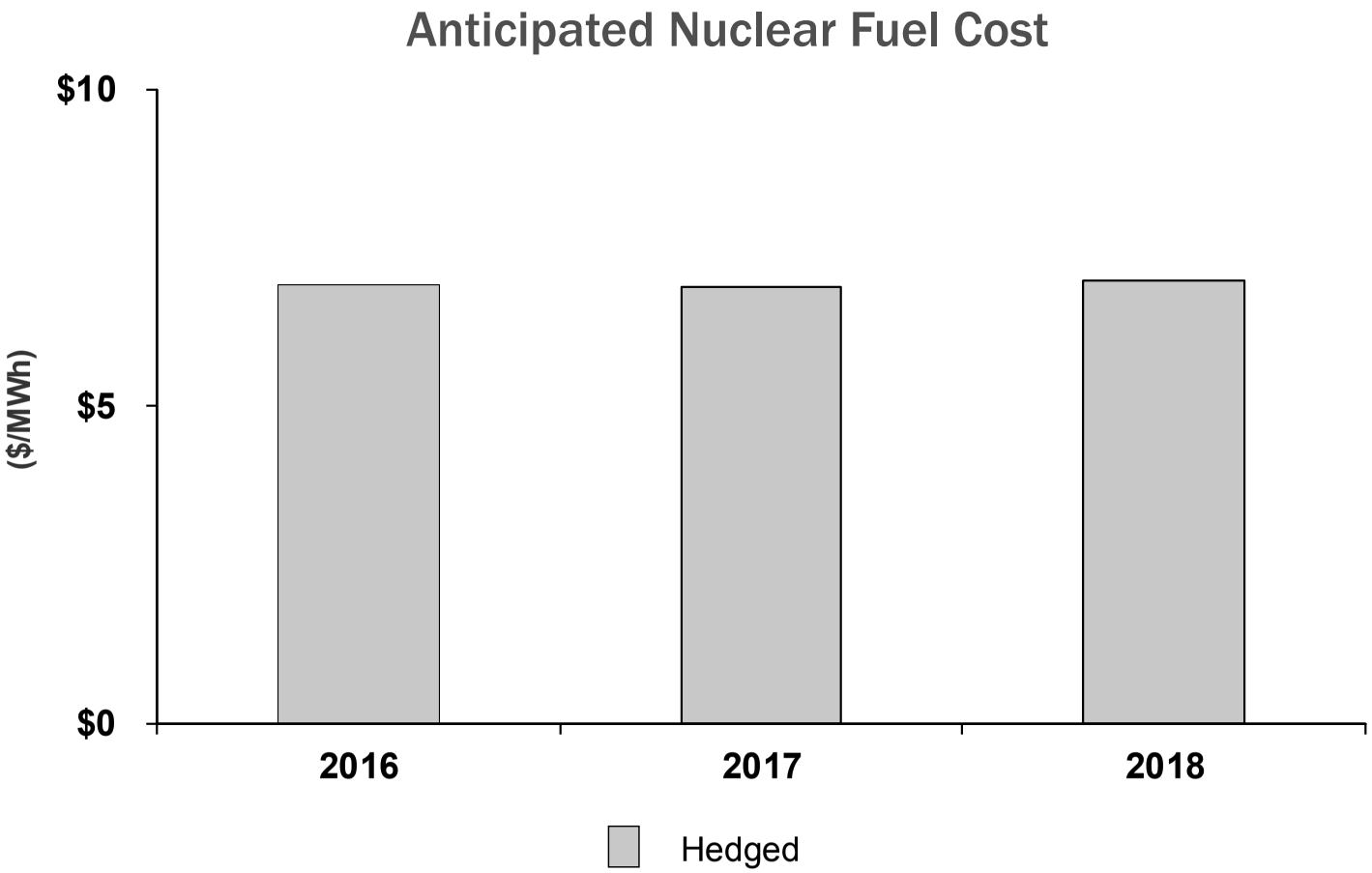
Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

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PSEG FINANCIAL APPENDIX

SI-SSA-0015-08186

PSEG Financial Highlights

Updating full-year 2016 Operating Earnings (non-GAAP) guidance to $2.80 - $2.95 from $2.80 - $3.00 per share

- ✓ Strong third quarter results were not sufficient to offset the lack of a winter
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending for 2016 expected to top $3 billion
- ✓ Keys, Sewaren and Bridgeport Harbor CCGT construction is on schedule and on budget
- ✓ PSE&G has identified more than $600 million year to date of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

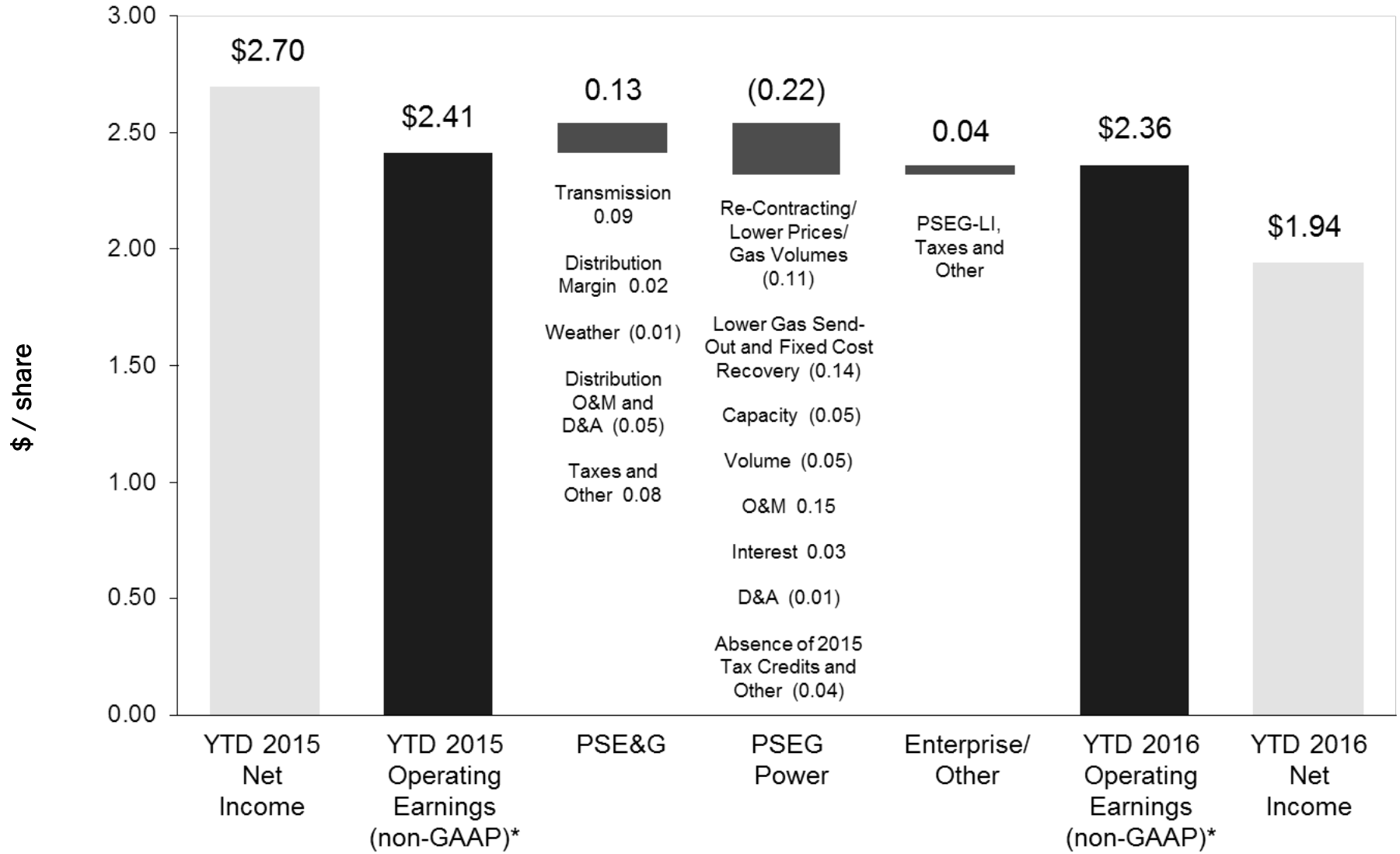
Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at September 30
- ✓ Announced retirement of Hudson and Mercer generating stations (totaling ~1,250 MW) planned for mid-2017 expected to improve Power's cash flow and return profile

SI-SSA-0015-08187

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG EPS Reconciliation – YTD 2016 versus YTD 2015



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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Our balance sheet remains strong

September 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.5	$0.4	$0.0
Short Term Debt	$0.2	$0.0	N/A
Long Term Debt	10.7	7.8	2.4
Common Equity	13.5	8.3	6.1
Total Capitalization	**$24.4**	**$16.1**	**$8.5**
Total Debt / Capitalization	**45%**	**49%**	**28%**

PSE&G Regulated Equity Ratio[1] 51.1%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.

SI-SSA-0015-08189

PSEG Liquidity as of September 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$194	$1,406
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$11	$942
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$255	$245
	Total Money Pool		$3,553	$470	$3,083
	Total		$4,153	$484	$3,669
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$357
			Total Liquidity Available		**$4,026**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-08190

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 09/30/16 ($ millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$219
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$217
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$161
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$58
Real Estate Operating Leases	Office Towers, Shopping Centers - 25 properties	$26
Other	Land	$5
	Total Holdings Investments	**$699**

SI-SSA-0015-08191

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings (non-GAAP)

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*For the Nine Months Ended September 30,* 2016	2015	*For the Year Ended December 31,* 2015	*2014*	*2013*	*2012*
	($ millions, Unaudited)					
Net Income	**$ 985**	**$ 1,370**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	4	14	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	91	(98)	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	114	-	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	137	-	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(135)	107	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 1,196**	**$ 1,221**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)					
Net Income	**$ 1.94**	**$ 2.70**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	0.01	0.03	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.18	(0.19)	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.22	-	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.27	-	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.26)	0.21	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 2.36**	**$ 2.41**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Net Income to Reconcile to Operating Earnings (non-GAAP)

PSEG Power
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ millions, Unaudited)			
Net Income	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on NDT Fund Related Activity, pre-tax	(24)	(138)	(86)	(104)
(Gain) Loss on MTM, pre-tax [a]	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	(172)	27	54	66
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 653	$ 642	$ 710	$ 663

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ millions, Unaudited)			
Net Income (Loss)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	-	-	-	25
Operating Earnings (non-GAAP)	$ 36	$ 33	$ (13)	$ 45

(a) Income tax effect calculated at 40.85% statutory rate.

Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-11-07
Event Description: Edison Electric Institute Financial Conference

Market Cap: 25,570.14
Current PX: 50.53
YTD Change($): +6.65
YTD Change(%): +15.155

Bloomberg Estimates - EPS
Current Quarter: 0.550
Current Year: 2.913
Bloomberg Estimates - Sales
Current Quarter: 2546.800
Current Year: 9513.700

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

So I'm Ralph Izzo – Brandenburg gets away with all the time -- so I'm Ralph Izzo, President and CEO of PSEG. I'm joined today by Dan Cregg, our CFO; Kathleen Lally and Carlotta Chan – who is here somewhere, she's gone to get some handouts I think – of our Investor Relations department.

In front of presentation material are both our forward-looking Safe Harbor statements, as well as our GAAP disclaimer. We'll obviously be talking about some projections looking out into the future, which we believe to be correct, but can't guarantee, and we will describe some of our financial statements in terms of parameters that we think are more indicative of ongoing operations, but do not comport with GAAP.

And for those of you who are less familiar with PSEG, we have two principal operating subsidiaries, a regulated electric and gas distribution and transmission business in New Jersey – I'll give you little more details in a moment – as well as a PJM-centric merchant power generation business.

The primary characteristics of the two companies are; for PSE&G, a substantial aging infrastructure replacement program that allows us to grow the rate base in the past at low double digits, in the future at high single digits, just given the size of the overall rate base increase; and for PSEG Power, a fuel diverse fleet that is well-positioned in many dimensions, is well-positioned from an environmental point of view, well-positioned from a geographic point of view, and well-positioned from a technology and efficiency point of view.

Now for a little more detail on the utility. We run north-south corridor of Central New Jersey. That is the primary industrial corridor of the state. Having said that, as you can see, the load both through electric and gas businesses are characterized by the commercial and residential sector; the electric side having the commercial sector dominate, on the gas side having the residential sector dominate. Little more than 2 million customers on the electric business and a little less than 2 million customers in the gas business. De minimis load growth, the growth of the business is completely decoupled from the growth in number of customers or the growth in sales. At the risk of repetition, it is driven by an aging infrastructure that is in desperate need of replacement. Even though it's a single state utility, it's important to recognize that it is by jurisdictional, nearly half of the rate base is FERC regulated through a formulaic transmission approach.

As we step into power, you could see here pictorially that the vast majority of the assets are located in Eastern PJM. We have a piece of some base load coal plants in Western PJM, as well as a new construction going on in Maryland, which qualifies, believe it or not, as Western PJM. Some isolated assets in Southwestern Connecticut as part of New England ISO and just outside of Albany, New York as part of the New York ISO.

Lots of activity on the regulatory and policy front that merits your attention. First of all, we will be going in for a base rate case proceeding in New Jersey. The filing deadline is December 1 of this year. That will be our first base rate proceeding in seven years. Our last base rate case was 2010. In the intervening years, however, we've had a substantial amount of construction in our transmission business, which as I said is subject to FERC formula rates on an annual true-up basis.

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And we've had a significant amount of investment in our distribution business subject to trackers and various clause mechanisms, which you see highlighted here in the middle of the page and something that we will continue to do going forward. We have proposed and filed with the Board of Public Utilities an expansion of a gas pipe replacement program. We are in possession of the largest cast iron gas pipe maintenance system in the United States. It is at a low utilization pressure, so it's not a safety issue. However, cast iron and bare steel pipe does tend to be more vulnerable to cracks and fissures, which then incur – which results in a release of methane, which is a 30x to 35x contributor to greenhouse gas effect, as well as a problem from a point of view of O&M and nuisance odors that need attention.

The current spending level in our gas program is about $300 million to $400 million per year, which would take us about 30 years to replace all the cast iron main that is in our system. So we've proposed to the Board of Public Utilities that we accelerate that program to a 20-year timeframe by investing a little over $500 million a year over the next five years.

We recently were granted approval by the BPU to continue some incremental expansion of some energy efficiency work we've undertaken in the state targeted at lower income and public good. Public good we typically define as hospitals, schools, government buildings. And we will also expand some efforts that we began about three years ago to reinforce and harden our electrical system and distribution system to make it a bit more resilient in the wake of some significant storm events that we experienced five and six years ago in the form of Superstorm Sandy, Hurricane Irene, and something that we call the Halloween snowstorm that occurred between Hurricane Irene and Superstorm Sandy.

At the time we had proposed a $3.9 billion program to take the affected assets and physically elevate them or protect them from water infiltration. We proposed that for a 10-year period, but then actually filed only for $2.6 billion program for a five-year period and were granted $1.2 billion for three years, so we're just going back to finish up that program. We'll drop a few items that we thought were necessary when we originally filed and add a few items that we've learned since then would be money better spent.

On an ongoing basis, given the fact that we have had repeated success working with the Board of Public Utility staff on these various trackers and clauses, and I think to the tune of 14 over the past seven or eight years, we've both sort of fatigued each other and the board staff has recognized that perhaps it would be much better to come up with a template that would be used regardless of whether it's a gas or an electric infrastructure enhancement program to institutionalize the recovery mechanism, as well as the duration of the programs and the method by which the allowed ROEs would be determined.

That rule was proposed this past summer. We modeled our Gas System Modernization Program and the expansion of prior efforts on that proposed rule. We expect it to be made final – it being the proposed rule – to be made final in December and we will follow quickly on the heels of that with our Energy Strong too modeled after the final rule, which we don't expect to be materially different than the proposed rule.

Outside of the utility, there's a lot going on in regulatory and policy space as it pertains to the imperfections in the market, imperfections in the market that are resulting in uplift payments, out of market payments to preserve the reliability of the system. PJM, in particular, has had to dispatch the system, first and foremost, with an eye towards reliability, but that does result in some occasional payments that are referred to as uplift payments that are out of market – others have called this price formation and price transparency – that we hope to see put into effect in the near-term, certainly within calendar year 2018, that are fuel indifferent, that will make the market more efficient, and a more accurate reflection of the way in which the system is operated and will benefit all generators, ourselves, who have a blend of fuels, as well as any other participant in the PJM market.

Separate, and apart from that, specific to nuclear and base load power, we are engaged in conversations both with DOE and New Jersey to recognize the market imperfections that fail to compensate for various externalities. The externalities in particular that are the subject of conversation nowadays are the externalities associated with long-term fuel diversity, that the current market design [ph] will not (08:17) point towards in terms of ongoing new investment in assets and premature retirement of existing assets.

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So going back to the utility, a slide that we often show people once a year, slide that we show once a year and have done so for many years in the past is what we expect our capital program to be in the next five years. And the capital program always looks like it's going to decline and it tends to lead folks to ask the question, well, when will it end. And despite our best efforts to try to remind people that, the only limiting function on the replacement of an aging infrastructure base is what the customer can afford to pay, and the aging infrastructures constantly need a replacement.

So what we show in these five bars that anticipate what our spend will be going out to the future and we try to point out that the reason why the front year is higher, is because that's where we have the greatest visibility toward, right, so the out years we just know less about, and therefore it tends to drop off.

The line you see is what we thought the five bars look like in the prior year, and this is a slide that we've been able show for 10 years now, but the years on the bottom just change, right, so the pattern is always the same. We learn more as the year – as the calendar rolls forward. And as a result, based on what we know, we had predicted in March that we would have about a 7% percent CAGR growth in our rate base. And then we indicated at that time that there were things that we were working on that could take those blue and orange bars and add some additional necessary investments in the form of this great crosshatch. That had to do with a continuation of the gas program, as I've pointed out before, the current run rate would take 30 years to replace the gas and the incomplete efforts that related to Energy Strong, and in fact move that from a 7% growth rate to a 9% growth rate.

Well, in the ensuing eight months from March to today, we have, as I've mentioned, both filed a Gas System Modernization Program and intend to file an electric system enhancement. That give us a greater degree of confidence when coupled to the Board of Public Utility proposed rule for clause recovery mechanisms that will be much closer to the 9% than the rule to the 7% and fill in these crosshatch regions going forward.

So as I think back five years and I think to the current look ahead of five years, the lion's share of our efforts have been in core infrastructure, enhancing the transmission system for reliability, strengthening the electric distribution system from the point of view of storm hardening, strengthening the gas system from the point of view of old technology that – it was in need of replacement.

What that's left available to us, which we have not really spent much time on and are not in the current five year plan, are significant investments in what you often hear described as utility of the future. What is that more specifically? Advanced metering infrastructure, electric vehicle charging station support, micro-grids, battery storage and things that like, right? Important stuff. I'm not denigrating it in any way, shape, or form, but not an area of emphasis for us, and one that we will begin to engage in at some minimal level in the coming few years to begin to prepare ourselves to when we have the bulk of the aging infrastructure work behind us to position the asset base and the infrastructure more for that utility of the future.

Taken in sum, what that means is that the capital program has a robust future going out for many, many years to come, with again a limiting function being making sure that we don't unduly burden the customer. We are the beneficiary of having a PSE&G, and E&G, of course, stands for electric and gas. And the reduction in gas prices over the past 10 years are such that our total bill for a customer is 28% below where it was 10 years ago.

And, in fact, even with this 9% growth rate in the rate base for the next five years and some high-single-digit estimate of that continuation, we could find ourselves in a position where over a 20-year period, customers rates would be flat in nominal terms, having of course gone down, and then back up. So in a low interest rate environment, with a declining total bill, this is a critical time and opportunity to seize for necessary infrastructure improvements and we've had a great partnership with our regulators in doing so.

Moving from the utility over to PSEG Power. We are in the middle of a construction program, whereby we will be completing 1,800 megawatts of highly efficient natural gas combined cycles, one in Connecticut, one in New Jersey, one in Maryland. The Maryland and New Jersey facilities are due to come online this June, as in June of 2018. The Connecticut facility in June of 2019. All projects are on schedule, on budget.

And what it will do is substantially shift the makeup of the fleet. Coupled to some retirements you'll see on the left side, that the overall number of megawatts we will have in play and during this transition won't change much. But as you

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look to the right side, you will see a significant increase in the amount of energy that we put out, because the three units that we're building will be fairly low on the dispatch curve. And therefore, we do believe will be dispatched quite frequently, thereby increasing our expected energy output by well over 10%. And you'll see, as a result of them being primarily – exclusively natural gas, that they will eat into some of that nuclear output. That's not to say that the nuclear plants will run less often. It just means that as the denominator grows, most of that growth in the denominator will come from growth in the gas component of the numerator, and therefore increase the overall gas component of our output.

We have great access to Marcellus shale gas, and therefore enjoy some regional spark spreads that are more robust than one might calculate if one were to look at the Henry Hub price for natural gas. So highly a clean fleet and a well-positioned fleet, and one that we expect to be a significant contributor to the energy market and a significant recipient of energy margins.

Now that expansion program for power, that capital program for power – I shouldn't describe it as an expansion, because as I just said a moment ago, we have been retiring units that are not high in the dispatch queue and not meaningful contributors to the bottom line. That capital program will come to an end in 2019 and we will be more in a maintenance capital mode, which is a run rate of closer to $200 million a year. And what that will mean is that power will resume the position it had prior to this initiation of this capital program, which has been going on for a couple of years now, as a significant generator of cash for the utility's insatiable appetite for cash.

So power shown here on the left in terms of its capital program, you could see that coming down by $1 billion per year. And on the right – we're just repeating the slide I showed a moment ago, which is the utility's capital program going forward. So internally generated cash will be a significant part of the equity requirements of the utility.

As I take a look now at how well we've managed our O&M expense, we try to separate each of the major functions of the company here. And you could see that at the distribution level and at the power level, we've done, I think, a good job of maintaining fairly flat O&M expense. The large number at the transmission level is driven by the fact that inevitably when you have a massive capital program – and if you recall the slides I showed you just a moment ago, transmission was the single biggest component of the utility capital program. But whenever you have that kind of a large capital program in transmission, there is a lot of associated O&M work that goes along with that. It's always – reliability is always foremost in our thinking. We need to make sure that the system configuration is such that it can tolerate various perturbations, requires active field work on the part of our transmission team to make sure that we're switching lines in and out to support that capital work.

We pay careful attention to that transmission O&M, but the good news from a shareholder perspective is it is fully incorporated into our annual formula rate and all other parts of components of O&M we do an aggressive job of keeping a lid on them, both in terms of meeting the needs of our customers and our shareholders.

If I take a look at the strength of the balance sheet and our credit metrics, they remain strong. So you have an ambitious utility infrastructure replacement program and you have a fair amount of internal cash generation. The balance of the equity needs of the utility are achieved through the debt capacity of the parent and the power business. In addition to the 9% growth rate in the rate base that we have a high degree of confidence in, we have an additional incremental debt capacity that's shown here of about $3.5 billion to $4 billion, closer to the $3.5 billion than to the $4 billion, both at power and at the parent. That debt capacity becomes the equity that the utility needs – the utility has some separate debt capacity and it's roughly regulated at 50/50 debt/equity split. So therefore the standalone utility capability for additional financing would be double this amount.

Now, it's important that we point out something here that is common to the industry about – and we've talked about it for a few years, but we want to make it really explicit. We always give a three-year look ahead, and the three-year look ahead is 2017, 2018, and 2019. Now, what's significant about those three years, that is different from 2020 is that all other things being equal, so no comment on the possibility of tax reform and the various provisions that may or may not survive the current versions that have been put forth, is the expiration of bonus depreciation. And currently that bonus depreciation has been generating about $300 million a year in FFO for us.

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If you just take at the parent level an 18% or a high-teens ratio of FFO to debt that that could support, that would result in a diminution of about $1.5 billion to $2 billion of debt capacity after 2019. So, just given that our stub year happens to coincide with the end of that bonus depreciation, we didn't think it was fair to leave you with the absence of information about what happens in 2020, which is probably a cut in half of the excess debt capacity available to the company, right? So we are still in an excess capacity situation, but it will be one that goes from 3.5-plus billion to something less than $2 billion with the expiration of bonus depreciation, all else being equal, assuming no change in the tax bill or current situation.

So still a strong balance sheet, still 2 times that amount available for utility investment, above and beyond the 9% growth rate in the rate base. And during the Q&A, since I just exhausted my knowledge of what all that means, Dan will be [ph] happy to answer (19:31). Did I do that okay, Dan?

Daniel J. Cregg

Perfect.

Ralph Izzo

Okay. But did he look like he was in pain while I was speaking?

[indiscernible] (19:38)

<<[0052TC-E Ralph Izzo]??

Thank you. I've been CEO long enough [ph] where (19:41) I can admit these things.

We are reaffirming our guidance for the year, right, somewhere between $2.80 and $3 a share. Here we just show you a little bit of our recent history. You see a combination of factors; one, some modest growth in the parent company earnings, flattening over the past two years as a result of declines in power prices. But equally important, you could see that even as the parent company earnings grew, the disproportionate growth in the utility earnings becoming an increasingly significant part of the overall mix of earnings that we put forth. And this year, just taking the midpoint of the guidance for both companies, the utility will be fully two-thirds of the overall earnings of PSEG.

That has a couple of ramifications, obviously, in terms of the predictability and stability of those earnings and the potential for future growth driven by this 9% CAGR. Here what we show you in the green line is the utility earnings growth, and in the blue bar the growth in the dividend, which isn't growing in recent years at about 5% a year. And you can see that, given the visibility to the utility rate base growth, we had confidence in growing the dividend, and now, in fact, the utility growth continues to outstrip the growth rate of the dividend and more than covers the dividend for us, which leads us to a dividend policy which is illustrative of the fact that there are multiple factors that we consider when thinking about the dividend, where are our earnings coming from, what are the cash needs of the business, where are we in the power cycle, what are our competitors doing. But it allows us to basically signal to you that we do think we have the opportunity for consistency and sustainability of this ongoing dividend growth that you've seen in the past few years.

So in sum, we have a stable platform. There's plenty of opportunities for investment and growth in the business. Most of that – about 80% of it is targeted at the utility. As the capital growth program in power comes down, that number will be even bigger than 80% in terms of the utility, where power begins to go into a maintenance capital mode. I think we've had a great partnership with our regulators in New Jersey. We do things that matter to them and they are a good proxy for things that matter to our customers. We're doing well. At our last quarterly call we talked about the fact that a $3.4 billion capital program in the utility this year has become a $3.1 billion capital program, largely because some of the work we plan to do, we've done better than we even thought we could do it. That doesn't mean that $300 million of work evaporated. It just means $300 million of work will be shifted into other things that need to be done.

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Power has a great fleet. It has the largest, I believe, combined cycle fleet in PJM. Its aggregate heat rate will be close to 7,000 Btus per kWh. It's a highly efficient fleet, a very strong nuclear program that we think is going to get some recognition for some attributes that the market does not recognize today, and therefore we'll sustain that fleet into the future. We have, I think, one of three companies that can boast about 110-year record of paying the dividend each year for over a century. That balance sheet carries us into the future with the current program without the need for additional equity and the opportunity for further expansion.

So I think I'll stop there. I've tried to leave about 15 minutes for questions and, hopefully, answers, and we're ready for you. Yeah.

Q&A

<Q>: I came in late, so I apologize [indiscernible] (23:09). But could you just help me with [indiscernible] (23:12)?

<A - Ralph Izzo>: Yeah, sure. So we've been talking to people about kind of a range of four possible outcomes as it pertains to the DOE NOPR, and the FERC reaction to it. At the book-end, one is that FERC simply says, oh boy, you're right, we will take that. And the other book-end is FERC says, you're imagining things, there is no problem here. We think both are unlikely. And, in fact, probably zero chance.

Now, that's significant, because while most people are predicting the former, that FERC won't take the NOPR as is. I think in large measure, even though FERC has not said that there's no problem, they've been acting as if it's not a big deal, right? I mean, the [indiscernible] (23:57) rule, price formation, those have been going on for years now, depending upon how you define the start three or four years. And even though FERC was being deliberate, I do think that DOE's action has created a sense of urgency that something needs to be done. So more than likely, our belief, with no more information than you possess, is that one of two things will happen, and I'll take them in order of increasing likelihood.

We proposed that FERC take what DOE has proposed and implement it on an interim basis. And we point to the fact that fully – close to a third of the assets in PJM right now are on cost of service regulation, and they do not create havoc in the marketplace at all. That putting at risk premature [indiscernible] (24:47) in cost of service regulation would also not put the market at risk. And then FERC should enter into a parallel process, take hold the process to design mechanisms, whereby fuel diversity is explicitly recognized as an externality that has a value. And we've also put forward proposals to how to do that. It could be either an energy price, scarcity payment for fuels that are not dominating the supply stack, or it could be traunching of the capacity market to explicitly require different clearing prices in [ph] capacity (25:19) markets for fuel diversity.

So interim cost of service regulations [ph] take hold of (25:24) process for market mechanisms that recognize fuel diversity. Another possibility is simply to recognize that PJM has said, hey, there are some things that we do right now that are inconsistent with price being the determinant of what runs, namely these uplift payments for inflexible units that I mentioned a moment ago. And FERC can declare victory by simply saying, yeah, we know about that, we've been working on that for a few years. So, therefore, every RTO tell us what you've done to improve price formation, and what else you need to do, and therefore call the RTOs in. That can allow RTOs to say we don't have an issue, and it can allow PJM to confirm that they do have an issue. Get that fixed. Various folks have modeled that and have come up with their estimates of what that would mean in terms of around the clock energy prices. And then in parallel to correcting for those out of market uplift payments, initiate a stakeholder process to explicitly recognize fuel diversity, because price formation is independent of fuel. And so either of those two scenarios, we think, are possibilities and we'll know a little better on December 11 when FERC is due to respond. Yes?

<Q>: [indiscernible] (26:38-26:49)

<A - Ralph Izzo>: Yeah. So, when you're 110-year old company, you don't wear a party stripe, right, you wear a yellow stripe, and you go right down the middle of the road. And I think every governor I've worked with, and my predecessors told me the same thing, understands that we can't move out wires. So, as New Jersey goes, so goes our T&D expenses business, right? So we are a great partner.

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I mean, that does tend to mean that you're never in the inner circle, because you're not there in the early days when primary battles are going on, but you're there for them once they achieve office. So we have fully briefed both candidates for governor about what we think is smart and maybe not the brightest thing to do in terms of energy policy, and what matters and what doesn't matter, and both have been great supporters throughout the campaign – energy has not been a dominant issue – about the importance of an aging infrastructure and replacing that, the importance of job creation that results from that, both are very careful to talk about the affordability of the state of New Jersey. One is a little bit more green emphasis than the other. One is little bit more emphasis on affordability than the other. So at the end of today, we'll see who we're going to work with for the next four to eight years, and we'll work with them just fine. Our relationship with the governor has been terrific. He's been a big champion of infrastructure replacement, has been a big champion of clean air, hasn't been a major proponent of concerns over carbon. And that's okay. I mean, nuclear power doesn't emit NOx, doesn't emit SO2, doesn't emit mercury, and so therefore he's been a big supporter of nuclear even in the absence of concern over carbon.

<Q>: [indiscernible] (28:25-28:32)

<A - Ralph Izzo>: Yeah. So nuclear will benefit, as will oil generation, from fixing the flaws associated with price formation, Fast Track, things of that nature. In PJM East, it's important to realize that nuclear challenges that relate to inflexible units have nothing to do with wind. They have more to do with the fact that they are all – that there's a behavior at PJM that requires dispatch of some slow to ramp units that often results in uplift payments that are not reflected in the locational marginal price because of the way in which the tariff is designed in PJM. There's a white paper in the PJM published that's like six or seven pages long, very readable, very understandable that I did not just give great justice to. But that has nothing to do with the attributes of nuclear.

In New Jersey, our plants constitute 40% of the energy used in New Jersey, about 45% of the energy generated in New Jersey. The absence of those plants, we believe, does several things. First of all, just the way in which PJM dispatches, you don't have to be an economist to know that when you remove 40% of supply and you dispatch on a least cost basis, and you don't change demand, prices go up. Our estimates are about $400 million a year.

Number two, if you replace those plants with the current PJM dispatch, which is a blend of gas and coal, and you simply say, what does a pound of NOx cost, what does a pound of SO2 cost, what does a pound of mercury cost, you result in about $150 million a year of environmental impact.

Number three, you emit 15 million more tons of carbon if you do not replace the units with the current dispatch, but you're replacing with the most efficient natural gas combined-cycle units you can, so we're being very generous there. Now if you think carbon's worth zero, then that's not a big deal. If you think carbon is worth $30, that's $450 million a year, and you pick your number and do the arithmetic and it's pretty straightforward.

Number three, we employ 1,500 people at those plants. It's the second poorest county in the state of New Jersey. That's full time people. When you include refueling outages, it's closer to 3,000. If you make some estimates about what it costs to provide the food to the plants, the dry cask storage to the plants, various other things, you can get a number closer to 5,000. So pick your assumptions, it's definitely 1,500, it could be as much as 5,000. That results in sales tax, payroll taxes of anywhere from $150 million to $180 million, because of the range of number of people.

And last, but by no means least, if you replace those plants with natural gas, you would have 97% of your electricity coming from natural gas. You should worry about that, not because there's a meteor that's going to hit the natural gas plants or it's going to disrupt anything in Ohio that has to do with shale, but we as a combination of electric and gas utility during the polar vortex had to curtail gas to customers. That was with 40% of the electricity in state being generated by nuclear power.

If you don't have nuclear power, we will be doing a lot more than curtailing interruptible customers. You will basically be choosing between heating a home or illuminating a home. That's because you don't want to build an interstate pipeline capability for a polar vortex. It's not necessary, it's expensive, there's no need to do that. And candidly, I would say this right now, it's socially unacceptable to do that.

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Similarly, a very well run, well managed – I'm not going to name them – interstate pipeline company had an issue with an East-West pipeline last year. Fortunately that issue occurred between the months of April and November. If it had gone past November, and we run into a cold spell, we would have been faced with the same issue. So those are two episodes of operational limitations that occurred in the past three years, and again at the risk of being flip, have nothing to do with some bizarre set of circumstances that will never ever happen again that would lead you to be concerned about 97% asset concentration in terms of natural gas powered electricity.

So with all of that in mind, we have simply begun a conversation in the state to say, did you know, if these plants aren't earning the cost of capital, we have a fiduciary responsibility to shut them down. That's a problem for New Jersey, and we've been real clear. We've retired 4,000 megawatts of power plants in the past few years. It wasn't a headline, it wasn't winding, it just needed to be done. Nobody noticed, nobody cared. This one people will notice, people will care. So we're trying to avoid that situation. And we've gotten great response in terms of the concerns about seeing those plants go away. [ph] Yes, Nick (32:54).

<Q>: Hi. Ralph, I guess you've made a very convincing argument about why you need [indiscernible] (33:01), so I appreciate that.

<A - Ralph Izzo>: Correction of the flaws in the market. We have to get the terminology right.

<Q>: Thanks. The future of the [indiscernible] (33:15) seems to be somewhat out of fashion these days [indiscernible] (33:23-33:29) given it's running by itself, but there is not so much growth opportunity there, [indiscernible] (33:37), how do you see that could be separated out or that could be sold to somebody or keep it intact?

<A - Ralph Izzo>: Yeah. So I remember when I took this job 10 years ago, people used to tell me about the fact that you've got these two businesses and they don't belong together. You've got this wonderful power business and this hideous slow-growing utility, why don't you get rid of it? And now people say, you've got these two companies that don't belong together, you've got this wonderful growing utility and this hideous power business.

Okay. Now having said that, I do think that given the amount of uncertainty in the regulatory world and in the marketplace, now is not a good time to be thinking about separating the companies, right? You can't have a conversation as a corporate citizen say, hey, these nuclear plants matter to you and expect people to wonder, well, who is it that I'm going to be speaking to the day after tomorrow. That's just – that's not fair to policymakers and we wouldn't do that.

Similarly, with price formation discussions with DOE NOPR, I don't know what the right valuation of these plants are. And while we're more than willing to earn our compensation by managing risk, I don't think we get paid to gamble. So to simply say, well, who knows what these things are worth, let me just sell them now and see what I can get on what basis.

Now over the long-term, as I've been quoted and as I still believe, the opportunity to grow the power business is inconsistent with keeping it inside an integrated company and we're not making buggy whips in power, we're making electricity, and as far as I can tell people like that and want more of that. But people seem to worry about it, where is capital going to be deployed, and is it in the slow steady grower called the utility. If you consider high single-digit slow, maybe not. Or is it in this more cyclical business called power that has a different investment profile. And I think over time that those are different investors and we will have to recognize that, but over the near-term I don't think that makes any sense. 5 minutes, thank you. Yes.

<Q>: [indiscernible] (35:40)

<A - Ralph Izzo>: About 6,500 Btus per kWh.

<Q>: Pardon?

<A - Ralph Izzo>: 6,500 Btus per kWh. Wow, I can actually give an answer in one sentence. I didn't think I could do that. [ph] Carl (35:59)?

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<Q>: Ralph, [indiscernible] (36:01) your ability to work with regulators, which you have done very well over the last 10 years, I guess, [indiscernible] (36:11) is it too early to say is there any names being floated for anybody [indiscernible] (36:17) or any of the critical positions like environmental or whatever.

<A - Ralph Izzo>: Oh, yeah, it is definitely too early to say.

<Q>: Okay. Do you think the campaigns are focusing [ph] on it at all (36:31)?

<A - Ralph Izzo>: Again, as I said, because we go down that yellow stripe in the middle of the road, we're not on the inside of any campaign to know that. We have in the past been asked to put forward a list of candidates. I've often wondered whether or not they ask us to do that so as they avoid those names. I almost had two questions in a row where I gave a one sentence answer, [ph] Carl (36:57), then you followed up. Yes.

<Q>: [indiscernible] (37:04-37:09)

<A - Ralph Izzo>: Absolutely. I'll tell you, knowing where we are today in LIPA and what we've achieved, if you had asked me four years ago when we began that to sort of set my aspirations for what the team could do and someone had [ph] touched (37:21) me, would you like to do this, I would say, sure, of course, I'd like to do that, I'd also like to pitch for the New York Yankees, but that's not likely to happen at this point in my life.

So the team has just done fabulous work there. I think we have an operating services agreement that has – it varies between 22 and 24 measures that we have to hit. We hit all but one or two of them every year. We've gone from literally dead last in J.D. Power to now being just, I think, one position out of the median company in terms of customer satisfaction. The team has done a fabulous job and the employees have responded well to us. It's been a very rewarding experience. I wish there were more of those opportunities out there, but they're not obvious to us.

Ralph Izzo

I'm going to just take one more question which – of course, whenever you say that there's never another question. But I'll say it anyway. We have time for one more question. Works like a charm every time. Thank you for joining us.

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PSEG Investor Summary

2017 EEI FINANCIAL CONFERENCE
ORLANDO, FL • NOVEMBER 5-7, 2017

SI-SSA-0015-08203

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

PSEG

We make things work for you.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

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PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

SI-SSA-0015-08206

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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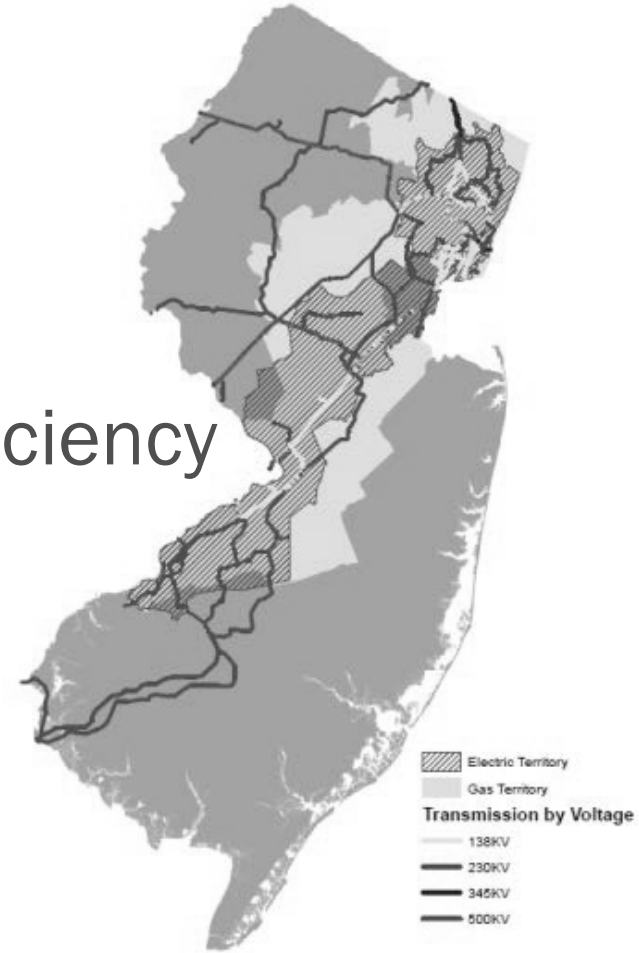
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

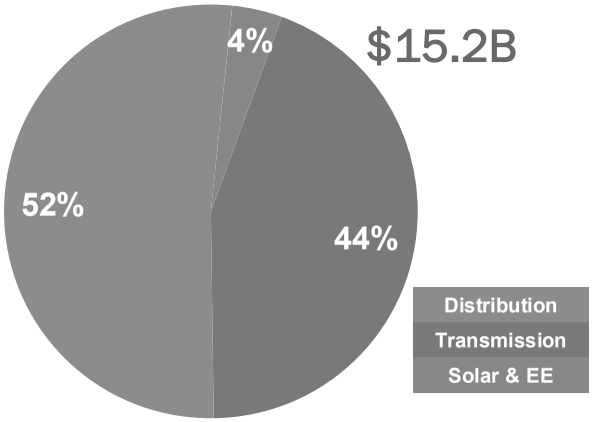
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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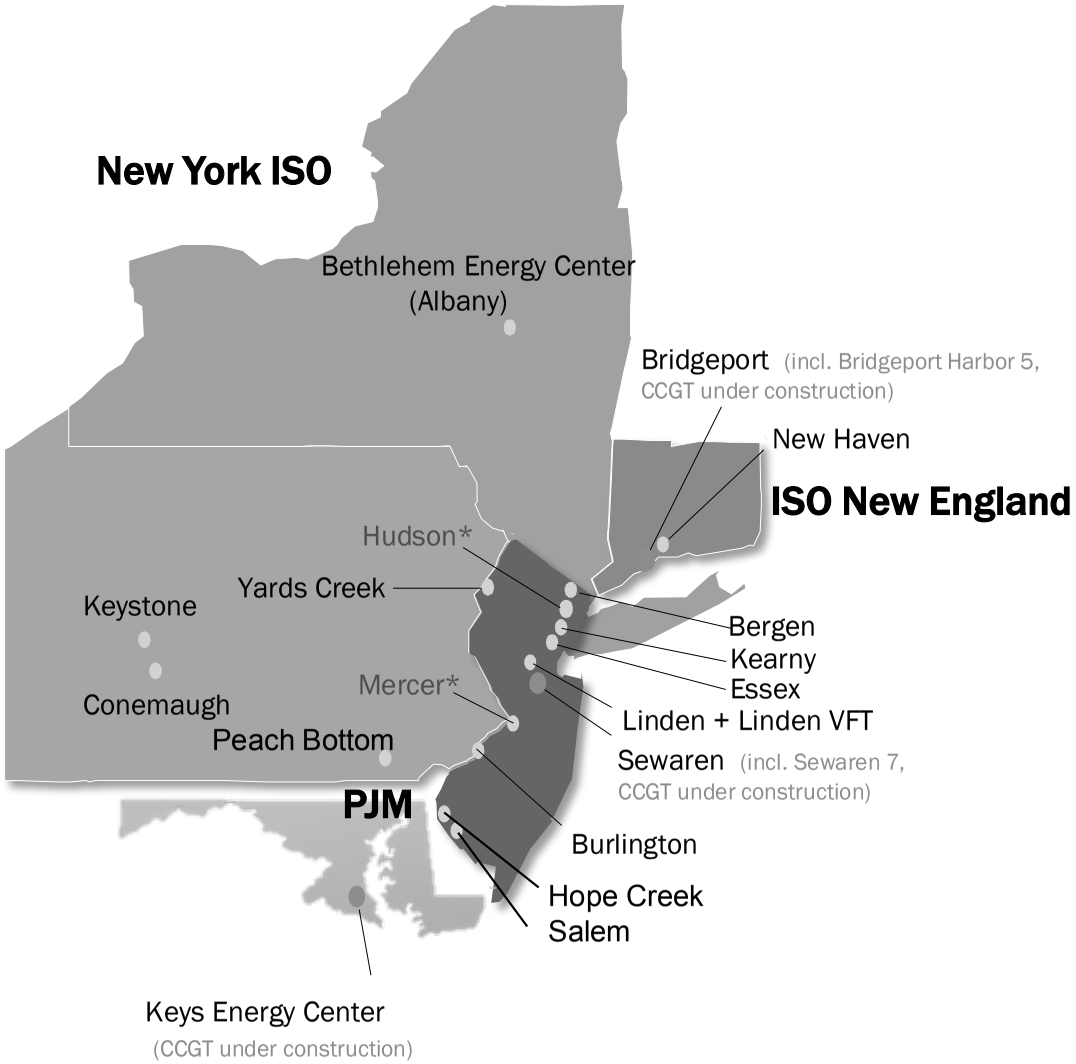
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-08209

*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing by one month to no later than December 1, 2017

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- A final BPU decision on the Infrastructure Investment Program (IIP) providing for 5-year investment programs is expected by year-end
- PSE&G preparing a multi-year extension filing for Energy Strong in coming months
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

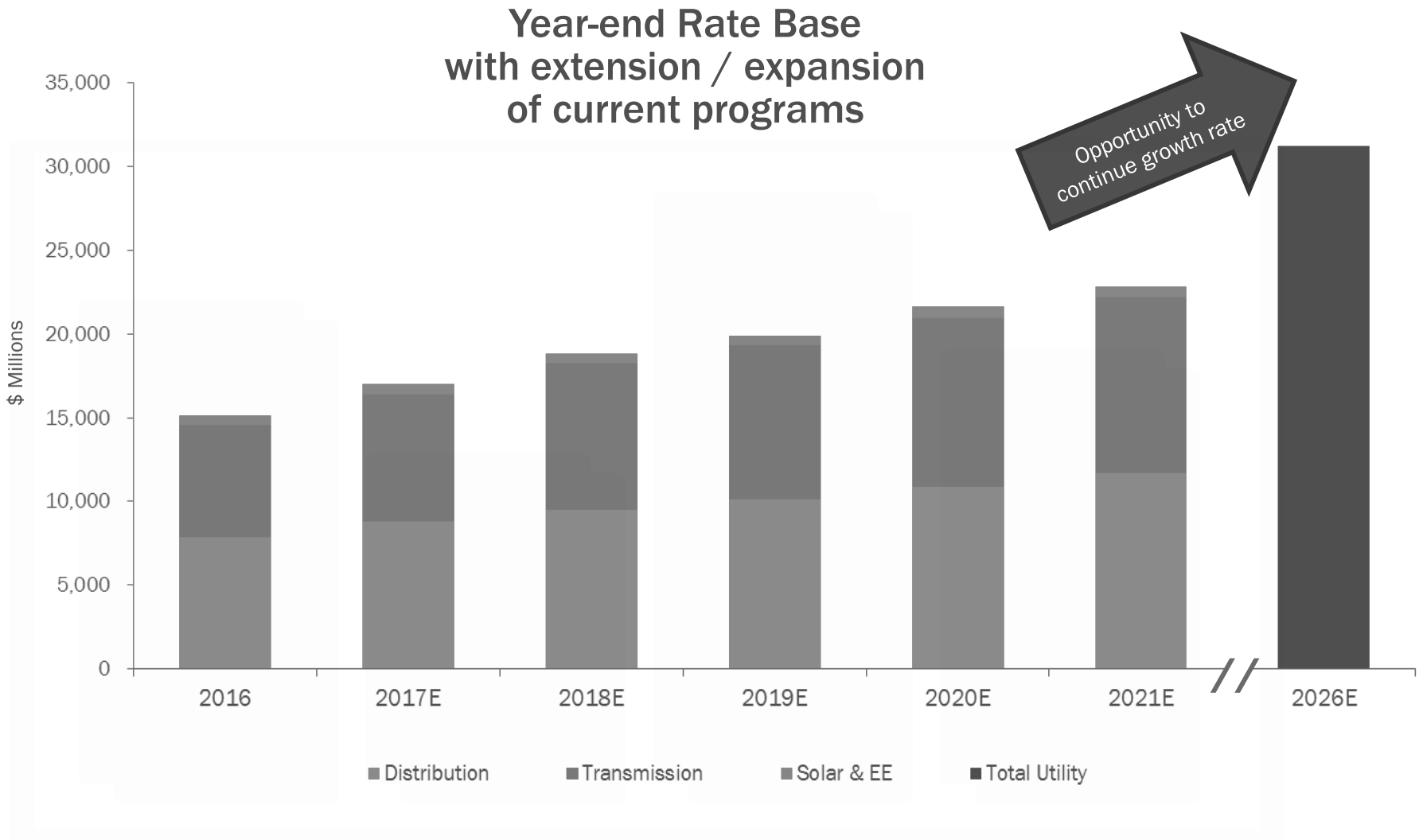
- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- FERC/PJM considering DOE Notice of Proposed Rulemaking (NOPR) issues of Price Formation and fuel-secure resource preservation

SI-SSA-0015-08210

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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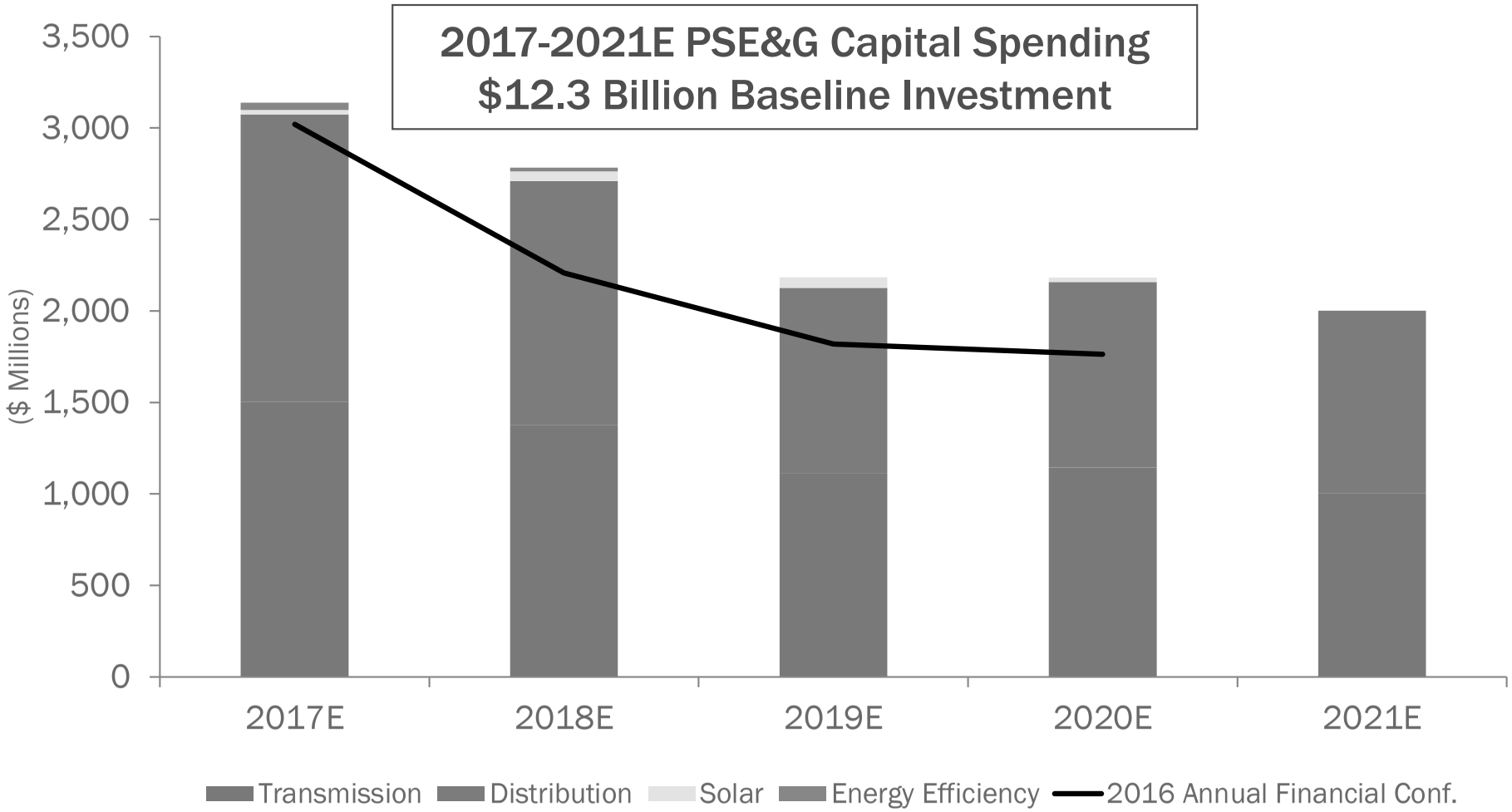
Baseline programs yield 7% compound annual growth in rate base



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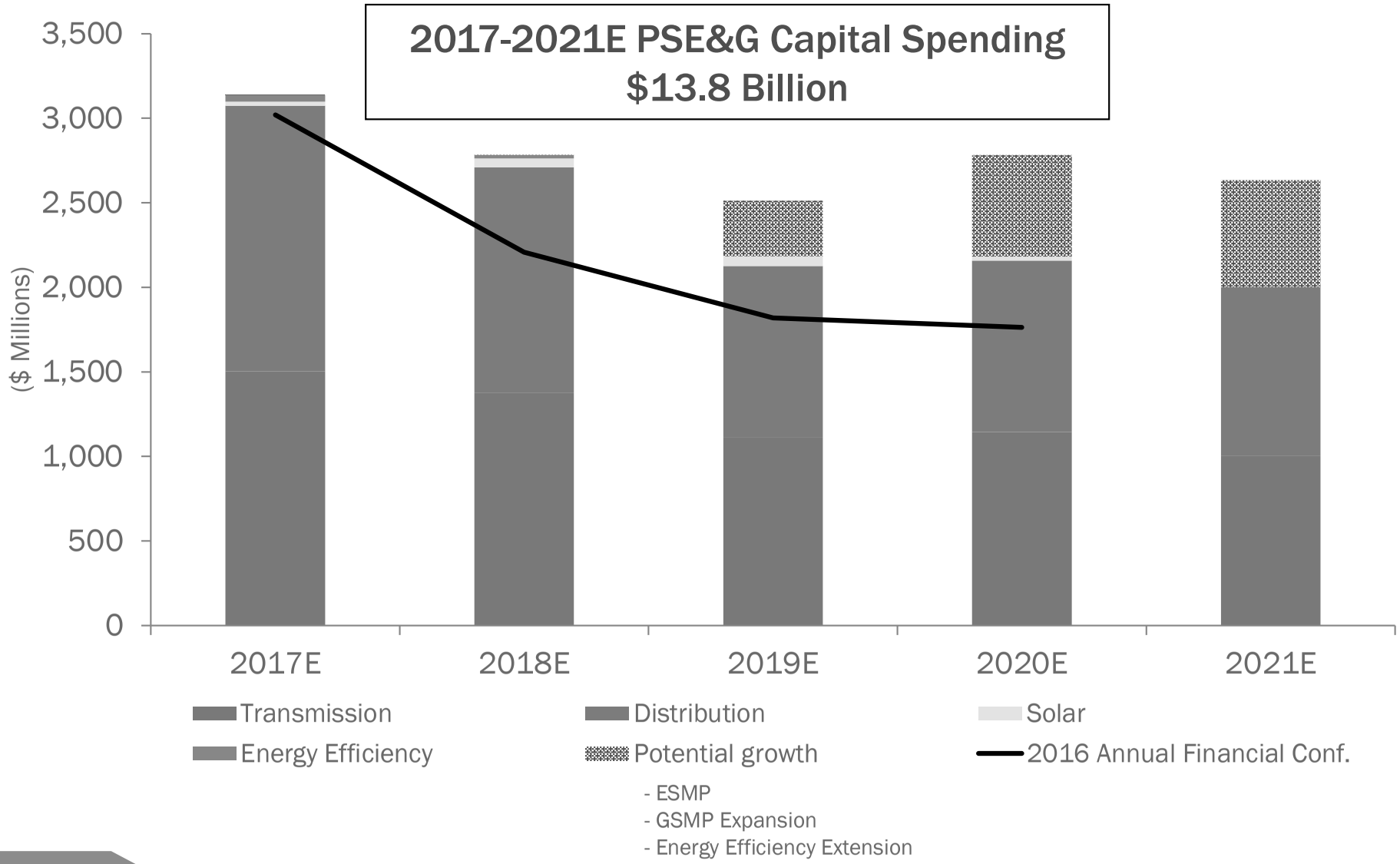
PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

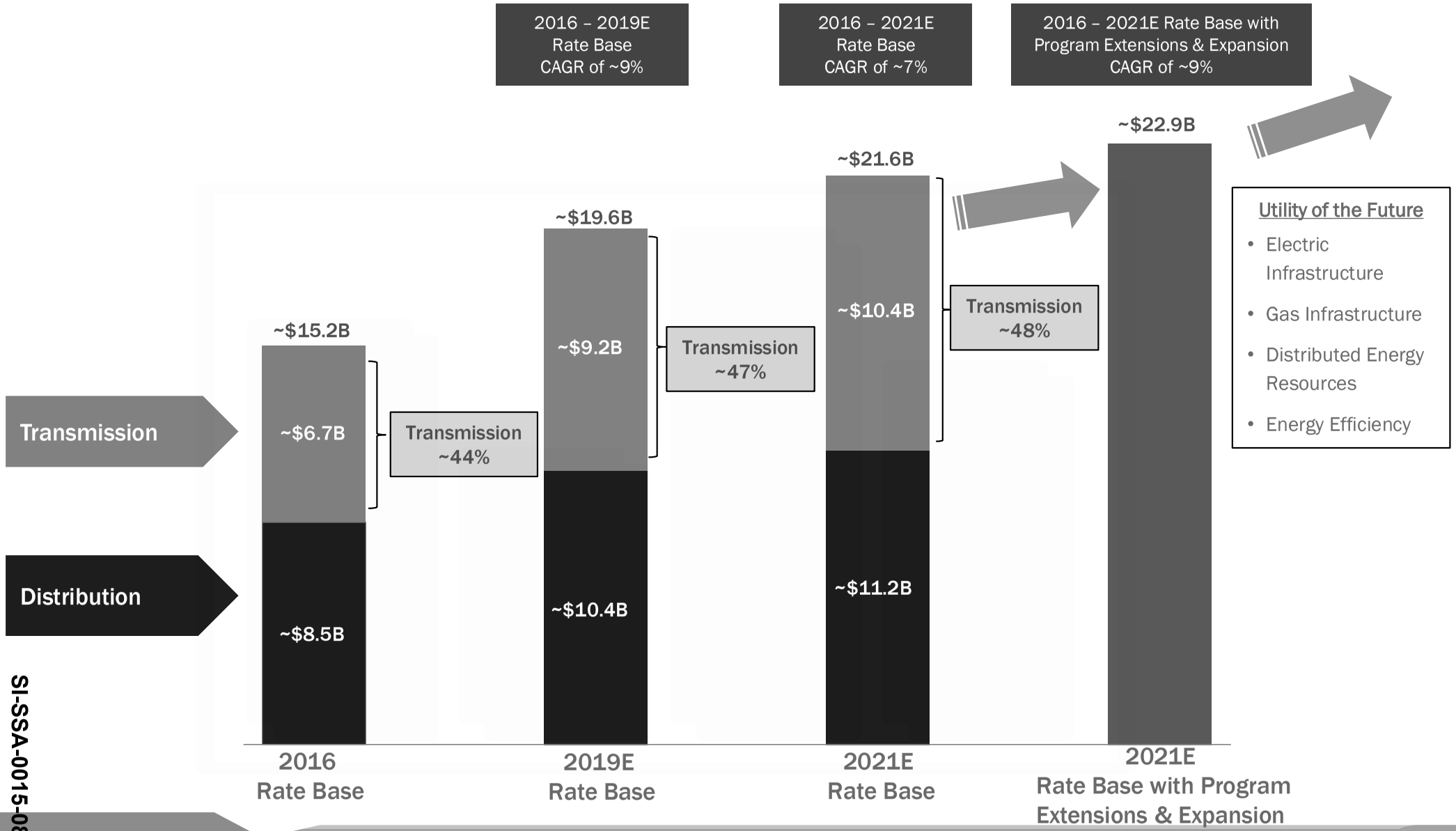
Expansion/Extension of PSE&G's existing

baseline programs yield increasing confidence in ~9% rate base CAGR



E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-08214

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

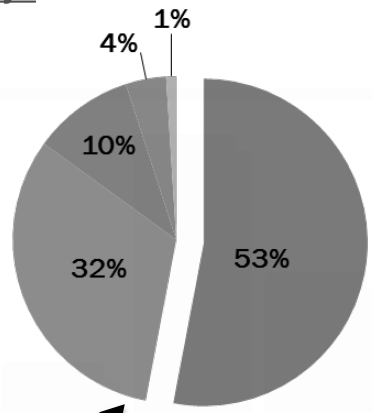
Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-08215

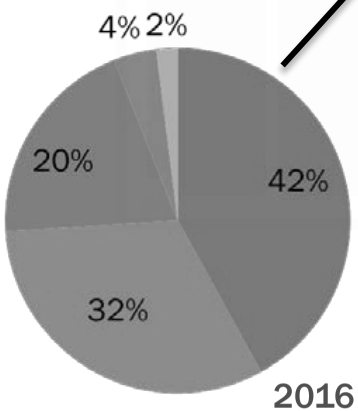
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

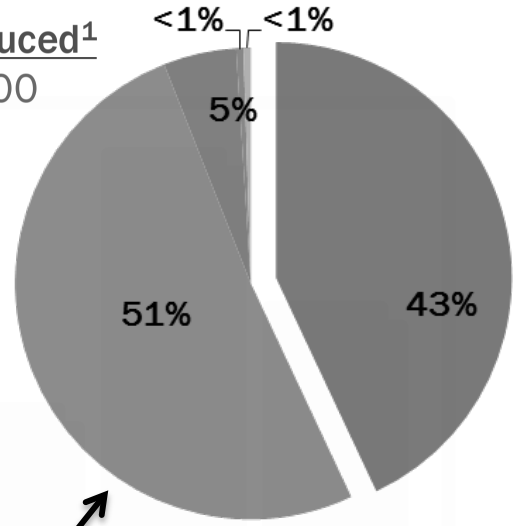
2021E Fuel Diversity[1]
Total MW: 11,900



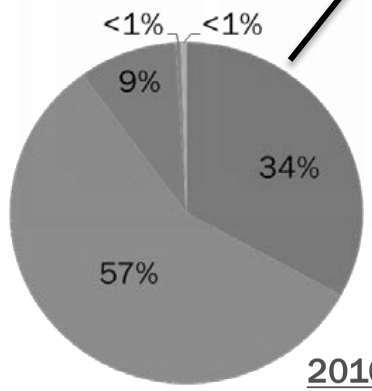
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Produced increases by >18%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

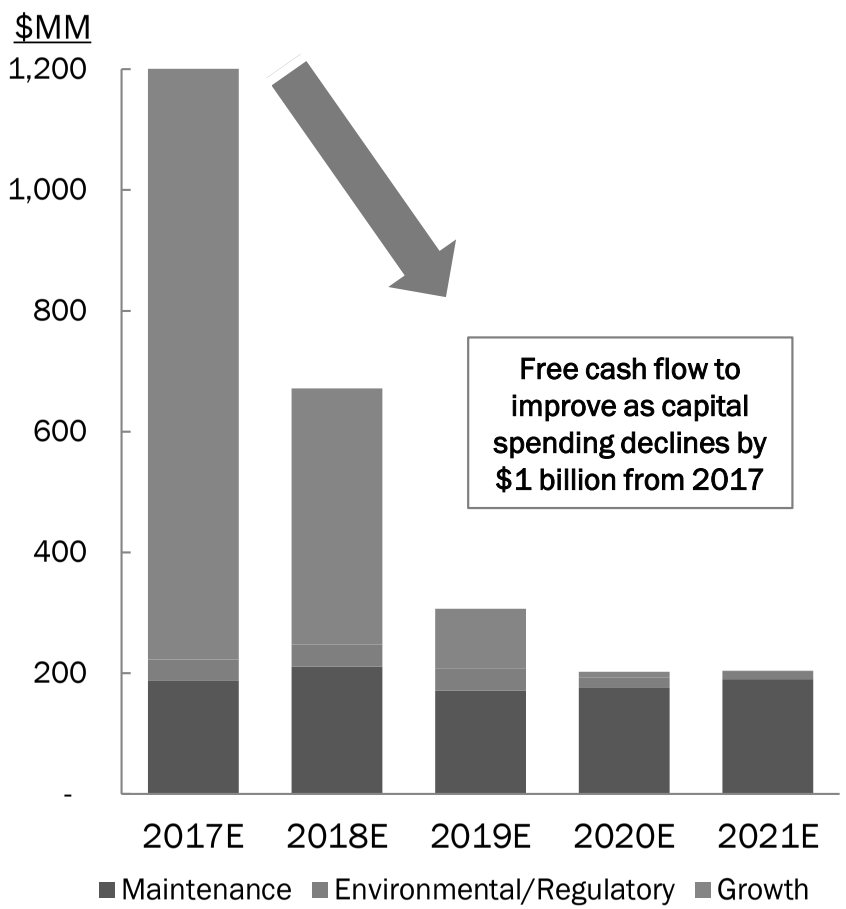
SI-SSA-0015-08217

PSEG

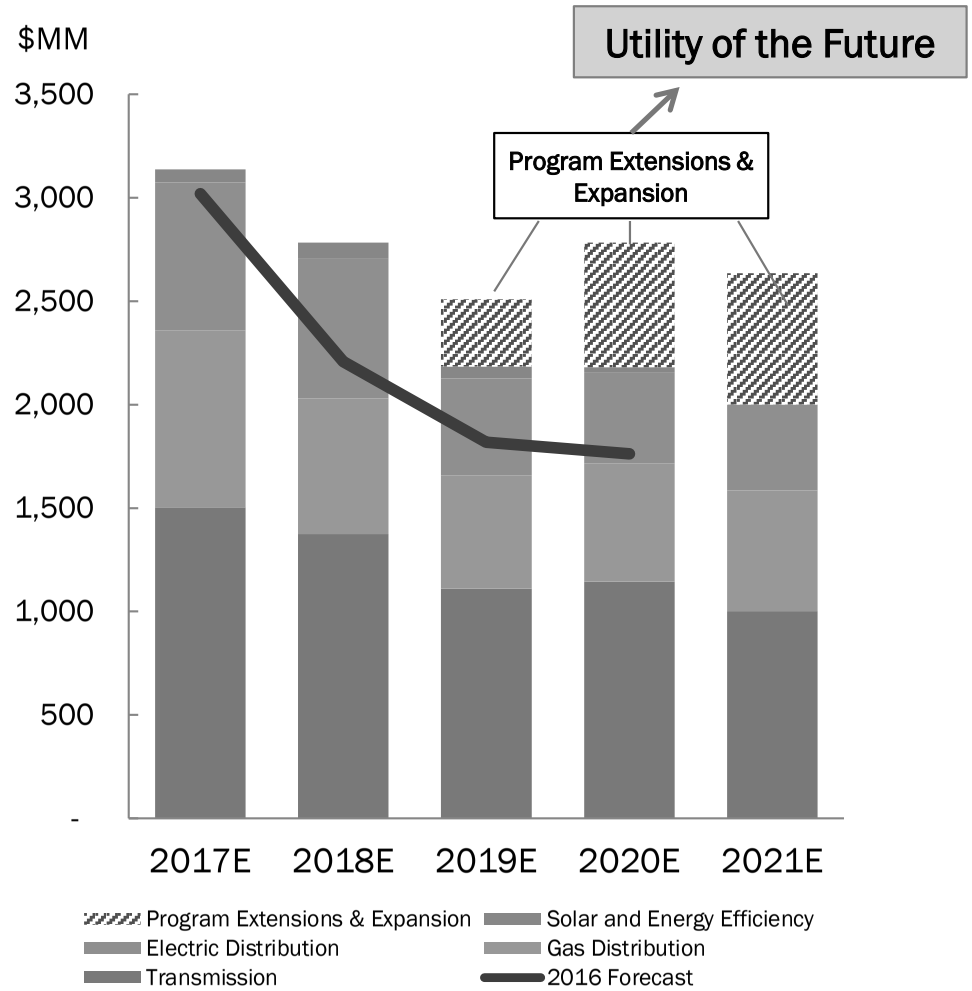
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)

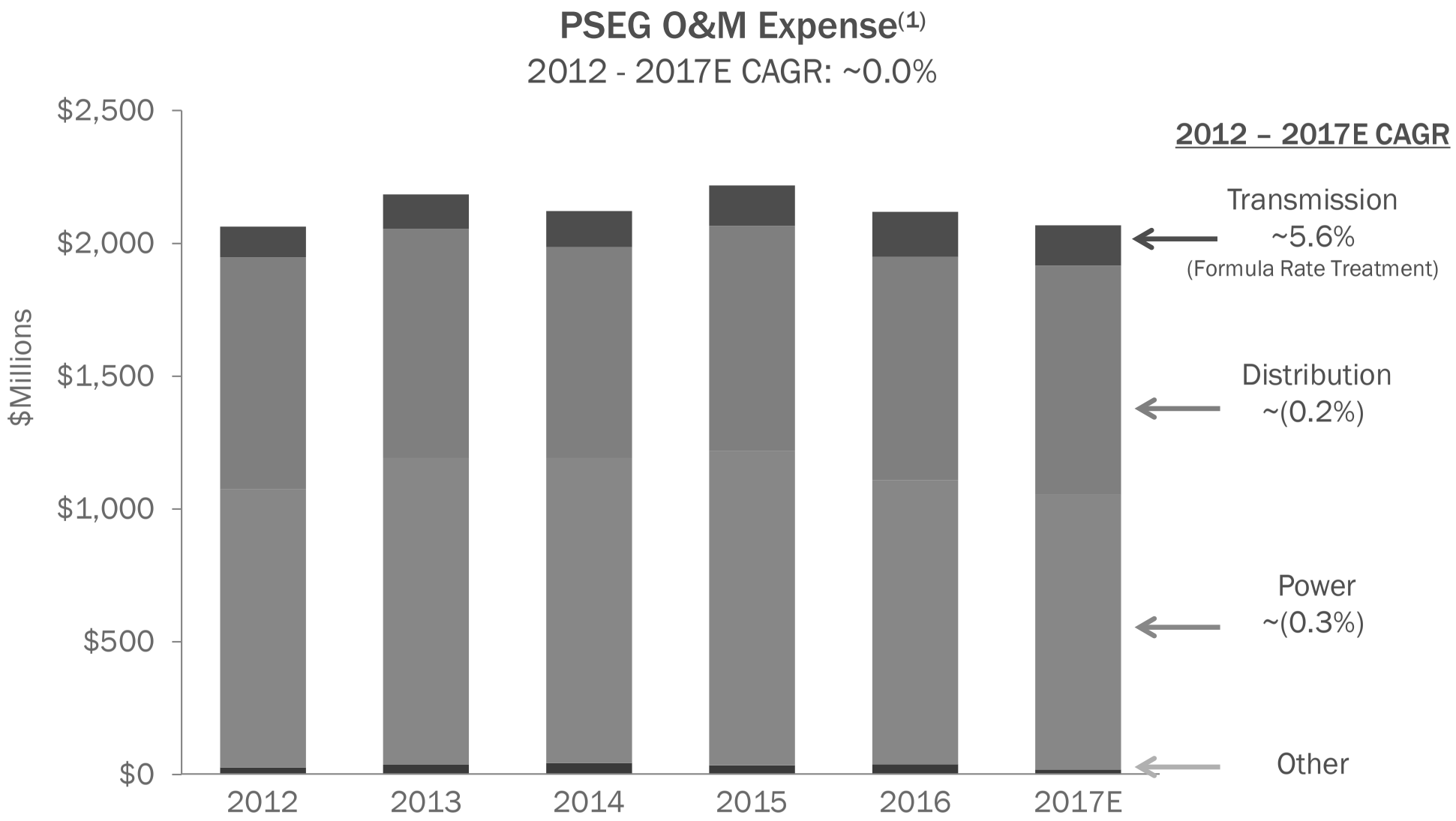


SI-SSA-0015-08218

PSEG

(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

PSEG has demonstrated an ability to control O&M



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PSEG

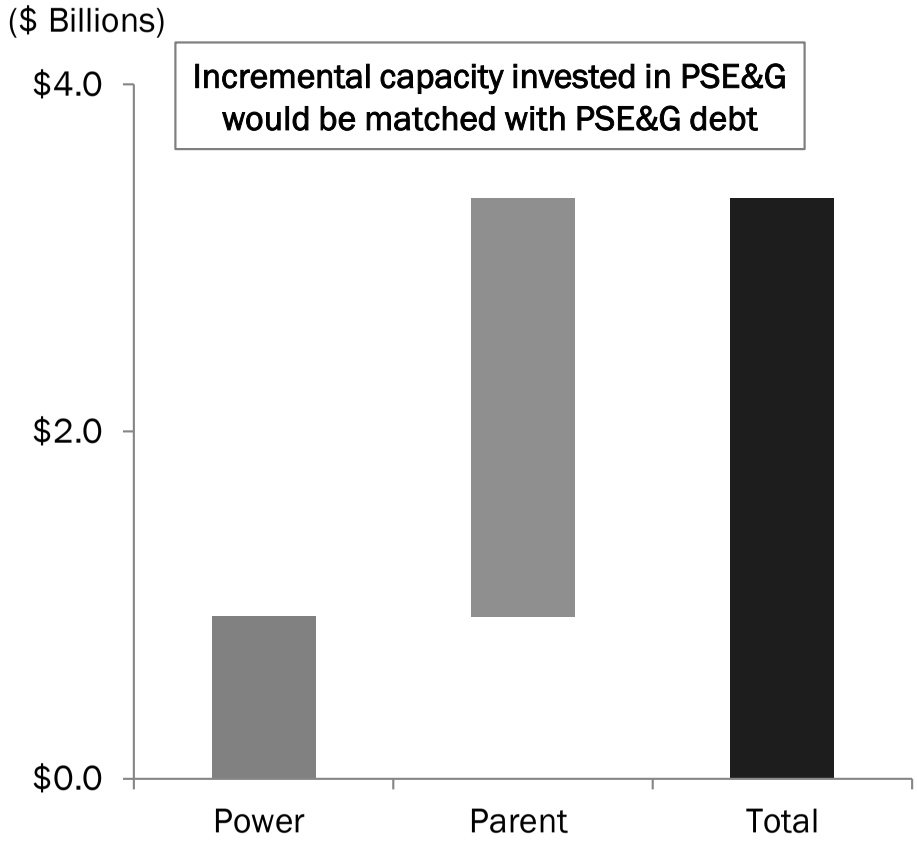
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Credit metrics remain strong as we fund growth and transition from bonus depreciation

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

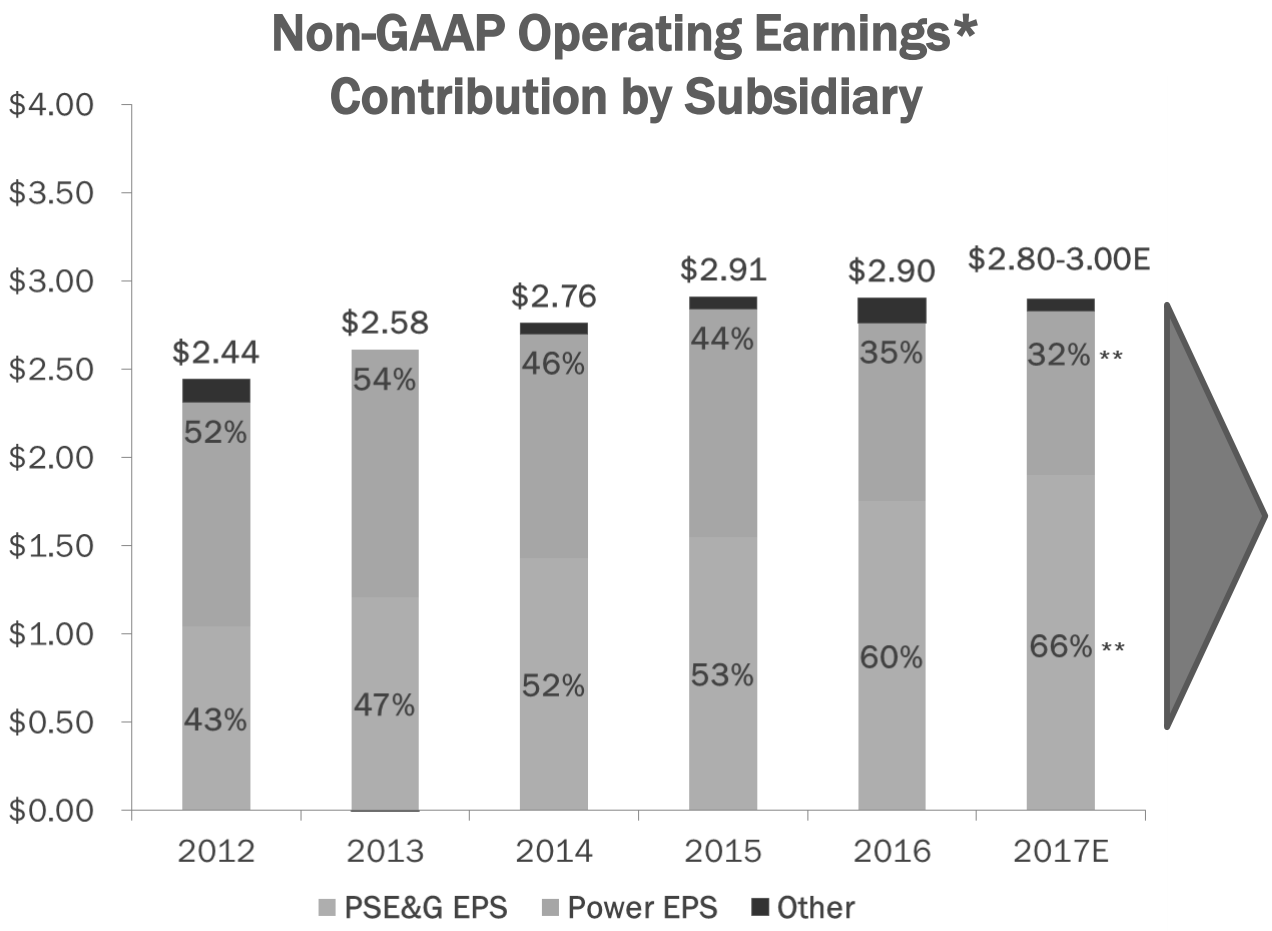
Total Incremental Investment Capacity



Existing bonus depreciation provision providing ~$300M in Funds from Operations in 2019 set to expire; this represents investment capacity of ~$1.8B

SI-SSA-0015-08220

Re-affirming 2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



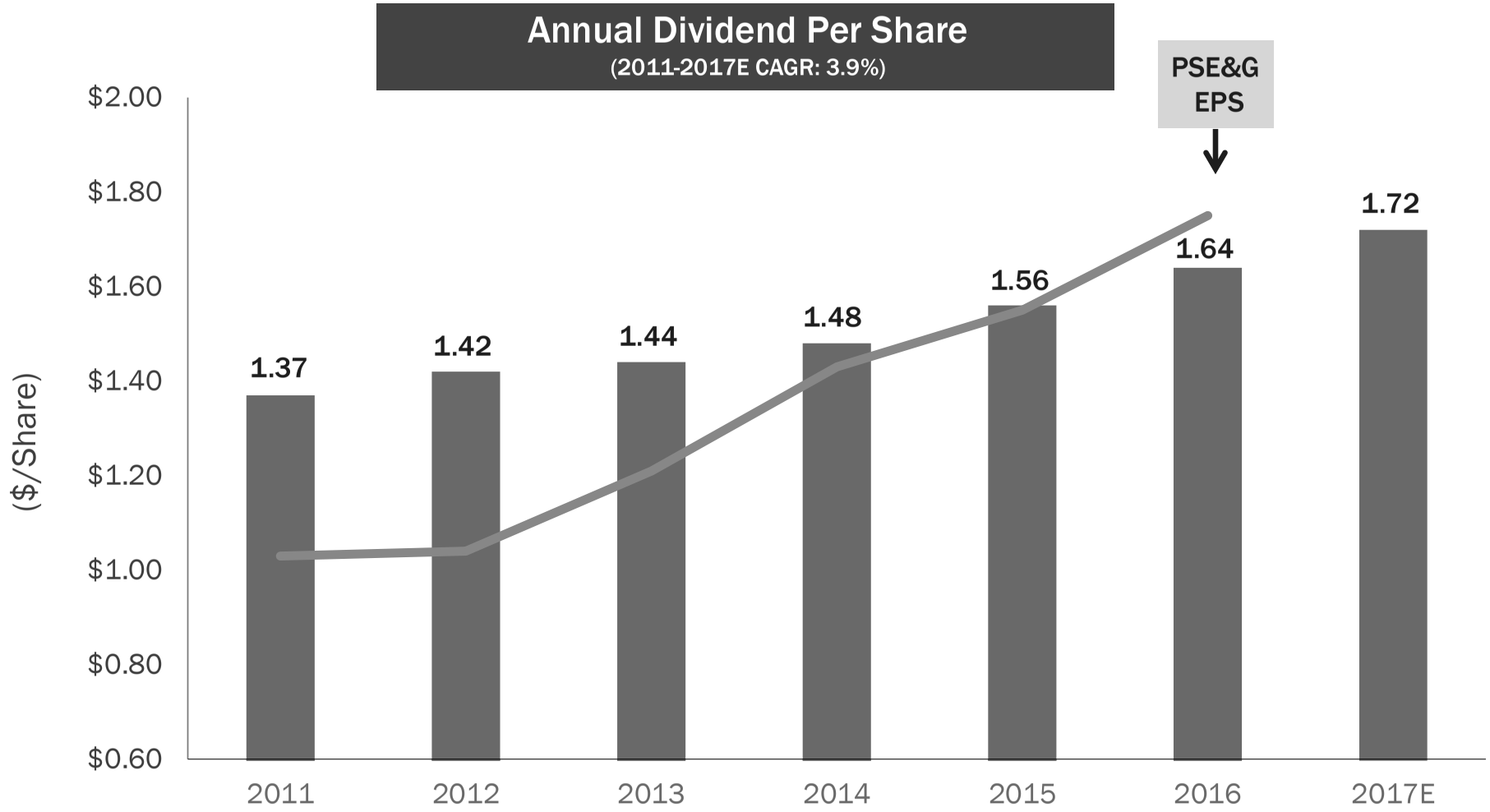
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-08221

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



SI-SSA-0015-08222

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-08223

PSEG FINANCIAL APPENDIX

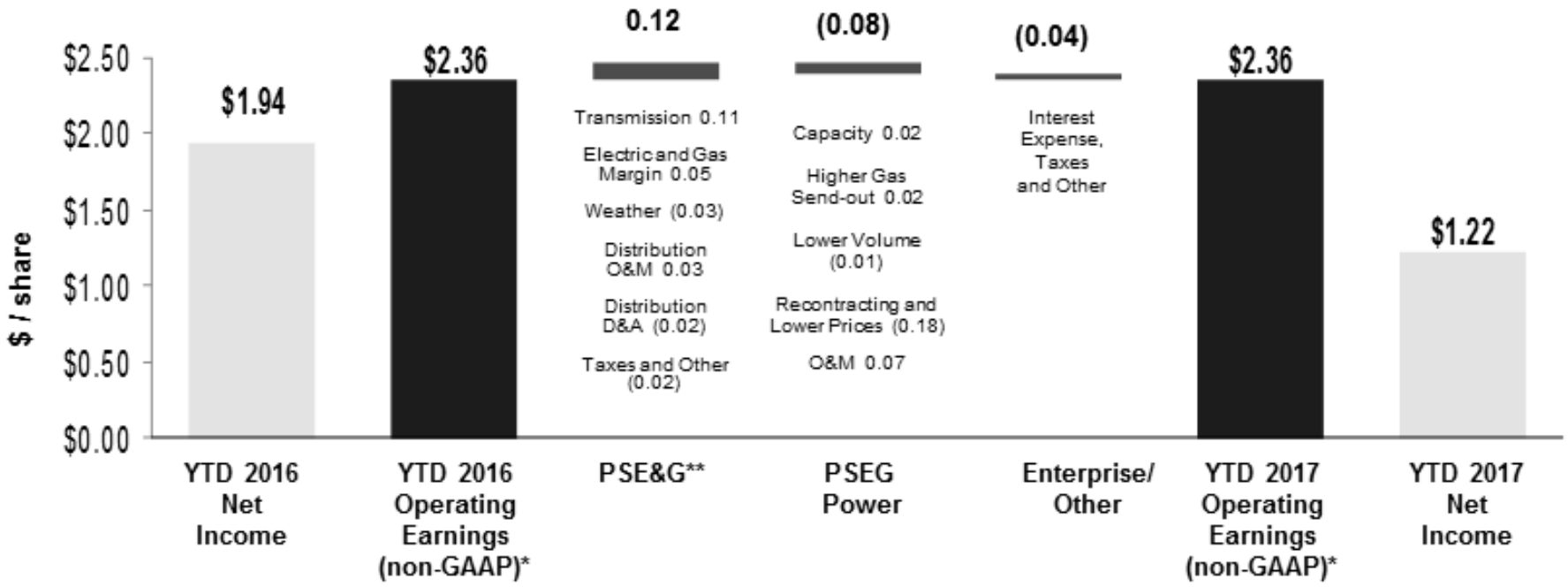
SI-SSA-0015-08224

PSEG

We make things work for you.

PSEG EPS Reconciliation – YTD 2017 versus YTD 2016

Utility investment and cost control drove year-to-date growth



SI-SSA-0015-08225

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – YTD Financial Results by Subsidiary

PSEG YTD EPS Summary – Nine months ended September 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ (0.26)	$ 0.63	$ (0.89)
PSEG Enterprise/Other	$ (0.01)	$ (0.06)	$ 0.05
Total PSEG	$ 1.22	$ 1.94	$ (0.72)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ 0.80	$ 0.88	$ (0.08)
PSEG Enterprise/Other	$ 0.07	$ 0.11	$ (0.04)
Total PSEG*	$ 2.36	$ 2.36	$ -

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-08226

Distribution Base Rate Case Filing Assumptions

- Test year – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- ROE request of 10.3%
- Capitalization structure includes 54% equity component
- O&M and sales are roughly flat to last rate case eight years ago
- Mid-single digit requested increase relative to overall *revenue*
- Return of and on incremental rate base not recovered through clauses
  - $255M of GSMP Stipulated Base;
  - ~$100M Energy Strong above $1B in clause;
  - Capital investments above depreciation levels;
  - New Business
- Seeking decoupling of revenues from sales volumes
  - Aligning with State, environmental and customer interests
  - Supporting larger energy efficiency programs
- Anticipate new rates effective October 2018

Overall rates, even after consideration of the expected mid-single digit request, would remain >10% lower than they were in 2010

SI-SSA-0015-08227

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

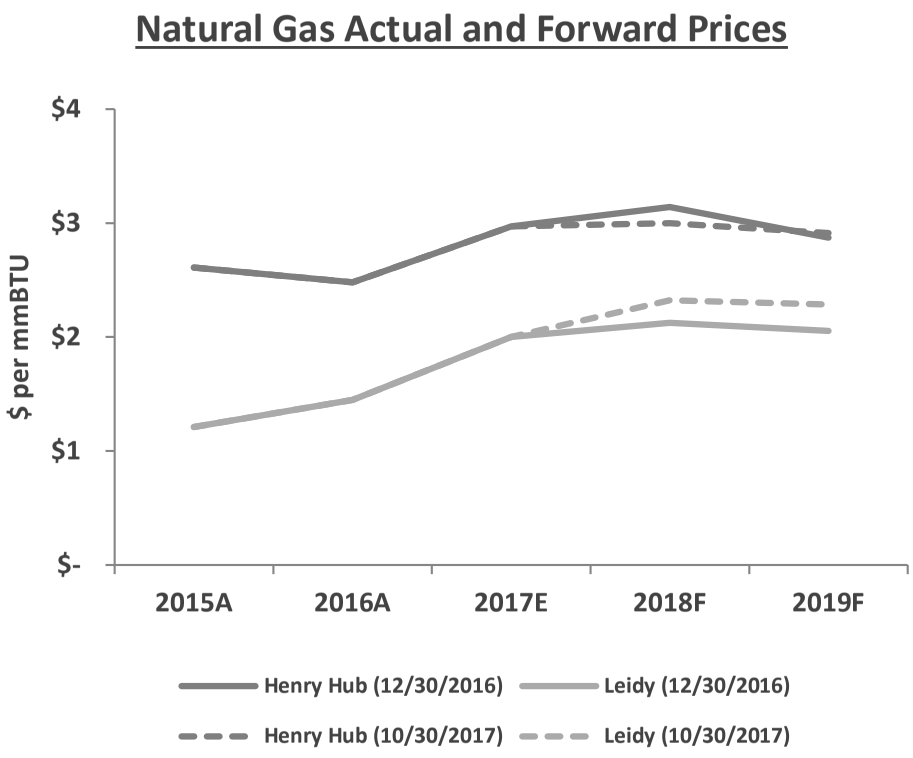
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

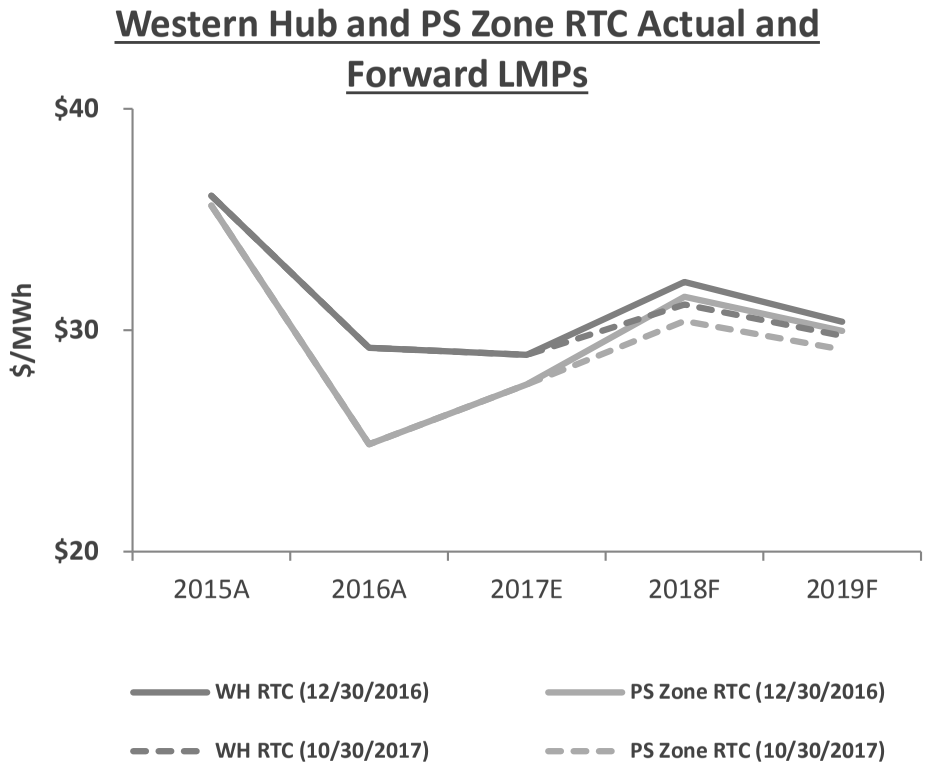
Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-08228

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





While prices indicate some spark spread compression, electric basis for the PSEG Zone has shown improvement in the forward markets since 2016

SI-SSA-0015-08229

E = WEIGHTED AVERAGE OF NINE MONTH ACTUALS AND 3 MONTH FORWARD DATA. A = ACTUAL F = FORWARD CURVE

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-08230

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

SI-SSA-0015-08231

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Company Name: PSEG
Company Ticker: PEG US
Date: 2018-11-13
Event Description: Edison Electric Institute Financial Conference

Market Cap: 27,041.56
Current PX: 53.50
YTD Change($): +2.00
YTD Change(%): +3.883

Bloomberg Estimates - EPS
Current Quarter: 0.567
Current Year: 3.101
Bloomberg Estimates - Sales
Current Quarter: 2720.400
Current Year: 9601.727

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

So you're at the Public Service Enterprise Group presentation, just to make sure you're in the place you want to be. I refer you to our forward-looking statements as well as our GAAP disclaimer. We will be making some projections and we will use the methodology that we think better reflects the ongoing financial condition of the company.

I am Ralph Izzo, the Chairman, President and CEO of PSEG. I'm joined today with three of my colleagues Dan Cregg, our Executive Vice President and Chief Financial Officer; Carlotta Chan, who's in-charge of our Investor Relations; and Brian Reighn also from our Investor Relations Group. And each of us will be available to answer your questions as they arise.

So some highlights that we'll spend a little more time on during the course of the presentation, but the major theme here is a long history of success and a long-term view of how to manage the company going forward. Each of these particular items will come up during the course of the conversation, so I won't dwell on them here, but it is an over 100 year – over a century of success in various operational as well as financial measures.

So those of you who are less familiar with Public Service Enterprise Group, we have two principal operating subsidiaries. About two-thirds of the company's earnings comes from our regulated utility, it's an electric and gas utility in New Jersey. Its primary area of focus is an aging infrastructure investment program that has allowed us to grow the rate base over the past decade by low double-digits and over the next five years expects to invest between $12 billion and $16 billion to continue an 8% to 10% growth rate in that rate base, down from the prior 12% to 13% as the rate base has expanded.

PSEG Power, making up the bulk of the remaining one-third of the earnings of the company, characterized by a highly efficient natural gas fleet of approximately 7,200 average heat rate, producing a little bit under half of the electricity of power and then a low cost nuclear fleet of about 3,500 megawatts, producing a little bit over half of the remaining output from power. So we're well-positioned fleet from the point of view of economic efficiency, of environmental footprint as well as geographic location being primarily in Eastern PJM.

Another minute or two on the utility, we basically serve the north, south, central corridor of the State of New Jersey. A little bit over 2 million electric customers, a little bit under 2 million gas customers, essentially zero load growth over the past few years, modestly up in gas, modestly down in electric. So, load growth is not the correlating factor to the utility's growth. At the risk of repeating myself, it's all about an aging infrastructure replacement that is the primary impetus behind the past decade and future five years of growth, with the additional caveat now of an interest and an excitement around the Clean Energy Future being resurrected in New Jersey with the incoming new Governor Murphy administration.

Also worthy of note is the pie chart in the lower right hand corner. As you can see, we are approximately one-half transmission rate base and, therefore, FERC formula rate regulated, with the other half the distribution component being New Jersey Board of Public Utilities regulated.

A fairly busy year and a somewhat successful year from the point of view of 2018, our first base rate case in eight years having been successfully concluded just this past month successfully from the point of view of we didn't get everything

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we wanted and our regulators didn't get everything that perhaps they may have wanted. A 9.6% allowed return on equity and a 54% equity ratio being the highlights of that rate case outcome. We also received approval for a Gas System Modernization Plan. We have the dubious distinction of owning the largest cast-iron gas main system in America. It is fortunately a low pressure, low utilization pressure system and just sort of represents both an O&M and public nuisance from the point of view of occasional breaks and cracks that require correction.

At our current pace of expenditure, under the GSMP II, forgive me for using the acronym, but it just makes it easier, it will take us anywhere from 20 to 25 years to fully replace that program. That's a $400 million a year spend. In addition, legislation was enacted that preserves the life of our nuclear fleet by recognizing both their environmental benefits through a zero-emission credit as well as the fuel diversity they provide the state in terms of minimizing our exclusive dependence on natural gas. Also this year, the passage of Clean Energy legislation, which creates a framework for the utility to participate in a whole range of beyond-the-meter services, which we had been participating in, in the past, but now gives an explicit mandate, things like energy storage, energy efficiency and the like and we'll talk a little bit more about that Clean Energy Future program as we continue.

To be sure, some activity underway at FERC as it pertains to PJM capacity markets. There too, while there's no question that there's some uncertainty associated with that. We do believe that given the stated objectives of FERC in redesigning the capacity market that we are extremely well-positioned: number one, through the elimination of, to the extent that exists, price suppression on unsubsidized units that could potentially – should potentially support and help our fossil fleet; and number two, through FERC's stated desire to not interfere with state's abilities to designate various technologies in particular as it pertains to carbon limitations and continue to support the operation of those technologies, which should benefit our nuclear fleet.

Let's spend a little bit of time talking about that 8% to 10% growth rate in the rate base of the utility. What do you see here is the rate base for transmission at the bottom half of the bar and the rate base for distribution the green part of the bar. Those are approved and existing programs. The projects are in engineering, they're in design, they're in construction and that produces the 8% growth rate. The additional potential for 2% is if the two filings that we have made this year, one for something called Energy Strong II, which brilliantly follows on the heels of Energy Strong I, which was completed just this past year, which is an attempt to harden and make more resilient our electric grid. We have filed for $2.5 billion over the next five years. Here we show the first three years of that five-year program. And on top of that, our Clean Energy programs that I referred to briefly a moment ago, which is $3.6 billion filing for the next six years. Here we show the first three years of that.

If the as-filed programs are approved in the as-filed condition, the first three years of them would produce the 10% growth rate. That 10% growth rate could be achievable in other ways by either additional transmission projects, additional distribution projects, or even if the programs are not fully approved, if the first three years of the as-filed programs are approved, that 10% would be real. So somewhere between 8% and 10%.

My favorite slide of the whole deck, one that I'll spend a few minutes on, the stacked solid colored bars reflect known and approved capital programs that contribute – that provides the 8% growth in rate base. So here we break that out in terms of transmission, electric and gas distribution and Clean Energy. So that would be the solid bars. And if you look at the tops of the solid bars, you see a roughly $12-plus billion program that is declining over the five years.

We have shown this graph every year for the past 11 to 12 years. We don't have to change it at all except for the numbers on the Y axis and the years on the X axis. To emphasize that point, if you look at that dark line that's on the bottom, that's somewhat short, that shows years three, four and five of what would have been the solid bars that I showed two years ago in 2016. So you see the same declining pattern.

The equally dark line, but I think it's black if you look close to it, our years two, three, four and five of what the tops of the solid bars would have been in 2017, same declining pattern, but about $0.5 billion higher in each year. If we were not to show stacked bars but instead were to simply show you a solid line, for the current solid bars you could see that it is the same declining pattern but about $300 million higher in each year.

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So every year we talk about the declining capital program and every year we come back and show you the increased capital program. And it suffices to say that the crosshatched region on top are the two current filings Energy Strong II and Clean Energy Future. We will not get 100% of what we request, even though we think every penny of it is worth doing. To the extent that we get some of it, it is very likely that I will repeat the last three minutes of this presentation when I speak to you next year.

So notwithstanding the growth in the rate base, the emphasis has shifted. So some of the transmission projects we did five years ago were all about decongesting and making more reliable the East-West Interchange and PJM East. Now we are spending more money not so much on big transmission projects, but on hardening the transmission system, replacing literally 70-year-old assets, 60-year-old assets to make sure they're more reliable. Prior five years, we spent a fair amount of money in building some small peakers in our generation fleet one in Connecticut, one in New Jersey and in the last year and then into the next year, we've built a few combined cycles. That program will wind down and we will deemphasize our construction in the generation fleet.

We have spent a fair amount of money the prior five years on distribution resiliency. That will continue in the current five years and we are just beginning to ramp up our Clean Energy spending. We had spent about $700 million in solar over the past 10 years, $400 million on energy efficiency over the past 10 years. But if you just look at that Clean Energy filing, $3.6 billion over the next six years, you can see an order of magnitude shift in that emphasis.

Let me spend a little bit of time again on the base rate case settlement. So, the $17.5 billion rate base, about half of that, as I mentioned a moment ago, a little bit more than half of that, $9.5 billion is in distribution. The last five settled cases in New Jersey have yielded a 9.6% allowed ROE. That was the ROE we settled for. We were given a 54% equity layer, which also applies to our transmission system as a result of that being the capital structure of the single legal entity known as PSE&G. But through the miracles of tax reform, we are actually able to improve our earnings while lowering the customer bill by $13 million. And Dan during the Q&A can walk you through the deferred tax impacts of tax reform as well as some of the flow-back issues that allowed us to both increase the earnings of the company and lower customer bills.

At the conclusion of this case, our customers' bills, not their rates, but the bill for the average residential customer is 30% lower than what it was 10 years ago in nominal dollars and 40% lower if you were to escalate for the Consumer Price Index. I have to remind customers of that every so often because they don't seem to recall what their bill was back in 2008.

Energy Strong program, by way of reminder, back in the 2011, 2012 timeframe, we had some very strange events. We had a snowstorm in New Jersey around Halloween then the subsequent August we had Hurricane Irene, not such an unusual event. But then October 28, 2012, we had Superstorm Sandy and that resulted in literally a resetting of the Federal Emergency Management Agency maps for where the flood plains reside. New Jersey being an old industrial state where electrification followed the industrialization of the state, primarily in transportation corridor, in the old days transportation corridors were rivers and rail lines. Those happened to be coincidental with low-lying areas and flood-prone areas. We have a lot of assets that were susceptible to floods not just from rain, but from tidal surges.

At that time, we went to the Board of Public Utilities and said to fix those assets that were affected by each of those three events. I'm not predicting any future climate change calamities, but just to fix what was affected will cost us $3.9 billion and we need to spend that over the next 10 years. The Board of Public Utilities said here – we then asked for $2.6 billion over five years. The Board of Public Utilities said you're right, something needs to be done. Here's $1.2 billion and get it done in the next three or four years. And by the way, we're going to assign somebody to monitor your activity. I think with complete pride on behalf of our employees, I can say that that monitor gave us an A-plus on our report card. We did the work that we thought would take $1.2 billion and used only $1 billion and now we've gone back and said $3.9 billion minus $1.2 billion is not $2.7 billion, it's $2.5 billion. And by the way, we think we can do a few more things here and a few less things there, but [ph] give us the second-half of energy shown (00:14:20) given how well we did.

You can see a before and after picture here of a particular switching station that was modified as a result of Energy Strong. And if you can't see the detail, I'd encourage you to pick up one of the slides in the back. It's pretty impressive

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how different the facility is both in terms of just being lifted off the ground and being protected from inclement weather.

The partnership for Clean Energy Future, as I mentioned a moment ago, really comes on the heels of Clean Energy legislation that was enacted and signed into law by Governor Murphy in May of this past year. The primary component of that is an energy efficiency program that seeks to reduce electricity demand by 2% per year and gas demand by 0.75% per year. The legislation clearly articulates that those ought to be the targets for the electric and gas utilities in the state and the BPU should enact rules that allow us to recover the costs for running the program, to recover the investment of the equipment we put in, to earn a return on the investments we put in as well as to recover the loss revenues from the foregone sales as a result of the energy efficiency.

So the legislative language we are very supportive of. The actual rules to implement that is something that will be discussed during the course of the Clean Energy Future filing. Theoretically, the laws are written in a way where the Board of Public Utilities has 180 days to act on that after they've deemed the application complete. This is webcast, but nonetheless [ph] I will guard on a limb (00:15:50) and remind the Board of Public Utilities that today is the 30-day expiration of the clock for completeness. It's a three-hour time zone, I wish I was speaking at 1:00 PM instead of 9:00 AM, but nonetheless hopefully that application will be deemed complete. Even if it's not, we will work with the staff to get them the information they need. So, that's the [indiscernible] (00:16:10) of the $2.5 billion.

If you look at New Jersey from the point of view of conditions that blend it to be a place for electric vehicle penetration, third highest per capita income in the nation, among the worst air quality, densely populated state, short travel distance, high traffic congestion. Nonetheless, we lag – I think we're 48th in the state in electric vehicle charging stations. So all we've said here is we recognize it's not a natural monopoly service, but there is a strong mismatch between how much electric vehicle penetration should exist in New Jersey and how much does exist in New Jersey. Let us help you get the market started. Similarly, if one were to look at the Governor's articulated and then legislated goals for energy storage, a target of 600 megawatts of energy storage by the year 2021, which is about 26 months away. And we are proposing to do 35 megawatts of that once again to get the market underway.

And last but by no means least, in the latter years of the six-year filing to install about 2 million smart meters and to move forward where New Jersey has lagged the rest of the nation. I believe I've seen estimates of 50% to 60% of the nation now has smart meters and we do not have any appreciable number of those in New Jersey and to provide the data analytics to really improve the customer experience from a point of view of affordability, from a point of view of energy efficiency and a whole variety of basic daily operational services – outage detection, remote reconnect and disconnect and things of the sort.

Moving over to Power, we show here the location of our assets on the left hand side in terms of our fossil and nuclear fleet. On the right hand side, we also have about 400 megawatts DC of solar farms, sprinkled around I think 15 or 16 states. The largest installation is somewhere in the low 50 megawatt range, the smallest installation being a couple of megawatts. So we don't do rooftop, we don't do large scale installations, all of them are supported by long-term power purchase agreements, which creditworthy counterparties usually [ph] end up at (00:18:22) utility. As you can see, our fossil and nuclear fleet is in PJM East with one power plant in New York ISO and then one power plant in [ph] NEPOOL (00:18:32) in the Bridgeport area.

The fleet is undergoing quite a transformation. The charts on the left are the nameplate capacity of our assets. So, as you can see that we are primarily a gas fleet in terms of the blue being slightly larger than the orange, which is the nuclear component in terms of nameplate capacity. But as we step forward in time, the completion of three combined cycle gas turbines, one in Maryland, one in Connecticut, one in New Jersey will further expand the gas nameplate capacity of that fleet.

But more importantly, in terms of the output of the fleet, the lower right shows you that we are predominantly a nuclear generator, nowadays close to 60% of the output. However, given any efficiency of the new combined cycle fleet that we are just finishing the construction of, two of them actually finished, one will be complete in June, you see quite a bit of an increase in the amount of output from natural gas. The small piece of coal that remains is our partial ownership of a mine mouth coal facility in Western Pennsylvania known as Keystone Conemaugh. I think we own about 25%, 27%

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of that, something like that.

If we look at Power's capital construction program, as I mentioned a moment ago, we just finished the construction of two combined cycle units this past year, one in New Jersey, one in Maryland. We will finish the third and final piece of that construction program in Bridgeport, Connecticut by June of next year. That will take Power's capital construction program down to a maintenance level of about $200 million a year, freeing up $800 million of funds from operation to be available as free cash flow over to the insatiable appetite of the utility to improve the aging infrastructure that we talked about a few minutes ago.

So that capital program in the utility can be performed without the need for additional equity. It is internally self-funded plus the debt capacity of the utility. So the equity needs of the utility is provided by the internal cash flow generation, the debt capacity of Power and then the 46% debt component of the utility capital structure as its own debt capacity.

O&M has been something that we pay attention to every day, every week, every month, every year. We can never come to EEI, I am almost sad, but – I can't actually cross that line to actually being said and announce a major cost reduction program. We obsessed over this all the time. Dan got to fly out here in economy plus seating next to a service dog that evidently [ph] shed (00:21:07) all over, his eyes are still red from doing that. I had one analyst scold me over the fact that we put Dan in that seat. I said I don't feel sorry for him. He builds character. I had the same seat coming up, but without the service dog. I have nothing against service dogs. I know I'm going to get in trouble for joking about that, but that's a true story. I've completely forgotten what I wanted to tell you about that. That wasn't part [indiscernible] (00:21:31) the fact that O&M over these five years at the parent level has decreased by about a little less than 0.5% per year. Yet we did manage to give people on average a 3% wage increases, we did manage on average to invest a tremendous amount of money in capital construction at the utility.

That's significant because when you're doing that amount of work at the utility, there is a fair amount of O&M that goes along with it, right. You can't start working on the system and take substations at a service without being dispatching people to other substations to make sure the system is in a stable configuration. So the capital program does incur a fair amount of [ph] volume (00:22:07). So that just means that we found ways to save money in other areas.

If I take a look at the current condition of the balance sheet, our cash metrics, what we find is that we tend to pick minimum thresholds that would keep the company at a solid investment-grade credit rating. For us, that's typically BBB+. So with the capital program, as I've described, with our expectations for dividend growth, which I'll speak to in a moment, without the need for additional equity, we still have about $1.4 billion in unutilized debt capacity. And what that means if we were to do something in the unregulated business, that debt capacity equals the investment capacity. However, that capital program that I described to you a moment ago, 90% is targeted towards the utility. That ratio has gone anywhere from 80% to 90% over the next five years whenever you look back in time, right. So if you look back in time and then look forward five years, we spent between 80% and 90% on the utility and that will continue to be the overwhelmingly majority part of our capital program.

With that in mind, that $1.4 billion in debt capacity could yield an additional $2.8 billion in utility investment – that being the equity component and then the utility being able to access the debt markets on its own. So we have a pretty strong 8% to 10% rate base growth, we have some fairly solid credit metrics and we have additional capability for further investment, never with the need to issue additional equity.

We just recently narrowed our guidance without changing the midpoint, so I believe we're now at $3.05 to $3.10 a share. Over the last five years, we've been growing earnings at 4%. The utility's double-digit growth being offset by the recontracting of Power and therefore the decline in profitability in merchant generation business.

We have paid a dividend every year for 111 years and that – we didn't do that by occasionally cutting it down to $0.01 a year and no cheap shots intended there. But nonetheless, you do see that the utility more than covers the dividend and the utility growth rate more than covers the growth rate in the dividend, therefore, further increasing the security of that dividend. We don't give a formulaic guidance in terms of dividend policy. We do offer these qualitative words that you can fairly easily translate into what you've seen recently is what you should expect to continue to see certainly over the predictable near term. So that's that opportunity for consistent and sustainable dividend growth.

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The value proposition hasn't changed. We run the business by obsessing over operational excellence. Being named to the Dow Jones Sustainability Index for 11 years in a row, being the most reliable electric utility in the Mid-Atlantic region 17 years in a row, a series of accolades that range from diversity and inclusion to being in the Forbes' Most Trustworthy Lister, some such crazy designation I don't even know what to call it. But that operational excellence is what leads to very strong regulatory relations and therefore solid financial performance and then we invest that money wisely in things that are consistent with public policy or meet the needs of our customers, even if it's not yet quite reflected in public policy, all the while making sure that that financial strength is intact.

If there is a takeaway from this EEI Meeting that we're sharing with investors, and I'd like to share with you today, it's summarized here, it talks about the recent regulatory derisking that's undertaken. It talks about the fleet in terms of the merchant generation de-risking that's taken place both in terms of the expanded geographic footprint by putting an actual asset at the PJM West Hub in Maryland and in terms of improving the overall heat rate of the fleet while all the time looking at what is possible for the future in terms of now moving down to the smaller projects in transmission, accelerating the gas pipe replacement, finishing the distribution hardening, moving into a Cleaner Energy Future and all the while protecting the strength of that balance sheet.

So, with that, I do believe I've left more than enough time for some questions. I'm not getting the nasty card from the back that says your time is up. So Dan and I are here to answer any questions you might have. Thank you.

Q&A

<A - Ralph Izzo>: We have a question here.

<Q>: I don't need the mic. I'm loud. I loved your comments. Great story. [ph] We can see (00:26:41) growth nationwide in renewables [indiscernible] (00:26:45)

<A - Ralph Izzo>: Yeah. Yeah, I do. I mean, most states are following some sort of renewable portfolio standard. I think it's a sub-optimal approach. We're a company that explicitly has said climate change is real and the preferred approach would be a national price on carbon, preferably economy-wide, but certainly industry-wide and then let the market pick and choose the best approach for achieving those outcomes. The way in which you get the price on carbon are many and varied. You can do a carbon tax, you can do cap and trade, you can do a variety of things. But there are some regions of the country that will survive the decrease in the ITC and the elimination of the PTC. There are some areas of the country that will not and you'll have to rely on the renewable portfolio standard to achieve continued investment.

New Jersey has opted to do most of its in-state renewables through rooftop solar. It's been a very expensive way to do renewables. The Solar Renewable Energy Credit, which is the regulated subsidy [ph] stream (00:27:53) that is on top of the investment tax credit and on top of net metering, nowadays trades [ph] for $220 (00:27:59) a megawatt-hour in New Jersey. That's a pretty steep price for an SREC.

So I do see it continuing. The technology is getting better. There are some parts of the nation where it's already competitive – wind in the Greater Plains, solar in the Southwest, but there are other parts that I think will slow down in the absence of any kind of robust renewable portfolio [indiscernible] (00:28:19). It's funny how a question that simply merits a yes or no can be stretched out for five minutes.

<Q>: Thanks. I know in the last rate cases, the decoupling didn't go through, so you're going to apply to get that.

<A - Ralph Izzo>: Yeah.

<Q>: What's the importance there? Are you conservation or efficiency or is it rooftop solar or why is it so important to you guys?

<A - Ralph Izzo>: Yeah. So decoupling is important to us as a foundation for the energy efficiency filing. So energy efficiency, as you know – we're not trying to do signal processing of refrigeration consumption of electricity, right. We're trying to get people to replace their light bulbs, their thermostats, their HVAC systems. So there is a significant

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component. It varies by customer class and you can think of it as 30% to 50% of what a customer pay us [ph] then is (00:29:10) a fixed cost. So to the extent that we can help customers by helping them avoid consumption, we can eliminate our variable costs, that could be customer savings, but we don't want to lose the fixed cost recovery. So decoupling would help us avoid that fixed cost recovery. One could go in for frequent rate cases, but for a short-lived asset, the regulatory lag associated with a frequent rate case would be such that you would really underachieve the allowed return on that light bulb investment.

So what we said to the regulators back when we filed the rate case is we are going to file a Clean Energy program in the not too distant future and we won't be able to do it without a recovery of that fixed cost component. 28 other states do it by decoupling, why don't we be number 29. We essentially have it in natural gas in New Jersey. So we put it as part of the base rate case knowing full well that that was not the optimal forum for discussion of decoupling, but hoping that we could do something proactively. Therefore, we were willing to settle and concede that we would not decouple in the base rate case knowing that the Clean Energy filing would bring a whole different set of parties into the discussion who had much deeper experience, knowledge and candidly support for decoupling. And that's where it more naturally resides. So that will be the policy debate that will take place.

To us, energy efficiency is a quadruple when you can literally improve the environment, you can allow the shareholder to earn some money, you can lower the customer bill and candidly these are low skill jobs that you can now employ people that perhaps have long-term unemployment challenges. If everyone is willing to accept a quarter of the pie, everyone can win. But if somebody wants a half of the pie and the other people have to have a third each, I think I did my fractions right, then there are some losers and we're just trying to set the stage for that.

<Q>: [indiscernible] (00:31:18)

<A - Ralph Izzo>: Yeah, [ph] Frank (00:31:21). So the Long Island business I believe is doing fabulously well. So we are the operators of the Long Island Power Authority's electric distribution and transmission system. We have a12-year contract. We're just about to begin year five. Our J.D. Power scores are greatly improving. But more important than that, my sister-in-law who lives on Long Island who's legally insane, who I adore and otherwise I wouldn't say that, is telling me that her service is better. So that seems to be going fabulously well. We have a great team out there that's doing a good job in storm response. Now candidly, in all fairness to our predecessor operator, we've not been challenged by Superstorm Sandy, we've not been challenged by Hurricane Irene. So it's easier to perform well under less dire circumstances.

We have something called an operating services agreement, which fixes the fee that we get paid for operating that system. And then it's varied over time, but typically about 30 operating statistics that we have to achieve and we get bonuses if we achieve a certain percentage and we get penalized if we achieve a smaller percentage. And every year of the first four years of the contract, we've achieved bonuses. I think this year we're literally on track to hit 20 out of the 30 metrics. So I think that's going quite well. Anyone here who live on Long Island? How is it going, [ph] Helen (00:32:43), don't tell me you have an outage last week.

<Q>: [ph] We had a fewer hours (00:32:47).

<A - Ralph Izzo>: That's good. Thank you. I literally used to get Newsday clippings from my sister-in-law like the first month that we were out there. I was like I begged my brother tell her to stop please, I'm not coming out there to fix this.

Okay. Well, I don't see other hands. Oh, I see one hand there.

<Q>: [indiscernible] (00:33:10-00:33:17)

<A - Ralph Izzo>: Yeah. No, so New Jersey has one of the most diverse populations in the nation. And I fundamentally don't understand why any business would say to itself, I really want to recruit from only half this population. We're 85% male. Or I'd only want to recruit from 45% of the population. We're 80% Caucasian. So, to me, whether it's suppliers, whether it's labor, one needs to make available to oneself 100% of what is out there. So we are actively going to schools that have a highly diverse population to try to attract a diverse set of engineers. We have a

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Chief Diversity Officer who's got me as part of the CEO network. I think Thursday I'm going to a meeting to learn better what others are doing.

If you look at our Board of Directors, it's fairly diverse. Our officer core is not diverse. I've not penetrated that level. The tension is I believe that employees want to get promotional opportunities. And so that's right. I have a bias towards promoting from within, oh, that pipeline is not diverse. So that means to improve your diversity, you have to recruit from these schools, you have to change the look of the leadership on the top that then takes away opportunities from people from within. So that's the constant balance that we undergo.

We have created an innumerable amount of employee business resource groups to create forums where people, whether it's alternate lifestyle, whether it's LBGT, whether it's disability, whether it's [indiscernible] (00:34:59) can meet together and work together and provide a shared support network for each other. So, not only do I think it's a business imperative, I also think it's the right thing to do. So, to the extent that we can allow our diverse population who are there today they feel good about the place. That enhances our prospect to attract and recruit people into the future. But we really have no choice. One-third of our employees are related to each other. So that's both a blessing and a curse, right, I mean, it's a blessing when I go to union meetings and they start swearing at me and saying, hey, what I do wrong and I say, well, then why is it that you have your nephew working here [indiscernible] (00:35:41). So it's a multifaceted challenge, but one that is front and center for us.

I'm getting the yellow card. Yes, [ph] Helen (00:35:48).

<Q>: [indiscernible] (00:35:50-00:35:59)

<A - Ralph Izzo>: No. I love all my children. We pruned assets in many different places over many years. We had big assets in South America, we had some sociopolitical challenges that we weren't the best at managing. We had some assets in Texas that seemed to be subject to low barriers to entry and short commodity cycle. So, no, I think we've done the pruning that we want to do. I would say that there are some parts of the business that have more uncertainty and difficulty in terms of explaining than other parts of the business. I mean, try to have a conversation about the reliability, pricing model and capacity reform for subsidized plants and not have people their hair catch fire and then [indiscernible] (00:36:53) But, no, I mean, I think what we do is we just make sure that we retire inefficient units and we build efficient units and we put them in places where we think the demand will grow strong. So I think we've done the pruning that we wanted to do.

What do you think?

<Q>: [indiscernible] (00:37:14)

<A - Ralph Izzo>: Are you business class going back? Are you?

<Q>: [indiscernible] (00:37:18)

Ralph Izzo

Thank you for joining us, everyone.

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-11-13
Event Description: Edison Electric Institute Financial Conference

Market Cap: 27,248.79
Current PX: 53.91
YTD Change($): +2.41
YTD Change(%): +4.680

Bloomberg Estimates - EPS
Current Quarter: 0.567
Current Year: 3.101
Bloomberg Estimates - Sales
Current Quarter: 2720.400
Current Year: 9601.727

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

So you're at the Public Service Enterprise Group presentation, just to make sure you're in the place you want to be. I refer you to our forward-looking statements as well as our GAAP disclaimer. We will be making some projections and we will use the methodology that we think better reflects the ongoing financial condition of the company.

I am Ralph Izzo, the Chairman, President and CEO of PSEG. I'm joined today with three of my colleagues Dan Cregg, our Executive Vice President and Chief Financial Officer; Carlotta Chan, who's in-charge of our Investor Relations; and Brian Reighn also from our Investor Relations Group. And each of us will be available to answer your questions as they arise.

So some highlights that we'll spend a little more time on during the course of the presentation, but the major theme here is a long history of success and a long-term view of how to manage the company going forward. Each of these particular items will come up during the course of the conversation, so I won't dwell on them here, but it is an over 100 year – over a century of success in various operational as well as financial measures.

So those of you who are less familiar with Public Service Enterprise Group, we have two principal operating subsidiaries. About two-thirds of the company's earnings comes from our regulated utility, it's an electric and gas utility in New Jersey. Its primary area of focus is an aging infrastructure investment program that has allowed us to grow the rate base over the past decade by low double-digits and over the next five years expects to invest between $12 billion and $16 billion to continue an 8% to 10% growth rate in that rate base, down from the prior 12% to 13% as the rate base has expanded.

PSEG Power, making up the bulk of the remaining one-third of the earnings of the company, characterized by a highly efficient natural gas fleet of approximately 7,200 average heat rate, producing a little bit under half of the electricity of power and then a low cost nuclear fleet of about 3,500 megawatts, producing a little bit over half of the remaining output from power. So we're well-positioned fleet from the point of view of economic efficiency, of environmental footprint as well as geographic location being primarily in Eastern PJM.

Another minute or two on the utility, we basically serve the north, south, central corridor of the State of New Jersey. A little bit over 2 million electric customers, a little bit under 2 million gas customers, essentially zero load growth over the past few years, modestly up in gas, modestly down in electric. So, load growth is not the correlating factor to the utility's growth. At the risk of repeating myself, it's all about an aging infrastructure replacement that is the primary impetus behind the past decade and future five years of growth, with the additional caveat now of an interest and an excitement around the Clean Energy Future being resurrected in New Jersey with the incoming new Governor Murphy administration.

Also worthy of note is the pie chart in the lower right hand corner. As you can see, we are approximately one-half transmission rate base and, therefore, FERC formula rate regulated, with the other half the distribution component being New Jersey Board of Public Utilities regulated.

A fairly busy year and a somewhat successful year from the point of view of 2018, our first base rate case in eight years having been successfully concluded just this past month successfully from the point of view of we didn't get everything

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we wanted and our regulators didn't get everything that perhaps they may have wanted. A 9.6% allowed return on equity and a 54% equity ratio being the highlights of that rate case outcome. We also received approval for a Gas System Modernization Plan. We have the dubious distinction of owning the largest cast-iron gas main system in America. It is fortunately a low pressure, low utilization pressure system and just sort of represents both an O&M and public nuisance from the point of view of occasional breaks and cracks that require correction.

At our current pace of expenditure, under the GSMP II, forgive me for using the acronym, but it just makes it easier, it will take us anywhere from 20 to 25 years to fully replace that program. That's a $400 million a year spend. In addition, legislation was enacted that preserves the life of our nuclear fleet by recognizing both their environmental benefits through a zero-emission credit as well as the fuel diversity they provide the state in terms of minimizing our exclusive dependence on natural gas. Also this year, the passage of Clean Energy legislation, which creates a framework for the utility to participate in a whole range of beyond-the-meter services, which we had been participating in, in the past, but now gives an explicit mandate, things like energy storage, energy efficiency and the like and we'll talk a little bit more about that Clean Energy Future program as we continue.

To be sure, some activity underway at FERC as it pertains to PJM capacity markets. There too, while there's no question that there's some uncertainty associated with that. We do believe that given the stated objectives of FERC in redesigning the capacity market that we are extremely well-positioned: number one, through the elimination of, to the extent that exists, price suppression on unsubsidized units that could potentially – should potentially support and help our fossil fleet; and number two, through FERC's stated desire to not interfere with state's abilities to designate various technologies in particular as it pertains to carbon limitations and continue to support the operation of those technologies, which should benefit our nuclear fleet.

Let's spend a little bit of time talking about that 8% to 10% growth rate in the rate base of the utility. What do you see here is the rate base for transmission at the bottom half of the bar and the rate base for distribution the green part of the bar. Those are approved and existing programs. The projects are in engineering, they're in design, they're in construction and that produces the 8% growth rate. The additional potential for 2% is if the two filings that we have made this year, one for something called Energy Strong II, which brilliantly follows on the heels of Energy Strong I, which was completed just this past year, which is an attempt to harden and make more resilient our electric grid. We have filed for $2.5 billion over the next five years. Here we show the first three years of that five-year program. And on top of that, our Clean Energy programs that I referred to briefly a moment ago, which is $3.6 billion filing for the next six years. Here we show the first three years of that.

If the as-filed programs are approved in the as-filed condition, the first three years of them would produce the 10% growth rate. That 10% growth rate could be achievable in other ways by either additional transmission projects, additional distribution projects, or even if the programs are not fully approved, if the first three years of the as-filed programs are approved, that 10% would be real. So somewhere between 8% and 10%.

My favorite slide of the whole deck, one that I'll spend a few minutes on, the stacked solid colored bars reflect known and approved capital programs that contribute – that provides the 8% growth in rate base. So here we break that out in terms of transmission, electric and gas distribution and Clean Energy. So that would be the solid bars. And if you look at the tops of the solid bars, you see a roughly $12-plus billion program that is declining over the five years.

We have shown this graph every year for the past 11 to 12 years. We don't have to change it at all except for the numbers on the Y axis and the years on the X axis. To emphasize that point, if you look at that dark line that's on the bottom, that's somewhat short, that shows years three, four and five of what would have been the solid bars that I showed two years ago in 2016. So you see the same declining pattern.

The equally dark line, but I think it's black if you look close to it, our years two, three, four and five of what the tops of the solid bars would have been in 2017, same declining pattern, but about $0.5 billion higher in each year. If we were not to show stacked bars but instead were to simply show you a solid line, for the current solid bars you could see that it is the same declining pattern but about $300 million higher in each year.

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So every year we talk about the declining capital program and every year we come back and show you the increased capital program. And it suffices to say that the crosshatched region on top are the two current filings Energy Strong II and Clean Energy Future. We will not get 100% of what we request, even though we think every penny of it is worth doing. To the extent that we get some of it, it is very likely that I will repeat the last three minutes of this presentation when I speak to you next year.

So notwithstanding the growth in the rate base, the emphasis has shifted. So some of the transmission projects we did five years ago were all about decongesting and making more reliable the East-West Interchange and PJM East. Now we are spending more money not so much on big transmission projects, but on hardening the transmission system, replacing literally 70-year-old assets, 60-year-old assets to make sure they're more reliable. Prior five years, we spent a fair amount of money in building some small peakers in our generation fleet one in Connecticut, one in New Jersey and in the last year and then into the next year, we've built a few combined cycles. That program will wind down and we will deemphasize our construction in the generation fleet.

We have spent a fair amount of money the prior five years on distribution resiliency. That will continue in the current five years and we are just beginning to ramp up our Clean Energy spending. We had spent about $700 million in solar over the past 10 years, $400 million on energy efficiency over the past 10 years. But if you just look at that Clean Energy filing, $3.6 billion over the next six years, you can see an order of magnitude shift in that emphasis.

Let me spend a little bit of time again on the base rate case settlement. So, the $17.5 billion rate base, about half of that, as I mentioned a moment ago, a little bit more than half of that, $9.5 billion is in distribution. The last five settled cases in New Jersey have yielded a 9.6% allowed ROE. That was the ROE we settled for. We were given a 54% equity layer, which also applies to our transmission system as a result of that being the capital structure of the single legal entity known as PSE&G. But through the miracles of tax reform, we are actually able to improve our earnings while lowering the customer bill by $13 million. And Dan during the Q&A can walk you through the deferred tax impacts of tax reform as well as some of the flow-back issues that allowed us to both increase the earnings of the company and lower customer bills.

At the conclusion of this case, our customers' bills, not their rates, but the bill for the average residential customer is 30% lower than what it was 10 years ago in nominal dollars and 40% lower if you were to escalate for the Consumer Price Index. I have to remind customers of that every so often because they don't seem to recall what their bill was back in 2008.

Energy Strong program, by way of reminder, back in the 2011, 2012 timeframe, we had some very strange events. We had a snowstorm in New Jersey around Halloween then the subsequent August we had Hurricane Irene, not such an unusual event. But then October 28, 2012, we had Superstorm Sandy and that resulted in literally a resetting of the Federal Emergency Management Agency maps for where the flood plains reside. New Jersey being an old industrial state where electrification followed the industrialization of the state, primarily in transportation corridor, in the old days transportation corridors were rivers and rail lines. Those happened to be coincidental with low-lying areas and flood-prone areas. We have a lot of assets that were susceptible to floods not just from rain, but from tidal surges.

At that time, we went to the Board of Public Utilities and said to fix those assets that were affected by each of those three events. I'm not predicting any future climate change calamities, but just to fix what was affected will cost us $3.9 billion and we need to spend that over the next 10 years. The Board of Public Utilities said here – we then asked for $2.6 billion over five years. The Board of Public Utilities said you're right, something needs to be done. Here's $1.2 billion and get it done in the next three or four years. And by the way, we're going to assign somebody to monitor your activity. I think with complete pride on behalf of our employees, I can say that that monitor gave us an A-plus on our report card. We did the work that we thought would take $1.2 billion and used only $1 billion and now we've gone back and said $3.9 billion minus $1.2 billion is not $2.7 billion, it's $2.5 billion. And by the way, we think we can do a few more things here and a few less things there, but [ph] give us the second-half of energy shown (00:14:20) given how well we did.

You can see a before and after picture here of a particular switching station that was modified as a result of Energy Strong. And if you can't see the detail, I'd encourage you to pick up one of the slides in the back. It's pretty impressive

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how different the facility is both in terms of just being lifted off the ground and being protected from inclement weather.

The partnership for Clean Energy Future, as I mentioned a moment ago, really comes on the heels of Clean Energy legislation that was enacted and signed into law by Governor Murphy in May of this past year. The primary component of that is an energy efficiency program that seeks to reduce electricity demand by 2% per year and gas demand by 0.75% per year. The legislation clearly articulates that those ought to be the targets for the electric and gas utilities in the state and the BPU should enact rules that allow us to recover the costs for running the program, to recover the investment of the equipment we put in, to earn a return on the investments we put in as well as to recover the loss revenues from the foregone sales as a result of the energy efficiency.

So the legislative language we are very supportive of. The actual rules to implement that is something that will be discussed during the course of the Clean Energy Future filing. Theoretically, the laws are written in a way where the Board of Public Utilities has 180 days to act on that after they've deemed the application complete. This is webcast, but nonetheless [ph] I will guard on a limb (00:15:50) and remind the Board of Public Utilities that today is the 30-day expiration of the clock for completeness. It's a three-hour time zone, I wish I was speaking at 1:00 PM instead of 9:00 AM, but nonetheless hopefully that application will be deemed complete. Even if it's not, we will work with the staff to get them the information they need. So, that's the [indiscernible] (00:16:10) of the $2.5 billion.

If you look at New Jersey from the point of view of conditions that blend it to be a place for electric vehicle penetration, third highest per capita income in the nation, among the worst air quality, densely populated state, short travel distance, high traffic congestion. Nonetheless, we lag – I think we're 48th in the state in electric vehicle charging stations. So all we've said here is we recognize it's not a natural monopoly service, but there is a strong mismatch between how much electric vehicle penetration should exist in New Jersey and how much does exist in New Jersey. Let us help you get the market started. Similarly, if one were to look at the Governor's articulated and then legislated goals for energy storage, a target of 600 megawatts of energy storage by the year 2021, which is about 26 months away. And we are proposing to do 35 megawatts of that once again to get the market underway.

And last but by no means least, in the latter years of the six-year filing to install about 2 million smart meters and to move forward where New Jersey has lagged the rest of the nation. I believe I've seen estimates of 50% to 60% of the nation now has smart meters and we do not have any appreciable number of those in New Jersey and to provide the data analytics to really improve the customer experience from a point of view of affordability, from a point of view of energy efficiency and a whole variety of basic daily operational services – outage detection, remote reconnect and disconnect and things of the sort.

Moving over to Power, we show here the location of our assets on the left hand side in terms of our fossil and nuclear fleet. On the right hand side, we also have about 400 megawatts DC of solar farms, sprinkled around I think 15 or 16 states. The largest installation is somewhere in the low 50 megawatt range, the smallest installation being a couple of megawatts. So we don't do rooftop, we don't do large scale installations, all of them are supported by long-term power purchase agreements, which creditworthy counterparties usually [ph] end up at (00:18:22) utility. As you can see, our fossil and nuclear fleet is in PJM East with one power plant in New York ISO and then one power plant in [ph] NEPOOL (00:18:32) in the Bridgeport area.

The fleet is undergoing quite a transformation. The charts on the left are the nameplate capacity of our assets. So, as you can see that we are primarily a gas fleet in terms of the blue being slightly larger than the orange, which is the nuclear component in terms of nameplate capacity. But as we step forward in time, the completion of three combined cycle gas turbines, one in Maryland, one in Connecticut, one in New Jersey will further expand the gas nameplate capacity of that fleet.

But more importantly, in terms of the output of the fleet, the lower right shows you that we are predominantly a nuclear generator, nowadays close to 60% of the output. However, given any efficiency of the new combined cycle fleet that we are just finishing the construction of, two of them actually finished, one will be complete in June, you see quite a bit of an increase in the amount of output from natural gas. The small piece of coal that remains is our partial ownership of a mine mouth coal facility in Western Pennsylvania known as Keystone Conemaugh. I think we own about 25%, 27%

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of that, something like that.

If we look at Power's capital construction program, as I mentioned a moment ago, we just finished the construction of two combined cycle units this past year, one in New Jersey, one in Maryland. We will finish the third and final piece of that construction program in Bridgeport, Connecticut by June of next year. That will take Power's capital construction program down to a maintenance level of about $200 million a year, freeing up $800 million of funds from operation to be available as free cash flow over to the insatiable appetite of the utility to improve the aging infrastructure that we talked about a few minutes ago.

So that capital program in the utility can be performed without the need for additional equity. It is internally self-funded plus the debt capacity of the utility. So the equity needs of the utility is provided by the internal cash flow generation, the debt capacity of Power and then the 46% debt component of the utility capital structure as its own debt capacity.

O&M has been something that we pay attention to every day, every week, every month, every year. We can never come to EEI, I am almost sad, but – I can't actually cross that line to actually being said and announce a major cost reduction program. We obsessed over this all the time. Dan got to fly out here in economy plus seating next to a service dog that evidently [ph] shed (00:21:07) all over, his eyes are still red from doing that. I had one analyst scold me over the fact that we put Dan in that seat. I said I don't feel sorry for him. He builds character. I had the same seat coming up, but without the service dog. I have nothing against service dogs. I know I'm going to get in trouble for joking about that, but that's a true story. I've completely forgotten what I wanted to tell you about that. That wasn't part [indiscernible] (00:21:31) the fact that O&M over these five years at the parent level has decreased by about a little less than 0.5% per year. Yet we did manage to give people on average a 3% wage increases, we did manage on average to invest a tremendous amount of money in capital construction at the utility.

That's significant because when you're doing that amount of work at the utility, there is a fair amount of O&M that goes along with it, right. You can't start working on the system and take substations at a service without being dispatching people to other substations to make sure the system is in a stable configuration. So the capital program does incur a fair amount of [ph] volume (00:22:07). So that just means that we found ways to save money in other areas.

If I take a look at the current condition of the balance sheet, our cash metrics, what we find is that we tend to pick minimum thresholds that would keep the company at a solid investment-grade credit rating. For us, that's typically BBB+. So with the capital program, as I've described, with our expectations for dividend growth, which I'll speak to in a moment, without the need for additional equity, we still have about $1.4 billion in unutilized debt capacity. And what that means if we were to do something in the unregulated business, that debt capacity equals the investment capacity. However, that capital program that I described to you a moment ago, 90% is targeted towards the utility. That ratio has gone anywhere from 80% to 90% over the next five years whenever you look back in time, right. So if you look back in time and then look forward five years, we spent between 80% and 90% on the utility and that will continue to be the overwhelmingly majority part of our capital program.

With that in mind, that $1.4 billion in debt capacity could yield an additional $2.8 billion in utility investment – that being the equity component and then the utility being able to access the debt markets on its own. So we have a pretty strong 8% to 10% rate base growth, we have some fairly solid credit metrics and we have additional capability for further investment, never with the need to issue additional equity.

We just recently narrowed our guidance without changing the midpoint, so I believe we're now at $3.05 to $3.10 a share. Over the last five years, we've been growing earnings at 4%. The utility's double-digit growth being offset by the recontracting of Power and therefore the decline in profitability in merchant generation business.

We have paid a dividend every year for 111 years and that – we didn't do that by occasionally cutting it down to $0.01 a year and no cheap shots intended there. But nonetheless, you do see that the utility more than covers the dividend and the utility growth rate more than covers the growth rate in the dividend, therefore, further increasing the security of that dividend. We don't give a formulaic guidance in terms of dividend policy. We do offer these qualitative words that you can fairly easily translate into what you've seen recently is what you should expect to continue to see certainly over the predictable near term. So that's that opportunity for consistent and sustainable dividend growth.

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The value proposition hasn't changed. We run the business by obsessing over operational excellence. Being named to the Dow Jones Sustainability Index for 11 years in a row, being the most reliable electric utility in the Mid-Atlantic region 17 years in a row, a series of accolades that range from diversity and inclusion to being in the Forbes' Most Trustworthy Lister, some such crazy designation I don't even know what to call it. But that operational excellence is what leads to very strong regulatory relations and therefore solid financial performance and then we invest that money wisely in things that are consistent with public policy or meet the needs of our customers, even if it's not yet quite reflected in public policy, all the while making sure that that financial strength is intact.

If there is a takeaway from this EEI Meeting that we're sharing with investors, and I'd like to share with you today, it's summarized here, it talks about the recent regulatory derisking that's undertaken. It talks about the fleet in terms of the merchant generation de-risking that's taken place both in terms of the expanded geographic footprint by putting an actual asset at the PJM West Hub in Maryland and in terms of improving the overall heat rate of the fleet while all the time looking at what is possible for the future in terms of now moving down to the smaller projects in transmission, accelerating the gas pipe replacement, finishing the distribution hardening, moving into a Cleaner Energy Future and all the while protecting the strength of that balance sheet.

So, with that, I do believe I've left more than enough time for some questions. I'm not getting the nasty card from the back that says your time is up. So Dan and I are here to answer any questions you might have. Thank you.

Q&A

<A - Ralph Izzo>: We have a question here.

<Q>: I don't need the mic. I'm loud. I loved your comments. Great story. [ph] We can see (00:26:41) growth nationwide in renewables [indiscernible] (00:26:45)

<A - Ralph Izzo>: Yeah. Yeah, I do. I mean, most states are following some sort of renewable portfolio standard. I think it's a sub-optimal approach. We're a company that explicitly has said climate change is real and the preferred approach would be a national price on carbon, preferably economy-wide, but certainly industry-wide and then let the market pick and choose the best approach for achieving those outcomes. The way in which you get the price on carbon are many and varied. You can do a carbon tax, you can do cap and trade, you can do a variety of things. But there are some regions of the country that will survive the decrease in the ITC and the elimination of the PTC. There are some areas of the country that will not and you'll have to rely on the renewable portfolio standard to achieve continued investment.

New Jersey has opted to do most of its in-state renewables through rooftop solar. It's been a very expensive way to do renewables. The Solar Renewable Energy Credit, which is the regulated subsidy [ph] stream (00:27:53) that is on top of the investment tax credit and on top of net metering, nowadays trades [ph] for $220 (00:27:59) a megawatt-hour in New Jersey. That's a pretty steep price for an SREC.

So I do see it continuing. The technology is getting better. There are some parts of the nation where it's already competitive – wind in the Greater Plains, solar in the Southwest, but there are other parts that I think will slow down in the absence of any kind of robust renewable portfolio [indiscernible] (00:28:19). It's funny how a question that simply merits a yes or no can be stretched out for five minutes.

<Q>: Thanks. I know in the last rate cases, the decoupling didn't go through, so you're going to apply to get that.

<A - Ralph Izzo>: Yeah.

<Q>: What's the importance there? Are you conservation or efficiency or is it rooftop solar or why is it so important to you guys?

<A - Ralph Izzo>: Yeah. So decoupling is important to us as a foundation for the energy efficiency filing. So energy efficiency, as you know – we're not trying to do signal processing of refrigeration consumption of electricity, right. We're trying to get people to replace their light bulbs, their thermostats, their HVAC systems. So there is a significant

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component. It varies by customer class and you can think of it as 30% to 50% of what a customer pay us [ph] then is (00:29:10) a fixed cost. So to the extent that we can help customers by helping them avoid consumption, we can eliminate our variable costs, that could be customer savings, but we don't want to lose the fixed cost recovery. So decoupling would help us avoid that fixed cost recovery. One could go in for frequent rate cases, but for a short-lived asset, the regulatory lag associated with a frequent rate case would be such that you would really underachieve the allowed return on that light bulb investment.

So what we said to the regulators back when we filed the rate case is we are going to file a Clean Energy program in the not too distant future and we won't be able to do it without a recovery of that fixed cost component. 28 other states do it by decoupling, why don't we be number 29. We essentially have it in natural gas in New Jersey. So we put it as part of the base rate case knowing full well that that was not the optimal forum for discussion of decoupling, but hoping that we could do something proactively. Therefore, we were willing to settle and concede that we would not decouple in the base rate case knowing that the Clean Energy filing would bring a whole different set of parties into the discussion who had much deeper experience, knowledge and candidly support for decoupling. And that's where it more naturally resides. So that will be the policy debate that will take place.

To us, energy efficiency is a quadruple when you can literally improve the environment, you can allow the shareholder to earn some money, you can lower the customer bill and candidly these are low skill jobs that you can now employ people that perhaps have long-term unemployment challenges. If everyone is willing to accept a quarter of the pie, everyone can win. But if somebody wants a half of the pie and the other people have to have a third each, I think I did my fractions right, then there are some losers and we're just trying to set the stage for that.

<Q>: [indiscernible] (00:31:18)

<A - Ralph Izzo>: Yeah, [ph] Frank (00:31:21). So the Long Island business I believe is doing fabulously well. So we are the operators of the Long Island Power Authority's electric distribution and transmission system. We have a12-year contract. We're just about to begin year five. Our J.D. Power scores are greatly improving. But more important than that, my sister-in-law who lives on Long Island who's legally insane, who I adore and otherwise I wouldn't say that, is telling me that her service is better. So that seems to be going fabulously well. We have a great team out there that's doing a good job in storm response. Now candidly, in all fairness to our predecessor operator, we've not been challenged by Superstorm Sandy, we've not been challenged by Hurricane Irene. So it's easier to perform well under less dire circumstances.

We have something called an operating services agreement, which fixes the fee that we get paid for operating that system. And then it's varied over time, but typically about 30 operating statistics that we have to achieve and we get bonuses if we achieve a certain percentage and we get penalized if we achieve a smaller percentage. And every year of the first four years of the contract, we've achieved bonuses. I think this year we're literally on track to hit 20 out of the 30 metrics. So I think that's going quite well. Anyone here who live on Long Island? How is it going, [ph] Helen (00:32:43), don't tell me you have an outage last week.

<Q>: [ph] We had a fewer hours (00:32:47).

<A - Ralph Izzo>: That's good. Thank you. I literally used to get Newsday clippings from my sister-in-law like the first month that we were out there. I was like I begged my brother tell her to stop please, I'm not coming out there to fix this.

Okay. Well, I don't see other hands. Oh, I see one hand there.

<Q>: [indiscernible] (00:33:10-00:33:17)

<A - Ralph Izzo>: Yeah. No, so New Jersey has one of the most diverse populations in the nation. And I fundamentally don't understand why any business would say to itself, I really want to recruit from only half this population. We're 85% male. Or I'd only want to recruit from 45% of the population. We're 80% Caucasian. So, to me, whether it's suppliers, whether it's labor, one needs to make available to oneself 100% of what is out there. So we are actively going to schools that have a highly diverse population to try to attract a diverse set of engineers. We have a

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Chief Diversity Officer who's got me as part of the CEO network. I think Thursday I'm going to a meeting to learn better what others are doing.

If you look at our Board of Directors, it's fairly diverse. Our officer core is not diverse. I've not penetrated that level. The tension is I believe that employees want to get promotional opportunities. And so that's right. I have a bias towards promoting from within, oh, that pipeline is not diverse. So that means to improve your diversity, you have to recruit from these schools, you have to change the look of the leadership on the top that then takes away opportunities from people from within. So that's the constant balance that we undergo.

We have created an innumerable amount of employee business resource groups to create forums where people, whether it's alternate lifestyle, whether it's LBGT, whether it's disability, whether it's [indiscernible] (00:34:59) can meet together and work together and provide a shared support network for each other. So, not only do I think it's a business imperative, I also think it's the right thing to do. So, to the extent that we can allow our diverse population who are there today they feel good about the place. That enhances our prospect to attract and recruit people into the future. But we really have no choice. One-third of our employees are related to each other. So that's both a blessing and a curse, right, I mean, it's a blessing when I go to union meetings and they start swearing at me and saying, hey, what I do wrong and I say, well, then why is it that you have your nephew working here [indiscernible] (00:35:41). So it's a multifaceted challenge, but one that is front and center for us.

I'm getting the yellow card. Yes, [ph] Helen (00:35:48).

<Q>: [indiscernible] (00:35:50-00:35:59)

<A - Ralph Izzo>: No. I love all my children. We pruned assets in many different places over many years. We had big assets in South America, we had some sociopolitical challenges that we weren't the best at managing. We had some assets in Texas that seemed to be subject to low barriers to entry and short commodity cycle. So, no, I think we've done the pruning that we want to do. I would say that there are some parts of the business that have more uncertainty and difficulty in terms of explaining than other parts of the business. I mean, try to have a conversation about the reliability, pricing model and capacity reform for subsidized plants and not have people their hair catch fire and then [indiscernible] (00:36:53) But, no, I mean, I think what we do is we just make sure that we retire inefficient units and we build efficient units and we put them in places where we think the demand will grow strong. So I think we've done the pruning that we wanted to do.

What do you think?

<Q>: [indiscernible] (00:37:14)

<A - Ralph Izzo>: Are you business class going back? Are you?

<Q>: [indiscernible] (00:37:18)

Ralph Izzo

Thank you for joining us, everyone.

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-08251

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies. Guidance provided herein is as of October 30, 2018.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

SI-SSA-0015-08252

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

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PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Named to Dow Jones Sustainability Index for **11** Years in a Row

Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

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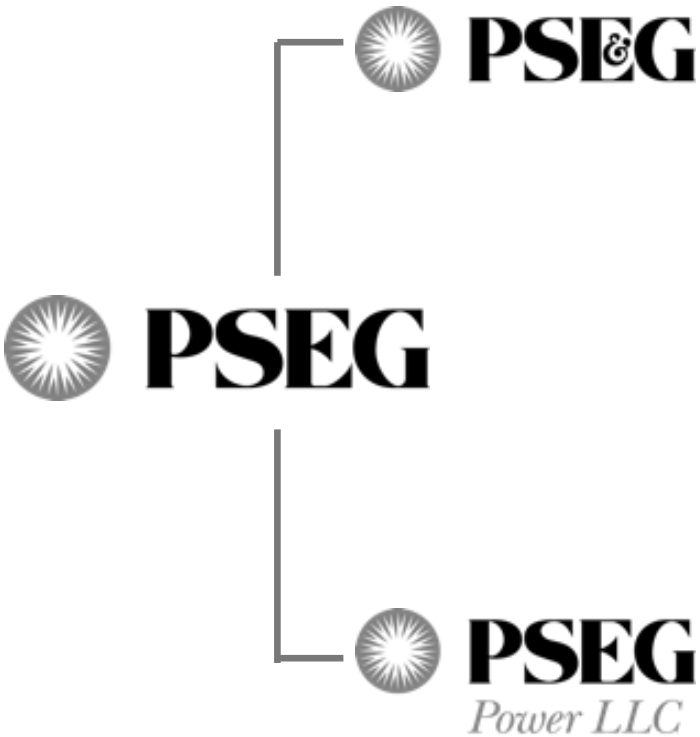
Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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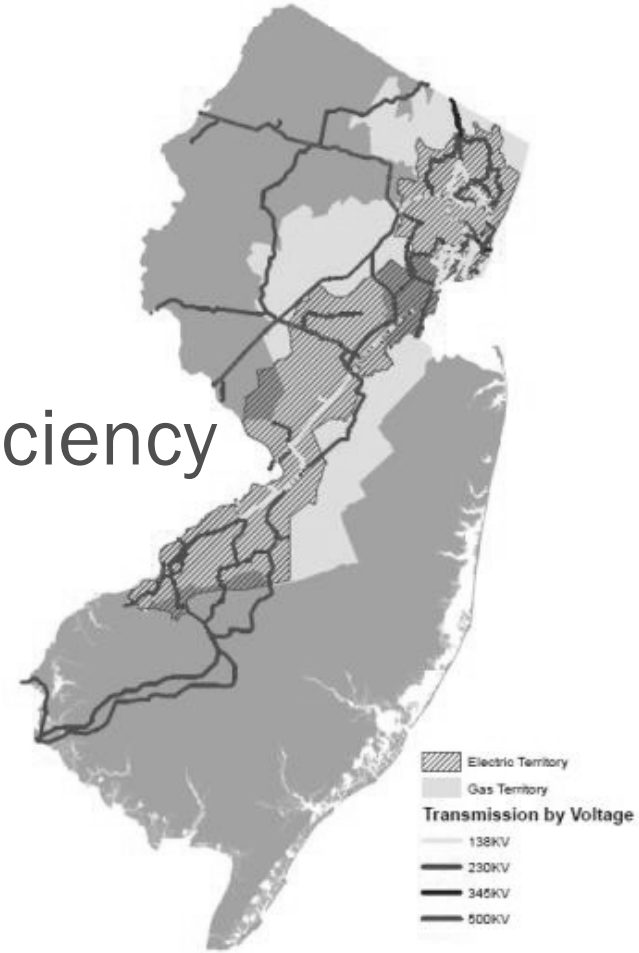
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS

*SEE SLIDE A FOR RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATION FOR PSE&G AND SLIDE C FOR RECONCILIATION FOR PSEG POWER.

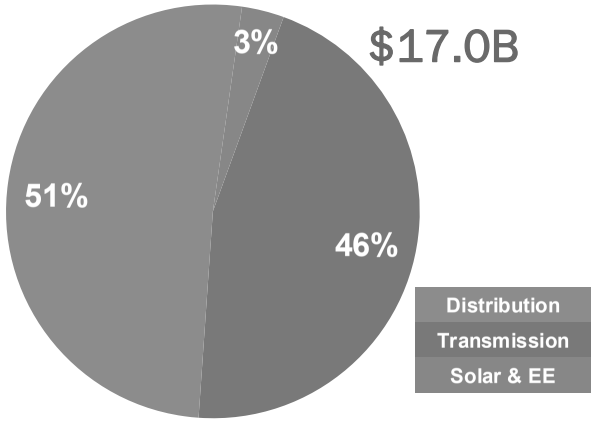
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Annual Customer Growth (2013–2017)	2.2 Million 0.6%	1.8 Million 0.5%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Annual Growth in Residential Use per Customer (Weather-Normalized) (2013-2017)	(1.1)%	0.3%
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

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Regulatory and policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Settlement Approved

- Constructive outcome provides customers with rate stability and benefits PSE&G; new rates went into effect November 1st

NJ Regulators Endorsed Infrastructure Investment Program (IIP)

- GSMP II Approved; Energy Strong II Filed in June 2018

NJ Advances Clean Energy Future

- PSE&G filed Clean Energy Future programs in October 2018, consistent with NJ Clean Energy legislation, to invest in Energy Efficiency, Energy Storage, EVs and Energy Cloud – Advanced Metering Infrastructure (AMI)
- PSEG Power will apply for our NJ nuclear plants to receive Zero Emission Certificates (ZEC)

FERC/PJM Wholesale Market Reforms Underway

- FERC considering reforms to PJM's capacity market to accommodate resources supported by state public policies and to address price suppression
- Reform to PJM's fast-start market pricing rules pending at FERC; Other price formation reforms working through PJM stakeholder process

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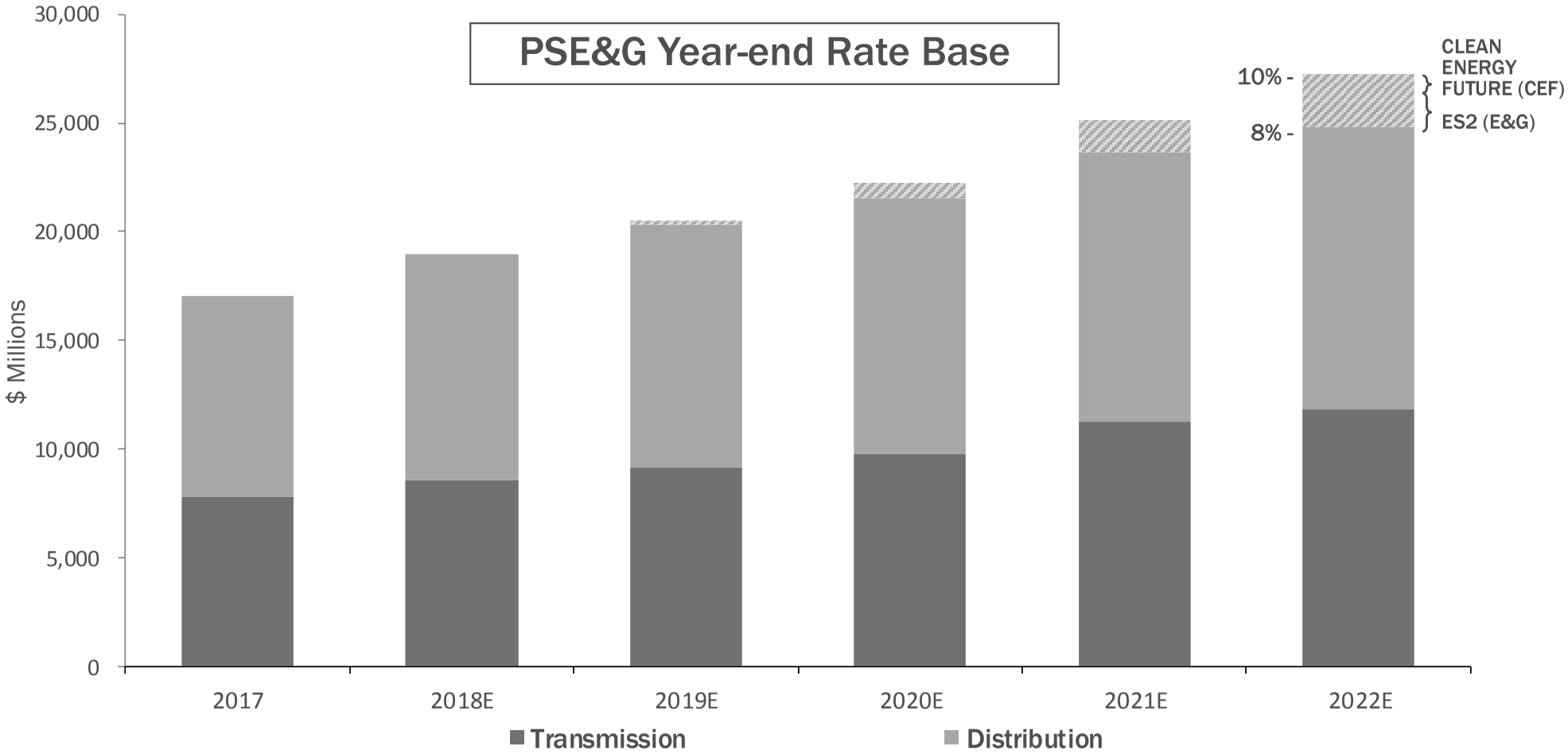
Expanded utility investment program of $12B - $16B provides opportunity for rate base growth of 8% - 10%



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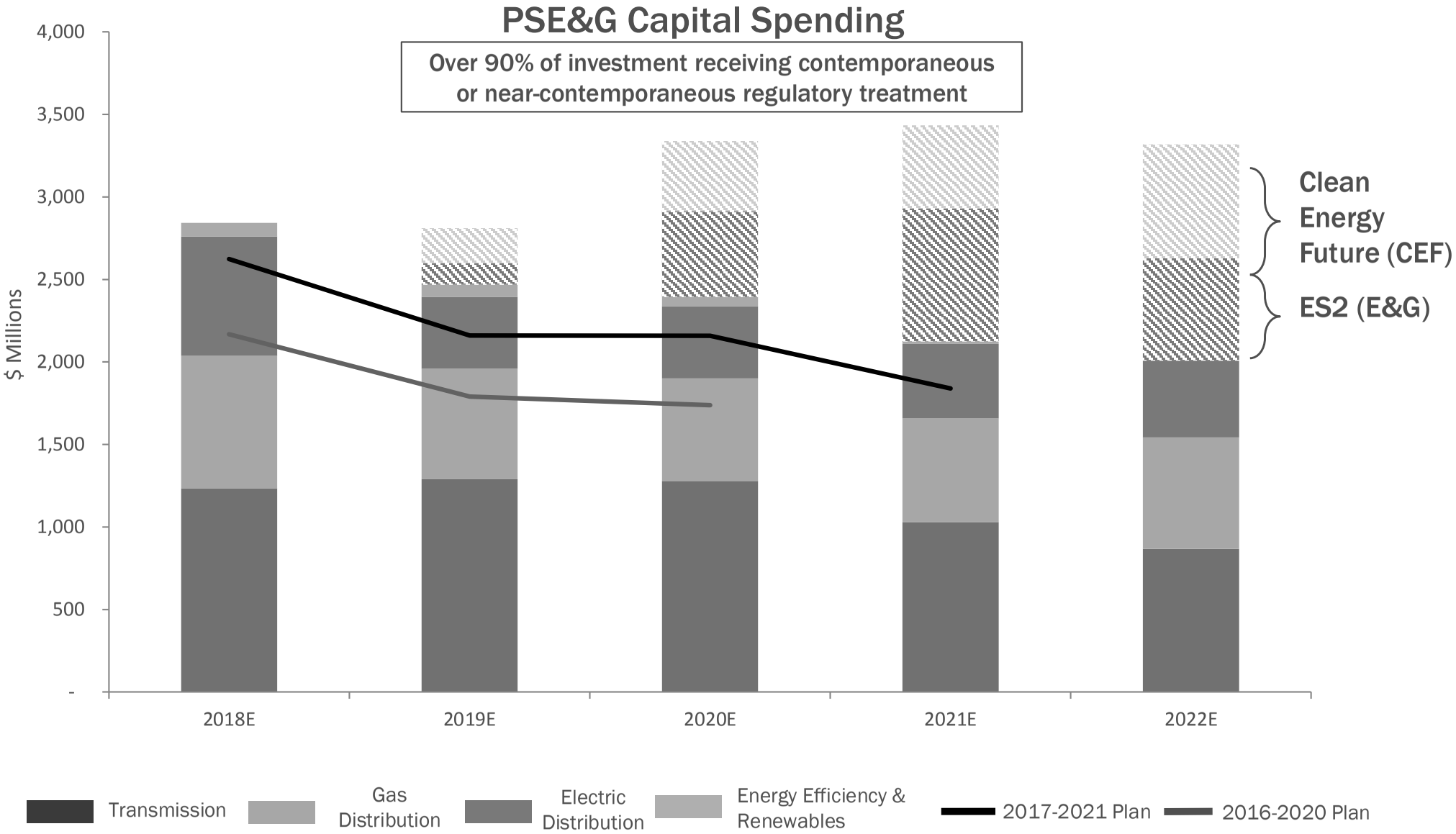
HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS. E = ESTIMATE.

$12B-$16B investment program focused on grid modernization, reliability and clean energy



HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS. E = ESTIMATE.

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PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012 - 2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV Infrastructure • Energy Storage • Energy Cloud – AMI Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication Regulated Renewables

SI-SSA-0015-08260

Distribution Rate Case Settlement Approved

- New rates went into effect November 1, 2018
- Bill impact is generally <1% per rate class. Combined, typical residential electric & gas customer bills are ~30% lower versus 2008 in nominal dollars

Key Terms

- ROE of 9.6%; 54% equity ratio
- Rate Base of $9.5B: $5.5B Electric and $4.0B Gas
- Base revenues include recovery of deferred storm costs (~$50M/year)
- Tax Adjustment Clause – Two tax items flowed back to customers, with a return on the portion related to rate base:
  1. Excess deferred taxes – Unprotected over five years; Protected via ARAM
  2. 'Safe Harbor Adjusted Repair Deduction' (SHARE) - Ongoing and 1/3 of historic balance
- Rate design changes:
  - Higher monthly fixed service charges for electric and gas bring us in line with other NJ utilities
  - Decoupling/lost revenues to be addressed in CEF filings

Annual Revenue Impact ($ Millions)	Electric	Gas	Total
Base Revenue	$89	$123	$212
Tax Adjustment Clause	(80)	(145)	(225)
Net Revenue Change	$9	$(22)	$(13)

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PSEG

ARAM = AVERAGE RATE ASSUMPTION METHOD
ROE = RETURN ON EQUITY.

Energy Strong Program Filing

PSE&G filed its Energy Strong II infrastructure program (ES2) in June which seeks to invest $2.5 billion, over a five-year period to further strengthen the utility's electric and gas systems to better withstand storms, increase reliability and significantly enhance resiliency

Before

Electric:

- ✓ Provide flood mitigation for 16 stations within FEMA designated flood zones
- ✓ Rebuild 15 outdoor stations (most are pre-1956 vintage) in need of replacement
- ✓ Upgrade ~475 circuit miles
- ✓ Harden and increase redundancy/resiliency through circuit reconfiguration
- ✓ Modernize grid with an advanced distribution management system (ADMS) and fiber/mesh communication network

Gas:

- ✓ Improve the resiliency of PSE&G's gas distribution system to protect against potential interstate gas pipeline supply curtailments
- ✓ Rebuild and modernize seven gas Metering and Regulation stations

After

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Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings support 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: AMI:** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

Program Investment	$ Billions
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

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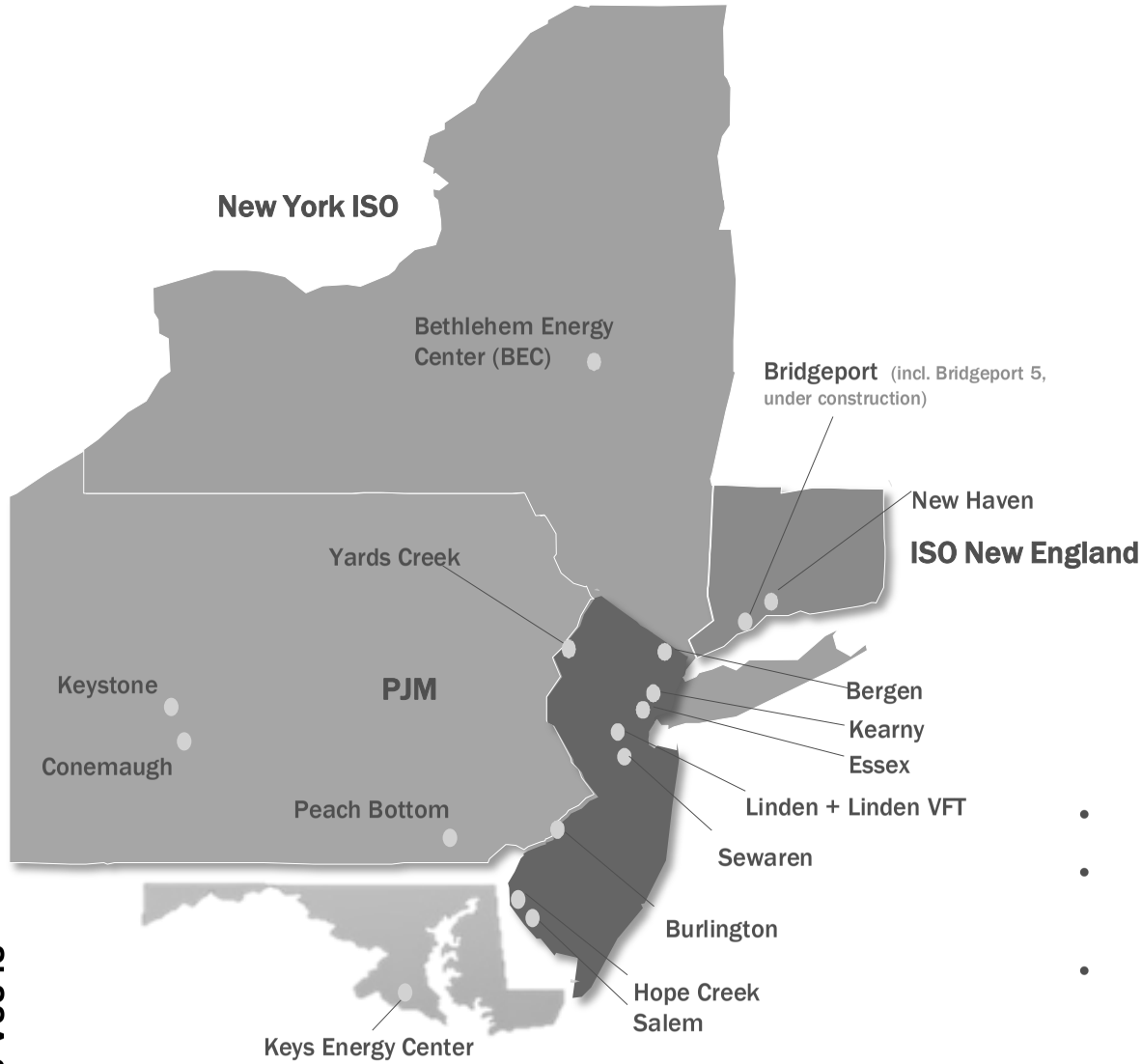
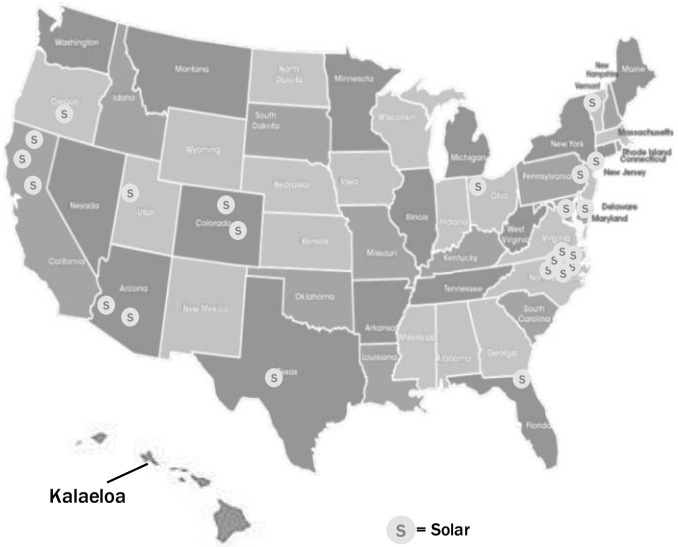
Power's generating assets mainly located in three competitive markets





Power Ventures assets:

- Solar (414 MW_{DC}/325 MW_{AC})
- Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Completing construction program of three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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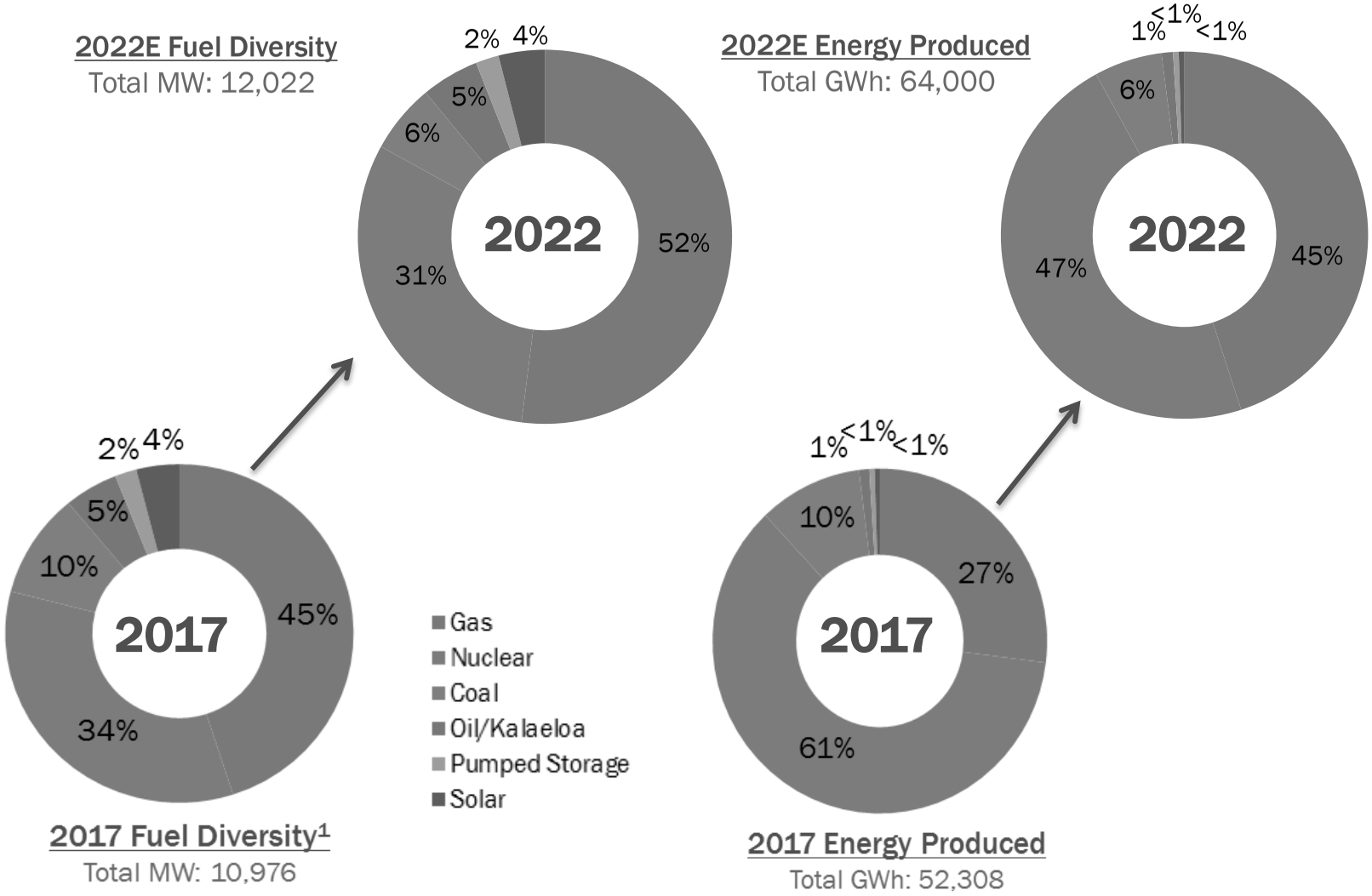
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

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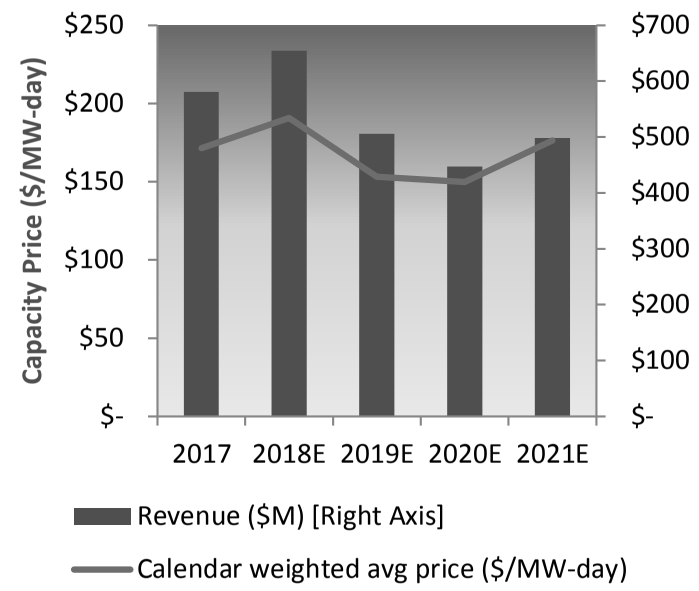
Capacity markets provide a solid and continuing revenue stream in PJM

PJM's RPM Auction Results*

Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$171	$205	$116	$174	$178
RTO Prices ($/MW-day)	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)	$140 (CP)
Power's Cleared Capacity (MW)	9,700	9,200	8,900	7,800	7,700

PJM Capacity Revenue

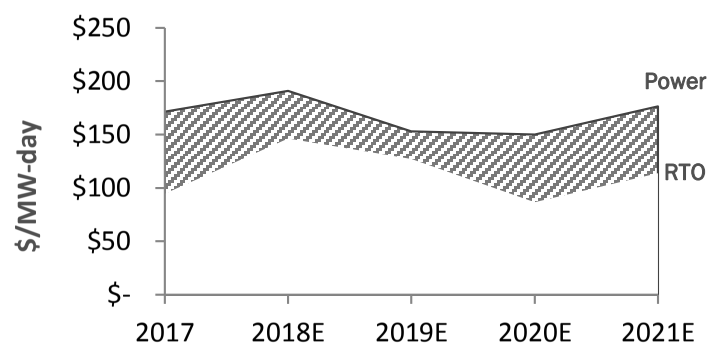


2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

FERC/PJM to address price suppression

PJM Calendar Weighted Average Price



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PSEG

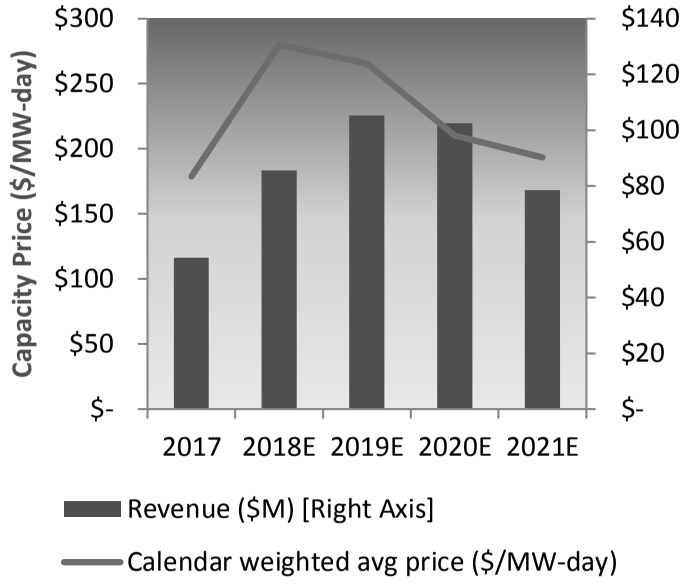
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

Capacity markets provide a solid and continuing revenue stream in ISO NE

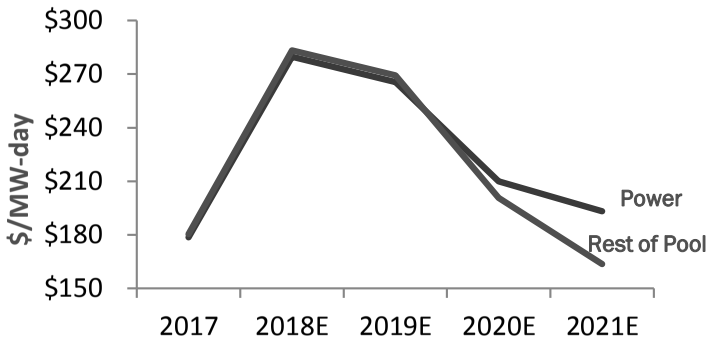
ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$231	$314	$231	$195	$192
Power's Cleared Capacity* (MW)	850	830	1,330	1,330	940

Power's average price reflects Bridgeport Harbor 5, which cleared the 2019/2020 auction at $231/MW-day for seven years, with escalations based on Handy-Whitman Index

ISO NE Capacity Revenue



ISO NE Calendar Weighted Average Price



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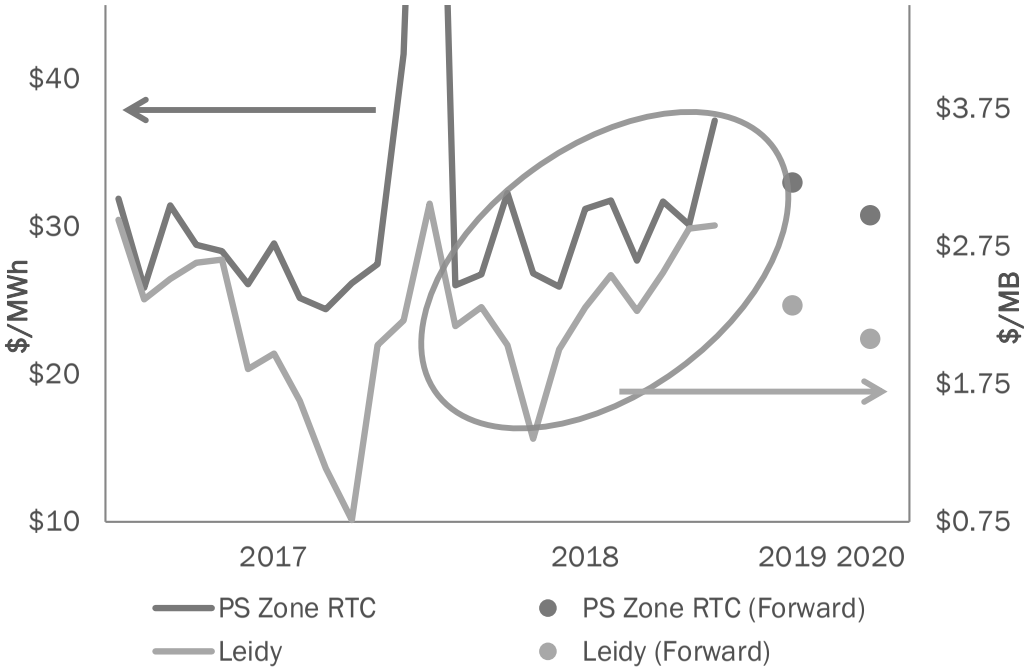
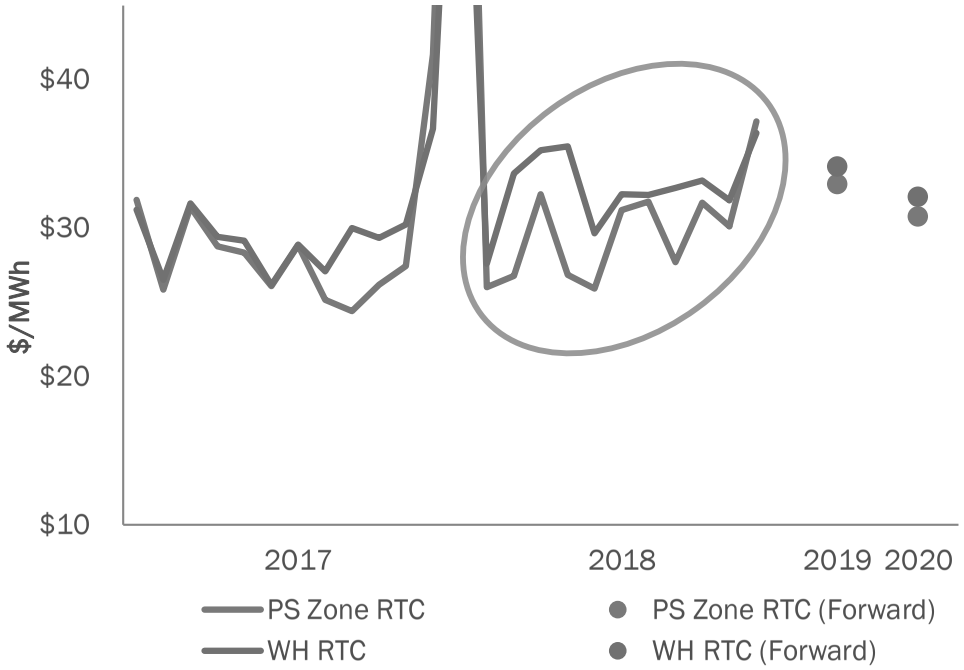
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BRIDGEPORT HARBOR 5 TARGETED ADDITION IN MID-2019 AND THE ANNOUNCED RETIREMENT OF BRIDGEPORT HARBOR 3 IN THE SUMMER OF 2021. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

Recent market dynamics have included spark spread compression and negative east-west electric basis differentials





2018 gas prices rose more than electric prices, compressing spark spreads

2018 electric price increases in PS Zone have not kept pace with PJM's Western Hub

These impacts, plus a decline of ~1 TWh from our forecasted generation, impacted Power's margins

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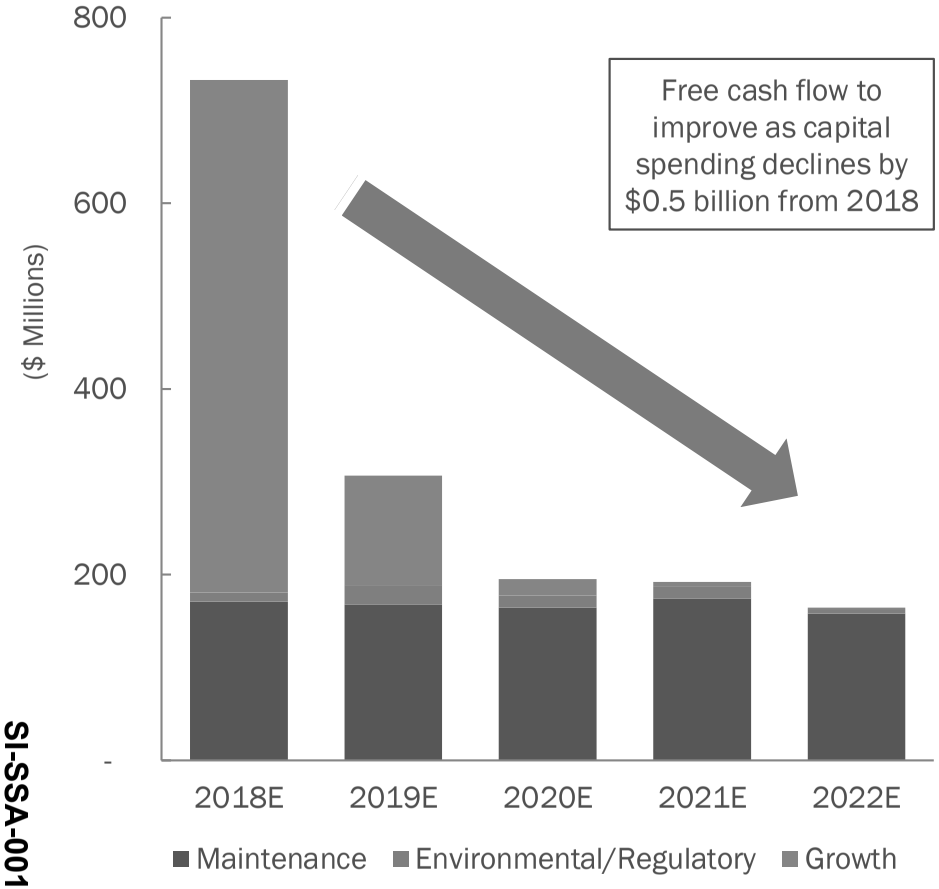
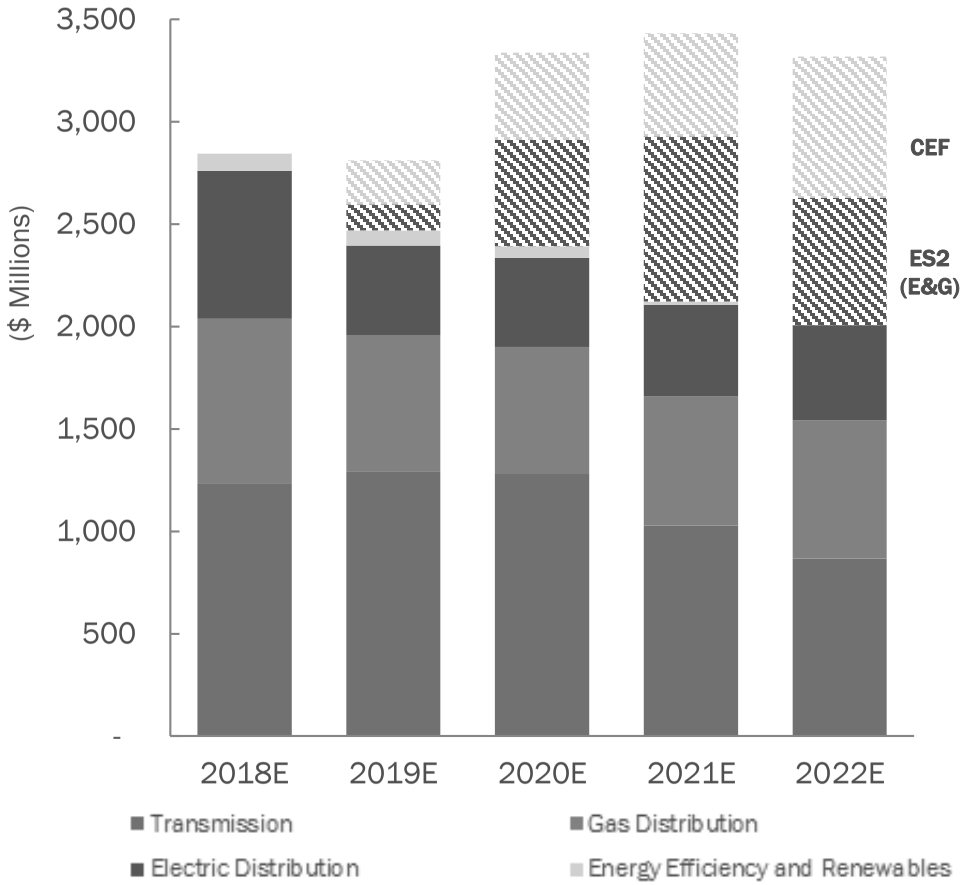
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1)CAPITAL INCLUDES IDC AND AFUDC.
2)HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
E = ESTIMATE

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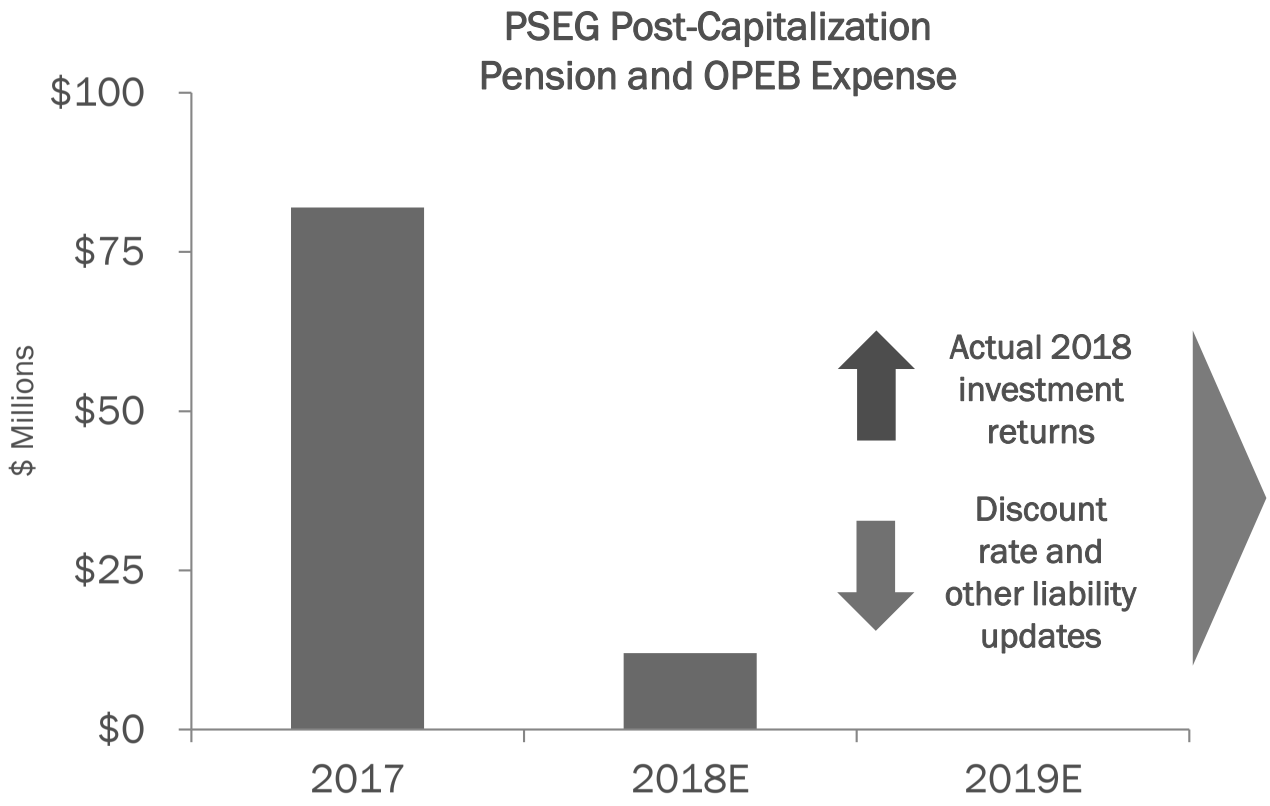
Manageable Pension and OPEB Expense



Pension & OPEB expense details will be updated at year-end and managed as part of overall O&M

- The estimated decrease in expense includes an approximate reduction of $60 million due to the adoption of a new accounting standard in 2018 which no longer allows the capitalization of non-service components of Pension and OPEB costs (credits)

E = ESTIMATE.

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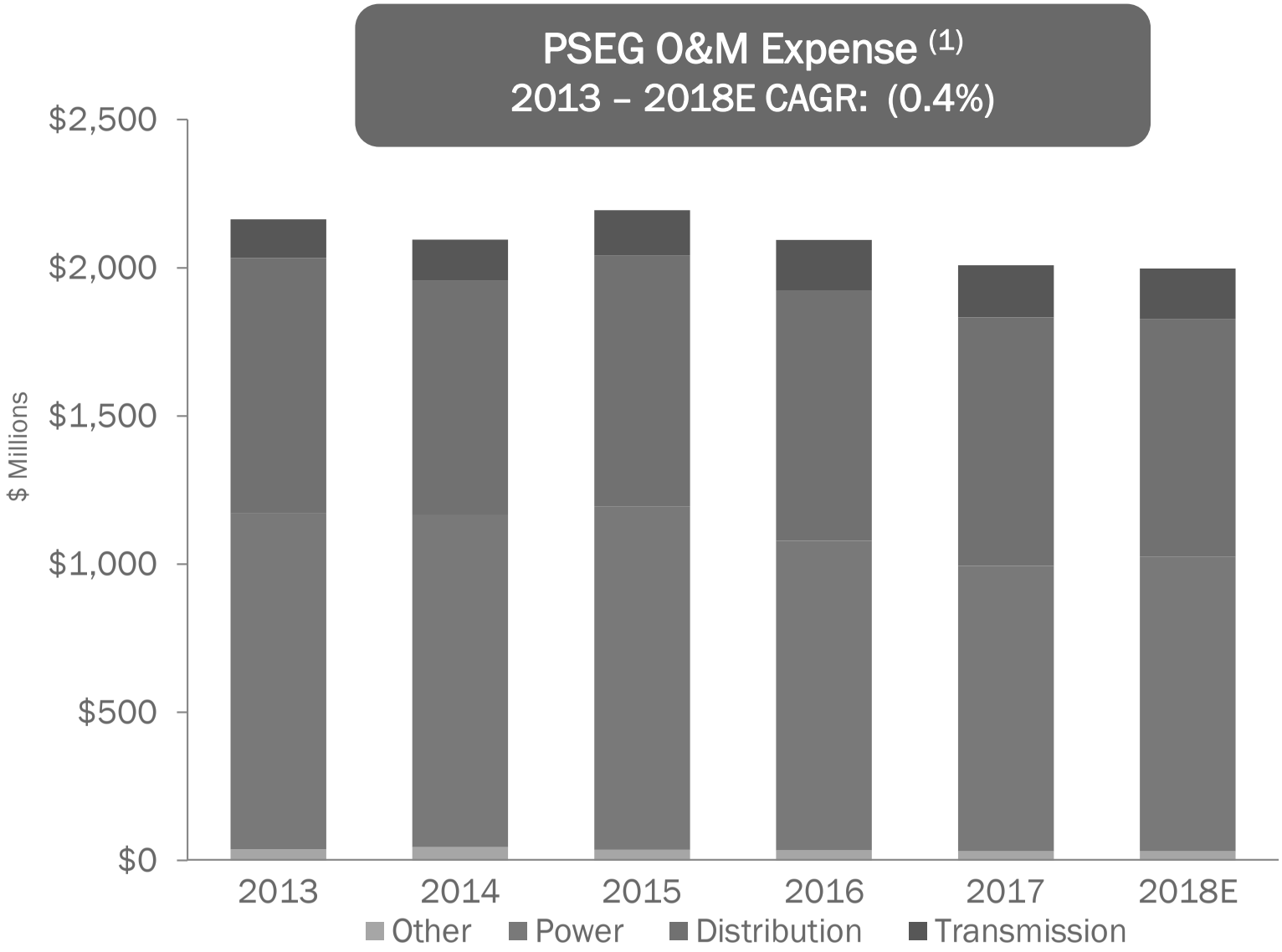
PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

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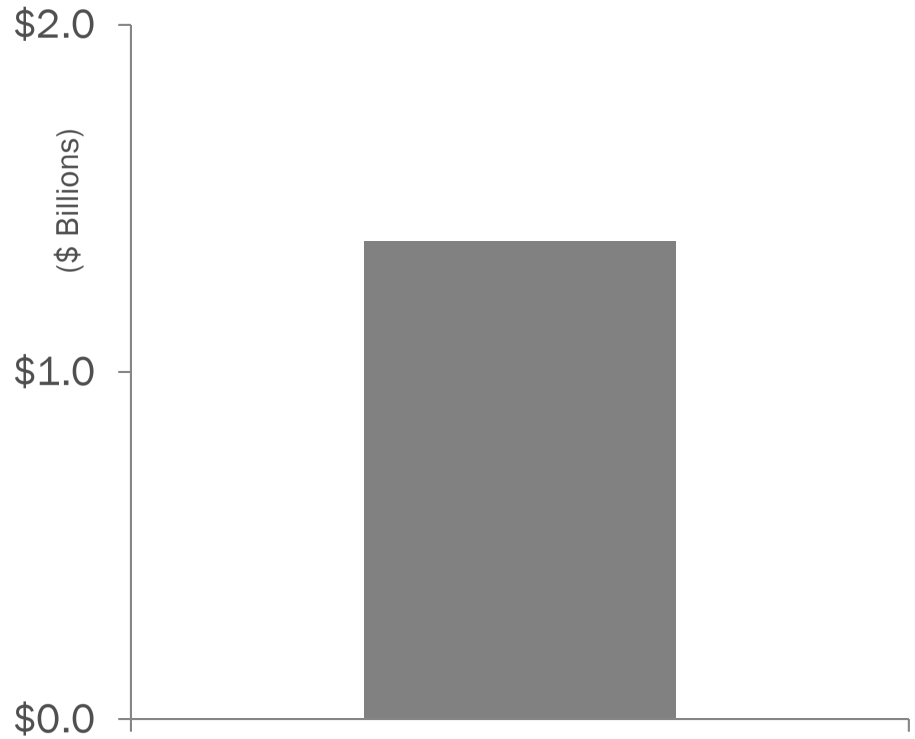
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt 2019E – 2021E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

Total Incremental Debt Capacity 2019E – 2021E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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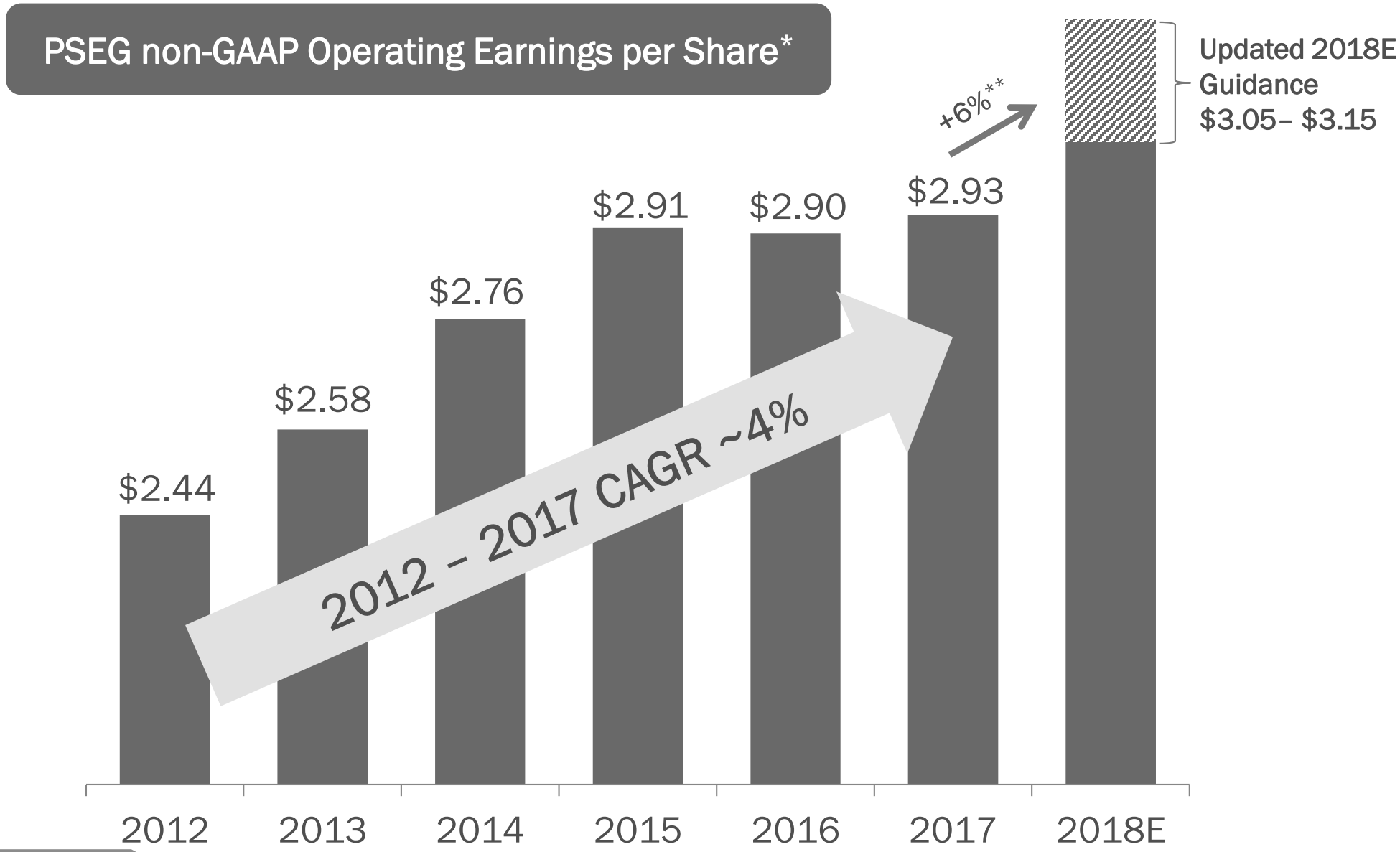
PSEG

NOTE: NORMALIZED FOR ANTICIPATED REMA TAX PAYMENT IN 2020E. INCLUDES ANTICIPATED ZEC REVENUES BEGINNING IN APRIL 2019. E=ESTIMATE

Strategic focus continues to deliver solid results



*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.05 TO $3.15 PER SHARE.
E= ESTIMATE.

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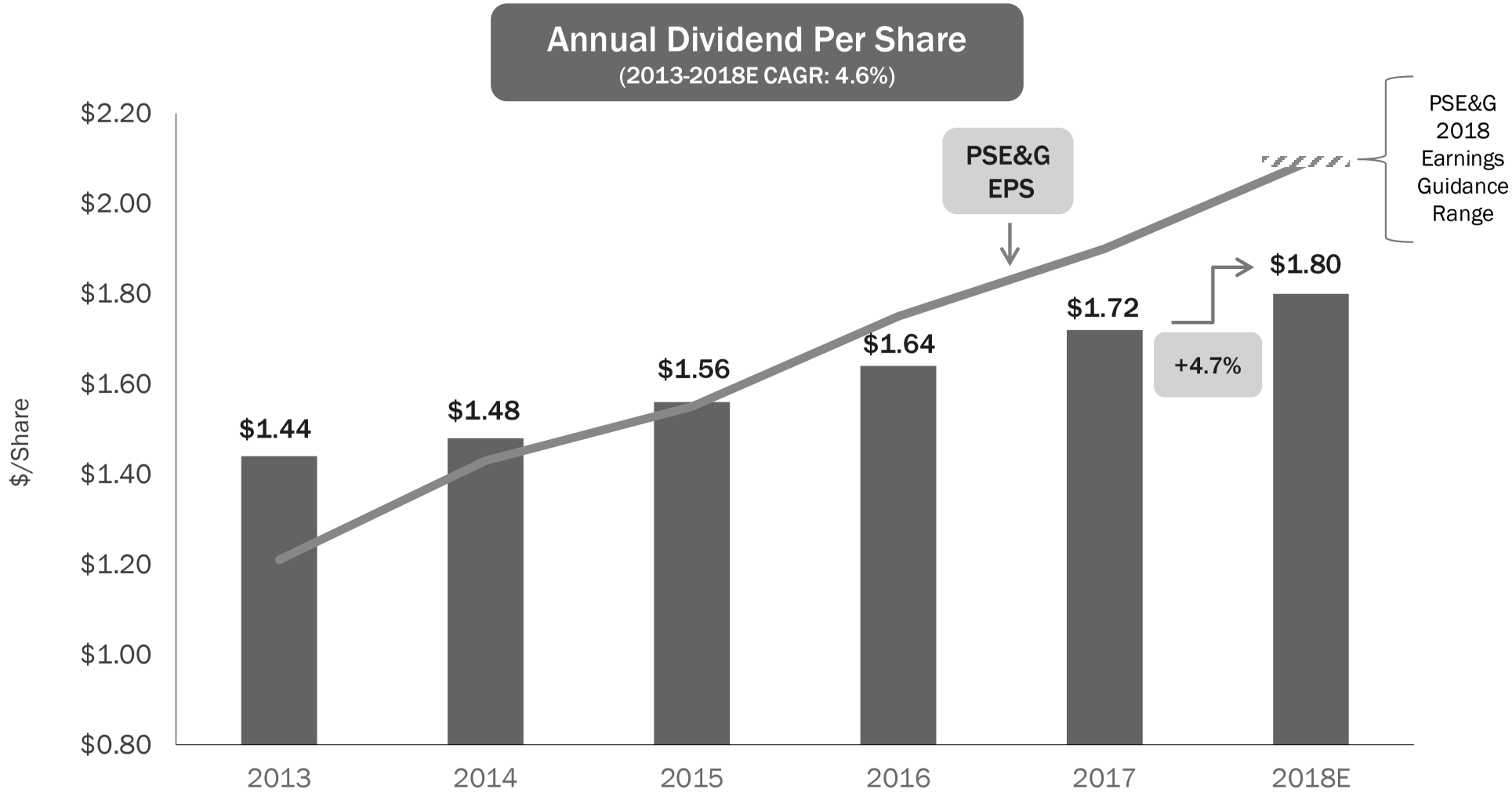
Opportunity for consistent and sustainable dividend growth



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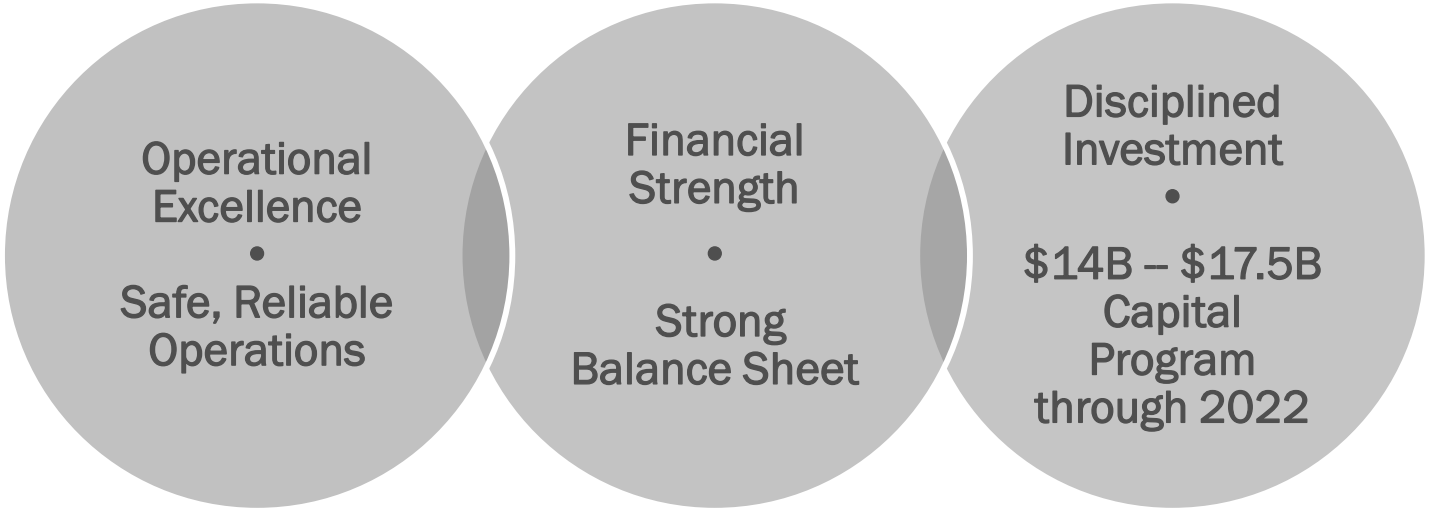
E=ESTIMATE; INDICATIVE ANNUAL RATE .

PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

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NOTE: PSEG 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILINGS

PSEG 2018 EEI Meeting Takeaways

Enhanced Stability, Risk Mitigated

Regulatory & Policy Focus De-risks/Presents Opportunities

- Base distribution rate case completed; GSMP II approved; IIP adopted
- ZEC law aims to preserve nuclear; Clean Energy law cites lost revenues
- Power fleet efficiency & geographic diversity improved with new CCGTs
- Capacity market stability through May 2022

Regulated Growth Plan In Place

Among Highest Regulated Growth Rates

- Rate Base CAGR at 8%-10% (2018-2022) fueled by GSMP I and II, ES I and II, CEF filings, and transmission investment
- At Power, NJ ZECs and PJM Price Formation reforms pending
- Clean Energy Law has investable potential

Financial Strength

Financial Strength Remains Intact

- Stable credit metrics (FFO/Debt, credit ratings) enabling accelerated return of excess deferred taxes will also increase rate base
- Higher 54% equity ratio at PSE&G coming out of rate case
- No new equity needed to finance 2018-2022 capital plan
- Dividend policy: Opportunity for consistent & sustainable growth

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PSEG FINANCIAL APPENDIX

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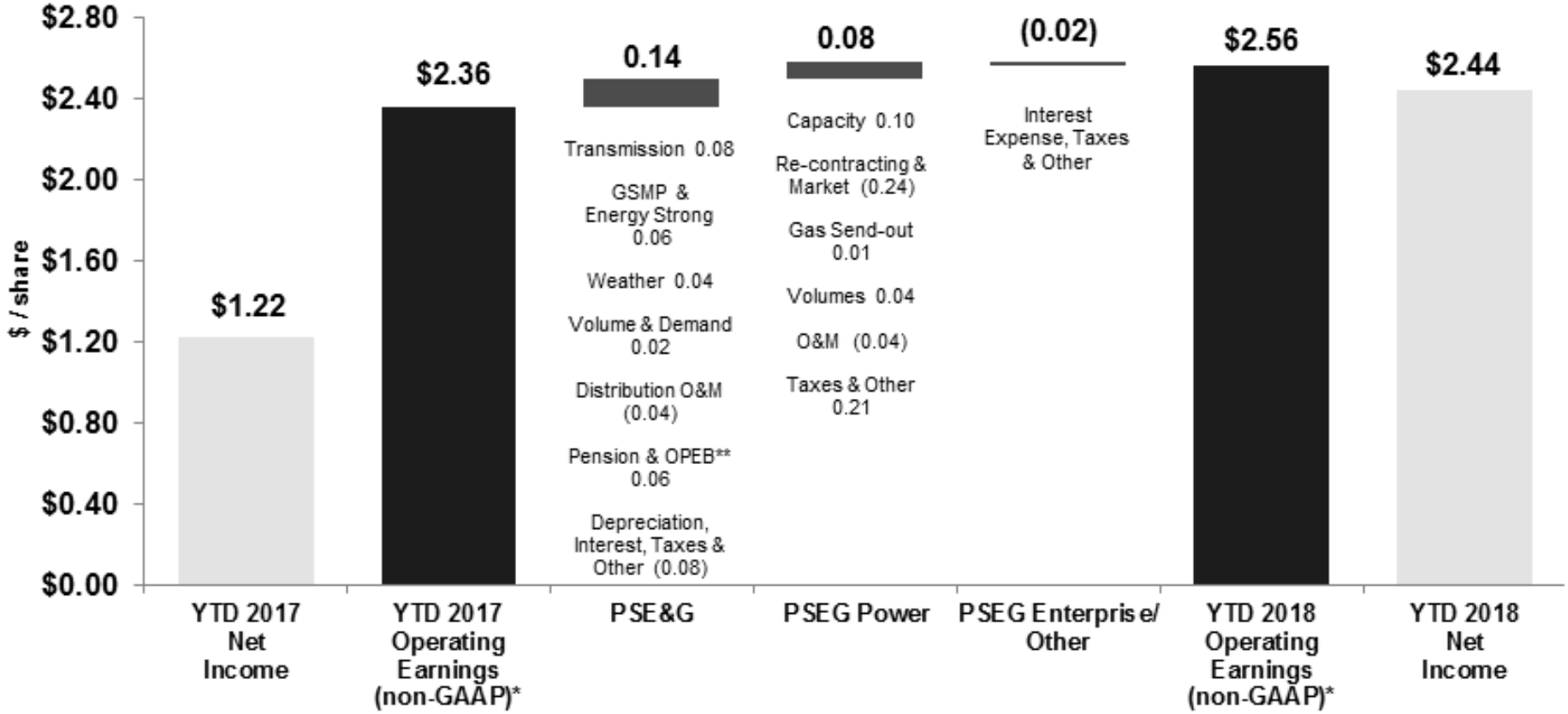
PSEG

We make things work for you.

PSEG EPS Reconciliation – YTD 2018 versus YTD 2017

Utility investment and tax reform drove year-to-date growth



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS
**REFLECTS THE IMPACT OF NEW ACCOUNTING GUIDANCE EFFECTIVE JANUARY 1, 2018 WHICH NO LONGER ALLOWS CAPITALIZATION OF NON-SERVICE COMPONENTS OF PENSION AND OPEB COSTS AND REQUIRES THE RECLASSIFICATION OF THESE COSTS BELOW OPERATING INCOME.
NOTE: PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – YTD Financial Results by Subsidiary

PSEG YTD EPS Summary – Nine Months ended September 30			
GAAP Net Income/(Loss)	**2018**	**2017**	**Change**
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.79	$ (0.26)	$ 1.05
PSEG Enterprise/Other	$ 0.02	$ (0.01)	$ 0.03
Total PSEG	$ 2.44	$ 1.22	$ 1.22
Non-GAAP Operating Earnings*	**2018**	**2017**	**Change**
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.88	$ 0.80	$ 0.08
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG	$ 2.56	$ 2.36	$ 0.20

*SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

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PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, as noted)*

$ Millions (except EPS)	2018E	2017
PSE&G	$1,055 - $1,070	$963
PSEG Power (non-GAAP)*	$465 - $500	$505
PSEG Enterprise/Other	$25 - $25	$20
Operating Earnings (non-GAAP)*	$1,545 - $1,595	$1,488
Operating EPS (non-GAAP)*	**$3.05 - $3.15E**	**$2.93**

Adjusted EBITDA (non-GAAP)*

$ Millions	2018E	2017
PSEG Power	$1,045 - $1,100	$1,172

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PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) AND SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) AND ADJUSTED EBITDA (NON-GAAP).
E = ESTIMATE.

PSEG EXECUTIVE PROFILES

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PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities, he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented more than 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance, from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters) and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He also is on the advisory board for the University of Pennsylvania's School of Engineering and Applied Sciences Mechanical Engineering and Applied Mechanics Department, a member of the Board of Trustees of the Peddie School and Princeton University's Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at Massachusetts Institute of Technology and the CEO Action for Diversity and Inclusion. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

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Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

Mr. Cregg was named NJBIZ 2018 CFO of the Year.

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Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 412	$ 395	$ 1,239	$ 618	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	9	3	960	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(18)	(387)	(427)
Tax Reform	-	-	-	-	(745)
Operating Earnings (non-GAAP)	$ 481	$ 417	$ 1,298	$ 1,199	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.81	$ 0.78	$ 2.44	$ 1.22	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.08)	(0.05)	(0.05)	(0.14)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.26	0.09	0.16	-	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.02	0.01	1.89	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	0.03	0.15	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.02)	(0.03)	(0.76)	(0.84)
Tax Reform	-	-	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.95	$ 0.82	$ 2.56	$ 2.36	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and Enterprise/Other

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 278	$ 246	$ 828	$ 753	$ 973
Tax Reform	-	-	-	-	(10)
Operating Earnings (non-GAAP)	$ 278	$ 246	$ 828	$ 753	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	$ 9	$ 13	$ 11	$ (4)	$ 122
Lease Related Activity, pre-tax	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	-	(6)	(32)	(32)
Tax Reform	-	-	-	-	(147)
Operating Earnings (non-GAAP)	$ 9	$ 13	$ 25	$ 41	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	**$ 125**	**$ 136**	**$ 400**	**$ (131)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on MTM, pre-tax [b]	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax	-	9	3	960	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(12)	(355)	(395)
Tax Reform	-	-	-	-	(588)
Operating Earnings (non-GAAP)	**$ 194**	**$ 158**	**$ 445**	**$ 405**	**$ 505**
Depreciation and Amortization, pre-tax [d]	91	77	253	256	333
Interest Expense, pre-tax [d] [e]	29	12	46	40	48
Income Taxes [d]	46	109	139	275	286
Adjusted EBITDA (non-GAAP)	**$ 360**	**$ 356**	**$ 883**	**$ 976**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

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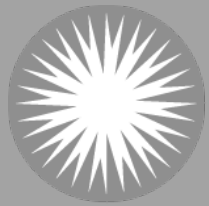
Evercore ISI – Investor Meetings

PALM BEACH, FL – JANUARY 8-9, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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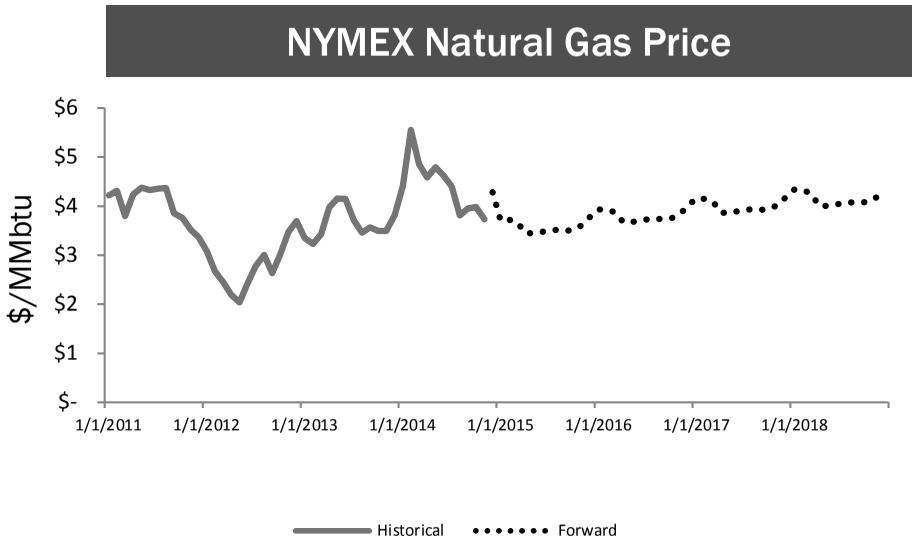
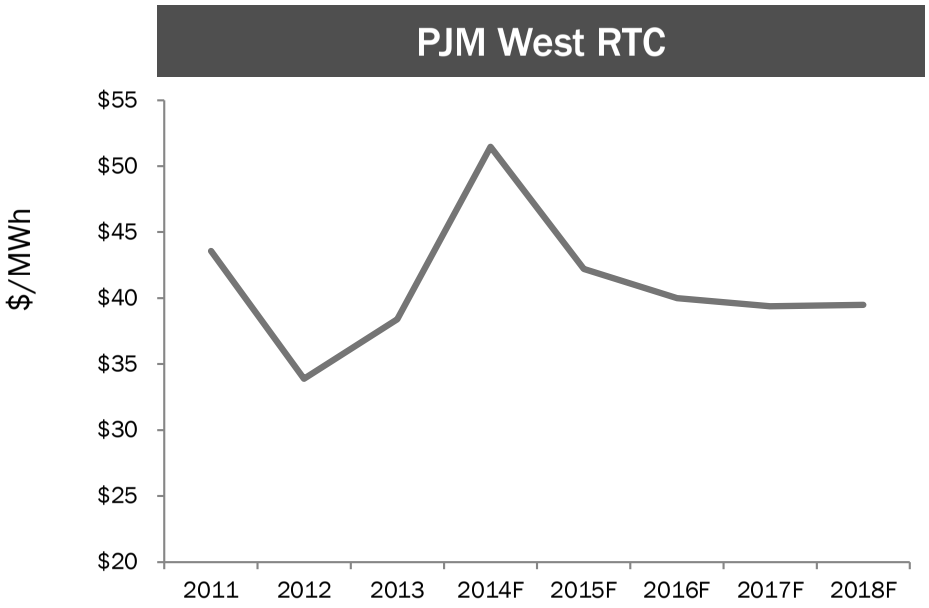
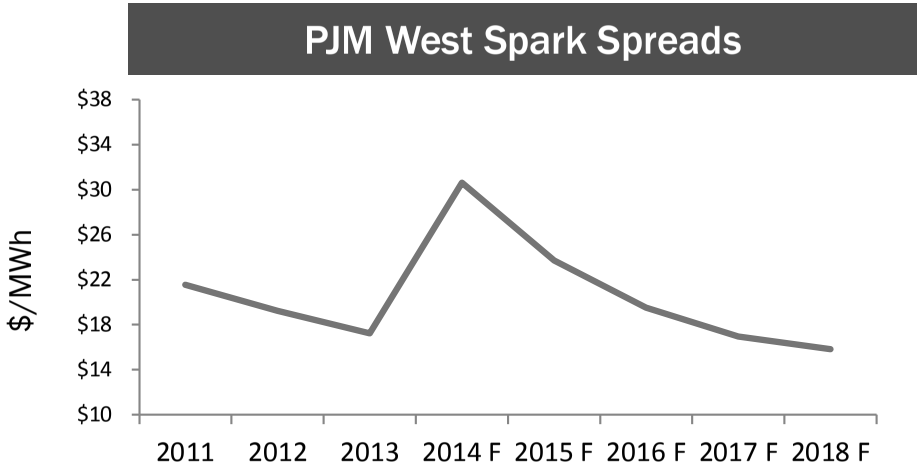
Market Review: Long-term fundamentals remain sound







- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

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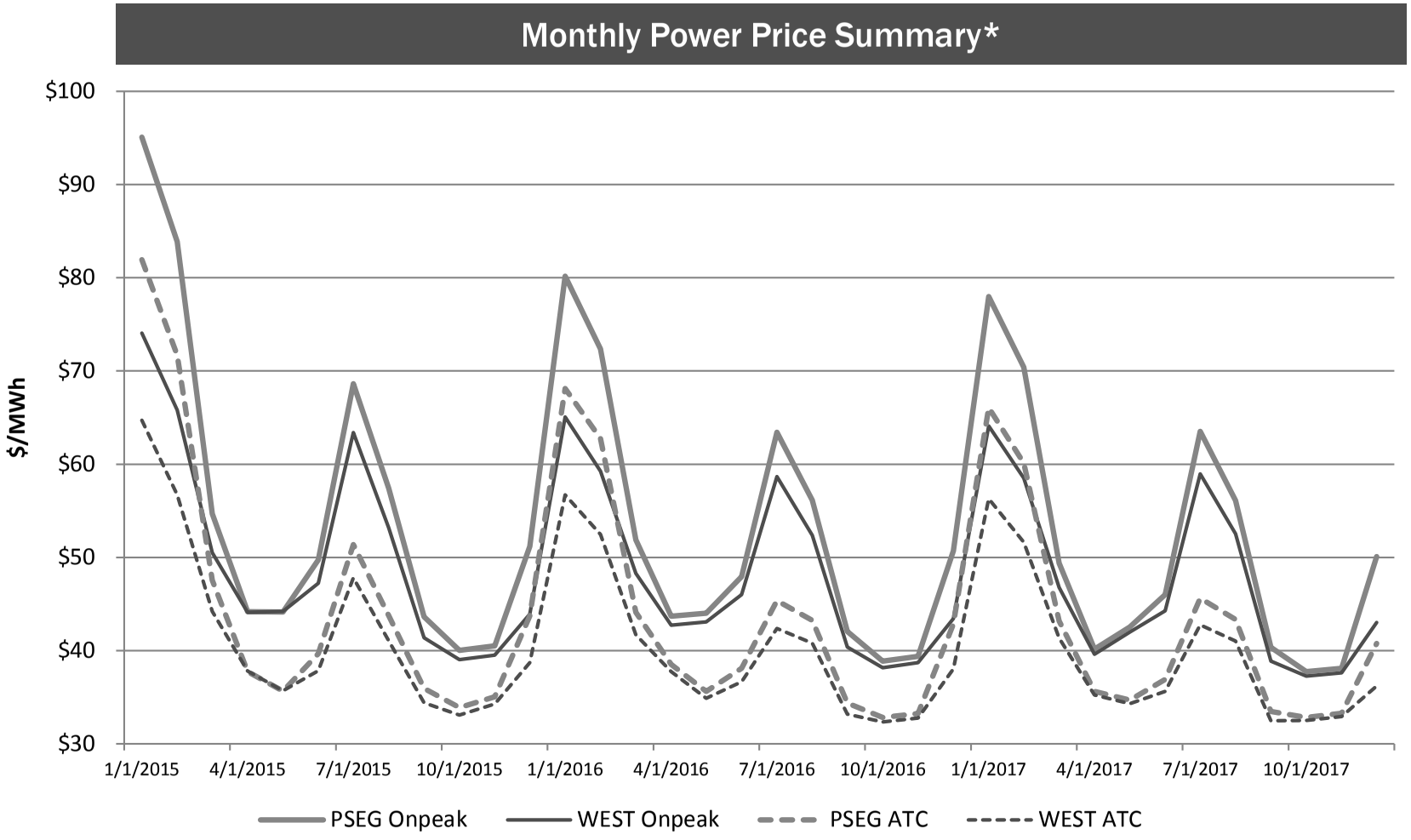
F = FORWARDS AS OF DECEMBER 17, 2014, 2014F INCLUDES HISTORY AND FORWARDS

Sustainable Advantage: Forward power curves indicate PSEG Zone retains premium price



Growing importance of the winter peak has influenced PJM reliability planning … with supportive implications for price formation

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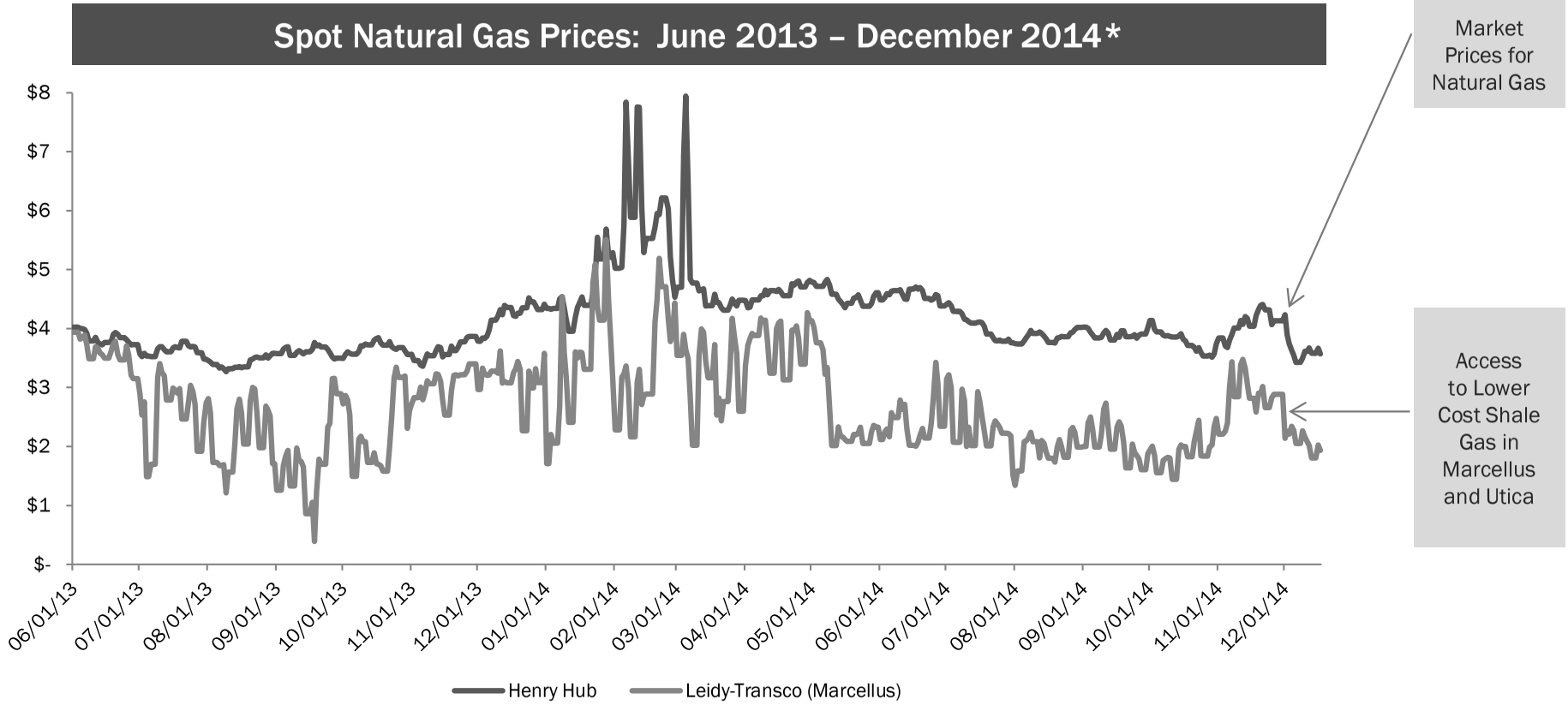
PSEG

* MARKET AS OF DECEMBER 17, 2014
SOURCE: ICE/BROKER QUOTES

Competitive Advantage: In 2014, ~40% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

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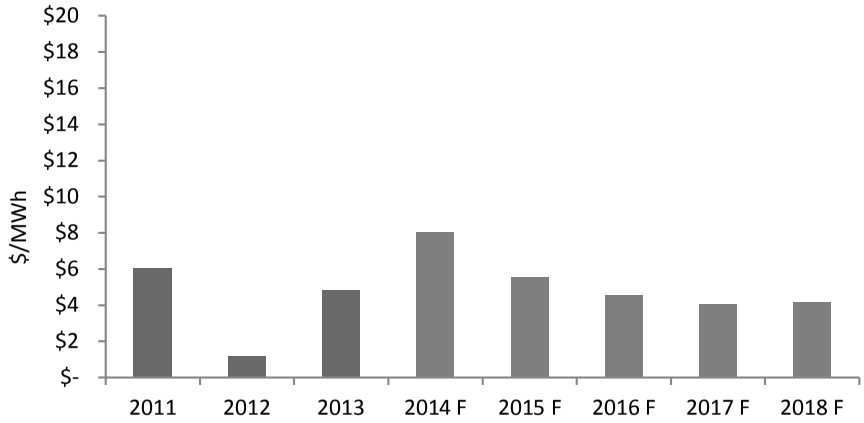
PSEG

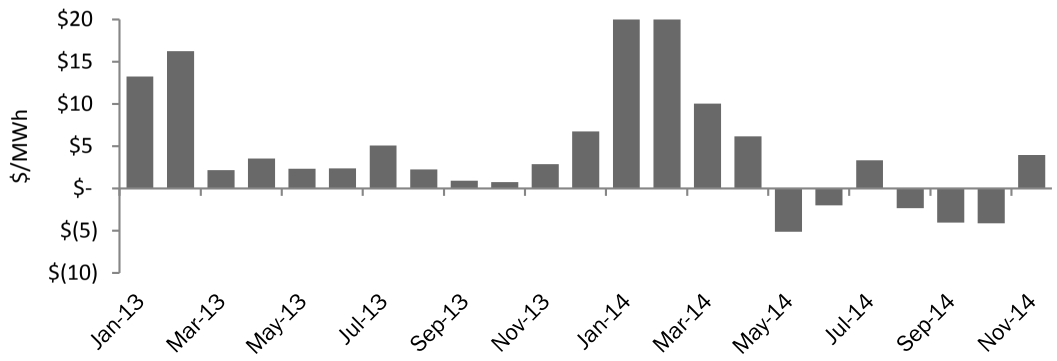
* AS OF DECEMBER 17, 2014

Competitive Advantage: Locational advantage from short term basis volatility

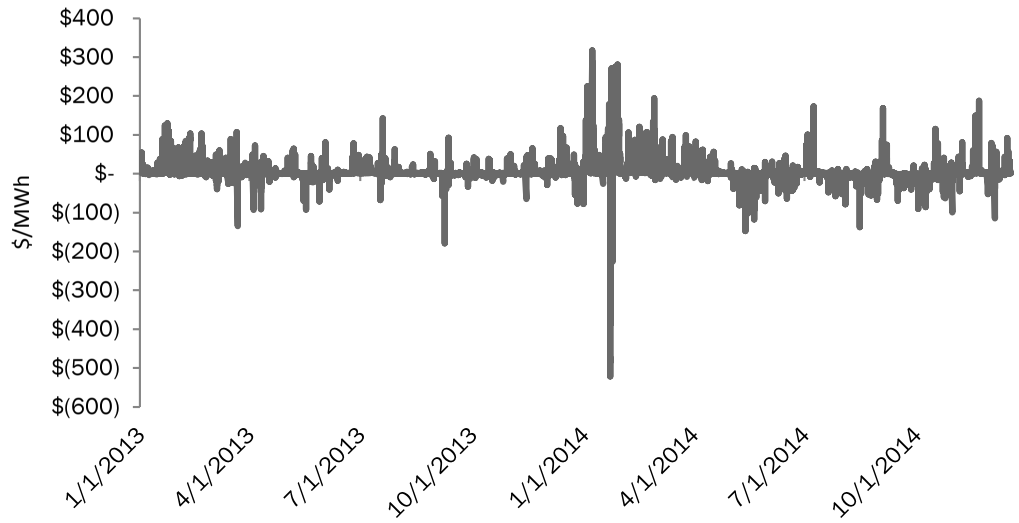
PS Zone On Peak Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

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PSEG

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF DECEMBER 17, 2014, 2014F INCLUDES HISTORY AND FORWARDS.

PSEG's longer-term outlook is influenced by Power's hedge position ~~and increased investment at PSE&G~~

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.07-$0.10
Each $2/MWh Change in Spark Spread	$0.05	$0.05
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

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PSEG Investor Summary

2018 EVERCORE ISI • UTILITY CEO CONFERENCE
JANUARY 11-12, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08293

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-08294

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of November 5, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-08295

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-08296

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

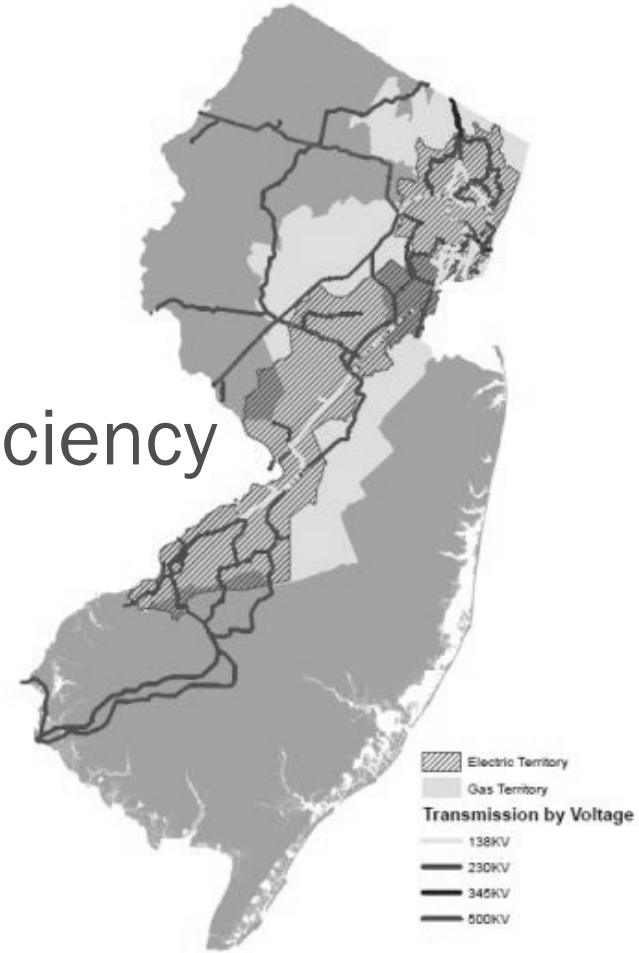
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-08297

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

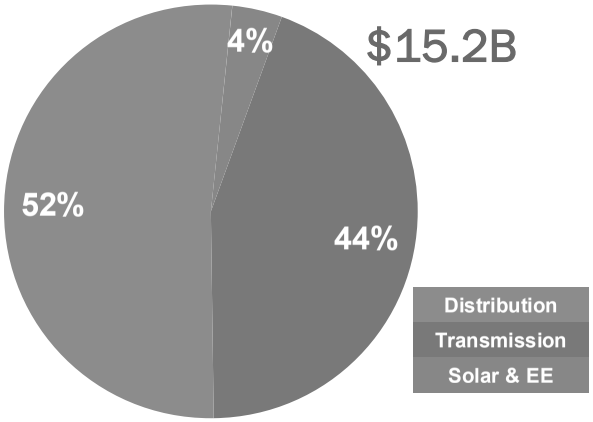
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base

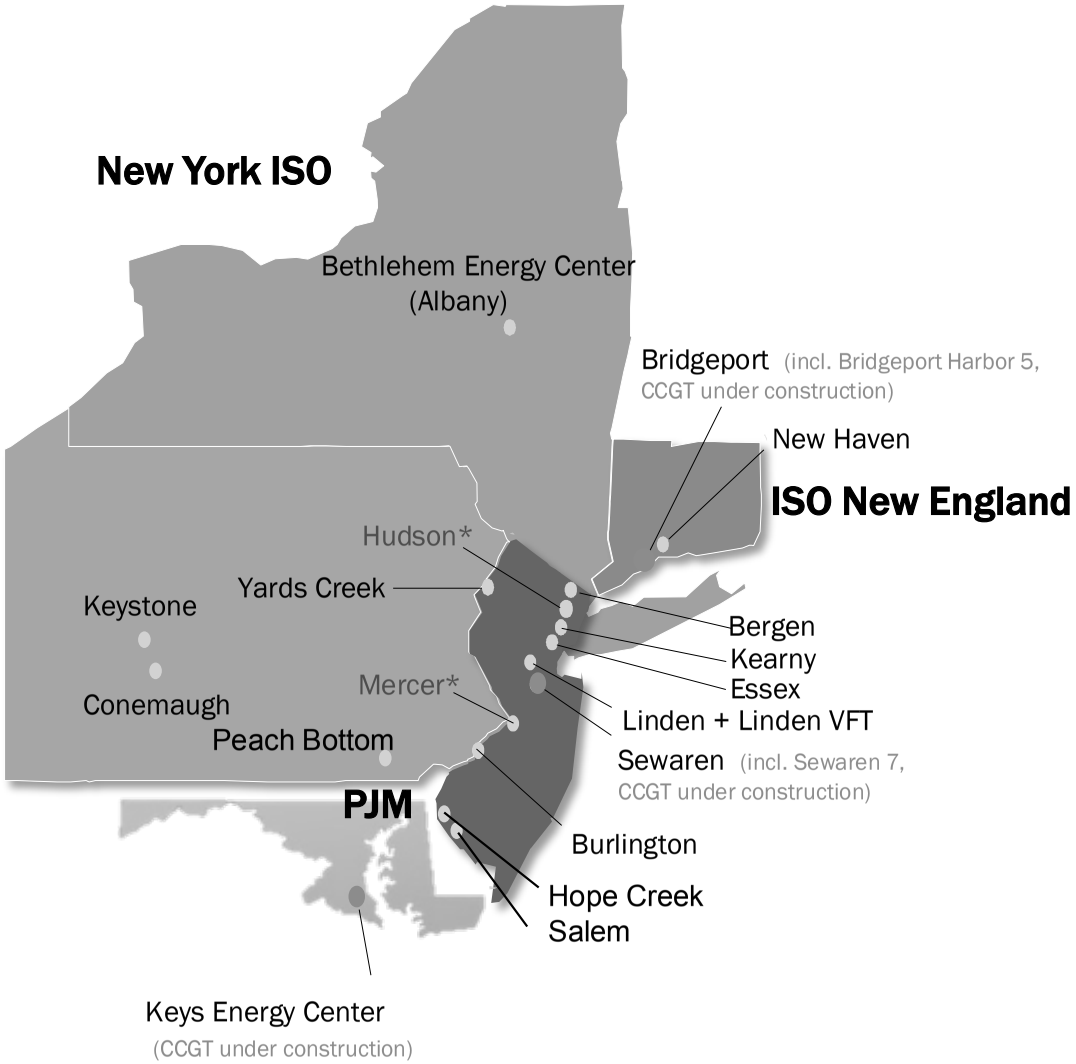


SI-SSA-0015-08298

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-08299

*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing to no later than February 1, 2018

Long-Term Infrastructure Investment Platform Approved by BPU in December 2017

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- PSE&G preparing a multi-year extension filing for Energy Strong
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

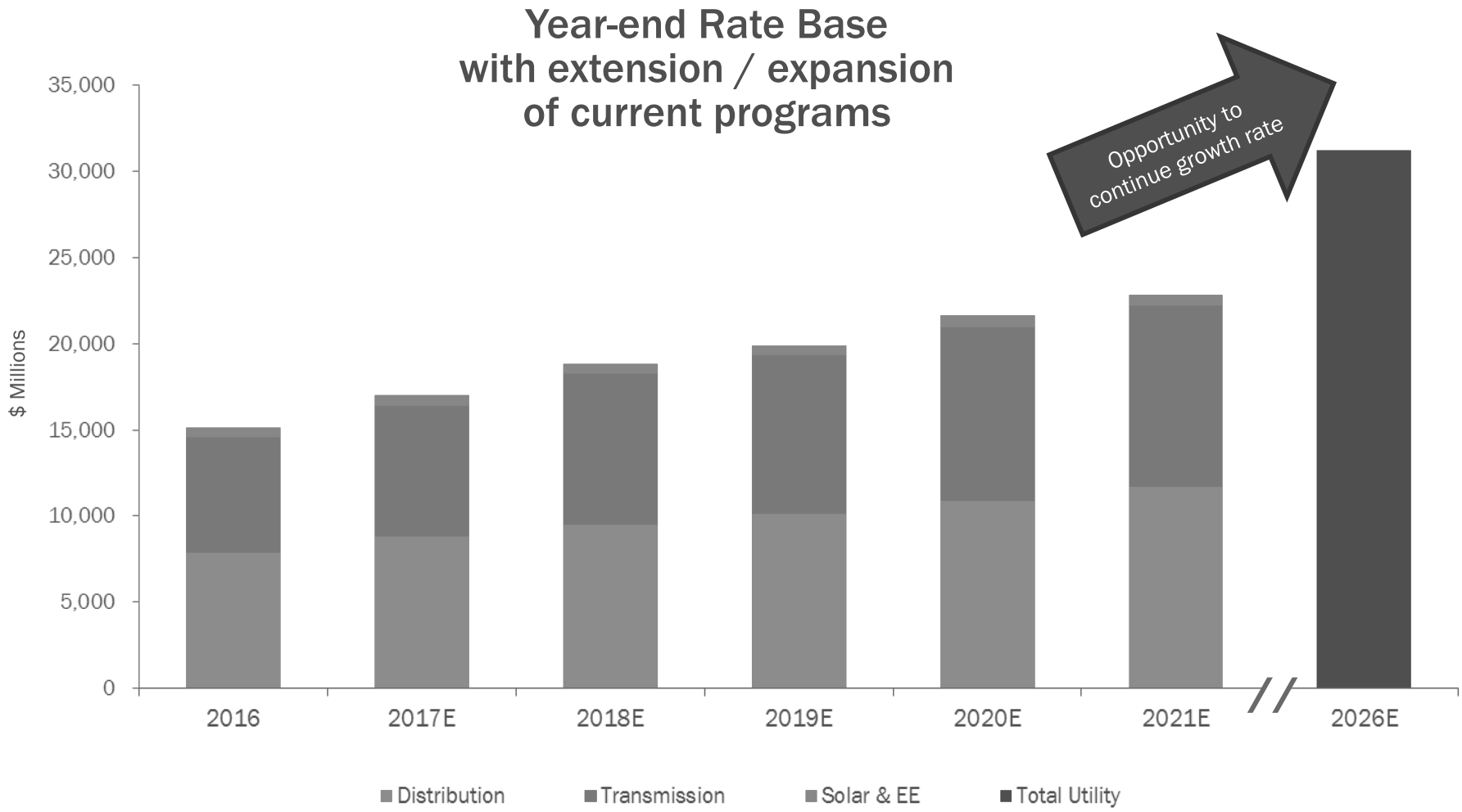
- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- PJM considering issues of Price Formation reform
- FERC opened a NOPR on grid resiliency

SI-SSA-0015-08300

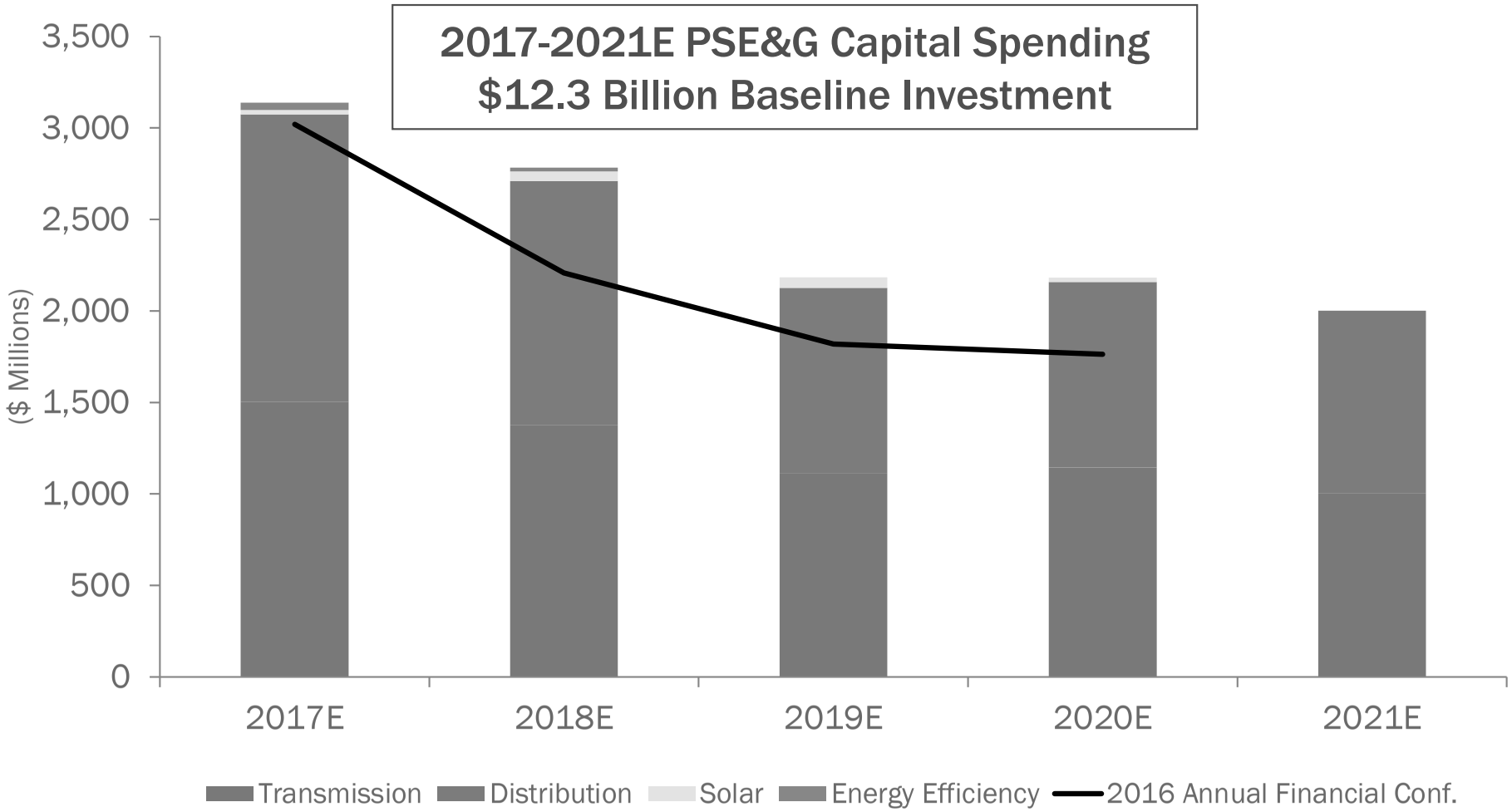
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-08301

Baseline programs yield 7% compound annual growth in rate base



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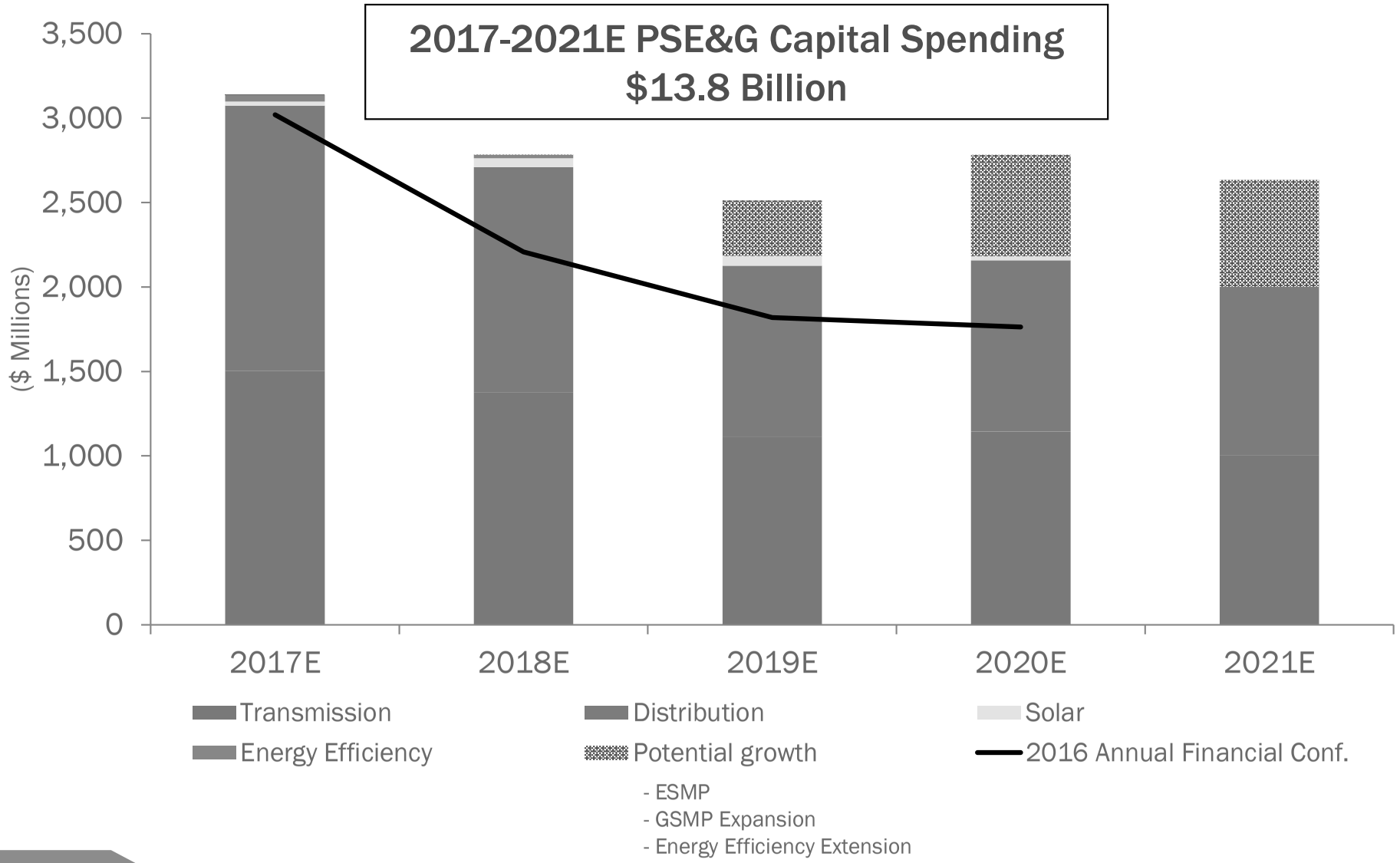
PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

Expansion/Extension of PSE&G's existing

baseline programs yield increasing confidence in ~9% rate base CAGR



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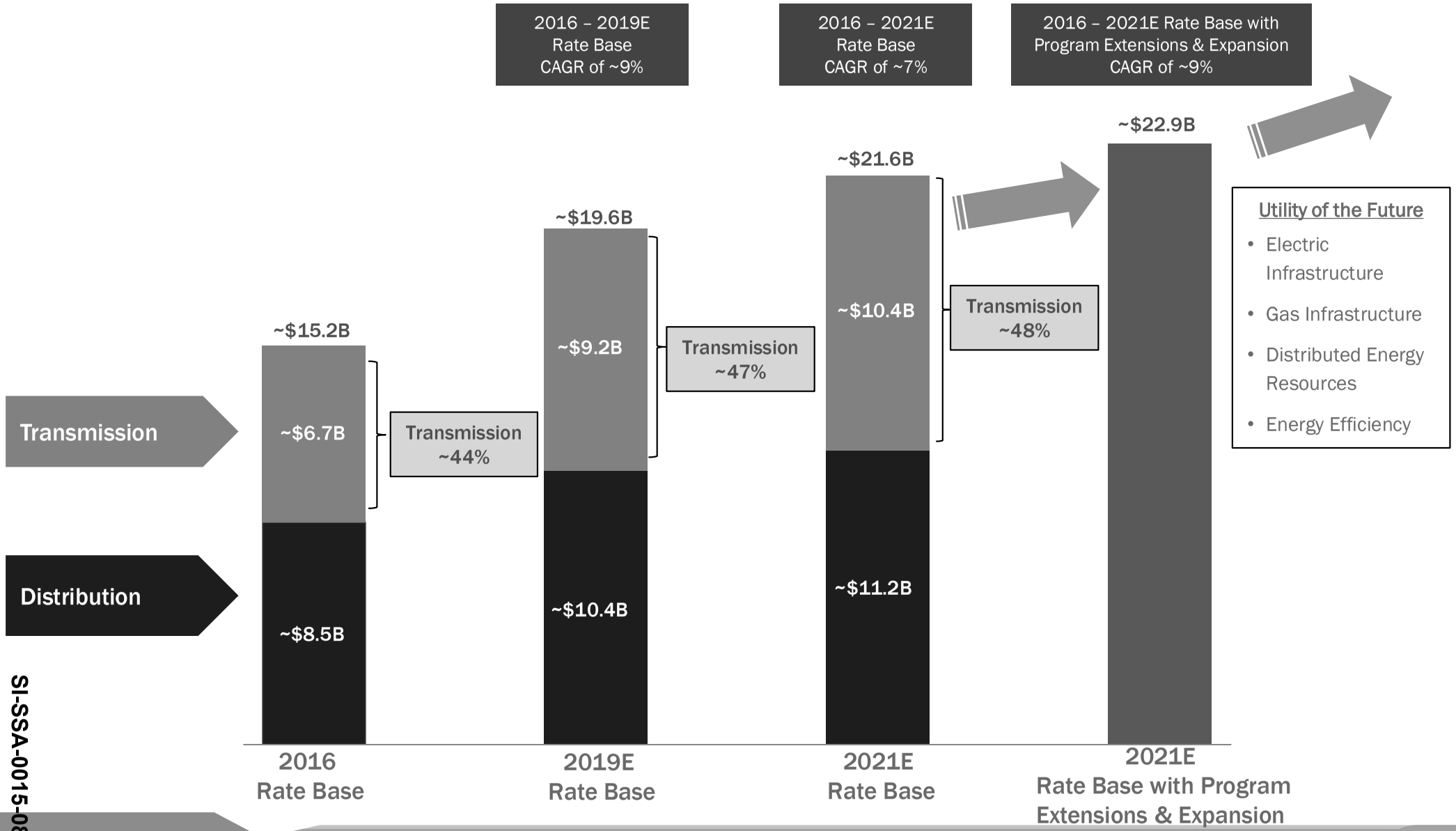
PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-08304

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-08305

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

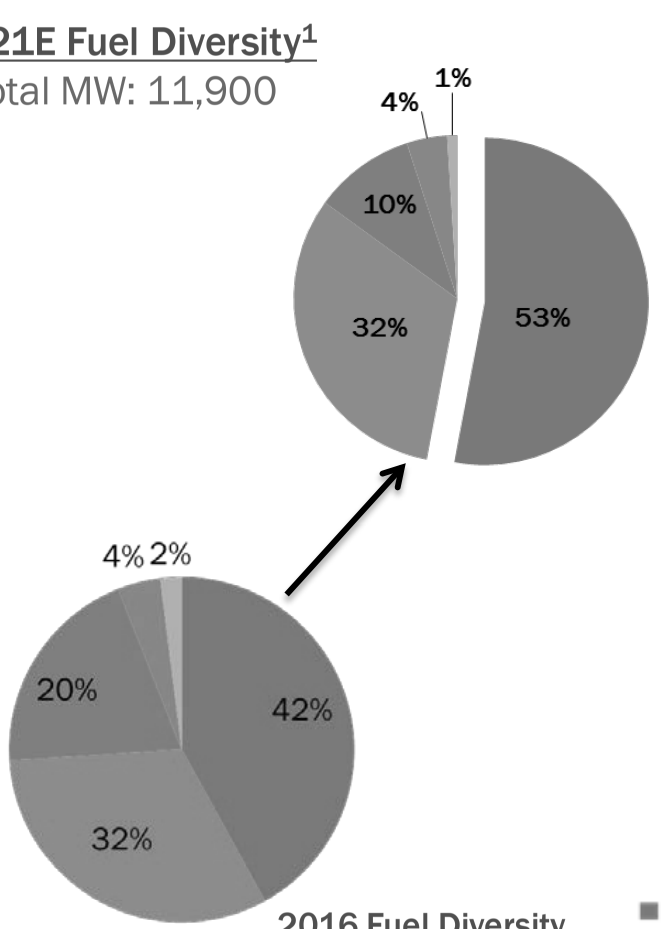
Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

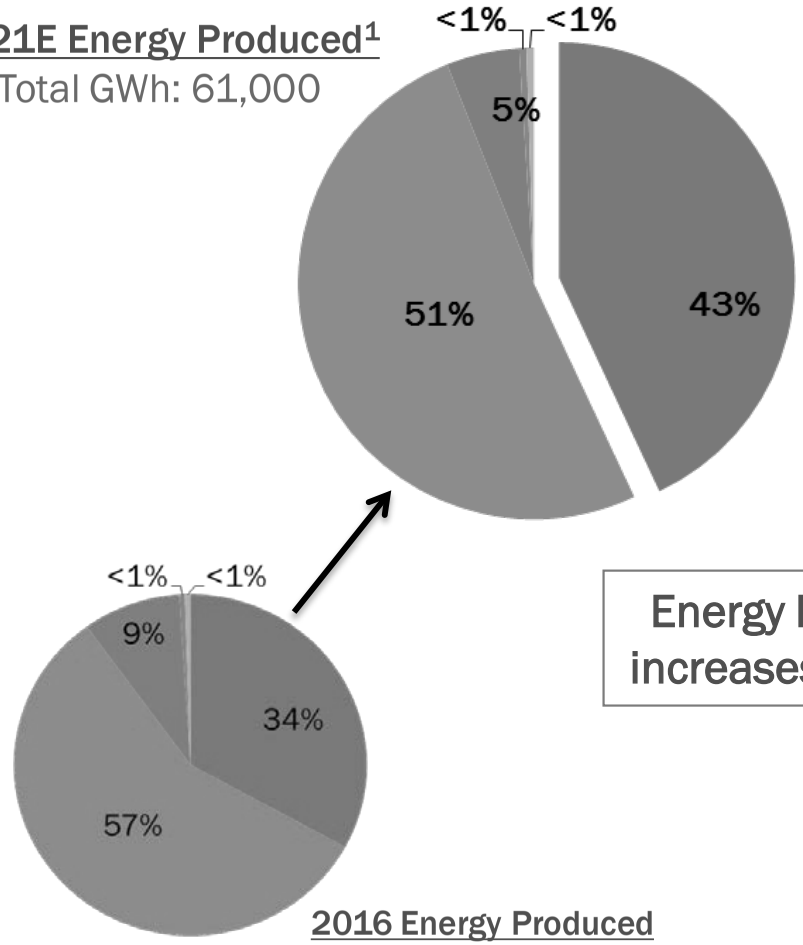
PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-08306

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





Energy Produced increases by >18%

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-08307

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

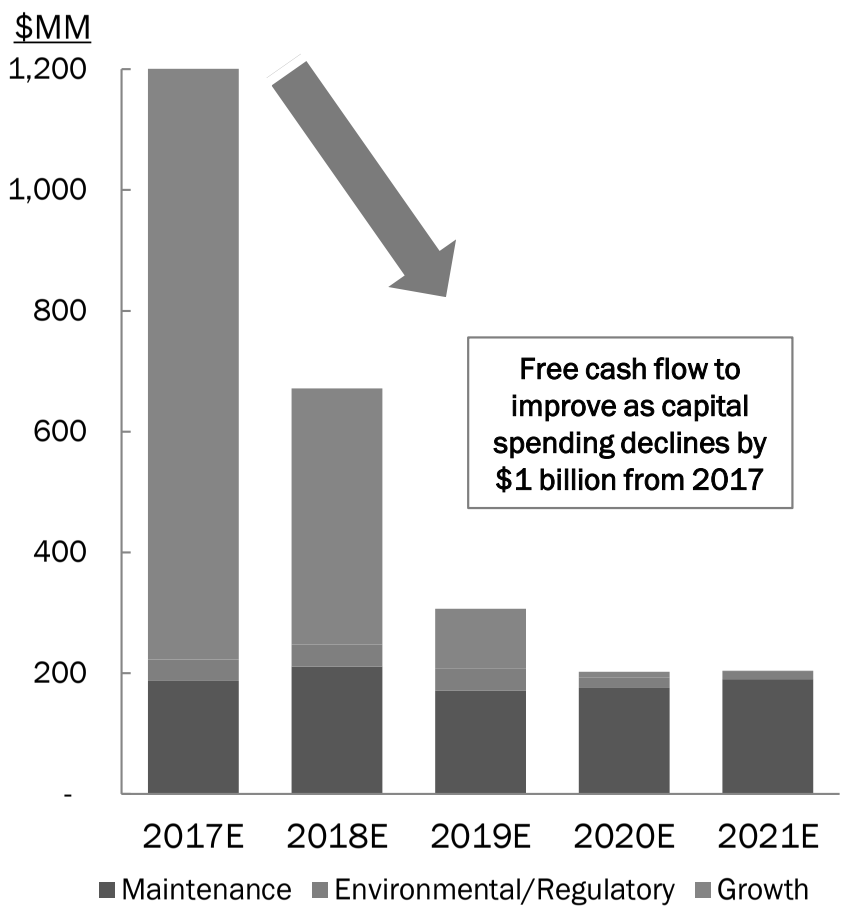
SI-SSA-0015-08308

PSEG

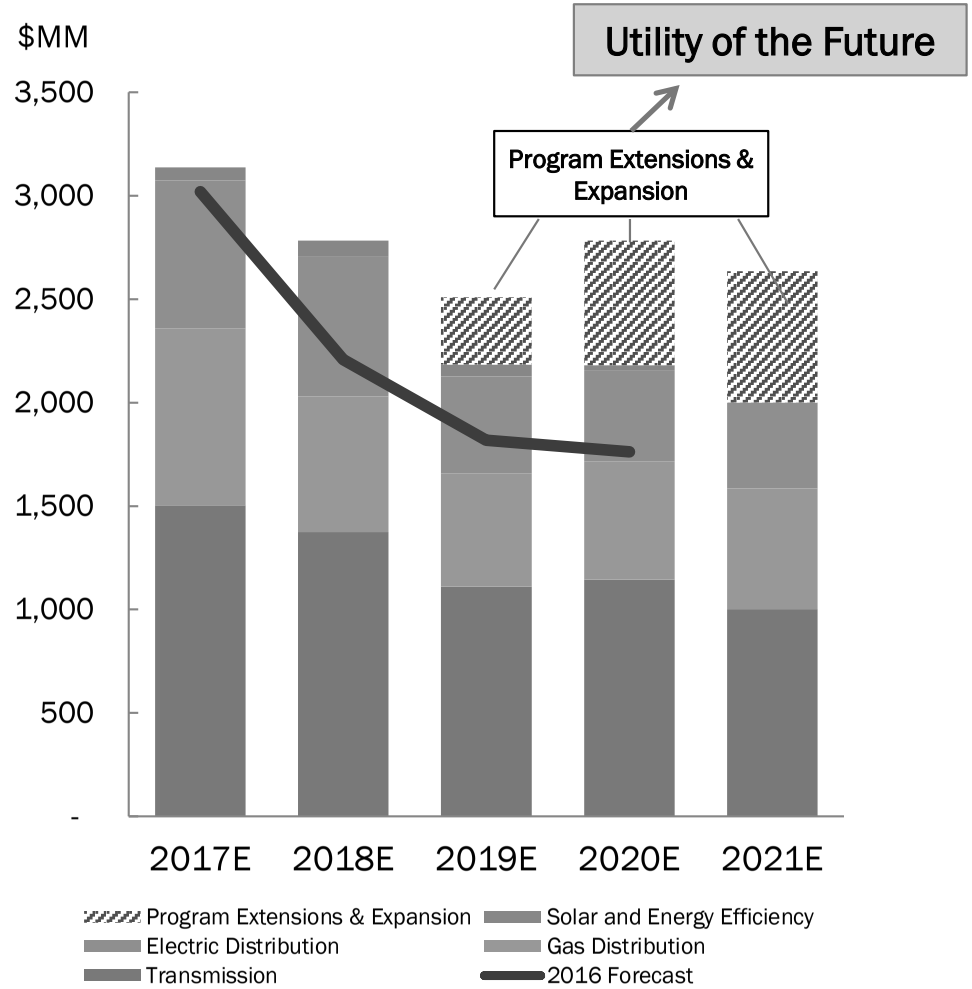
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)

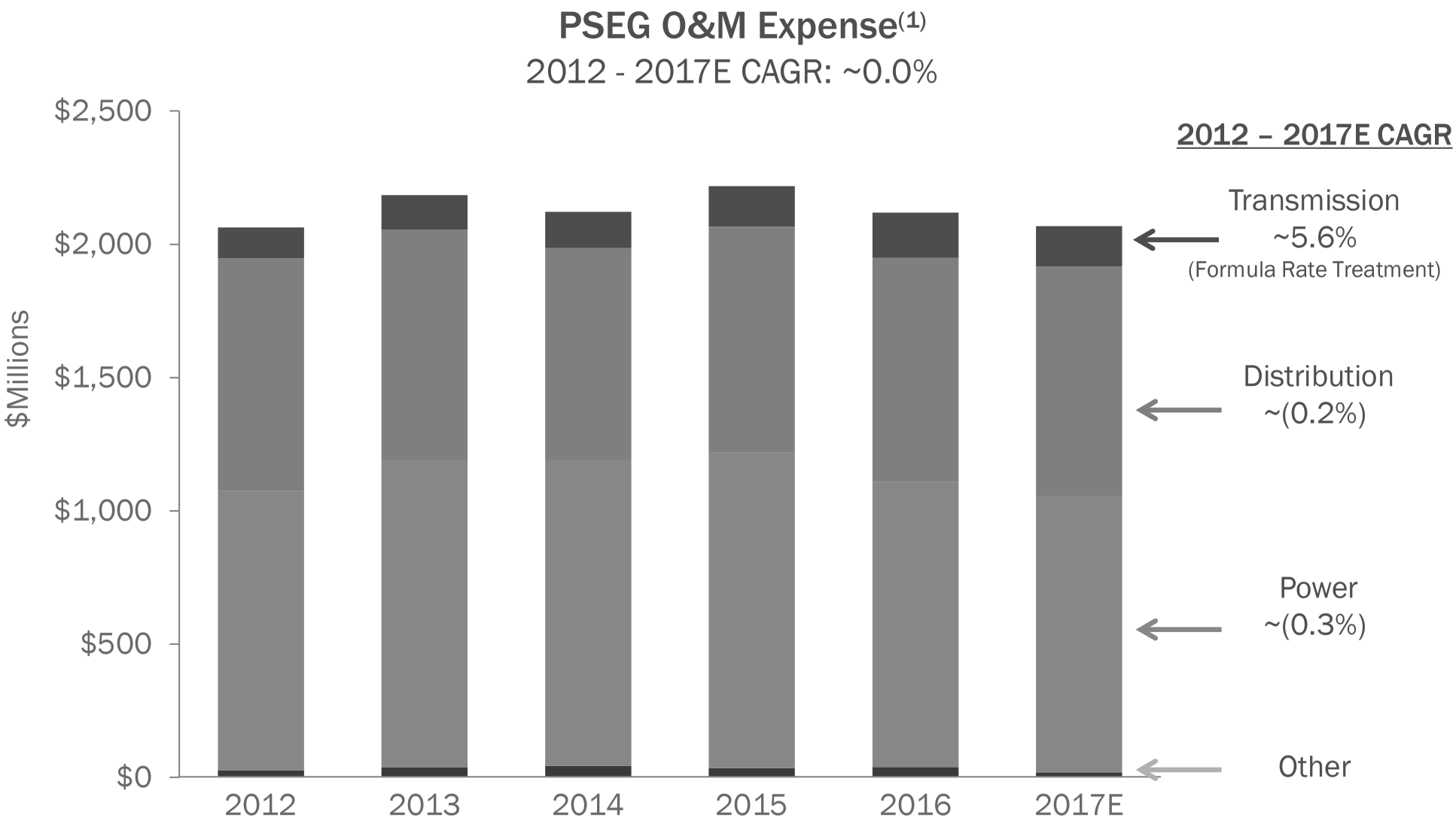


SI-SSA-0015-08309

PSEG

(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

PSEG has demonstrated an ability to control O&M



SI-SSA-0015-08310

PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Tax Cuts and Jobs Act: PSEG well positioned

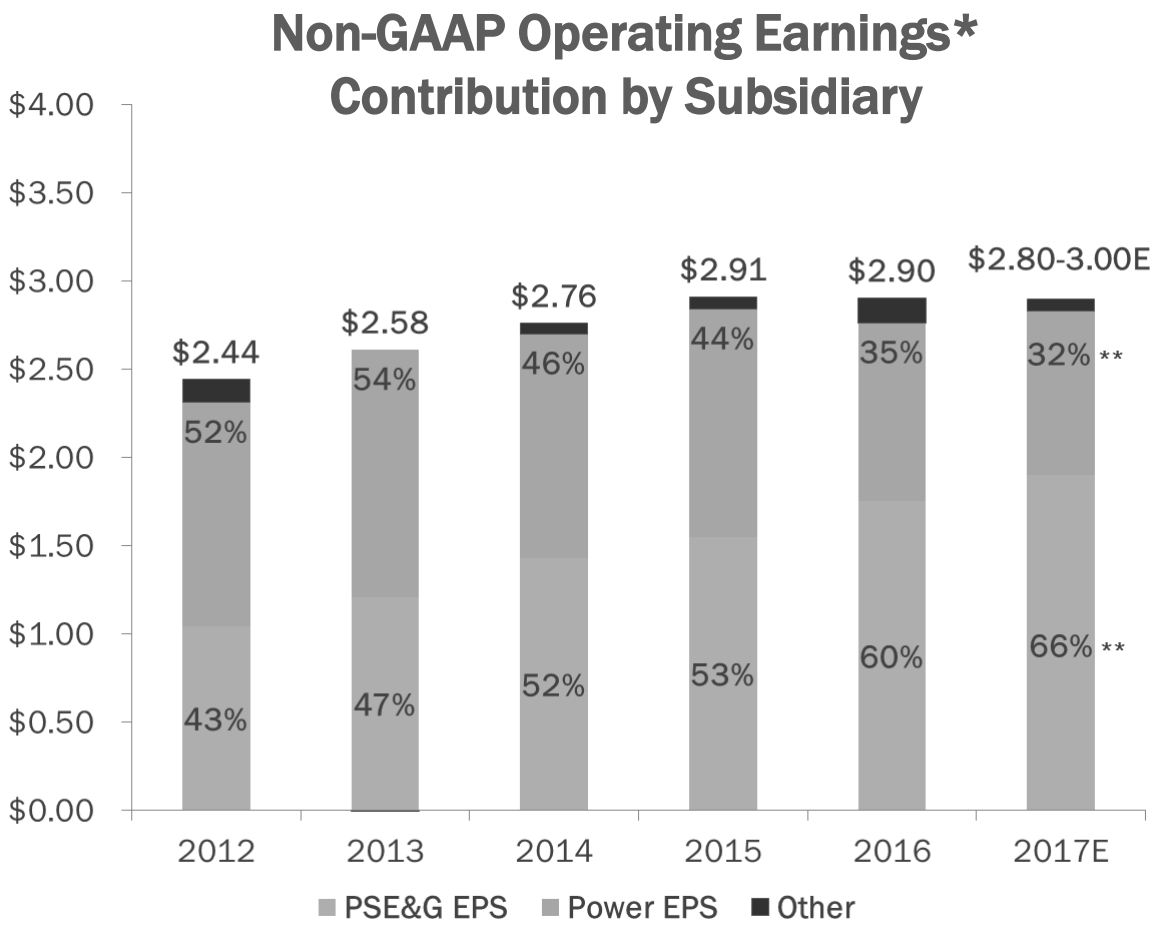
given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of ~ $1.8 – $2.2 Billion	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability to be reflected in 2017 GAAP results: ~ $530 -- $650 Million	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability to be reflected in 2017 GAAP results: ~ $130 – $180 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017; rate base growth increases relative to prior tax regime	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% limitation based on tax- EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance
		Allocation of Interest expense between businesses has yet to be defined	

Our estimates and analysis are preliminary. The SEC has provided companies one year to finalize 2017 accounting requirements. Accordingly, further adjustments in 2018 may be required.

SI-SSA-0015-08311

2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



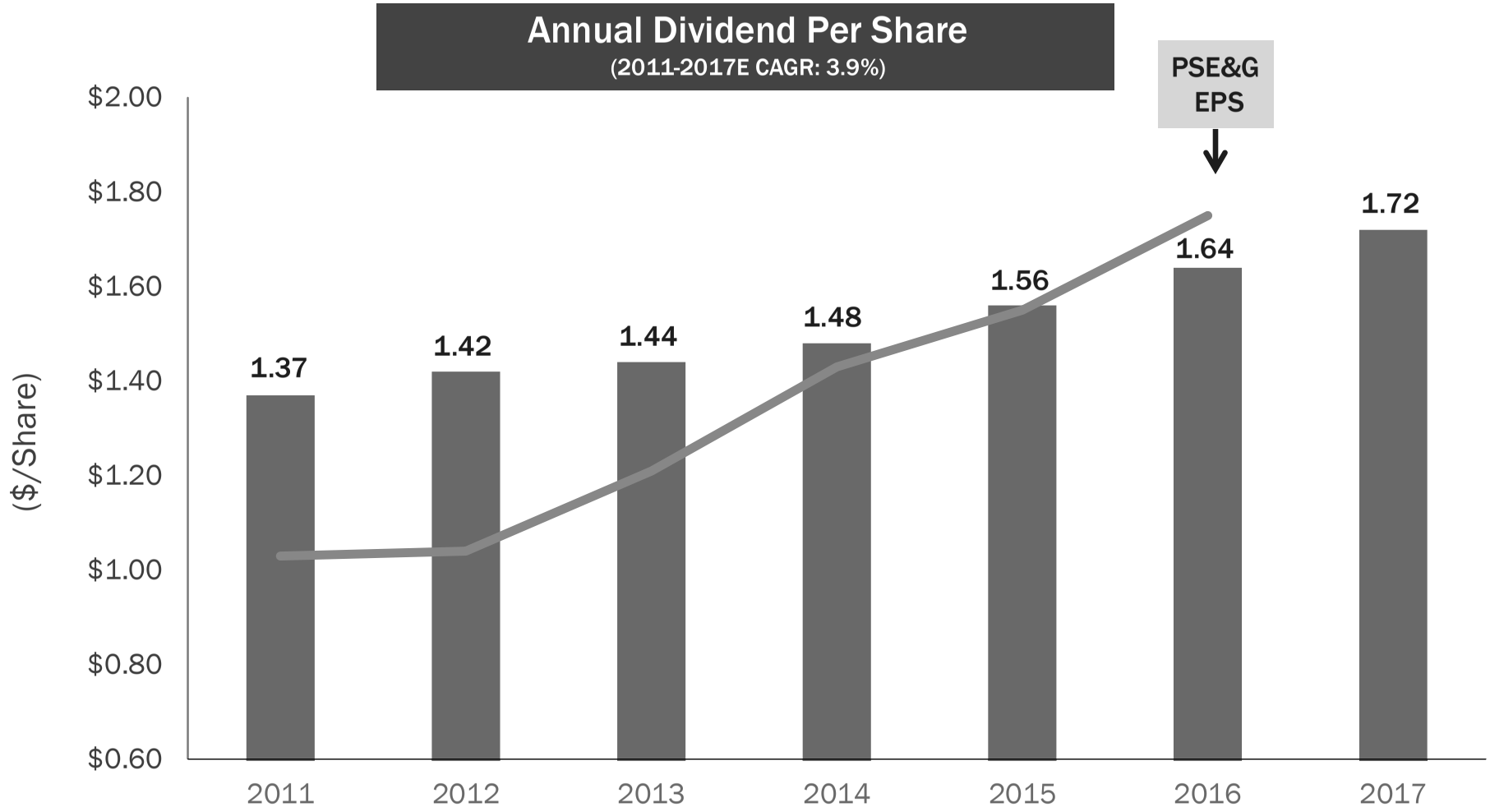
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-08312

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF NOVEMBER 5, 2017.

Opportunity for consistent and sustainable dividend growth



SI-SSA-0015-08313

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-08314

PSEG FINANCIAL APPENDIX

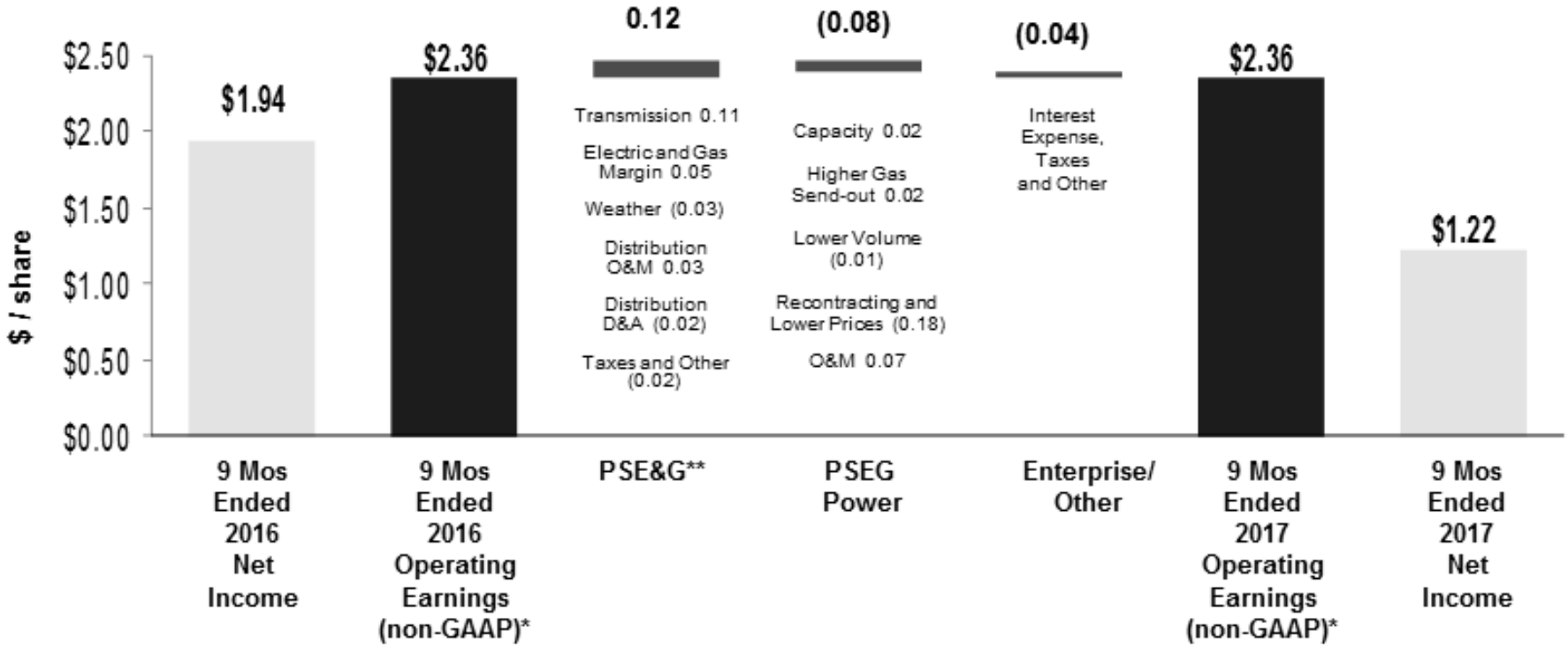
SI-SSA-0015-08315

PSEG

We make things work for you.

PSEG EPS Reconciliation – Nine Months 2017 versus Nine Months 2016

Utility investment and cost control drove nine month ended September 30, 2017 results



SI-SSA-0015-08316

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG EPS Summary – Nine months ended September 30			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ (0.26)	$ 0.63	$ (0.89)
PSEG Enterprise/Other	$ (0.01)	$ (0.06)	$ 0.05
Total PSEG	$ 1.22	$ 1.94	$ (0.72)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ 0.80	$ 0.88	$ (0.08)
PSEG Enterprise/Other	$ 0.07	$ 0.11	$ (0.04)
Total PSEG*	$ 2.36	$ 2.36	$ -

SI-SSA-0015-08317

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

Distribution Base Rate Case Filing Assumptions

- Test year – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- ROE request of 10.3%
- Capitalization structure includes 54% equity component
- O&M and sales are roughly flat to last rate case eight years ago
- Low-single digit requested increase relative to overall revenue
- Return of and on incremental rate base not recovered through clauses
  - $255M of GSMP Stipulated Base;
  - ~$100M Energy Strong above $1B in clause;
  - Capital investments above depreciation levels;
  - New Business
- Seeking decoupling of revenues from sales volumes
  - Aligning with State, environmental and customer interests
  - Supporting larger energy efficiency programs
- Anticipate new rates effective October 2018

Overall rates, even after consideration of the expected low-single digit request, would remain >15% lower than they were in 2010

SI-SSA-0015-08318

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

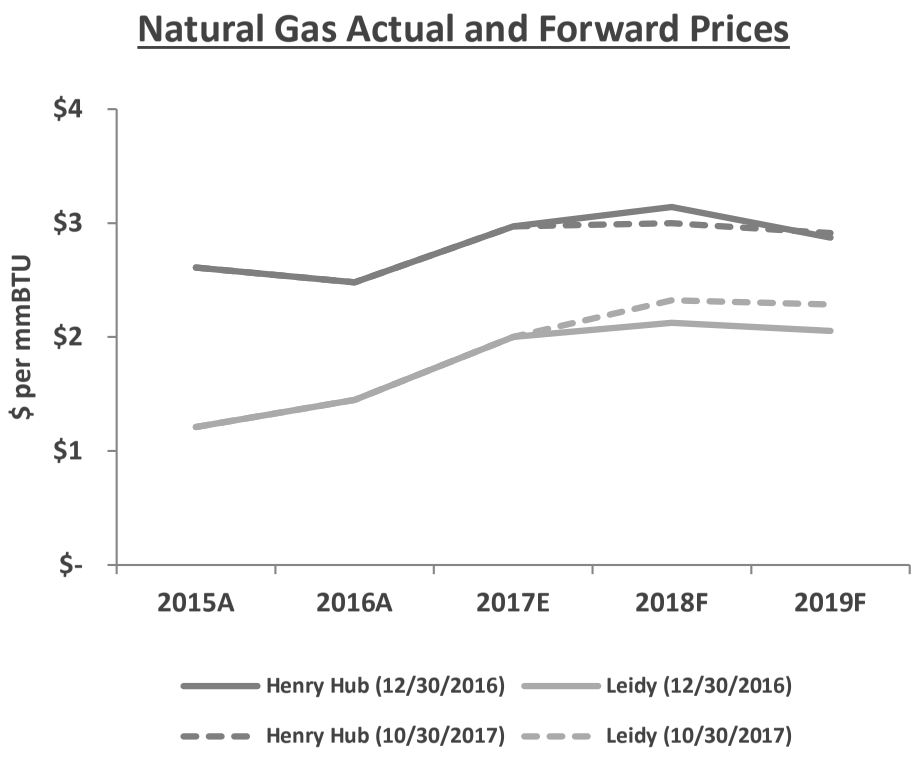
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

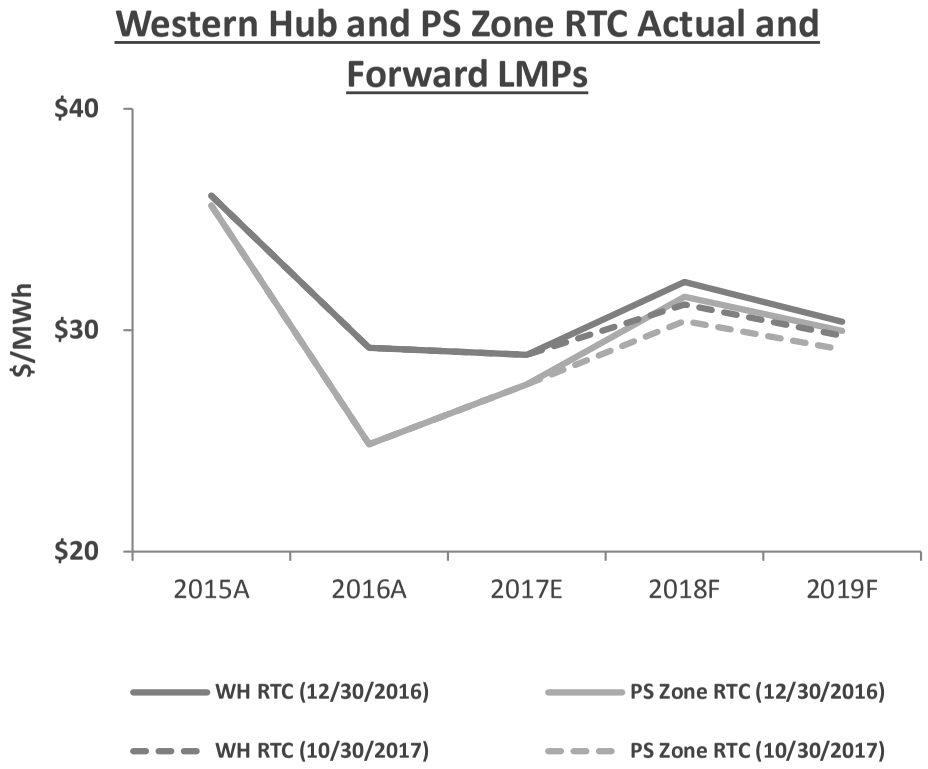
Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-08319

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





While prices indicate some spark spread compression, electric basis for the PSEG Zone has shown improvement in the forward markets since 2016

SI-SSA-0015-08320

E = WEIGHTED AVERAGE OF NINE MONTH ACTUALS AND 3 MONTH FORWARD DATA. A = ACTUAL F = FORWARD CURVE

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Investor Summary

2018 EVERCORE ISI • UTILITY CEO CONFERENCE

JANUARY 11-12, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08323

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-08324

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of November 5, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-08325

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-08326

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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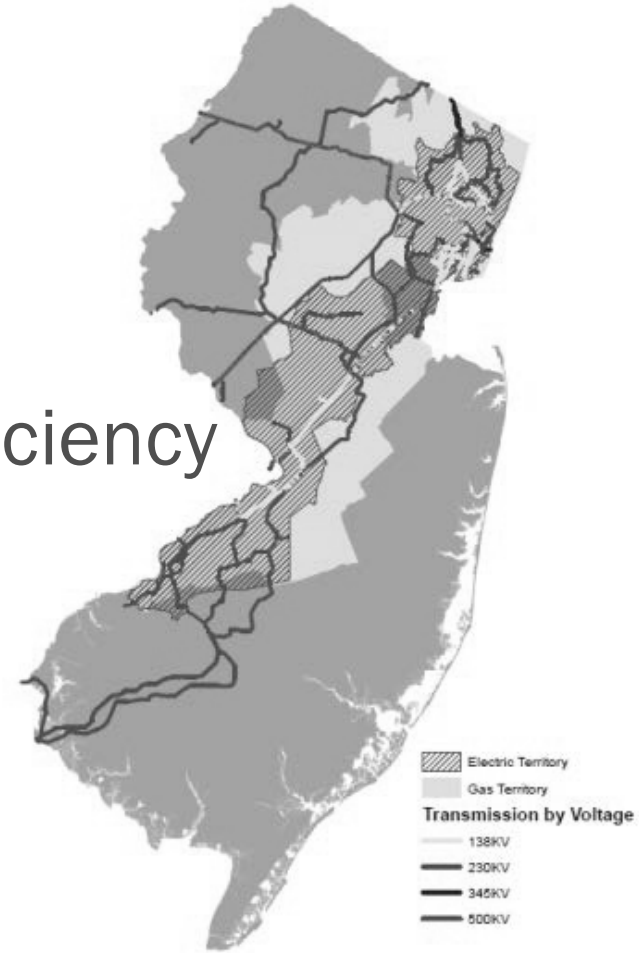
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

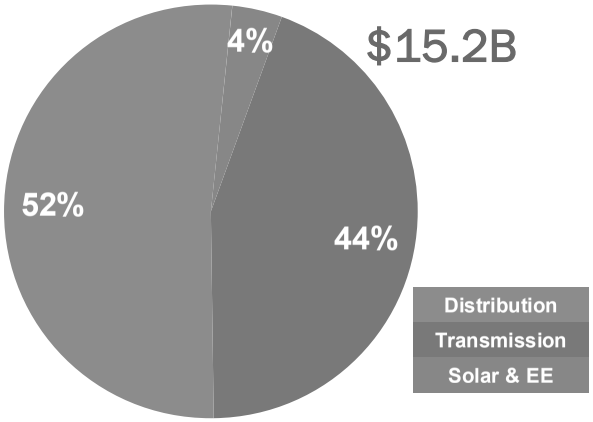
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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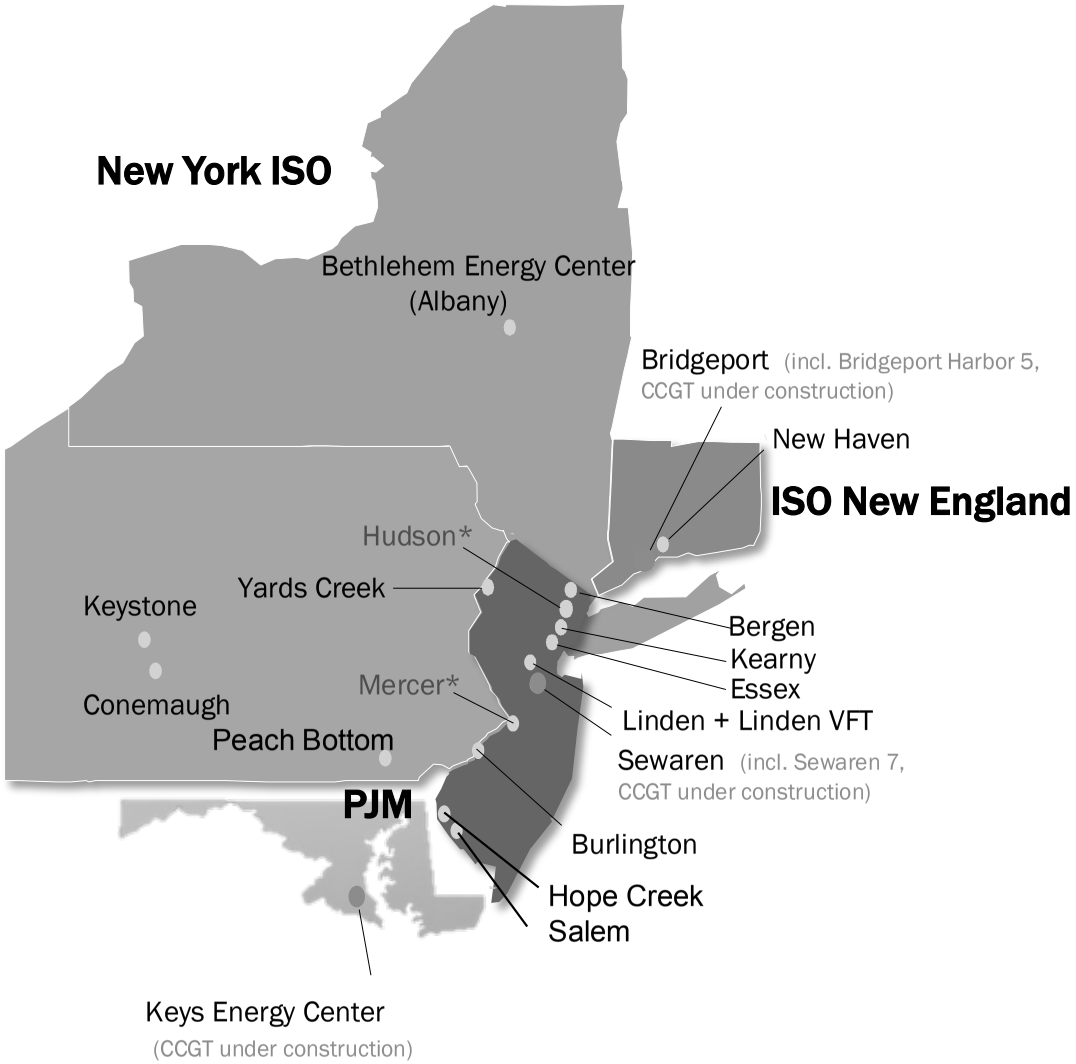
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing to no later than February 1, 2018

Long-Term Infrastructure Investment Platform Approved by BPU in December 2017

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- PSE&G preparing a multi-year extension filing for Energy Strong
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- PJM considering issues of Price Formation reform
- FERC opened a NOPR on grid resiliency

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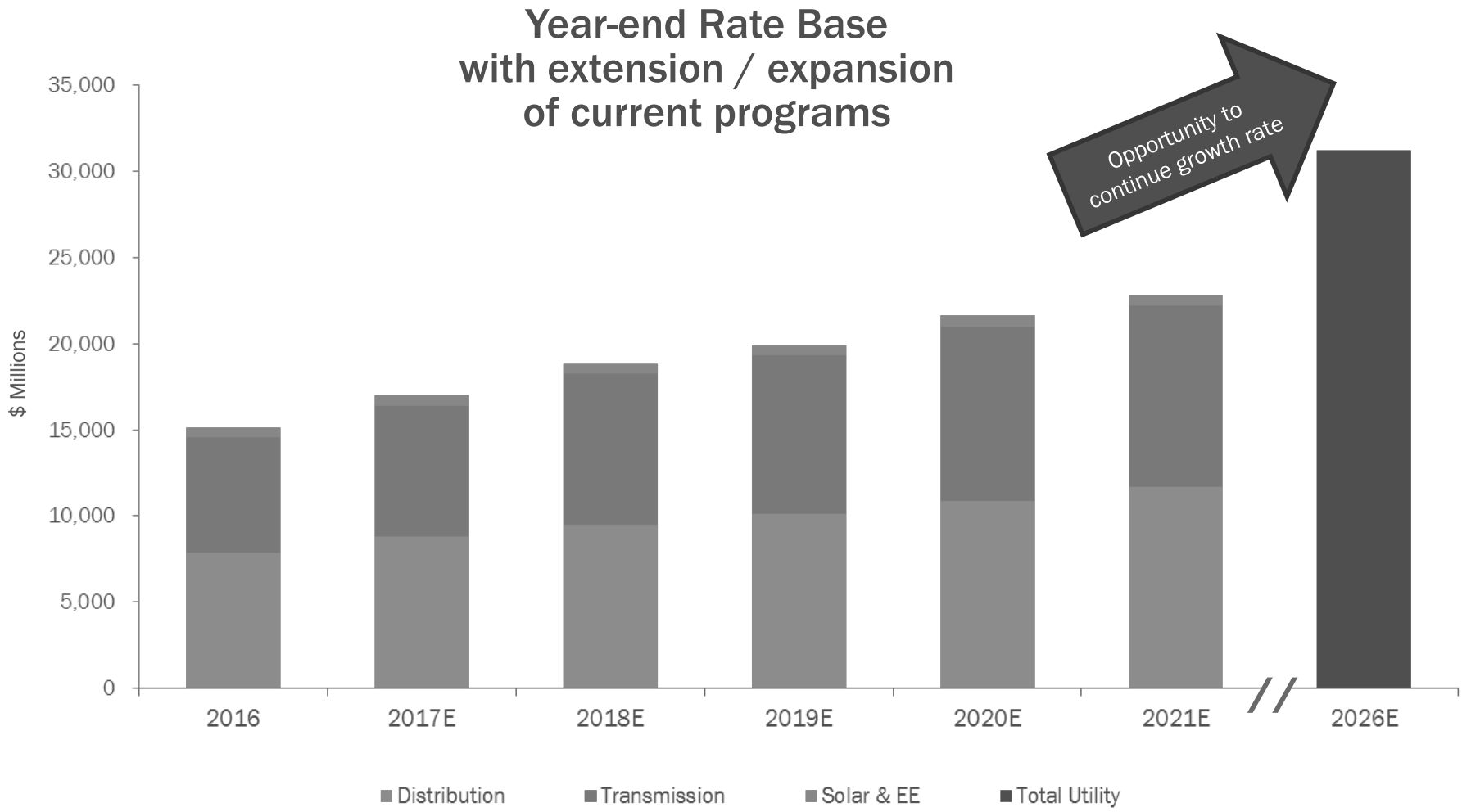
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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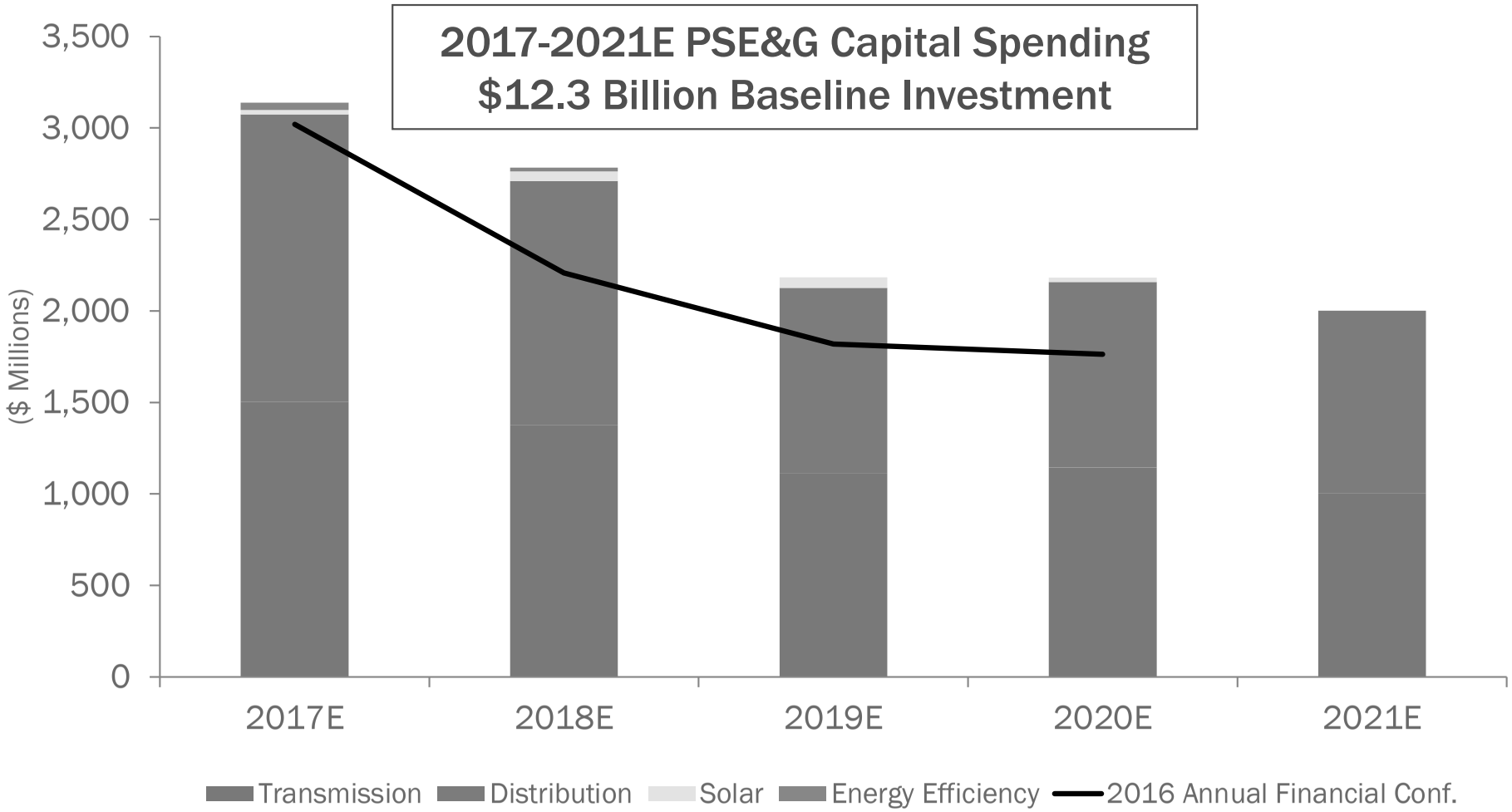
Baseline programs yield 7% compound annual growth in rate base



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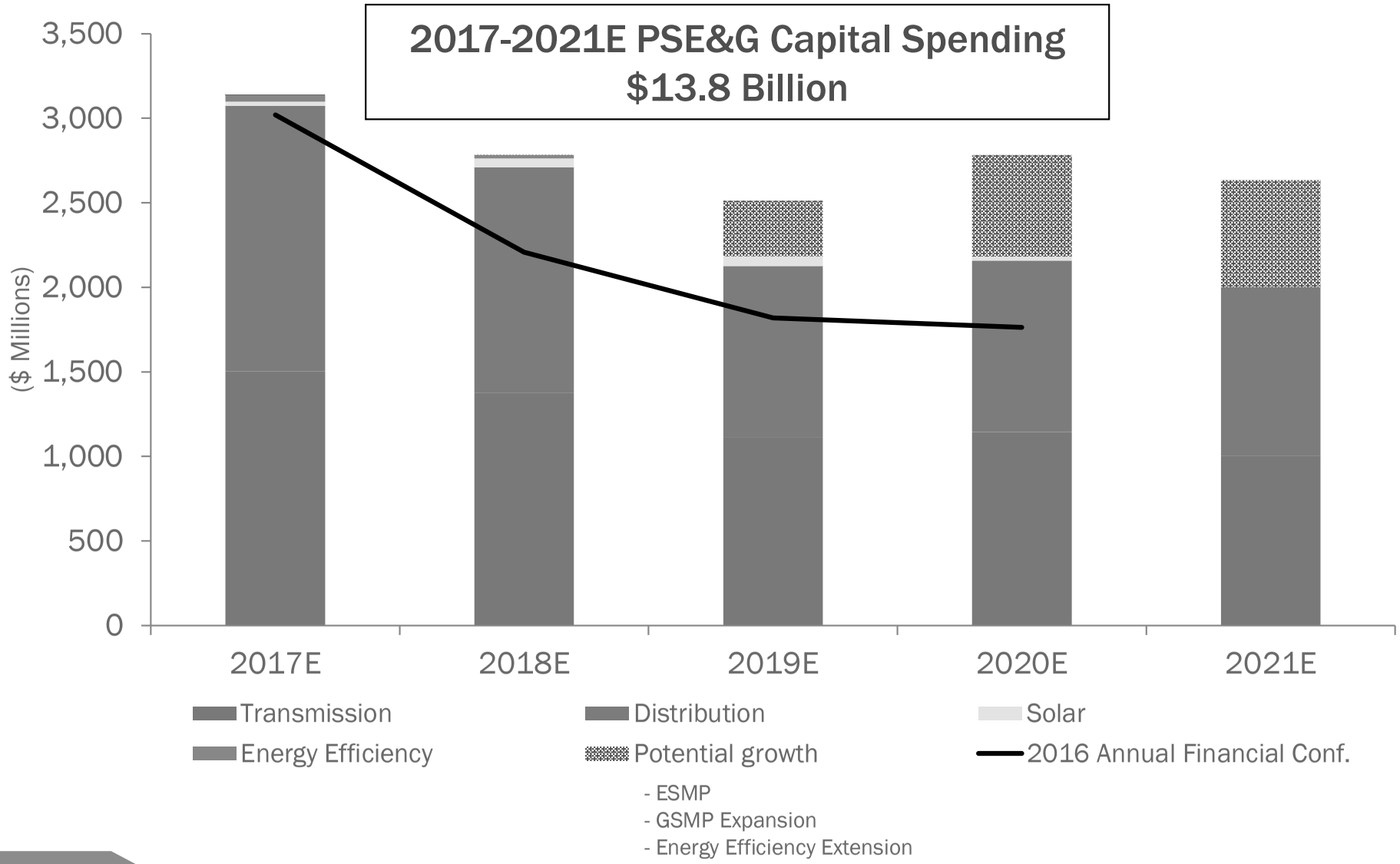
E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

Expansion/Extension of PSE&G's existing

baseline programs yield increasing confidence in ~9% rate base CAGR



E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

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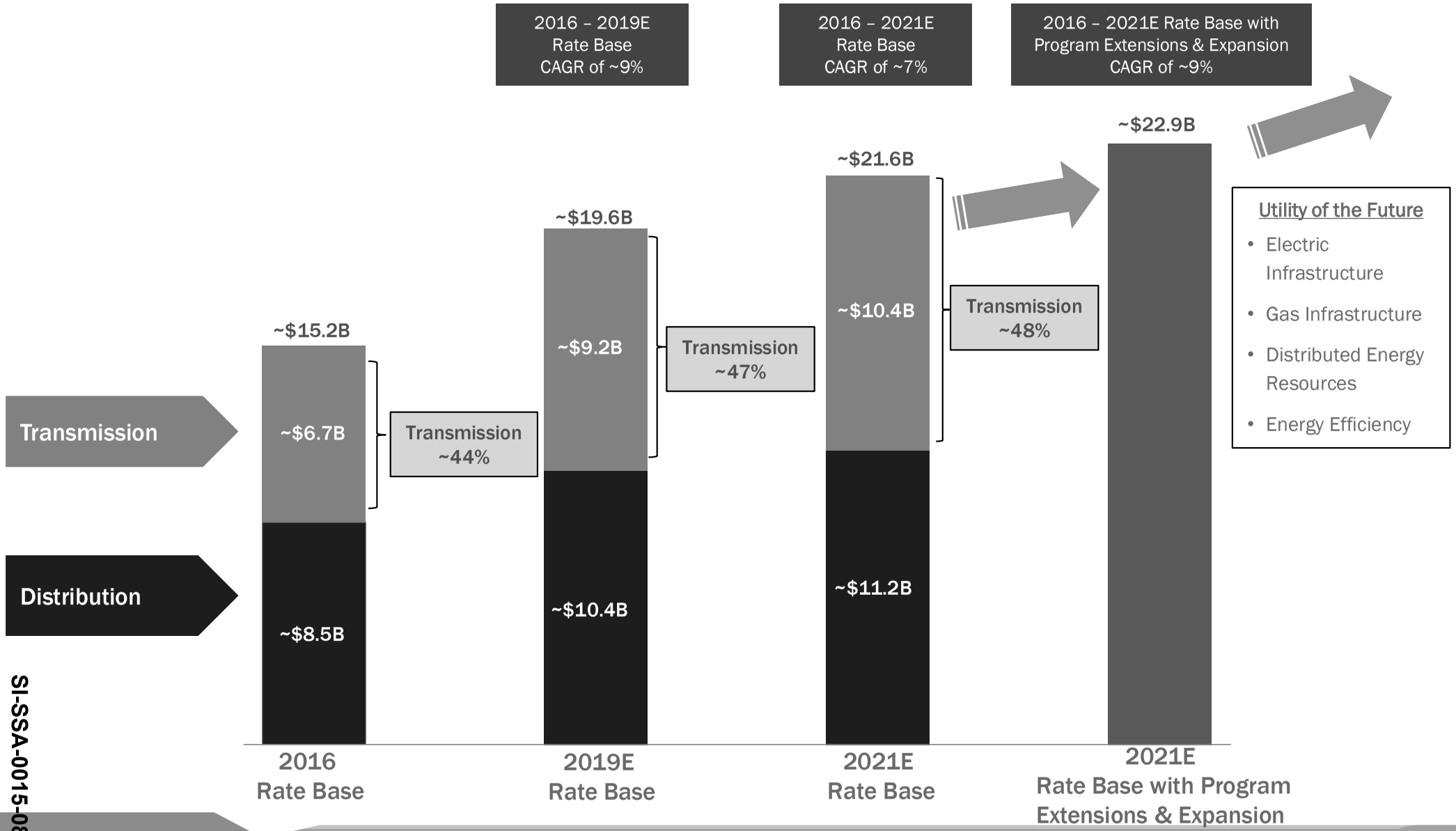
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

PSEG Nuclear is not currently earning its cost of capital

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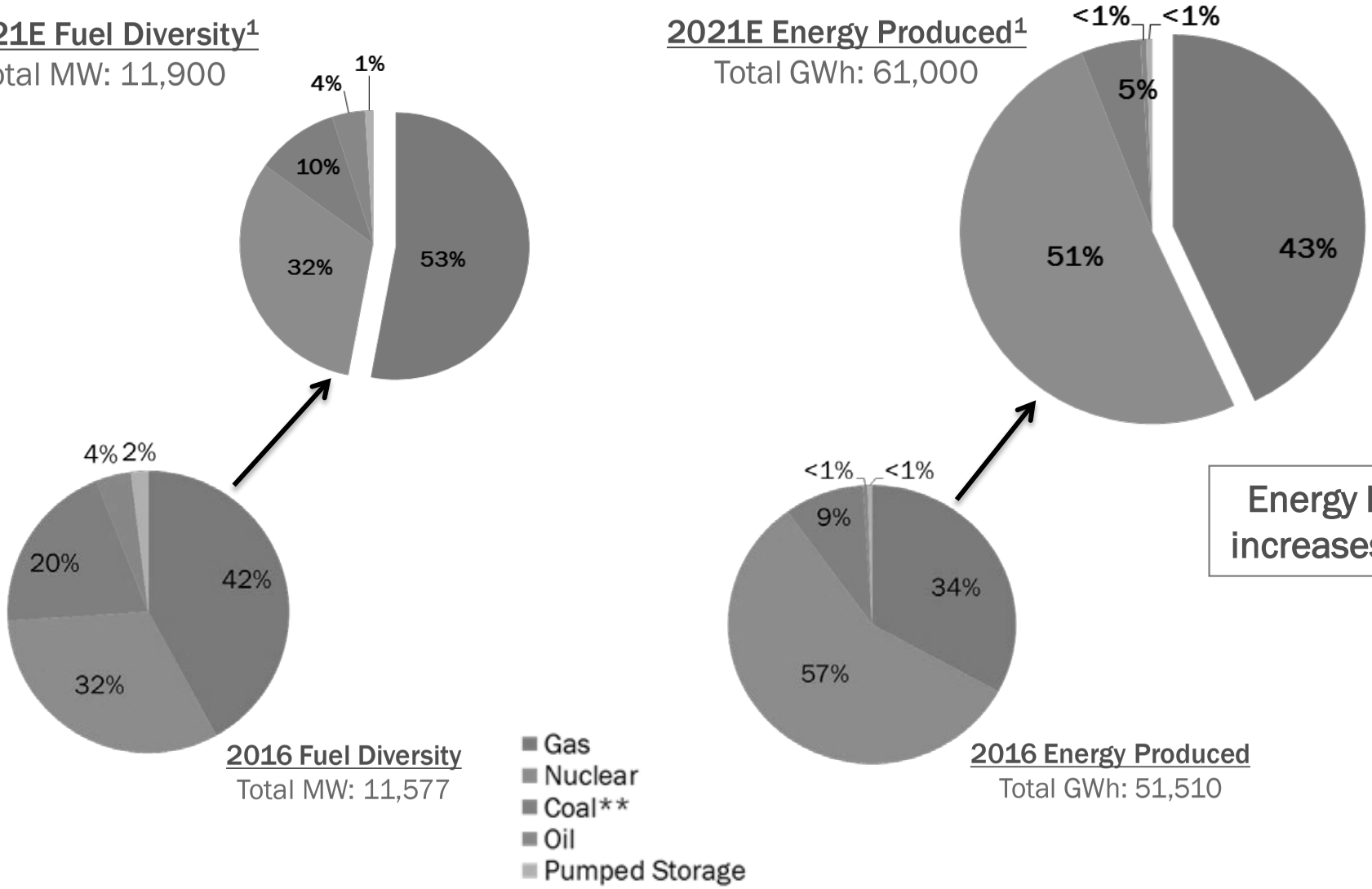
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



Energy Produced increases by >18%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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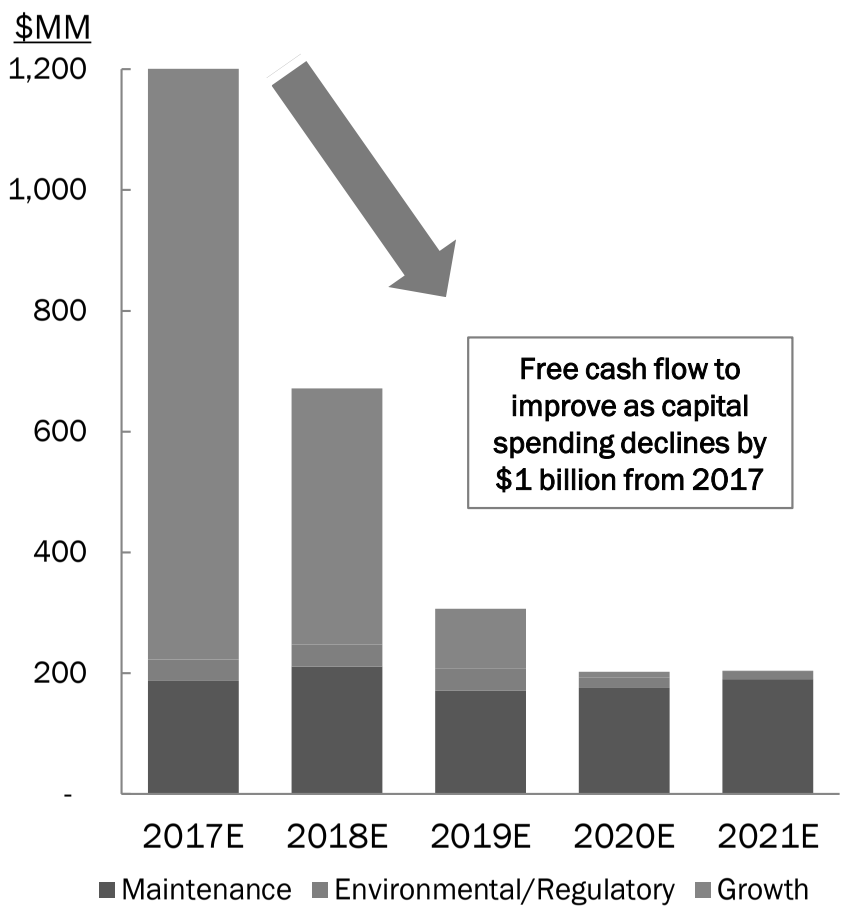
PSEG

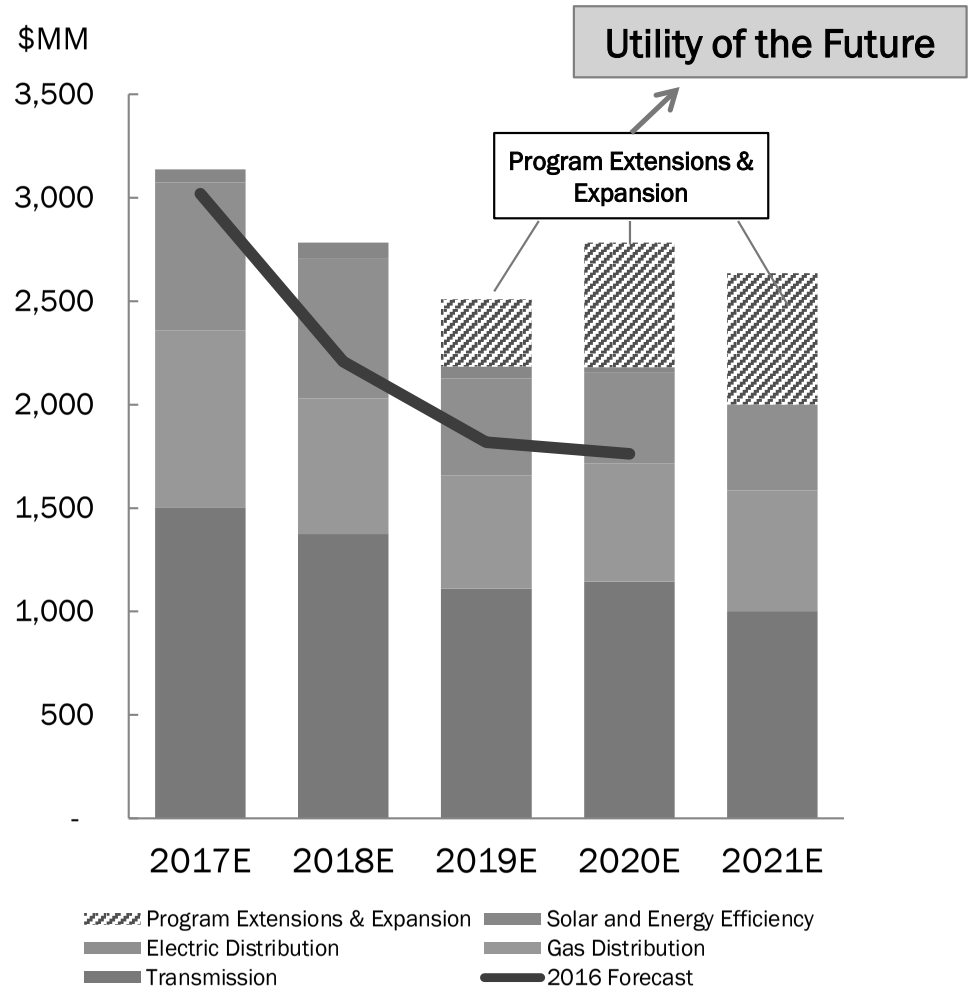
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



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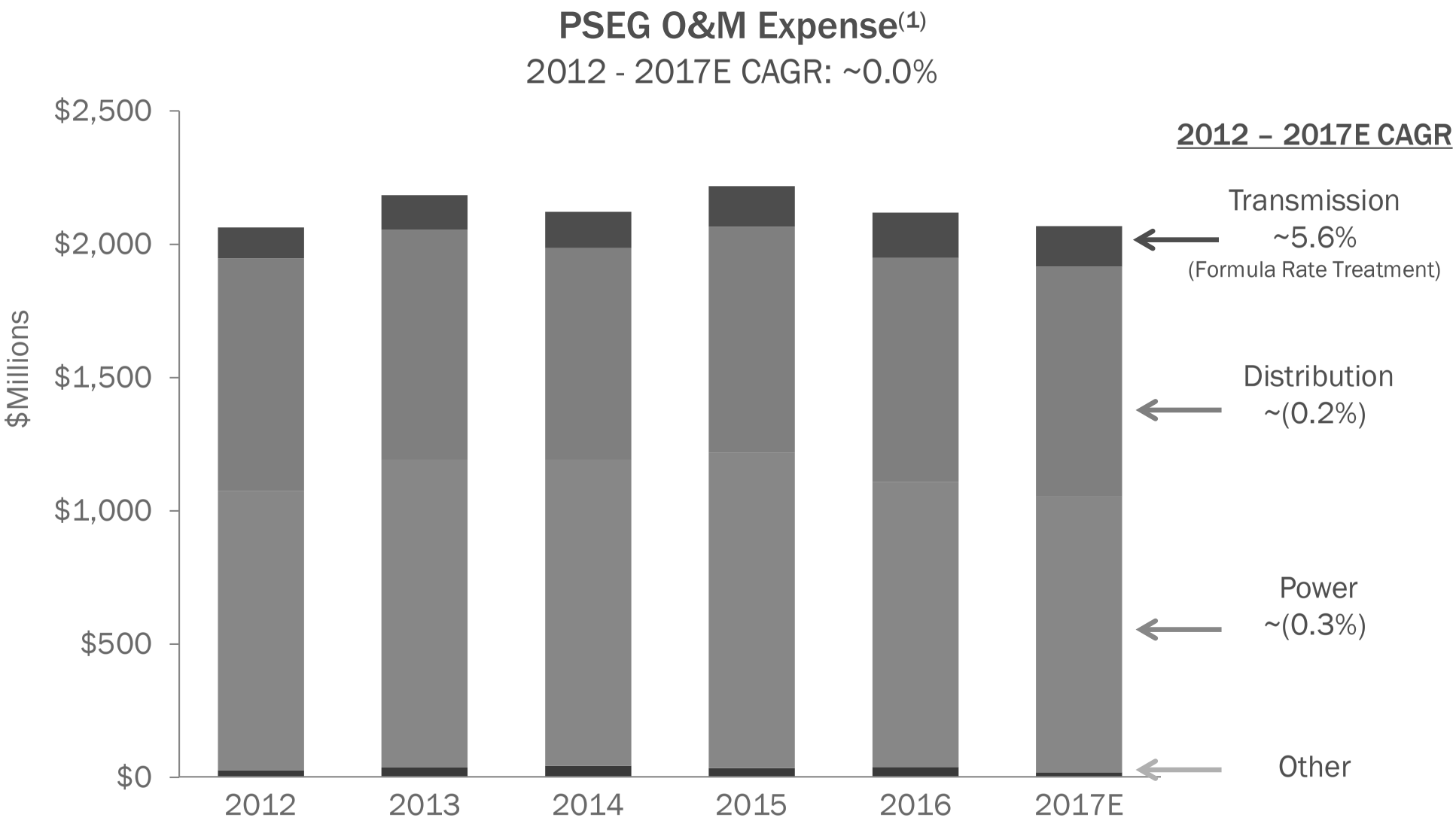
(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

PSEG has demonstrated an ability to control O&M



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Tax Cuts and Jobs Act: PSEG well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability to be reflected in 2017 GAAP results: ~ $530 -- $650 Million	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability to be reflected in 2017 GAAP results: ~ $130 – $180 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017; rate base growth increases relative to prior tax regime	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% limitation based on tax- EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance
		Allocation of Interest expense between businesses has yet to be defined	

Our estimates and analysis are preliminary. The SEC has provided companies one year to finalize 2017 accounting requirements. Accordingly, further adjustments in 2018 may be required.

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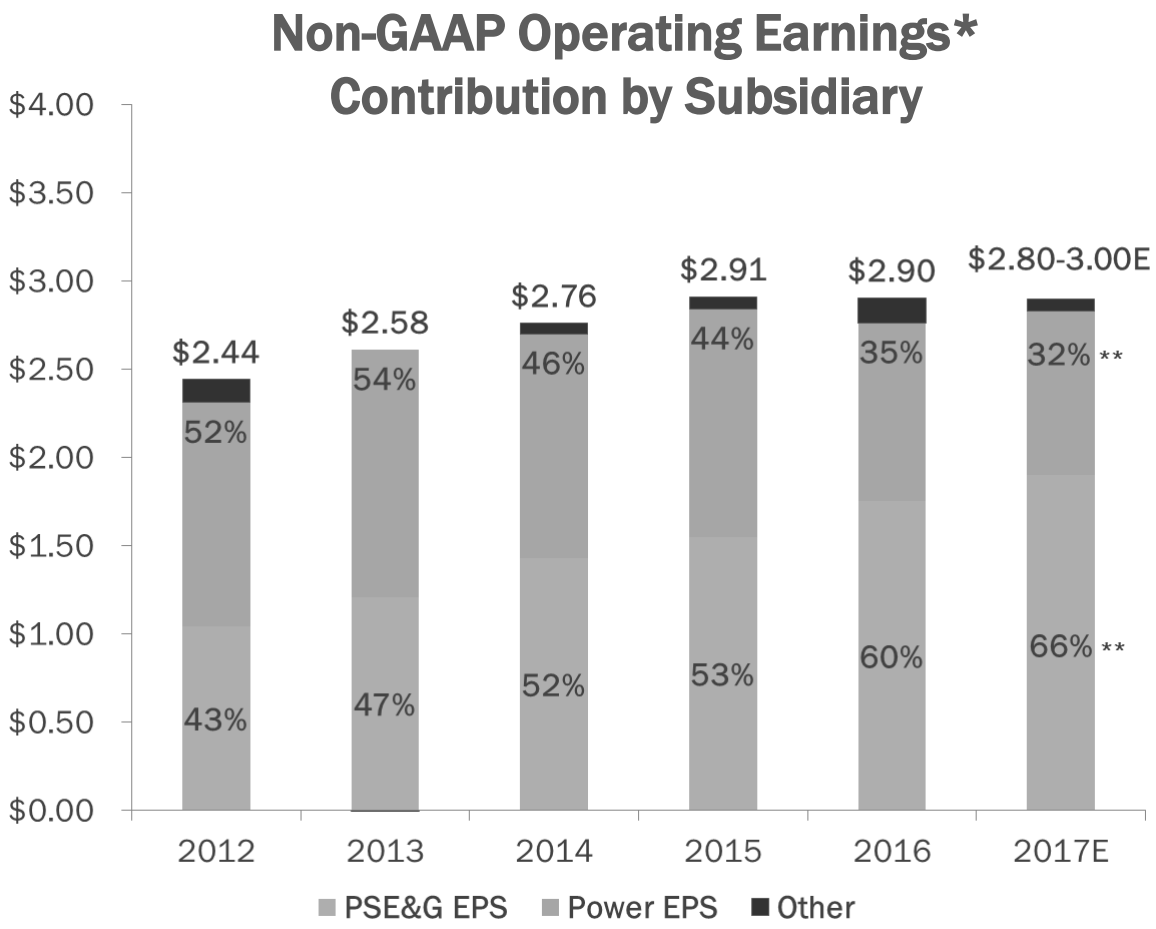
2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



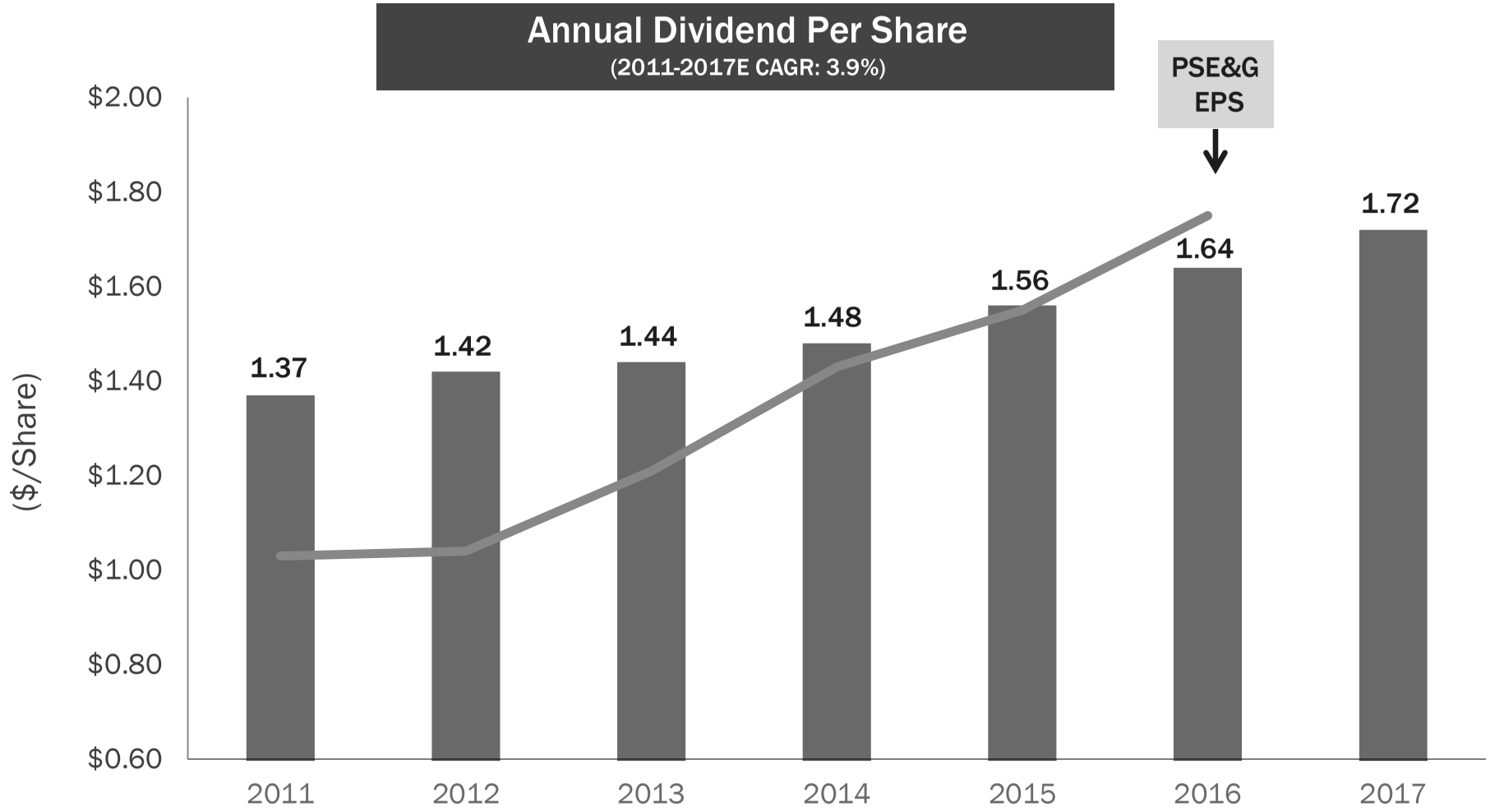
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-08342

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF NOVEMBER 5, 2017.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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PSEG FINANCIAL APPENDIX

PSEG

We make things work for you.

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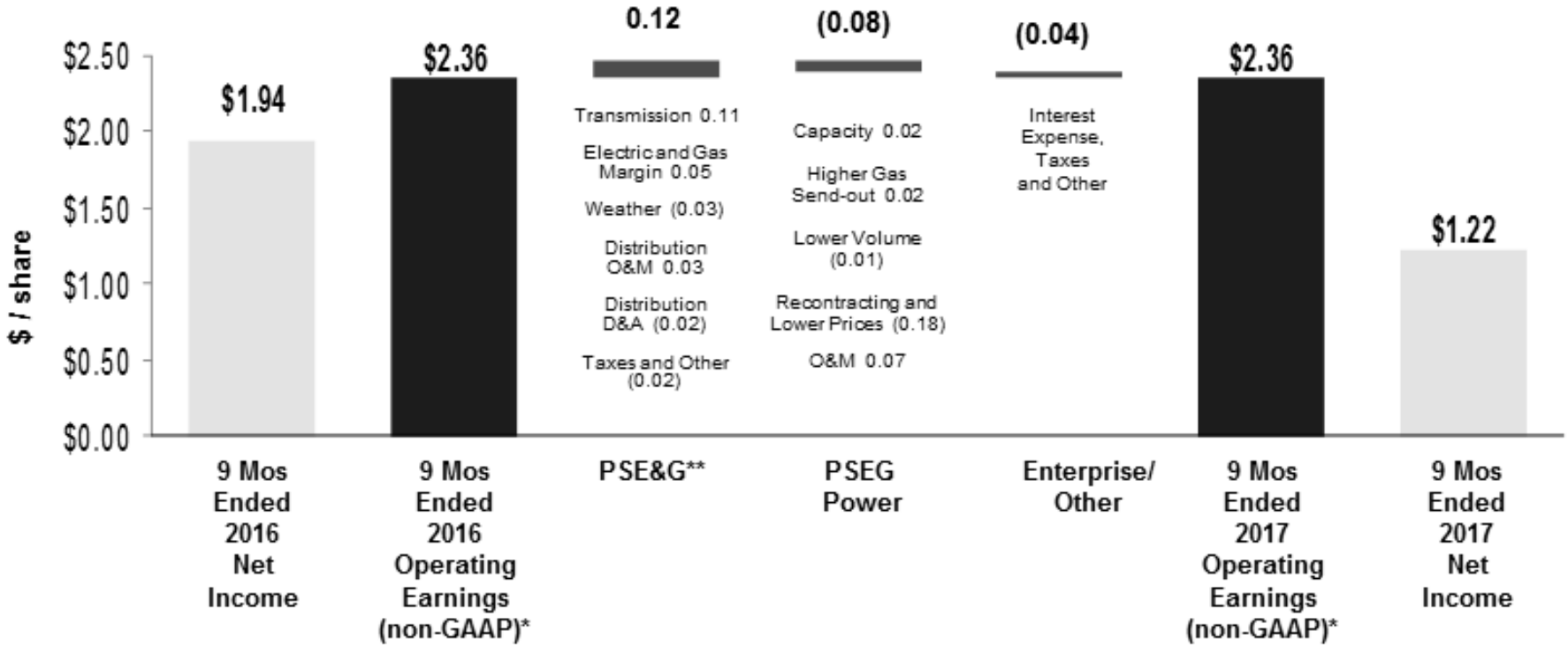
PSEG EPS Reconciliation – Nine Months 2017 versus Nine Months 2016

Utility investment and cost control drove nine month ended September 30, 2017 results



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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG EPS Summary – Nine months ended September 30			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ (0.26)	$ 0.63	$ (0.89)
PSEG Enterprise/Other	$ (0.01)	$ (0.06)	$ 0.05
Total PSEG	$ 1.22	$ 1.94	$ (0.72)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ 0.80	$ 0.88	$ (0.08)
PSEG Enterprise/Other	$ 0.07	$ 0.11	$ (0.04)
Total PSEG*	$ 2.36	$ 2.36	$ -

SI-SSA-0015-08347

PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSEG POWER AND PSEG ENTERPRISE/OTHER.

Distribution Base Rate Case Filing Assumptions

- Test year – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- ROE request of 10.3%
- Capitalization structure includes 54% equity component
- O&M and sales are roughly flat to last rate case eight years ago
- Low-single digit requested increase relative to overall revenue
- Return of and on incremental rate base not recovered through clauses
  - $255M of GSMP Stipulated Base;
  - ~$100M Energy Strong above $1B in clause;
  - Capital investments above depreciation levels;
  - New Business
- Seeking decoupling of revenues from sales volumes
  - Aligning with State, environmental and customer interests
  - Supporting larger energy efficiency programs
- Anticipate new rates effective October 2018

Overall rates, even after consideration of the expected low-single digit request, would remain >15% lower than they were in 2010

SI-SSA-0015-08348

PSE&G: Energy Efficiency Approval and GSMP II Filing Support Long-term Regulatory and Policy Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and the recent approval of its proposed extension of the Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

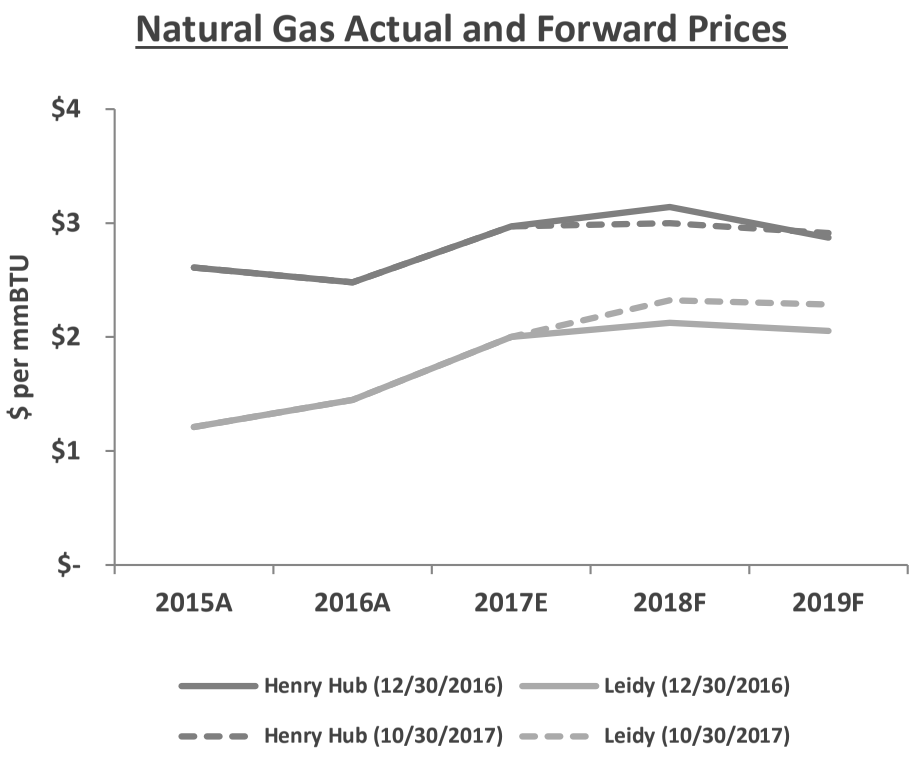
In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

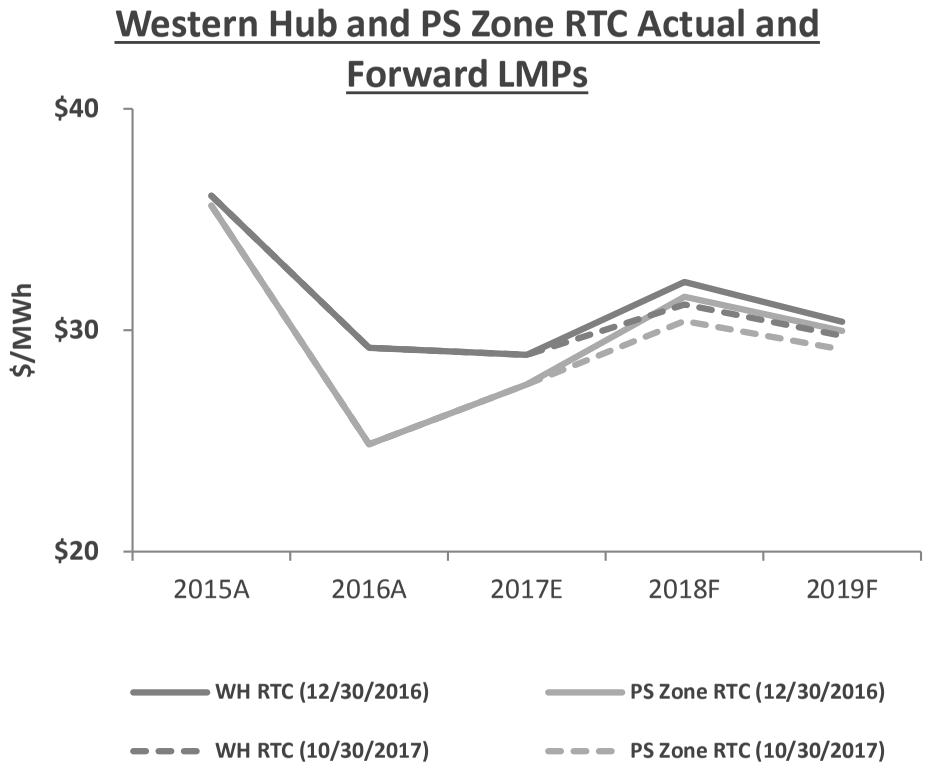
Energy Efficiency

The BPU has approved PSE&G's agreement with BPU Staff and Rate Counsel to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-08349

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





While prices indicate some spark spread compression, electric basis for the PSEG Zone has shown improvement in the forward markets since 2016

SI-SSA-0015-08350

E = WEIGHTED AVERAGE OF NINE MONTH ACTUALS AND 3 MONTH FORWARD DATA. A = ACTUAL F = FORWARD CURVE

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-08351

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [(a)]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(b)]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [(c)]	77	83	256	244	329
Interest Expense, pre-tax [(c)(d)]	12	23	40	65	83
Income Taxes [(c)]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

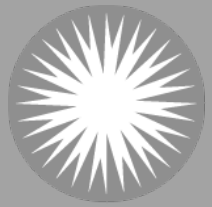
PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(a)]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Evercore ISI Utility CEO One-on-One Conference

JANUARY 7-8, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08353

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-08354

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-08355

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-08356

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-08357

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019*	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 **Assets $22B** **Operating Earnings $725M**	2014 **Assets $12B** **Operating Earnings $642M**

SI-SSA-0015-08358

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *PRIOR TO BONUS DEPRECIATION.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (14th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.85-$2.95 per share from $2.80-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = double digit rate base growth over 5-year period (2015-2019) with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

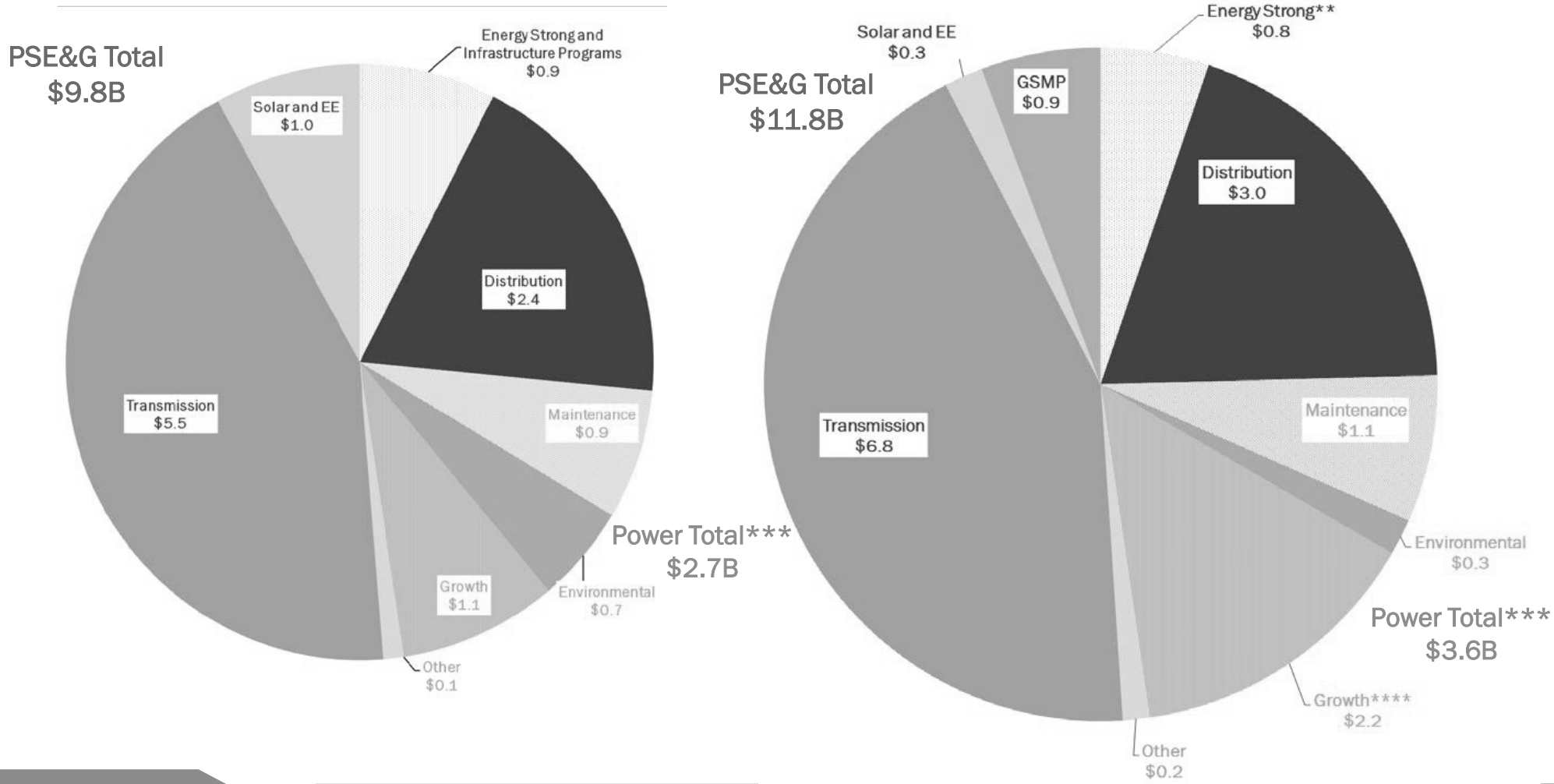
SI-SSA-0015-08359

Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6 Billion**



*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF OCTOBER 30, 2015.

SI-SSA-0015-08360

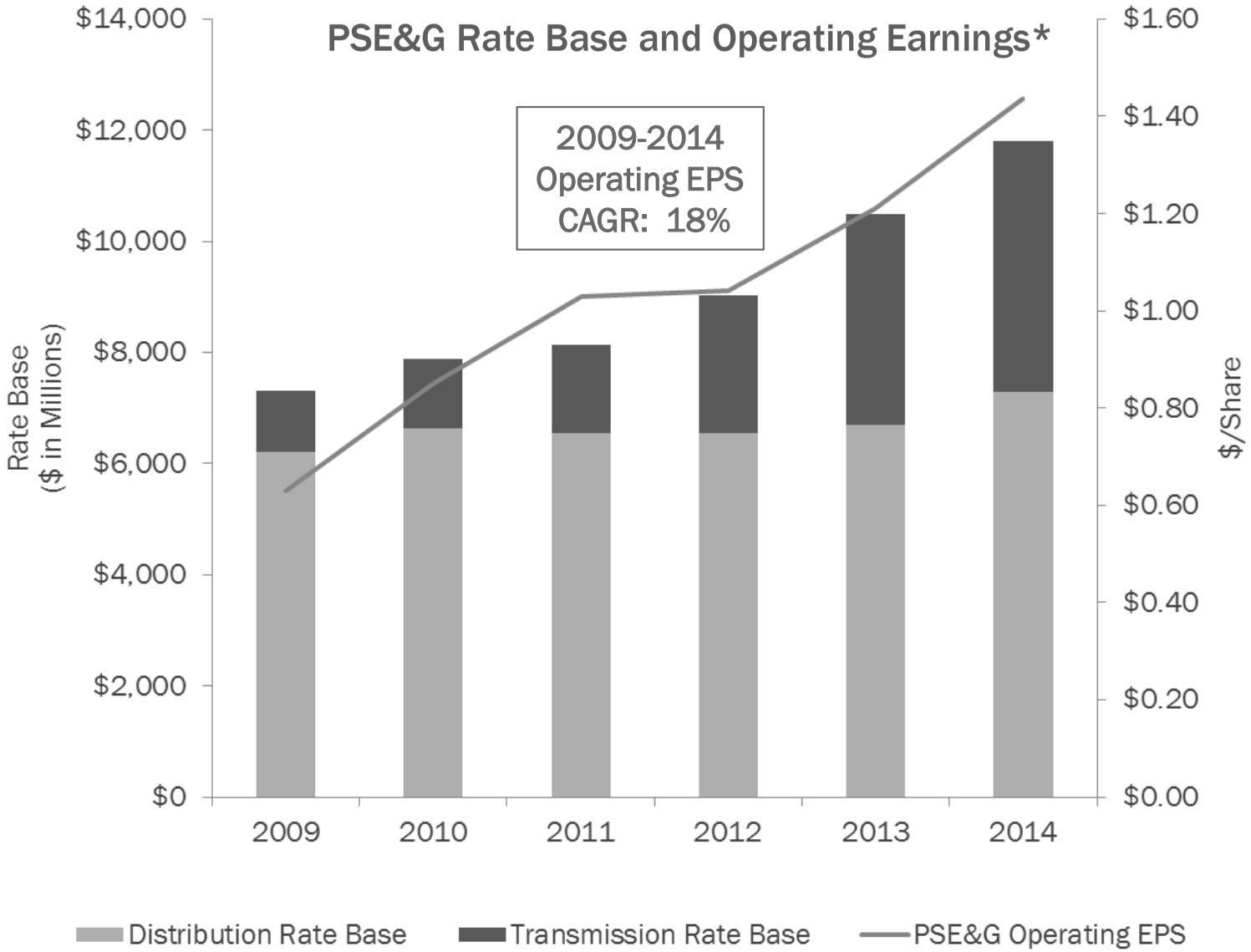
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $12.6 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $15.6 billion investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-08361

PSE&G's investment program

Meeting public policy goals and customer needs

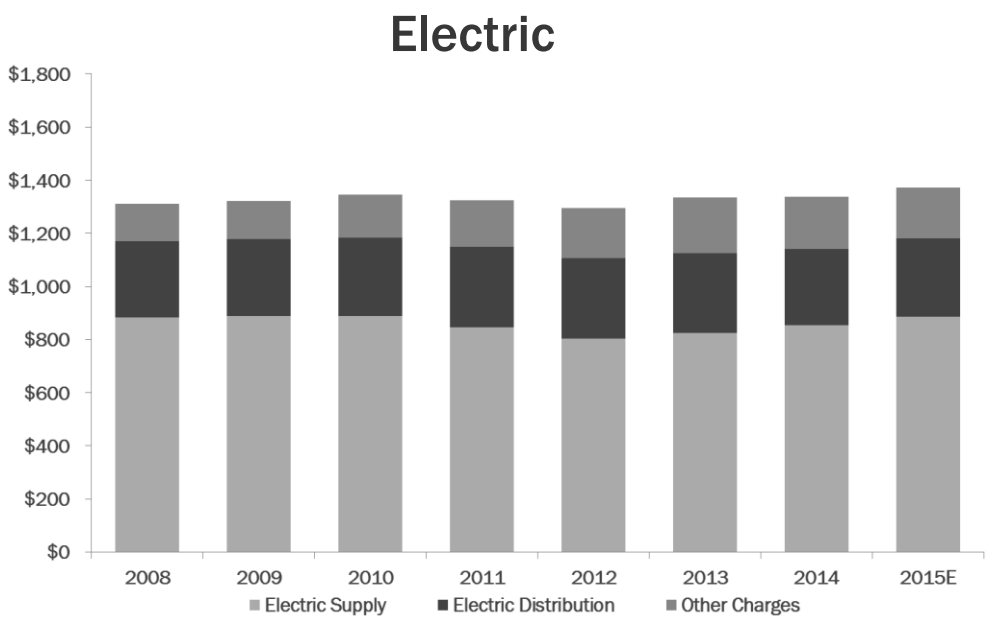


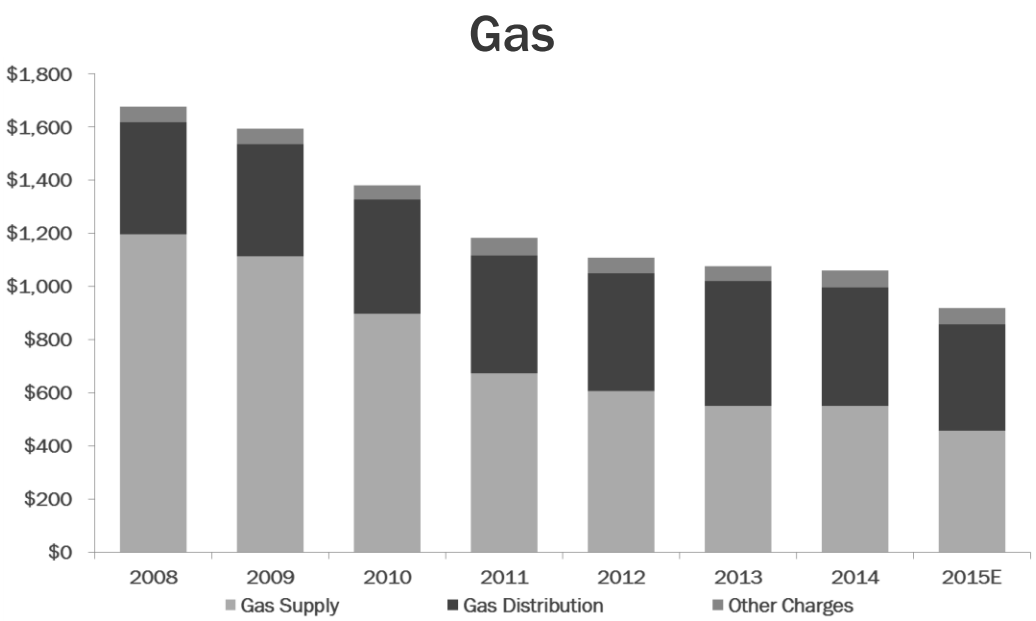
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-08362

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

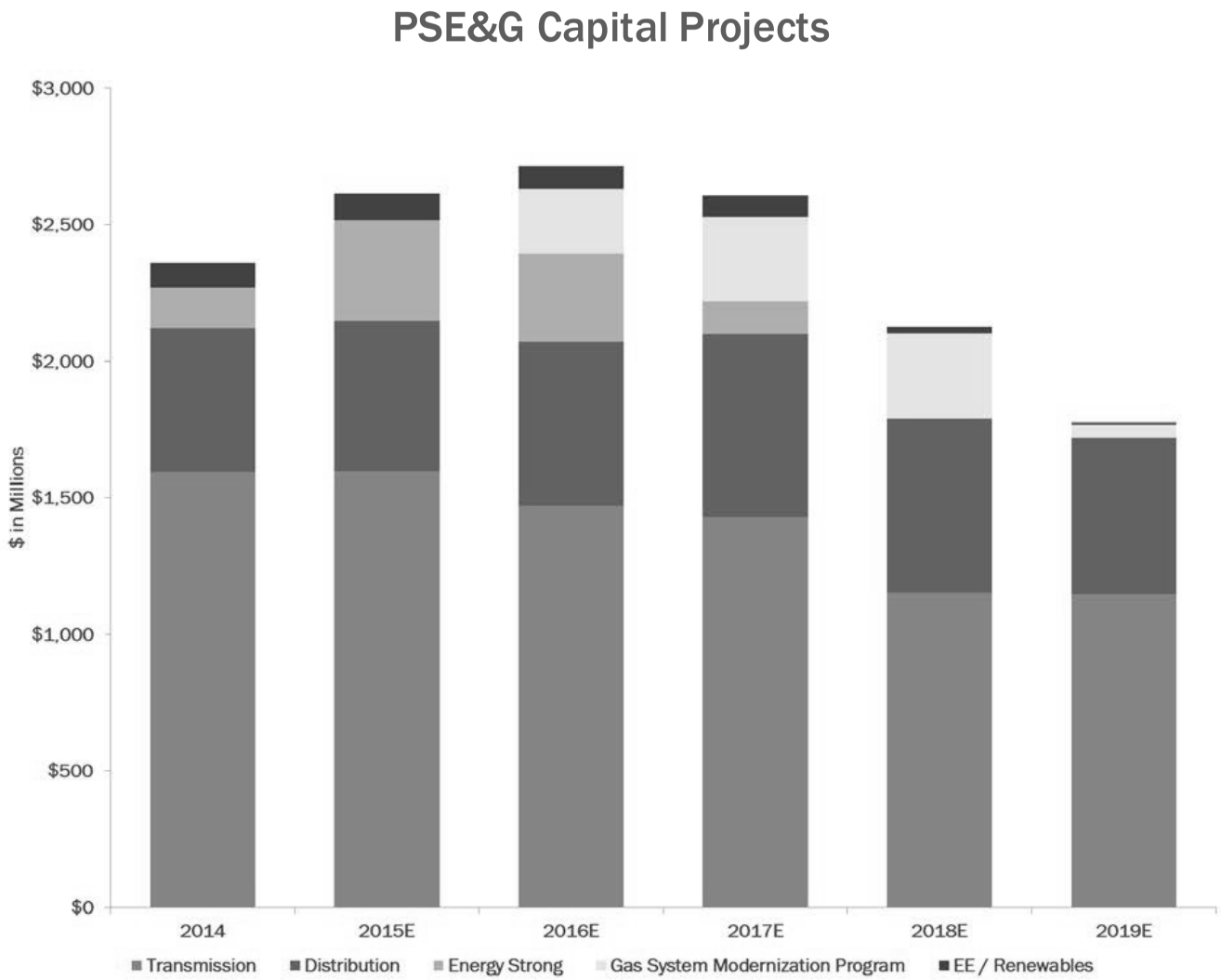
SI-SSA-0015-08363

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019*



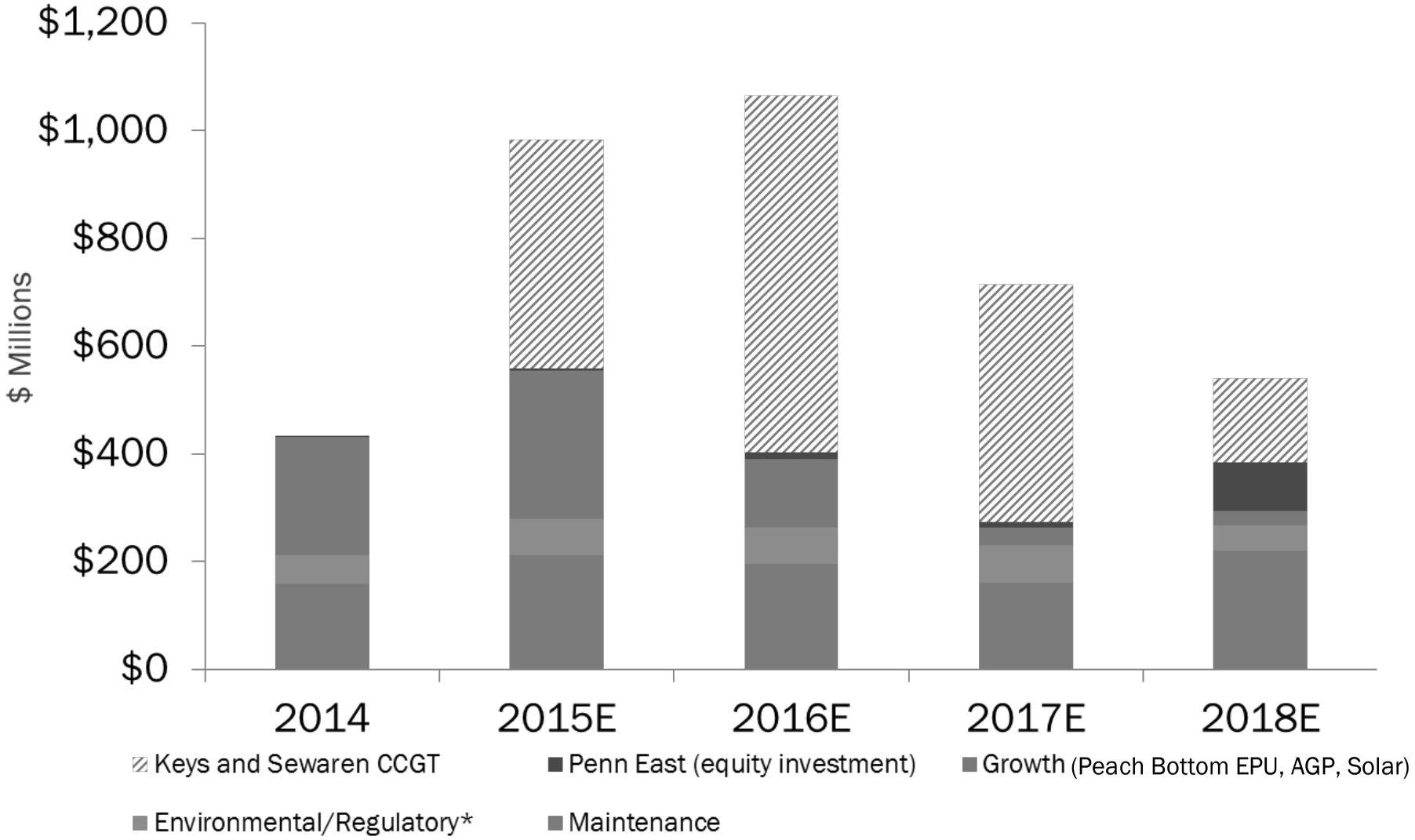
- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

*PRIOR TO BONUS DEPRECIATION. E = ESTIMATE

SI-SSA-0015-08364

PSEG Power increased capital spending

by $1.5 billion with addition of new generating capacity focused on improving efficiency and reliability



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*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

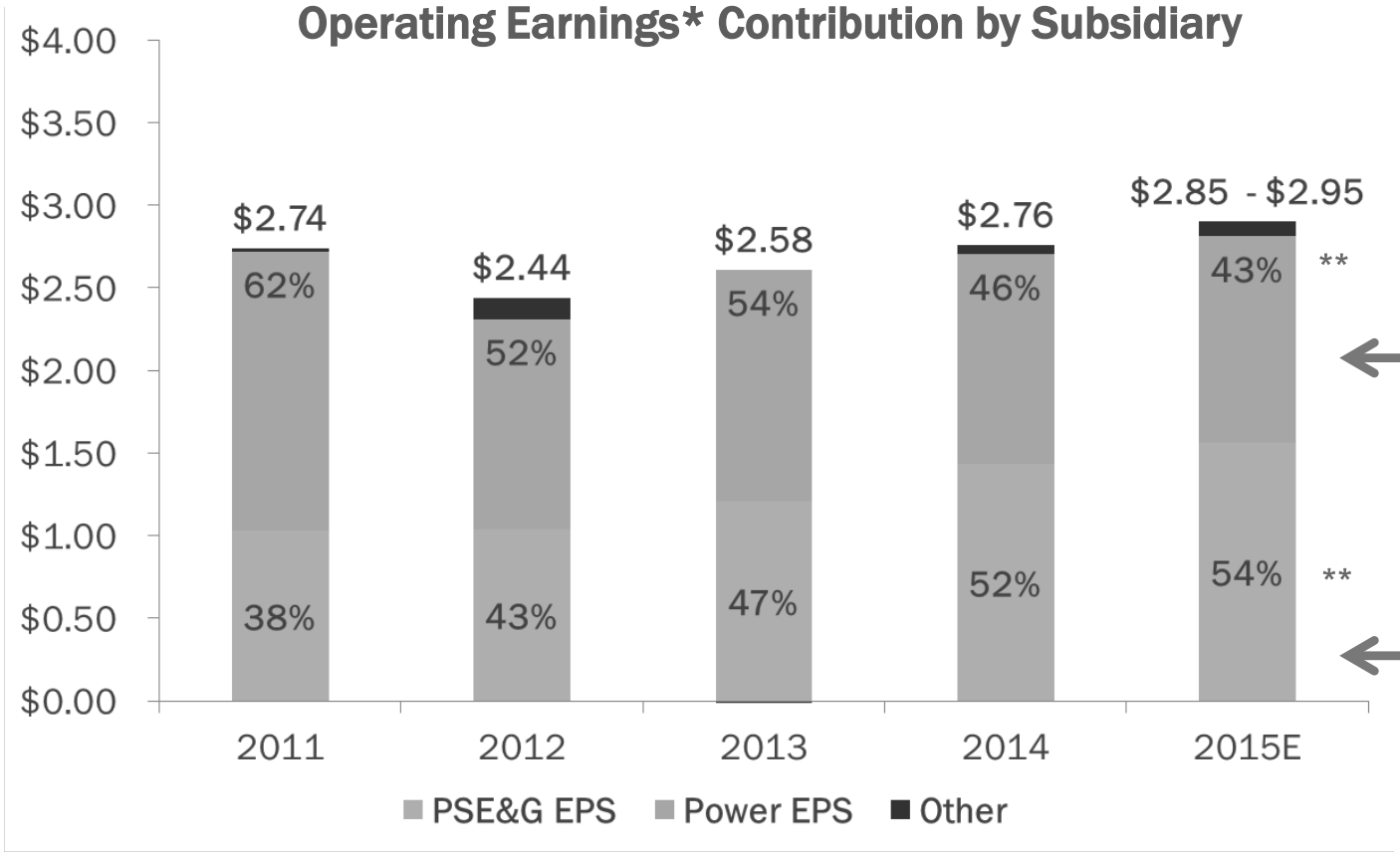
SI-SSA-0015-08366

PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-08367

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE AS OF OCTOBER 30, 2015.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air quality standards via Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates adding capacity • New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC* • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • ~152 MW** of utility-scale solar, with significant project pipeline • Continue to seek opportunities to expand the fleet

SI-SSA-0015-08368

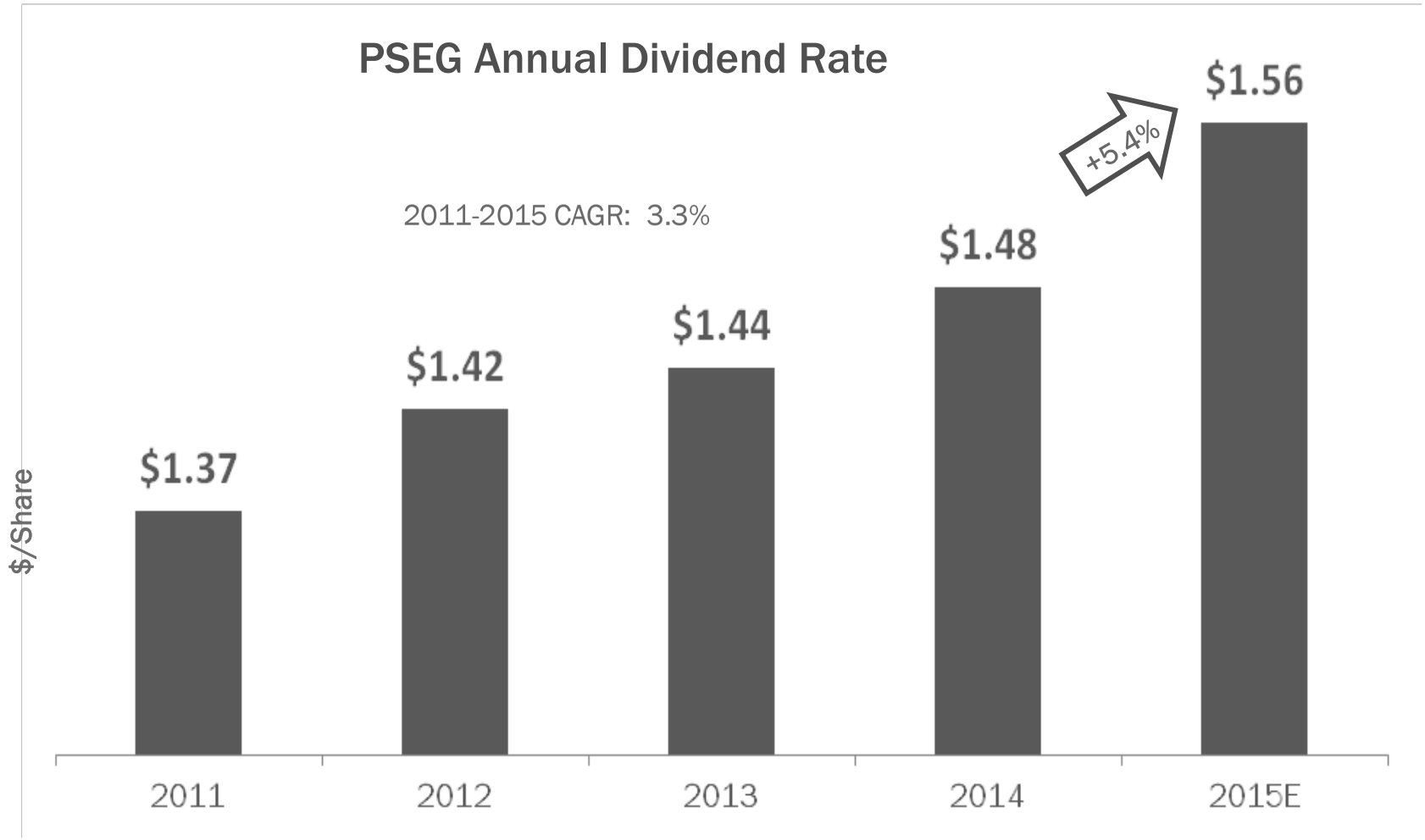
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

SI-SSA-0015-08369

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE AS OF 10/30/2015. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-08370

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-08371

PSE&G

SI-SSA-0015-08372

PSEG

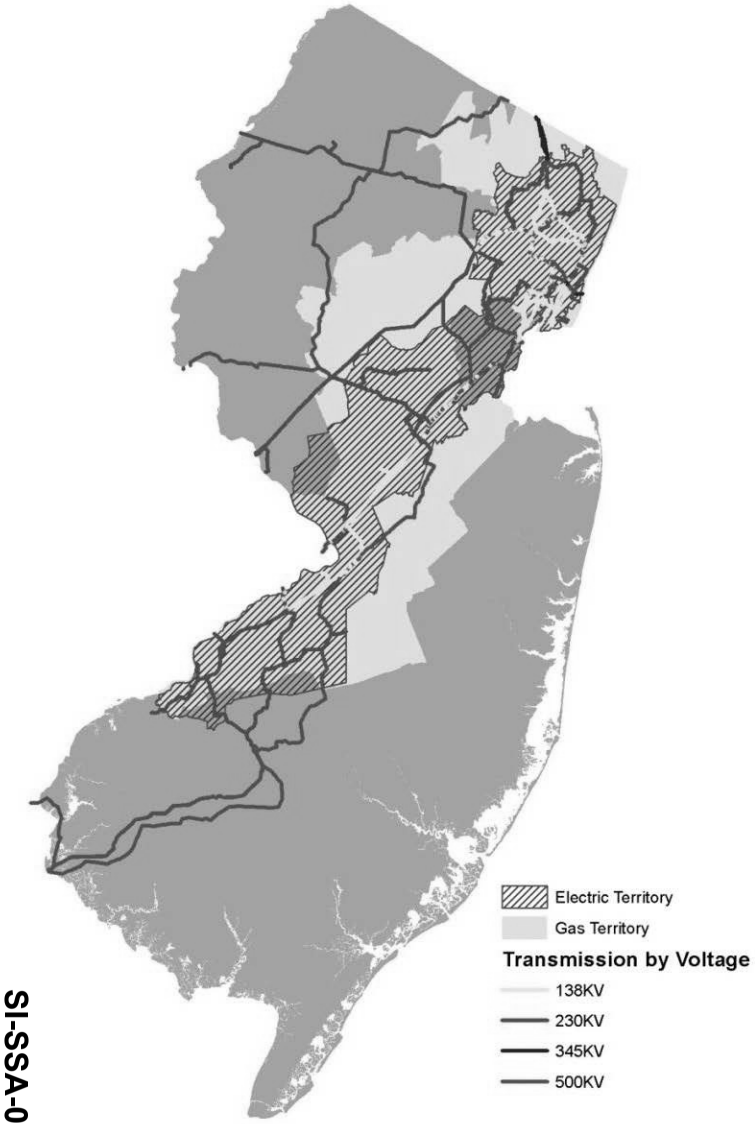
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08373

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-08374

Mid-Atlantic ReliabilityOne award winner for 14 years in a row

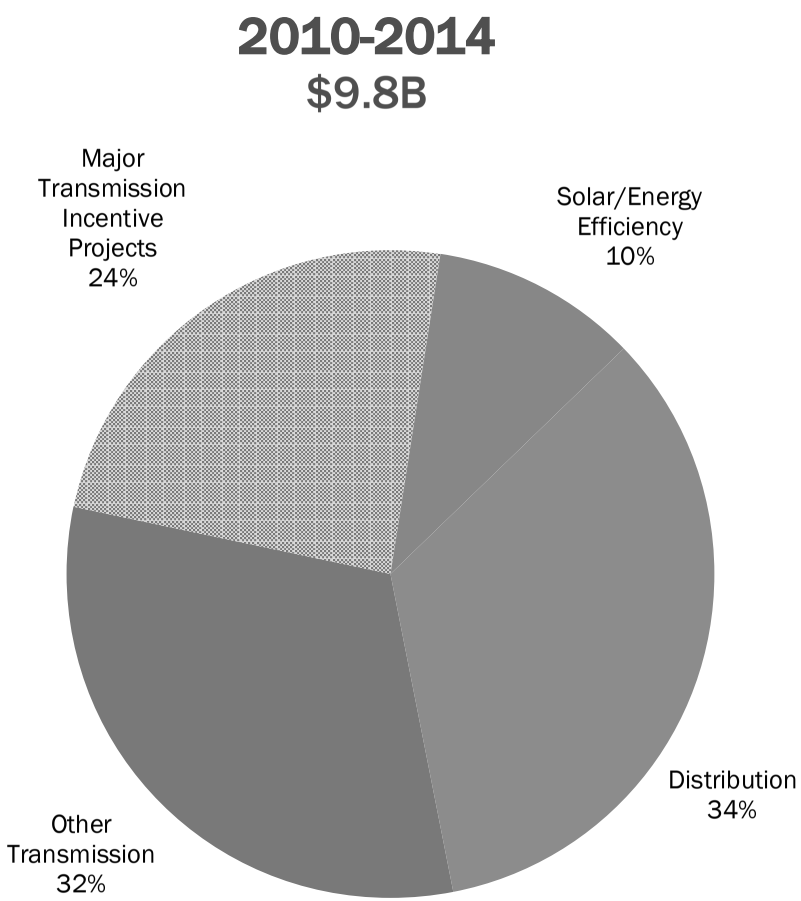
SI-SSA-0015-08375

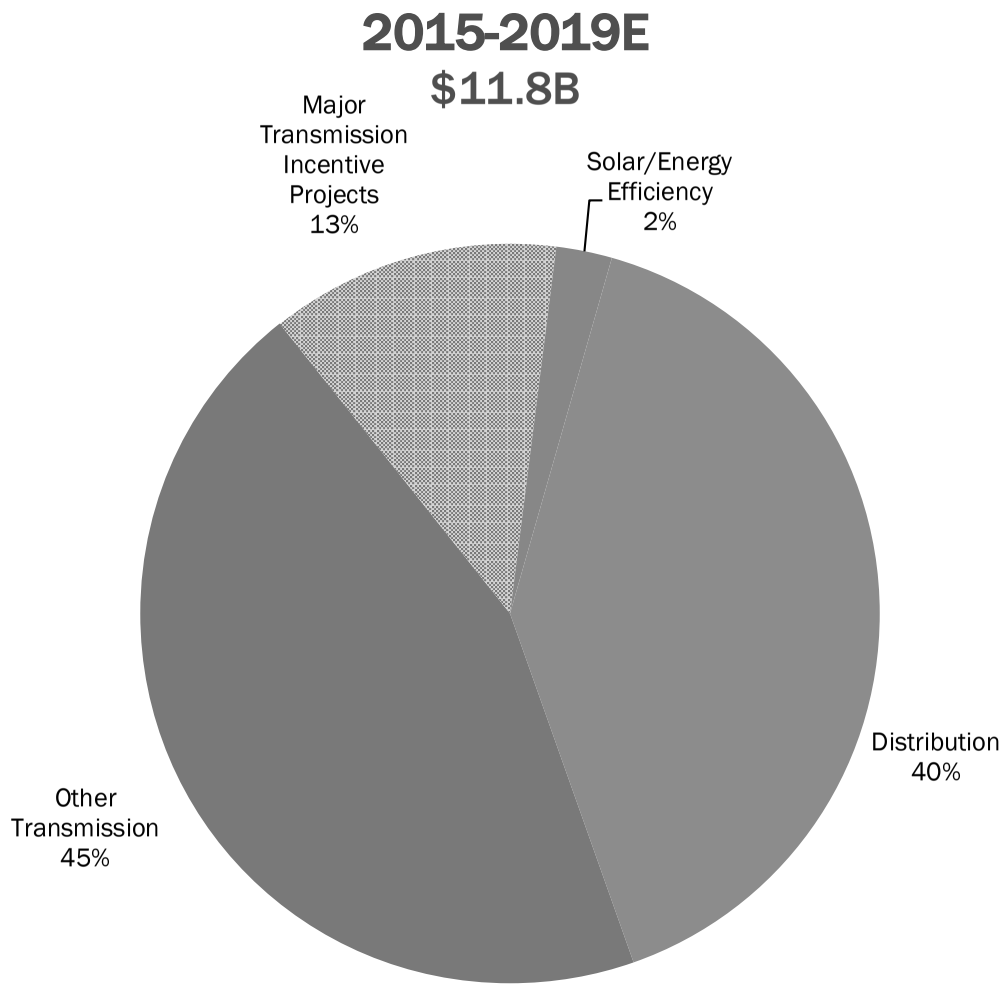
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-08376

PSE&G plans to invest $11.8B over 2015-2019

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-08377

PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-08378

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$975	Jun '15 – Dec '16
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

* PJM ESTIMATE

SI-SSA-0015-08379

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-00015-08380

PSE&G is successfully executing on Energy Strong with ~$440M deployed

Program	Approved	Spend thru Sept 2015
Flood Mitigation	$620M	$83M
Electric Contingency Reconfiguration	$100M	$53M
Electric Advanced Technology	$100M	$42M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$252M
Gas Metering & Regulating (M&R)	$50M	$7M
TOTAL	$1,220M	$437M

SI-SSA-0015-08381

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-08382

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-08383

Settlement reached on Gas System Modernization Program for ~$900 million over three years

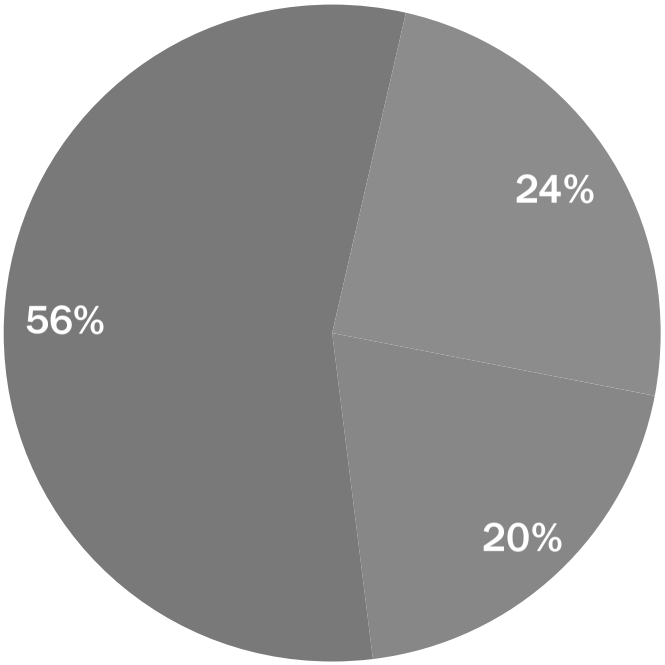
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed by November 2017

SI-SSA-0015-08384

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

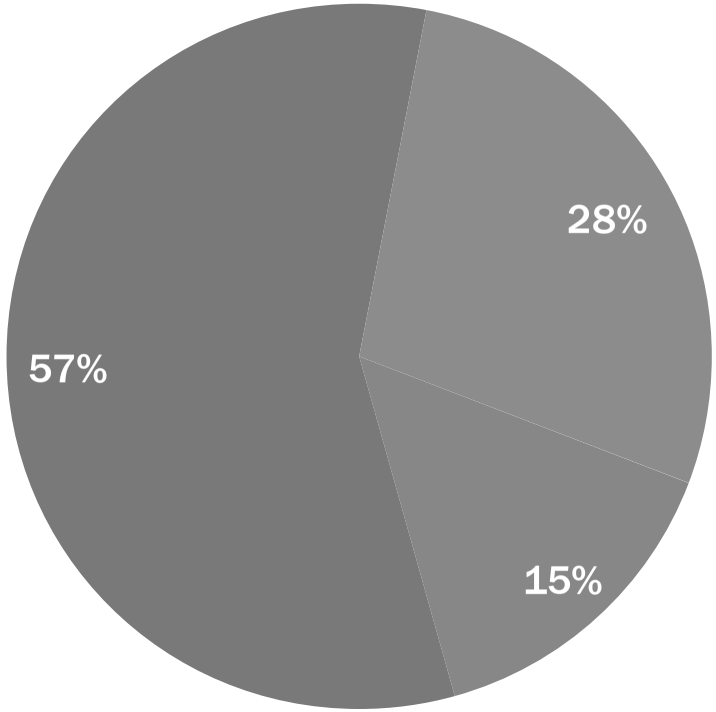
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

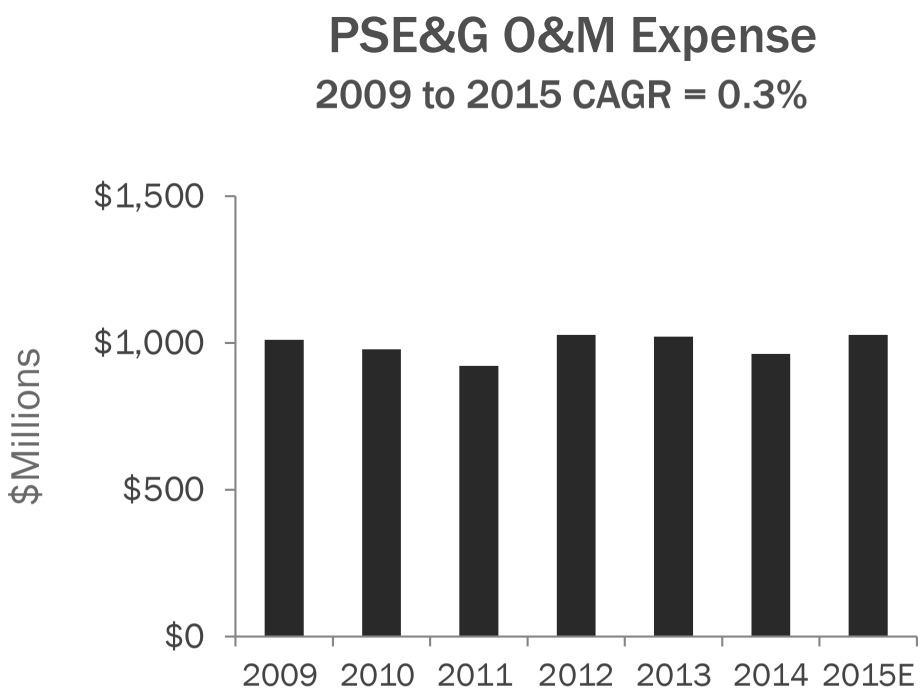
SI-SSA-0015-08385

PSEG

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-08386

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON OCTOBER 30, 2015.

SI-SSA-0015-08387

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-08388

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-08389

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

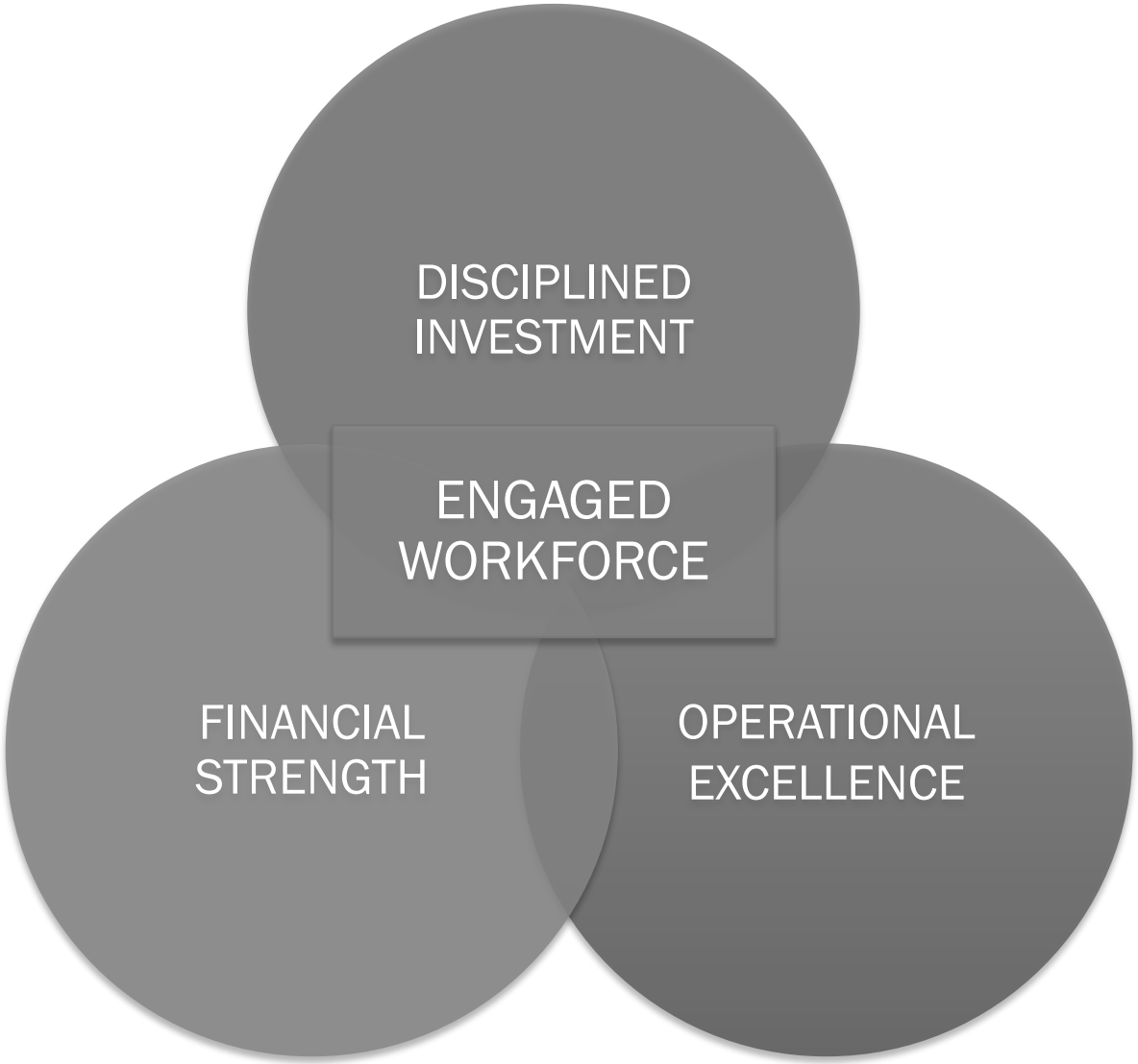
PSEG

We make things work for you.

SI-SSA-0015-08390

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-08391

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-08392

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 215 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-08393

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Sites suitable for expansion

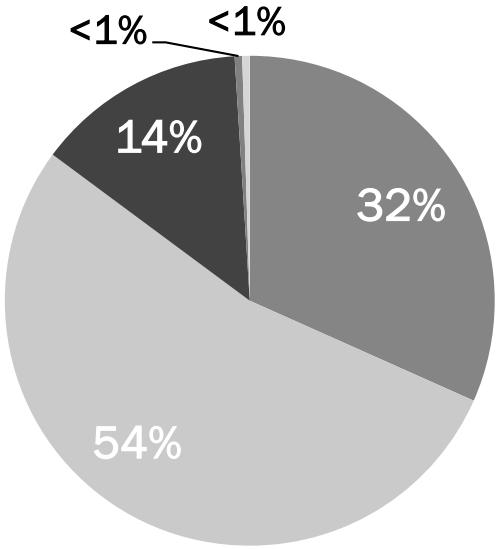
SI-SSA-0015-08394

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

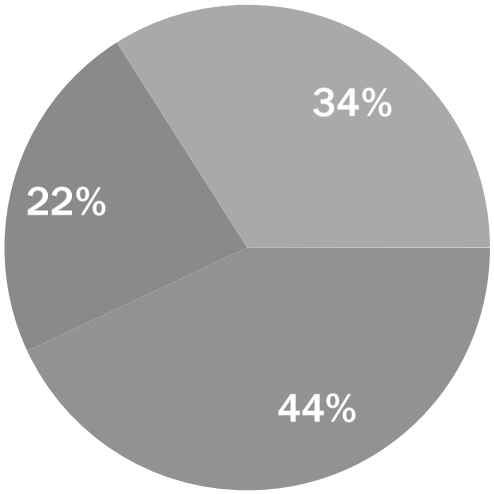
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

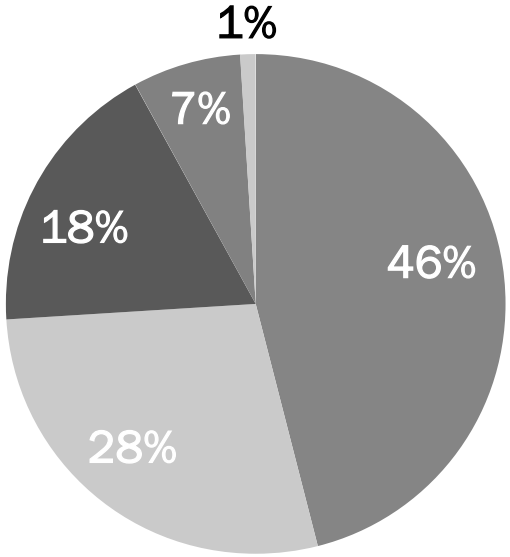
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146

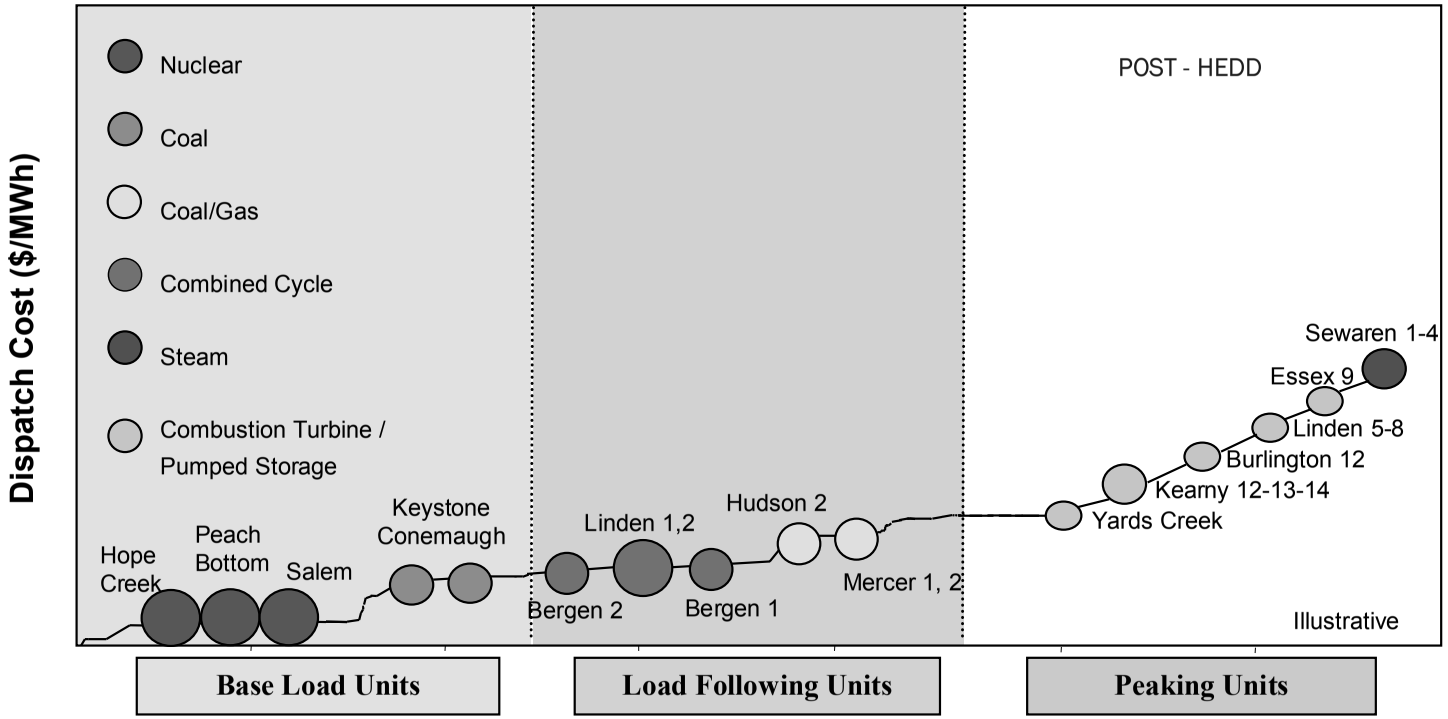


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*YEAR-END 2014 DATA, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-08395

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

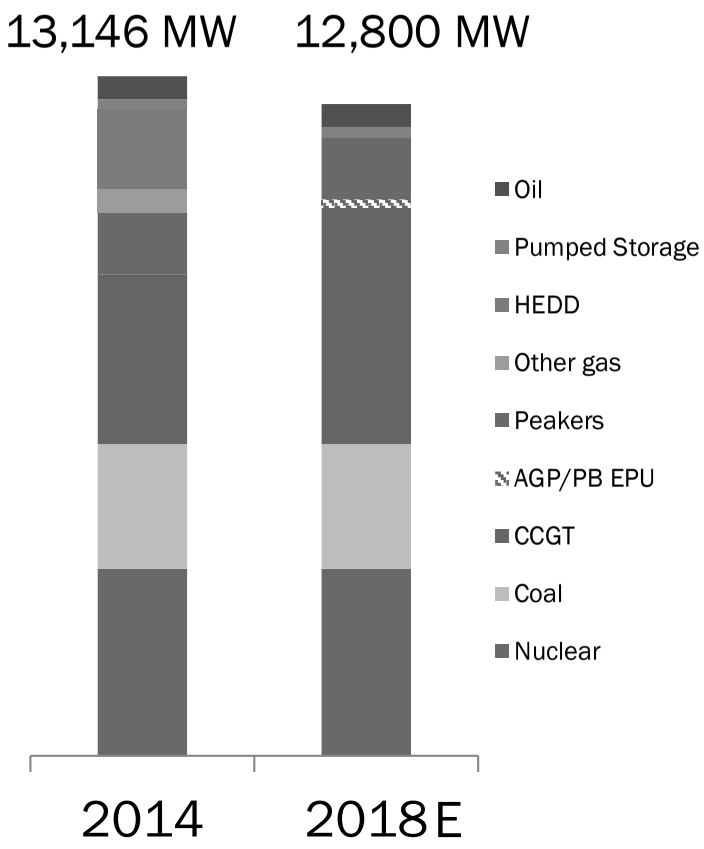
SI-SSA-0015-08396

PSEG Power will improve diversity and efficiency as we invest in the fleet

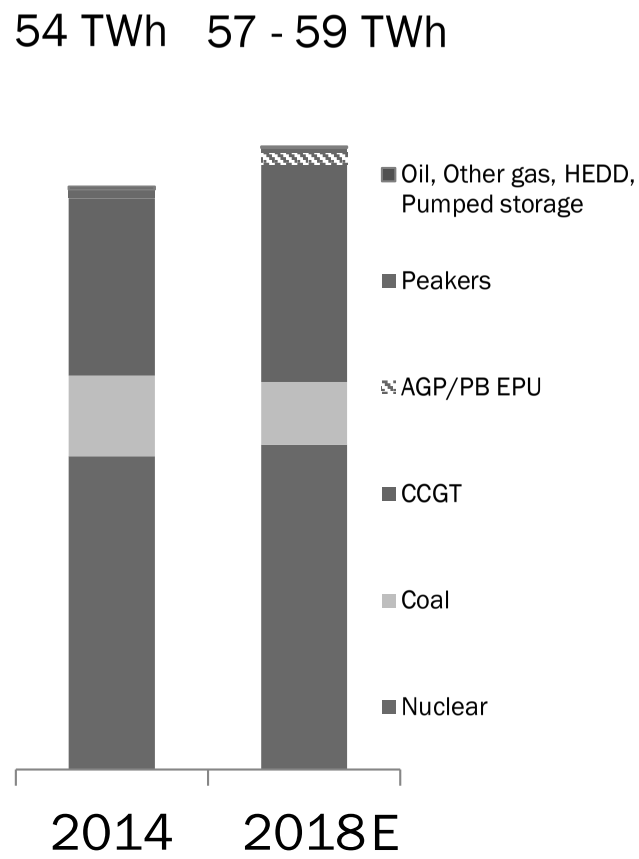
Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprates
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren 7 operational in 2018

Fuel Diversity

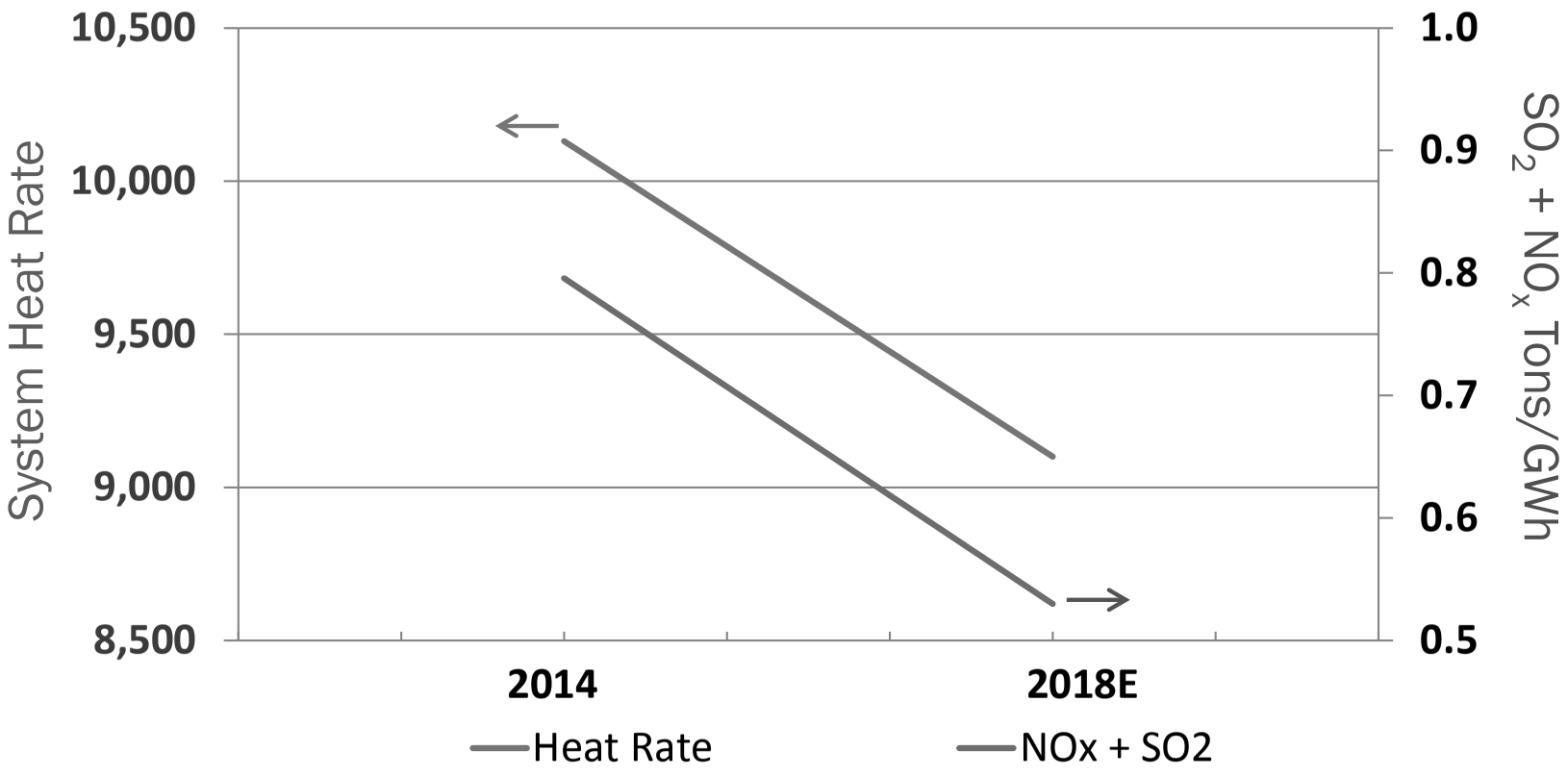


Energy Produced



E=ESTIMATE.

PSEG Power's fleet will experience heat rate and emissions improvements

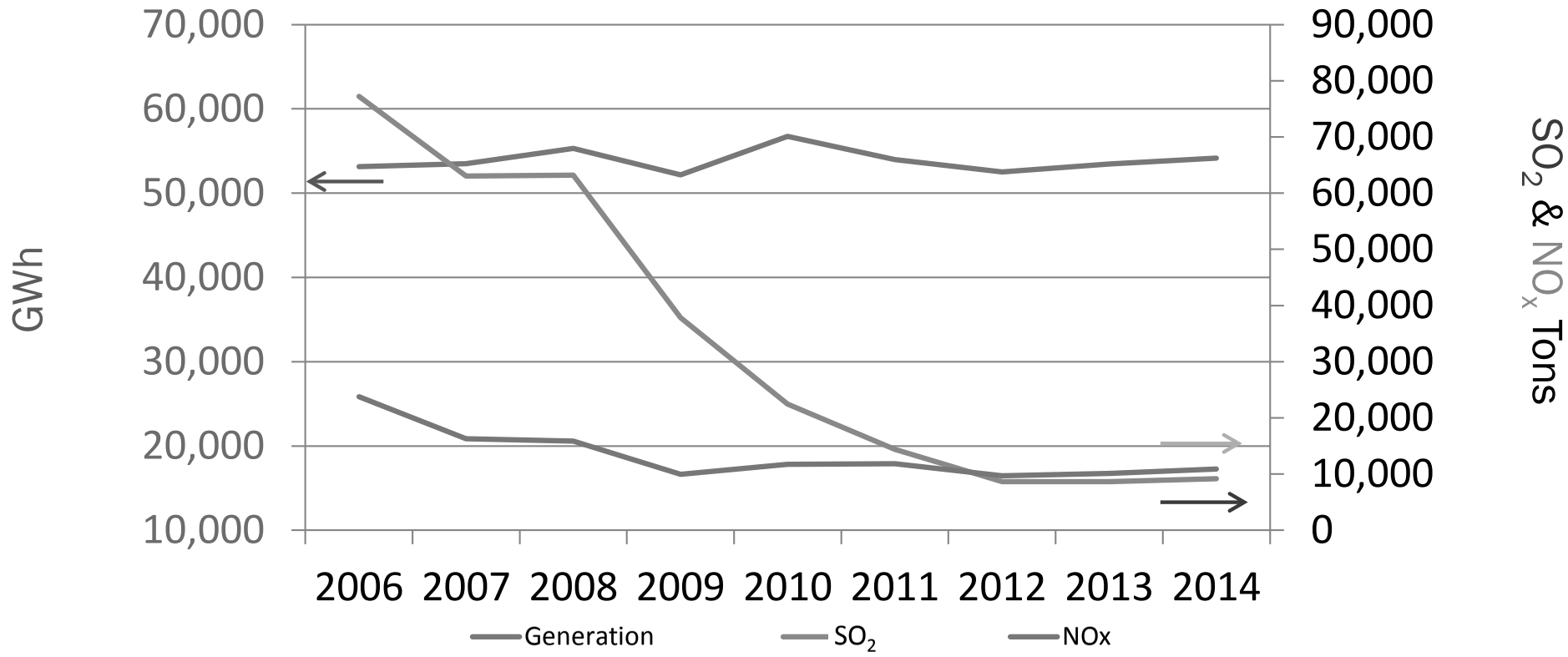


- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

SI-SSA-0015-08398

E = ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-08399

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-08400

PSEG Power Nuclear has competitive advantages

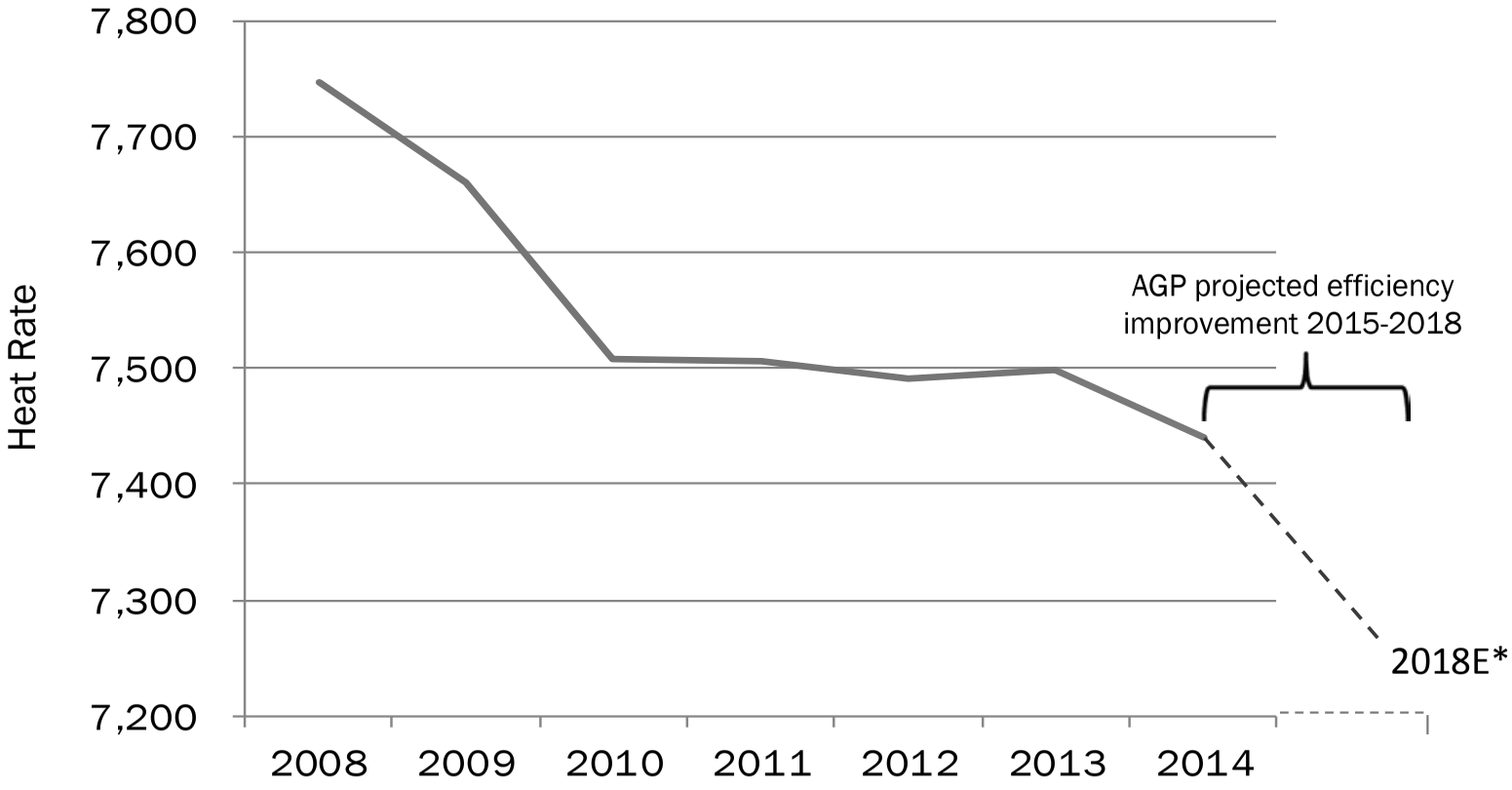
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-08401

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Operating Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-08402

PSEG

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

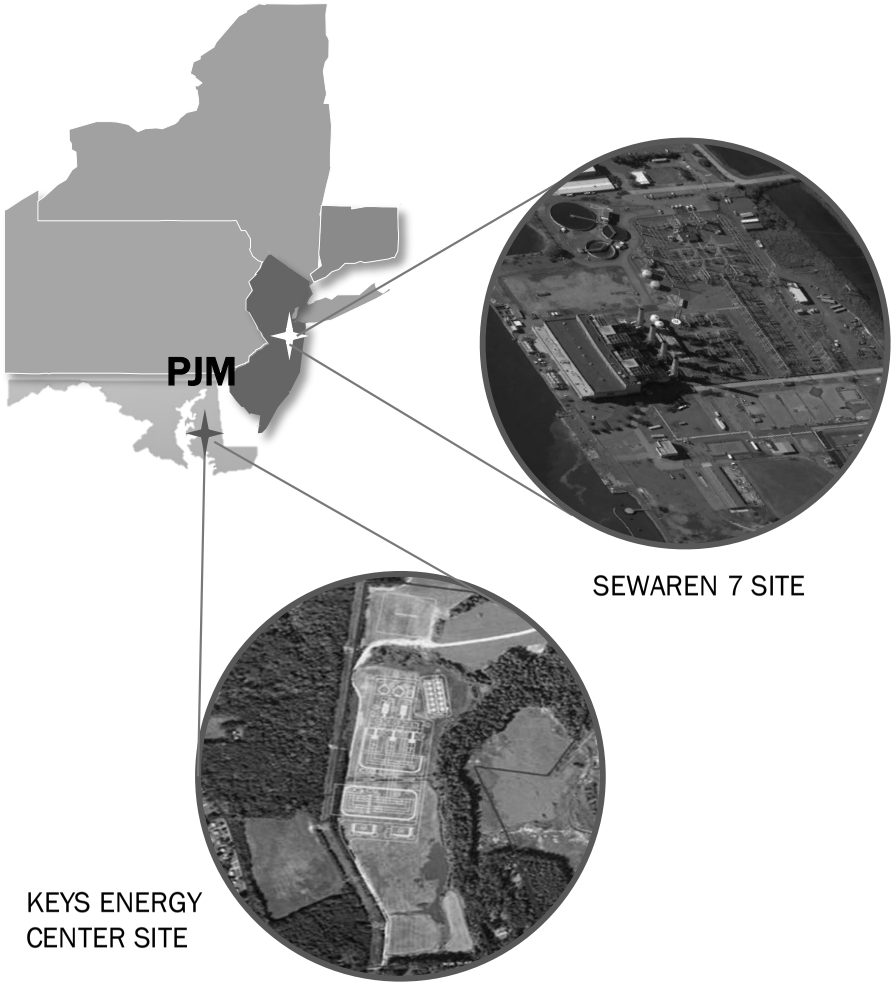
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-08403

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- Construction of 755 MW Keys Energy Center to begin this Fall on a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Power cleared a new 540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*), in the recent 2018/2019 RPM auction; the new unit is expected to cost $625 to $675 million and will replace the older Sewaren units upon completion
- Both Keys and Sewaren 7 are targeted to be in-service in 2018

SI-SSA-0015-08404

PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7, 540 MW CCGT	$625- $675	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Linden/ Bergen/ BEC	**Advanced Gas Path Uprates (AGP):** Linden -- 63 MW Bergen – 31 MW BEC -- 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	**Completed:** Linden (2014) Bergen (2015) **Planned:** BEC 2017/2018E
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-08405

PSEG

* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~215 MW

of solar facilities with long term contracted revenues*

OPERATING SOLAR FACILITIES

Facility	MWdc	In Service	Technology	Investment	Contract/Counterparty
Hackettstown-NJ	2	9/2009	Thin Film/Fixed Tilt	$13 M	15YR PPA/Mars
Wyandot-OH	12	5/2010	Thin Film/Fixed Tilt	$44 M	20YR PPA/AEP
JEA-FL	15	9/2010	Thin Film/Fixed Tilt	$59 M	30 YR PPA/JEA
Queen Creek-AZ	25	10/2012	Polycrystalline/ Single Axis	$75 M	20 YR PPA/SRP
Milford-DE	15	12/2012	Polycrystalline/ Fixed Tilt	$47 M	20 YR PPA/DEMEC
Badger 1-AZ	19	11/2013	Polycrystalline/ Single Axis	$48 M	30 YR PPA/APS
Shasta A&B-CA	2X2	3/2014	Polycrystalline/ Single Axis	$13 M	20 YR PPA/PG&E
Whitcomb-VT	4	10/2014	Polycrystalline/ Fixed Tilt	$10 M	25 YR PPA/VTEPP
Newman-TX	13	12/2014	Polycrystalline/ Single Axis	$22 M	30 YR PPA/El Paso Elec
Rockfish-MD	13	7/2015	Polycrystalline/ Single Axis	$22 M	20 YR PPA/SMECO
Columbia-CA	25.5	10/2015	Polycrystalline/ Fixed Tilt	$55 M	20 YR PPA/PG&E

PROJECTS IN CONSTRUCTION

- **Whitethorn**
  California (4 MW)
  COD March 2016 E
  Polycrystalline/Fixed Tilt
  Investment $8 million
  20 year PPA/WAPA

- **Pavant II**
  Utah (63 MW)
  COD December 2016 E
  Polycrystalline/ Single Axis
  Investment $104 million
  20 year PPA/PacifiCorp

SI-SSA-0015-08406

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E = ESTIMATE

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-08407

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-08408

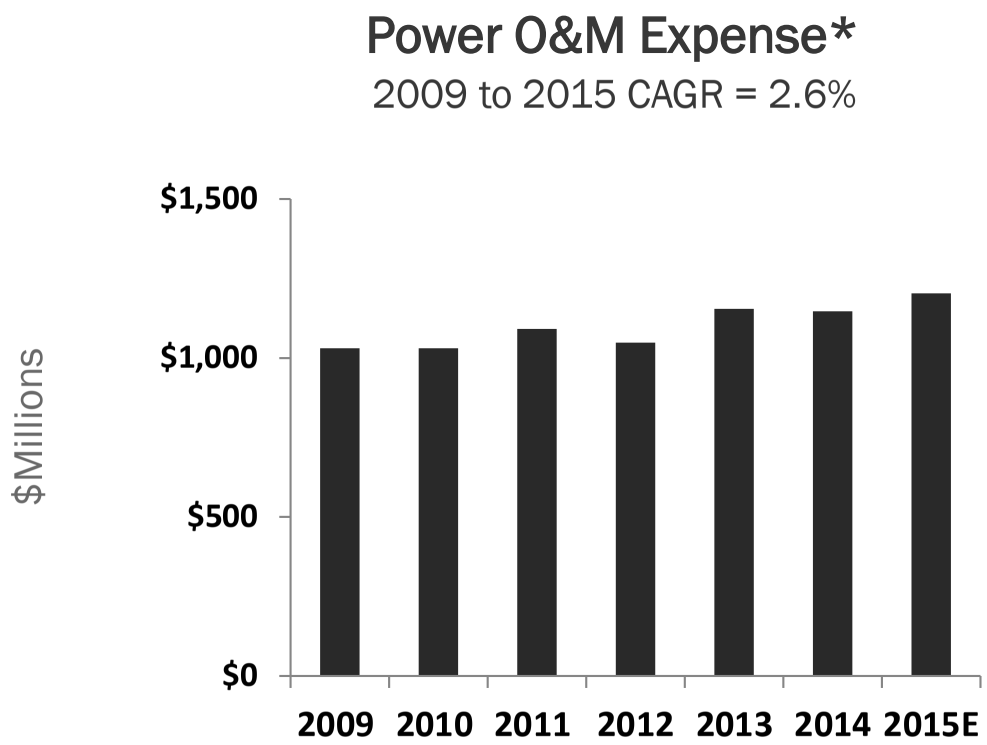
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-08409

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



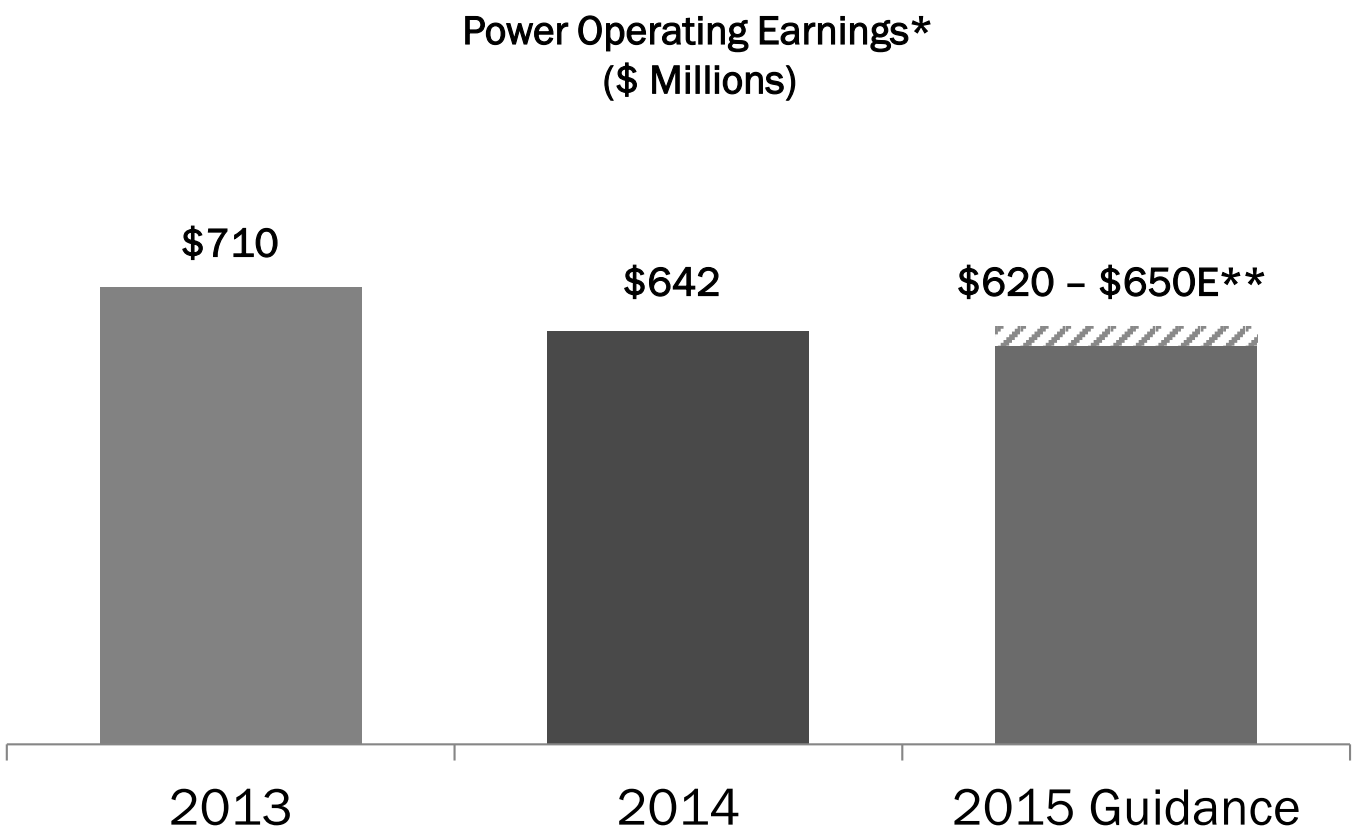
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-08410

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

Power's 2015 operating earnings

maintain solid performance



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-08411

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
** UPDATED GUIDANCE ON OCTOBER 30, 2015.

PSEG POWER
ER&T

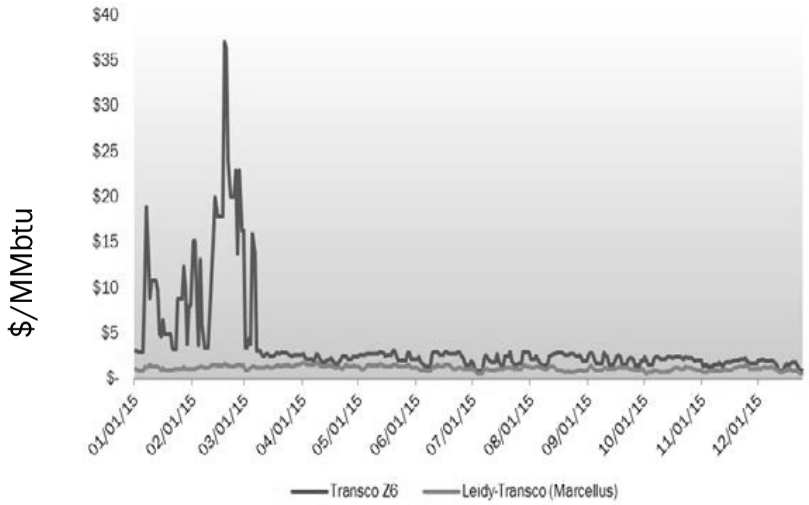
SI-SSA-0015-08412

PSEG

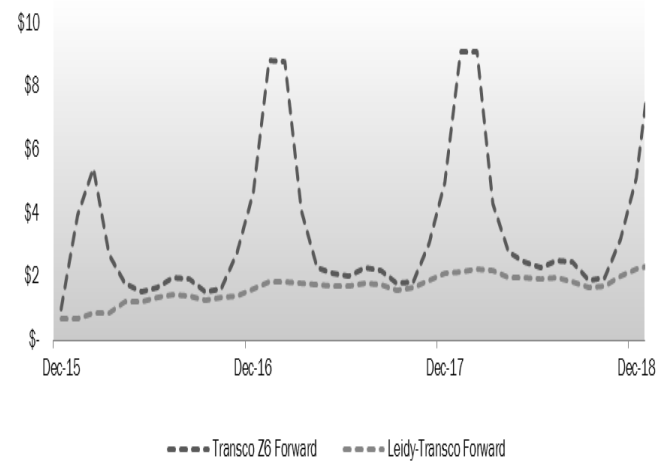
We make things work for you.

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

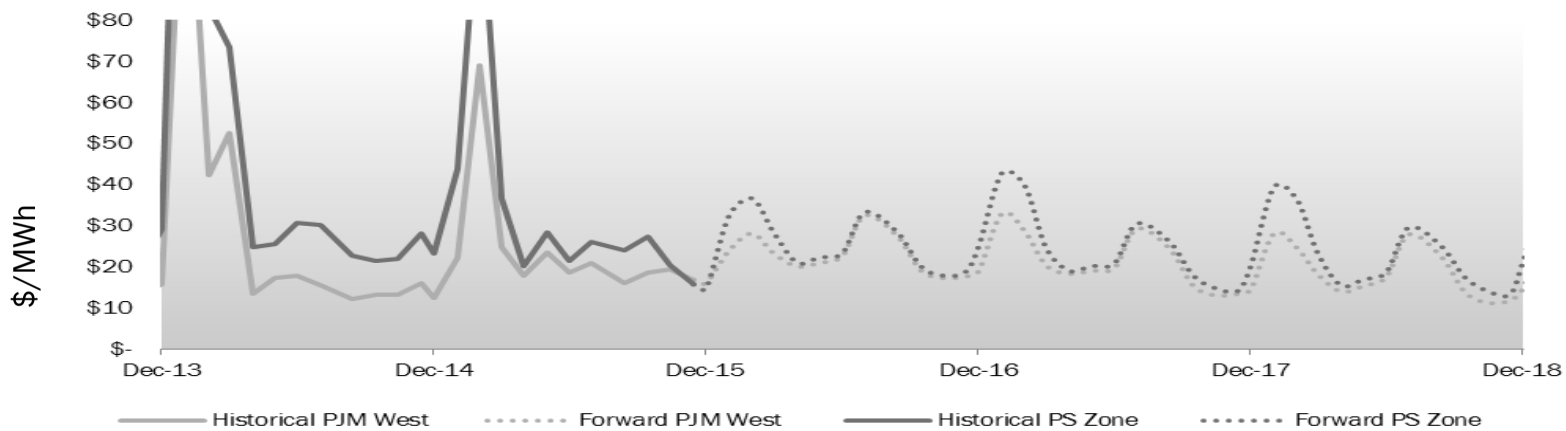
2015 YTD Z6



2015-2018 Z6

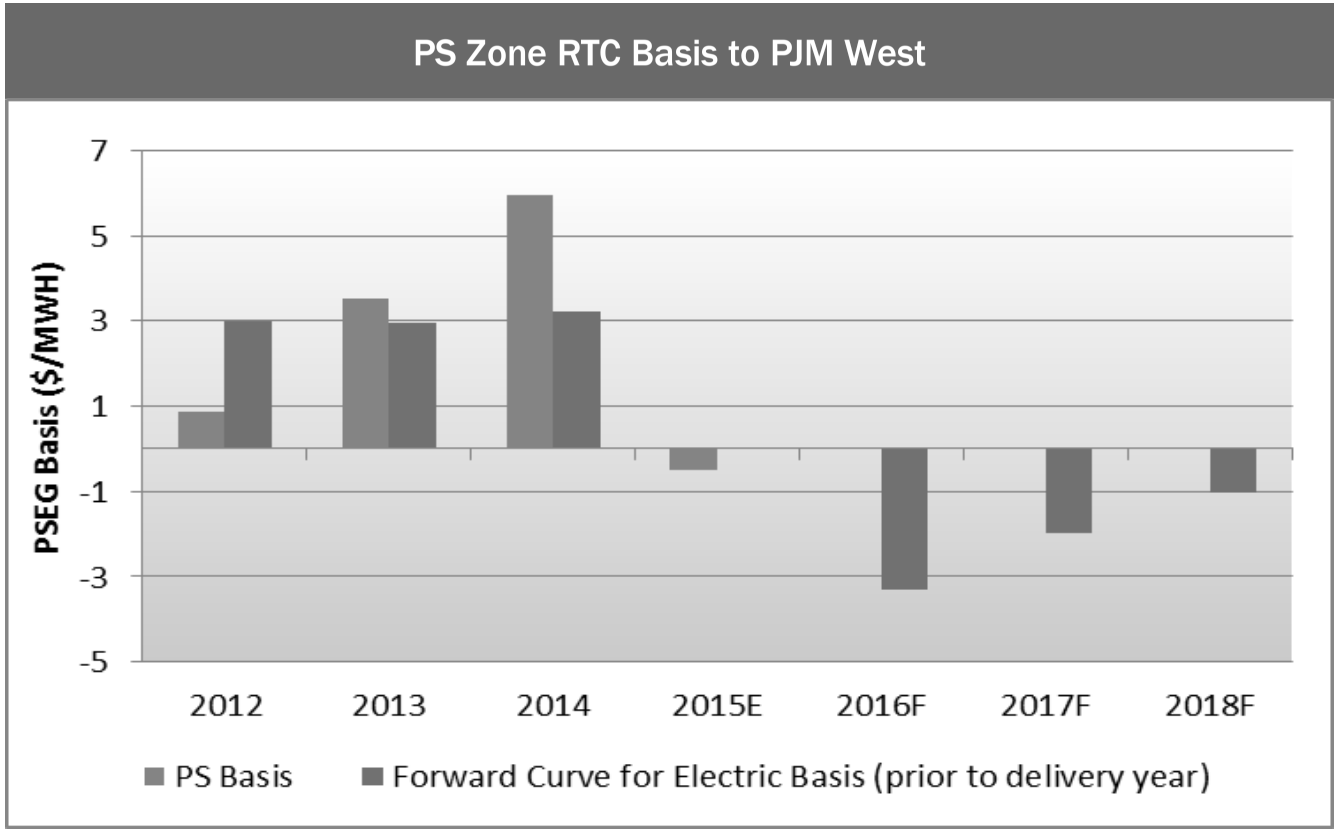


PJM West vs. PS Zone Spark Spreads (2013-2018)



SI-SSA-0015-08413

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis over the near term



Electric Basis is negative however it is viewed to be stabilizing and reverting within the next several years due to:

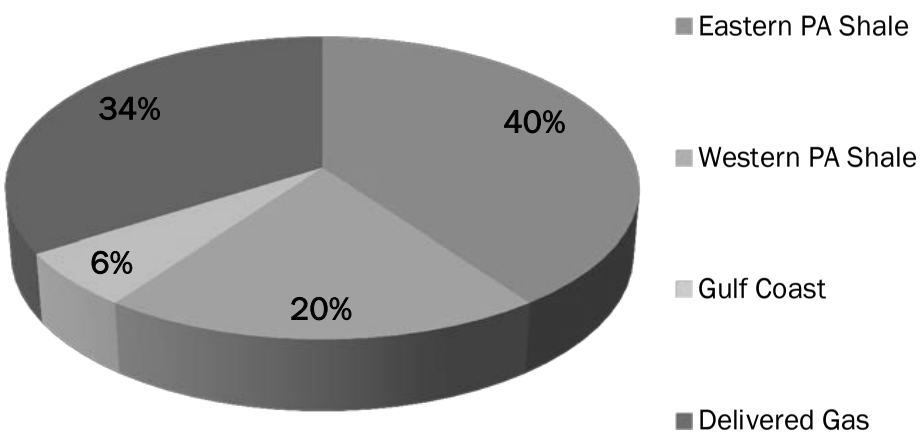
- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 24, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

SI-SSA-0015-08414

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

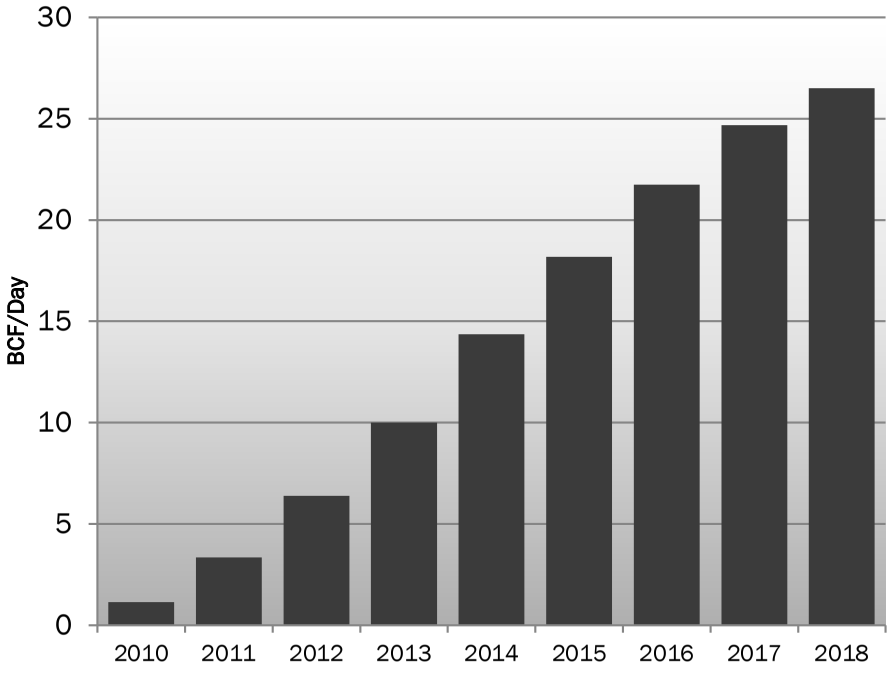


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

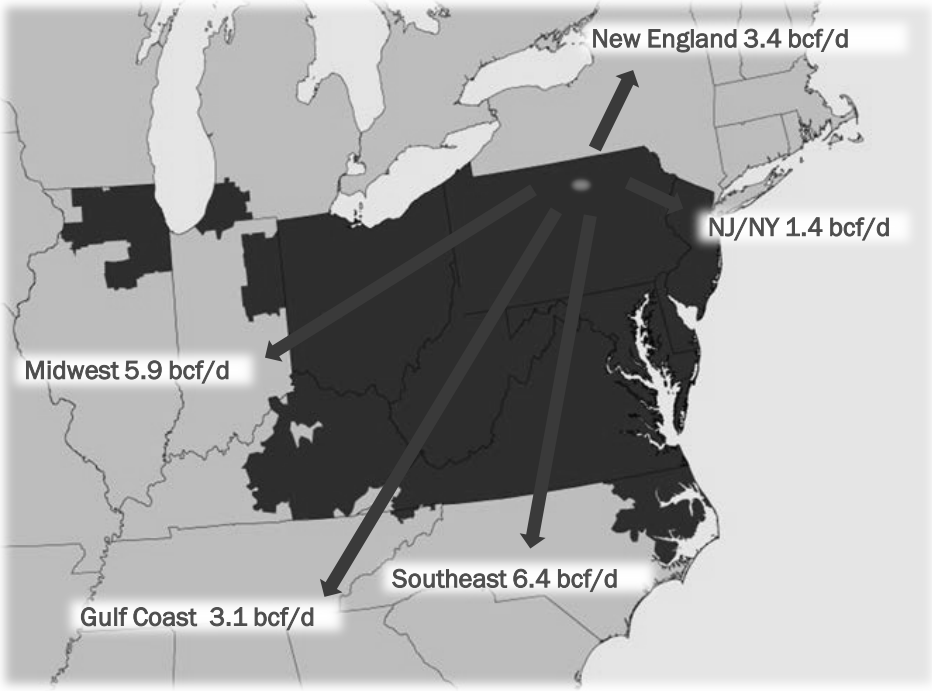
SI-SSA-0015-08415

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-08416

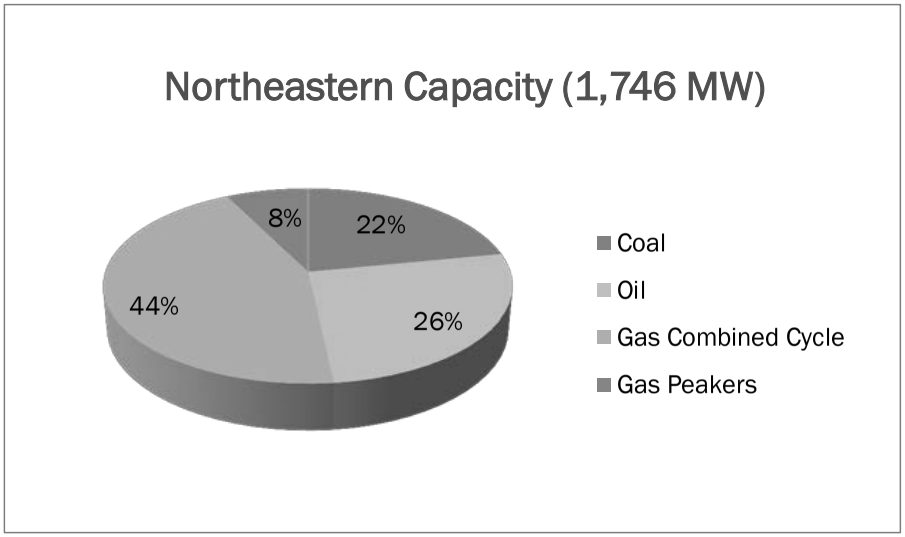
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-08417

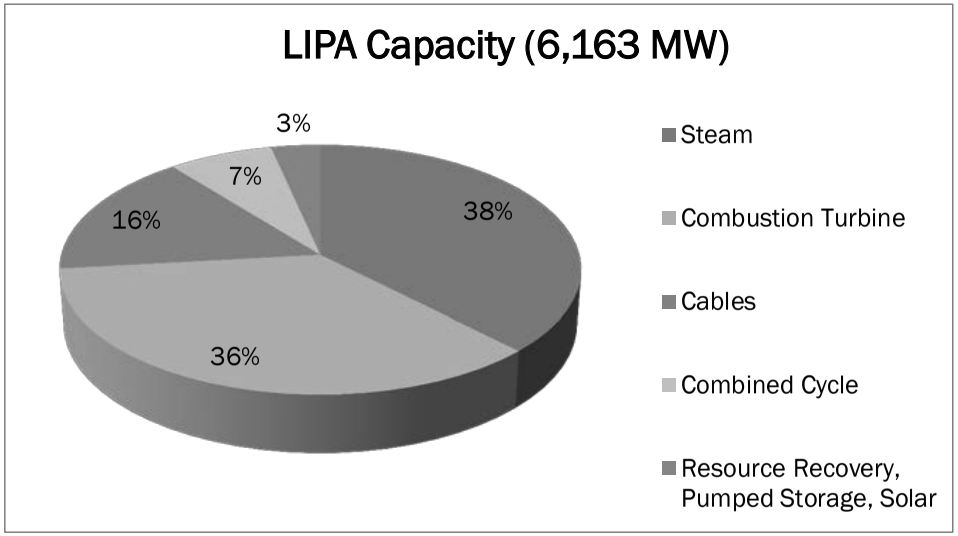
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-08418

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction met the new CP standards

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

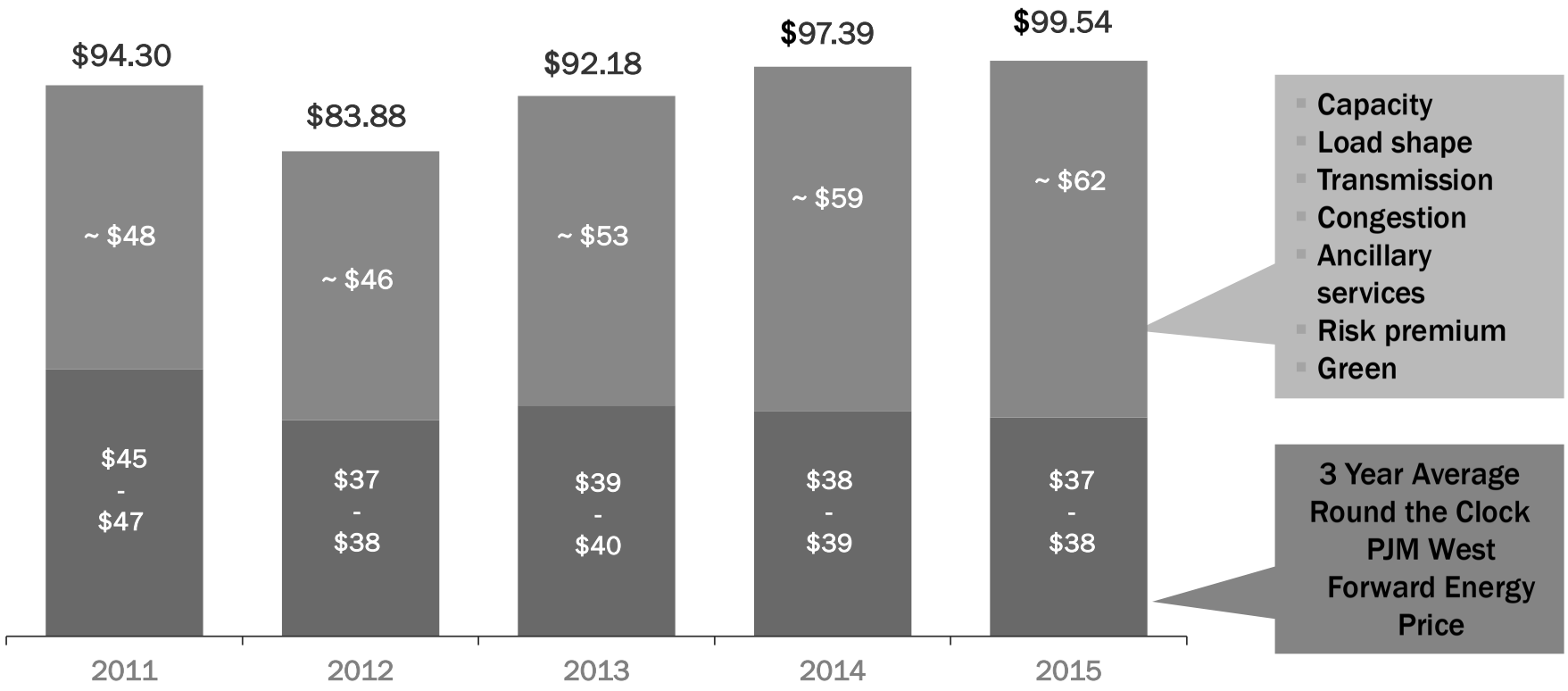
- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

SI-SSA-0015-08419

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

NJ default service provides Power the ability to forward hedge generation and protect energy basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-08420

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Oct-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	9	36	36
	% Hedged	100%	100%	55-60%
	Price $/MWh	$52	$51	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	4	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	12**	55-57	55-57
	% Hedged	80-85%	65-70%	35-40%
	Price $/MWh	$52	$51	$49

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA. **VOLUMES REFLECT ROUNDING.

SI-SSA-0015-08421

Regulatory Framework: Significant reforms implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) • Tighter performance obligations for Demand Response

	ENERGY	• FERC directed improvements to energy price formation:
		  • 5 minute settlement (FERC Notice of Proposed Rulemaking)
		  • Developing day-ahead hourly offers/real-time reoffers in Q4 2016

ISO-NE	CAPACITY	• Implemented two settlement capacity market (Pay for Performance) • Higher prices in recent auction better reflect tight supply conditions in concert with implementation of sloped demand curve in FCA 9 • Supply and demand near equilibrium • Zonal demand curves expected in FCA 11
	ENERGY	• Implemented day-ahead hourly offers/real-time reoffers in Q4 2014 • Reserve market prices better reflect scarcity prices • 5 minute settlement expected implementation Q1 2017
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals • FERC directed NYISO to develop RMR Rules in place of NYPSC rules
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• *FERC v. EPSA* before Supreme Court and national implications • DC Circuit RICE NESHAPs decision affecting diesel engines pending
	CAPACITY	• Supreme Court to review Maryland subsidized generation case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-08422

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-08423

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-08424

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for consistent and sustainable dividend growth

SI-SSA-0015-08425

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	$785 - $805	$725
PSEG Power	$620 - $650	$642
PSEG Enterprise/Other	$40 - $45	$33
*Operating Earnings**	$1,445 - $1,500	$1,400
Earnings per Share	$2.85 - $2.95E	$2.76

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,595	$1,584

SI-SSA-0015-08426

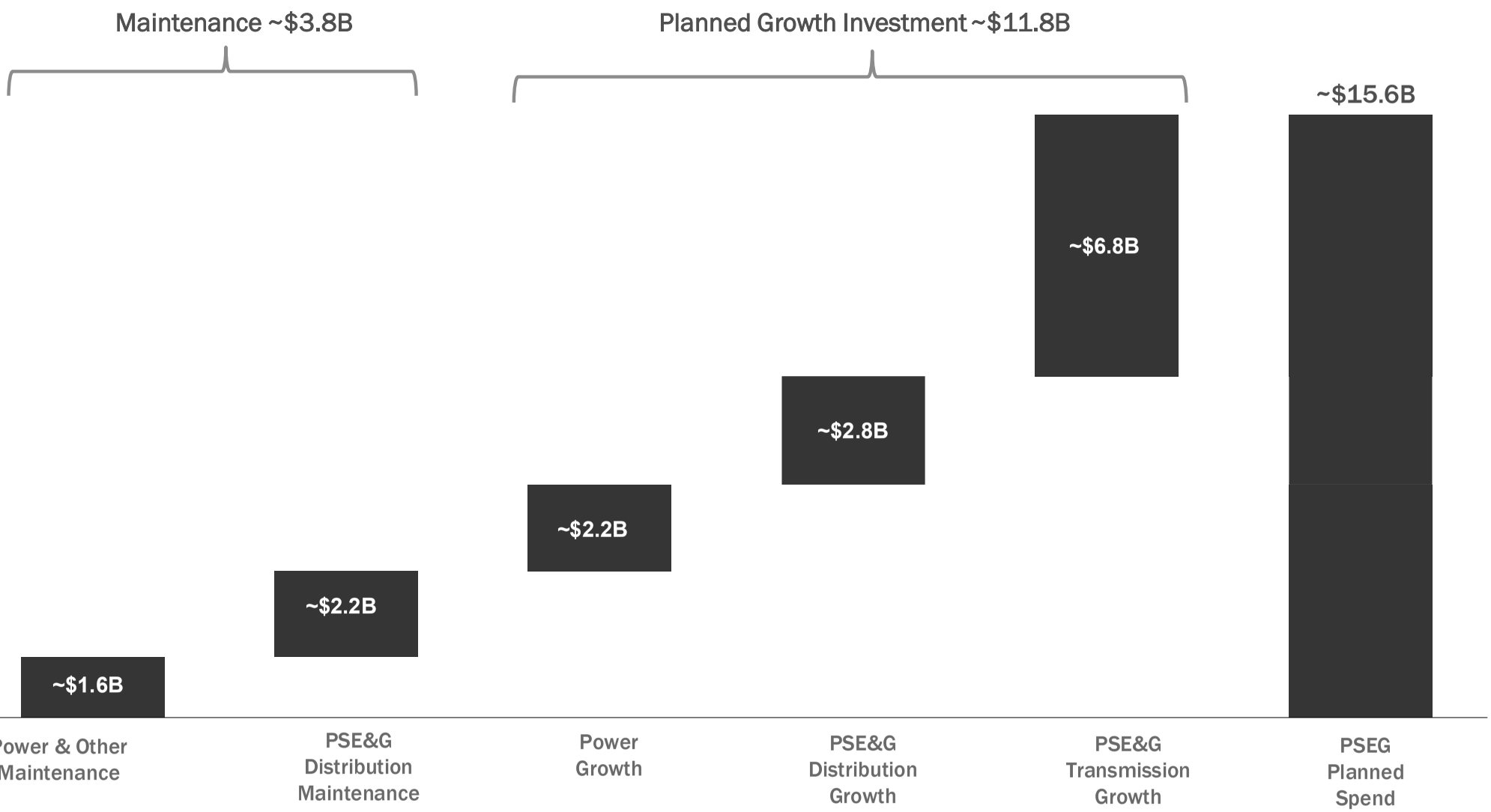
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

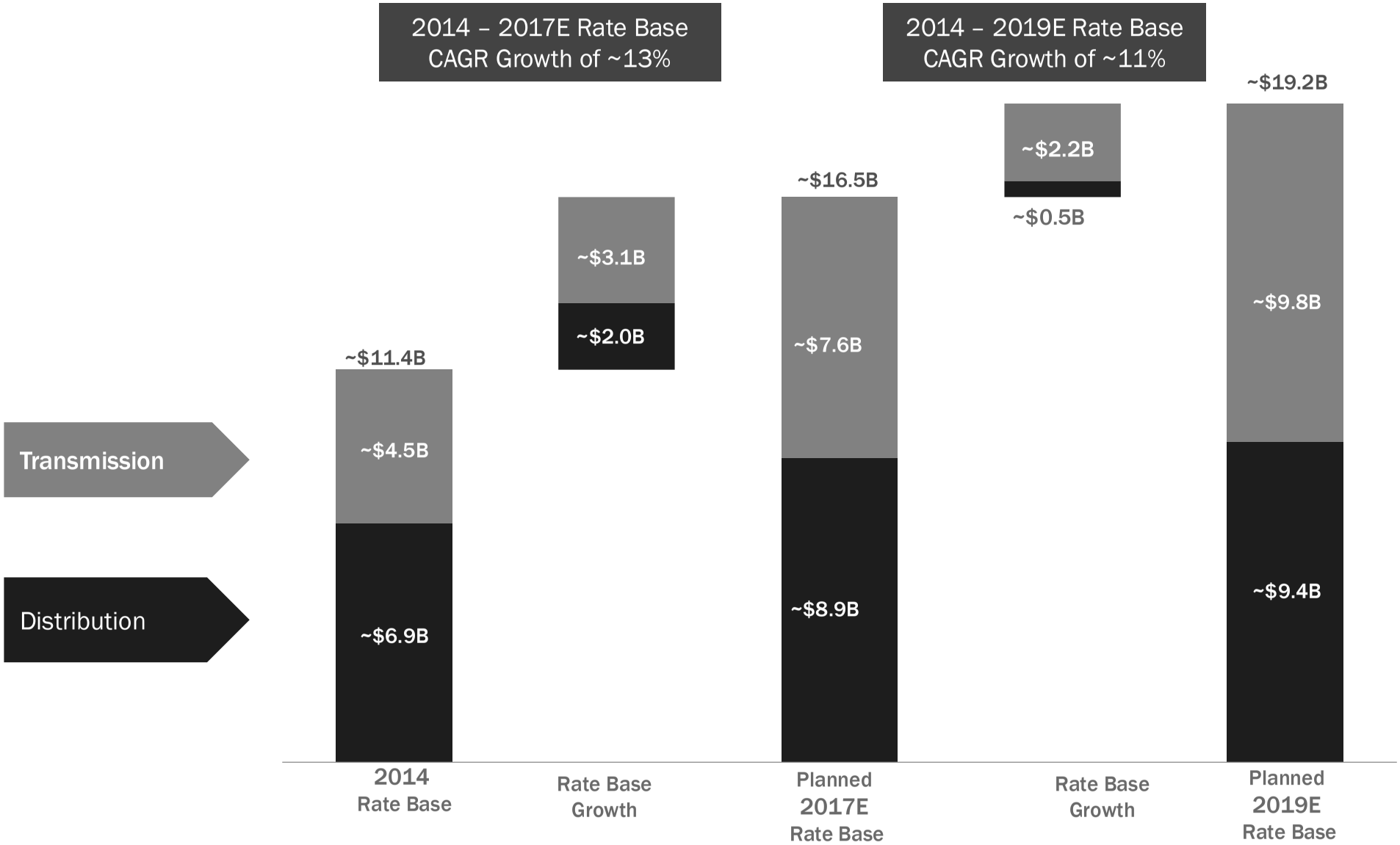
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-08427

PSE&G's Capital Program drives double-digit growth in rate base through 2019*

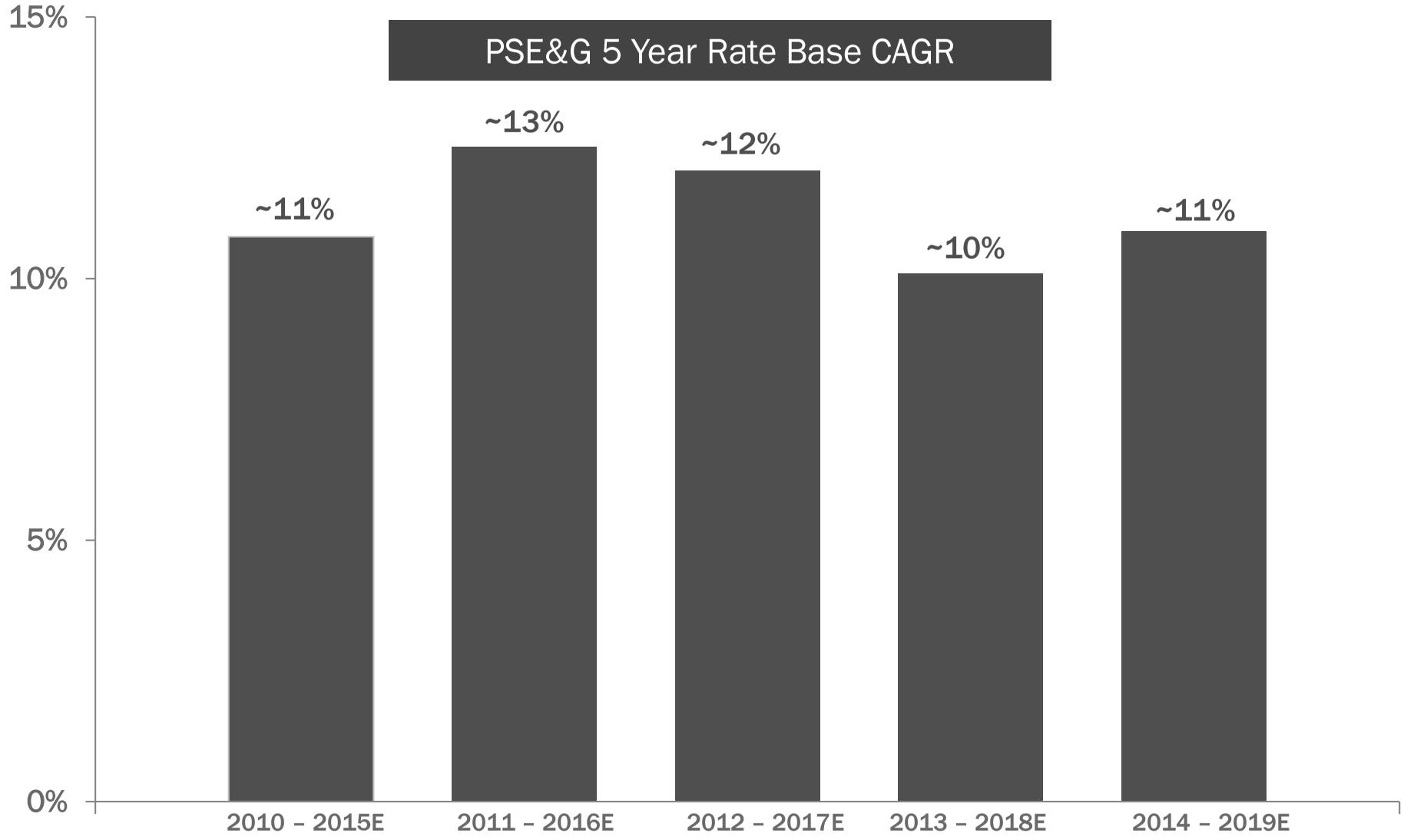


*PRIOR TO BONUS DEPRECIATION. INCLUDES GAS SYSTEM MODERNIZATION PROGRAM. E = ESTIMATE

SI-SSA-0015-08428

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



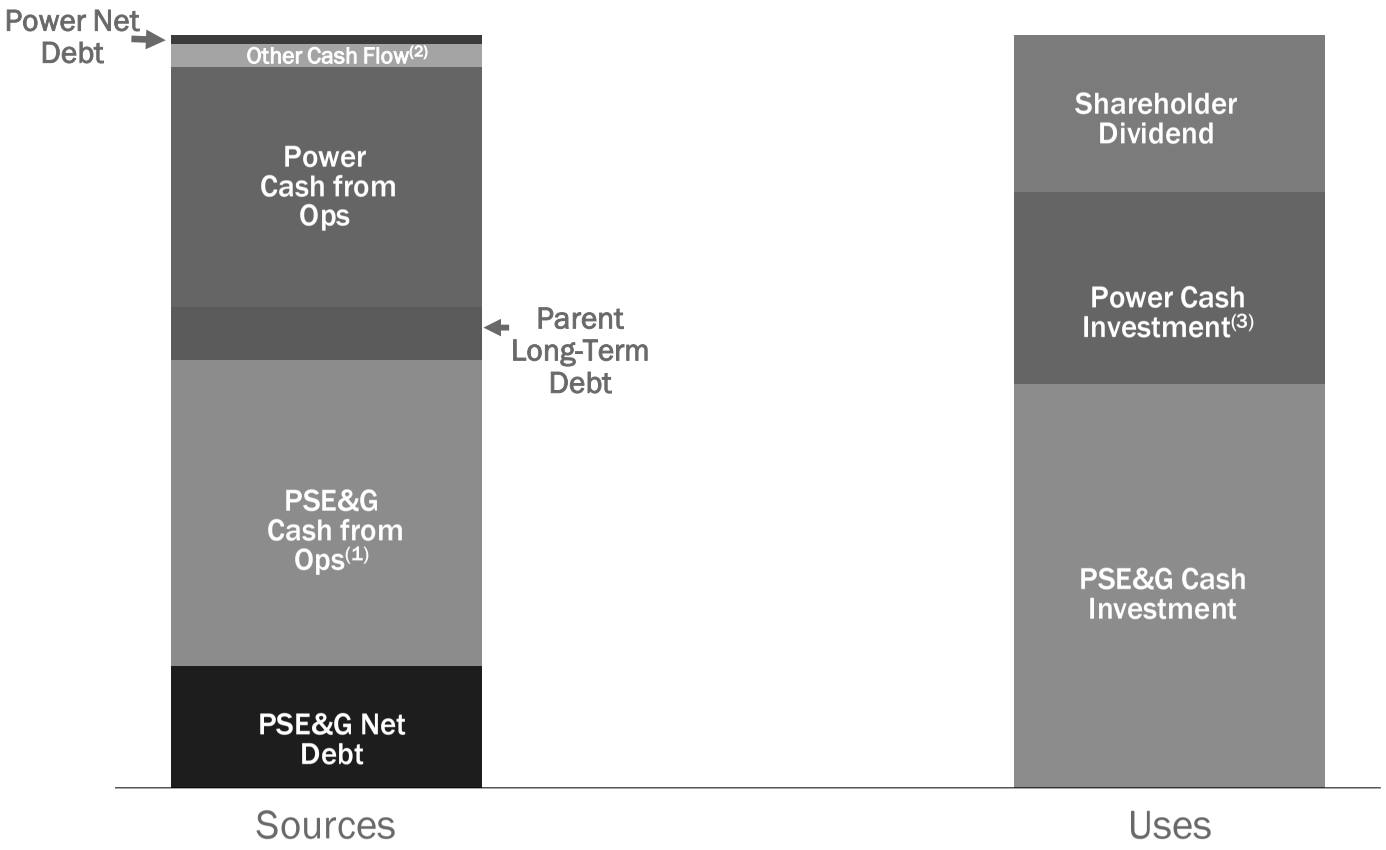
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-08429

Utilizing financial strength to issue debt at the parent level in support of growth

PSEG 2015 - 2019E Sources and Uses

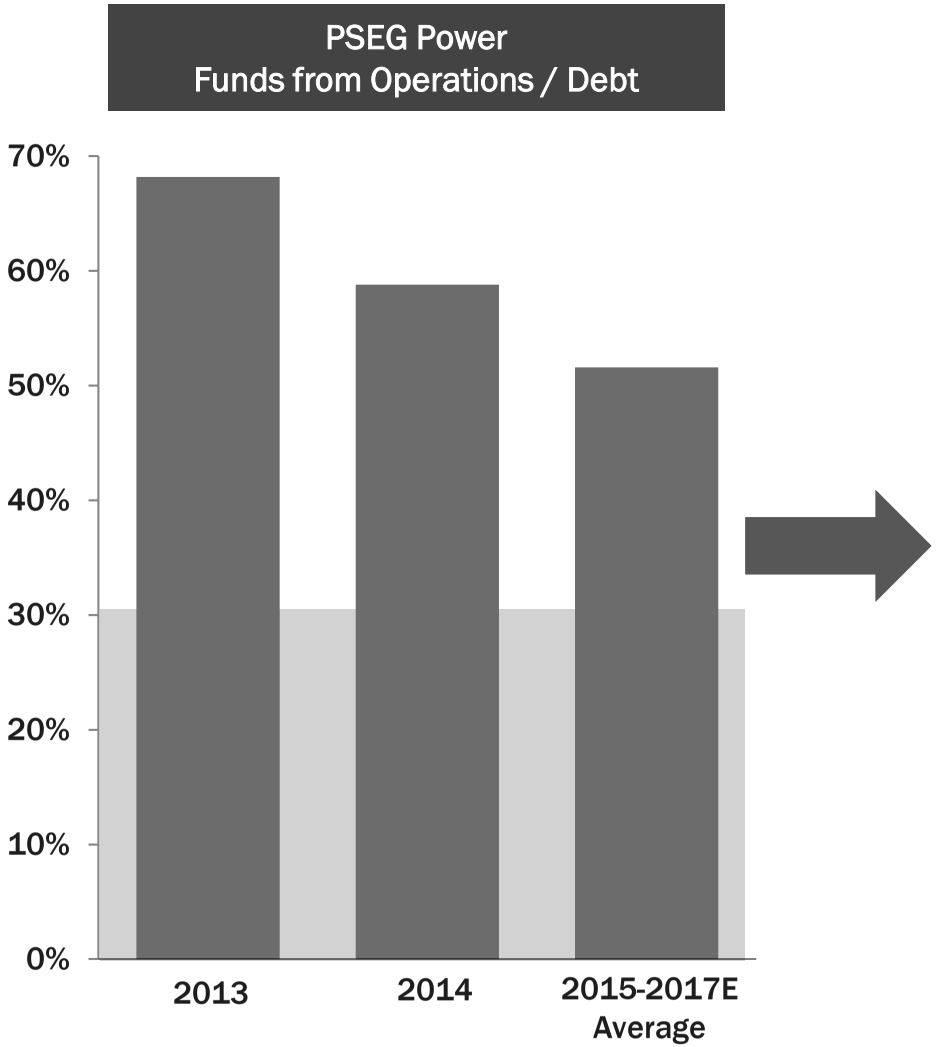


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-08430

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-08431

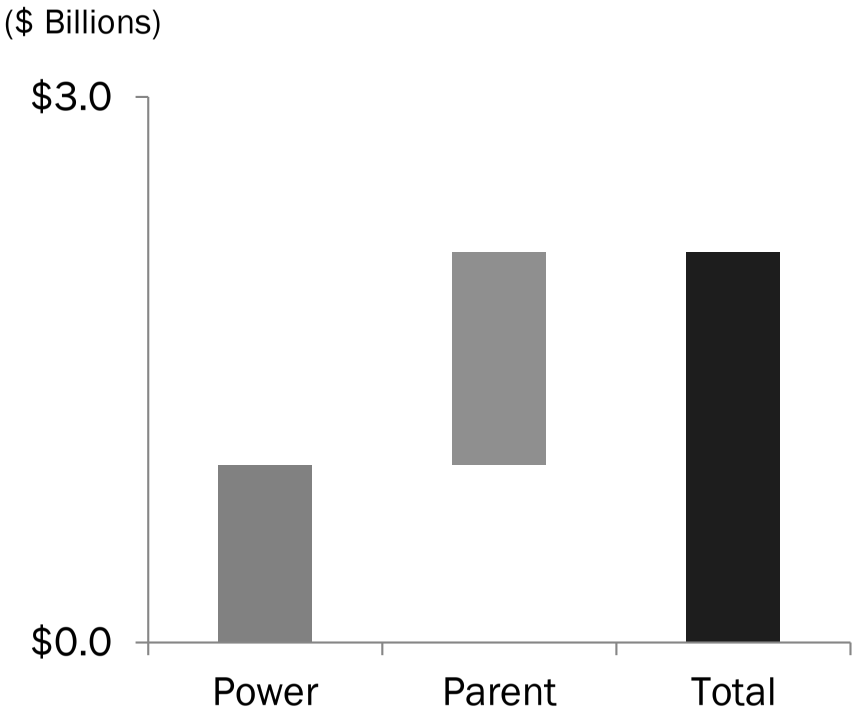
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



Our incremental investment capacity can support growth at both PSE&G and Power

SI-SSA-0015-08432

*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011–2013 historical data and forward curve estimates applied to Power's open positions. **Jul-Dec 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

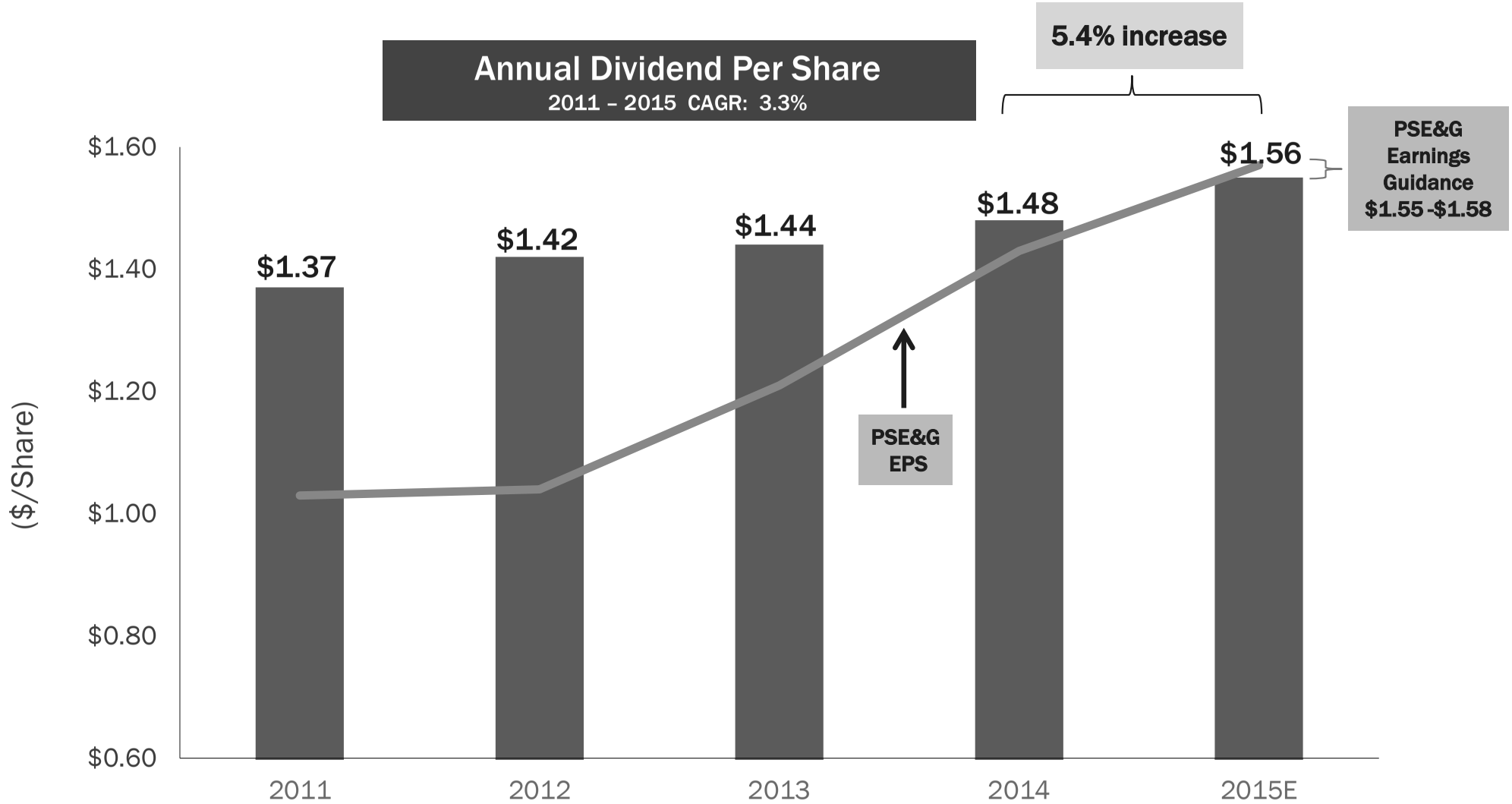
		2016E
Pension Expense	Each 1% Change in 2015 Rate of Return on Pension Assets	($0.01)
	Each 15 basis point Change in 2015 Year-End Discount Rate	$0.01
	Estimated Change in Actuarial Assumptions	$0.02

PSEG 2015 pension expense of $55M based on YE 2014 discount rate of 4.2% and 2015 expected rate of return on pension assets of 8%. As of 9/30/15, pension expense in 2016 was estimated to increase by $0.02-$0.03 per share. This will be updated at YE and managed as part of overall O&M.

SI-SSA-0015-08433

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



Payout Ratio	50%	58%	56%	54%	54% (1)

SI-SSA-0015-08434

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.85-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG Summary

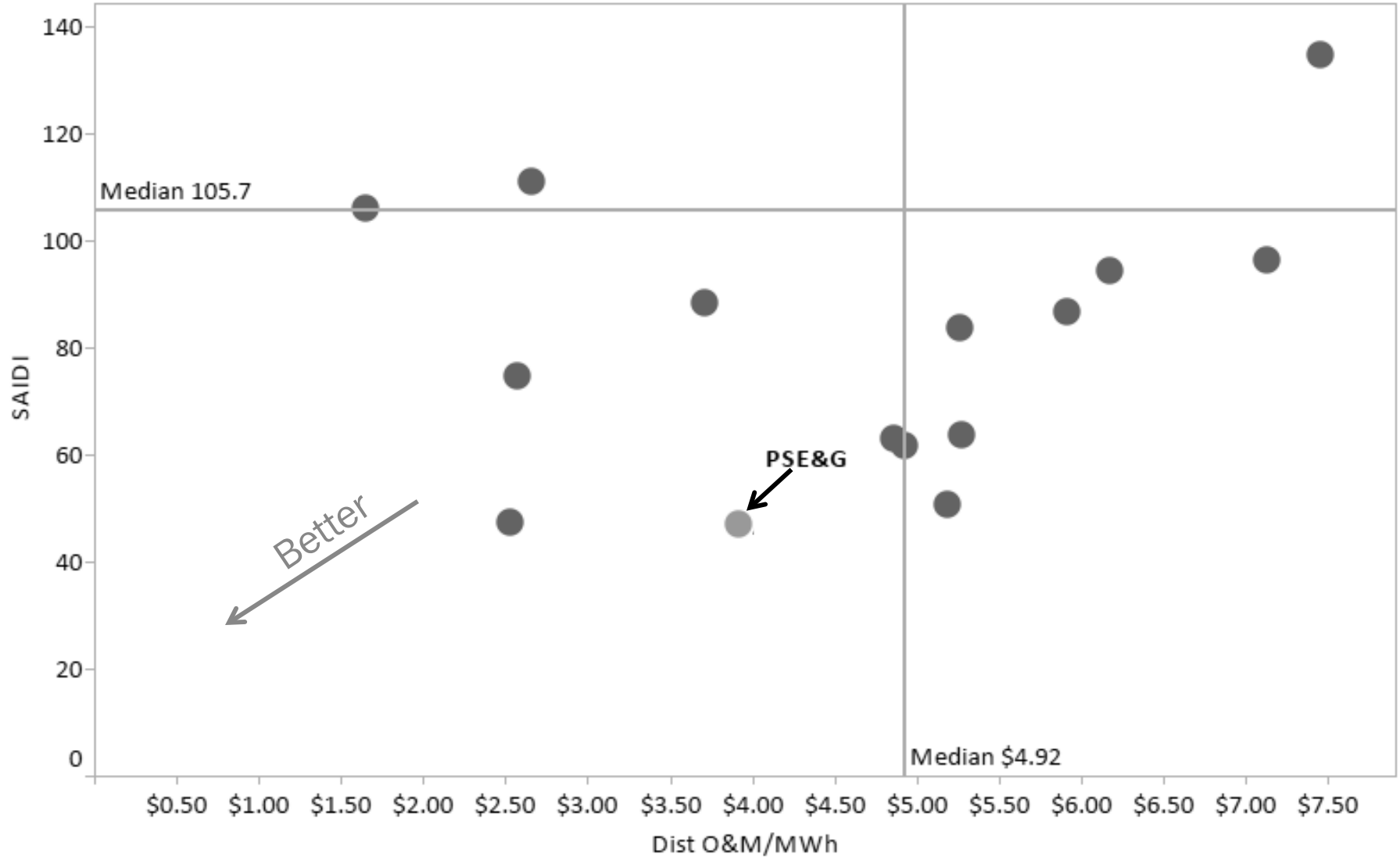
- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.85 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-08435

PSE&G APPENDIX

SI-SSA-0015-08436

PSE&G provides high reliability at below average cost which creates superior value to customers

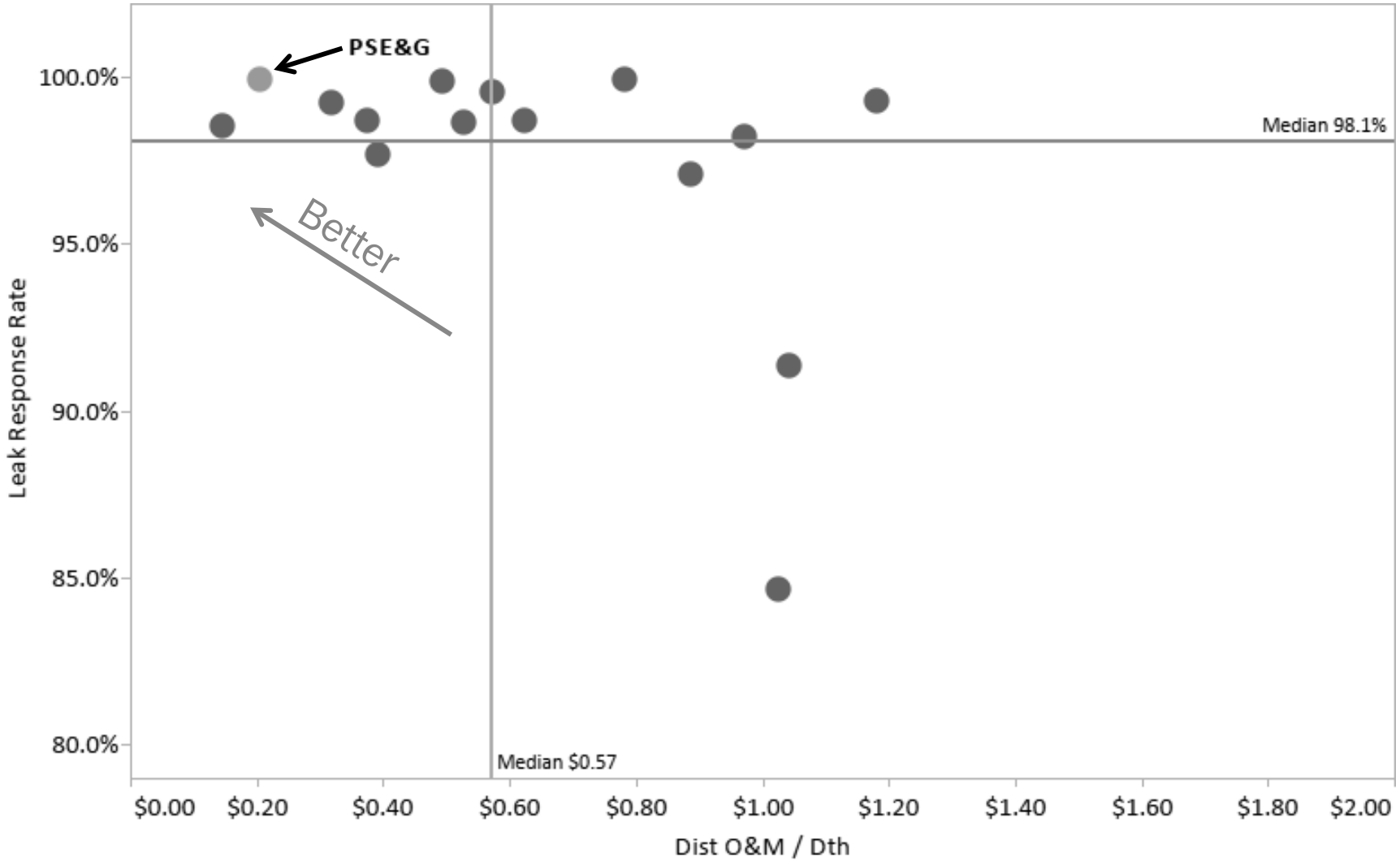


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-08437

PSE&G prioritizes public safety

while maintaining value to customers



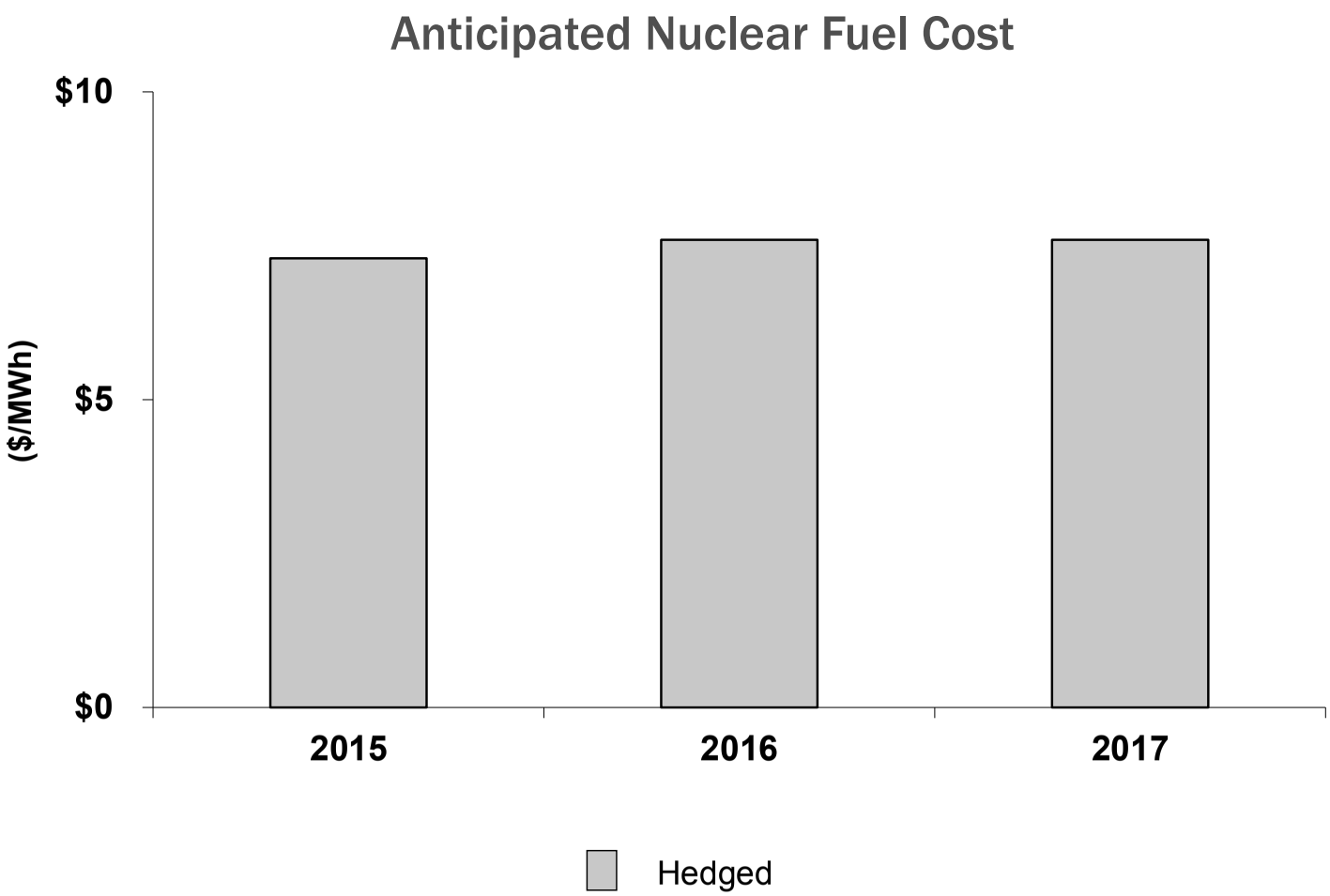
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-08438

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-08439

Nuclear fuel needs have been hedged through 2017



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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-08441

PSEG FINANCIAL APPENDIX

SI-SSA-0015-08442

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 631	$ 565	$ 1.24	$ 1.11
PSEG Power	558	551	1.10	1.09
PSEG Enterprise/Other	32	37	0.07	0.07
Operating Earnings*	$ 1,221	$ 1,153	$ 2.41	$ 2.27

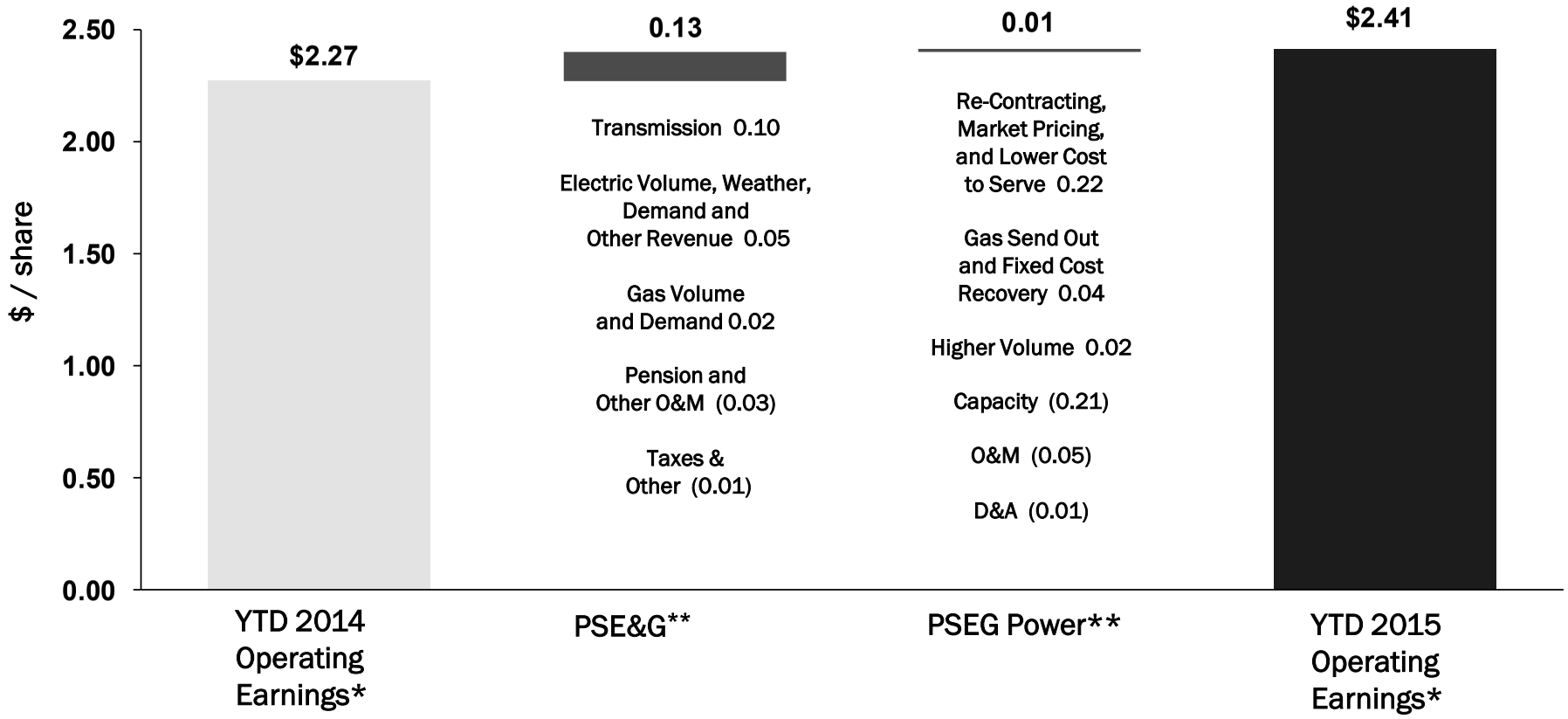
SI-SSA-0015-08443

PSEG

• SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2015 versus YTD 2014

Revenue growth supported EPS increase



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

PSEG Power's Adjusted EBITDA – Q3 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended September 30,		Nine Months (YTD) Ended September 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$170	$171	$558	$551	$620	$650
Add:						
Fossil Major Maintenance, pre-tax	10	10	111	117	115	115
Depreciation & Amortization, pre-tax	76	71	228	217	305	305
Interest Expense, pre-tax	30	31	93	91	125	125
Income Taxes	115	103	338	337	380	400
Adjusted EBITDA	**$401**	**$386**	**$1,328**	**$1,313**	**$1,545E**	**$1,595E**

* SEE SLIDE C FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.
** SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

SI-SSA-0015-08445

Our balance sheet remains strong

September 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.3	$0.0	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.9	7.4	5.8
Total Capitalization	**$22.1**	**$14.0**	**$8.4**
Total Debt / Capitalization	**42%**	**47%**	**30%**

PSE&G Regulated Equity Ratio(2) 52.5%

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PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $68 MILLION AND NON-RECOURSE DEBT OF $7 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Liquidity as of September 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$34	$566
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$201	$1,399
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$14	$986
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,600	$225	$3,375
	Total		$4,200	$259	$3,941

PSEG Money Pool ST Investment	$227
PSE&G ST Investment	$0
Total Liquidity Available	**$4,168**
Total Money Pool Liquidity Available	**$3,602**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-08447

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 9/30/15 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 152
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$ 34
Generation Legacy Assets	GWF (in wind down stage), GSOE	$ 1
Other	Land	$ 5
	Total Holdings Investments	**$836**

SI-SSA-0015-08448

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-08449

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	$ 403	$ 393	$ 1,221	$ 1,153	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(14)	17	(11)	40	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	50	36	58	(138)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(2)	102	(13)	(16)	(32)
Net Income	$ 439	$ 444	$ 1,370	$ 1,042	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.80	$ 0.77	$ 2.41	$ 2.27	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.02)	0.04	(0.02)	0.08	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.09	0.07	0.11	(0.27)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	0.20	(0.03)	(0.03)	(0.07)
Net Income	$ 0.87	$ 0.87	$ 2.70	$ 2.05	$ 2.99	$ 2.45

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

SI-SSA-0015-08450

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 401	$ 386	$ 1,328	$ 1,313	$ 1,584
Fossil Major Maintenance, pre-tax	(10)	(10)	(111)	(117)	(144)
Depreciation and Amortization, pre-tax [b]	(76)	(71)	(228)	(217)	(291)
Interest Expense, pre-tax [b]	(30)	(31)	(93)	(91)	(120)
Income Taxes [b]	(115)	(103)	(338)	(337)	(387)
Operating Earnings	$ 170	$ 171	$ 558	$ 551	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	(24)	36	(14)	85	138
Gain (Loss) on MTM, pre-tax [a]	84	60	98	(233)	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(23)	(27)
Income Taxes related to Operating Earnings reconciling items	(24)	(41)	(107)	60	(104)
Net Income	$ 206	$ 222	$ 707	$ 440	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

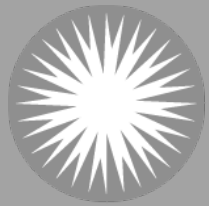
SI-SSA-0015-08451

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Evercore ISI – Utility CEO Conference

PALM BEACH, FL – JANUARY 8-9, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08452

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-08453

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slides in this presentation include a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-08454

PSEG OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-08455

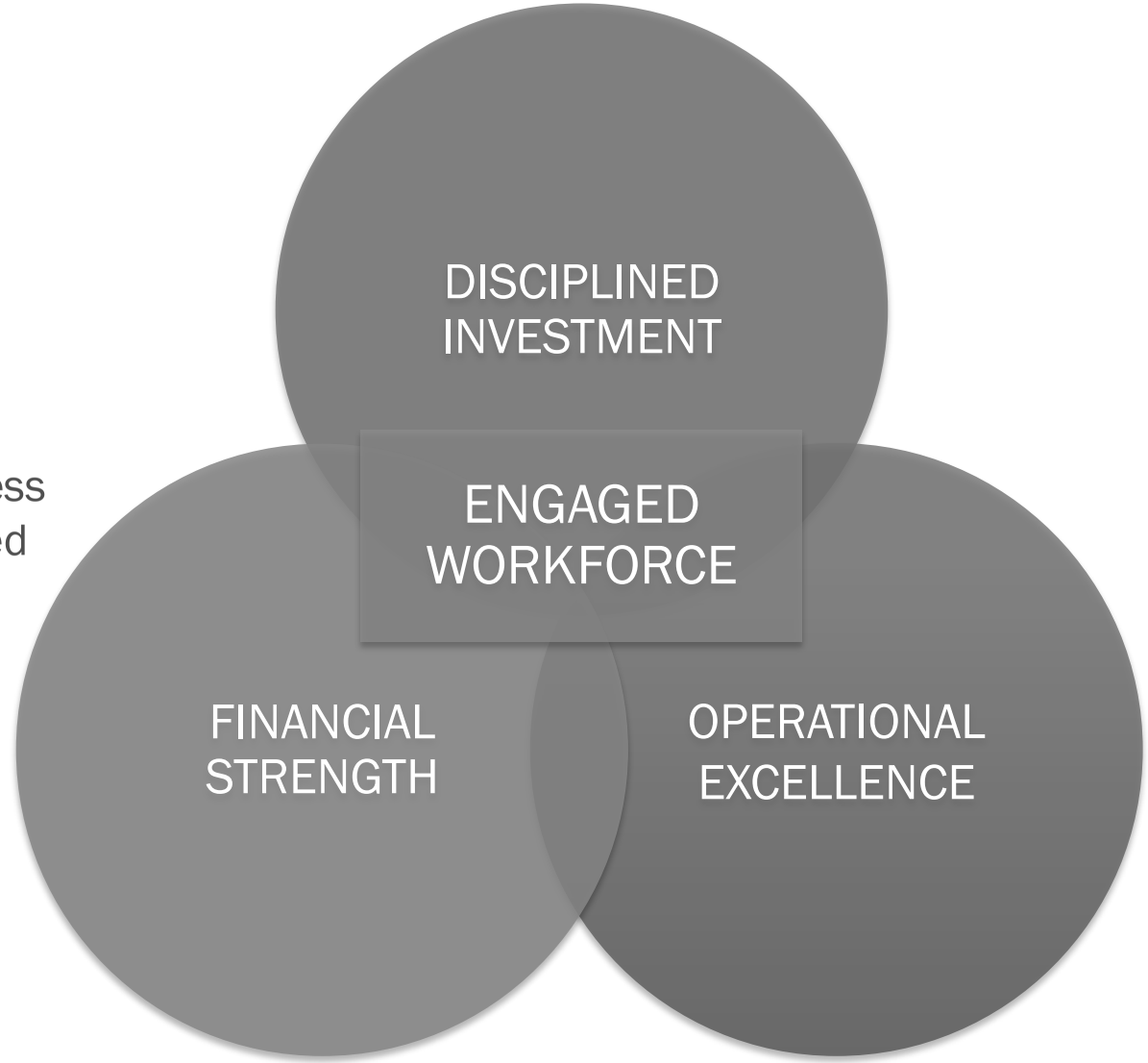
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-08457

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-08458

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

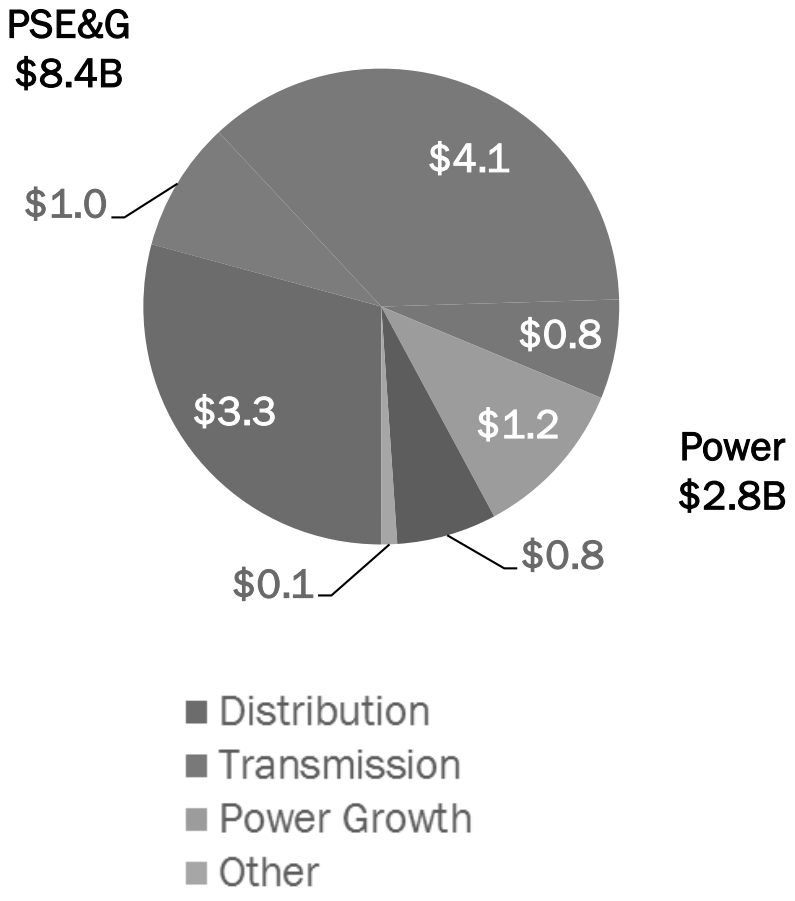
SI-SSA-0015-08459

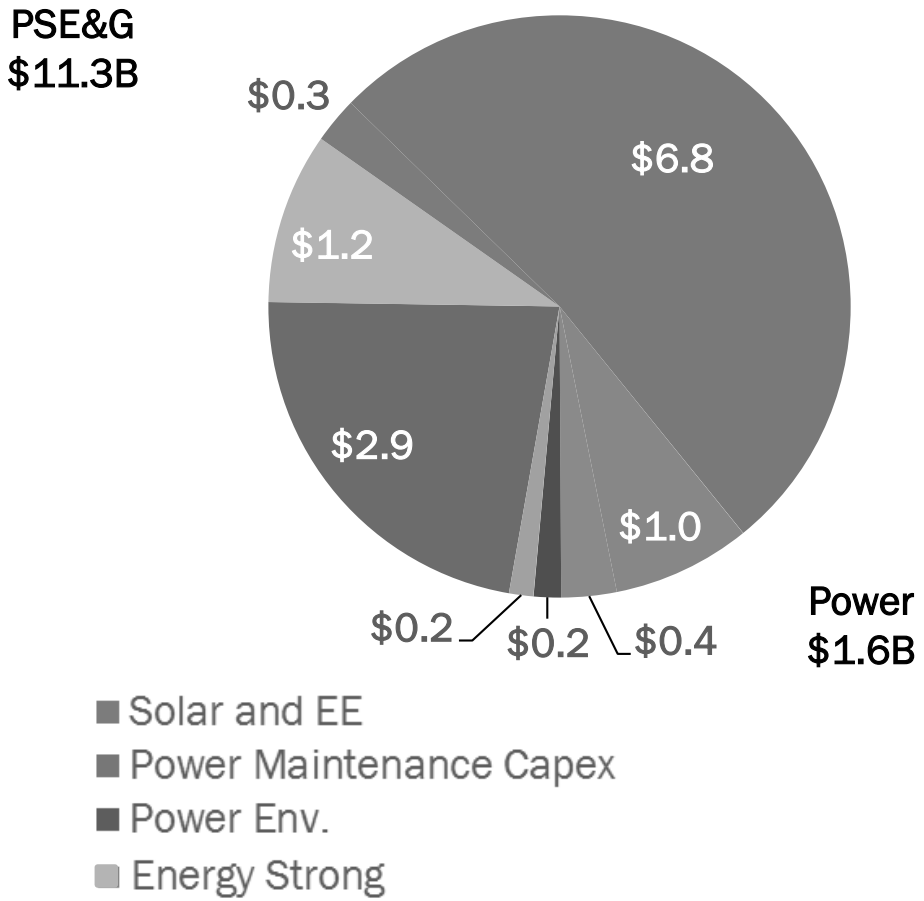
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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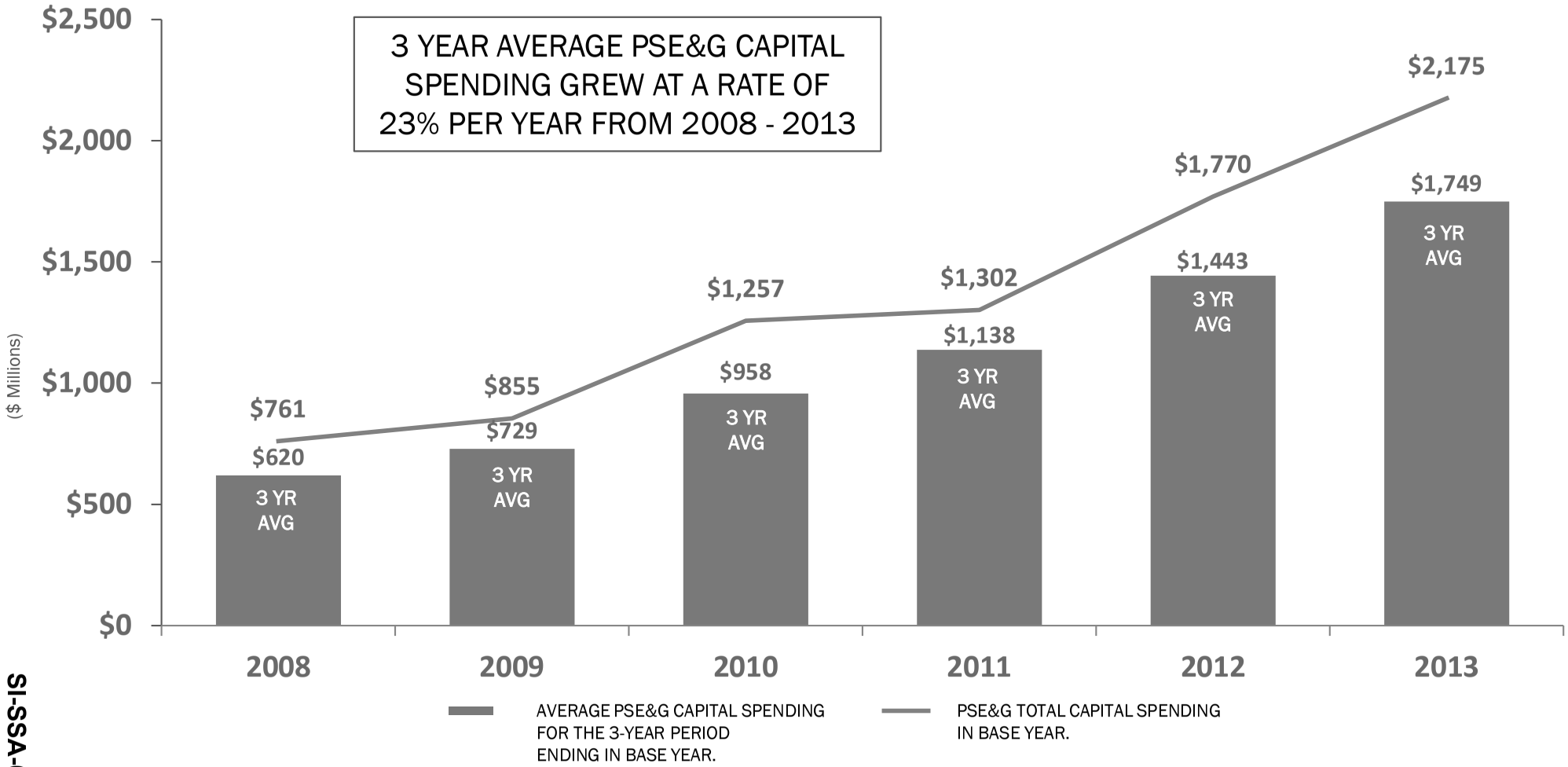
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND.
POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE.
DATA AS OF MARCH 31, 2014.

PSEG's business profile has been transformed

through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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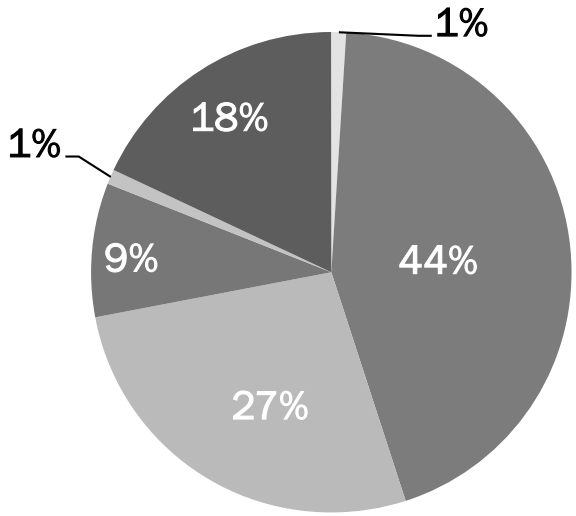
Energy Strong Agreement recognizes benefits of system investments

- **Energy Strong Agreement reached with all parties**
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- **Over 100 New Jersey municipalities supported Energy Strong**
- **Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program**

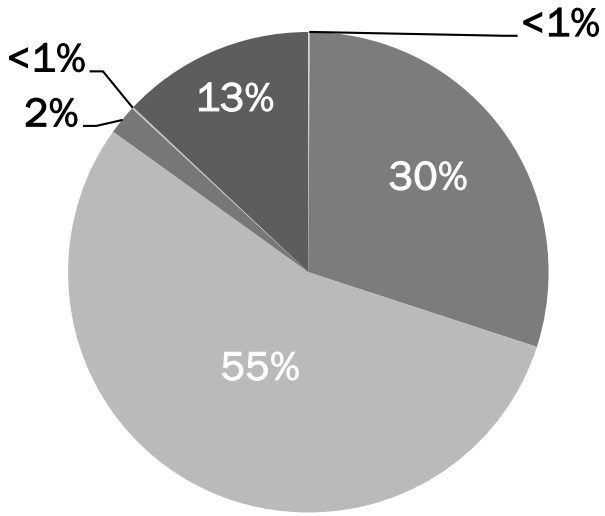
SI-SSA-0015-08462

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

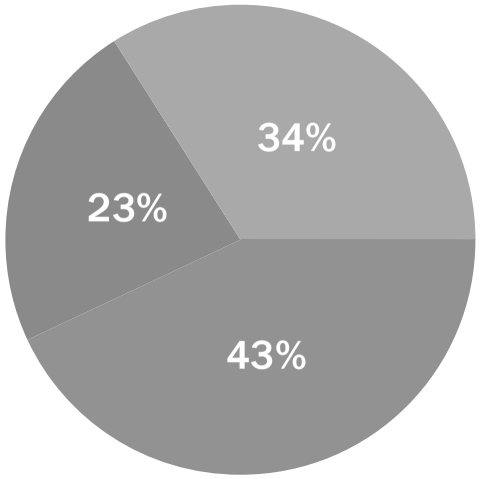
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-08463

PSEG – Year to Date 2014 Highlights

- **Operating Earnings YTD up 9% to $2.27 per share from $2.09 for YTD 2013**
  - ✓ PSE&G on track to record double-digit growth in earnings on expanded capital investment program
  - ✓ PSEG Power expected to earn at upper level of expectations for the full year
  - ✓ Narrowed 2014 full–year, operating earnings guidance to $2.60-$2.75 per share, from $2.55-$2.75 per share prior

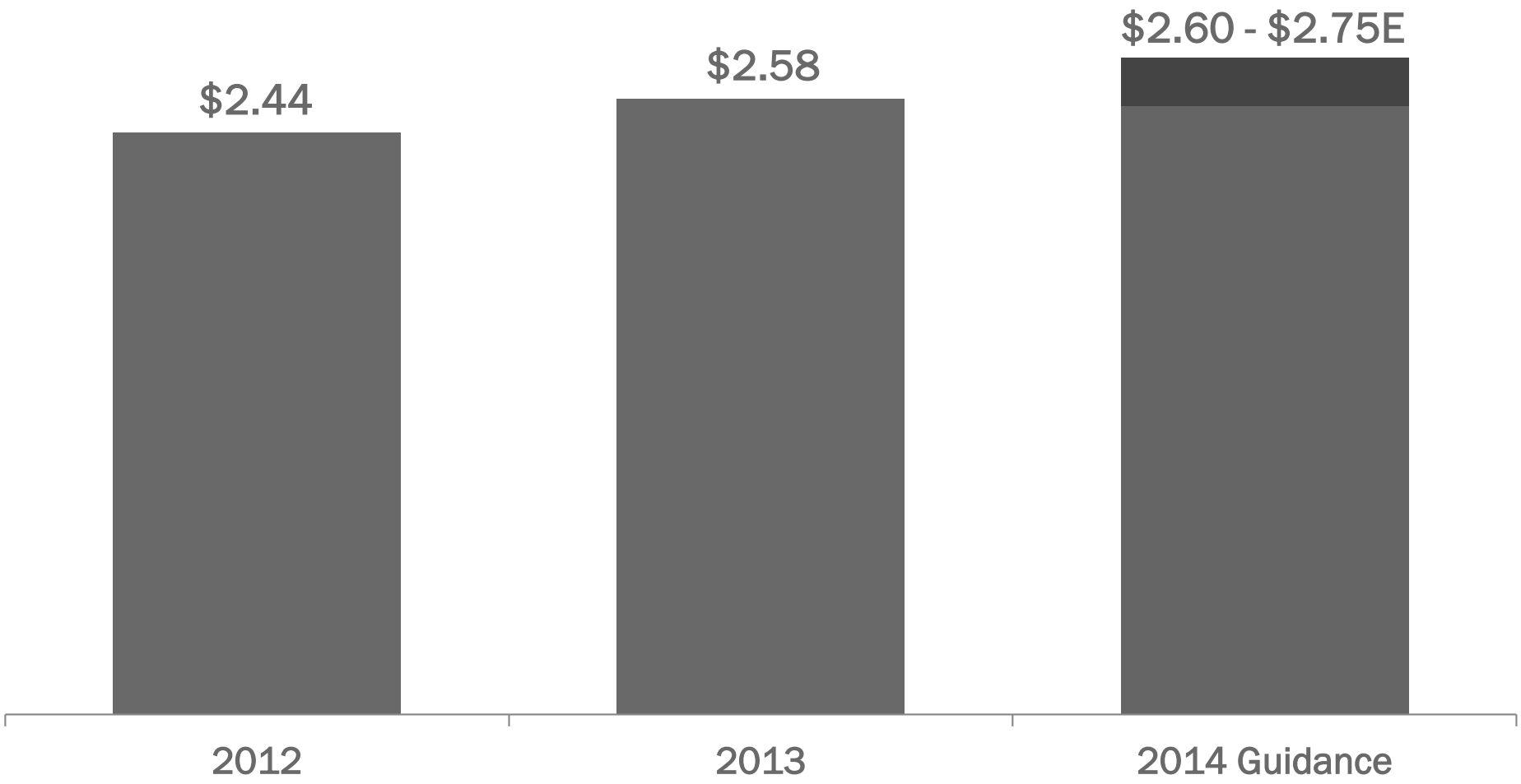
- **Executing on our capital program**
  - ✓ Replacement of PSE&G's gas cast-iron pipe underway as part of $1.22 billion Energy Strong capital program
  - ✓ Major transmission projects under $6.8 billion capital program are on-time and on-budget

- **Market developments**
  - ✓ PJM proposed changes to its Reliability Price Mechanism, Demand Curve Adjustment and pending Demand Response (DR) issues supportive of price formation

SI-SSA-0015-08464

PSEG – 2014 Another Year of Growth

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



SI-SSA-0015-08465

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Opportunity for consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-08466

Investment opportunities exceeding $1 billion

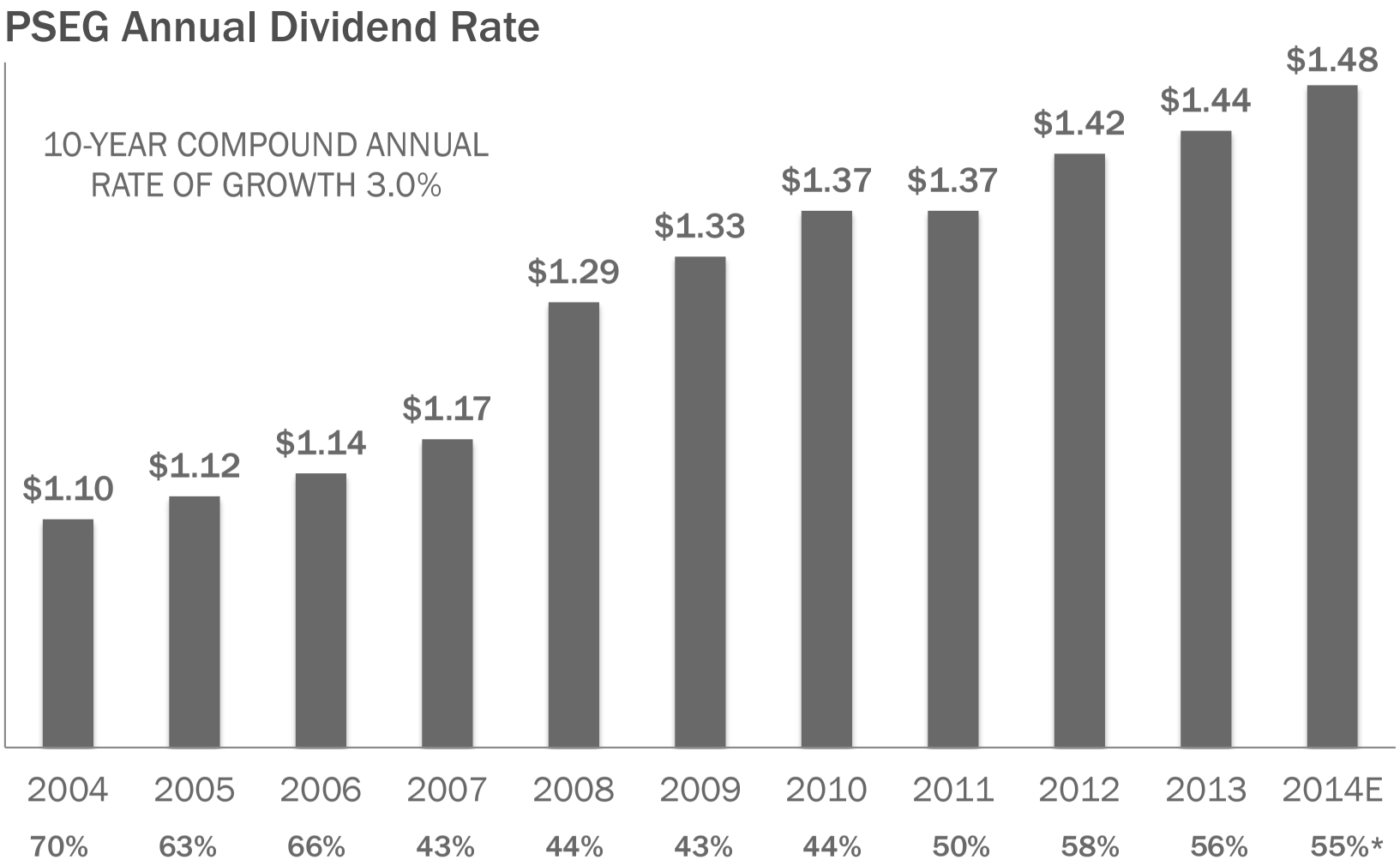
Focused on providing our customers with access to low-cost gas and cost-effective technologies that reduce emissions as they also improve system reliability

Potential Investment	Description	Amount ($ Millions)
Bridgeport Harbor Station	New 450 MW CCGT Unit	$500 -- $700
PSEG -- Long Island	Utility 2.0 Energy Efficiency Filing	$200 -- $345
Artificial Island	FERC 1000 Project*	$250 -- $300
PennEast Pipeline	Equity Interest	$100 -- $120
PSE&G Energy Efficiency	Program Extension	$100 -- $100
Total		$1,150-$1,565

*Artificial Island Project includes amount for related compensator which has been assigned to PSE&G.

SI-SSA-0015-08467

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-08468

*2014E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-08469

PSE&G

SI-SSA-0015-08470

PSEG

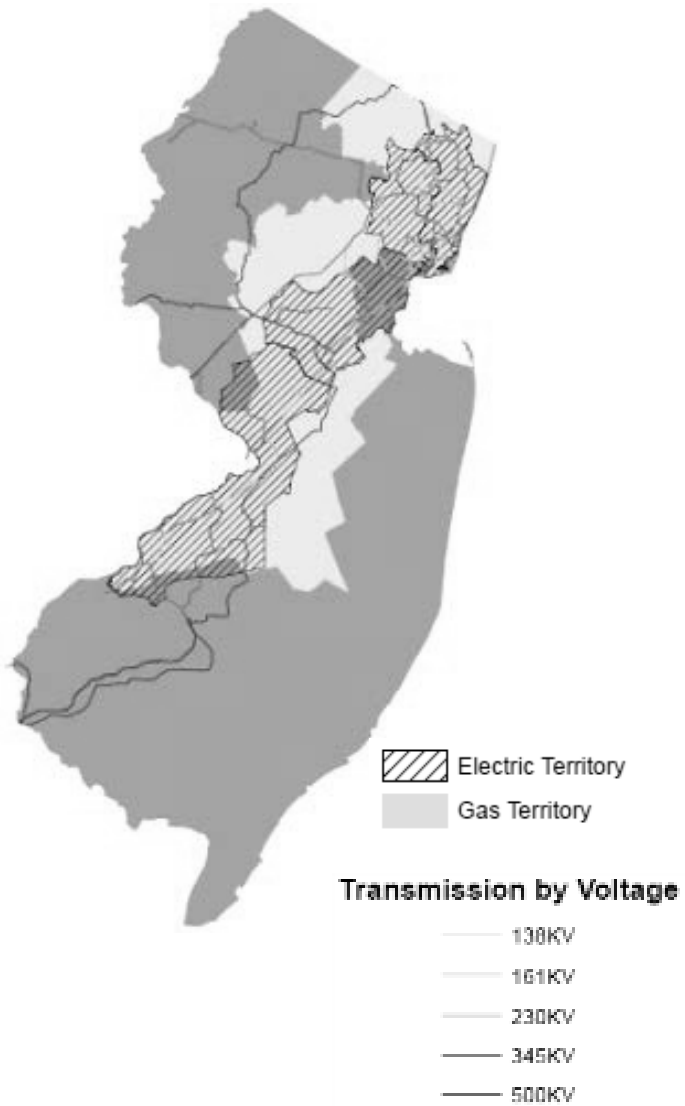
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08471

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-08472

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-08473

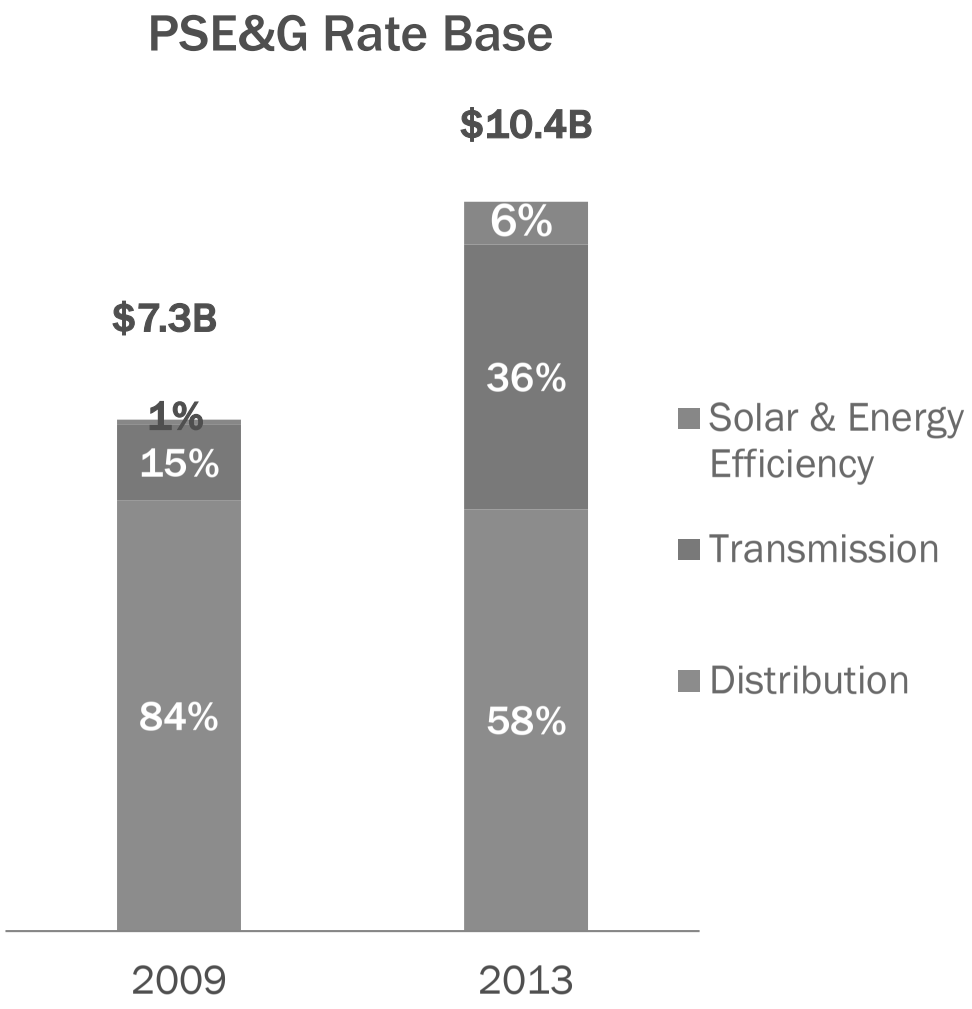
PSE&G's operating earnings grew ~18%

per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-08474

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-08475

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

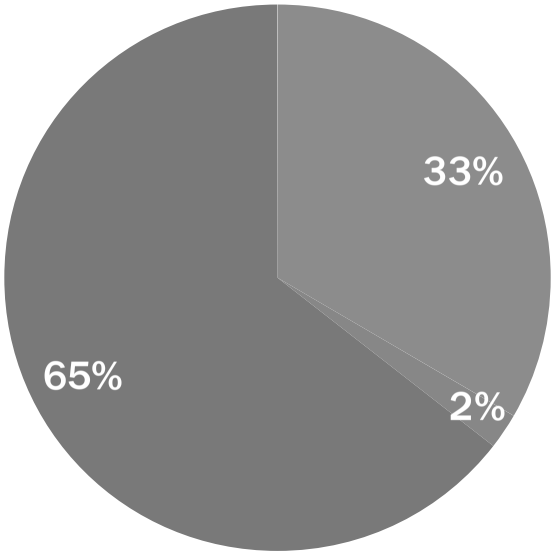
SI-SSA-0015-08476

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

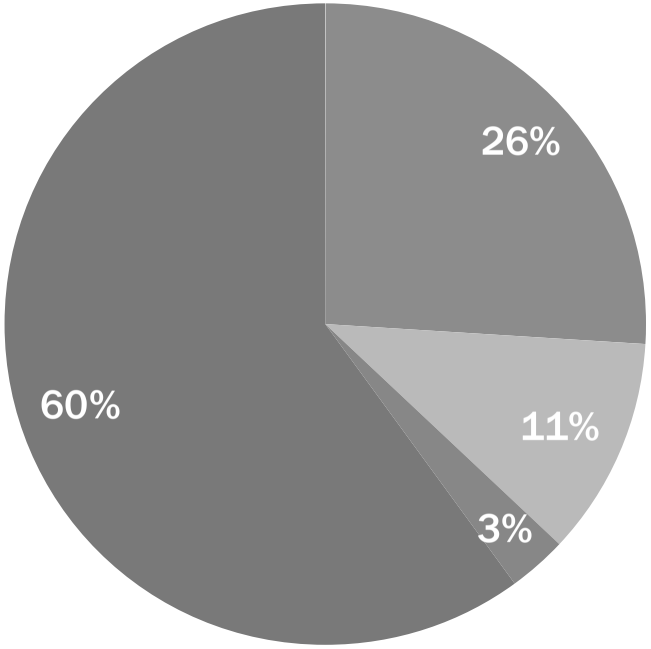
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-08477

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

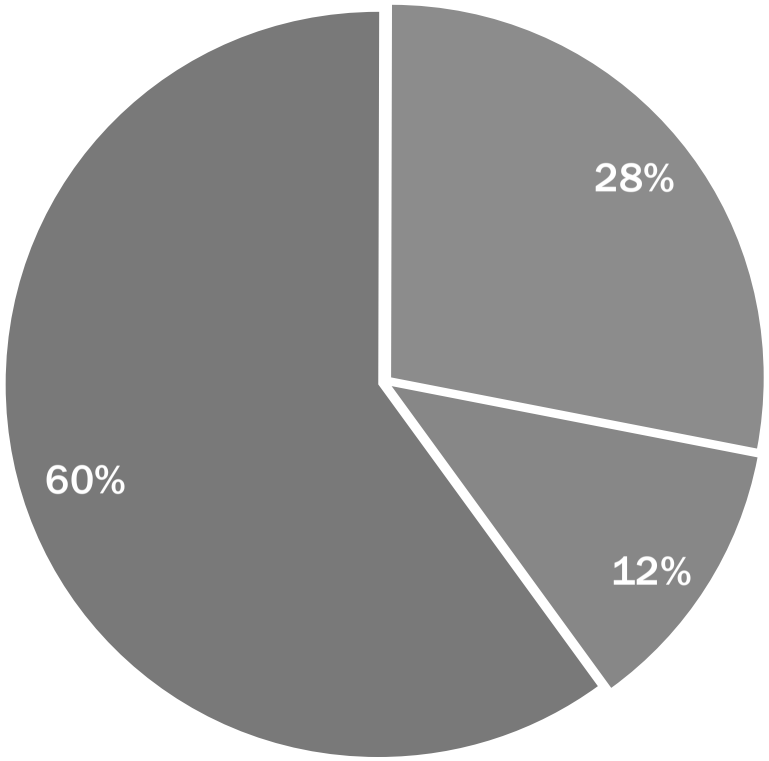
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-08478

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

- Transmission

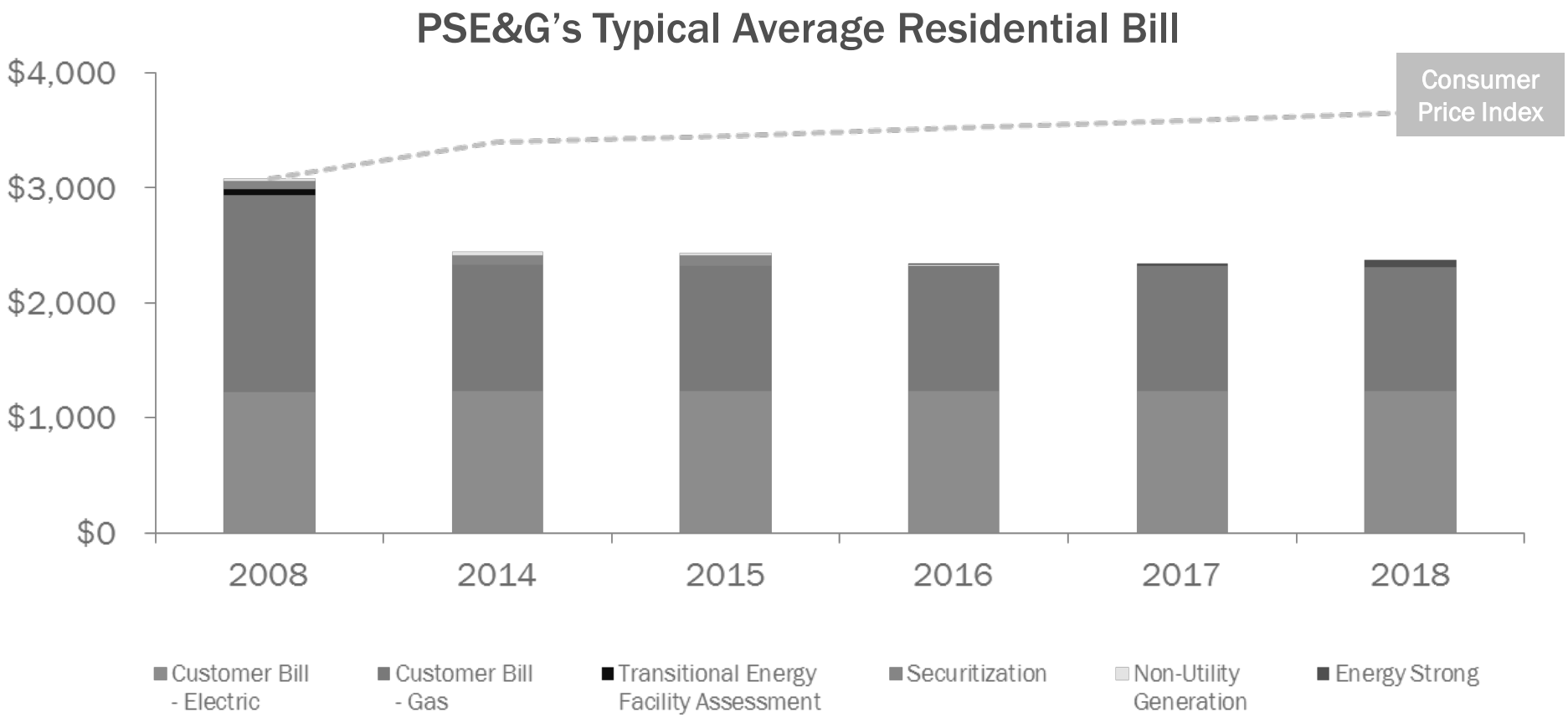
Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-08479

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-08480

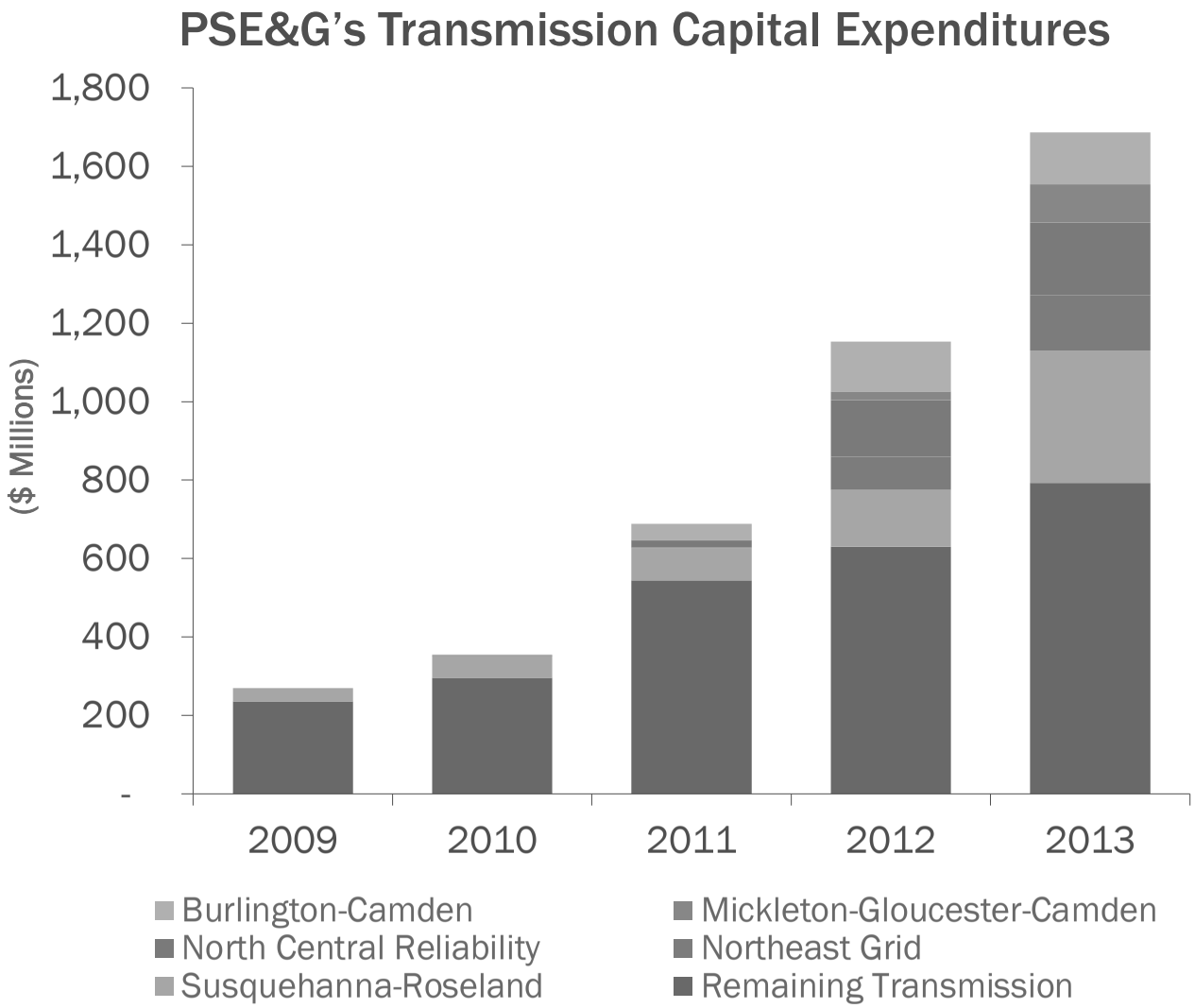
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-08481

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-08482

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	Jun-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-08483

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-08484

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	Jun - Dec 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-08485

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-08486

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-08487

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08488

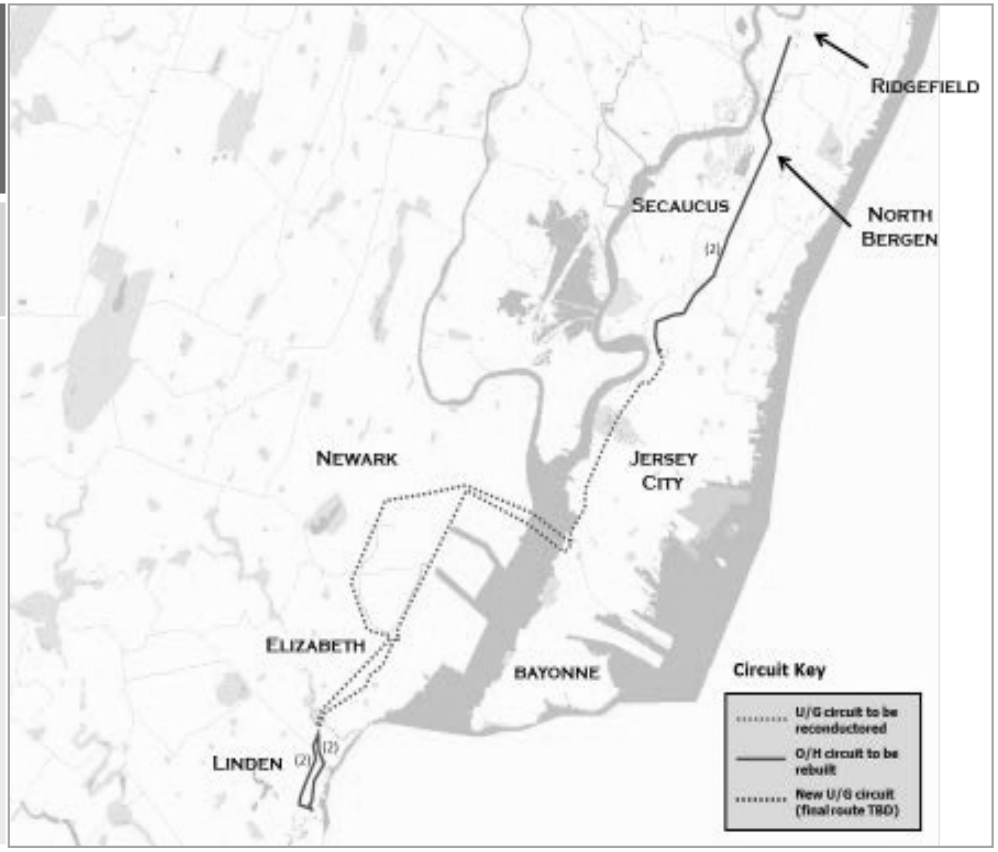
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

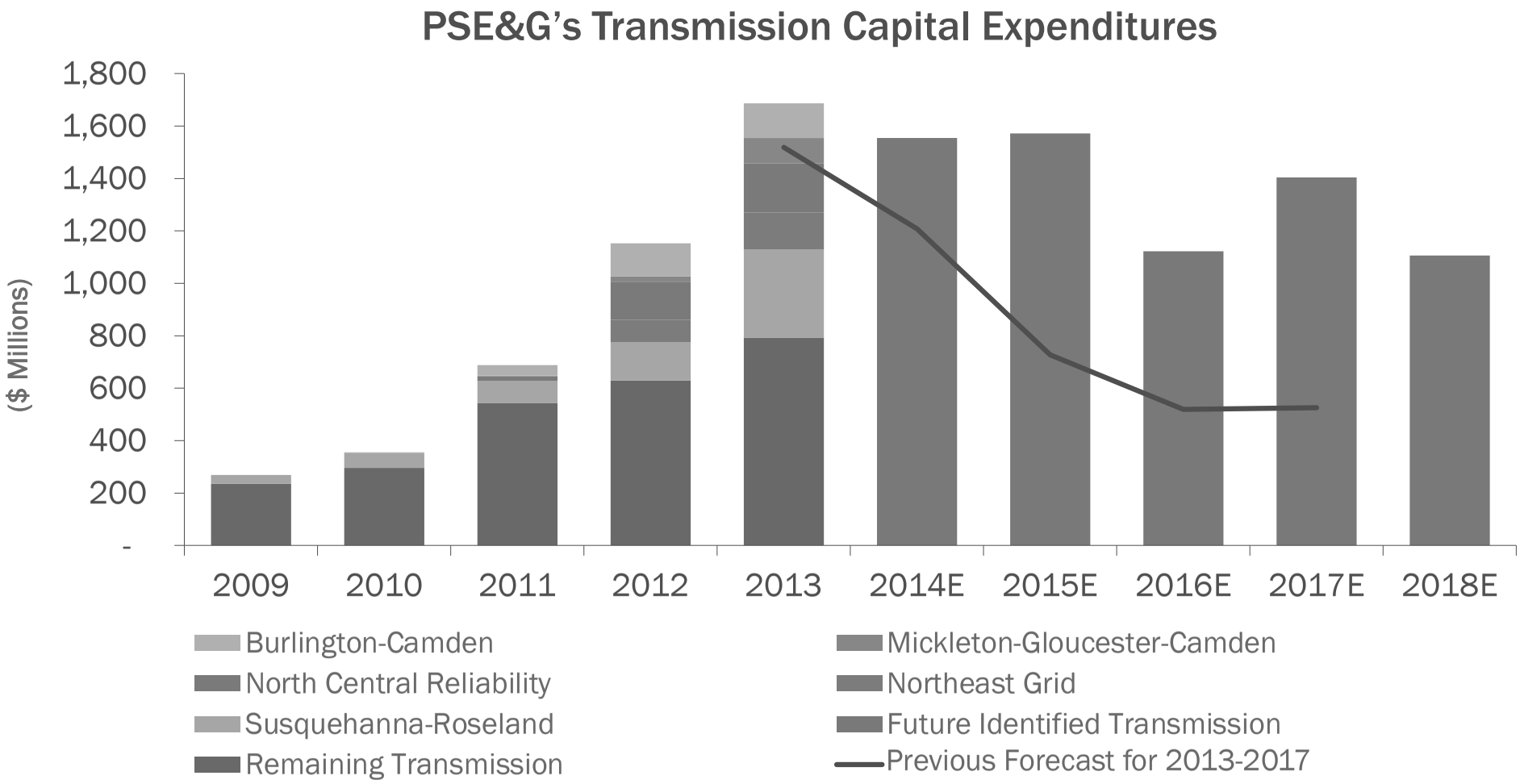
Project Status: Engineering



SI-SSA-0015-08489

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE. DATA AS OF MARCH 31, 2014.

SI-SSA-0015-08490

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-08491

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-08492

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-08493

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 31, 2014.

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-08494

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-08495

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Utility 2.0 – Expanded program filed ~$345 million

Early performance

Successful transition to PSEG Long Island	Improved stakeholder communications	Achieving reliability and customer satisfaction metrics

SI-SSA-0015-08496

PSEG POWER

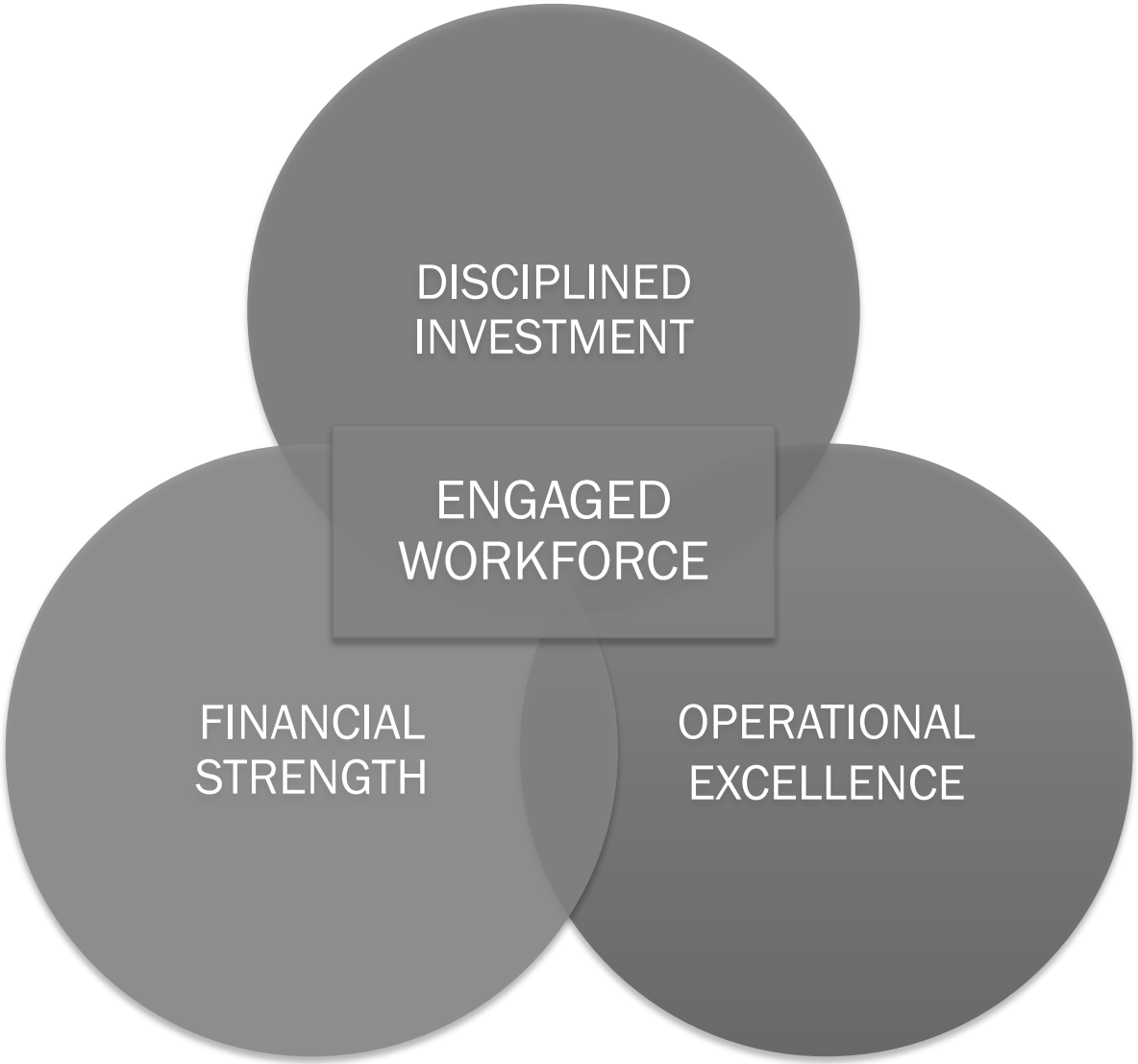
SI-SSA-0015-08497

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-08498

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-08499

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch begins January 2015 • New 13 MW Rockfish solar project announced, established robust pipeline • Nuclear ESP is expected in 2015

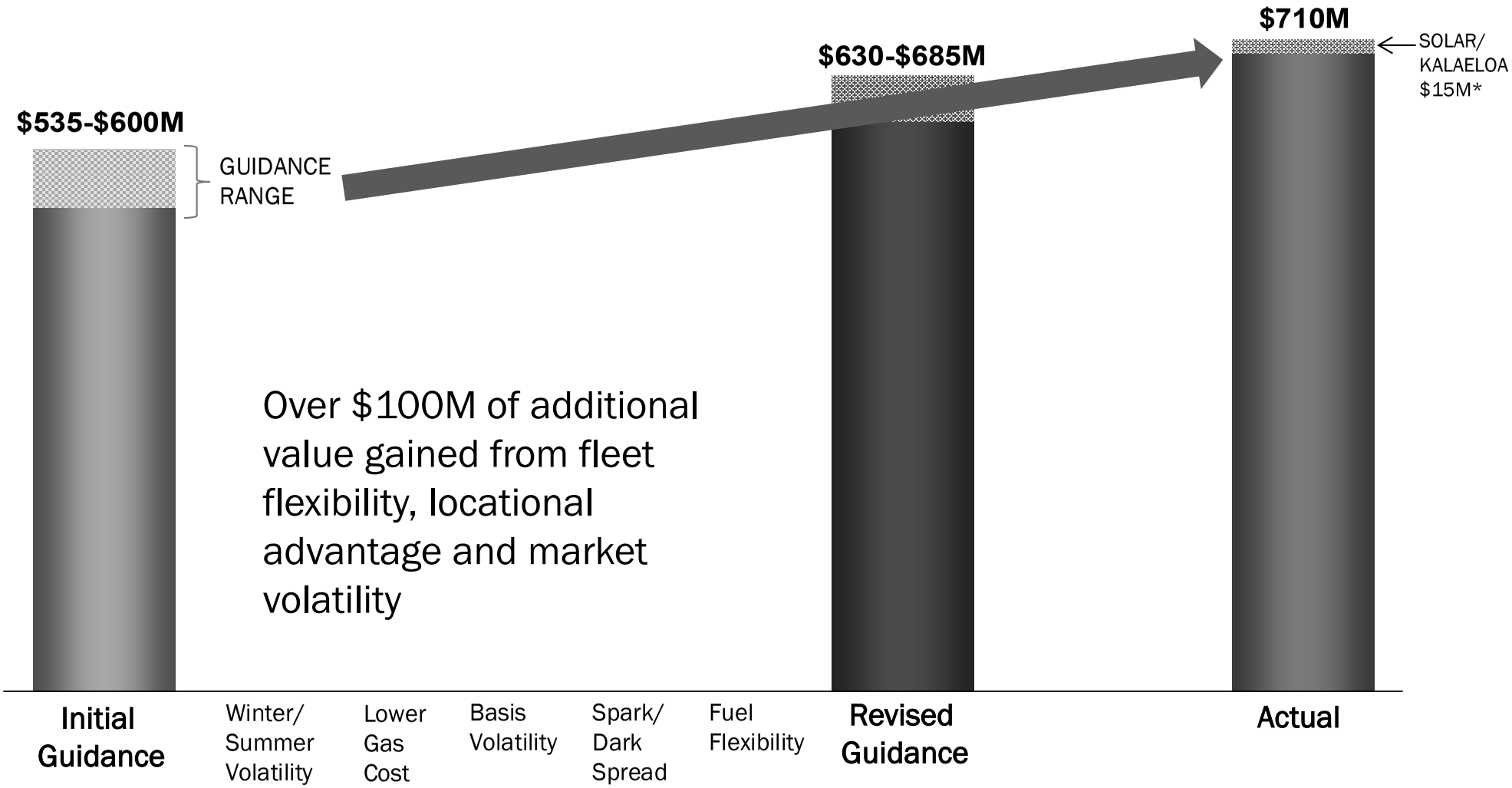
SI-SSA-0015-08500

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-08501

PSEG Power exceeded 2013's earnings guidance



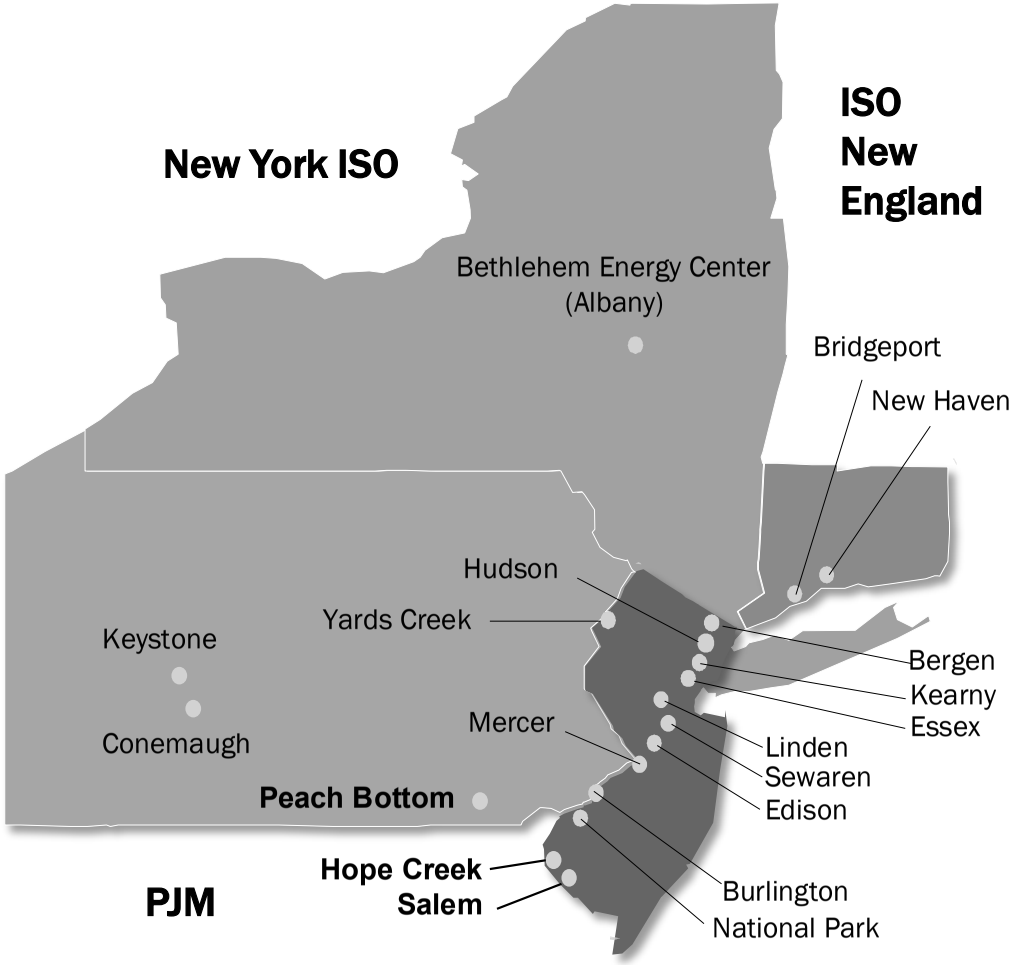
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-08502

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



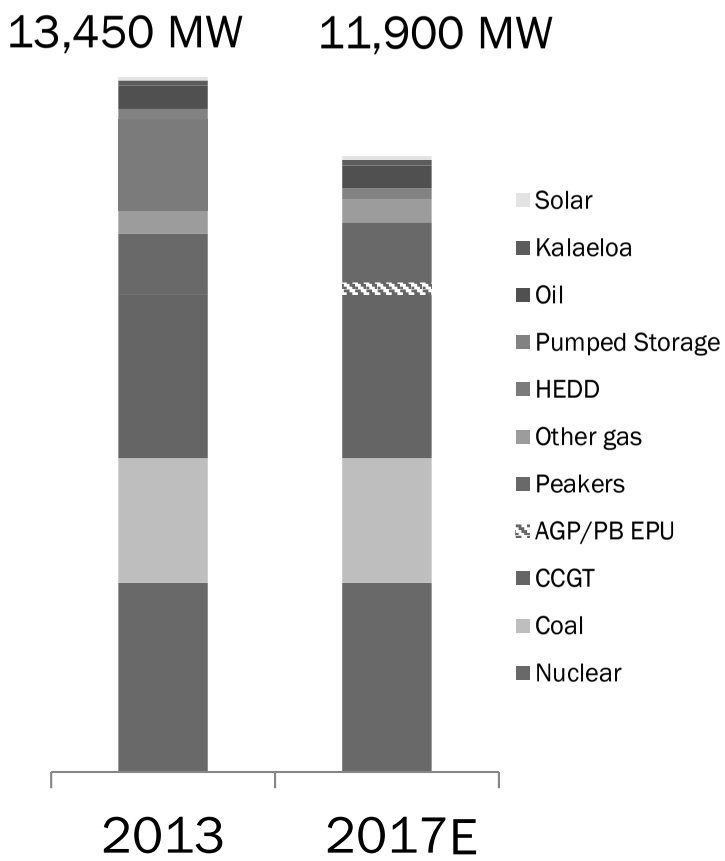
SI-SSA-0015-08503

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

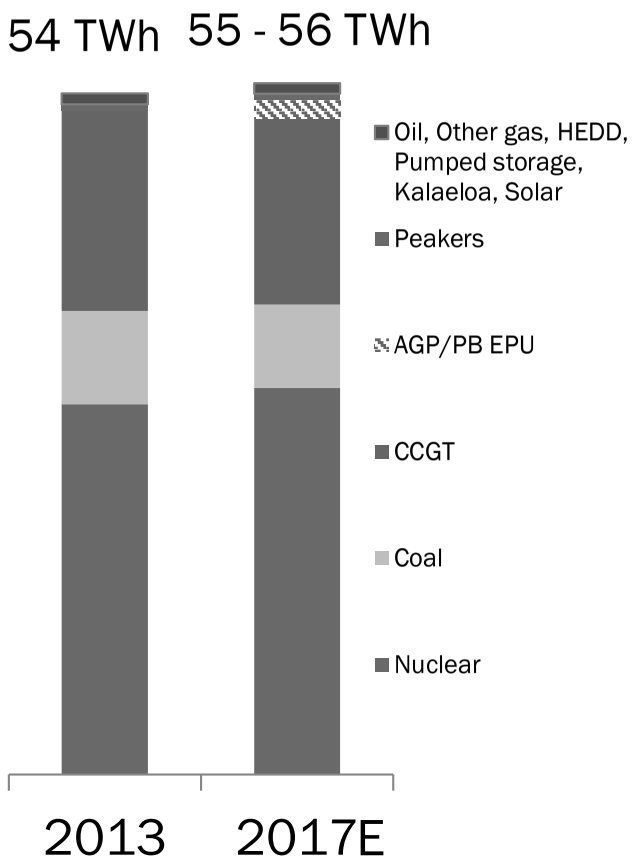
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



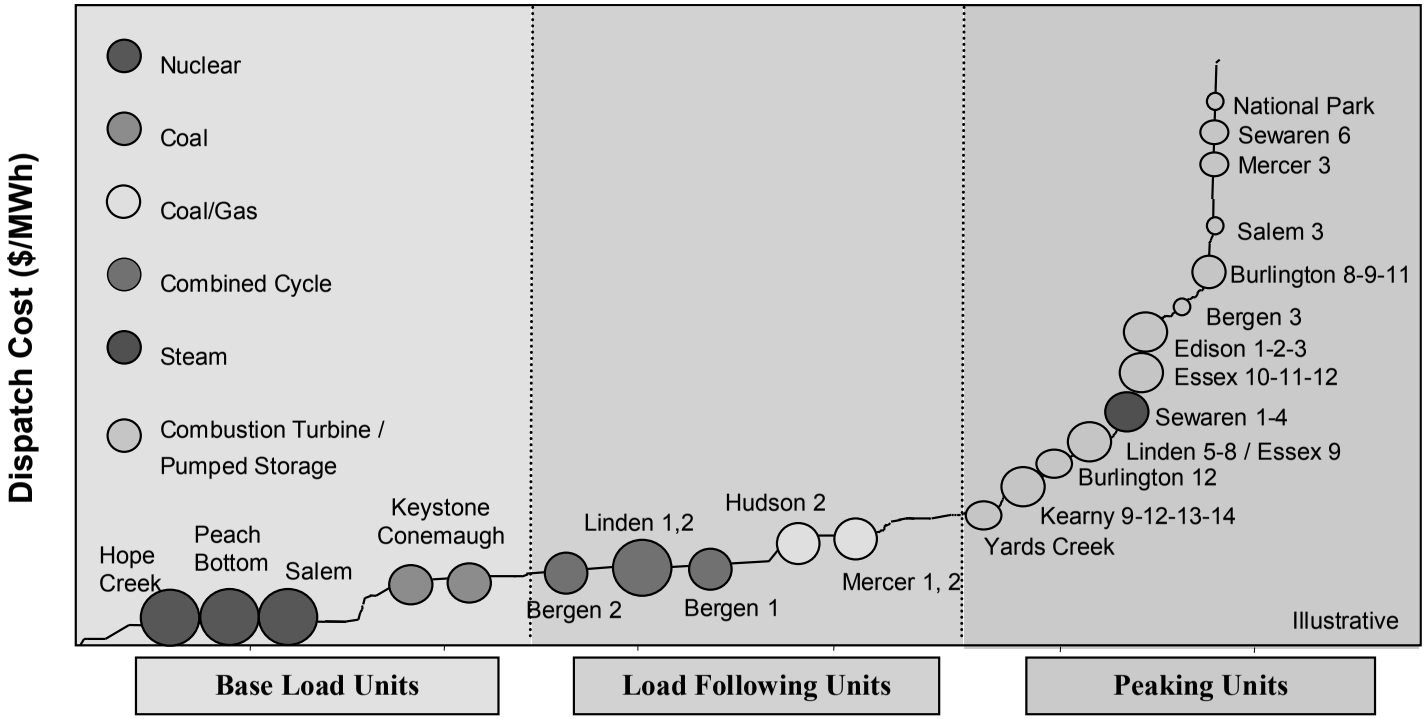
Energy Produced



E=ESTIMATE.

SI-SSA-0015-08504

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-08505

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Spring 2016 ➢ Unit 2 -- Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Spring 2016 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW (PS Share) Unit 2 - 2015/Unit 3 - 2016

SI-SSA-0015-08506

PSEG Power Nuclear is core to the fleet and has competitive advantages

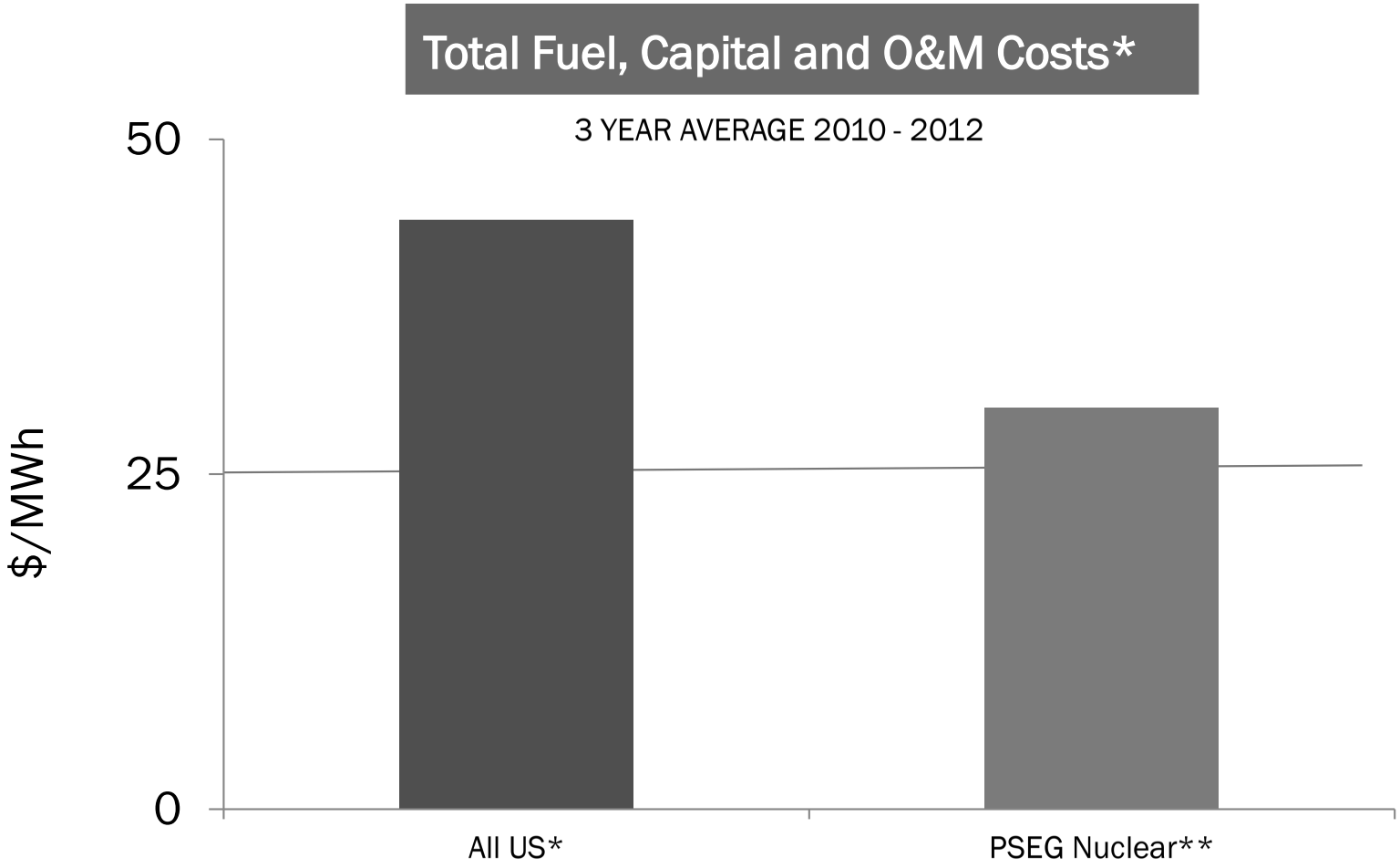
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-08507

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

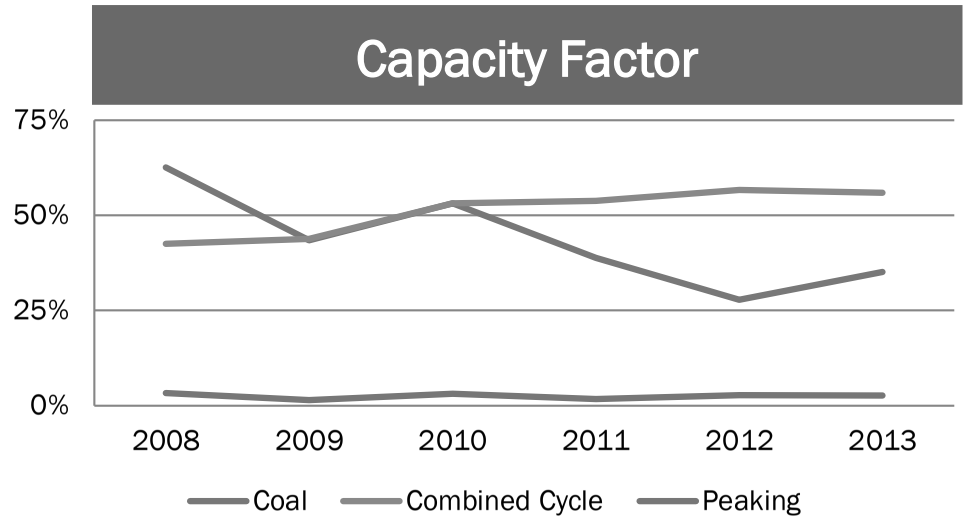


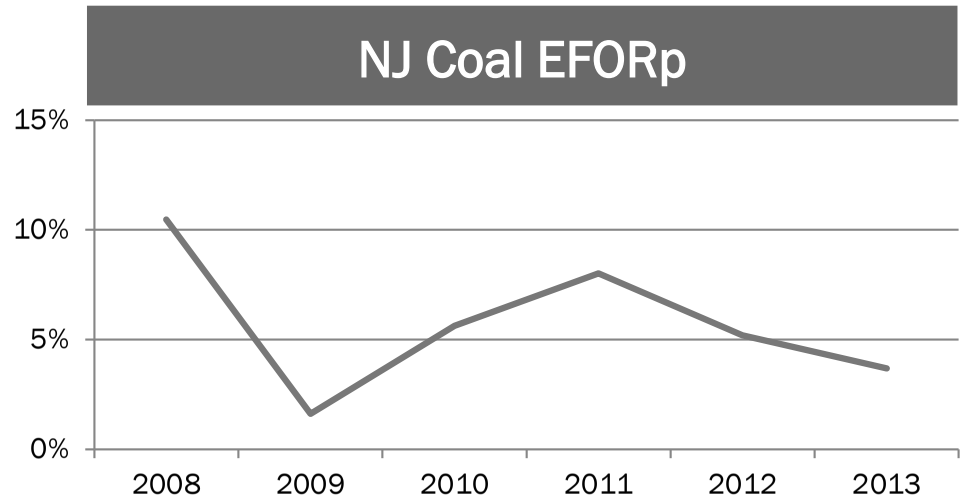
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

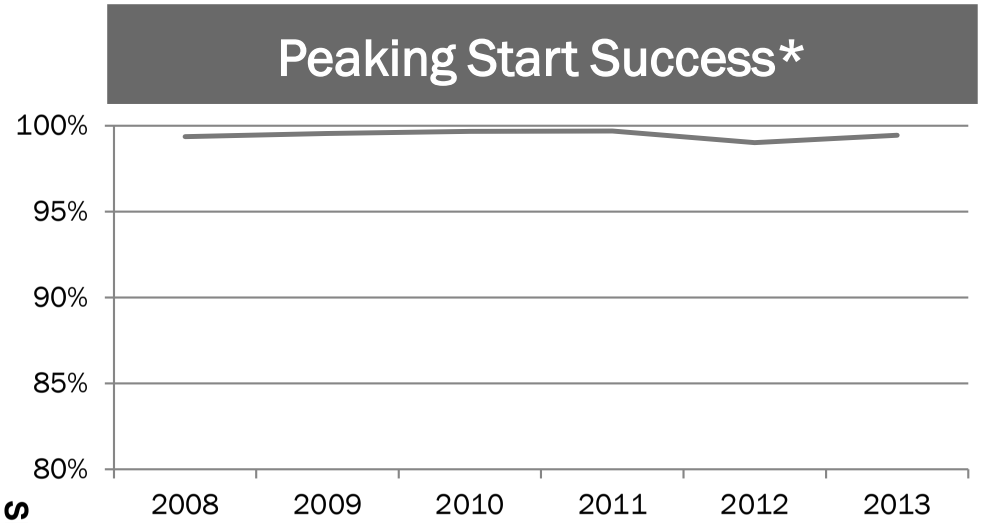
SI-SSA-0015-08508

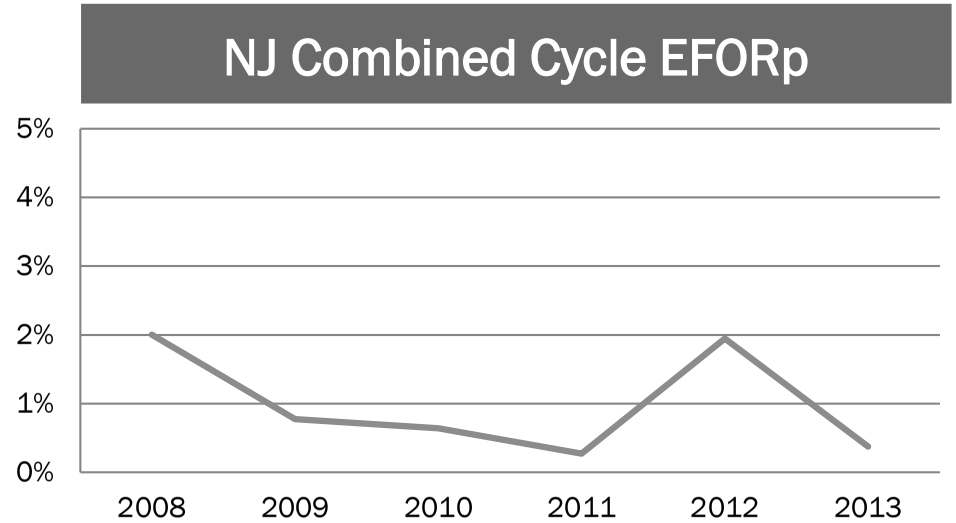
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

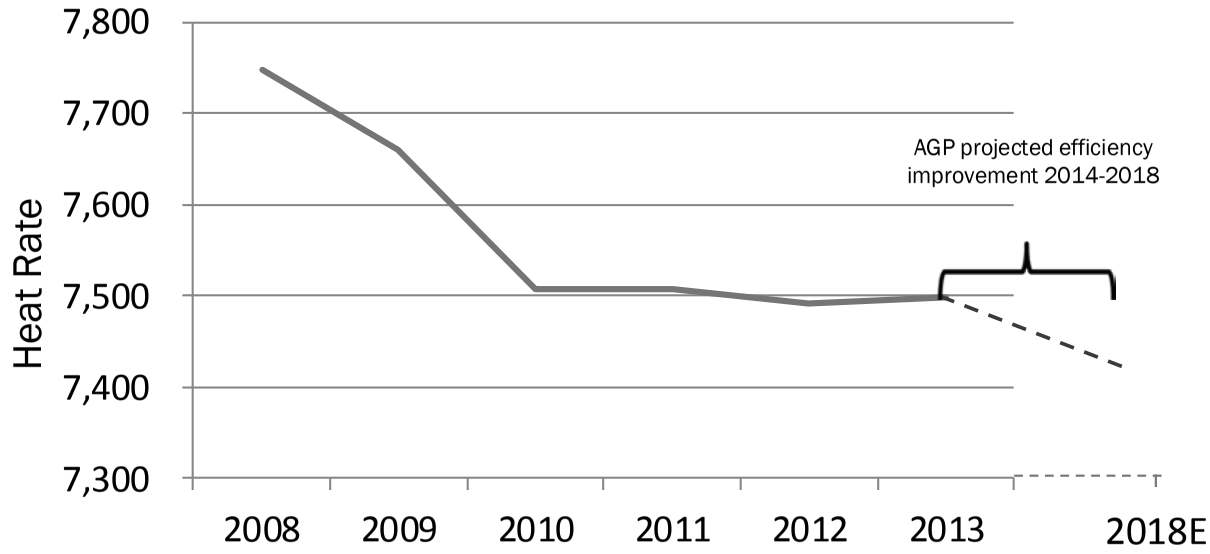
SI-SSA-0015-08509

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-08510

*E= ESTIMATE.

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

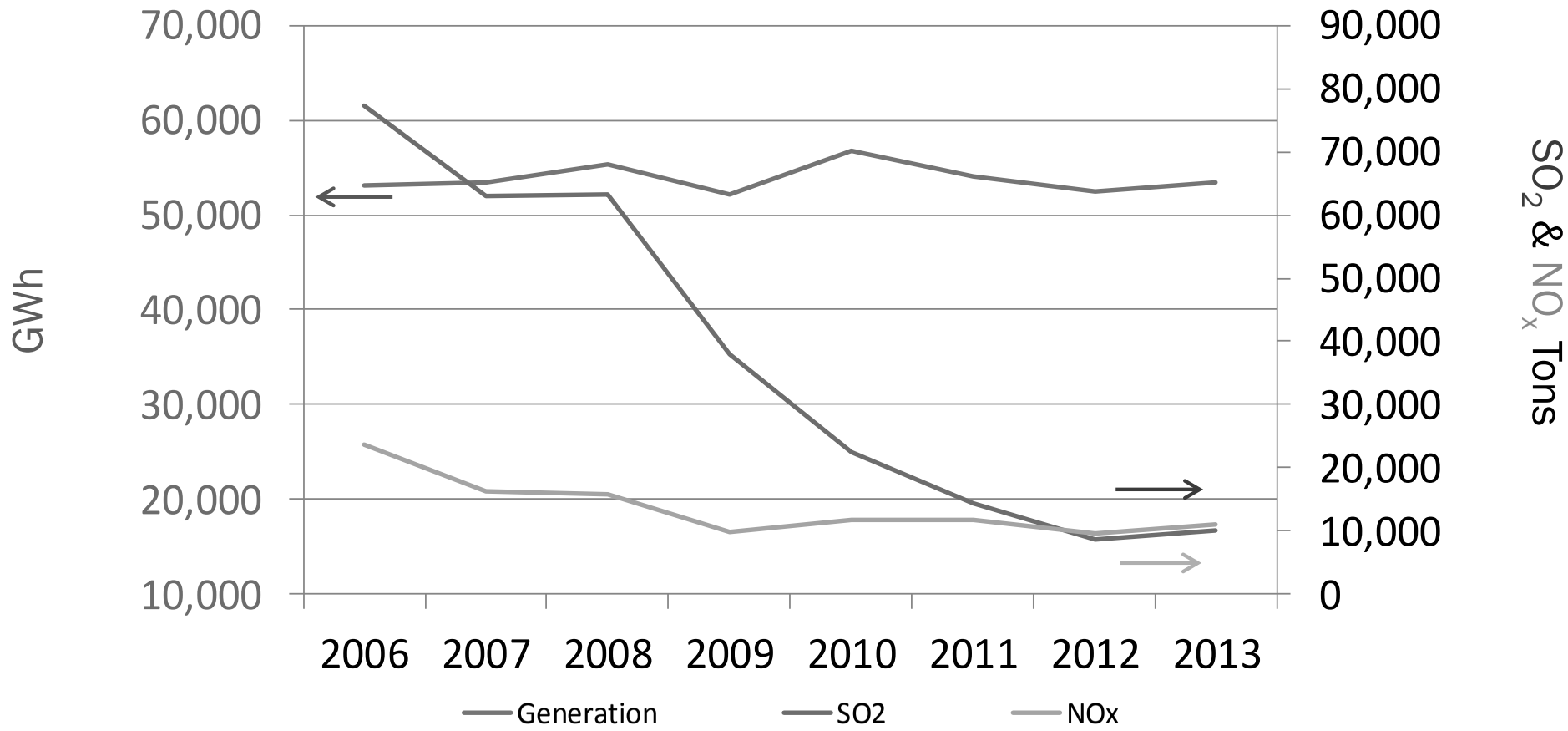
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-08511

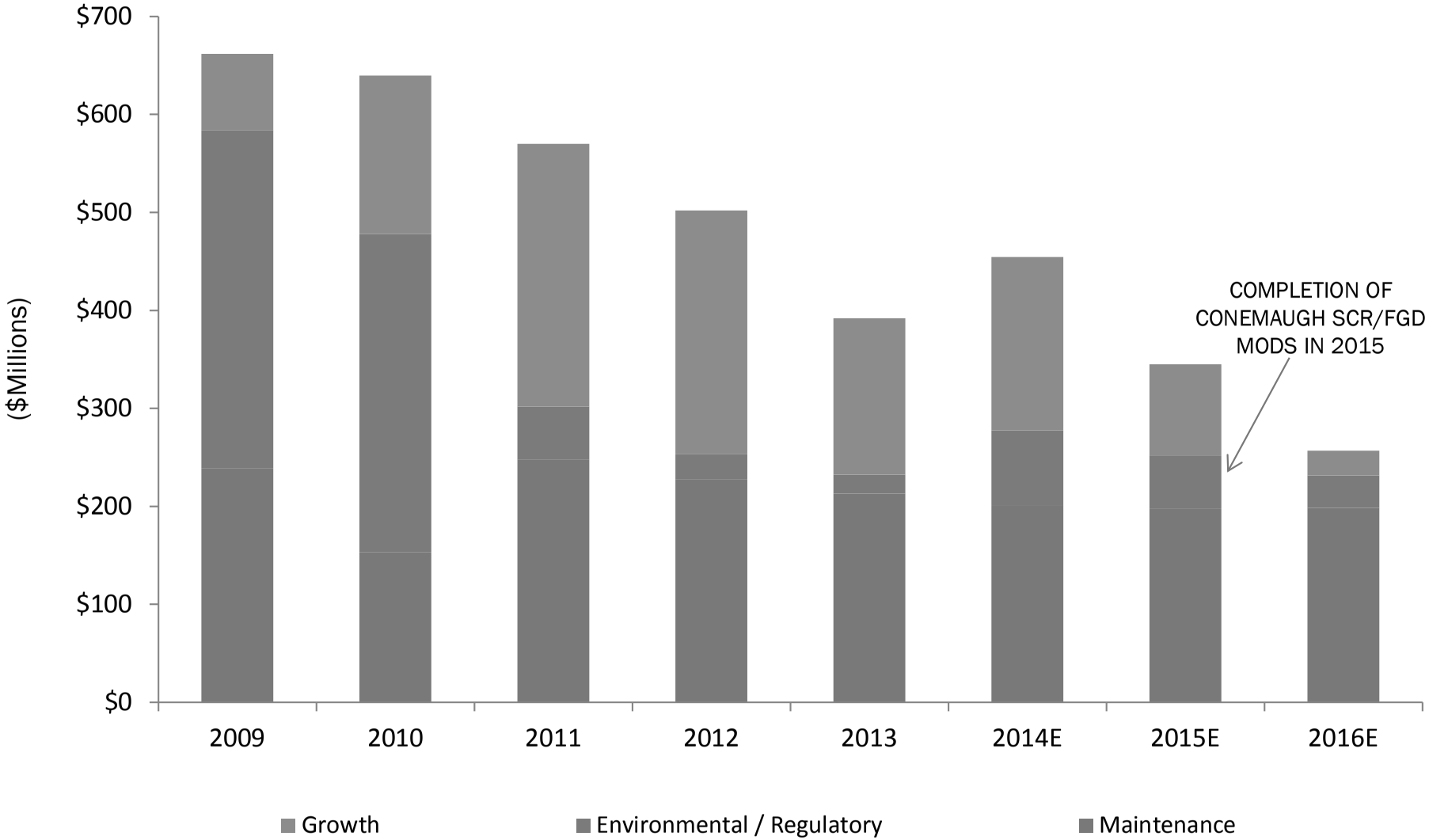
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-08512

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF MARCH 31, 2014.

SI-SSA-0015-08513

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-08514

PSEG Solar Source owns ~123 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $79 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-08515

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE.

PSEG POWER
ER&T

SI-SSA-0015-08516

PSEG

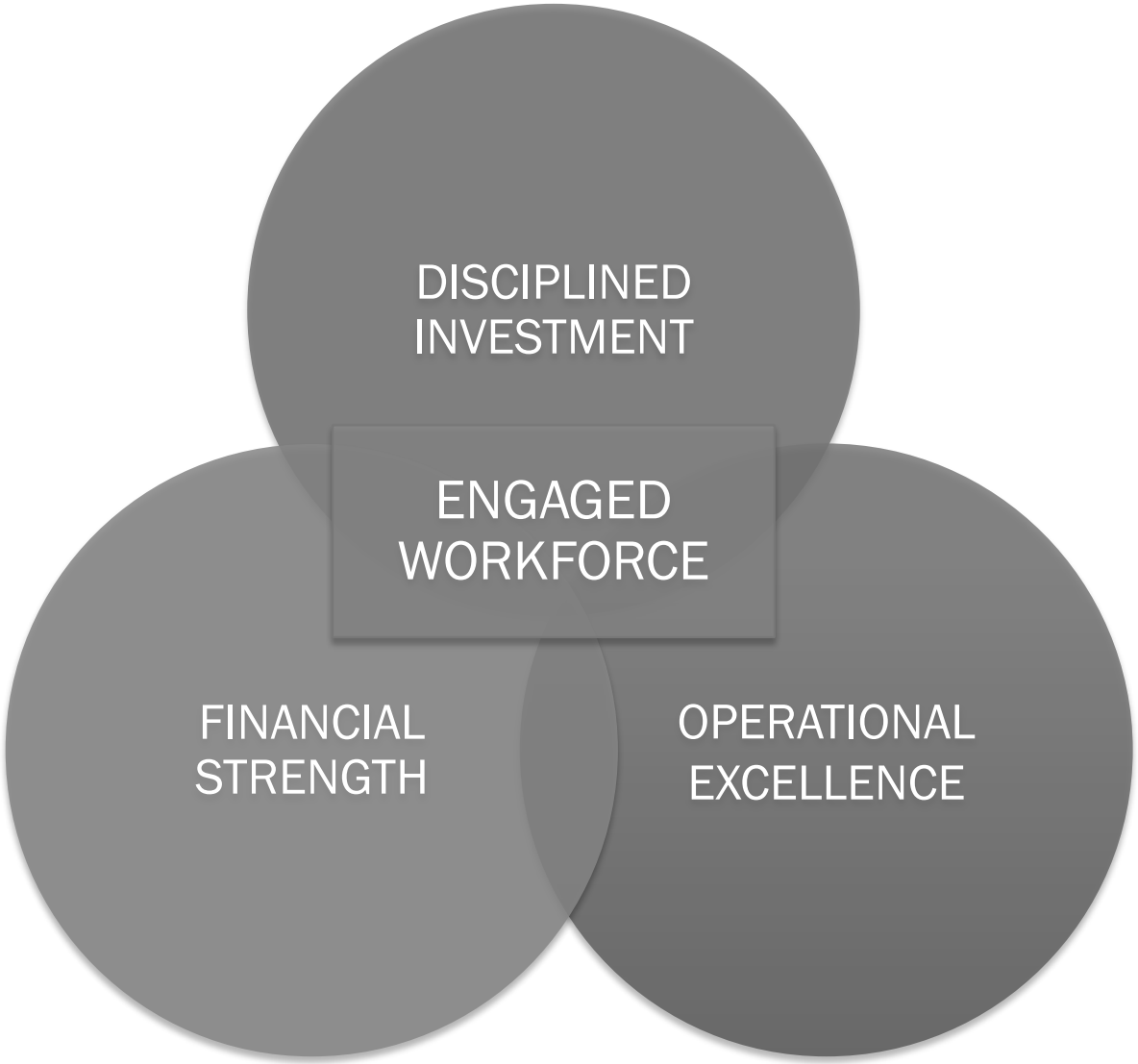
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-08517

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

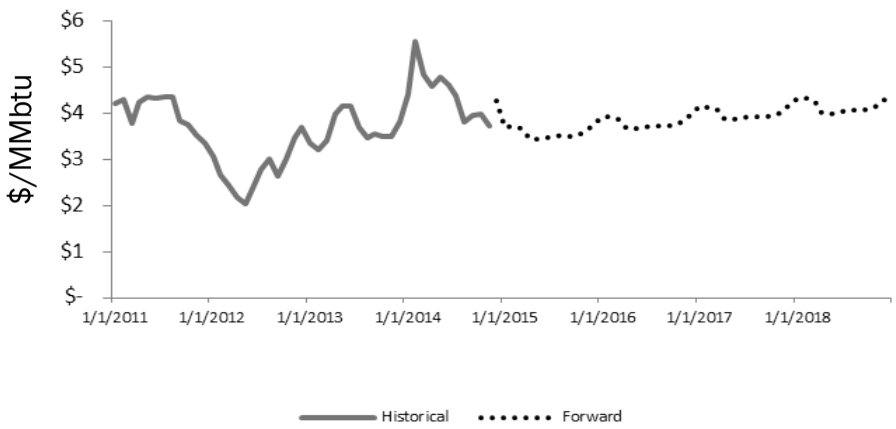
PSEG's Sustainable Advantage

- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

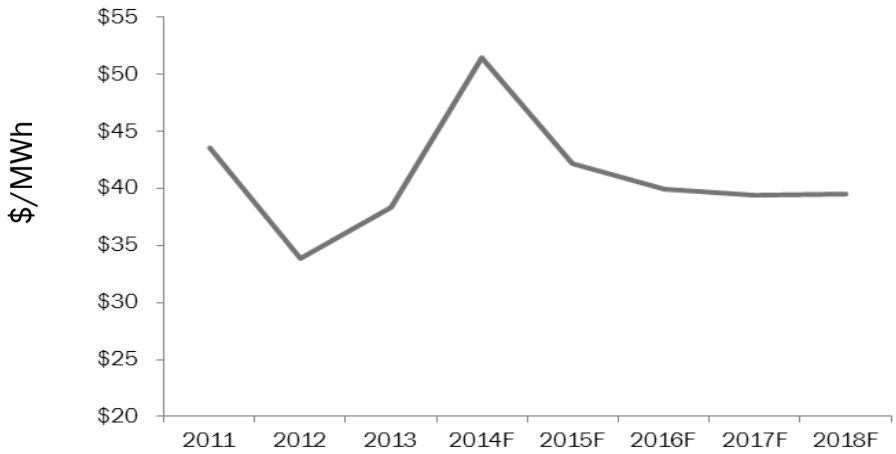
SI-SSA-0015-08518

Market Review: Long-term fundamentals remain sound

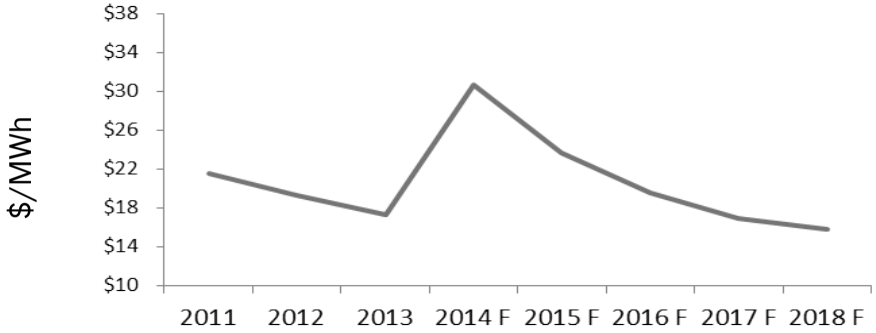
NYMEX Natural Gas Price



PJM West RTC



PJM West Spark Spreads



- Market influenced by increased gas supply and capacity retirements
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

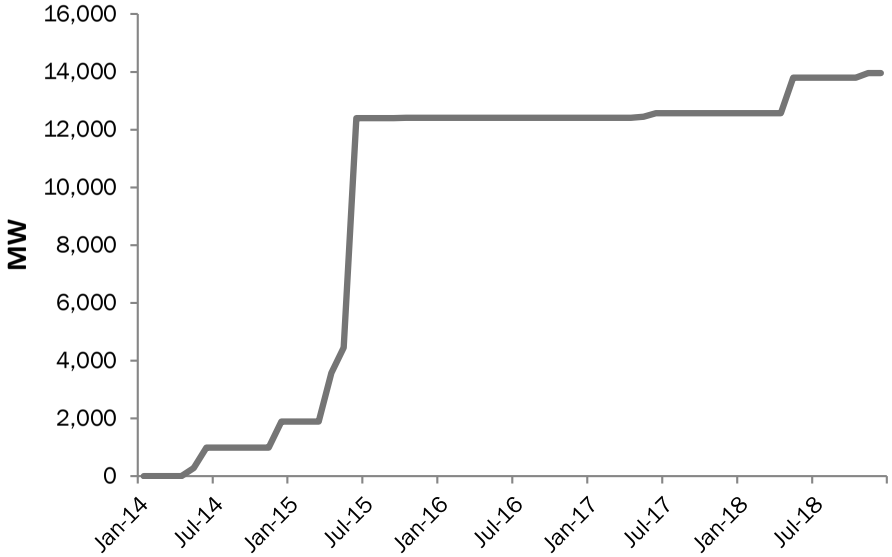
SI-SSA-0015-08519

PSEG

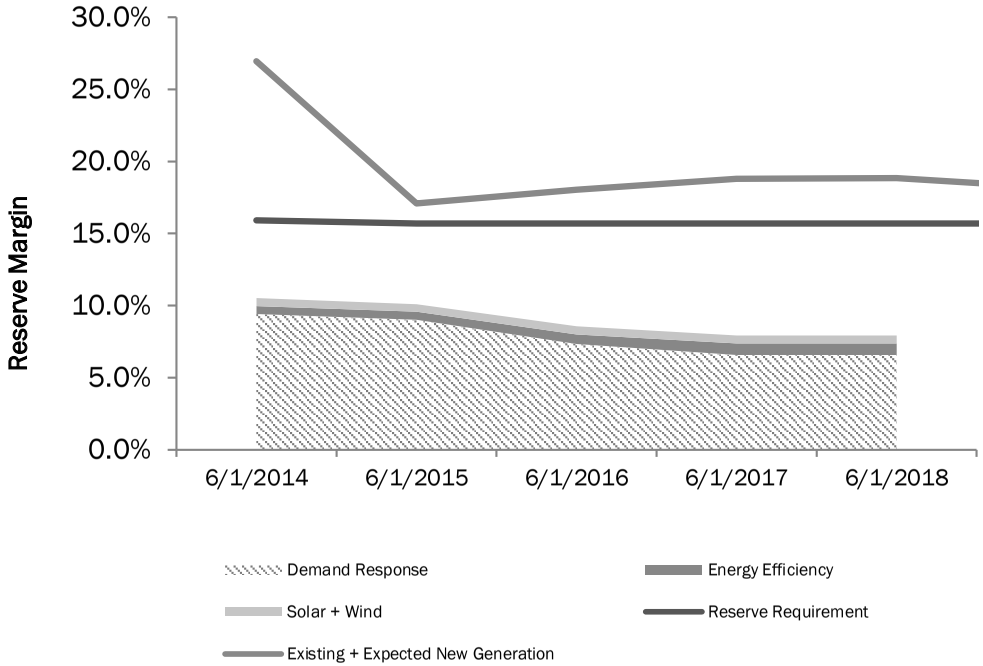
F = FORWARDS AS OF DECEMBER 17, 2014; 2014F INCLUDES HISTORY AND FORWARDS.

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM October 2014)



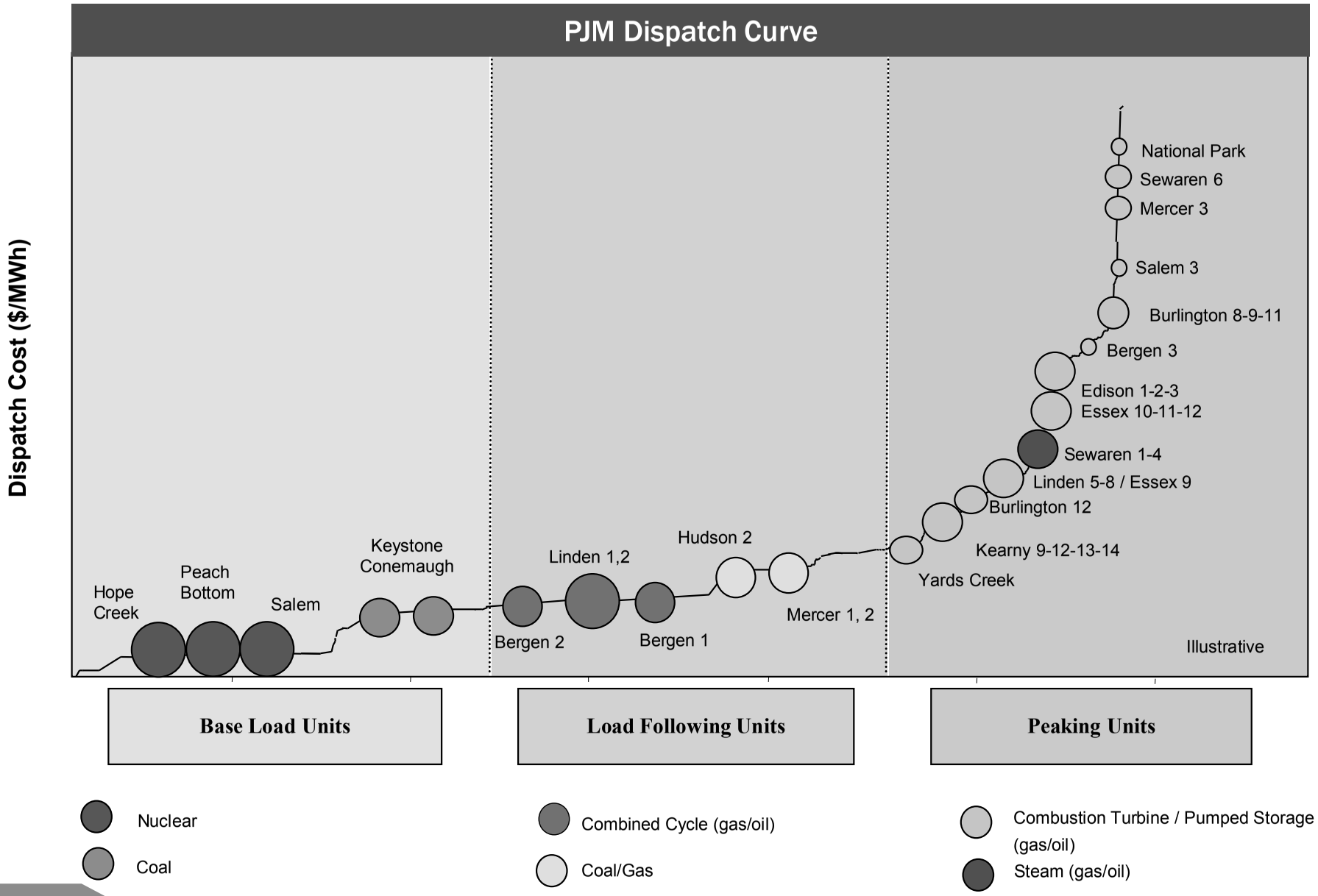
- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-08520

PSEG

*PJM AS OF DECEMBER 23, 2014
SOURCE OF CHART DATA: PJM

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch

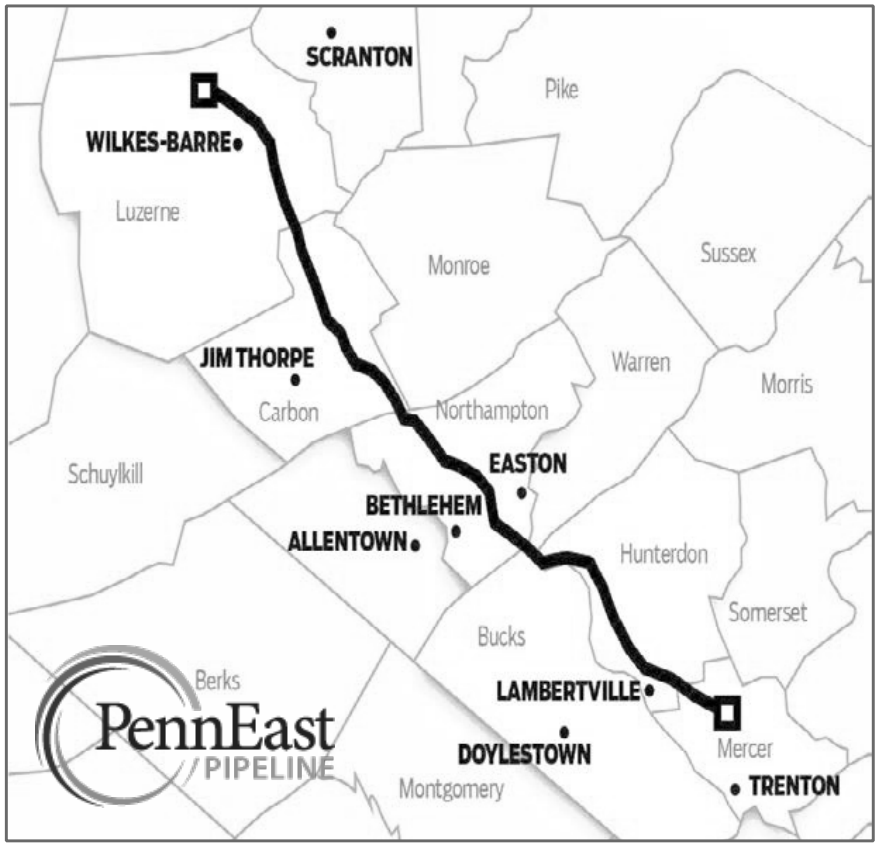


SI-SSA-0015-08521

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



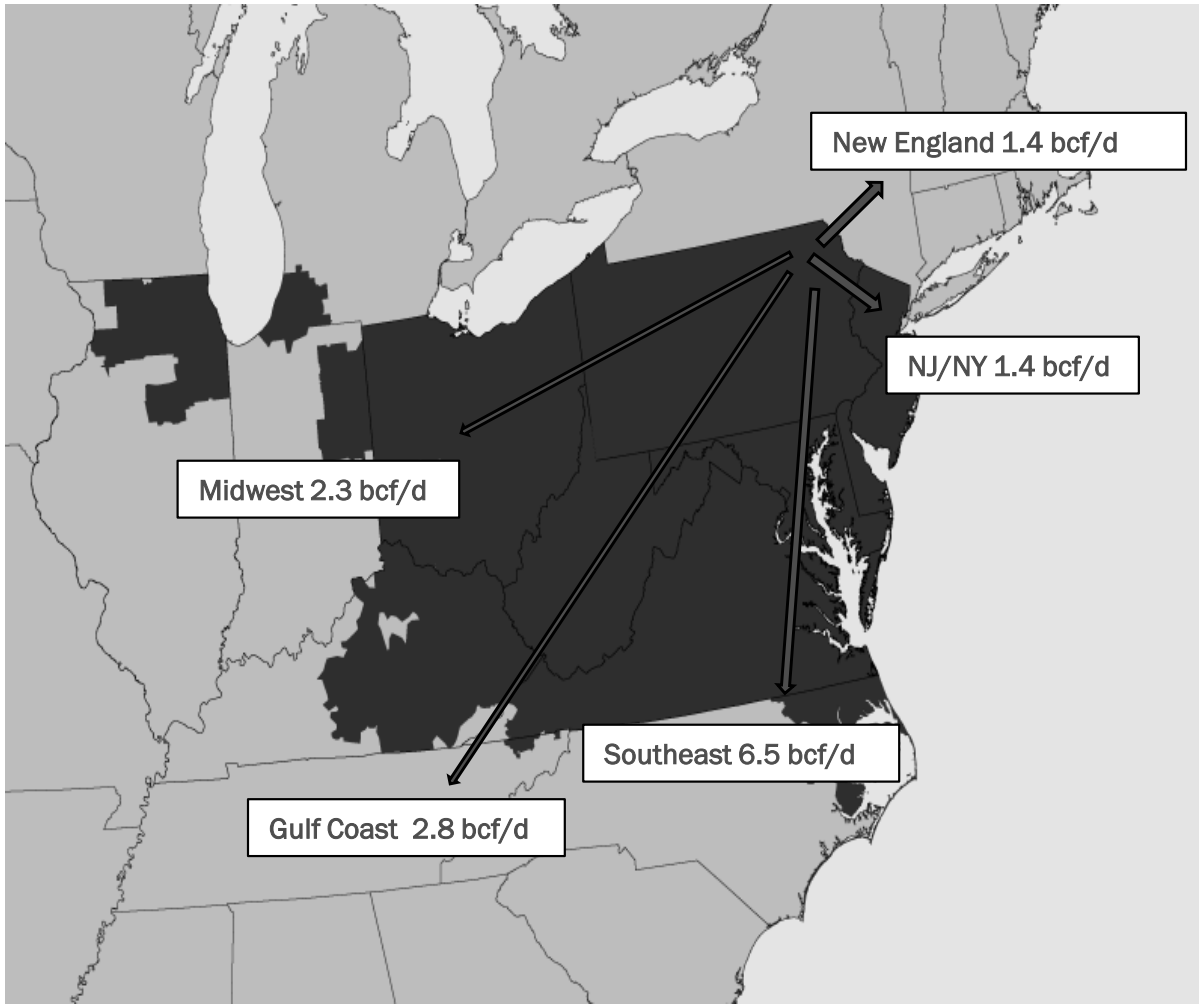
- PSEG plans to invest $100 - $120 million in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors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

SI-SSA-0015-08522

Industry infrastructure build through 2018

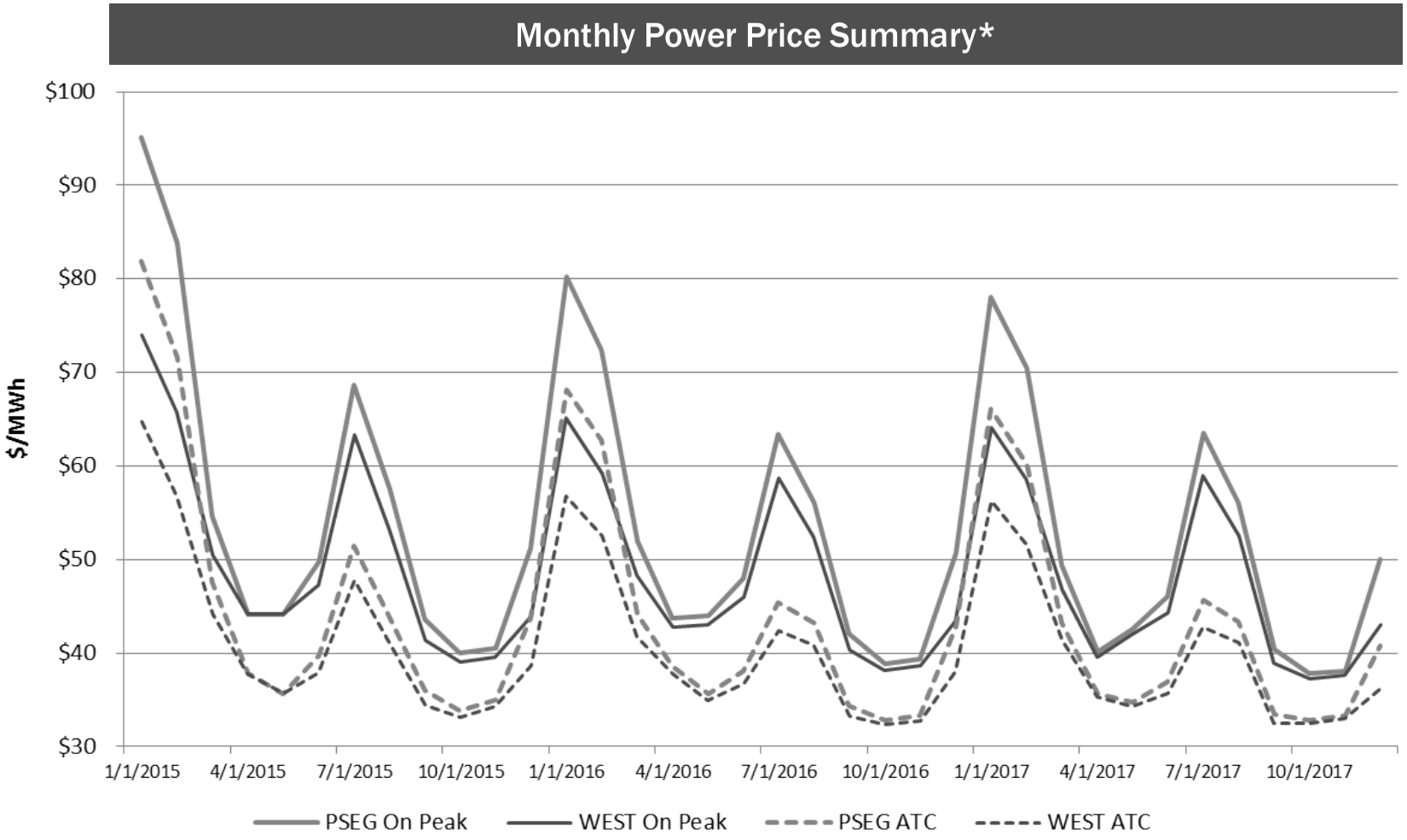
to meet demand growth

New investment will increase pipeline takeaway capacity from low-cost Marcellus and Utica shale basins to meet demand in the South and Midwest



SI-SSA-0015-08523

Sustainable Advantage: Forward power curves indicate PSEG Zone retains premium price



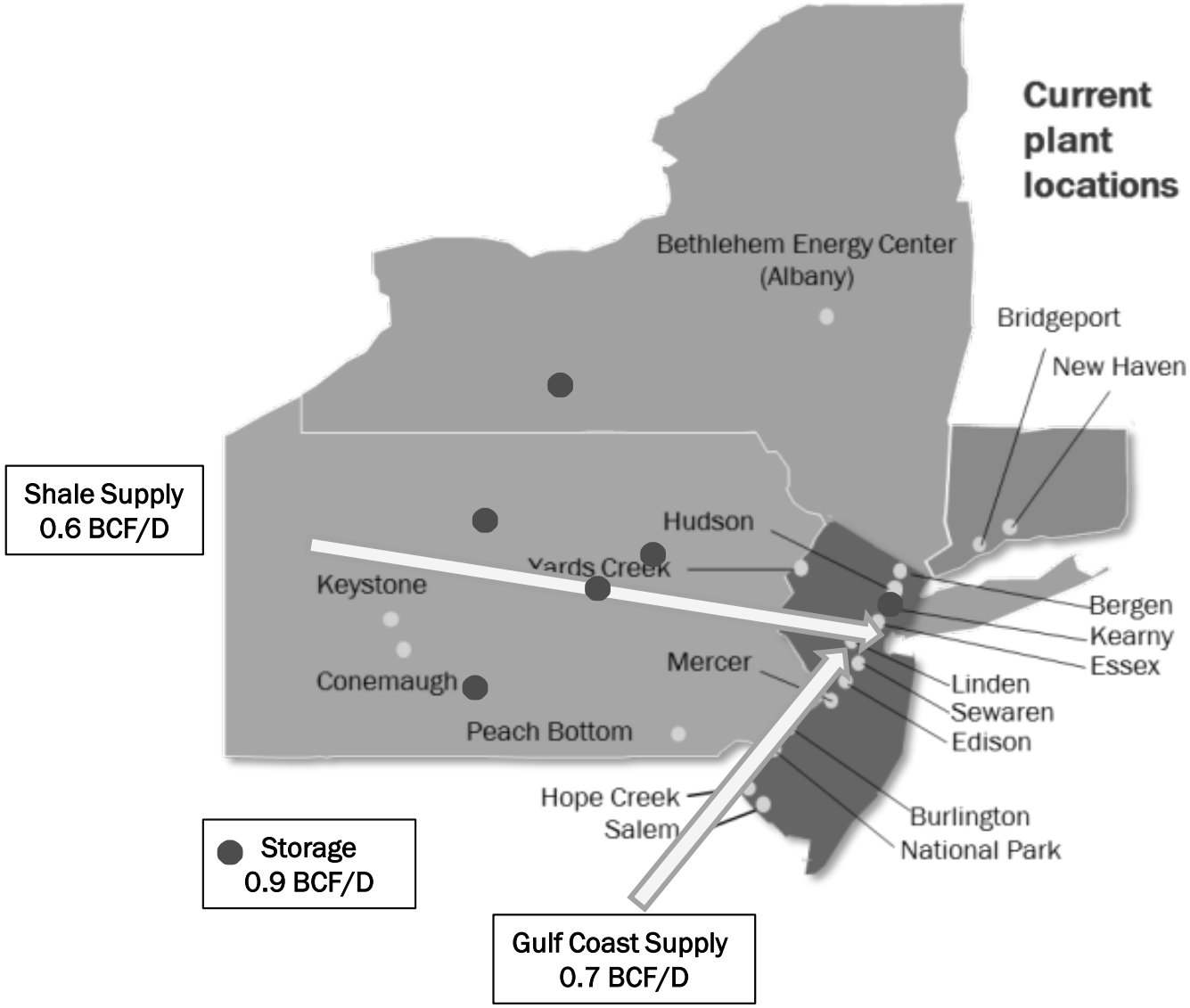
Growing importance of the winter peak has influenced PJM reliability planning … with supportive implications for price formation

SI-SSA-0015-08524

PSEG

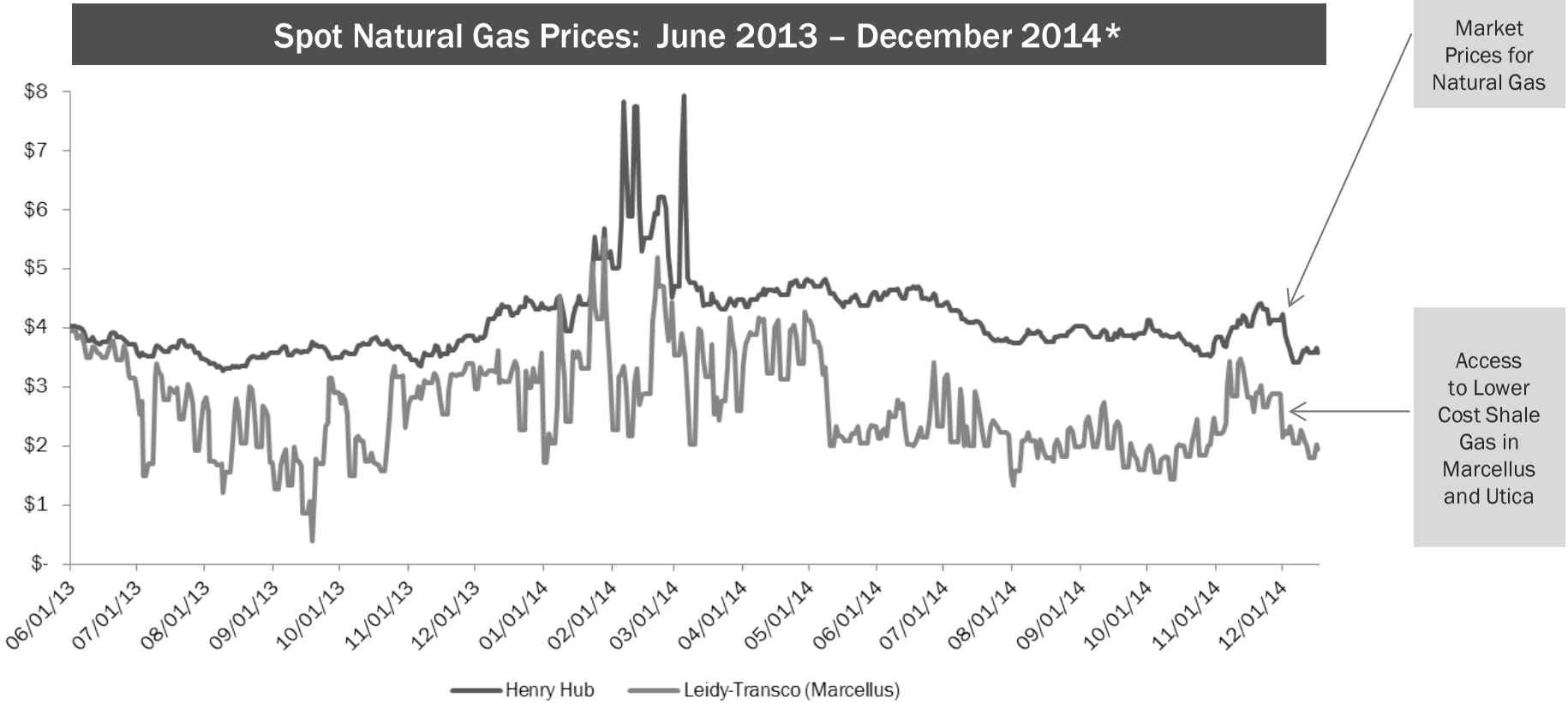
* MARKET AS OF DECEMBER 17, 2014
SOURCE: ICE/BROKER QUOTES

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-08525

Competitive Advantage: In 2014, ~40% of Power's gas for generation comes from Marcellus



- Our Combined Cycle and Peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

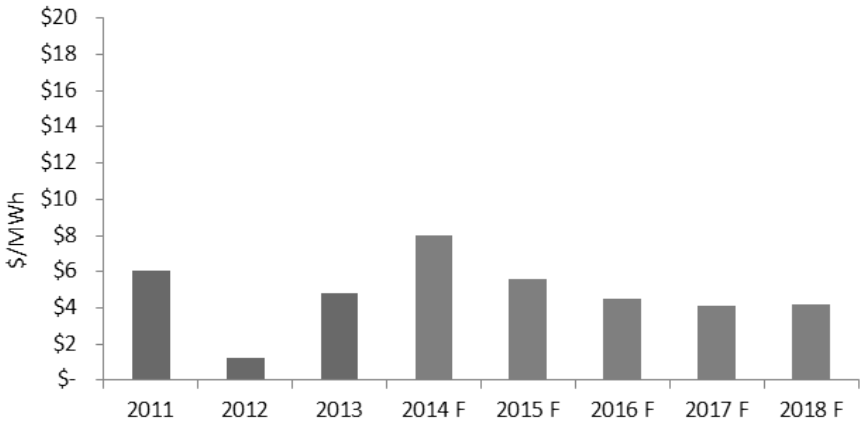
SI-SSA-0015-08526

PSEG

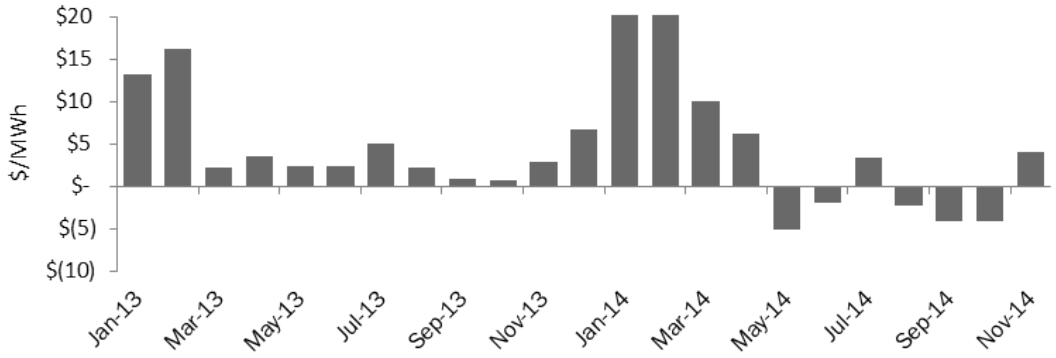
* AS OF DECEMBER 17, 2014

Competitive Advantage: Locational advantage from short term basis volatility

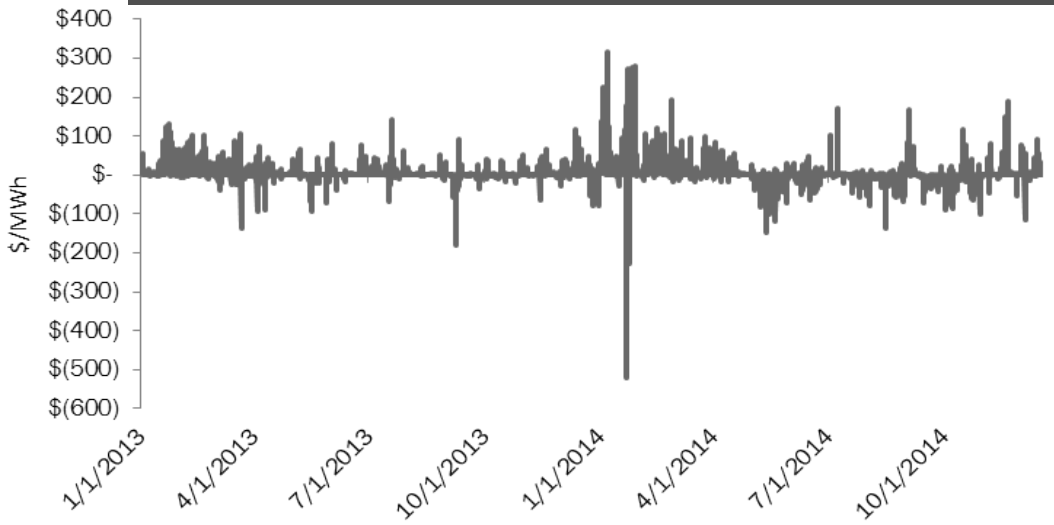
PS Zone On Peak Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W



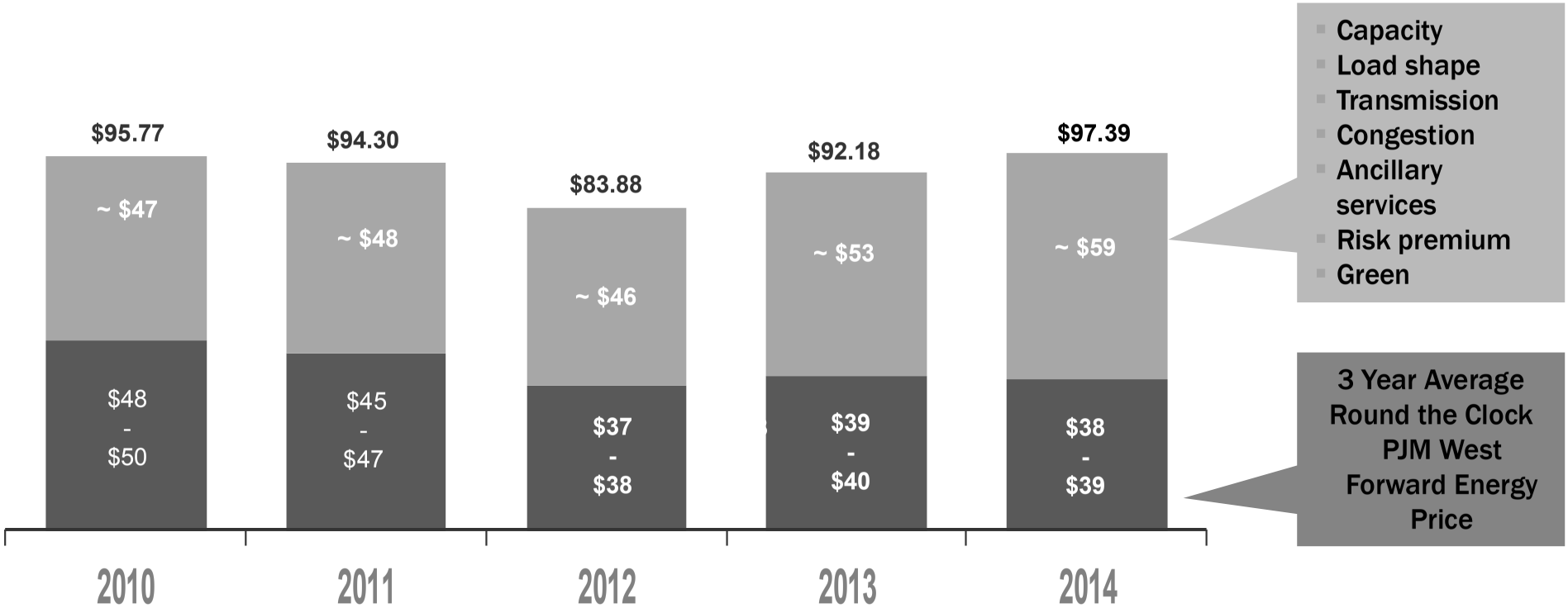
- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-08527

PSEG

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF DECEMBER 17, 2014, 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-08528

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

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

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-08529

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-08530

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PJM Capacity Performance Proposal:
aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places **emphasis on reliability** given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure to **encourage availability**

- **Generator availability/flexibility is key** objective for units with secure fuel supply capable of meeting operating standards

- **Elimination of 2.5% holdback**, making all capacity resources annual products, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Expected to File
Final CP Proposal

April 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

SI-SSA-0015-08531

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-08532

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-08533

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to annual rate of $1.48 per share for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-08534

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

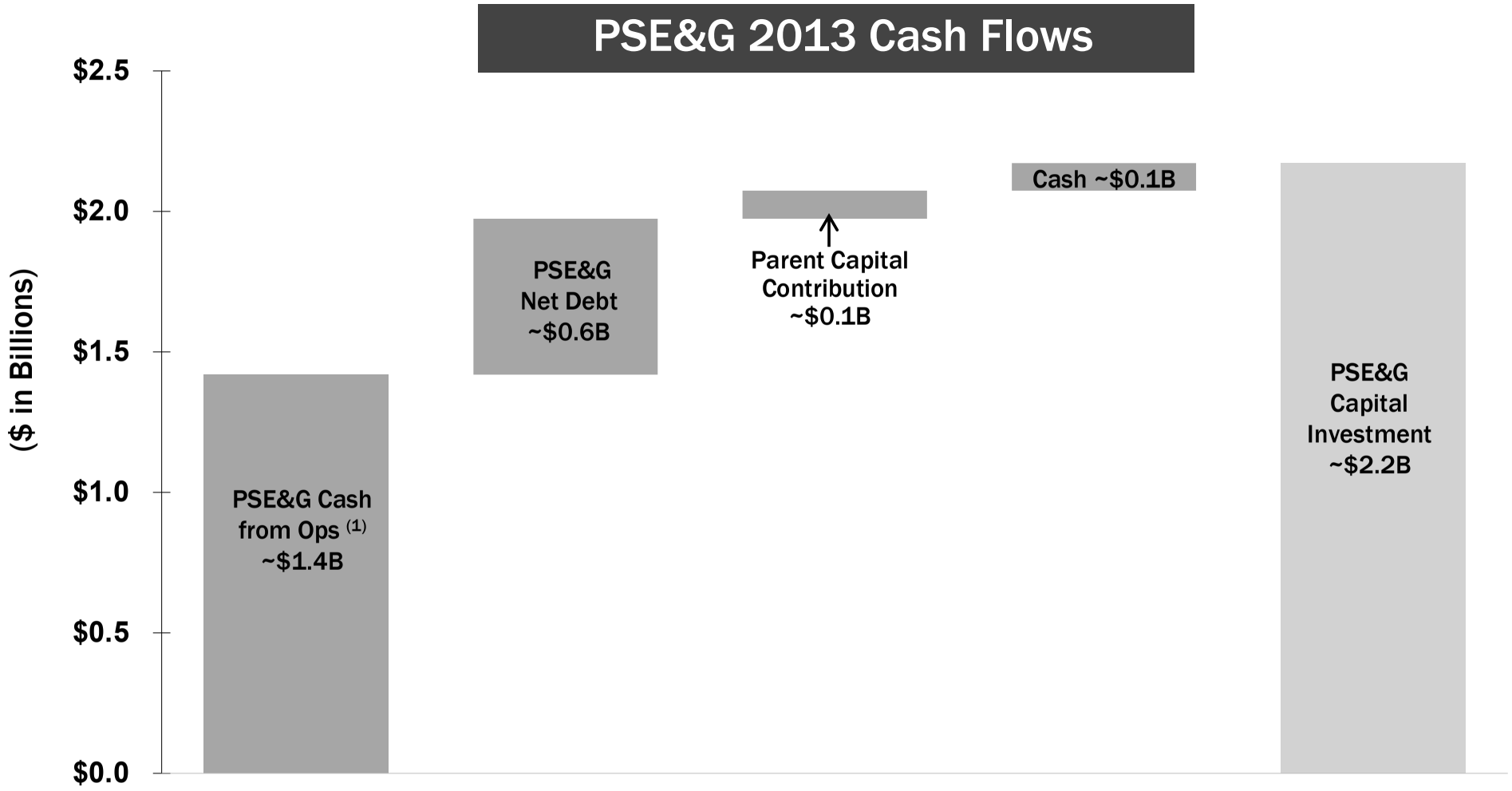
SI-SSA-0015-08535

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

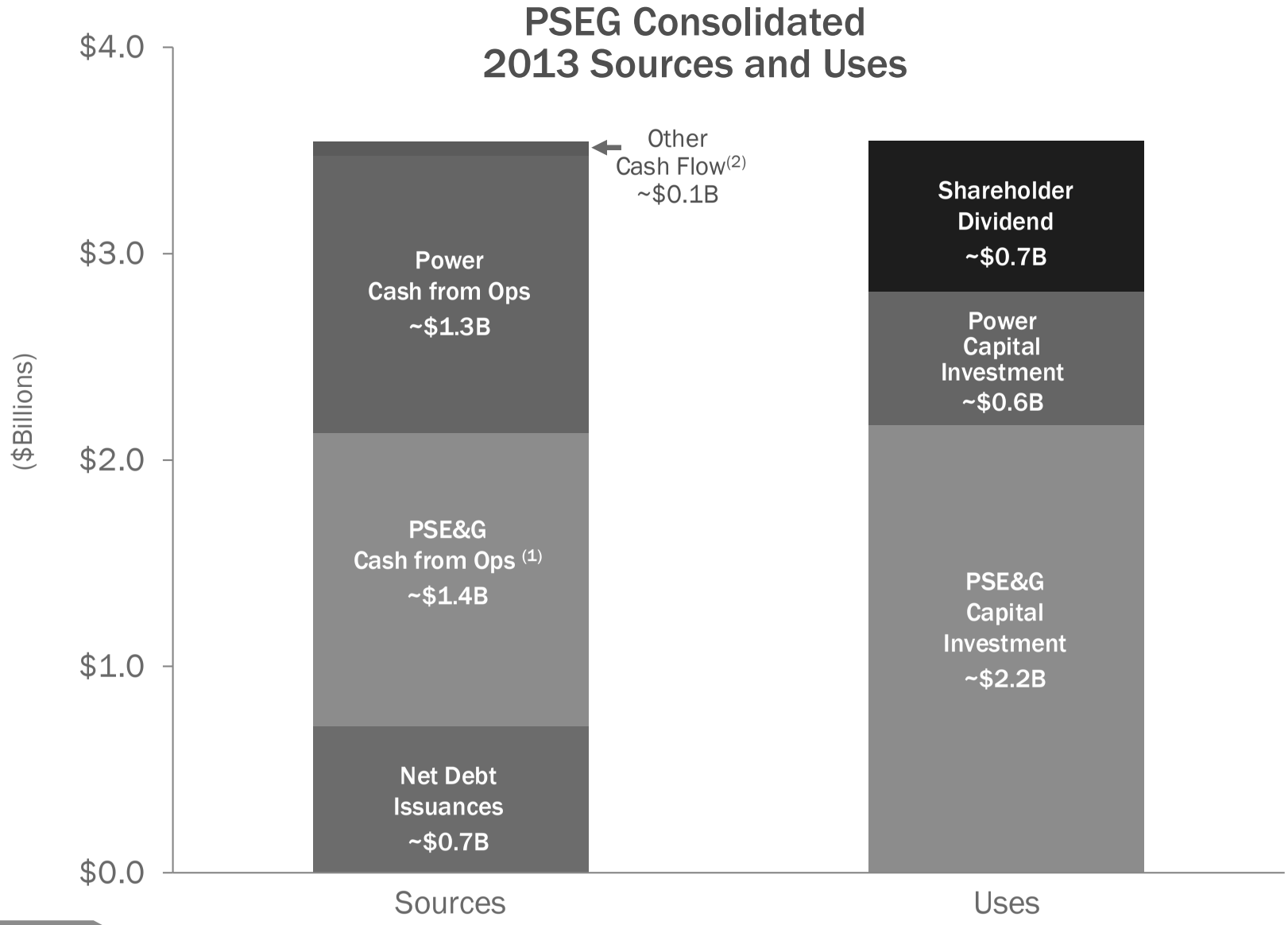
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-08536

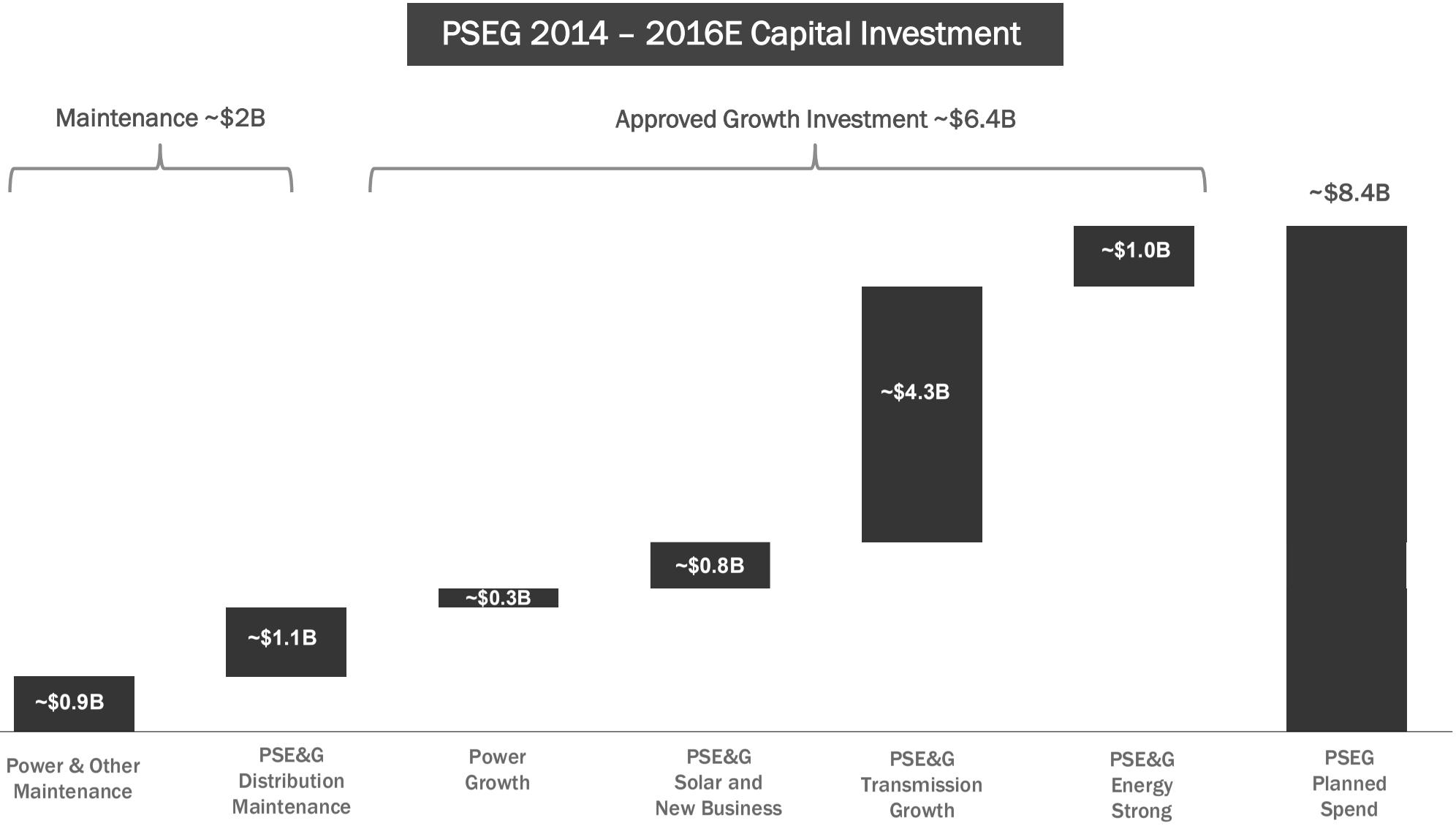
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-08537

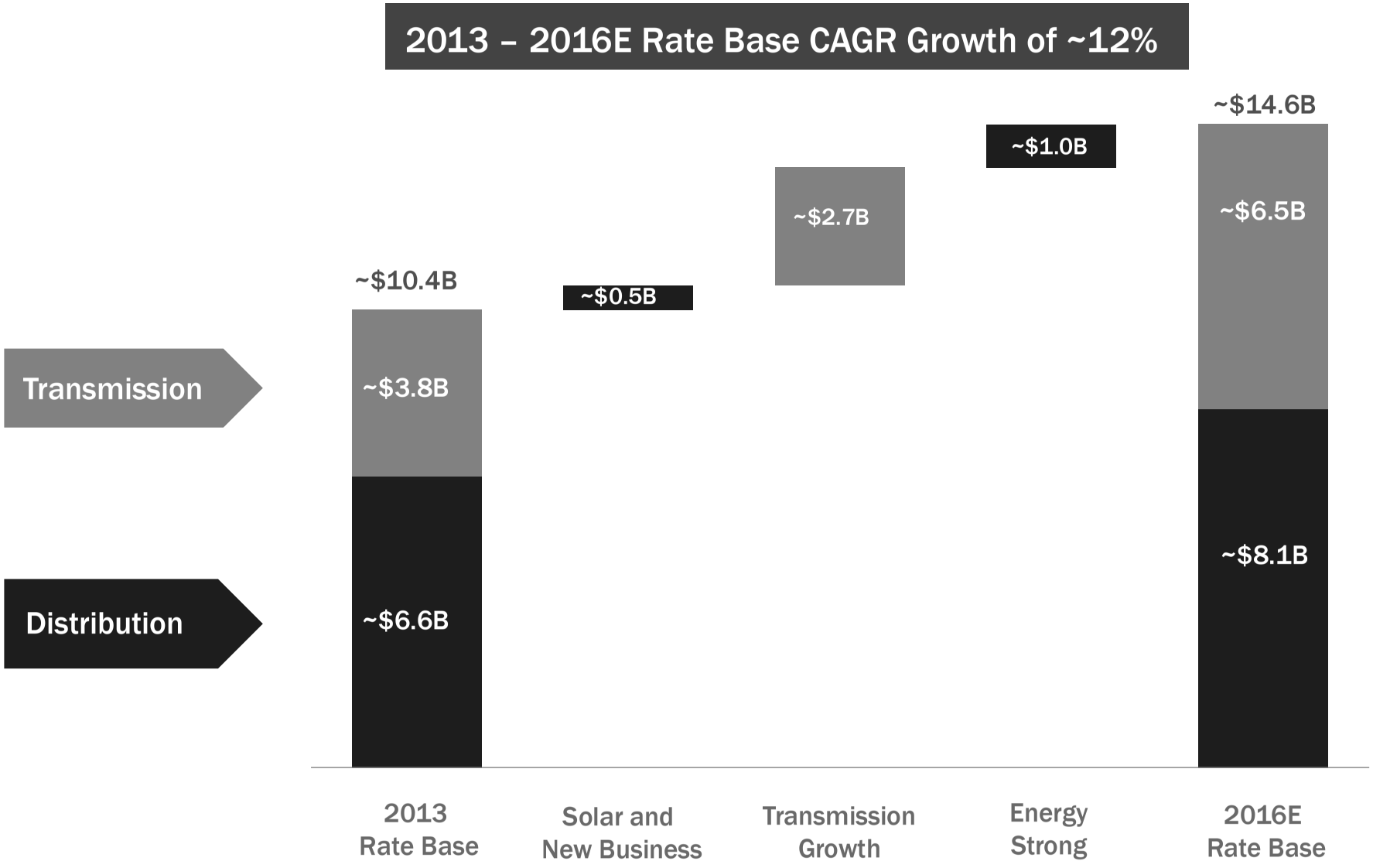
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.
DATA AS OF MARCH 31, 2014.

SI-SSA-0015-08538

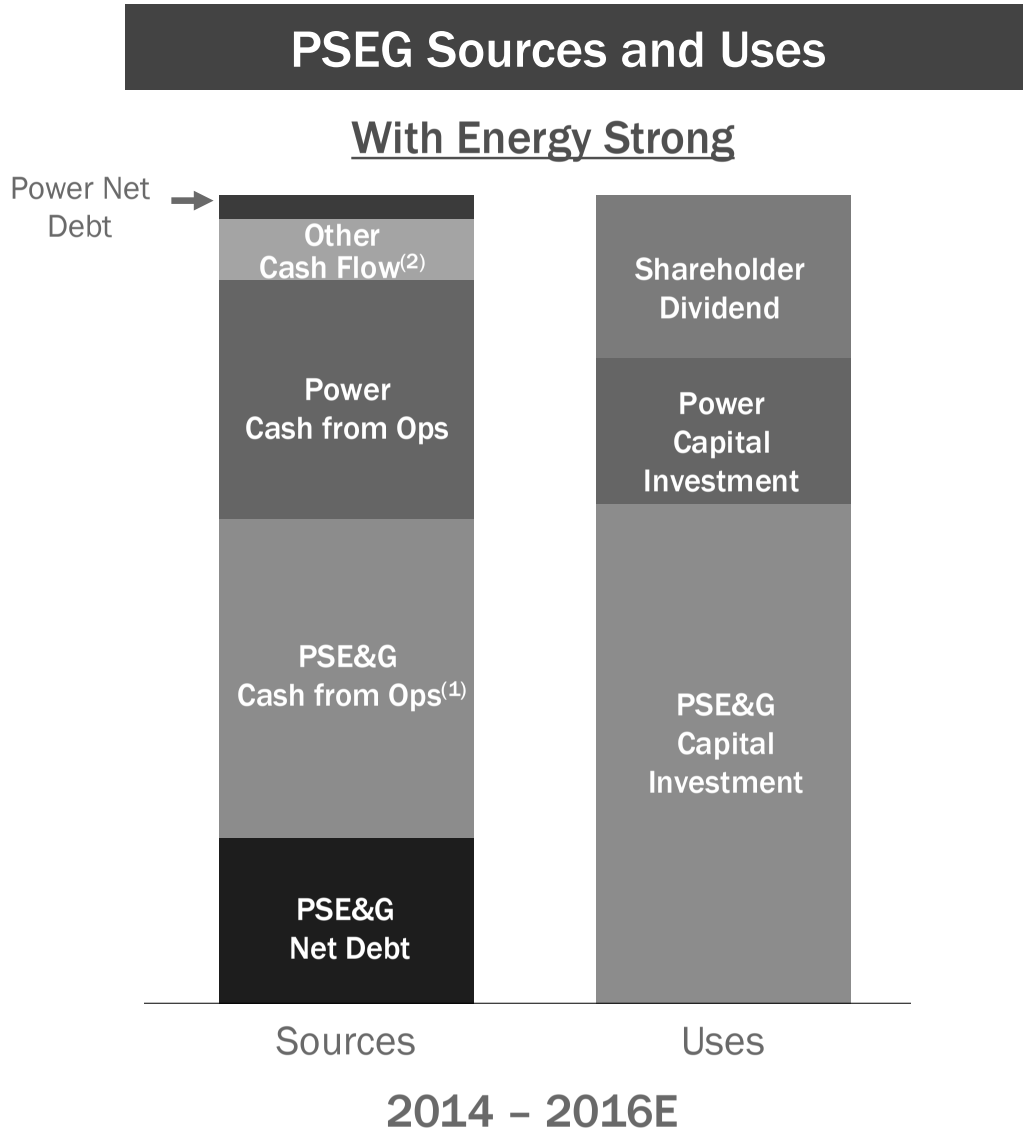
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-08539

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

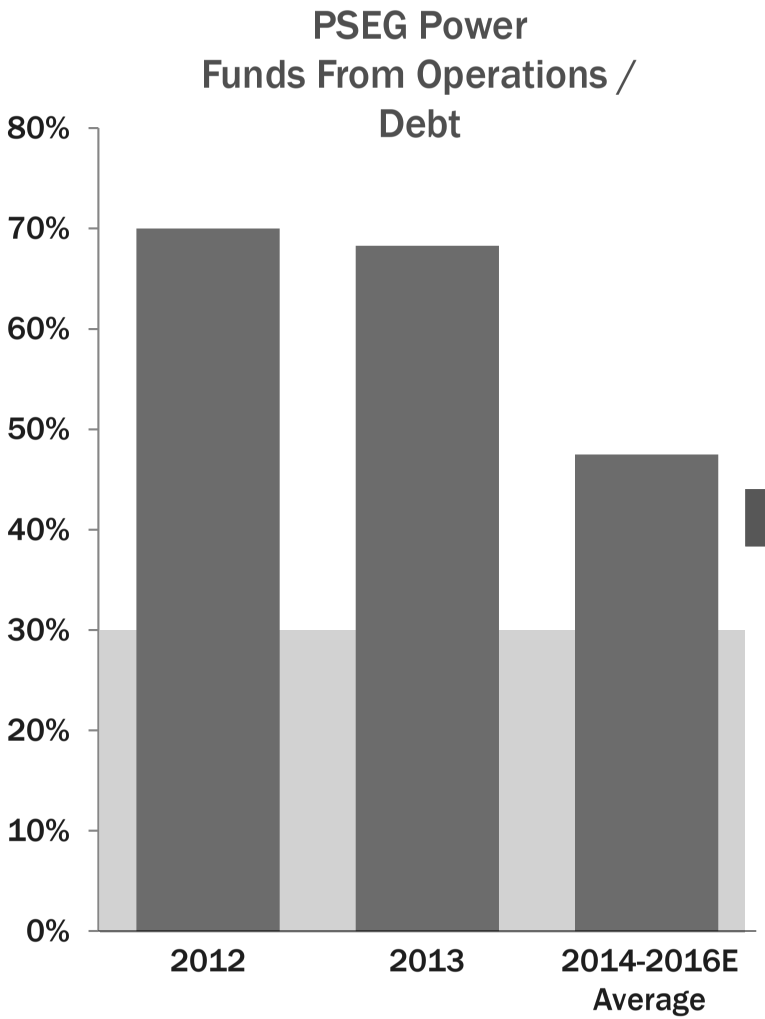
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE. DATA AS OF MARCH 31, 2014.

SI-SSA-0015-08540

Power's key credit metric supports incremental investment opportunities

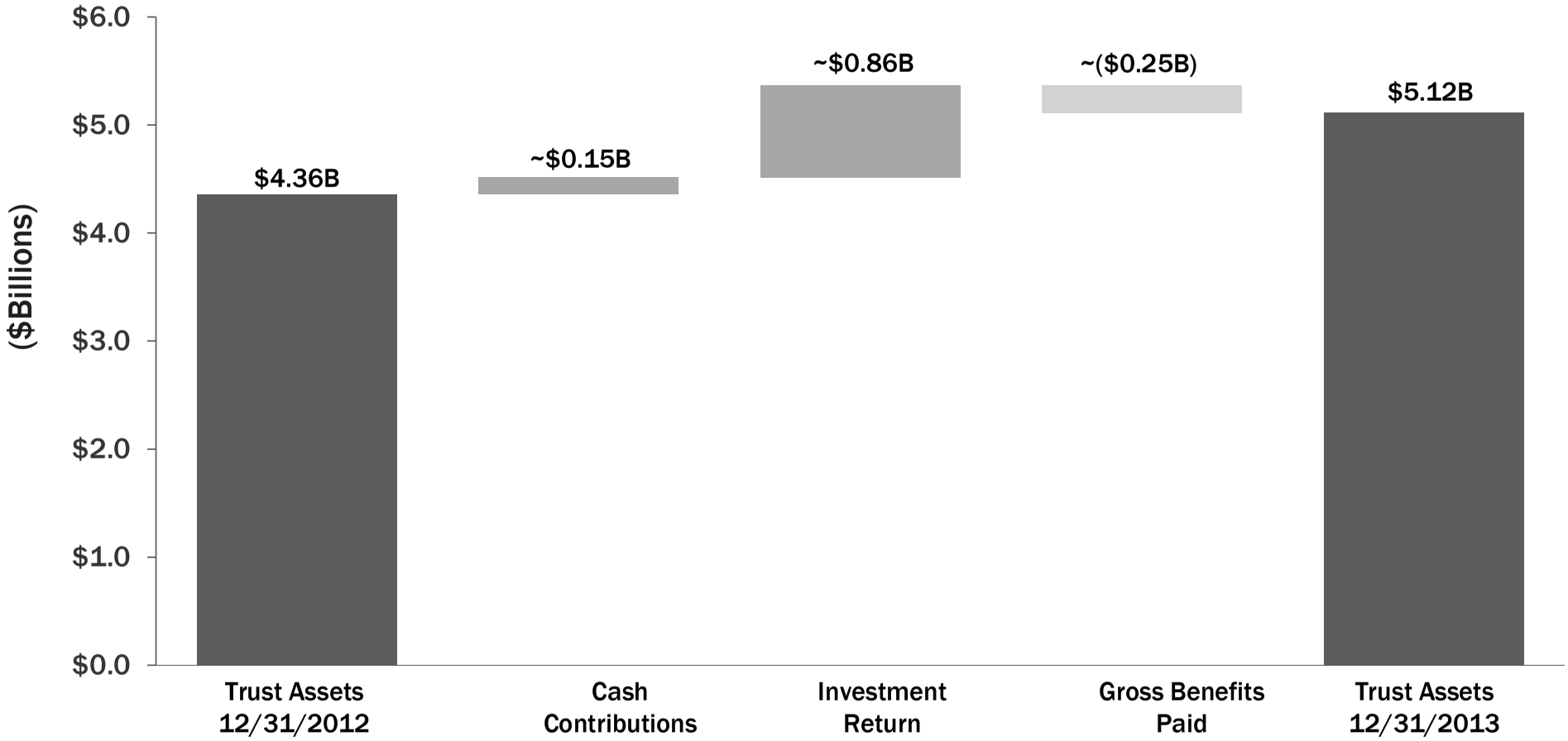


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-08541

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-08542

Improving Operating Earnings

and increased contribution from PSE&G

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

Regulated % of Earnings	**43%**	**47%**	**53% - 54%**

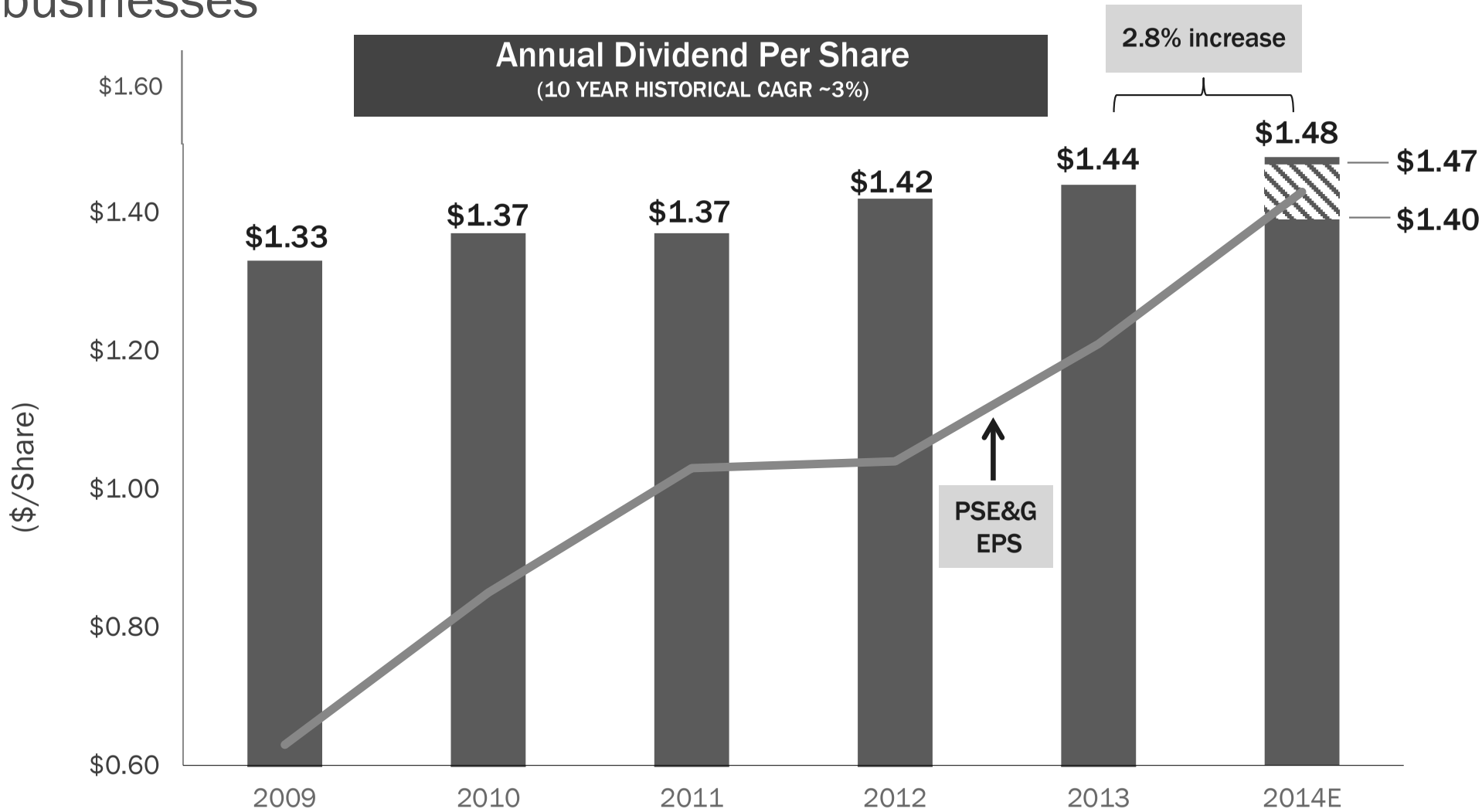
SI-SSA-0015-08543

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	55%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.60-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-08544

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.07-$0.10
Each $2/MWh Change in Spark Spread	$0.05	$0.05
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

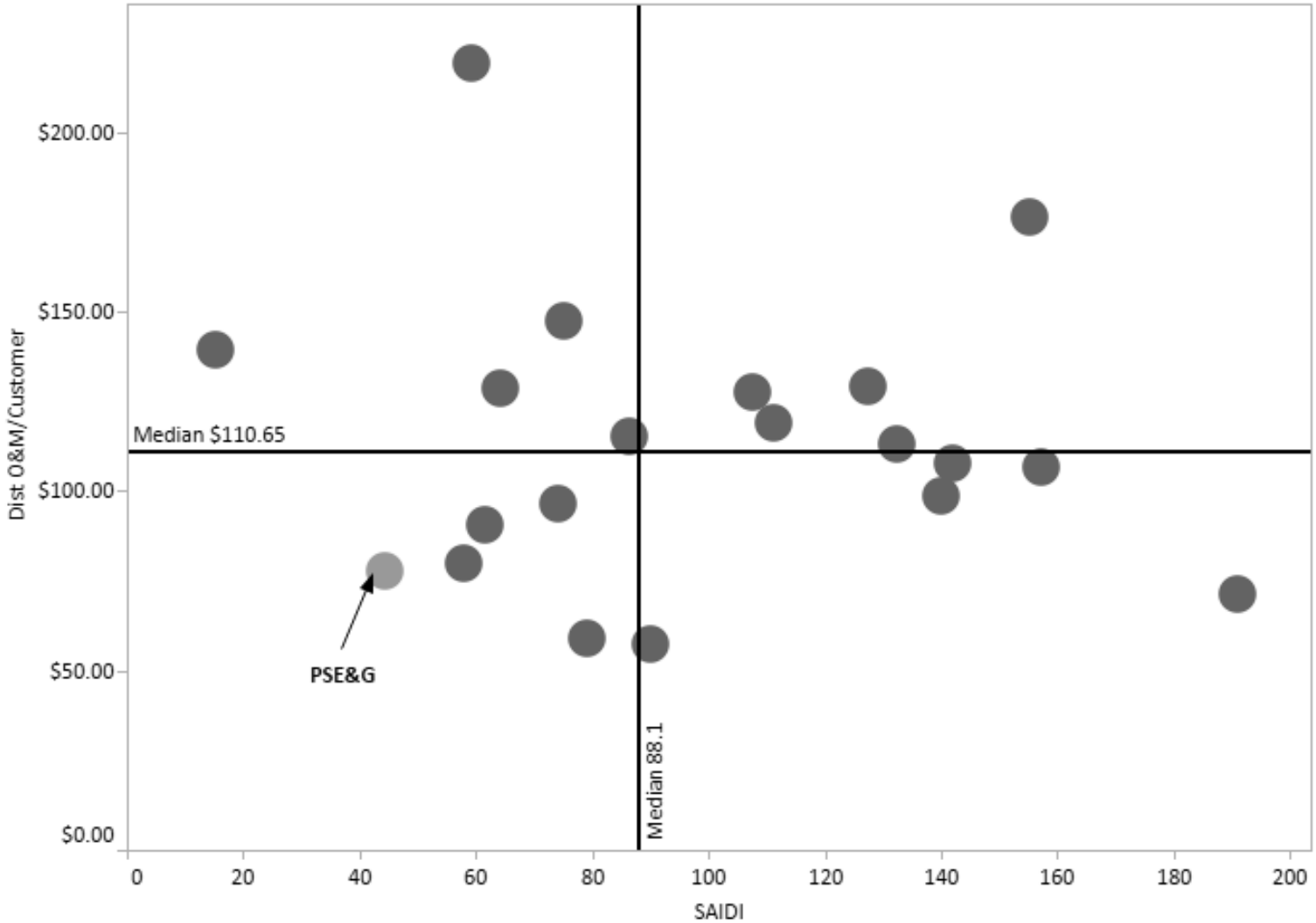
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	<$0.01	<$0.01
Each 10 basis point Change in Transmission ROE	<$0.01	<$0.01

SI-SSA-0015-08545

PSE&G APPENDIX

SI-SSA-0015-08546

PSE&G provides high reliability at below average cost which creates superior value to customers

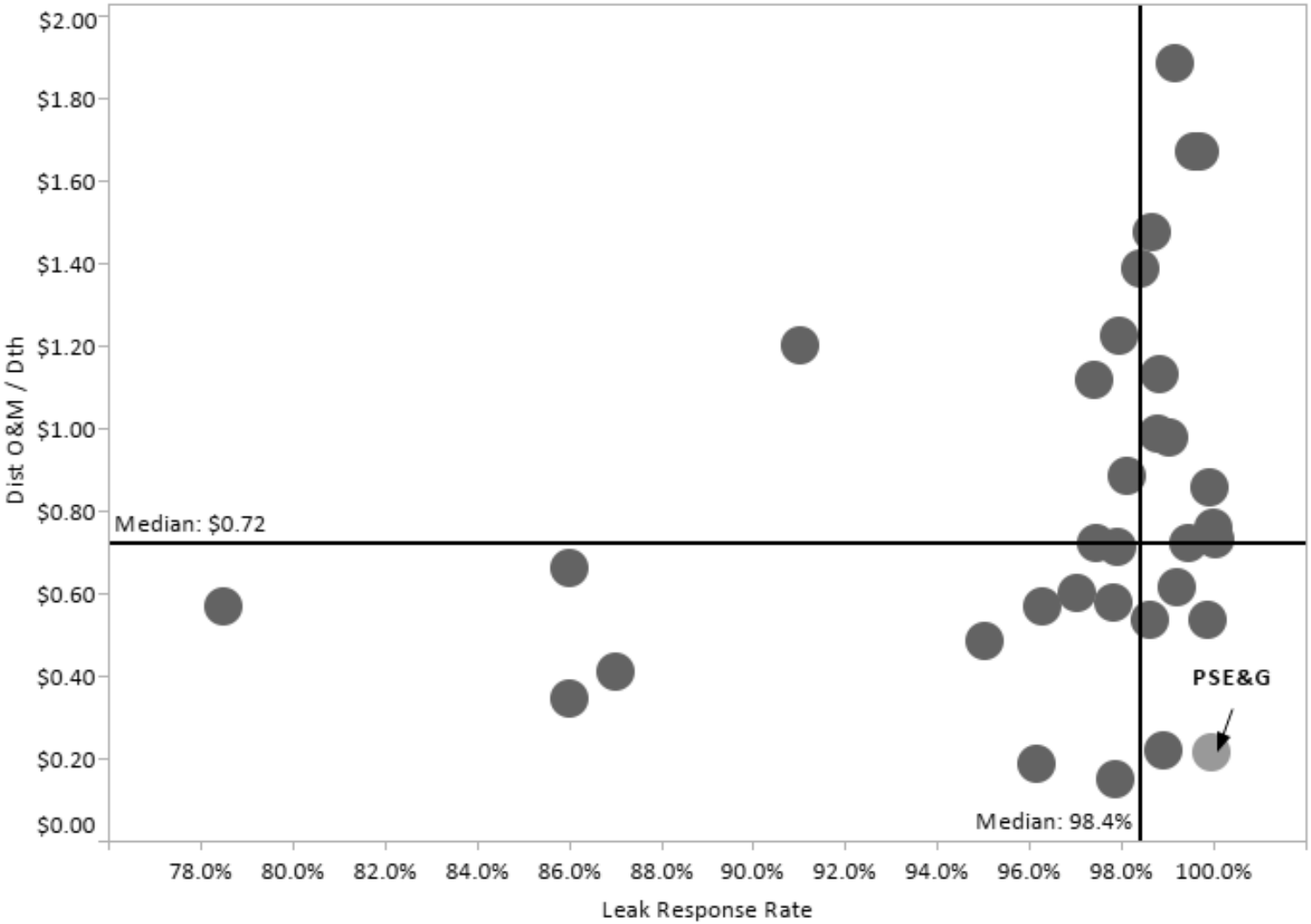


SI-SSA-0015-08547

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



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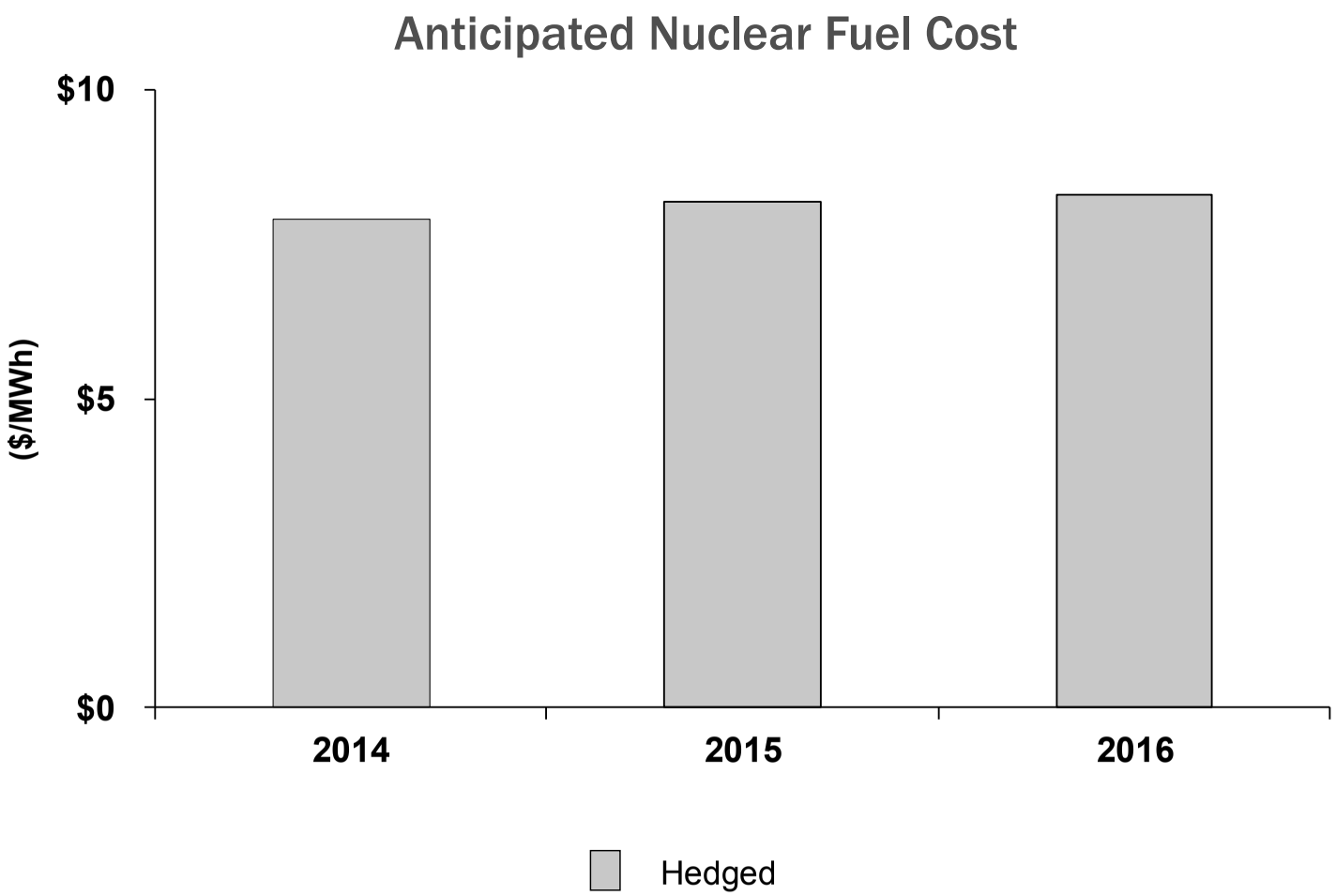
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

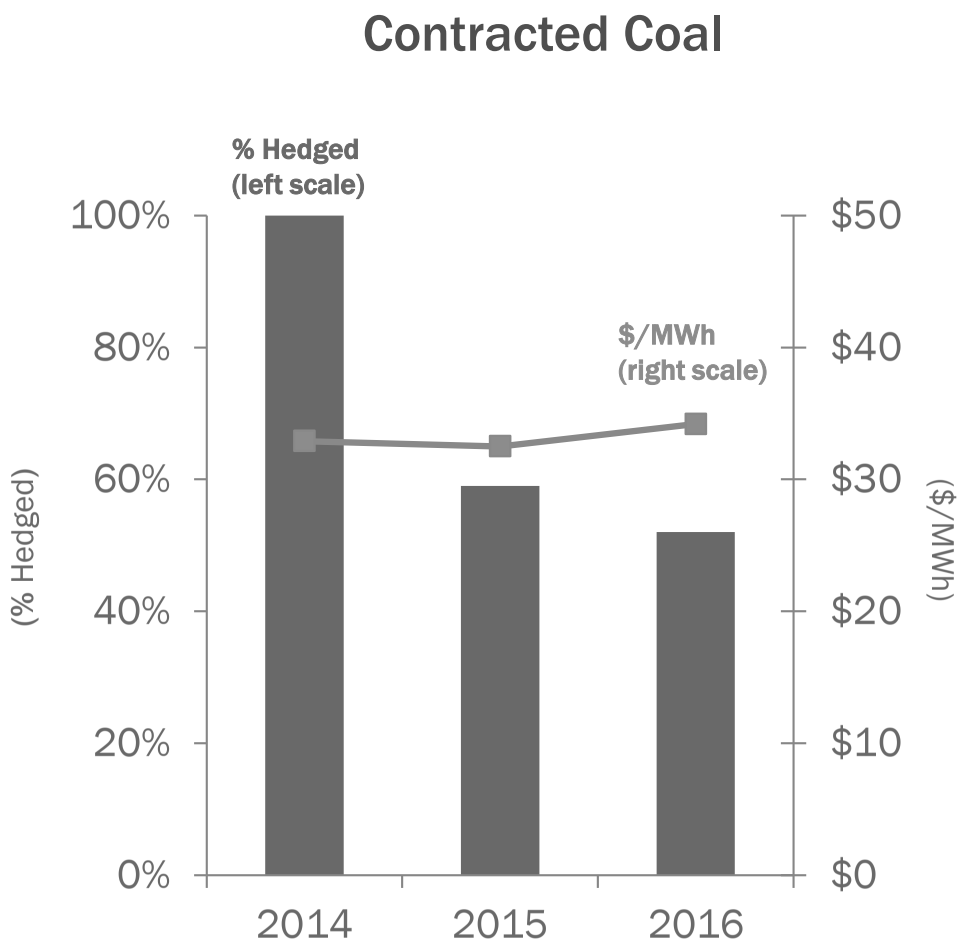
SI-SSA-0015-08549

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-08550

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-08551

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-08552

PSEG FINANCIAL APPENDIX

SI-SSA-0015-08553

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

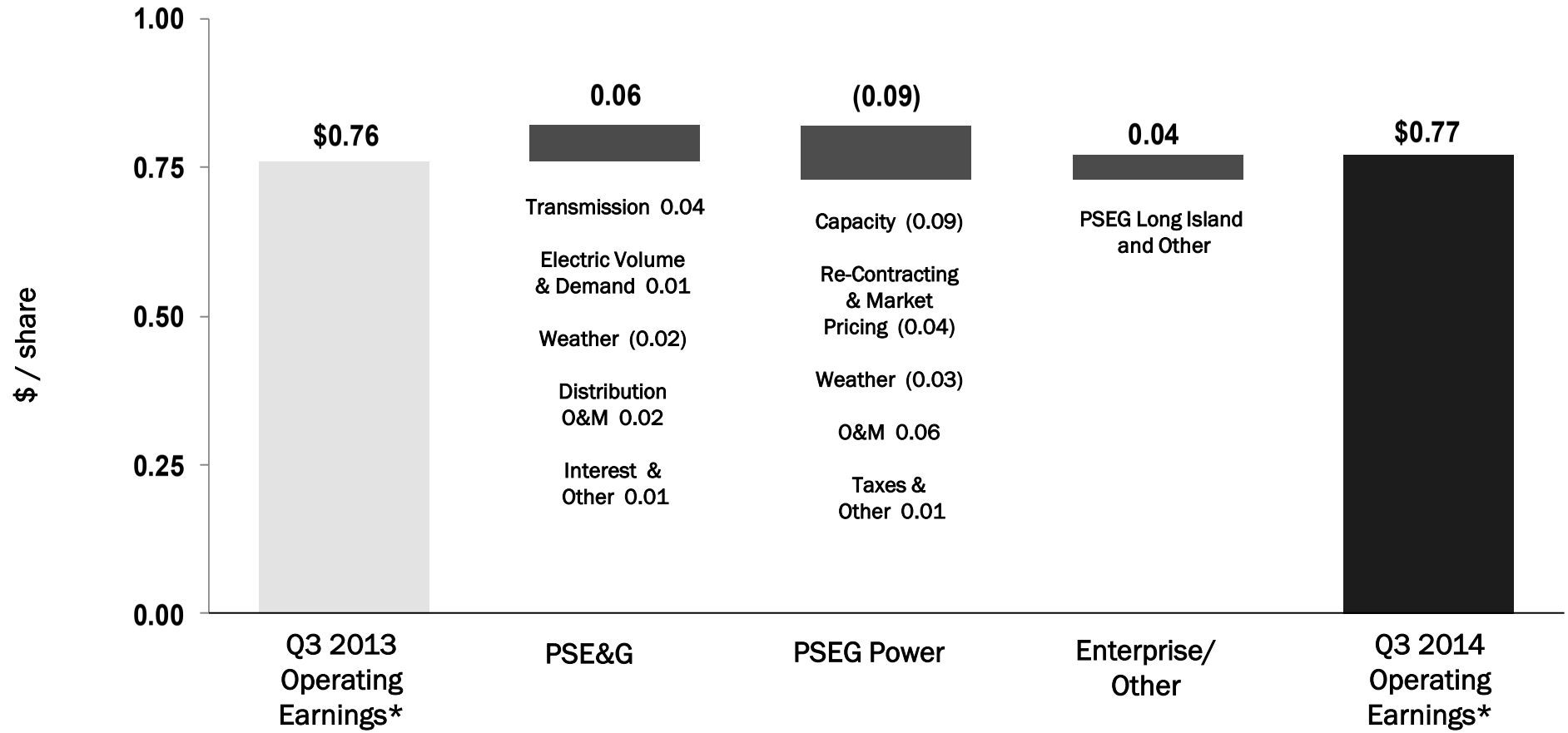
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 200	$ 168	$ 0.39	$ 0.33
PSEG Power	171	221	0.34	0.43
PSEG Enterprise/Other	22	(4)	0.04	-
*Operating Earnings**	$ 393	$ 385	$ 0.77	$ 0.76

SI-SSA-0015-08554

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2014 vs. Q3 2013



SI-SSA-0015-08555

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

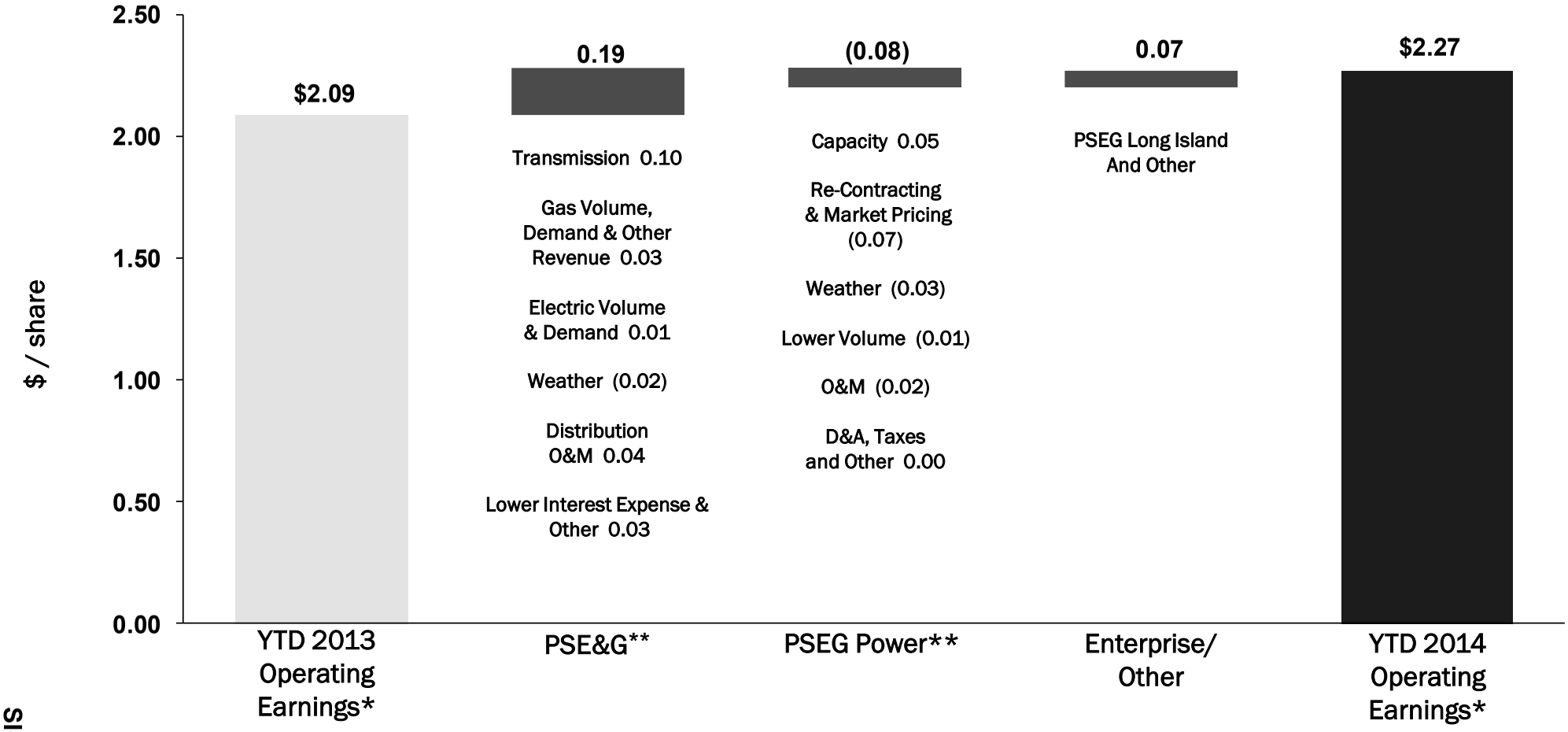
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 565	$ 468	$ 1.11	$ 0.92
PSEG Power	551	595	1.09	1.17
PSEG Enterprise/Other	37	(2)	0.07	-
*Operating Earnings**	$ 1,153	$ 1,061	$ 2.27	$ 2.09

SI-SSA-0015-08556

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-08557

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

Our balance sheet remains strong

September 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.7	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	8.6	6.1	2.5
Common Equity	12.1	6.6	5.5
Total Capitalization	**$20.7**	**$12.7**	**$8.0**
Total Debt / Capitalization	**42%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.8%

SI-SSA-0015-08558

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $326 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.

PSEG Liquidity as of September 30, 2014

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

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

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

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

SI-SSA-0015-08559

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 9/30/2014 ($ millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$197
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$3
Other	Land & Receivables	$5
	Total Holdings Investments	**$898**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-08560

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-08561

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-08562

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

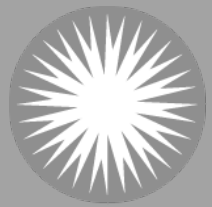
Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 393**	**$ 385**	**$ 1,153**	**$ 1,061**	**$ 1,309**	**$ 1,236**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

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

SI-SSA-0015-08563

Goldman Sachs–Investor Meetings

NEW YORK CITY, APRIL 3, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08564

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-08565

Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-08566

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-08567

PSEG OVERVIEW & OUTLOOK

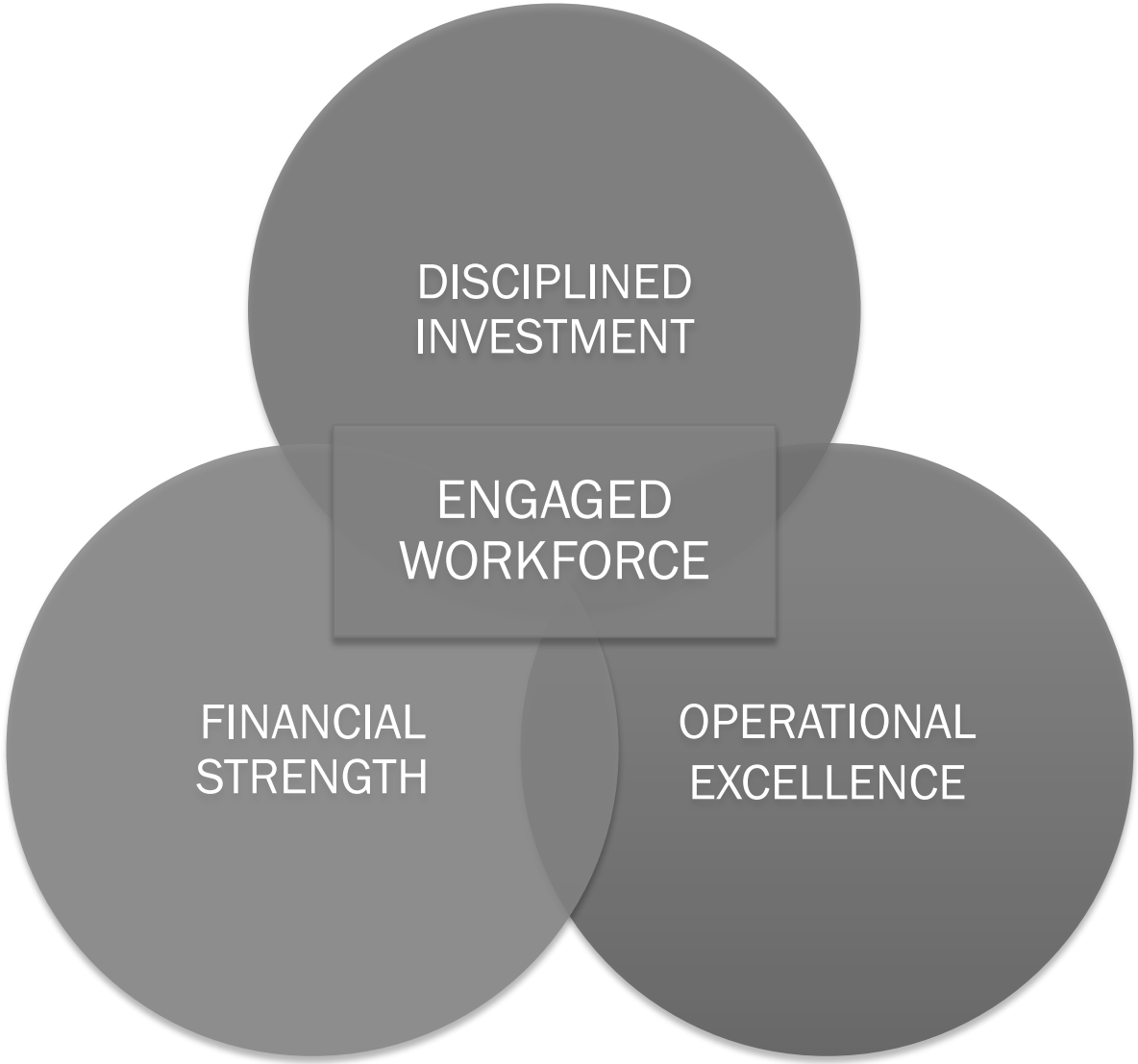
PSEG

We make things work for you.

SI-SSA-0015-08568

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

SI-SSA-0015-08570

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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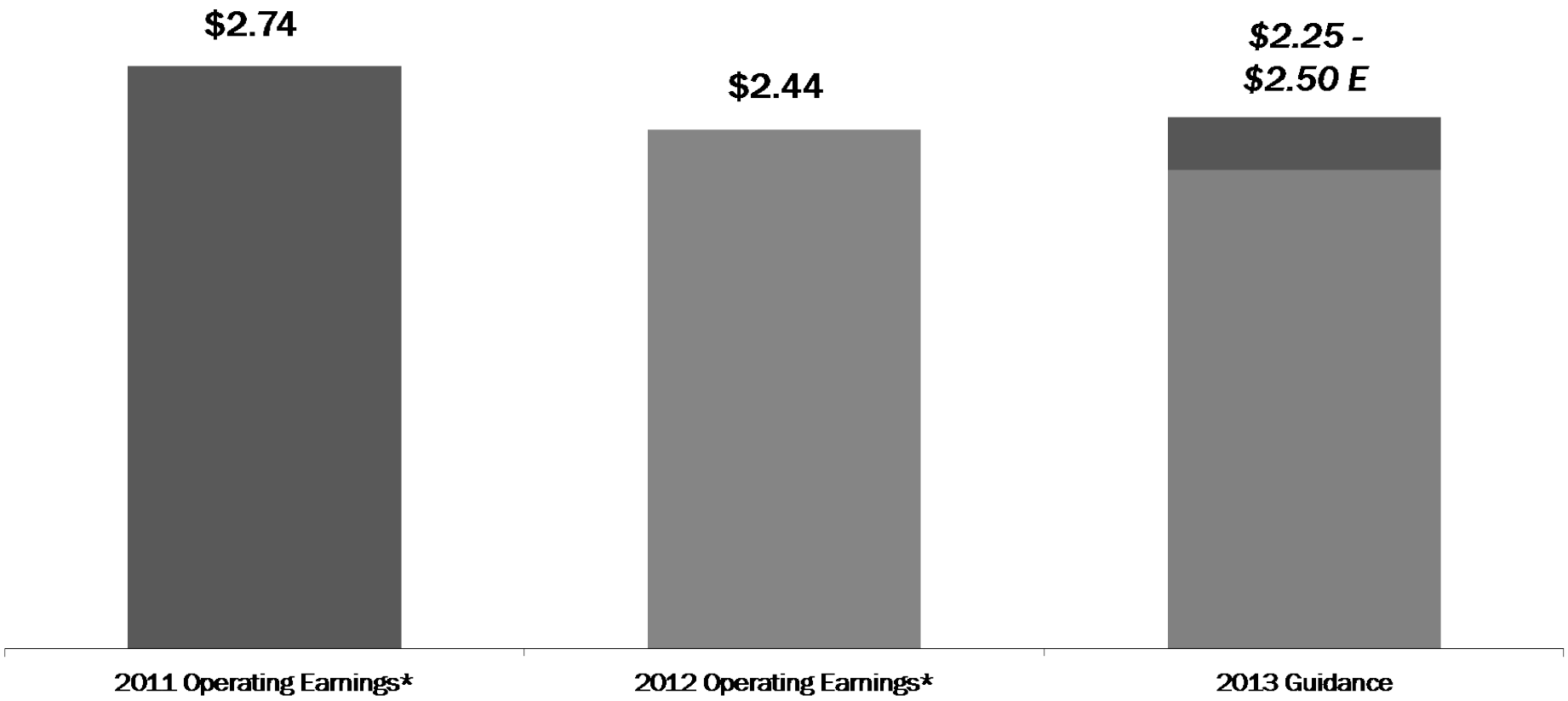
2013 Operating Earnings Guidance



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PSEG

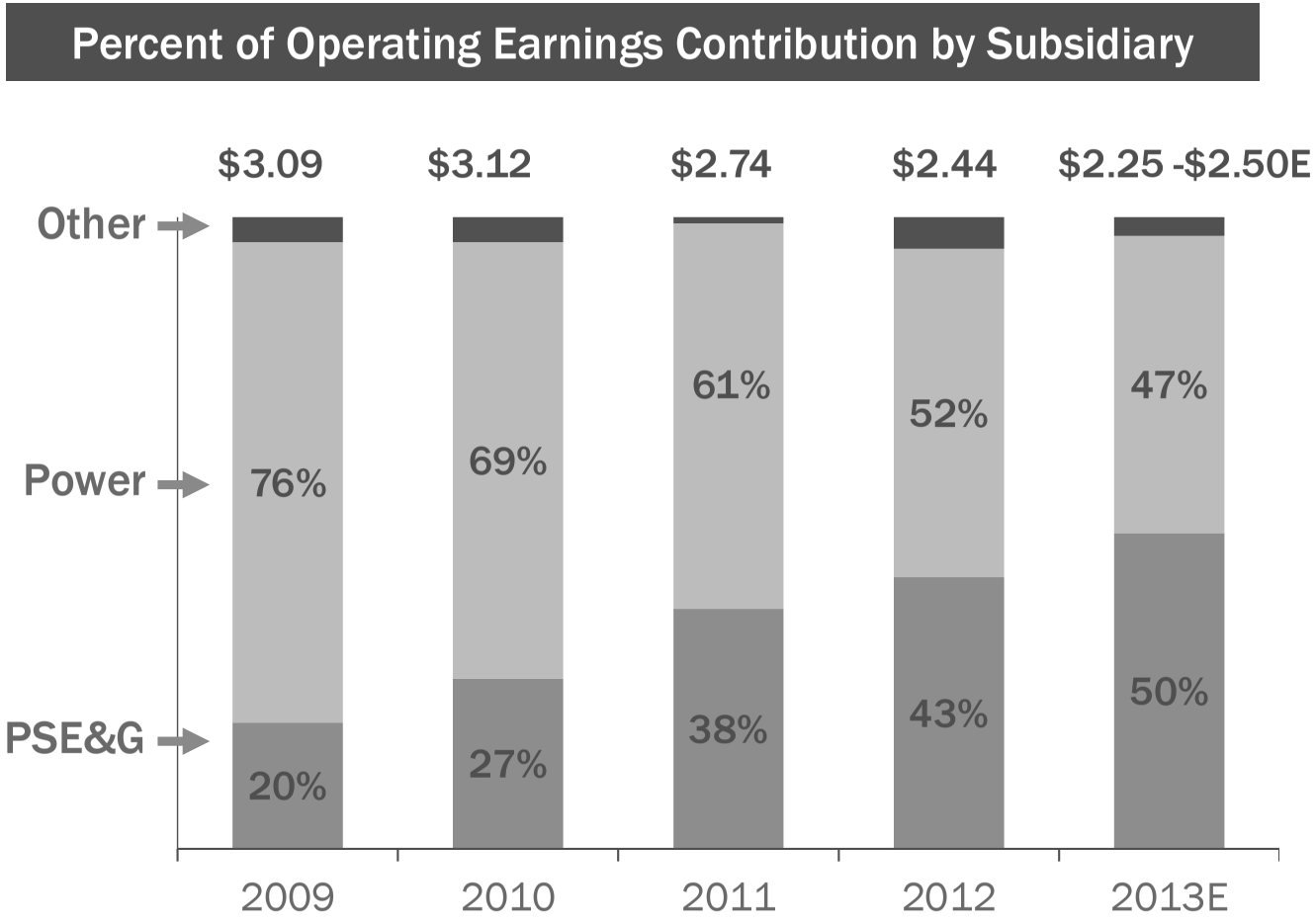
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

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PSEG

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

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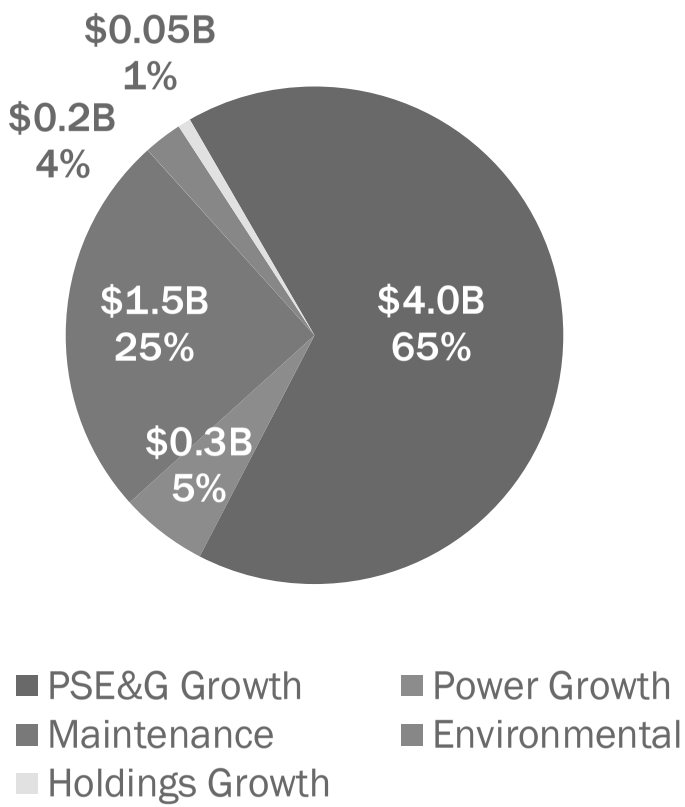
PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*

$6.1 Billion

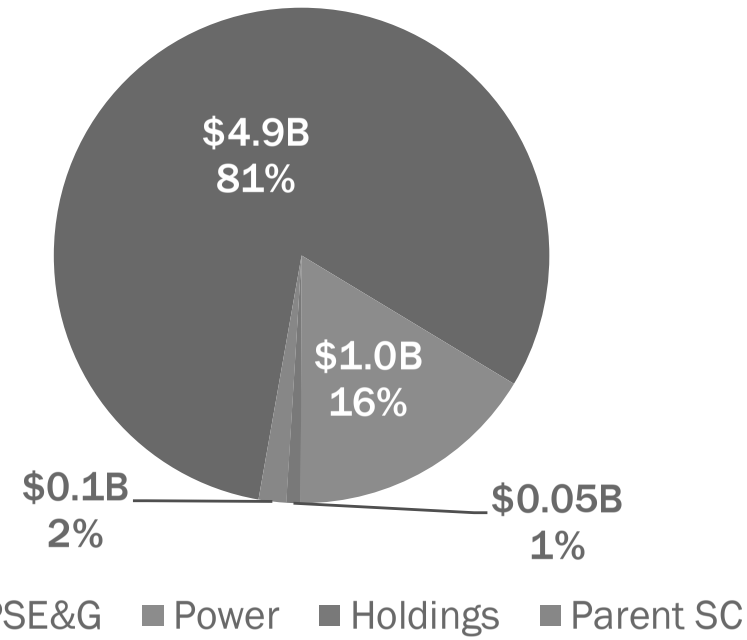
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*

$6.1 Billion

by Subsidiary

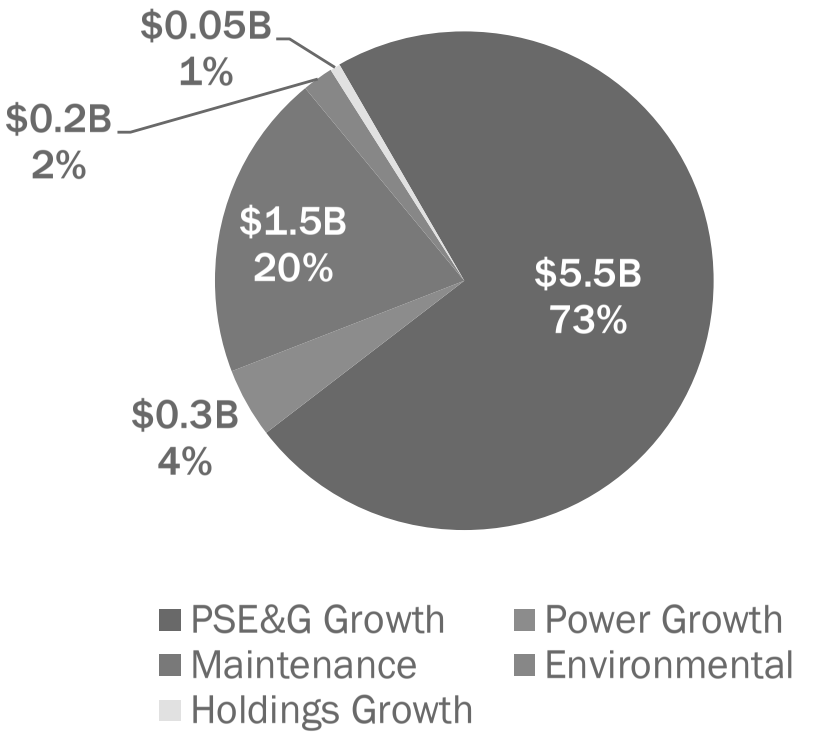


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

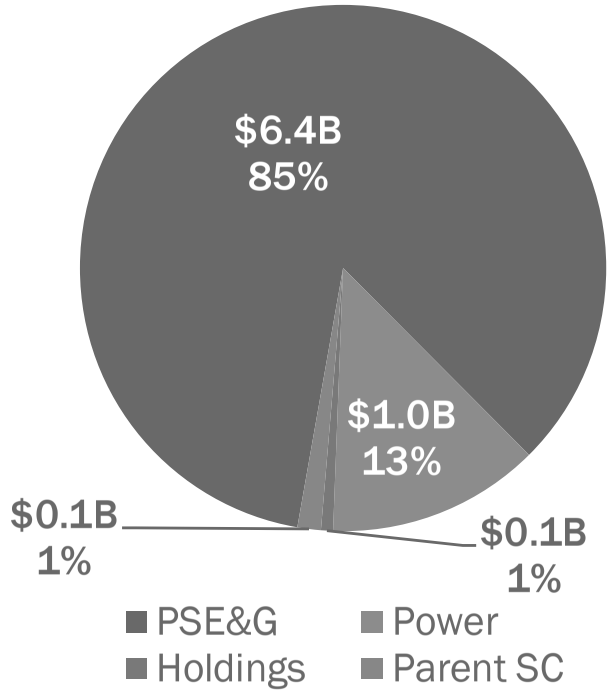
SI-SSA-0015-08576

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

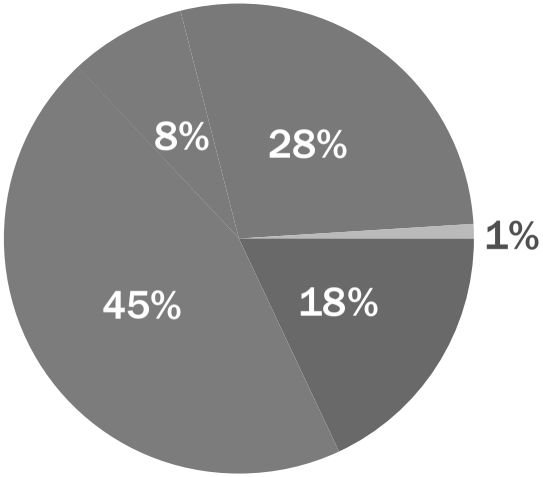
PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

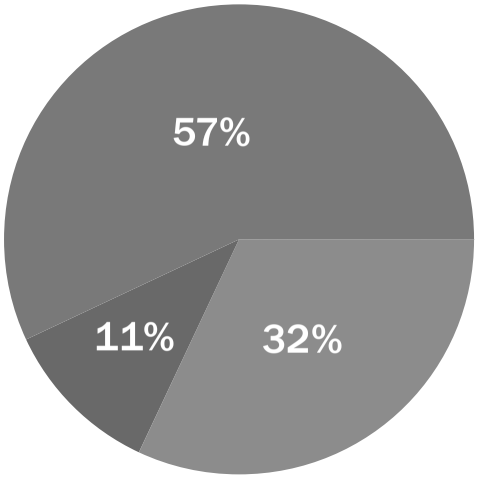
SI-SSA-0015-08578

PSEG Power value advantaged by asset diversity, fuel flexibility and location

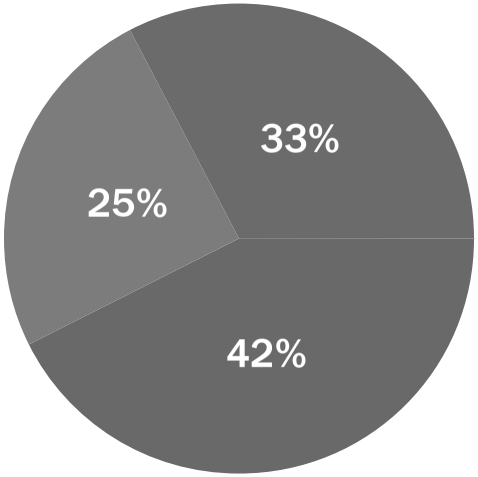
Fuel Diversity*
Total MW: 13,226



Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

- Intermediate
- Peaking
- Baseload

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-08579

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

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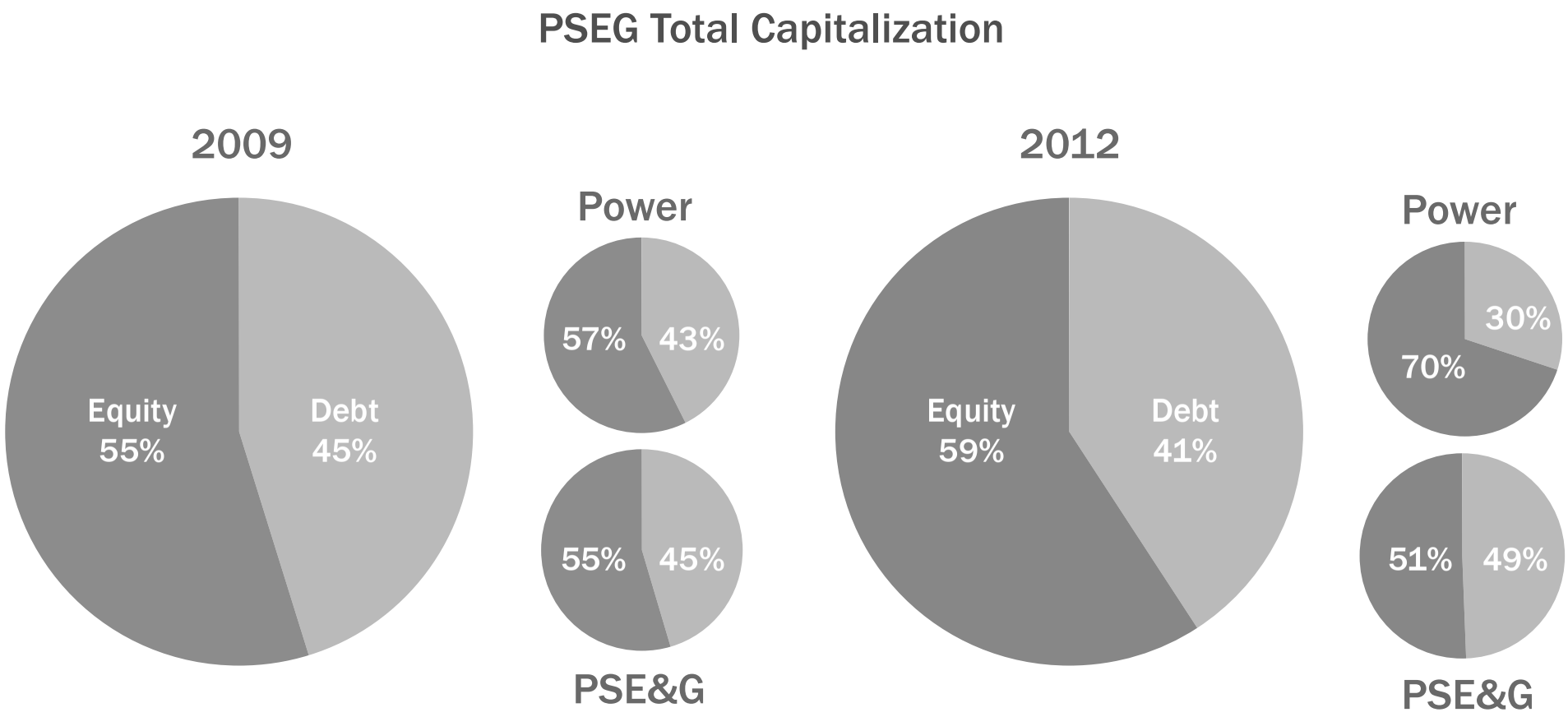
Balance Sheet Strengthened

PSEG has reduced risk



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Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

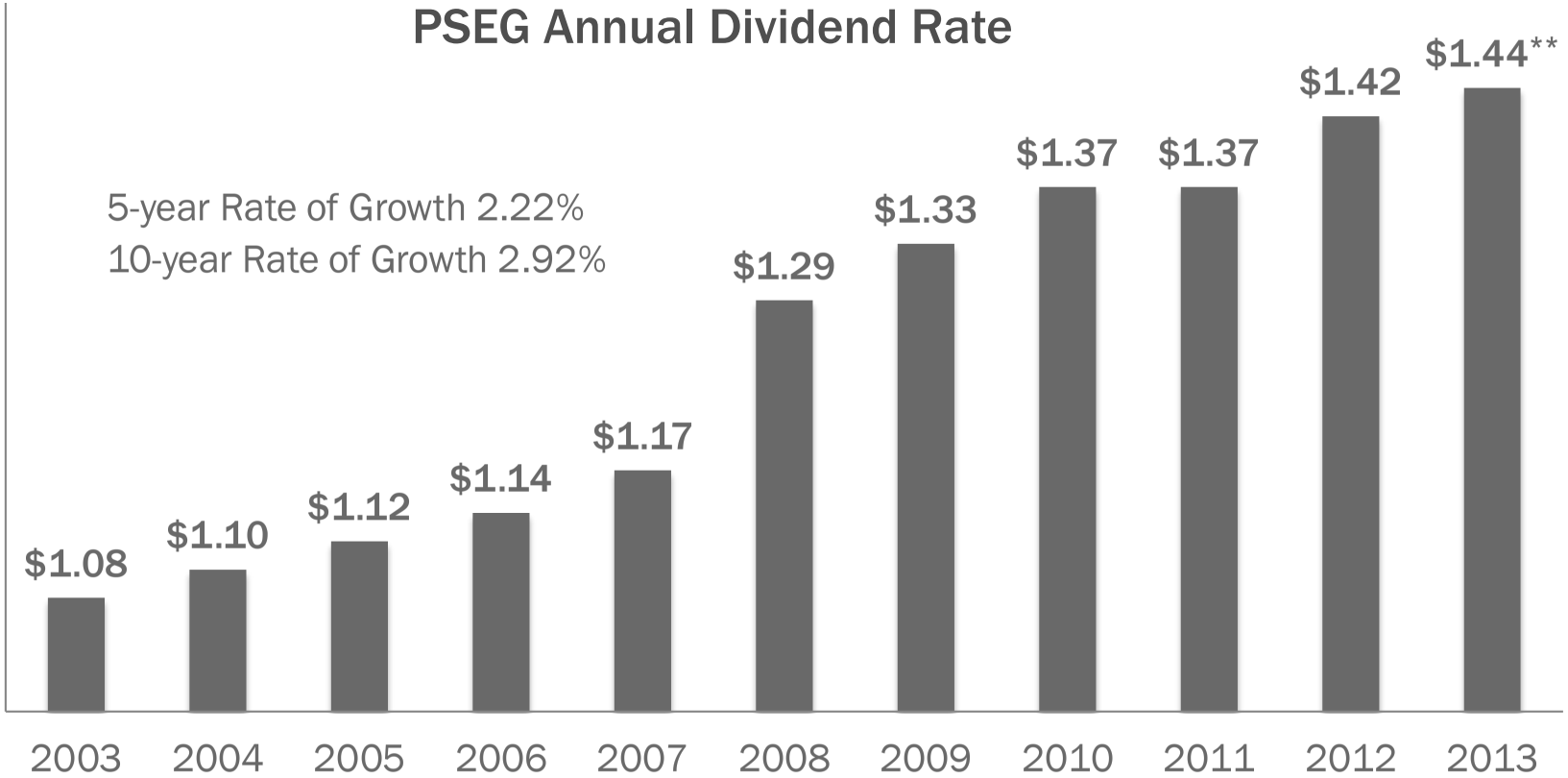
PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-08582

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-08583

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-08584

PSE&G

SI-SSA-0015-08585

PSEG

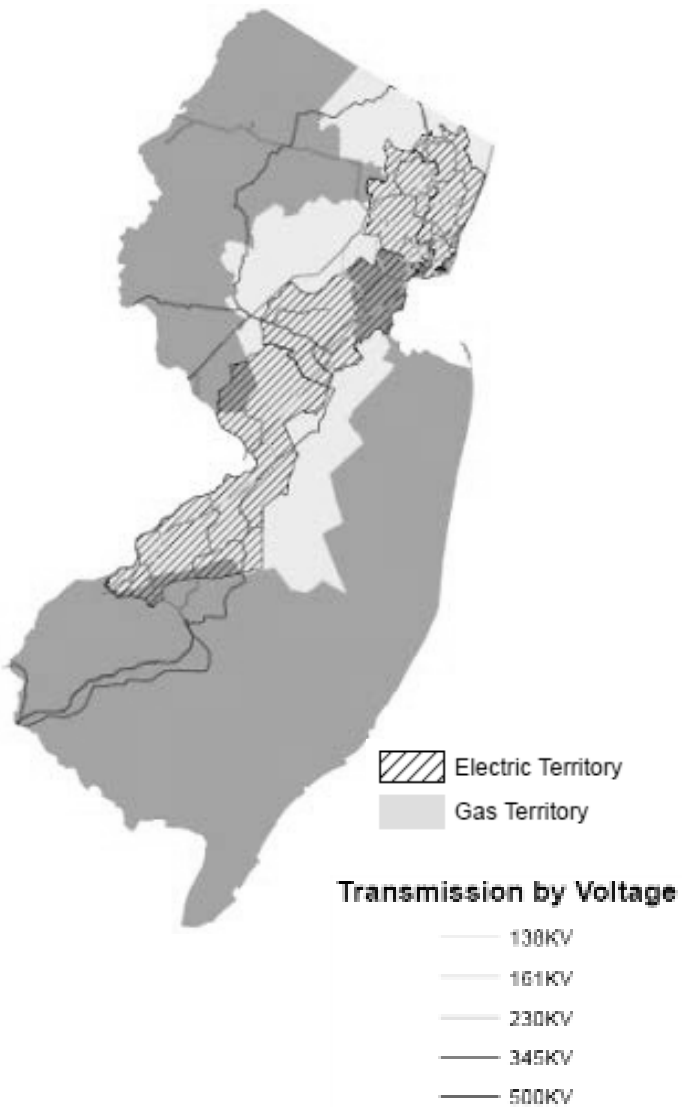
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08586

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-08587

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

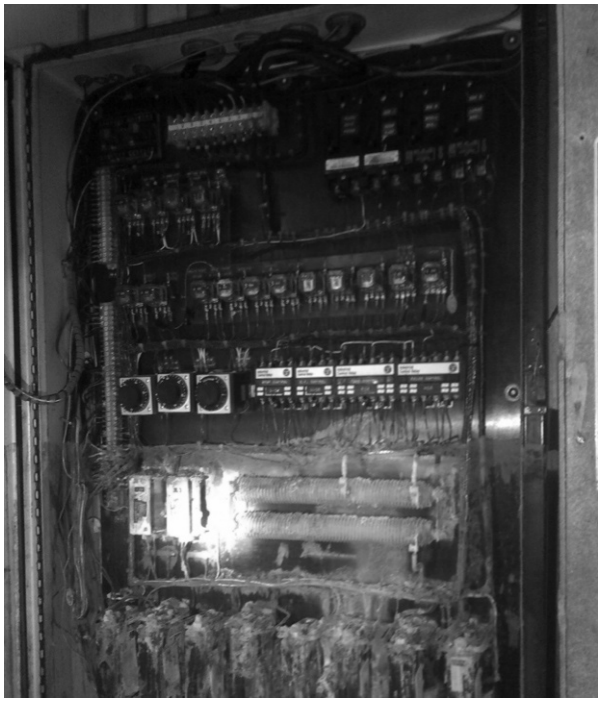
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-08588

During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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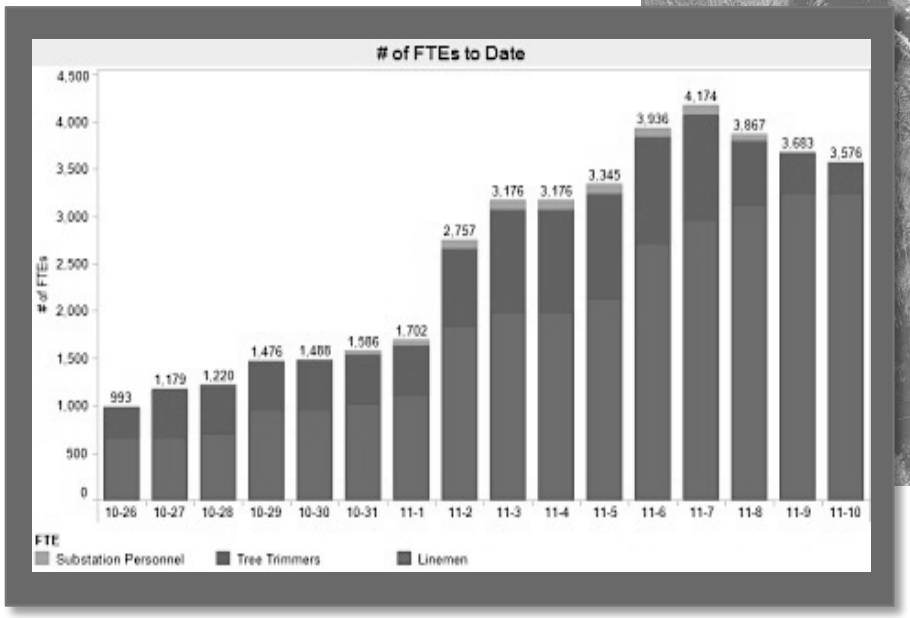
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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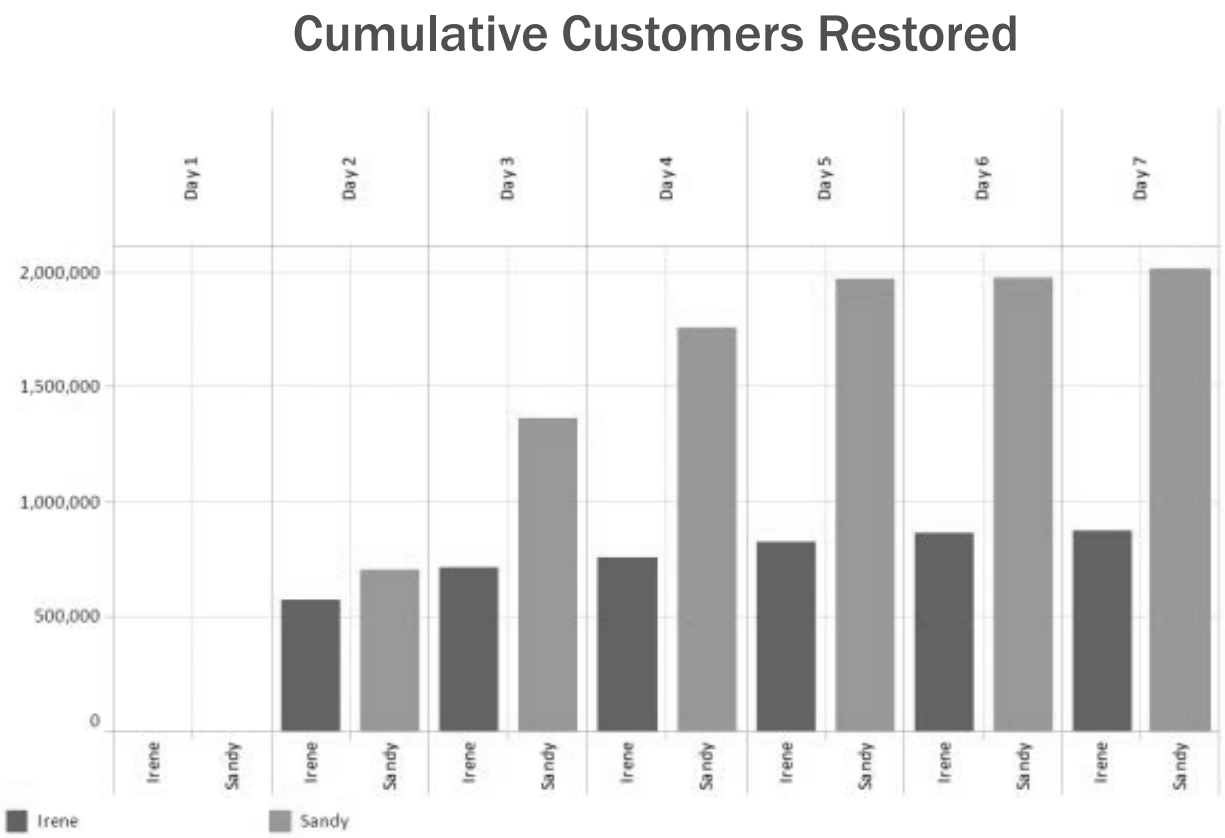
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



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PSE&G's operating earnings grew ~10%*

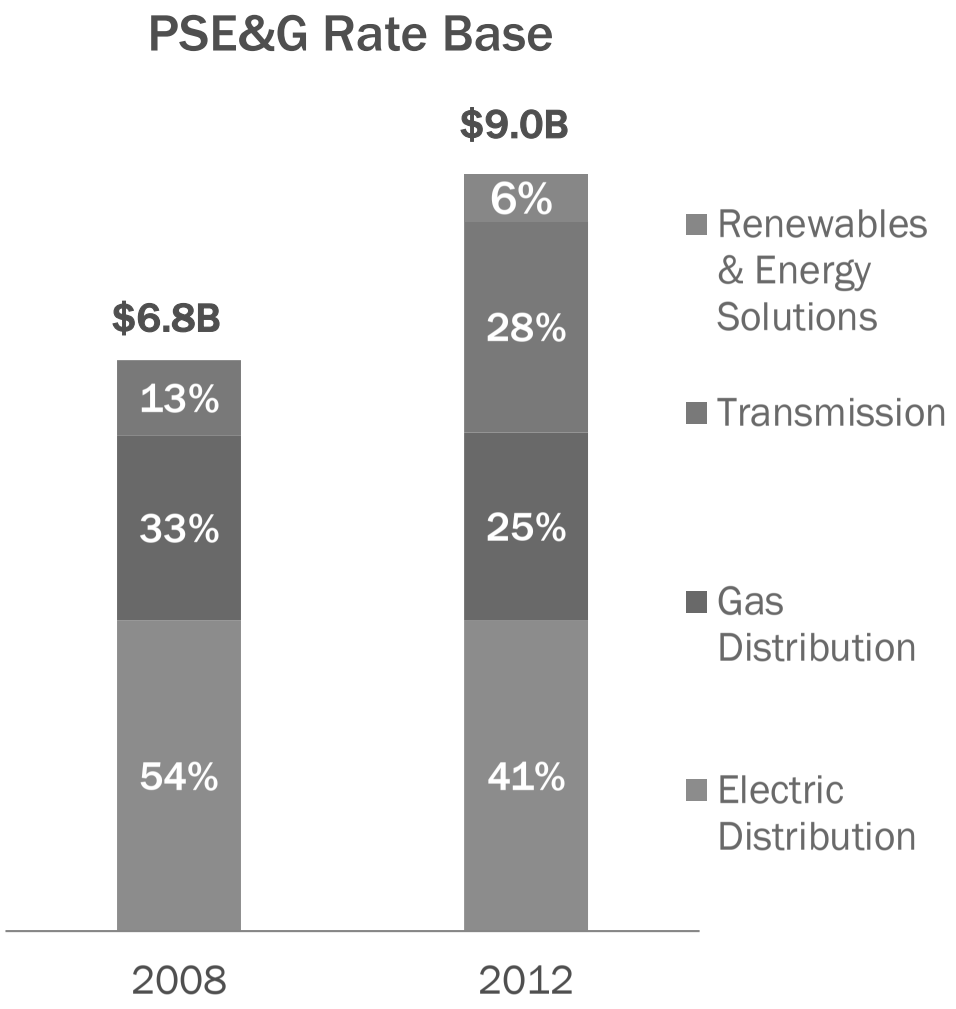
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-08592

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

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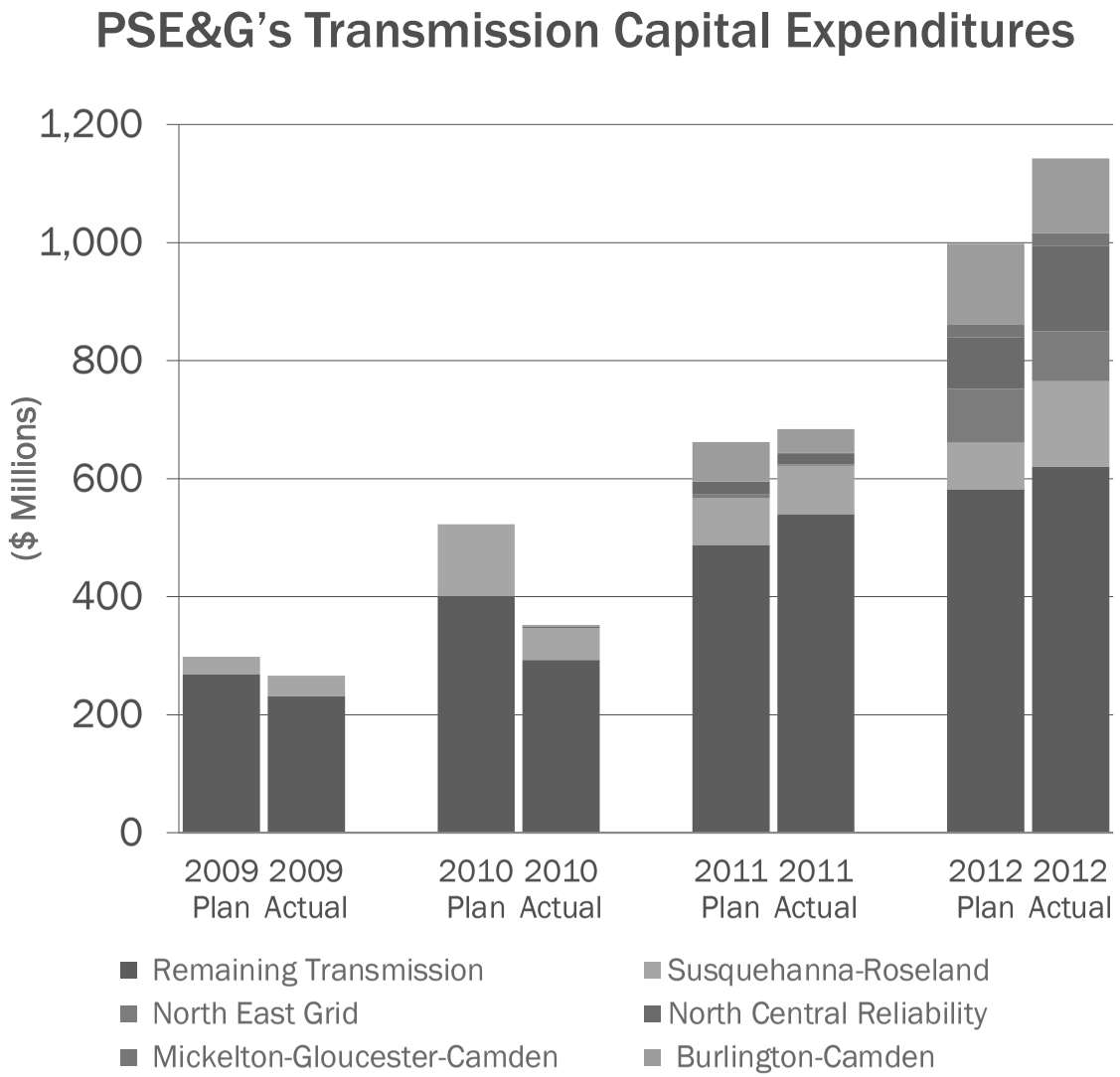
Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-08594

Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

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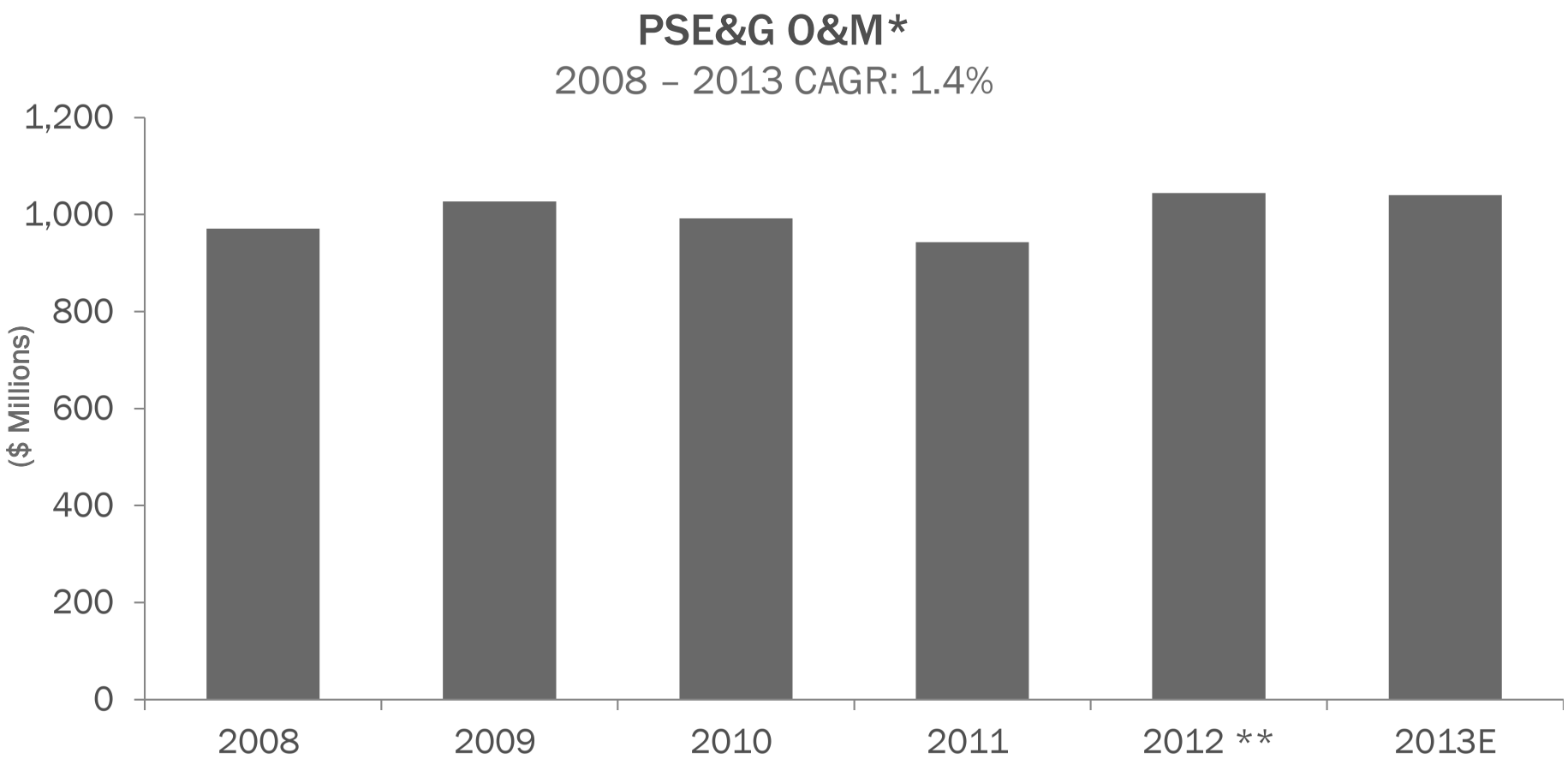
PSEG

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

Focus on controlling O&M allows us to earn our authorized return



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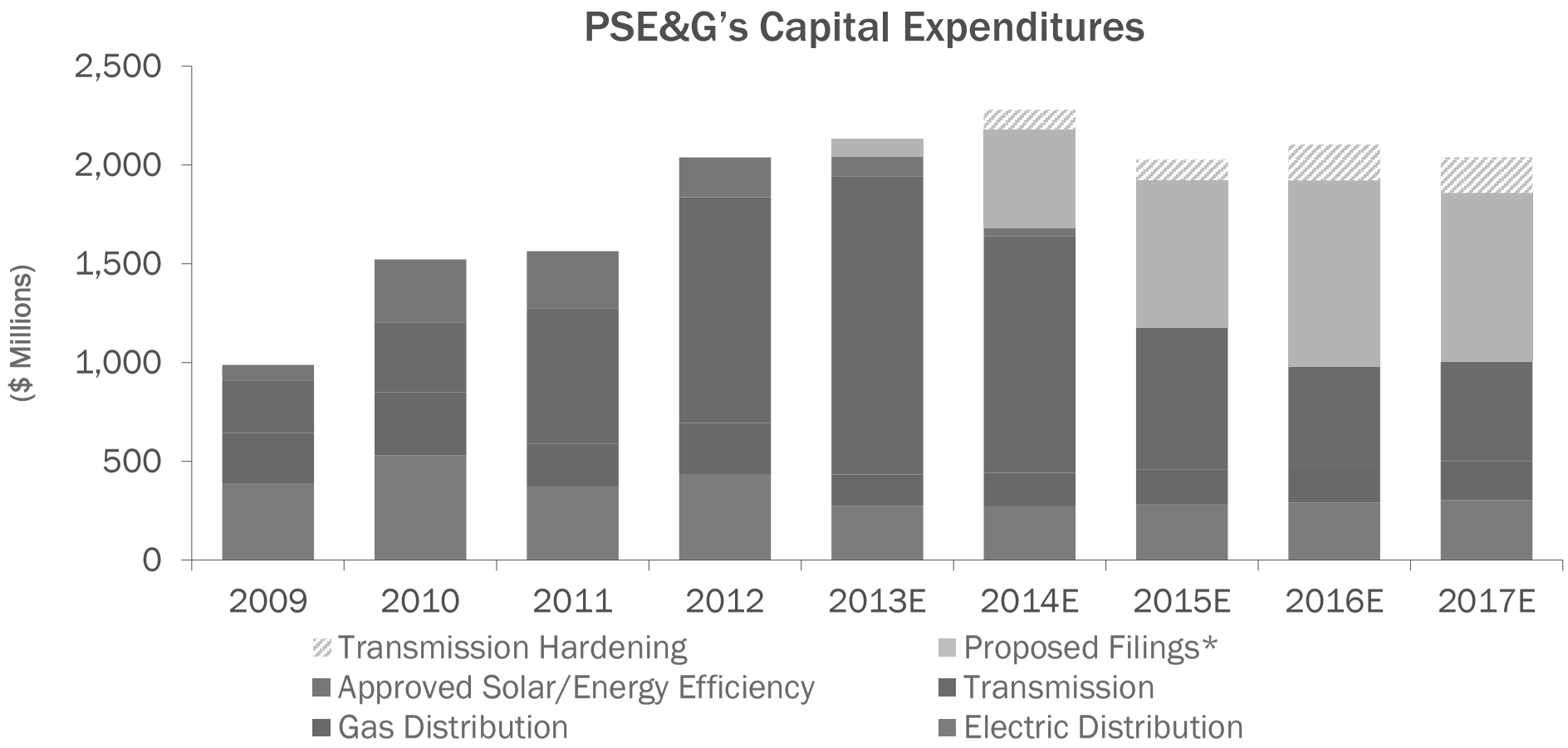
PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



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PSEG

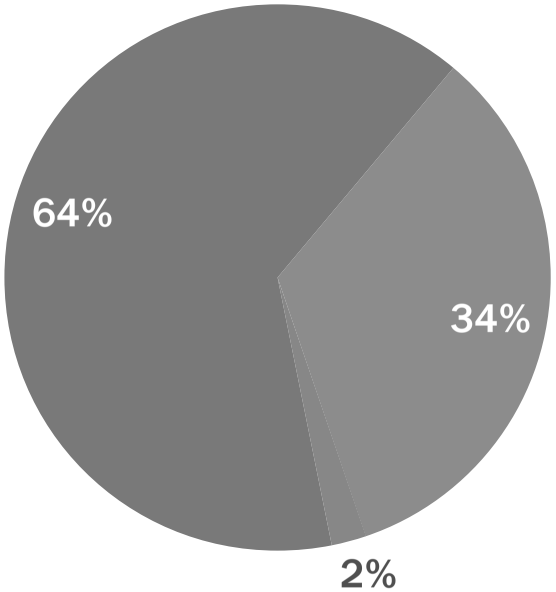
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

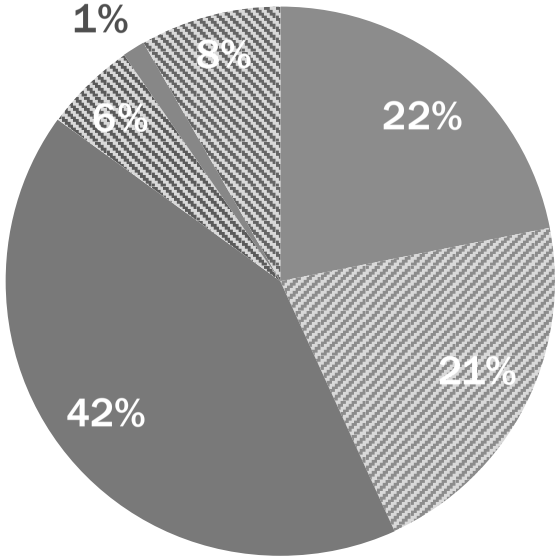
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

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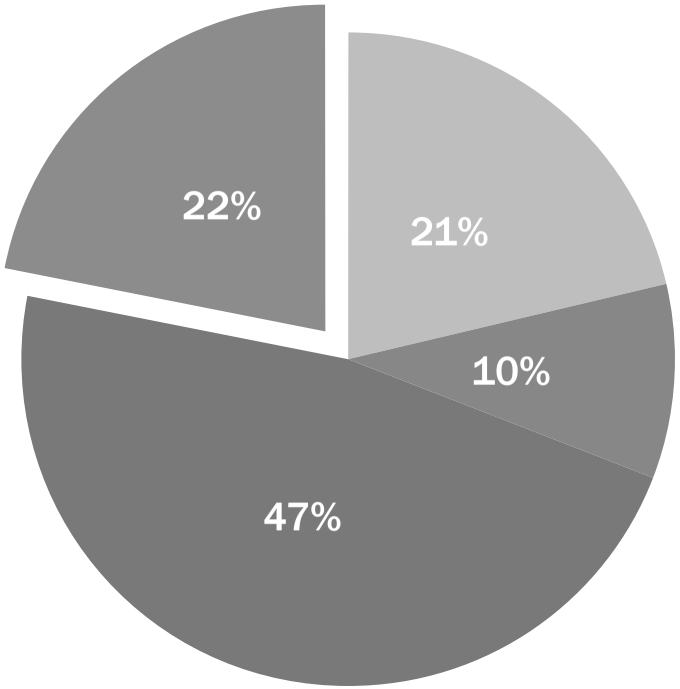
PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

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PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-08600

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08601

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-08602

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08603

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08604

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08605

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-08606

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-08607

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

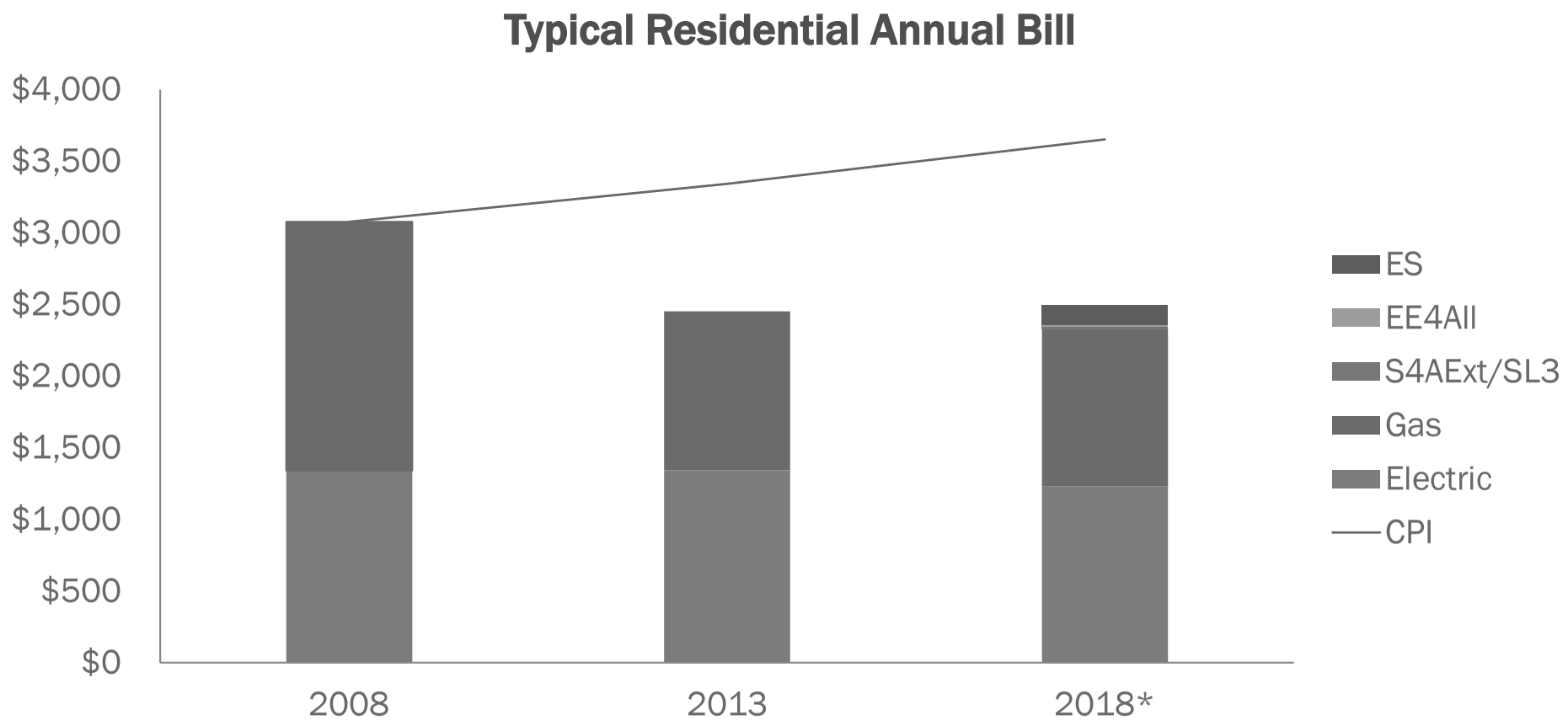
- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-08608

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

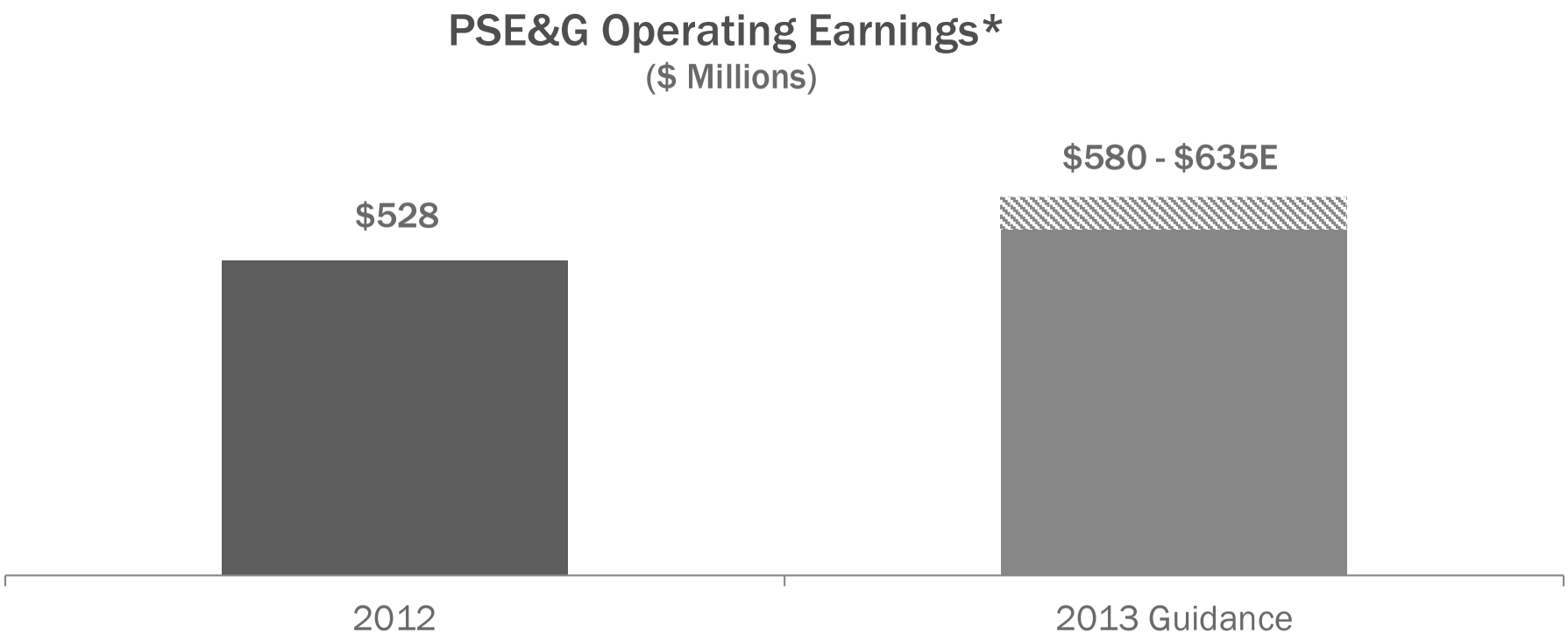


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-08609

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-08610

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-08611

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-08612

PSEG ENERGY HOLDINGS

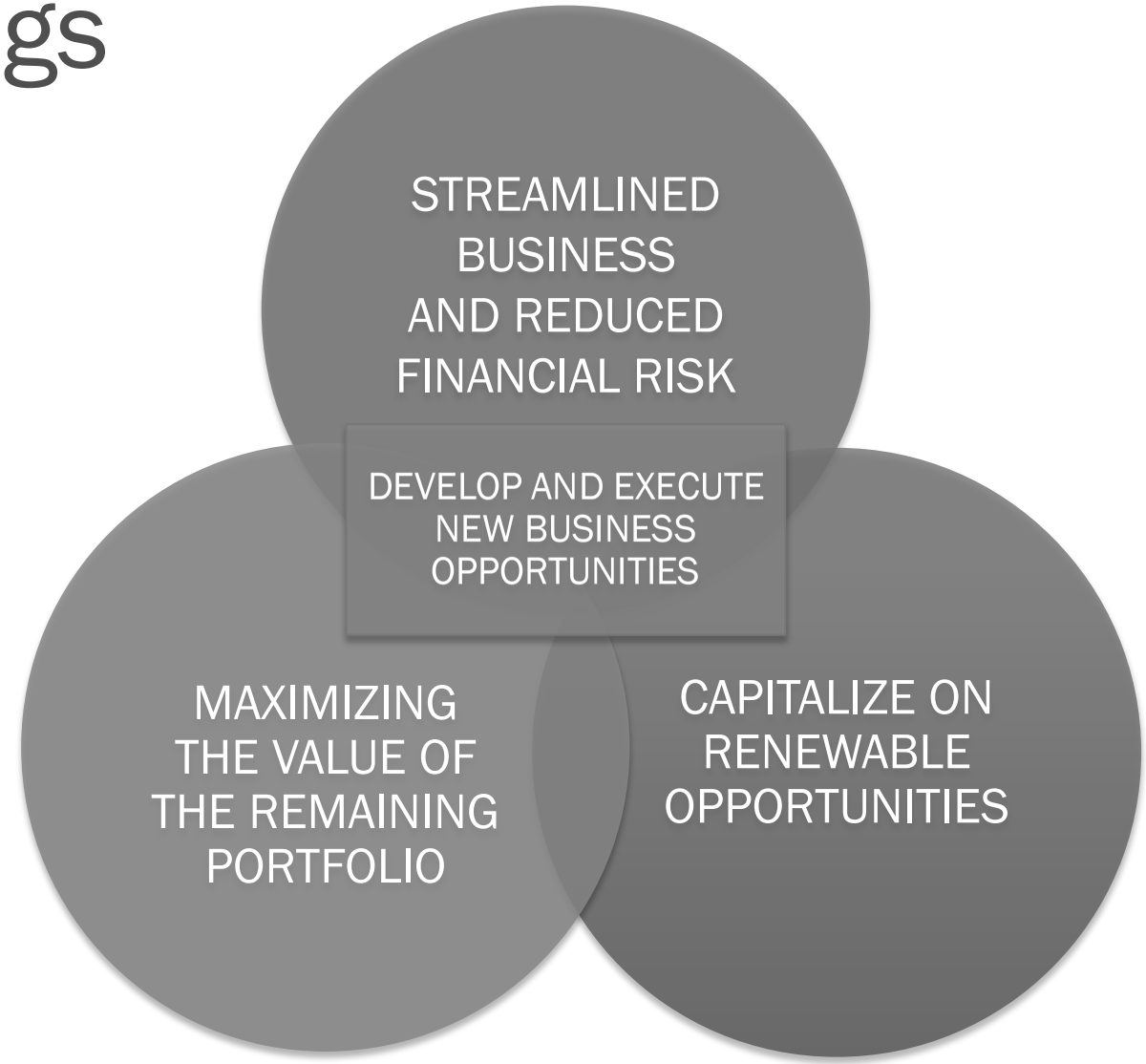
PSEG

We make things work for you.

SI-SSA-0015-08613

PSEG Energy Holdings strategy

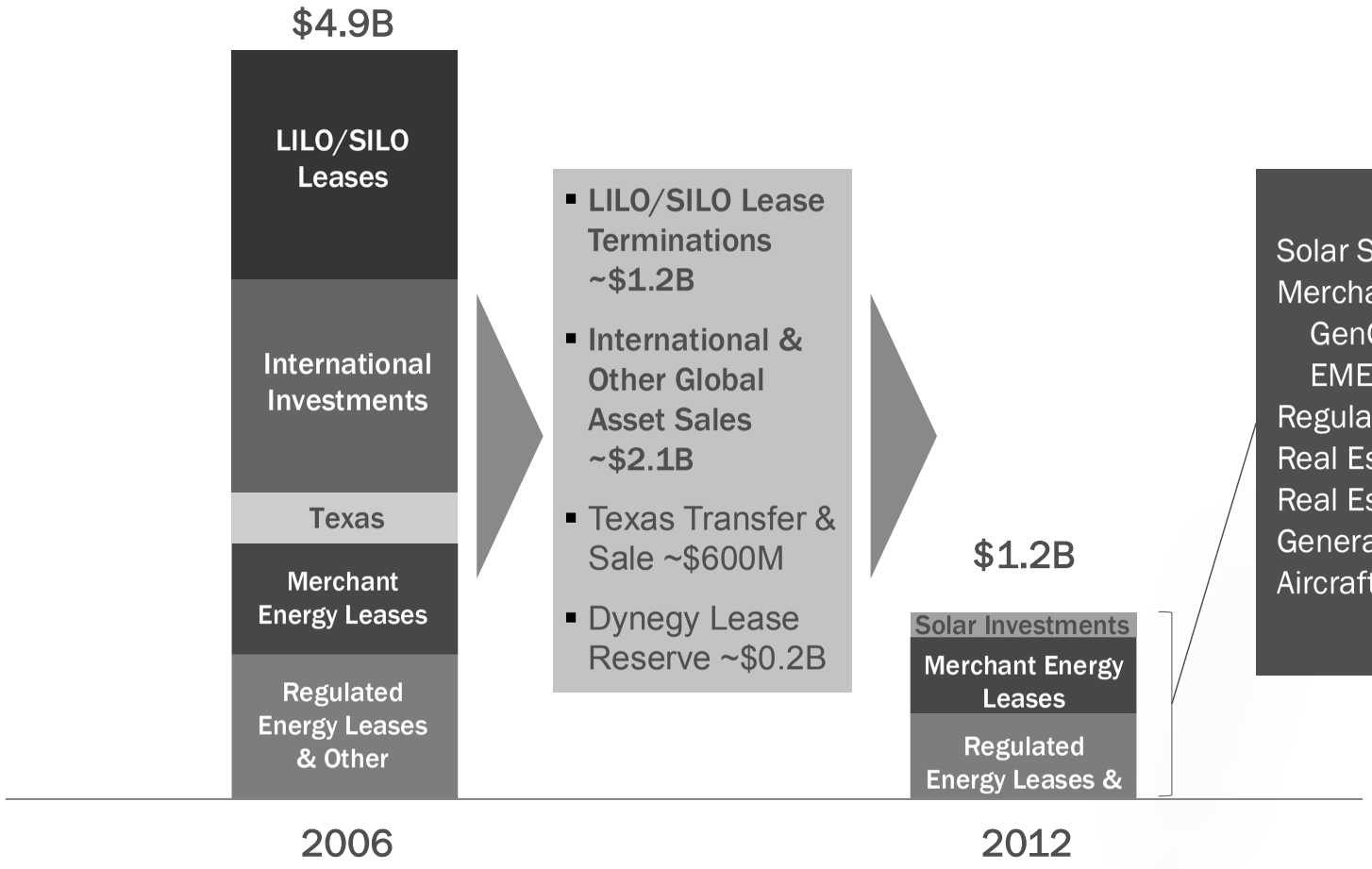
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-08614

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-08615

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-08616

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

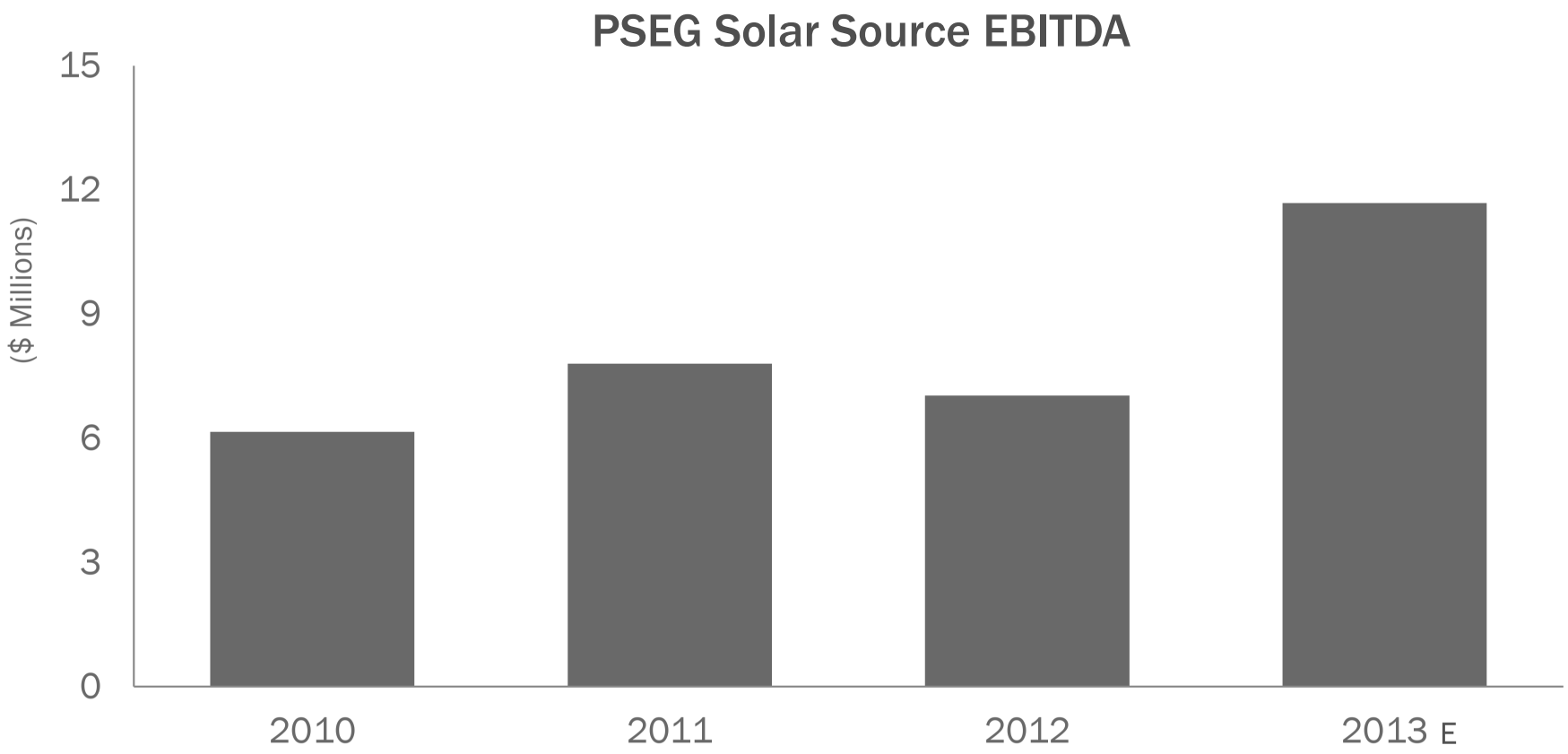
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-08617

PSEG Energy Holdings

These projects will produce steady results for PSEG

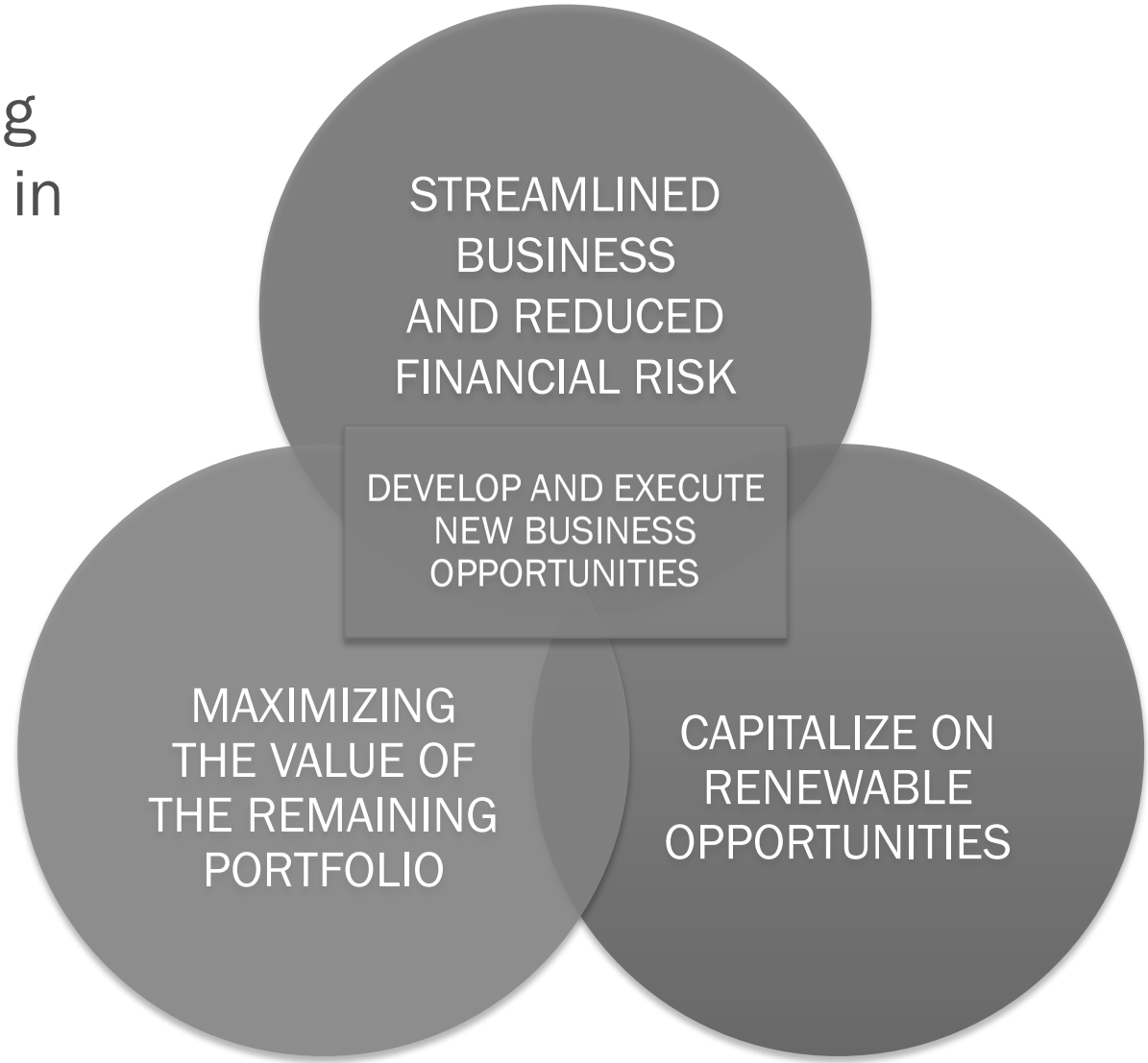


SI-SSA-0015-08618

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-08619

PSEG POWER

PSEG

We make things work for you.

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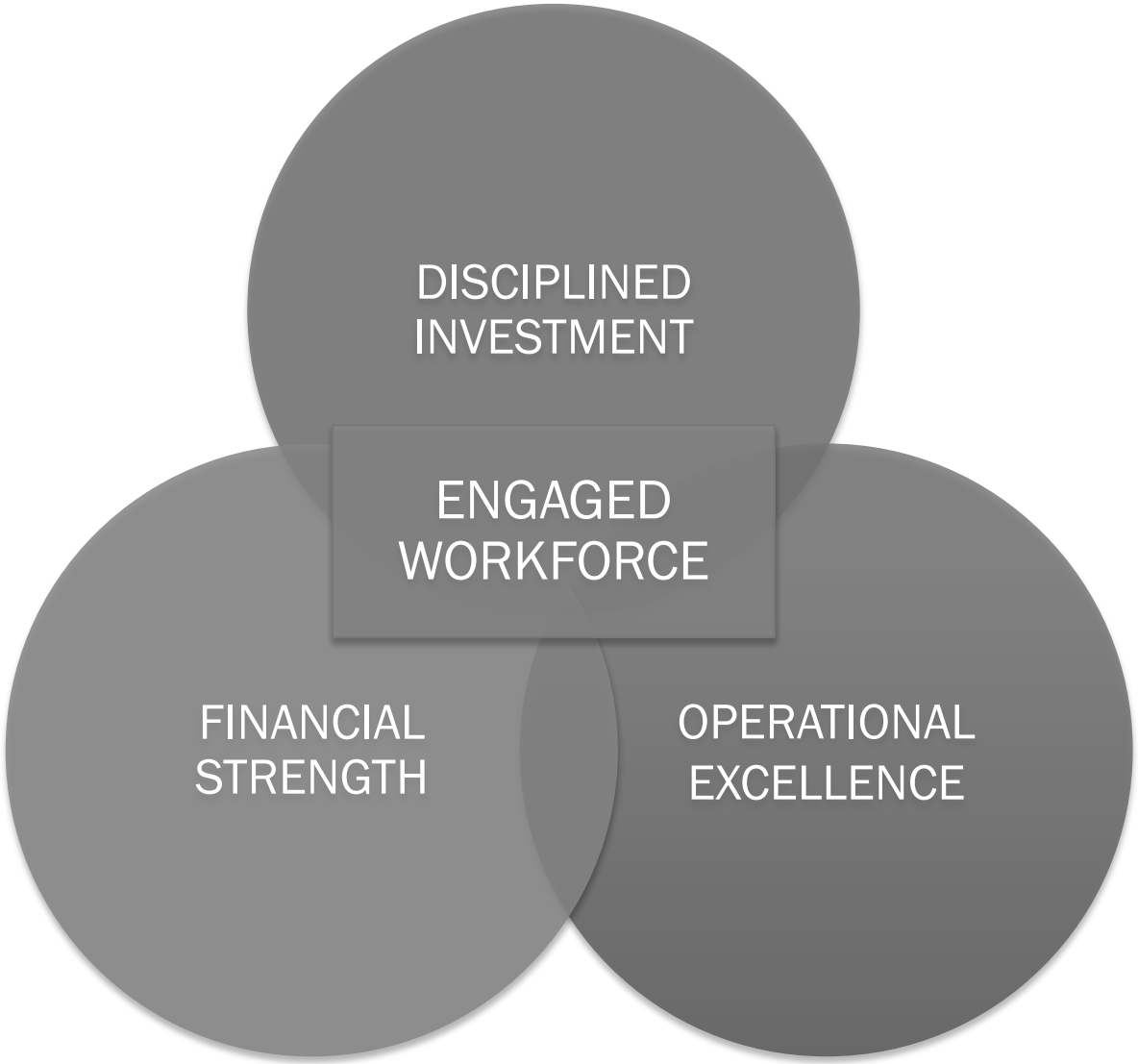
PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-08621

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-08622

PSEG Power delivered in 2012

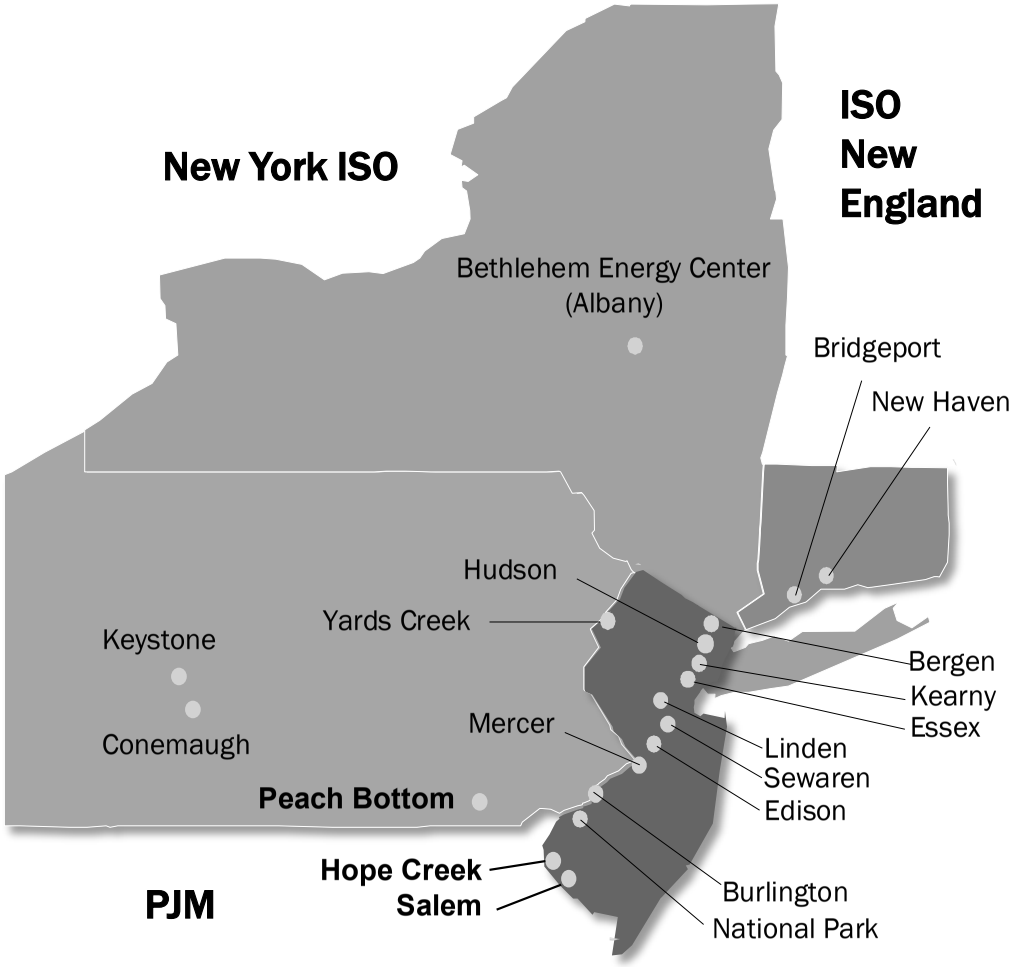
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-08623

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-08624

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-08625

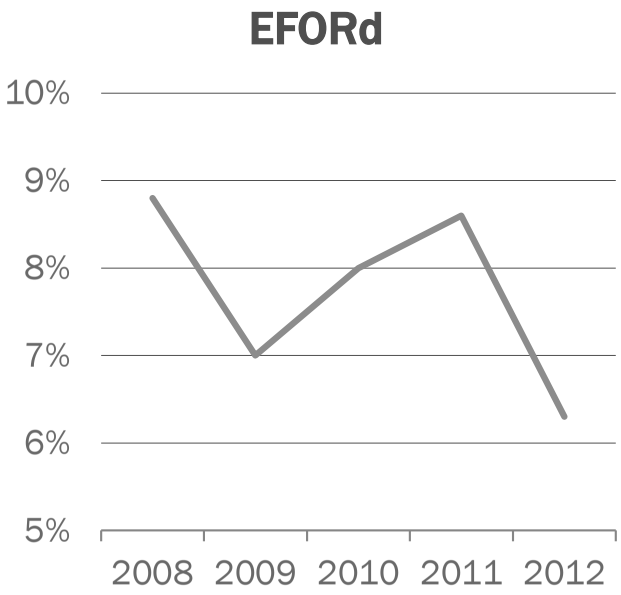
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

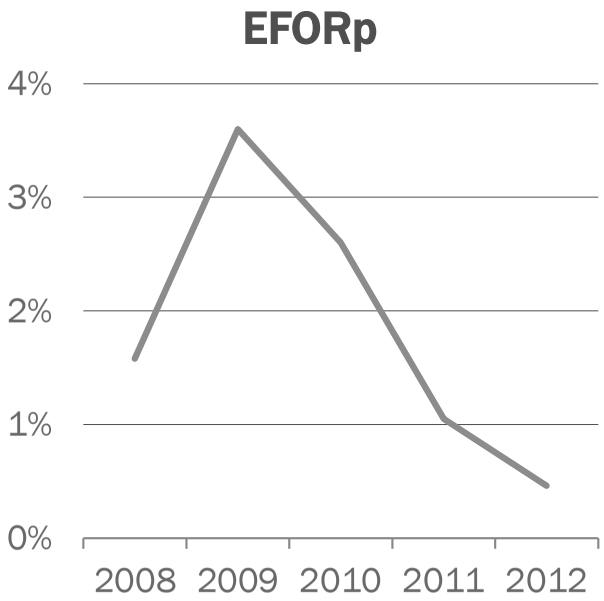
SI-SSA-0015-08626

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

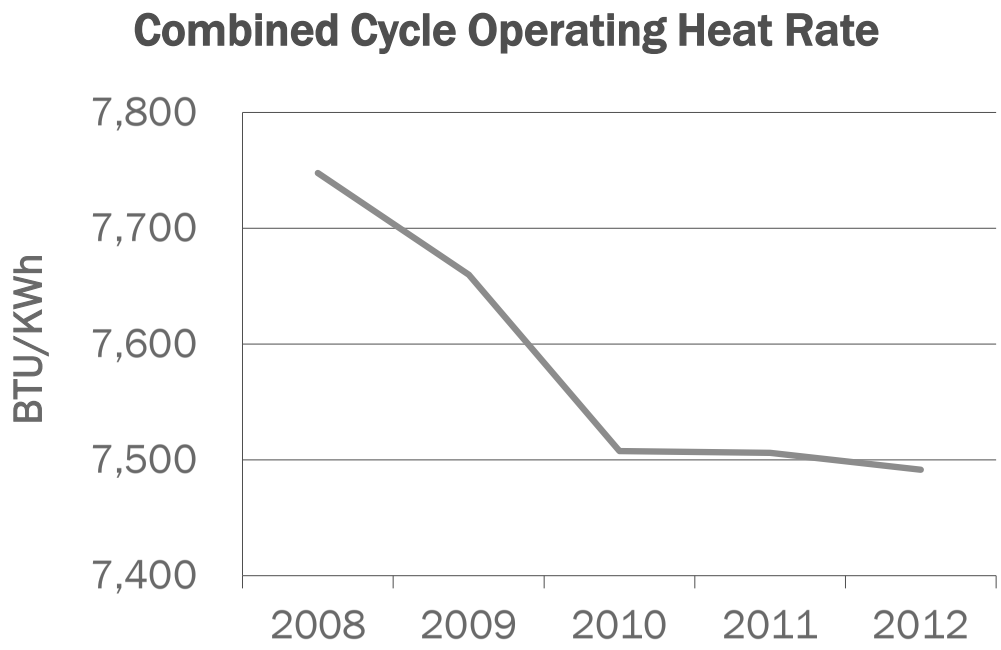


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-08627

PSEG Power improvements achieved in combined cycle fleet efficiency

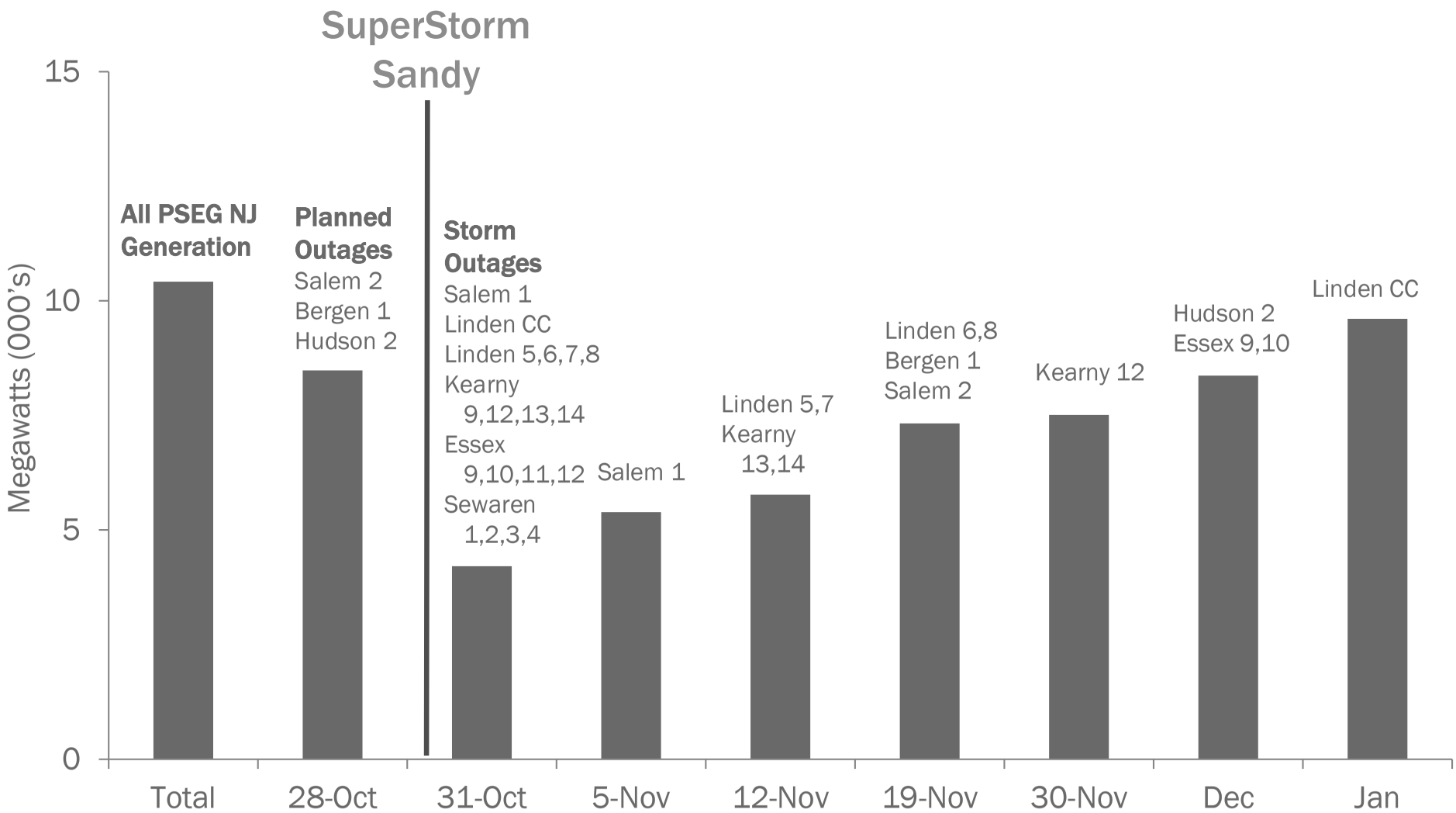


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-08628

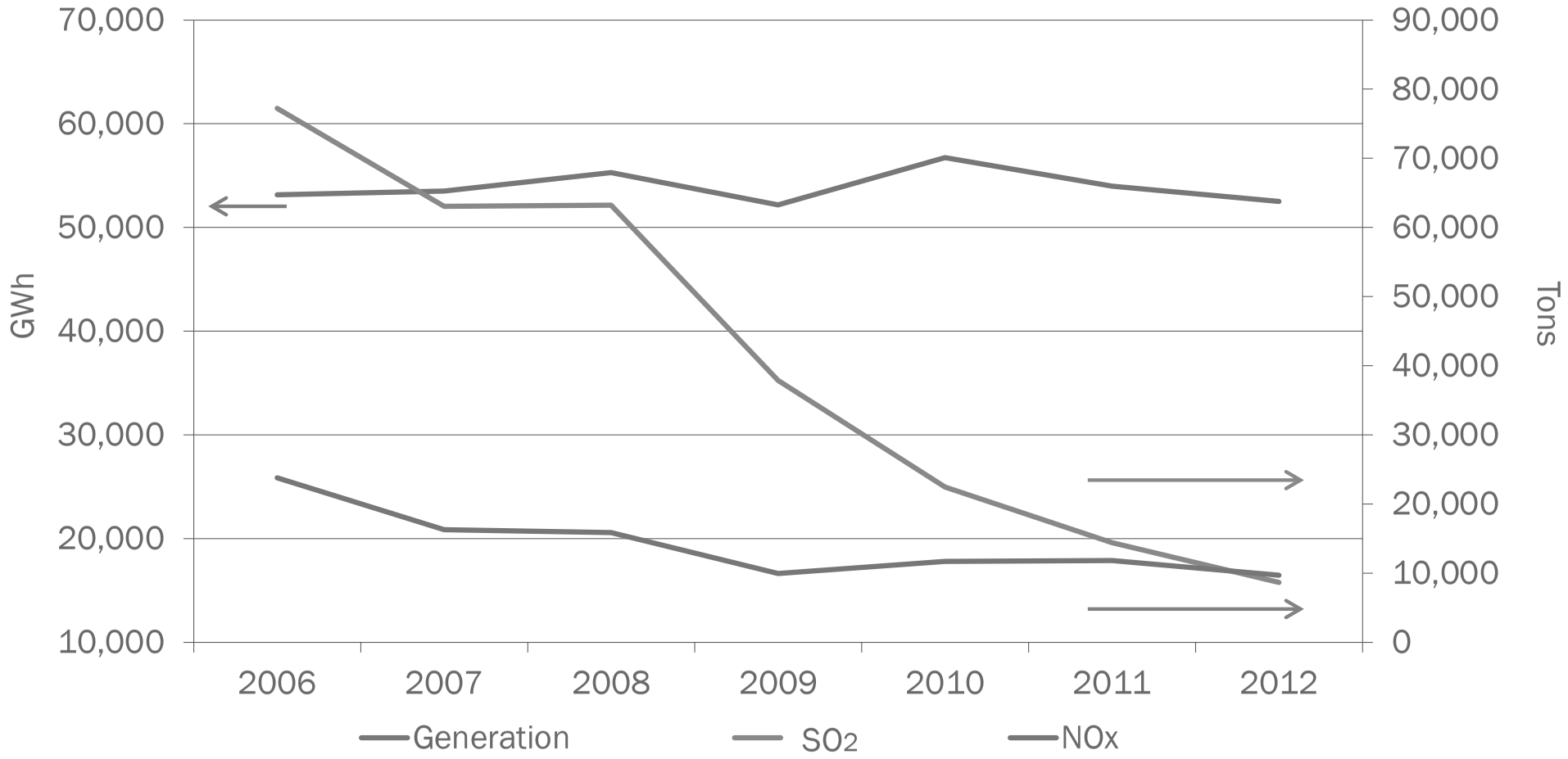
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-08629

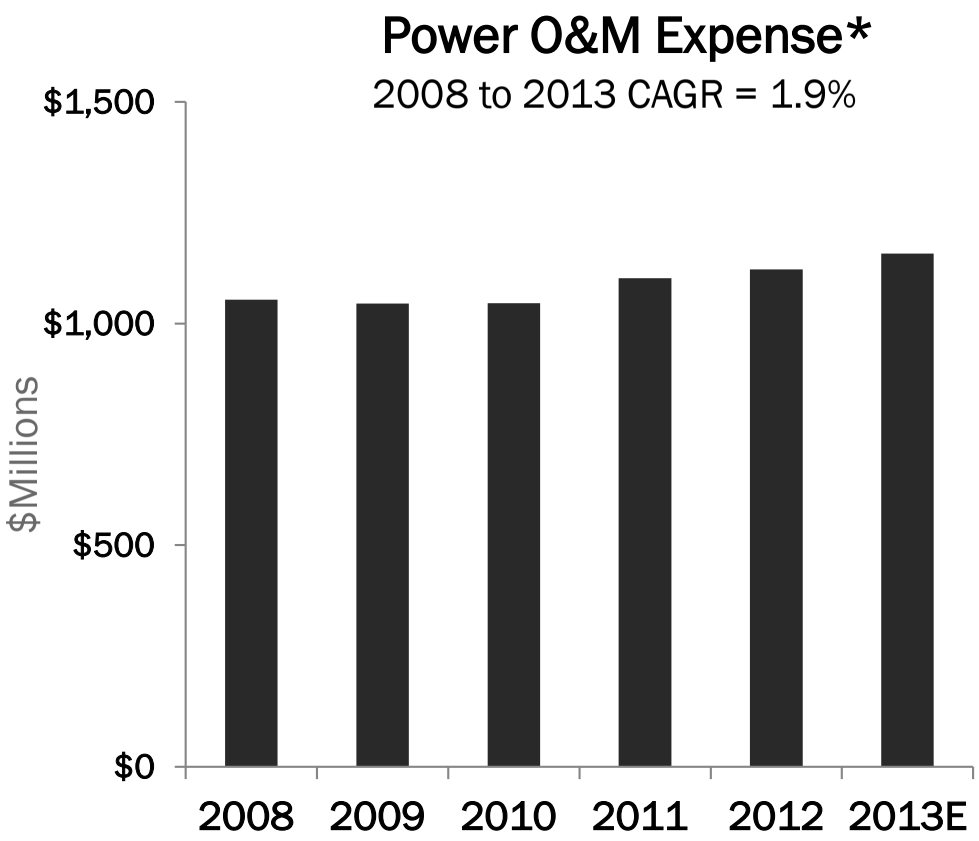
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-08630

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-08631

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-08632

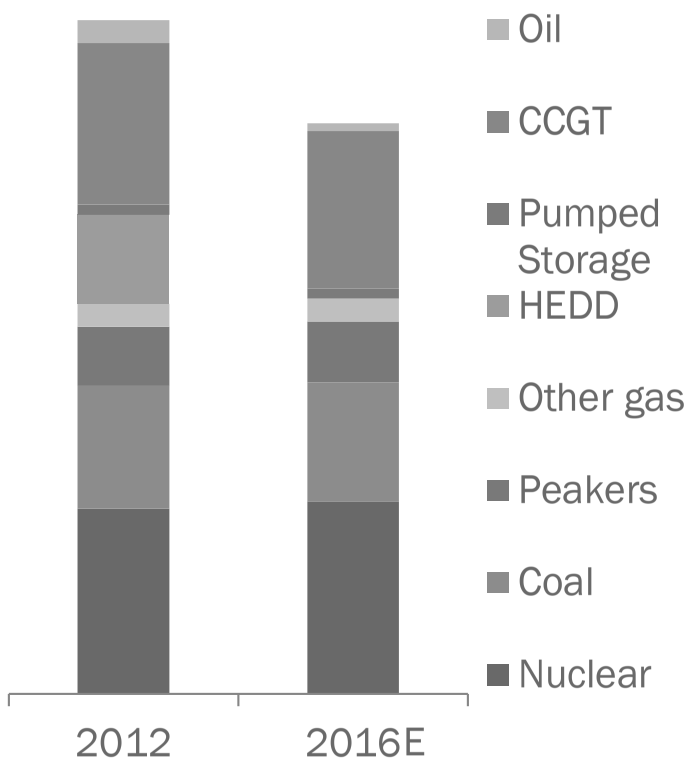
PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

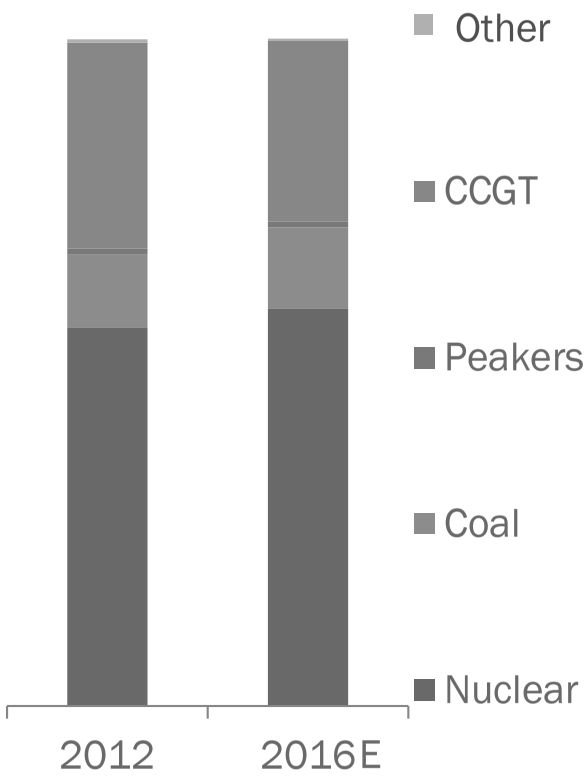
Fuel Diversity

13,226 MW 11,200 MW



Energy Produced

52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-08633

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-08634

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-08635

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

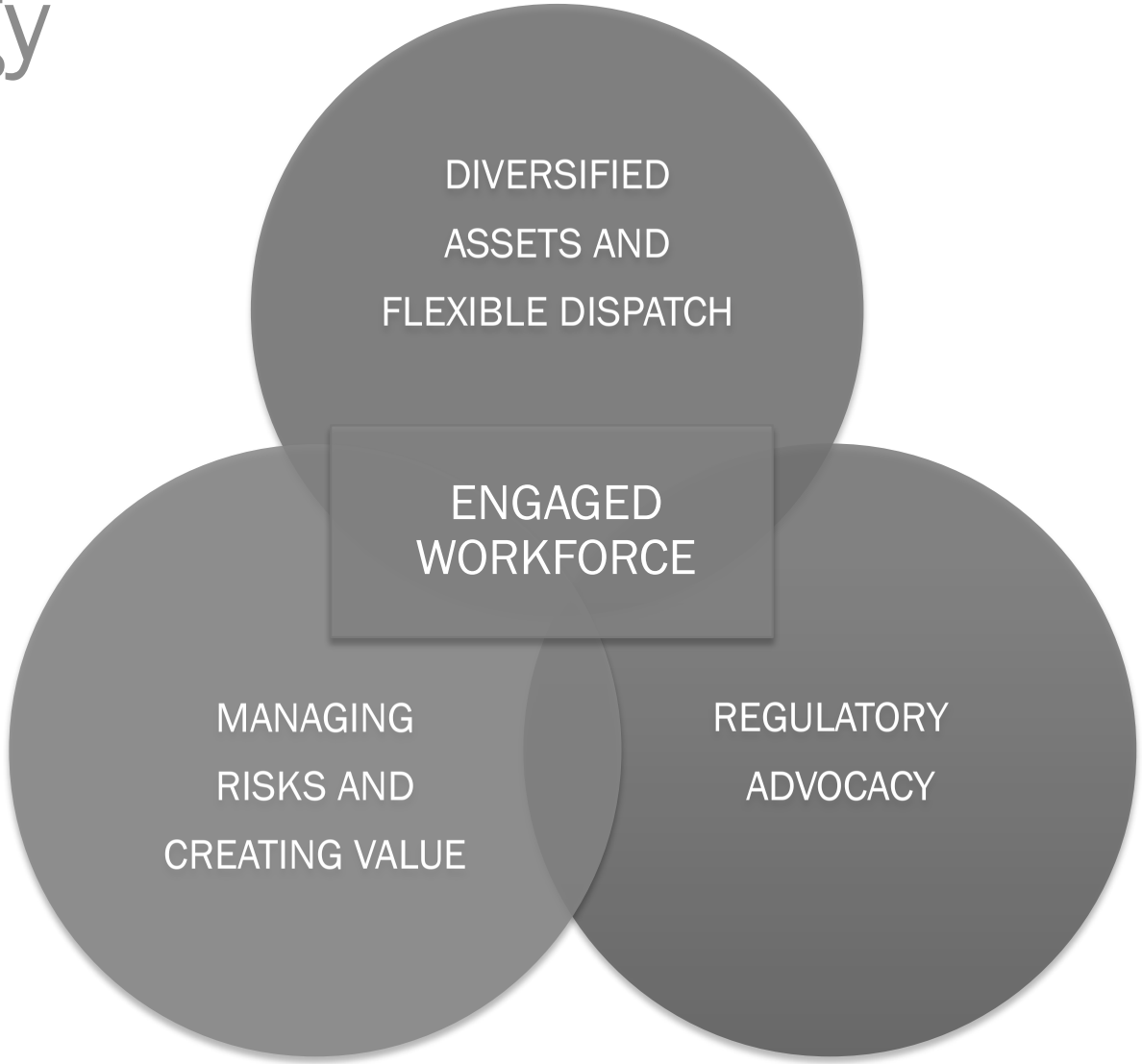
SI-SSA-0015-08636

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-08637

Diversified assets and flexible dispatch

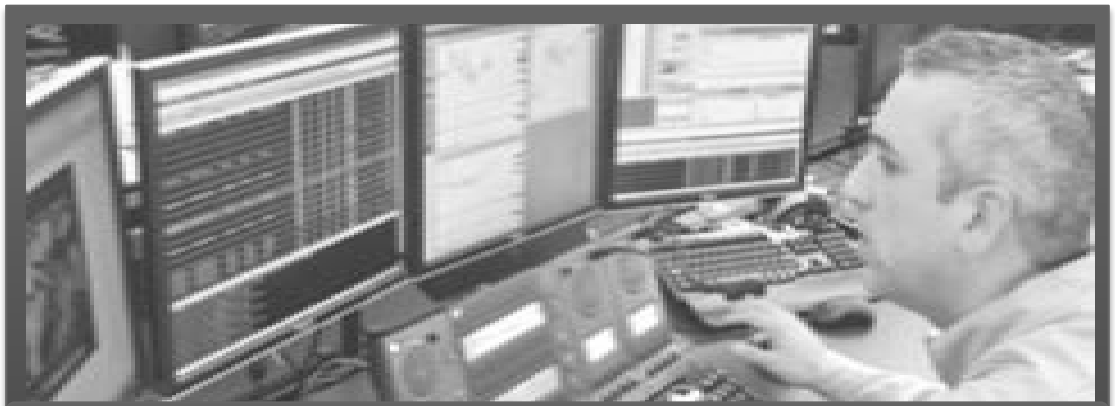
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

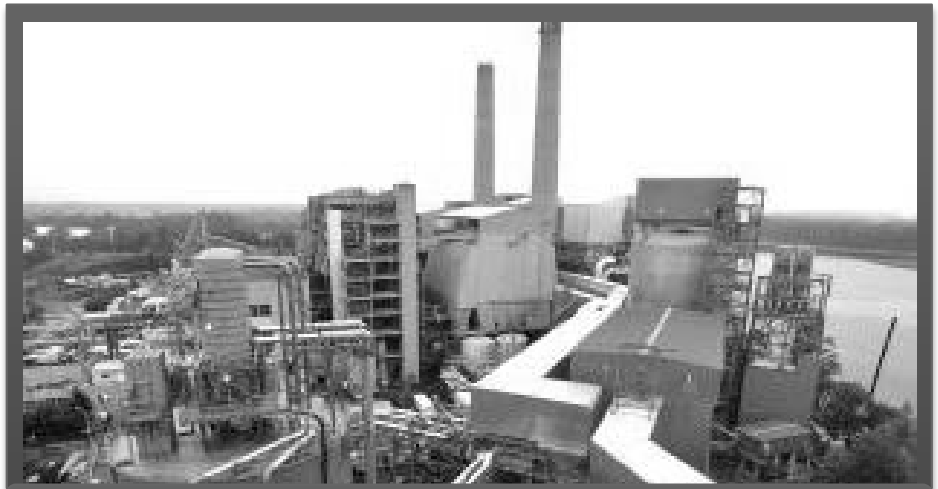
SI-SSA-0015-08638

Fleet capacity has been advanced by:

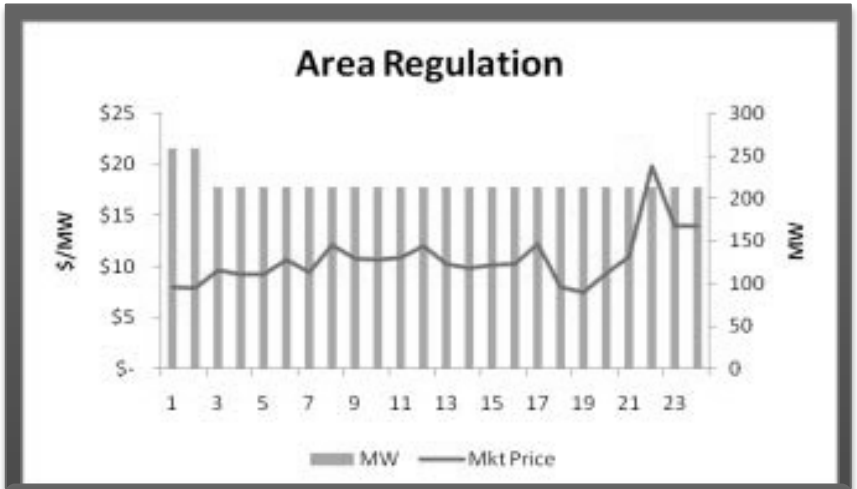
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



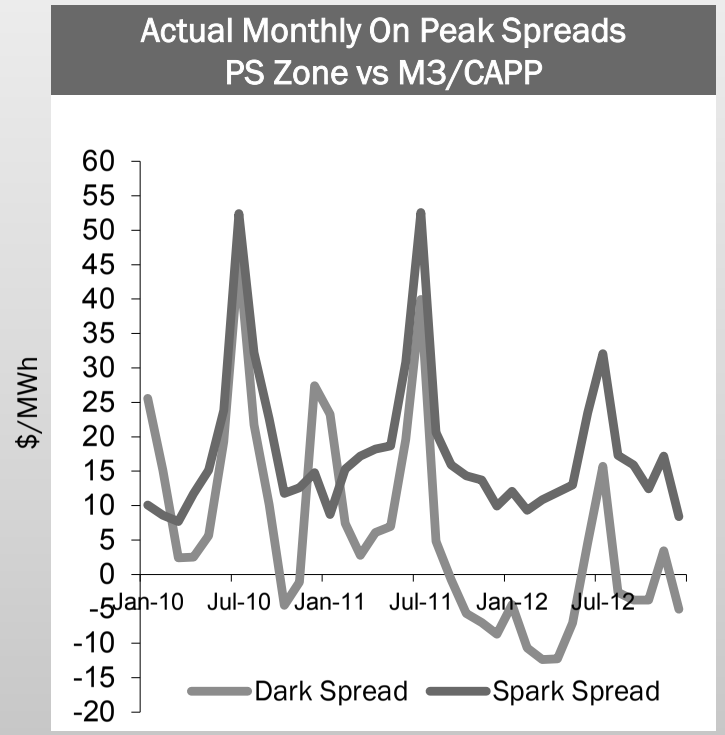
Reduced O&M and increased start-up success

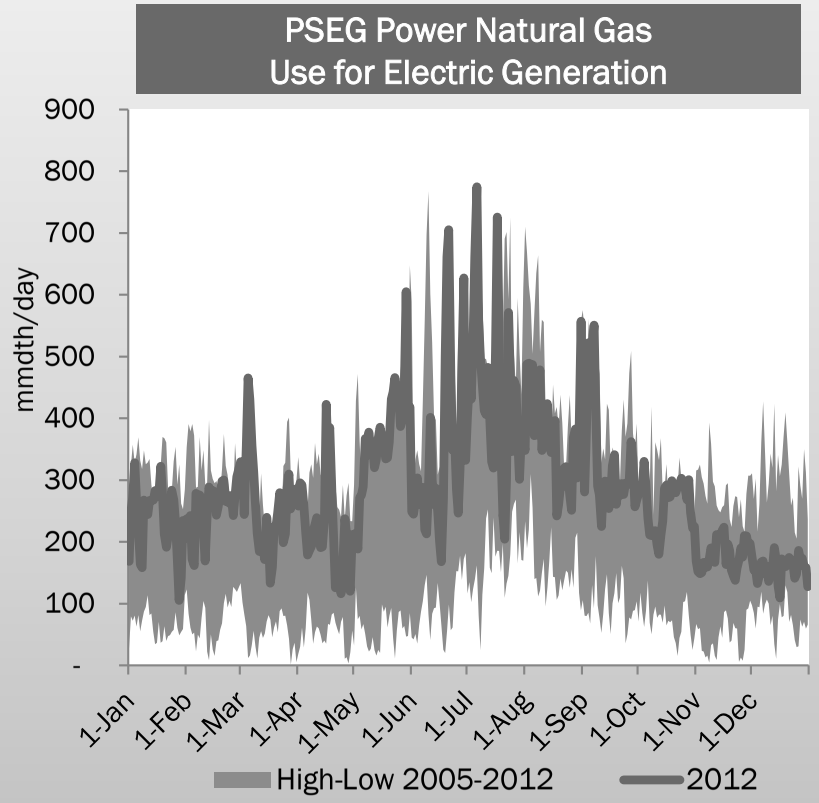


Capturing new products opportunity with minimal investment

SI-SSA-0015-08639

Spark spread replaces dark spread as major value driver

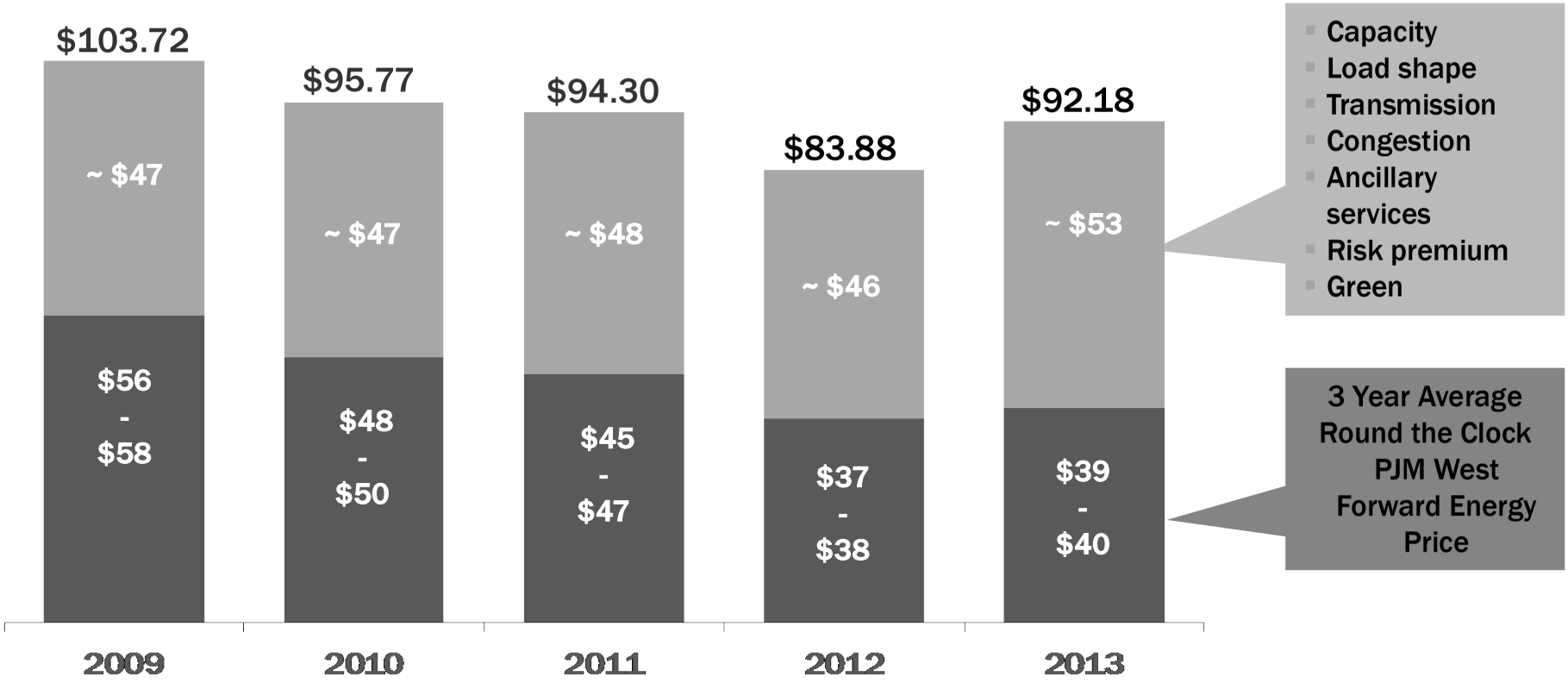




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-08640

2013 BGS Auction Results for PSE&G Zone

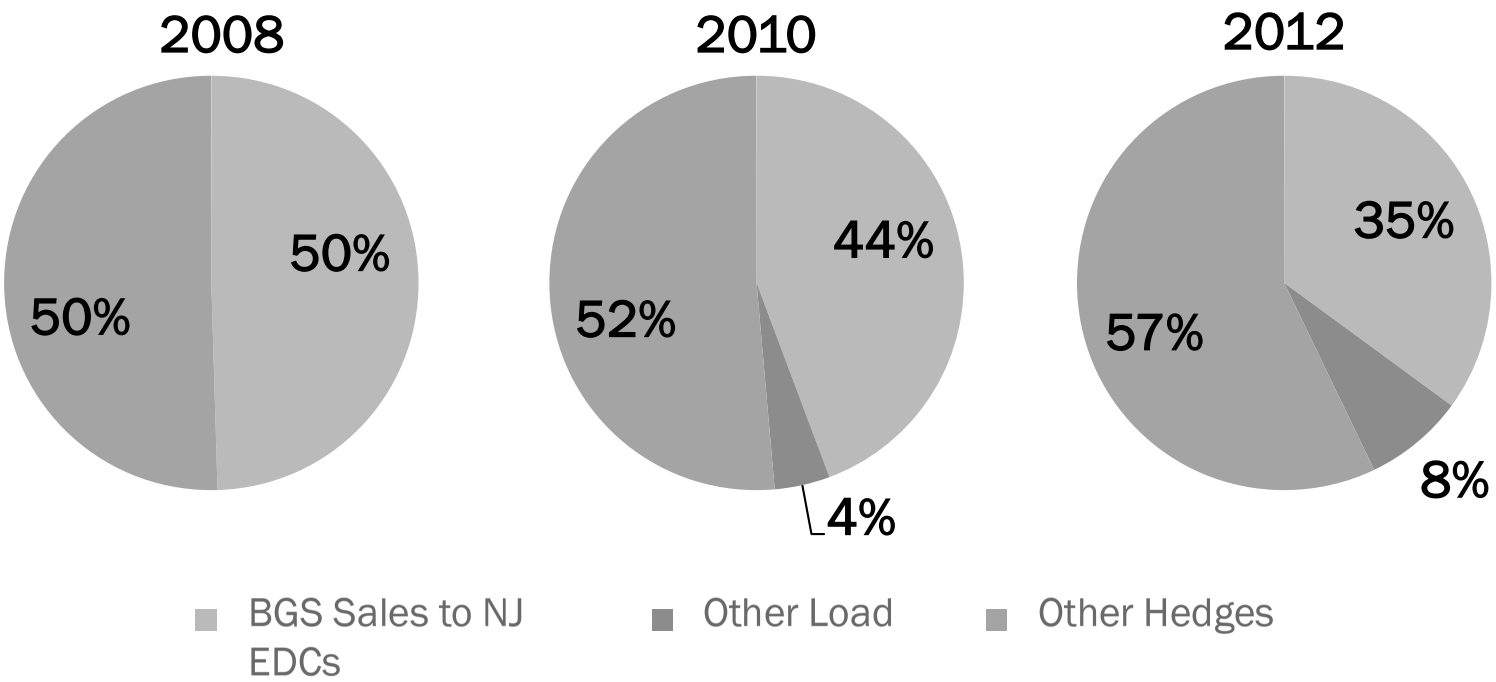


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-08641

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-08642

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

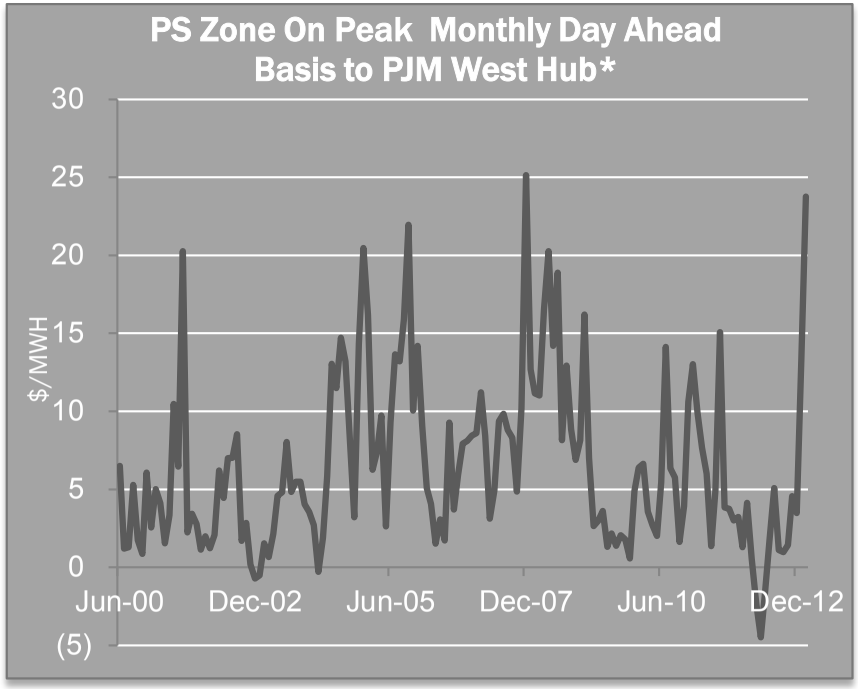
SI-SSA-0015-08643

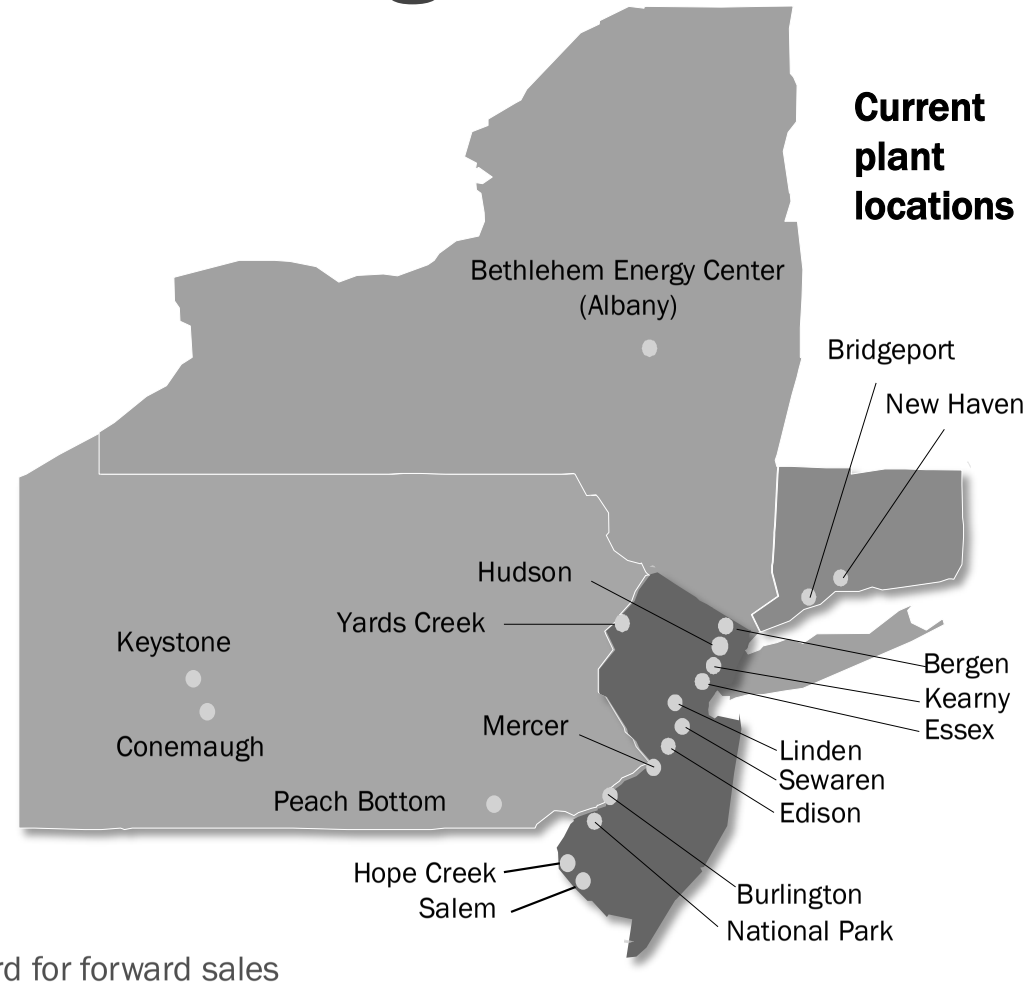
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

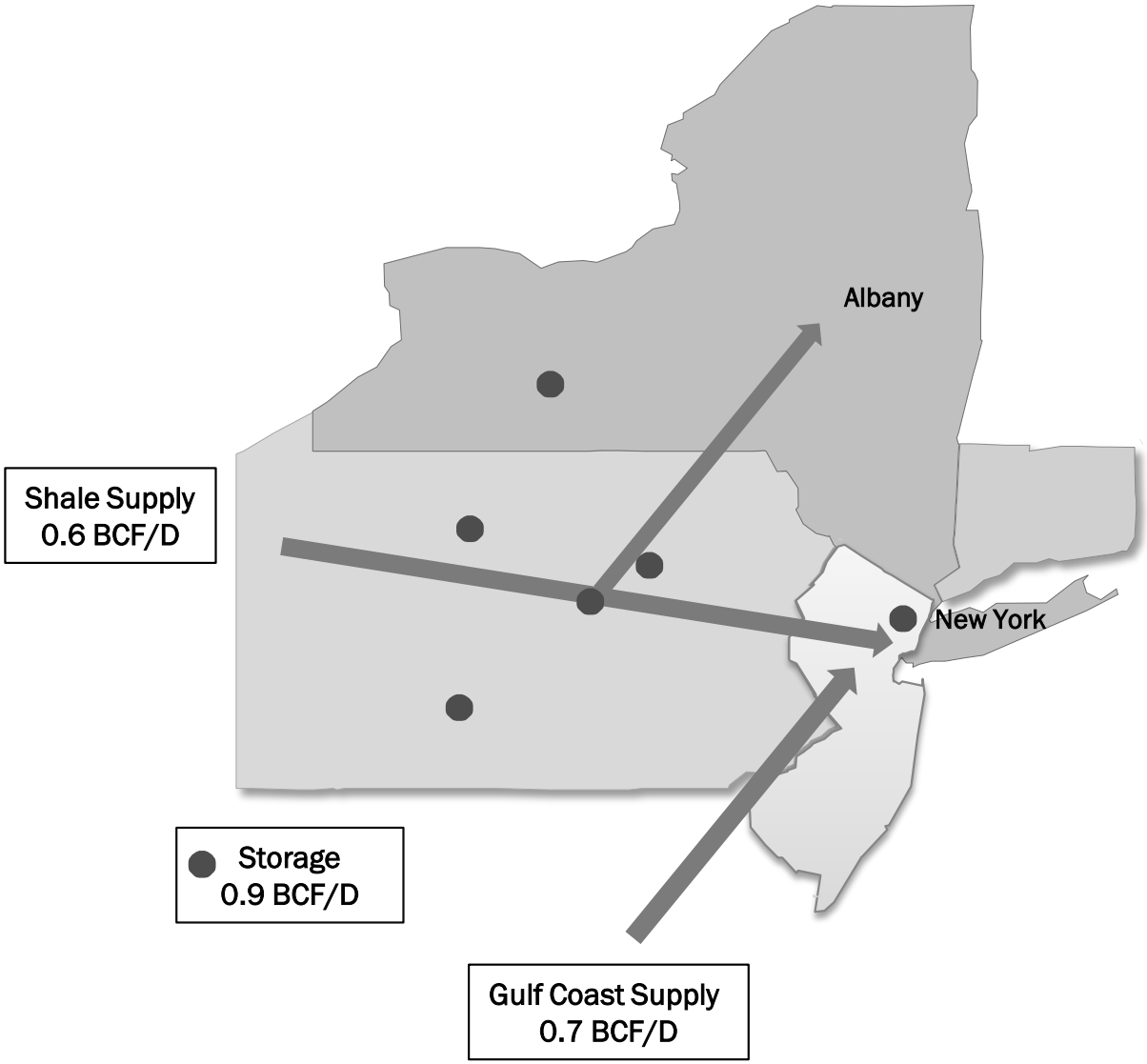
SI-SSA-0015-08644

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-08645

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

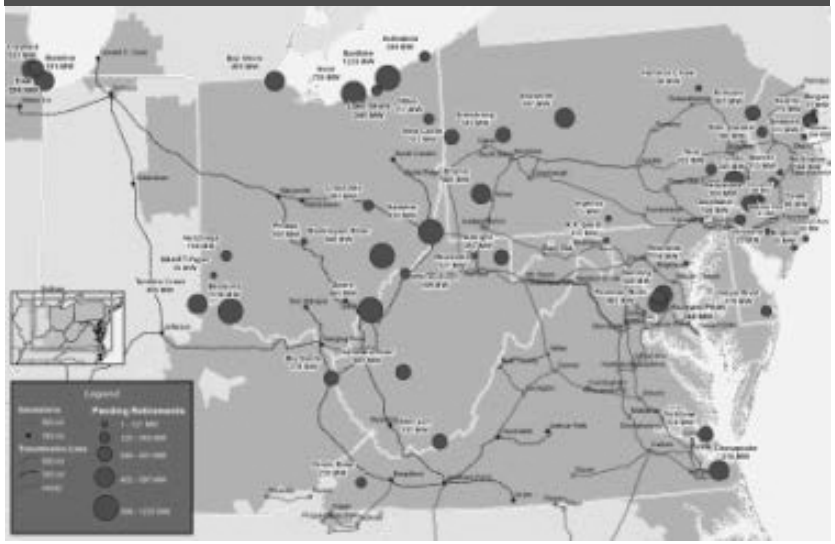
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-08646

Reserve margins in PJM declining with retirements

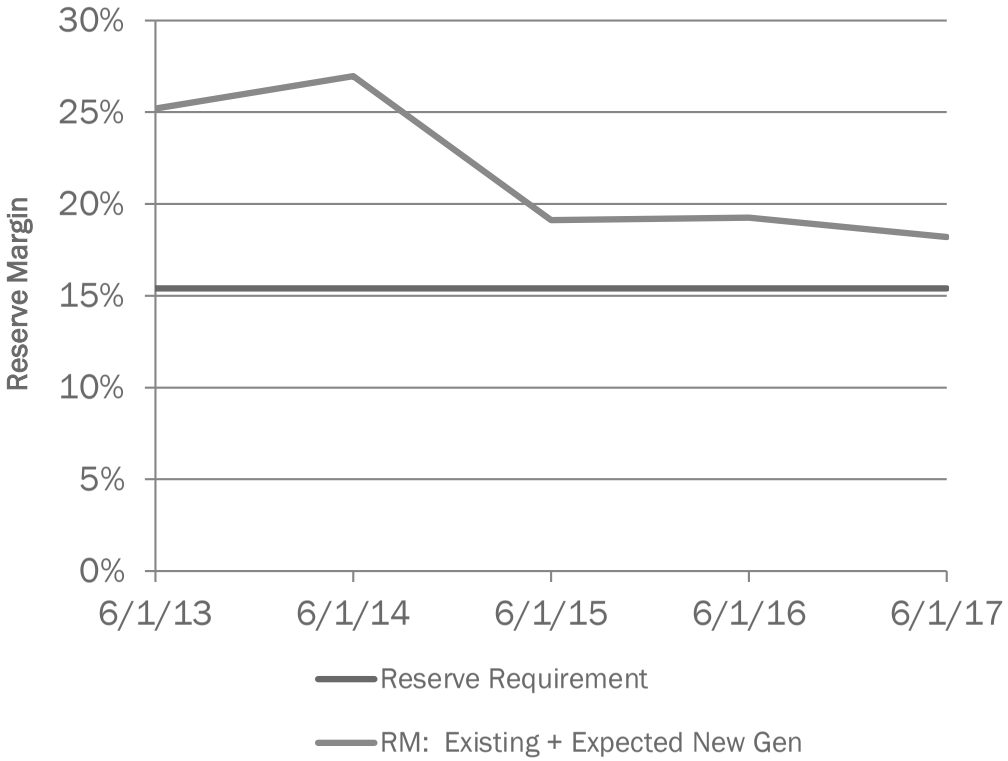
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-08647

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-08648

PSEG wholesale market strategy

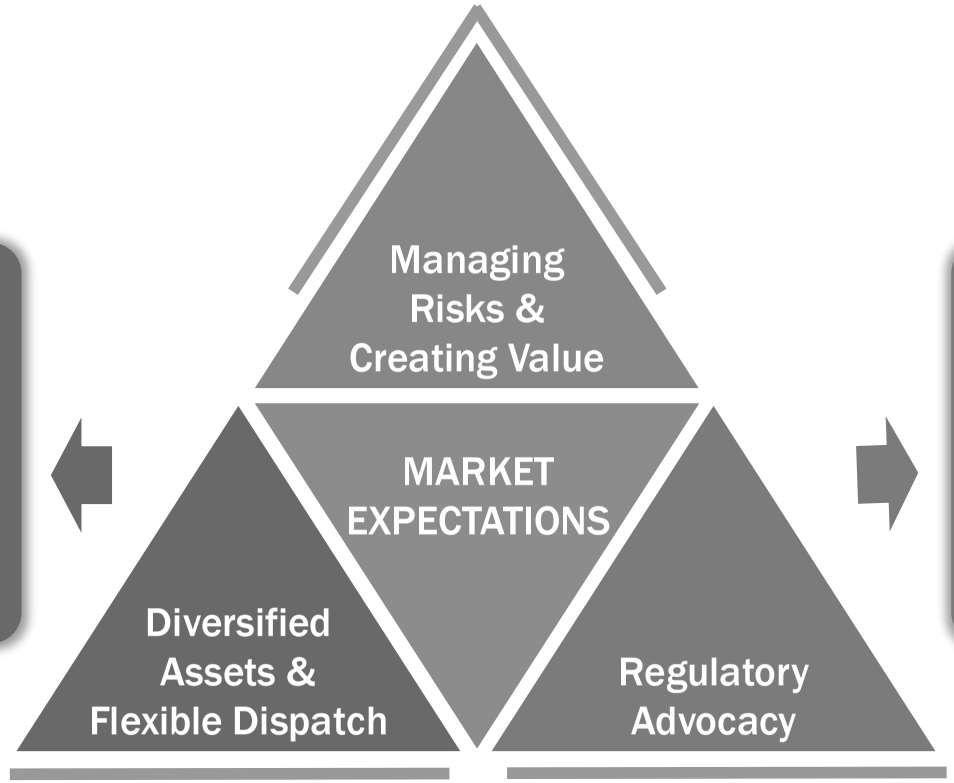
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-08649

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-08650

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-08651

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-08652

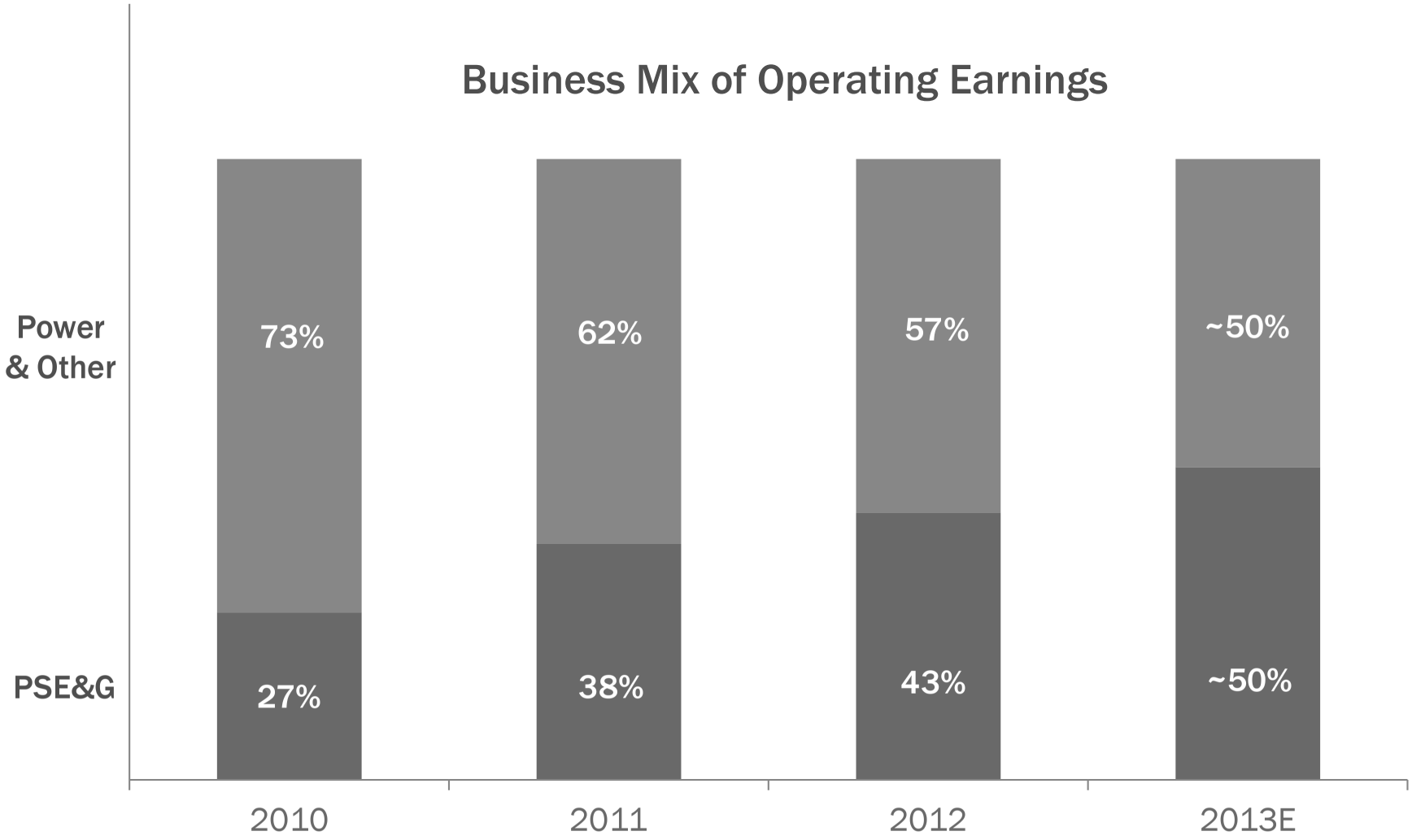
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings



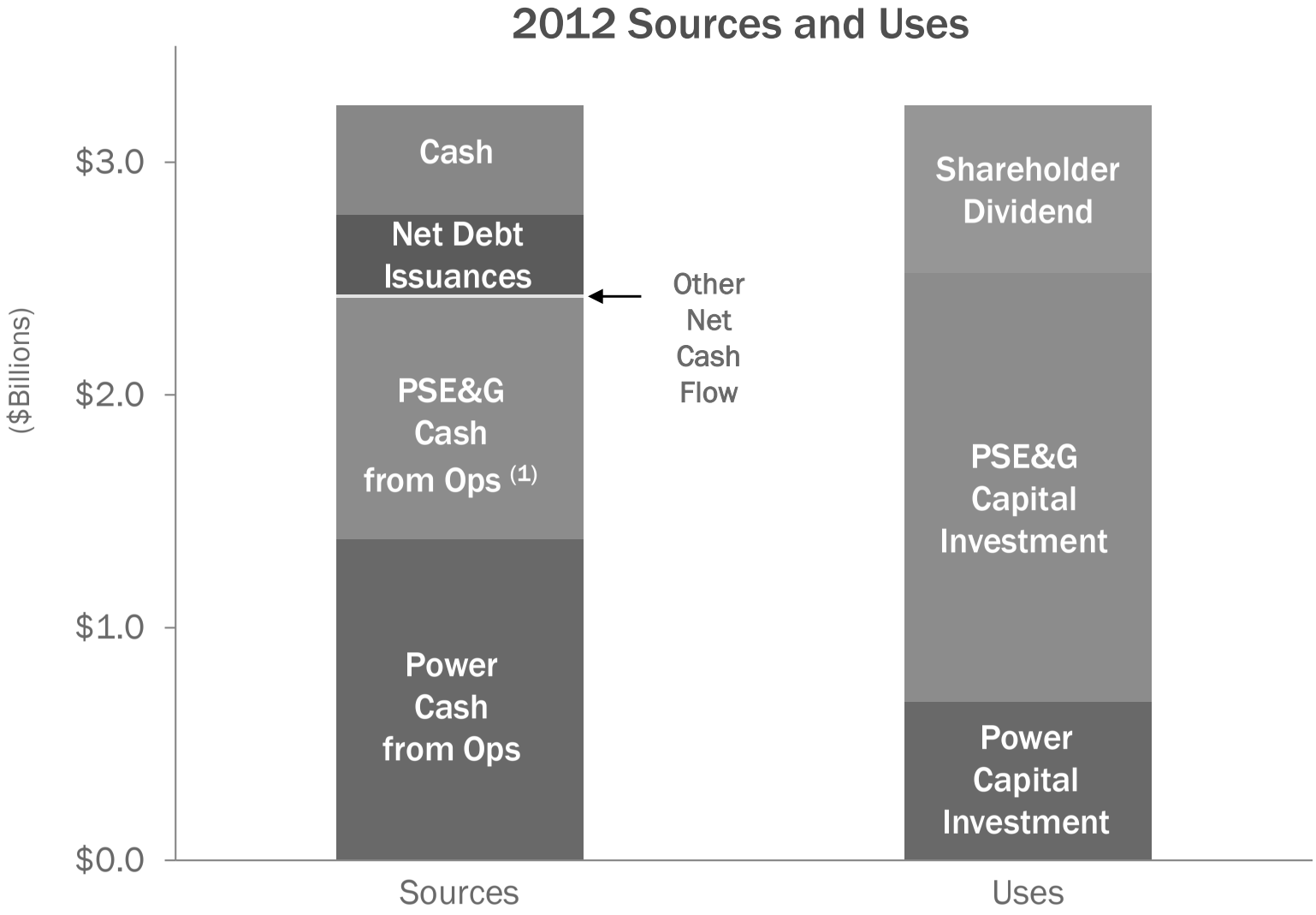
SI-SSA-0015-08653

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

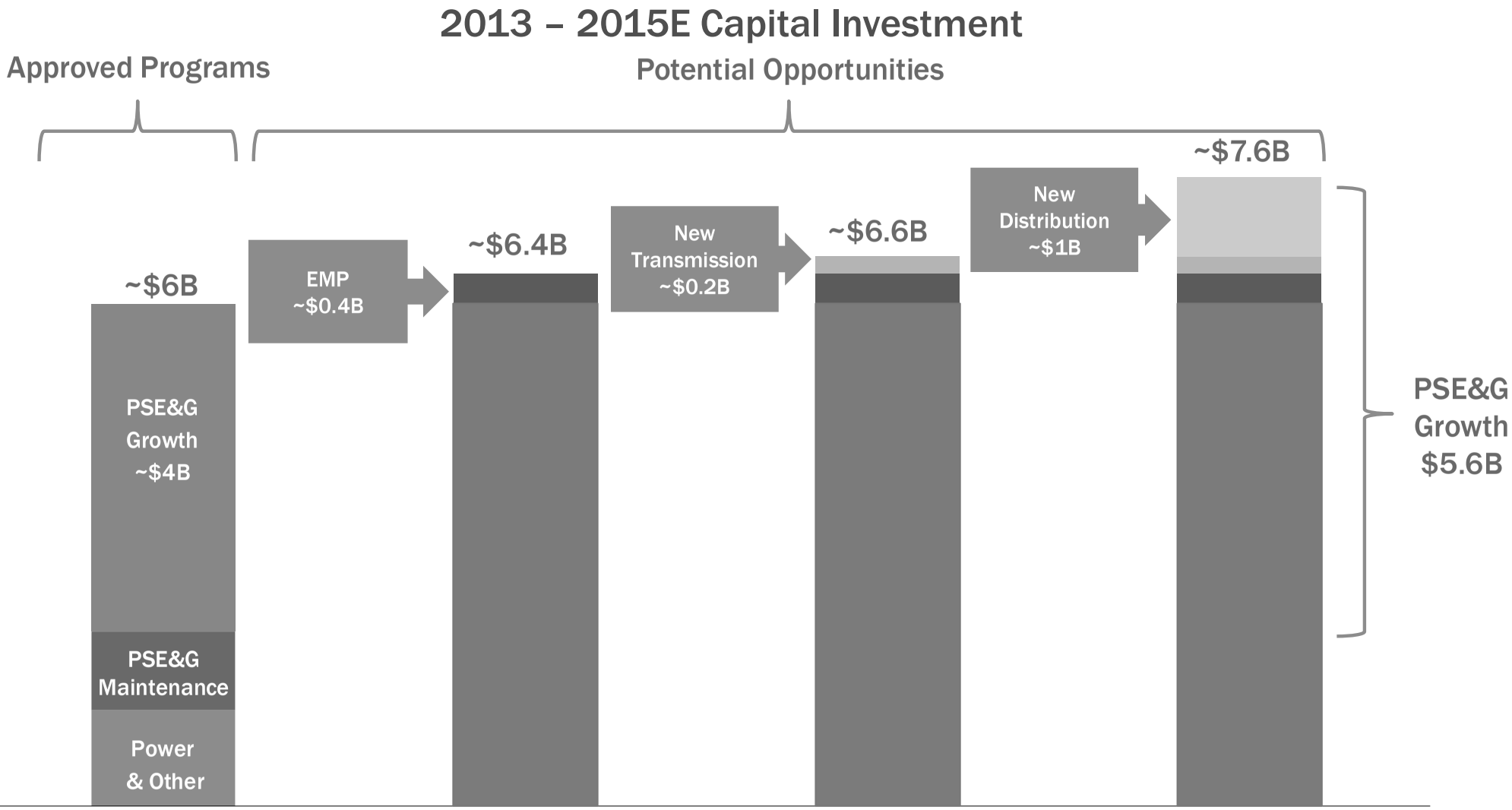
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

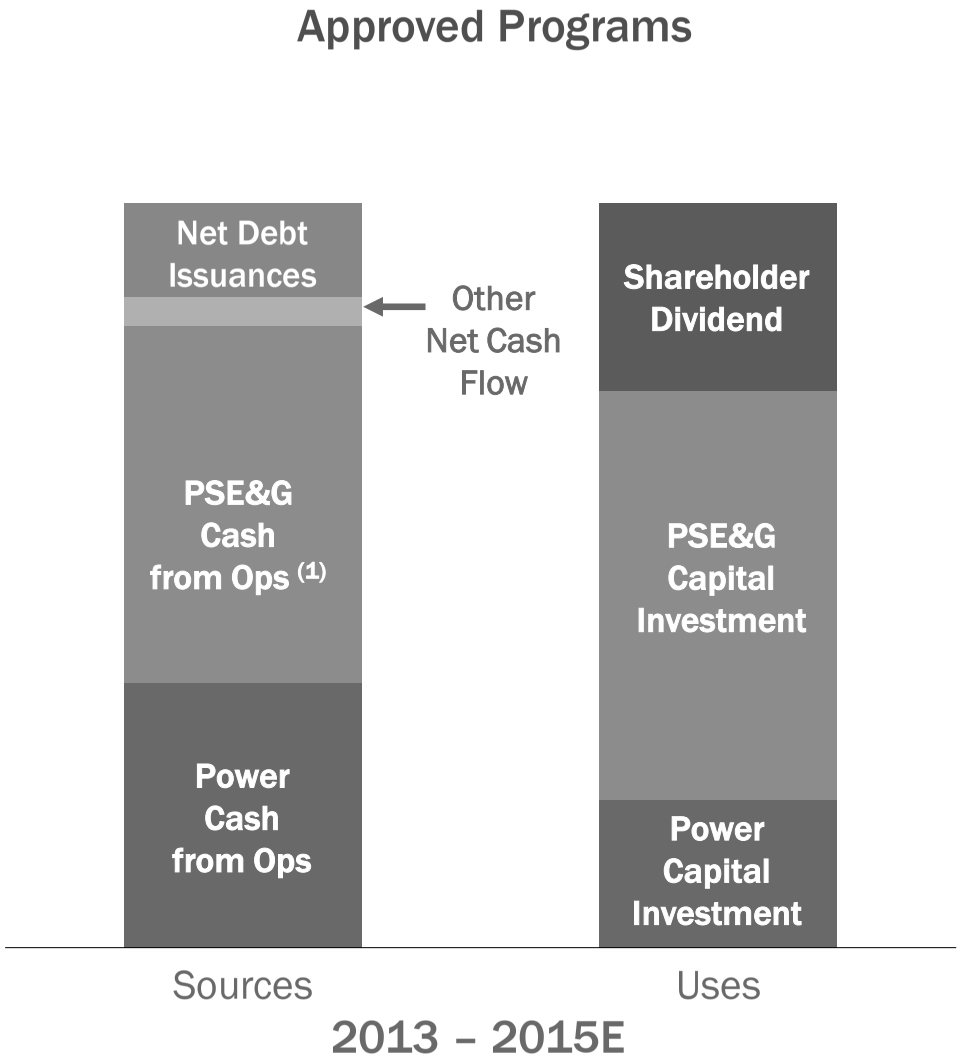
SI-SSA-0015-08654

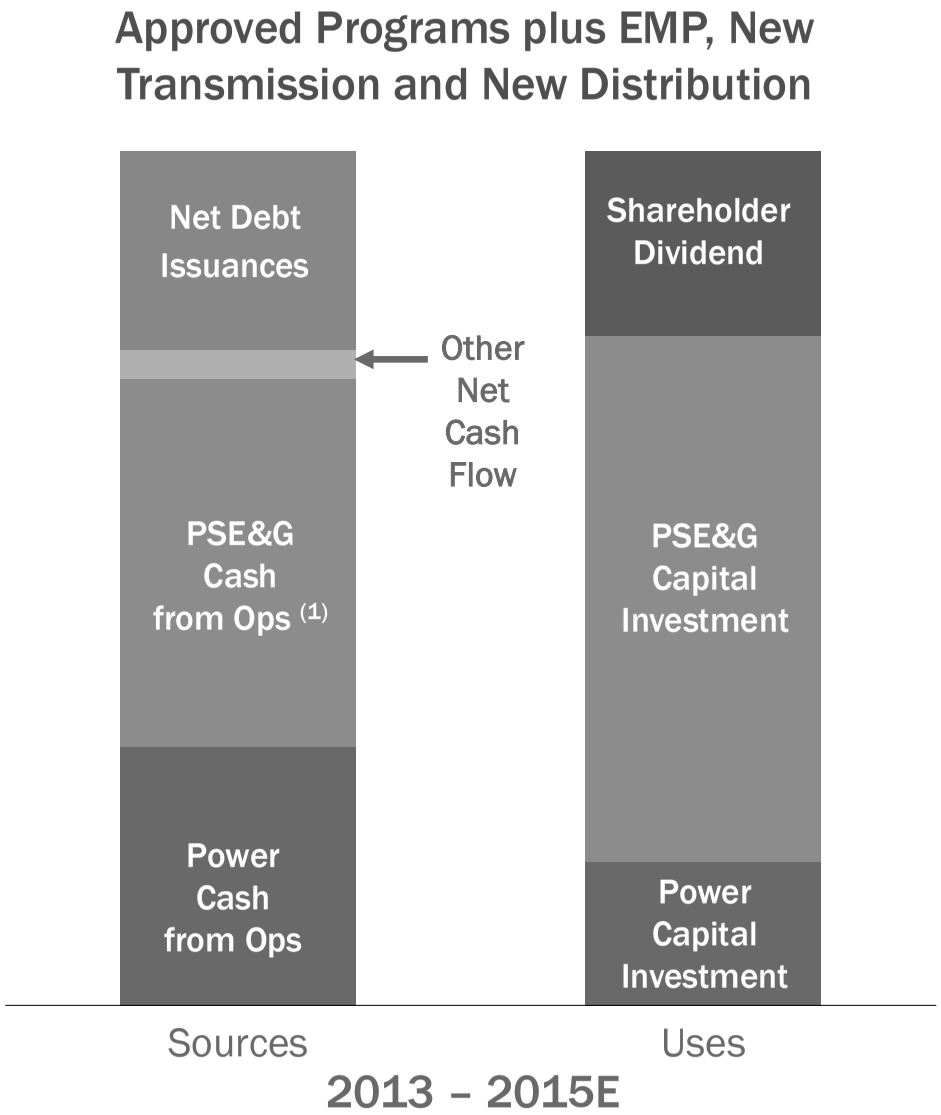
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-08655

All scenarios can be financed without new equity





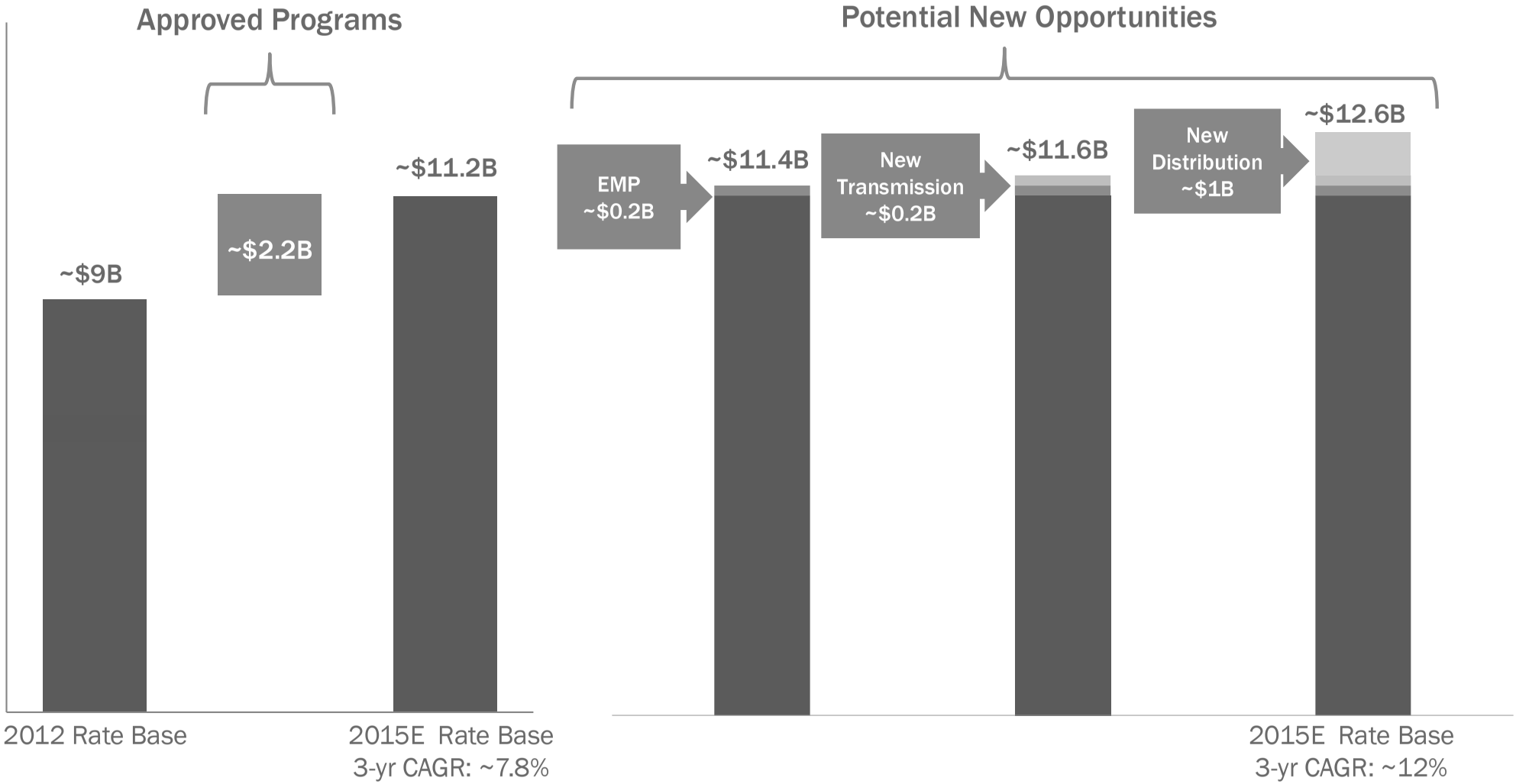
SI-SSA-0015-08656

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

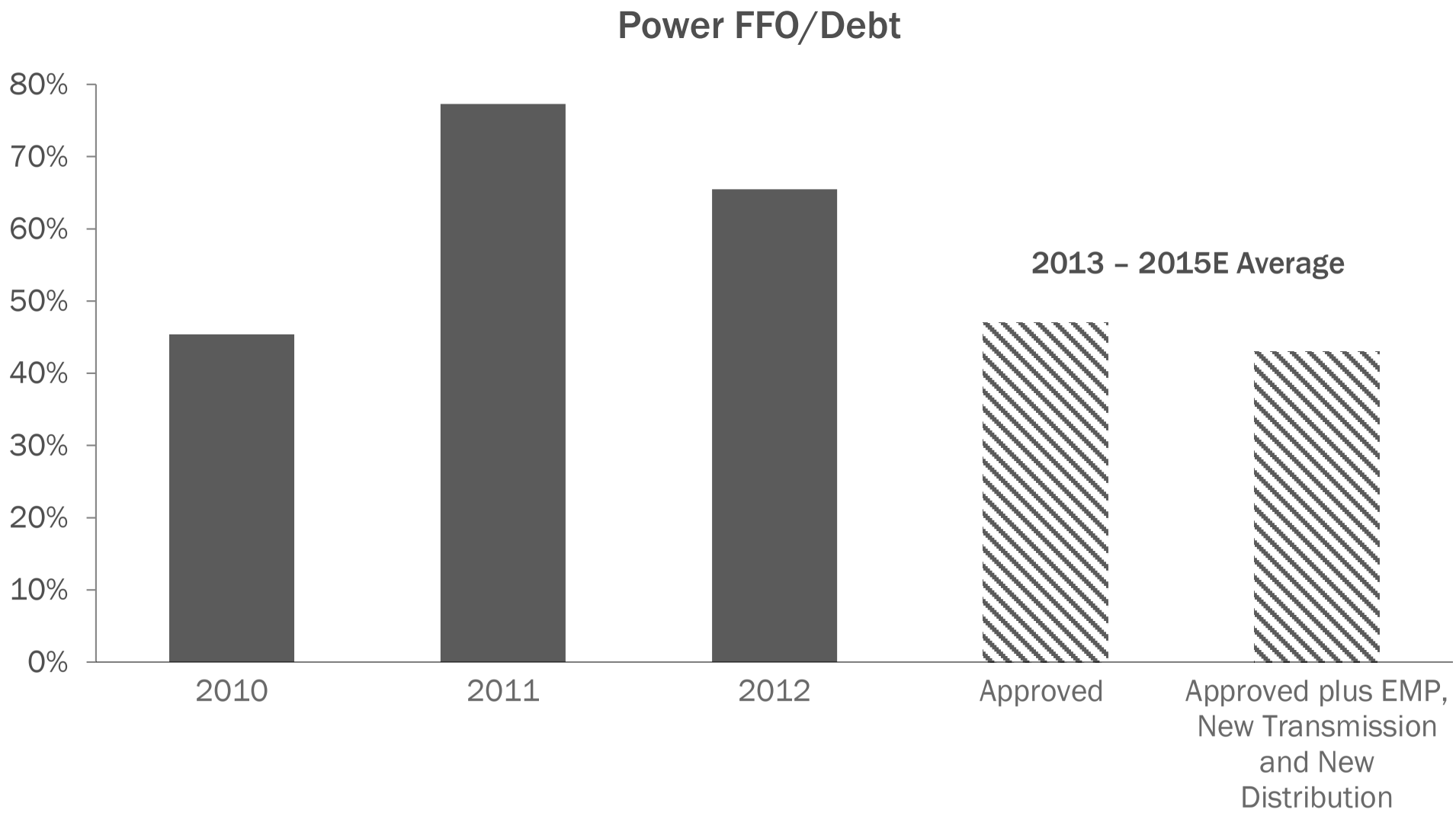
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-08657

Power's credit metrics are expected to remain strong



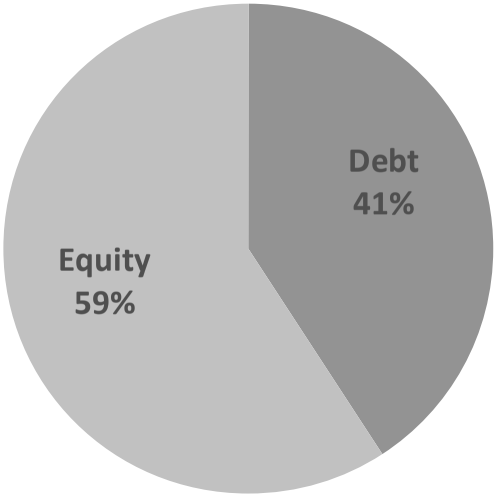
SI-SSA-0015-08658

Using PSEG's balance sheet strength

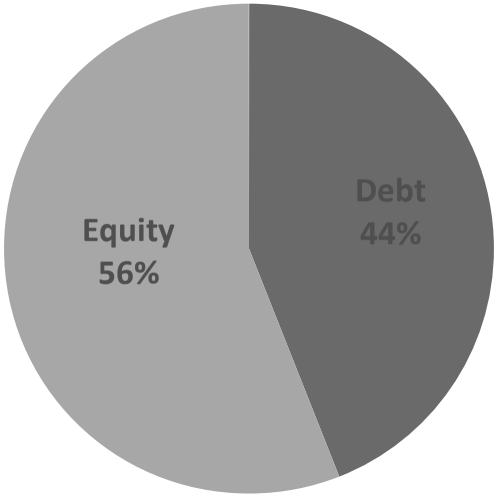
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

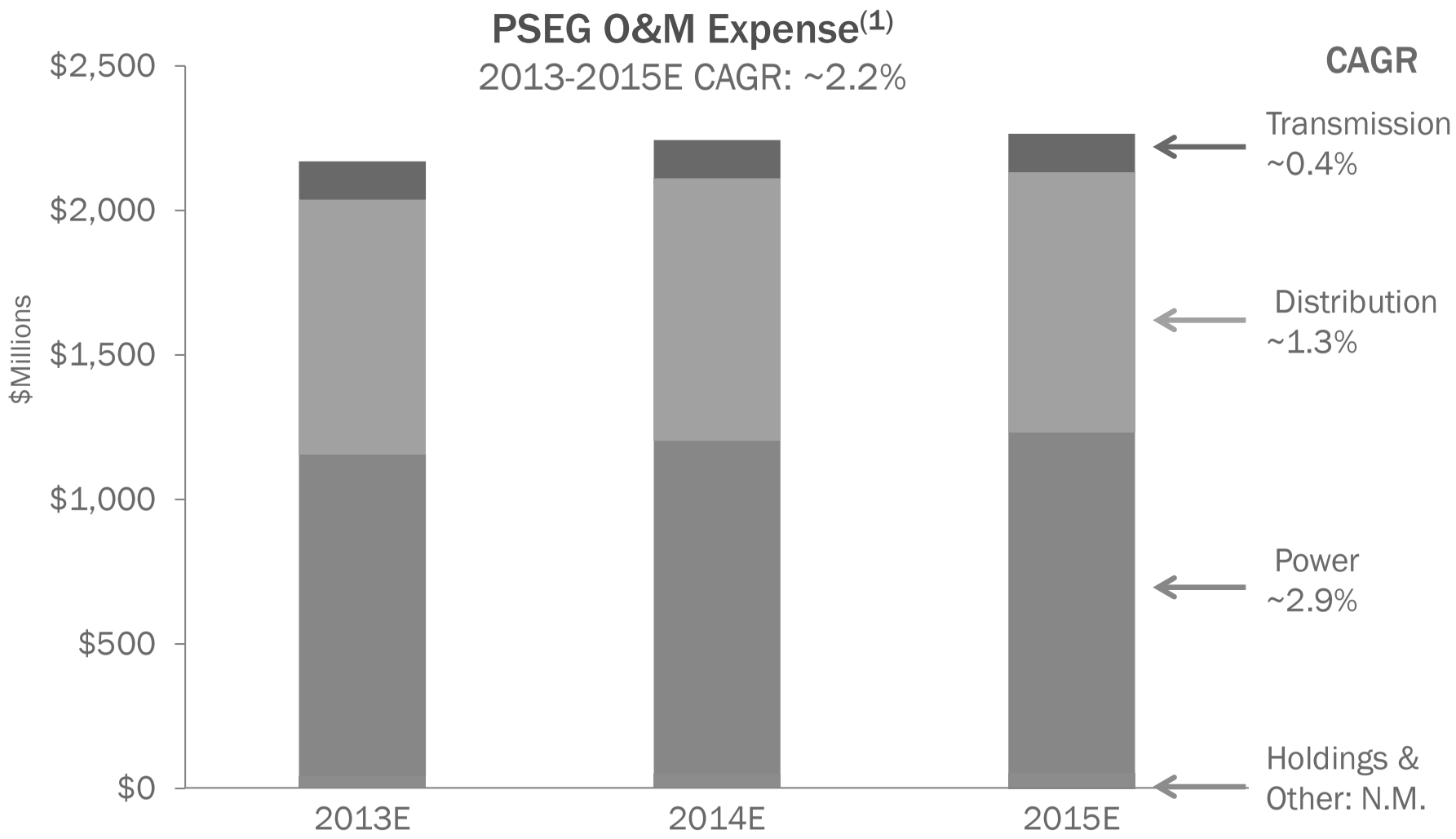
SI-SSA-0015-08659

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0
*NUG revenues reflect Feb 1, 2013 rates					
Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%	

SI-SSA-0015-08660

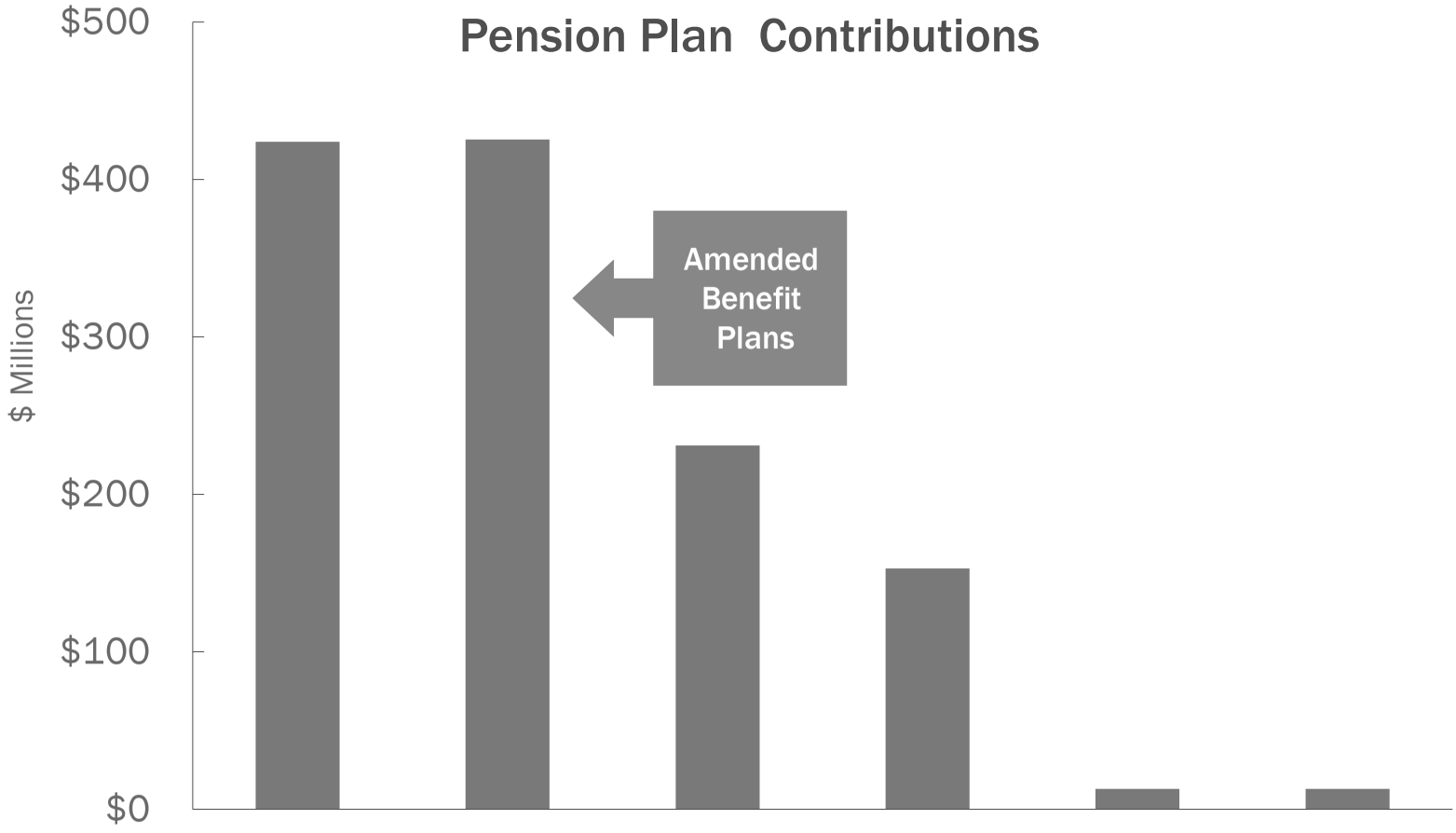
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-08661

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-08662

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

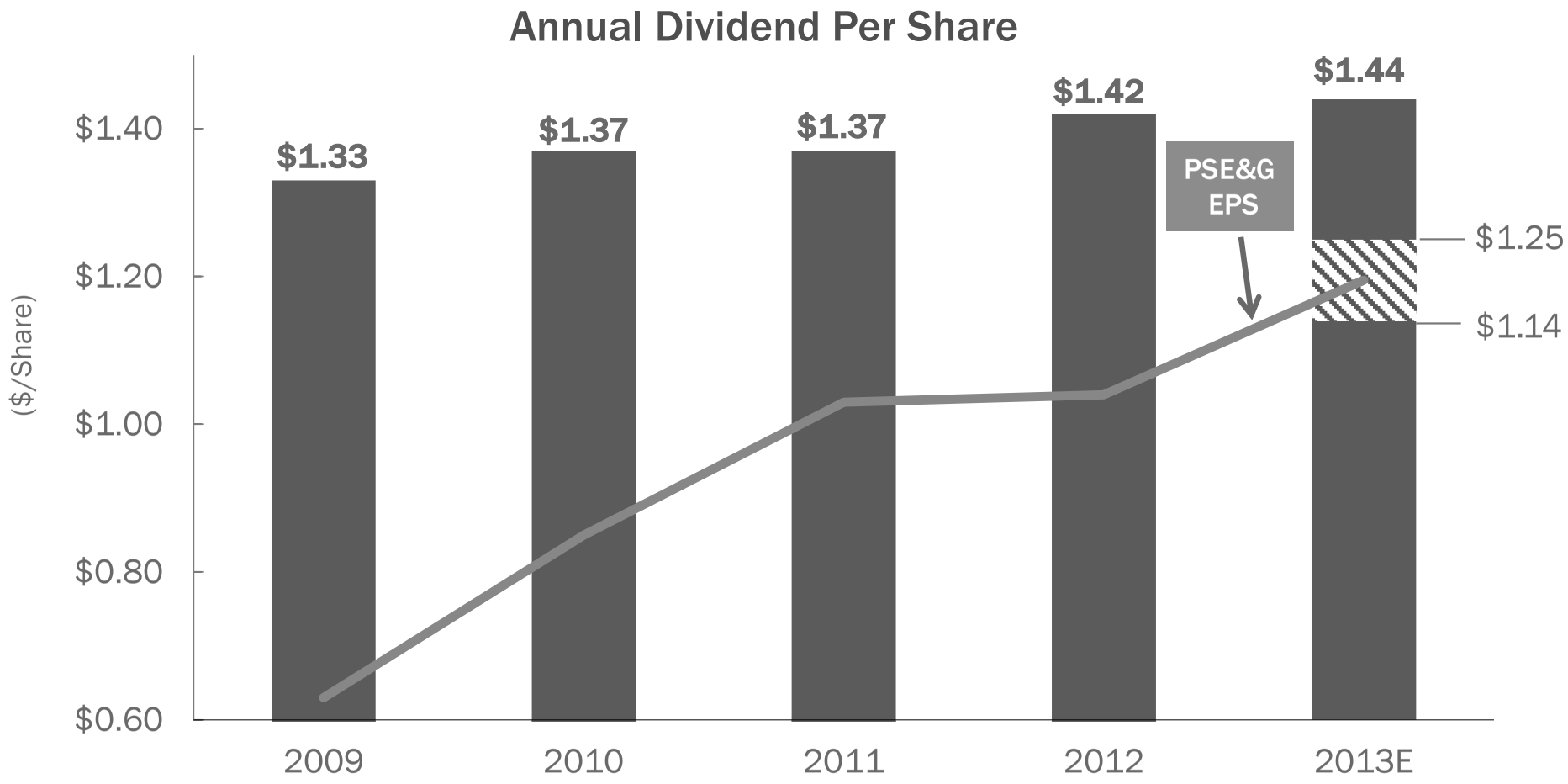
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-08663

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-08664

PSEG Summary

- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-08665

APPENDIX

SI-SSA-0015-08666

Full-year Operating Earnings by Subsidiary

Twelve Months ended December 31

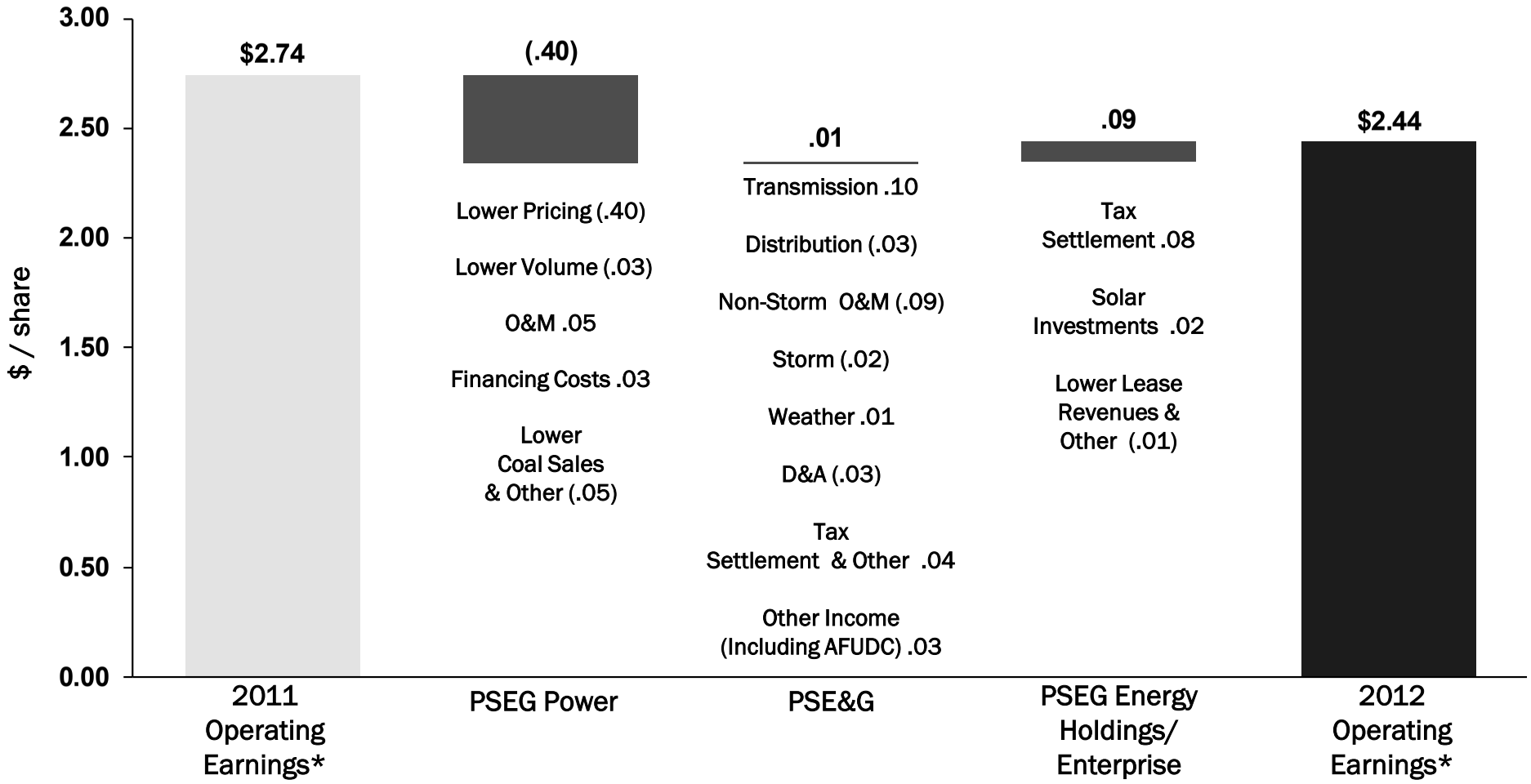
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2012	2011	2012	2011
PSEG Power	$ 644	$ 845	$ 1.27	$ 1.67
PSE&G	528	521	1.04	1.03
PSEG Energy Holdings/ Enterprise	64	23	0.13	0.04
*Operating Earnings**	$ 1,236	$ 1,389	$ 2.44	$ 2.74

SI-SSA-0015-08667

PSEG

• See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

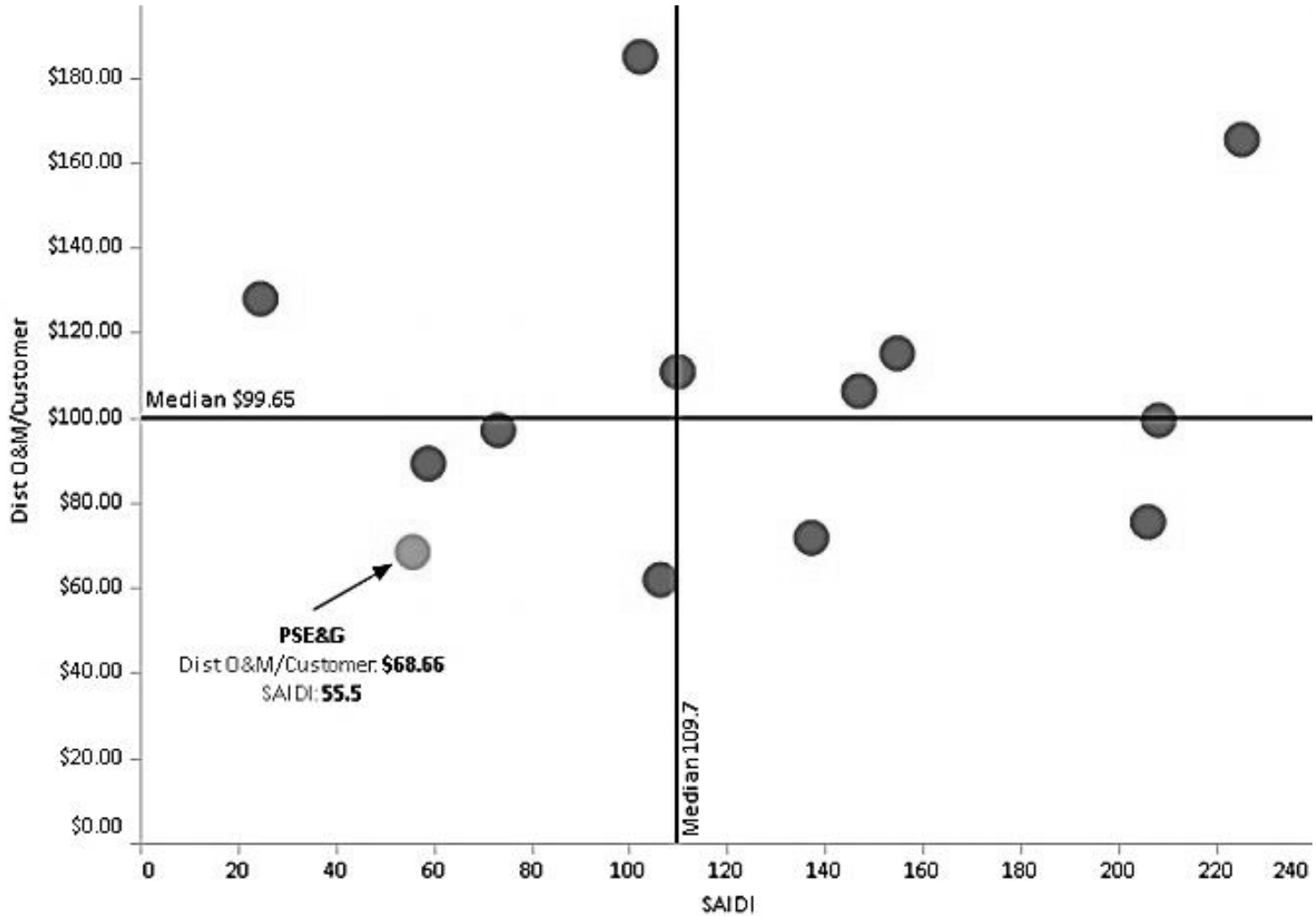
PSEG EPS Reconciliation – Full-year 2012 versus Full-year 2011



SI-SSA-0015-08668

* See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSE&G provides high reliability at below average cost which creates superior value to customers

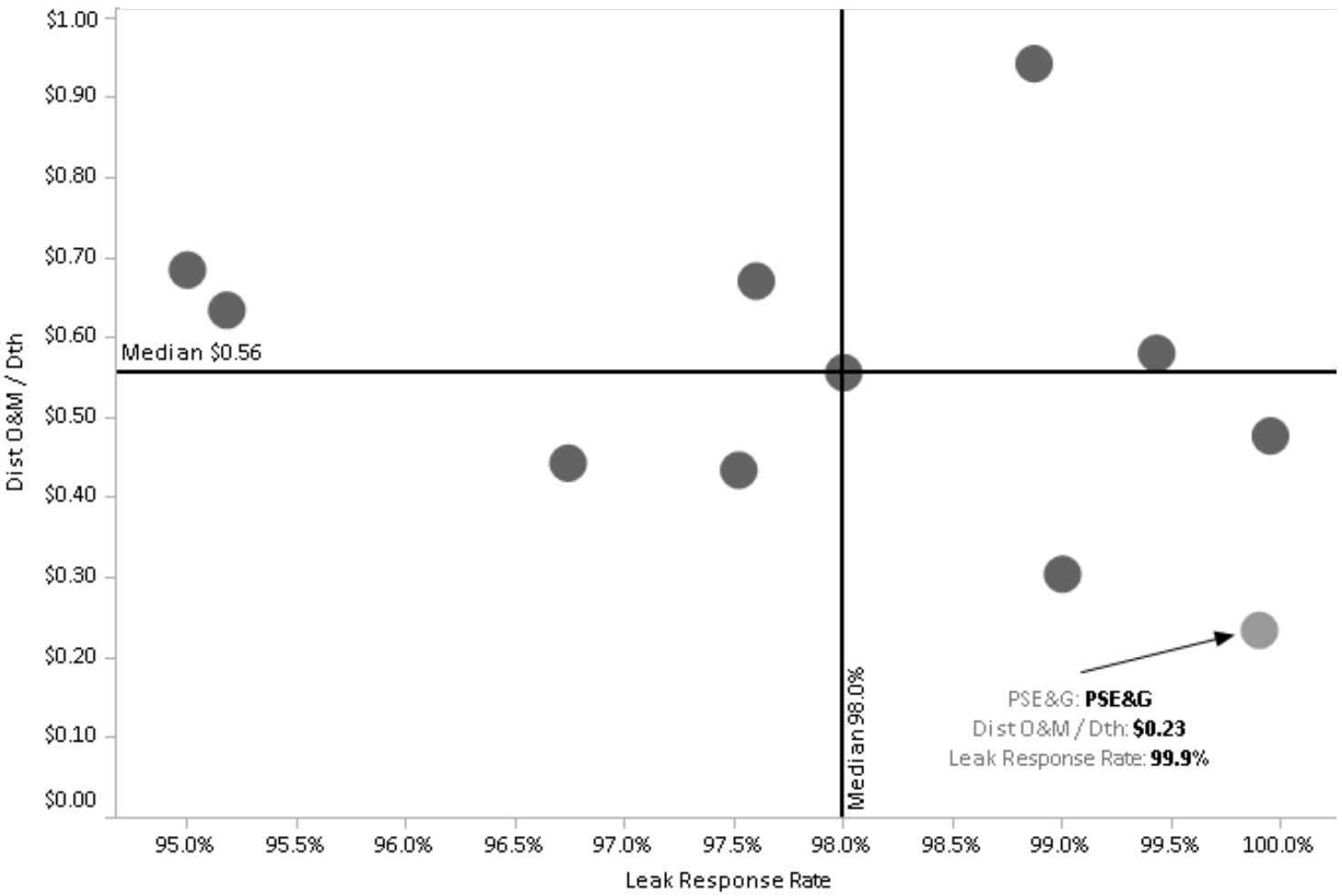


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

SI-SSA-0015-08669

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-08670

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-08671

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-08672

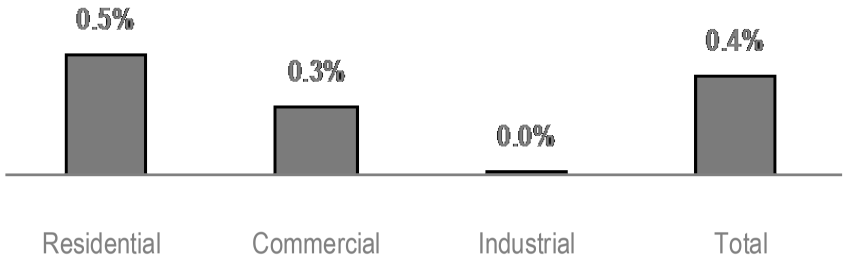
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

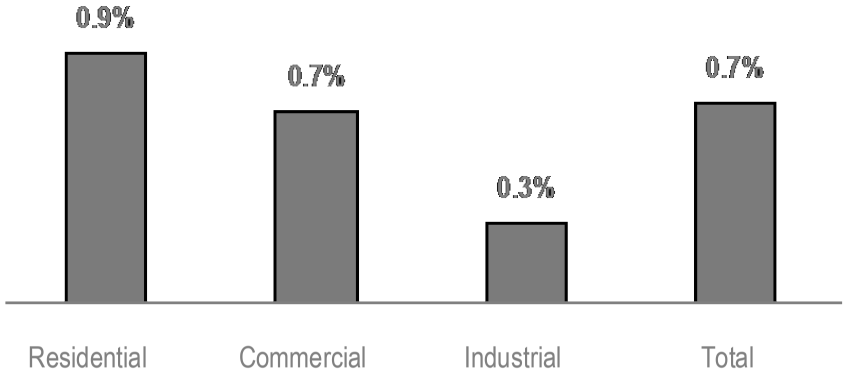
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-08673

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

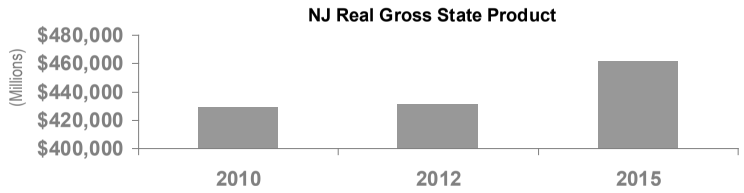
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

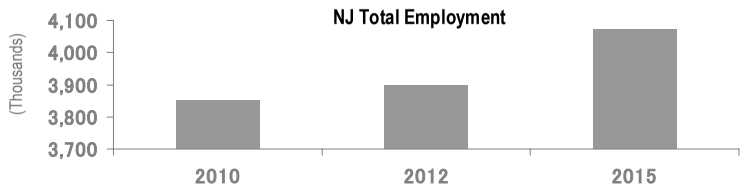
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

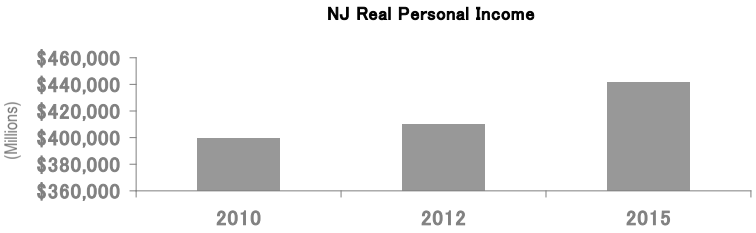
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

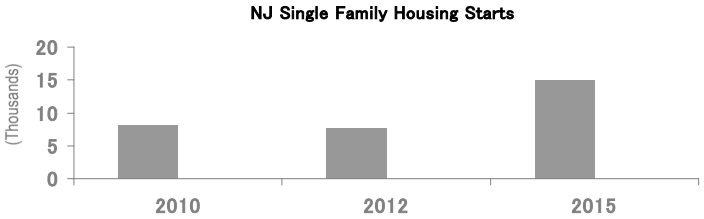
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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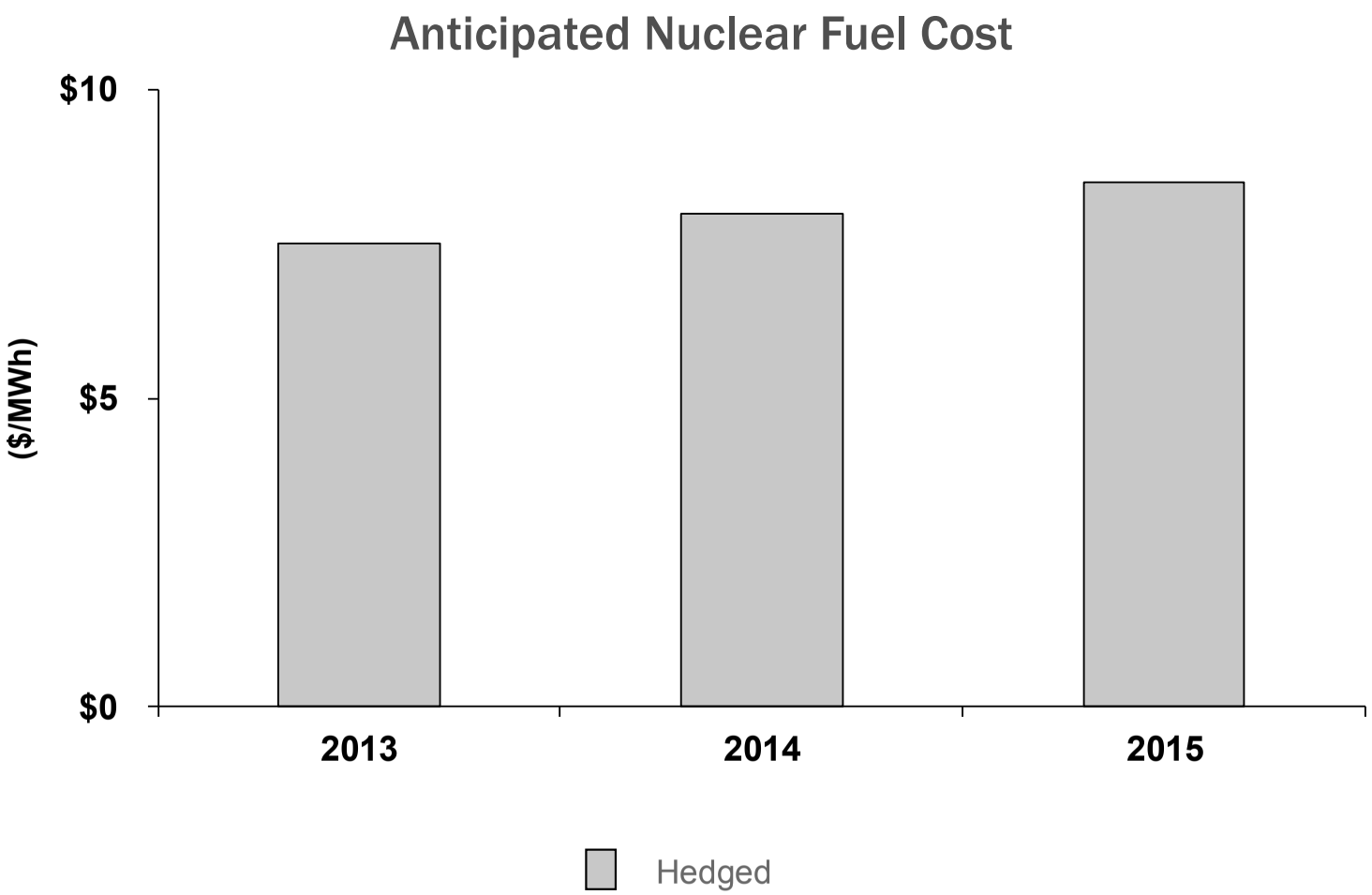
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



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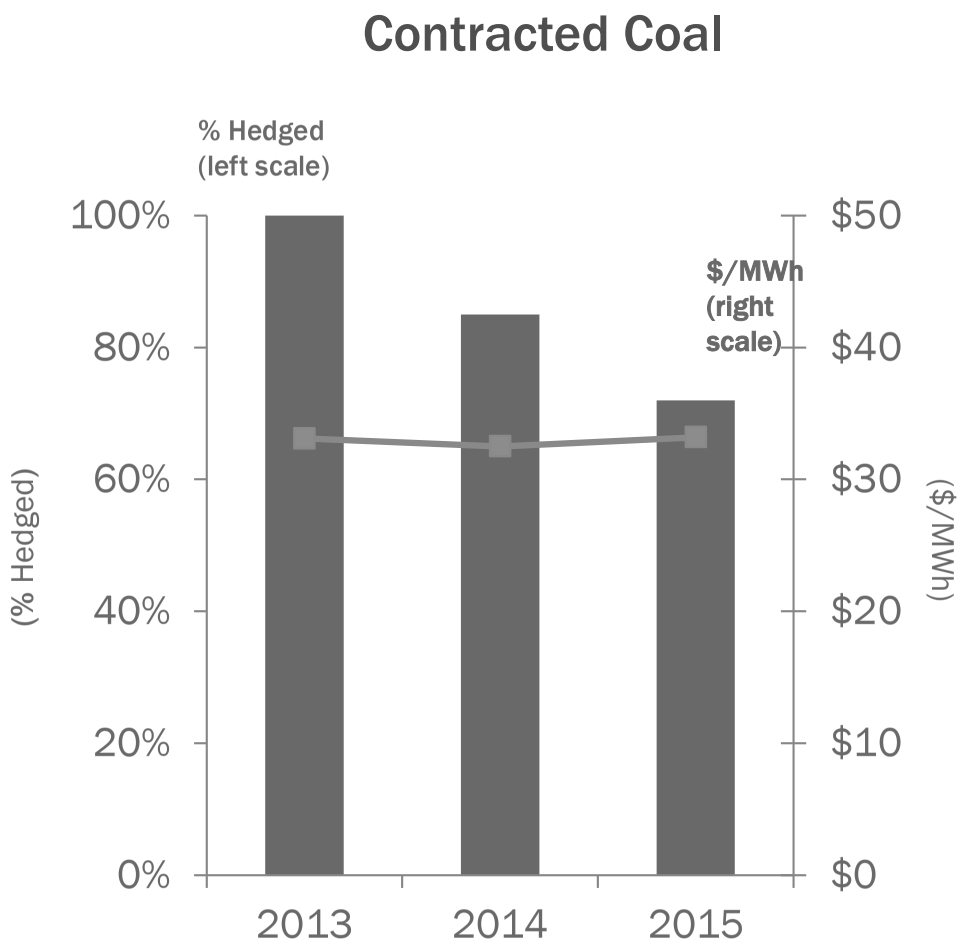
Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

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PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

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PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

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Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

SI-SSA-0015-08681

PSEG Investor Summary

GOLDMAN SACHS INVESTOR MEETINGS
BOSTON – MARCH 10, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-08683

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-08684

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-08685

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

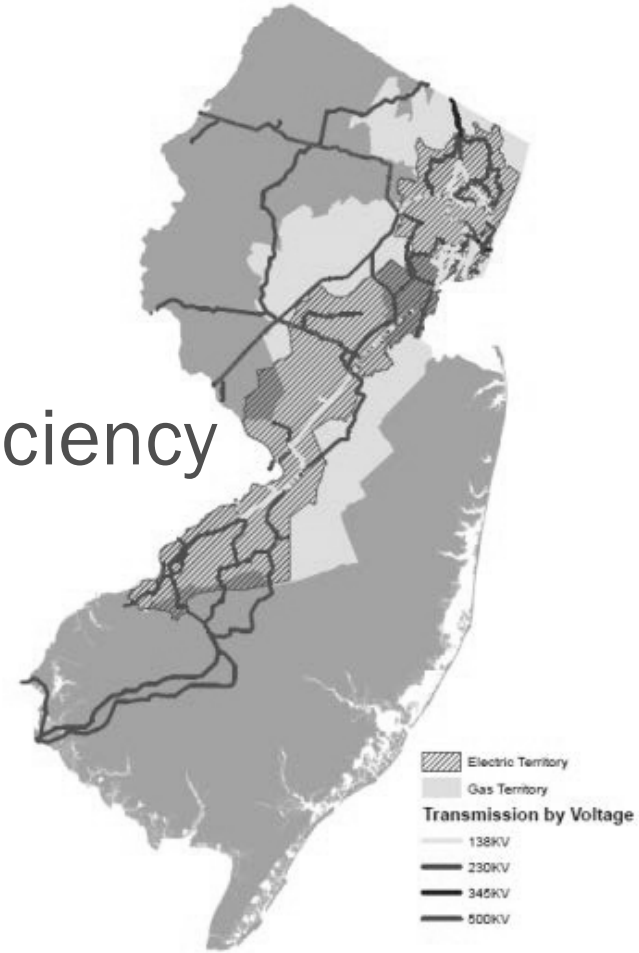
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-08686

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

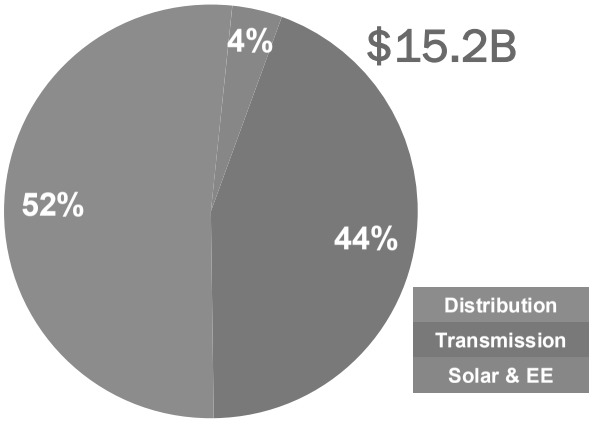
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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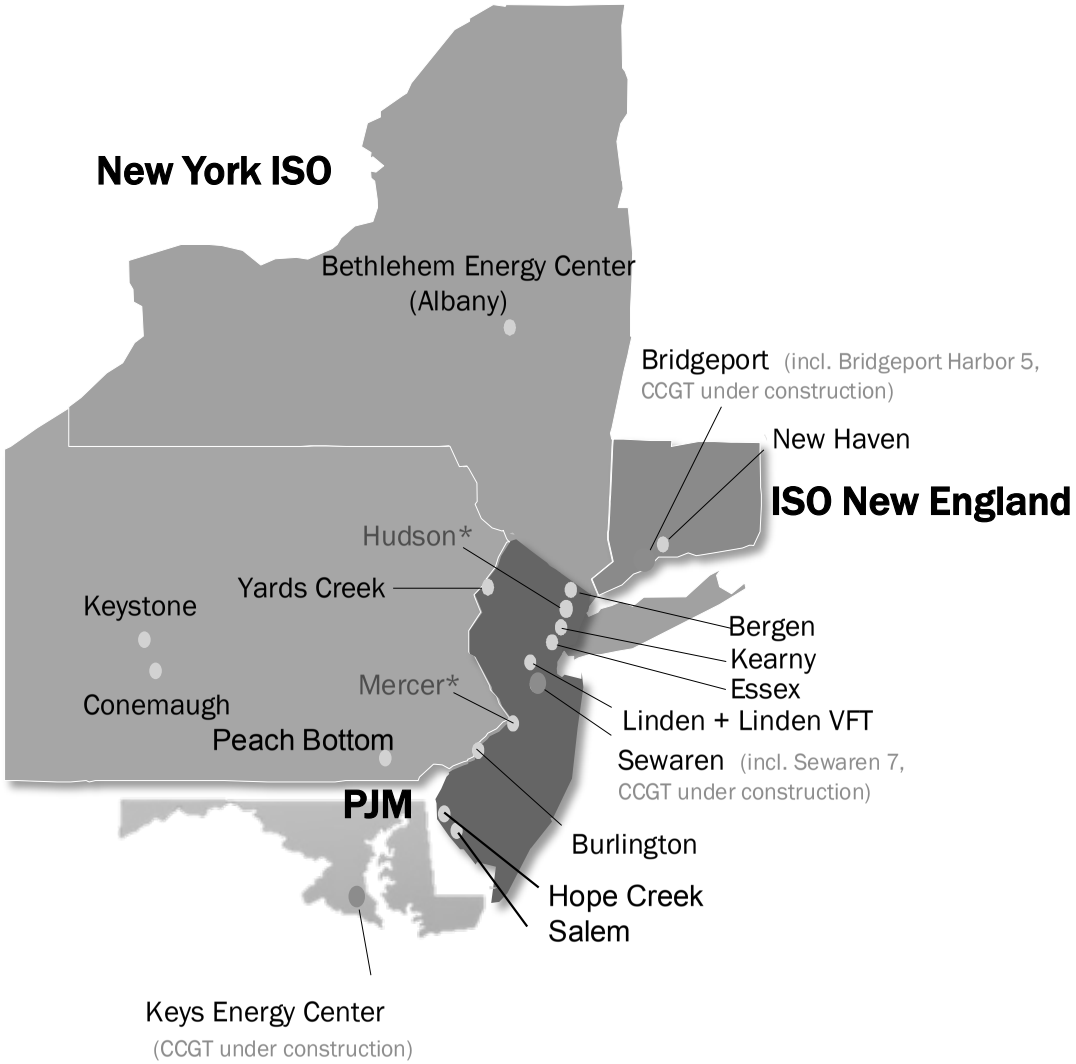
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-08688

PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

SI-SSA-0015-08689

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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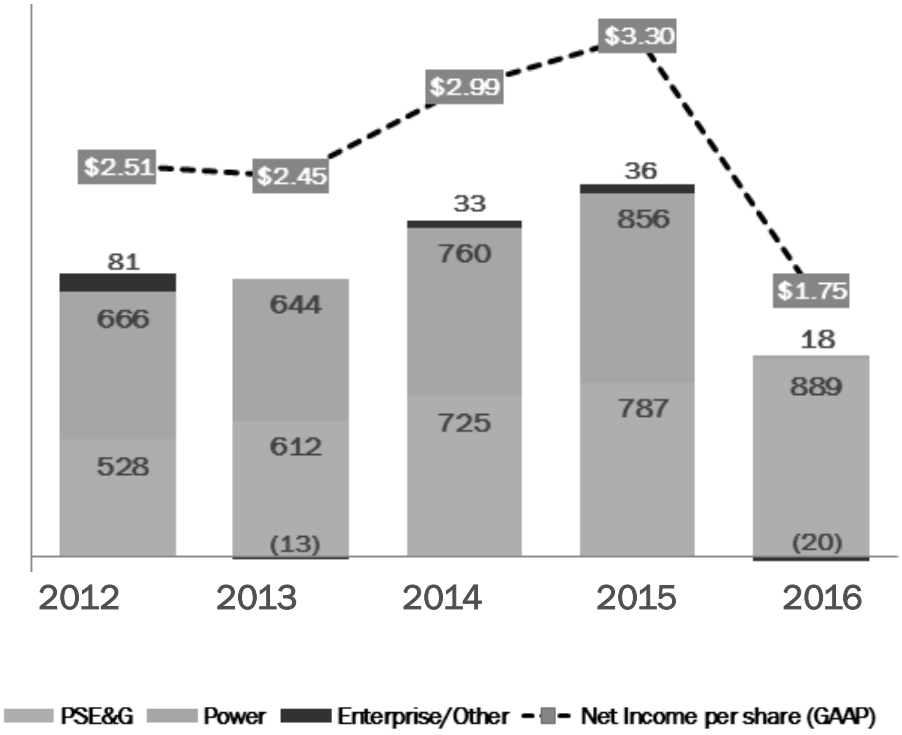
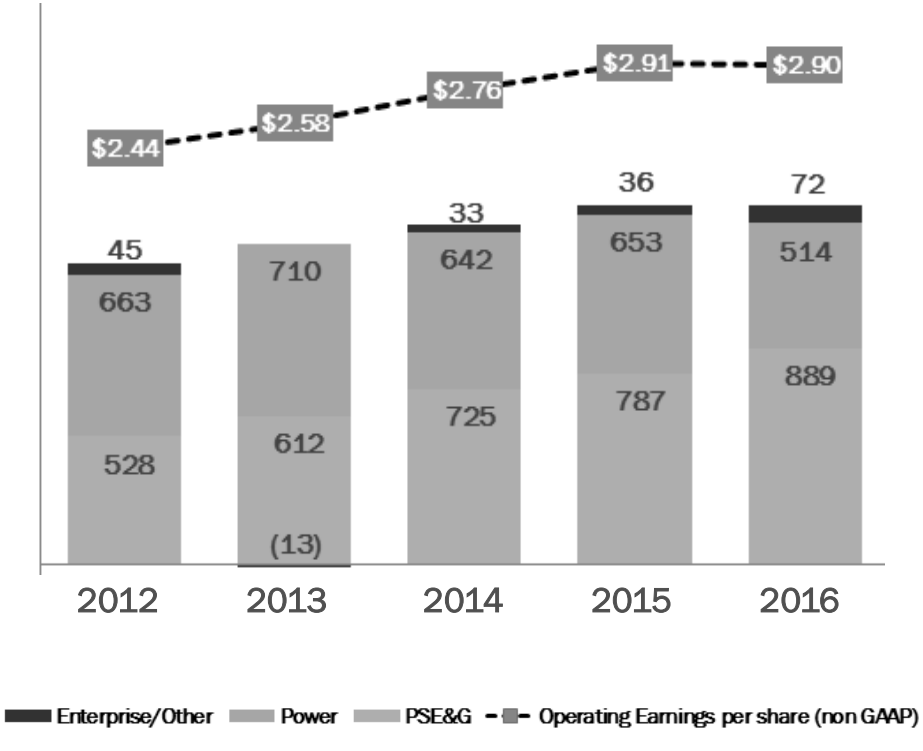
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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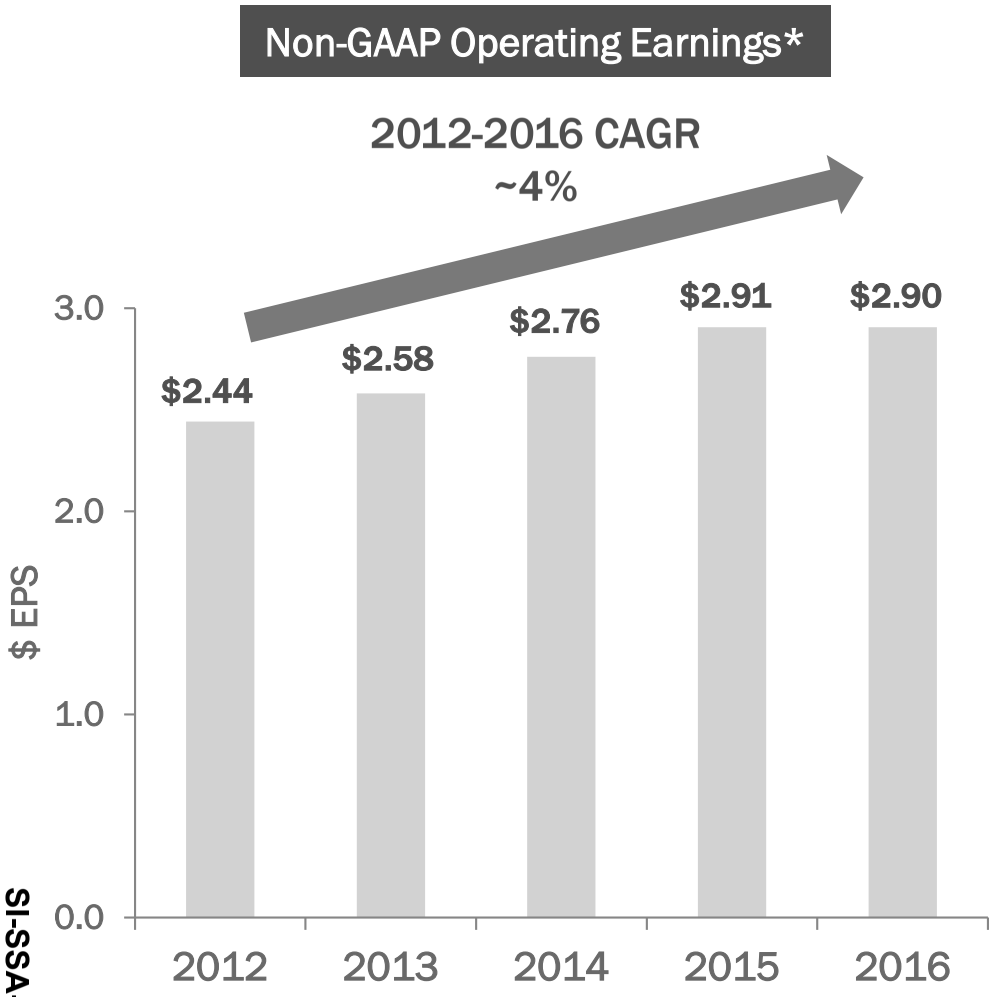
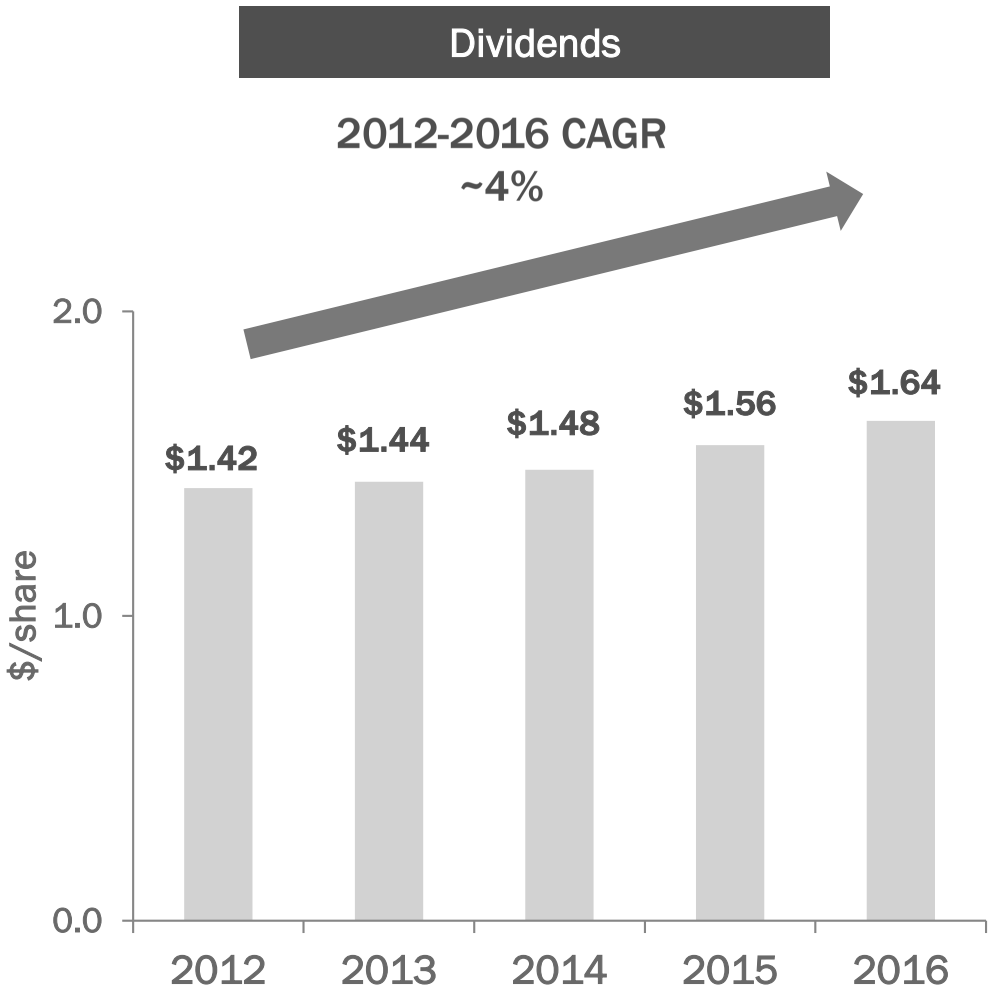
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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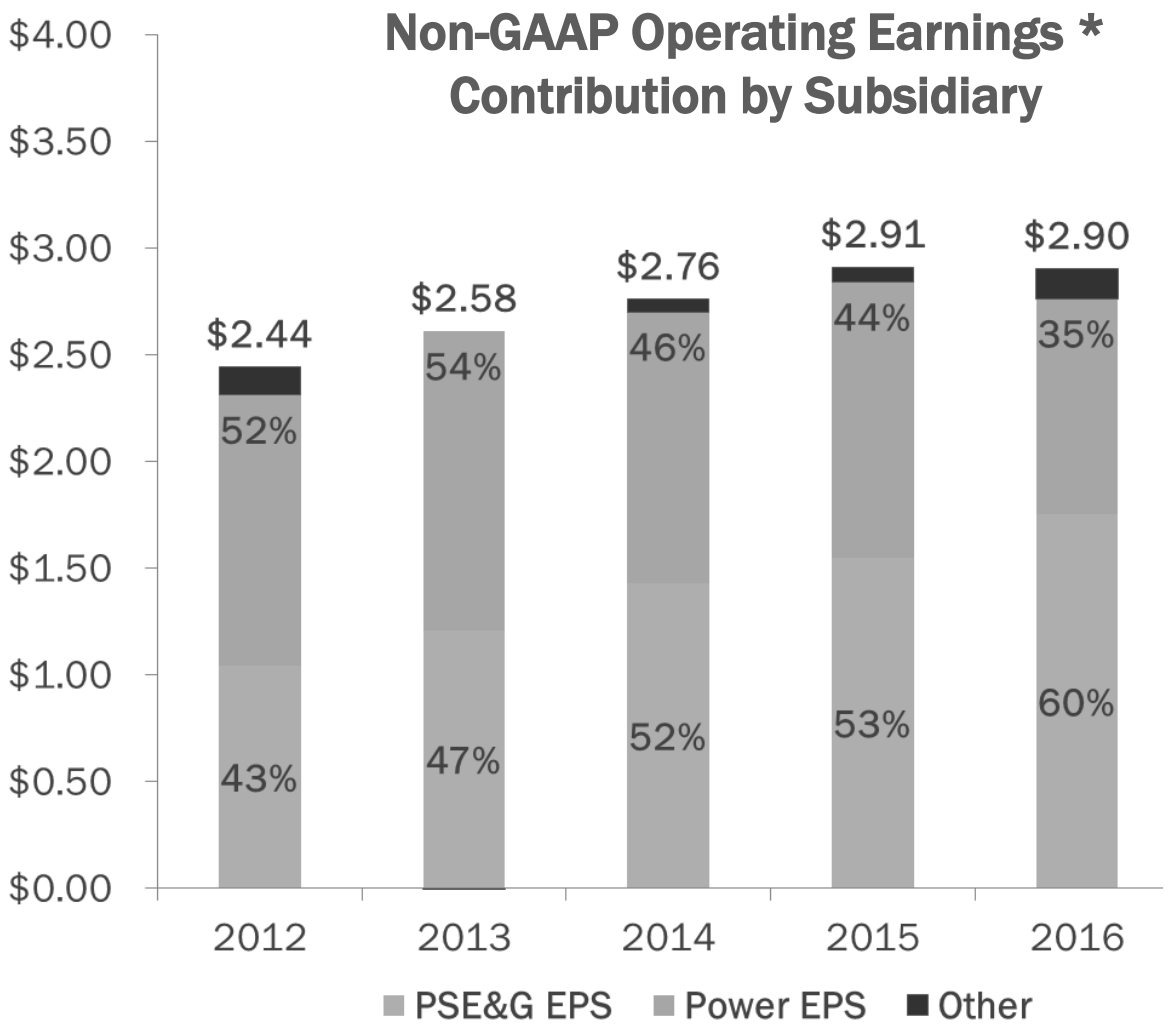
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G represented 60% of PSEG's 2016 non-GAAP Operating Earnings



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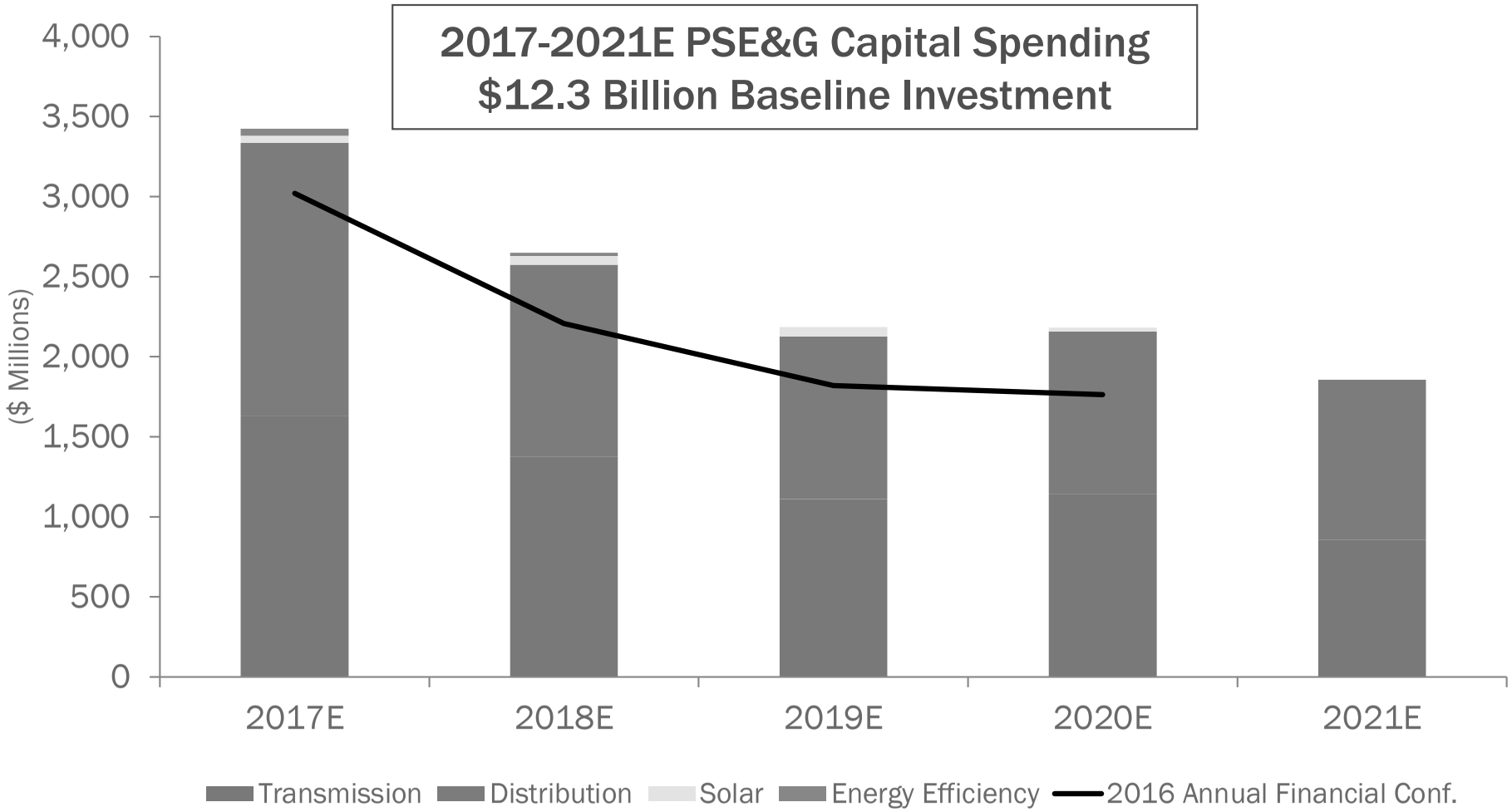
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. E= ESTIMATE.

Baseline programs yield 7% compound annual growth in rate base



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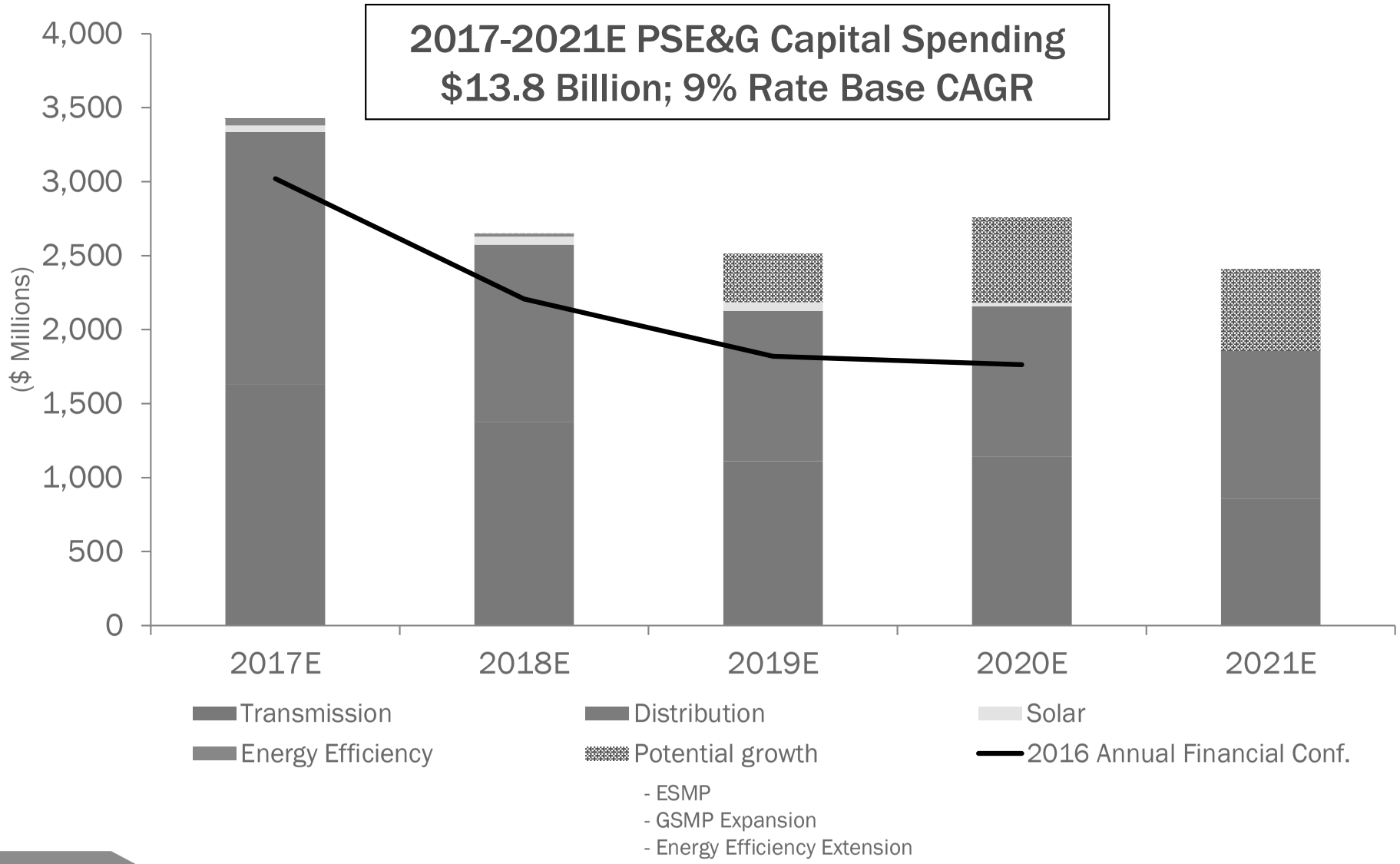
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-08695

Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

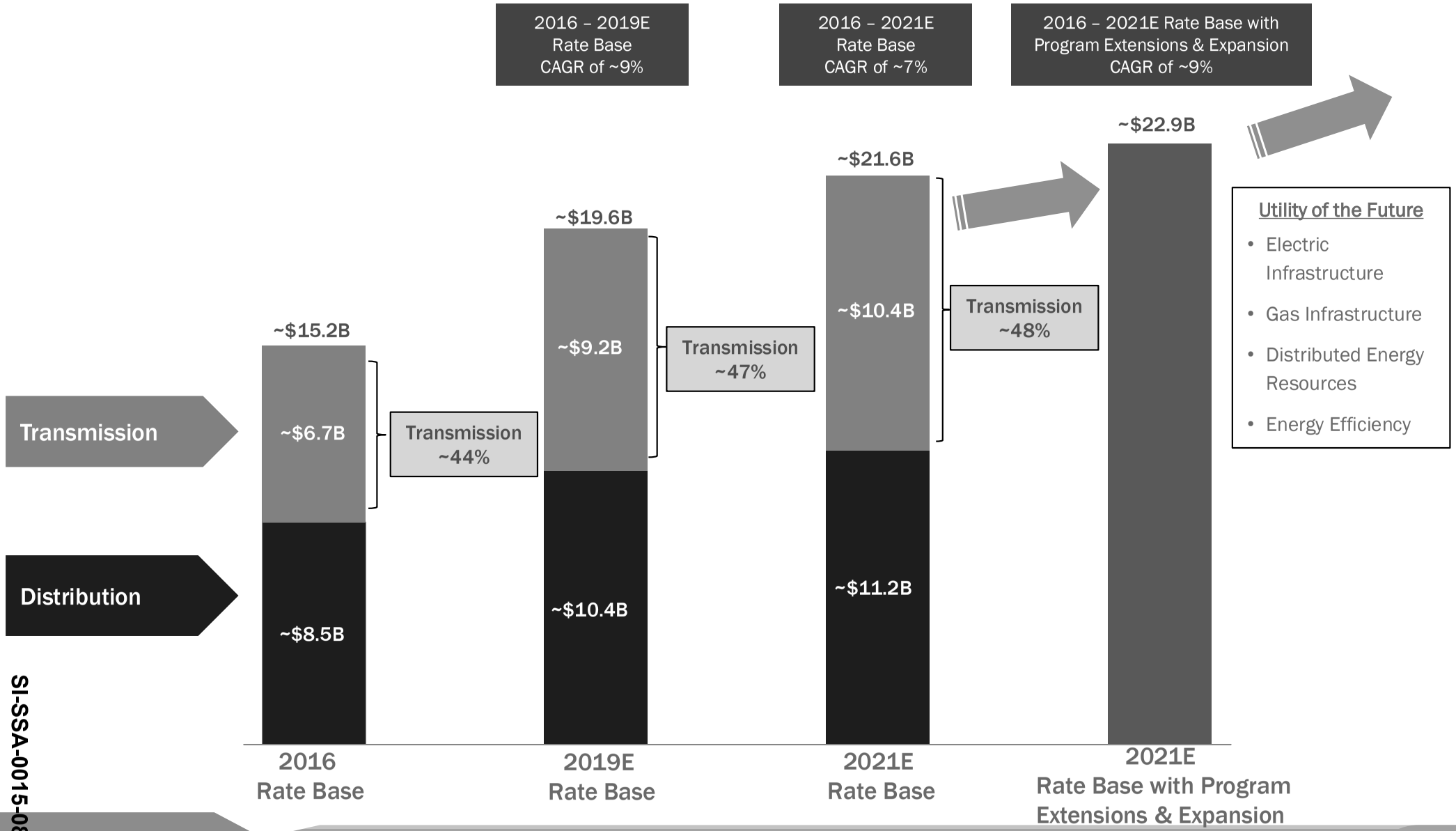
Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

SI-SSA-0015-08696

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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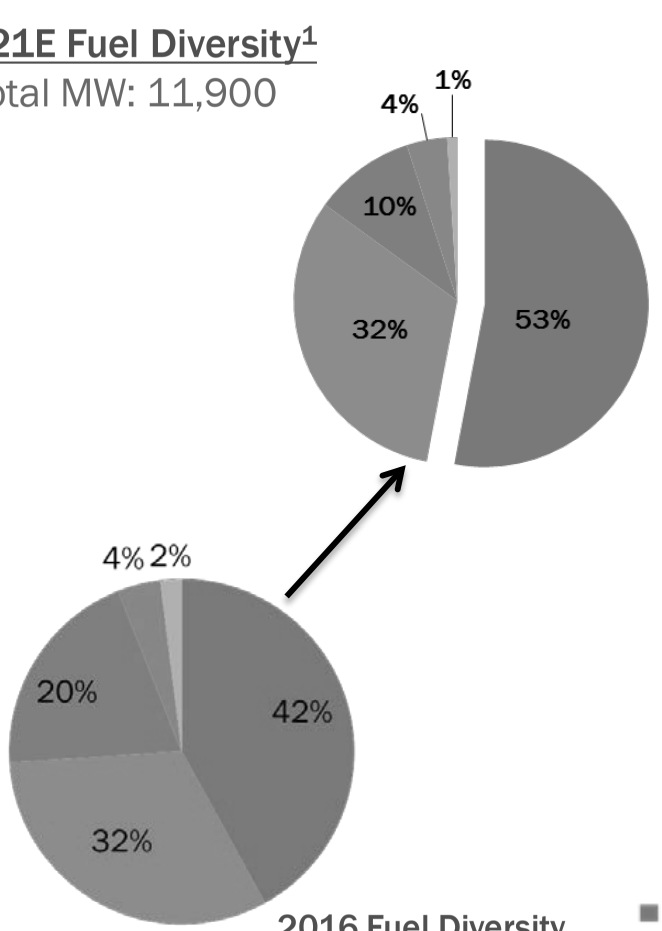
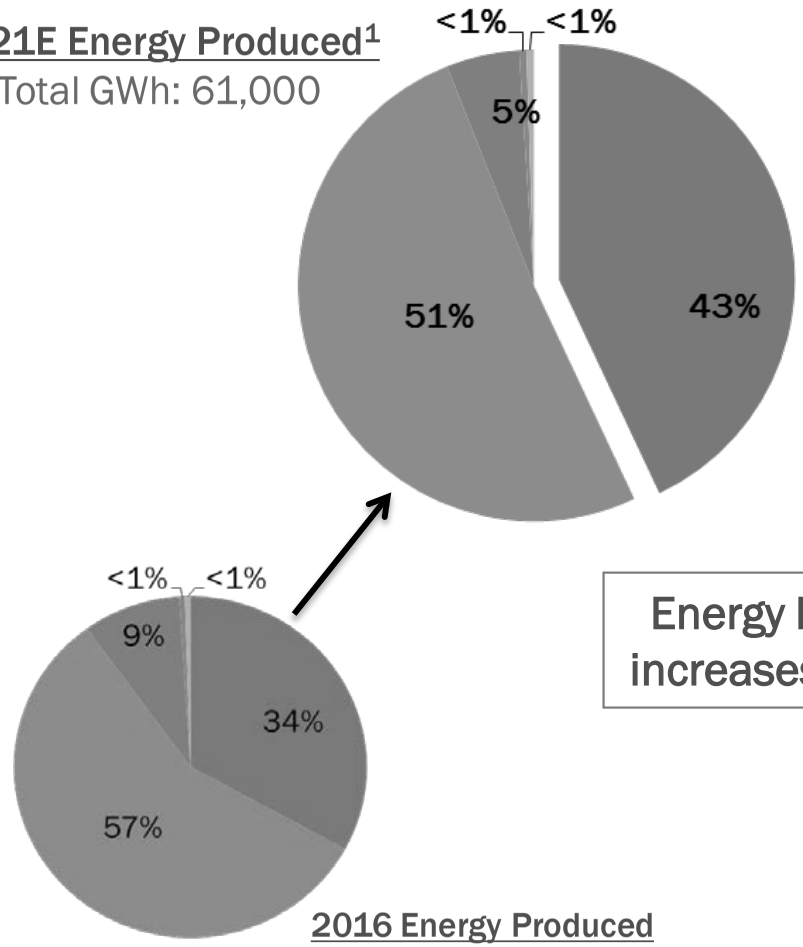
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





Energy Produced increases by >18%

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

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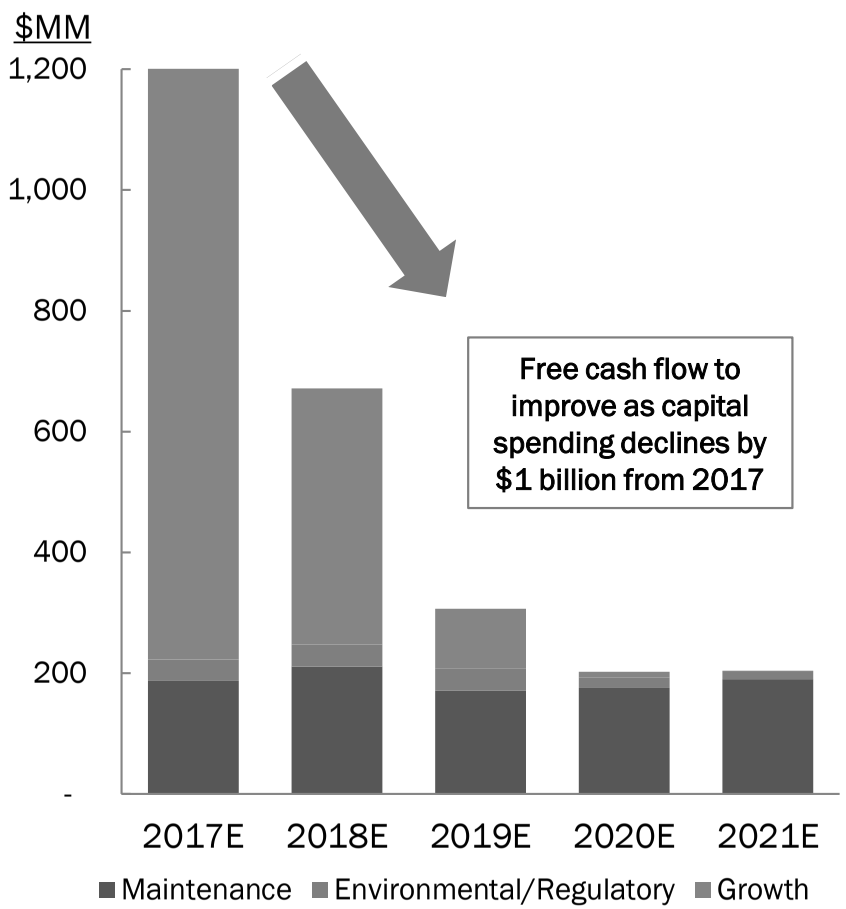
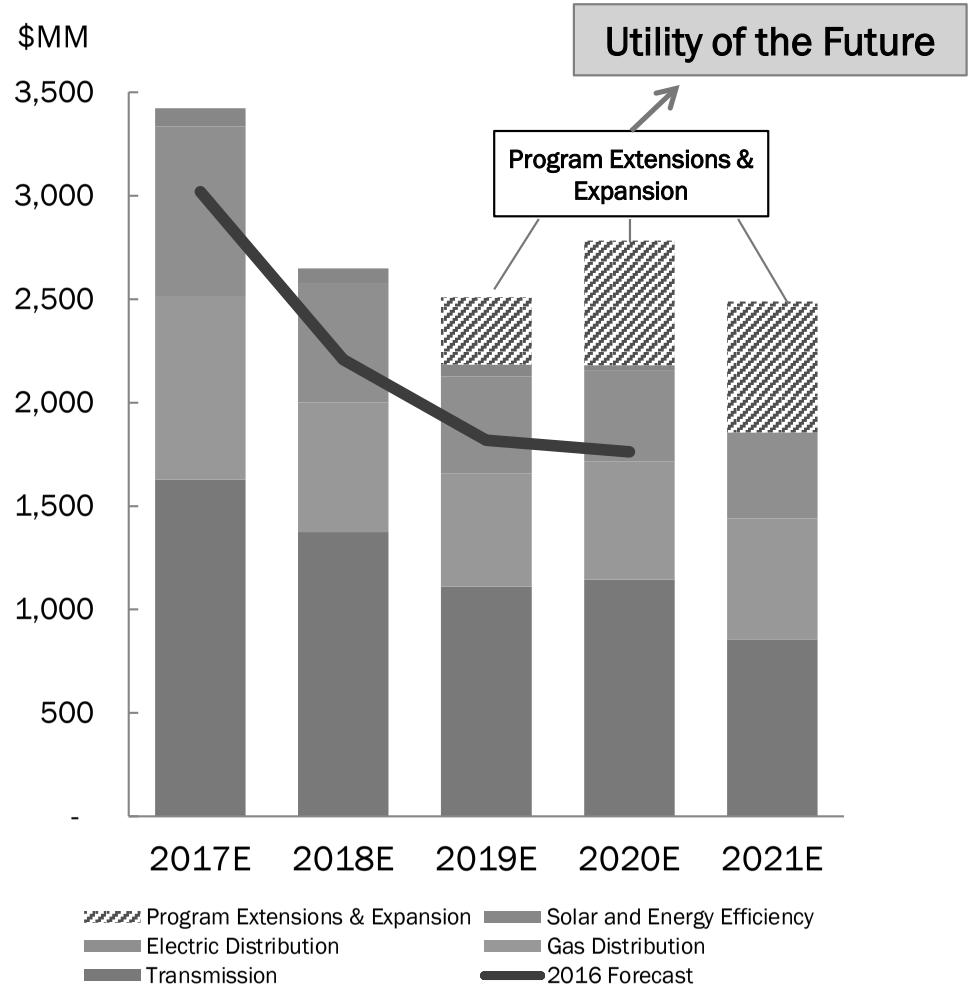
Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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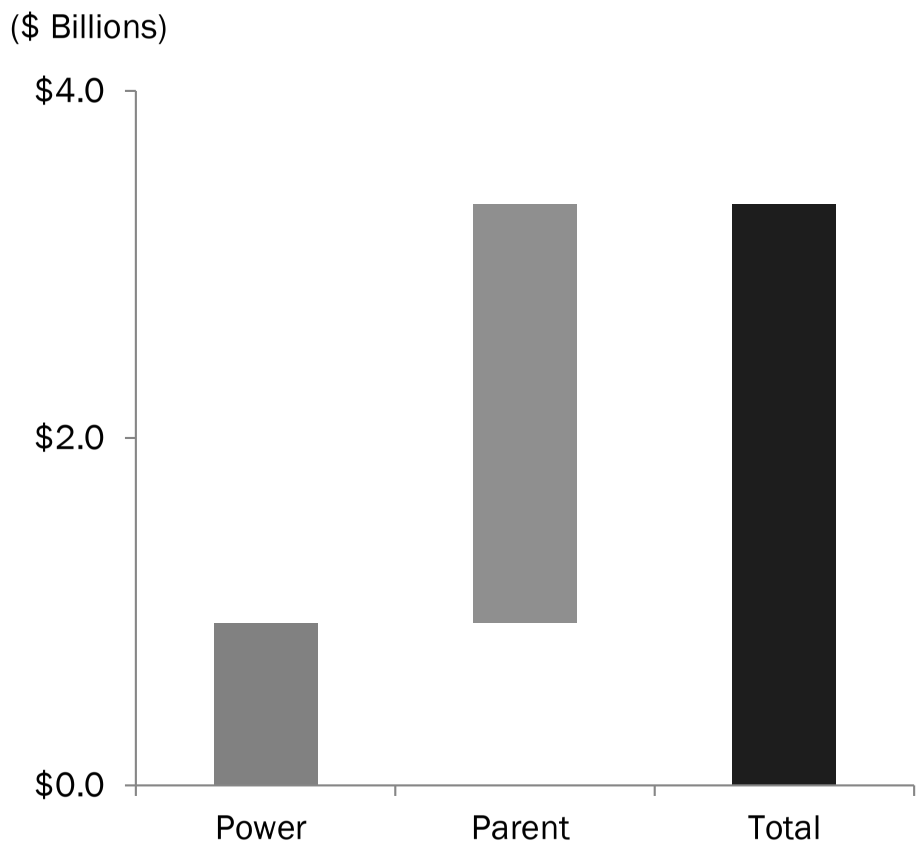
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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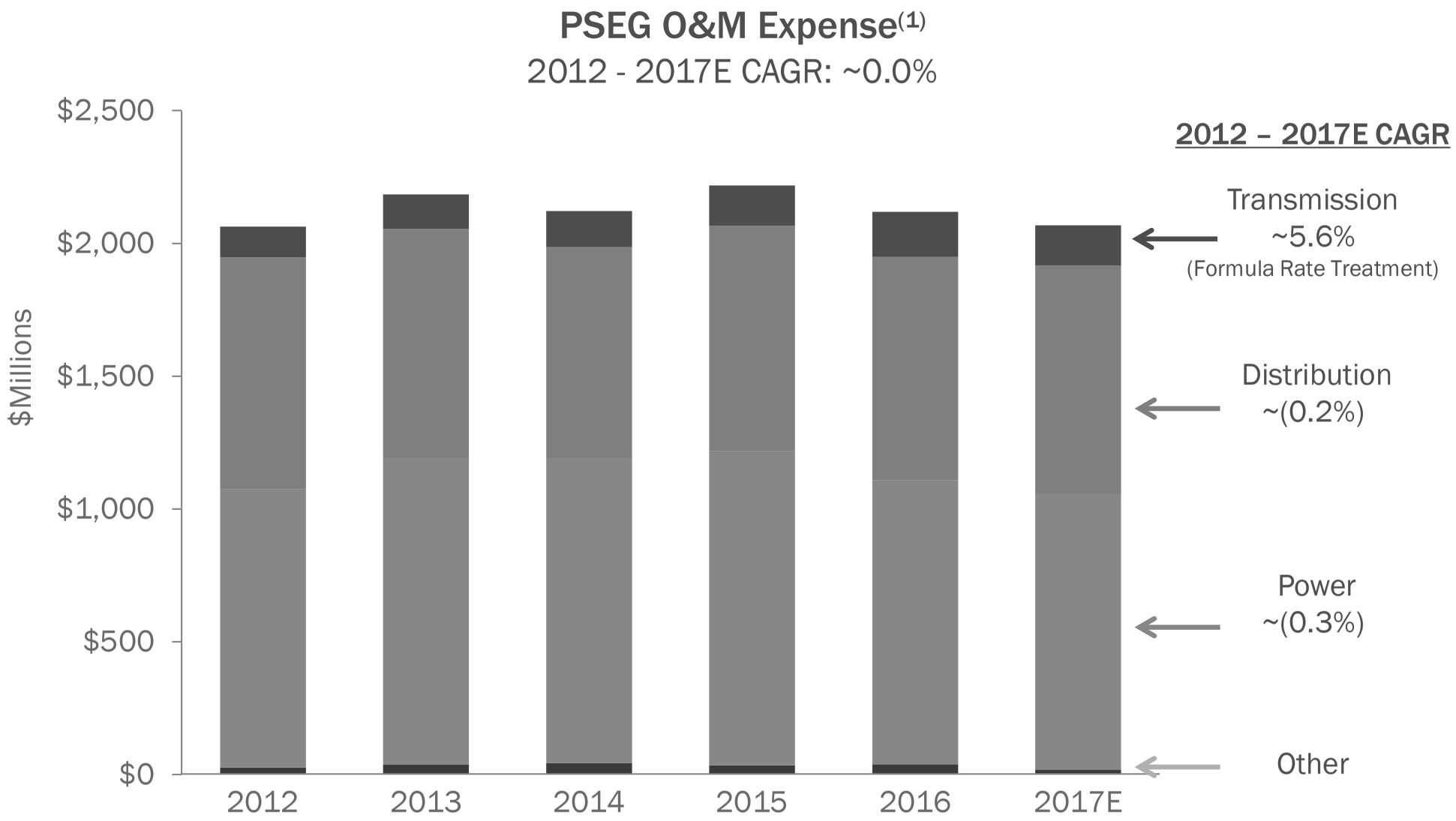
PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

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2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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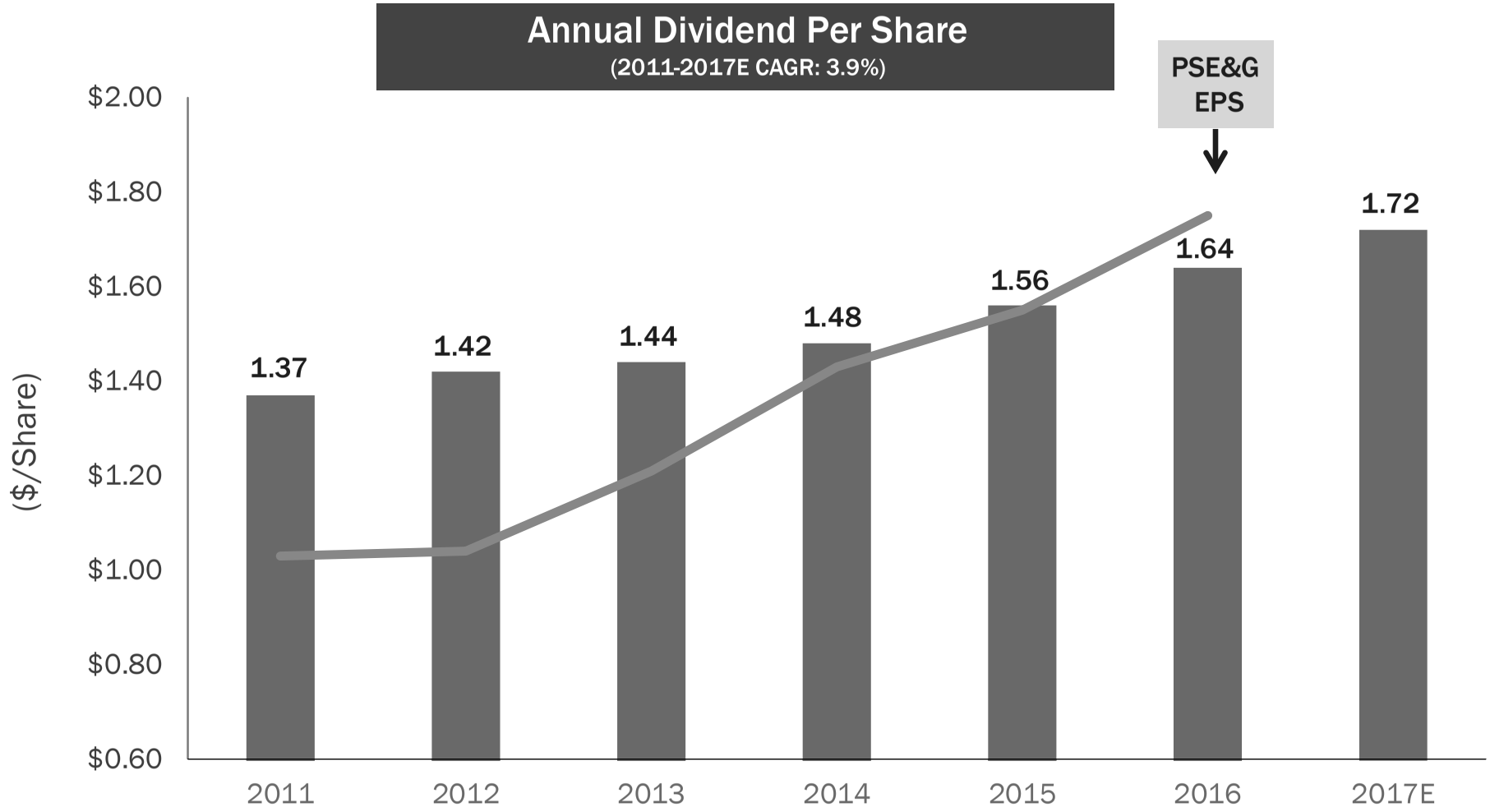
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-08705

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

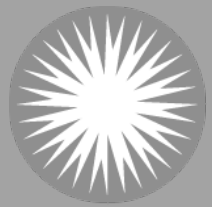
PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Goldman Sachs 12th Annual Power & Utility Conference

NEW YORK CITY – AUGUST 8, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08709

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-08710

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 9. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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PSEG OVERVIEW & OUTLOOK

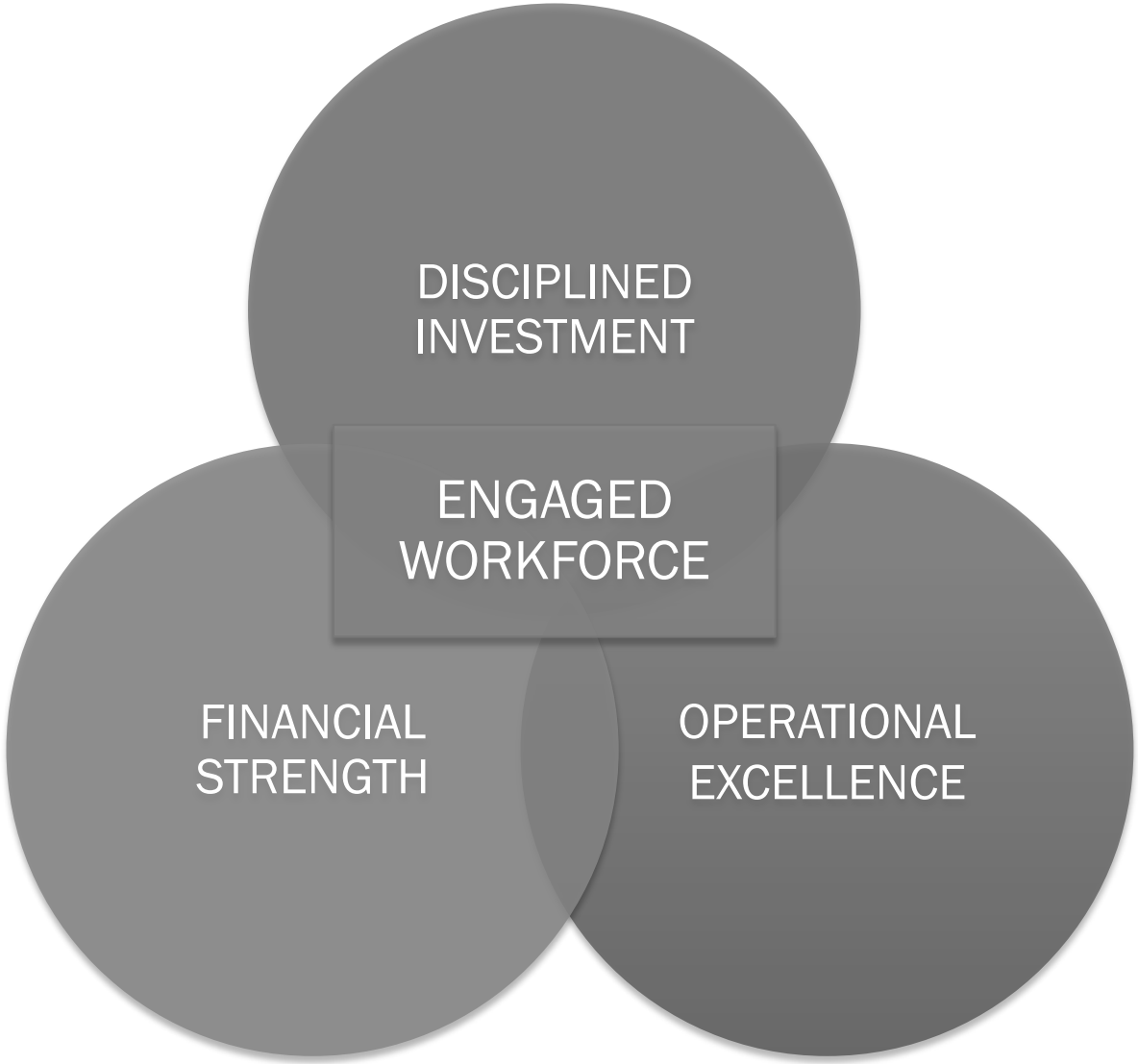
PSEG

We make things work for you.

SI-SSA-0015-08713

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III*
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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* In May 2013, the NJBPU approved the Solar Agreement reached with BPU Staff and other parties; see slide 36 for details.

PSEG First Half 2013 Highlights

Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share

- Based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Focused on maintaining operating efficiency and customer reliability
- PSE&G's operating earnings expected to grow at double-digit rate in 2013, and provide ~50% of consolidated operating earnings

Executing PSE&G's existing $3.4 billion Transmission capital spending program on schedule – fueling double-digit growth in PSE&G operating earnings through 2015, based on approved programs

PSE&G pursuing Energy Strong, its $3.9 billion, ten-year infrastructure spending program to strengthen electric and gas distribution, communications, and customer reliability and resiliency. In addition, PSE&G plans to invest $1.5 billion during this time-frame to harden its Transmission system

Financial position remains strong

- Positive cash from Power and increasing cash flow from PSE&G supports opportunity for dividend growth and funds capital spending program without the need to issue equity
- Debt as a percentage of capital was 41.2% at June 30, 2013

Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

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First Half 2013 Operating Earnings by Subsidiary

Six months ended June 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

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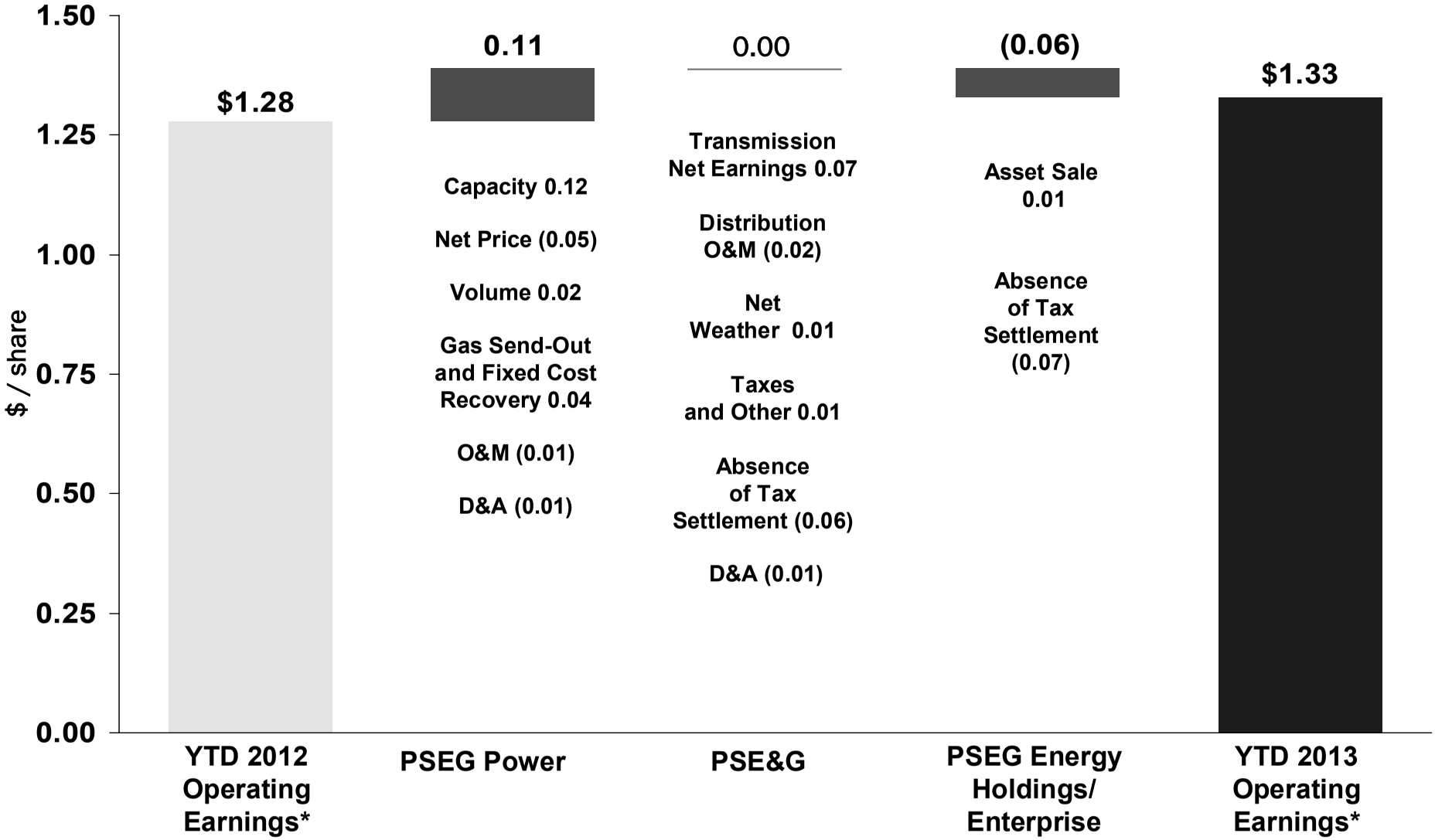
PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First-Half 2013 versus First Half 2012



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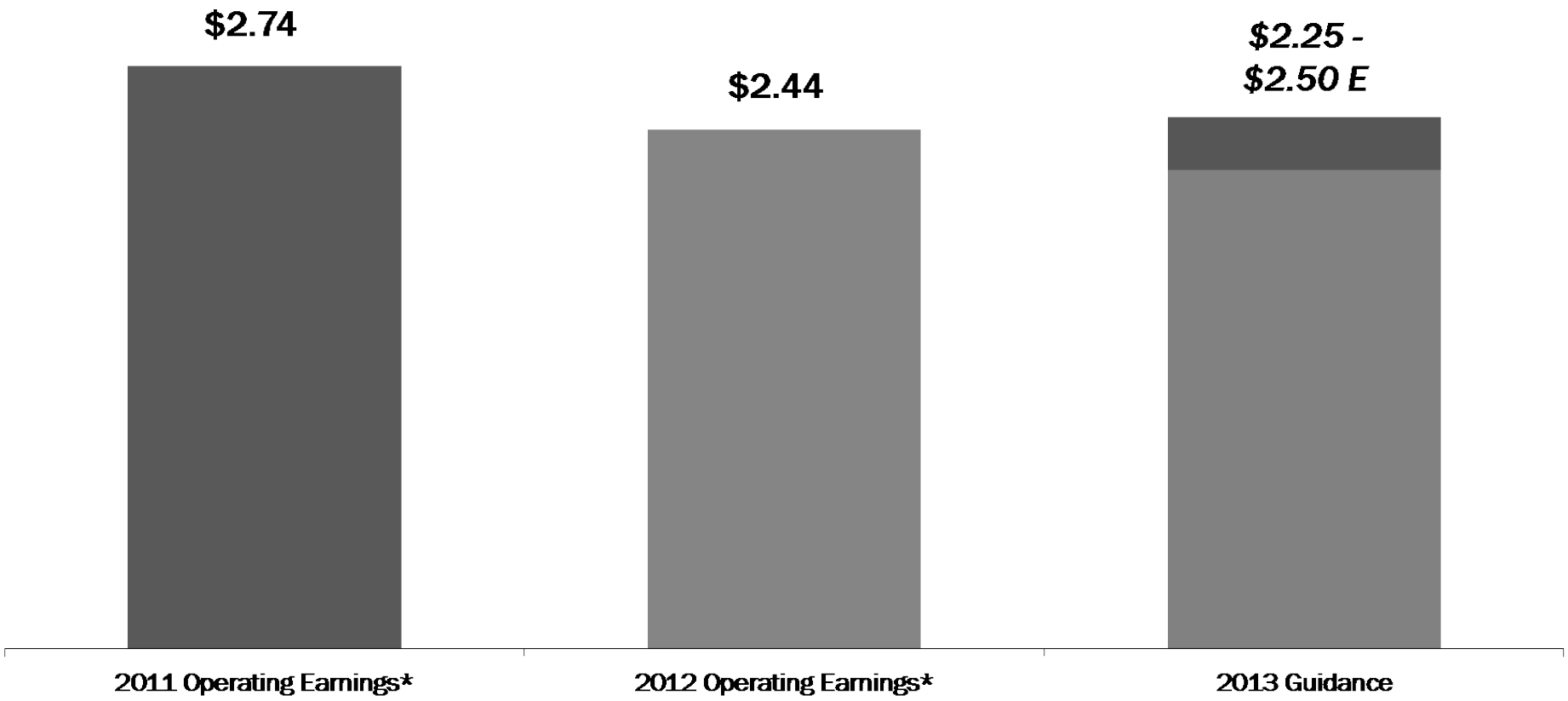
* SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

2013 Operating Earnings Guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations



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PSEG

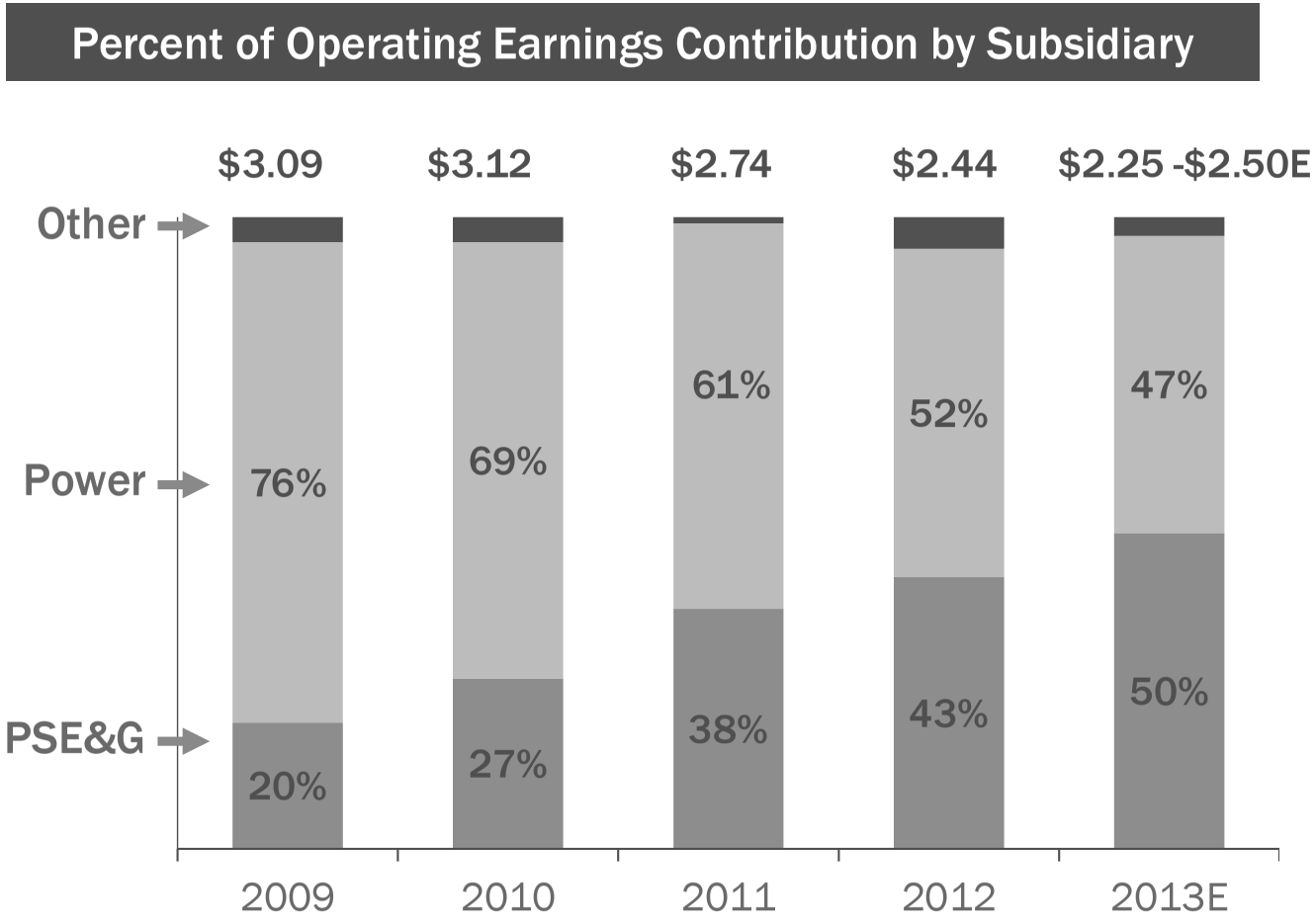
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

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Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

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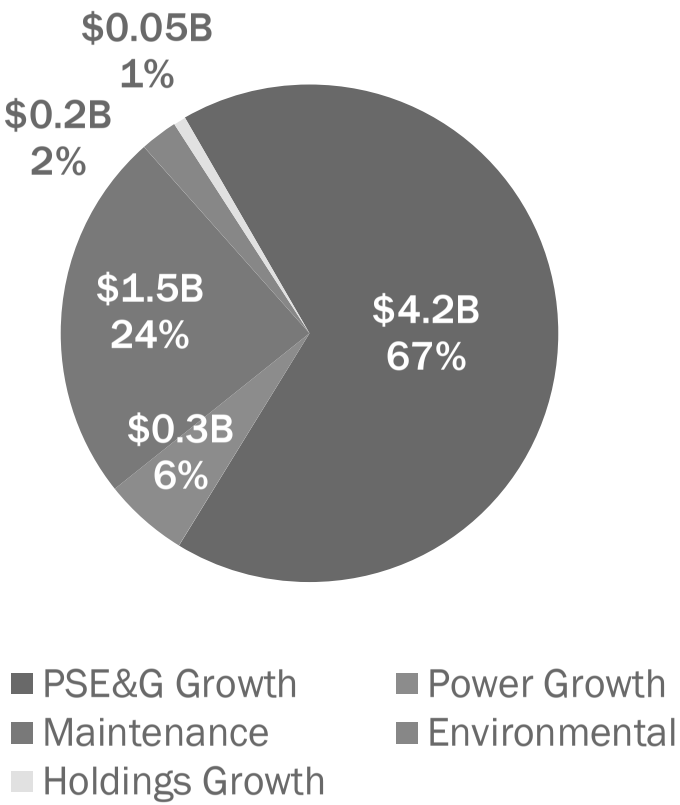
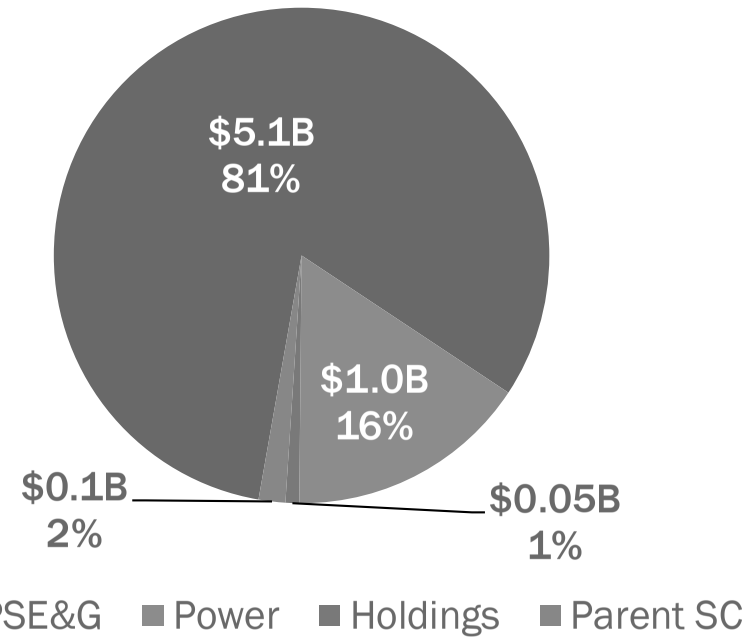
PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.3 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.3 Billion
by Subsidiary

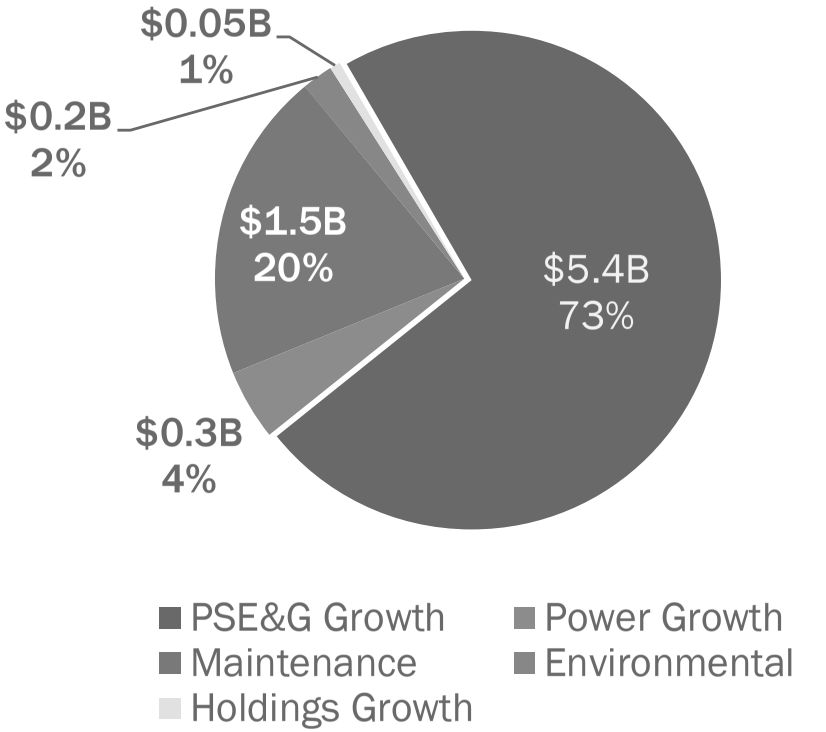


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

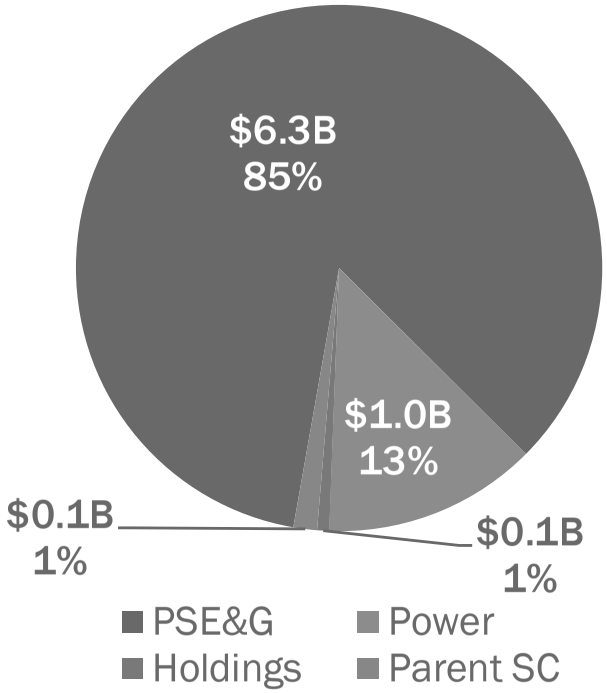
SI-SSA-0015-08724

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. DATA AS OF JUNE 30, 2013.

SI-SSA-0015-08725

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$454 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$415 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.1 Billion**)

- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-08726

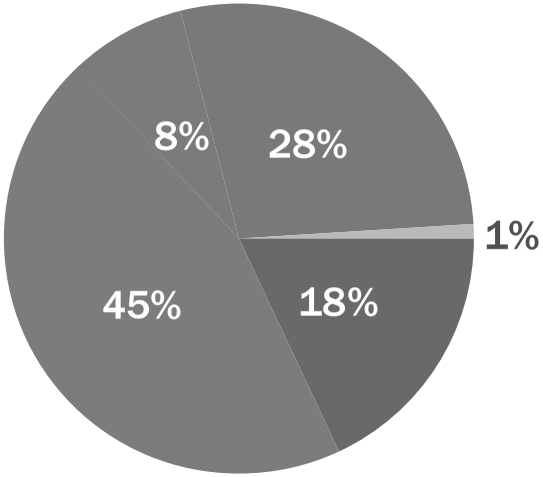
55 local NJ towns and 5 counties support

- 55 municipalities and five counties (Bergen, Hudson, Mercer, Passaic and Somerset) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems
- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities
- Public hearings are scheduled for September and October 2013

SI-SSA-0015-08727

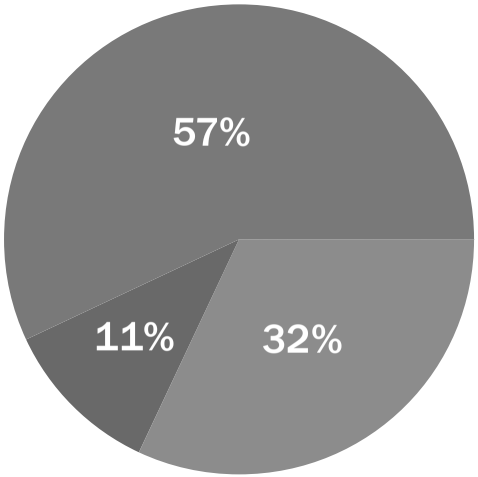
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

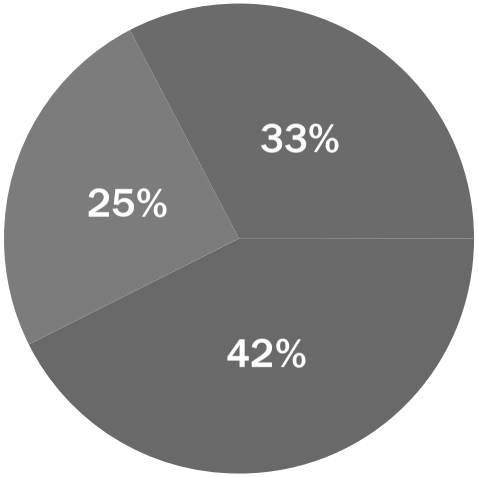


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Base load

SI-SSA-0015-08728

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

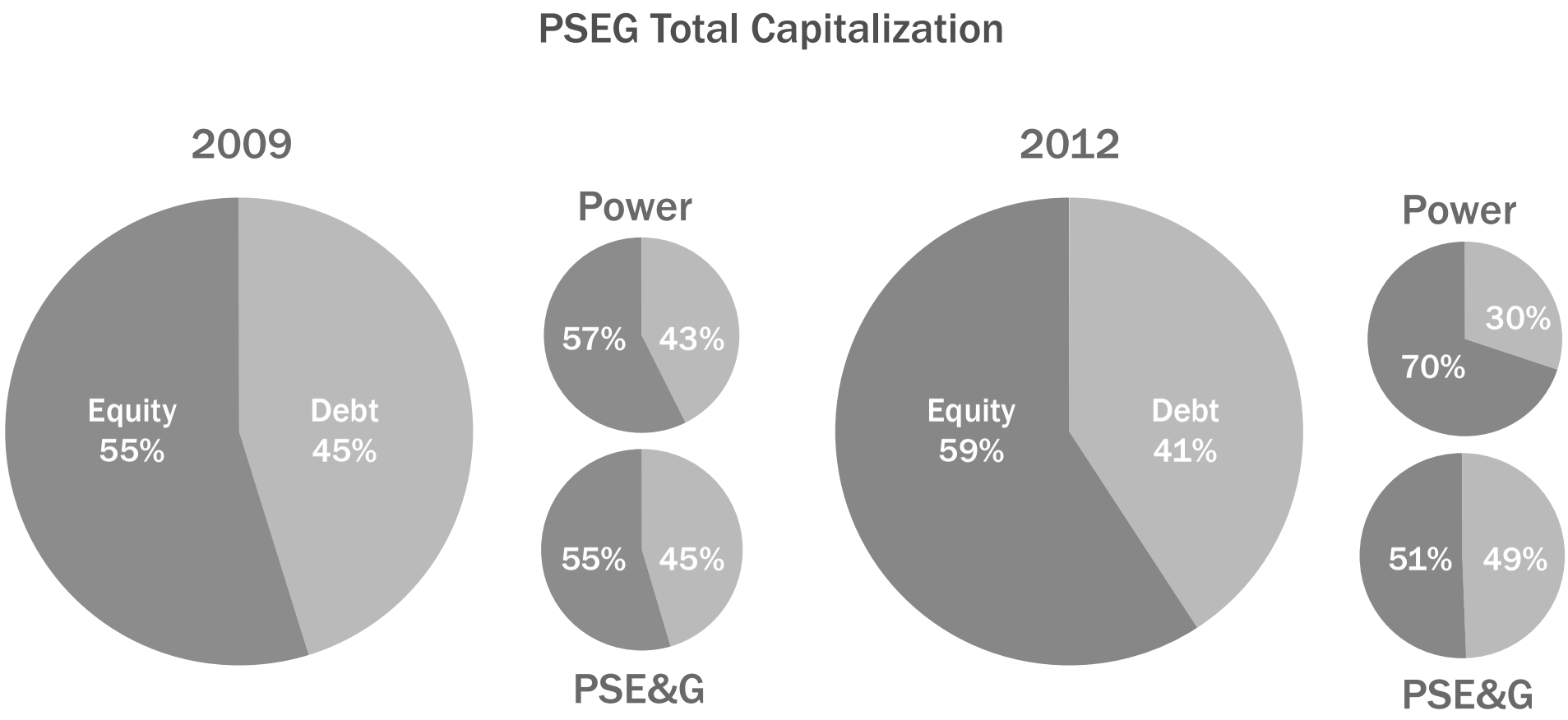
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-08729

Balance Sheet Strengthened

PSEG has reduced risk



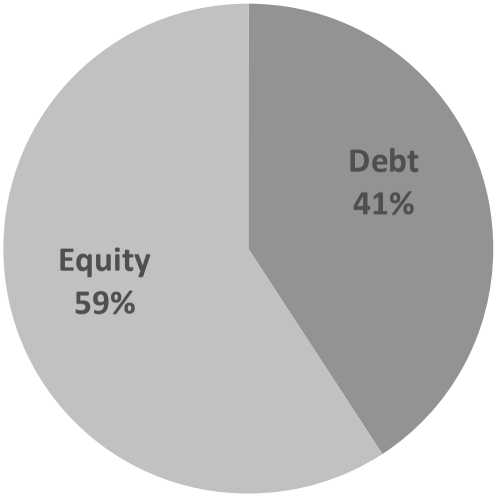
SI-SSA-0015-08730

Using PSEG's balance sheet strength

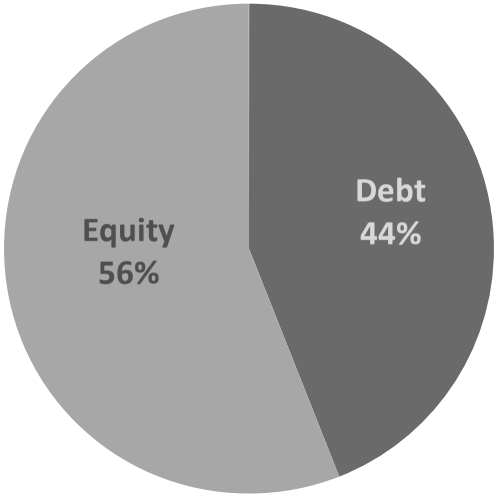
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



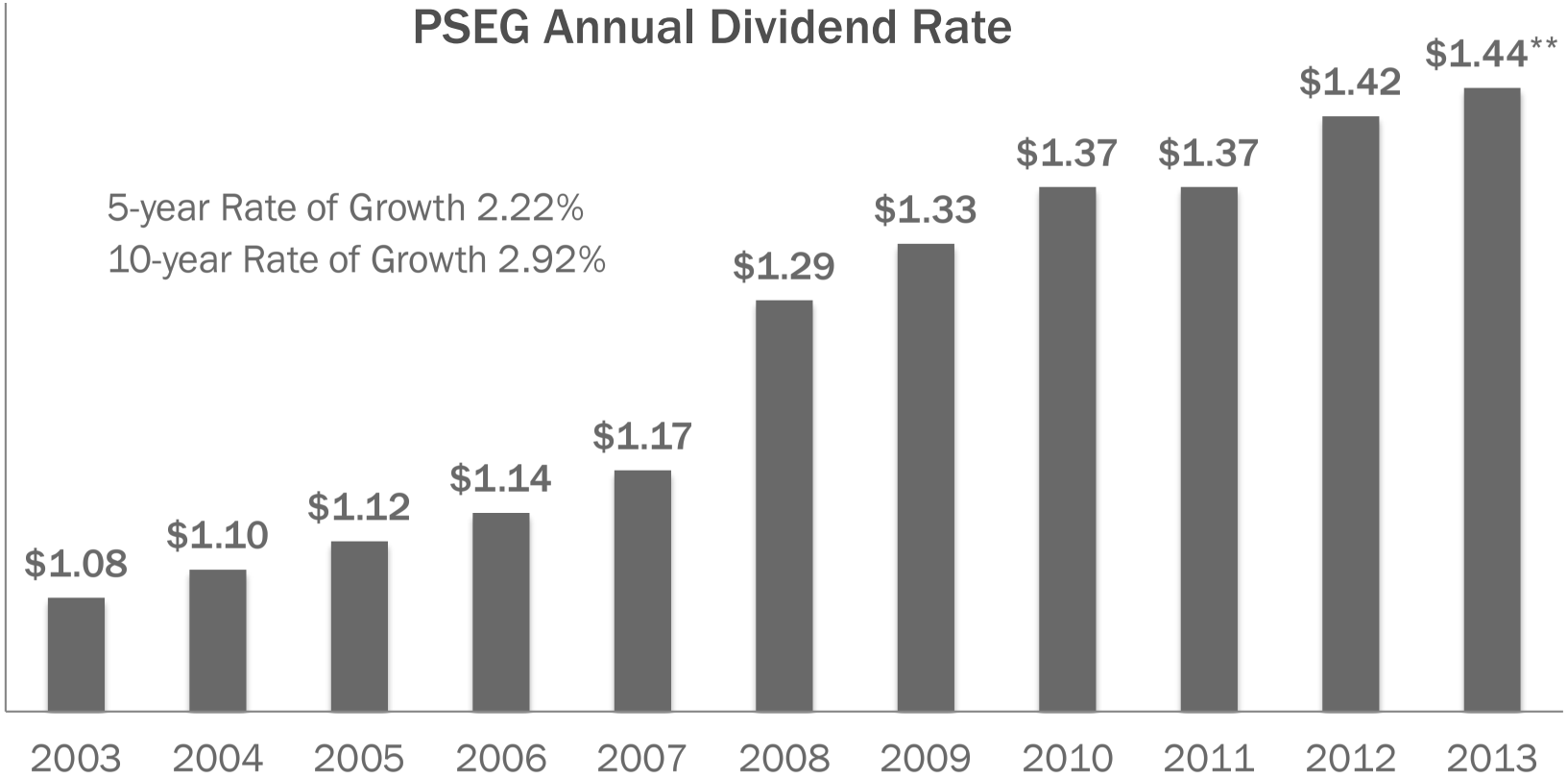
SI-SSA-0015-08731

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-08732

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-08733

PSEG

We make things work for you.

PSE&G

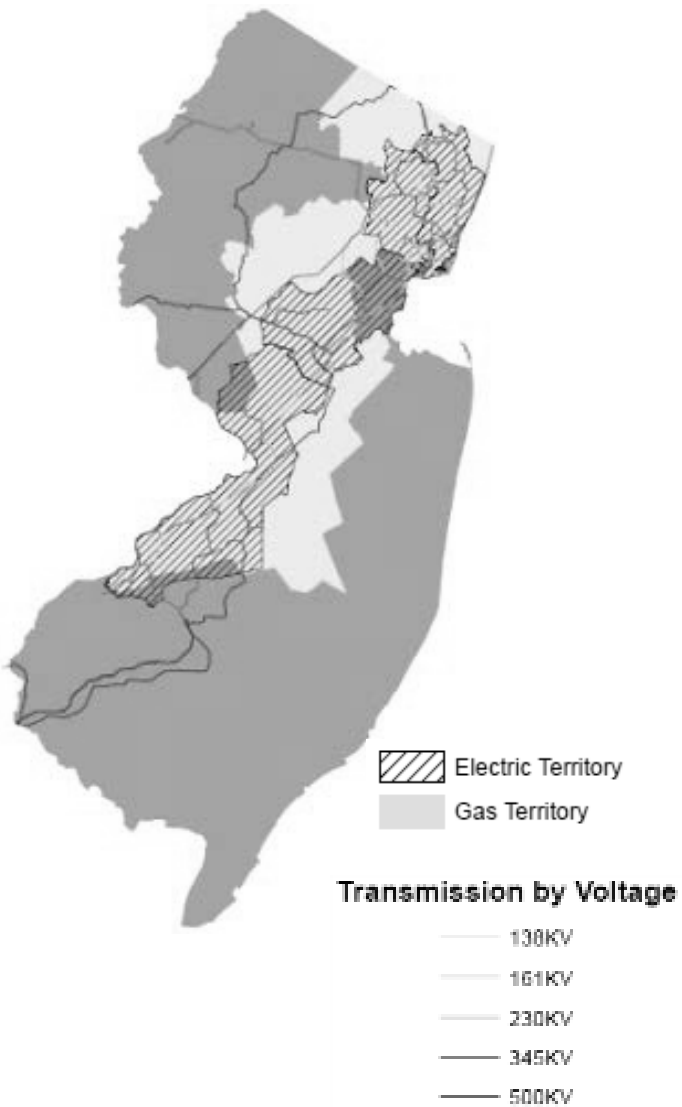
SI-SSA-0015-08734

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08735

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-08736

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

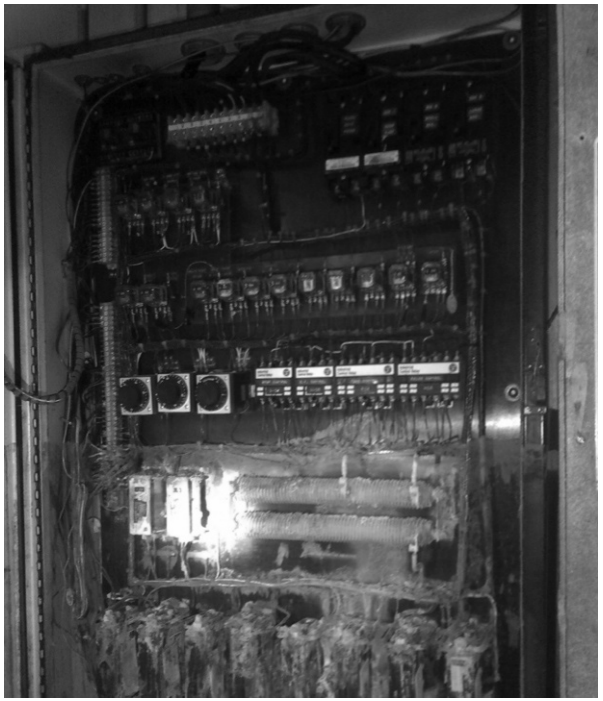
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-08737

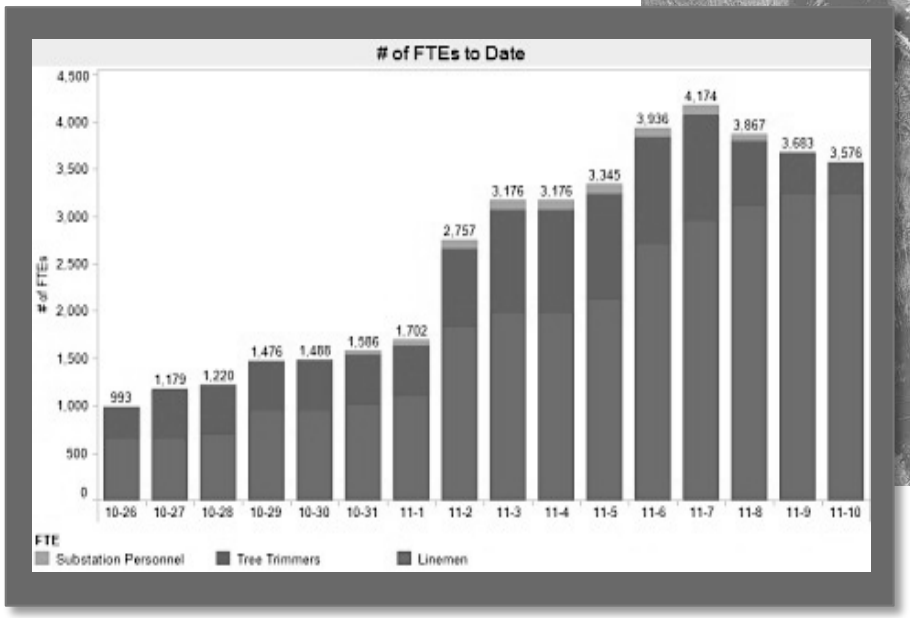
During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-08738

PSE&G brought in more than 4,000

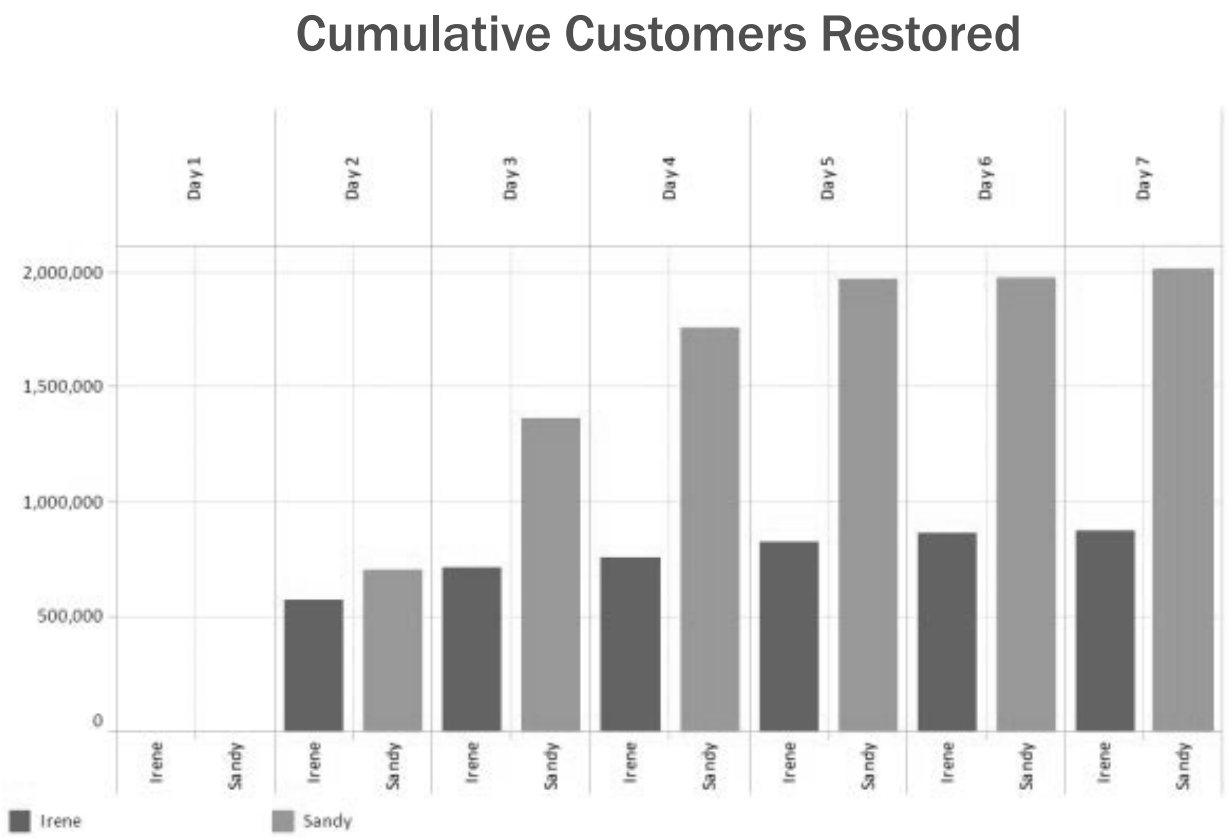
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-08739

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-08740

PSE&G's operating earnings grew ~10%*

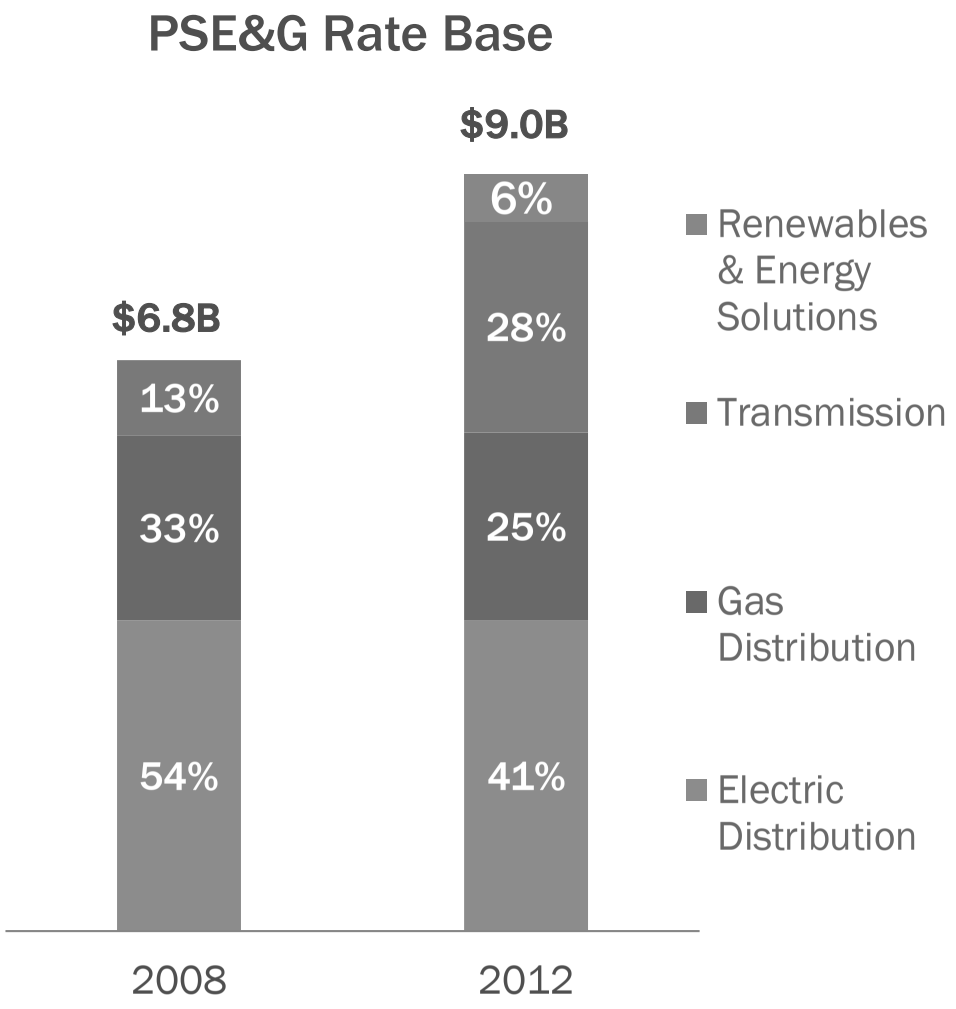
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-08741

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

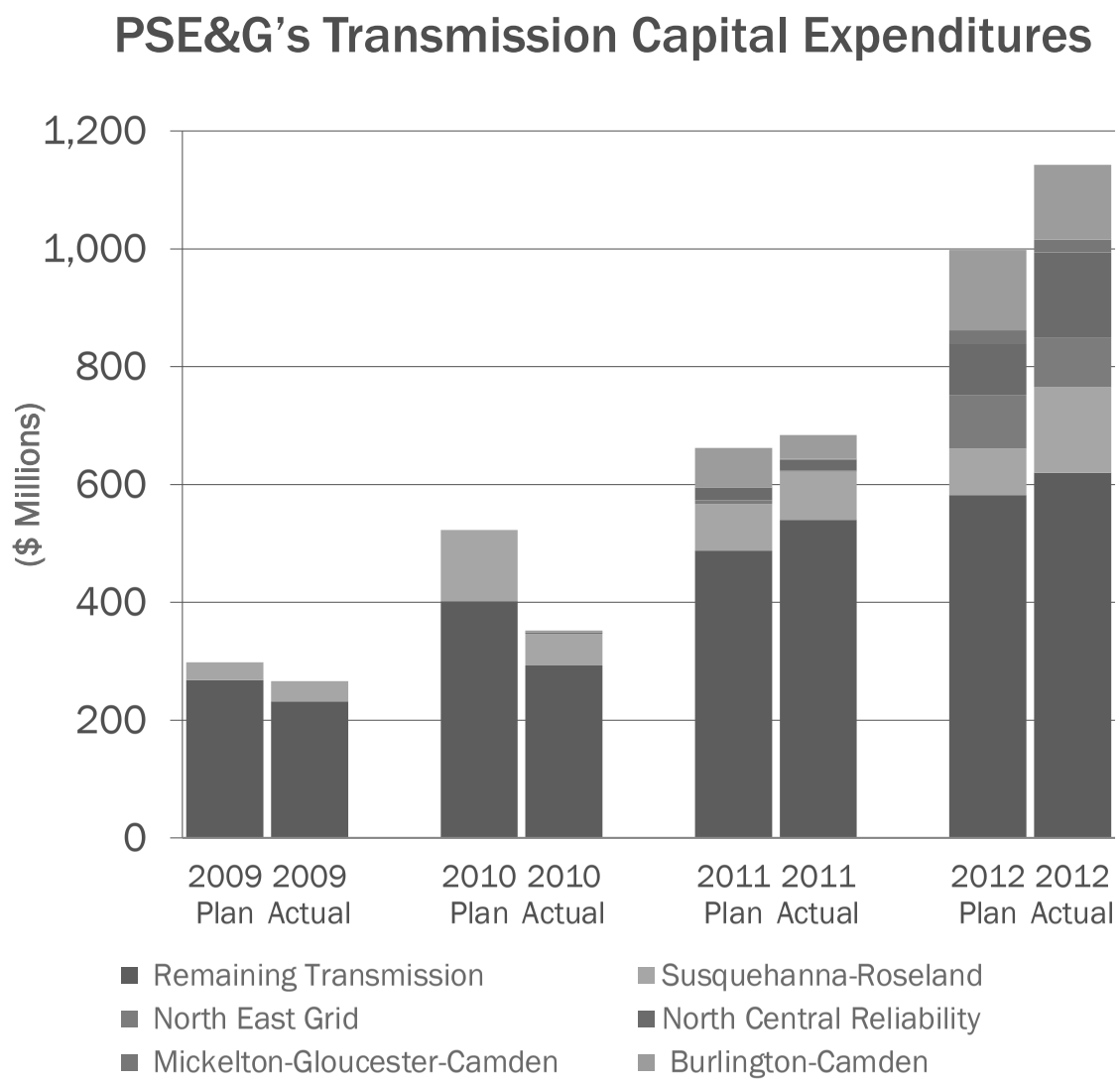
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-08742

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-08743

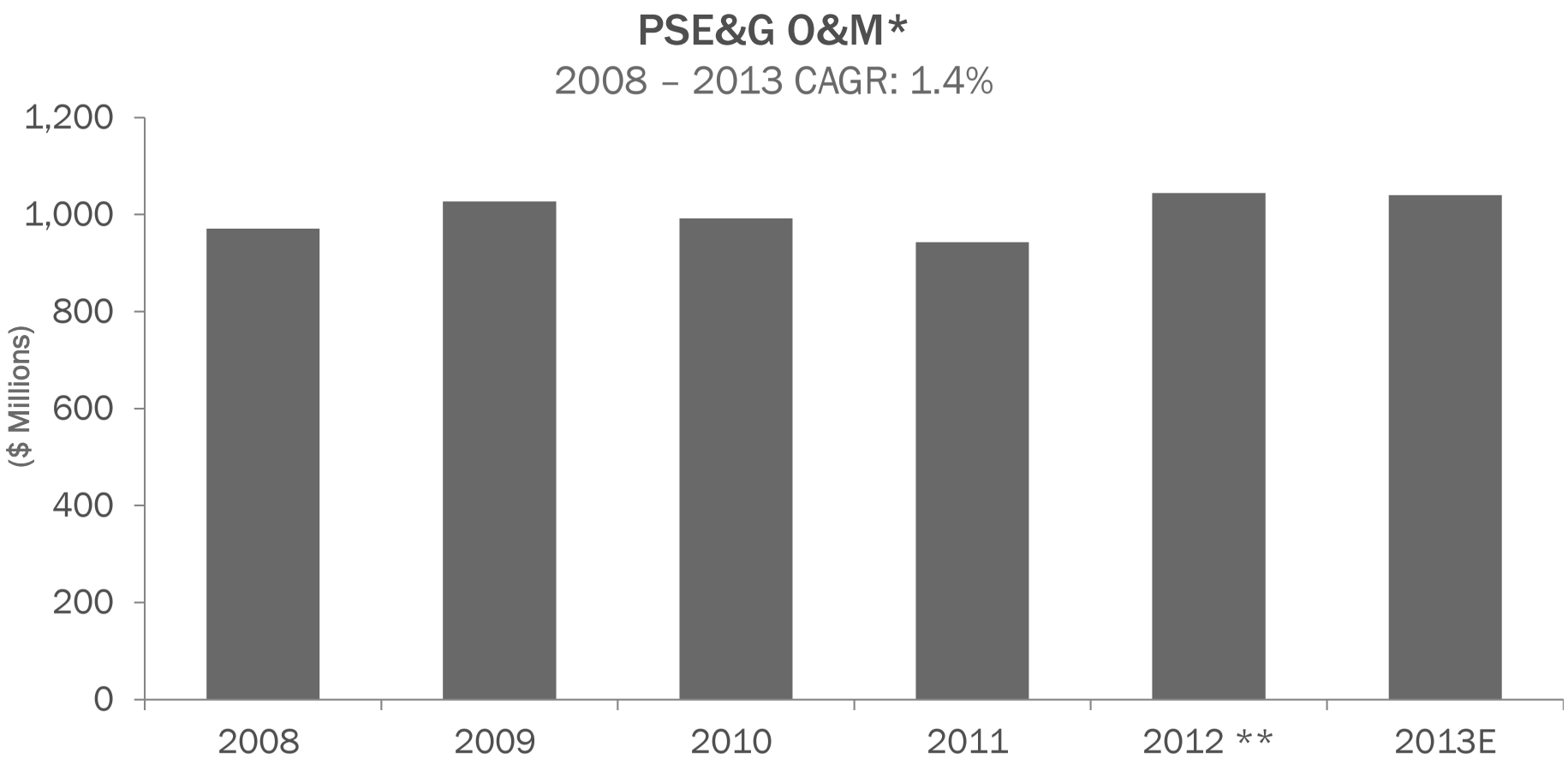
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 6/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$228	$16
Solar 4 All	July 2009	457	456	1
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	157	4
Demand Response	July 2009	34	29	5
Energy Efficiency Economic Stimulus Extension	July 2011	93	23	70
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	280	280	-
	Total	**$2,462**	**$1,920**	**$542**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-08744

Focus on controlling O&M allows us to earn our authorized return

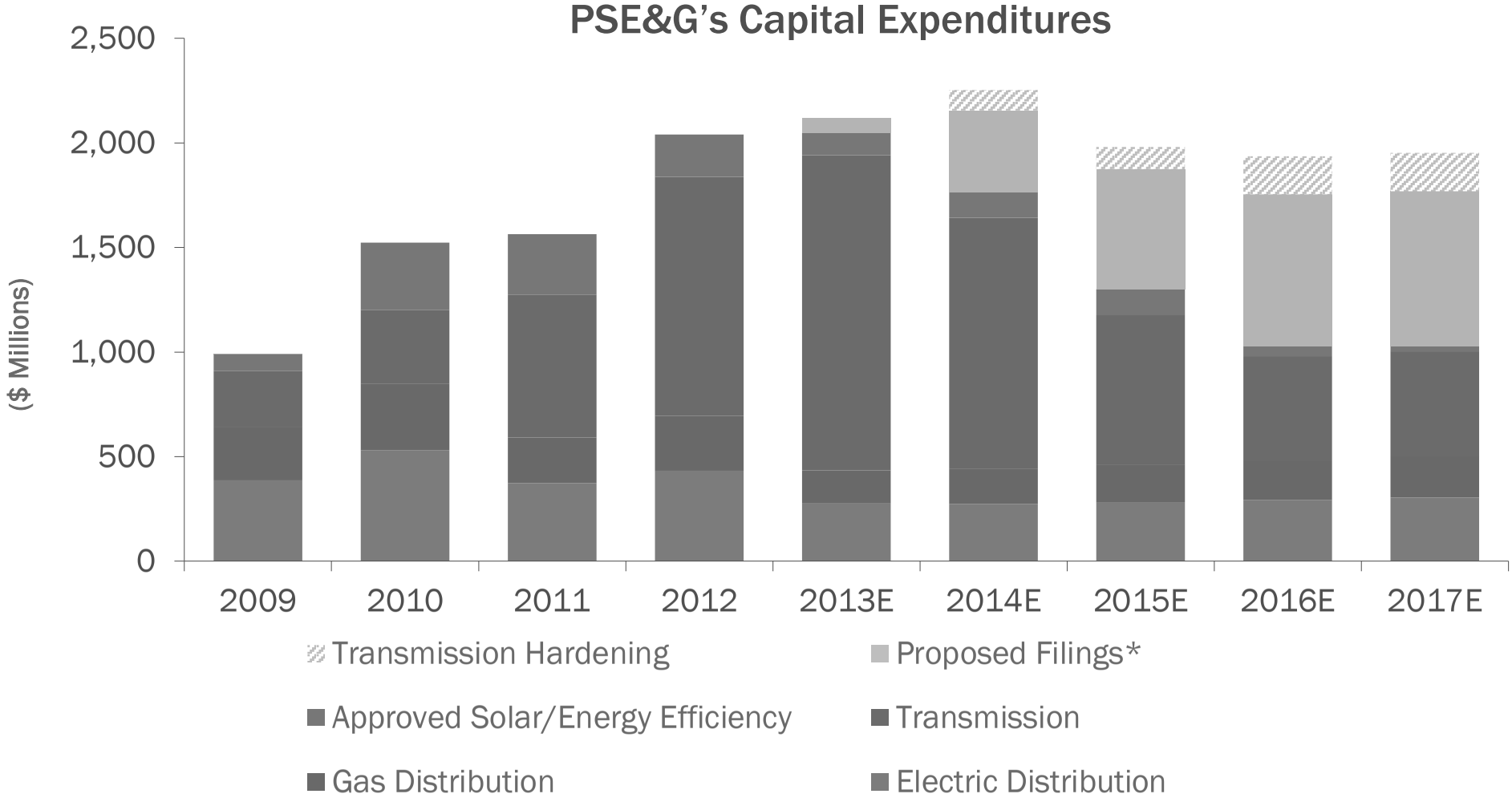


SI-SSA-0015-08745

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-08746

PSEG

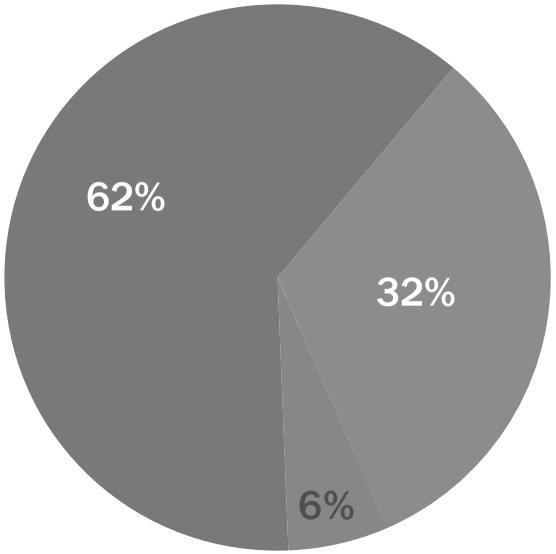
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EE4A. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

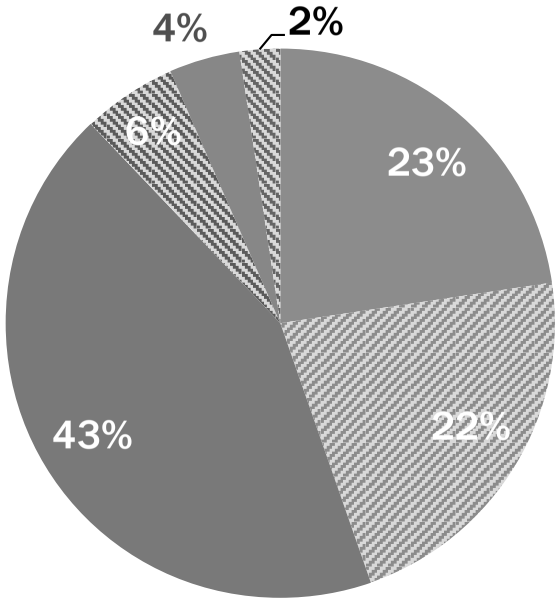
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

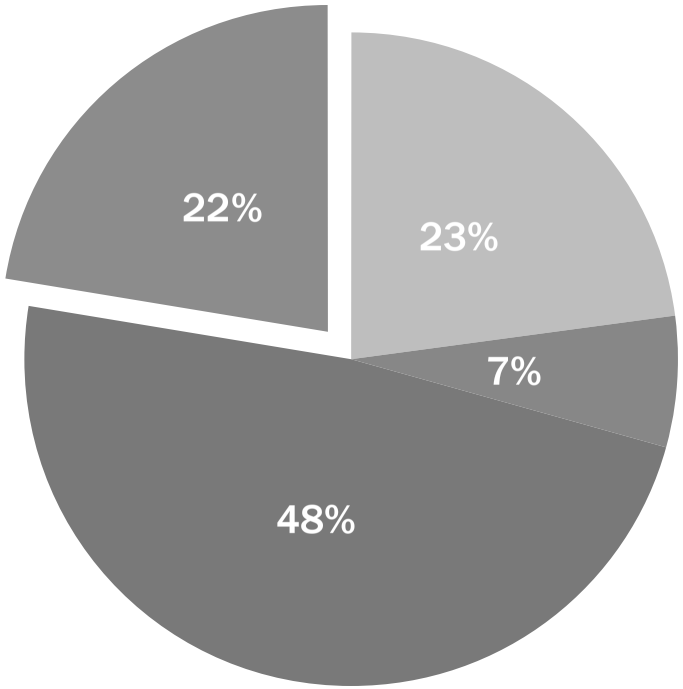
SI-SSA-0015-08747

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.3 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-08748

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-08749

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08750

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-08751

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08752

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08753

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08754

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

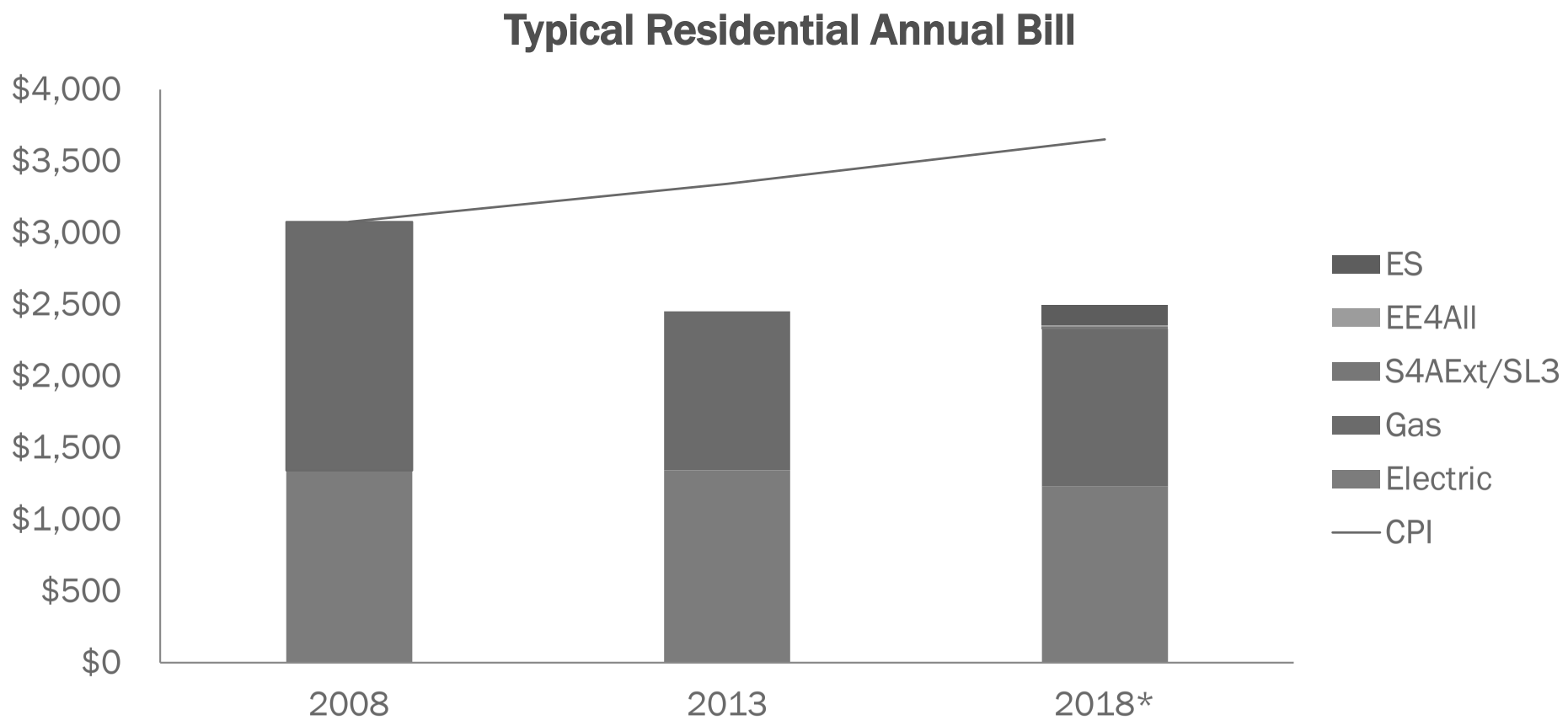
SI-SSA-0015-08755

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-08756

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

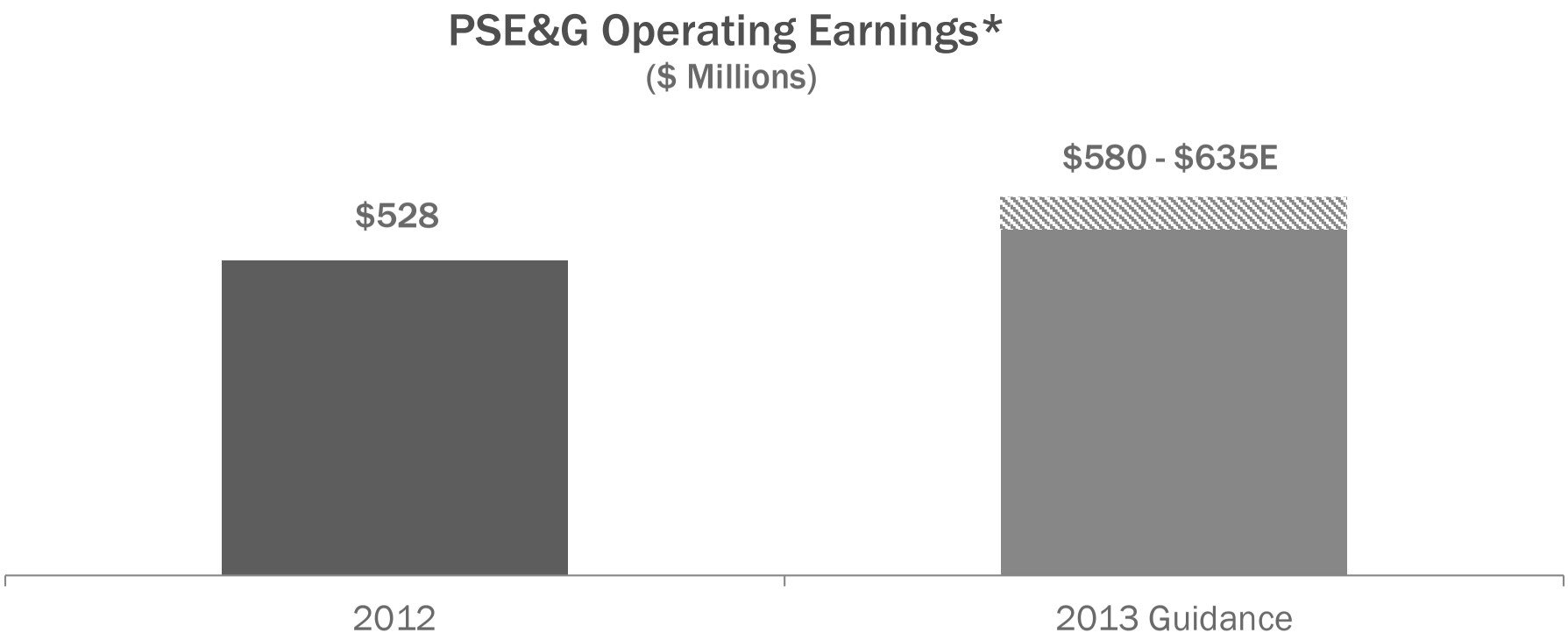


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES AS OF MARCH 31, 2013.

SI-SSA-0015-08757

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-08758

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-08759

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-08760

PSEG ENERGY HOLDINGS

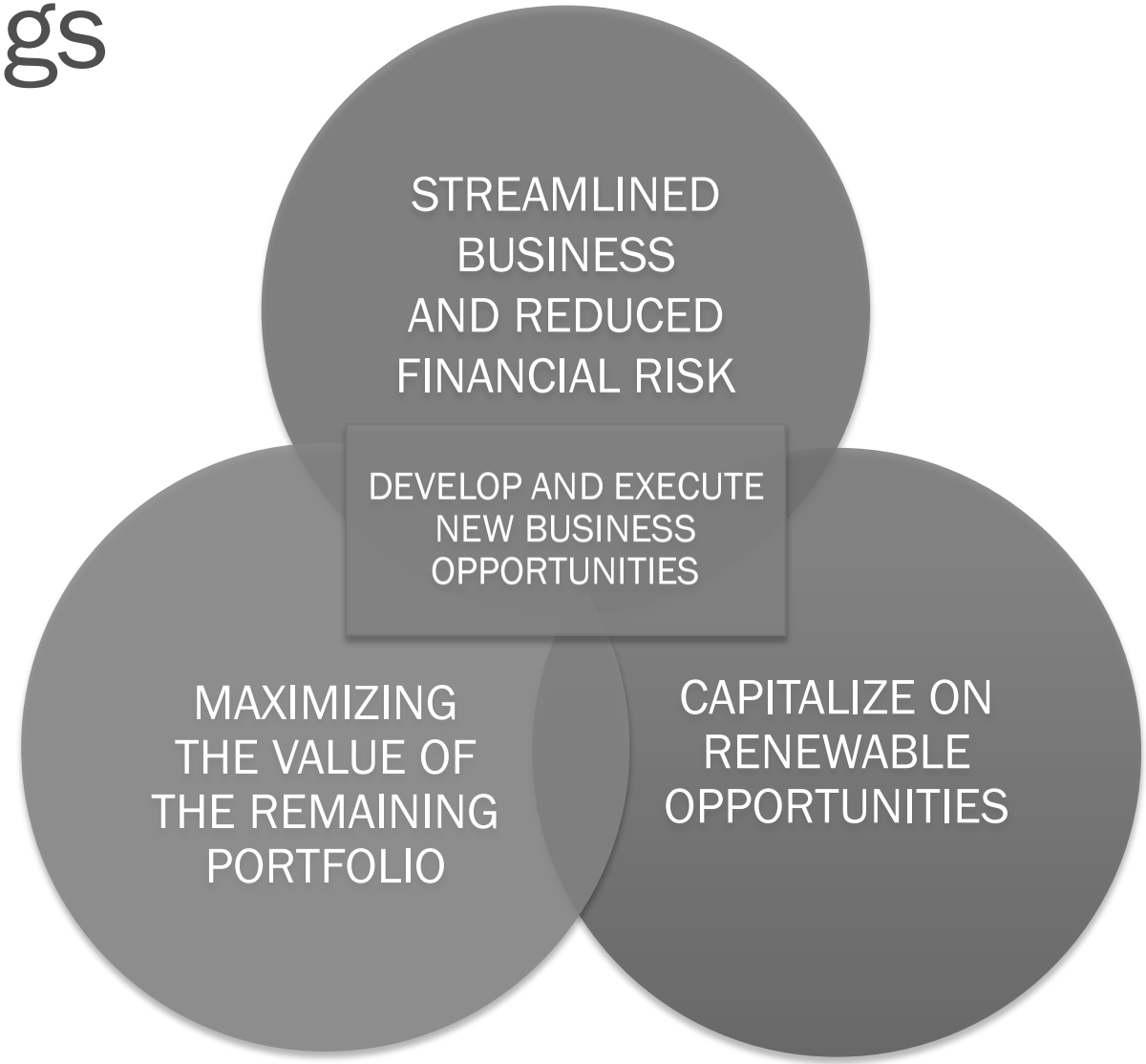
PSEG

We make things work for you.

SI-SSA-0015-08761

PSEG Energy Holdings strategy

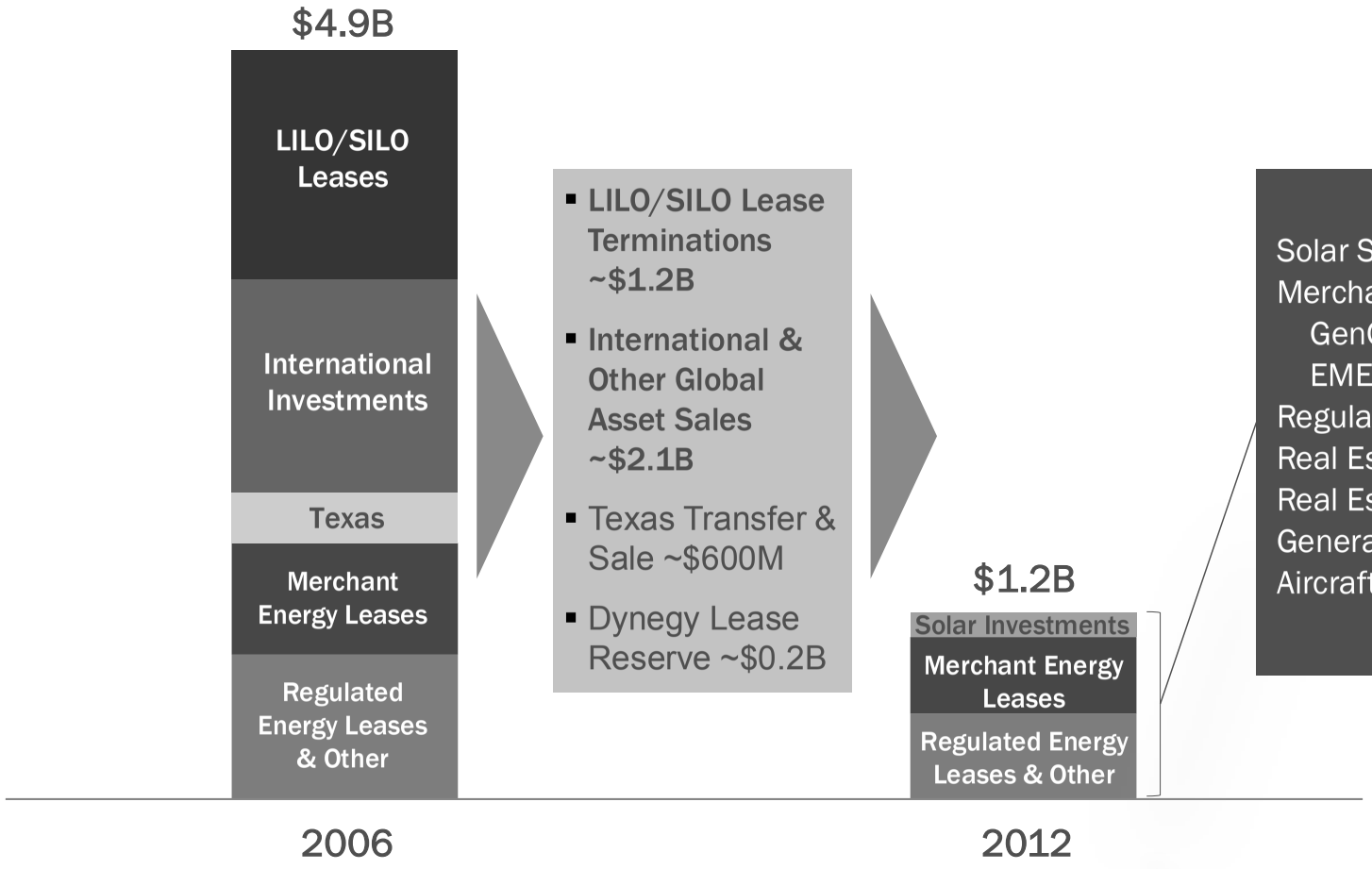
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-08762

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011.

SI-SSA-0015-08763

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-08764

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

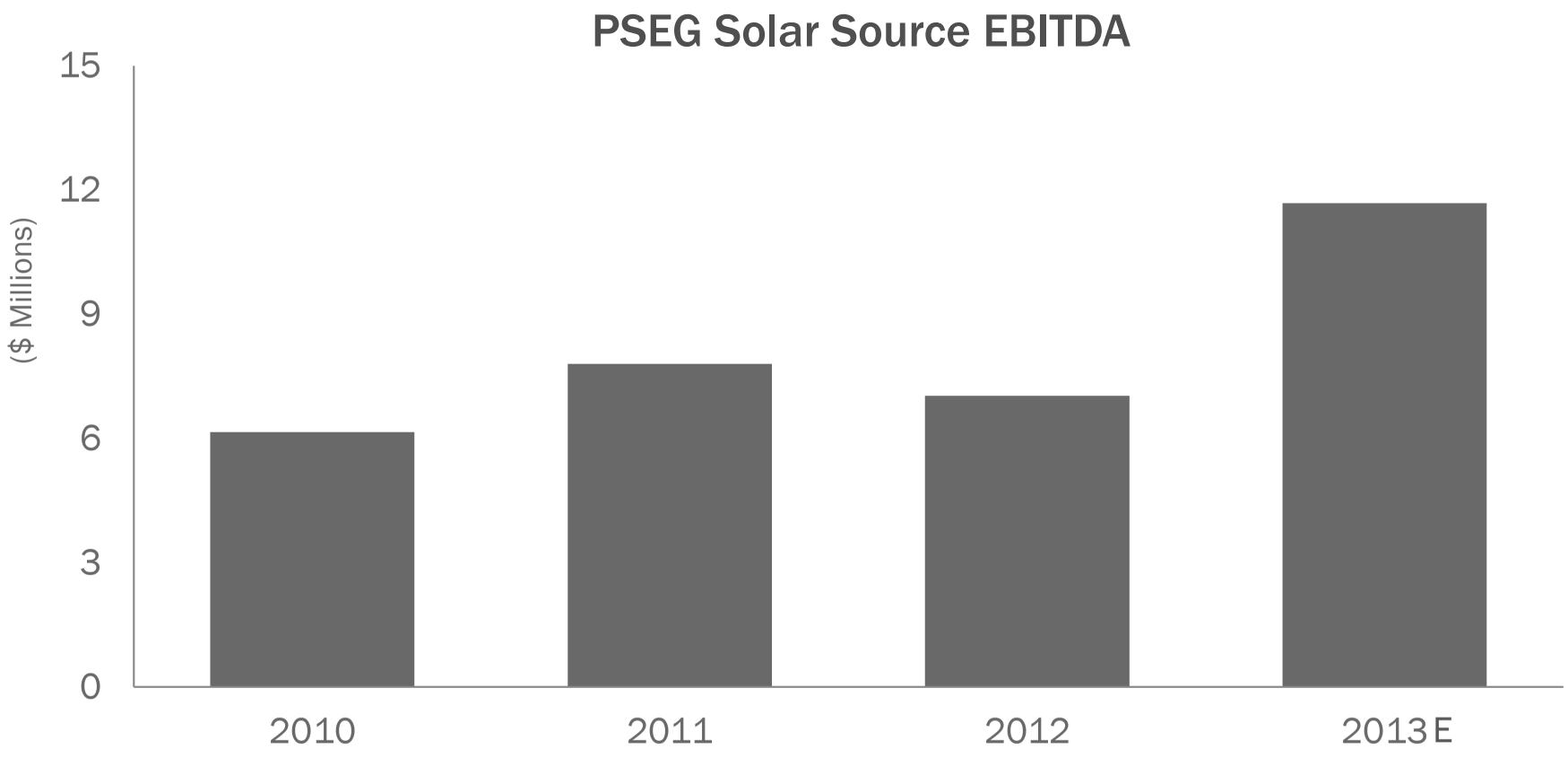
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-08765

PSEG Energy Holdings

These projects will produce steady results for PSEG

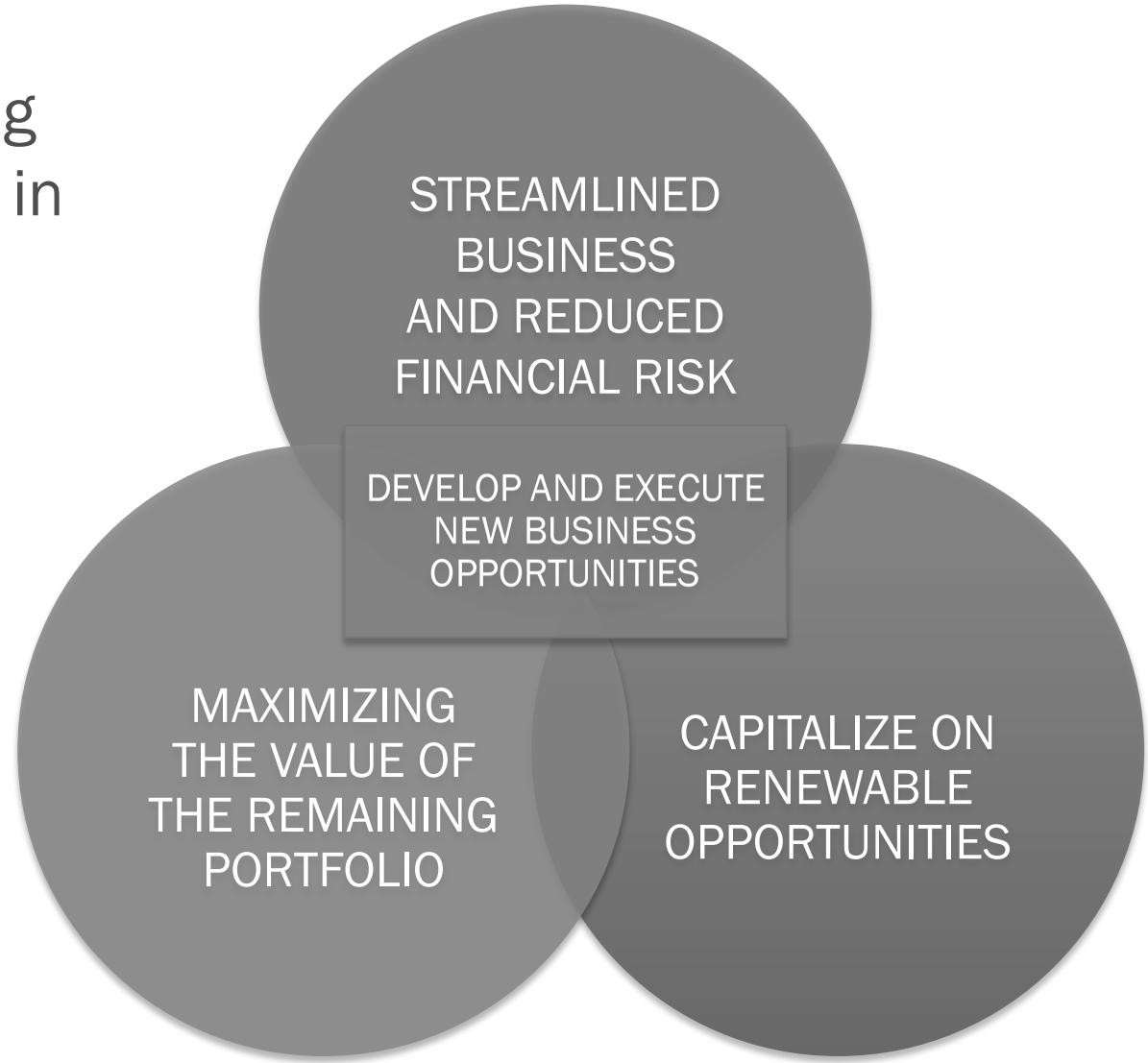


SI-SSA-0015-08766

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-08767

PSEG POWER

PSEG

We make things work for you.

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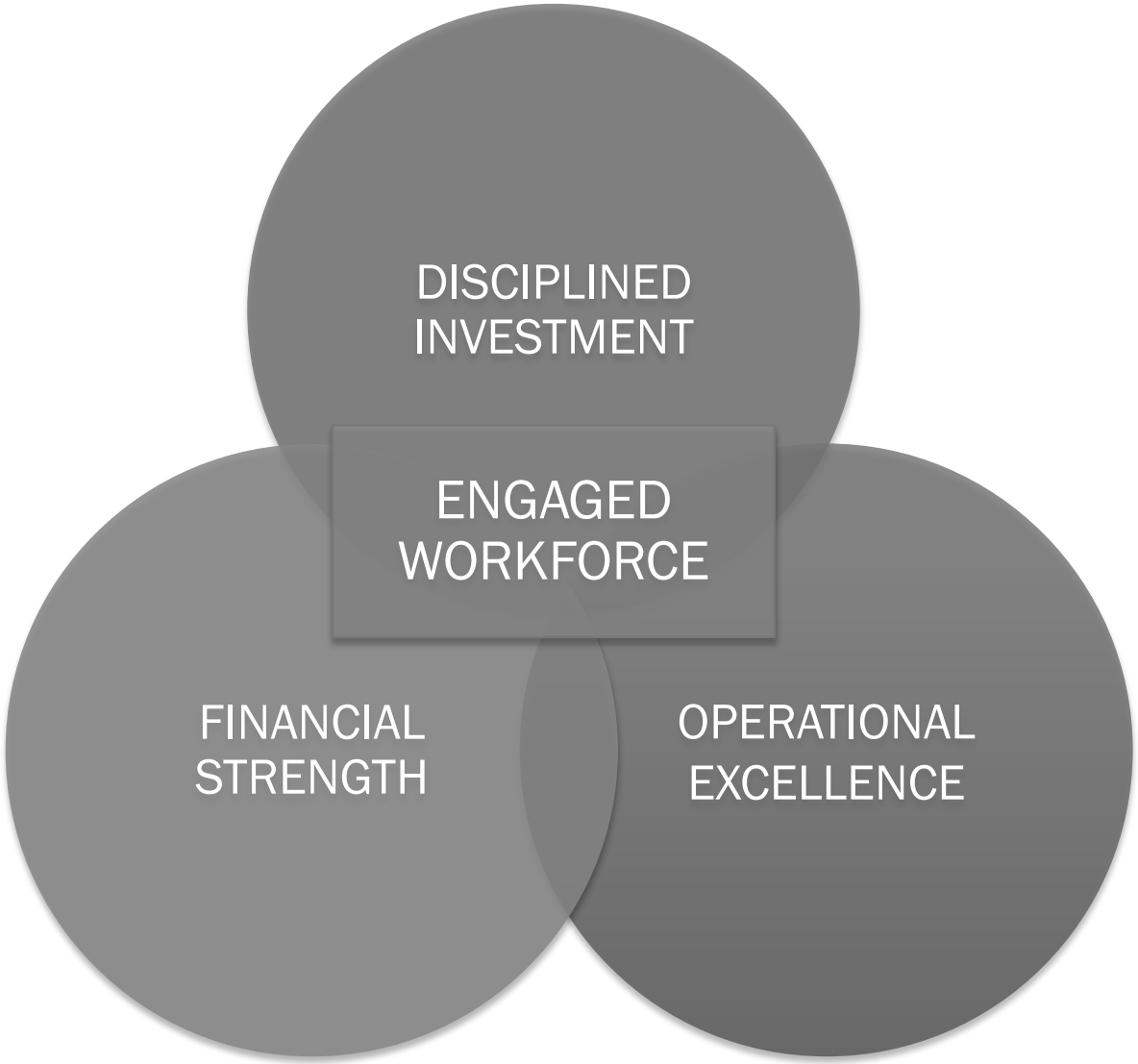
PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-08769

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-08770

PSEG Power delivered in 2012

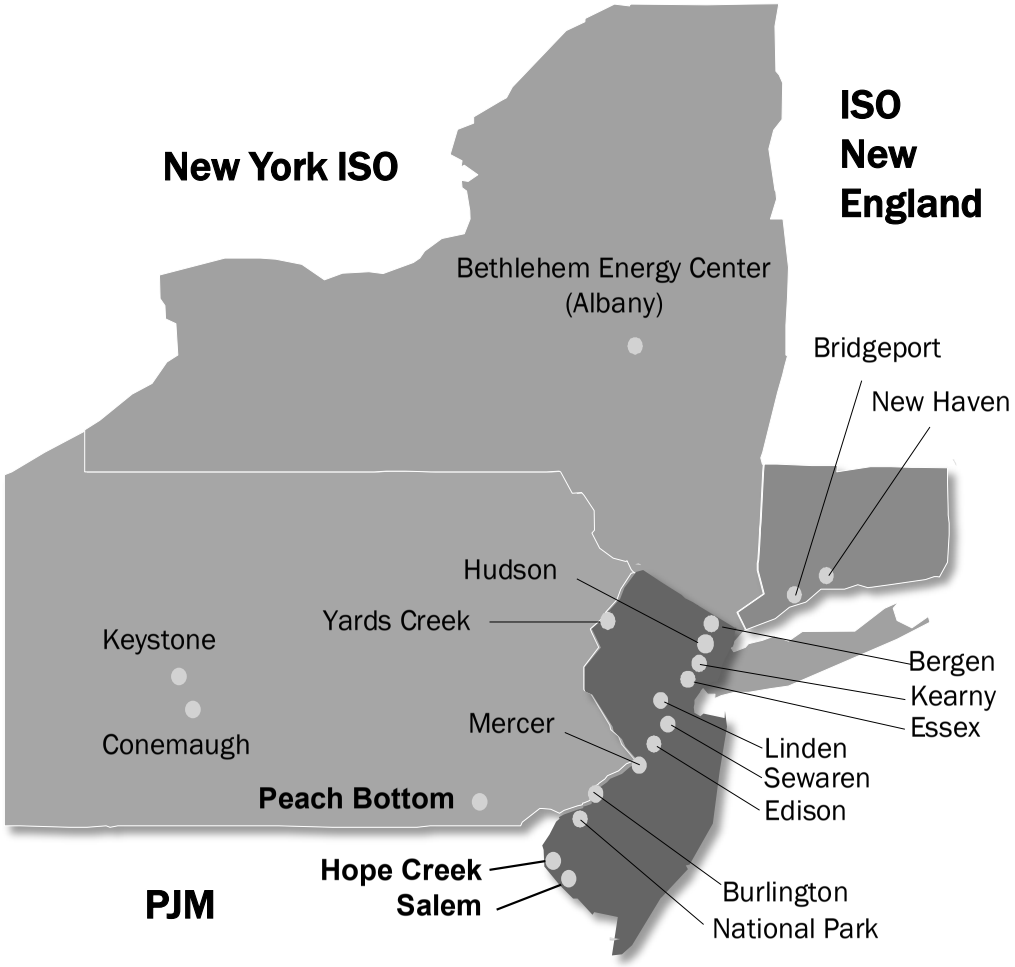
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-08771

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-08772

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-08773

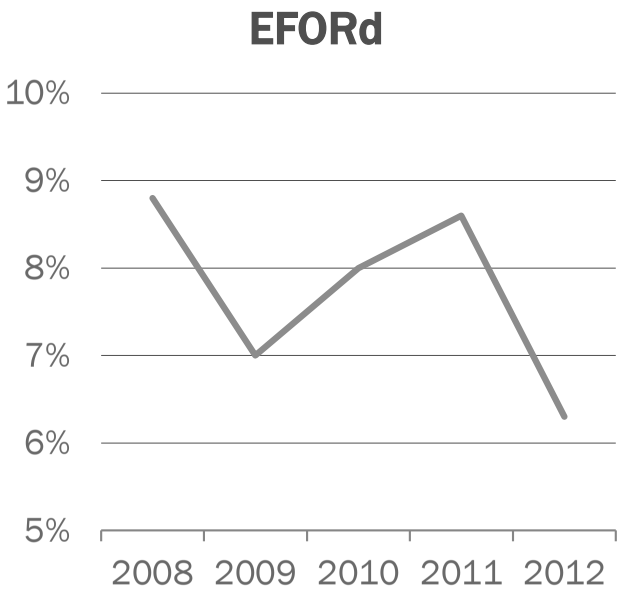
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

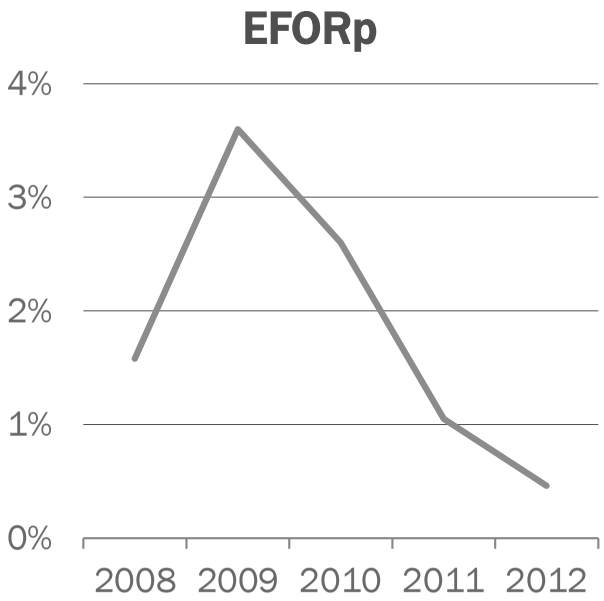
SI-SSA-0015-08774

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

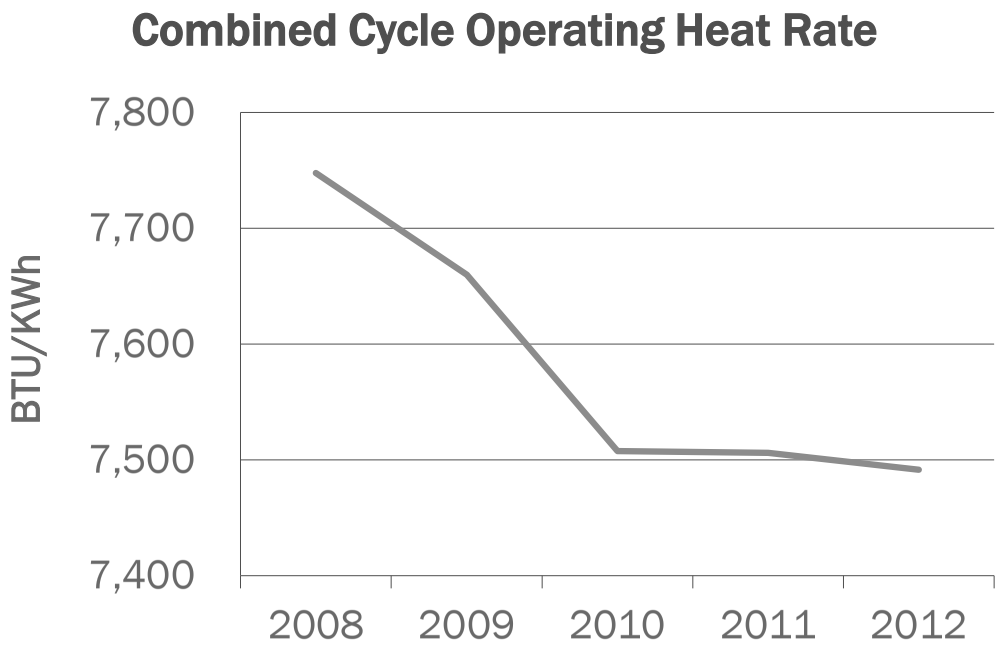


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-08775

PSEG Power improvements achieved in combined cycle fleet efficiency

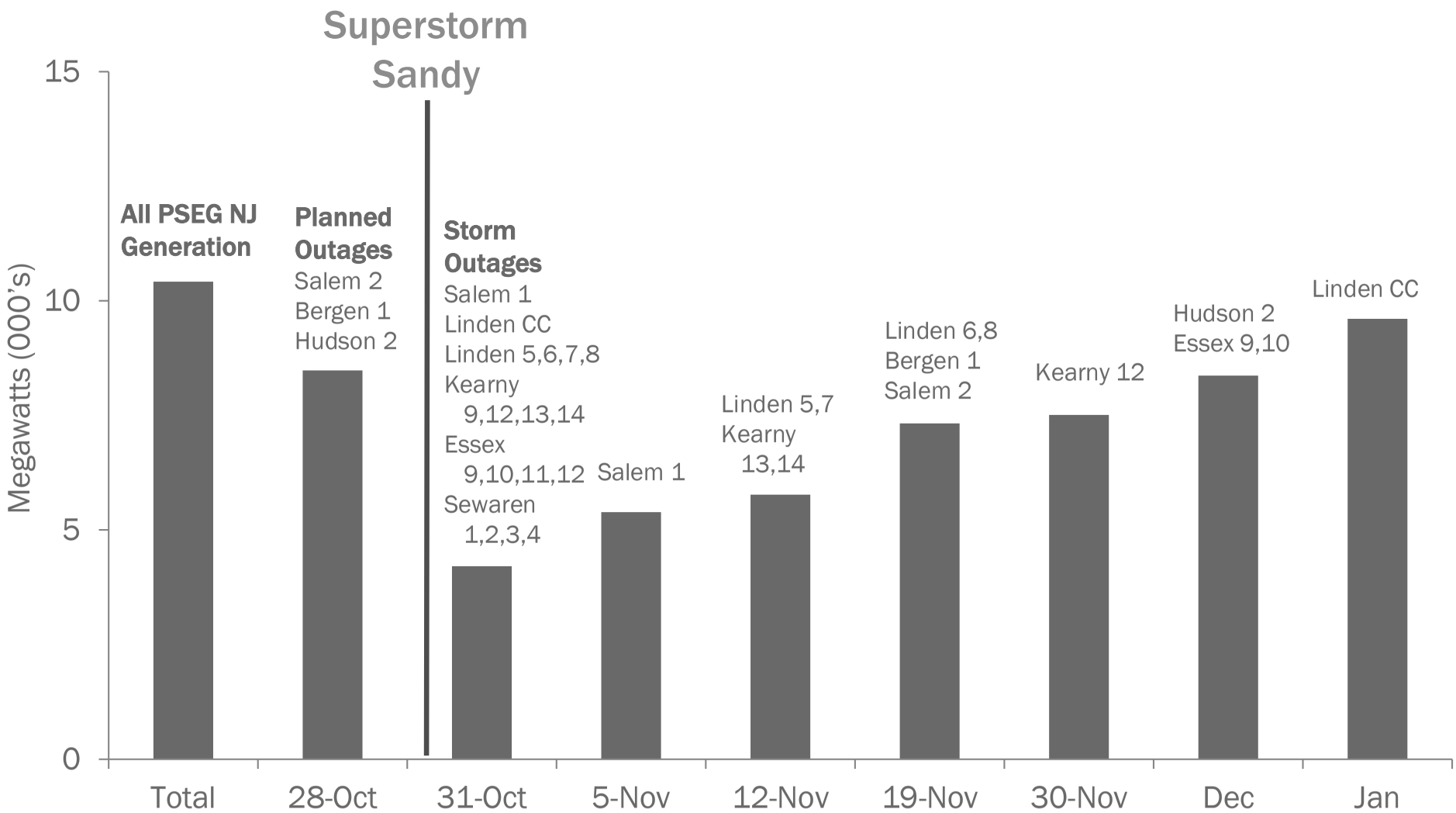


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-08776

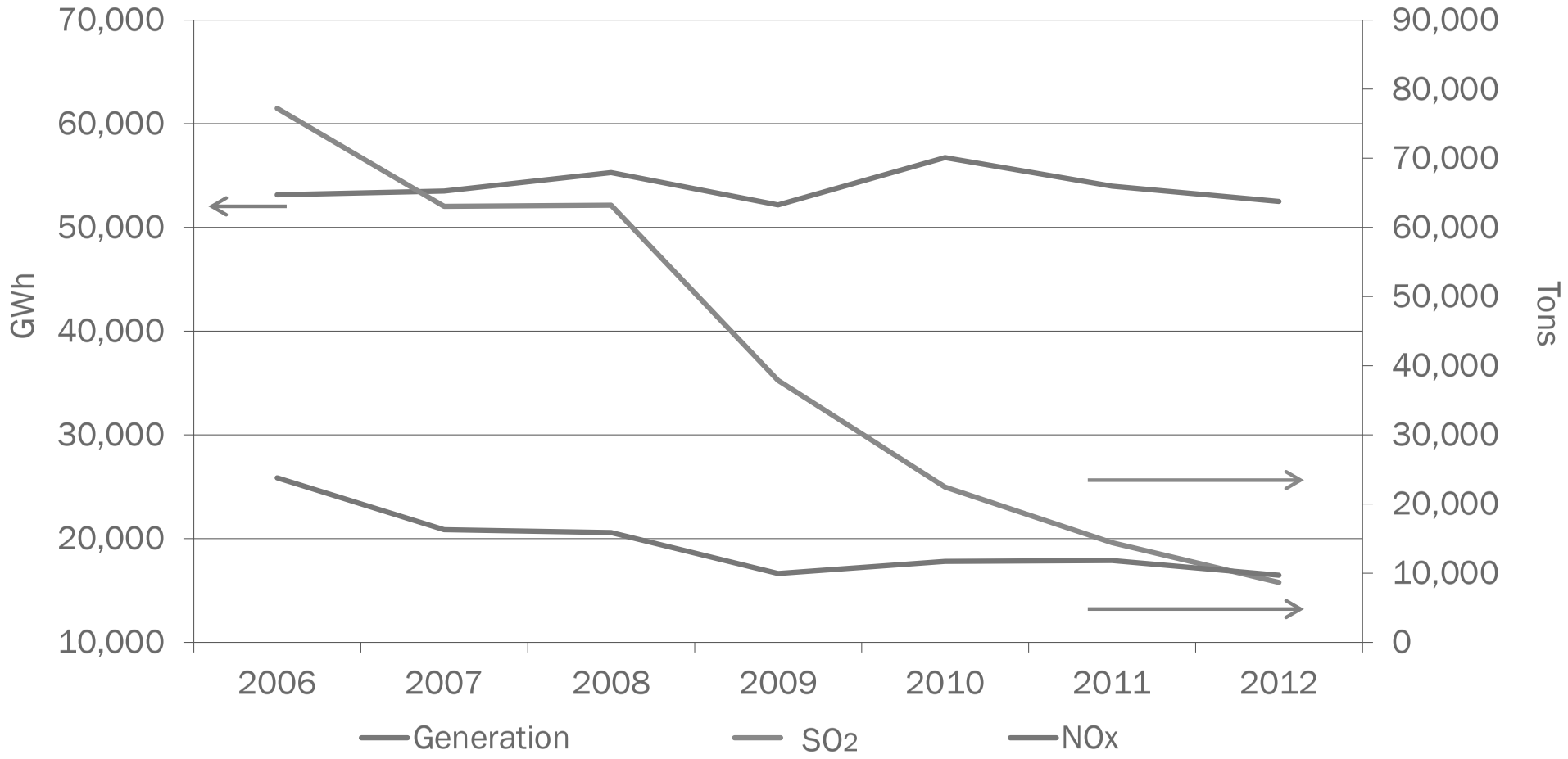
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-08777

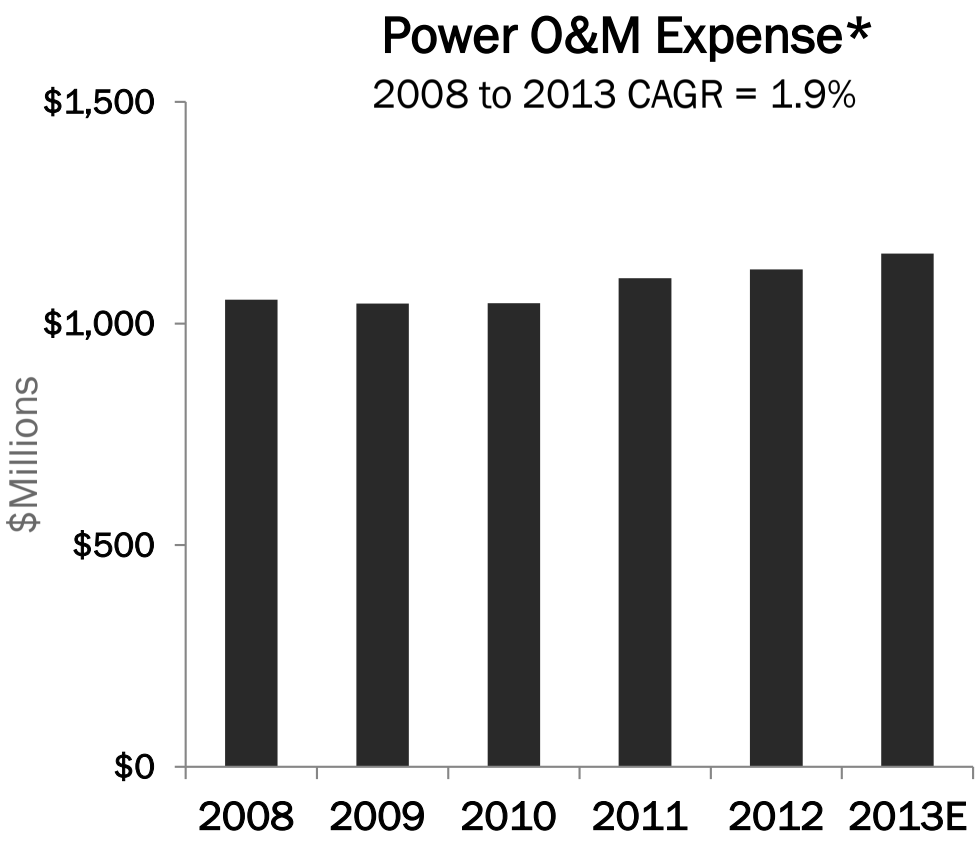
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-08778

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-08779

PSEG

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

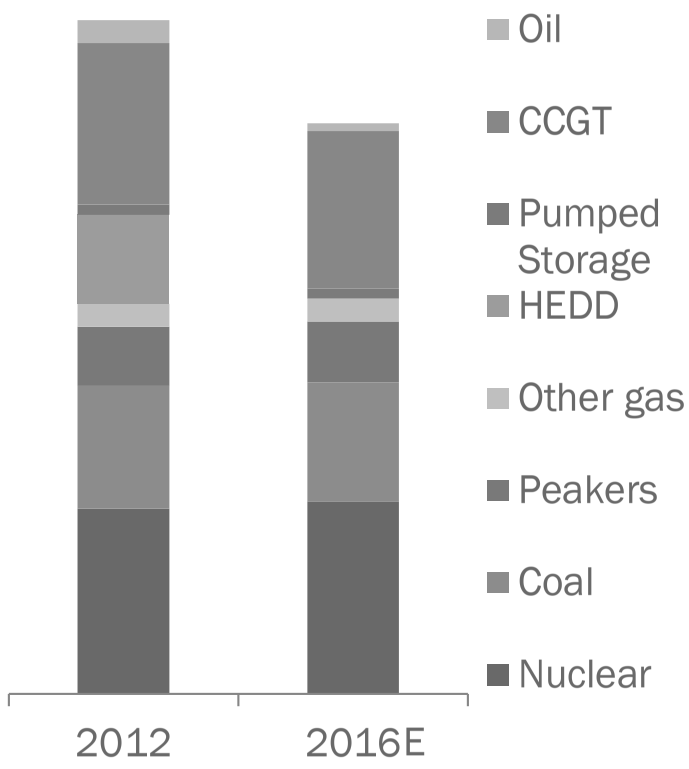
SI-SSA-0015-08780

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

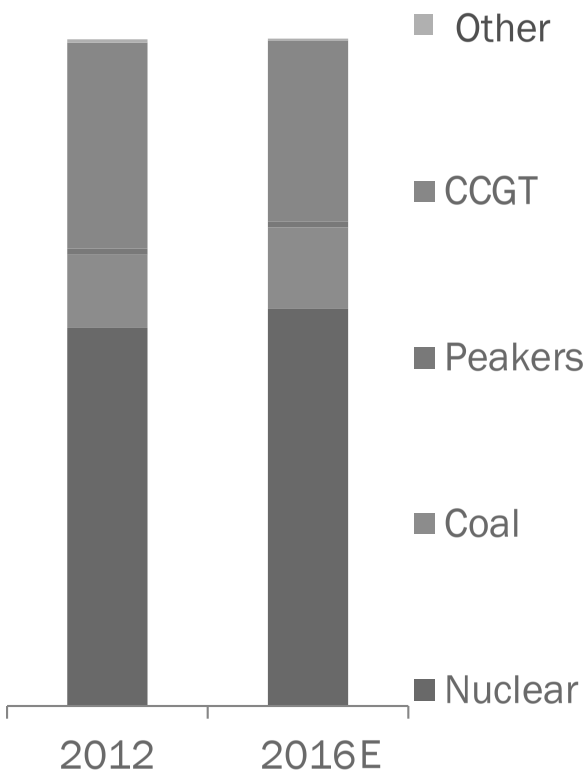
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-08781

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-08782

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-08783

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

PSEG

We make things work for you.

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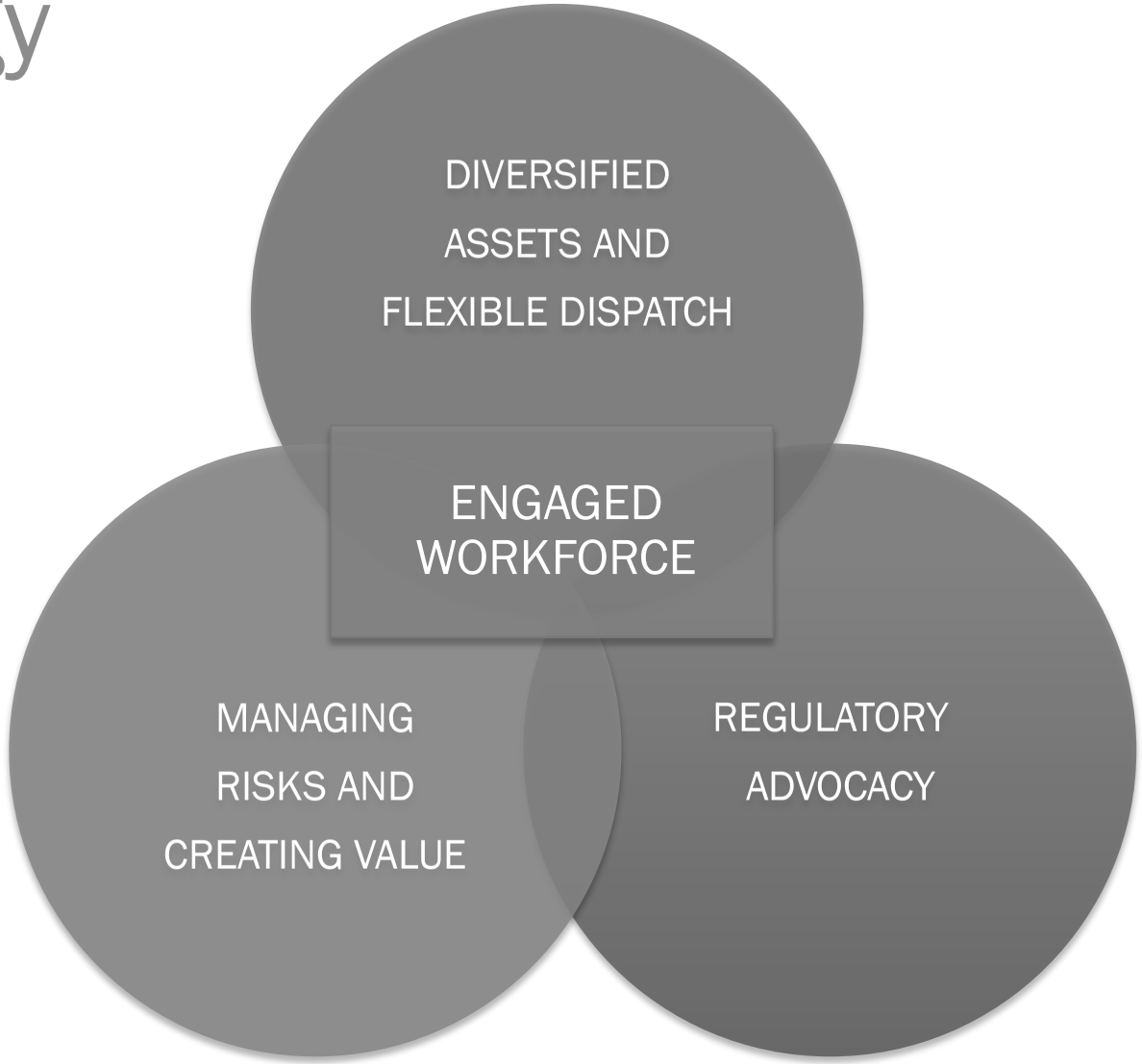
PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-08785

Diversified assets and flexible dispatch

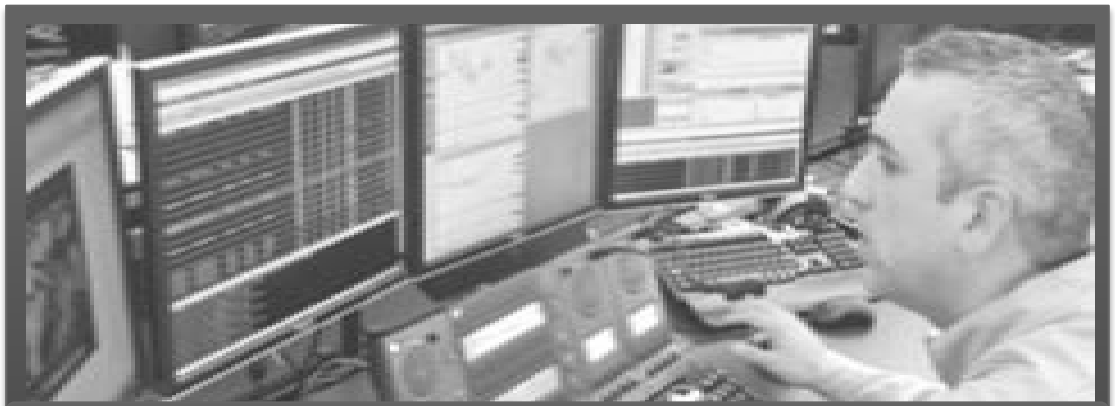
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

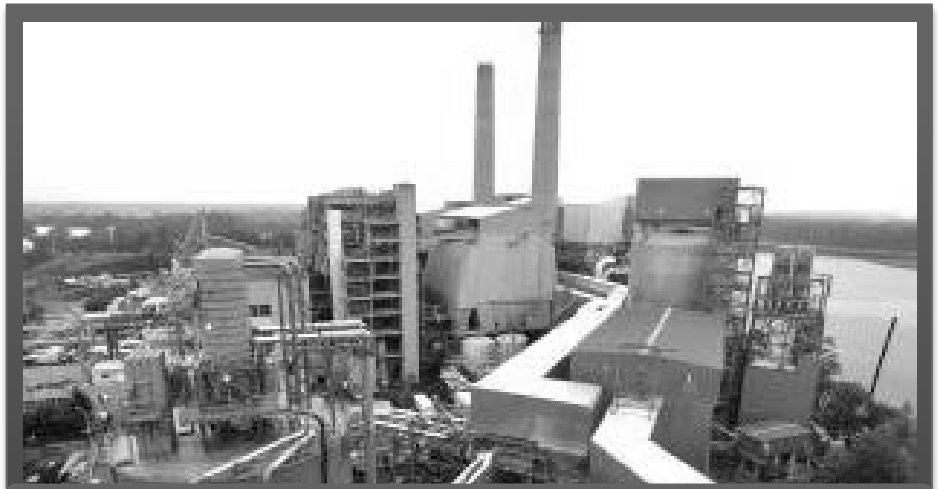
SI-SSA-0015-08786

Fleet capacity has been advanced by:

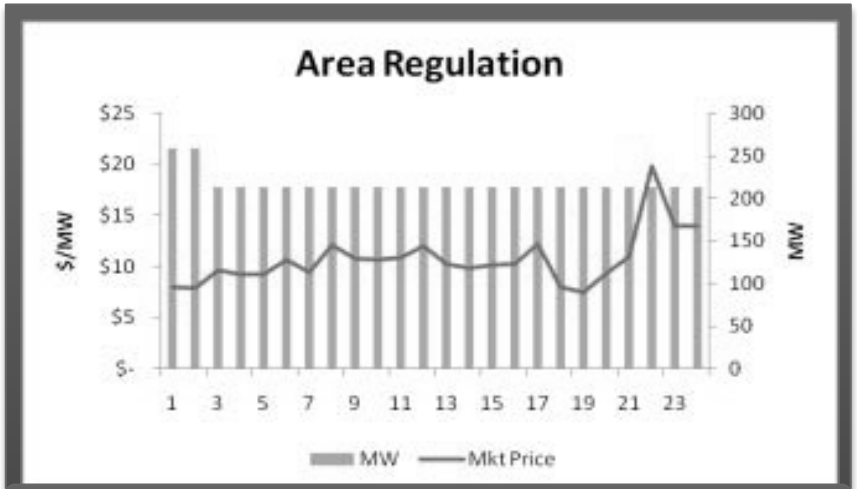
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



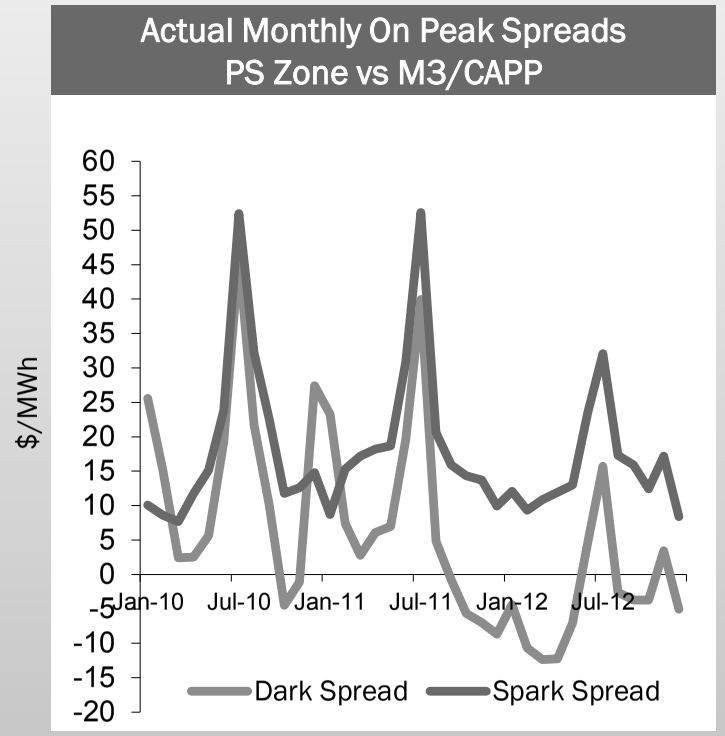
Reduced O&M and increased start-up success

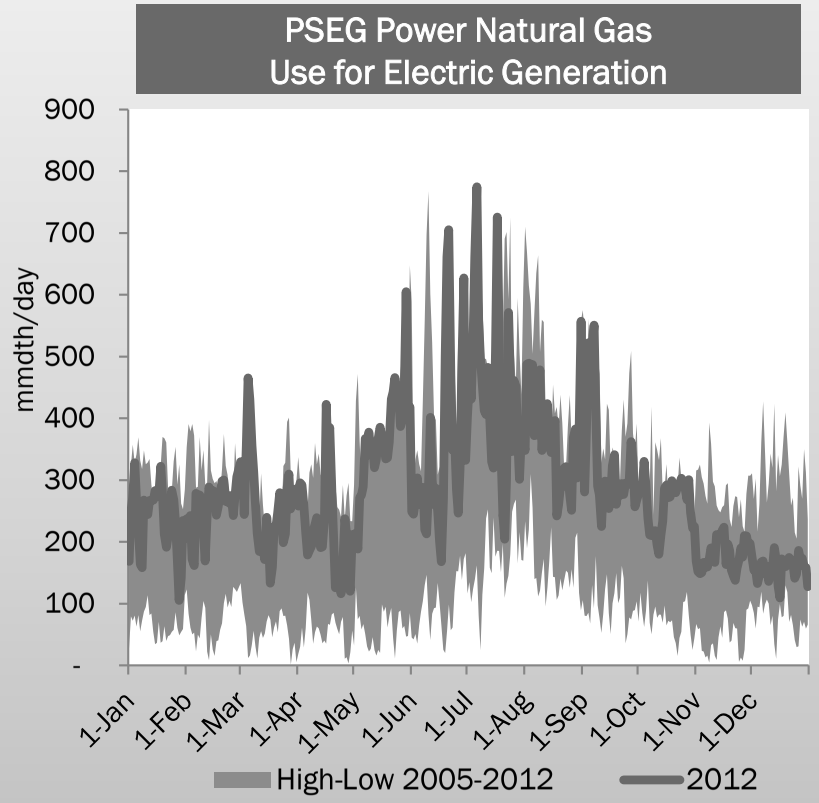


Capturing new products opportunity with minimal investment

SI-SSA-0015-08787

Spark spread replaces dark spread as major value driver

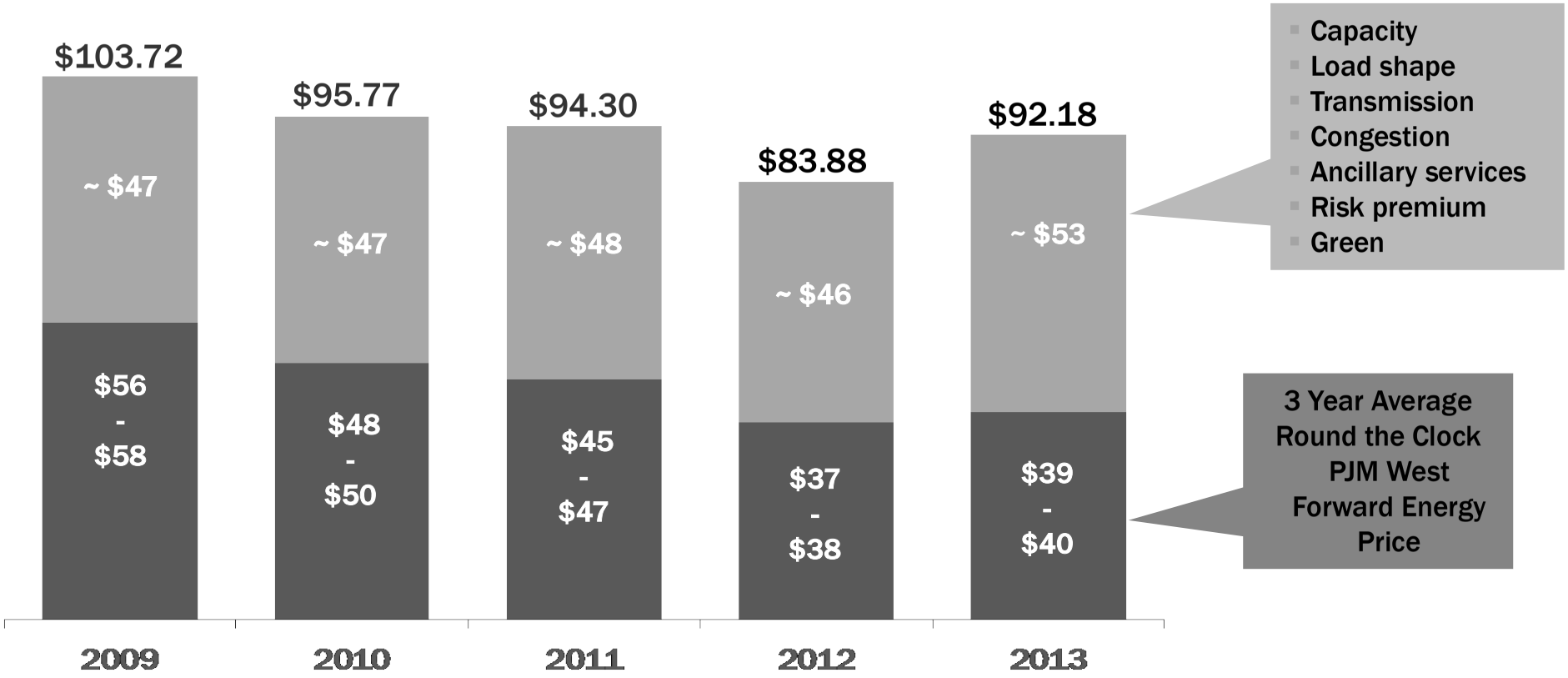




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-08788

2013 BGS Auction Results for PSE&G Zone

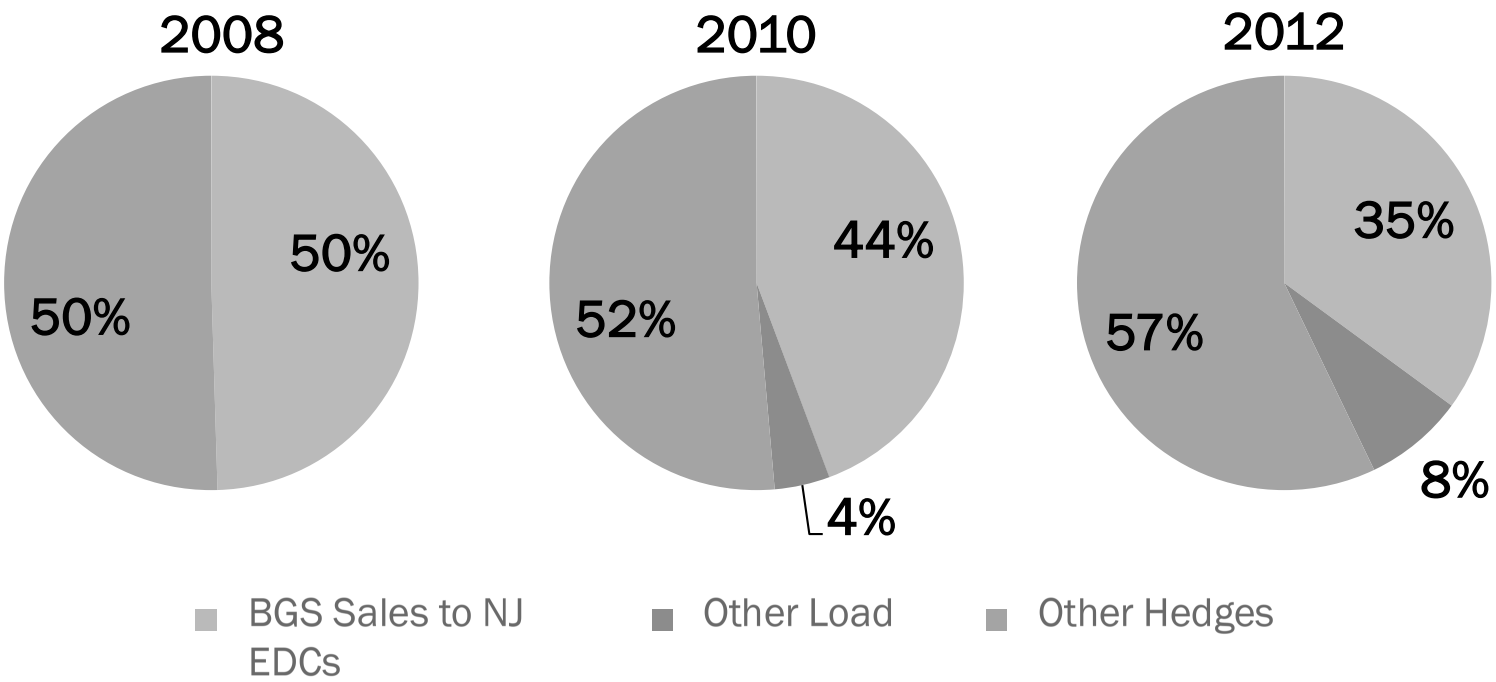


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-08789

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-08790

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

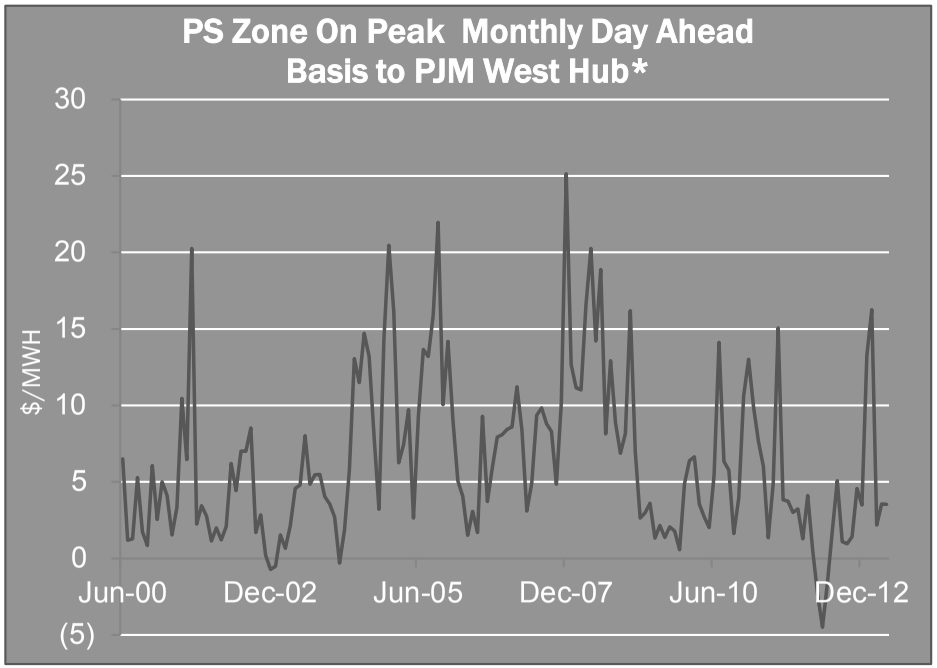
		Jul-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

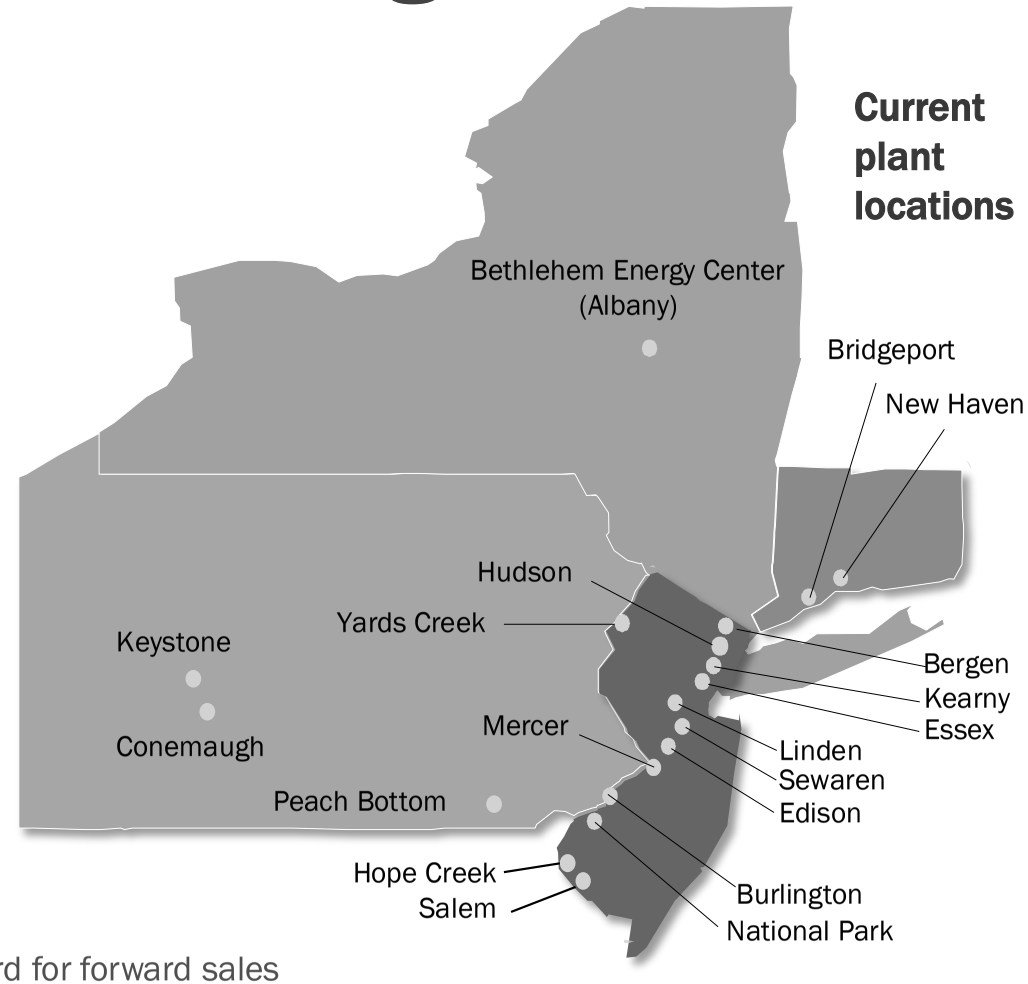
HEDGE PERCENTAGES AND PRICES AS OF JUNE 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-08791

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

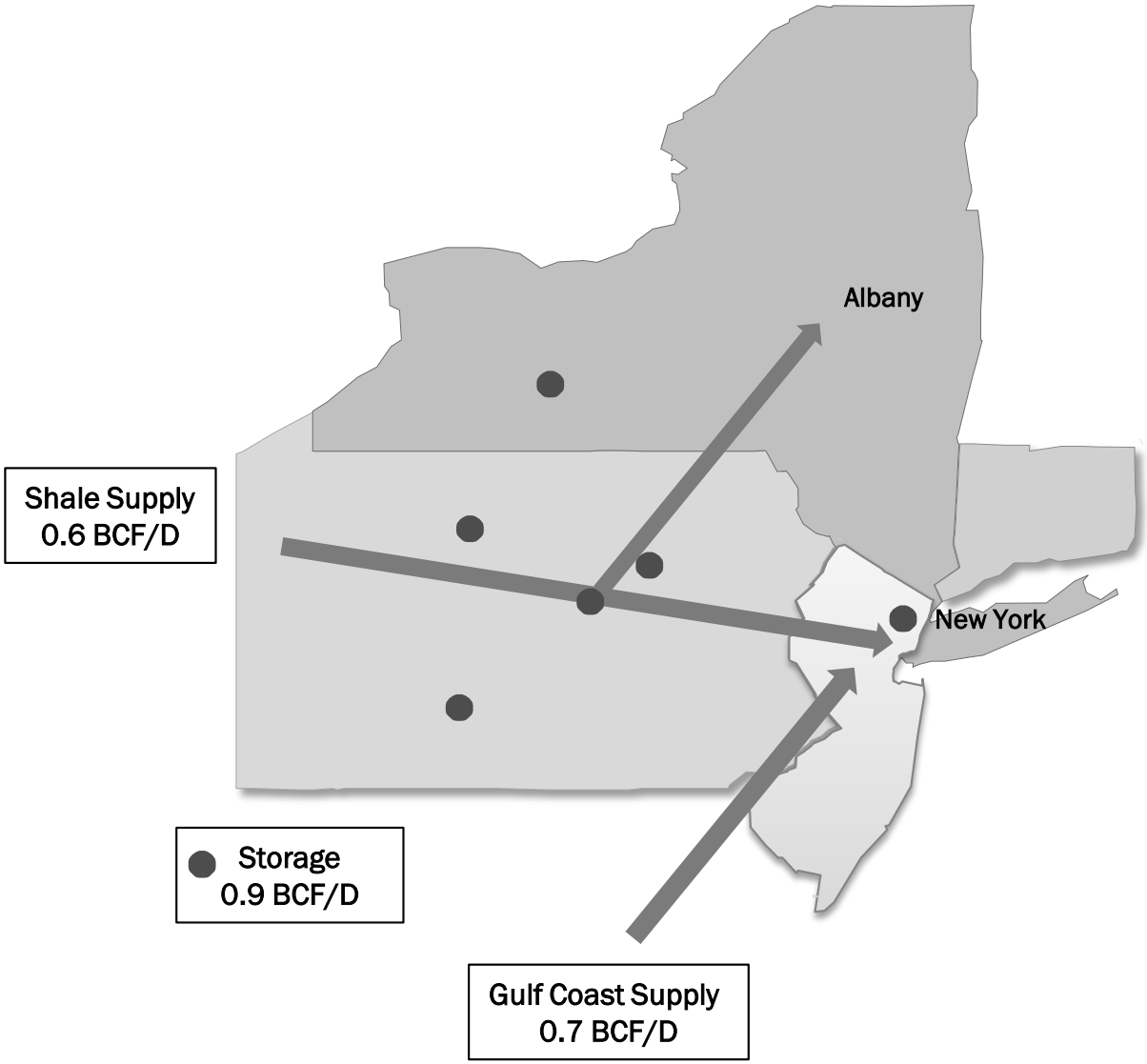
SI-SSA-0015-08792

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-08793

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

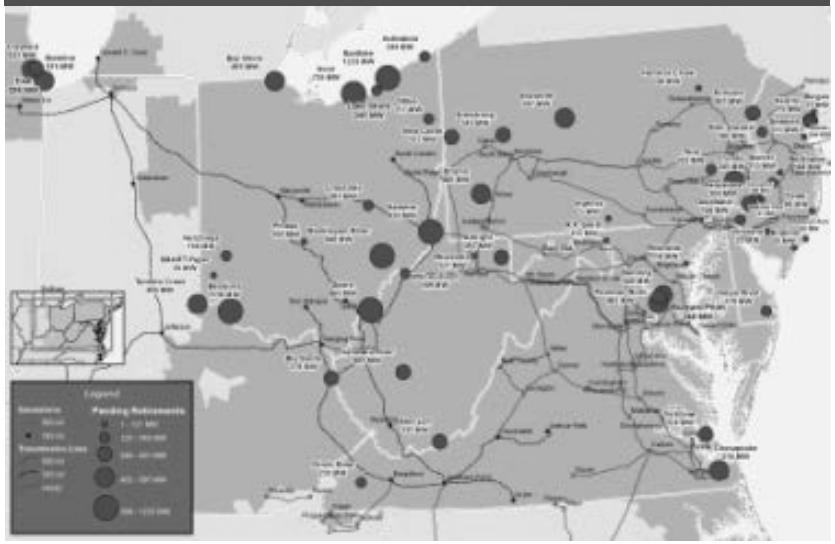
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-08794

Reserve margins in PJM declining with retirements

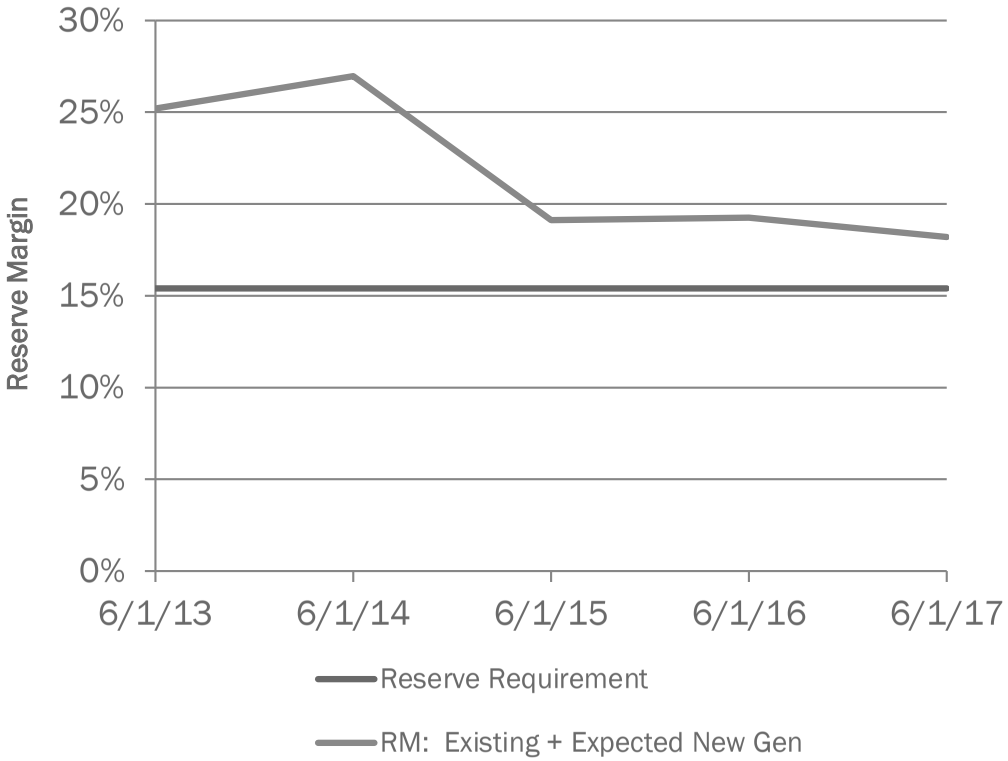
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-08795

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-08796

PSEG wholesale market strategy

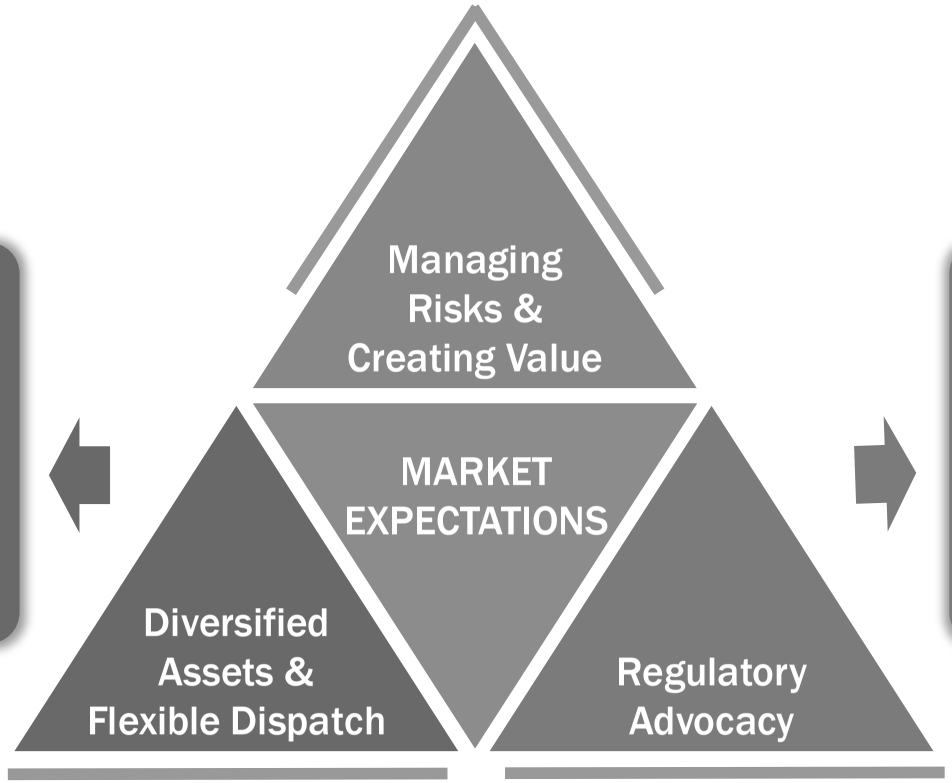
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-08797

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-08798

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-08799

Maintaining 2013 operating earnings guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

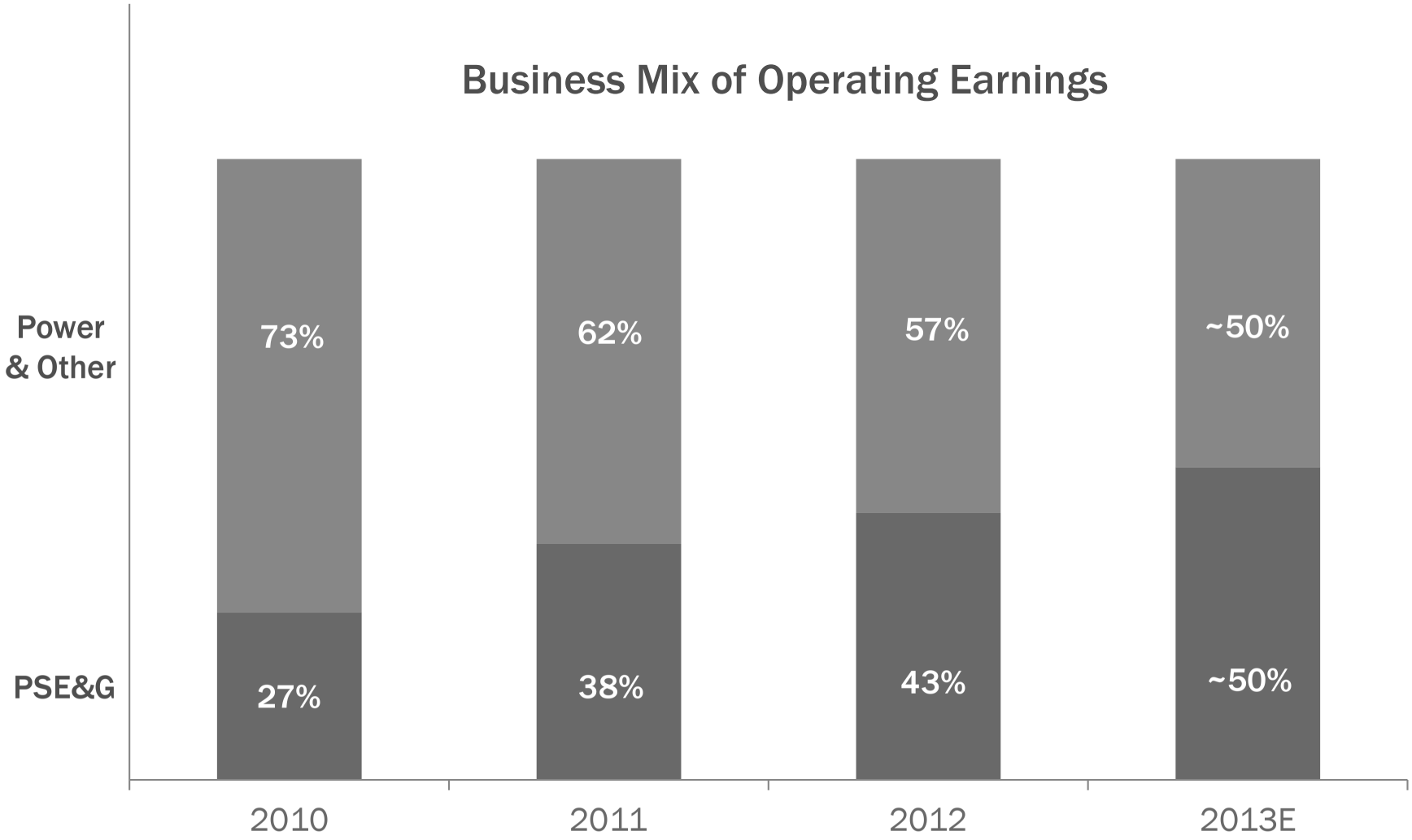
SI-SSA-0015-08800

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

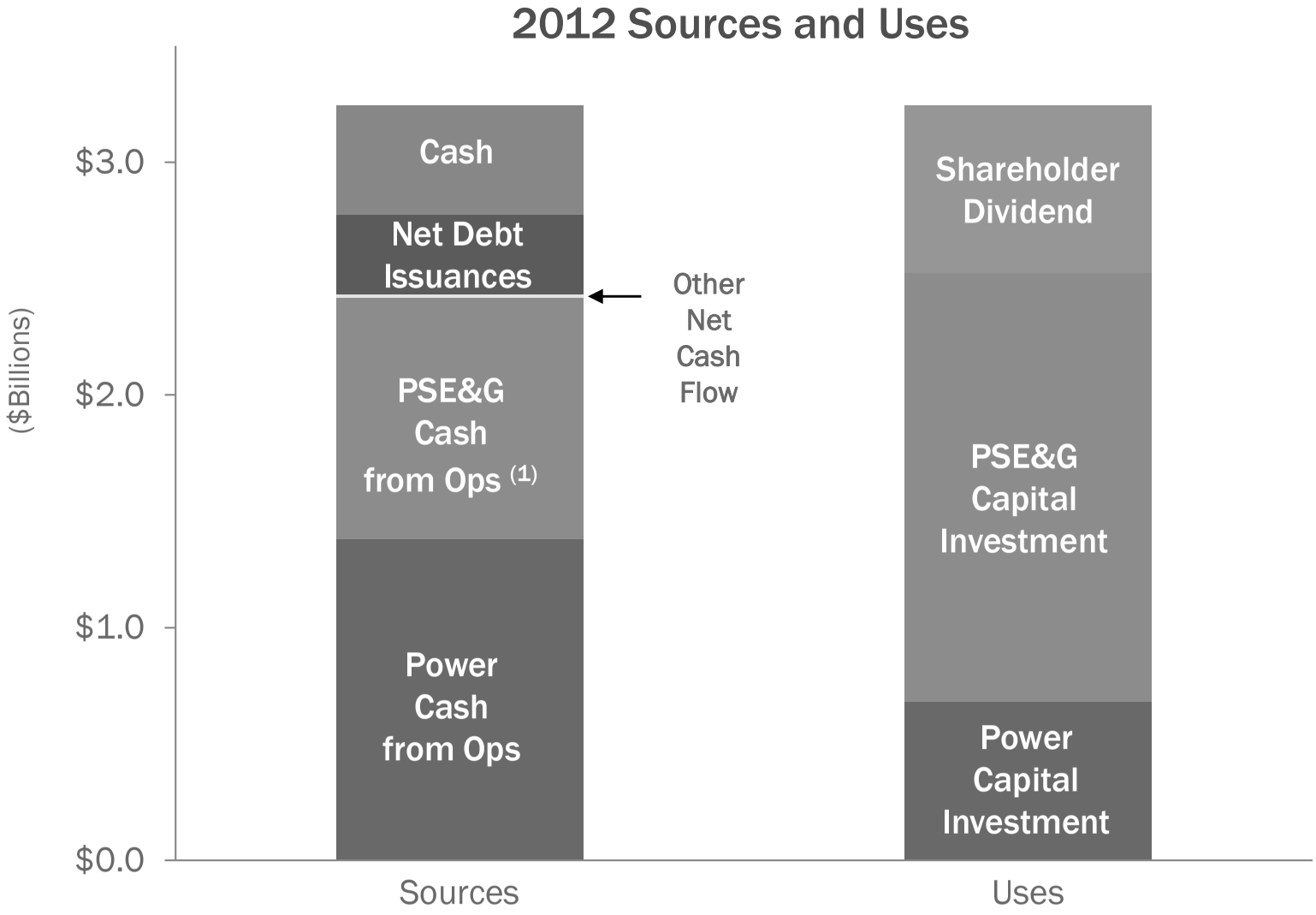


SI-SSA-0015-08801

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend

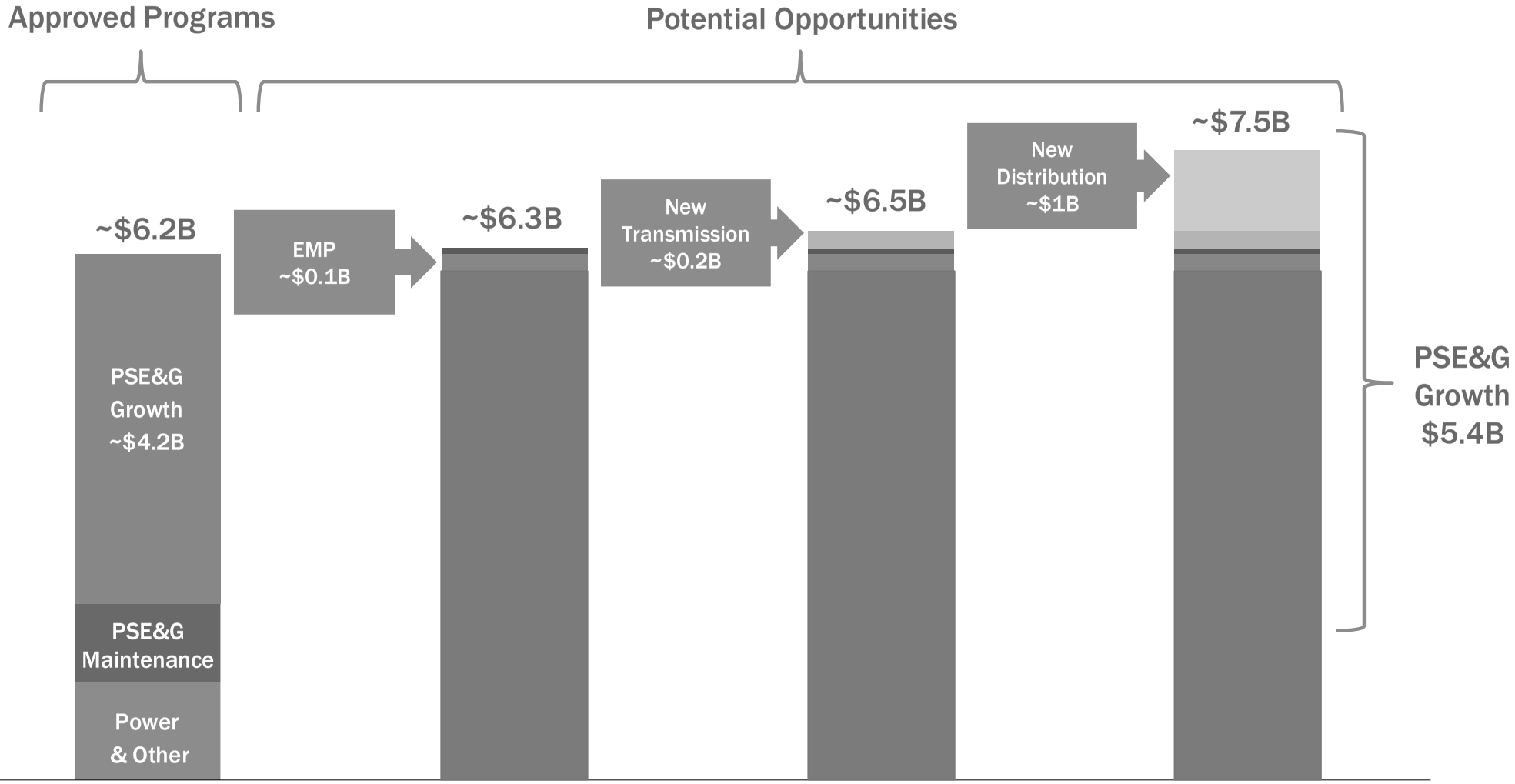


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

SI-SSA-0015-08802

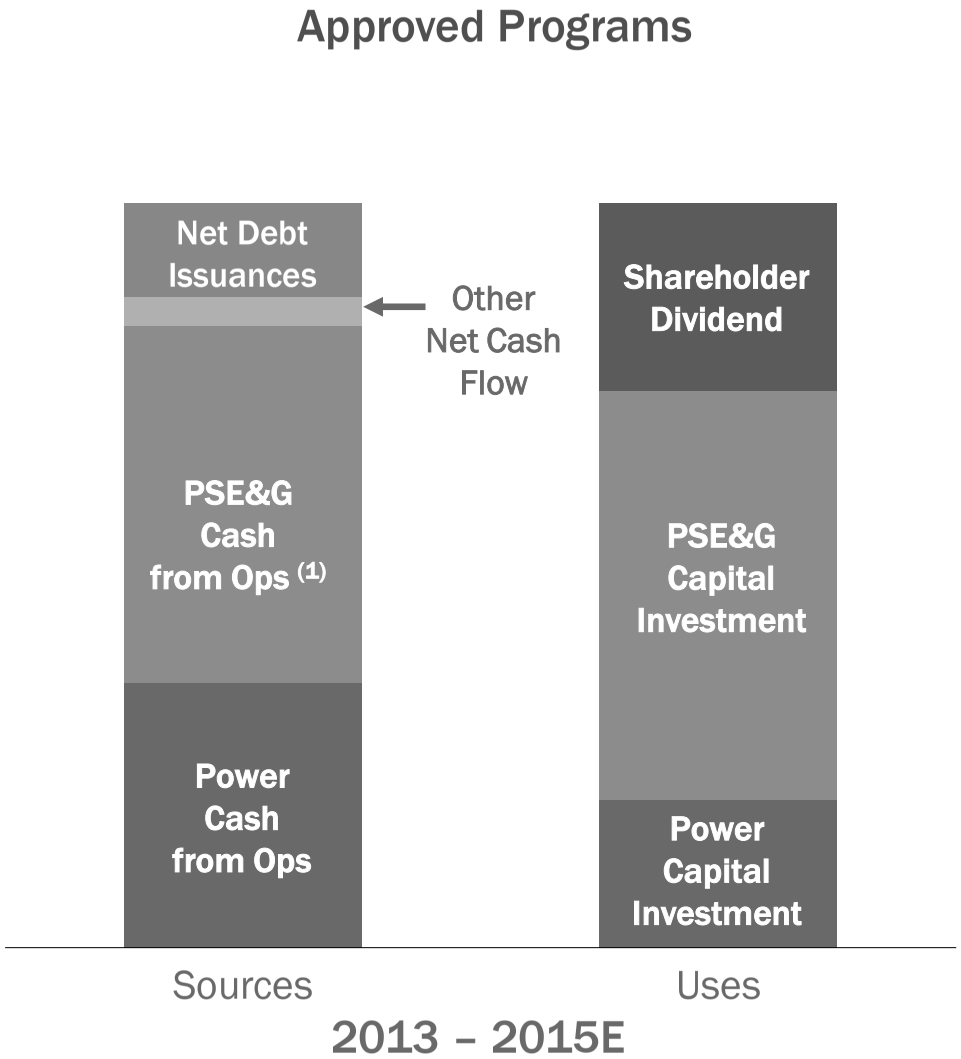
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015

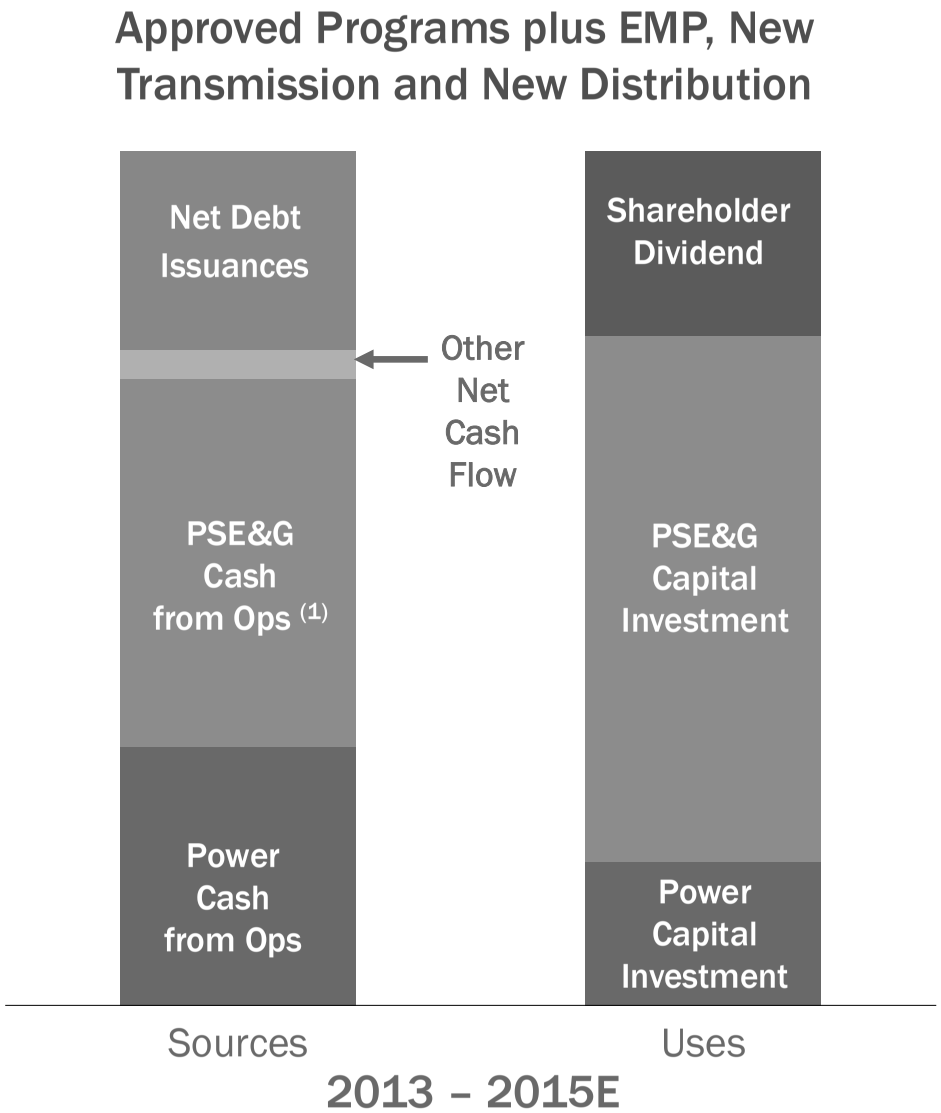
2013 – 2015E Capital Investment



SI-SSA-0015-08803

All scenarios can be financed without new equity





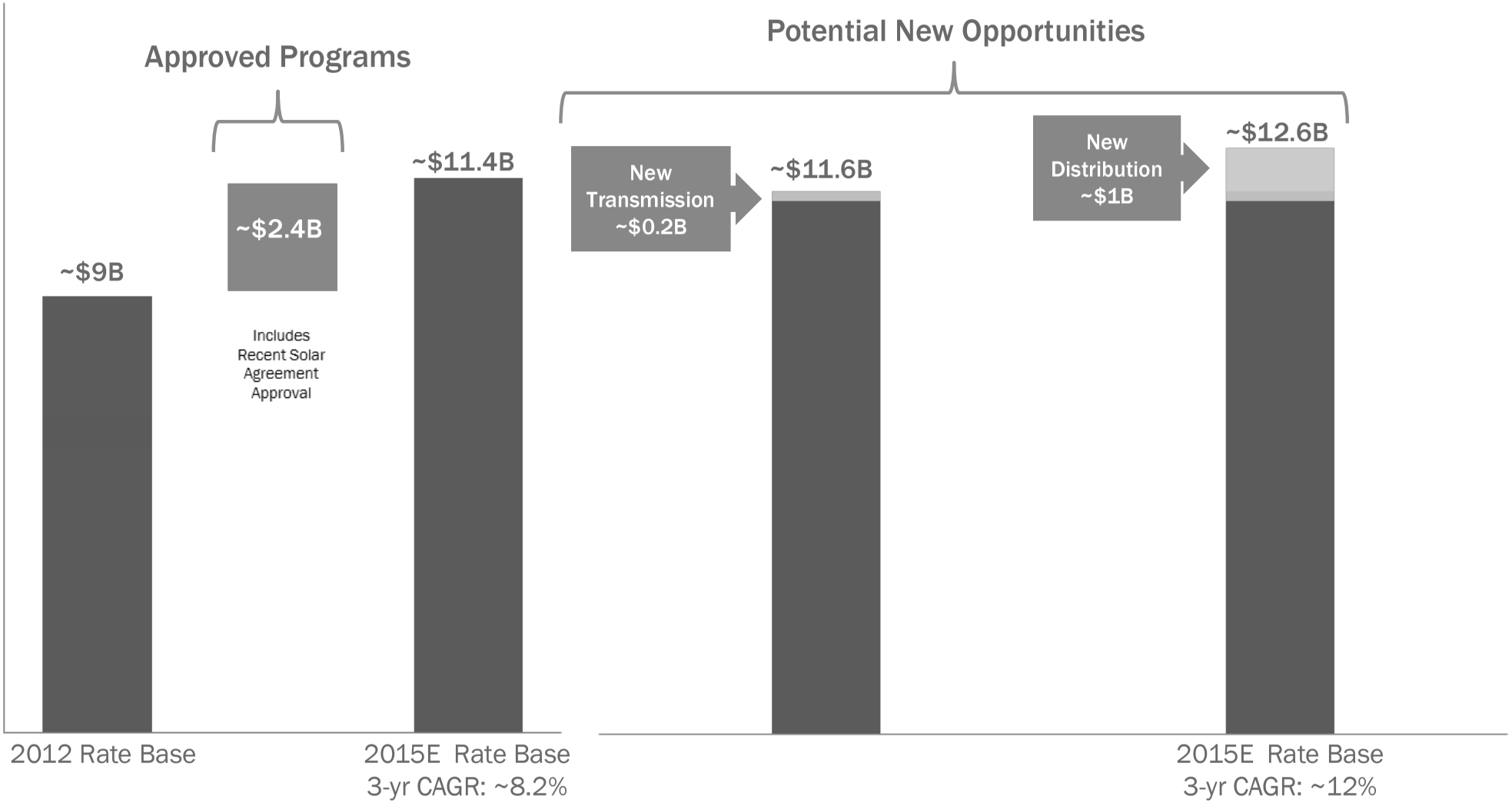
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-08804

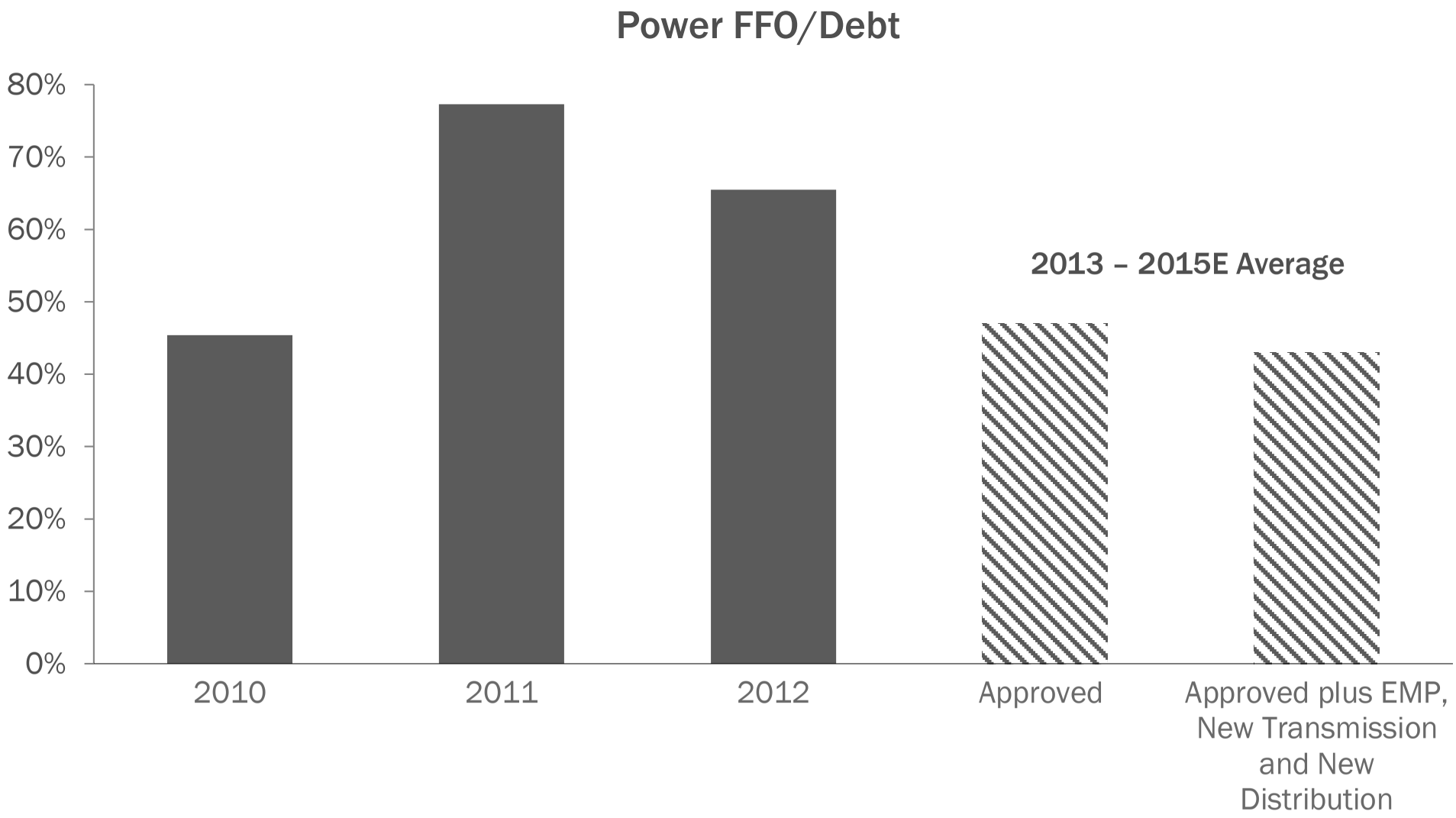
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-08805

Power's credit metrics are expected to remain strong



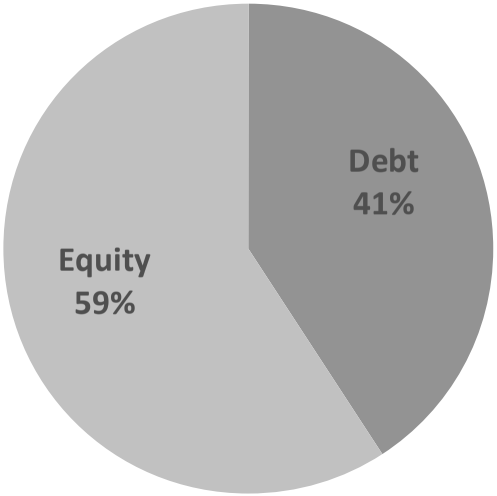
SI-SSA-0015-08806

Using PSEG's balance sheet strength

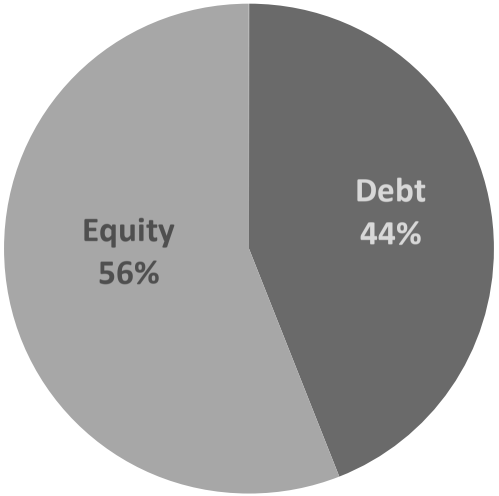
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

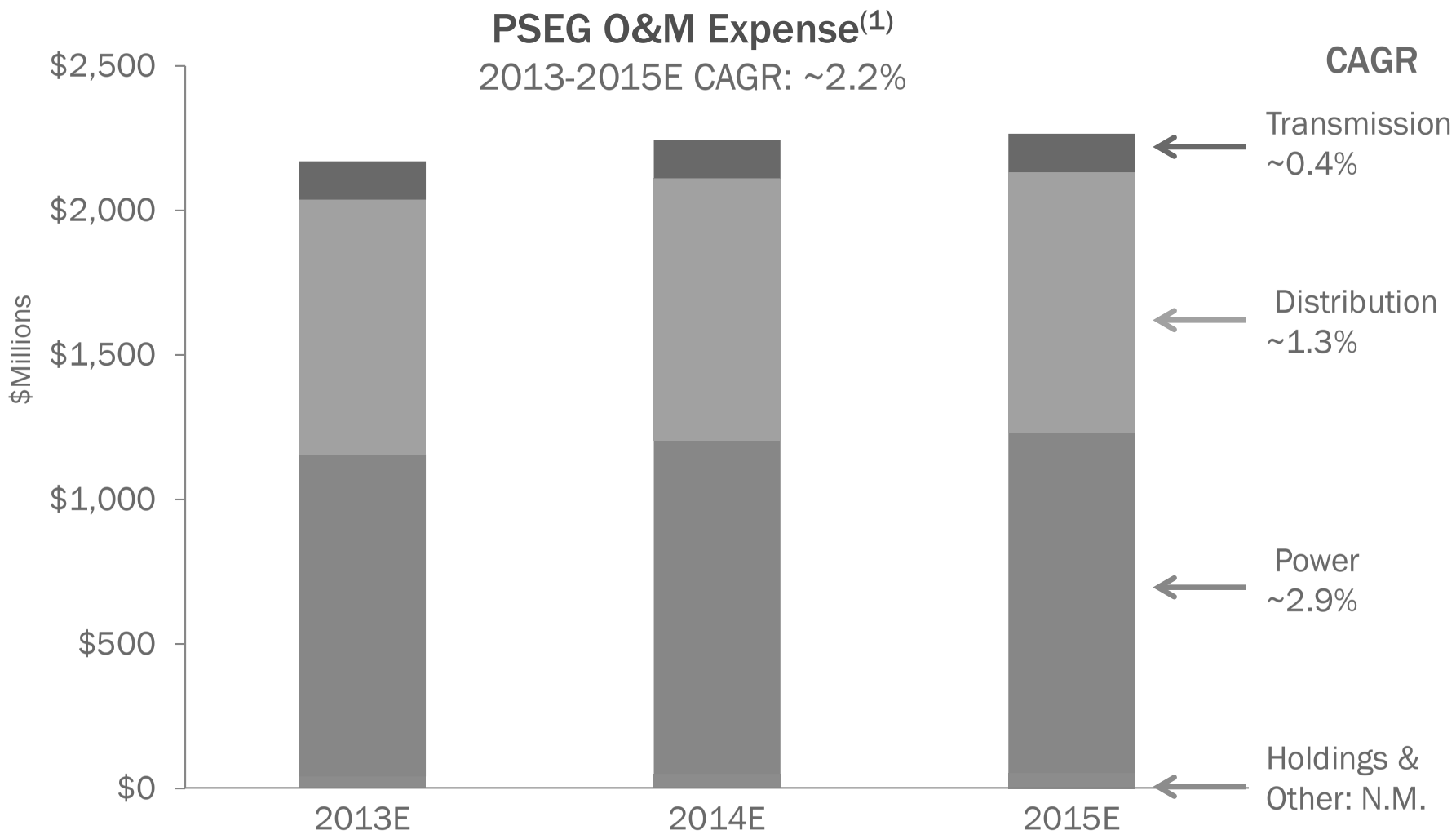
SI-SSA-0015-08807

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0
*NUG revenues reflect Feb 1, 2013 rates					
Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%	

SI-SSA-0015-08808

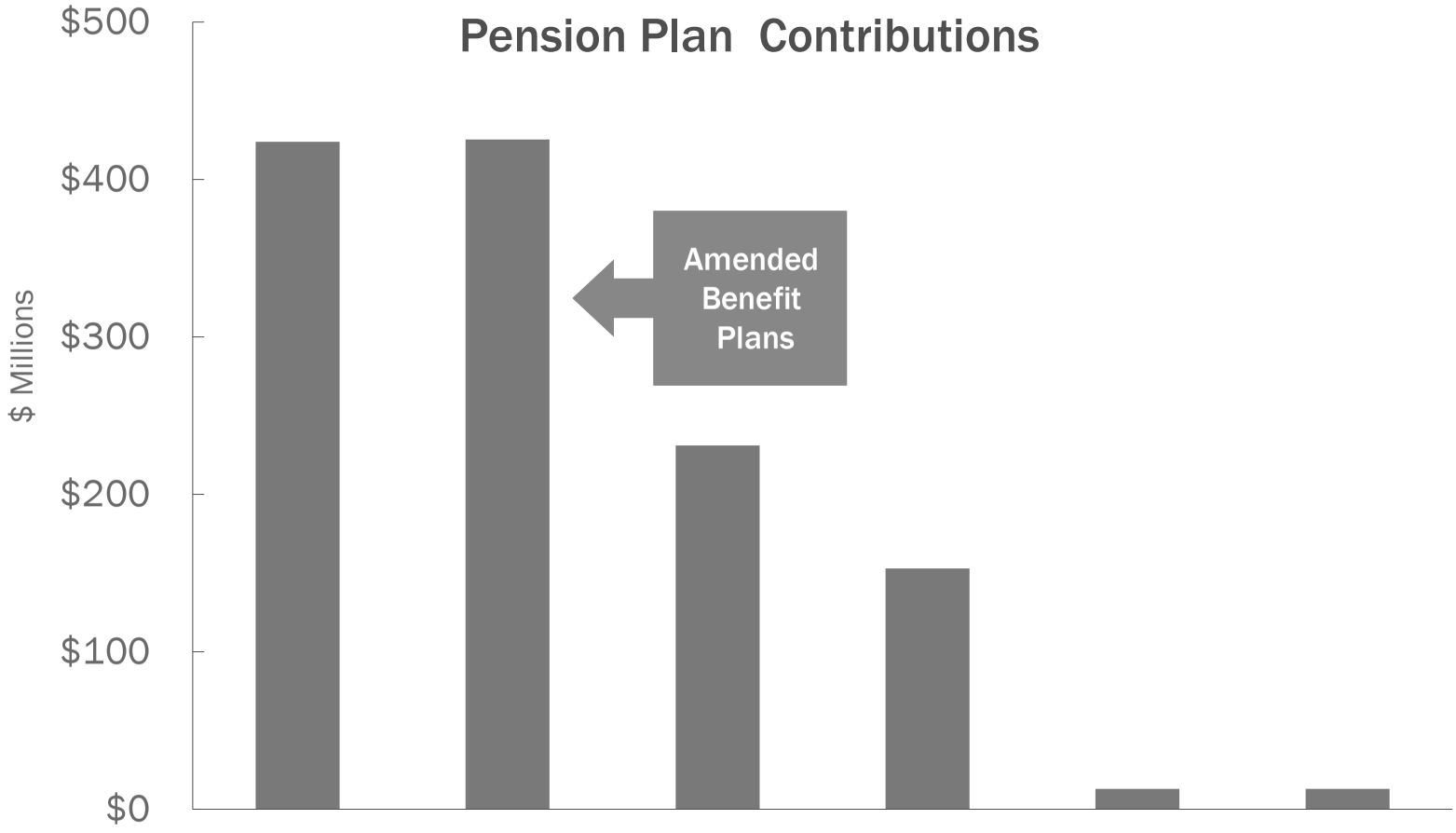
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-08809

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-08810

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

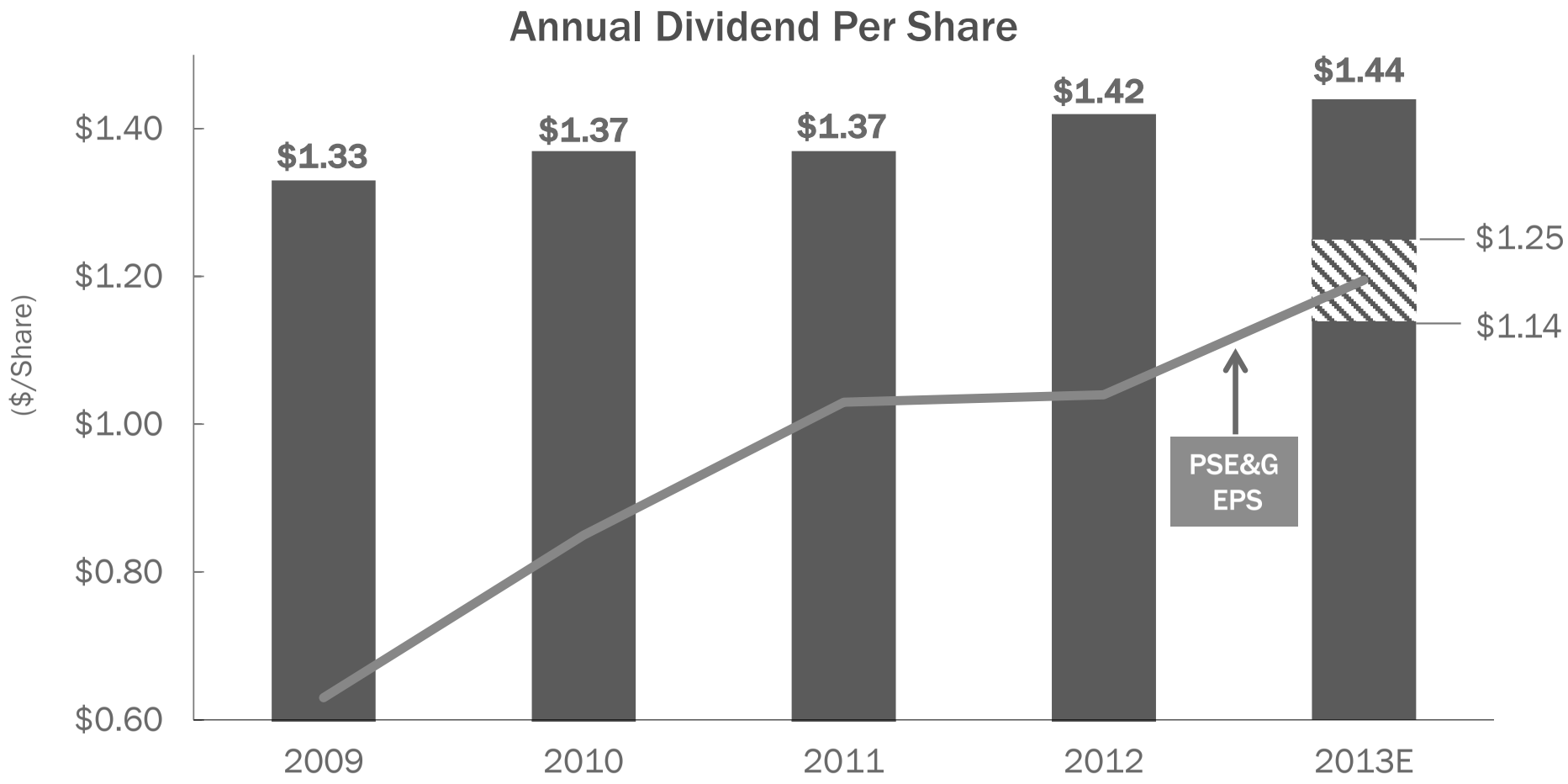
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-08811

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-08812

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share -- based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-08813

APPENDIX

PSEG

SI-SSA-0015-08814

Second Quarter 2013 Operating Earnings by Subsidiary

Quarter ended June 30

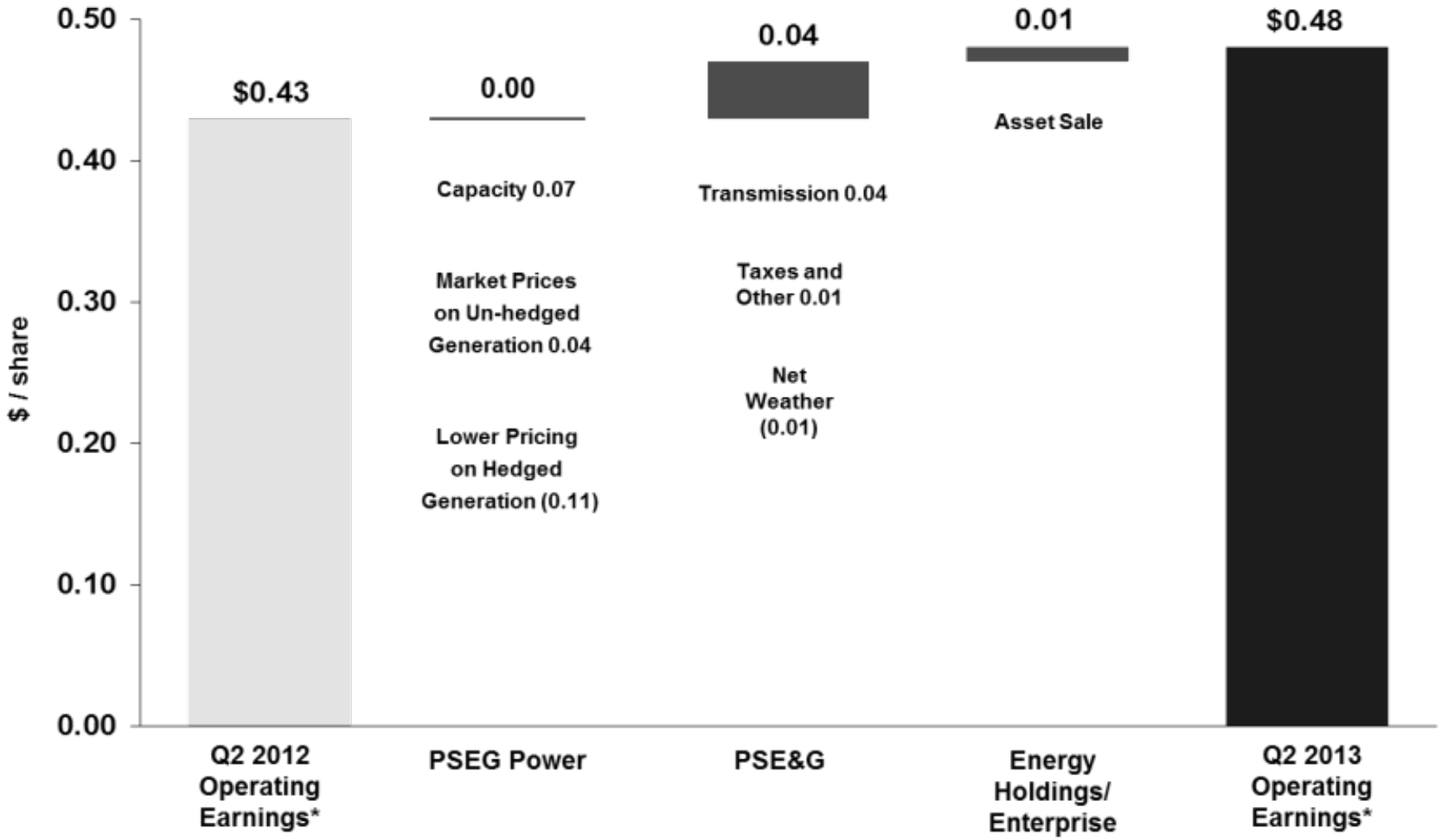
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-08815

PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

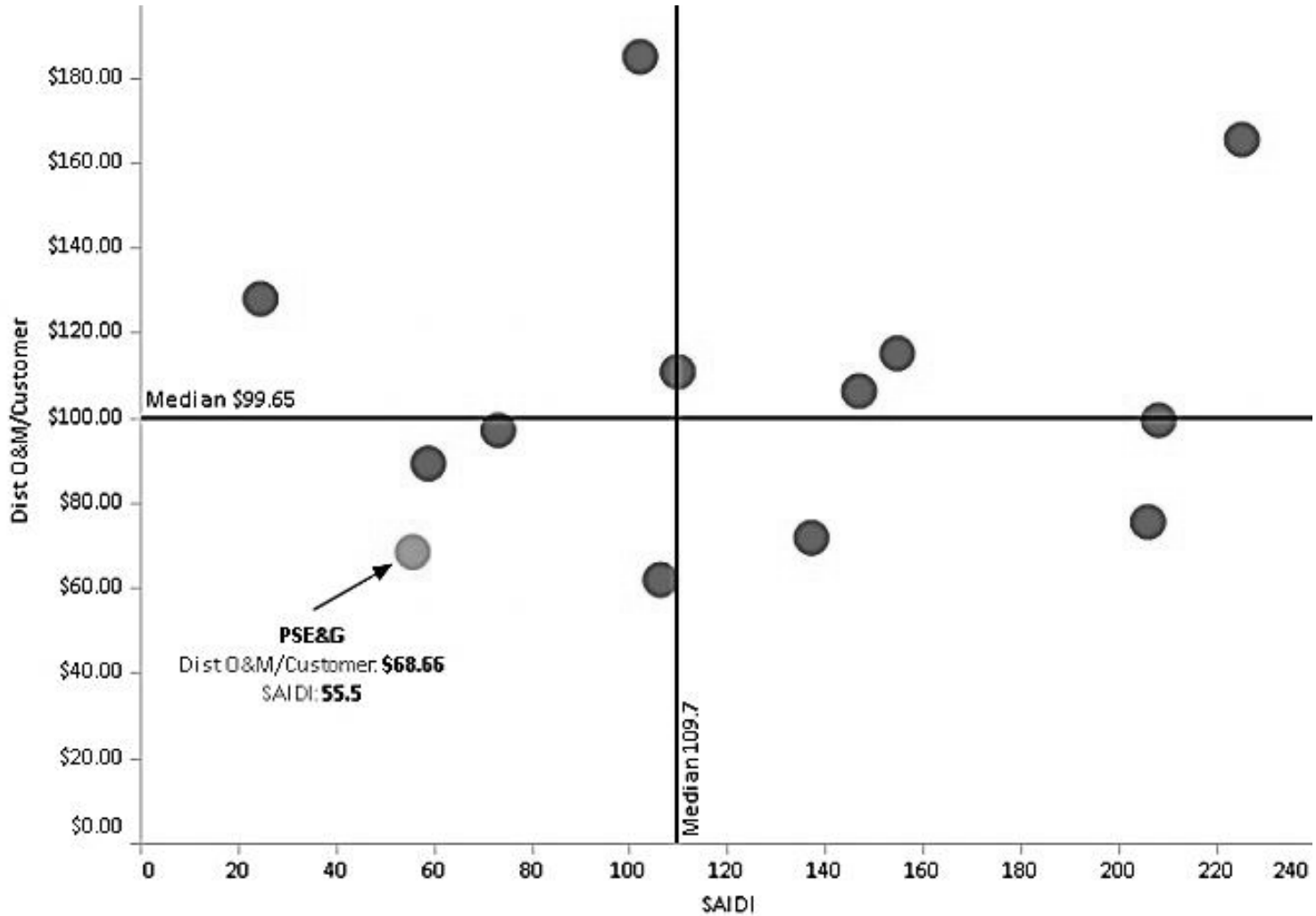
PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-08816

* SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers

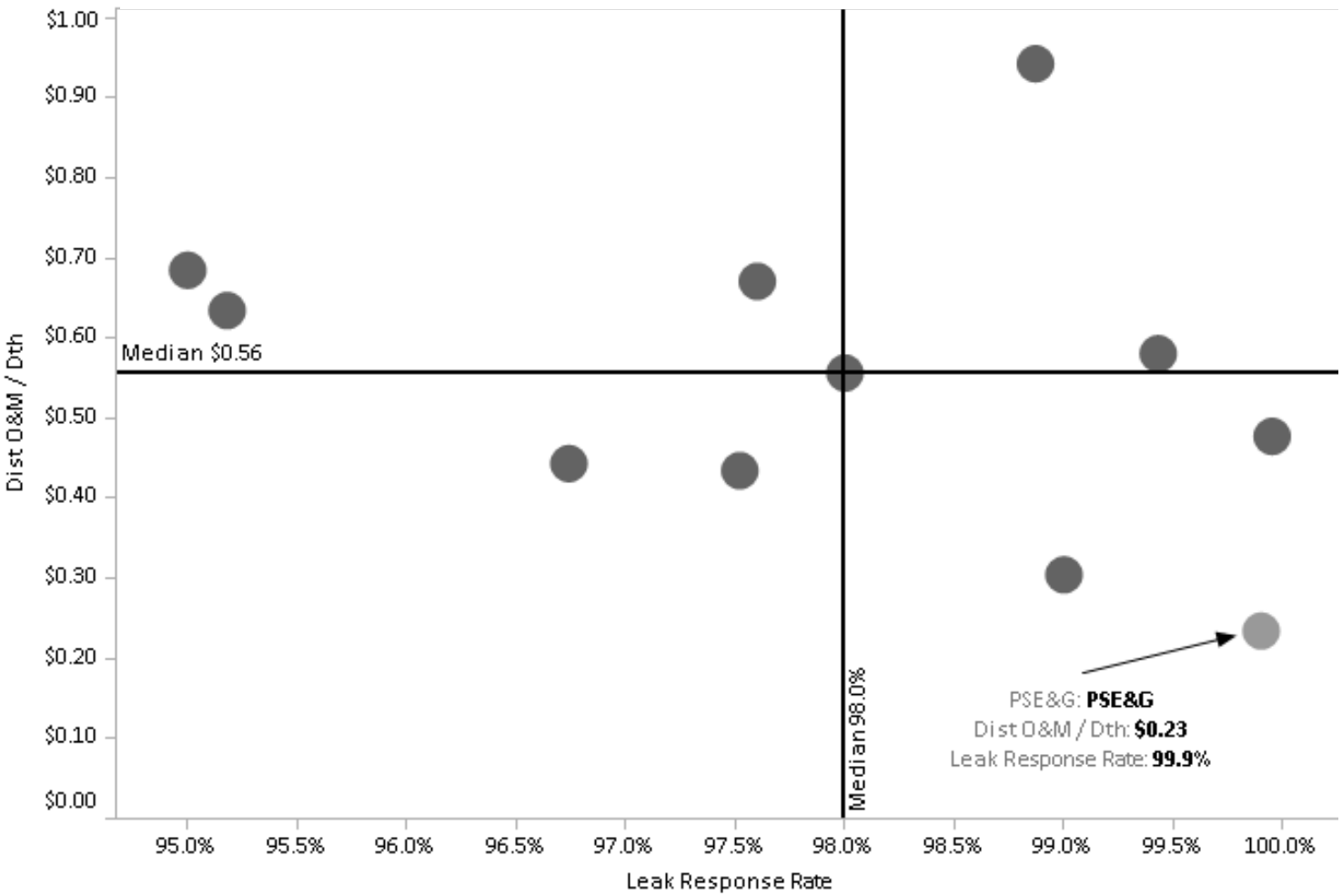


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

SI-SSA-0015-08817

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-08818

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-08819

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-08820

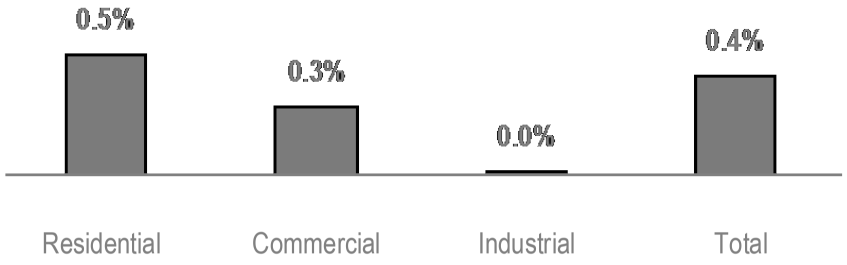
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

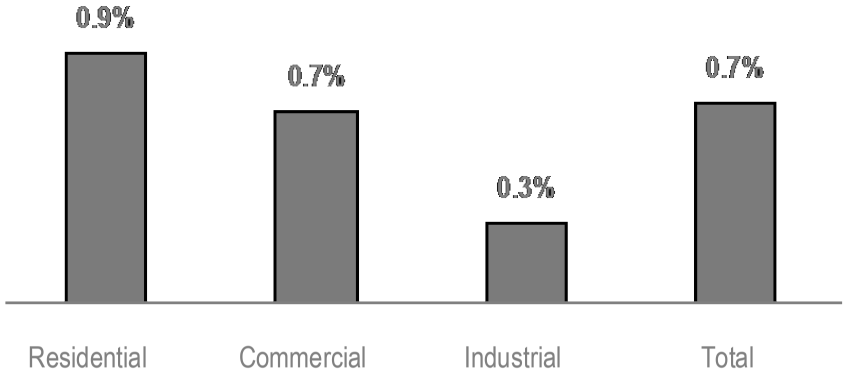
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-08821

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

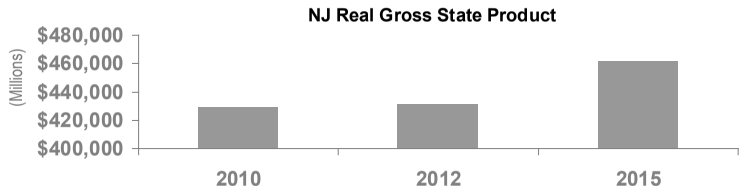
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

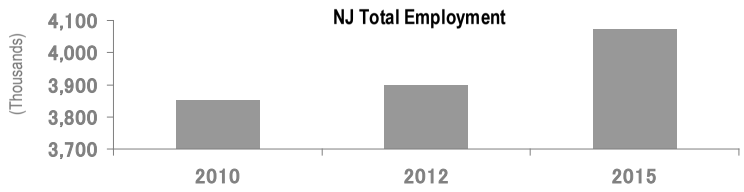
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

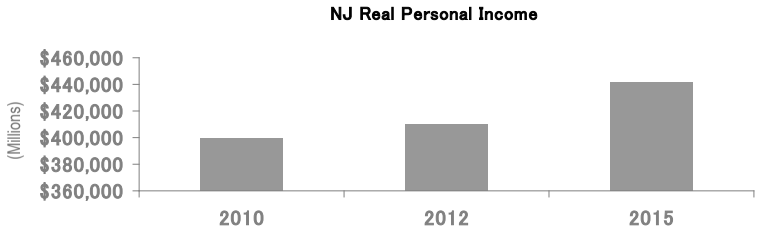
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

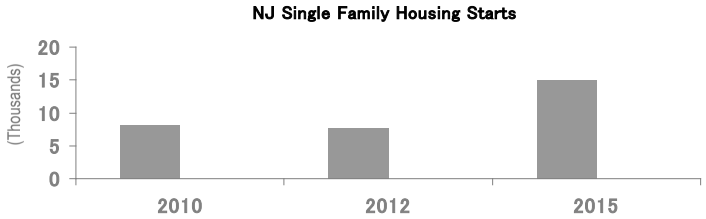
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





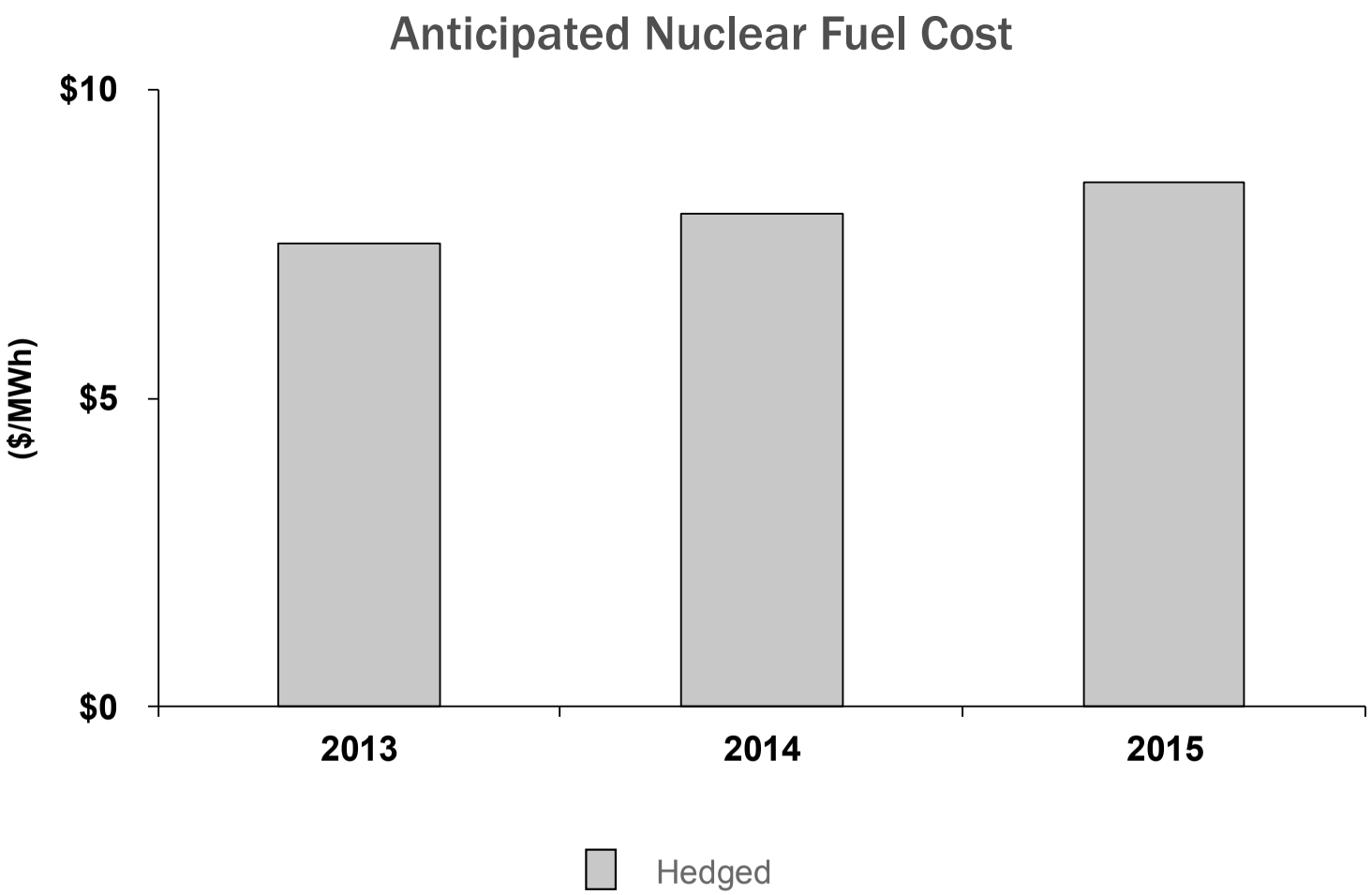




SI-SSA-0015-08822

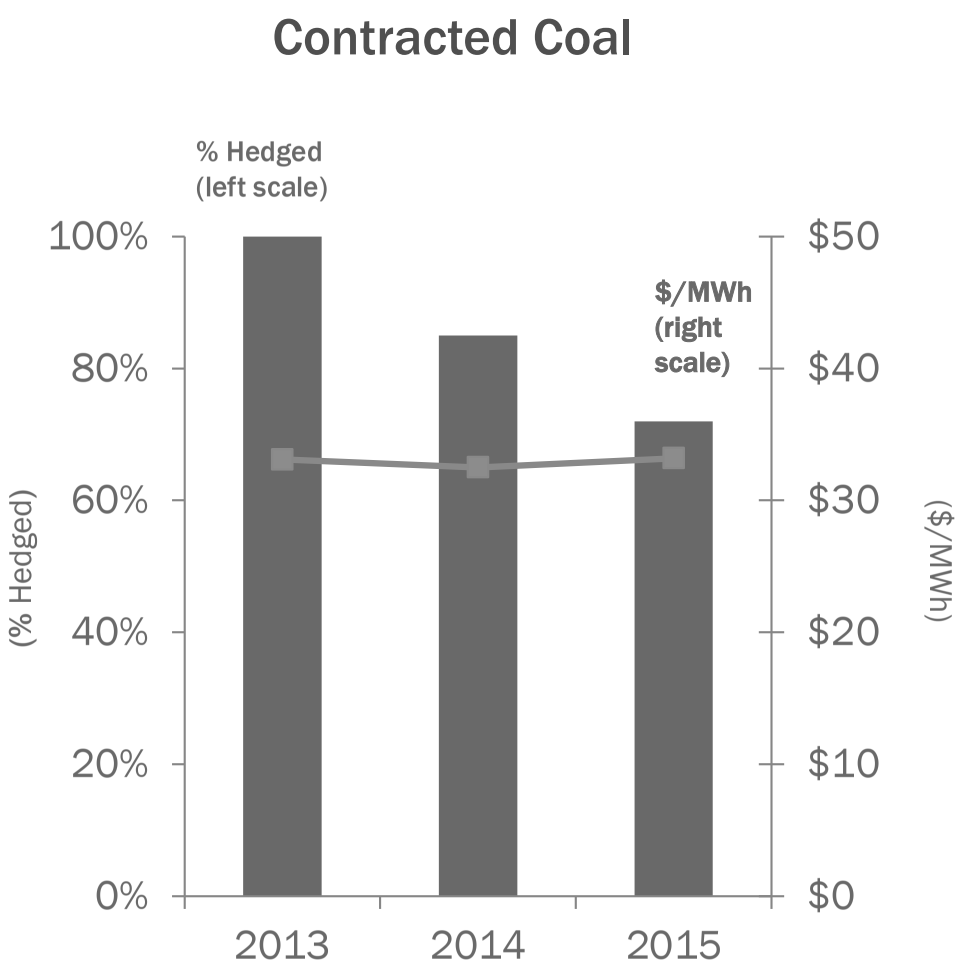
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-08823

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-08824

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	108
Hours per Year	8,760
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,000

SI-SSA-0015-08825

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$199**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$343**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$190**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$84**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 97**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 23**
	Total Holdings Investments	**$1,221**

SI-SSA-0015-08826

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of June 30, 2013

Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600 [1]	$170	$430
5-Year Credit Facility (Power)	Mar-17	1,600	54	1,546
5-Year Credit Facility (Power)	Mar-18	1,000 [2]	0	1,000
5-Year Bilateral (Power)	Sep-15	100	100	0
5-year Credit Facility (PSEG)	Mar-17	500	5	495
5-year Credit Facility (PSEG)	Mar-18	500 [3]	0	500
	Total	$4,300	$329	$3,971
			PSEG Money Pool ST Investment	$114
			PSE&G ST Investment	$0
			Total Liquidity Available	**$4,085**
			Total Parent / Power Liquidity	**$3,655**

[1] PSEG Facility to be reduced by $29M on April 15, 2016

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

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

SI-SSA-0015-08827

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-08828

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

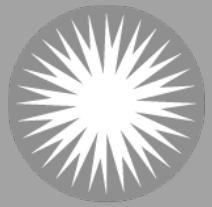
Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6
Storm O&M, net of insurance recoveries (PSEG Power)	2	-	(15)	-
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	(0.03)	-
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**

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

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Goldman Sachs Power, Utilities, MLPs & Pipelines Conference

AUGUST 10, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08831

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-08832

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-08833

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-08834

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-08835

Two strong businesses

A stable platform, each with growth opportunities

PSEG

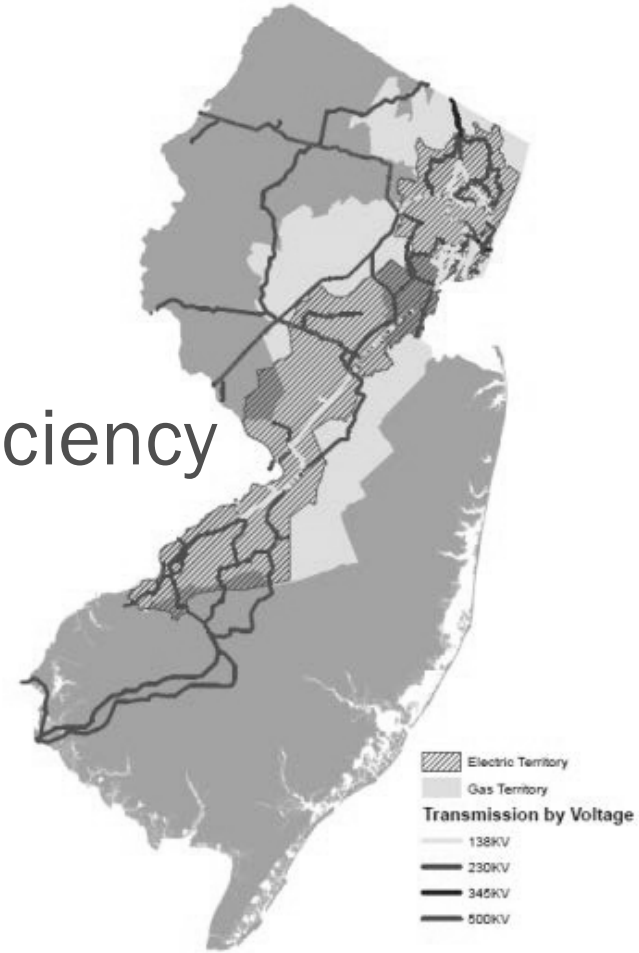
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016	2016
Assets $26B Net Income $889M	Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-08836

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

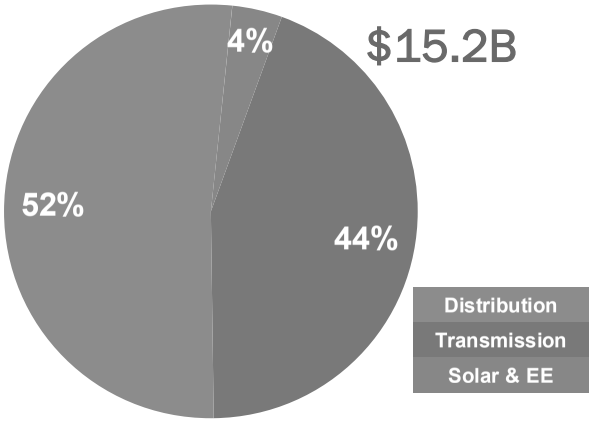
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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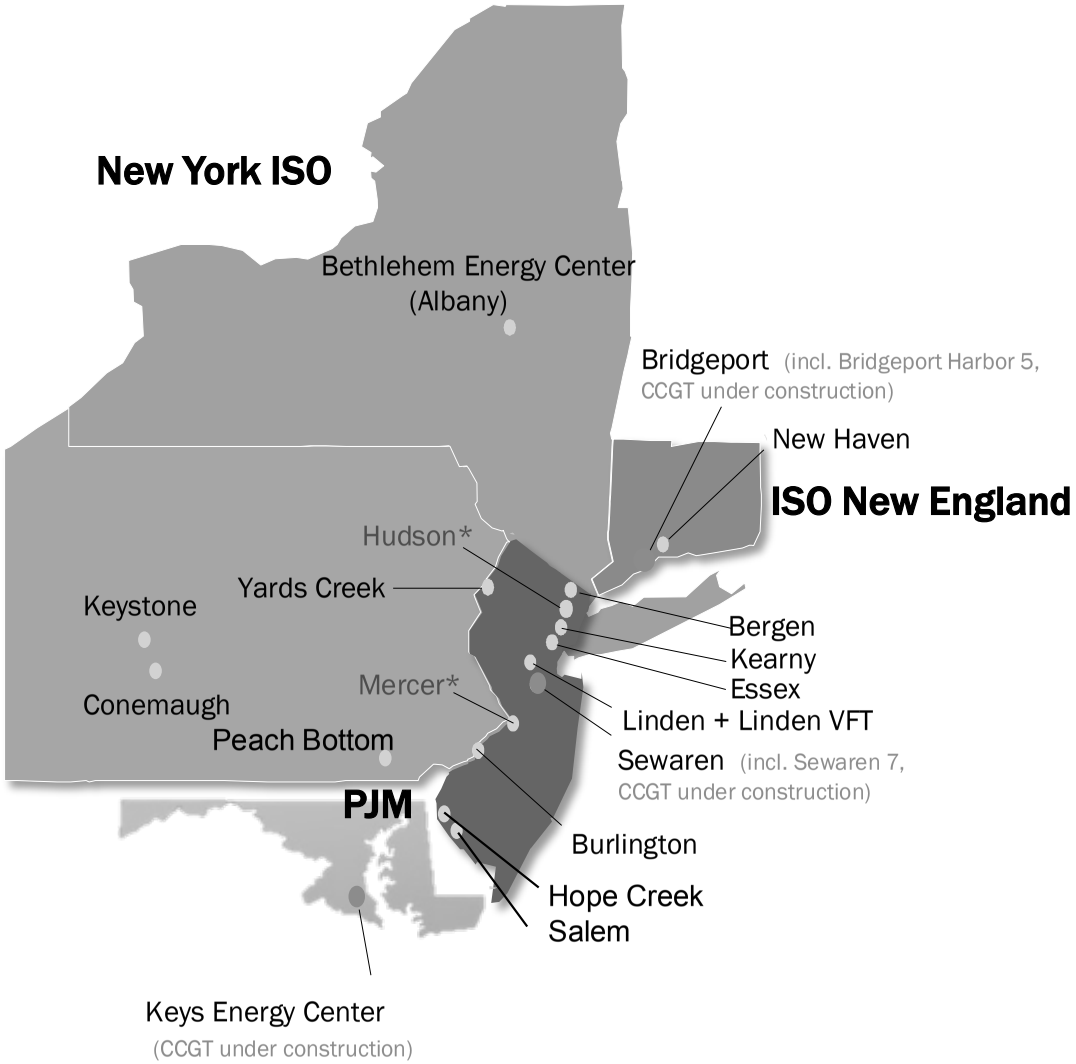
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

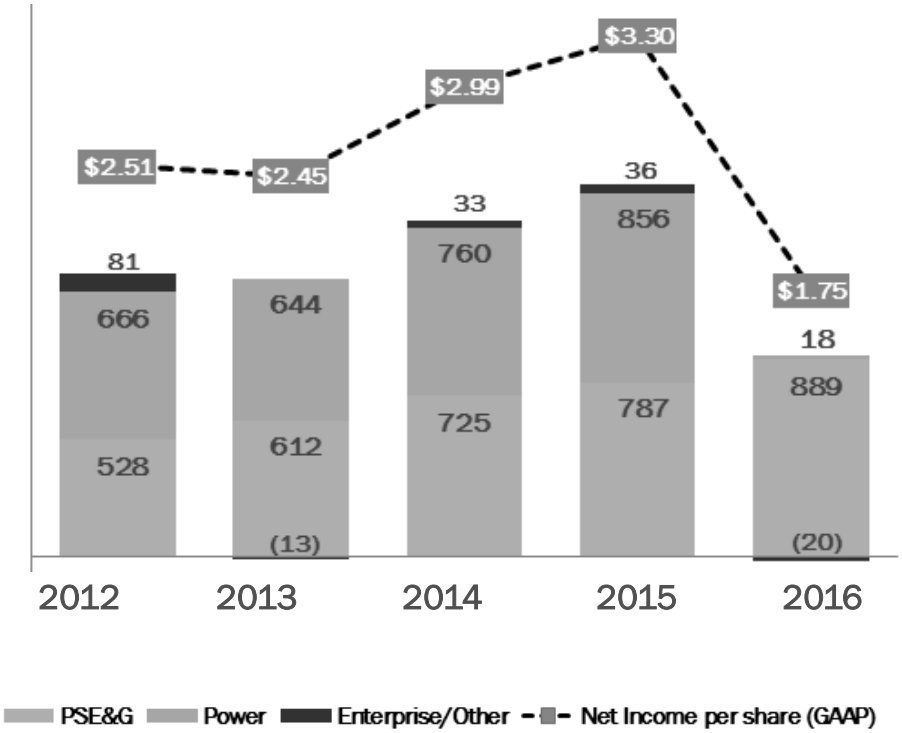
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

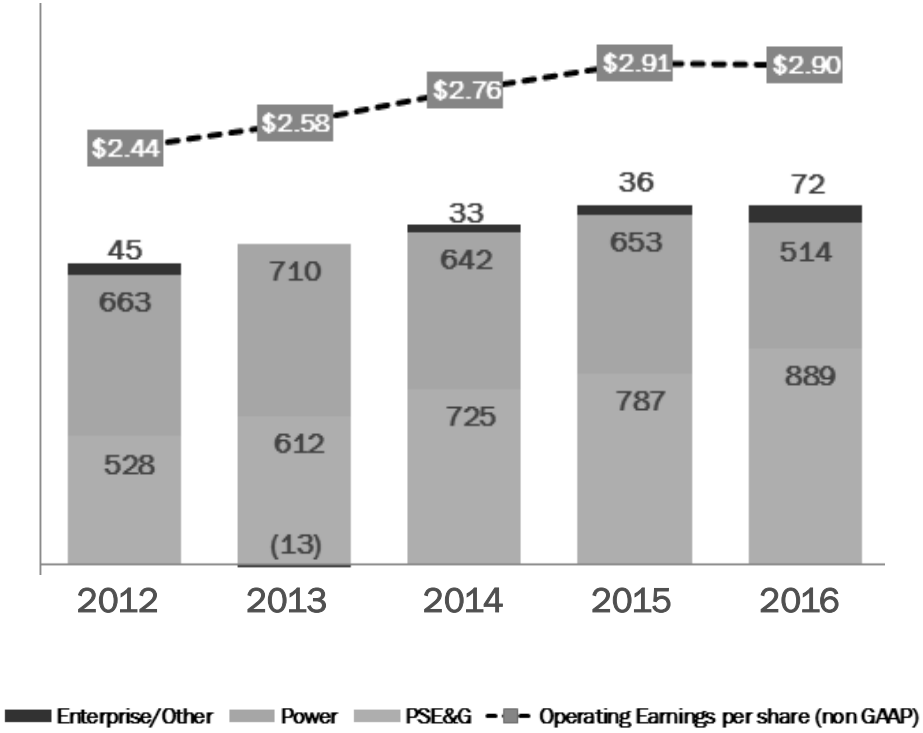
SI-SSA-0015-08839

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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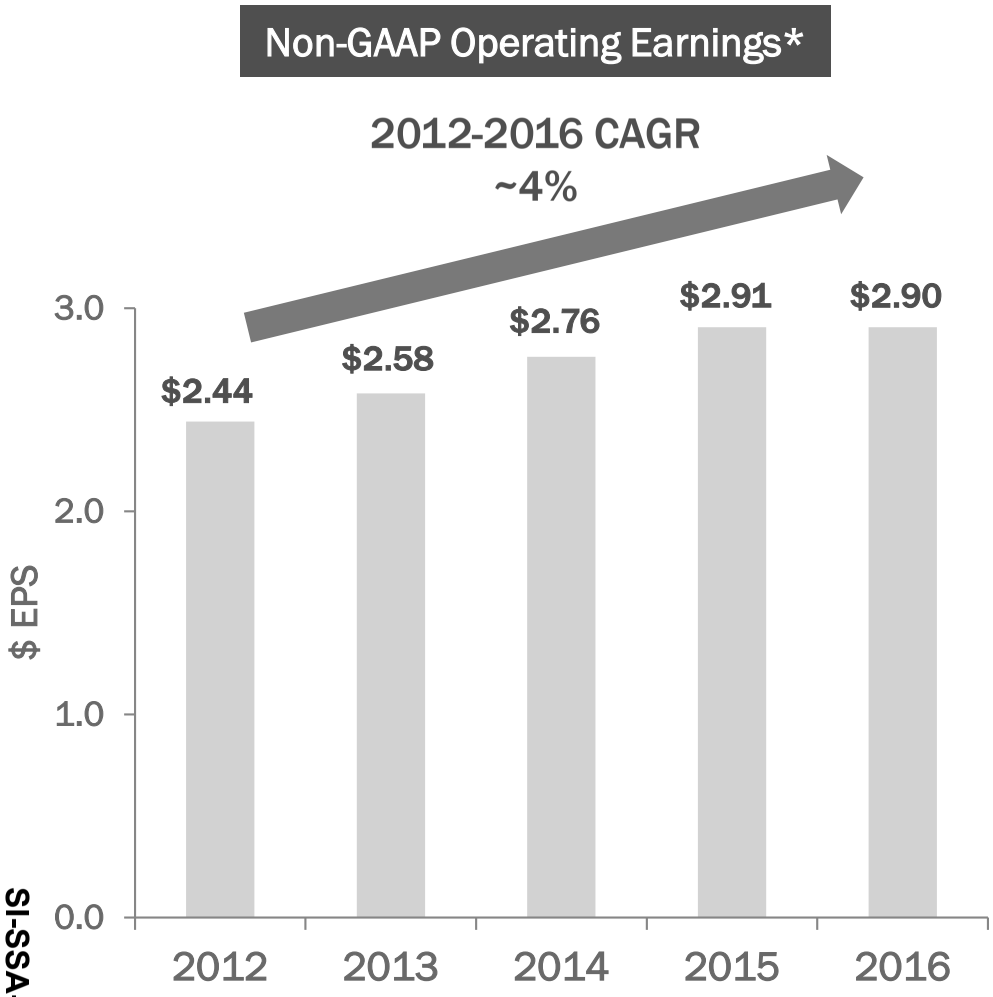
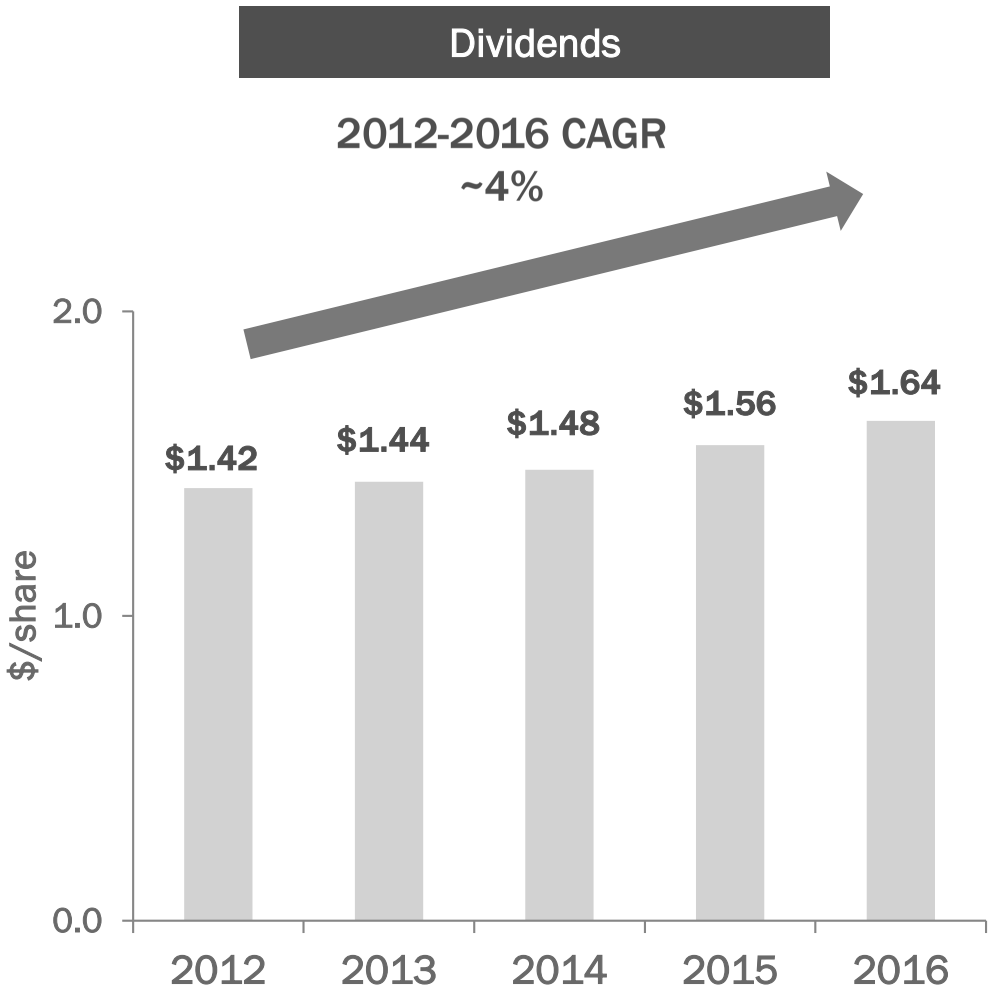
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

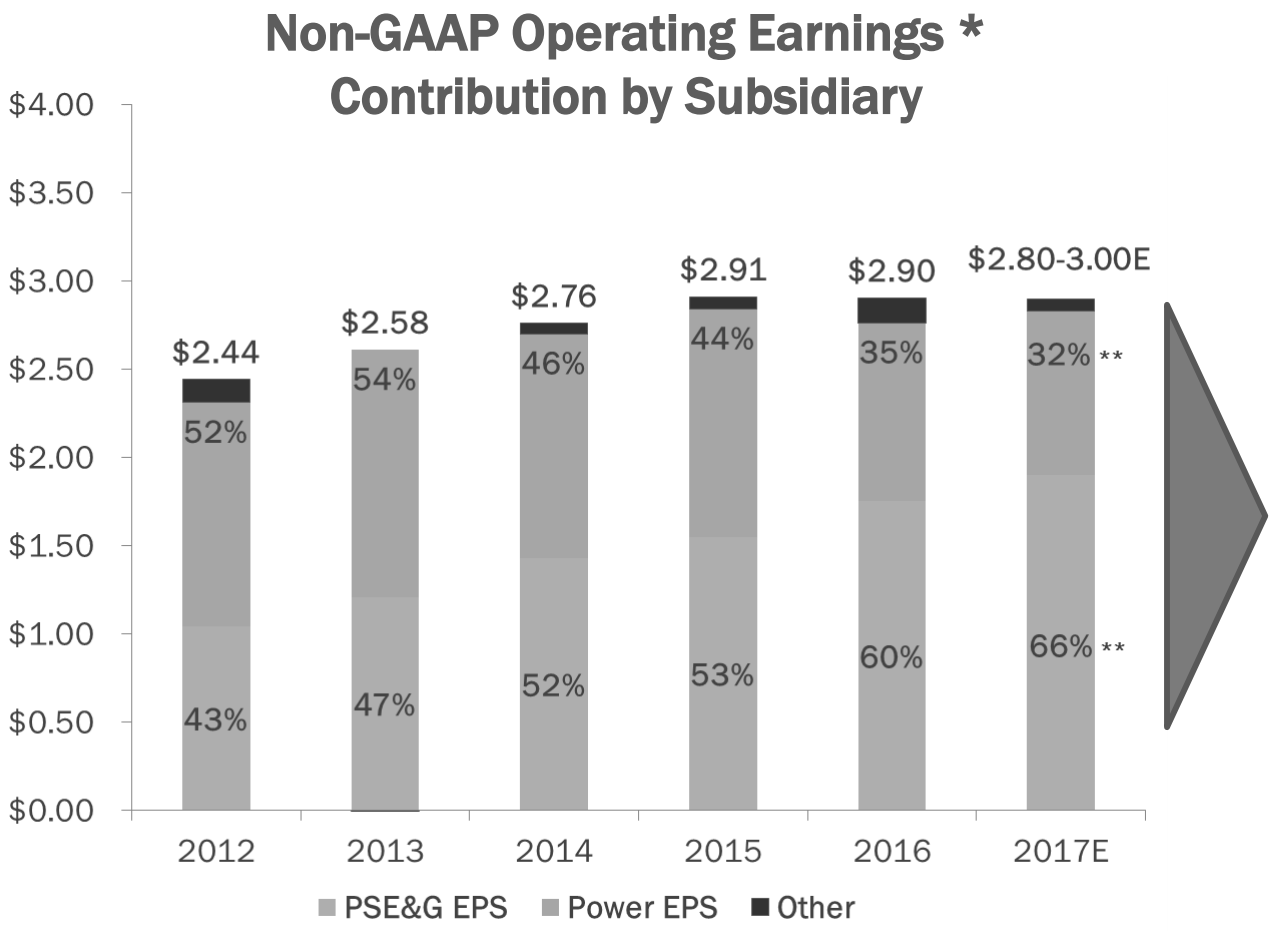




SI-SSA-0015-08841

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



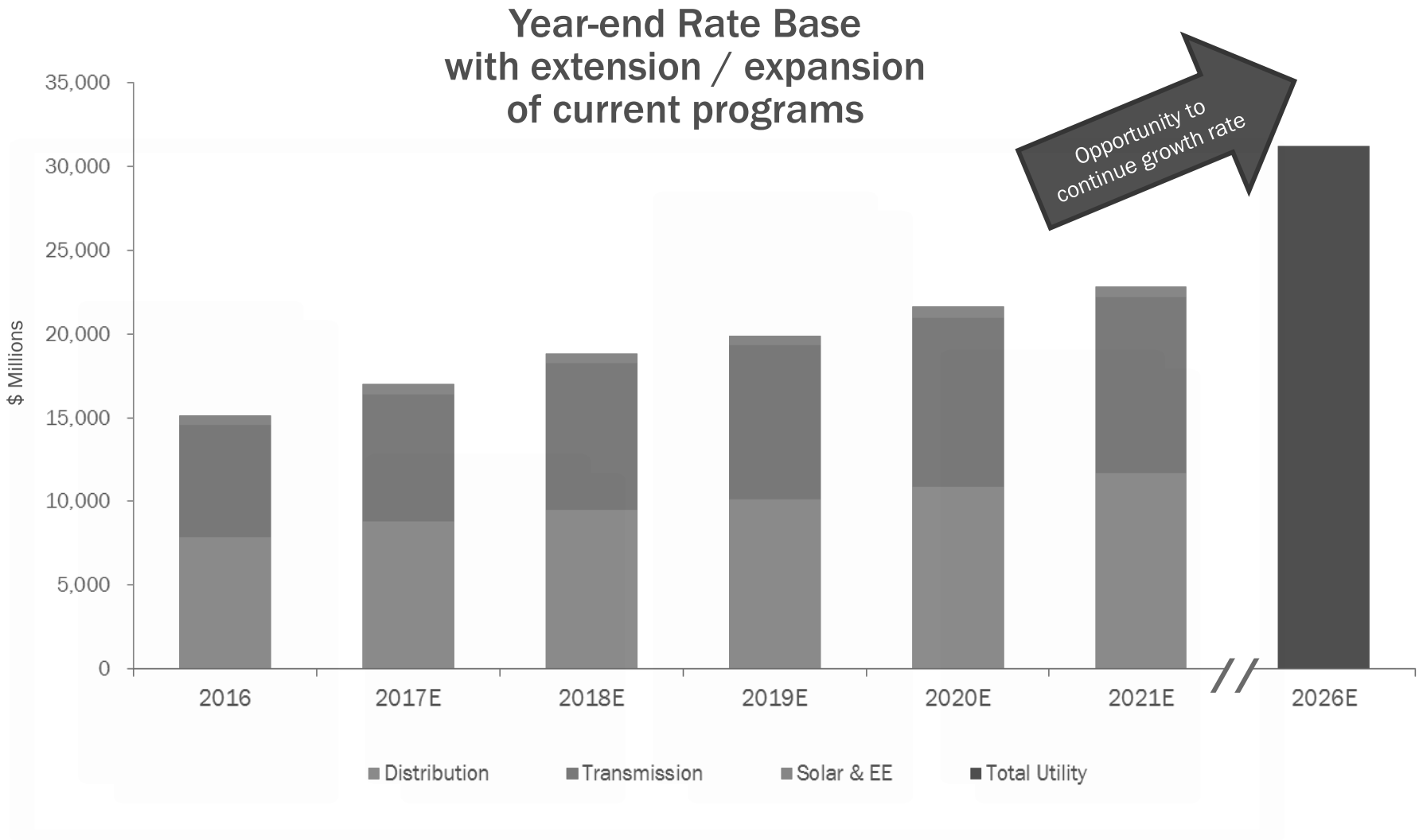
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-08842

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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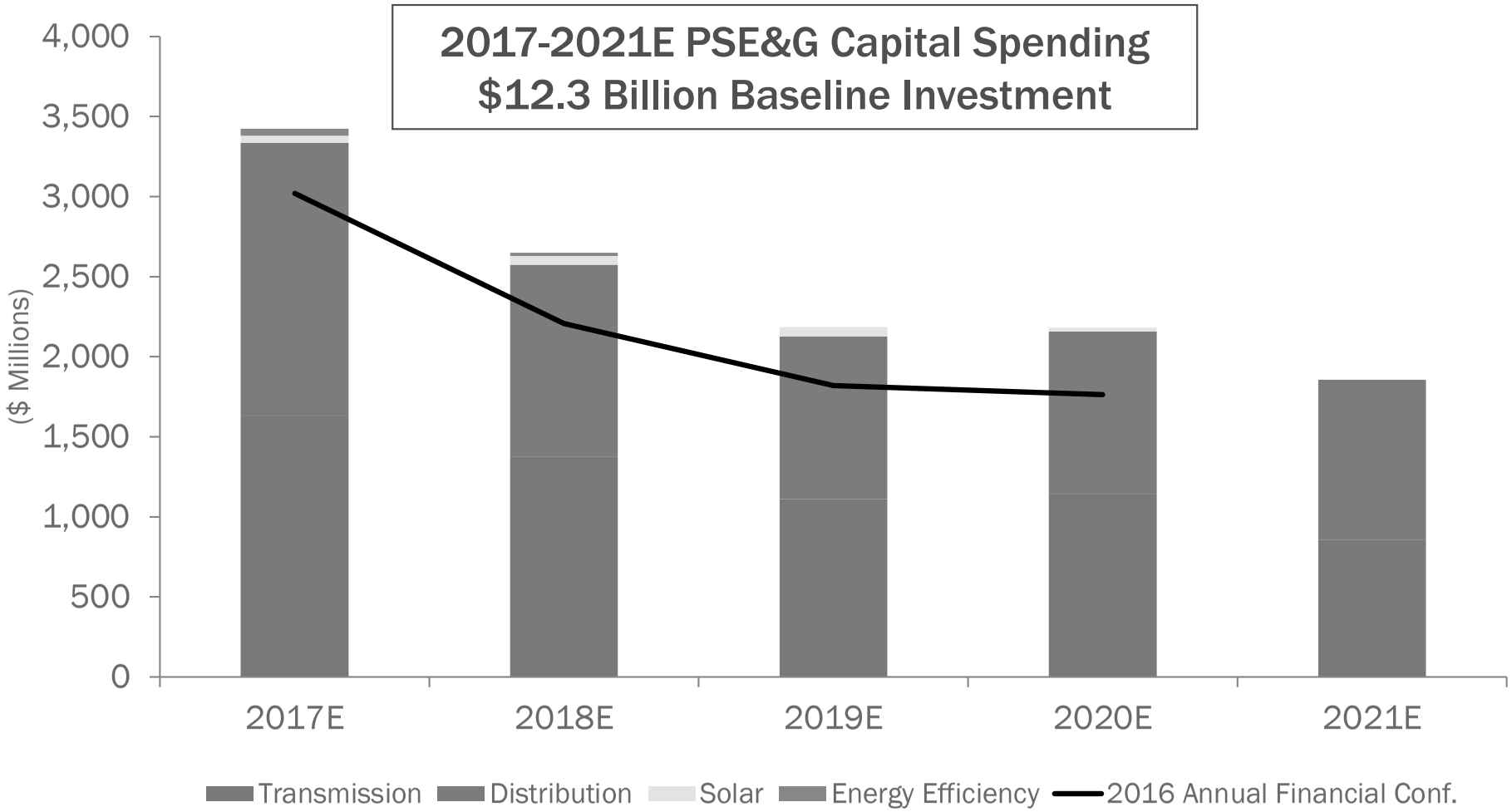
Baseline programs yield 7% compound annual growth in rate base



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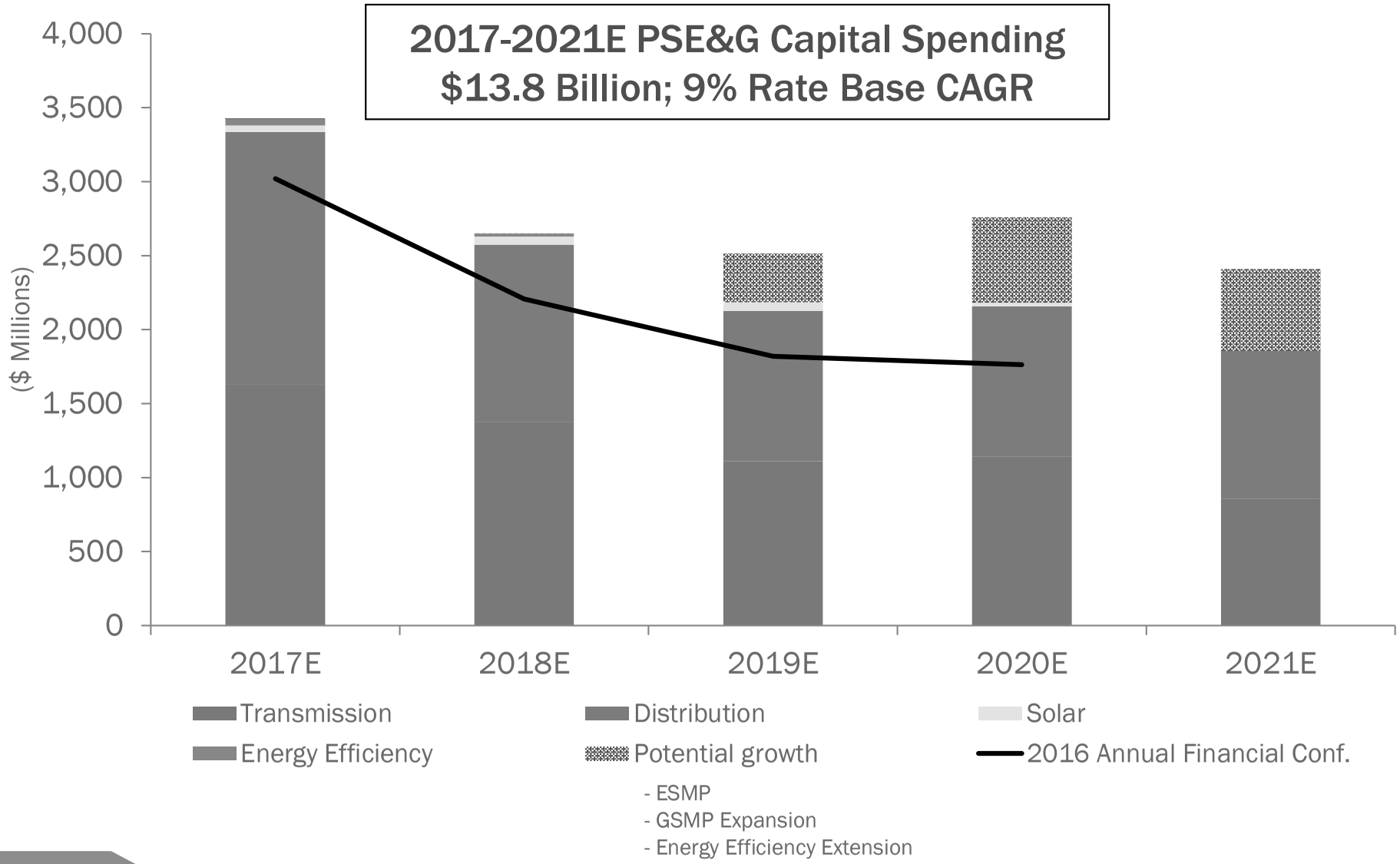
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-08845

PSE&G – Regulatory Agreement/Filing Support Long-term Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and an agreement reached on its proposed Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

In July, PSE&G reached an agreement in principle with BPU Staff and Rate Counsel related to its proposed request to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-08846

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

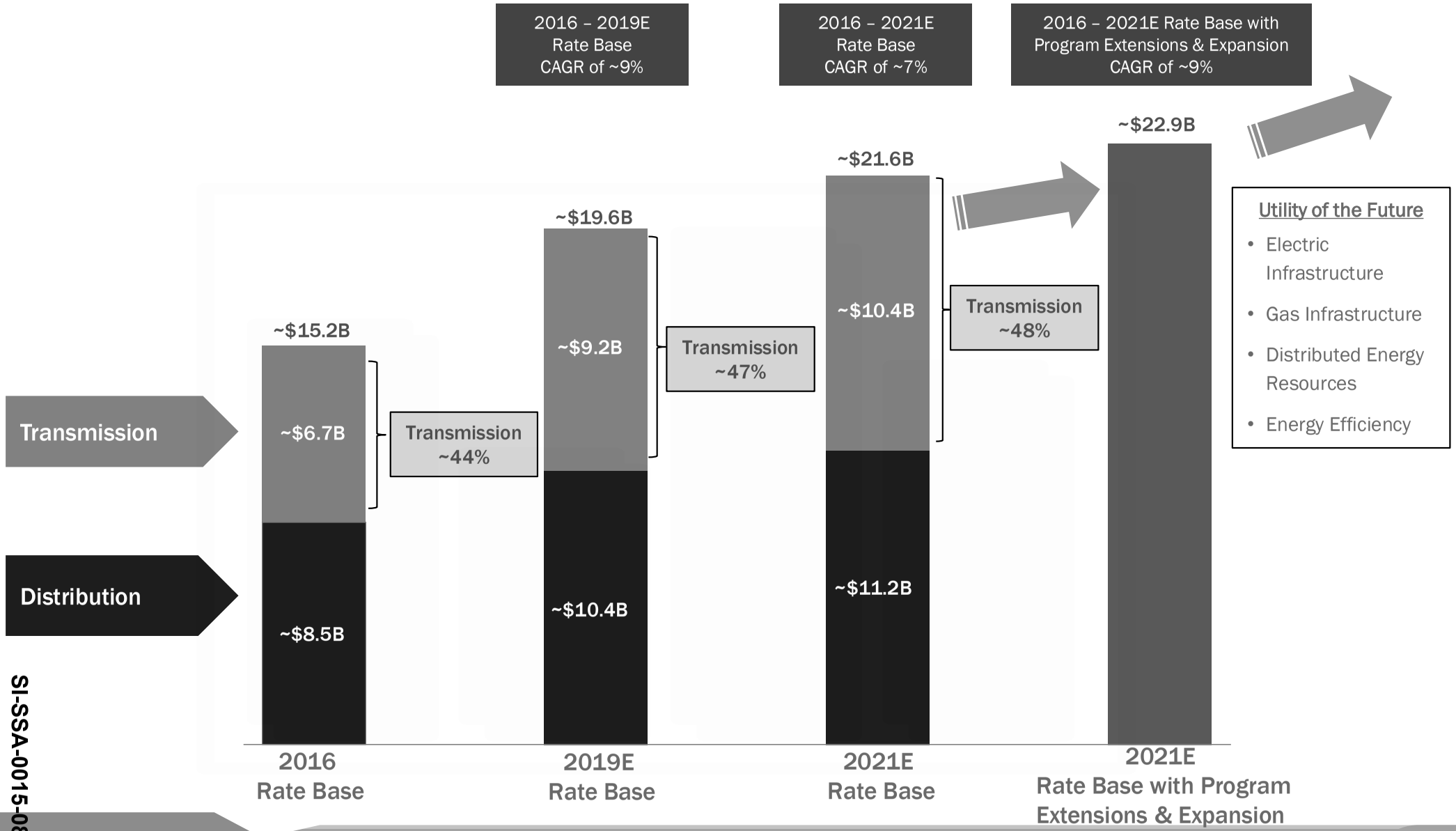
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-08847

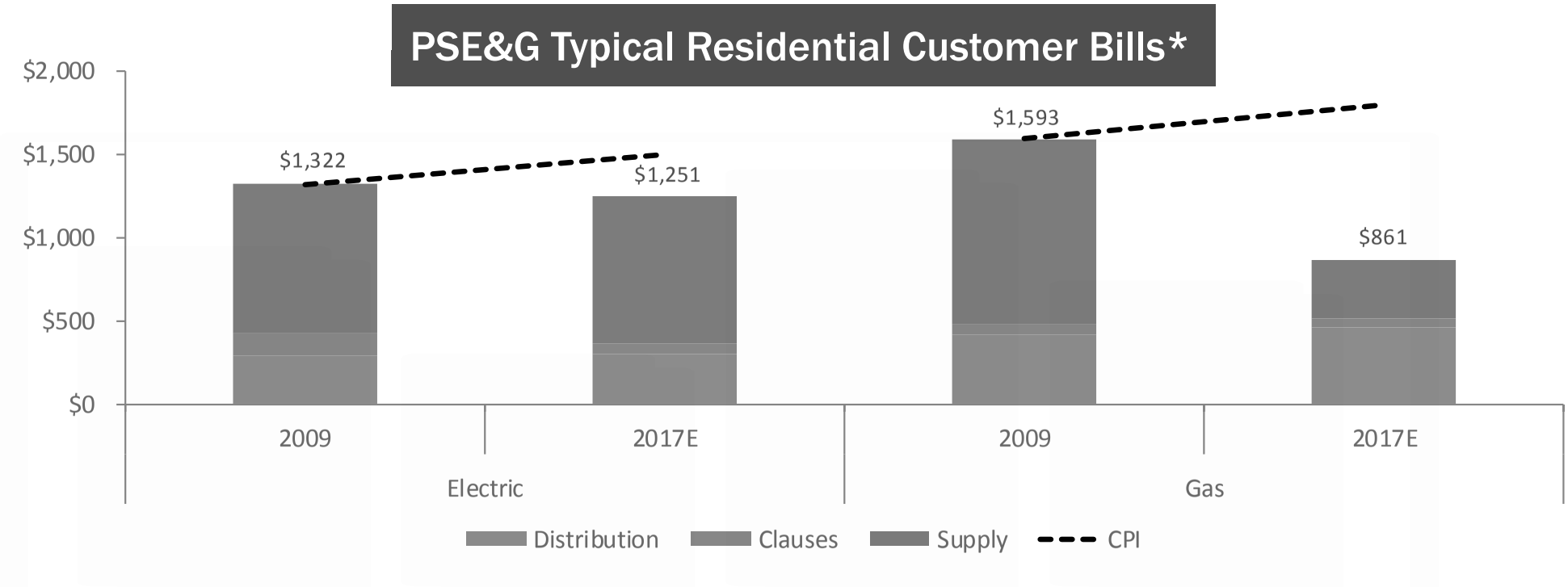
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-08848

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

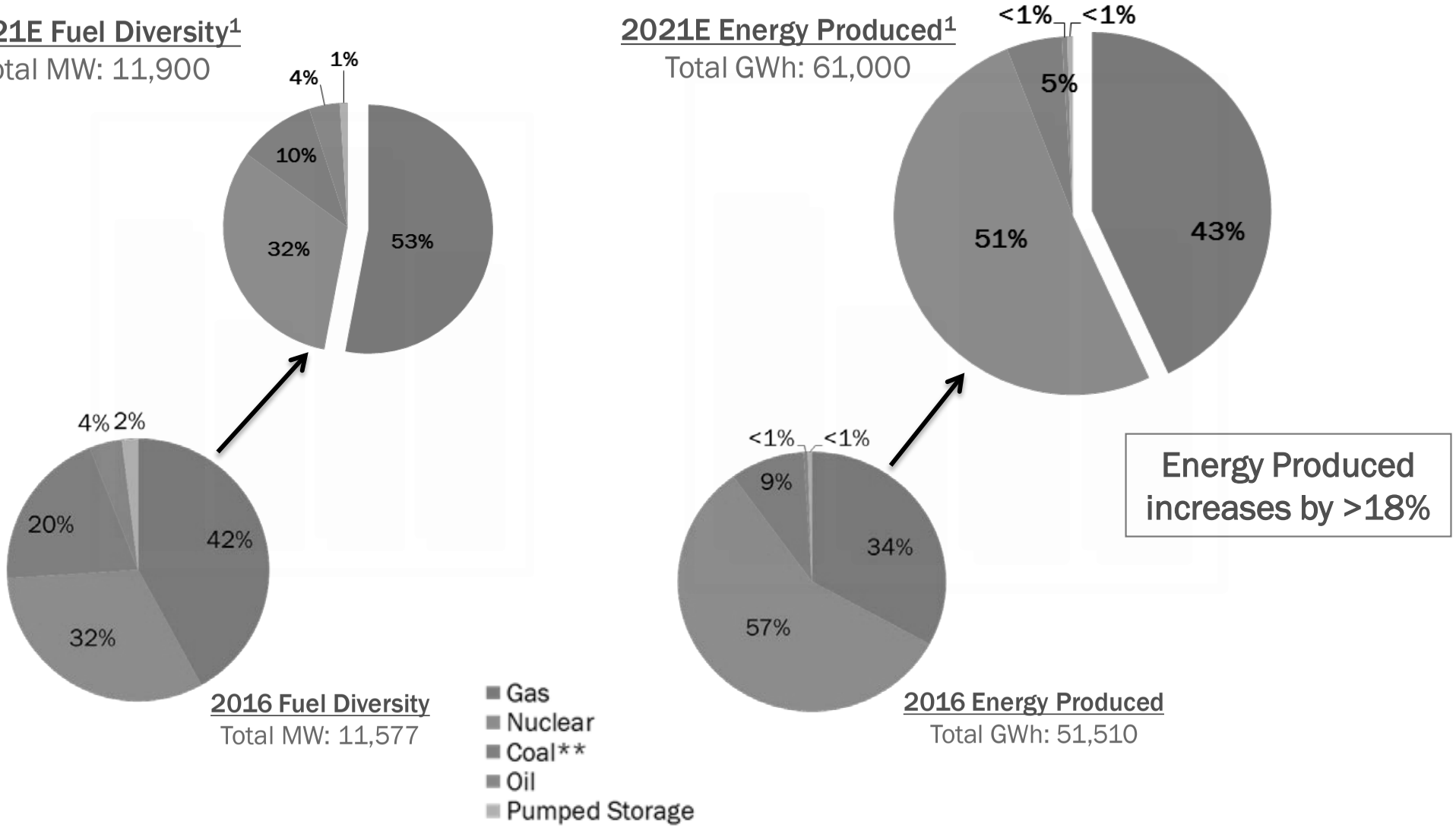
SI-SSA-0015-08849

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E



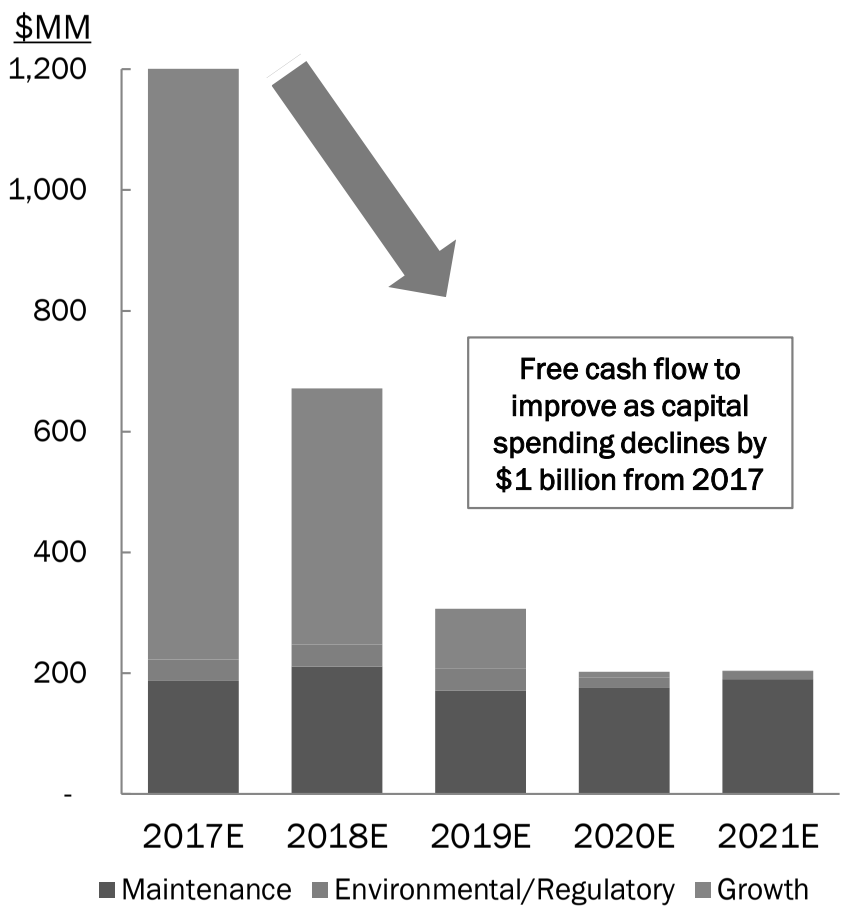
[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-08850

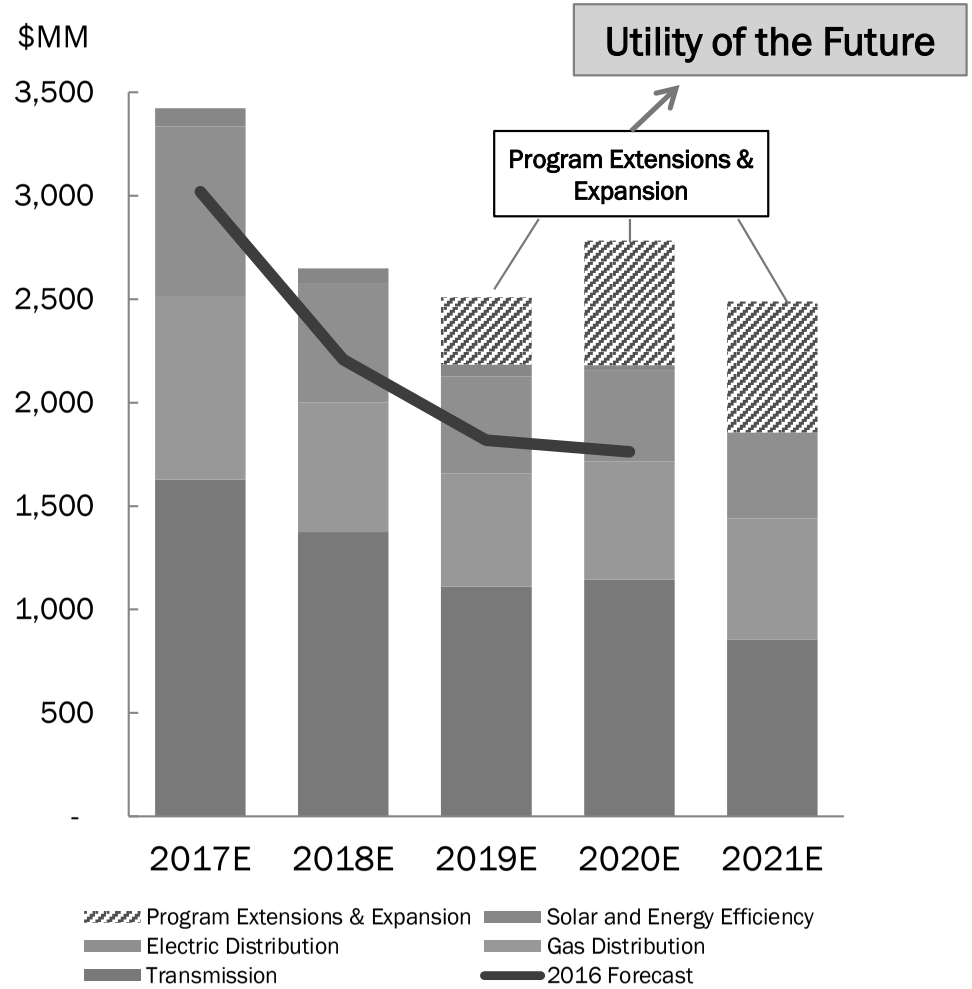
PSEG

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



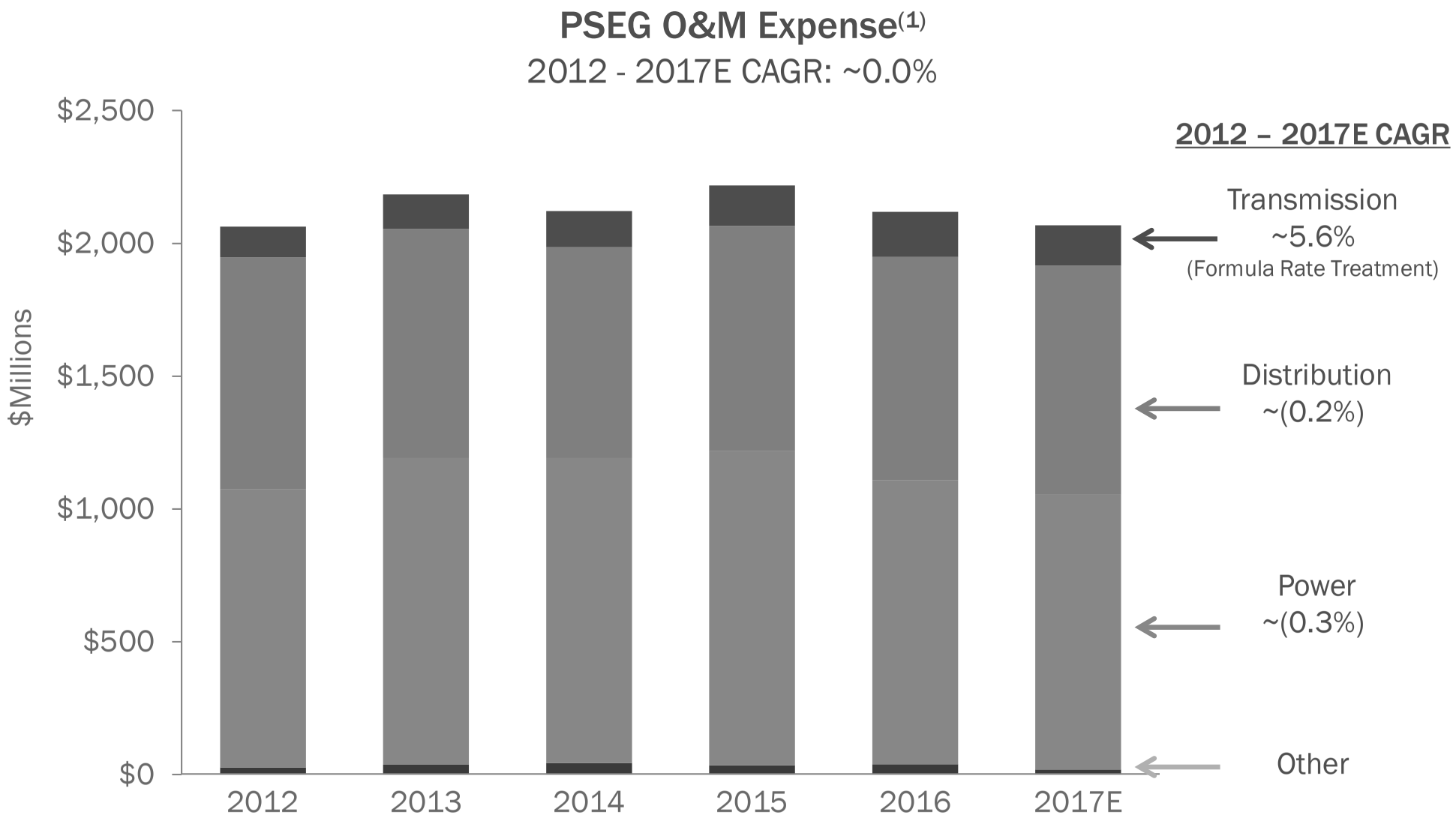
PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

SI-SSA-0015-08851

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

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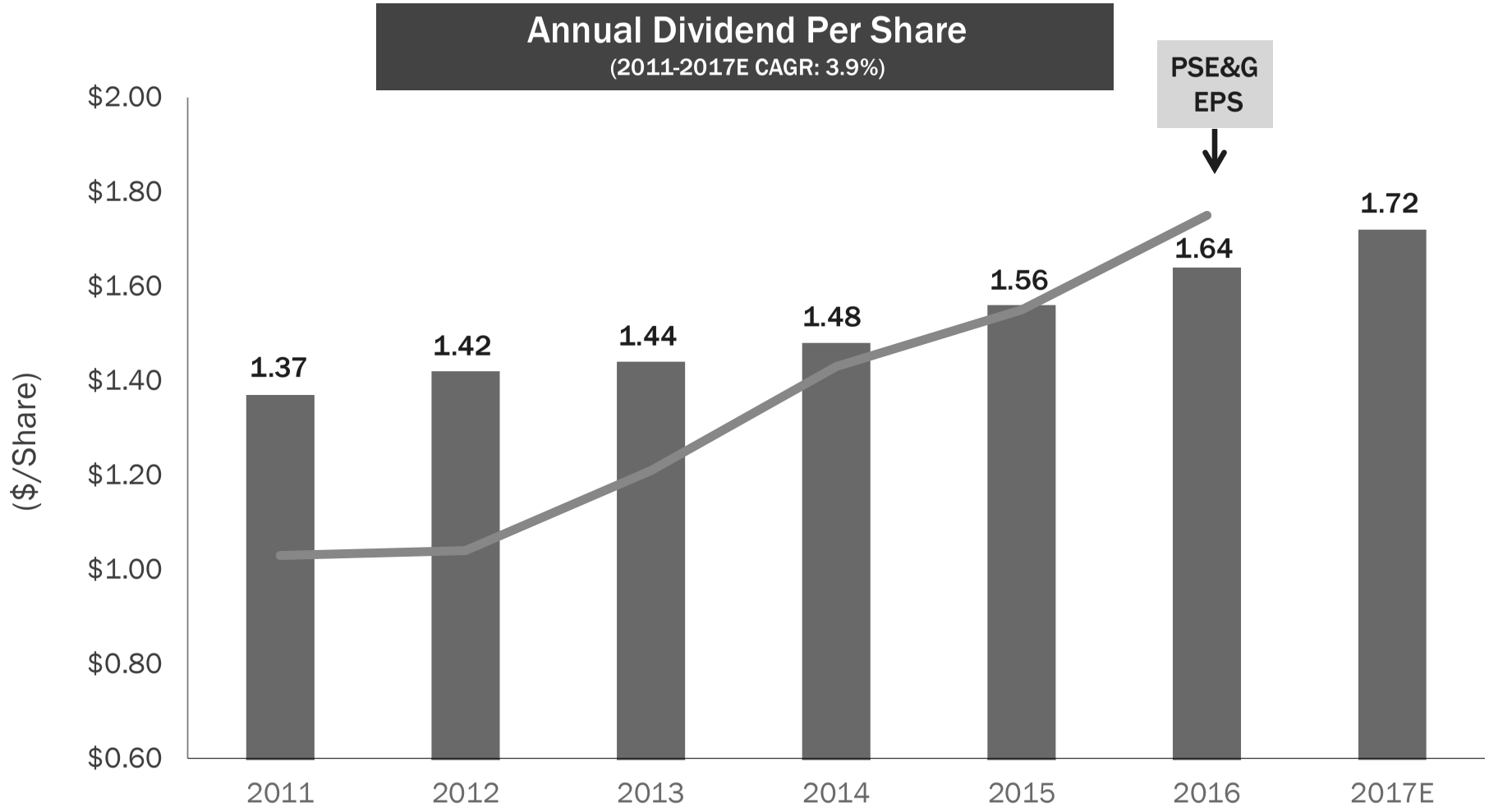
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-08854

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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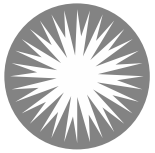
PSEG FINANCIAL APPENDIX



PSEG

We make things work for you.

SI-SSA-0015-08856

Q2 2017–Solid financial results at both businesses

Second Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.37 per share in Q2 2016, reflecting Hudson & Mercer retirements
- Non-GAAP Operating Earnings* of $0.62 vs. $0.57 per share in Q2 2016
- PSE&G achieved 17% growth in Q2 earnings per share over Q2 2016 – supported by increased investment in transmission and distribution, and cost containment
- PSEG Power results aided by continued cost control

Operational Excellence

- Nuclear fleet achieved a capacity factor of 89.6% for Q2 and 94.8% for H1 2017
- PSE&G named Smart Electric Power Alliance's (SEPA) 2017 Investor Owned Utility of the Year, recognizing PSE&G's Solar 4 All program and its leadership in landfill and brownfield solar development

Disciplined Capital Investment – Producing Results

- PSEG to invest ~$4.7 billion in 2017, consisting of ~$3.4 billion at PSE&G and ~$1.2 billion at PSEG Power
- Regulatory/Policy Focus: New Jersey Board of Public Utilities (BPU) actions support infrastructure investment; Energy Efficiency agreement in principle reached; $2.7 billion, 5-year Gas System Modernization Program (GSMP) extension/expansion filing
- Hudson and Mercer coal/gas generating stations retired on June 1

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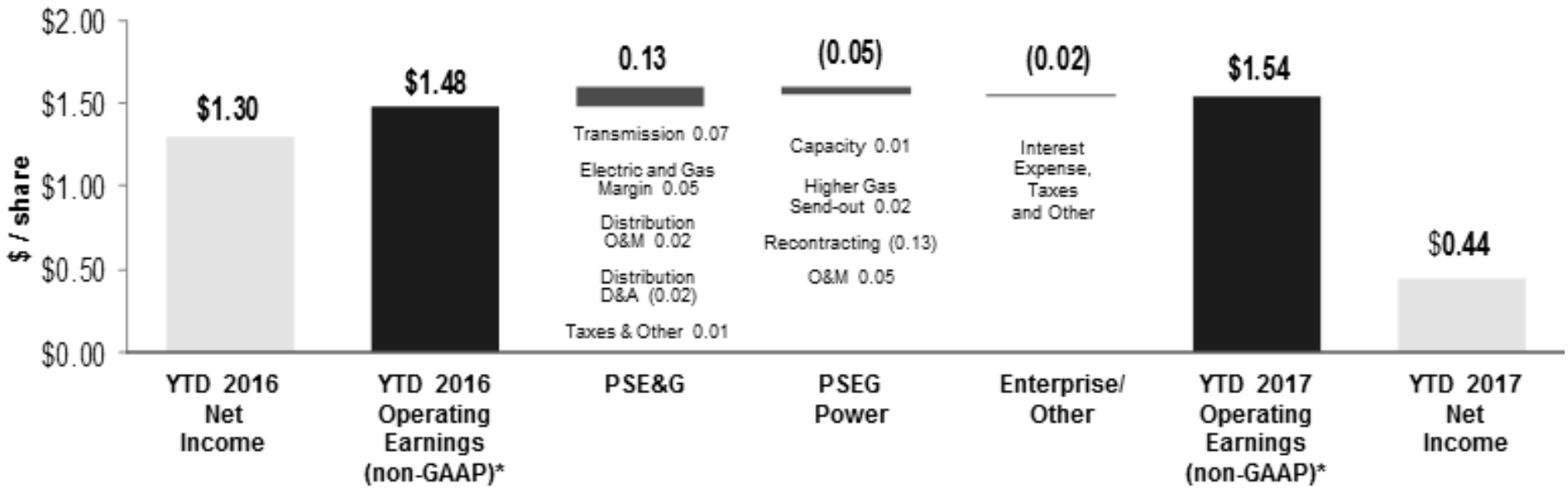
* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

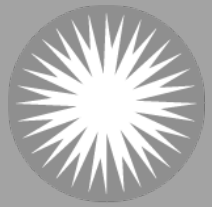
PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Goldman Sachs – Power, Utilities, MLP & Pipeline Conference

NEW YORK CITY – AUGUST 12, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08862

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-08863

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-08864

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-08865

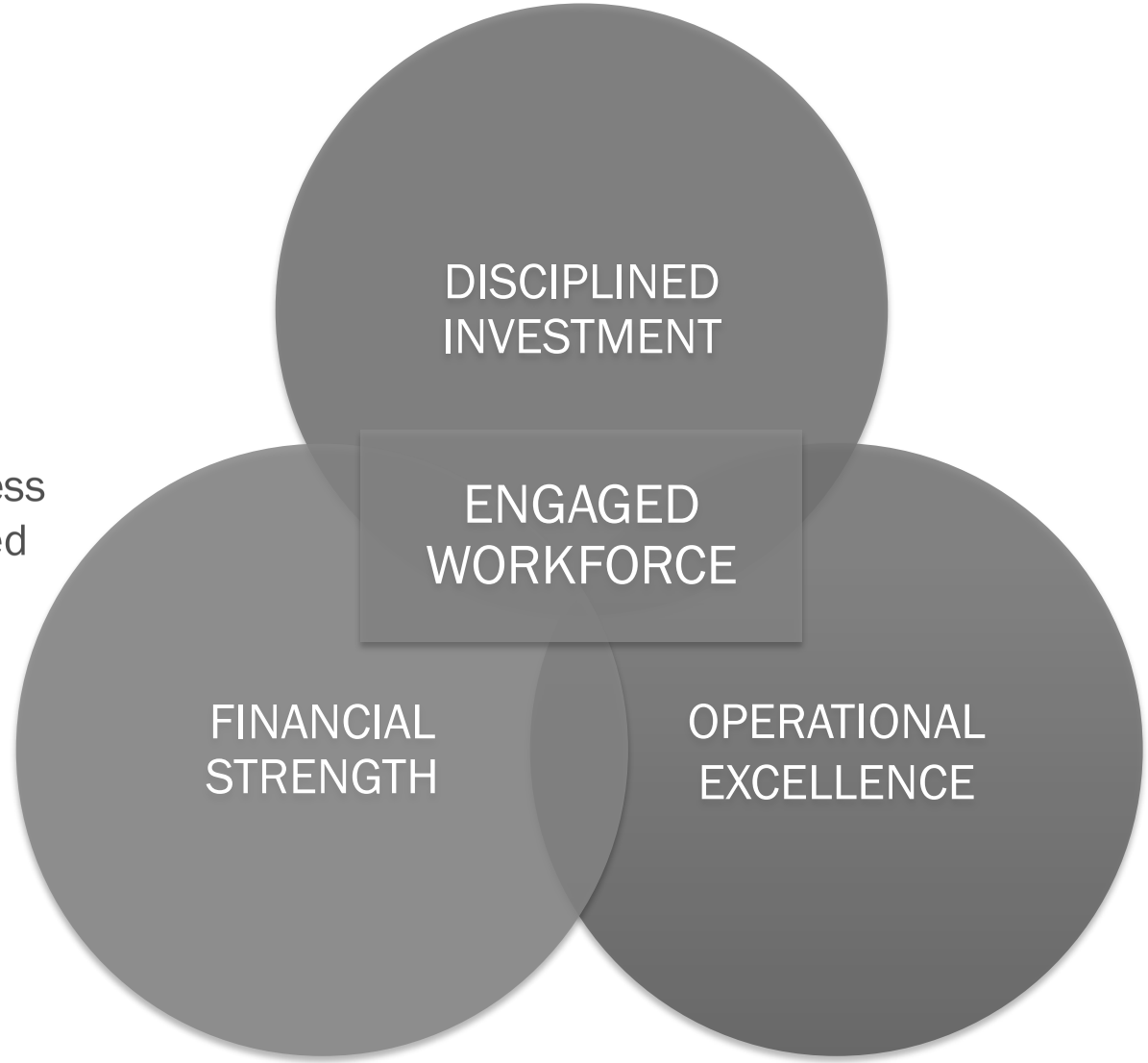
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-08867

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

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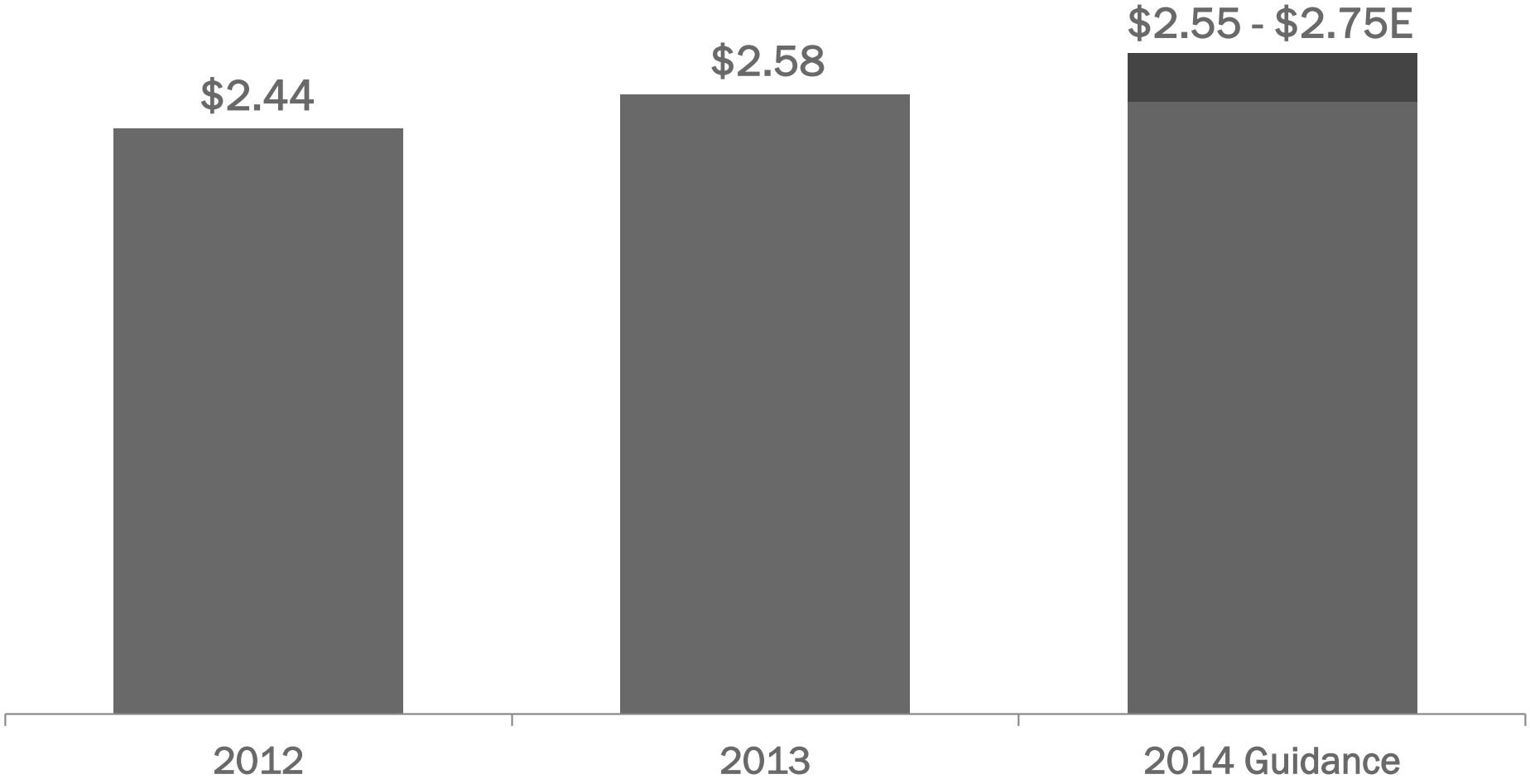
PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

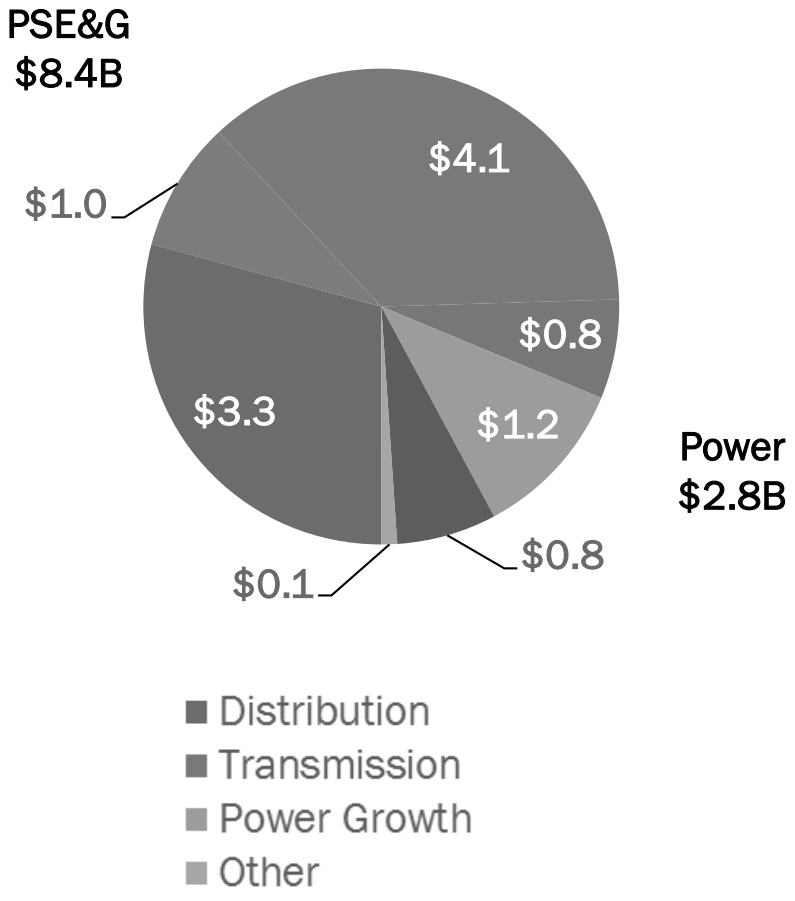
SI-SSA-0015-08870

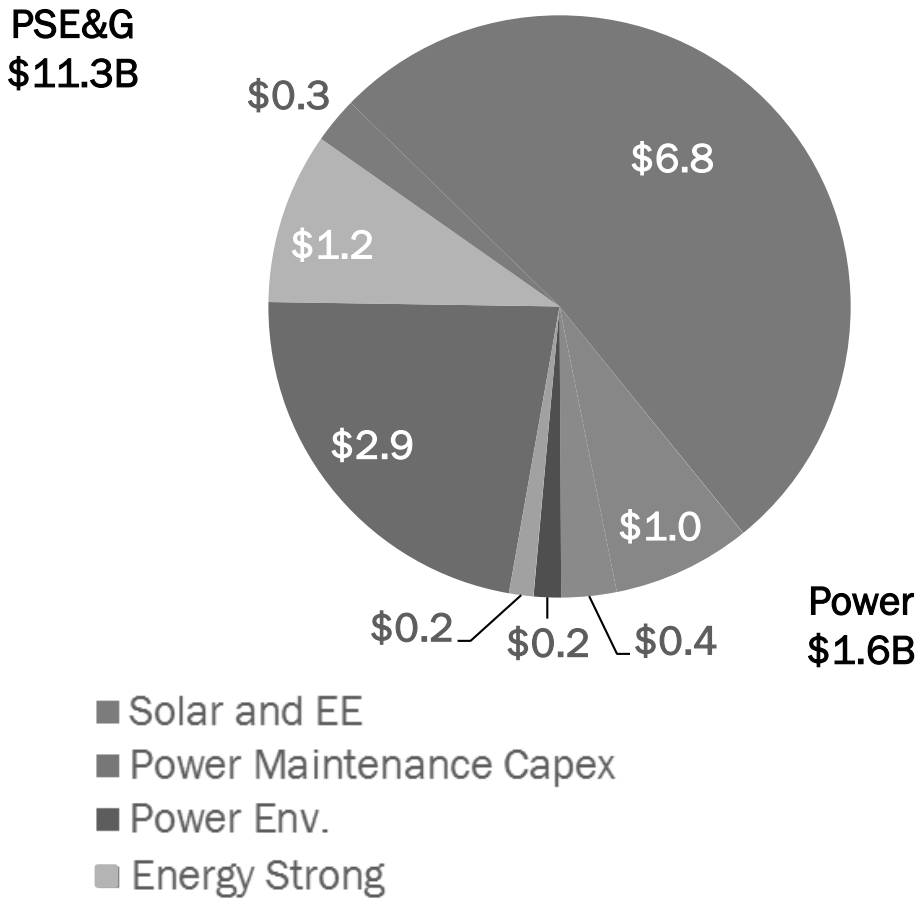
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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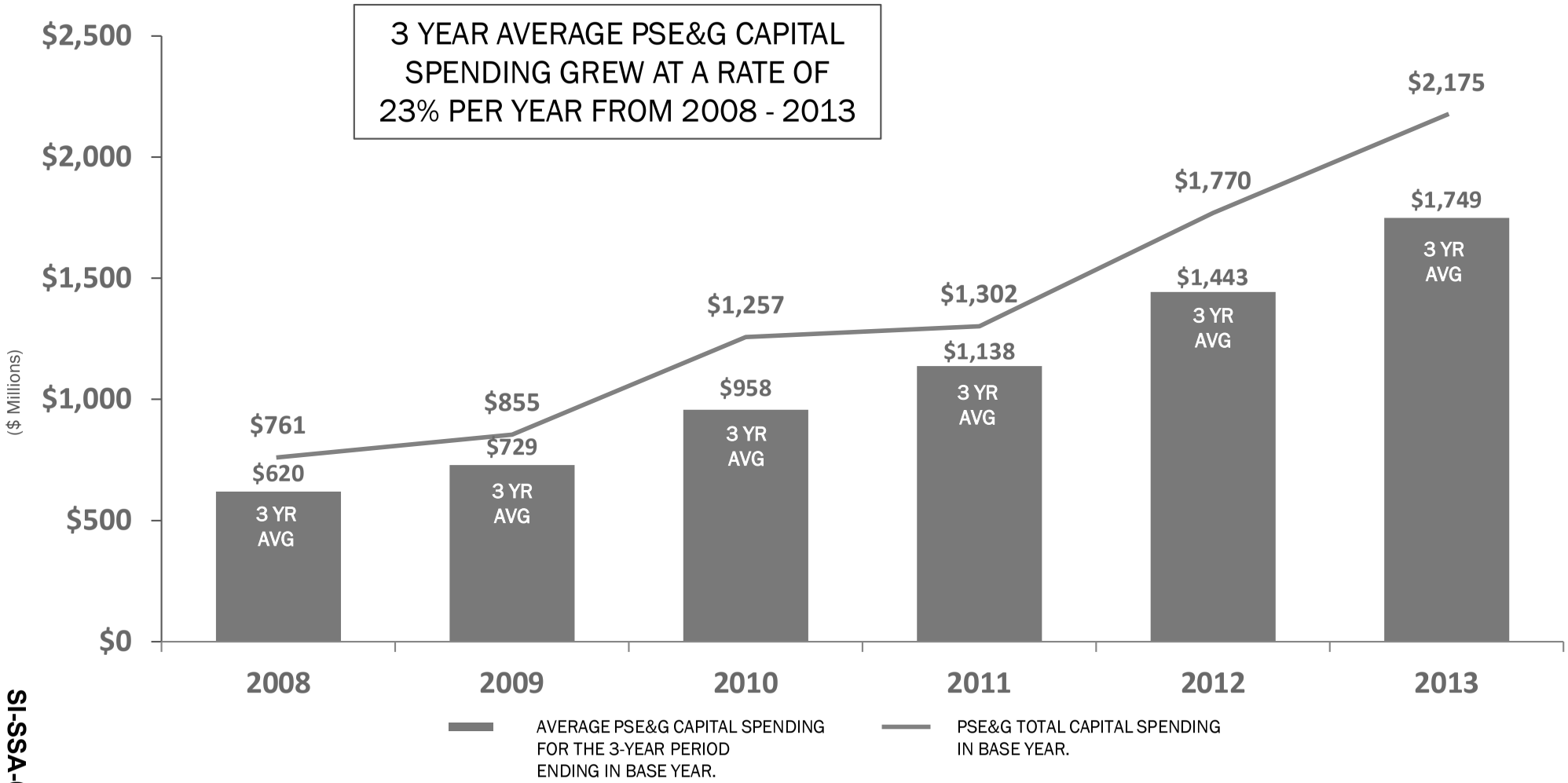
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending



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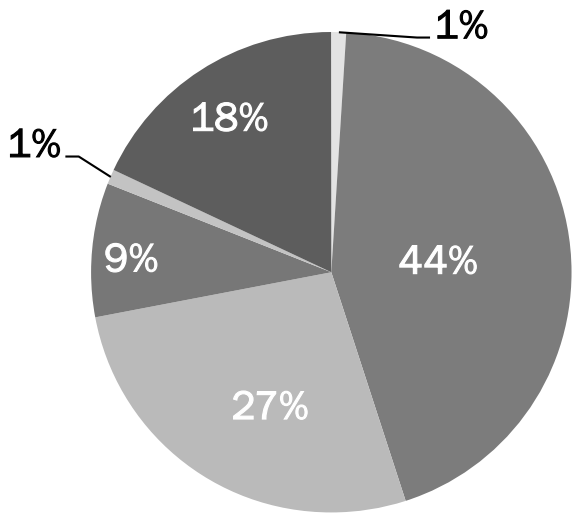
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

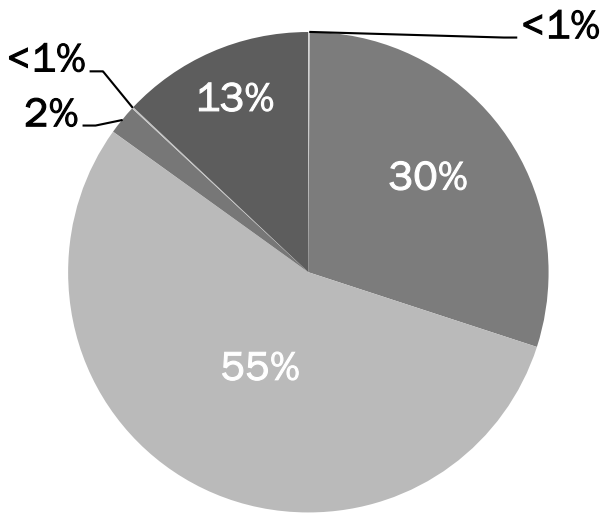
SI-SSA-0015-08873

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

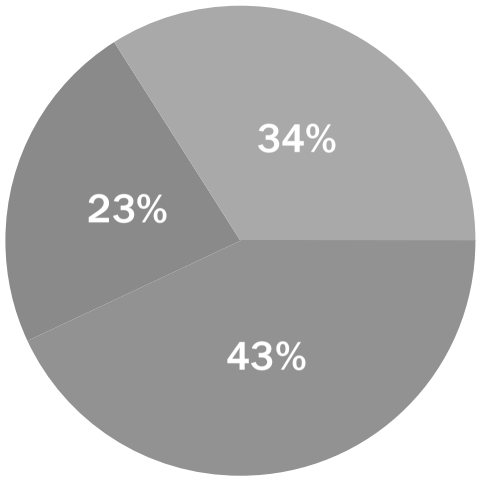
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-08874

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

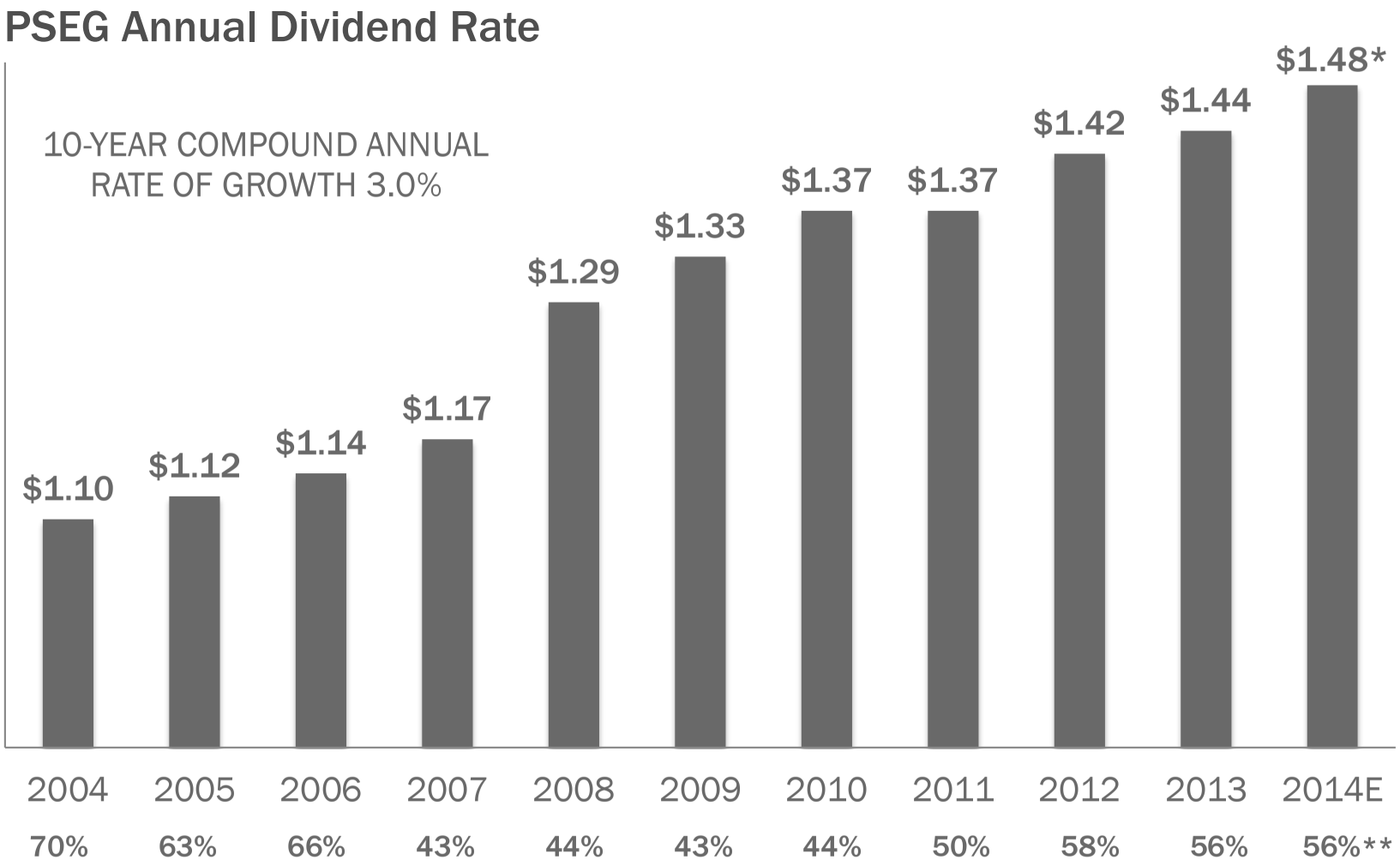
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-08875

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-08876

PSEG Q2 2014 Financial Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-08877

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-08878

PSE&G

PSEG

We make things work for you.

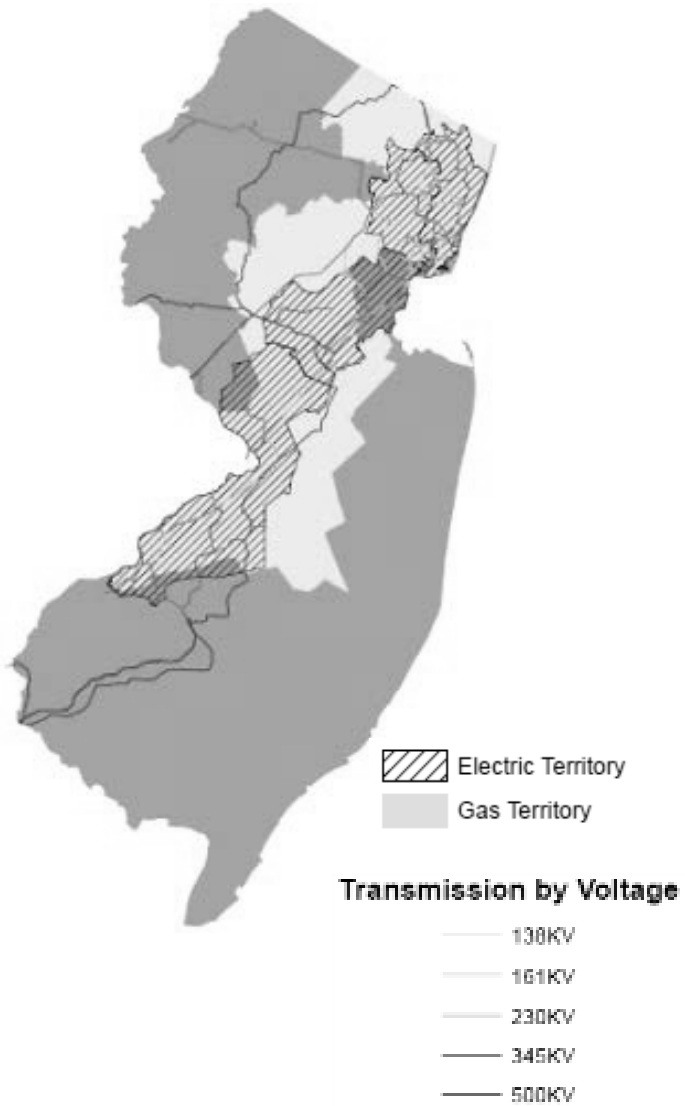
SI-SSA-0015-08879

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08880

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-08881

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-08882

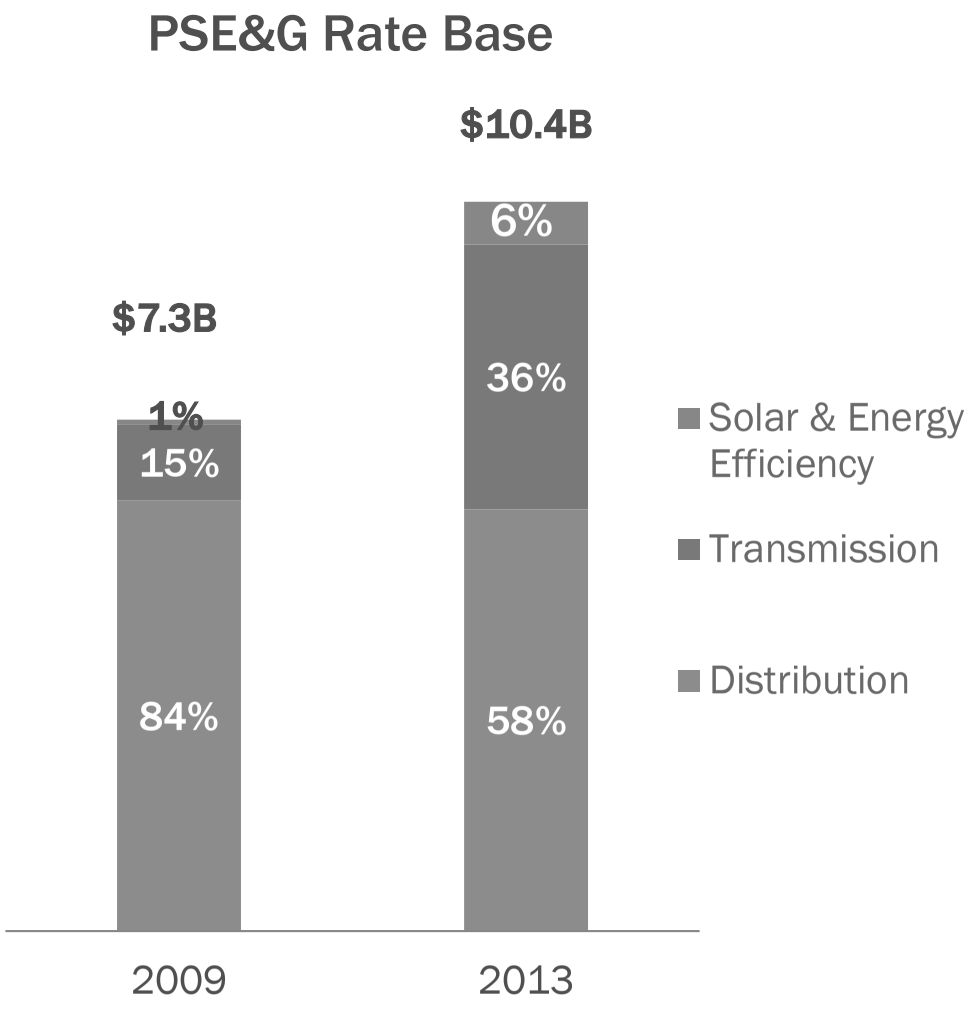
PSE&G's operating earnings grew ~18%

per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-08883

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-08884

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

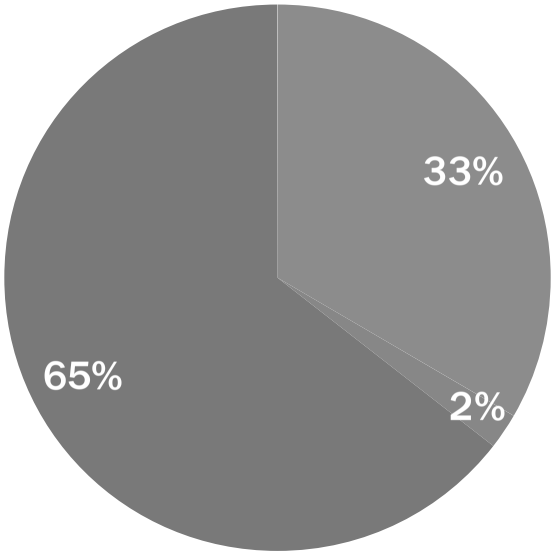
SI-SSA-0015-08885

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

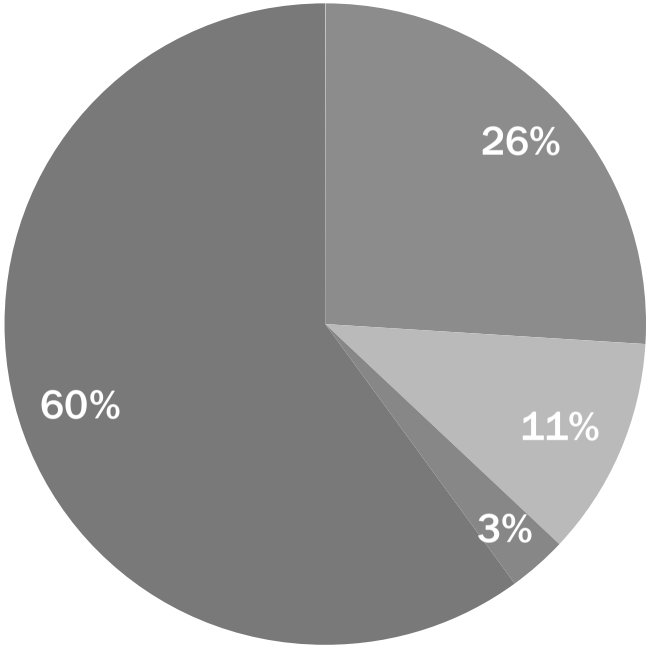
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

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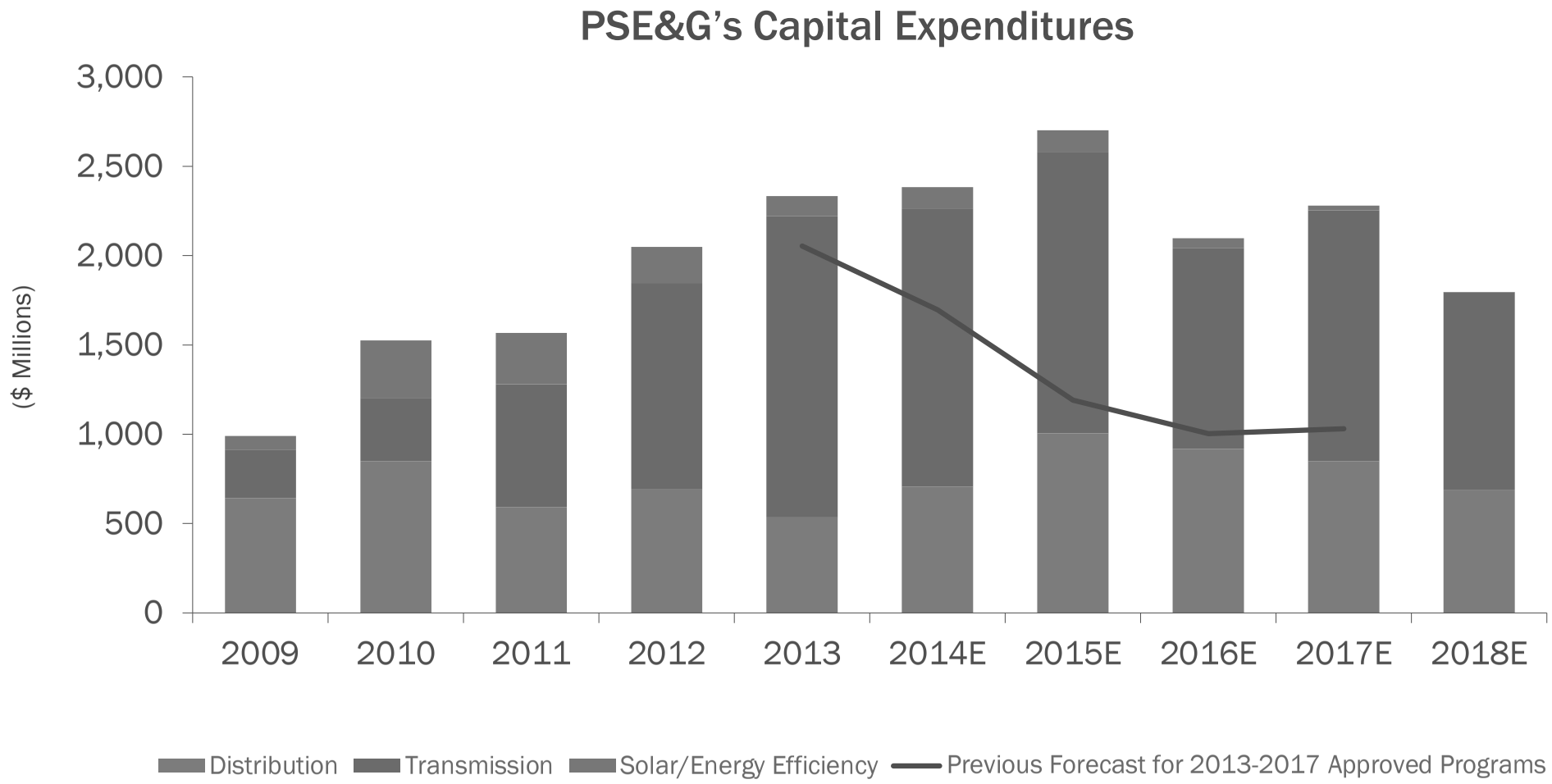
PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-08887

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

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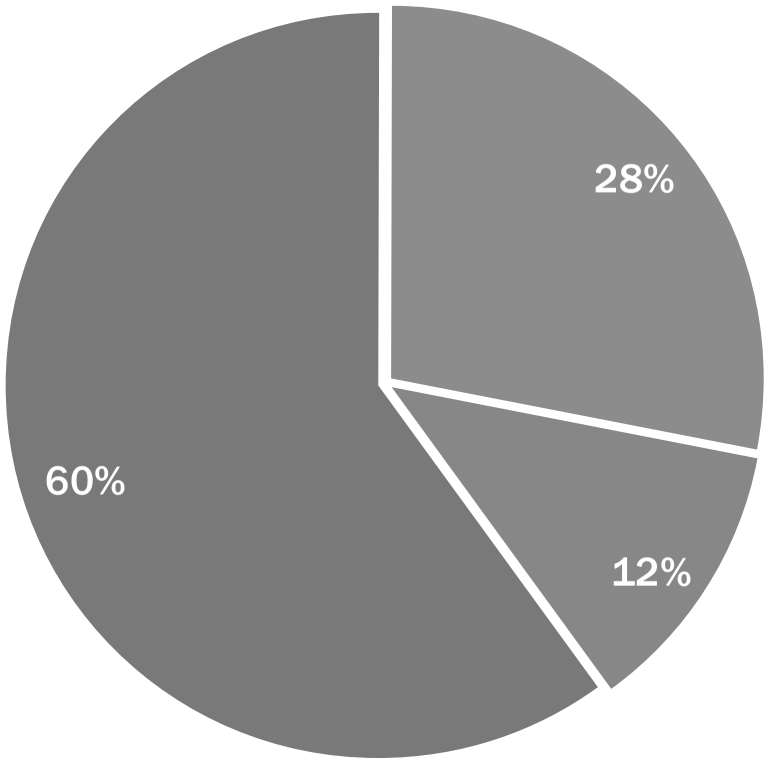
Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

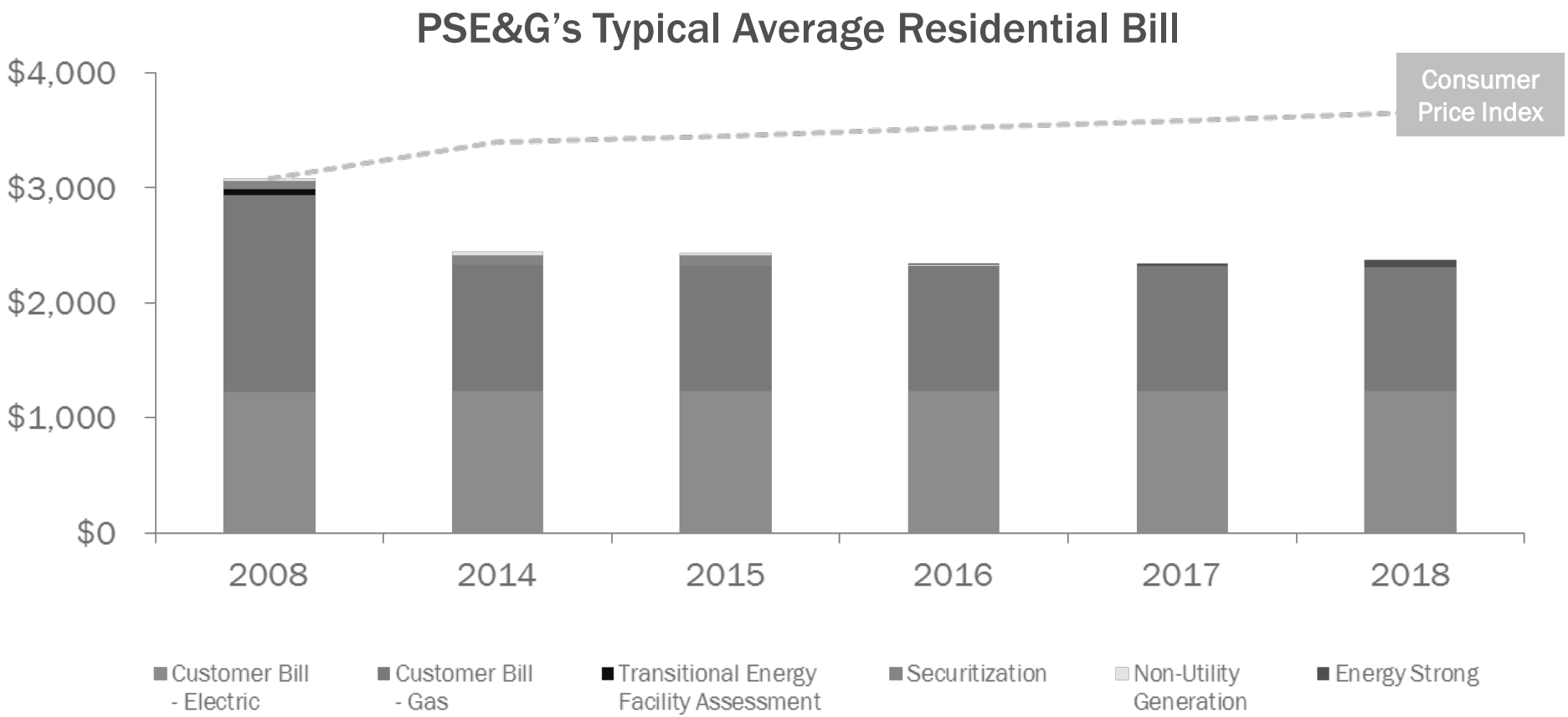
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-08889

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-08890

PSE&G TRANSMISSION

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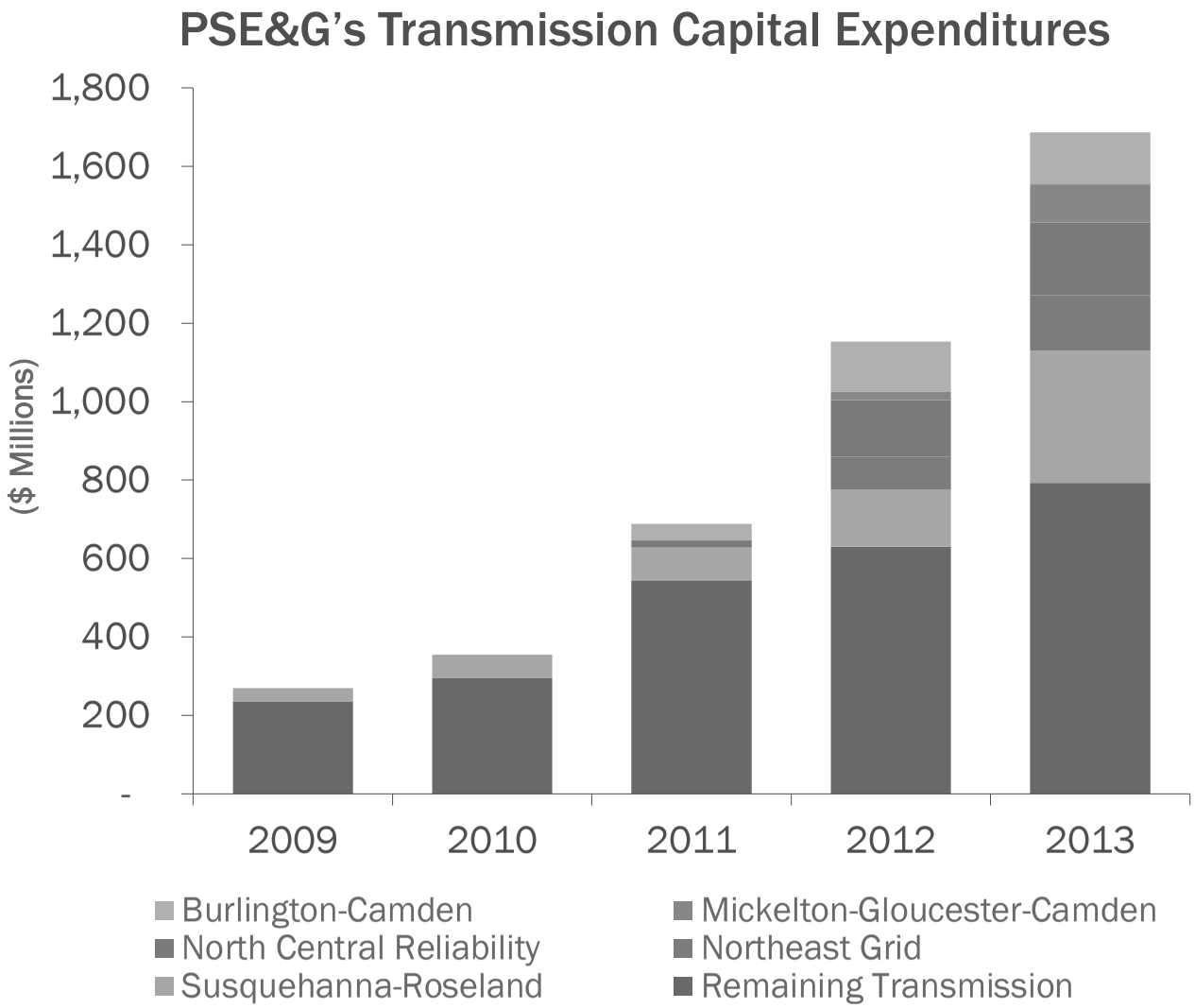
We make things work for you.

SI-SSA-0015-08891

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-08892

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-08893

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-08894

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-08895

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-08896

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-08897

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-08898

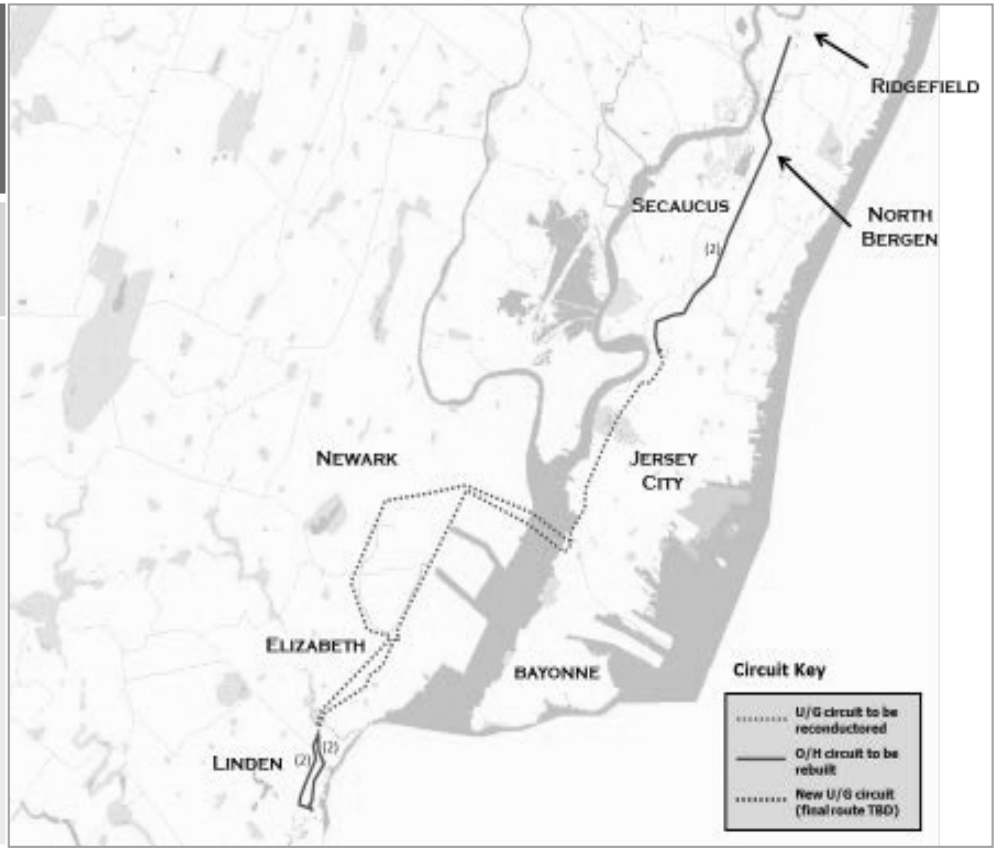
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

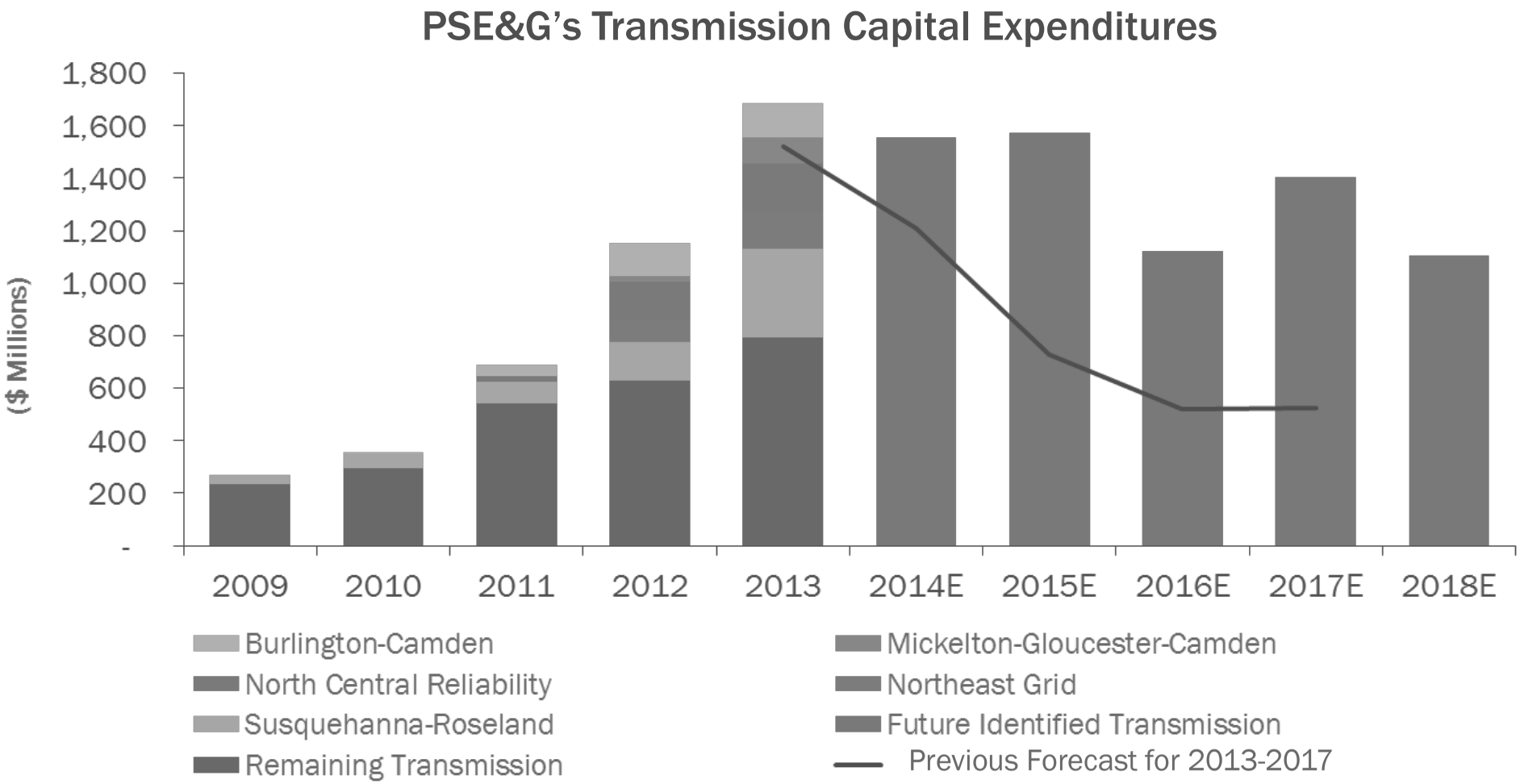
Project Status: Engineering



SI-SSA-0015-08899

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



SI-SSA-0015-08900

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-08901

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-08902

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-08903

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

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We make things work for you.

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PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-08905

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-08906

PSEG POWER

PSEG

We make things work for you.

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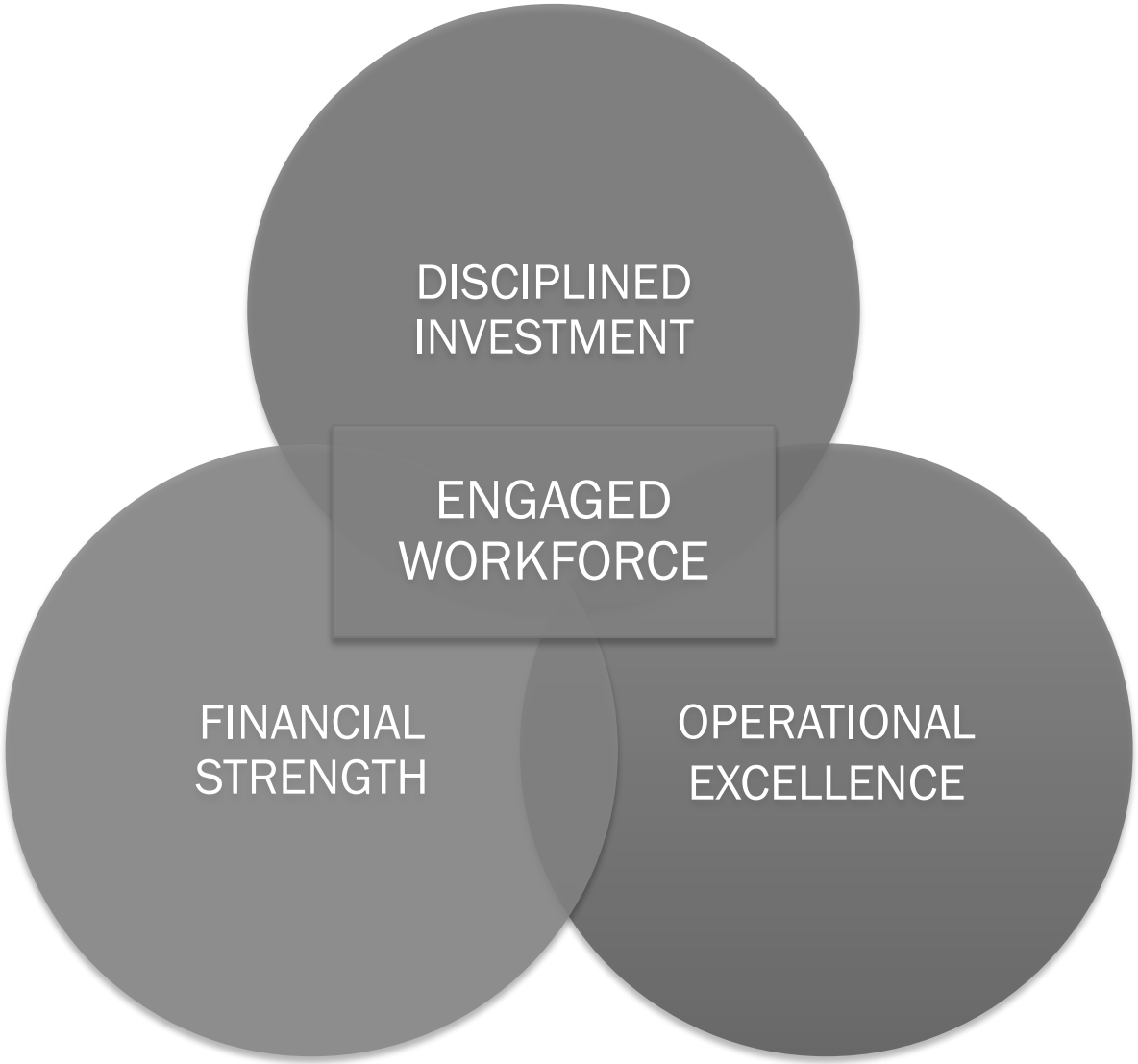
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-08908

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-08909

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

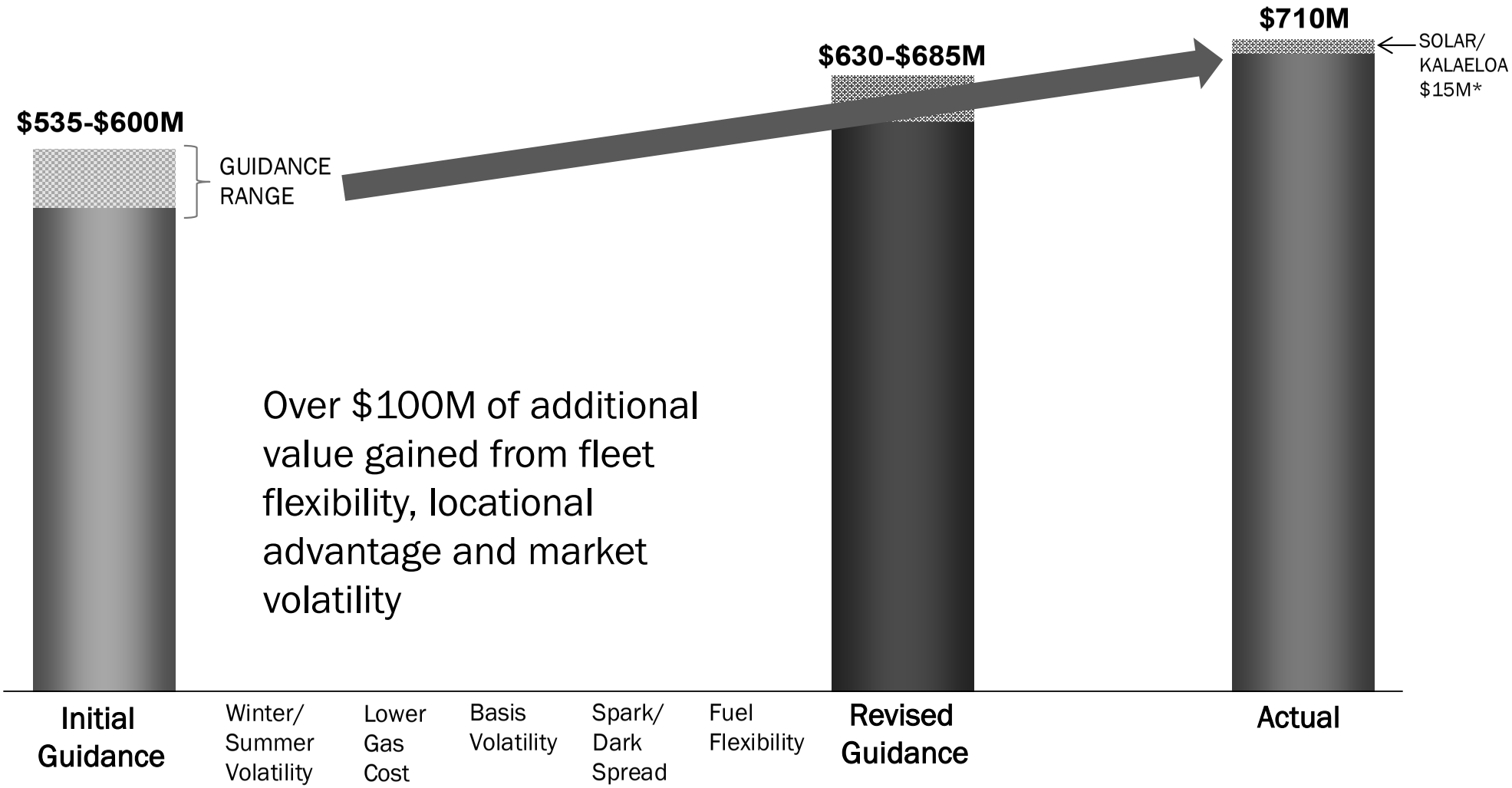
SI-SSA-0015-08910

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-08911

PSEG Power exceeded 2013's earnings guidance



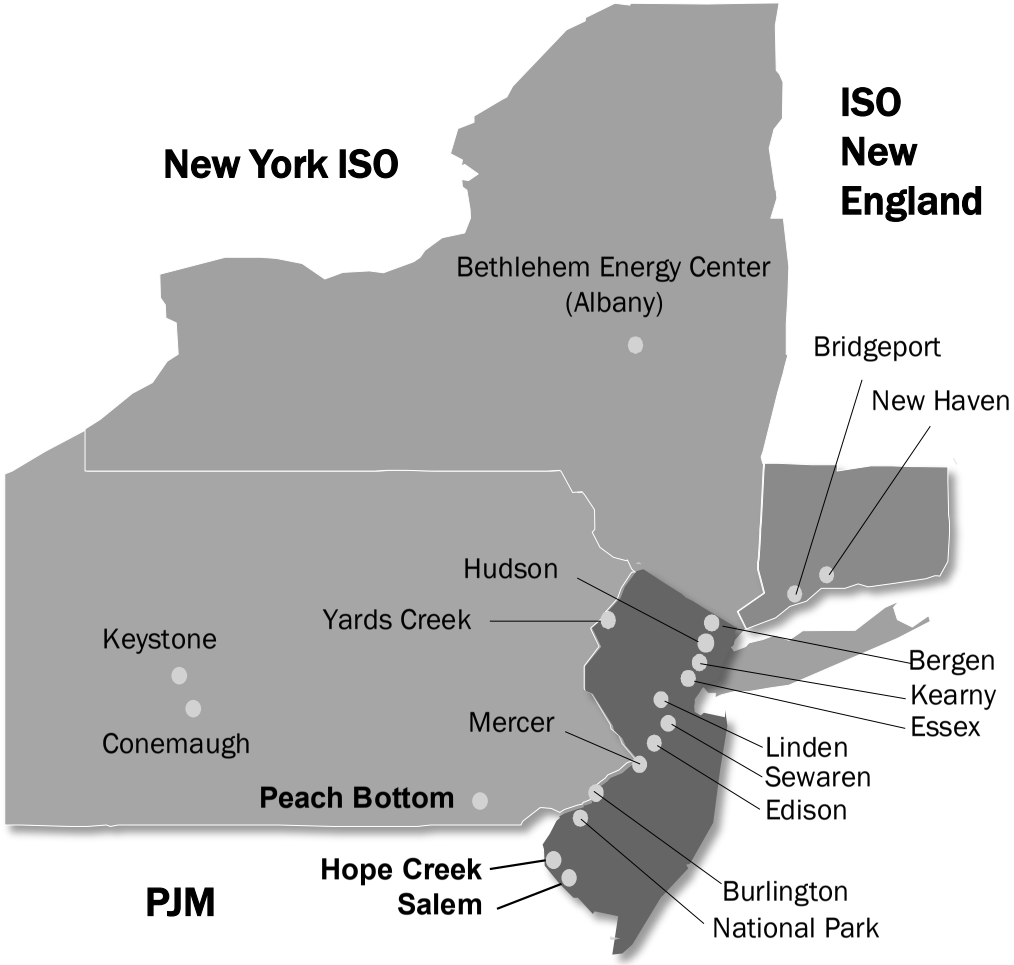
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-08912

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



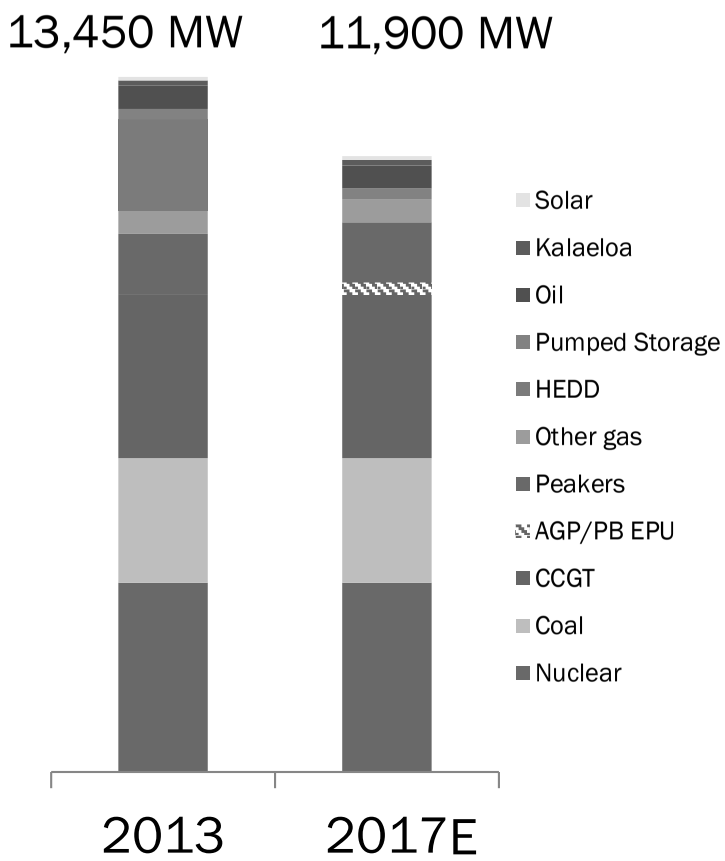
SI-SSA-0015-08913

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

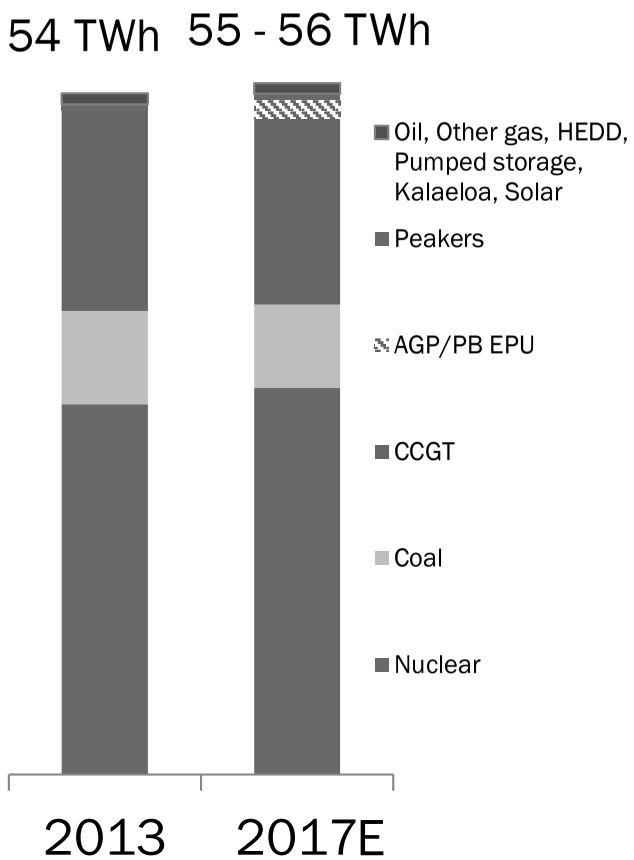
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



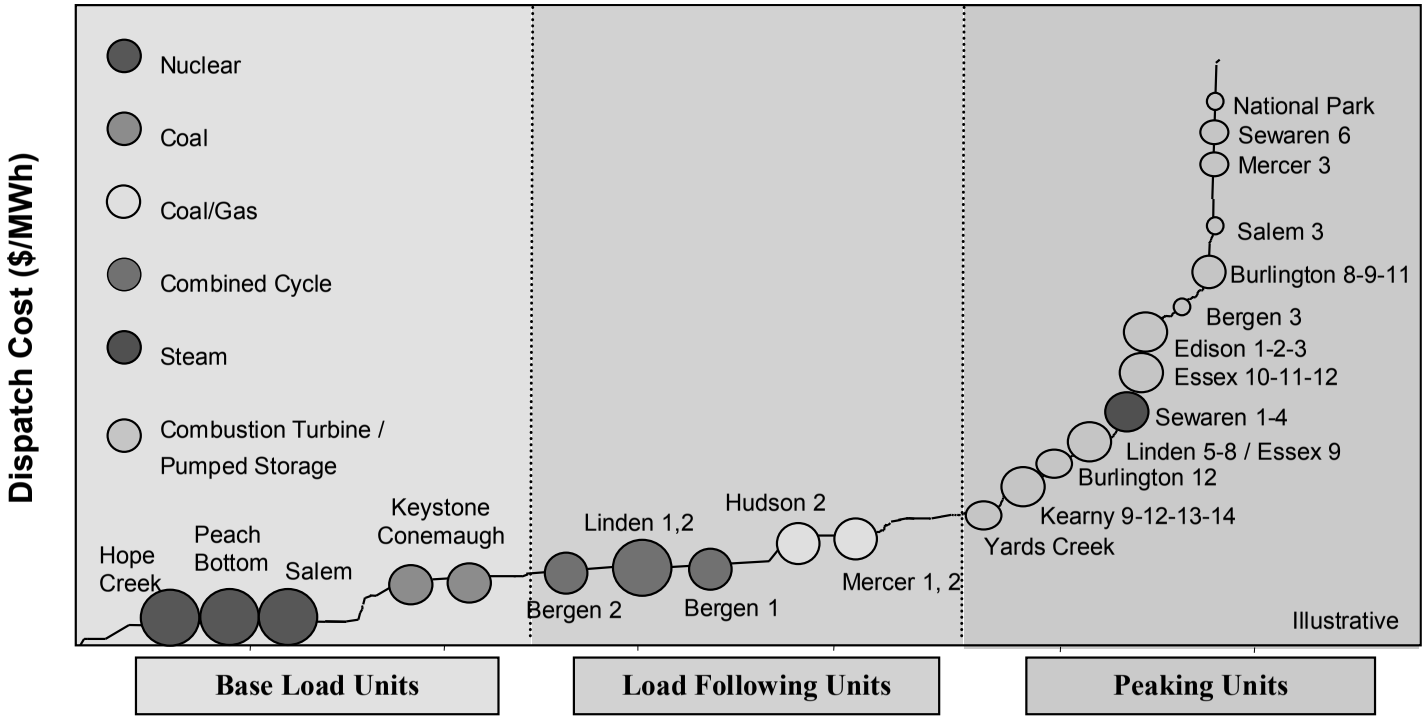
Energy Produced



E=ESTIMATE

SI-SSA-0015-08914

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-08915

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Fall 2014 ➢ Unit 2 – Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Fall 2014 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW in 2015/2016

SI-SSA-0015-08916

PSEG Power Nuclear is core to the fleet and has competitive advantages

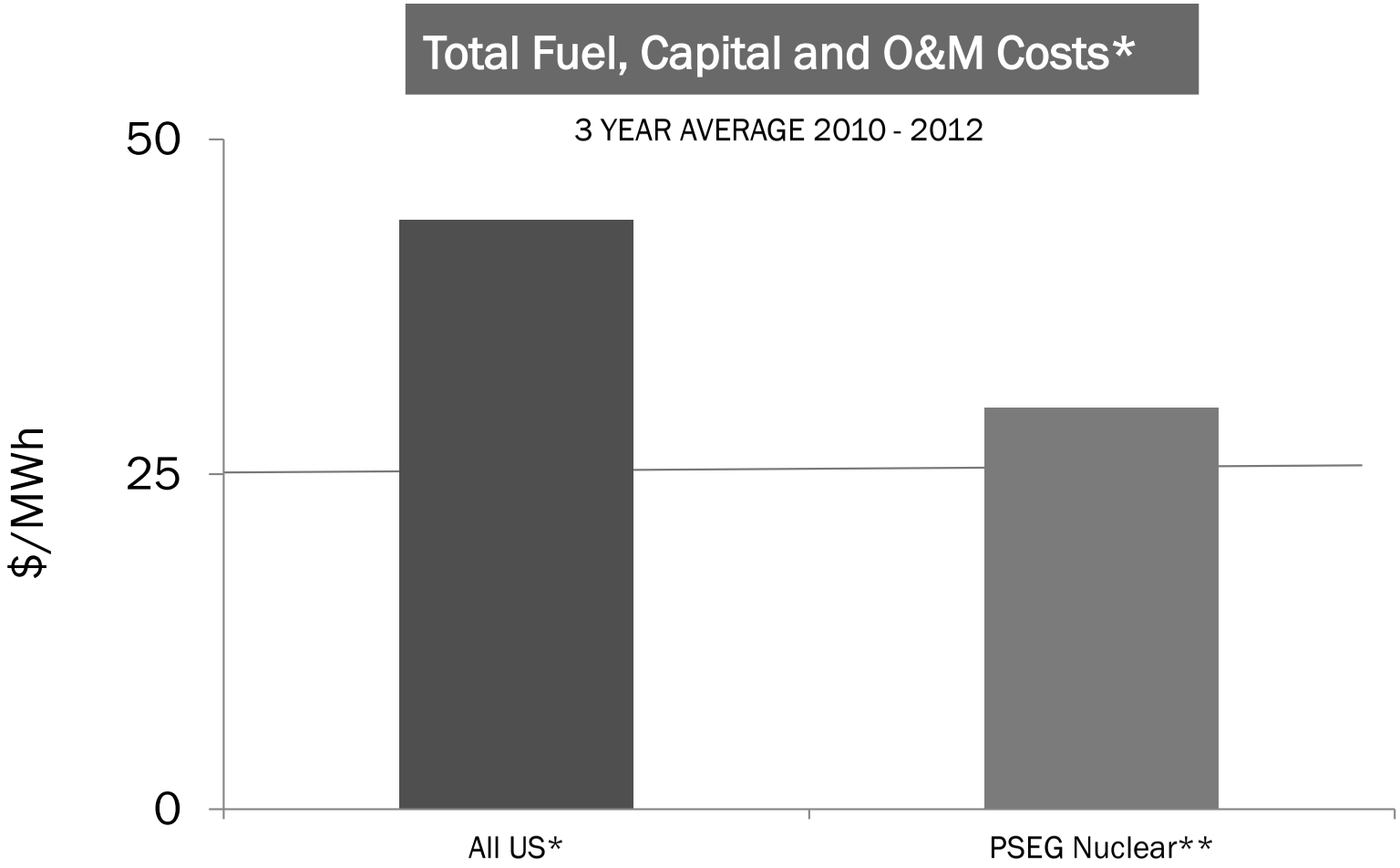
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-08917

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure



*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

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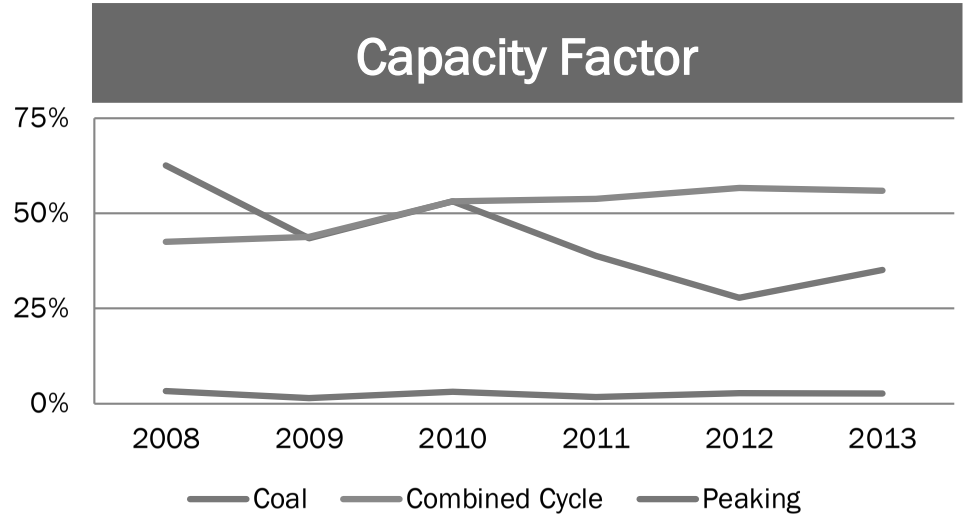
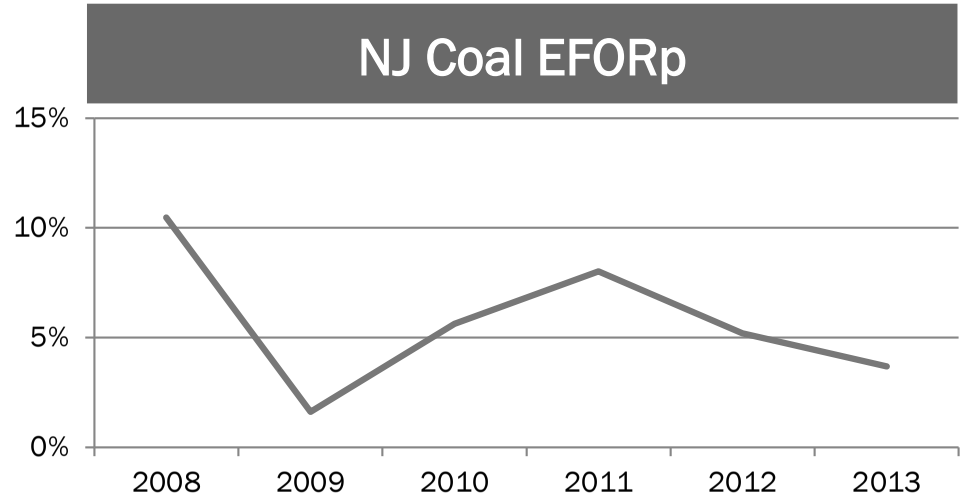
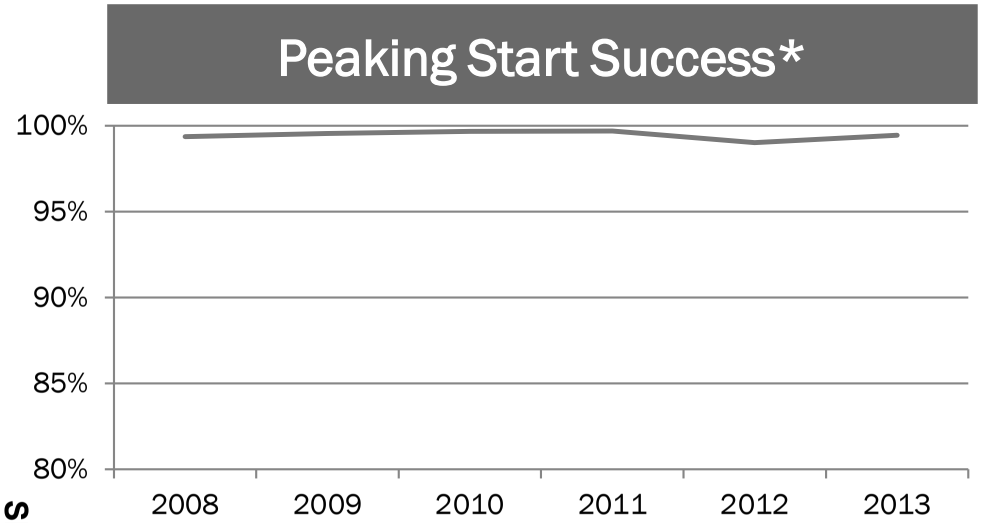
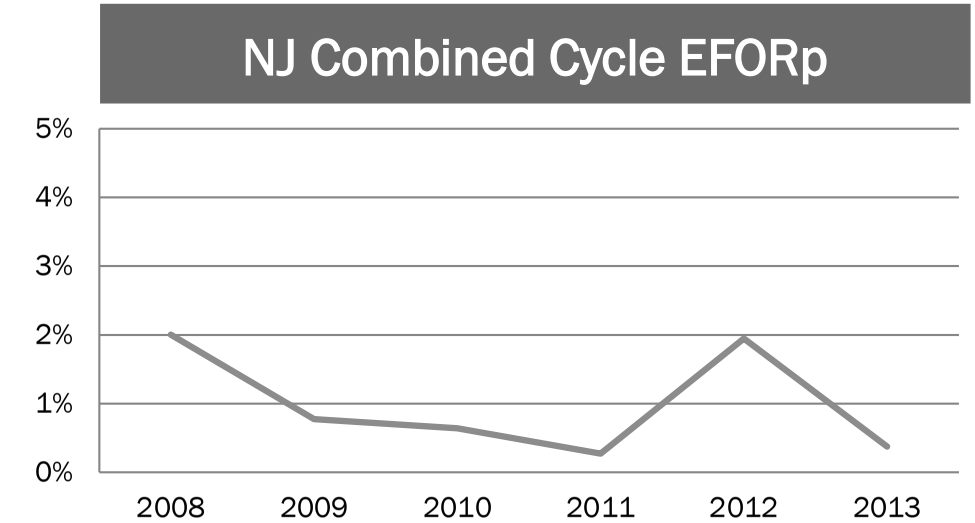
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

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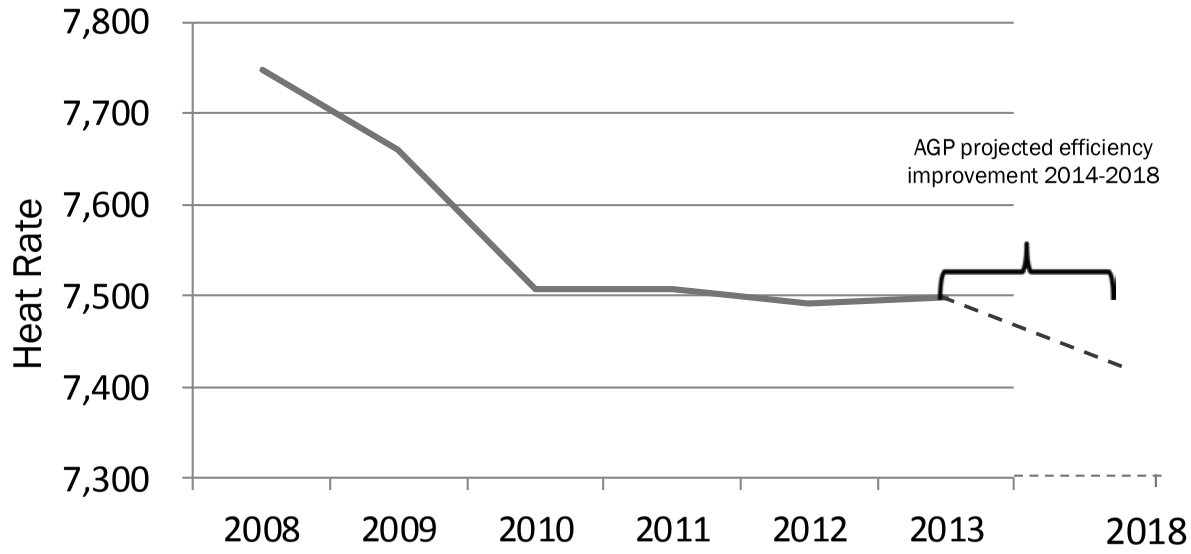
PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-08920

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

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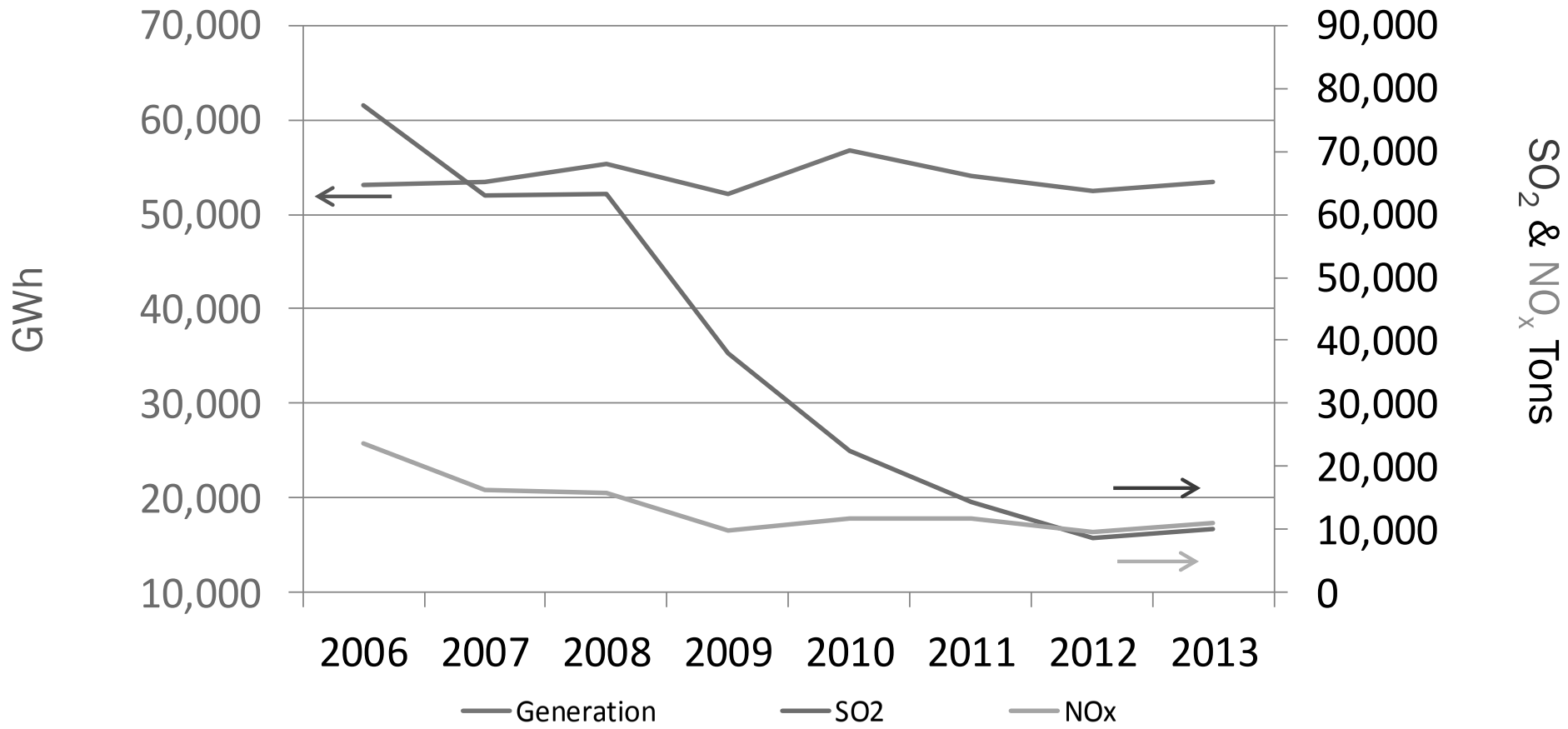
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

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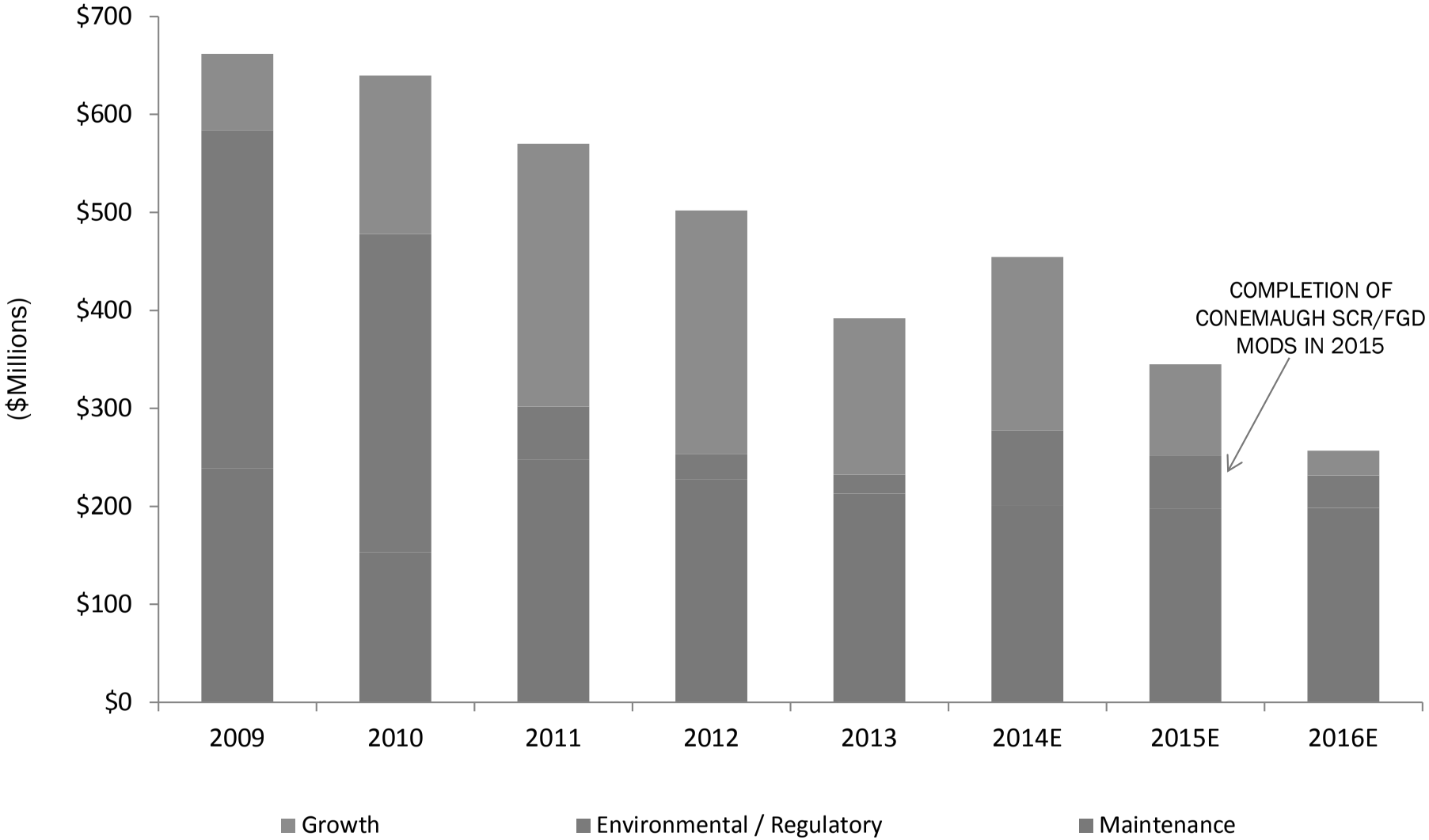
PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

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PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-08924

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

In Construction
Texas (13 MW)/COD YE 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

In Construction
Vermont (4 MW)/COD Oct 2014E
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

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PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

SI-SSA-0015-08926

PSEG

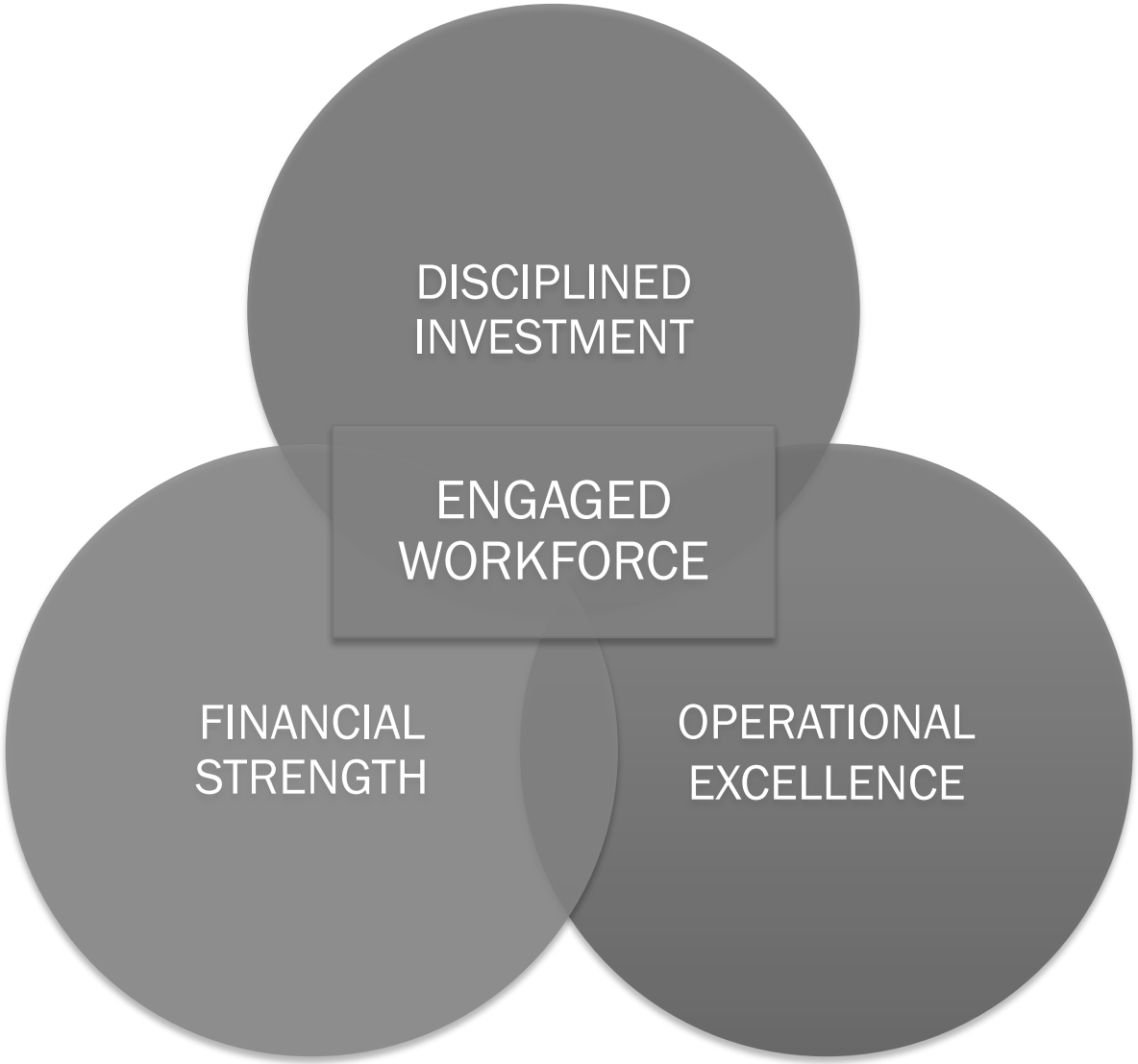
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-08927

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

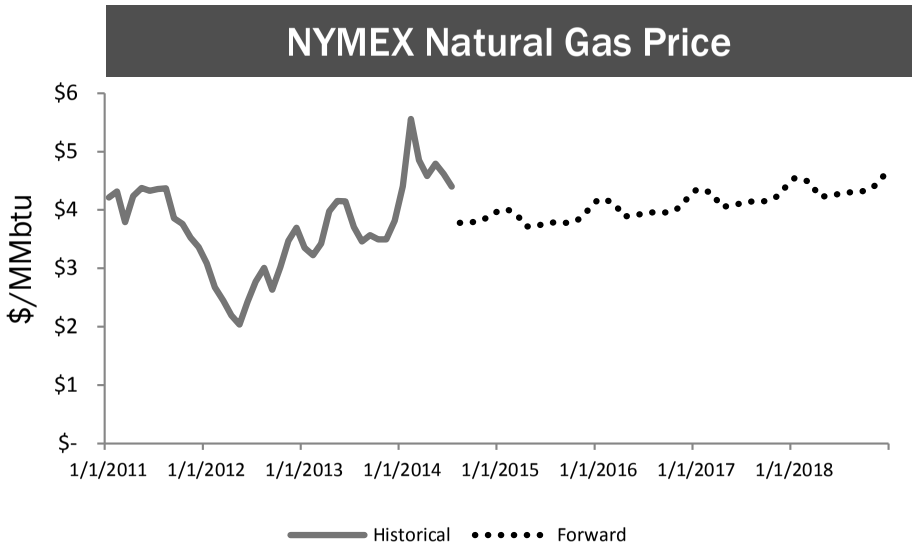
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

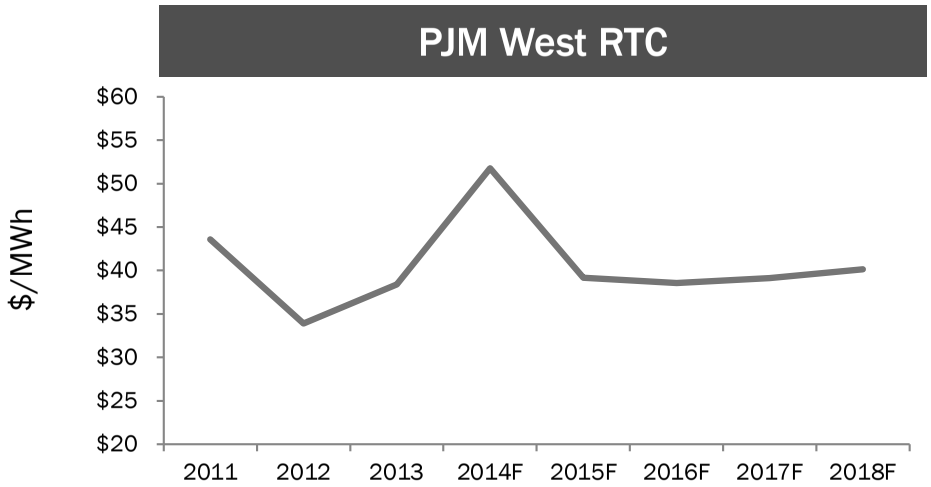
PSEG's Sustainable Advantage

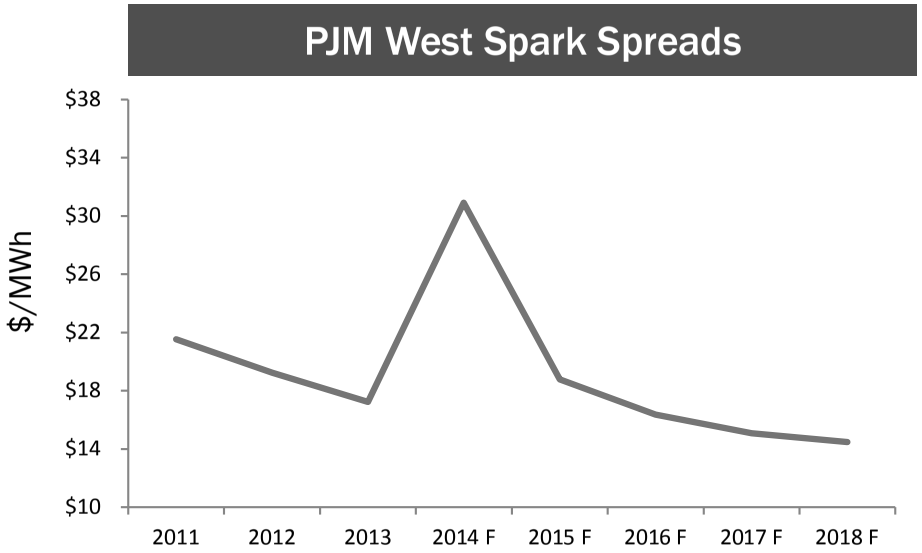
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-08928

Market Review: Long-term fundamentals remain sound







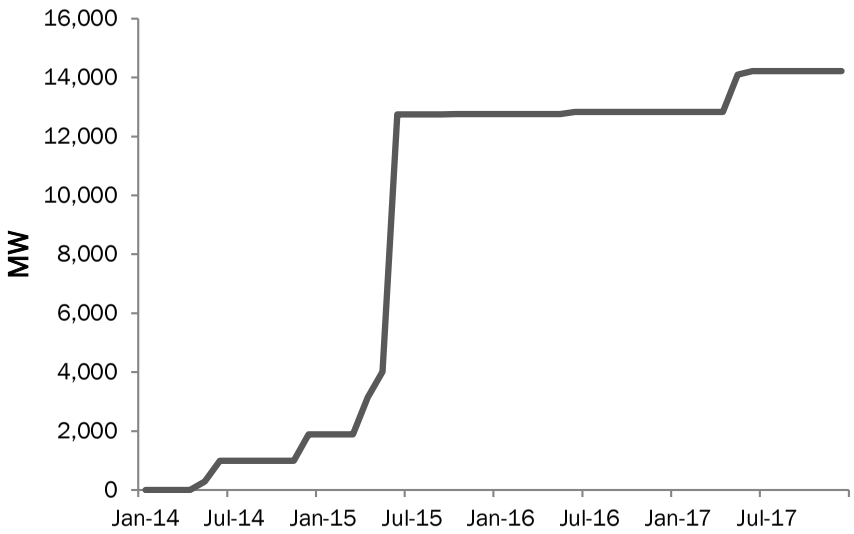
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-08929

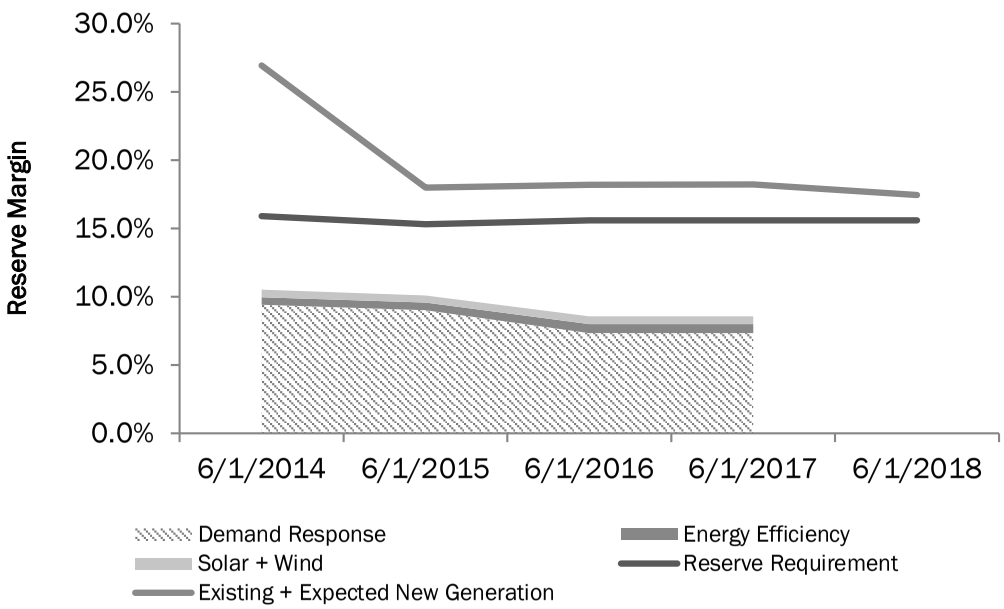
F=FORWARDS AS OF 7/25/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-08930

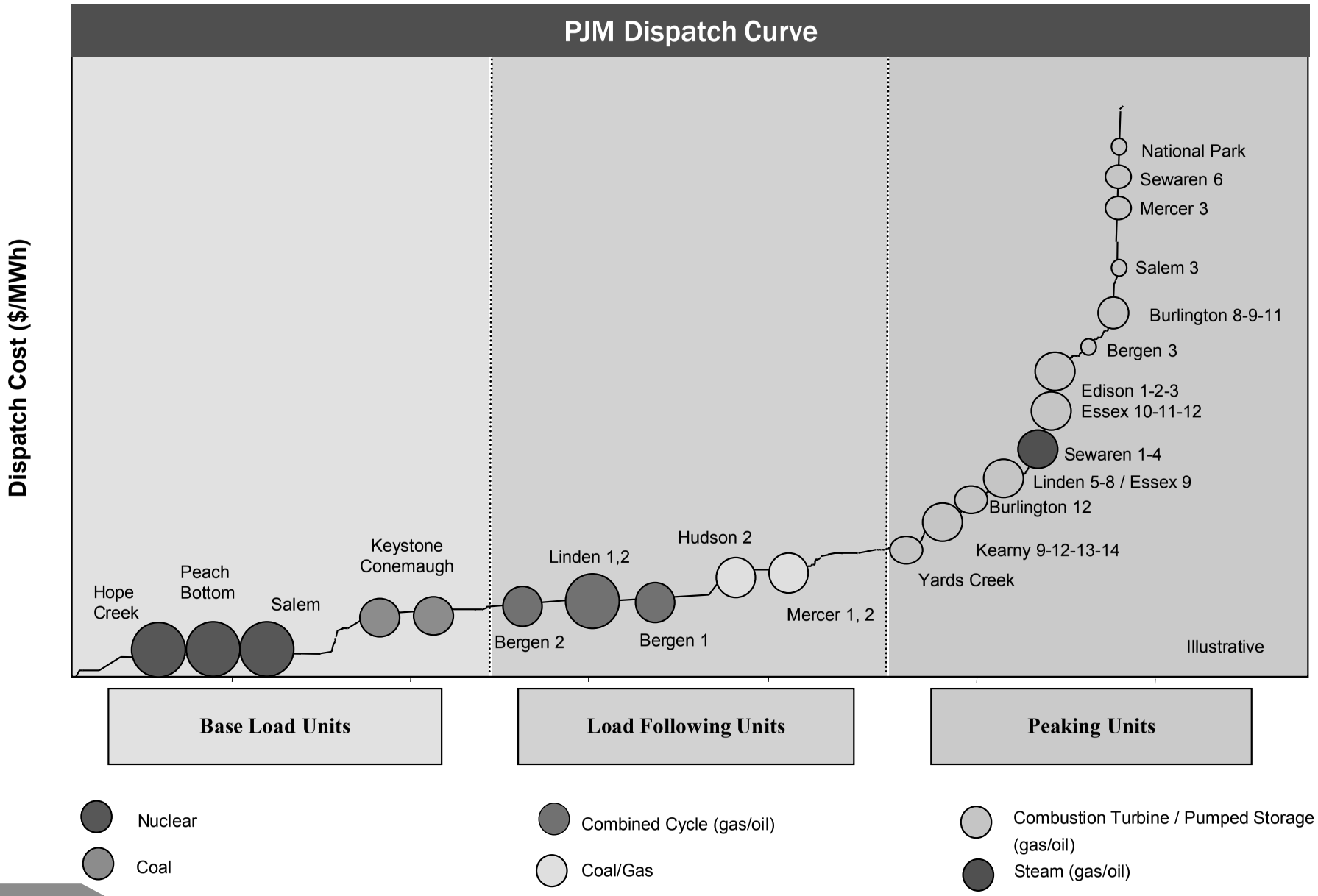
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

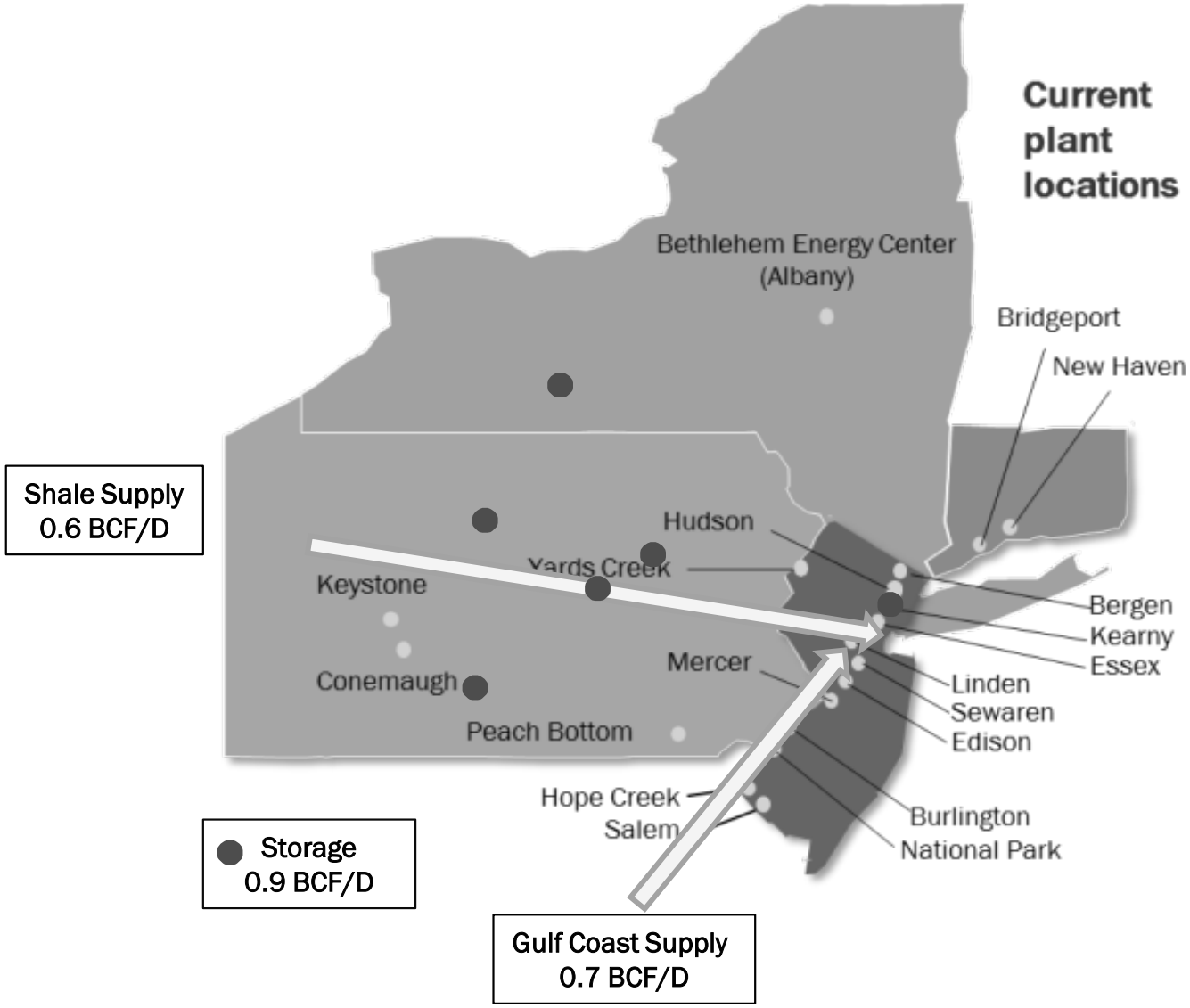
SI-SSA-0015-08931

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



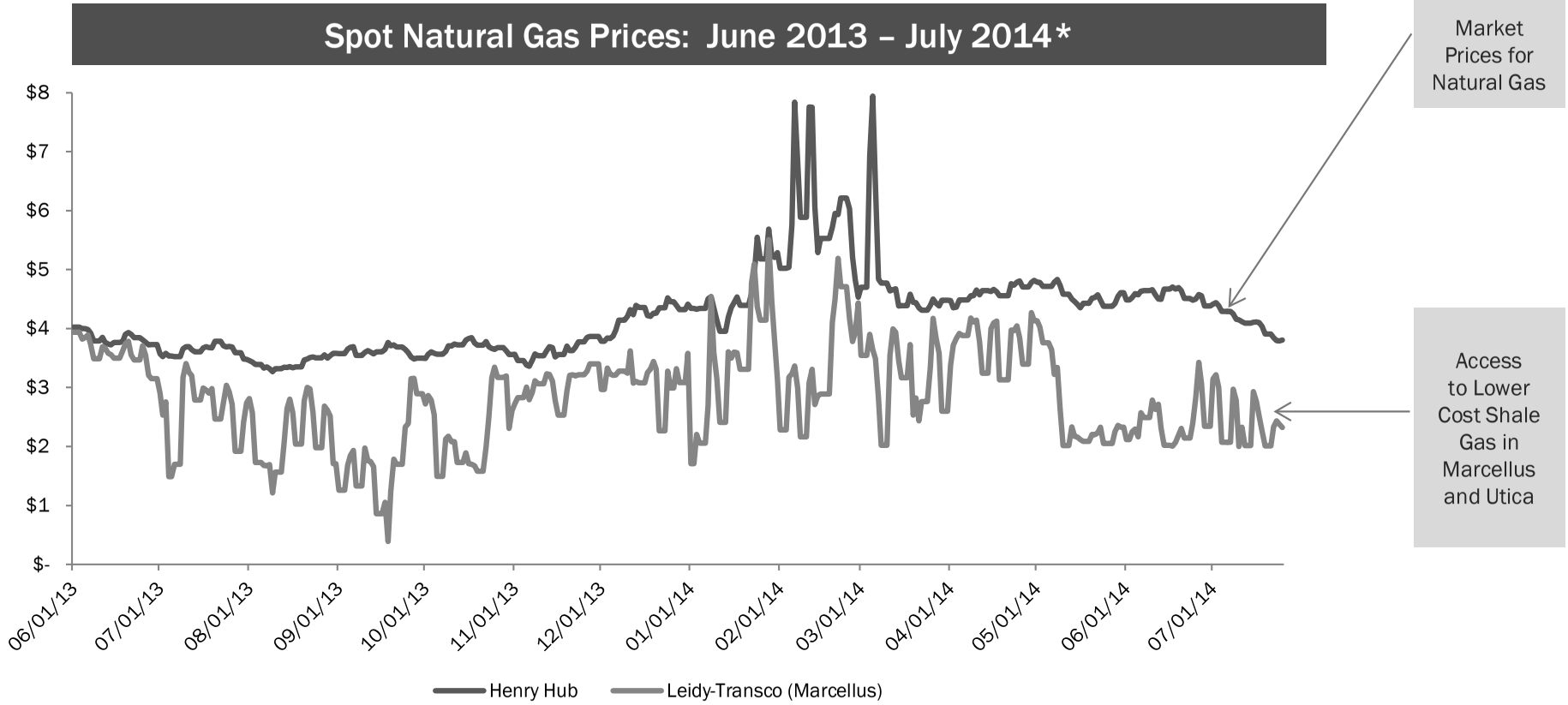
SI-SSA-0015-08932

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-08933

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



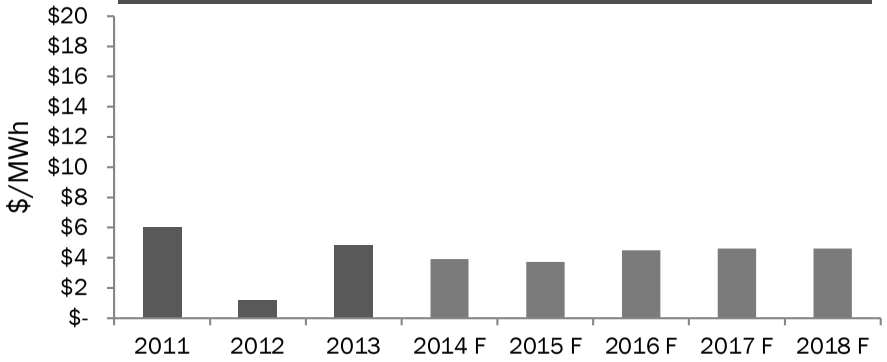
- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

SI-SSA-0015-08934

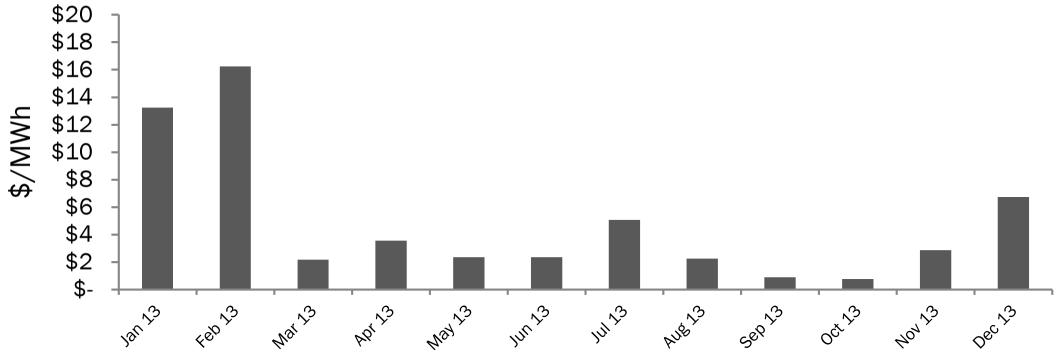
*AS OF 7/25/2014

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

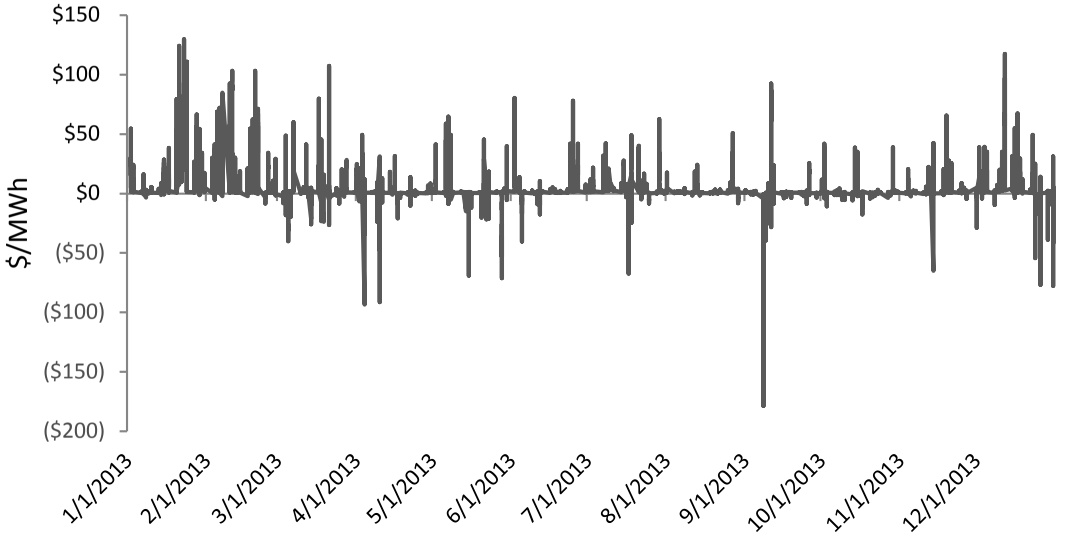


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



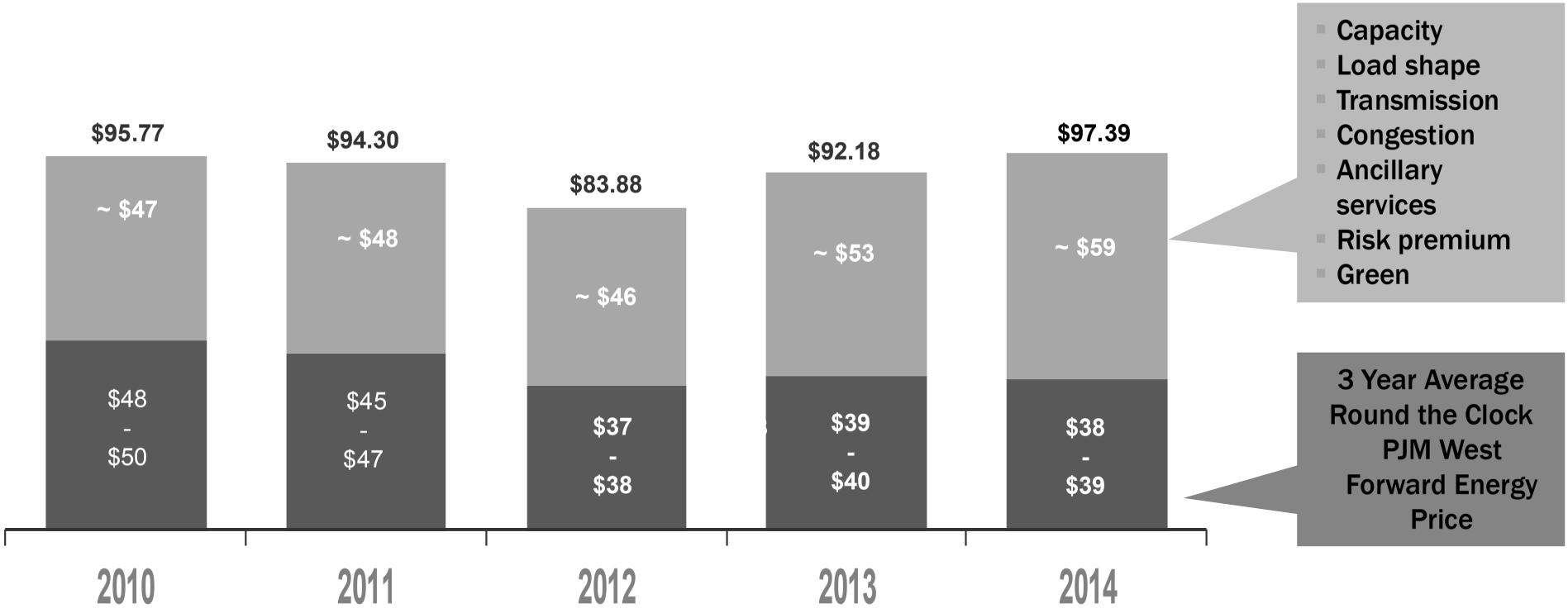
- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W



ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 12/31/2013.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-08936

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-08937

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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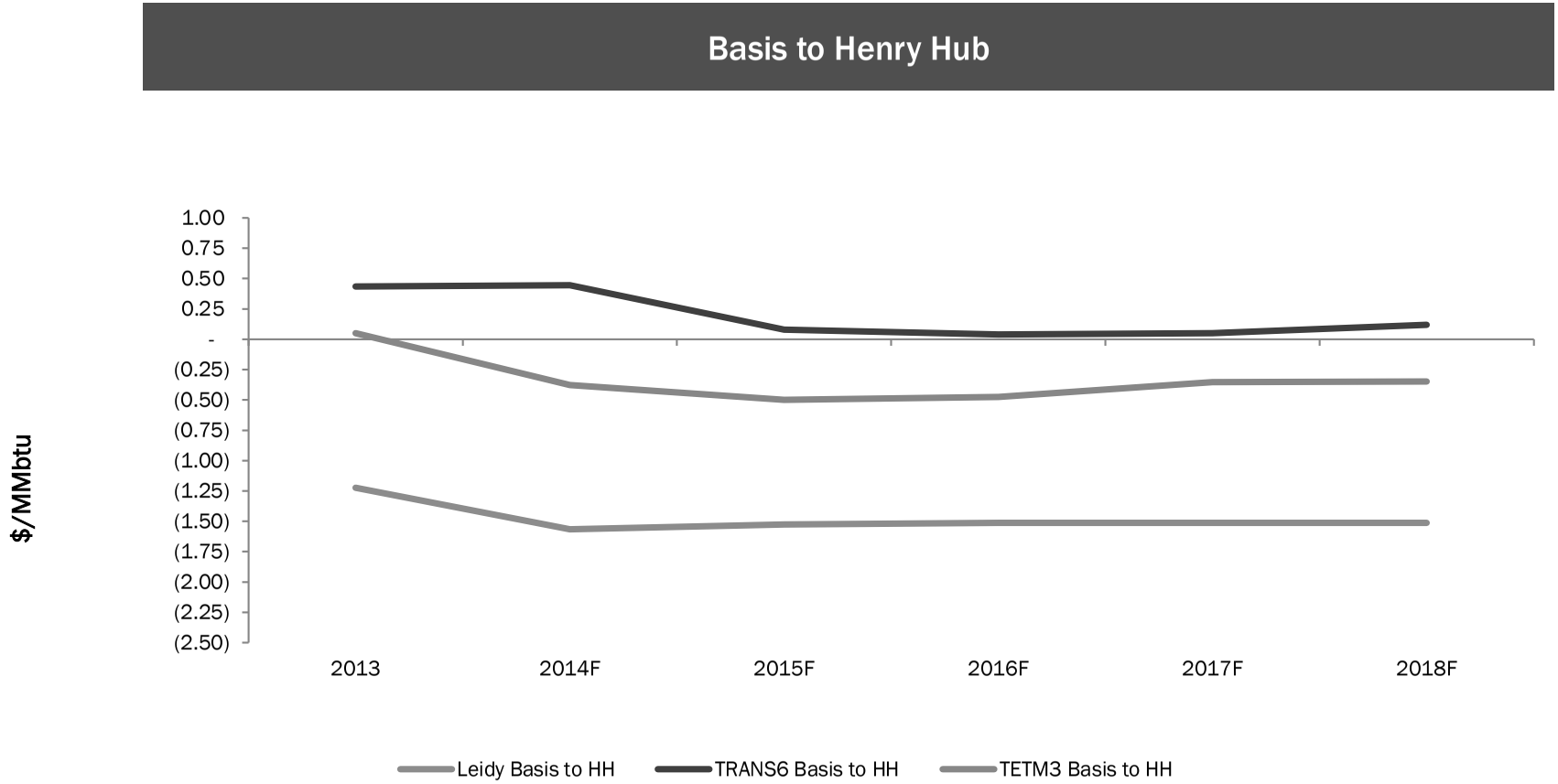
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-08939

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-08940

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-08941

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-08942

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

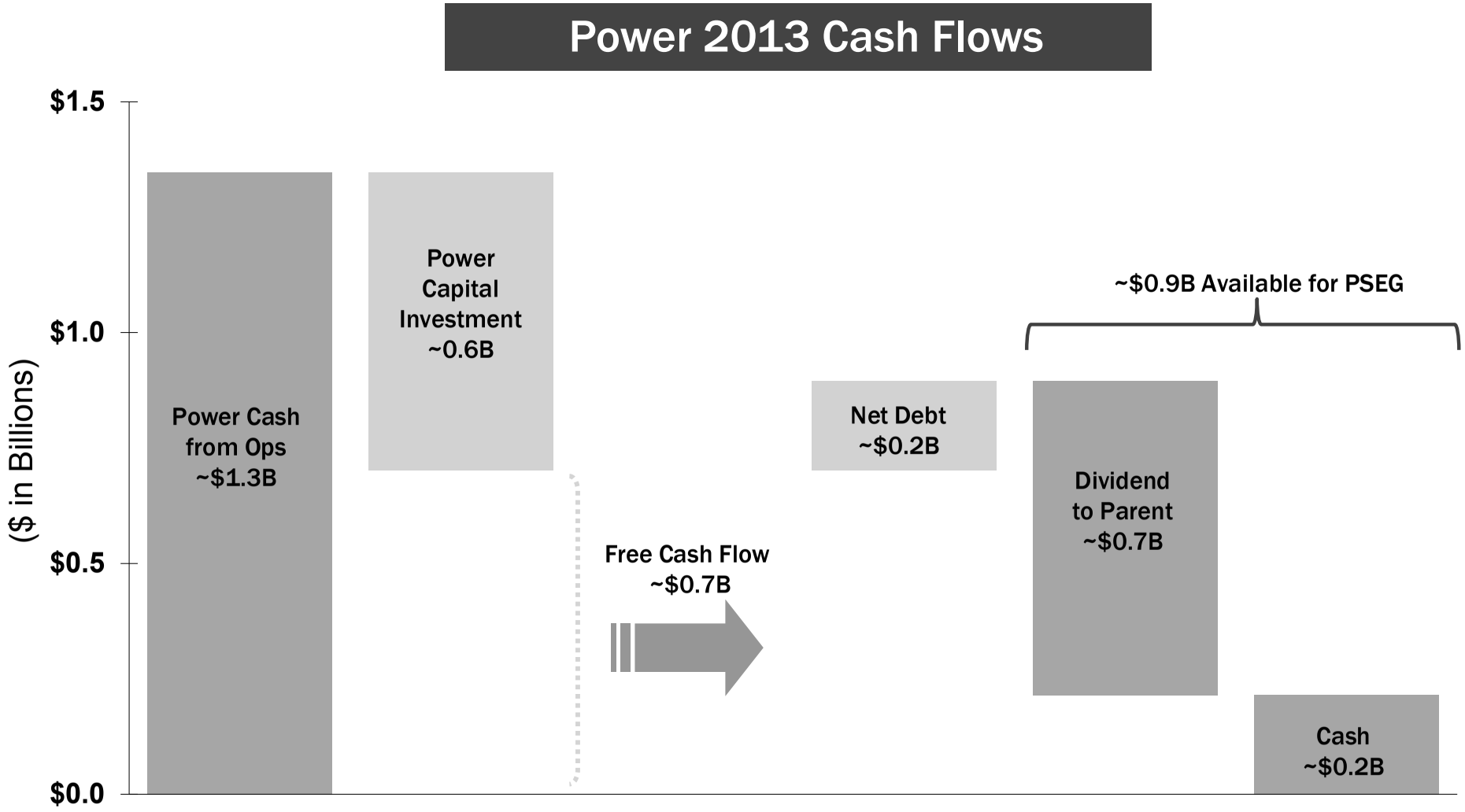
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

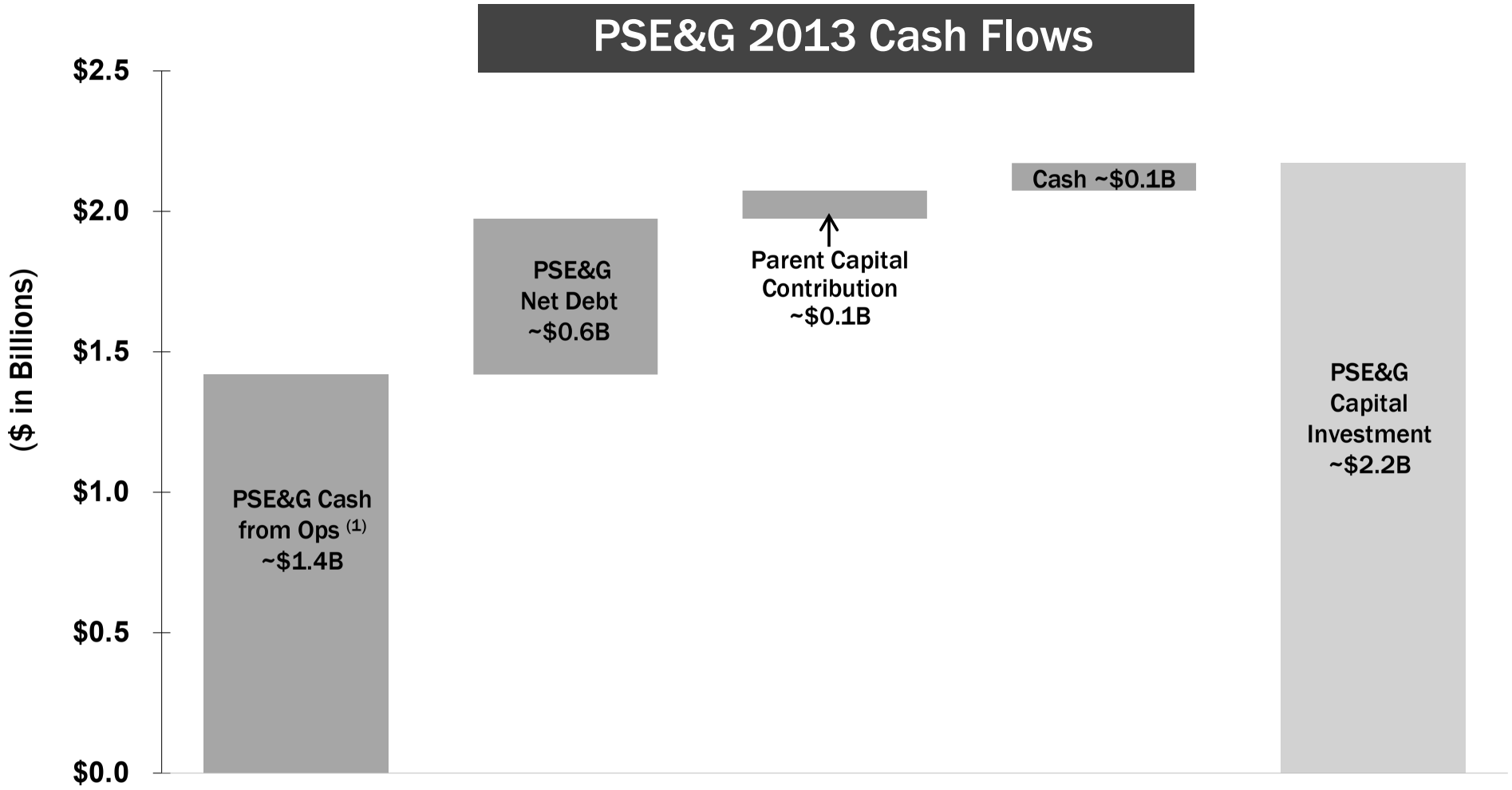
SI-SSA-0015-08943

In 2013, Power had significant free cash flow



SI-SSA-0015-08944

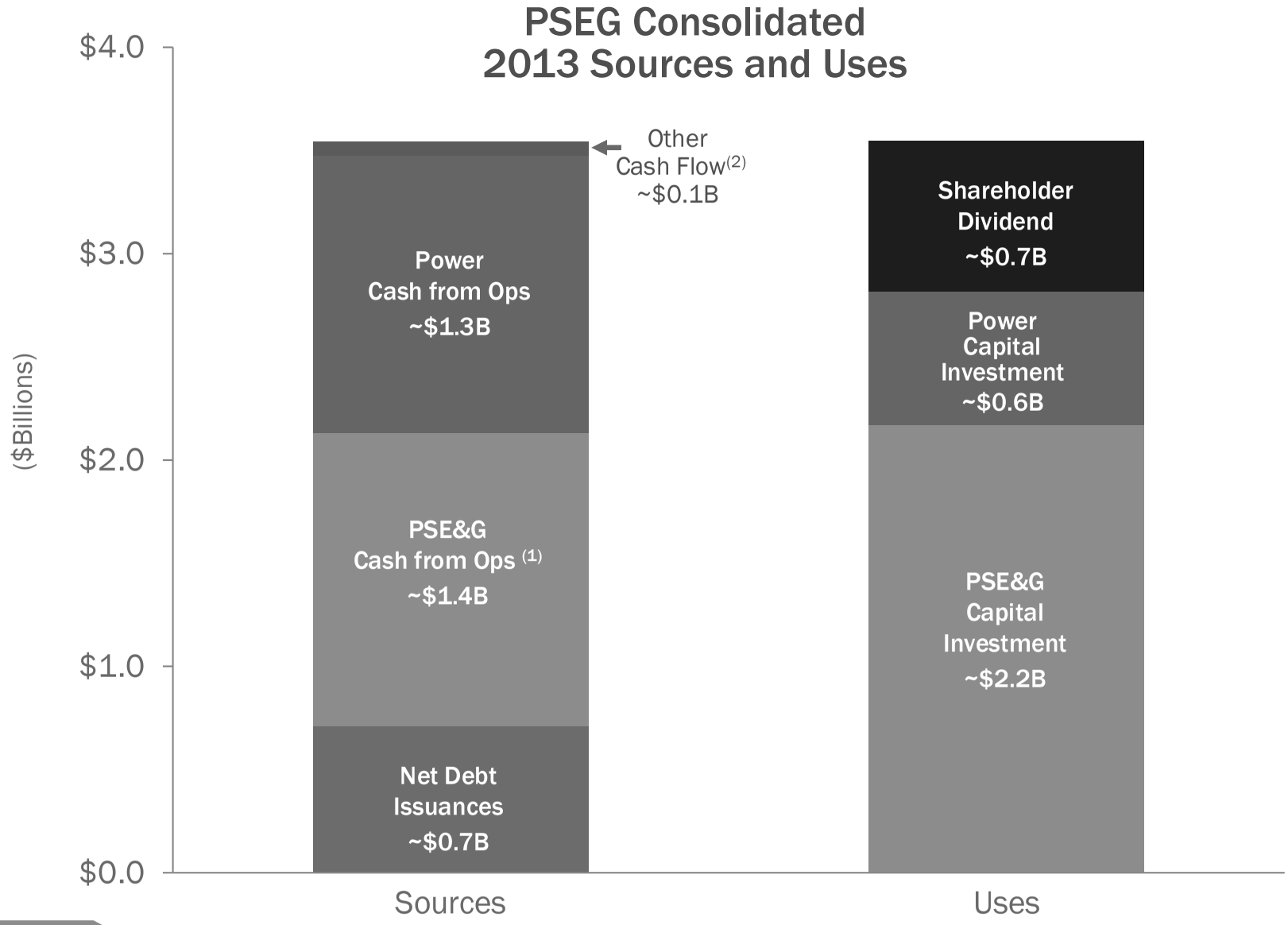
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-08945

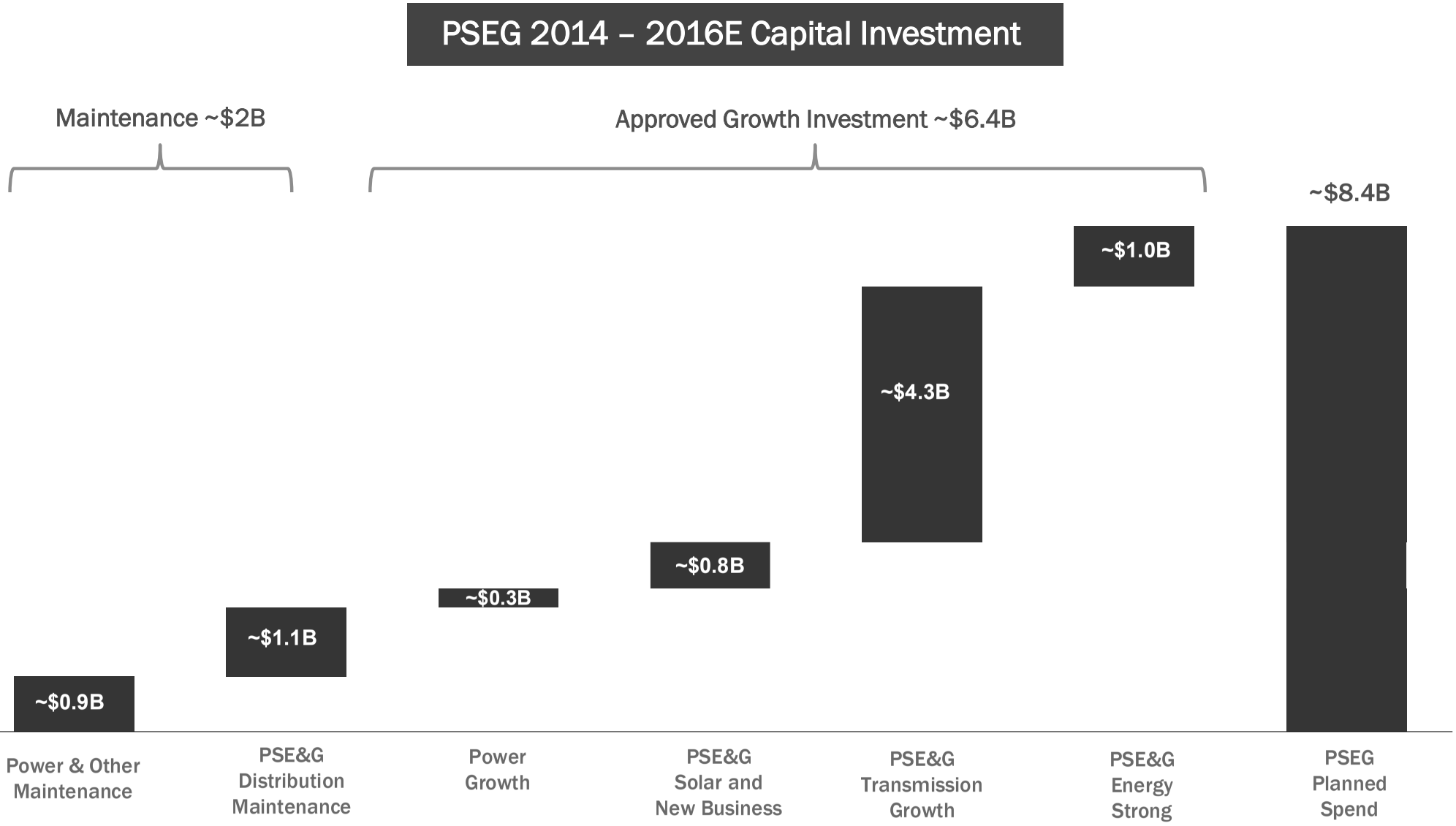
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-08946

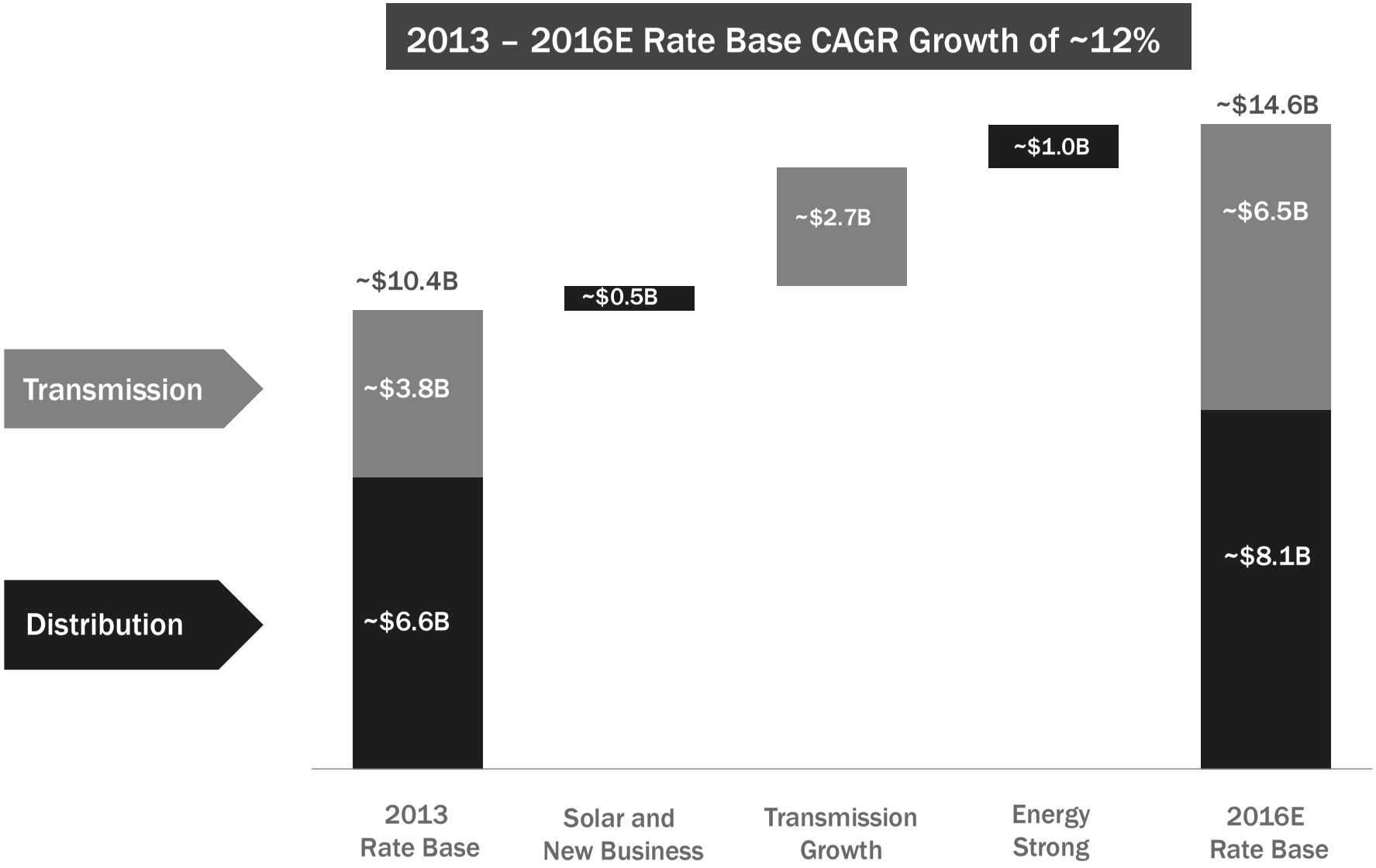
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

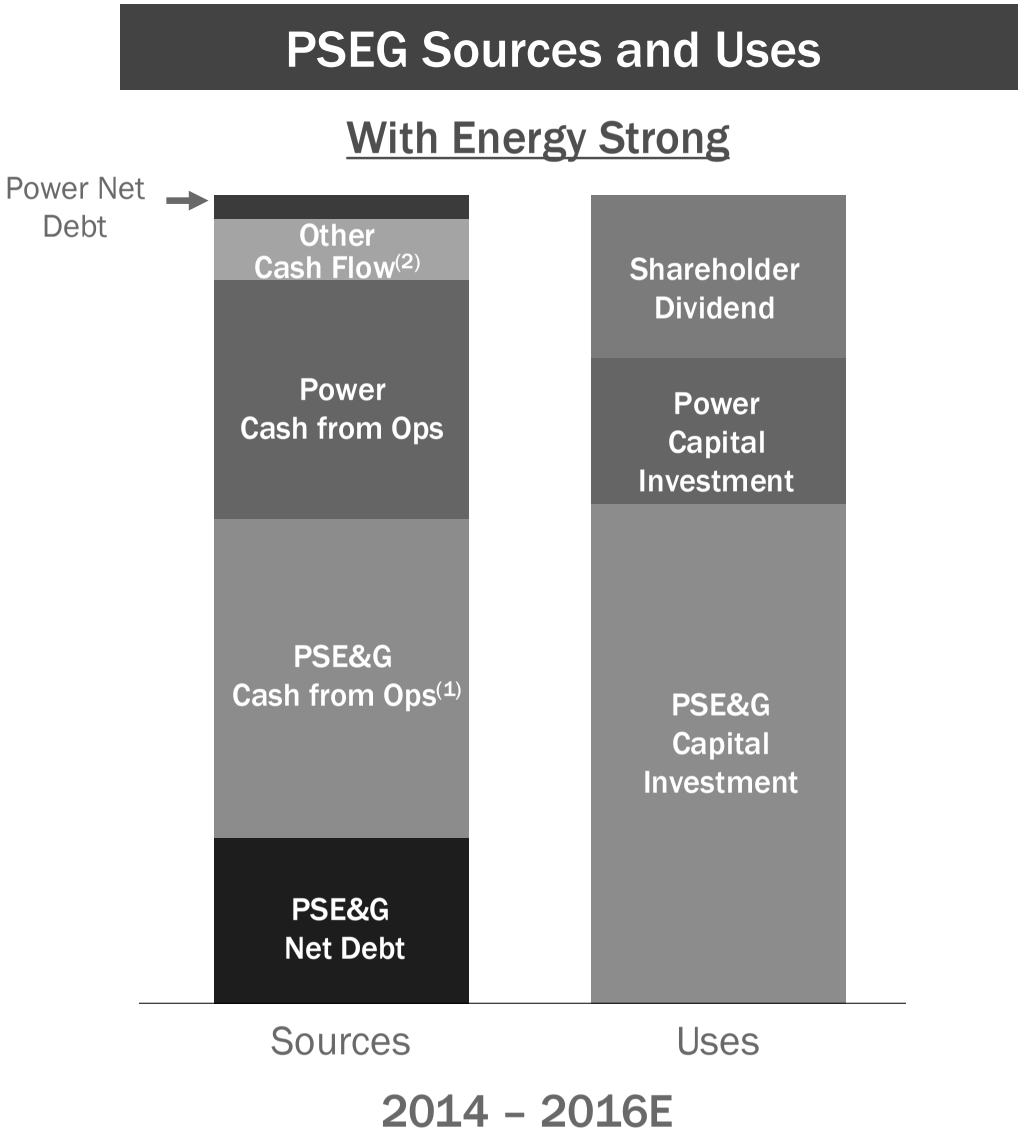
SI-SSA-0015-08947

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-08948

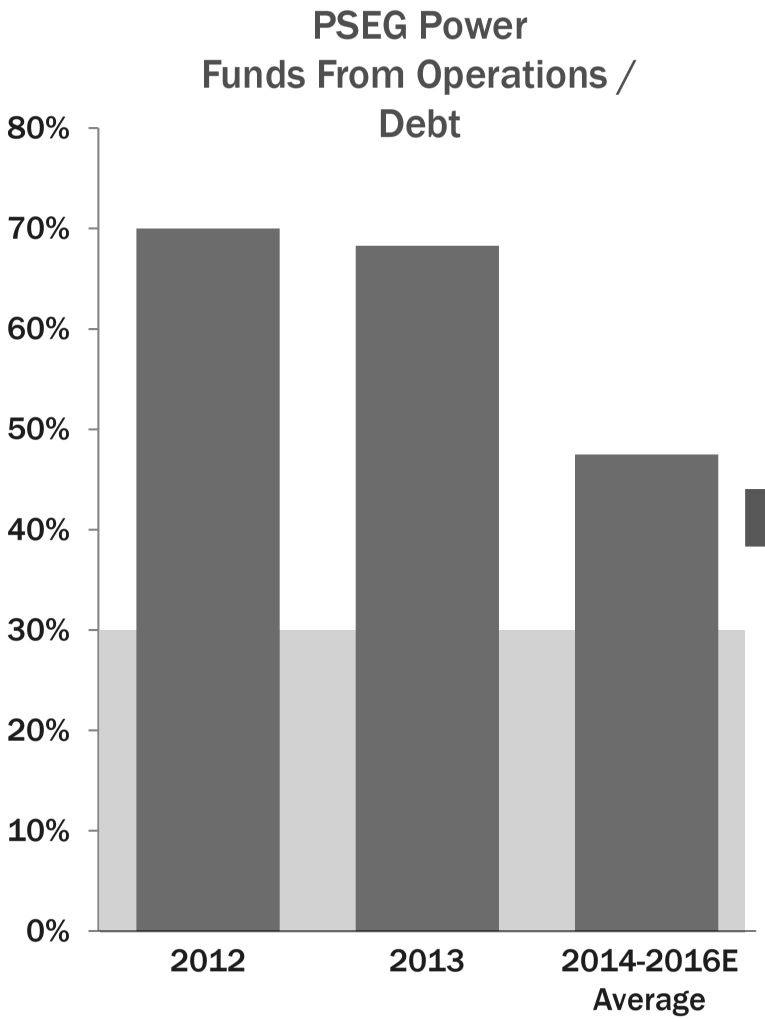
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-08949

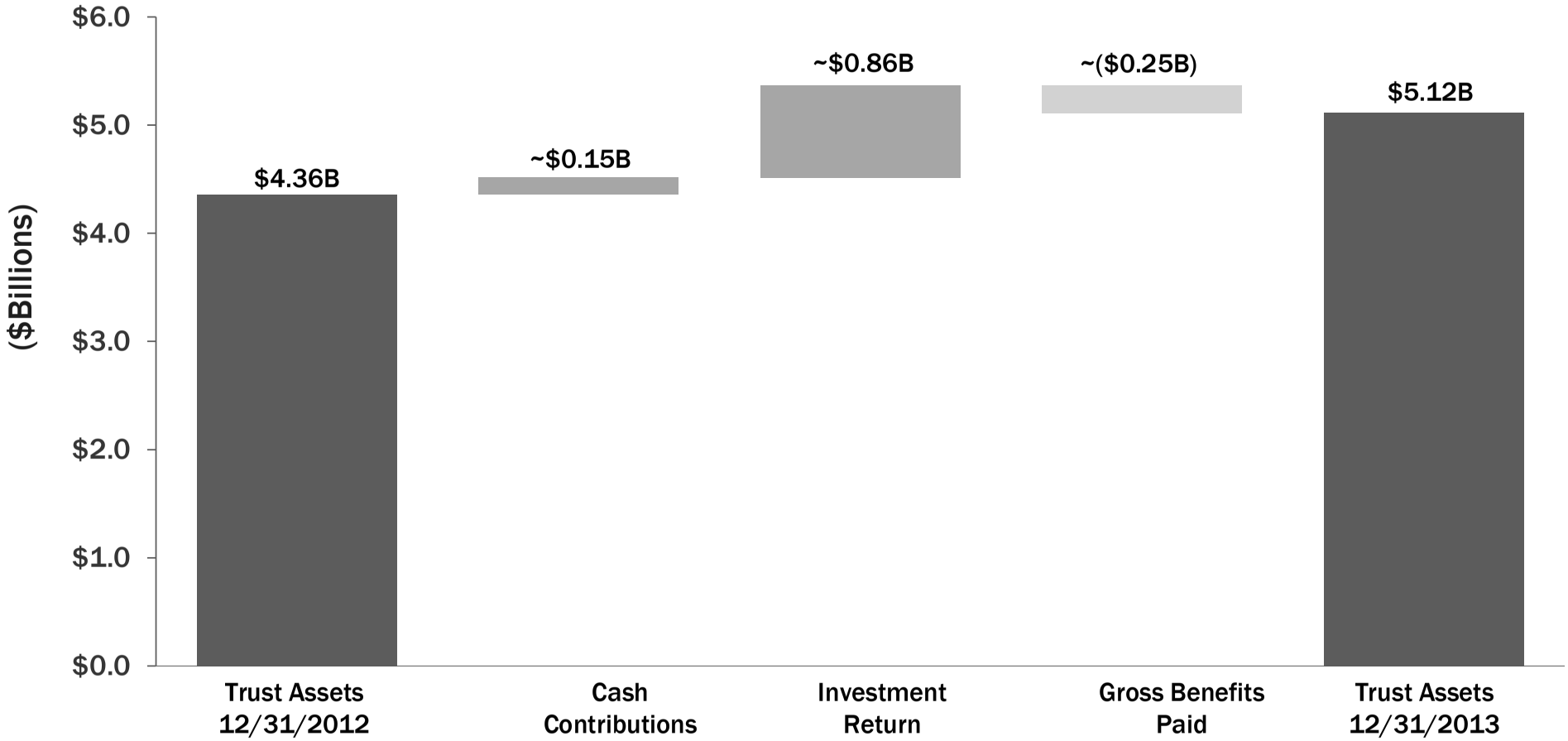
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-08950

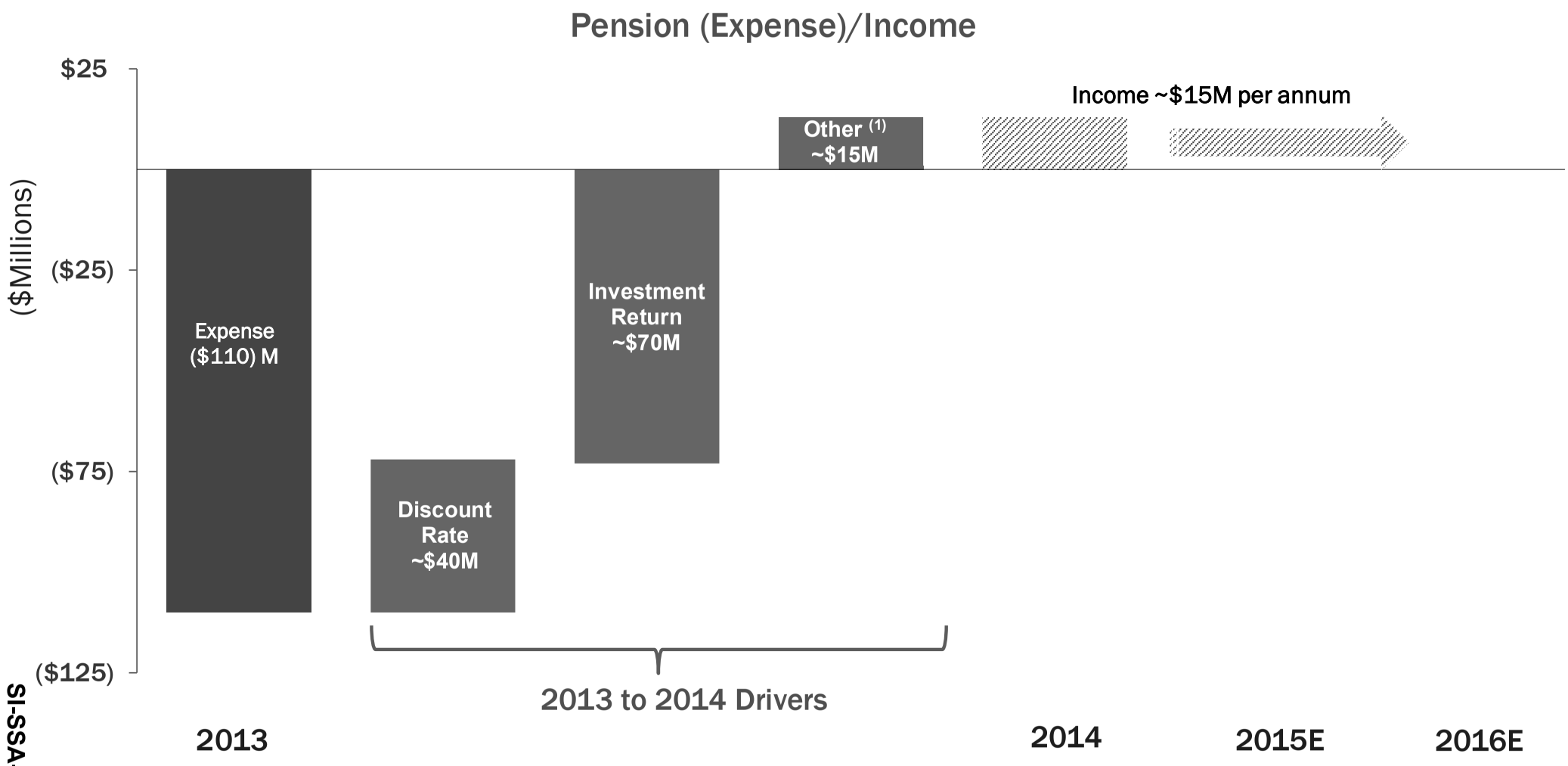
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-08951

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-08952

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Enterprise/Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

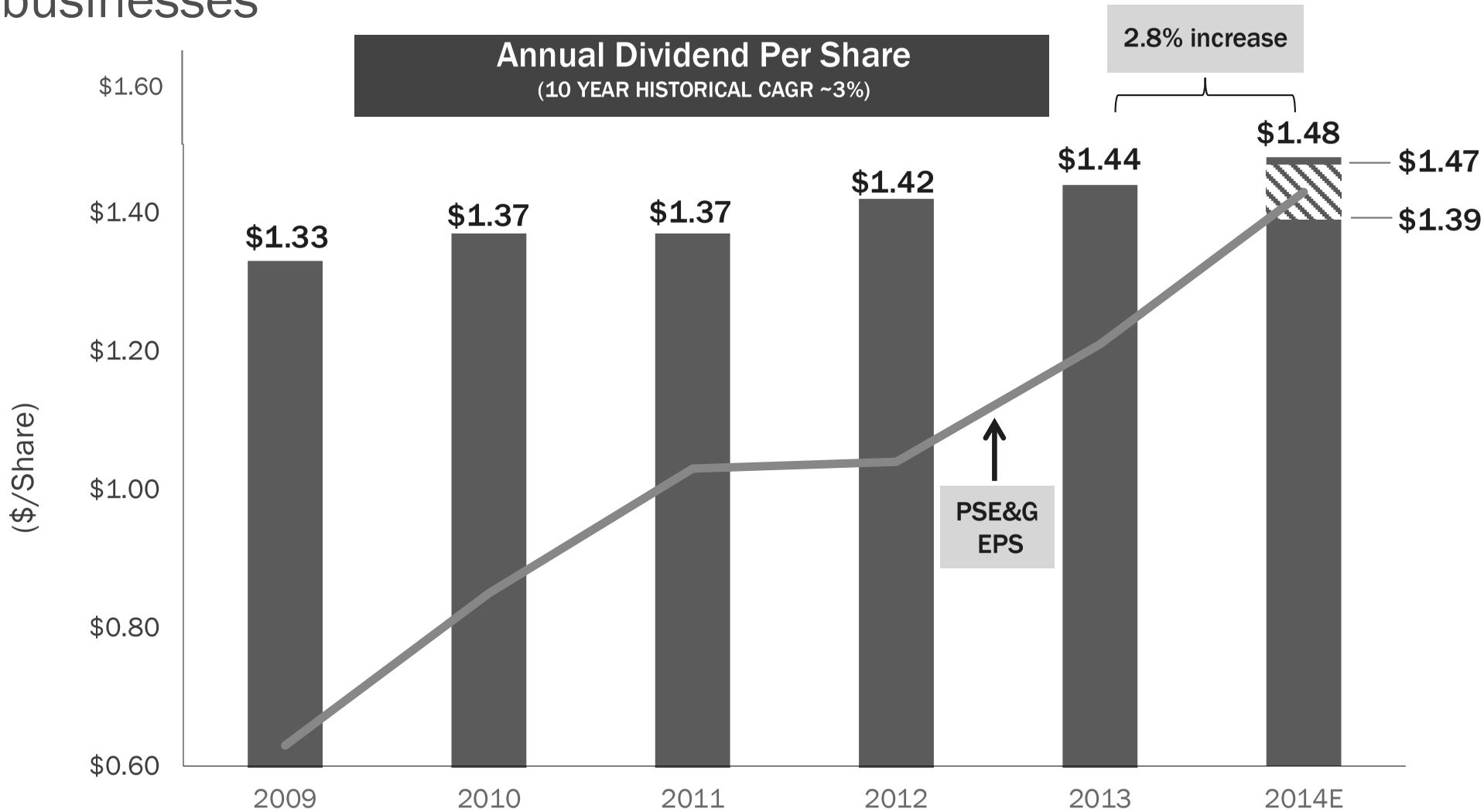
SI-SSA-0015-08953

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-08954

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-08955

PSEG Summary

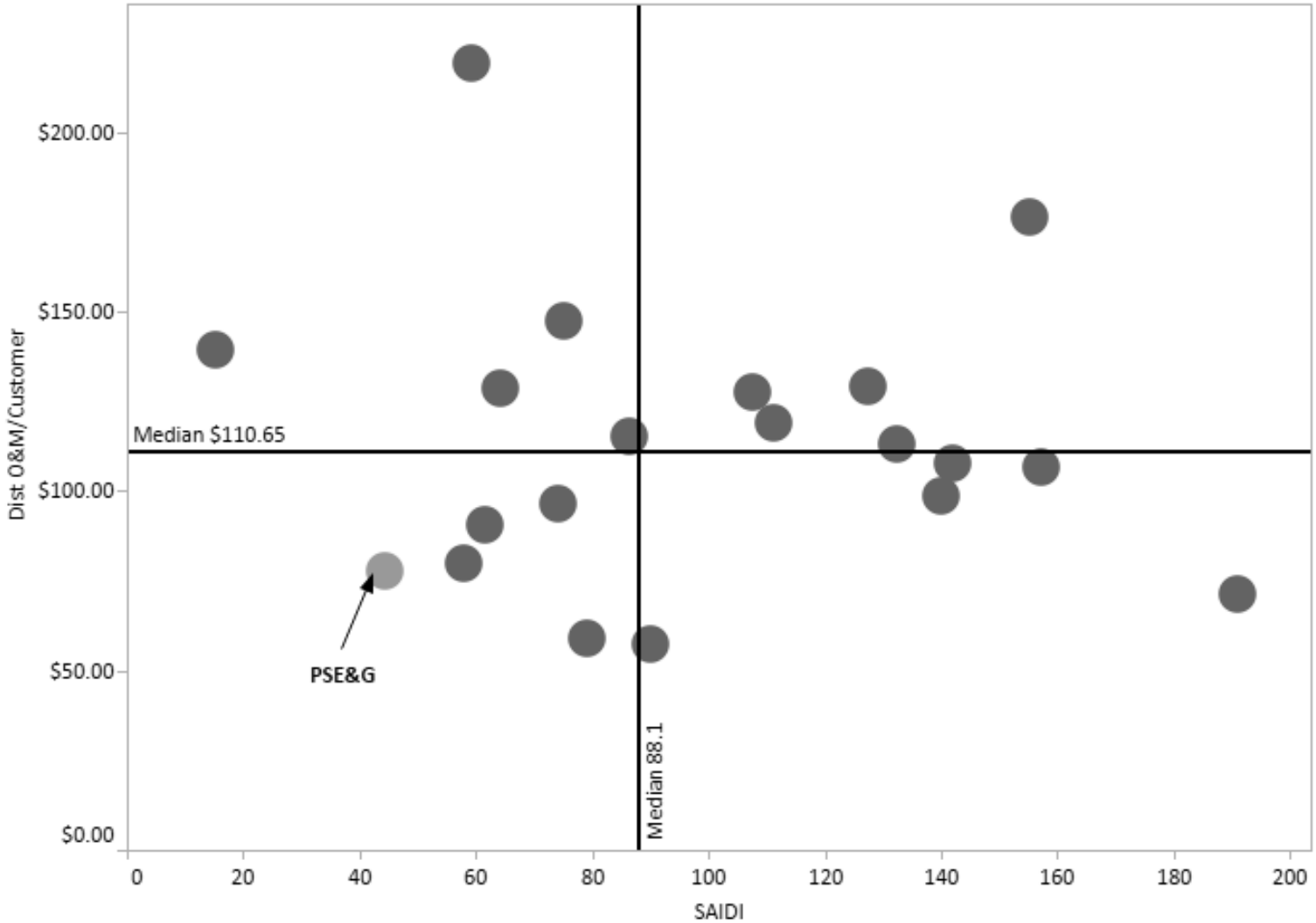
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-08956

PSE&G APPENDIX

SI-SSA-0015-08957

PSE&G provides high reliability at below average cost which creates superior value to customers



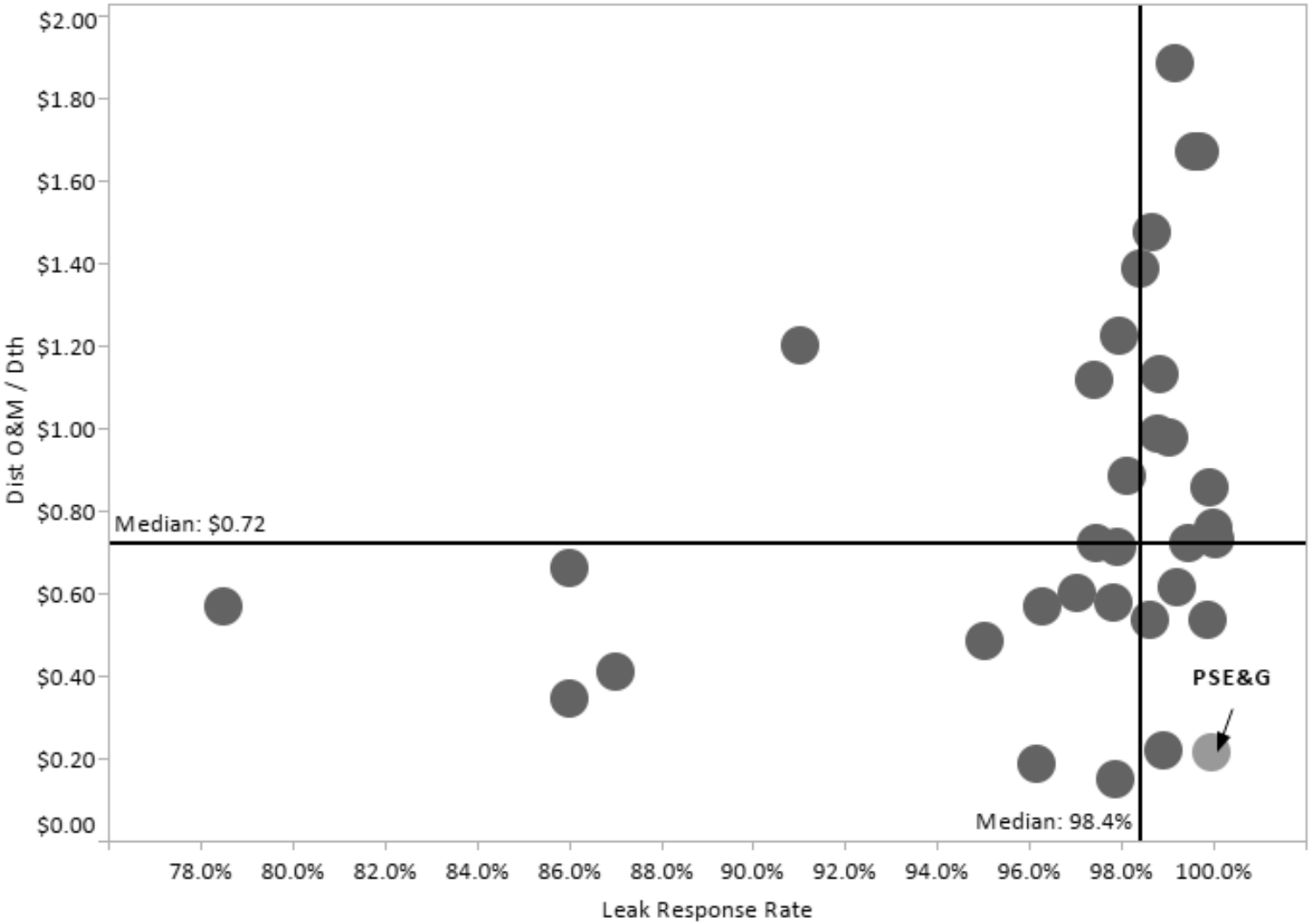
SI-SSA-0015-08958

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



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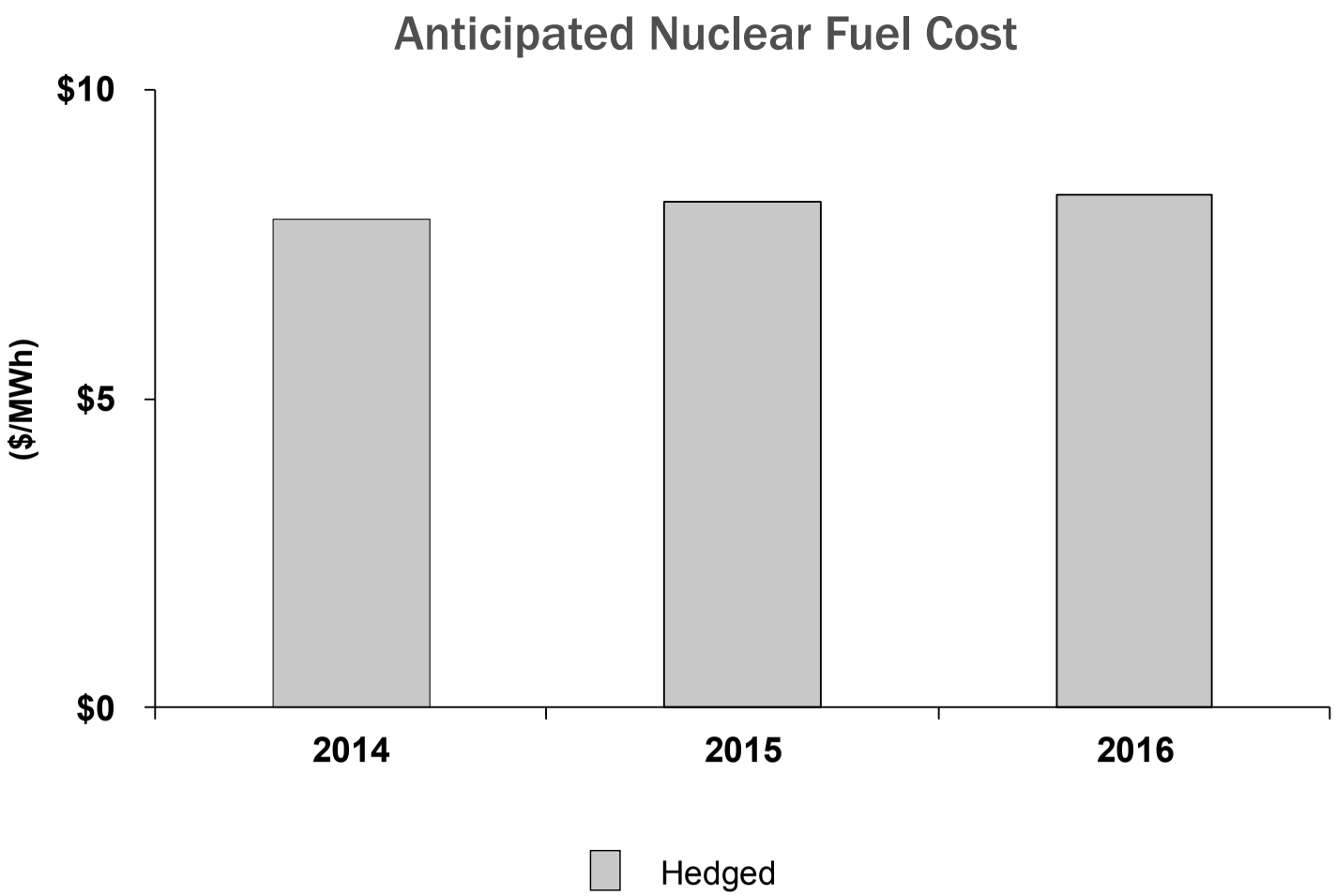
PSEG POWER AND ER&T APPENDIX

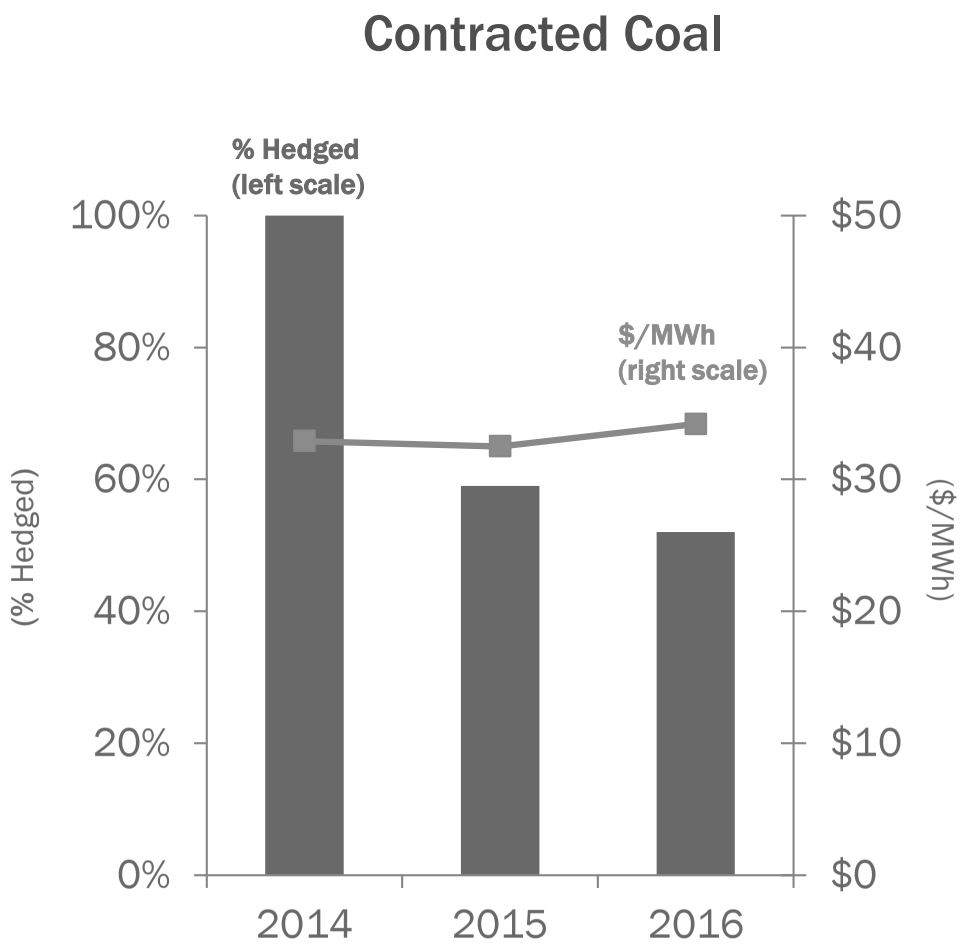
SI-SSA-0015-08960

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-08961

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-08962

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-08963

PSEG FINANCIAL APPENDIX

SI-SSA-0015-08964

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

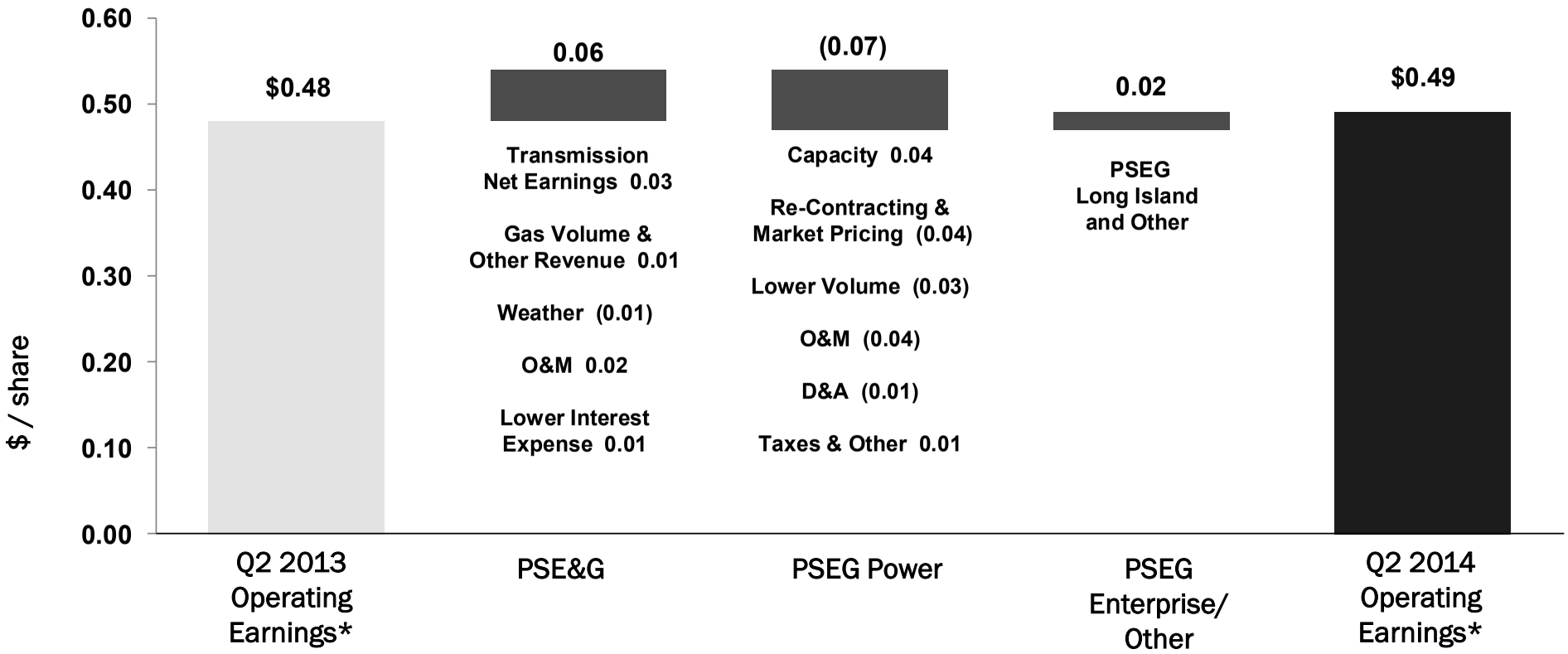
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
*Operating Earnings**	$ 245	$ 243	$ 0.49	$ 0.48

SI-SSA-0015-08965

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2014 vs. Q2 2013



SI-SSA-0015-08966

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

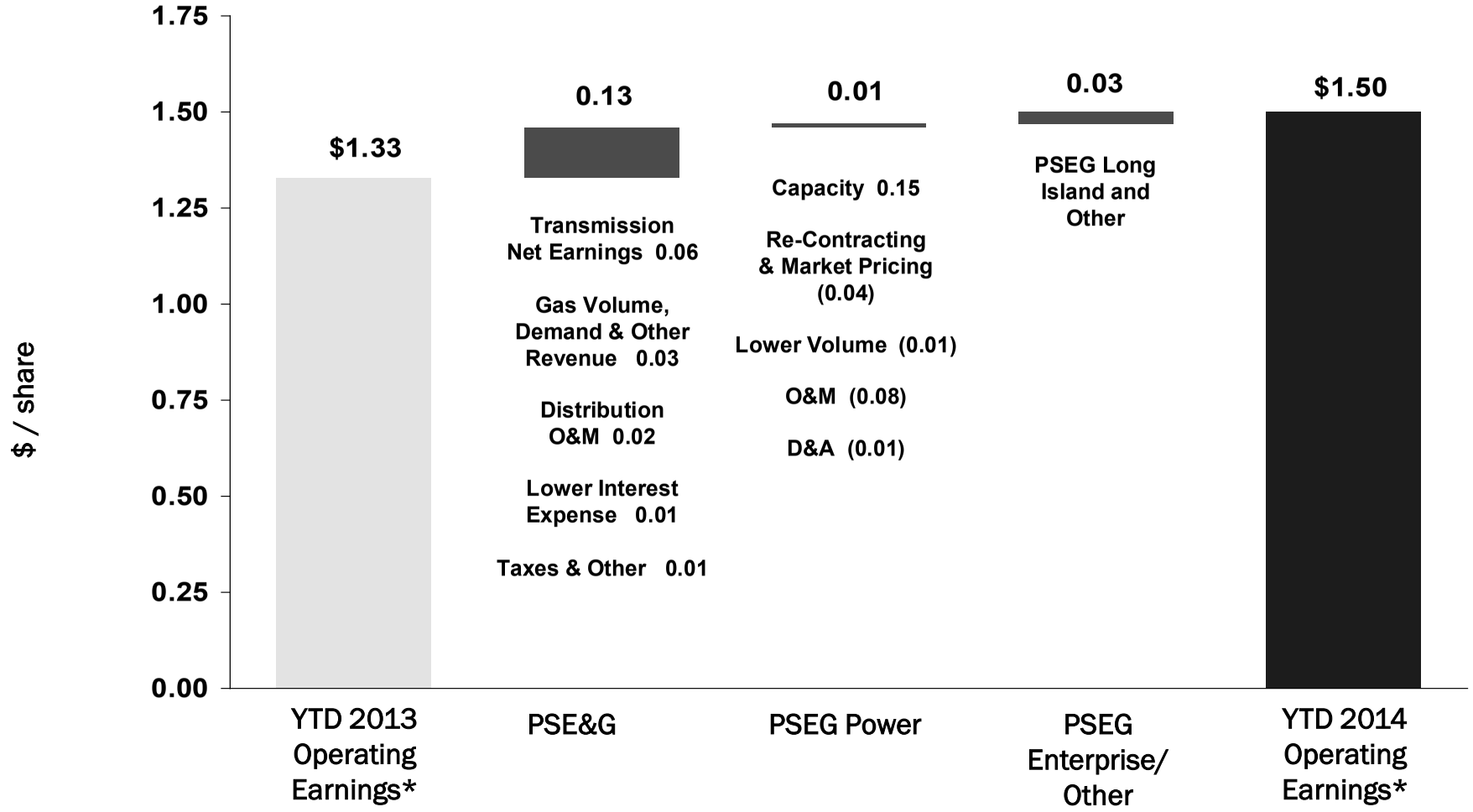
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
*Operating Earnings**	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-08967

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	8.6	6.1	2.5
Common Equity	11.8	6.4	5.5
Total Capitalization	**$20.4**	**$12.5**	**$8.0**
Total Debt / Capitalization	**42%**	**49%**	**32%**

PSE&G Regulated Equity Ratio[1] 51%

SI-SSA-0015-08969

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT..
(2) DOES NOT INCLUDE SECURITIZATION DEBT OF $385 MILLION.

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
			PSEG Money Pool ST Investment		$278
			PSE&G ST Investment		$224
			Total Liquidity Available		**$4,567**
			Total Parent / Power Liquidity		**$3,756**

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

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

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

SI-SSA-0015-08970

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$195
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$899**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-08971

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-08972

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

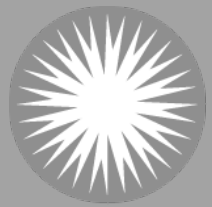
Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-08974

Goldman Sachs – Power, Utilities, Pipeline and MLP Conference

NEW YORK CITY – AUGUST 11, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-08975

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-08976

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-08977

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING
OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

SI-SSA-0015-08978

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-08979

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 — Assets $22B Operating Earnings $725M	2014 — Assets $12B Operating Earnings $642M

SI-SSA-0015-08980

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance in 2014 • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source and Keys CCGT

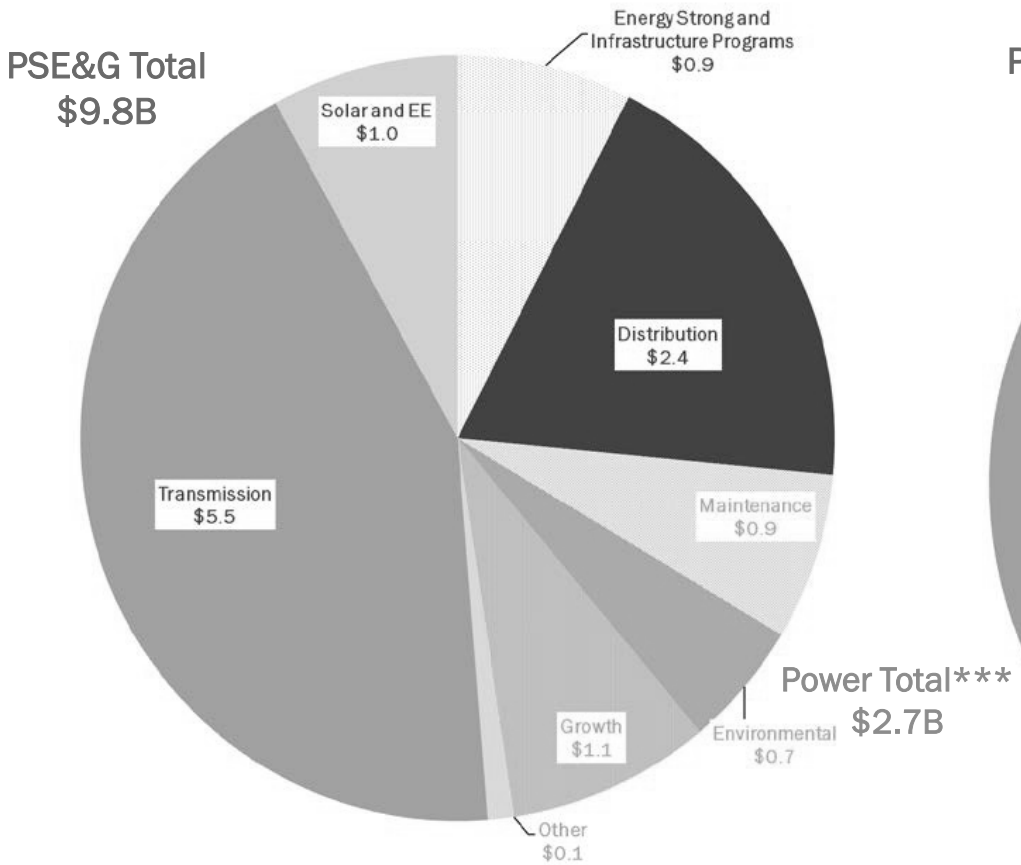
SI-SSA-0015-08981

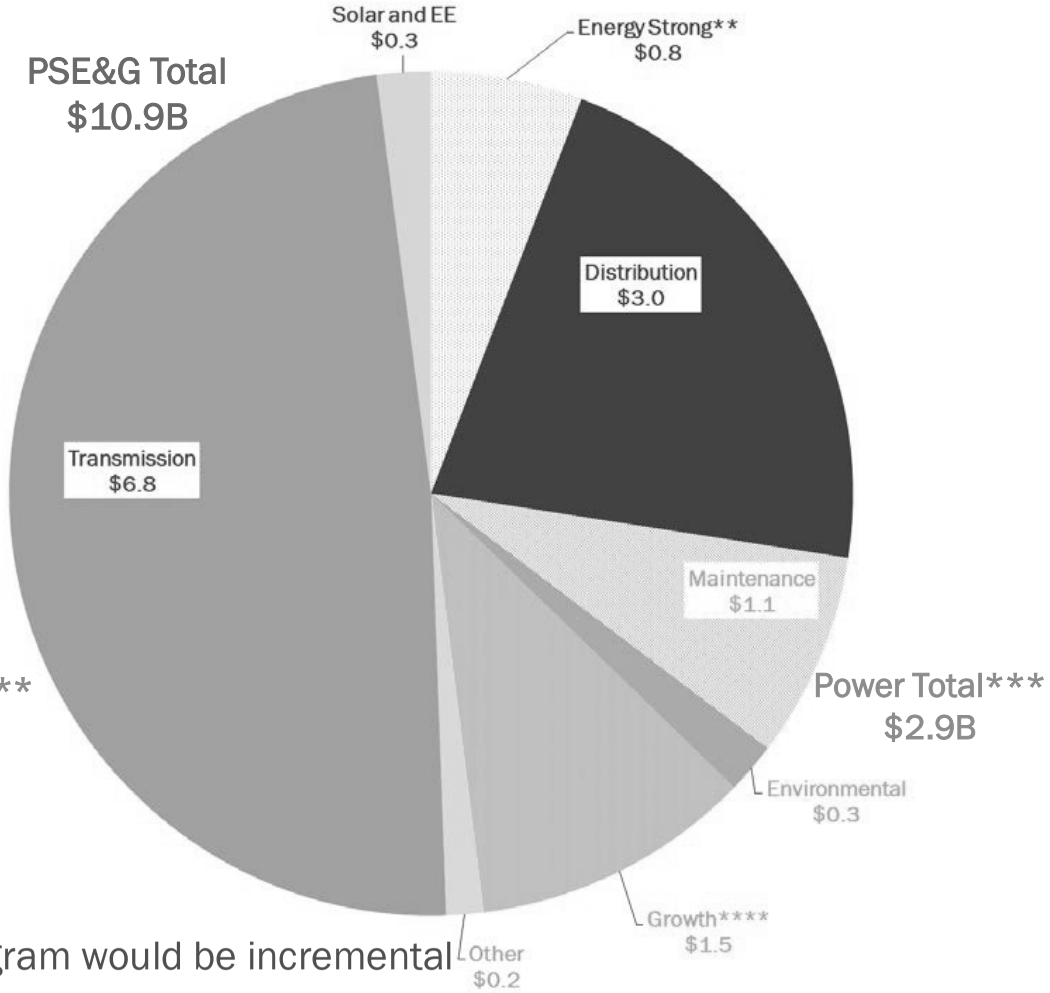
Robust pipeline of investment opportunities

supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $14.0 Billion**





2015E–2019E:

- $1.6B of capital for Gas System Modernization Program would be incremental

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF AUGUST 4, 2015

SI-SSA-0015-08982

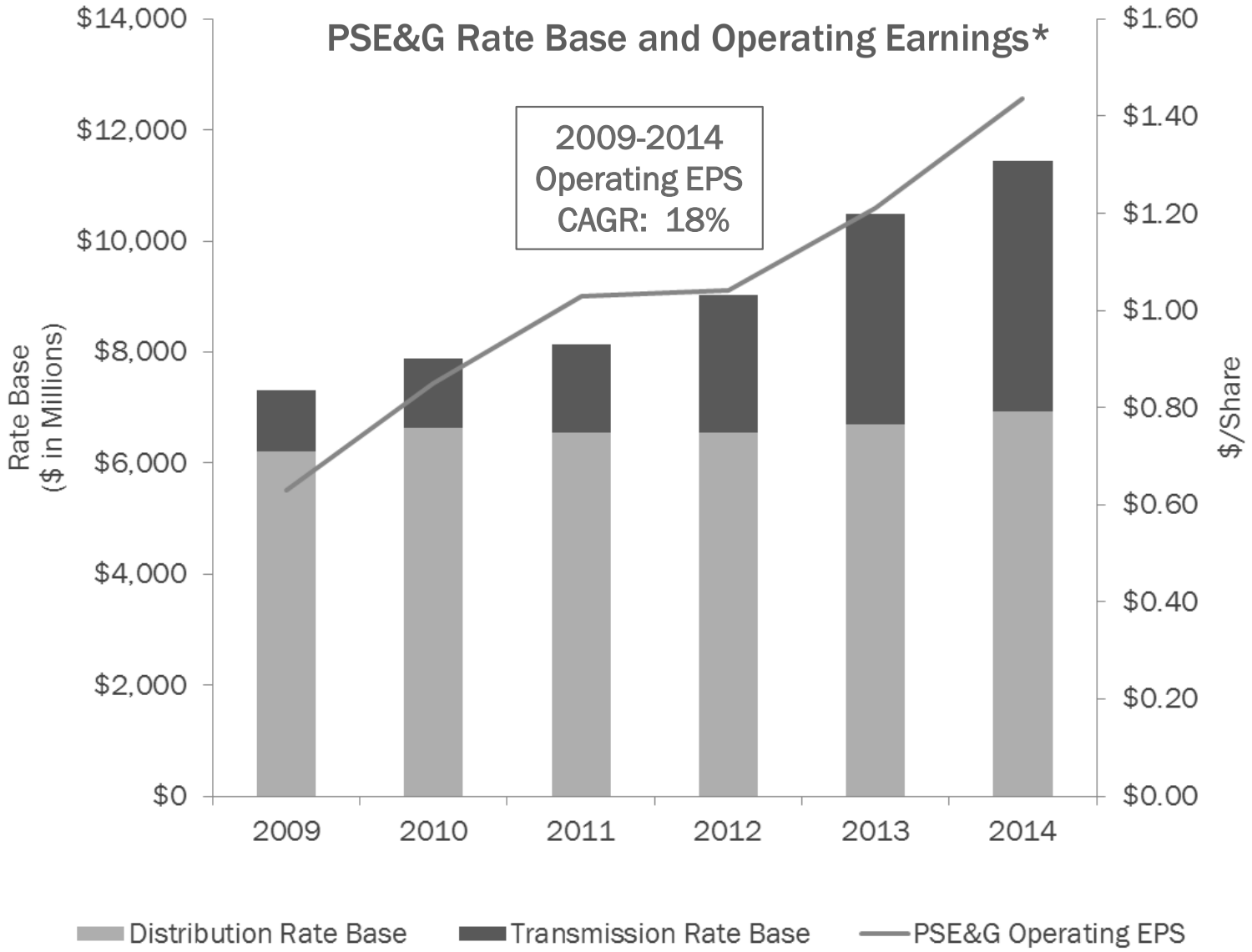
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $14 billion investment program through 2019 • Gas System Modernization Program would increase capital program by up to $1.6 billion • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-08983

PSE&G's investment program

Meeting public policy goals and customer needs

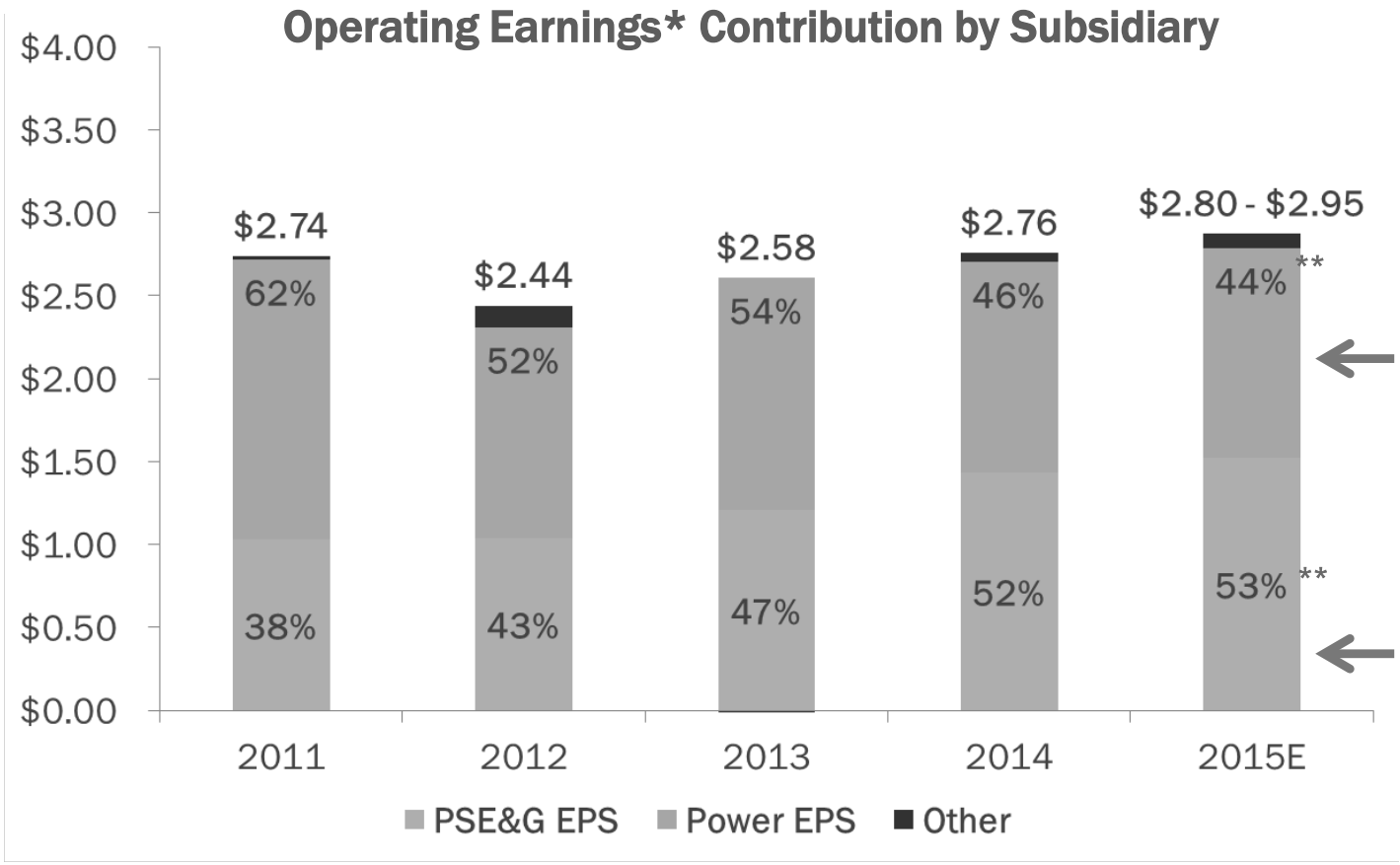


*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-08984

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

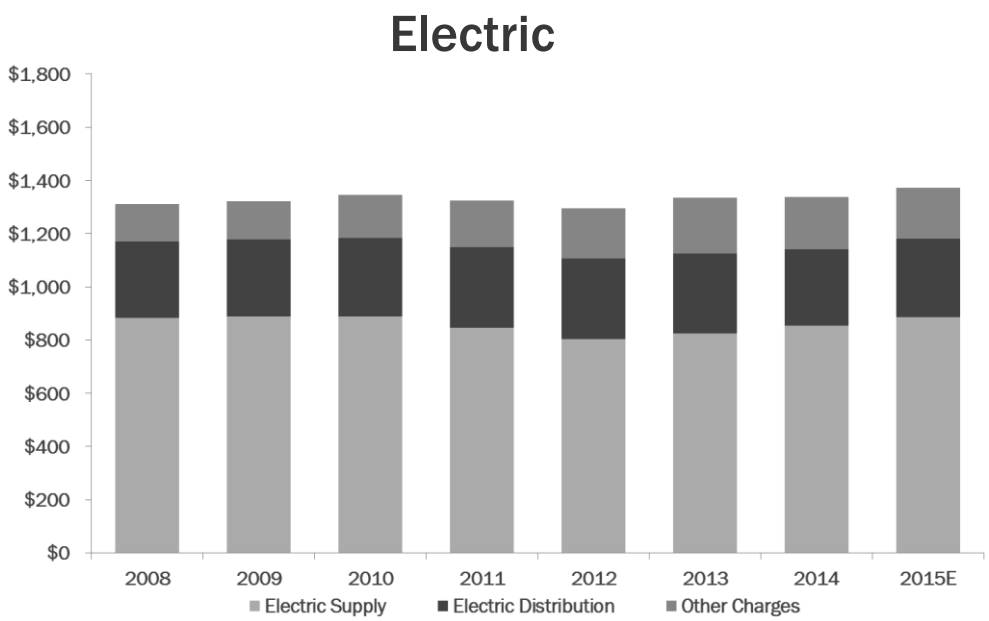
PSE&G's investment program has driven double digit compound annual earnings growth since 2010

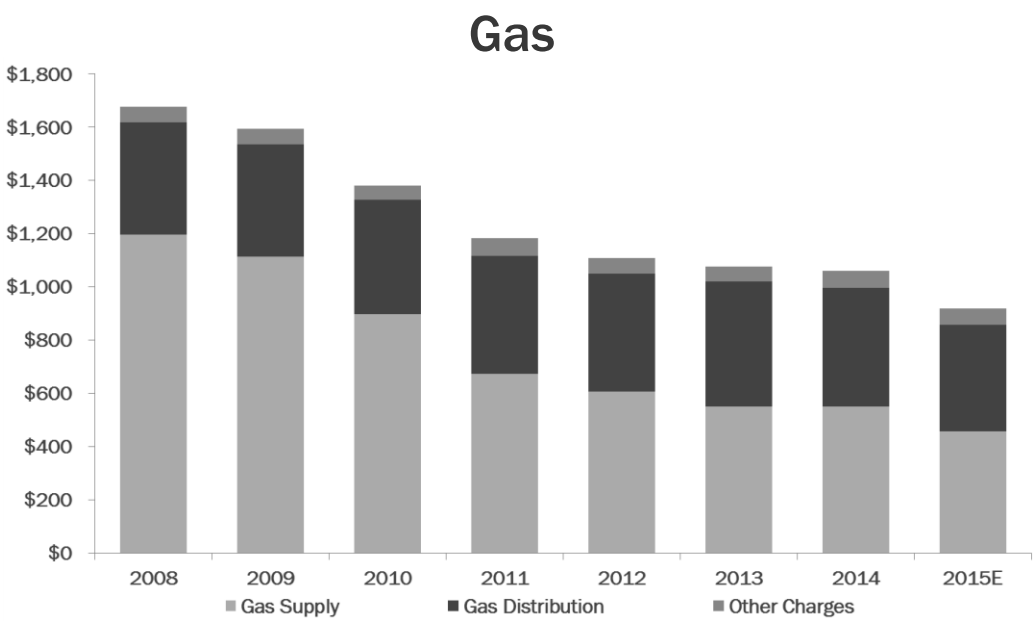
SI-SSA-0015-08985

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE.

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





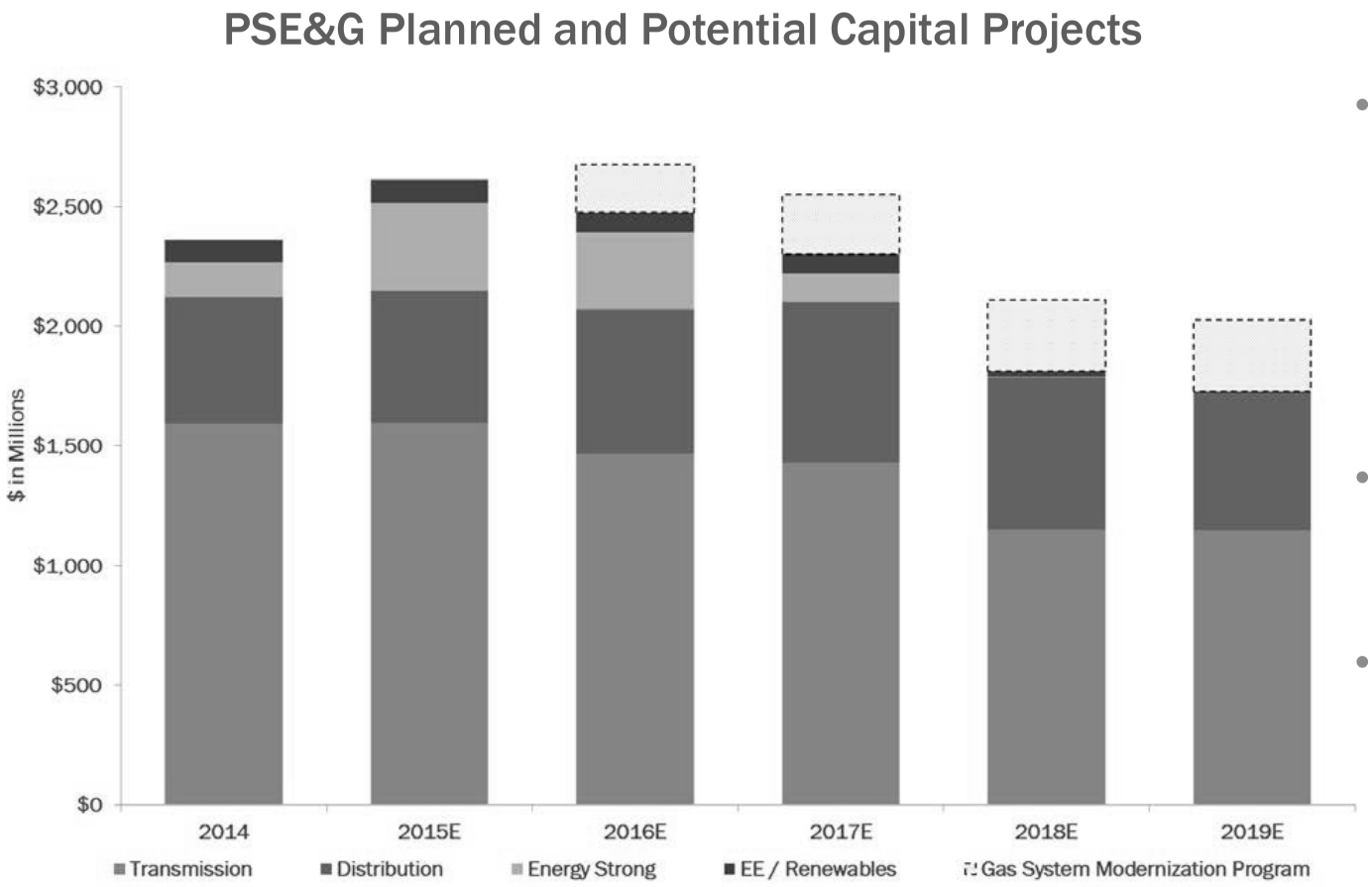
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-08986

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

E = ESTIMATE

SI-SSA-0015-08987

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-08988

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway • New build Keys CCGT in SWMAAC (Maryland) • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~148 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

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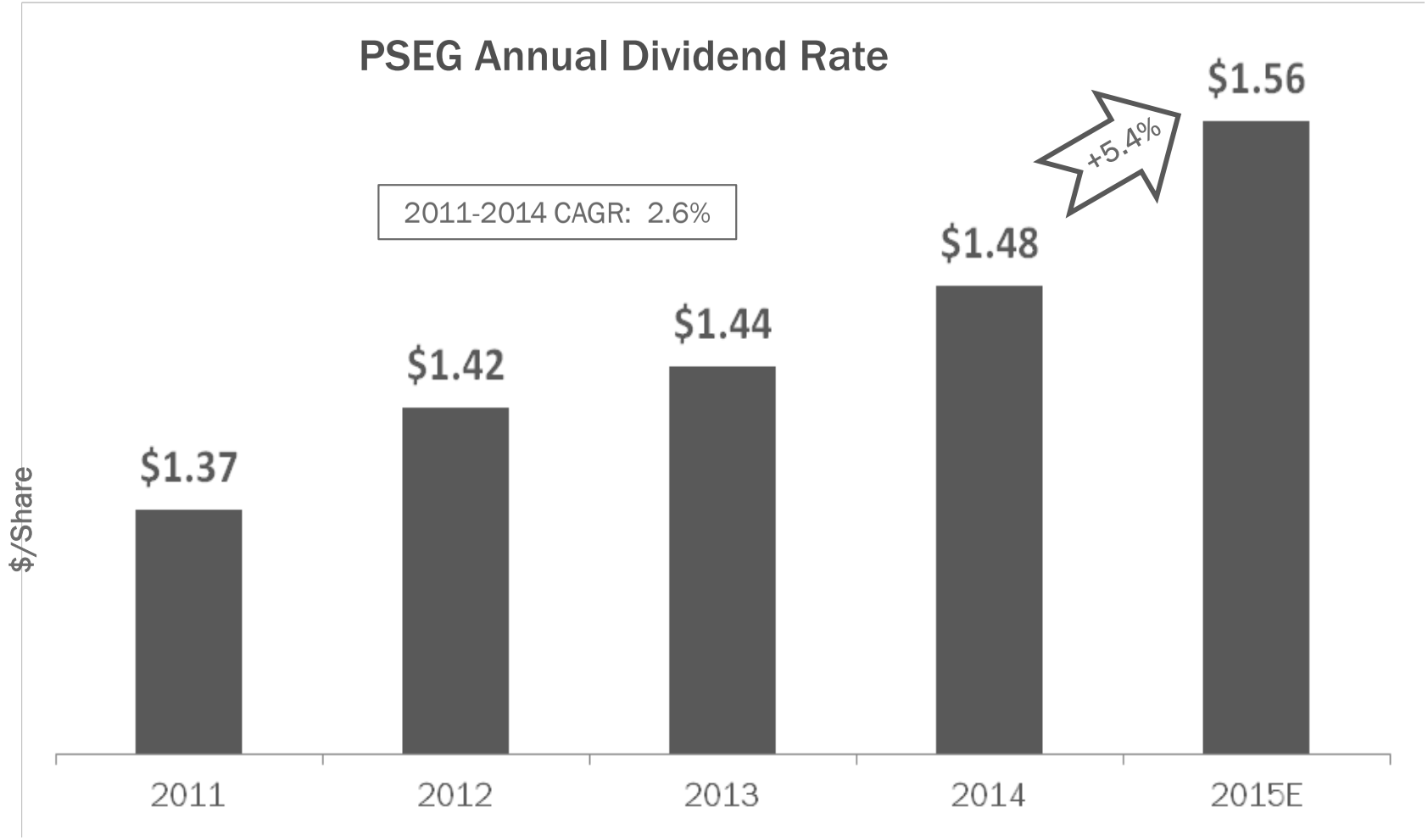
PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.
SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL - LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-08990

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities** - Keys CCGT in SWMAAC*

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-08991

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL - LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-08992

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PSE&G

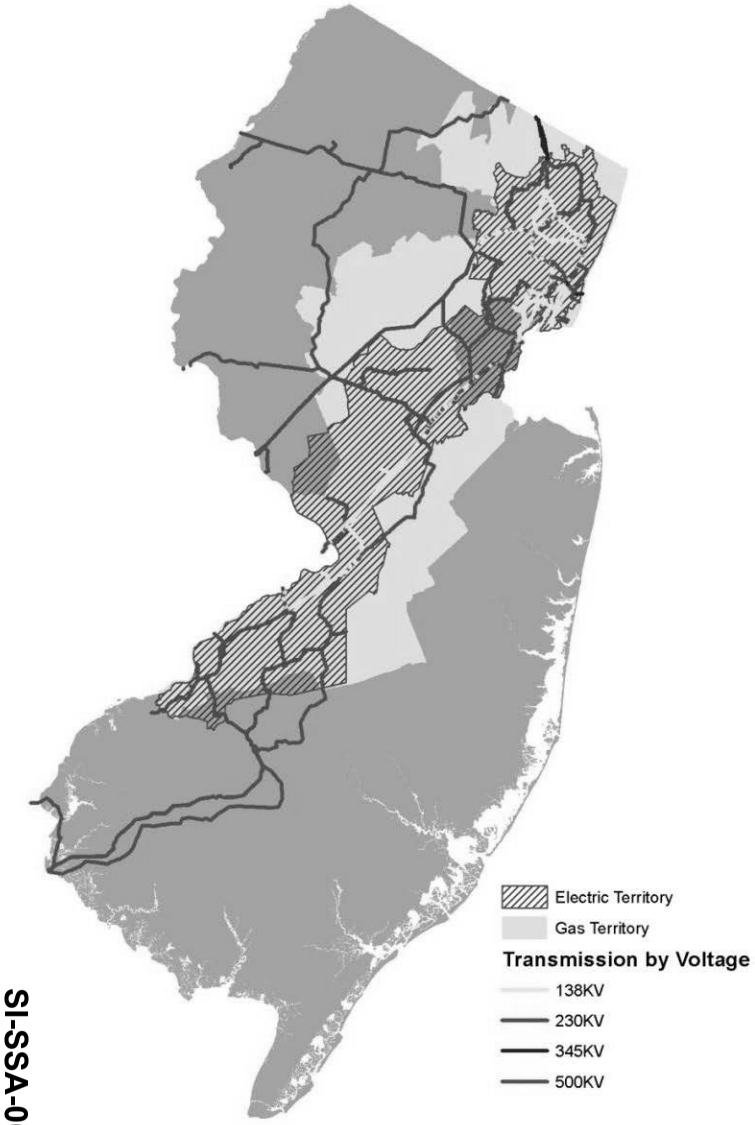
SI-SSA-0015-08993

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-08994

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-08995

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

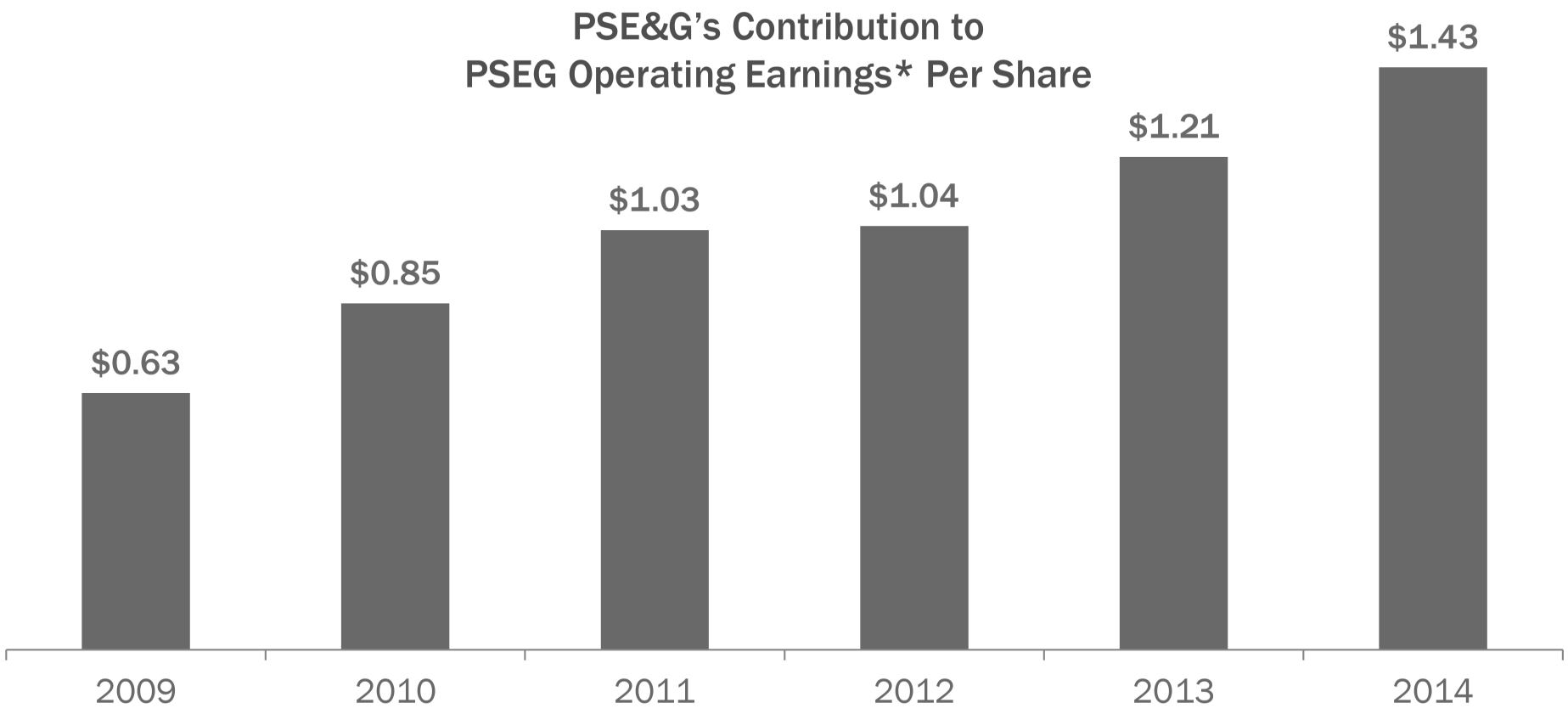
SI-SSA-0015-08996

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-08997

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control

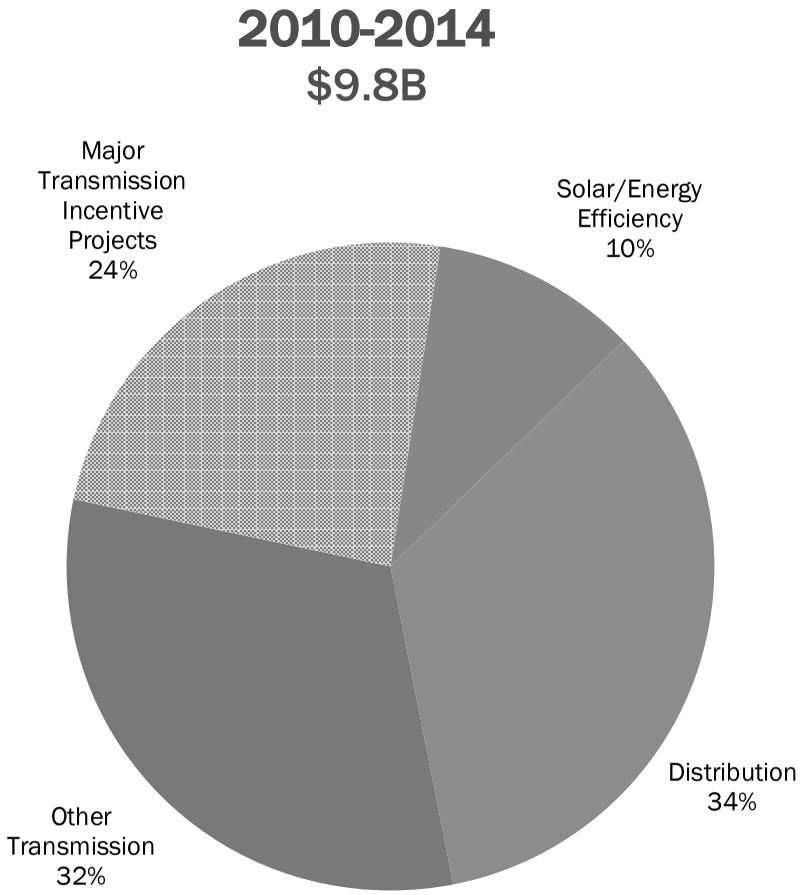


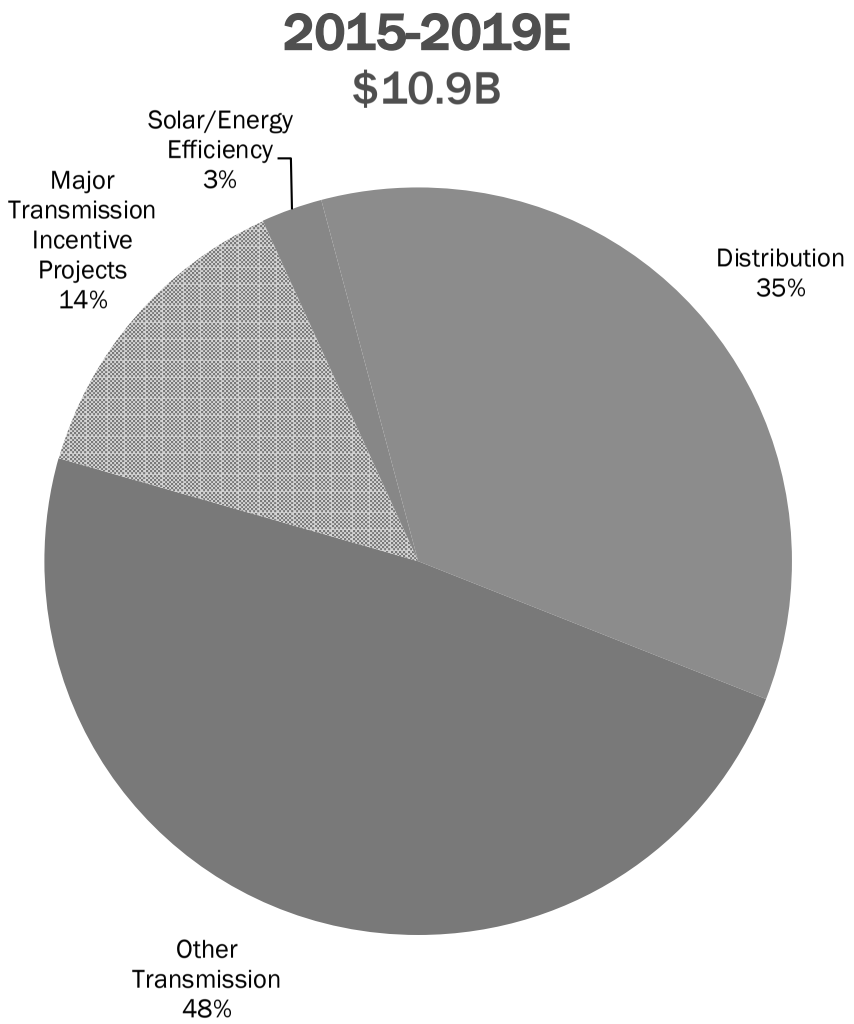
SI-SSA-0015-08998

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G plans to invest $10.9B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-08999

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-09000

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Artificial Island – Upgrade Project	11.68%	FERC 1000 project	$110-$130	2019
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-09002

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-0015-09003

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System Modernization Program may increase potential investment by ~$1.6B

SI-SSA-0015-09004

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-09005

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal units (RTU) installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-09006

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-09007

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term, 30-year cast iron and unprotected steel replacement plan
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Directly creates and supports 500 New Jersey jobs
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-09008

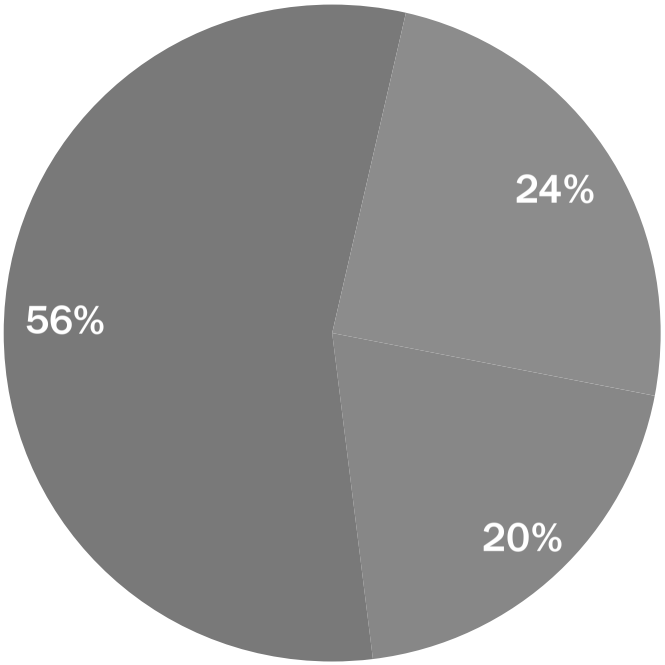
PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

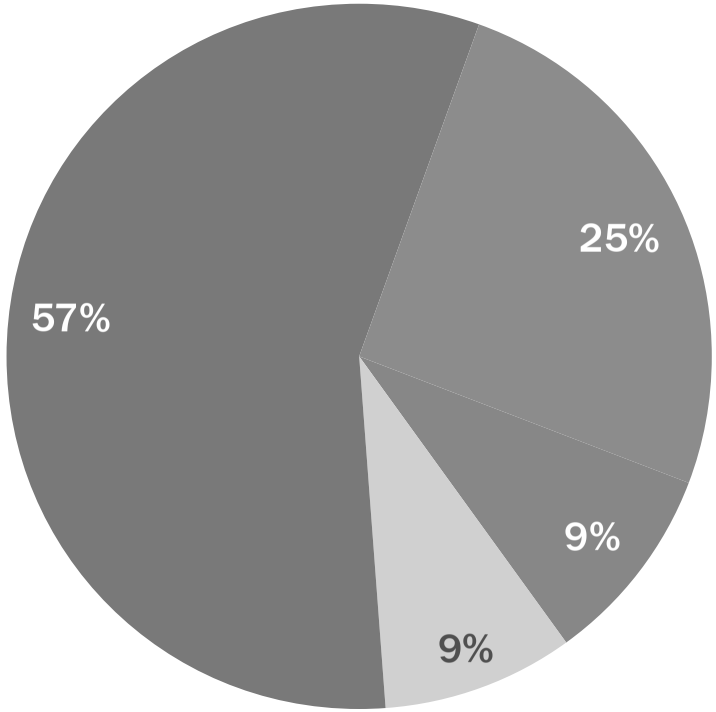
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.0B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-09009

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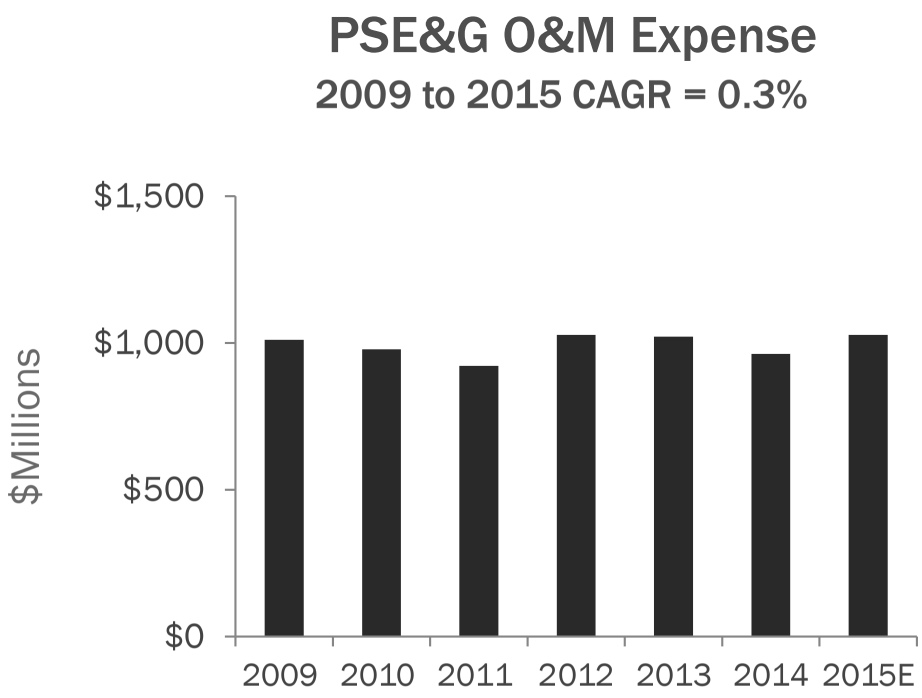
E = ESTIMATE. DATA AS OF JULY 31, 2015.

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

SI-SSA-0015-09010

E=ESTIMATE

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

SI-SSA-0015-09011

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON JULY 31, 2015.

PSEG LONG ISLAND

SI-SSA-0015-09012

PSEG

We make things work for you.

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-09013

PSEG

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

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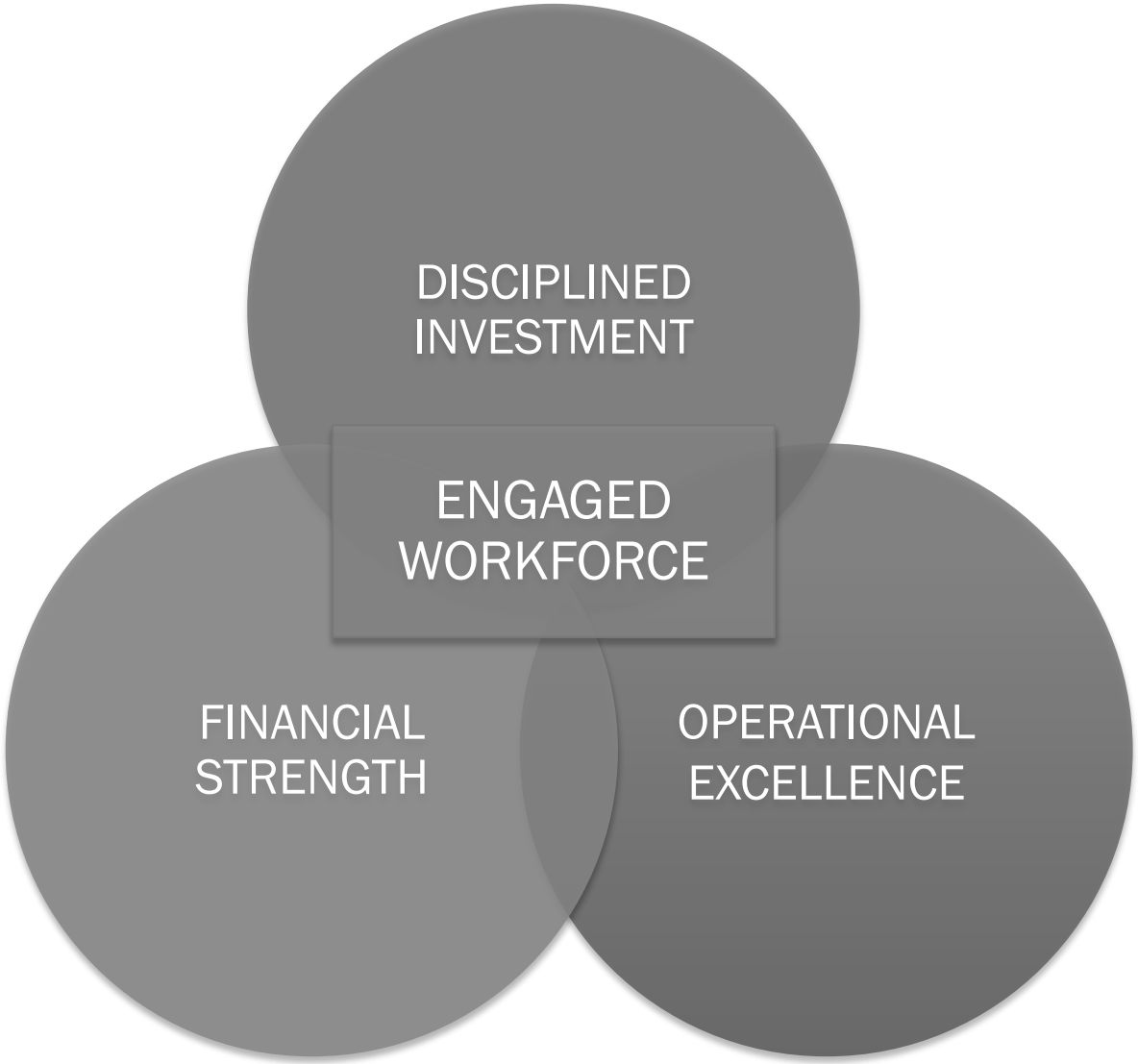
SI-SSA-0015-09014

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09015

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-09016

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 148 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT targeted in-service 2018 in Maryland

SI-SSA-0015-09017

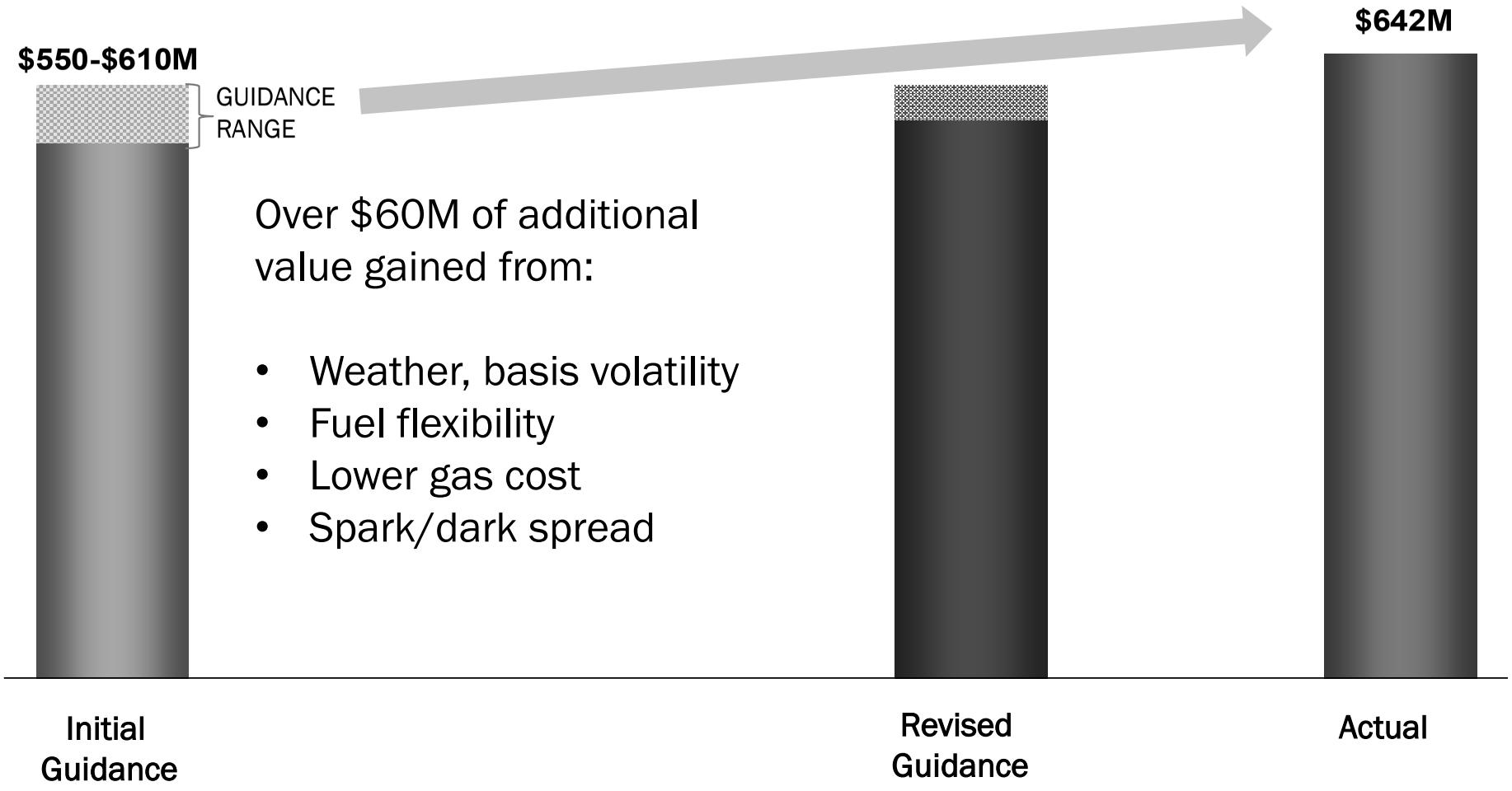
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-09018

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



Over $60M of additional value gained from:

- Weather, basis volatility
- Fuel flexibility
- Lower gas cost
- Spark/dark spread

SI-SSA-0015-09019

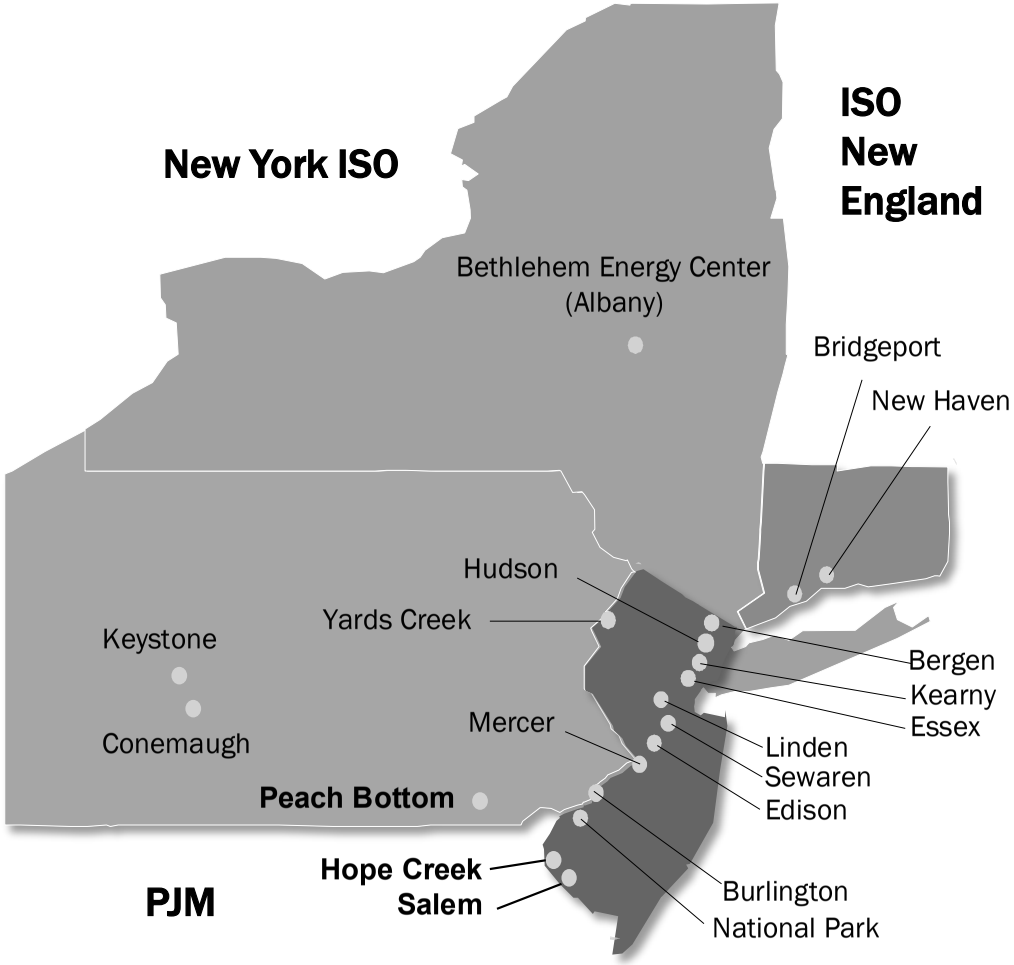
PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power has generating assets

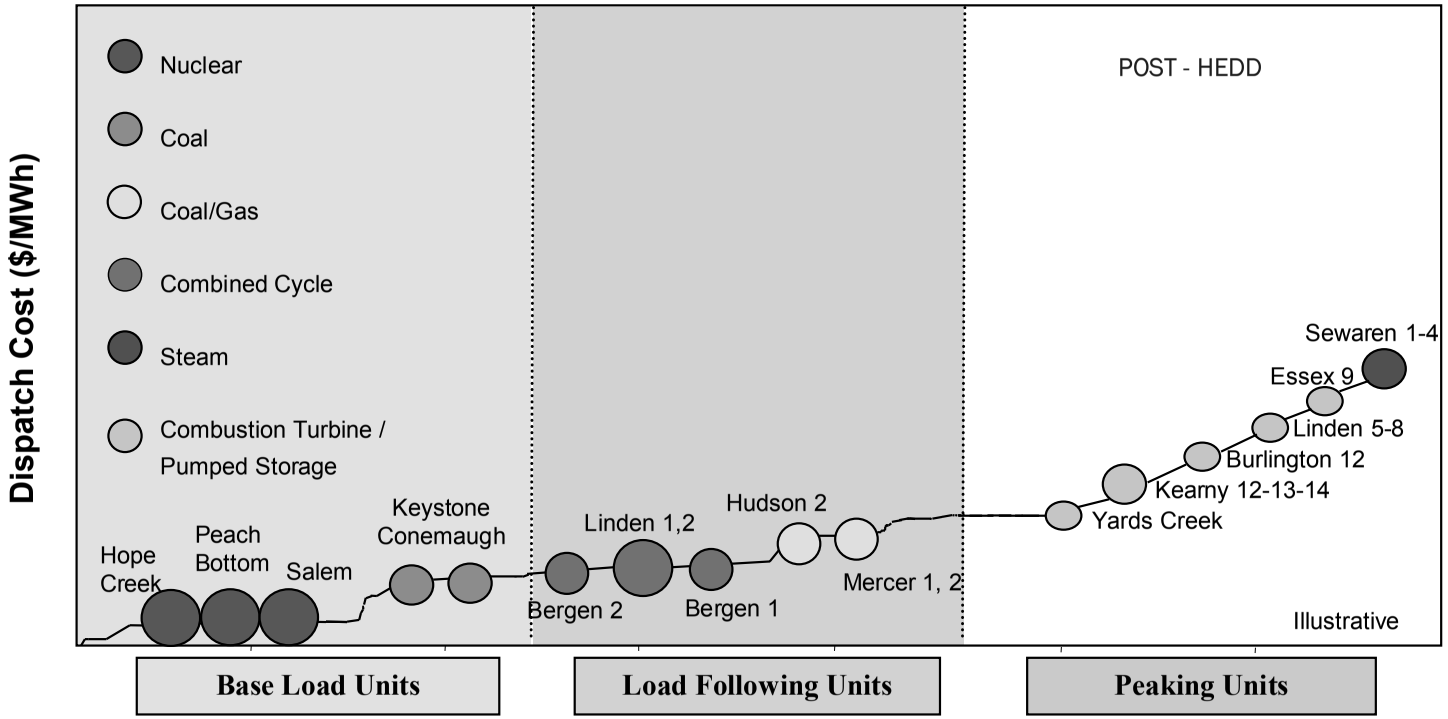
in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



SI-SSA-0015-09020

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys CCGT to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

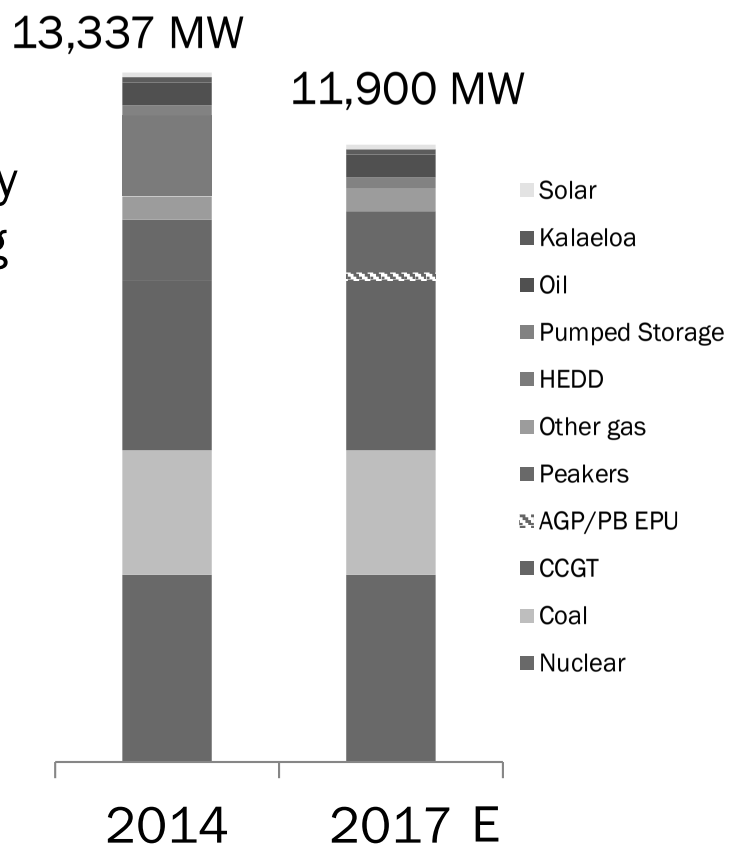
SI-SSA-0015-09021

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

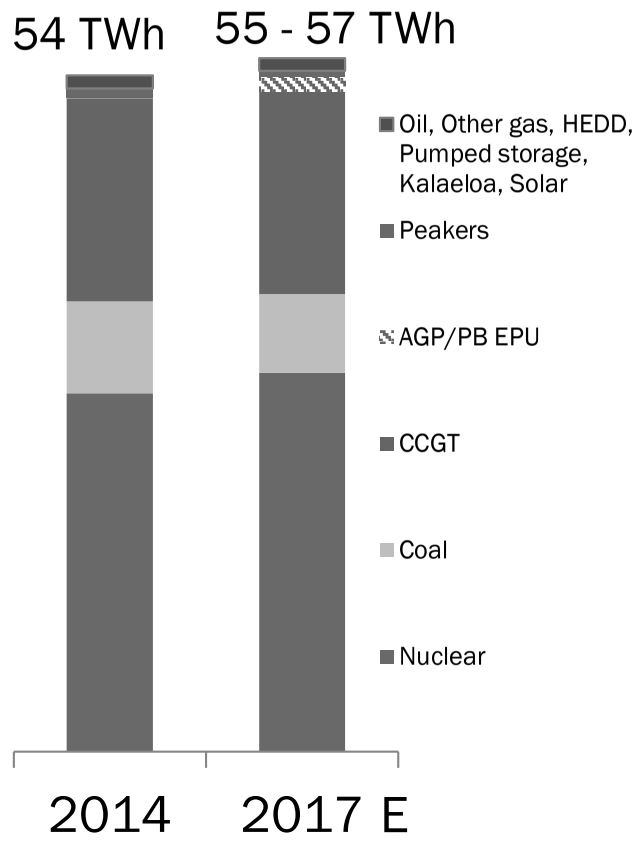
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



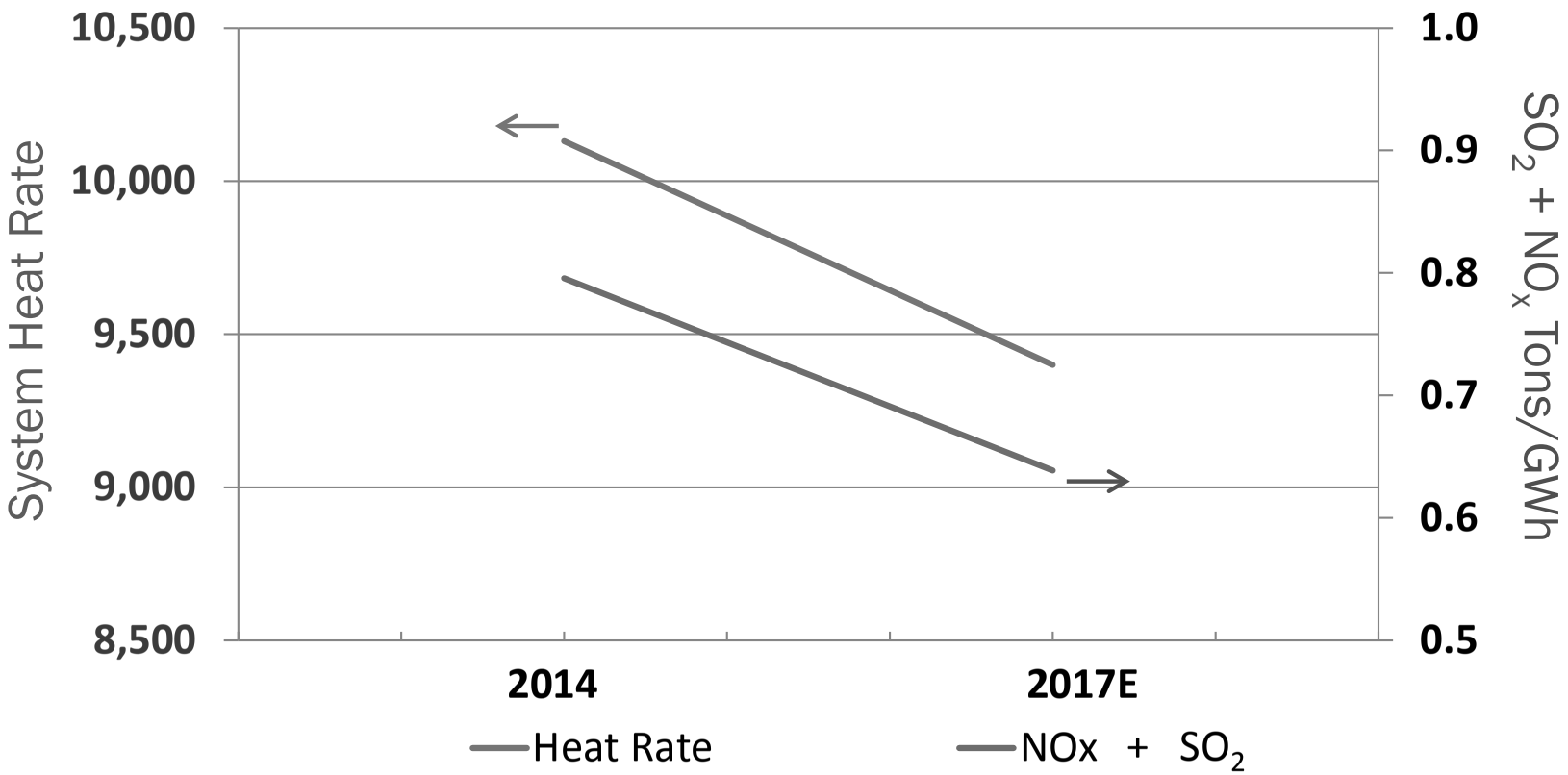
Energy Produced



E=ESTIMATE

SI-SSA-0015-09022

PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



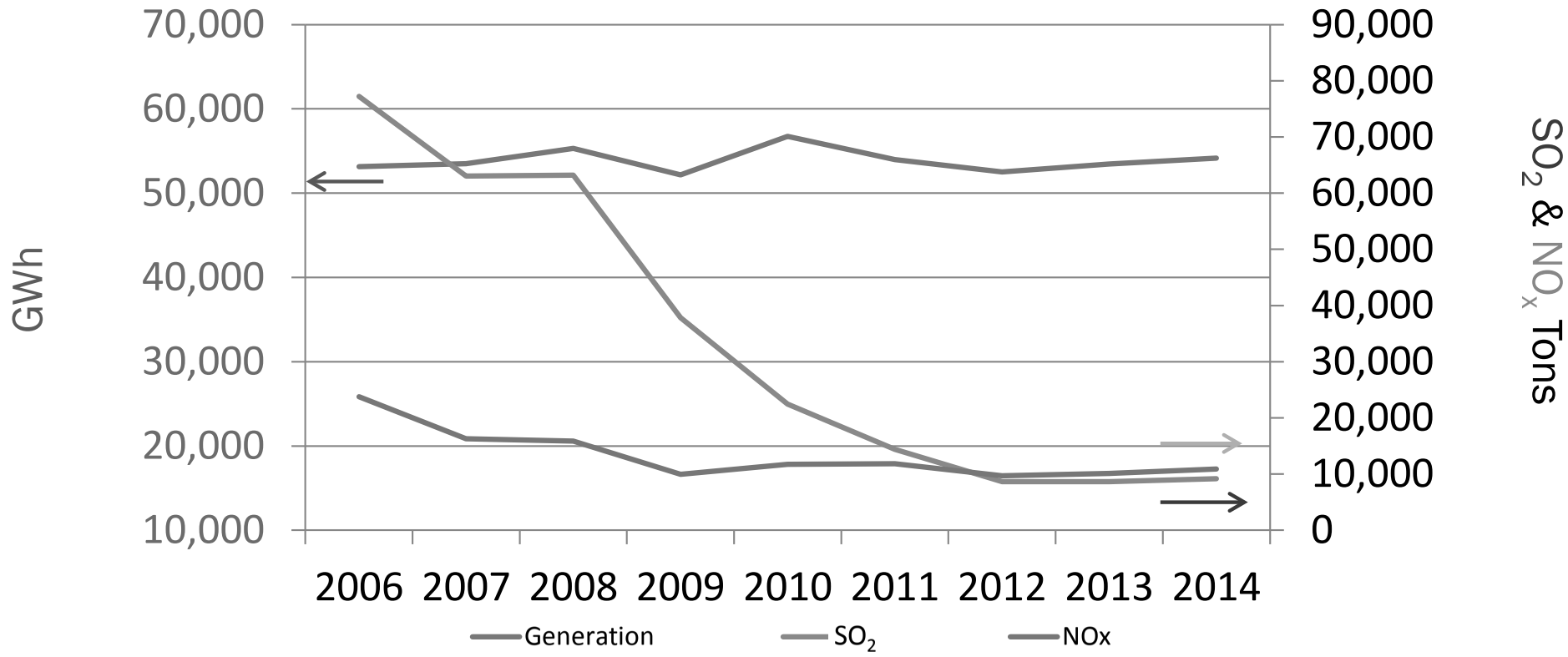
- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-09023

PSEG

E=ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-09024

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-09025

PSEG Power Nuclear has competitive advantages

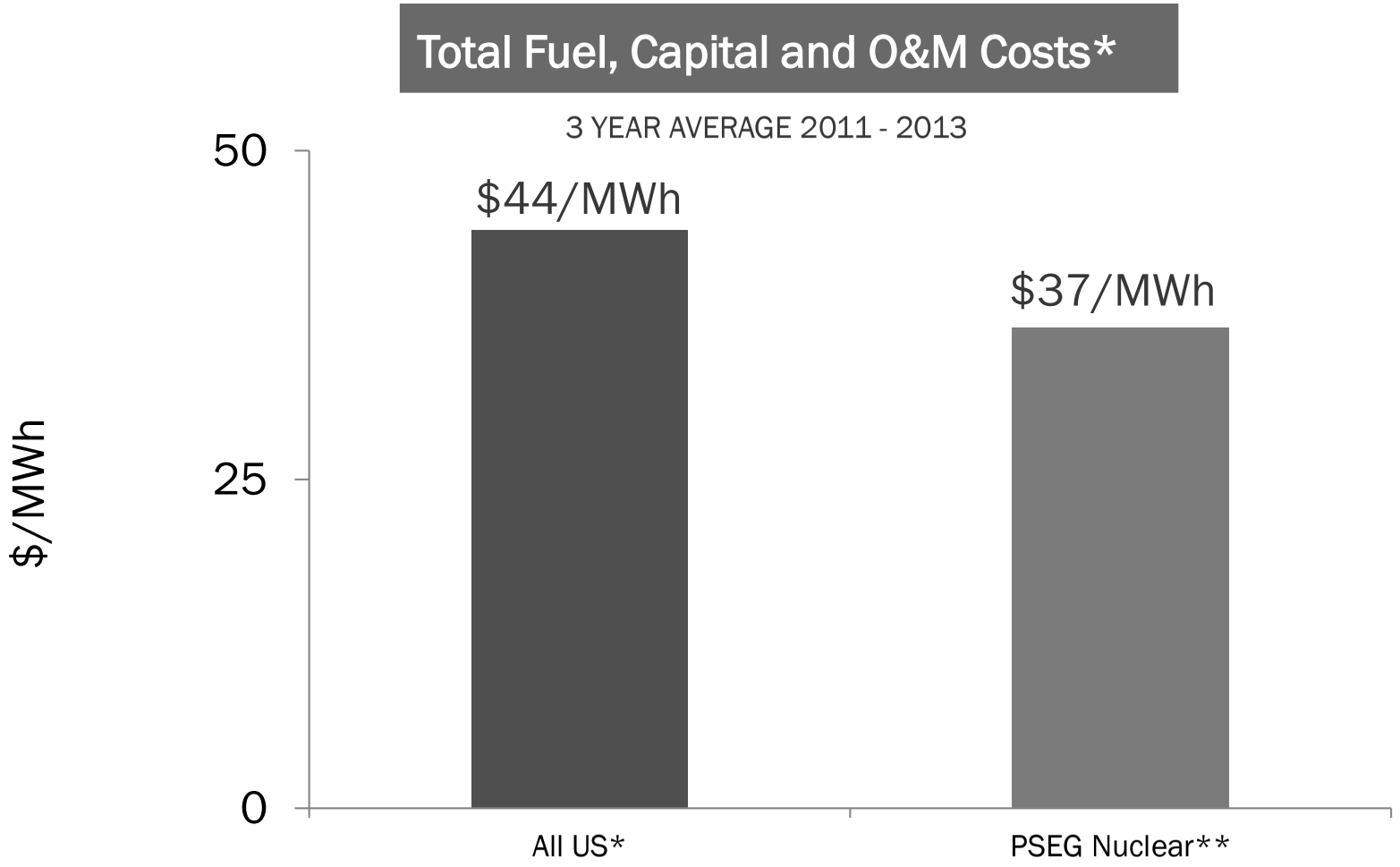
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-09026

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

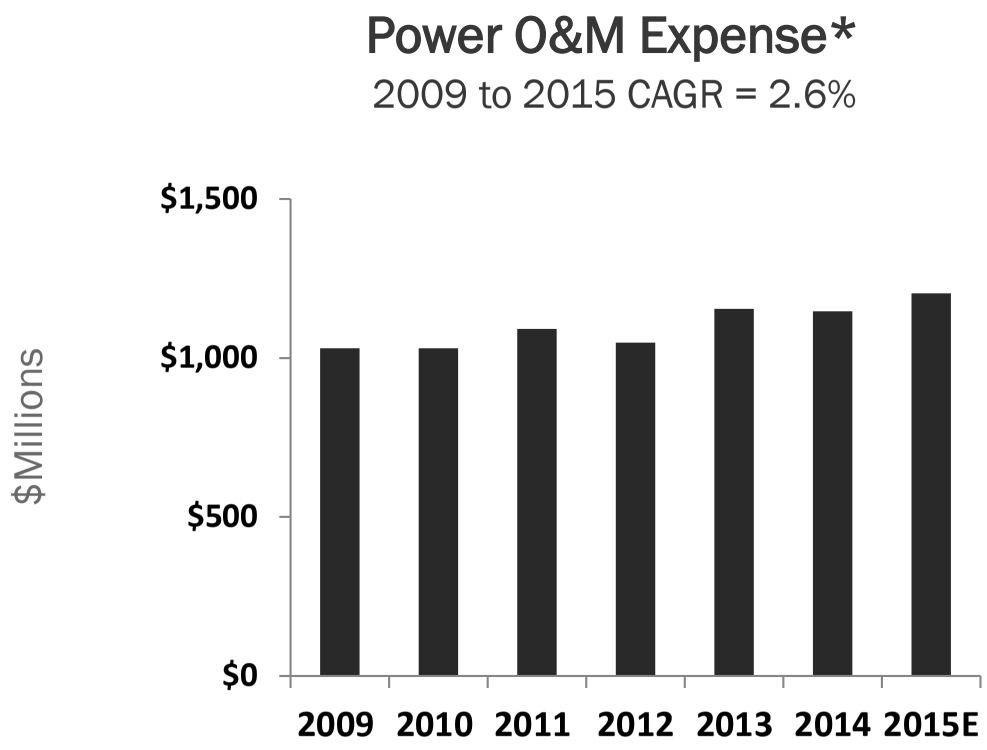


*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

SI-SSA-0015-09027

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



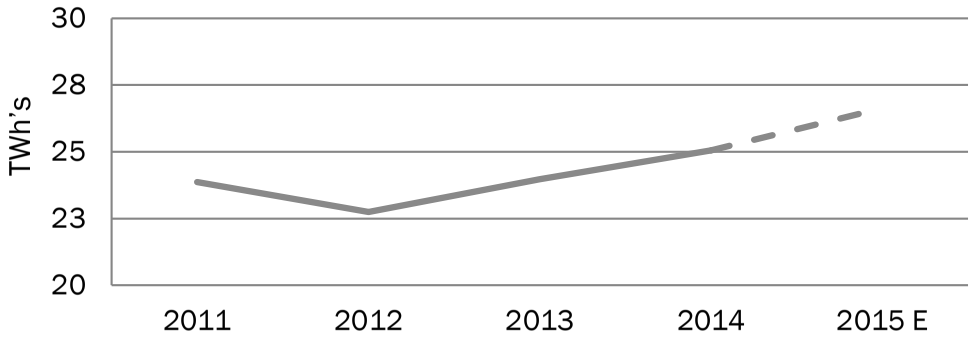
Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

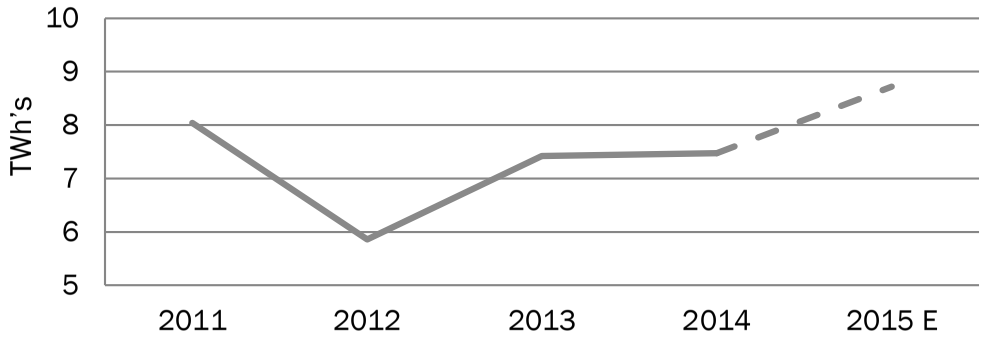
SI-SSA-0015-09028

PSEG Power's Fossil Fleet has shown improvement in performance

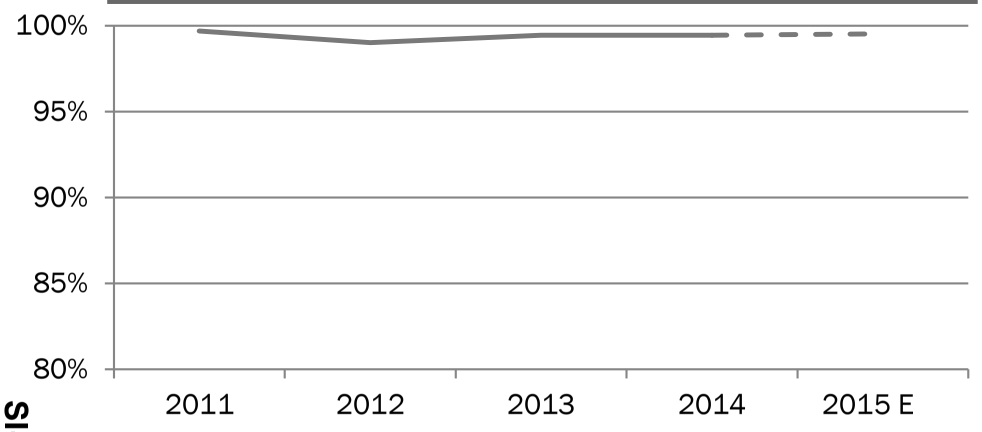
Fossil Generation



Coal Generation

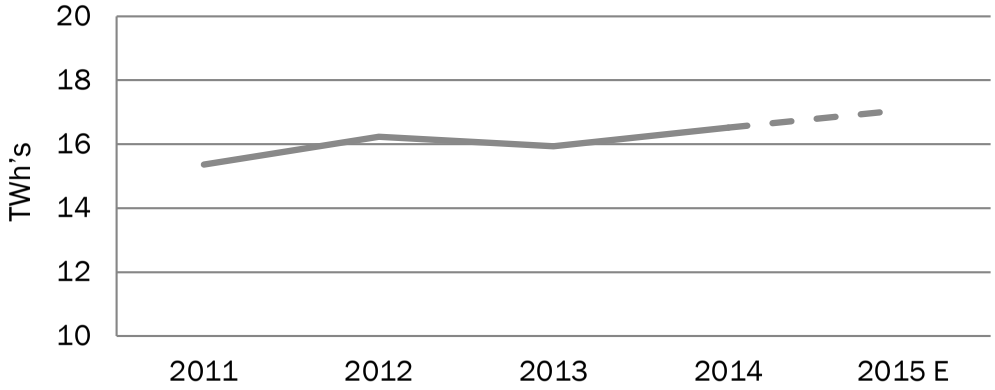


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

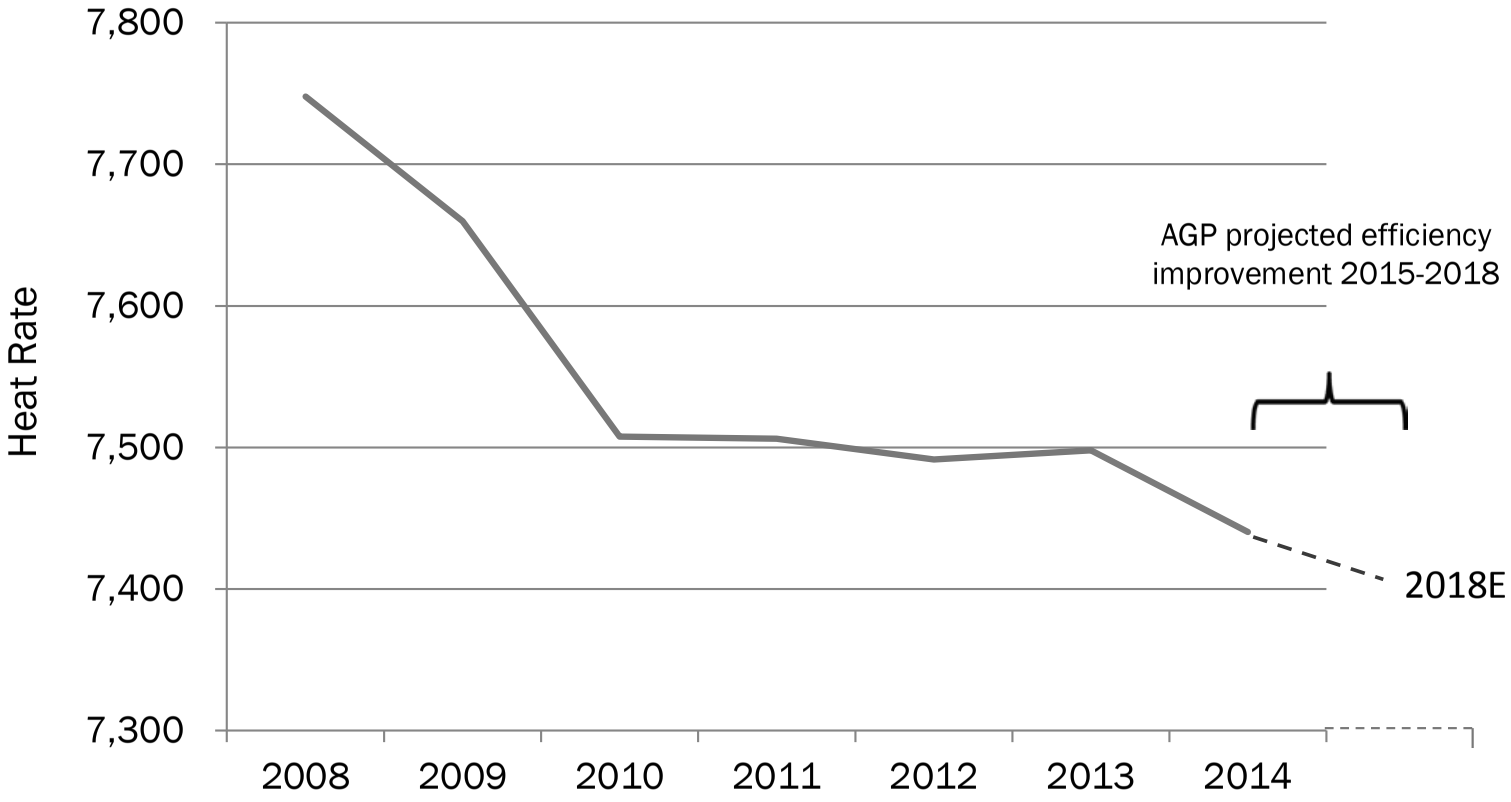
SI-SSA-0015-09029

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

SI-SSA-0015-09030

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

Capacity
- New Keys CCGT 755MW online in 2018E adds geographic diversity to fleet
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

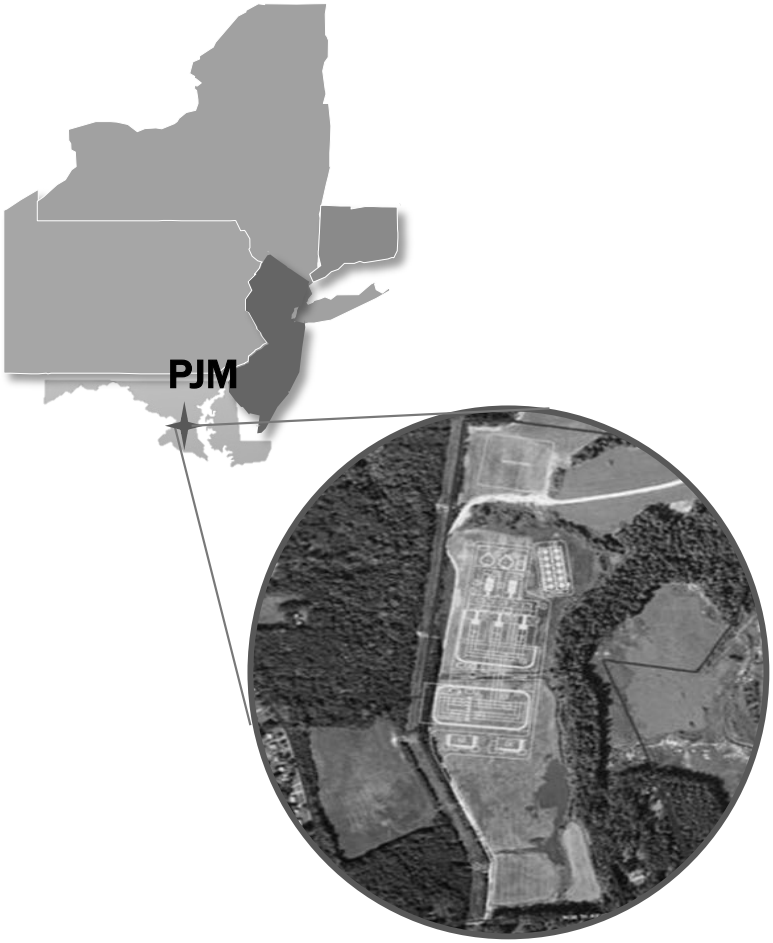
Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-09031

E = ESTIMATE

PSEG Keys Energy Center, our new-build CCGT in SWMAAC* extends our geographic footprint in PJM



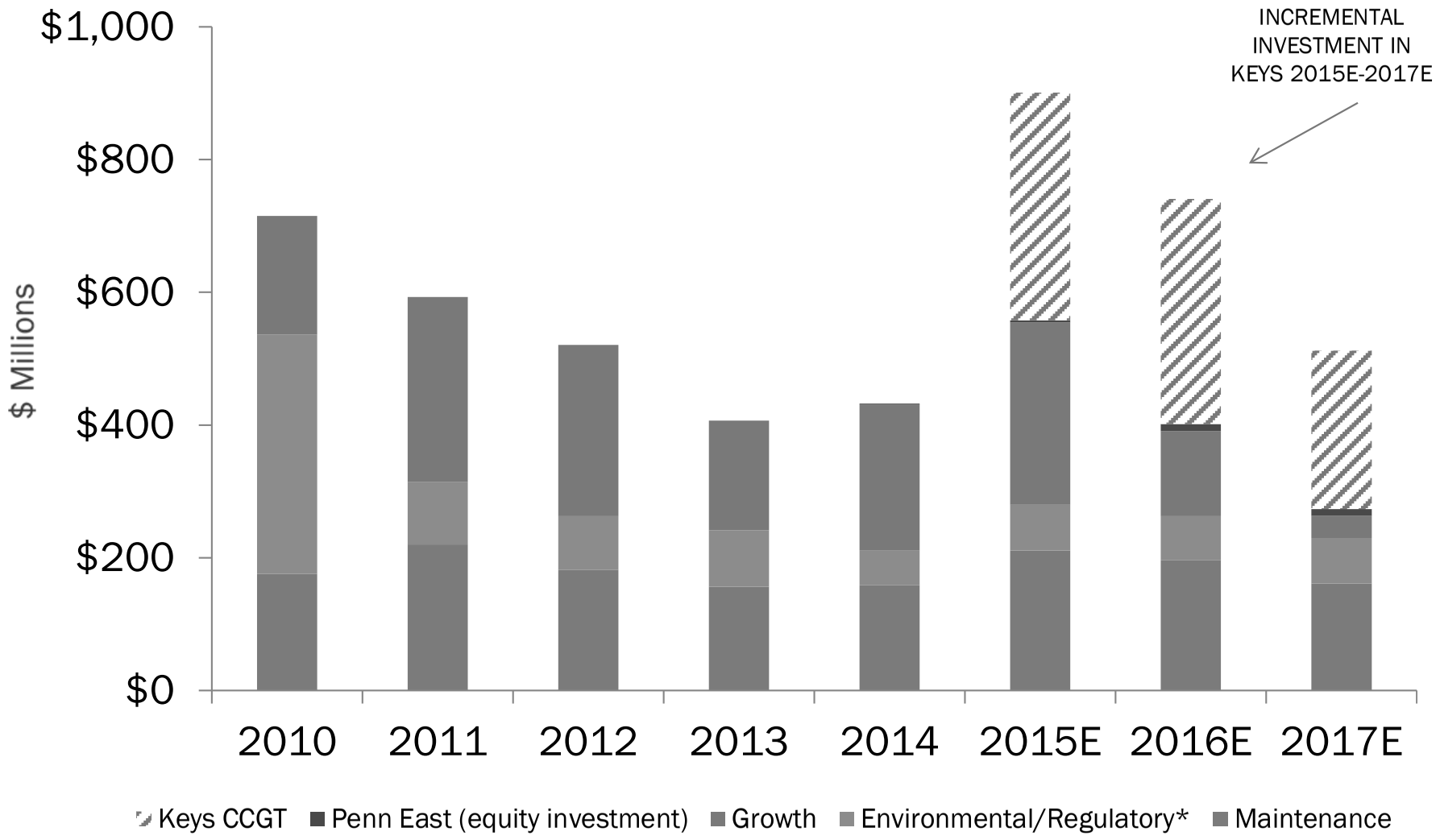
- PSEG Fossil acquired the Keys Energy Center in Maryland in June 2015
- **Construction to begin this Fall** to build a new, 755MW natural gas fired, combined-cycle gas turbine in the SWMAAC region of PJM at an estimated cost of **$825 to $875 million**
- **Commercial operation is targeted for 2018**; Keys has already cleared the 2017/2018 RPM auction
- PSEG Fossil will oversee the construction and operation of the PSEG Keys Energy Center
- PSEG Keys Energy Center project creates local construction jobs, permanent operating positions, and adds to the local tax base
- Positioned to benefit from access to new gas transportation and infrastructure additions (Dominion-Transco)

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL - LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-09032

PSEG Power's capital expenditures

dedicated toward growing portfolio



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

SI-SSA-0015-09033

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,126 MW

* INTERCONNECTION SERVICE AGREEMENTS.

SI-SSA-0015-09034

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

SI-SSA-0015-09035

PSEG Solar Source owns ~148 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD Sept 2015 Est.
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-09036

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT)

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-09037

PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

SI-SSA-0015-09038

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-09039

Developing People to drive operational excellence and to optimize the workforce

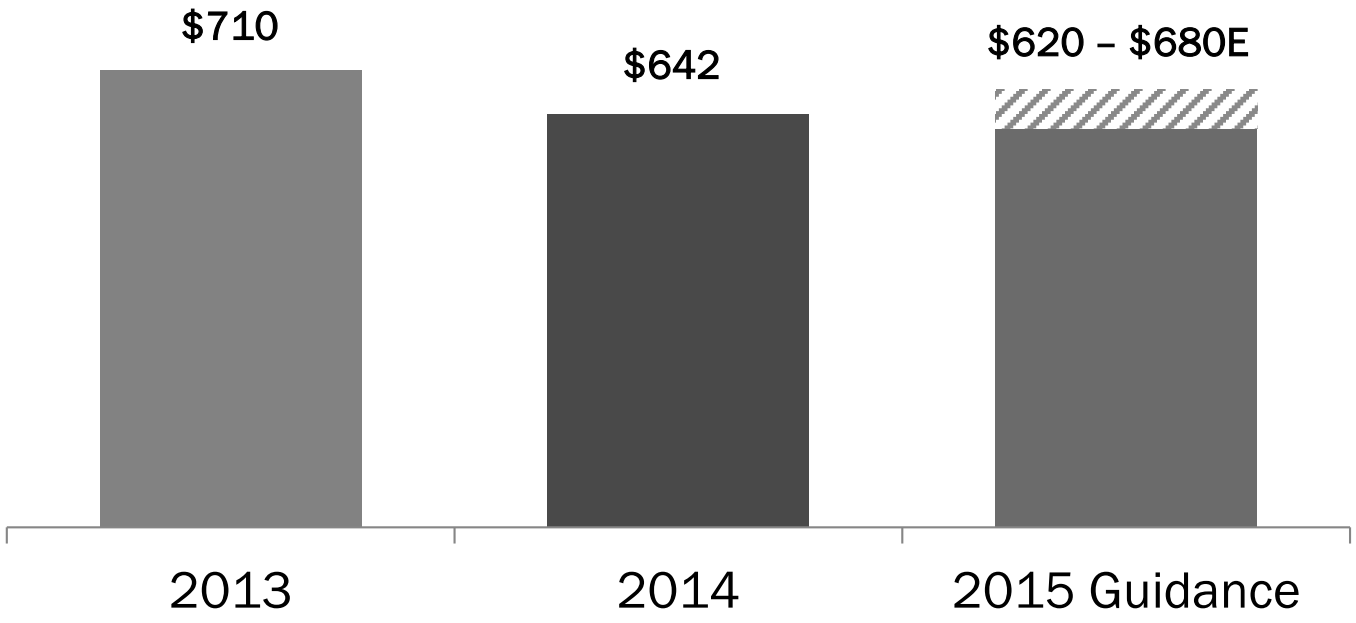
- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-09040

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-09041

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

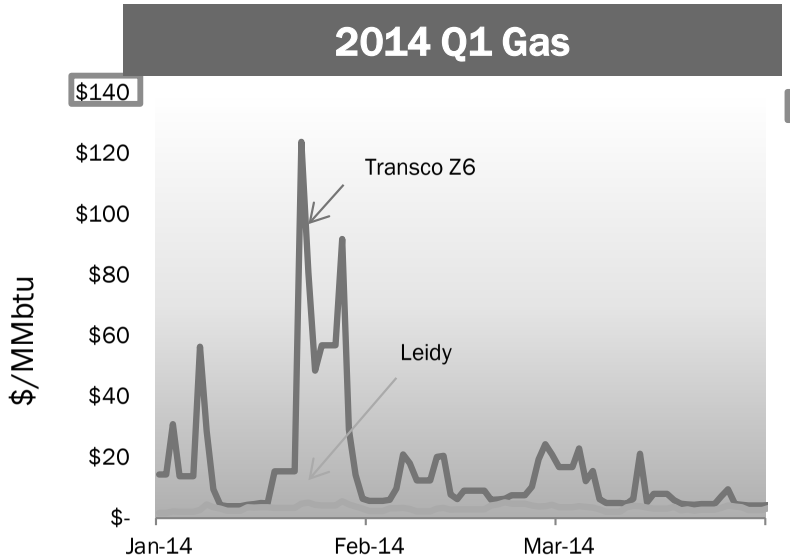
PSEG POWER
ER&T

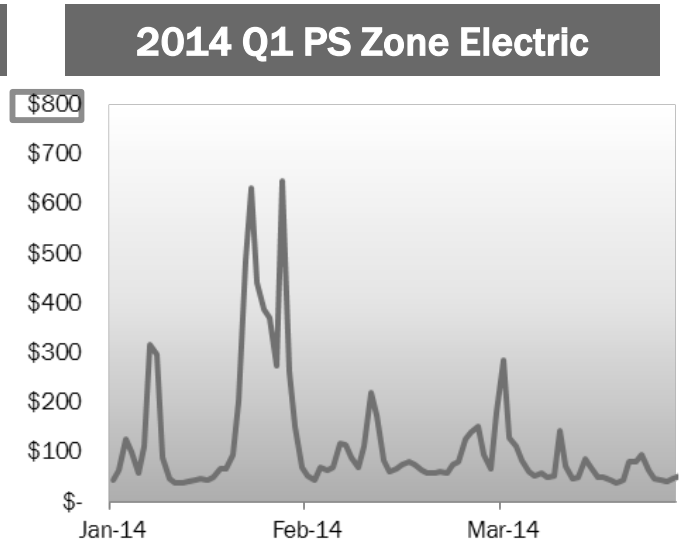
SI-SSA-0015-09042

PSEG

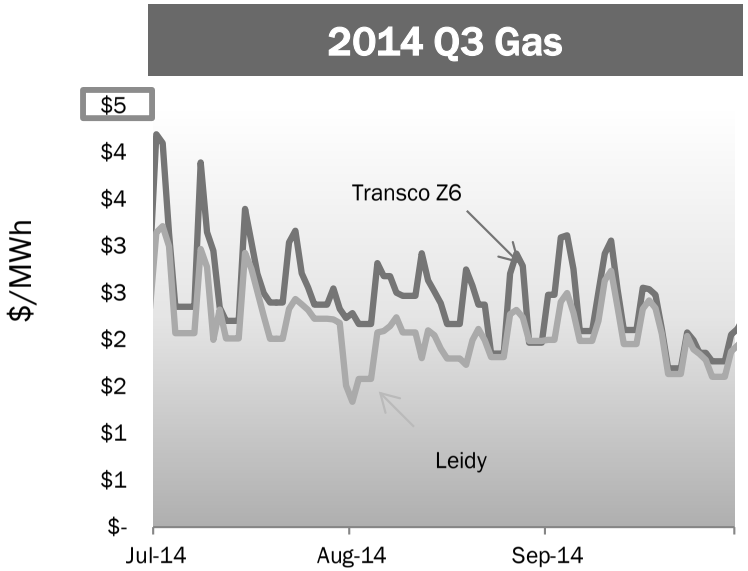
We make things work for you.

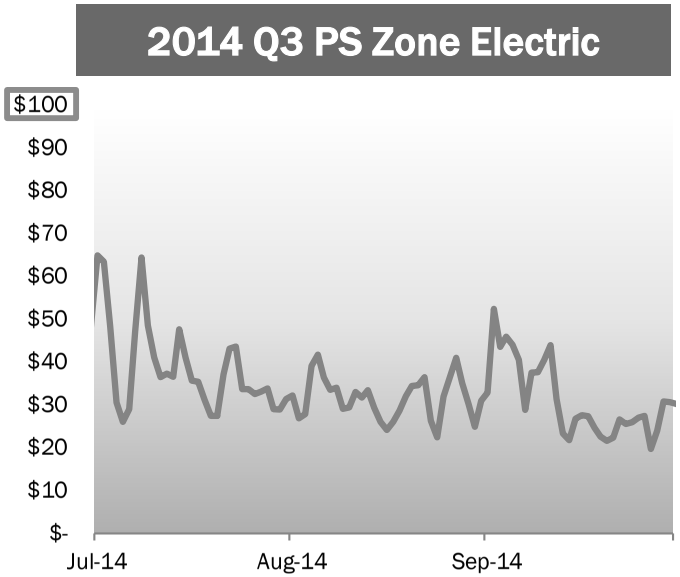
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



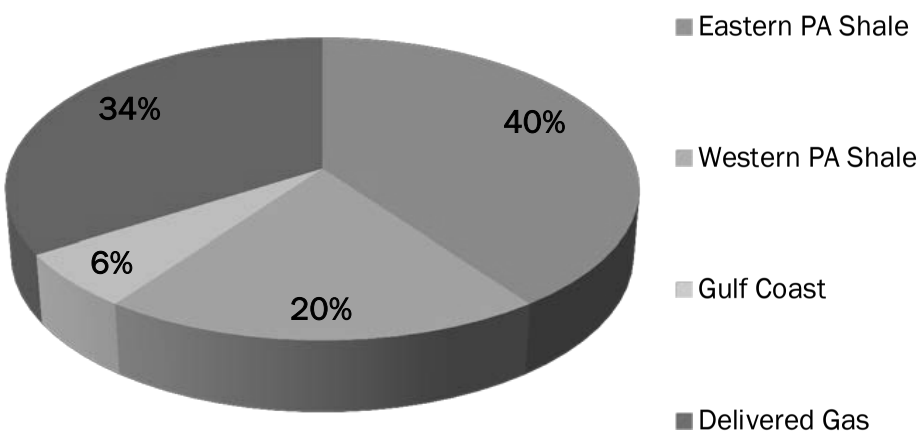


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-09043

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

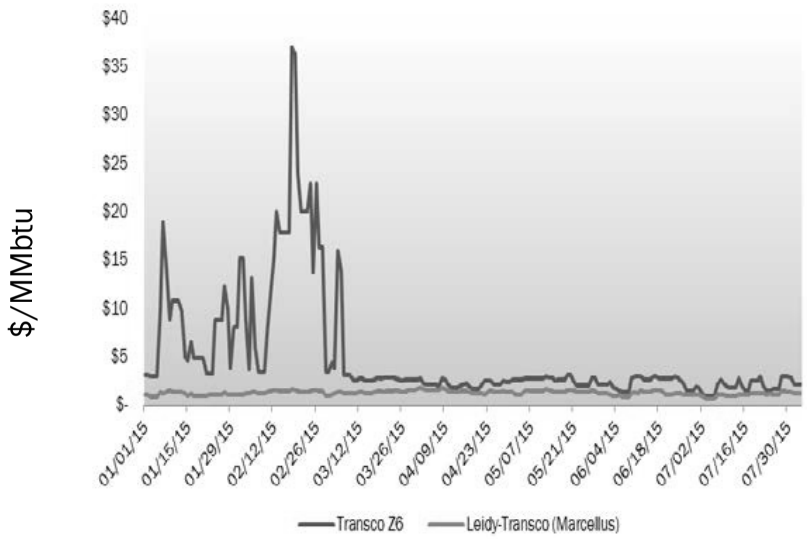


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

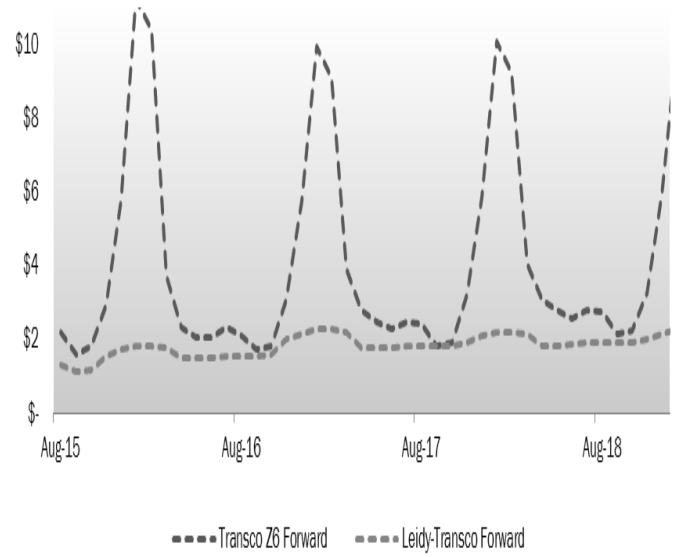
SI-SSA-0015-09044

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

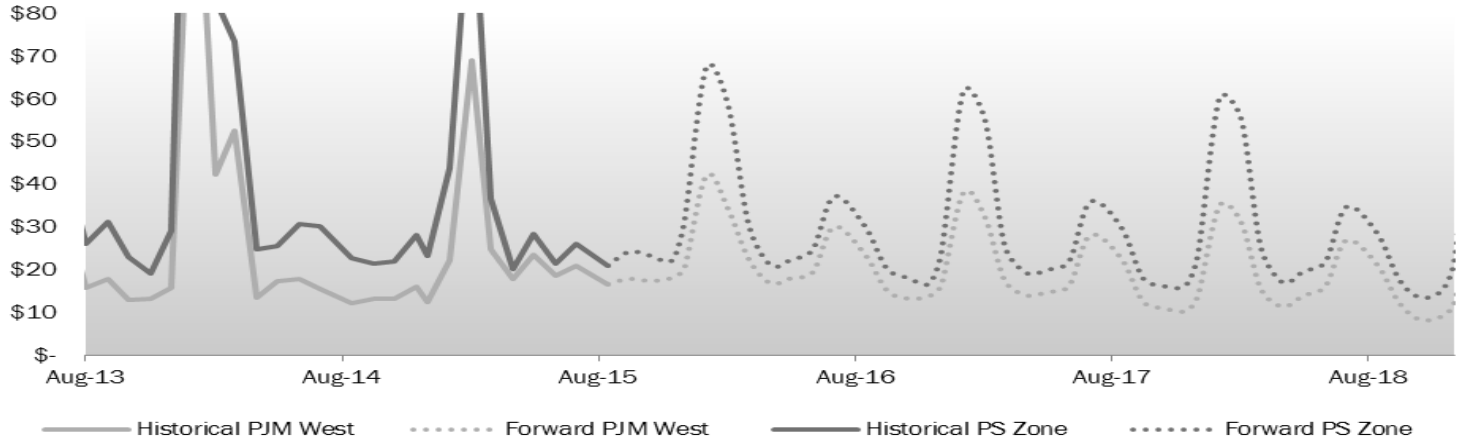
2015 YTD Z6



2015-2018 Z6



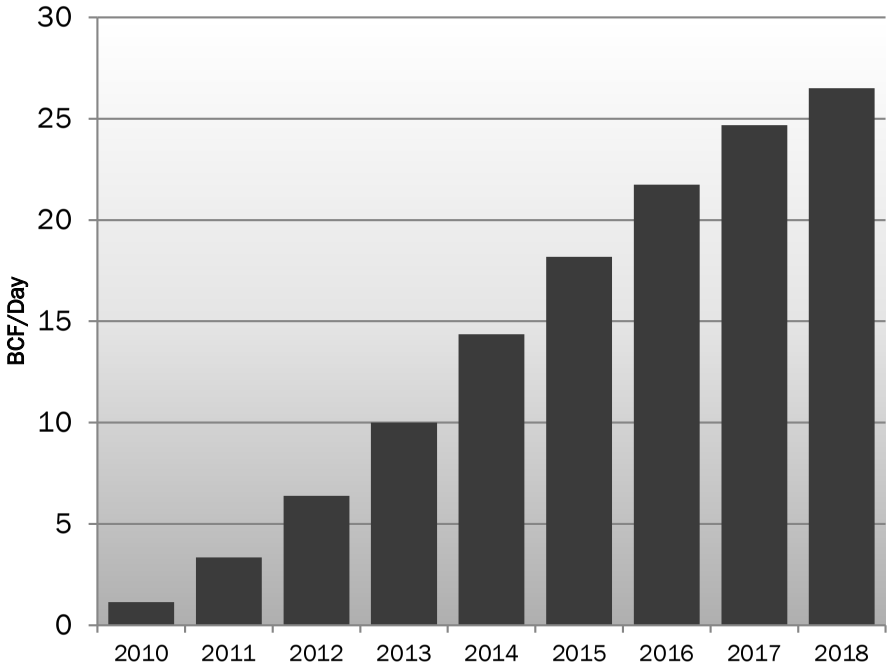
PJM West vs. PS Zone Spark Spreads (2013-2018)



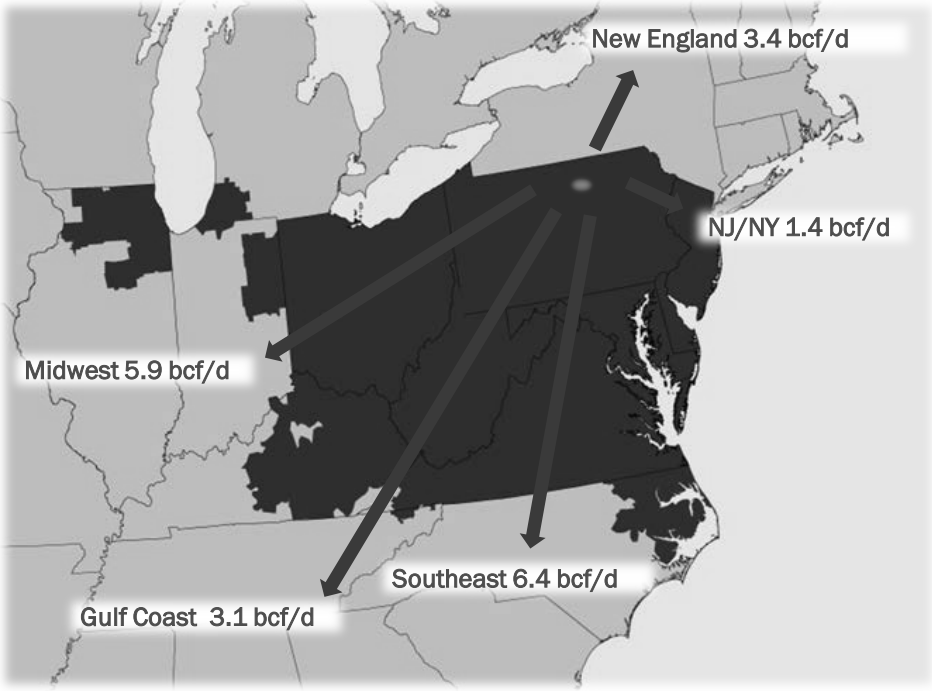
SI-SSA-0015-09045

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



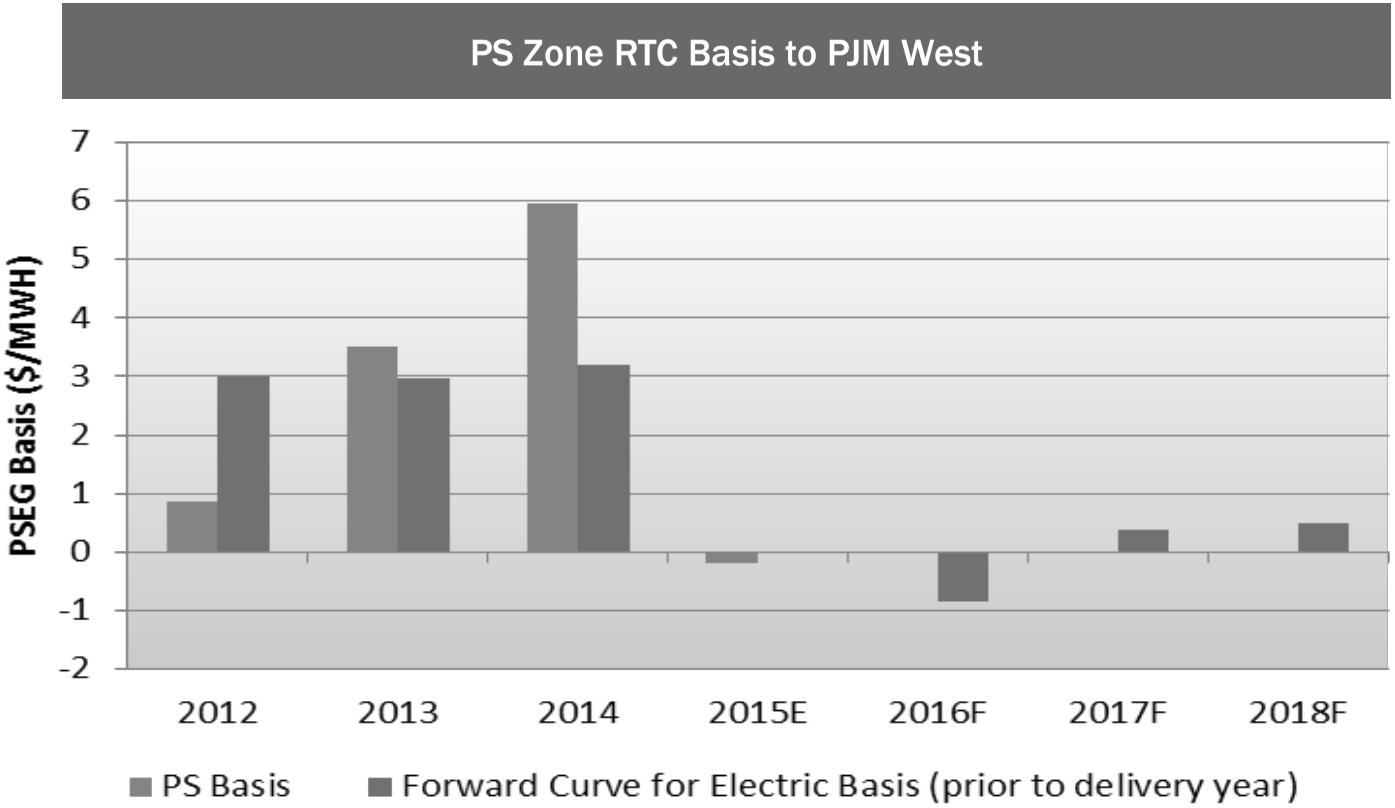
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-09046

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF AUGUST 3, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

SI-SSA-0015-09047

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications; US Supreme Court will hear case
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-09048

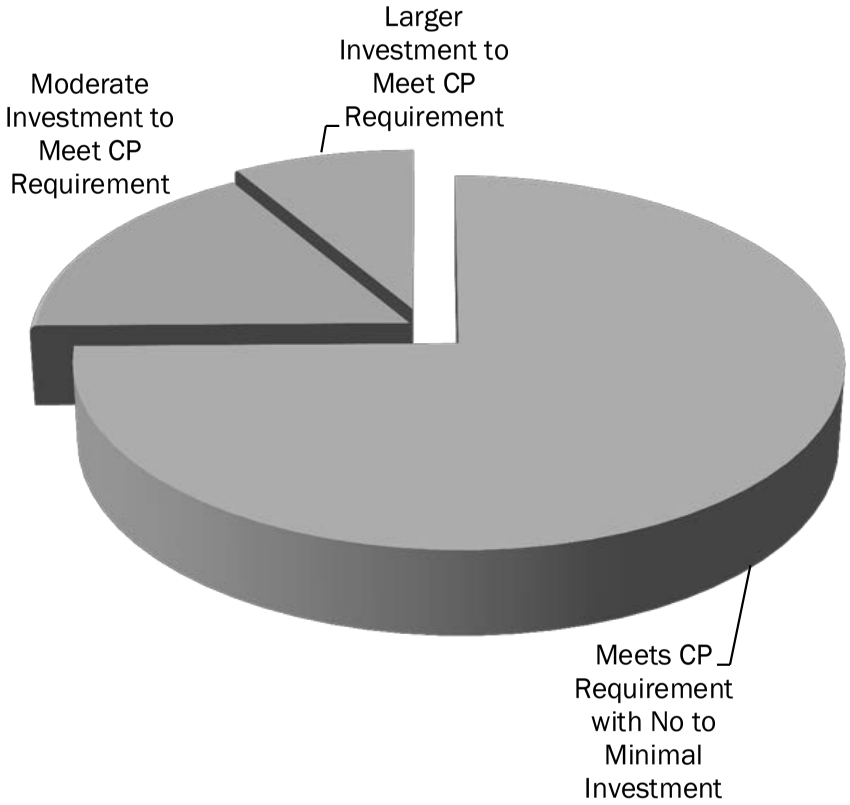
PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** product places emphasis on reliability, with robust performance standards, imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

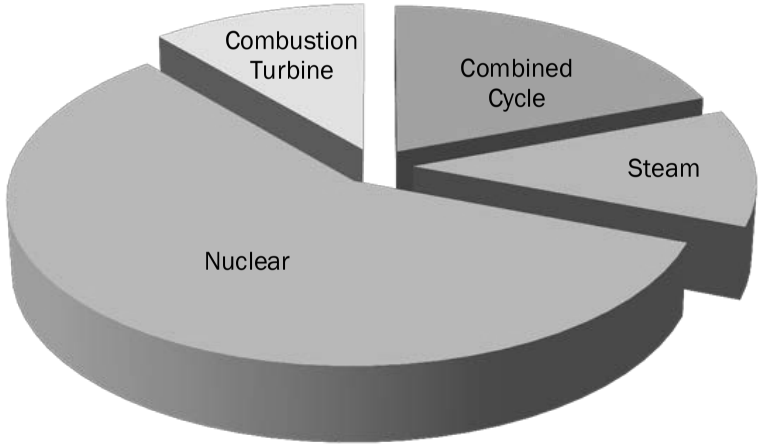
SI-SSA-0015-09049

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets**



SI-SSA-0015-09050

PSEG

* EXCLUDES 205MW OF PUMPED STORAGE.
** KEYS 755 MW CCGT UNIT EXPECTED TO BE CP COMPLIANT IN 2018

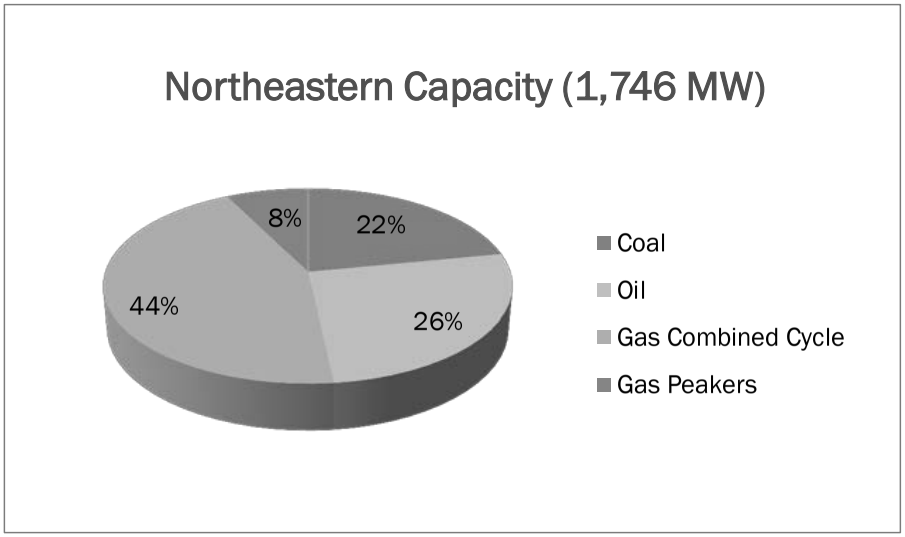
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-09051

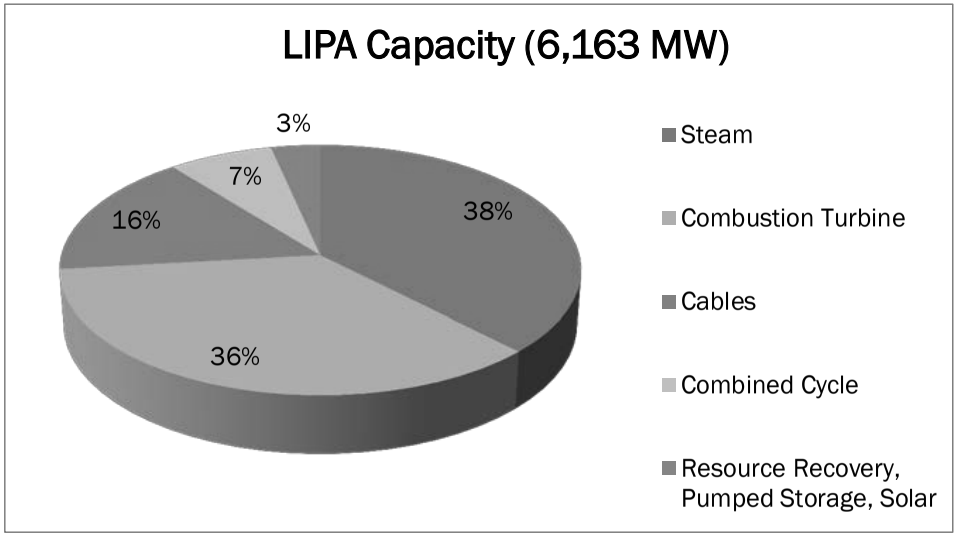
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-09052

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

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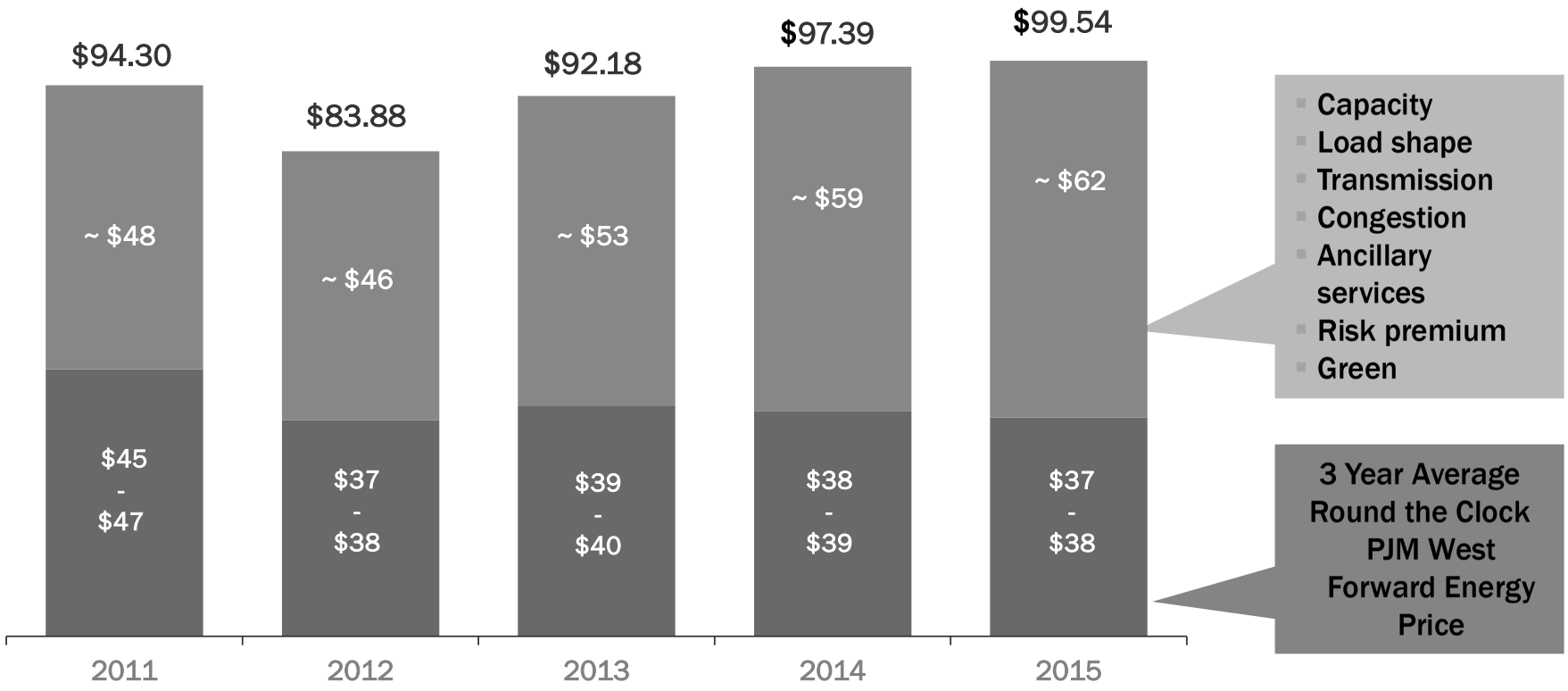
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-09054

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-09055

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-09056

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-09057

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-09058

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

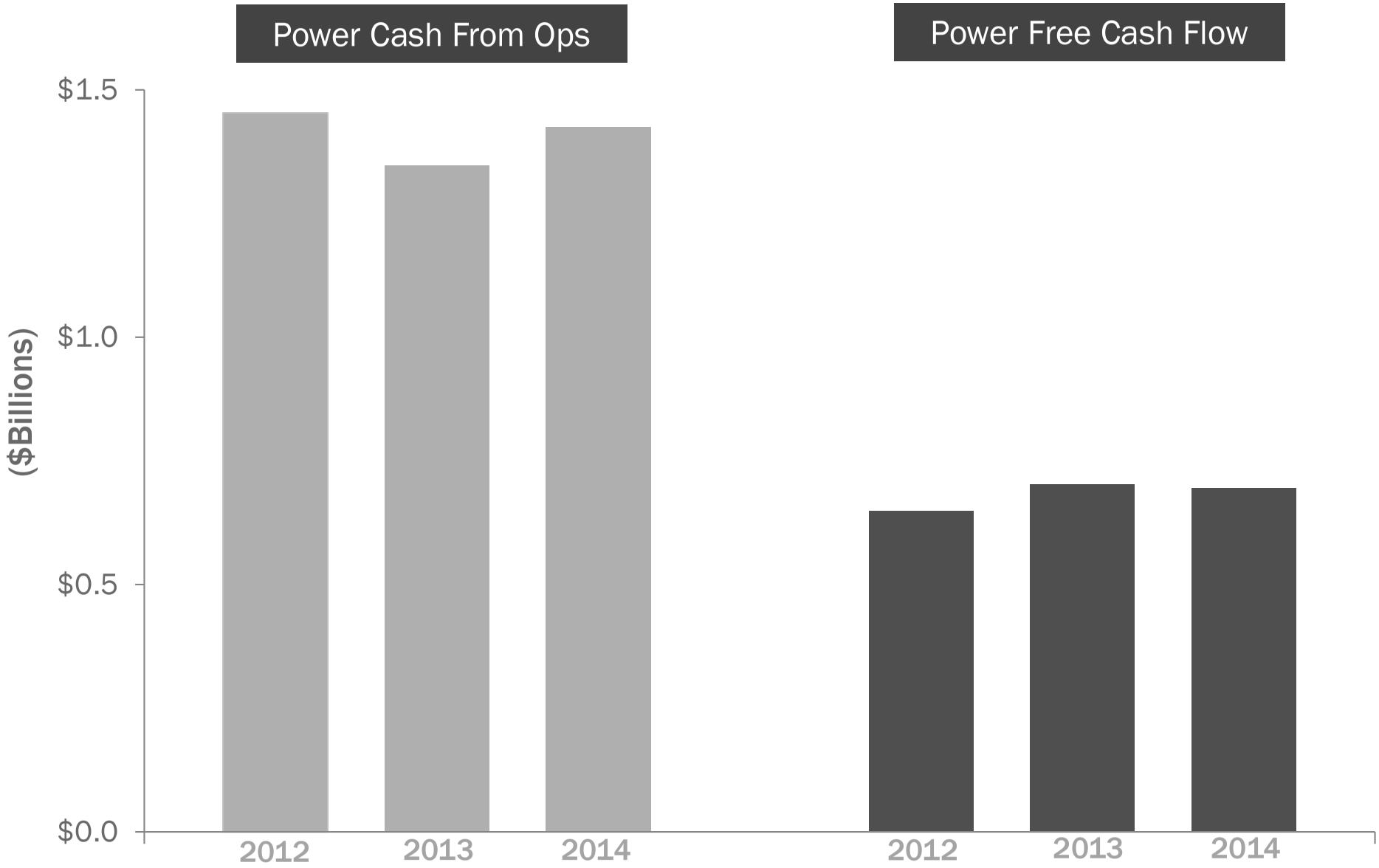
SI-SSA-0015-09059

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

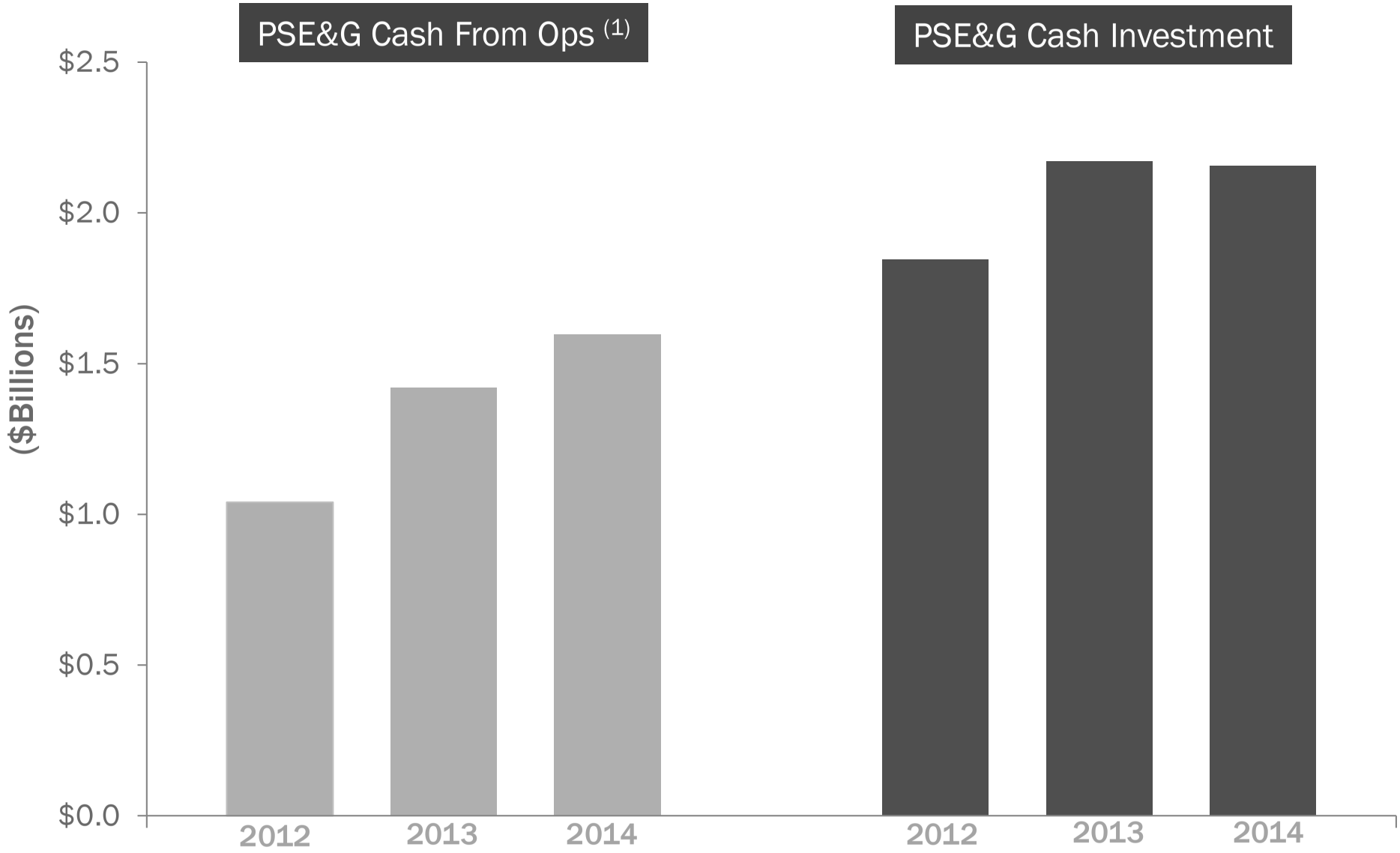
Power produced significant and consistent

Free Cash Flow



SI-SSA-0015-09060

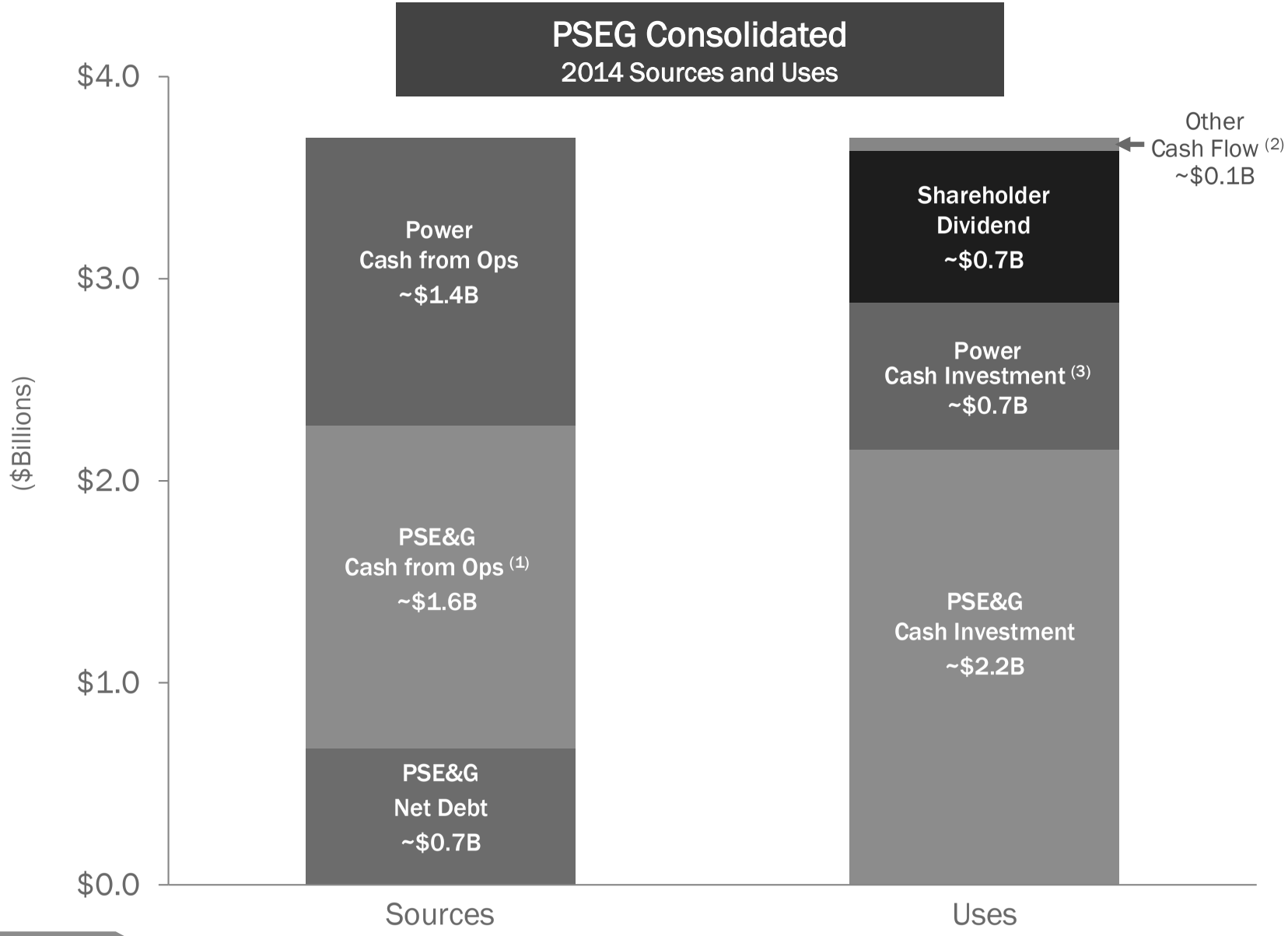
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-09061

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

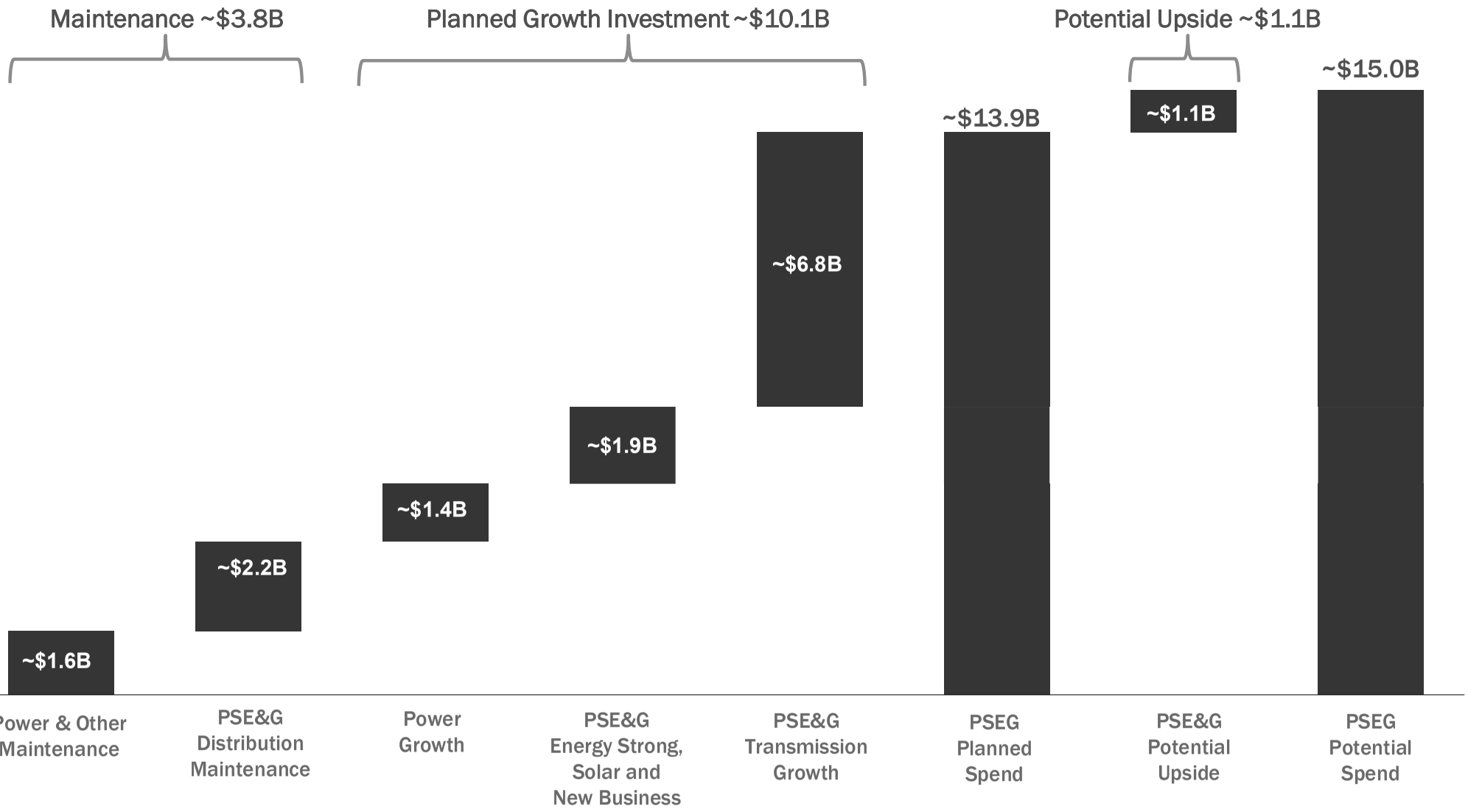


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-09062

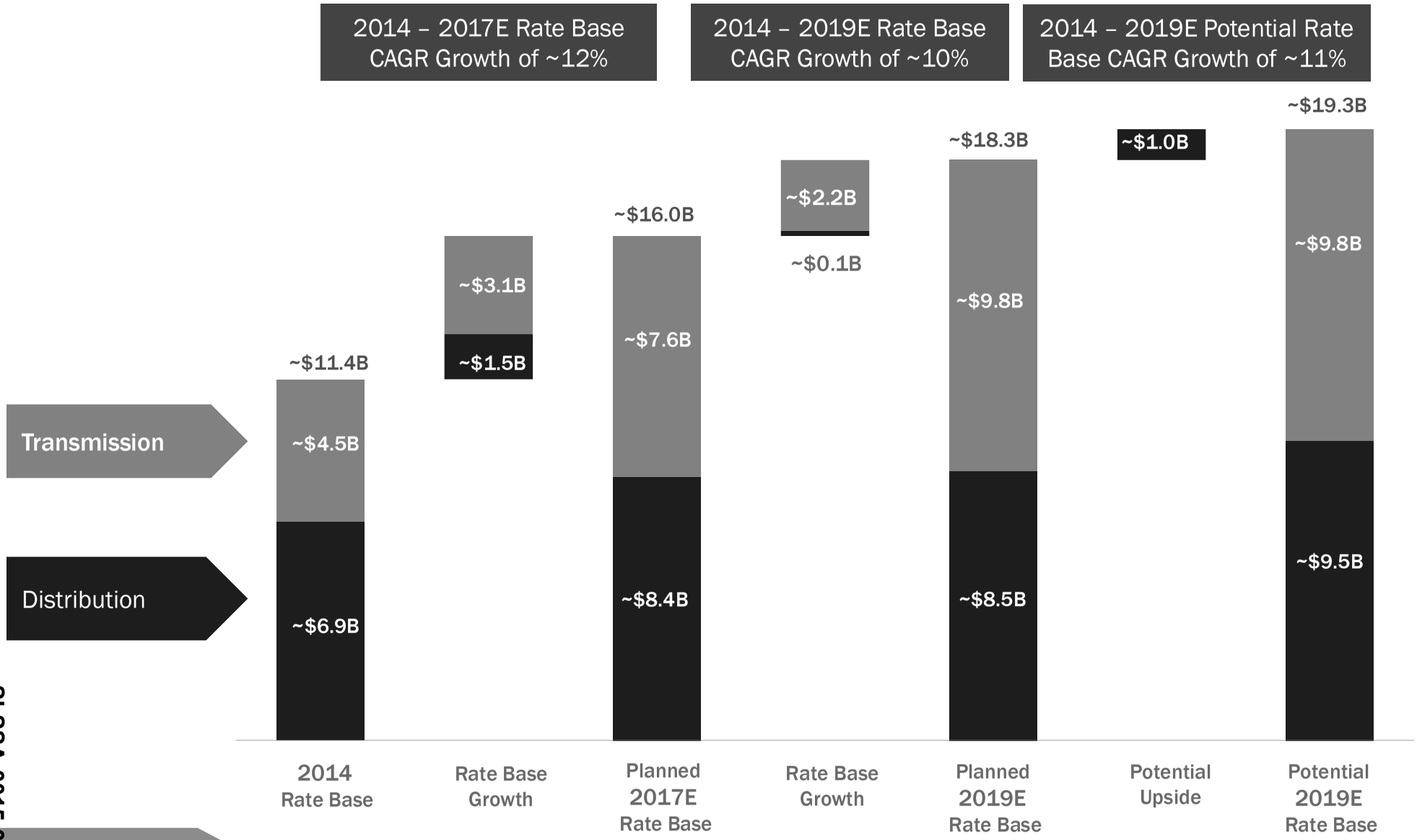
PSEG growth spend represents ~70% of total investment

PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC; KEYS ENERGY CENTER, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

PSE&G's Capital Program drives double-digit growth in rate base through 2019

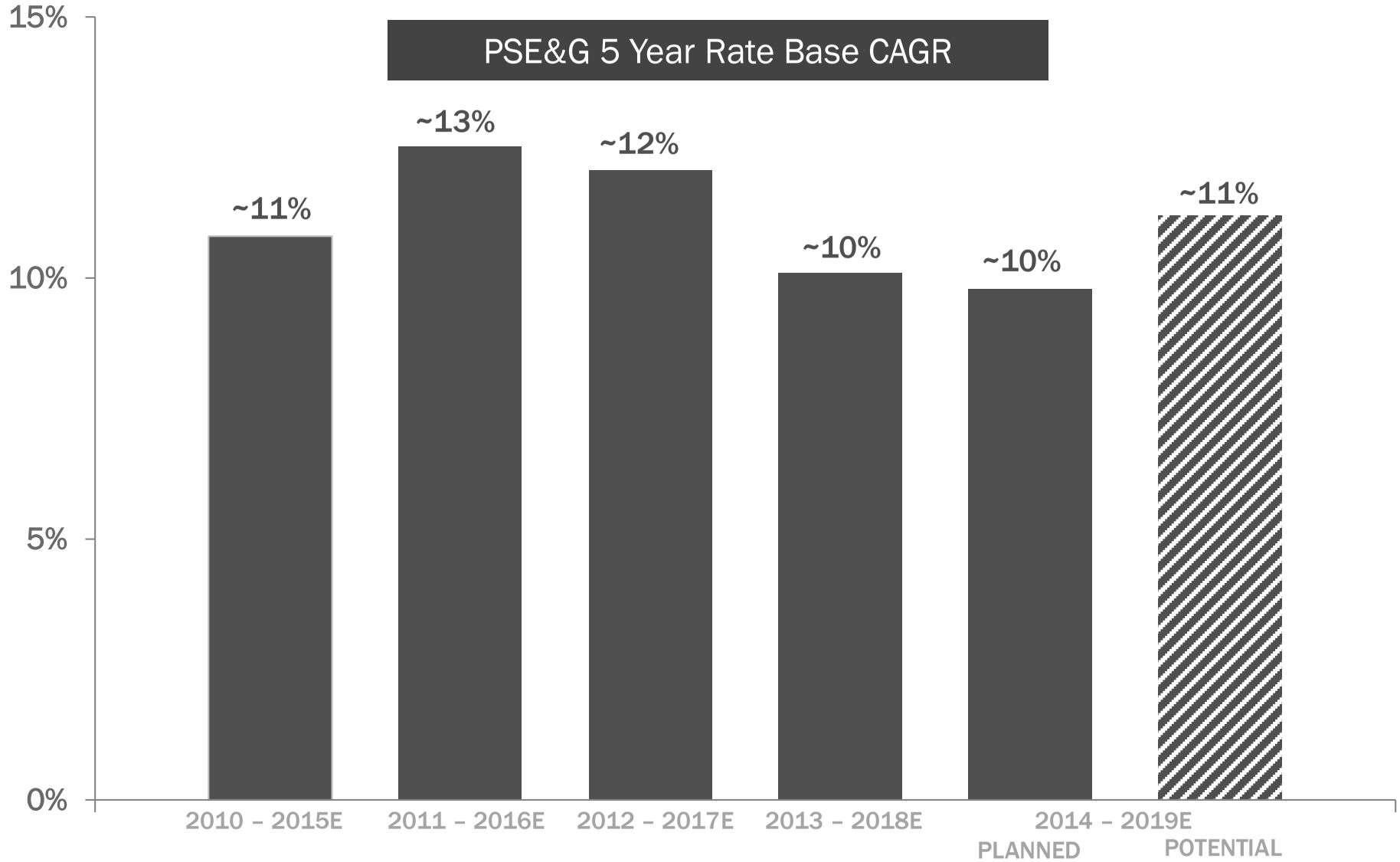


E = ESTIMATE

SI-SSA-0015-09064

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



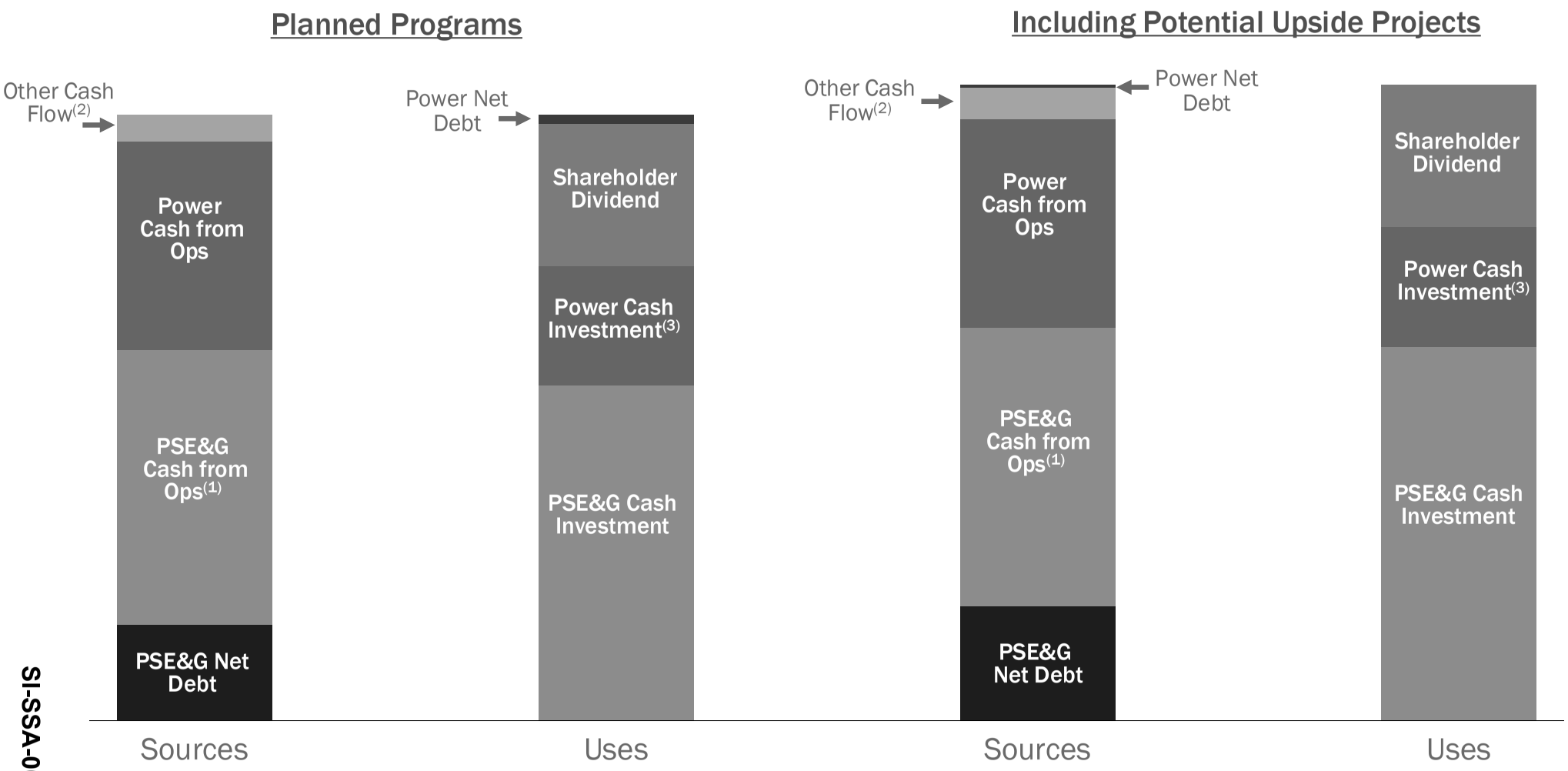
E = ESTIMATE

SI-SSA-0015-09065

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

PSEG 2015 - 2019E Sources and Uses

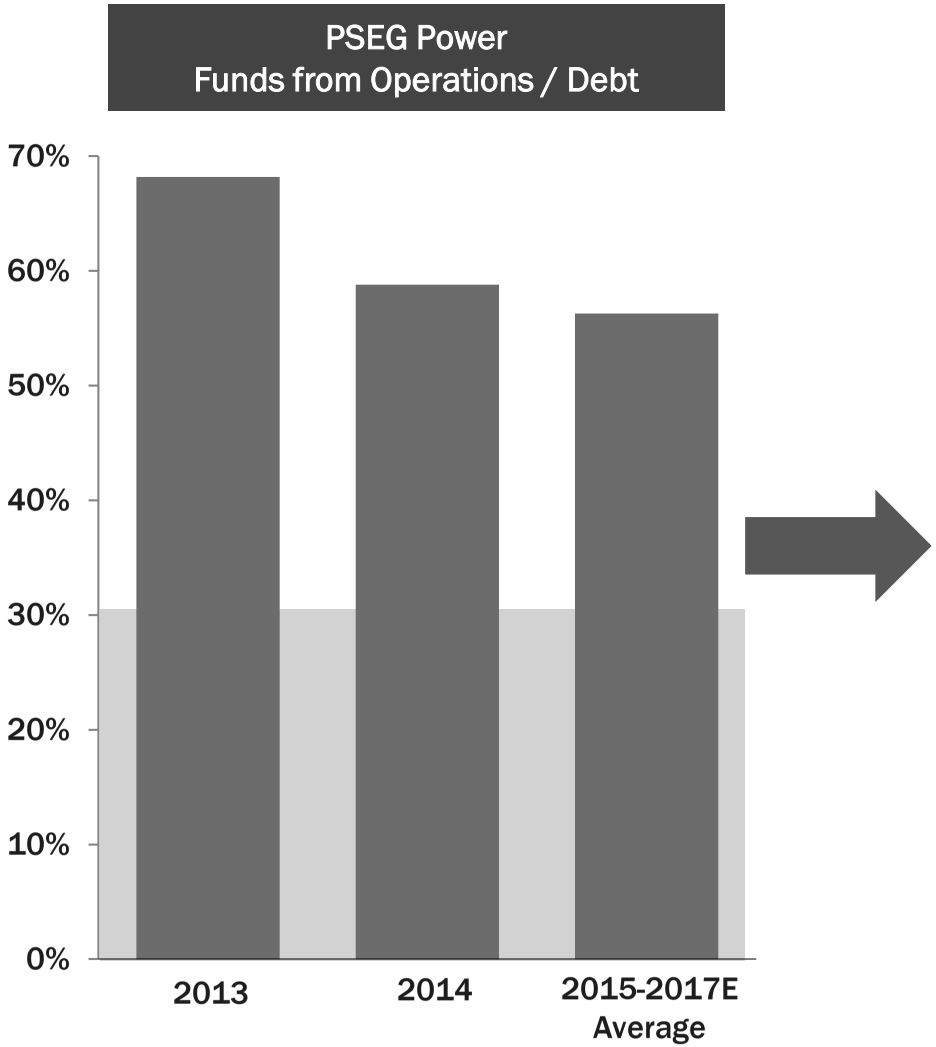


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES. DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015. E = ESTIMATE.

SI-SSA-0015-09066

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-09067

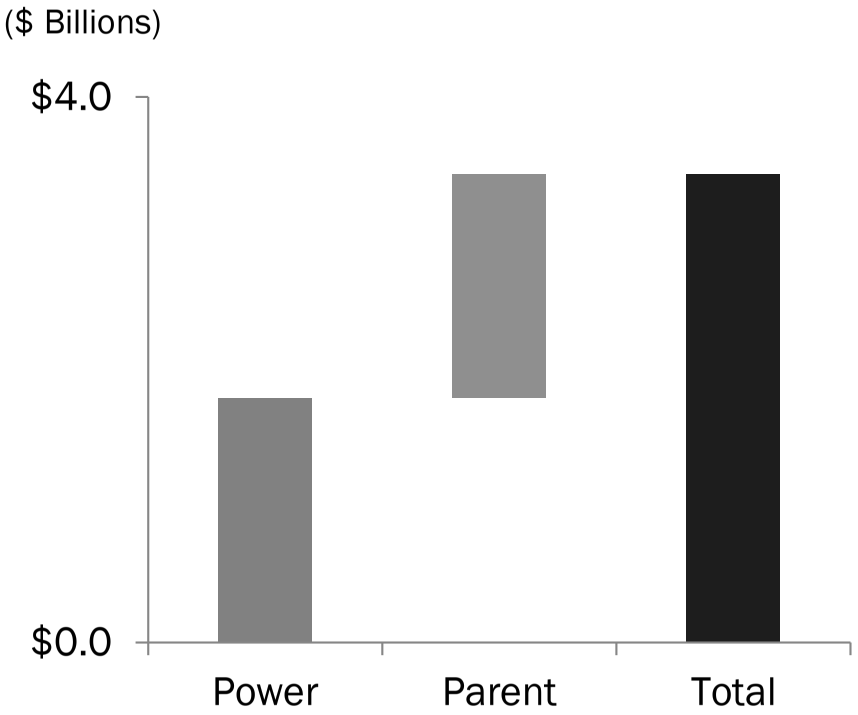
*DOES NOT REFLECT $825 - $875 MILLION KEYS INVESTMENT ANNOUNCED ON JUNE 17, 2015. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017

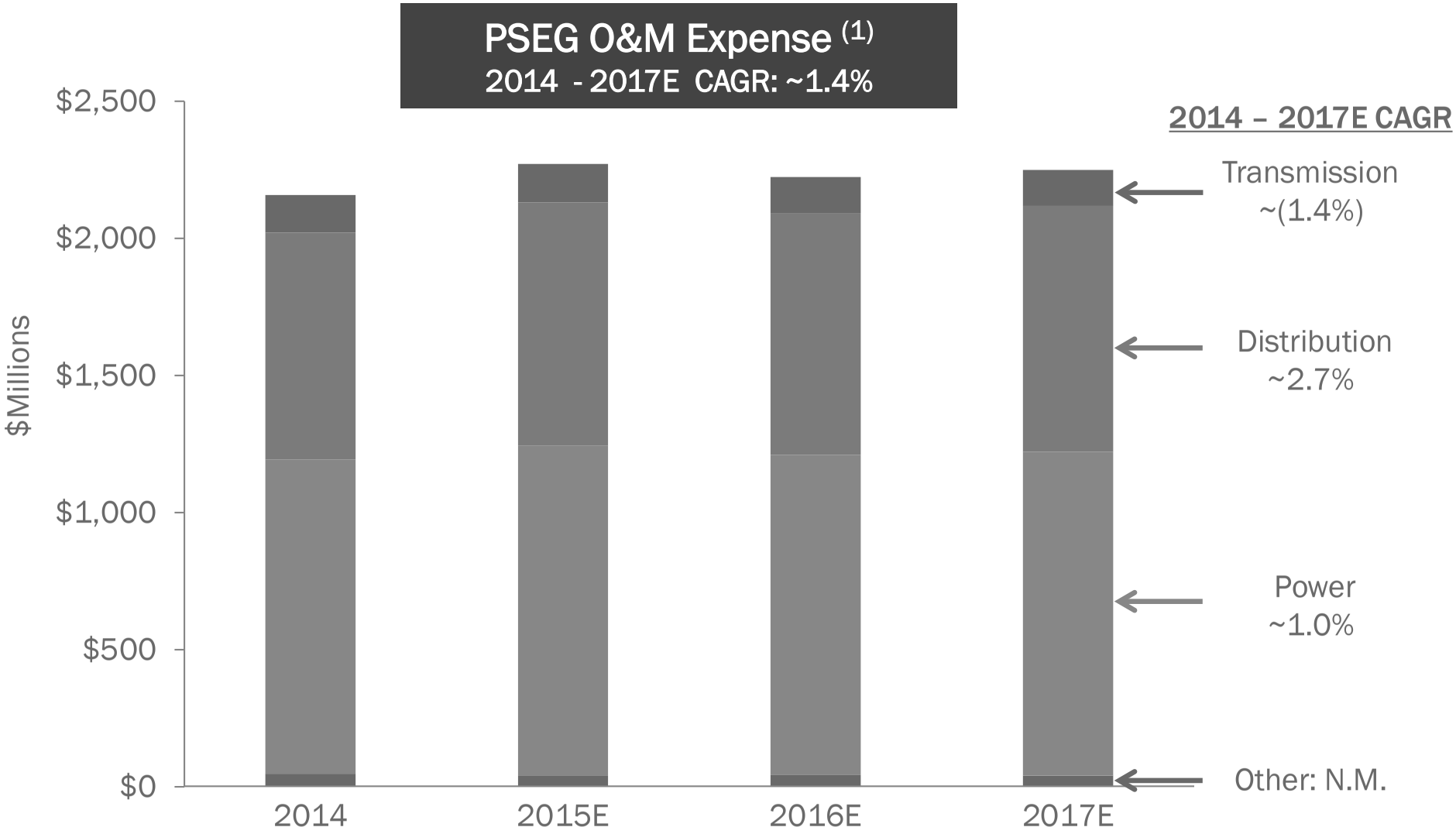


Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-09068

DOES NOT REFLECT THE IMPACT OF $825 - $875 MILLION KEYS CCGT INVESTMENT ANNOUNCED JUNE 17, 2015.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-09069

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	**$760 - $775**	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	**$1,420 - $1,500**	**$1,400**
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-09070

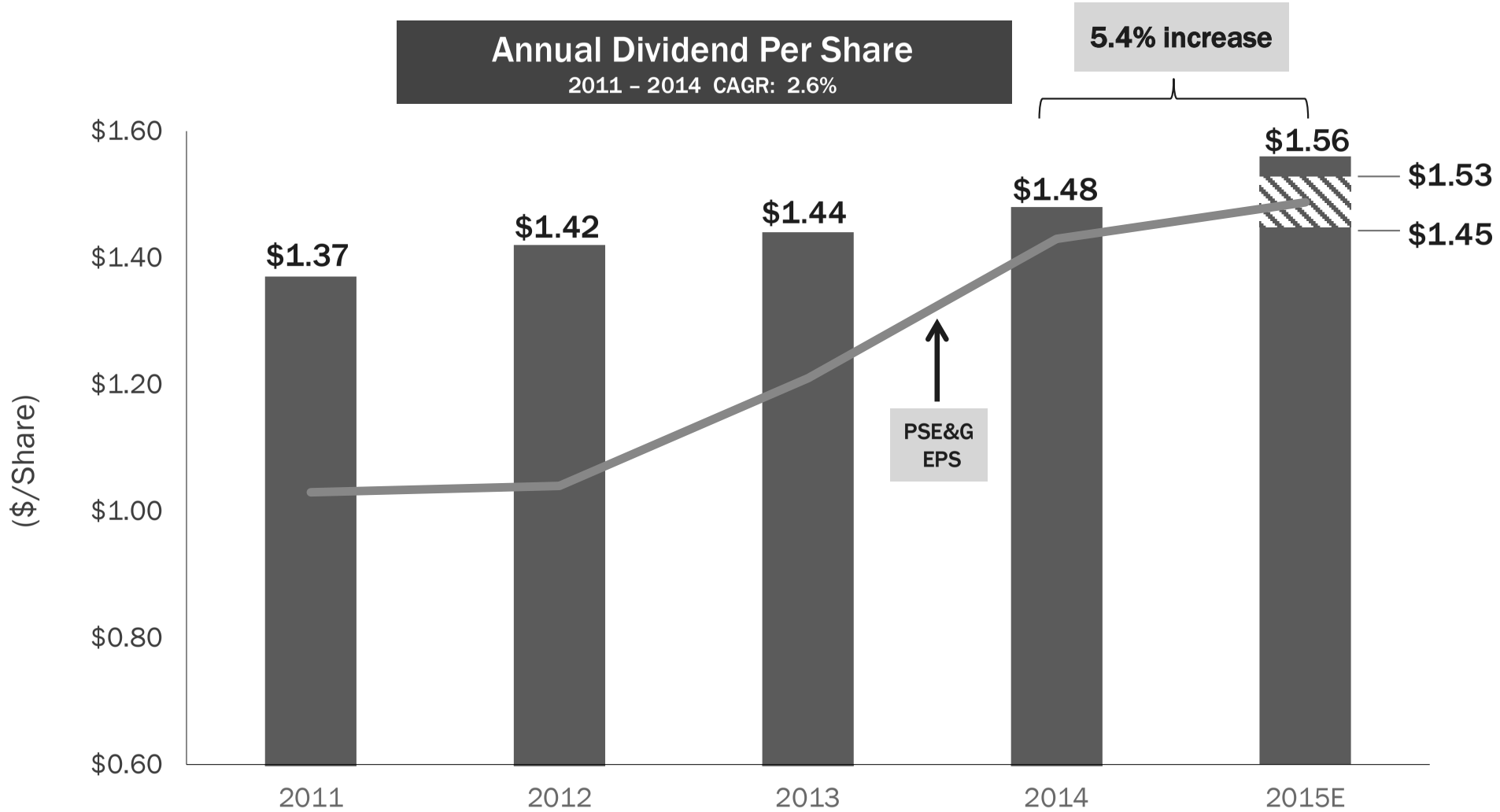
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54% (1)

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.80-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

SI-SSA-0015-09071

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions. ** July-December 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-09072

PSEG Summary

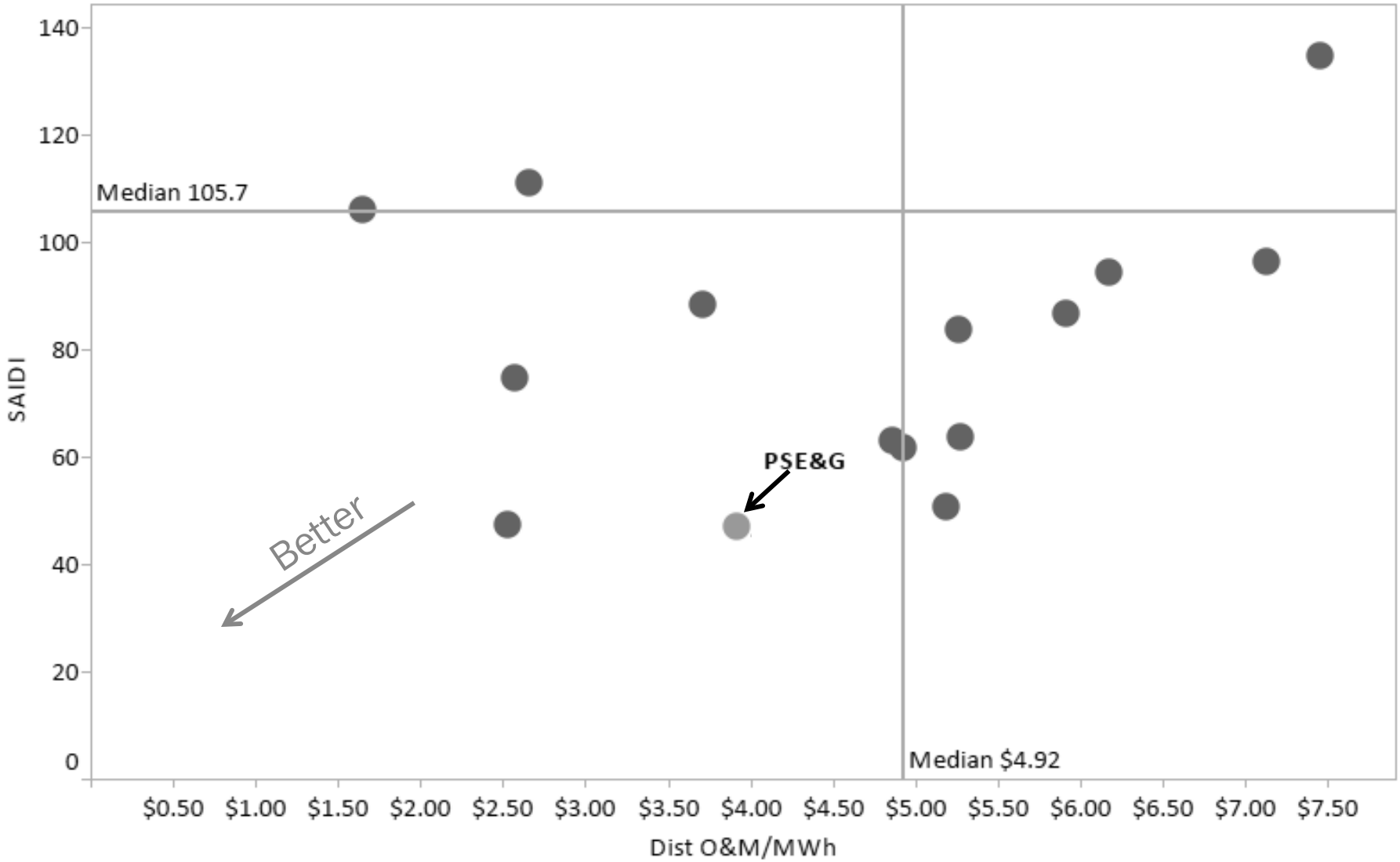
- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.80 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunity without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-09073

PSE&G APPENDIX

SI-SSA-0015-09074

PSE&G provides high reliability at below average cost which creates superior value to customers

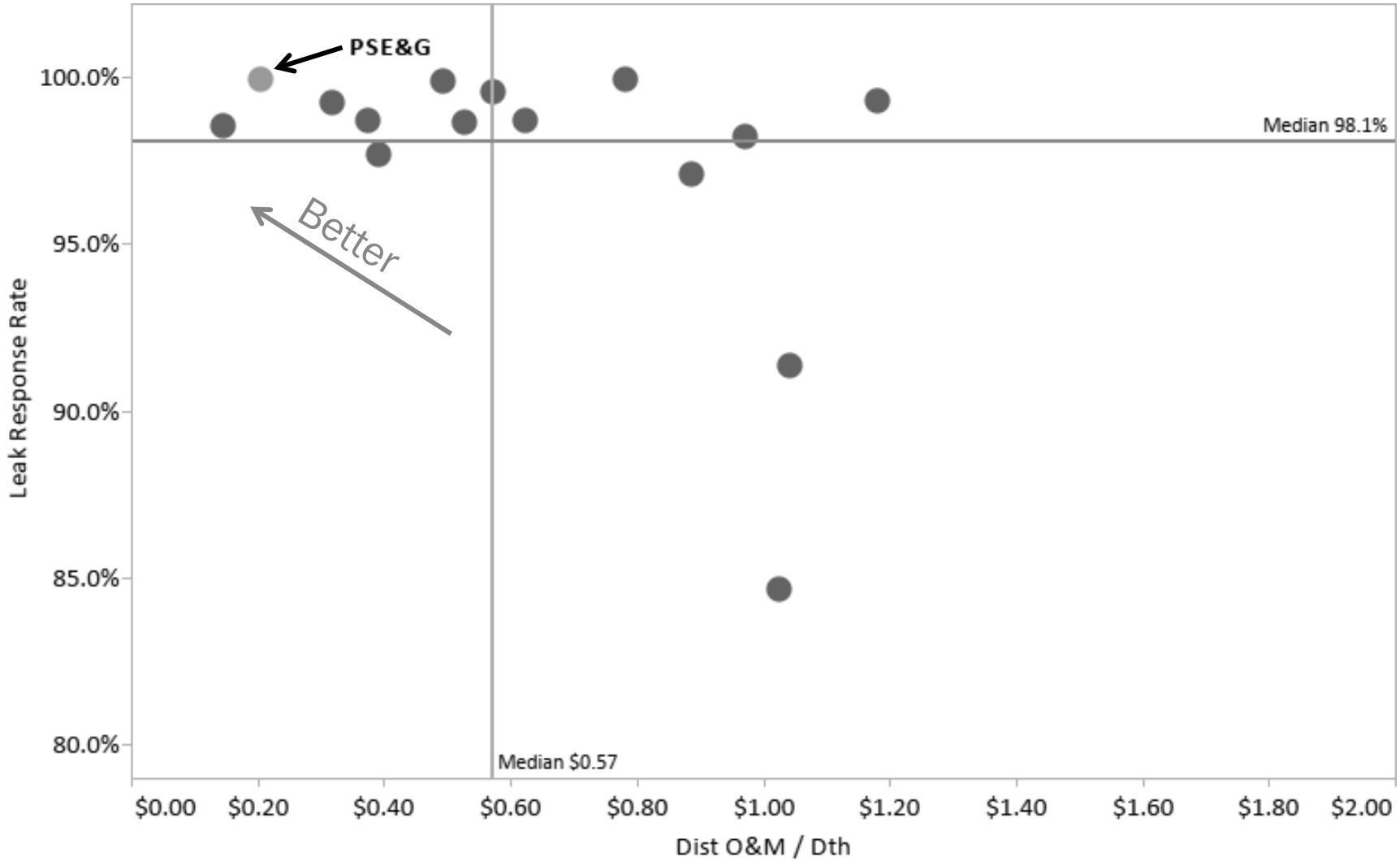


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-09075

PSE&G prioritizes public safety

while maintaining value to customers



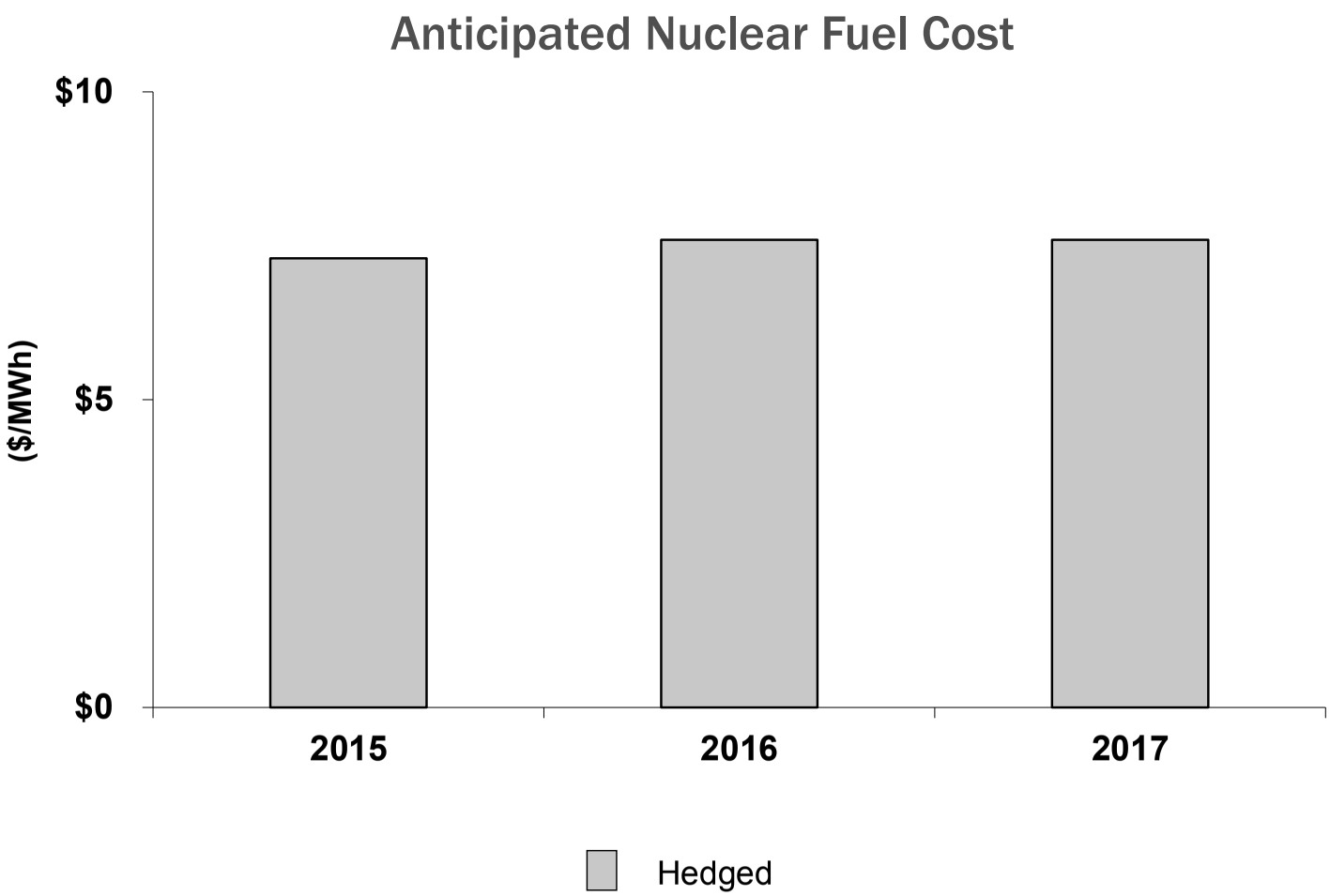
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-09076

PSEG POWER AND ER&T APPENDIX

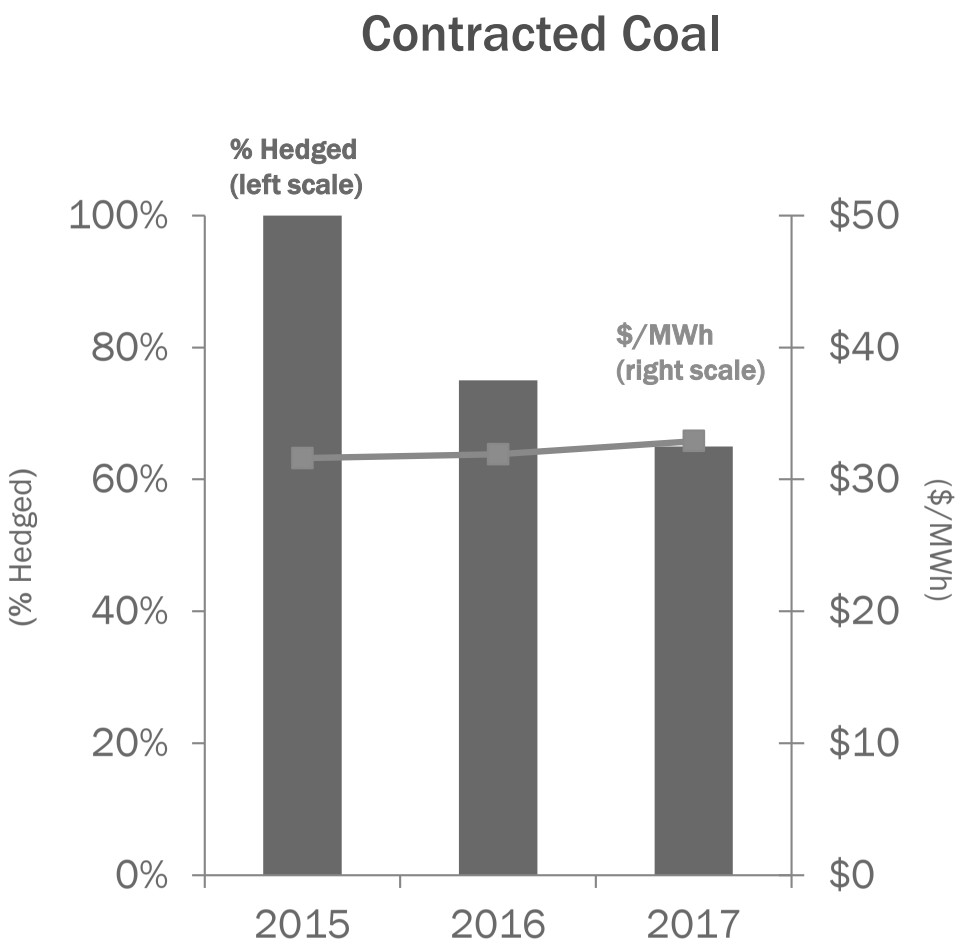
SI-SSA-0015-09077

Nuclear fuel needs have been hedged through 2017



SI-SSA-0015-09078

Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

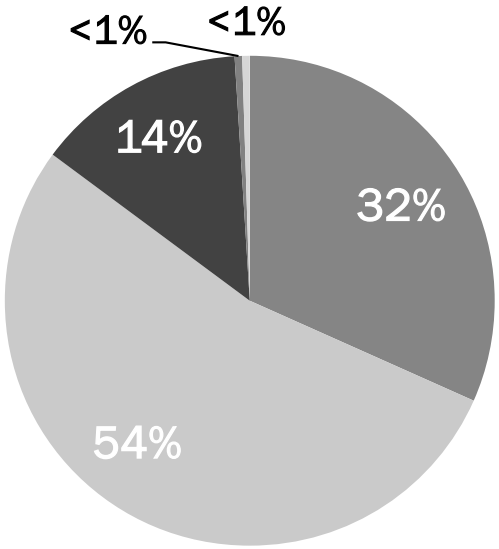
SI-SSA-0015-09079

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

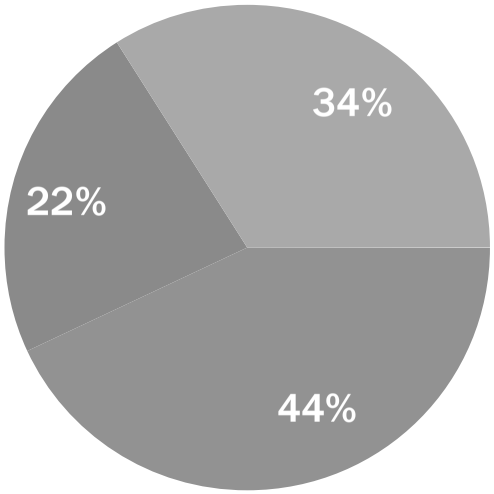
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

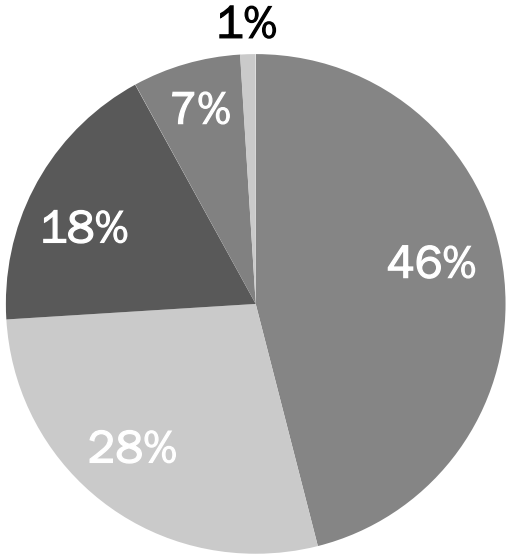
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-09080

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-09081

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09082

Q2 Operating Earnings by Subsidiary

Quarter ended June 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 167	$ 151	$ 0.33	$ 0.30
PSEG Power	110	87	0.22	0.17
PSEG Enterprise/Other	12	7	0.02	0.02
Operating Earnings*	$ 289	$ 245	$ 0.57	$ 0.49

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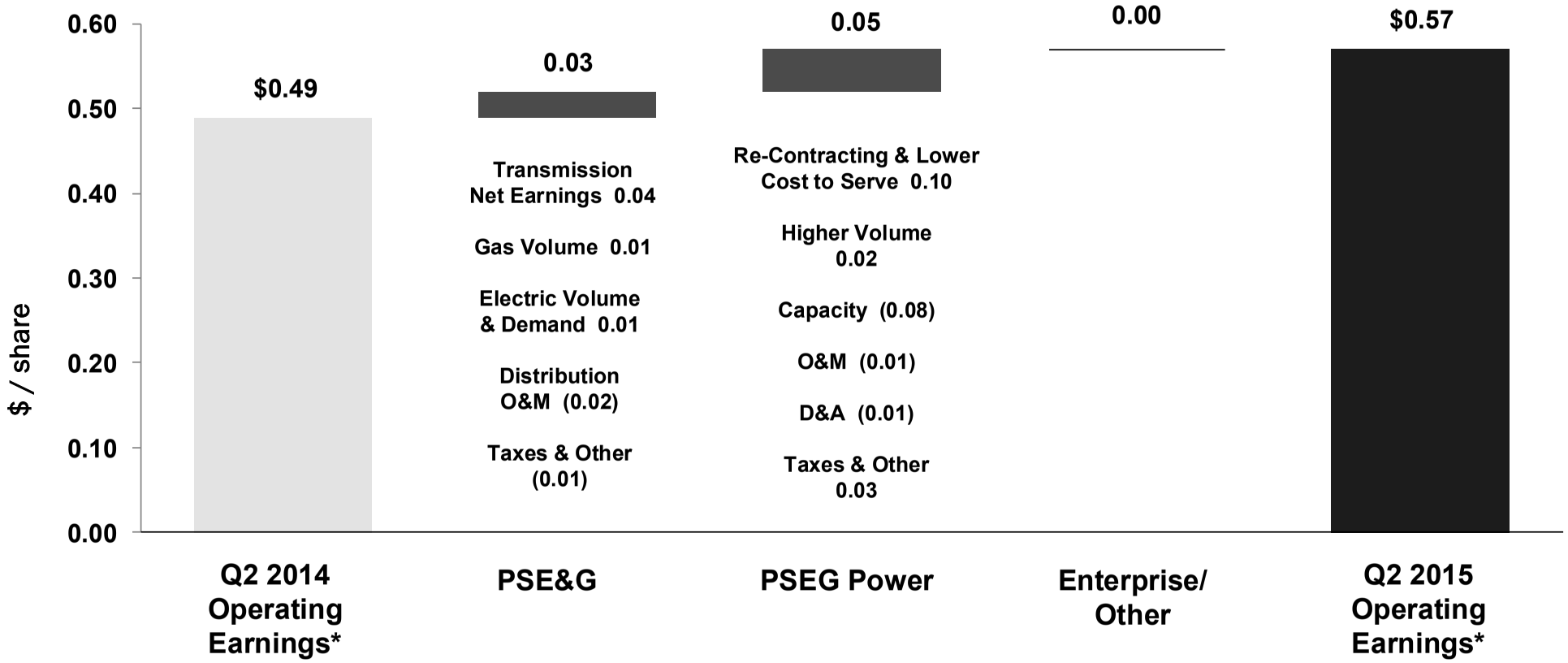
PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q2 2015 versus Q2 2014



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* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Earnings by Subsidiary

Six months ended June 30

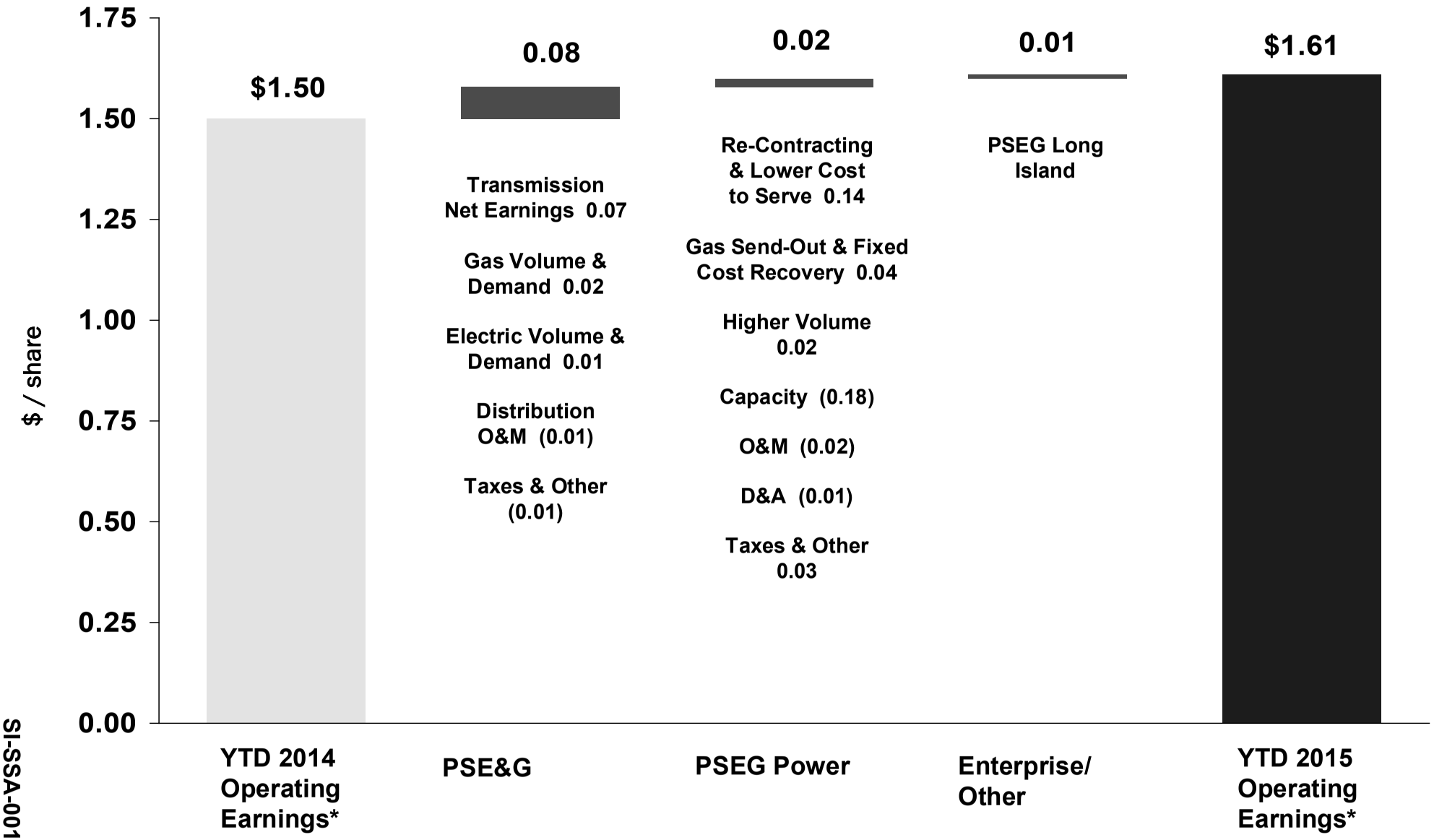
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

SI-SSA-0015-09085

PSEG

•SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



SI-SSA-0015-09086

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.7	7.2	5.7
Total Capitalization	**$21.9**	**$13.8**	**$8.2**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio(2) 51.7%

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PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $134 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	2015	Total
PSEG Power	$44	$179	$223**
PSE&G	6	35	41***
PSEG	$50*	$214	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

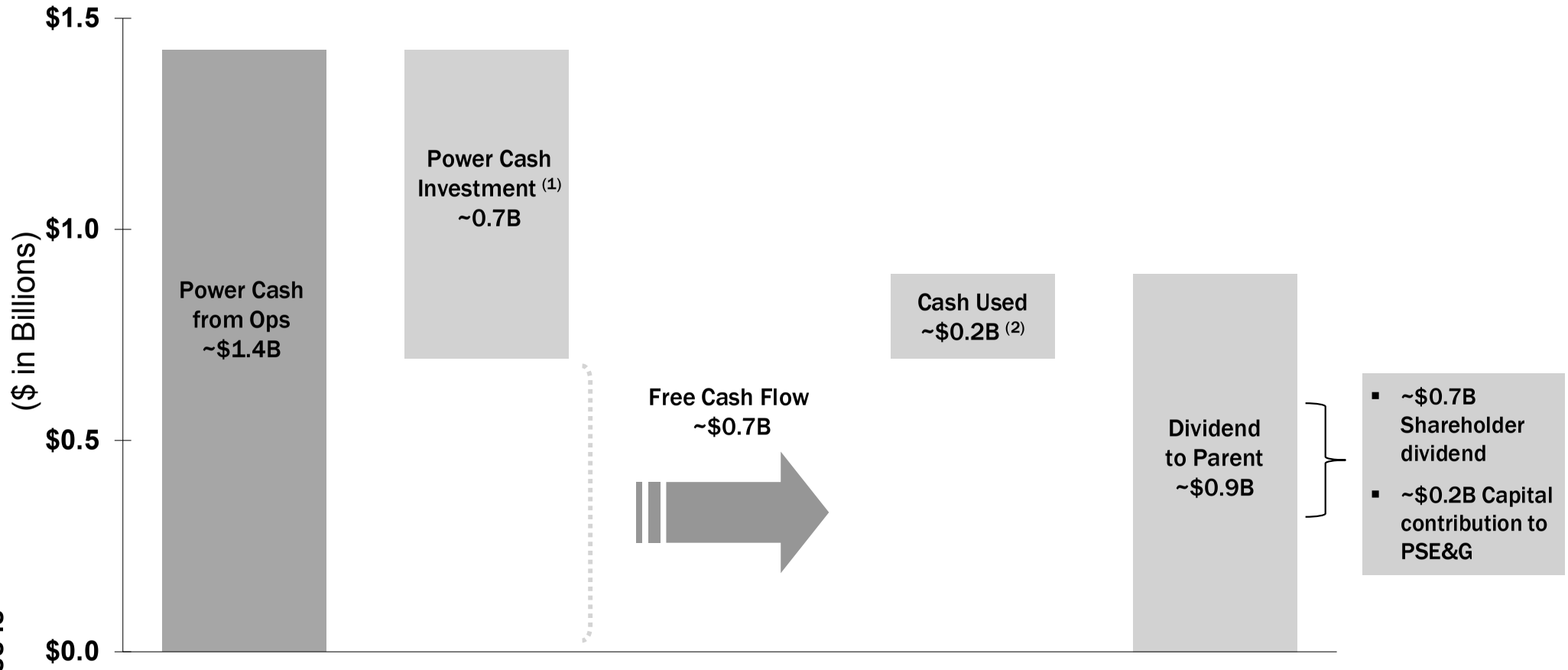
** POWER SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; INCREASED OTHER INCOME.

*** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

SI-SSA-0015-09088

In 2014, Power had significant free cash flow

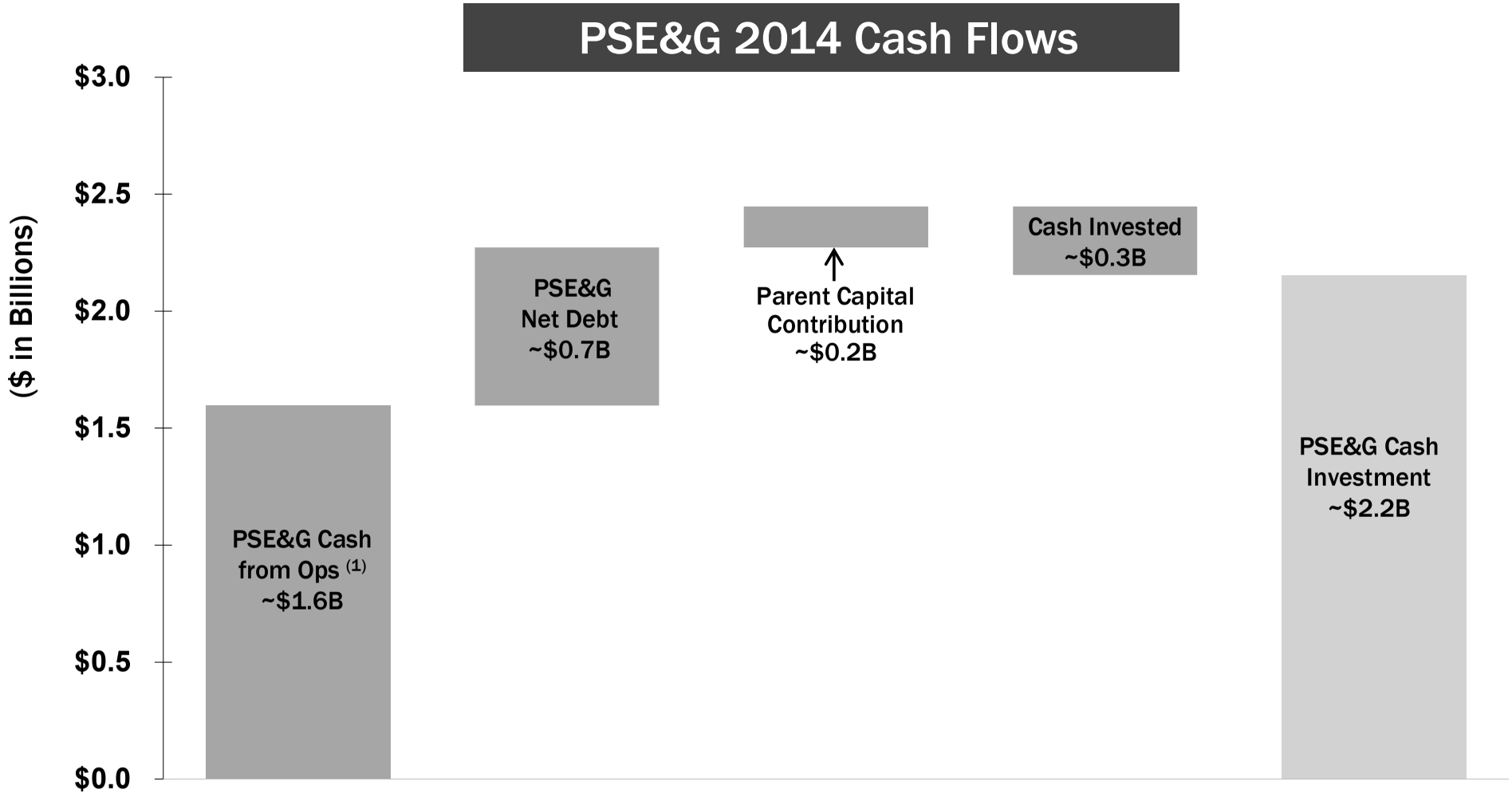
Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

SI-SSA-0015-09089

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-09090

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
			PSEG Money Pool ST Investment		$397
			PSE&G ST Investment		$151
			Total Liquidity Available		**$4,628**
			Total Parent / Power Liquidity		**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-09091

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 6/30/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	150
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	29
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	39
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$855**

SI-SSA-0015-09092

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-09093

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-09094

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Year Ended December 31, 2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-09095

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**	**$ 2.99**	**$ 2.45**

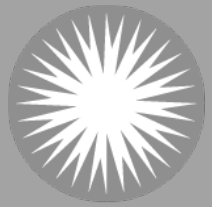
(a) Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-09096

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Goldman Sachs 2016 Power & Utilities Conference

AUGUST 11, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09097

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-09098

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-09099

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-09100

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-09101

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-09102

* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-09103

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-09104

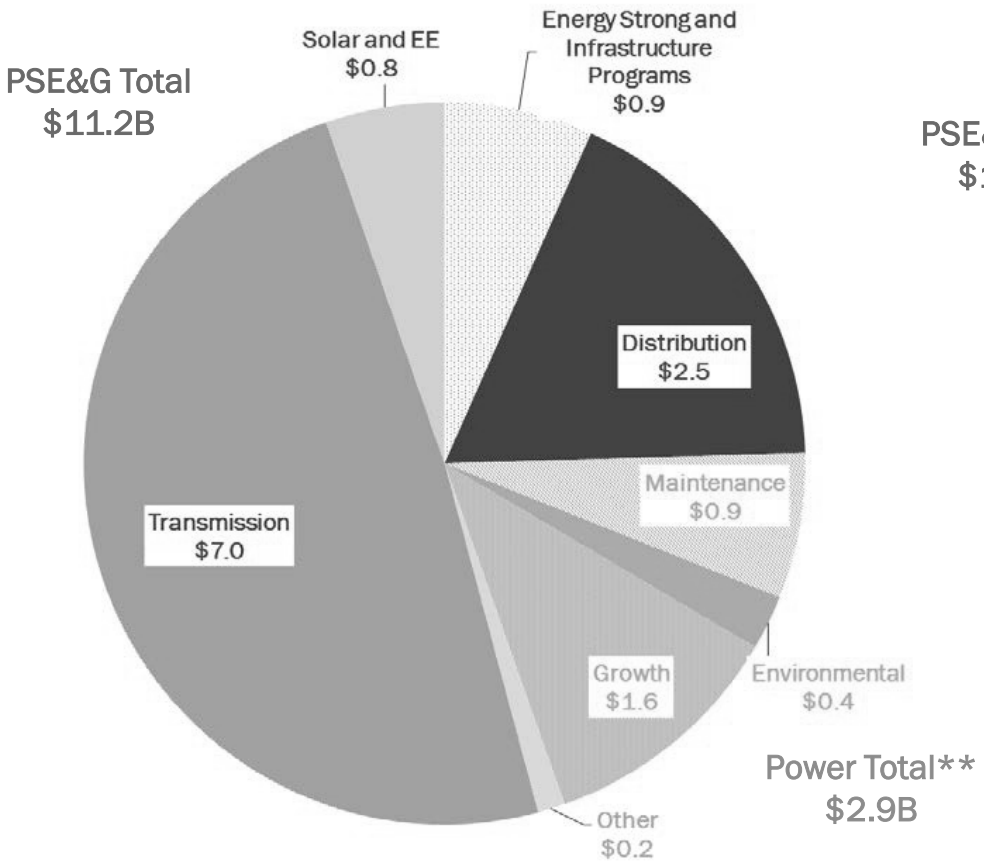
PSEG

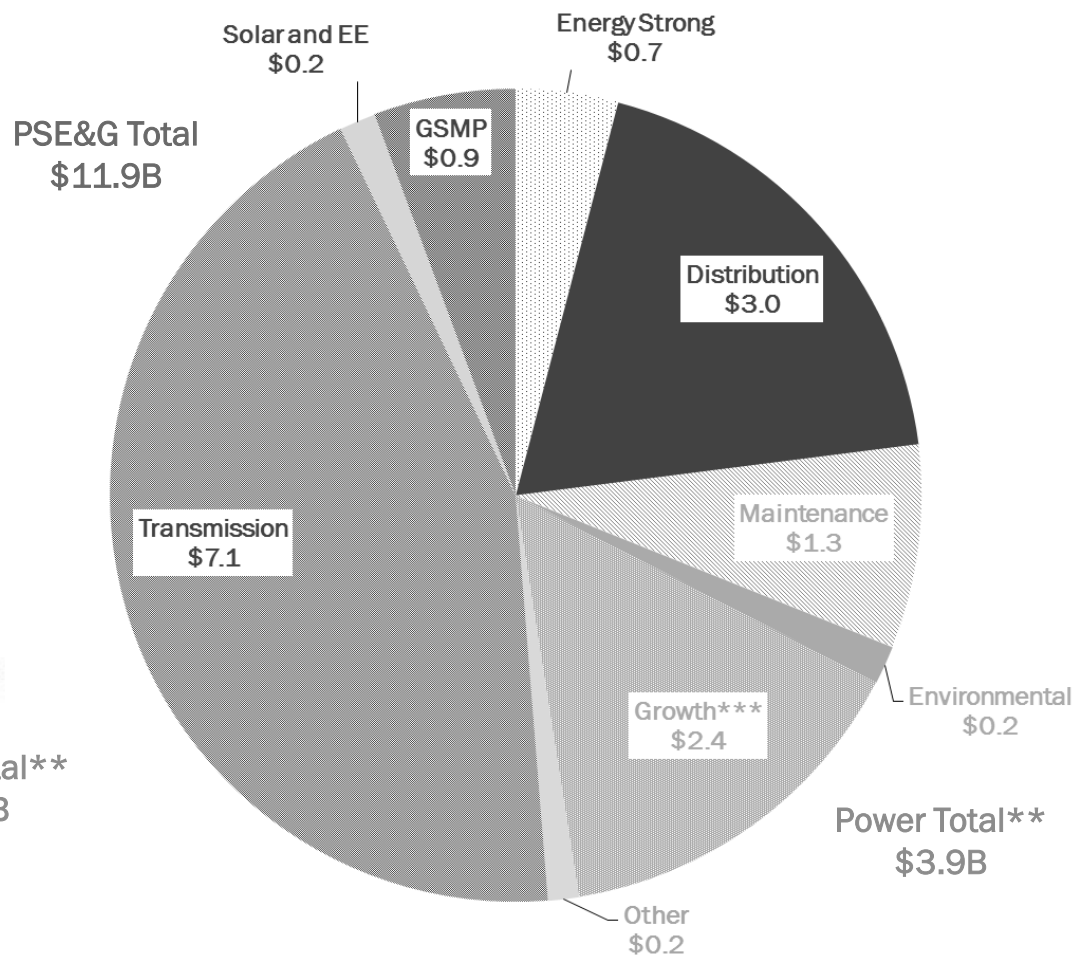
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-09105

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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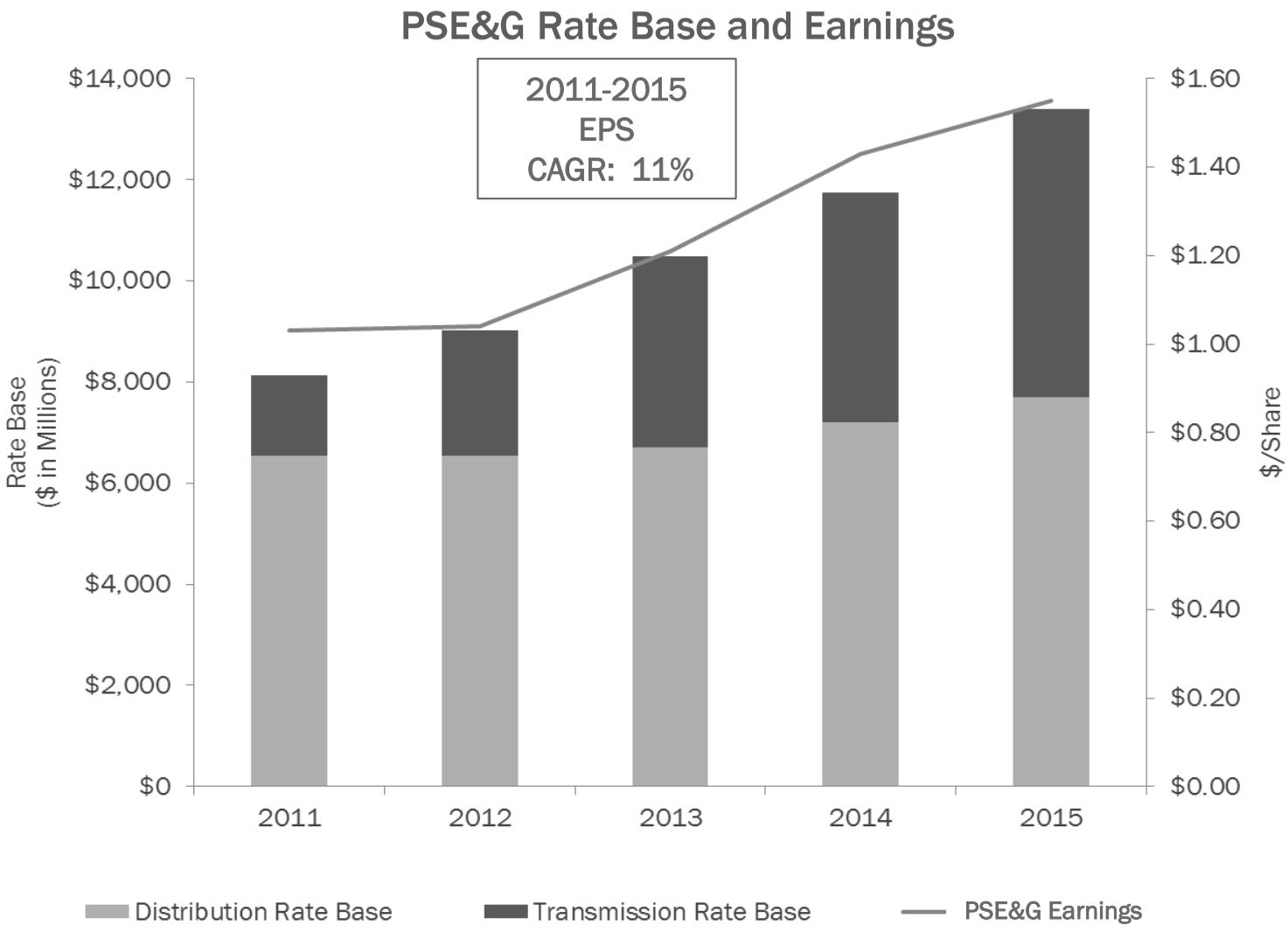
PSE&G's investment program

Meeting public policy goals and customer needs



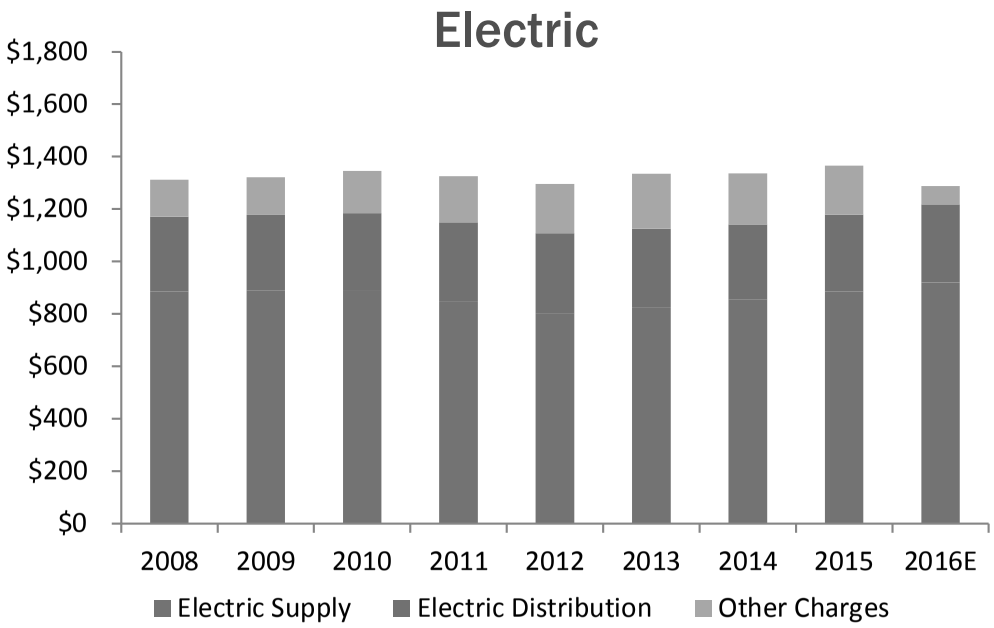
SI-SSA-0015-09107

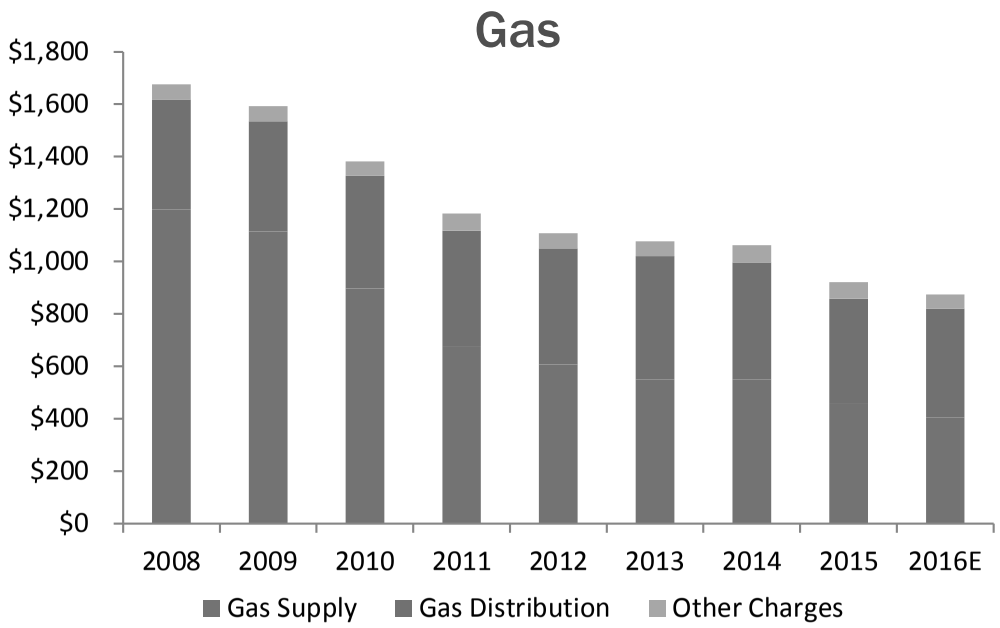
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-09108

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

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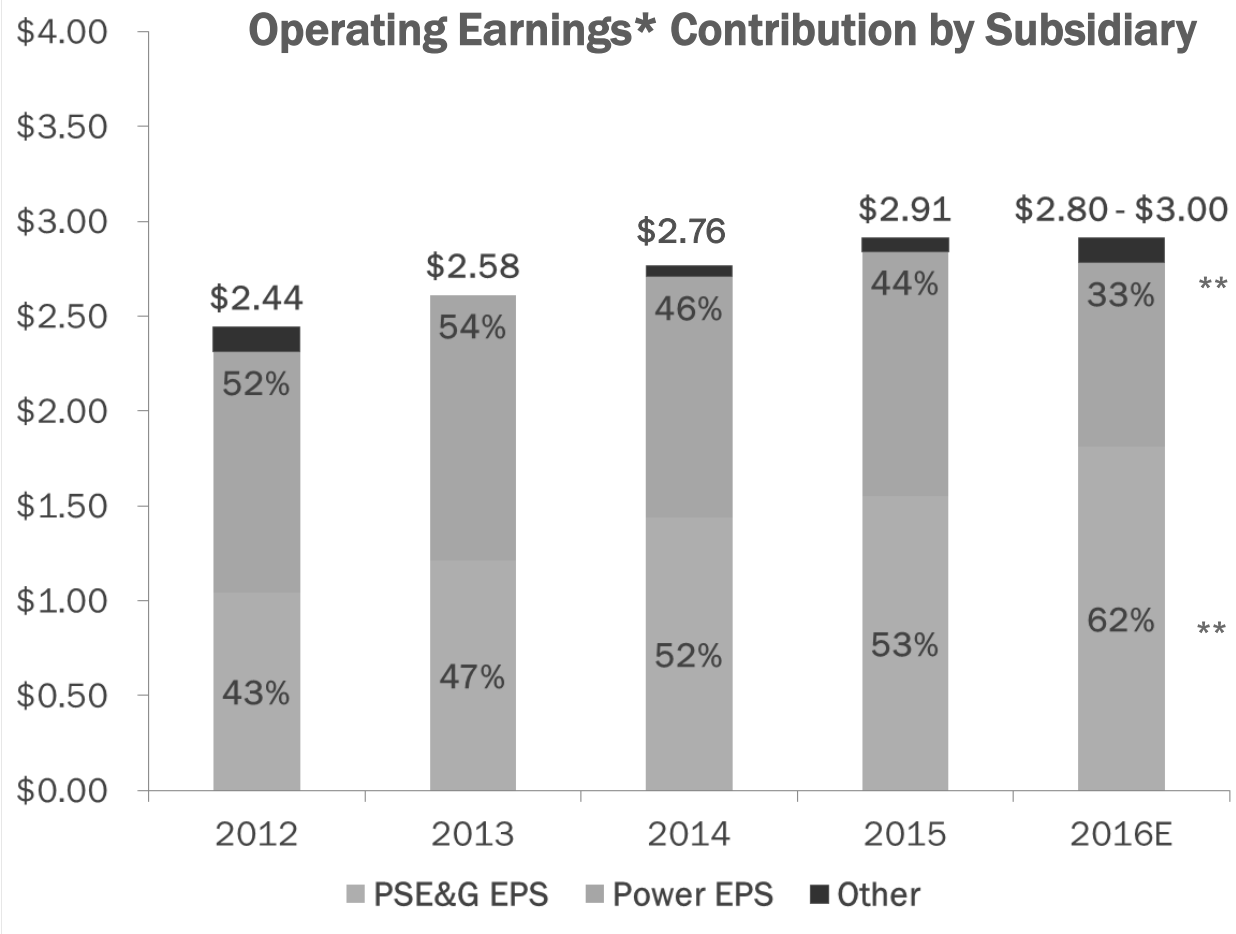
PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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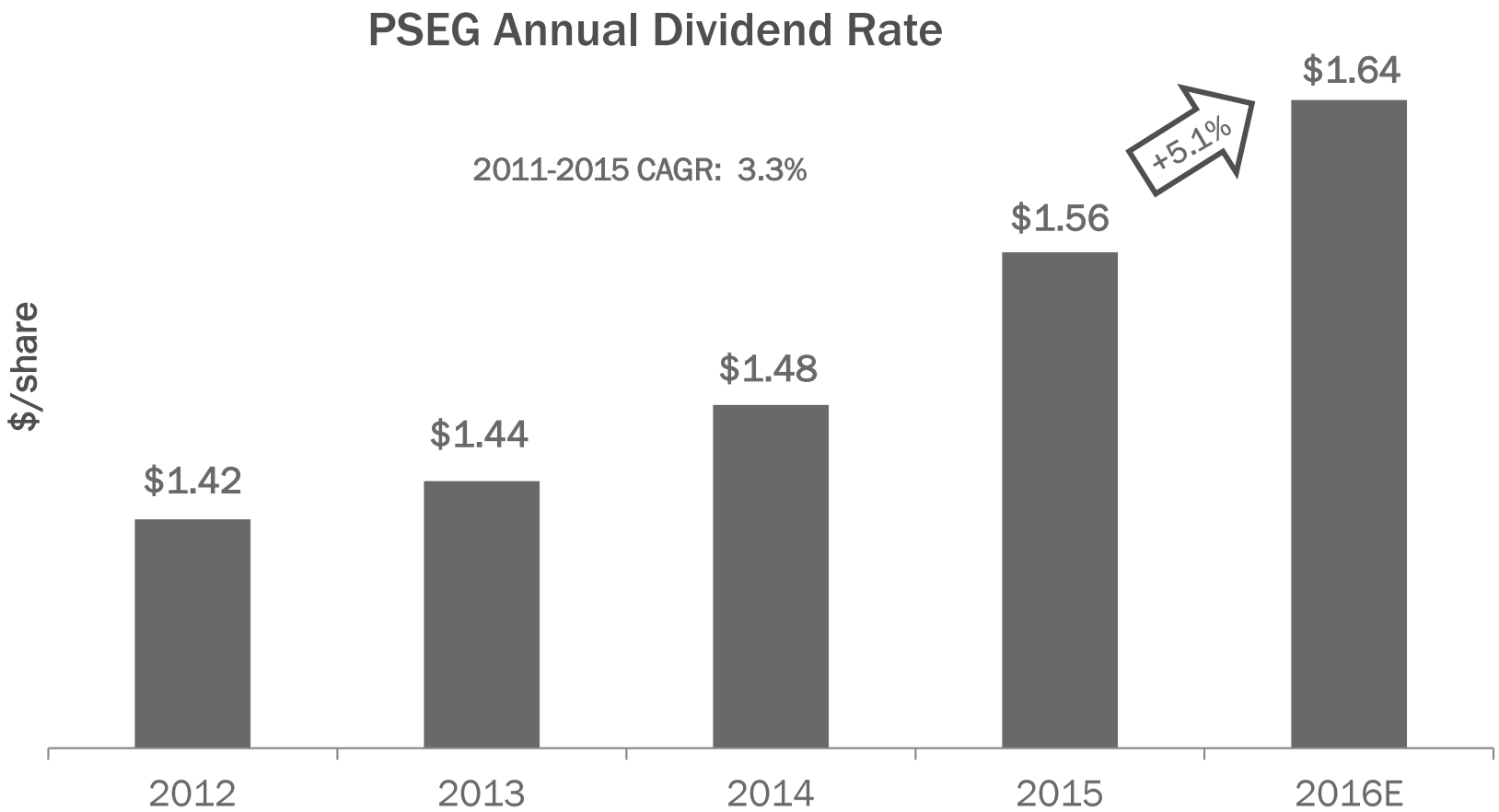
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-09111

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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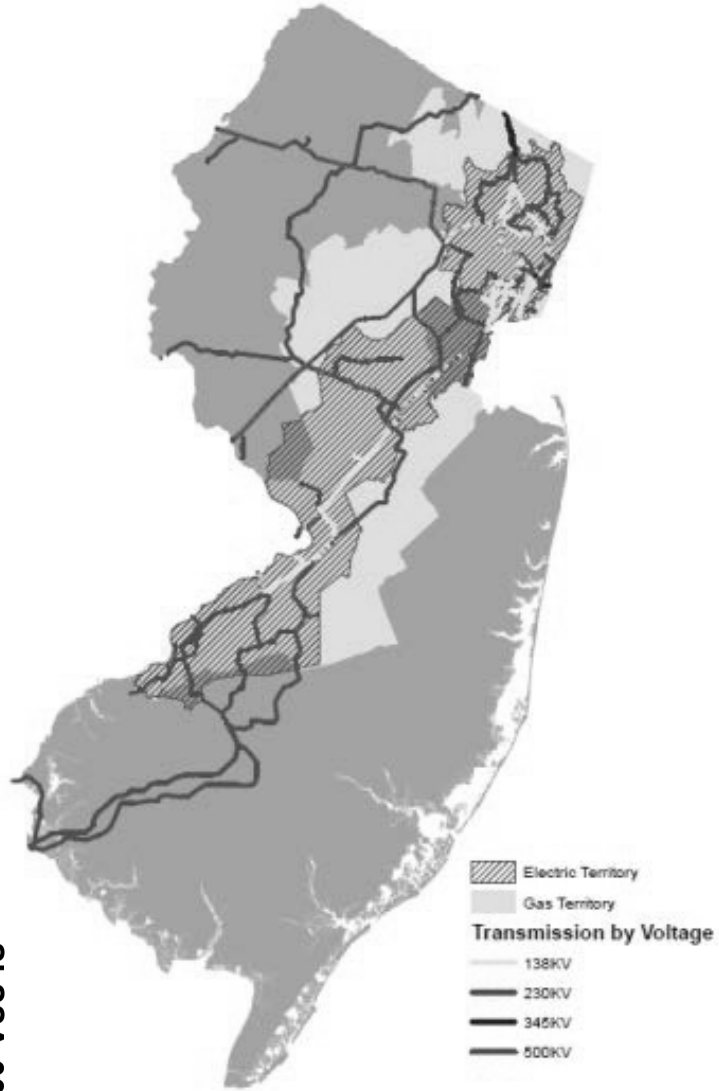
PSE&G

SI-SSA-0015-09114

PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-09115

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09116

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

SI-SSA-0015-09117

PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

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Operational Excellence

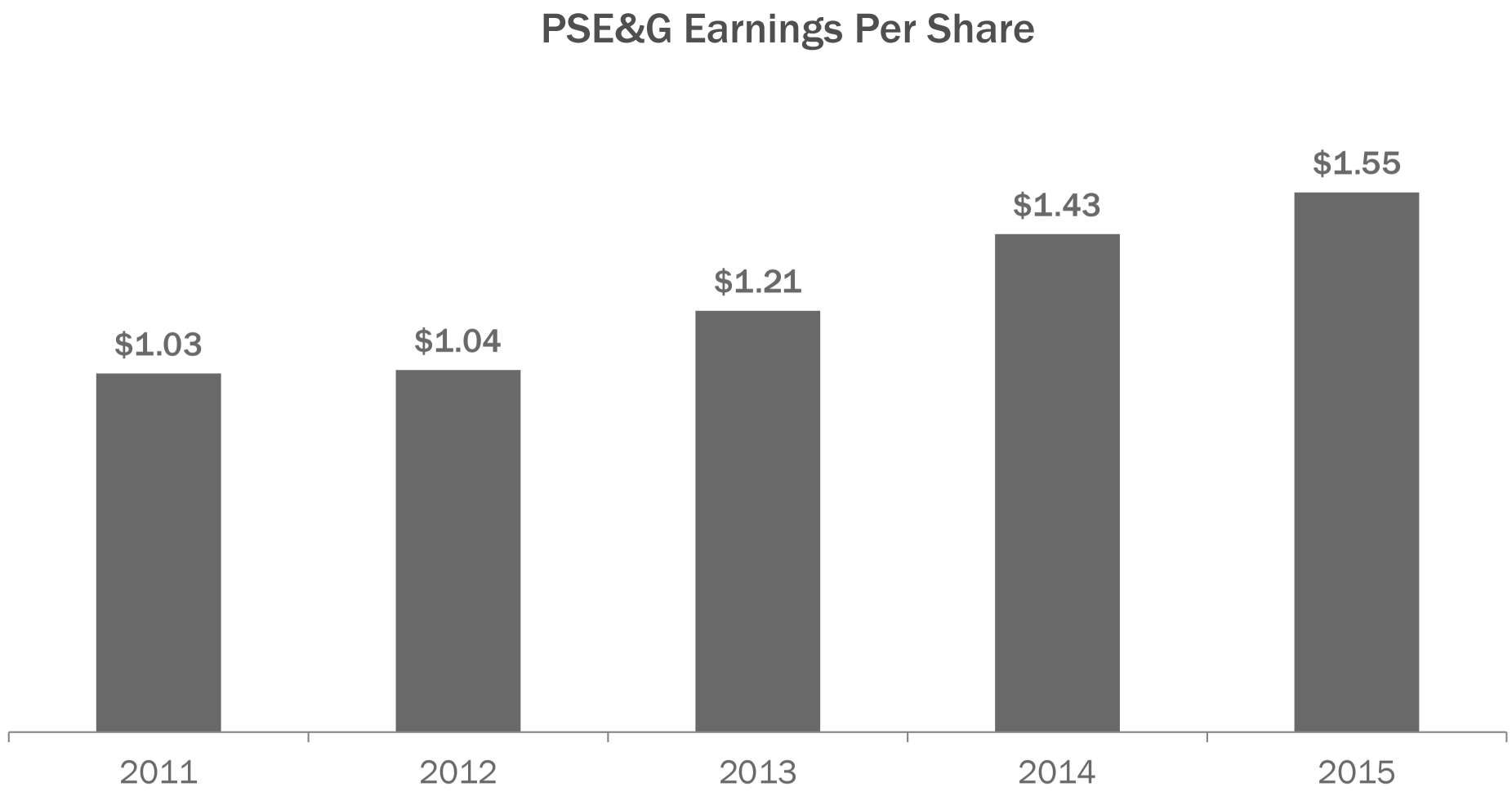
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-09119

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



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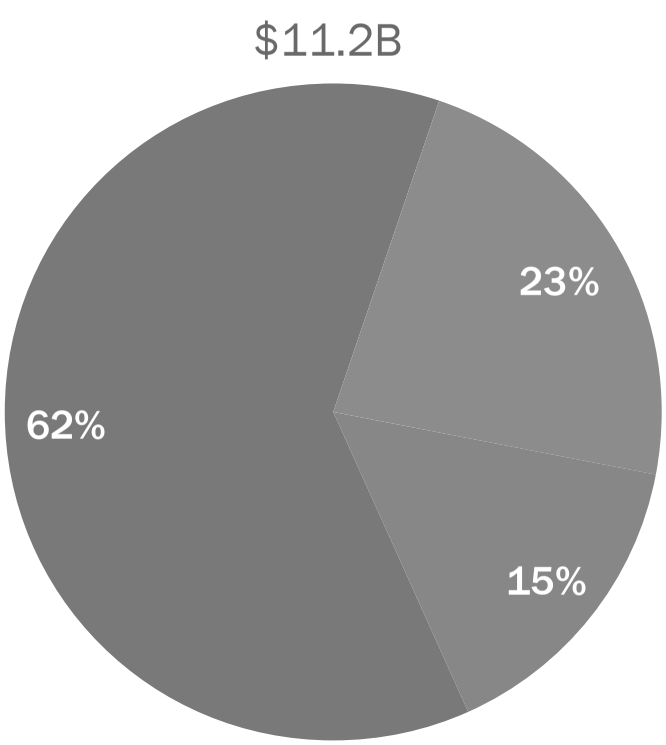
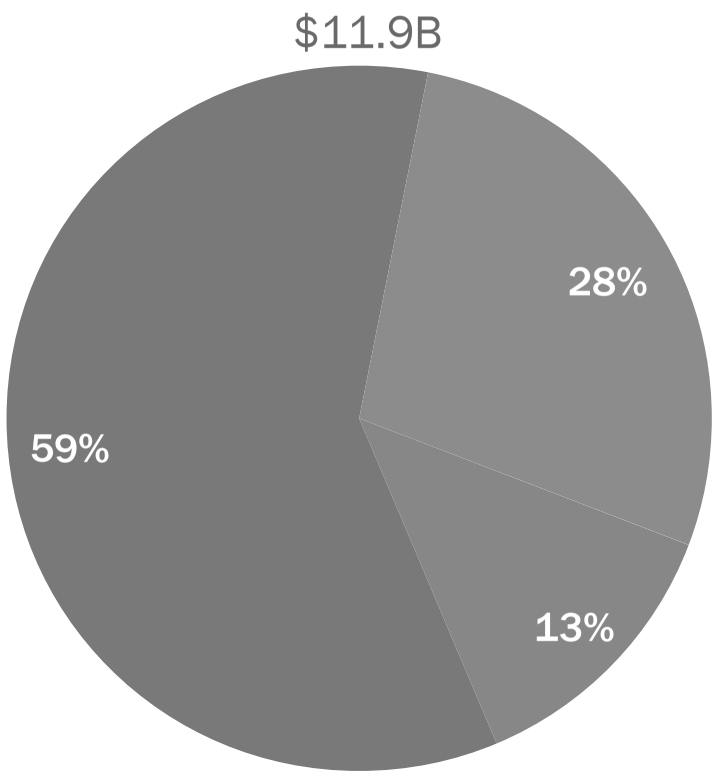
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-09121

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

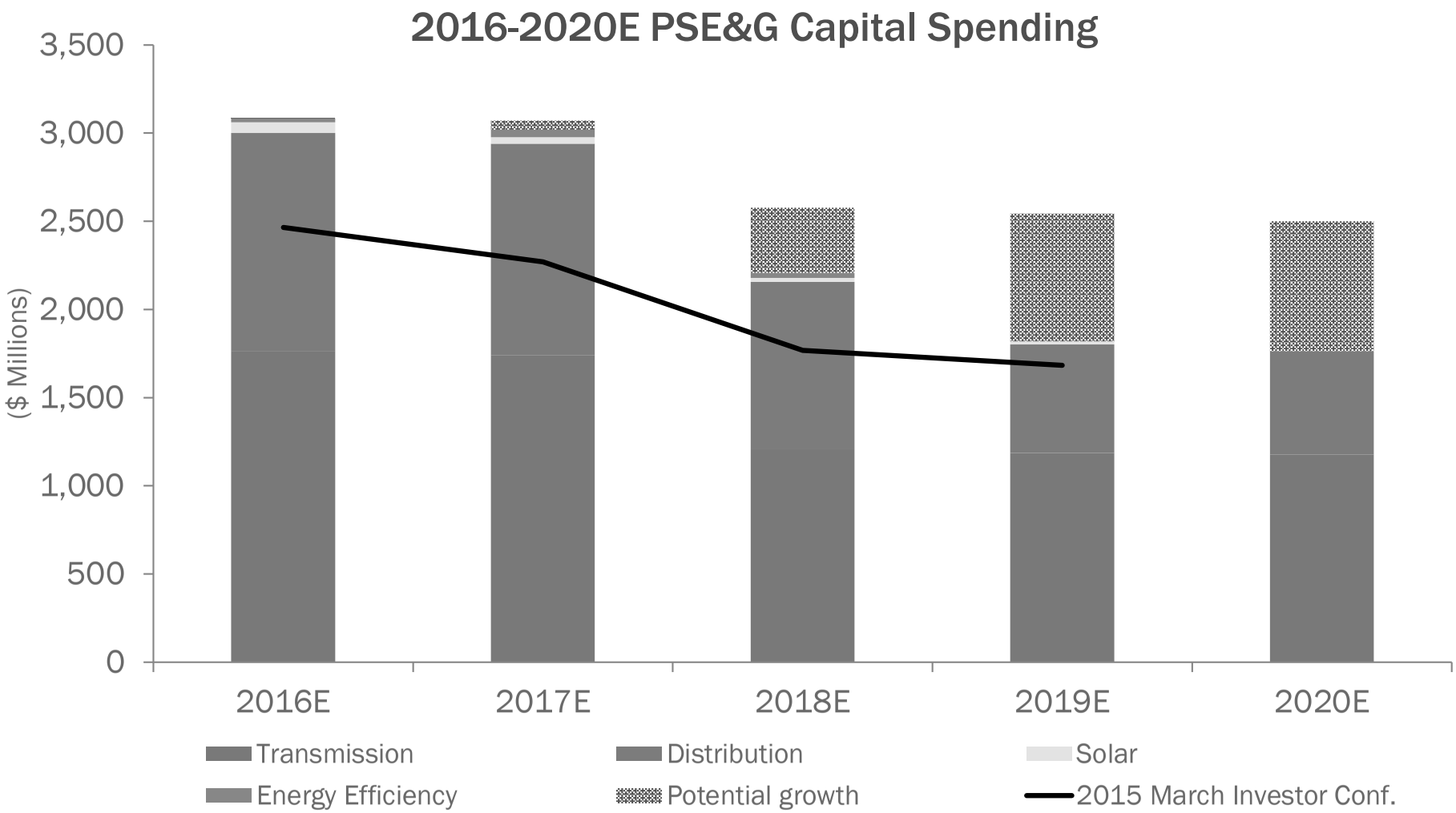
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-09122

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-09123

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-09124

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-09125

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-09126

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-09127

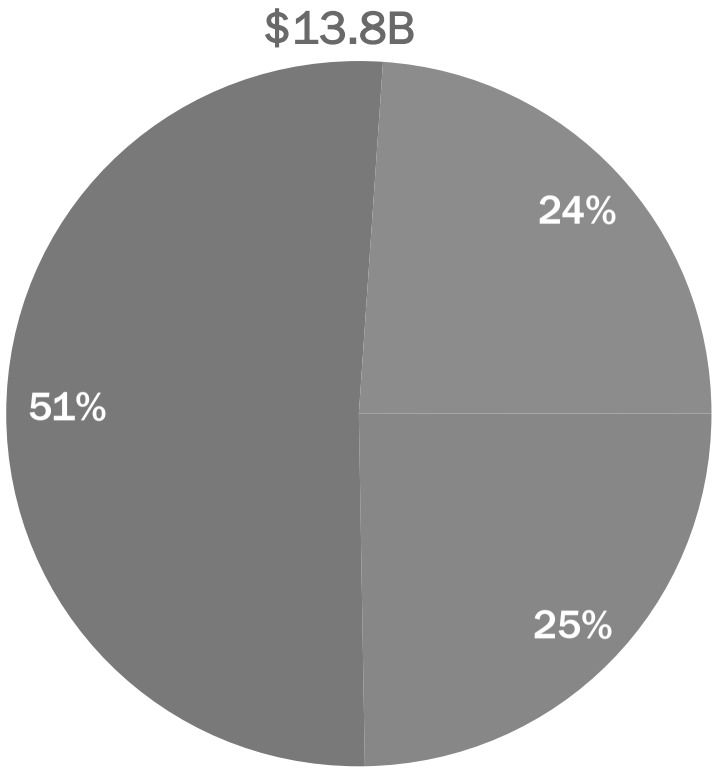
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-09128

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

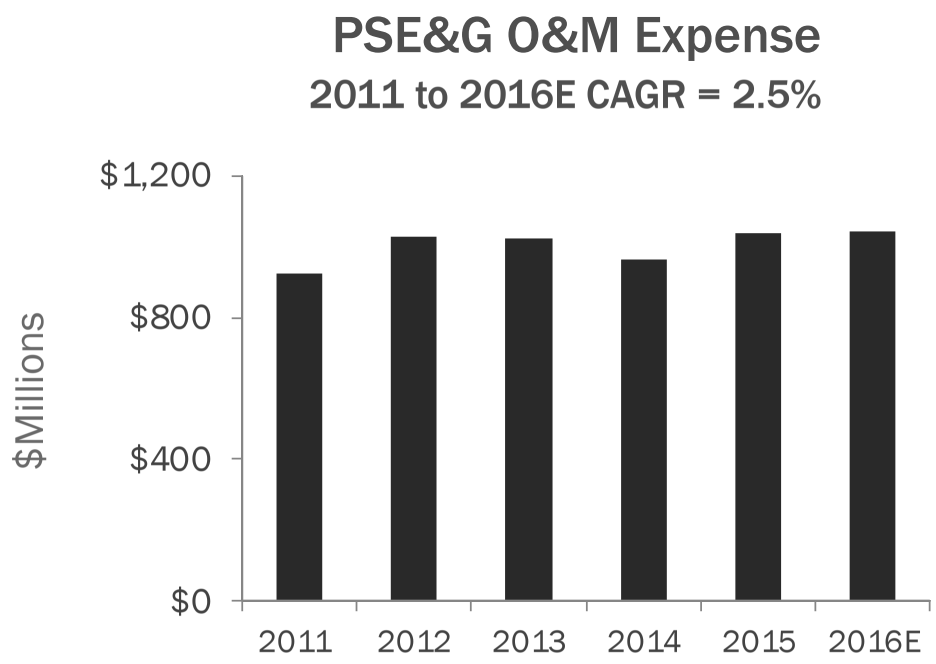
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-09129

Demonstrated ability to control O&M and plan to drive future efficiencies



Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

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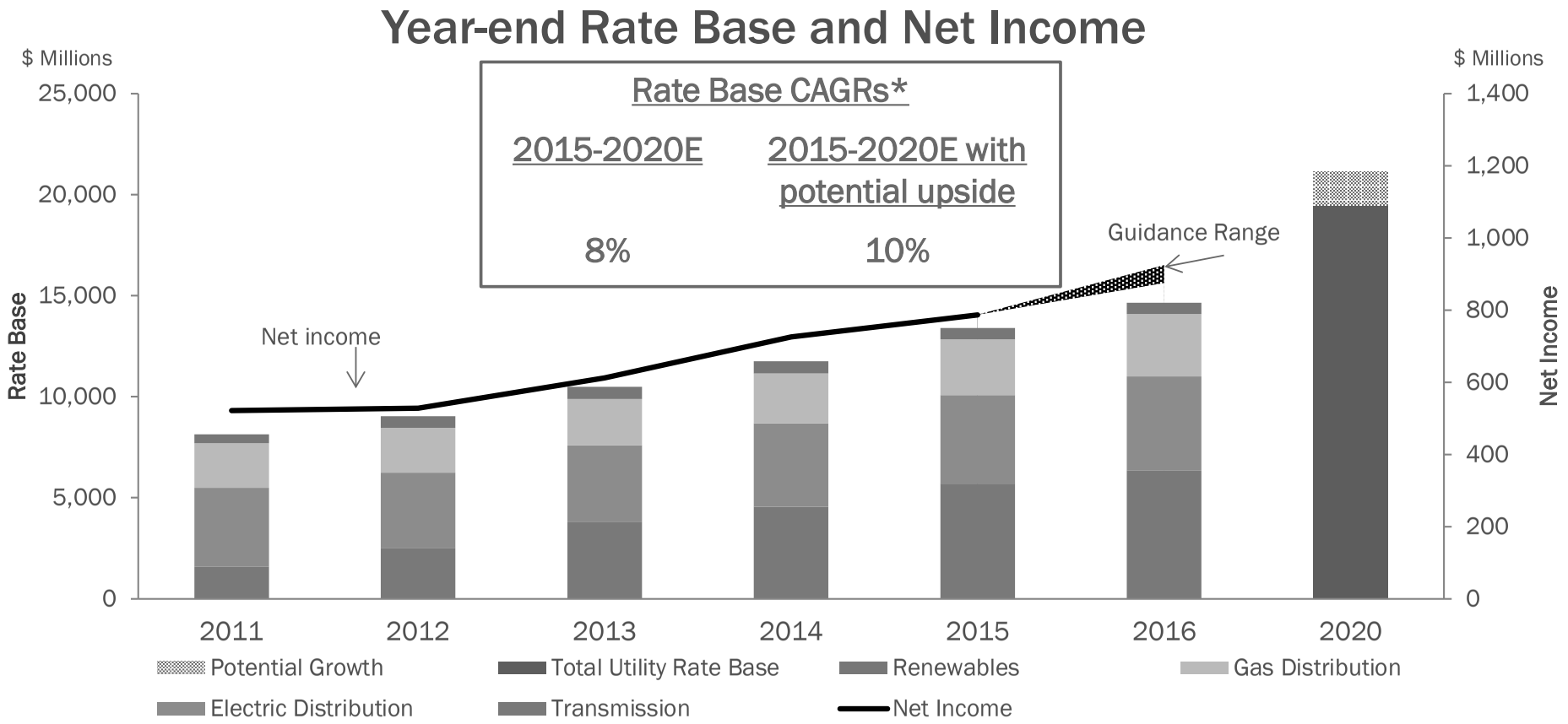
Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

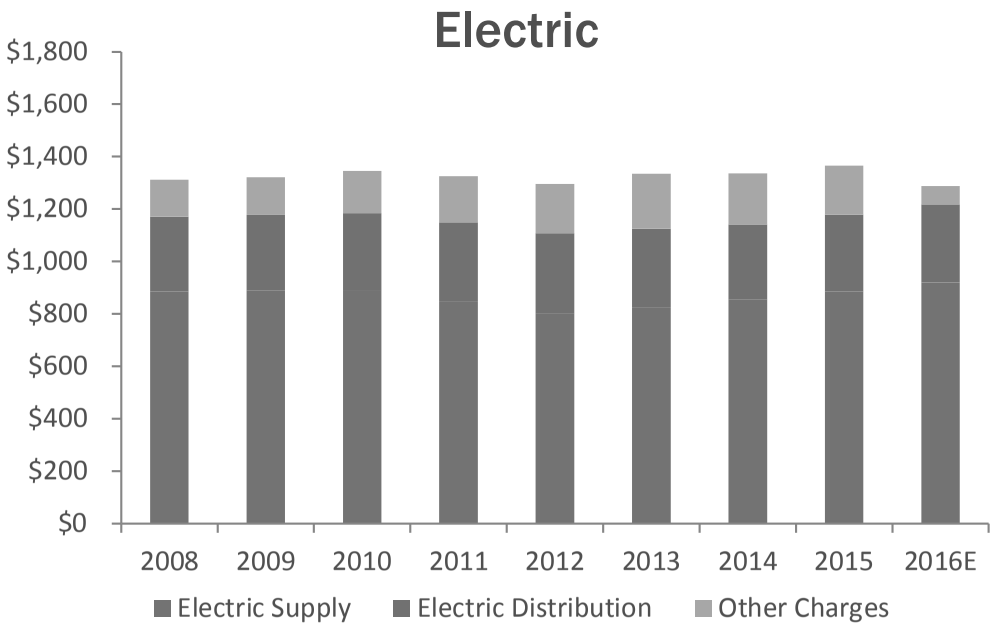
SI-SSA-0015-09131

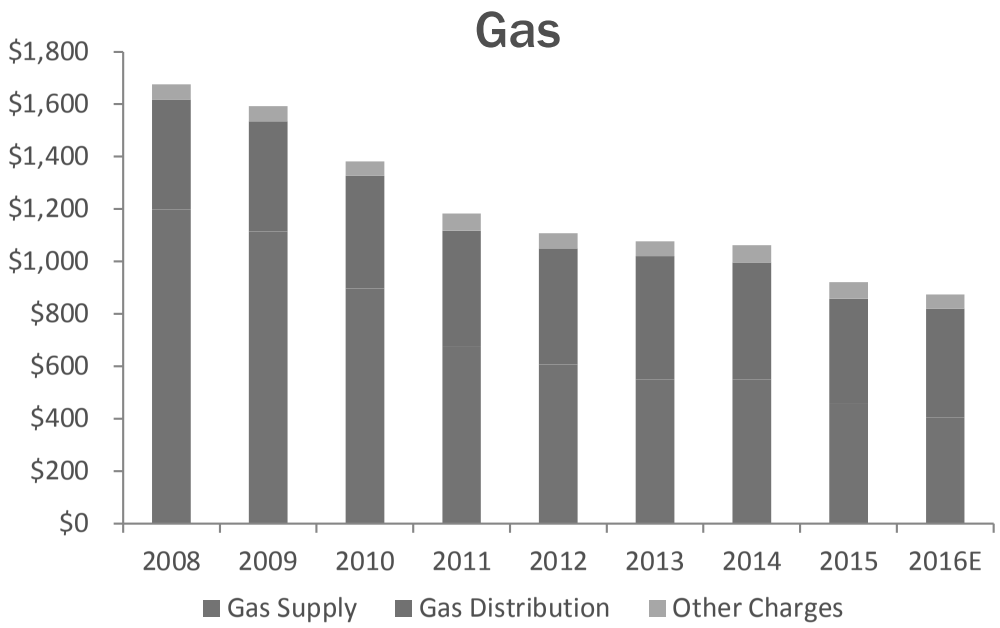
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





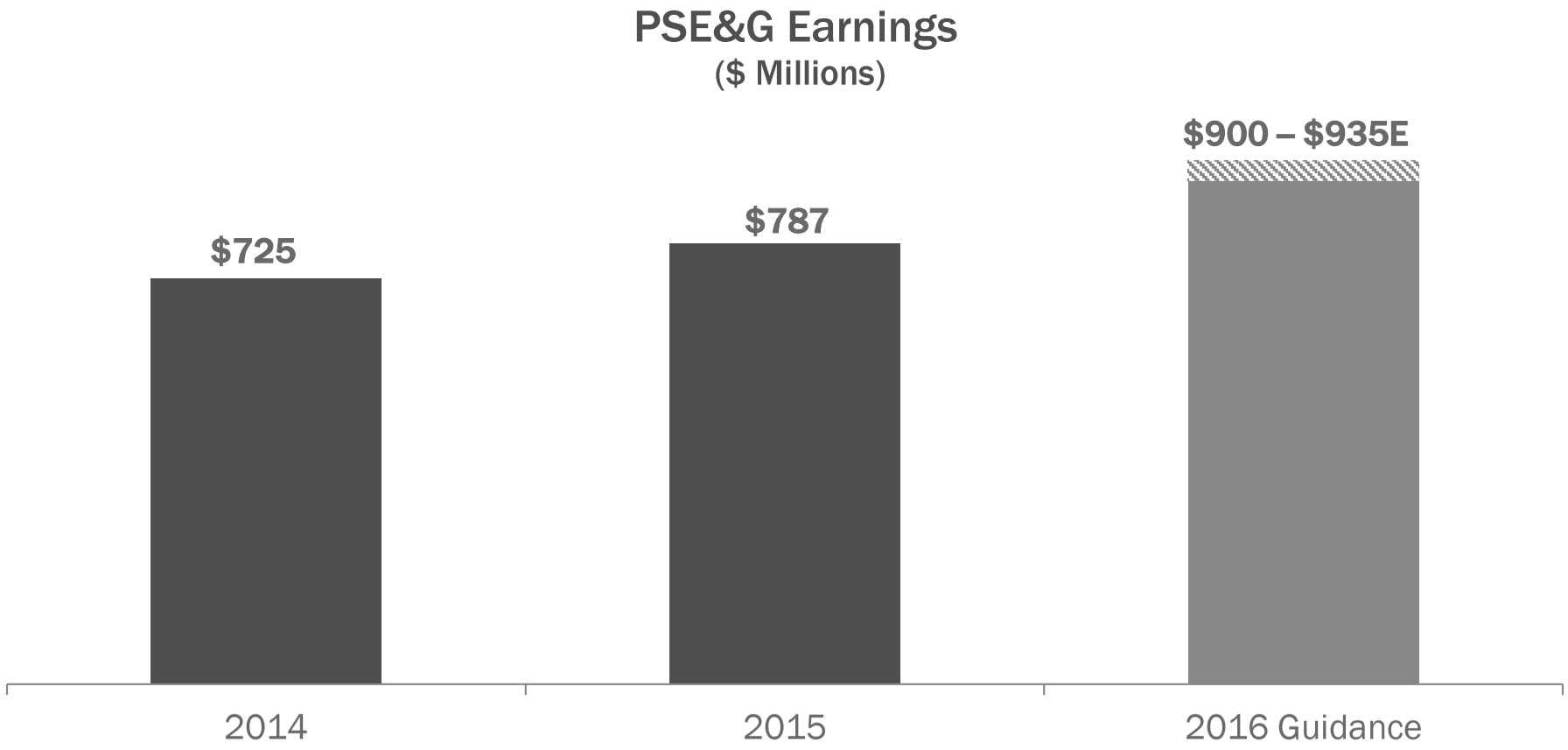
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-09132

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



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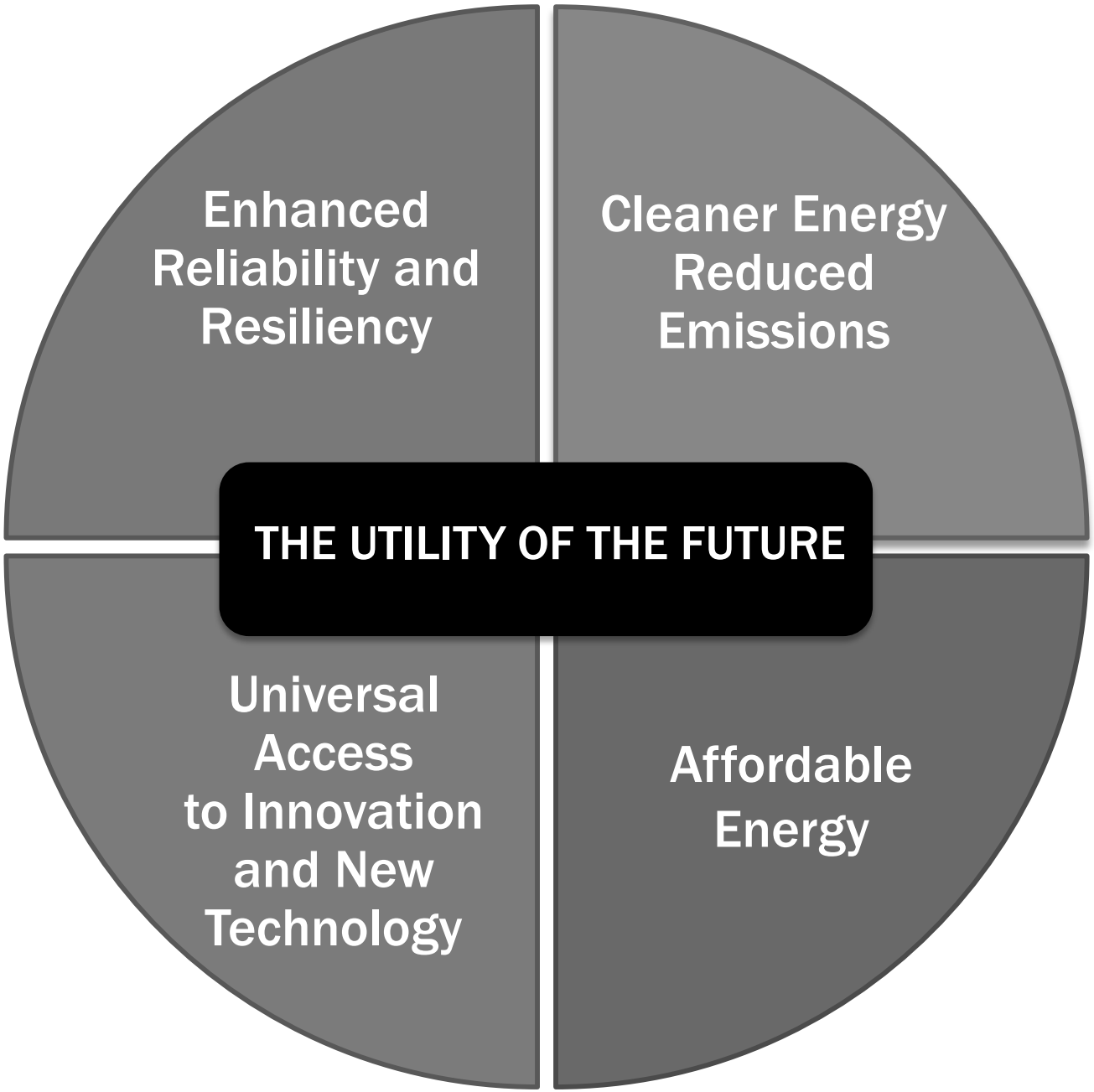

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PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-09135

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-09136

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

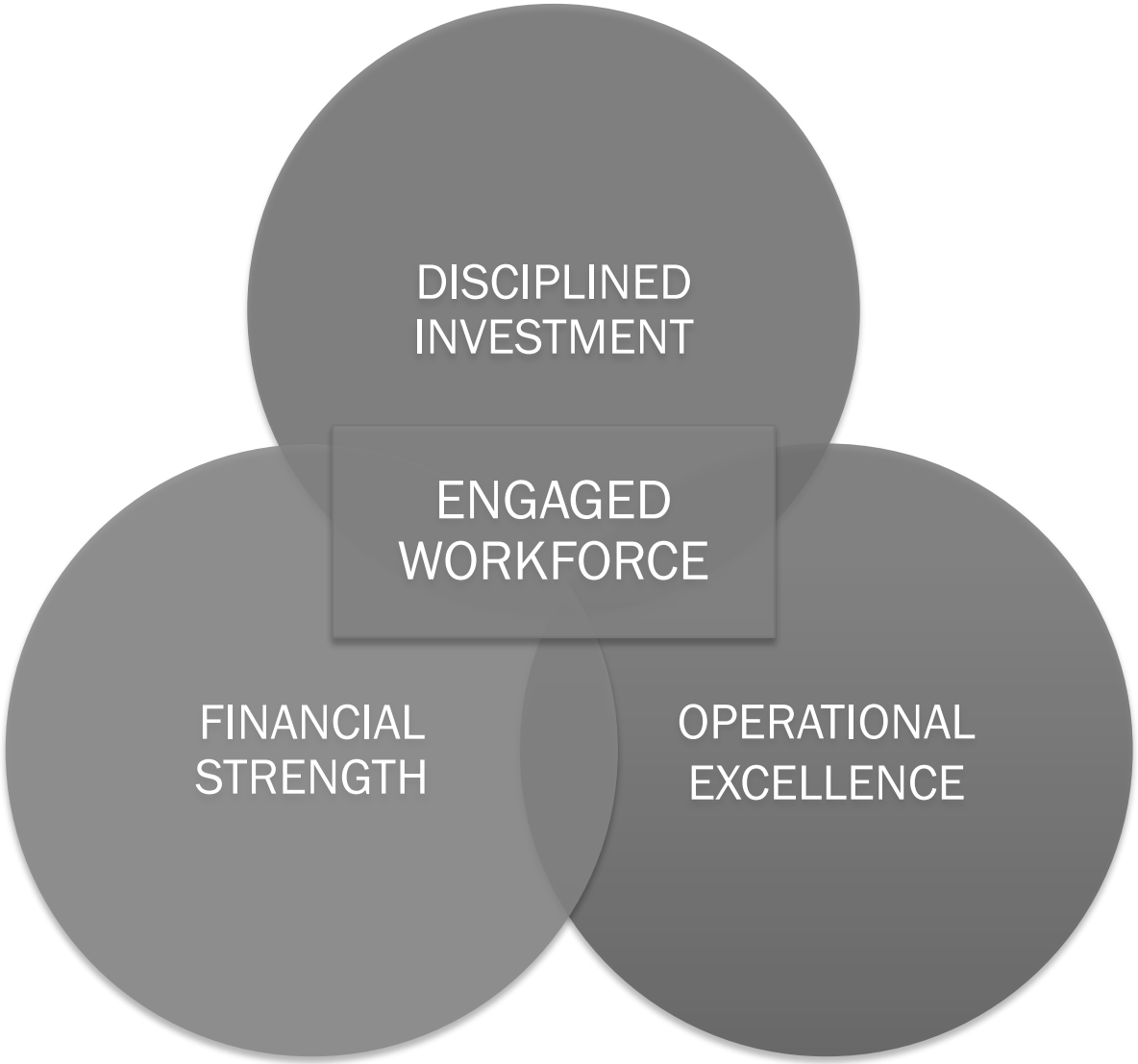
PSEG

We make things work for you.

SI-SSA-0015-09137

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09138

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

SI-SSA-0015-09139

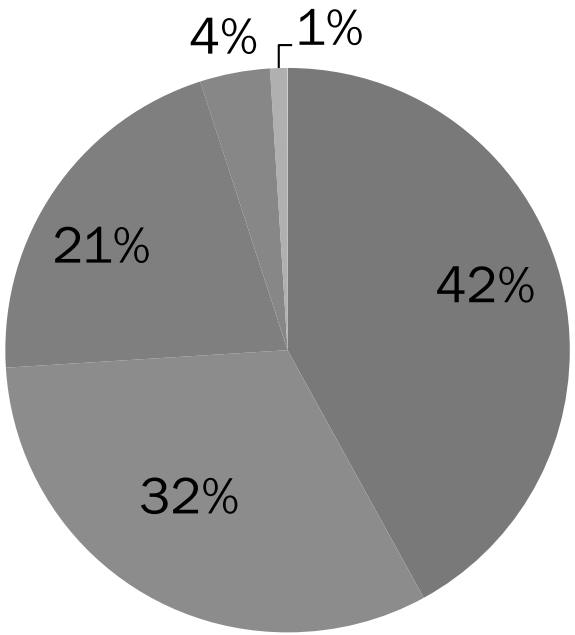
PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

2015 Actual

Fuel Diversity*

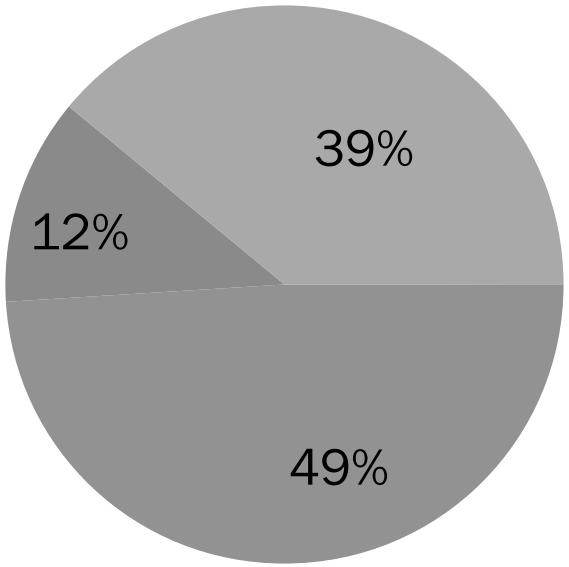
Total MW: 11,678



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

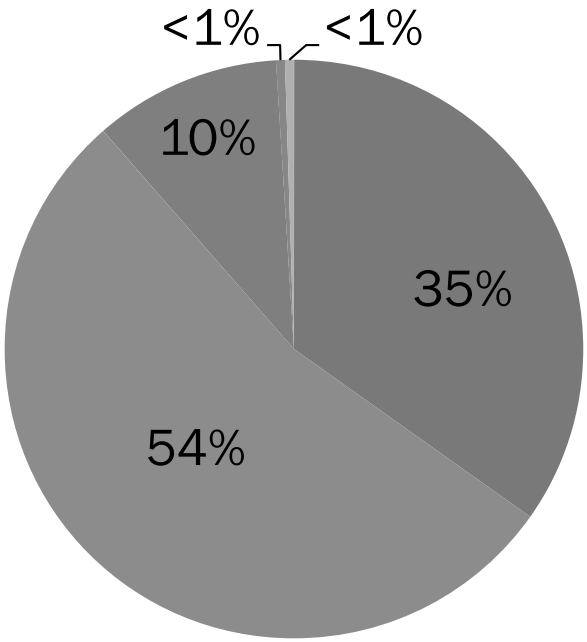
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 55,213



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

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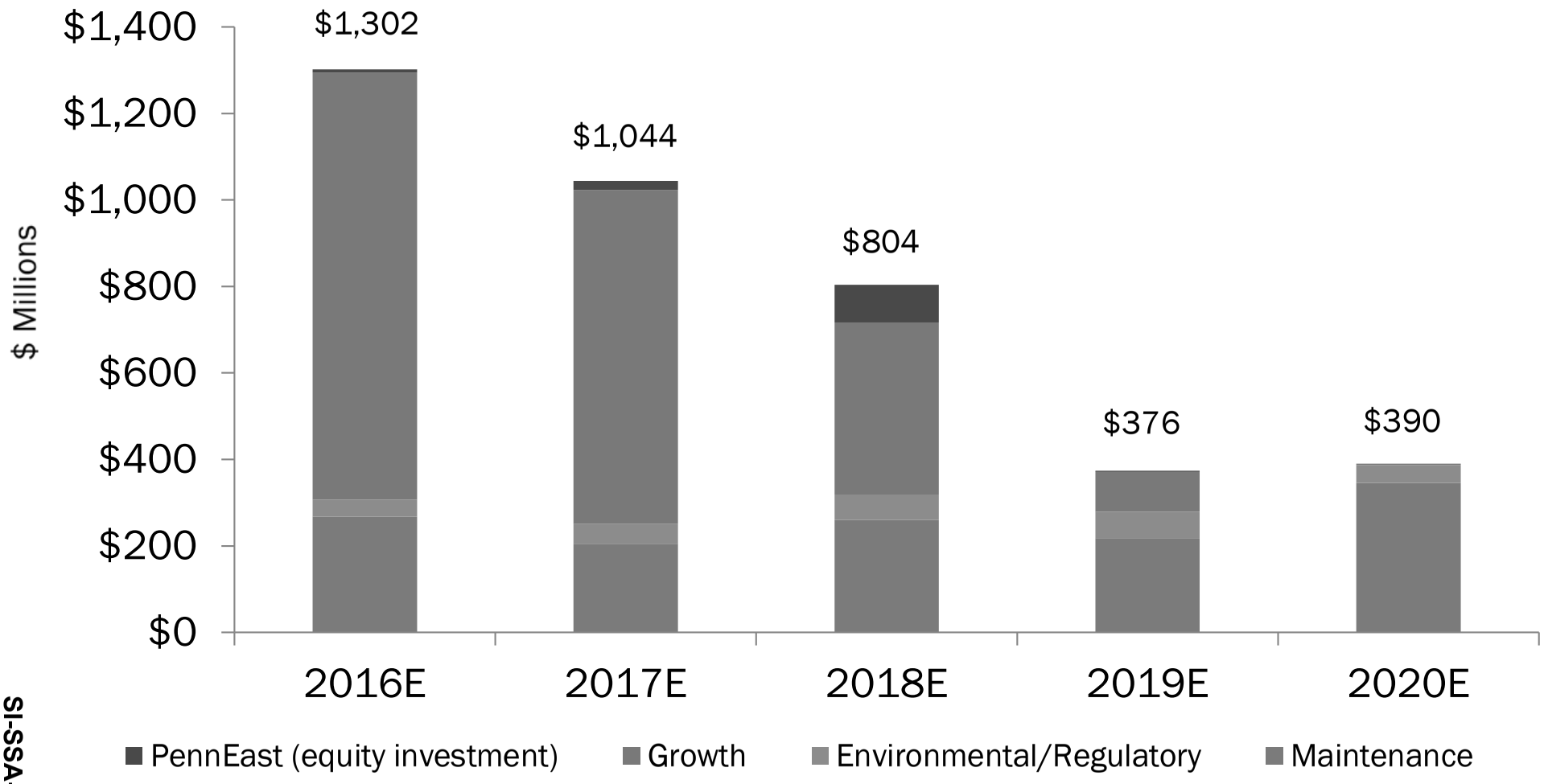
PSEG

* EXCLUDES SOLAR AND KALAELOA.

**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power investing $2 billion of capital in new capacity



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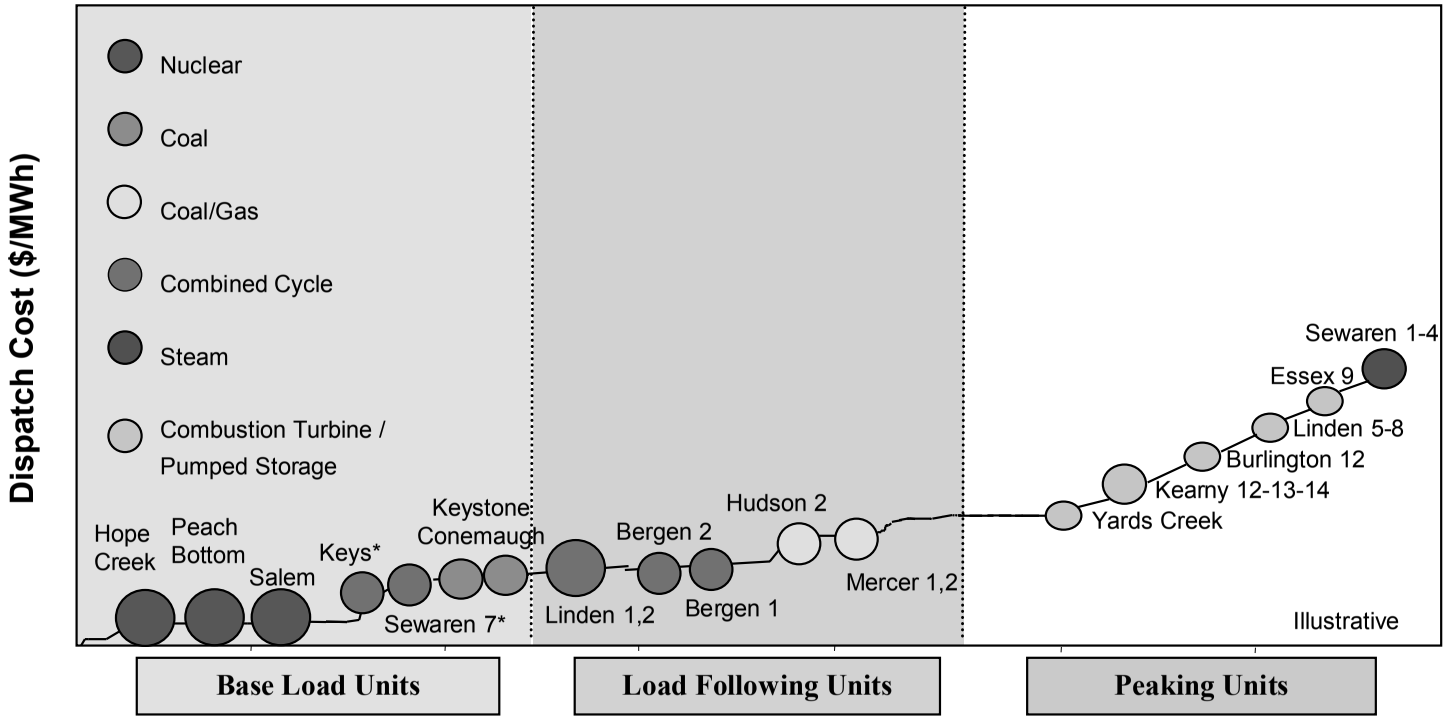
E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

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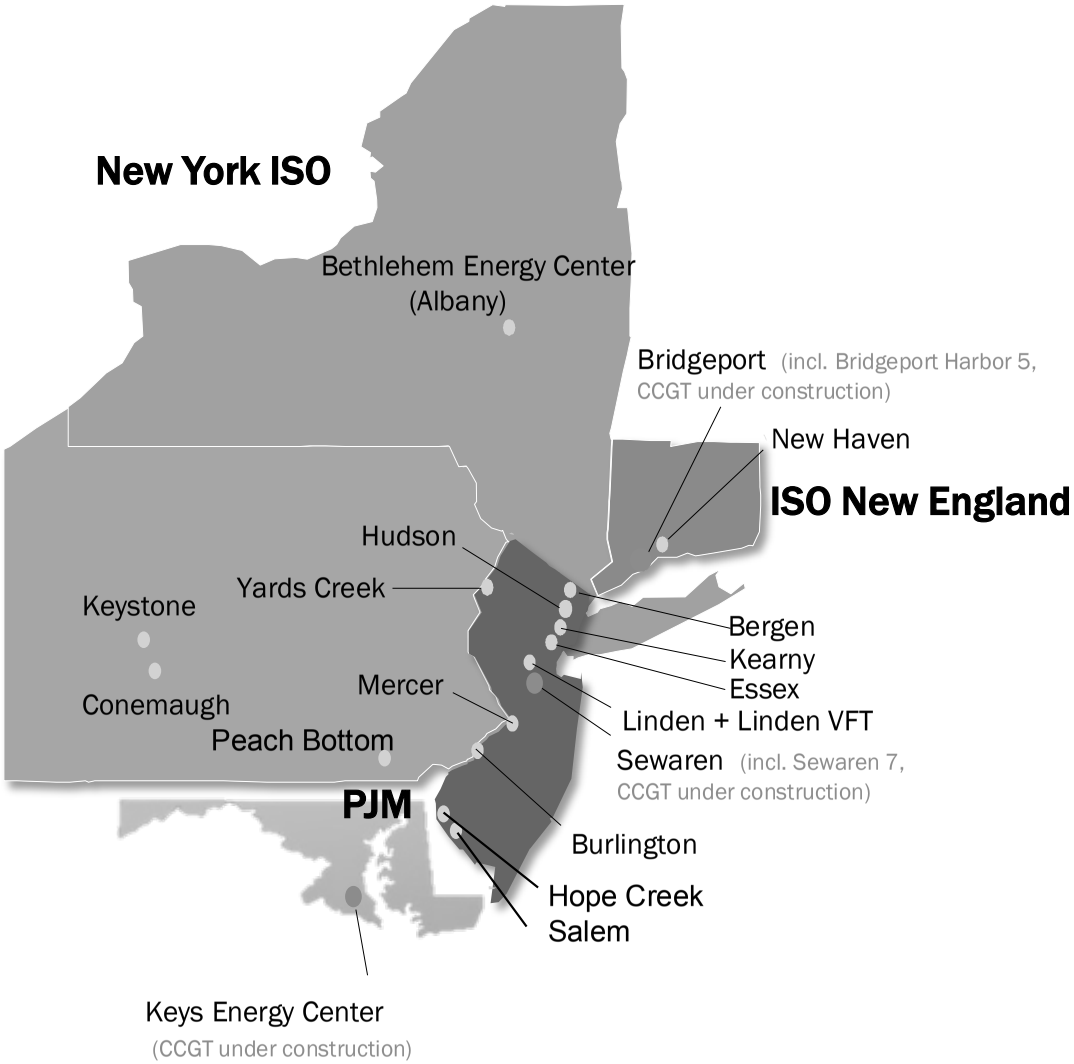
PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



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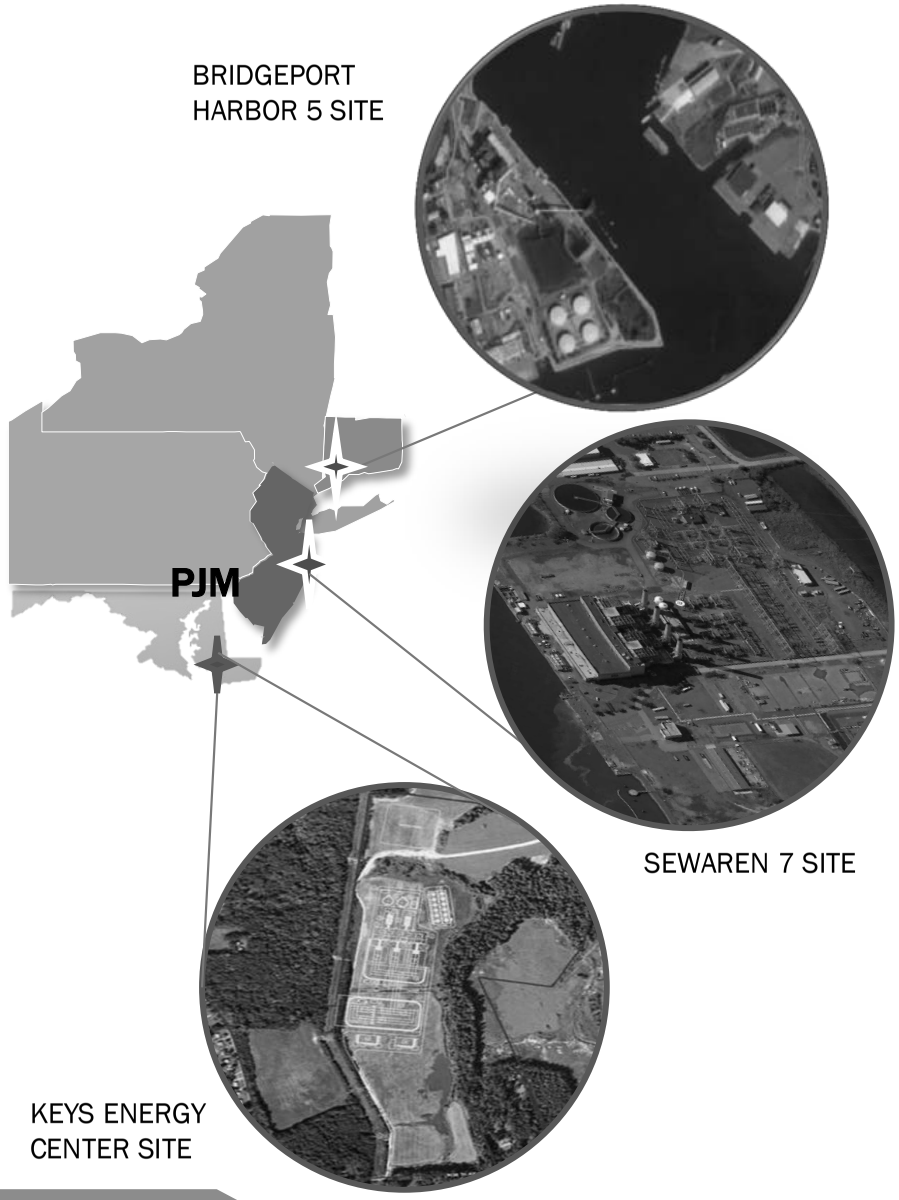
PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



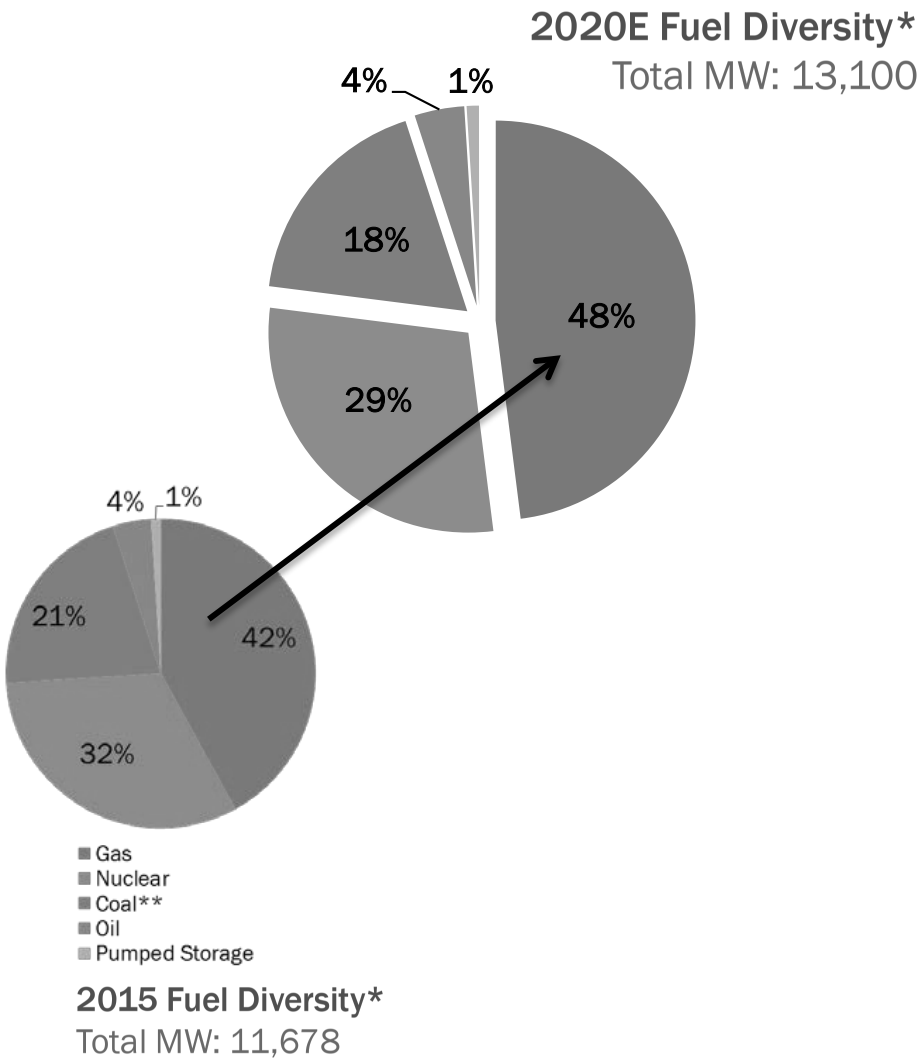
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

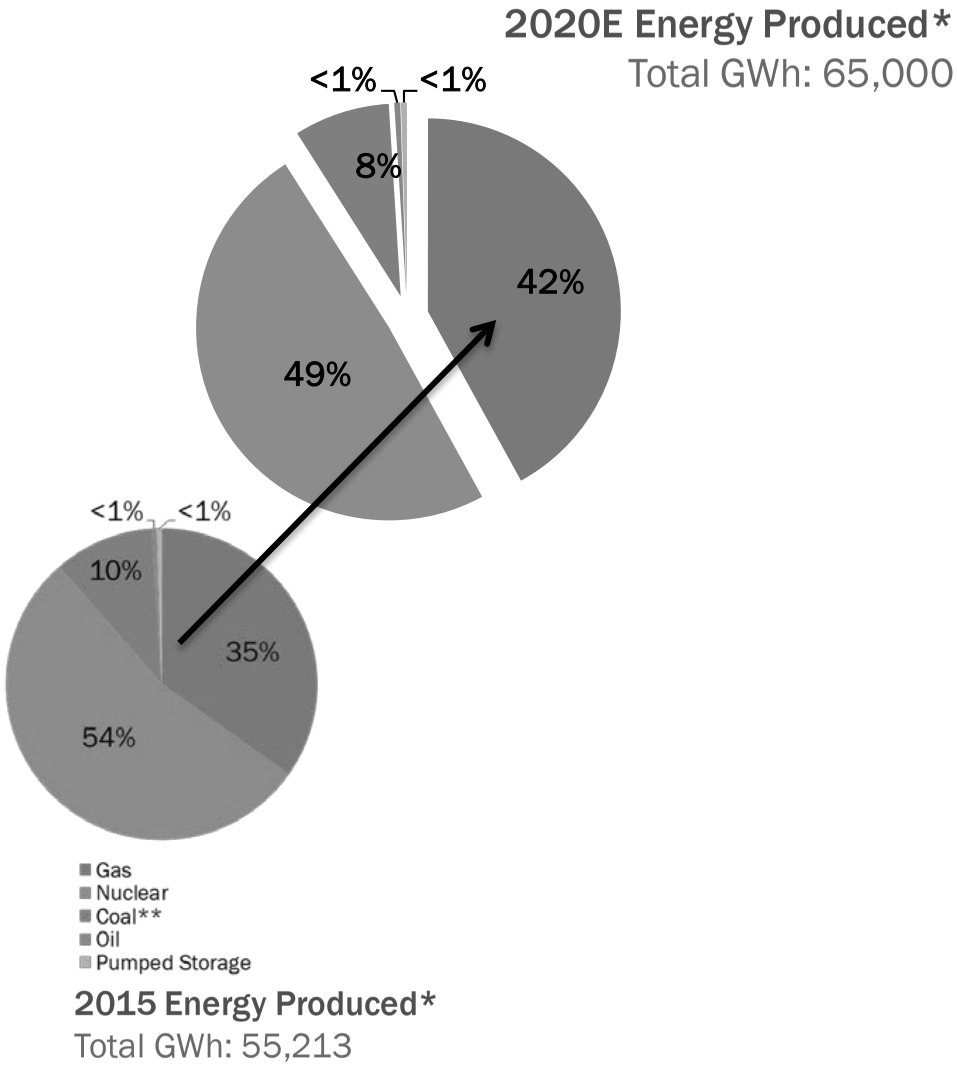
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-09144

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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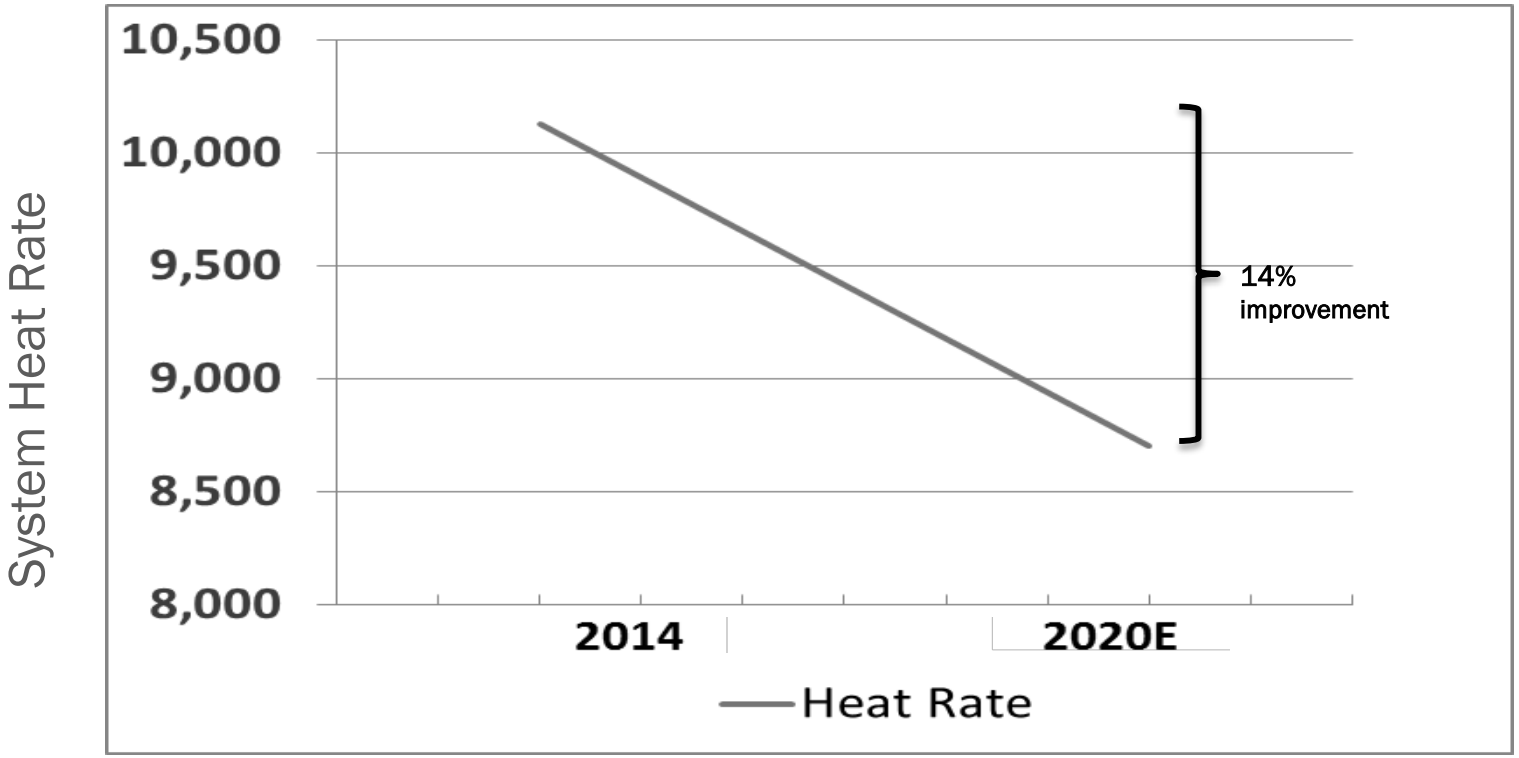
PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

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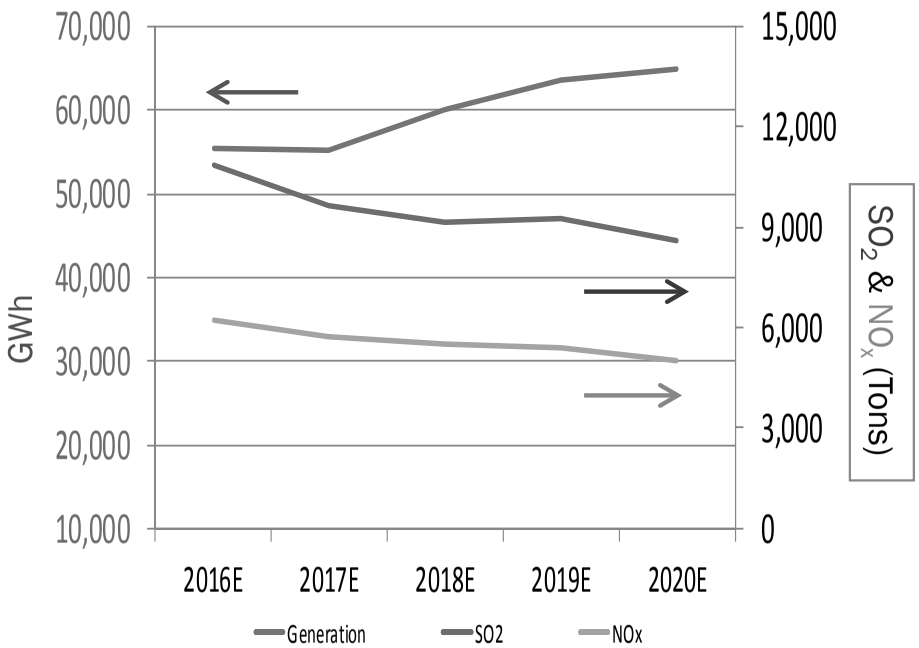
E = ESTIMATE

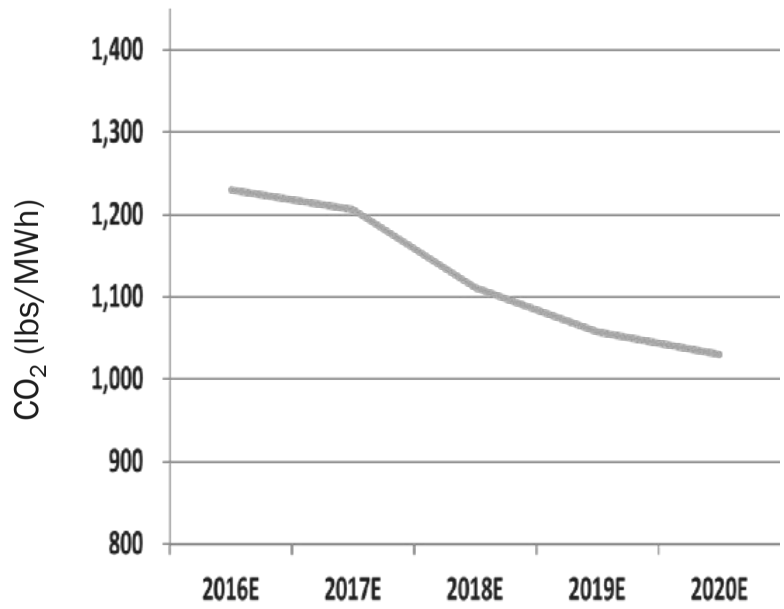
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

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Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Scheduled Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Scheduled Refueling
  - Unit 1 – Fall 2017
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Scheduled Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-09148

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

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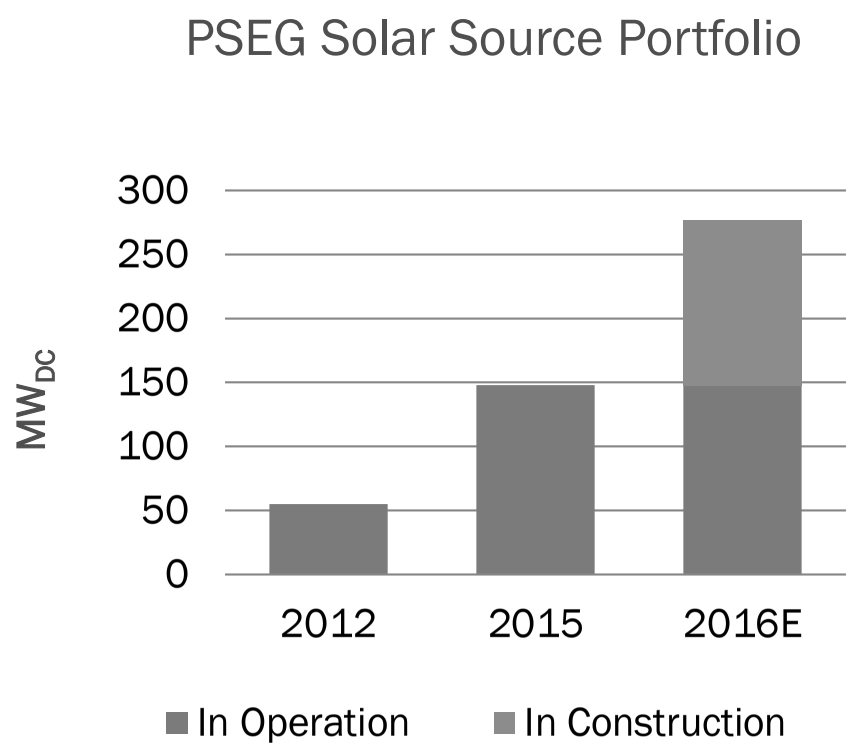
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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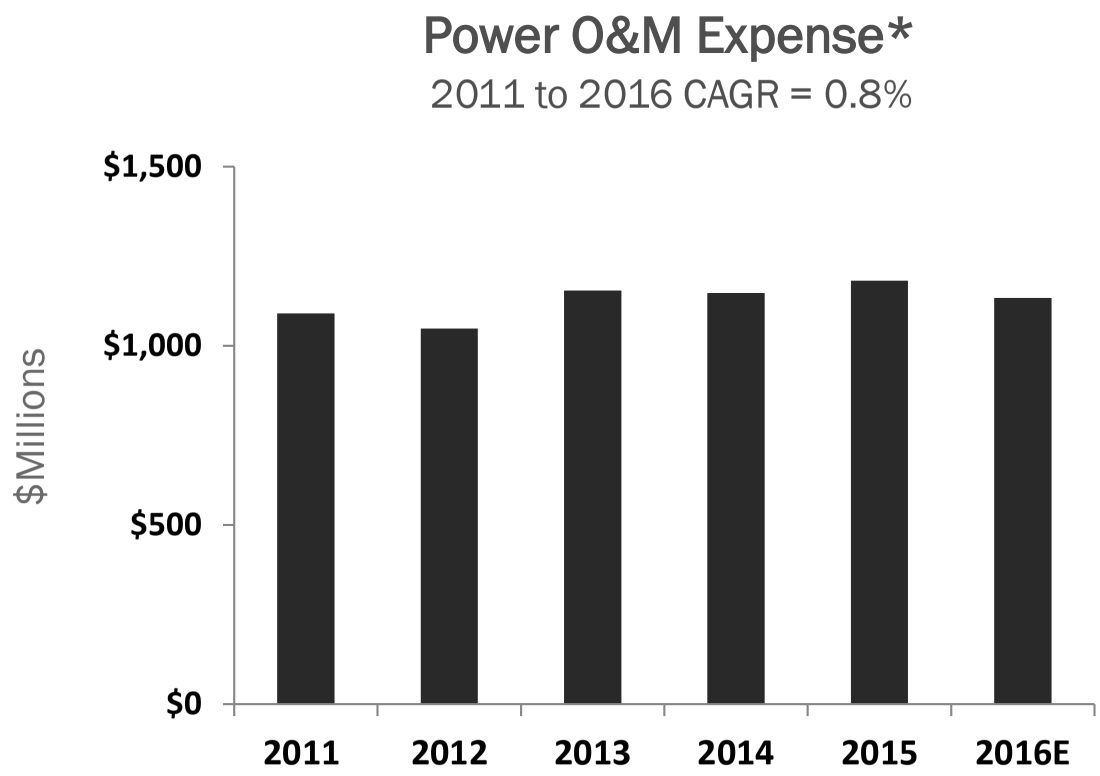
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-09152

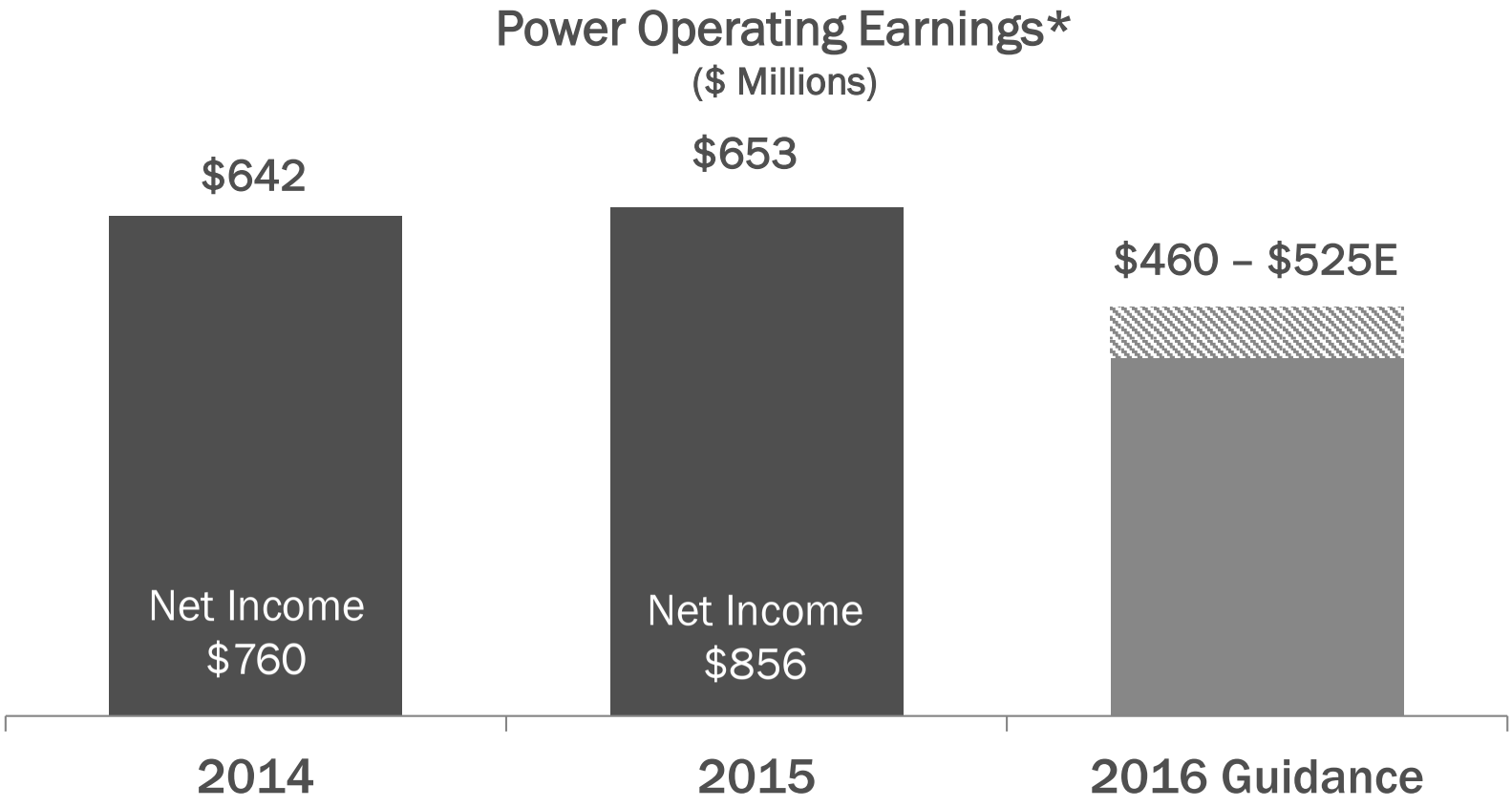
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-09153

Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



SI-SSA-0015-09154

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-09155

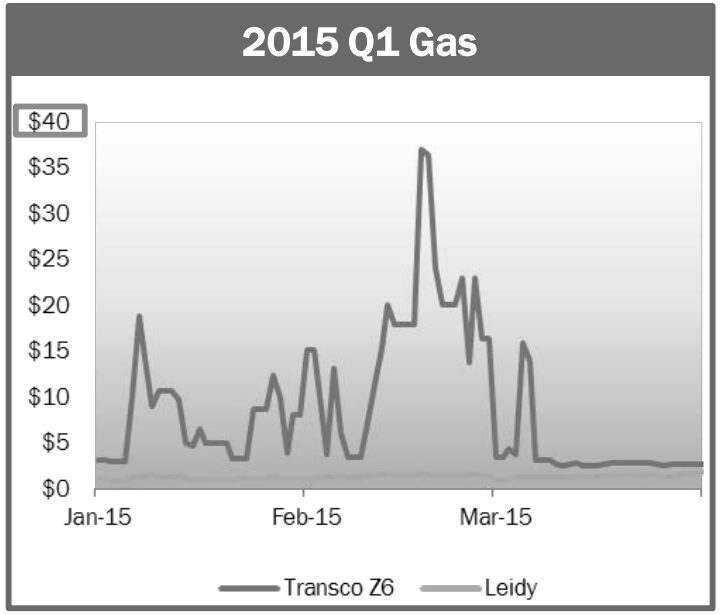
PSEG POWER
ER&T

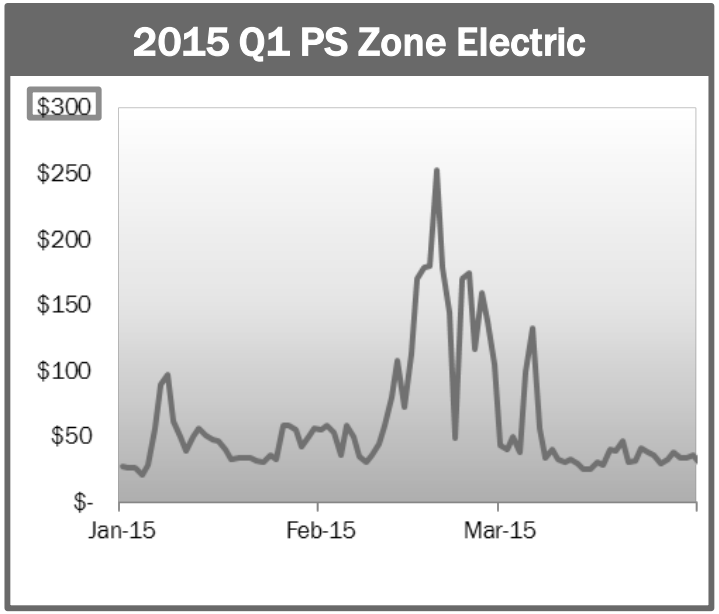
SI-SSA-0015-09156

PSEG

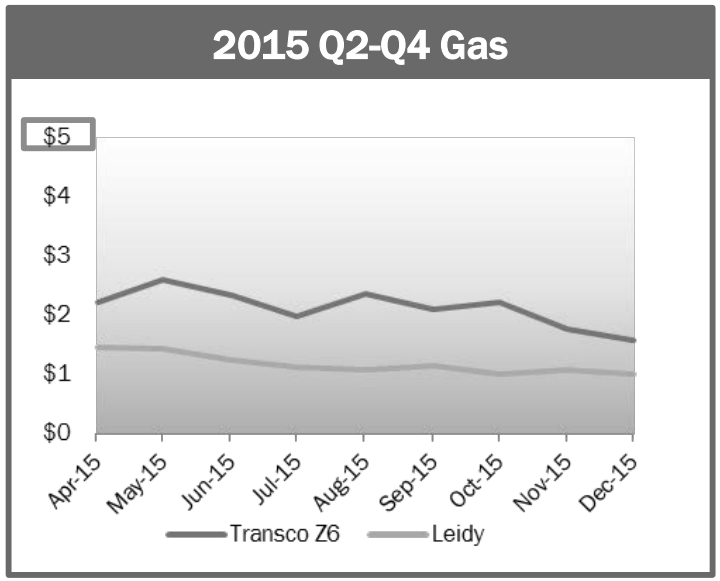
We make things work for you.

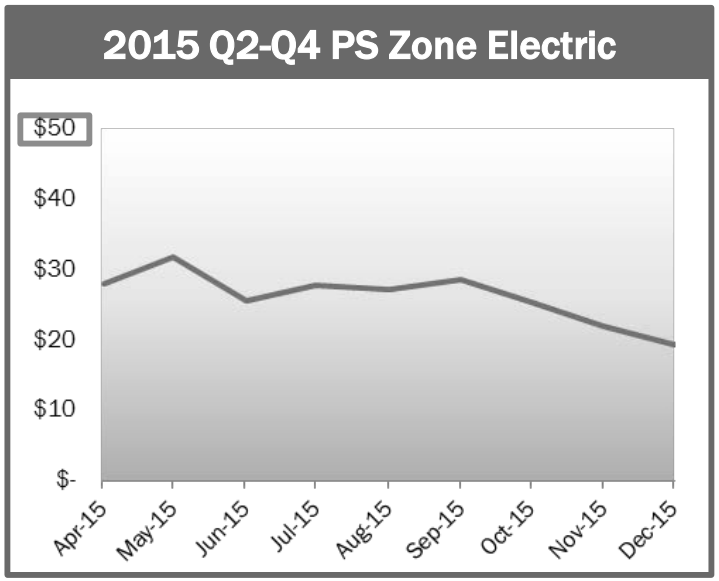
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

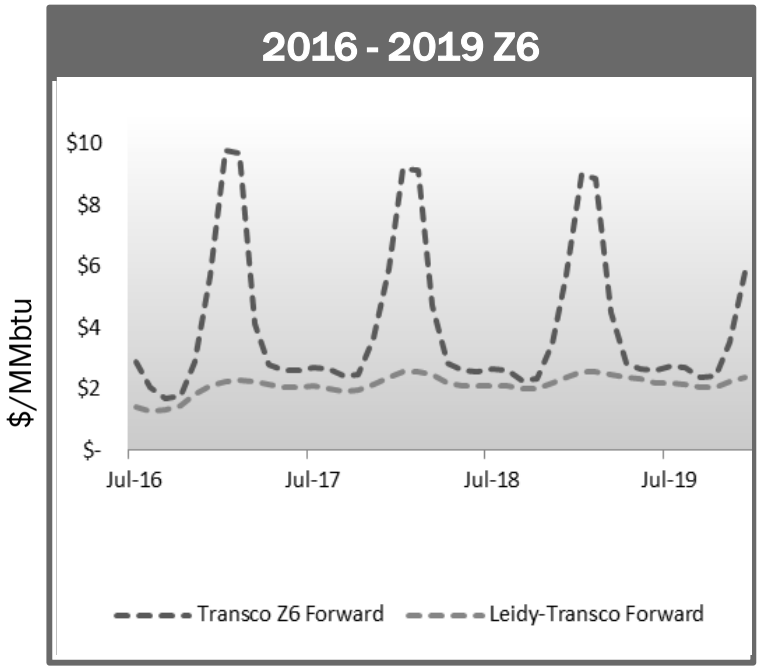


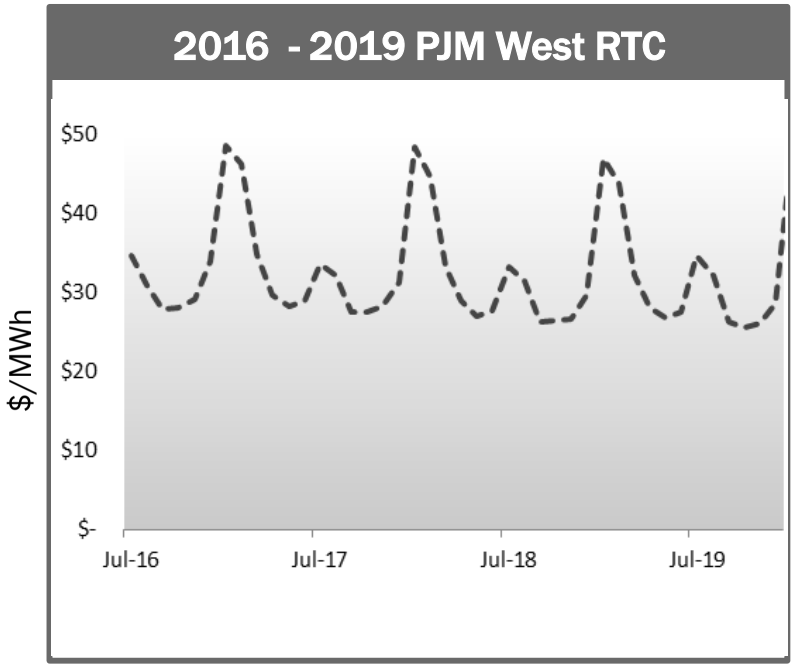


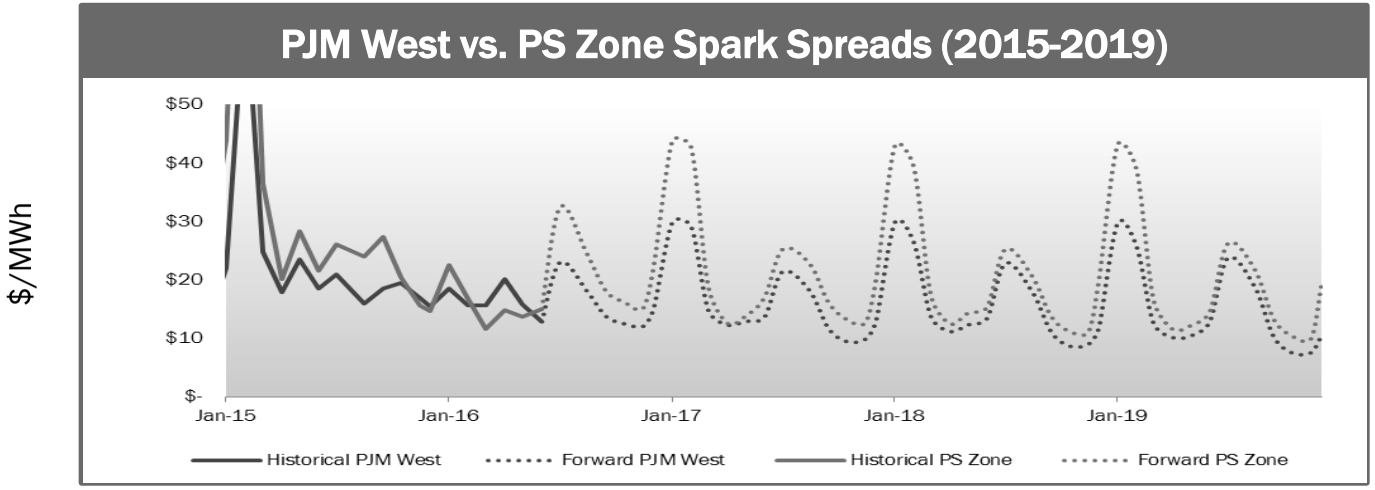
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-09157

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

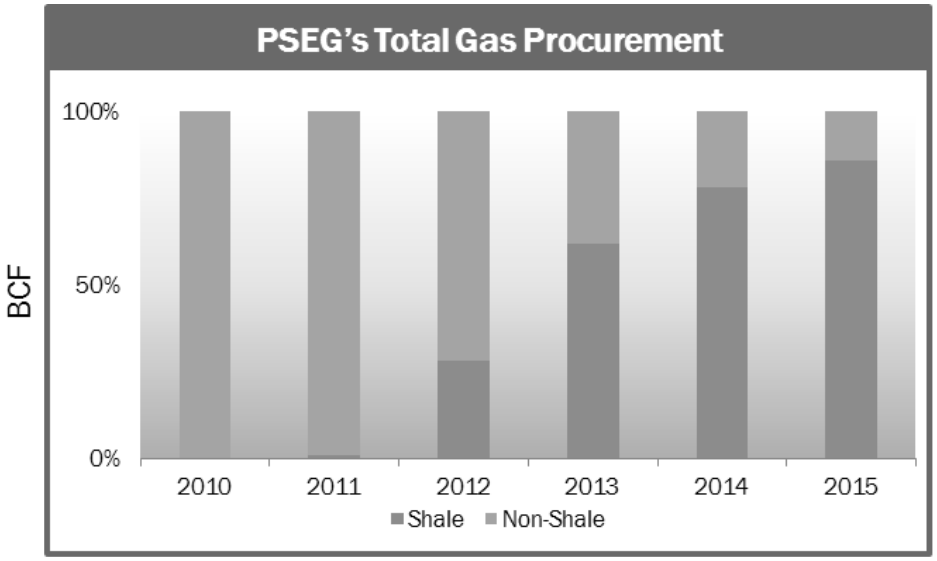


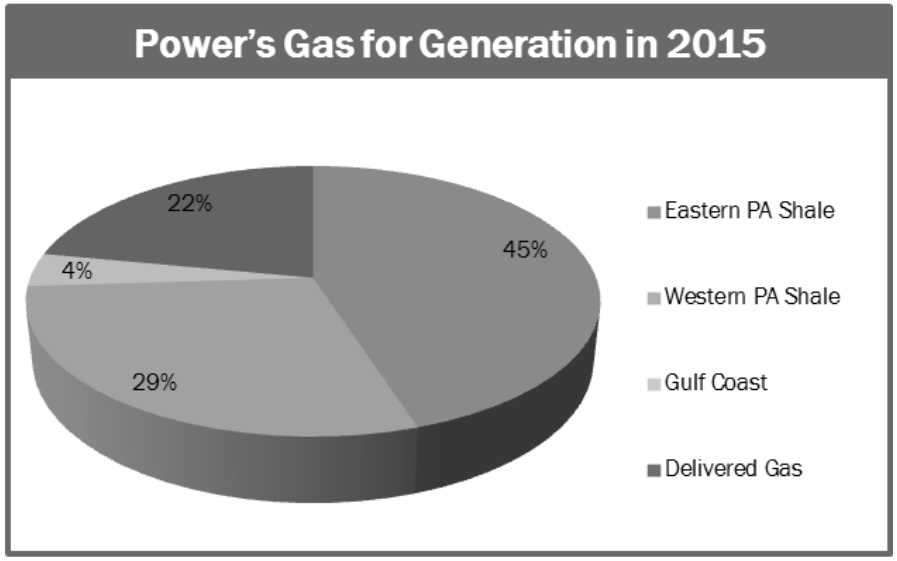




SI-SSA-0015-09158

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



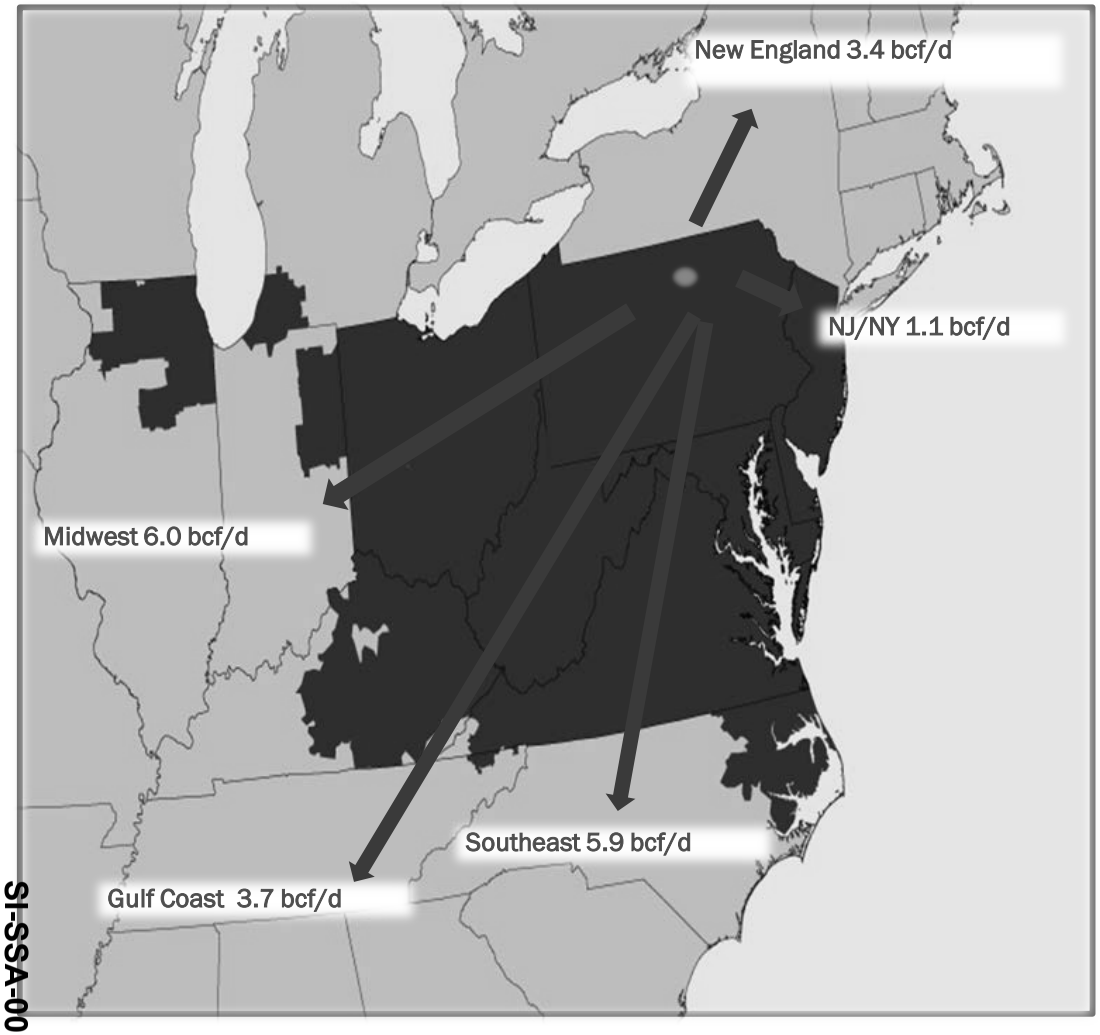


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-09159

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-09160

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

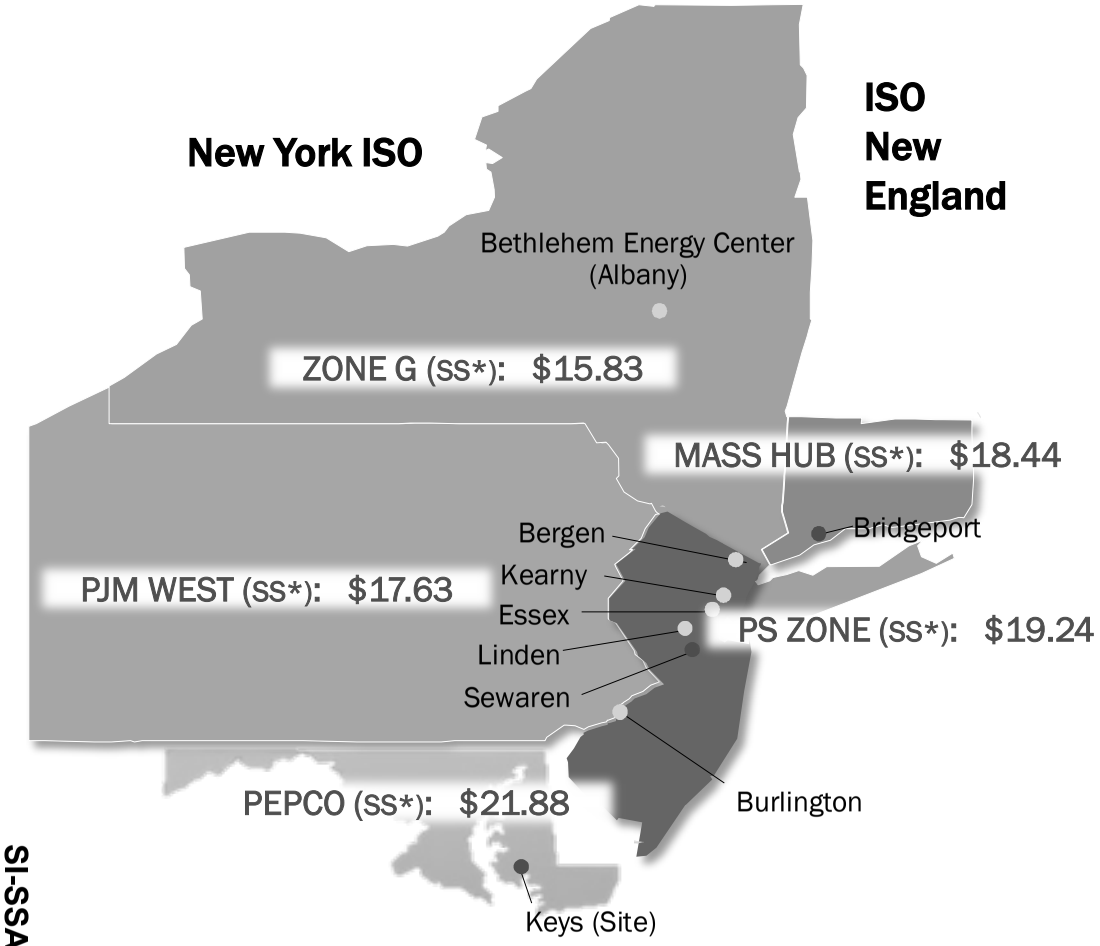
	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

SI-SSA-0015-09161

PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

SI-SSA-0015-09162

PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

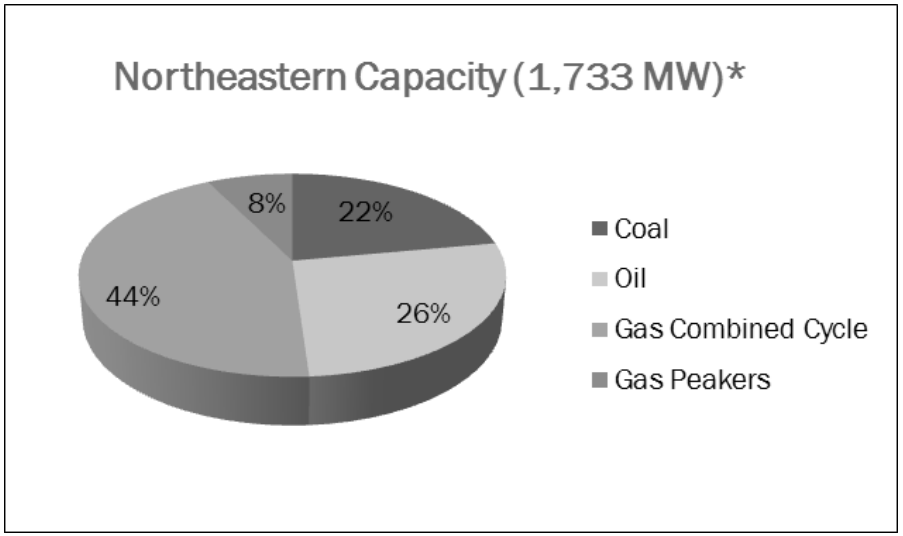
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-09163

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

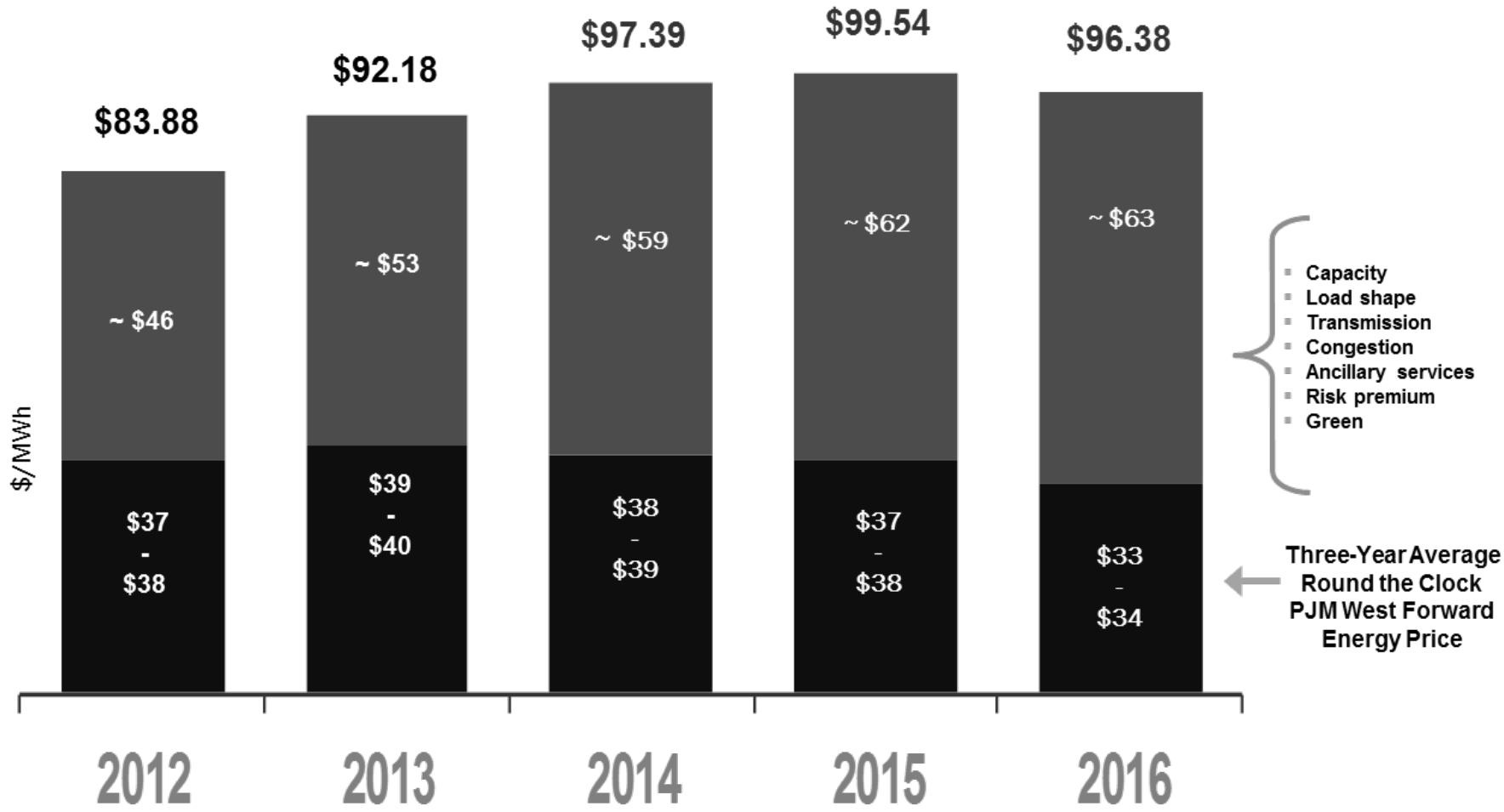
ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

SI-SSA-0015-09164

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-09165

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

SI-SSA-0015-09166

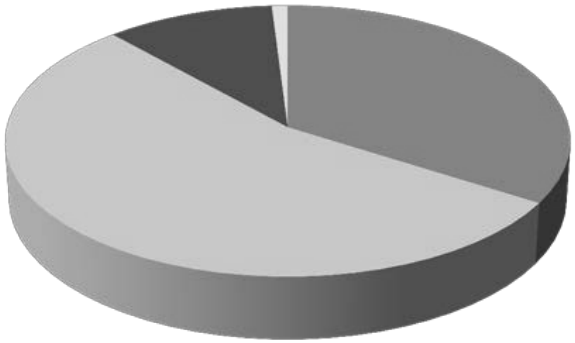
PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

Energy Produced in 2015

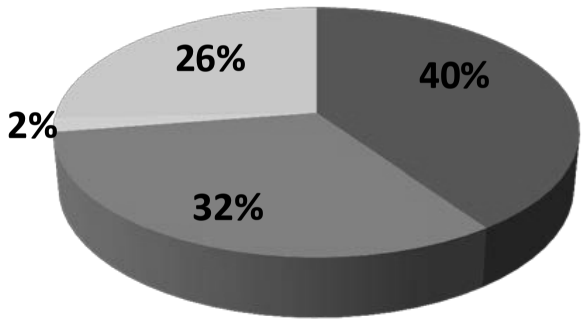
55,213 GWH



- Gas
- Nuclear
- Coal**
- <2% from Oil, Pumped Storage

**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



- Energy/Ancillary (locked in)
- Capacity (locked in)
- Capacity (unhedged)
- Energy/Ancillary (open to market)

*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

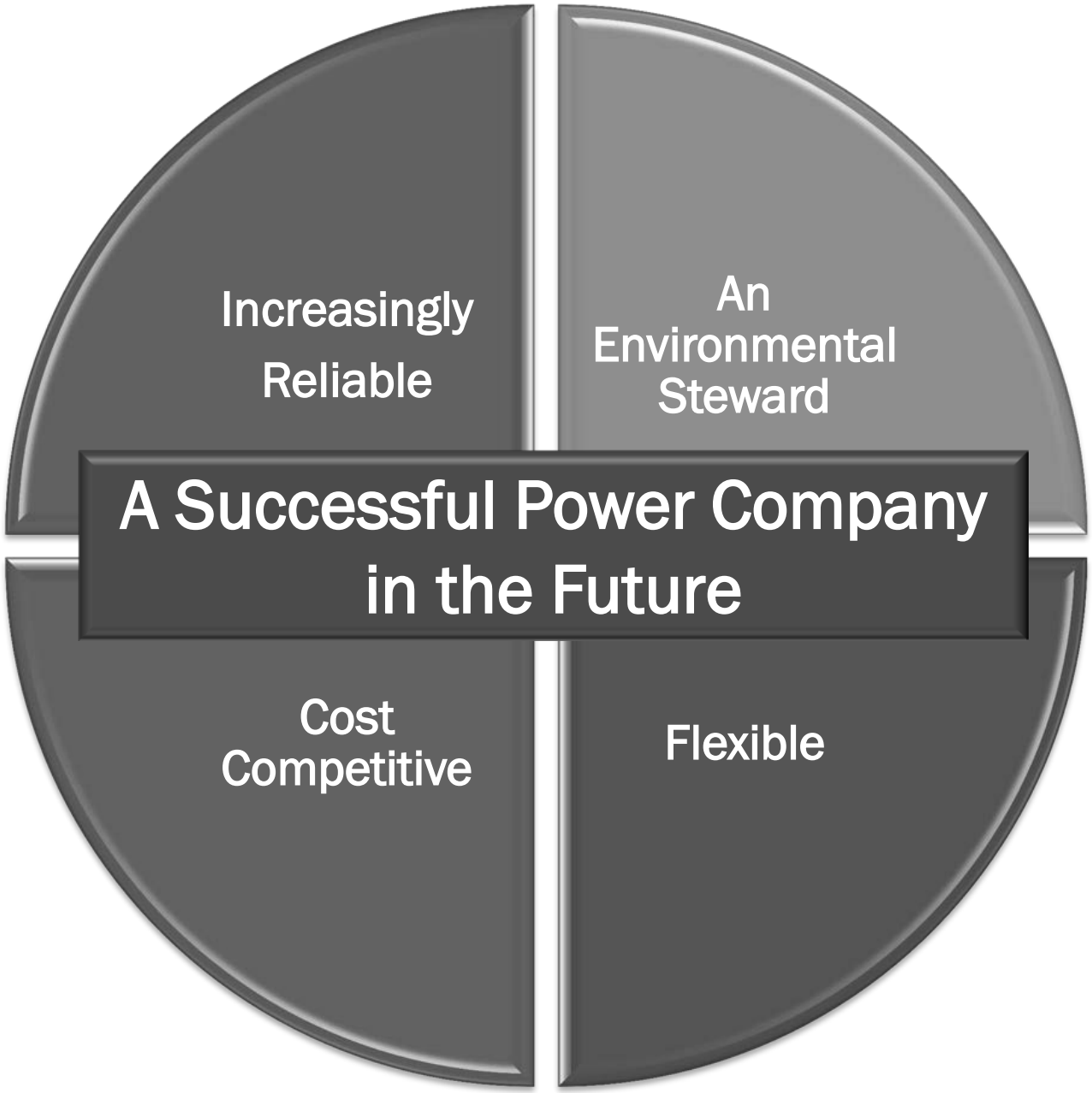
SI-SSA-0015-09167

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-09168



SI-SSA-0015-09169

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-09170

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-09171

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-09172

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-09173

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

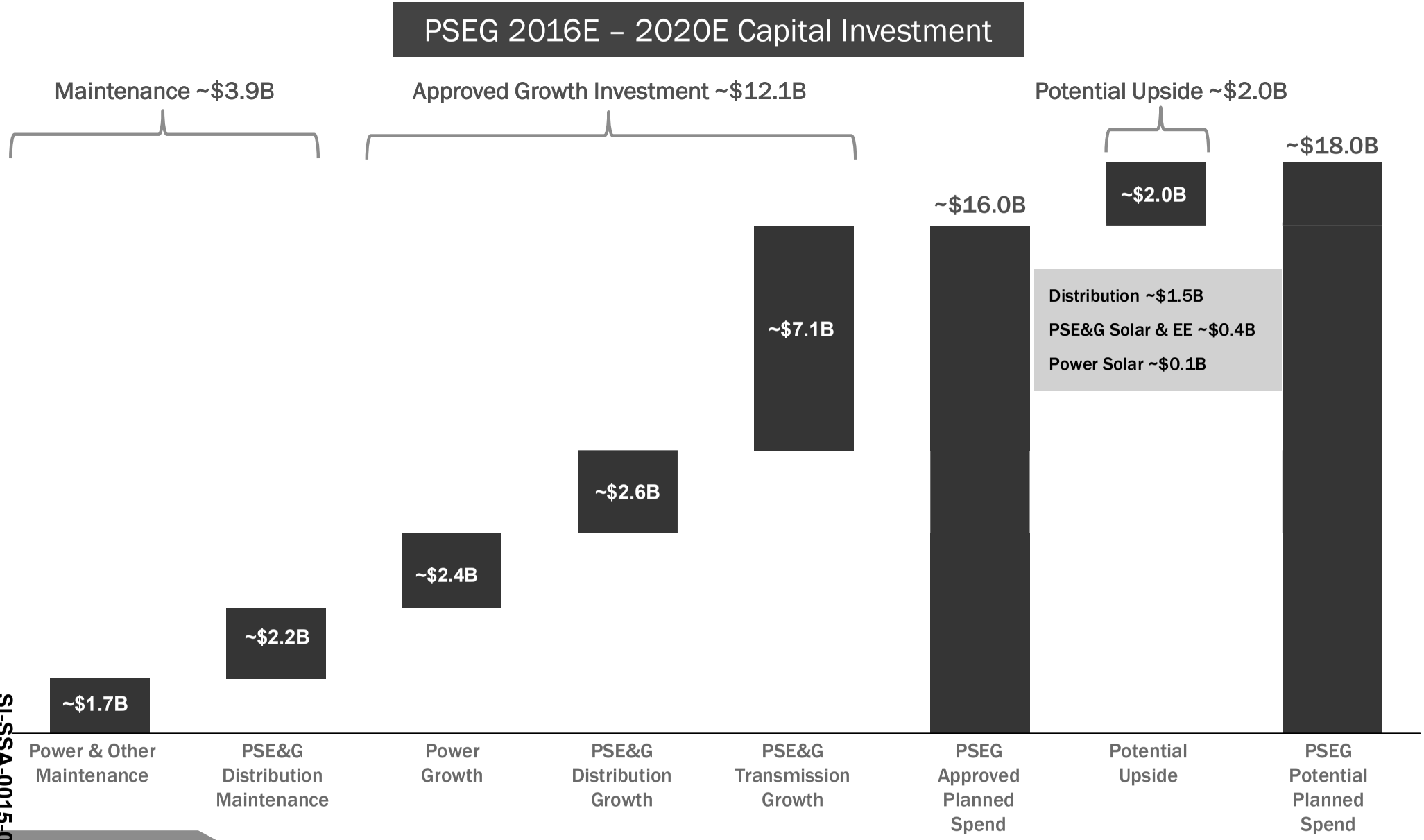
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-09174

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

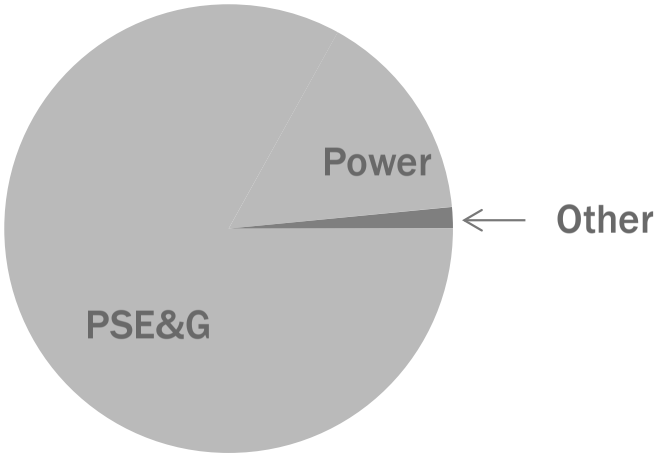
SI-SSA-0015-09175

We increased our Capital Program by $3B

since last year

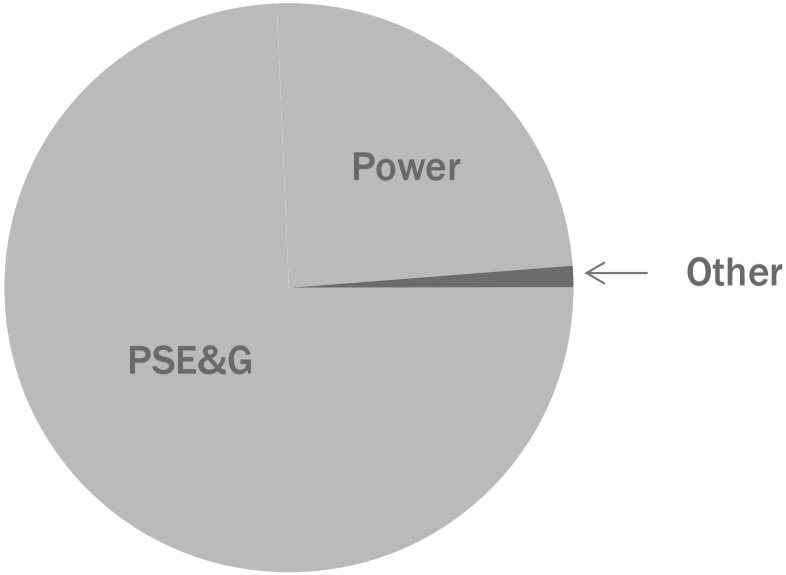
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

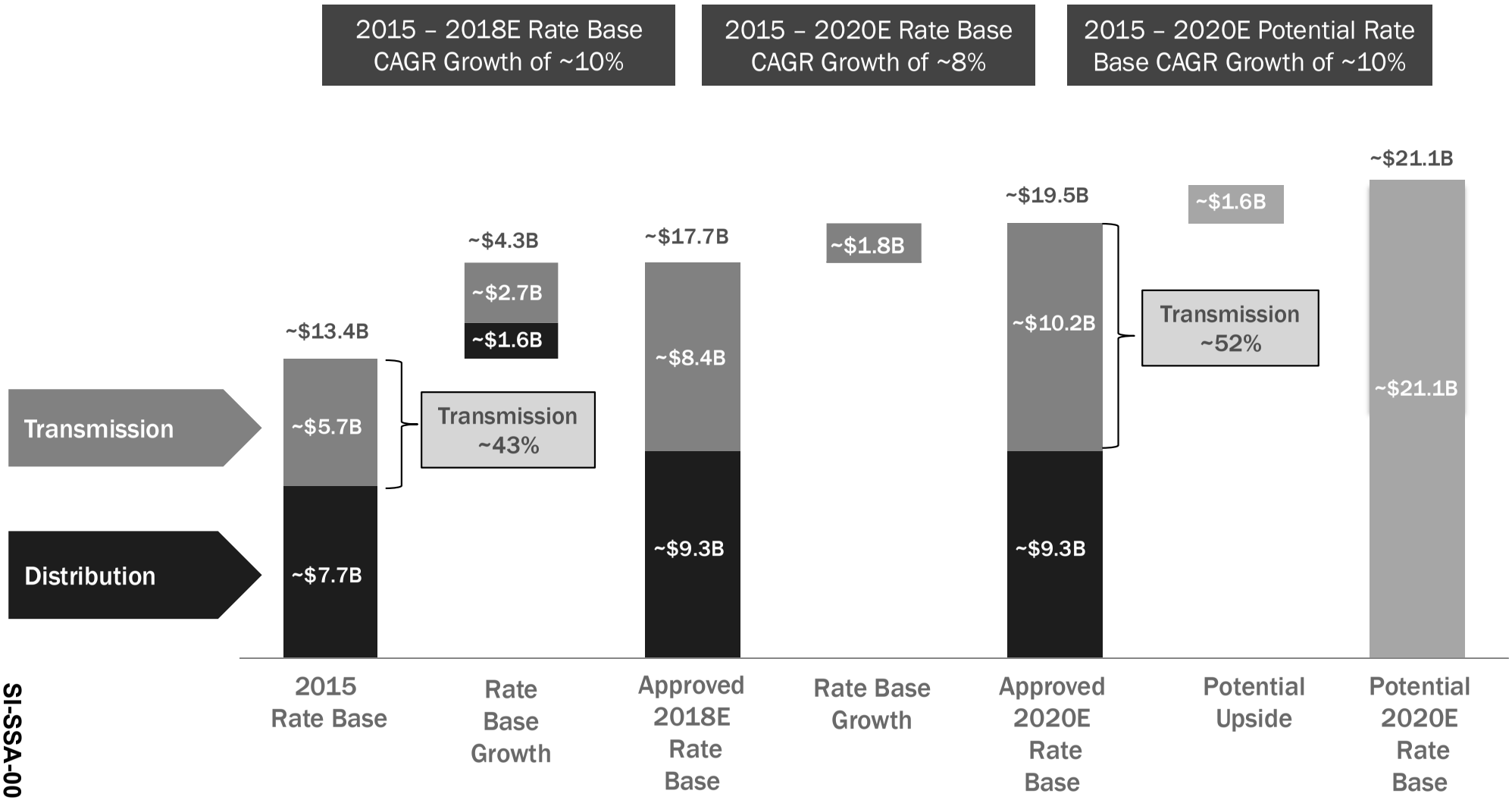


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-09176

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-09177

Bonus Depreciation adds $1.7B cash

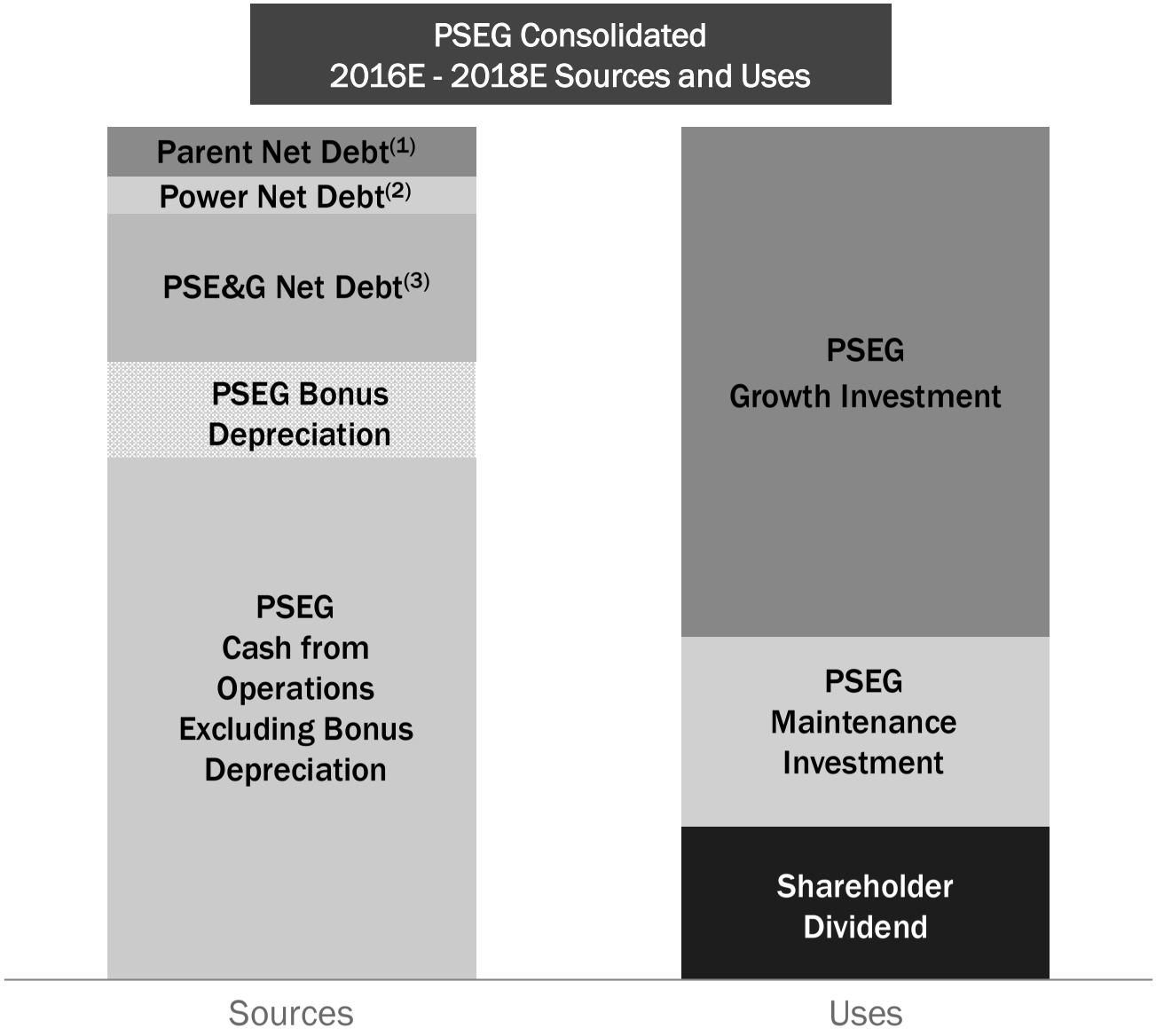
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-09178

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

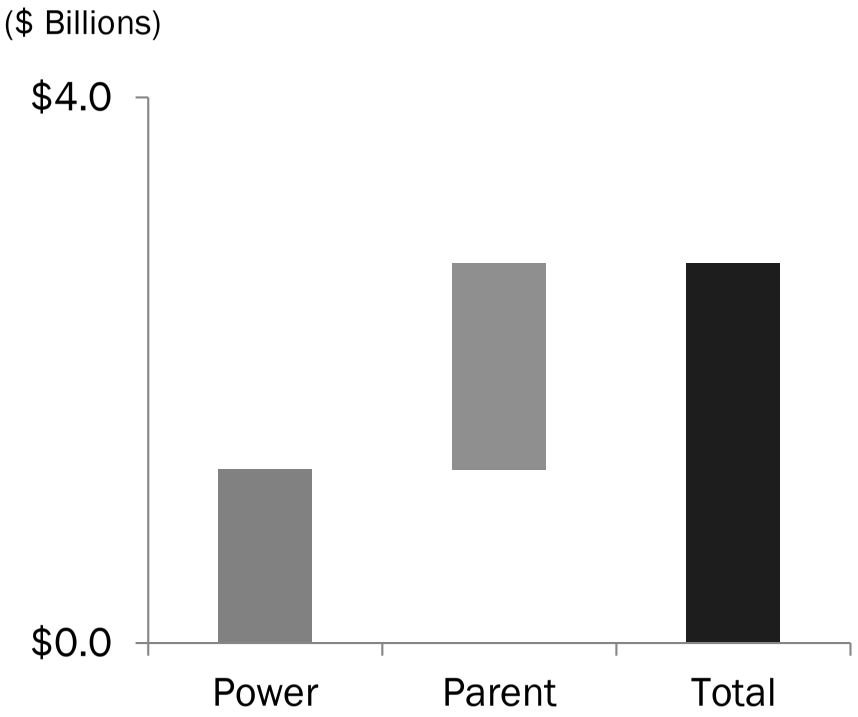
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

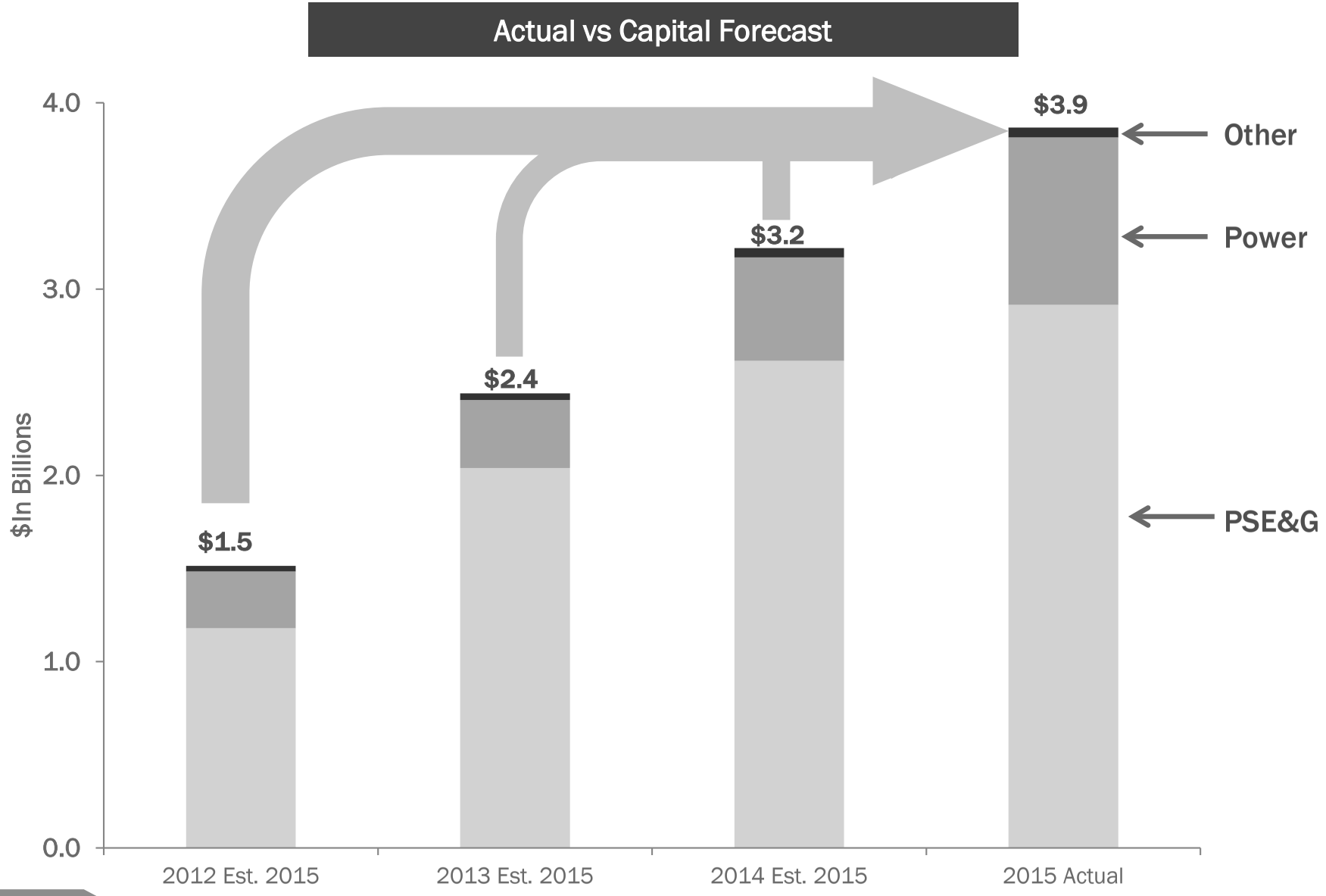
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

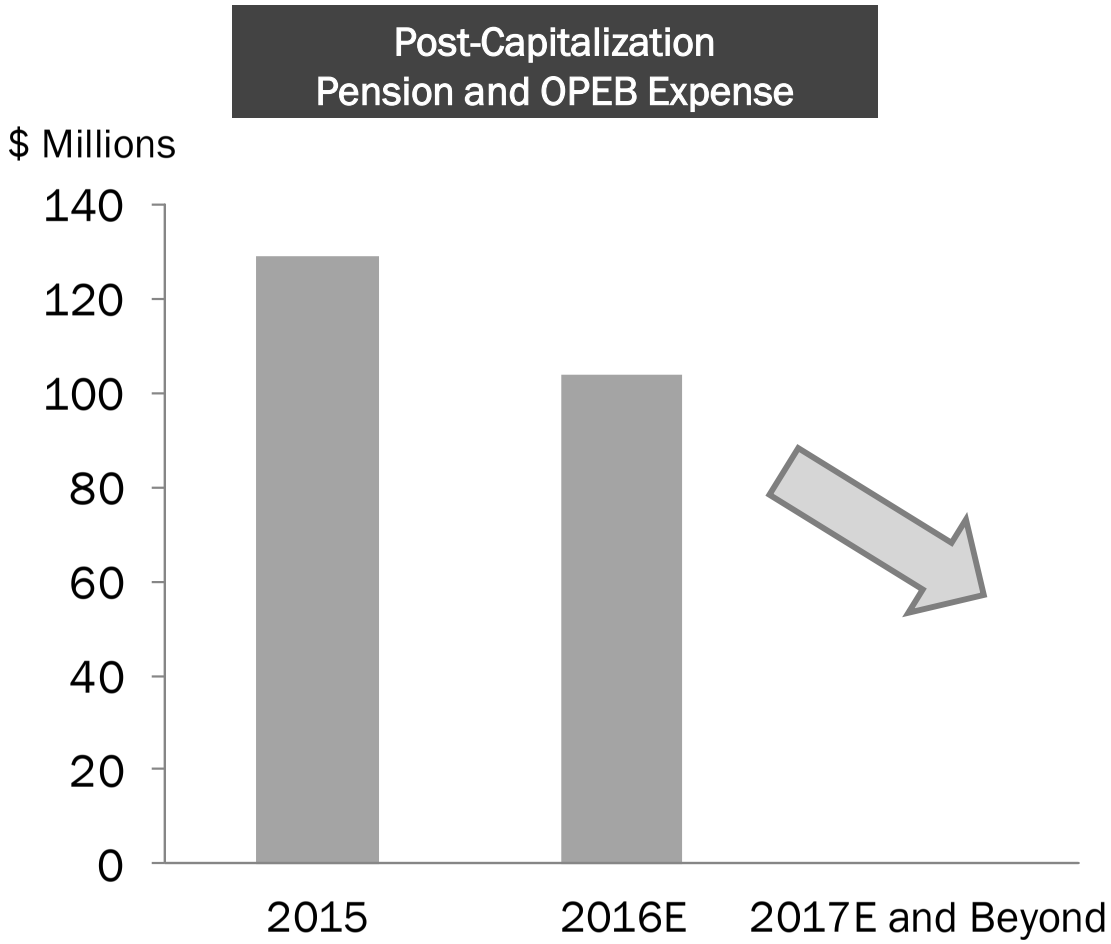
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-09181

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

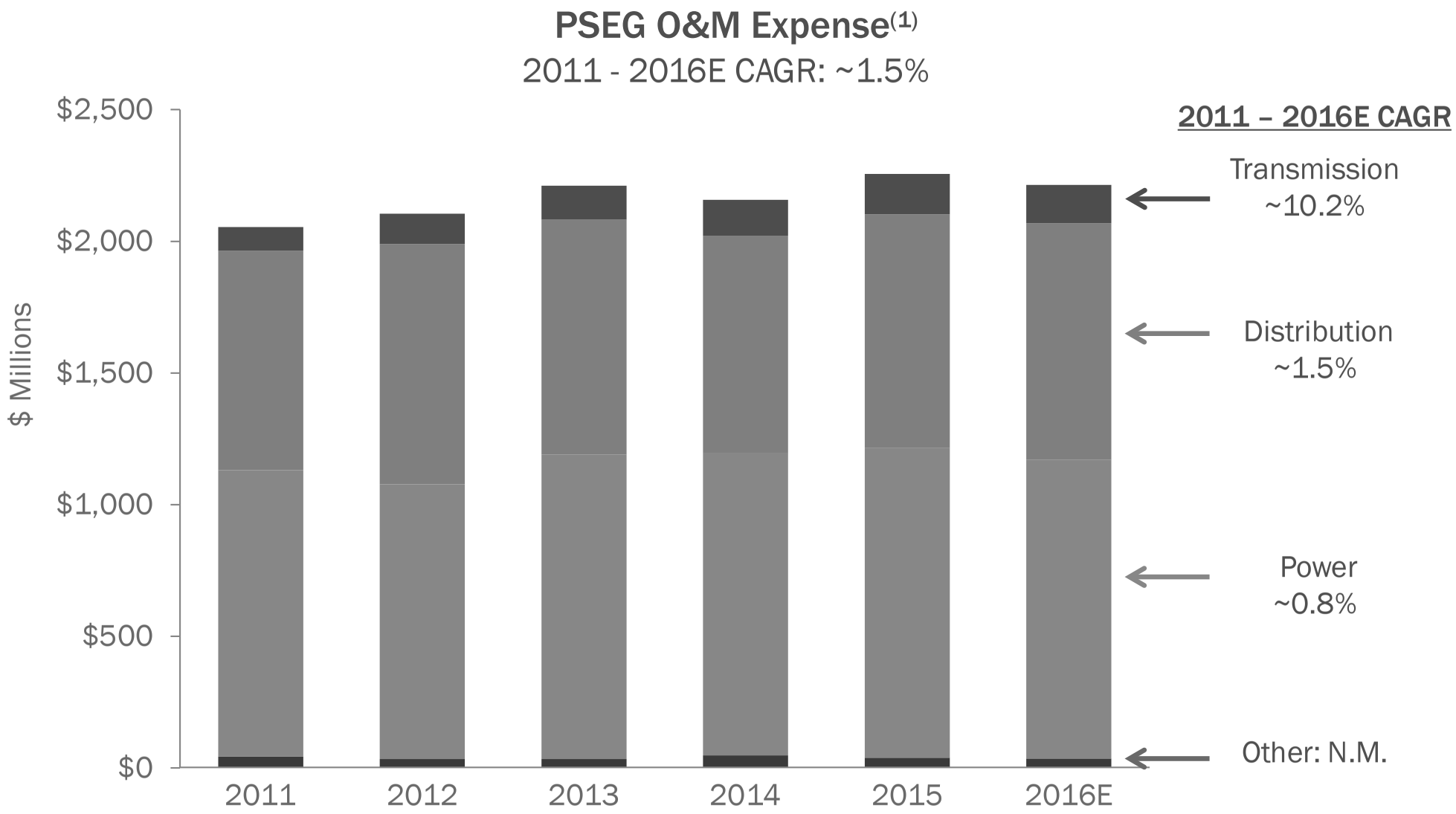


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-09182

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

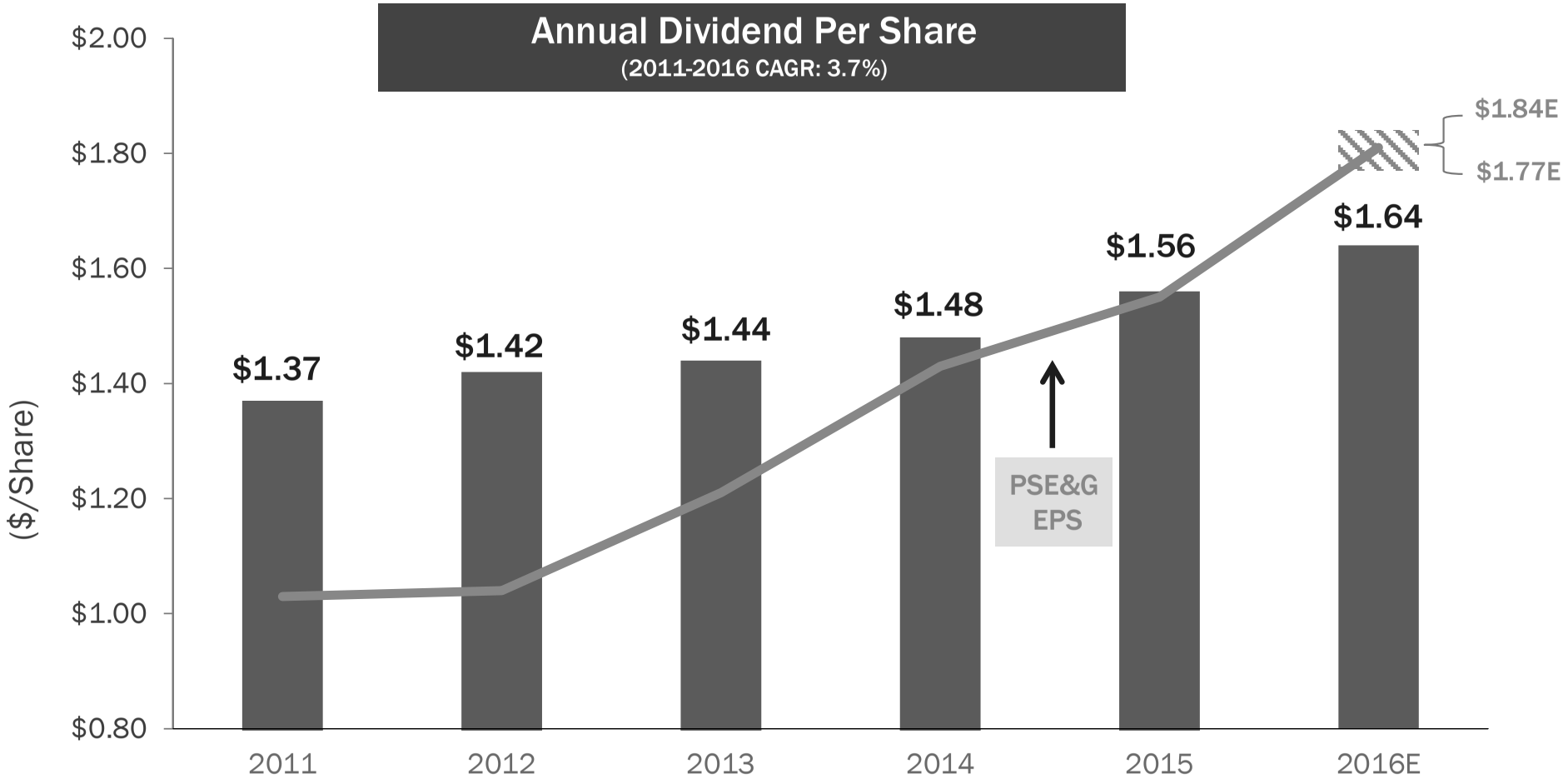


SI-SSA-0015-09183

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-09184

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-09185

PSEG Summary

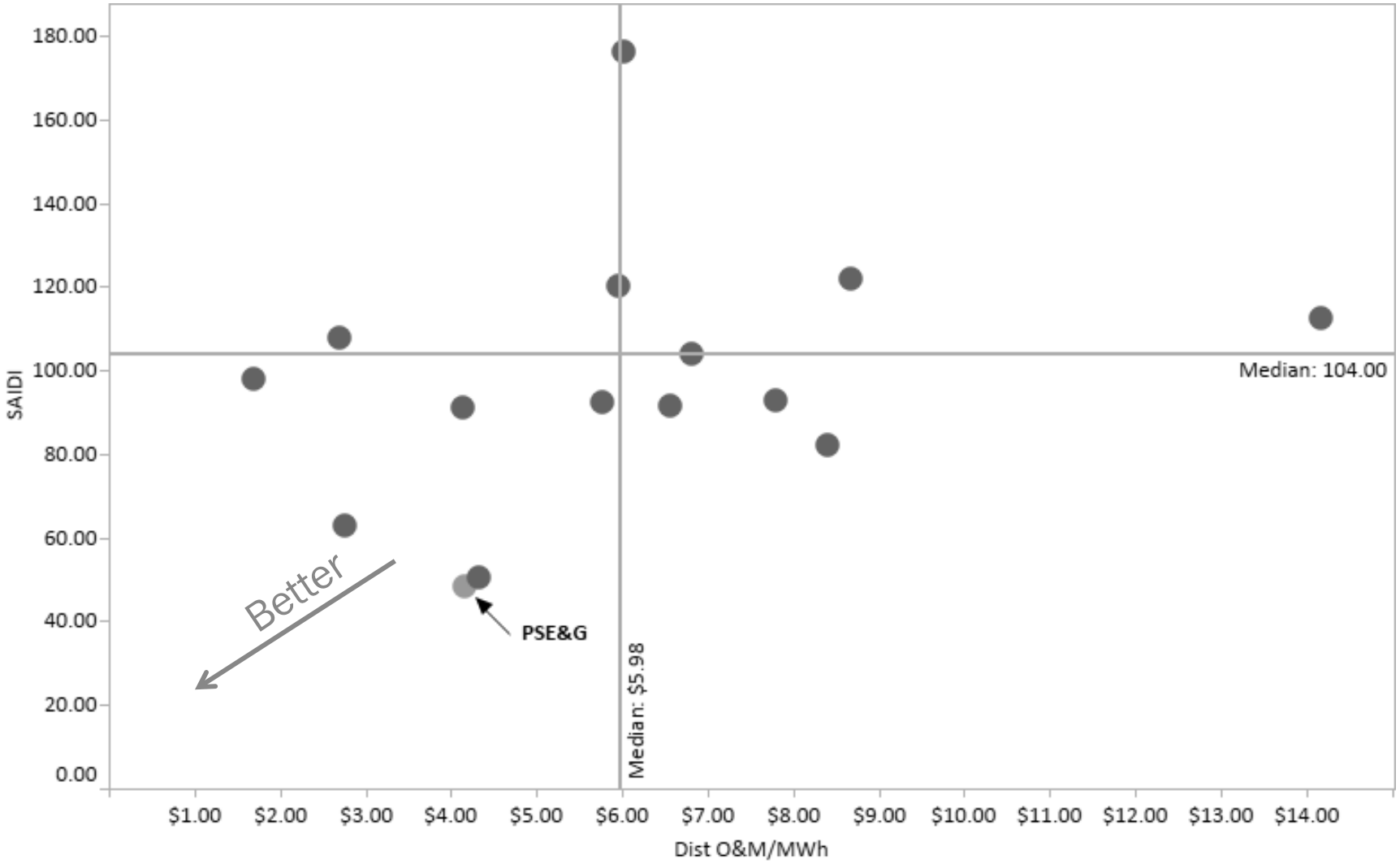
- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-09186

PSE&G APPENDIX

SI-SSA-0015-09187

PSE&G provides high reliability at below average cost which creates superior value for customers

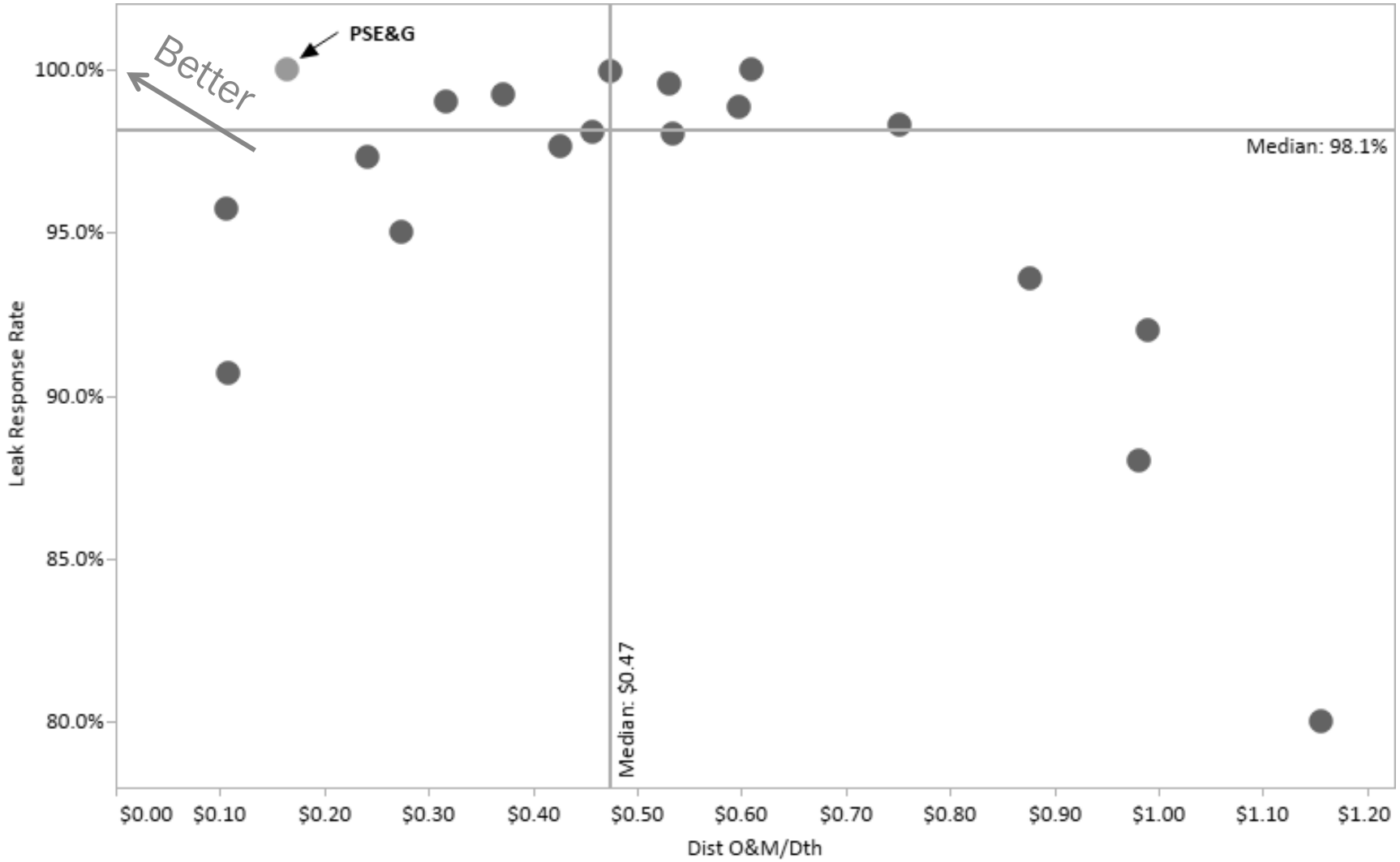


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-09188

PSE&G prioritizes public safety

while maintaining value for customers



SI-SSA-0015-09189

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-09190

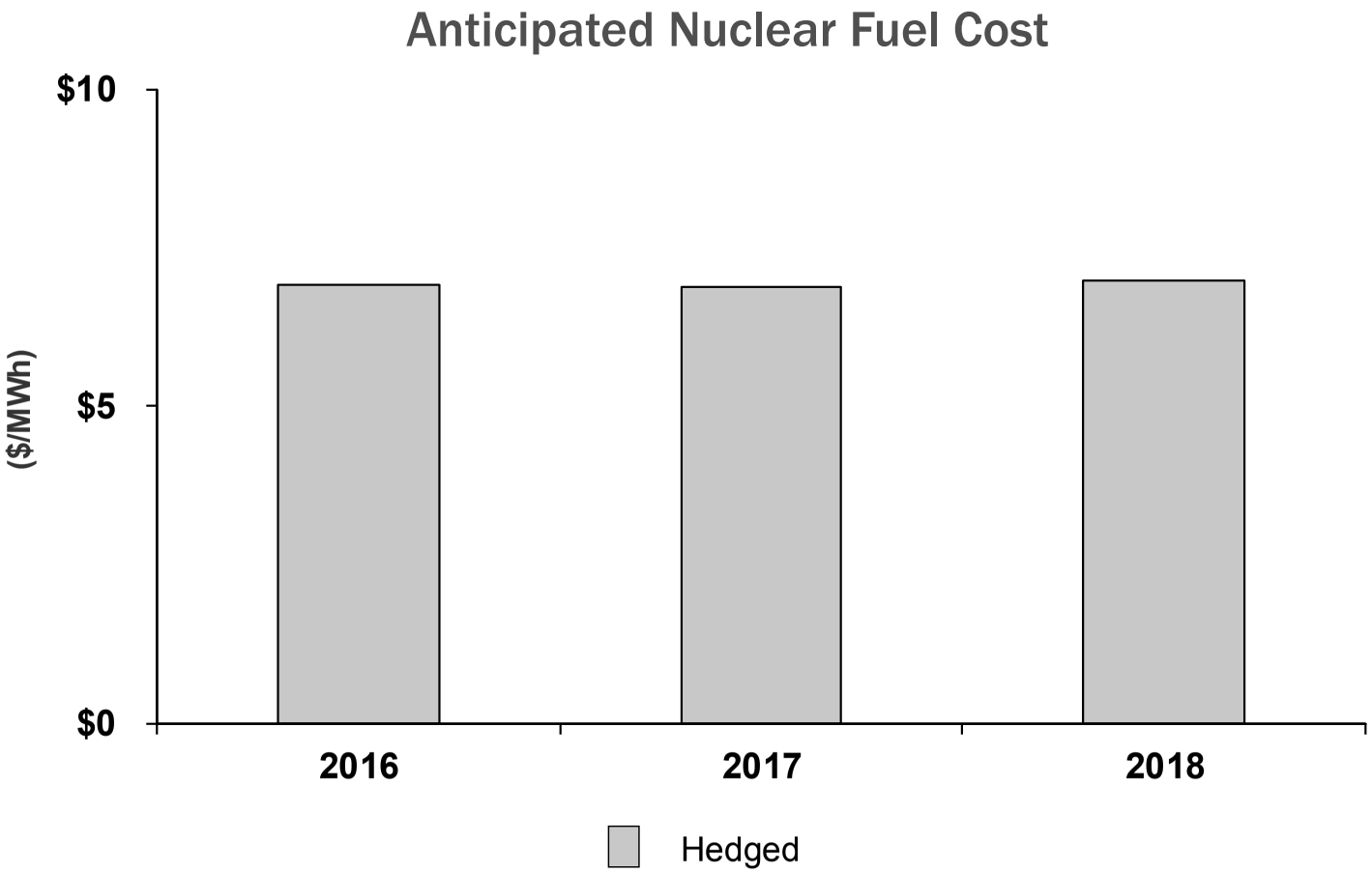
PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-09191

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-09192

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-09193

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09194

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-09195

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

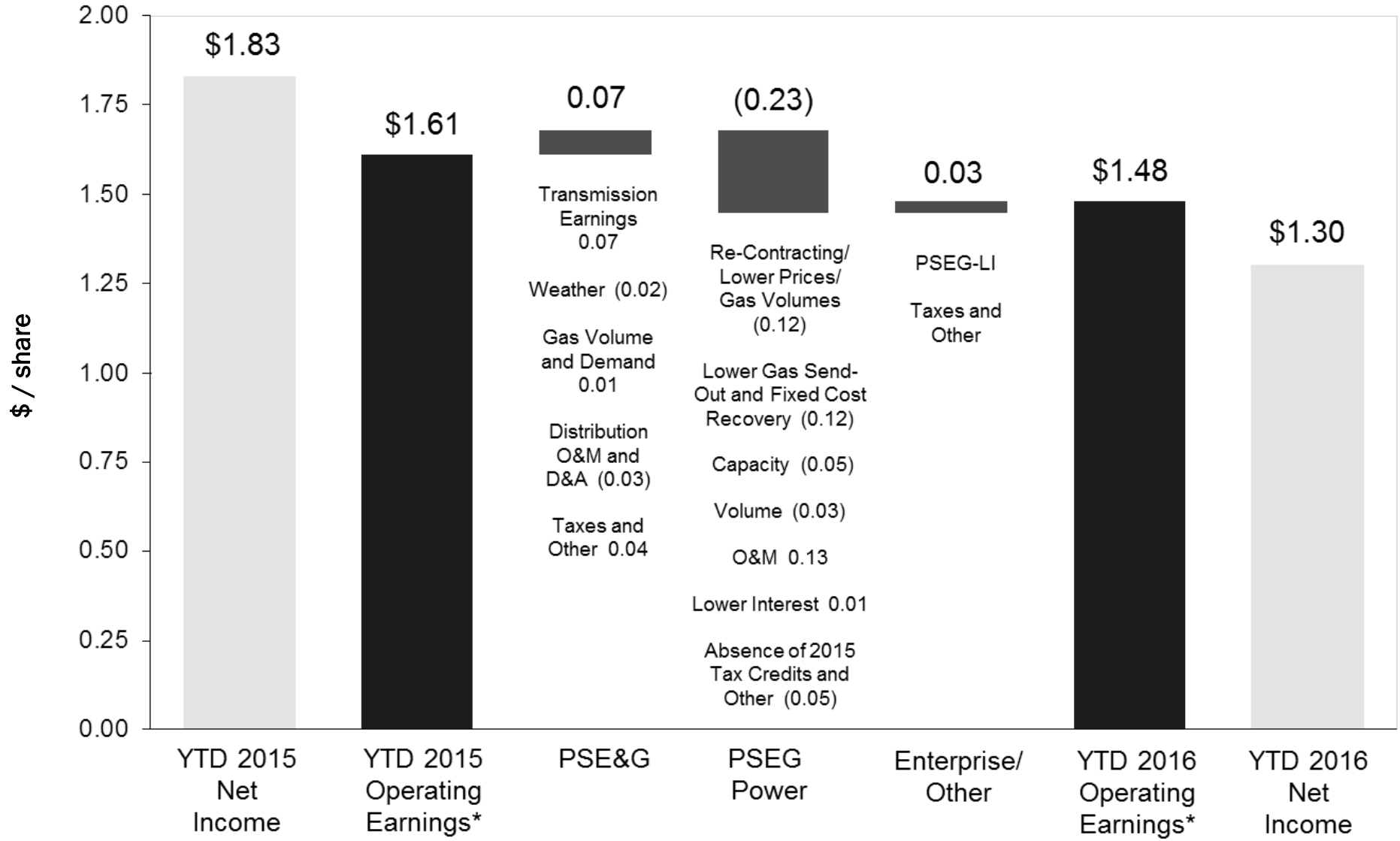
	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

SI-SSA-0015-09196

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



SI-SSA-0015-09197

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	**$24.2**	**$15.5**	**$9.2**
Total Debt / Capitalization	**45%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.4%

SI-SSA-0015-09198

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-09199

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

SI-SSA-0015-09200

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-09202

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Summary

GOLDMAN SACHS INVESTOR MEETINGS
BOSTON – MARCH 10, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09204

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-09205

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-09206

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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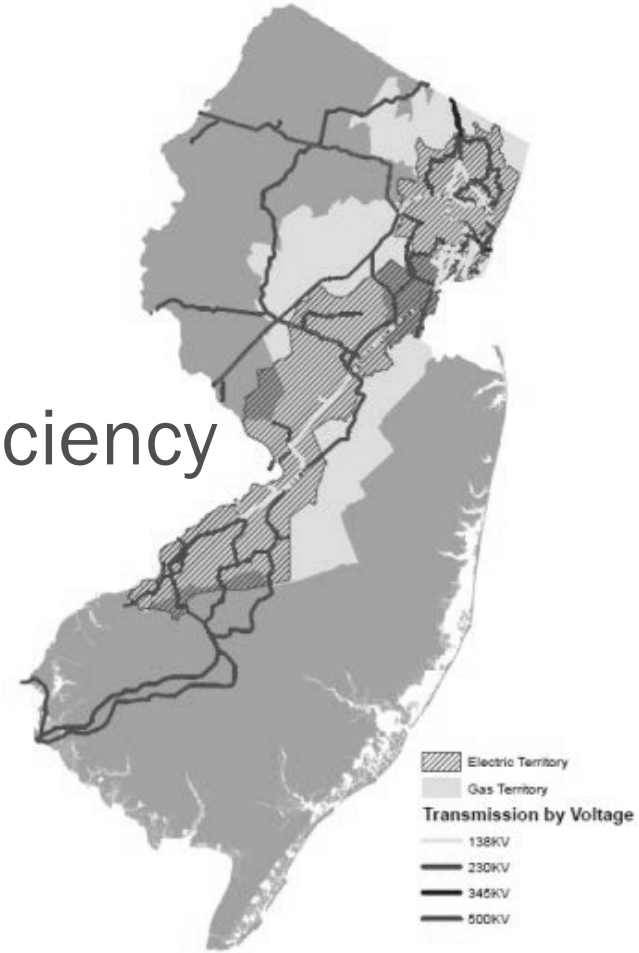
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

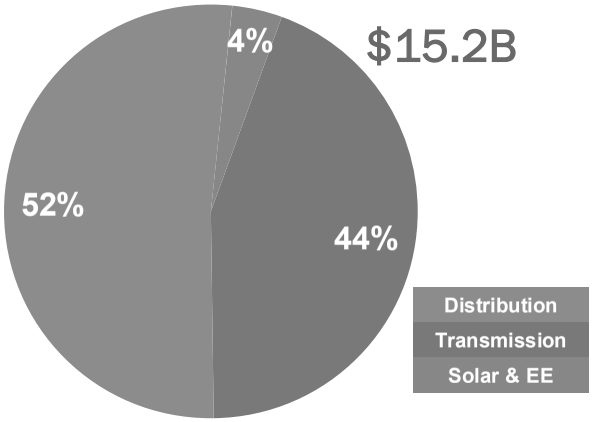
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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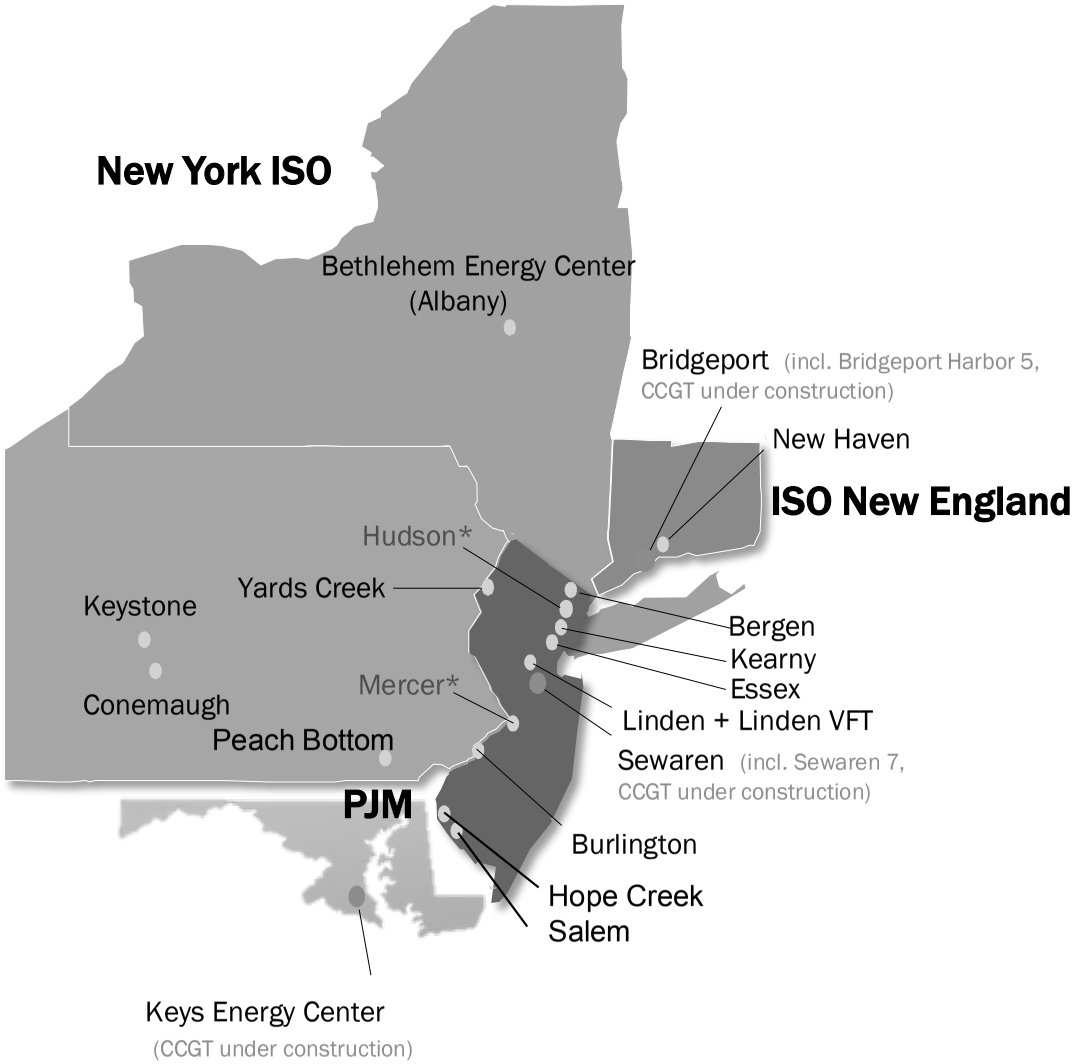
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-09209

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

SI-SSA-0015-09210

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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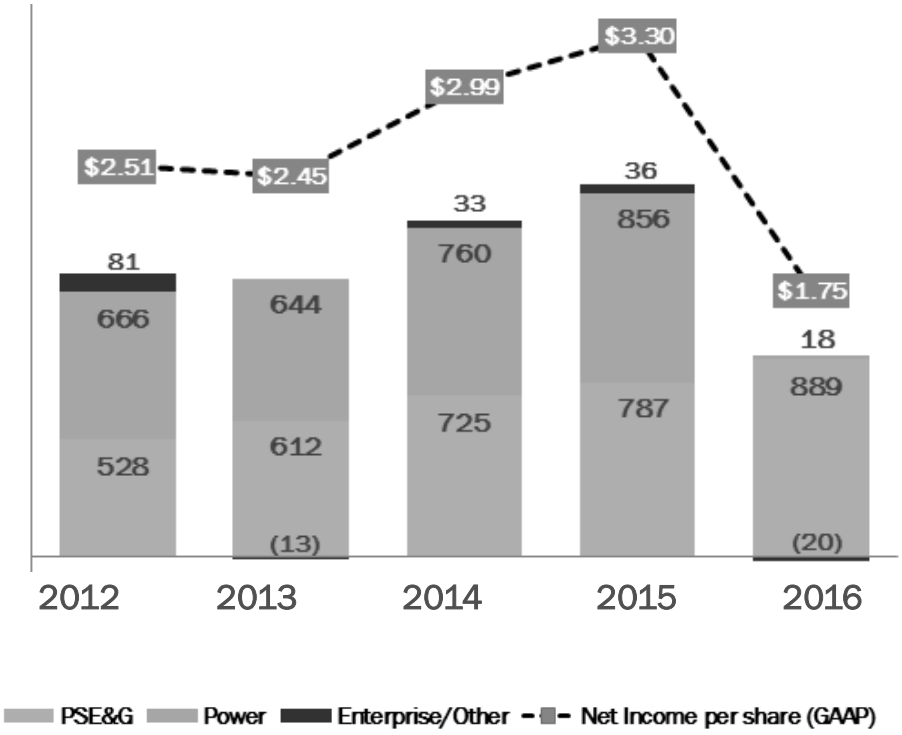
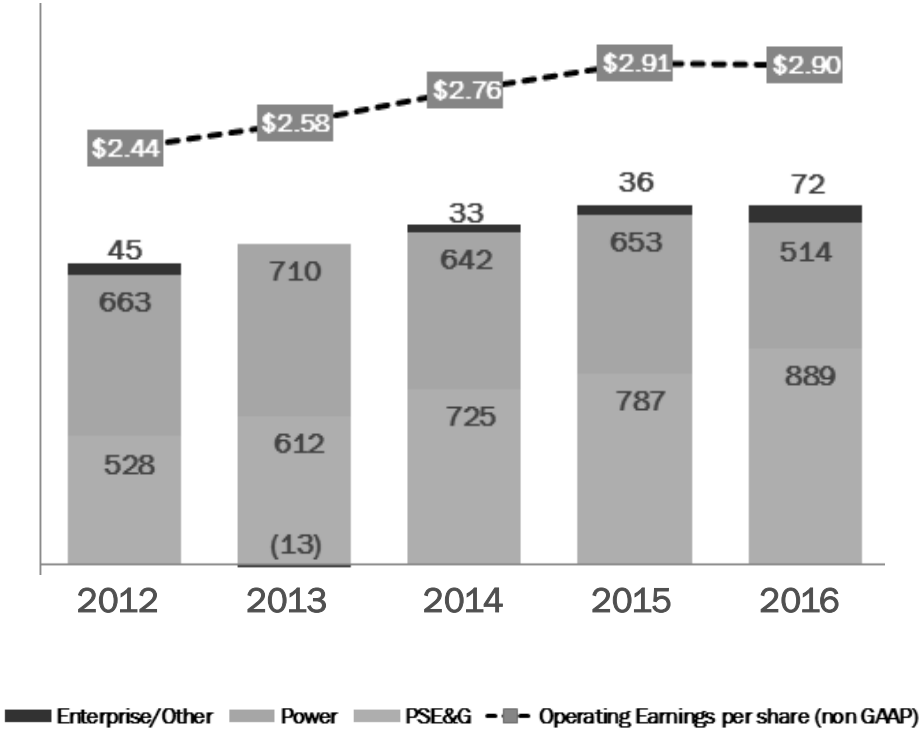
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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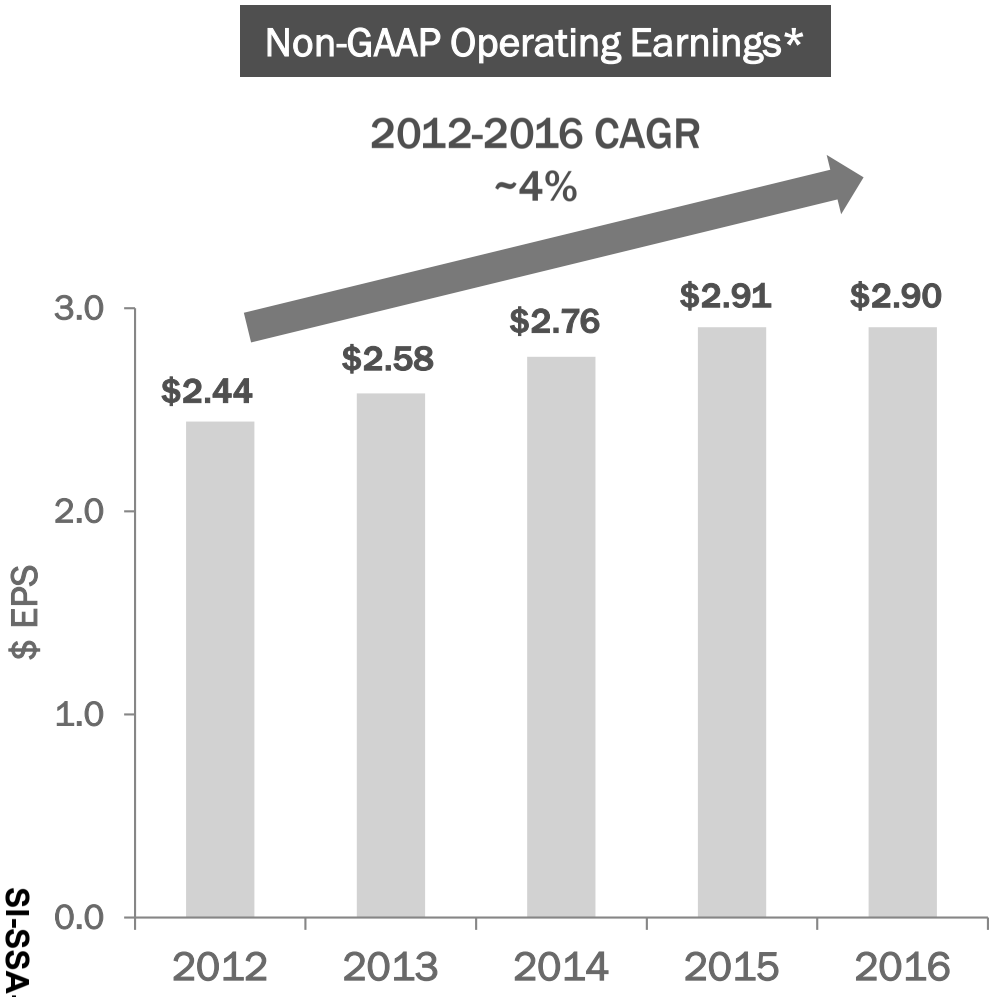
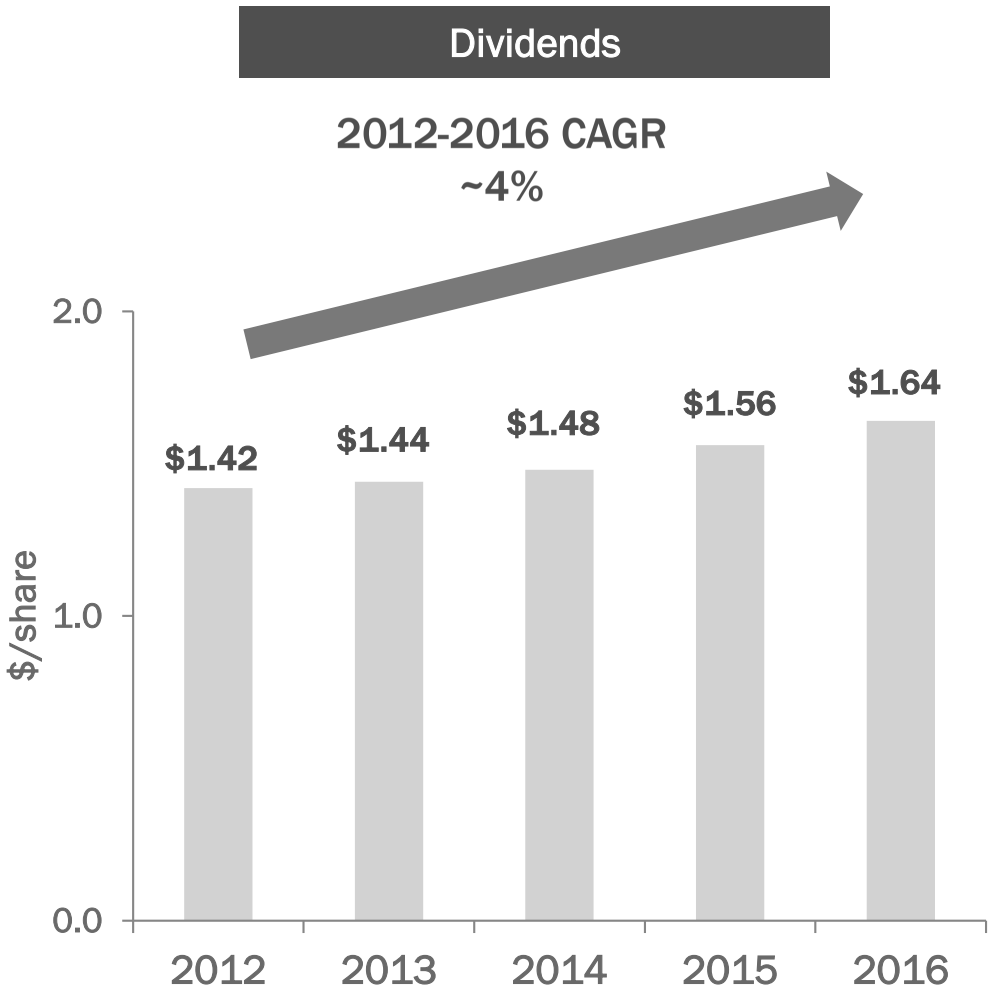
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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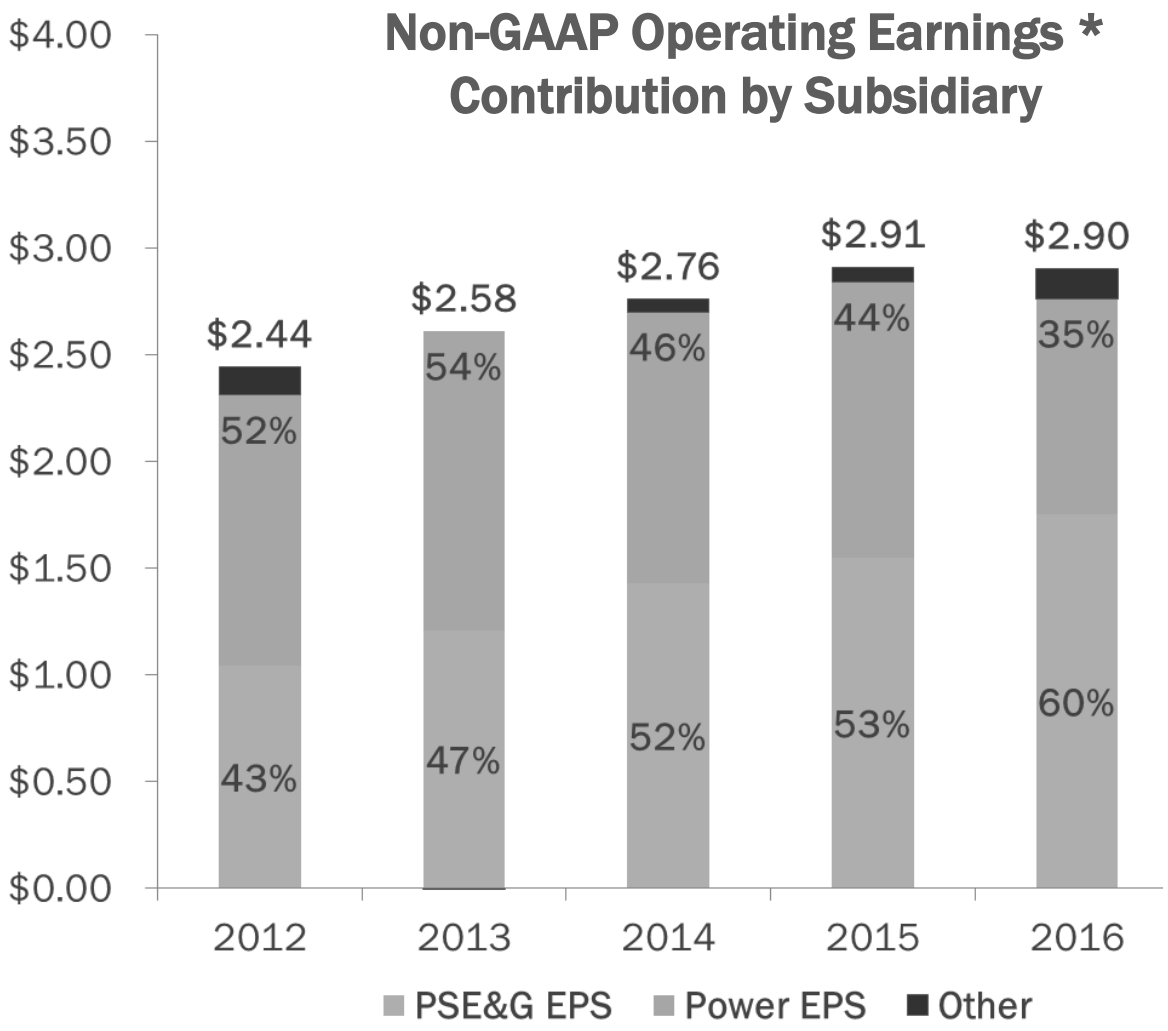
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G represented 60% of PSEG's 2016 non-GAAP Operating Earnings



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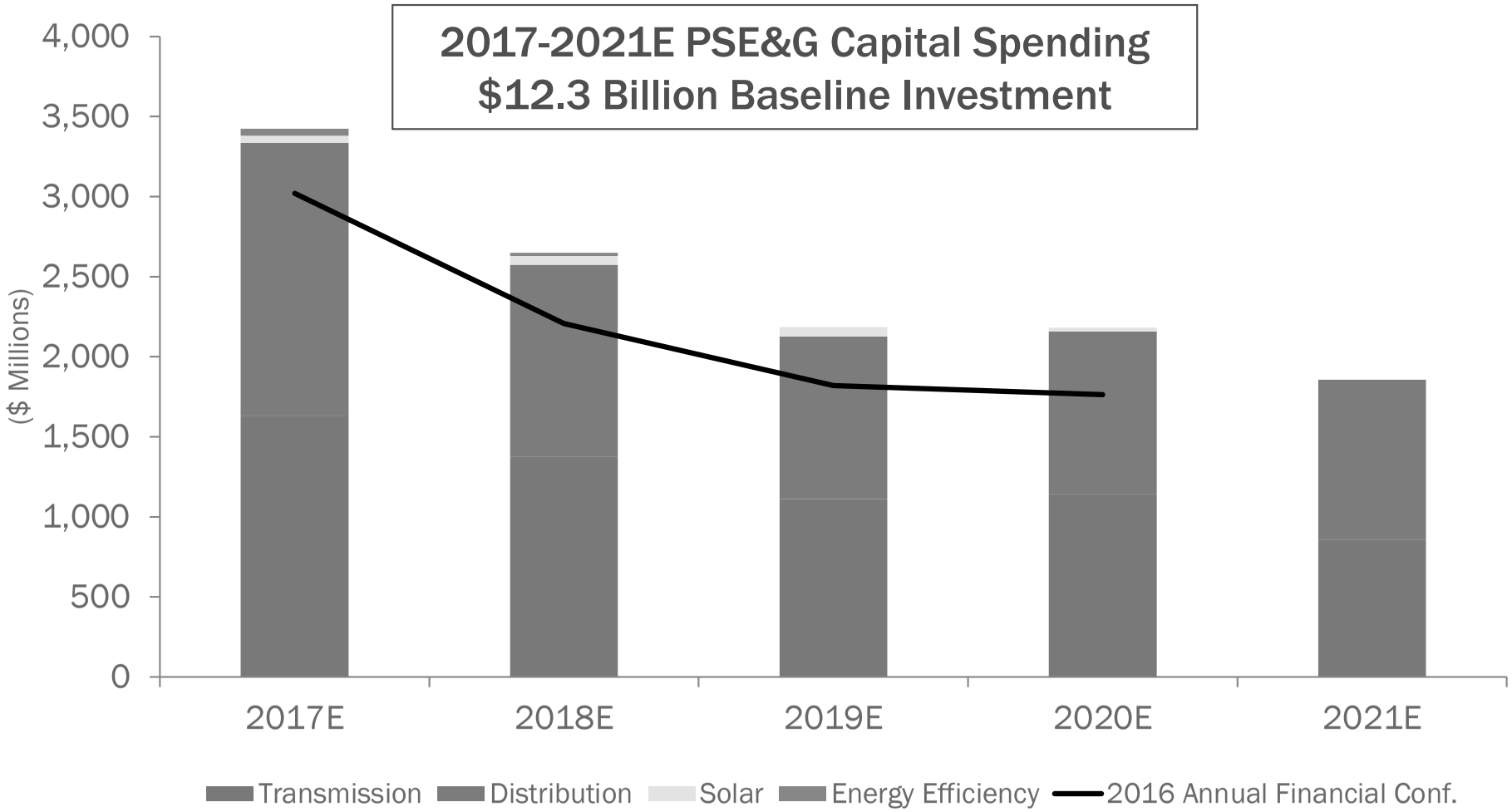
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. E= ESTIMATE.

Baseline programs yield 7% compound annual growth in rate base



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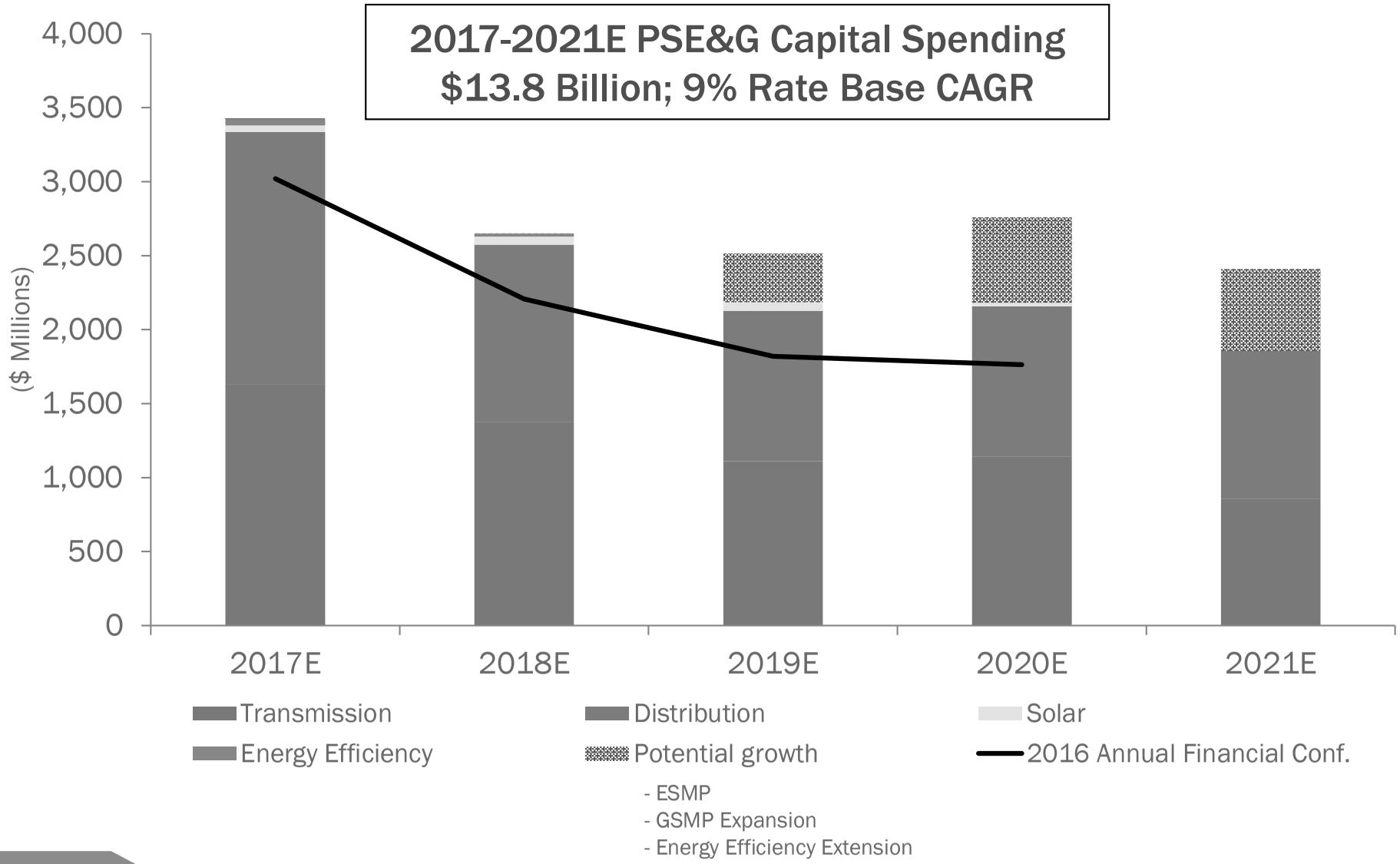
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

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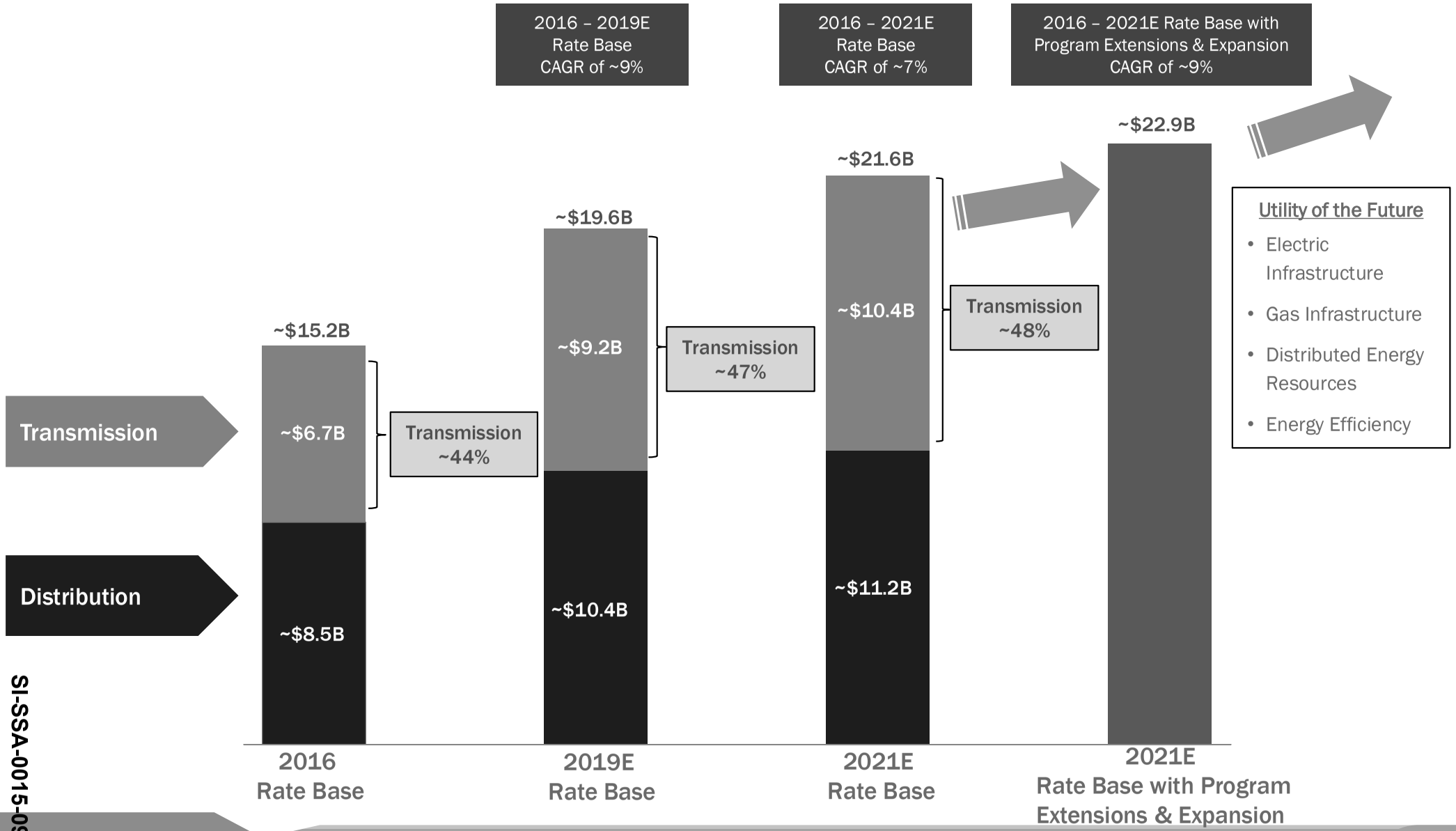
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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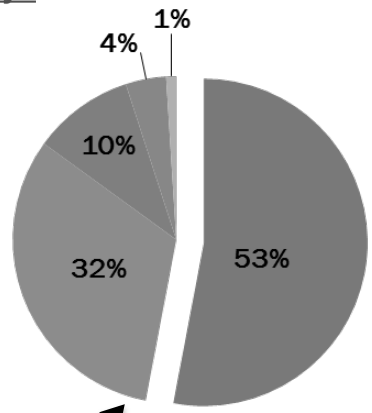
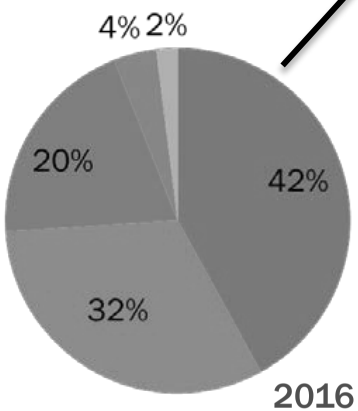
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

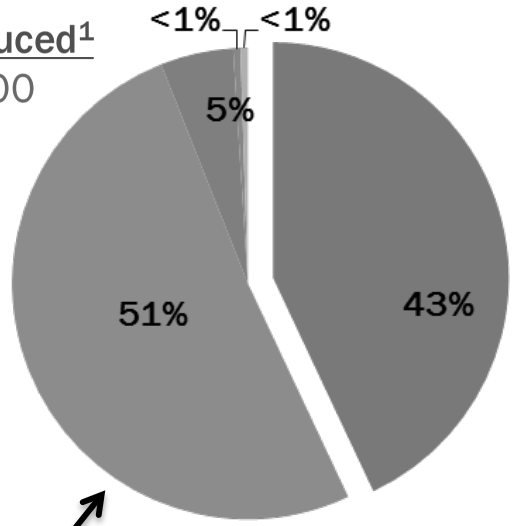
2021E Fuel Diversity[1]
Total MW: 11,900



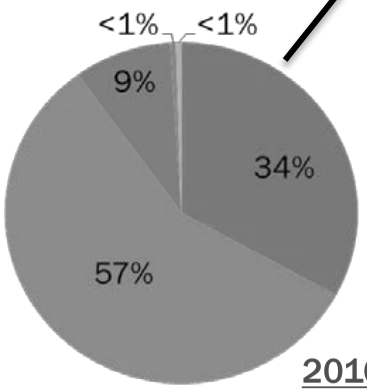
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



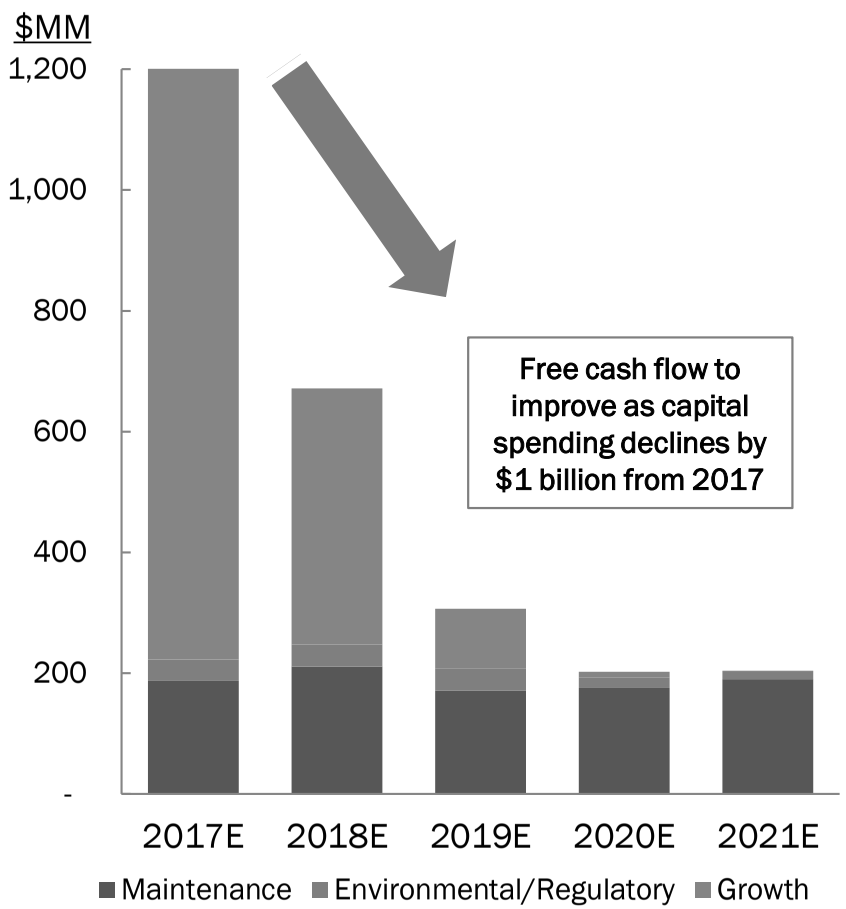
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Produced increases by >18%

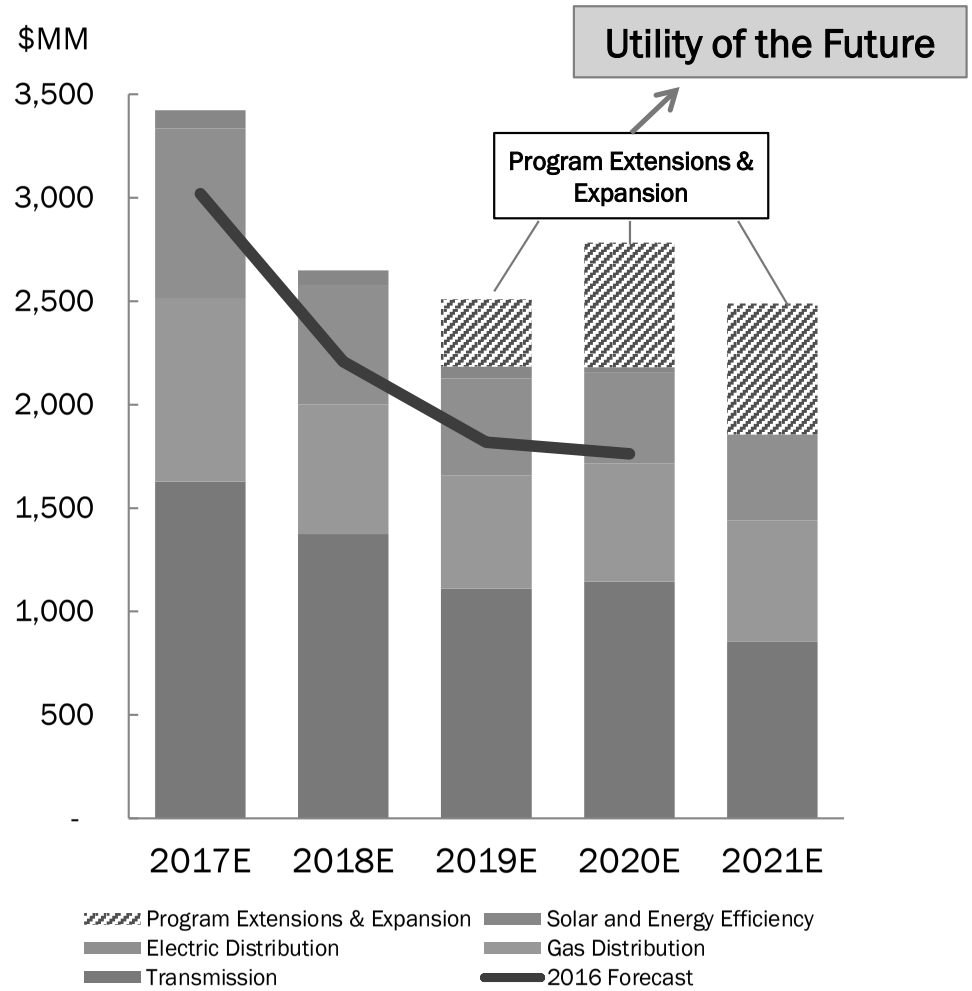
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



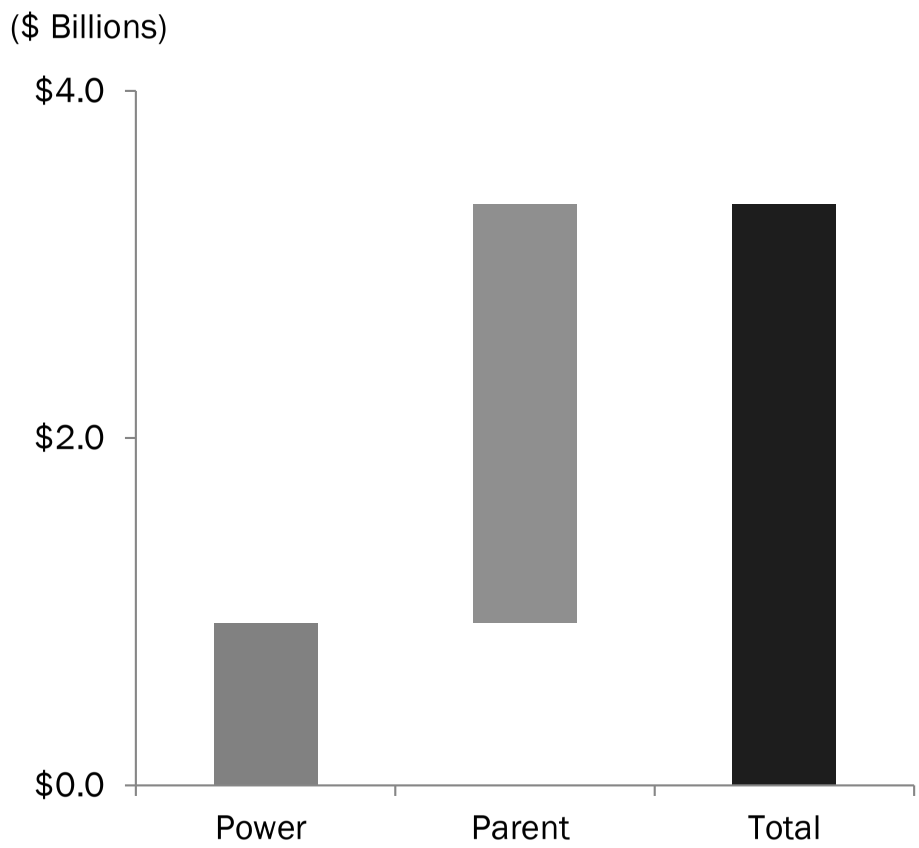
(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

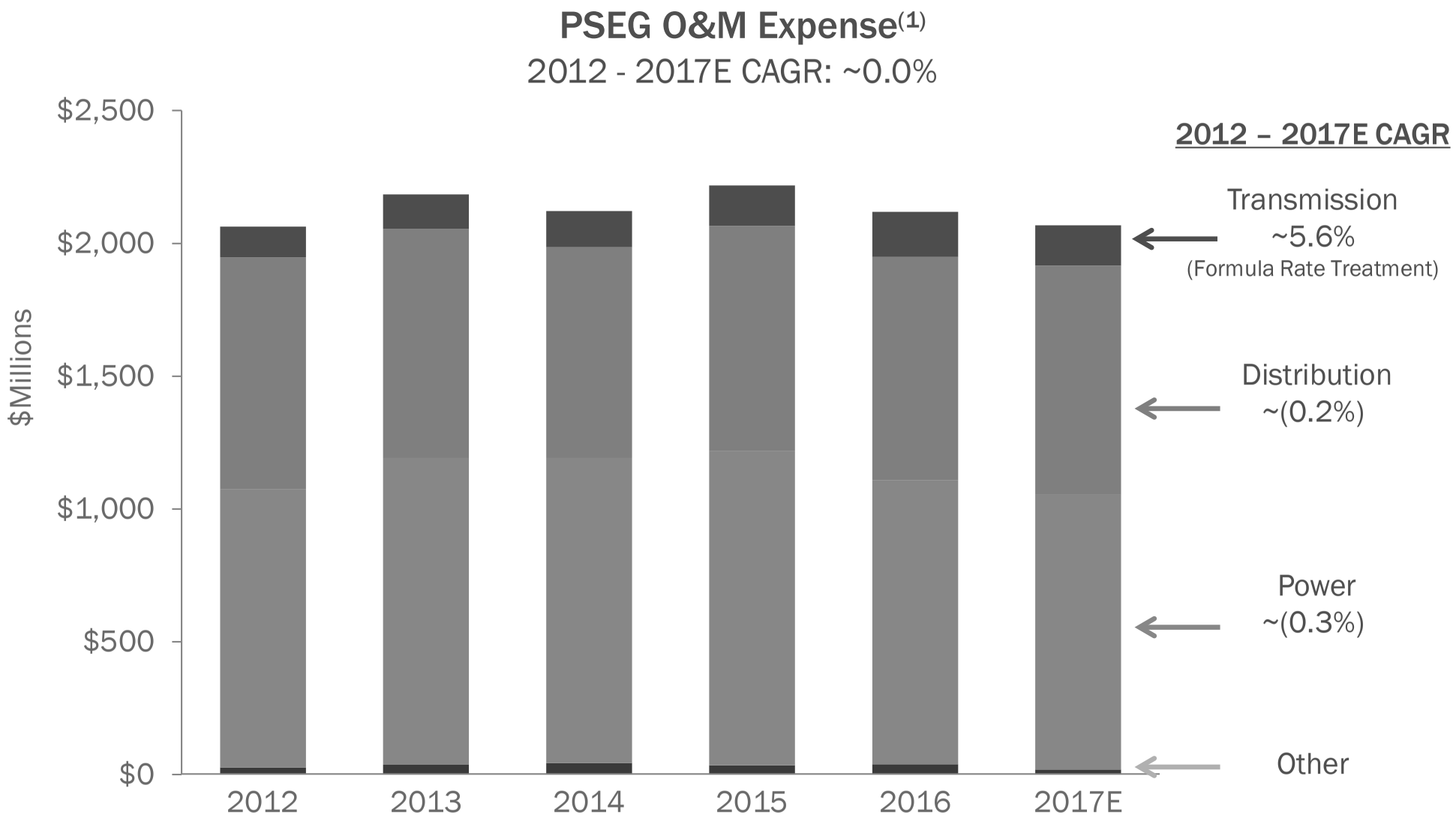
Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-09221

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-09222

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

SI-SSA-0015-09223

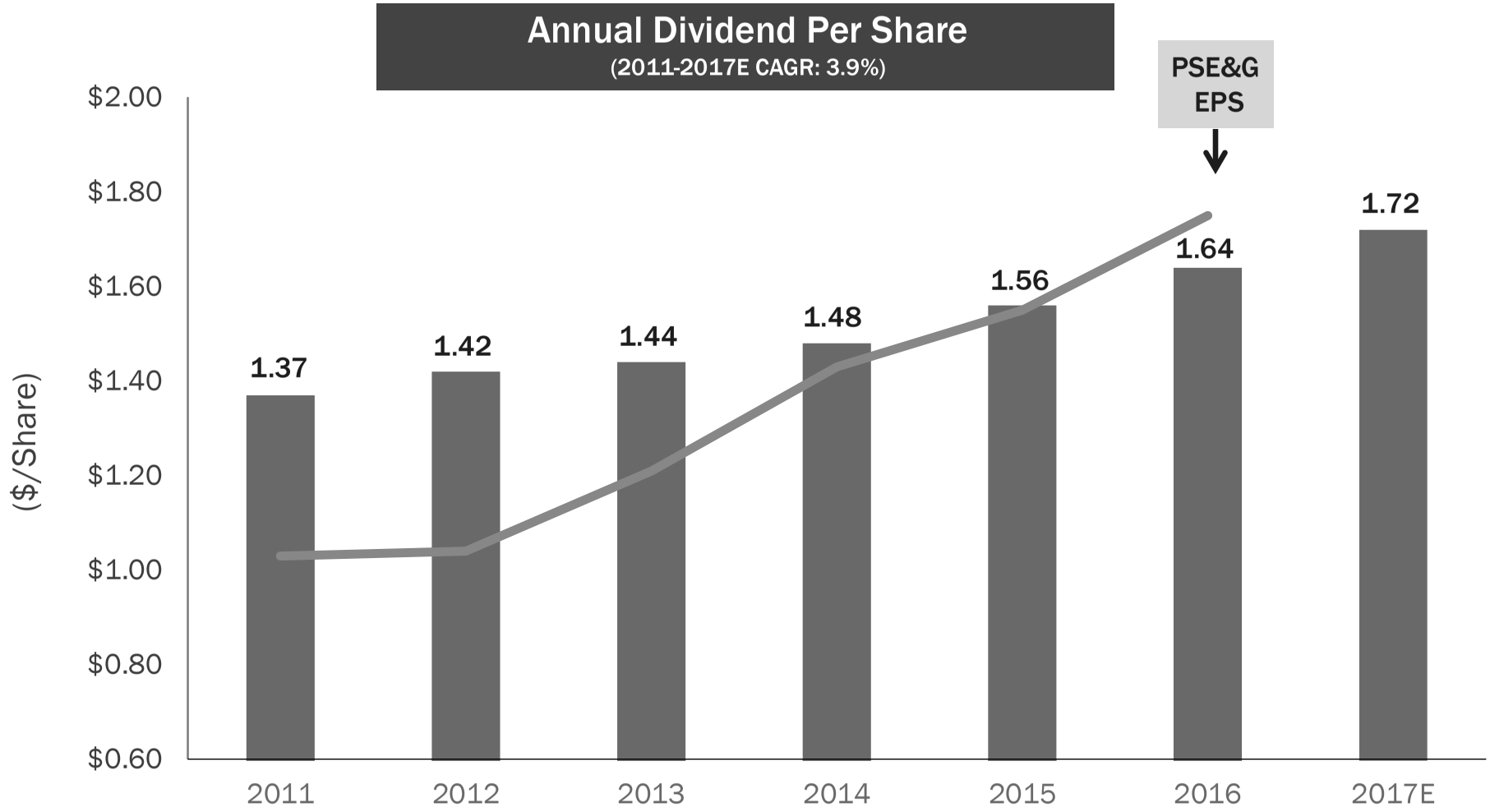
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-09224

Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-09226

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-09228

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

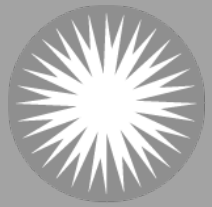
PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Goldman Sachs Power, Utilities, MLPs & Pipelines Conference

AUGUST 10, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09230

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

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PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-09233

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-09234

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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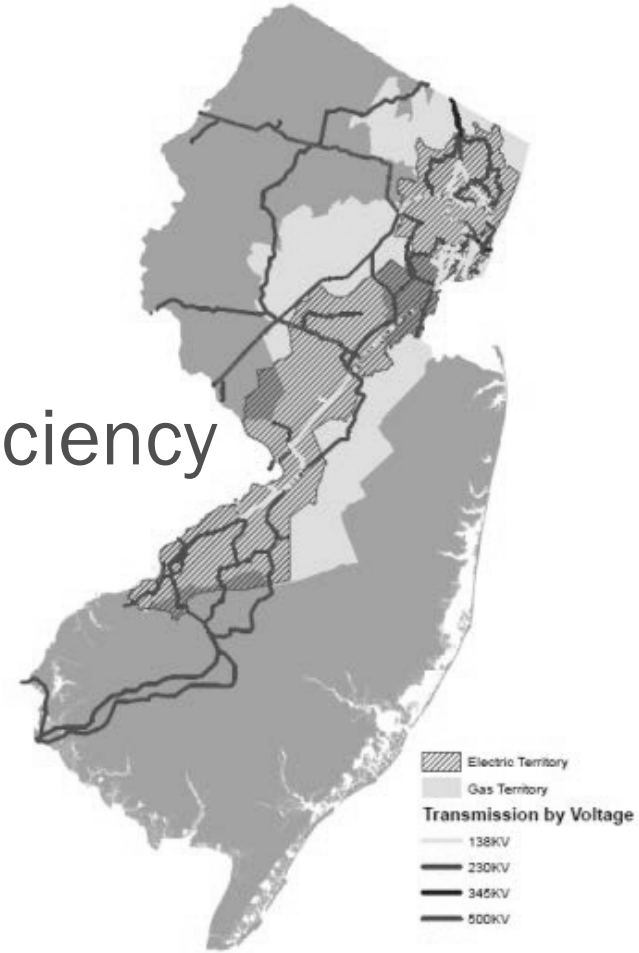
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

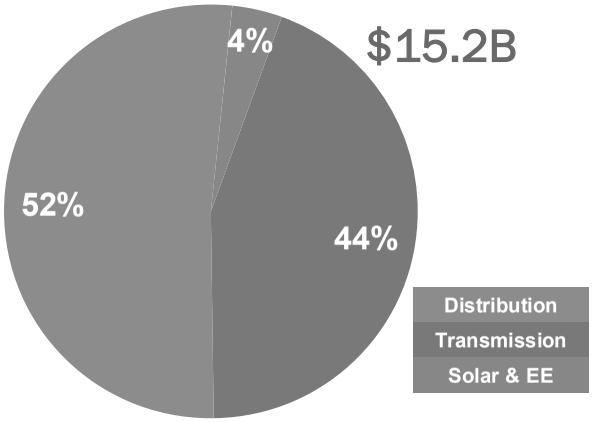
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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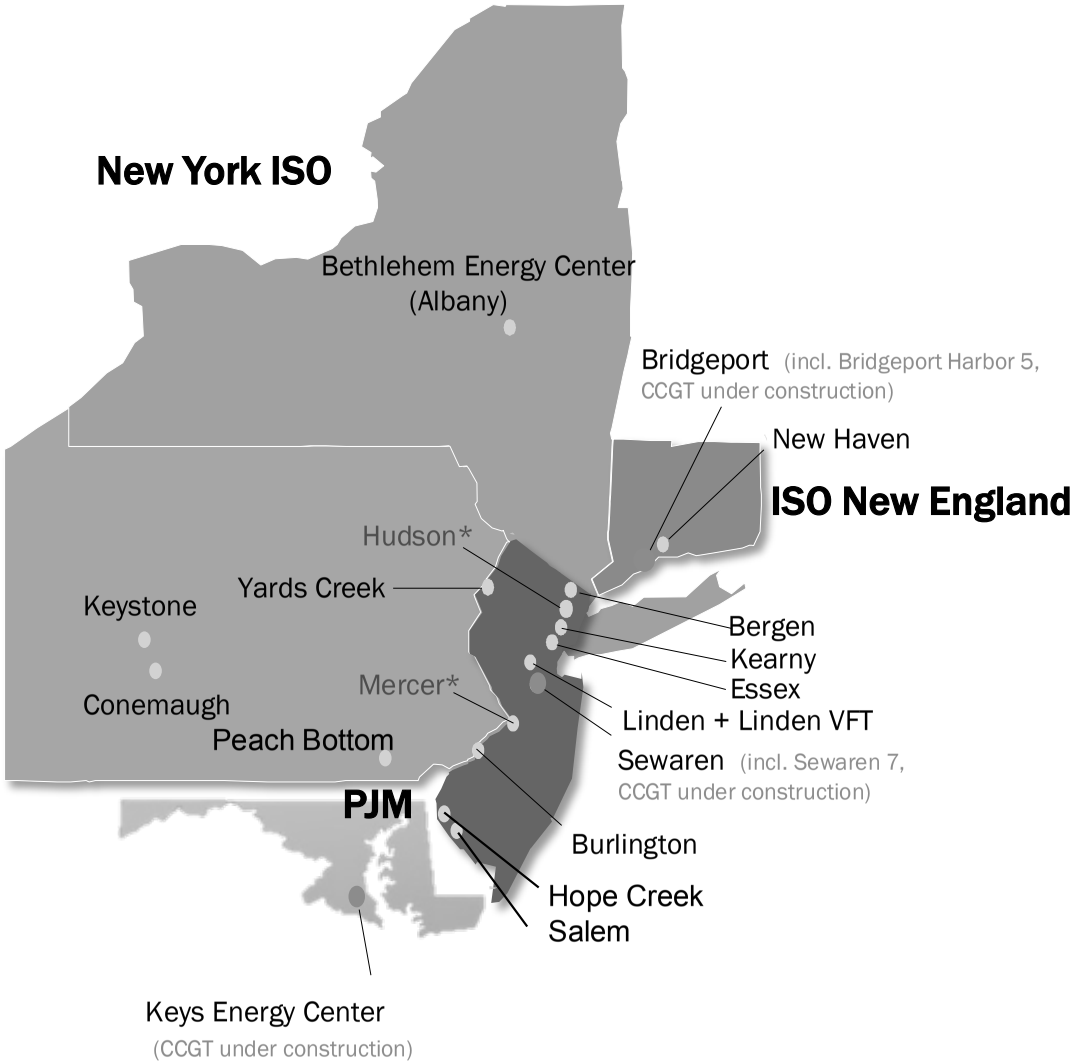
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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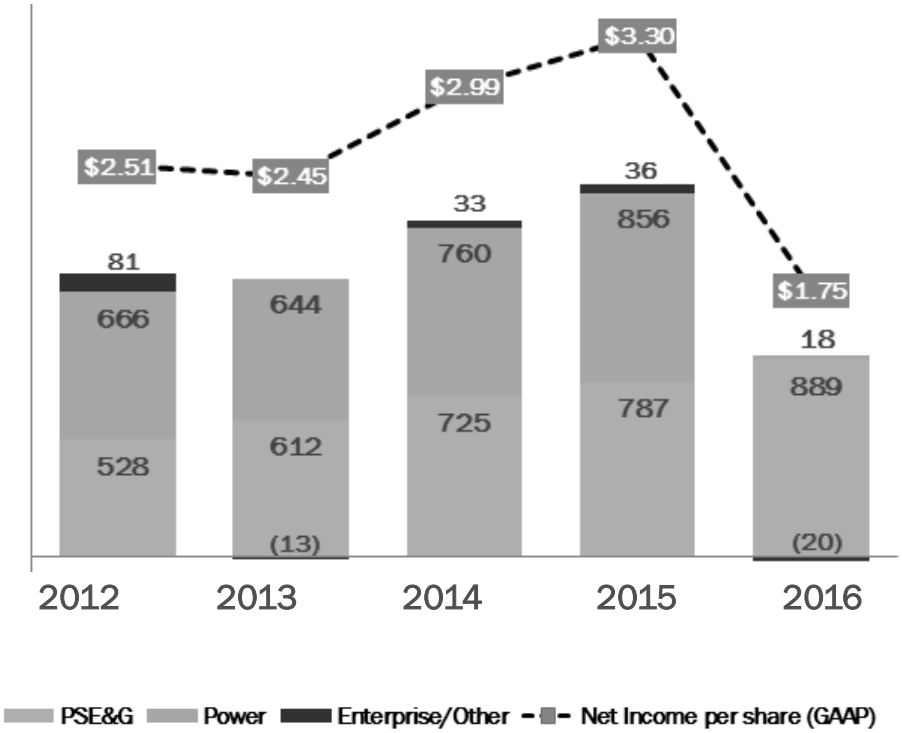
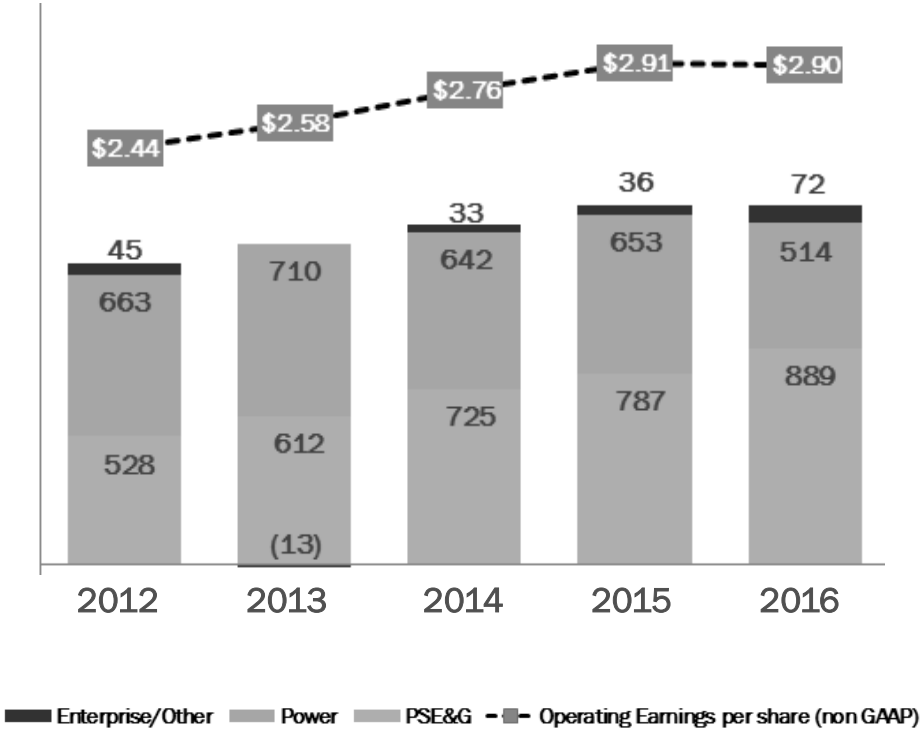
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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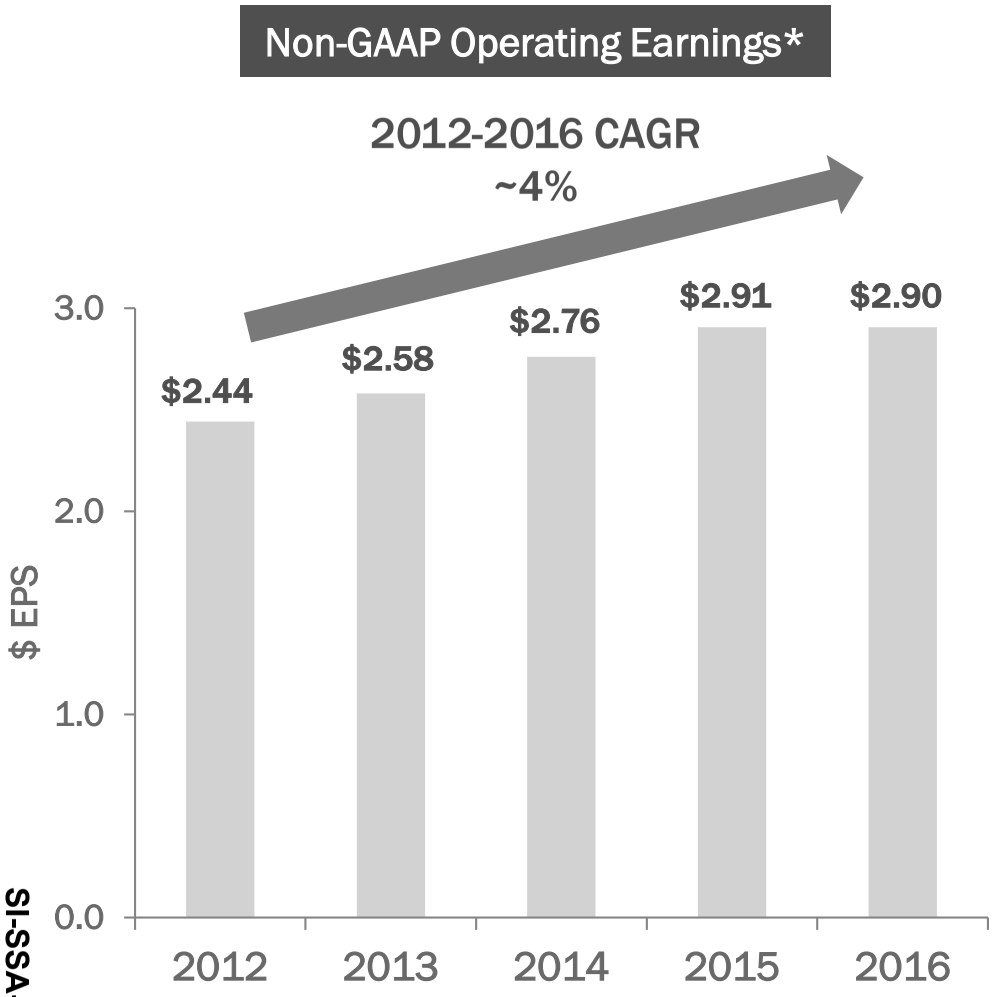
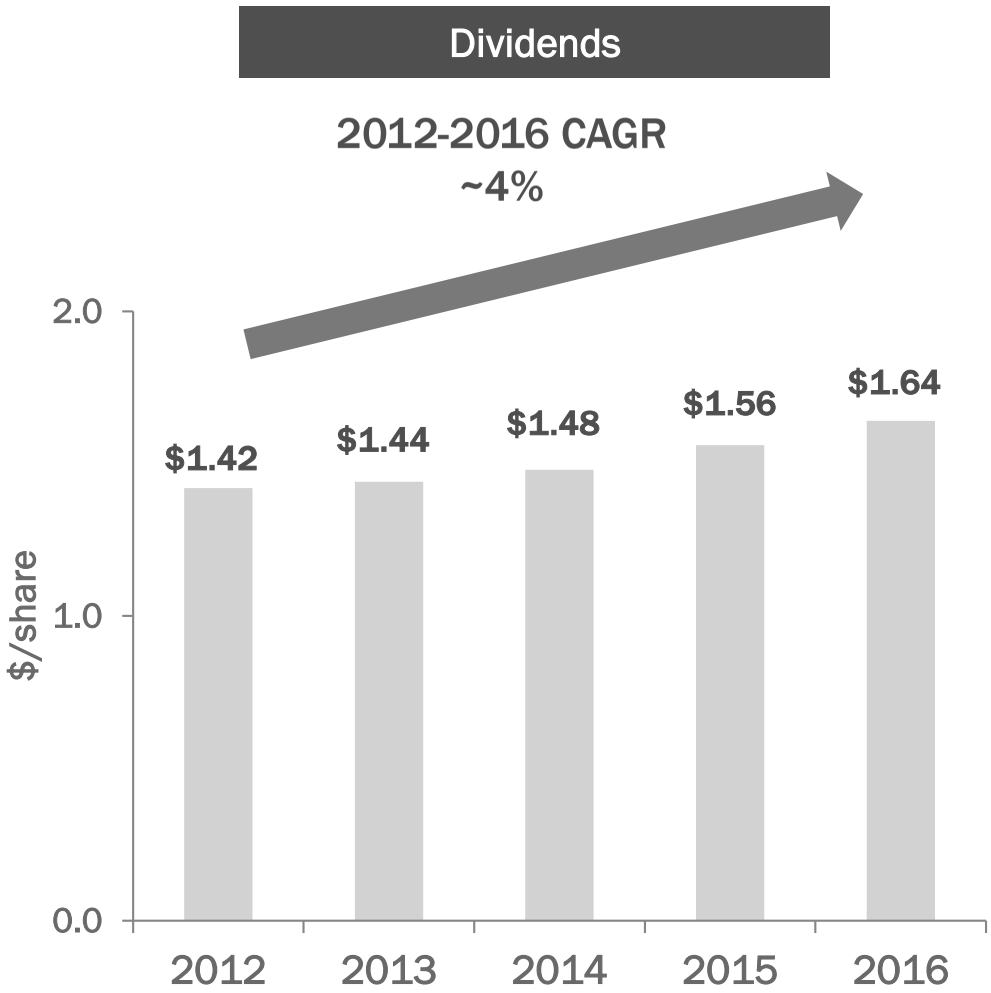
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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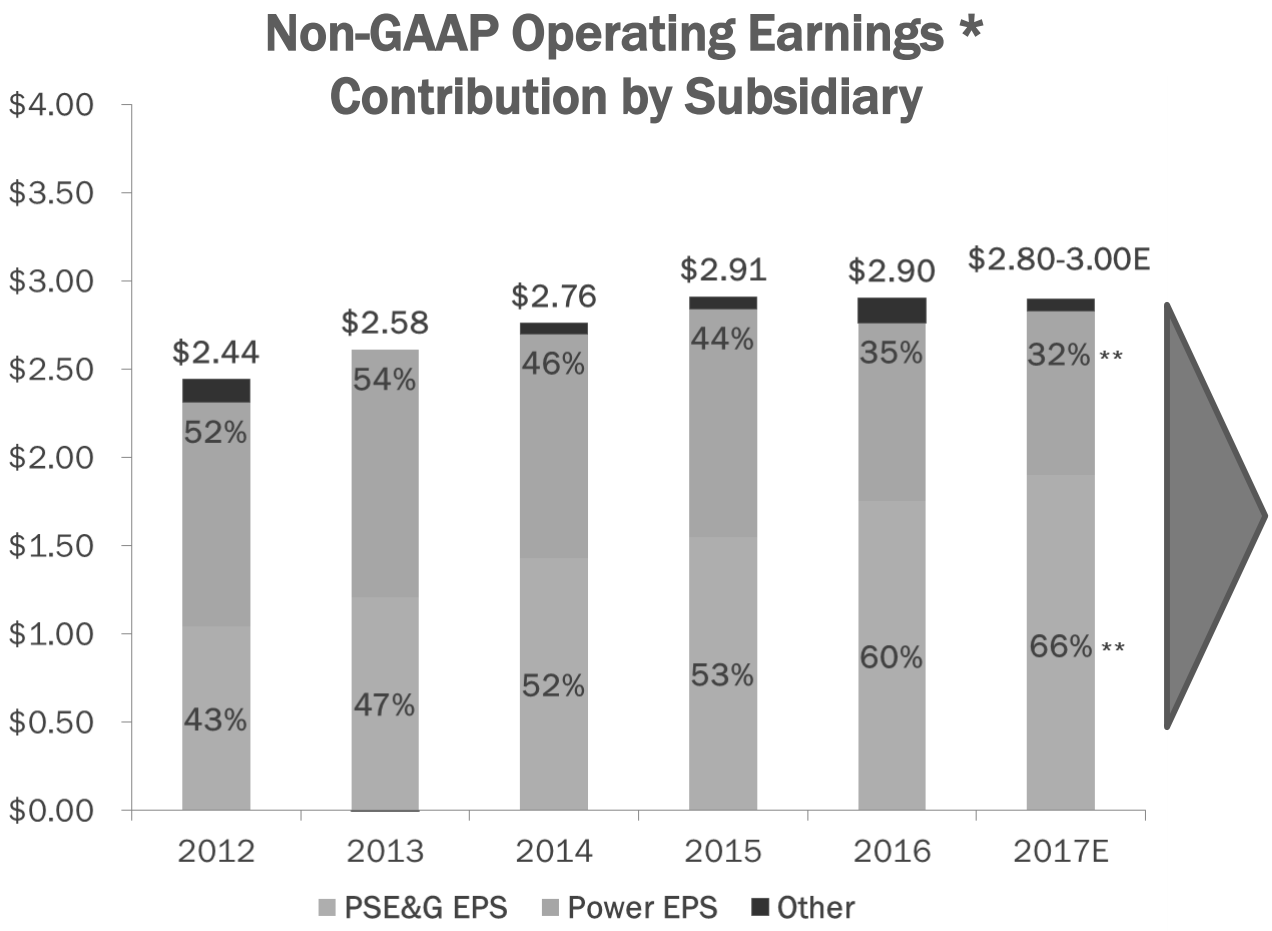
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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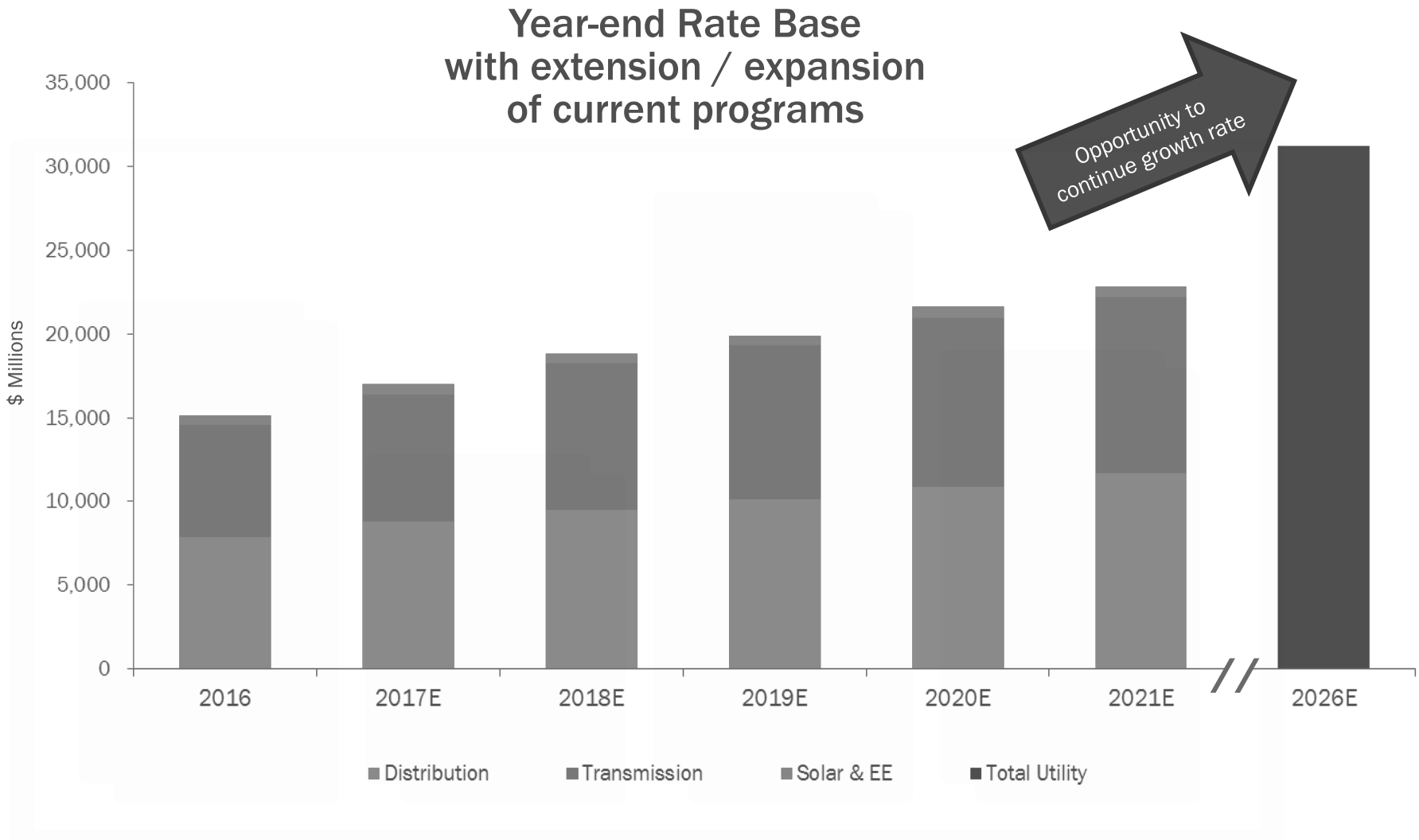
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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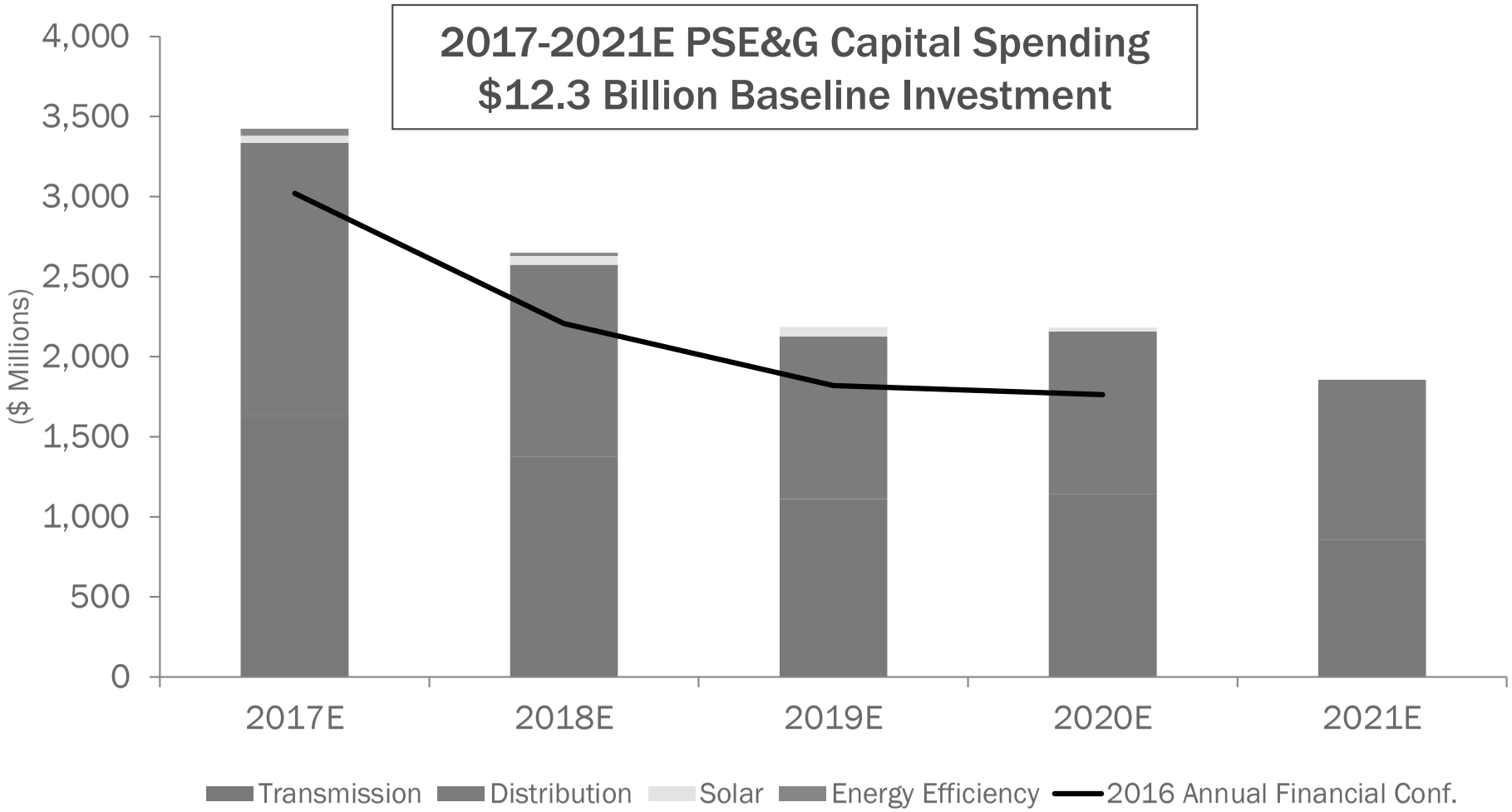
Baseline programs yield 7% compound annual growth in rate base



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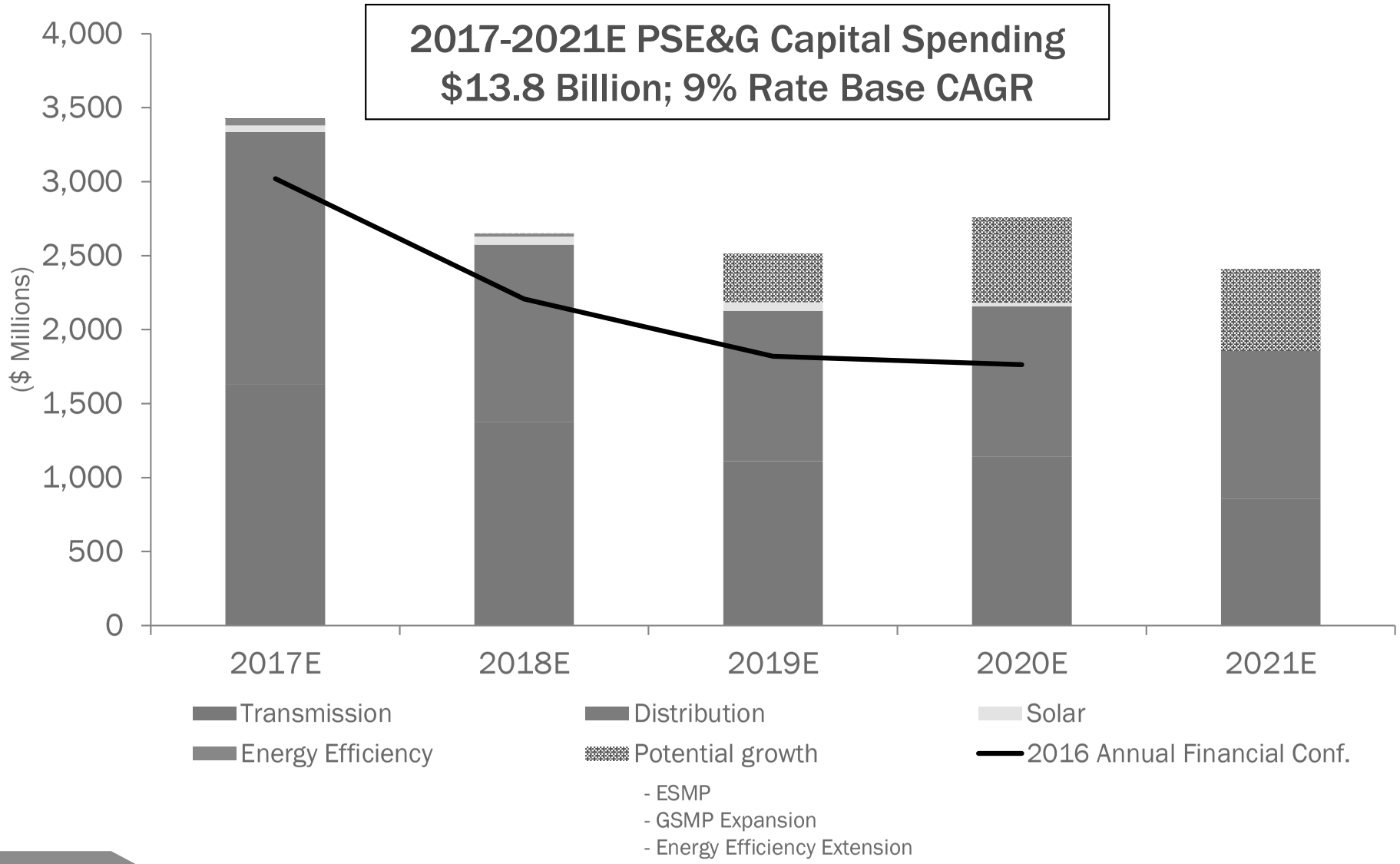
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-09244

PSE&G – Regulatory Agreement/Filing Support Long-term Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and an agreement reached on its proposed Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

In July, PSE&G reached an agreement in principle with BPU Staff and Rate Counsel related to its proposed request to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-09245

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

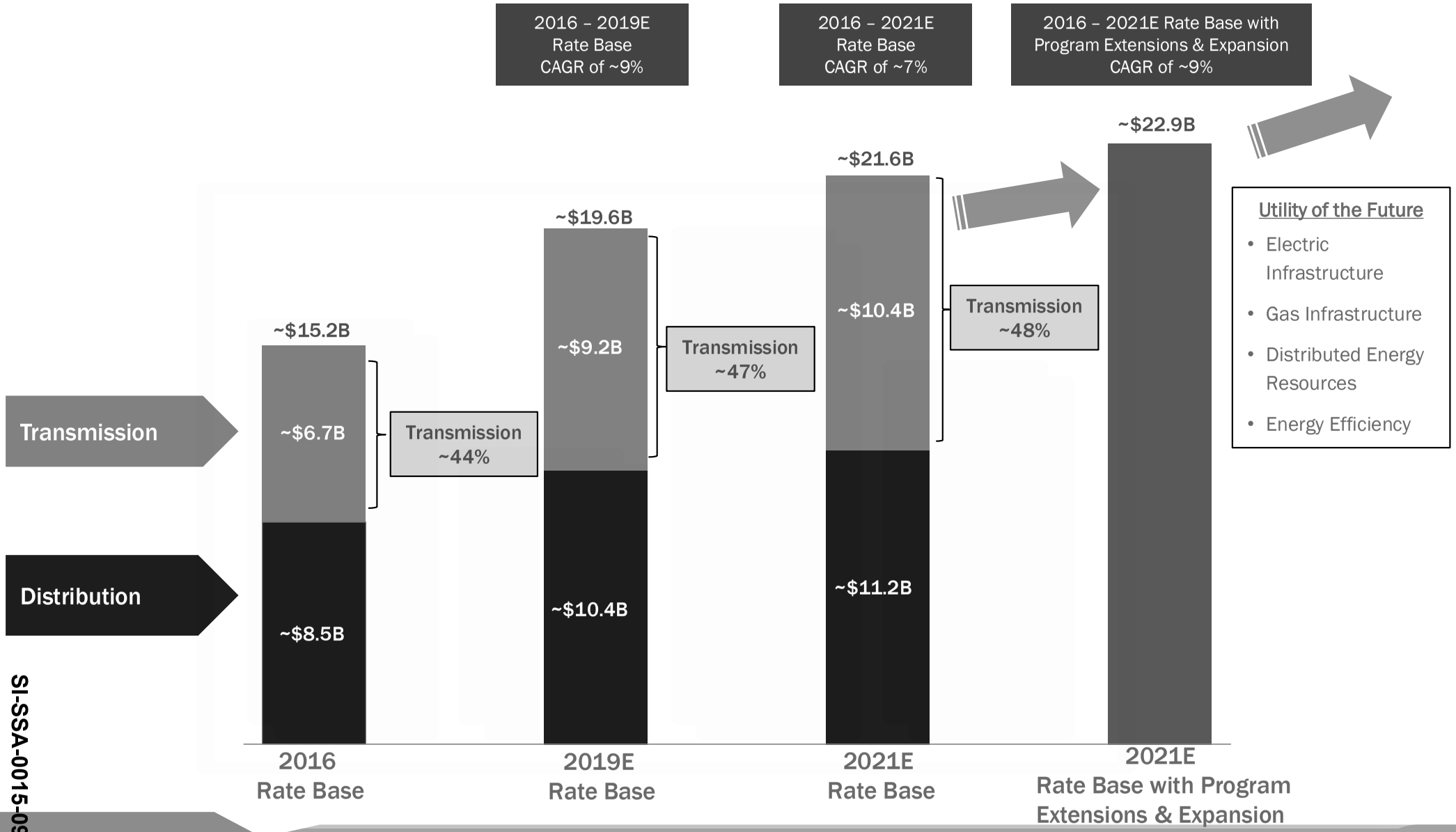
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-09246

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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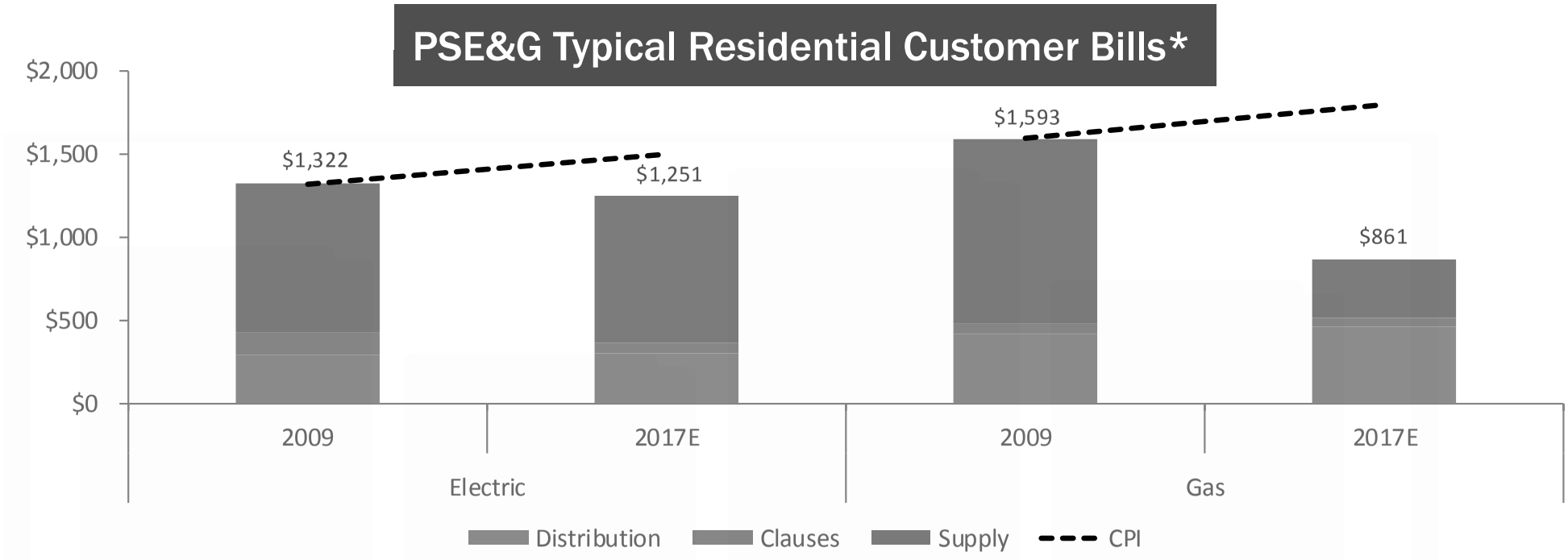
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

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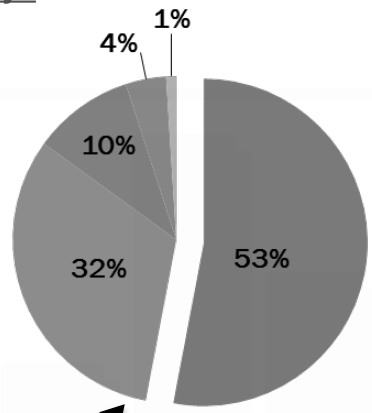
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

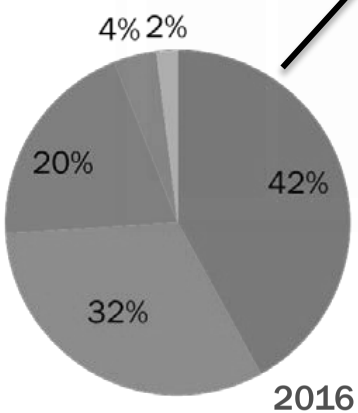
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

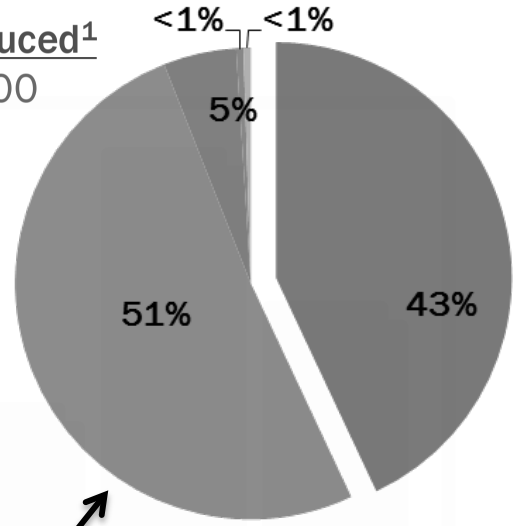
2021E Fuel Diversity[1]
Total MW: 11,900



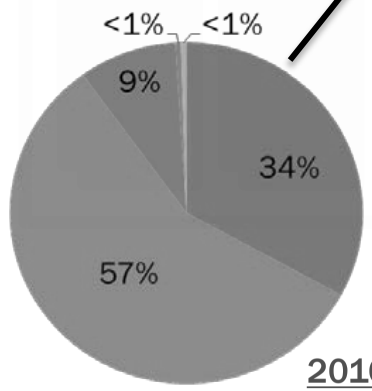
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



Energy Produced increases by >18%

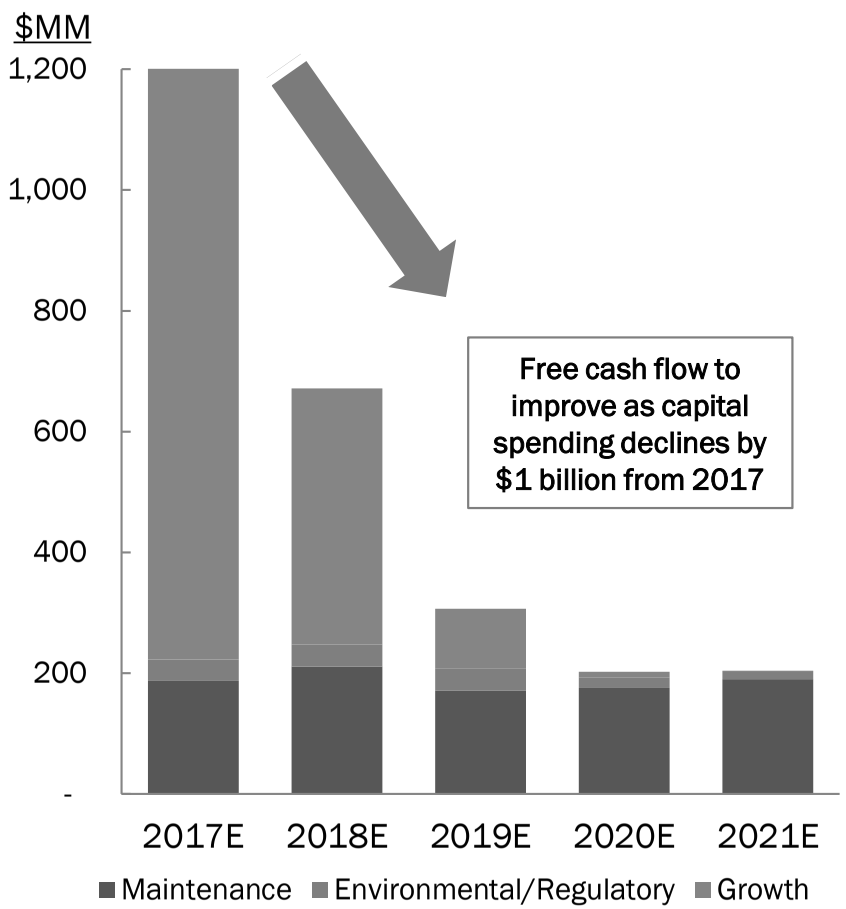
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

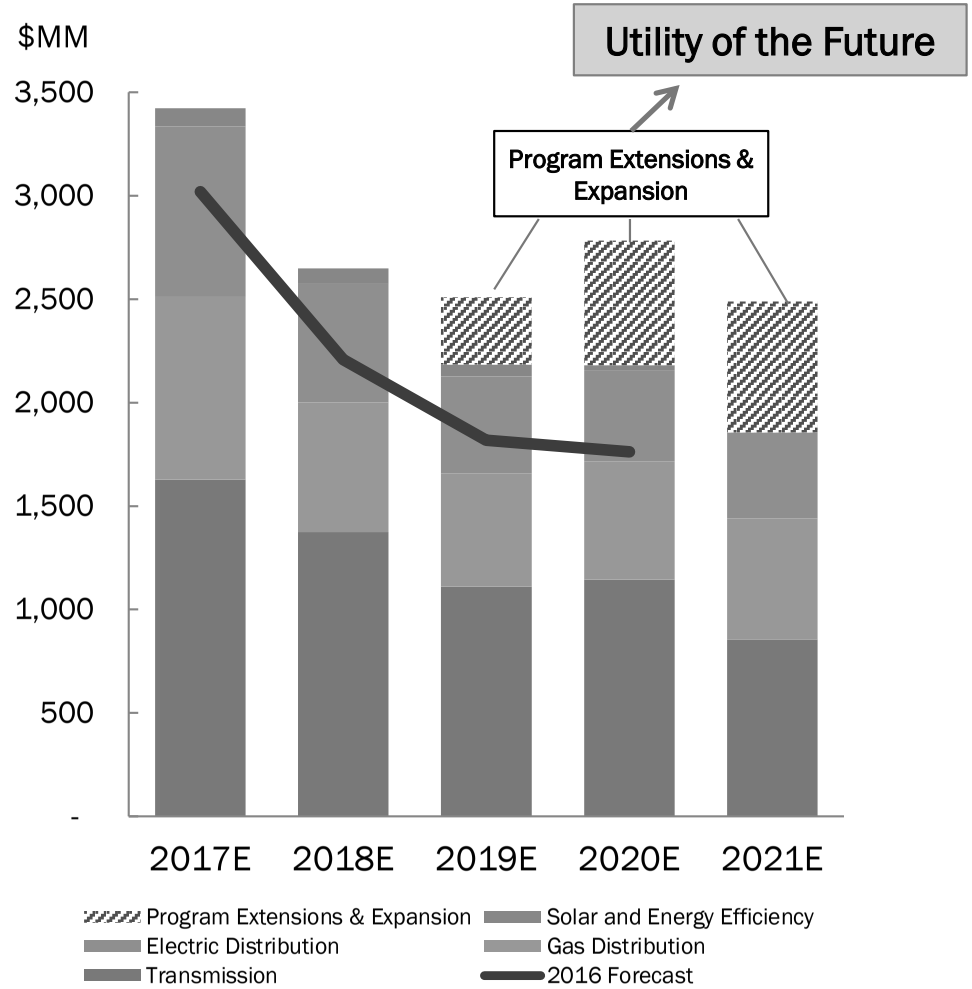
SI-SSA-0015-09249

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



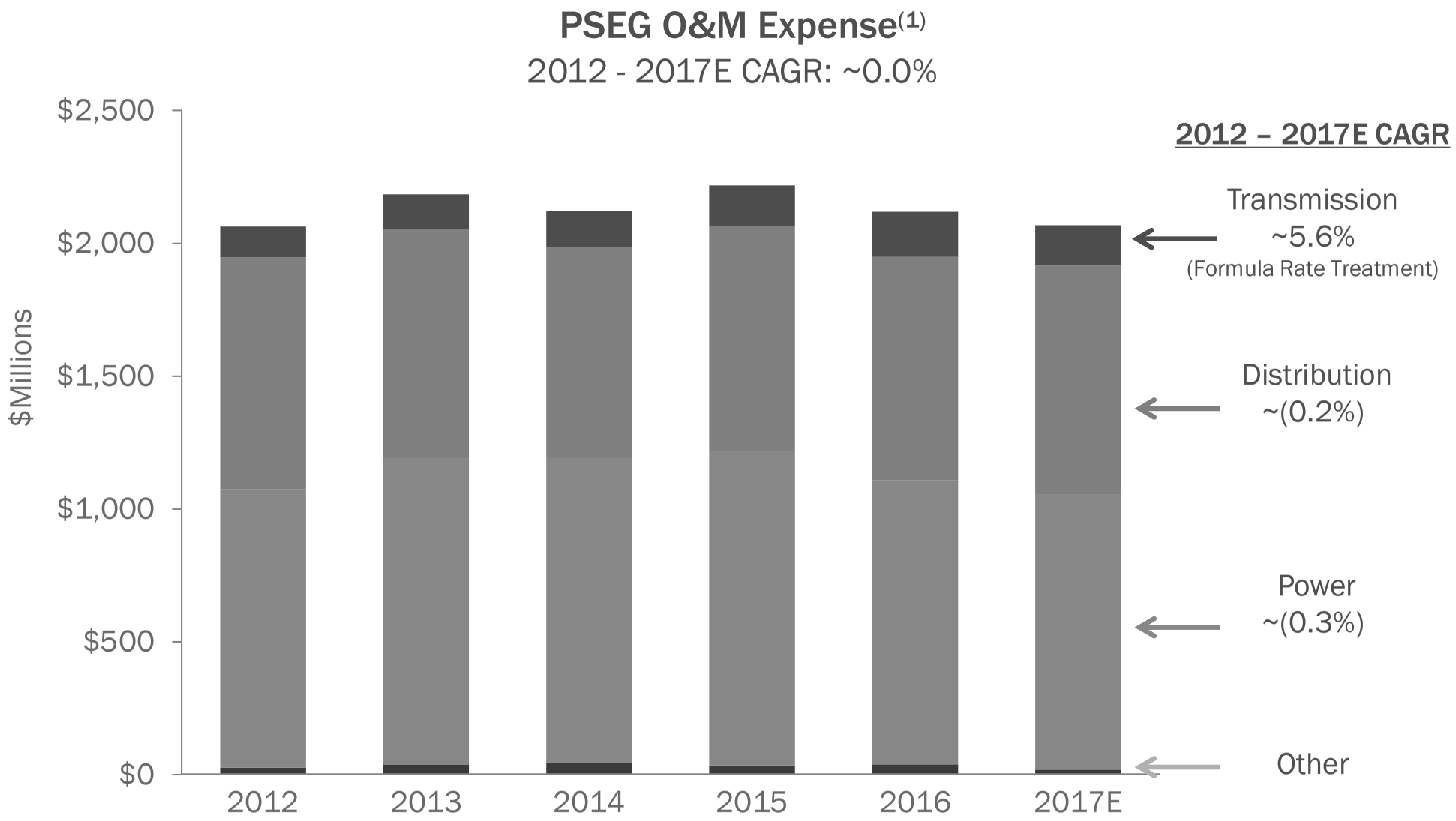
PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

SI-SSA-0015-09250

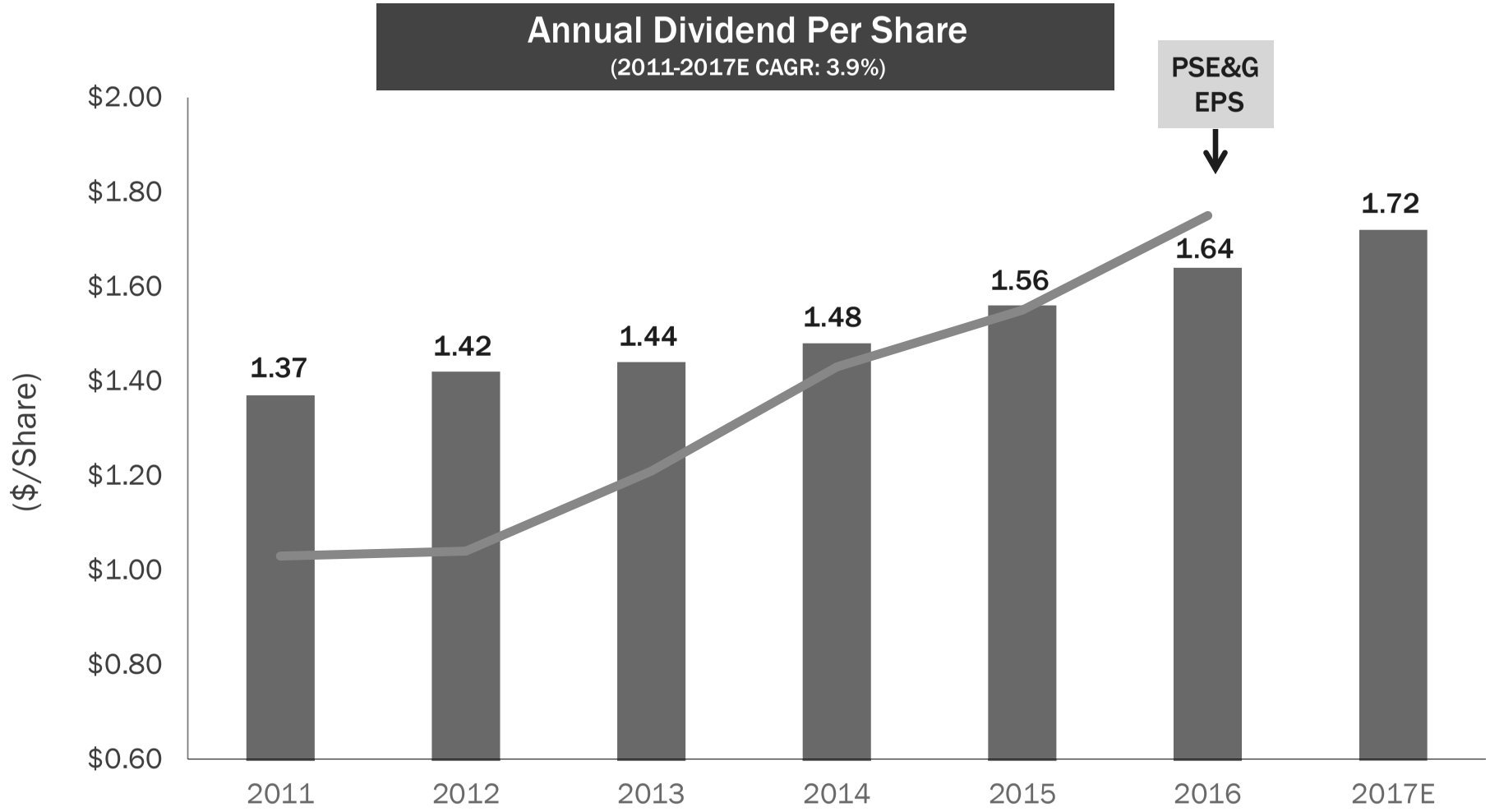
PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-09251

Opportunity for meaningful and sustainable dividend growth



SI-SSA-0015-09252

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-09253

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-09254

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09255

PSEG

We make things work for you.

Q2 2017–Solid financial results at both businesses

Second Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.37 per share in Q2 2016, reflecting Hudson & Mercer retirements
- Non-GAAP Operating Earnings* of $0.62 vs. $0.57 per share in Q2 2016
- PSE&G achieved 17% growth in Q2 earnings per share over Q2 2016 – supported by increased investment in transmission and distribution, and cost containment
- PSEG Power results aided by continued cost control

Operational Excellence

- Nuclear fleet achieved a capacity factor of 89.6% for Q2 and 94.8% for H1 2017
- PSE&G named Smart Electric Power Alliance's (SEPA) 2017 Investor Owned Utility of the Year, recognizing PSE&G's Solar 4 All program and its leadership in landfill and brownfield solar development

Disciplined Capital Investment – Producing Results

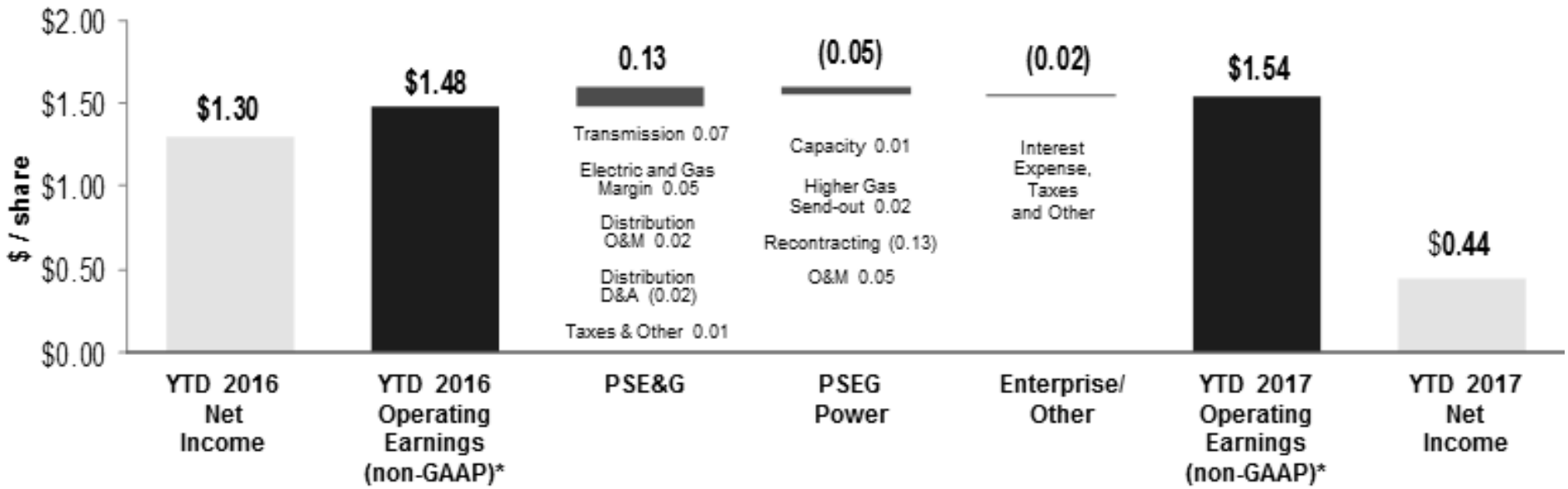
- PSEG to invest ~$4.7 billion in 2017, consisting of ~$3.4 billion at PSE&G and ~$1.2 billion at PSEG Power
- Regulatory/Policy Focus: New Jersey Board of Public Utilities (BPU) actions support infrastructure investment; Energy Efficiency agreement in principle reached; $2.7 billion, 5-year Gas System Modernization Program (GSMP) extension/expansion filing
- Hudson and Mercer coal/gas generating stations retired on June 1

SI-SSA-0015-09256

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q2 Financial Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-09258

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-09259

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

NYSE:
PEG

PSEG Investor Summary
Guggenheim Securities • June 25-26, 2018

PSEG

SI-SSA-0015-09261

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09262

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include lists of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of May 31, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-09263

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-09264

PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Promoting Sound Energy Policy

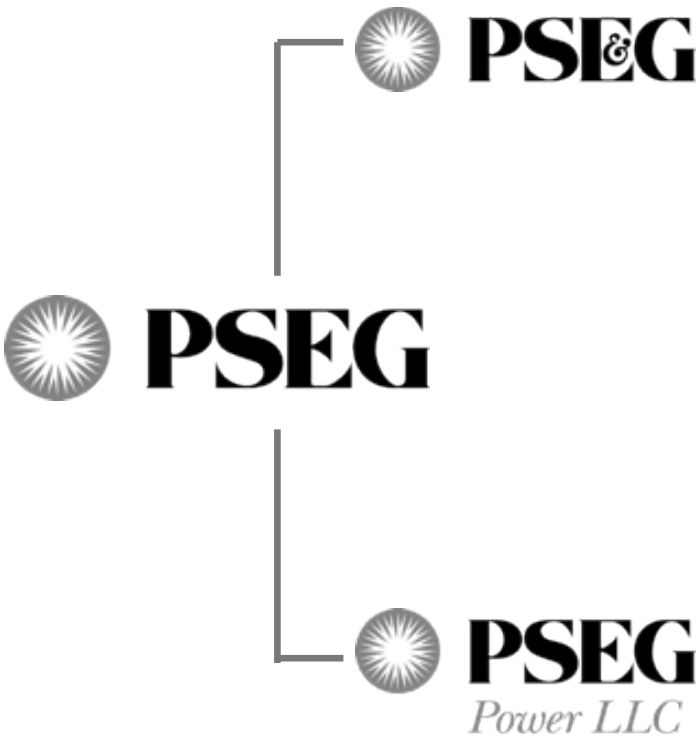
115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

SI-SSA-0015-09265

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $15.5 Billion infrastructure program expected to produce **8%-10%** annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

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Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

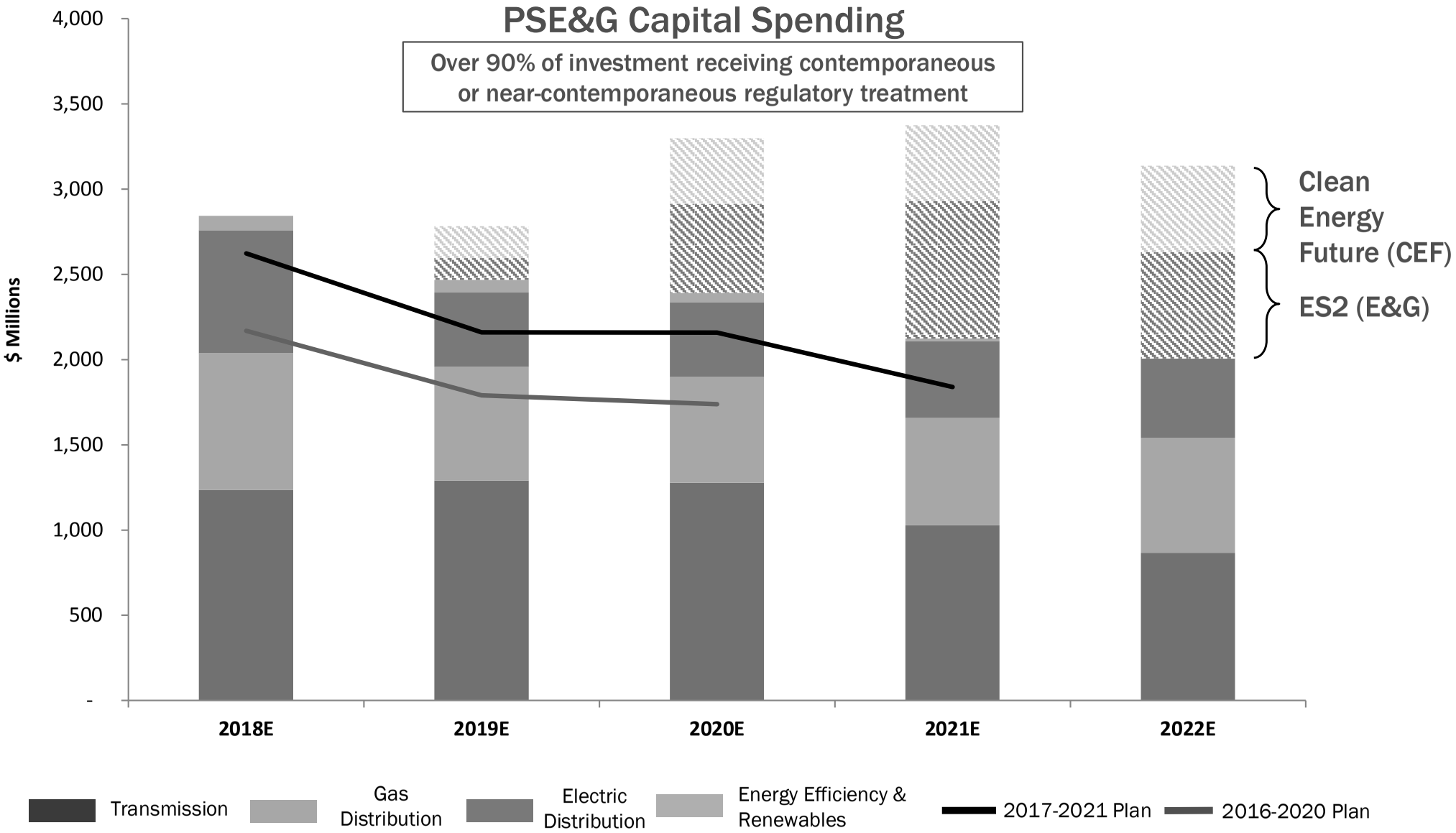
2018	PSEG 5-Year Capital Investment Program $14B - $17B

- ✓ Investing $12 Billion-$15.5 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-09268

$12B-$15.5B investment program focused on grid modernization, reliability and clean energy



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

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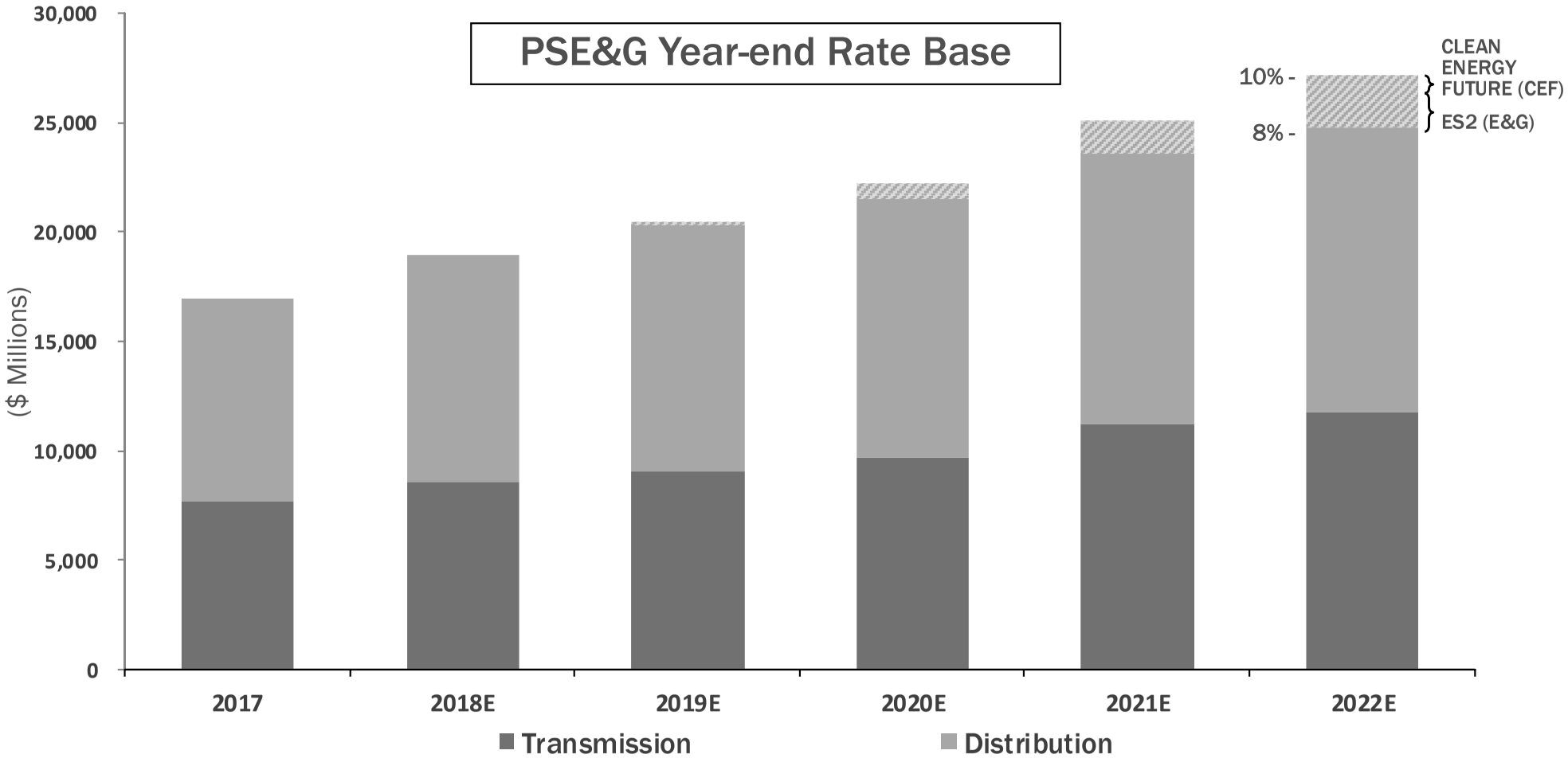
Expanded utility investment program of $12B - $15.5B provides opportunity for rate base growth of 8% - 10%



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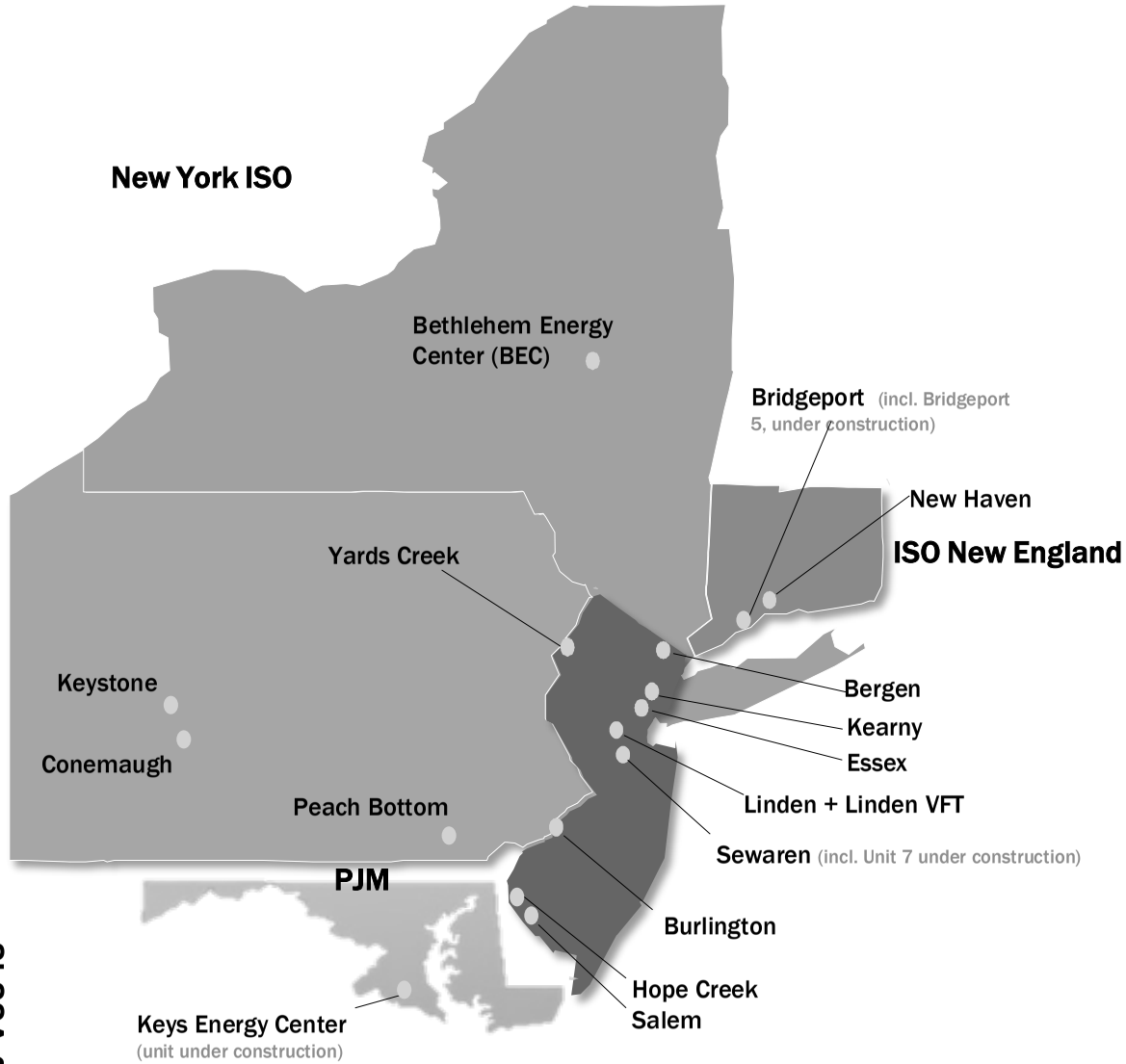
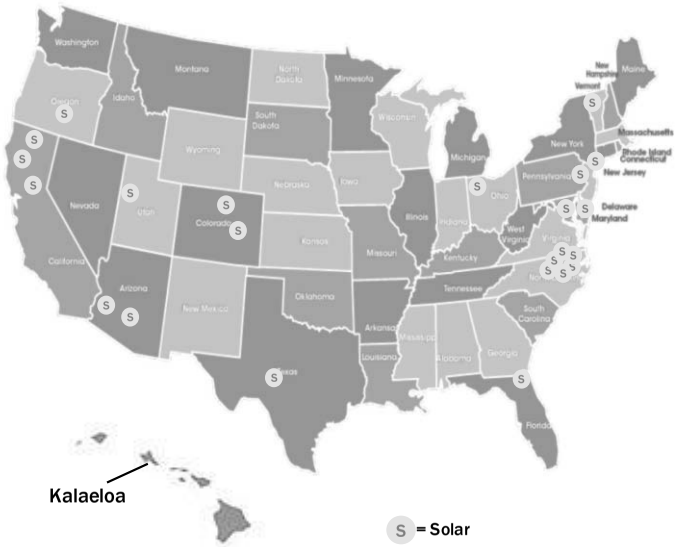
PSEG

E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

Power's generating assets mainly located in three competitive markets





- Power Ventures assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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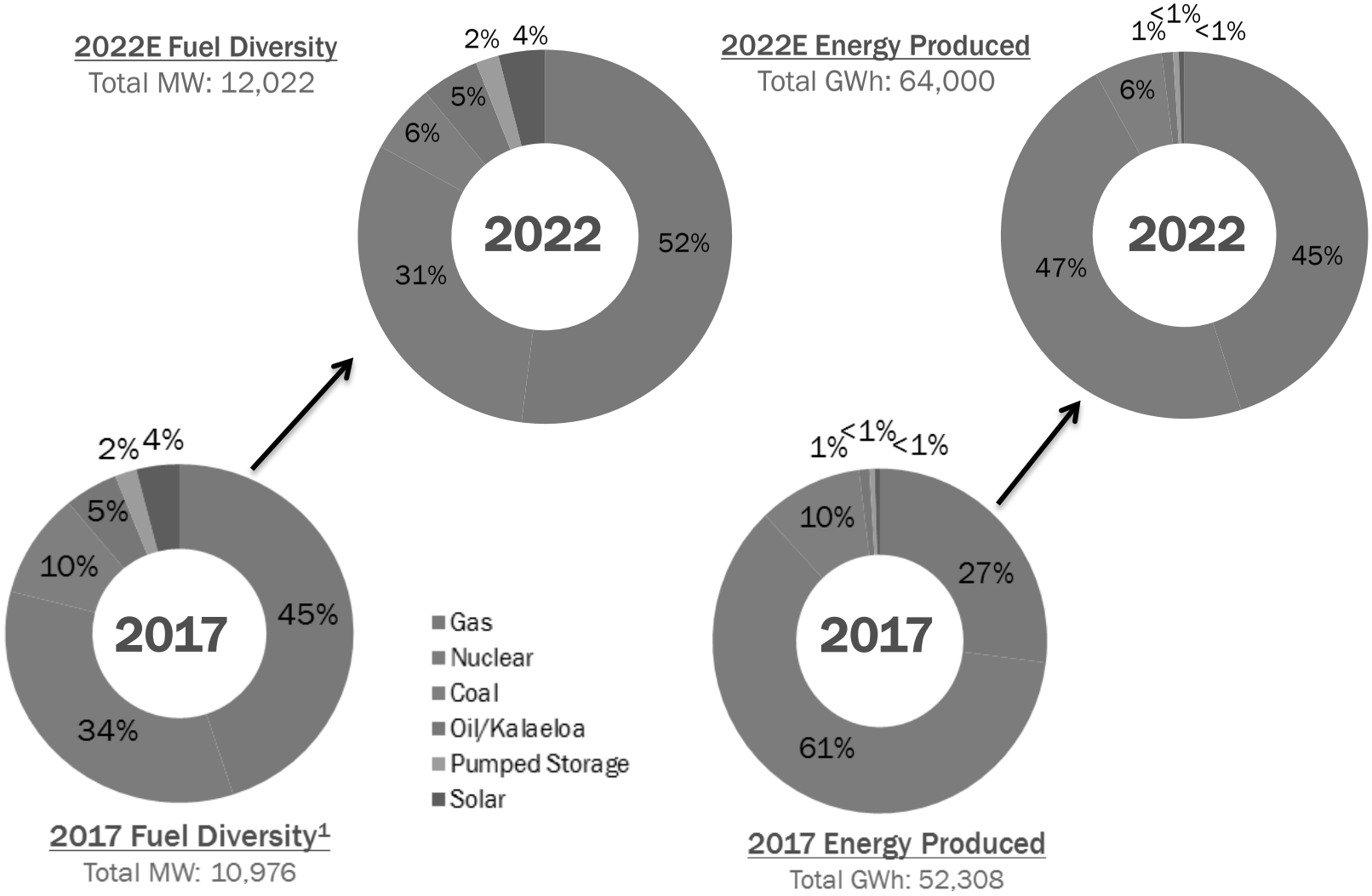
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-09272

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filing Shortly

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage and EVs

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform expected in 2018

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NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ Starts a 330-Day process – NJ Board of Public Utilities to determine eligibility and selection of nuclear plants eligible for ZECs
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

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Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

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PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication; AMI Regulated Renewables

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NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

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Partnership for a Clean Energy Future:

~$2.9 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

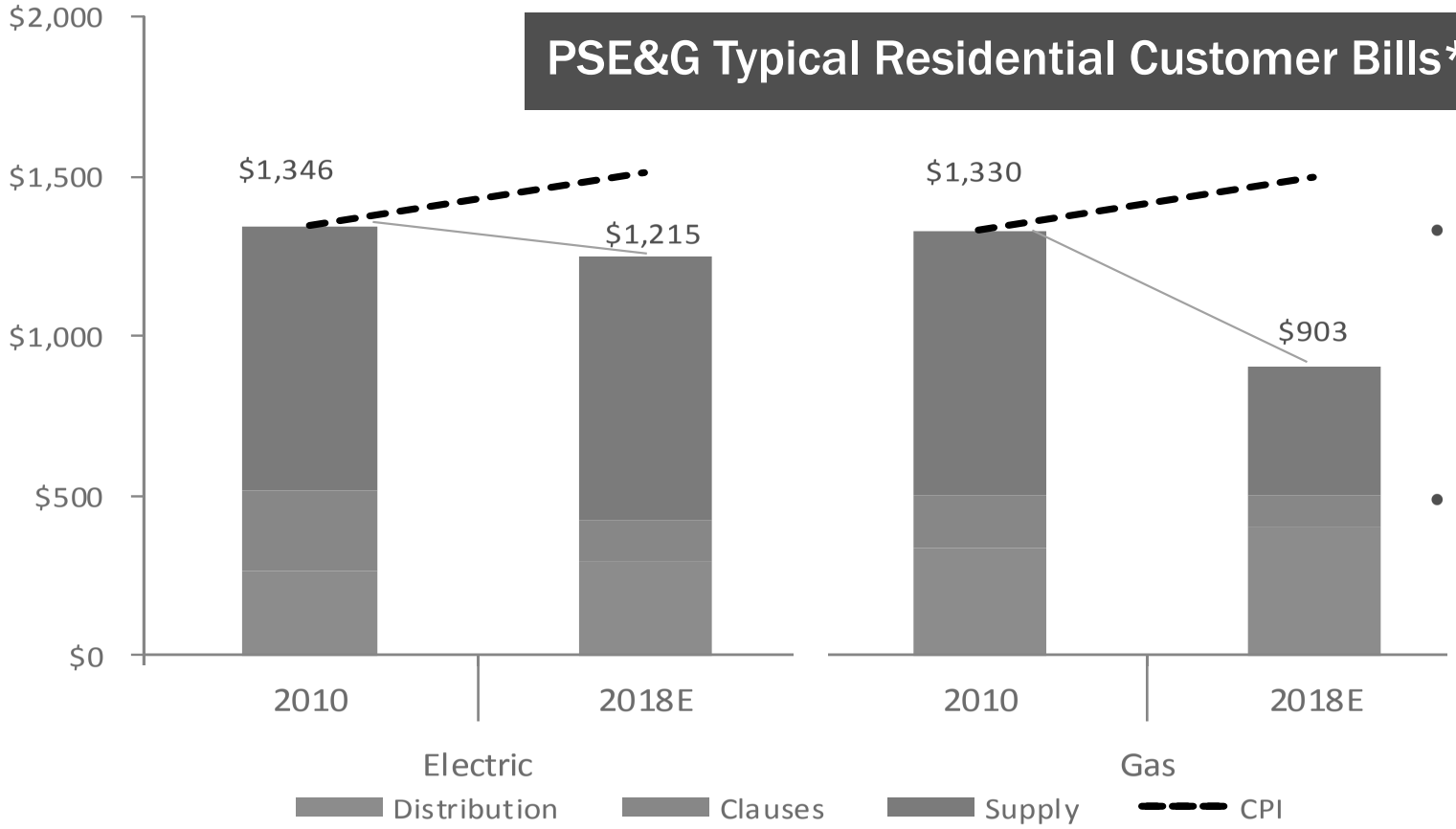
- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Battery Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Battery Storage	$0.1
Investment Total	$2.9

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of decoupling
- Expect to file in the near-term

SI-SSA-0015-09278

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

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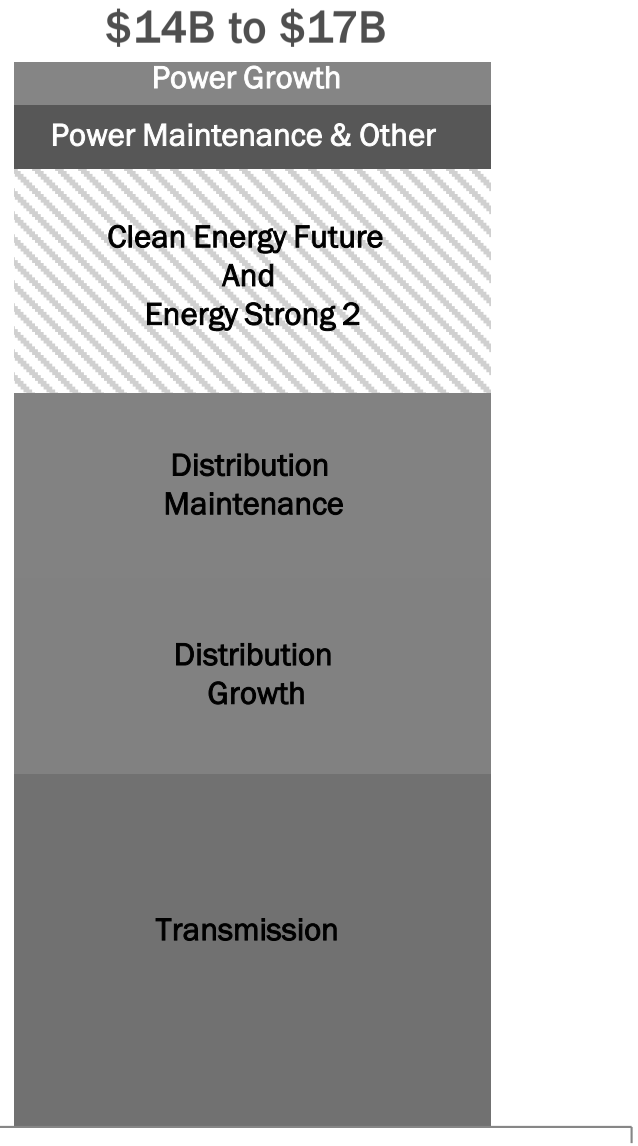
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending



Investment in regulated business represents ~90% of capital program

CAPITAL INCLUDES IDC AND AFUDC
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E=ESTIMATE

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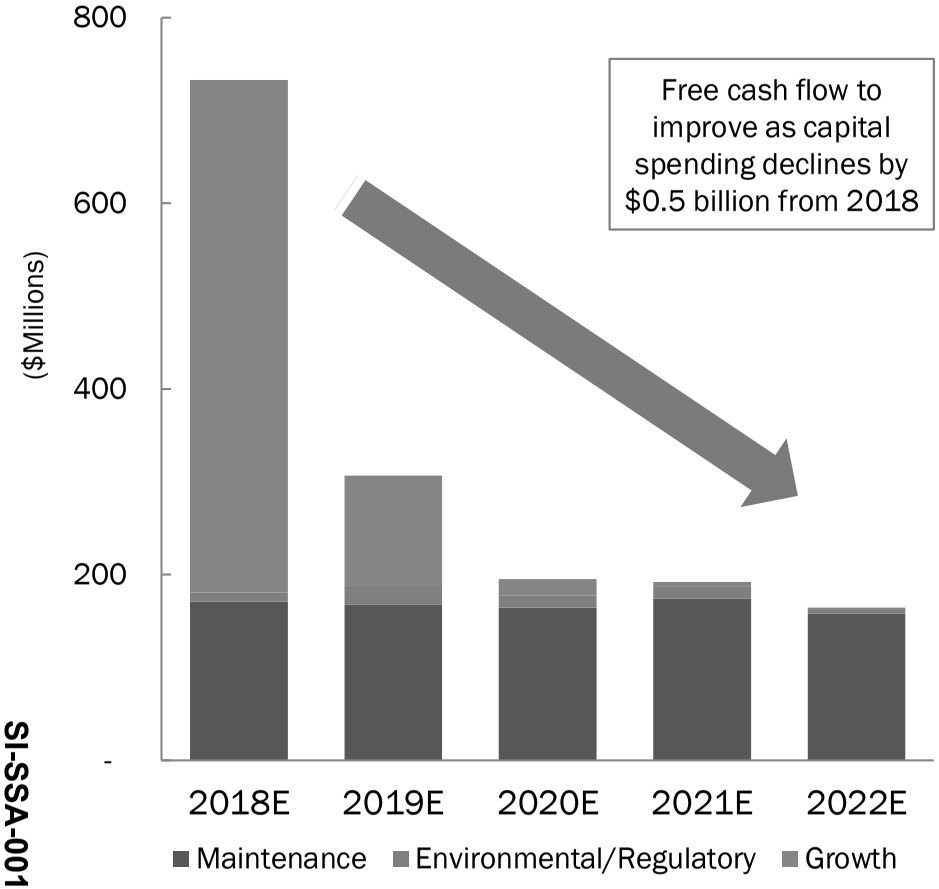
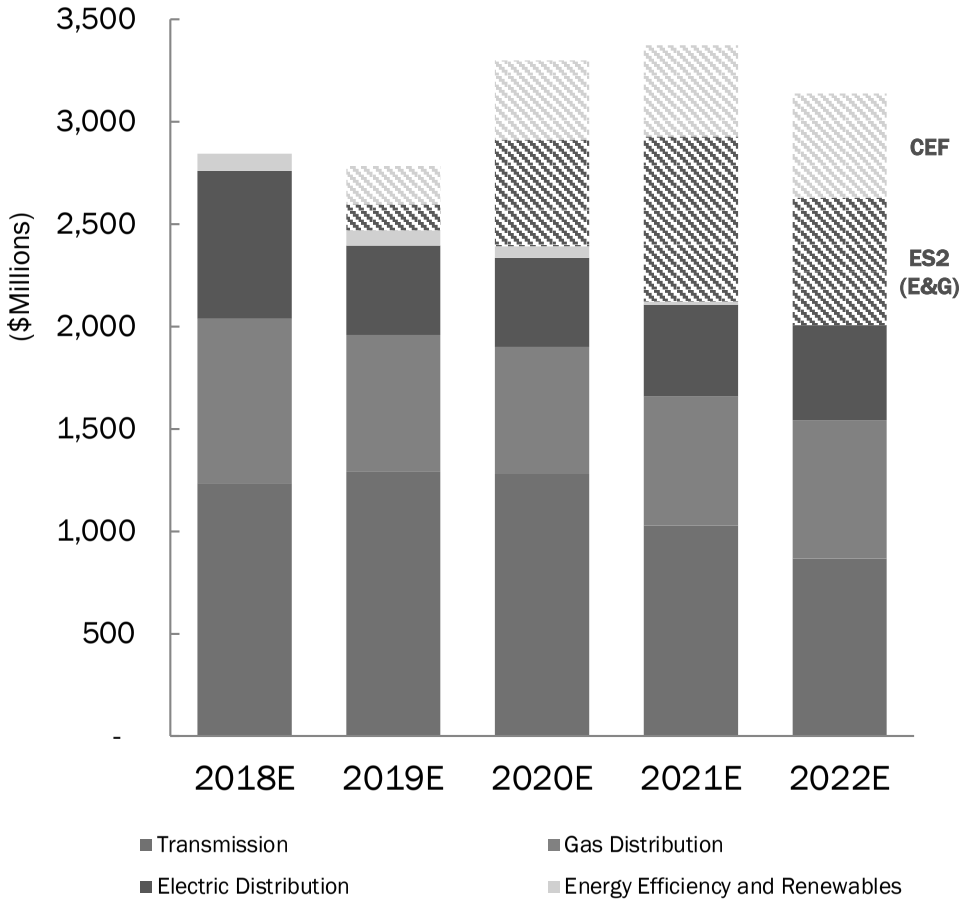
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE
2) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E = ESTIMATE.

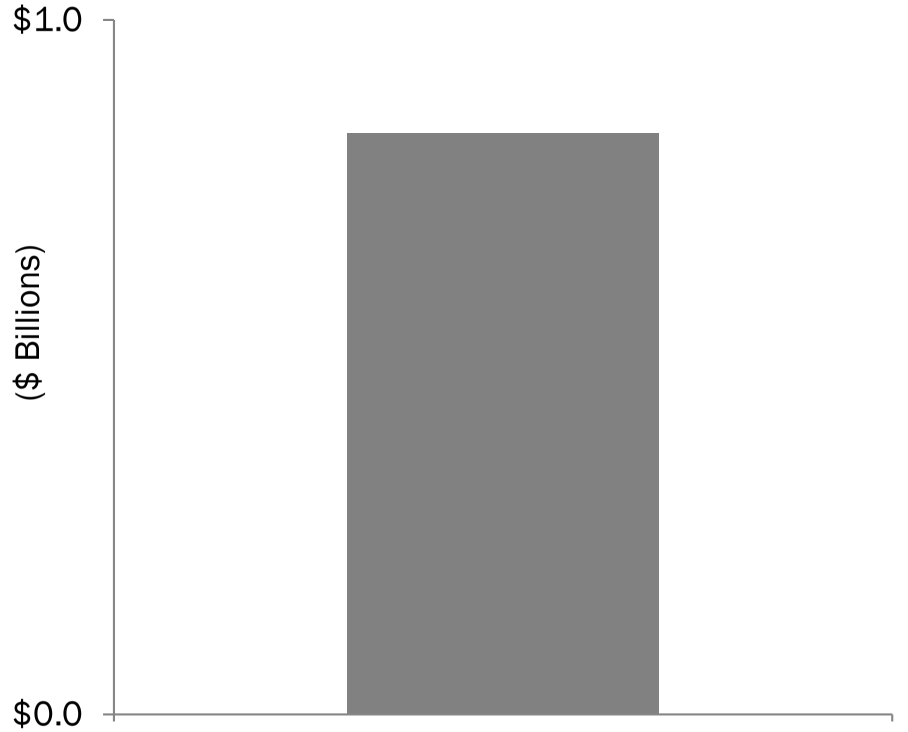
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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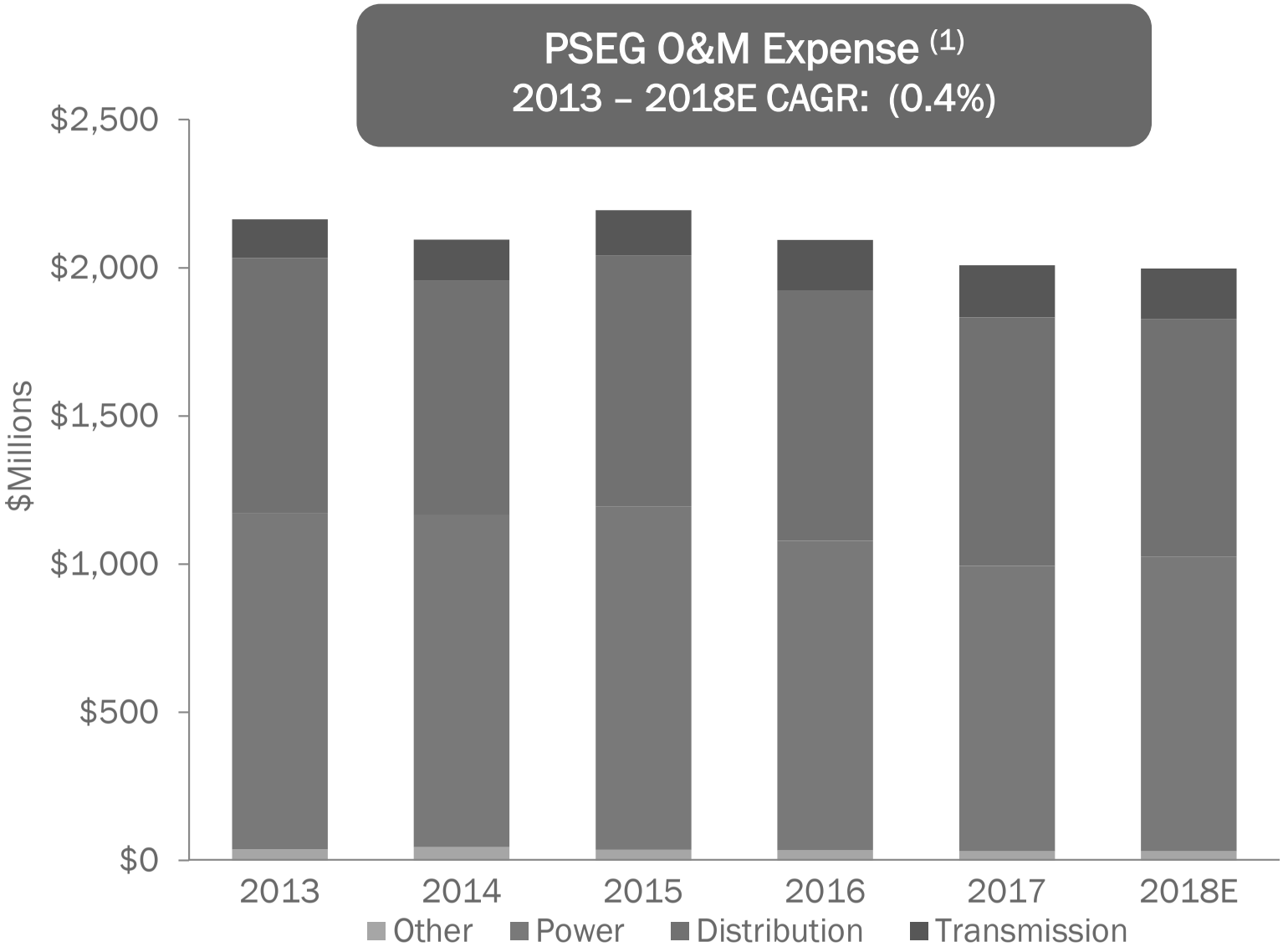
PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

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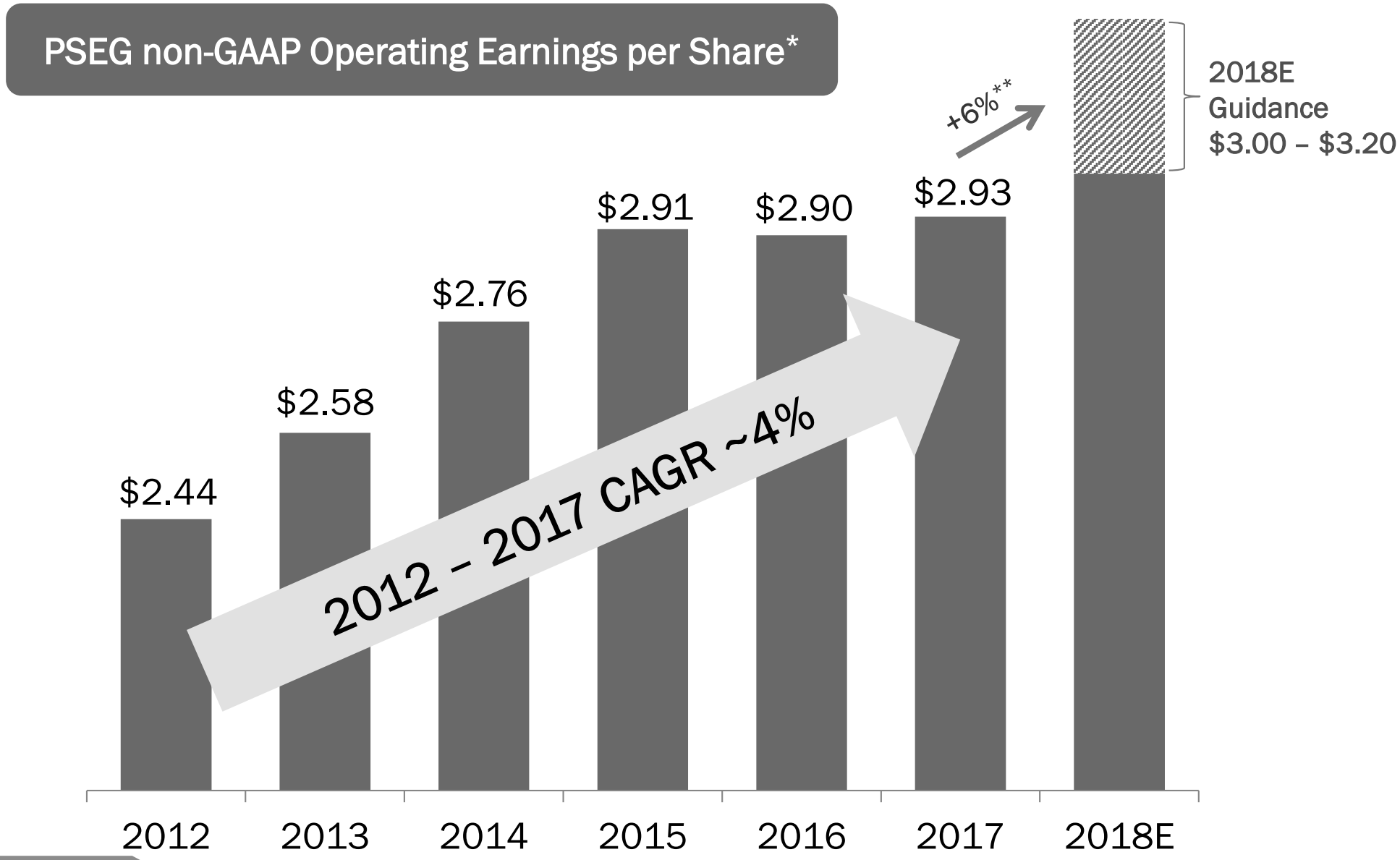
Strategic focus continues to deliver solid results



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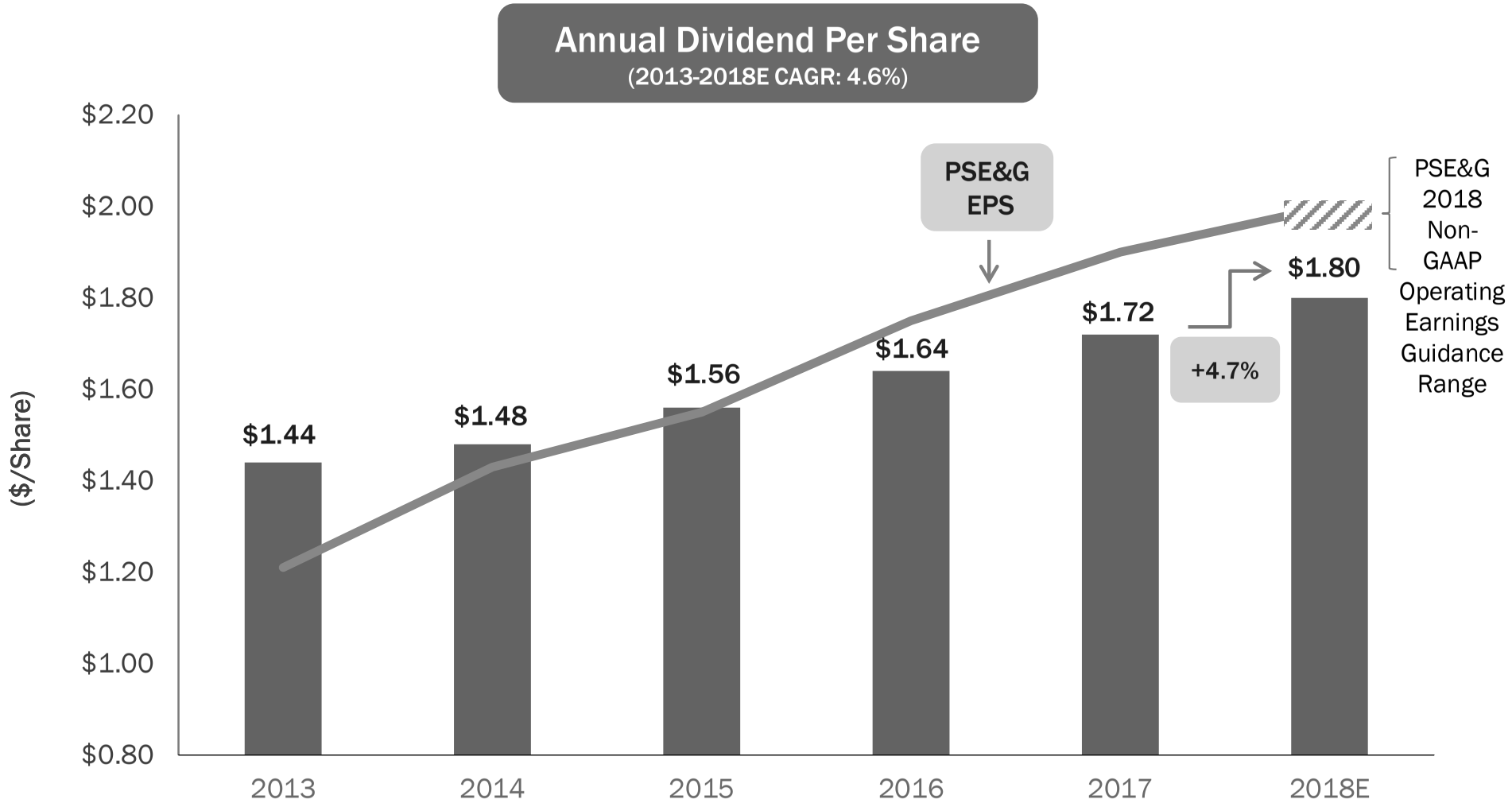
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE AS OF 5/31/2018.
E = ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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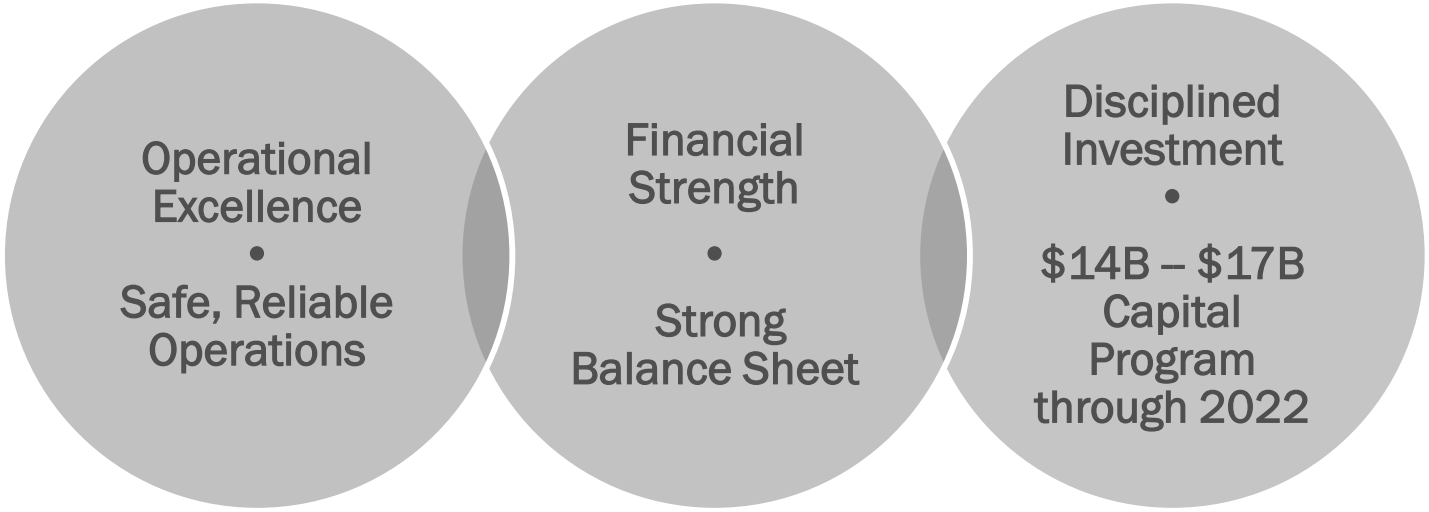
E=ESTIMATE.

PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-09286

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

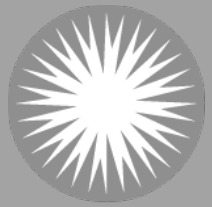
Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Guggenheim Securities Mid-Atlantic Investor Meetings

MAY 2 & 3, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09289

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-09290

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items.

PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-09291

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-09292

PSEG

We make things work for you.

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-09293

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-09294

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-09295

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-09296

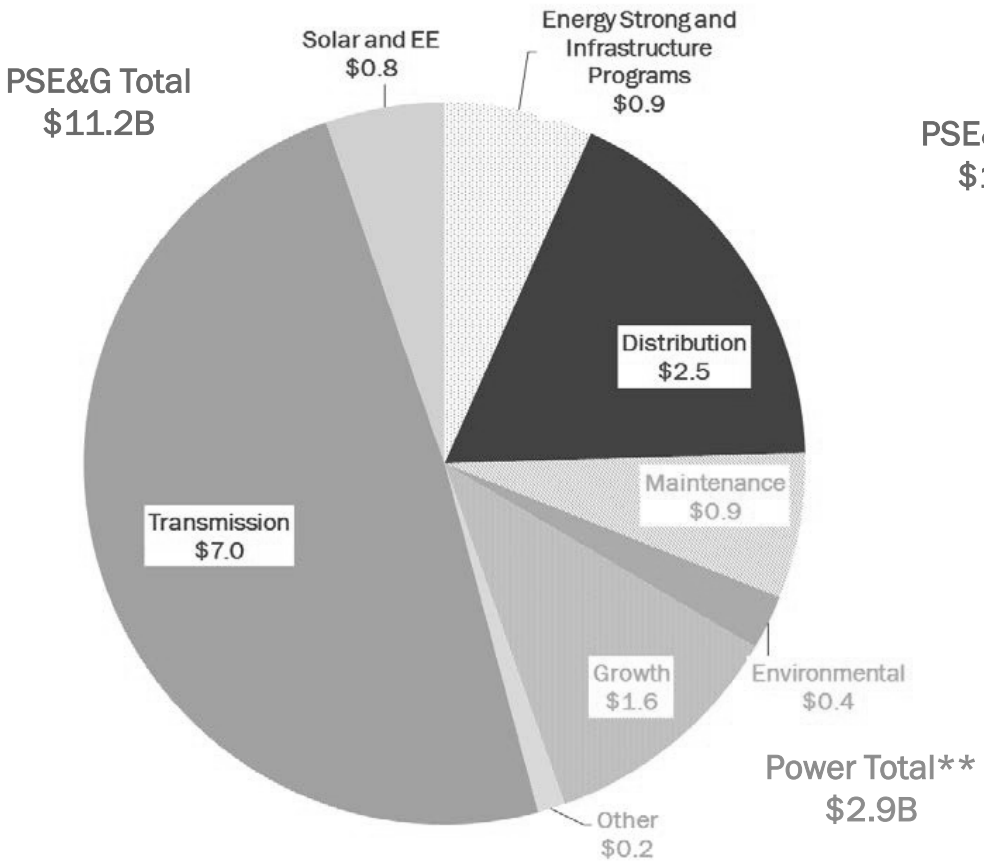
PSEG

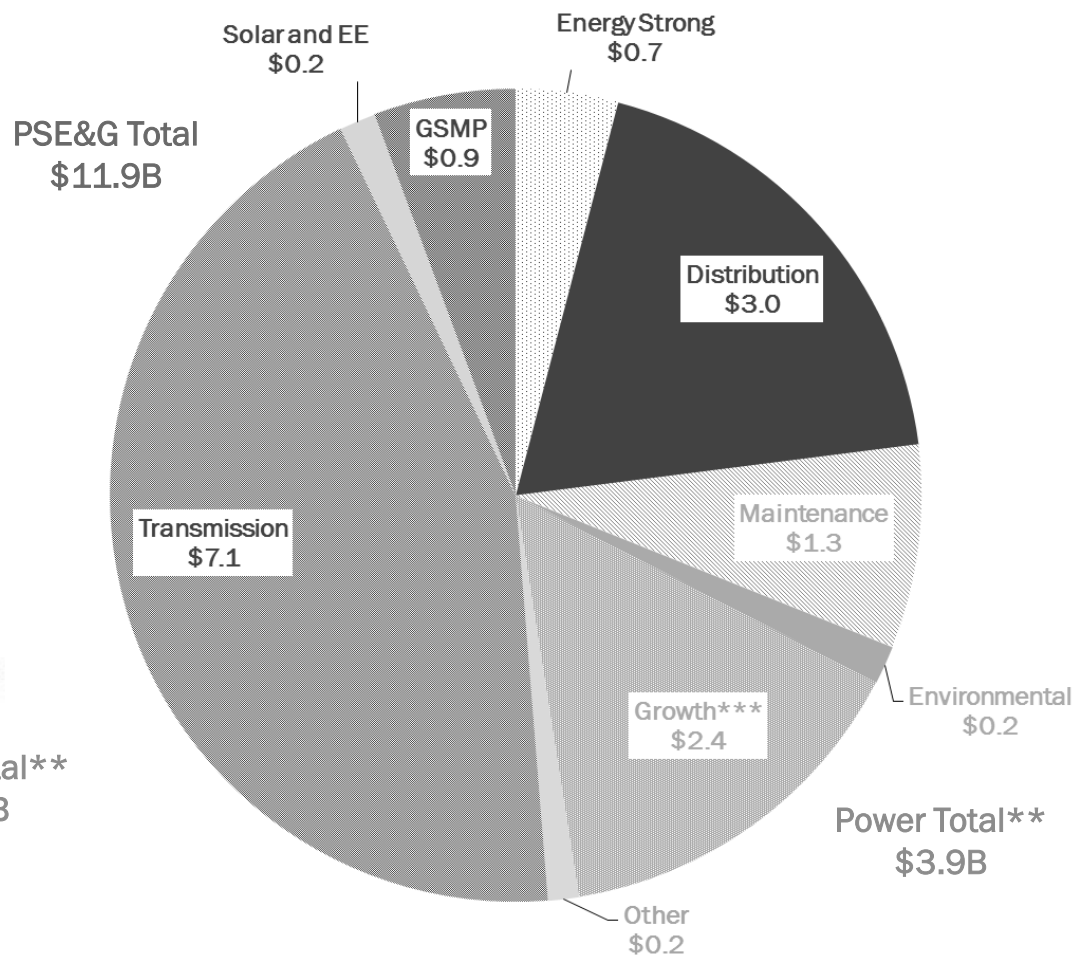
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-09297

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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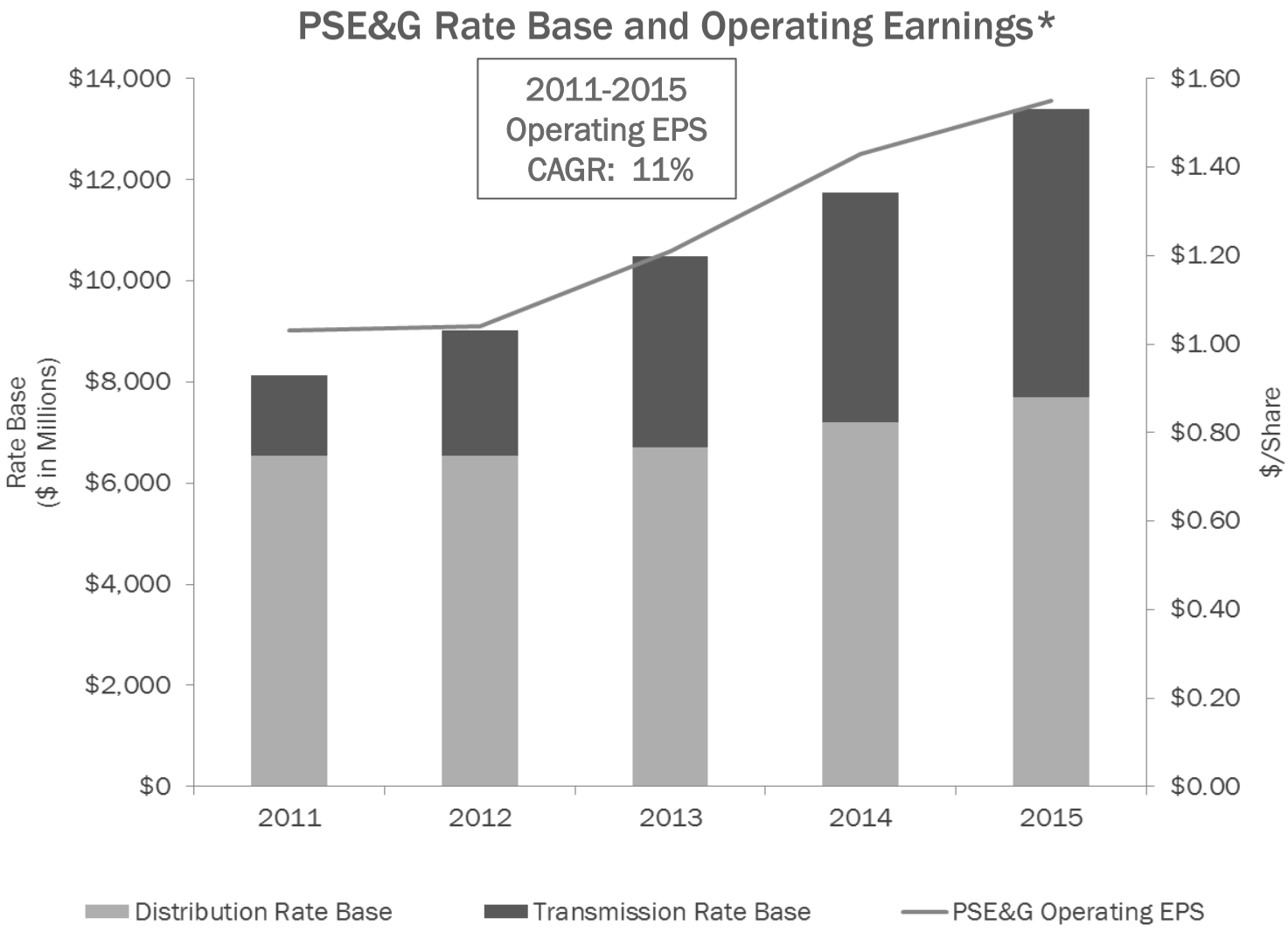
PSE&G's investment program

Meeting public policy goals and customer needs



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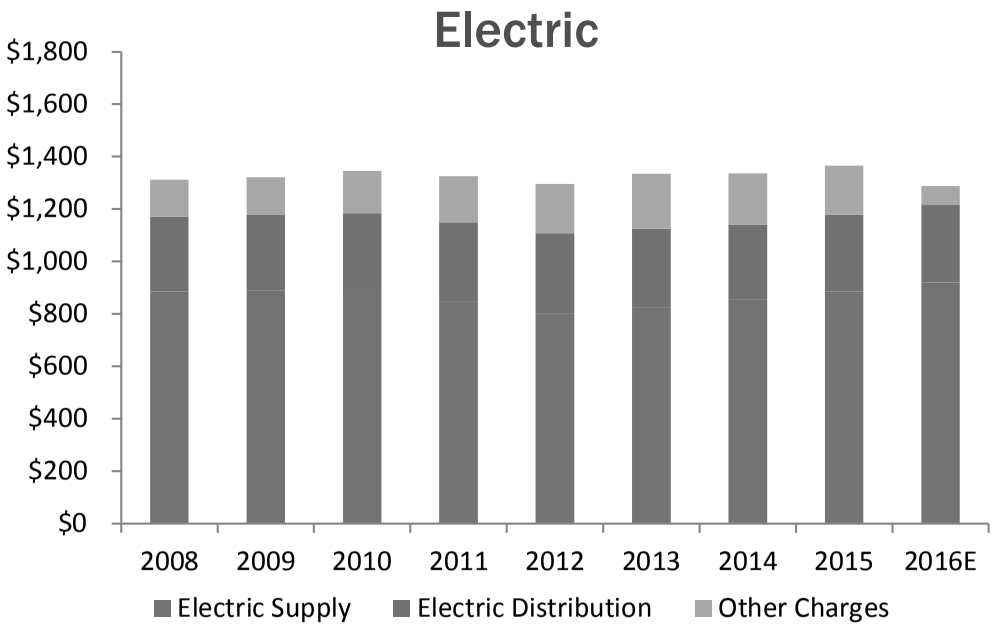
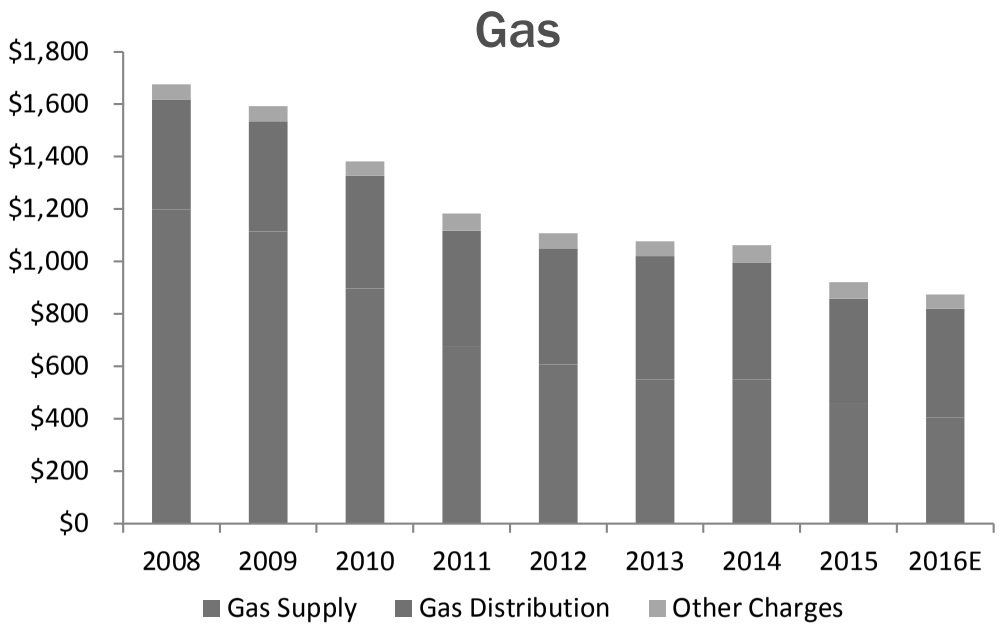
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

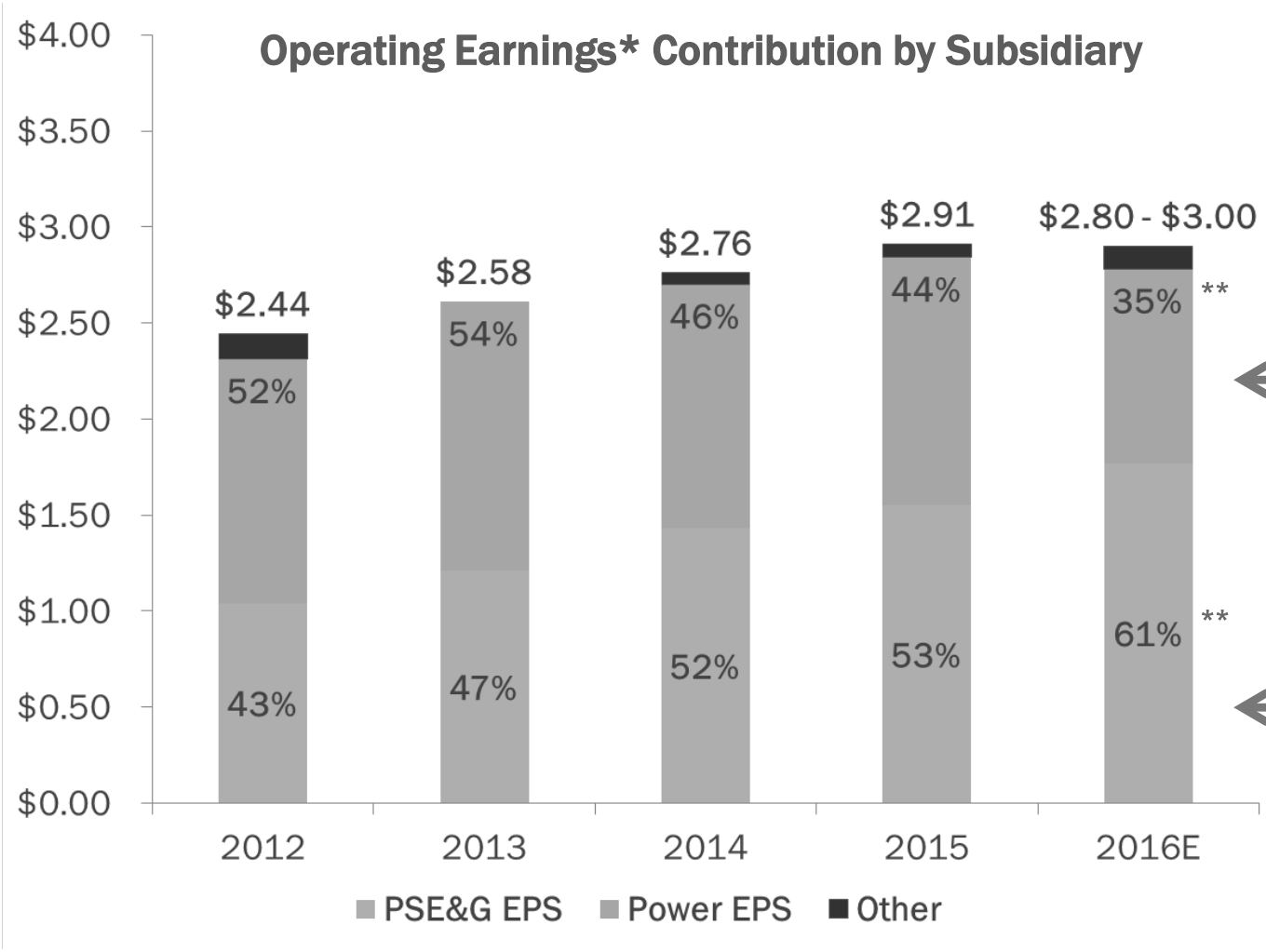
- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

SI-SSA-0015-09301

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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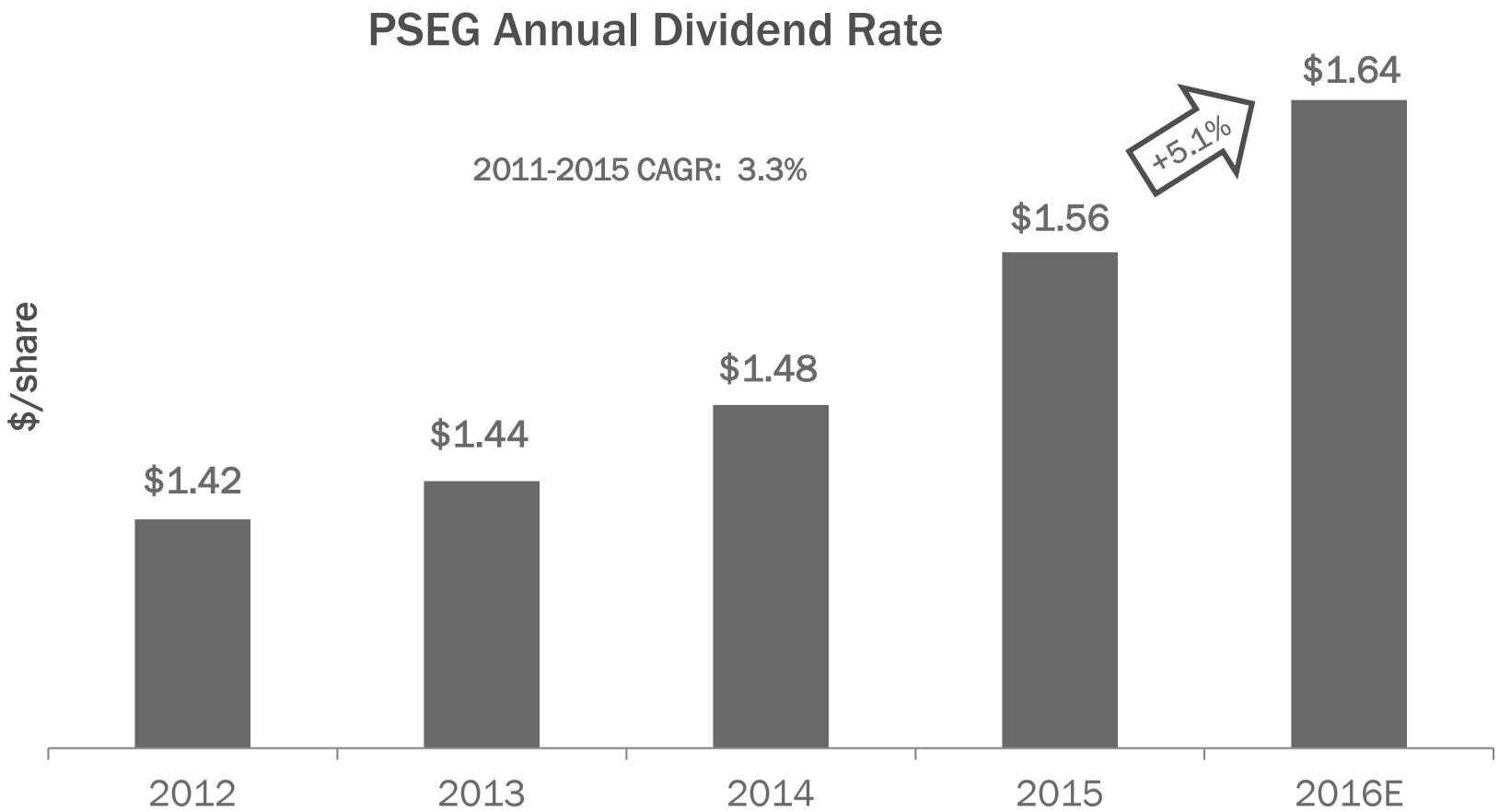
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

SI-SSA-0015-09303

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-09304

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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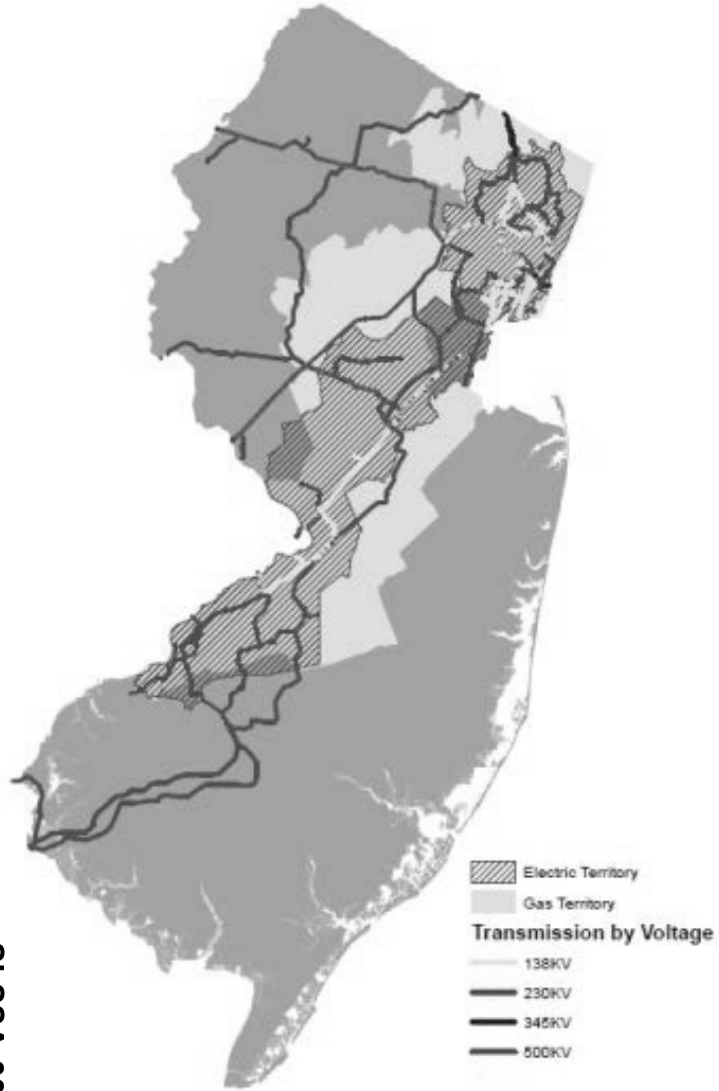
PSE&G

SI-SSA-0015-09306

PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-09307

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09308

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-09309

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-09310

Operational Excellence

Reliability and Customer Service

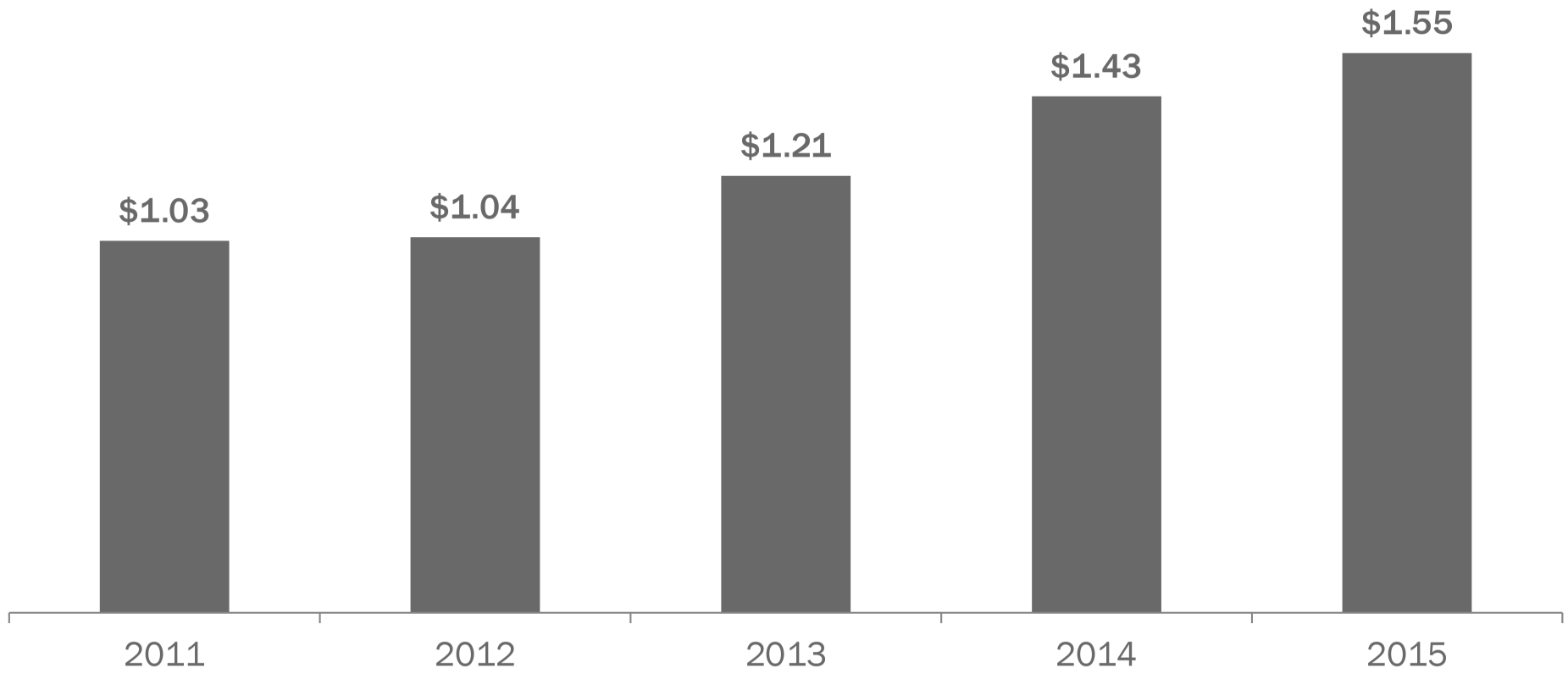
- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-09311

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

PSE&G Operating Earnings Per Share



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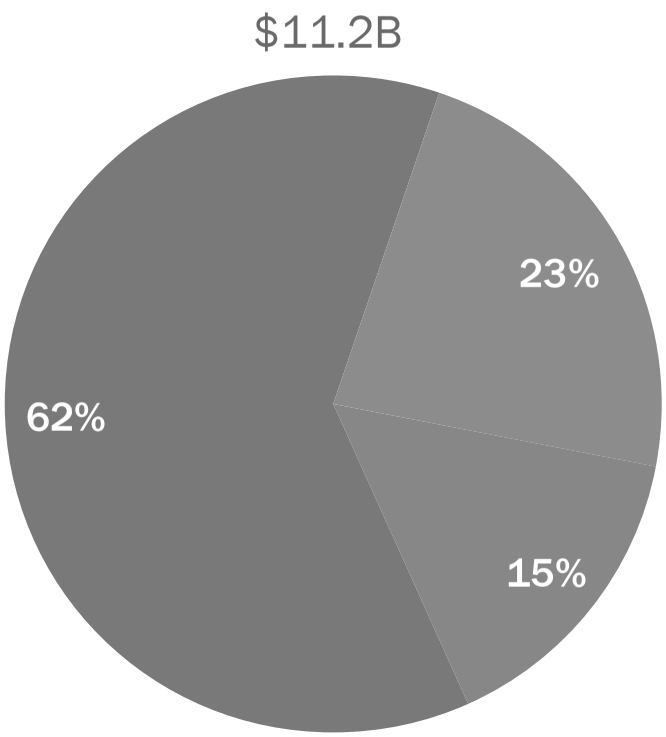
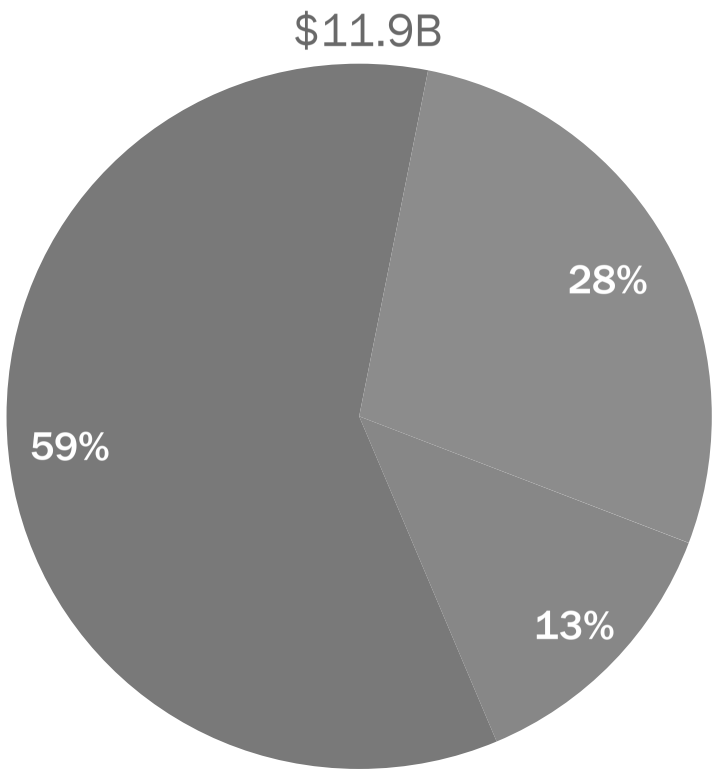
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

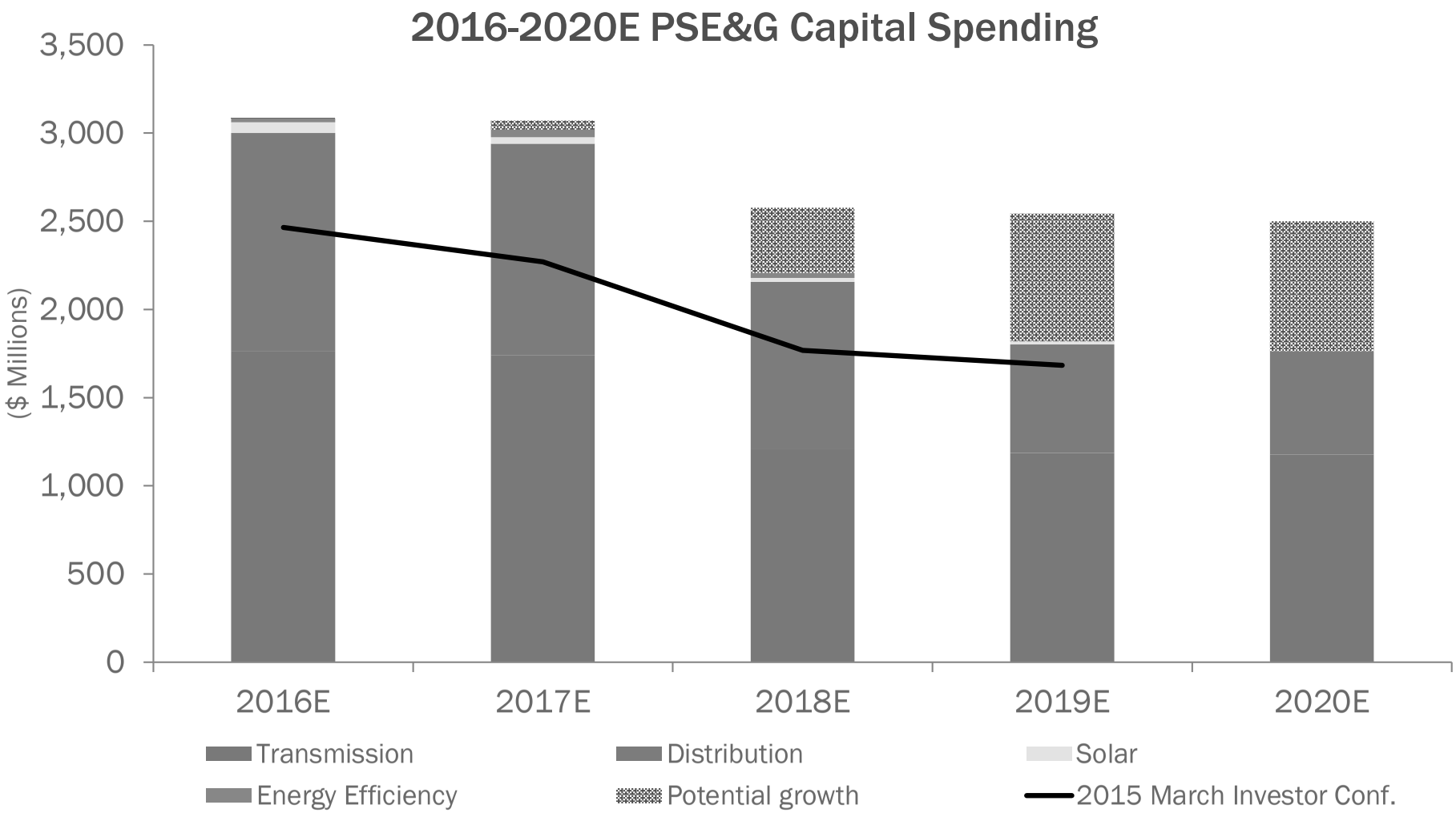
SI-SSA-0015-09313

Increasing investment across our portfolio

- **Transmission**
  - Large portfolio of projects to meet ongoing reliability and life-cycle requirements
- **Electric Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Electric System Modernization Program (ESMP)
- **Gas Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Gas System Modernization Program (GSMP)
- **Solar and Energy Efficiency**

SI-SSA-0015-09314

Continued identification of investment opportunities focused on improving reliability for our customers



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Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-09316

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-09317

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• GSMP	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-09318

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	• Further extension of S4A, focused on landfills (20 sites, ~150 MW identified)
Investment	~$545M	~$140M	Potential $200-$300M multi-year program filing
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-09319

Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

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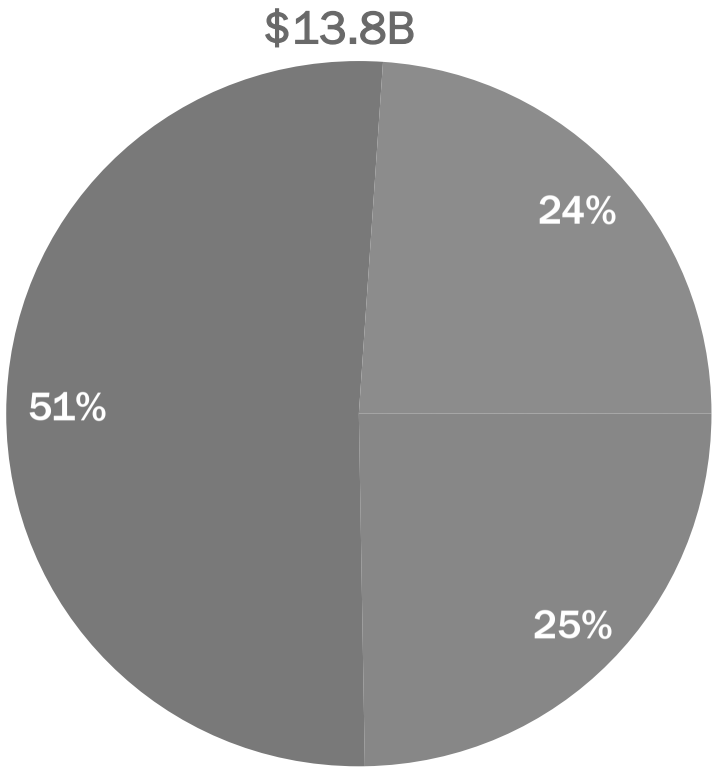
Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

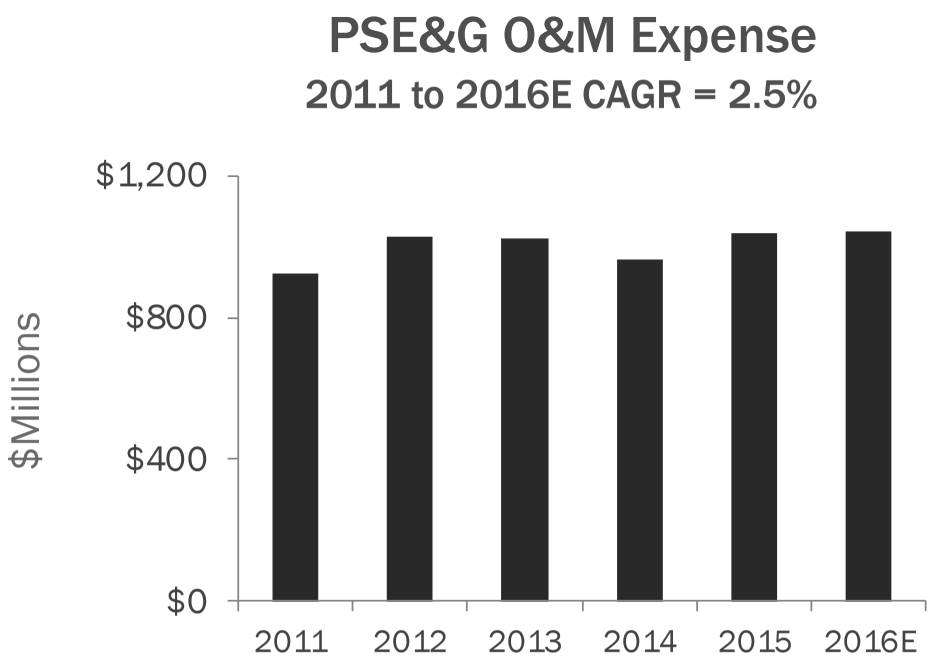
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-09321

Demonstrated ability to control O&M and plan to drive future efficiencies



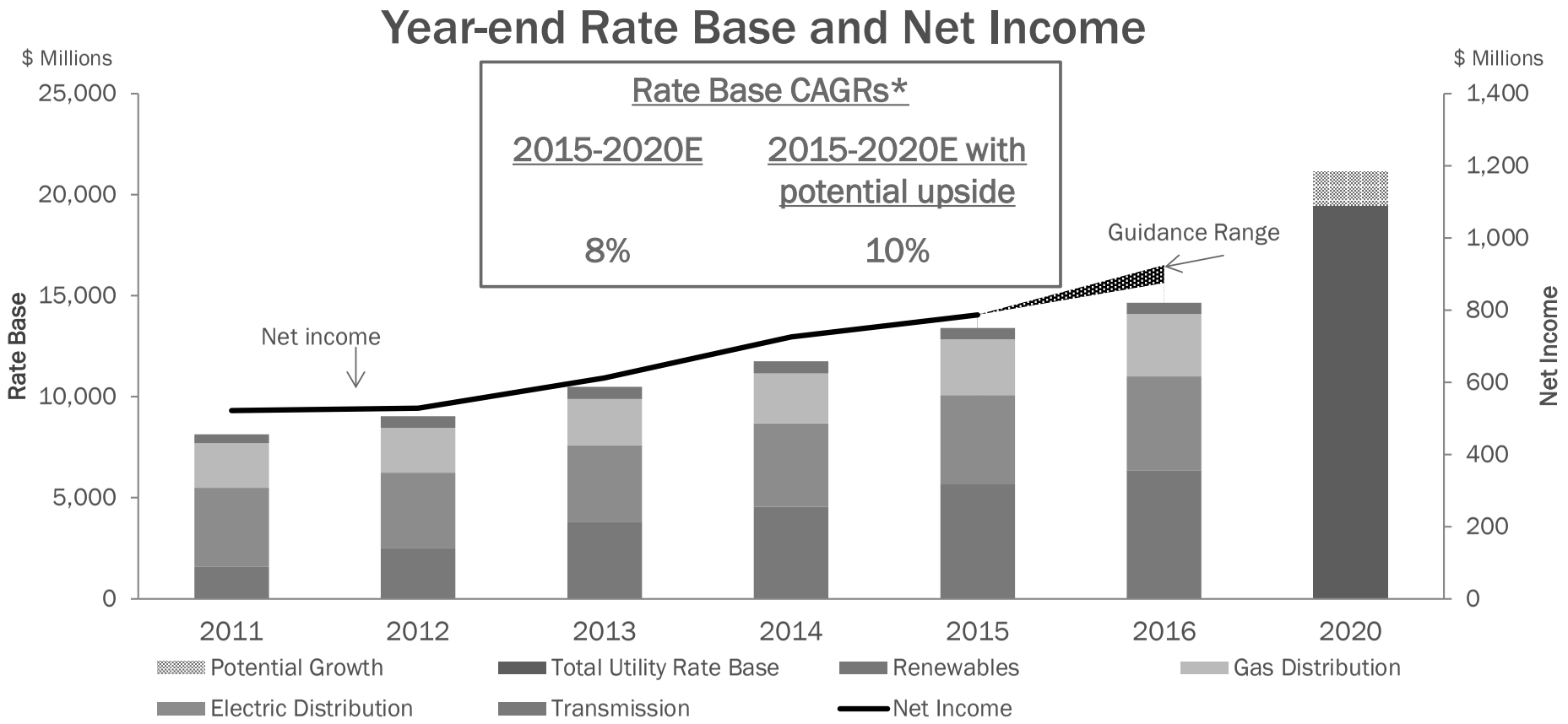
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-09322

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

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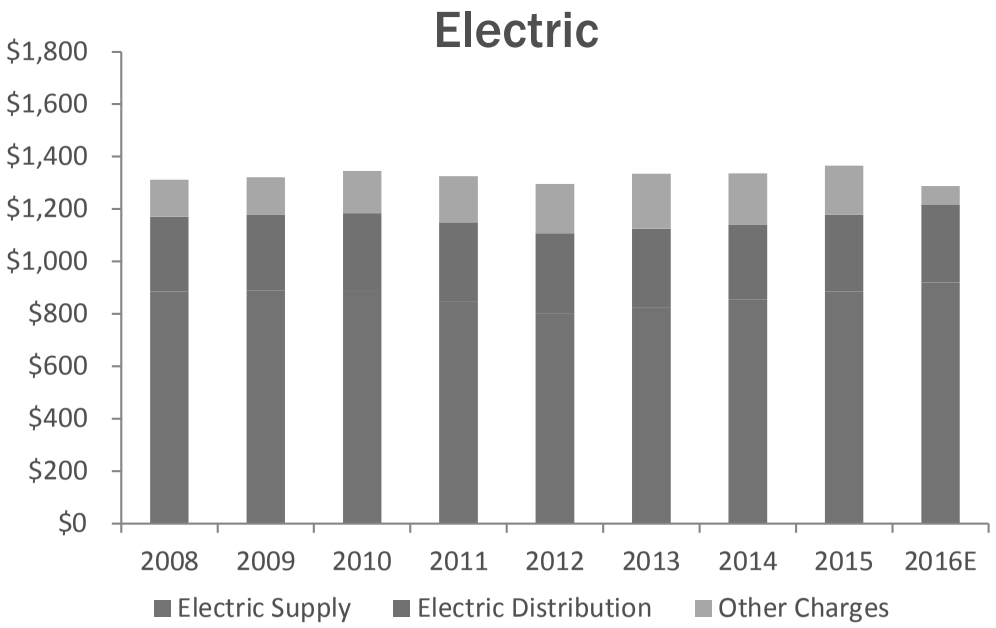
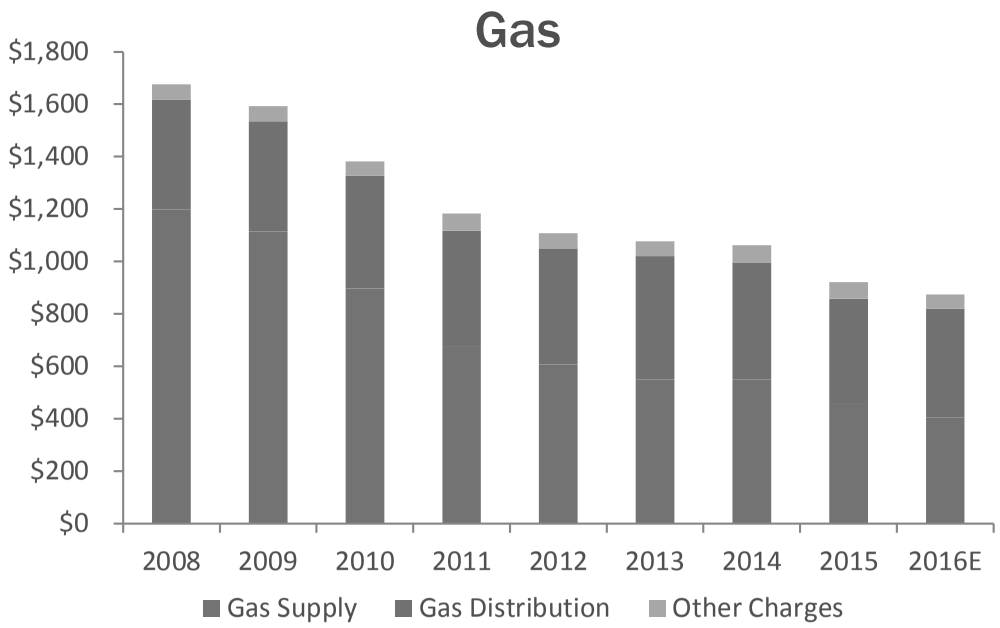
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

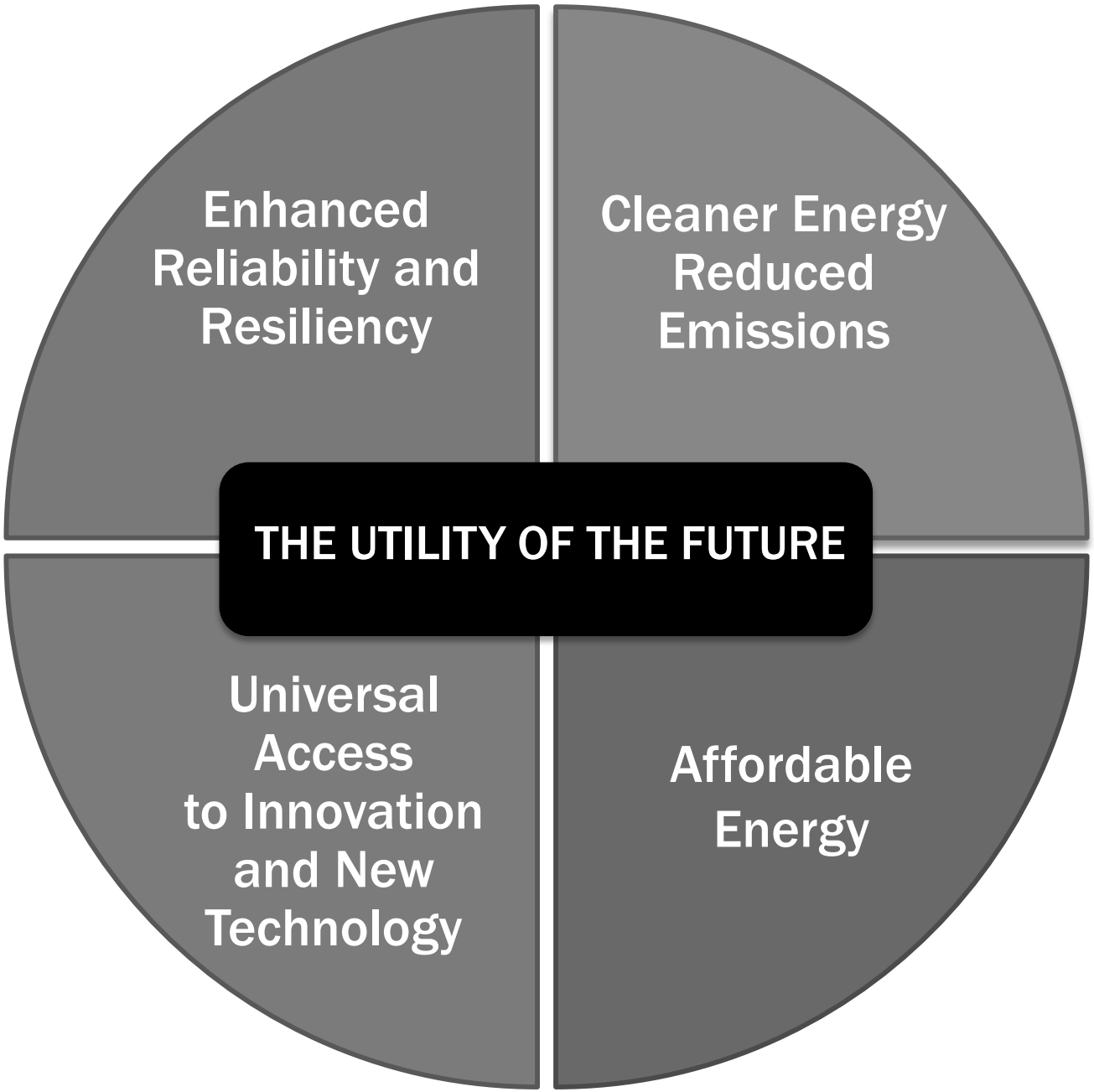
PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

SI-SSA-0015-09325

PSEG

E =ESTIMATE.



SI-SSA-0015-09326

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-09327

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-09328

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

PSEG

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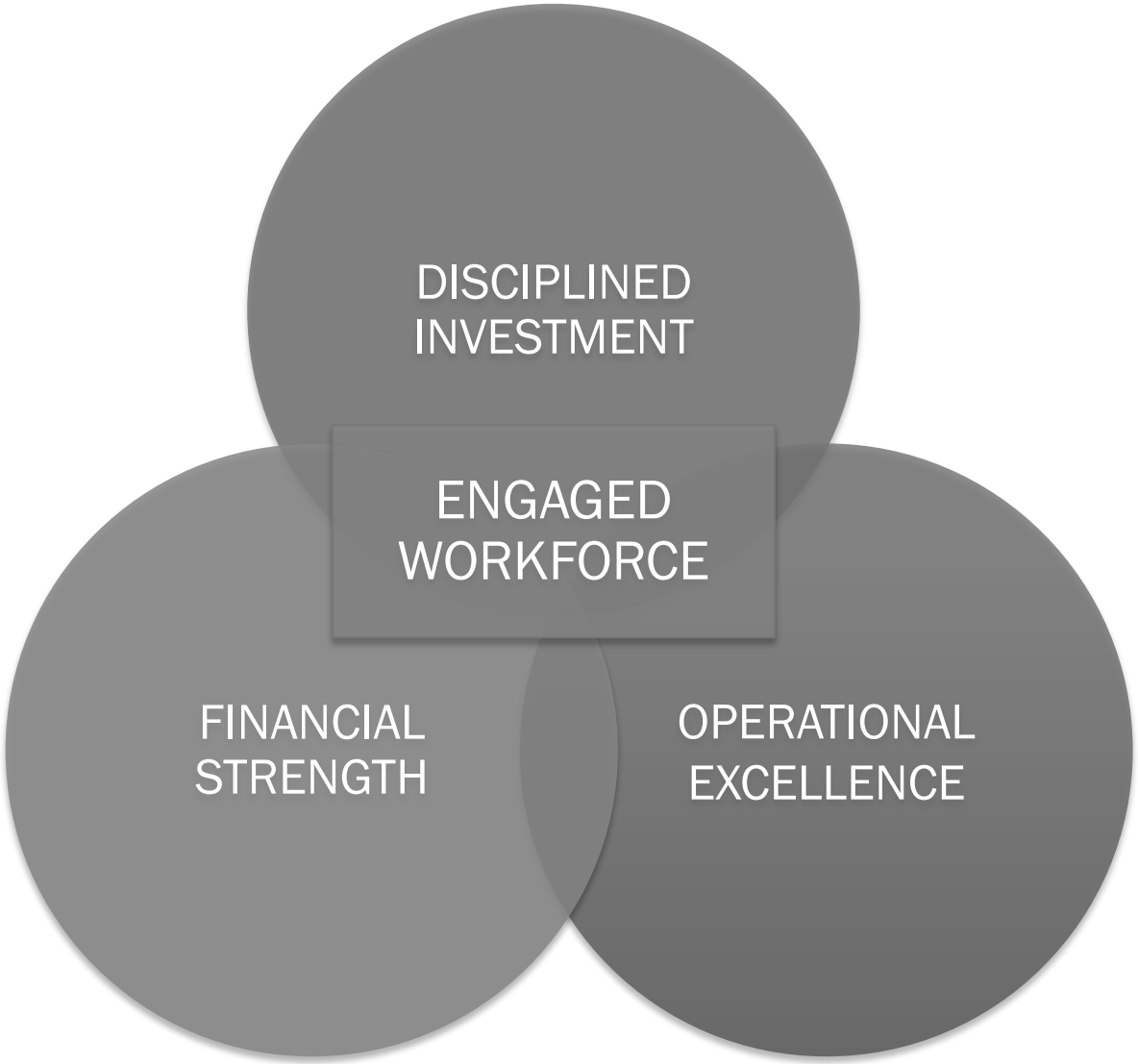
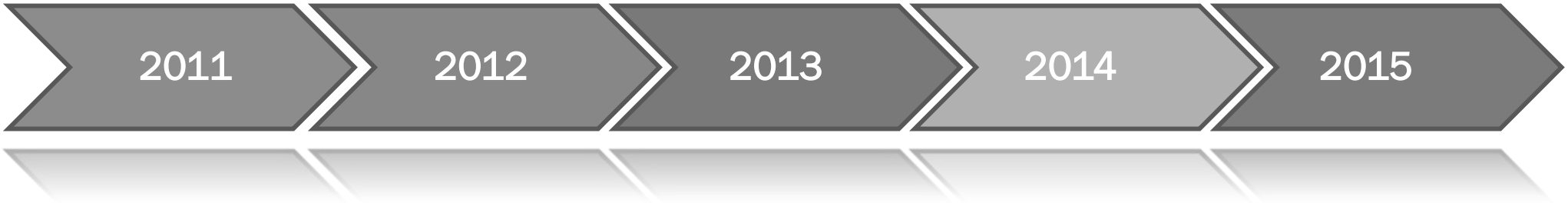
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09330

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure



Selected Accomplishments

2011

- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012

- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013

- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015

- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

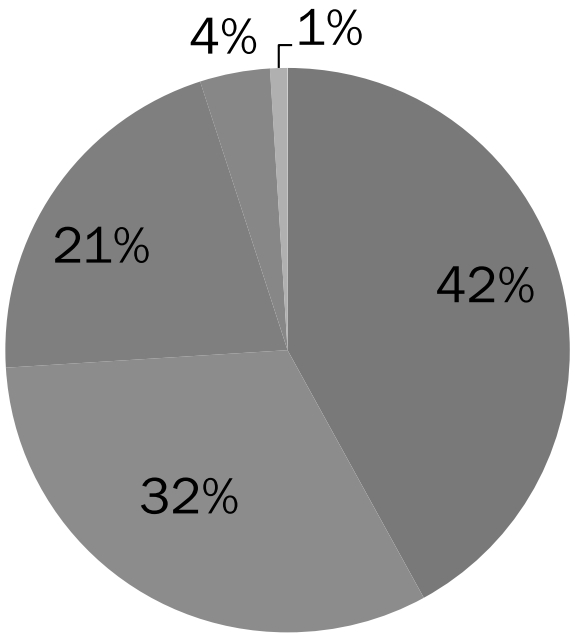
SI-SSA-0015-09331

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

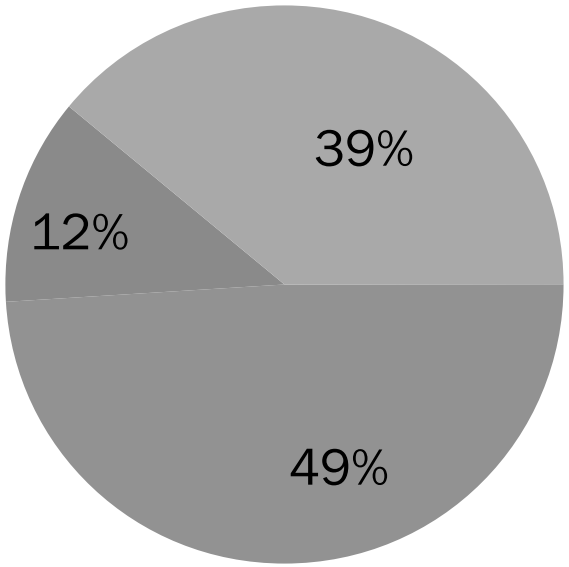
2015 Actual

Fuel Diversity*
Total MW: 11,678



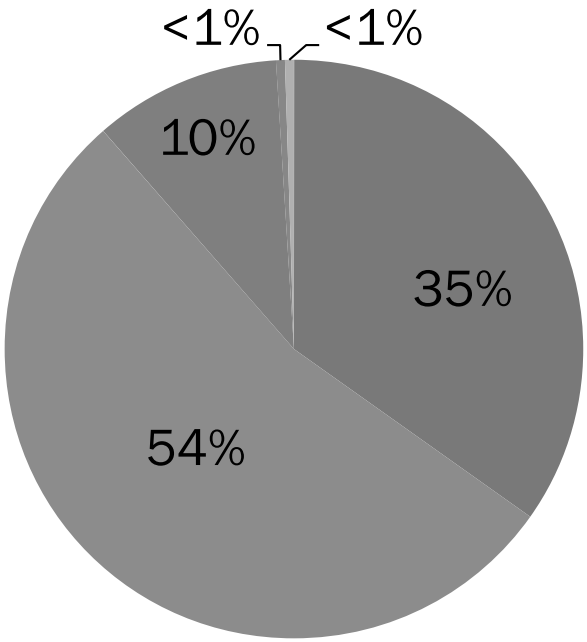
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

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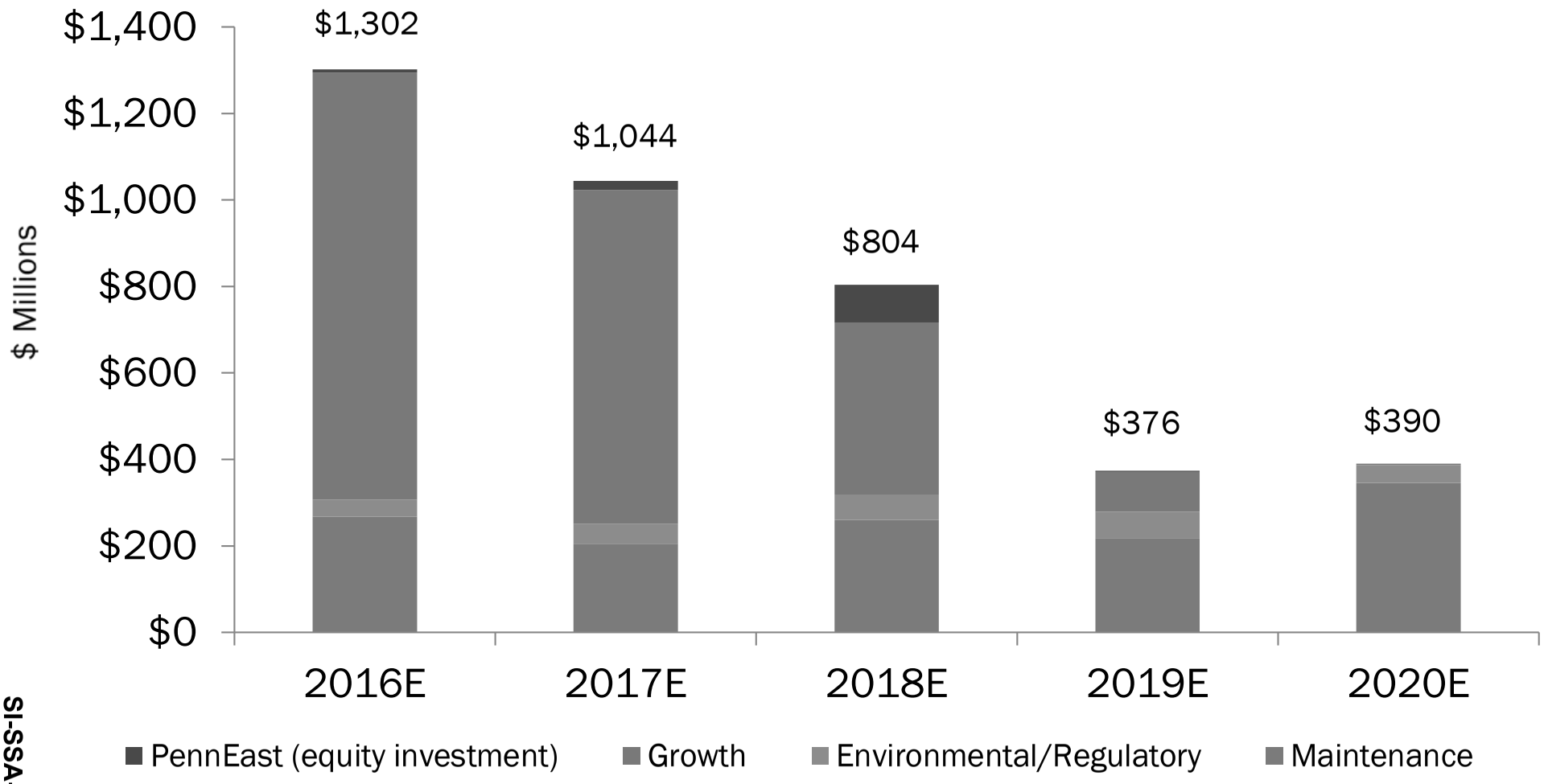
PSEG

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

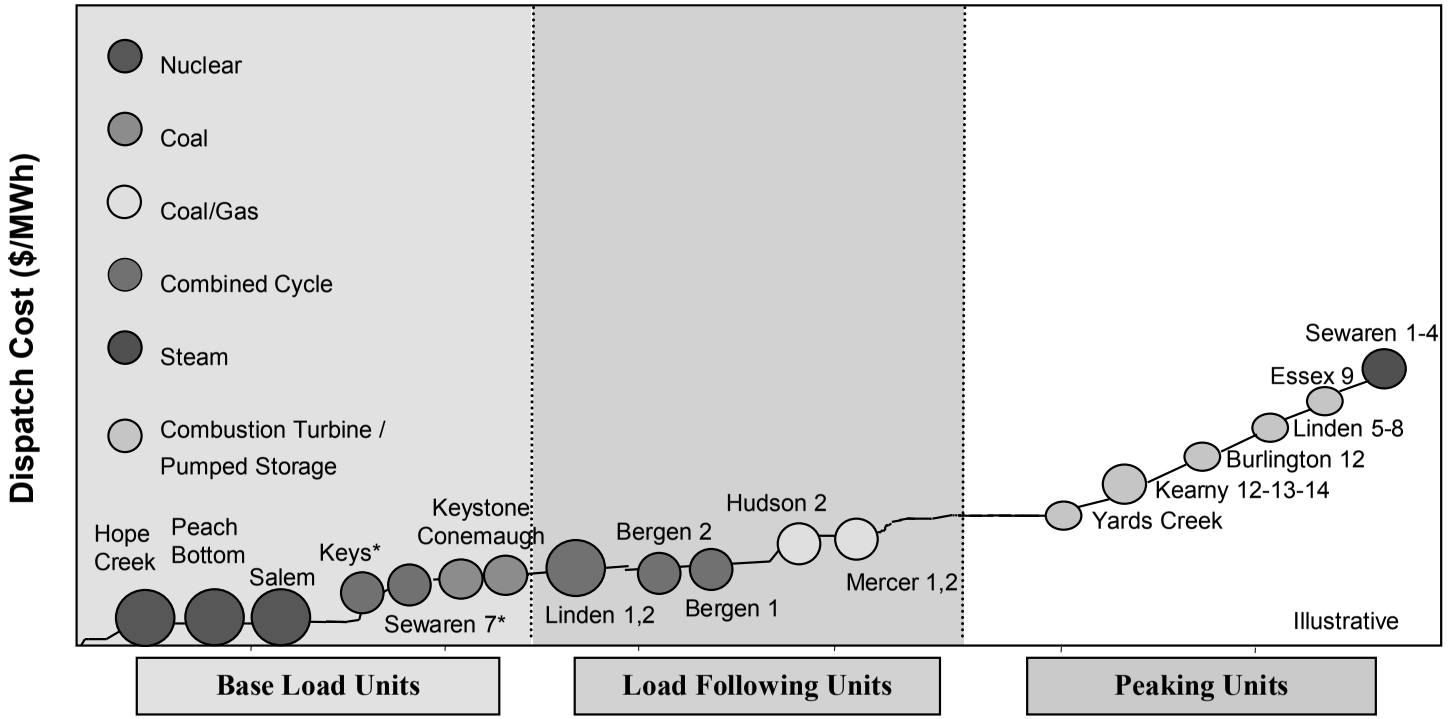
Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-09333

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

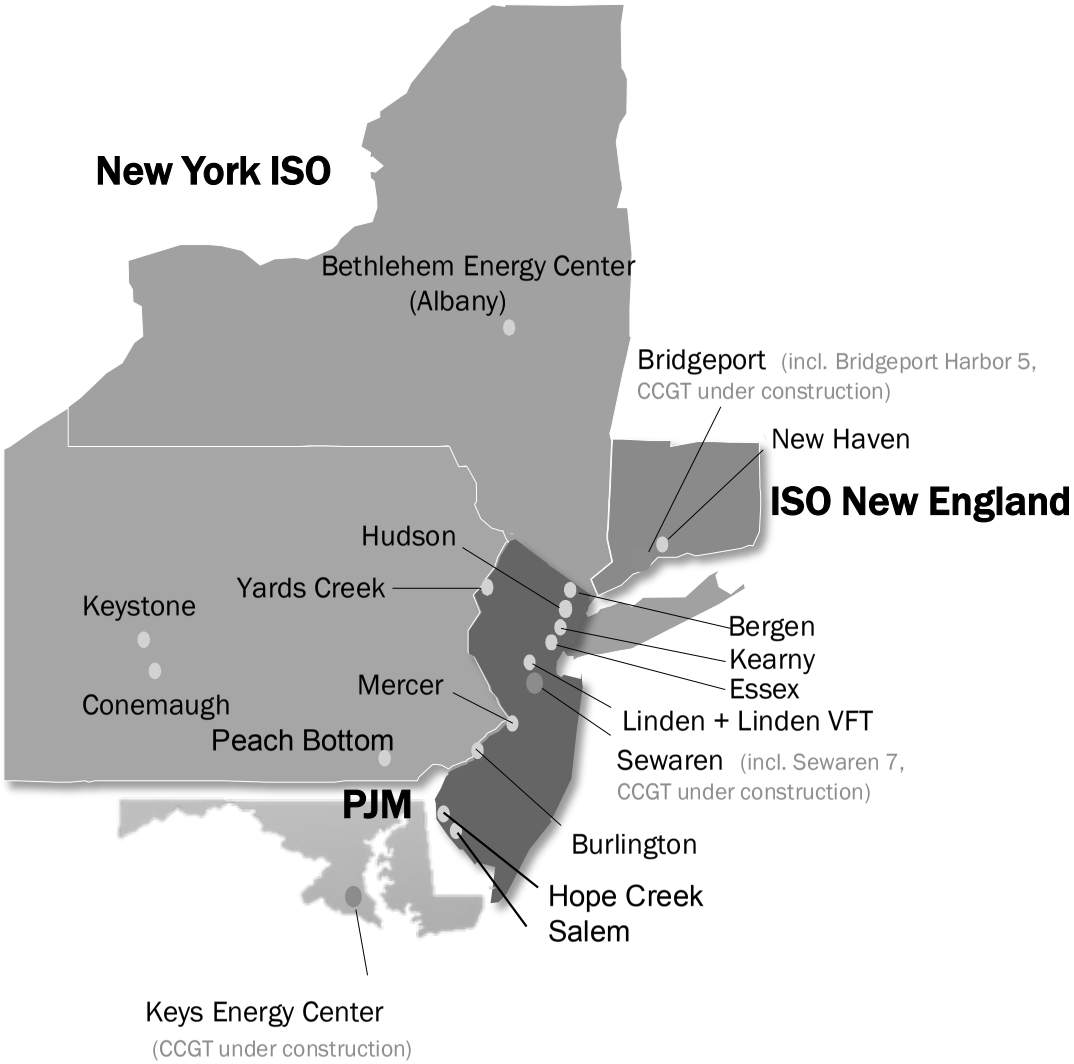
SI-SSA-0015-09334

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

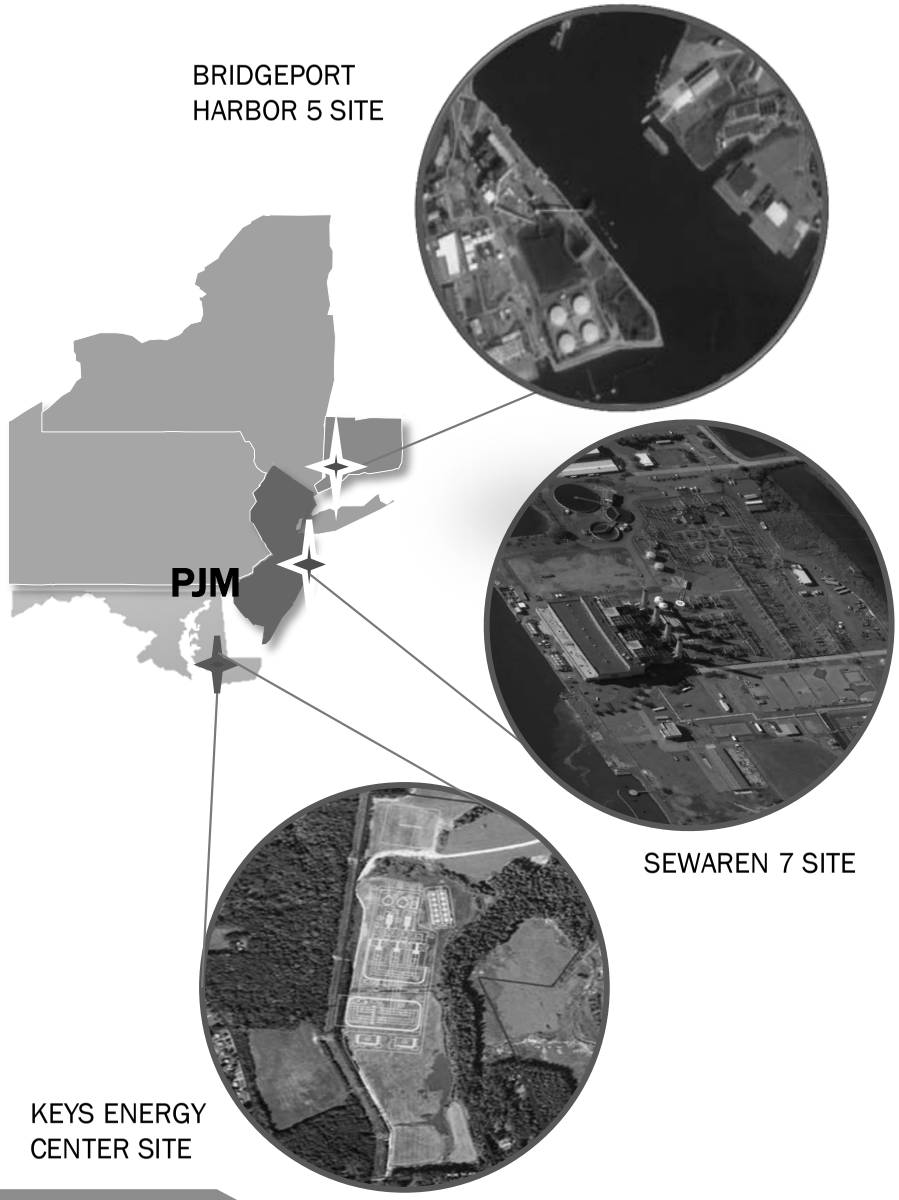
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-09335

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



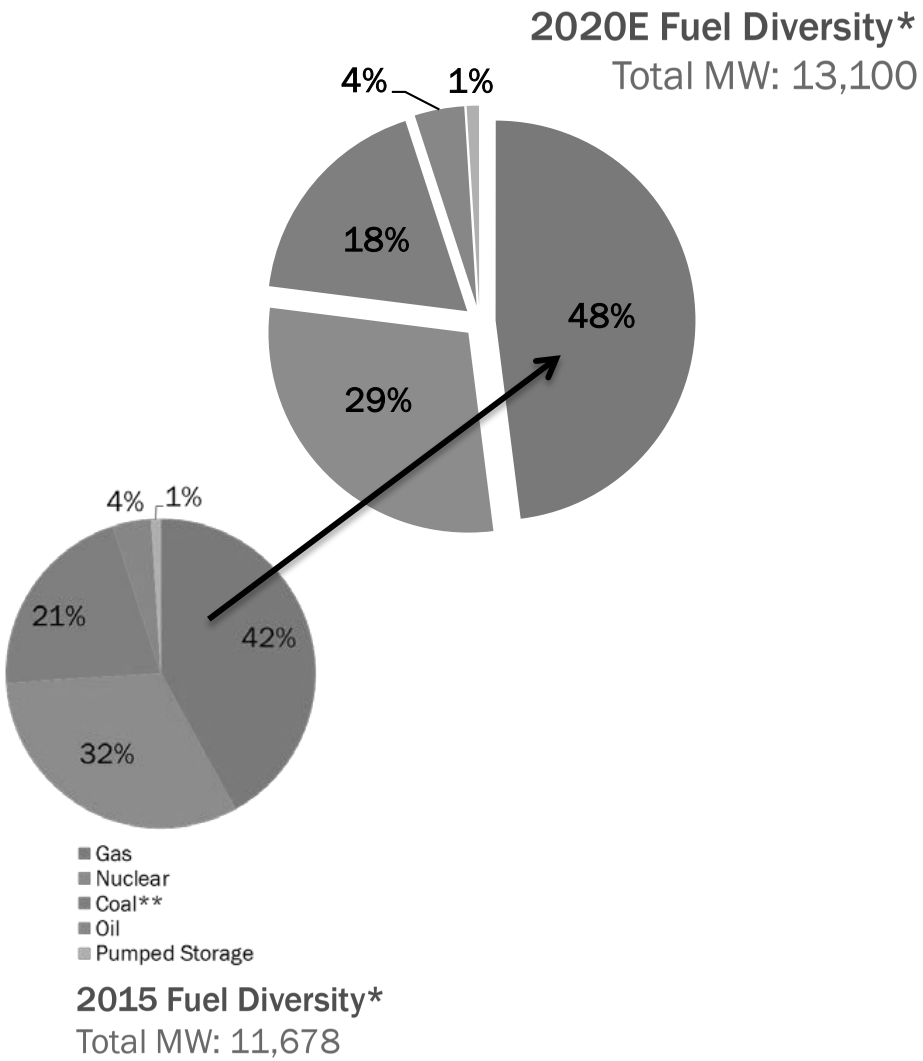
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

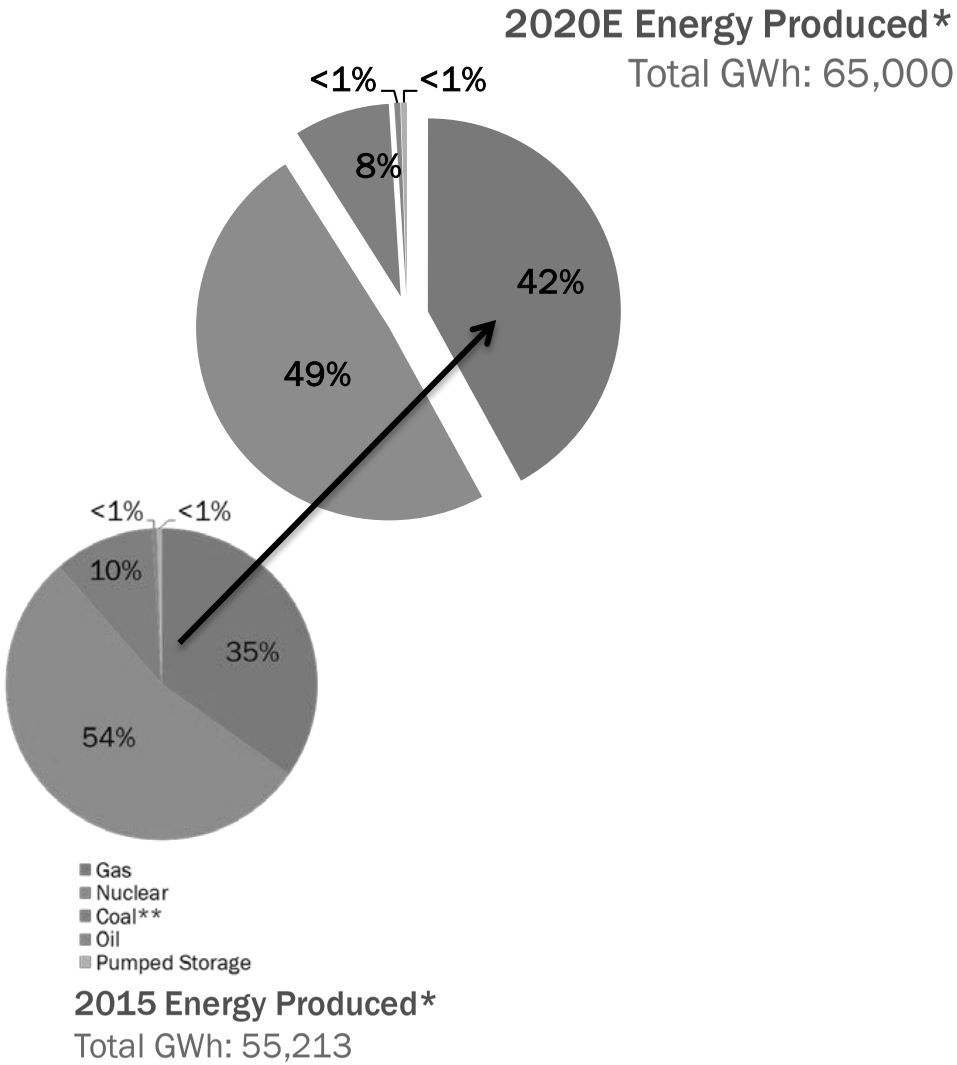
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-09336

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

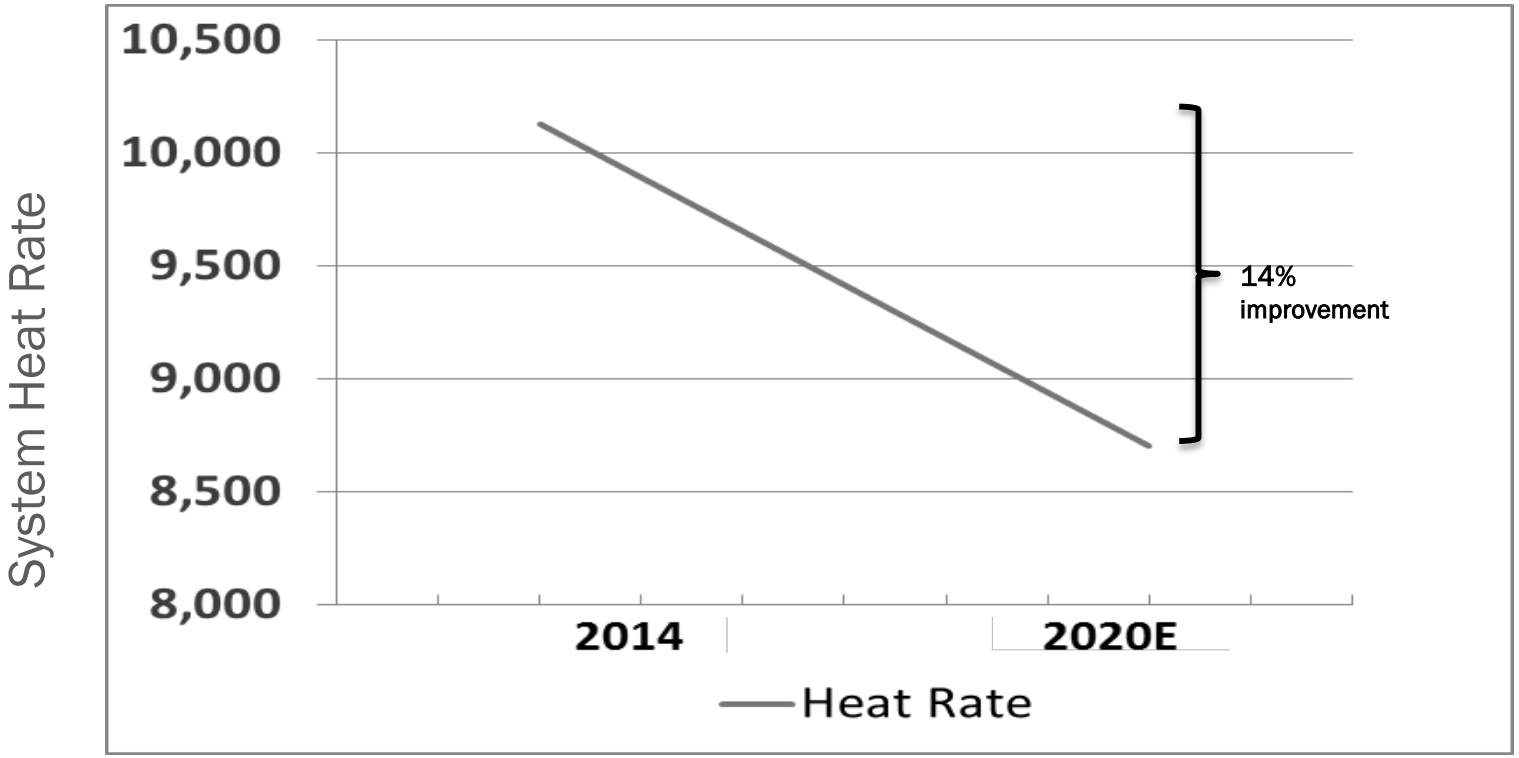




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-09337

PSEG Power's fossil fleet expected to see improvements in efficiency

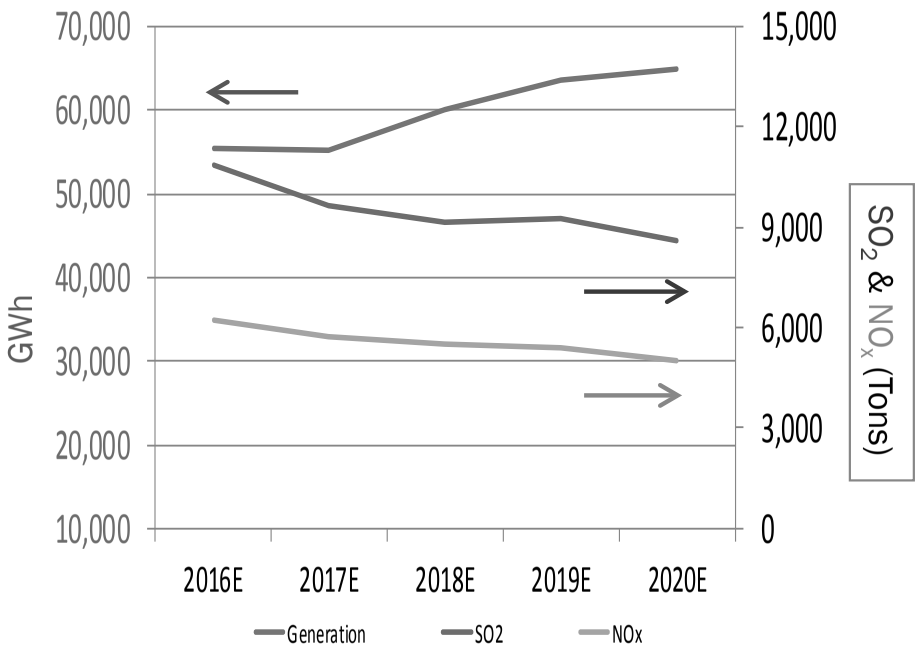


- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-09338

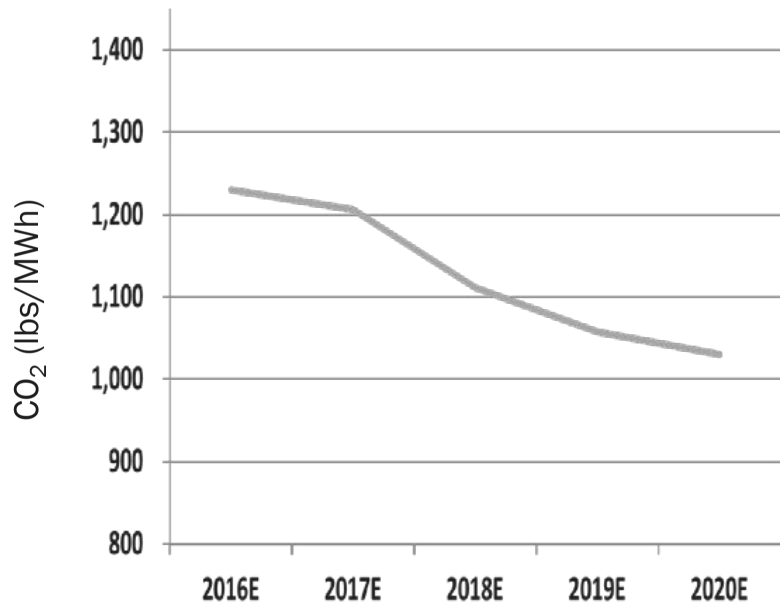
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-09339

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

SI-SSA-0015-09340

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-09341

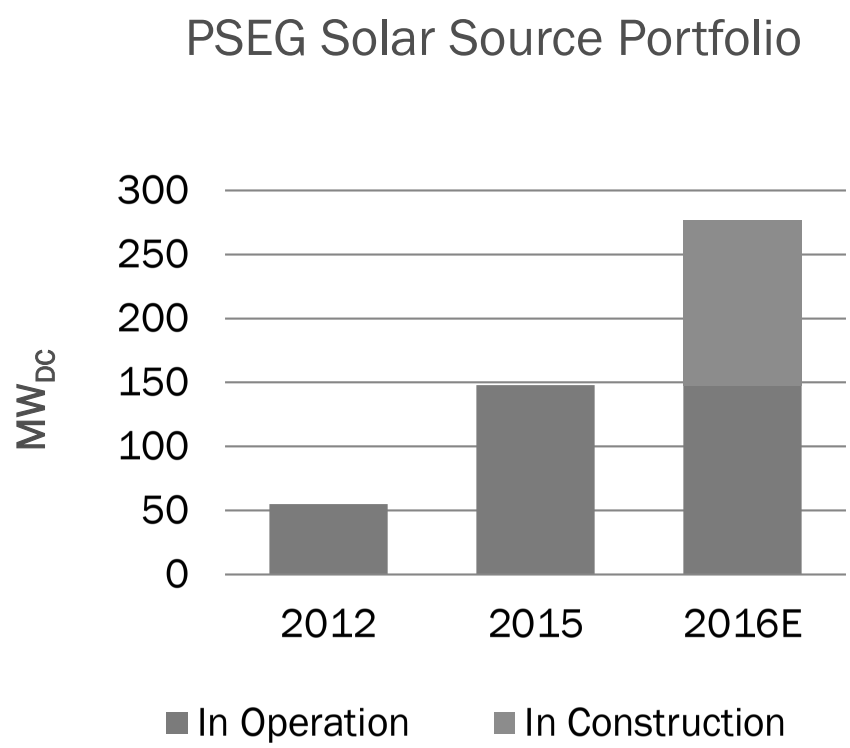
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

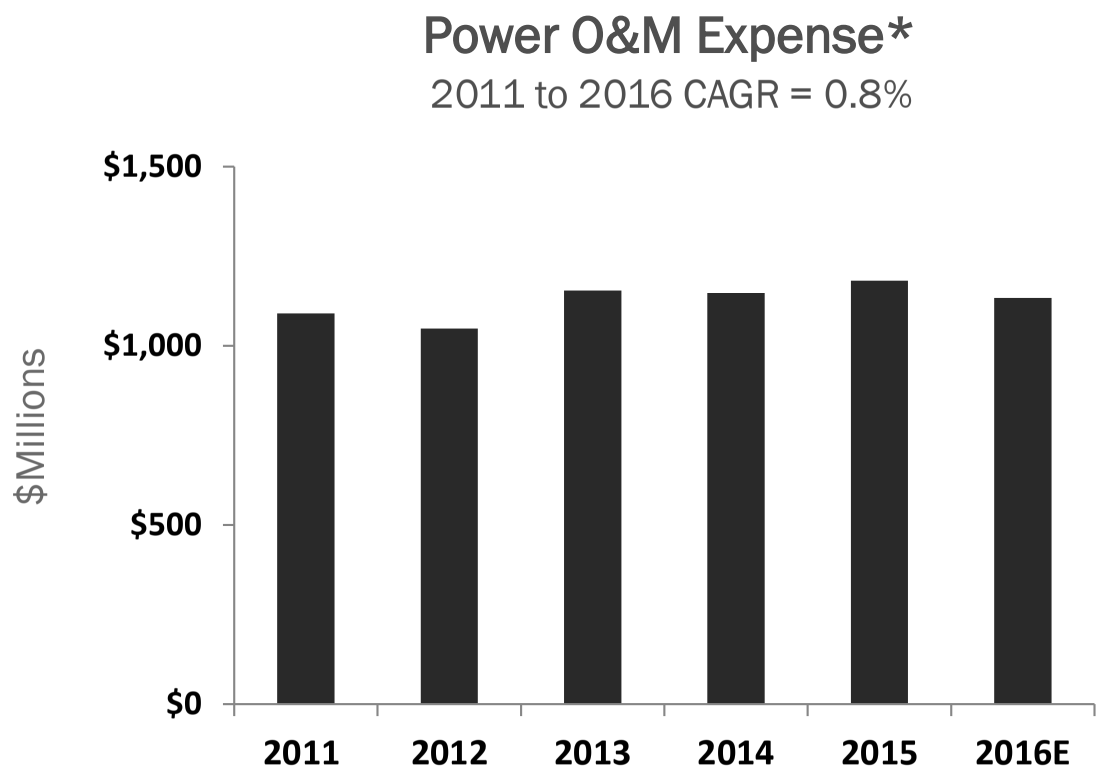
LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil

New Haven Peakers – 129 MW, rate based contract with ISO-NE

SI-SSA-0015-09343

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-09344

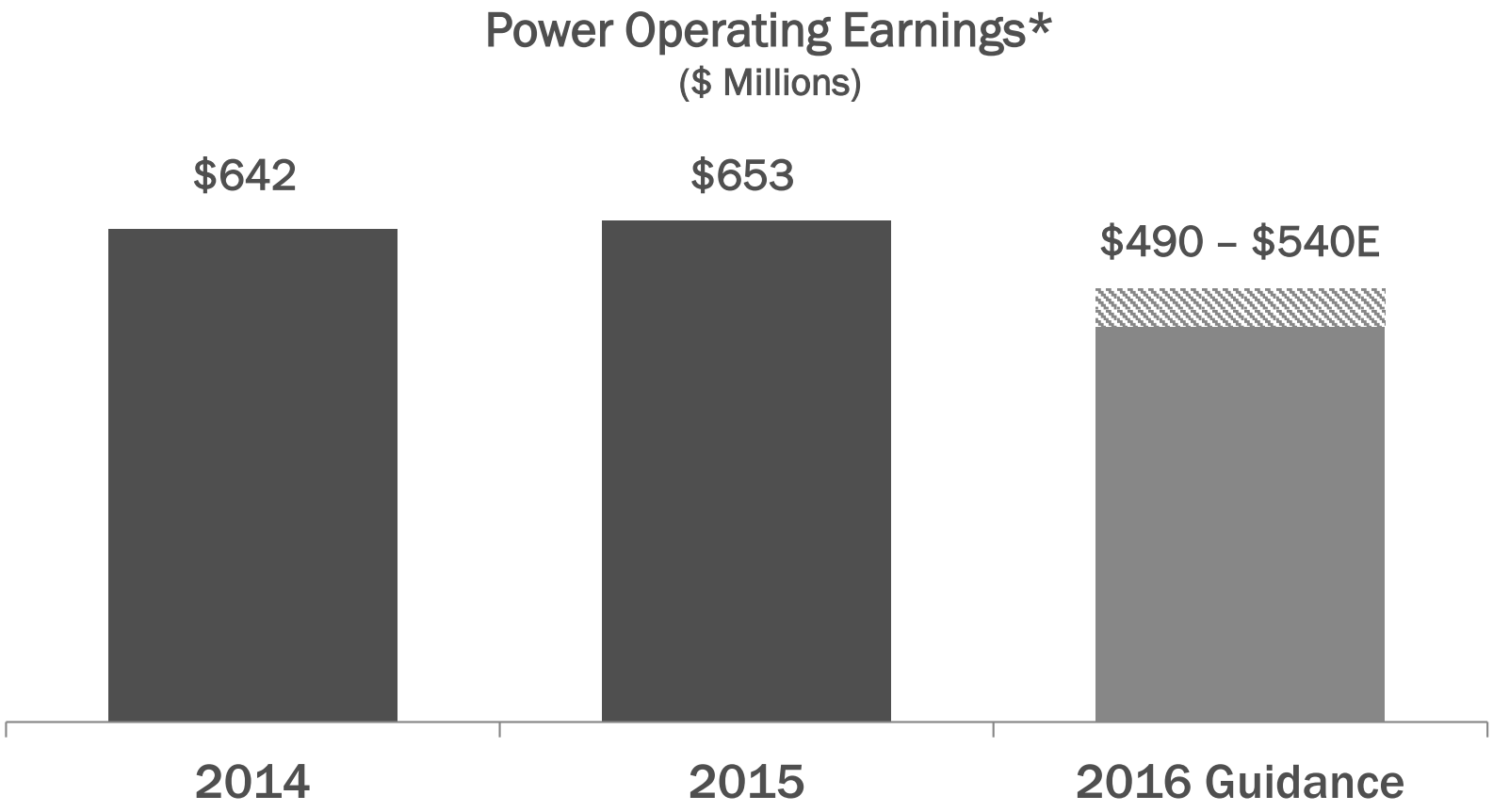
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-09345

Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



SI-SSA-0015-09346

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-09347

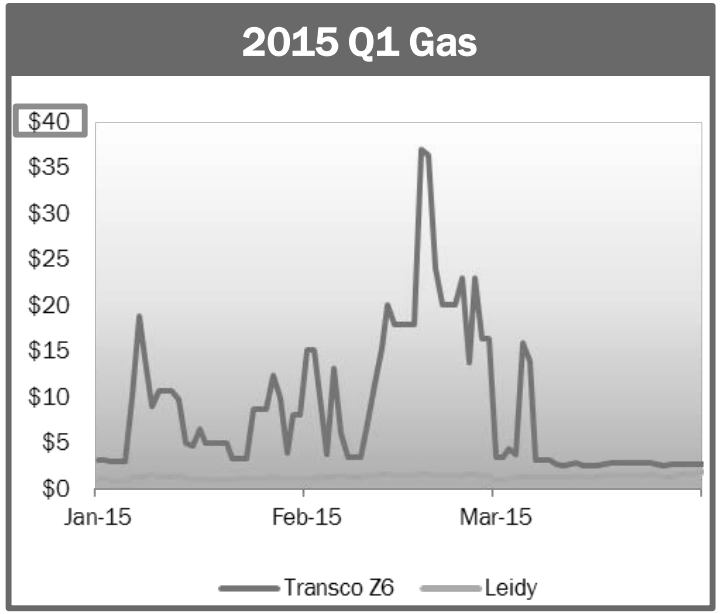
PSEG POWER
ER&T

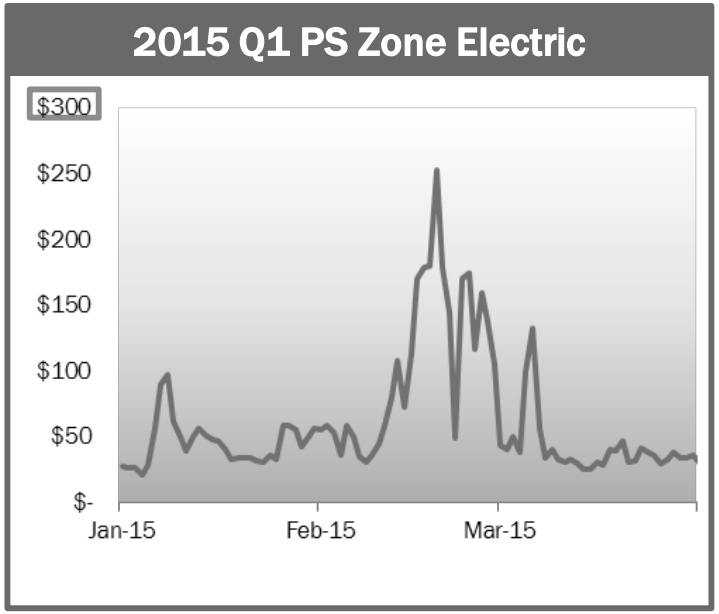
SI-SSA-0015-09348

PSEG

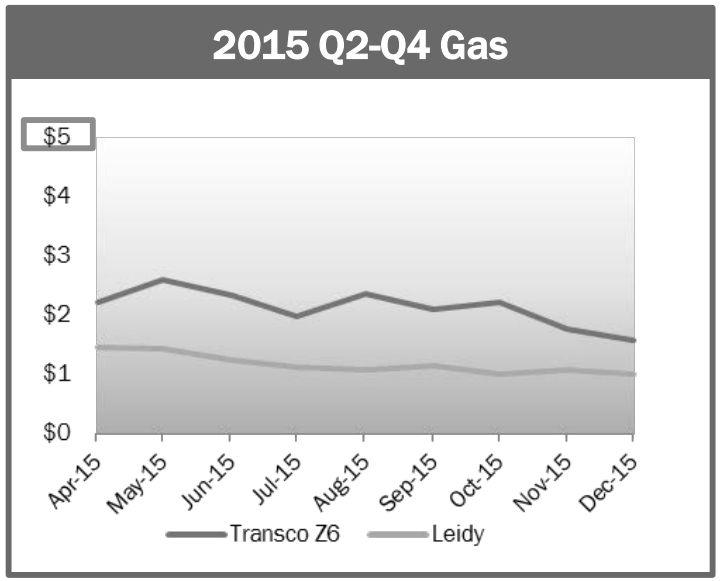
We make things work for you.

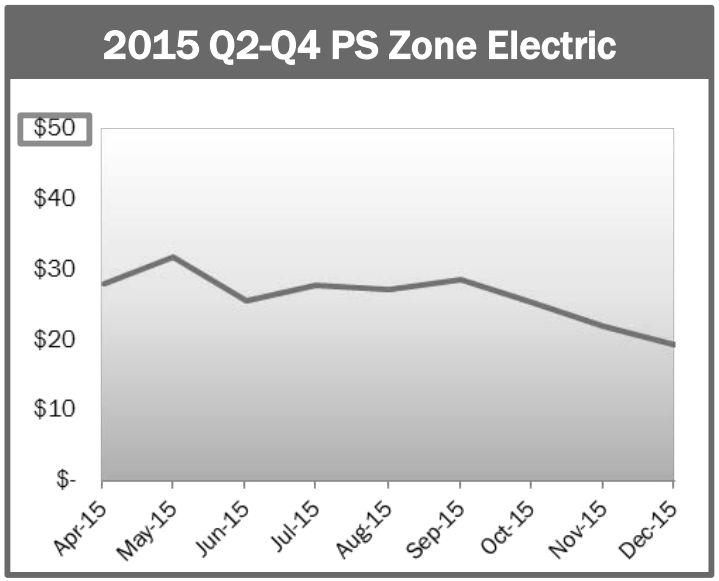
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

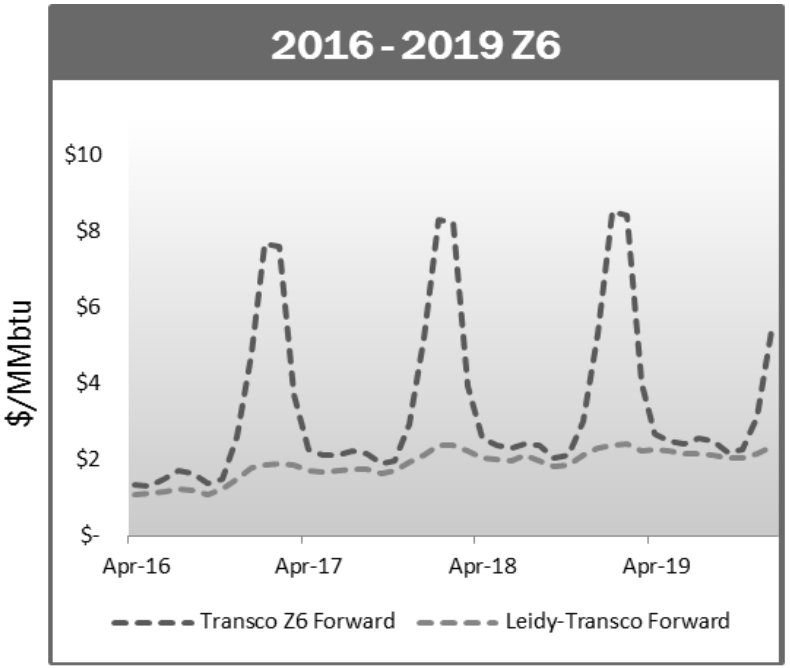


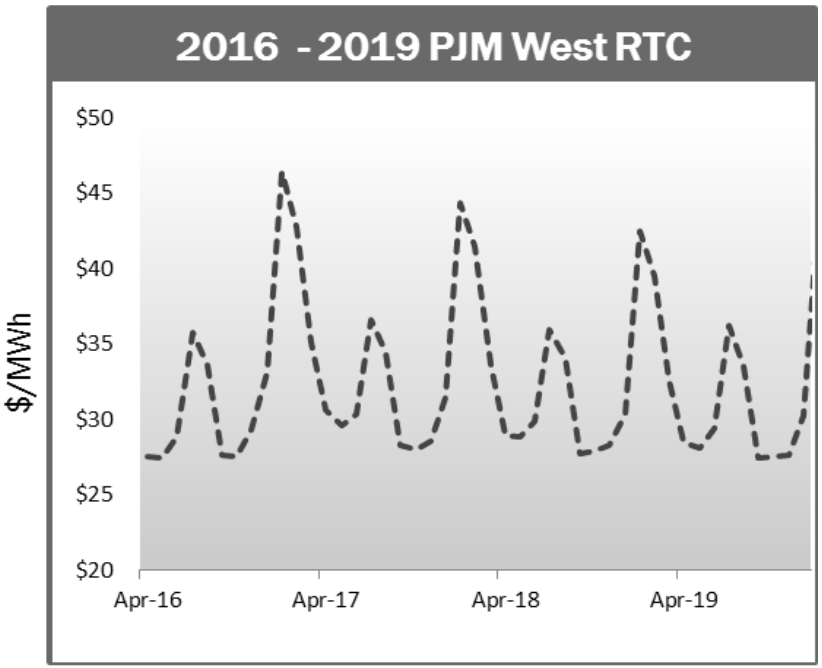


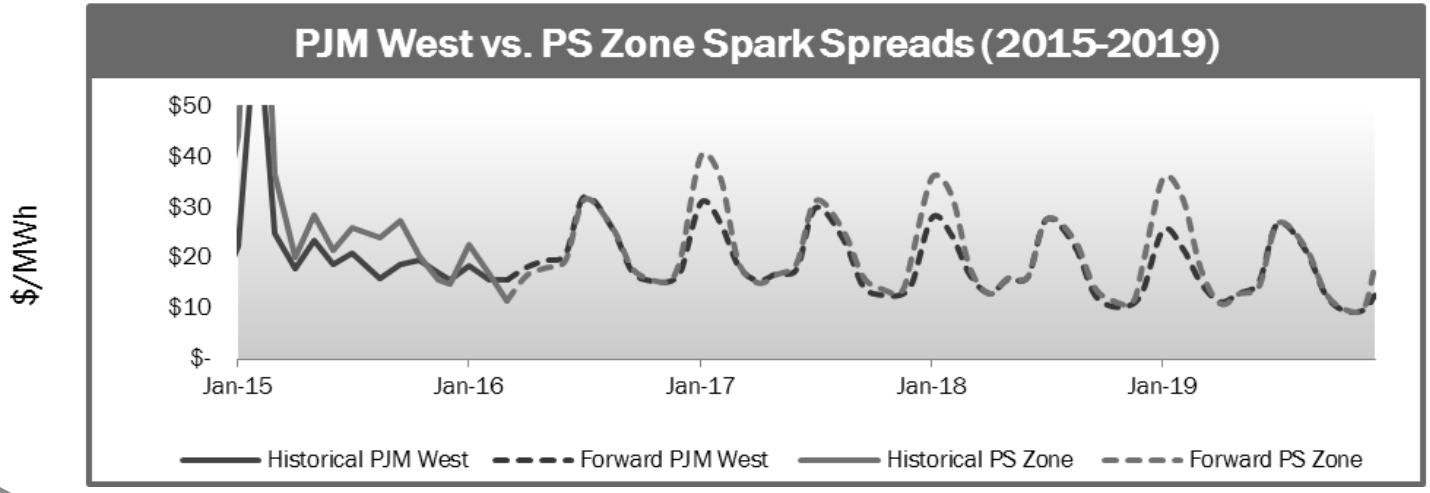
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-09349

Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

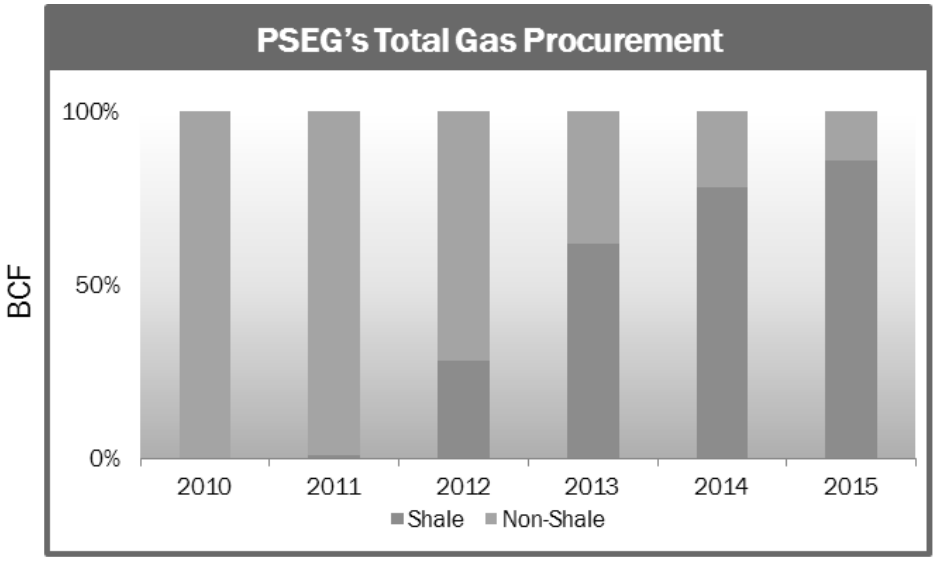


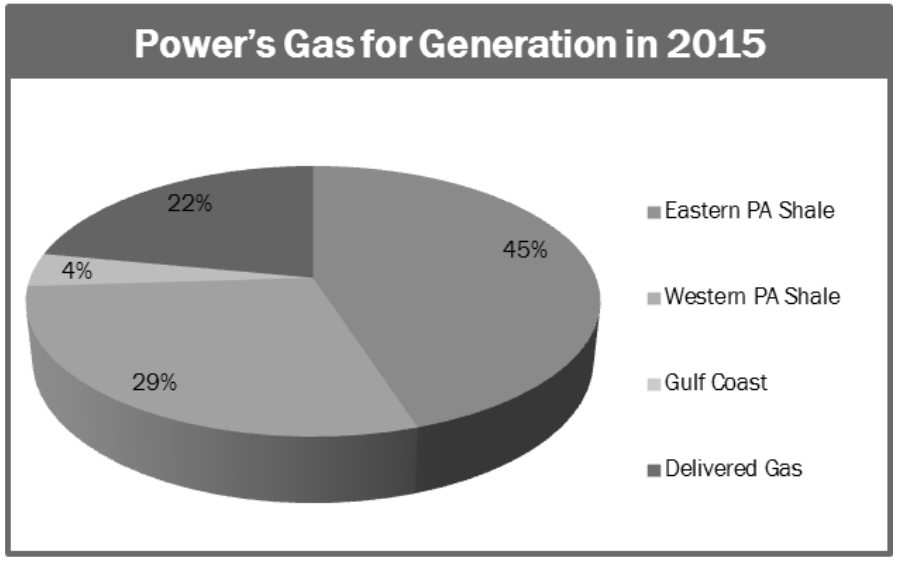




SI-SSA-0015-09350

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



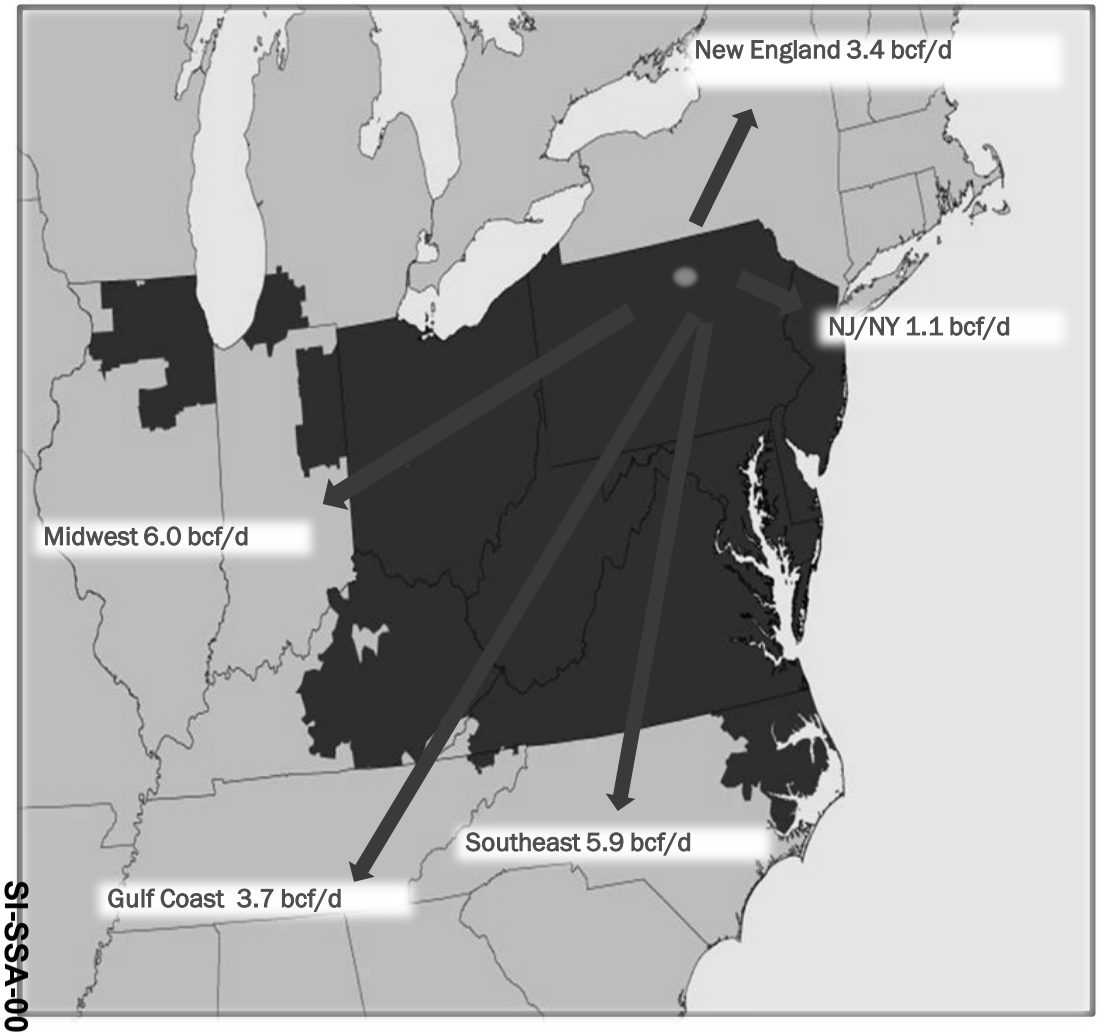


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-09351

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-09352

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

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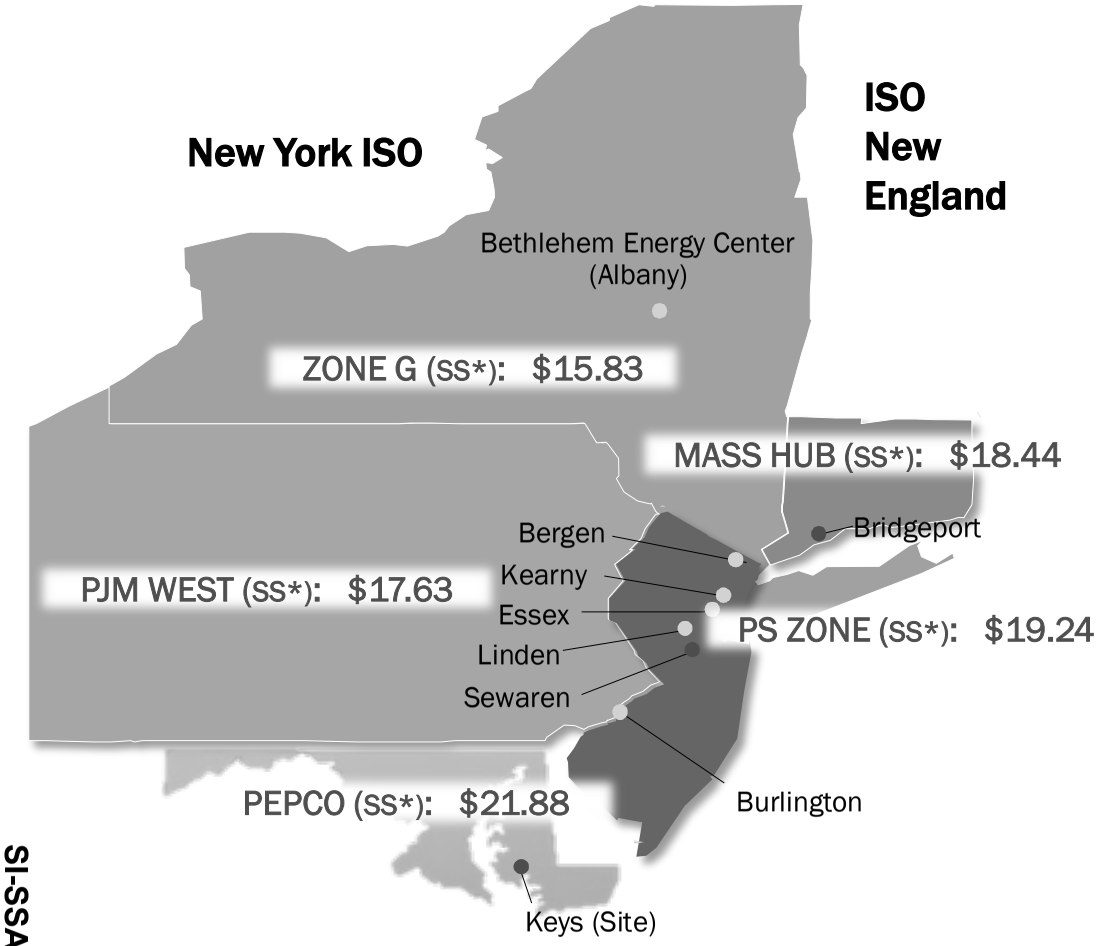
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

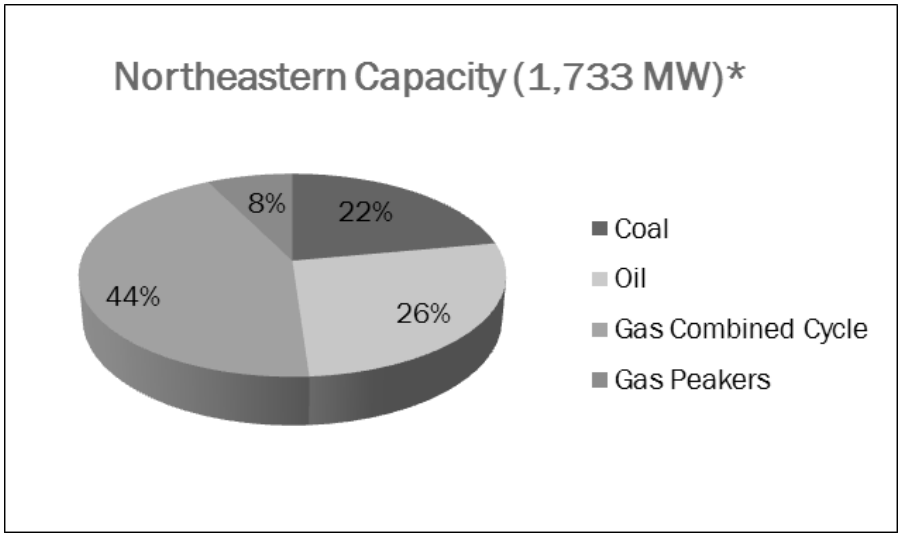
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-09355

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

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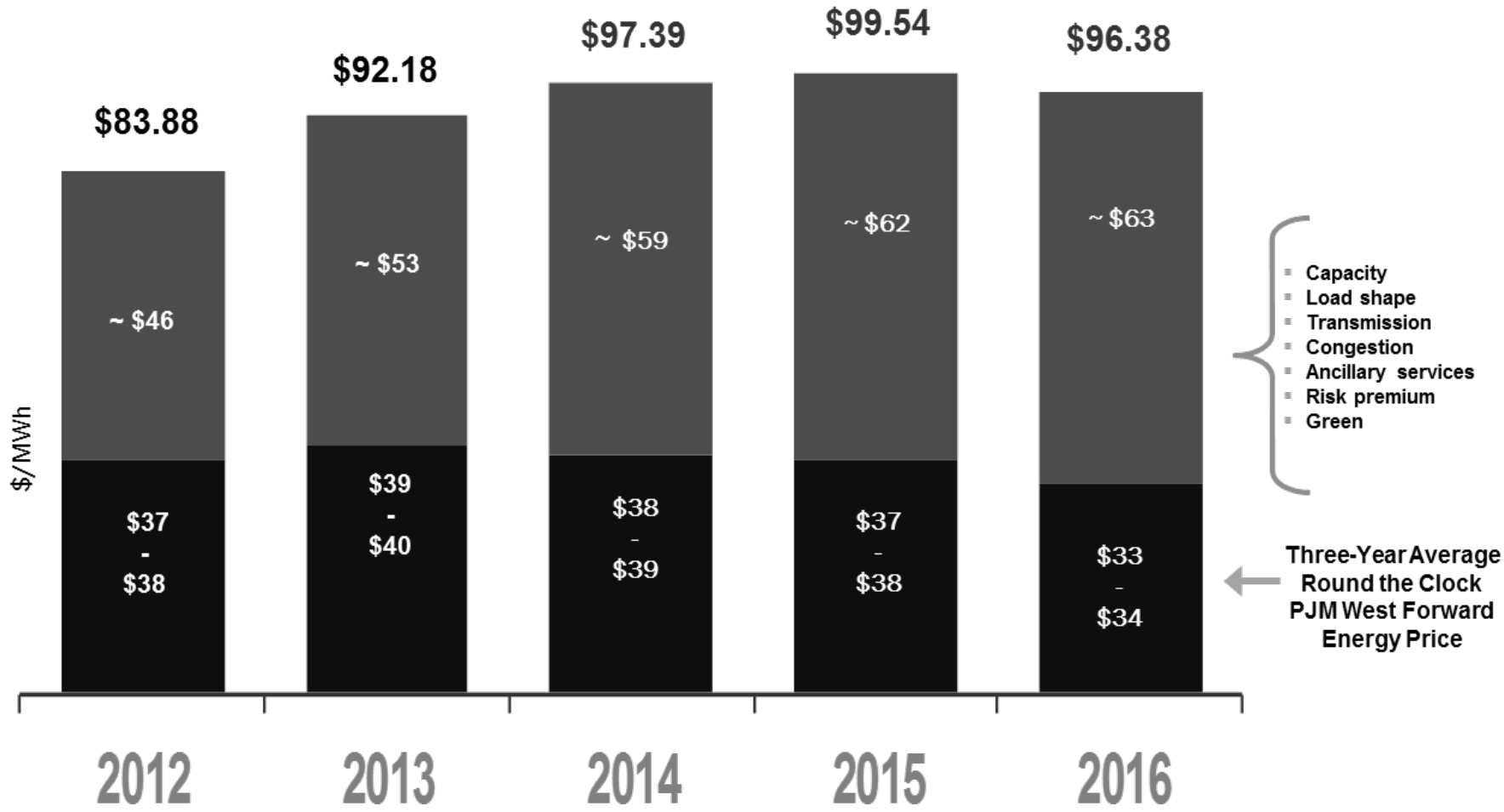
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

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PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		April-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	36	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	14	19	24
	% Hedged	25-30%	0%	0%
	Price $/MWh	$49	-	-
Total	Volume TWh	39-41	54-56	59-61
	% Hedged	70-75%	50-55%	20-25%
	Price $/MWh	$49	$49	$49

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

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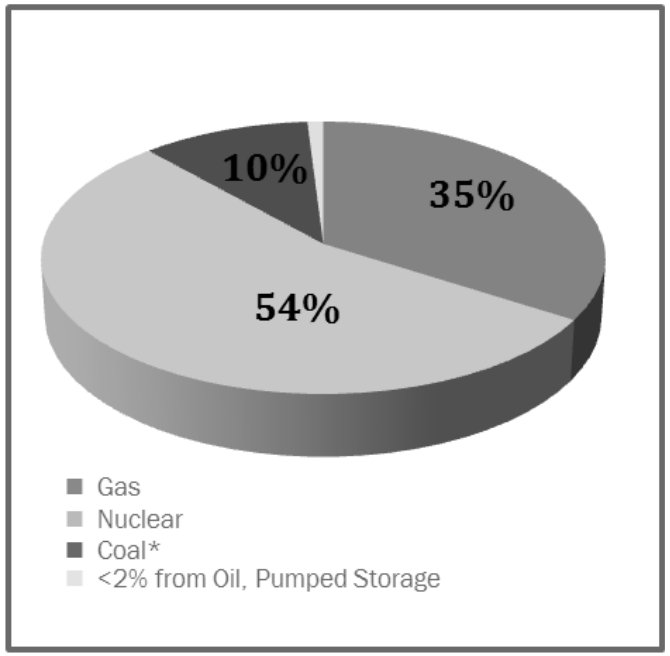
PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

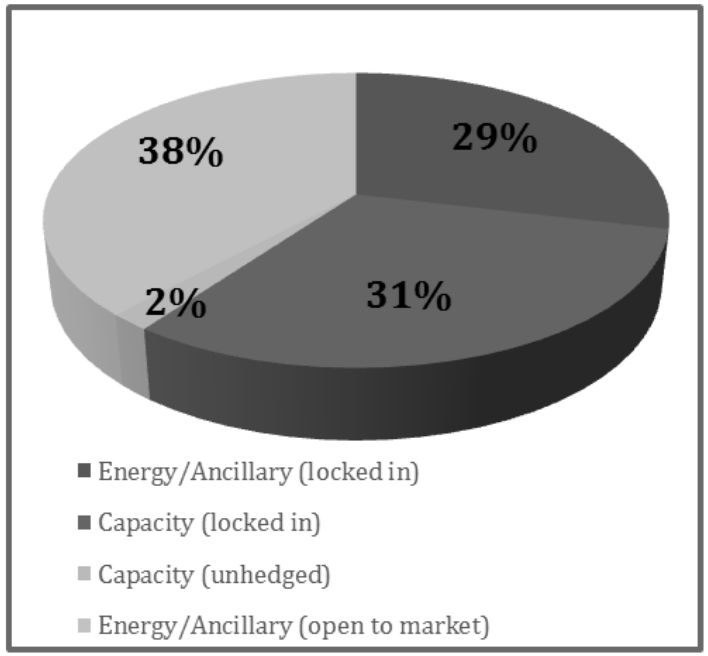
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



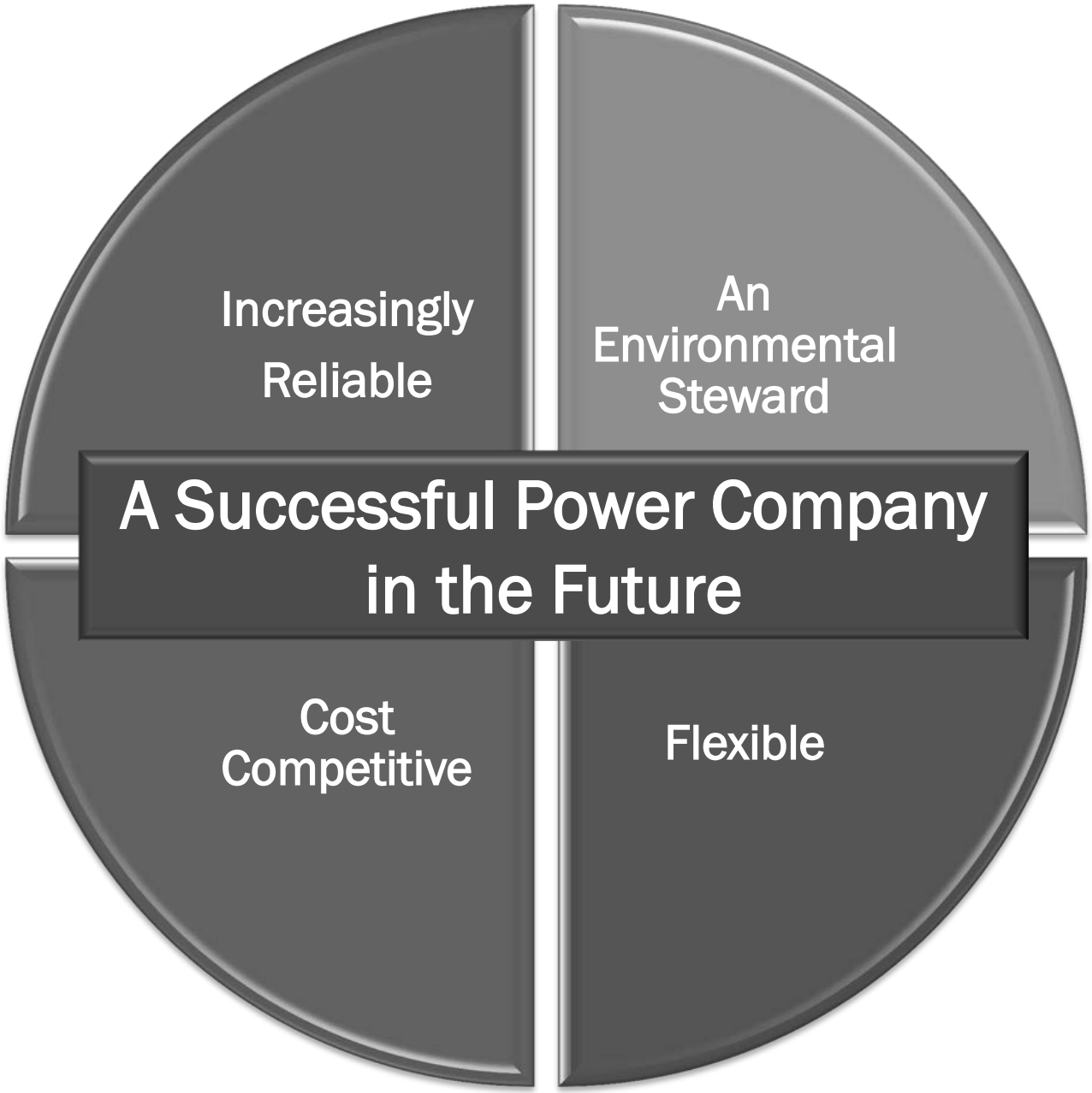
. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-09360



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PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-09362

PSEG

We make things work for you.

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-09363

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-09364

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-09365

PSEG

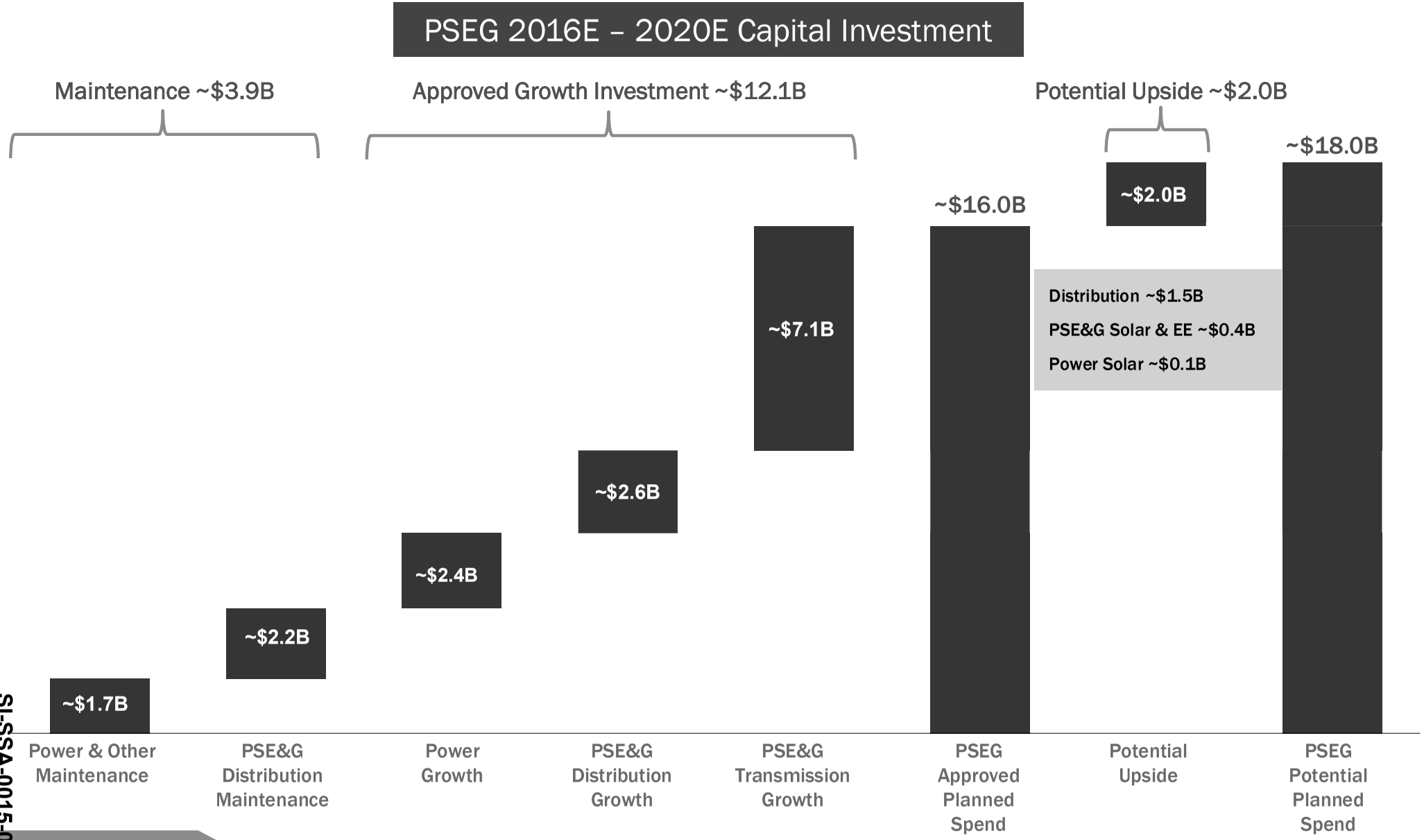
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-09366

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

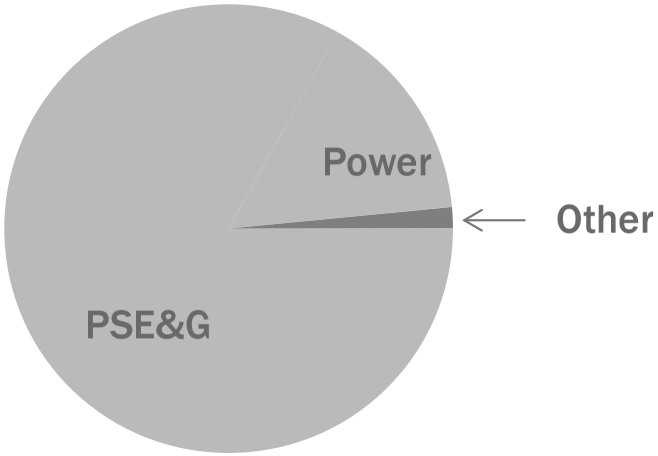
SI-SSA-0015-09367

We increased our Capital Program by $3B

since last year

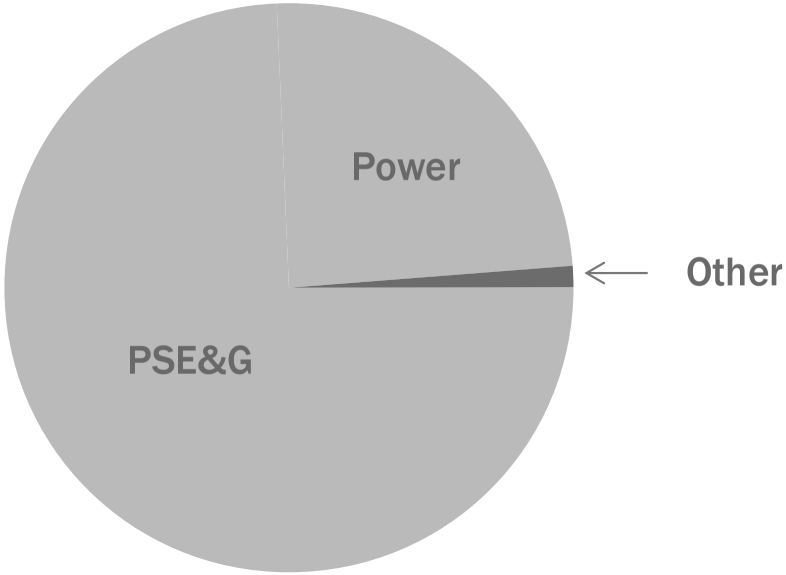
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

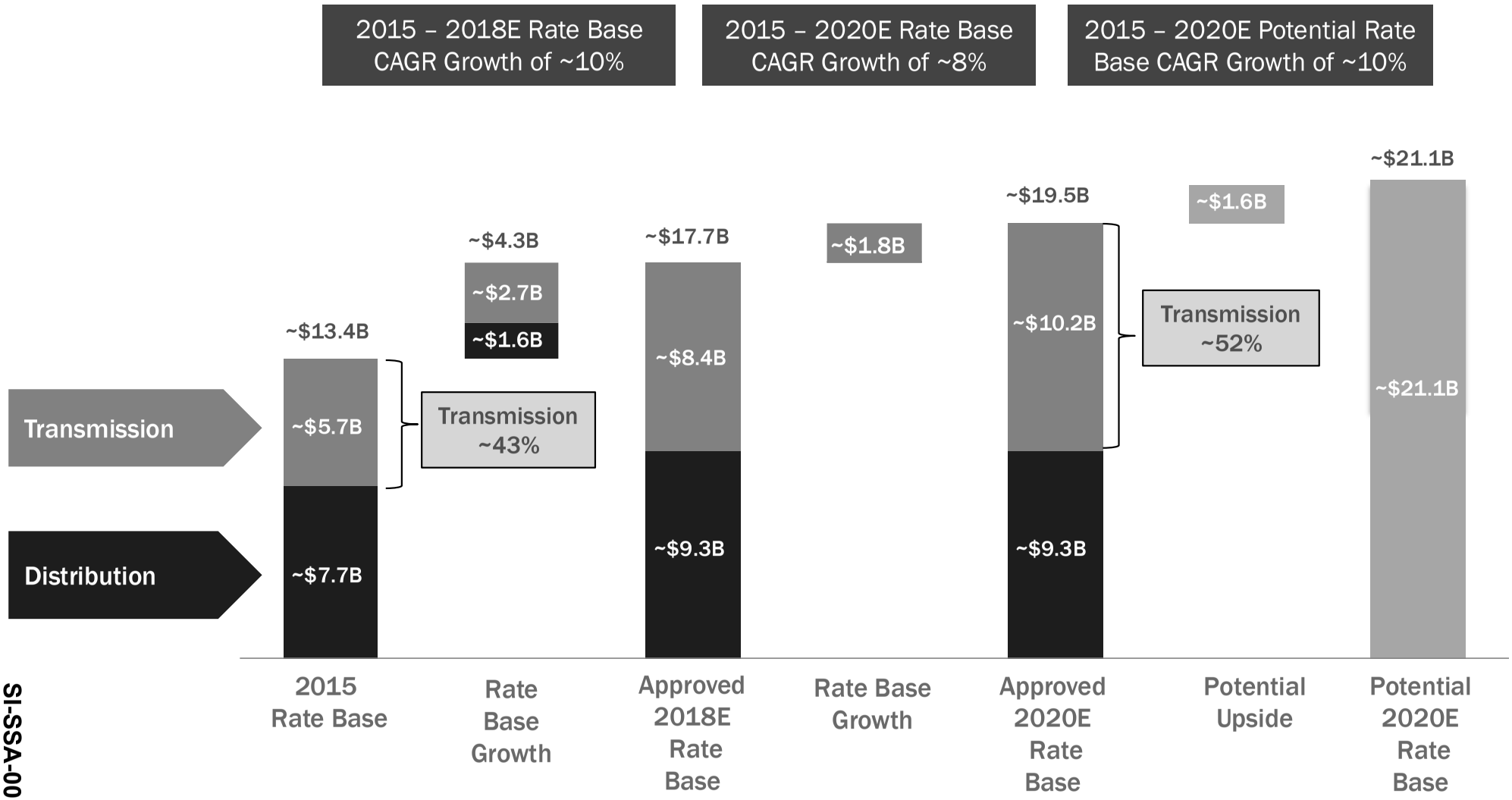


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-09368

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



SI-SSA-0015-09369

E = ESTIMATE.

Bonus Depreciation adds $1.7B cash

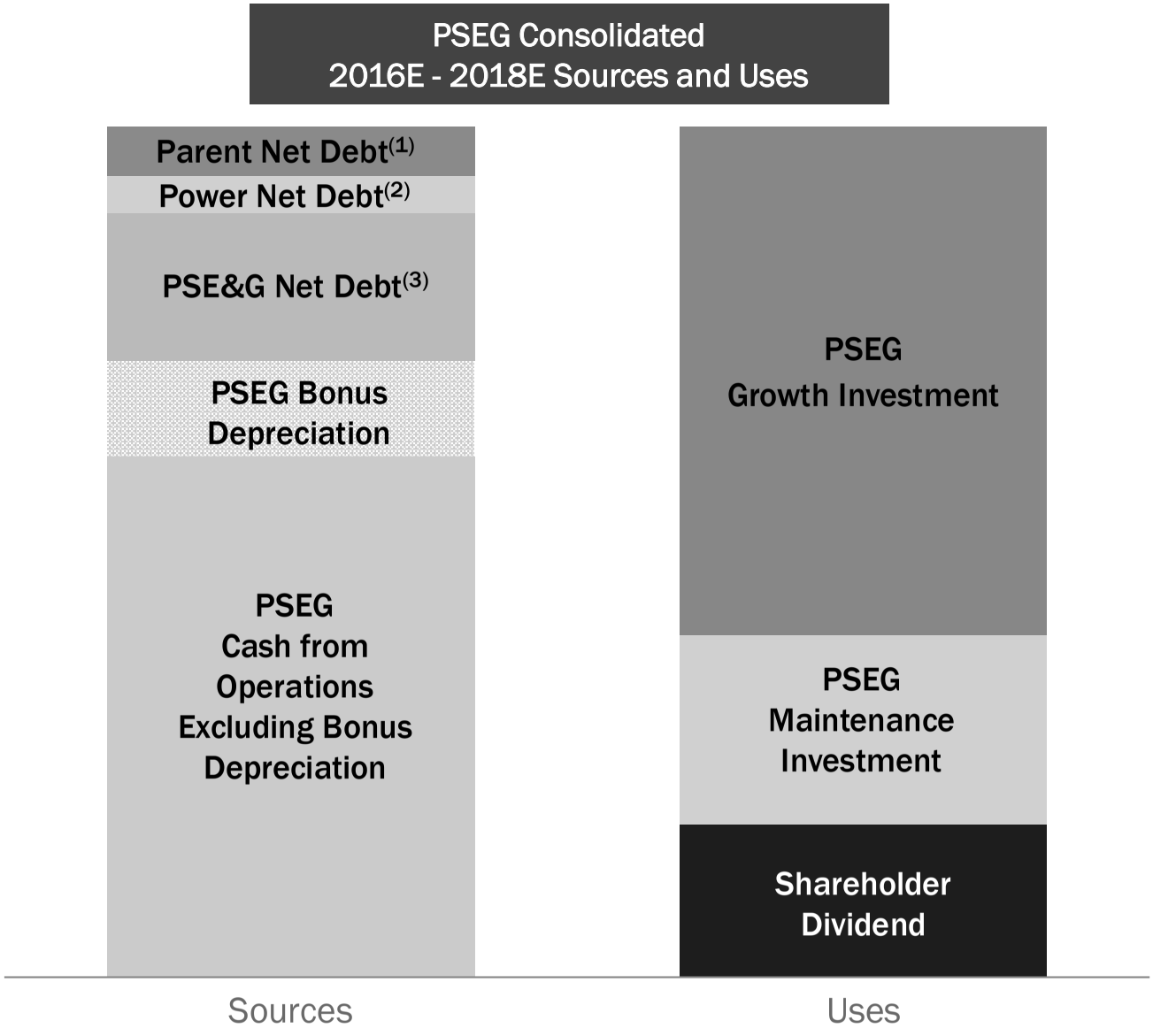
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-09370

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-09371

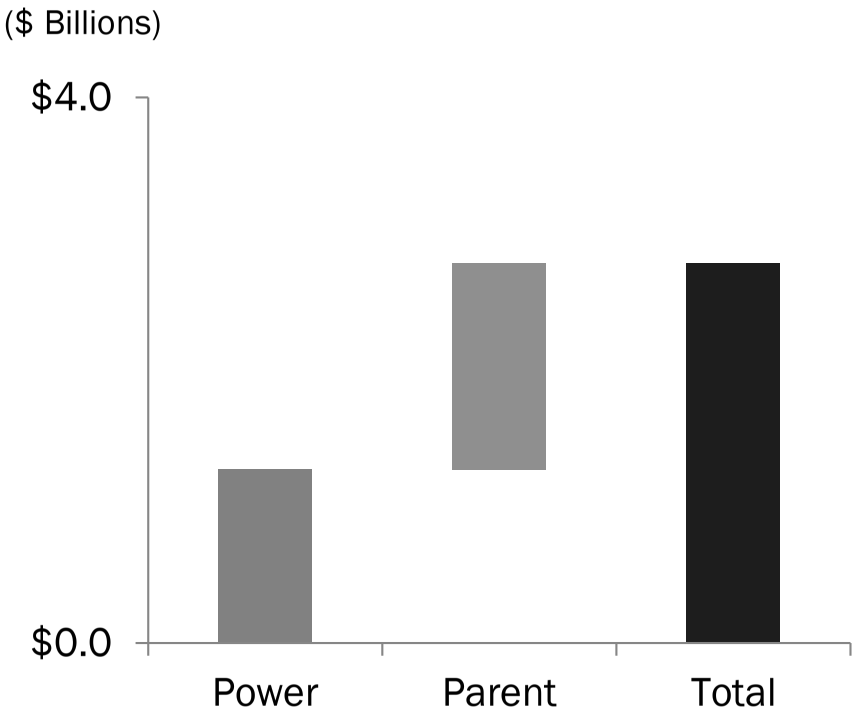
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

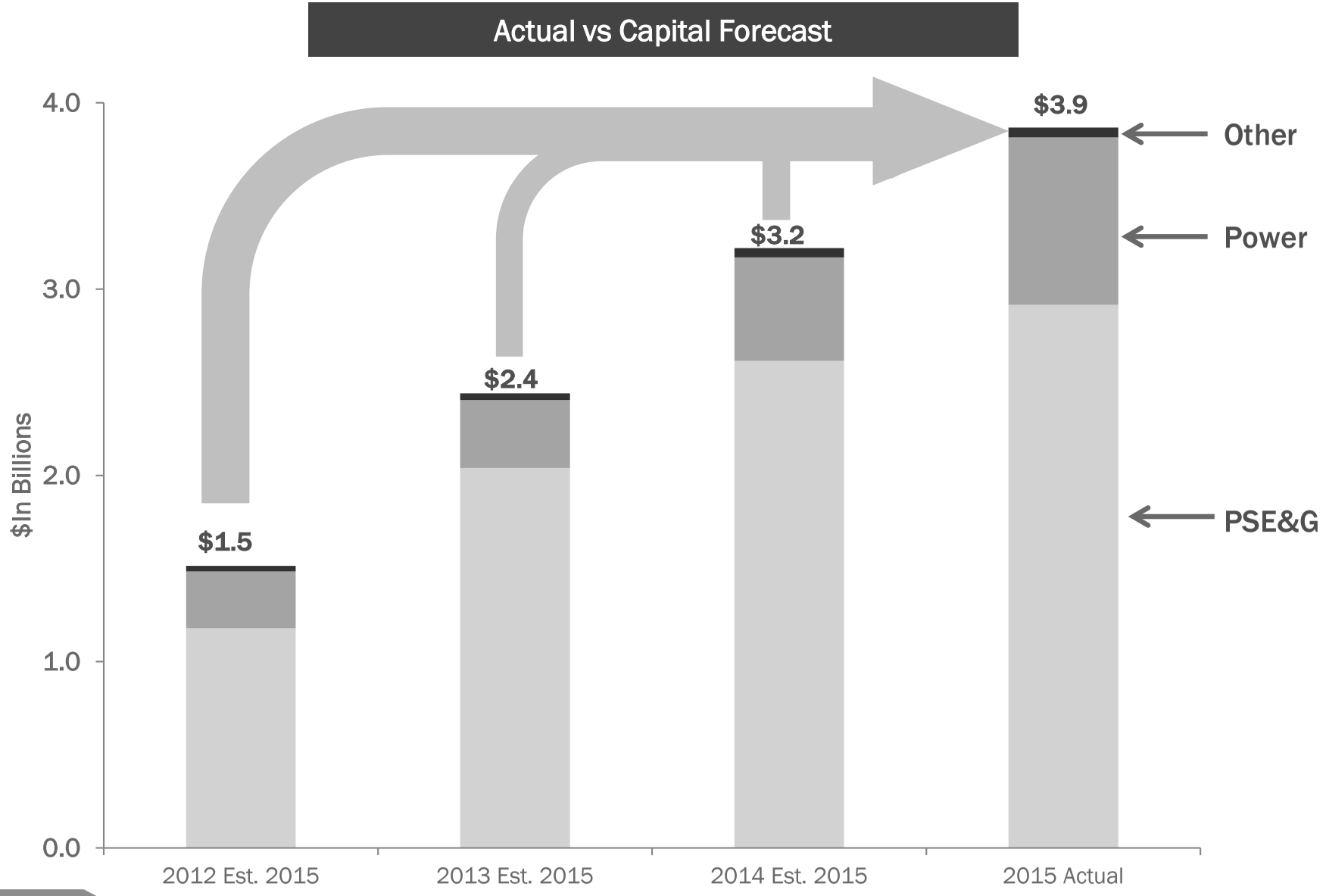
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

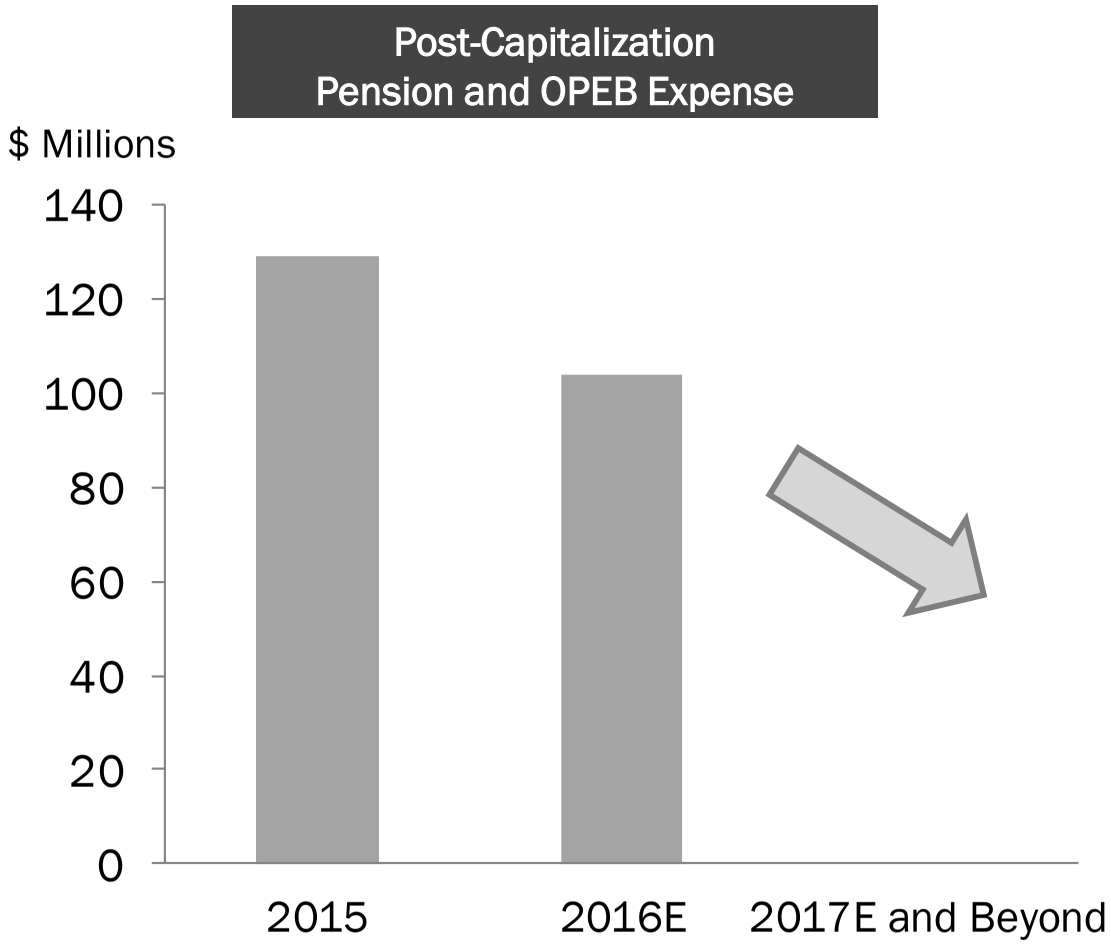
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-09373

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

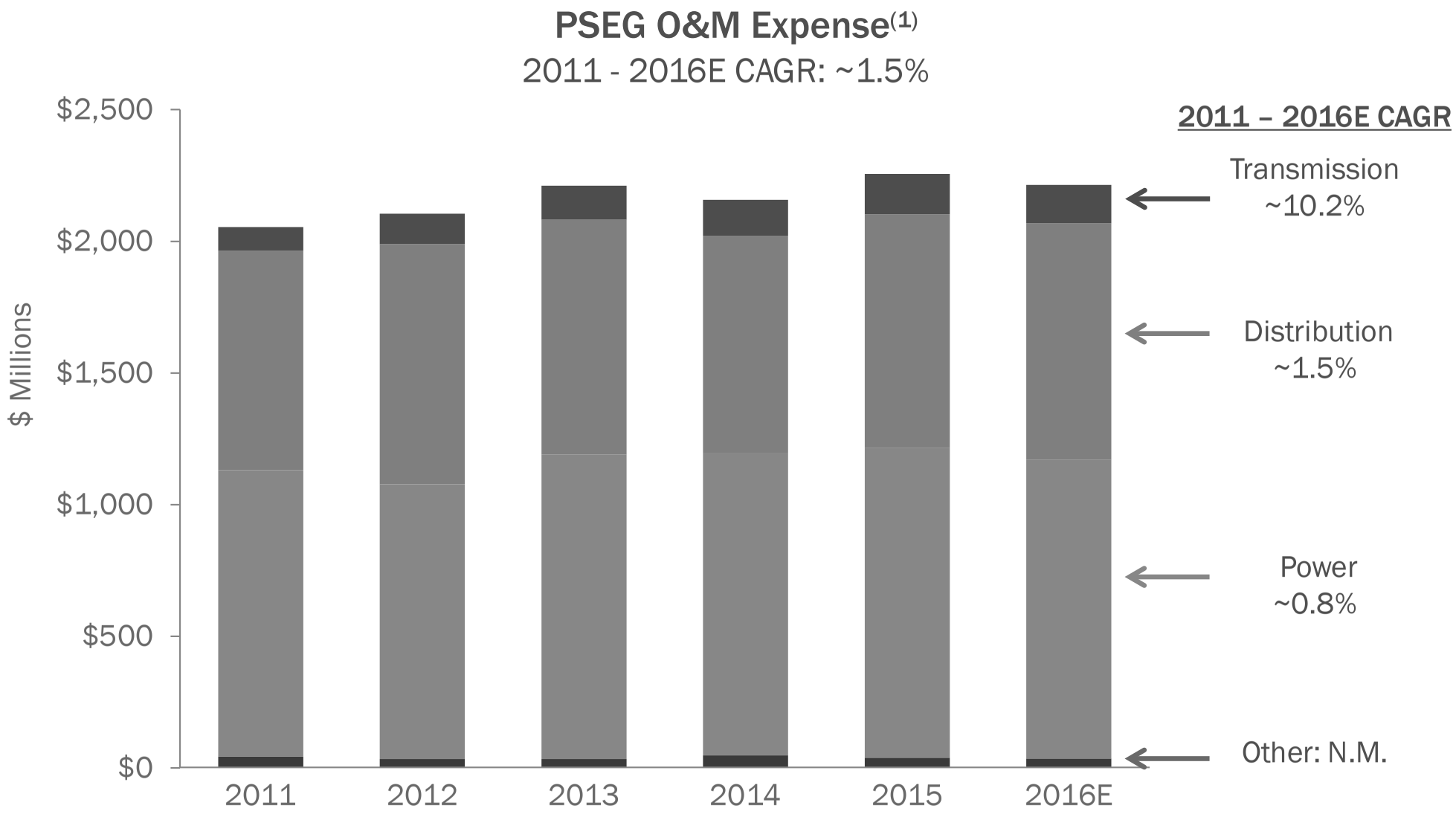


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-09374

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

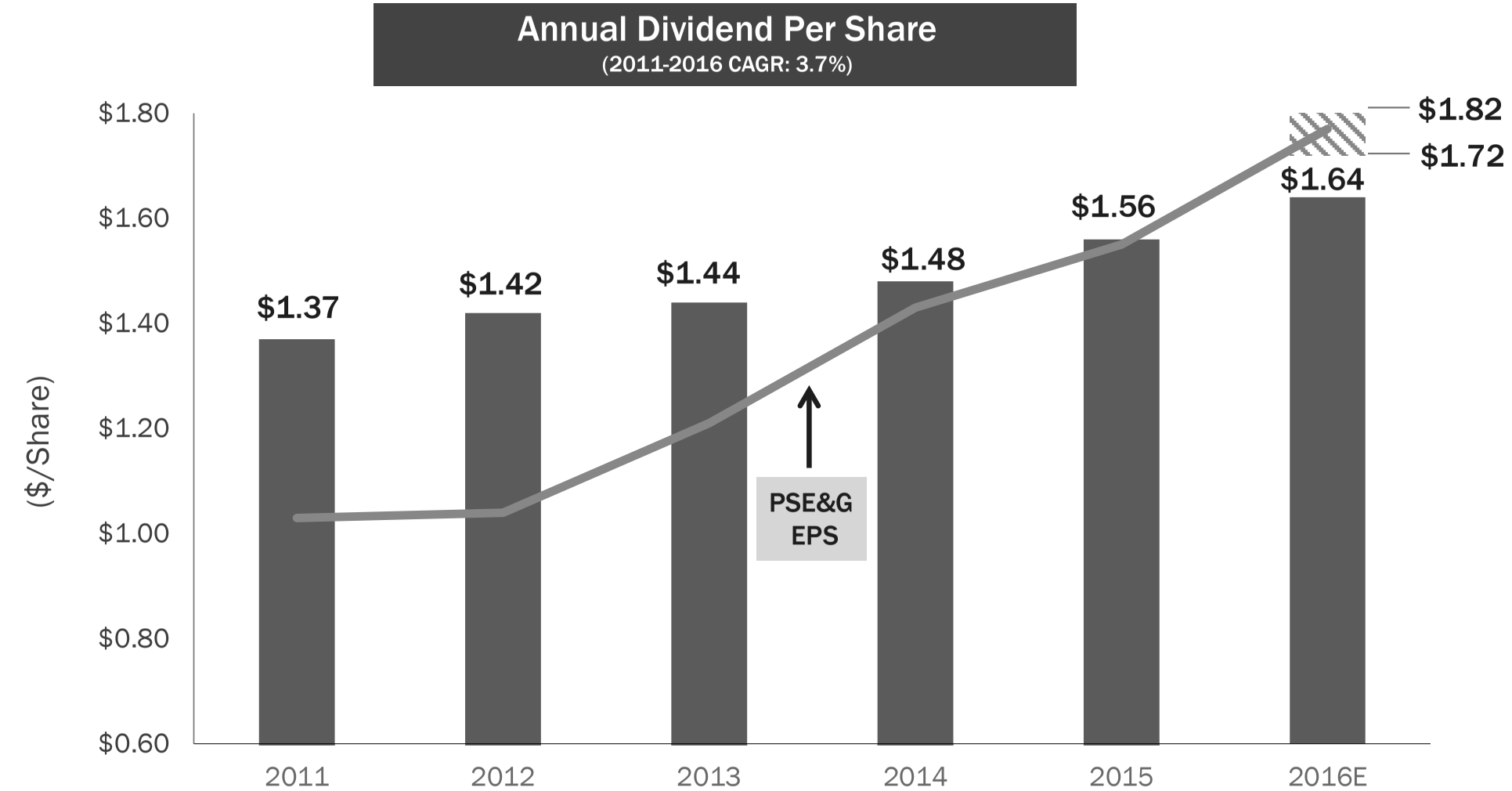


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

SI-SSA-0015-09375

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

SI-SSA-0015-09376

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-09377

PSEG Summary

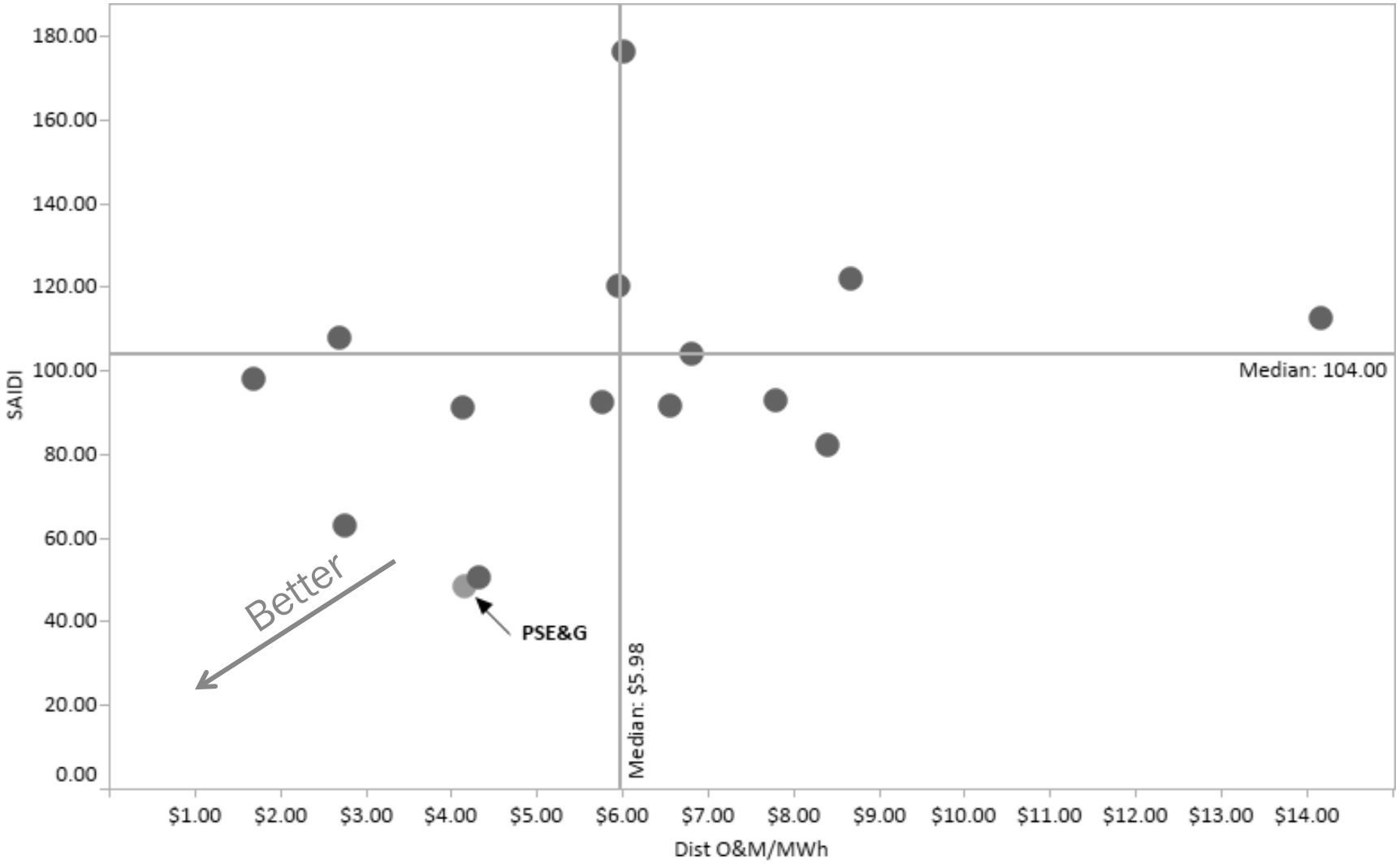
- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-09378

PSE&G APPENDIX

SI-SSA-0015-09379

PSE&G provides high reliability at below average cost which creates superior value for customers

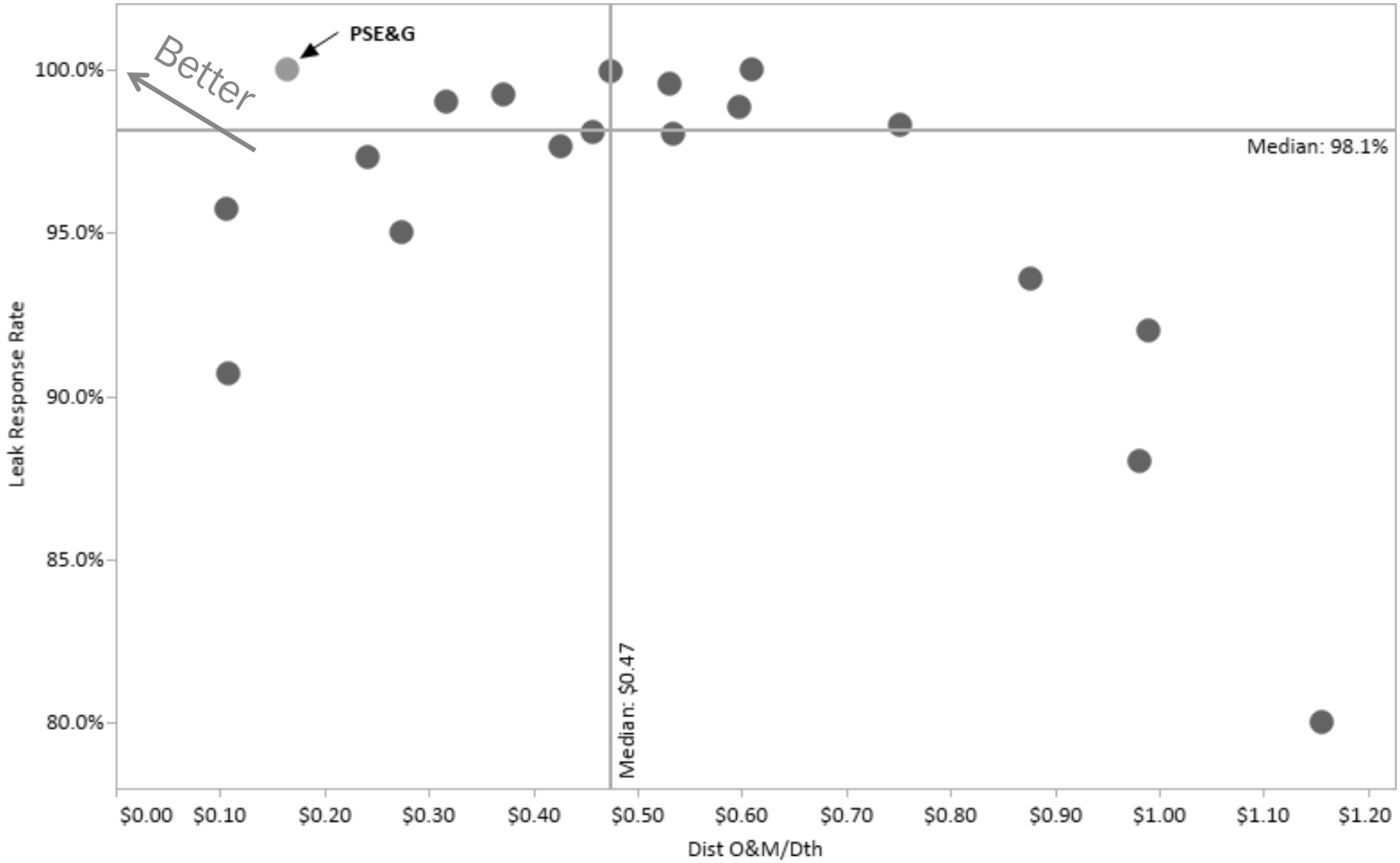


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-09380

PSE&G prioritizes public safety

while maintaining value for customers



SI-SSA-0015-09381

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-09382

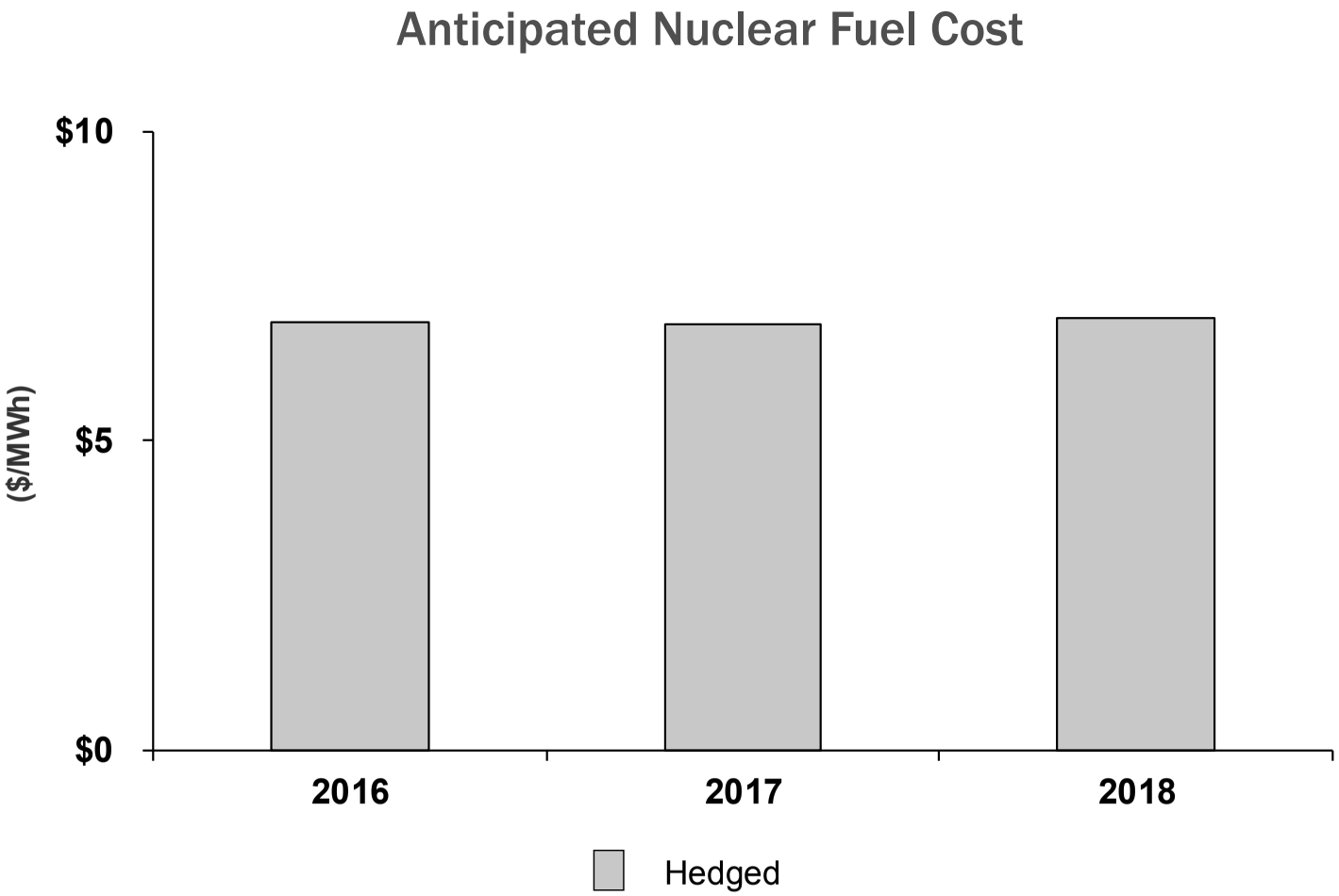
PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-09383

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-09384

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-09385

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09386

PSEG Financial Highlights

Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ Salem Q2 refueling outage extended to replace and repair baffle bolts in reactor vessel
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*

Infrastructure spend

- ✓ PSE&G T&D spend for 2016 expected to be $3 billion
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G support dividend growth and fund capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 44% at March 31

Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Increasing regulated earnings mix supports opportunity for dividend growth

SI-SSA-0015-09387

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 262	$ 242	$ 0.52	$ 0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$ 463	$ 529	$ 0.91	$ 1.04

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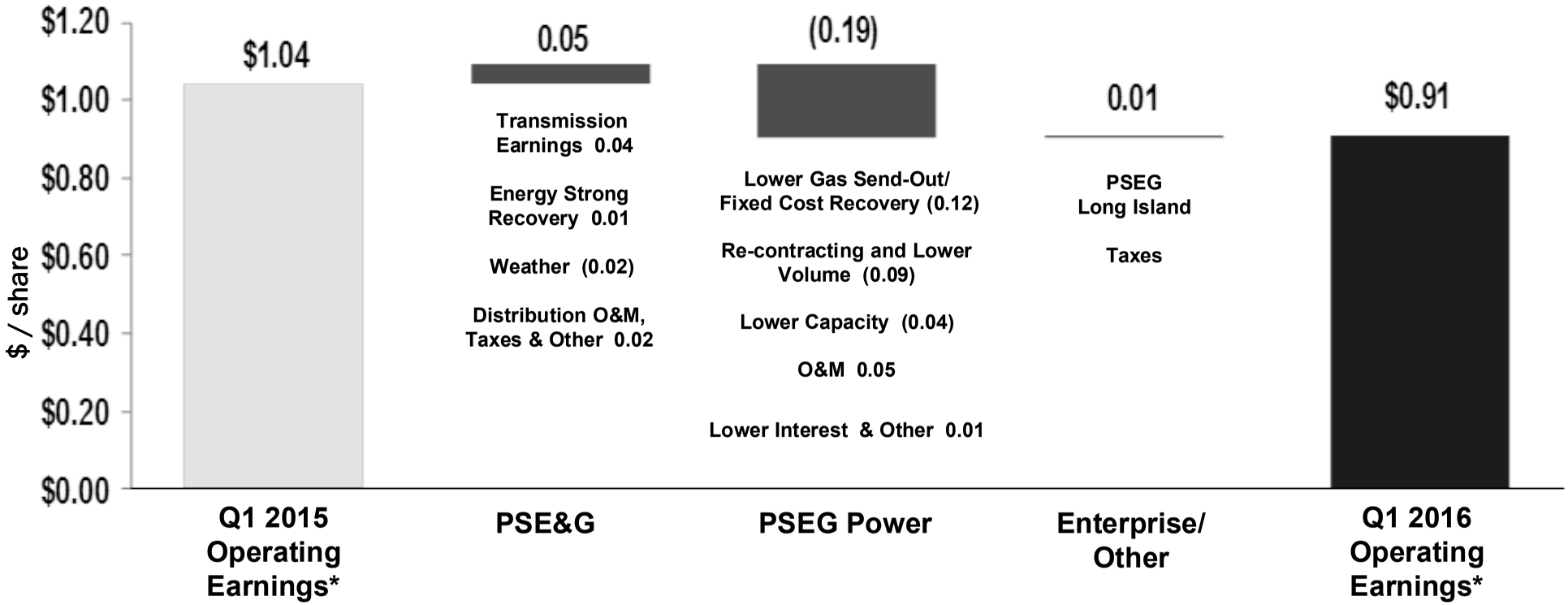
PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.6	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	10.3	7.5	2.3
Common Equity	13.3	7.8	6.2
Total Capitalization	**$23.6**	**$15.3**	**$8.5**
Total Debt / Capitalization	**44%**	**49%**	**27%**

PSE&G Regulated Equity Ratio[1] 50.8%

SI-SSA-0015-09390

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of March 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$629 (A)	$14	$615
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$202	$1,398
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$9	$991
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$524 (C)	$12	$512
	Total Money Pool		$3,624	$233	$3,391
	Total		$4,253	$247	$4,006

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

PSEG Money Pool ST Investment	$0
PSE&G ST Investment	$521
Total Liquidity Available	**$4,527**

SI-SSA-0015-09391

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 03/31/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 156
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$839**

SI-SSA-0015-09392

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

PSEG EXECUTIVE PROFILES

SI-SSA-0015-09393

PSEG

We make things work for you.

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-09394

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

PSEG SERVICES CORPORATION

Kathleen A. Lally was named vice president – investor relations of PSEG Services Corporation in January 2007.

Prior to joining PSEG Ms. Lally was a portfolio manager at the investment firm of Angelo Gordon & Company. She has extensive and diverse Wall Street experience, on both the buy side as an investor and sell side as an equity research analyst. She has worked on the buy side at JK Utility Advisory and Silcap, and has sell side experience at firms such as Salomon Brothers, Brown Brothers Harriman and DLJ-Pershing.

Ms. Lally currently serves on the Board of the NJ Chapter of the Leukemia & Lymphoma Society. Ms. Lally holds a Bachelor of Arts degree in political science from St. Peter's College and is a chartered financial analyst.

SI-SSA-0015-09395

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

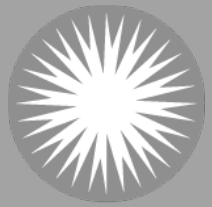
Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	**$ 463**	**$ 529**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	**$ 471**	**$ 586**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	**$ 0.91**	**$ 1.04**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[(a)] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	**$ 0.93**	**$ 1.15**	**$ 3.30**	**$ 2.99**

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

Guggenheim Partners

NEW YORK – SEPTEMBER 24, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09398

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-09399

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP.
PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-09400

PSEG OVERVIEW

Ralph LaRossa

PRESIDENT & CHIEF OPERATING OFFICER
PSE&G

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-09401

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position
- Upside potential from power markets

SI-SSA-0015-09402

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Investment program enhances competitive position with addition of efficient CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 Assets $22B Operating Earnings $725M	2014 Assets $12B Operating Earnings $642M

SI-SSA-0015-09403

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Updated operating earnings guidance for 2015 to $2.80-$2.95 per share from $2.75-$2.95 per share • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Capital program = rate base growth of 11% over 5 years with increased investment in Transmission; Electric and Gas distribution; and Gas System Modernization Program • Power: Keys & Sewaren CCGTs, uprates, PennEast Pipeline, and Solar Source

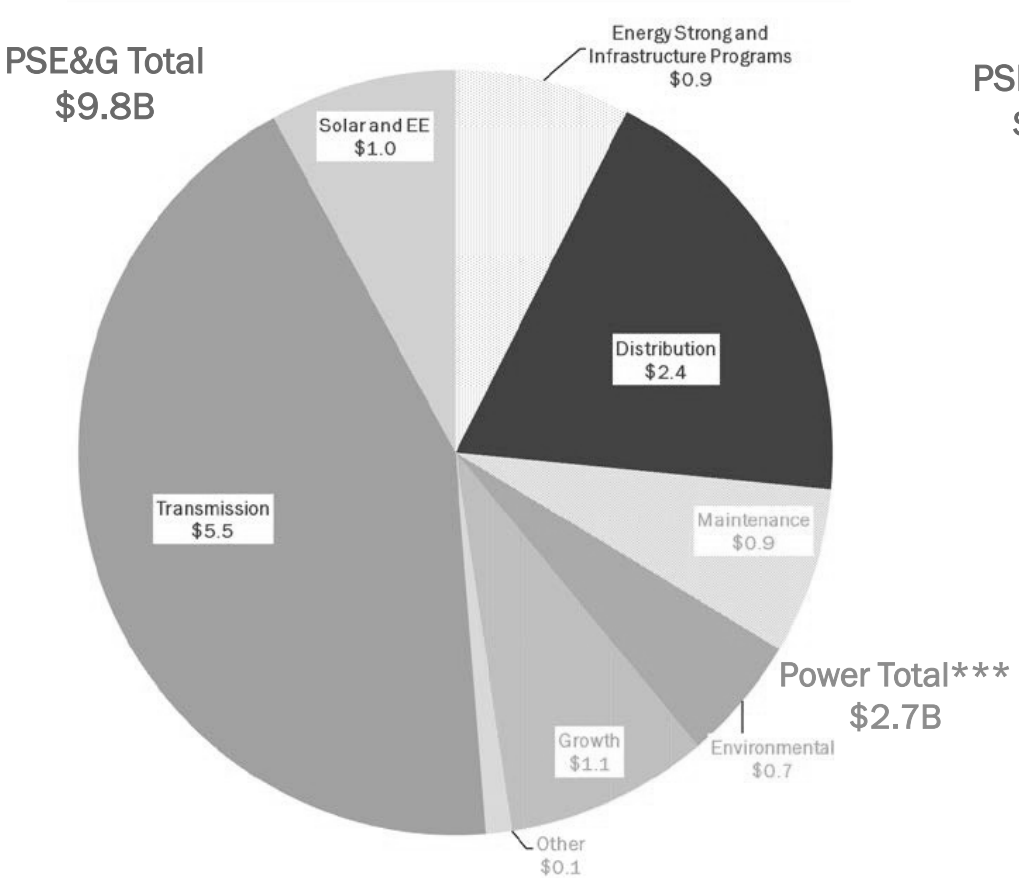
SI-SSA-0015-09404

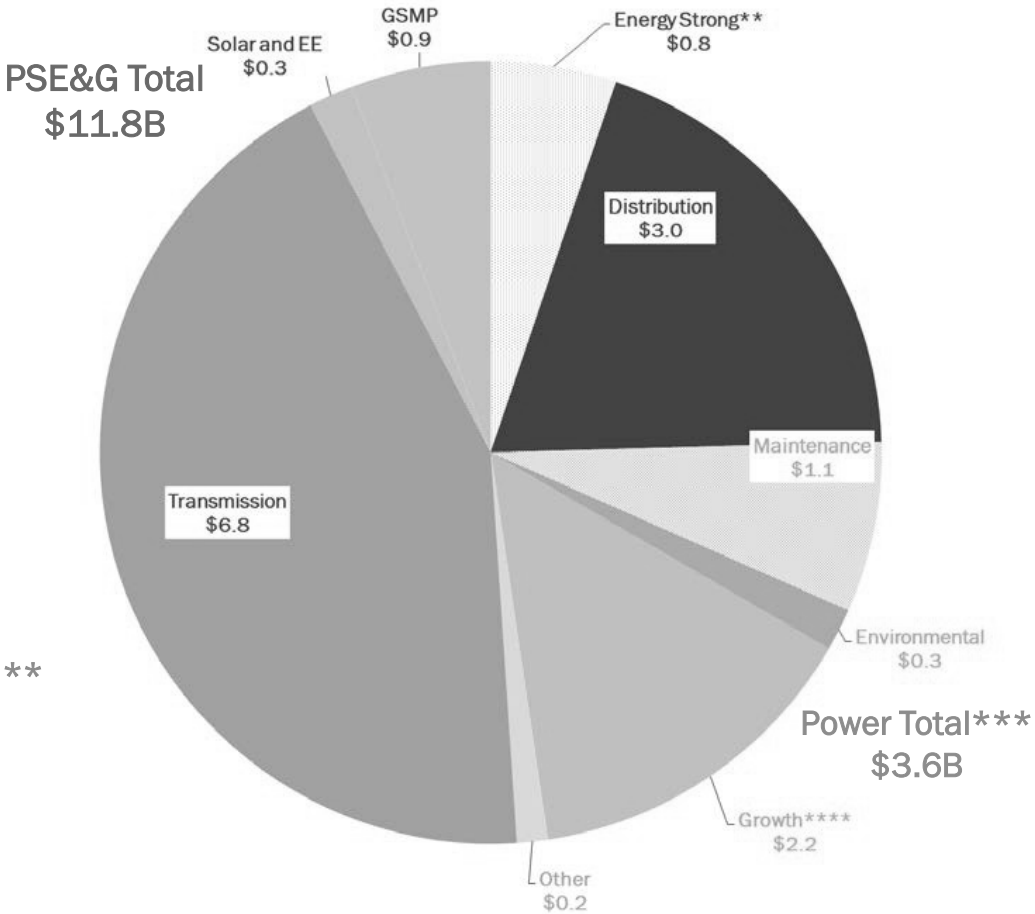
Robust pipeline of investment opportunities

supports >20% growth in capital spending over the period

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $15.6Billion**





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PSEG

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF SEPTEMBER 2015.

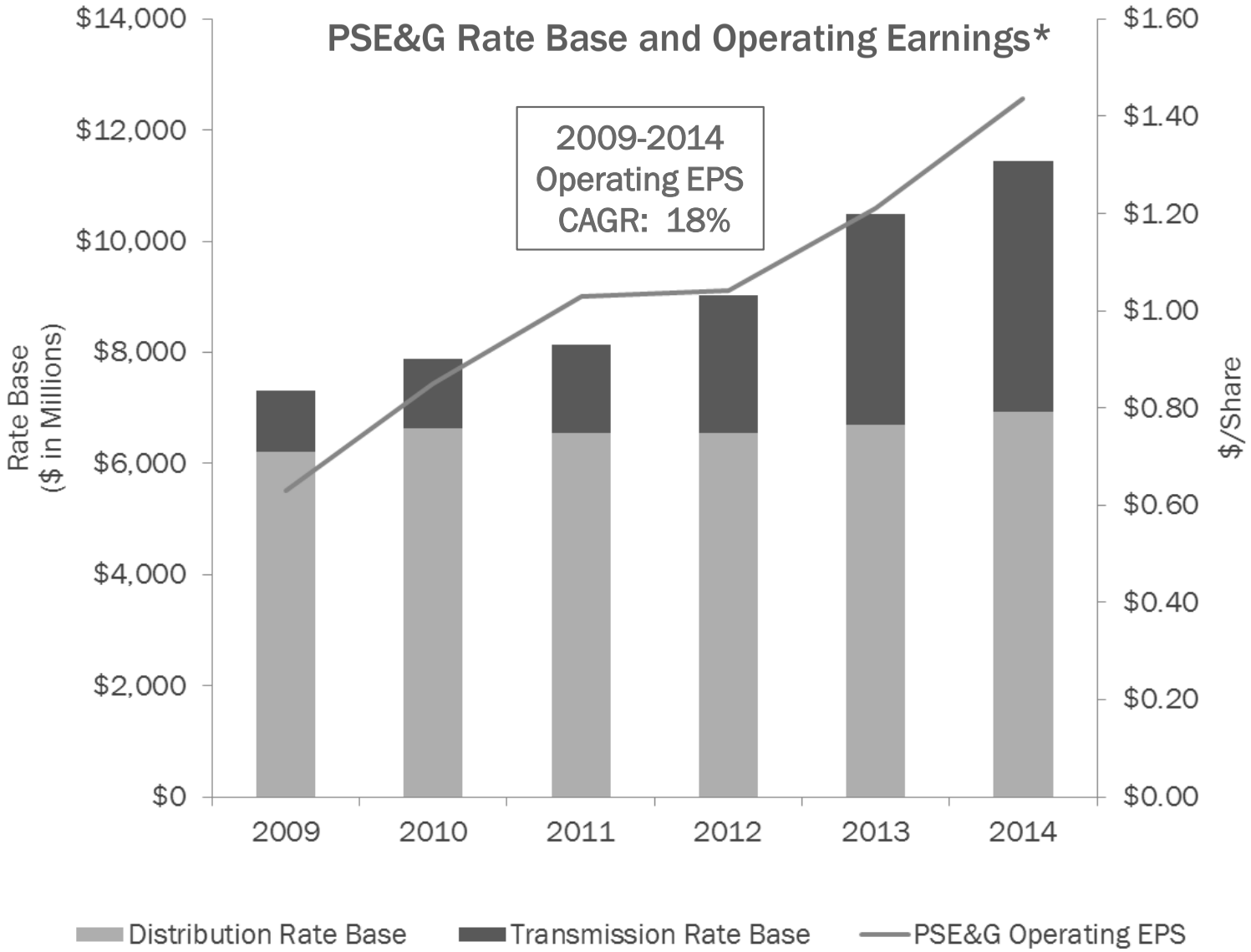
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • **$15.5 billion+** investment program through 2019 • Gas System Modernization Program settlement of ~ $900 million of capital investment through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-09406

PSE&G's investment program

Meeting public policy goals and customer needs

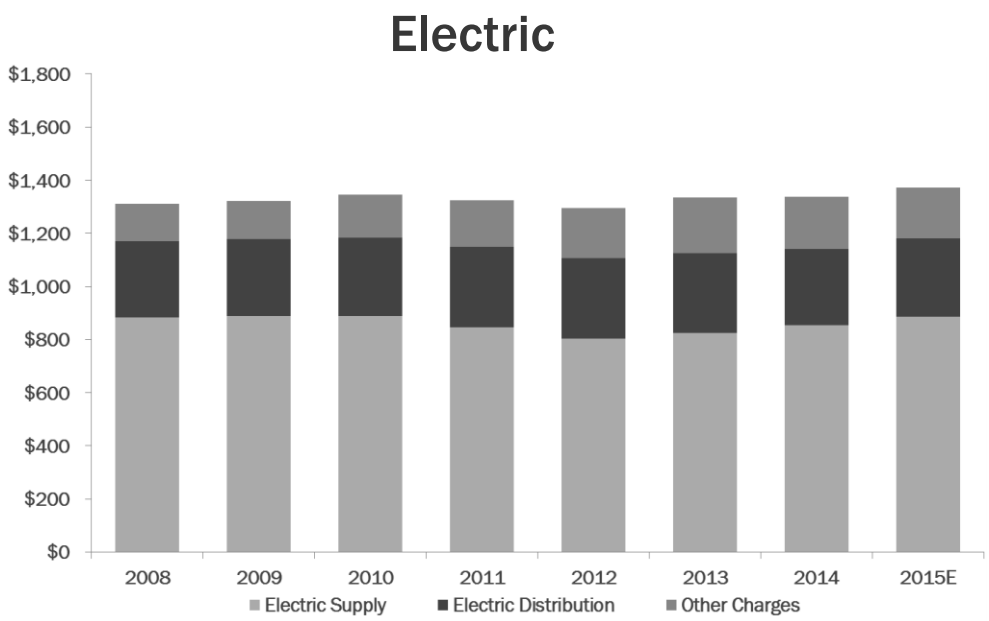


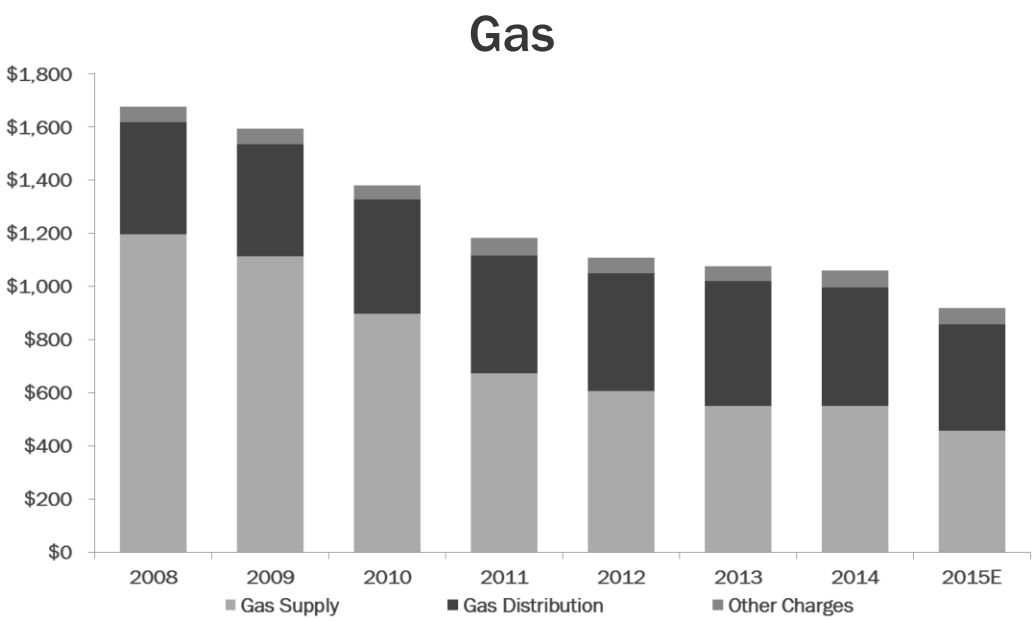
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-09407

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

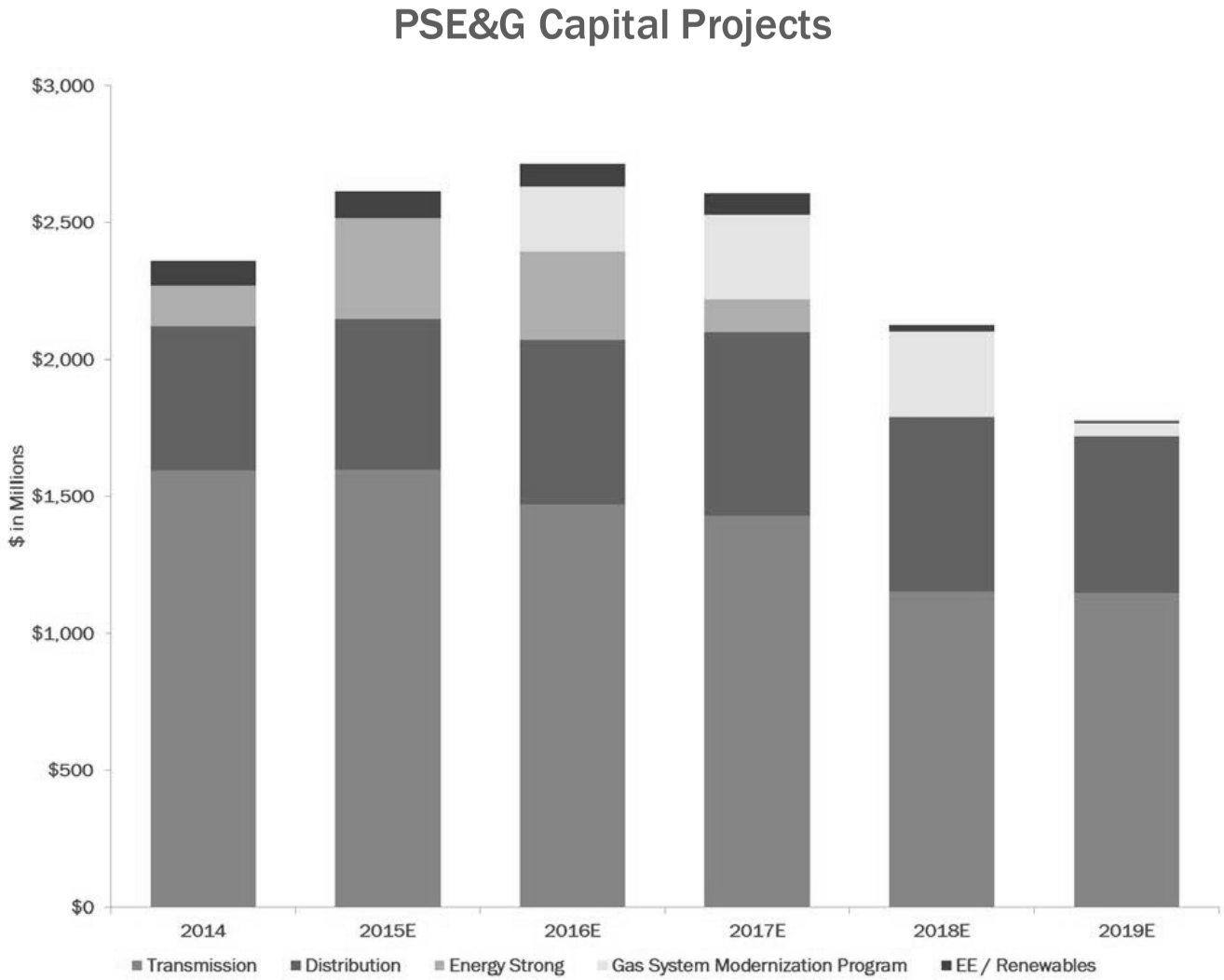
SI-SSA-0015-09408

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline

drives double-digit rate base growth through 2019



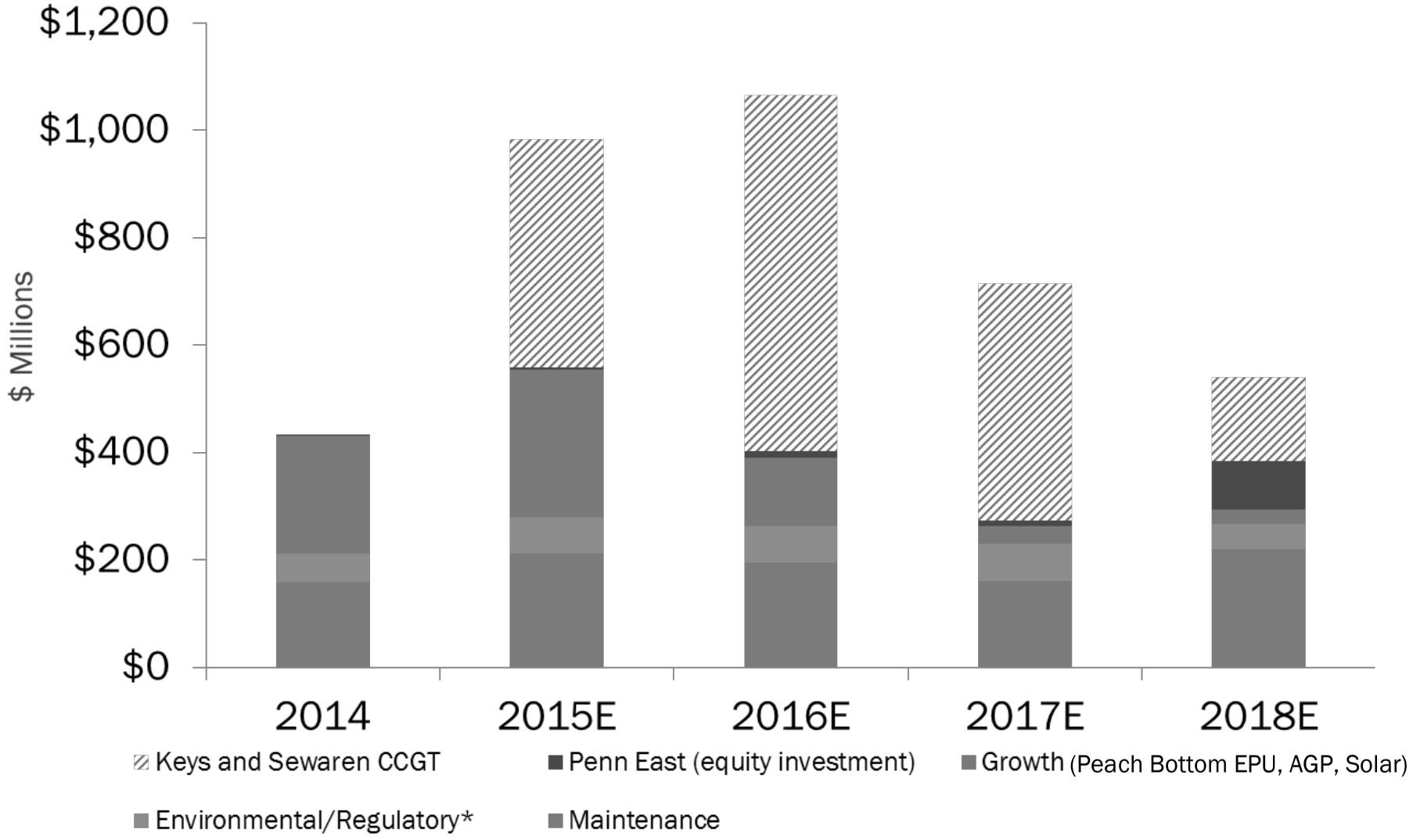
- Planned capital spend supports high single digit earnings growth at PSE&G through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Seeking to broaden platform to expand energy efficiency and other investments

E=ESTIMATE

SI-SSA-0015-09409

PSEG Power increased capital spending

by $1.6 billion with addition of new generating capacity focused on improving efficiency and reliability



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*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2015 - PSEG Power Total Capacity 11.8 GW		3.3	3.7	2.4	2.3	0.1
2018 - PSEG Power Total Capacity 12.8 GW *		4.7	3.8	2.4	1.8	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.
- **Combined cycle units Keys and Sewaren, expected to be operational in 2018,** will enhance emissions performance and have a combined average heat rate of approximately 6,800.

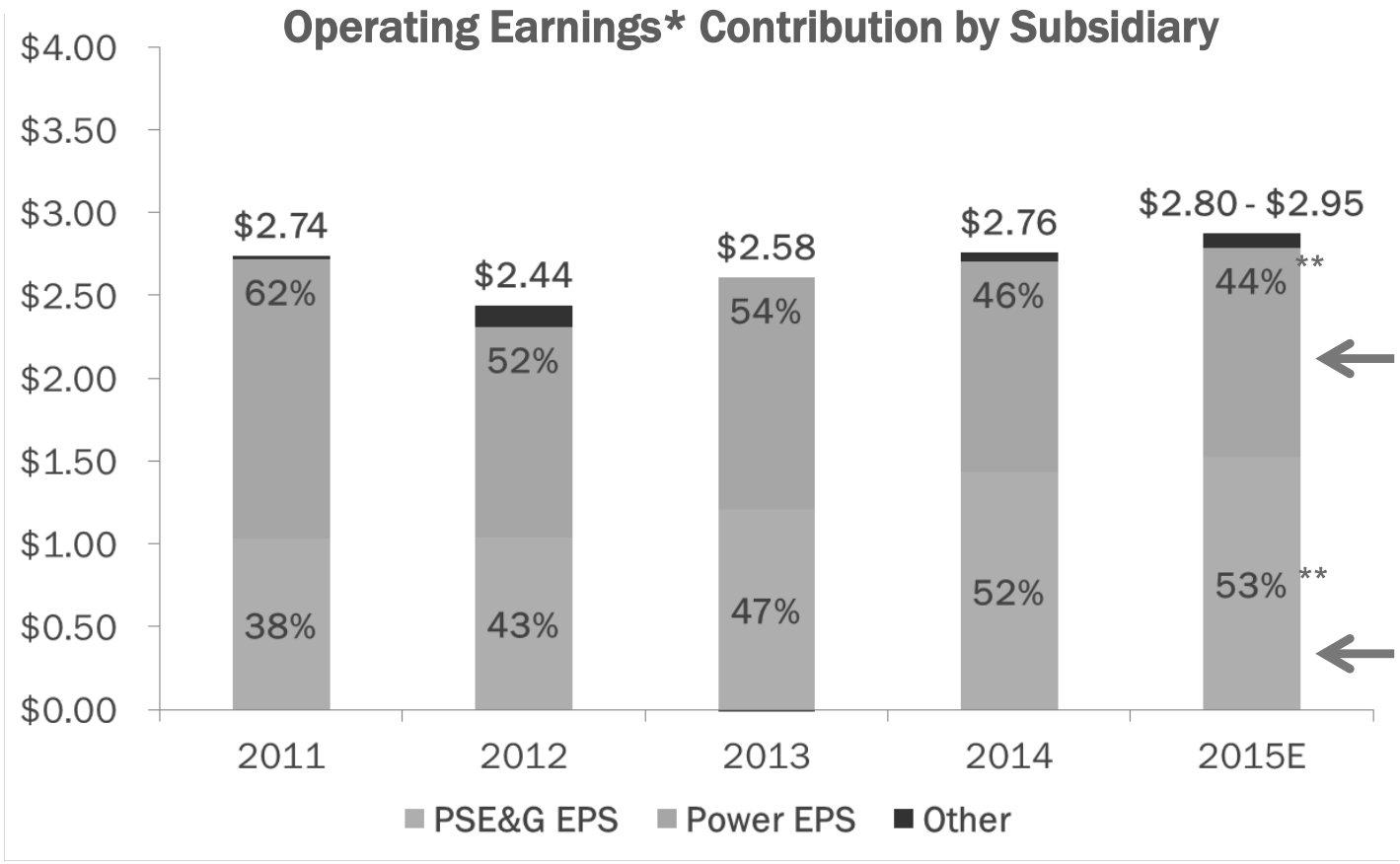
SI-SSA-0015-09411

PSEG

*AS OF AUGUST 2015 APPROXIMATELY 1.3 GW UNDER DEVELOPMENT - KEYS AND SEWAREN CCGT UNITS, WHICH ARE TARGETED TO GO INTO SERVICE IN 2018 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-09412

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF UPDATED EARNINGS GUIDANCE.

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations

Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway
	• New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC*
	• Brownfield expansions at existing sites
	  ➢ New peakers built at New Haven and Kearny sites
	  ➢ Continue to explore further opportunities
	• PennEast pipeline - equity investment and gas portfolio enhancement
	• Solar Source owns ~148 MW**, with significant project pipeline
	• Continue to seek opportunities to expand the fleet

SI-SSA-0015-09413

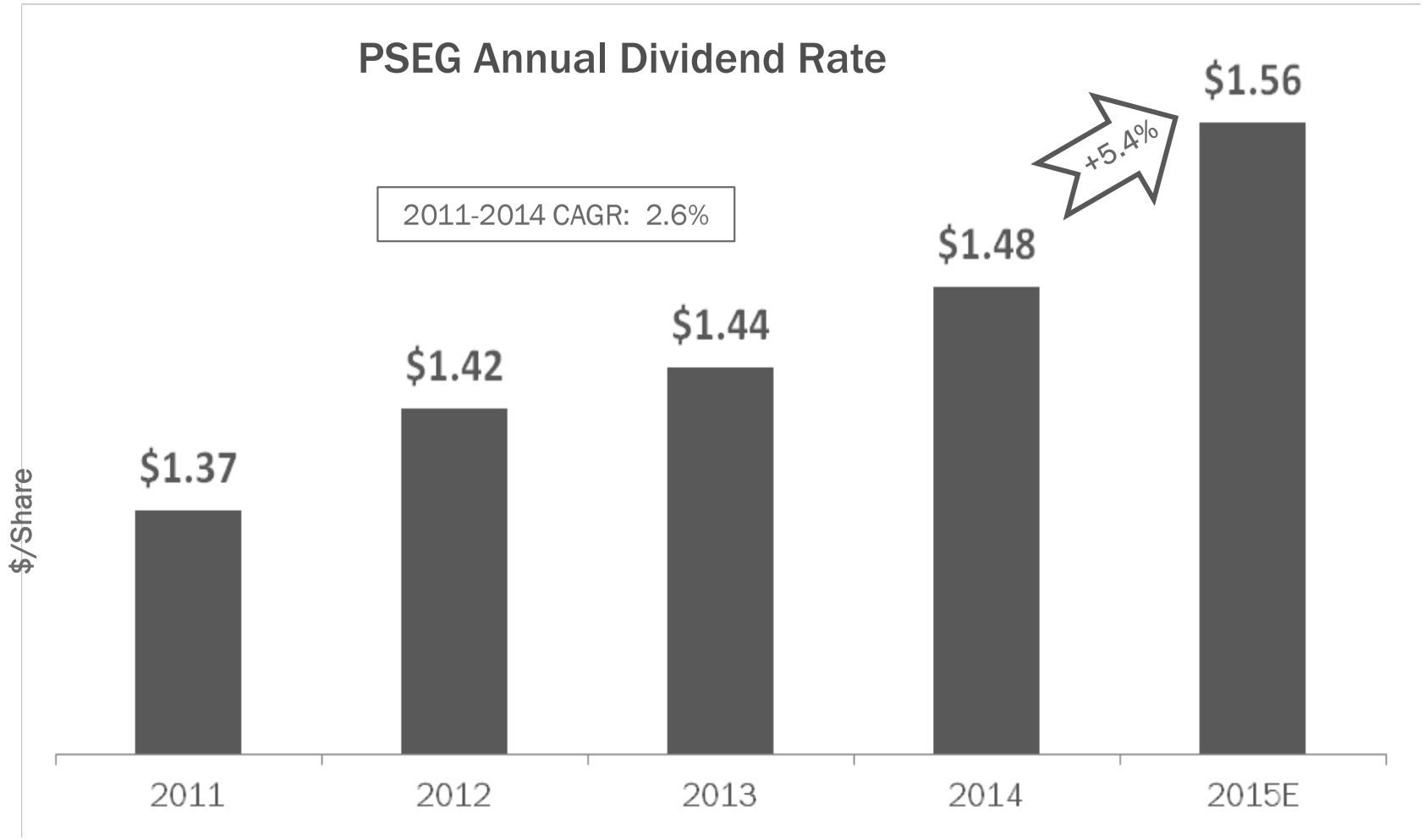
PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54%*

SI-SSA-0015-09414

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF UPDATED OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely construction of new growth opportunities** – Keys Energy Center CCGT in SWMAAC* and Sewaren 7 CCGT in EMAAC* Zones
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-09415

*SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Repositioning fleet to enhance efficiency and reliability in the current market environment
- Strong balance sheet – Supports strong credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-09416

PSE&G

SI-SSA-0015-09417

PSEG

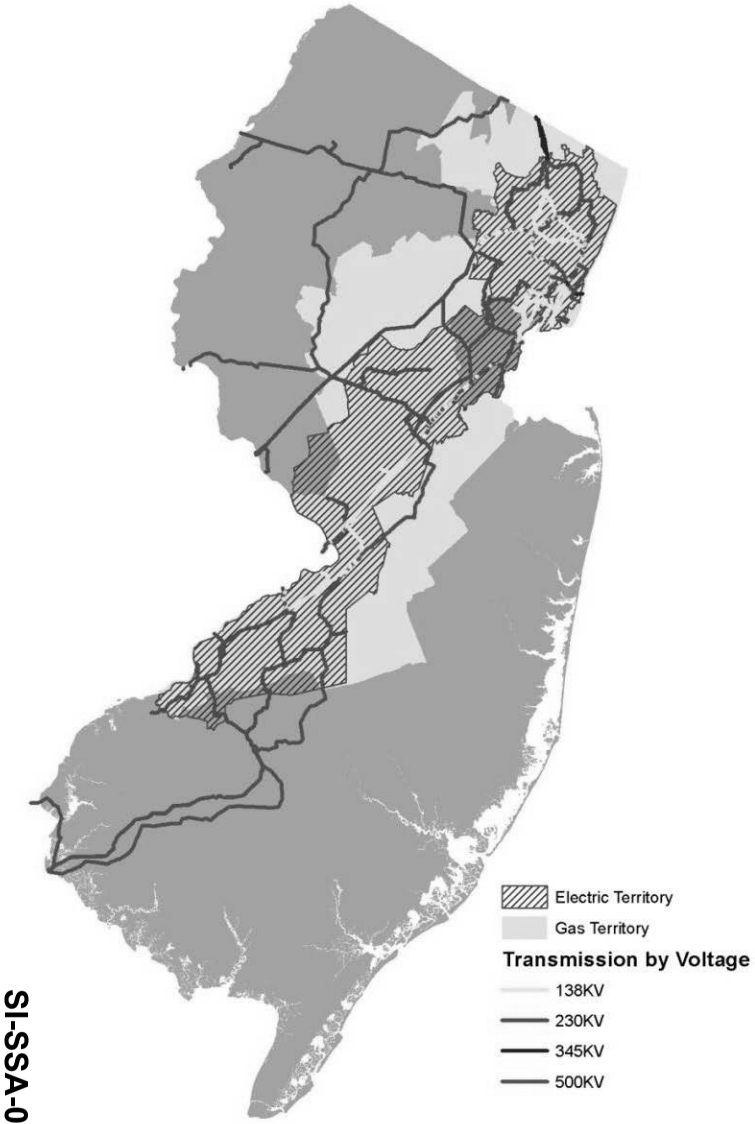
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09418

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	2009-June 2015	Total Program Plan	Total Investment thru June 2015
Solar Loan Capacity	83 MW	178.5 MW	$250M
Solar 4 All Capacity	100 MW	125 MW	$527M
EE Annual Electric savings	206 GWh	~250 GWh	
EE Annual Gas savings	6.5 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-09419

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

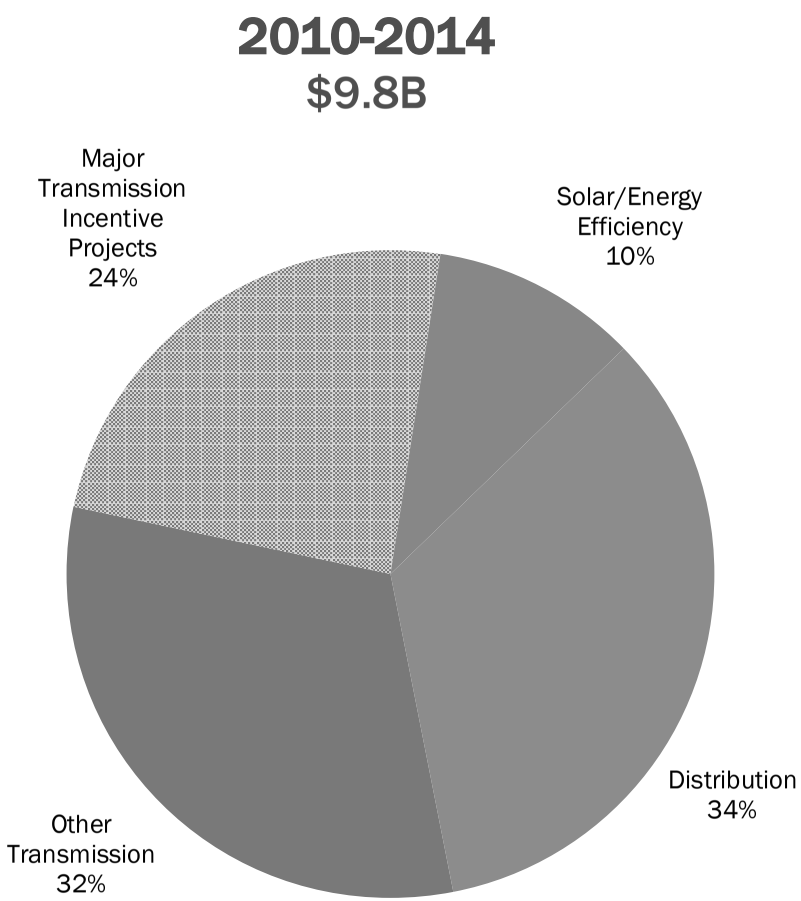
SI-SSA-0015-09420

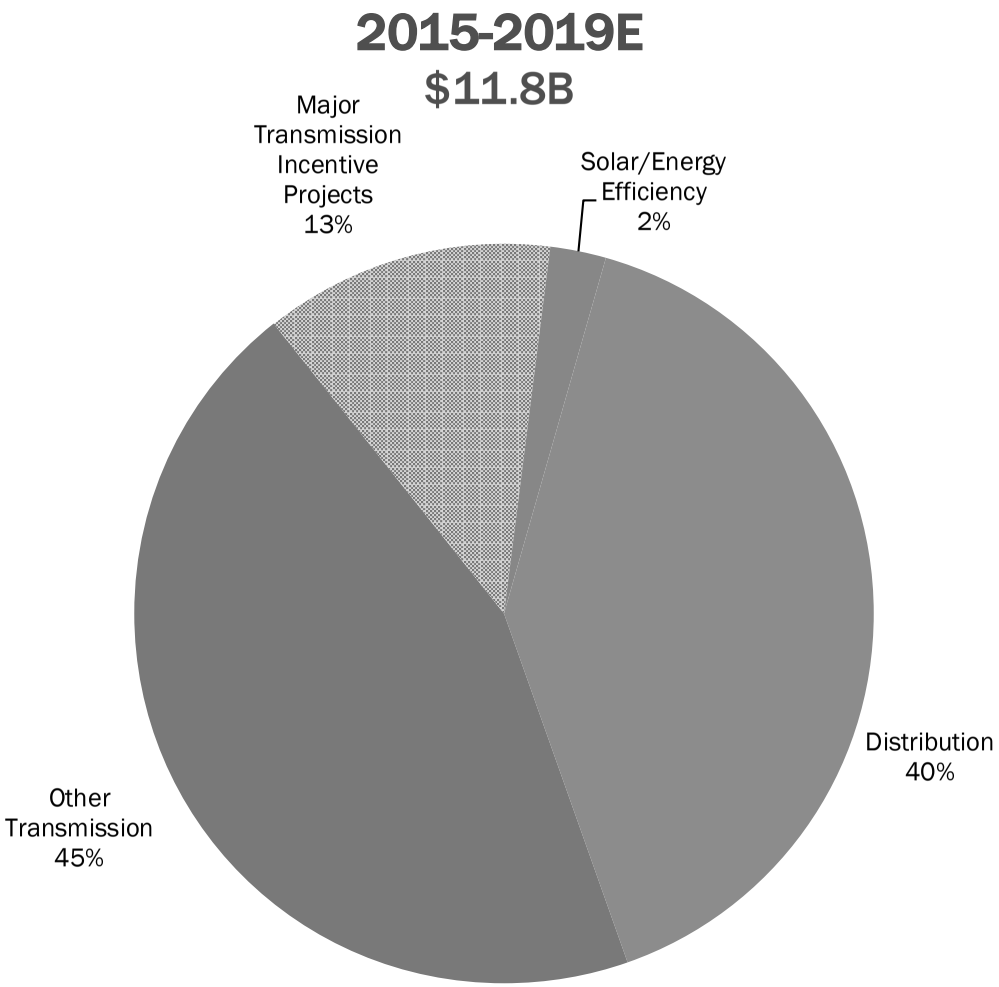
PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-09421

PSE&G plans to invest $11.8B over the next five years

PSE&G's Capital Expenditures*





*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-09422

PSE&G's major Transmission projects

have been completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	Completed
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	Completed

SI-SSA-0015-09423

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Northeast Grid Reliability	11.93%	PJM baseline project receiving CWIP in rate base treatment	$907	Jun-Dec 2015
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various
Artificial Island	11.68%	PJM Baseline Project	$110-$130*	2019*

SI-SSA-0015-09424

PSEG

* PJM ESTIMATE

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-0015-09425

PSE&G is successfully executing on Energy Strong with ~$330M deployed

Program	Approved	Spend thru June 2015
Flood Mitigation	$620M	$56M
Electric Contingency Reconfiguration	$100M	$49M
Electric Advanced Technology	$100M	$32M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$185M
Gas Metering & Regulating (M&R)	$50M	$6M
TOTAL	$1,220M	$328M

SI-SSA-0015-09426

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II and Solar programs

Gas System (GSMP) settlement increases investment by ~$900M through 2019

SI-SSA-0015-09427

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II approved by the BPU in April 2015 will extend the investment and time frame for three previously approved programs already in the marketplace, allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment approved at an ROE of 9.75%
- Extends existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Allows PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-09428

Settlement reached on Gas System Modernization Program for ~$900 million over three years

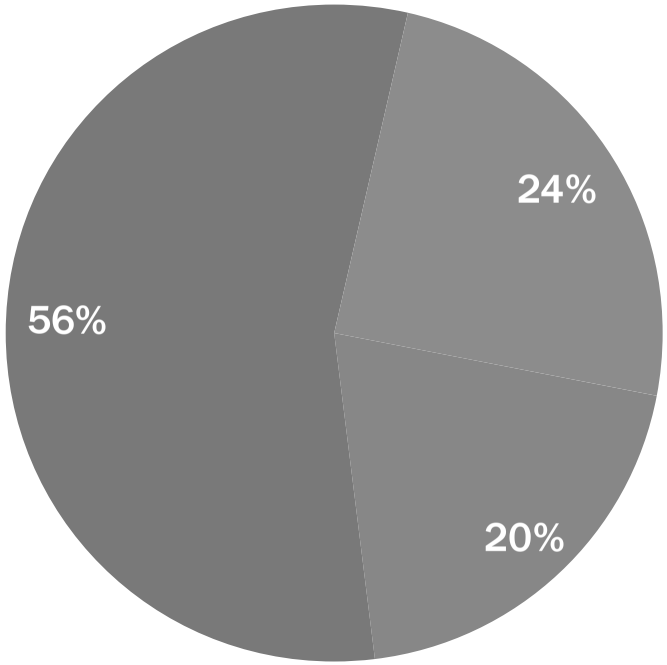
- Agreement in principle reached with Staff of the NJBPU and the Division of Rate Counsel
- GSMP is the next phase of a long-term, cast iron and unprotected steel replacement strategy
- Three-year program with total capital investment of $905 million, beginning January 2016
  - ✓ The program provides for investment of $650M recovered through a clause similar to the Energy Strong program – with a 9.75% ROE
  - ✓ Additional capital investment of $255M to be recovered in rate case scheduled to be filed November 2017

SI-SSA-0015-09429

PSE&G continues to receive contemporaneous/ formula rate recovery on ~70% of its investment program

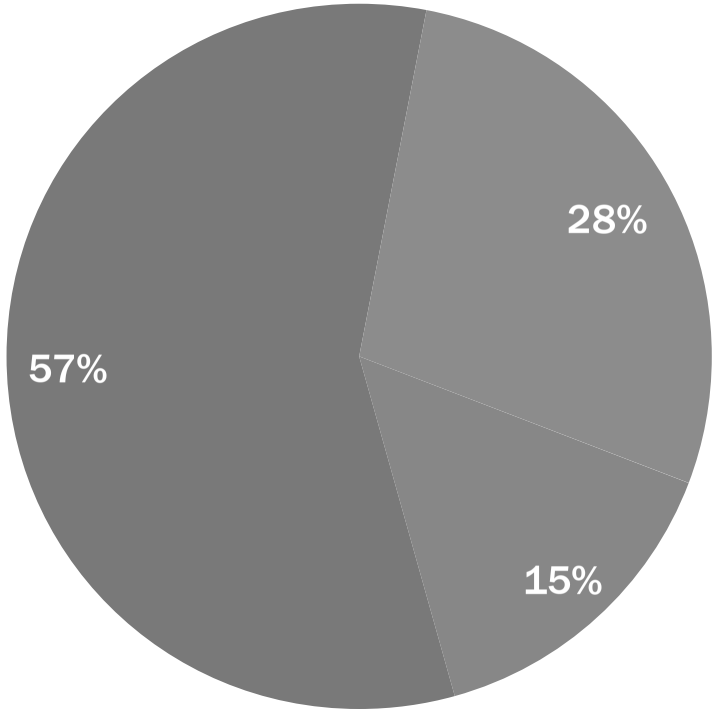
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital by Recovery Method

$11.8B



Clause Recovery Mechanisms
- Energy Strong / GSMP / Infrastructure / Solar / Energy Efficiency

FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

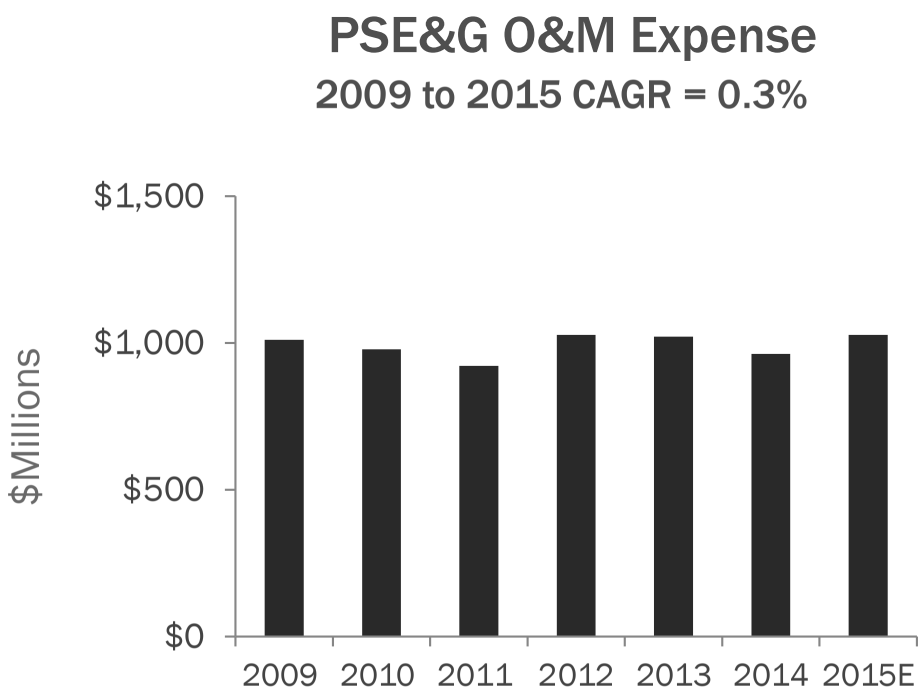
SI-SSA-0015-09430

PSEG

E = ESTIMATE. DATA AS OF SEPTEMBER 2015.

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-09431

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

SI-SSA-0015-09432

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. **UPDATED GUIDANCE ON JULY 31, 2015.

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-09433

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-09434

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

PSEG POWER

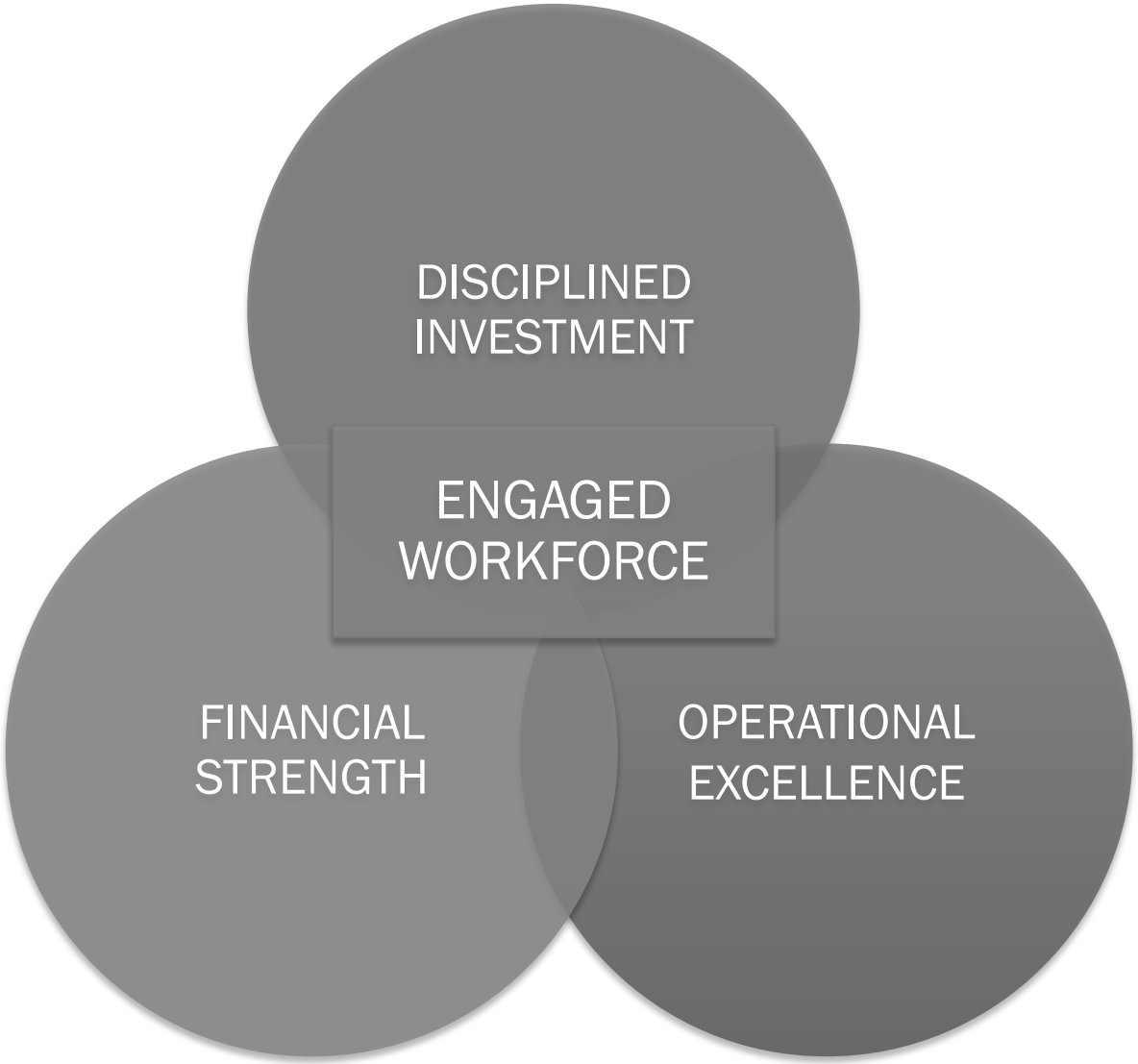
SI-SSA-0015-09435

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09436

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-09437

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Solar Source's portfolio is 148 MW_{DC} • Nuclear ESP is expected in 2016 • New build Keys CCGT in Maryland and Sewaren 7 in New Jersey – both targeted in-service 2018

SI-SSA-0015-09438

PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-09439

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion

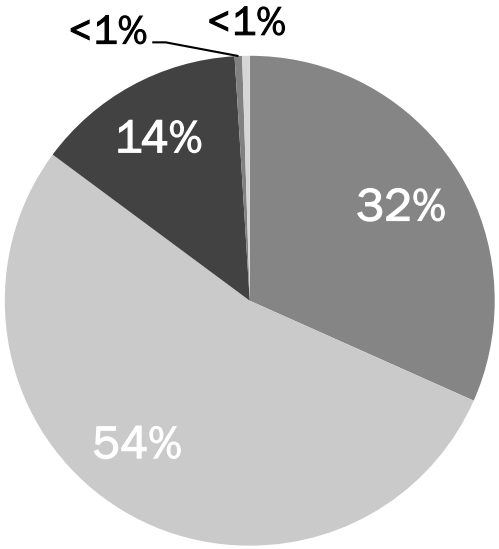
SI-SSA-0015-09440

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

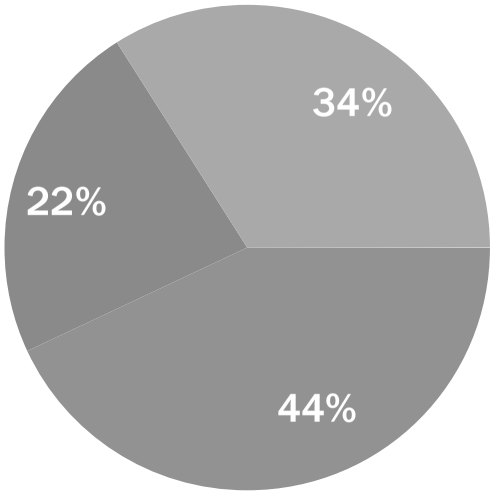
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

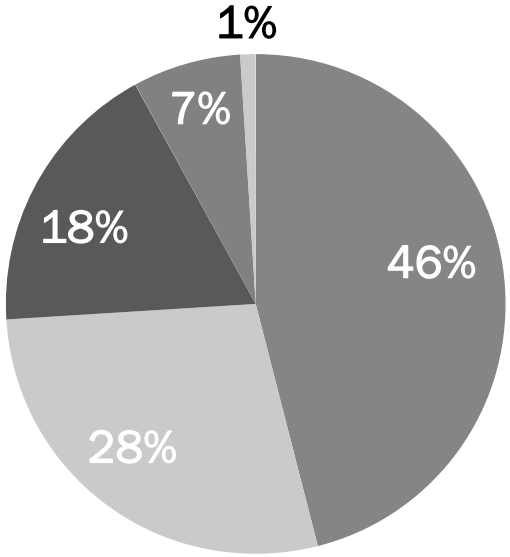
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



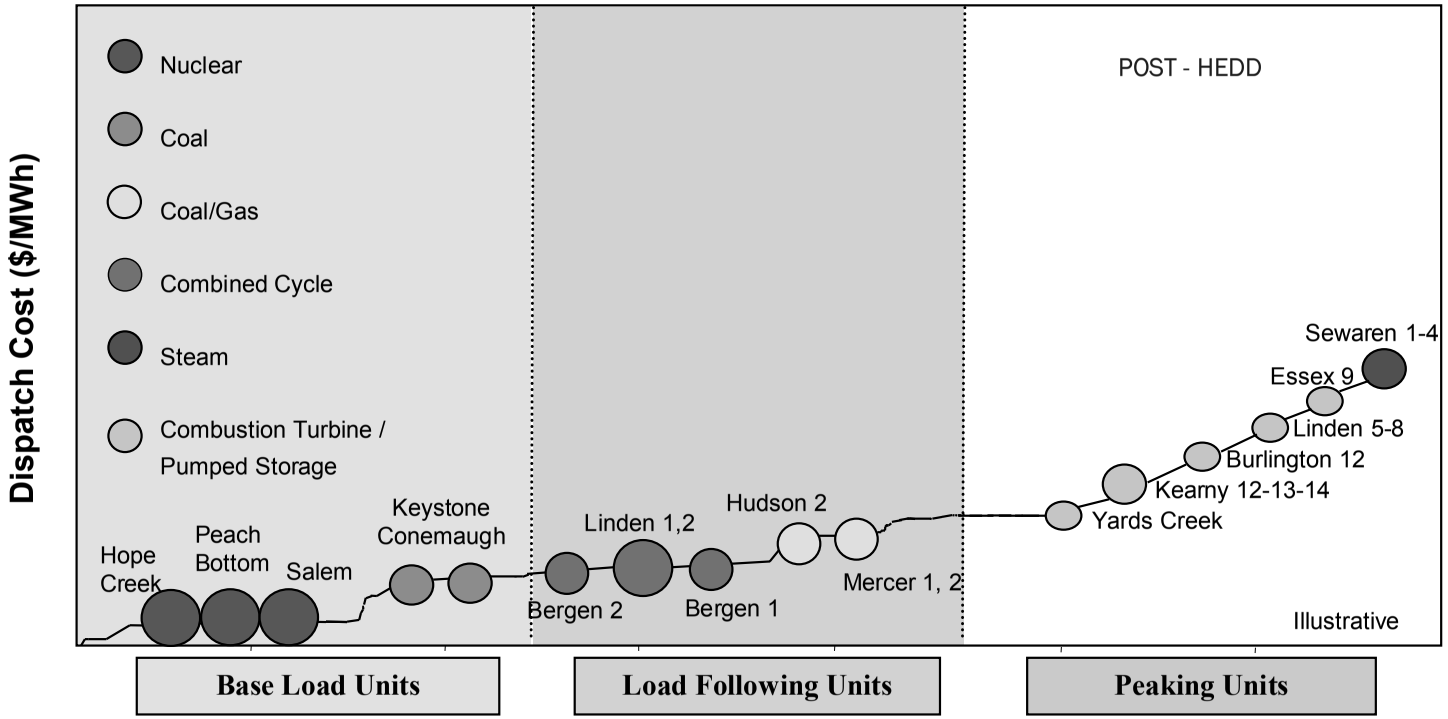
- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

SI-SSA-0015-09441

PSEG

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)
- Keys & Sewaren 7 to be added to dispatch in 2018E

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

SI-SSA-0015-09442

PSEG

E = ESTIMATE

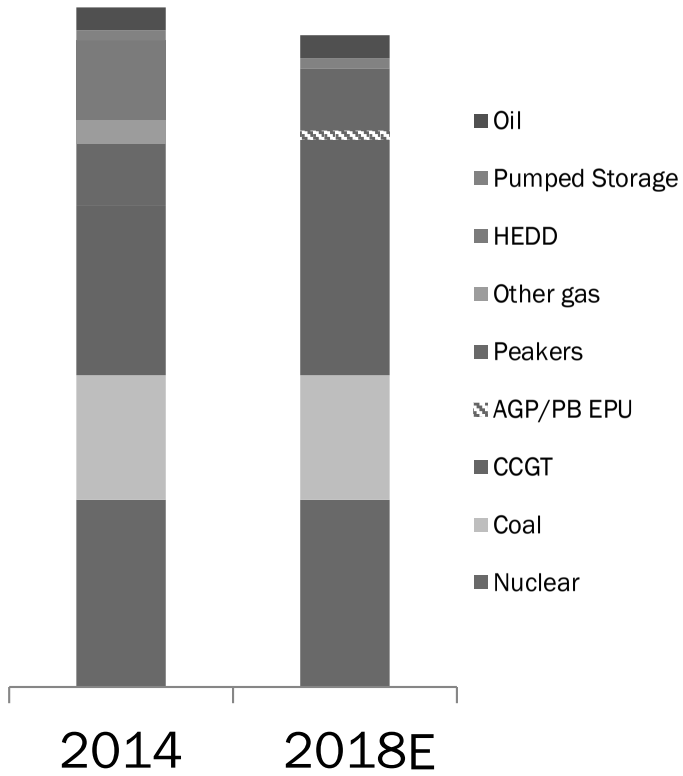
PSEG Power will improve diversity and efficiency as we invest in the fleet

Objective 2015 → 2018

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Combined cycle units Keys and Sewaren operational in 2018

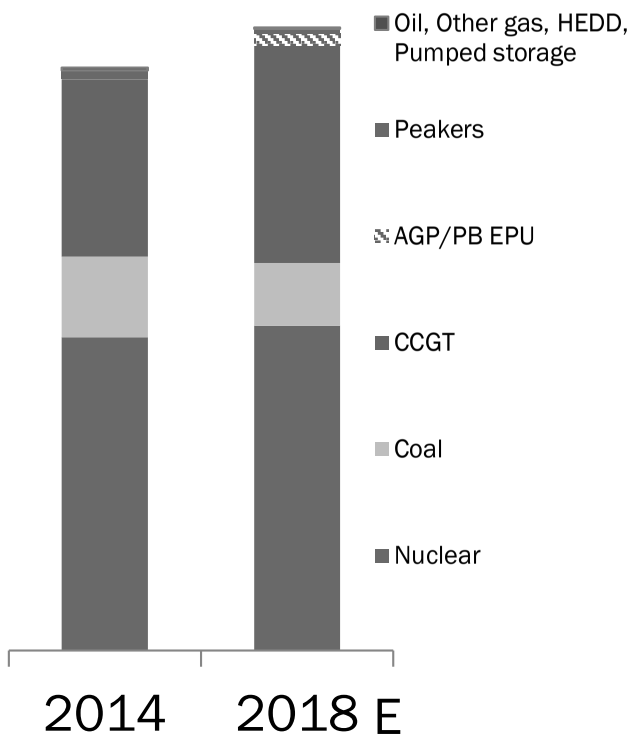
Fuel Diversity

13,146 MW 12,600 MW



Energy Produced

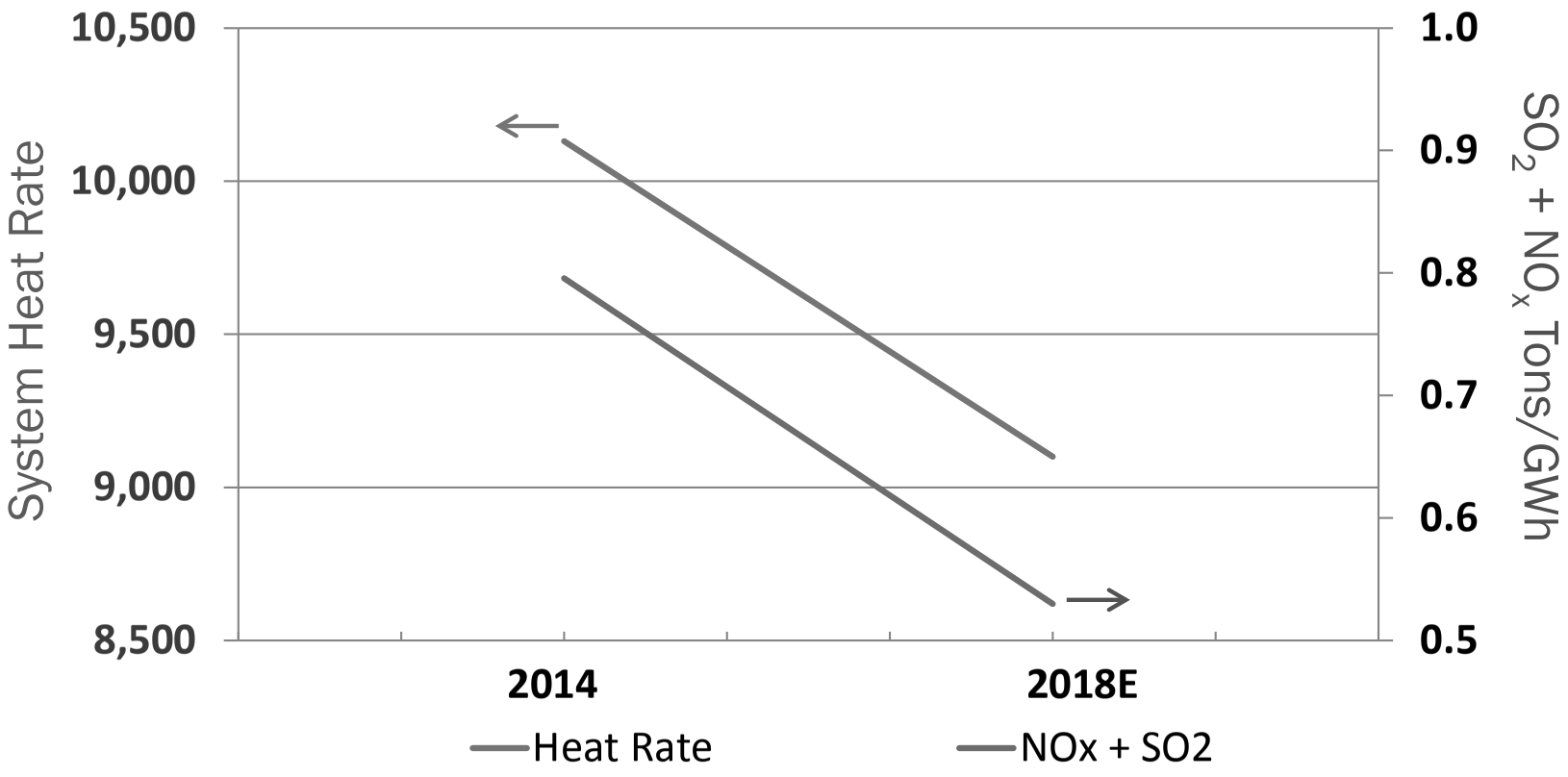
54 TWh 57 - 59 TWh



E=ESTIMATE.

SI-SSA-0015-09443

PSEG Power's fleet will experience heat rate and emissions improvements

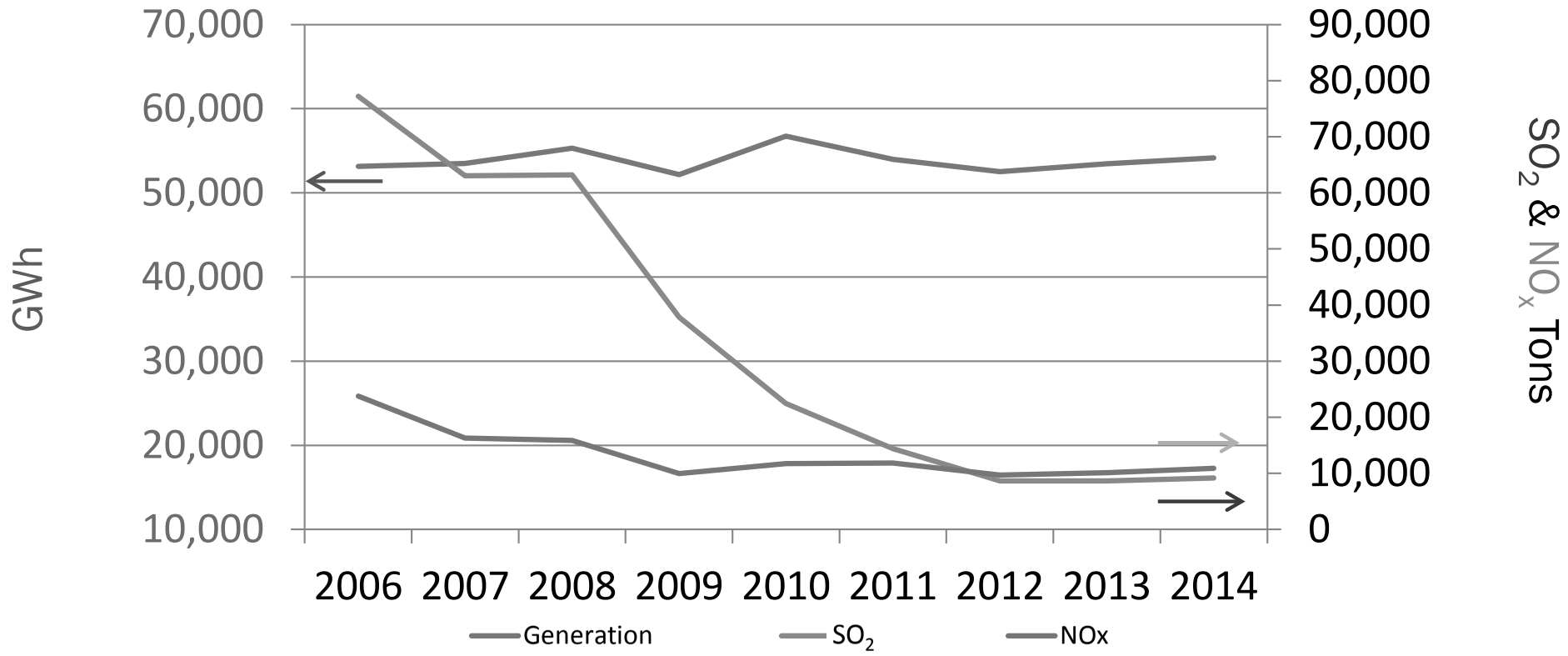


- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)

SI-SSA-0015-09444

E = ESTIMATE

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-09445

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-09446

PSEG Power Nuclear has competitive advantages

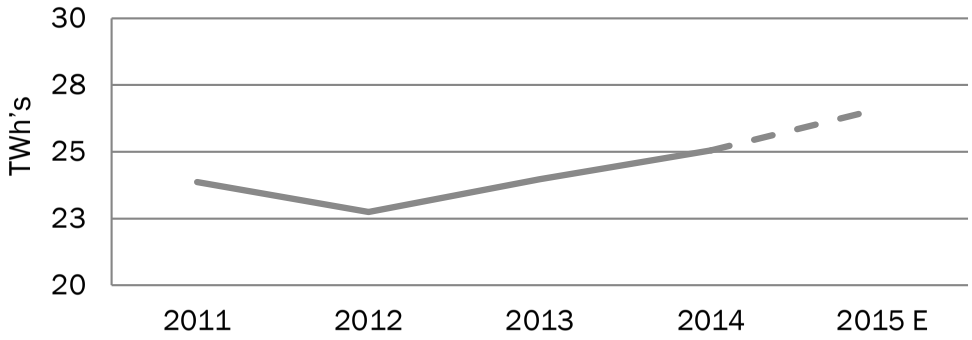
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

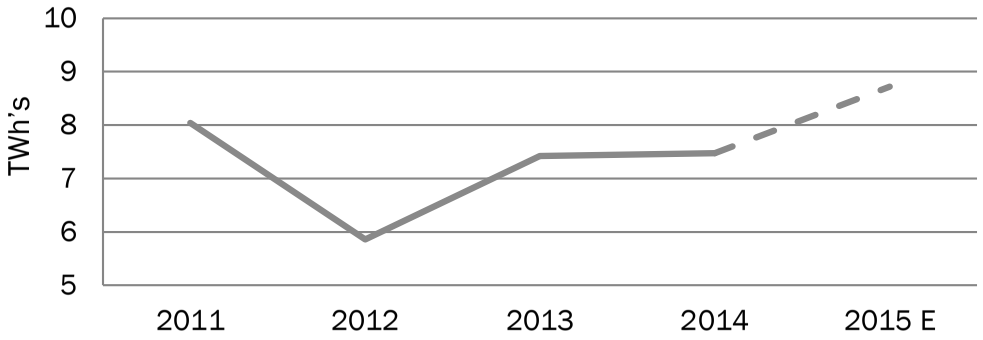
SI-SSA-0015-09447

PSEG Power's Fossil Fleet has shown improvement in performance

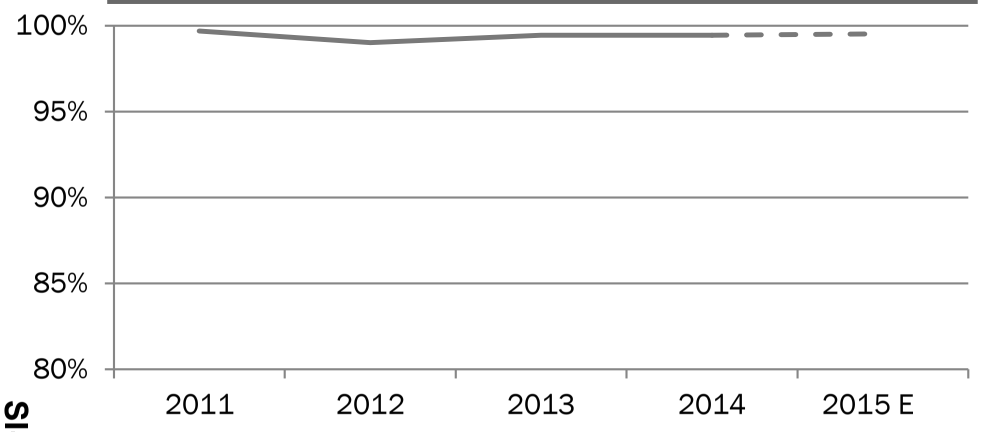
Fossil Generation



Coal Generation

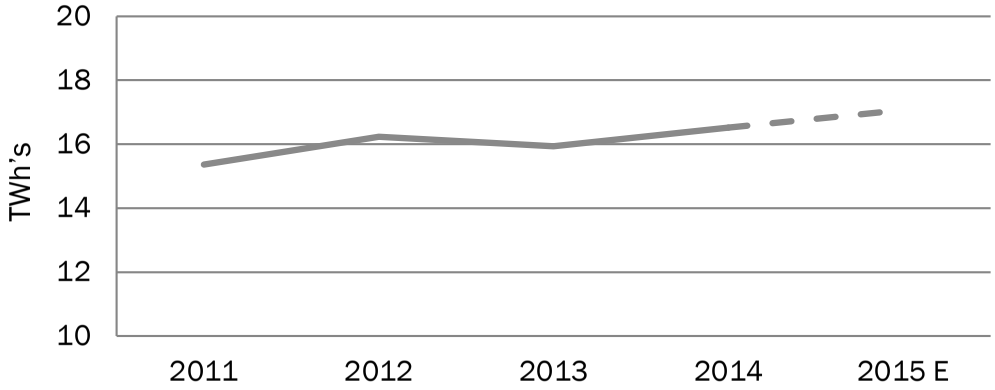


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

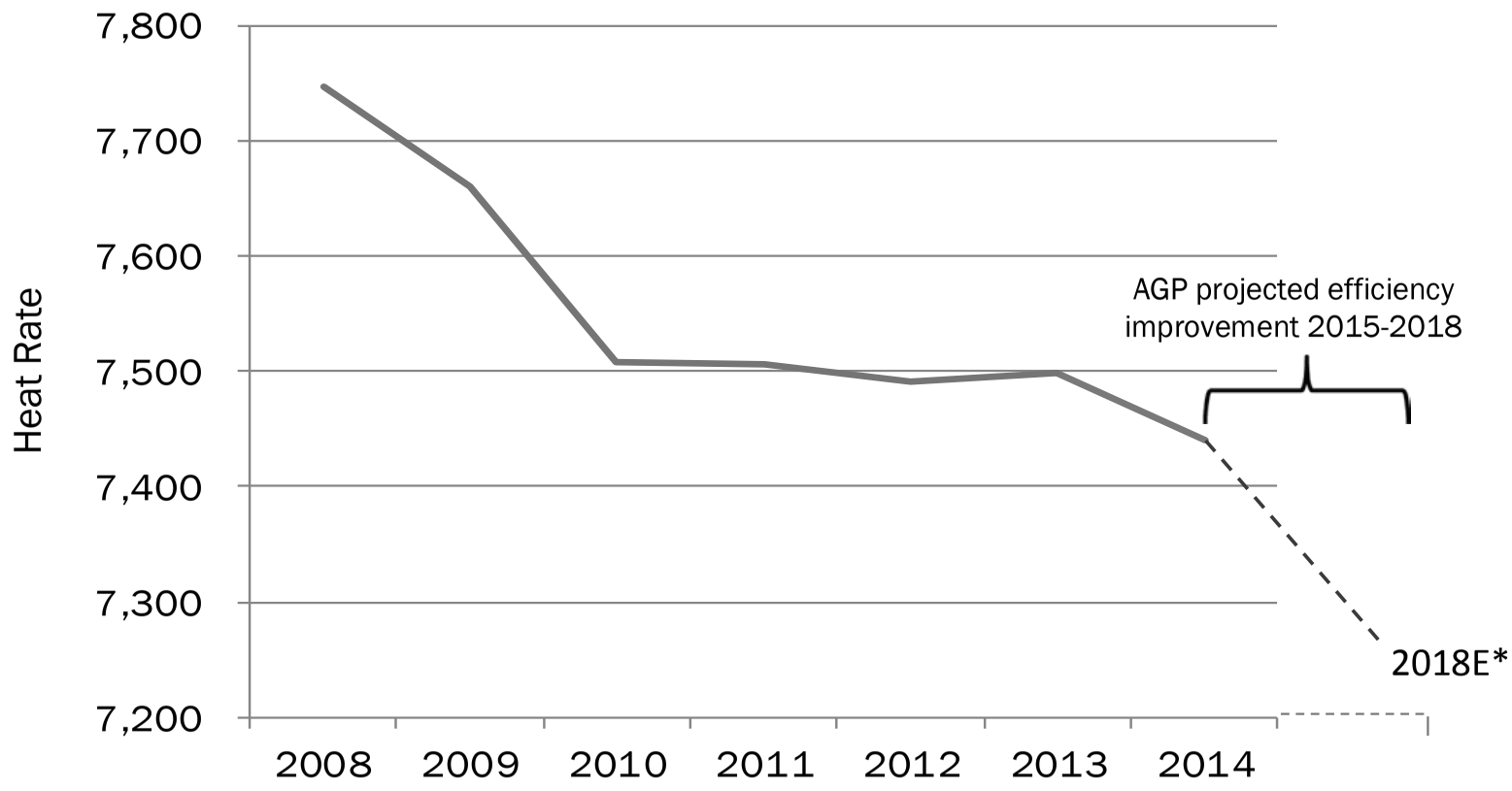
SI-SSA-0015-09448

PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Operating Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-09449

PSEG

E= ESTIMATE.

PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

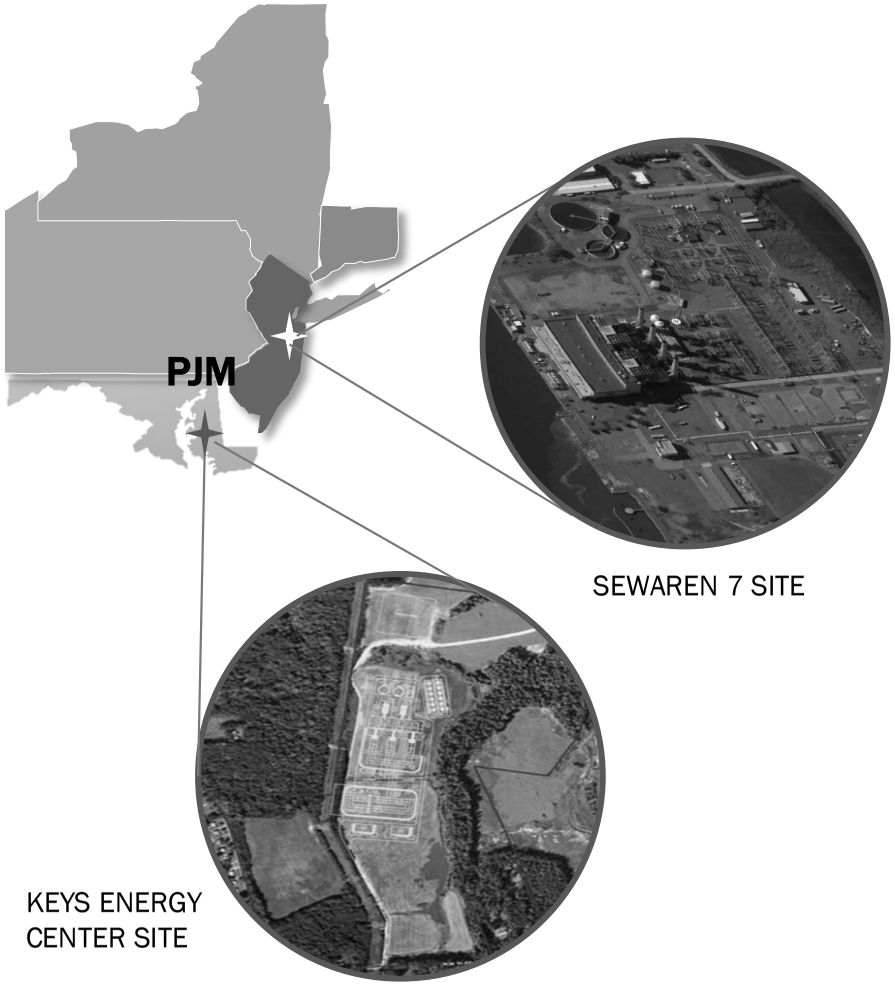
Capacity
- New Keys CCGT 755MW online in 2018 adds geographic diversity to fleet
- Sewaren 7 CCGT 540 MW online in 2018 improves fleet efficiency
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

SI-SSA-0015-09450

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- **Construction of 755 MW Keys Energy Center to begin this Fall** to build a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of **$825 to $875 million**
- Power cleared a new **540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*)**, in the recent 2018/2019 RPM auction; the unit is expected to cost ~$600 million and is targeted to be in service in 2018; older Sewaren units will be retired upon completion of the new unit
- **PSEG Fossil** will oversee the construction and operation of both PSEG Keys Energy Center and Sewaren 7

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PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power's Growth Investments

Site	Project	Estimate ($ millions)	Benefits	Status
Maryland	Keys 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Unit 7 540 MW CCGT	$600	Improved efficiency and reliability; increase in capacity	2018E
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 May 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 1,132 MW **

SI-SSA-0015-09452

PSEG

* INTERCONNECTION SERVICE AGREEMENTS. E = ESTIMATE. **NET OF PLANNED RETIREMENTS.

PSEG Solar Source owns ~148 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Rockfish
Maryland (13 MW)
COD July 2015
Polycrystalline - single axis
Investment $22 million
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline – single axis
Investment $48 million
30 year PPA with APS

Columbia
California (25.5 MW)
COD Sept 2015 Est.
Polycrystalline – fixed tilt
Investment $55 million
20 year PPA with PG&E

Shasta A & Shasta B
California (2 x 2 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline – fixed tilt
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-09453

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT)

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA fuel and energy dispatch management

SI-SSA-0015-09454

PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-09455

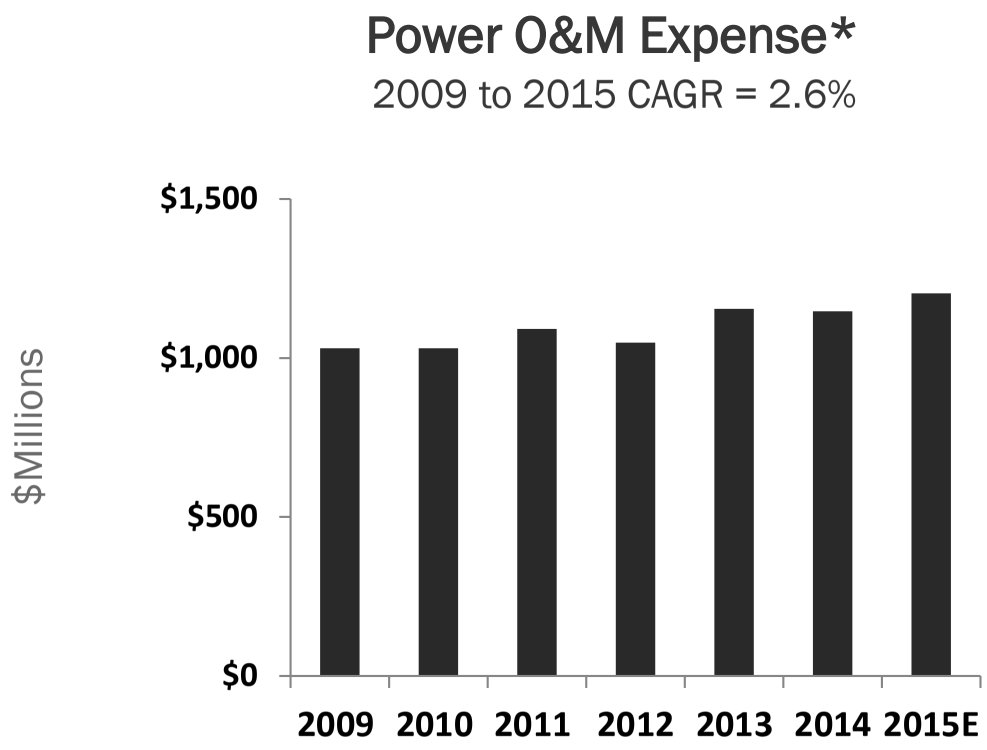
Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-09456

PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

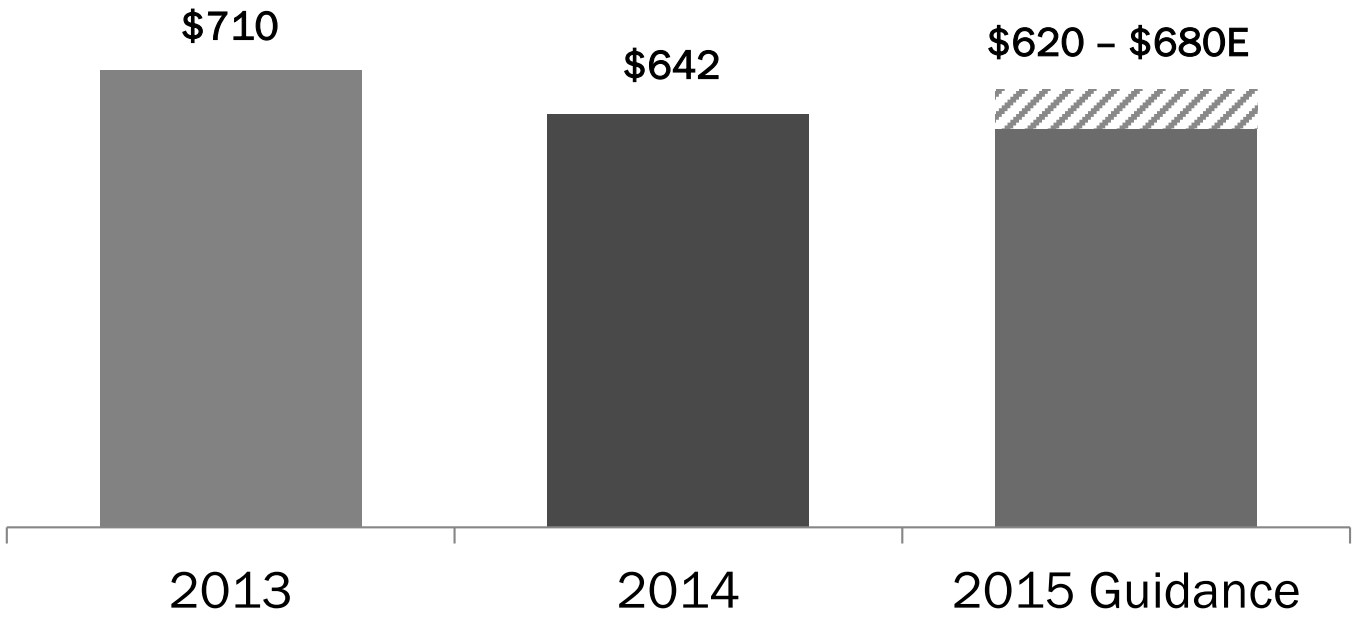
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-09457

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-09458

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG POWER
ER&T

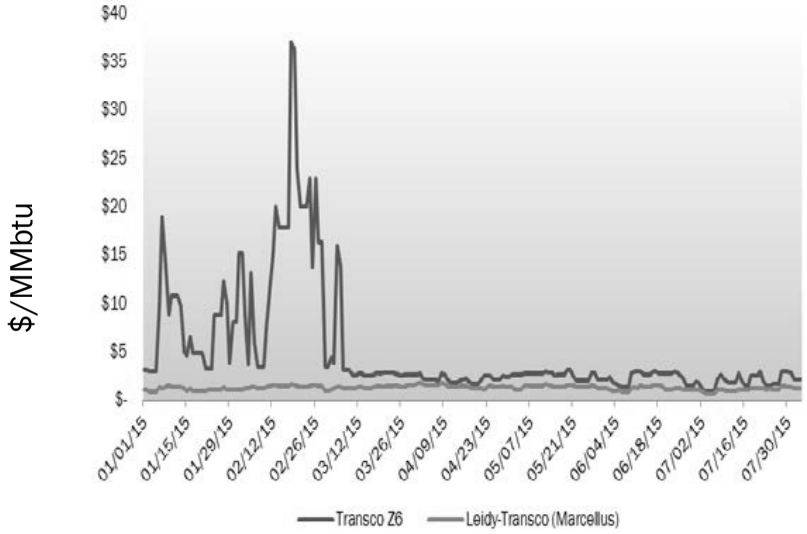
SI-SSA-0015-09459

PSEG

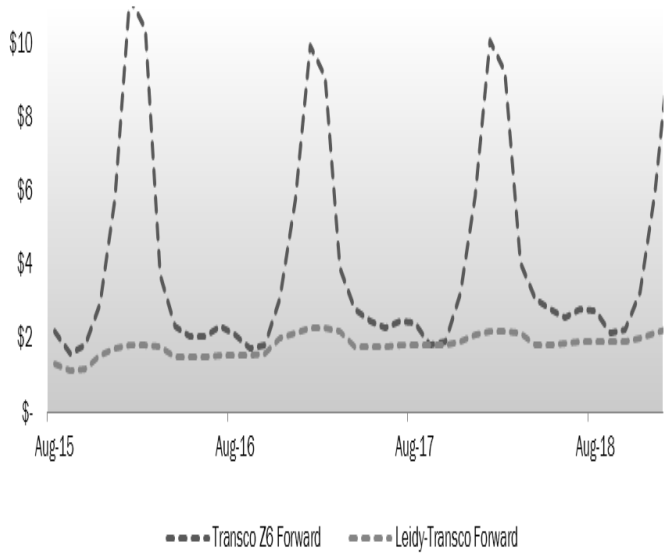
We make things work for you.

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM

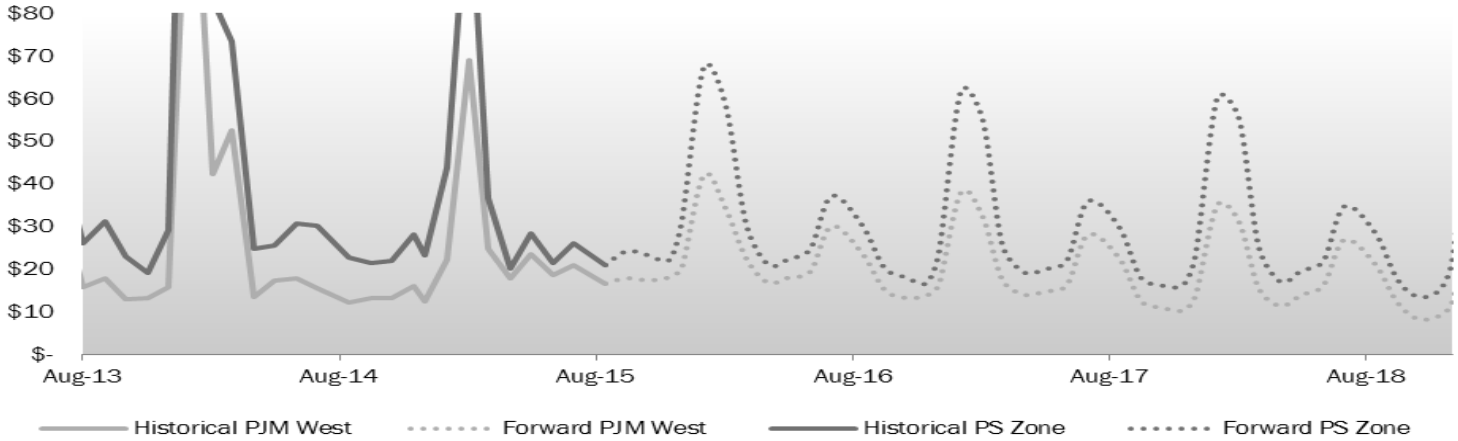
2015 YTD Z6



2015-2018 Z6



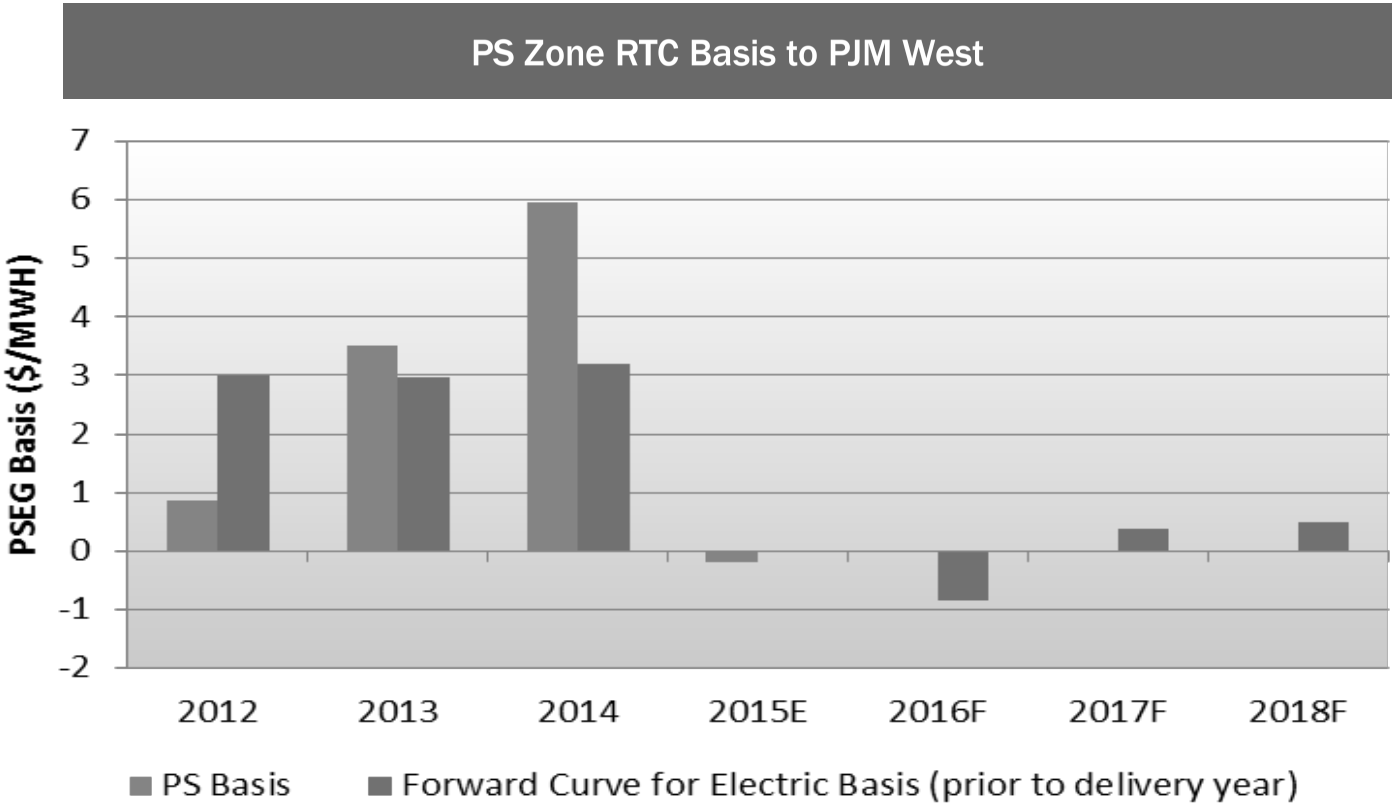
PJM West vs. PS Zone Spark Spreads (2013-2018)



FORWARDS AS OF AUGUST 3, 2015

SI-SSA-0015-09460

Power Basis in Eastern PJM: Expected to be volatile and negative on an annual basis for 2015 and 2016



Electric Basis is negative however it is viewed to be stabilizing and turning back to positive within 2 years due to:

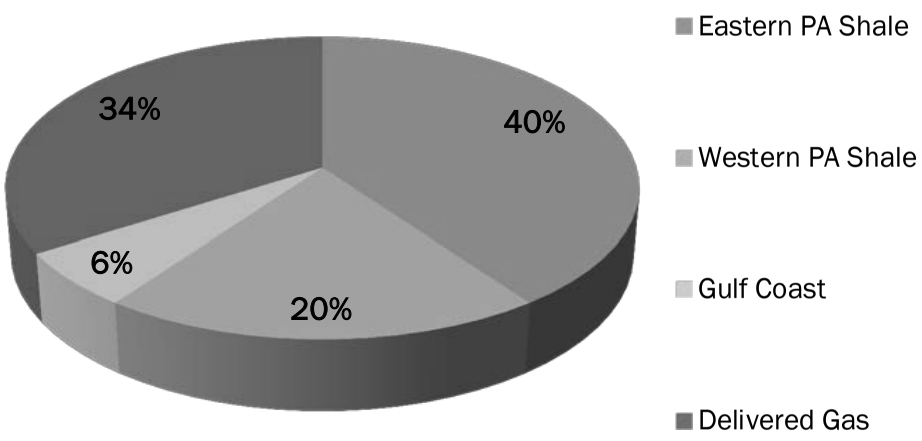
- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF AUGUST 3, 2015.
E = YTD ACTUAL PLUS FORWARD; F = FORWARD

SI-SSA-0015-09461

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

Power's Gas for Generation in 2014

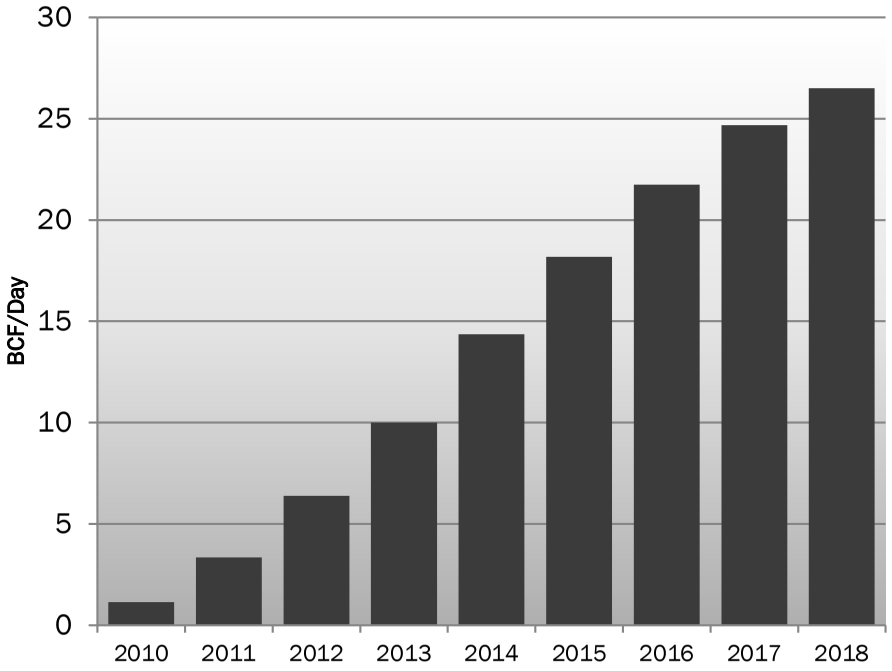


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

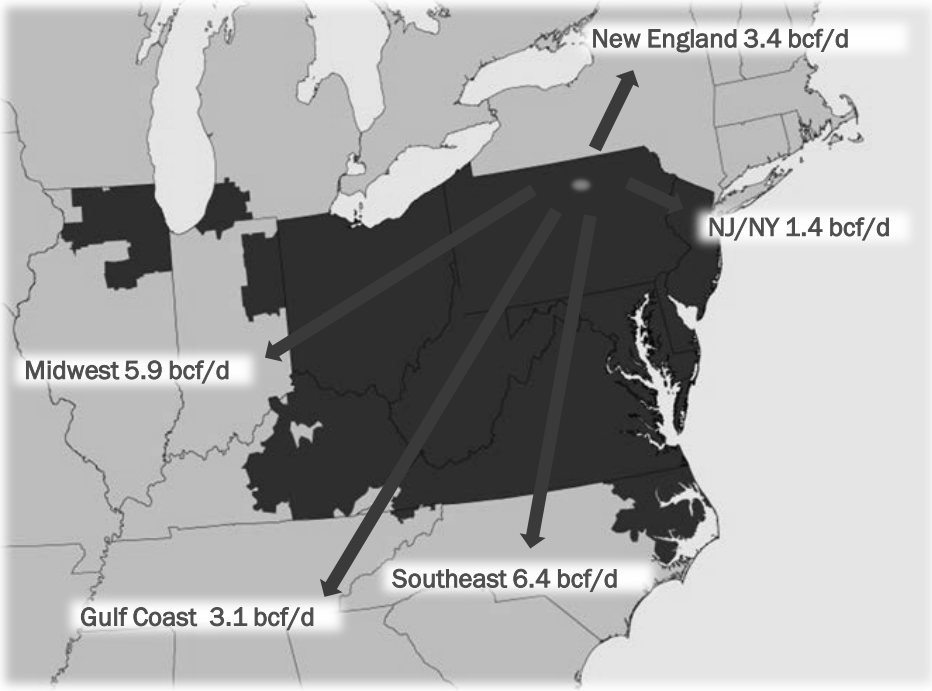
SI-SSA-0015-09462

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-09463

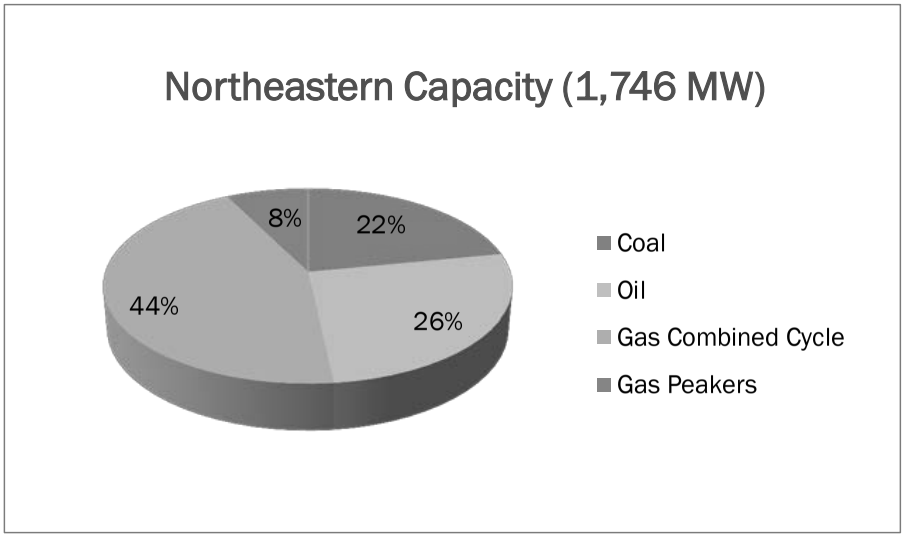
Northeast Portfolio: New York and New England

New England (972 MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774 MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Fuel Management Contract



SI-SSA-0015-09464

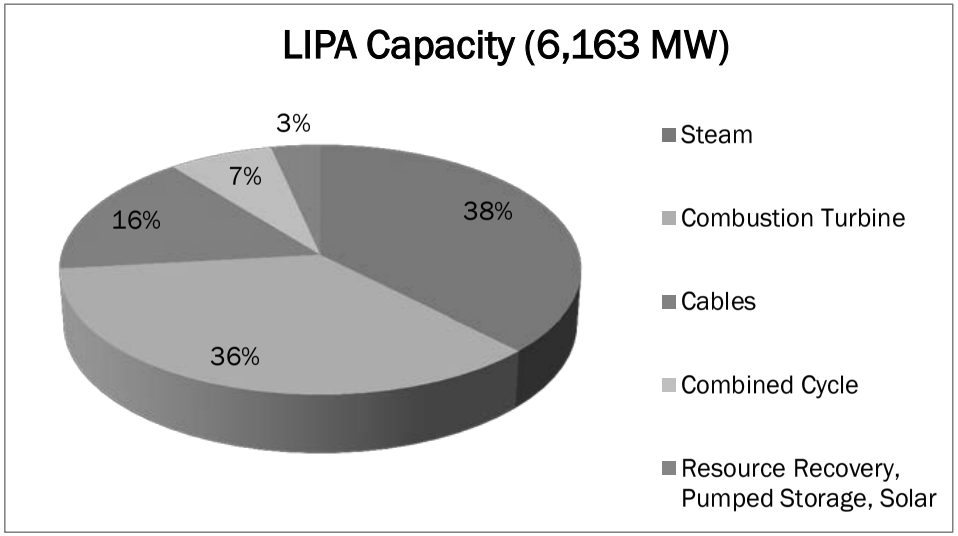
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000 MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-09465

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction **met the new CP standards**

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

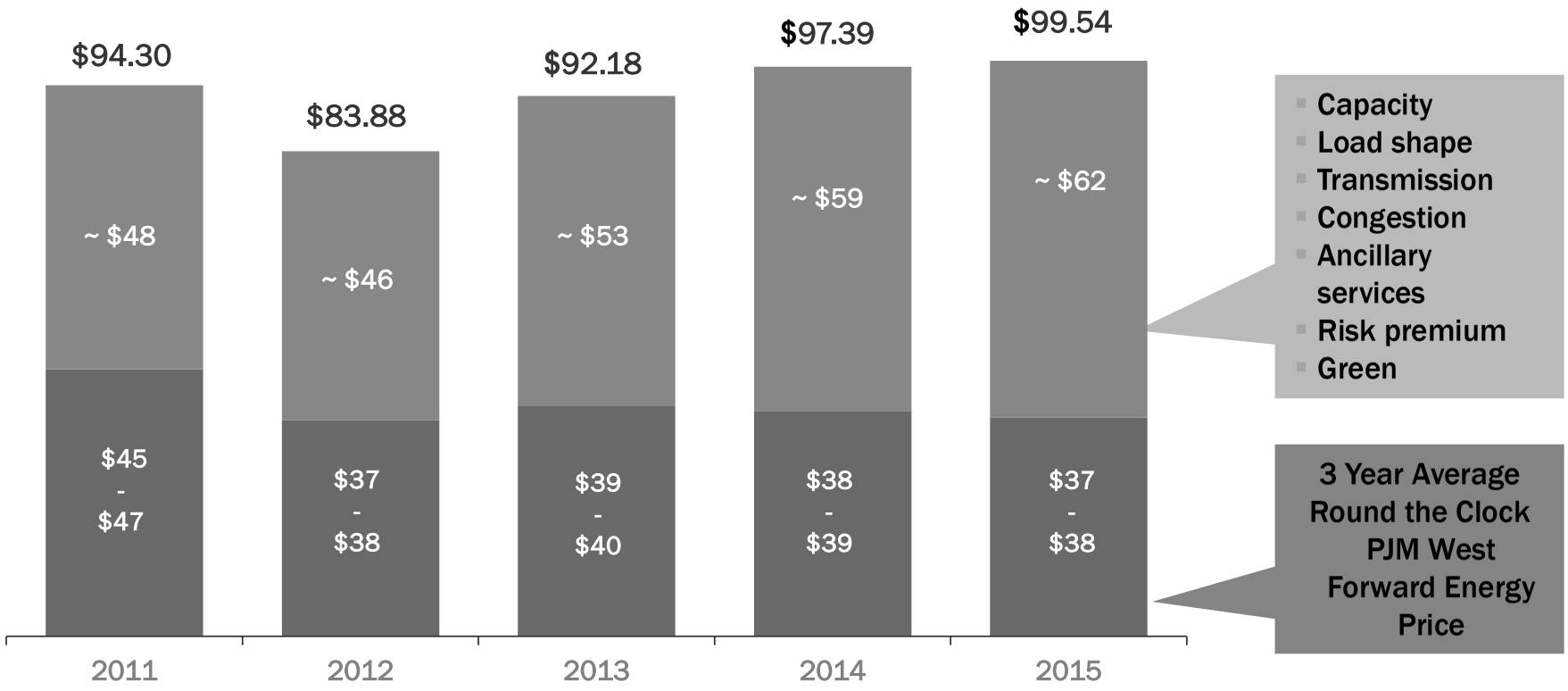
- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

SI-SSA-0015-09466

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

NJ default service provides Power the ability to forward hedge generation and protect power basis



NJBGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-09467

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-09468

PSEG Power's Value Proposition

- Re-positioning fleet to improve efficiency and reliability in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-09469

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-09470

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns and new Power investment
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-09471

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary, and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings		
$ millions (except EPS)	2015E	2014
PSE&G	**$760 - $775**	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	**$1,420 - $1,500**	**$1,400**
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**		
$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

SI-SSA-0015-09472

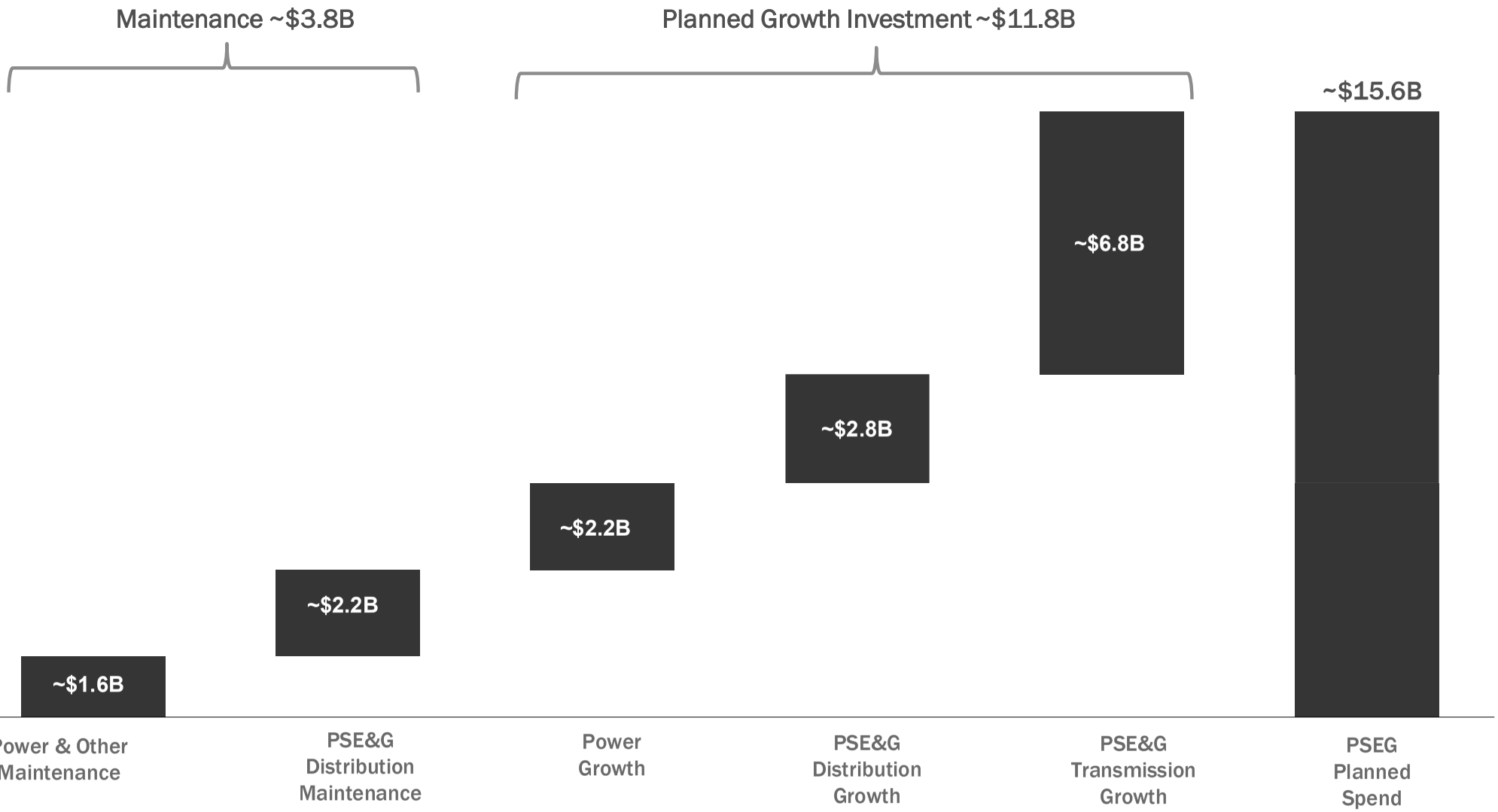
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

** SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

PSEG growth spend represents ~75% of total investment

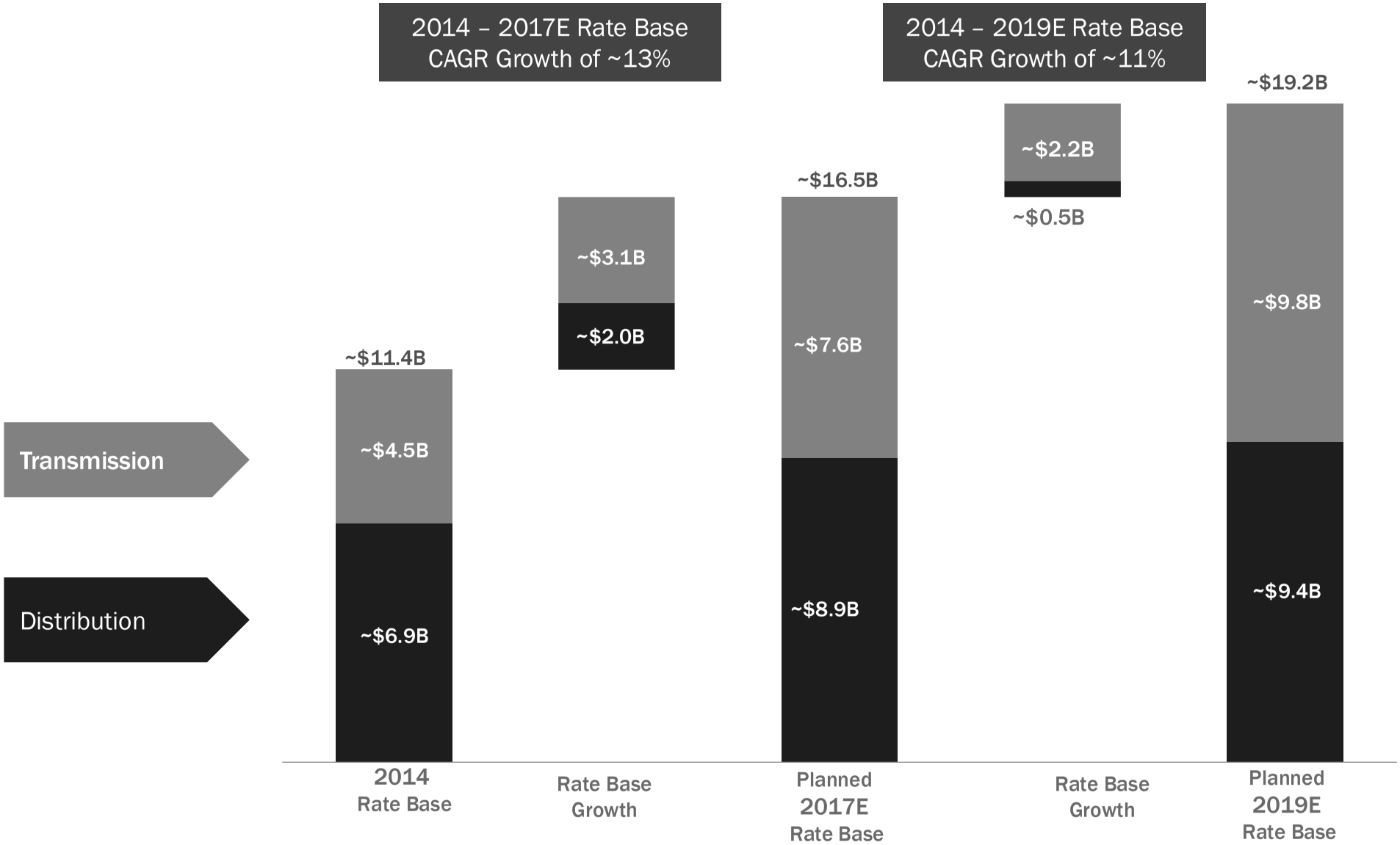
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC, GAS SYSTEM MODERNIZATION PROGRAM, KEYS ENERGY CENTER, SEWAREN, PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-09473

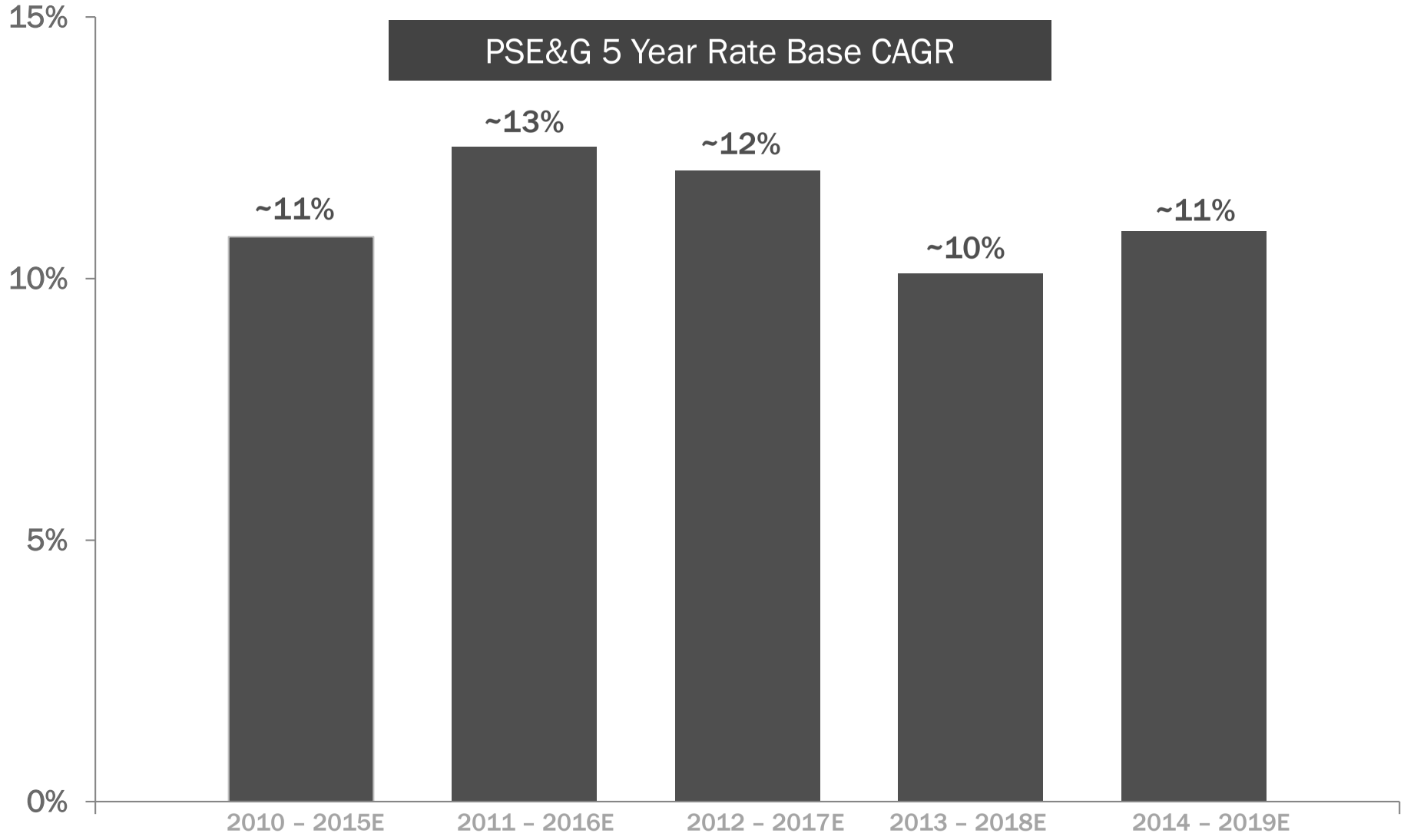
PSE&G's Capital Program drives double-digit growth in rate base through 2019



SI-SSA-0015-09474

Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



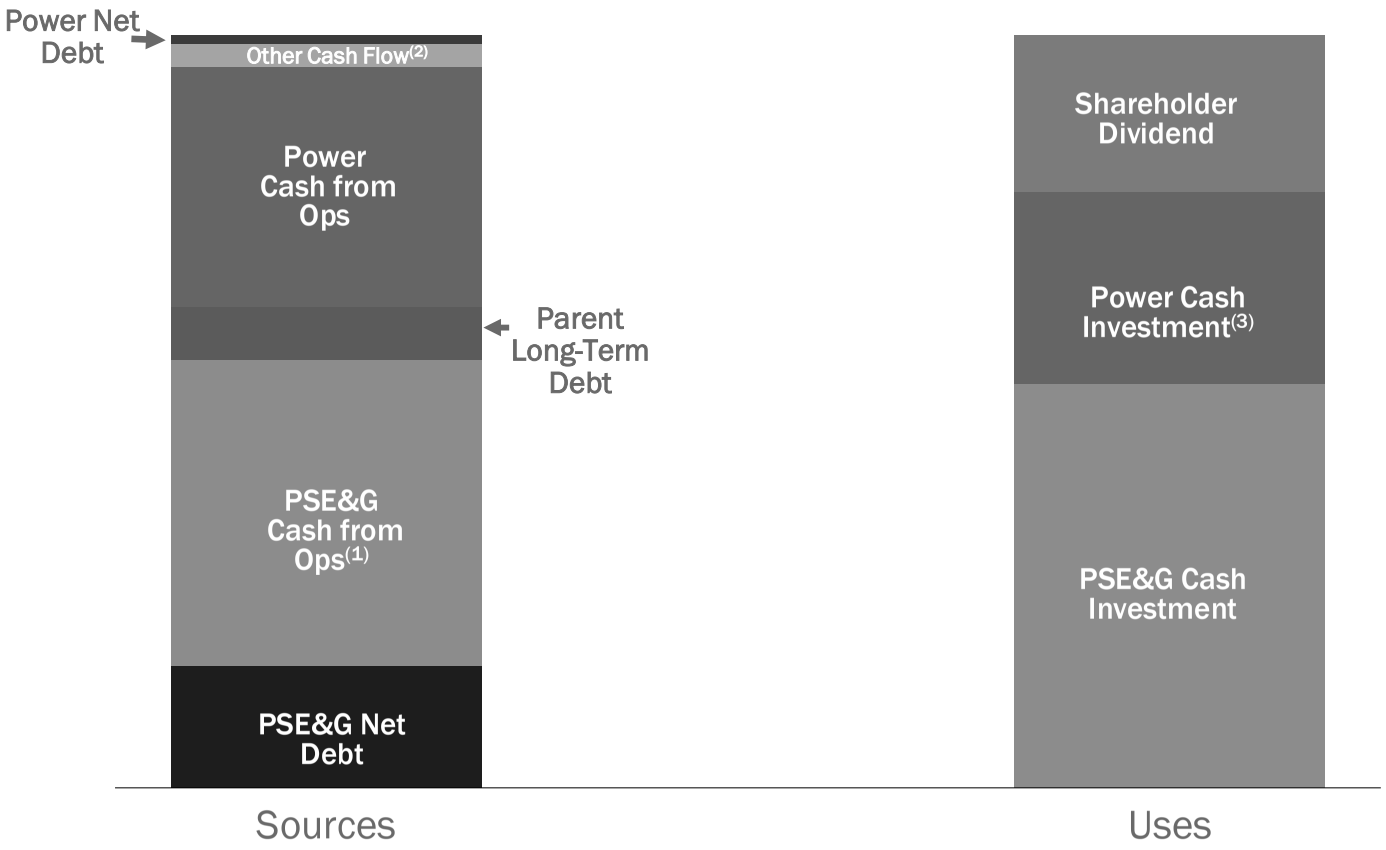
INCLUDES GAS SYSTEM MODERNIZATION PROGRAM

E = ESTIMATE

SI-SSA-0015-09475

Utilizing financial strength to issue debt at the parent level in support of regulated growth

PSEG 2015 - 2019E Sources and Uses

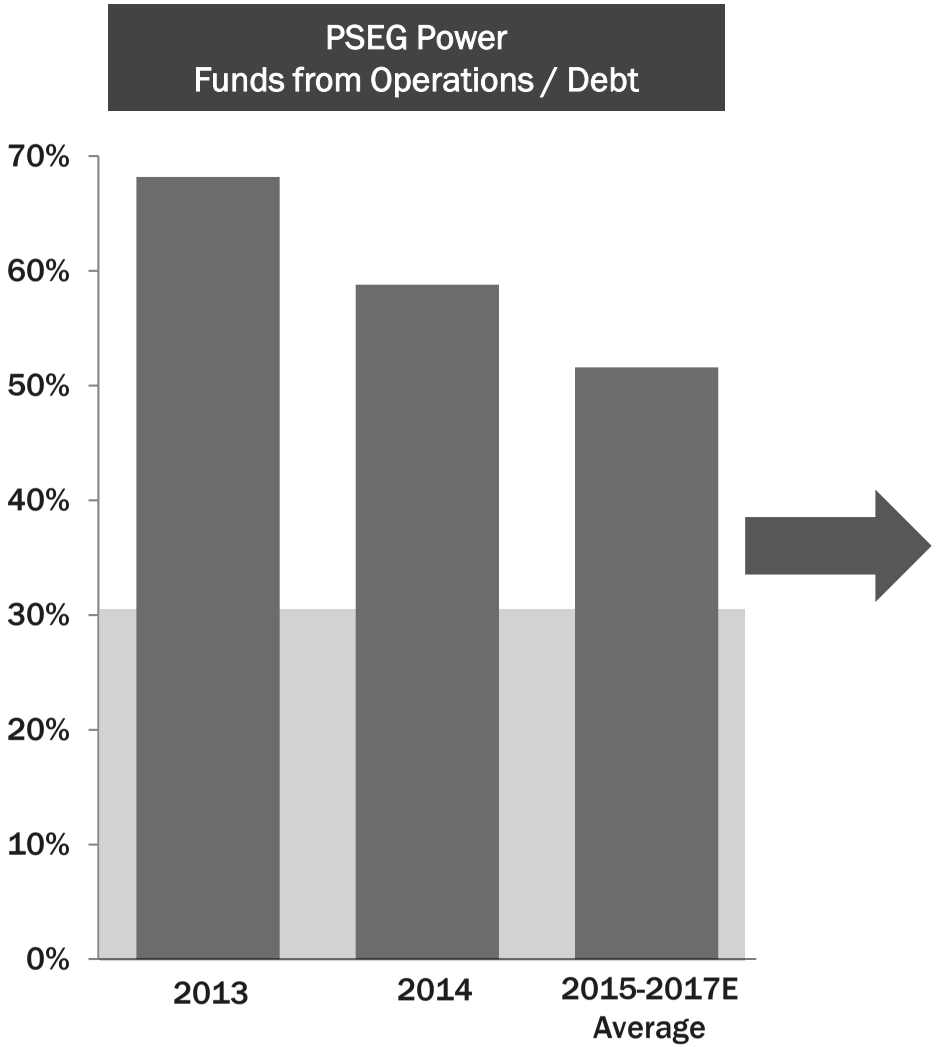


INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-09476

Power's key credit metric remains strong

providing opportunity for incremental investment*



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations average approximately $1.3+ B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-09477

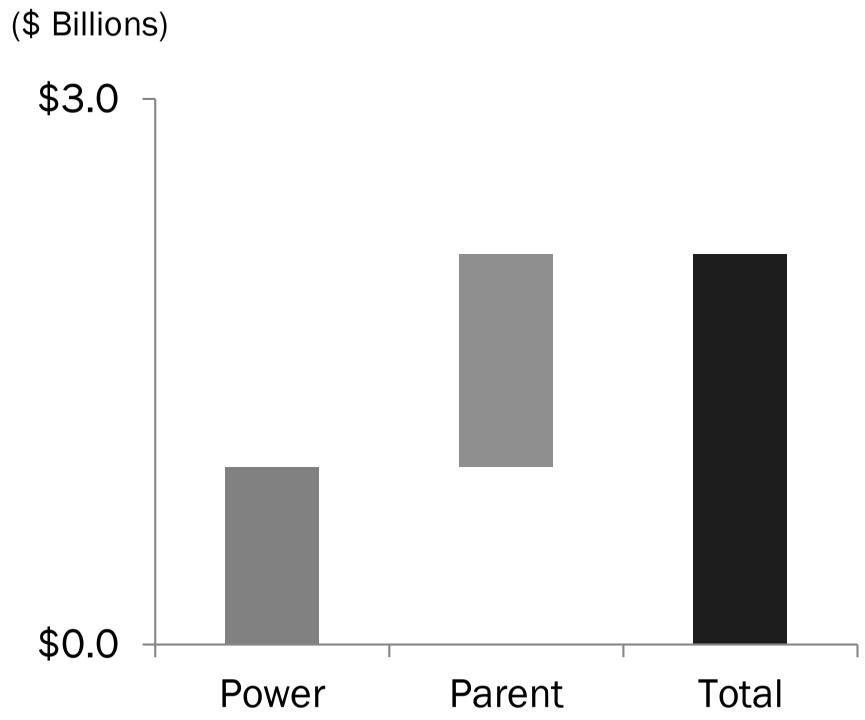
*INCLUDES KEYS ENERGY CENTER, SEWAREN. E= ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity*

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 50%	~27%
Minimum Threshold	30%	~20%

Total Incremental Investment Capacity
through 2017



Our incremental investment capacity can support growth at both PSE&G and Power

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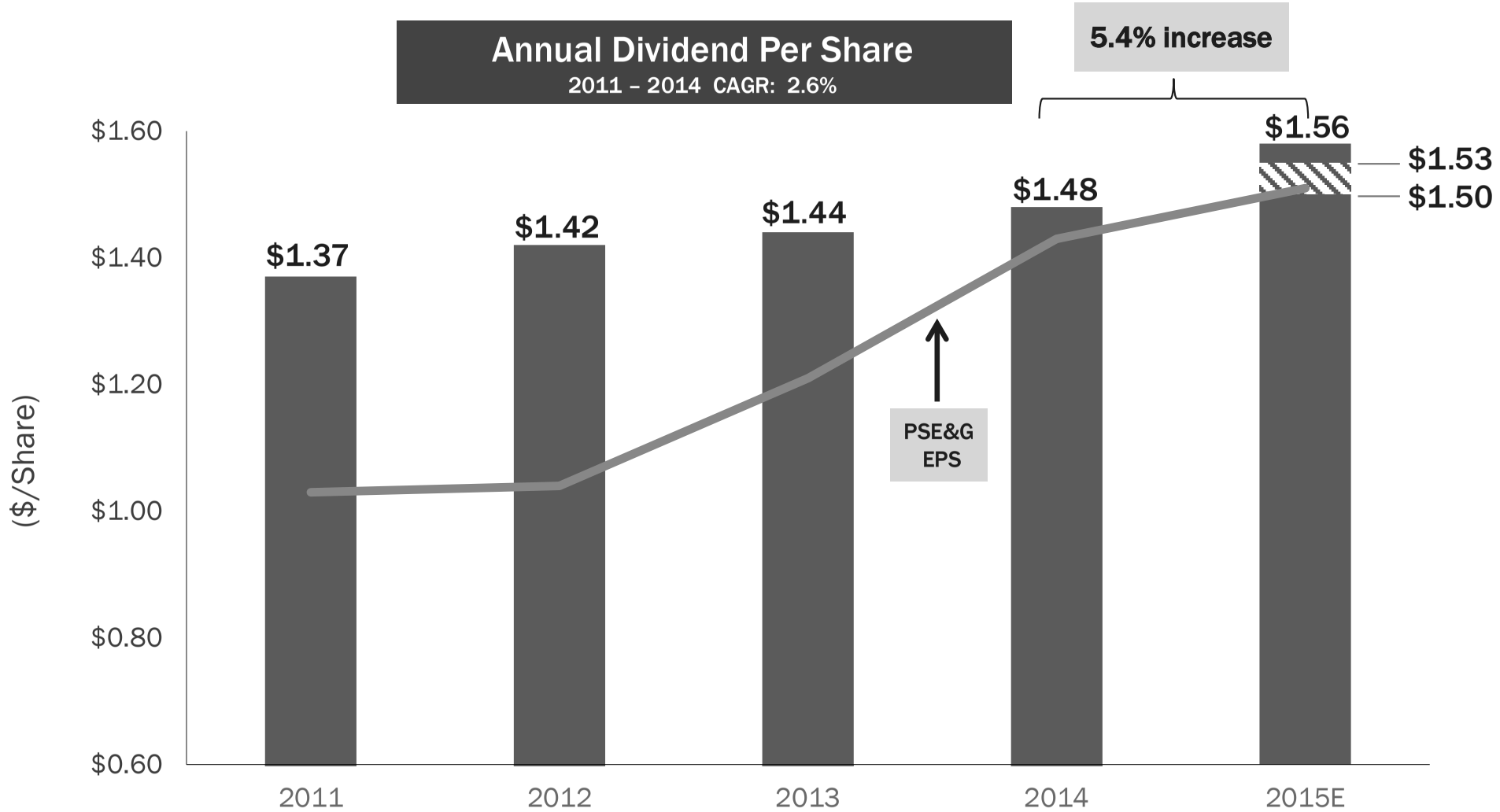
*INCLUDES KEYS ENERGY CENTER, SEWAREN, GAS SYSTEM MODERNIZATION PROGRAM. E= ESTIMATE

Potential for consistent and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	54% (1)

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PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 UPDATED OPERATING EARNINGS GUIDANCE OF $2.80-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E**	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.01-$0.02	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions. ** July-December 2015.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-09480

PSEG Summary

- Continued third year of anticipated positive earnings trend in 2015 with updated operating earnings guidance of $2.80 to $2.95 per share
- Continued 5th straight year of expected double digit, 5-year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on a three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Power realigning its portfolio with new, efficient CCGT investments in MD and NJ
- Strong Balance Sheet and Cash Flow support PSE&G's capital program and Power's new investment opportunities without the need for equity
- Our $0.08 per share dividend increase for 2015 is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

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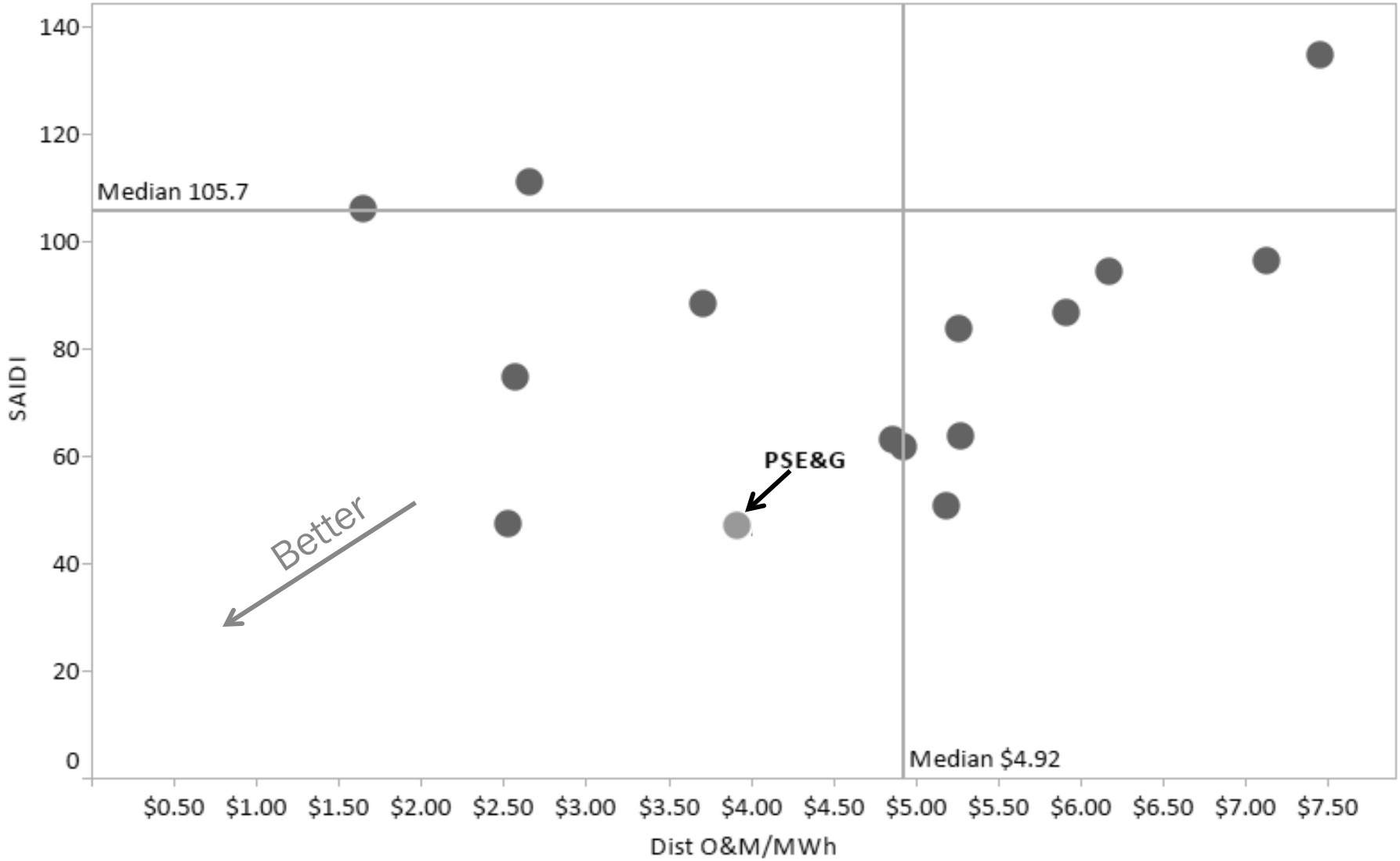
PSE&G APPENDIX

SI-SSA-0015-09482

PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

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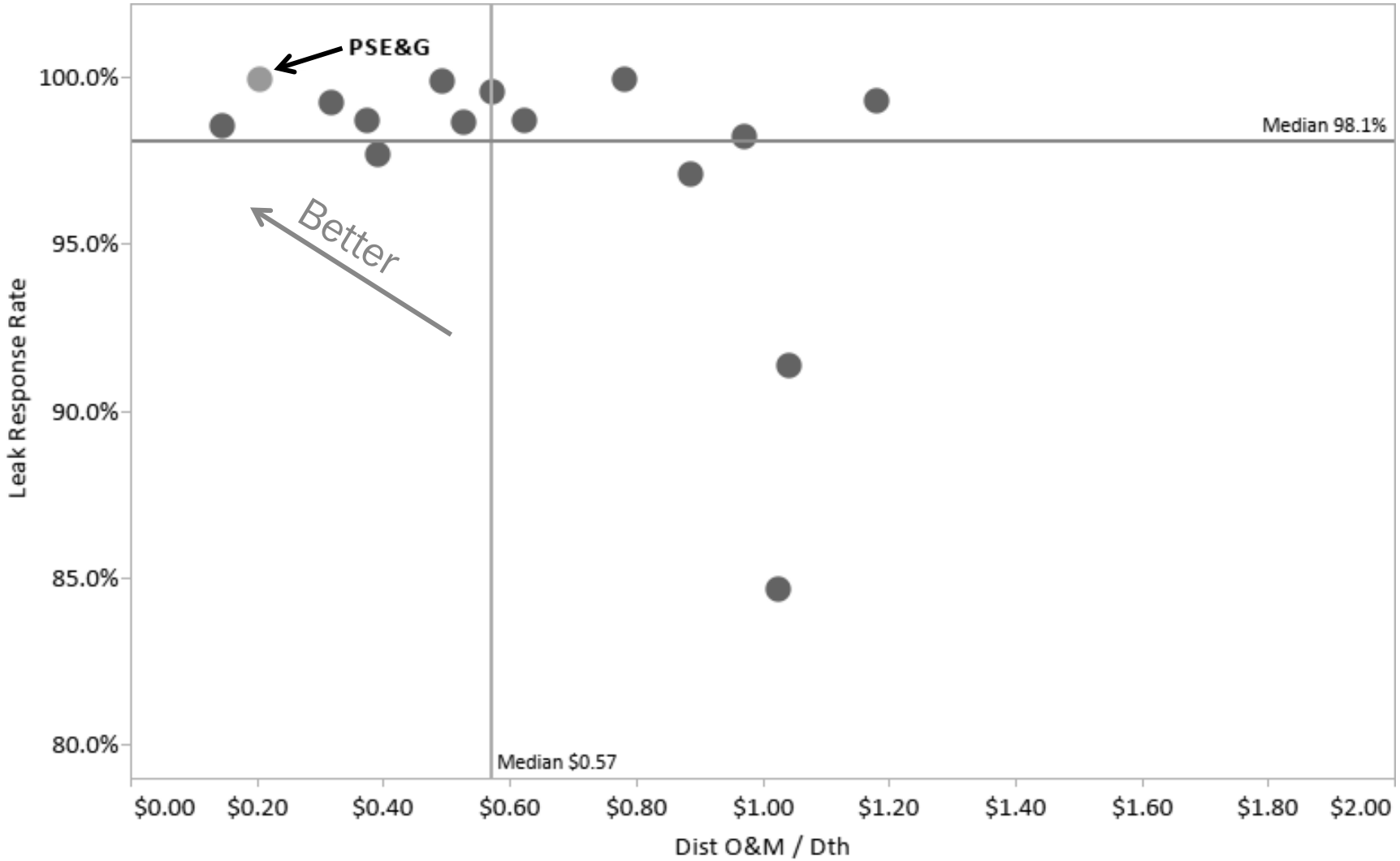
PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

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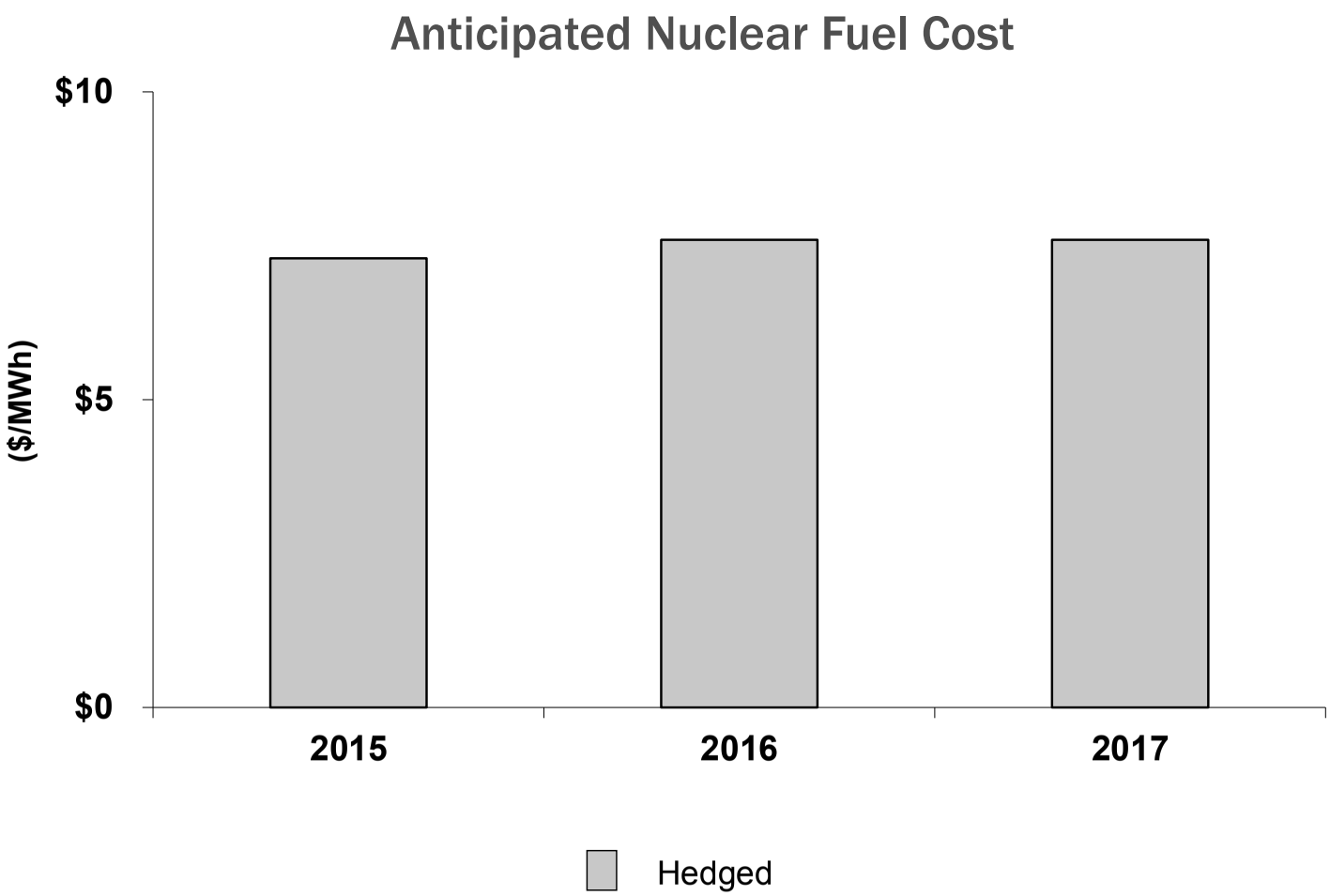
PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-09485

Nuclear fuel needs have been hedged through 2017



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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

SI-SSA-0015-09487

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09488

First Half Operating Earnings by Subsidiary

Six months ended June 30

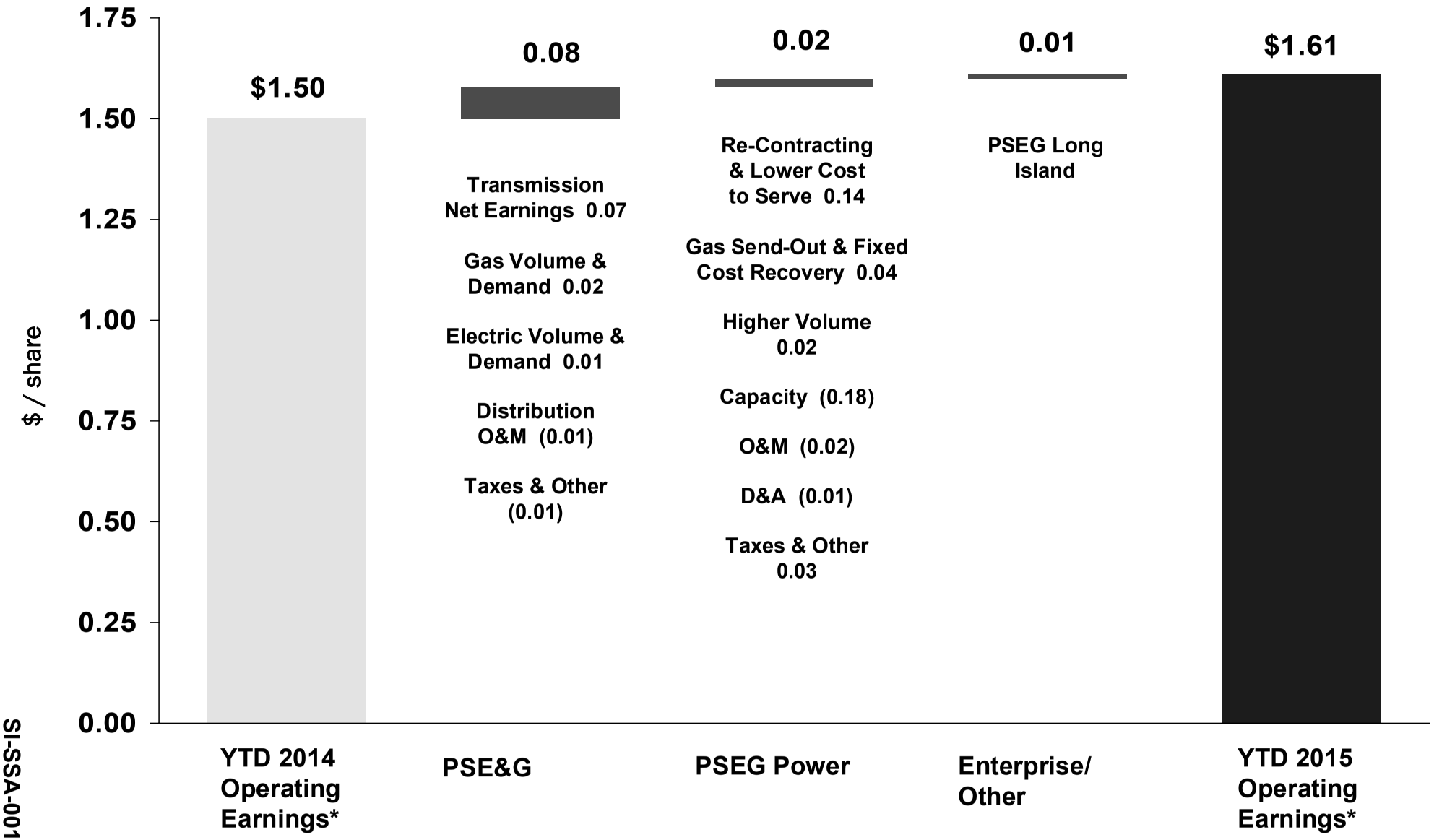
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

SI-SSA-0015-09489

PSEG

•SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



SI-SSA-0015-09490

PSEG

* SEE SLIDE C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power's Adjusted EBITDA - Q2 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2015 Guidance	
($ in millions)	2015	2014	2015	2014	Low	High
Operating Earnings**	$110	$87	$388	$380	$620	$680
Add:						
Fossil Major Maintenance, pre-tax	52	49	101	107	115	115
Depreciation & Amortization, pre-tax	75	73	152	146	305	305
Interest Expense, pre-tax	32	29	63	60	125	125
Income Taxes	32	38	223	234	380	420
Adjusted EBITDA	$301	$276	$927	$927	$1,545E	$1,645E

SI-SSA-0015-09491

PSEG

* SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.

** SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

Our balance sheet remains strong

June 30, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	9.2	6.6	2.5
Common Equity	12.7	7.2	5.7
Total Capitalization	**$21.9**	**$13.8**	**$8.2**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio(2) 51.7%

SI-SSA-0015-09492

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $134 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	2015	Total
PSEG Power	$44	$179	$223**
PSE&G	6	35	41***
PSEG	$50*	$214	~$264

* PSE&G RECEIVED $6 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012. POWER RECEIVED $19 MILLION AND $25 MILLION OF INSURANCE SETTLEMENT PROCEEDS IN Q4 2012 AND Q2 2013, RESPECTIVELY.

** POWER SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; INCREASED OTHER INCOME.

*** PSE&G SHARE OF PROCEEDS REDUCED O&M; PROPERTY, PLANT AND EQUIPMENT; AND REGULATORY ASSETS.

SI-SSA-0015-09493

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
			PSEG Money Pool ST Investment		$397
			PSE&G ST Investment		$151
			Total Liquidity Available		**$4,628**
			Total Parent / Power Liquidity		**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-09494

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 6/30/15 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$355
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	150
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	29
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	57
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	39
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$855**

SI-SSA-0015-09495

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-09496

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [(b)]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [(b)]	(32)	(29)	(63)	(60)	(120)
Income Taxes [(b)]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [(a)]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

SI-SSA-0015-09497

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**	**$ 2.99**	**$ 2.45**

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

SI-SSA-0015-09498

PSEG Investor Summary

GUGGENHEIM INVESTOR MEETINGS
TORONTO • NOVEMBER 30, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09499

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09500

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of October 31, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-09501

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-09502

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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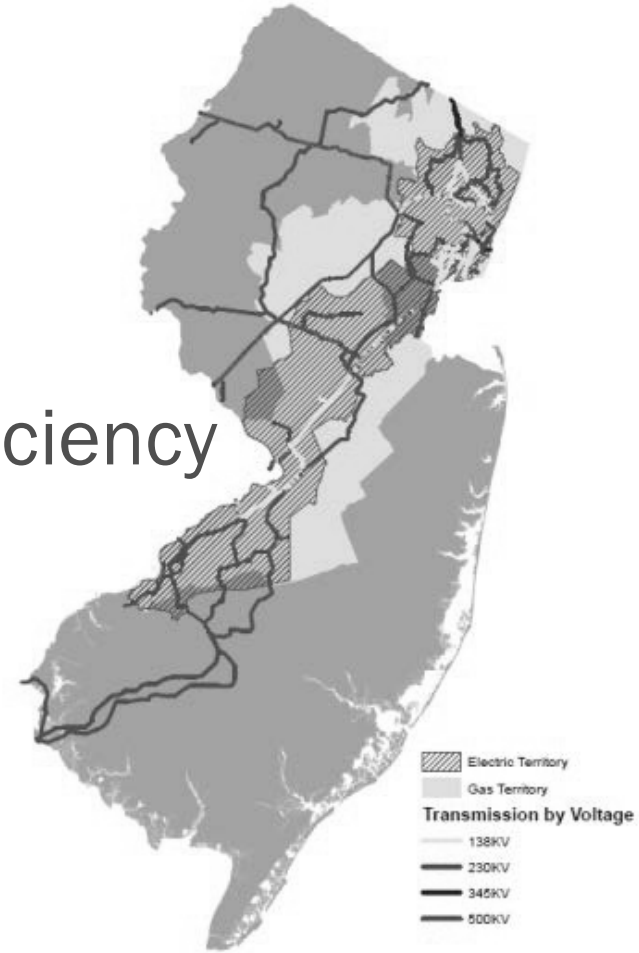
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

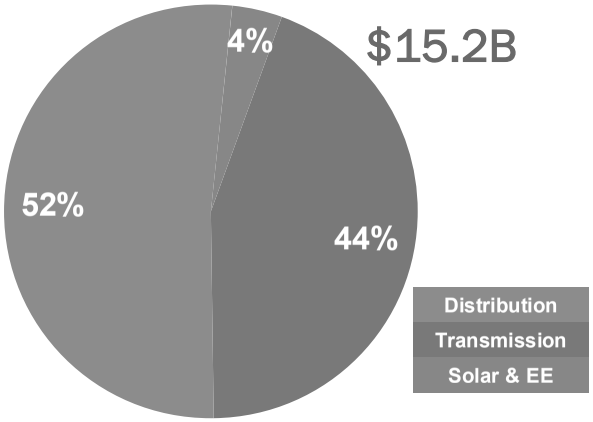
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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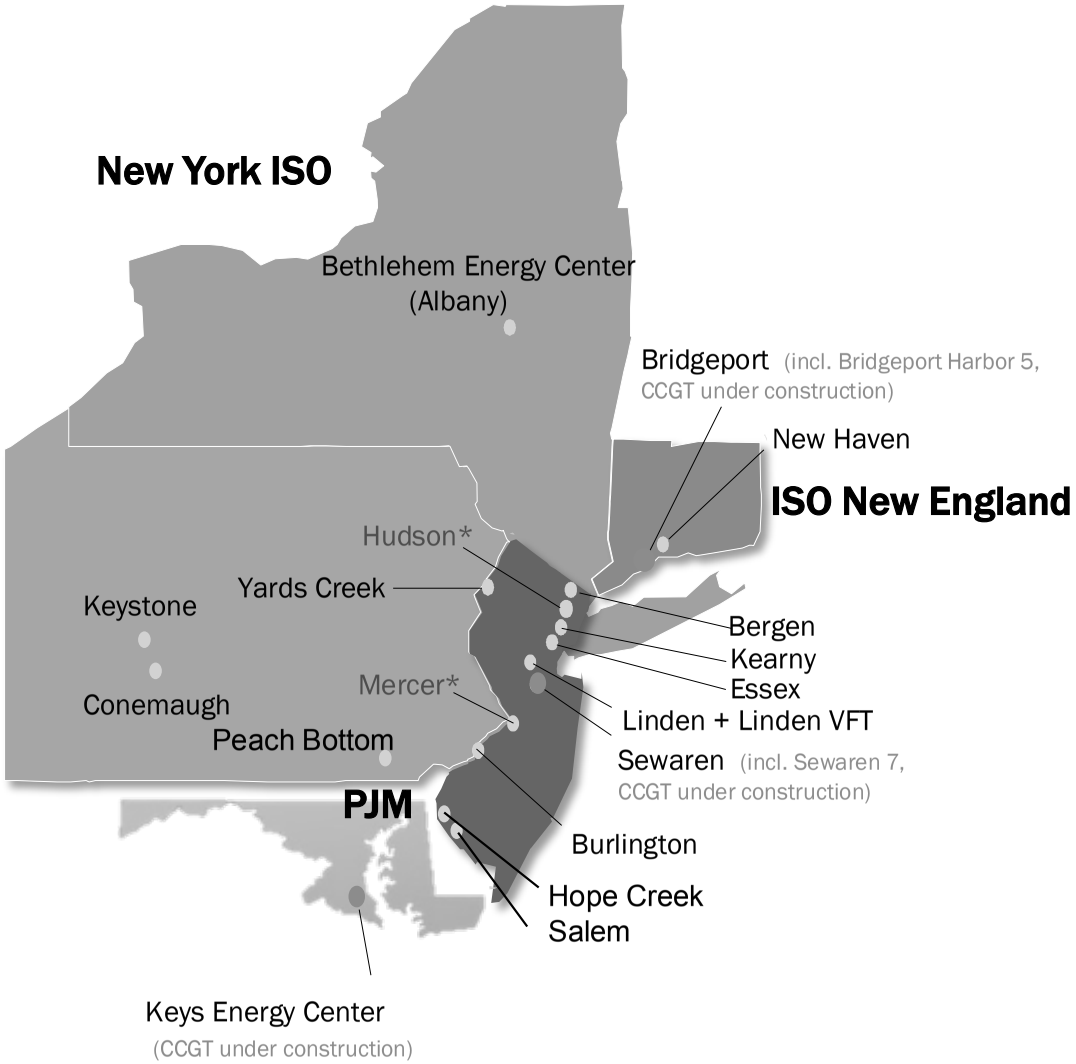
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (349 MW_{DC}/275 MW_{AC})
  - Kalaeloa, HI (104 MW)

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*HUDSON AND MERCER GENERATING STATIONS WERE RETIRED AS OF JUNE 1, 2017.

Regulatory and Policy initiatives drive long-term value creation

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- A final BPU decision on the Infrastructure Investment Program (IIP) providing for 5-year investment programs is expected by year-end
- PSE&G preparing a multi-year extension filing for Energy Strong in coming months
- PSE&G developing a large, multi-year EE investment program to bring benefits to more customers

Preserve the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- FERC/PJM considering DOE Notice of Proposed Rulemaking (NOPR) issues of Price Formation and fuel-secure resource preservation

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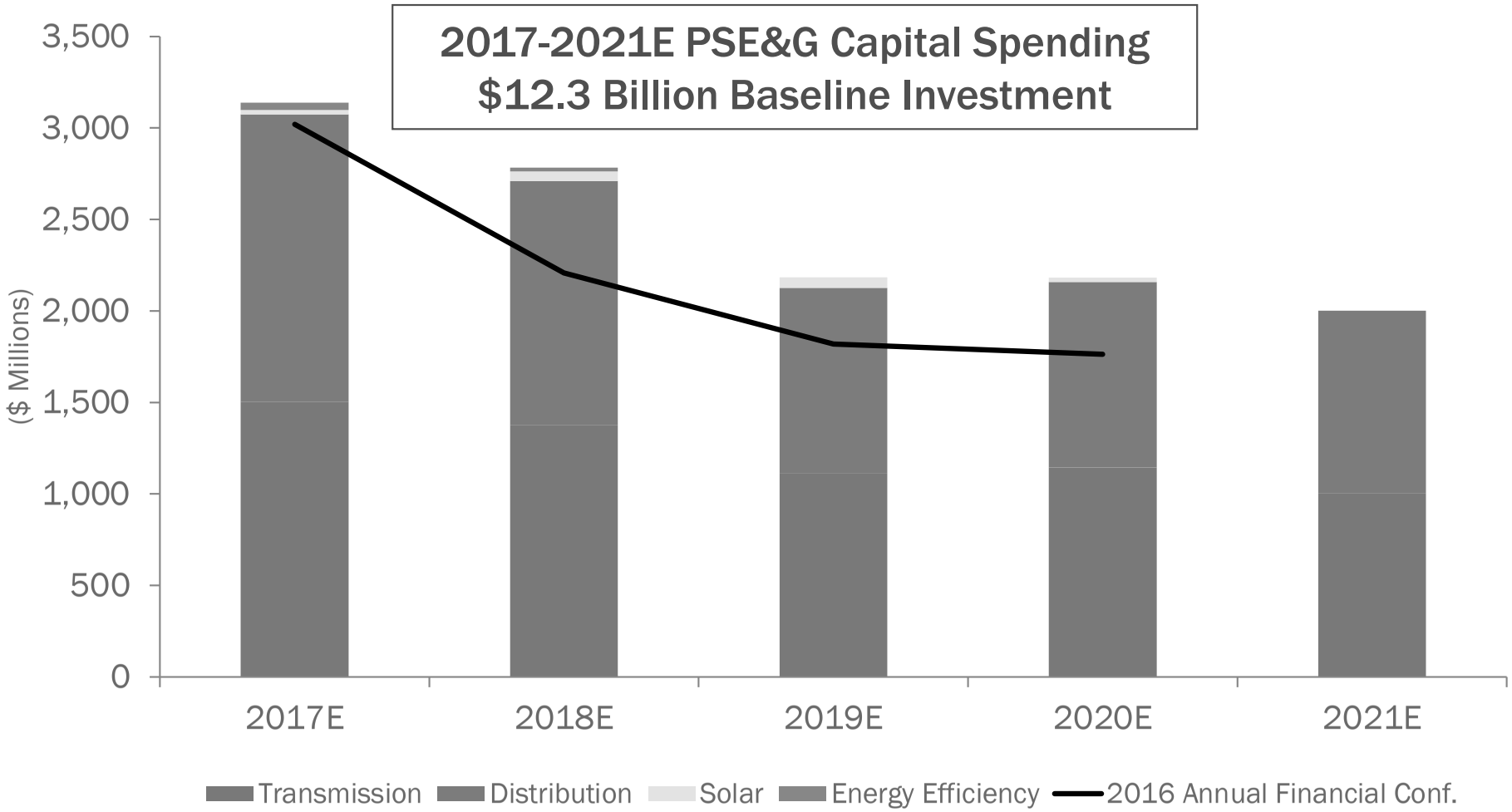
Baseline programs yield 7% compound annual growth in rate base



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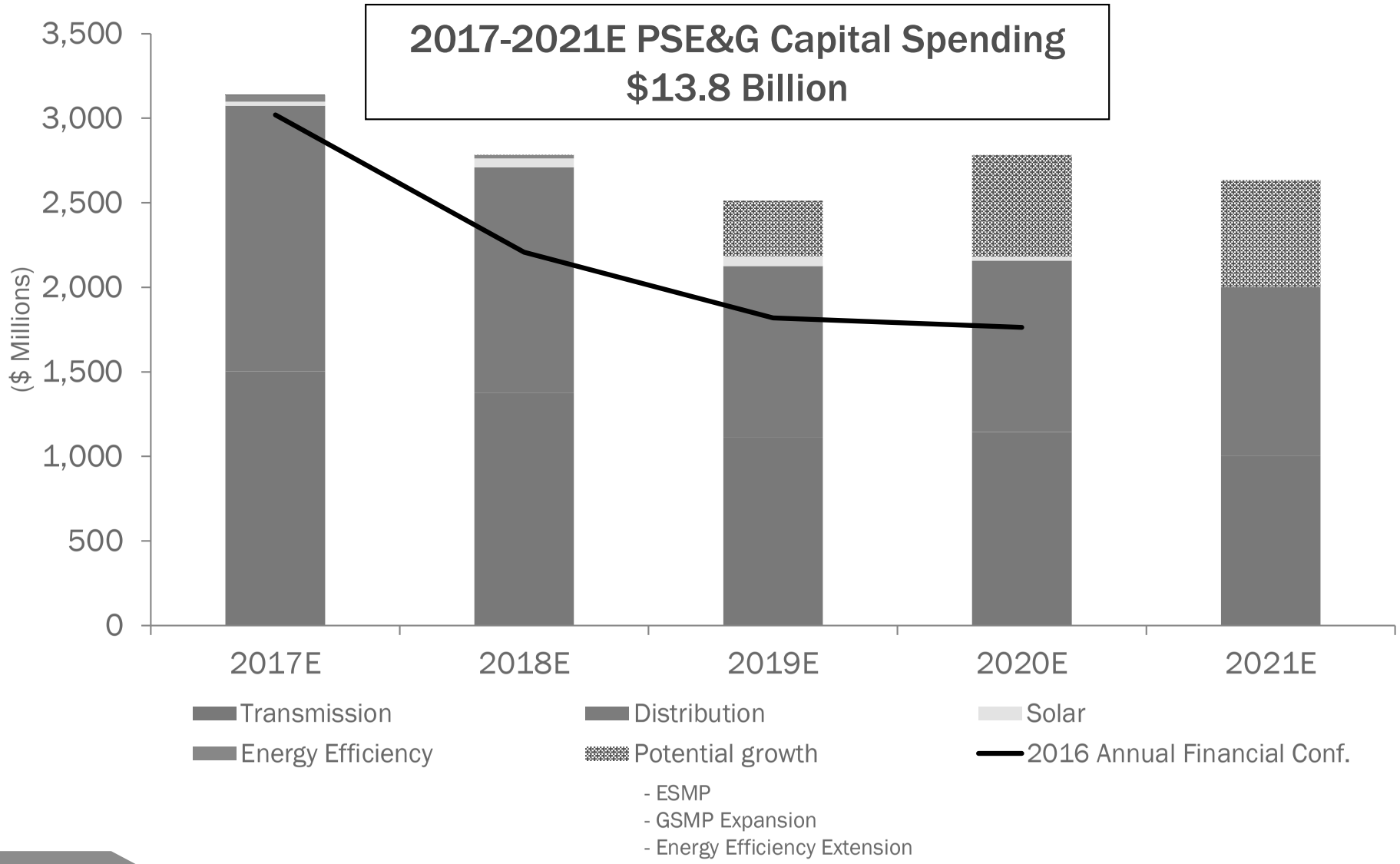
PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017

Expansion/Extension of PSE&G's existing

baseline programs yield increasing confidence in ~9% rate base CAGR



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PSEG

E = ESTIMATE. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC. DATA AS OF OCTOBER 31, 2017.

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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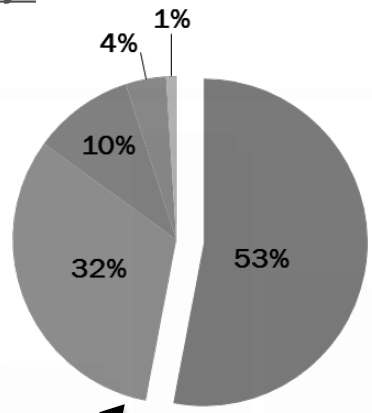
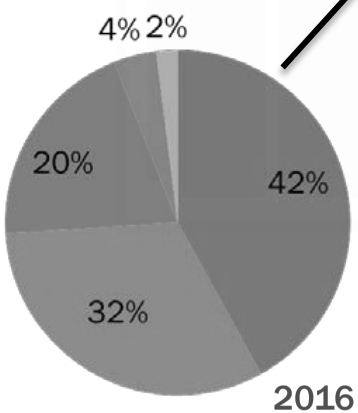
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

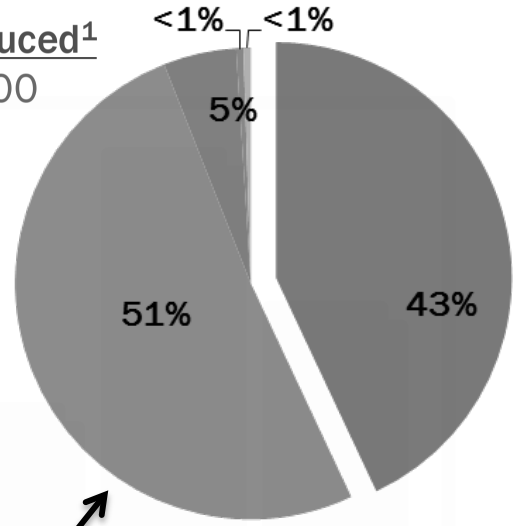
2021E Fuel Diversity[1]
Total MW: 11,900



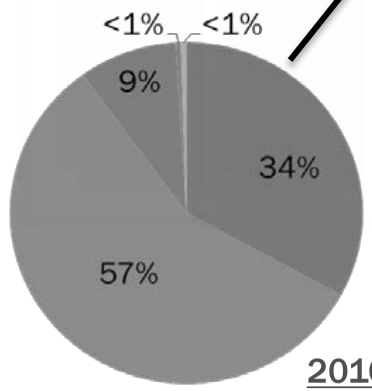
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



Energy Produced increases by >18%

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

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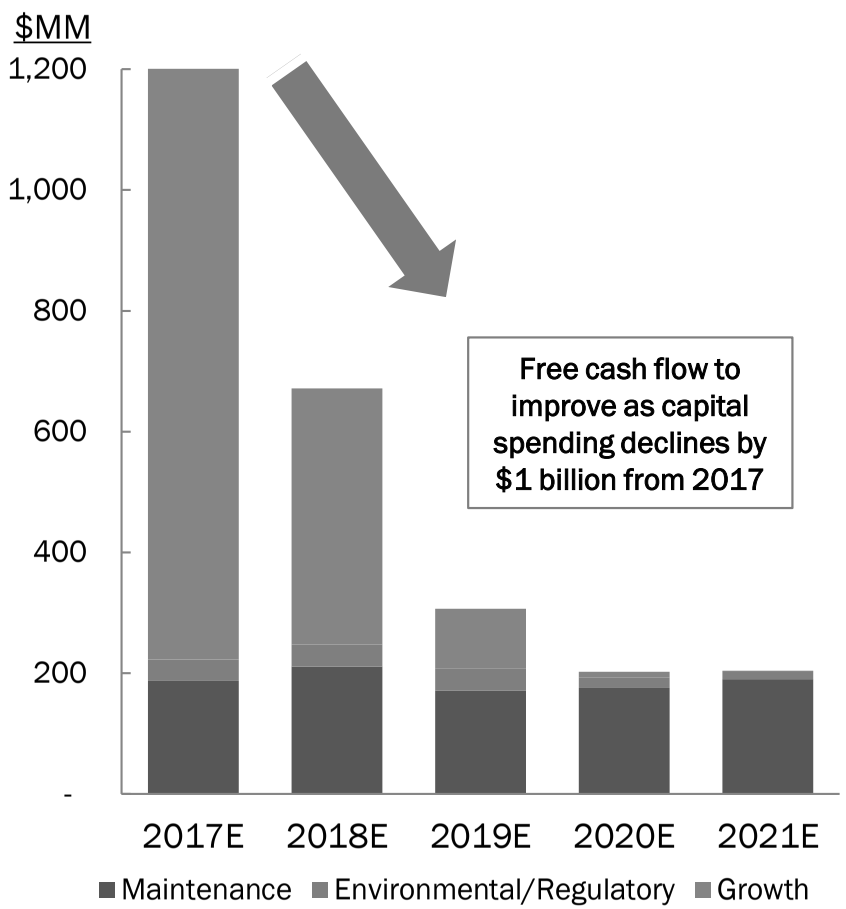
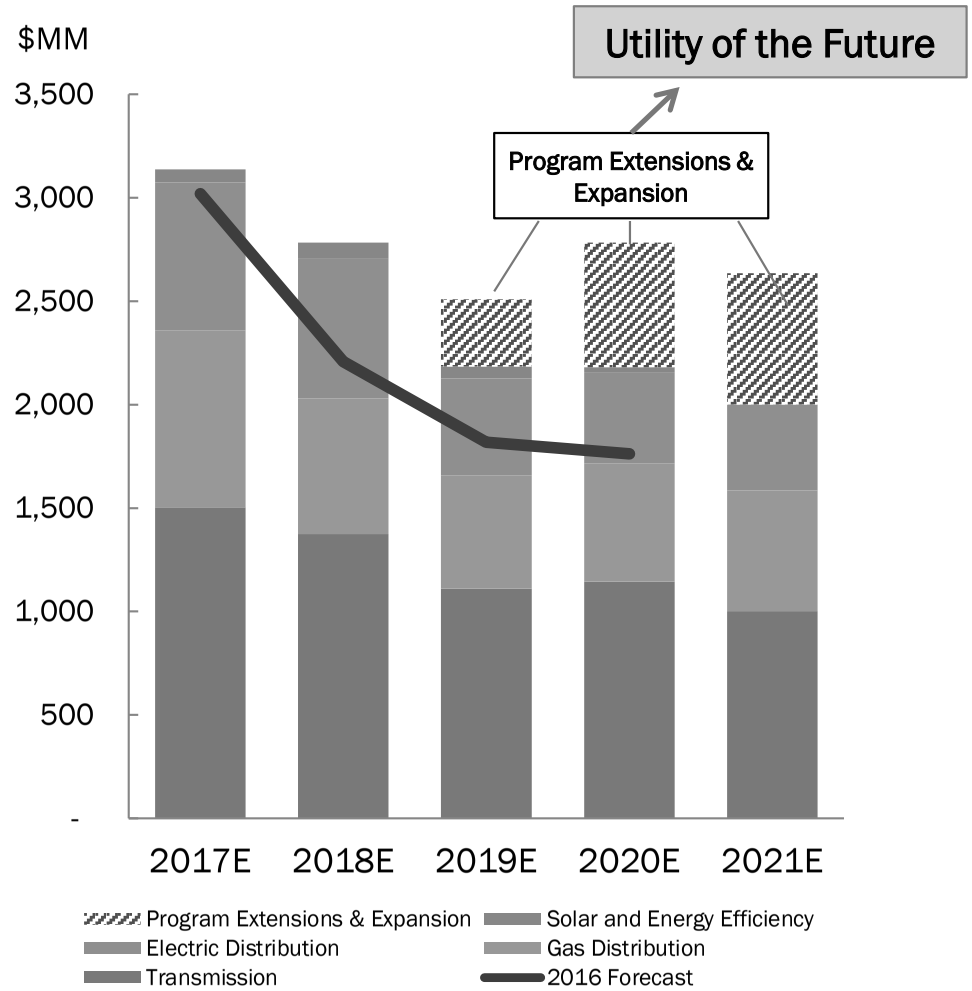
Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE. DATA AS OF OCTOBER 31, 2017.

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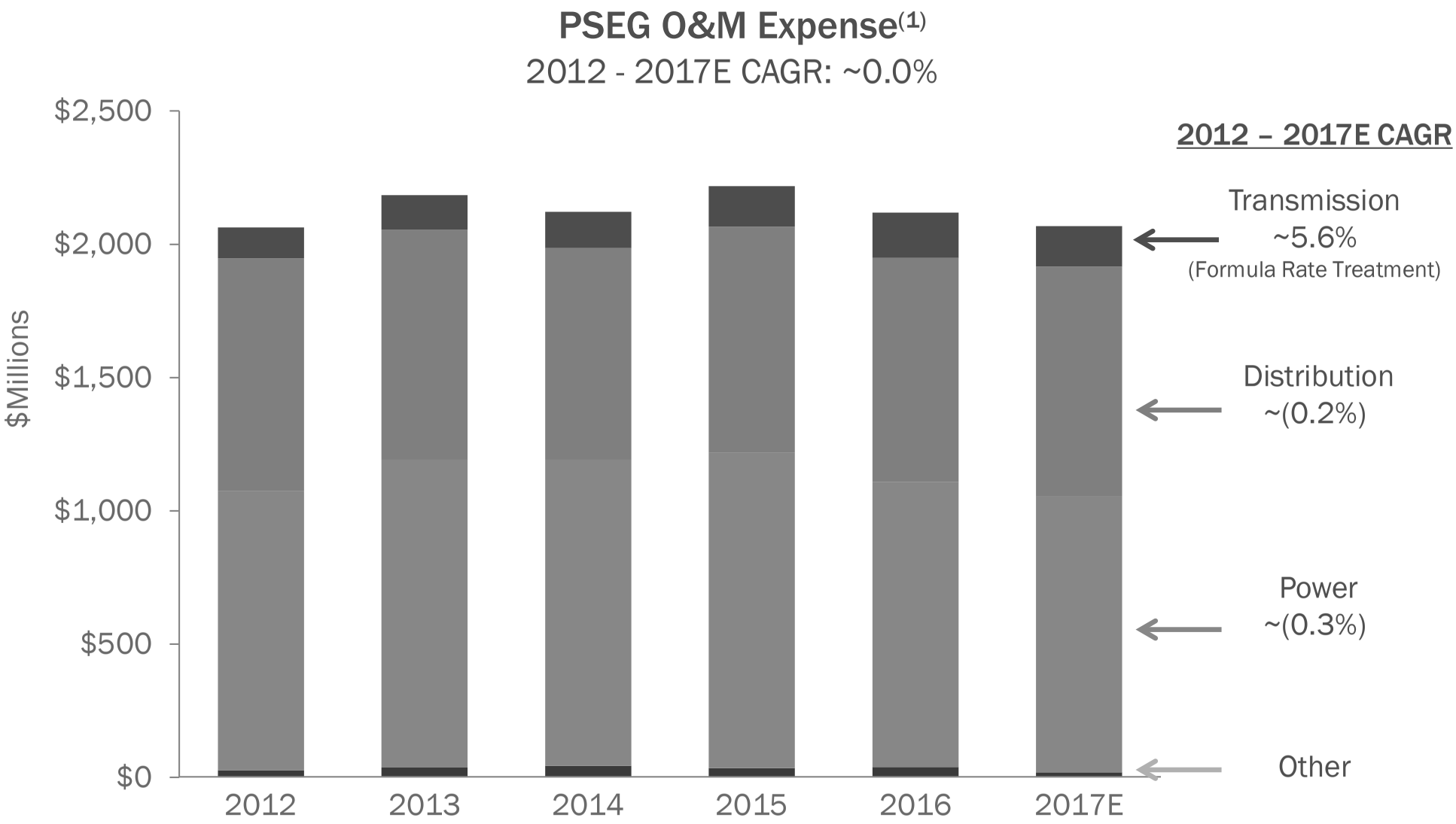
PSEG has demonstrated an ability to control O&M



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PSEG

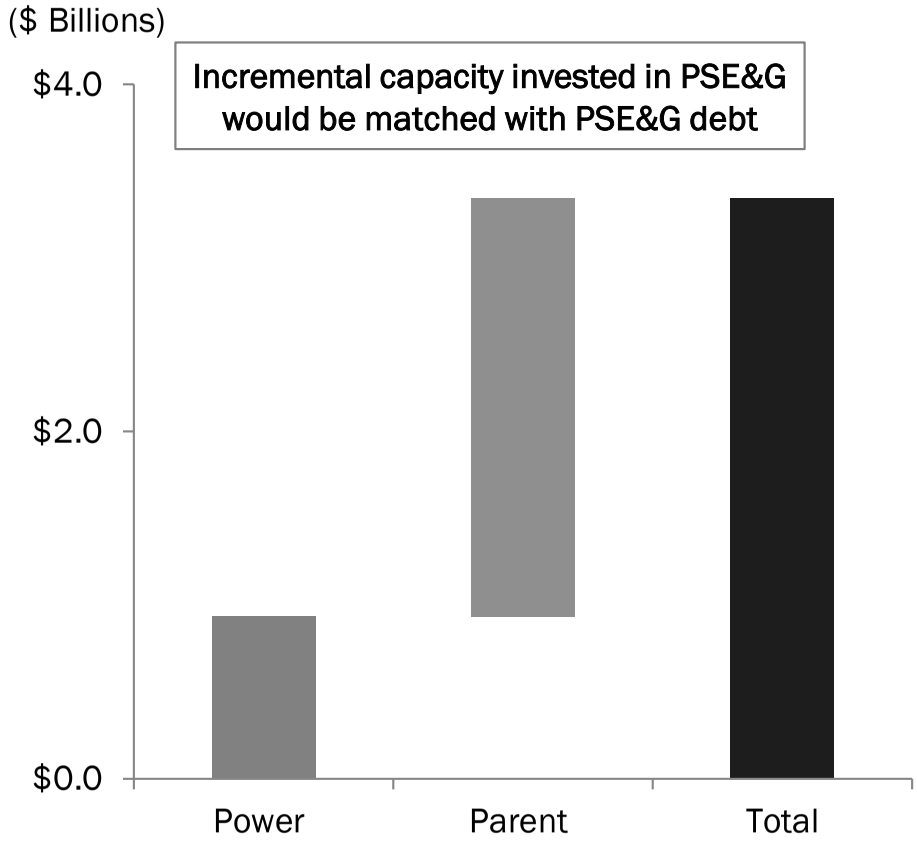
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

Credit metrics remain strong as we fund growth and transition from bonus depreciation

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Existing bonus depreciation provision providing ~$300M in Funds from Operations in 2019 set to expire; this represents investment capacity of ~$1.8B

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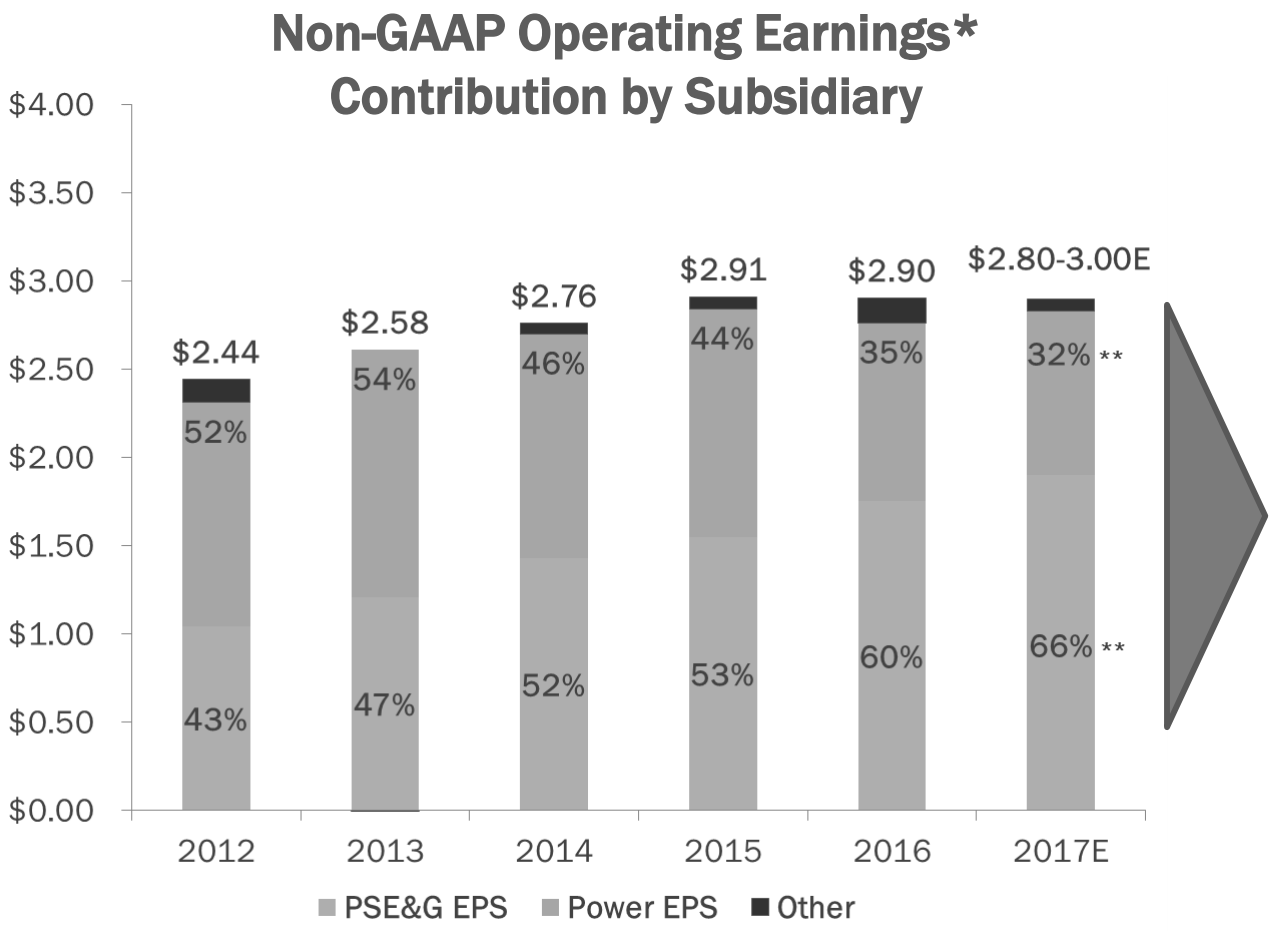
E=ESTIMATE.

2017 Operating Earnings Guidance – PSE&G expected to contribute 66% of operating earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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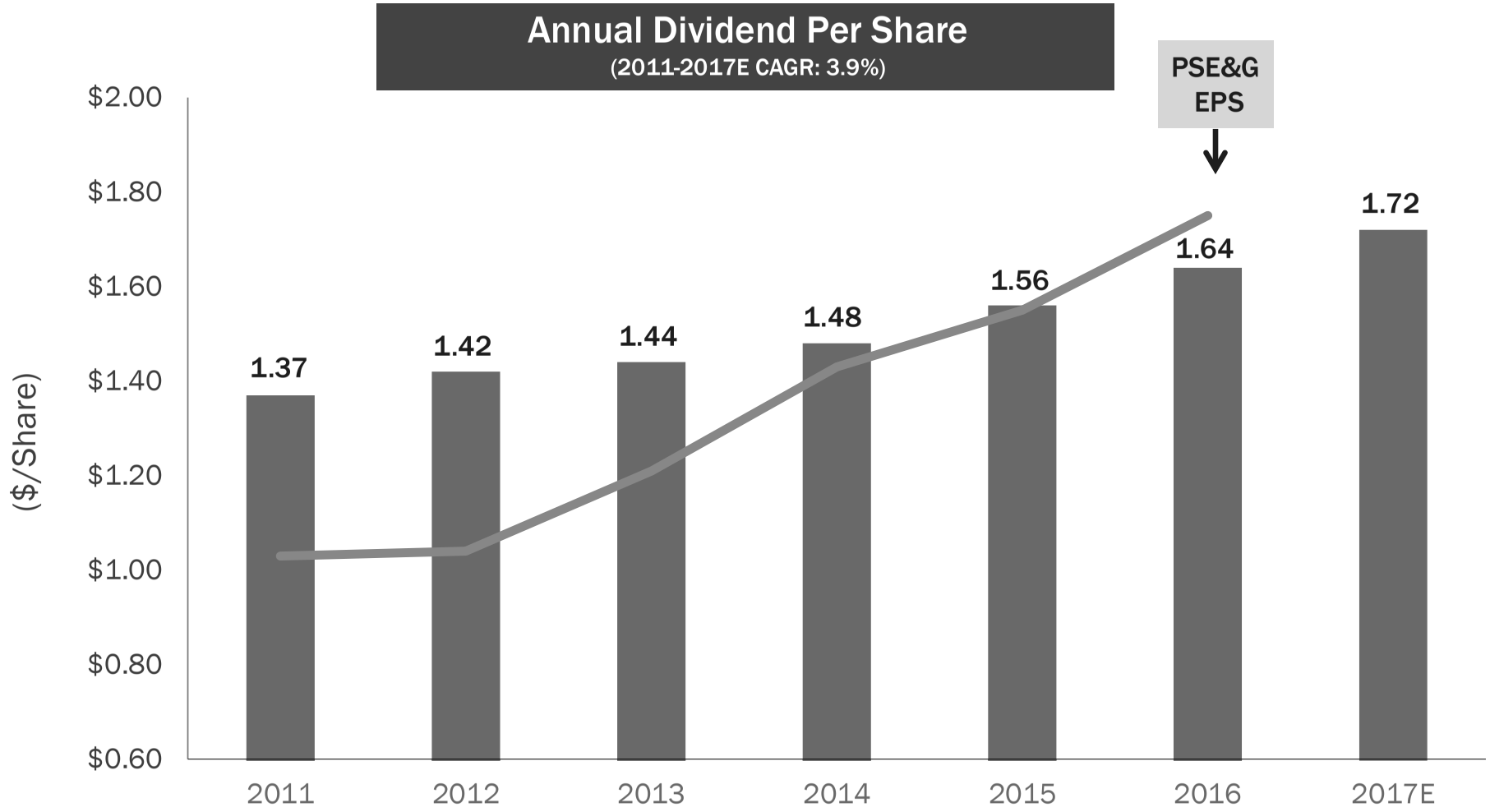
PSEG

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Investor Meetings

APRIL, 2014

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09519

PSEG

We make things work for you.

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-09520

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-09521

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT –
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-09522

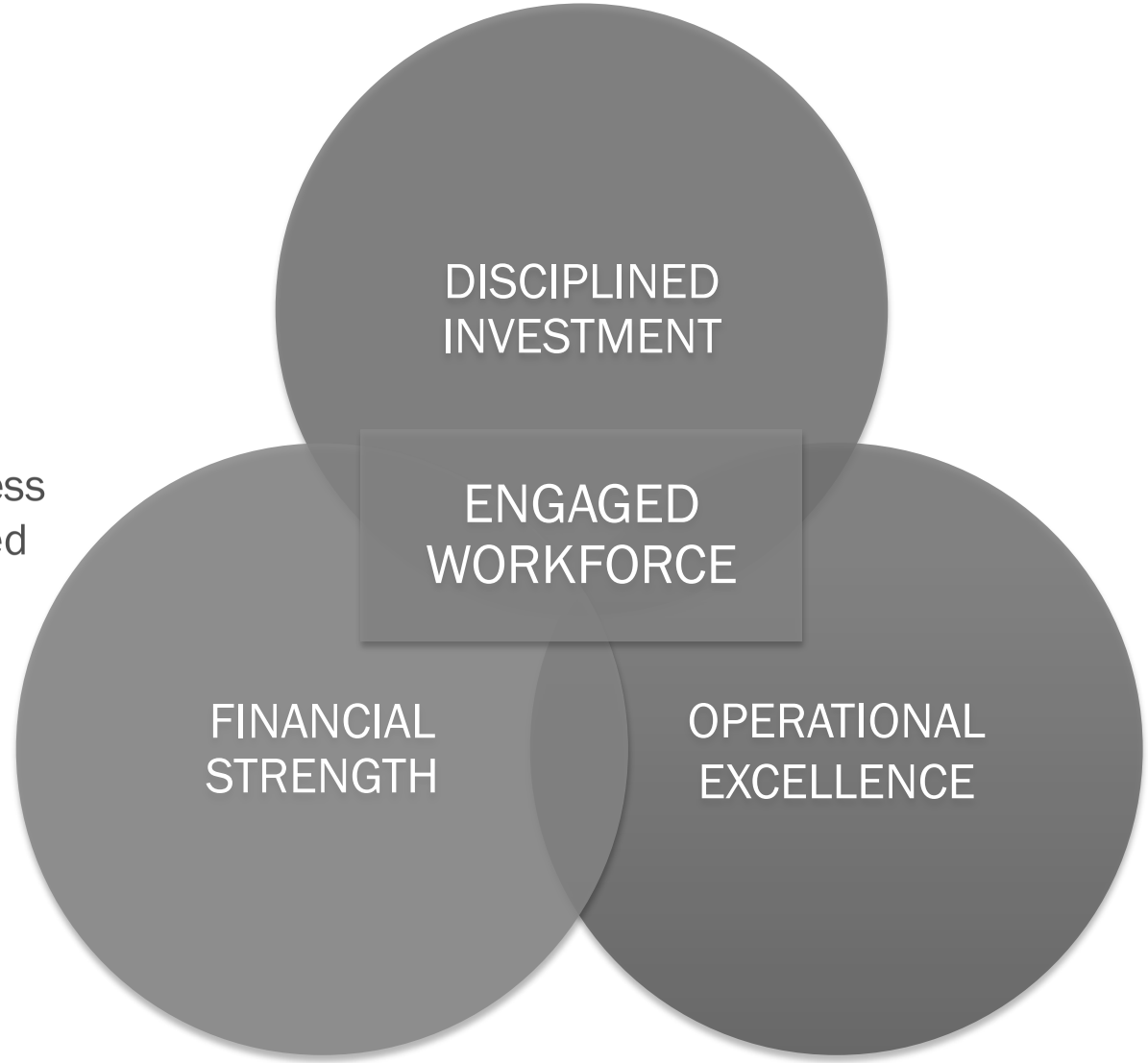
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-09524

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

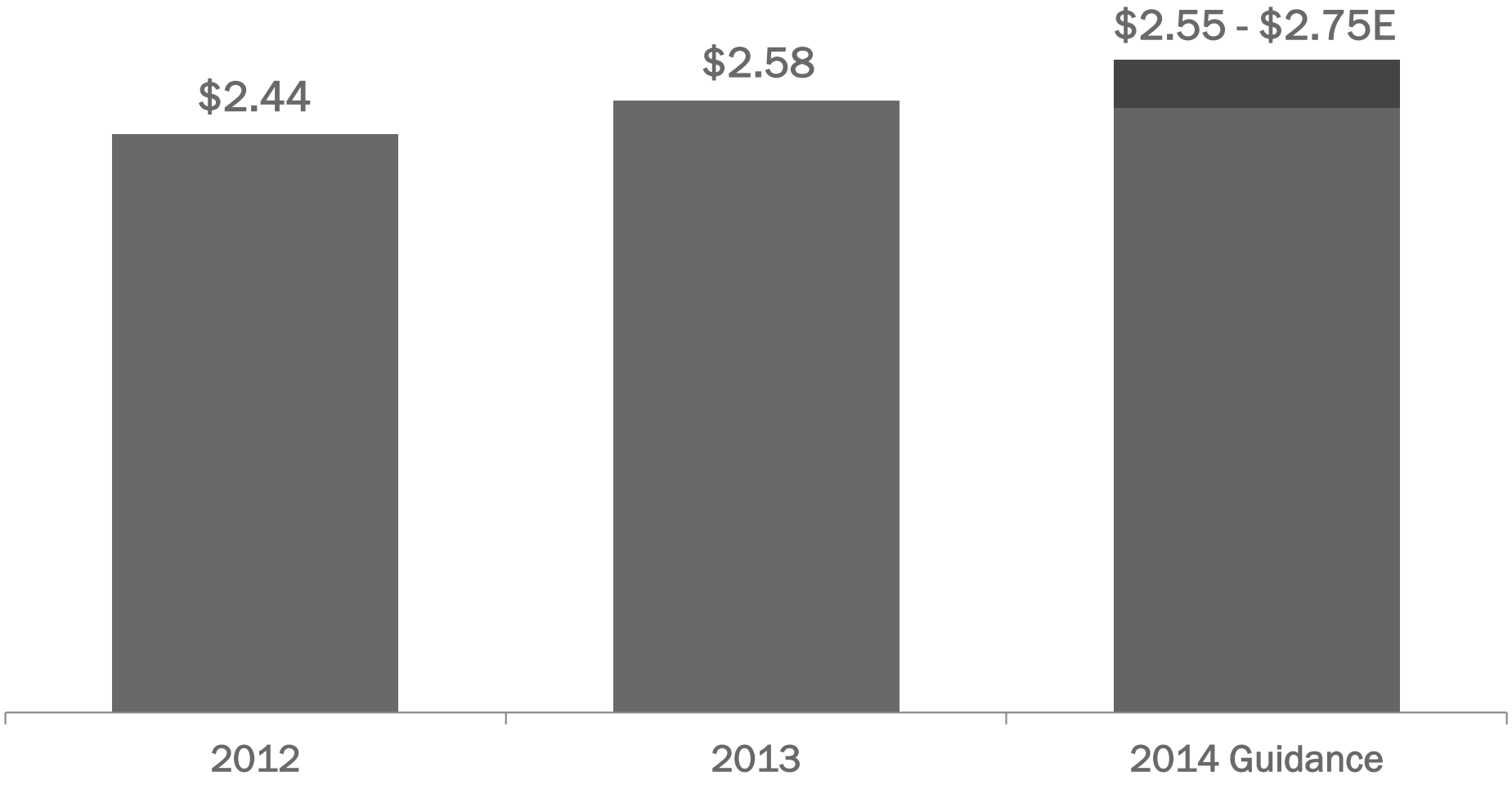
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong program under discussion ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-09525

Operating Earnings Guidance

Building on the successful implementation of our strategy



SI-SSA-0015-09526

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

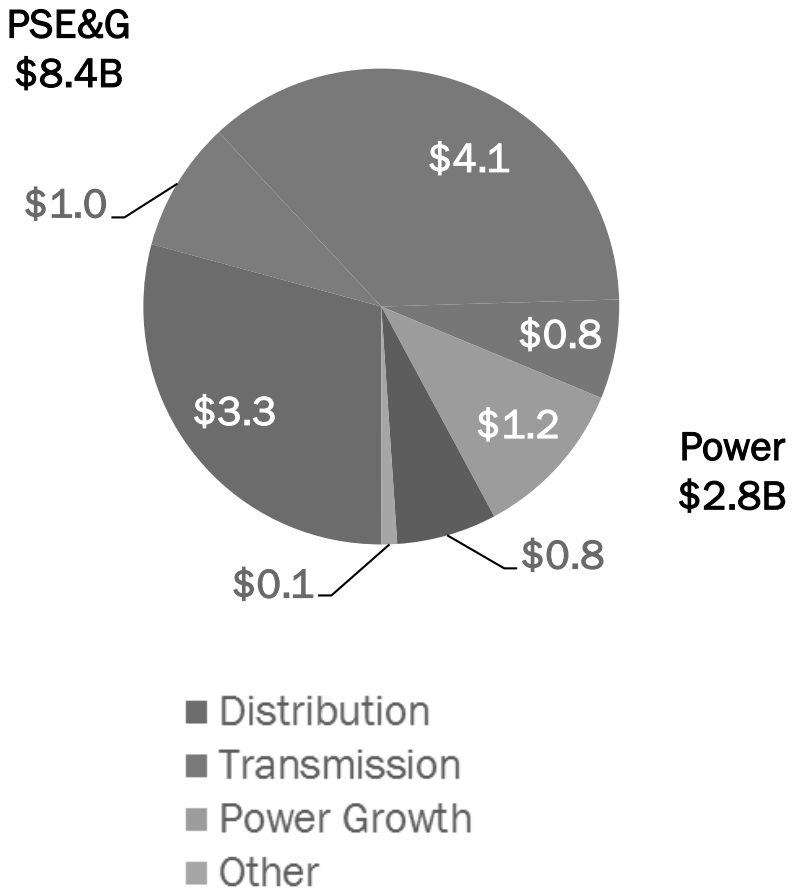
SI-SSA-0015-09527

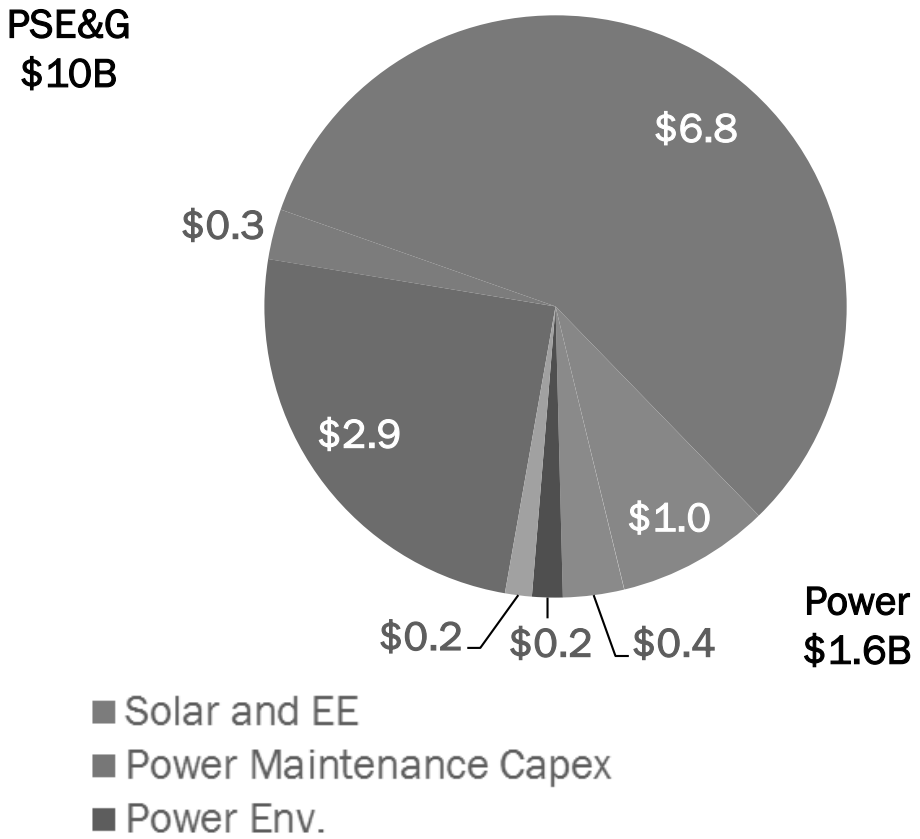
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion

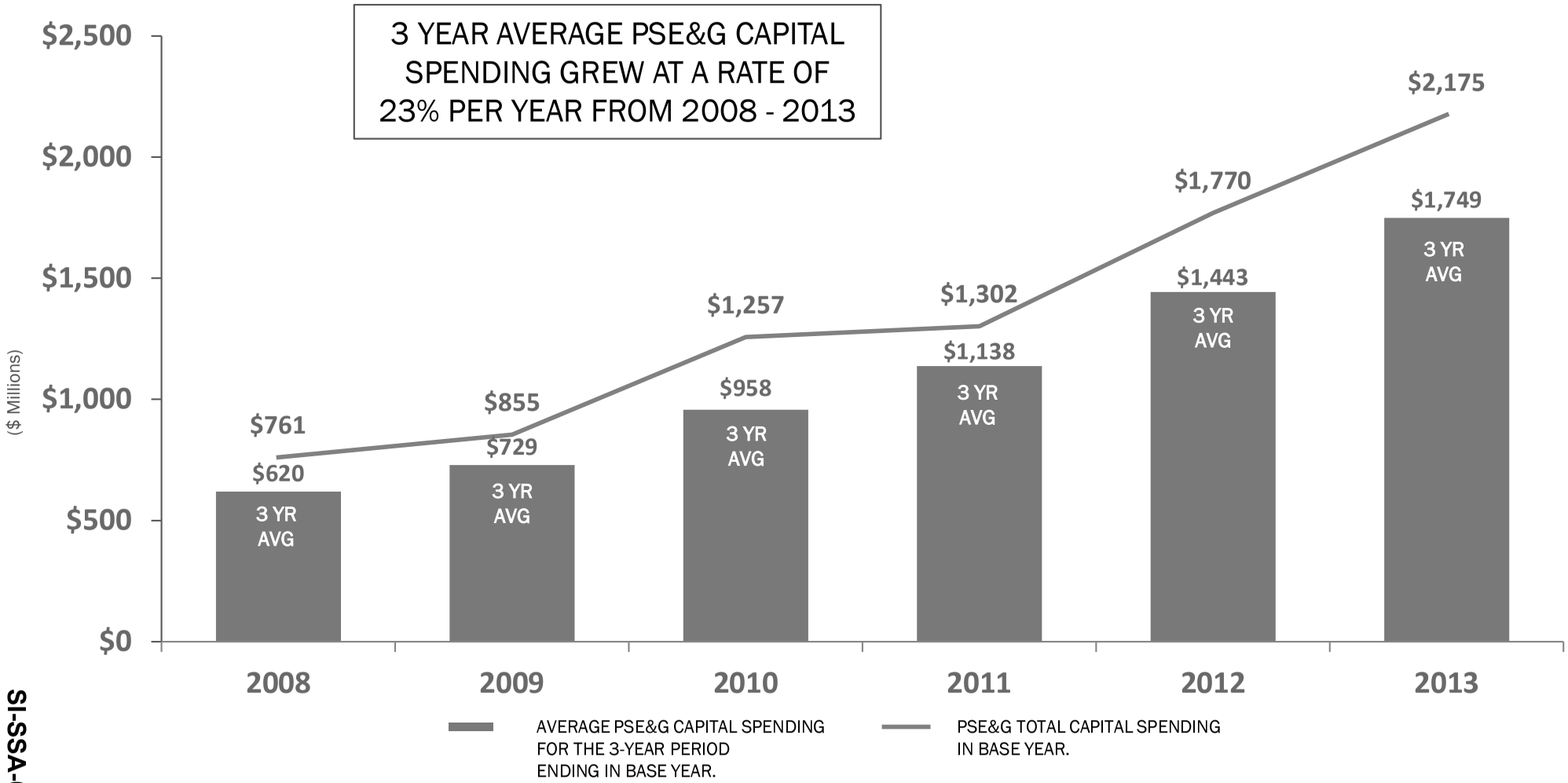




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

SI-SSA-0015-09528

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-09529

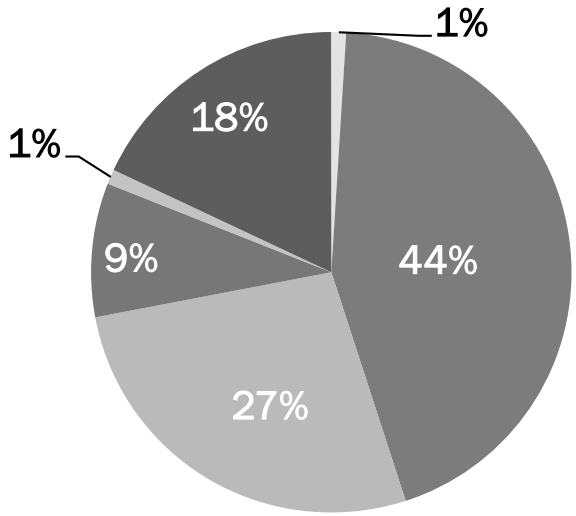
Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

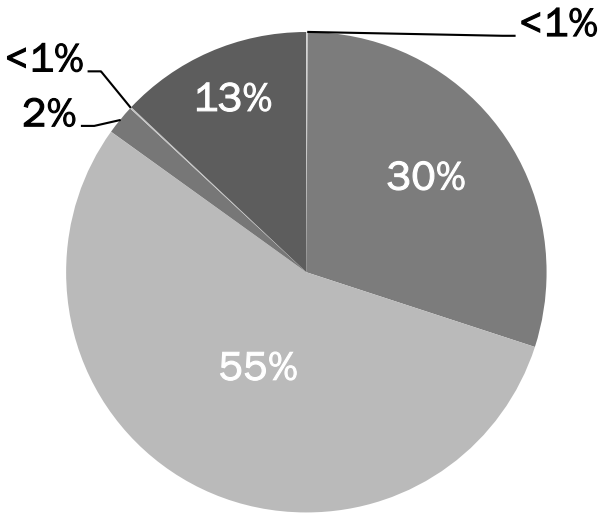
SI-SSA-0015-09530

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

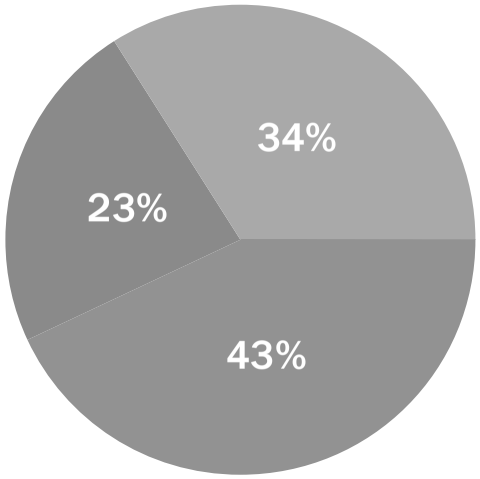
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

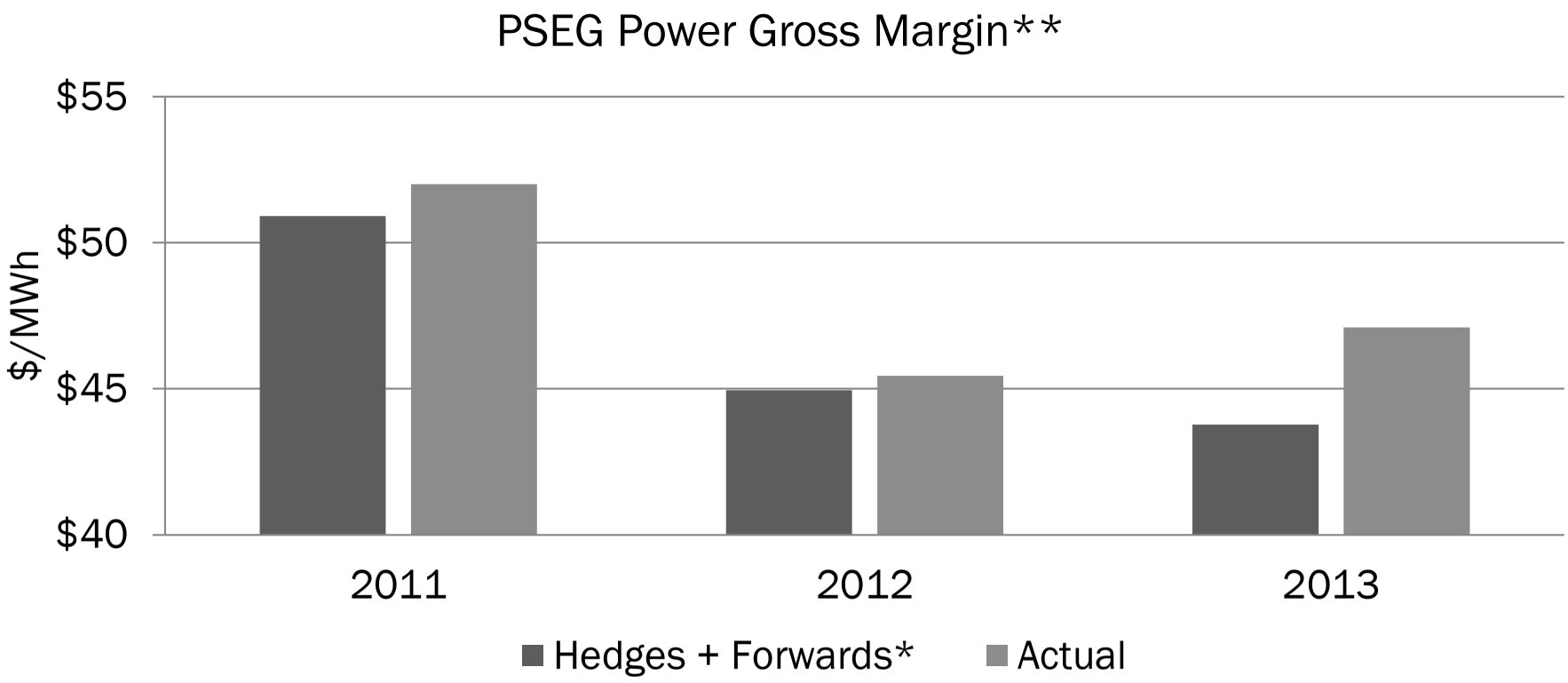


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-09531

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-09532

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-09533

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

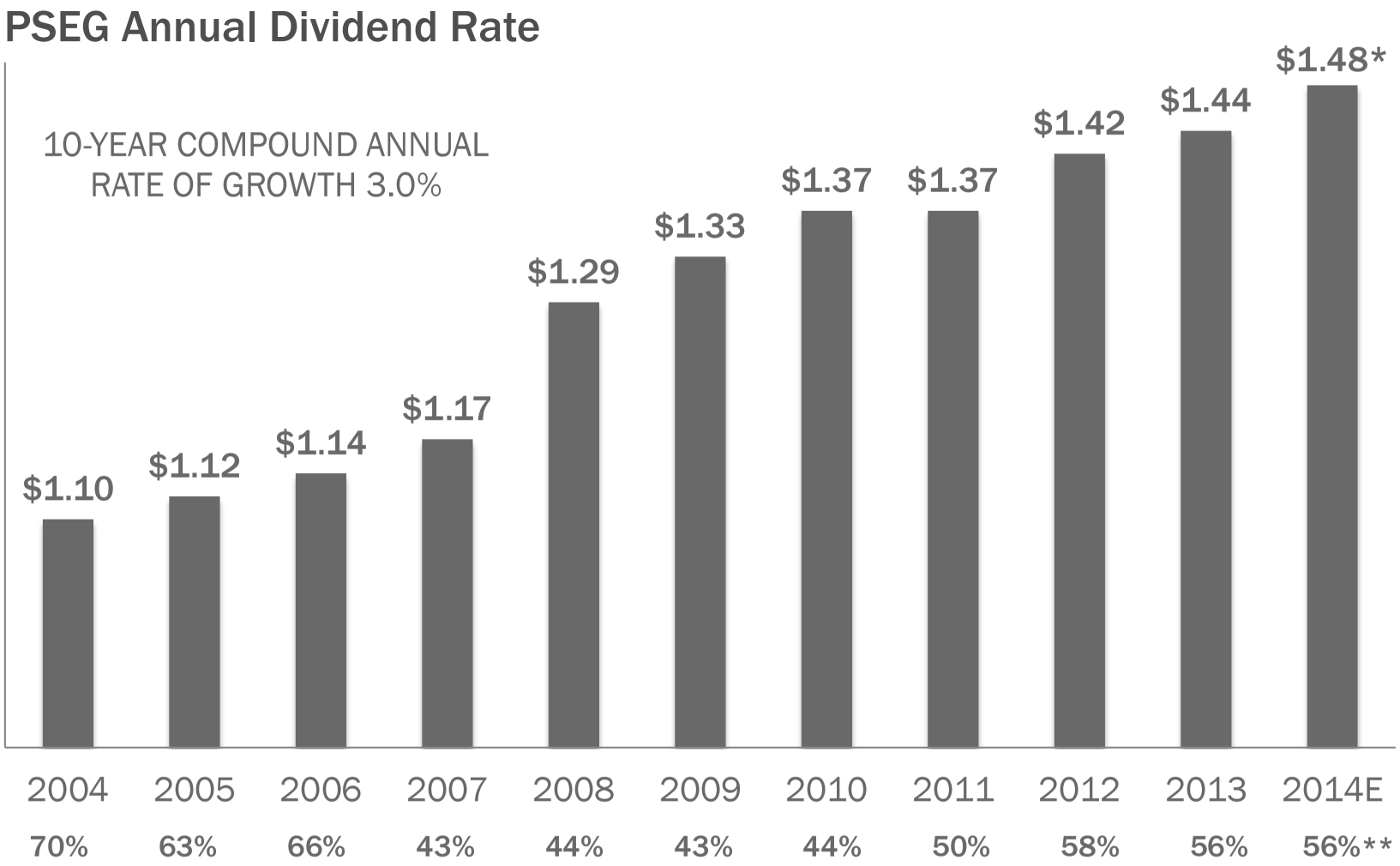
2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.5%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-09534

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-09535

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-09536

PSE&G

SI-SSA-0015-09537

PSEG

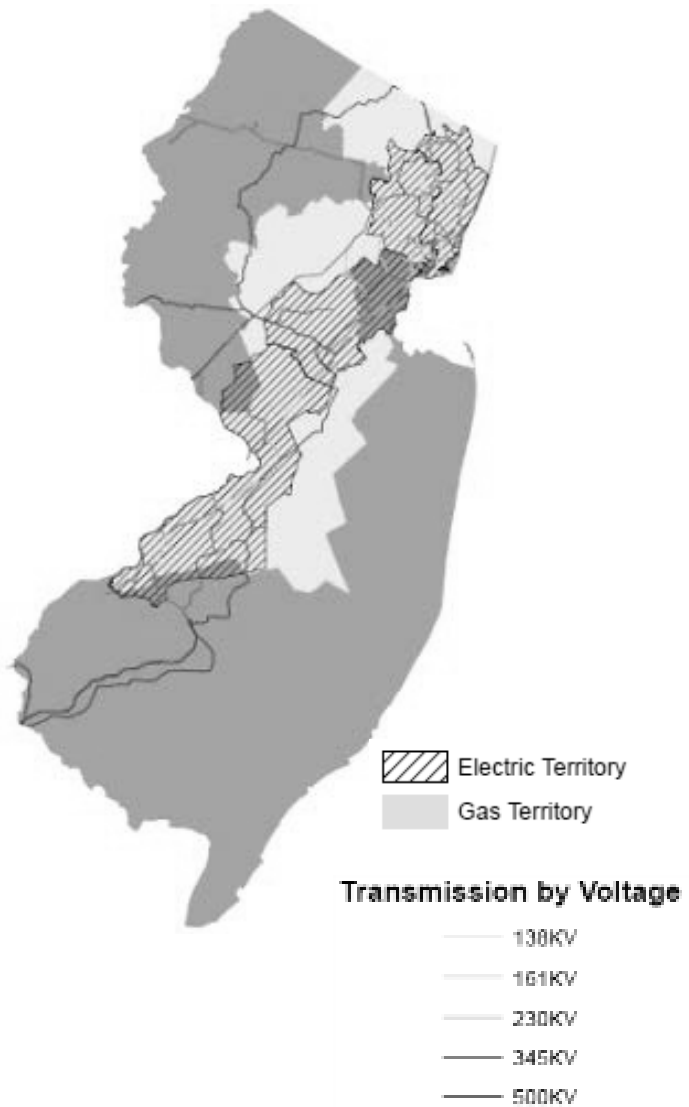
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09538

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-09539

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-09540

PSE&G's operating earnings grew ~18%

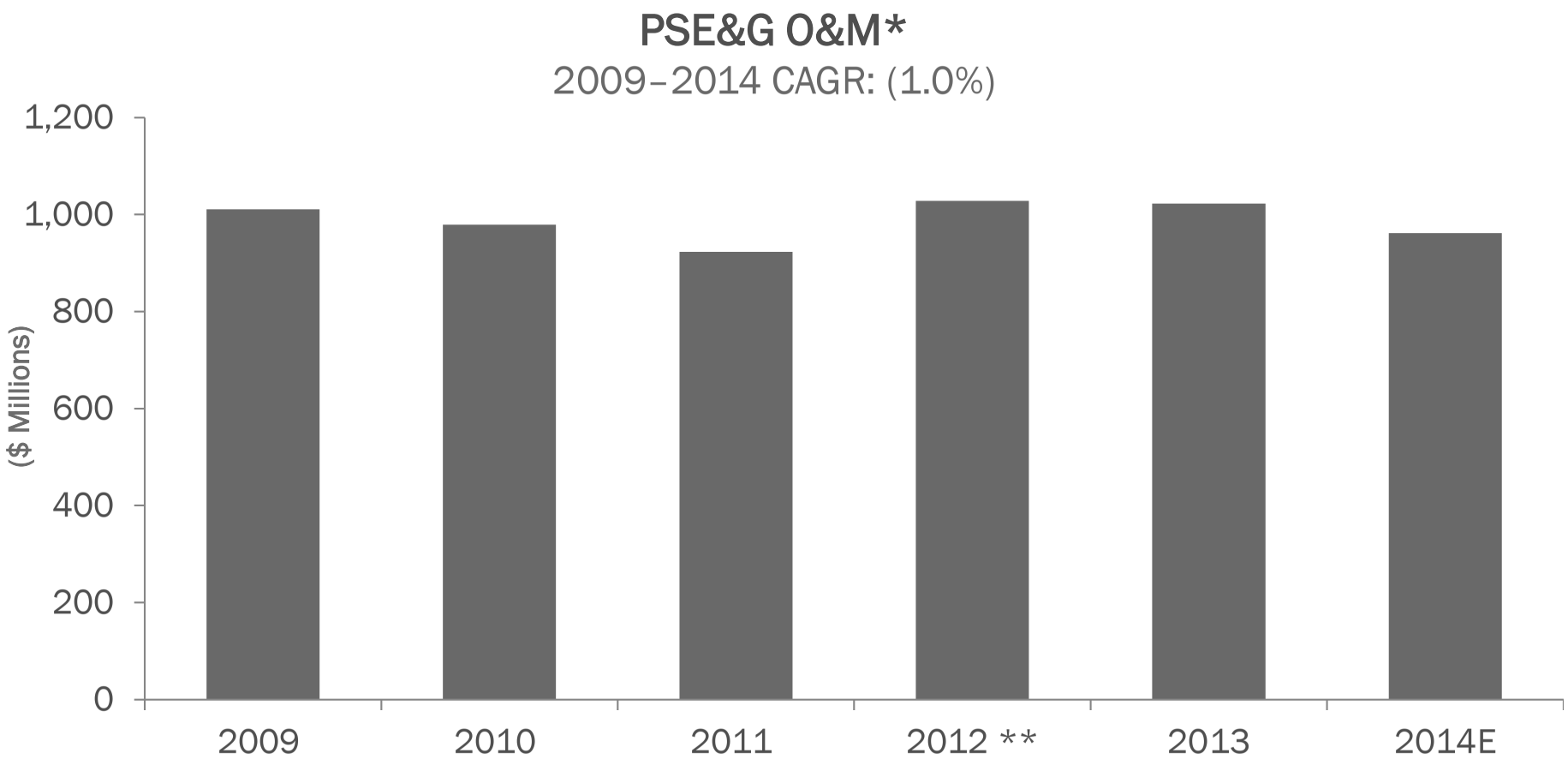
over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-09541

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on controlling O&M and lower pension costs support decline in expenses

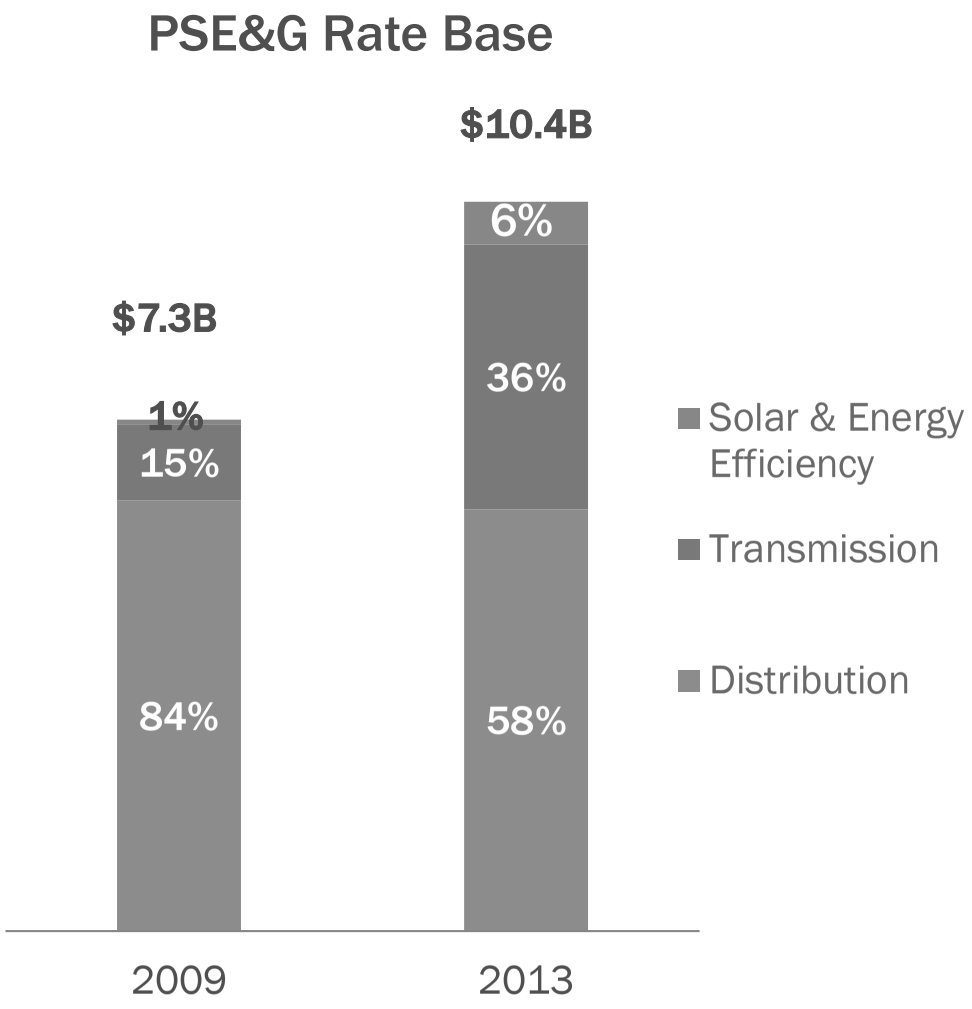


SI-SSA-0015-09542

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-09543

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

SI-SSA-0015-09544

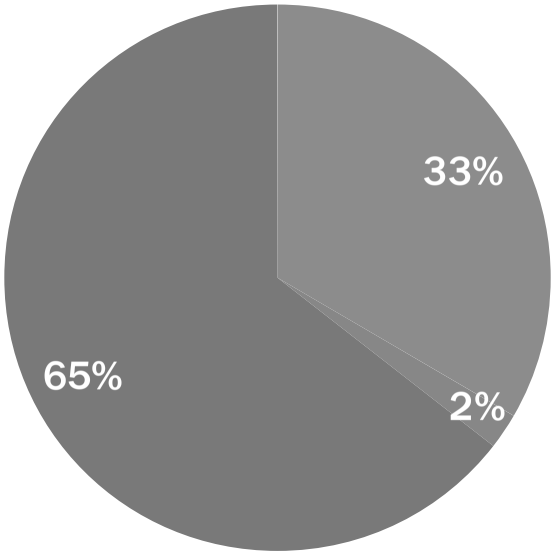
PSEG

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

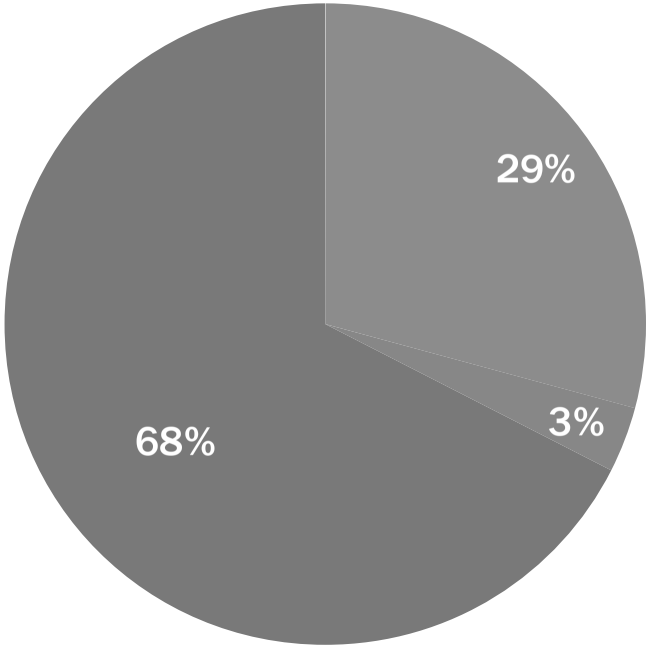
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



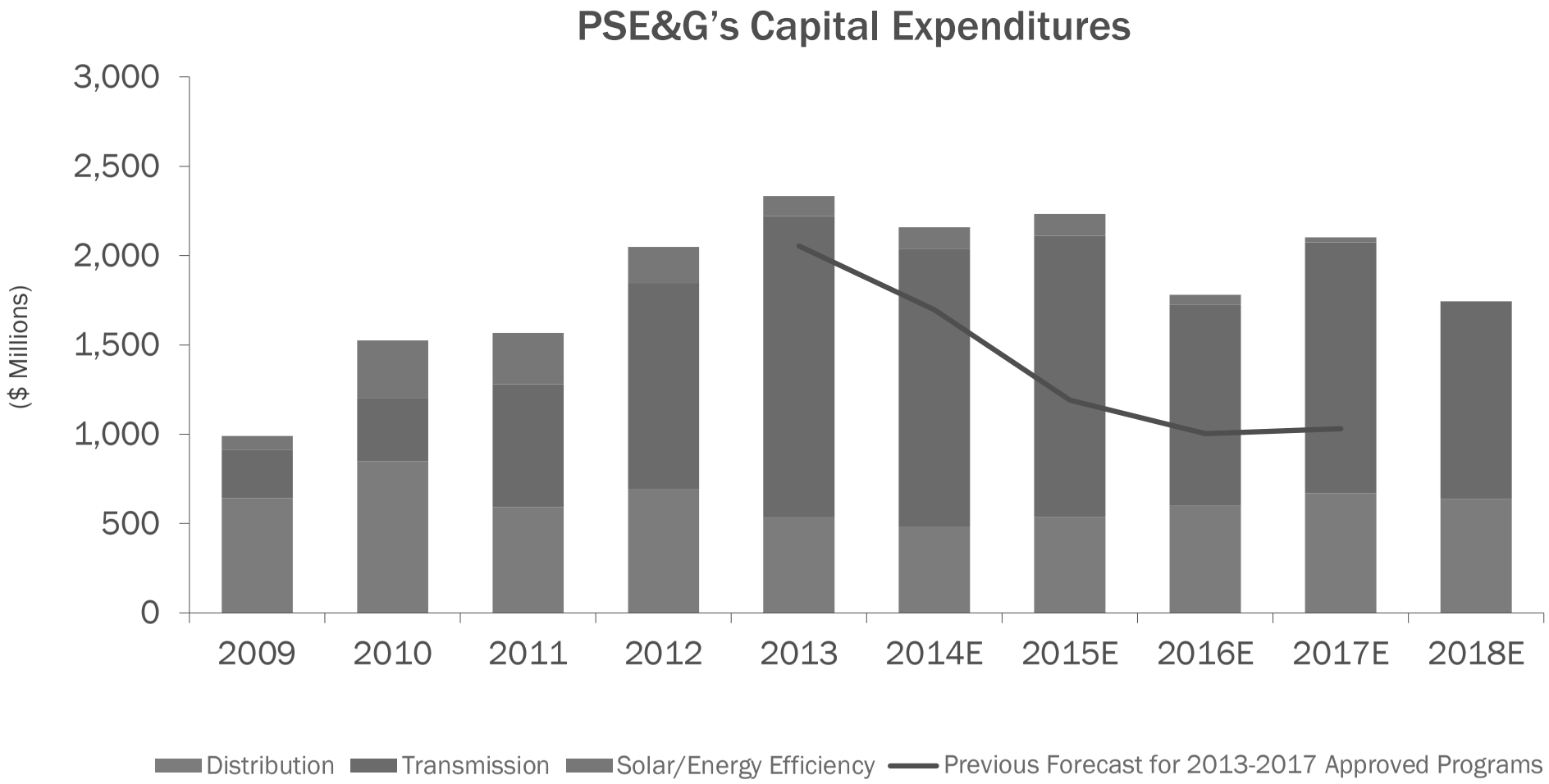
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

SI-SSA-0015-09545

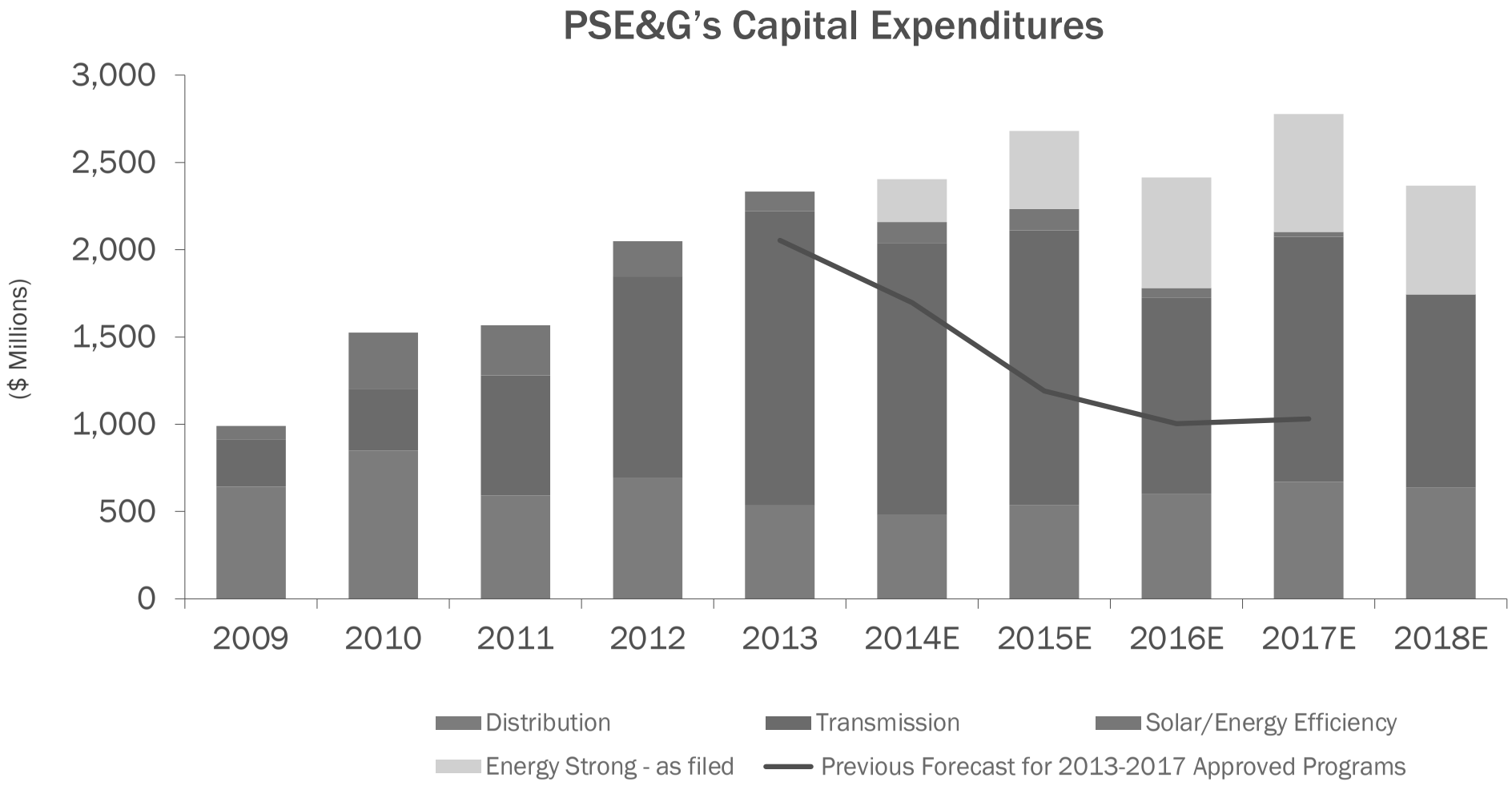
PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

SI-SSA-0015-09546

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-09547

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

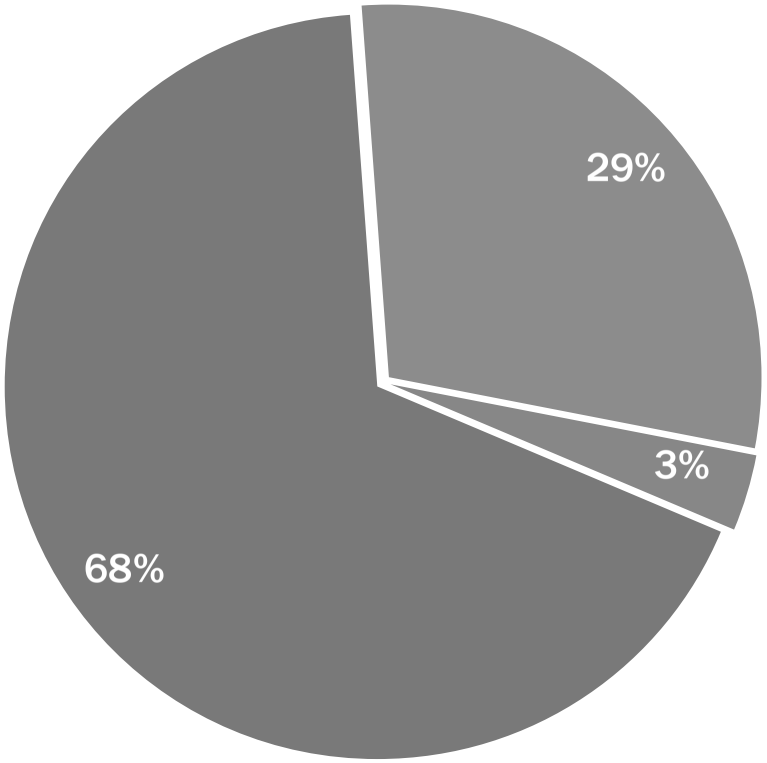
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-09548

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

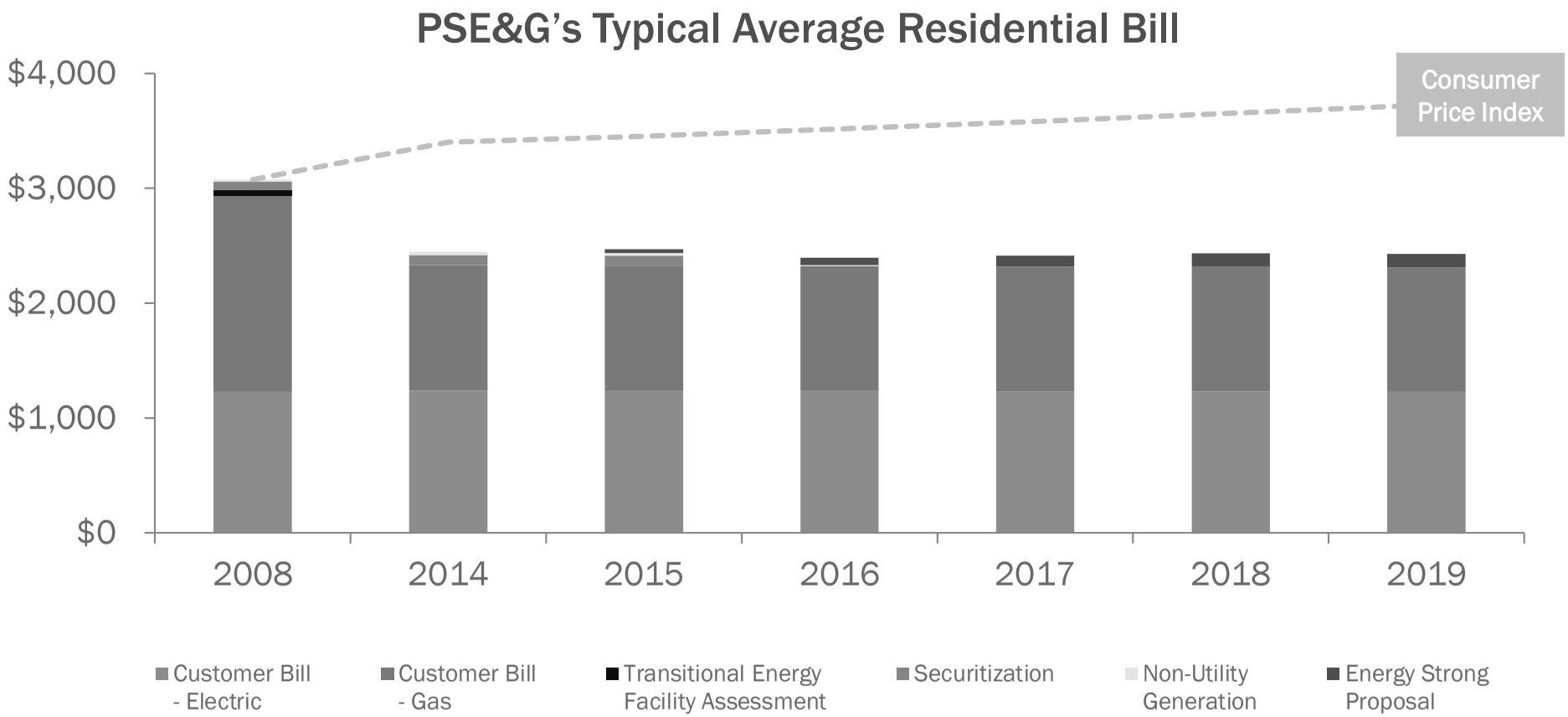
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-09549

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-09550

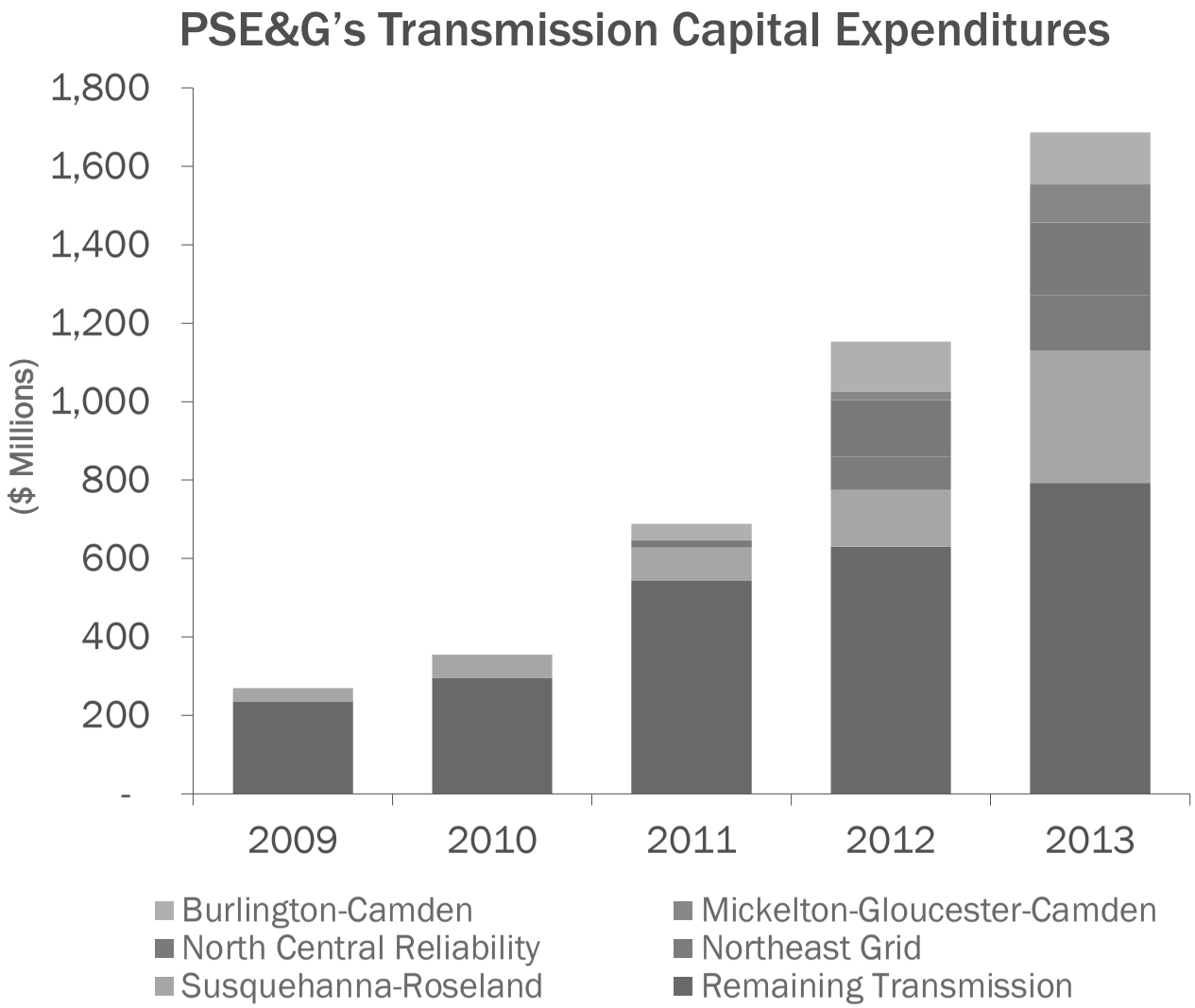
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-09551

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-09552

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-09553

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-09554

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-09555

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-09556

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-09557

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09558

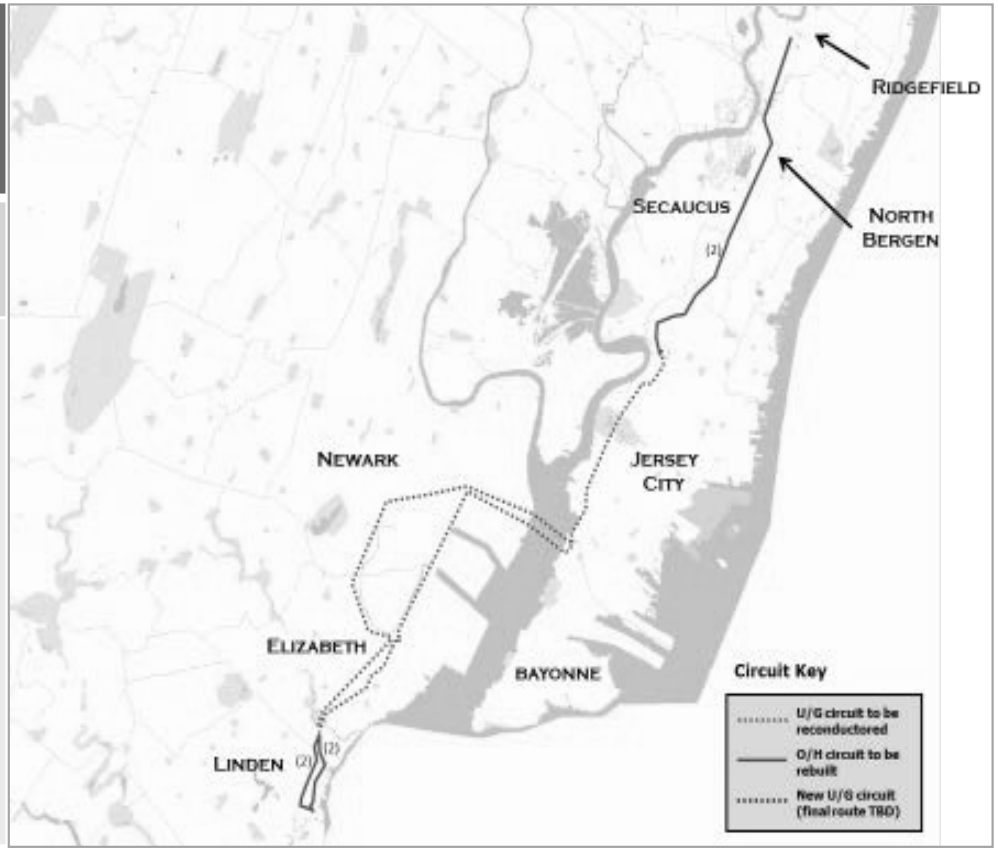
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

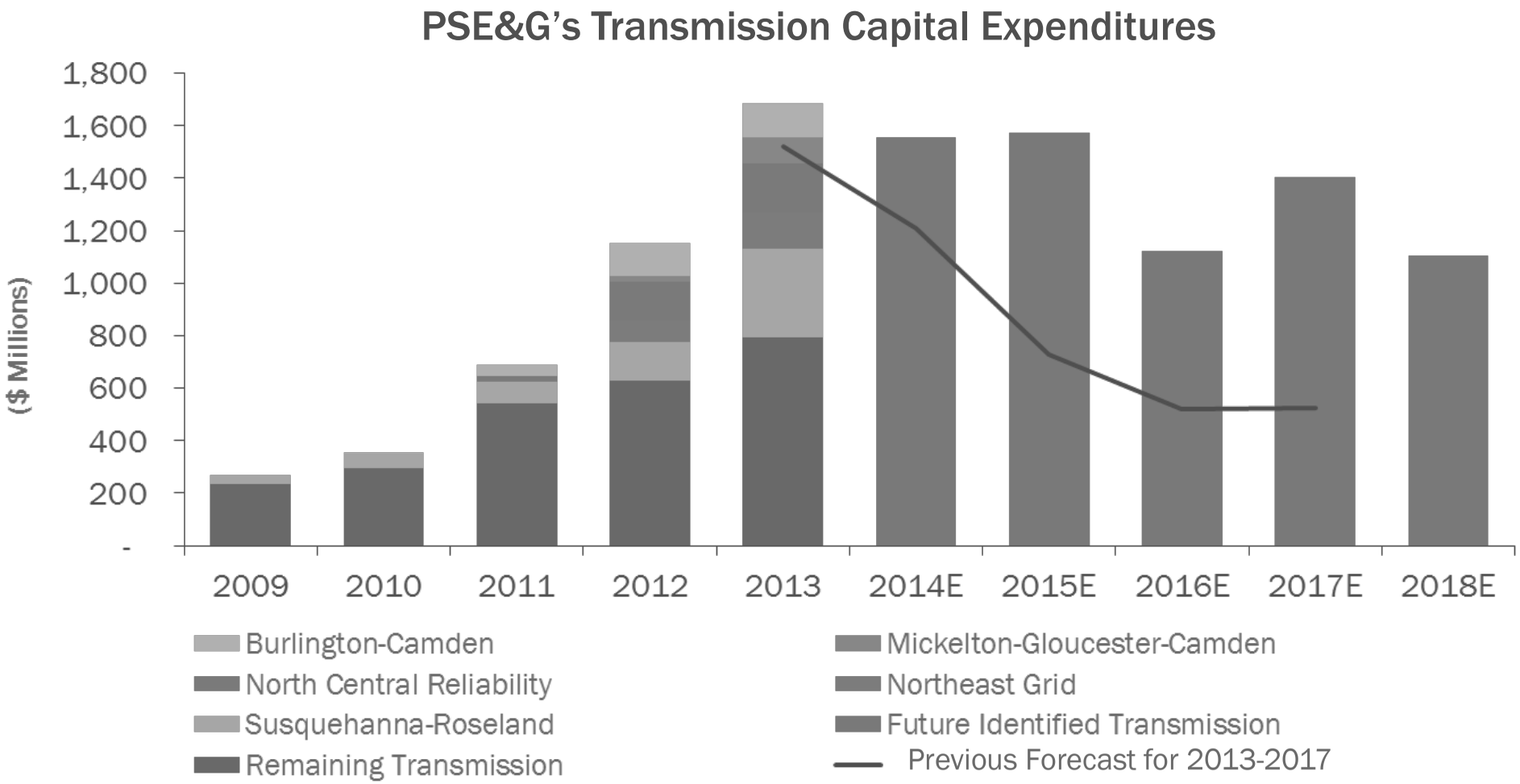
Project Status: Engineering



SI-SSA-0015-09559

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-09560

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-09561

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-09562

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-09563

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

SI-SSA-0015-09564

PSEG

We make things work for you.

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-09565

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-09566

PSEG POWER

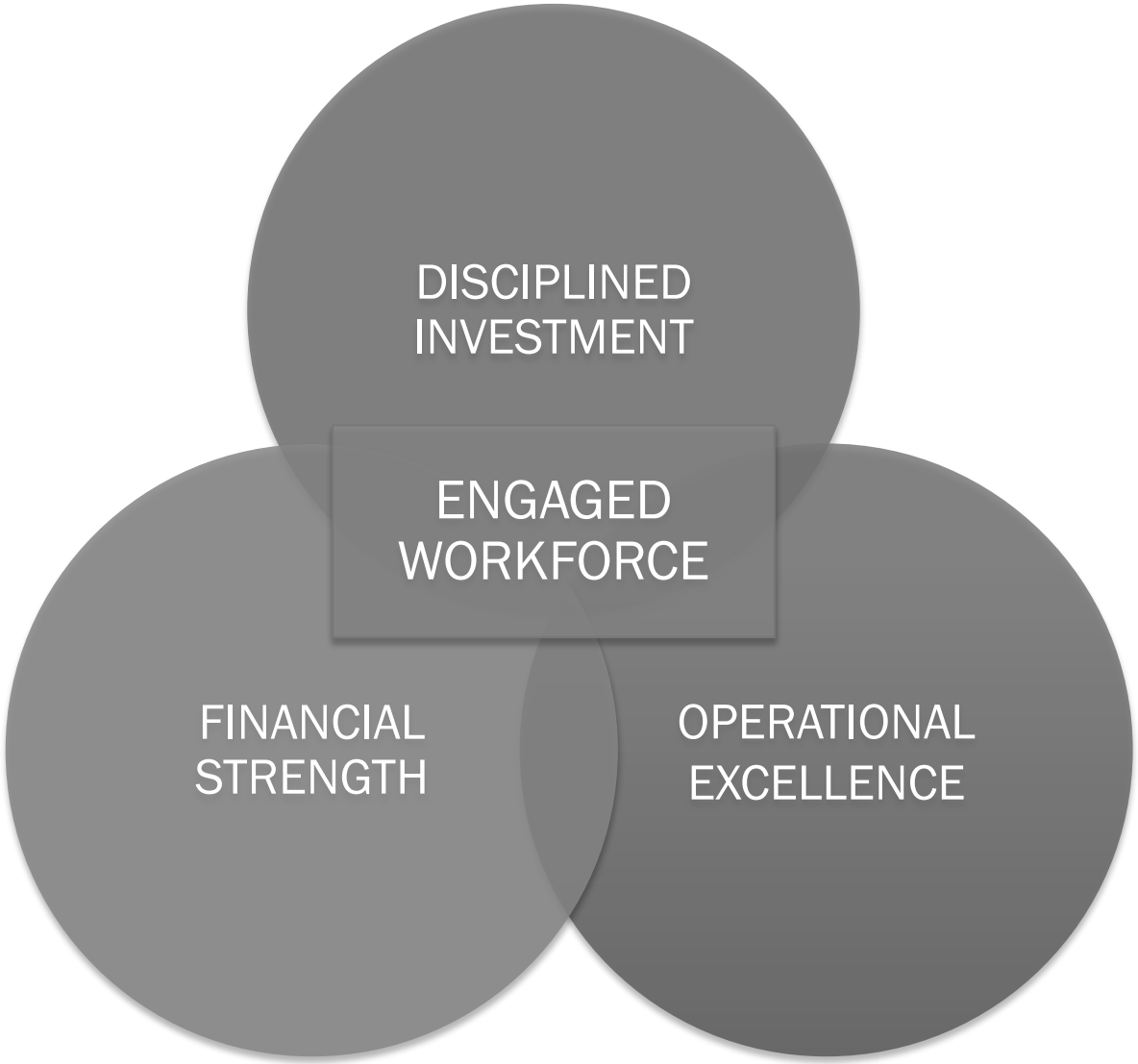
SI-SSA-0015-09567

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09568

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-09569

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-09570

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

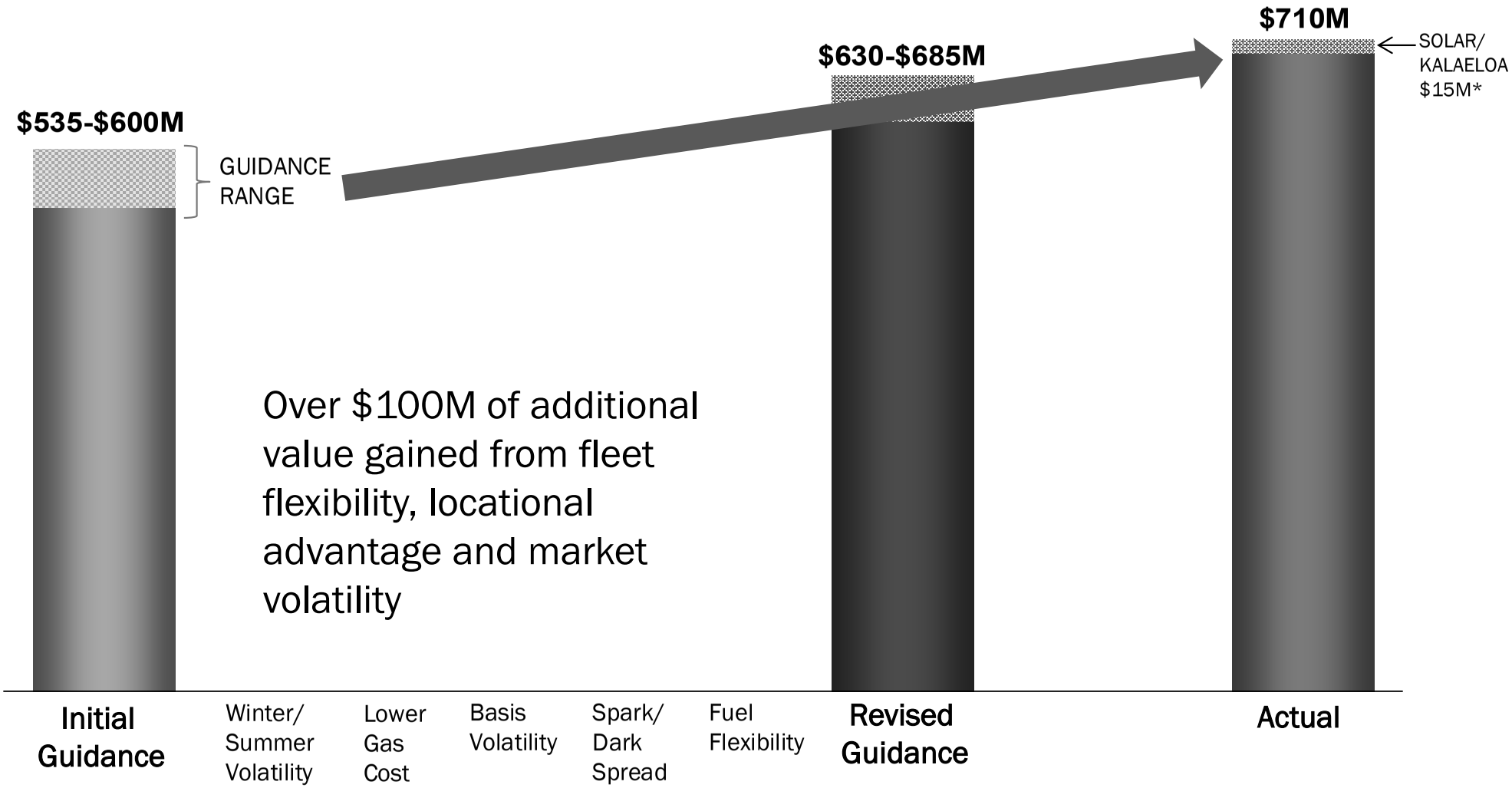
SI-SSA-0015-09571

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-09572

PSEG Power exceeded 2013's earnings guidance



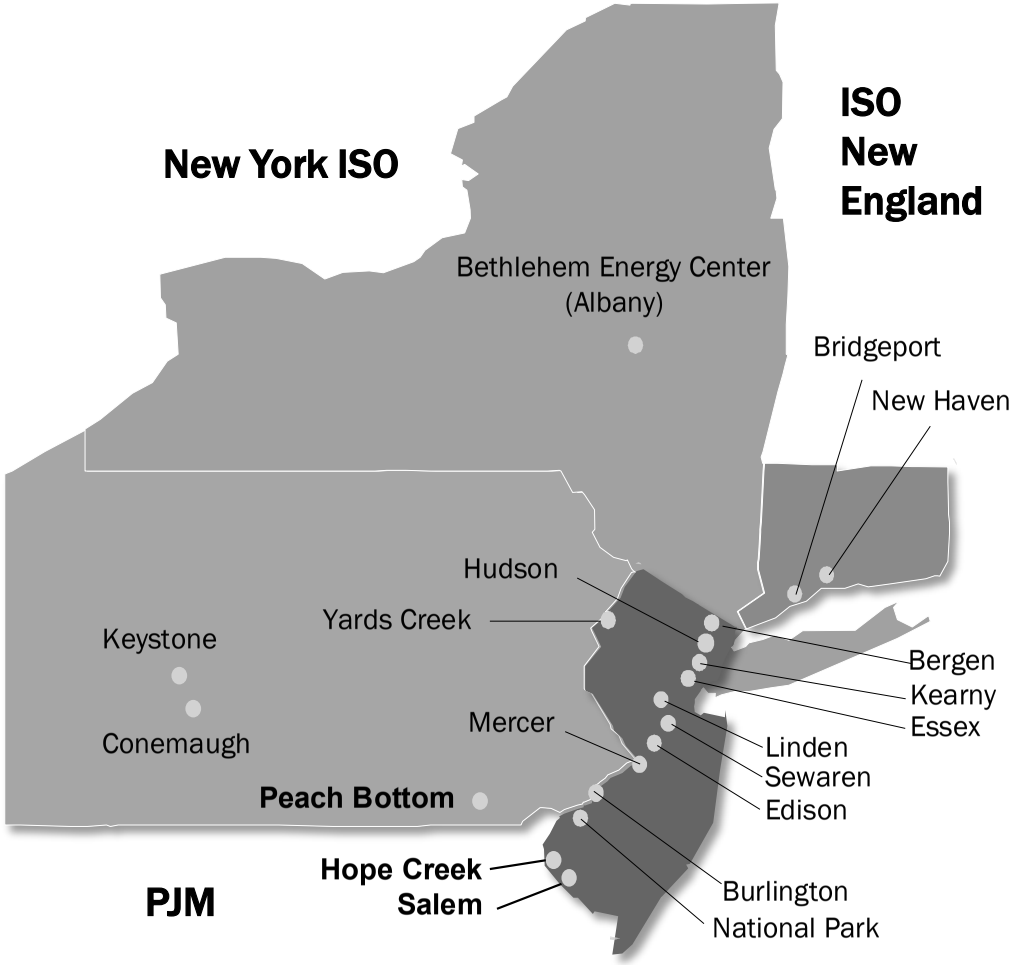
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-09573

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



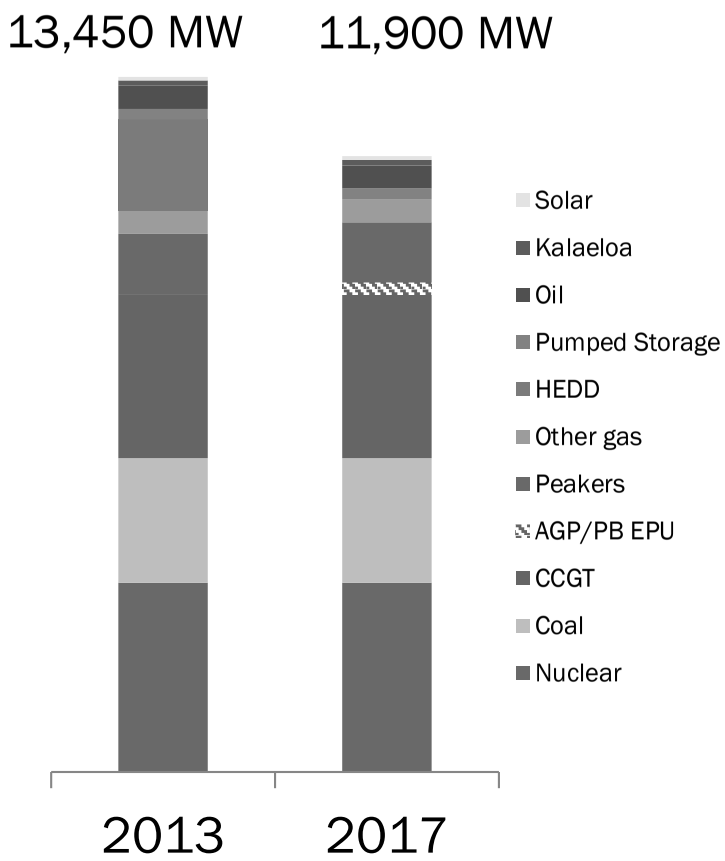
SI-SSA-0015-09574

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

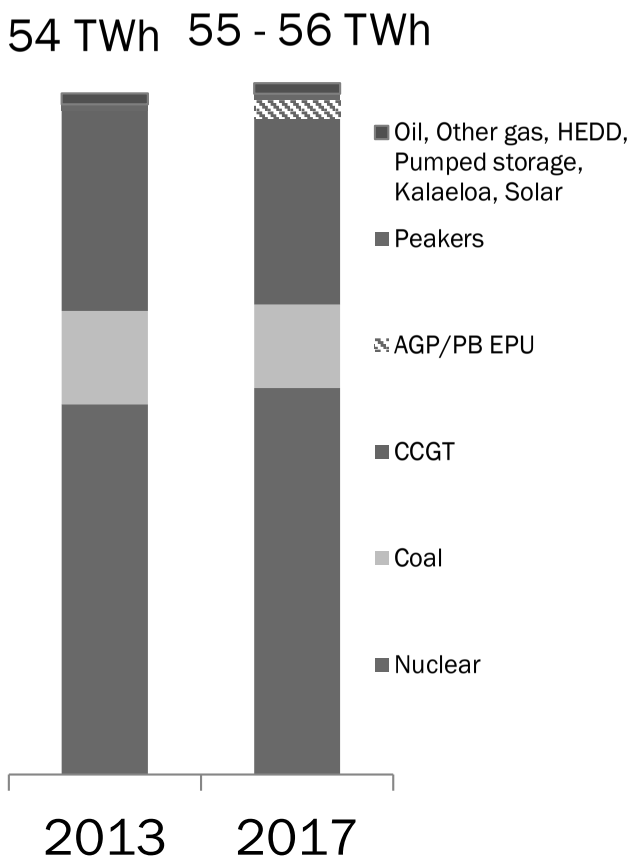
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

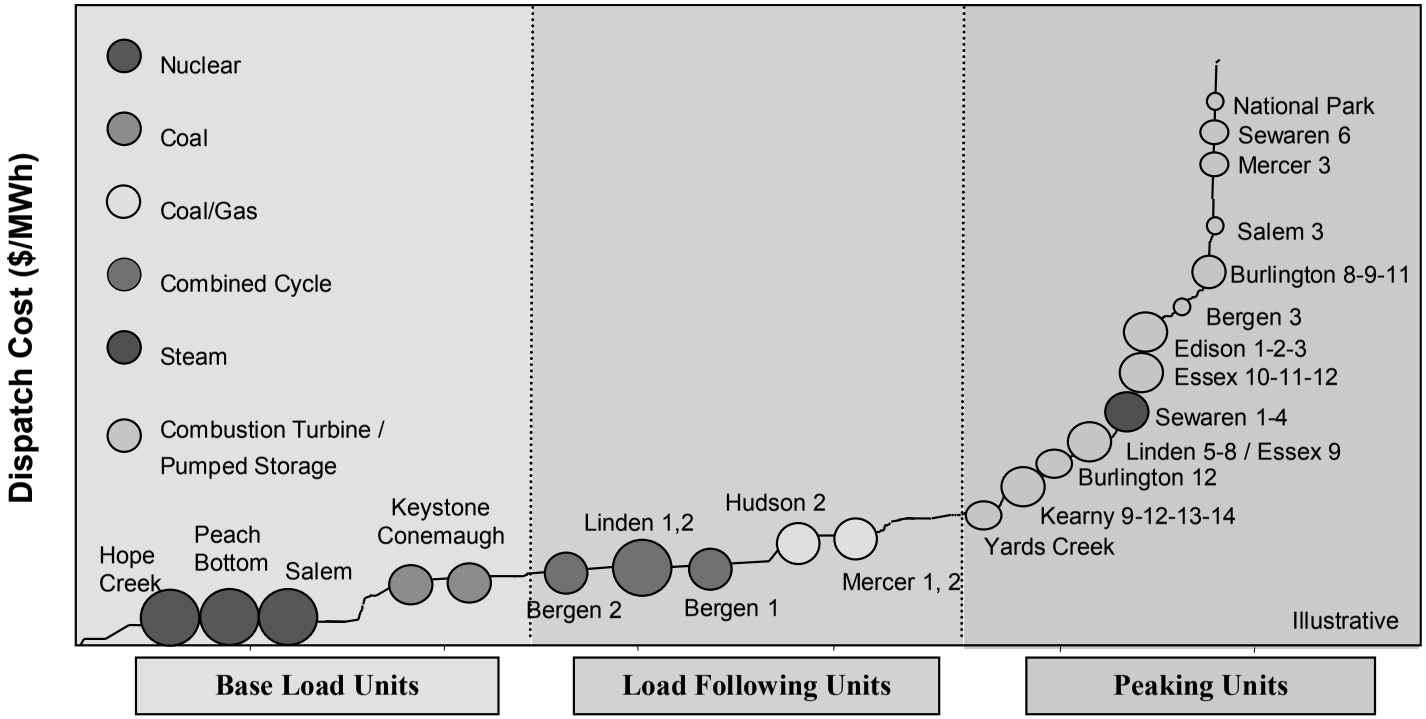


Energy Produced



SI-SSA-0015-09575

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-09576

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-09577

PSEG Power Nuclear is core to the fleet and has competitive advantages

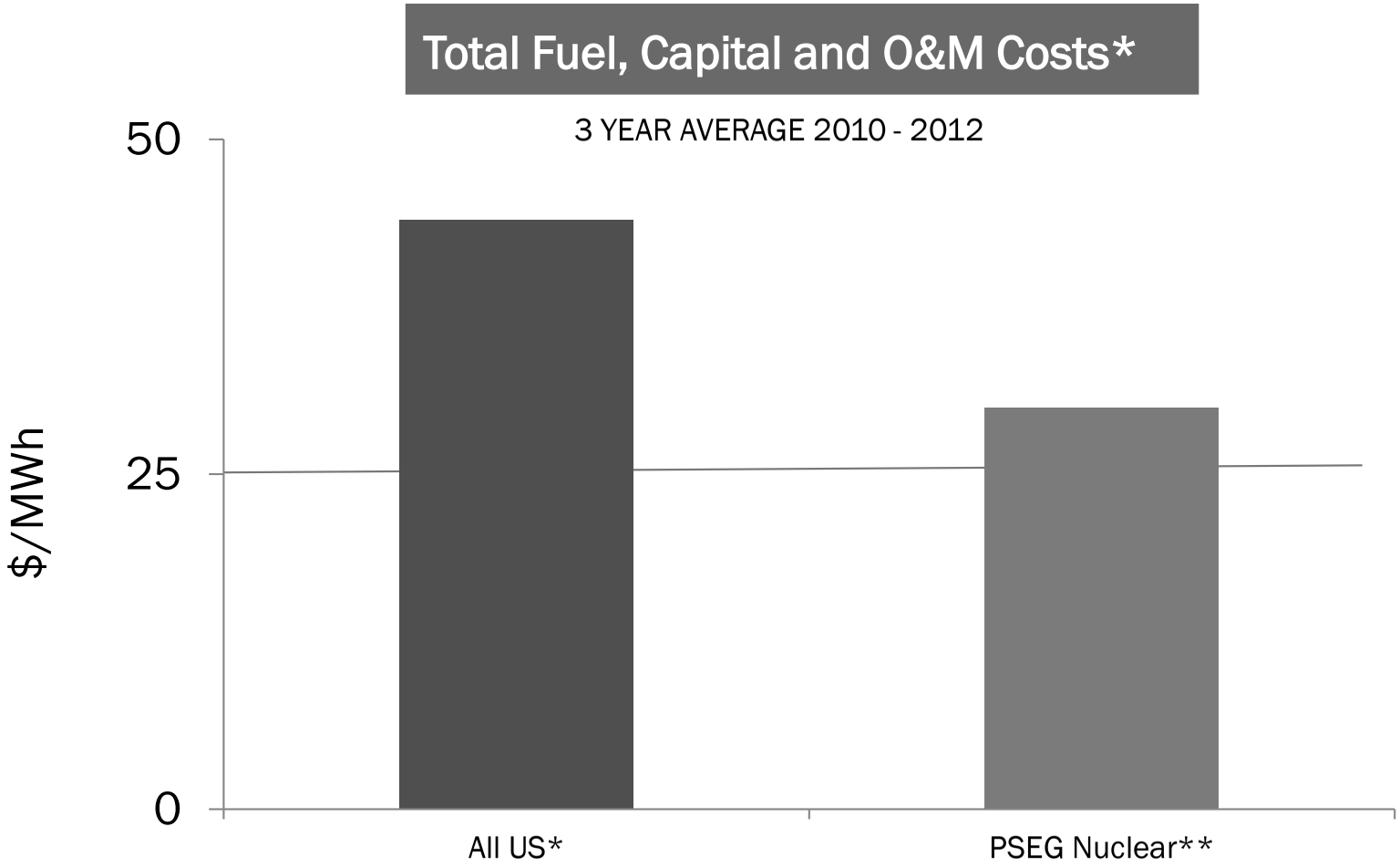
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-09578

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

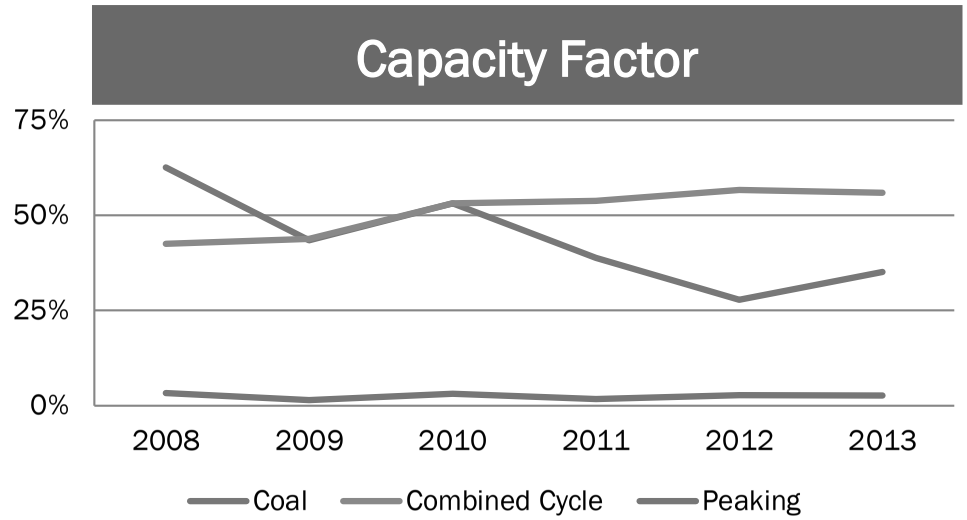


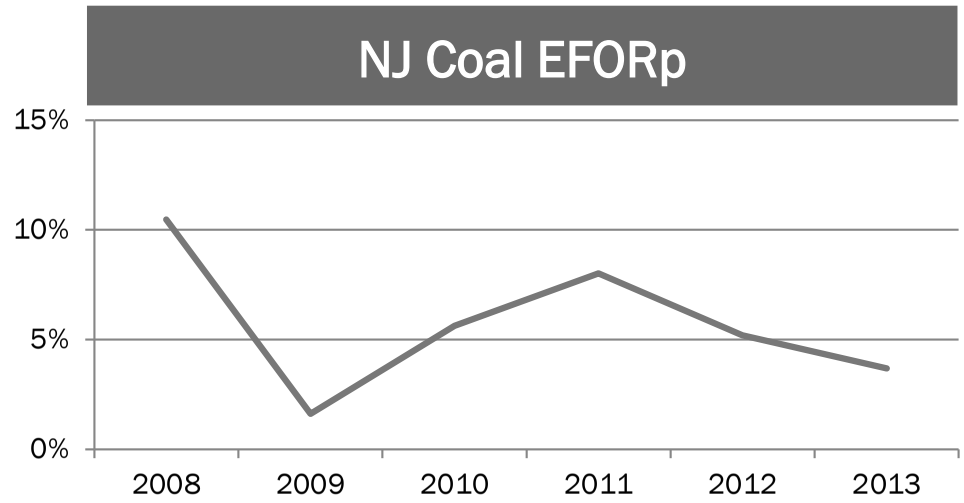
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

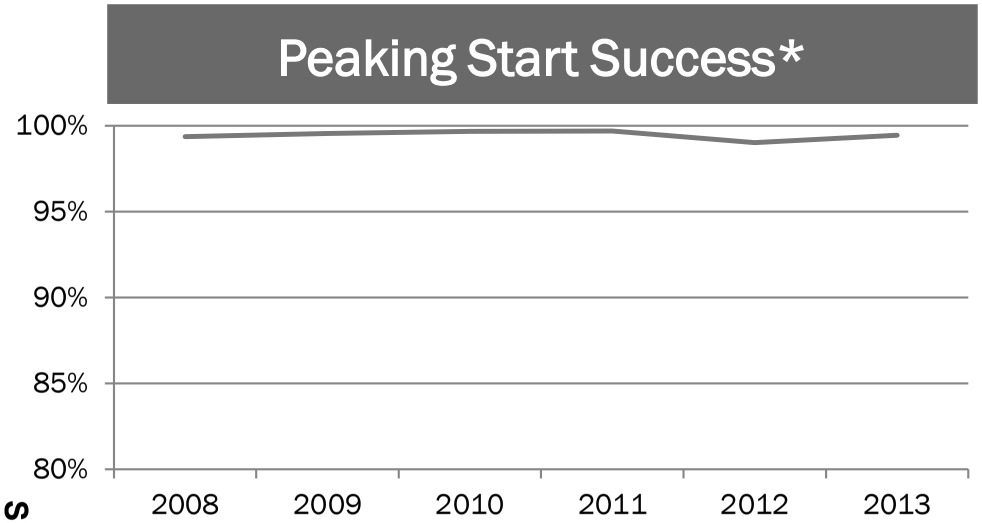
SI-SSA-0015-09579

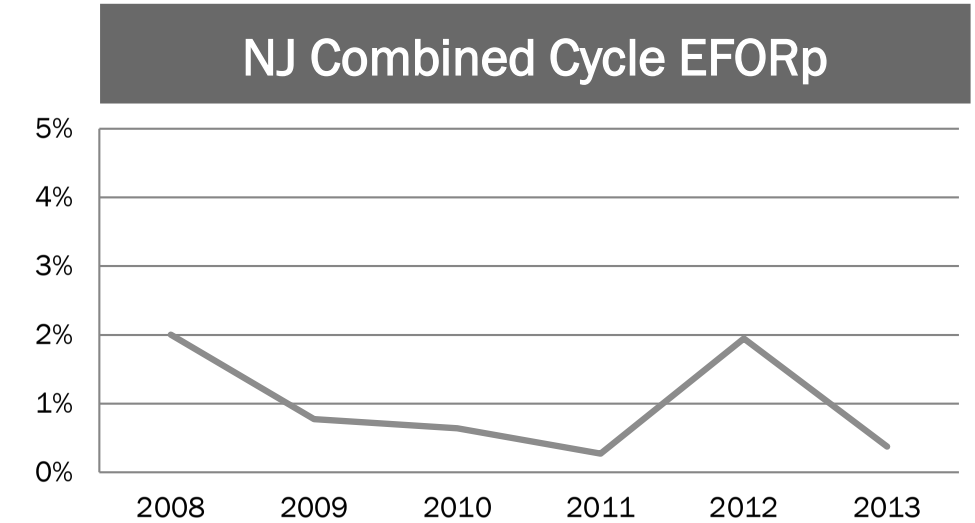
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

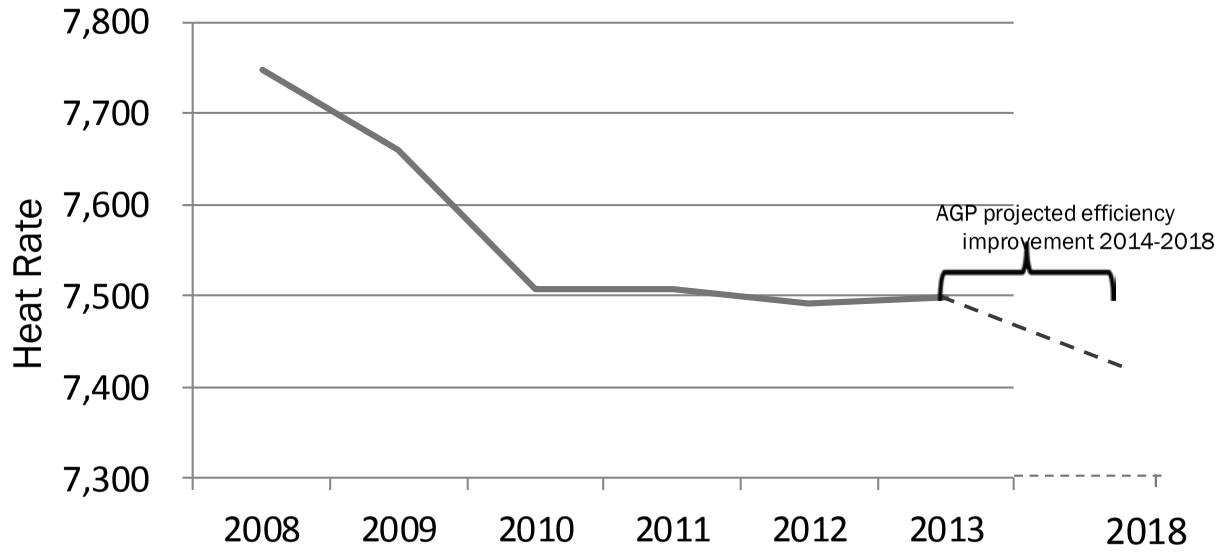
SI-SSA-0015-09580

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-09581

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

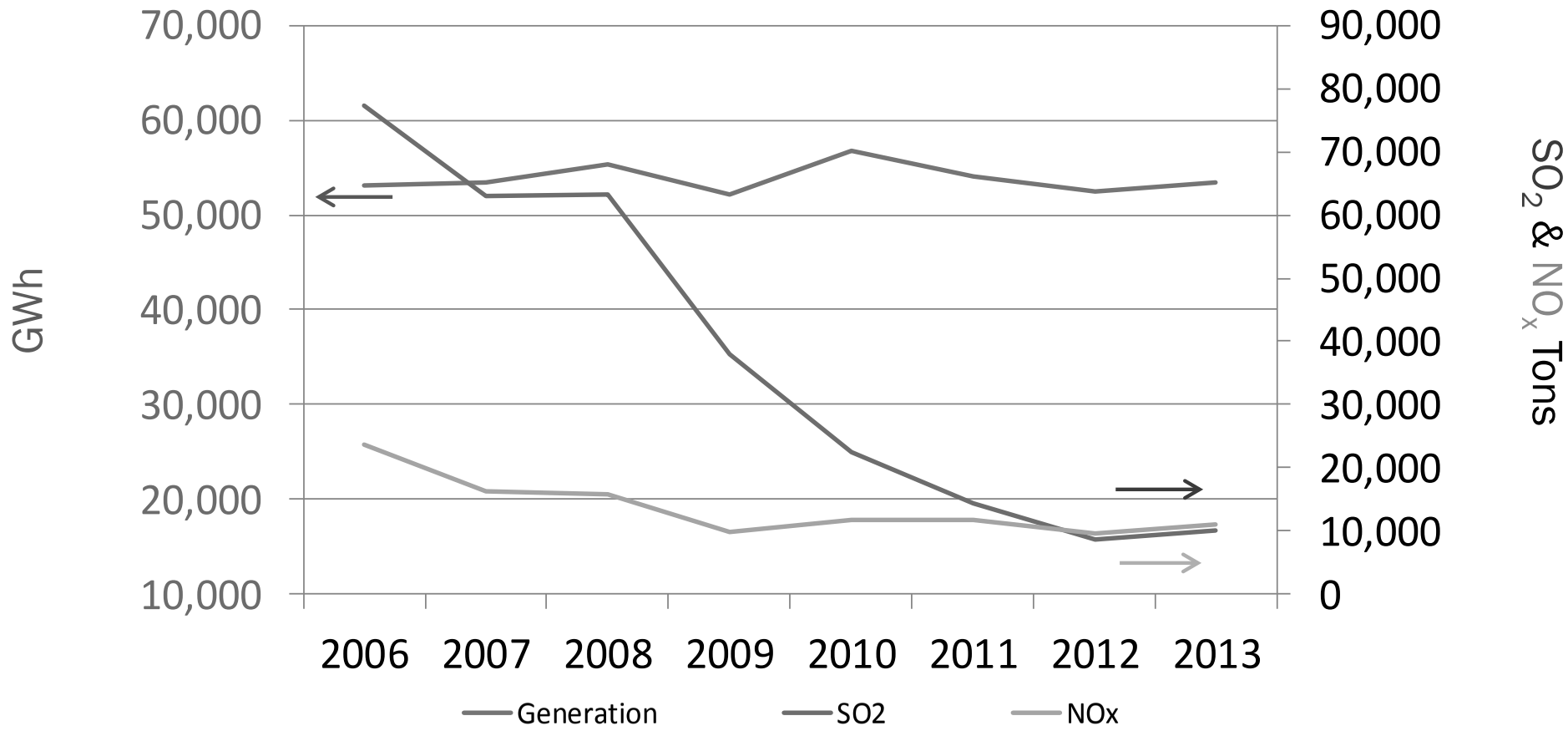
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-09582

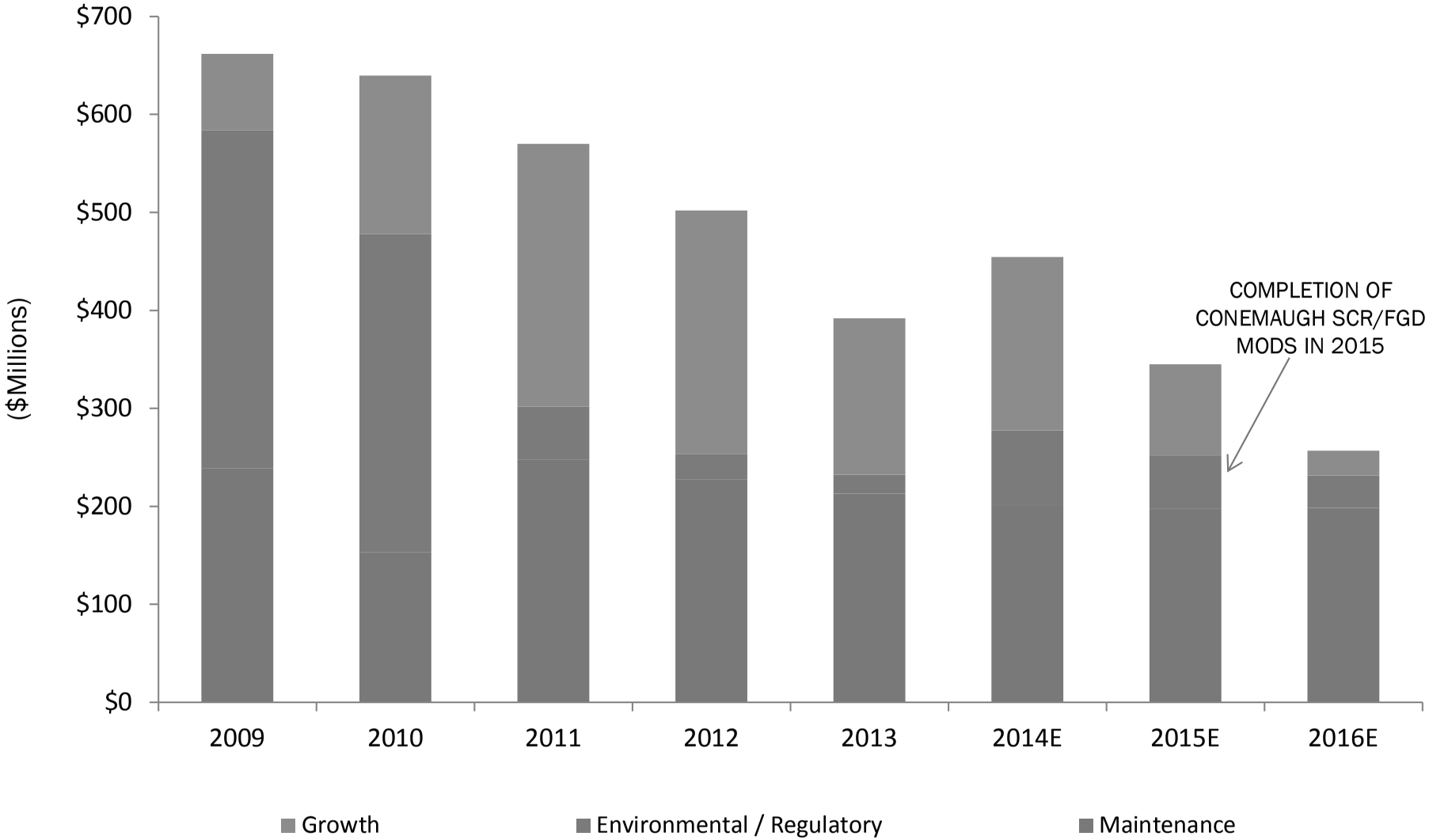
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-09583

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-09584

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

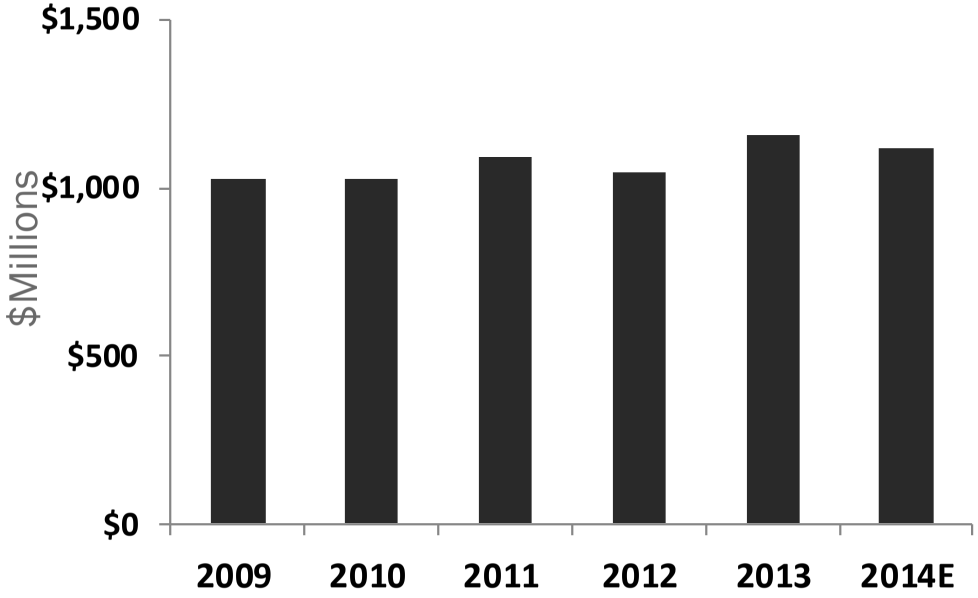
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-09585

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-09586

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-09587

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-09588

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-09589

PSEG POWER
ER&T

SI-SSA-0015-09590

PSEG

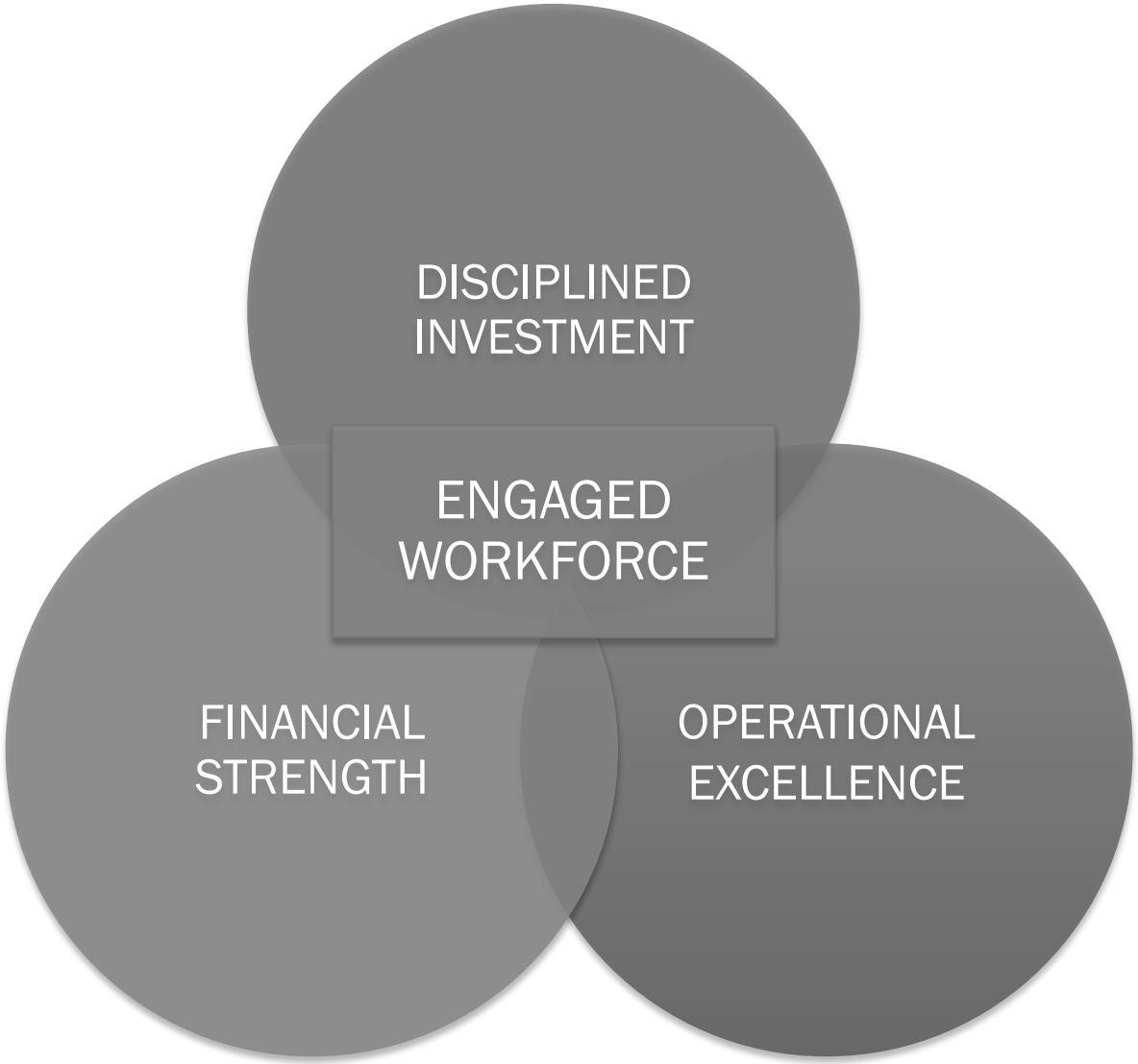
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-09591

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

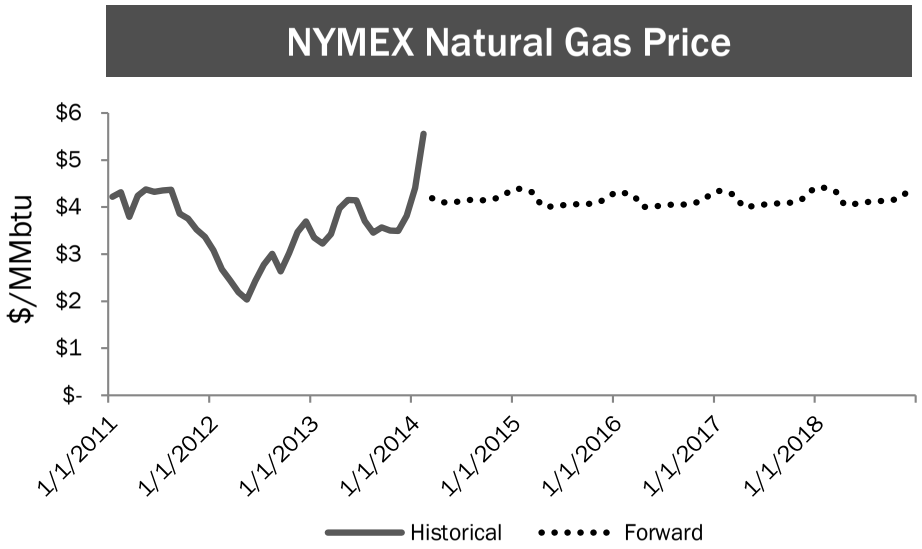
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

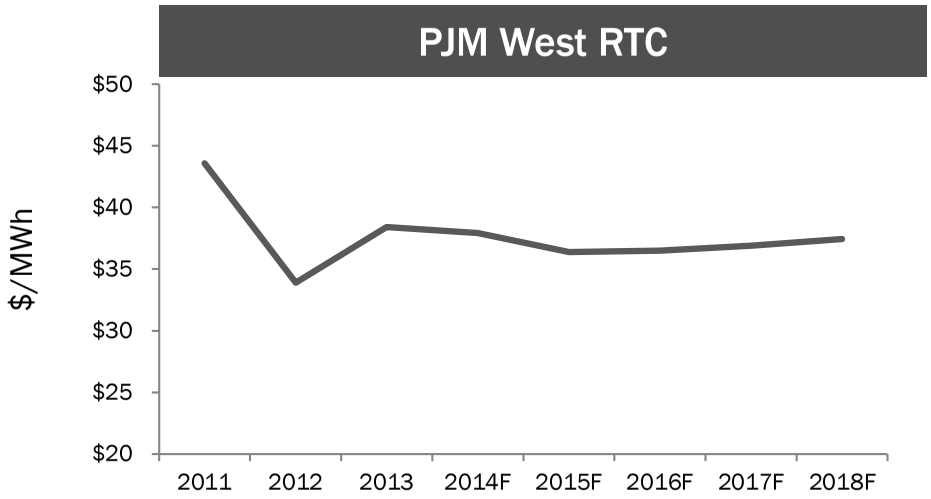
PSEG's Sustainable Advantage

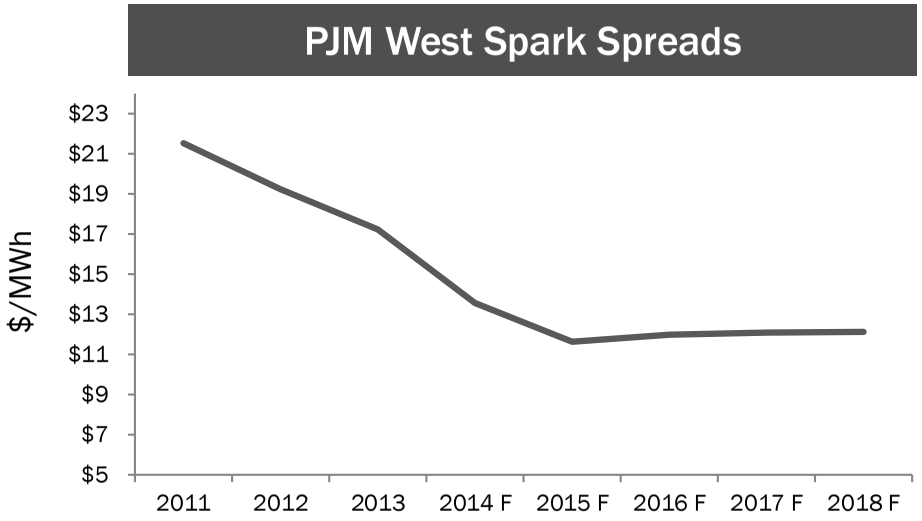
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-09592

Market Review: Prices have stabilized







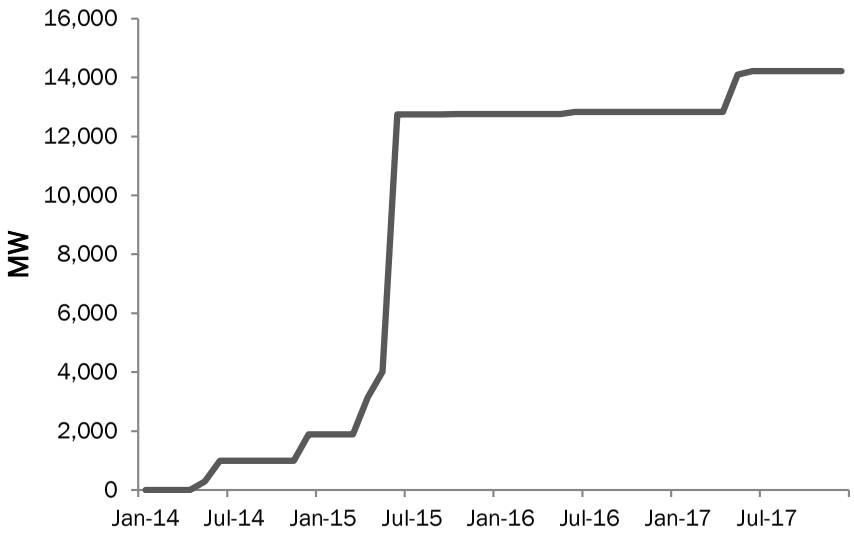
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-09593

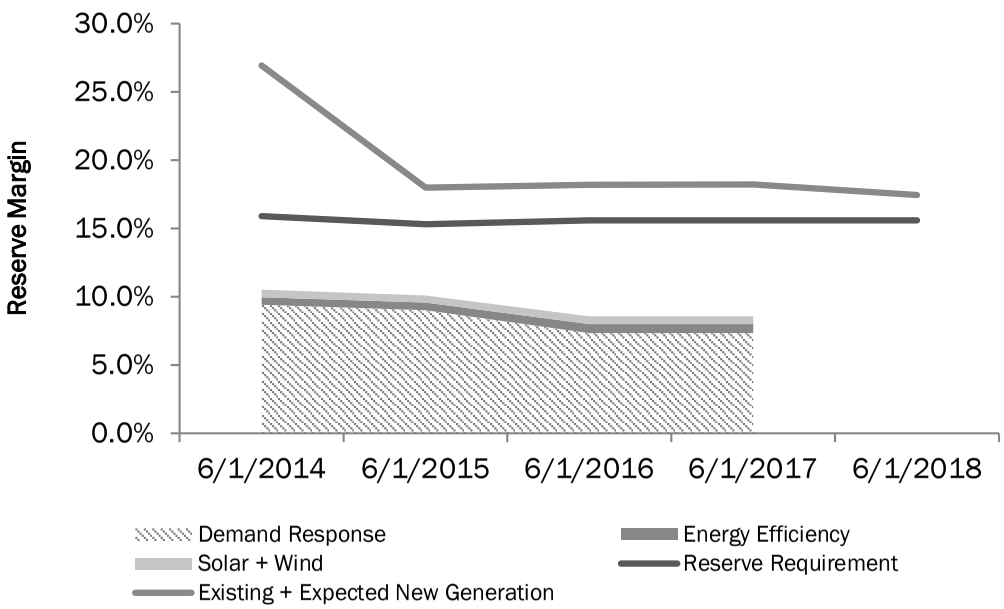
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-09594

PSEG

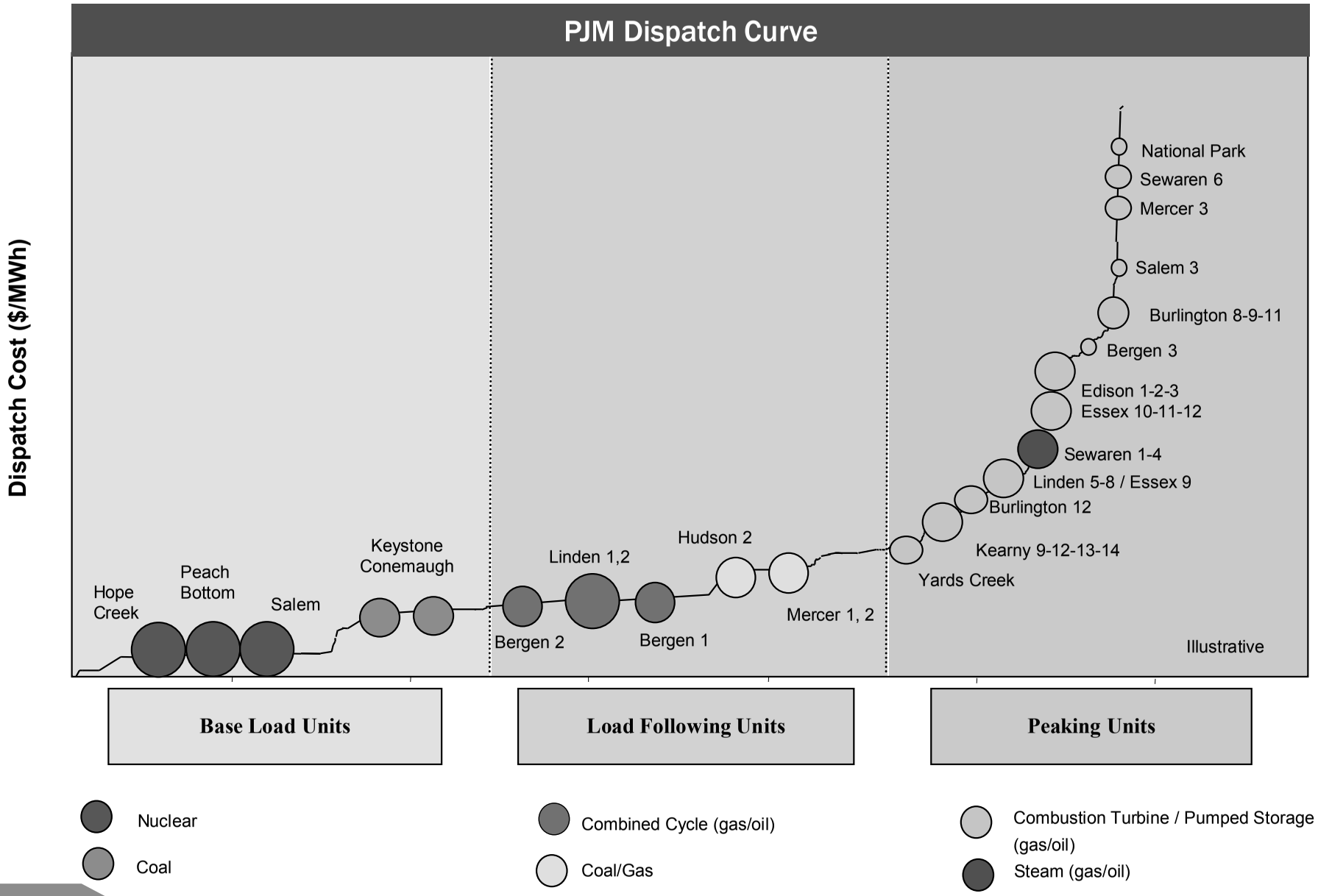
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

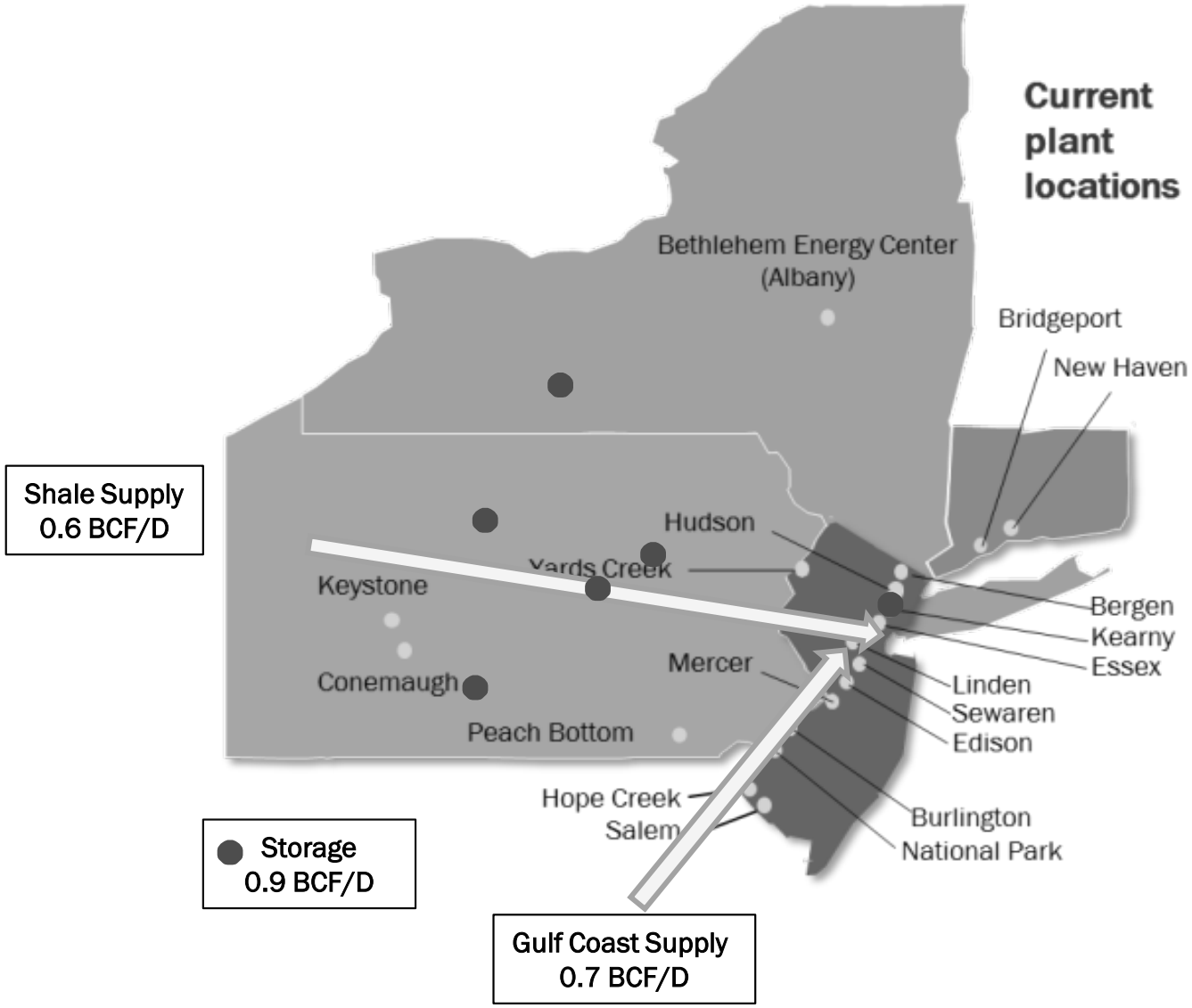
SI-SSA-0015-09595

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



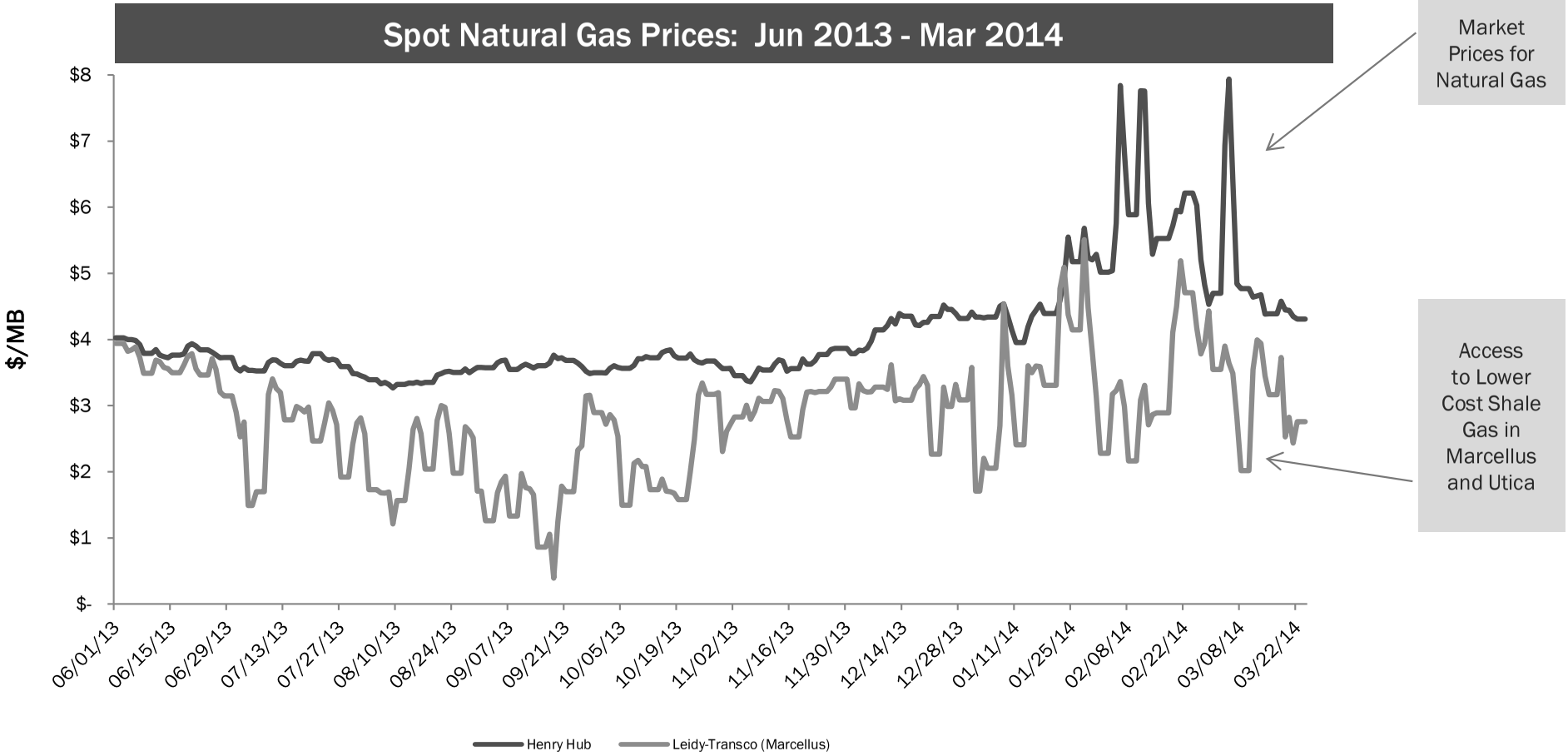
SI-SSA-0015-09596

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-09597

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

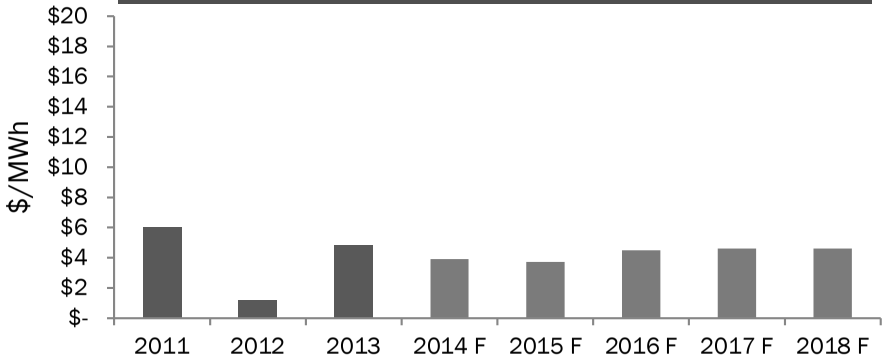


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

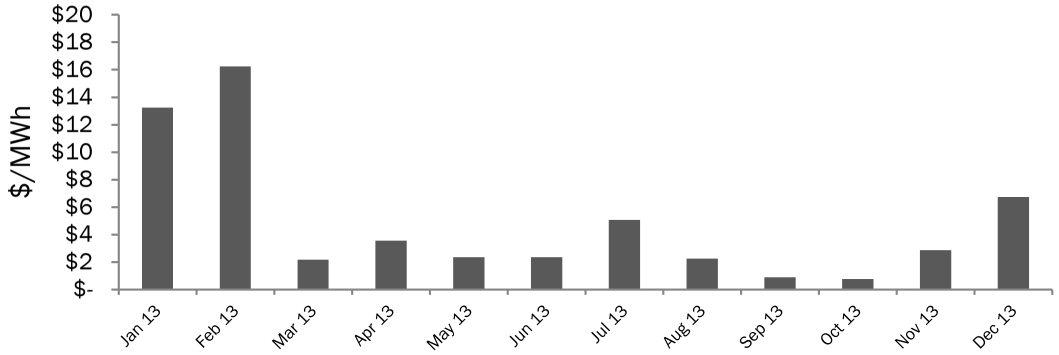
SI-SSA-0015-09598

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

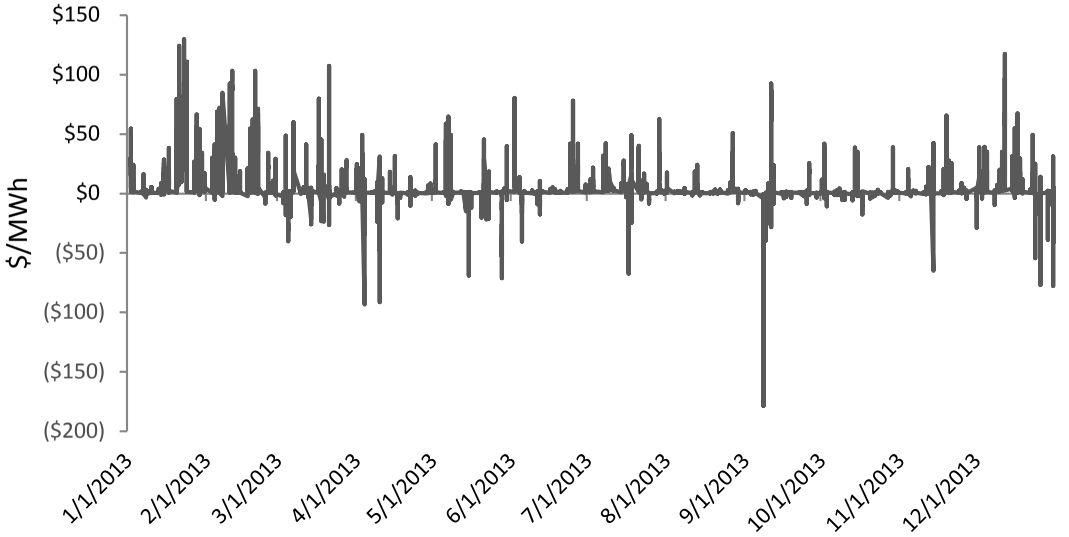


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W

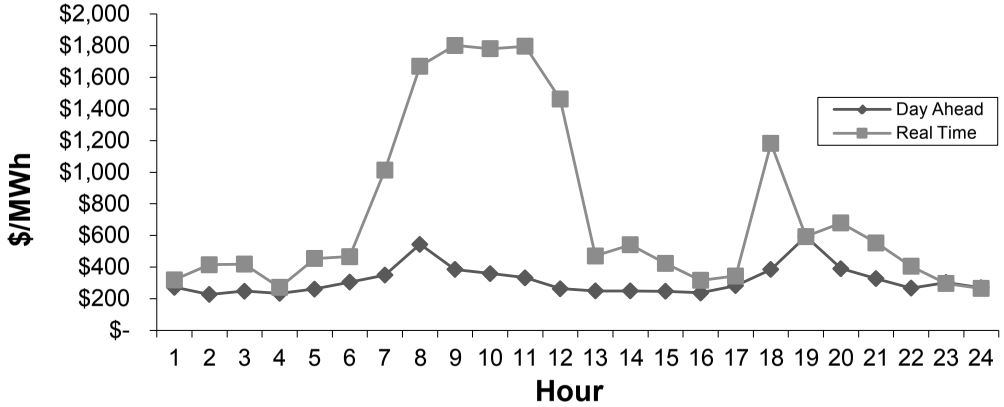


SI-SSA-0015-09599

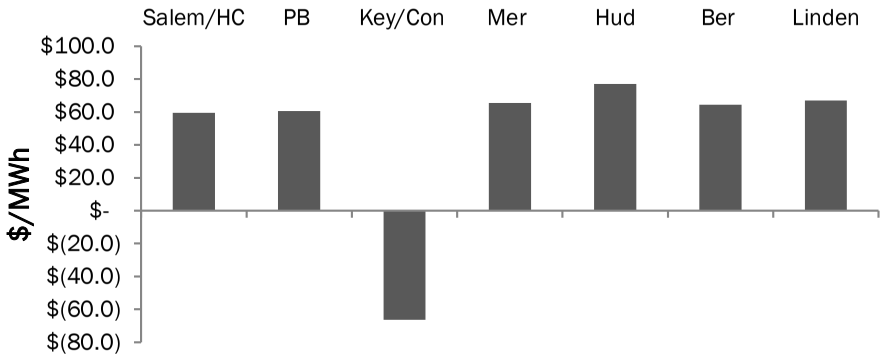
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

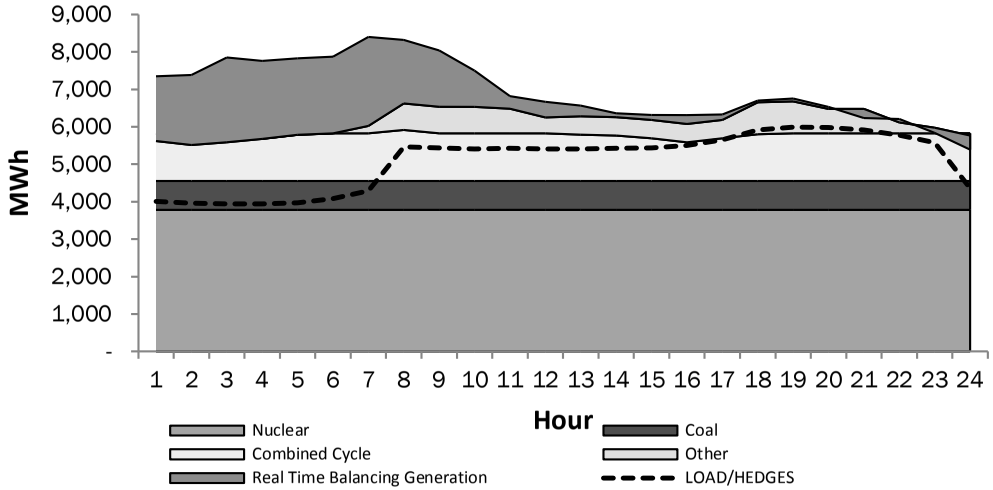
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

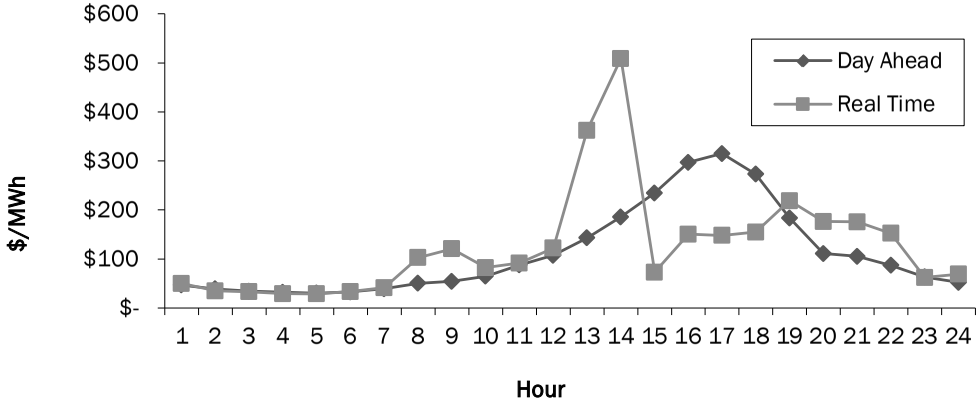


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

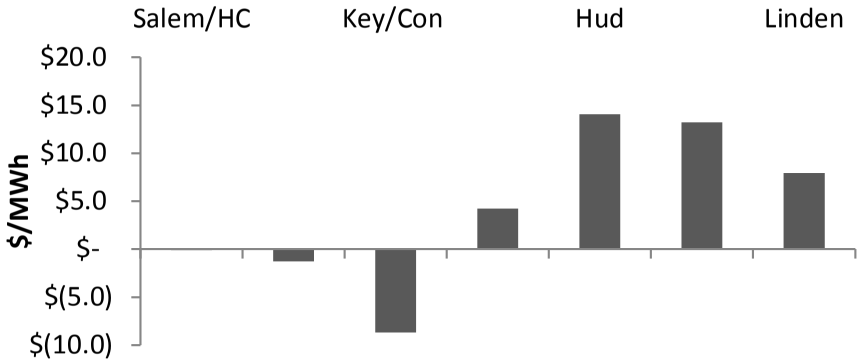
SI-SSA-0015-09600

Competitive Advantage: Trading & Asset Flexibility

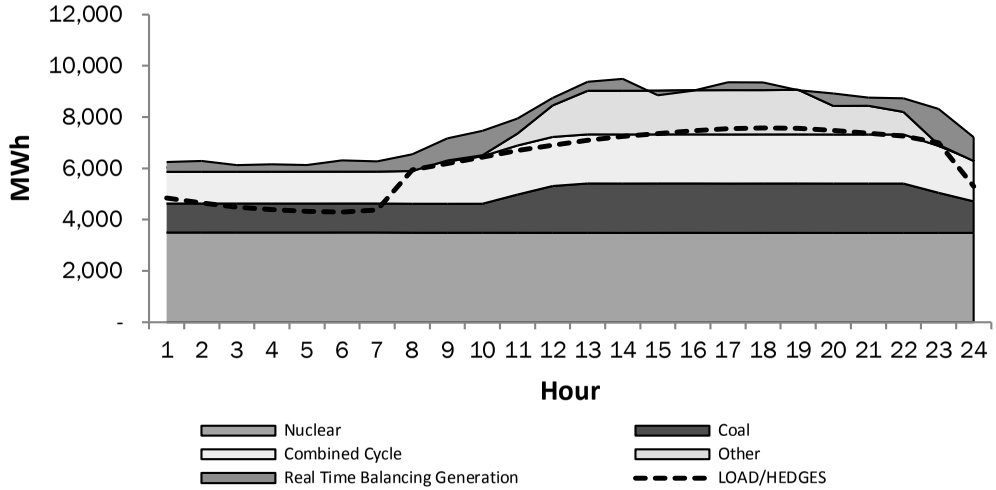
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



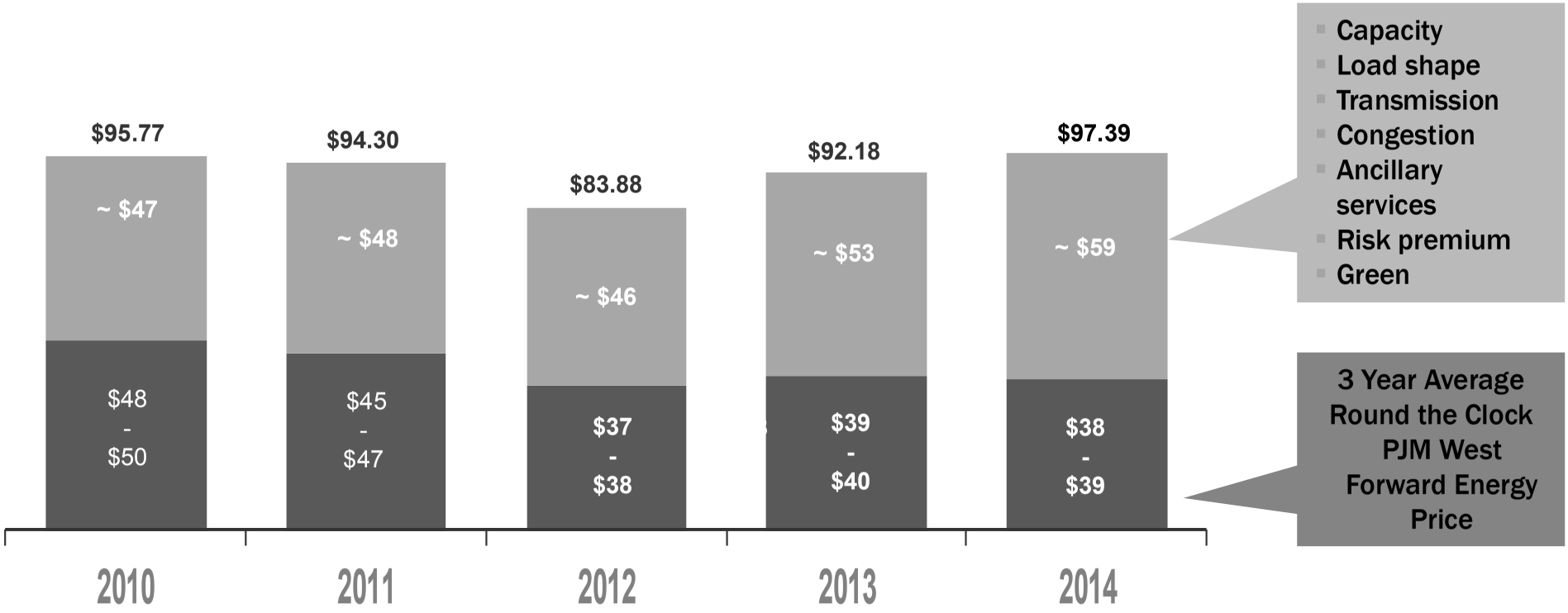
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-09601

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-09602

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-09603

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

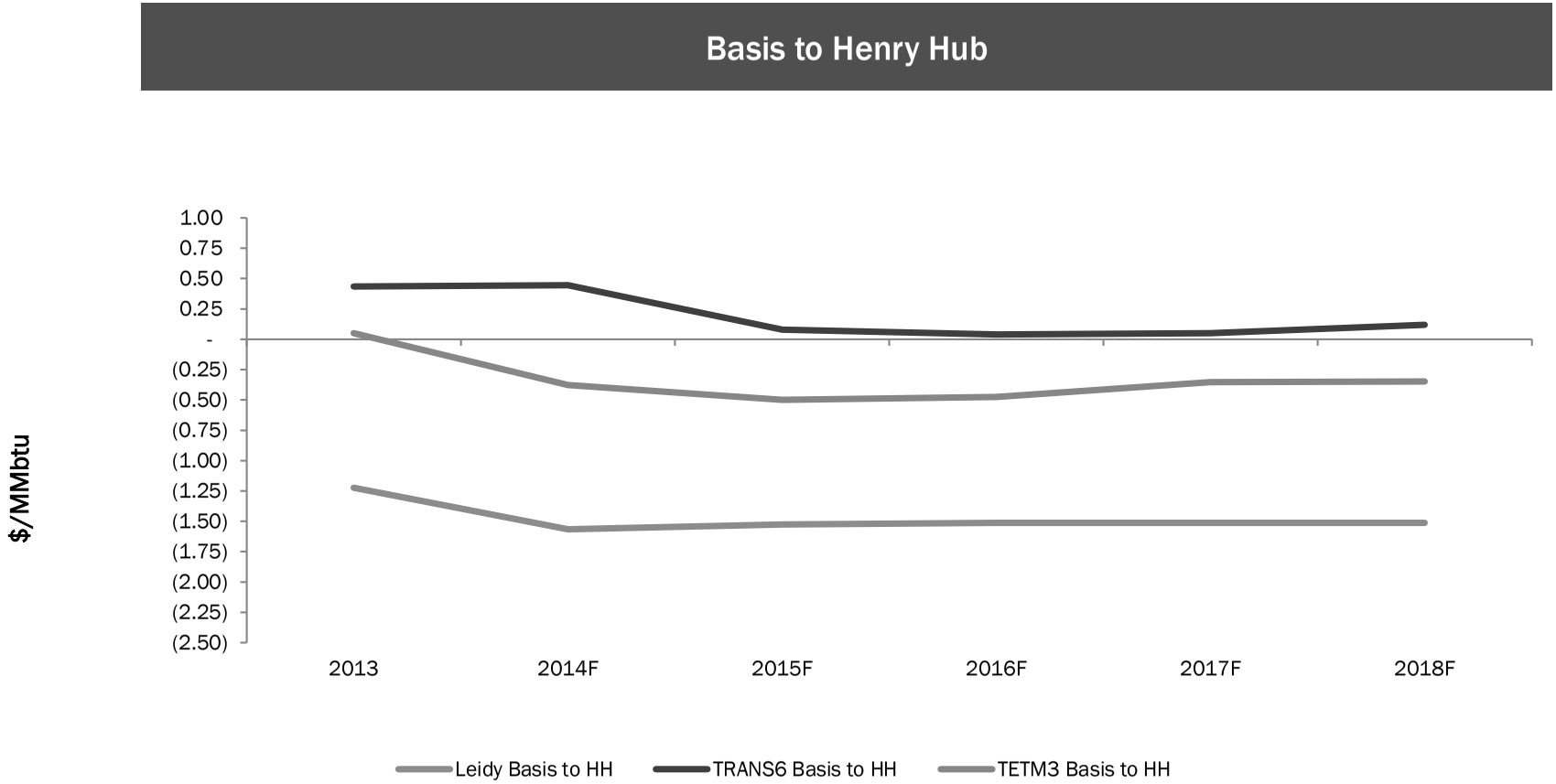
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-09604

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-09605

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-09606

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-09607

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-09608

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

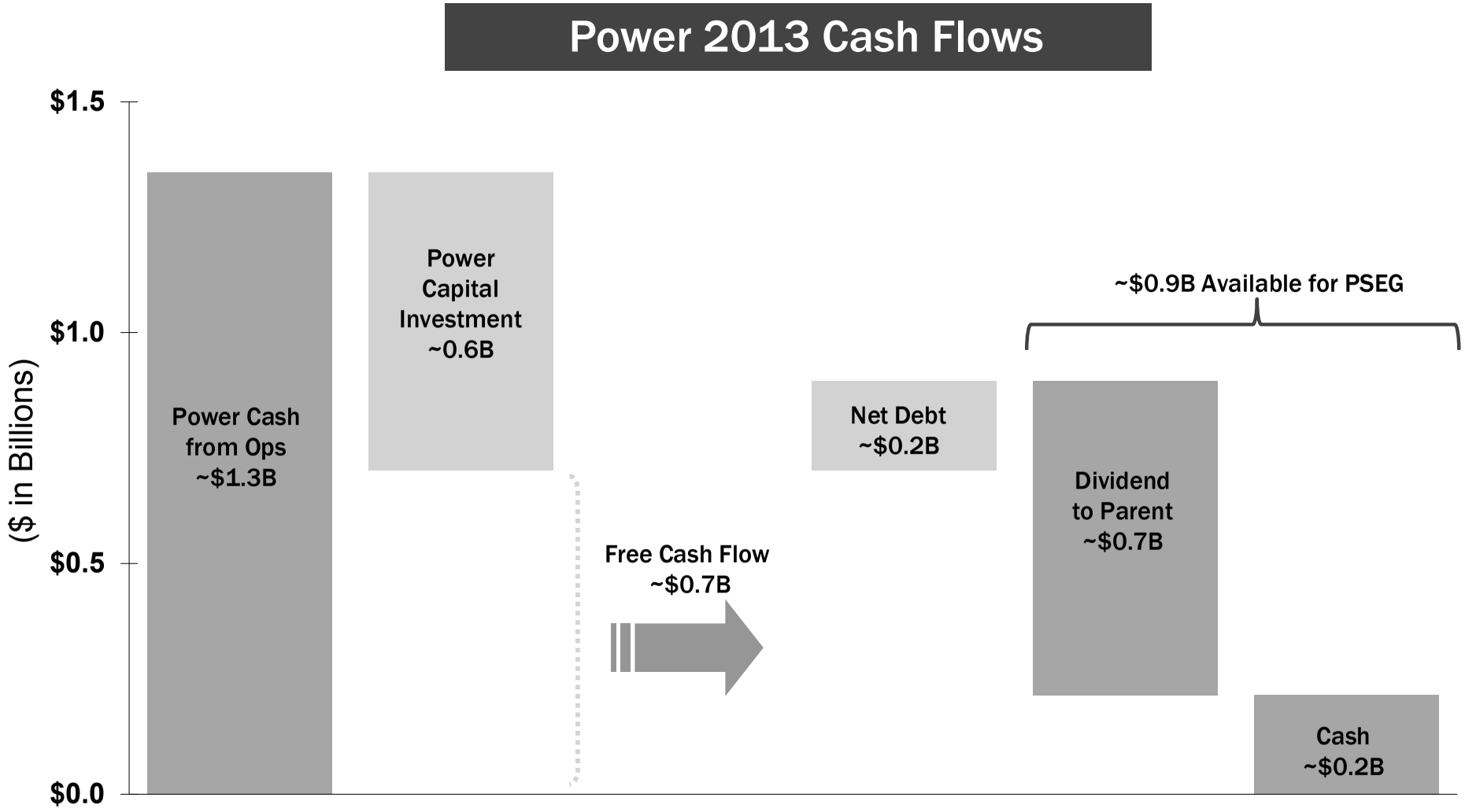
SI-SSA-0015-09609

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

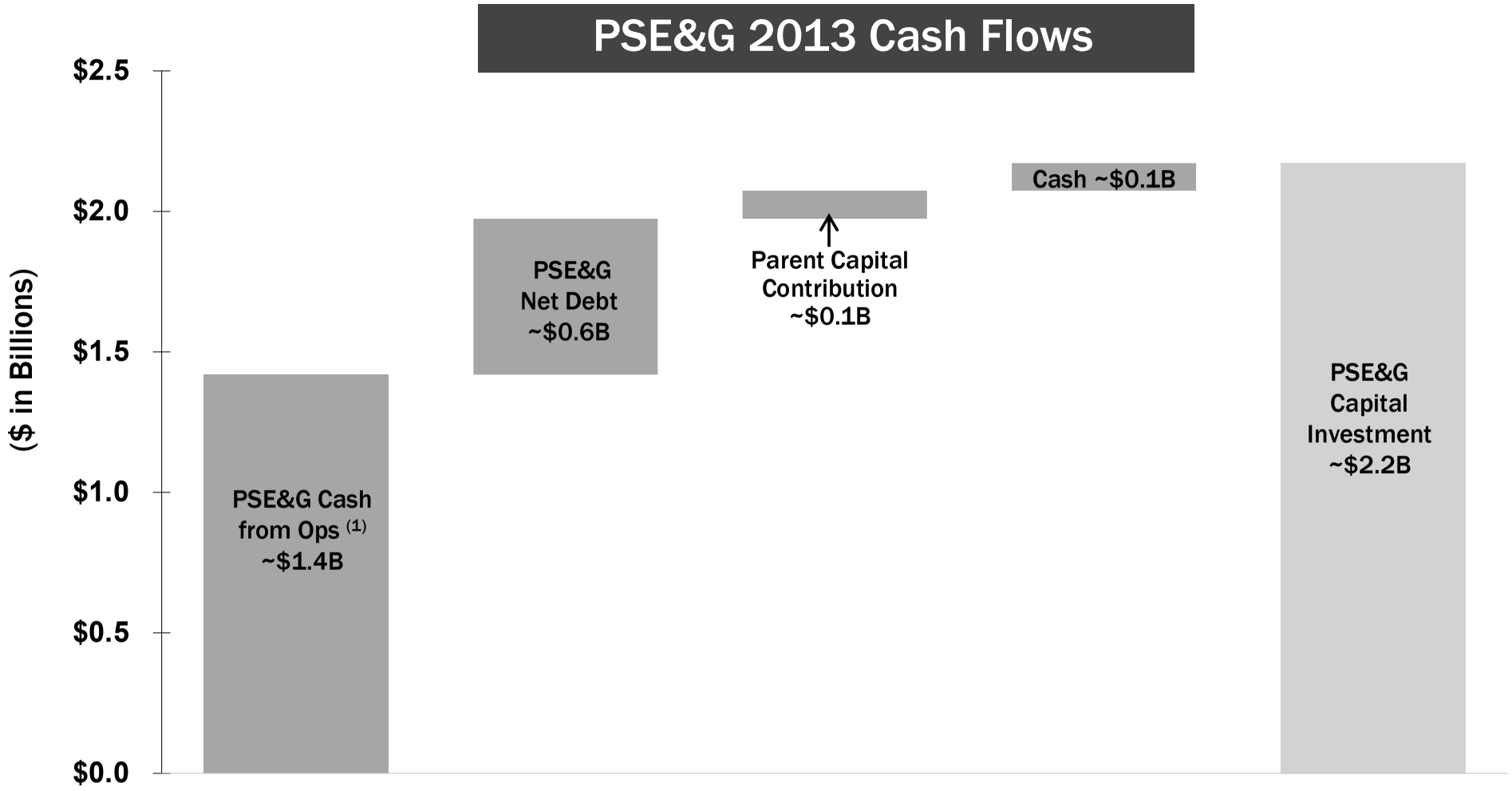
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-09610

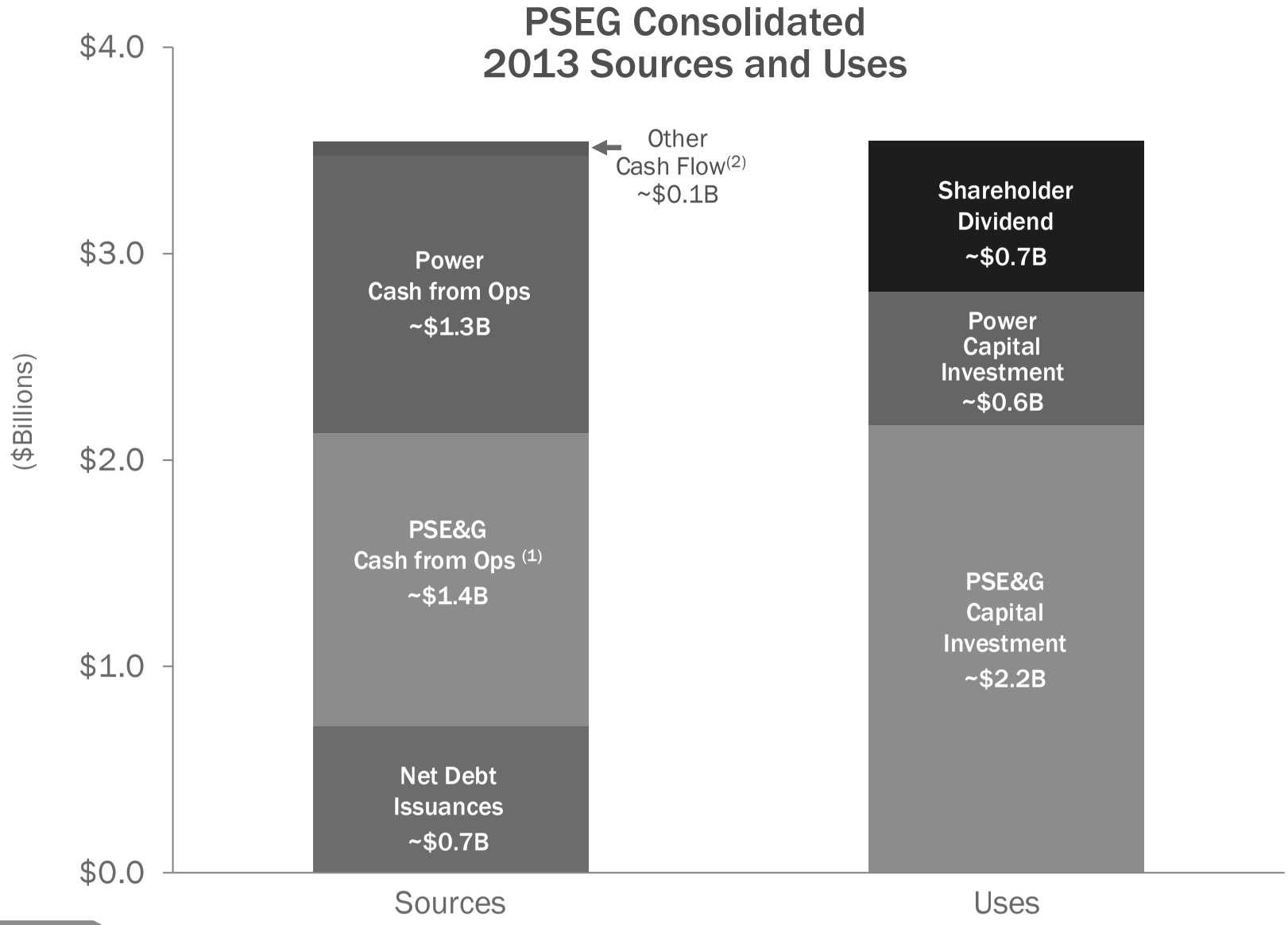
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-09611

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

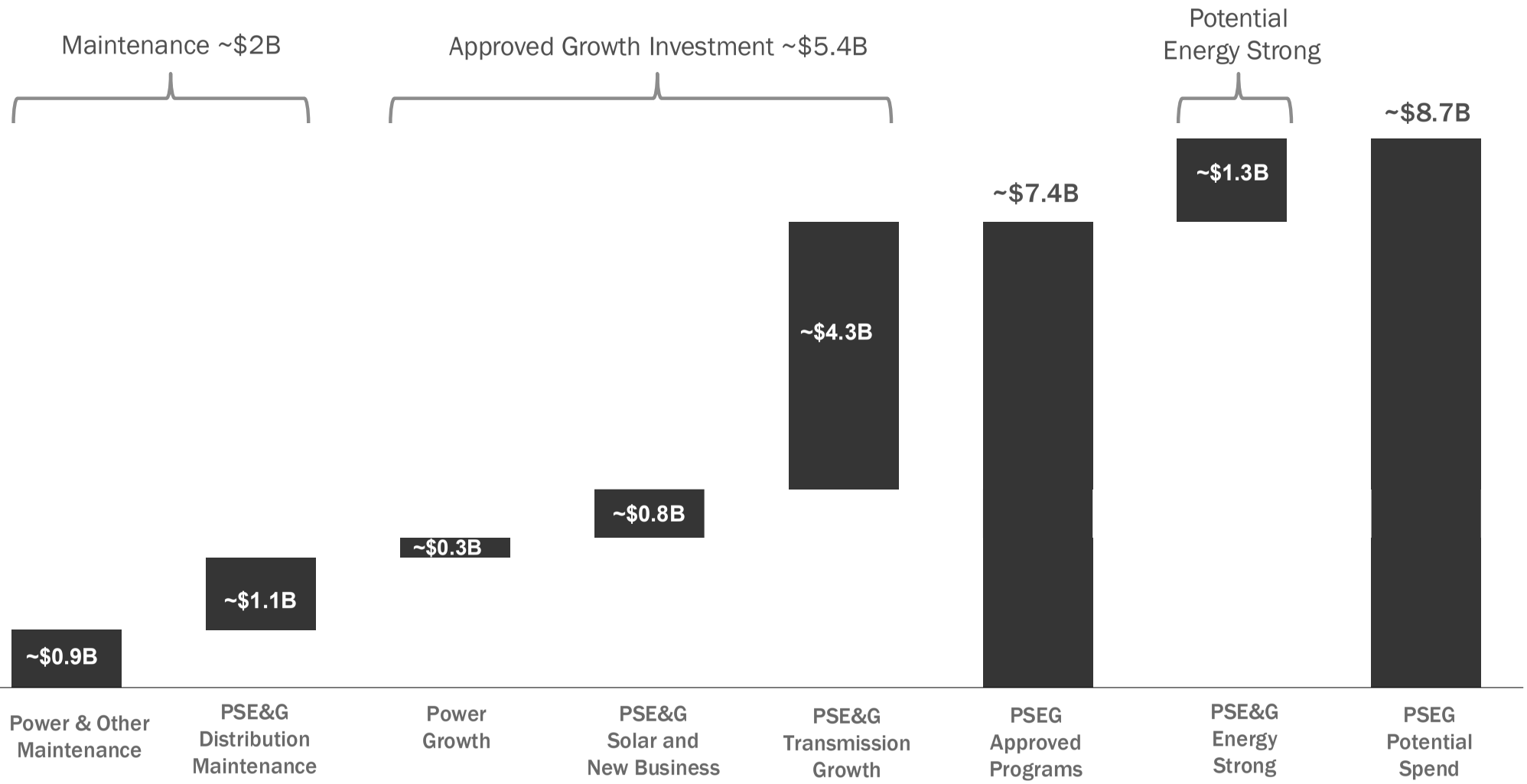


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-09612

PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

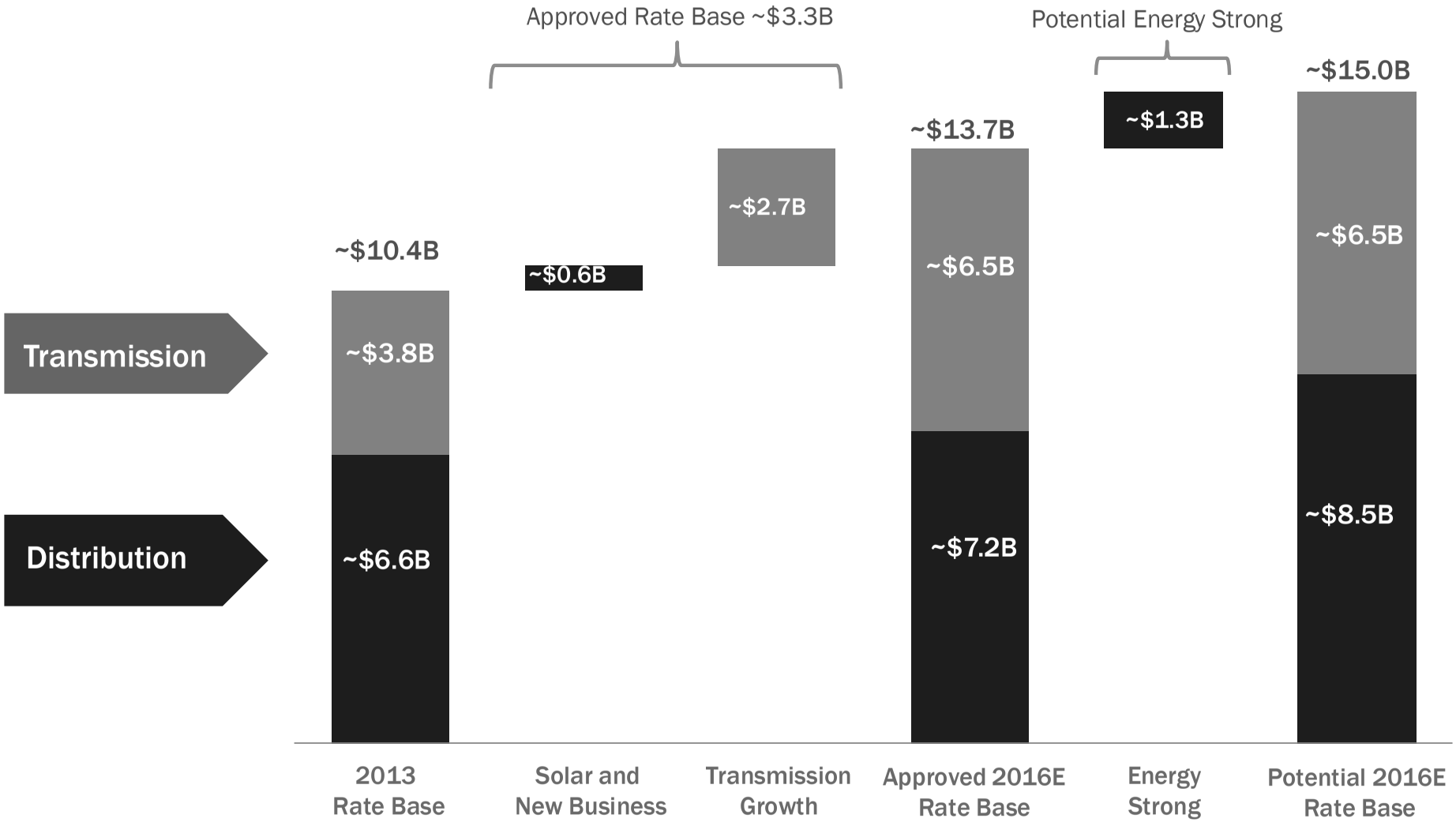


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-09613

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

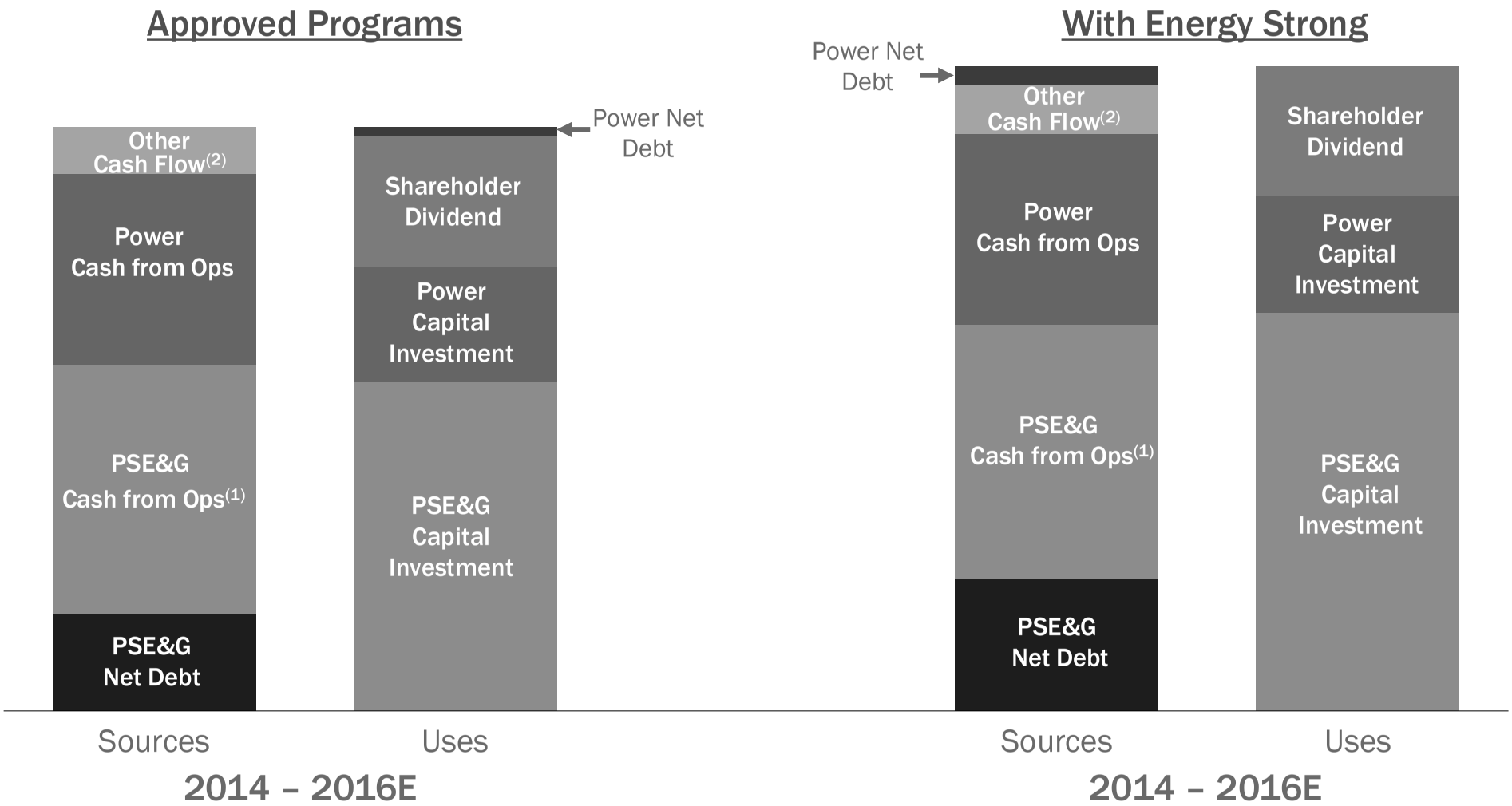
2013 – 2016E Rate Base CAGR in approved Growth of ~10%



SI-SSA-0015-09614

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

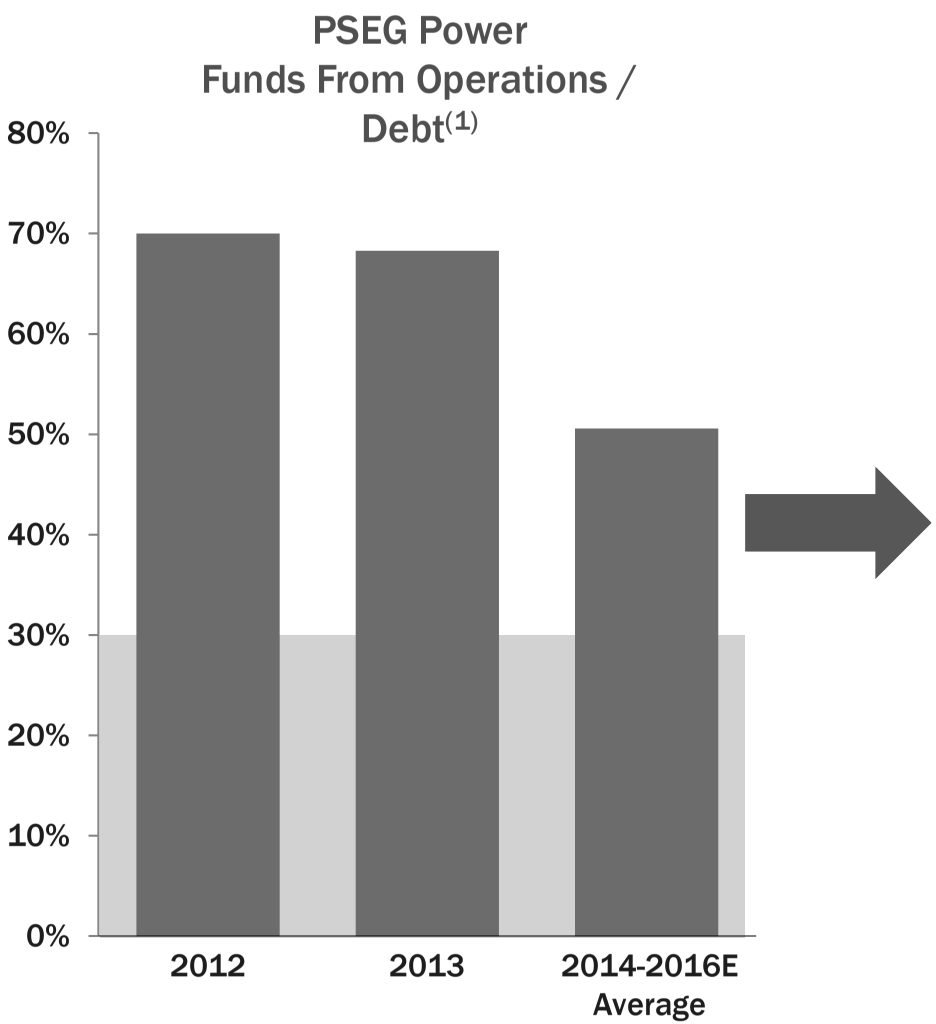
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-09615

Power's key credit metric supports incremental investment opportunities

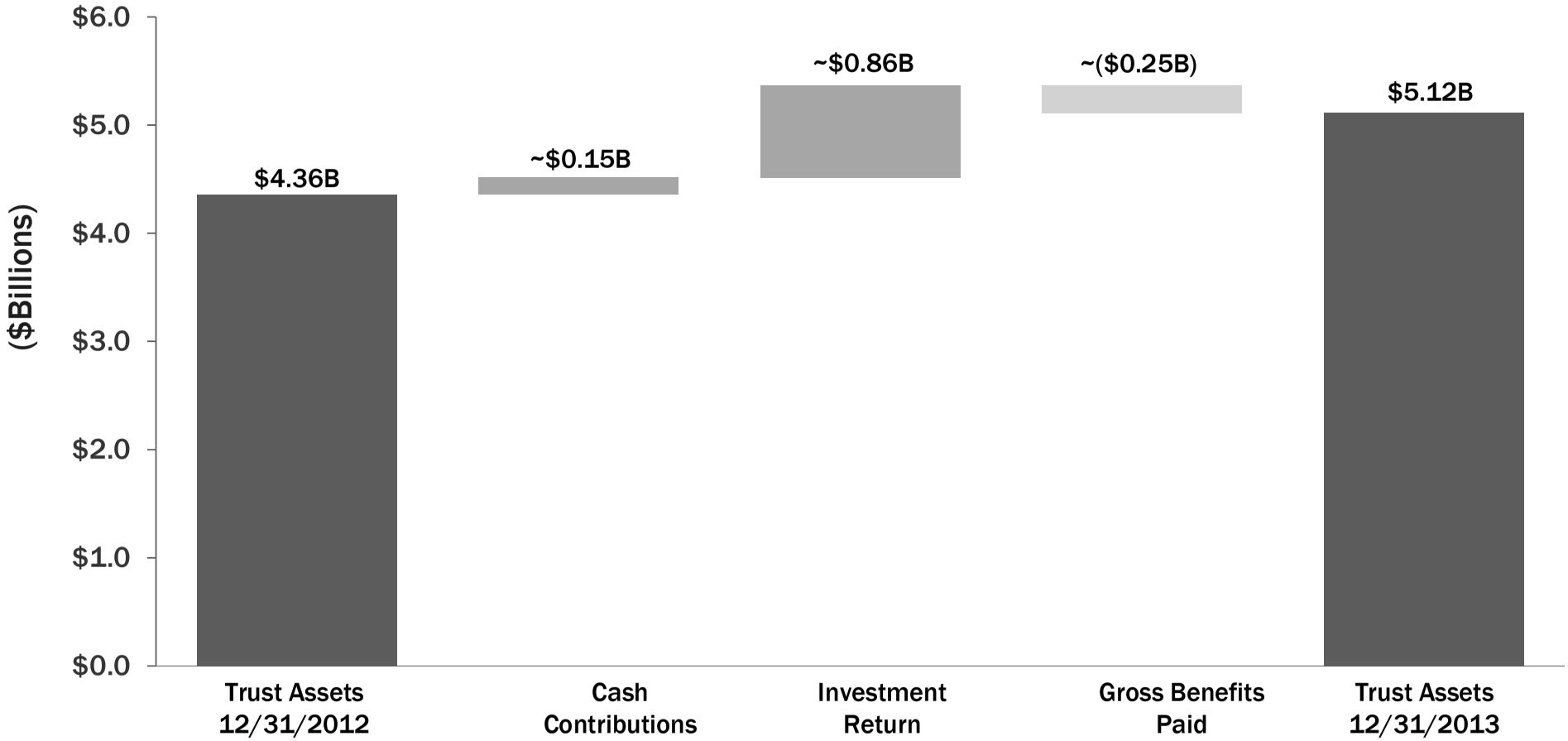


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-09616

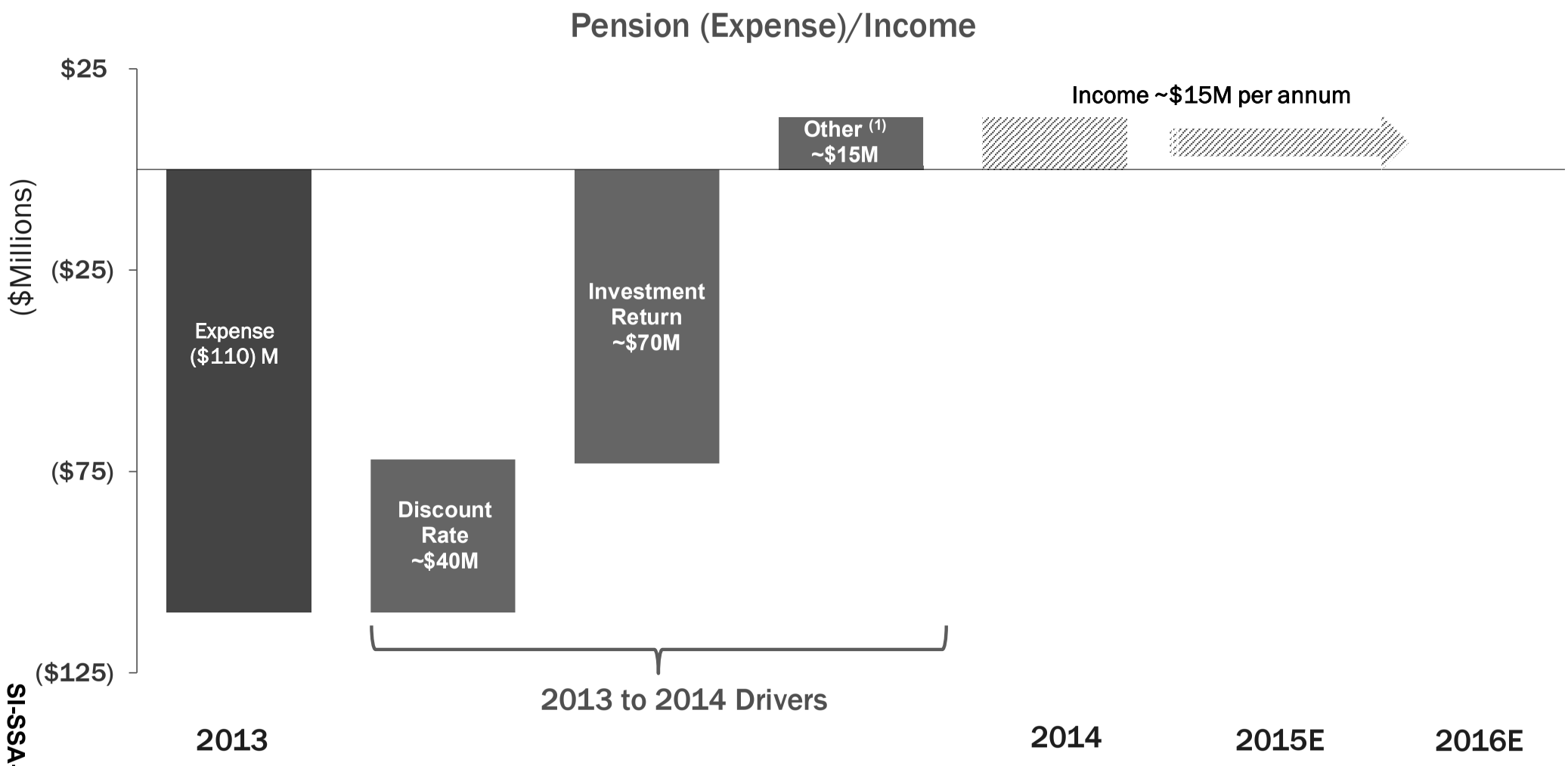
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-09617

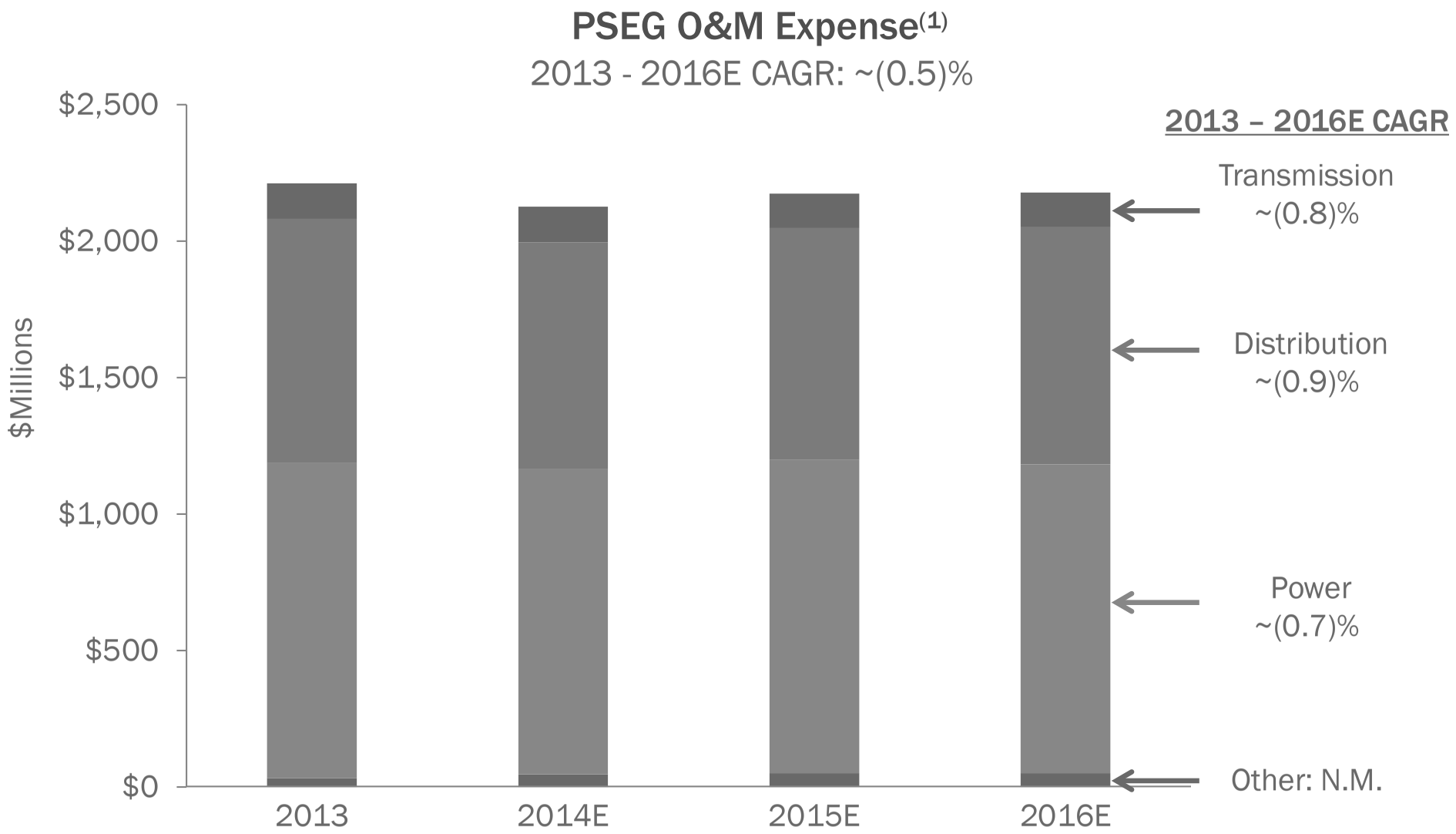
Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-09618

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-09619

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

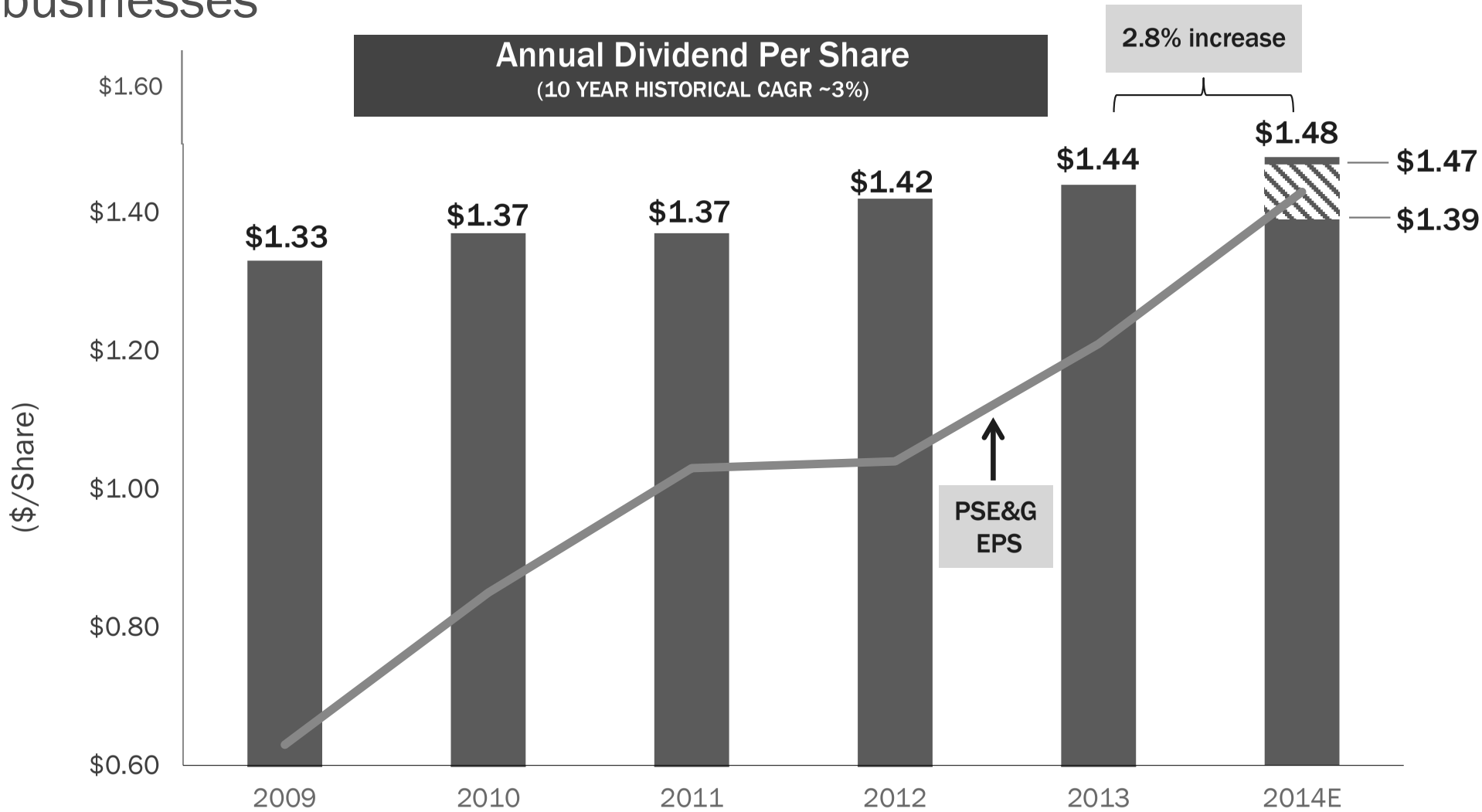
SI-SSA-0015-09620

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-09622

PSEG Summary

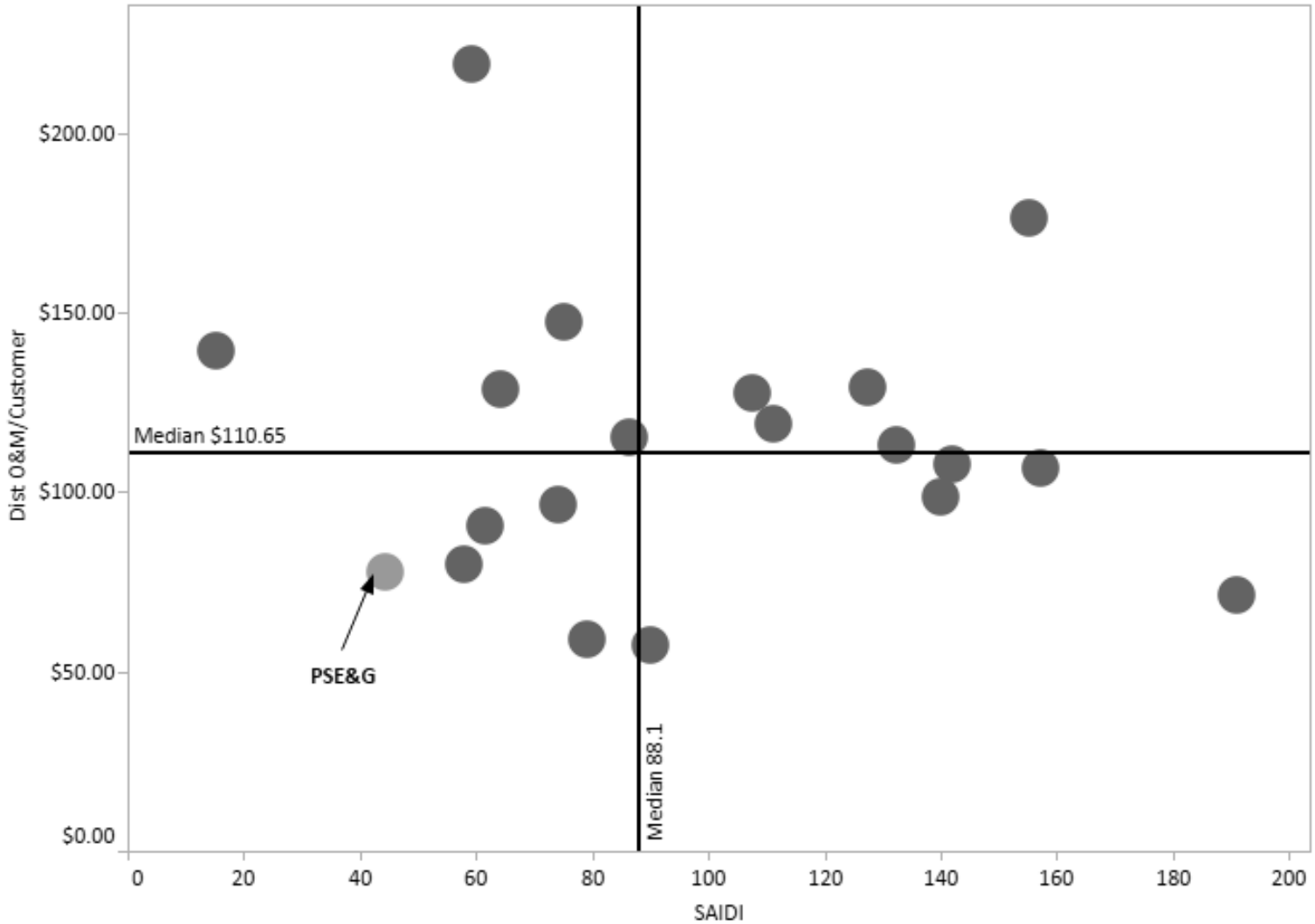
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-09623

PSE&G APPENDIX

SI-SSA-0015-09624

PSE&G provides high reliability at below average cost which creates superior value to customers



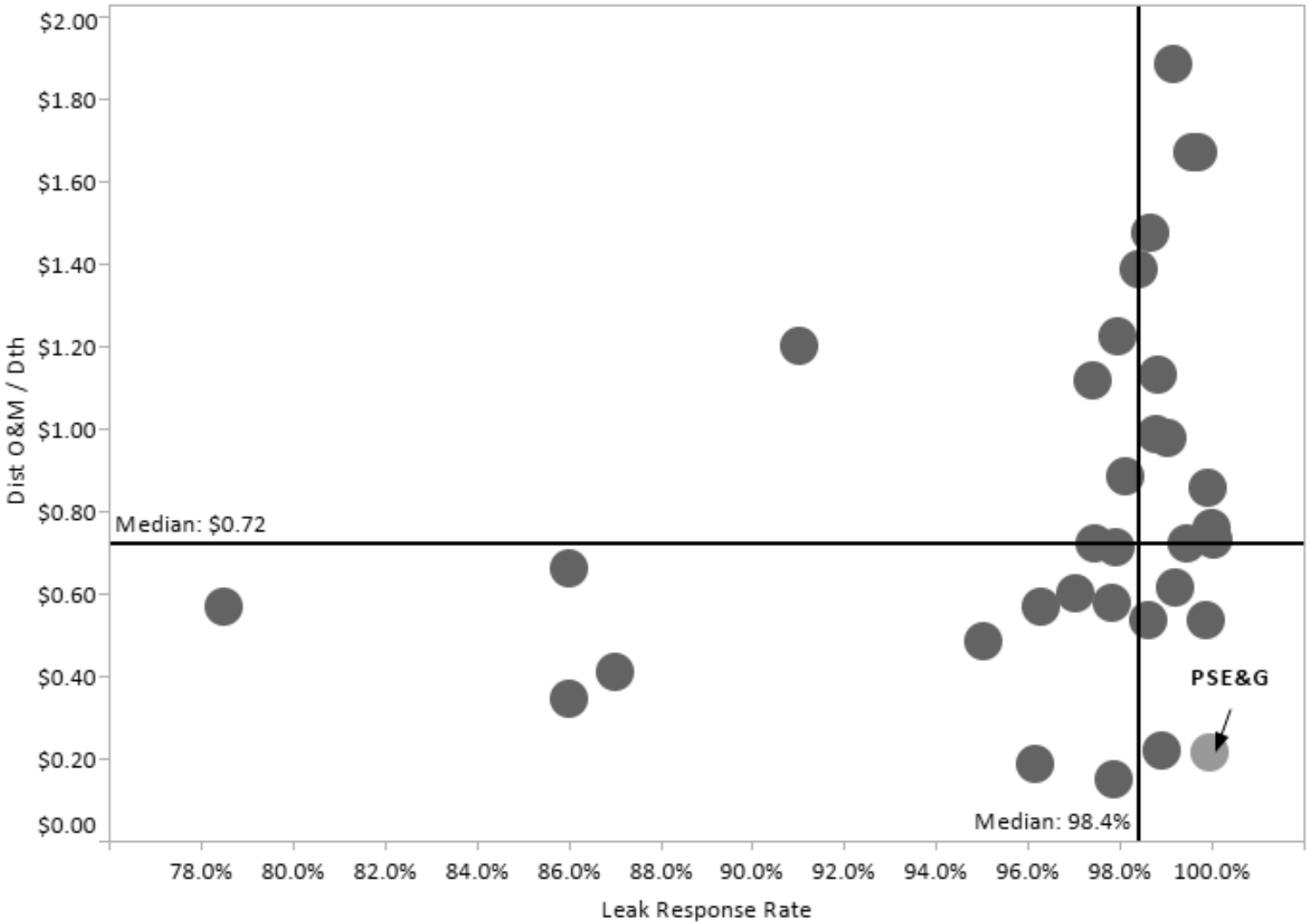
SI-SSA-0015-09625

PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



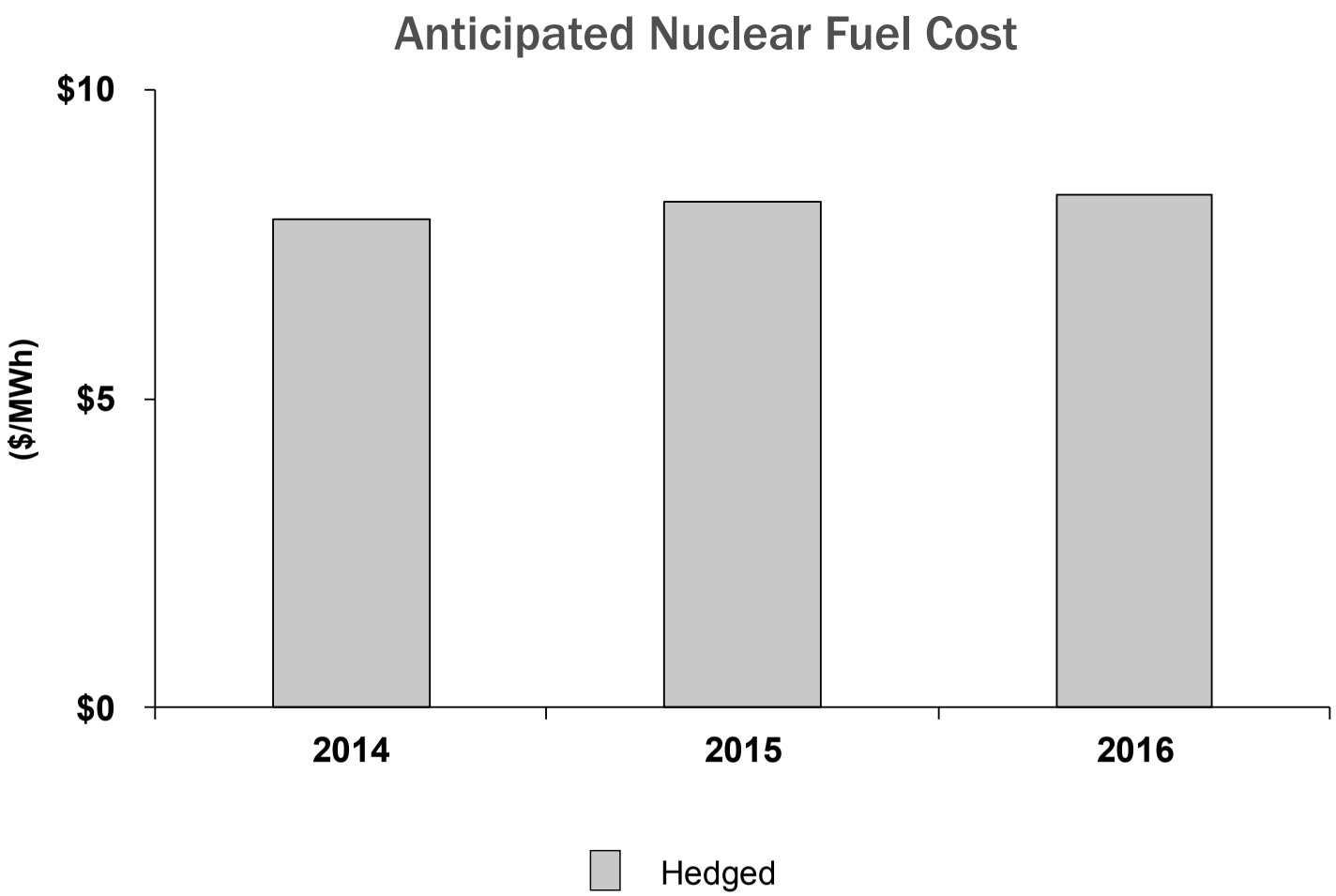
SI-SSA-0015-09626

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

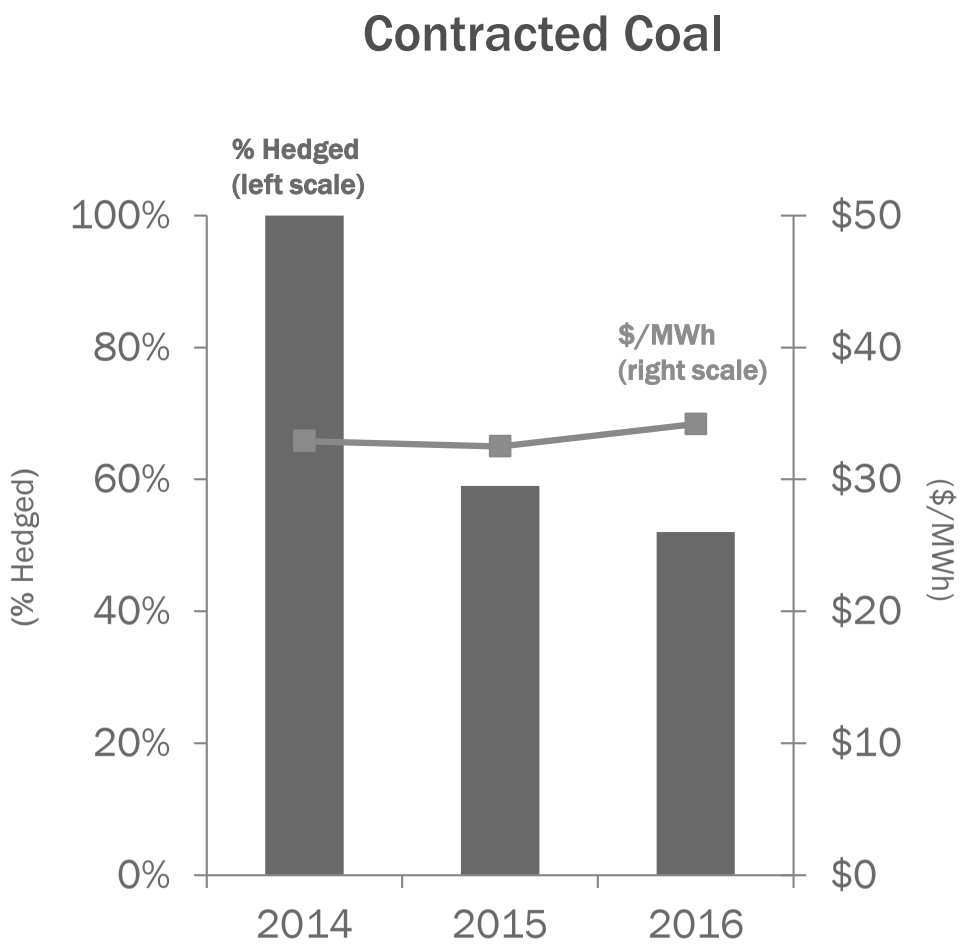
SI-SSA-0015-09627

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-09628

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-09629

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-09630

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09631

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-09632

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-09633

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-09634

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

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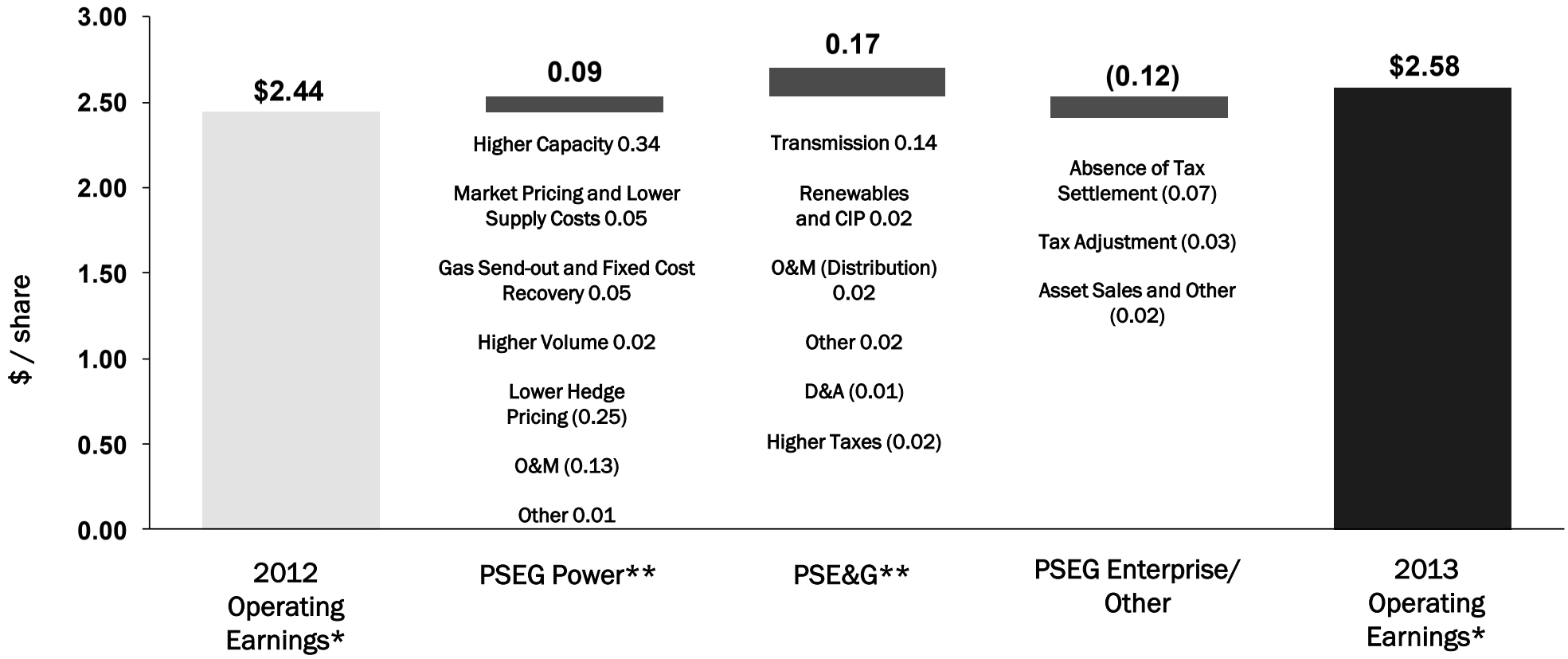
PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



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PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

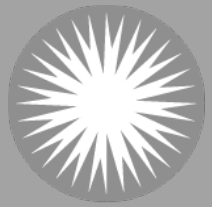
Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Jefferies Investor Meetings

BOSTON – DECEMBER 5, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09638

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-09639

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slides in this presentation include a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-09640

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-09641

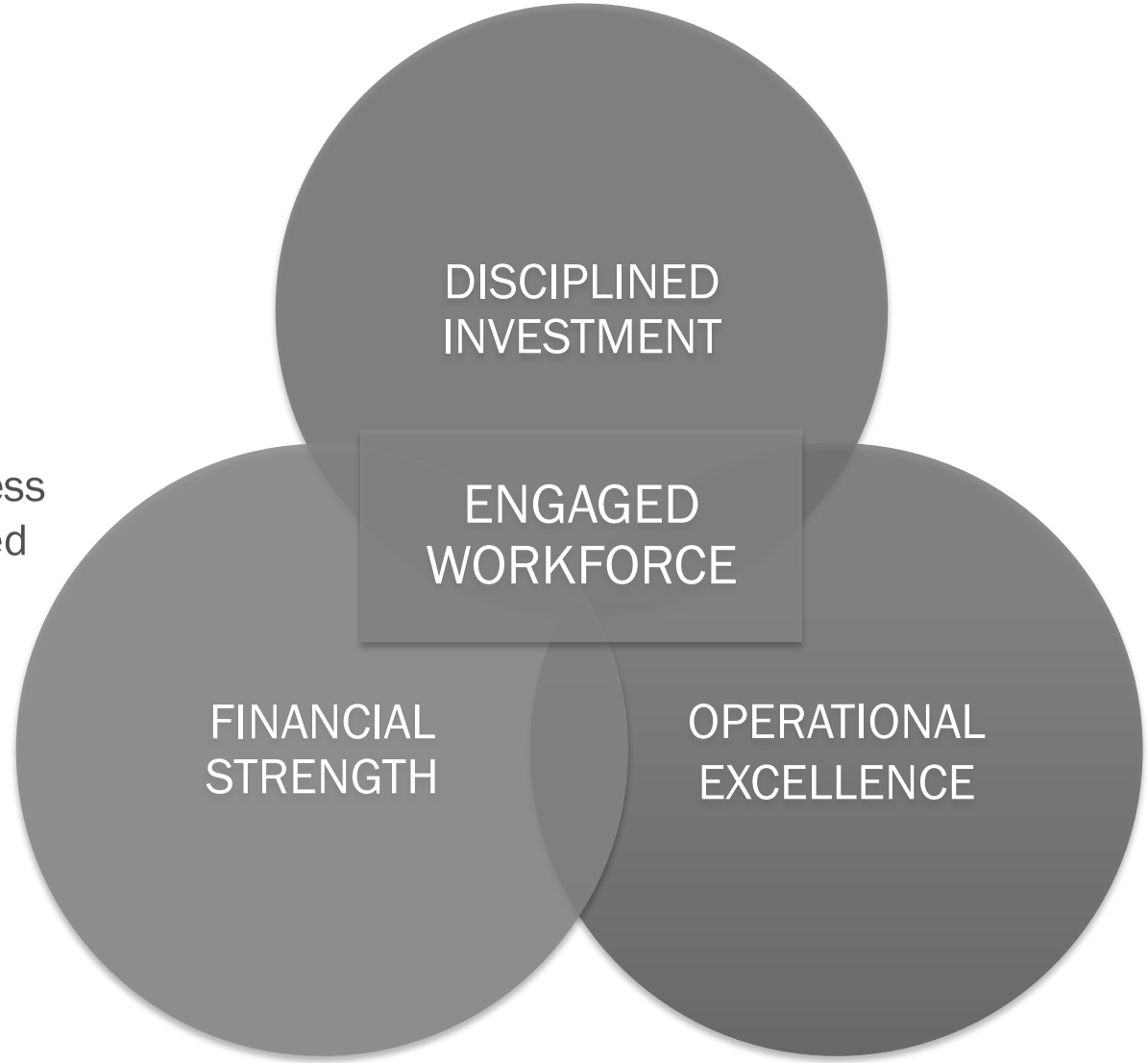
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-09643

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

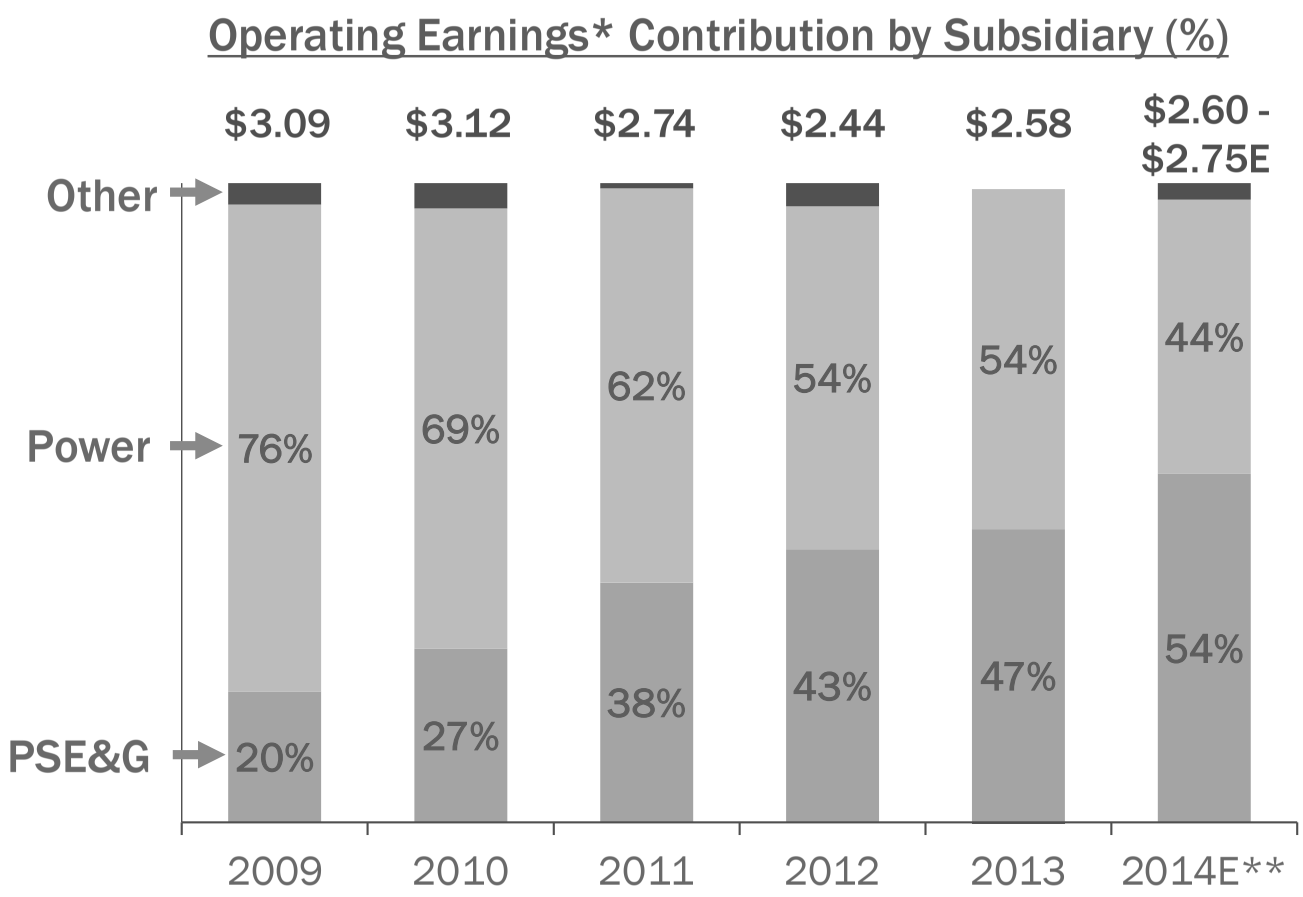
SI-SSA-0015-09644

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



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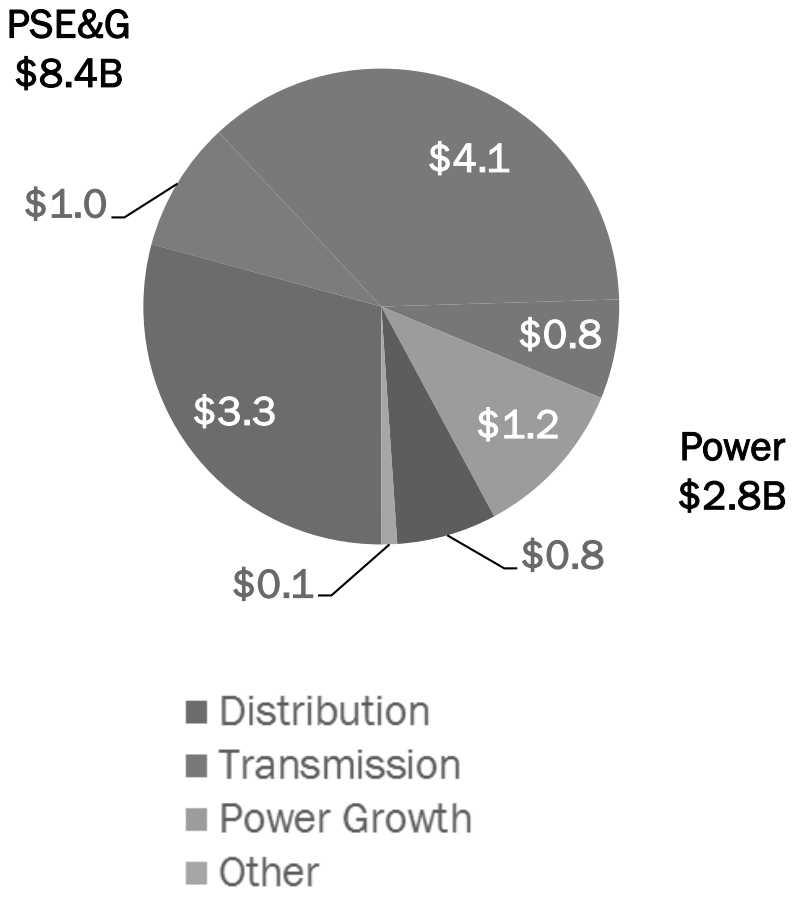
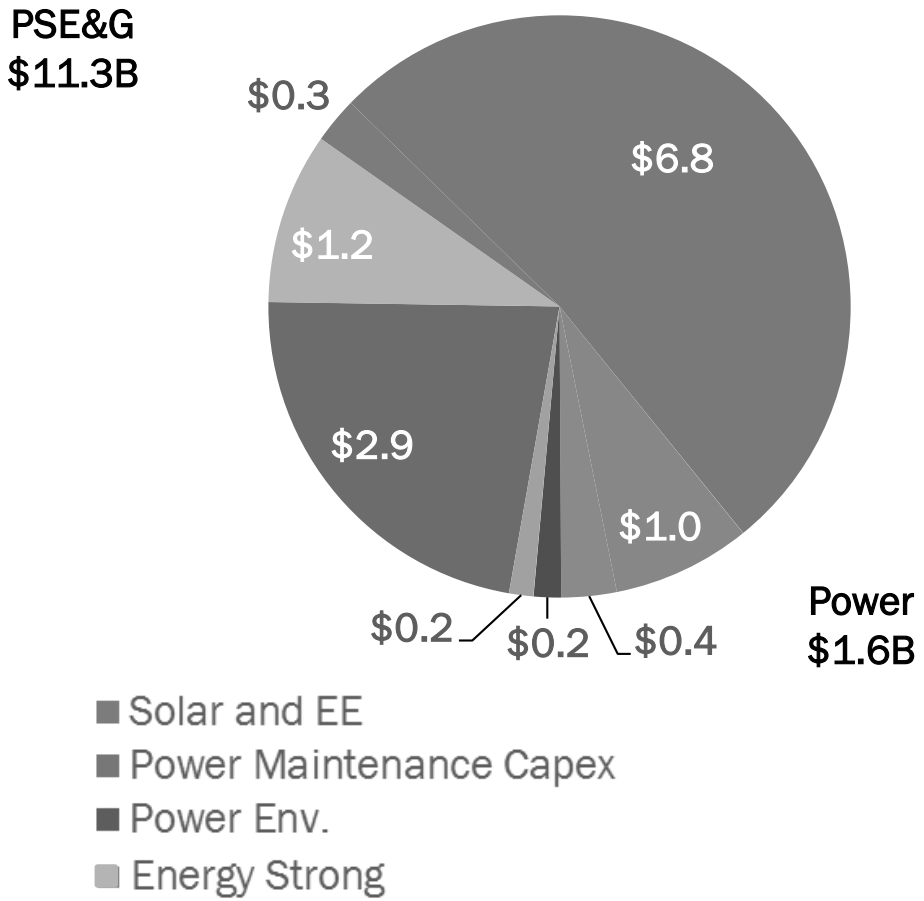
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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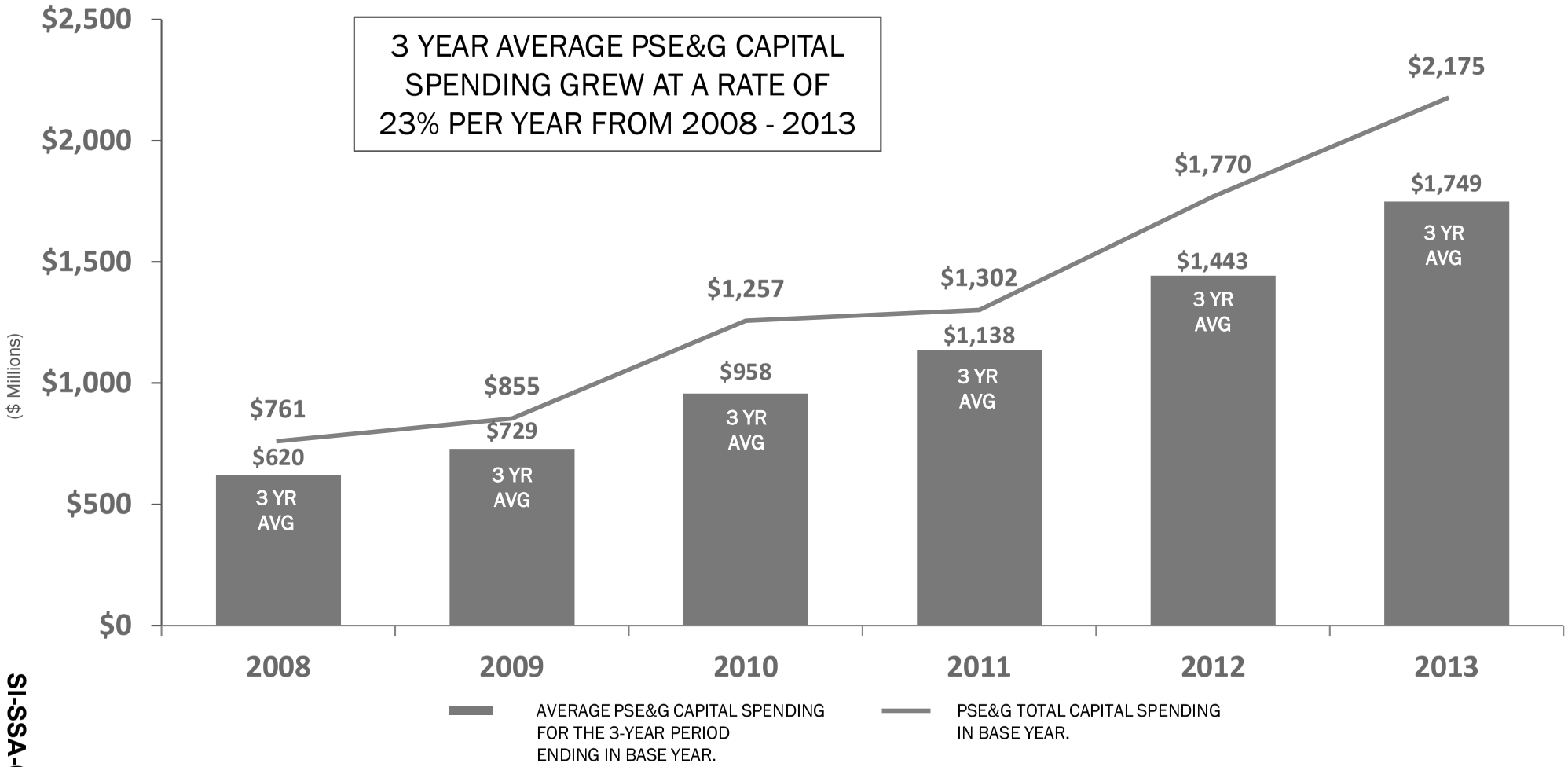
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed

through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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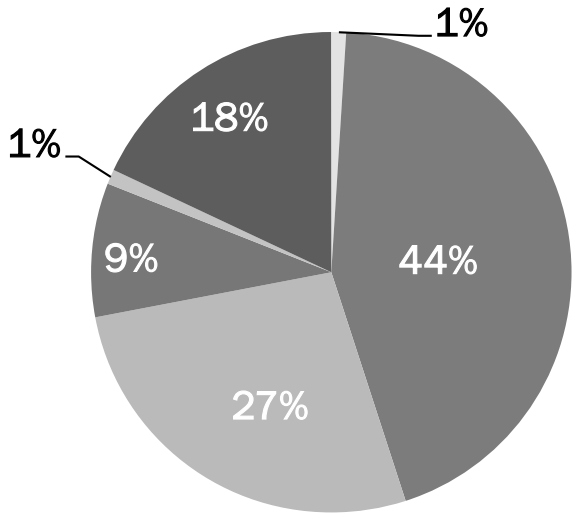
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

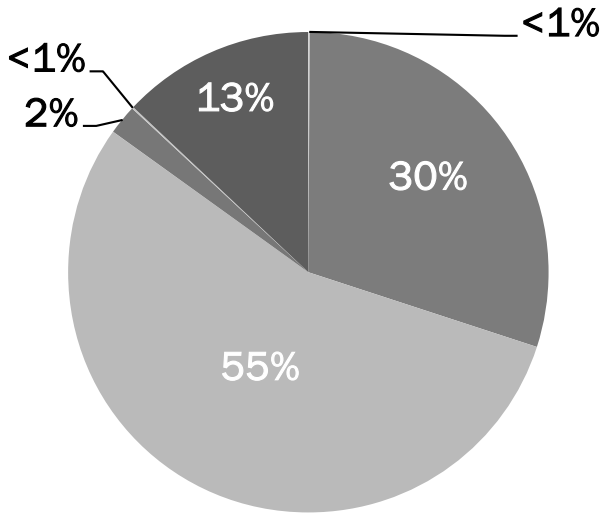
SI-SSA-0015-09648

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

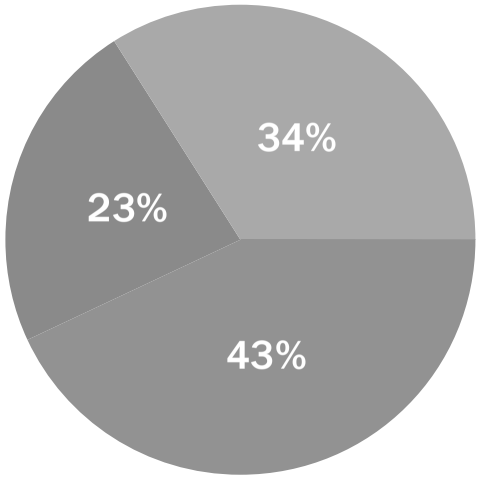
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-09649

PSEG – Year to Date 2014 Highlights

- **Operating Earnings YTD up 9% to $2.27 per share from $2.09 for YTD 2013**
  - ✓ PSE&G on track to record double-digit growth in earnings on expanded capital investment program
  - ✓ PSEG Power expected to earn at upper level of expectations for the full year
  - ✓ Narrowed 2014 full–year, operating earnings guidance to $2.60-$2.75 per share, from $2.55-$2.75 per share prior

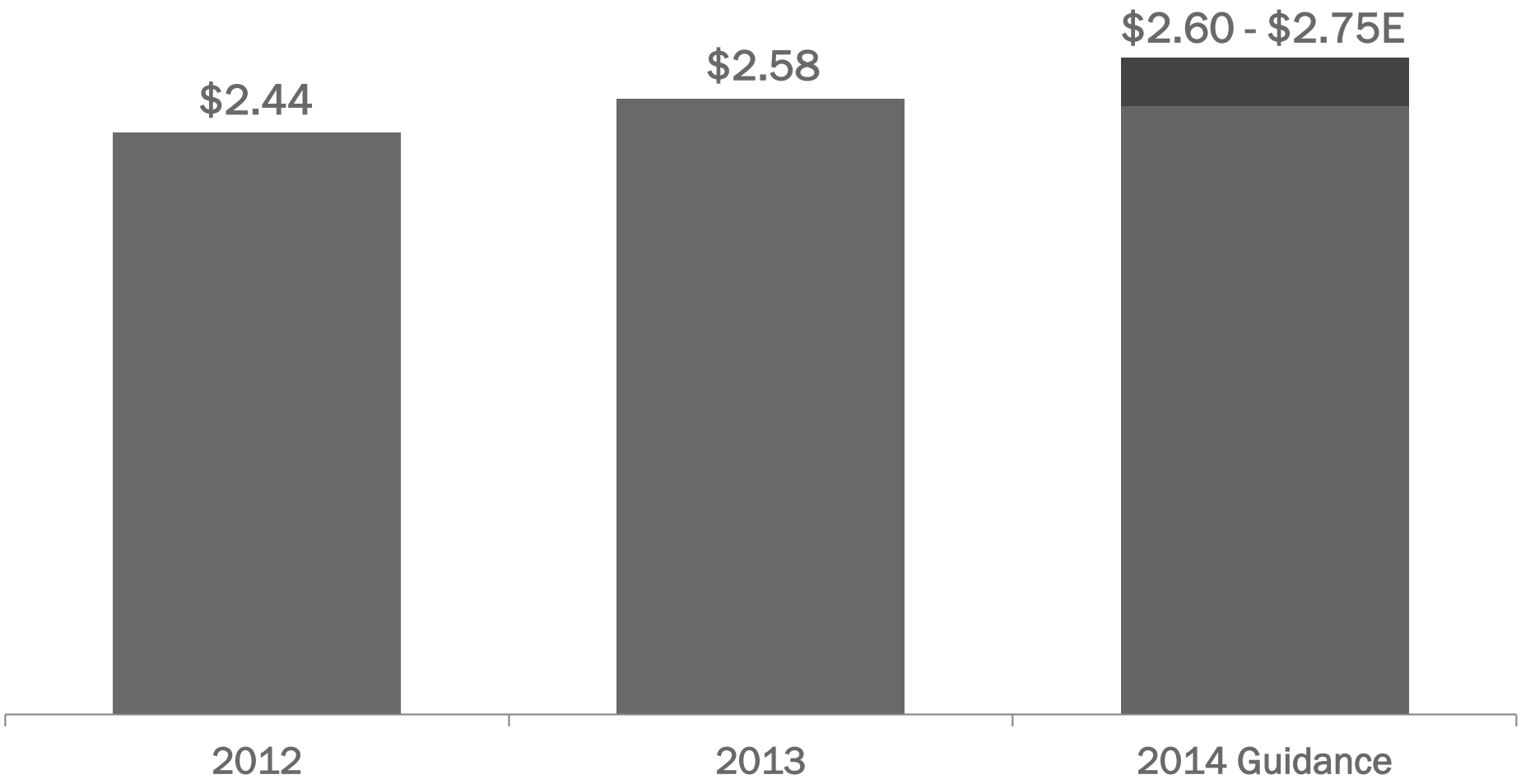
- **Executing on our capital program**
  - ✓ Replacement of PSE&G's gas cast-iron pipe underway as part of $1.22 billion Energy Strong capital program
  - ✓ Major transmission projects under $6.8 billion capital program are on-time and on-budget

- **Market developments**
  - ✓ PJM proposed changes to its Reliability Price Mechanism, Demand Curve Adjustment and pending Demand Response (DR) issues supportive of price formation

SI-SSA-0015-09650

PSEG – 2014 Another Year of Growth

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



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SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-09652

Investment opportunities exceeding $1 billion

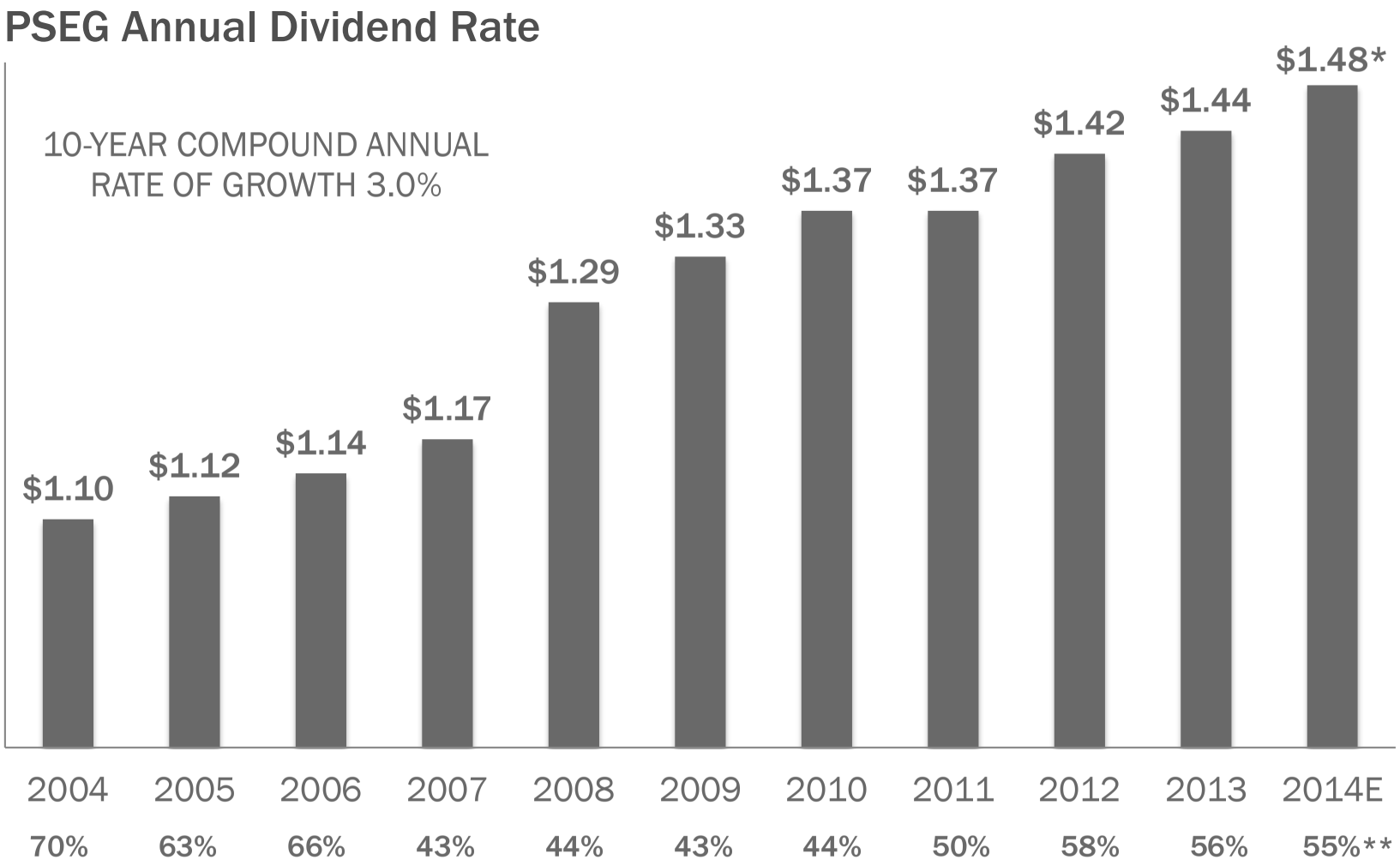
Focused on providing our customers with access to low-cost gas
and cost-effective technologies that reduce emissions
as they also improve system reliability

Potential Investment	Description	Amount
Bridgeport Harbor Station	New 450 MW CCGT Unit	$500 -- $700
PSEG -- Long Island	Utility 2.0 Energy Efficiency Filing	$200 -- $345
Artificial Island	FERC 1000 Project*	$250 -- $300
PennEast Pipeline	Equity Interest	$100 -- $120
PSE&G Energy Efficiency	Program Extension	$100 -- $100
Total		$1,150-$1,565

*Artificial Island Project includes amount for related compensator which has been assigned to PSE&G.

SI-SSA-0015-09653

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



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*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-09655

PSE&G

SI-SSA-0015-09656

PSEG

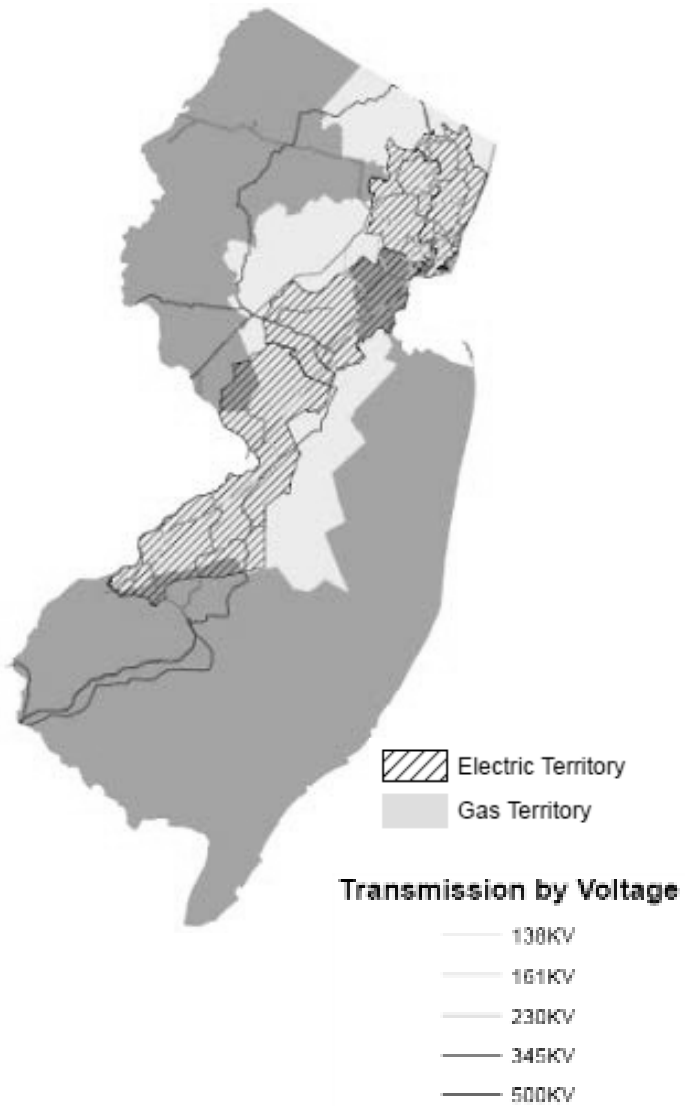
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09657

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-09658

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-09659

PSE&G's operating earnings grew ~18%

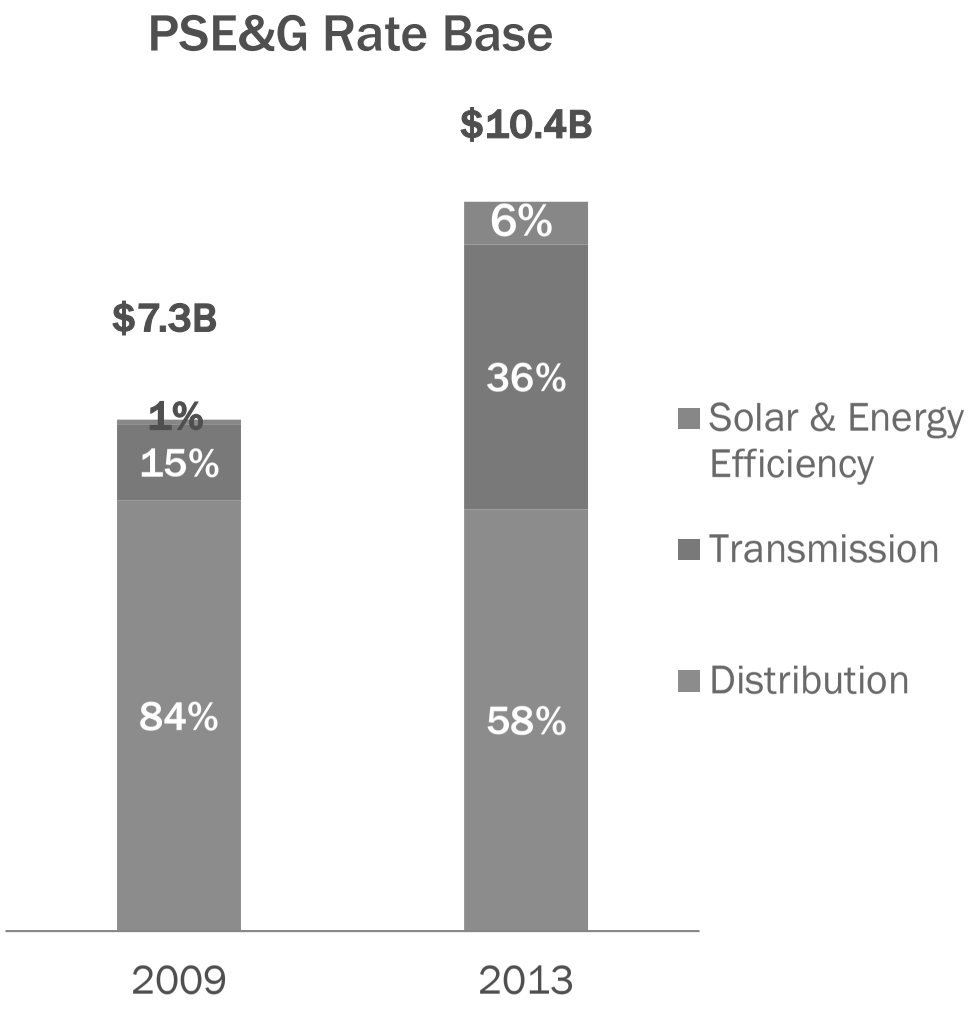
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-09660

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-09661

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013

Plan to invest additional ~$1.6B through 2018 in approved programs

Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

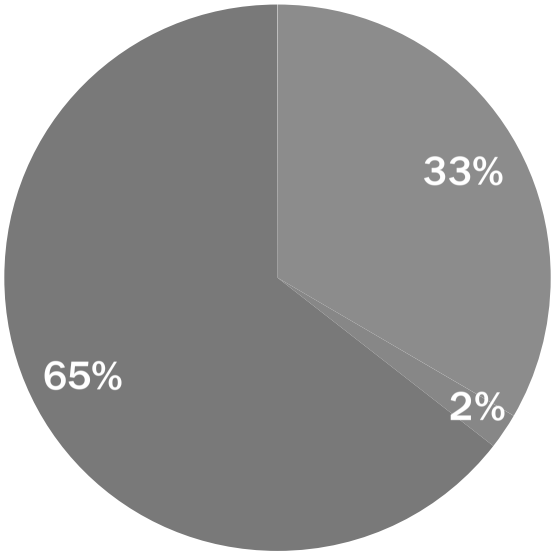
SI-SSA-0015-09662

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

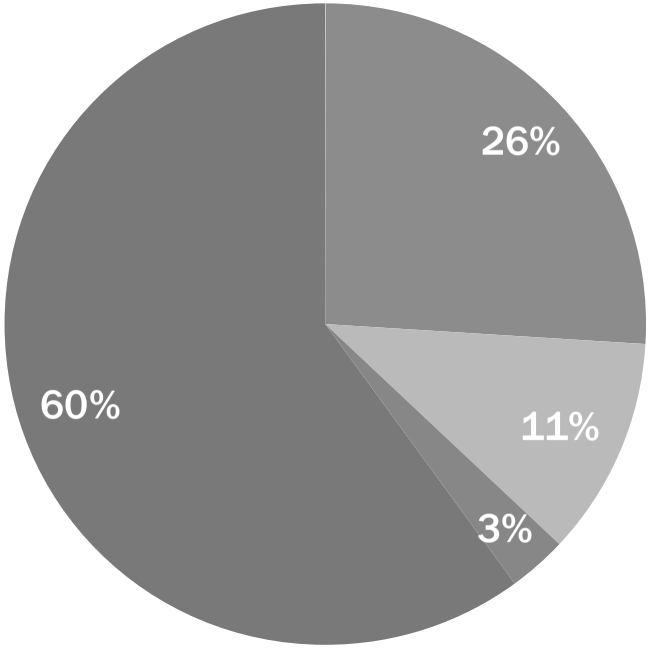
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-09663

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

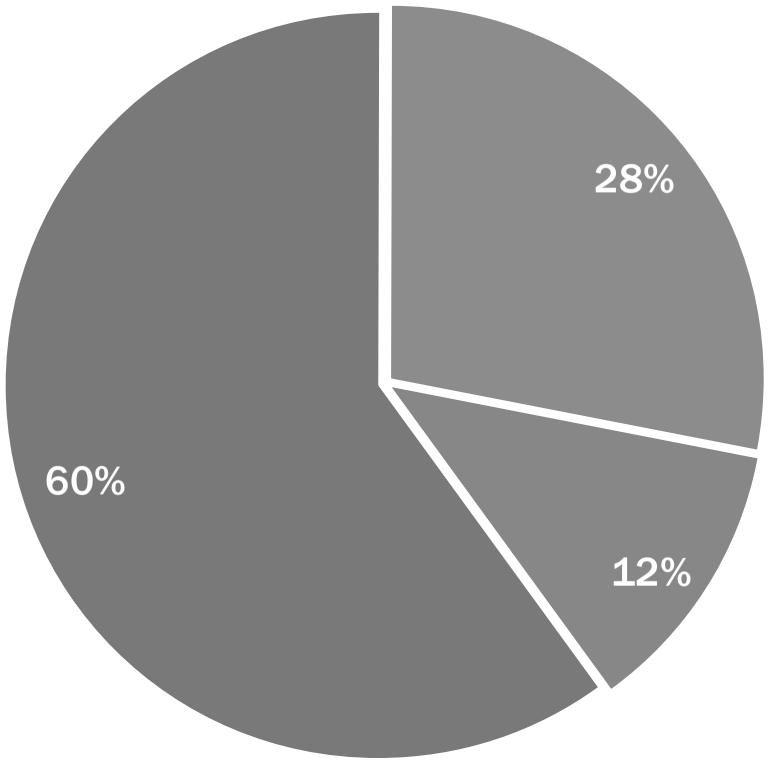
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-09664

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

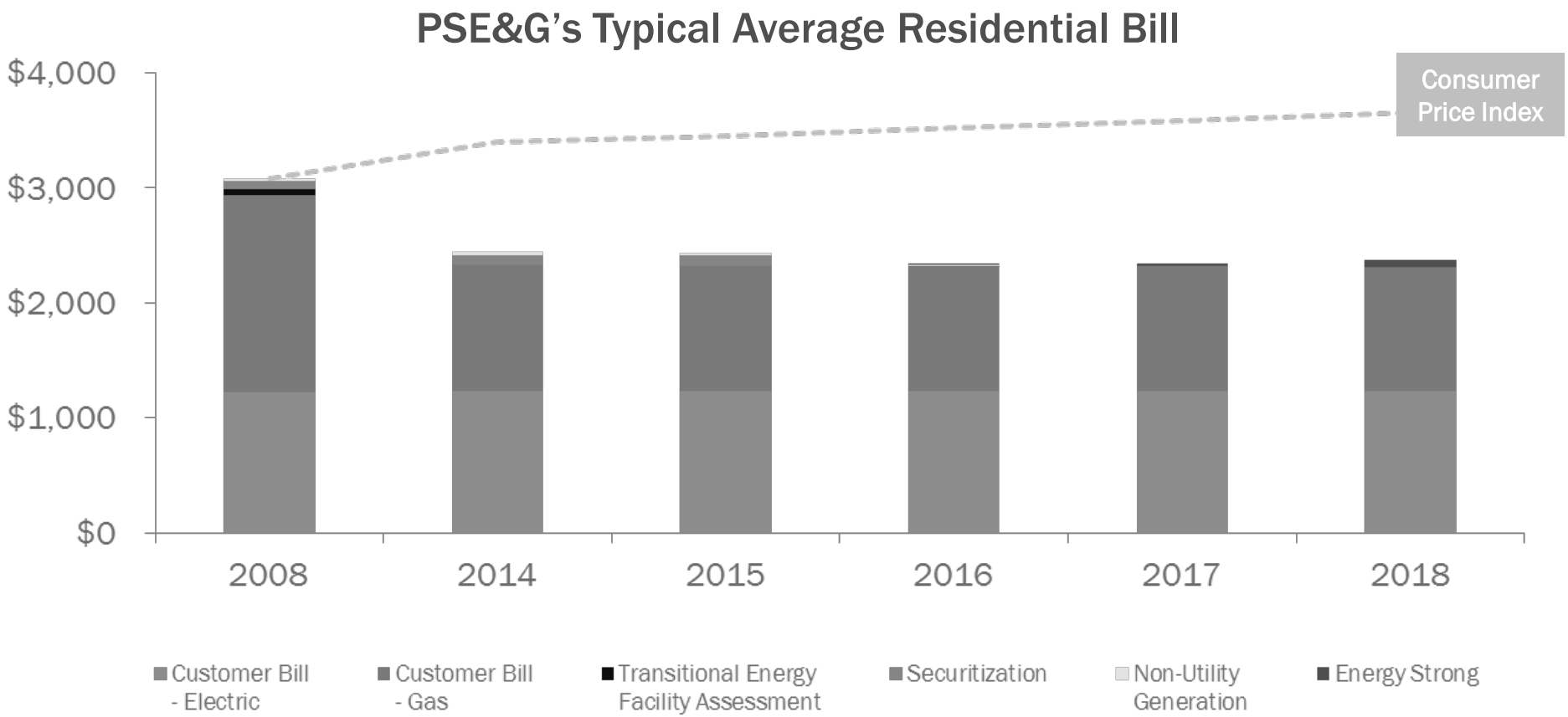
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-09665

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-09666

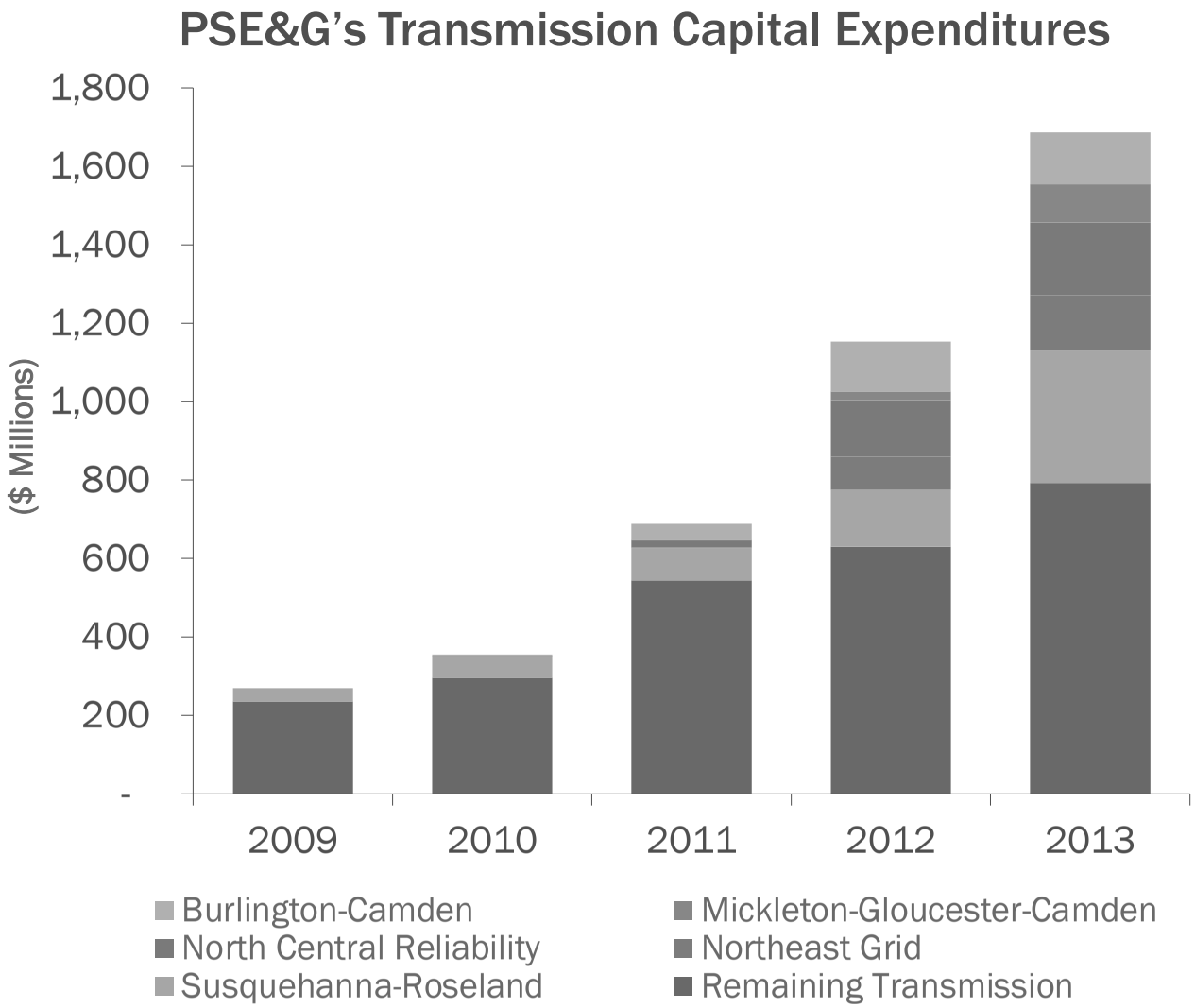
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-09667

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-09668

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-09669

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction planned to be completed in Q3 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-09670

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-09671

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-09672

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-09673

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09674

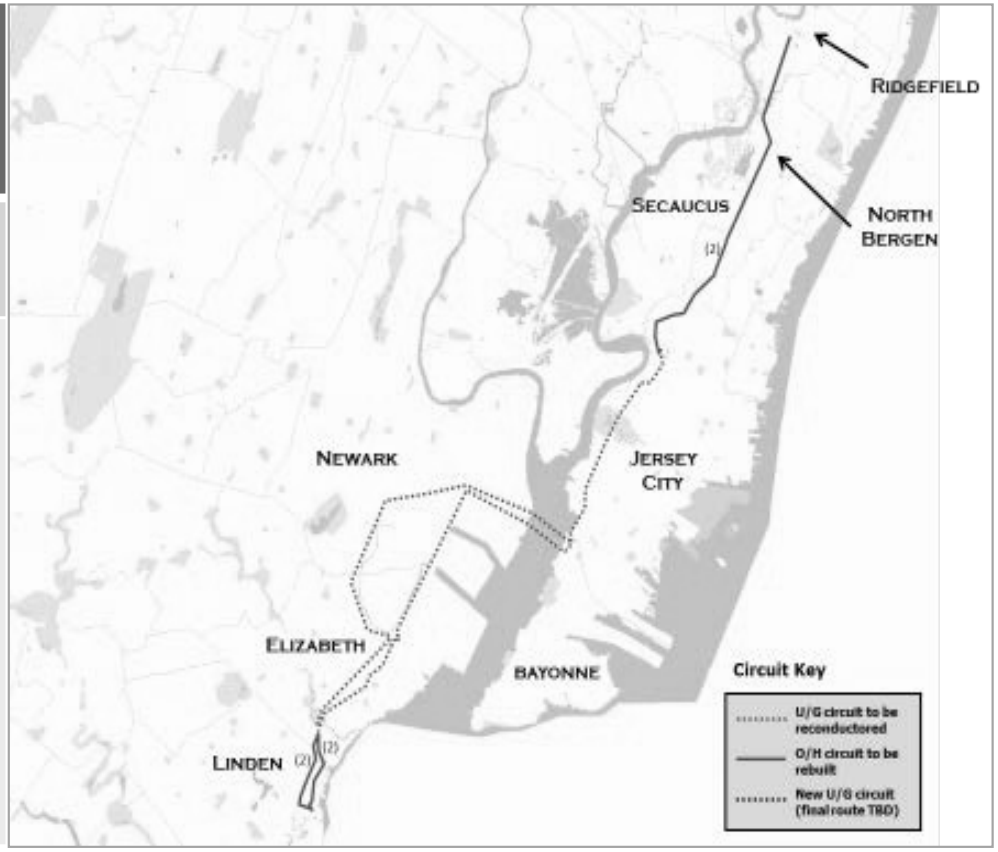
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

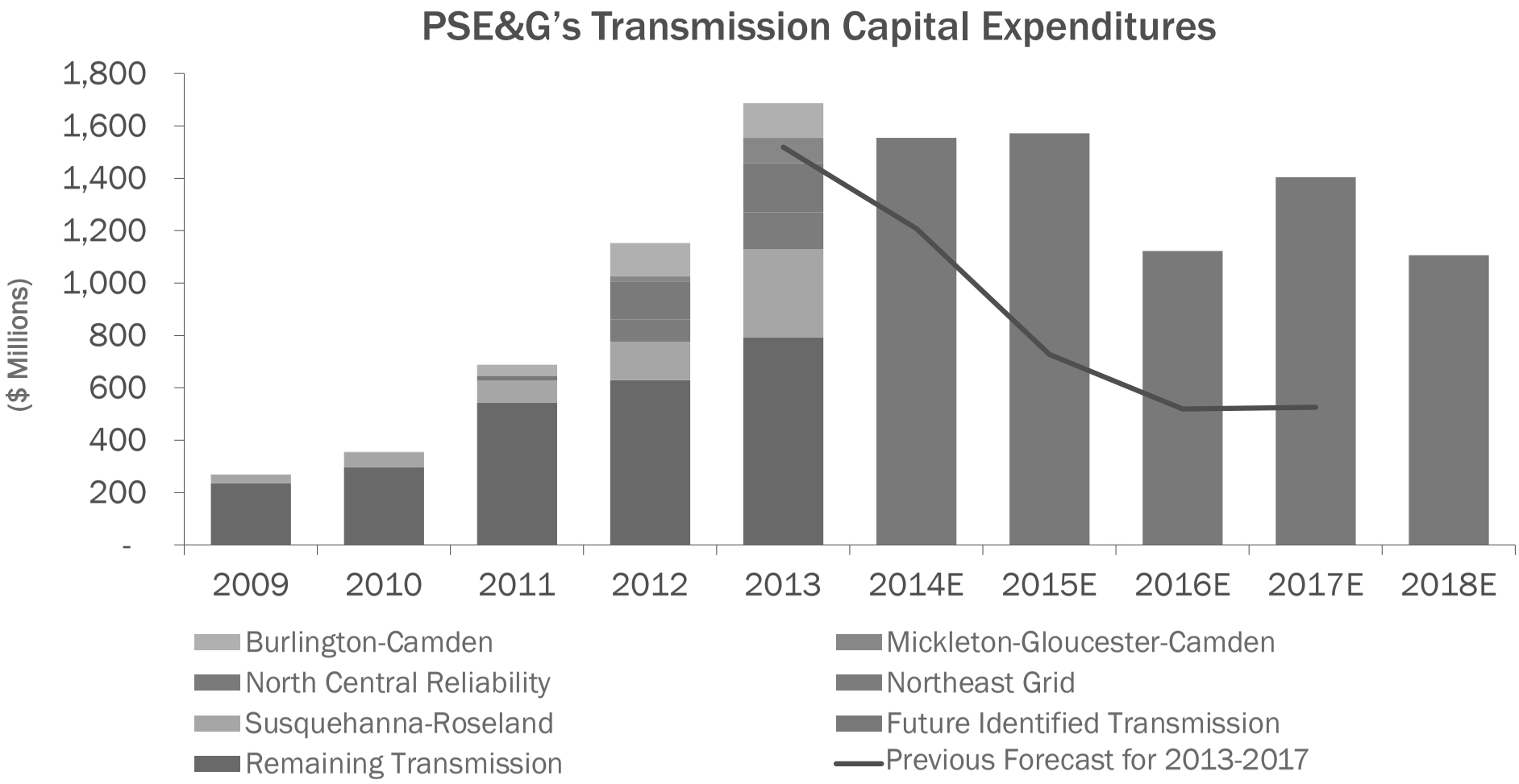
Project Status: Engineering



SI-SSA-0015-09675

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-09676

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-09677

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-09678

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-09679

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

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We make things work for you.

SI-SSA-0015-09680

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-09681

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Utility 2.0 – Expanded program filed ~$345 million

Early performance

Successful transition to PSEG Long Island	Improved stakeholder communications	Achieving reliability and customer satisfaction metrics

SI-SSA-0015-09682

PSEG POWER

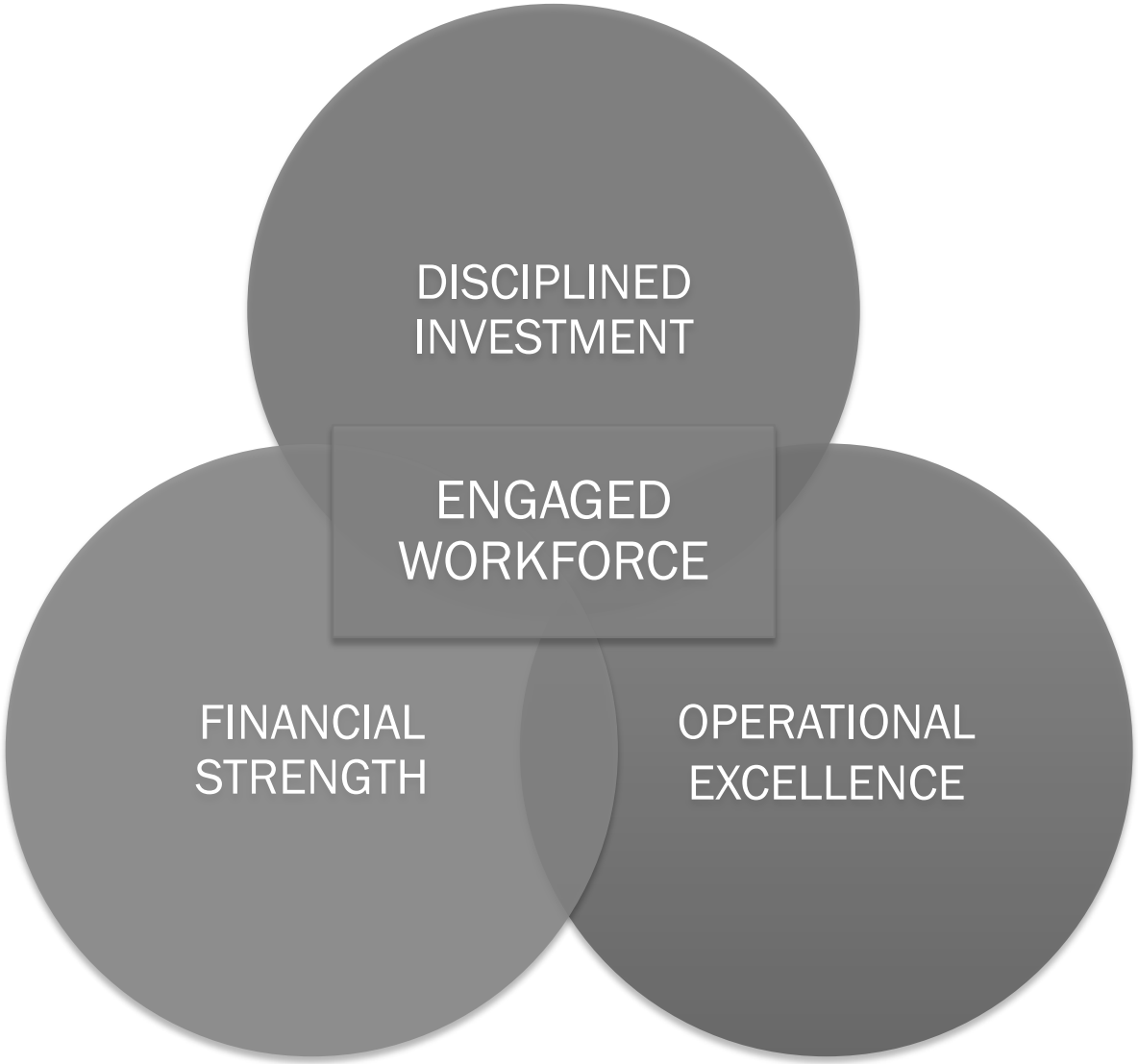
PSEG

We make things work for you.

SI-SSA-0015-09683

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-09684

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-09685

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

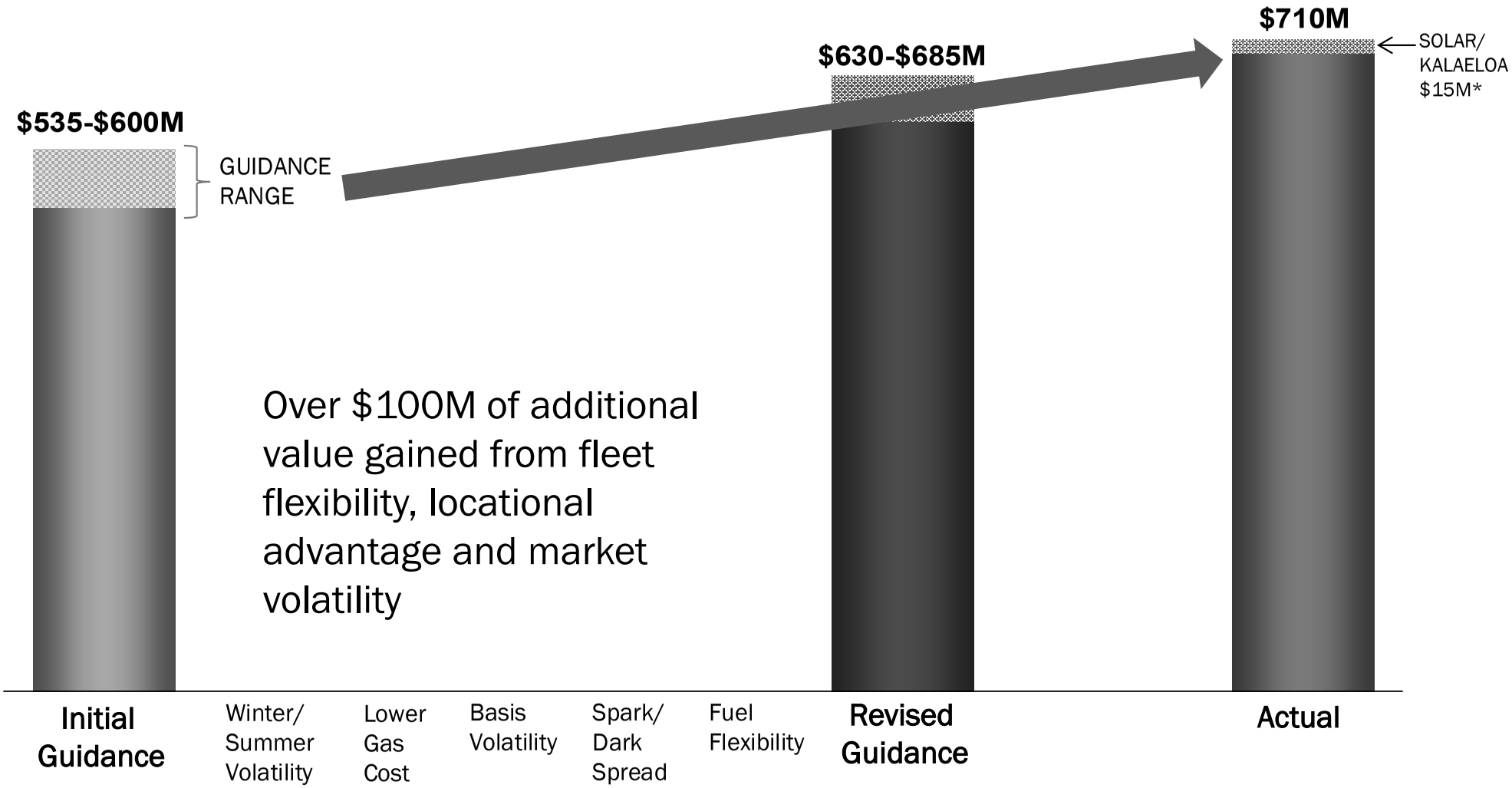
SI-SSA-0015-09686

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-09687

PSEG Power exceeded 2013's earnings guidance



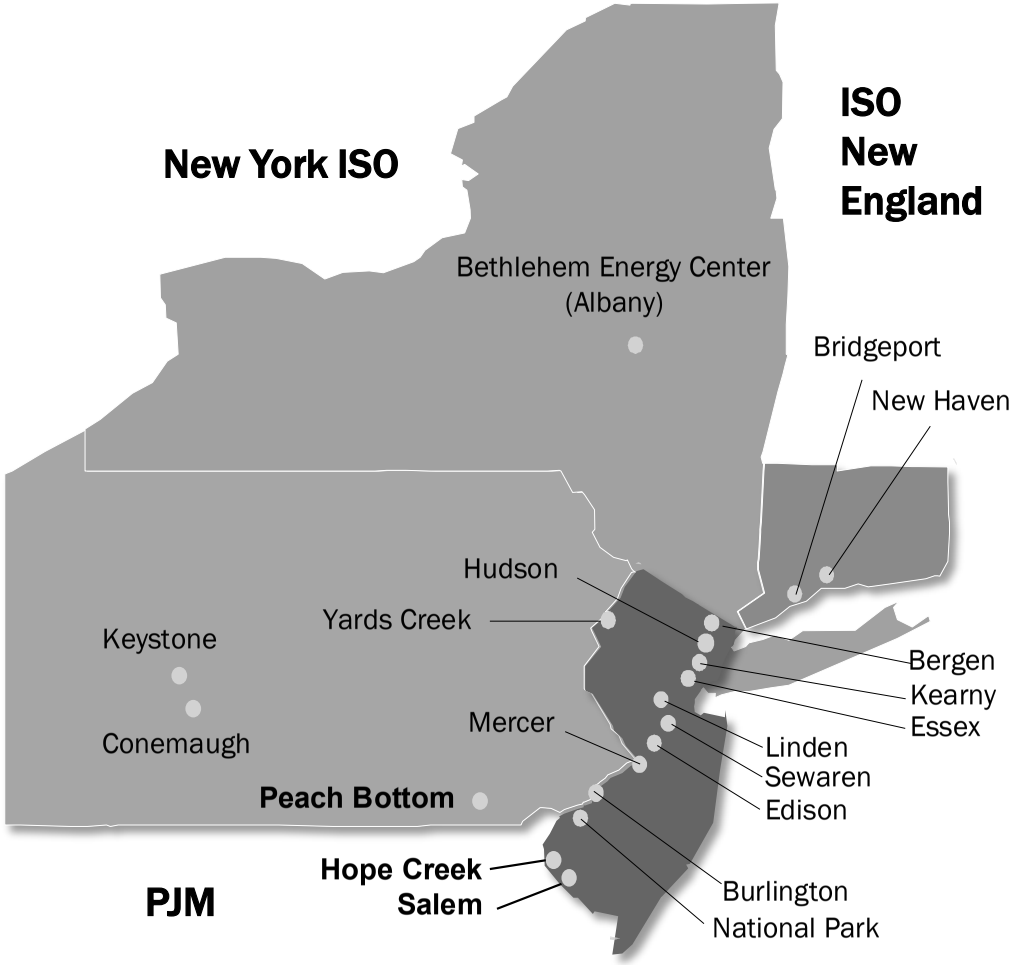
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-09688

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



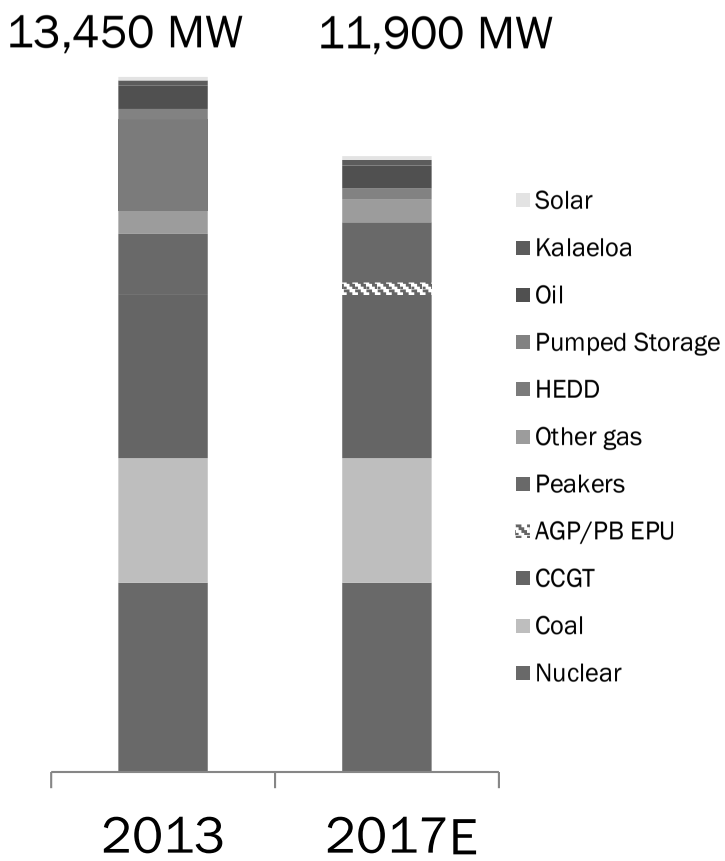
SI-SSA-0015-09689

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

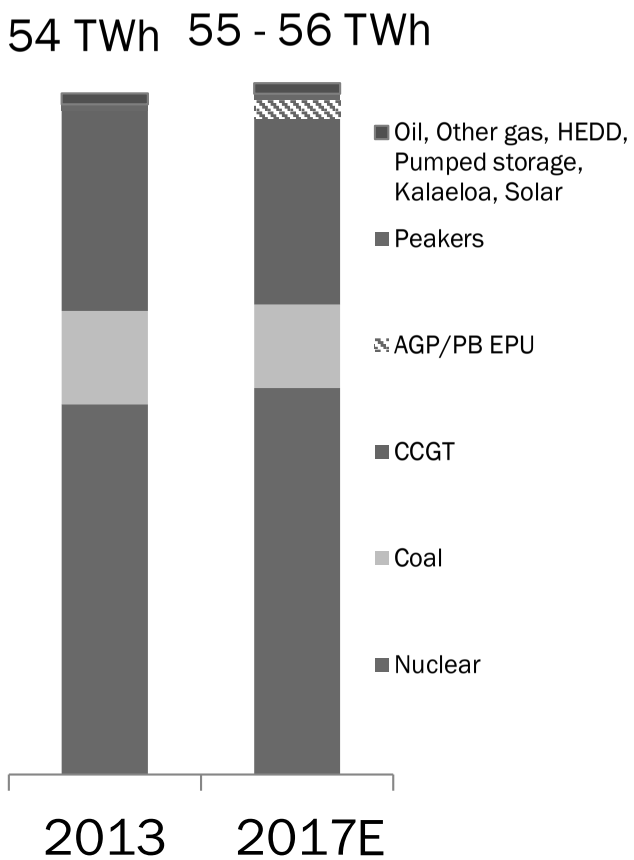
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



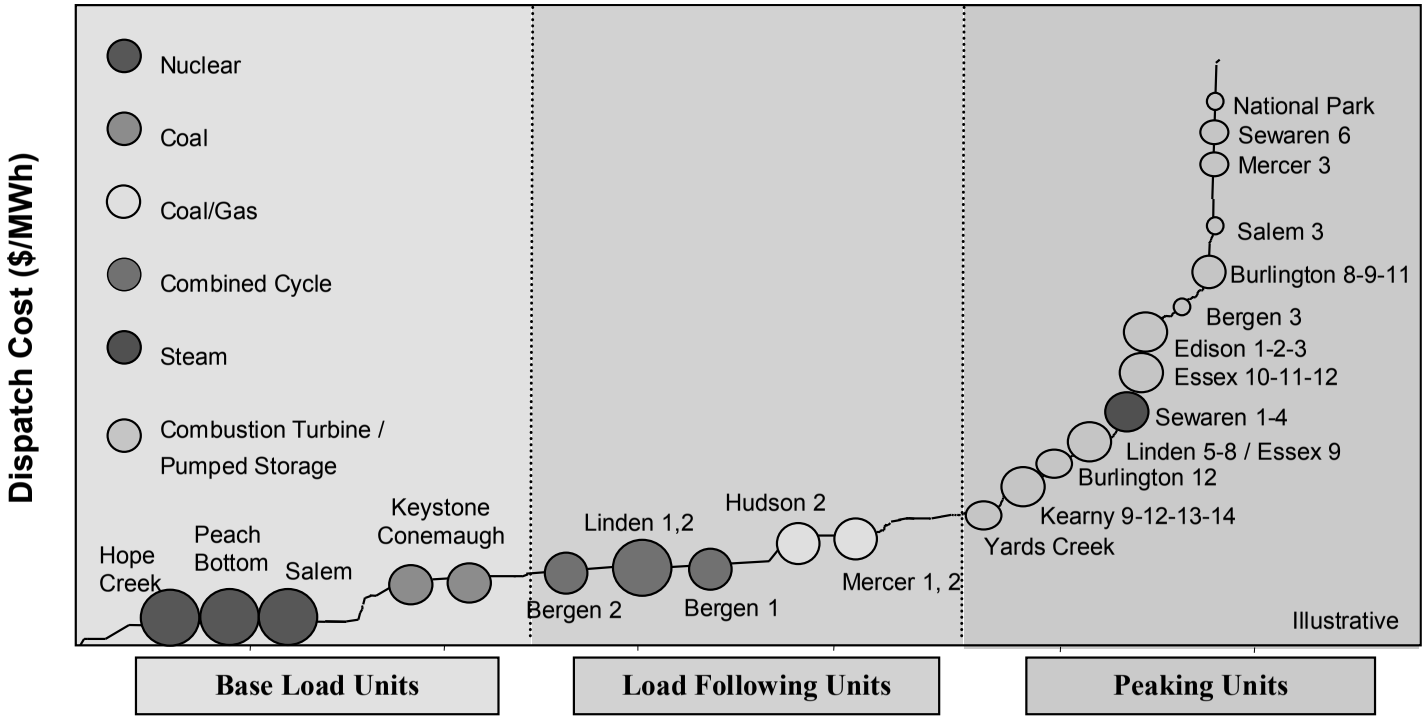
Energy Produced



E=ESTIMATE

SI-SSA-0015-09690

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-09691

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Spring 2016 ➢ Unit 2 -- Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Spring 2016 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW (PS Share) Unit 2 - 2015/Unit 3 - 2016

SI-SSA-0015-09692

PSEG Power Nuclear is core to the fleet and has competitive advantages

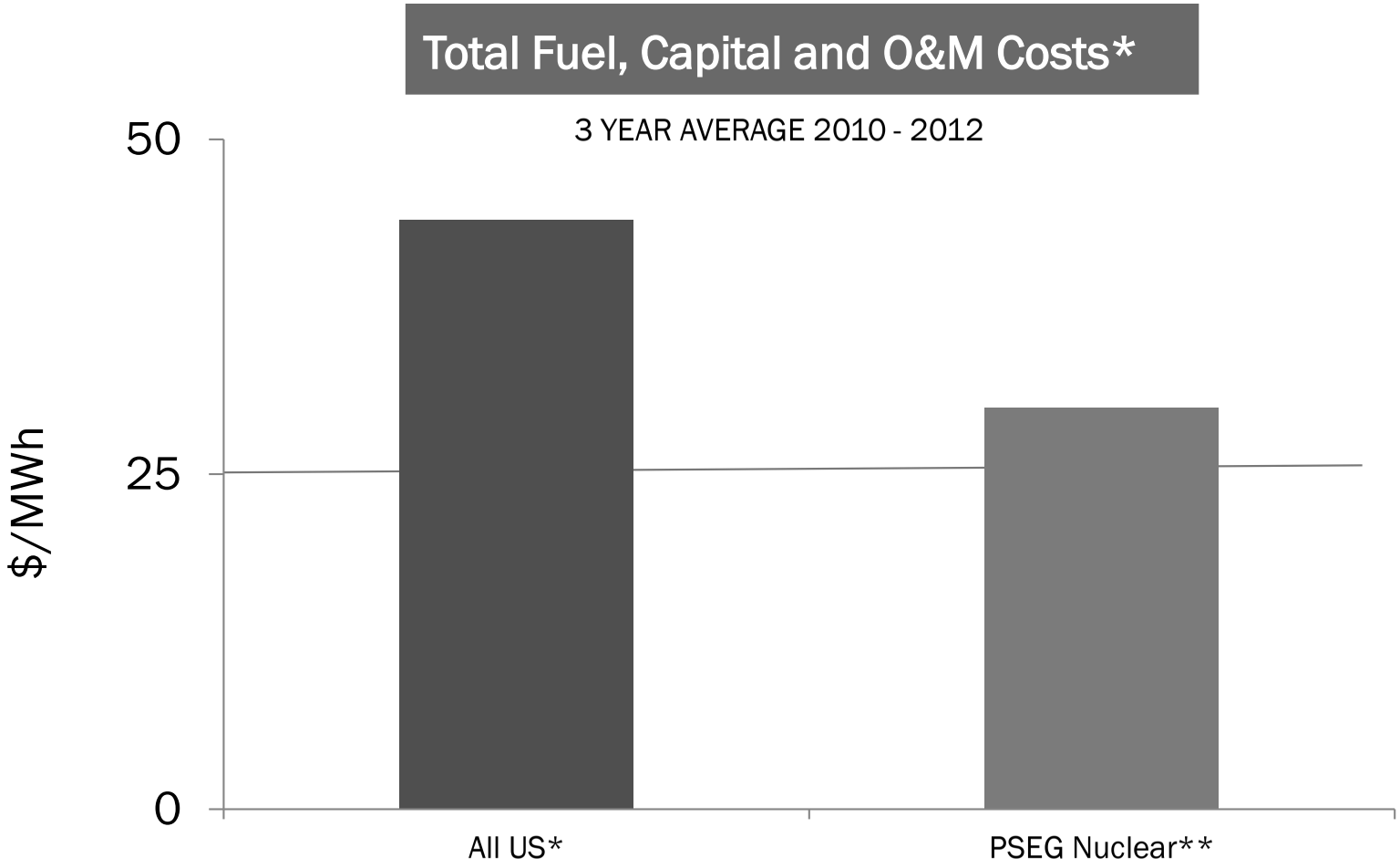
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-09693

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

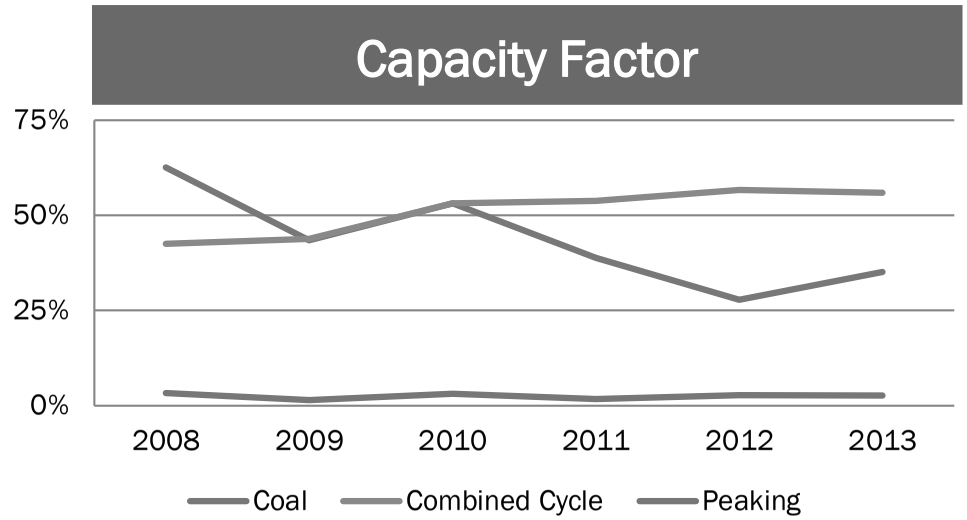


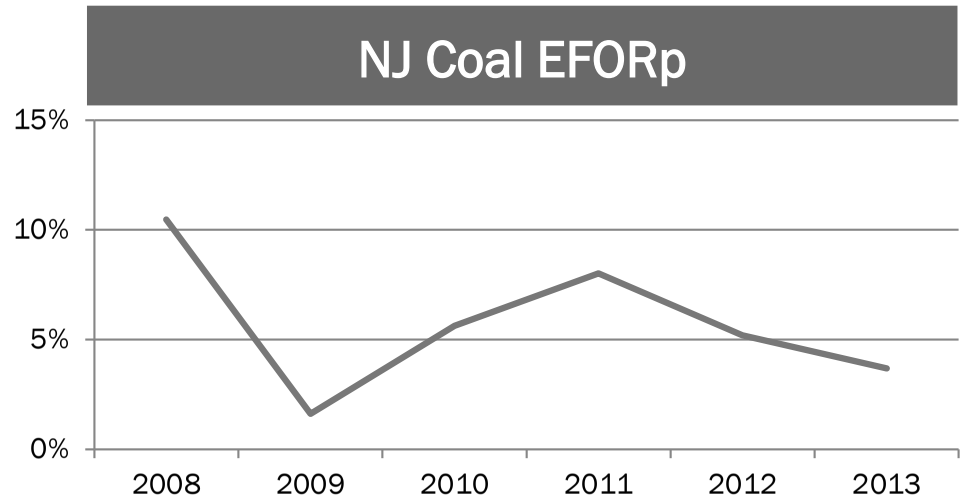
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

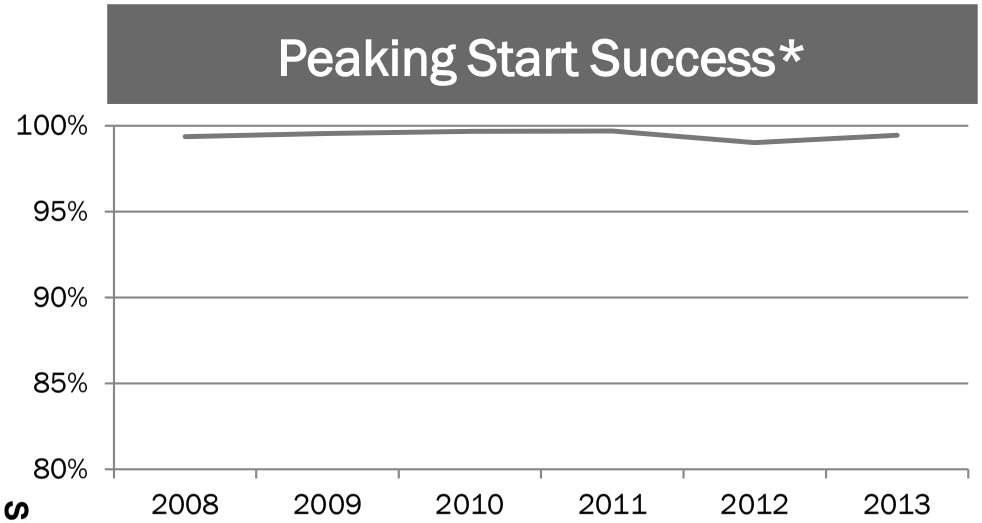
SI-SSA-0015-09694

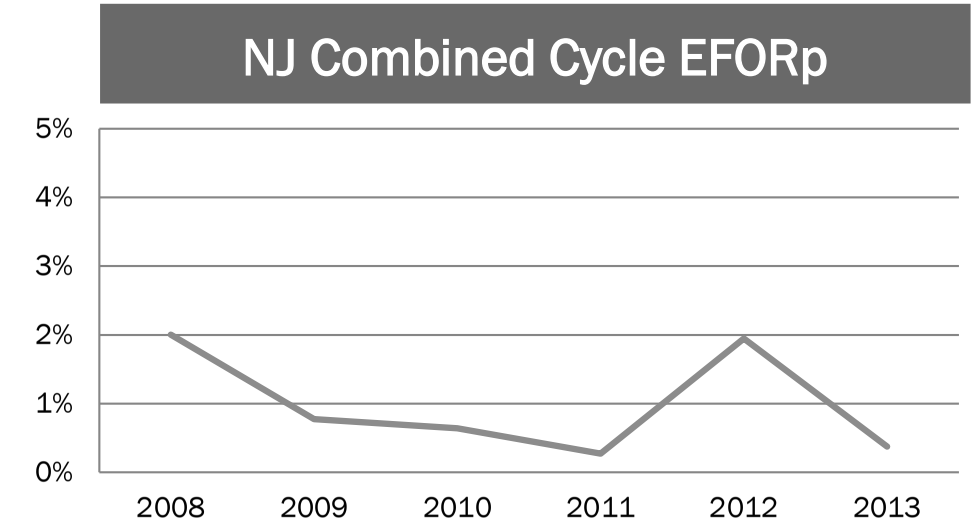
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

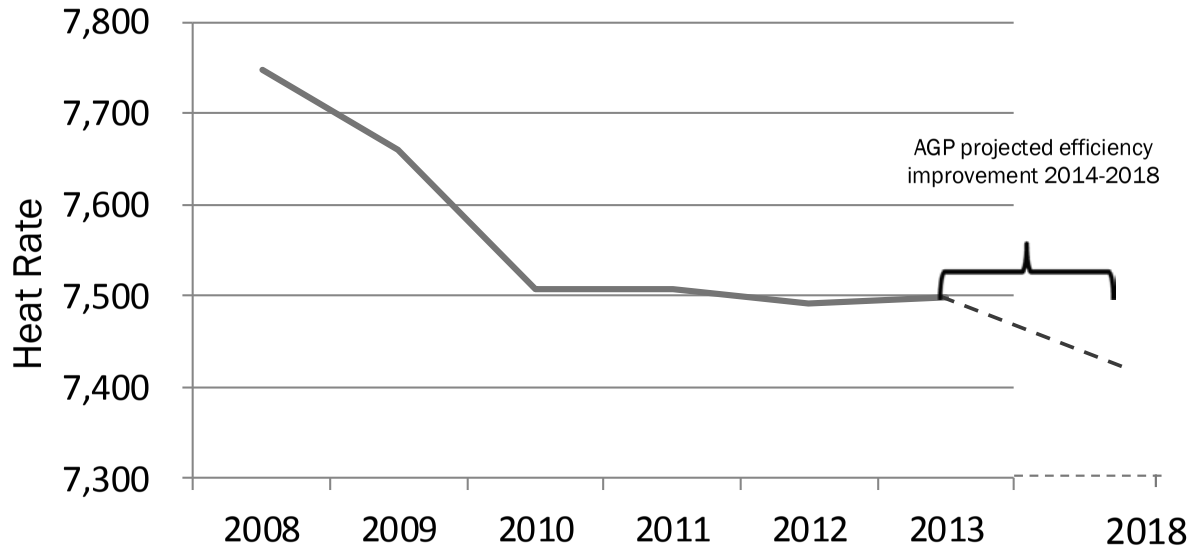
SI-SSA-0015-09695

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-09696

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

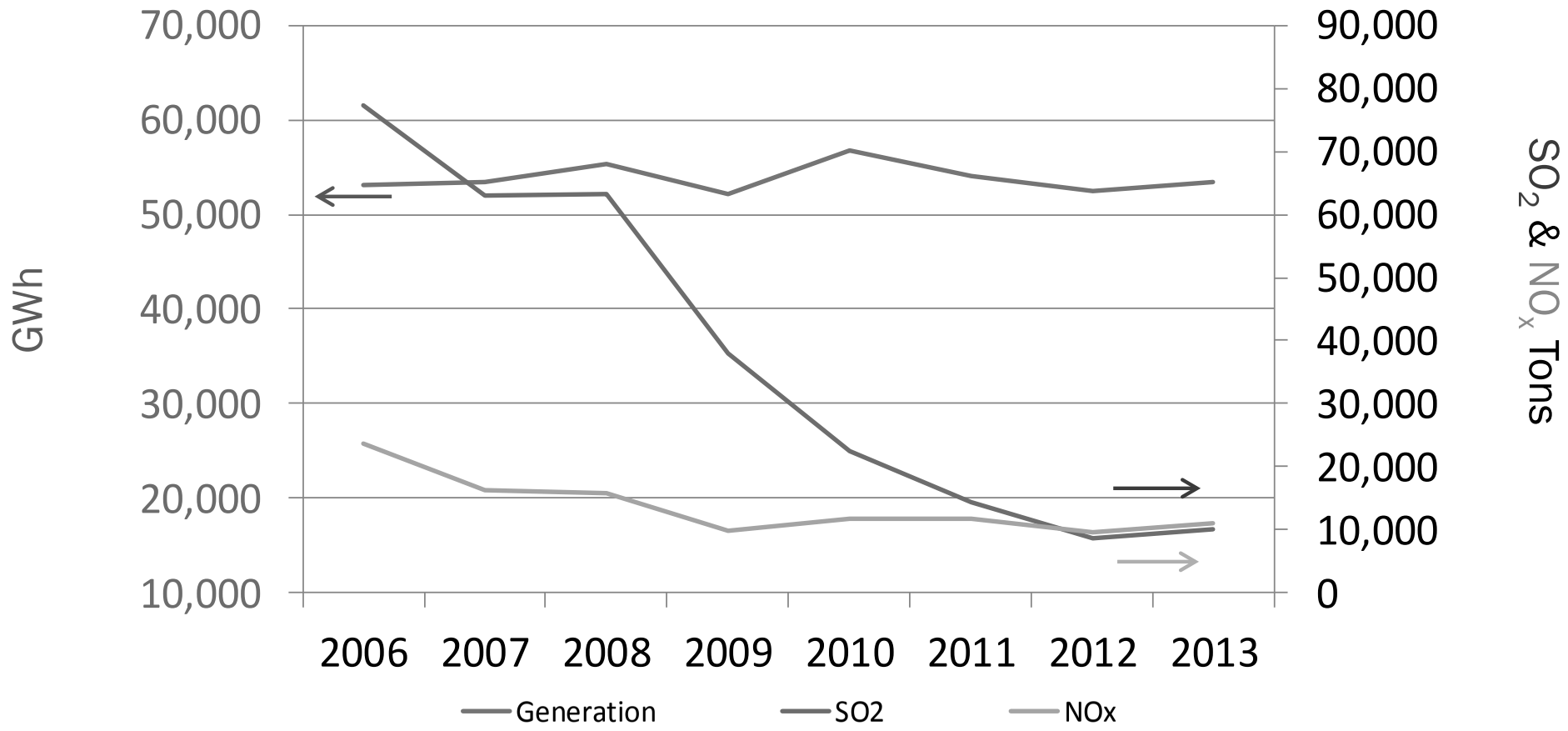
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-09697

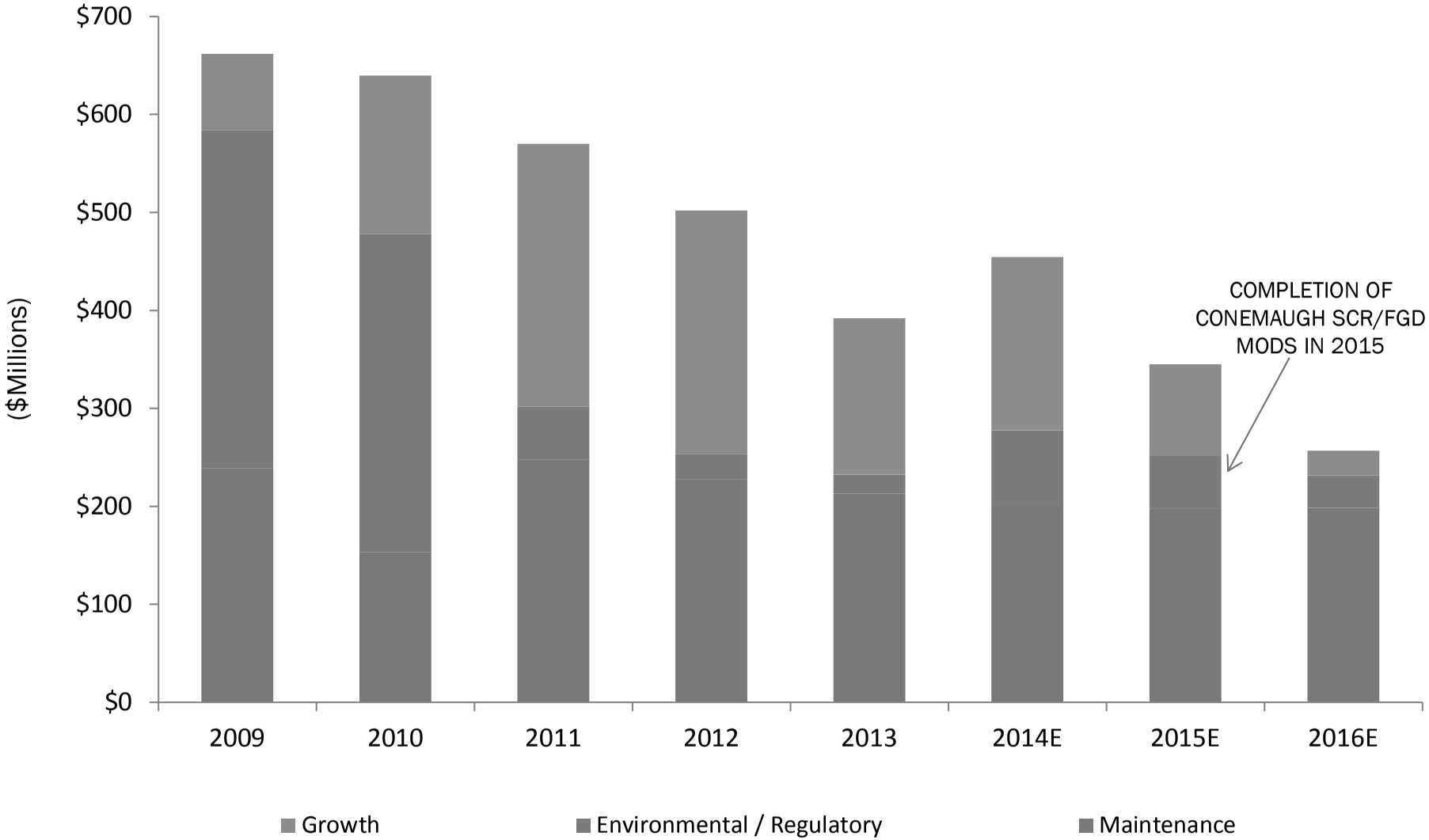
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-09698

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-09699

PSEG

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-09700

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

In Construction
Texas (13 MW)
COD Year-End 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

SI-SSA-0015-09701

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

PSEG POWER
ER&T

SI-SSA-0015-09702

PSEG

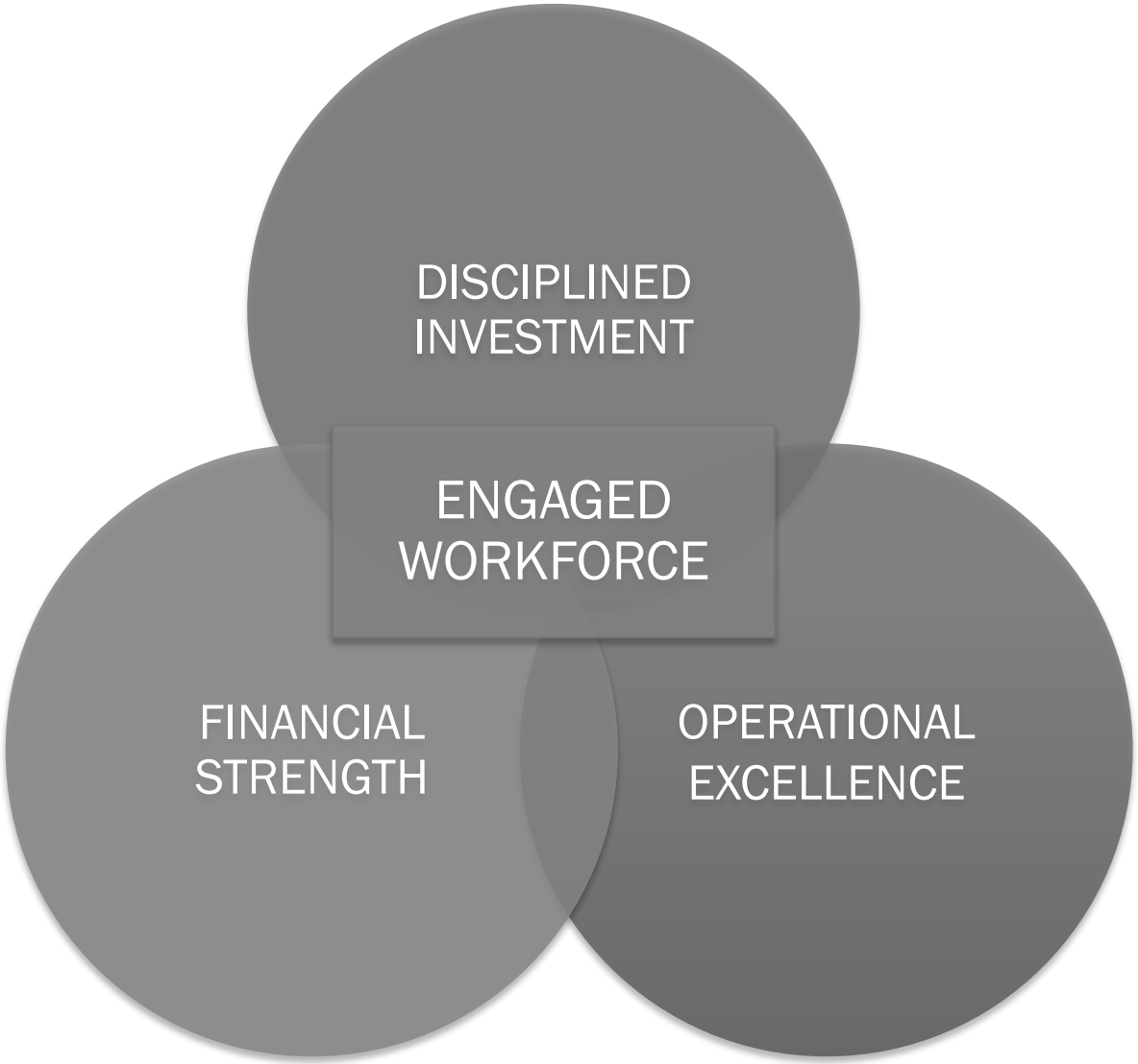
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-09703

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

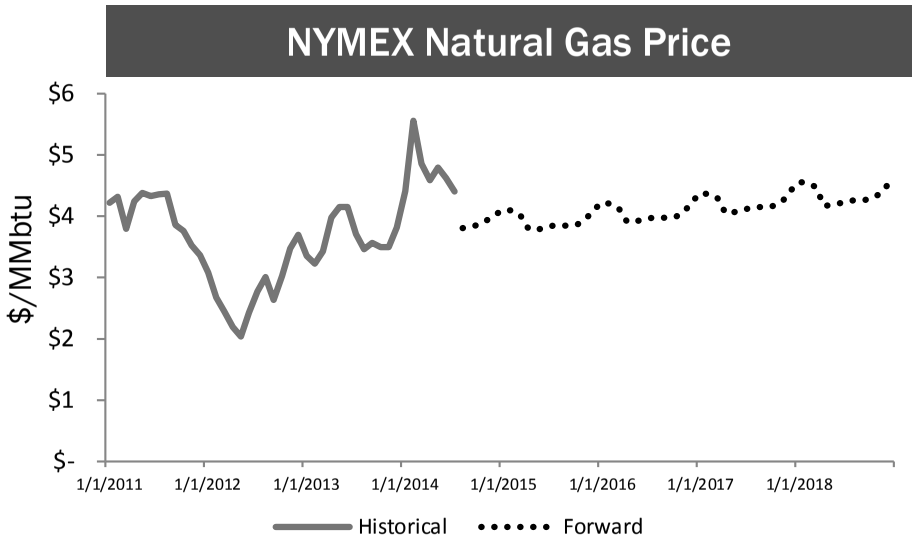
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

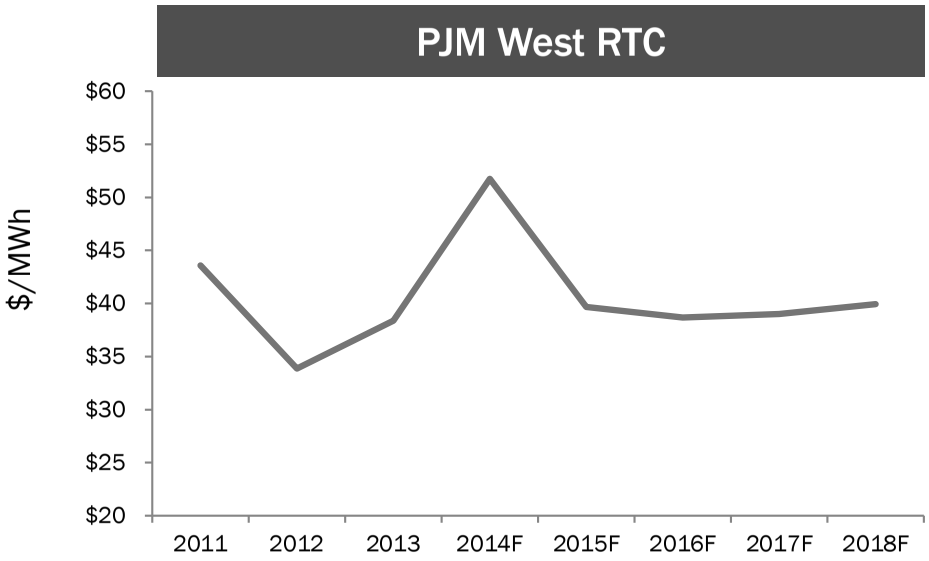
PSEG's Sustainable Advantage

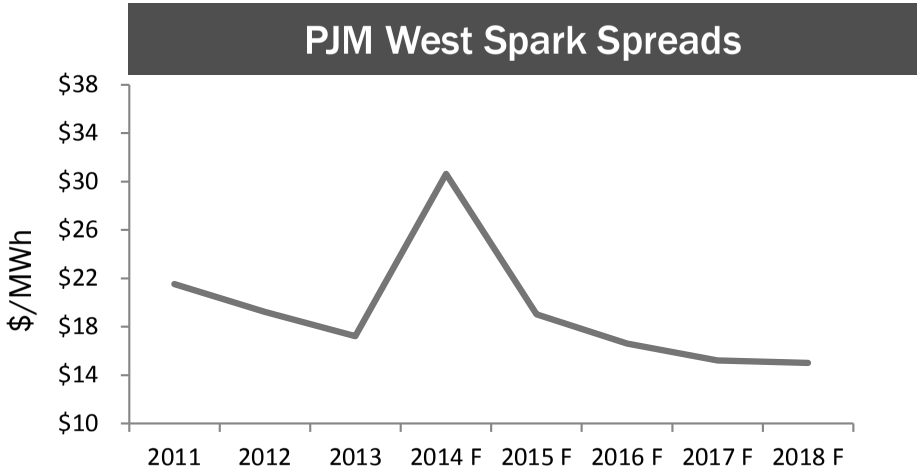
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-09704

Market Review: Long-term fundamentals remain sound







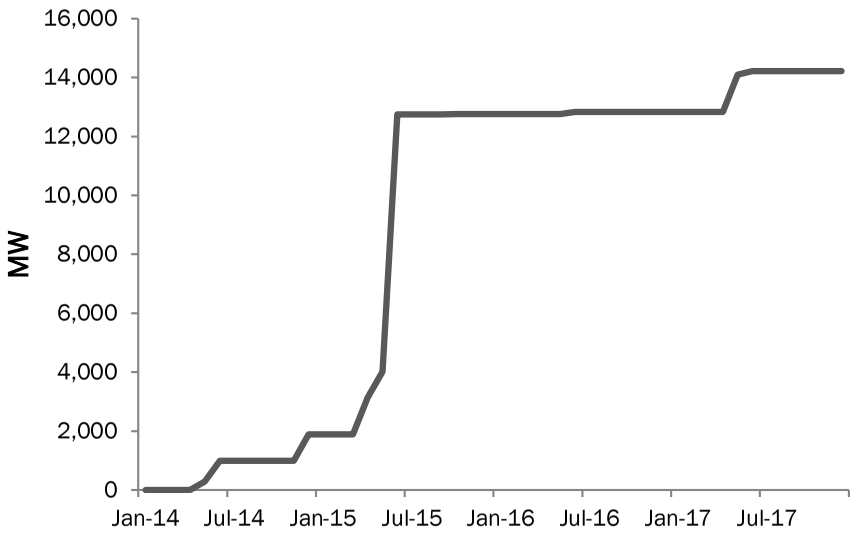
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

SI-SSA-0015-09705

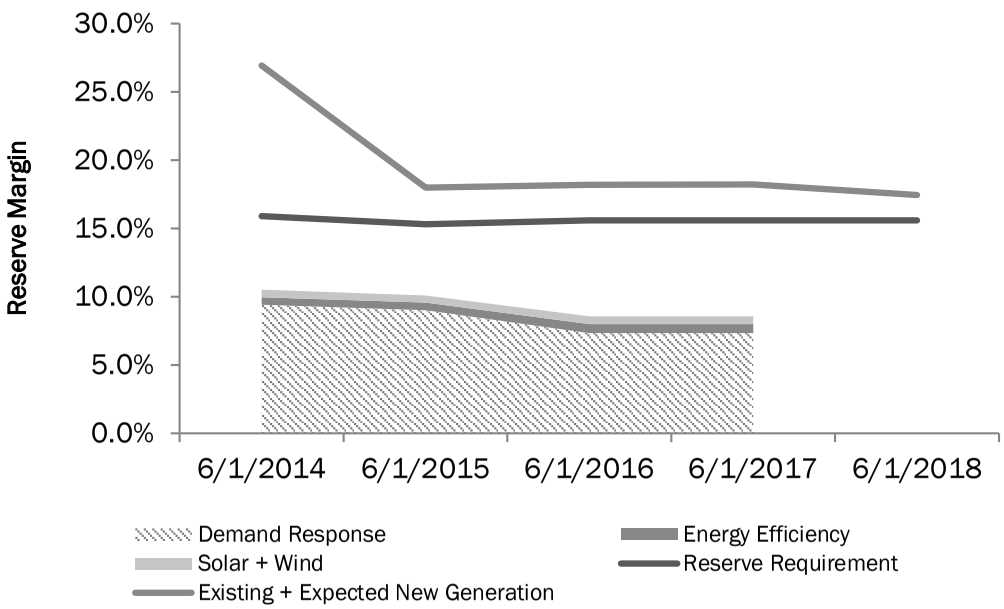
F=FORWARDS AS OF 8/13/2014, 2014F INCLUDES HISTORY AND FORWARDS

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



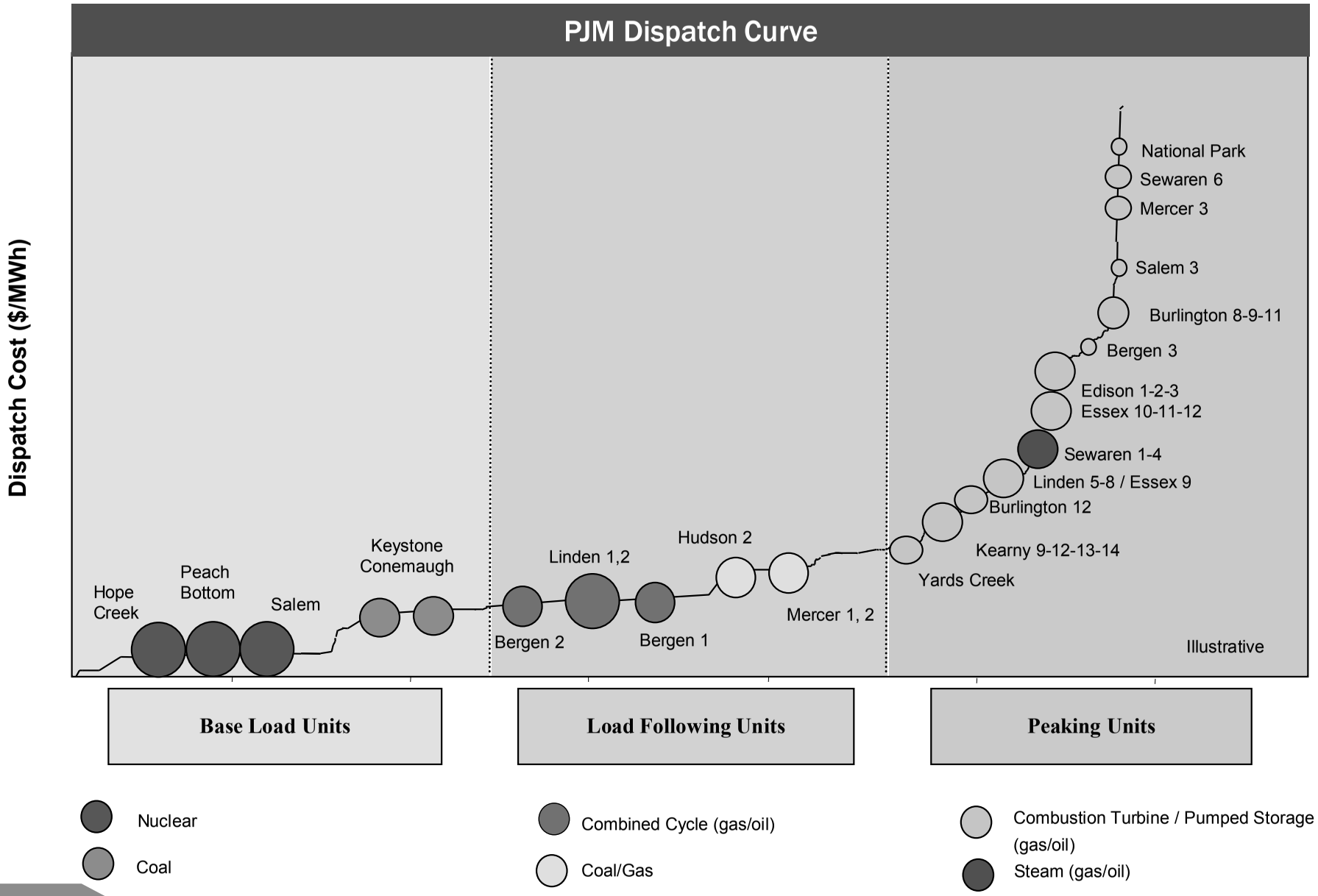
- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-09706

PSEG

*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch

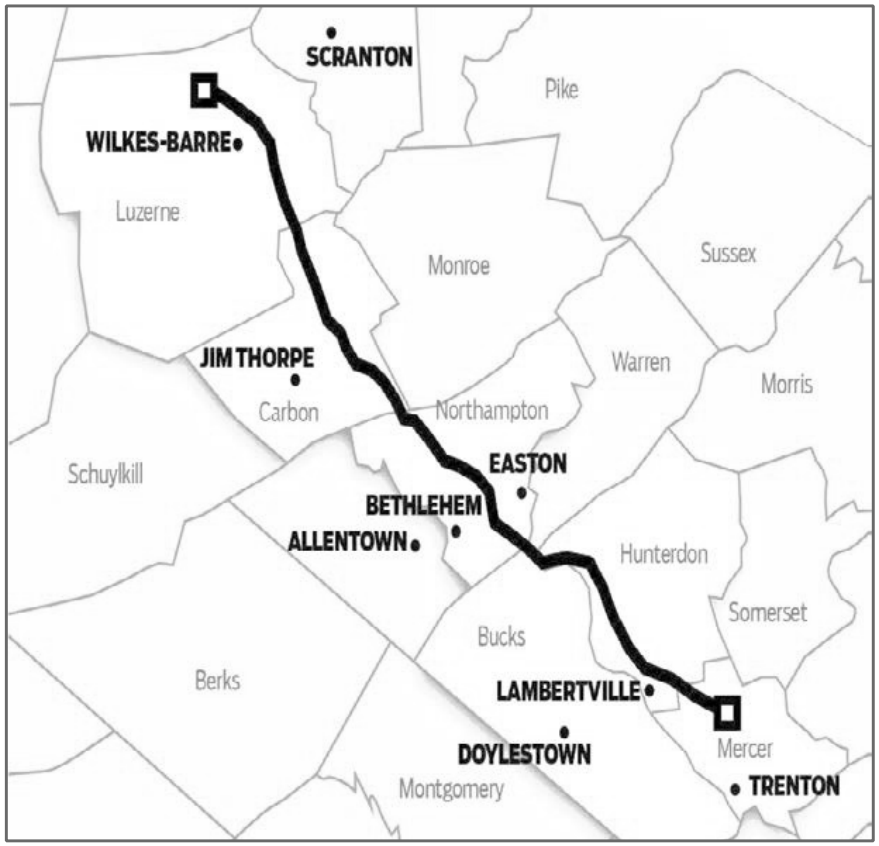


SI-SSA-0015-09707

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



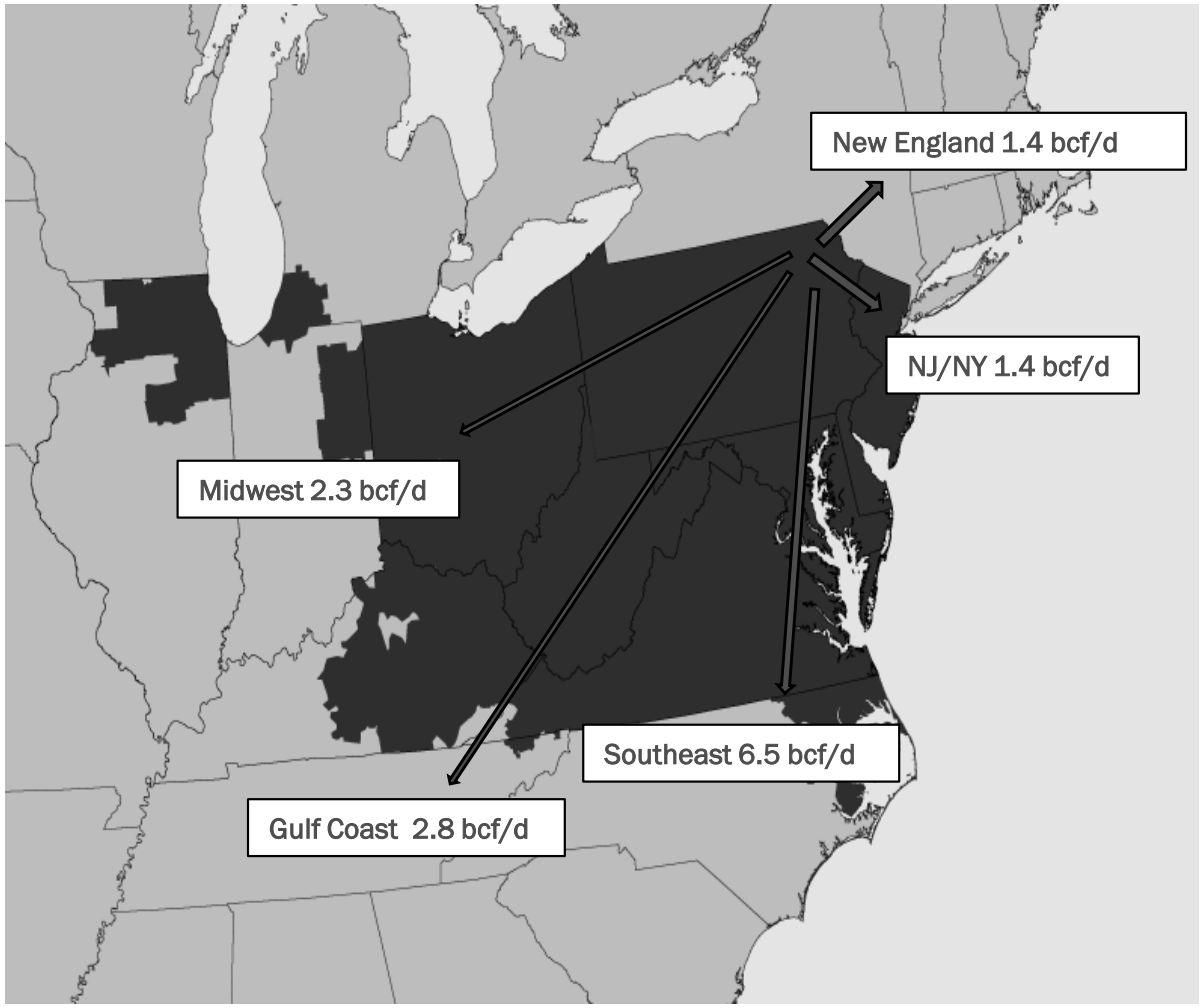
- PSEG plans to invest $100 - $120 million in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors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

SI-SSA-0015-09708

Industry infrastructure build through 2018

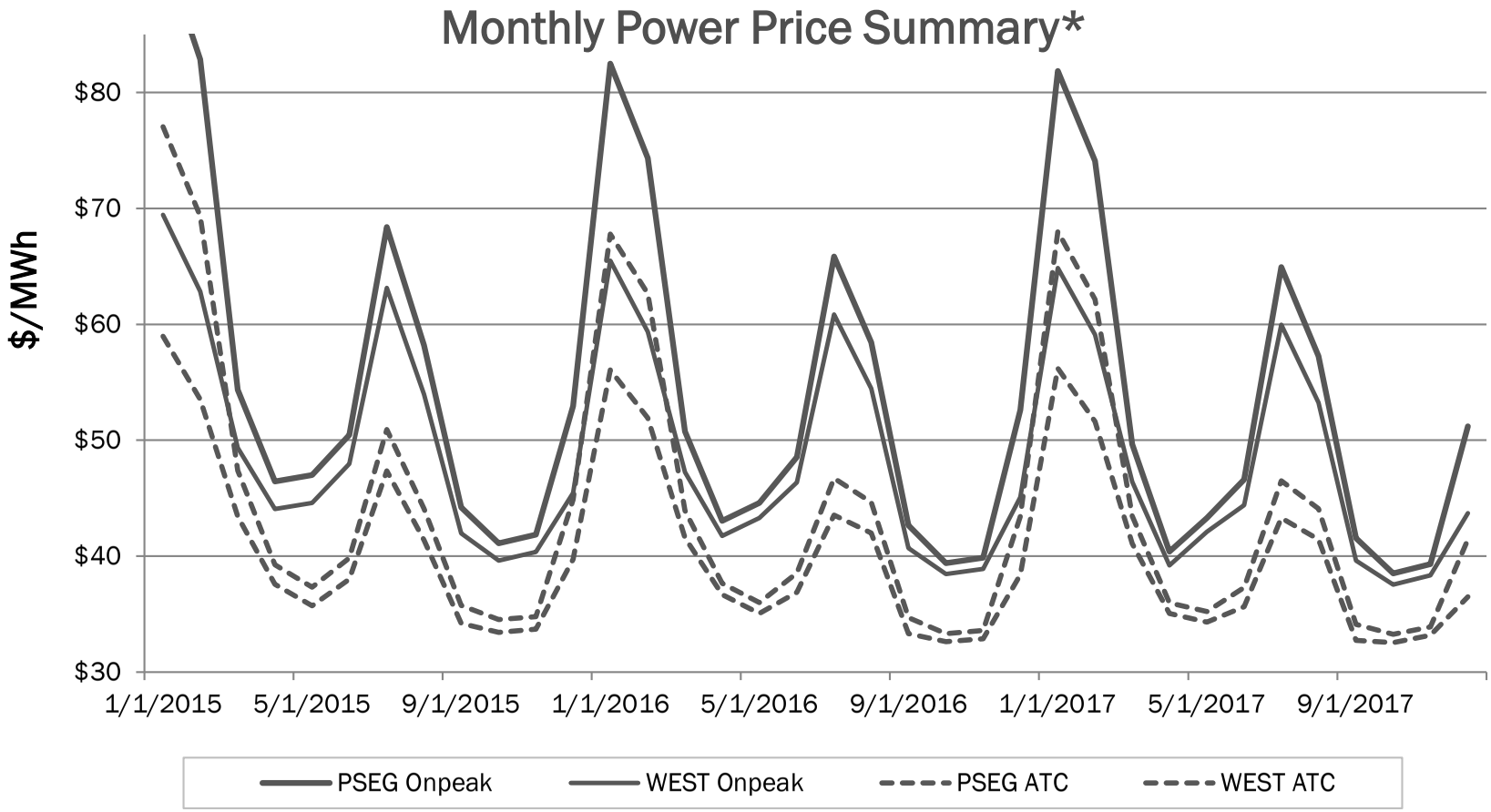
to meet demand growth

New investment will increase pipeline takeaway capacity from low-cost Marcellus and Utica shale basins to meet demand in the South and Midwest



SI-SSA-0015-09709

Sustainable Advantage: Forward power curves indicate PSEG Zone retains premium price



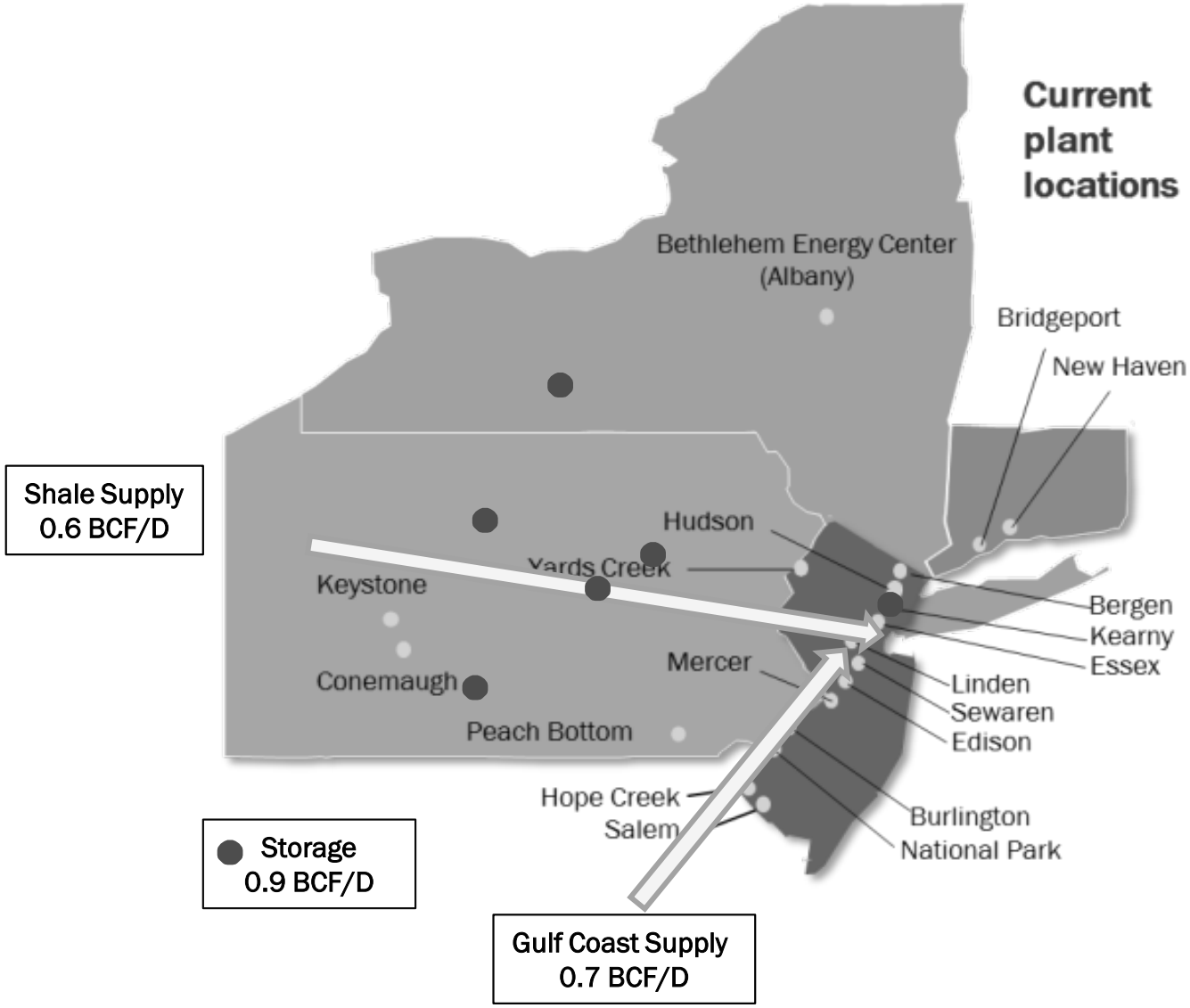
Growing importance of the winter peak has influenced PJM reliability planning … with supportive implications for price formation

SI-SSA-0015-09710

PSEG

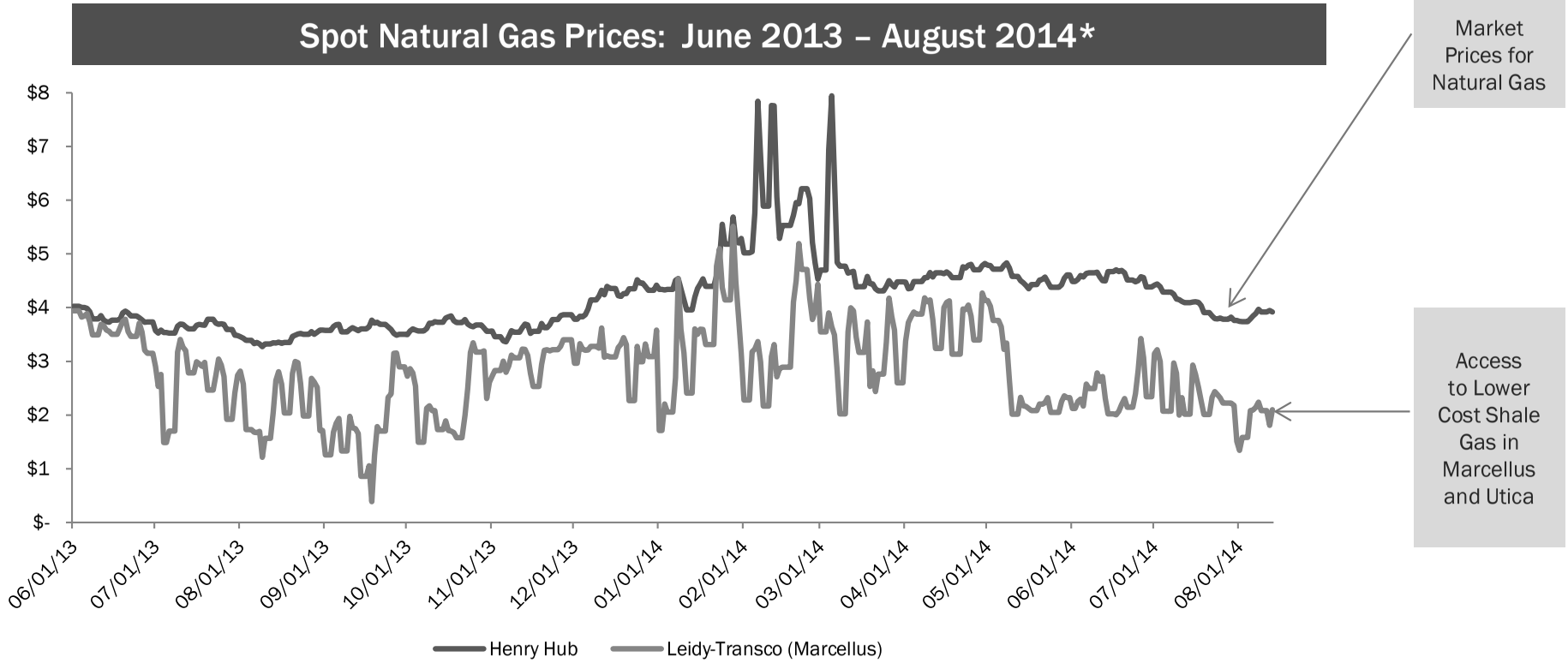
* MARKET AS OF OCTOBER 22, 2014. SOURCE: ICE/BROKER QUOTES.

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-09711

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

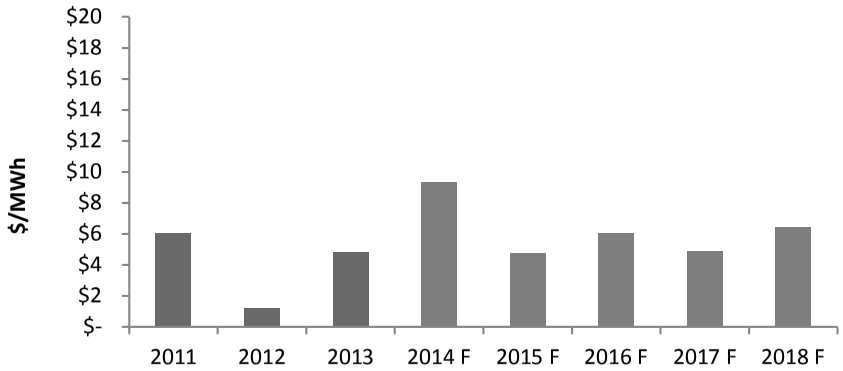
SI-SSA-0015-09712

PSEG

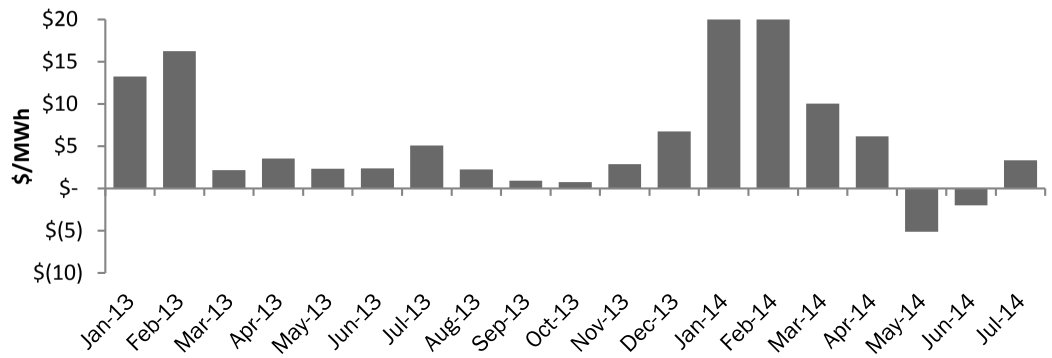
*AS OF 8/13/2014

Competitive Advantage: Locational advantage from short term basis volatility

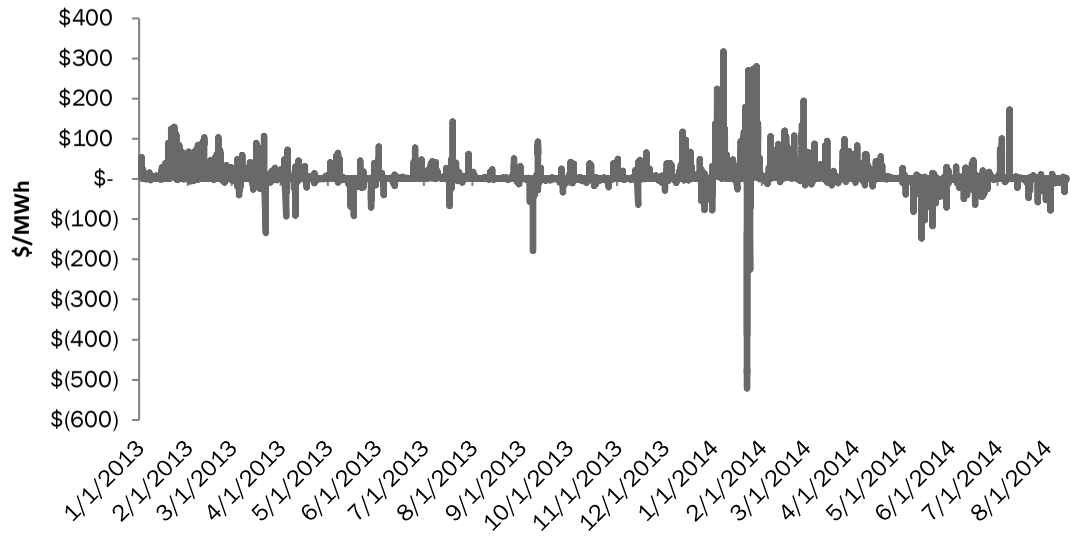
PS Zone Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W

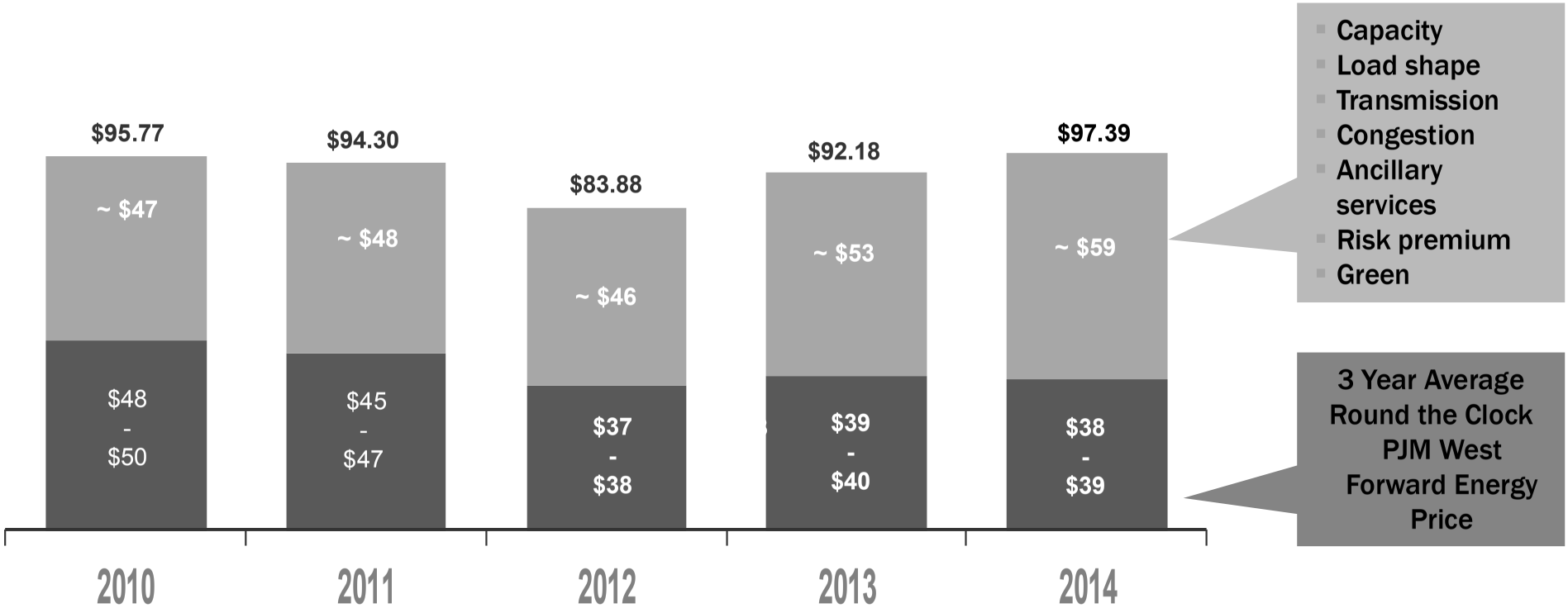


- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

SI-SSA-0015-09713

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF 8/13/2014. 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-09714

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

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

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-09715

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-09716

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PJM Capacity Performance Proposal:
aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places **emphasis on reliability** given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure to **encourage availability**

- **Generator availability/flexibility is key** objective for units with secure fuel supply capable of meeting operating standards

- **Elimination of 2.5% holdback**, making all capacity resources annual products, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Expected to File
Final CP Proposal

February 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

SI-SSA-0015-09717

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-09718

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-09719

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-09720

Exceeded upwardly revised guidance

in both businesses

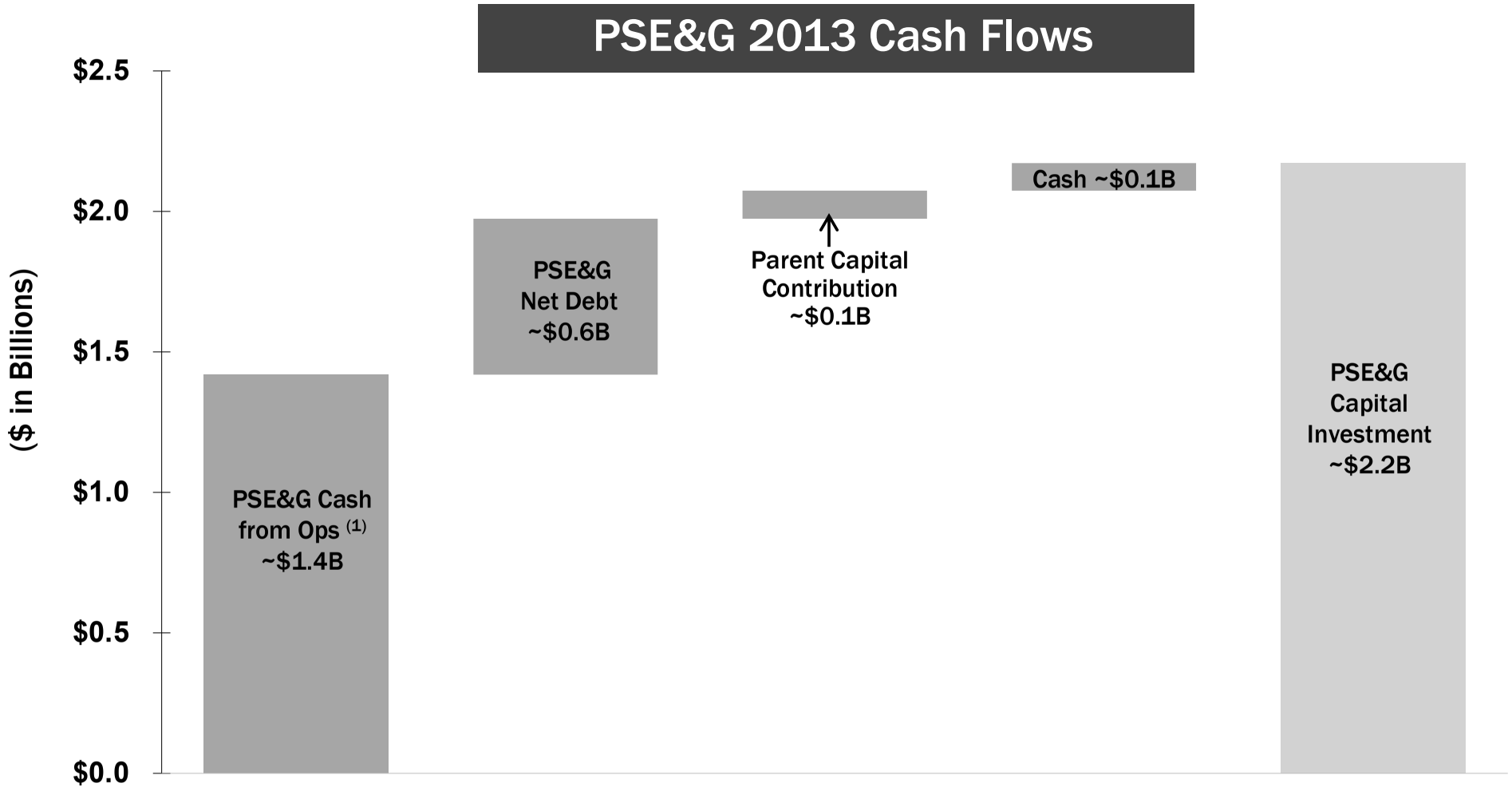
PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

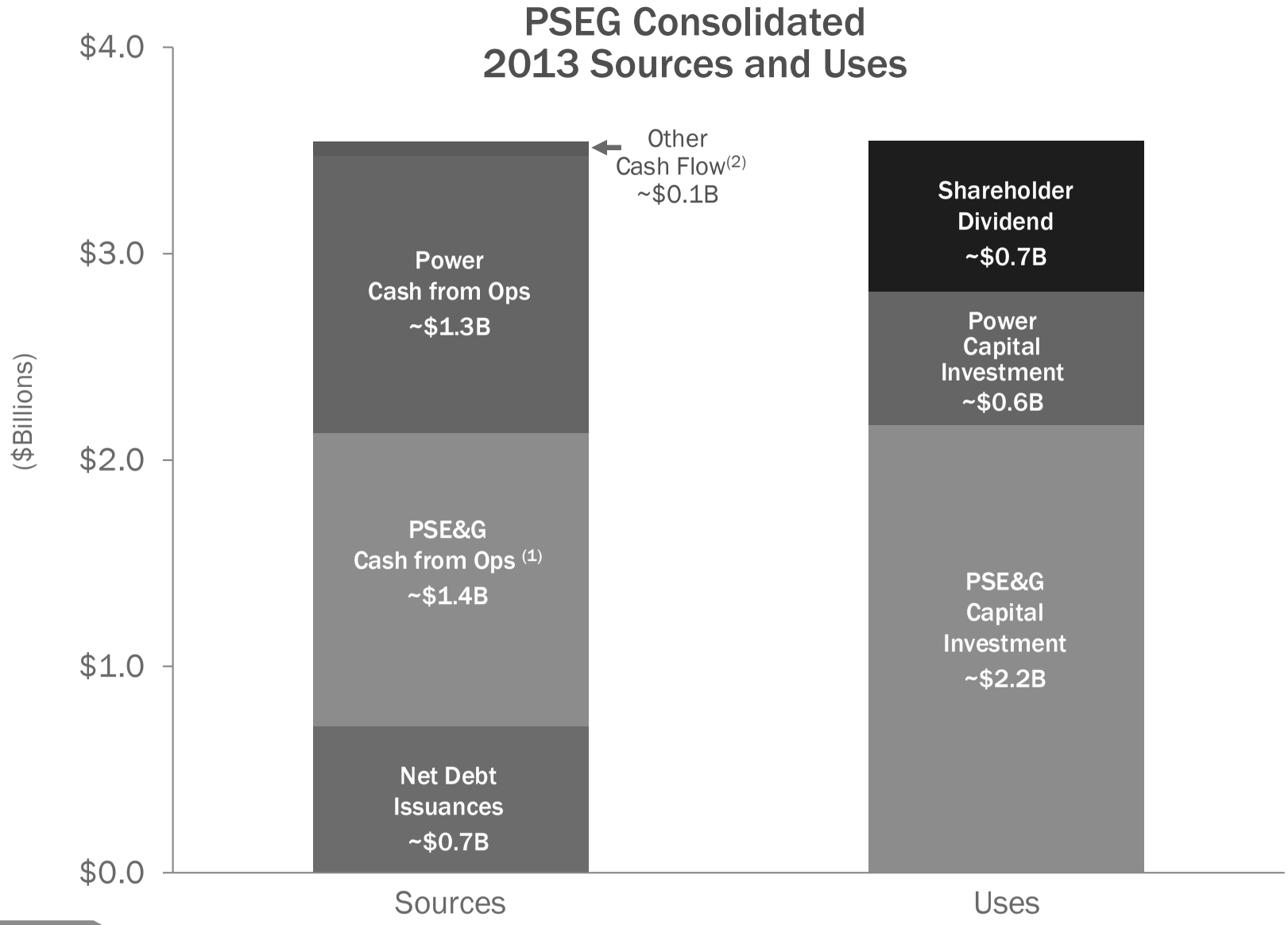
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-09722

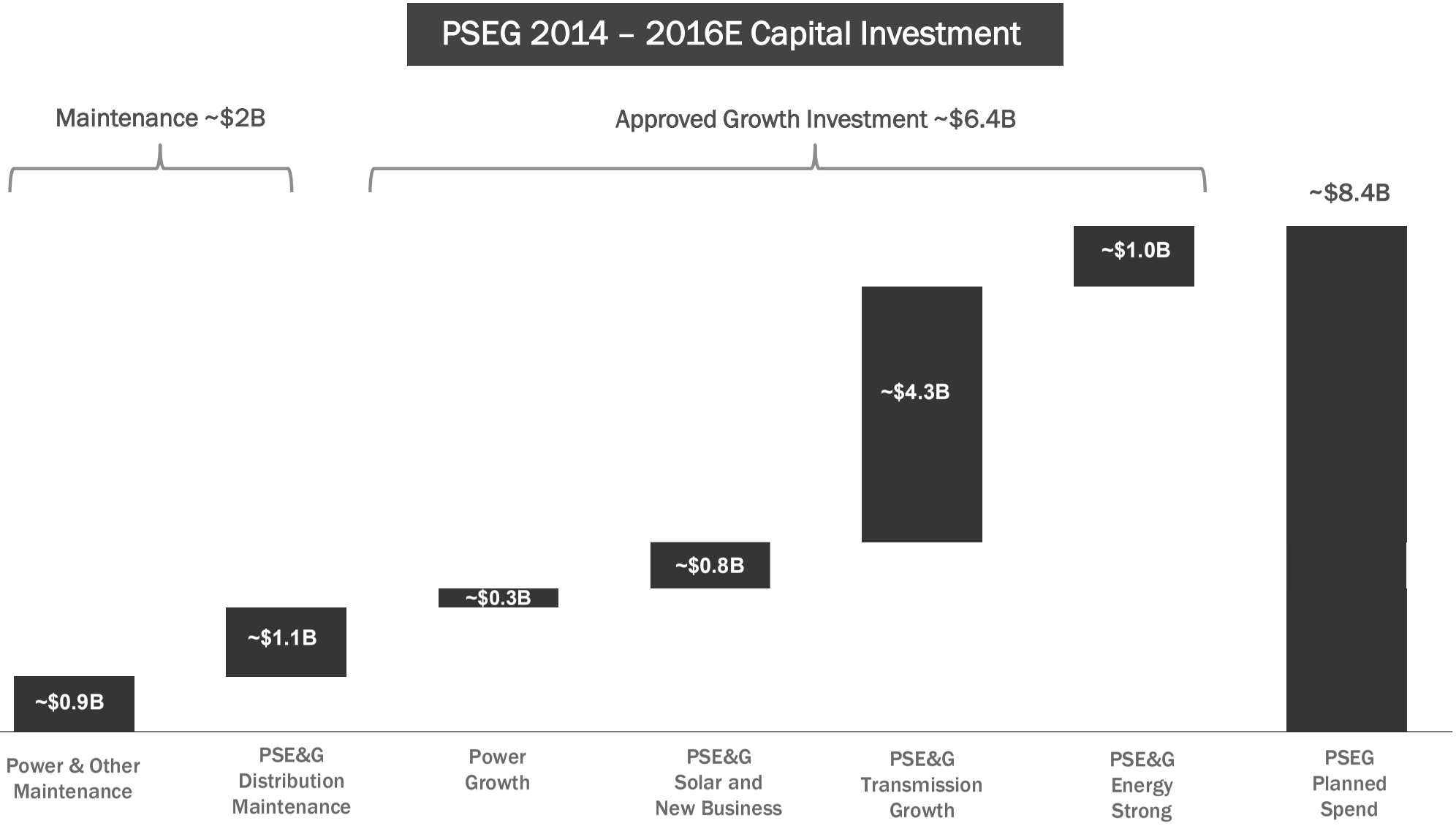
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-09723

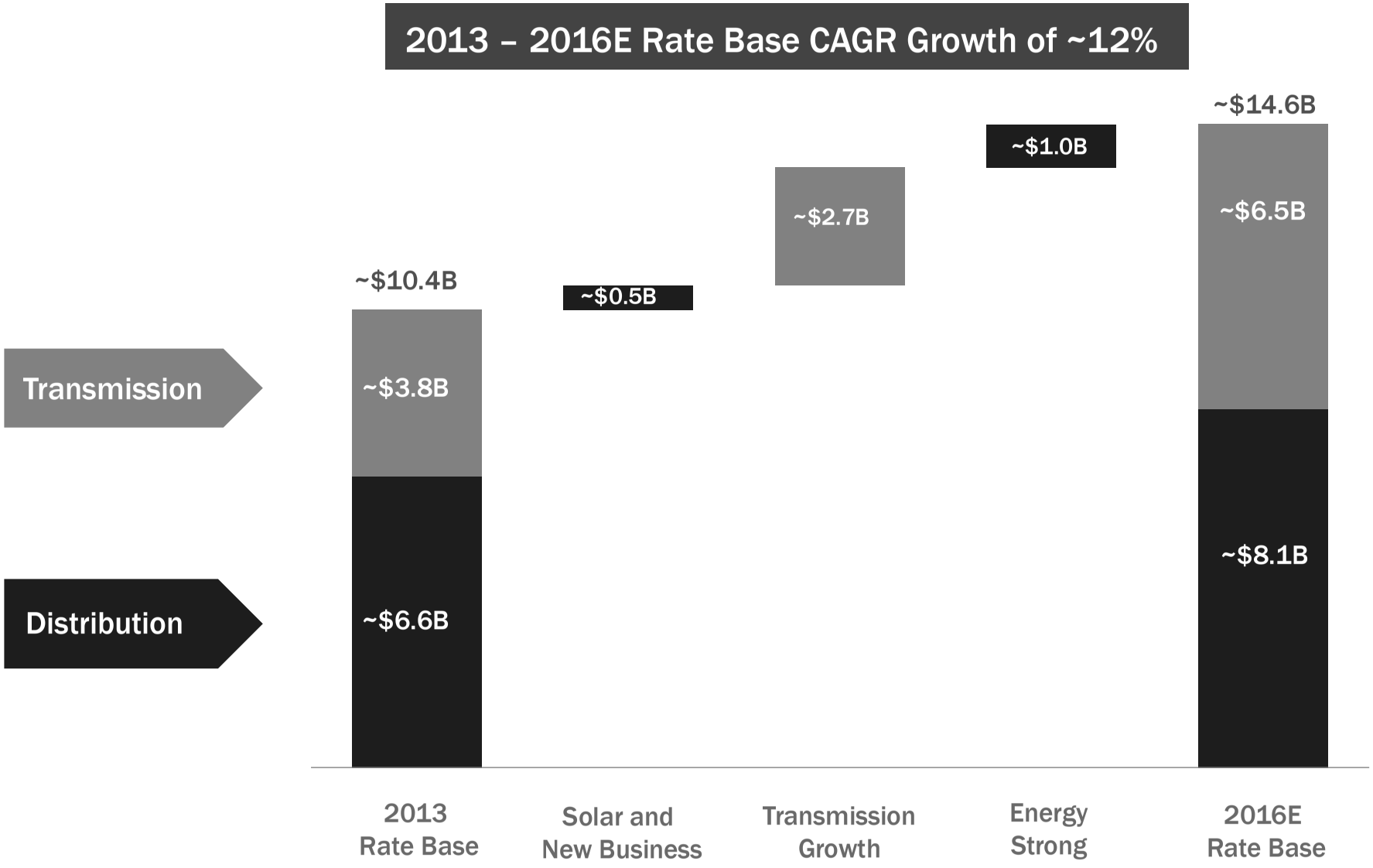
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

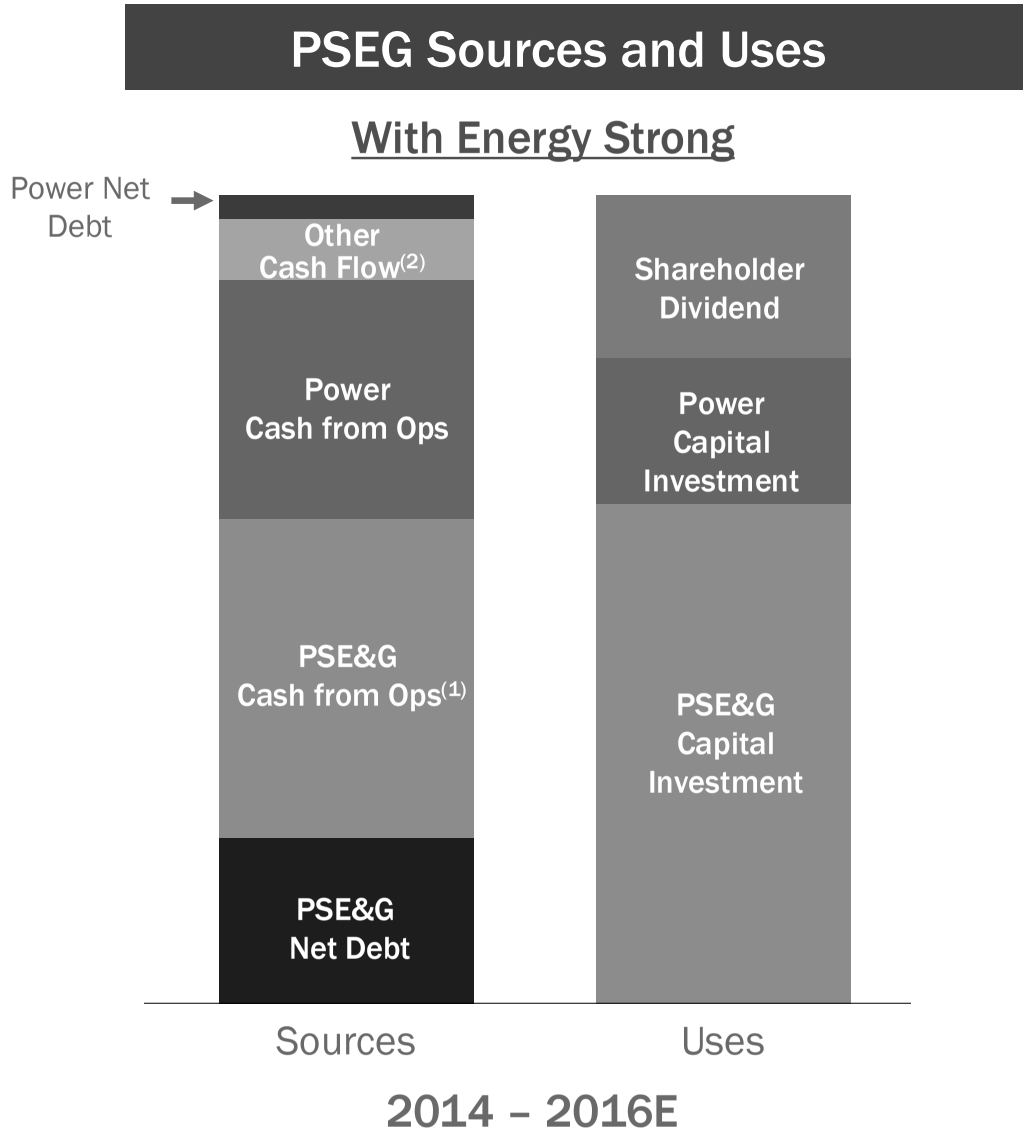
SI-SSA-0015-09724

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-09725

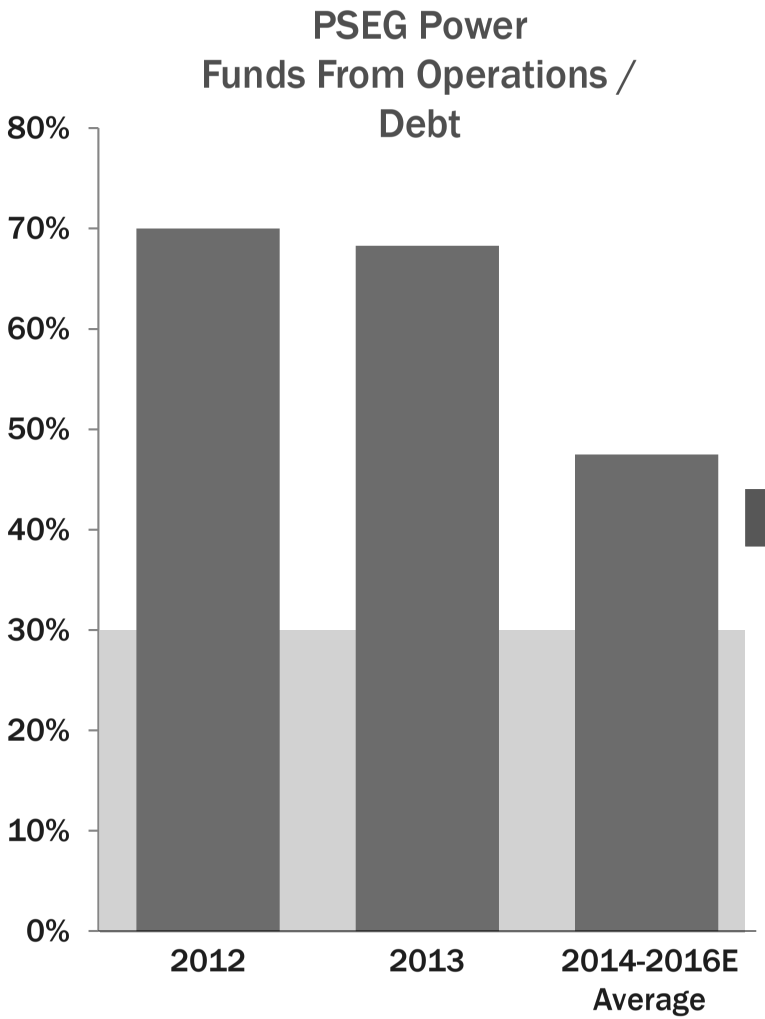
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-09726

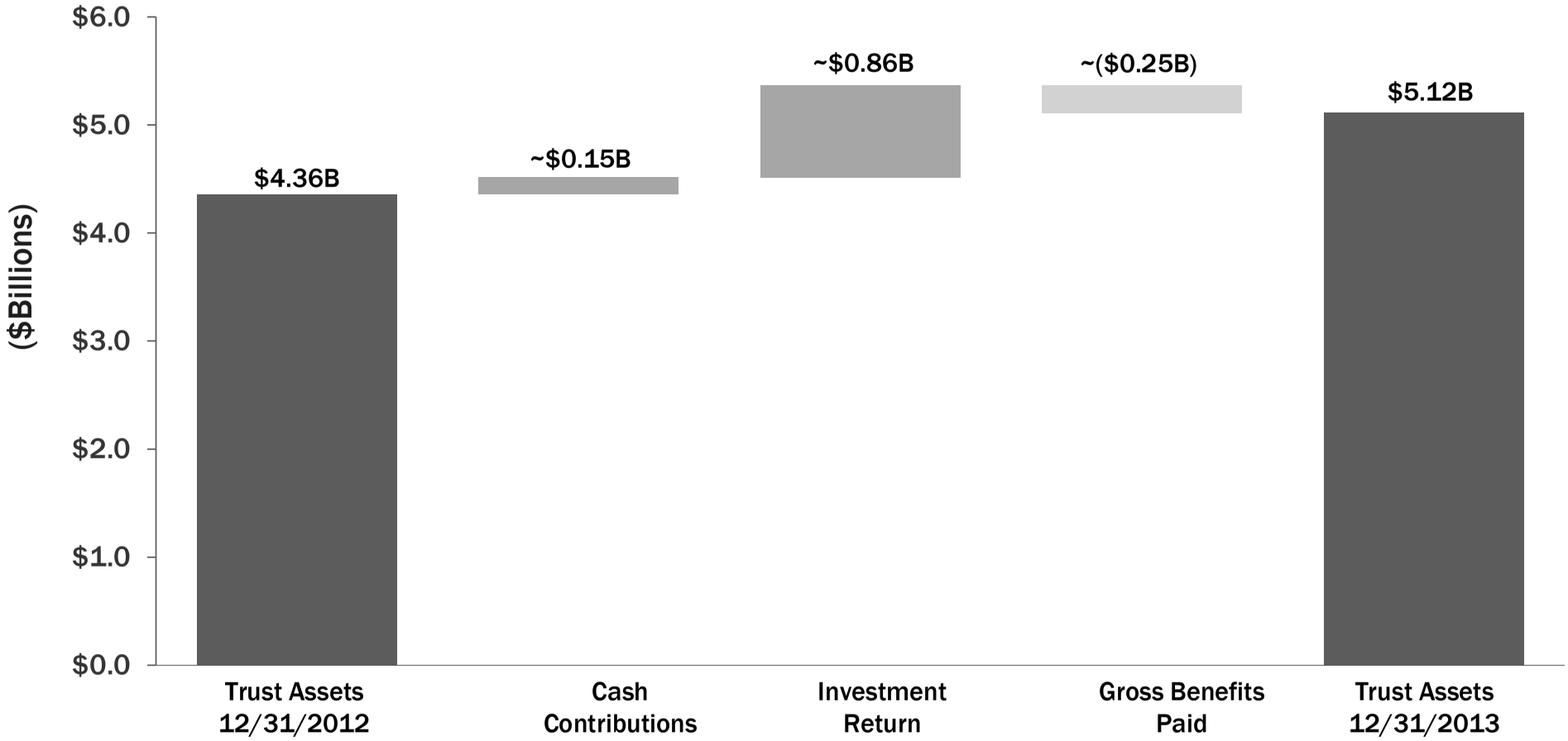
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-09727

Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-09728

Improving Operating Earnings

and increased contribution from PSE&G

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

Regulated % of Earnings	**43%**	**47%**	**53% - 54%**

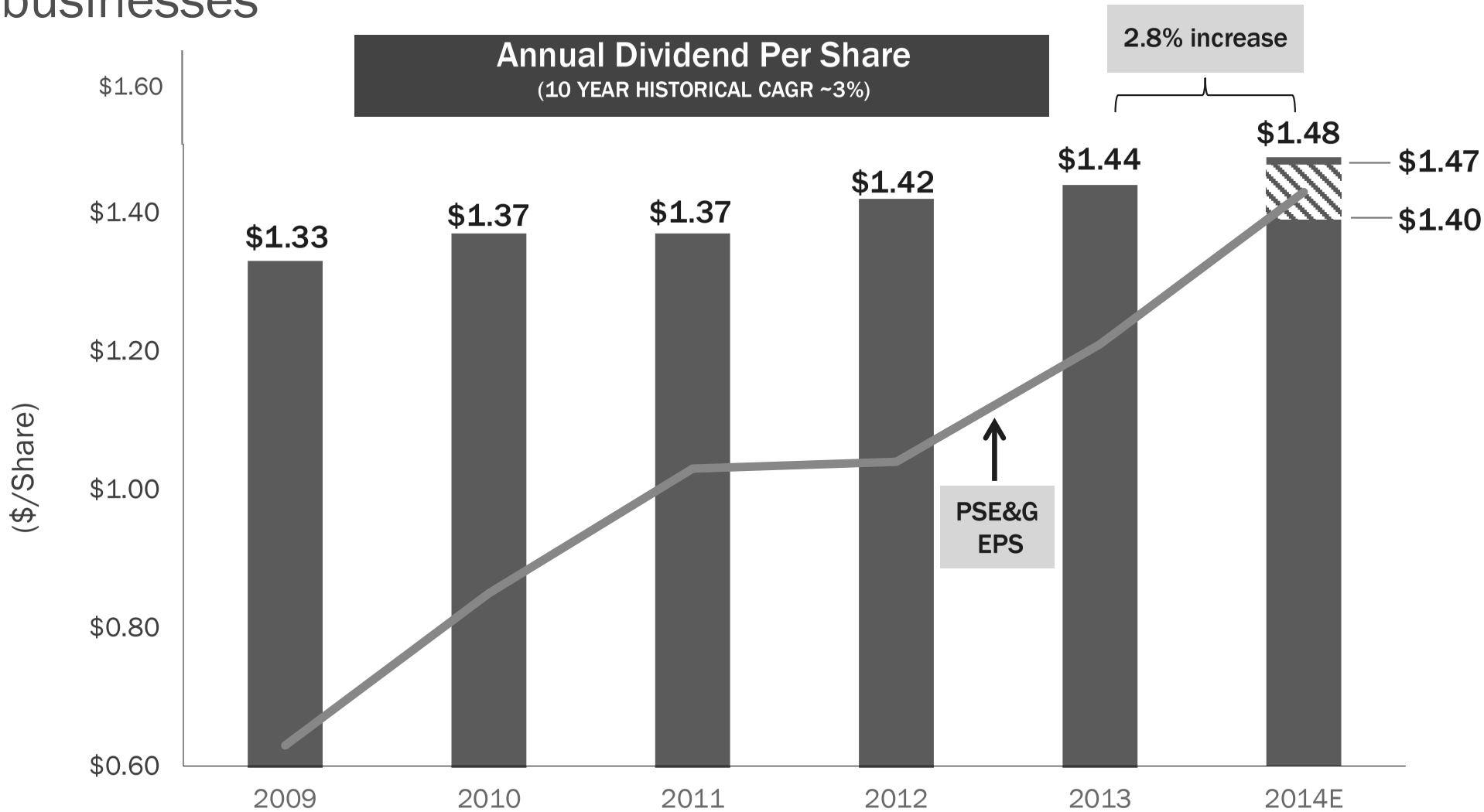
SI-SSA-0015-09729

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	55%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.60-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-09730

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00	$0.08 - $0.11
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

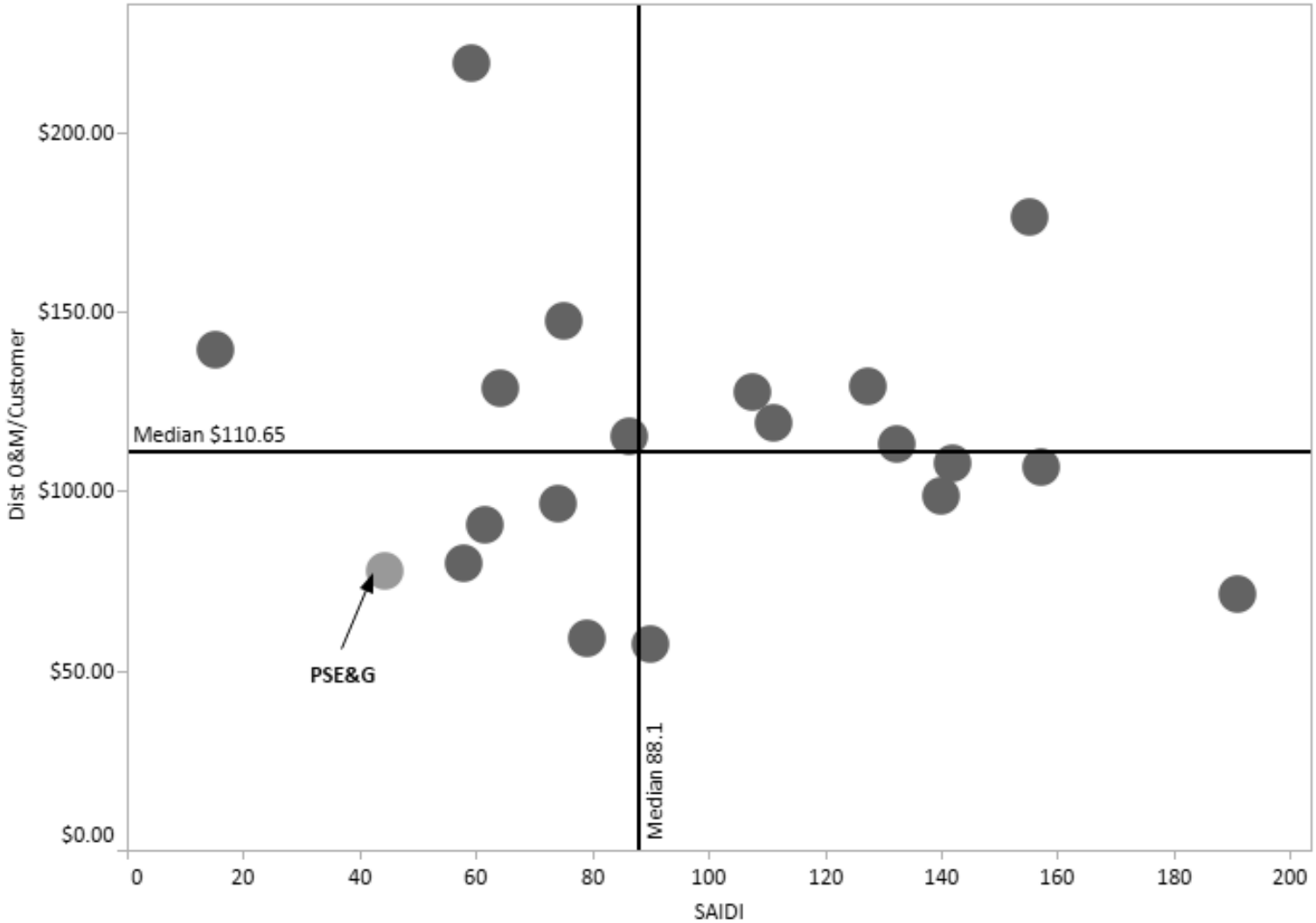
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

PSE&G APPENDIX

SI-SSA-0015-09732

PSE&G provides high reliability at below average cost which creates superior value to customers

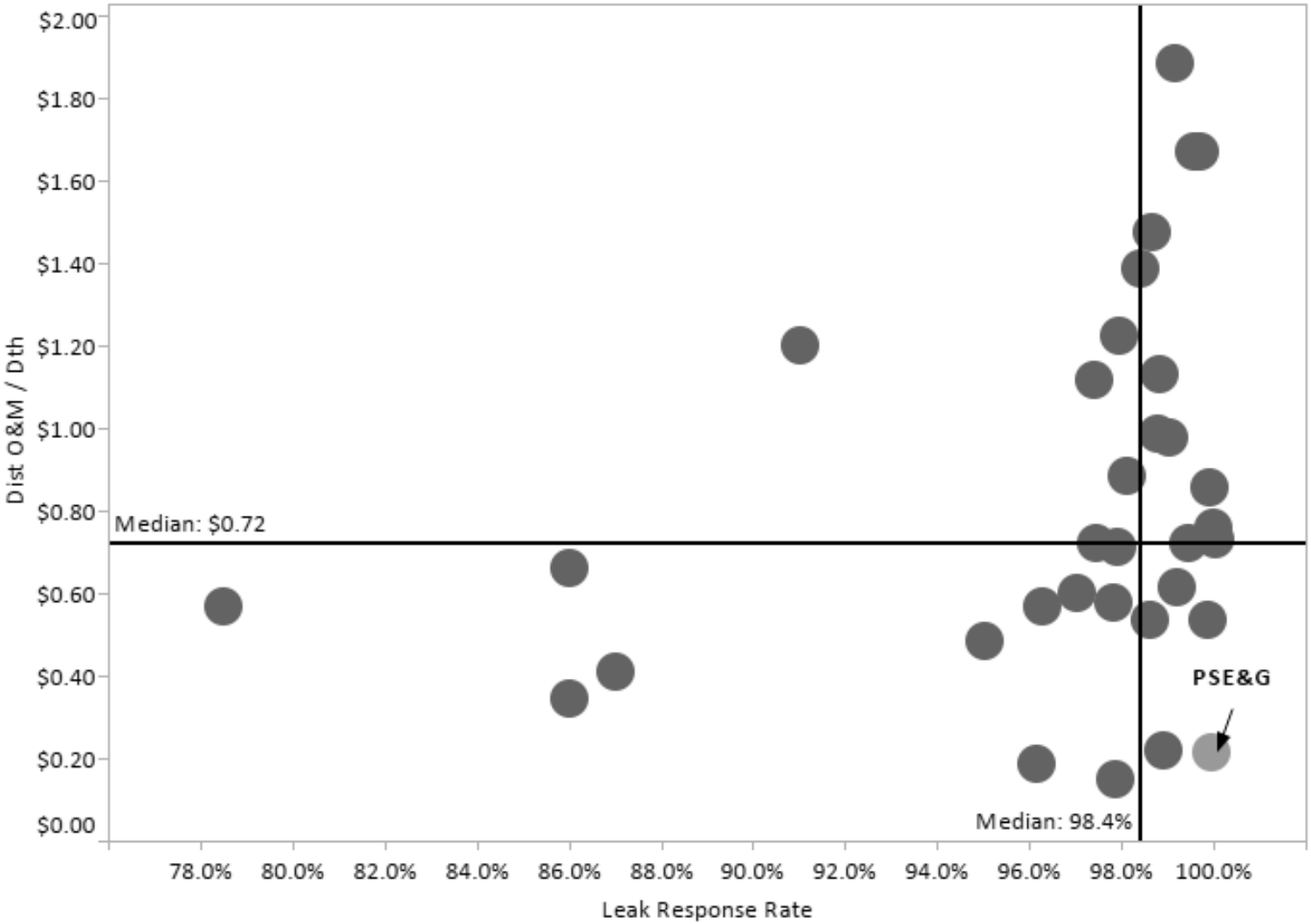


SI-SSA-0015-09733

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



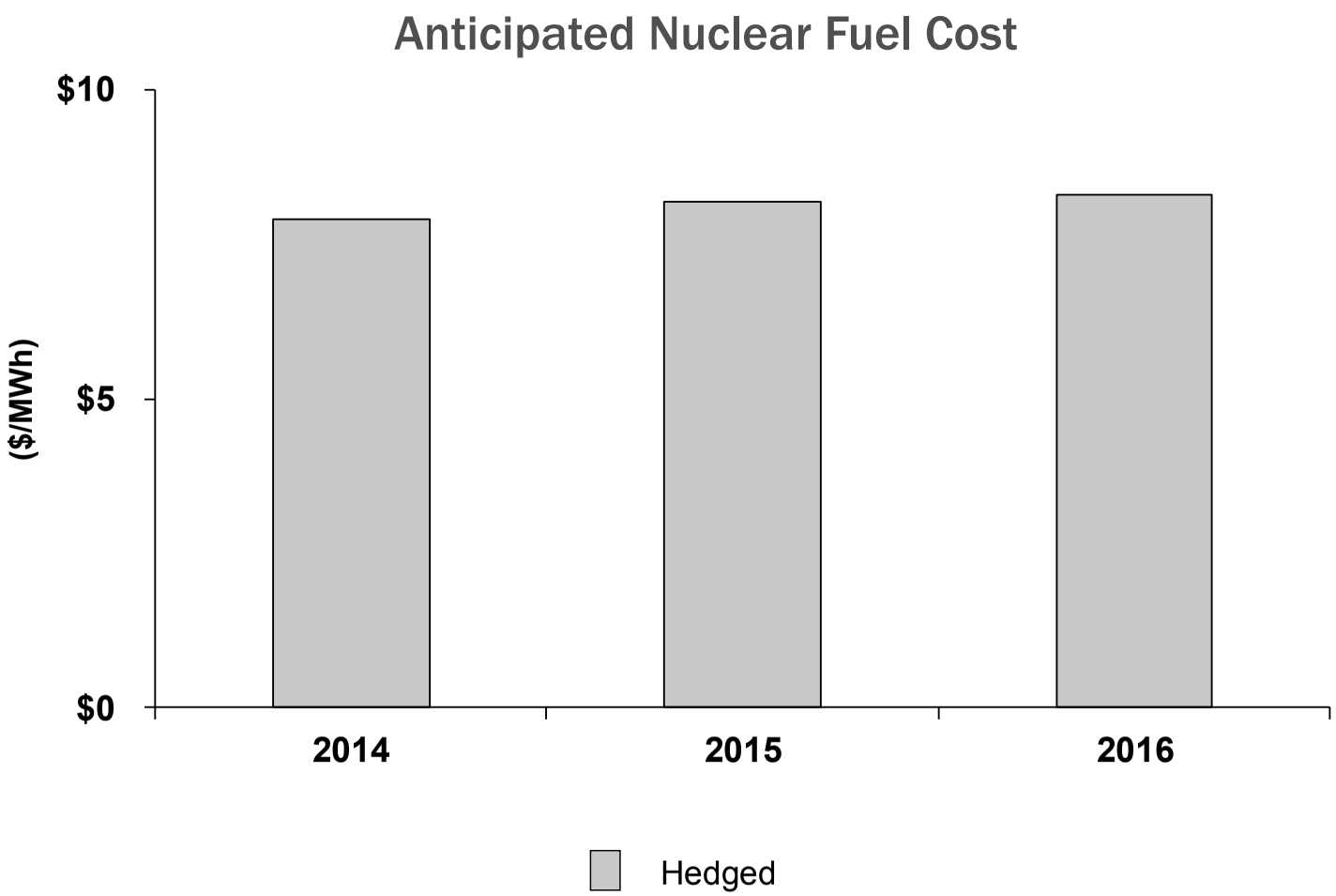
SI-SSA-0015-09734

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-09735

Nuclear fuel needs have been hedged through 2016



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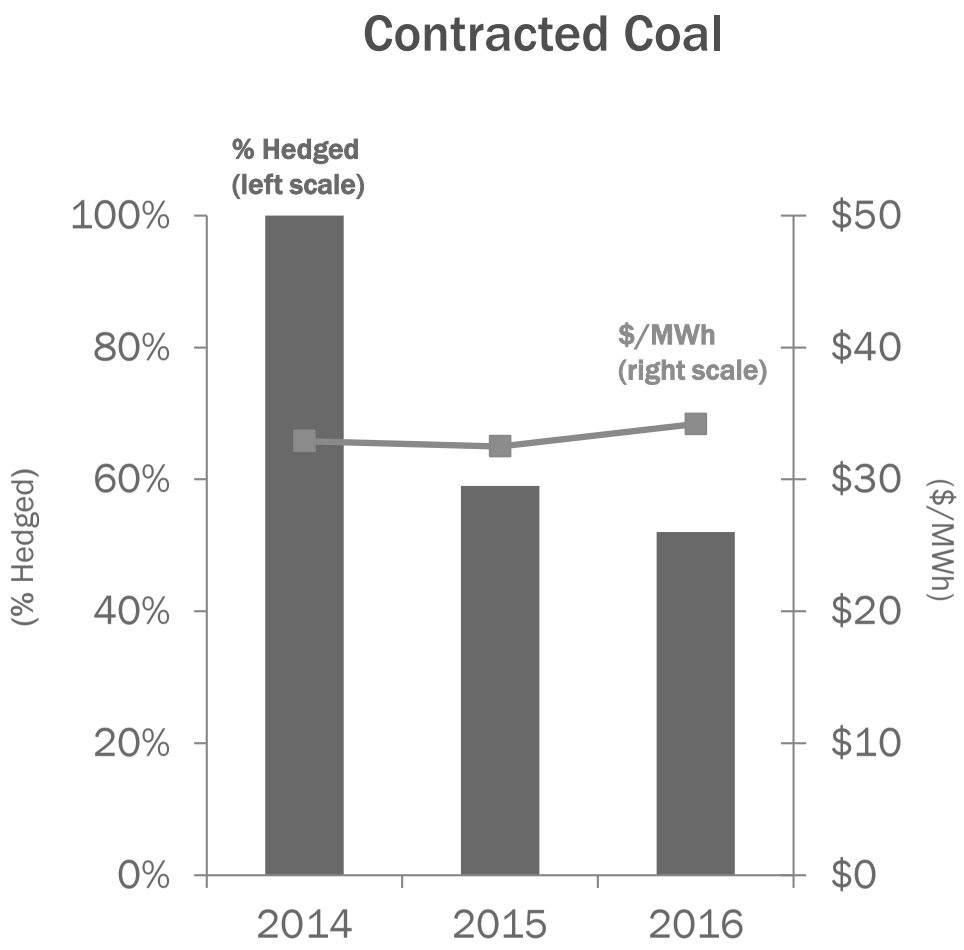
Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-09737

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-09738

PSEG FINANCIAL APPENDIX

SI-SSA-0015-09739

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

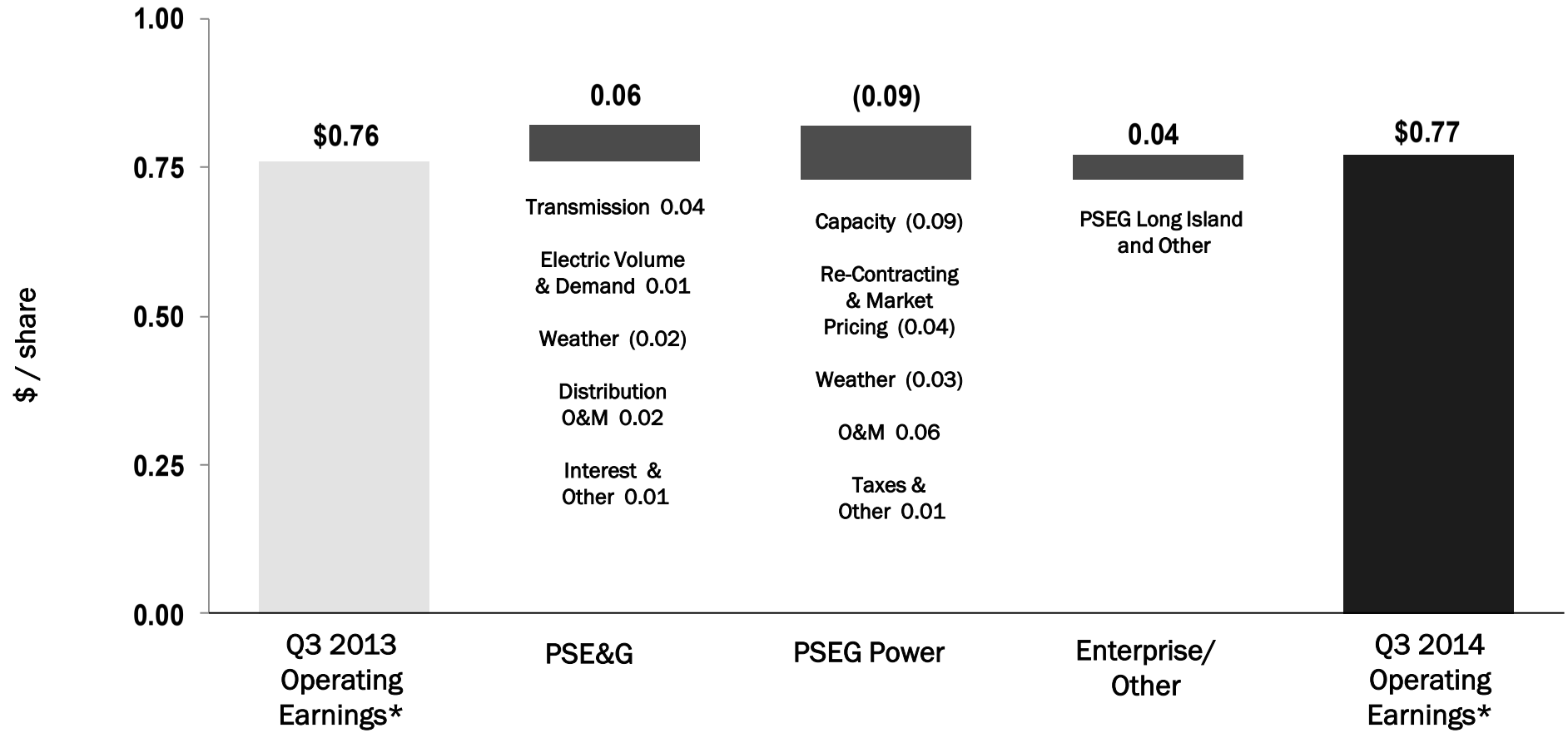
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 200	$ 168	$ 0.39	$ 0.33
PSEG Power	171	221	0.34	0.43
PSEG Enterprise/Other	22	(4)	0.04	-
*Operating Earnings**	$ 393	$ 385	$ 0.77	$ 0.76

SI-SSA-0015-09740

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2014 vs. Q3 2013



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

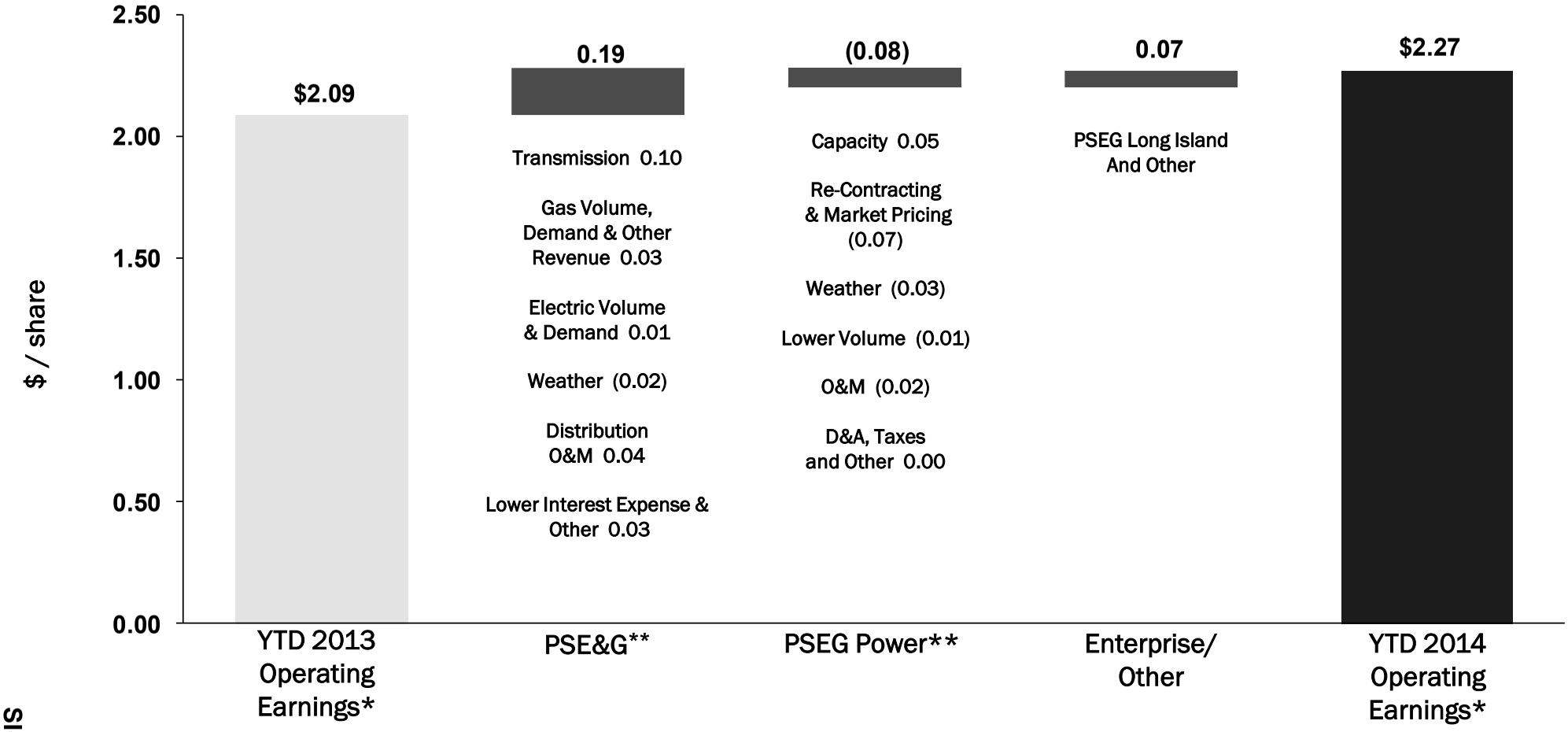
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 565	$ 468	$ 1.11	$ 0.92
PSEG Power	551	595	1.09	1.17
PSEG Enterprise/Other	37	(2)	0.07	-
*Operating Earnings**	$ 1,153	$ 1,061	$ 2.27	$ 2.09

SI-SSA-0015-09742

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

Our balance sheet remains strong

September 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.7	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt[2]	8.6	6.1	2.5
Common Equity	12.1	6.6	5.5
Total Capitalization	**$20.7**	**$12.7**	**$8.0**
Total Debt / Capitalization	**42%**	**48%**	**32%**

PSE&G Regulated Equity Ratio[1] 51.8%

SI-SSA-0015-09744

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $326 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.

PSEG Liquidity as of September 30, 2014

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

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

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

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

SI-SSA-0015-09745

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 9/30/2014 ($ millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$197
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$3
Other	Land & Receivables	$5
	Total Holdings Investments	**$898**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-09746

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-09747

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-09748

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

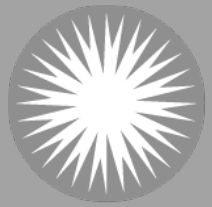
Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 393**	**$ 385**	**$ 1,153**	**$ 1,061**	**$ 1,309**	**$ 1,236**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

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

SI-SSA-0015-09749

Jefferies Securities Investor Meetings – Chicago & Texas

JUNE 29–30, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09750

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09751

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-09752

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-09753

PSEG

We make things work for you.

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-09754

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

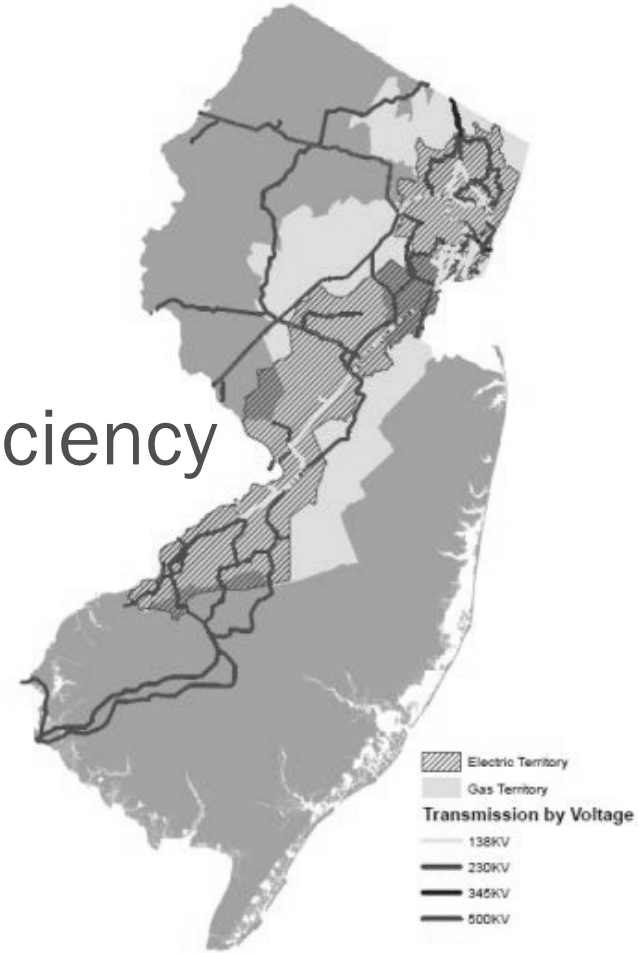
SI-SSA-0015-09755

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

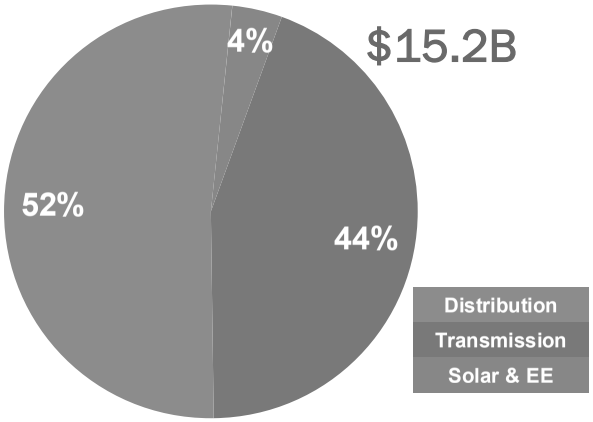
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

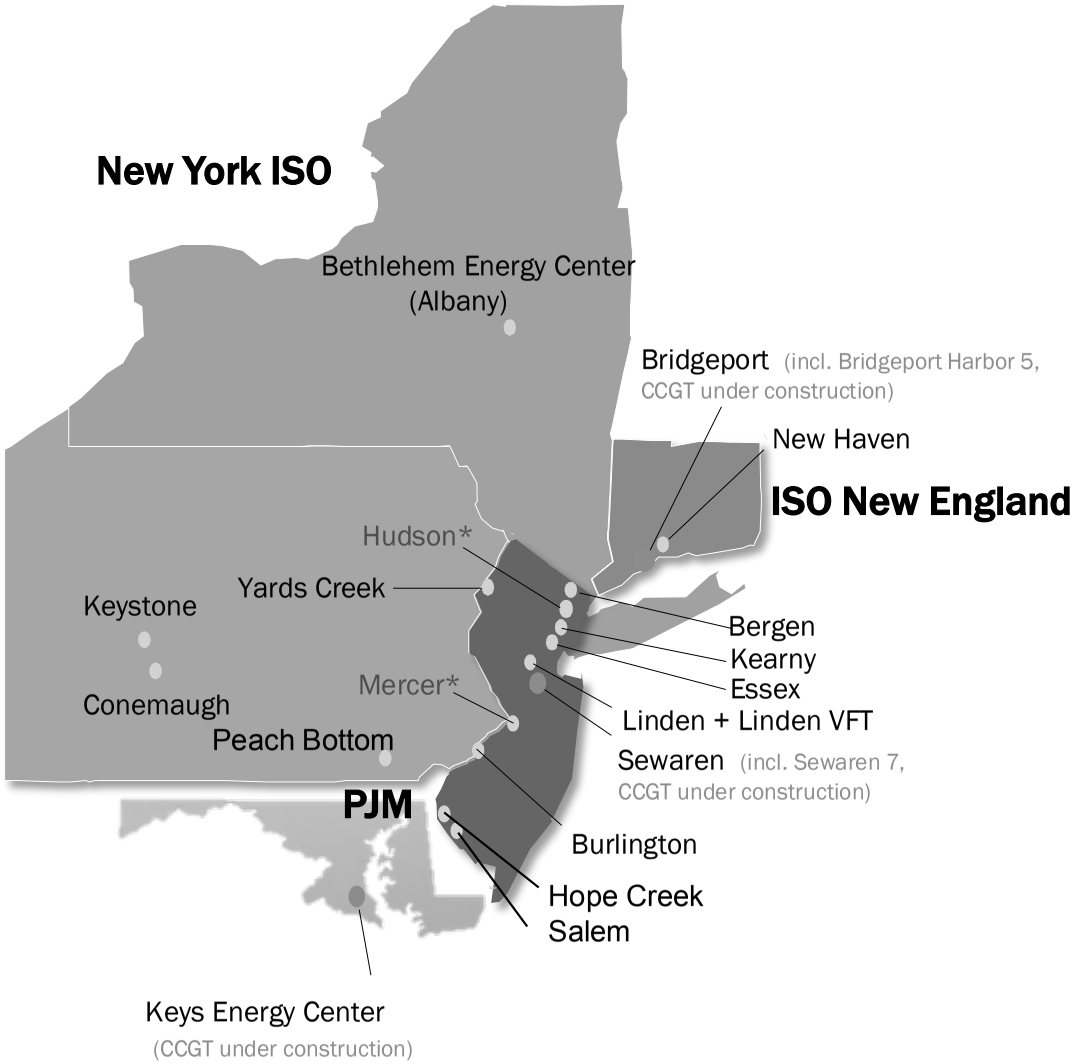


SI-SSA-0015-09756

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-09757

PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

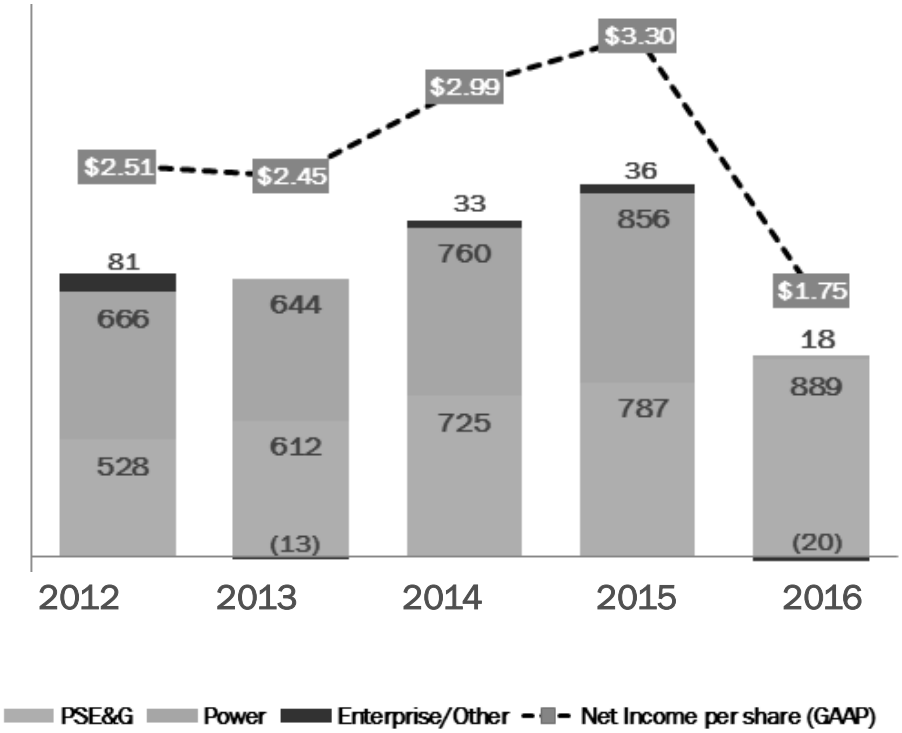
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

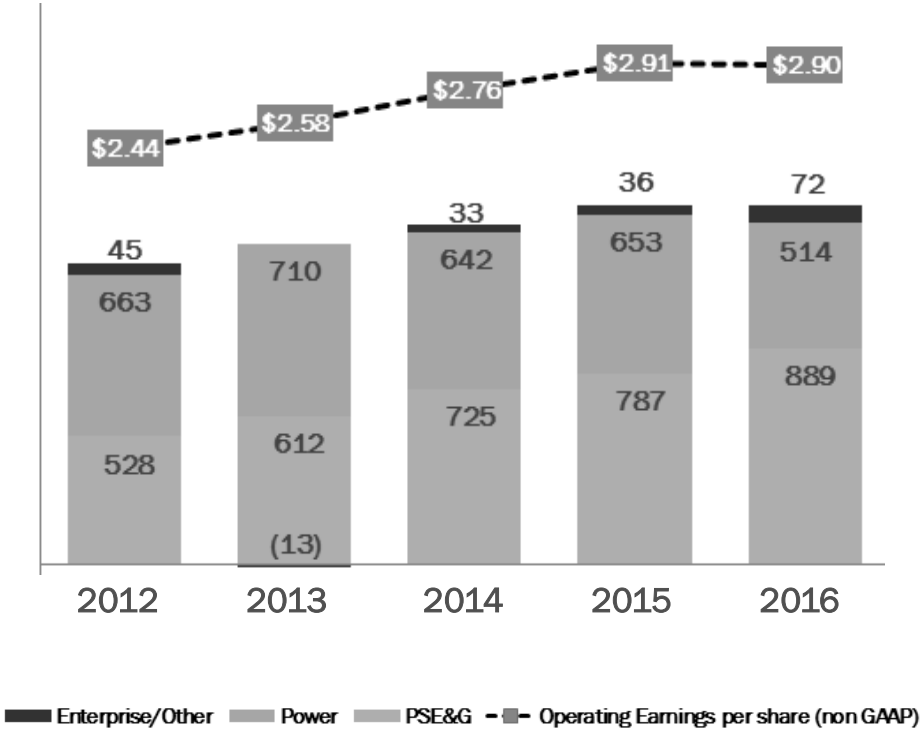
SI-SSA-0015-09758

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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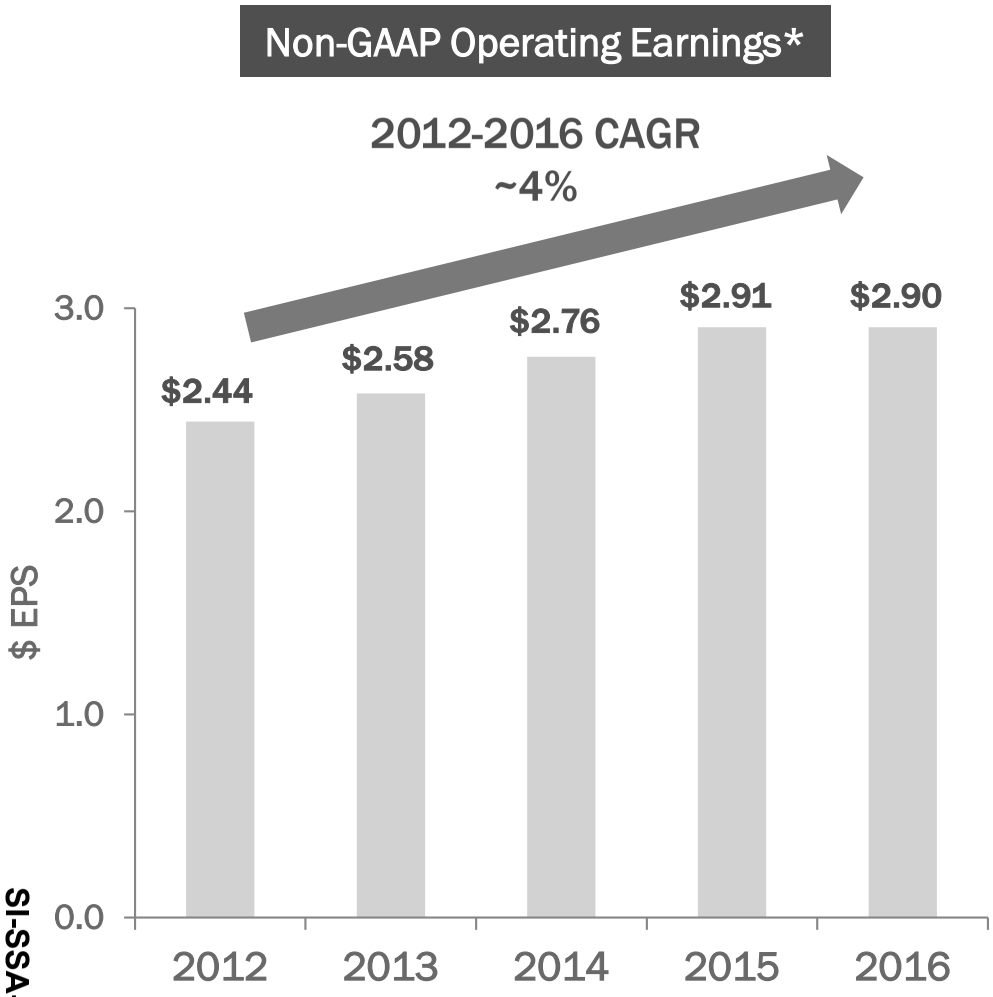
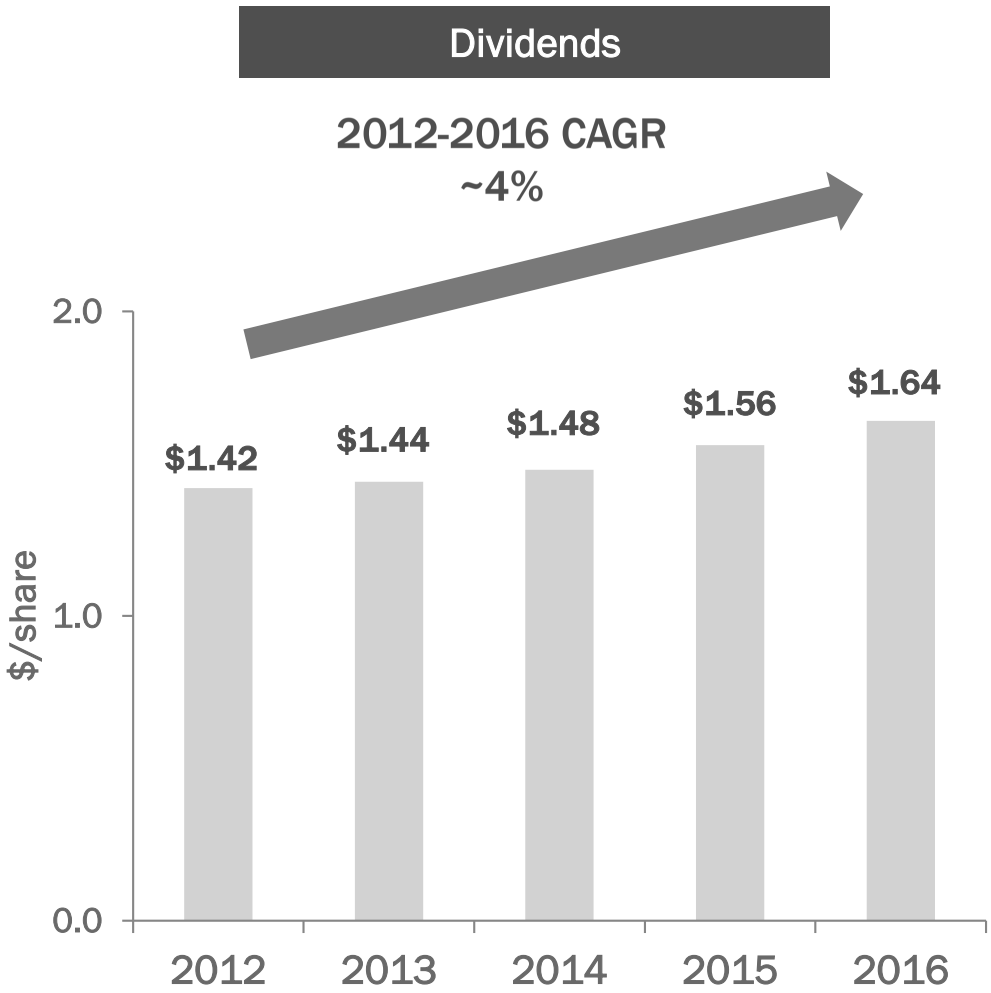
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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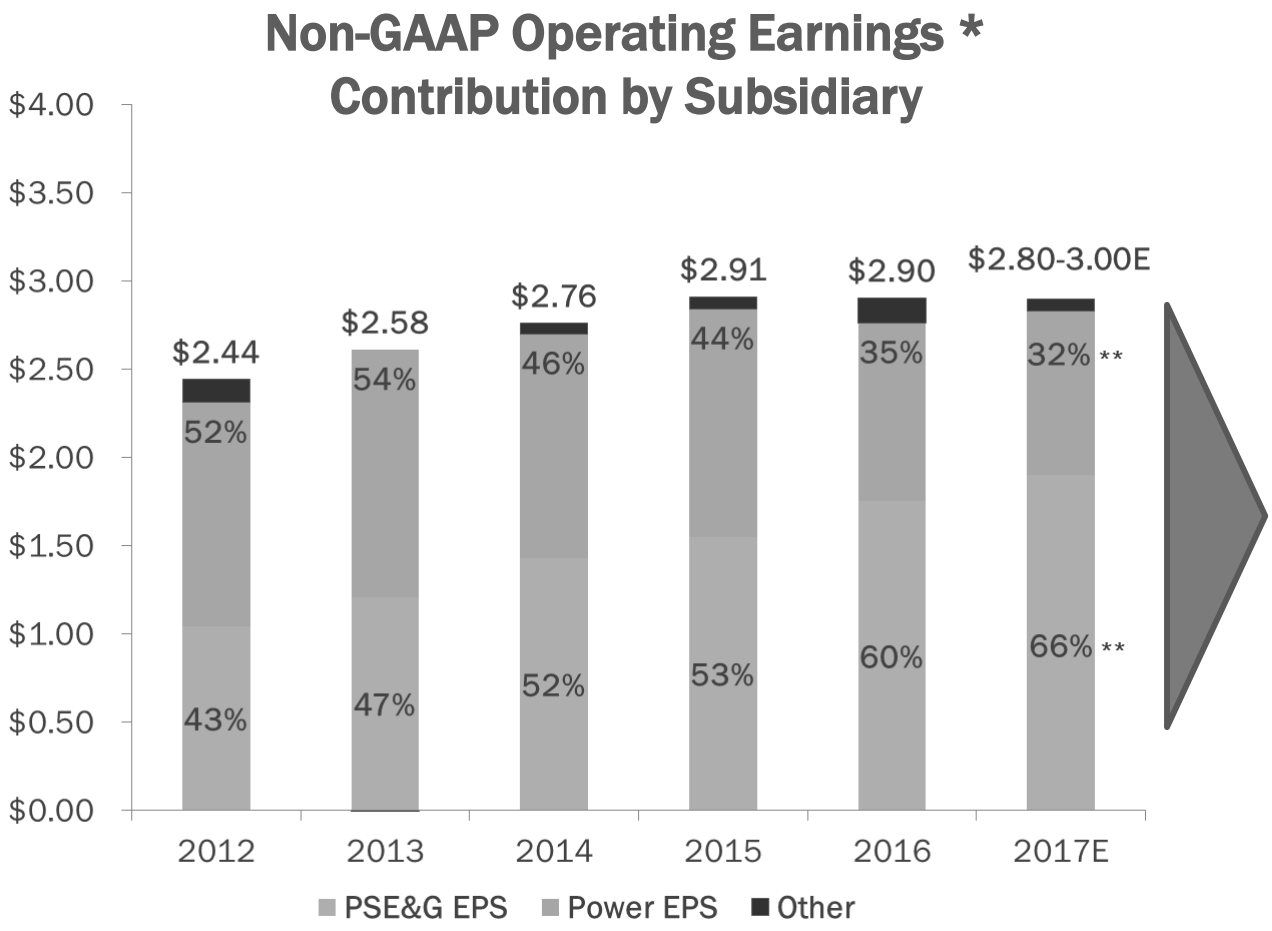
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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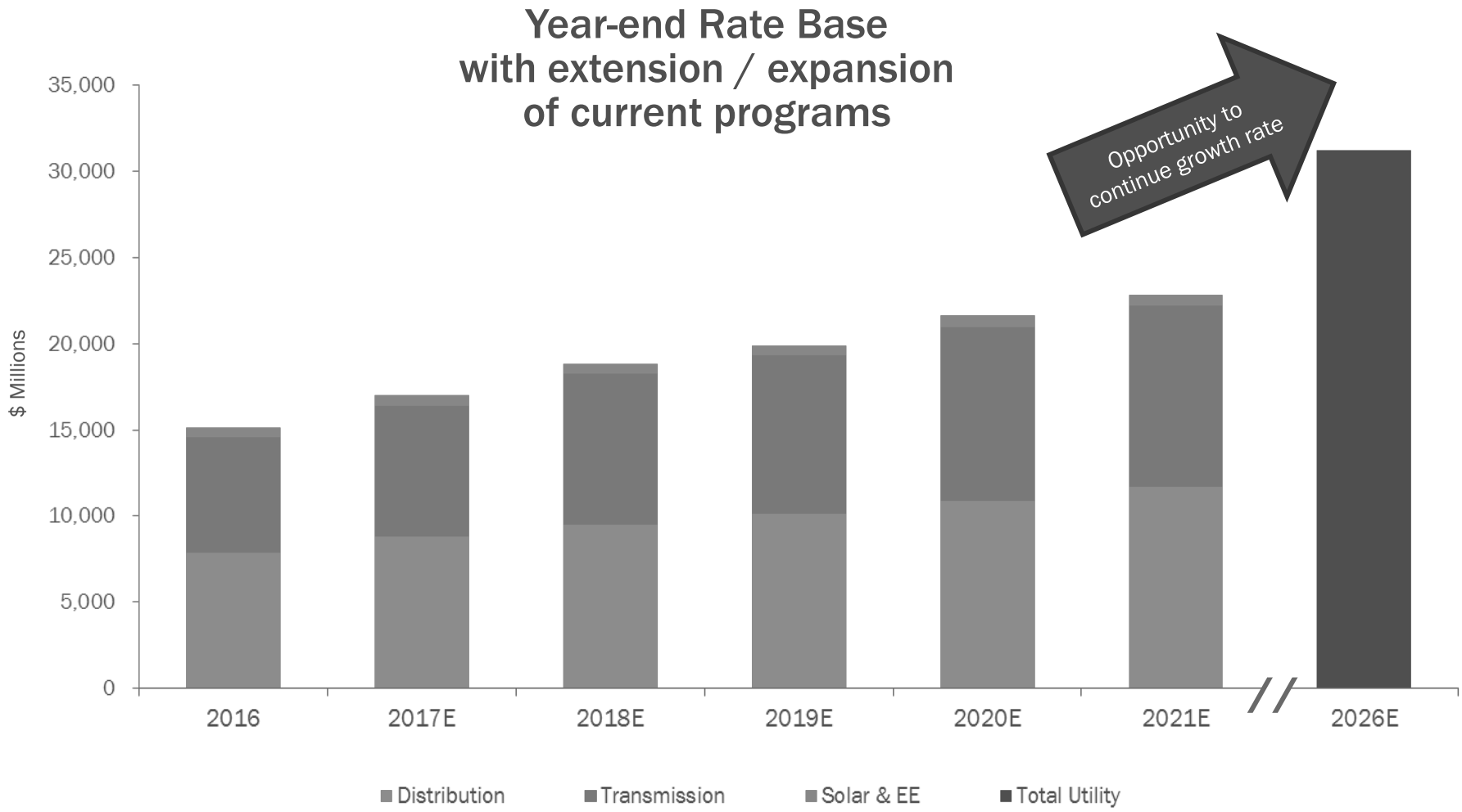
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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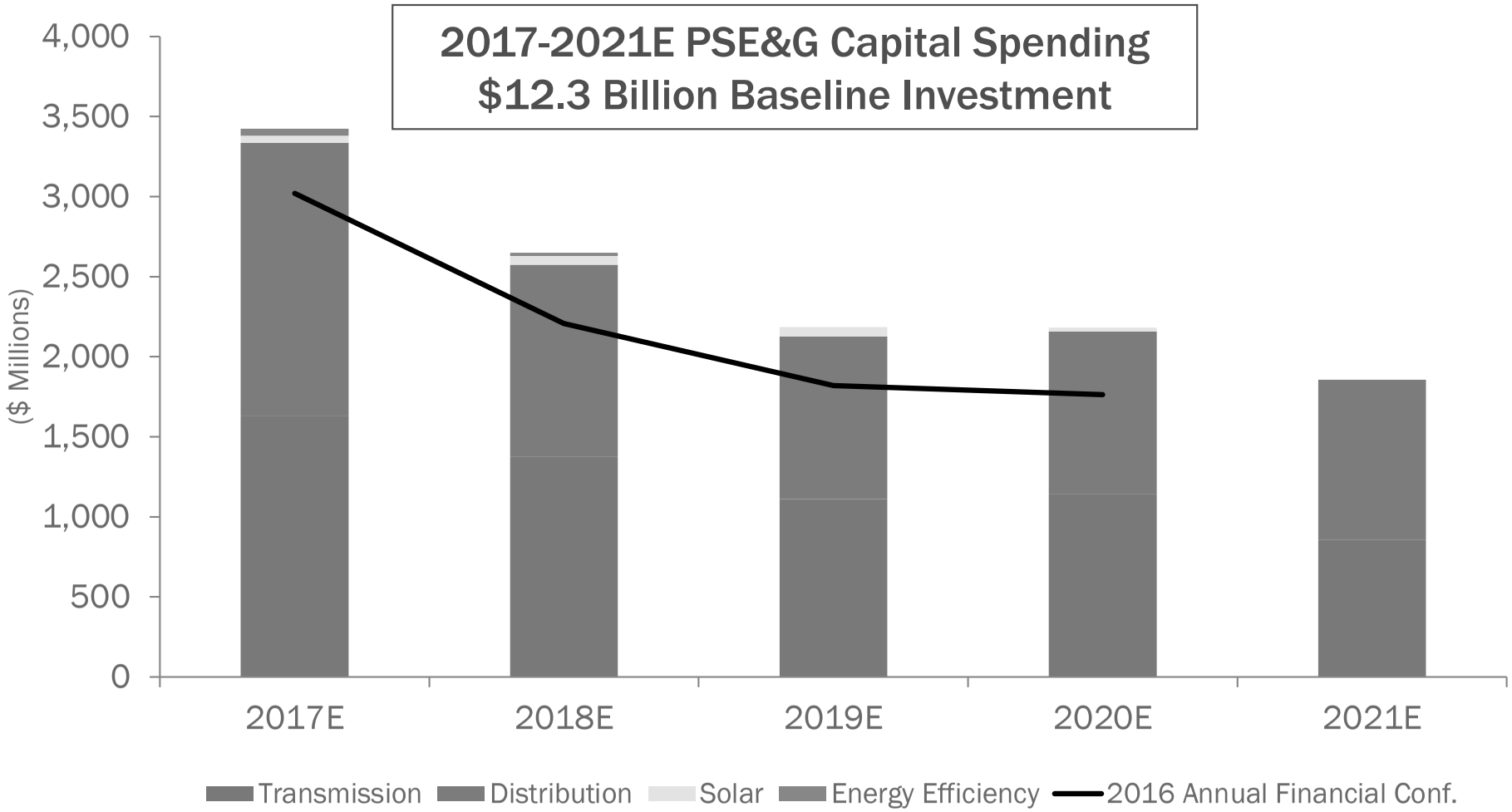
Baseline programs yield 7% compound annual growth in rate base



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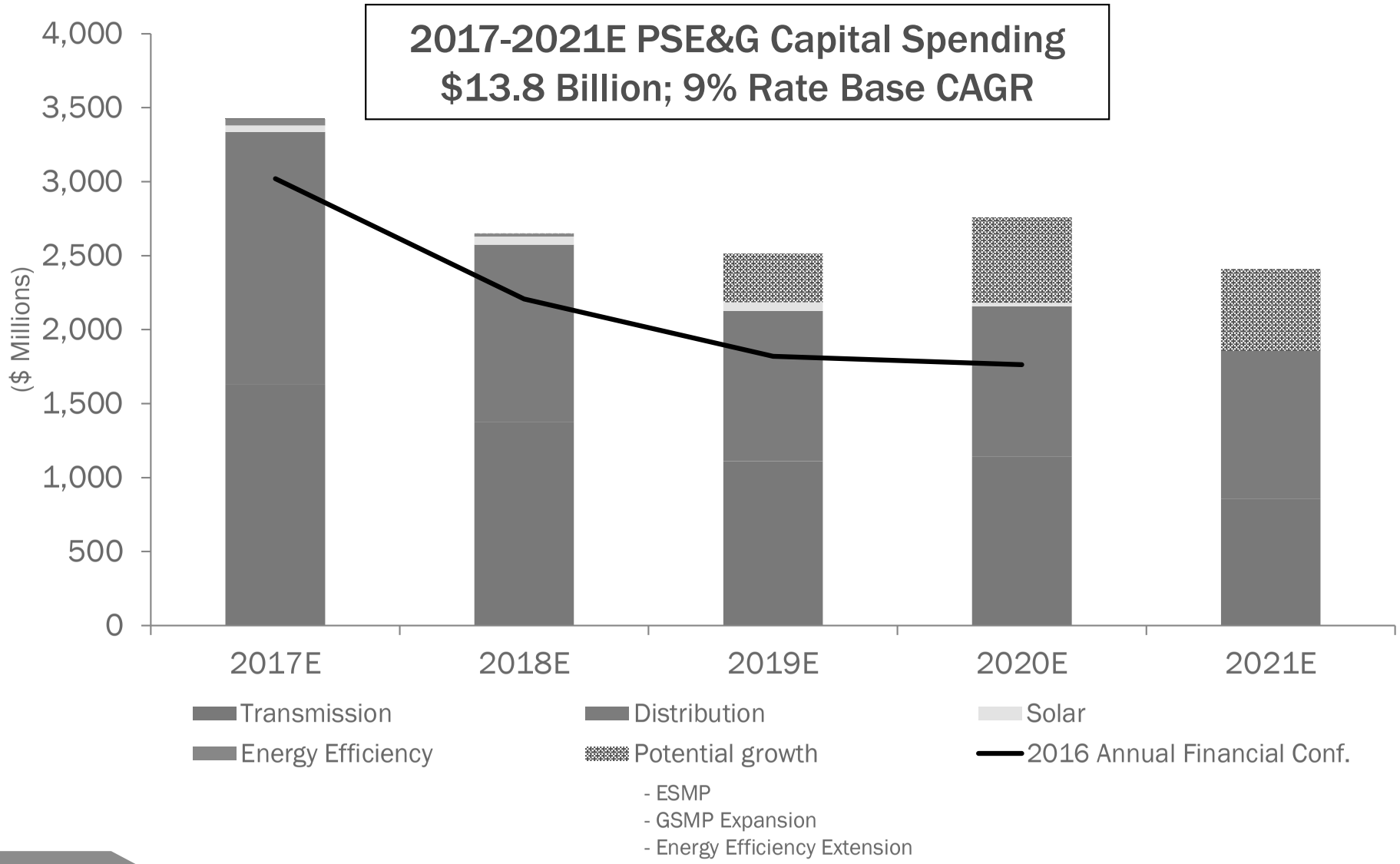
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

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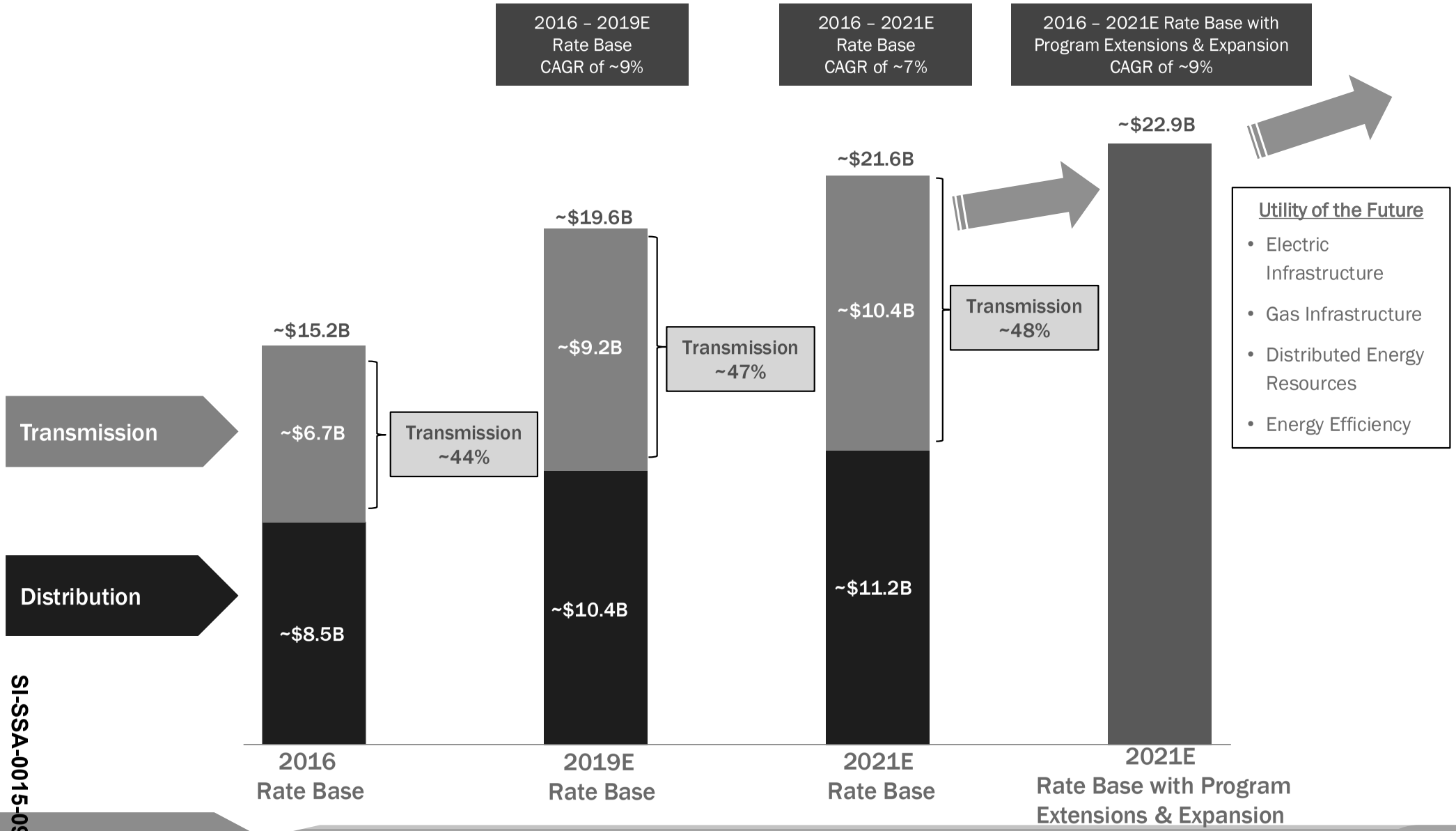
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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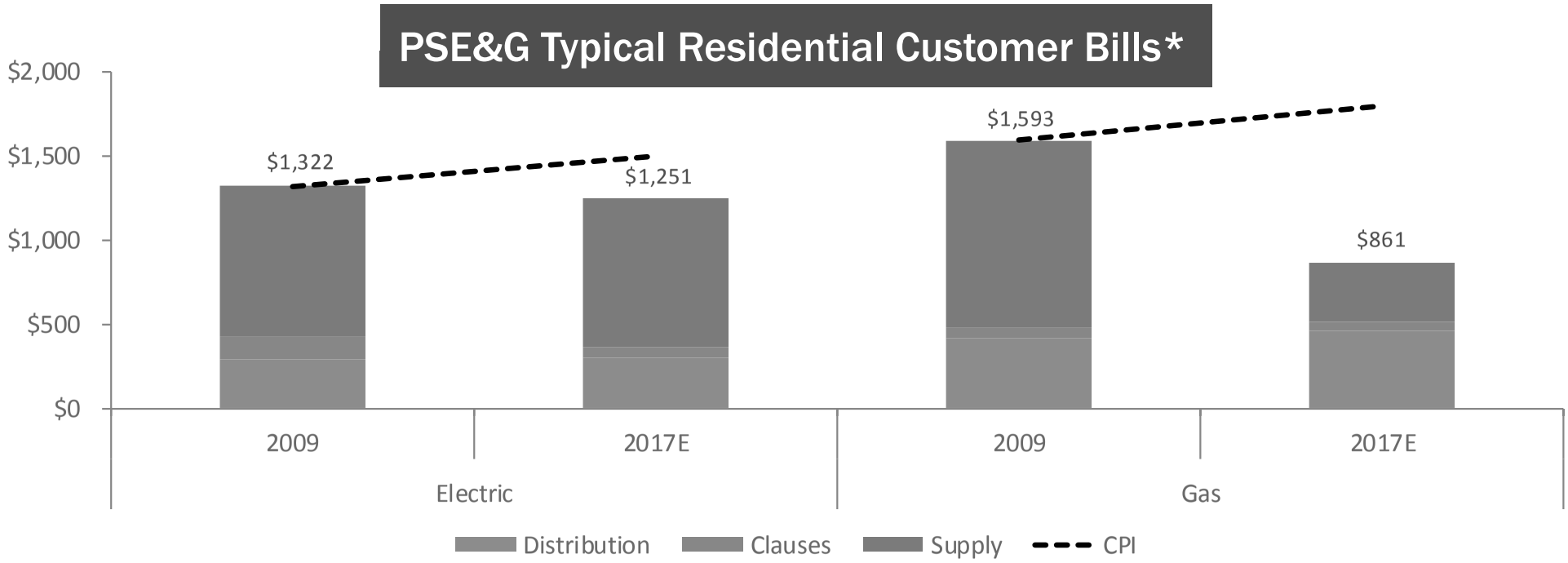
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

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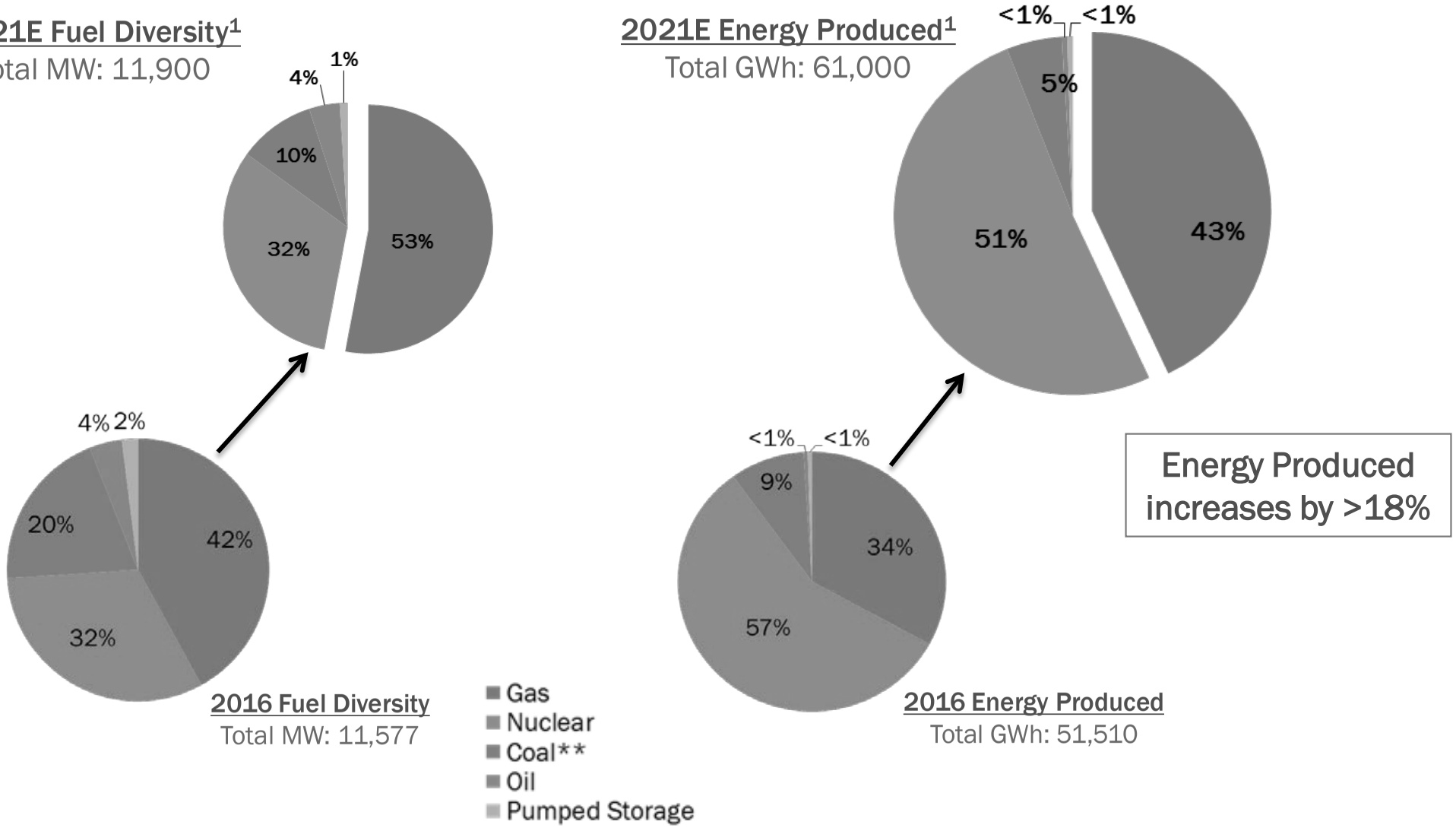
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

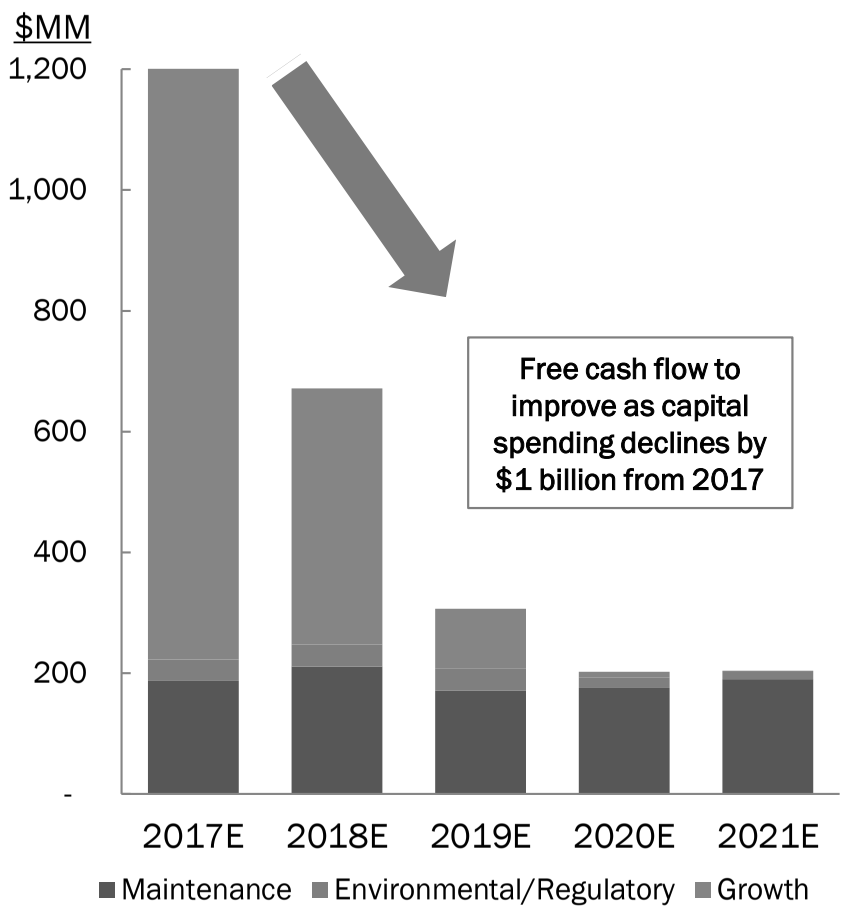
Projected Fleet Comparison 2016 to 2021E



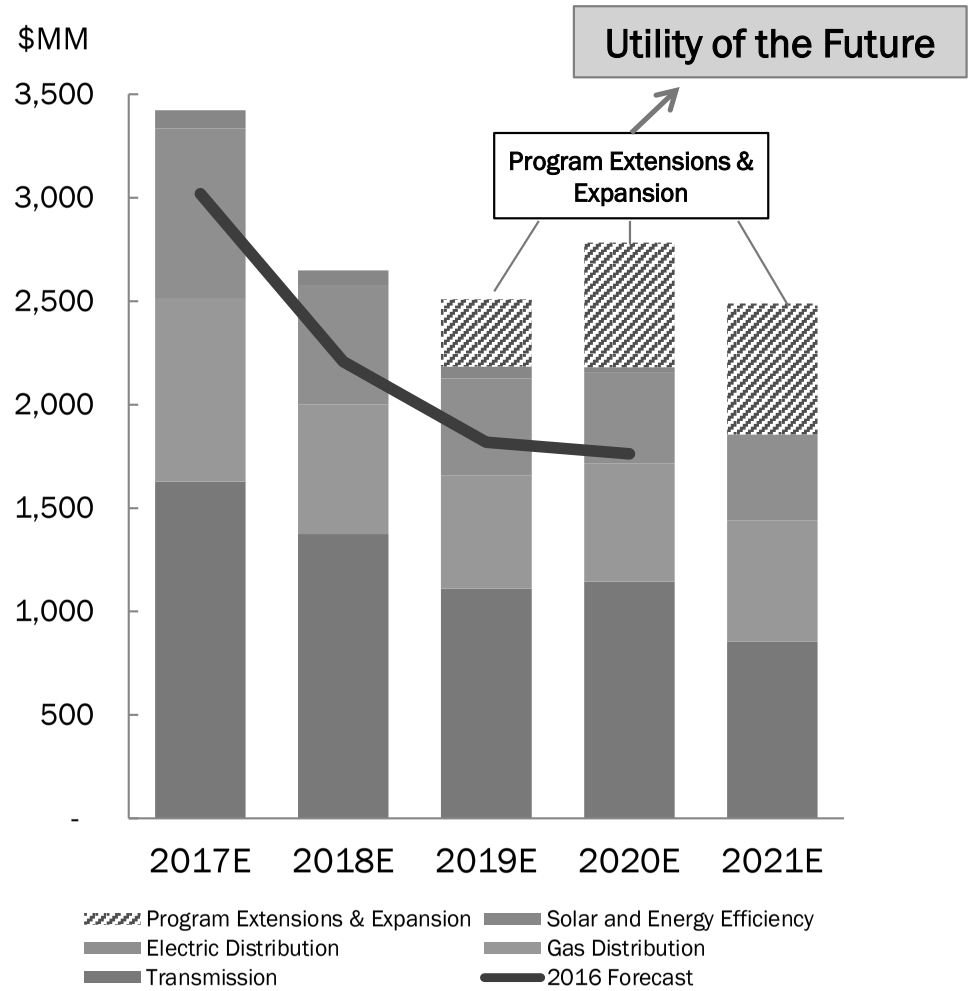
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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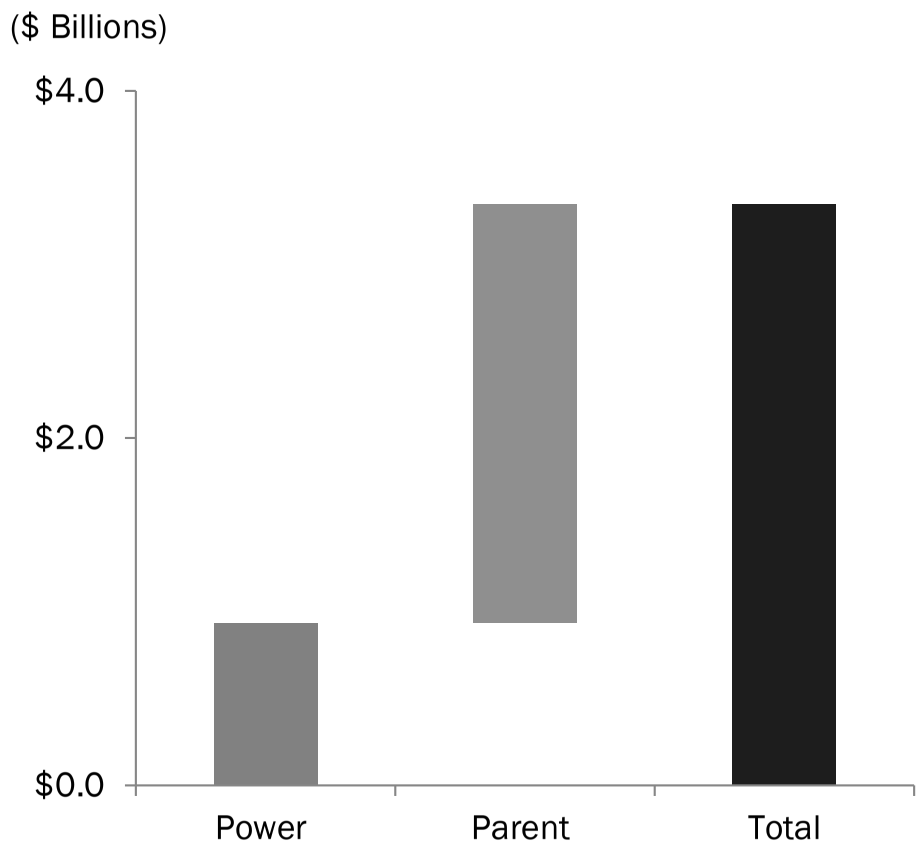
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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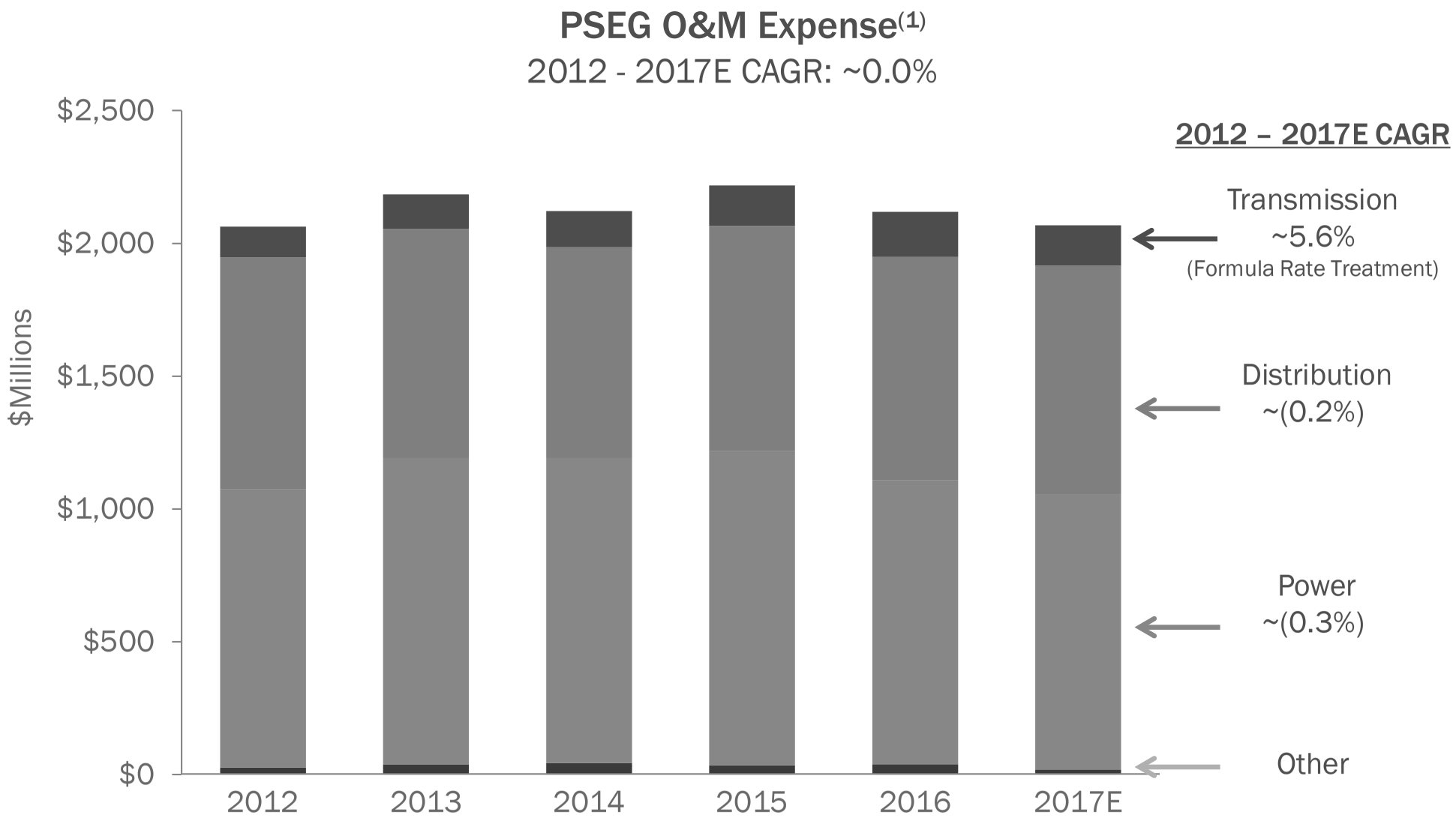
E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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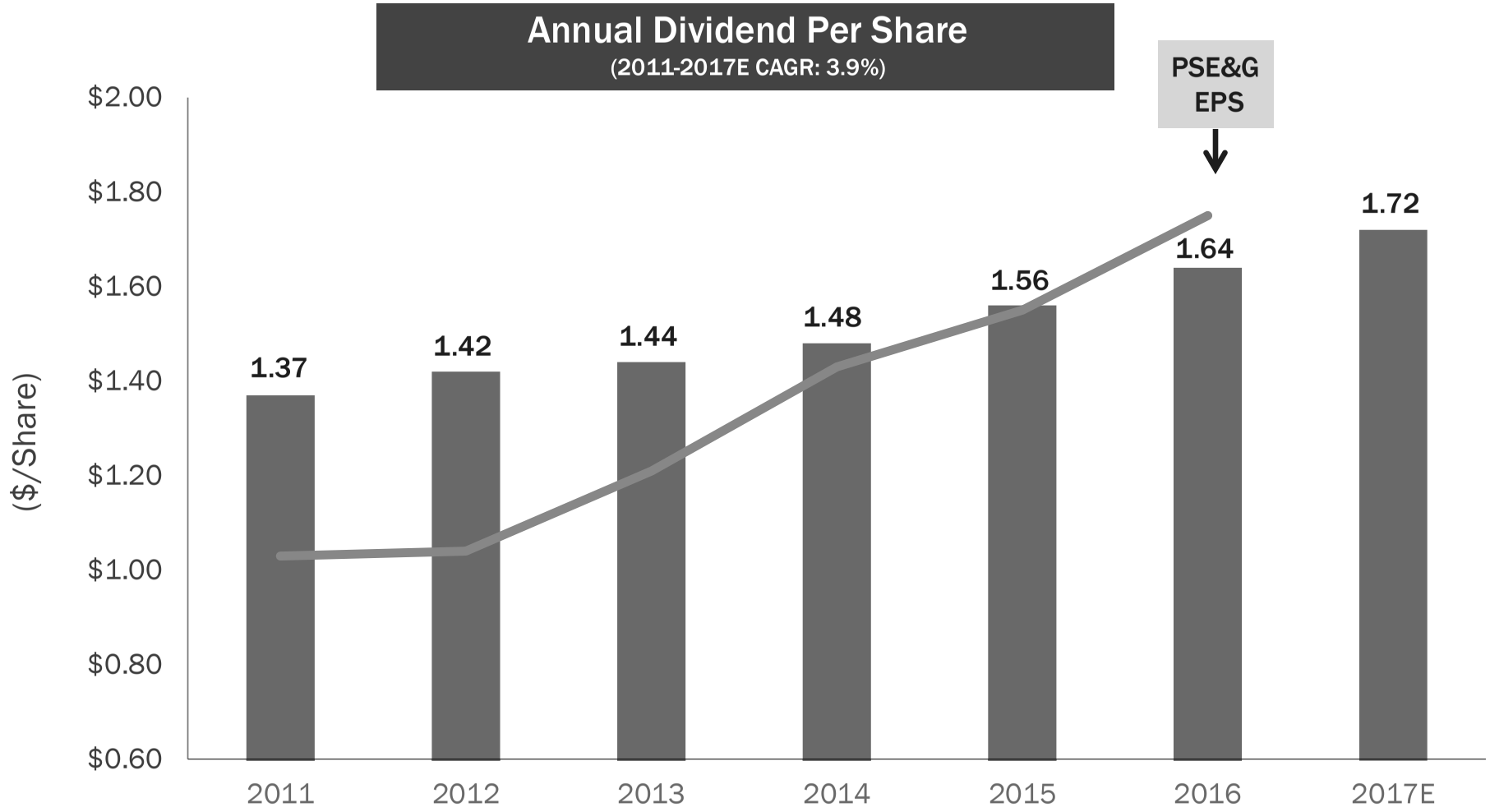
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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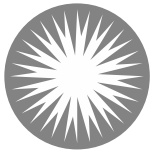
PSEG FINANCIAL APPENDIX



PSEG

We make things work for you.

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Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

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* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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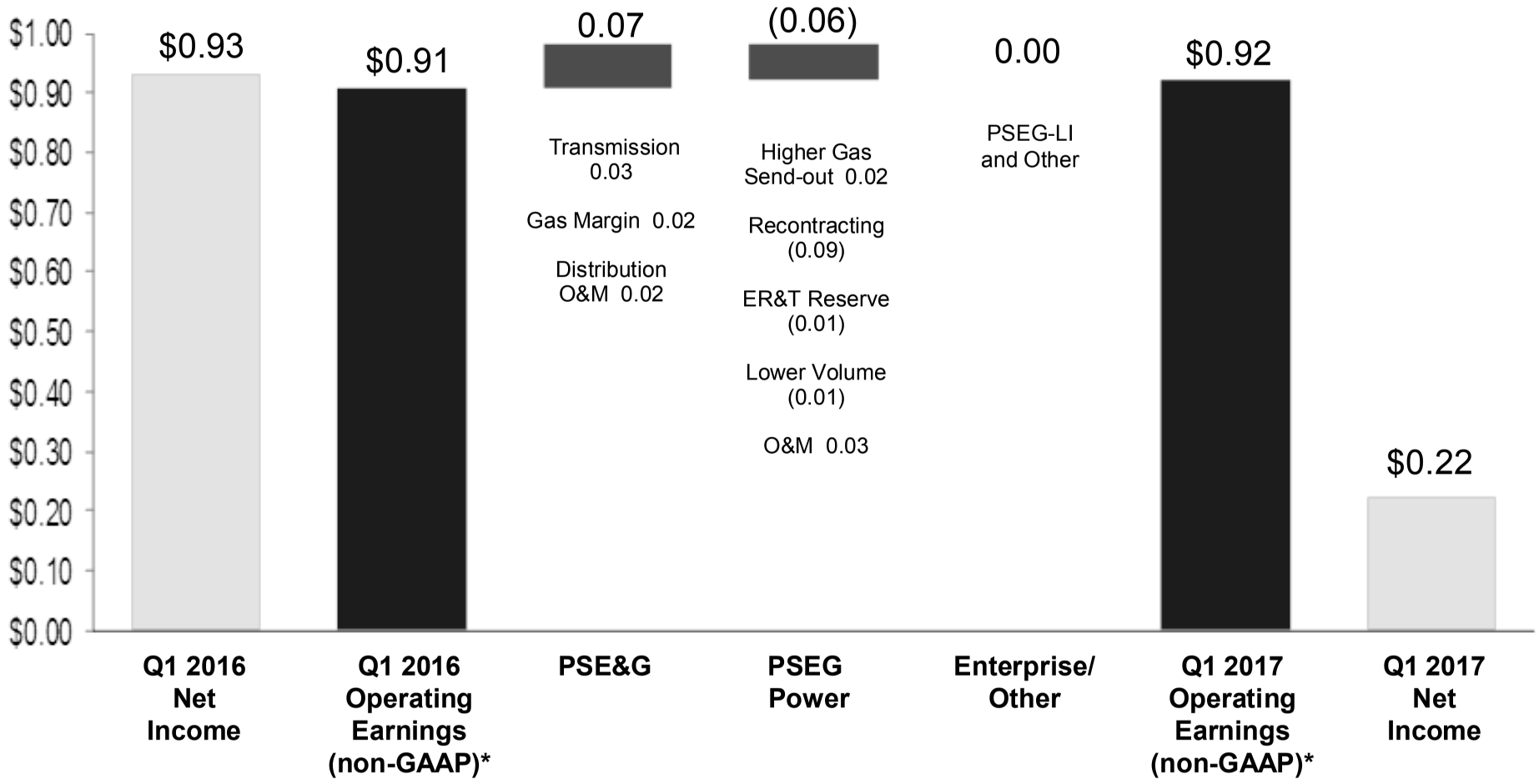
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

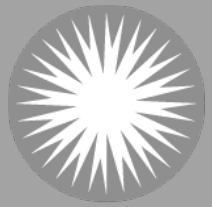
PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Jefferies Securities Investor Meetings – Chicago & Texas

JUNE 29–30, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09782

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09783

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-09784

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-09785

PSEG

We make things work for you.

PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016	2016
Assets $26B Net Income $889M	Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

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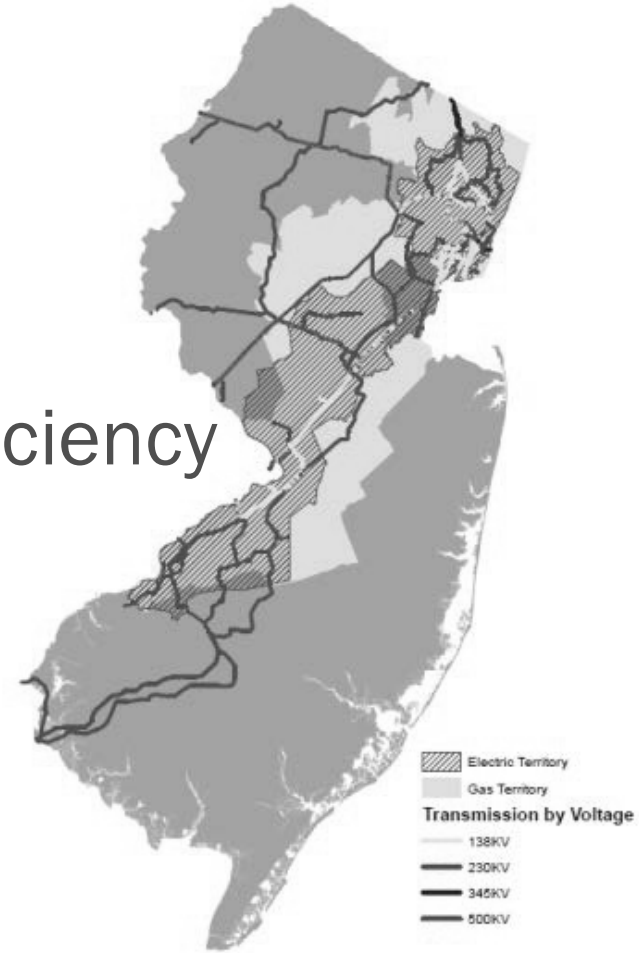
ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

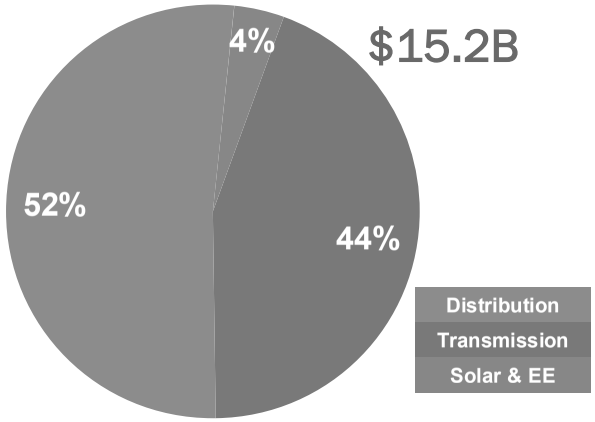
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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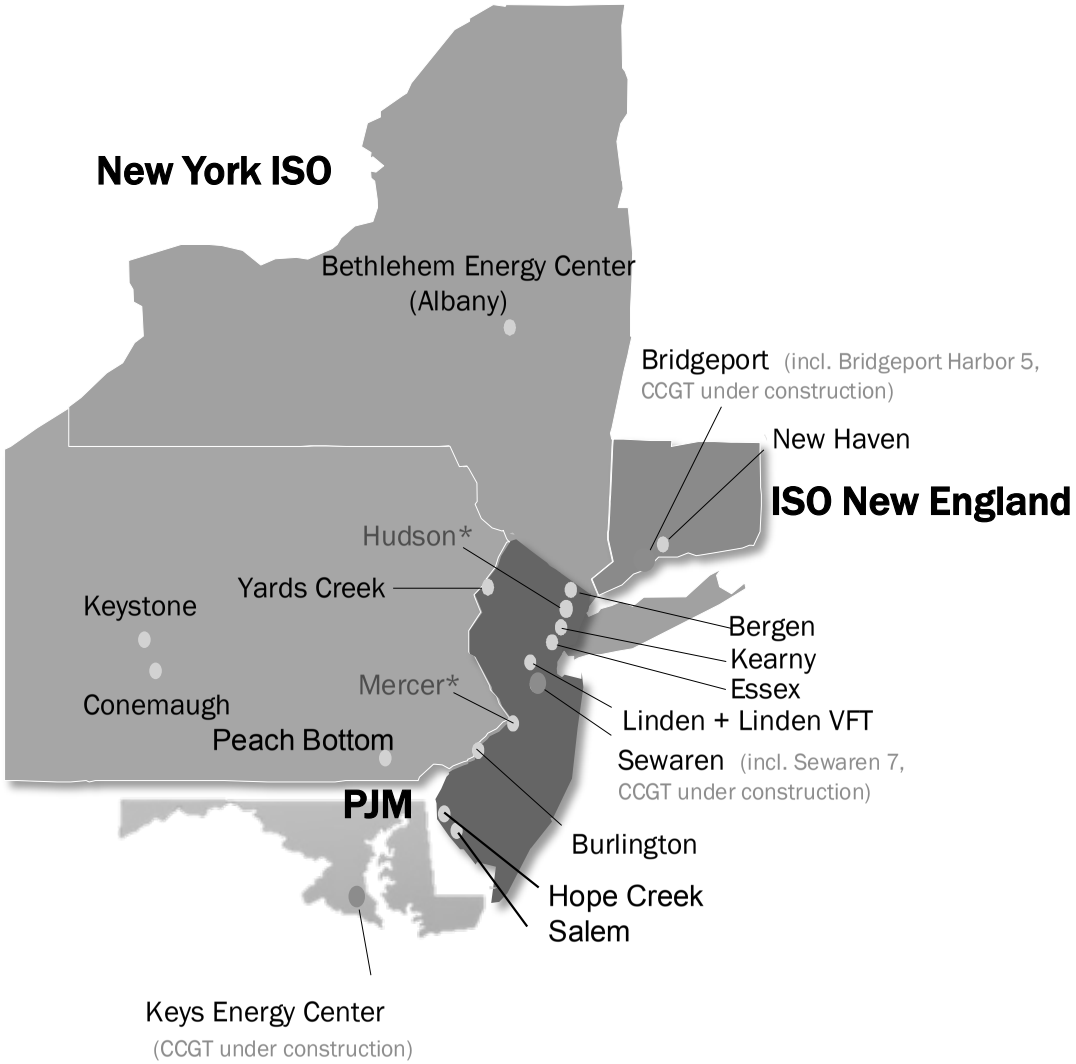
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

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PSEG

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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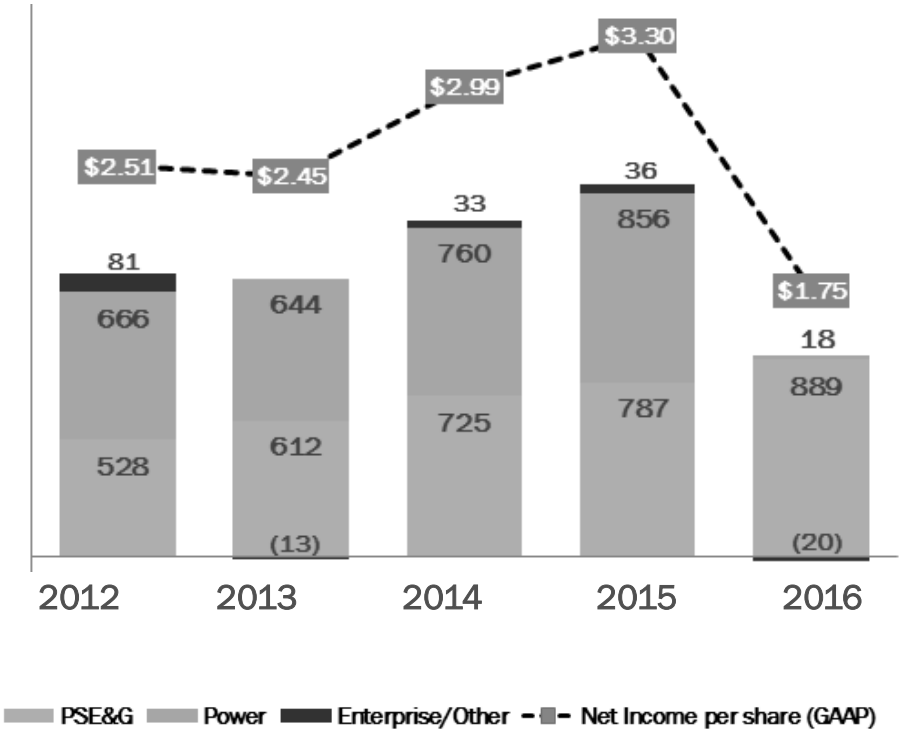
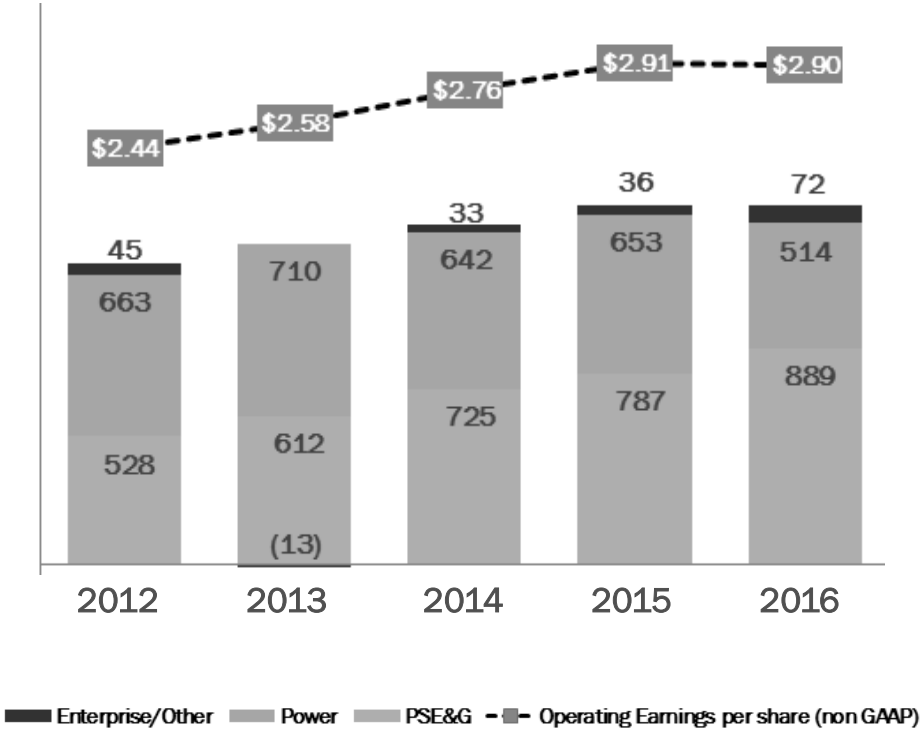
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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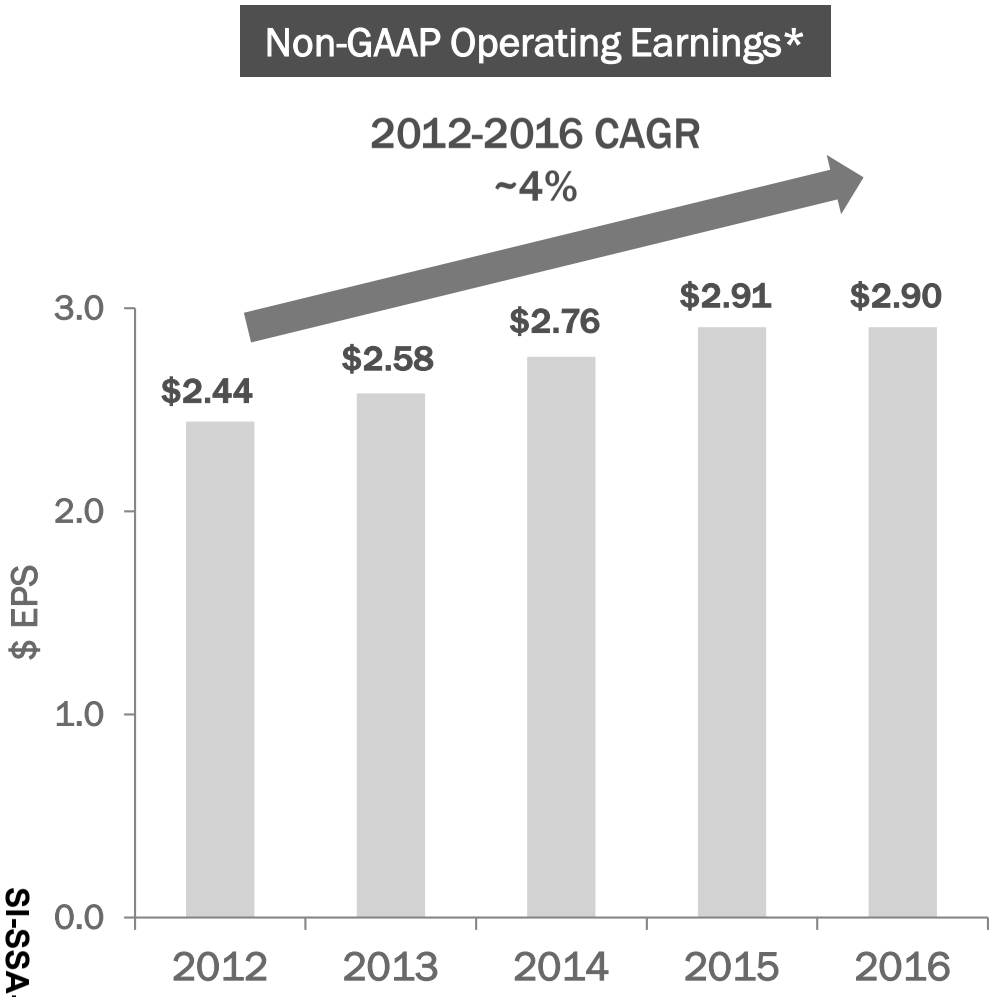
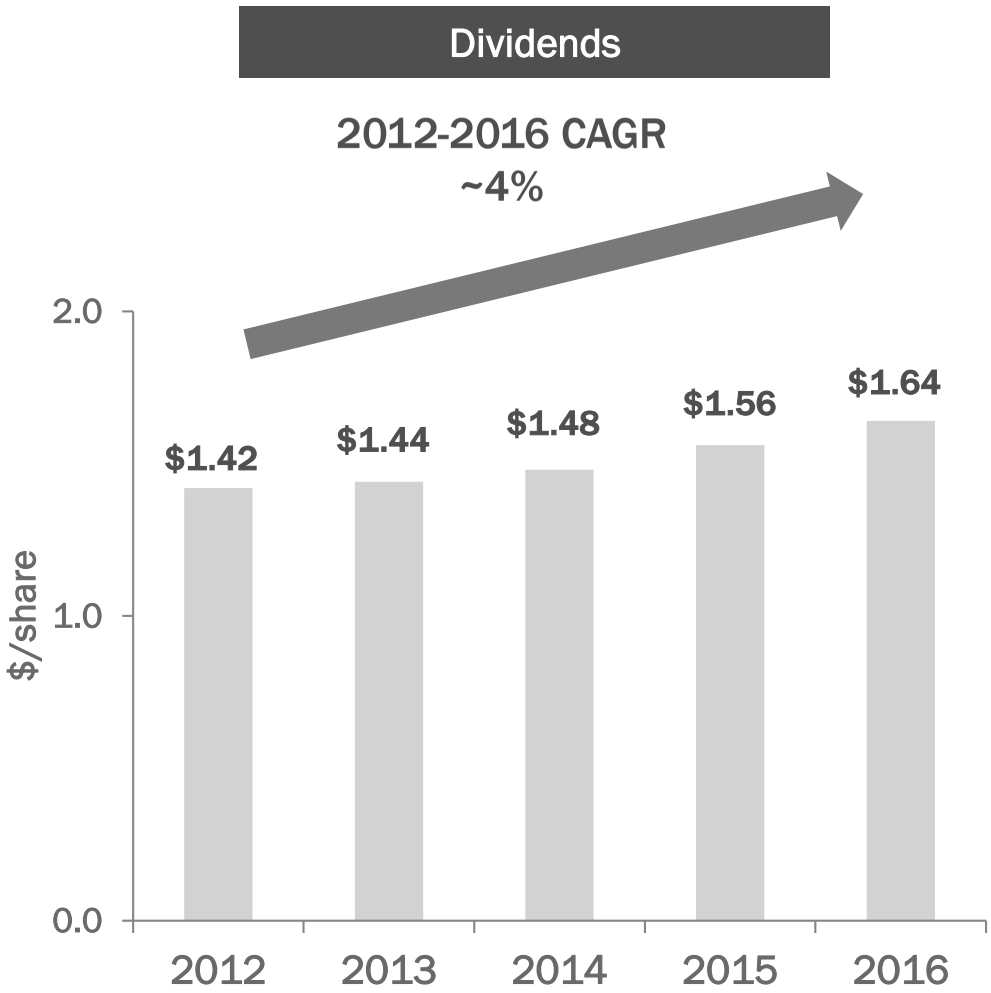
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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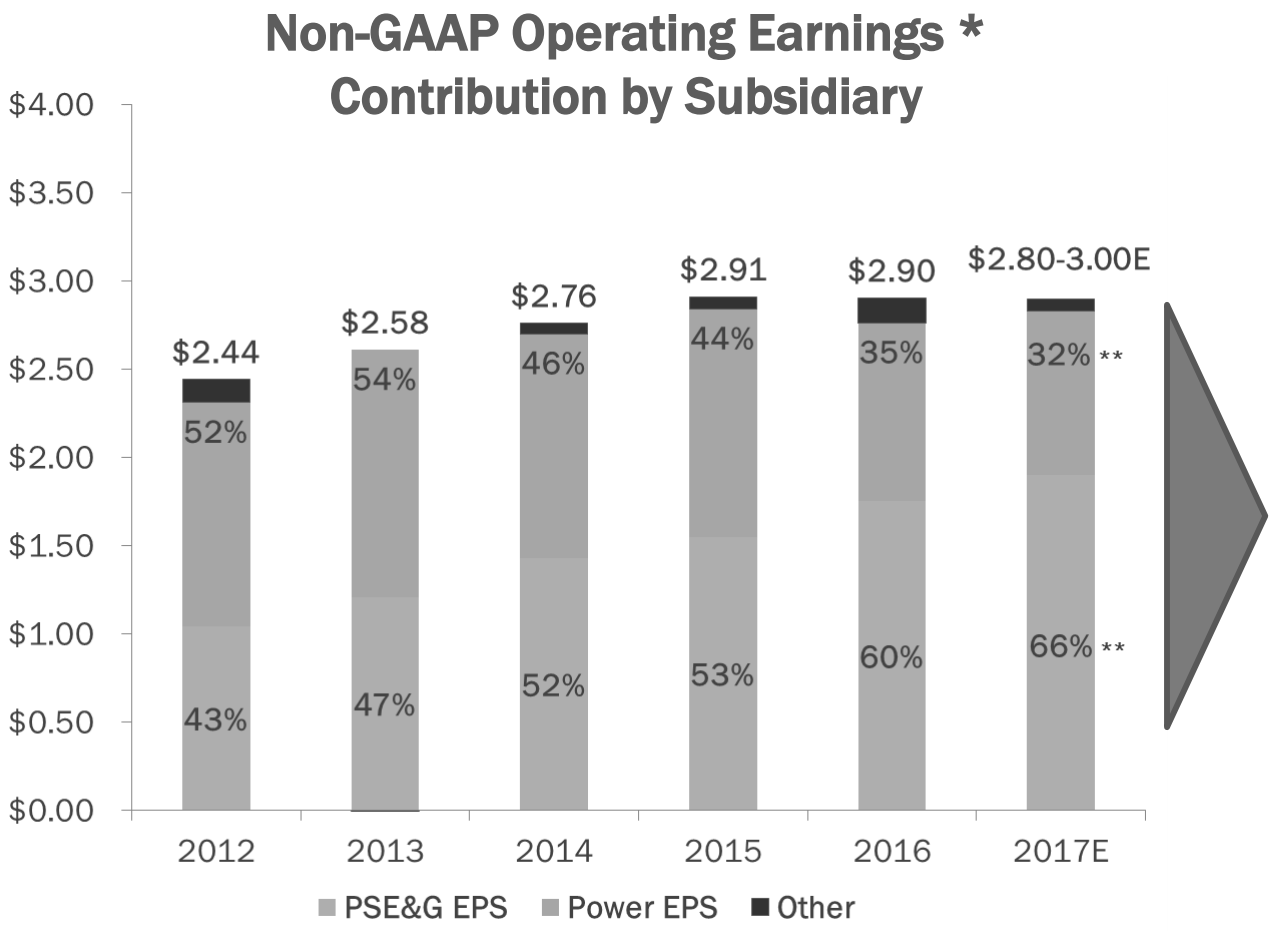
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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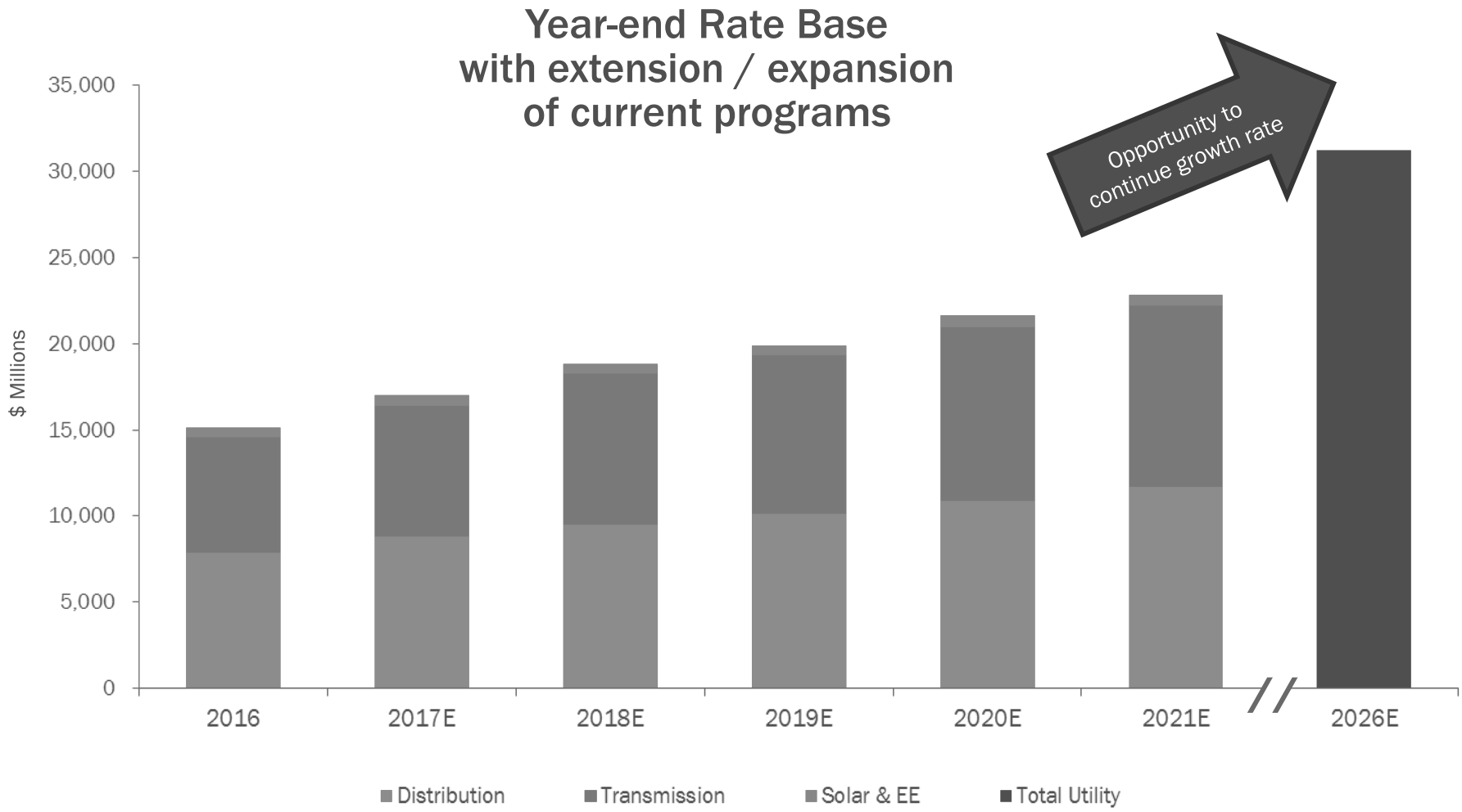
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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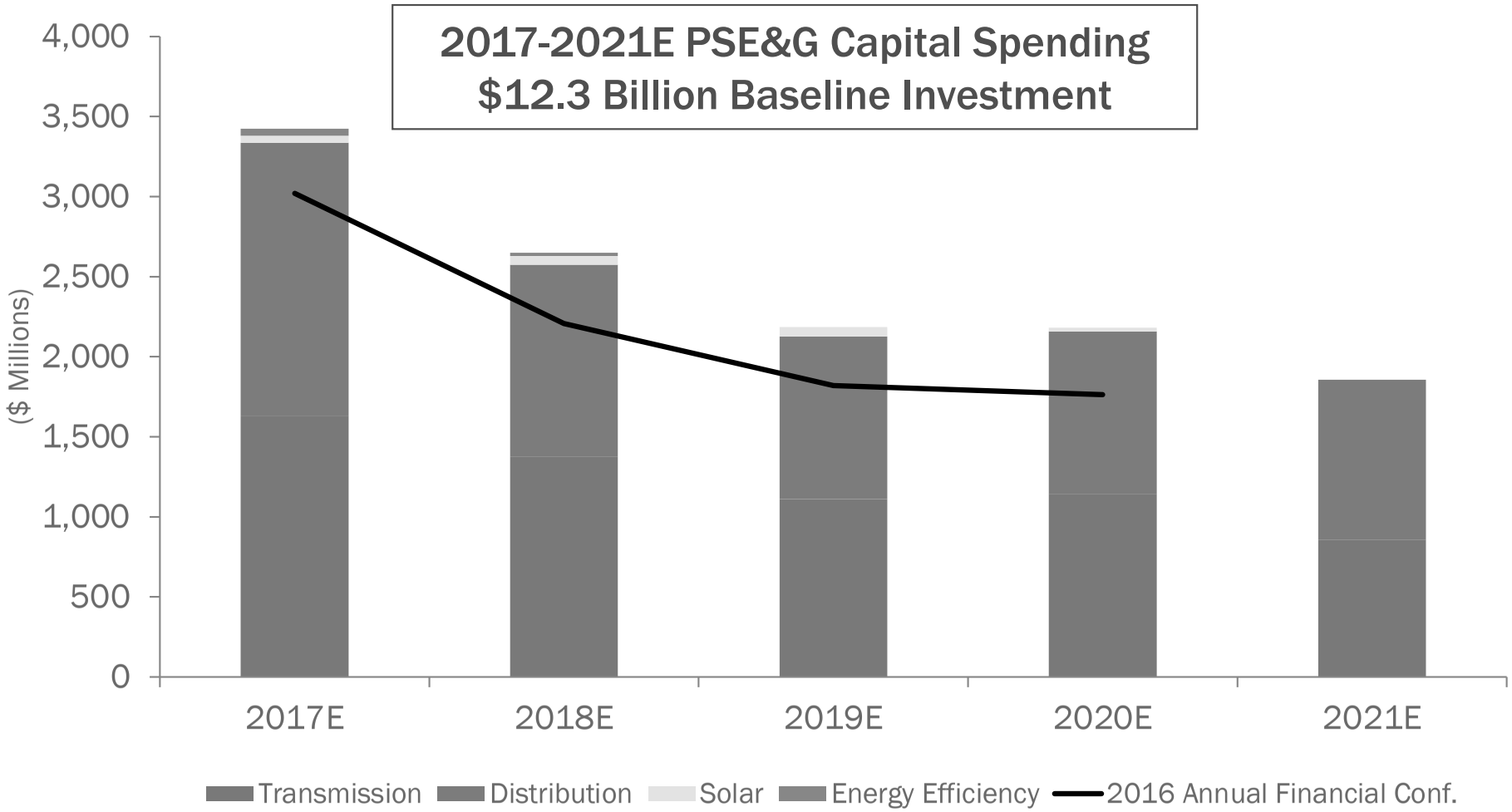
Baseline programs yield 7% compound annual growth in rate base



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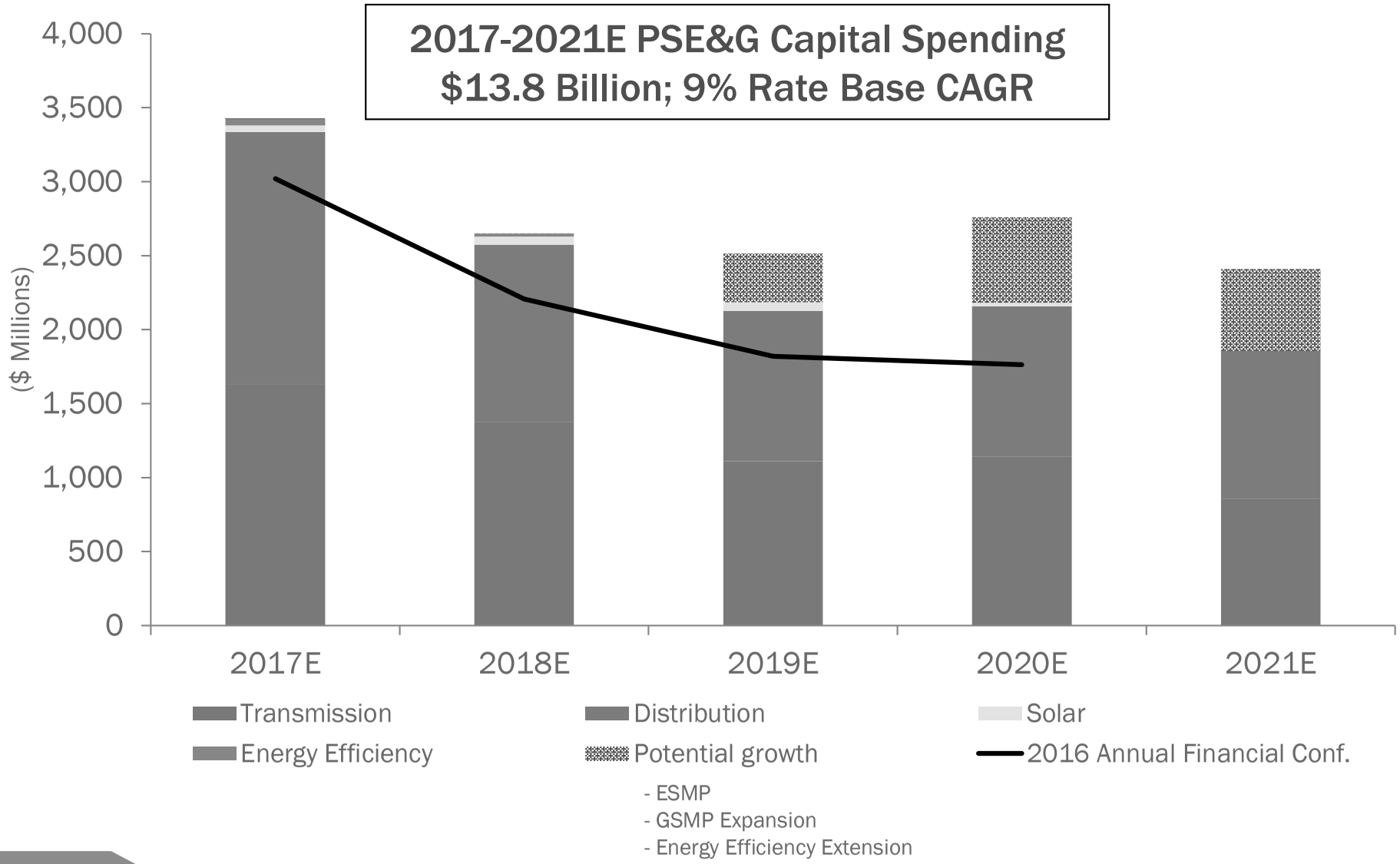
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

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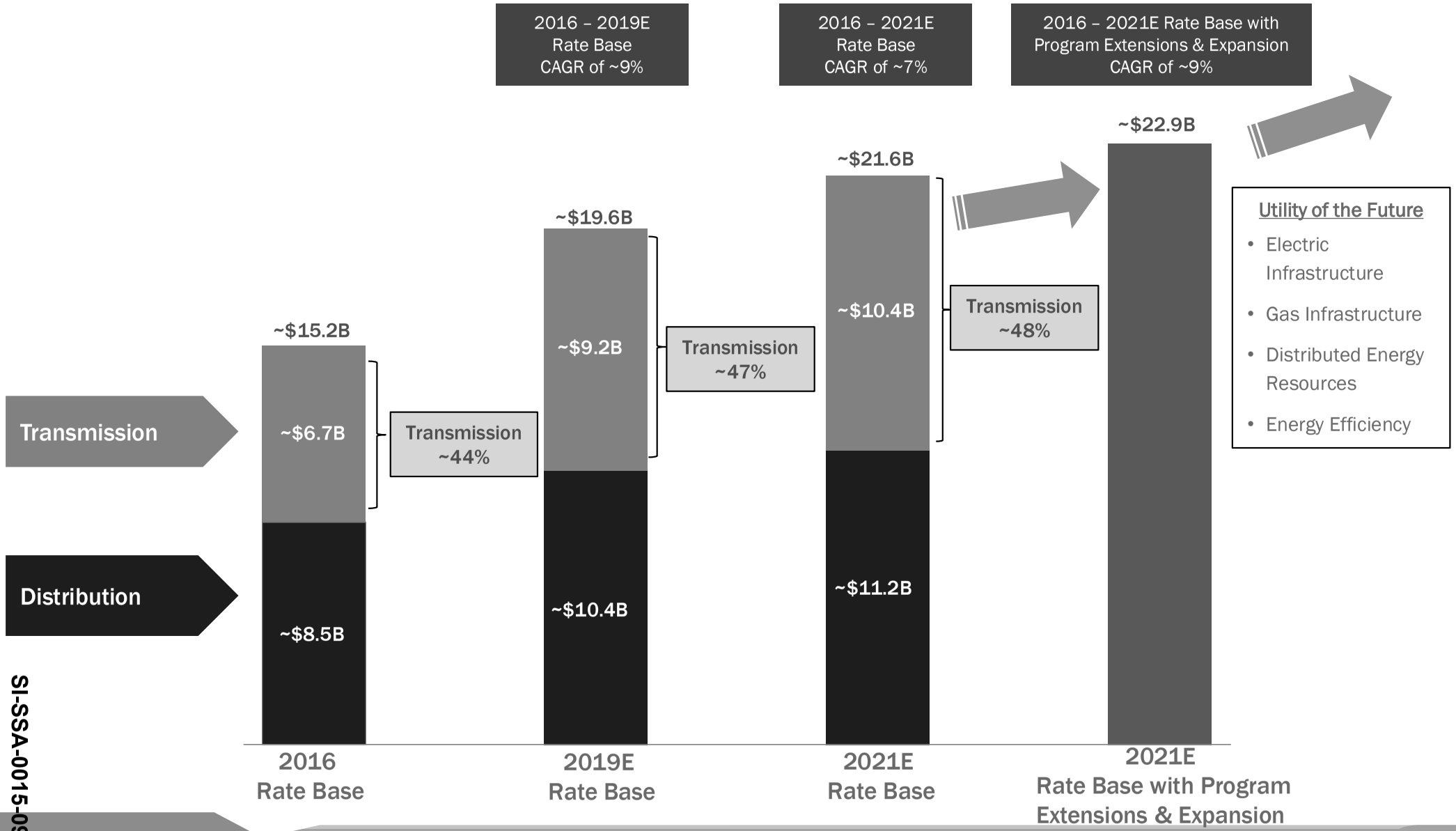
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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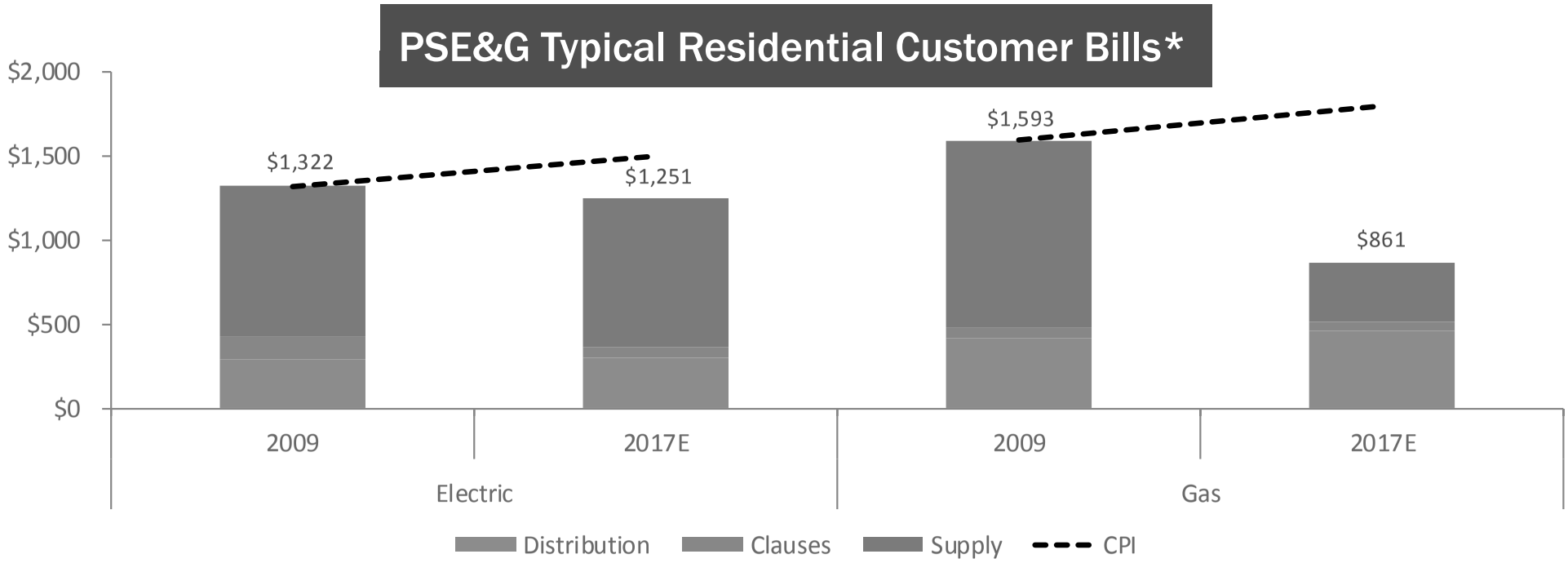
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

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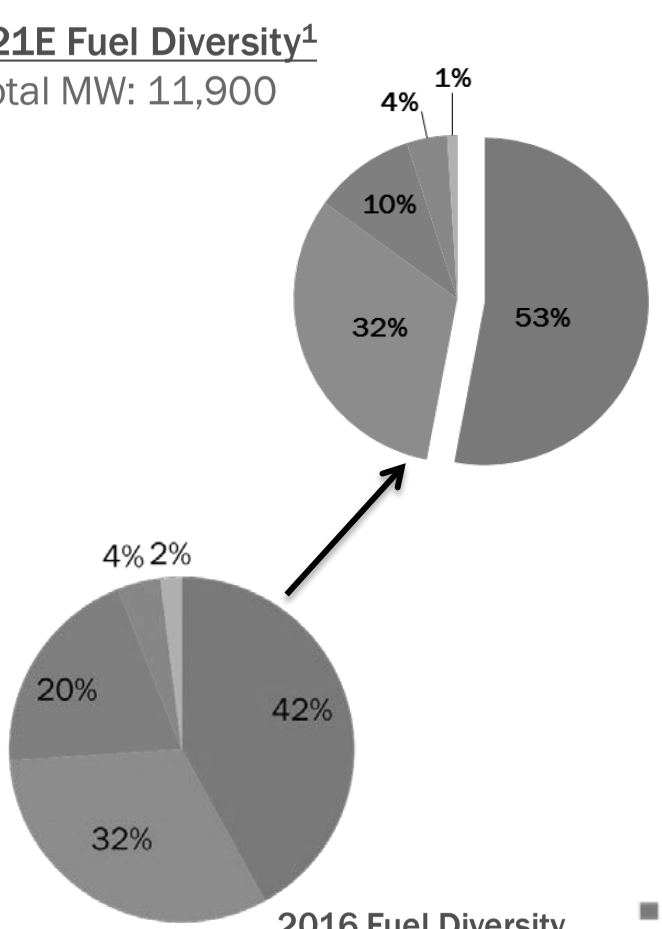
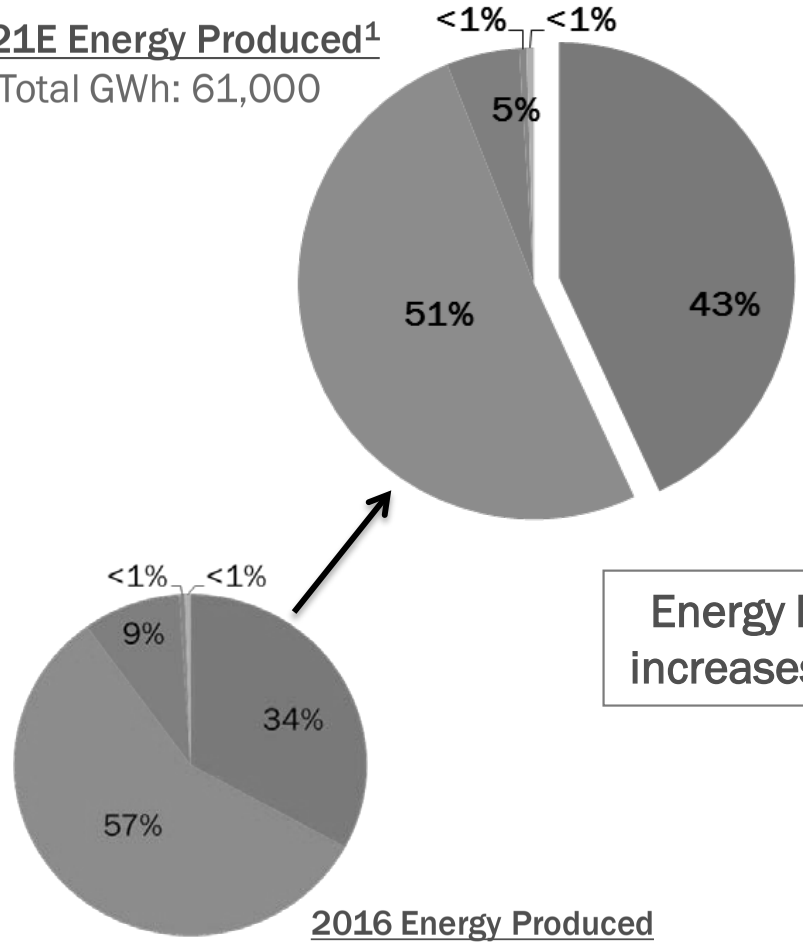
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





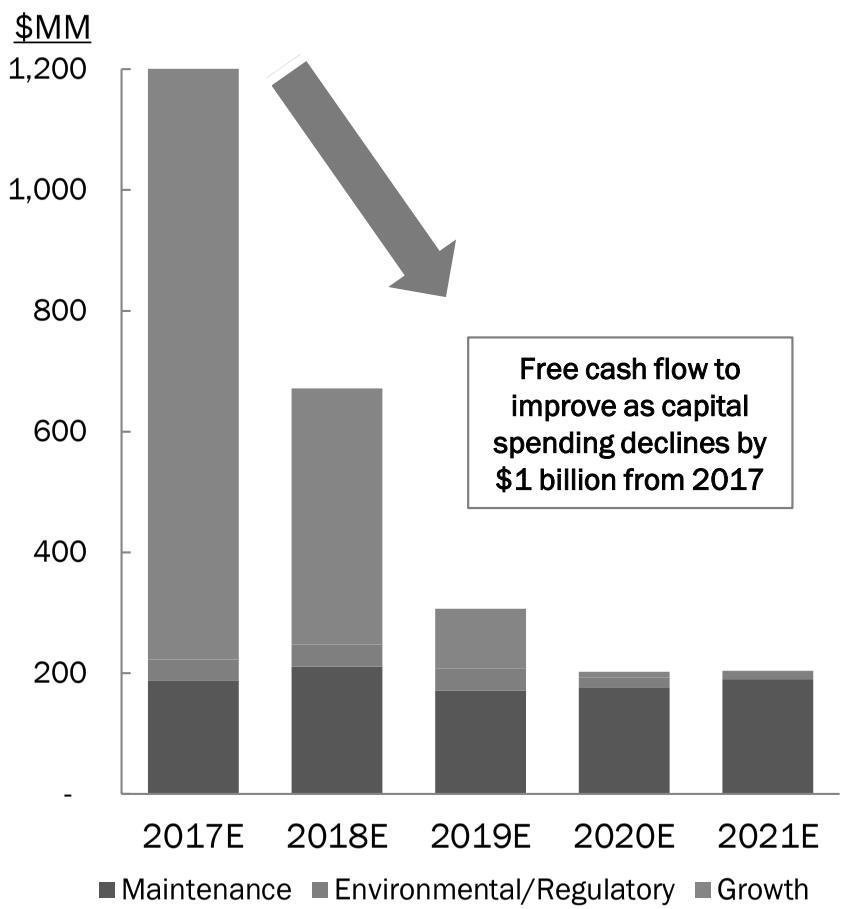
Energy Produced increases by >18%

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

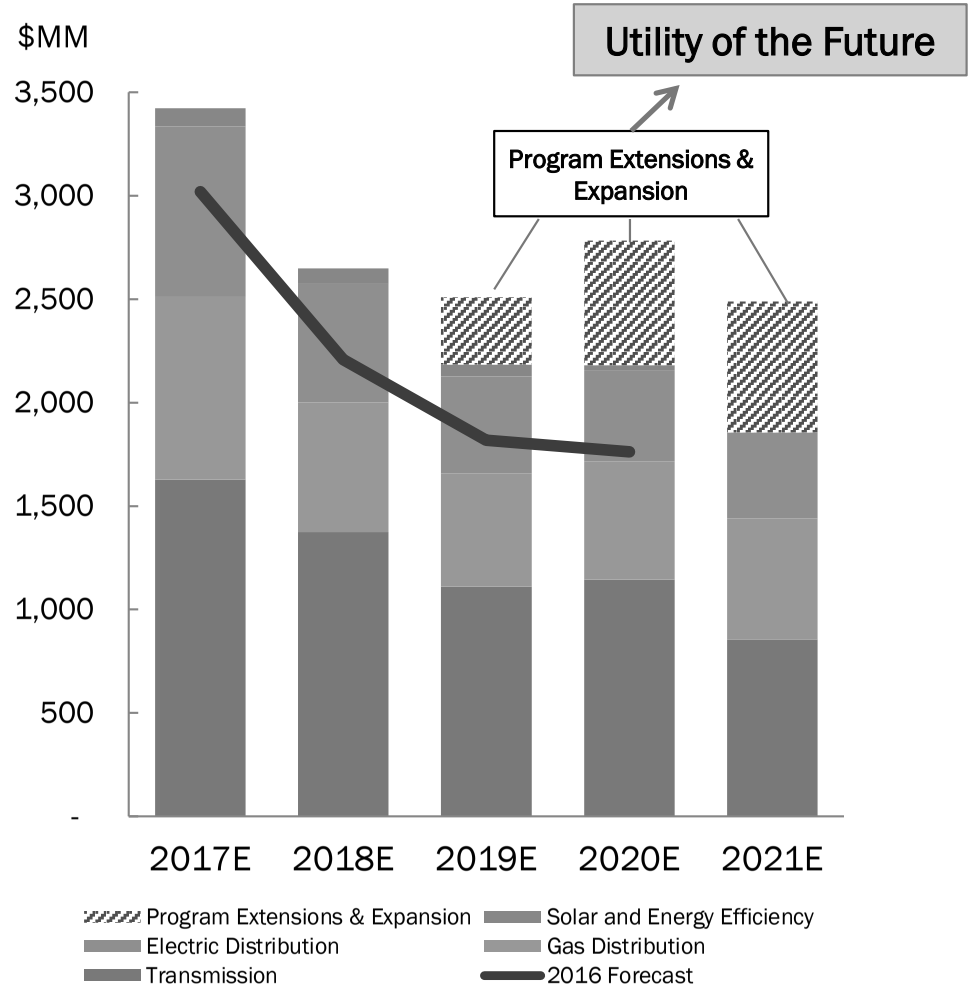
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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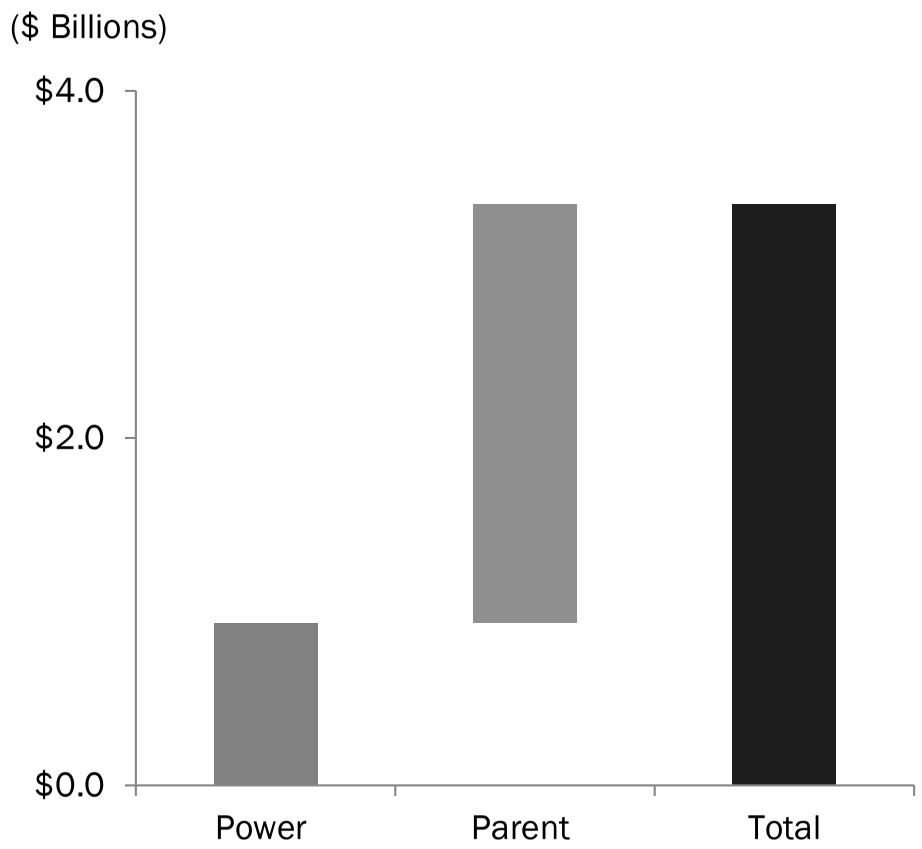
Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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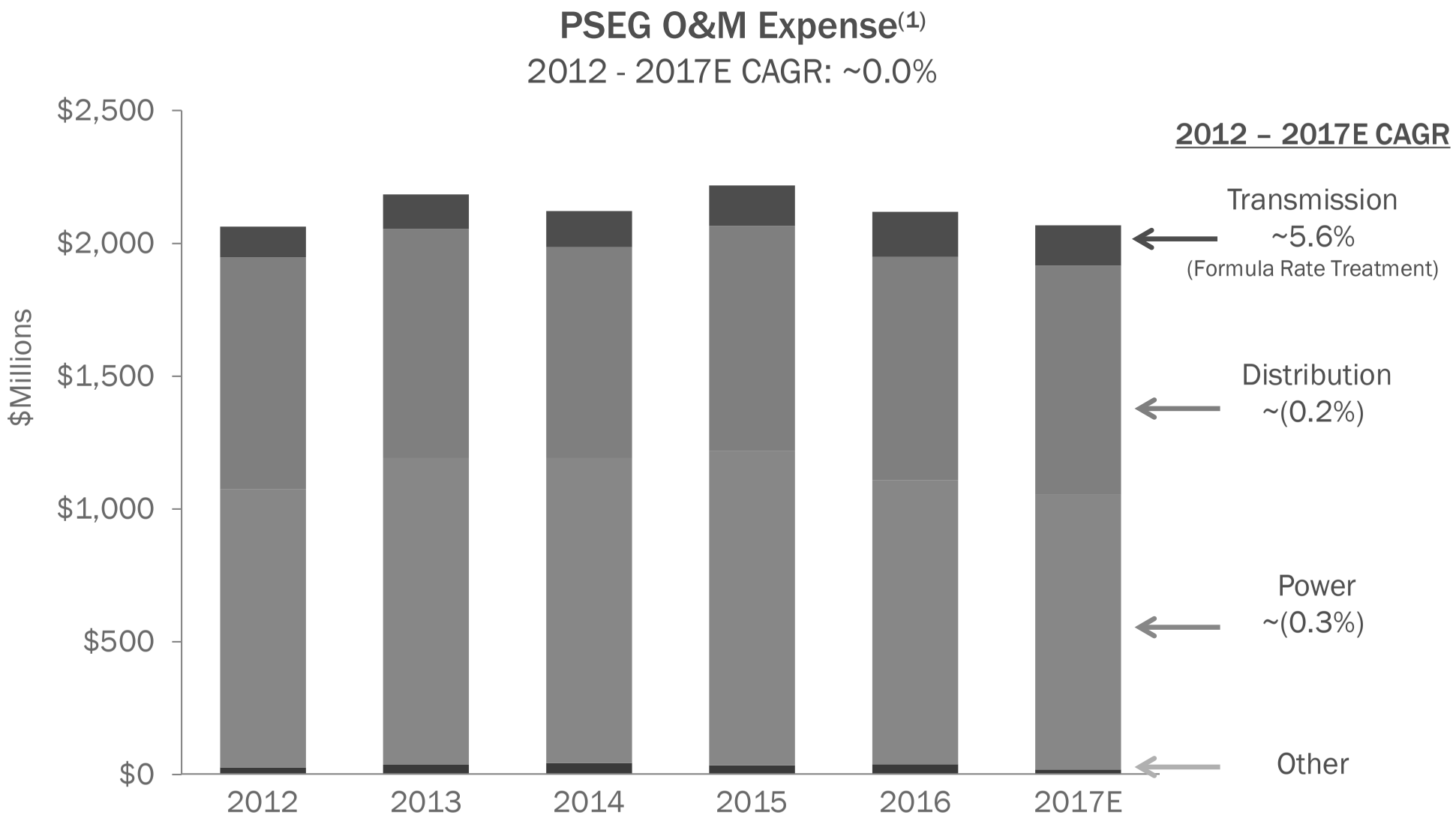
PSEG

E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



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PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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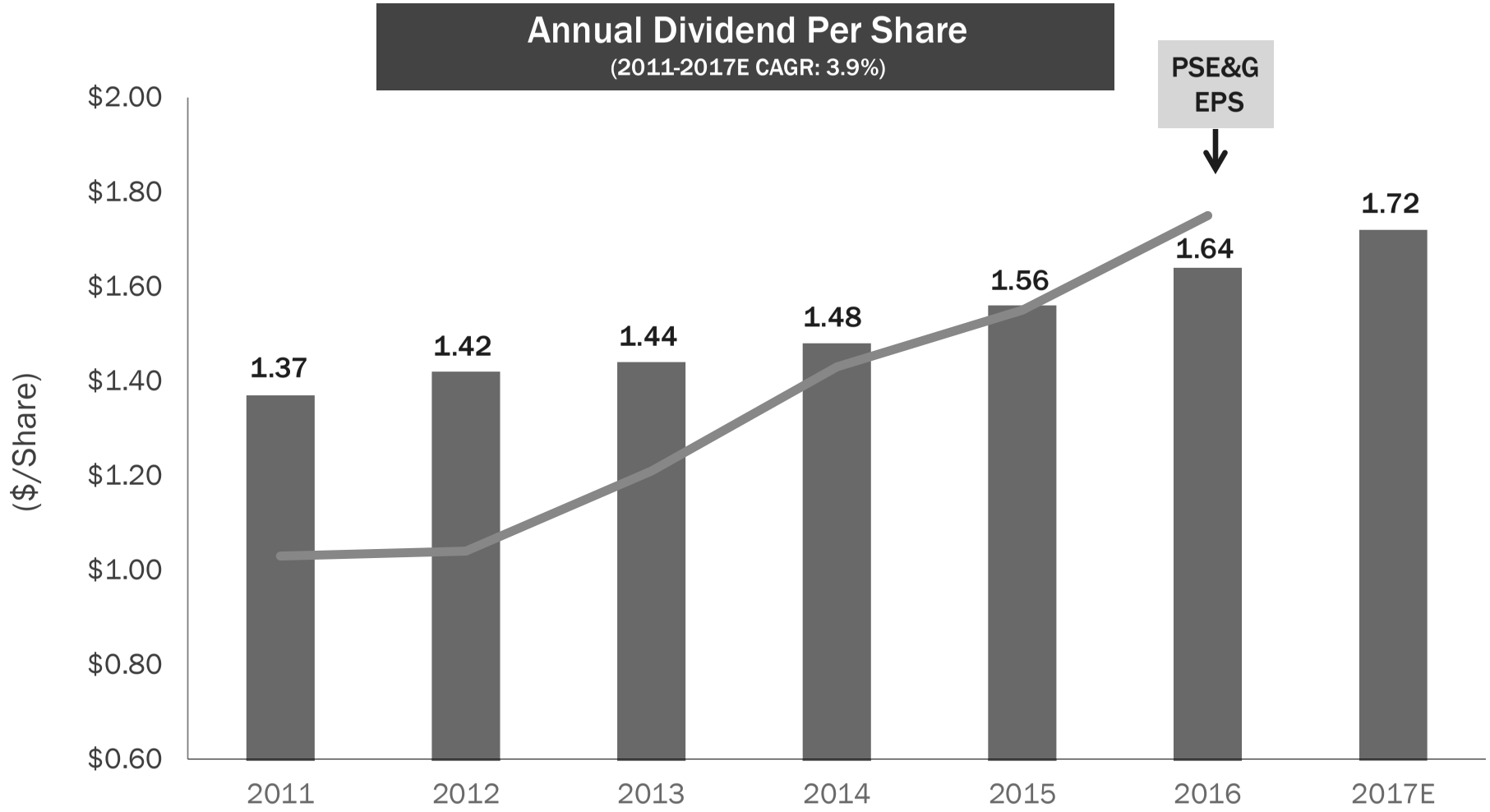
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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PSEG FINANCIAL APPENDIX

SI-SSA-0015-09808

PSEG

We make things work for you.

Q1 2017 – Achieved Solid Financial Results

First Quarter Highlights

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
- Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

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* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

PSEG – Q1 Financial Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31			
GAAP Net Income/(Loss)	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	**2017**	**2016**	**Change**
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG POWER AND PSEG ENTERPRISE/OTHER.

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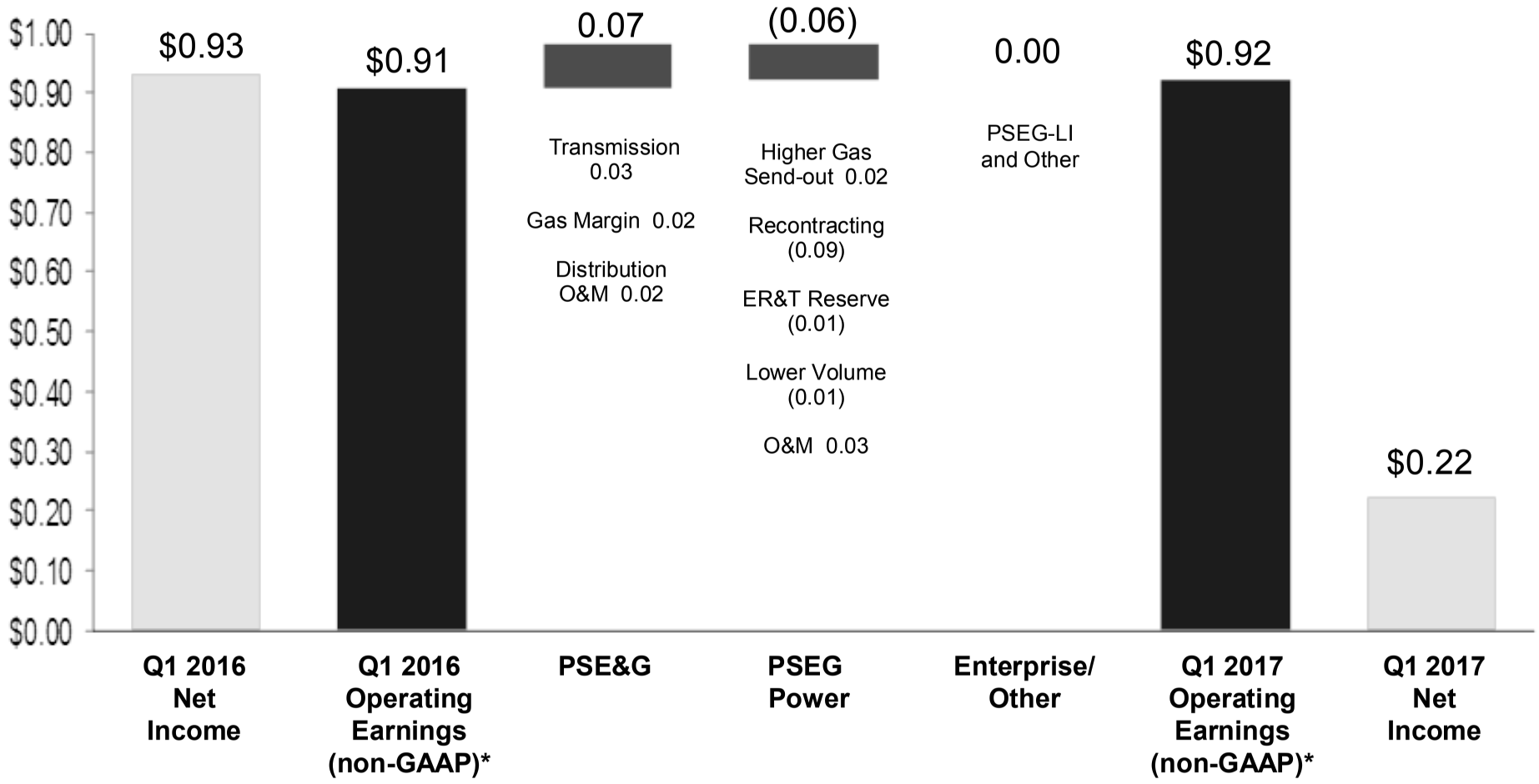
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



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PSEG

* SEE SLIDES A AND B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income	$ 114	$ 471	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)						
Net Income	$ 0.22	$ 0.93	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-09812

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**	**$ 856**	**$ 760**	**$ 644**	**$ 666**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax	(17)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a]	(10)	(22)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax	564	-	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**	**$ 653**	**$ 642**	**$ 710**	**$ 663**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*				
	2017	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)						
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**	**$ 36**	**$ 33**	**$ (13)**	**$ 81**
Lease Related Activity, pre-tax	55	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)	-	-	-	25
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**	**$ 36**	**$ 33**	**$ (13)**	**$ 45**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

2014 MIT - MBA Presentation

CAMBRIDGE, MA – DECEMBER 2, 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09814

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-09815

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-09816

PSEG OVERVIEW & CAREER OPPORTUNITIES

DEREK DIRISIO
PRESIDENT-
PSEG SERVICES
CORPORATION

LATHROP CRAIG
VP ISO OPERATIONS,
ENERGY OPERATIONS

MICHAEL PETERS
MANAGER-
CORPORATE STRATEGY
ENTERPRISE STRATEGY

ANGELA PARRINELLO
SR. HUMAN RESOURCES
SPECIALIST-
CAMPUS RELATIONS

SALLY NADLER
MANAGER - WORKFORCE
DEVELOPMENT

PSEG: Being a recognized leader for

People providing
Safe, reliable
Economic and
Green

Energy

SI-SSA-0015-09818

"Building a sustainable energy future is one of the most important challenges facing the world. We need talented individuals who have benefited from an outstanding education to build exciting and successful careers with us if we are to help meet this challenge."

Ralph Izzo
PSEG Chairman, President and CEO

SI-SSA-0015-09819

The PSEG Organization – By the Numbers

Public Service Enterprise Group (PSEG) is a publicly traded (NYSE: PEG) diversified energy company headquartered in New Jersey

- PSEG is one of the ten largest electric companies in the U.S.
- Total assets (as of December 31, 2013): $32.5 billion
- 2013 total annual revenues: $10 billion
- Employees: Approximately 10,000 at year-end 2013;

  12,000 employees as of June 30, 2014 with inclusion of PSEG-Long Island
- PSEG celebrated its 100th anniversary in 2003
- PSEG has paid a dividend annually since 1907, 2014 marks our 107th year
- PSEG is ranked 502 on the 2014 Forbes Global 2000 list
- PSEG is ranked 284 on the 2014 Fortune 500 list
- PSEG was named to the Dow Jones Sustainability North America Index for the 7th consecutive year in 2014
- PSEG was awarded the 2010 Edison Award, presented by the Edison Electric Institute, the electric industry's most prestigious honor

SI-SSA-0015-09820

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-09821

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.

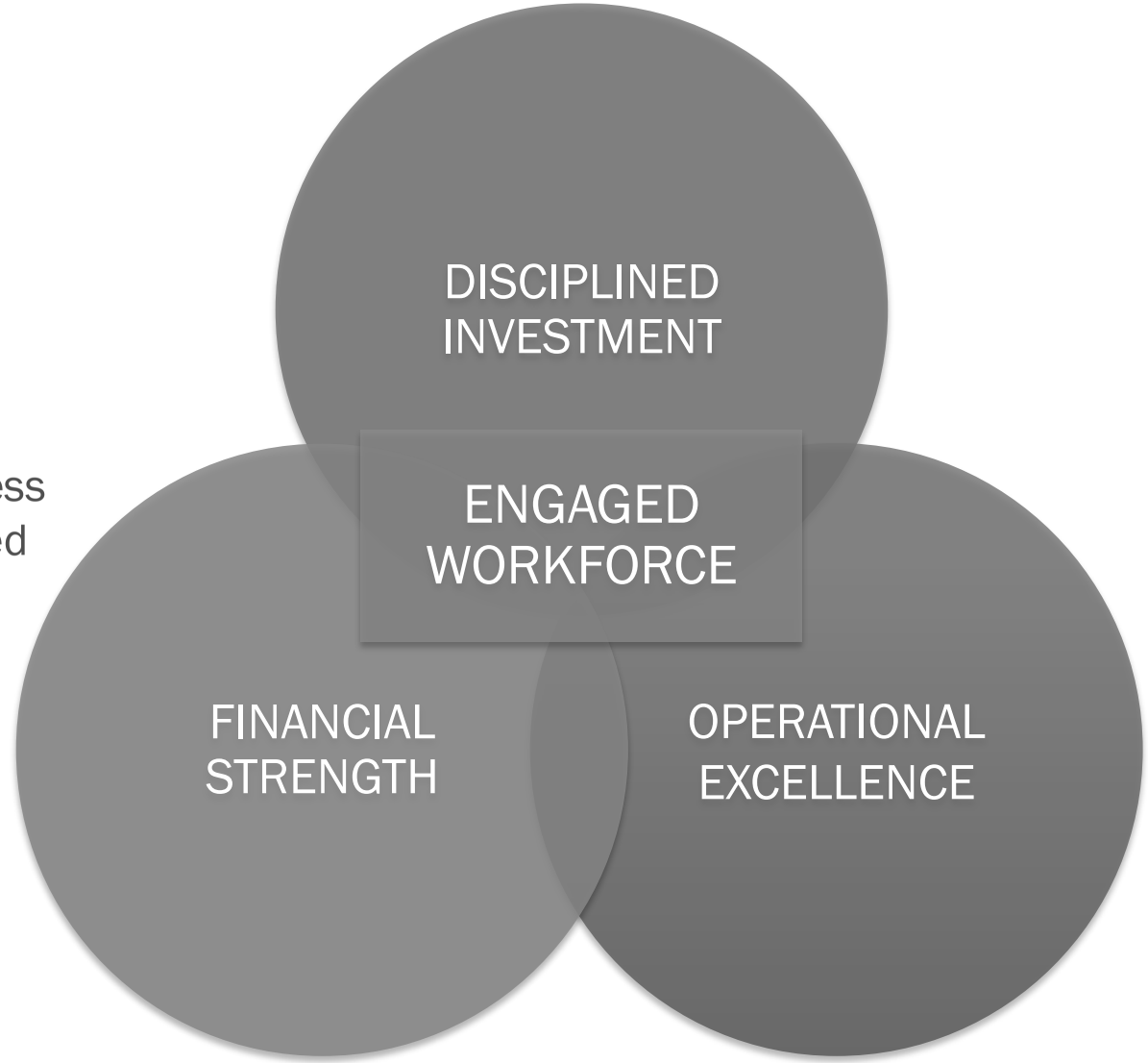
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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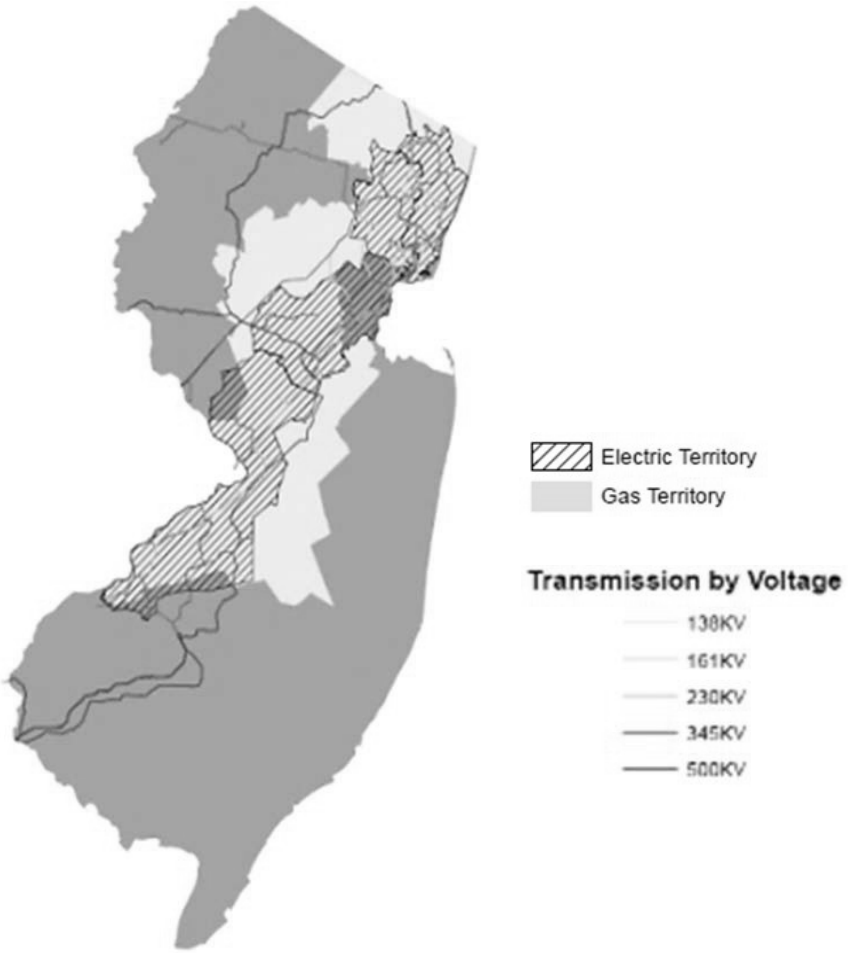
PSE&G Service Territory



Transmission Statistics (as of December 31, 2013)

	Network Circuit Miles	Billing Peak (MW)	Historical Annual Load Growth 2009-2013
Electric Transmission	1,499	10,414	(0.5)%

PSE&G is NJ's oldest and largest publicly-owned utility

Public Service Corp. was formed in 1903 by amalgamating more than 400 gas, electric and transportation companies in NJ, and renamed Public Service Electric & Gas in 1948

PSE&G currently serves nearly three quarters of NJ's population in a 2,600-square-mile diagonal corridor across the state from Bergen to Gloucester counties.

PSE&G is NJ's largest provider of gas and electric service, servicing 1.8 million gas customers and 2.2 million electric customers in more than 300 urban, suburban and rural communities, including NJ's six largest cities.

NJ is ranked 2nd nationally in personal income per capita

SI-SSA-0015-09823

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-09824

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

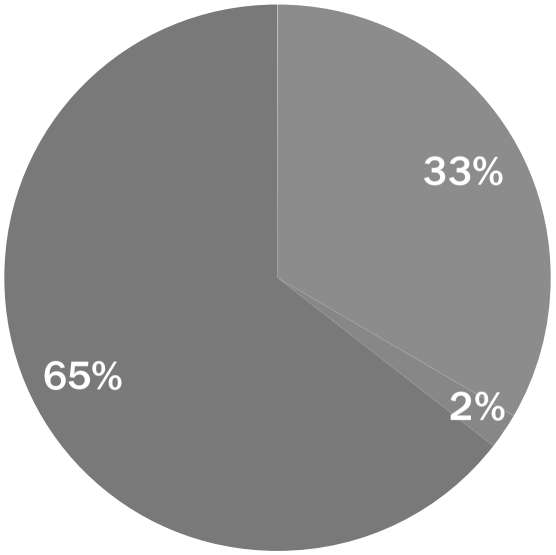
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-09825

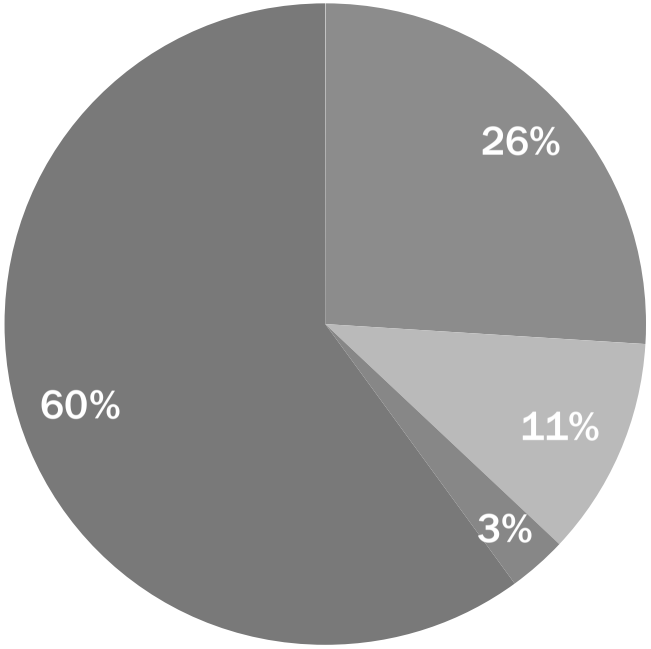
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-09826

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-09827

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-09828

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Utility 2.0 – Expanded program filed ~$345 million

Early performance

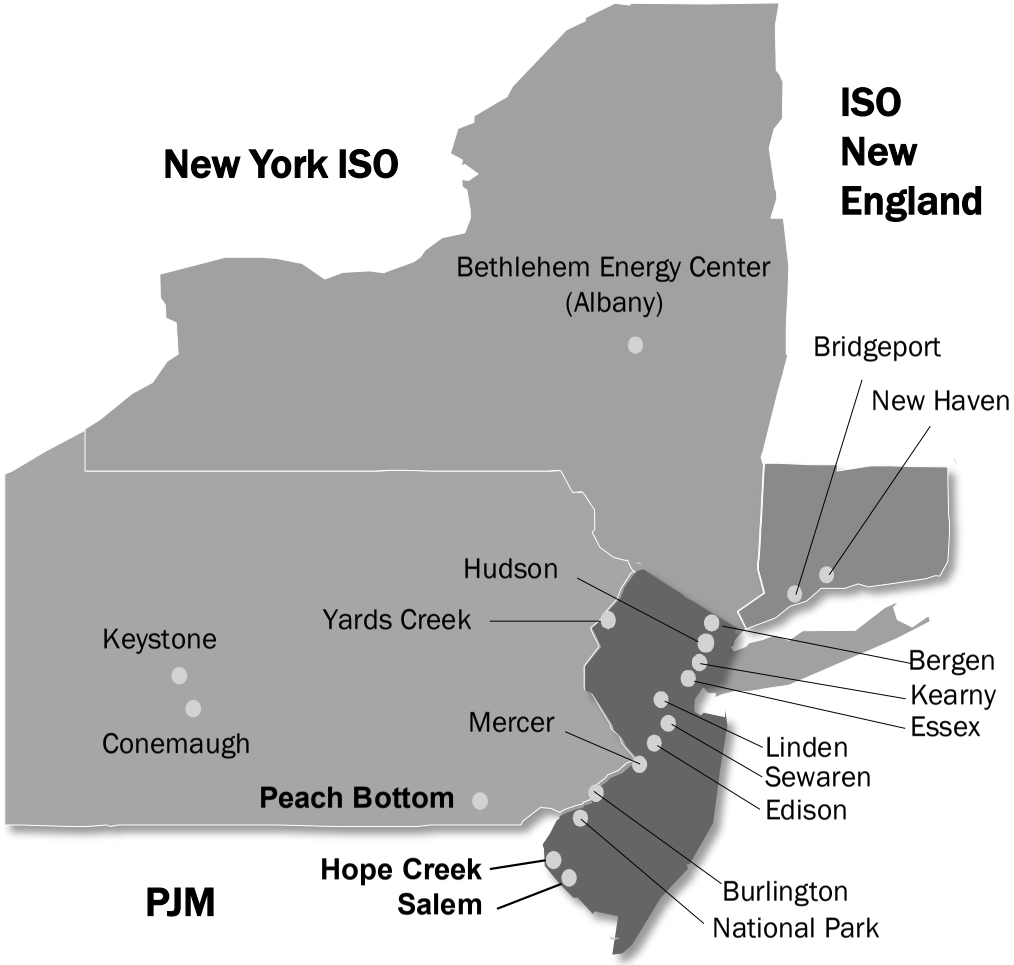
Successful transition to PSEG Long Island	Improved stakeholder communications	Achieving reliability and customer satisfaction metrics

SI-SSA-0015-09829

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



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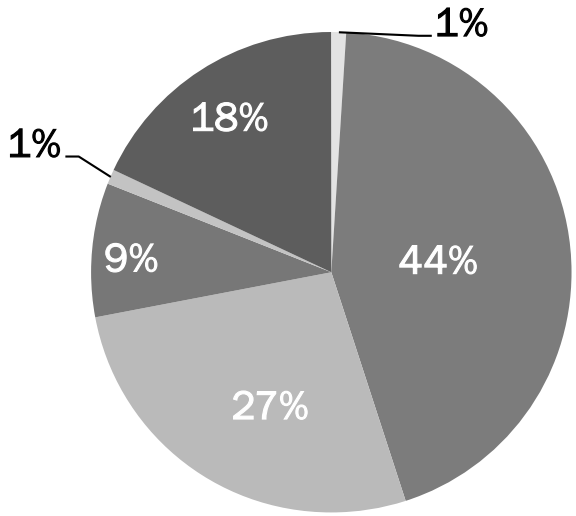
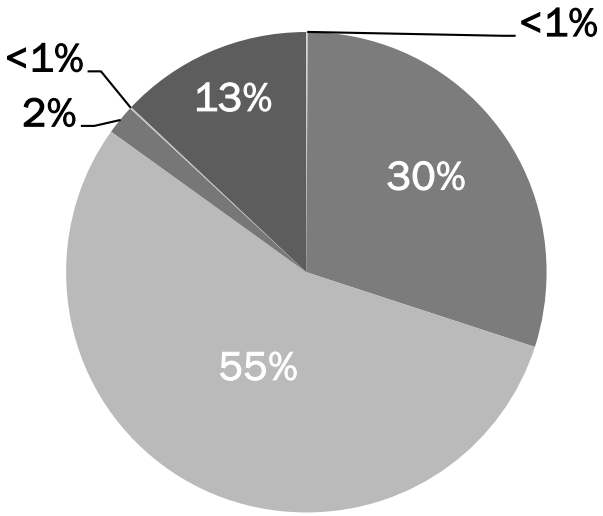
PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

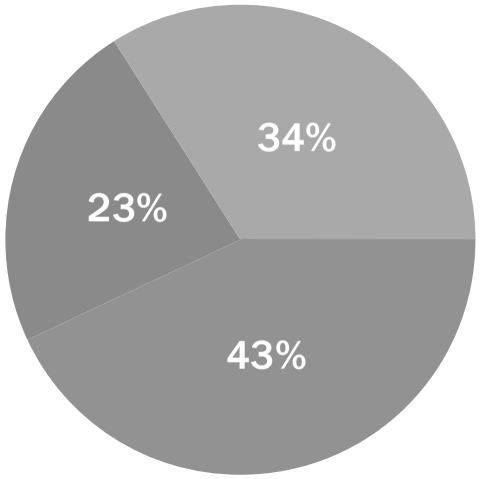
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



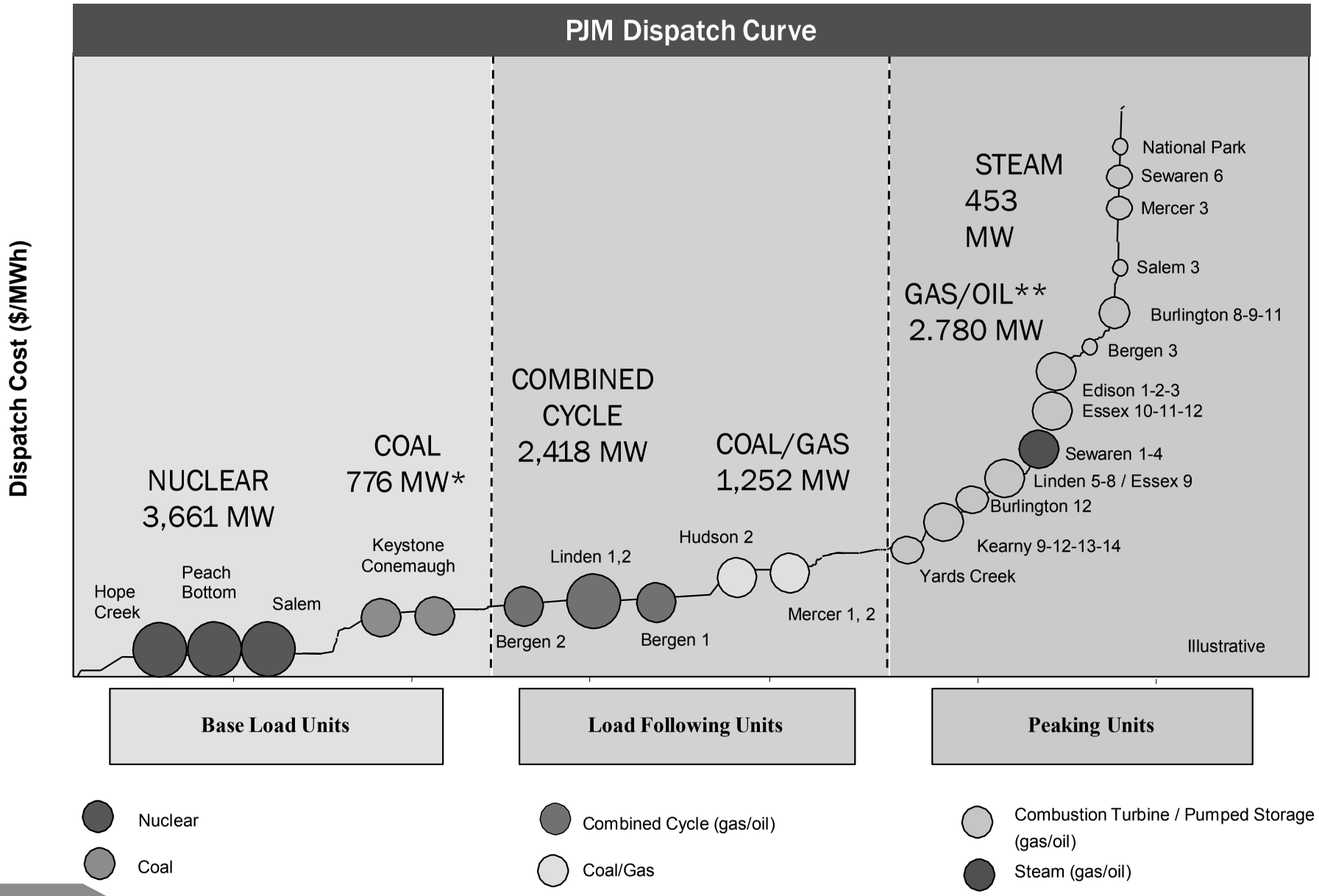
- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-09831

Competitive Advantage:

Heat Rate Diversity & Flexible Dispatch



*EXCLUDES 383 MW BRIDGEPORT HARBOR COAL PLANT IN CT.
** EXCLUDES 1,527 MW OF GAS/OIL/SOLAR OUTSIDE OF PJM AS WELL AS 200 MW OF PUMPED STORAGE.

SI-SSA-0015-09832

PSEG

PSEG ER&T – Maximizing the value of Power's assets

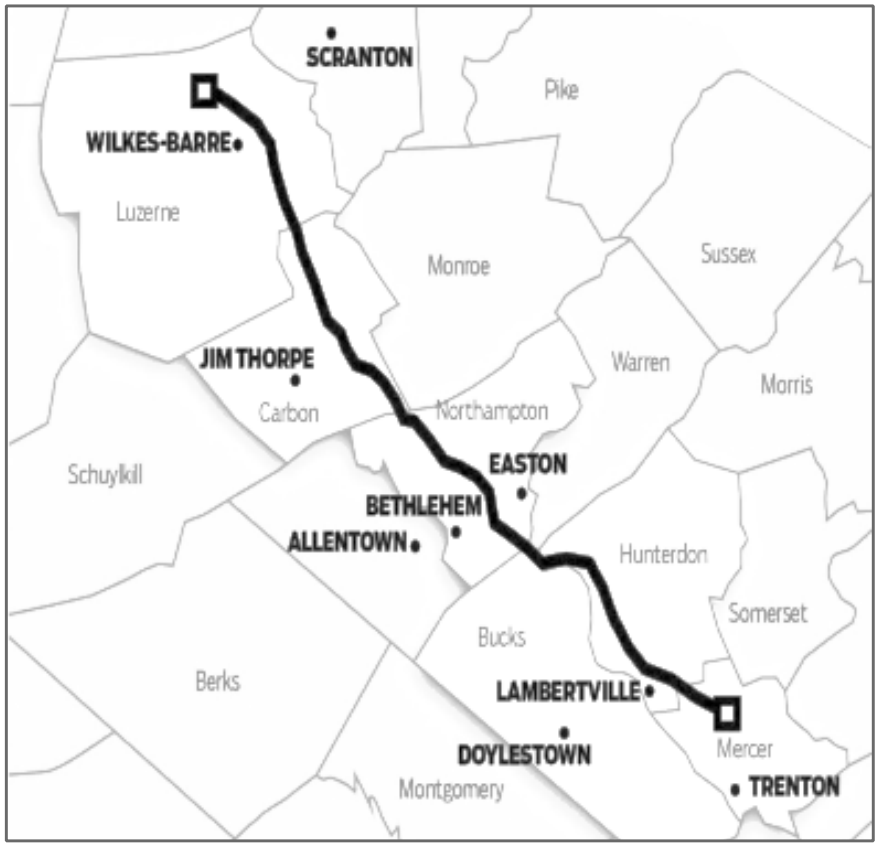
- Among the nation's first energy trading operations
- Marketing the output of PSEG Power's generating assets – comprised of one of the largest portfolios in the PJM market (PA, NJ, and MD) – one of the largest electricity markets in the world
- Trading of electricity, generating capacity, natural gas, emission credits, transmission rights, coal and oil, and renewables throughout the greater Northeastern U.S.
- Among the few trading operations with an integrated trading / generation model

SI-SSA-0015-09833

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



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

SI-SSA-0015-09834

PSEG Solar Source owns ~110 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis tracker
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

In Construction
Texas (13 MW)
COD Year-End 2014E
Polycrystalline - single axis tracker
Investment $22 million
30 year PPA with El Paso Electric

SI-SSA-0015-09835

PSEG

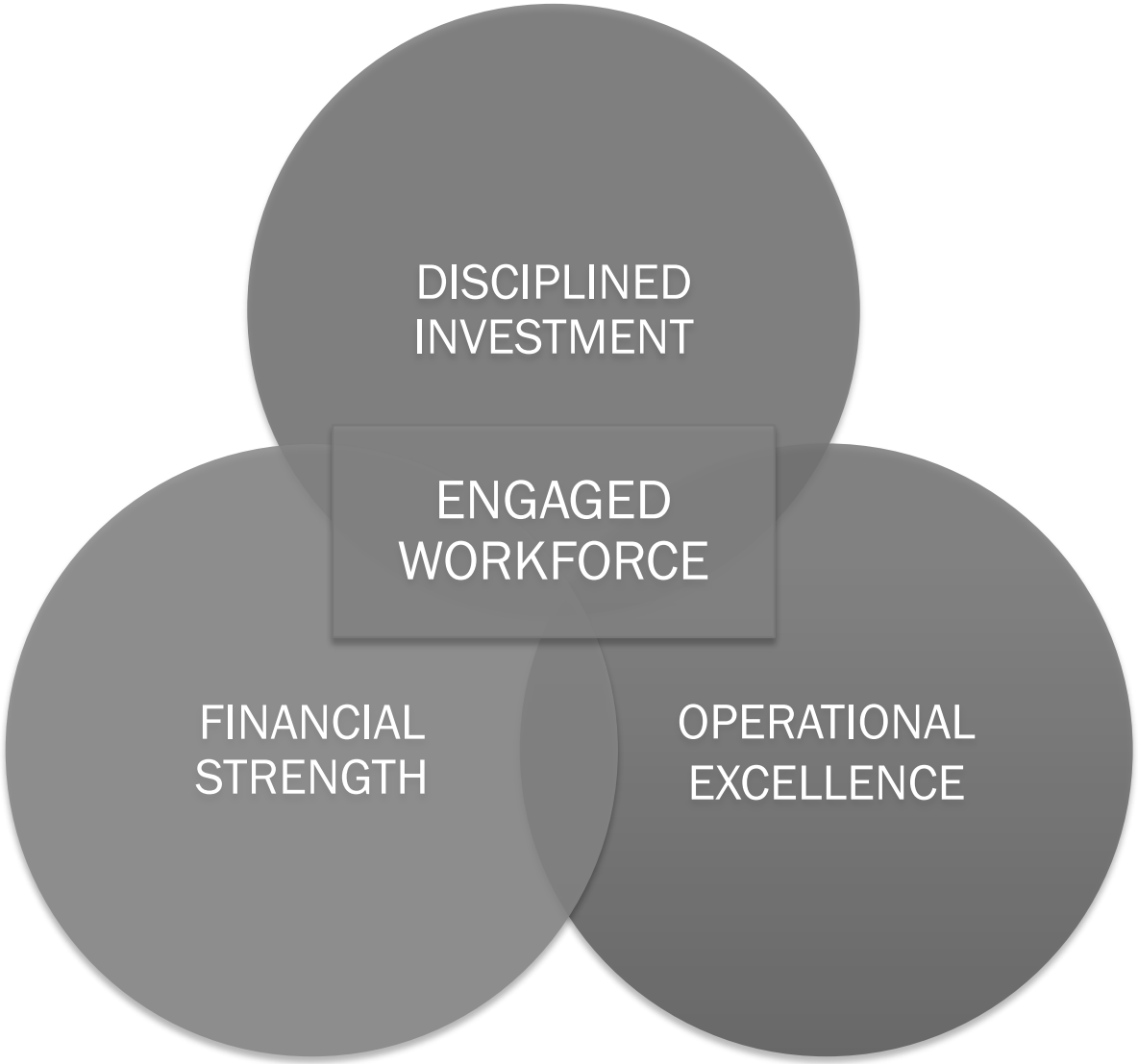
*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Engage and advocate for competitive power markets



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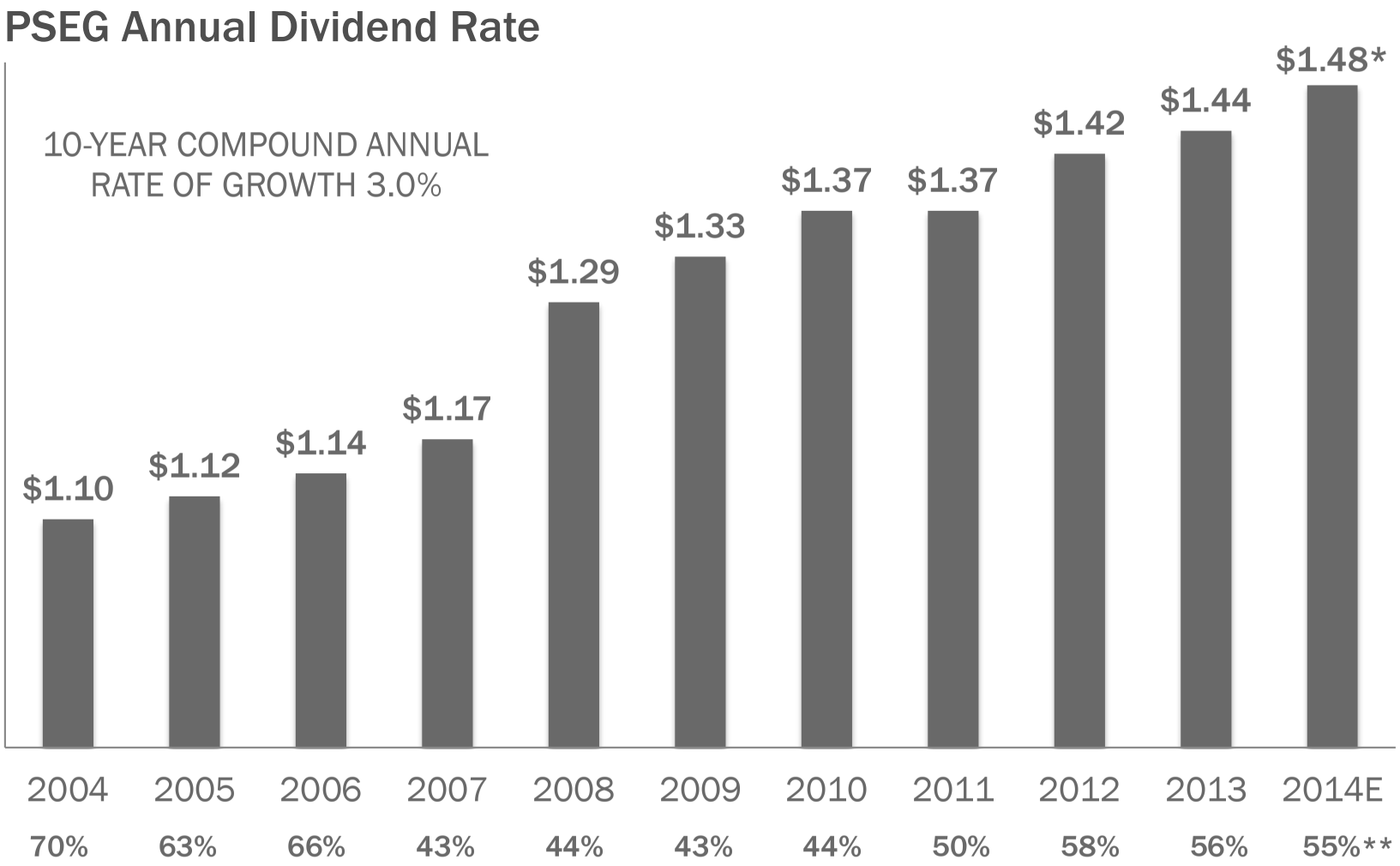
PSEG - Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-09837

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-09838

PSEG Summary

- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three-year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-09839

Why consider career opportunities at PSEG ?

SI-SSA-0015-09840

Your Future our future together

Why come work with us?

PSEG is a company that is:

- A leader in the industry
- Poised to grow
- Driven to collective and individual excellence
- Committed to our people, their performance and career development, and the communities that we serve

SI-SSA-0015-09841

Values and beliefs safety and reliability, ethics and integrity

Total rewards philosophy which includes a competitive menu of benefits for full time associates

Committed to a sustainable energy future including:

- Renewable Energy Solutions including energy efficiency
- Resilient Infrastructure
- Clean Central Station Power / Brownfields to Green Fields

PSEG's Workplace Awards

Best Places to Start a Career / Intern – Business Week

2013 and 2014 Top 50 Employers for Minorities

- EOP Magazine Readers Choice

2013 Corporate Partner Award – NJ-NBMBAA

SI-SSA-0015-09842

PSEG Fulltime and Summer Intern MBA Programs

Working alongside executives on emerging needs in the following areas:

- Corporate Finance
- Strategy / M&A / Business Development
- Public Policy
- Risk Management
- Renewables
- Energy Trading

Position Requirements:

- Education: MBA candidate
- Excellent academic standing from a top-tier MBA Program
- Adaptability: Ability to travel, potentially relocate, as business needs may warrant
- Experience: Proven work experience that supports ability to make significant contributions in a Fortune 500 Energy Company
- Additional requirements as per specific area of business

Positions to be posted Mid–November 2014 for Summer 2015

SI-SSA-0015-09843

Assignments could include

Potential Assignments may include:

PSEG Services

- Corporate Strategy
- Corporate Development (M&A)
- Corporate Planning
- Project Valuation
- Corporate Finance
- Energy, Resource, and Trading (ER&T)

- Among others.....

SI-SSA-0015-09844

Streamlined application process

- ✓ Interested candidates must visit our website at www.pseg.com to submit your resume online.
  - Click on "Careers"
  - Click on "Search Jobs"

- ✓ Search for the position by name under "Job Function" "University Recruiting" keyword box
- ✓ Click on the corresponding job title in the search results page
- ✓ After reviewing the job description, click on "Submit to Job"
- ✓ Follow the prompts to upload or attach your resume

PSEG is proud to be an EEO/AA employer, including race, gender, veterans, and individuals with disabilities.

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Follow us online: www.pseg.com/careers

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GO

PSEG *We make things work for you.*

CAREERS | INVESTORS | MEDIA | COMMUNITY | SUSTAINABILITY

Leadership. Innovation. Diversification. Advancement.

FOR YOUR INFORMATION / CAREERS / RECRUITING / CAMPUS

CAREERS /

- SEARCH JOBS
- WHY PSEG
- OUR PEOPLE
- OPPORTUNITIES
- BENEFITS
- DIVERSITY
- INTERVIEW AND TEST

CAMPUS RECRUITING

If you're looking for a strong start to a solid career, consider PSEG. As one of New Jersey's best and largest employers, we offer you the stability, resources, support and opportunities to take your career to its highest potential.

PSEG provides you with significant career development initiatives, in a work environment in which your contributions are valued and respected and benefit society as a whole. With us, you'll help provide the energy that enables our customers to lead better lives, as we continue to meet our ambitious responsibilities as a socially responsible

HOT JOBS /

- HR/Sr. HR Compensation Consultant
- Senior Tax Accountant
- Nuclear Simulator Training Instructor

WHY PSEG /

Discover the rewards of a career with us >>

click here >

CAMPUS RECRUITING /

Fall 2010 schedule

Check out where you can meet PSEG recruiters.

SI-SSA-0015-09846

Accelerate Program

Accelerate is PSEG's new college onboarding program. This 6 month program has been designed to address the development needs of our newest recruits with an opportunity to learn in all directions:

- In the classroom
- Through e-learning
- On the job
- Building a broad network of peers
- Building an effective relationship with their manager and other senior leaders
- Learning experientially by visiting other locations and understanding how their business functions

SI-SSA-0015-09847

Q & A

THANK YOU!

SI-SSA-0015-09848

PSEG

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PSEG Investor Summary

MIZUHO • US UTILITY CORPORATE DAY
MARCH 15-16, 2018

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09849

PSEG

We make things work for you.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-09850

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-09851

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT INVESTOR RELATIONS

SI-SSA-0015-09852

PSEG

We make things work for you.

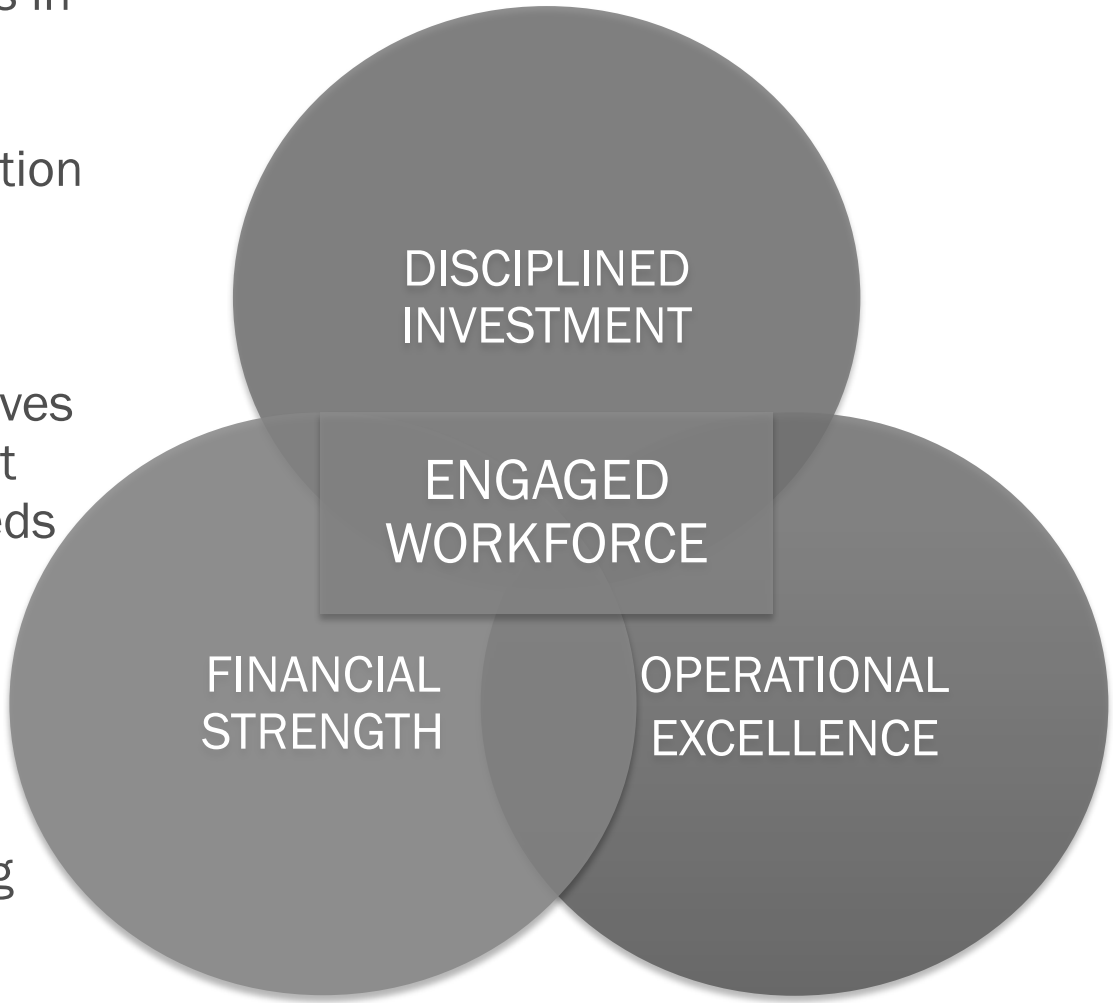
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017 **Assets $29B** **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	2017 **Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

SI-SSA-0015-09854

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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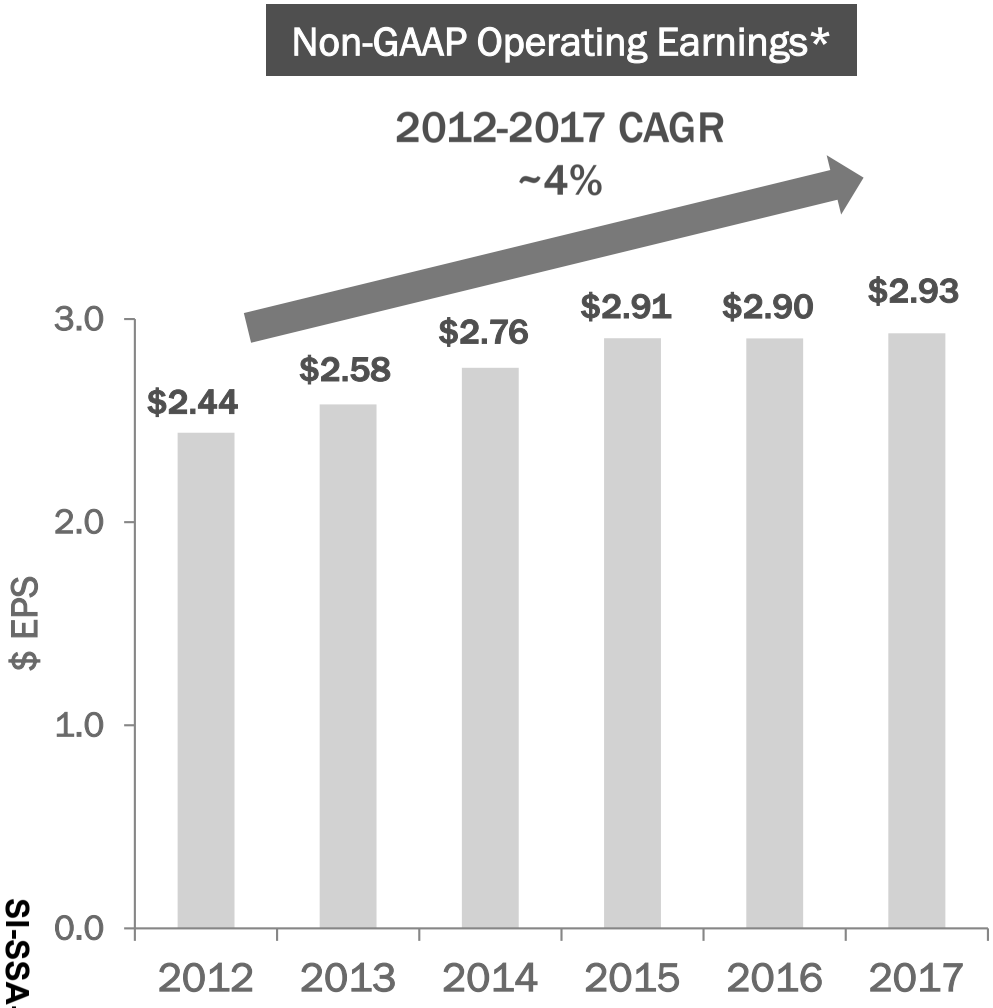
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends



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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requested ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

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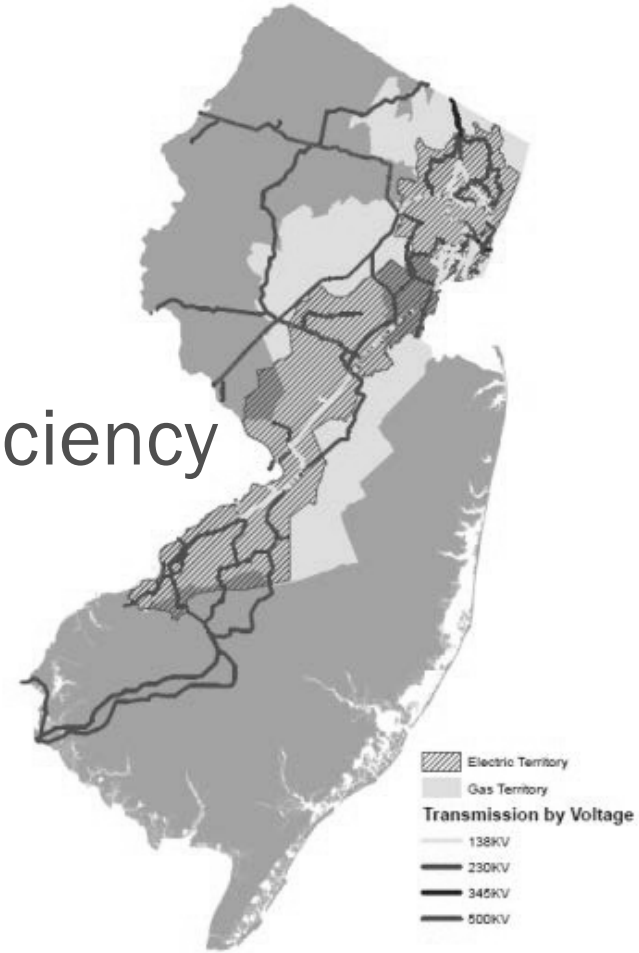
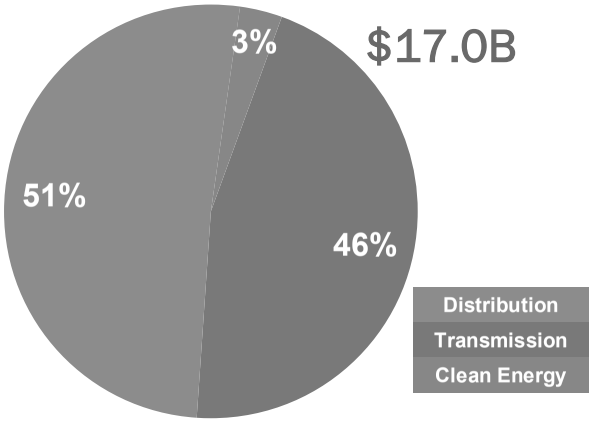
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%



PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

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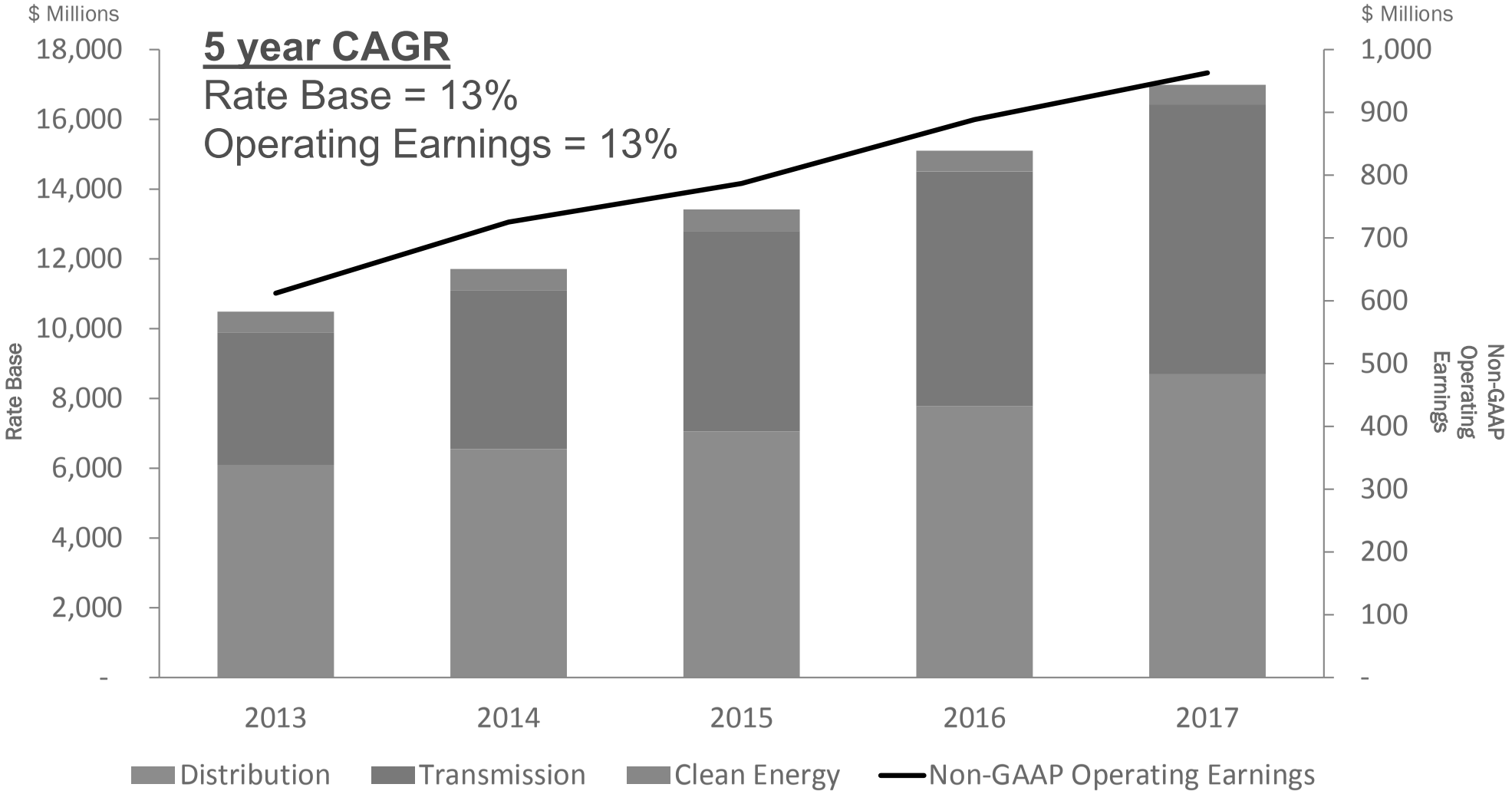
PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

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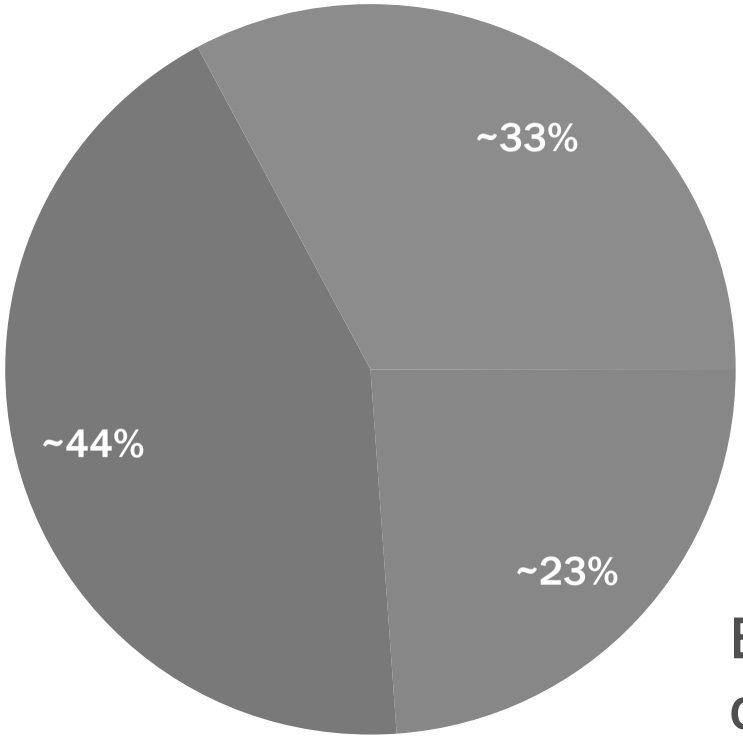
Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

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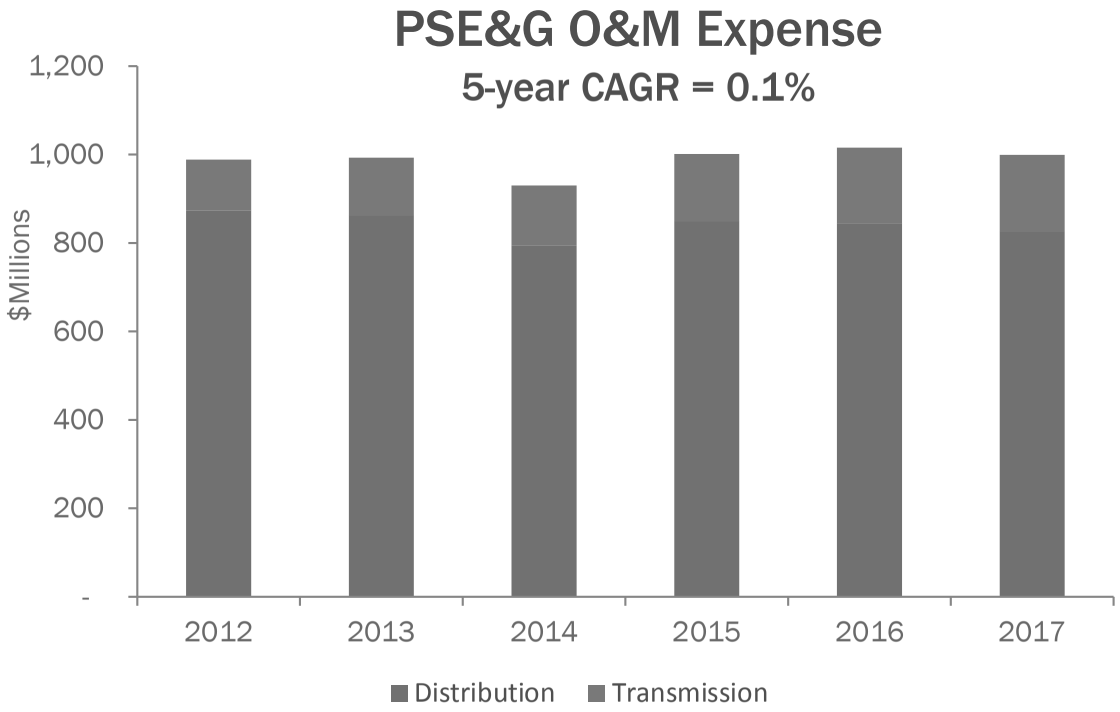
PSEG

E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendors, ensuring maximum value
- Successful management of pension

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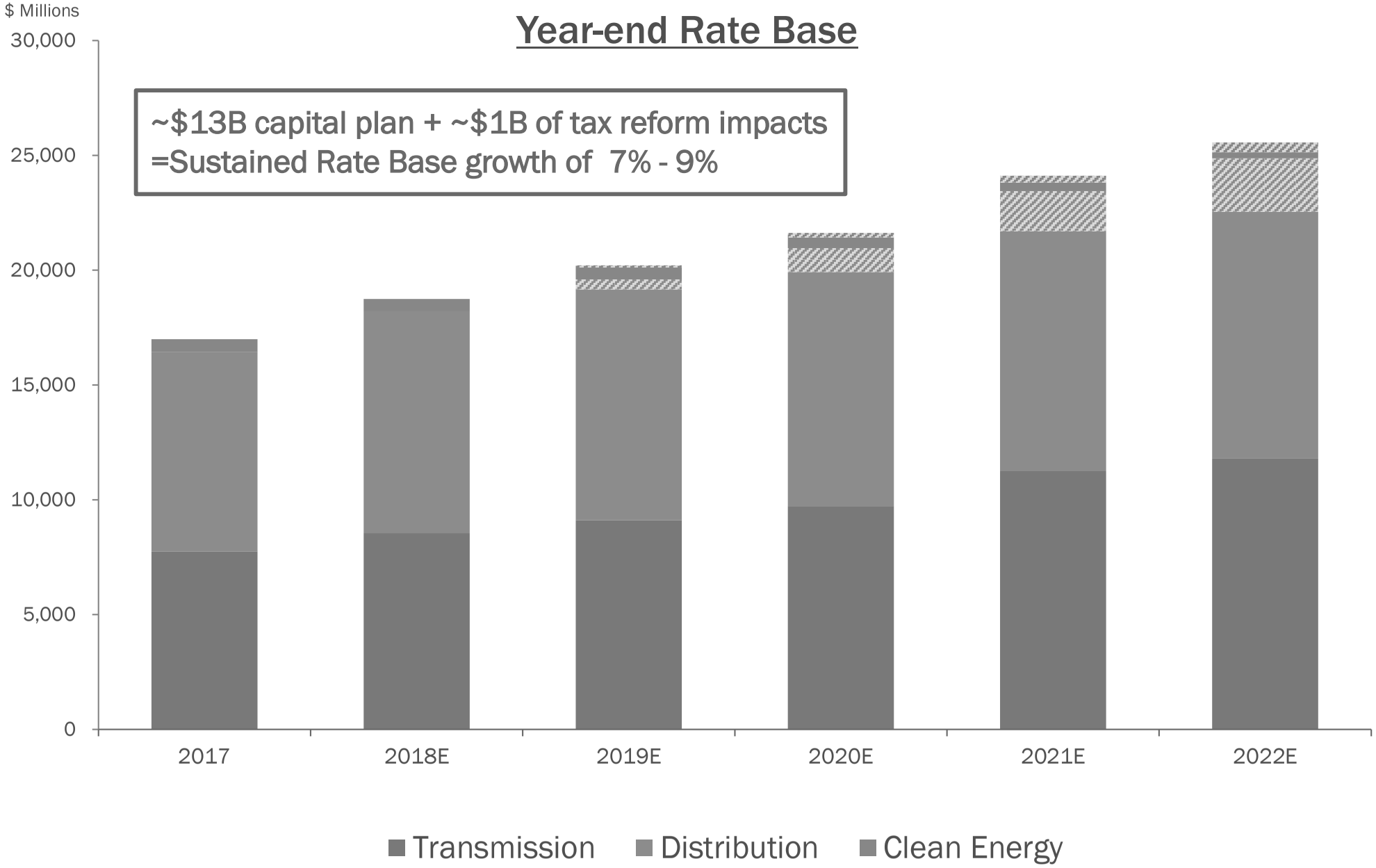
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-09863

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization, expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

EV Infrastructure and Battery storage

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-09864

PSEG POWER

PSEG

We make things work for you.

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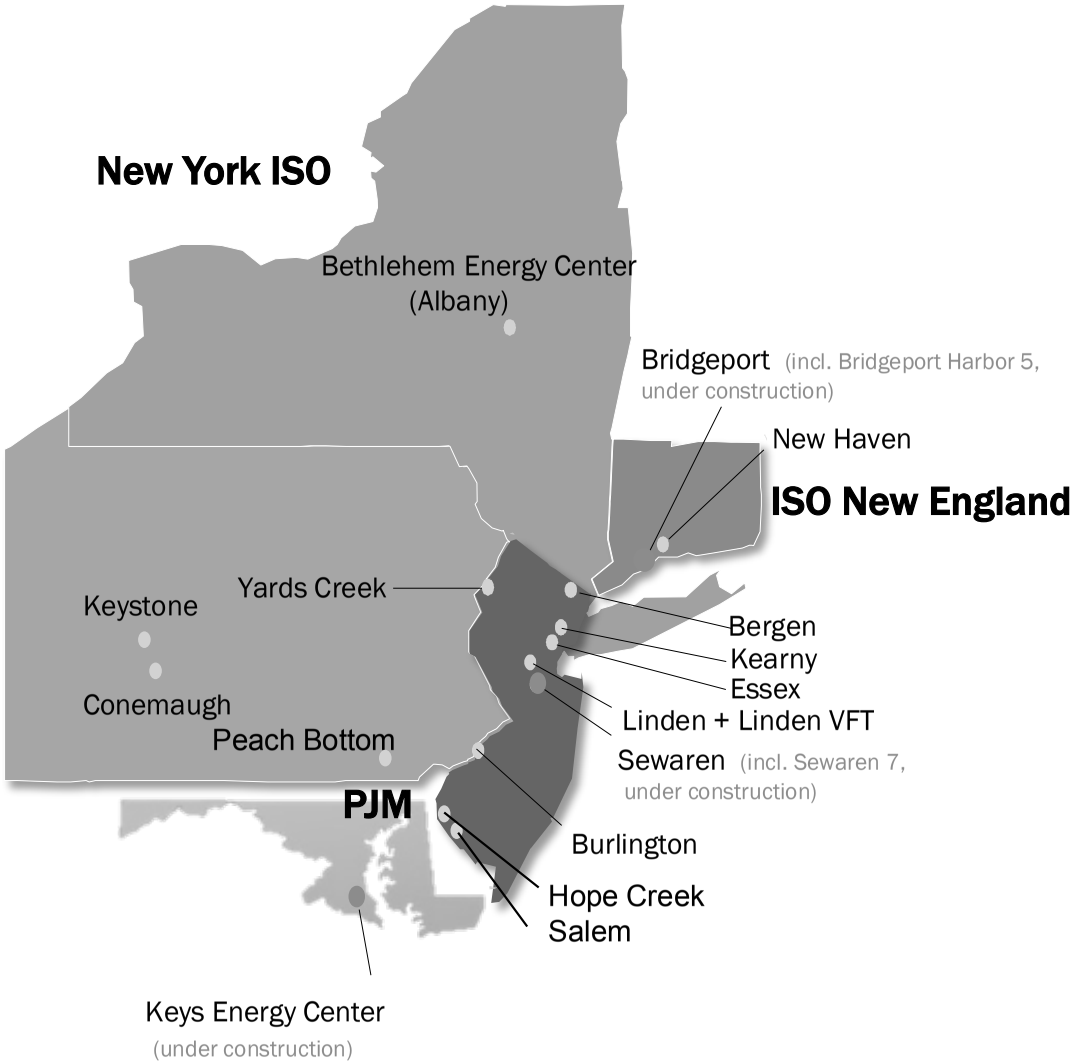
Power has generating assets in three competitive markets



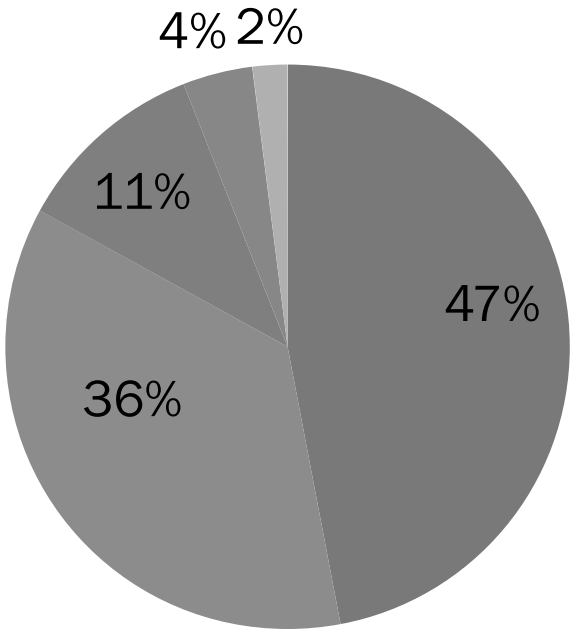
- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-09866

Power has a diverse fleet of generating assets which enables it to respond to market needs

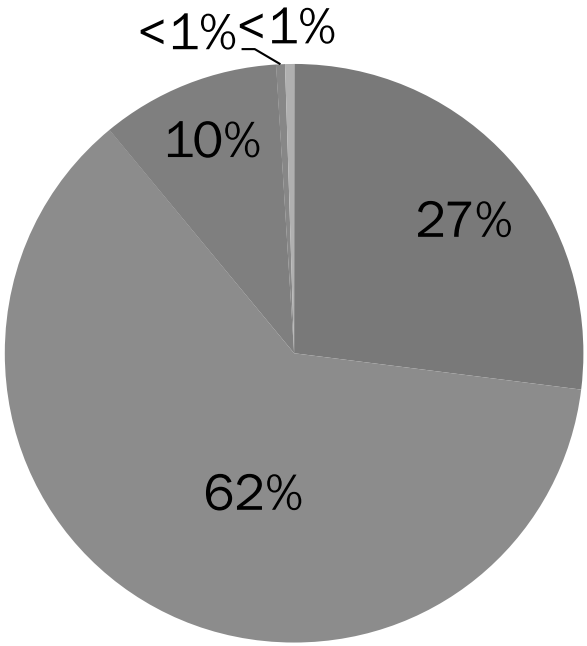
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

SI-SSA-0015-09867

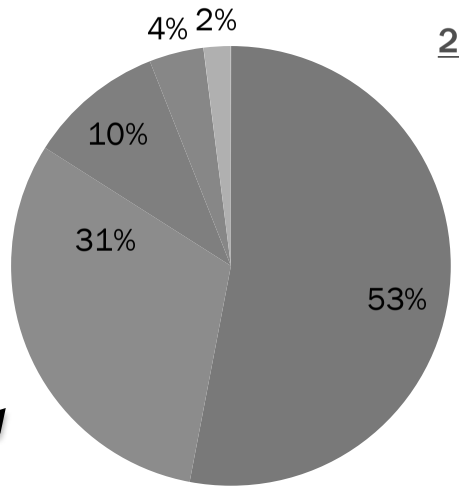
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

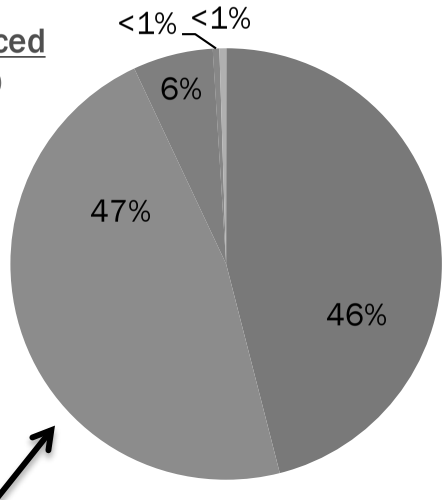
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2020E

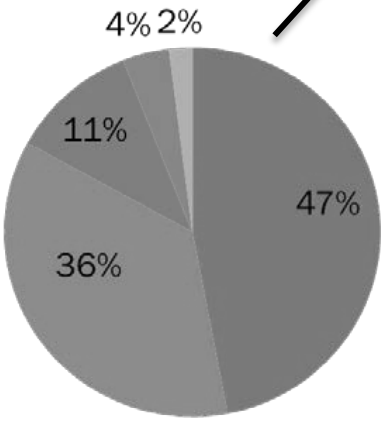
2020E Fuel Diversity
Total MW: 11,800



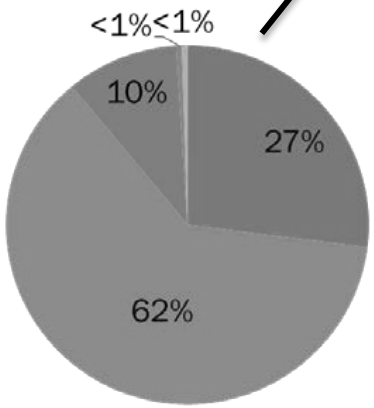
2020E Energy Produced
Total GWh: 65,500



Energy hedging being moderated due to uncertainty around future operations of NJ nuclear units, given economic challenges



2017 Fuel Diversity[1]
Total MW: 10,458



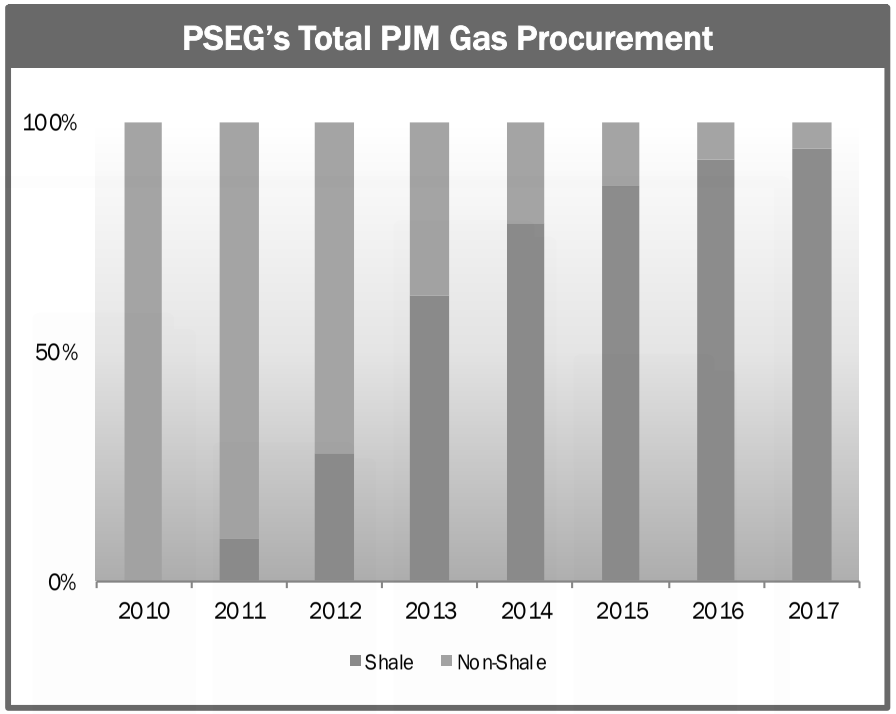
2017 Energy Produced[1]
Total GWh: 51,089

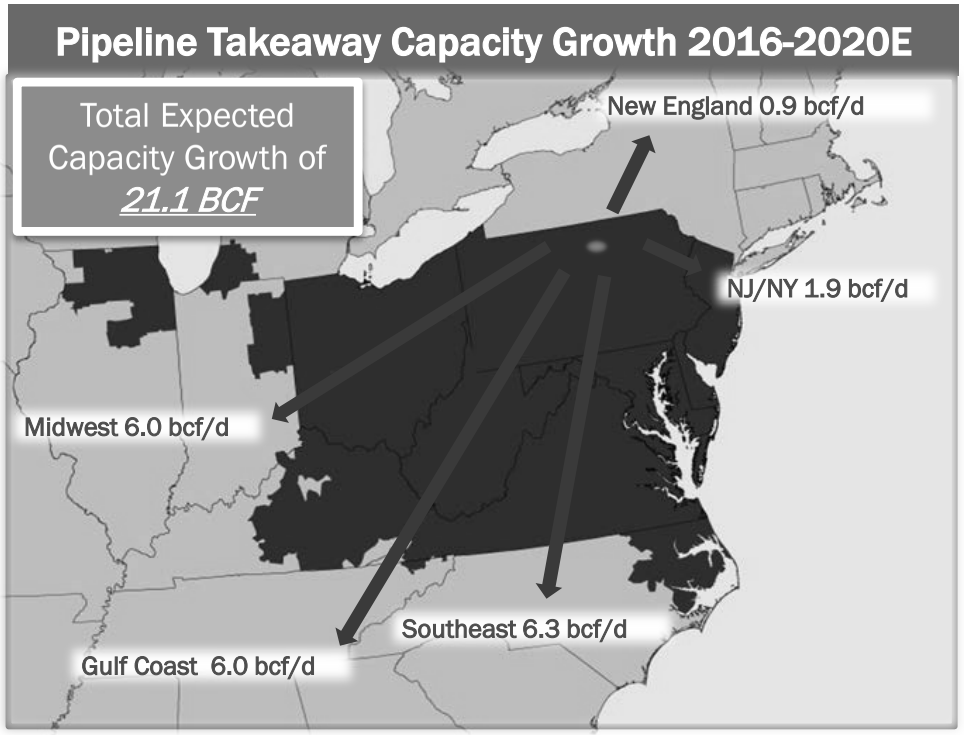
- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

SI-SSA-0015-09868

Power's fleet is well-located with access to shale gas production





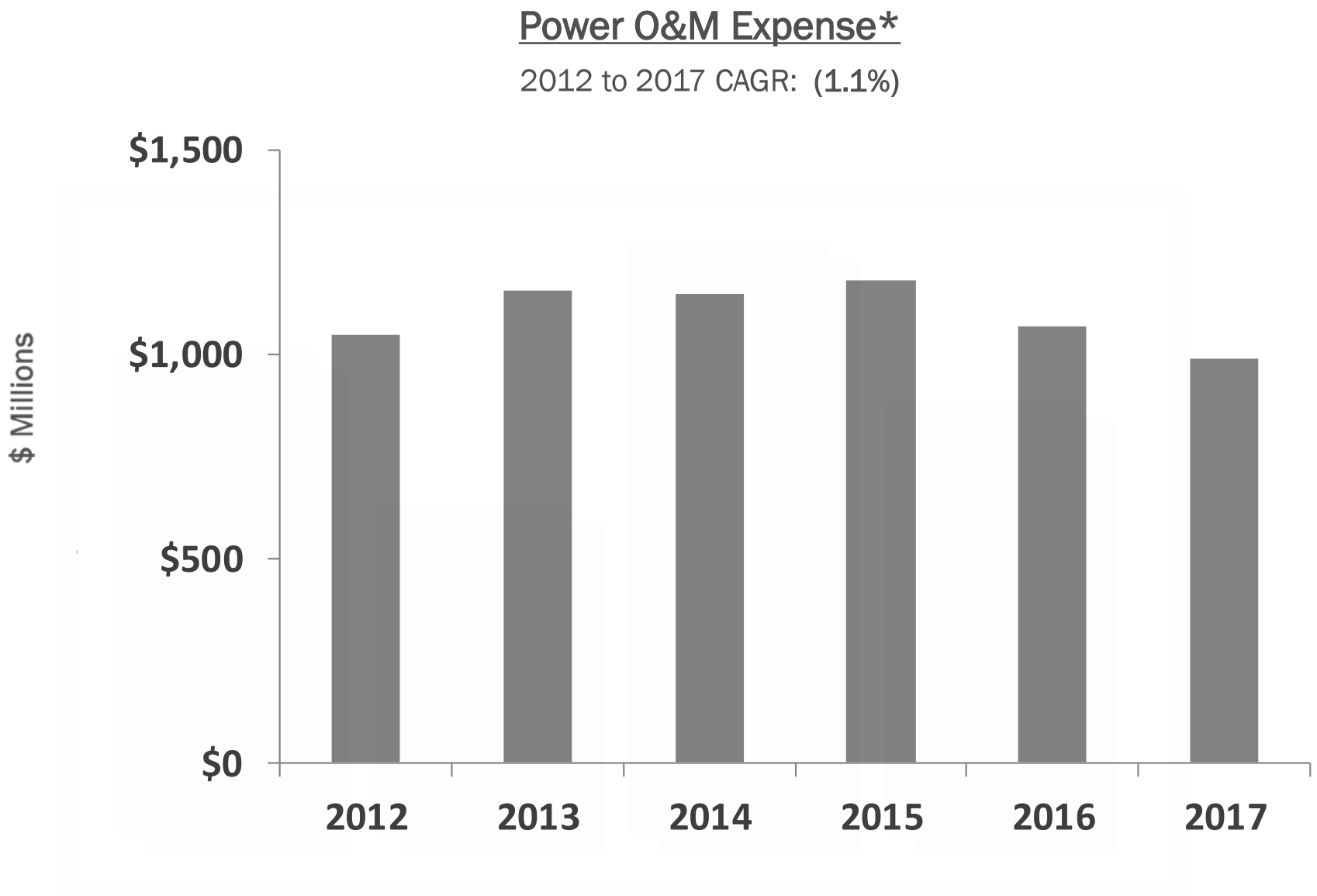
- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-09869

E = ESTIMATE.

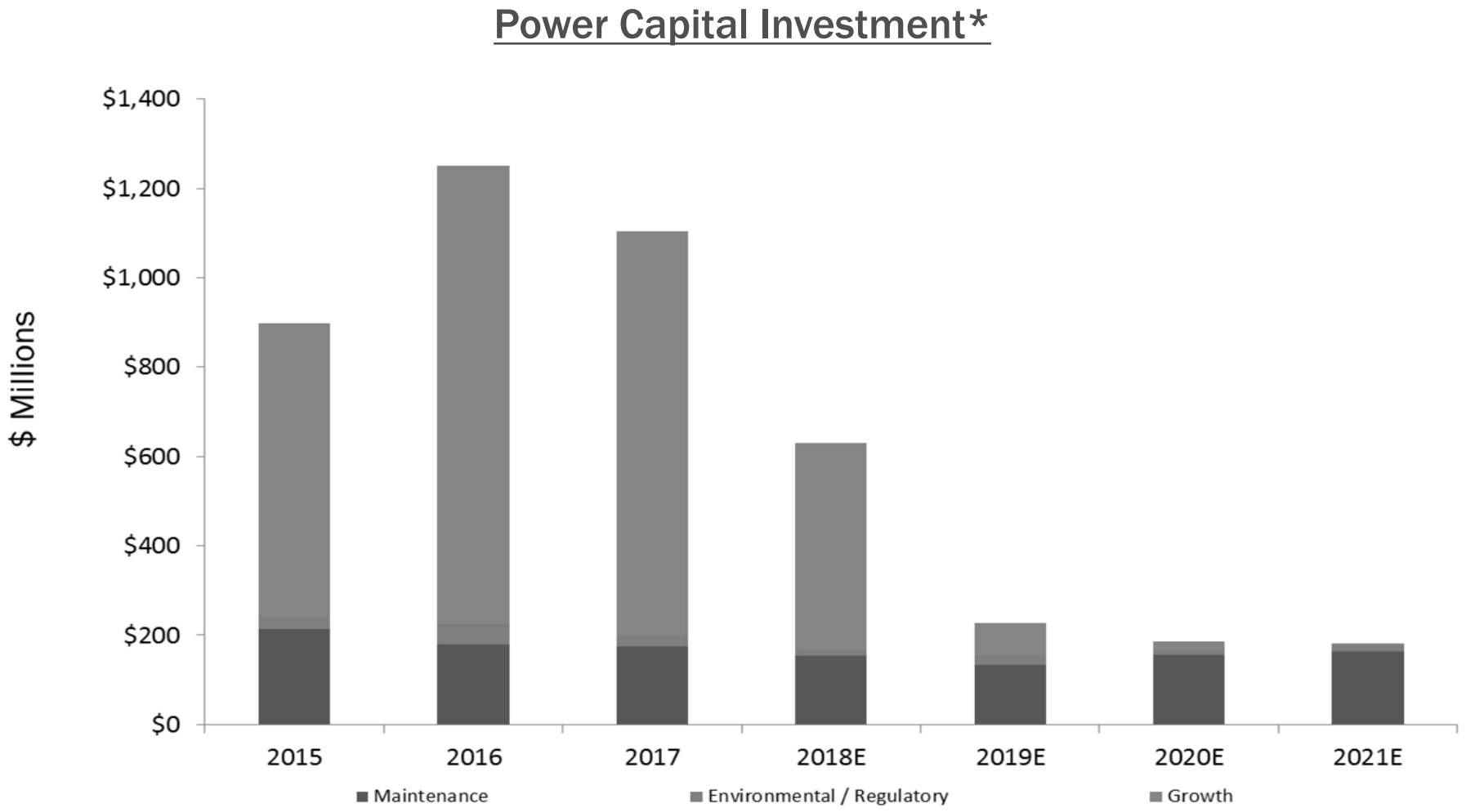
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

SI-SSA-0015-09870

Power's capital needs decline following construction of new capacity, enhancing free cash flow



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PSEG

EXCLUDES NUCLEAR FUEL. INCLUDES IDC. E=ESTIMATE. DATA AS OF MARCH 9, 2018.
*UPDATED TO REFLECT RECENT CANCELLATION OF NUCLEAR CAPITAL PROJECTS AT SALEM THAT ARE NOT REQUIRED FOR REGULATORY COMPLIANCE OR SAFE OPERATION.

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-09872

PSEG

We make things work for you.

Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

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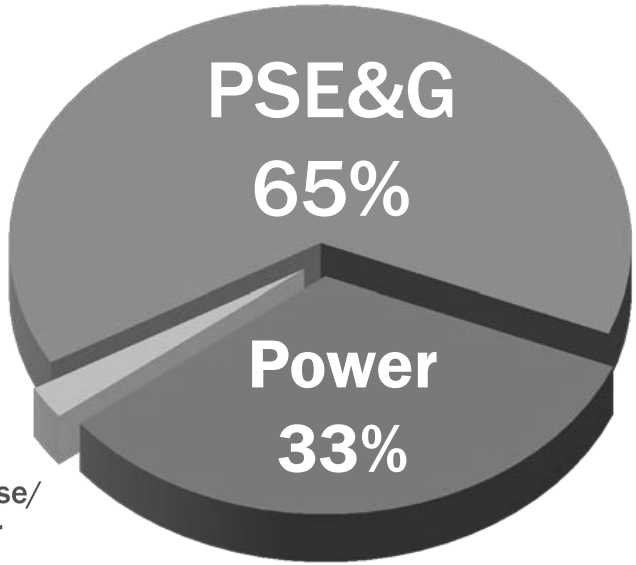
Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

Completion of capital program for new combined cycle plants

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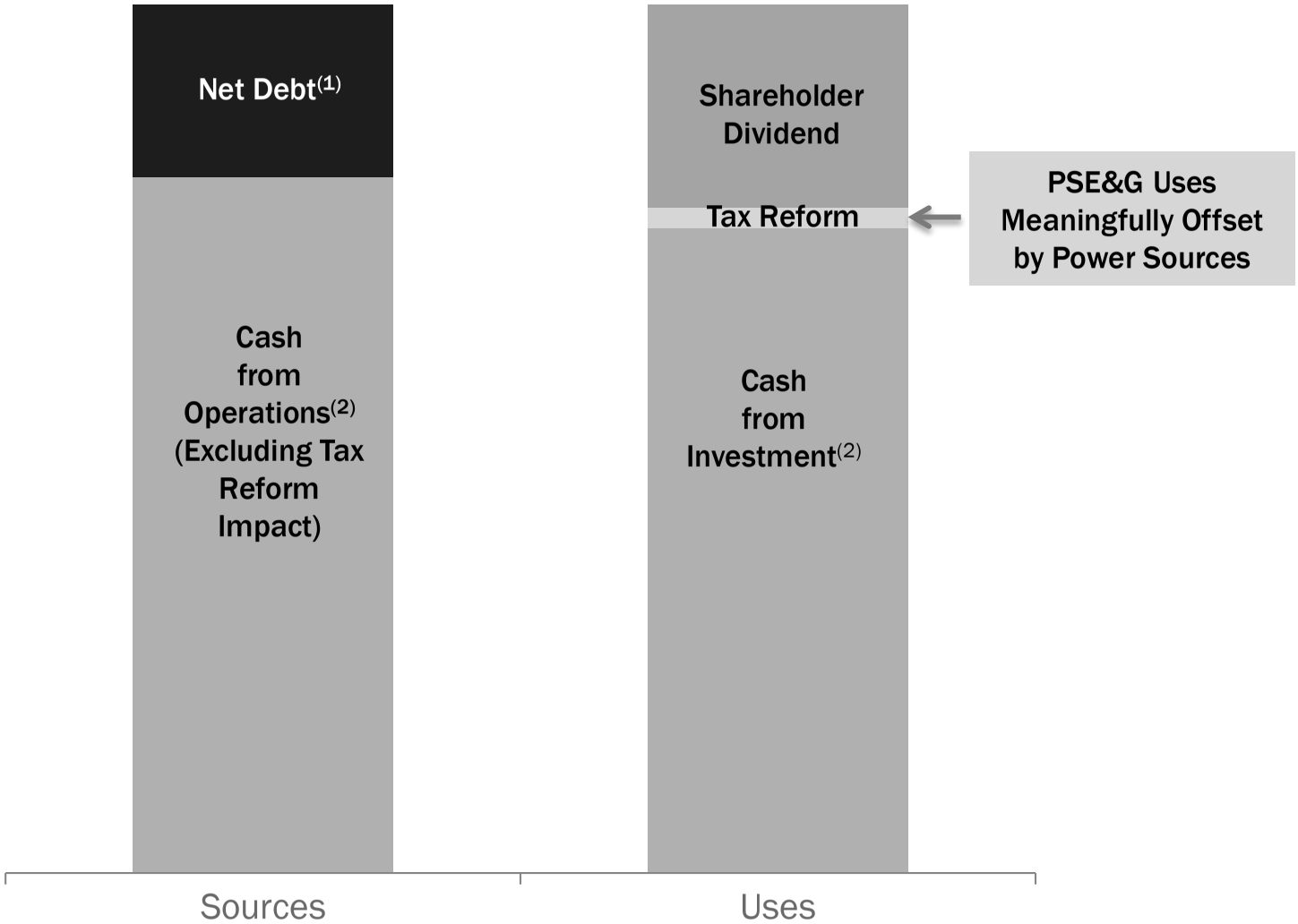
*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

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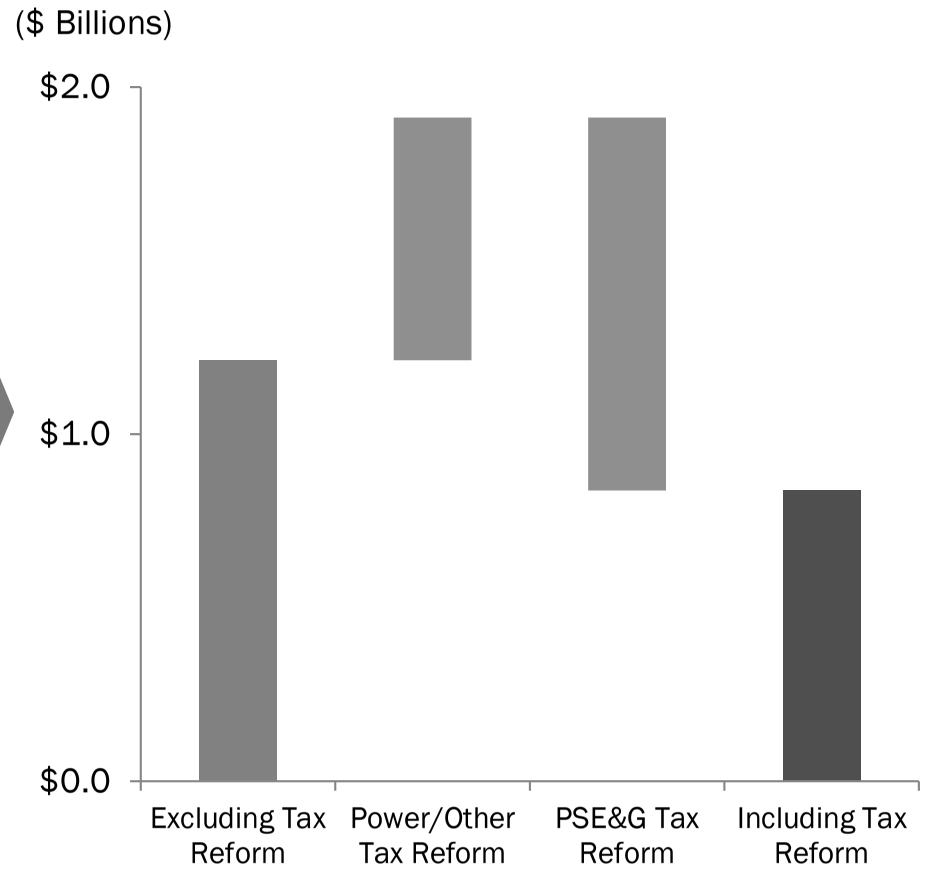
Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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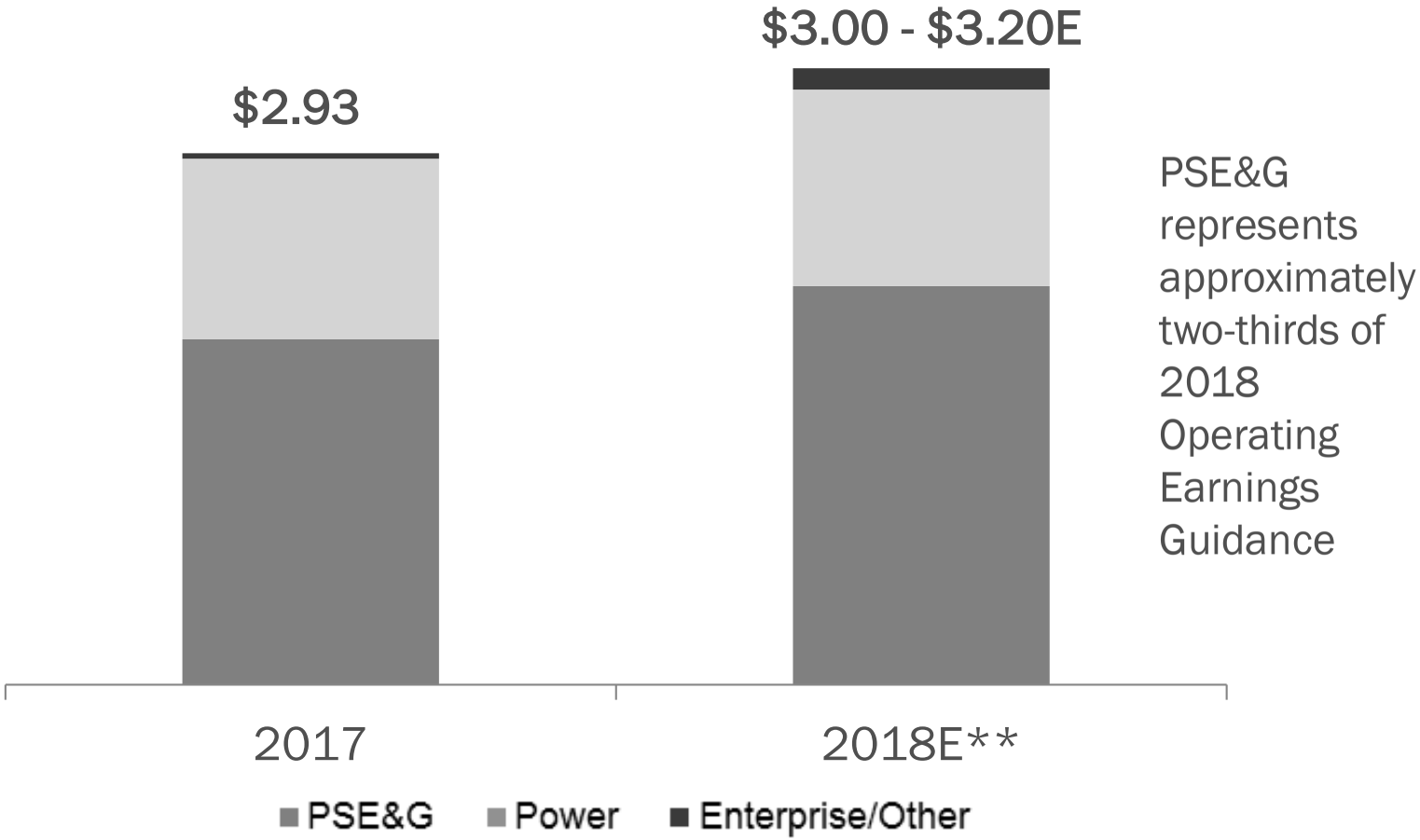
E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

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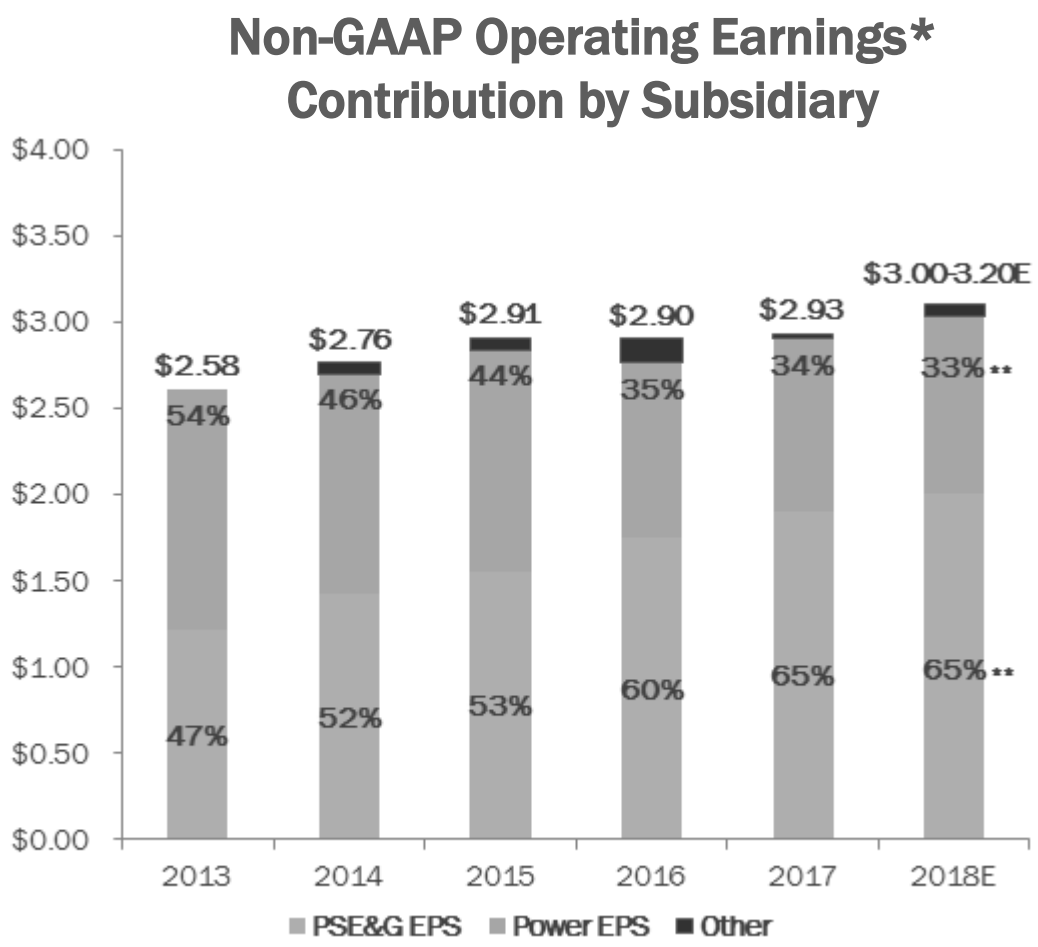
PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

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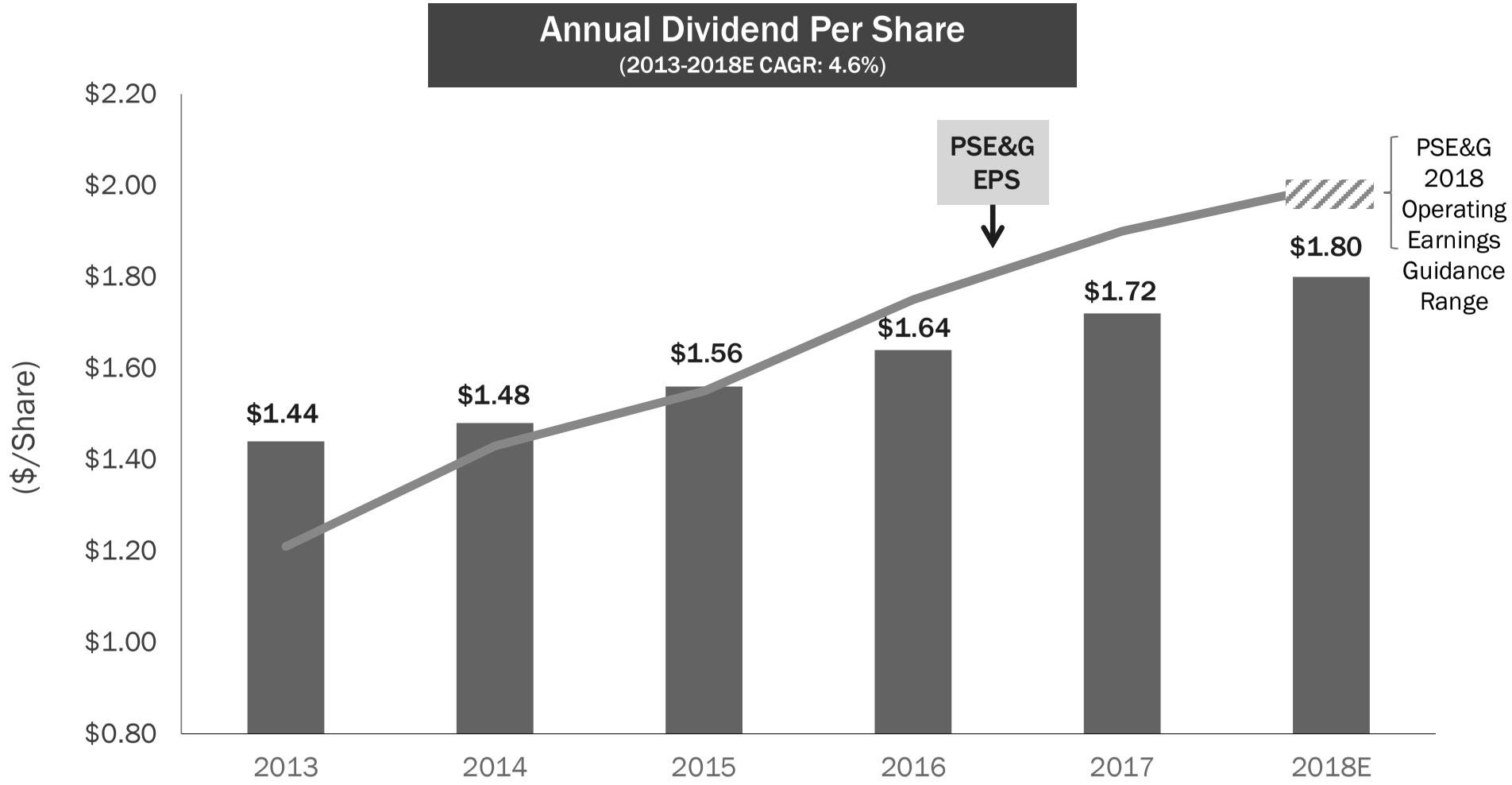
PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

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PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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PSEG APPENDIX

SI-SSA-0015-09881

PSEG

We make things work for you.

PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain ~20% lower than bills after last base rate case

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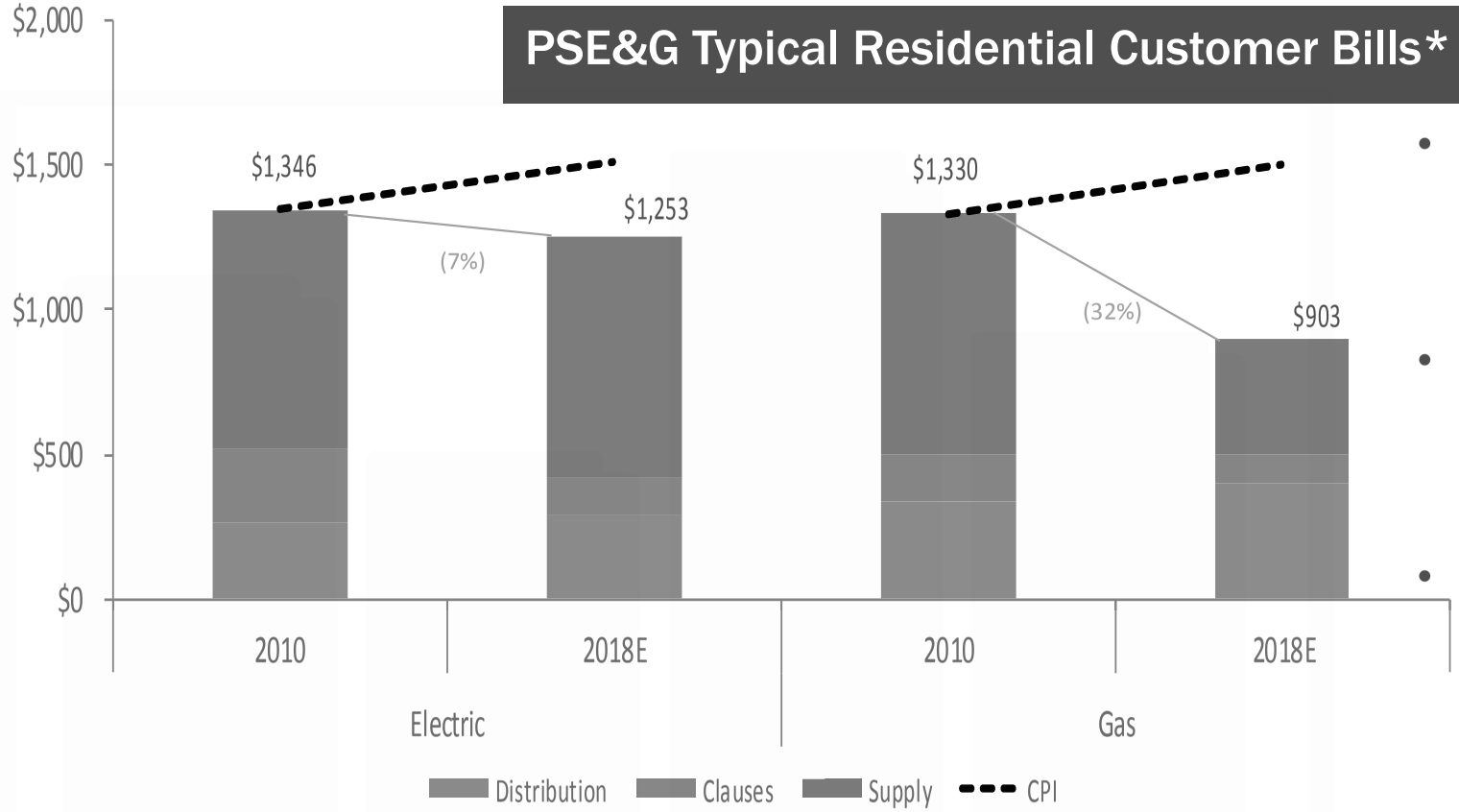
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

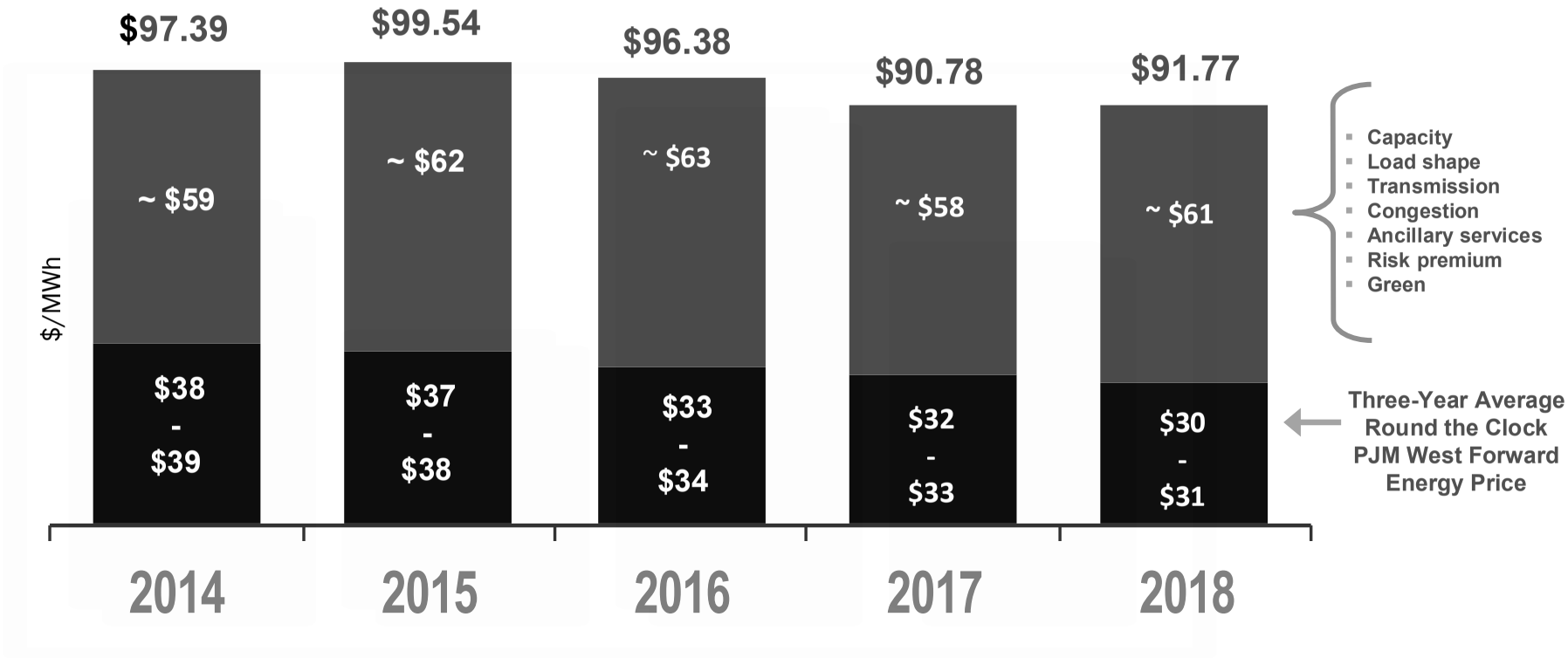
Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM

Growing Renewable Energy/Transmission

Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

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Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

SI-SSA-0015-09886

Tax Cuts and Jobs Act: PSEG is well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-09887

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022

✓ Investment program and metrics to support strong credit rating is maintained

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PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

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Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

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Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,				
	2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

PSEG Investor Summary

MORGAN STANLEY • 2018 UTILITIES, CLEAN TECH
& MIDSTREAM CONFERENCE
FEBRUARY 26, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09895

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-09897

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-09898

PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

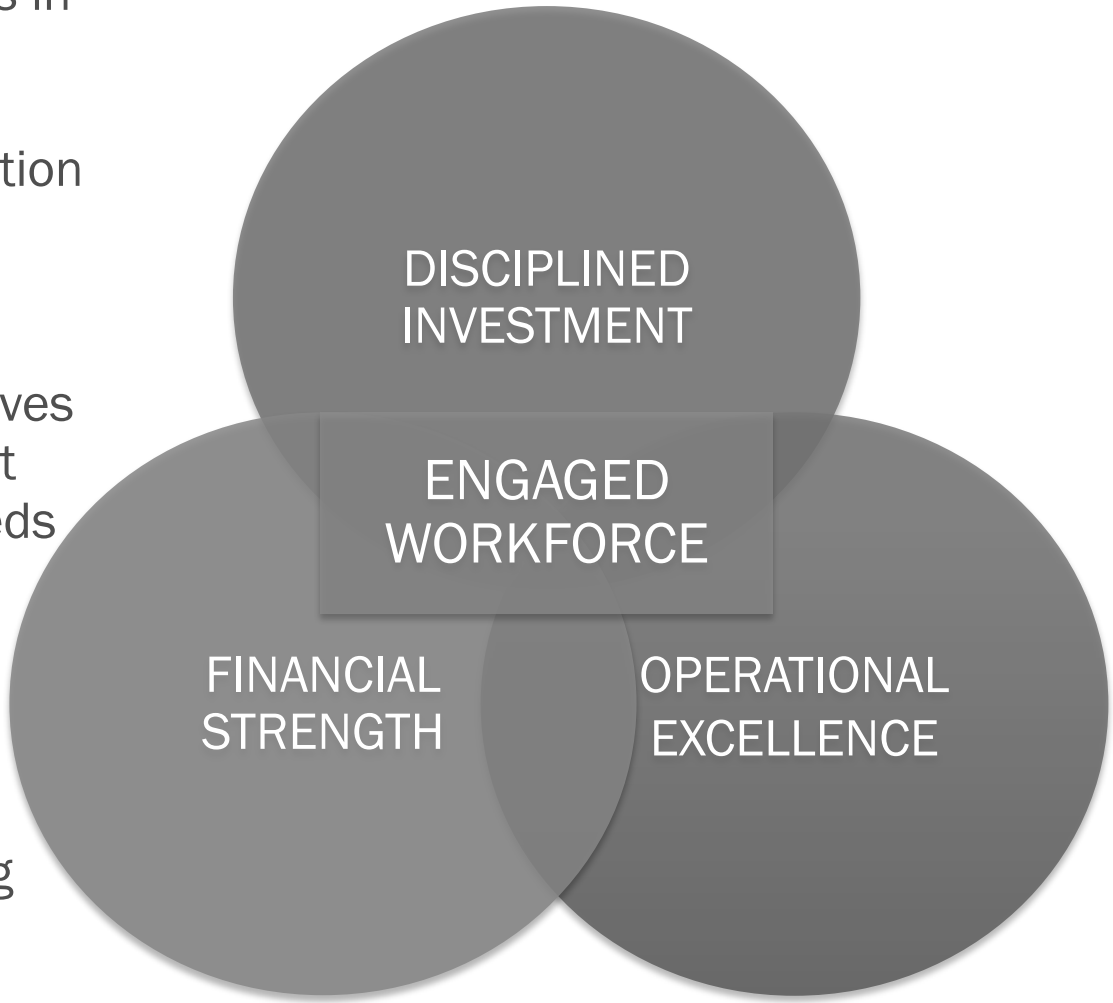
Financial Strength: Strong financial position supports investment program

Disciplined Investment:

- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:

- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G

Electric & Gas Delivery and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022

2017

Assets $29B
Net Income $973M
Non-GAAP Operating Earnings* $963M

PSEG Power LLC

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017

Assets $12B
Net Income $479M
Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Gas System Modernization Program (GSMP), Transmission, Electric and Gas distribution, Energy Strong and Clean Energy • Potential for additional investments in Renewables and integration of Infrastructure with Customer Access • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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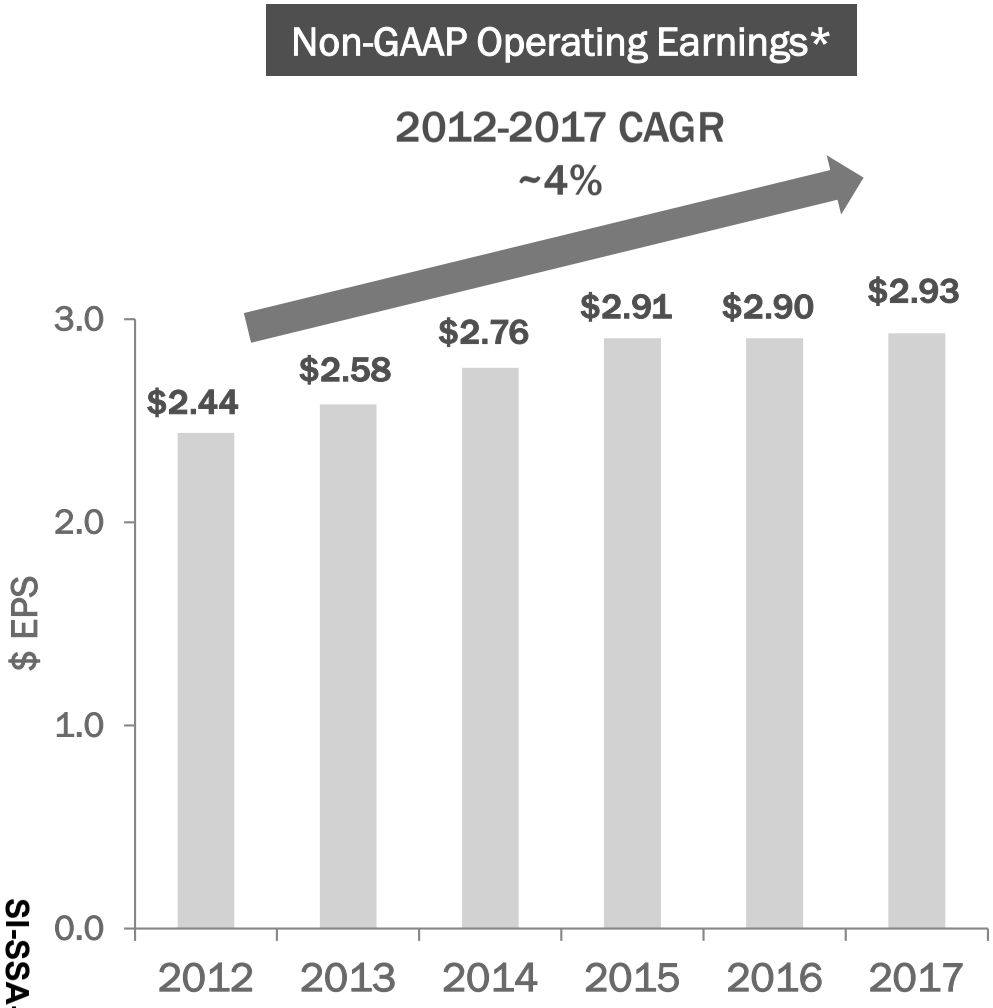
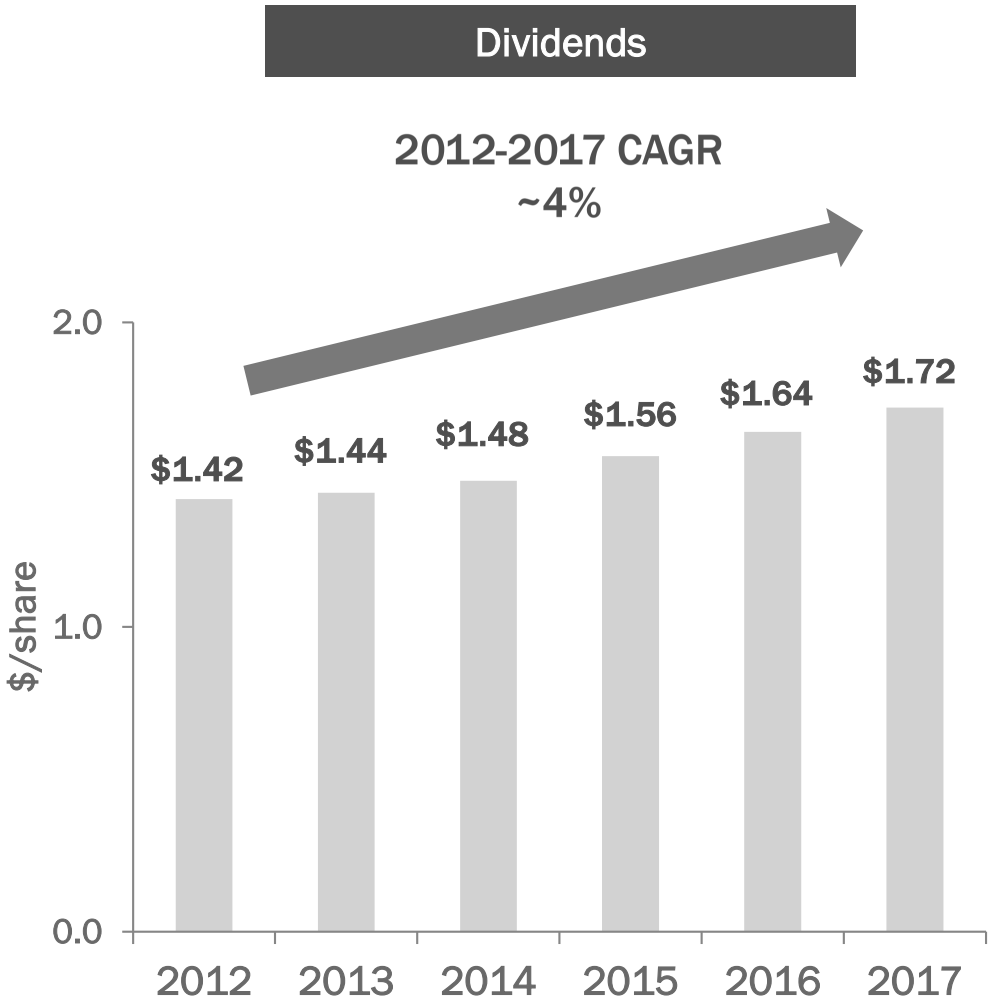
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requesting ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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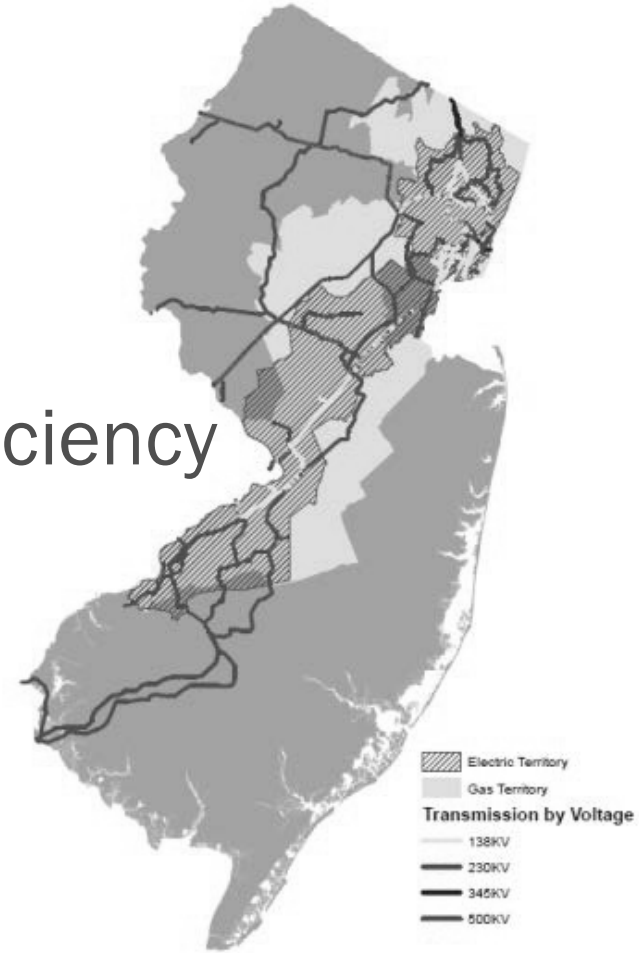
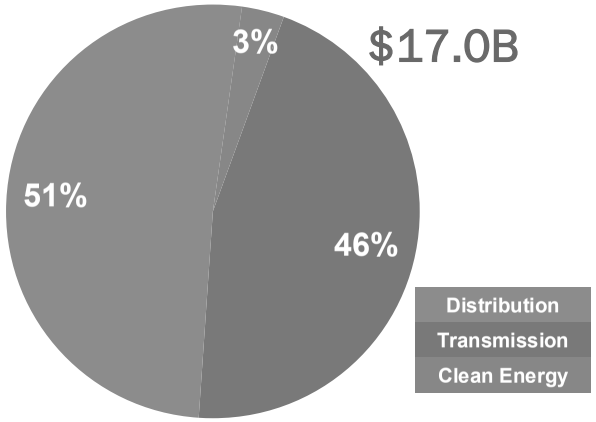
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%



PSE&G 2017 Rate Base



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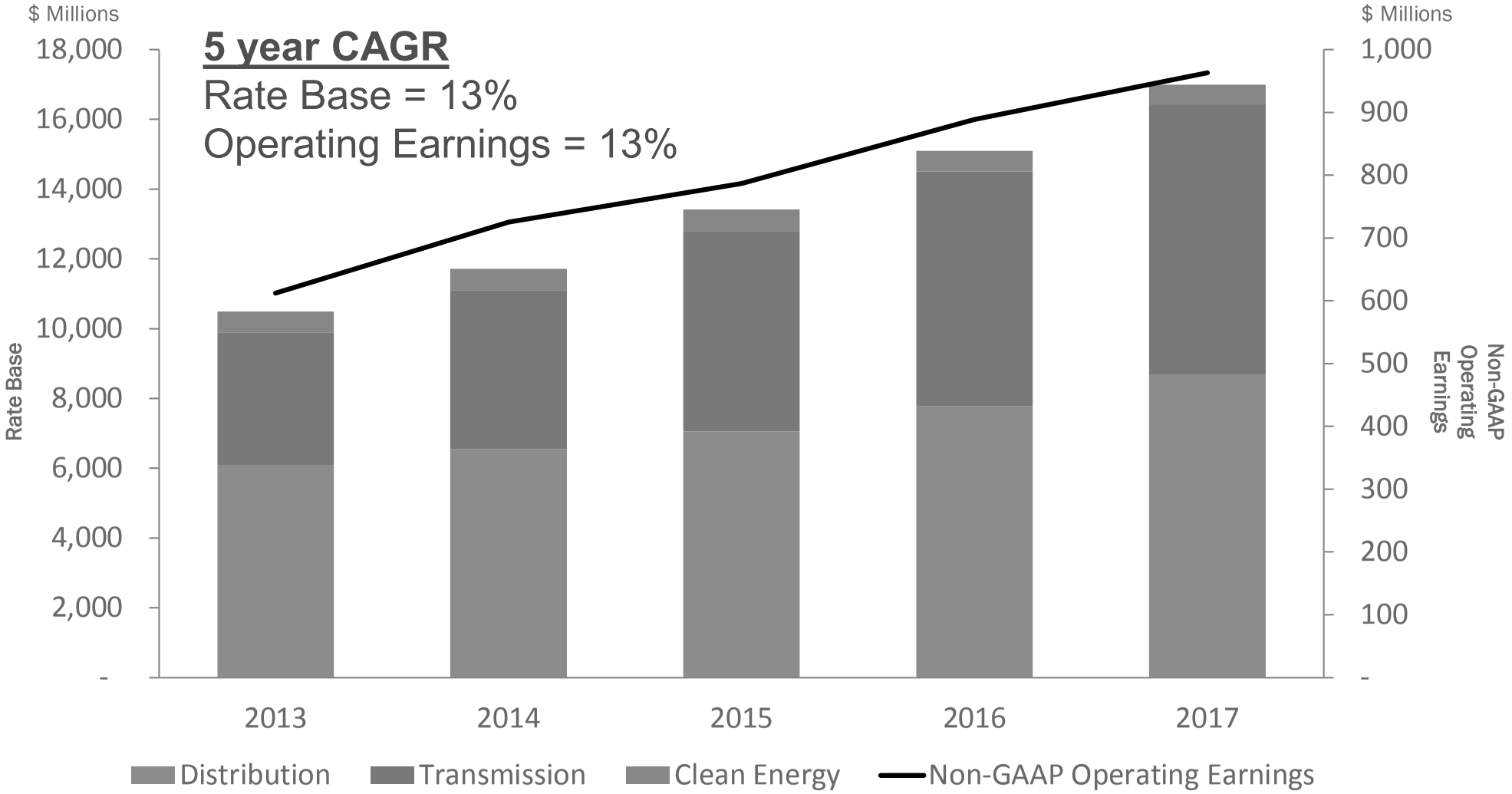
* GAS FIRM SALES ONLY.

PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

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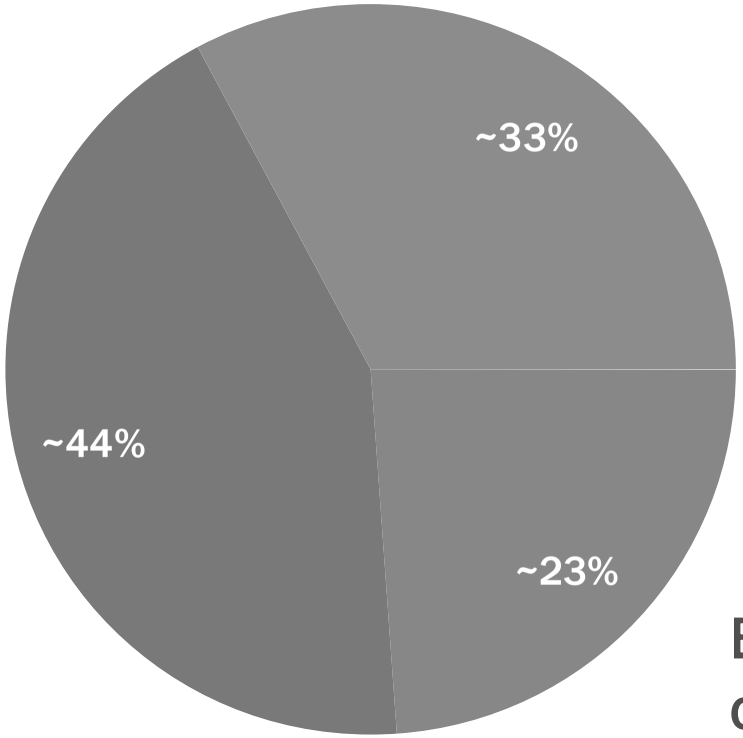
Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

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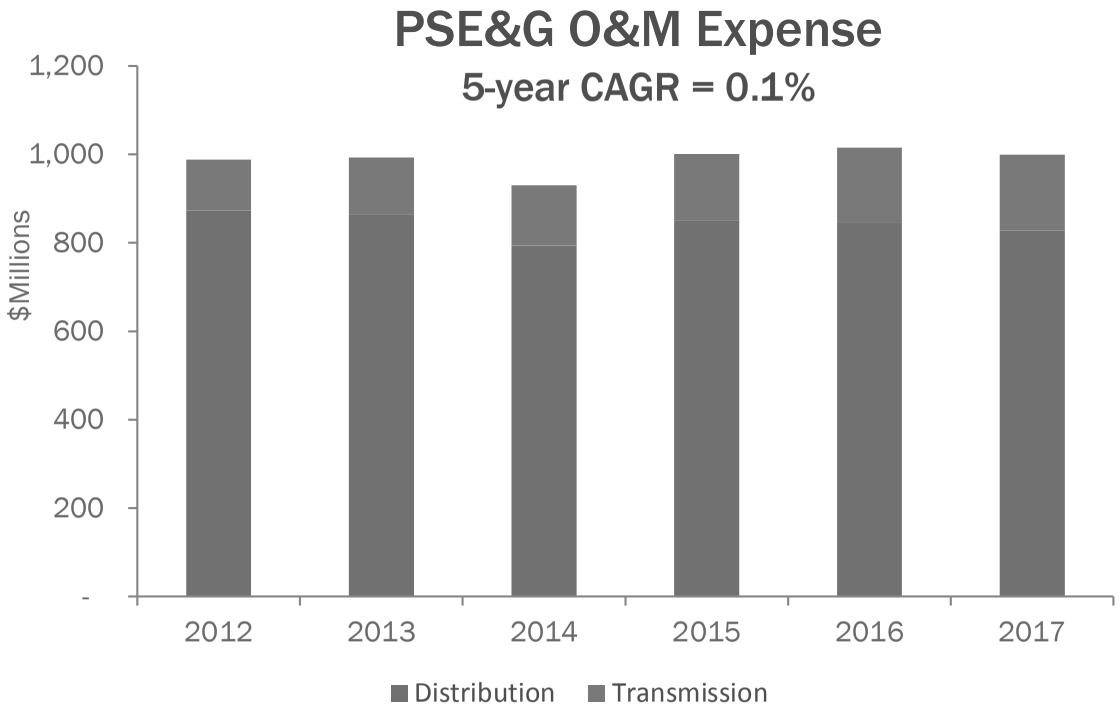
Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

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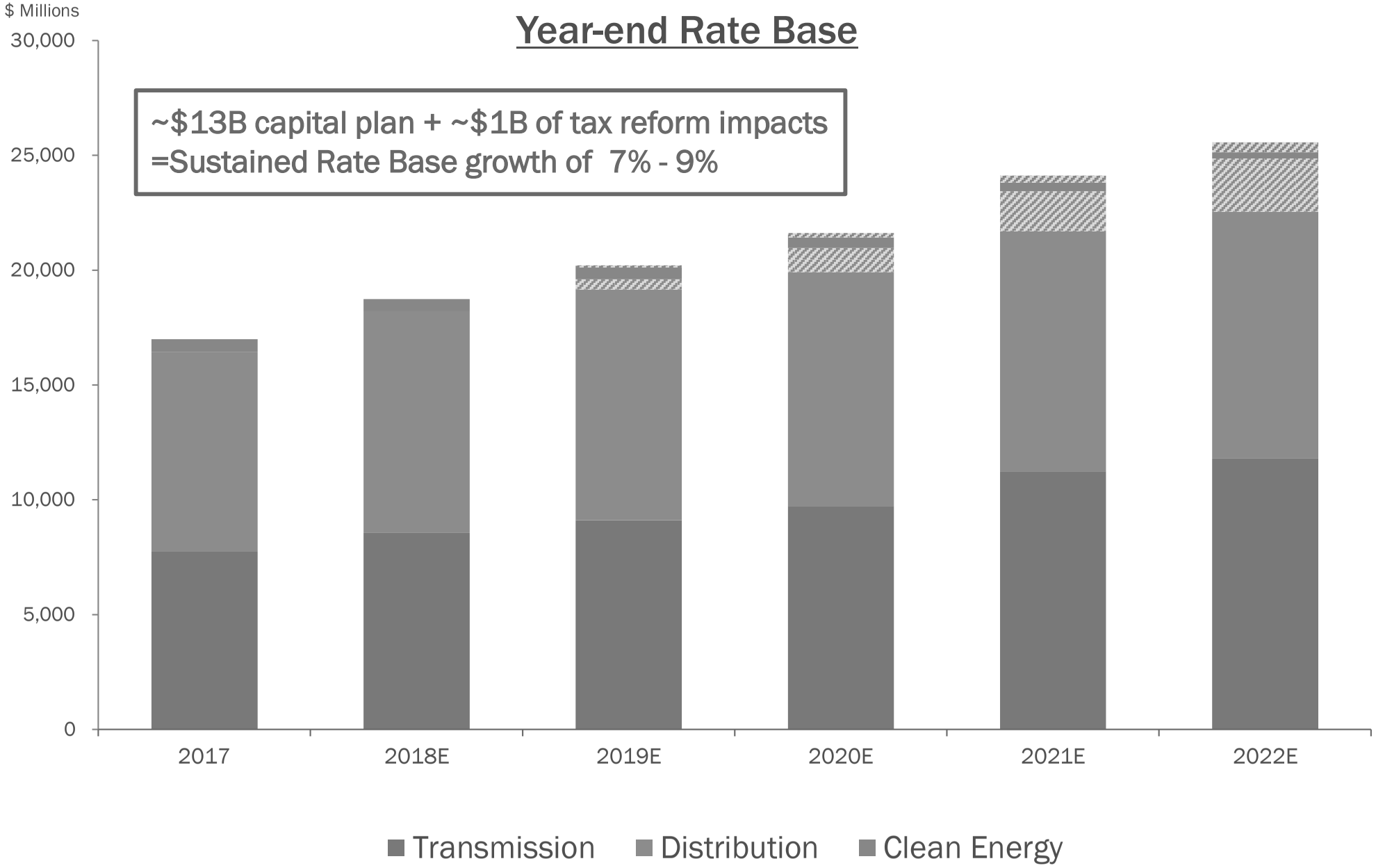
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-09908

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%,

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ **Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022**

✓ **Investment program and metrics to support strong credit rating is maintained**

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PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

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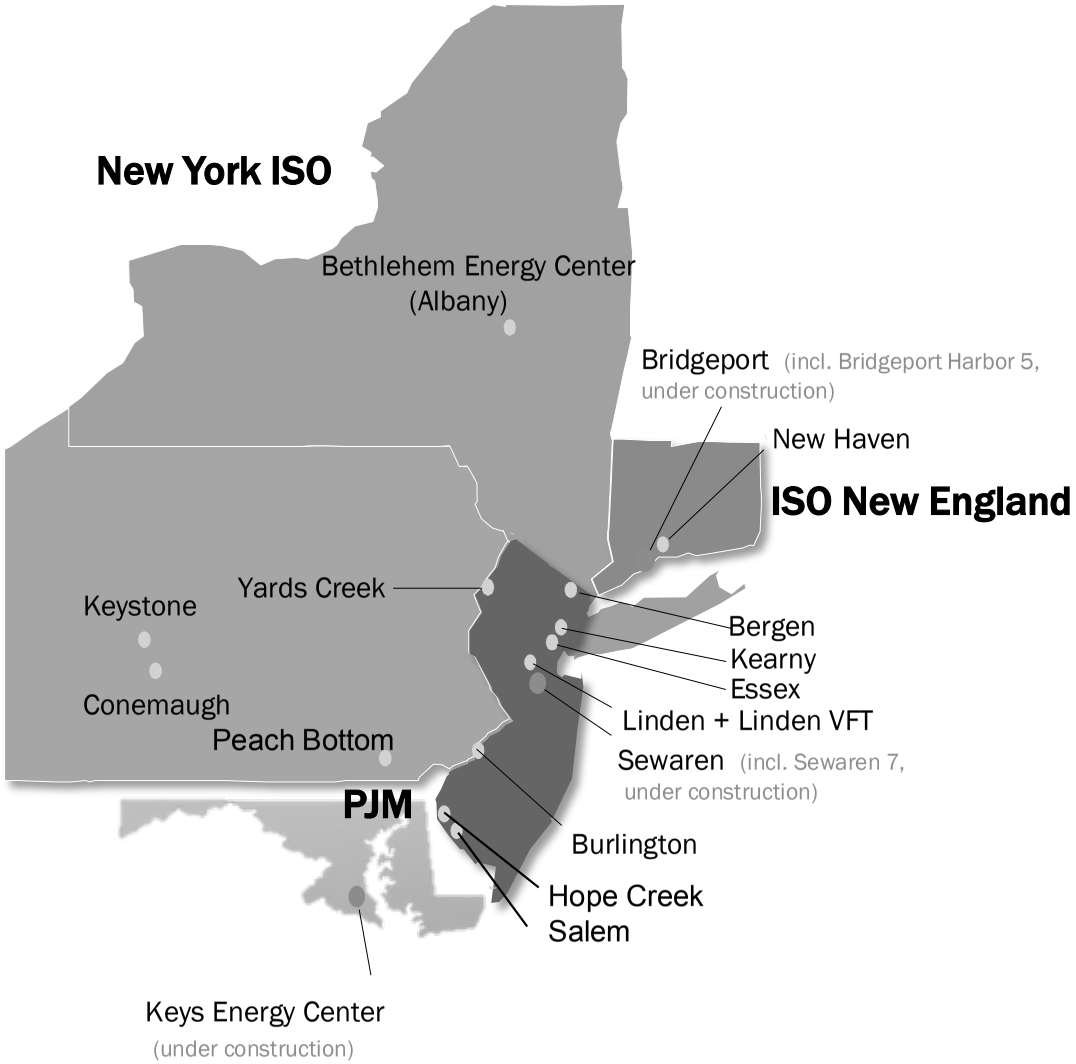
Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

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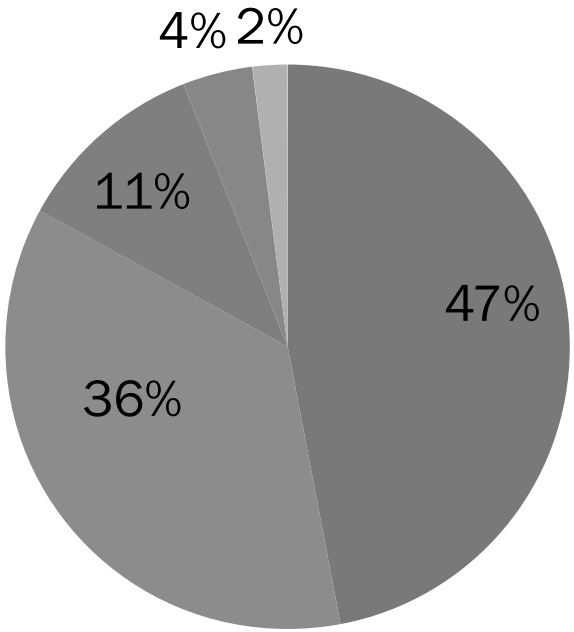
Power has a diverse fleet of generating assets which enables it to respond to market needs

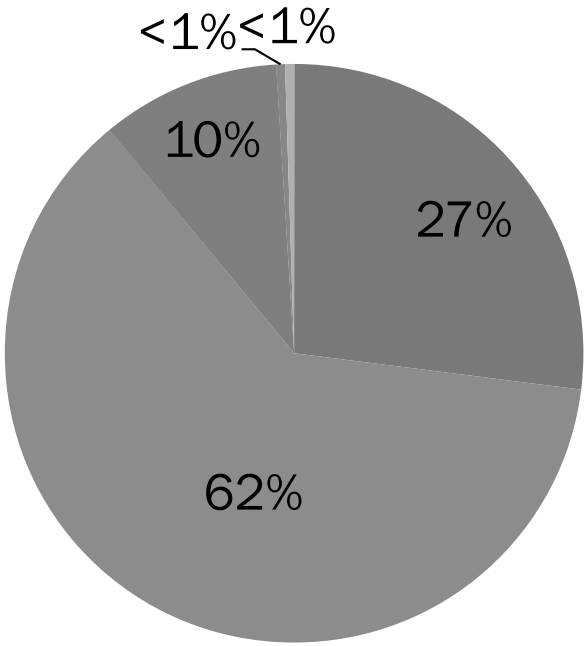
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

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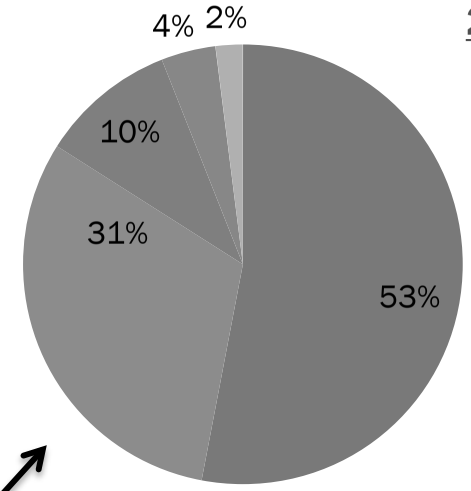
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

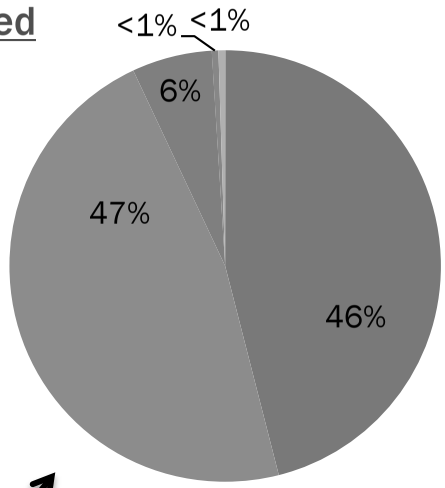
Power's fleet is being **transformed** with focus on improvement in efficiency

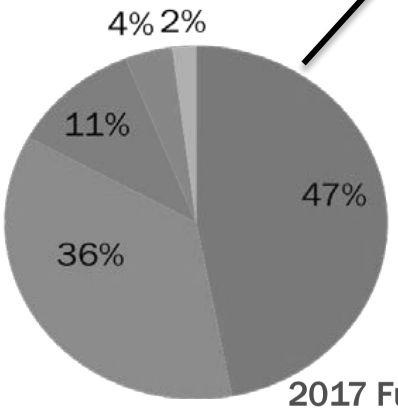
Projected Fleet Comparison 2017 to 2020E

2020E Fuel Diversity
Total MW: 11,800

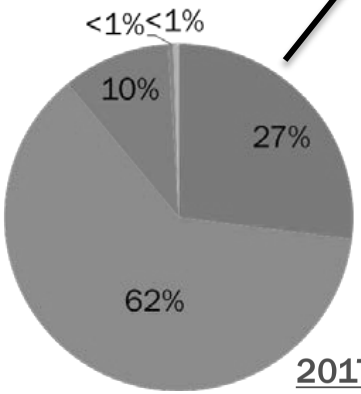


2020E Energy Produced
Total GWh: 65,500





2017 Fuel Diversity[1]
Total MW: 10,458



2017 Energy Produced[1]
Total GWh: 51,089

- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

Energy Produced increases by >28%

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

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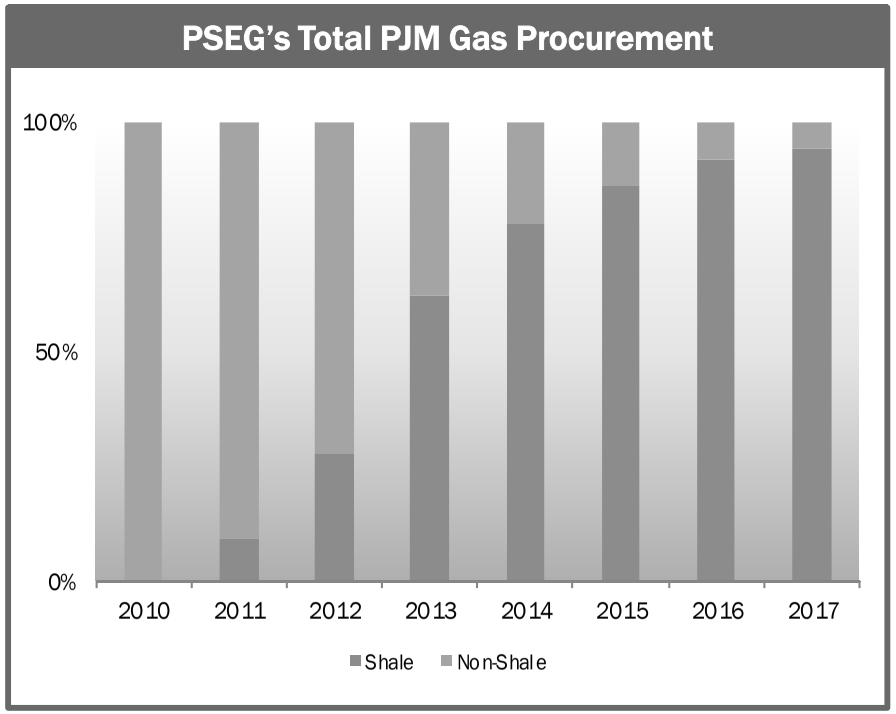
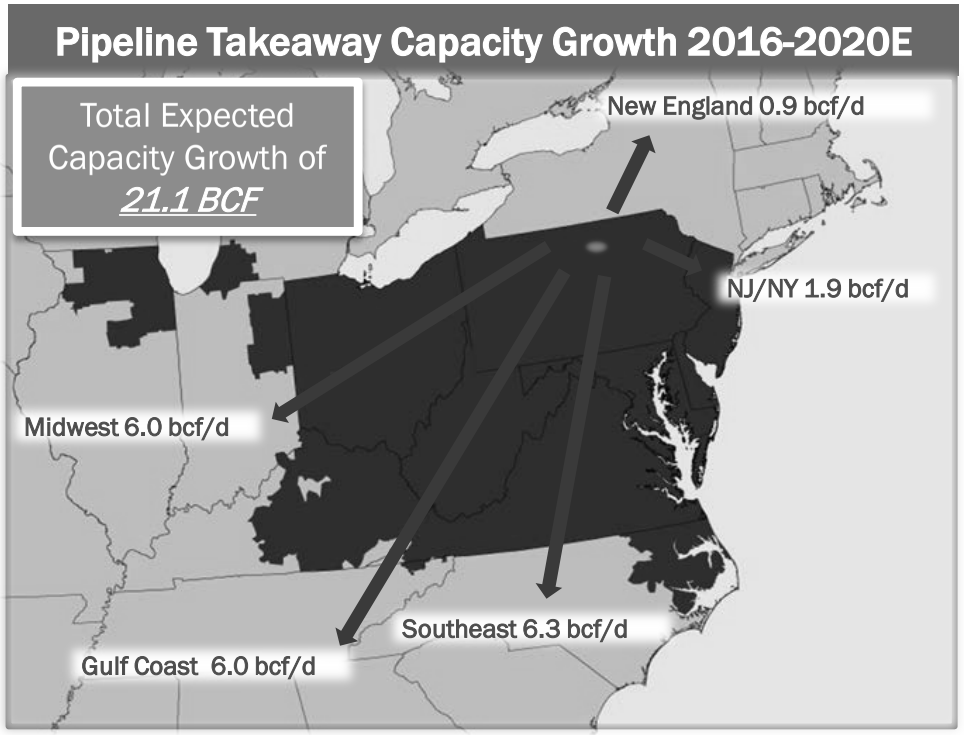
PSEG

Power's fleet is well-located with access to shale gas production



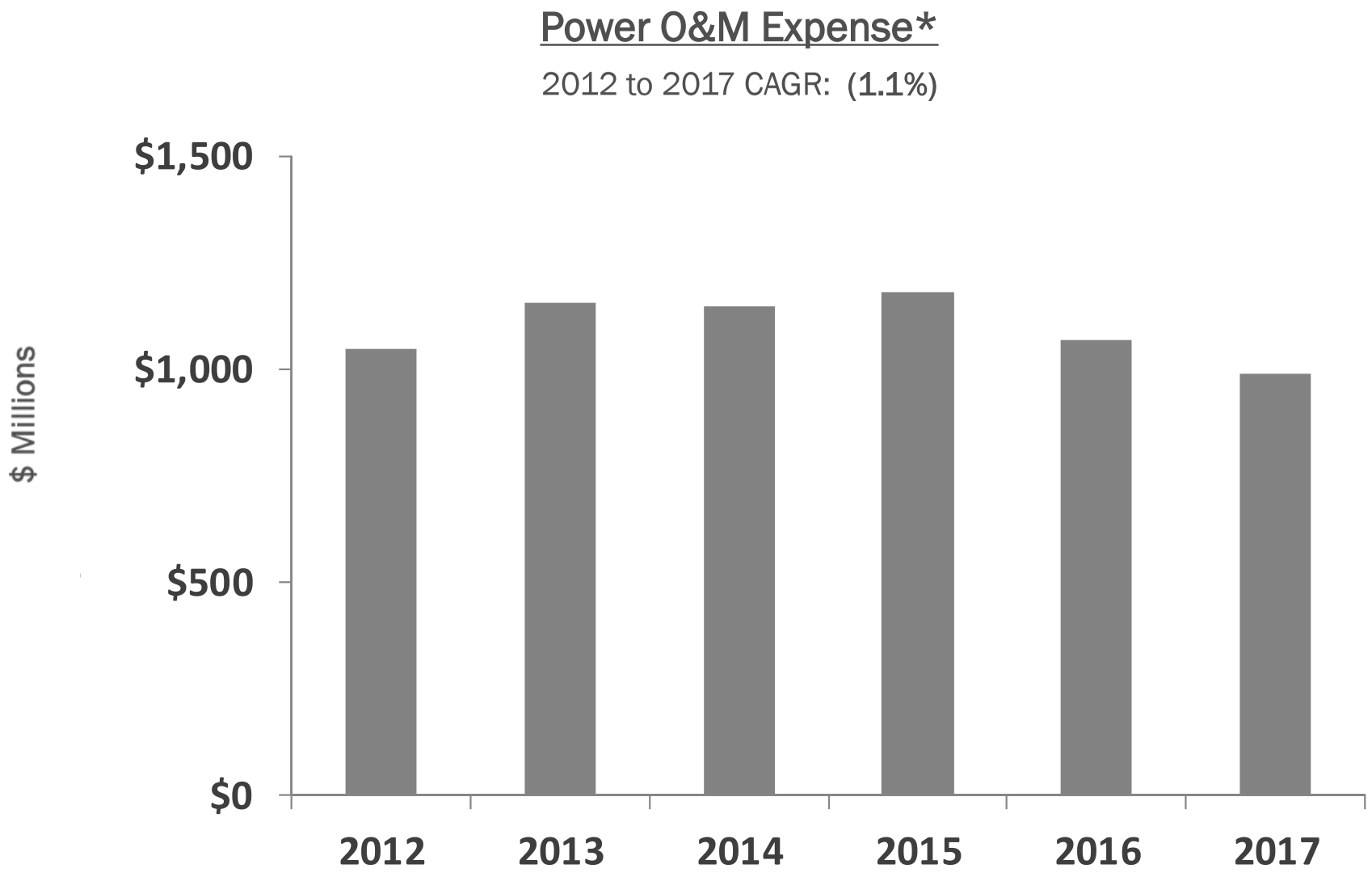


- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

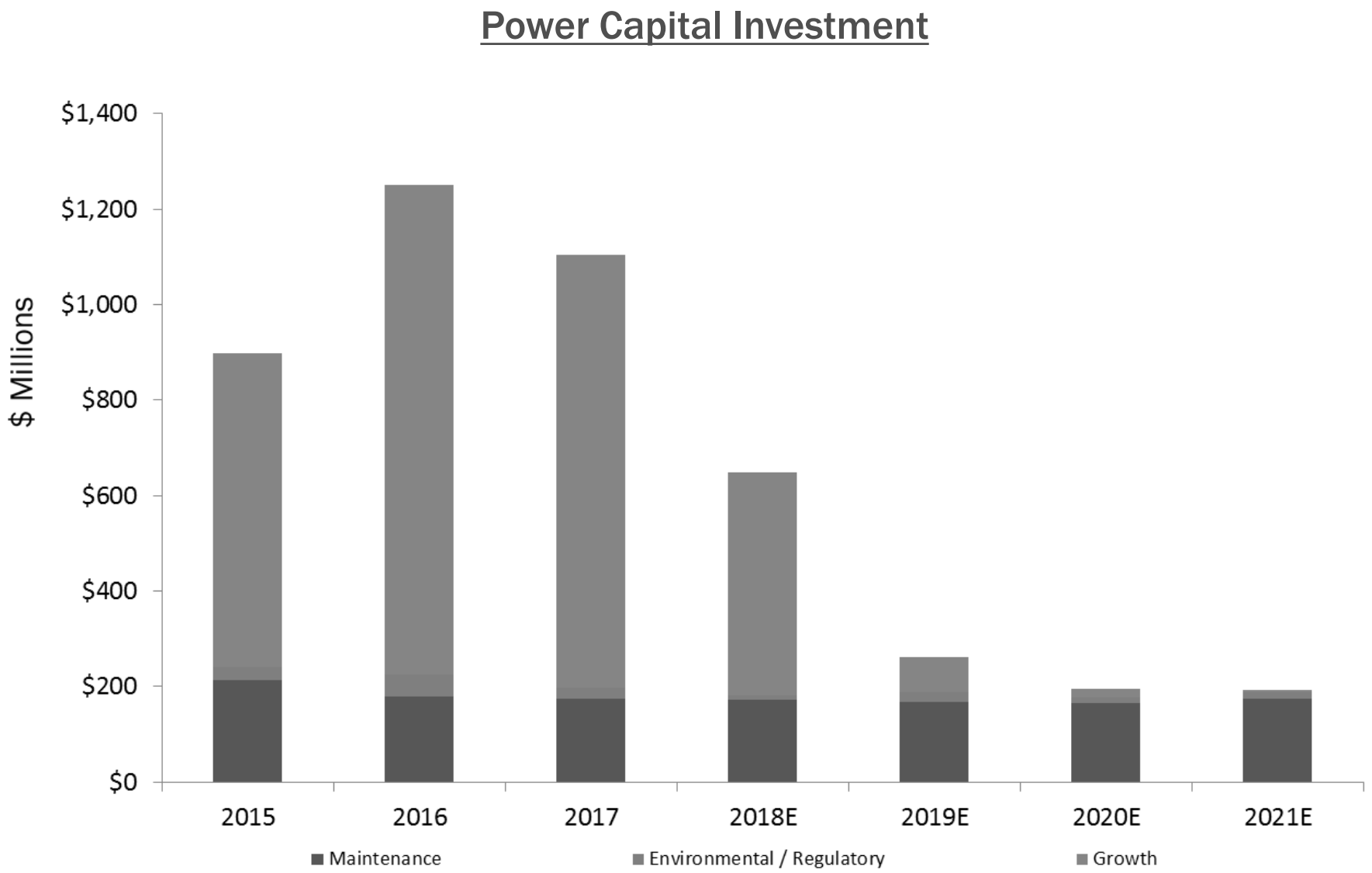
E = ESTIMATE.

Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

Power's capital needs decline following construction of new capacity, enhancing free cash flow



E=ESTIMATE. DATA AS OF FEBRUARY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

SI-SSA-0015-09916

Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

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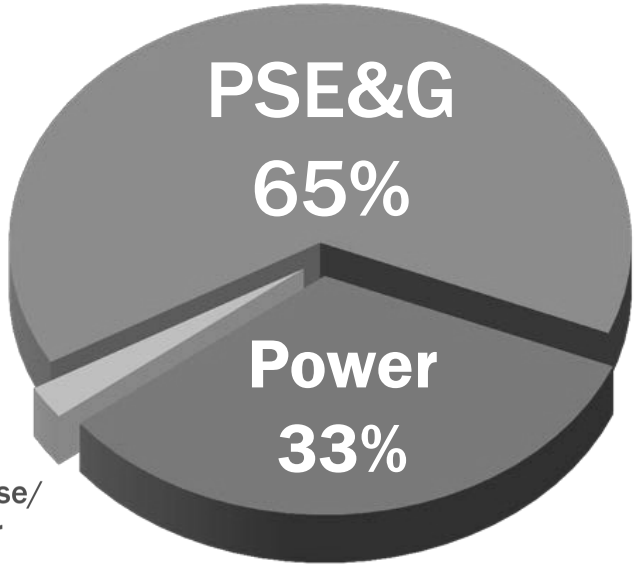
Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

Completion of capital program for new combined cycle plants

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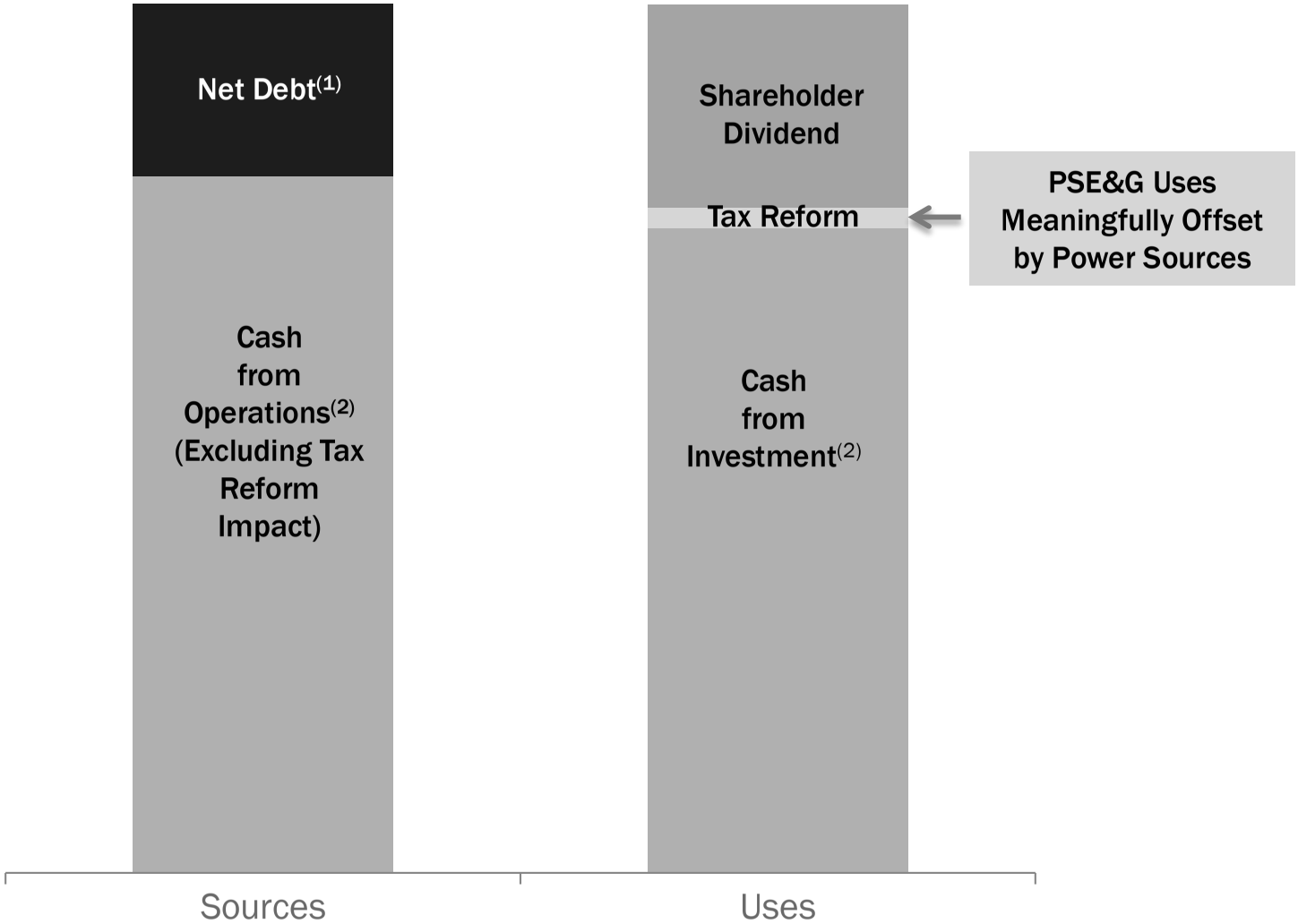
PSEG

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

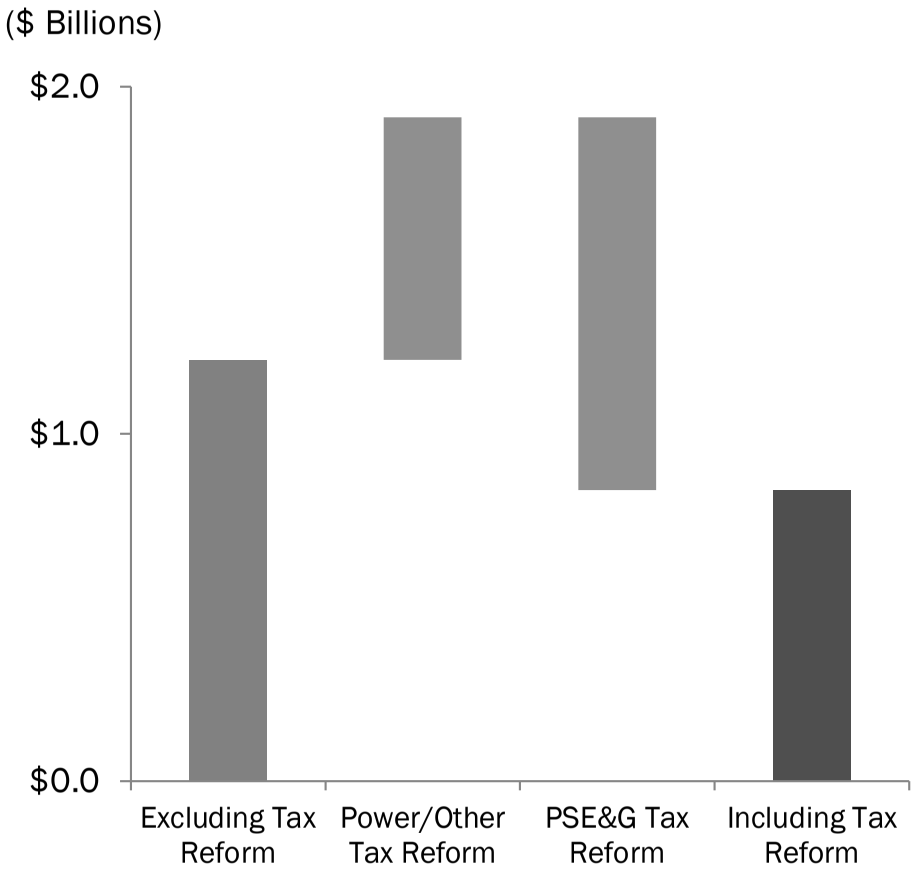
SI-SSA-0015-09919

Investment Capacity of nearly $1B after tax reform

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



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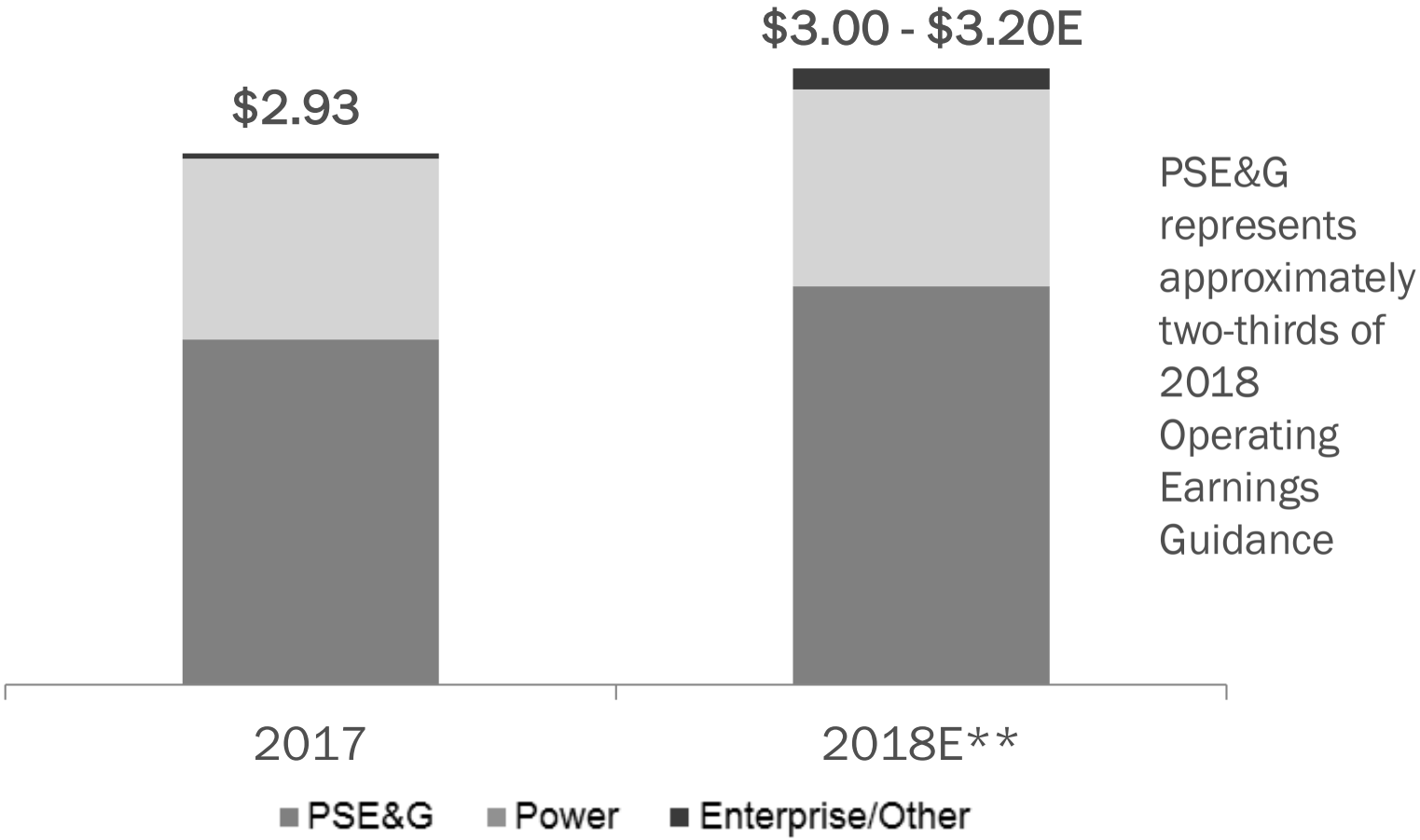
E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

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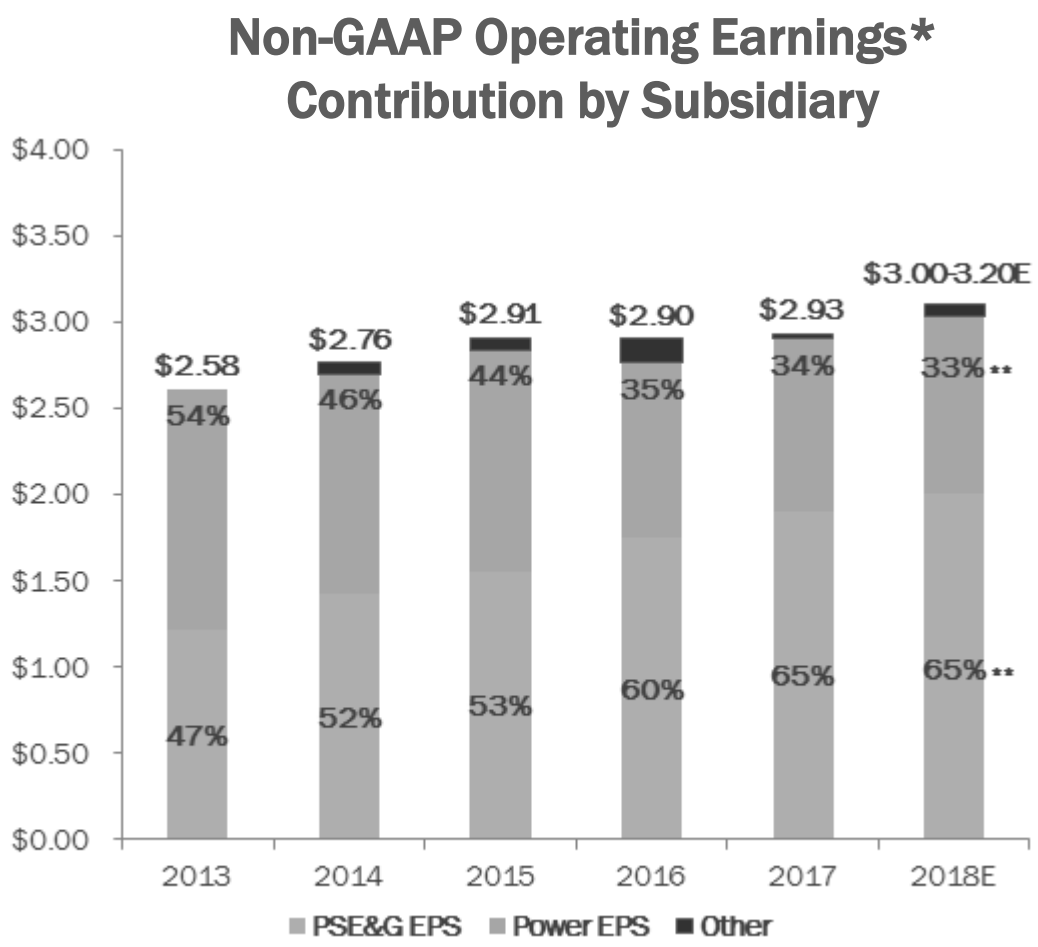
PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

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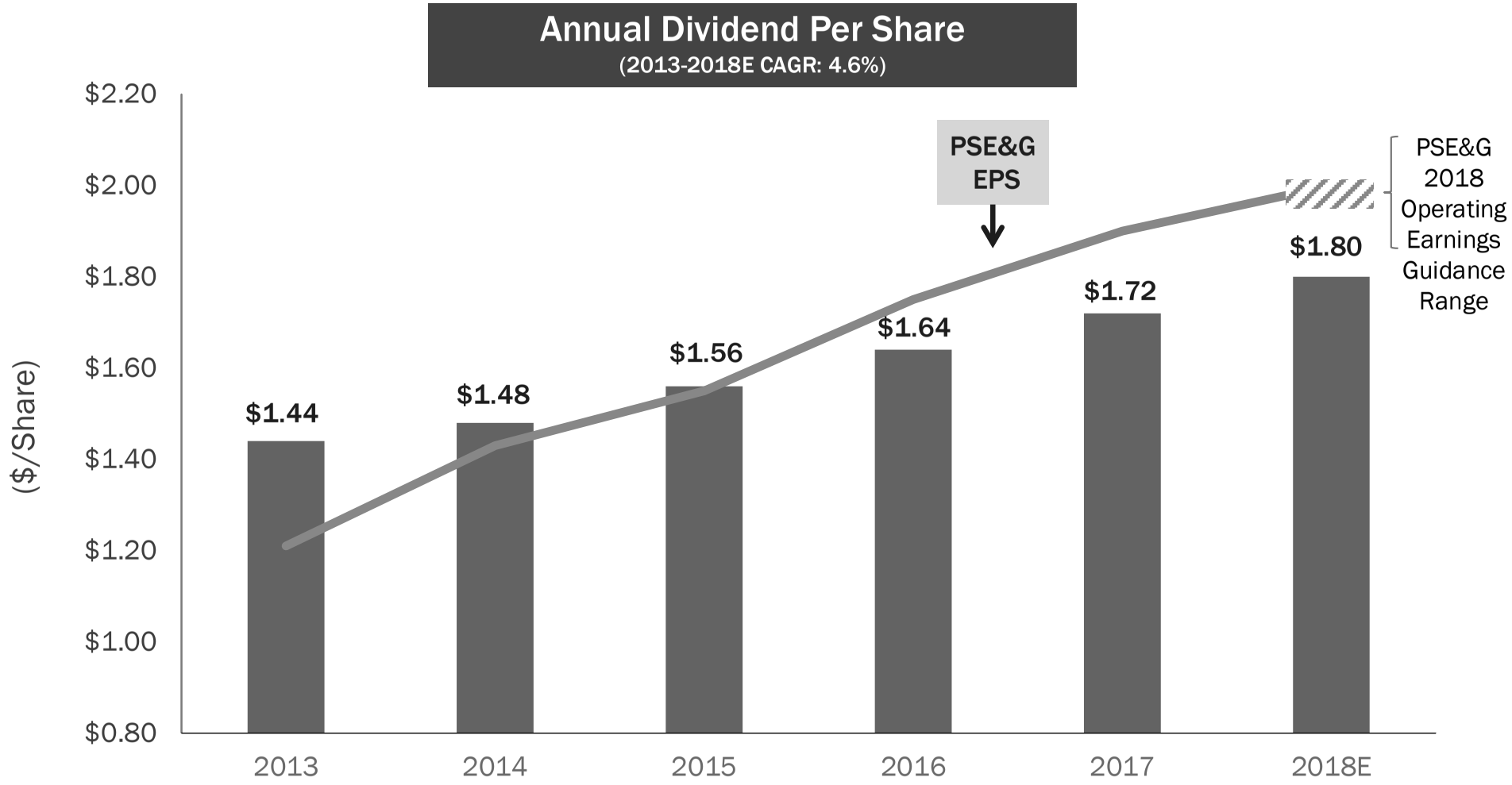
PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



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E=ESTIMATE.

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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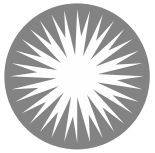
PSEG
APPENDIX



PSEG

We make things work for you.

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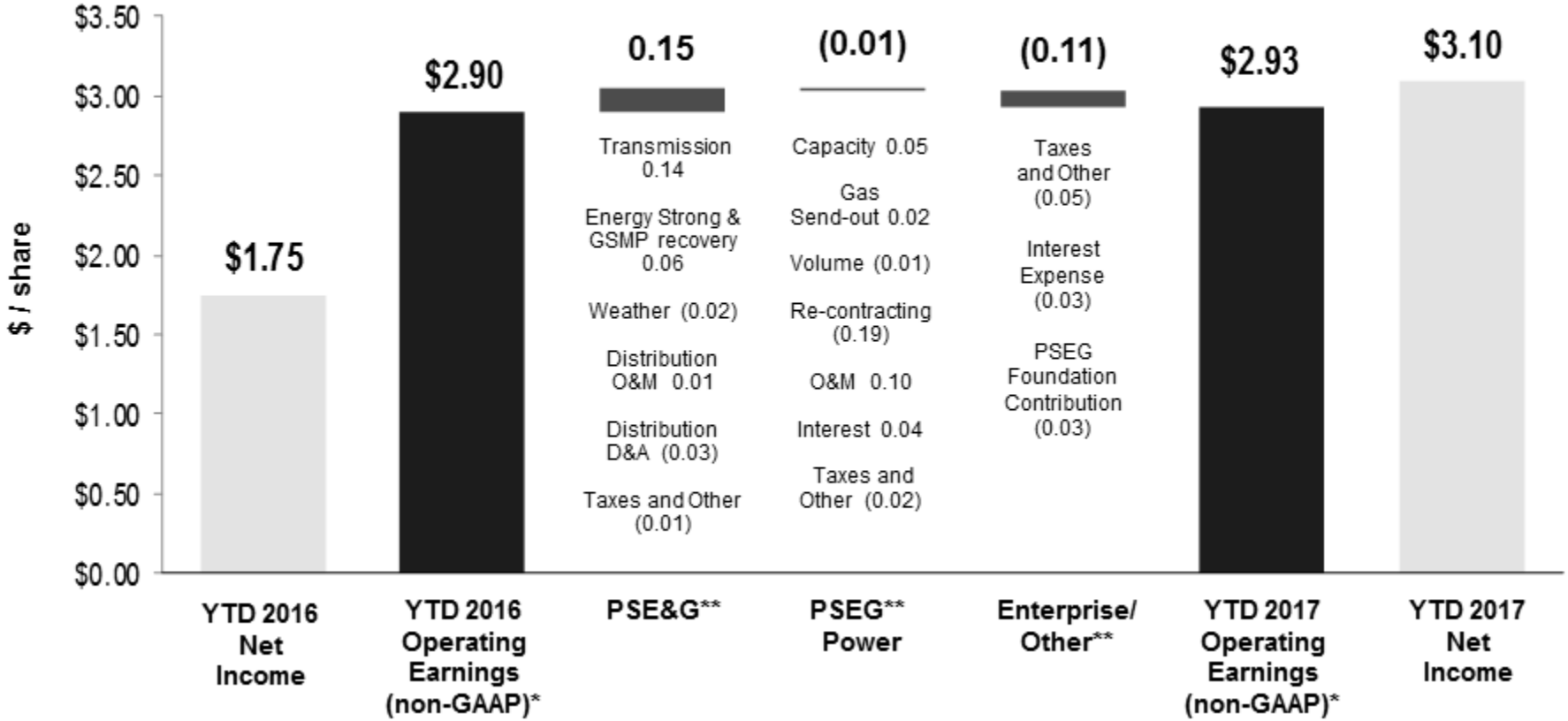
PSEG EPS Reconciliation – 2017 vs. 2016

Utility investment and cost control drove full-year 2017 results



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PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*SEE SLIDES A, B and C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSE&G, PSEG POWER AND PSEG ENTERPRISE/OTHER.

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Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

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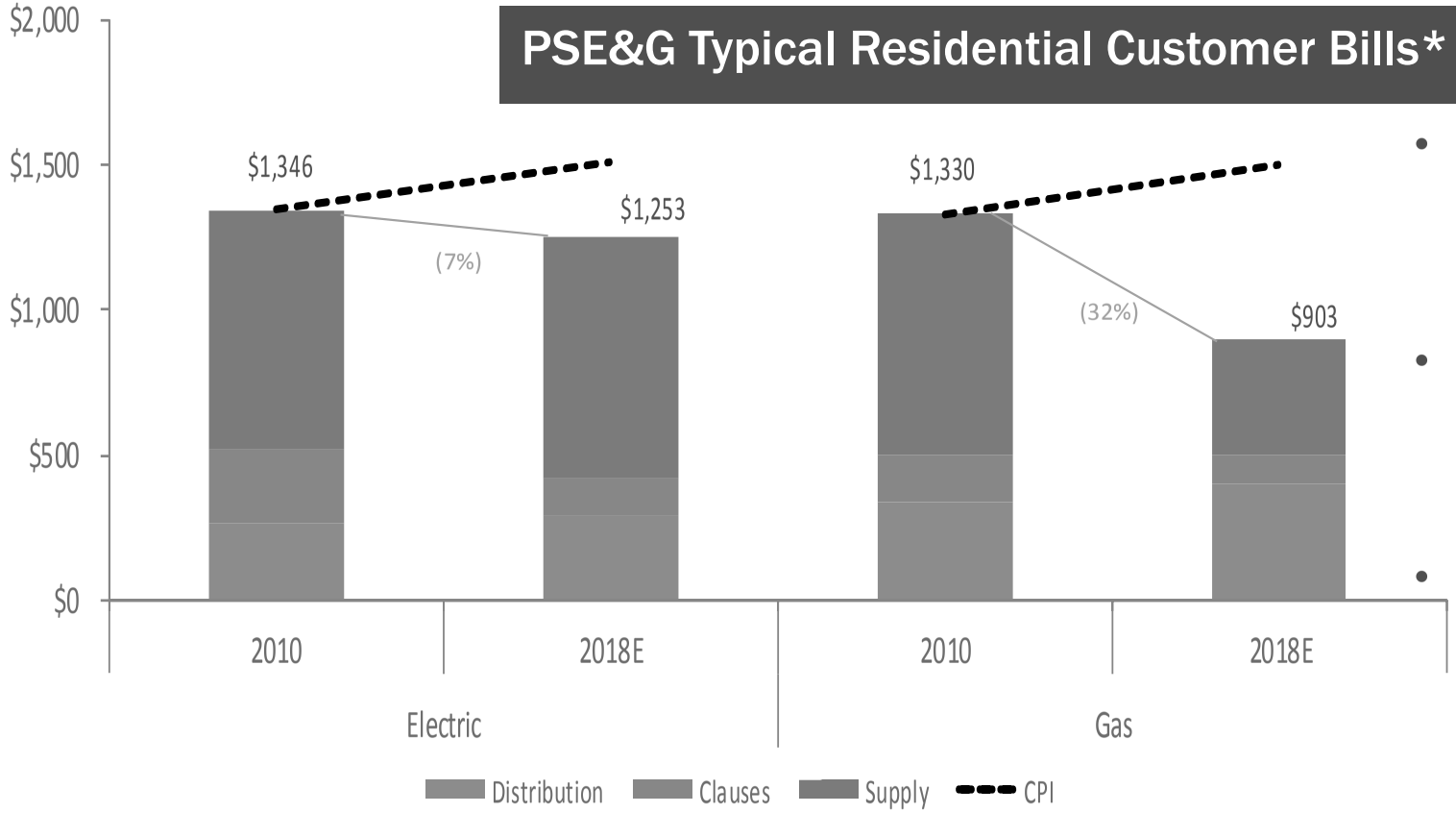
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

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PSEG

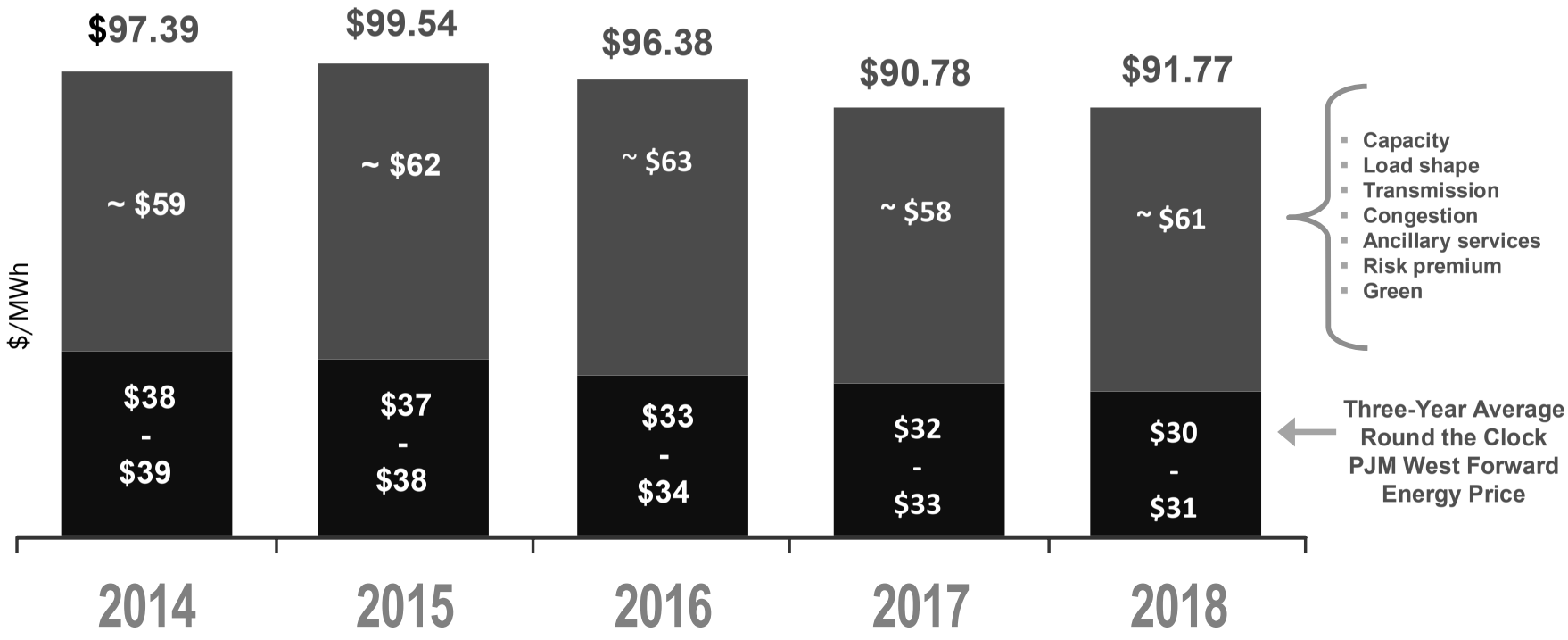
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

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PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

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Tax Cuts and Jobs Act: PSEG well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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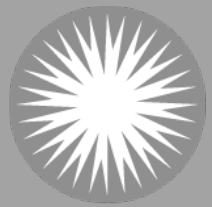
PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Morgan Stanley Utilities Conference

NEW YORK, NY – MARCH 8, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-09937

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

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PSEG

We make things work for you.

Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-09939

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-09940

PSEG OVERVIEW & OUTLOOK

PSEG

We make things work for you.

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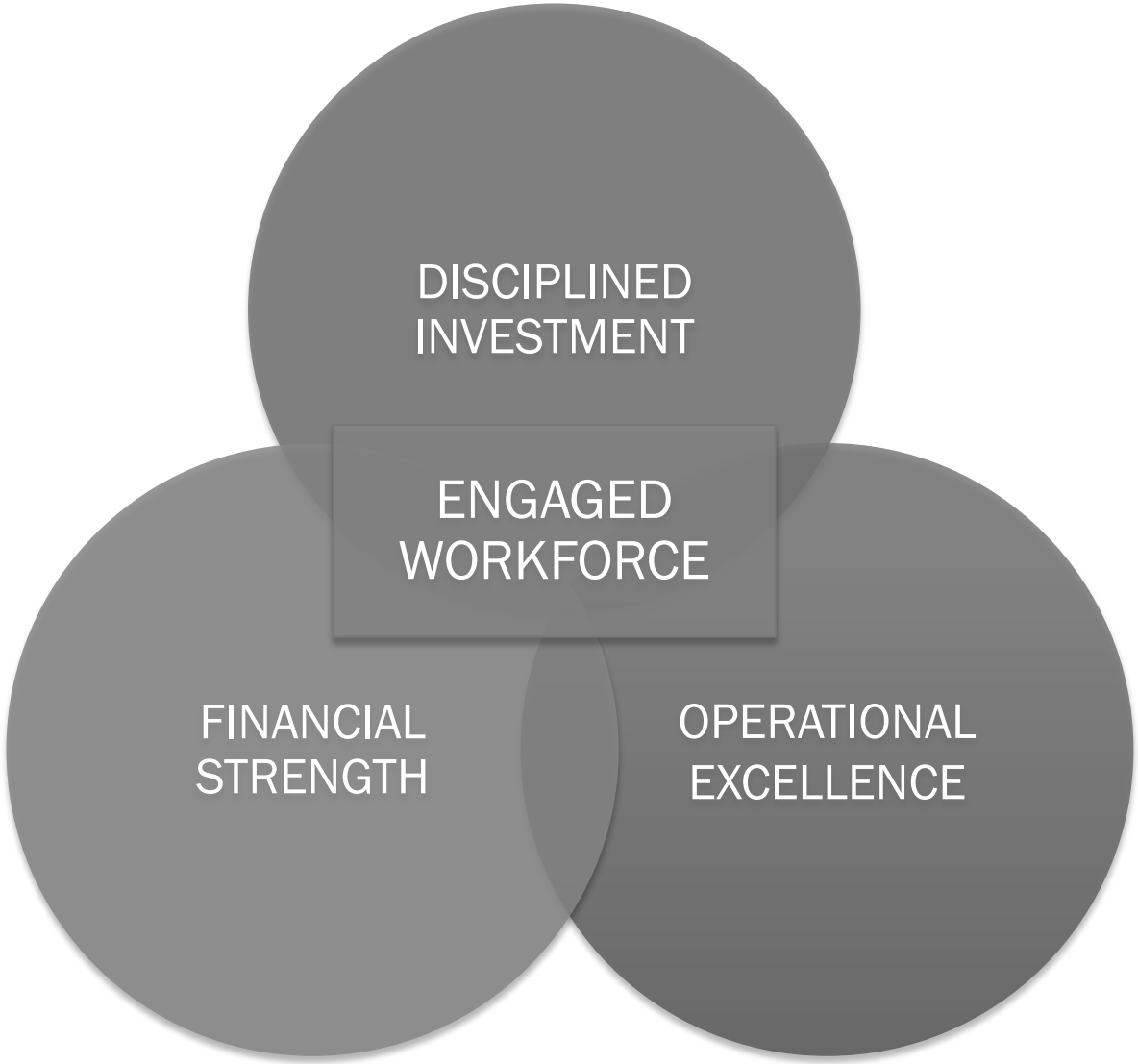
PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

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PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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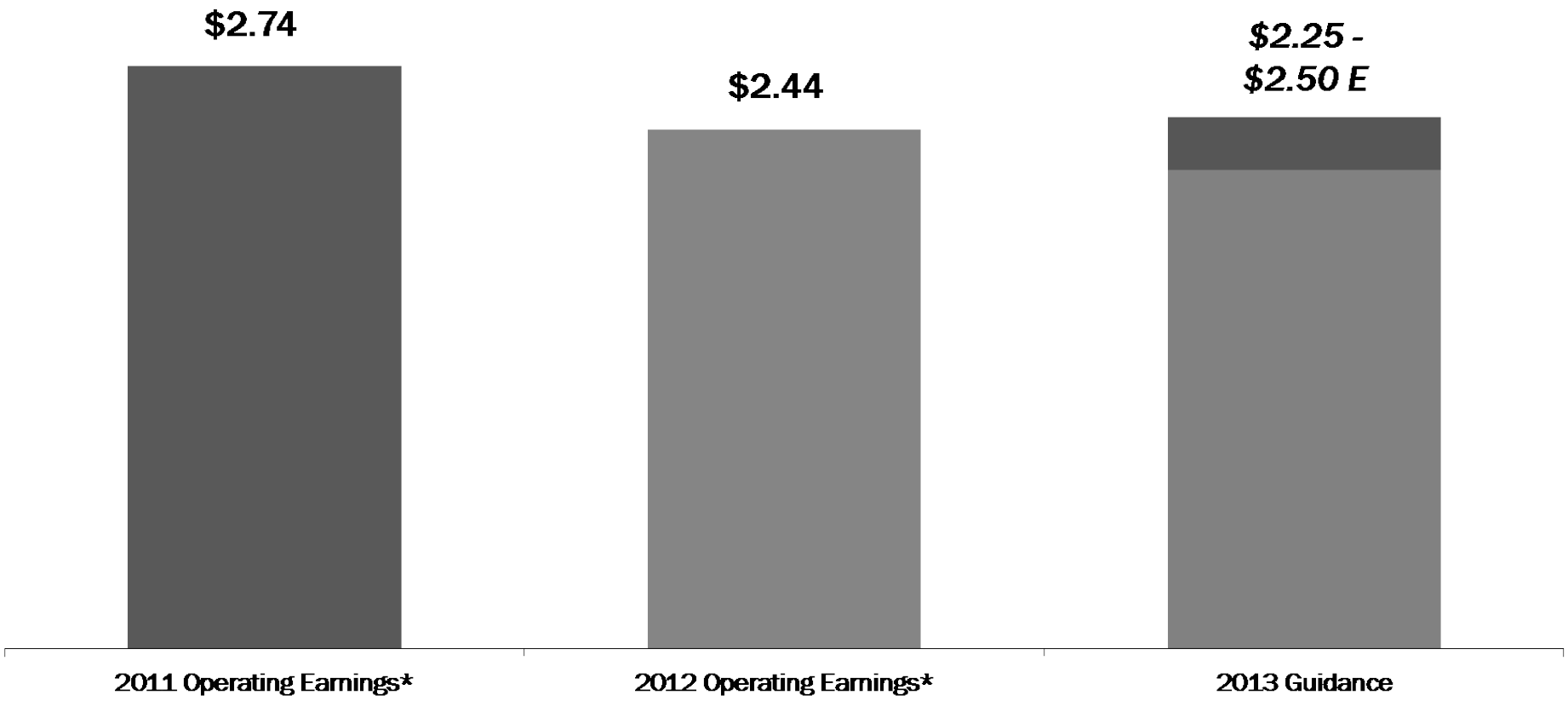
2013 Operating Earnings Guidance



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PSEG

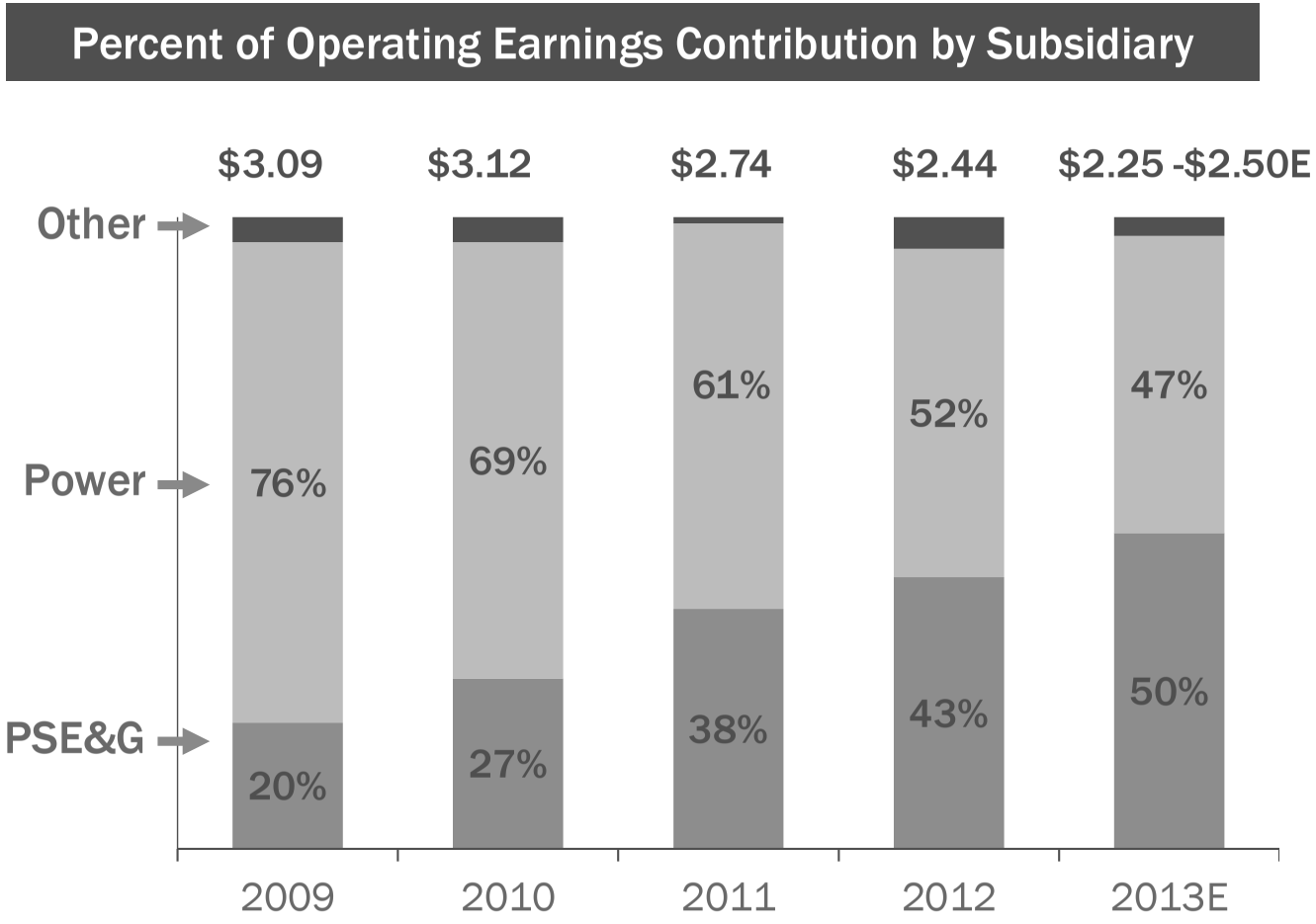
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

SI-SSA-0015-09947

SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

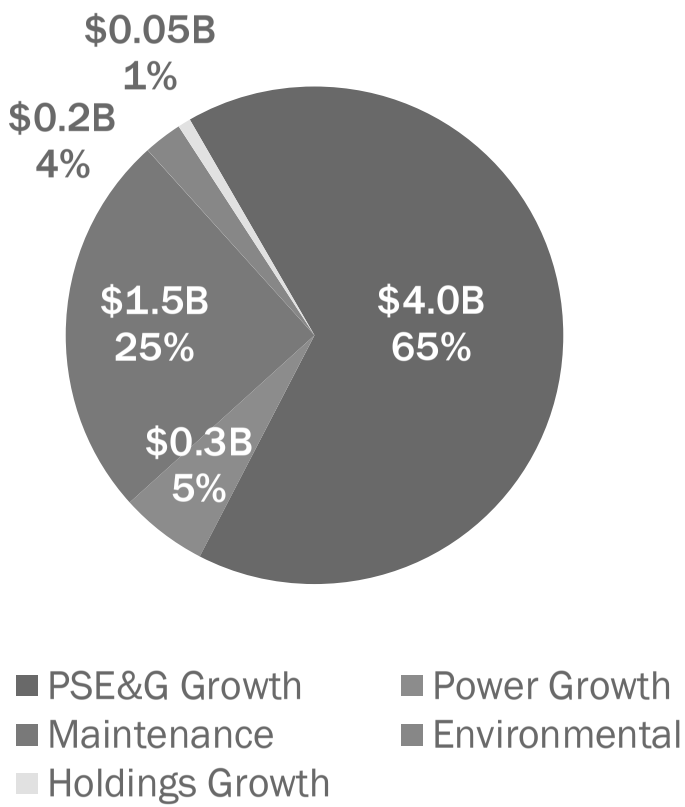
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

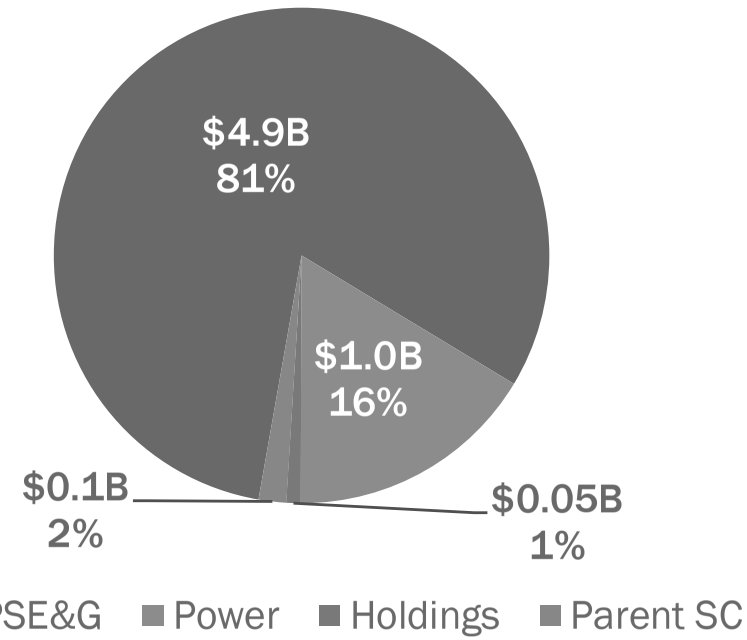
SI-SSA-0015-09948

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary



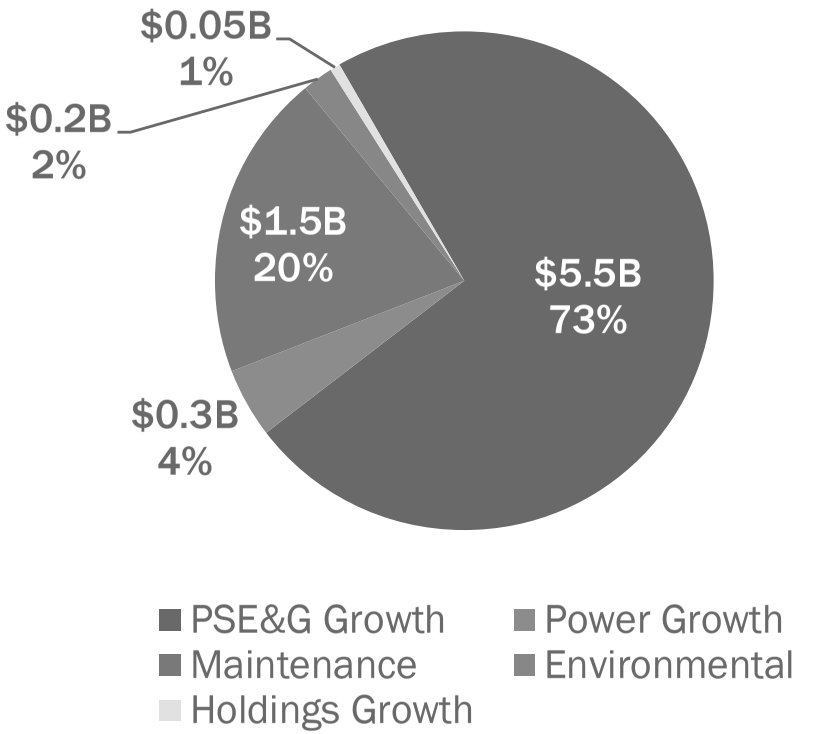
SI-SSA-0015-09949

PSEG

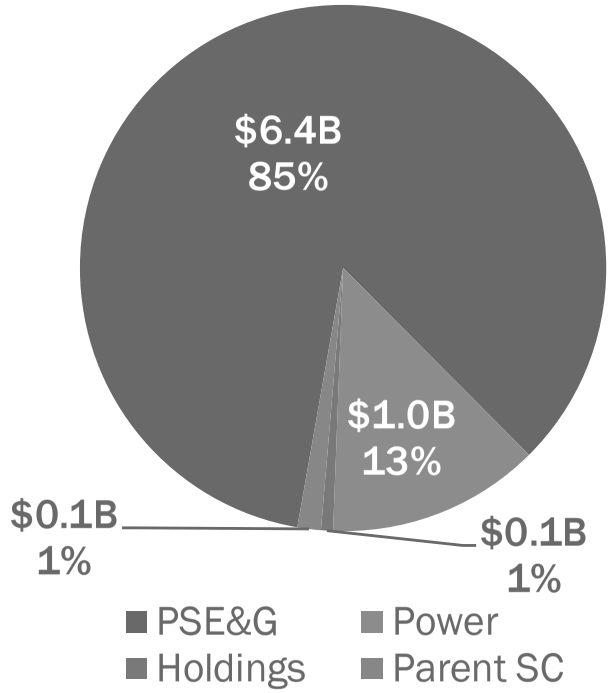
E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



SI-SSA-0015-09950

E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

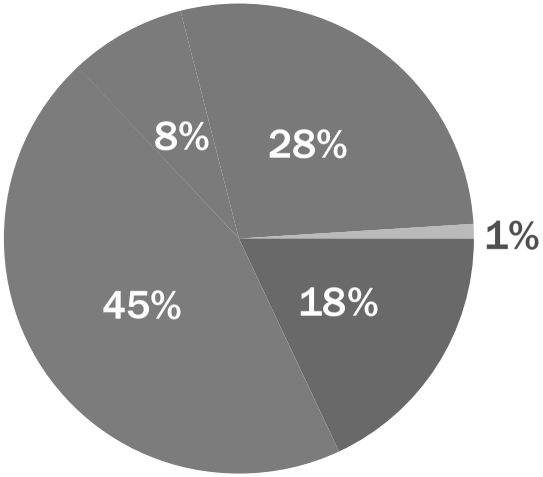
PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-09951

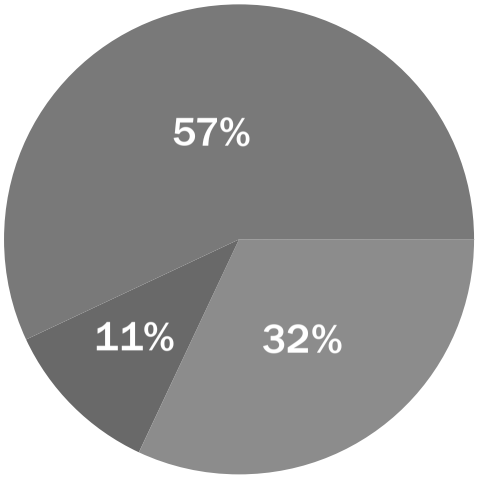
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

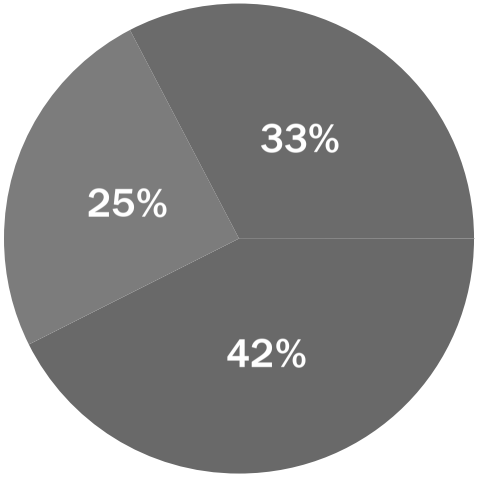


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

SI-SSA-0015-09952

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

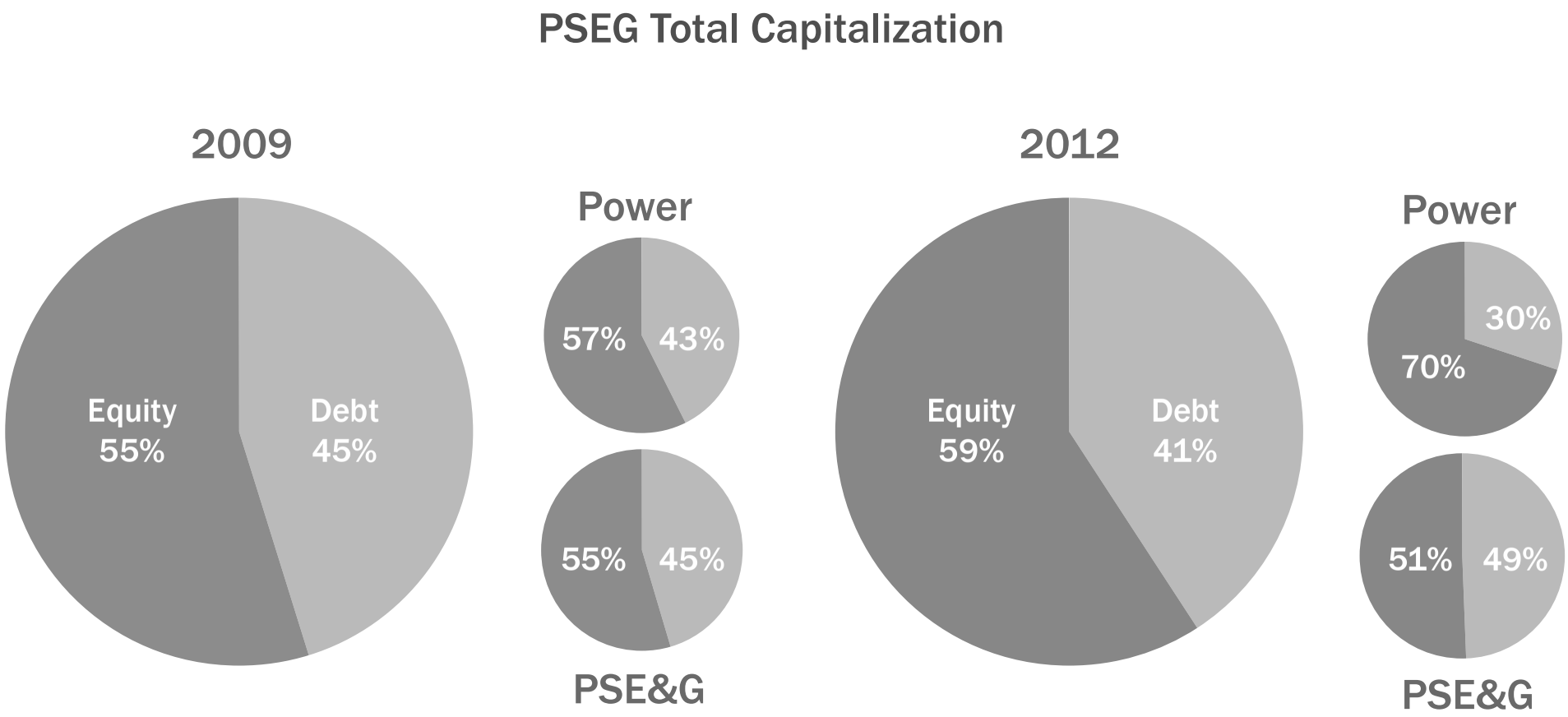
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-09953

Balance Sheet Strengthened

PSEG has reduced risk



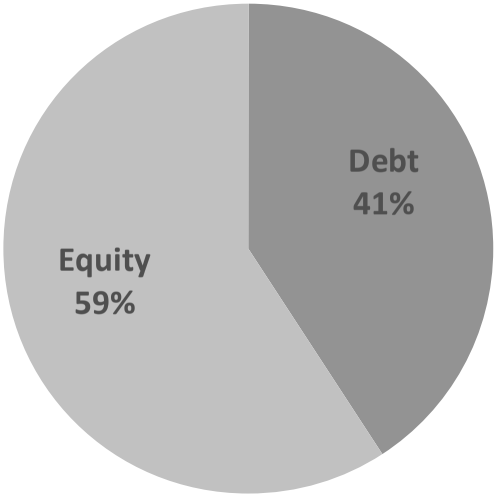
SI-SSA-0015-09954

Using PSEG's balance sheet strength

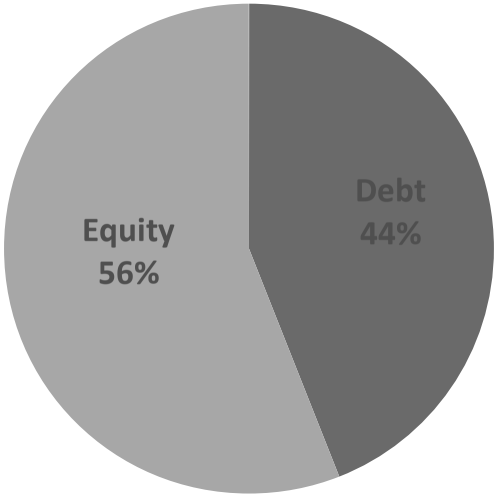
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



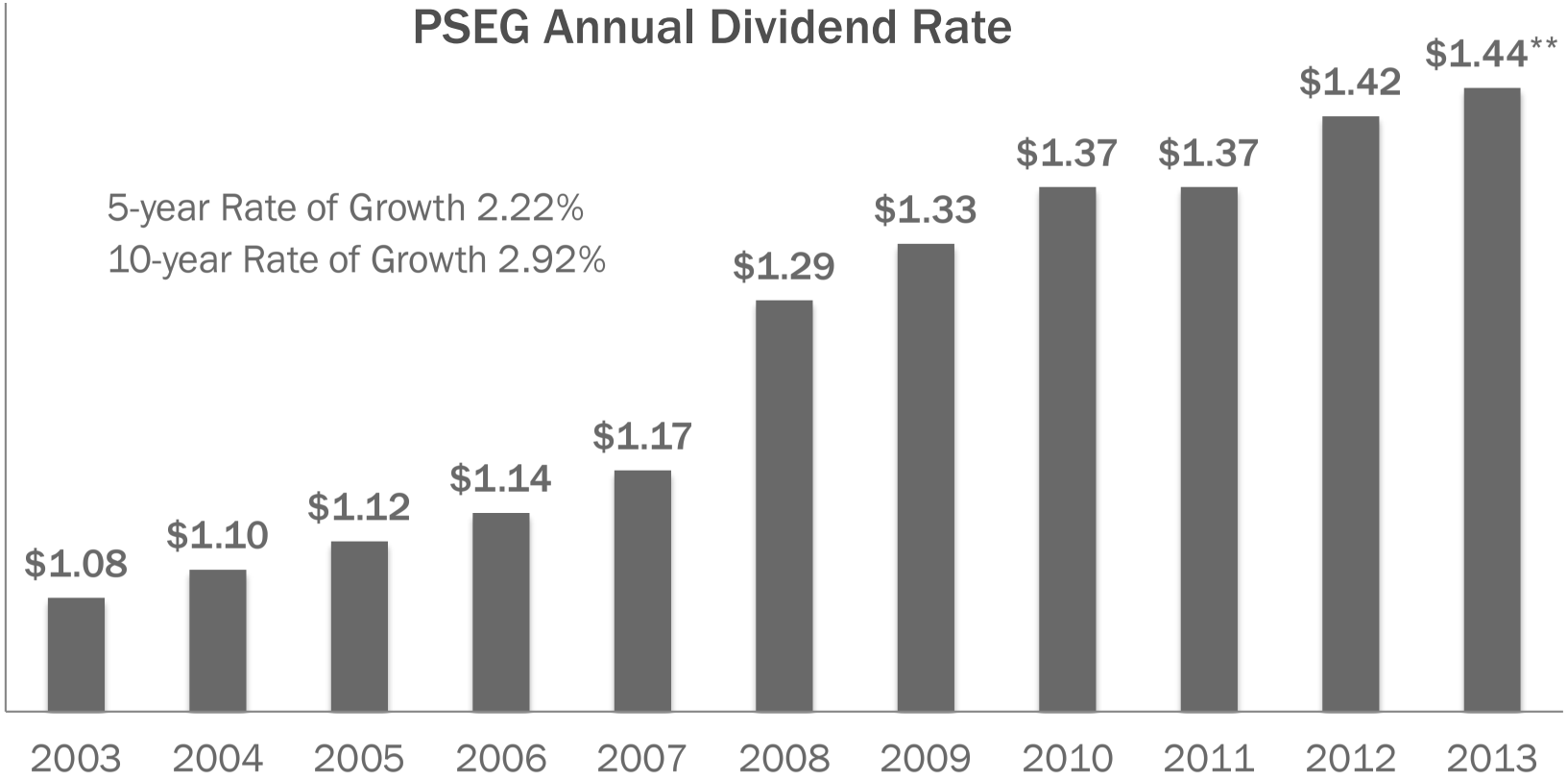
SI-SSA-0015-09955

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

SI-SSA-0015-09956

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-09957

PSEG

We make things work for you.

PSE&G

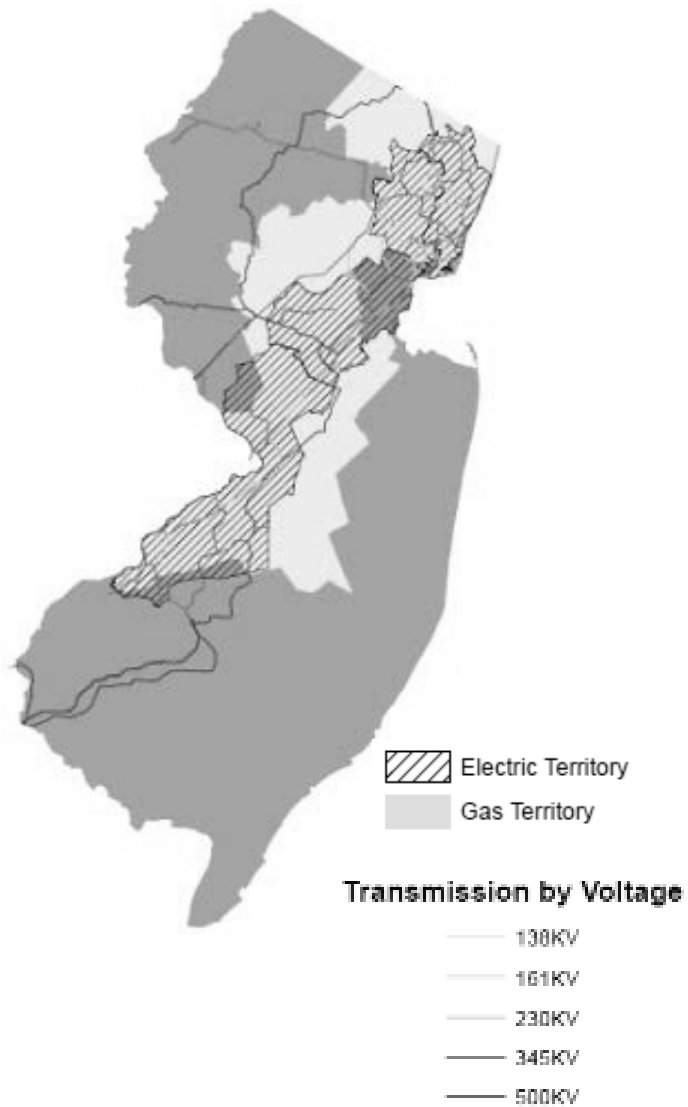
SI-SSA-0015-09958

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-09959

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-09960

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

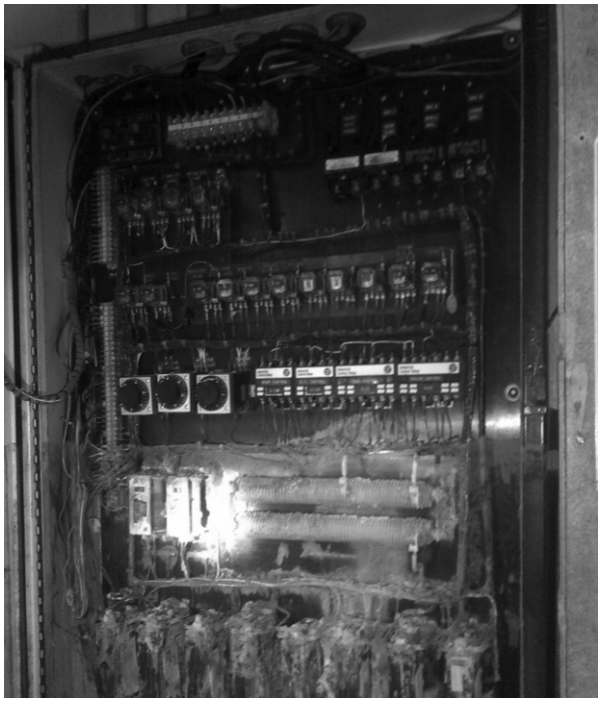
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-09961

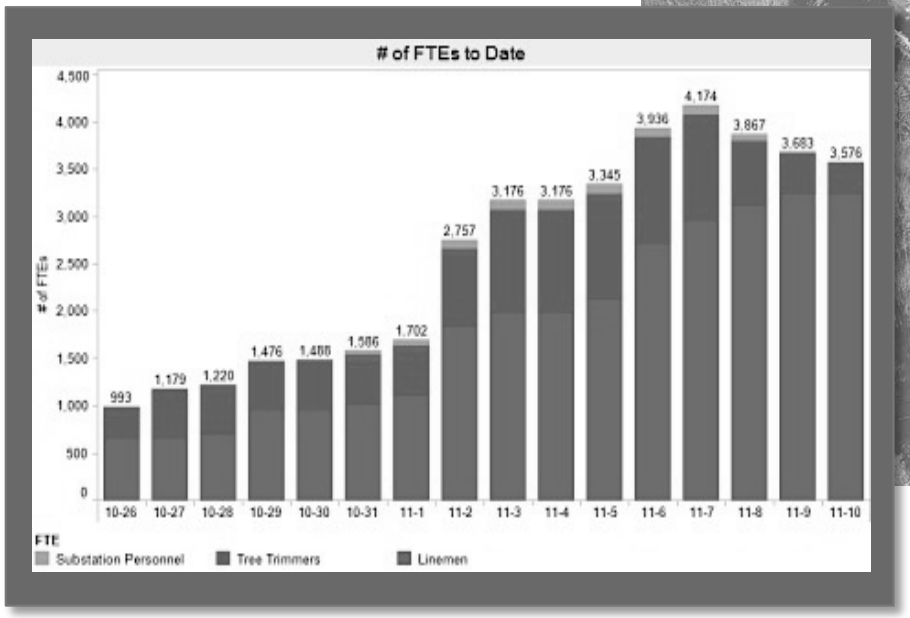
During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-09962

PSE&G brought in more than 4,000

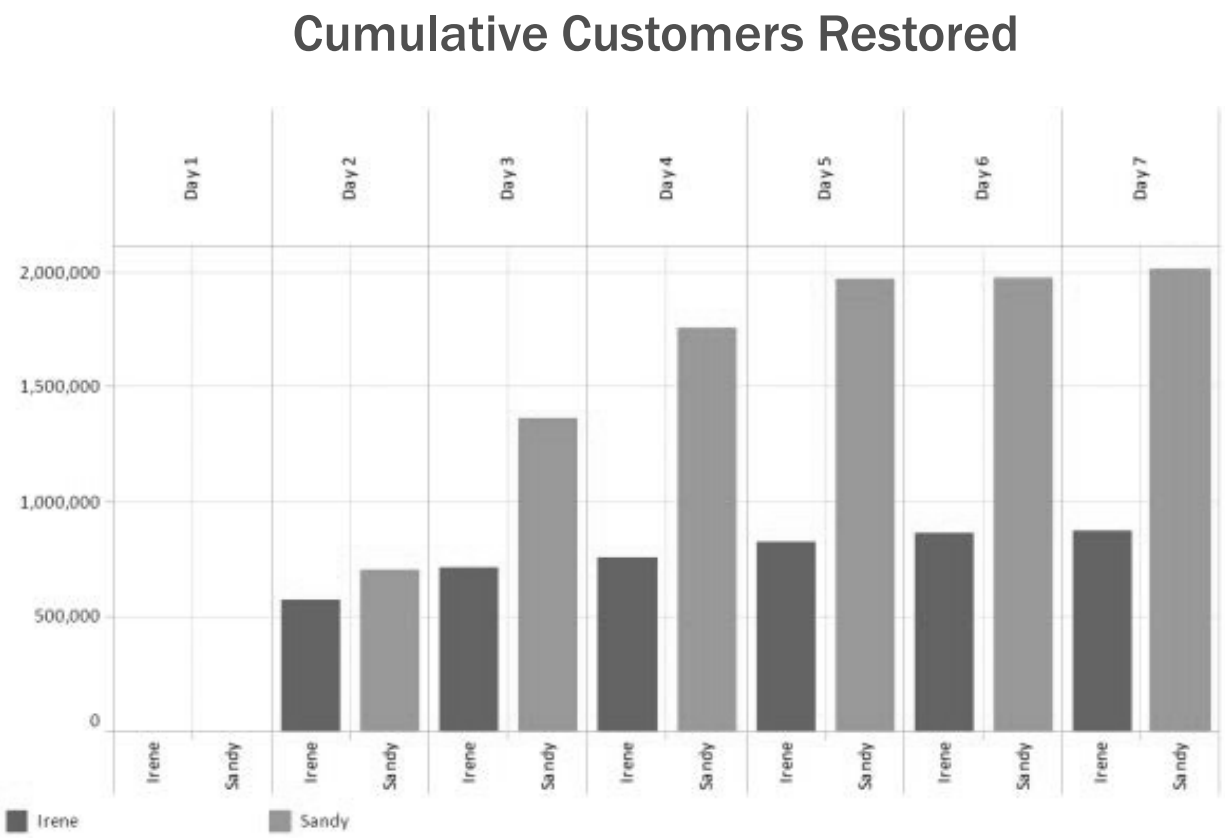
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-09963

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-09964

PSE&G's operating earnings grew ~10%*

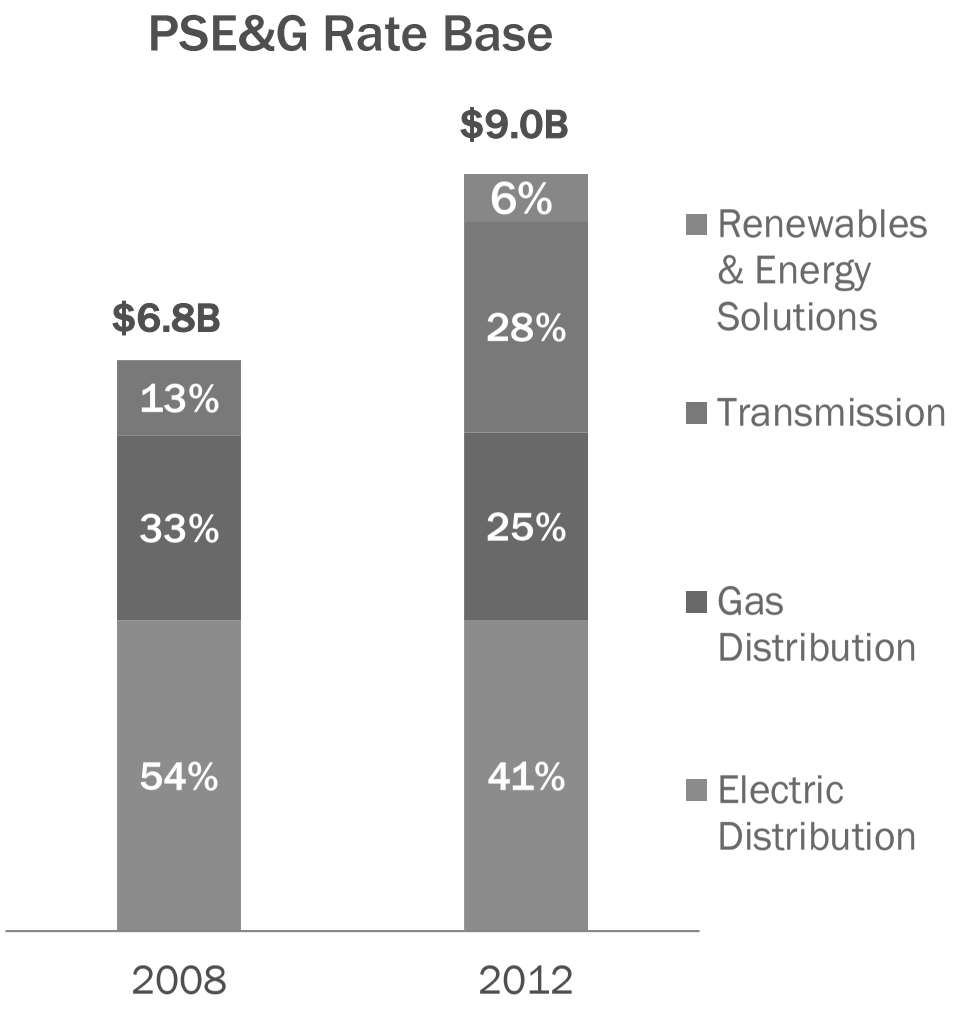
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-09965

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

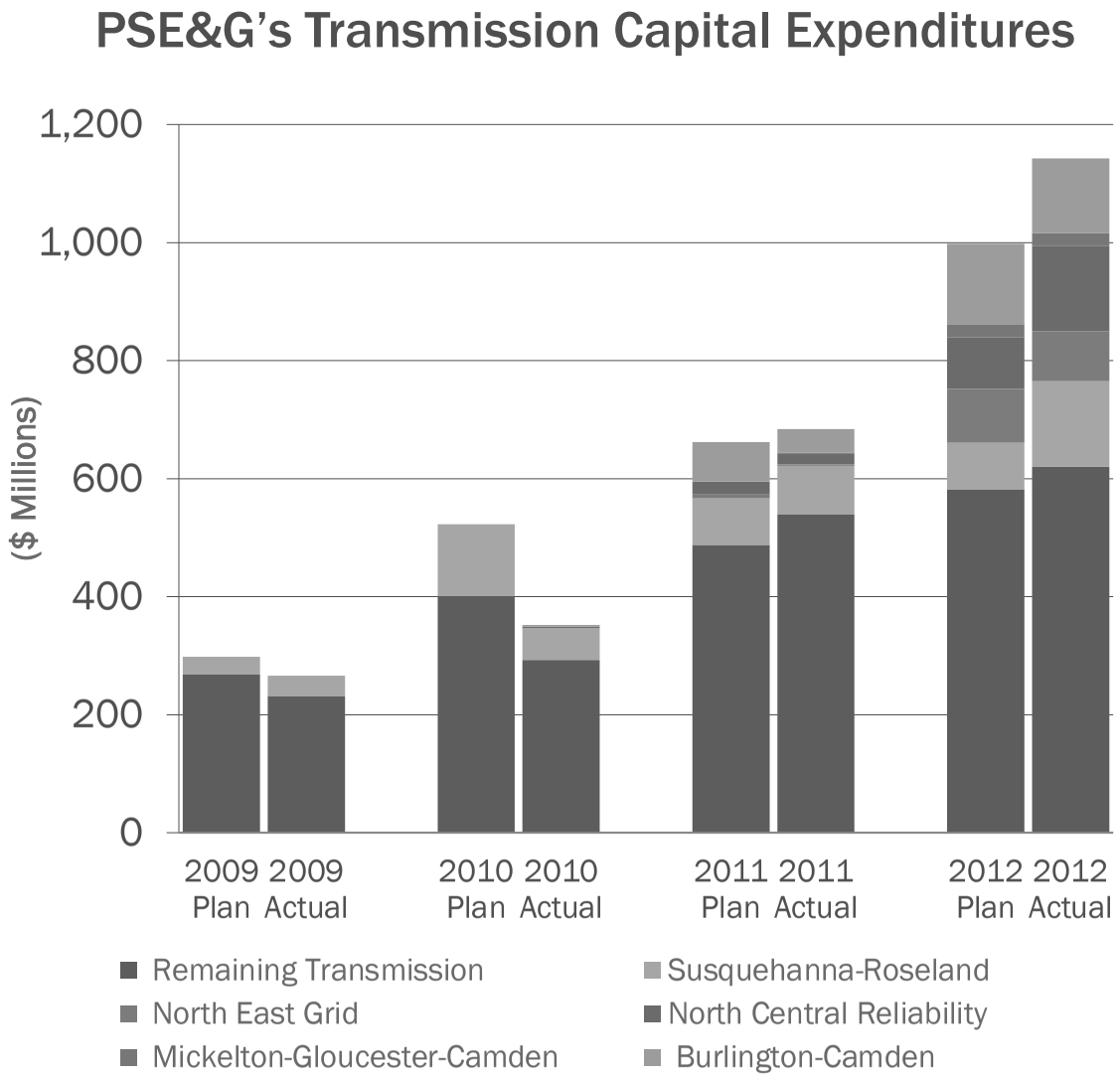
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-09966

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-09967

Providing solutions for New Jersey's energy and economic development goals

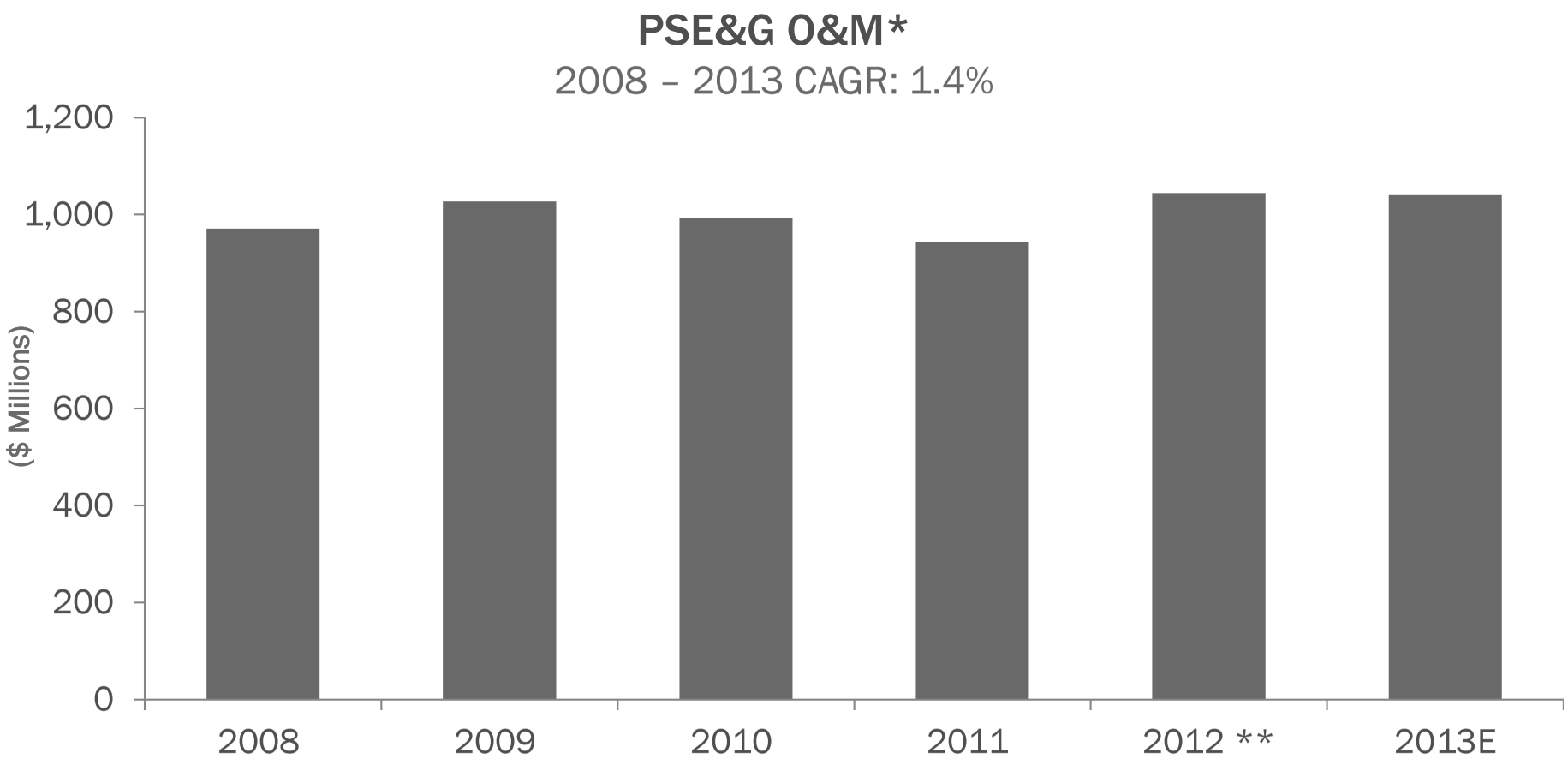
($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

SI-SSA-0015-09968

PSEG

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

Focus on controlling O&M allows us to earn our authorized return

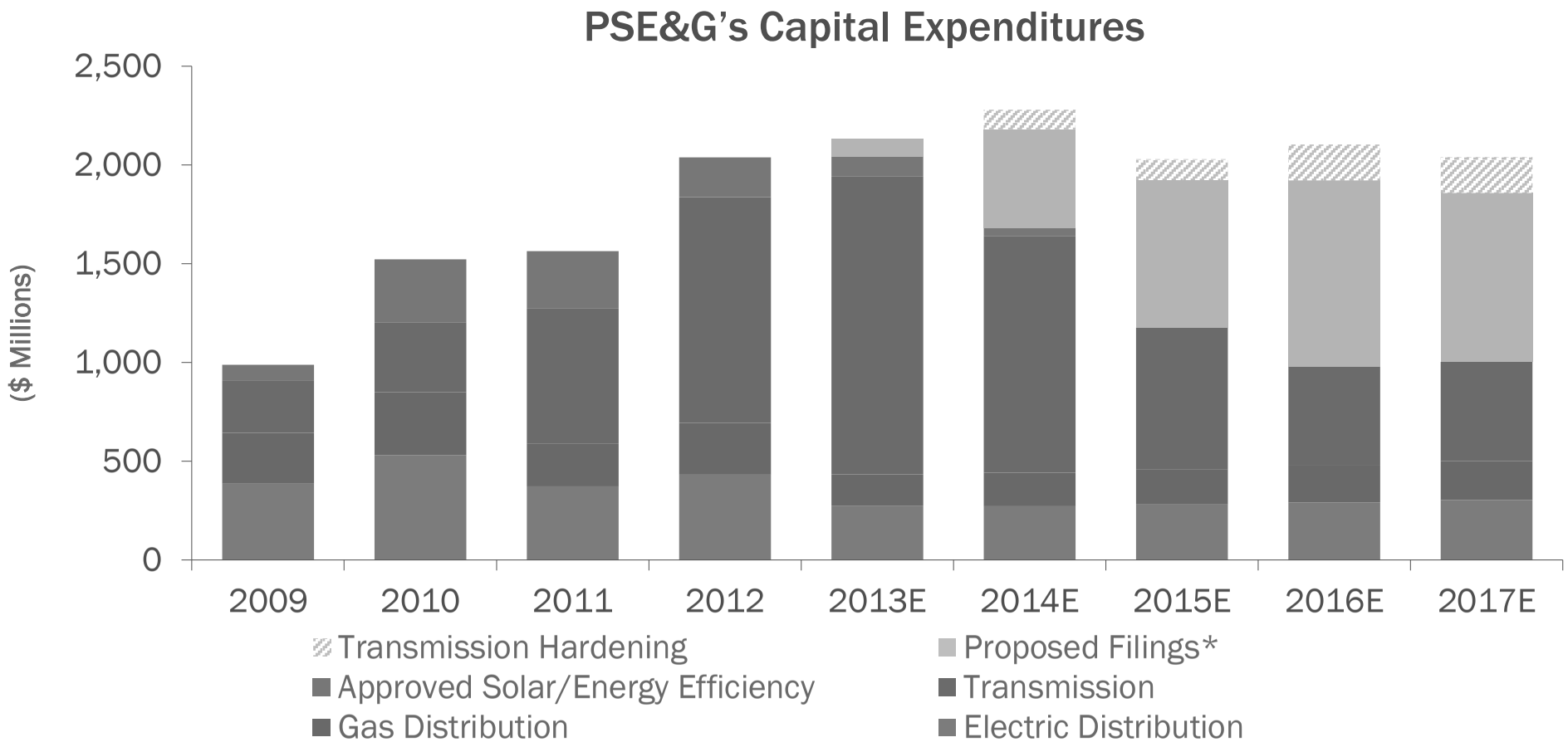


SI-SSA-0015-09969

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-09970

PSEG

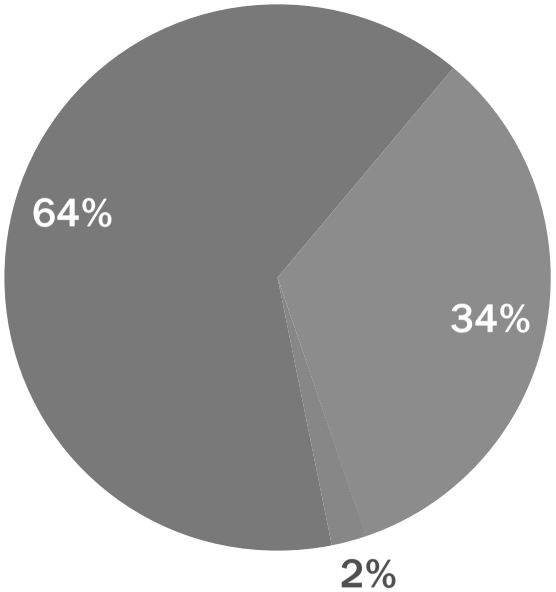
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

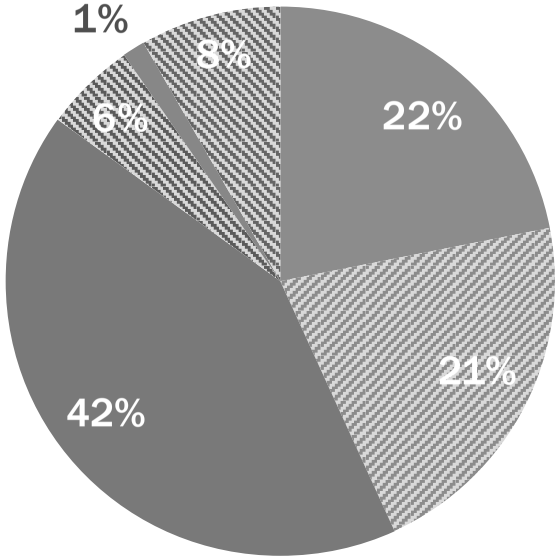
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

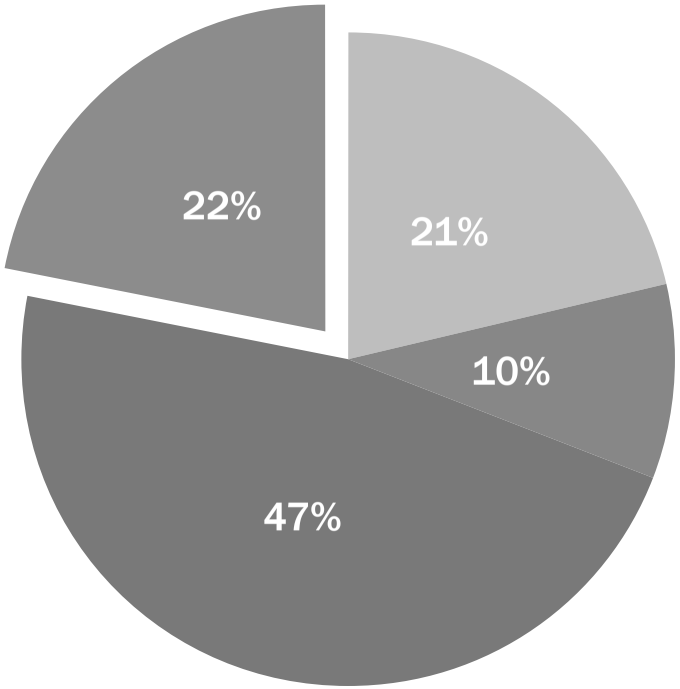
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-09971

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-09972

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-09973

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09974

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-09975

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09976

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09977

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-09978

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-09979

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-09980

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

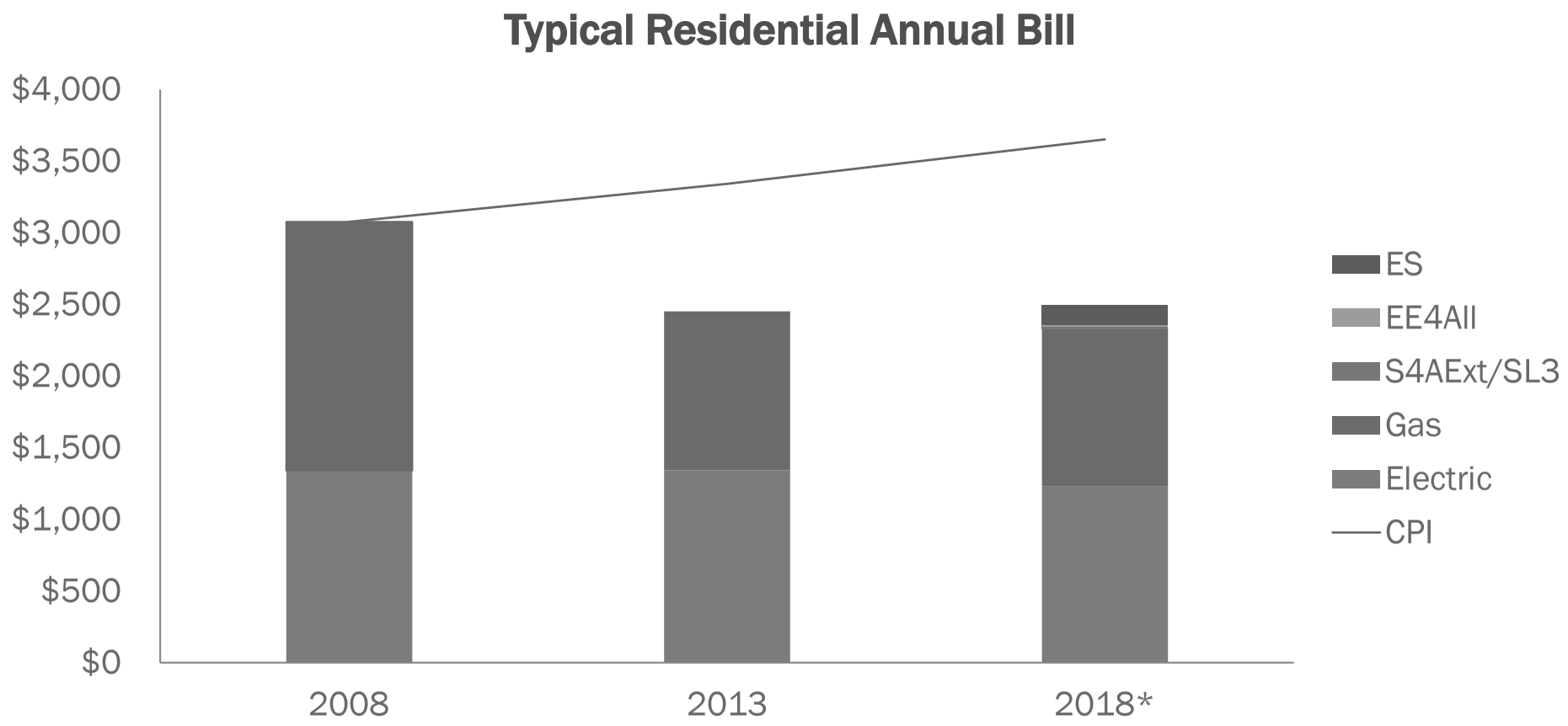
Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-09981

*PENDING APPROVAL.

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

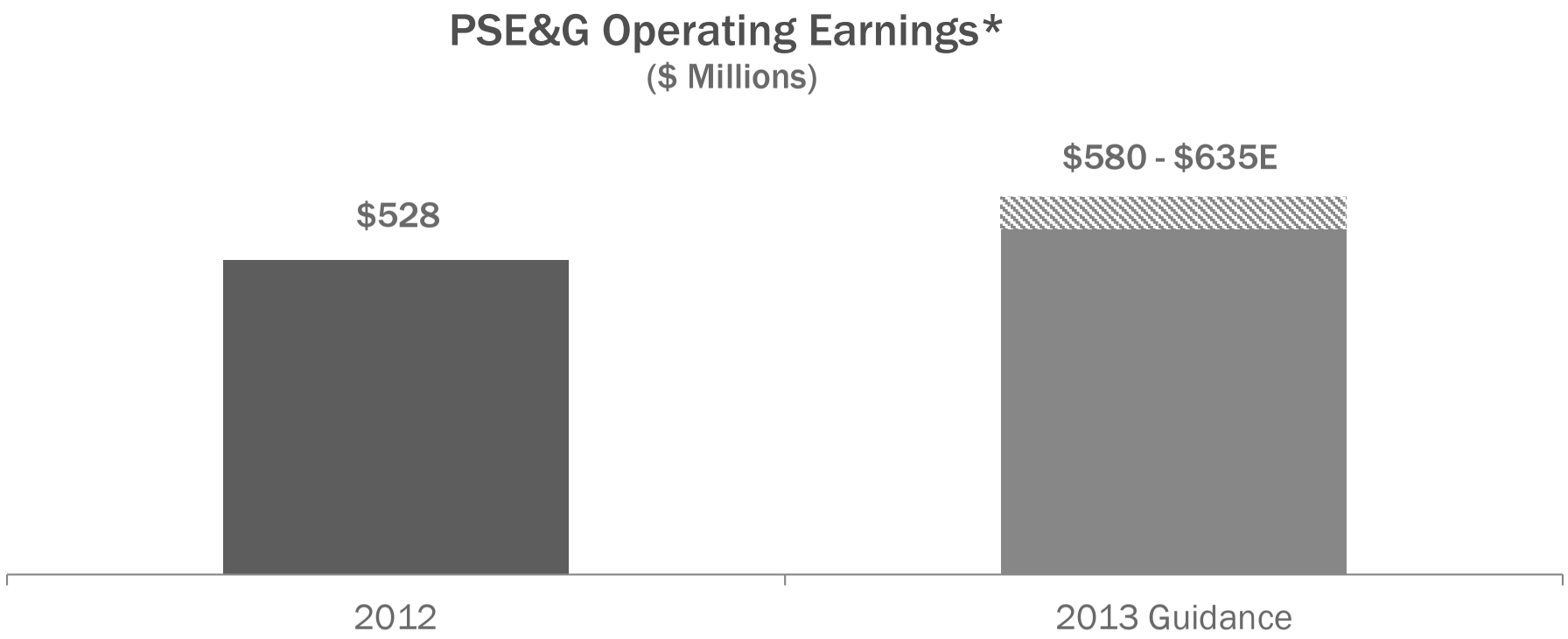


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-09982

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-09983

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-09984

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-09985

PSEG ENERGY HOLDINGS

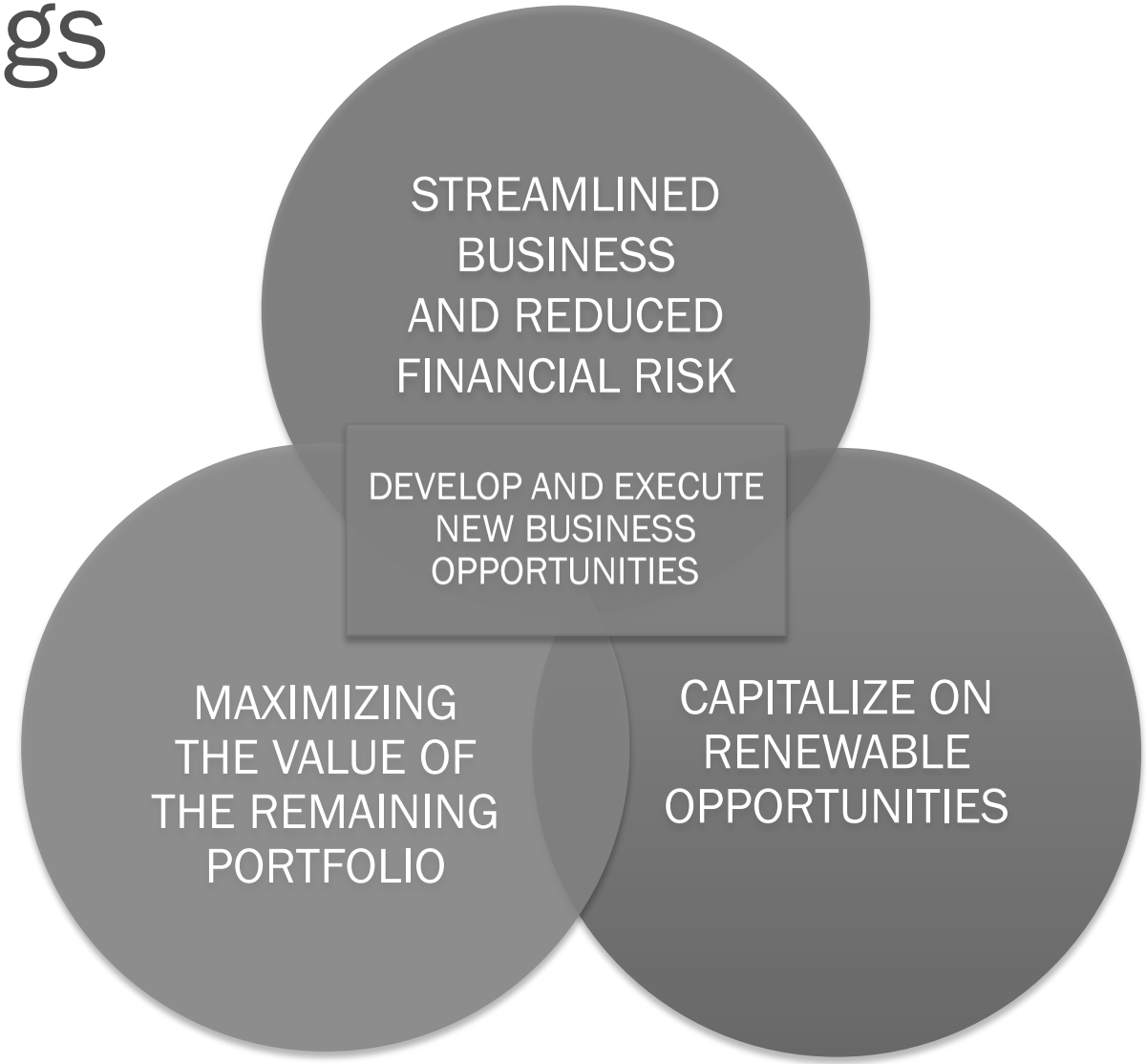
PSEG

We make things work for you.

SI-SSA-0015-09986

PSEG Energy Holdings strategy

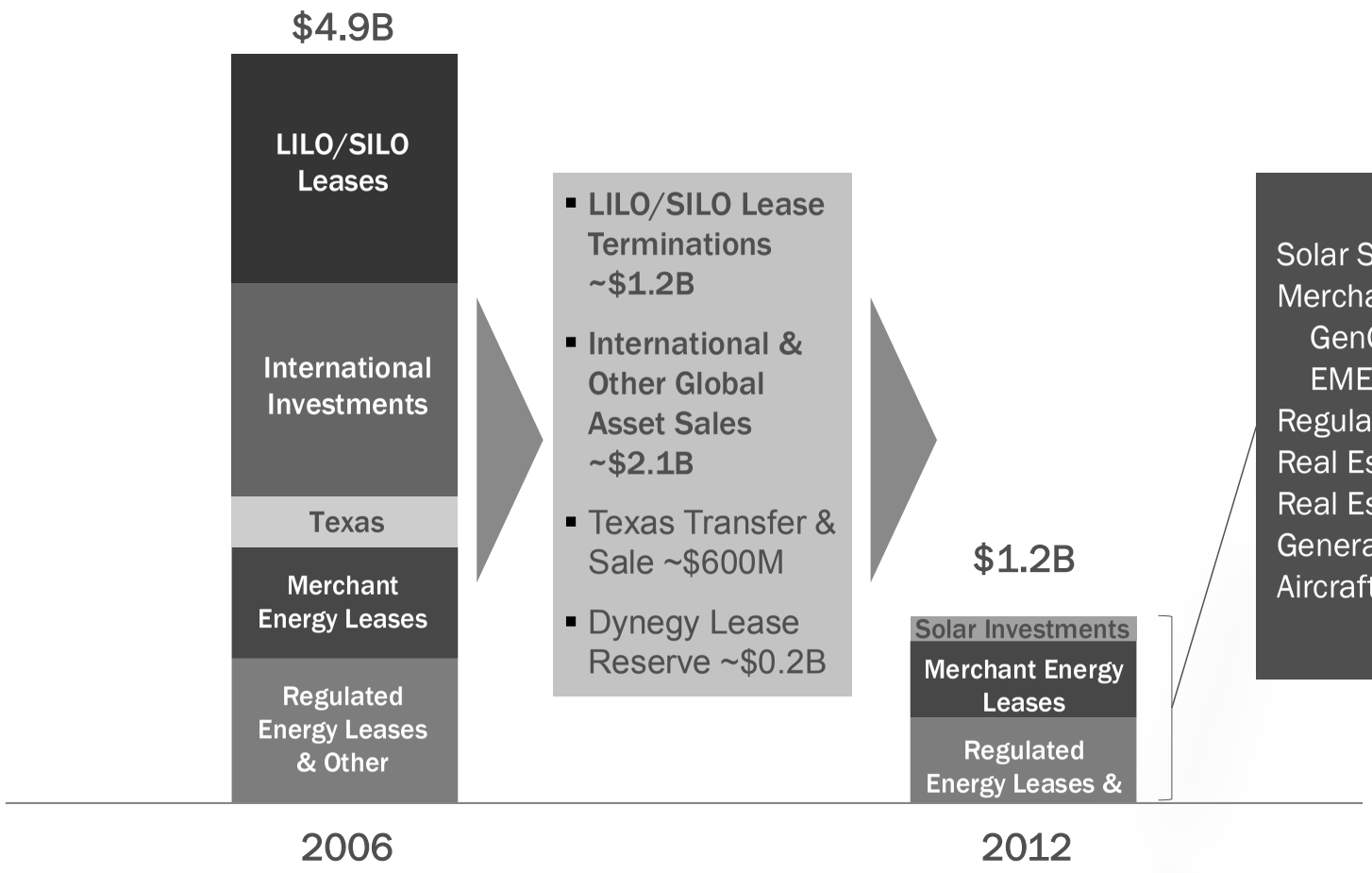
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-09987

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-09988

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-09989

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

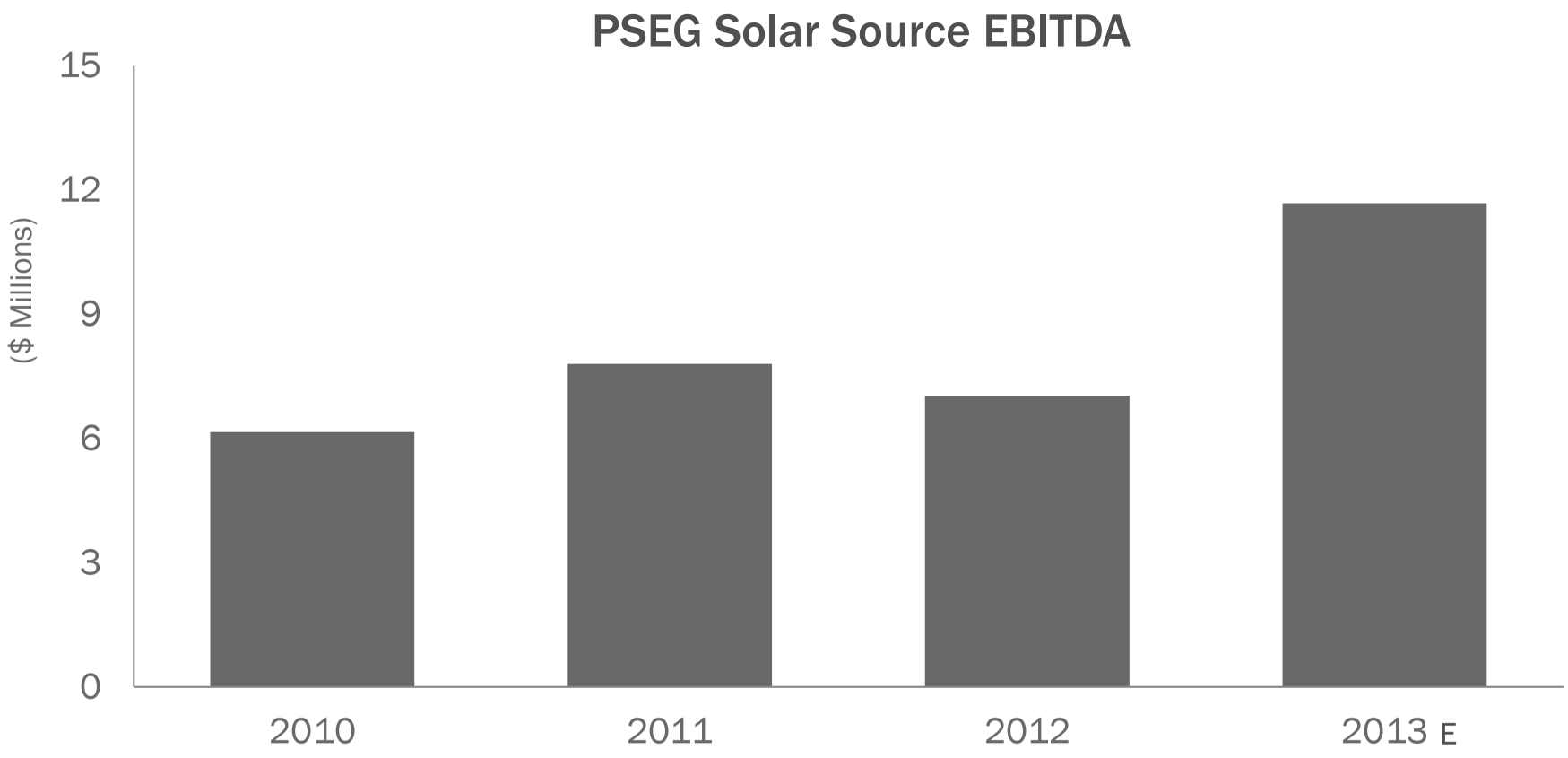
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-09990

PSEG Energy Holdings

These projects will produce steady results for PSEG

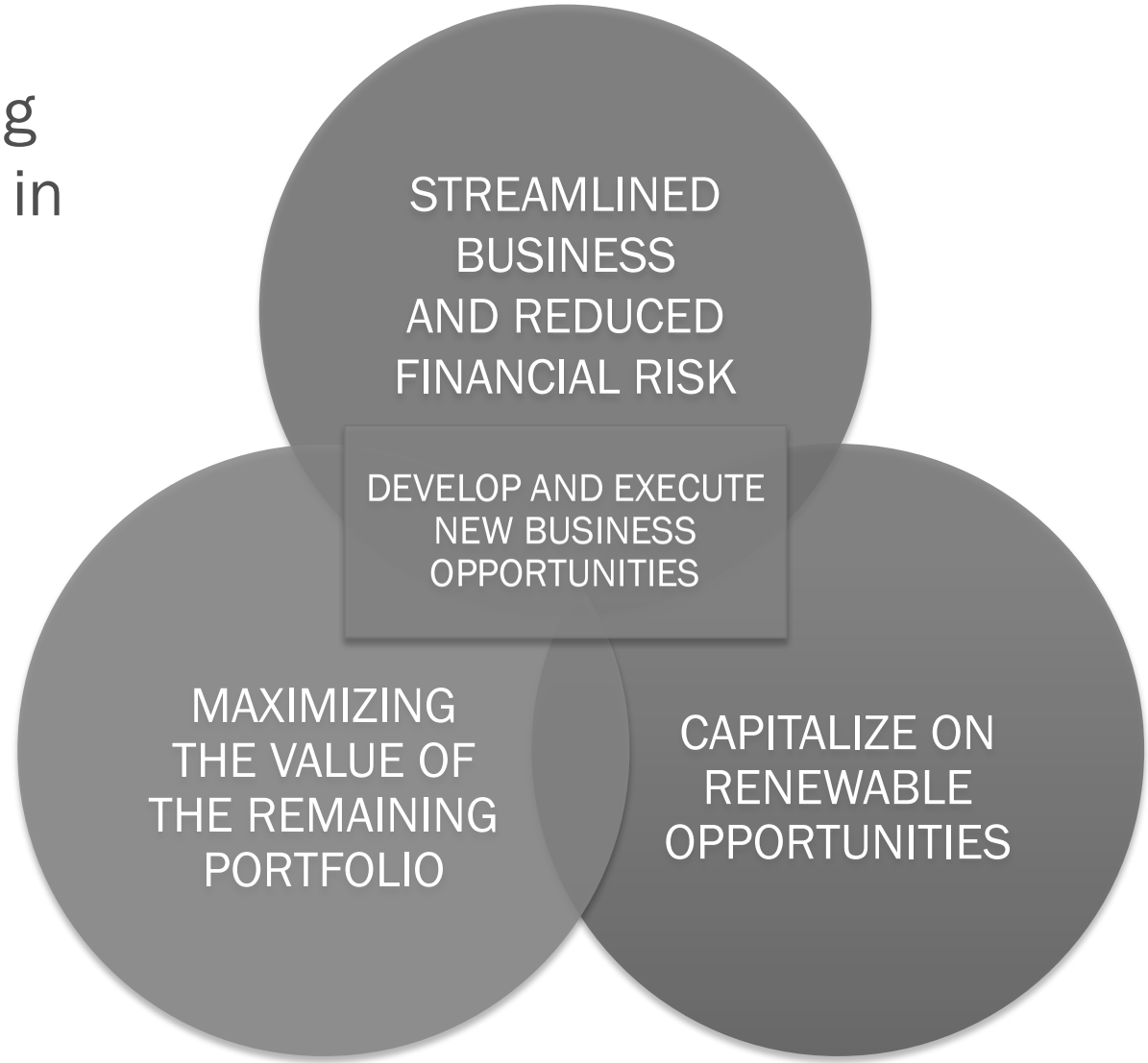


SI-SSA-0015-09991

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-09992

PSEG POWER

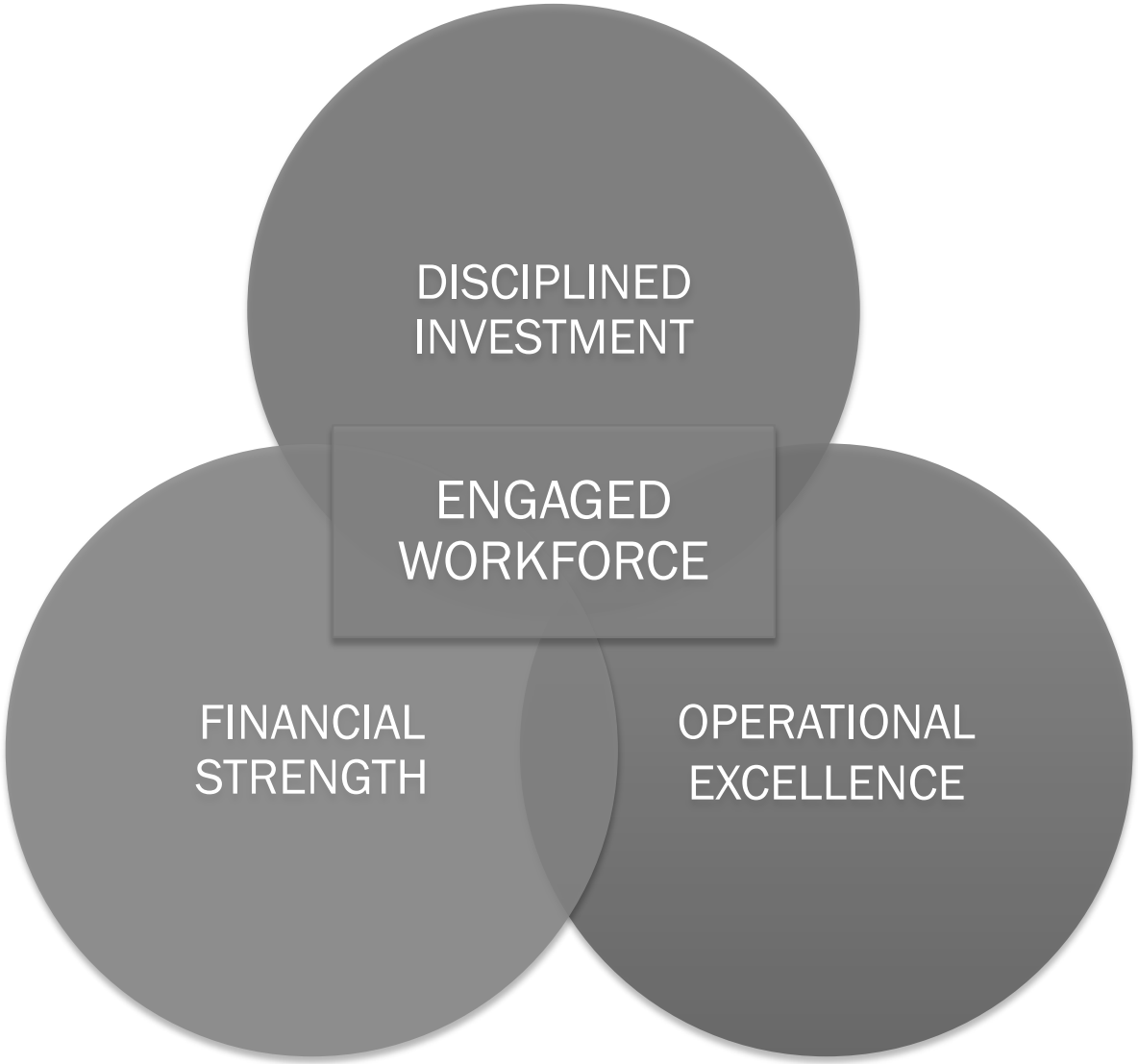
PSEG

We make things work for you.

SI-SSA-0015-09993

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-09994

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-09995

PSEG Power delivered in 2012

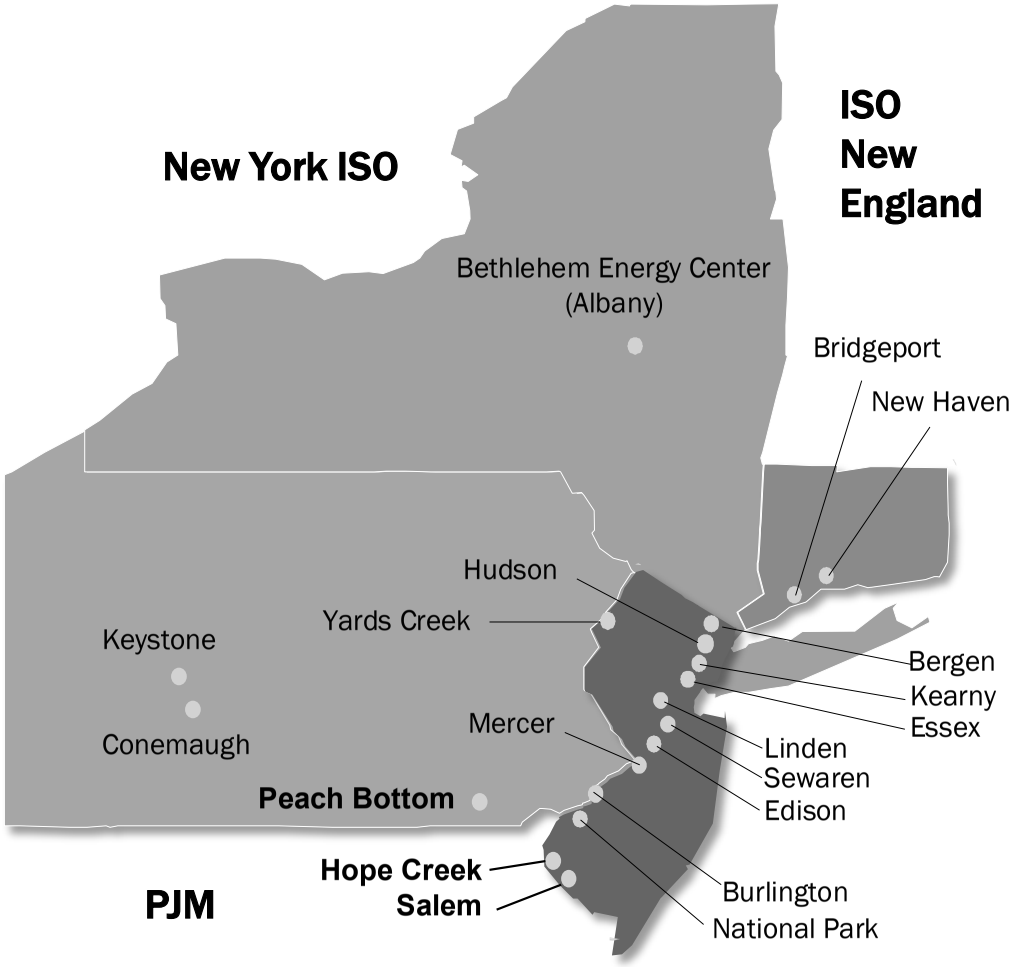
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-09996

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-09997

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-09998

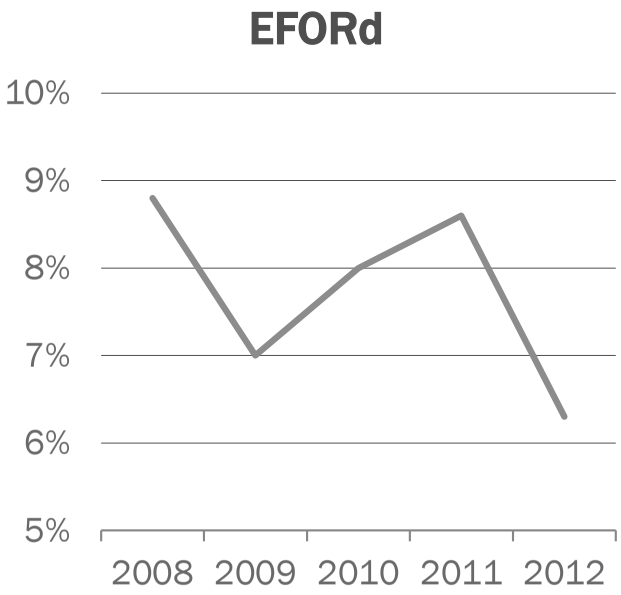
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

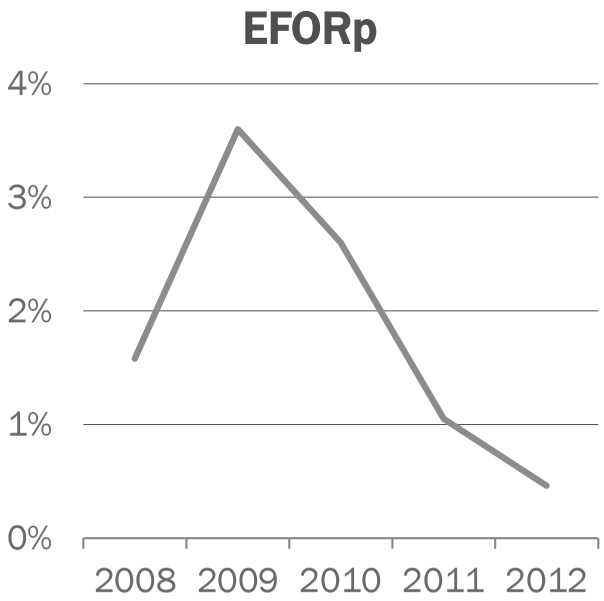
SI-SSA-0015-09999

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

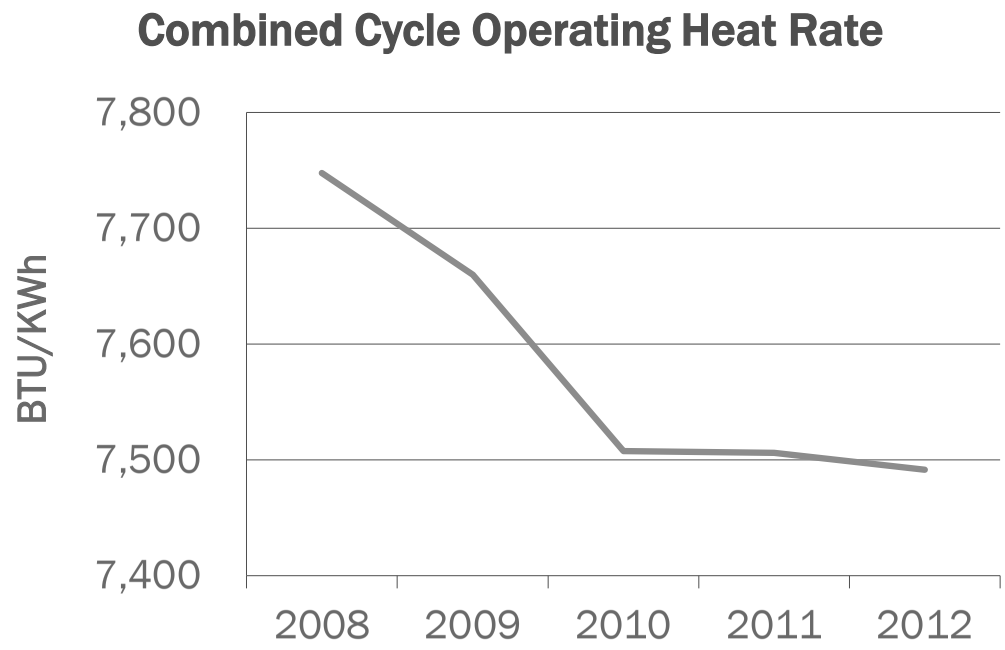


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-10000

PSEG Power improvements achieved in combined cycle fleet efficiency

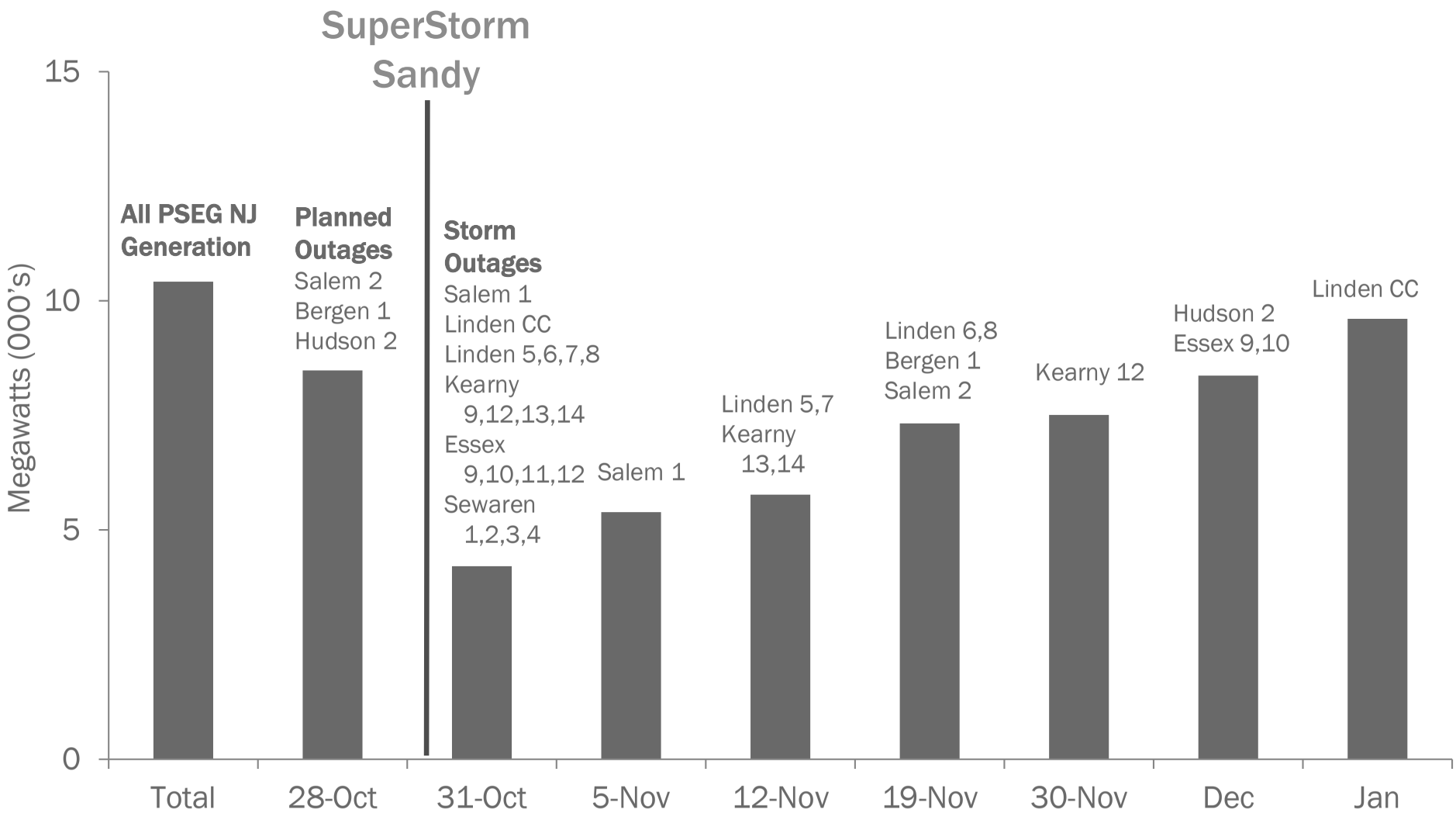


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-10001

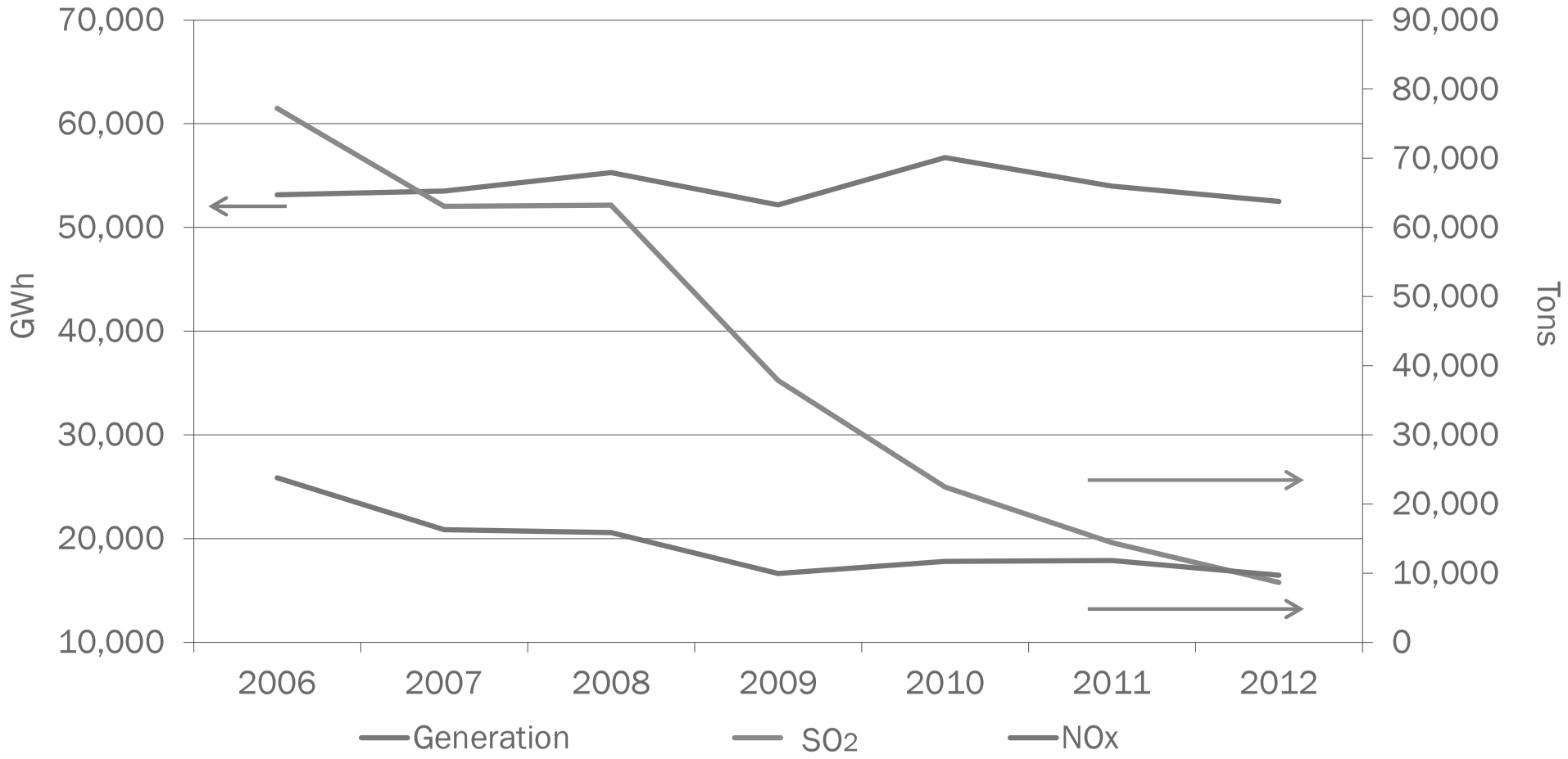
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-10002

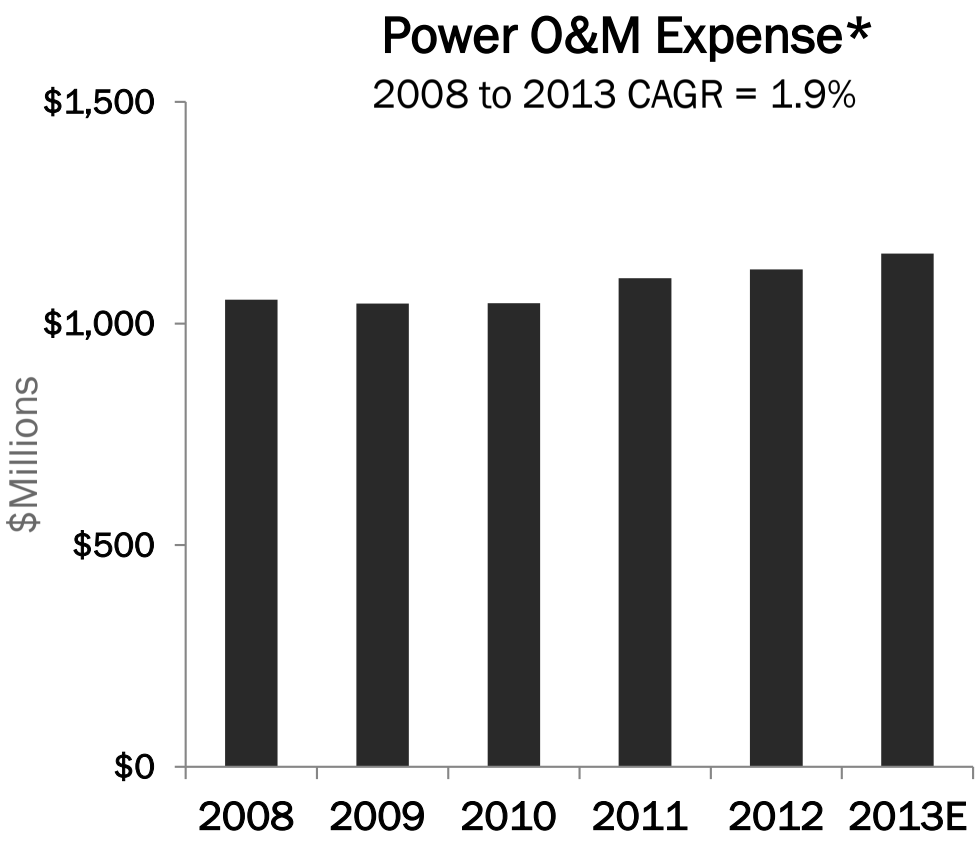
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-10003

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-10004

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

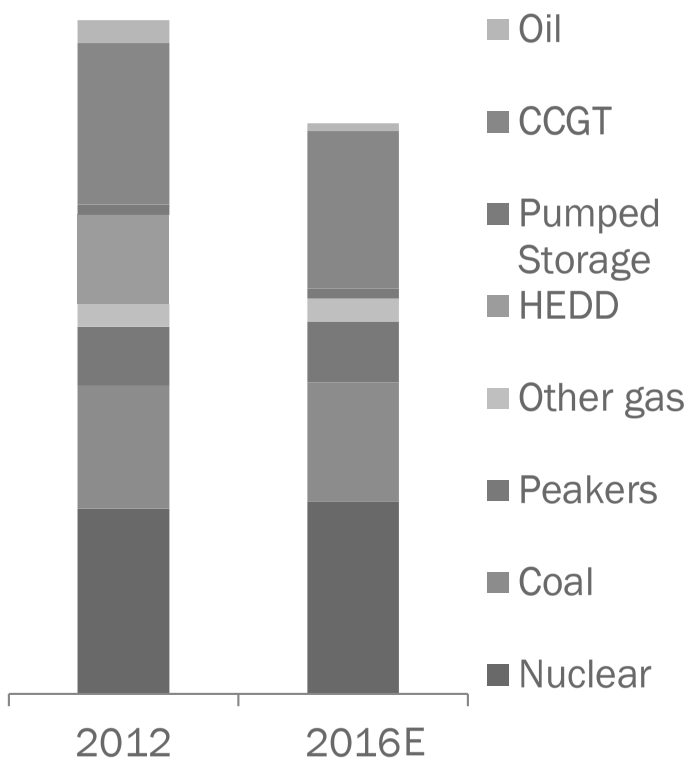
SI-SSA-0015-10005

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

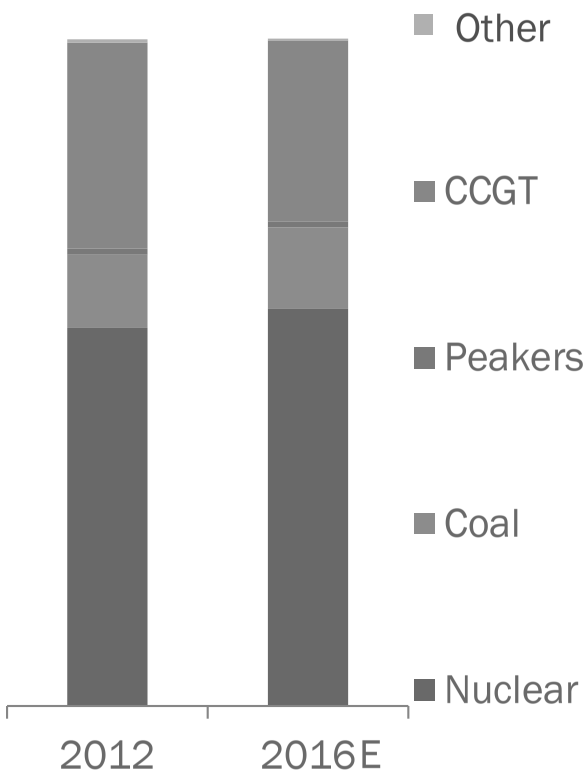
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-10006

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-10007

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-10008

PSEG

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

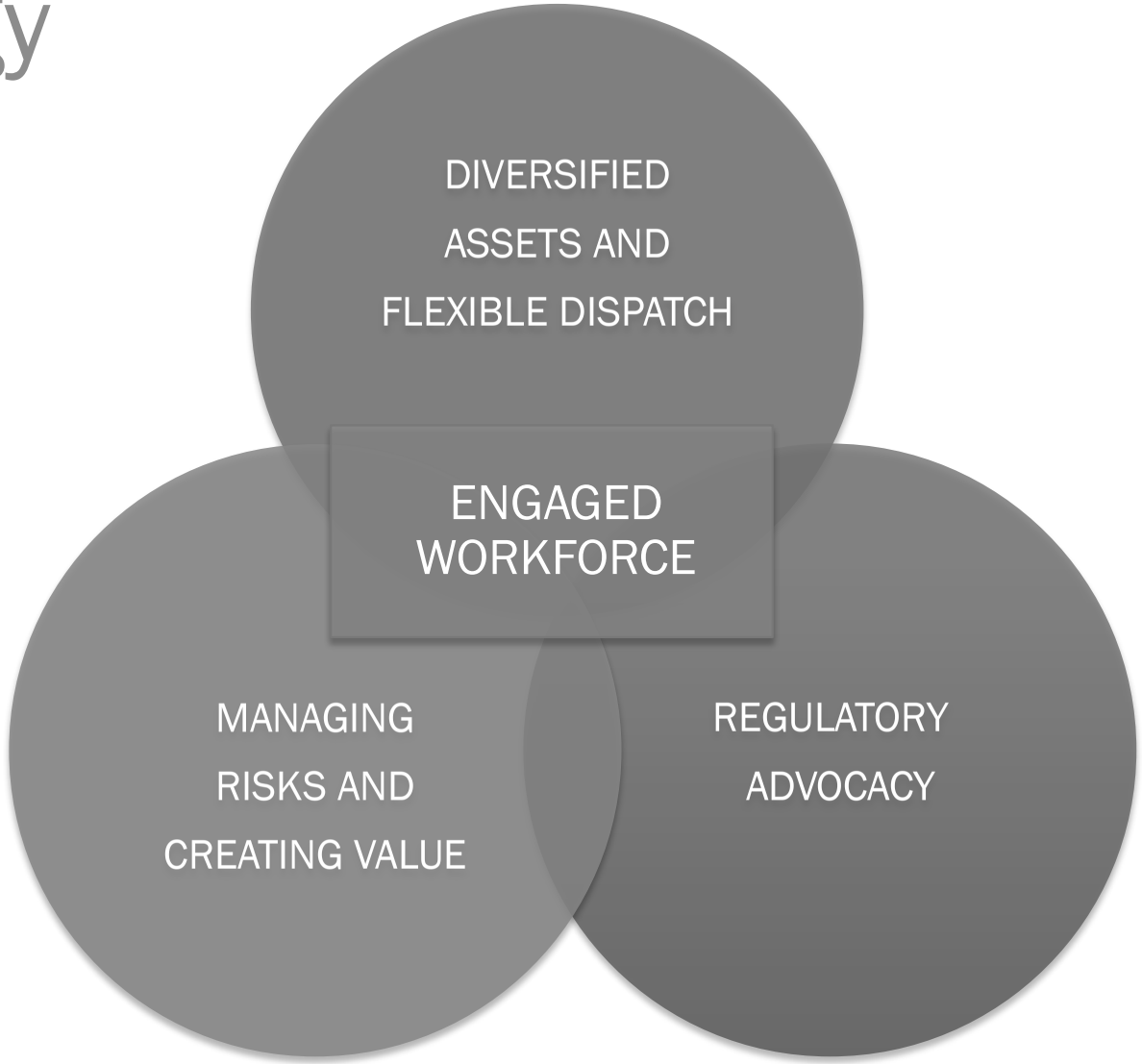
SI-SSA-0015-10009

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-10010

Diversified assets and flexible dispatch

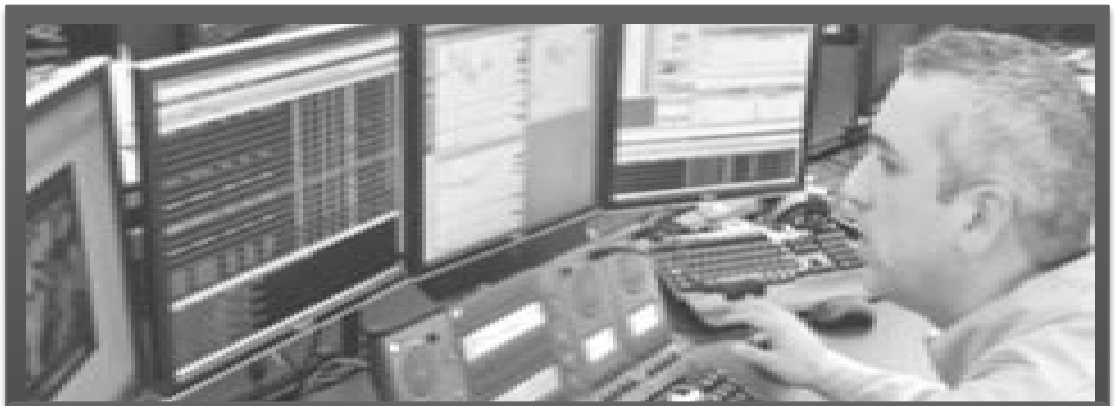
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

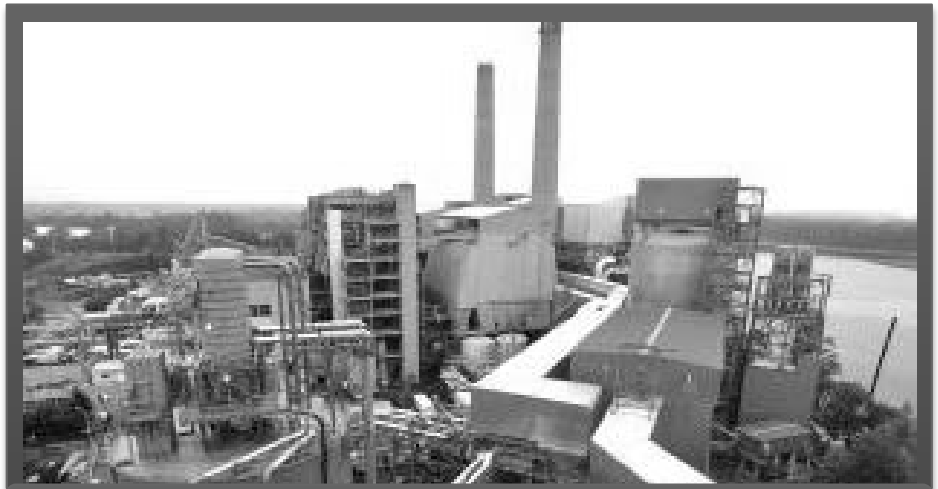
SI-SSA-0015-10011

Fleet capacity has been advanced by:

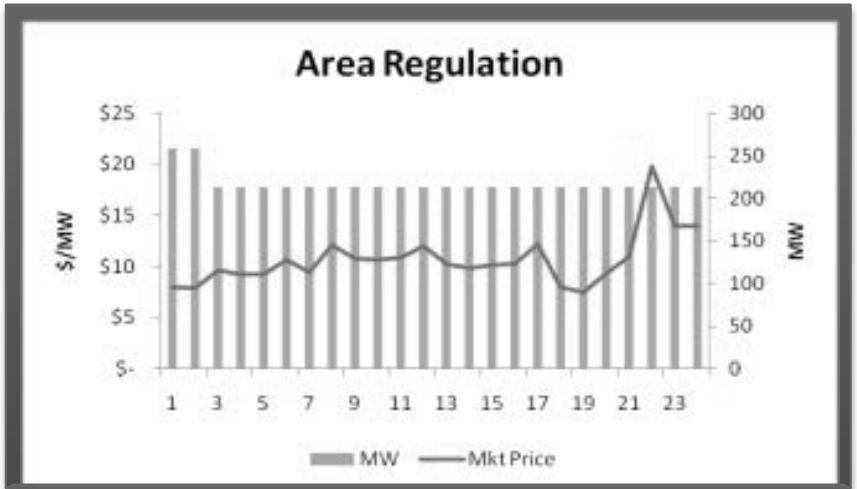
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



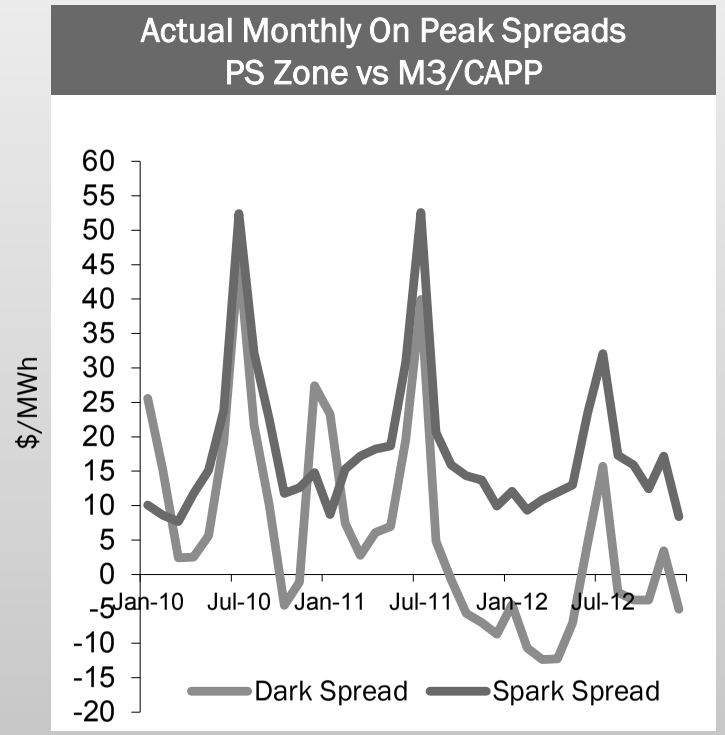
Reduced O&M and increased start-up success

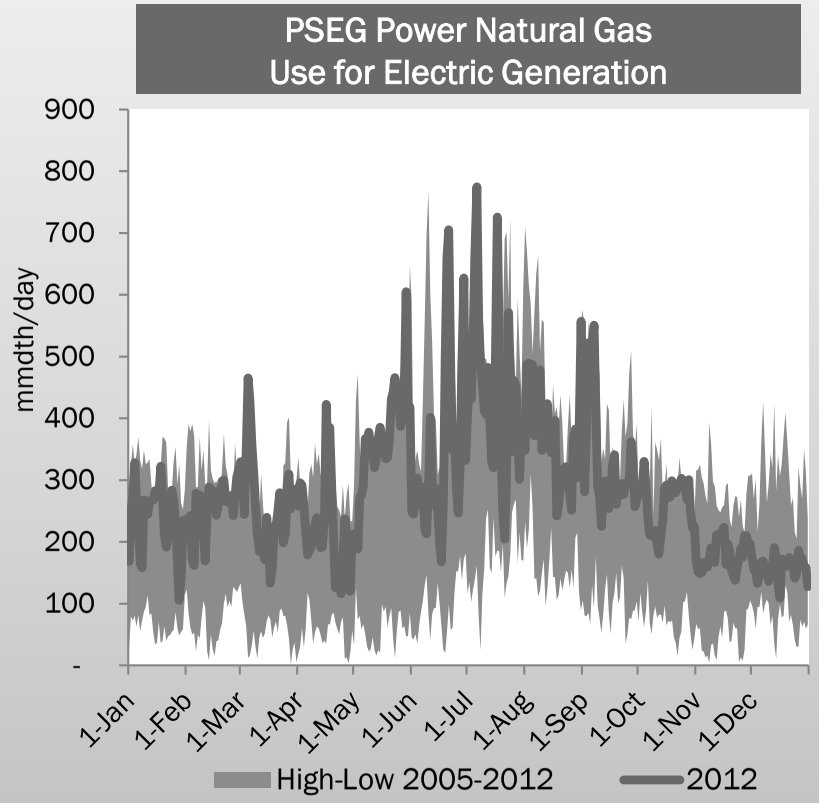


Capturing new products opportunity with minimal investment

SI-SSA-0015-10012

Spark spread replaces dark spread as major value driver

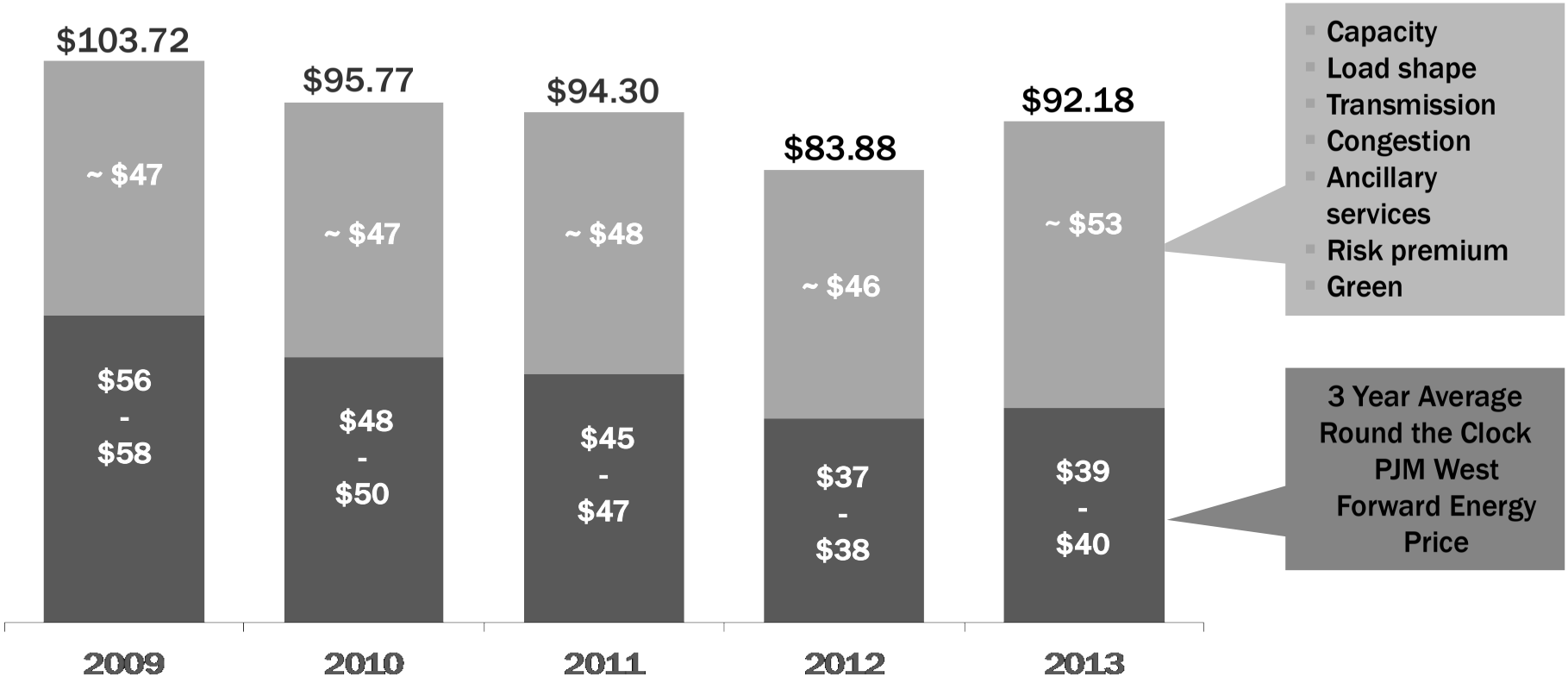




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-10013

2013 BGS Auction Results for PSE&G Zone

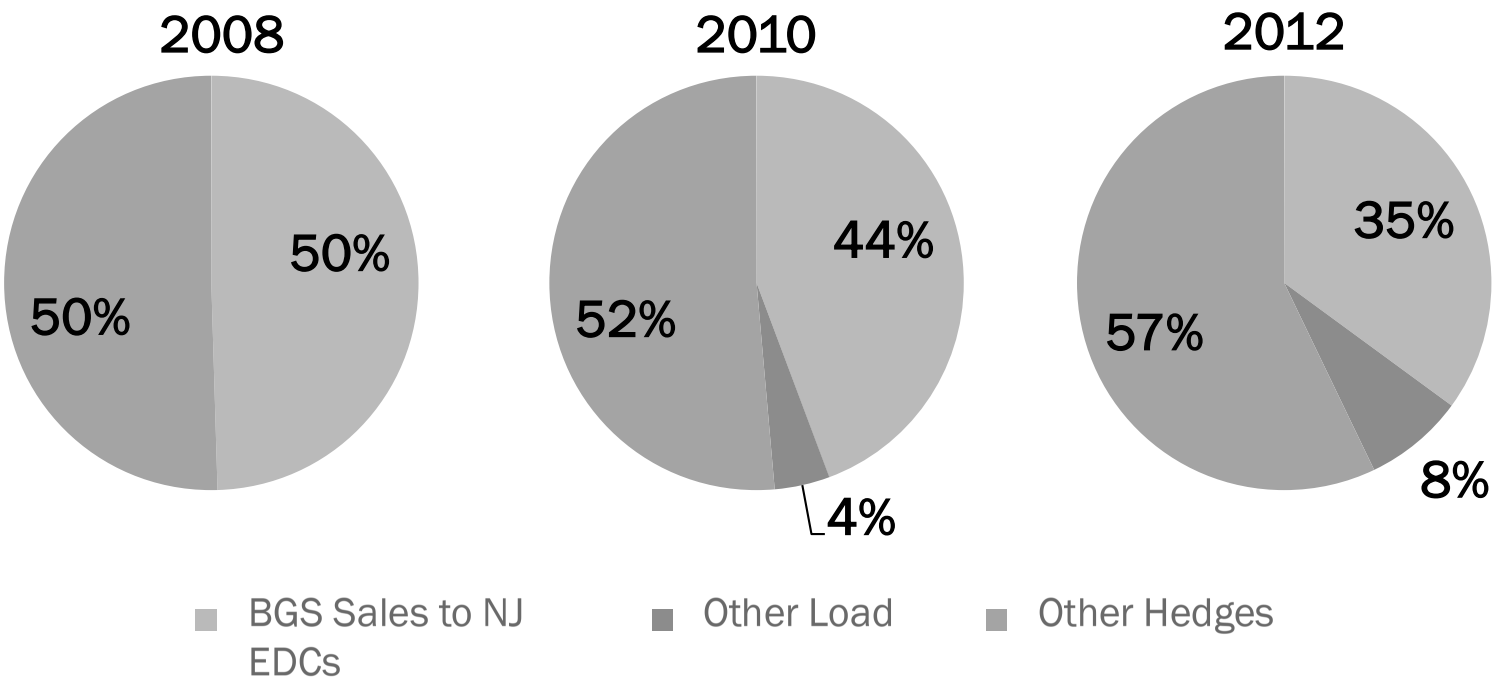


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-10014

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-10015

PSEG

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

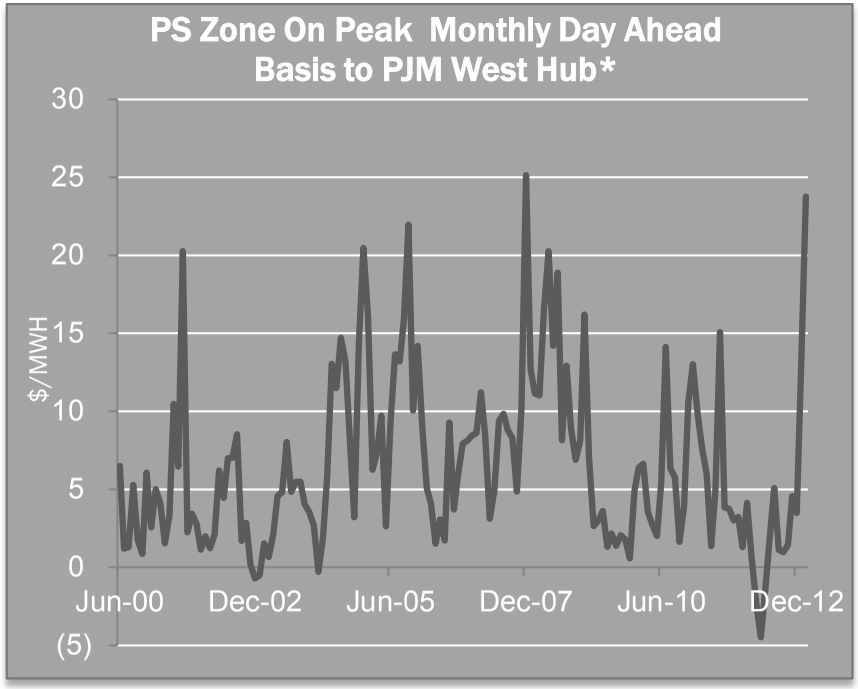
SI-SSA-0015-10016

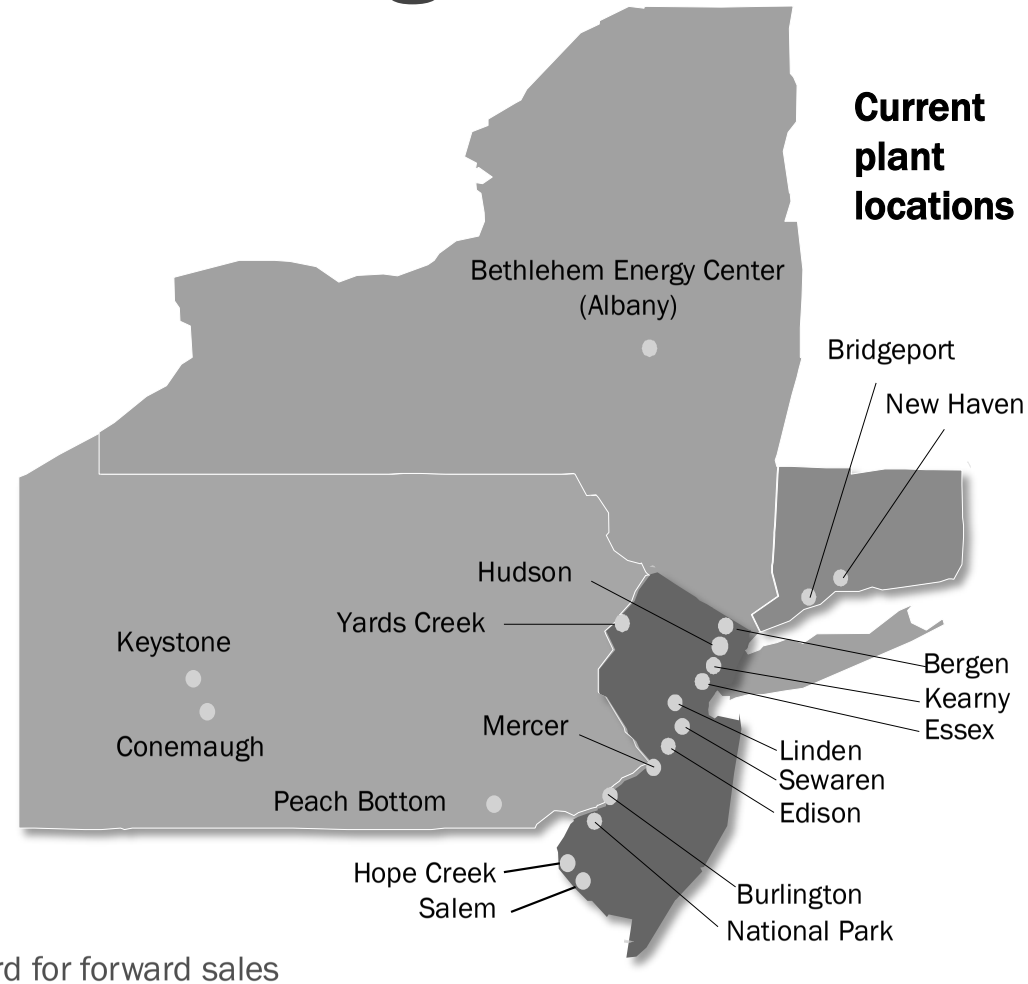
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

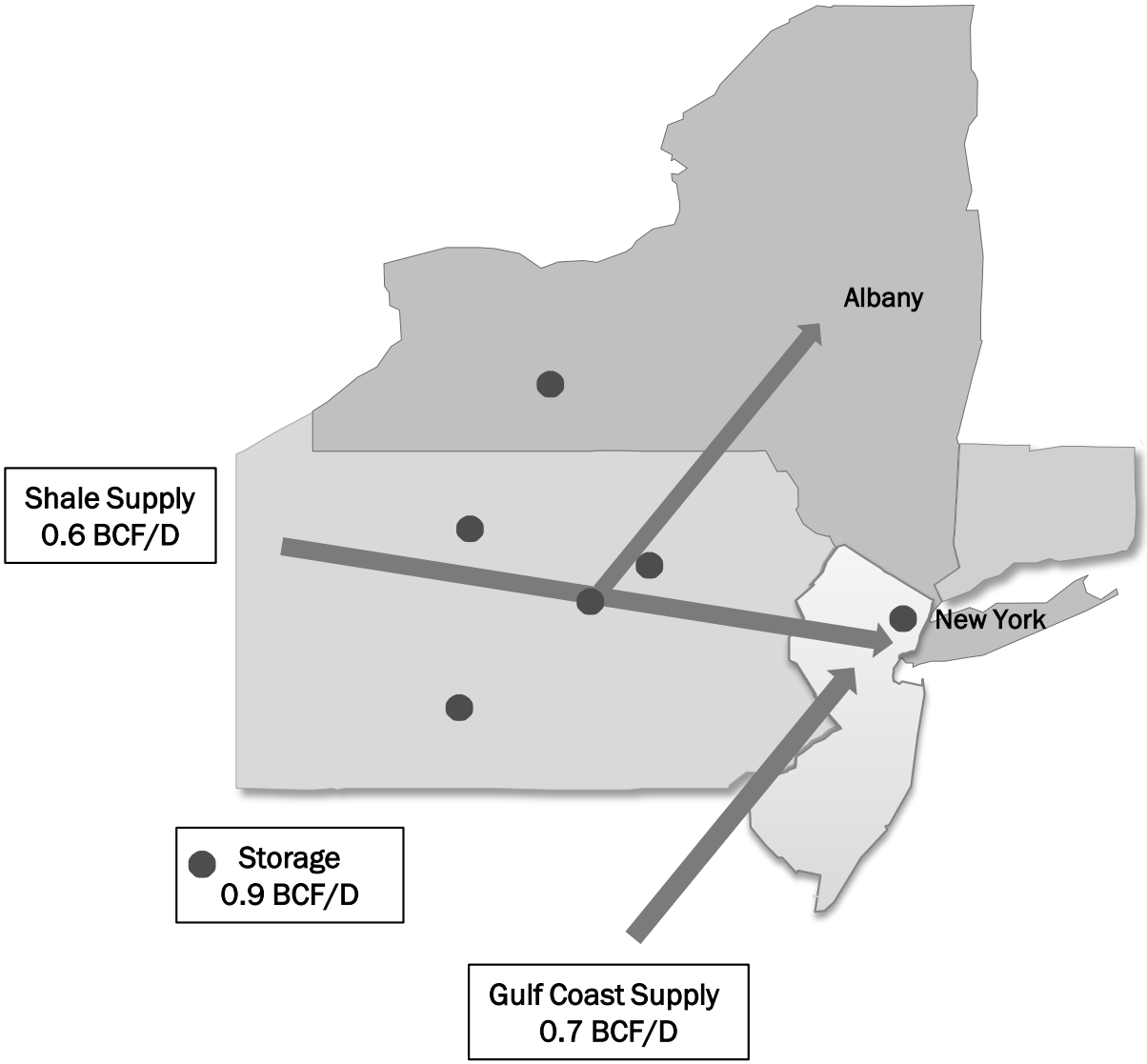
SI-SSA-0015-10017

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-10018

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

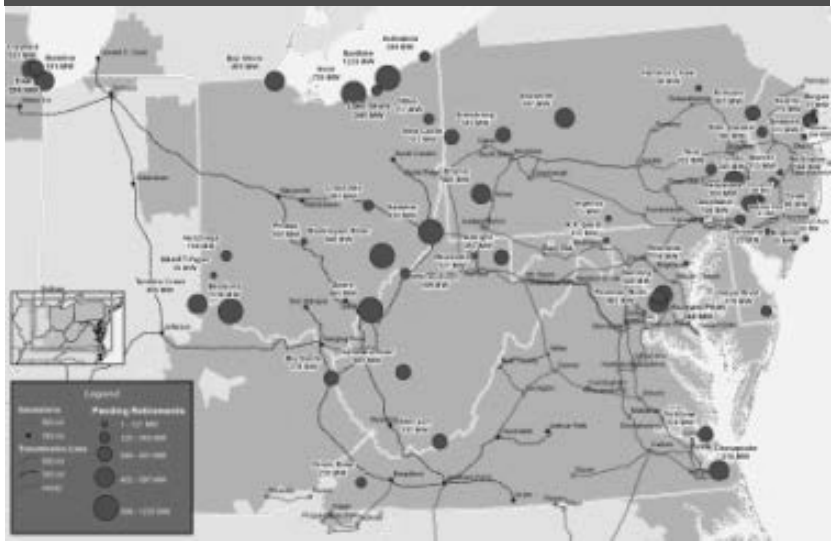
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-10019

Reserve margins in PJM declining with retirements

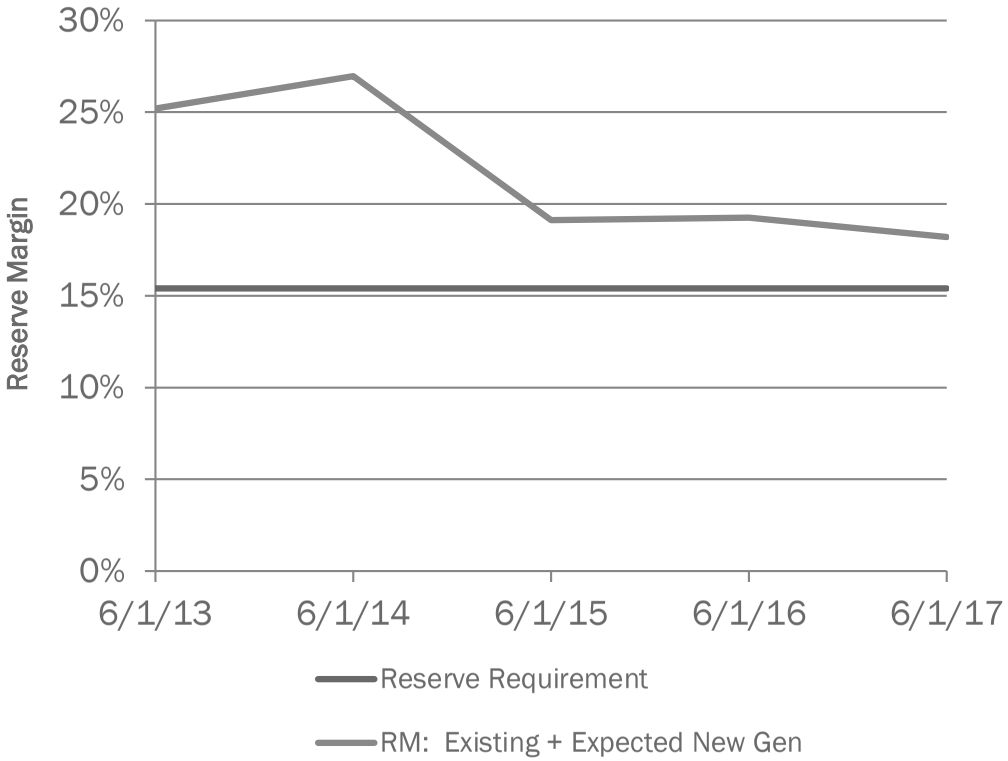
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-10020

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-10021

PSEG wholesale market strategy

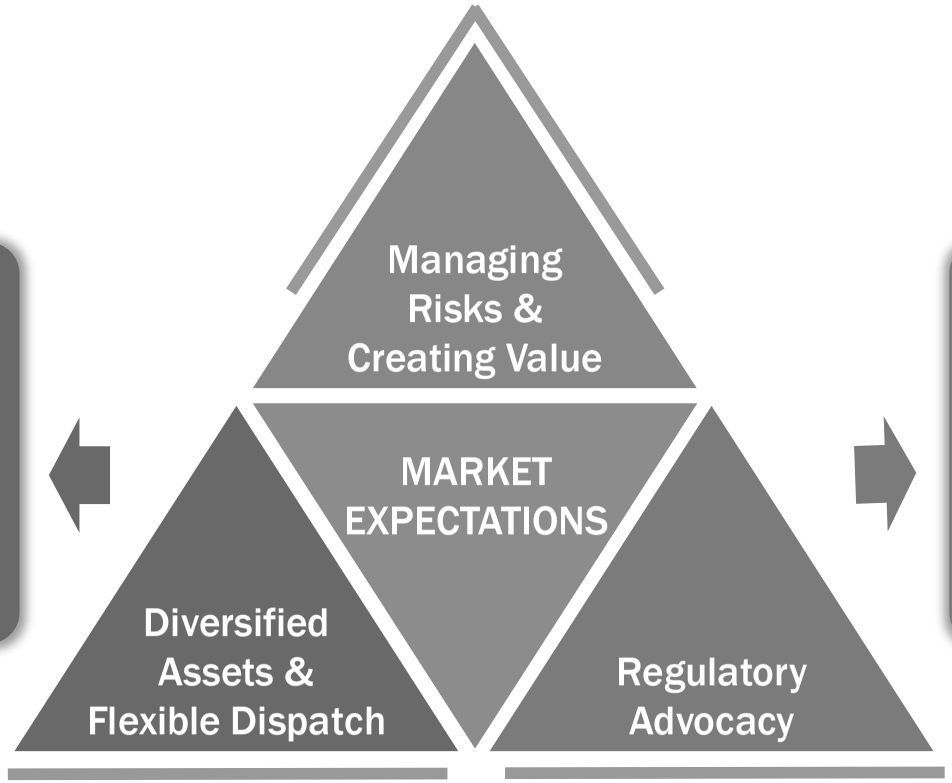
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-10022

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-10023

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-10024

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-10025

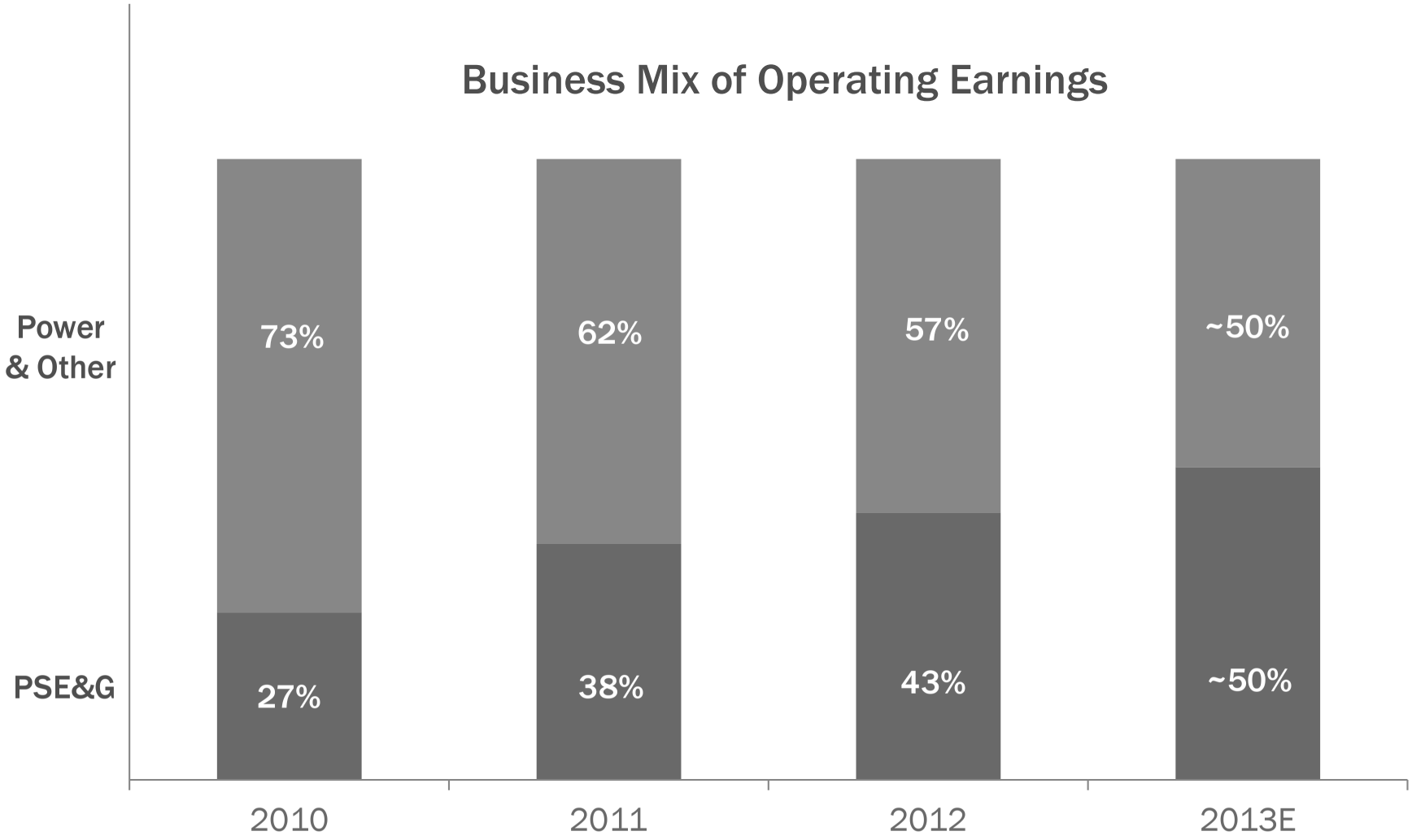
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

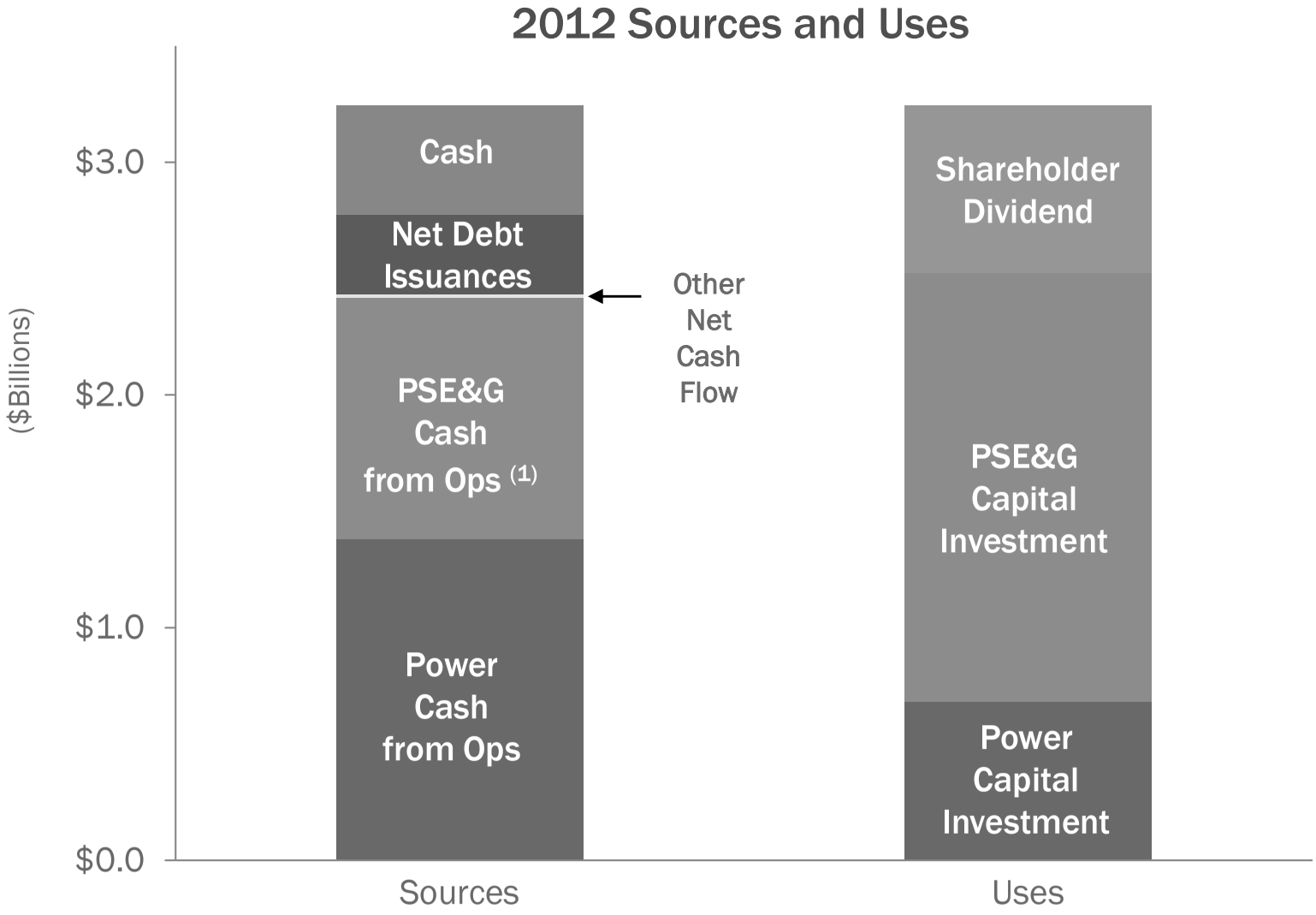


SI-SSA-0015-10026

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

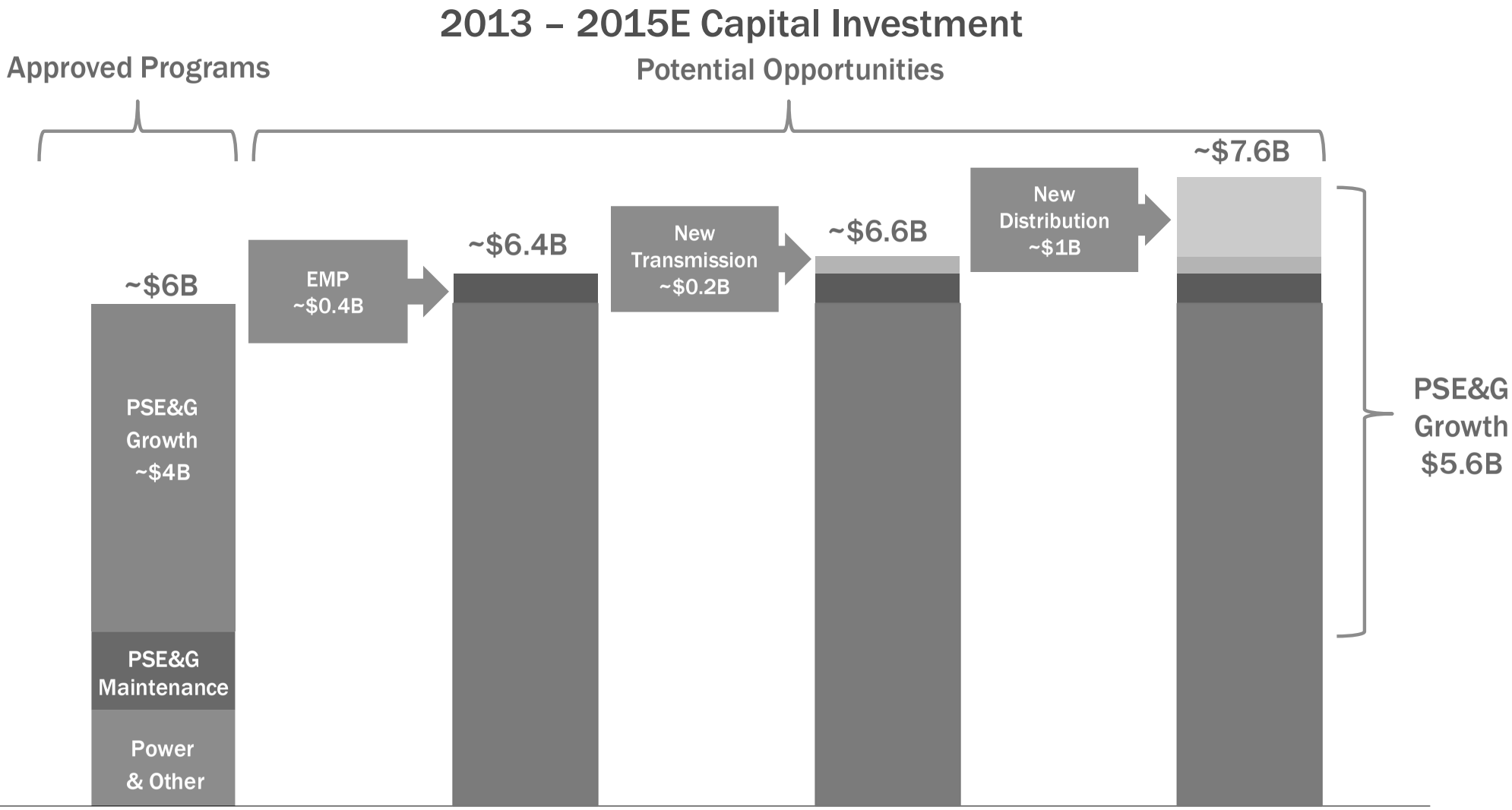
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

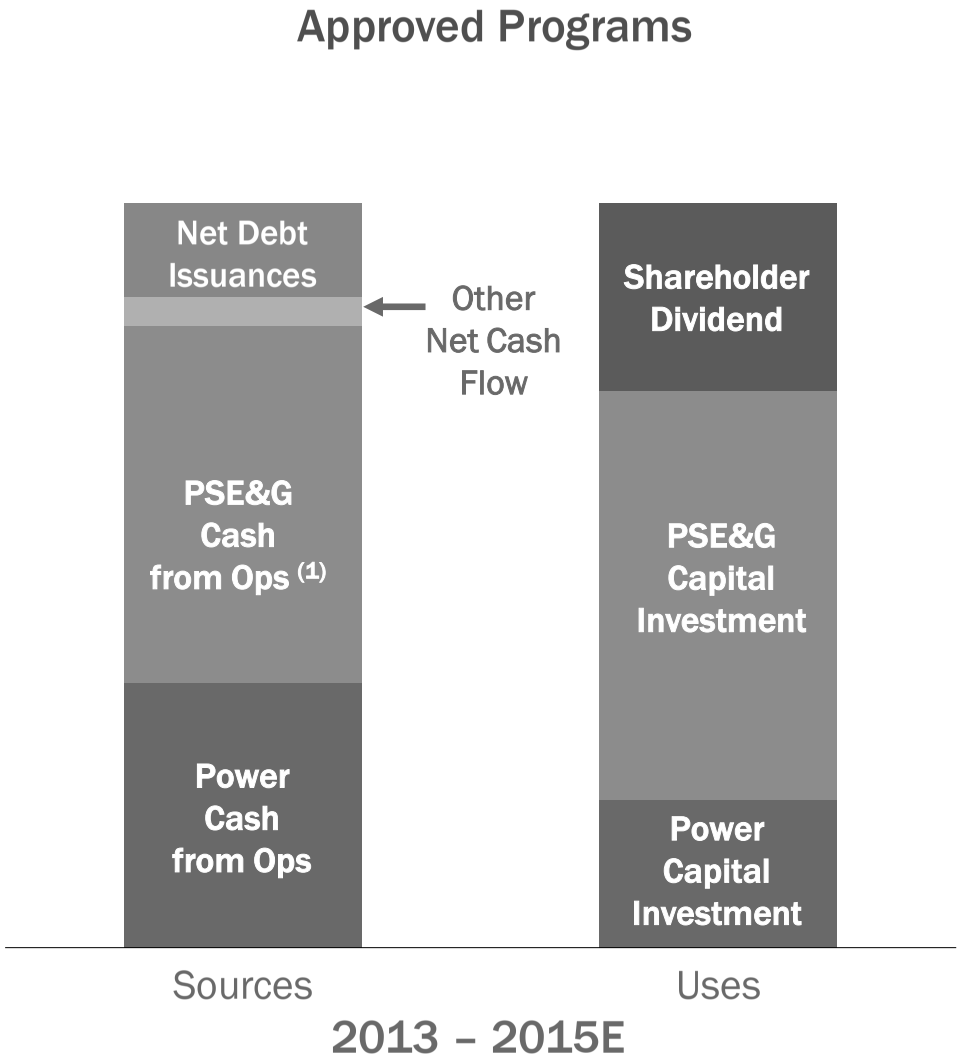
SI-SSA-0015-10027

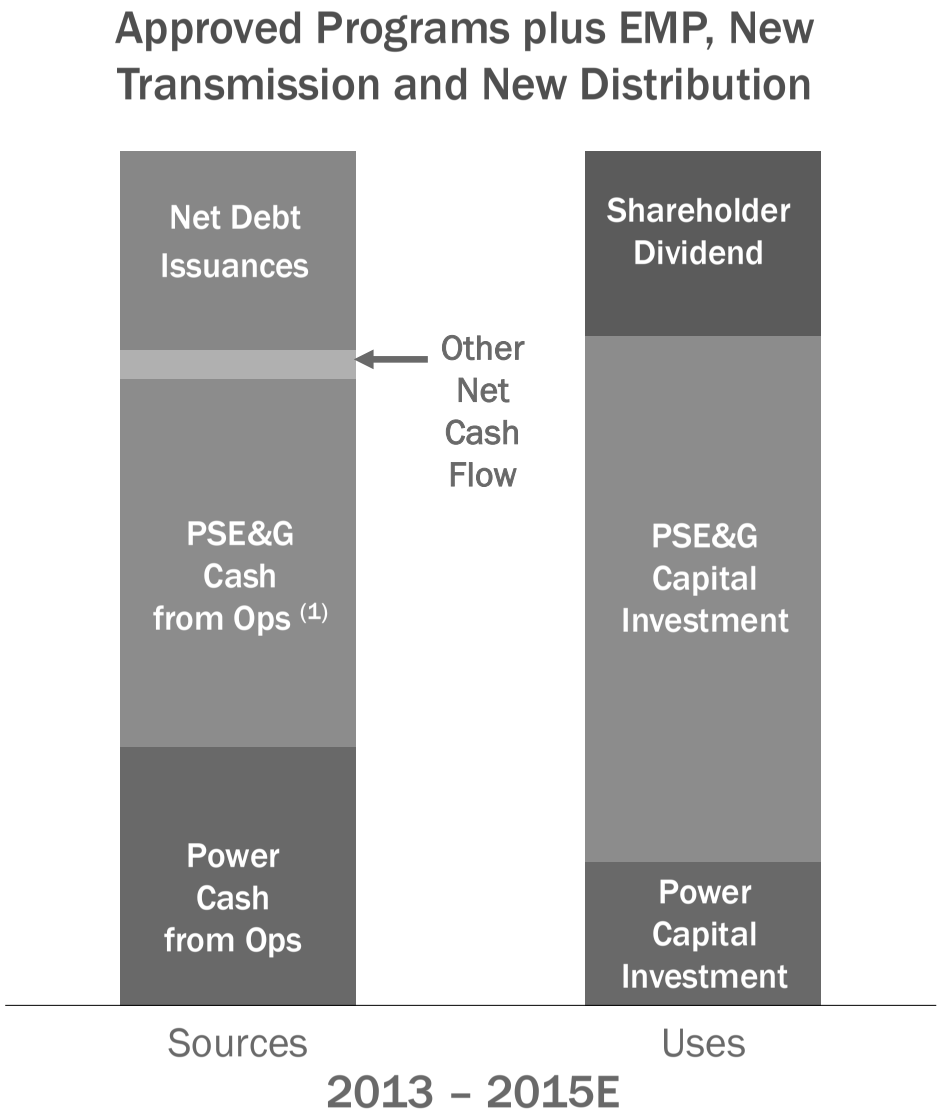
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-10028

All scenarios can be financed without new equity





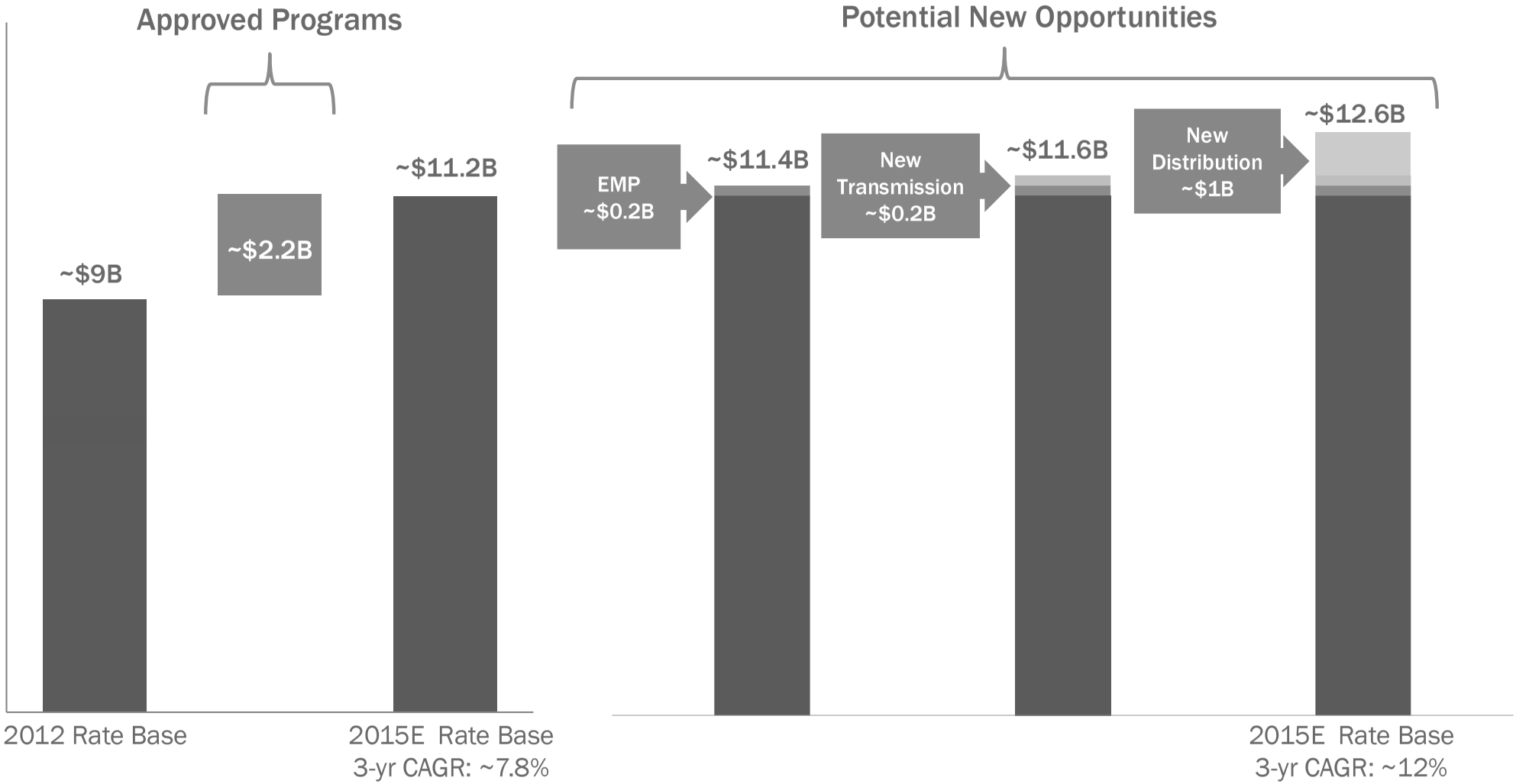
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-10029

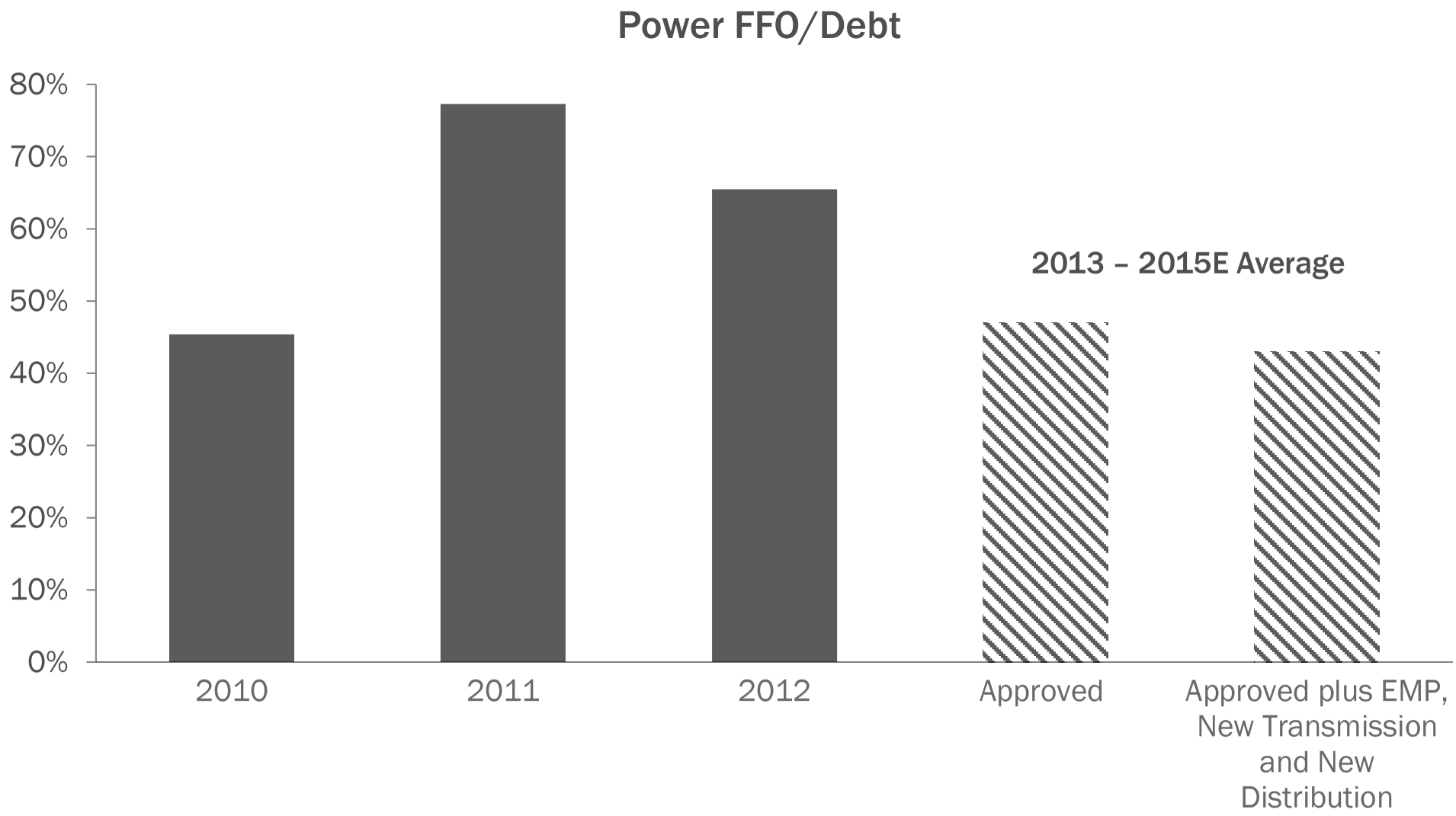
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-10030

Power's credit metrics are expected to remain strong



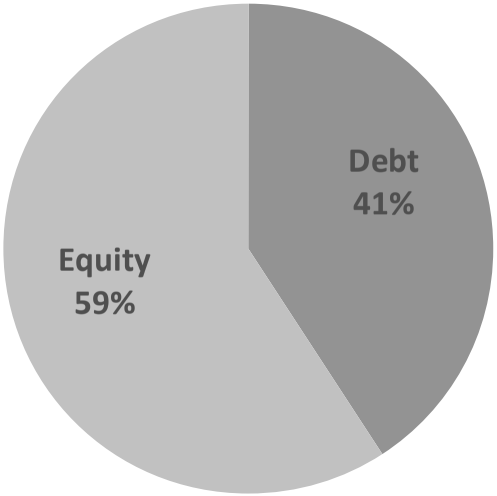
SI-SSA-0015-10031

Using PSEG's balance sheet strength

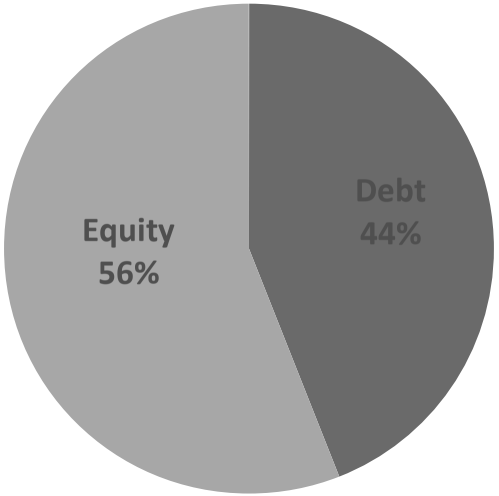
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-10032

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

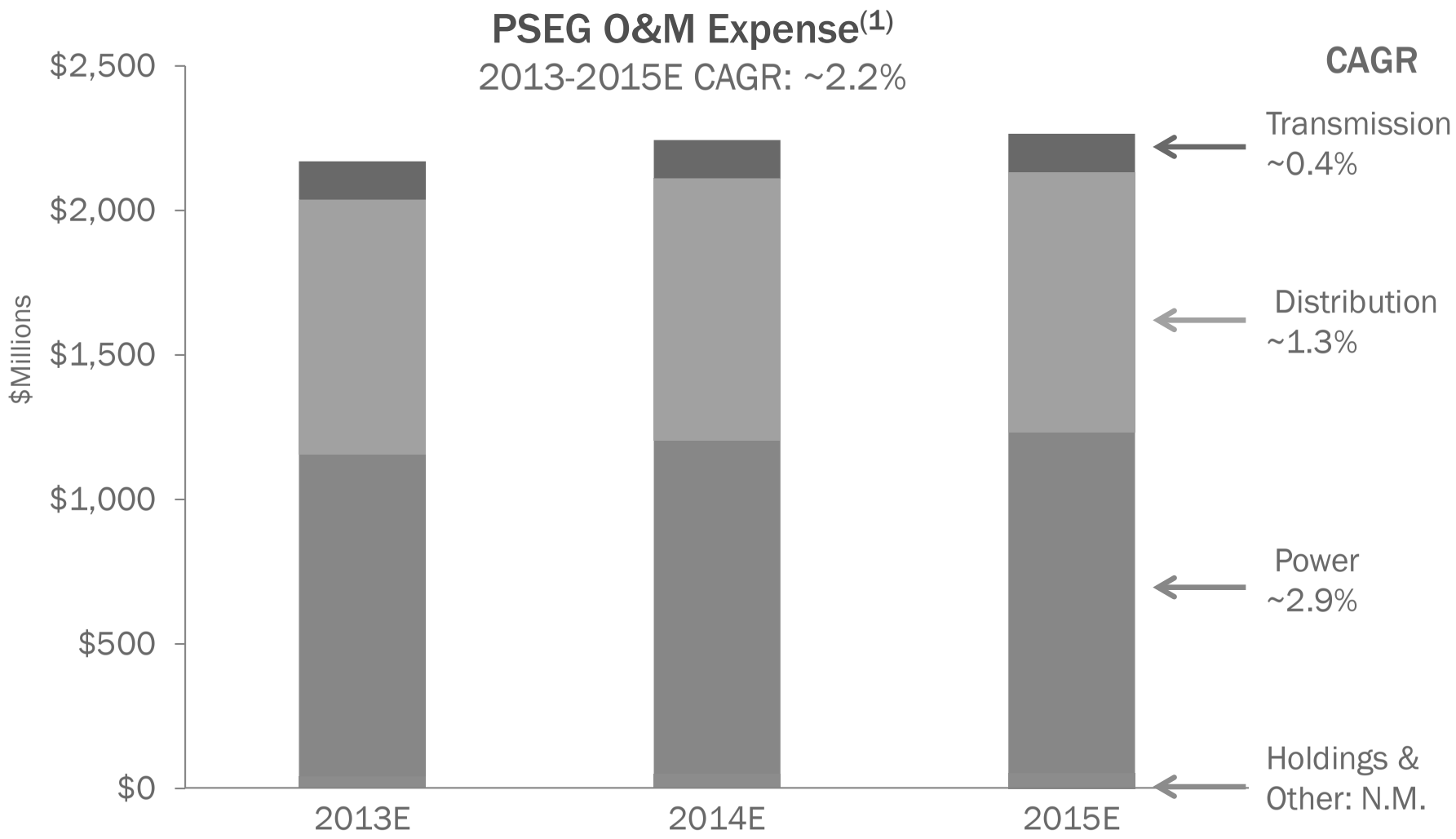
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-10033

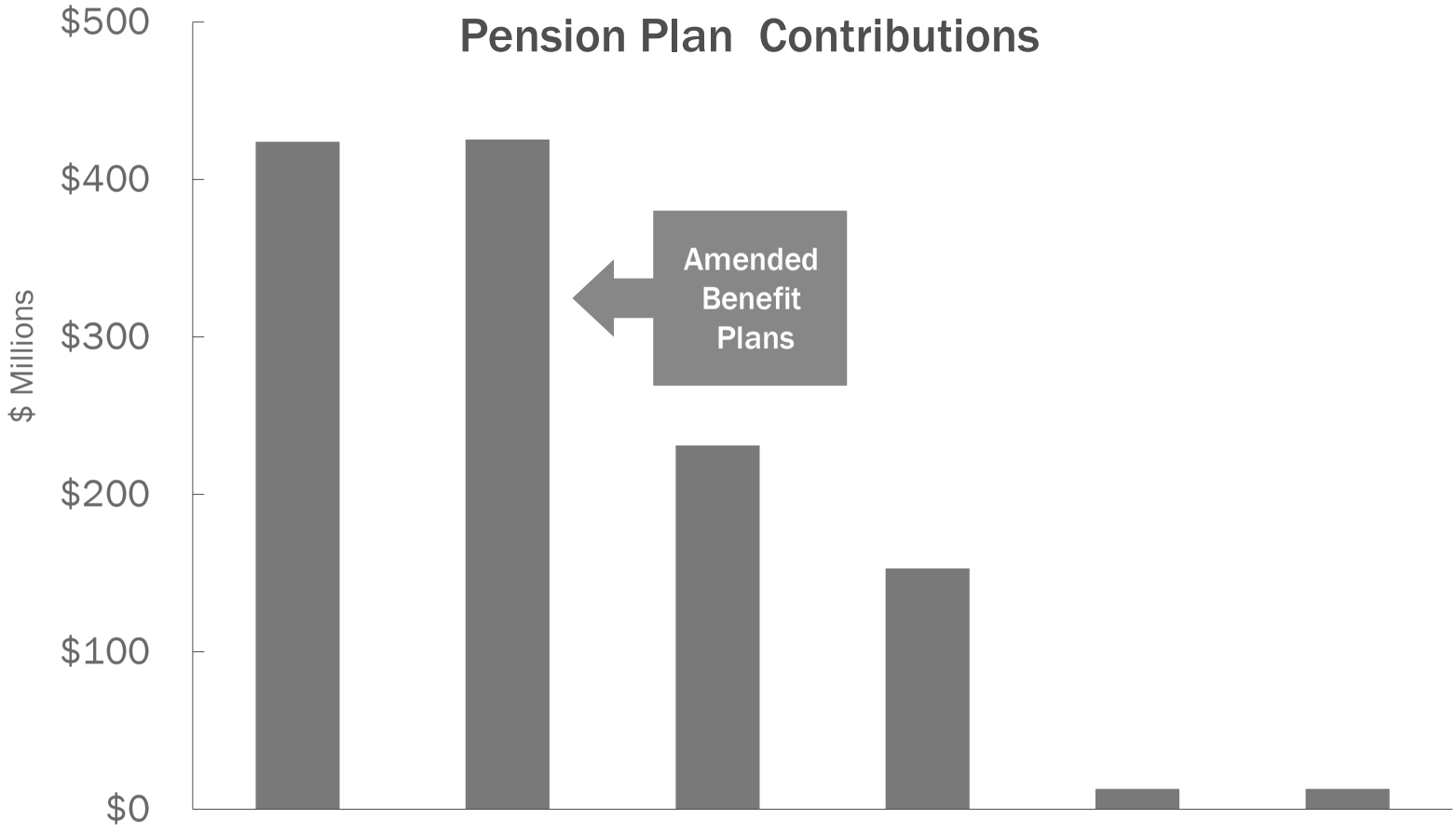
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-10034

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-10035

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

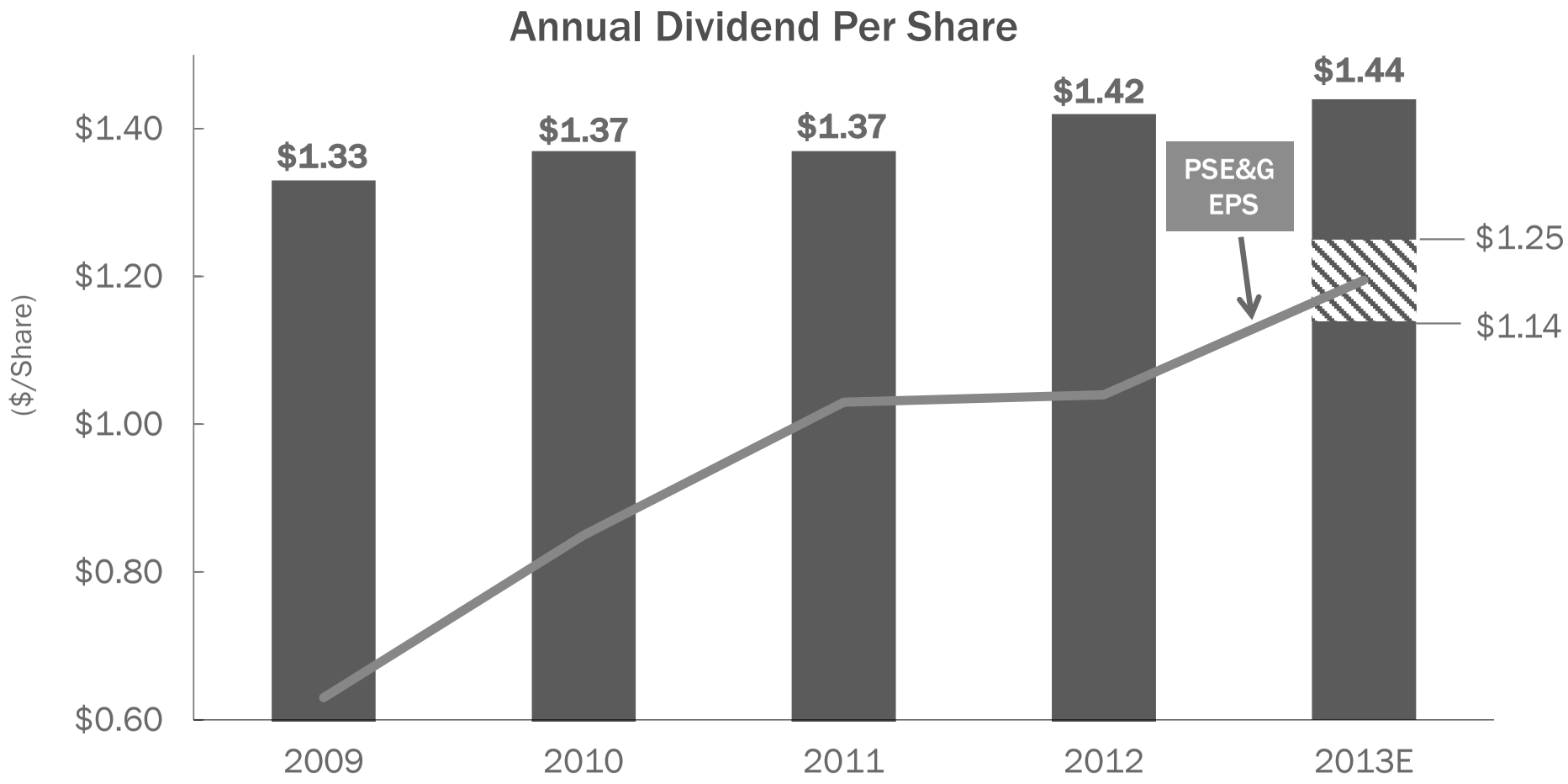
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-10036

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-10037

PSEG Summary

- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-10038

APPENDIX

SI-SSA-0015-10039

Full-year Operating Earnings by Subsidiary

Twelve Months ended December 31

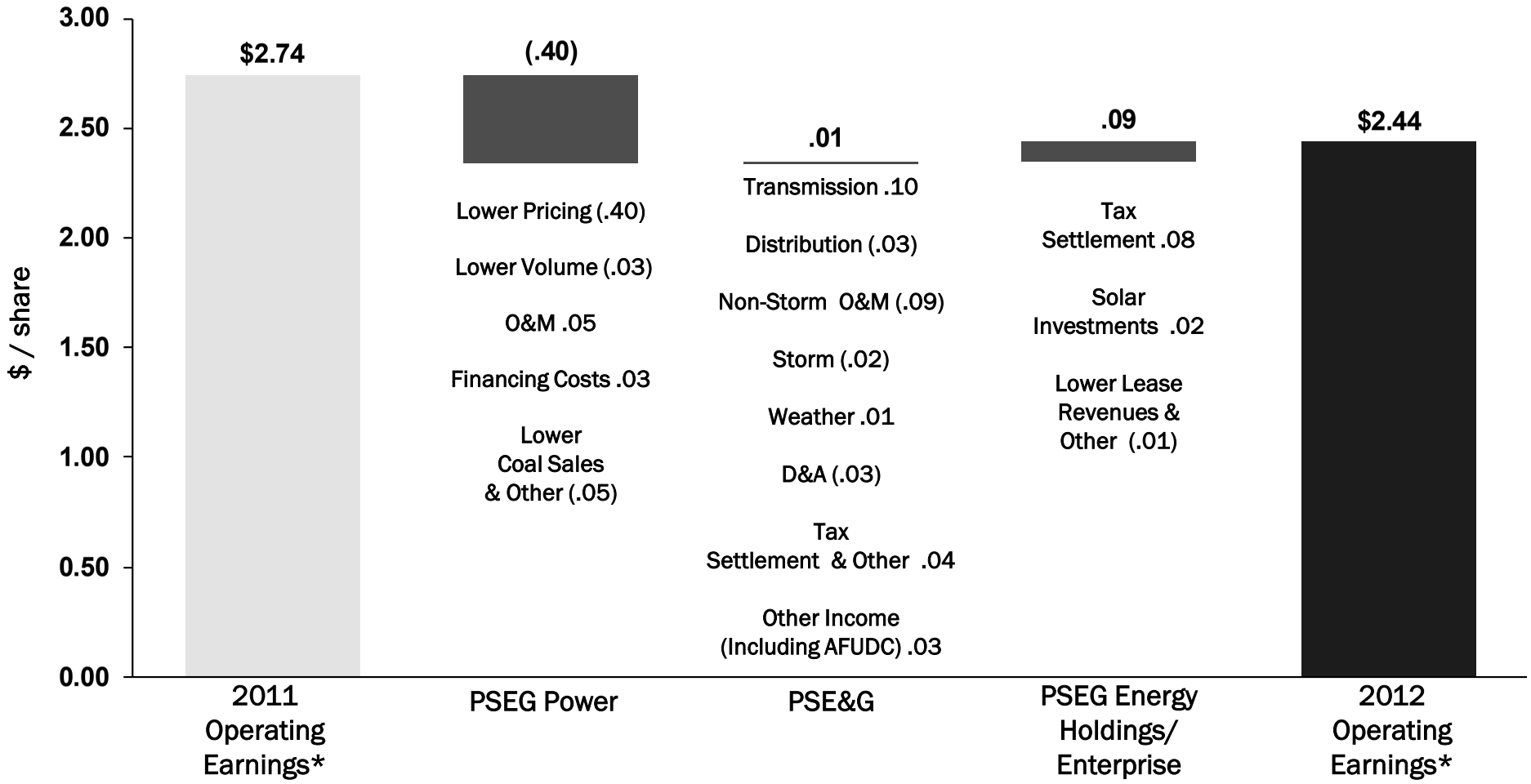
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2012	2011	2012	2011
PSEG Power	$ 644	$ 845	$ 1.27	$ 1.67
PSE&G	528	521	1.04	1.03
PSEG Energy Holdings/ Enterprise	64	23	0.13	0.04
*Operating Earnings**	$ 1,236	$ 1,389	$ 2.44	$ 2.74

SI-SSA-0015-10040

PSEG

• See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2012 versus Full-year 2011

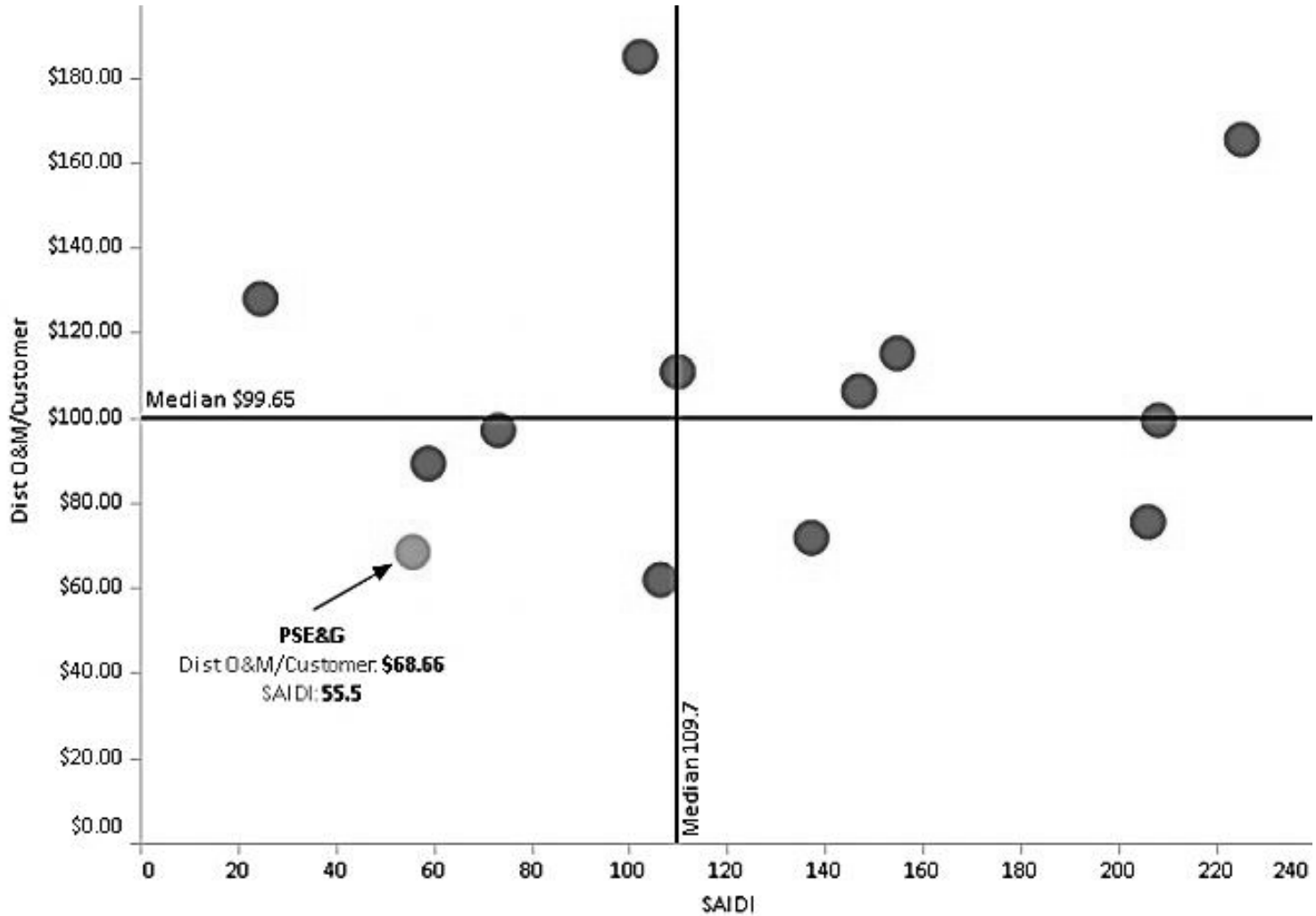


SI-SSA-0015-10041

PSEG

* See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

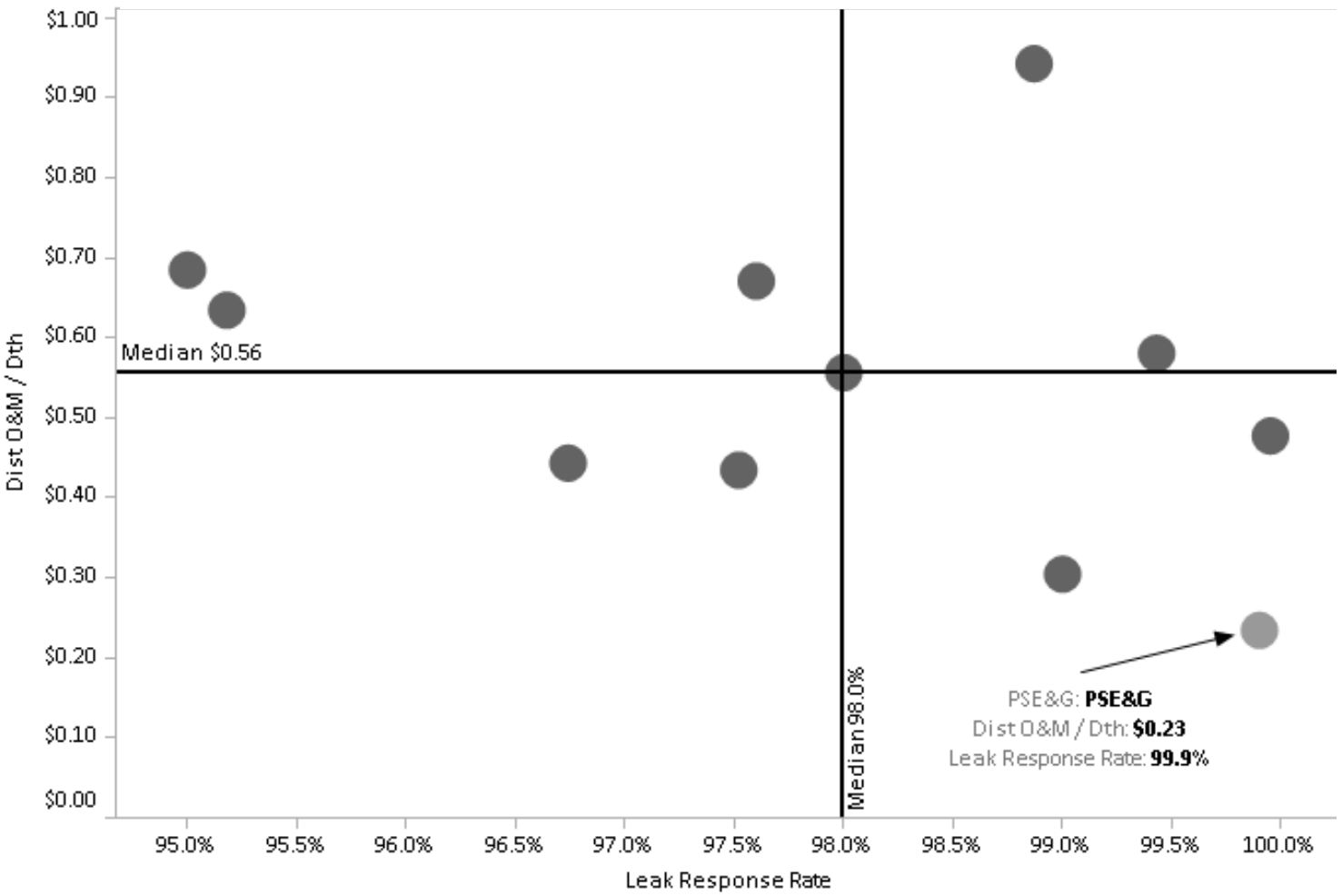
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-10043

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-10044

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-10045

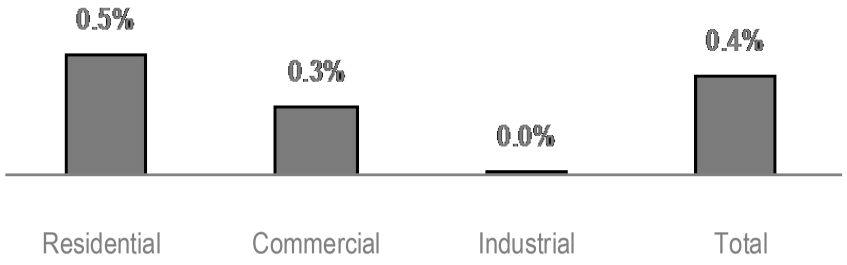
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

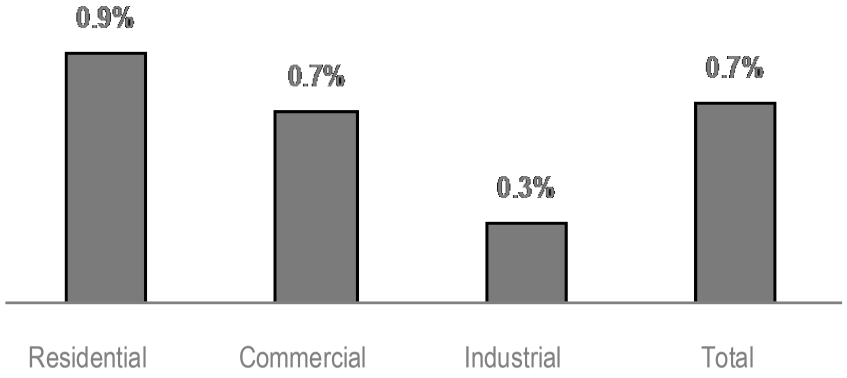
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-10046

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

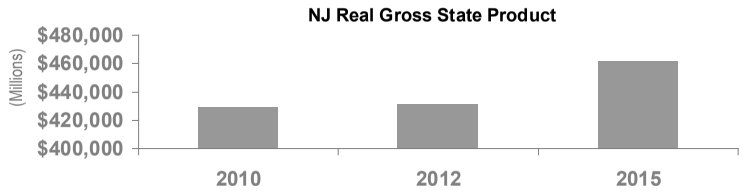
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

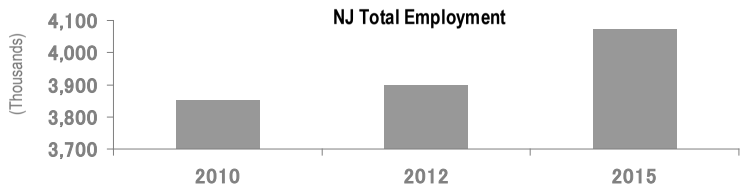
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

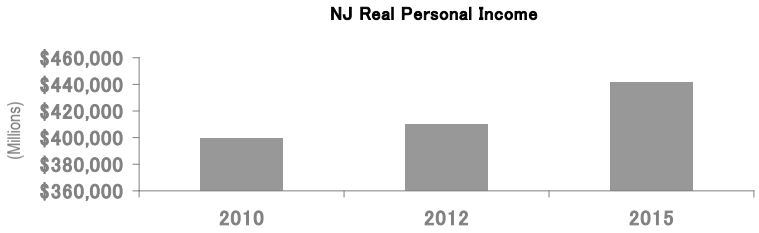
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

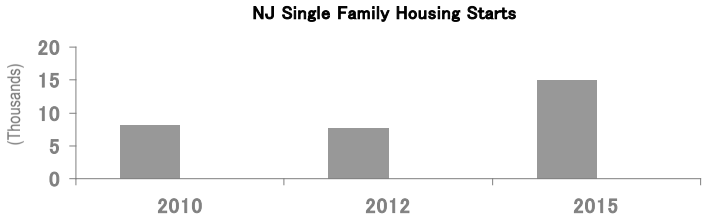
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015





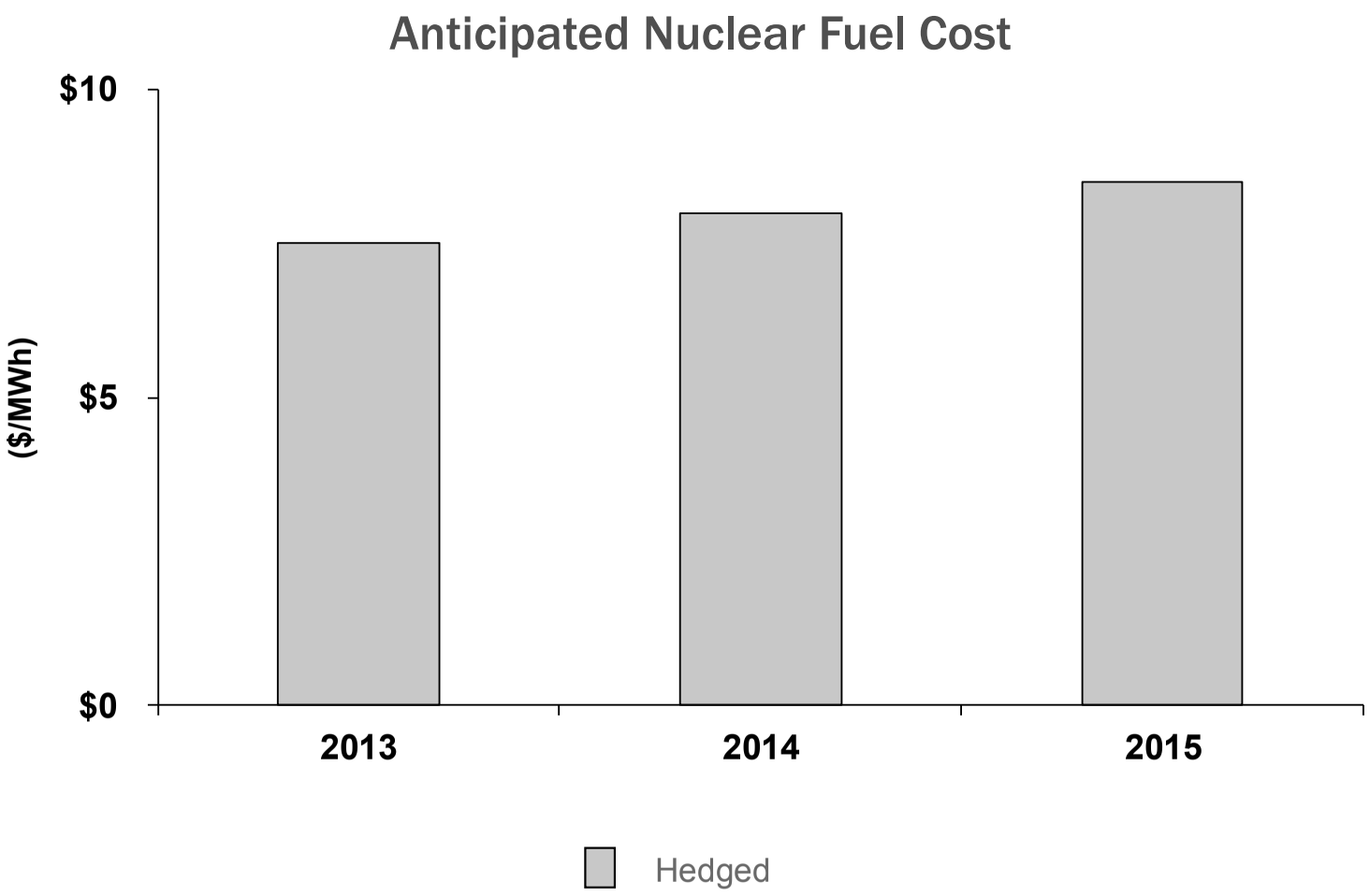




SI-SSA-0015-10047

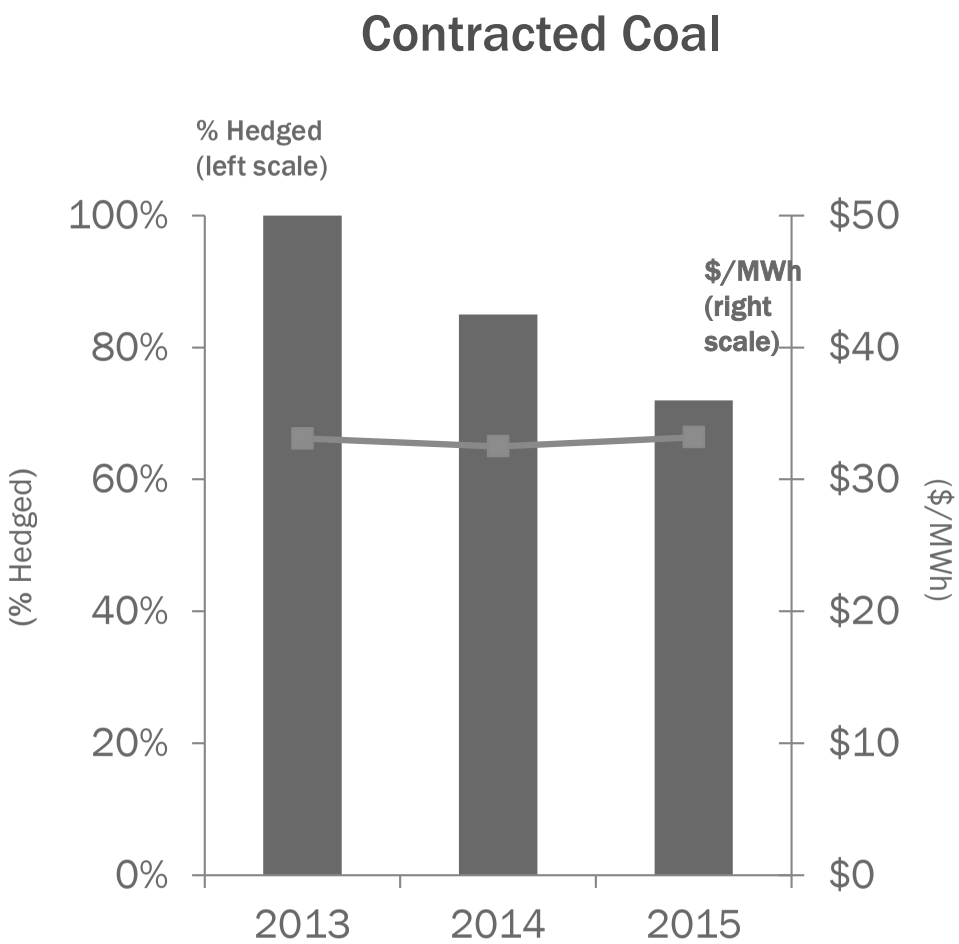
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-10048

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

SI-SSA-0015-10049

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

SI-SSA-0015-10050

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-10051

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

SI-SSA-0015-10052

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-10053

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Summary

MORGAN STANLEY • 2018 UTILITIES, CLEAN TECH
& MIDSTREAM CONFERENCE
FEBRUARY 26, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10055

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10056

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-10057

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-10058

PSEG

We make things work for you.

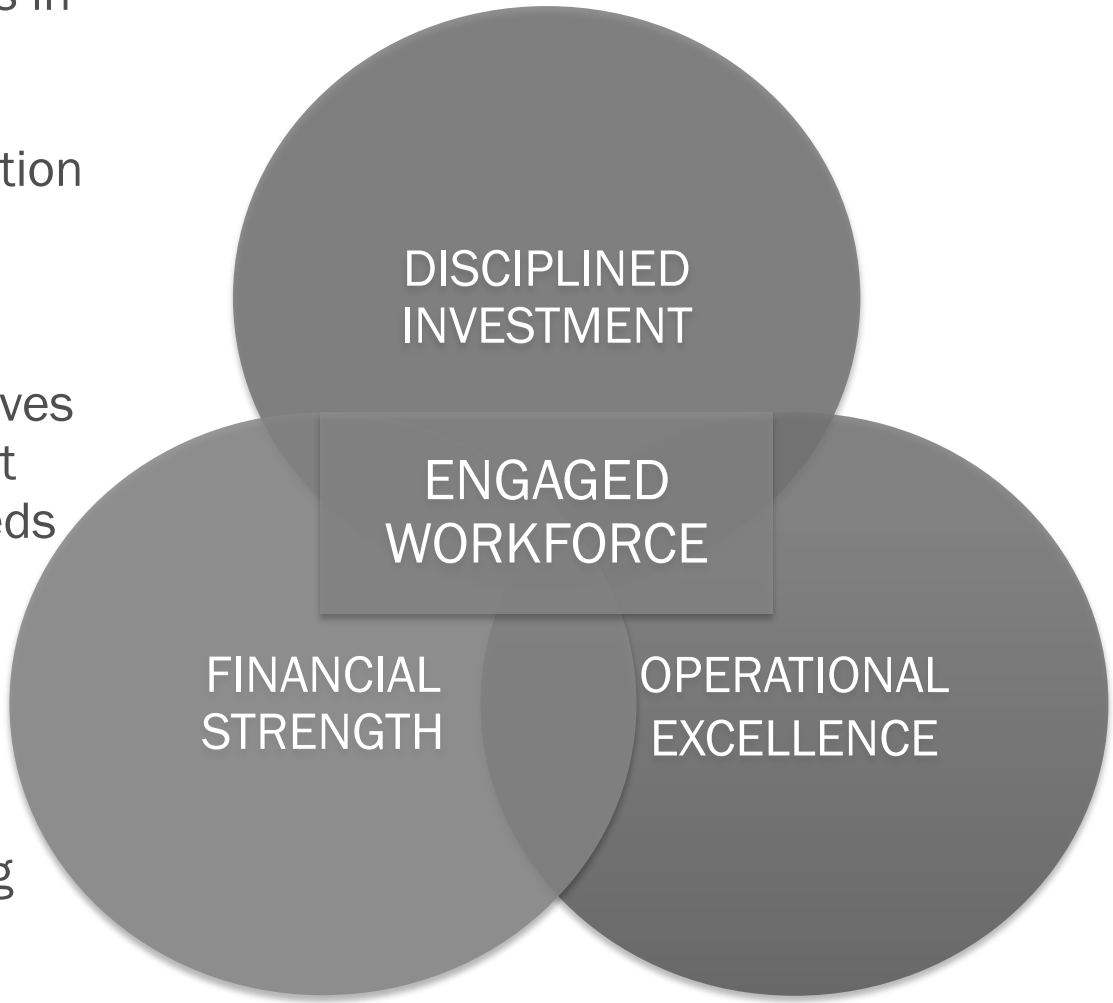
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017	2017
Assets $29B **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	**Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

SI-SSA-0015-10060

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Gas System Modernization Program (GSMP), Transmission, Electric and Gas distribution, Energy Strong and Clean Energy • Potential for additional investments in Renewables and integration of Infrastructure with Customer Access • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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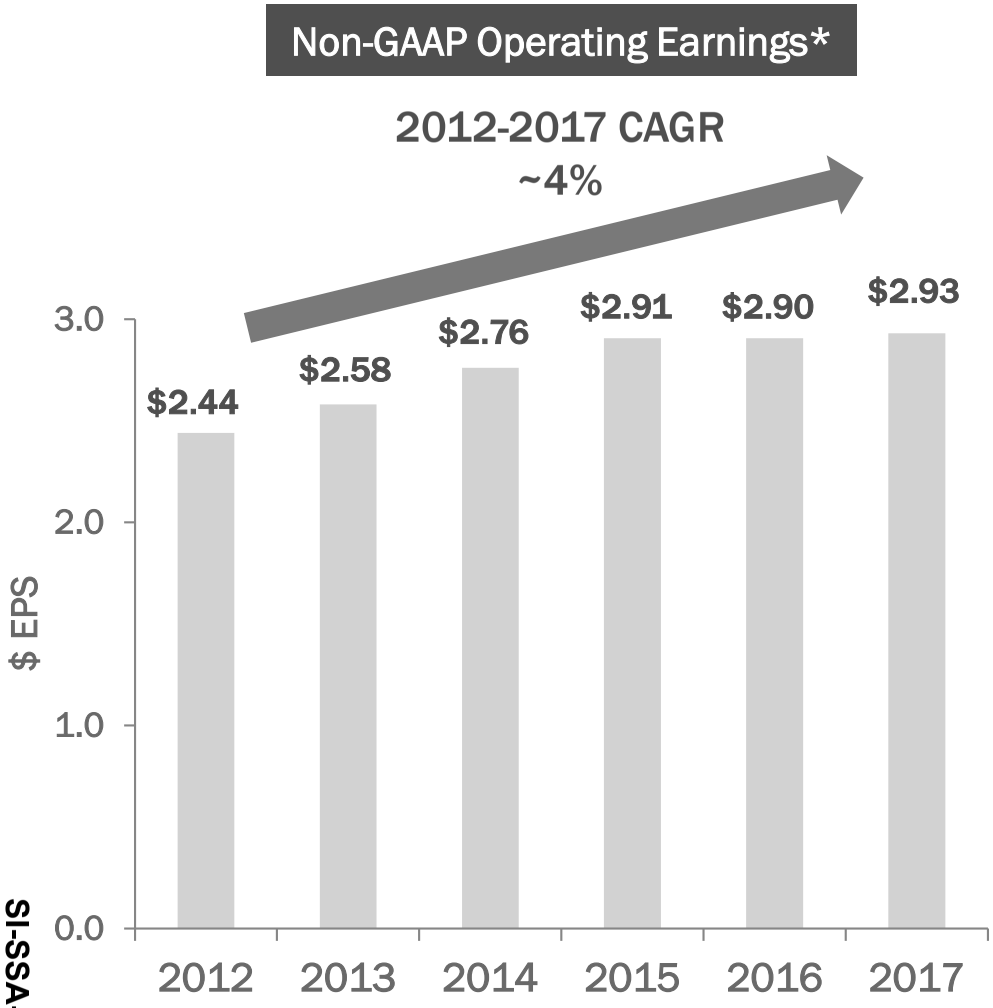
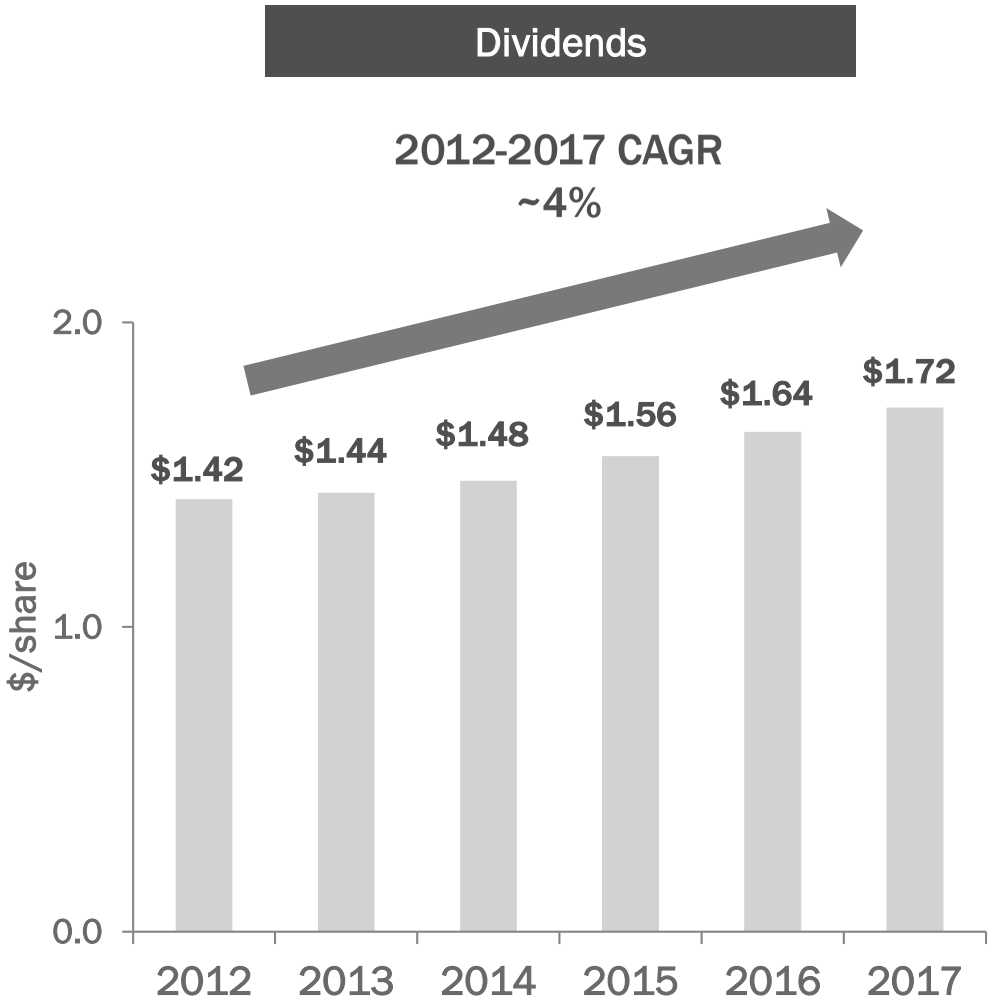
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requesting ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

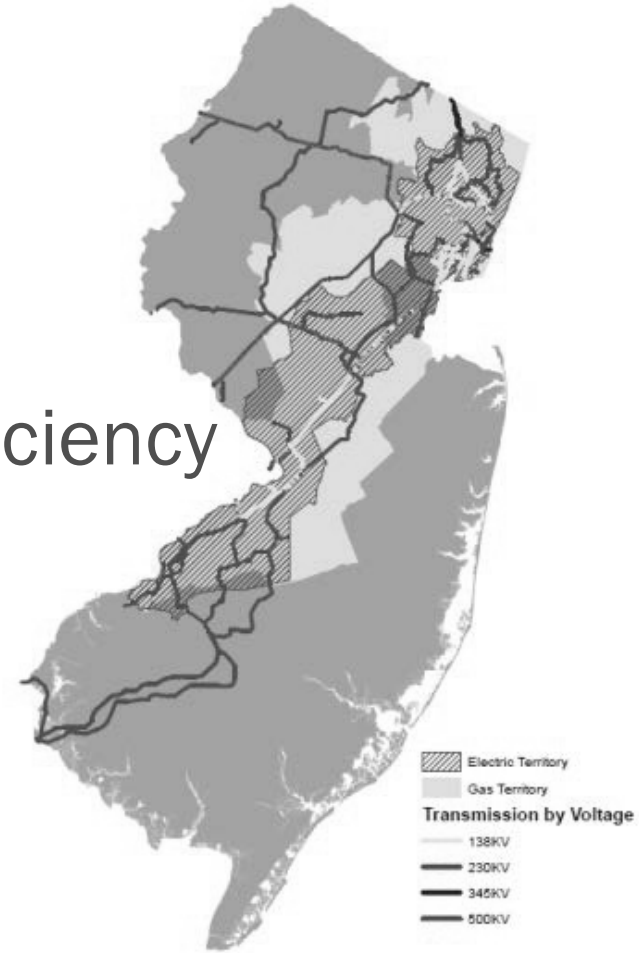
- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-10063

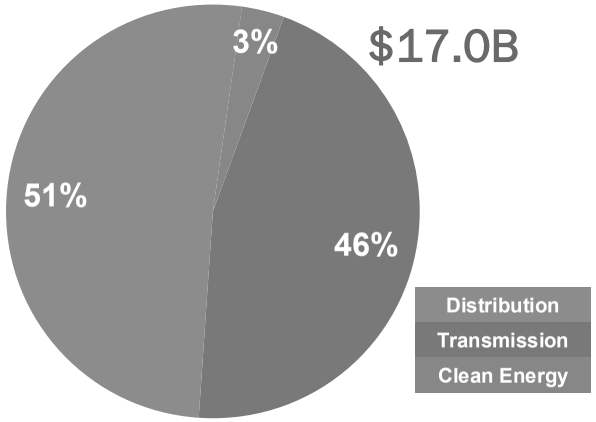
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%



PSE&G 2017 Rate Base



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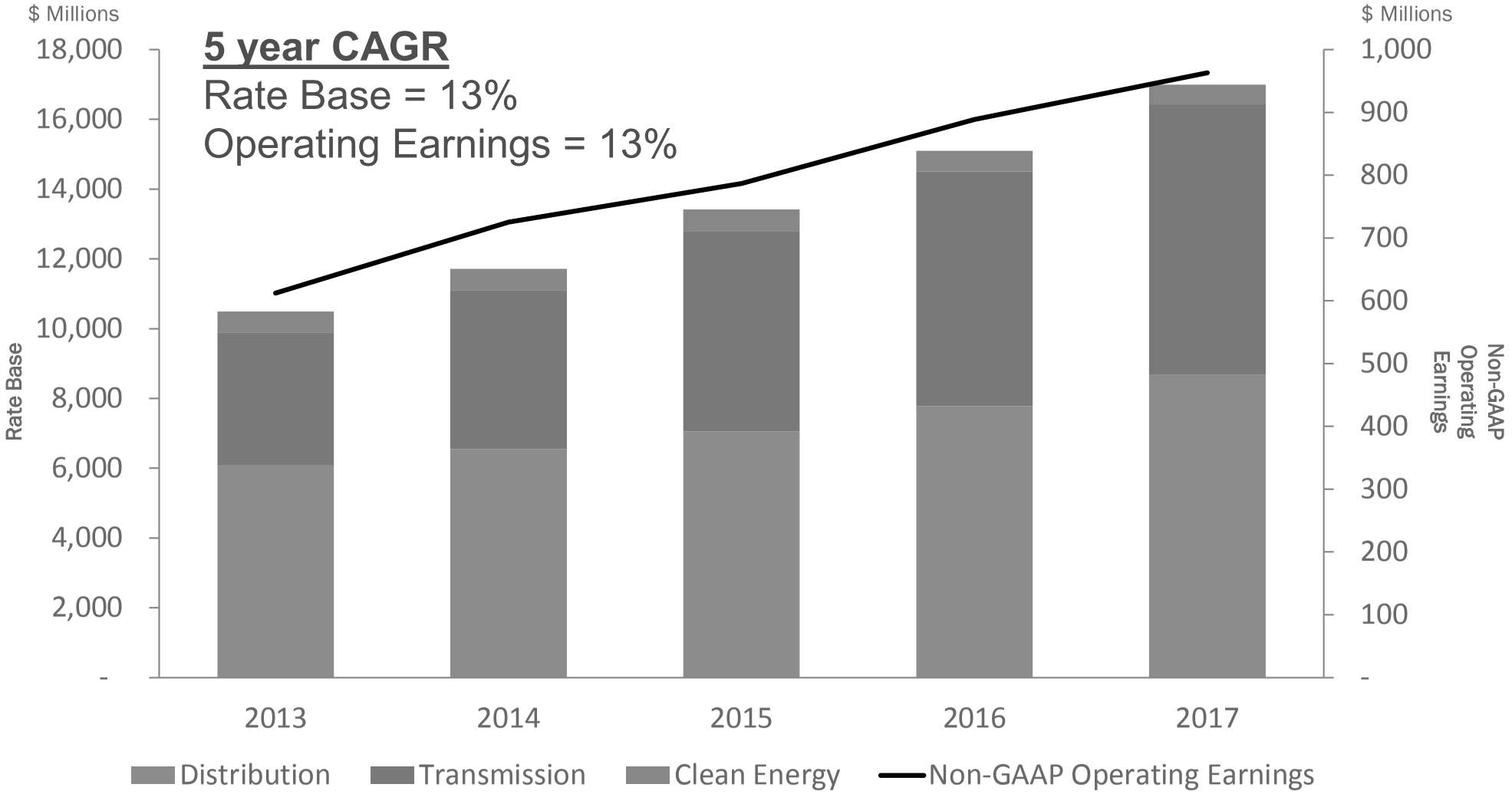
* GAS FIRM SALES ONLY.

PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

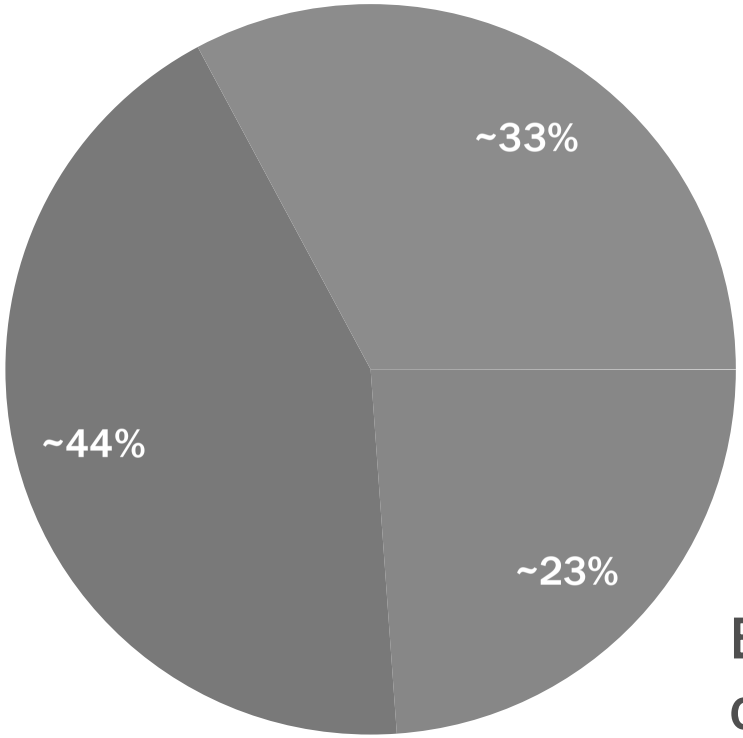
SI-SSA-0015-10065

Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

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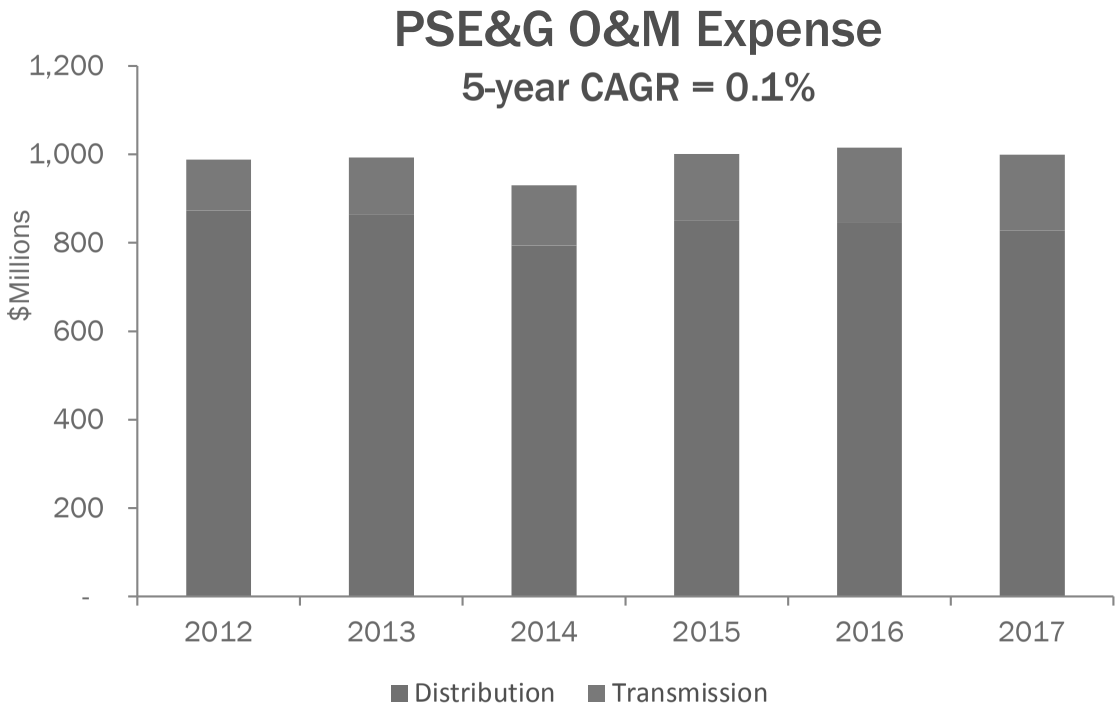
E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

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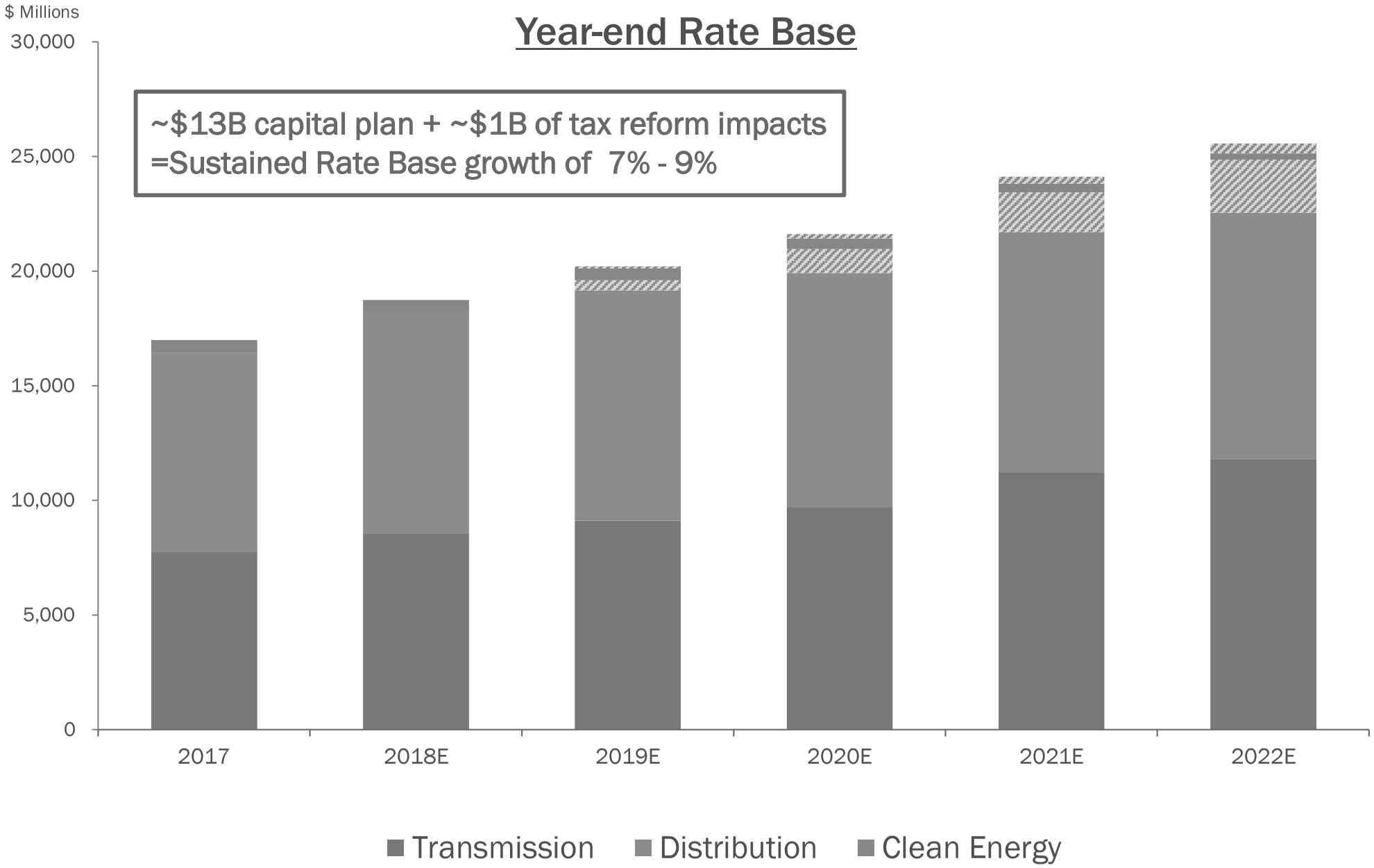
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-10068

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%,

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ **Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022**

✓ **Investment program and metrics to support strong credit rating is maintained**

SI-SSA-0015-10069

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

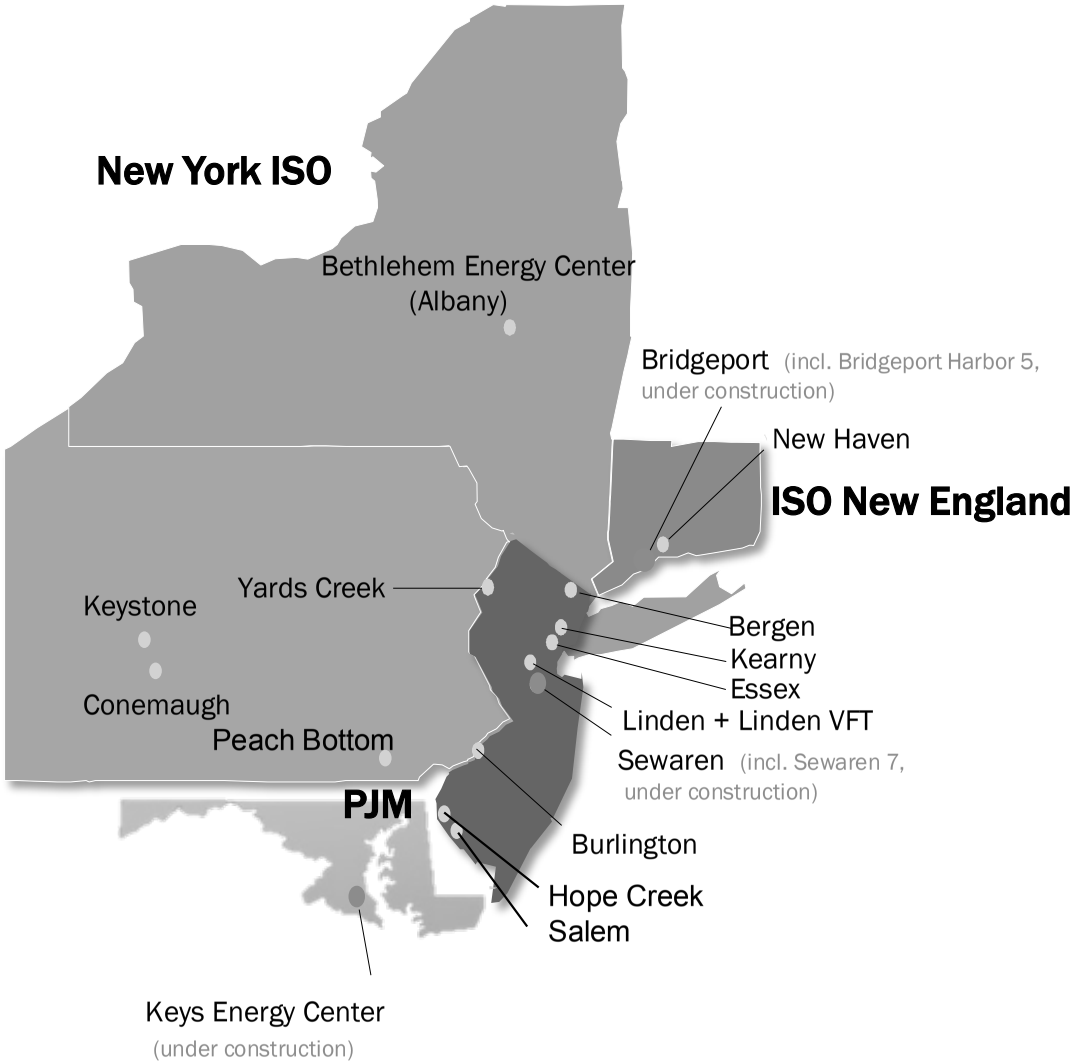
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-10070

Power has generating assets in three competitive markets



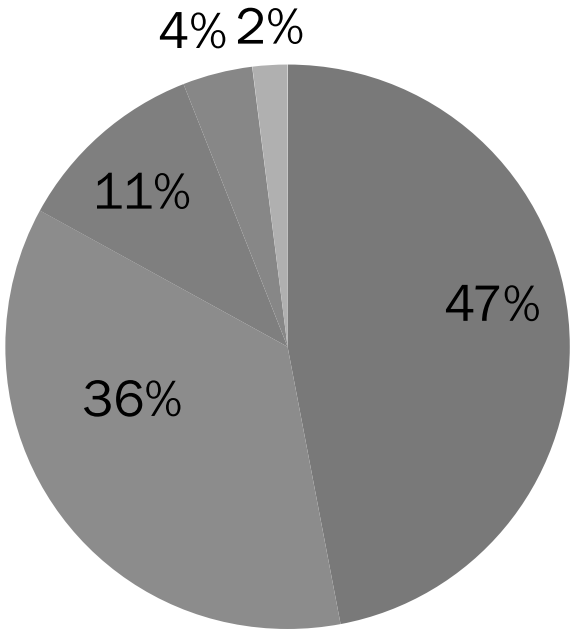
- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-10071

Power has a diverse fleet of generating assets which enables it to respond to market needs

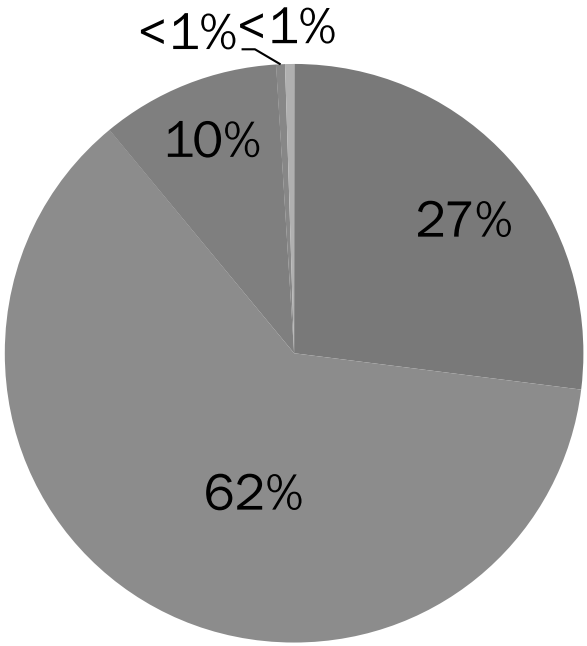
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

SI-SSA-0015-10072

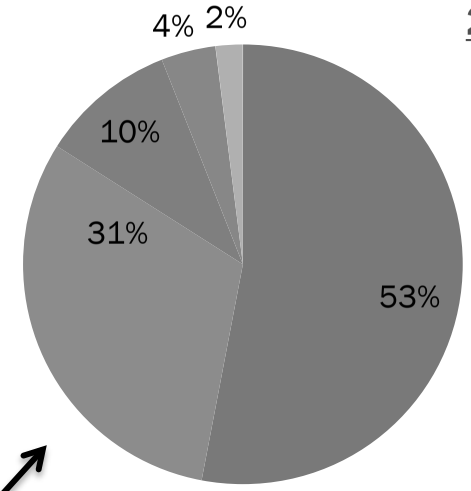
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

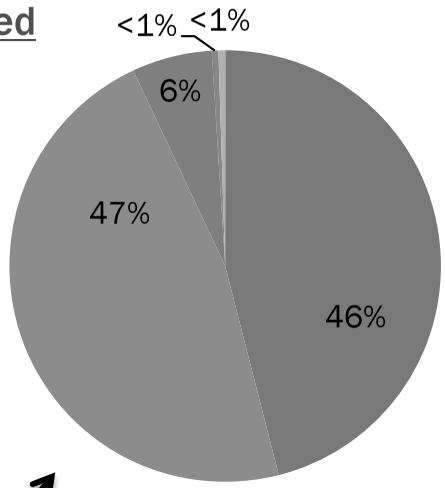
Power's fleet is being **transformed** with focus on improvement in efficiency

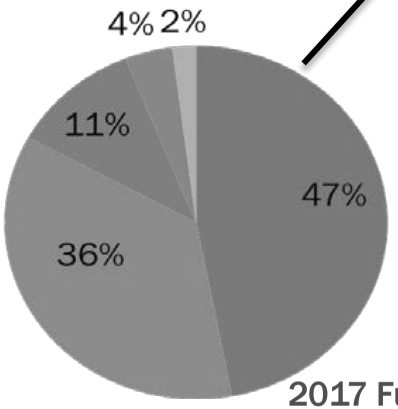
Projected Fleet Comparison 2017 to 2020E

2020E Fuel Diversity
Total MW: 11,800

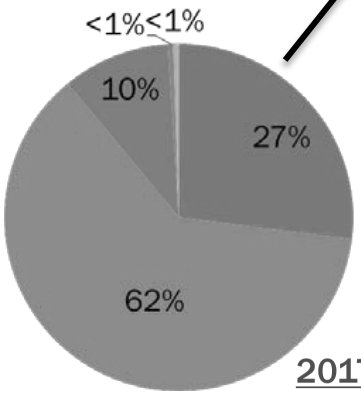


2020E Energy Produced
Total GWh: 65,500





2017 Fuel Diversity[1]
Total MW: 10,458



2017 Energy Produced[1]
Total GWh: 51,089

- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

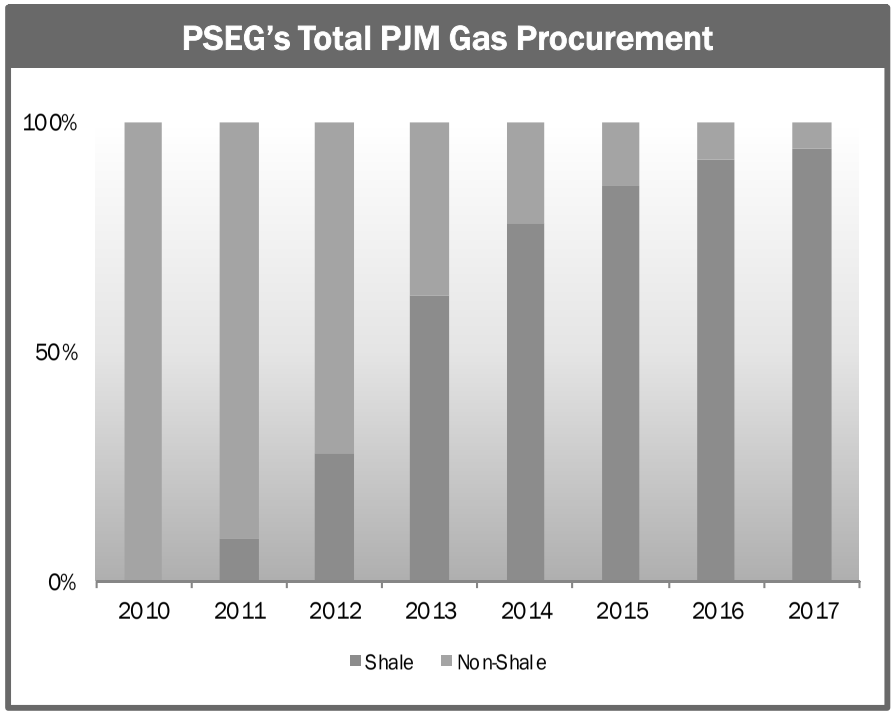
Energy Produced increases by >28%

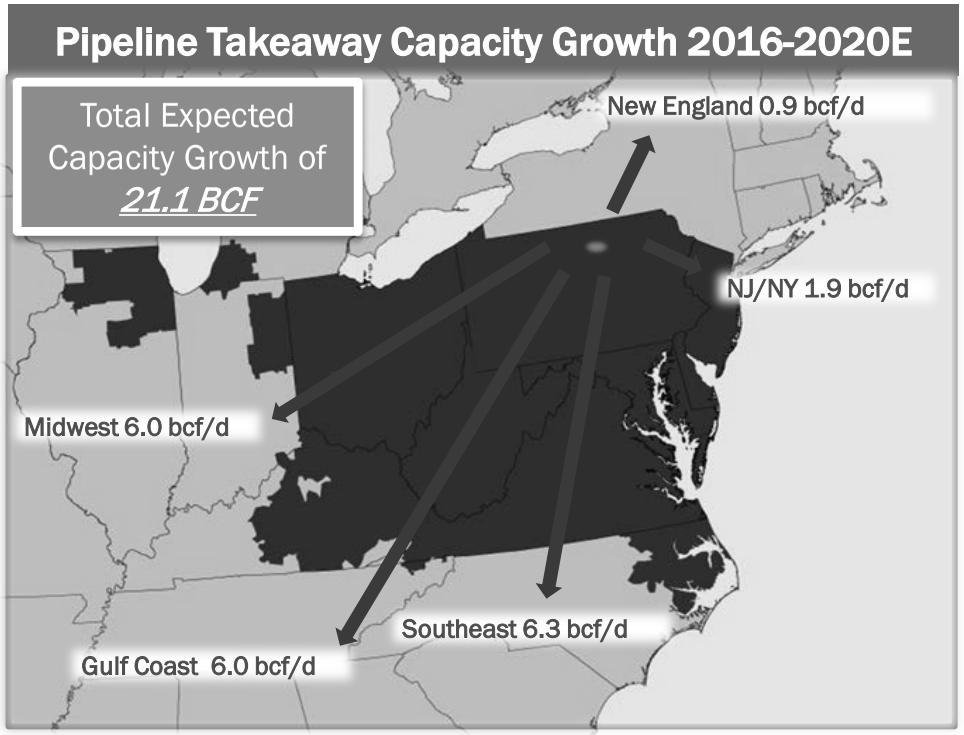
[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

SI-SSA-0015-10073

PSEG

Power's fleet is well-located with access to shale gas production





- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

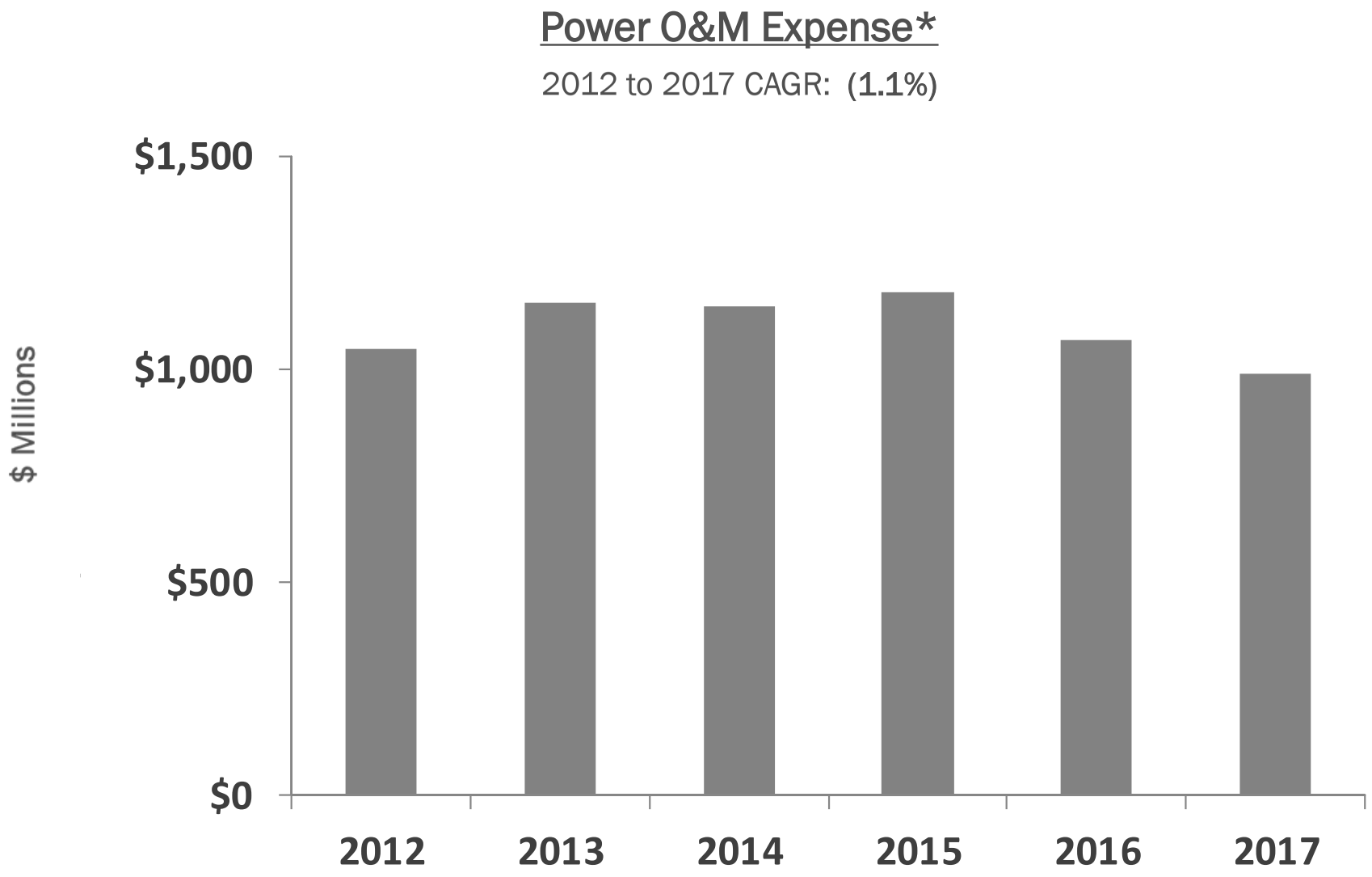
- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-10074

PSEG

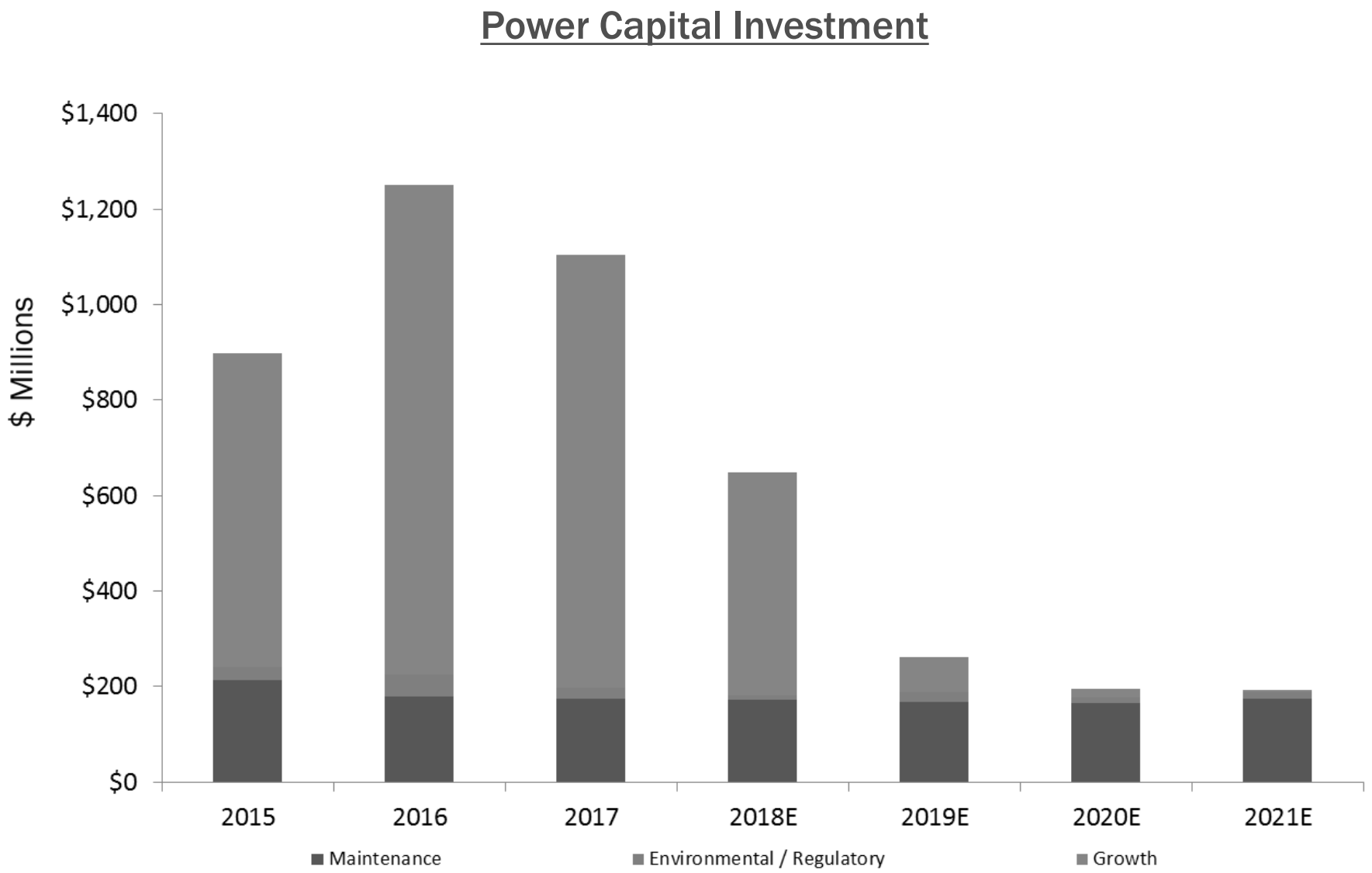
E = ESTIMATE.

Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

Power's capital needs decline following construction of new capacity, enhancing free cash flow



E=ESTIMATE. DATA AS OF FEBRUARY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

SI-SSA-0015-10076

Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

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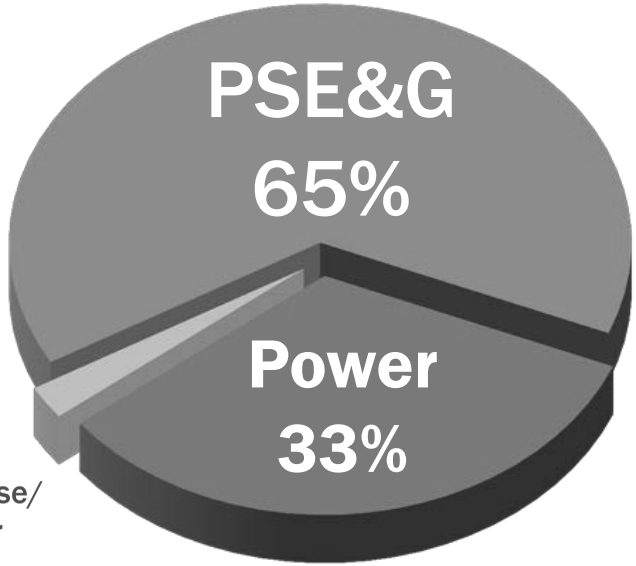
Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

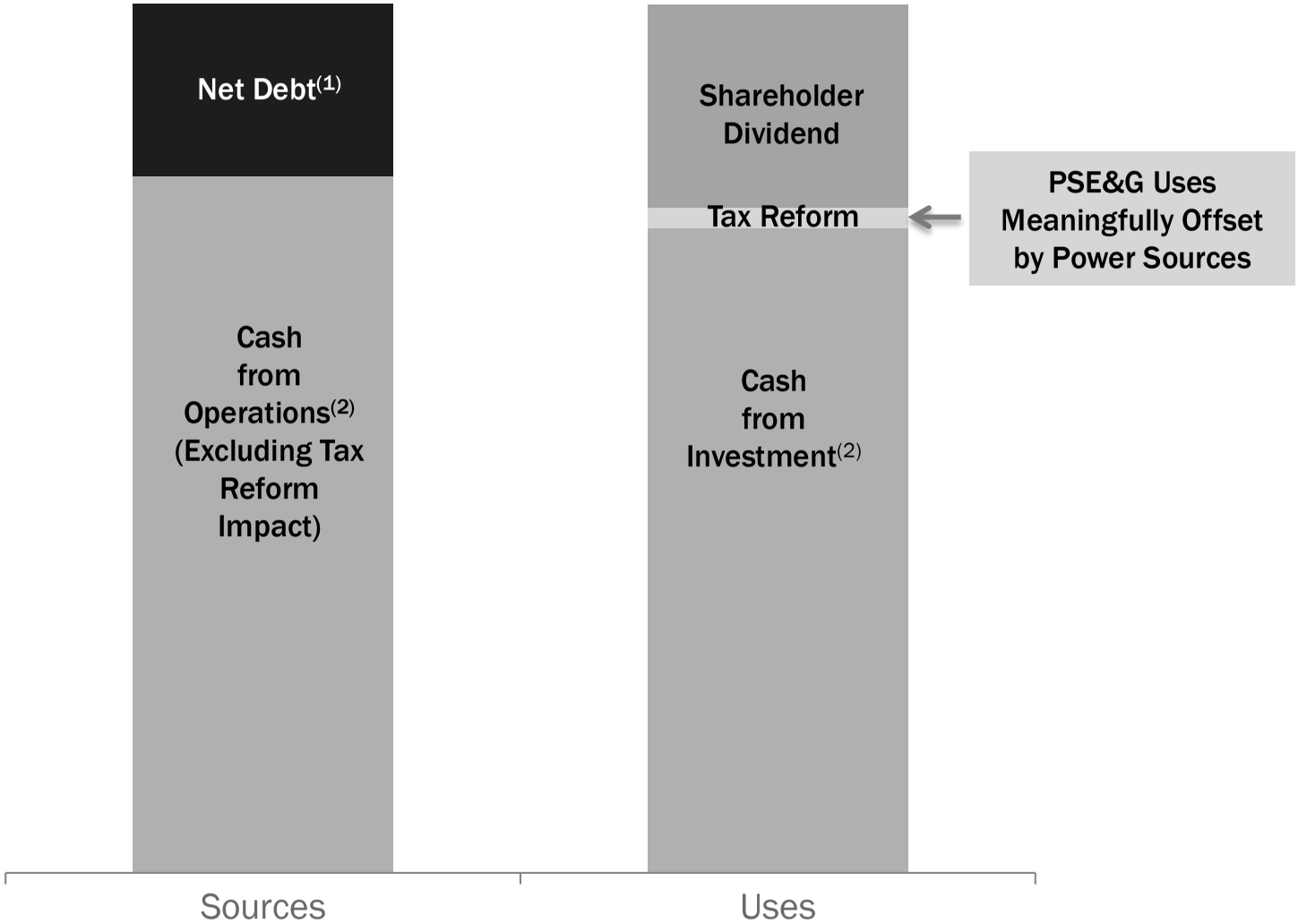
Completion of capital program for new combined cycle plants

SI-SSA-0015-10078

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



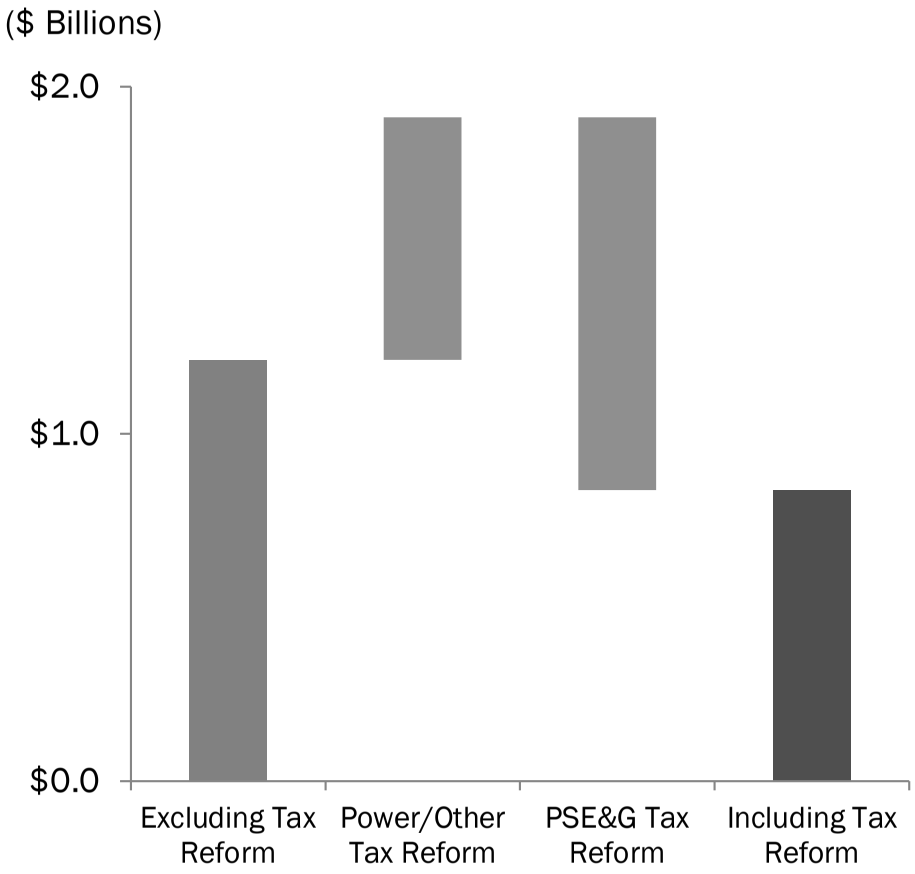
1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

Investment Capacity of nearly $1B after tax reform

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)

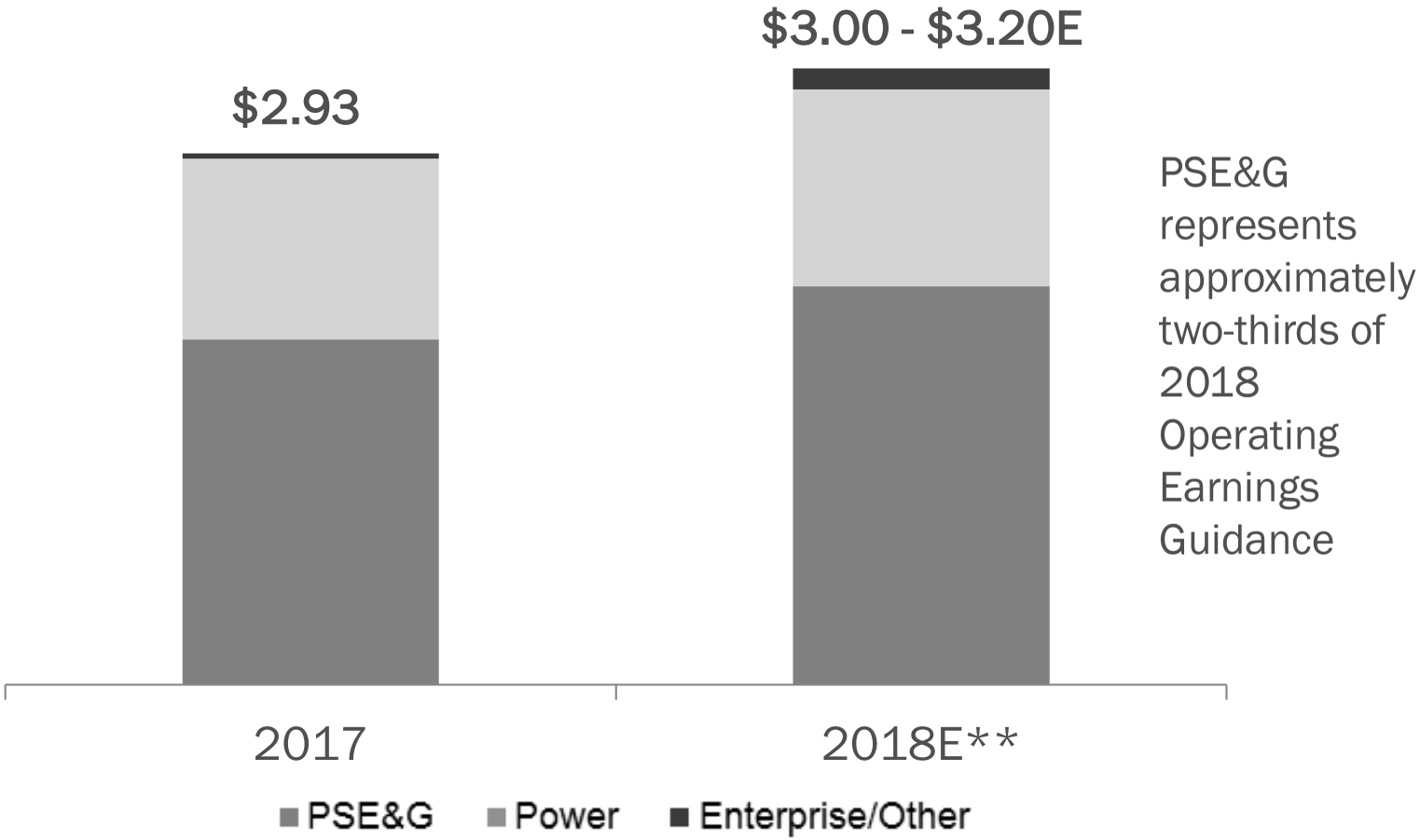


E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



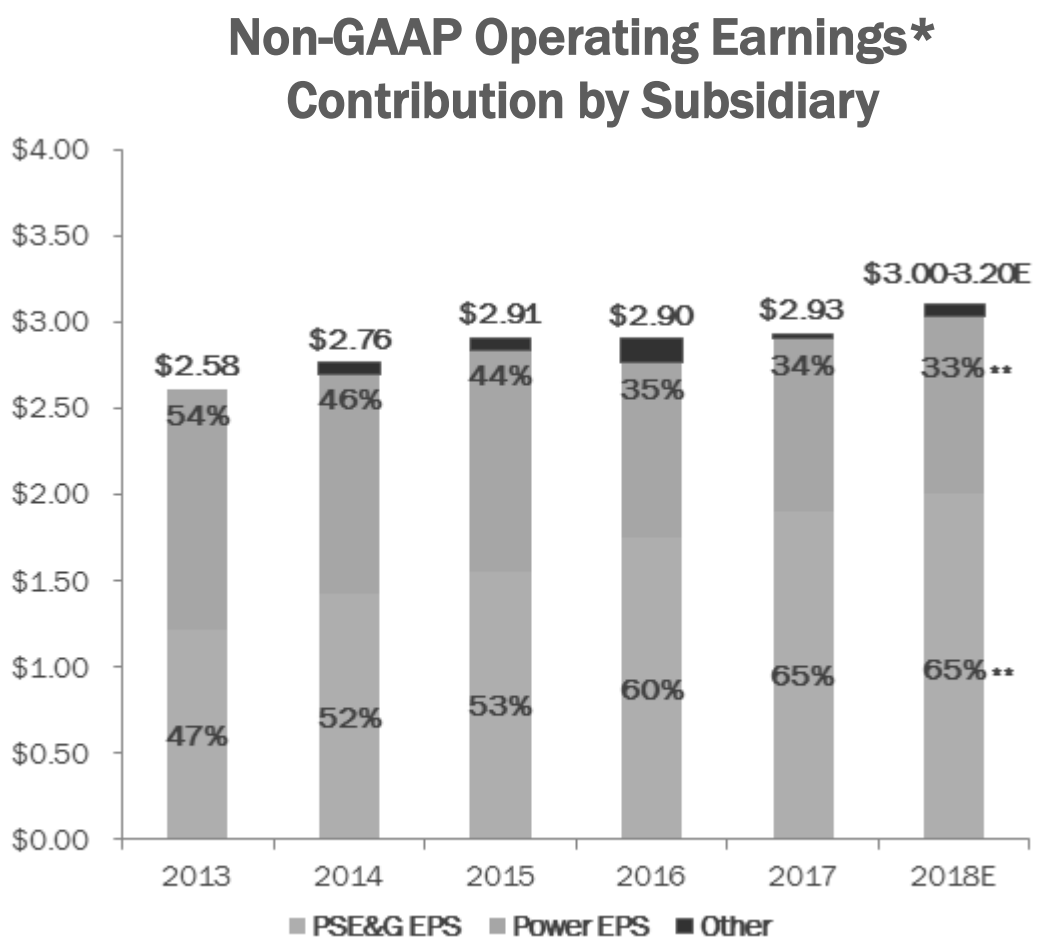
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-10081

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



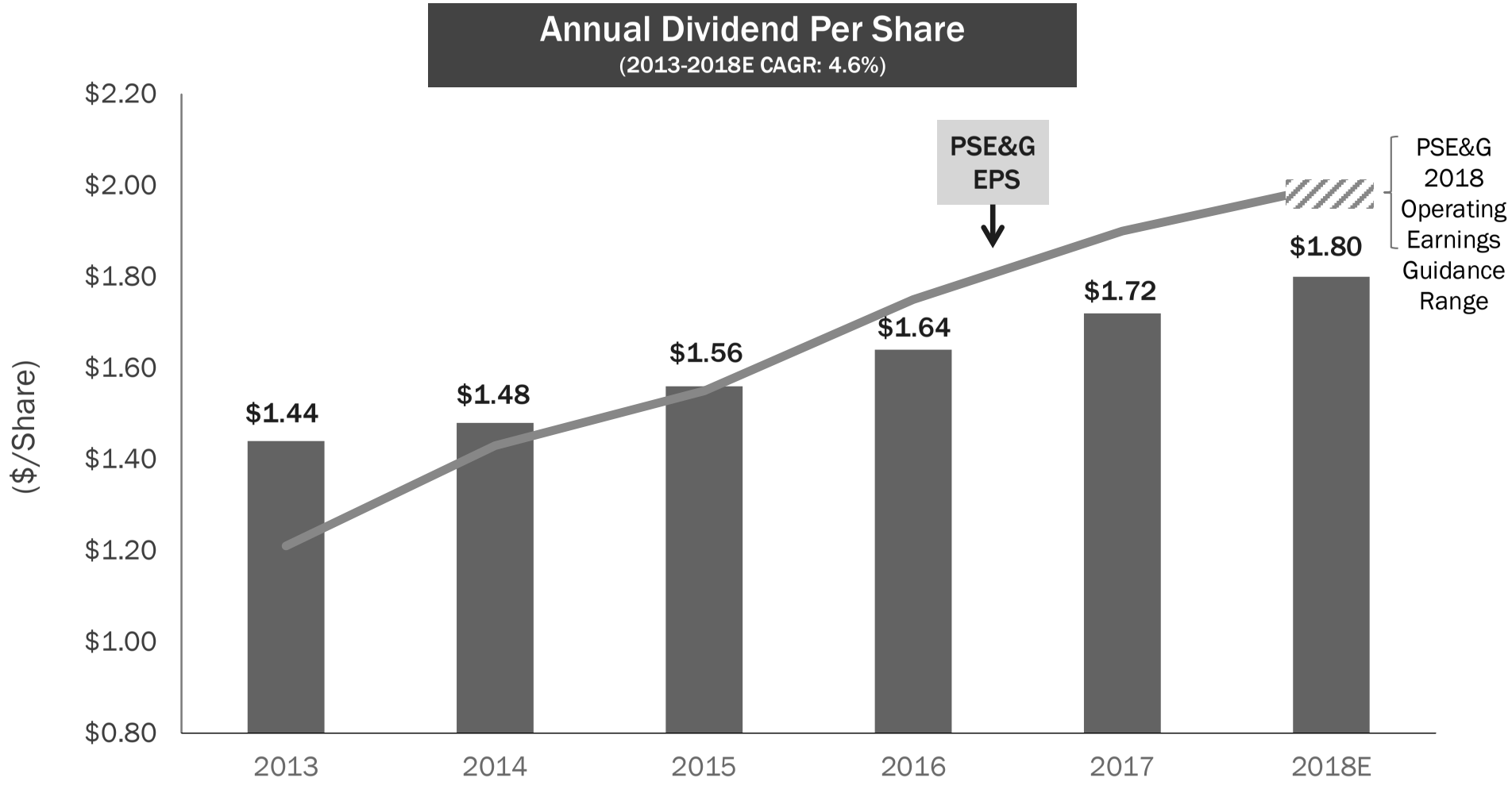
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-10082

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

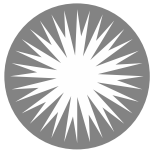
SI-SSA-0015-10083

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-10084

PSEG
APPENDIX

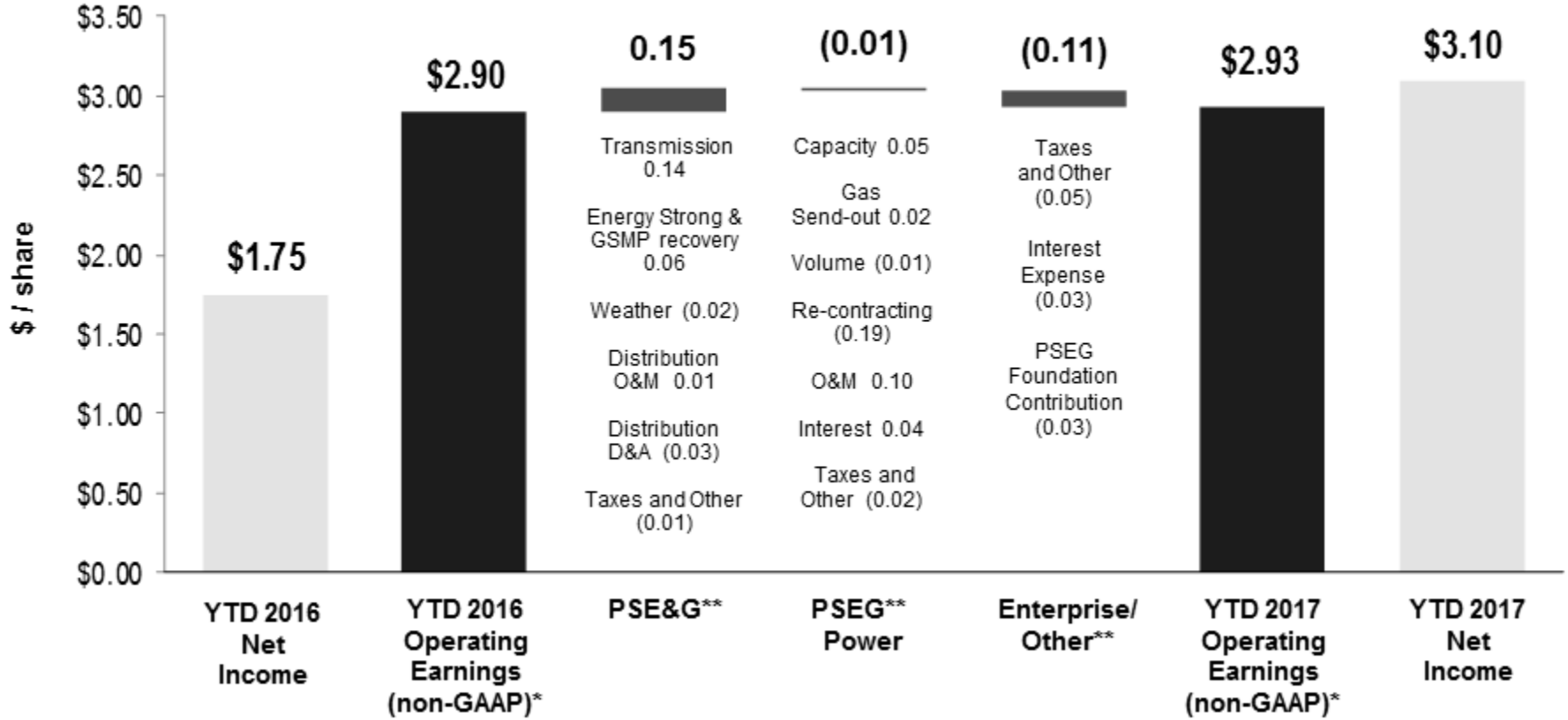


PSEG

We make things work for you.

PSEG EPS Reconciliation – 2017 vs. 2016

Utility investment and cost control drove full-year 2017 results



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PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **PRIOR QUARTER RESULTS MAY NOT ADD TO YEAR-TO-DATE TOTALS DUE TO ROUNDING.

PSEG – Financial Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*SEE SLIDES A, B and C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP) FOR PSEG, PSE&G, PSEG POWER AND PSEG ENTERPRISE/OTHER.

SI-SSA-0015-10087

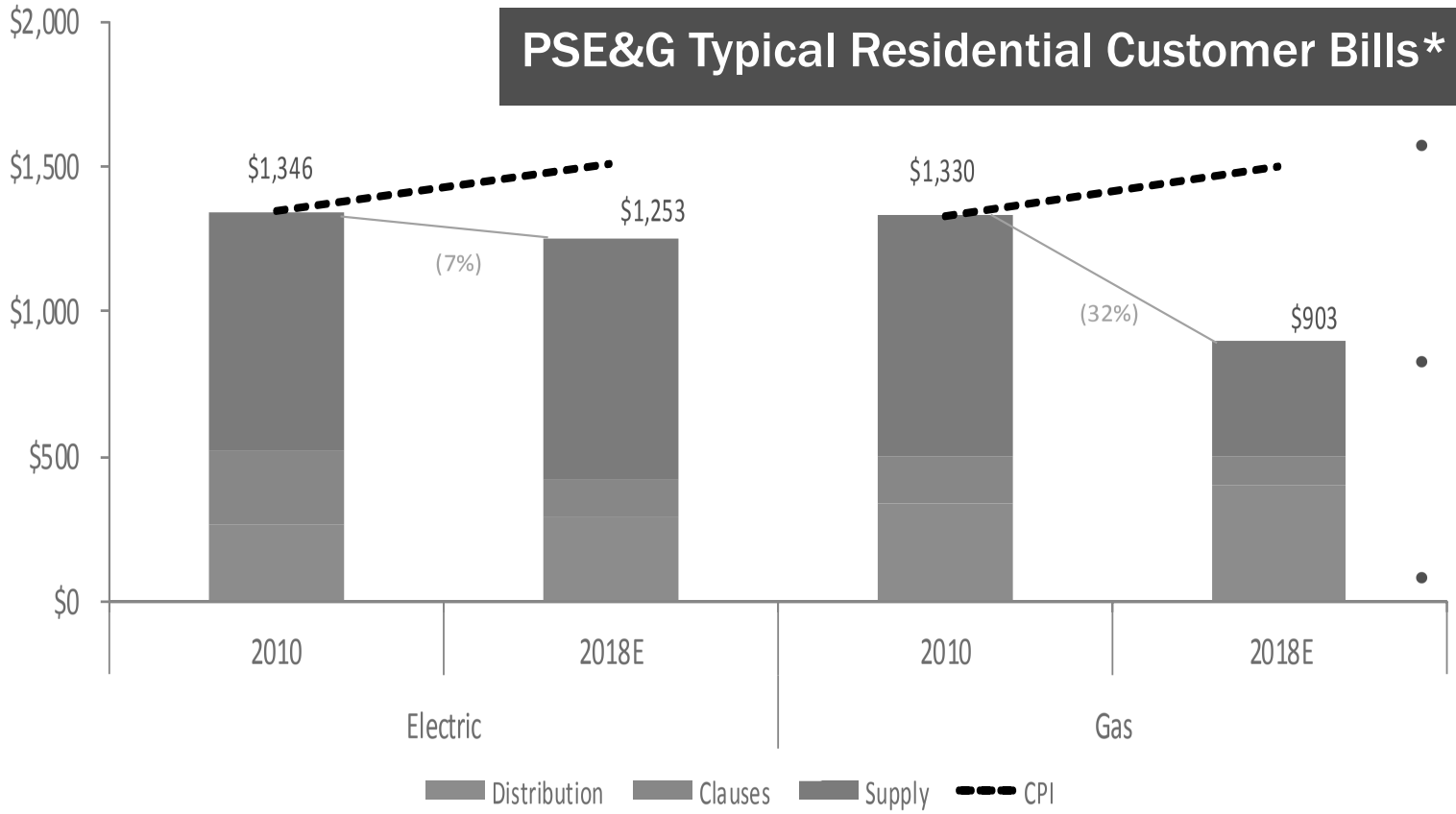
Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

SI-SSA-0015-10088

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

SI-SSA-0015-10089

PSEG

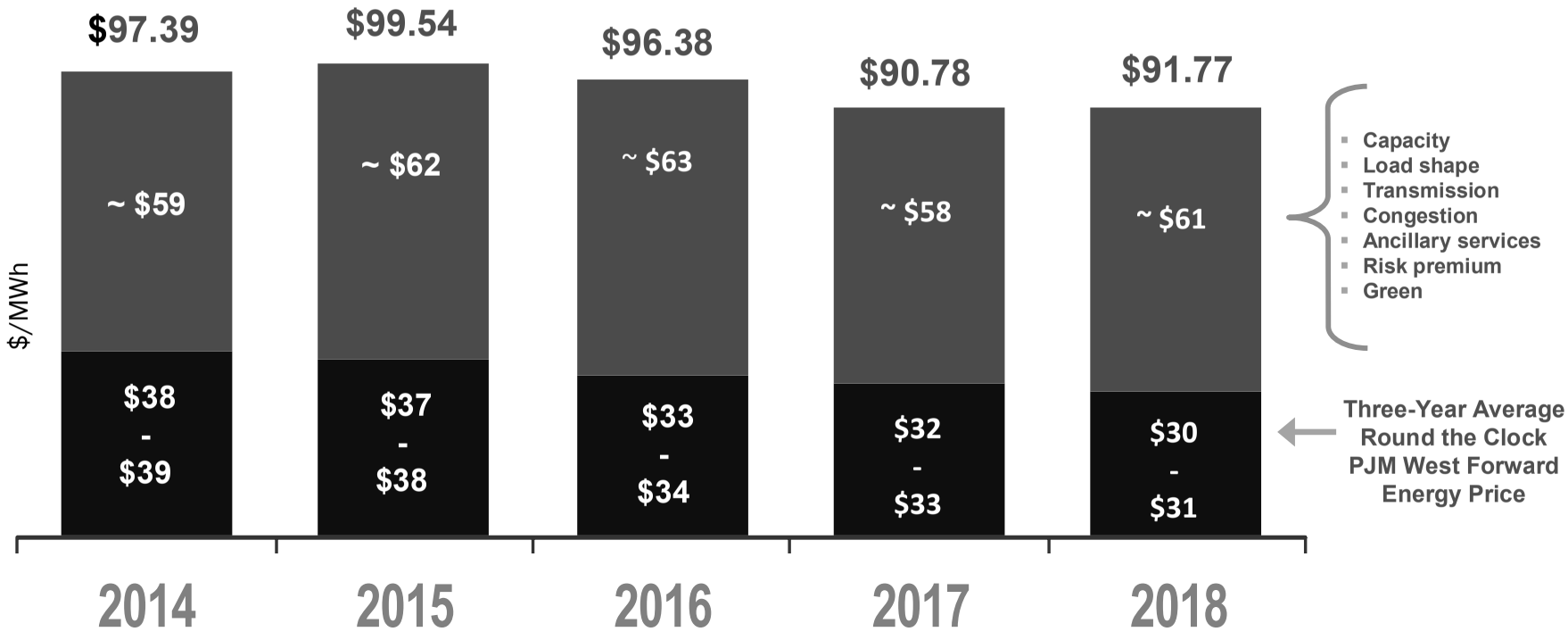
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

SI-SSA-0015-10090

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-10092

Tax Cuts and Jobs Act: PSEG well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-10093

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

Morningstar - 2014 Management Behind the Moat Conference

CHICAGO – SEPTEMBER 18, 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10097

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-10098

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-10099

PSEG OVERVIEW

Ralph Izzo
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-10100

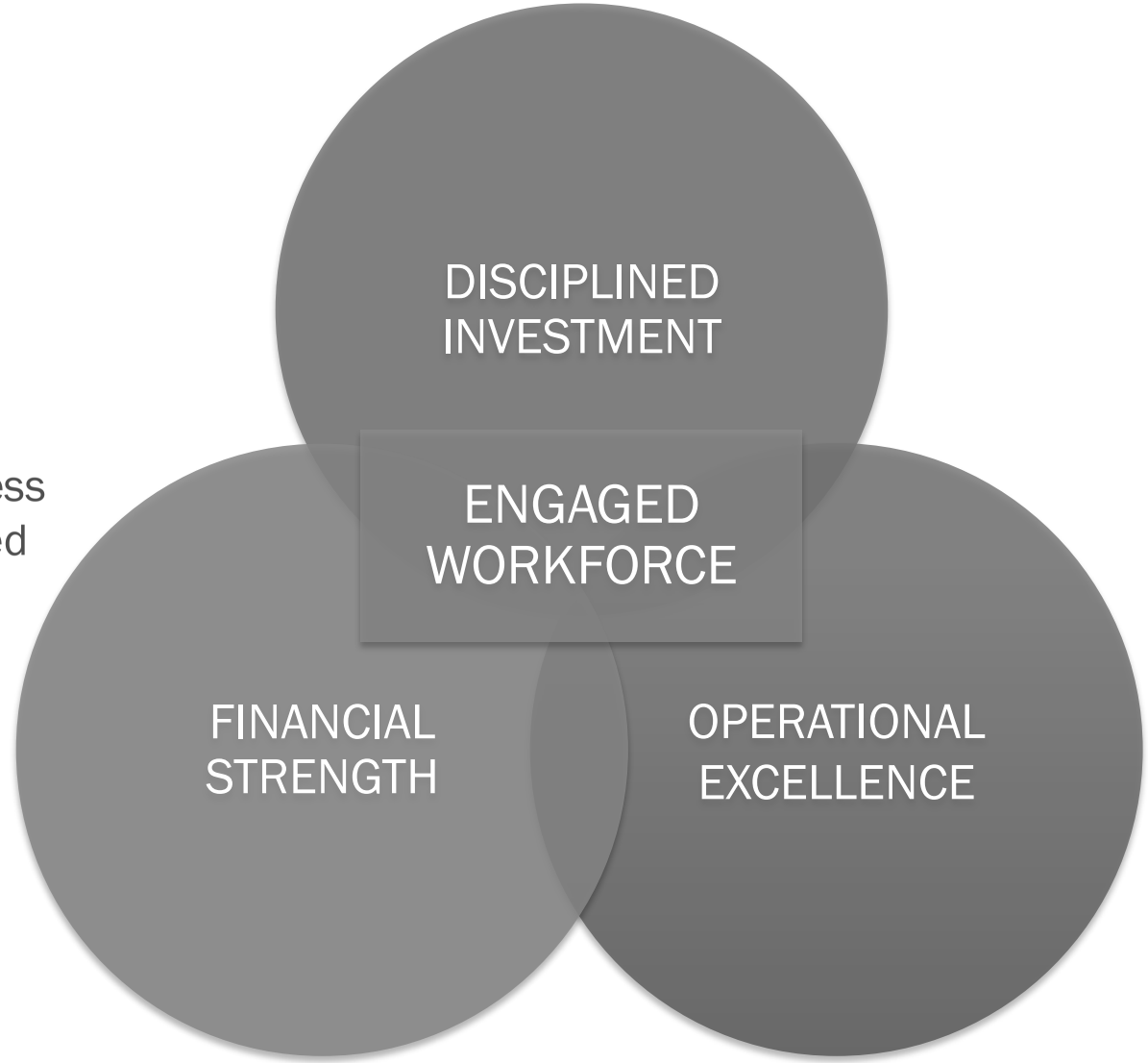
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

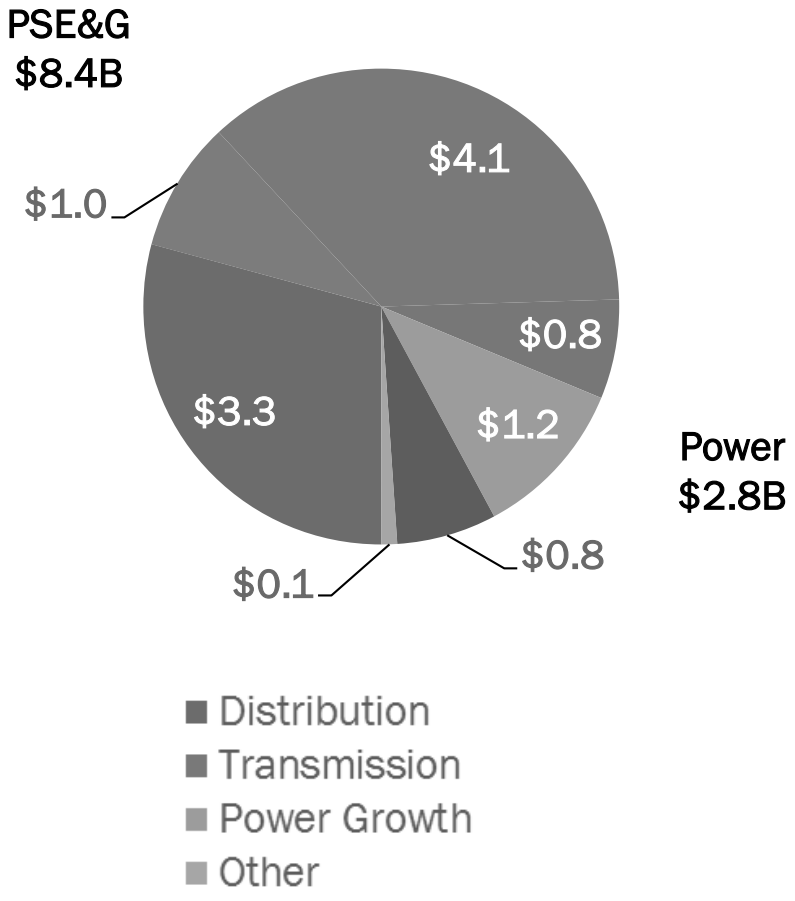
PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

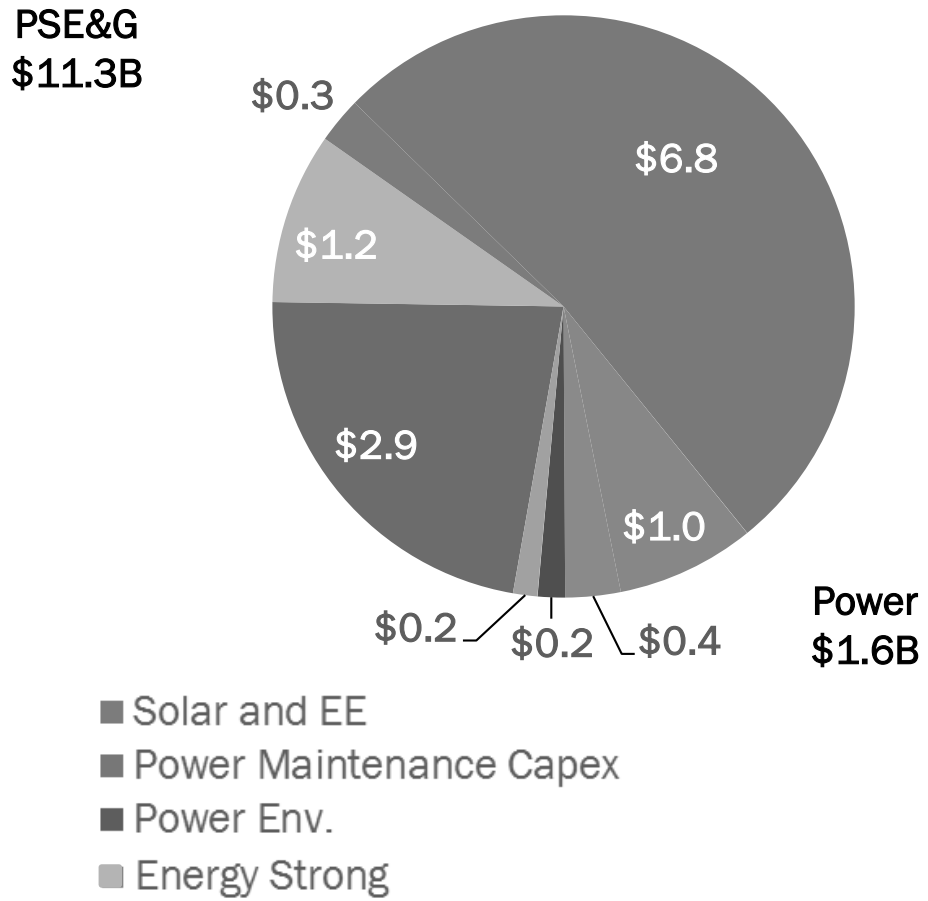
SI-SSA-0015-10102

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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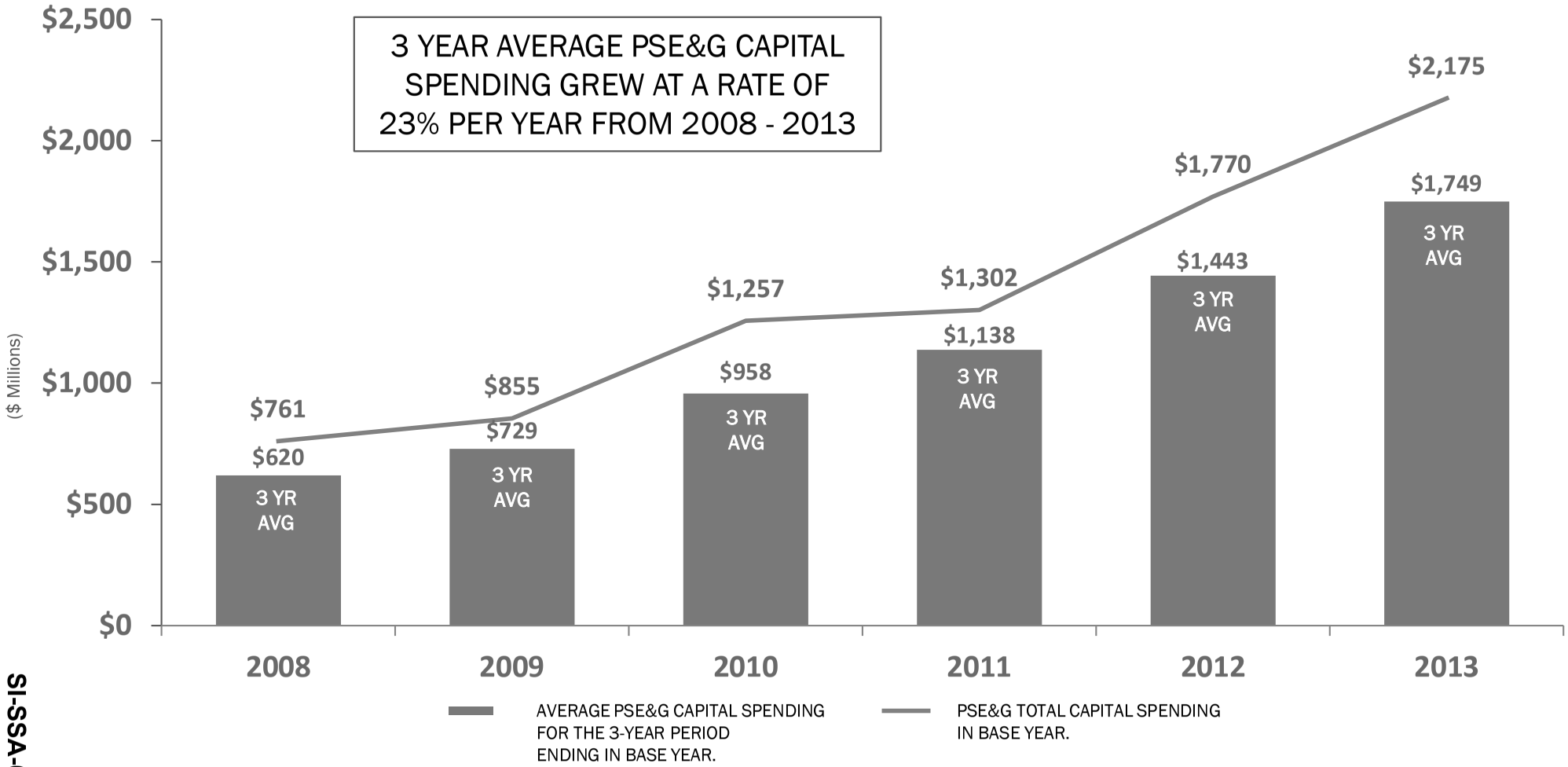
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



SI-SSA-0015-10104

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

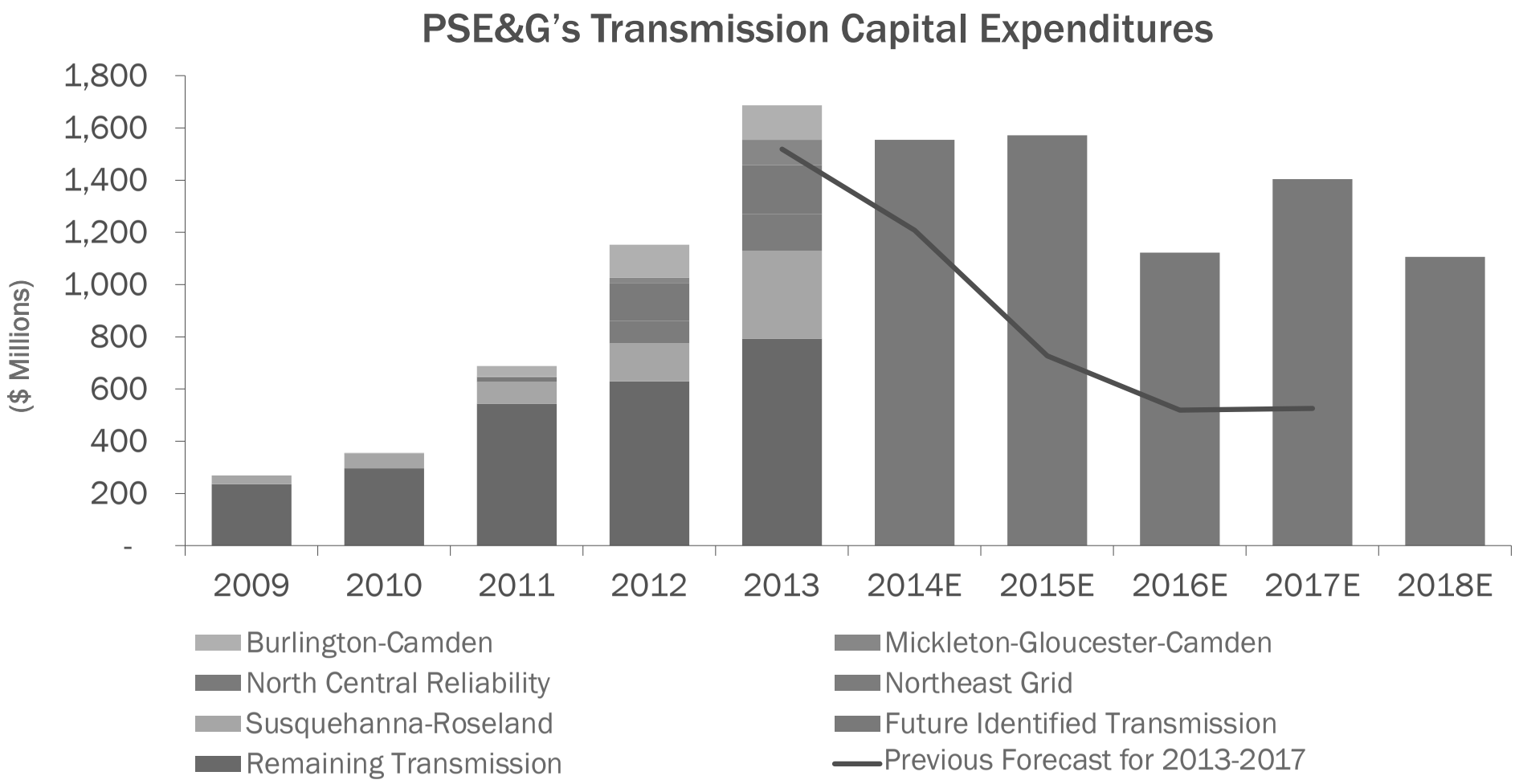
Invested ~$2.0B through 2013 → Plan to invest additional ~$1.6B through 2018 in approved programs → Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

SI-SSA-0015-10105

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

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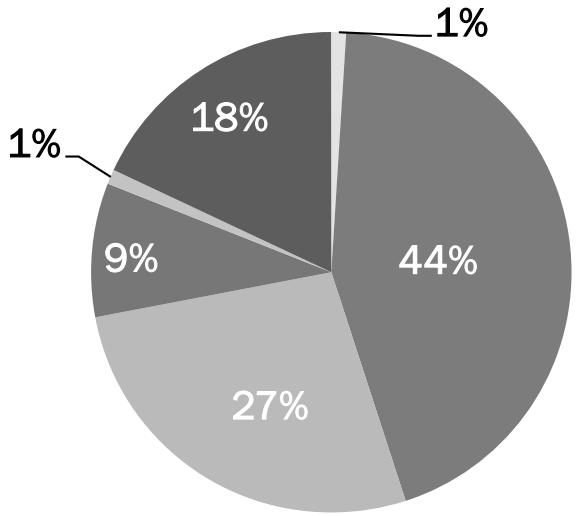
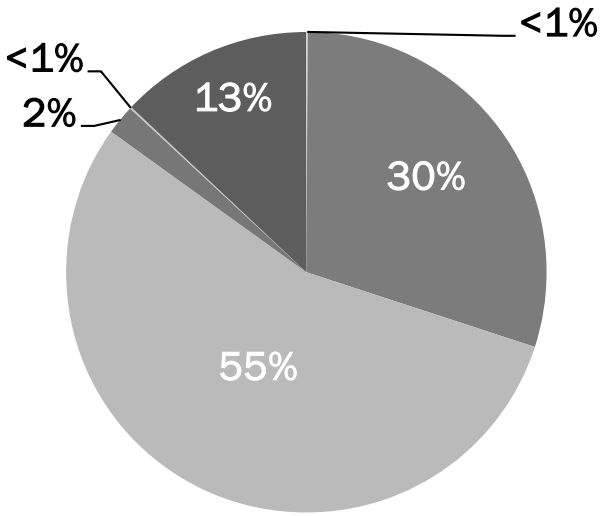
PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

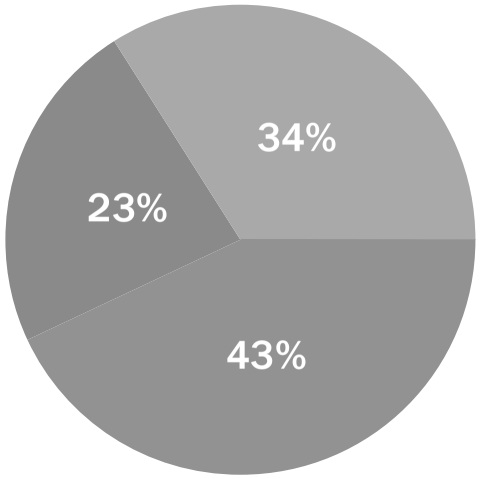
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

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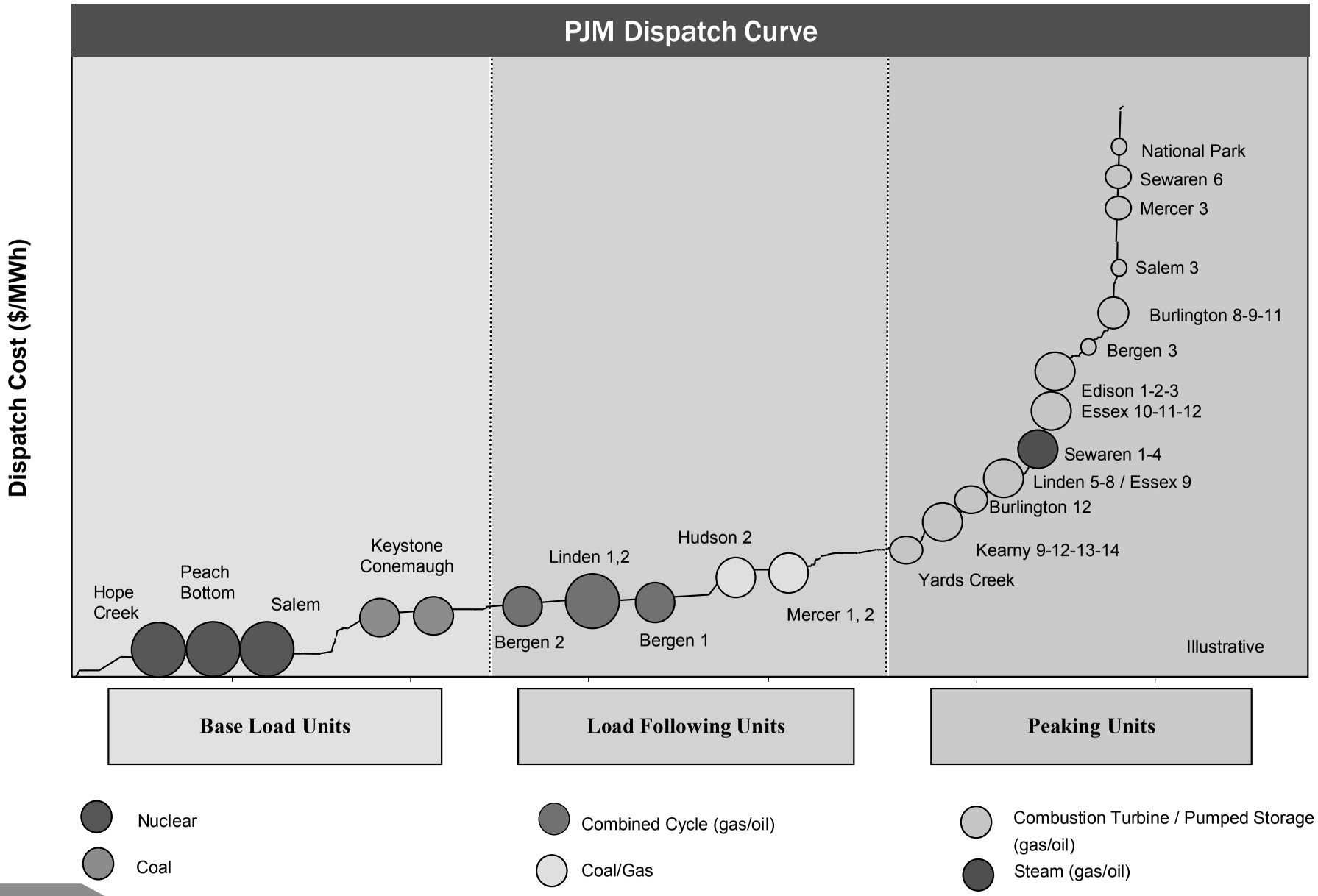
Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



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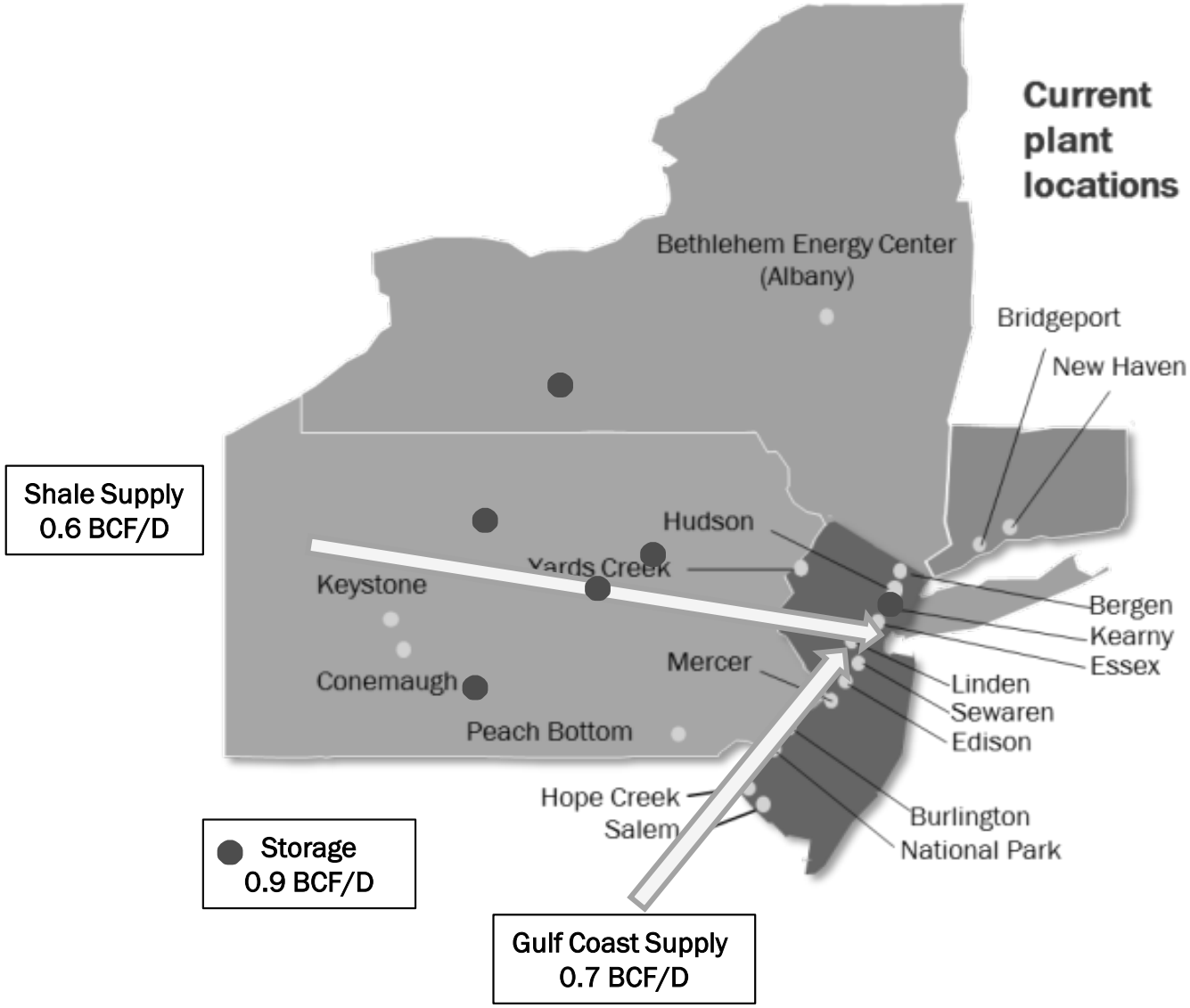
Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



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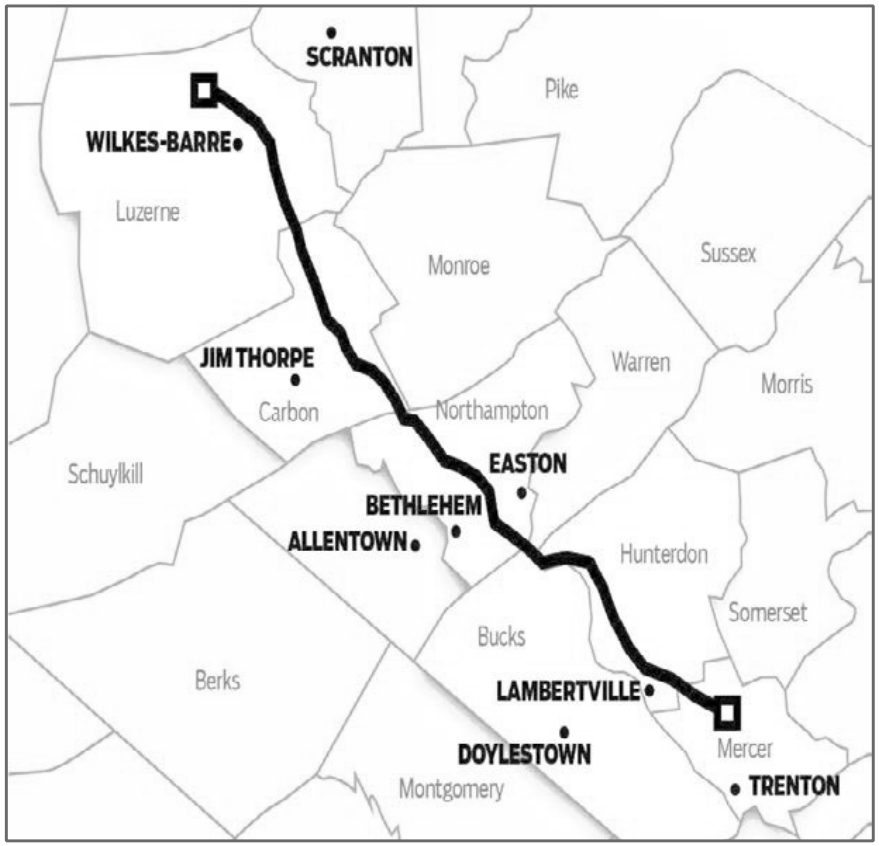
Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



- PSEG plans to invest $100 - $120 million for a 12% equity interest in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors have committed to offtake ~500mmcf/day
- PSEG and its customers would benefit from the displacement of higher-cost, Gulf Coast gas supply
- Targeted in-service date is November 2017

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Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-10111

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

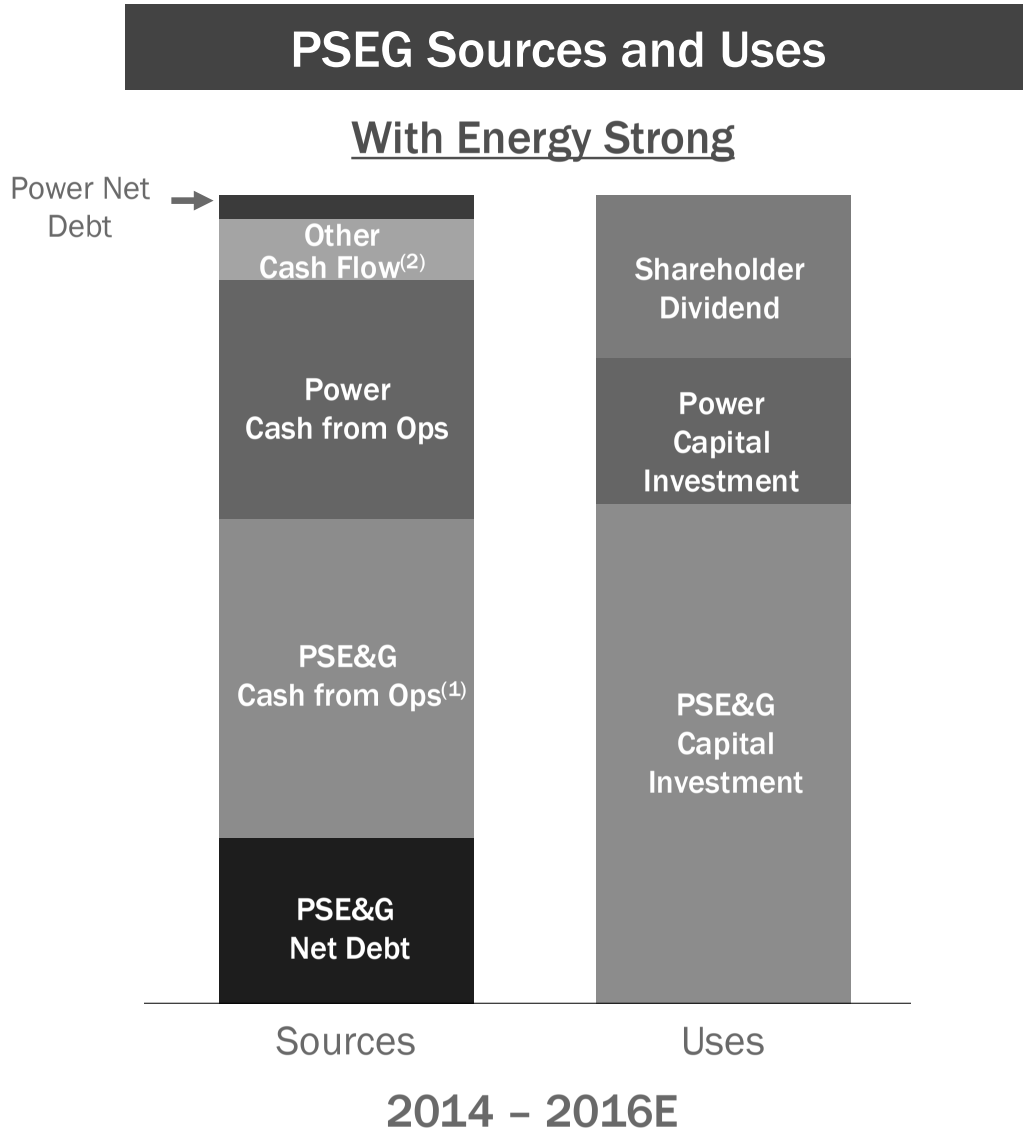
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-10112

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

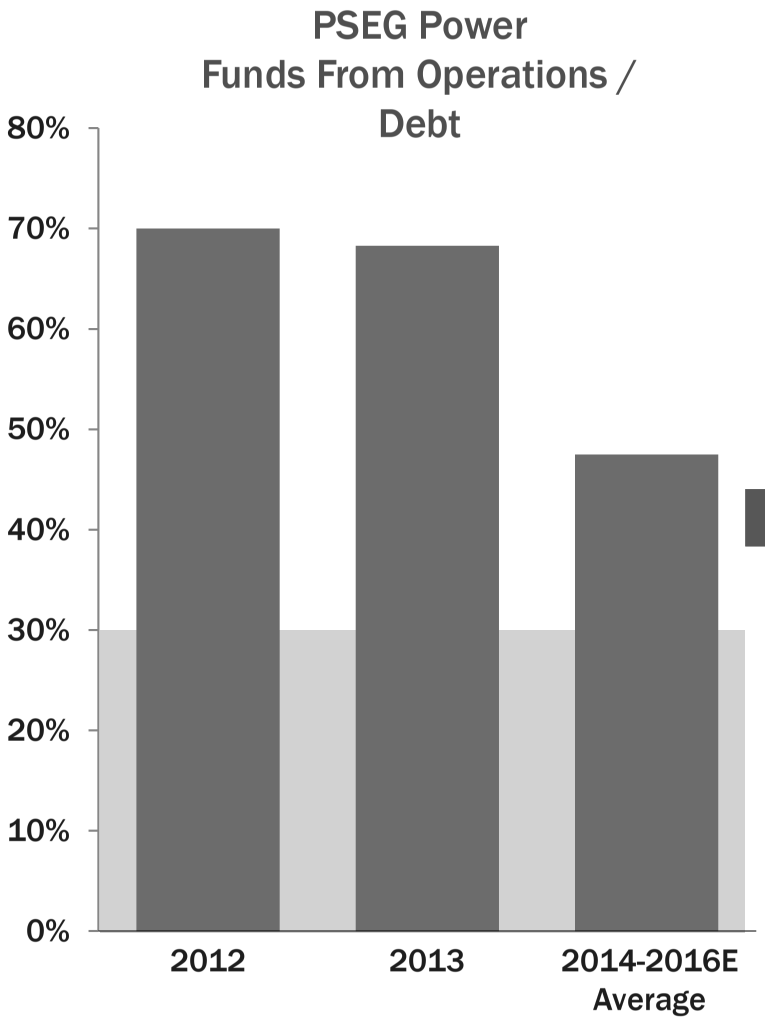
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-10113

Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

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Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

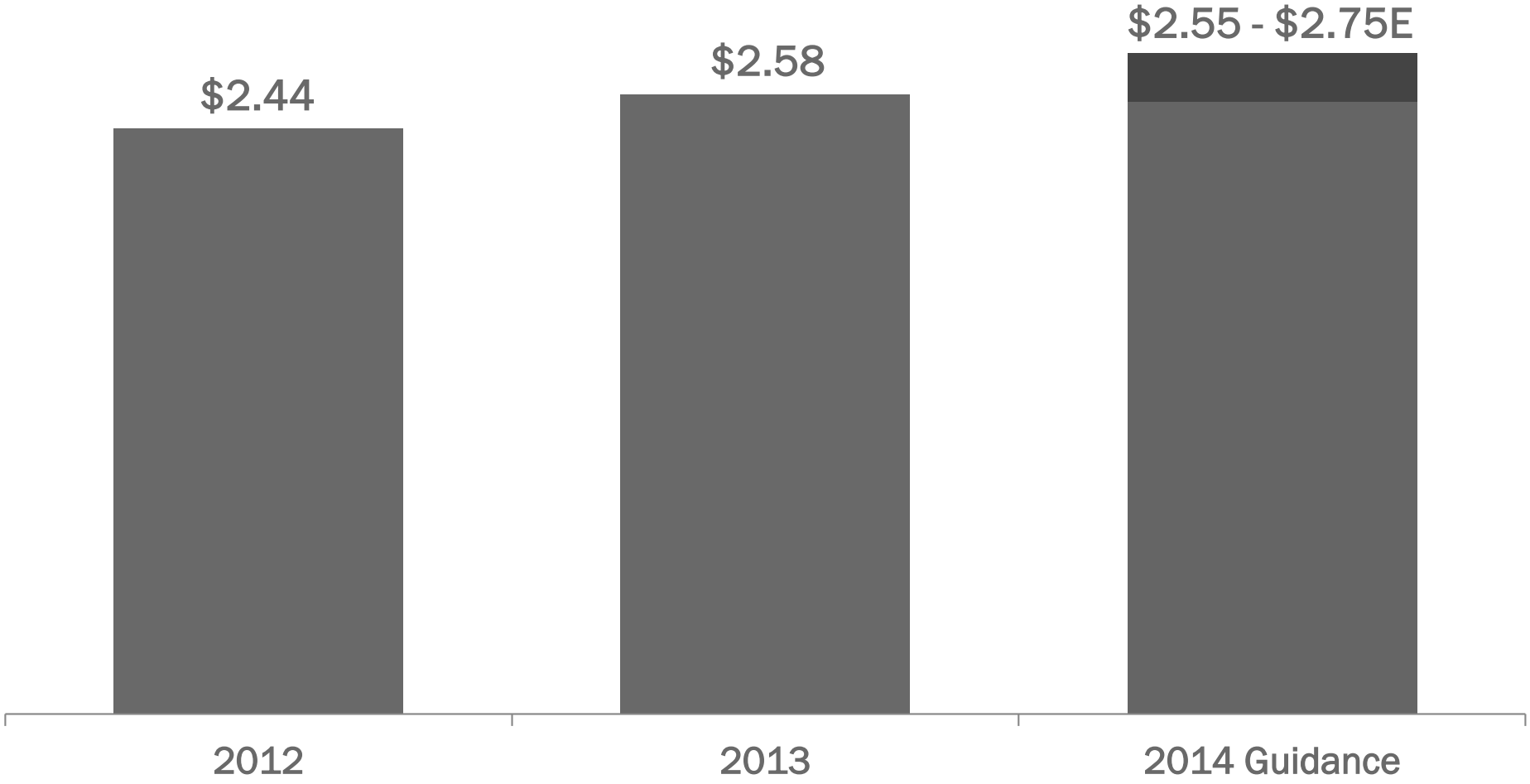
SI-SSA-0015-10115

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

PSEG 2014 Operating Earnings expected to be at the upper end of guidance range

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



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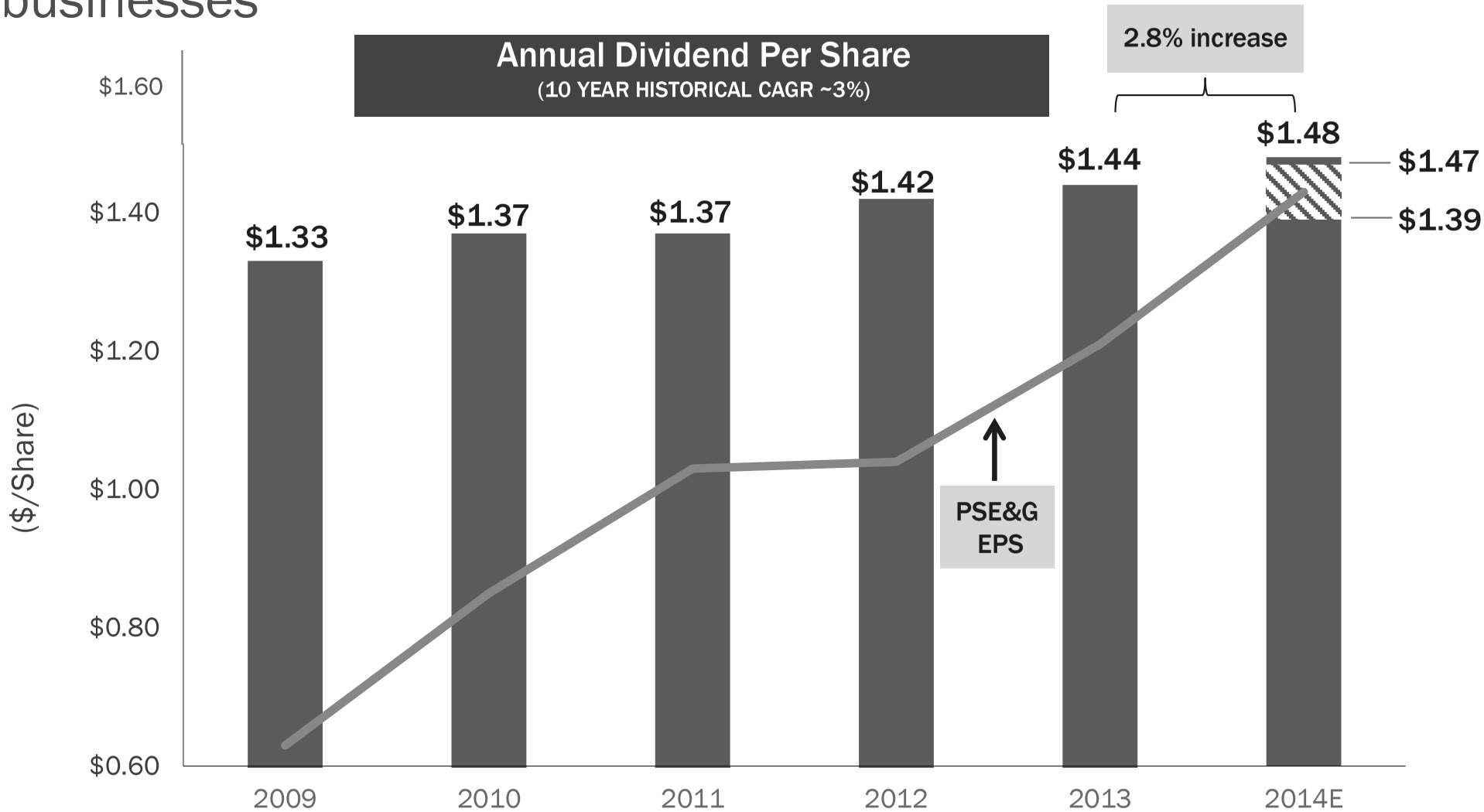
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-10118

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Appendix

SI-SSA-0015-10119

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

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PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Summary

MUFG 2017 UTILITY INVESTOR DAY

NEW YORK CITY – MARCH 29, 2017

SI-SSA-0015-10121

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

PSEG

We make things work for you.

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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SI-SSA-0015-10122

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of March 6, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-10123

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Brad Huntington

VICE PRESIDENT AND TREASURER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-10124

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 Assets $26B Net Income $889M	2016 Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

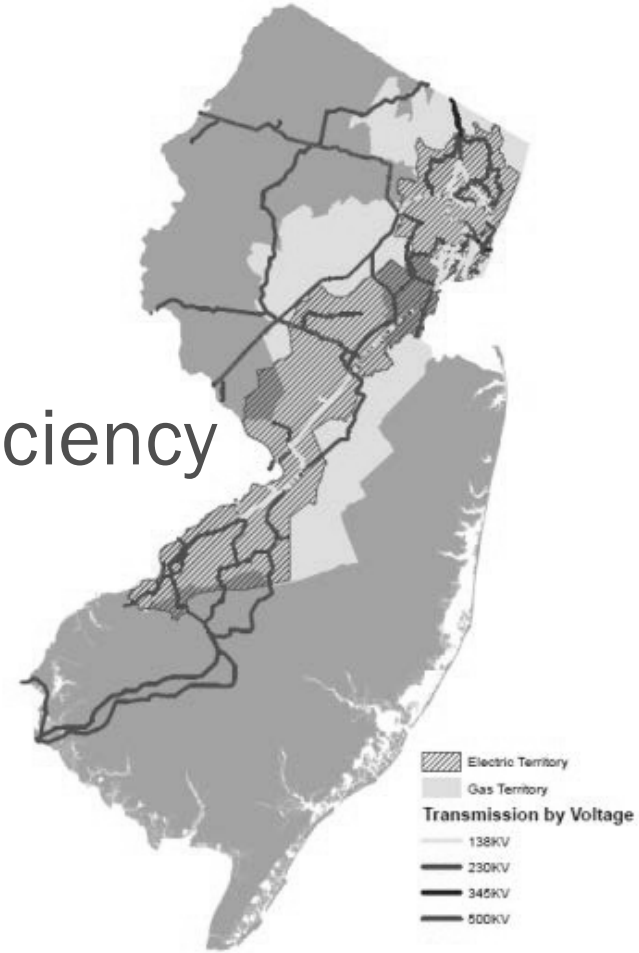
SI-SSA-0015-10125

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

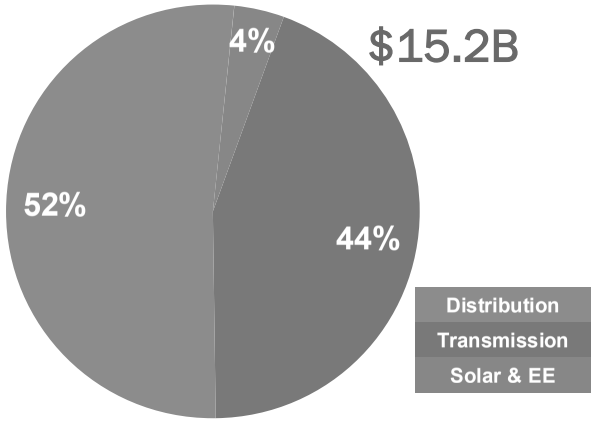
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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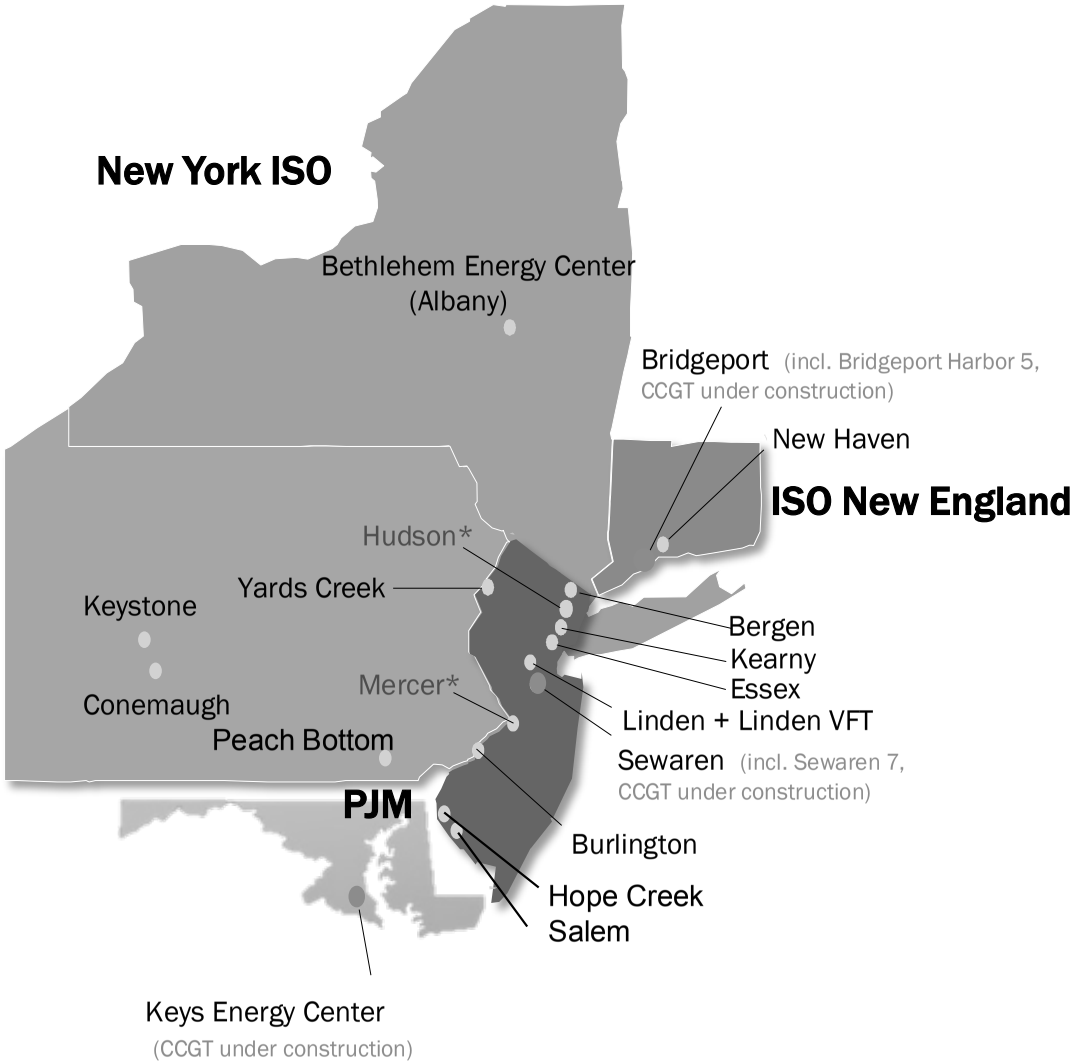
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-10127

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

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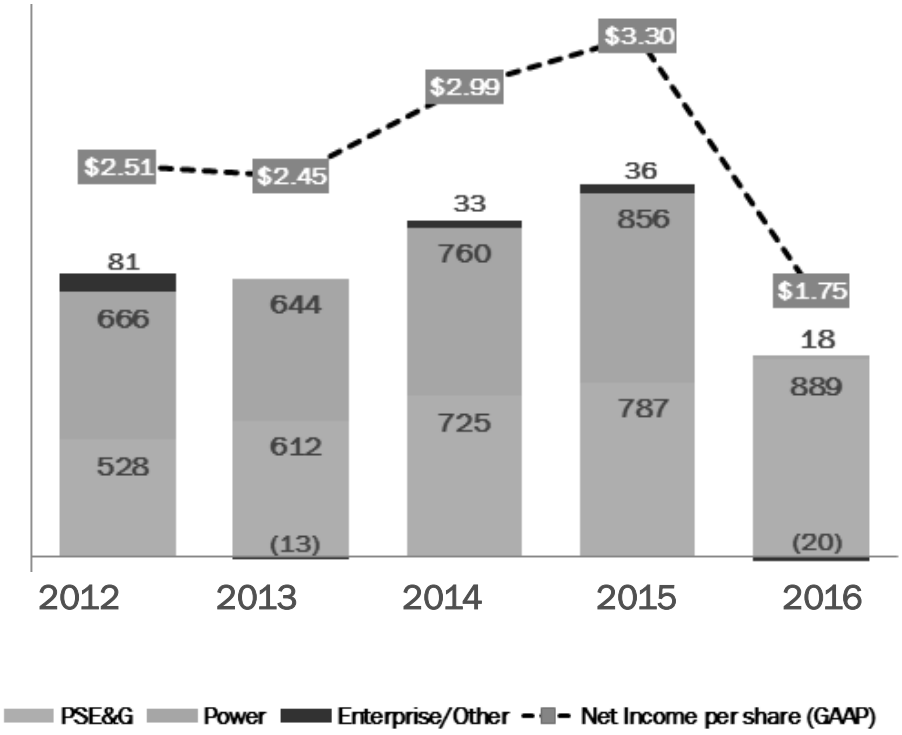
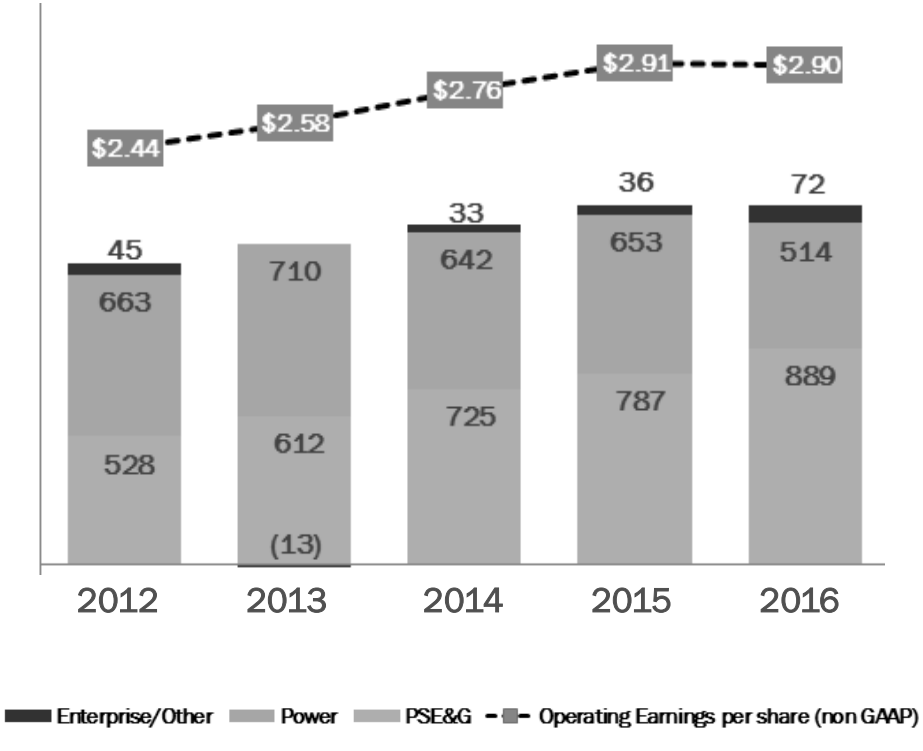
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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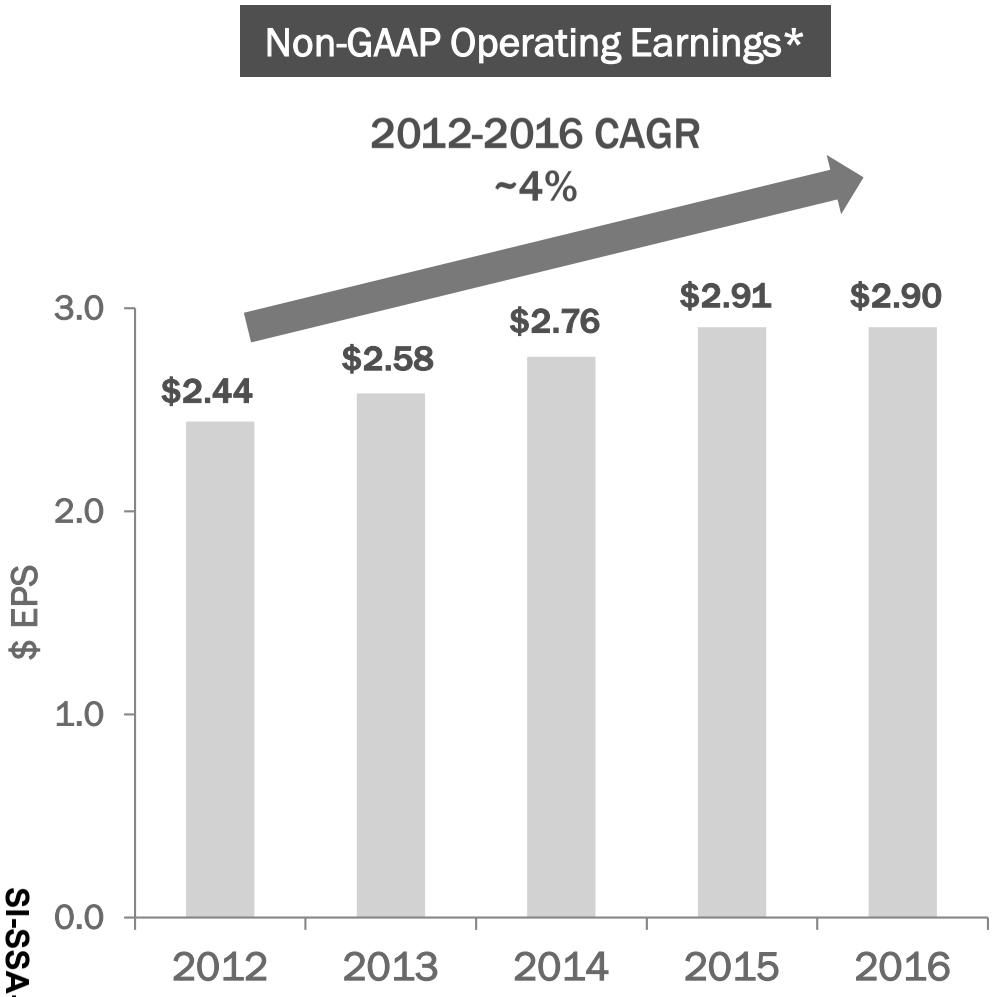
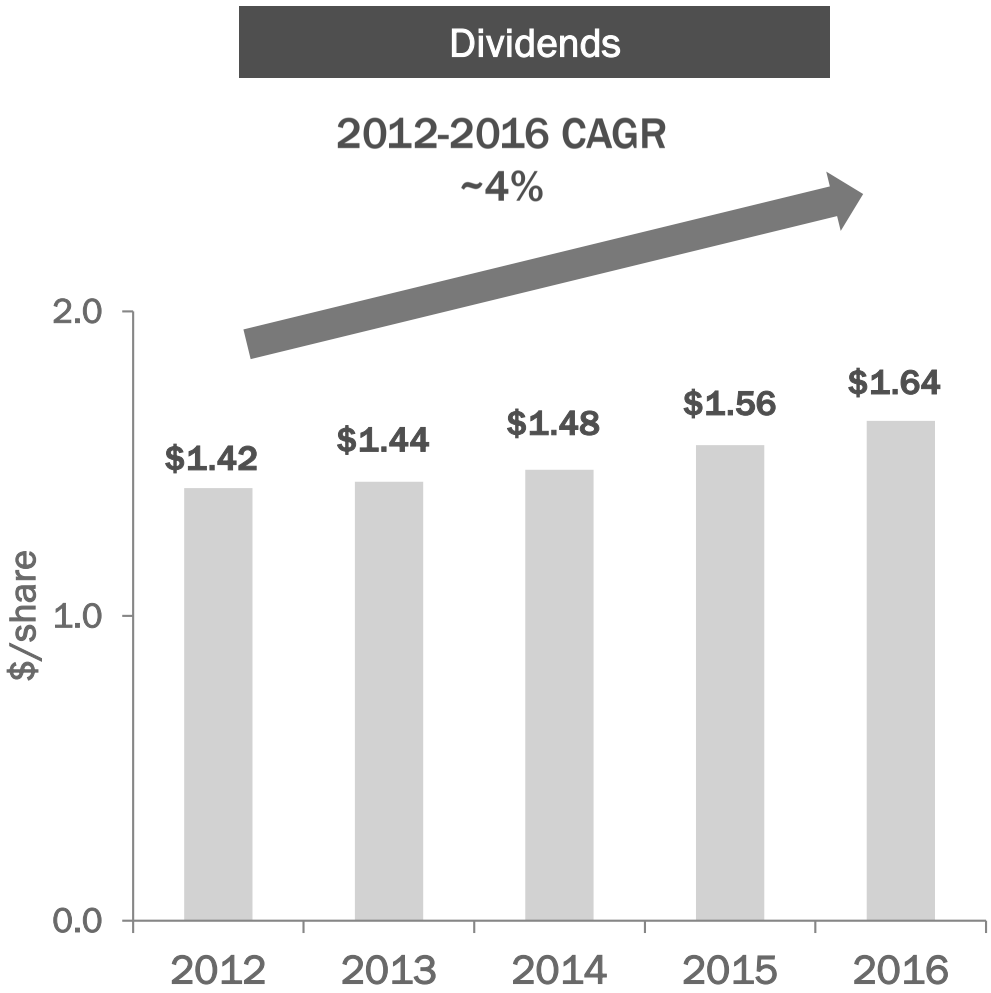
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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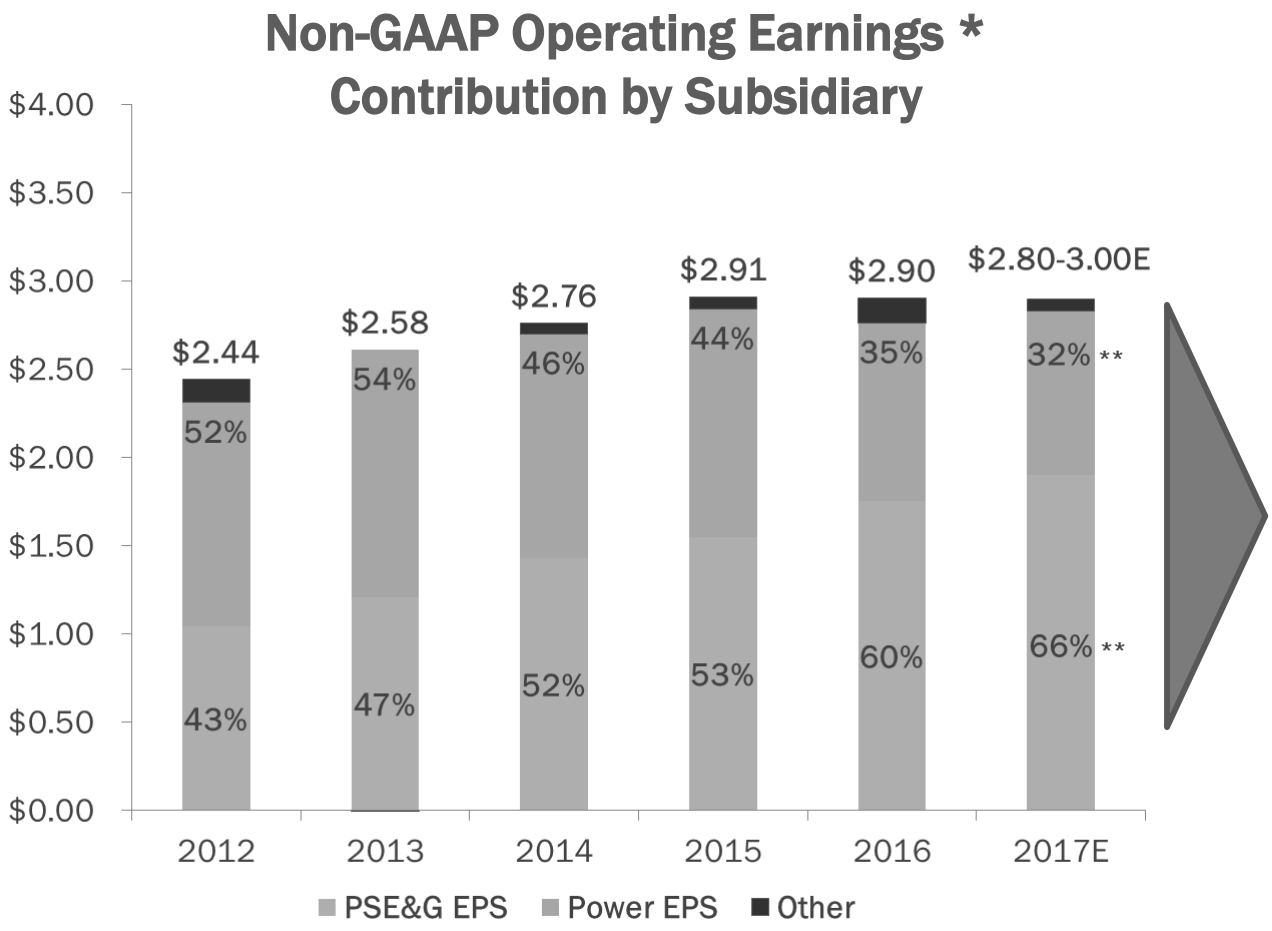
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

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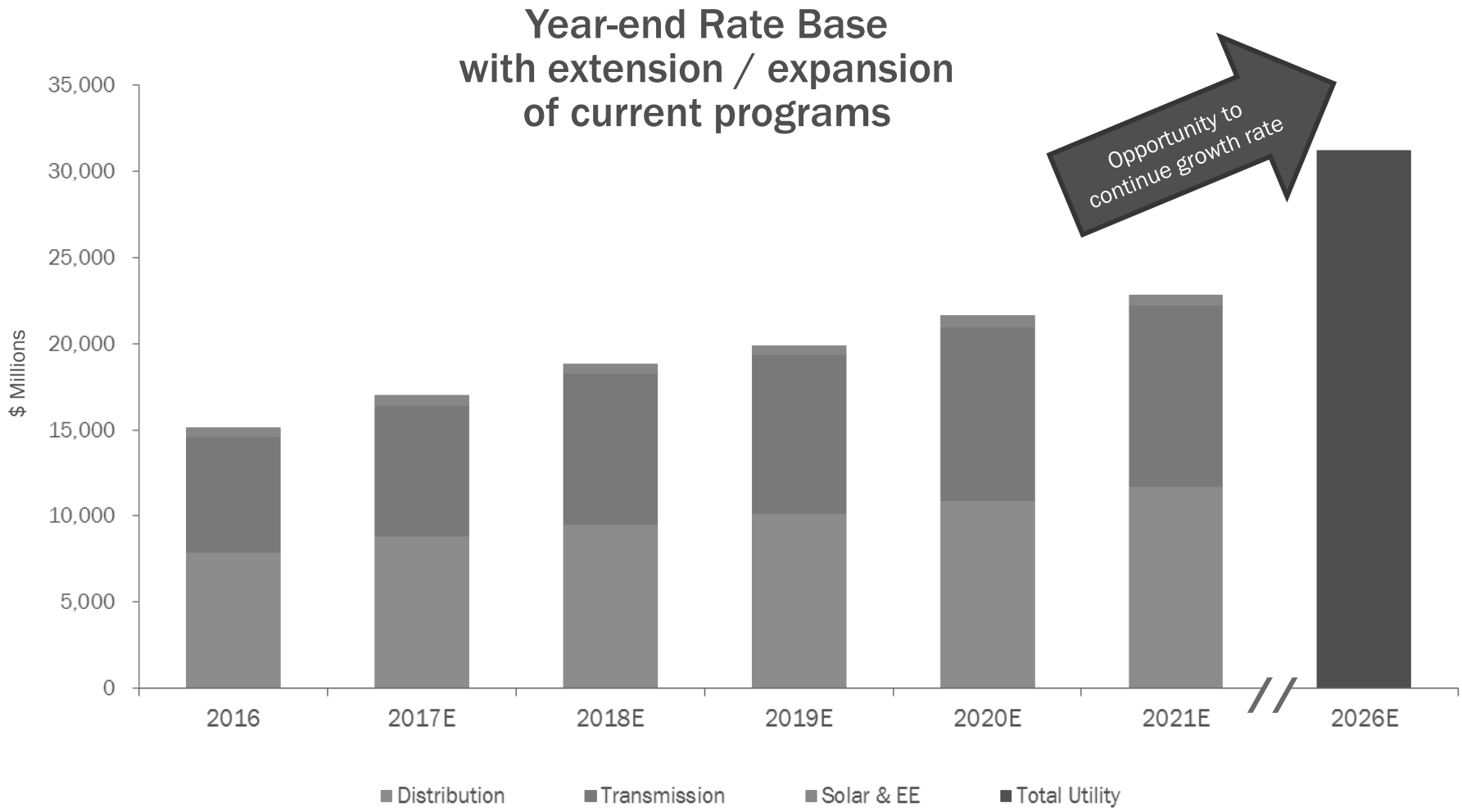
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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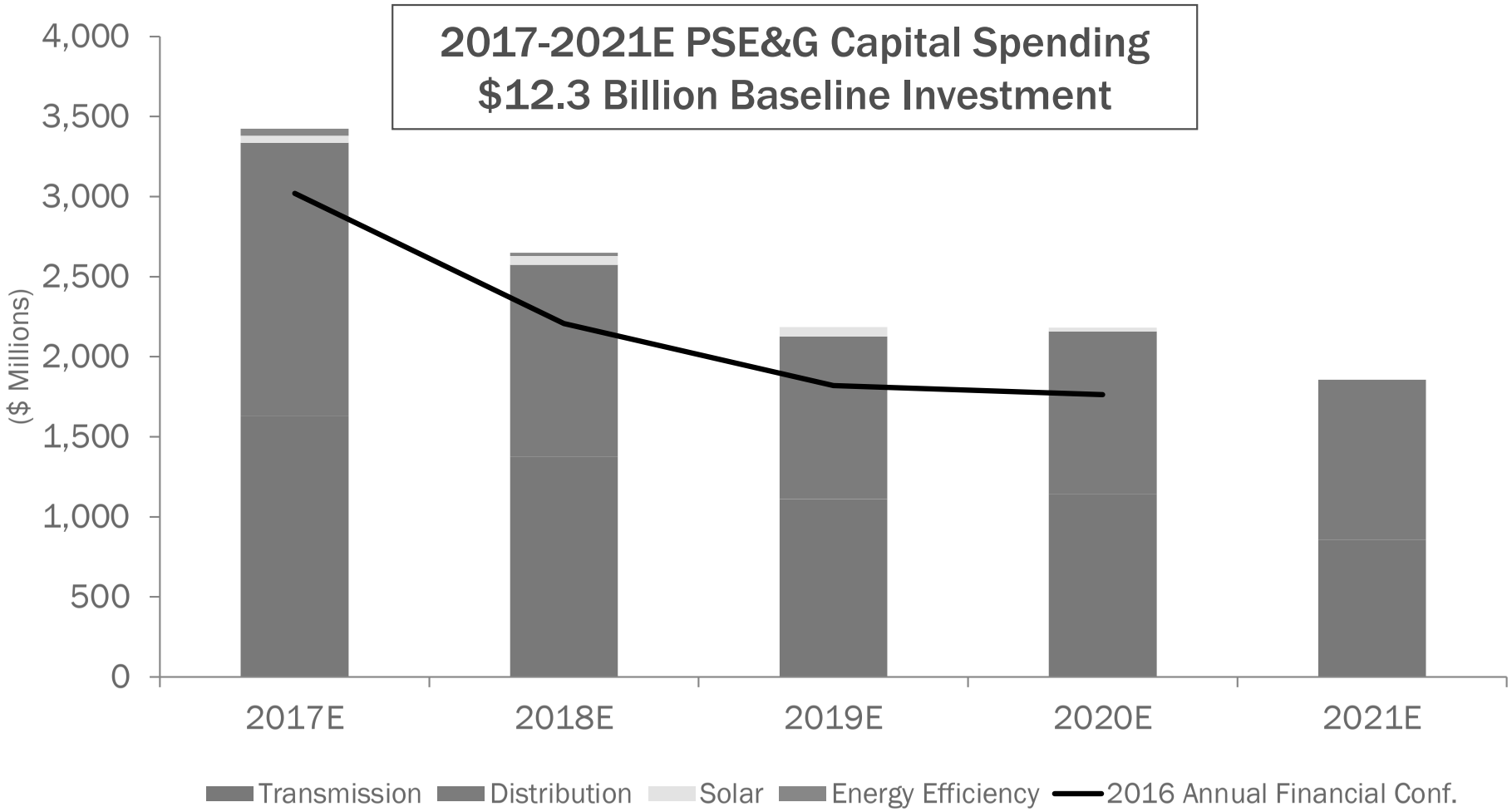
Baseline programs yield 7% compound annual growth in rate base



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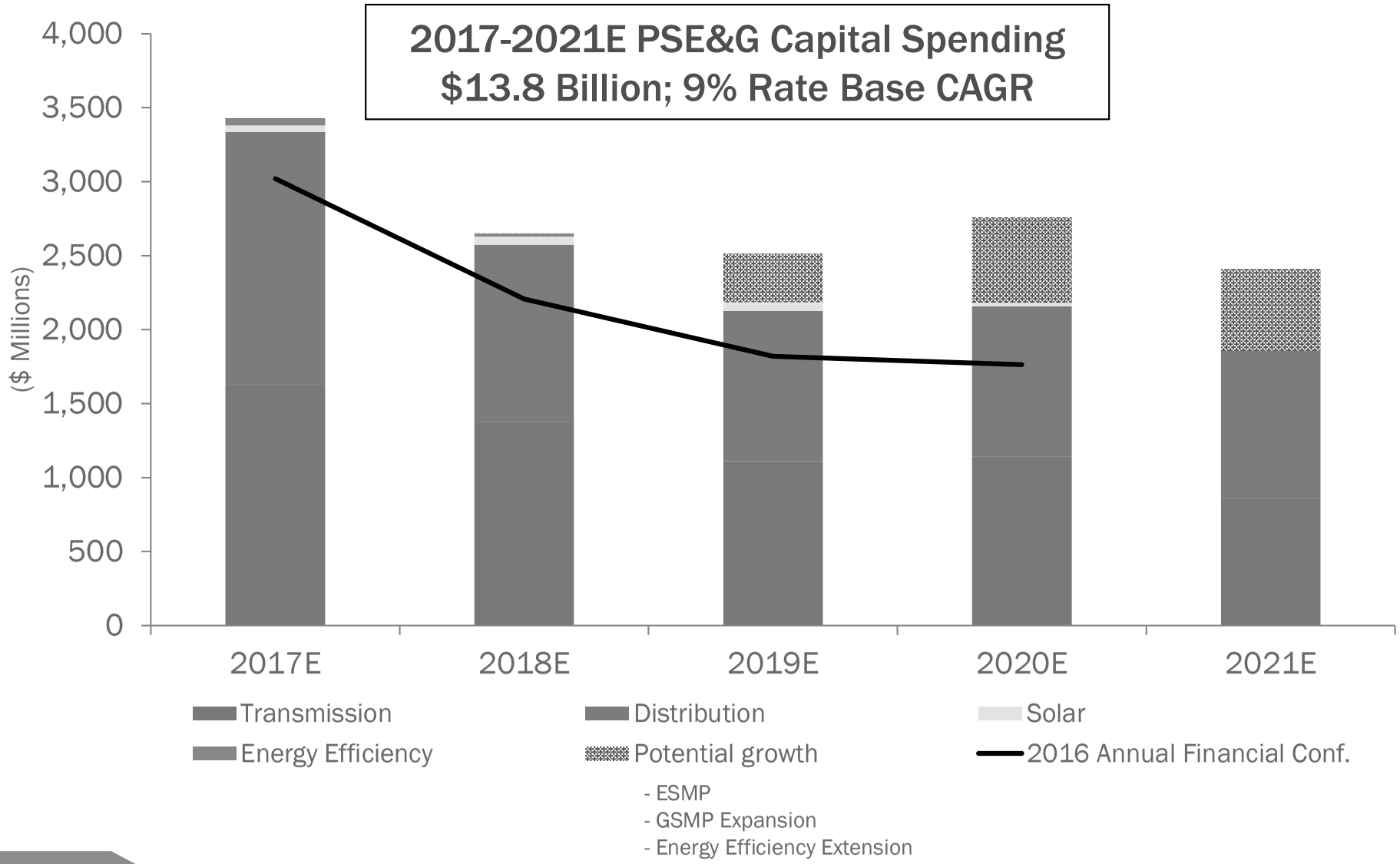
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-10134

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

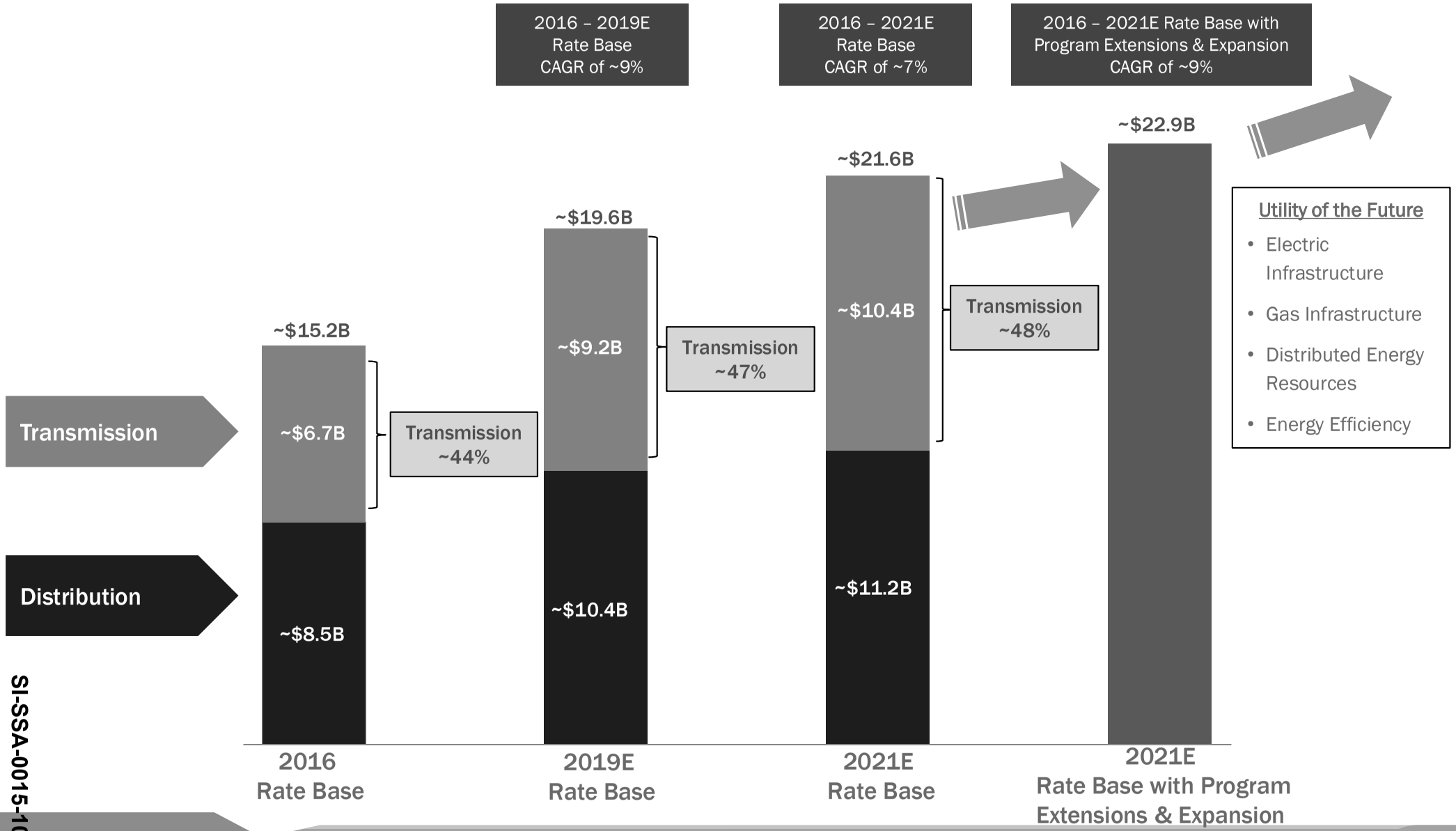
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-10135

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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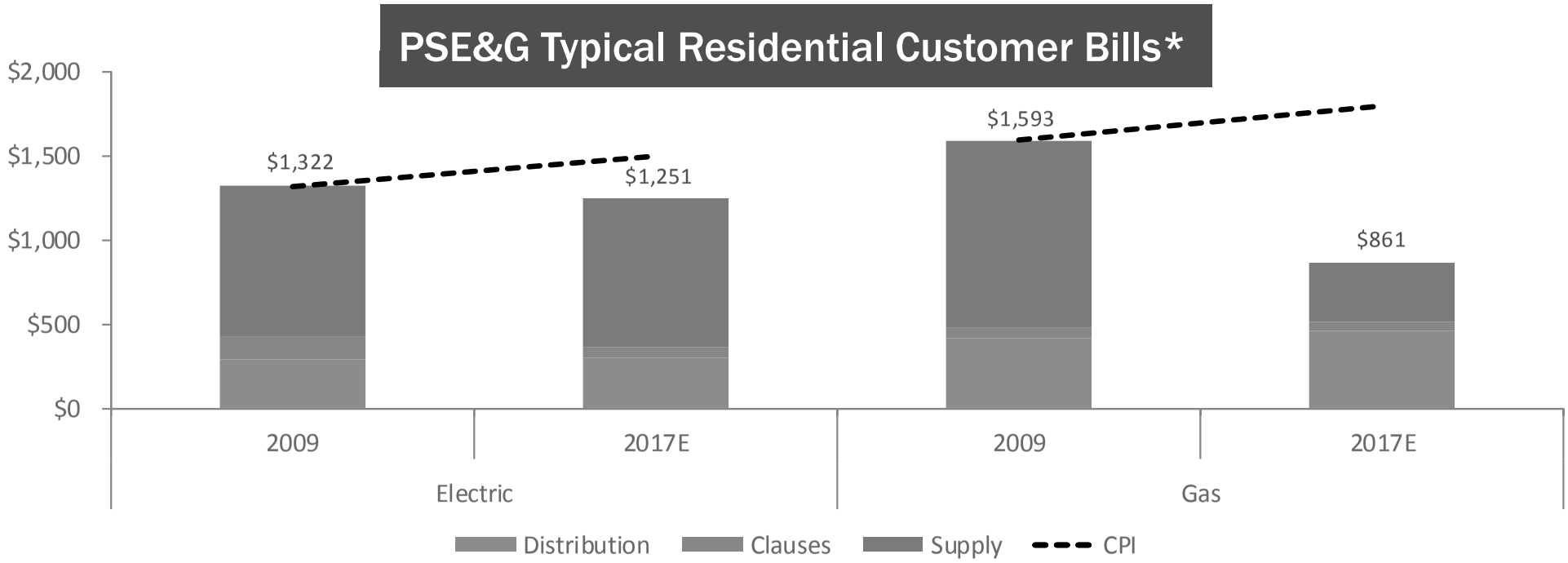
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

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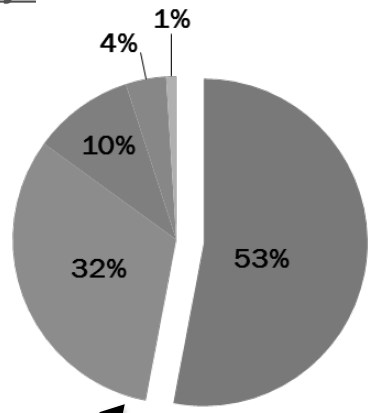
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

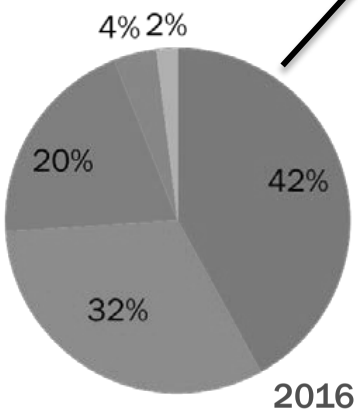
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

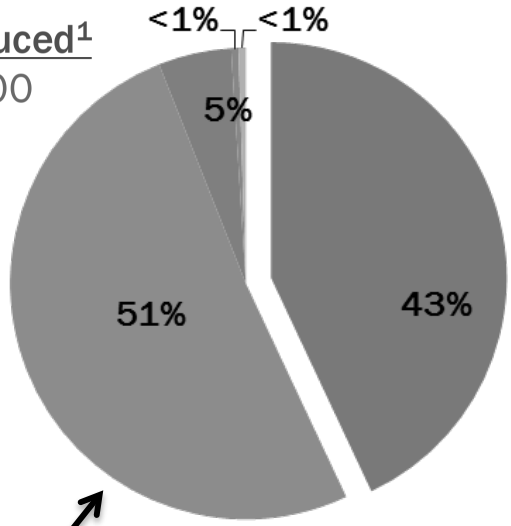
2021E Fuel Diversity[1]
Total MW: 11,900



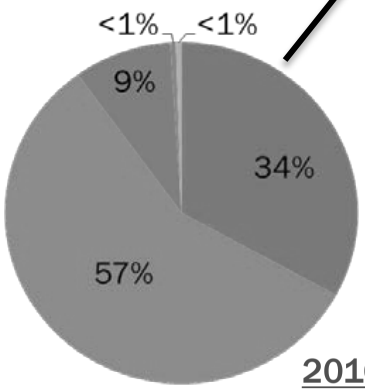
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



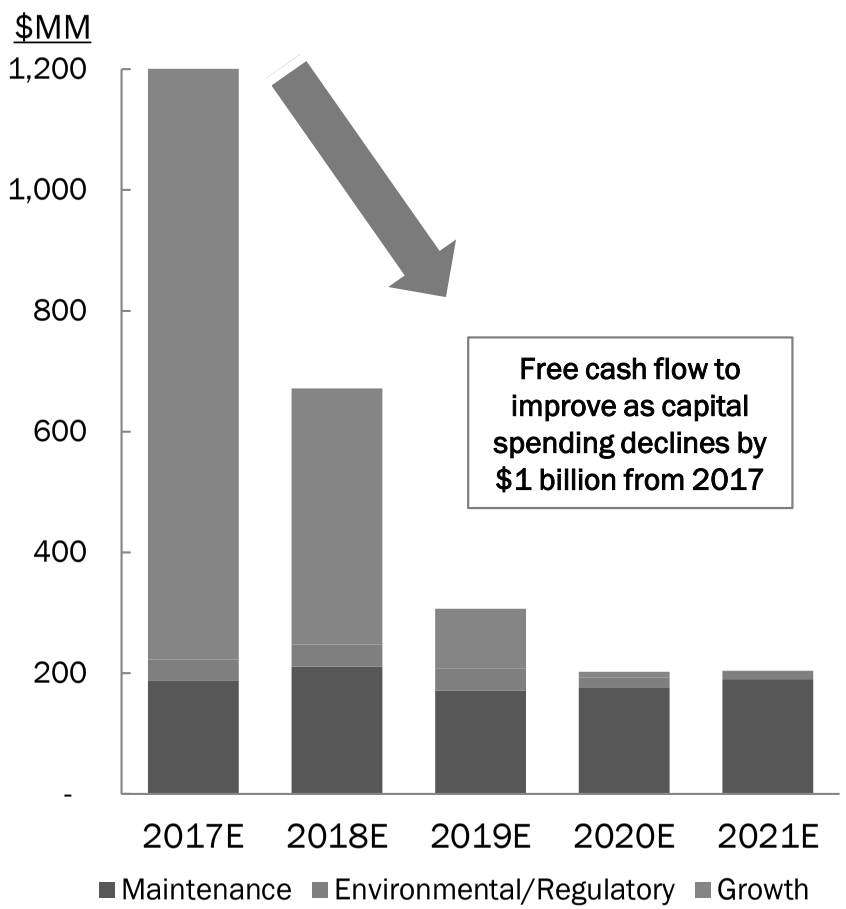
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Produced increases by >18%

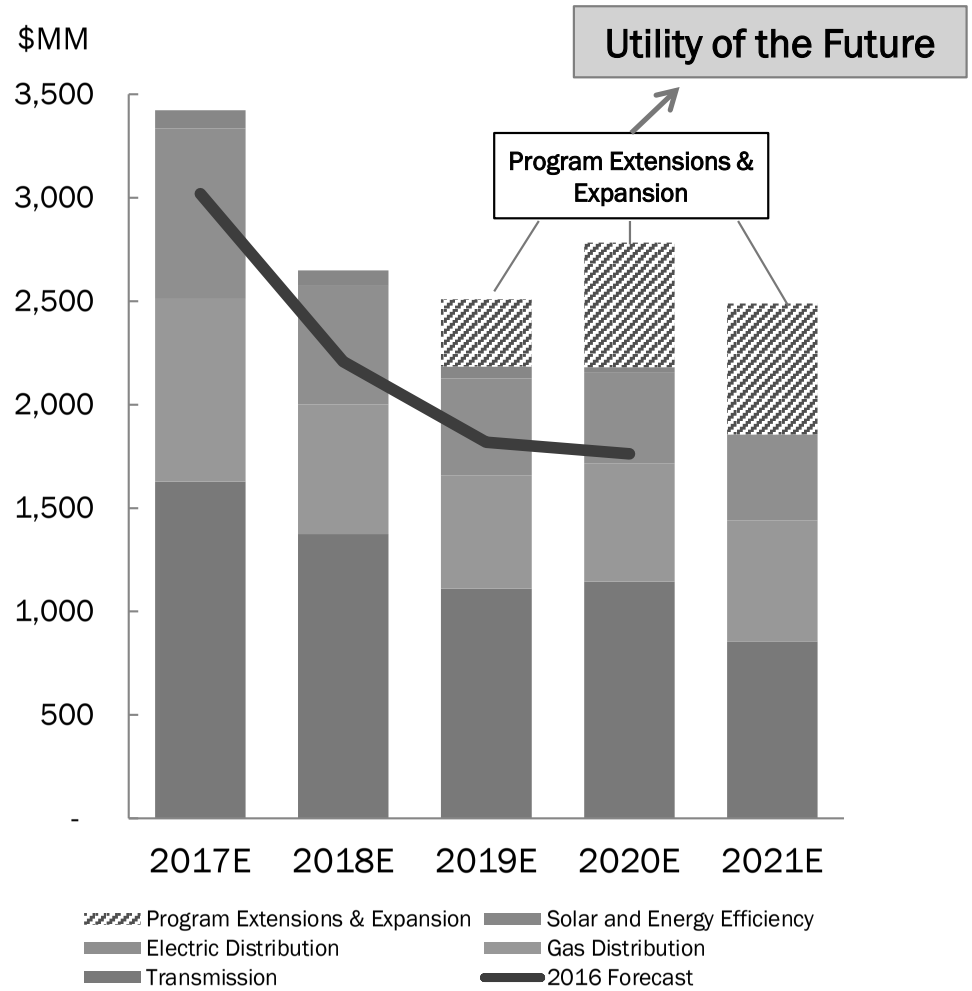
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



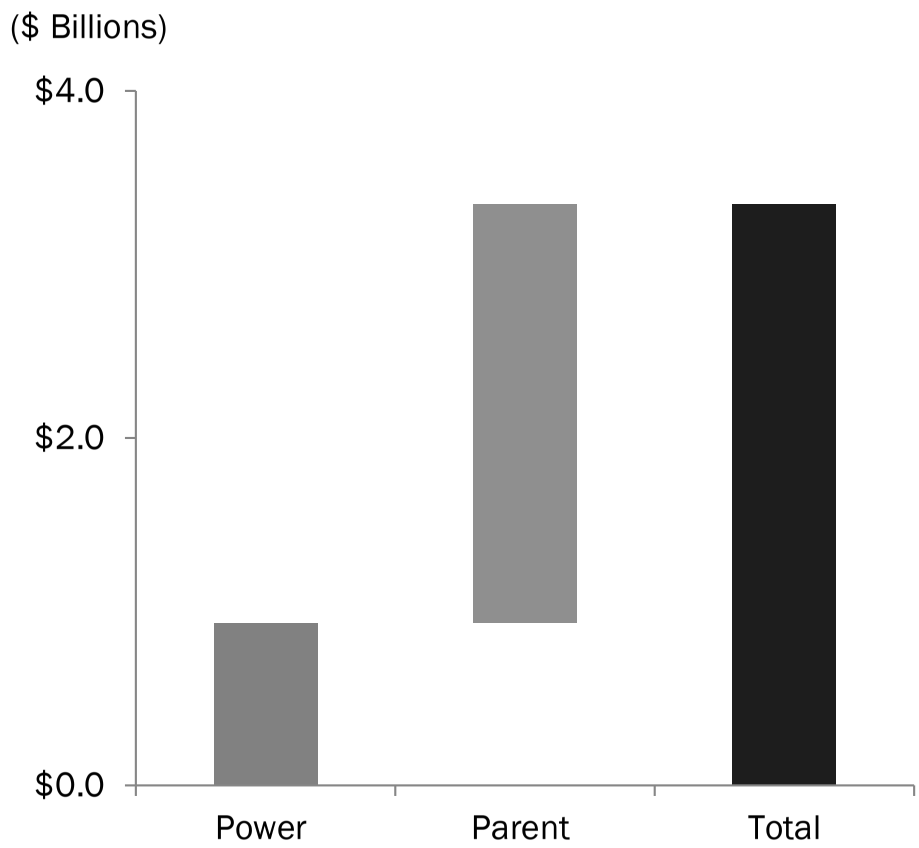
(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



Incremental capacity invested in utility would be matched with utility debt

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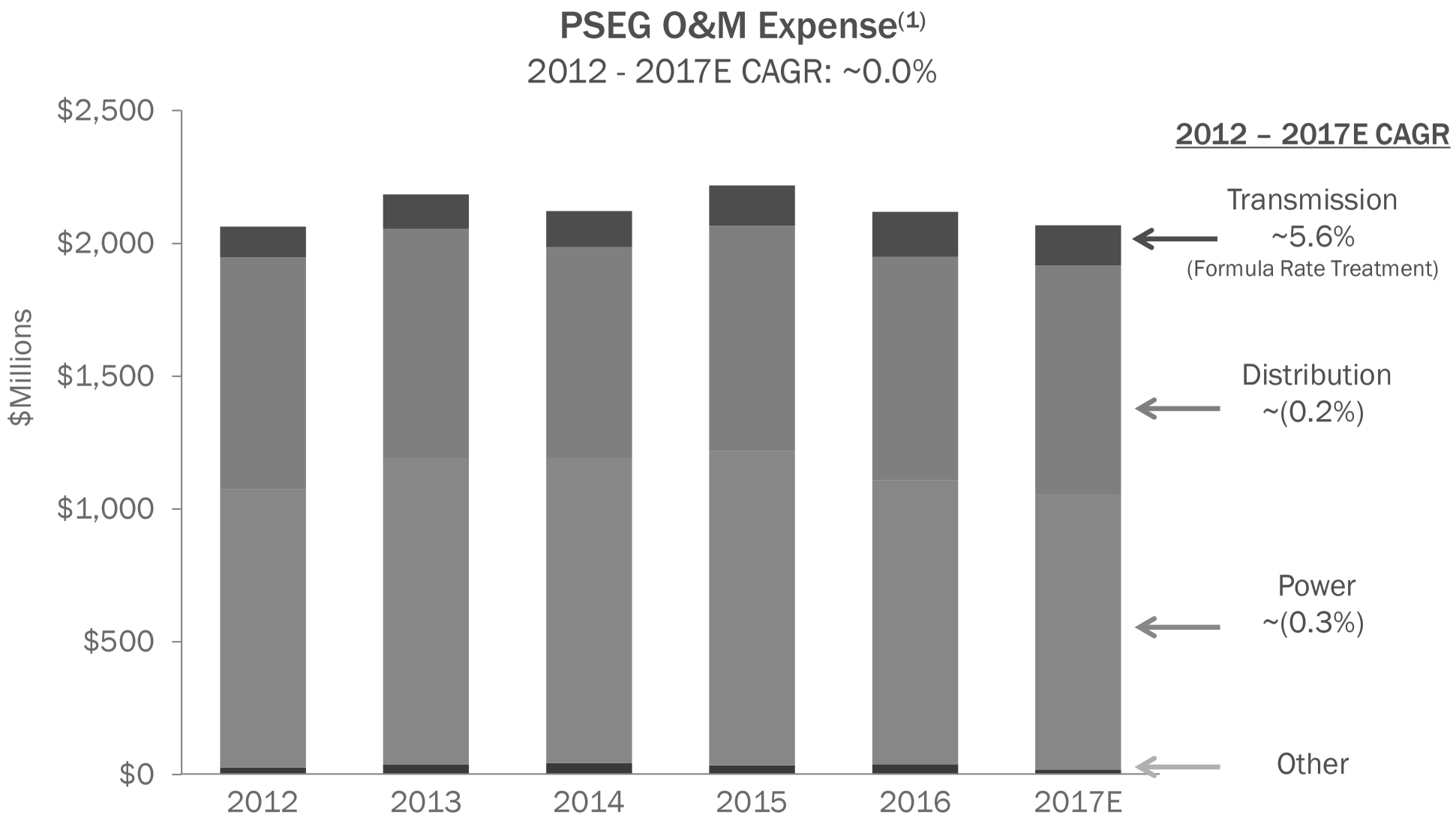
PSEG

E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-10141

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

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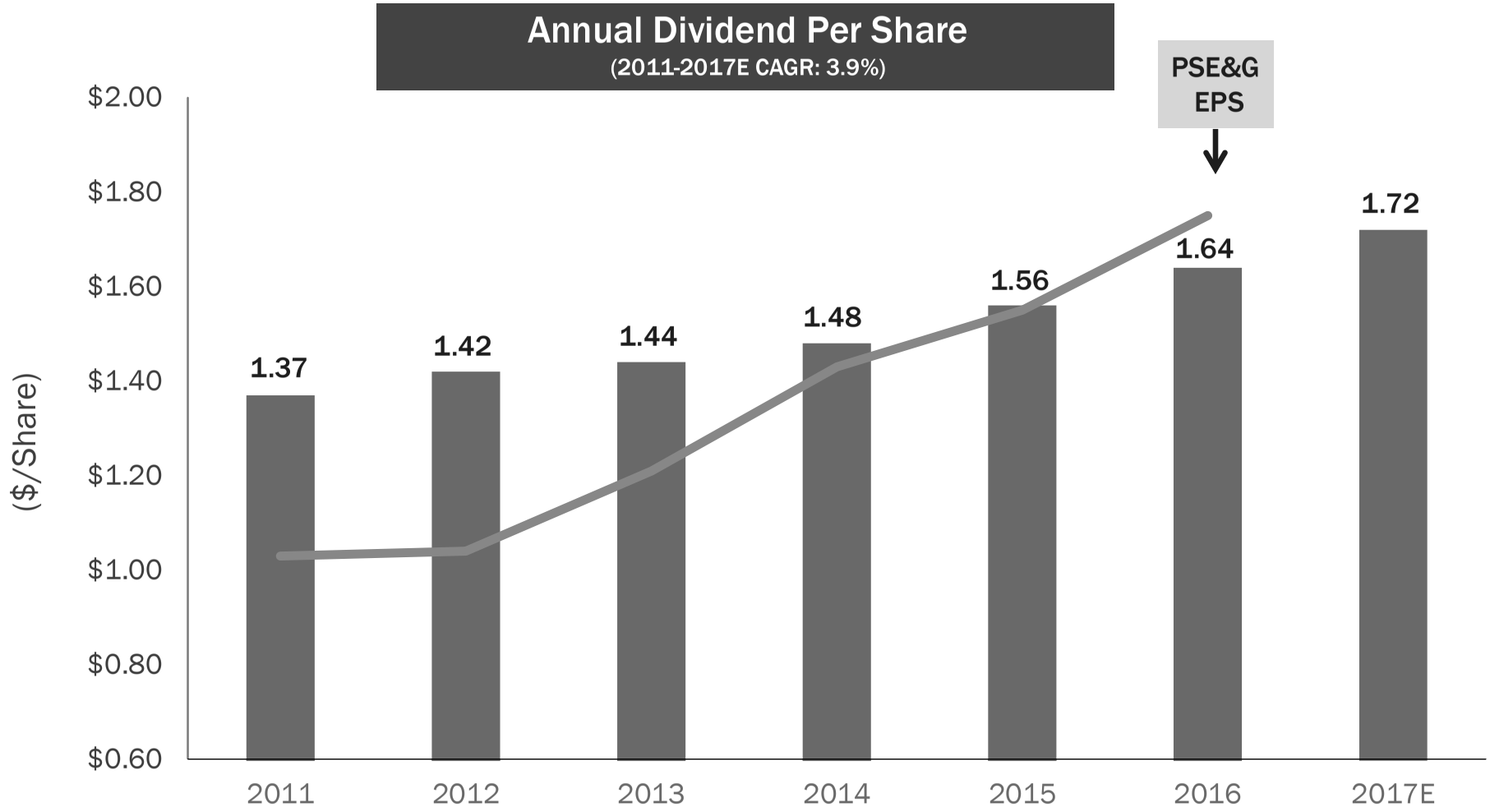
Opportunity for meaningful and sustainable dividend growth



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PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-10144

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-10145

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	**$ 887**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 1,475**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	**$ 1.75**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 2.90**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Nuclear Energy 2016: Status and Outlook

Annual Briefing for the Financial Community

February 11, 2016

SI-SSA-0015-10148

Today's Briefing

- Industry performance
- 2015 Recap: Key events and activities
- Creating additional margin:
  - by increasing value
  - by improving efficiency
- Looking forward: 2016 and beyond

SI-SSA-0015-10149

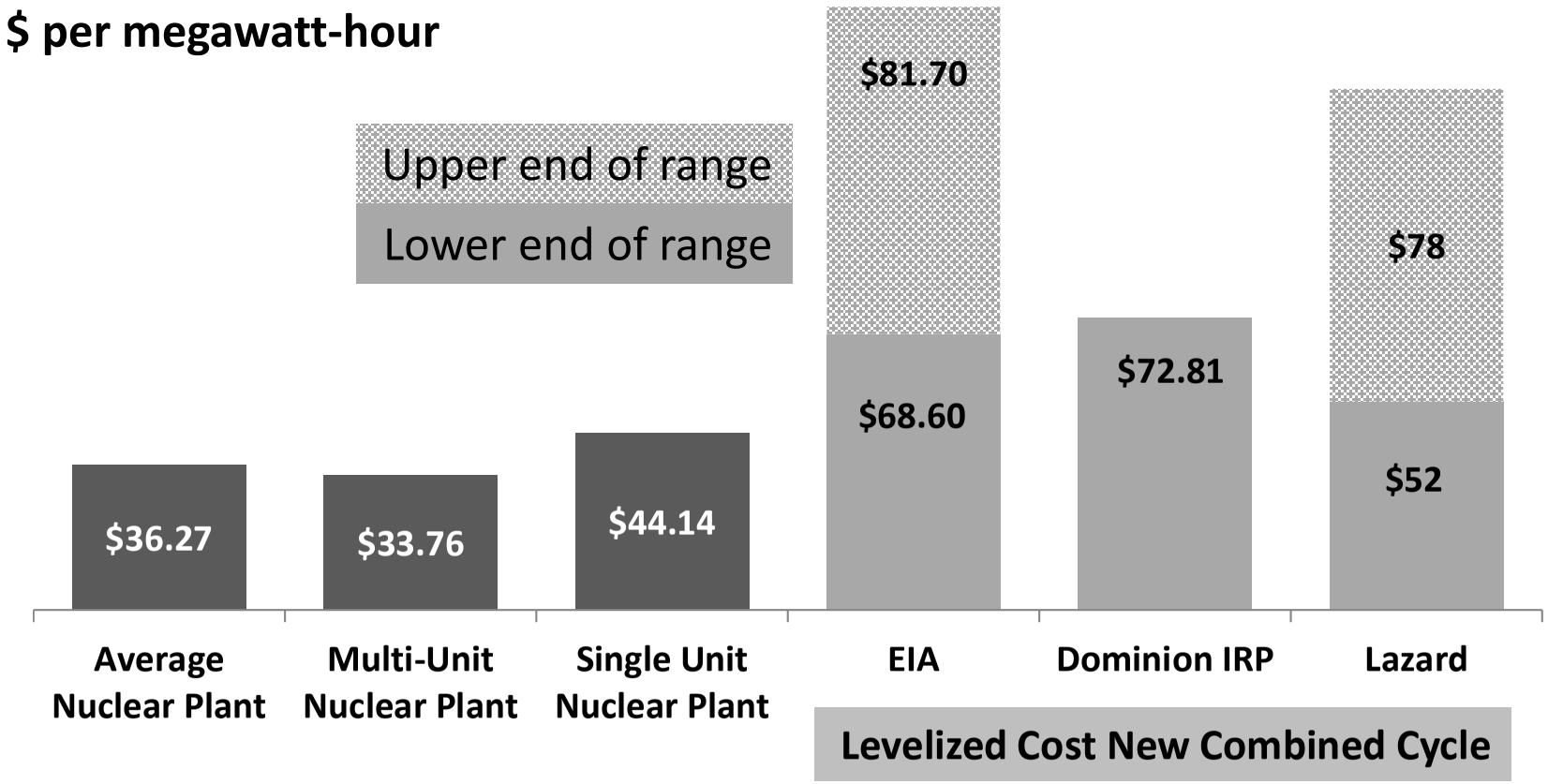
Impacts of Losing A Nuclear Plant

A typical nuclear power plant:

- 400-700 permanent jobs plus equivalent number of indirect jobs in local area to support the plant
- Plant salaries 36% higher than average in the local area
- $16 million per year in state and local taxes

SI-SSA-0015-10150

Better Deal for Consumers ... Existing Nuclear or New Combined Cycle Gas?



Sources: Existing nuclear costs are 2014 total generating costs (fuel, O&M, capital) from Electric Utility Cost Group. Gas-fired combined cycle costs are levelized costs from (1) Energy Information Administration, *Annual Energy Outlook 2015;* (2) Dominion Virginia Power 2015 Integrated Resource Plan; (3) Lazard, *Levelized Cost of Energy Analysis*, 9.0, 2014.

SI-SSA-0015-10151

Better Deal for Consumers ... Existing Nuclear or New Combined Cycle Gas?

Sources

- Nuclear costs are 2014 total generating costs (fuel, O&M, capital) from Electric Utility Cost Group.
- Gas-fired combined cycle costs are levelized costs from:
  1. Energy Information Administration, *Levelized Cost and Levelized Avoided Cost of New Generation Resources in the Annual Energy Outlook 2015,* June 2015, Table 2. In the Reference case, the Henry Hub natural gas spot price (in 2013 dollars) rises from $3.69/MMBtu in 2015 to $4.88/MMBtu in 2020 and to $7.85/MMBtu in 2040. The cost range reflects regional variations, such as differences in terrain, weather, population, and labor wages. For power plants that use combustion turbine technologies, regional adjustments are also made to reflect the impacts of ambient conditions (temperature, humidity and pressure) on output. Available at https://www.eia.gov/forecasts/aeo/pdf/electricity_generation.pdf
  2. Dominion Virginia Power 2015 Integrated Resource Plan, July 2015, Figure 5.5.6.3, page 103. Reference case assumes Henry Hub natural gas price of $6.51/MMBtu in 2030, Dominion Zone delivered gas price of $6.60/MMBtu (all nominal 2030 dollars). Available at https://www.dom.com/library/domcom/pdfs/electric-generation/2015-irp-final-public-version-internal-cover.pdf?la=en
  3. Lazard*, Levelized Cost of Energy Analysis*, 9.0, November 2015. Assumes natural gas price of $3.50/MMBtu. Available at https://www.lazard.com/media/2390/lazards-levelized-cost-of-energy-analysis-90.pdf

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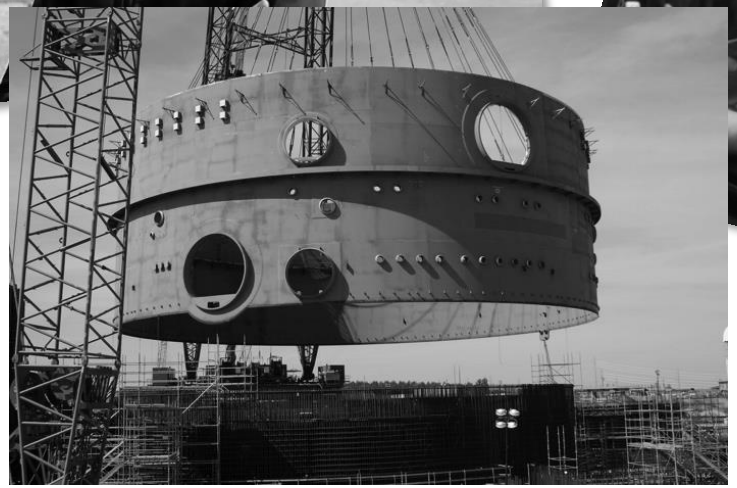
Industry Performance



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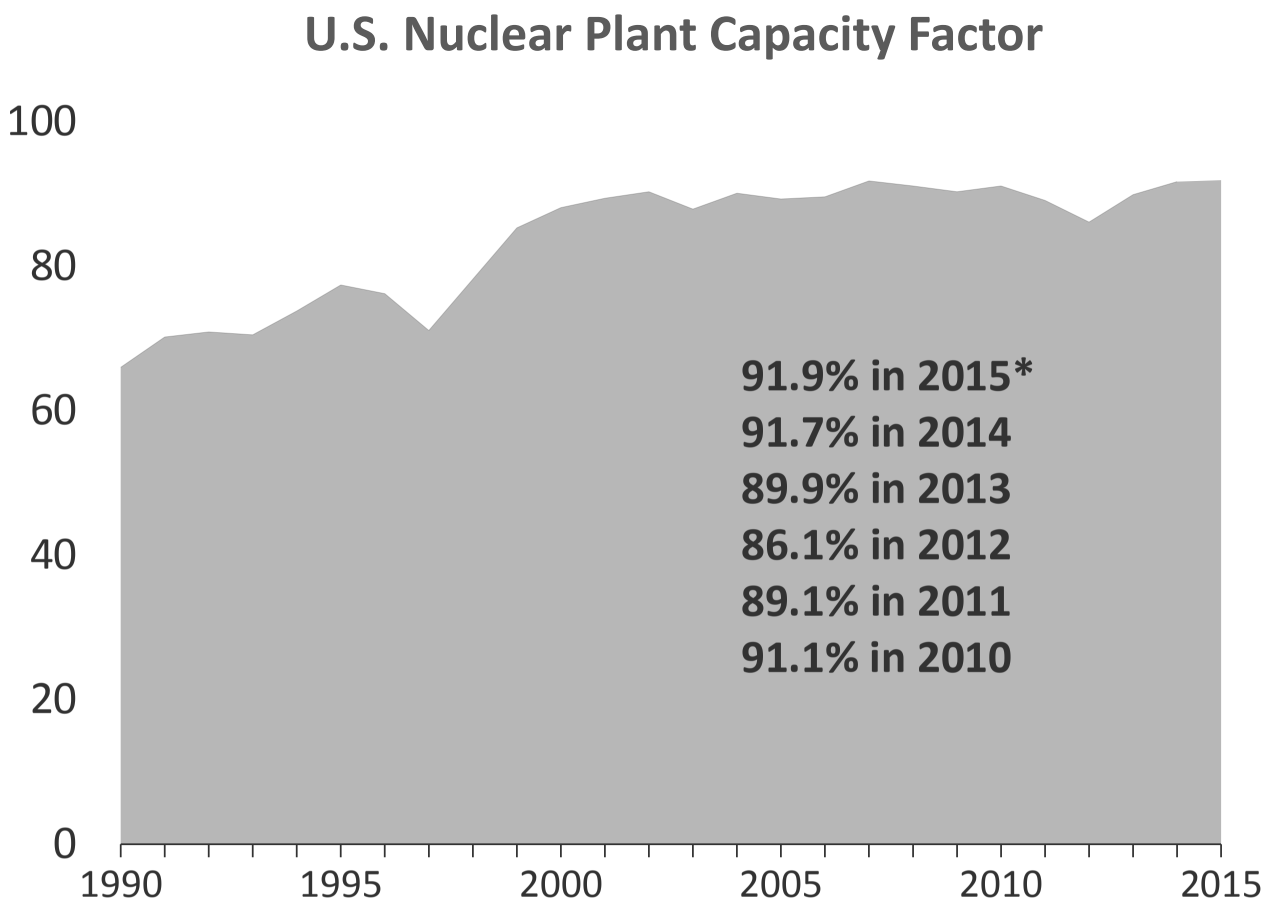
Record Capacity Factor in 2015

- U.S. reactors set record capacity factor: 91.9%
- Nuclear plants generated 798 billion kWh in 2015
- Average refueling outage duration declined again:
  - 2015: 36 days
  - 2014: 37 days
  - 2013: 41 days



Source: Energy Information Administration
** NEI estimate*

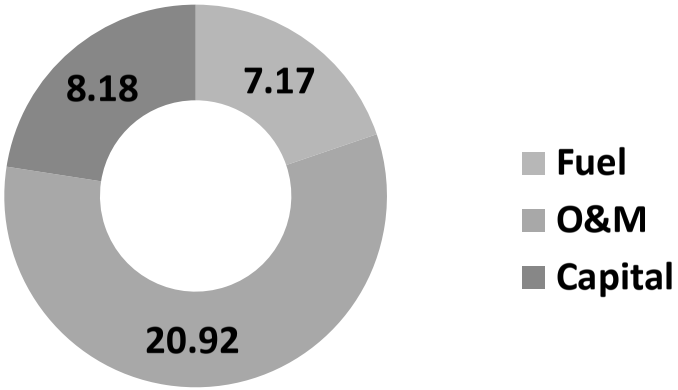
SI-SSA-0015-10154

Snapshot of 2014 U.S. Nuclear Plant Costs

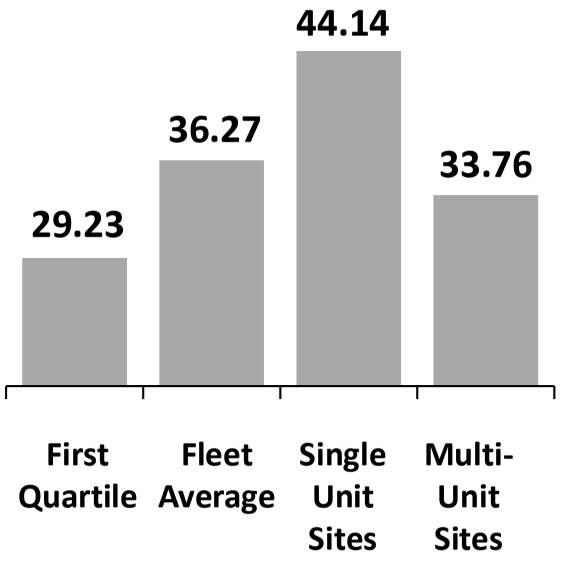
($ per MWh)

- Average generating costs have decreased from peak of $39.70/MWh in 2012 to $36.27/MWh in 2014
- Fuel costs down slightly in 2014, operating costs flat
- Capital spending down significantly
- $6.5 billion in 2014 capex, 26% decrease from $8.7 billion in 2012

2014 Generating Cost



2014 Average Generating Costs



Total generating cost = fuel + capital + operating.
Source: Electric Utility Cost Group.

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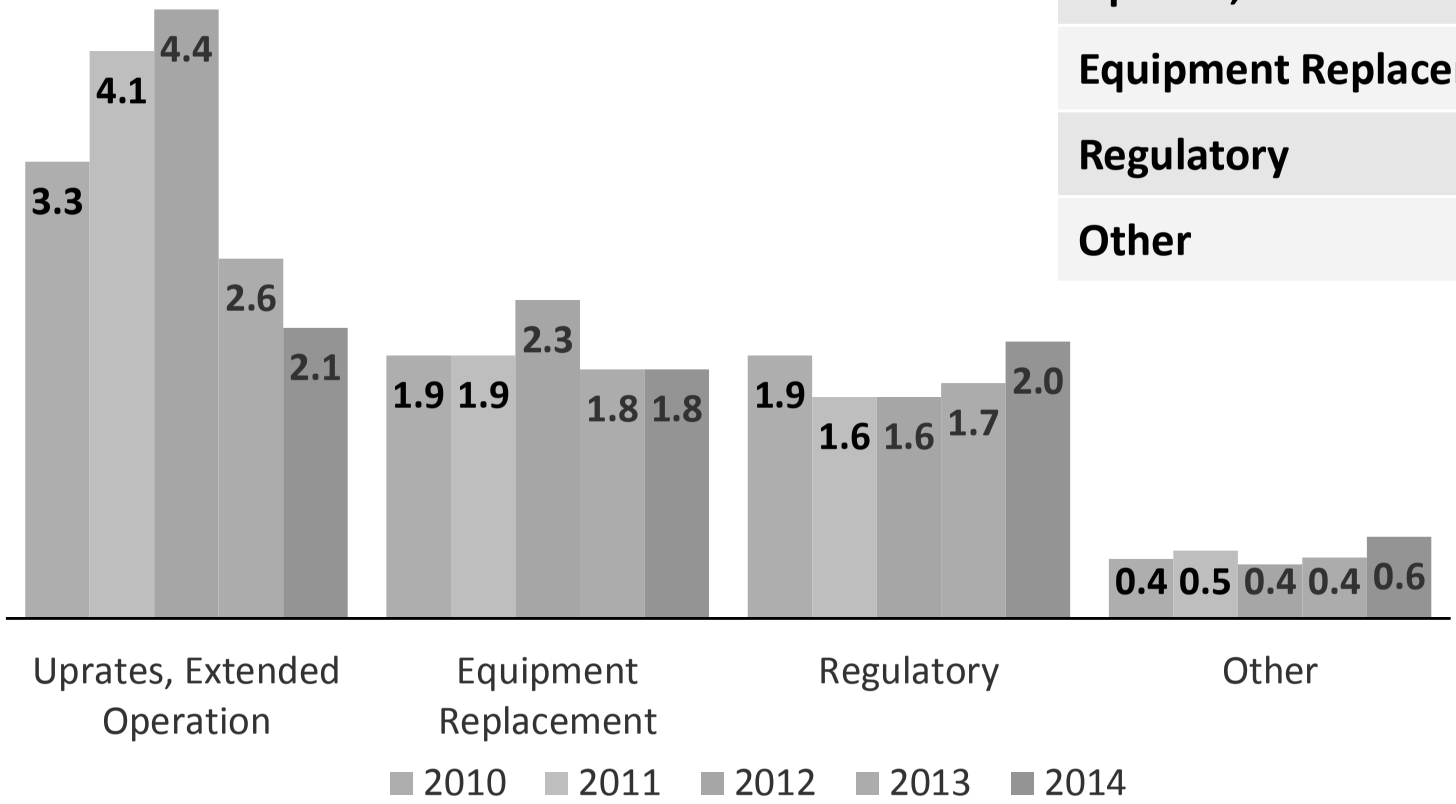
Nuclear Plant Capital Spending Trends

(2014 Billions of $)



Distribution of Capex in 2014	
Uprates, Extended Operation	32%
Equipment Replacement	28%
Regulatory	31%
Other	9%

Source: Electric Utility Cost Group

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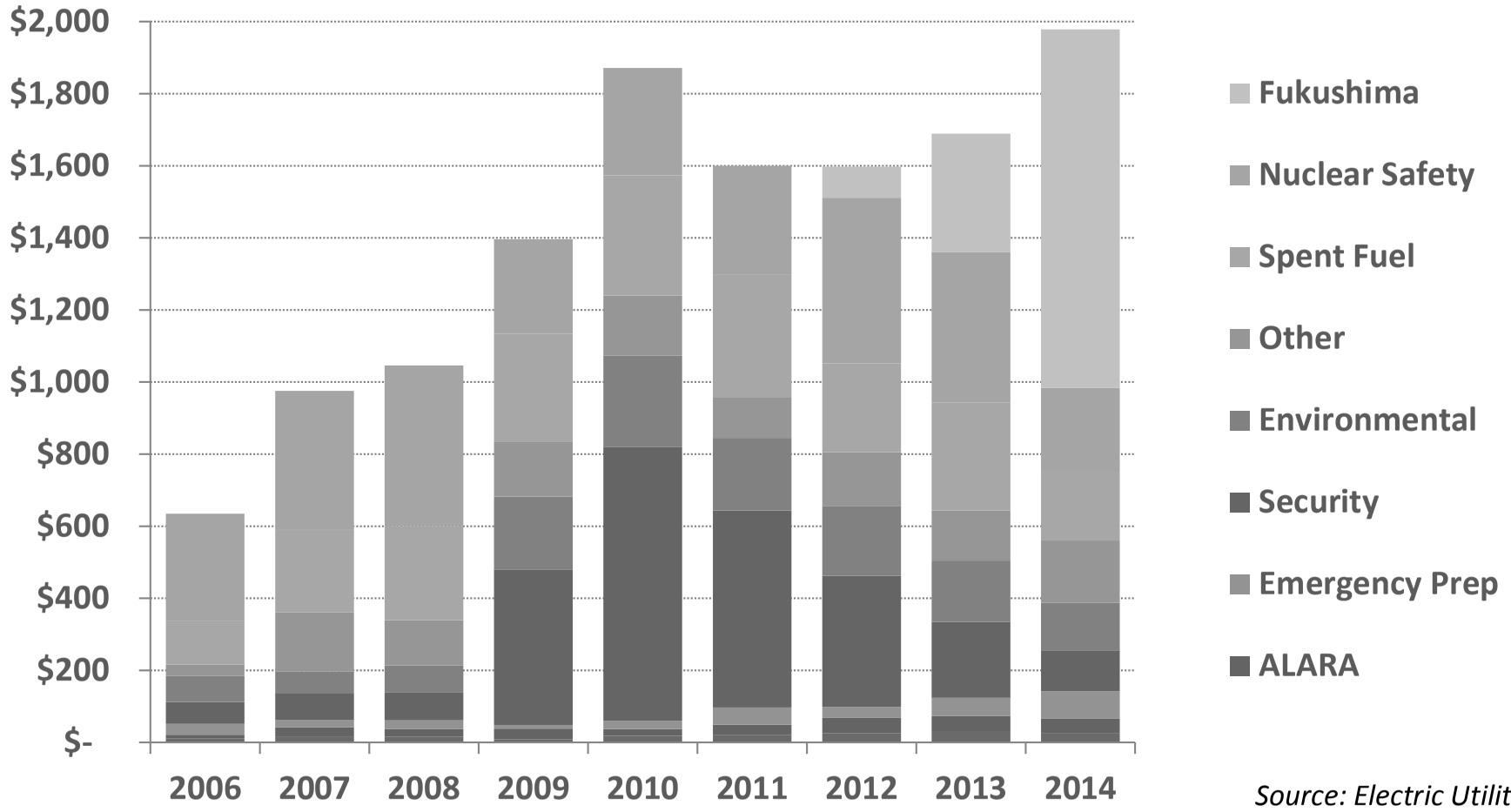
Regulatory CapEx Expected to Moderate Significantly Going Forward

(2014 $ in millions)



Source: Electric Utility Cost Group

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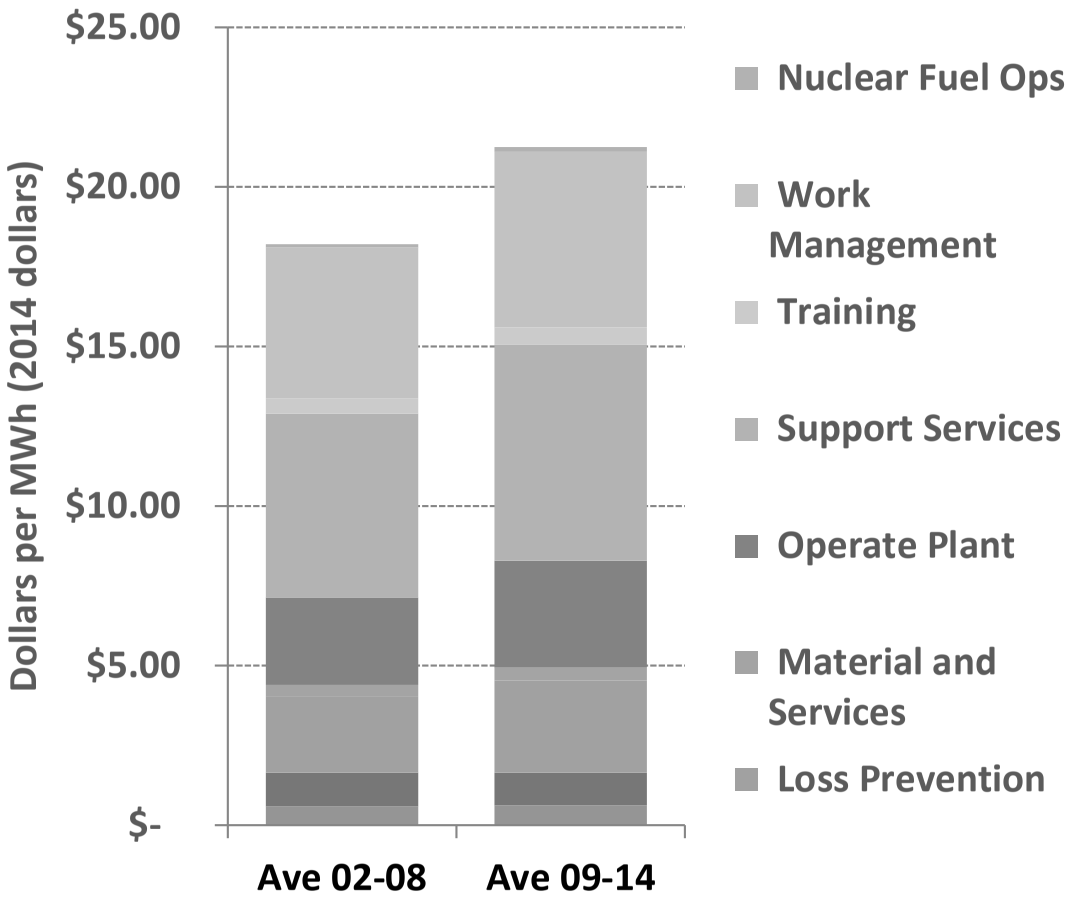
Trends in U.S. Nuclear Operating Costs



Source: Electric Utility Cost Group

- Operating costs increased from $18.59/MWh in 2002 to $20.92/MWh in 2014
- Increase not driven by any single category
- Operating costs have declined 4% from the peak in 2011

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2015 Recap: Key Events and Activities

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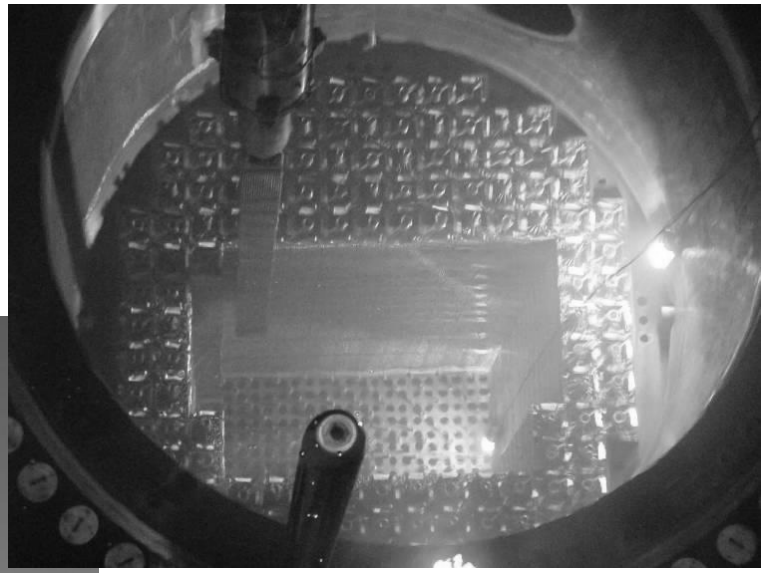
New Nuclear Plant Construction

- Watts Bar 2 ready for commercial operation around midyear



Fuel assemblies being loaded into Watts Bar 2

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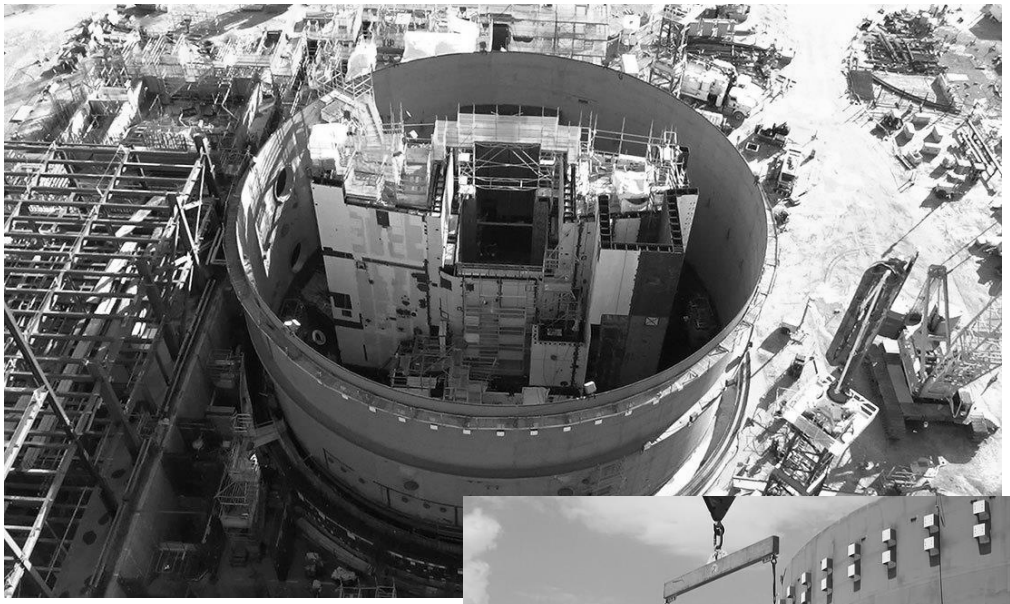
New Nuclear Plant Construction

- Major project management improvements at Vogtle, Summer projects
  - Westinghouse purchase of CB&I/Stone & Webster
  - EPC contracts restructured
  - Litigation resolved
  - Fluor managing construction



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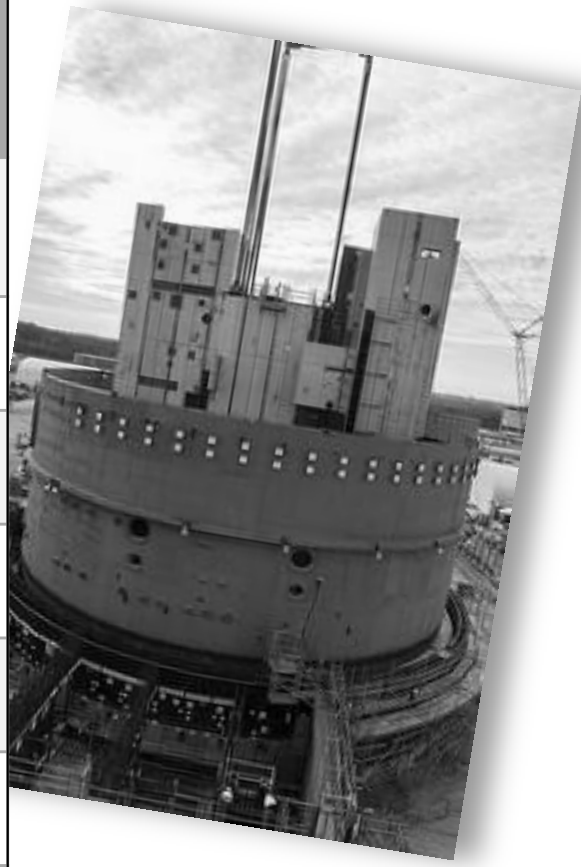
Preserving the Nuclear Option

Projects with applications for combined construction/operating licenses under review by the Nuclear Regulatory Commission	
Company/Site	Design (# Reactors)
Nuclear Innovation North America: South Texas Project 3 & 4	ABWR (2)
Dominion Resources: North Anna 3	ESBWR (1)
Duke Energy: William States Lee 1 & 2	AP1000 (2)
Duke Energy: Levy County	AP1000 (2)
PPL Bell Bend LLC: Bell Bend	EPR (1)
Florida Power & Light: Turkey Point 6 & 7	AP1000 (2)



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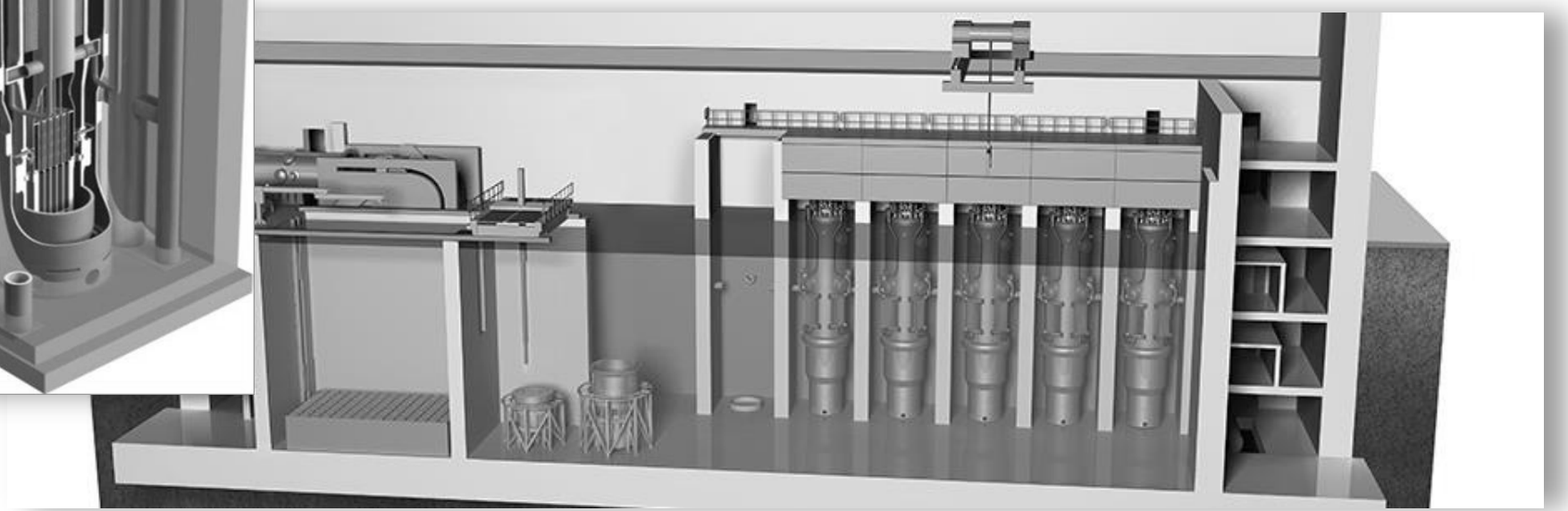
Preserving the Nuclear Option

- NuScale Power expects to file design certification for its small modular reactor in 4th quarter
- Growing interest in GEN-IV reactors



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Fukushima Response Substantially Complete by End of 2016

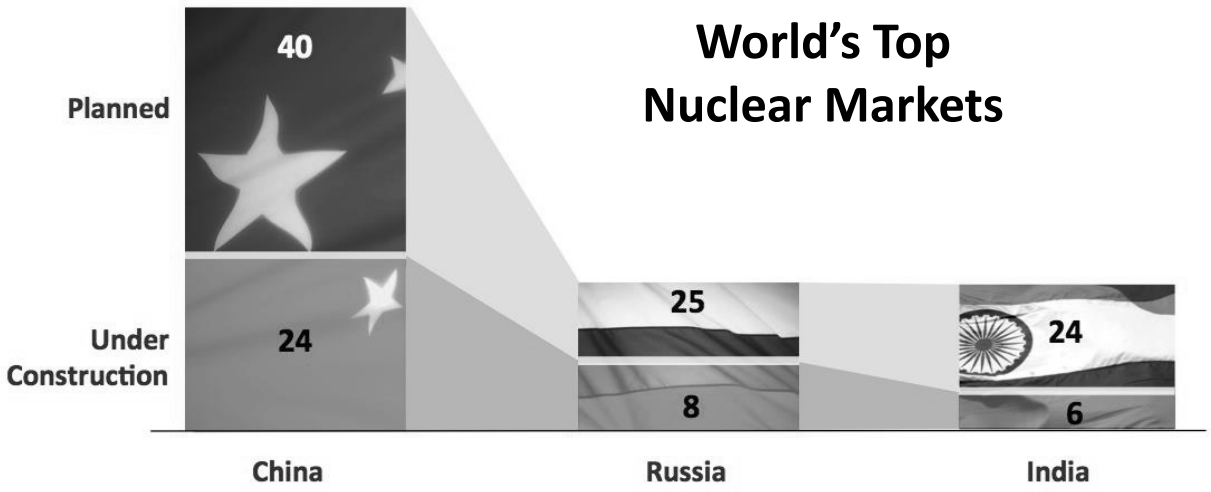
- U.S. reactors have implemented post-Fukushima safety requirements ahead of the NRC's schedule
- Significant improvement to safety
- U.S. industry's FLEX strategy sets standard worldwide for preventing fuel damage

Five full sets of emergency backup equipment are stored at the two national FLEX centers in Memphis and Phoenix

SI-SSA-0015-10164

Global Market Leadership

- Global nuclear market could reach $750 billion over the next 10 years
- U.S. technology among the most innovative – e.g., the only "passive safety" designs
- U.S. nuclear technology is a strategic instrument of U.S. foreign policy
- Participation in the world market enhances U.S. ability to achieve nonproliferation goals, export safety practices



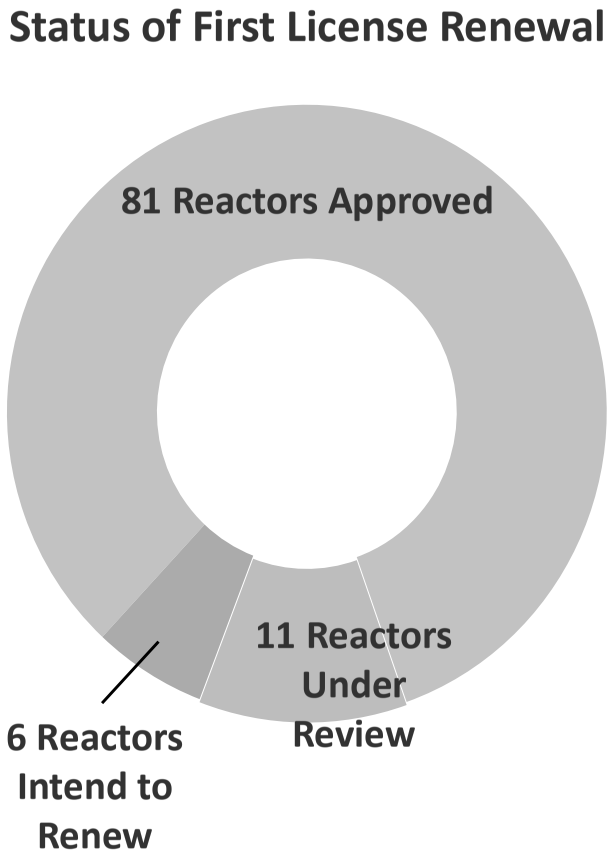
SI-SSA-0015-10165

Major Referendum in 2015 on U.S. Role in World Nuclear Market

- Export-Import Bank reauthorized
- Nuclear trade agreements with China, South Korea renewed
- Department of Energy's export control regulations updated
- Joint industry-government nuclear trade missions to India, United Arab Emirates

SI-SSA-0015-10166

Status of First License Renewal



- Forty reactors have passed 40-year mark
- Approximately 31,000 MW of nuclear capacity will reach 60 years between 2029 and 2035
- Approximately one-half U.S. nuclear capacity will reach 60 years by 2040

Source: Nuclear Regulatory Commission

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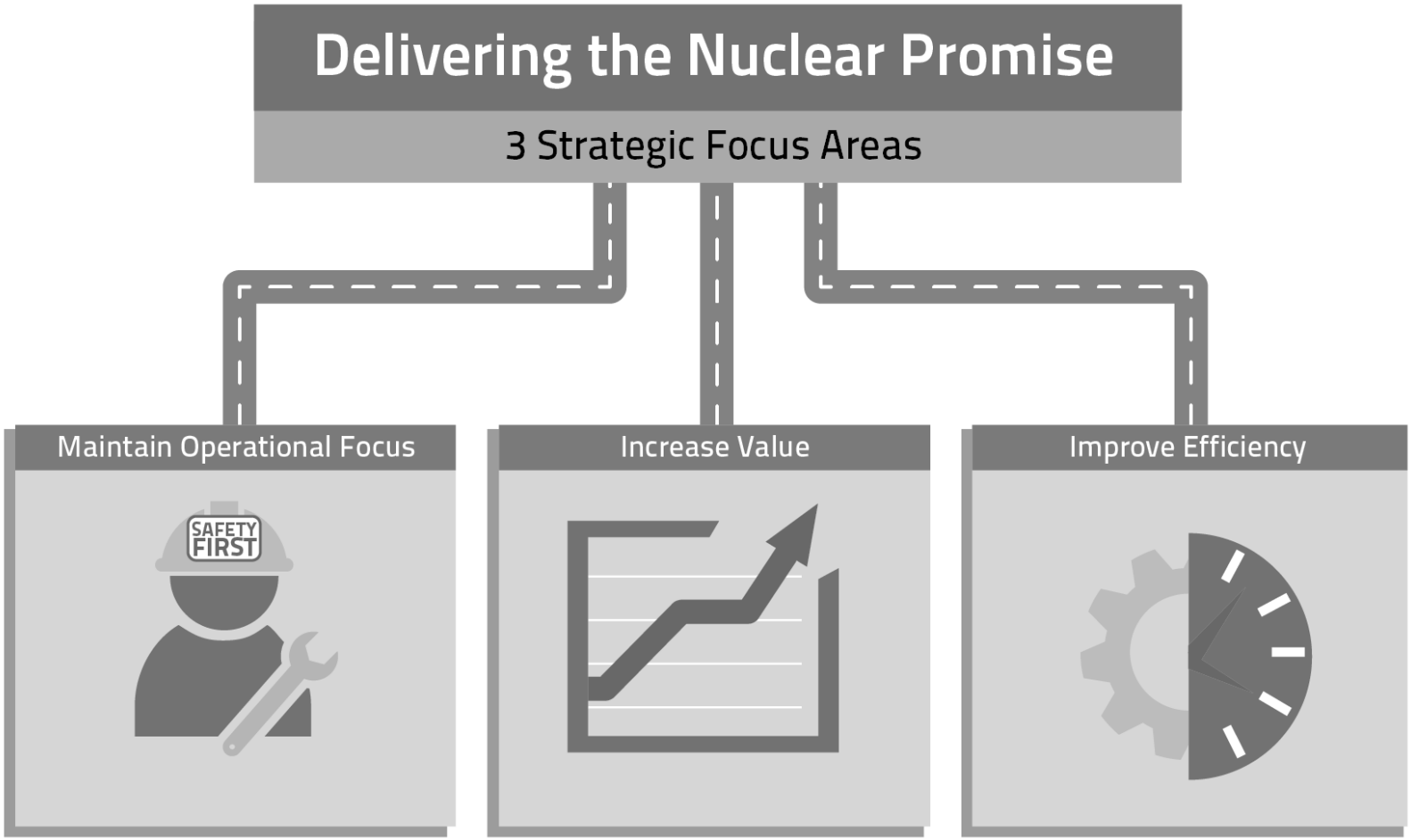
Status of Second License Renewal

- NRC regulatory process stable, well-understood; existing regulations adequate
- In November 2015, Dominion Virginia Power announced intent to file second license renewal application for Surry nuclear plant

- Decision to renew a second time depends on whether market conditions justify capital investment required

SI-SSA-0015-10168

Creating Additional Margin By Increasing Value



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Market Stresses … In Brief

- Low growth (in some cases, no growth) in electricity demand
- Continuing surge in supply of low-cost shale gas
- Fuel/technology diversity is taken for granted and undervalued
- State and federal mandates and subsidies for renewables distort markets
- Transmission constraints
- Market design issues
  - Failure of markets to recognize valuable attributes
  - Price suppression in energy markets

SI-SSA-0015-10170

Solutions Emerging Among the States

- States beginning to recognize need to act
  - Ohio considering PPA for Davis-Besse
  - New York – Reliability Support Services Agreement for Ginna
  - Illinois considering low-carbon portfolio standard, New York developing Clean Energy Standard
- States can also use tools available under Clean Power Plan

Closing nuclear facilities "would eviscerate the emission reductions achieved through the state's renewable energy programs, diminish fuel diversity, increase price volatility, and financially harm host communities."

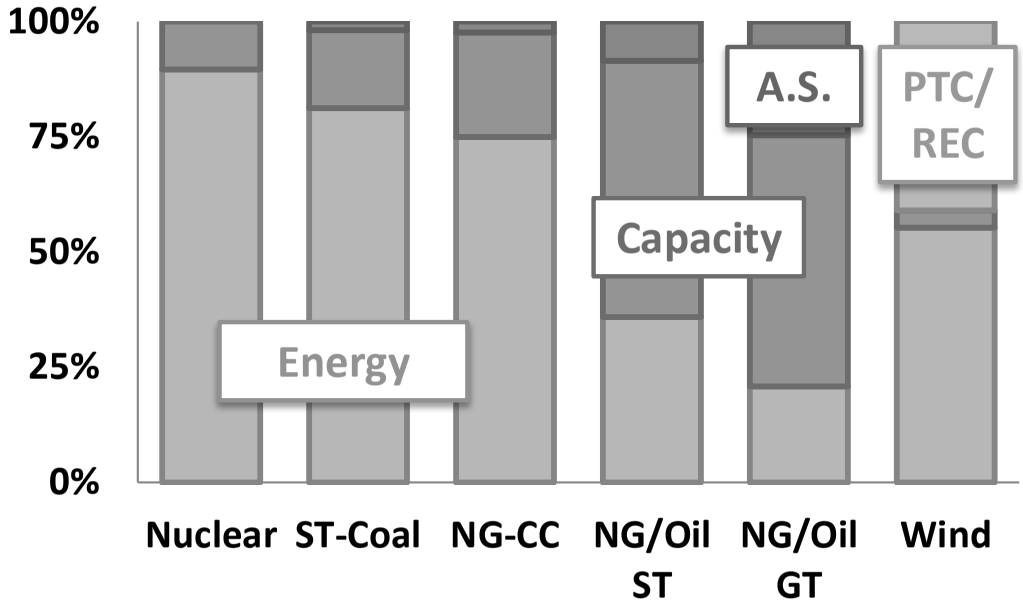
– New York Gov. Andrew Cuomo
Dec. 2, 2015

SI-SSA-0015-10171

Progress in Improving Markets

- Capacity market reforms
  - New model in PJM better recognizes important nuclear attribute
  - No benefit in markets that have not taken steps to improve
- Energy market reforms
  - Accurate "day ahead" pricing is the key for nuclear energy

NY-NE-PJM Revenue Source by Technology



Sources: Velocity Suite; Entergy Research and Analysis
A.S.: Ancillary Services; PTC: Production Tax Credits; REC: Renewable Energy Credits

SI-SSA-0015-10172

PJM, Others Moving in the Right Direction

- PJM Capacity Performance: Welcome recognition that attributes must be priced in market
  - Rewards resources committed to be available when needed (substantial penalties if not)
  - $1.4 billion to Exelon, $1.1 billion to FirstEnergy
- MISO recently acknowledged concerns about resource adequacy
- FERC denied ISO-NE proposal to include nuclear in winter reliability program

PJM Capacity Auctions $/MWd	
2016-2017 Original	2016-2017 CP Transition
59.37	134.00
2017-2018 Original	2017-2018 CP Transition
120.00	151.50

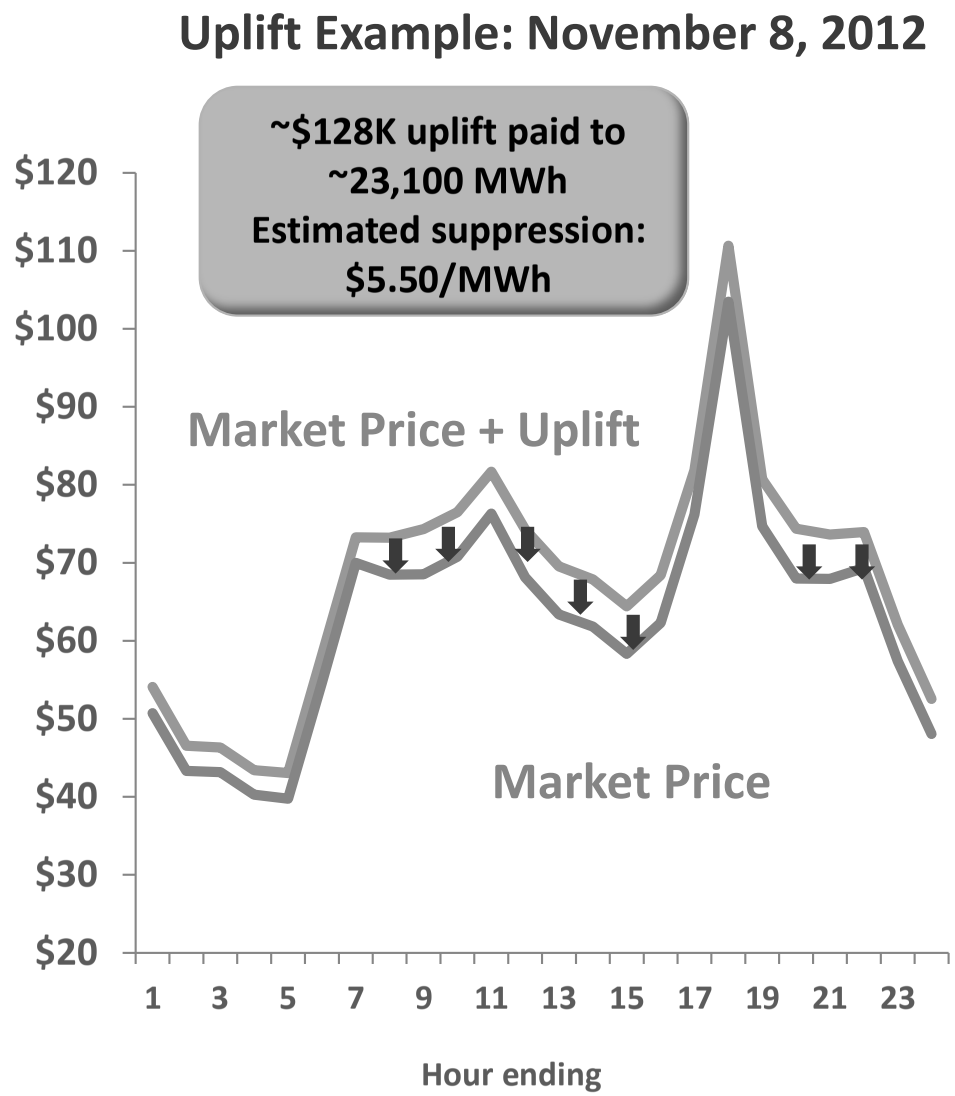
2018-2019 CP		
RTO	EMAAC	COMED
164.7	225.42	215.00

Market reforms do work. Additional revenues from PJM Capacity Performance gave short-term reprieve to some nuclear plants in western PJM. But market reforms to date are not enough by themselves.

SI-SSA-0015-10173

Price Formation Must Reflect All Costs

- Energy markets: 80-90% of revenue for baseload resources
- Accurate price formation is key: minimize "out of market" revenues (uplift), ensure all costs necessary to operate system reflected in price
- Uplift dampens the wholesale price; impact varies by region but is significant



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Energy Market Reform Goals

- Accurate day-ahead and real-time price signals
- Reflect all RTO actions, all costs of all units used, in setting the market-clearing price
- Allow fast-start units to set market prices

- Ensure day-ahead signals are correct for both energy and reserve needs
- Transparency into reasons for out-of-market actions

SI-SSA-0015-10175

Movement on Energy Market Reforms

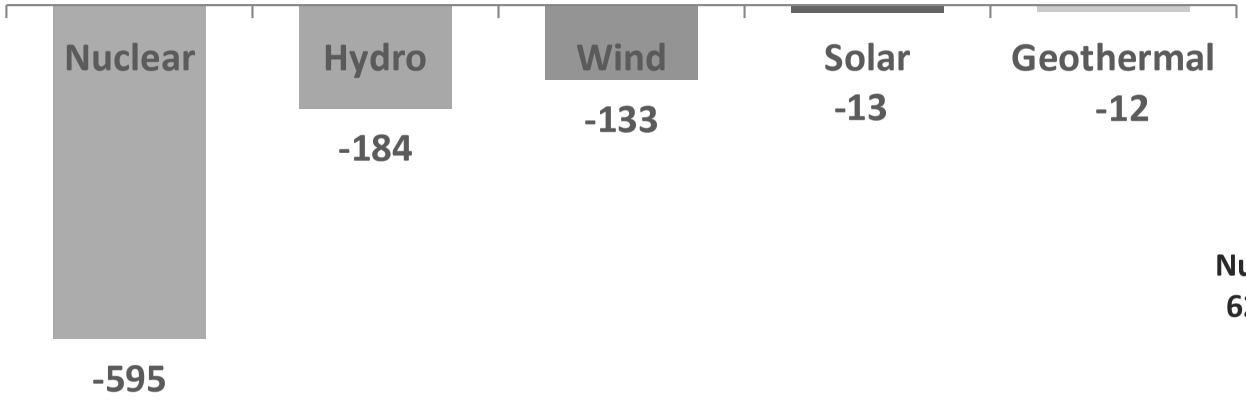
- FERC technical conferences in late 2014 on price formation in energy markets
- FERC Notice of Proposed Rulemaking on two issues
  - Settlement intervals
  - Shortage pricing
- NOPR on price formation only addresses real-time market issues, not day-ahead markets
- Order directing reports from RTOs on uplift and other issues
- Proposal to lift offer caps

SI-SSA-0015-10176

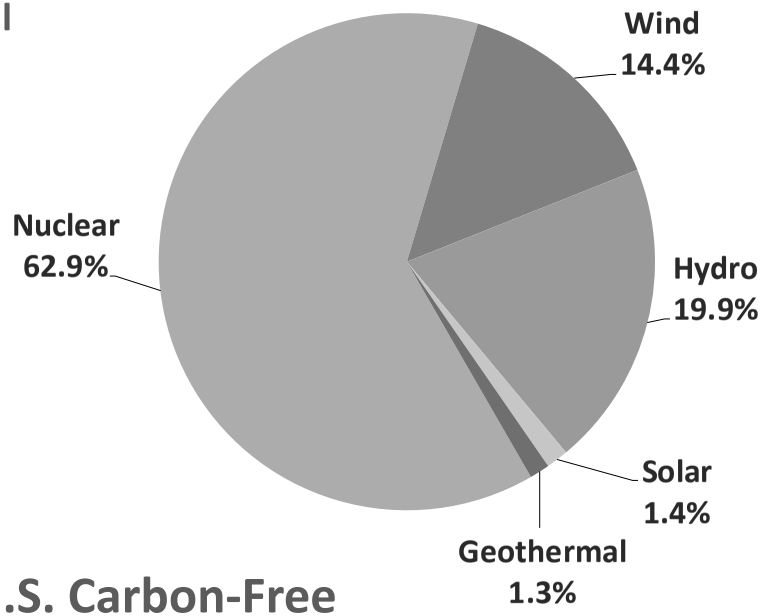
Recognizing Nuclear Energy's Carbon-Free Value

U.S. Electric Power Industry CO_2 Avoided

Million Metric Tons 2014



Sources: Emissions avoided are calculated using regional and national fossil fuel emissions rates from the Environmental Protection Agency and generation data from the Energy Information Administration.



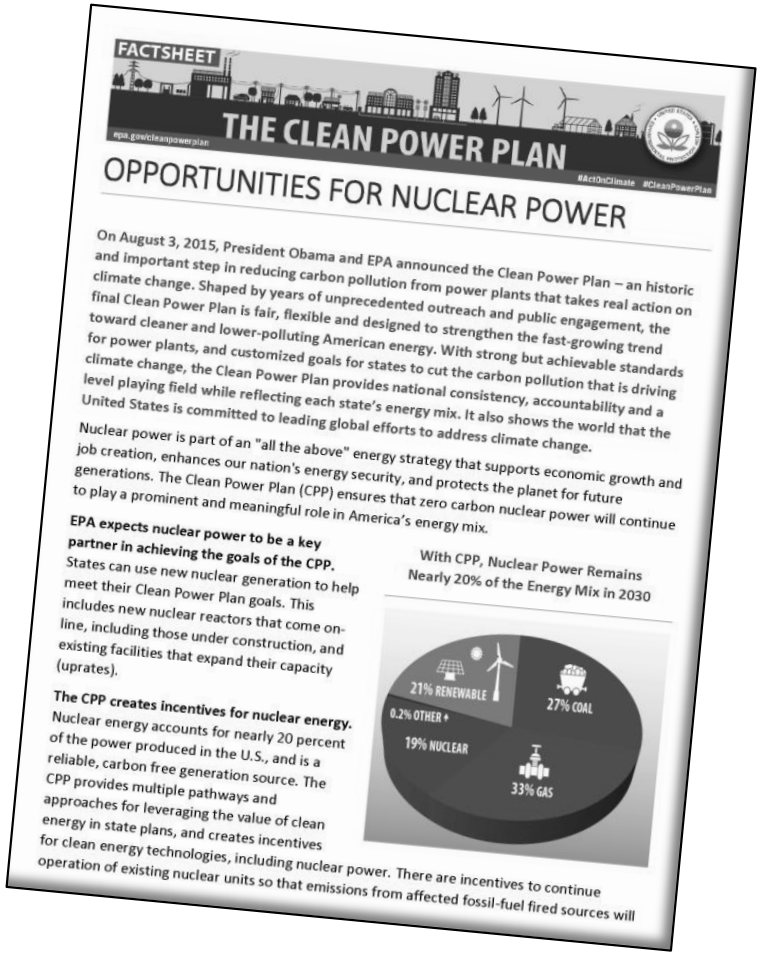
U.S. Carbon-Free Electricity Sources

2014

SI-SSA-0015-10177

Recognizing Nuclear Energy's Value Under the Clean Power Plan

- Two compliance pathways:
  - Rate-based (pounds/MWh)
  - Mass-based (tons)
- Clean Power Plan (CPP) favors mass-based compliance:
  - Easier, less expensive for states
  - All existing pollution control programs (SO_2, NOx, etc.) are mass-based
- Mass-based compliance plans could be structured to recognize nuclear plants' compliance value



FACTSHEET

epa.gov/cleanpowerplan

THE CLEAN POWER PLAN

#ActOnClimate #CleanPowerPlan

OPPORTUNITIES FOR NUCLEAR POWER

On August 3, 2015, President Obama and EPA announced the Clean Power Plan – an historic and important step in reducing carbon pollution from power plants that takes real action on climate change. Shaped by years of unprecedented outreach and public engagement, the final Clean Power Plan is fair, flexible and designed to strengthen the fast-growing trend toward cleaner and lower-polluting American energy. With strong but achievable standards for power plants, and customized goals for states to cut the carbon pollution that is driving climate change, the Clean Power Plan provides national consistency, accountability and a level playing field while reflecting each state's energy mix. It also shows the world that the United States is committed to leading global efforts to address climate change.

Nuclear power is part of an "all the above" energy strategy that supports economic growth and job creation, enhances our nation's energy security, and protects the planet for future generations. The Clean Power Plan (CPP) ensures that zero carbon nuclear power will continue to play a prominent and meaningful role in America's energy mix.

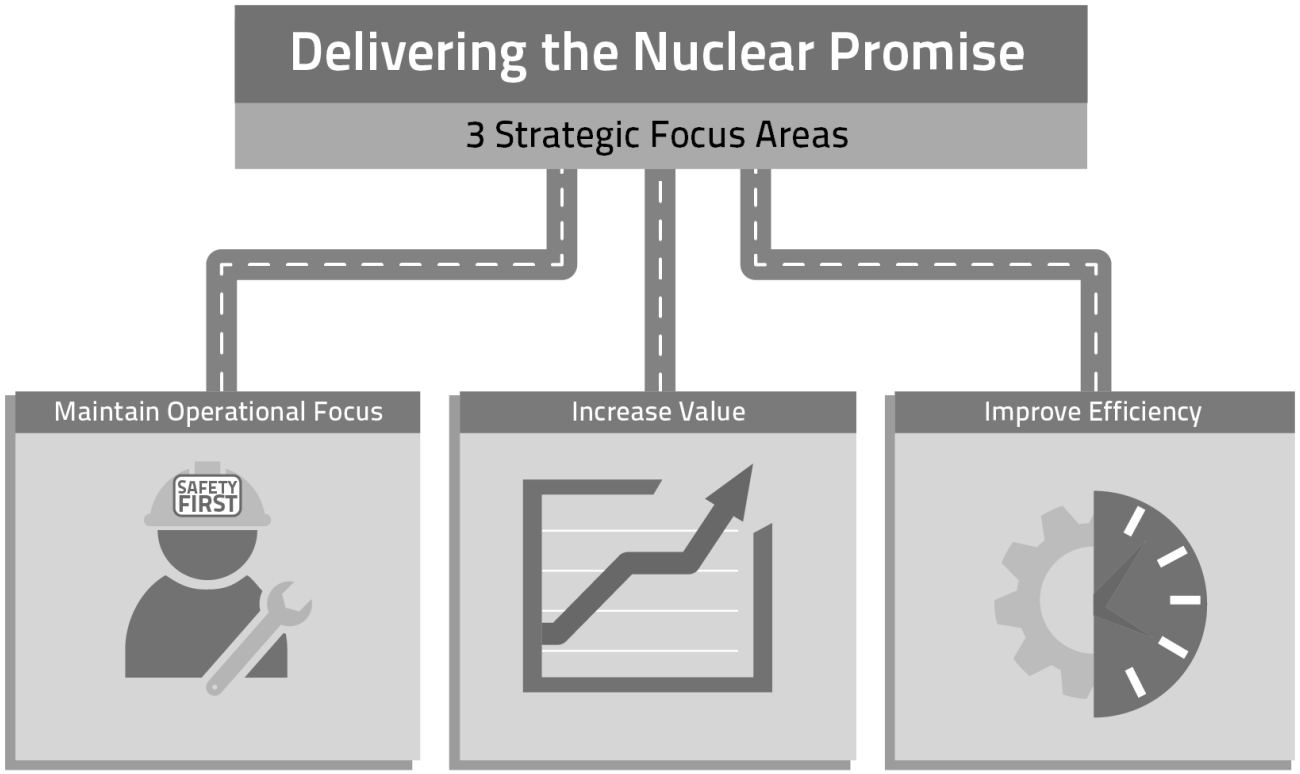
EPA expects nuclear power to be a key partner in achieving the goals of the CPP. States can use new nuclear generation to help meet their Clean Power Plan goals. This includes new nuclear reactors that come on-line, including those under construction, and existing facilities that expand their capacity (uprates).

The CPP creates incentives for nuclear energy. Nuclear energy accounts for nearly 20 percent of the power produced in the U.S., and is a reliable, carbon free generation source. The CPP provides multiple pathways and approaches for leveraging the value of clean energy in state plans, and creates incentives for clean energy technologies, including nuclear power. There are incentives to continue operation of existing nuclear units so that emissions from affected fossil-fuel fired sources will

With CPP, Nuclear Power Remains Nearly 20% of the Energy Mix in 2030

SI-SSA-0015-10178

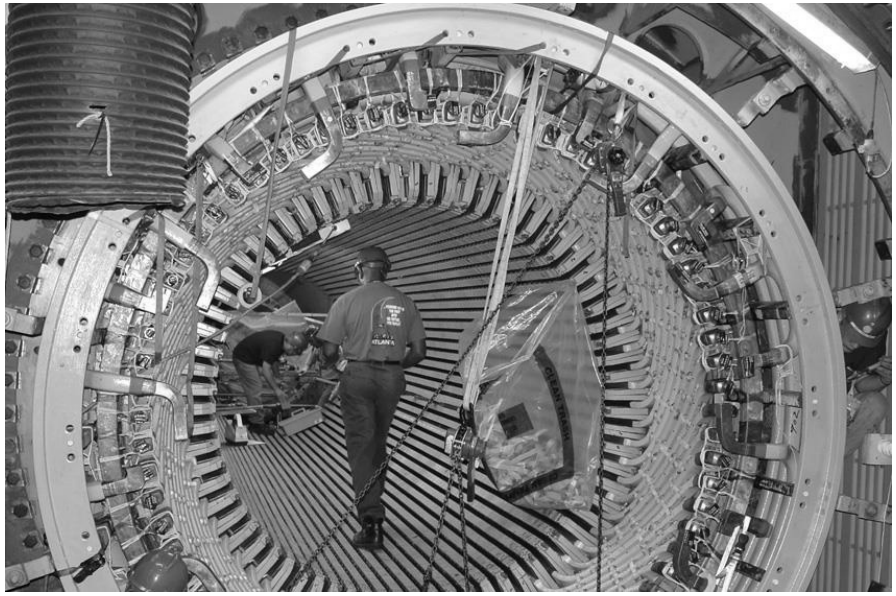
Creating Additional Margin By Increasing Efficiency



SI-SSA-0015-10179

Industry Goals:
Safety, Reliability and Improved Efficiency

- Sustain high levels of safety and reliability
- Identify opportunities and re-design plant processes to improve efficiency and effectiveness
- Use innovative technology to increase efficiency across the industry



The goal: $12/megawatt-hour cost reduction industrywide

SI-SSA-0015-10180

The Goal: 30% Reduction in Cost

Why 30%? To drive innovative thinking, not just tinkering at the margin

How the Arithmetic Works	
Starting point: 2012 total generating cost*	$40/MWh
Goal	$12/MWh reduction

Where Does the $12/MWh Reduction Come From?	
Reduction in capex 2012-2014	$3.50/MWh
Estimated reduction in capex through 2020	$3/MWh
Estimated reduction in fuel costs through 2020	$2/MWh
Estimated cost reductions from improved industry efficiency	$3.50/MWh

* 2012 was peak year for total generating cost

SI-SSA-0015-10181

U.S. Nuclear Plant Costs 2004-2014

(2014 $ per MWh)

Year	Fuel	Capital	Operating
2004	5.28	5.65	18.54
2005	5.02	5.80	18.95
2006	5.04	5.56	19.21
2007	5.13	6.12	19.07
2008	5.35	6.76	19.51
2009	5.93	8.91	20.49
2010	6.76	9.16	20.63
2011	7.10	10.06	21.88
2012	7.46	10.76	21.47
2013	7.73	8.20	20.93
2014	7.17	8.18	20.92

Source: Electric Utility Cost Group

SI-SSA-0015-10182

First Improvement Opportunities Have Been Identified

- Based on analysis of costs, CNO-led teams produced over 180 ideas (Improvement Opportunities)
- These were ranked until 53 initial ideas were identified for pursuit in 2016

- Ten CNO-led teams working on the 53 initial IOs, with plans to develop more during 2016/17

SI-SSA-0015-10183

Improving Regulatory Efficiency: Major Initiatives and Results

- NRC has started self-assessment (Project AIM) to improve performance and "right-size" the agency
- Commission instructed staff to rebaseline and set priorities among regulatory activities
- Commission terminated several rulemakings, including proposal for filtered containment vents ($1.6-billion in avoided costs)

NRC Chairman Stephen Burns

SI-SSA-0015-10184

Looking Forward: 2016 and Beyond

SI-SSA-0015-10185

All Electricity Is Not The Same

- Basic economics
  - Markets operate efficiently only when goods have a price
  - Goods will only be produced when markets assign a price to them
- Different forms of electricity have different "goods" or attributes: Every kilowatt-hour has a pedigree
- Those attributes have varying degrees of value to the market

SI-SSA-0015-10186

Nuclear Energy's Solid Value Proposition

Safe, Reliable Electricity 24/7 Plus …

- Supports Grid Stability
- Provides Price Stability
- Runs When Needed (Fuel on Site)
- Provides Clean Air Compliance Value
- Contributes to Fuel and Technology Diversity (Portfolio Value)
- Avoids Carbon Emissions
- Anchors the Local Community: Jobs, Tax Base

SI-SSA-0015-10187

The Value of Nuclear Energy to America

ADDS
$60 BILLION
TO THE
COUNTRY'S
GDP

SUPPORTS
475,000
JOBS

SAVES CONSUMERS
AN AVERAGE OF
6 PERCENT
ON ELECTRICITY BILLS

CONTRIBUTES
$10 BILLION in FEDERAL
AND **$2.2 BILLION in STATE**
TAXES EACH YEAR

AVOIDS
OVER
1/2
BILLION
TONS OF
CARBON
EMISSIONS
EACH YEAR

+

PREVENTS
650,000
TONS
OF NO_x
AND
1 MILLION
TONS
OF SO_2
EMISSIONS

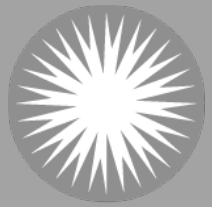
→

VALUED AT A
SOCIAL COST
OF
$33.4
BILLION
ANNUALLY

Source: *The Nuclear Industry's Contribution to the U.S. Economy*, The Brattle Group, July 2015

New Jersey Utility Shareholders Association

MAY 18, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10189

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-10190

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items.

PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. The last two slides in this presentation (Slides A and B) include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-10191

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-10192

The PSEG Organization – By the Numbers

Public **S**ervice **E**nterprise **G**roup (PSEG) is a publicly traded (NYSE: PEG) diversified energy company headquartered in New Jersey

- PSEG is one of the ten largest electric companies in the U.S.
- Total Assets (at 12/31/2015): **$37.5 billion**
- 2015 Total Annual Revenues: **$10.4 billion**
- Approximately **13,025** employees at year-end 2015 with inclusion of PSEG-Long Island
- PSEG celebrated its 100th anniversary in 2003
- PSEG has paid a dividend annually since 1907, 2016 marks our **109th year**
- PSEG is ranked 464 on the 2015 Forbes Global 2000 list
- PSEG is ranked 274 on the 2015 Fortune 500 list
- PSEG was named to the Dow Jones Sustainability North America Index for the 8th consecutive year in 2015
- PSEG was awarded the 2010 Edison Award, presented by the Edison Electric Institute, the electric industry's most prestigious honor

SI-SSA-0015-10193

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-10194

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-10195

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

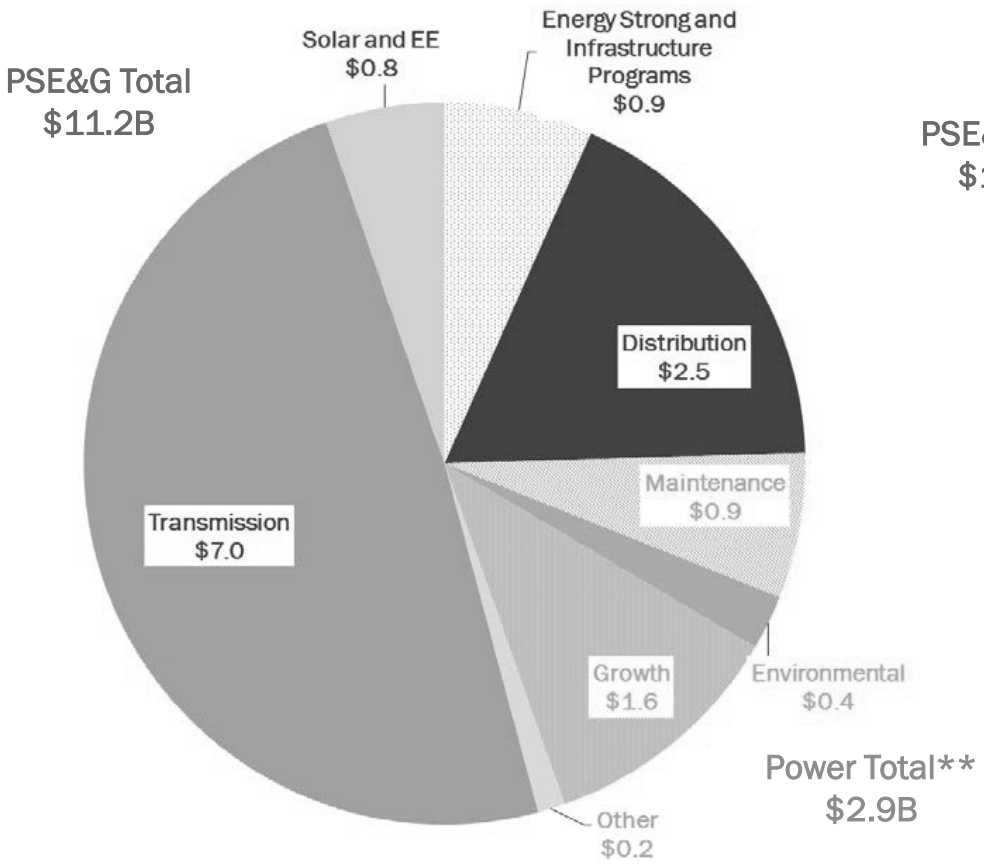
SI-SSA-0015-10196

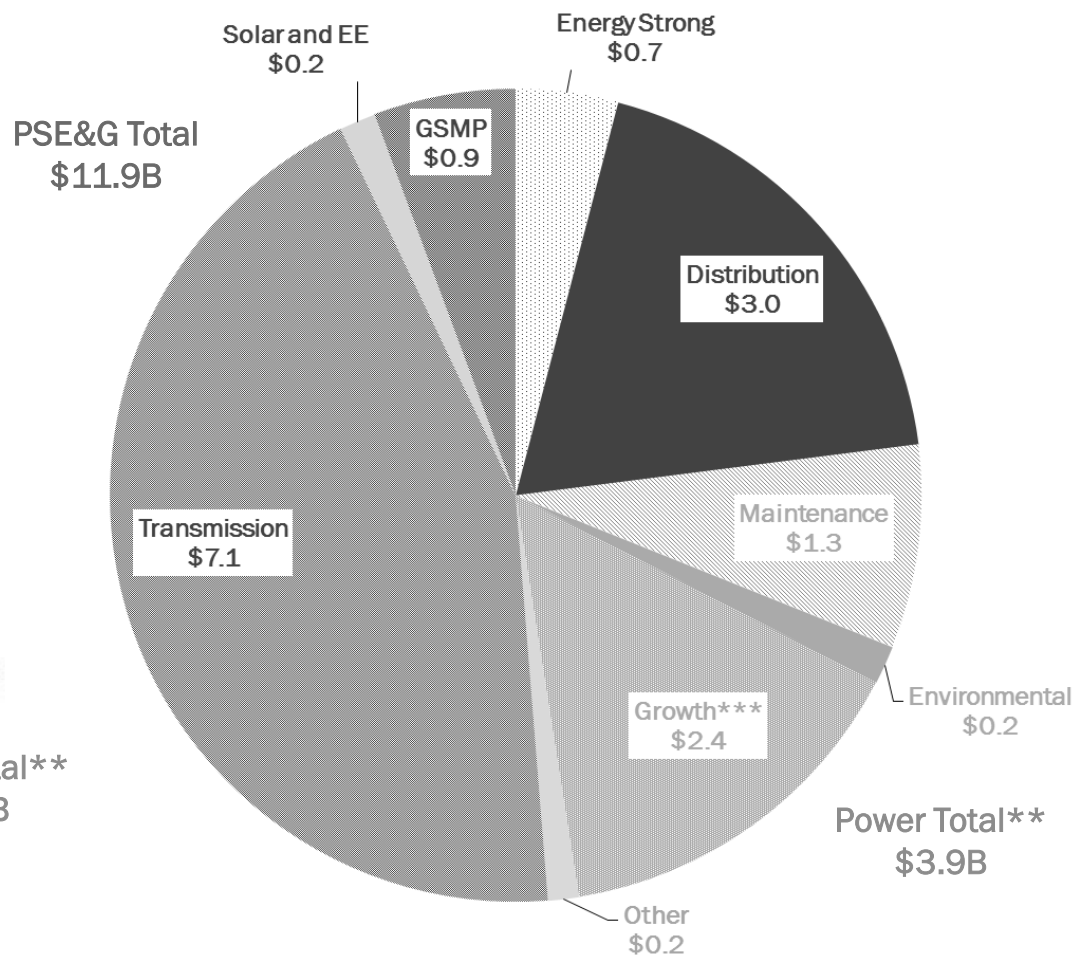
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-10197

Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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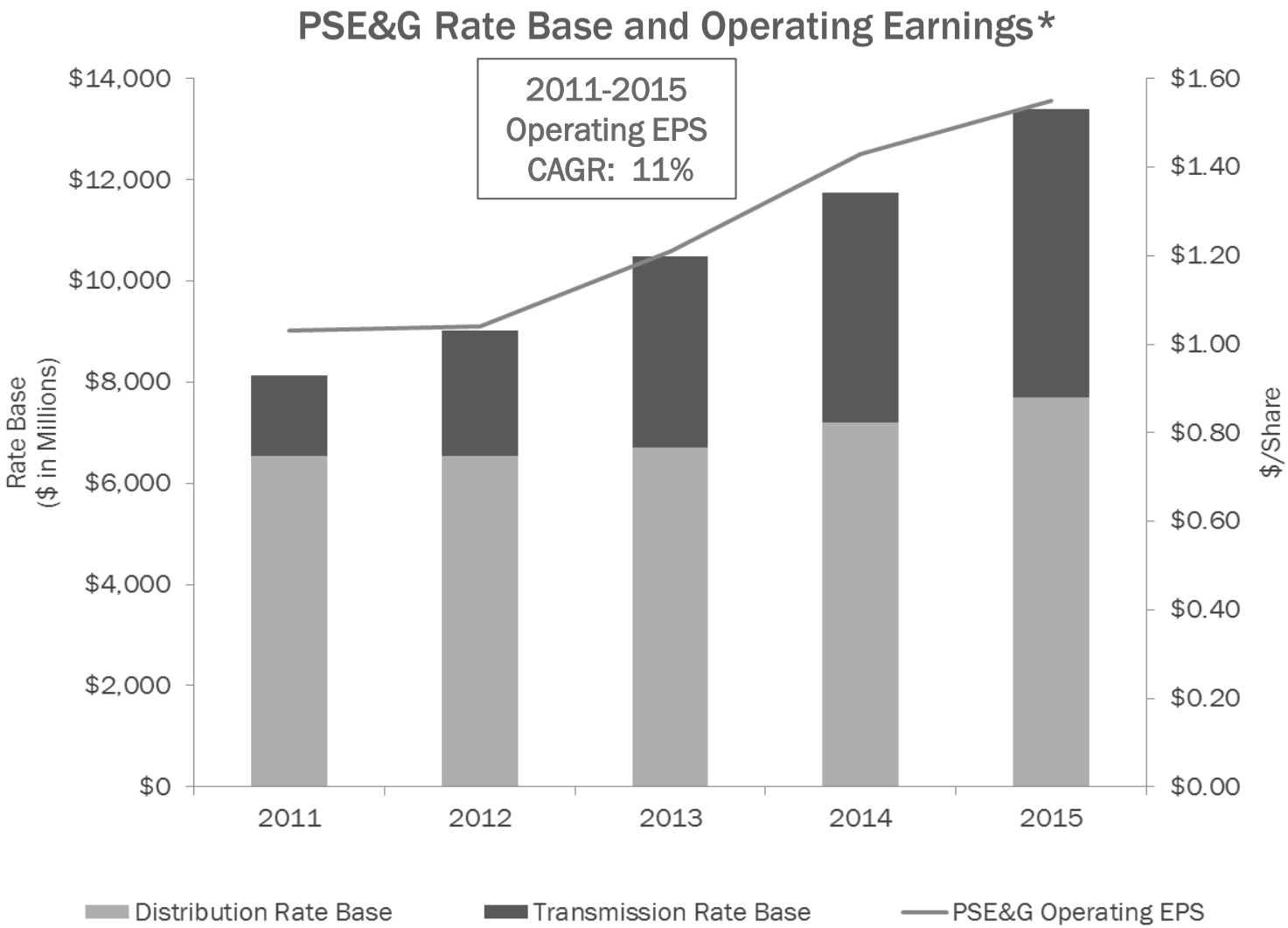
PSE&G's investment program

Meeting public policy goals and customer needs



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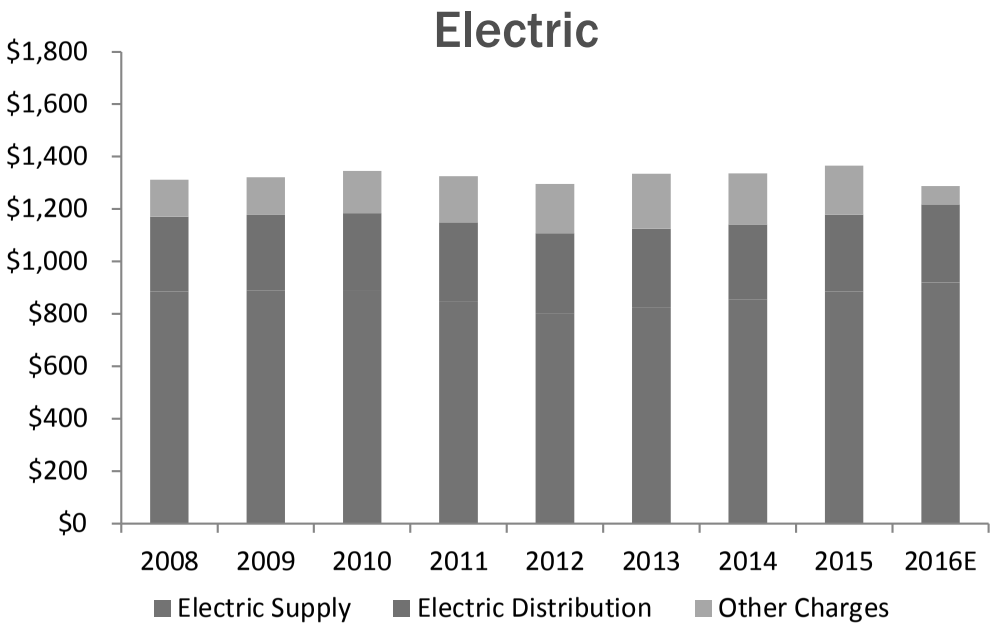
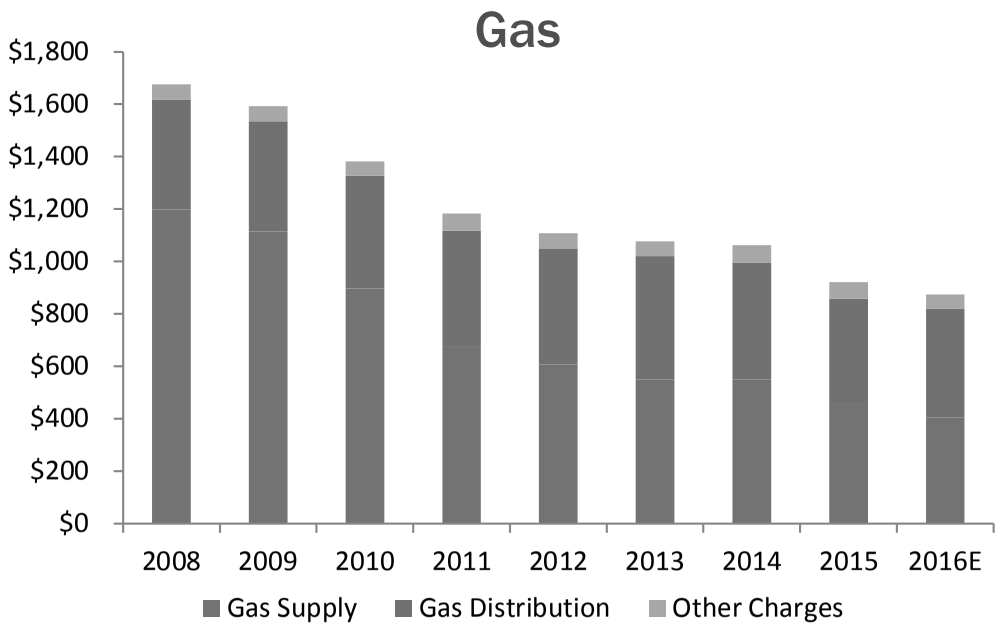
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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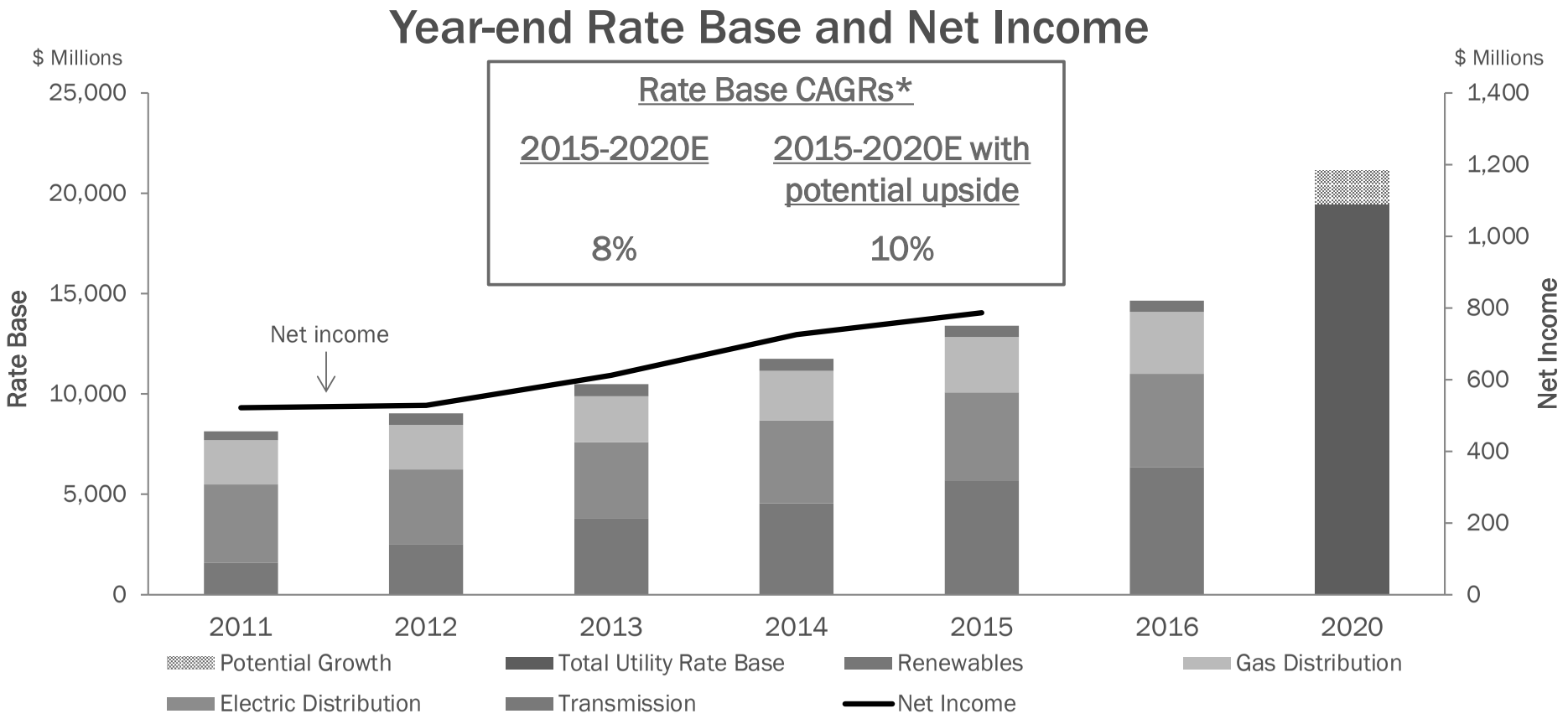
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

SI-SSA-0015-10201

PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

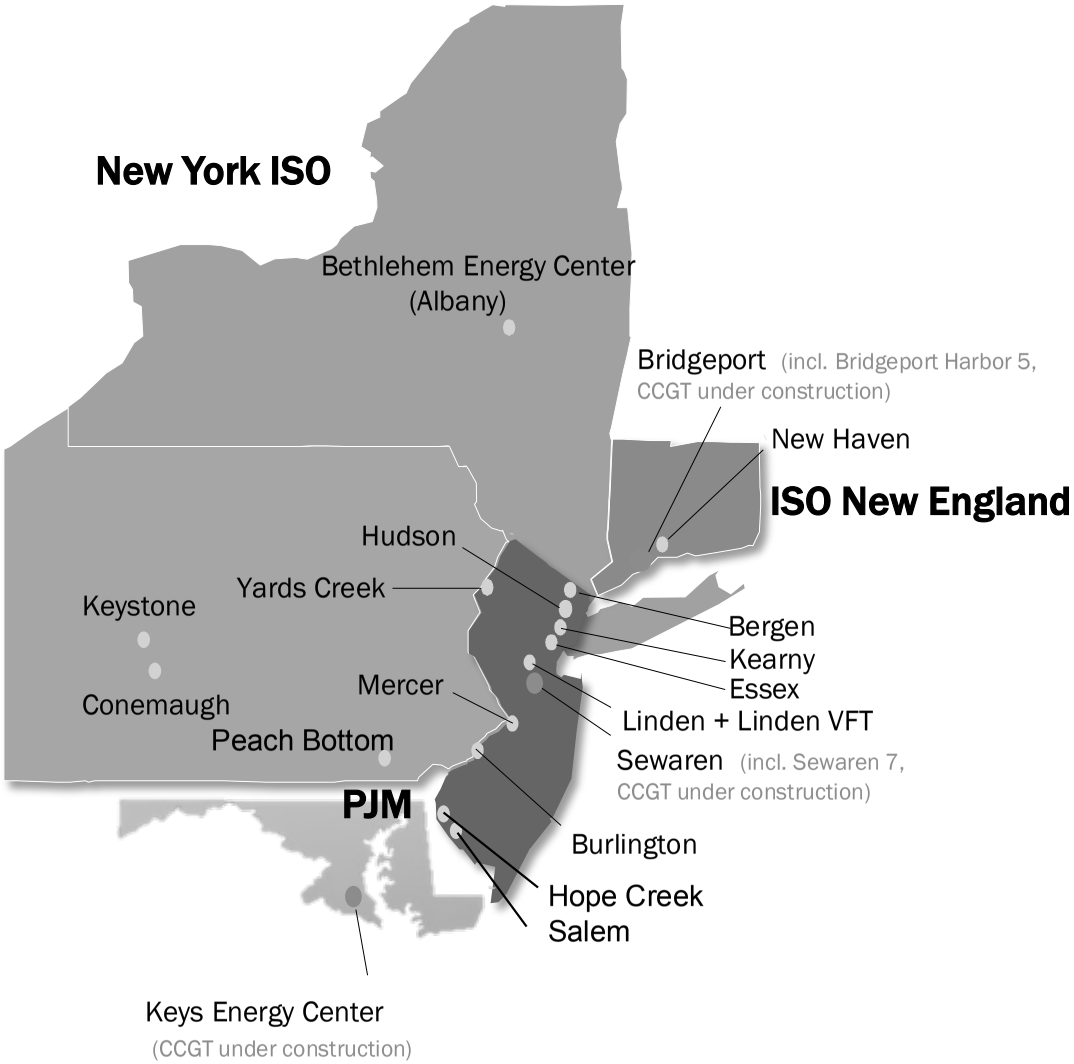
- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-10202

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



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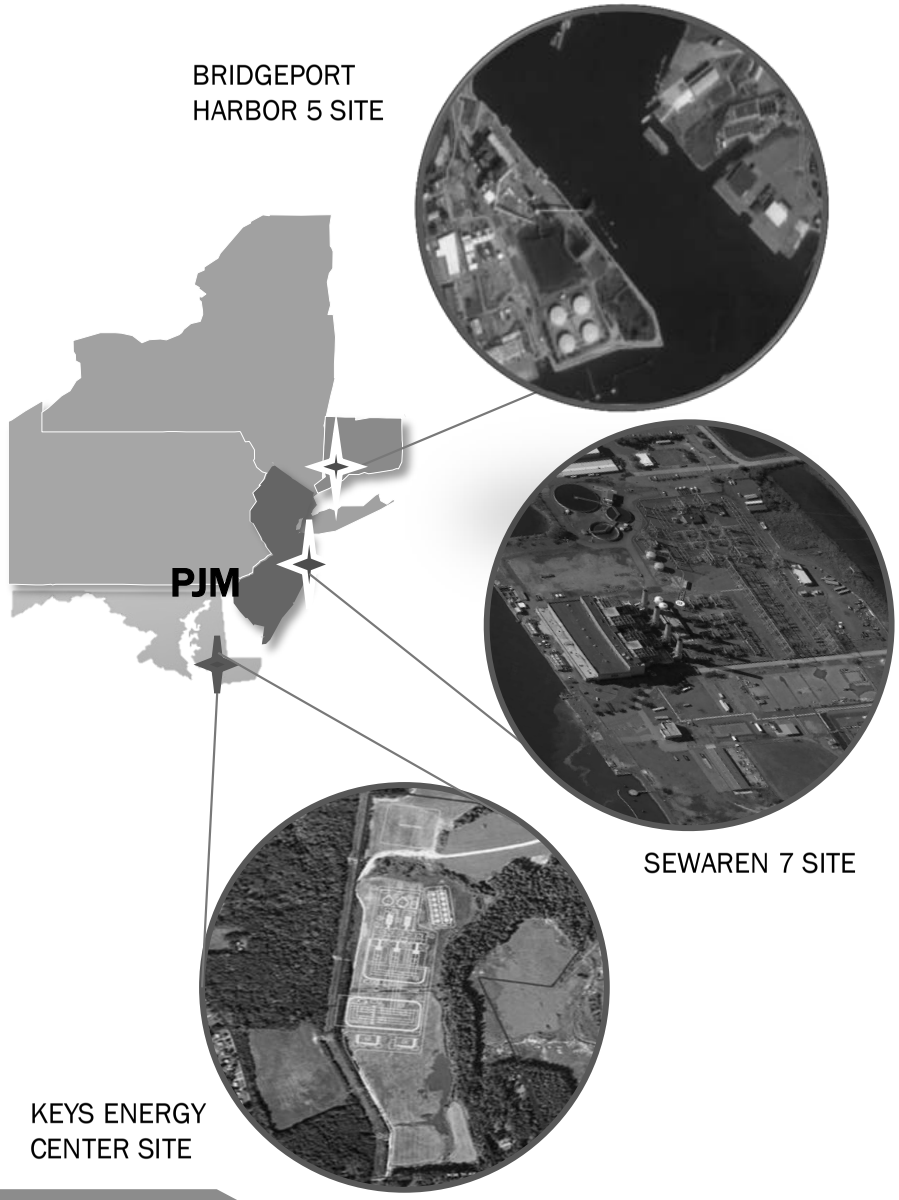
PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



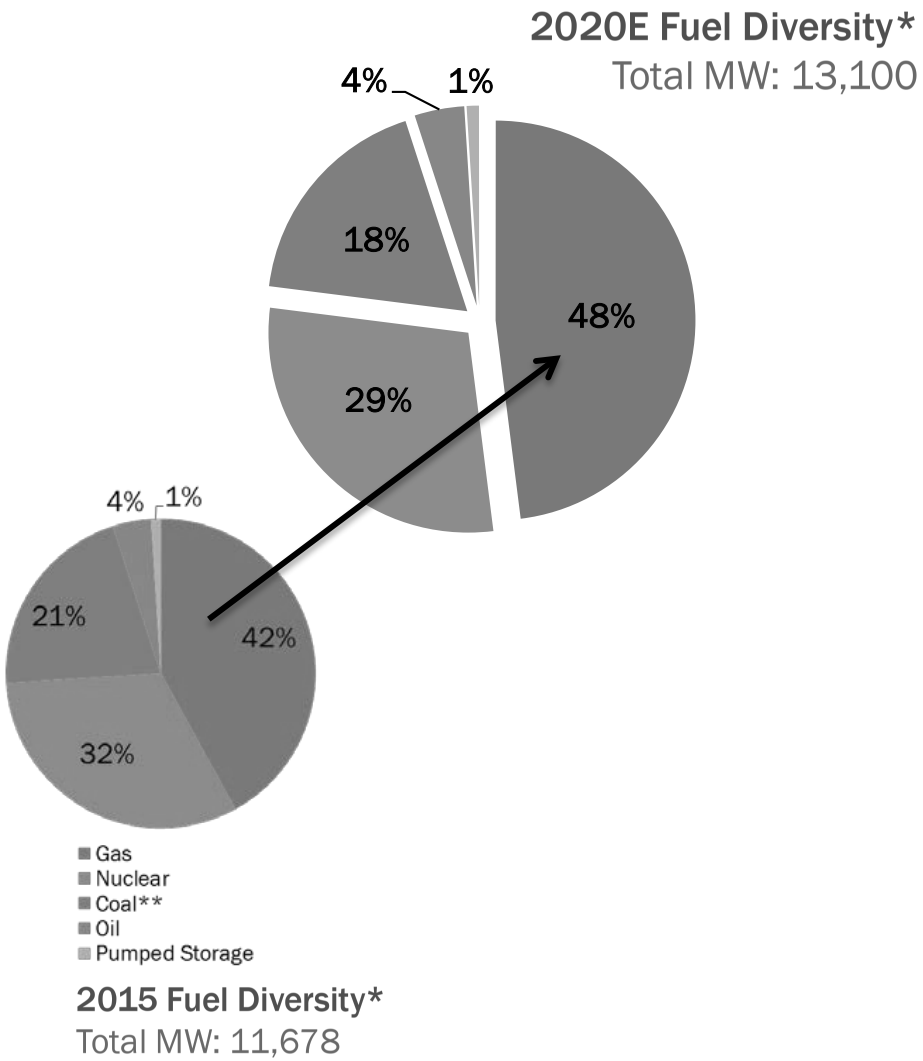
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

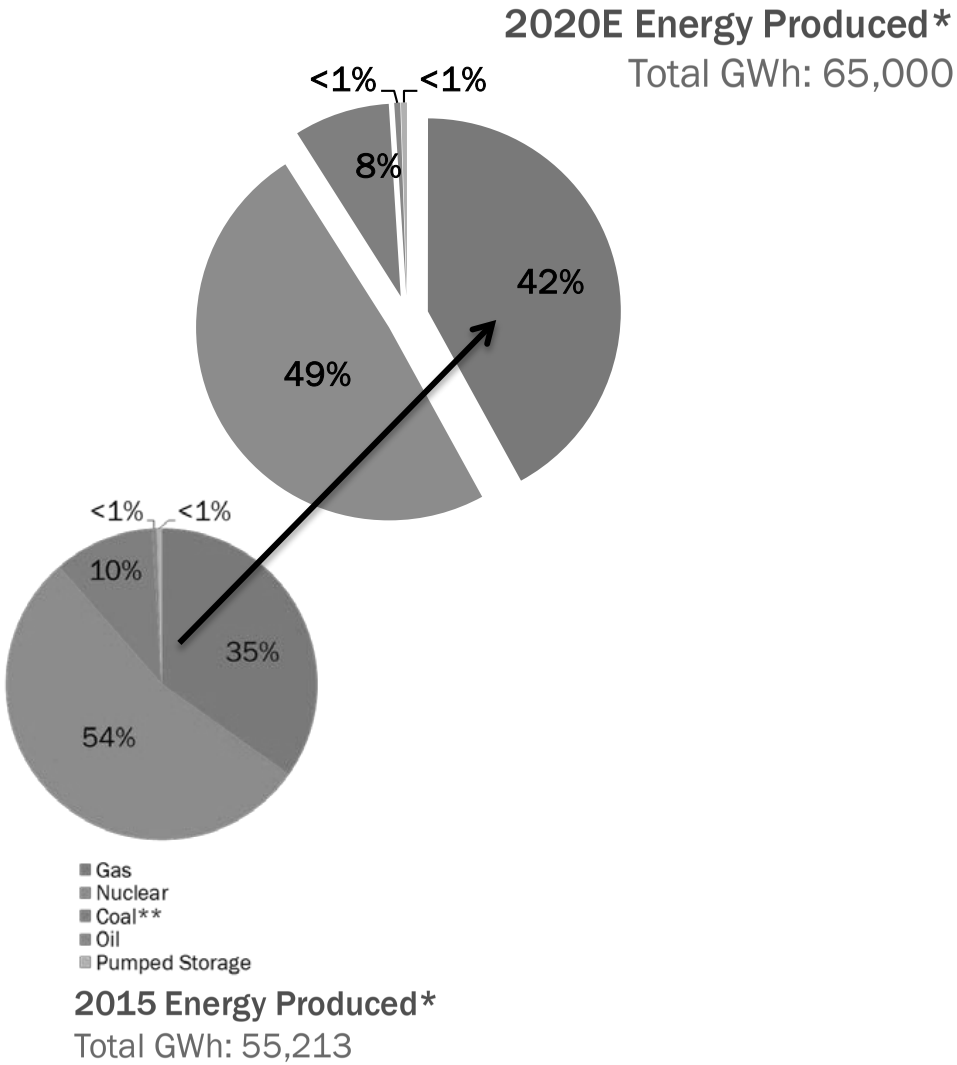
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-10204

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-10205

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

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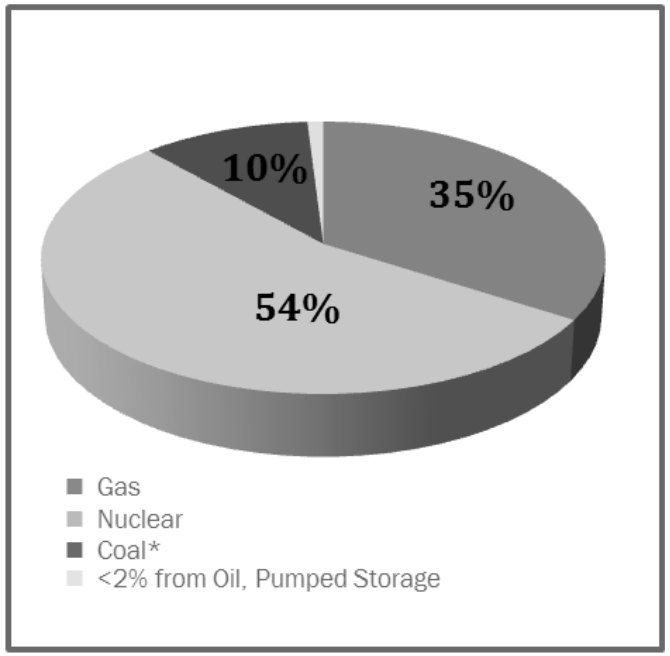
PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

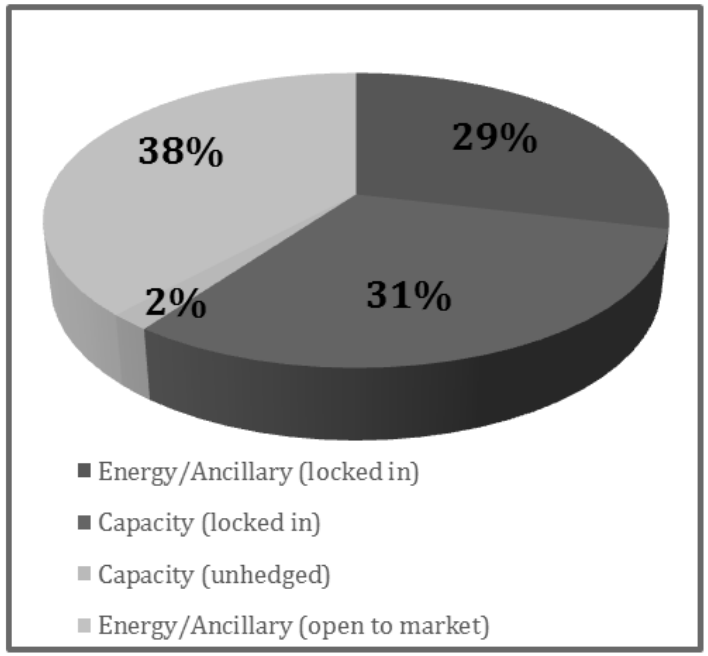
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



. E = ESTIMATE.

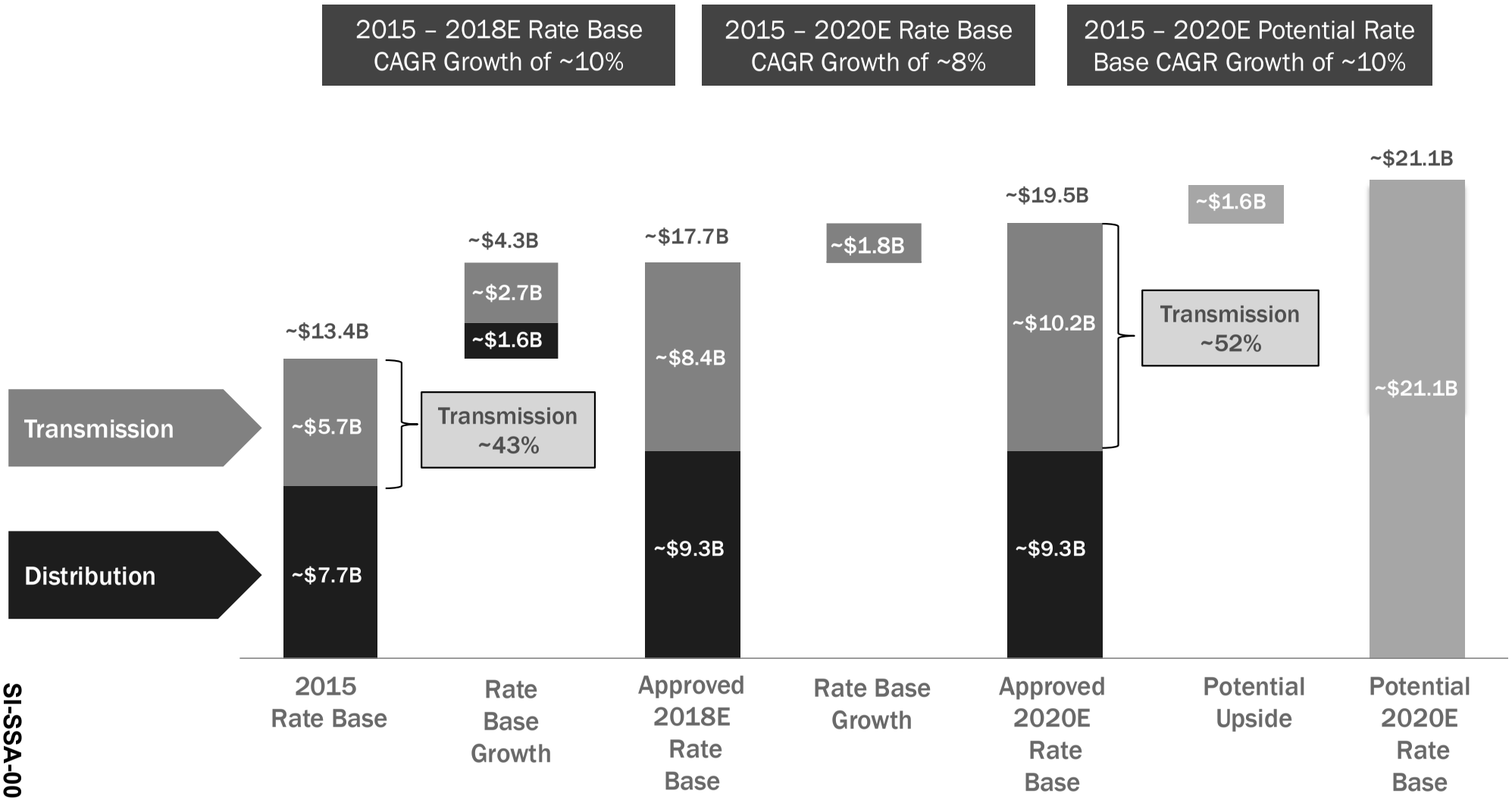
PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-10208

PSEG

We make things work for you.

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments

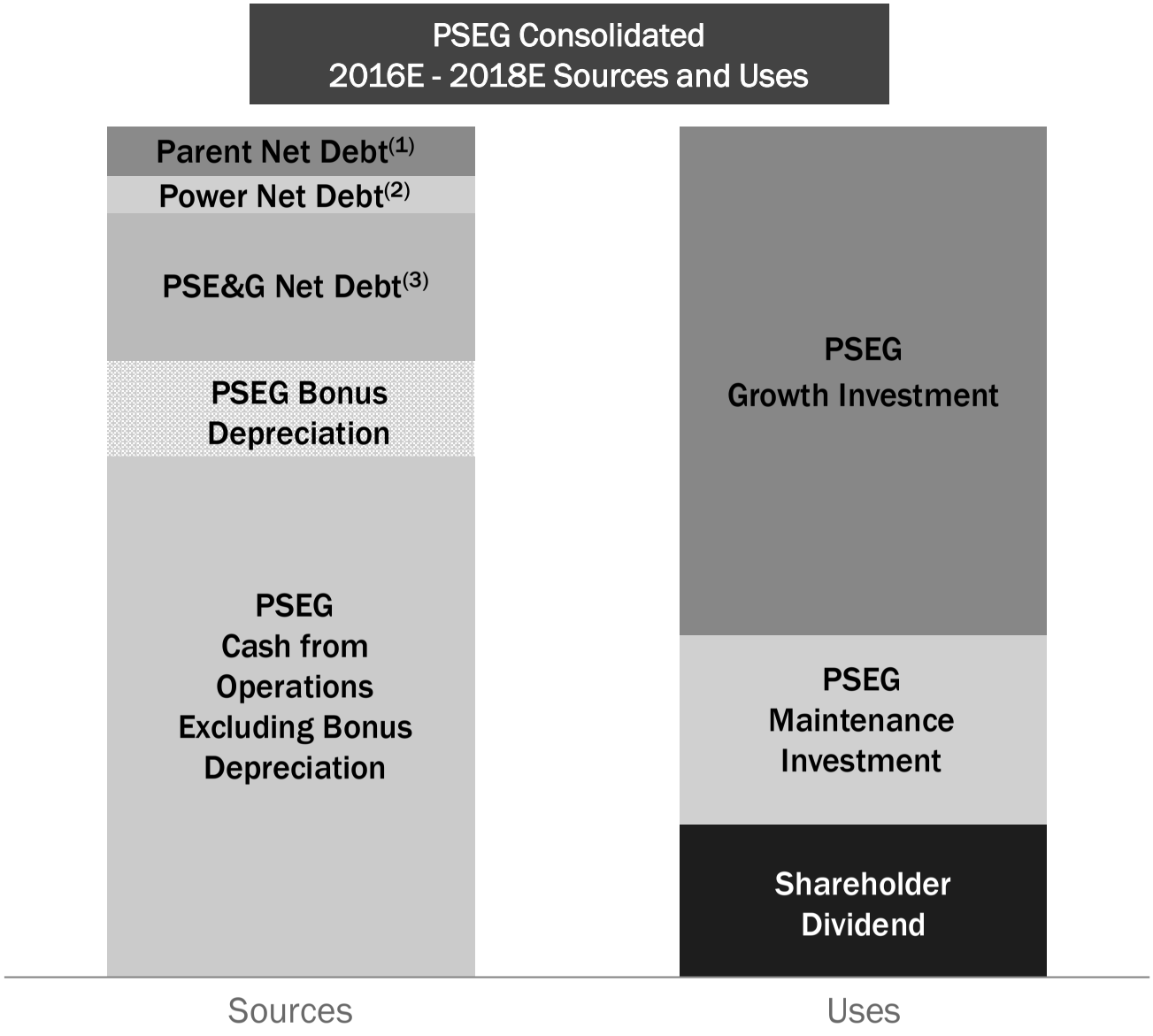


E = ESTIMATE.

SI-SSA-0015-10209

Utilizing our Strong Balance Sheet

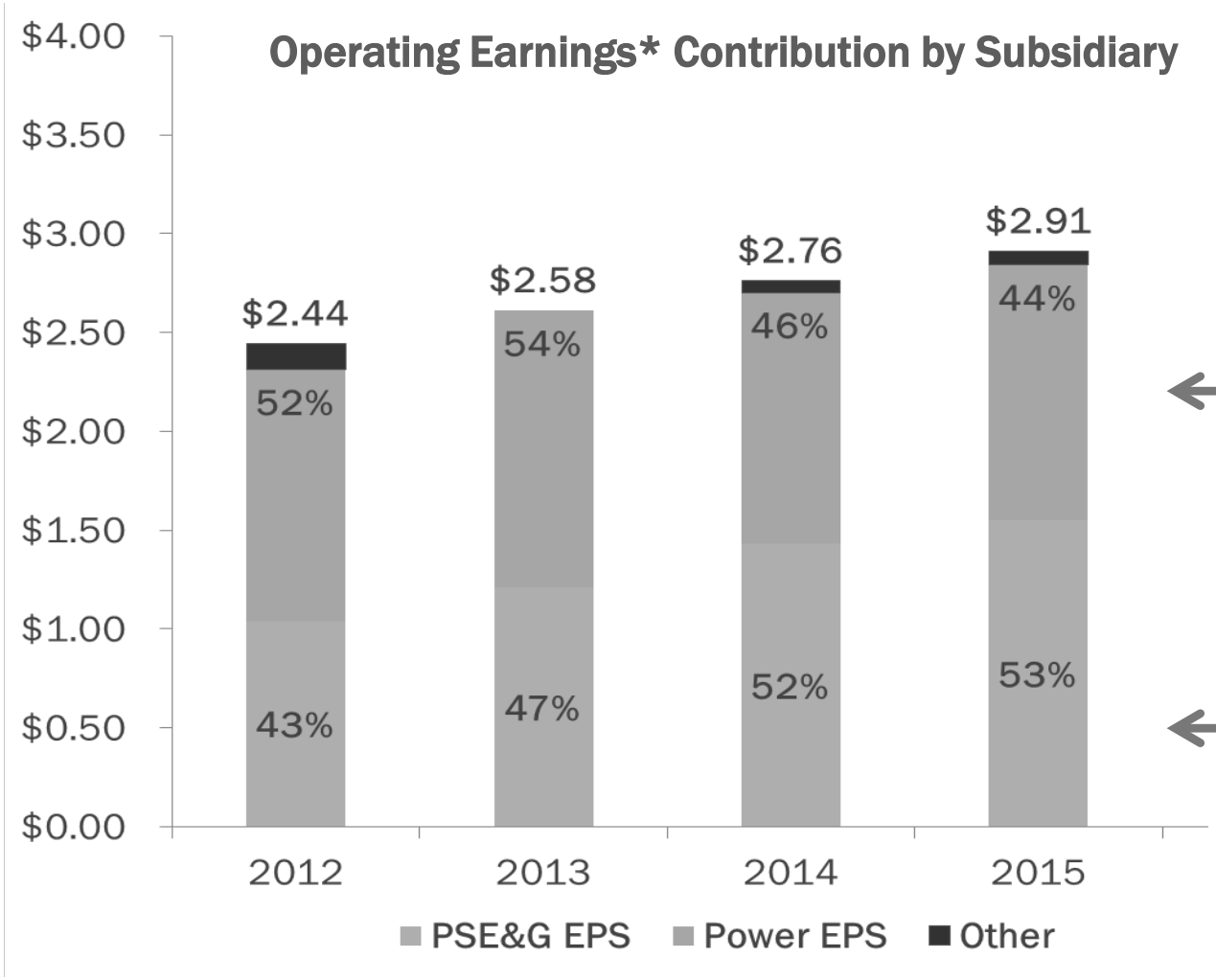
and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

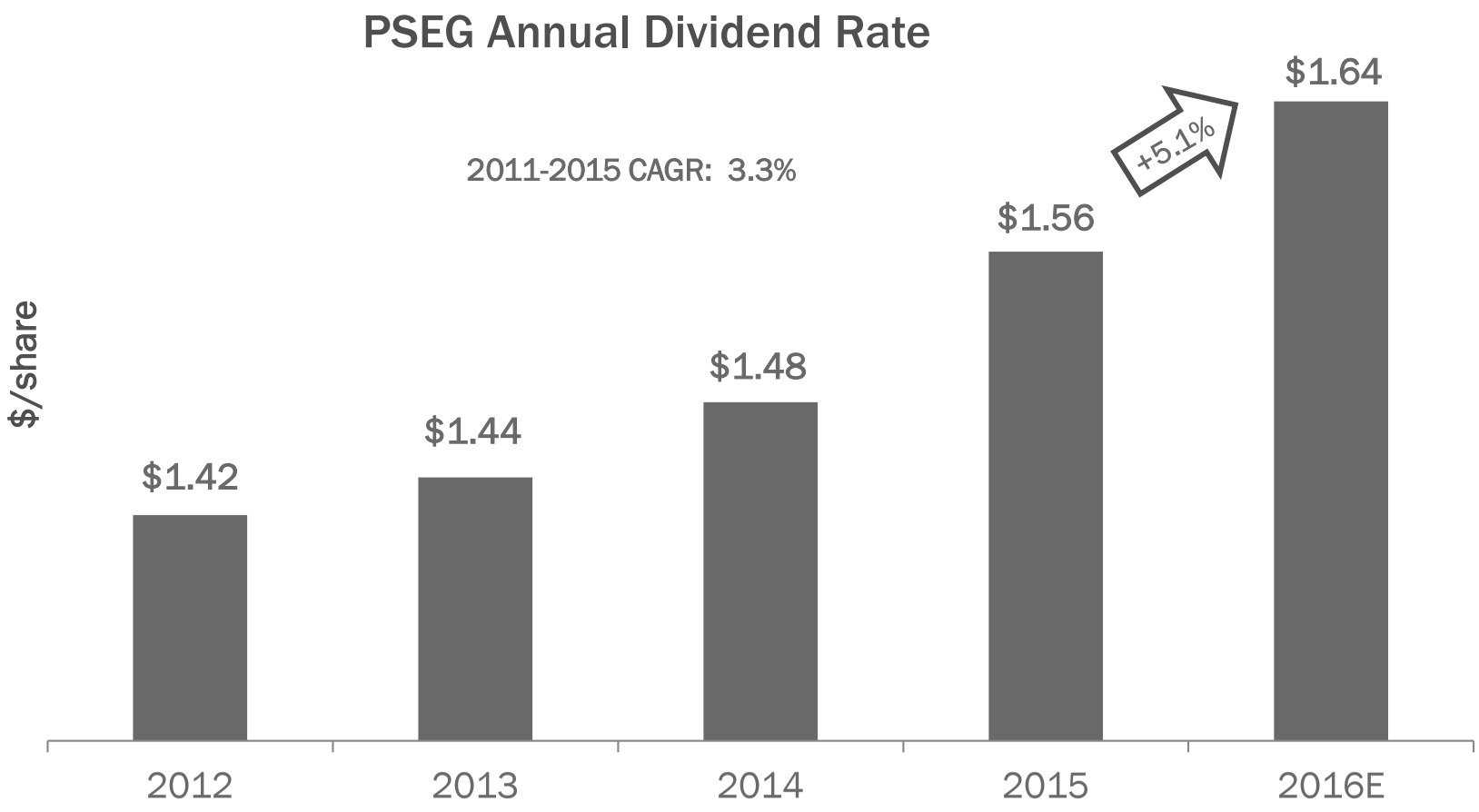
PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

SI-SSA-0015-10211

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



E = ESTIMATE. 2016 INDICATED ANNUAL RATE.

SI-SSA-0015-10212

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-10213

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

Health of the US Power Markets

October 25th, 2018

Shahid Malik
President, Energy Resources & Trade
Public Service Enterprise Group Incorporated

SI-SSA-0015-10215

PSEG

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

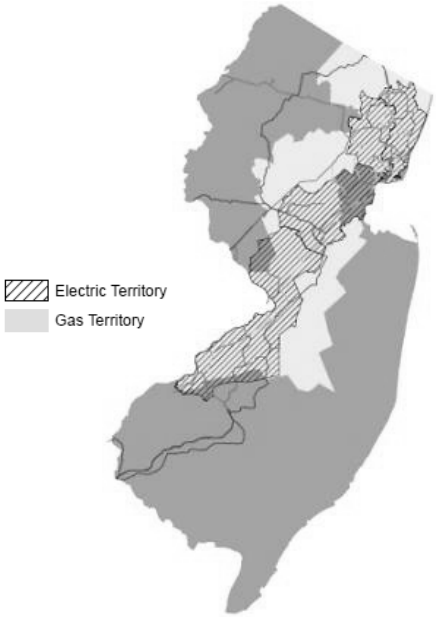
SI-SSA-0015-10216

PSEG is a diversified energy company consisting of a regulated utility, a merchant generation business, and a utility operations provider.

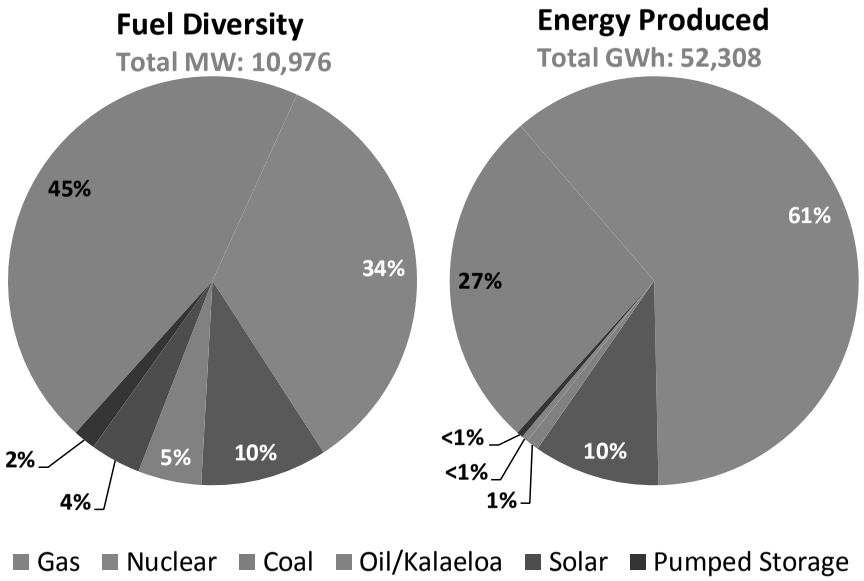
PSEG

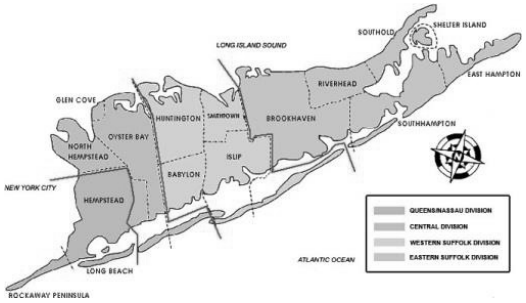
$43B Assets; $9B Operating Revenue (2017)

PSE&G	PSEG Power LLC	PSEG LONG ISLAND
Electric & Gas Delivery and Transmission	Regional Competitive Generation	Operational Services



2MM Electric & 1.8MM Gas Customers





1.1MM Electric Customers

SI-SSA-0015-10217

Session Overview: The Health of US Power Markets

Electric Supply & Demand
- Load growth vs Generation build
- Traditional generation vs. Renewable generation

Impact of changing market forces: The Gold Rush
- Californian electric markets
- Is Offshore Wind next?
- Global LNG has come of age

Key items to address:

How healthy are the wholesale power markets?
- profitability, customer satisfaction, trading liquidity

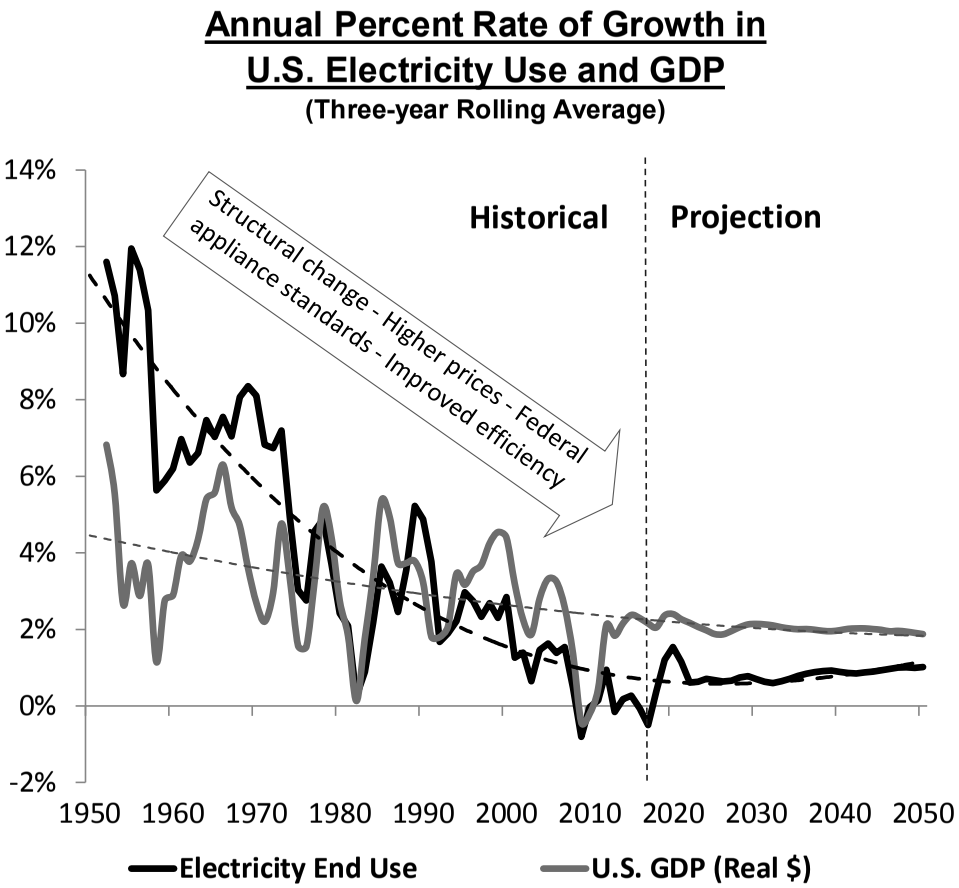
What are the key drivers?
- market constructs, Governmental incentives, commodity markets

What are the emerging opportunities?
- Batteries, Offshore Wind, Electric vehicles

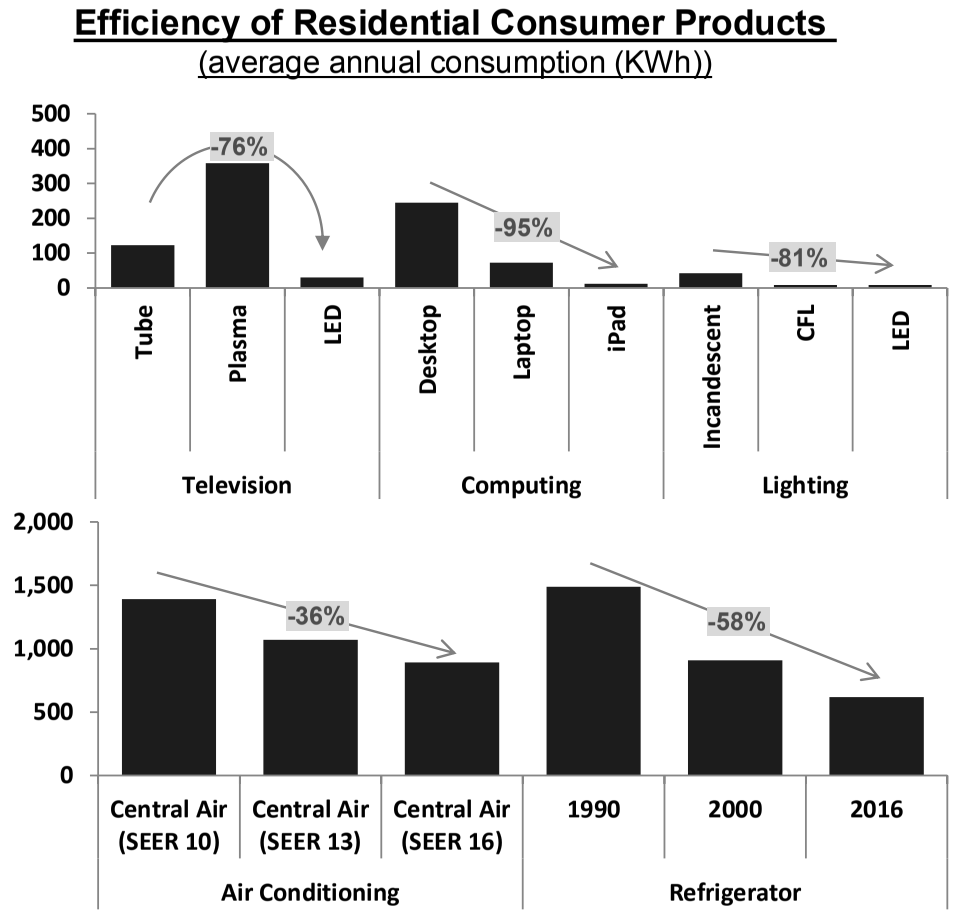
What are the potential risks?

SI-SSA-0015-10218

U.S. electricity demand has lagged GDP growth



Source: EIA Annual Energy Outlook 2018 (reference case)

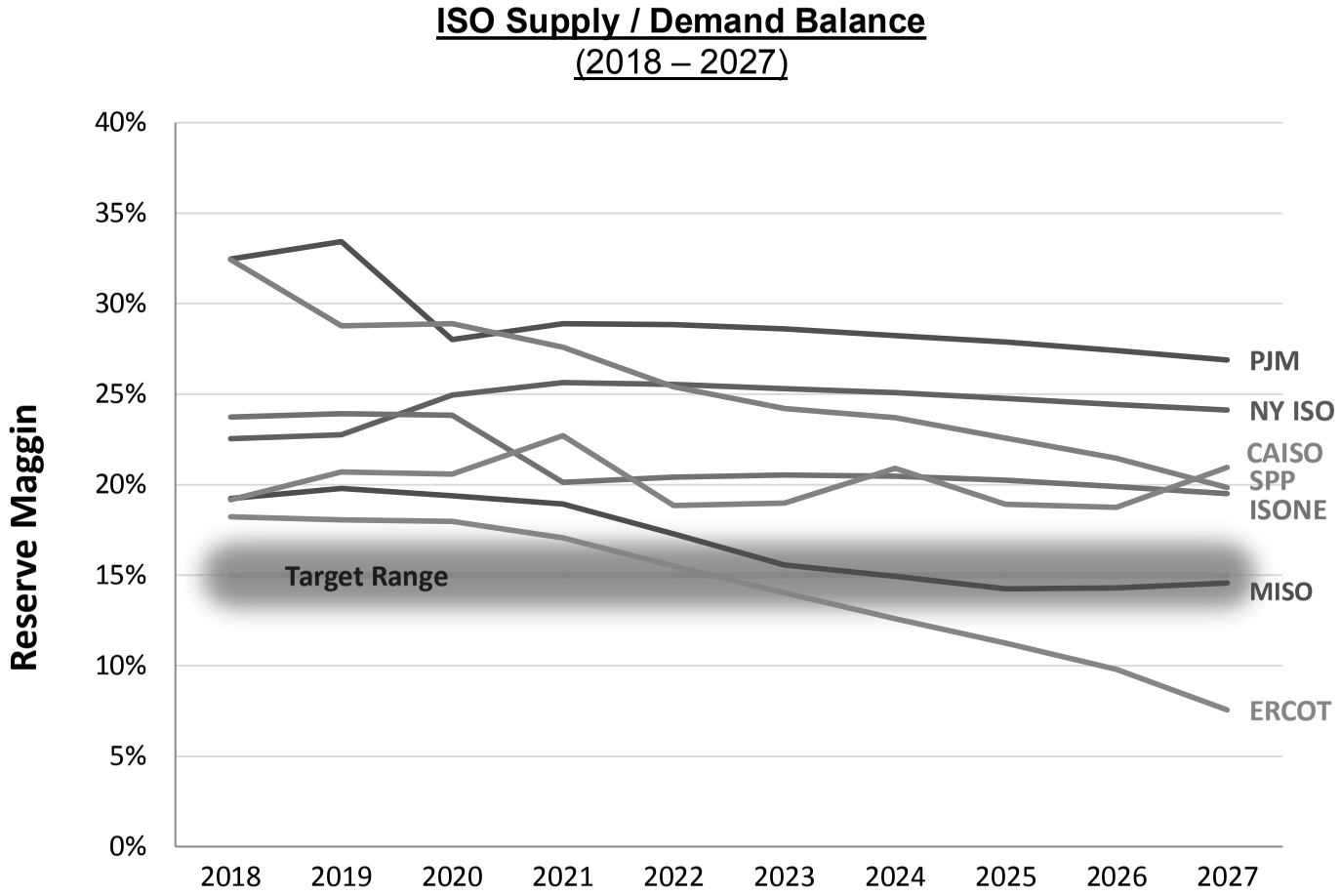


Source: EPRI; ECOS Consulting

Energy efficiency (state mandates, federal building codes, appliance standards and technology adoption) is having a material impact on electricity consumption.

SI-SSA-0015-10219

Most U.S. power markets have excess generation and are expected to remain in excess through 2027. ERCOT is a notable exception.



Source: NERC "2017 Long-Term Reliability Assessment" – December 2017

ERCOT's increasing dependence on wind generation is resulting in periods of sustained low energy prices, and is causing coal and older gas technology generation to retire.

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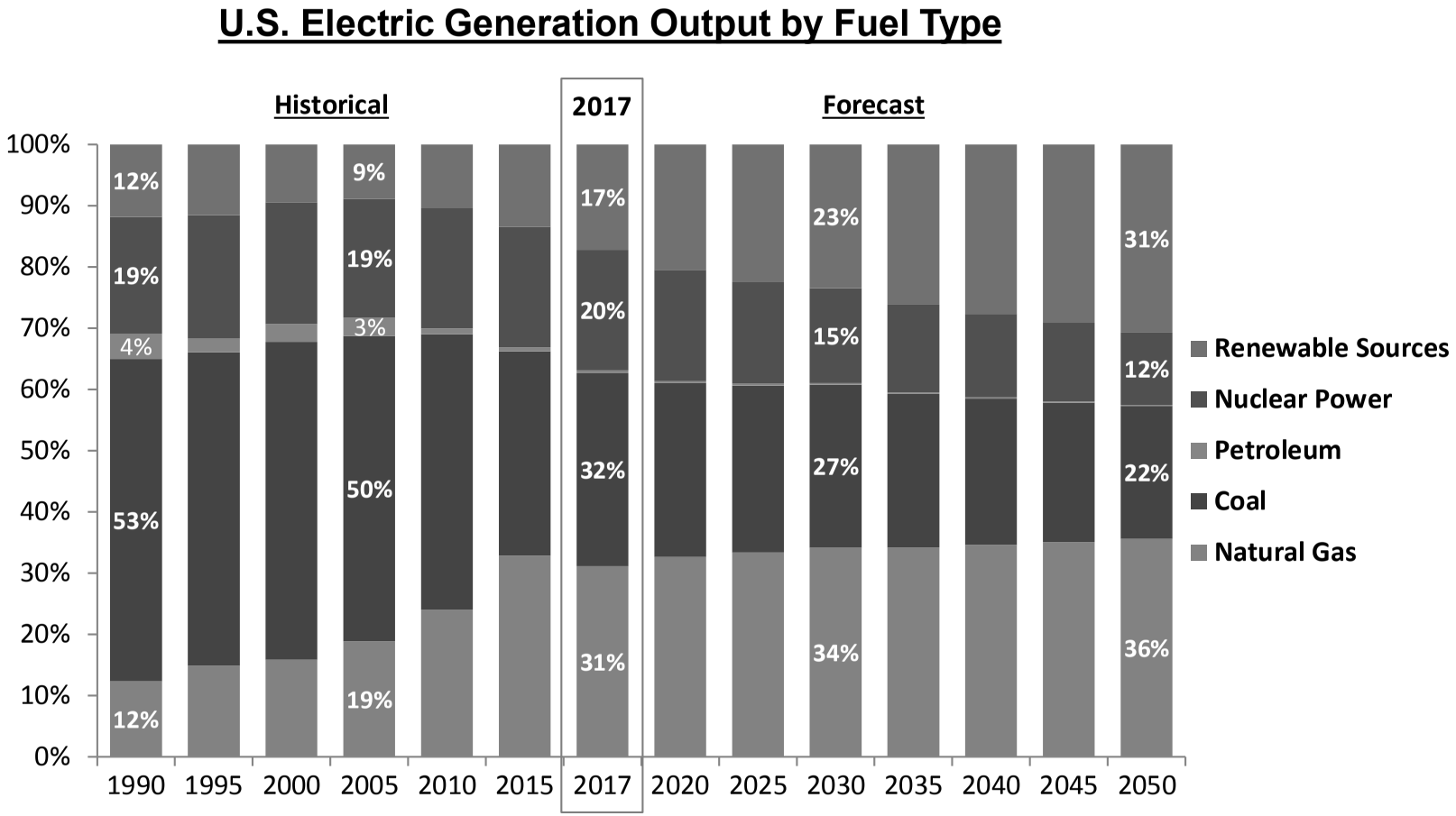
Fuel economics, Federal air quality standards, and state renewable mandates have driven these changes



Source: U.S. Energy Information Administration, Annual Energy Outlook 2018
Note: Renewable Sources includes wind, solar, geothermal and old hydro and biomass

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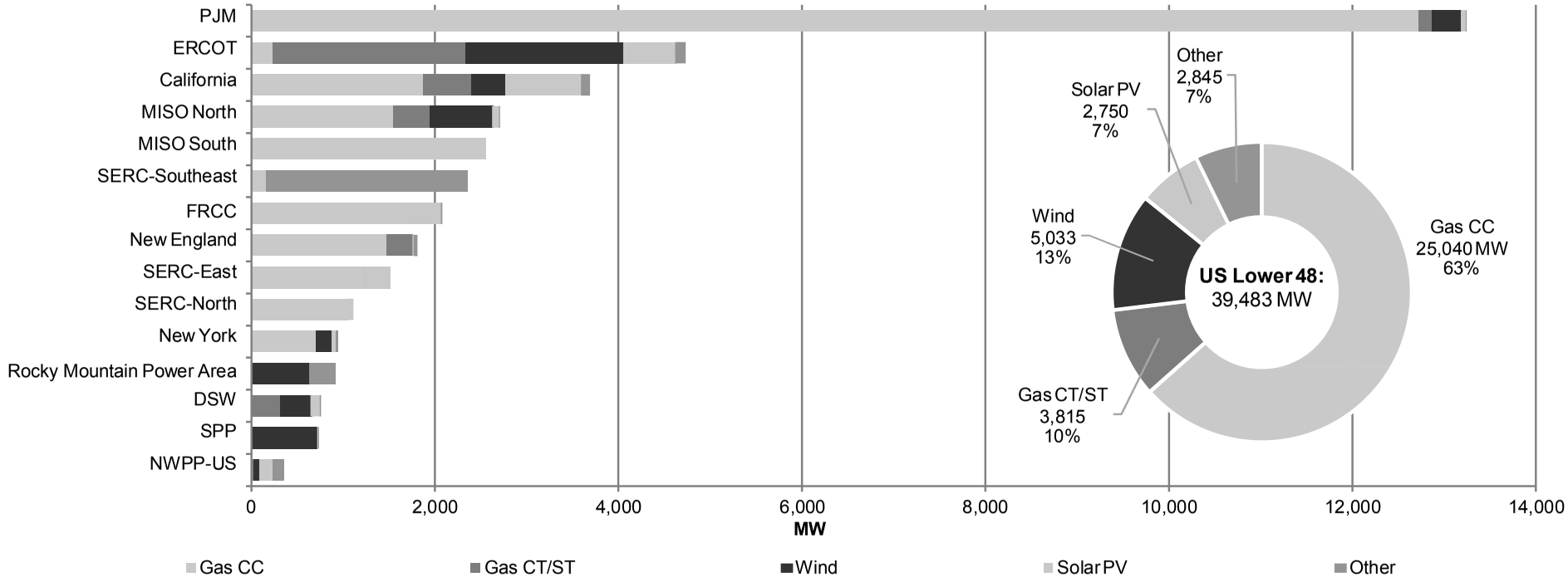
40 GW of generating capacity under construction in the US

Generating capacity under construction in the US Lower 48 (as of March 2018)



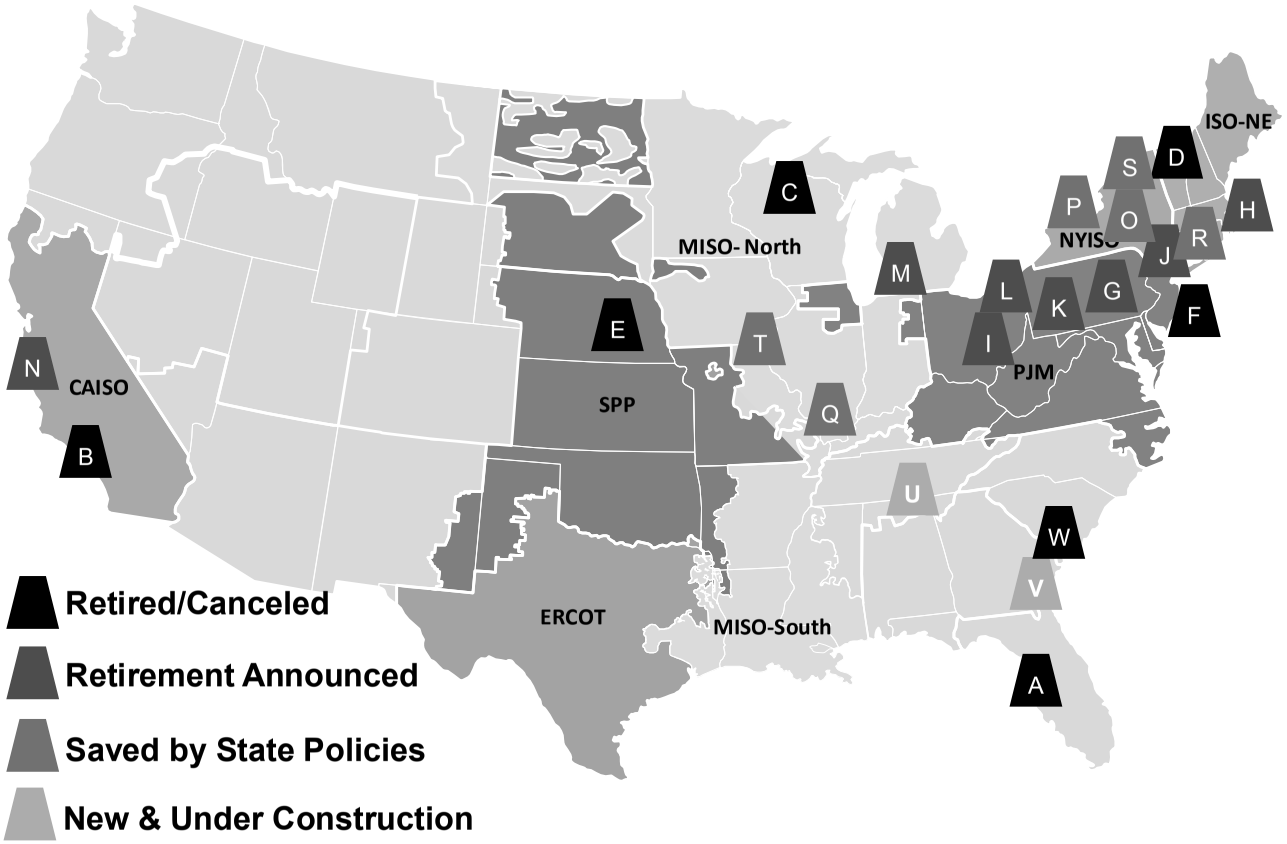
Note: SERC = SERC Reliability Corporation. DSW = Desert Southwest. NWPP = Northwest Power Pool. CC = combined cycle. CT = combustion turbine. ST = steam turbine. Excludes coal conversions.

Source: IHS Markit and US Energy Information Administration

© 2018 IHS Markit

Lower cost gas-fired and renewable generation creates survival challenge for merchant nuclear plants

U.S. Nuclear Capacity Retirements and Additions since 2010



	Premature Nuclear Plant Closures			
	Plant	**MW**	**Reason**	**Closure Year**
A	Crystal River 3	860	Mechanical	2013
B	San Onofre 2 & 3	2,150	Mechanical	2013
C	Kewaunee	566	Market	2013
D	Vermont Yankee	620	Market	2014
E	Fort Calhoun	476	Market	2016
F	Oyster Creek	610	Policy	2018
	Total	**5,282**		
	Premature Announced Shutdowns			
	Plant	**MW**	**Reason**	**Closure Year**
G	Three Mile Island 1	829	Market	2019
H	Pilgrim	680	Market	2019
I	Davis-Besse	908	Market	2020
J	Indian Point 2 & 3	2,071	Market & Policy	2020-2021
K	Beaver Valley 1 & 2	1,872	Market	2021
L	Perry	1,268	Market	2021
M	Palisades	820	Market	2022
N	Diablo Canyon 1 & 2	2,240	Policy	2024-2025
	Total	**10,688**		
	Saved from Premature Closure by State Policies			
	Plant	**MW**	**Reason**	**Closure Year**
O	Fitzpatrick	852	Market	2017
P	Ginna	583	Market	2017
Q	Clinton	1,078	Market	2017
R	Millstone 2 & 3*	2,101	Market	~2020
S	Nine Mile Point 1 & 2	1,938	Market	2017-2018
T	Quad Cities 1 & 2	1,819	Market	2018
	Total	**8,371**		
	New & Under Construction			
	Plant	**MW**	**Reason**	**COD Year**
U	Watts Bar 2	1,150	IRP**	2016
V	Vogtle 3 & 4	2,220	IRP	2021-2022
	Total	**3,370**		
	Canceled Development			
	Plant	**MW**	**Reason**	**Year**
W	V.C. Summer 2 & 3	2,234	Cost Overruns	2017

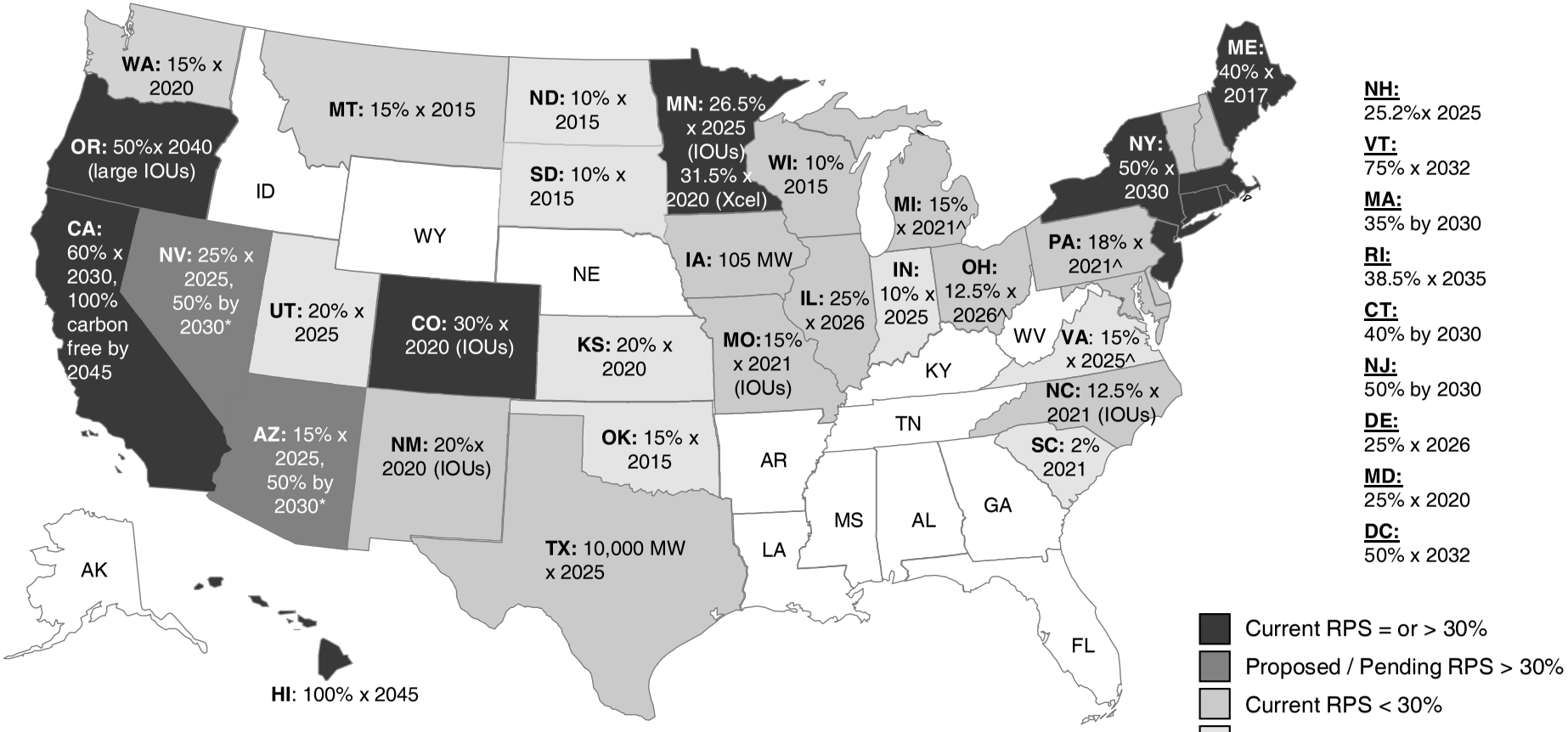
**Integrated Resource Plan (IRP)
*Millstone can partially bid into a Connecticut RFP process to procure clean energy.

Source: SNL, PSEG; Multiple sources

SI-SSA-0015-10223

Even though underlying demand growth has slowed and markets have an oversupply of generation, states are mandating even more renewables.

Renewable Portfolio Standards



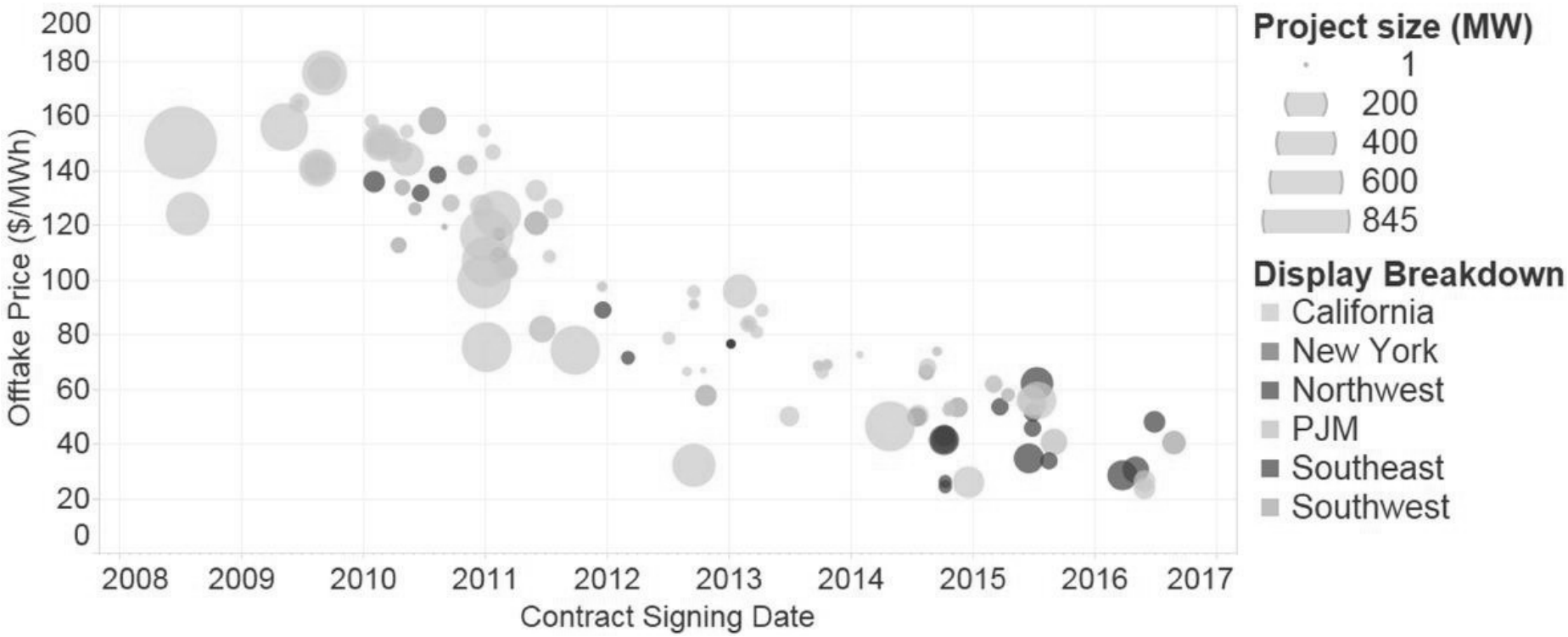
^ RPS includes Alternative Energy Sources
* Denotes Proposed and Pending RPS

Source: IHS Markit, SNL, other

SI-SSA-0015-10224

Solar PPA prices have fallen from about $160 per MWh during 2008 - 2010 to below $30 per MWh in 2017.

Offtake prices for U.S. solar power purchase agreements (PPAs)

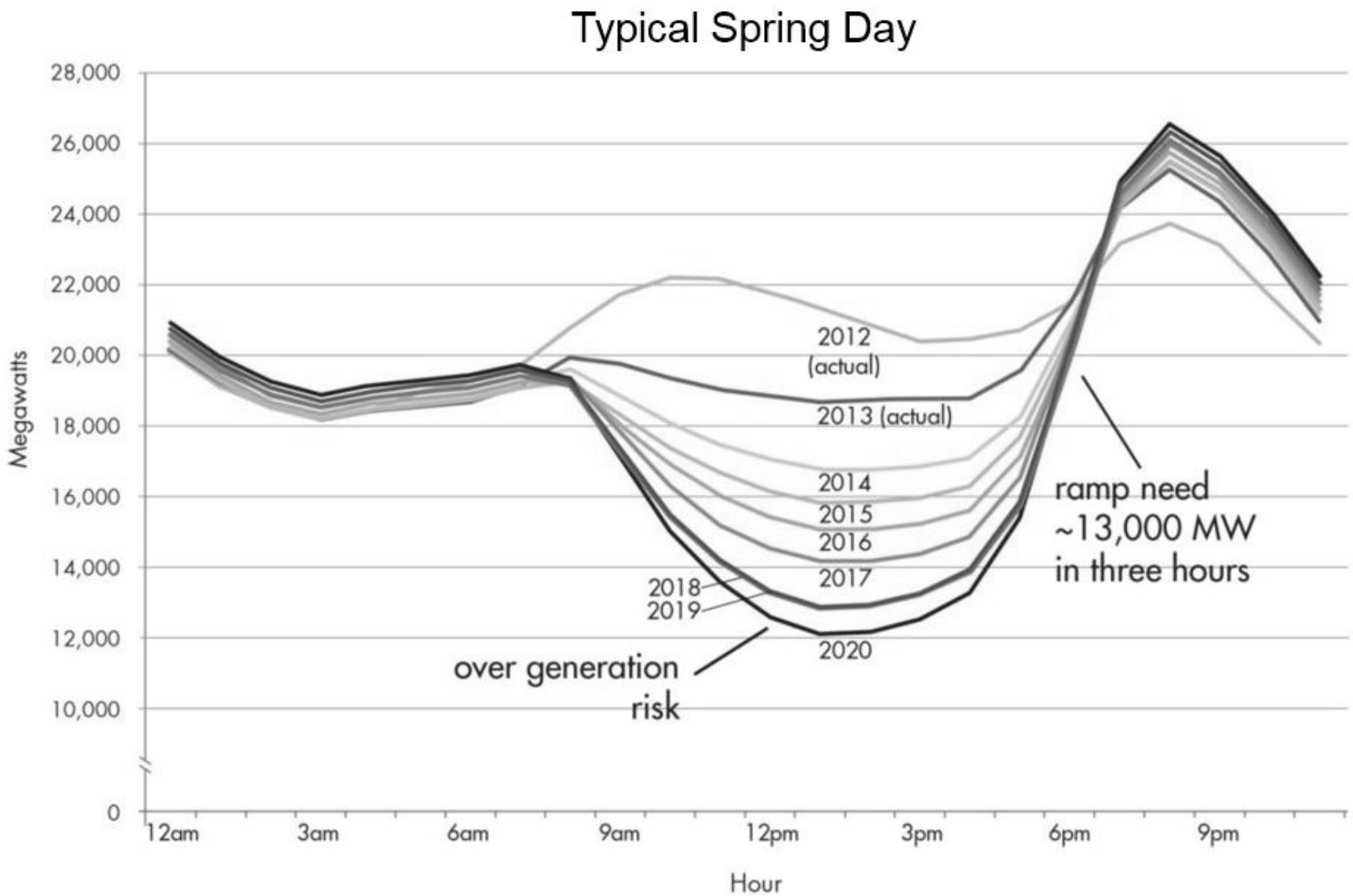


Source: FERC EQR; BNEF (as of March 2018)

Locational advantages of southern insolation allows solar costs in California and ERCOT undercut counterparts on Northern grids.

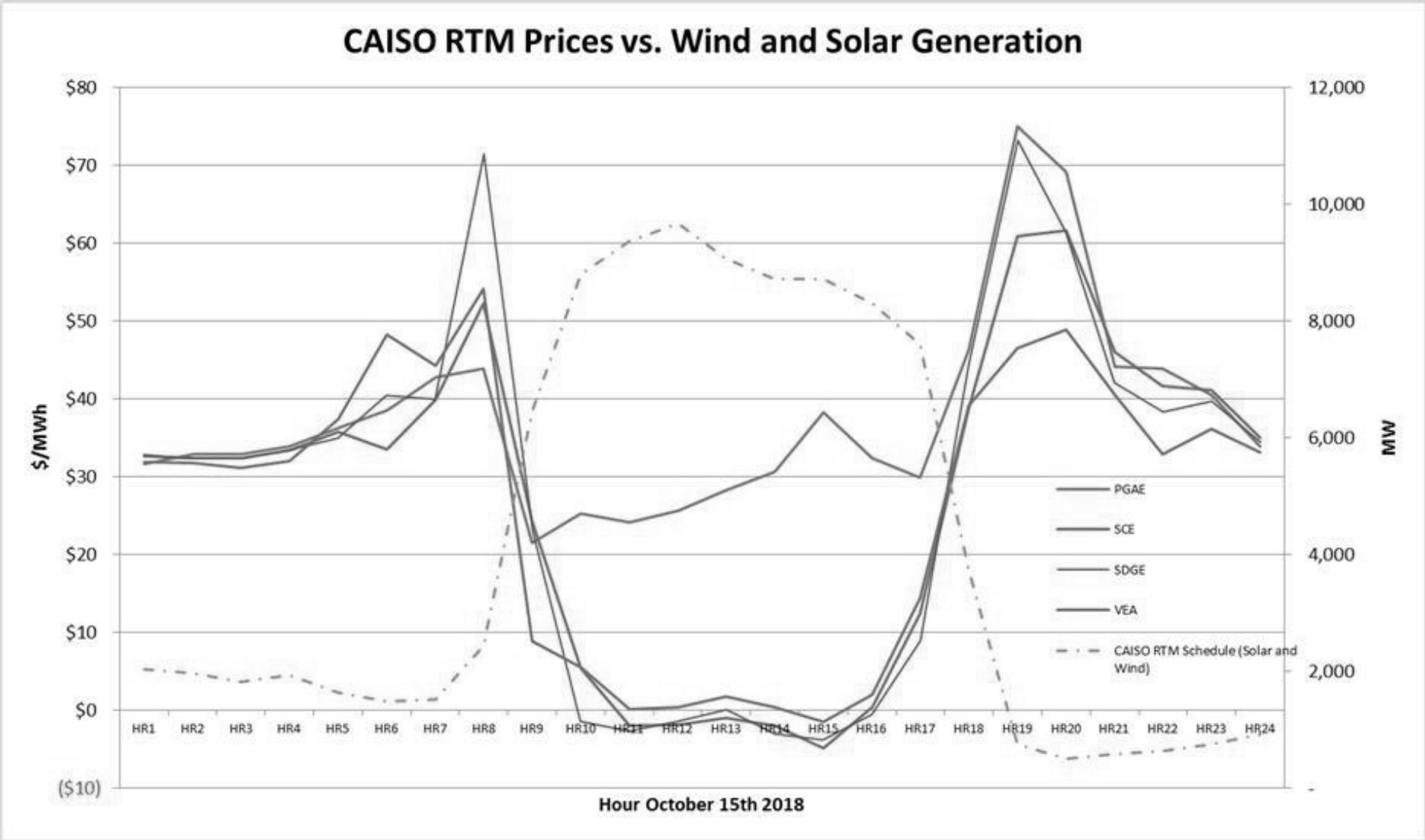
SI-SSA-0015-10225

Surplus of solar in California during peak hours is causing operational issues by forcing high ramp rates for traditional thermal generation



Source: California ISO

SI-SSA-0015-10226



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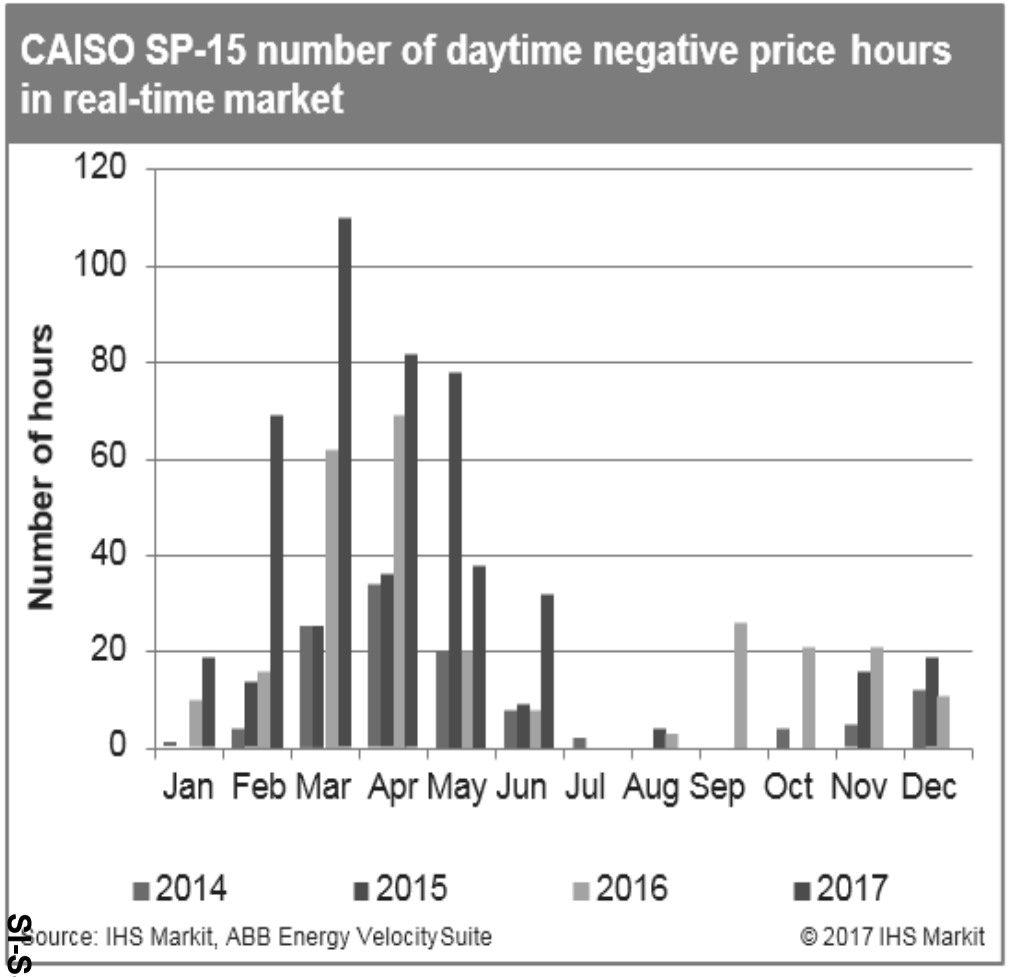
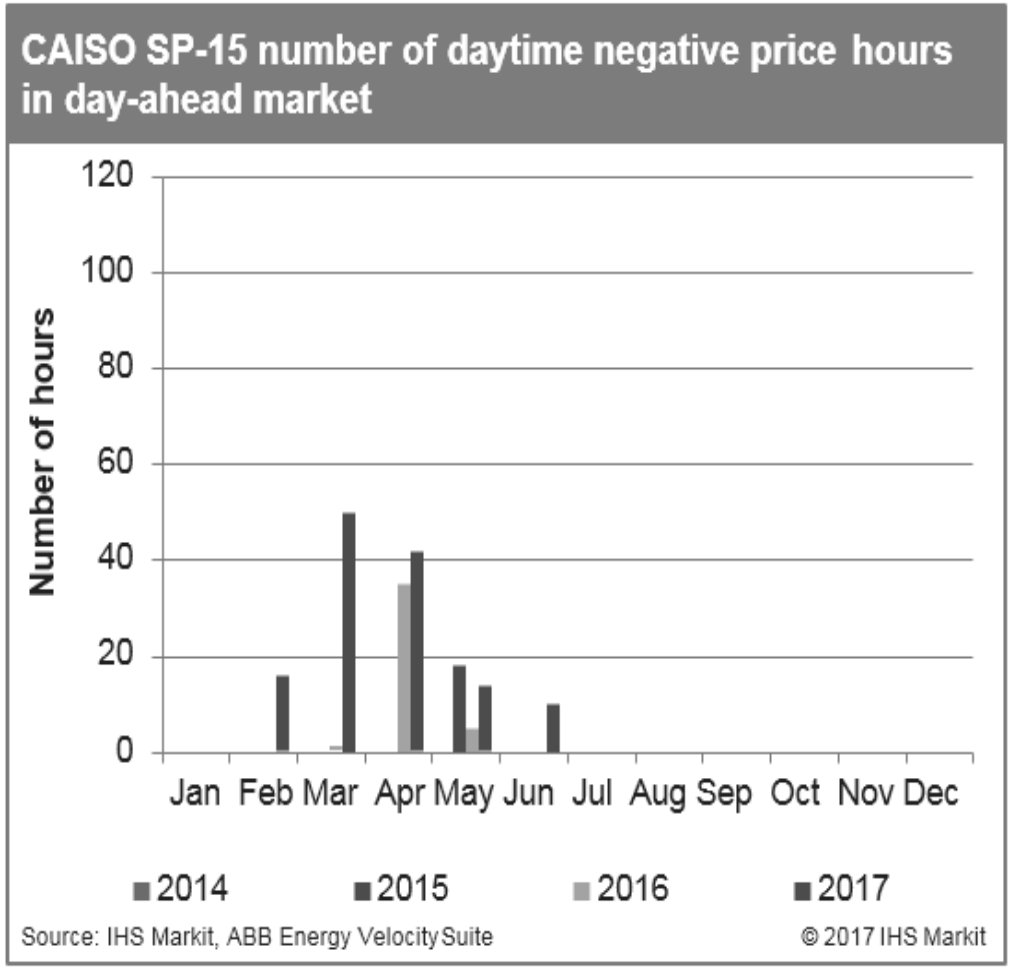
Increased solar generation in California leading to more negative price hours in Real Time and Day Ahead markets





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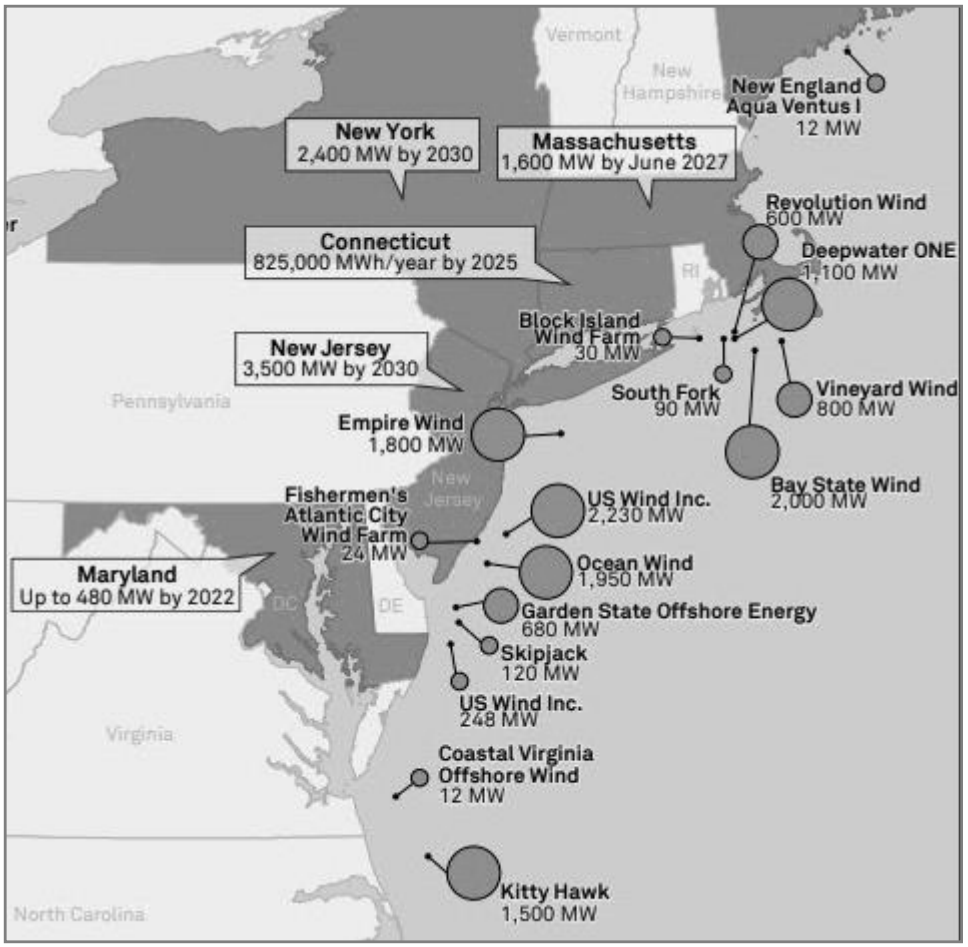
After many false starts, offshore wind may finally make strides over the next decade in the U.S. Northeast.

U.S. Offshore Wind Targets and Projects

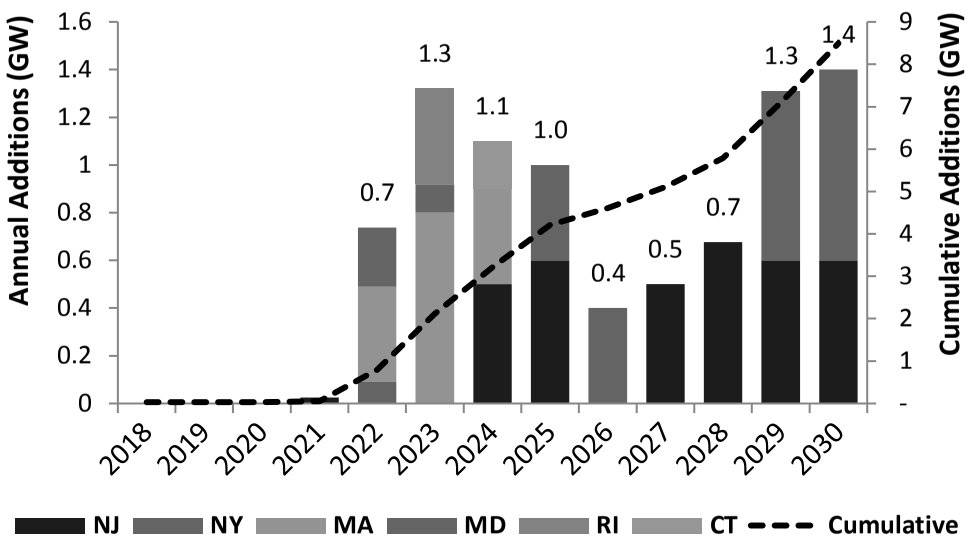


Source: S&P Global

State Offshore Wind Targets and Awards (MW)

State	End Goal	By Year	RFP Awarded	Already Online	RFP Pending
NJ	3,500	2030	24	-	3,476
NY	2,400	2030	90	-	2,310
MA	1,600	2027	800	-	800
MD	368	2022	368	-	-
RI	430	2022	400	30	-
CT	200	2025	200	-	-
Total	**8,498**		**1,882**	**30**	**6,586**

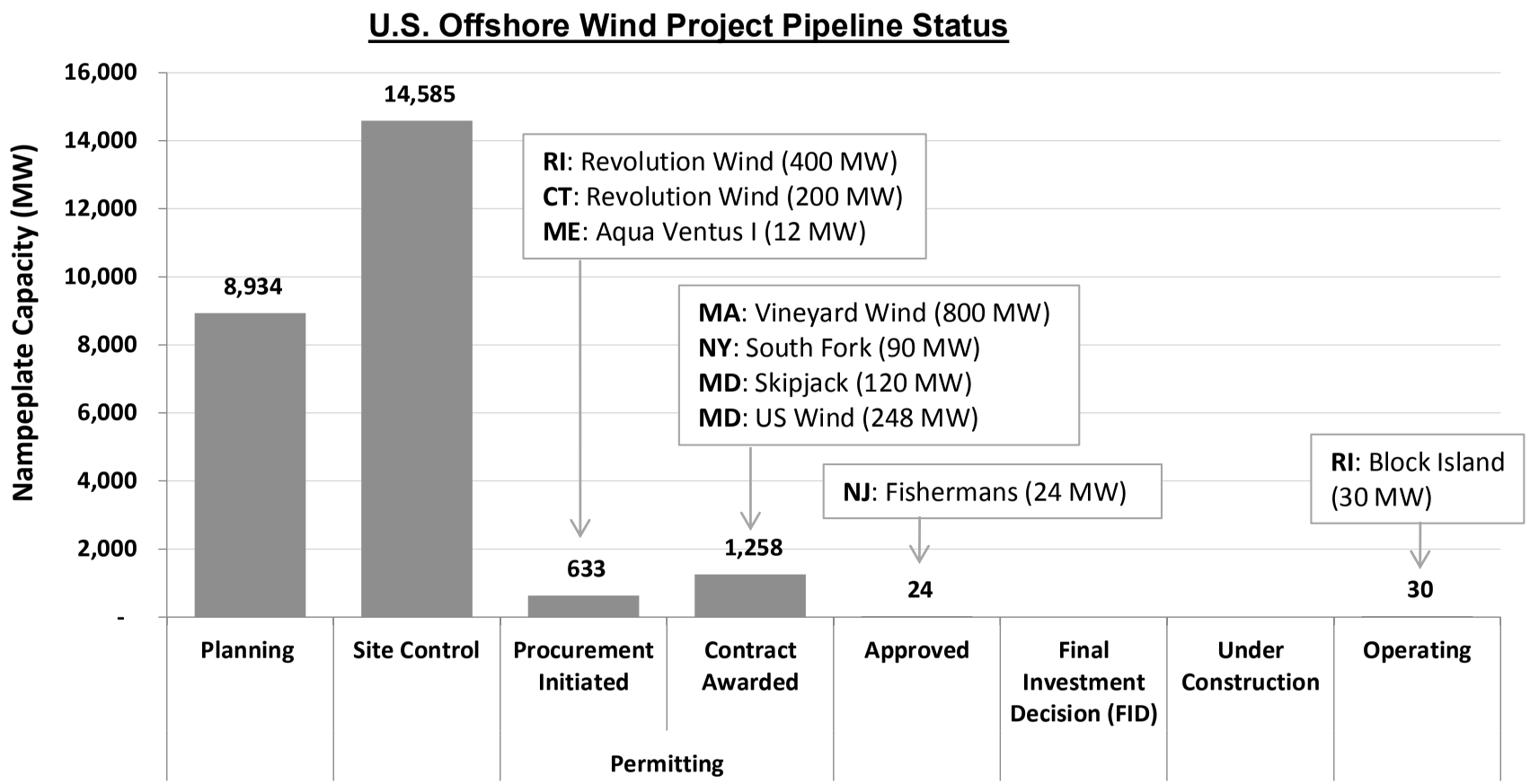
Potential Build Timeline by State



Six states established offshore wind targets of ~8.5 GWs of capacity, with ~2 GWs already awarded.

SI-SSA-0015-10229

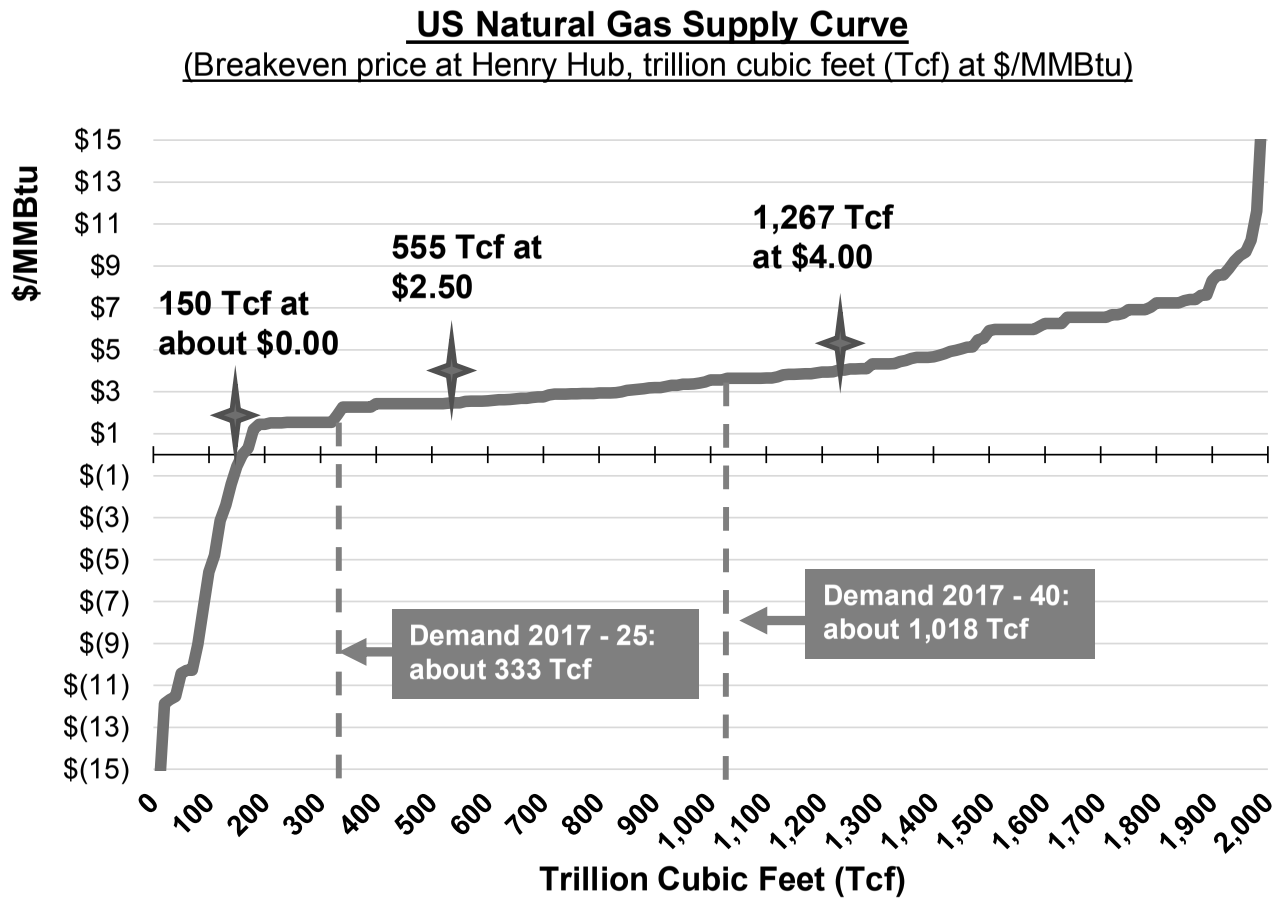
The majority of proposed offshore wind projects in the Northeast are in the early stages of development with only one project operational.



Data Source: U.S. Department of Energy's National Renewable Energy Laboratory "2017 Offshore Wind Technologies Market Update" - August 2018
Note: The MA offshore wind winning bid is about 55% lower than the MD winning bids, due to technology advances, lower costs and other factors.

SI-SSA-0015-10230

Productivity improvements have driven down and flattened the natural gas production cost curve to the $2 – 4/MMBtu break-even range.



Cost Reduction Drivers

Drilling Efficiency

- Increase lateral lengths
- Better identification and pursuit of sweet spots
- Efficiencies in multi-well pad drilling

Service Cost Deflation

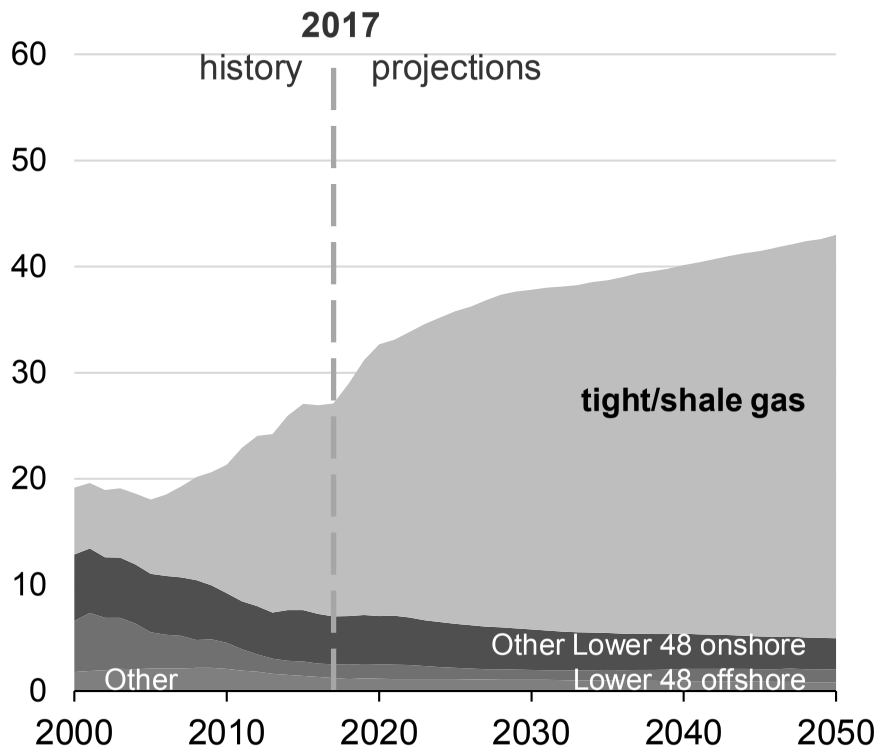
- Rig rental costs
- Casing and cement costs
- Cost of fracturing equipment and crews

Source: IHS Markit
Note: In 2017, the United States consumed about 27.1 trillion cubic feet (Tcf) of natural gas.

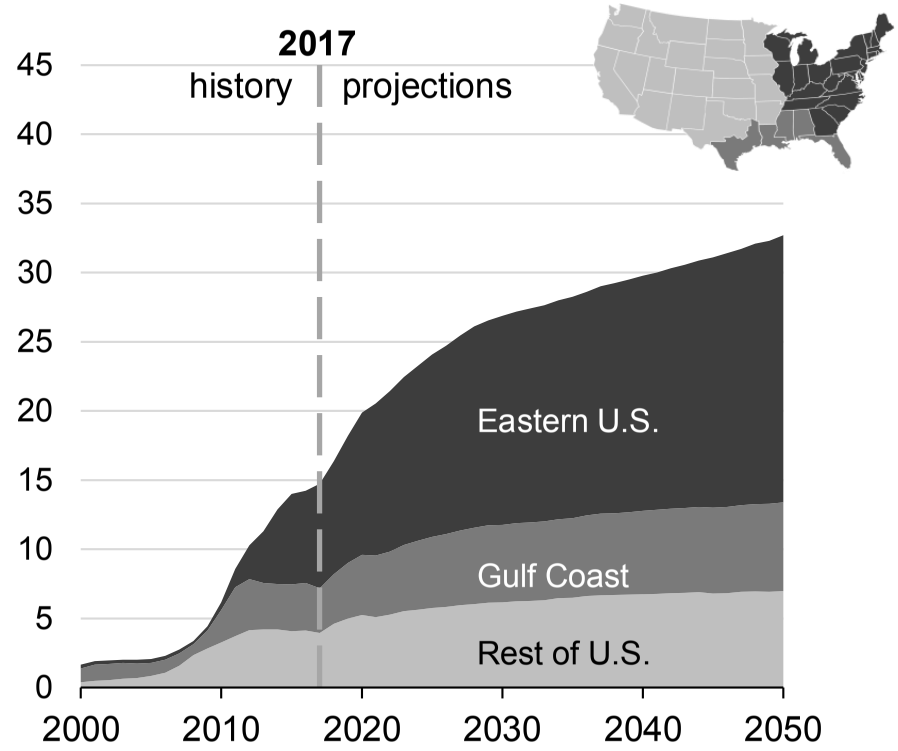
About 150 Tcf of associated gas can be produced at a negative break-even price from high-performing areas of oil plays and NGL-rich plays.

North American gas production has increased dramatically, largely driven by the Marcellus/Utica Shale.

U.S. Dry Natural Gas Production by Source
2000–2050 (trillion cubic feet)



U.S. Shale Gas Production by Source
2000 – 2050 (trillion cubic feet)



Source: U.S. Energy Information Administration, Annual Energy Outlook 2018
Note: "Other" includes Alaska and coalbed methane

Marcellus/Utica shale gas production grew from zero in 2009, to a peak of ~30Bcf/day in 2018, leading to this region being a net exporter and reversing pipeline flows to the Gulf coast and Rockies.

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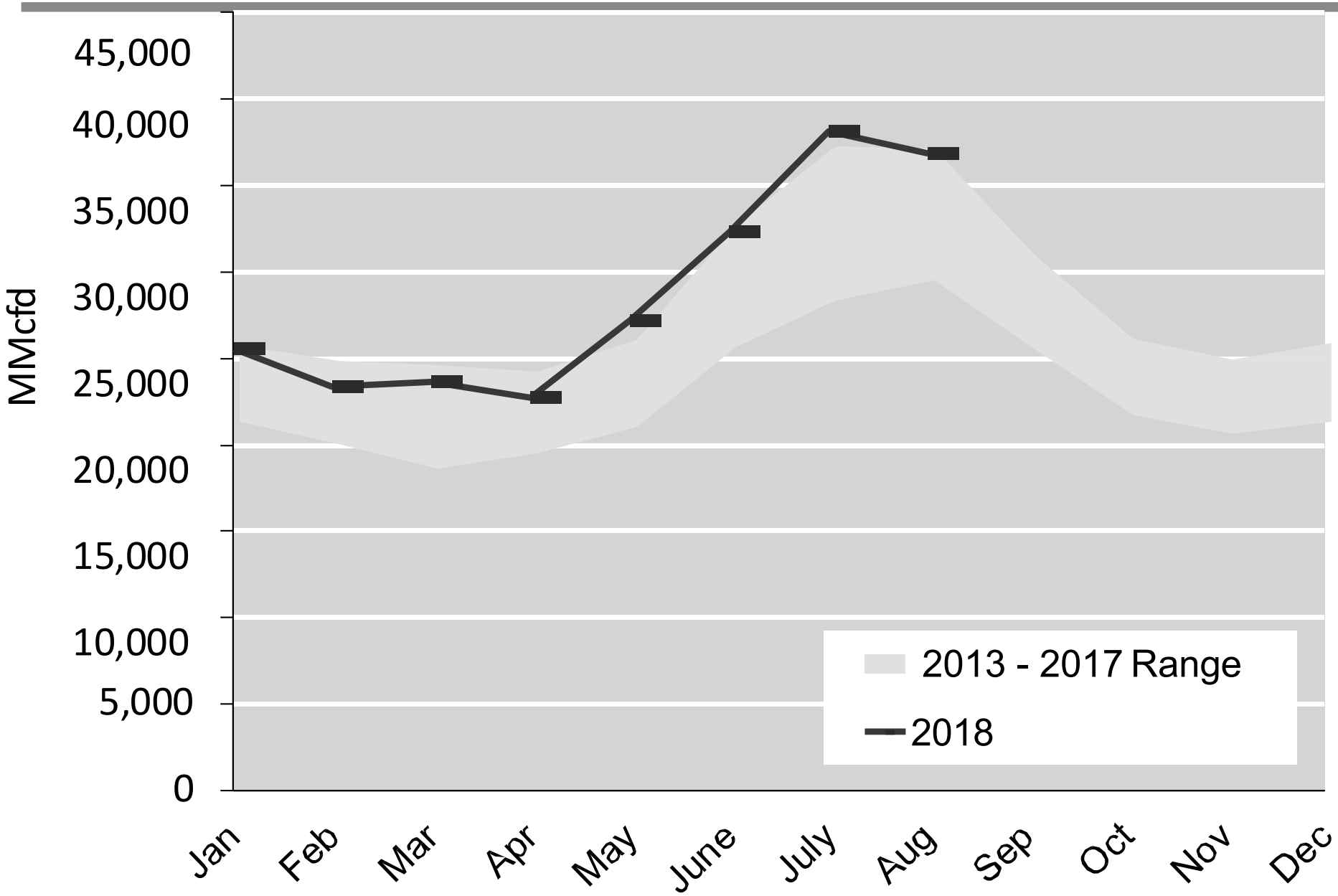
U.S. Natural Gas Consumption for Power Generation



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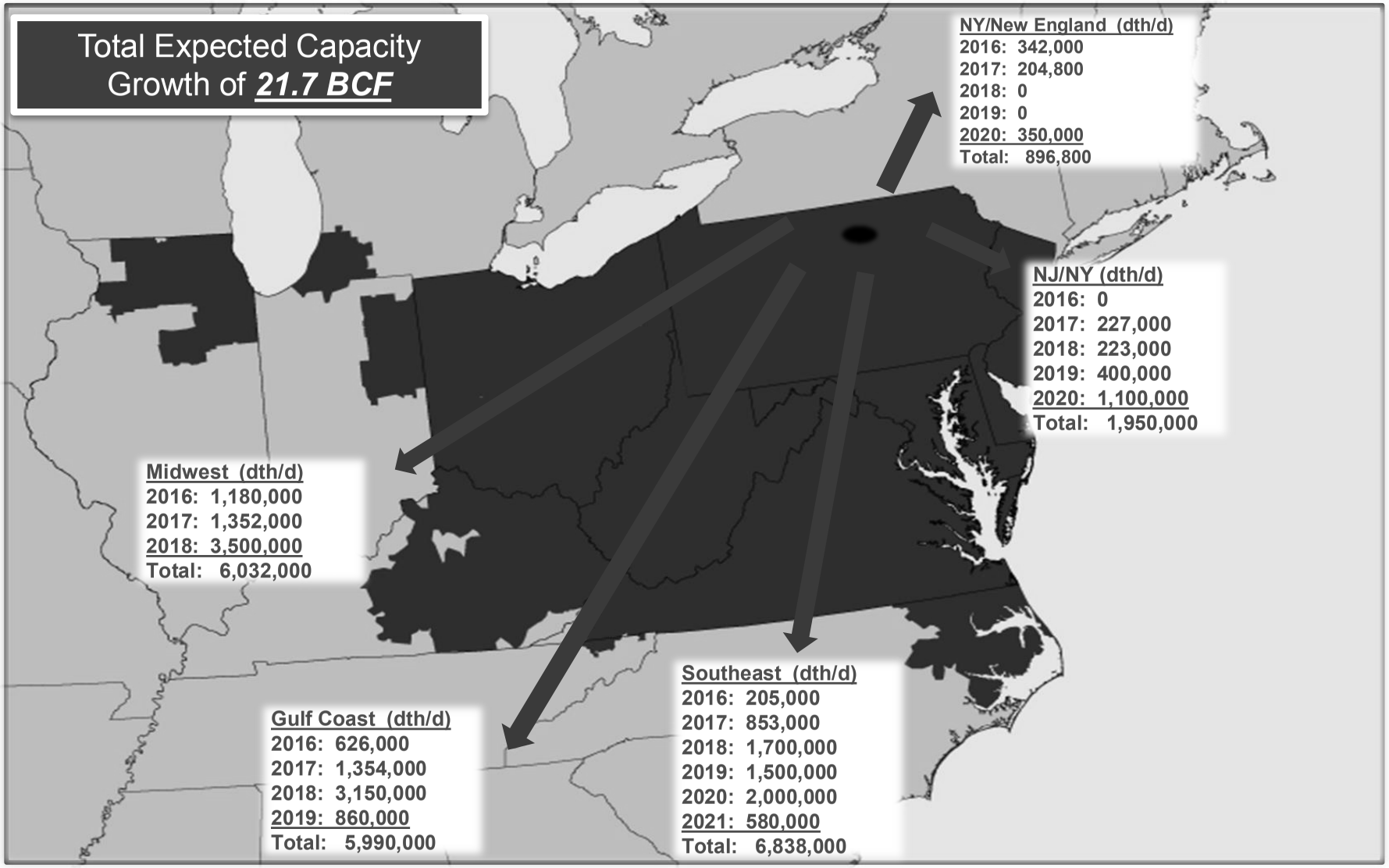
Marcellus/Utica Pipeline Takeaway Capacity Growth is upending traditional Basis markets



. *Source: PSEG Research*

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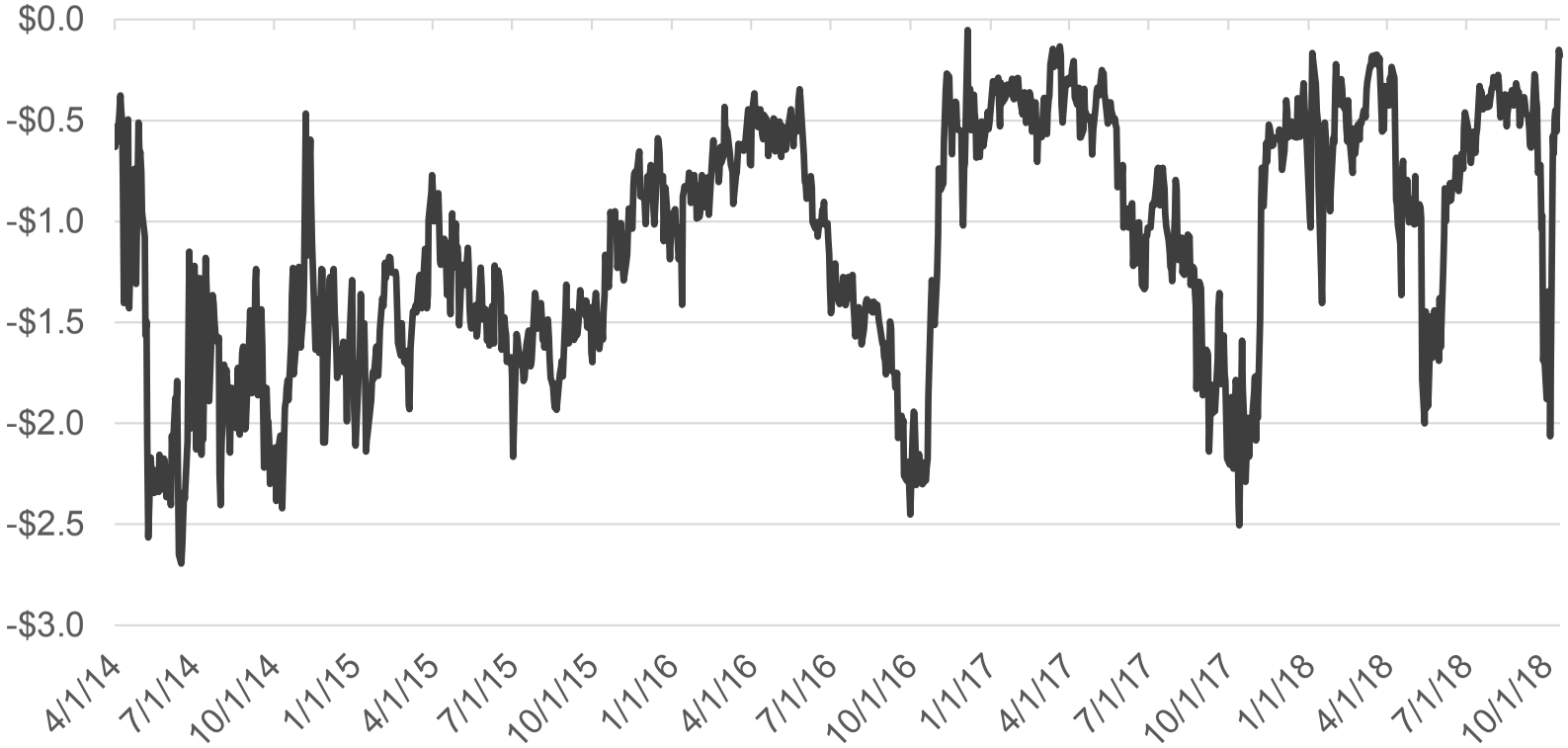
Transco Leidy NG to Henry Hub Basis volatility (April 2014 – Oct 2018)



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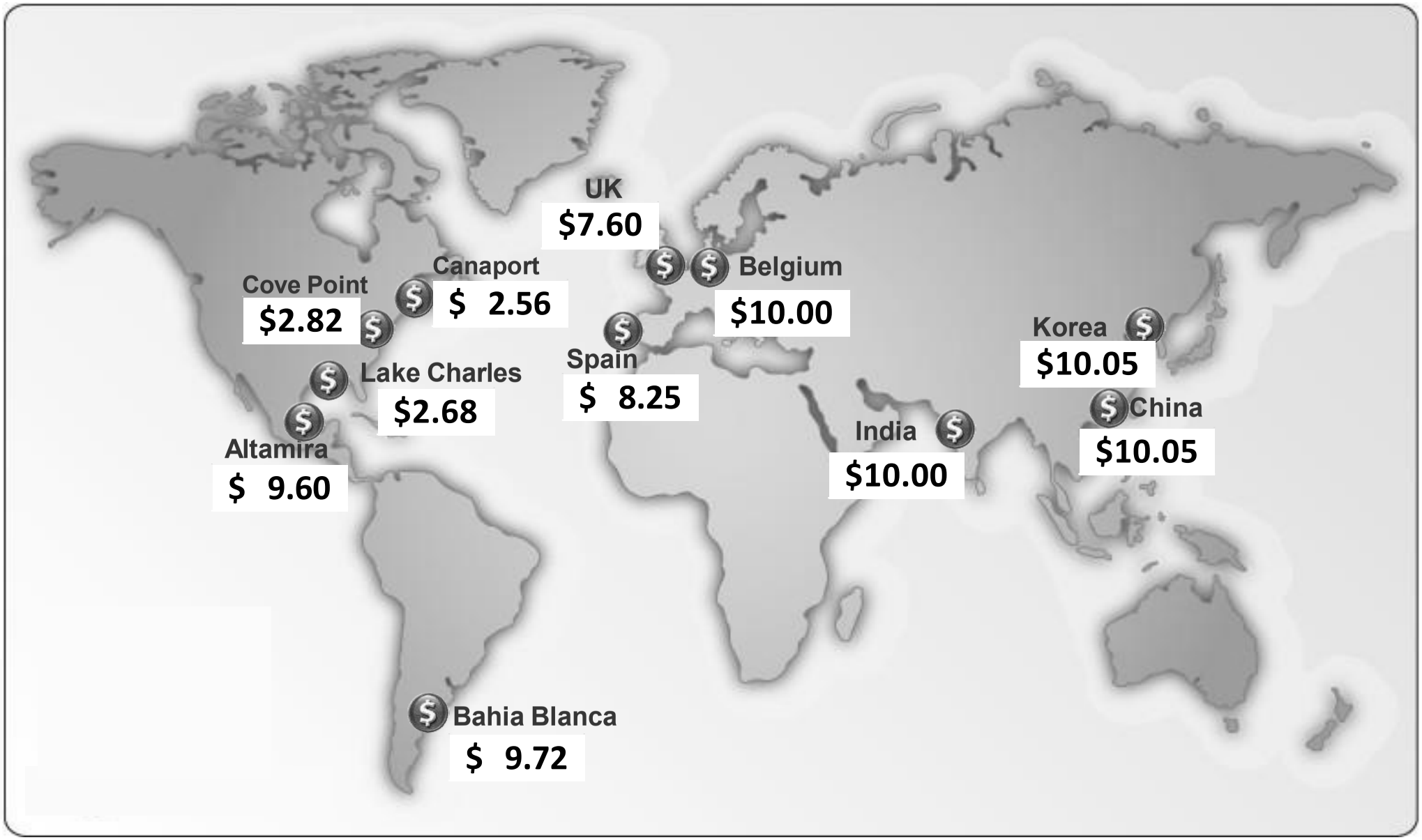
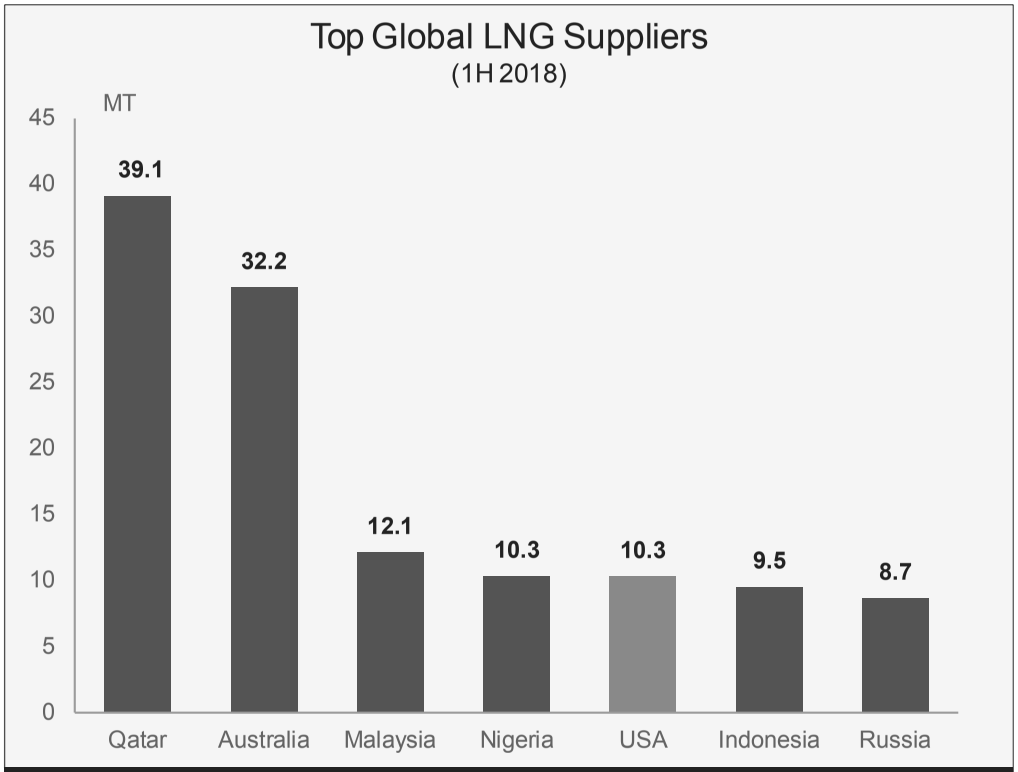
World LNG Estimated Landed Prices: August 2018



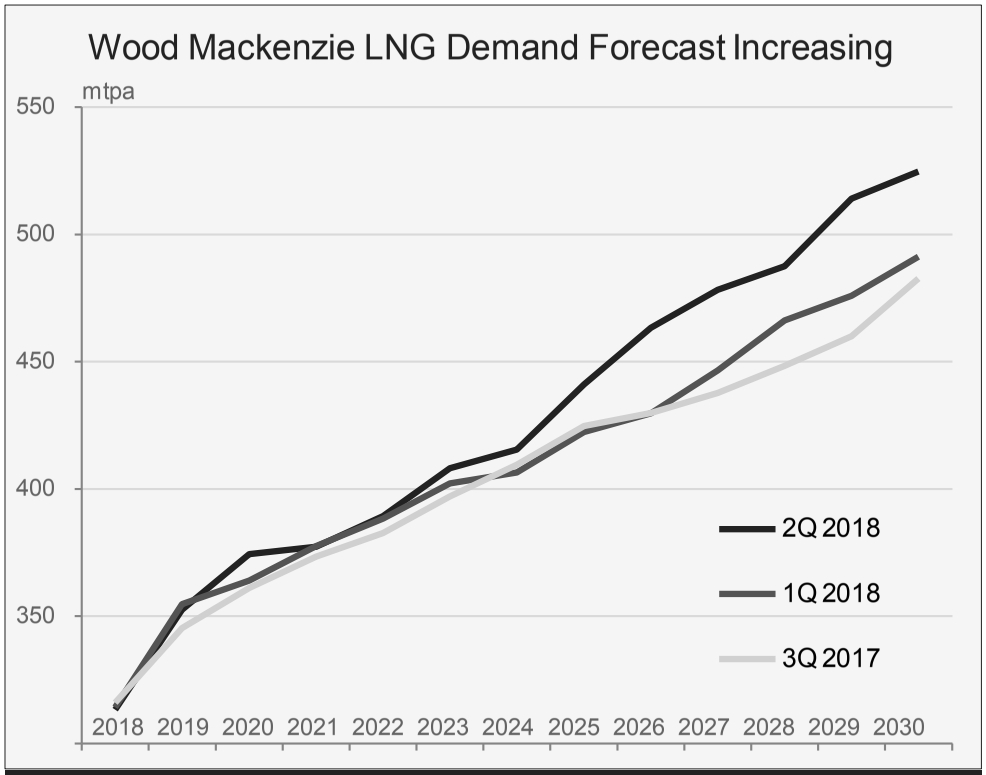
Source: *Waterborne Energy, Inc.* Data in $US/MMBtu.

SI-SSA-0015-10236

USA has become a major LNG exporter in a rapidly growing market



The US is now a top-5 global supplier, providing reliable and flexible LNG to the global market



Higher LNG demand forecasts driven by organic growth in Asia and fuel displacement

Source: Wood Mackenzie; Cheniere Energy

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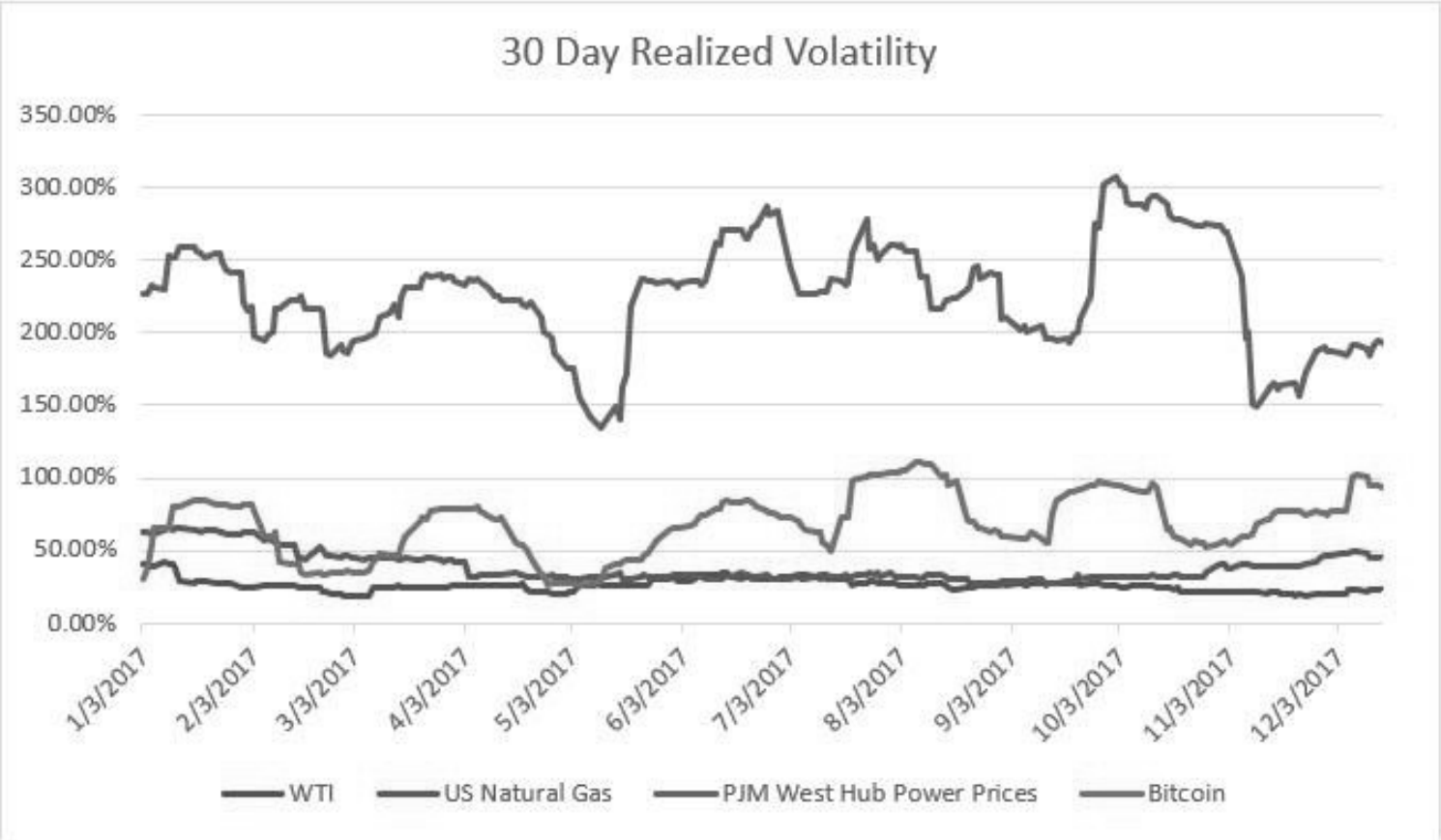
Bitcoin vs Energy Commodities



(Source: Thomson Reuters, Coindesk.com)

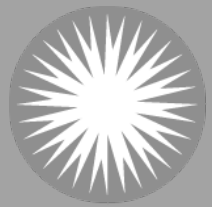
Bitcoin vs Energy Commodities

The above is hardly a surprise as we expected Bitcoin to be more volatile than currencies and equities. How about versus energy commodities which tend to be much more volatile than currencies and equities due to issues like storage constraints and weather. **Once again Bitcoin outshines most energy commodities like oil and natural gas.** Oil has a volatility of 22.8% and implied daily move of 1.43%, while US Natural Gas has a volatility of 45.4% and implied daily move of 2.84%. Yet while neither WTI nor US Natural Gas come close to being as volatile as Bitcoin, **there is one energy commodity that Bitcoin lags behind - the one that Enron for various reasons had a particular affinity for: Electricity.** And boy does it lag it: PJM Western Hub Day Ahead Peak prices, one of several US electricity pricing hubs and the most liquidly traded electricity market, **has a volatility of 192.8% and an implied daily move of 12.05%.** Making it a little more than twice as volatile as Bitcoin. The inability of electricity to be stored causes it to be highly volatile. Unfortunately for “Mr. Watanabe”, power prices are traded on an institutional basis, making it difficult for retail investors to partake in such a highly volatile market.

SI-SSA-0015-10238

NEW YORK INVESTOR MEETINGS

NEW YORK, NY – MAY 21, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10239

Forward Looking Statement

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-10240

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-10241

PSEG OVERVIEW & OUTLOOK

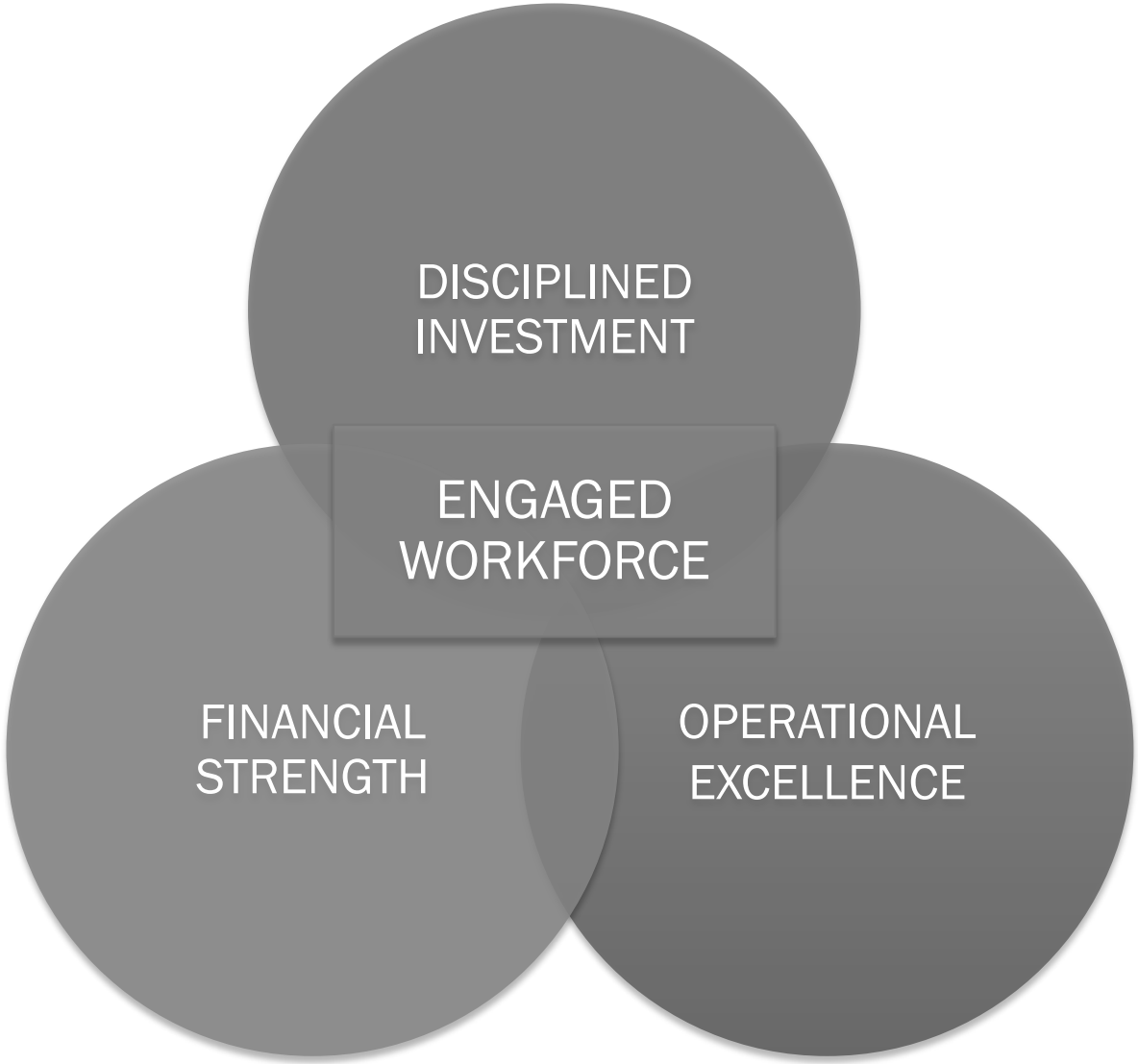
PSEG

We make things work for you.

SI-SSA-0015-10242

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-10243

PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-10244

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

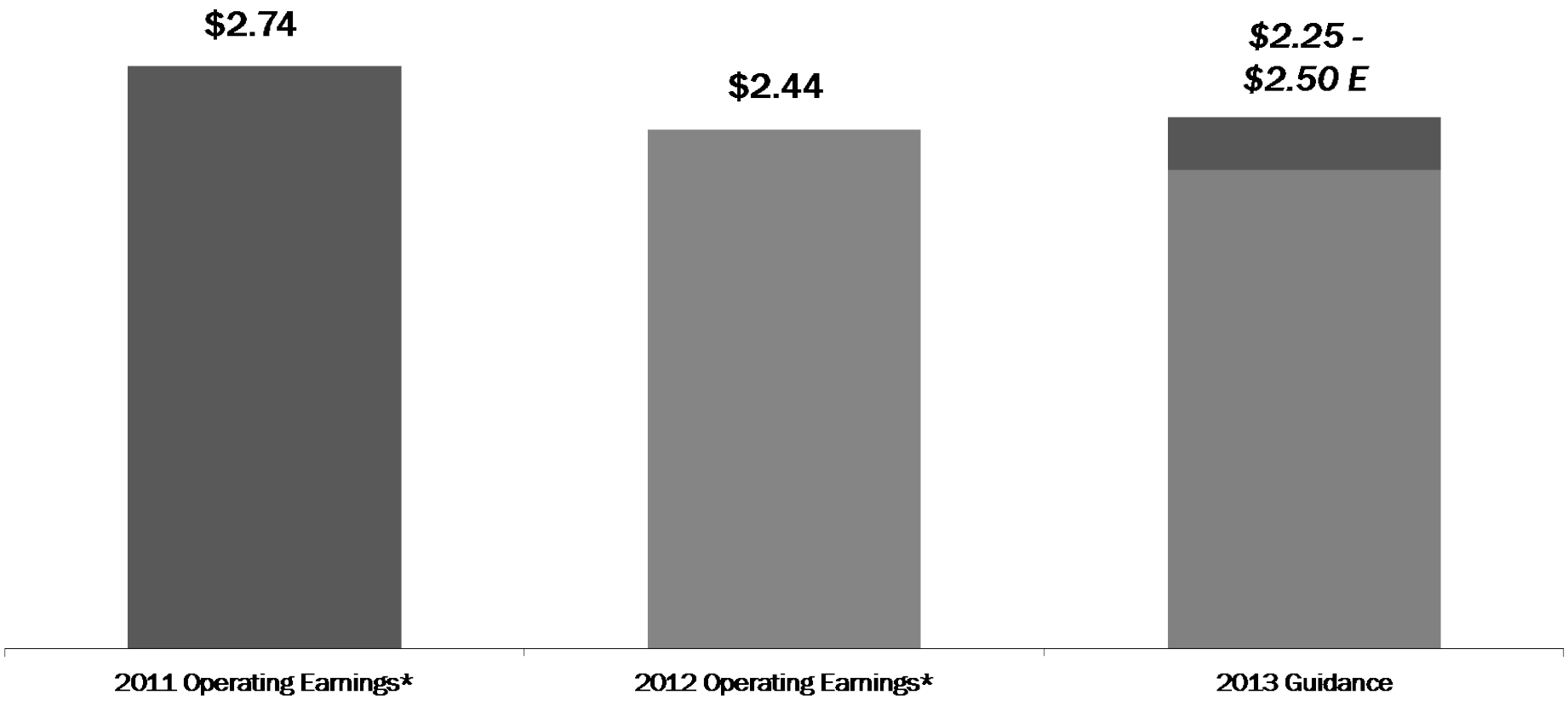
- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

SI-SSA-0015-10245

2013 Operating Earnings Guidance



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PSEG

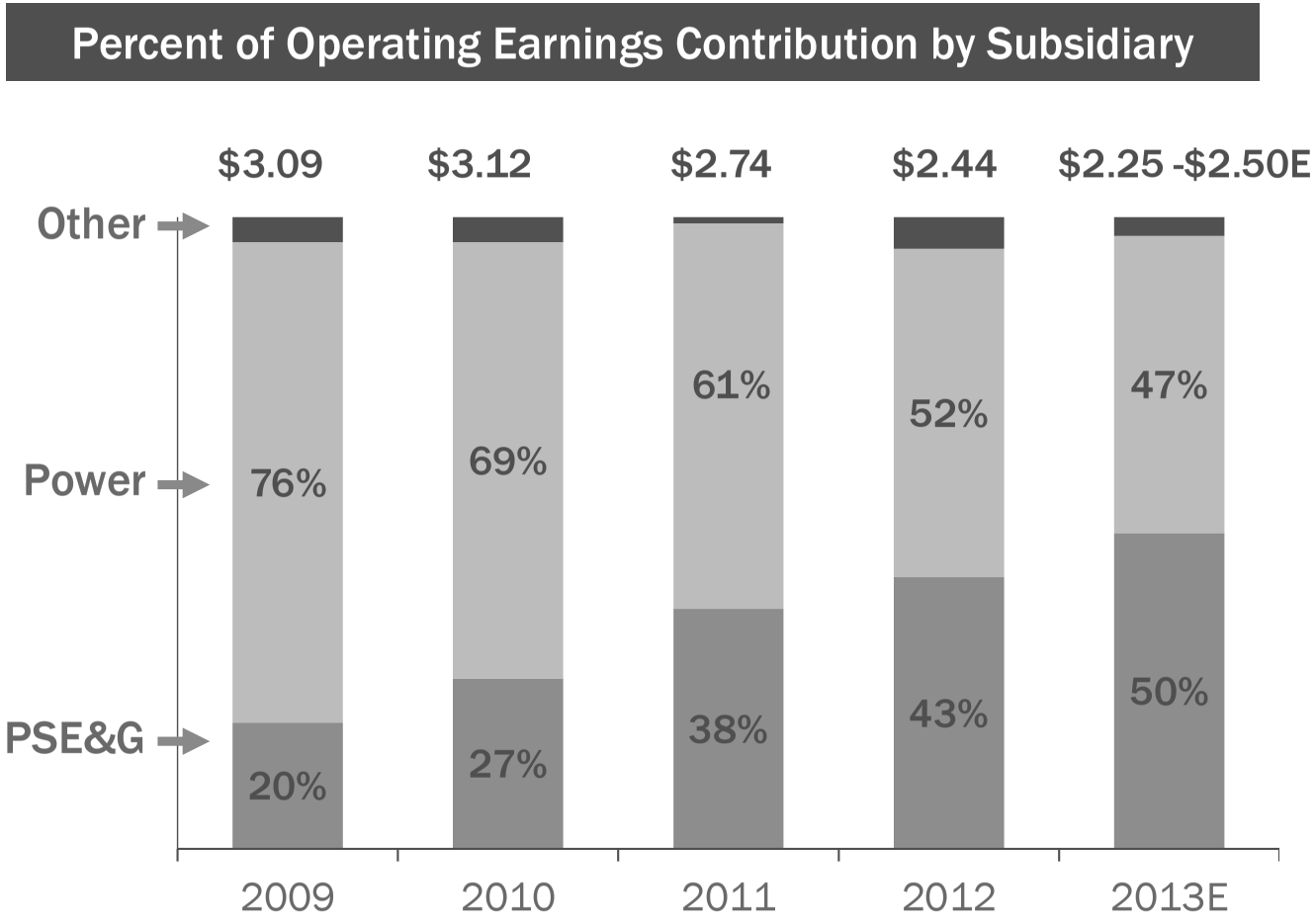
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-10248

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

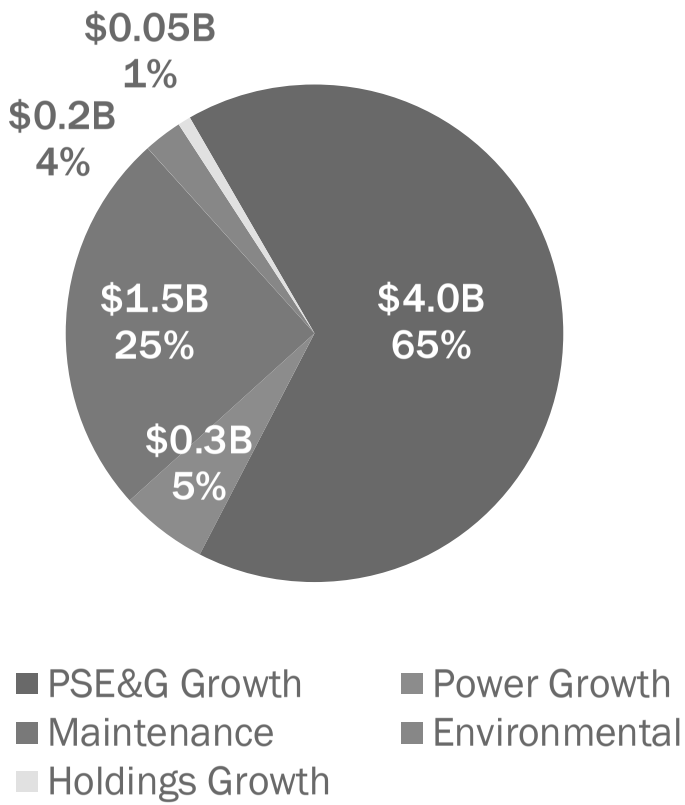
2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

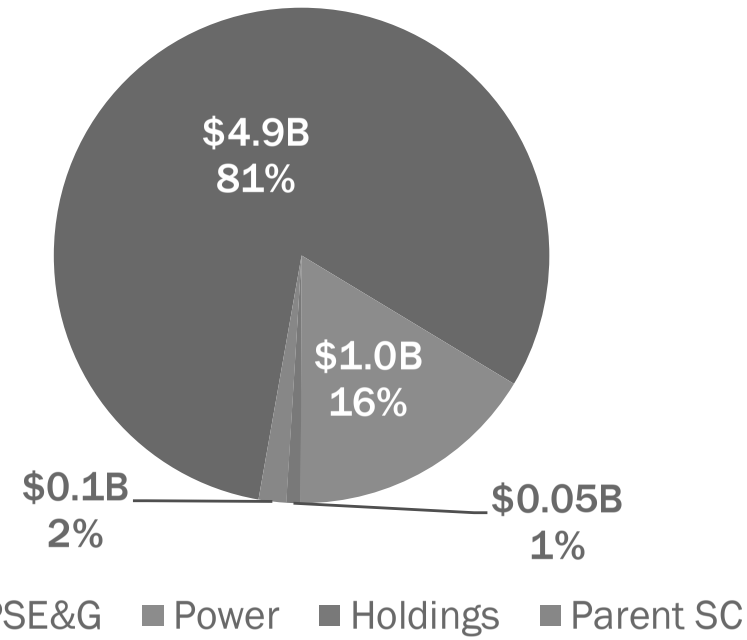
SI-SSA-0015-10249

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary

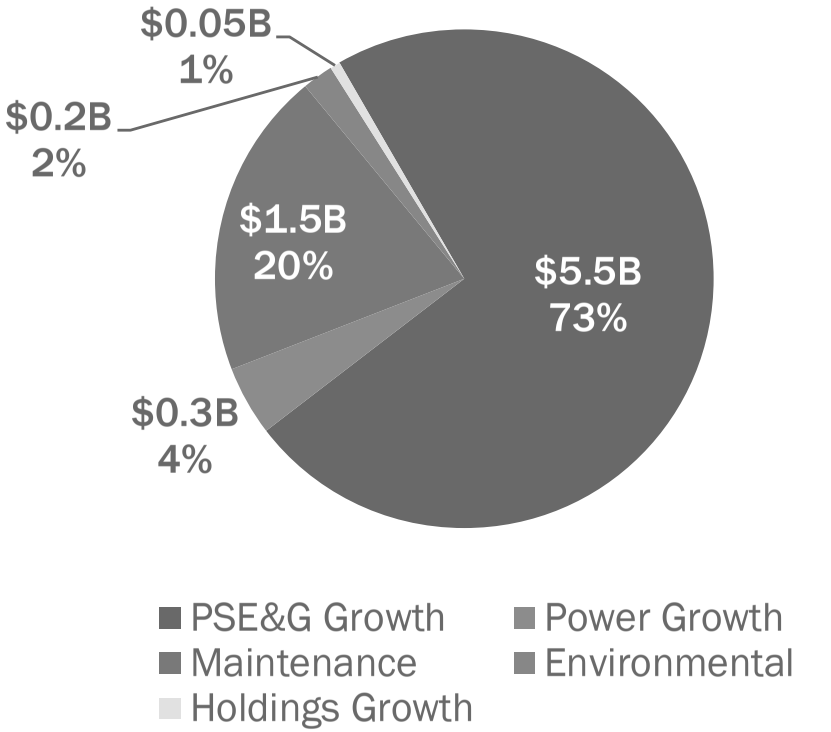


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

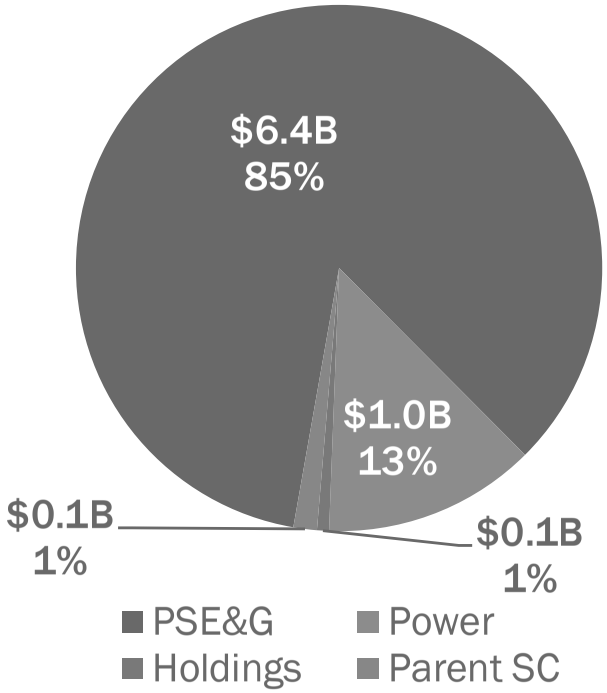
SI-SSA-0015-10250

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$454 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$415 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.1 Billion**)

- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-10252

34 Local NJ towns and 3 counties support

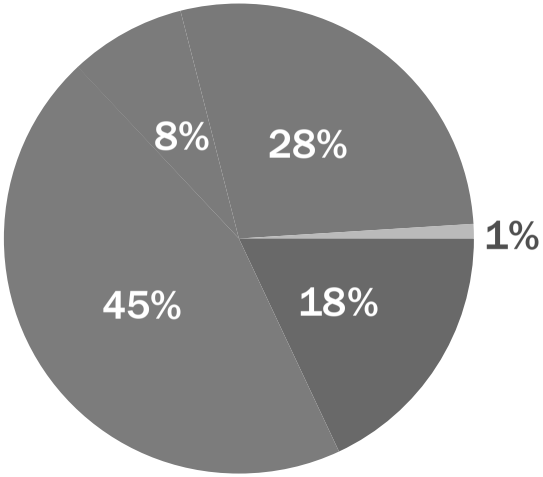
- 34 local NJ governments, and the counties of Hudson, Passaic and Somerset, have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems

- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities

SI-SSA-0015-10253

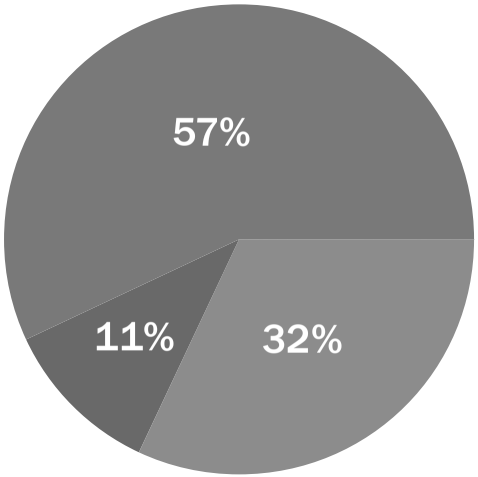
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

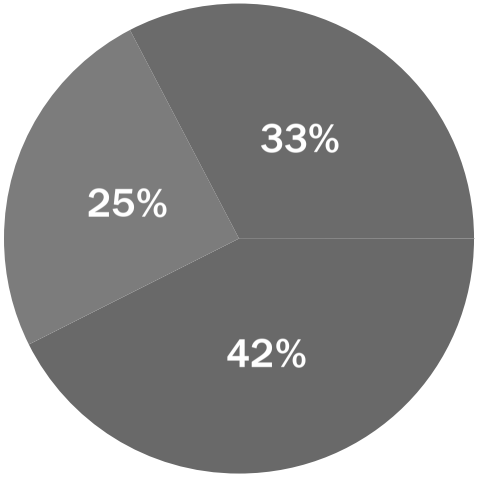


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

SI-SSA-0015-10254

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

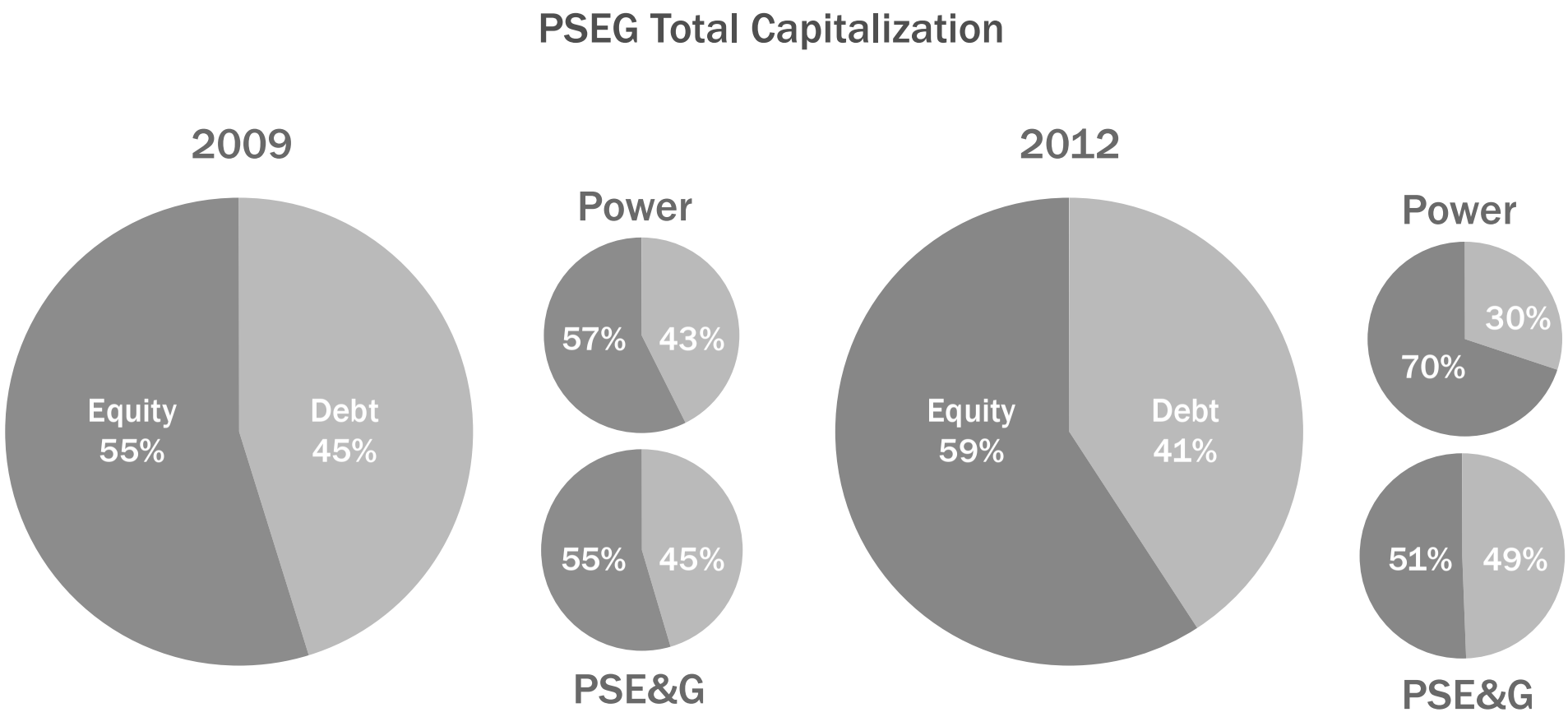
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-10255

Balance Sheet Strengthened

PSEG has reduced risk



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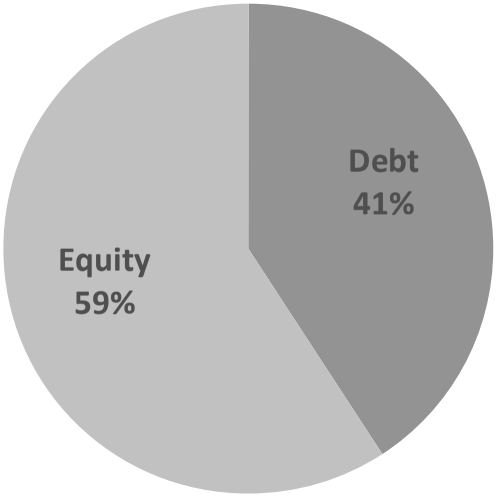
Using PSEG's balance sheet strength

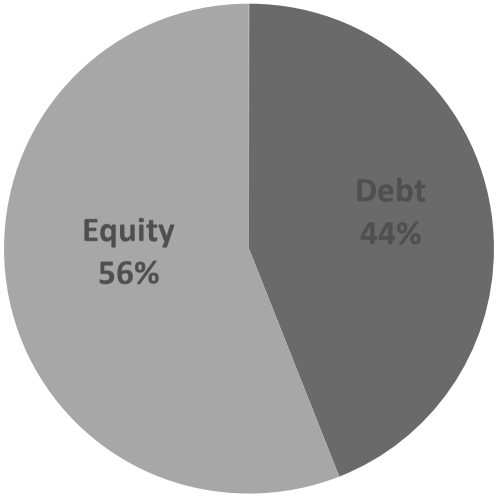
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



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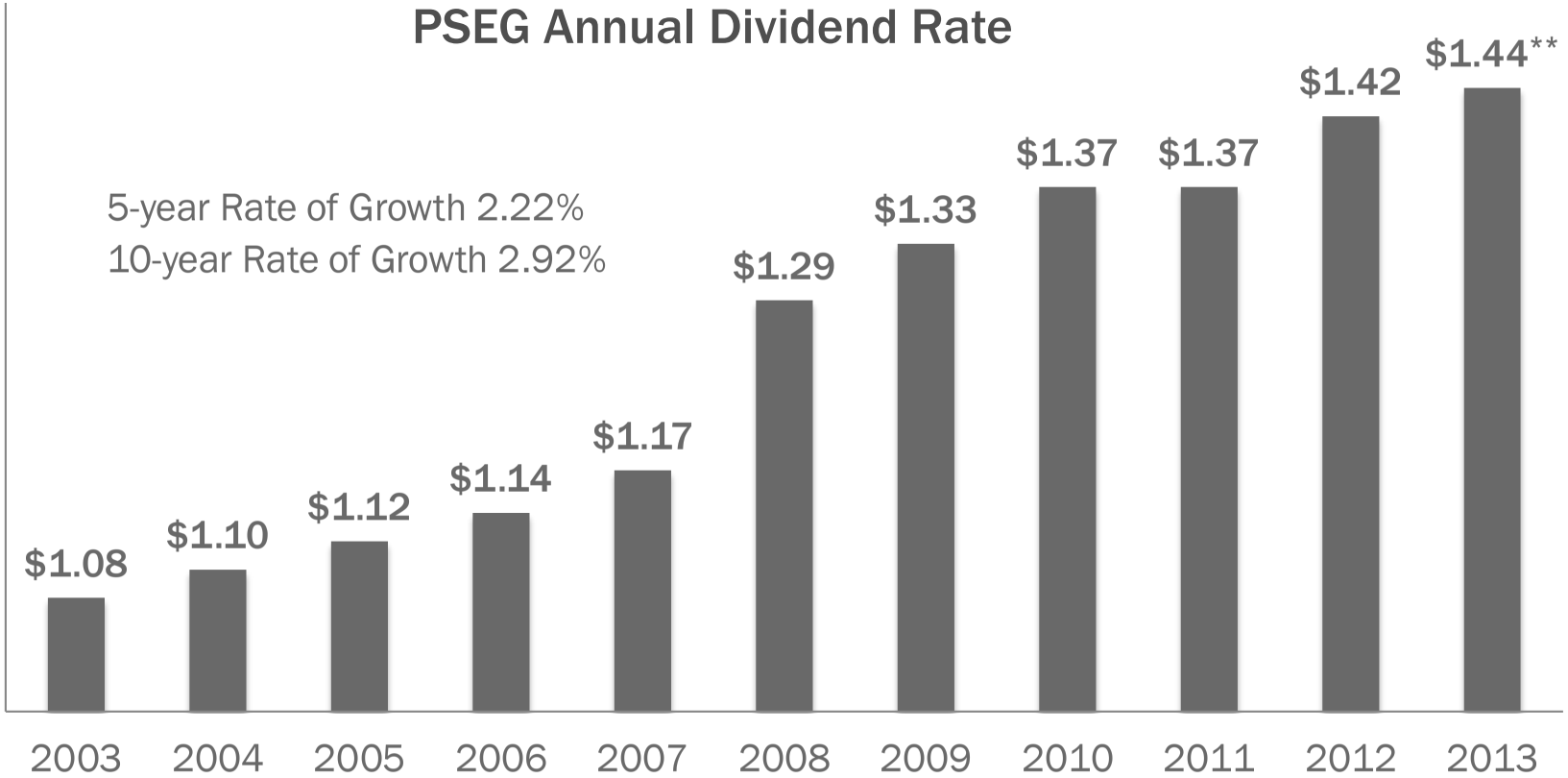
PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

SI-SSA-0015-10258

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-10259

PSE&G

SI-SSA-0015-10260

PSEG

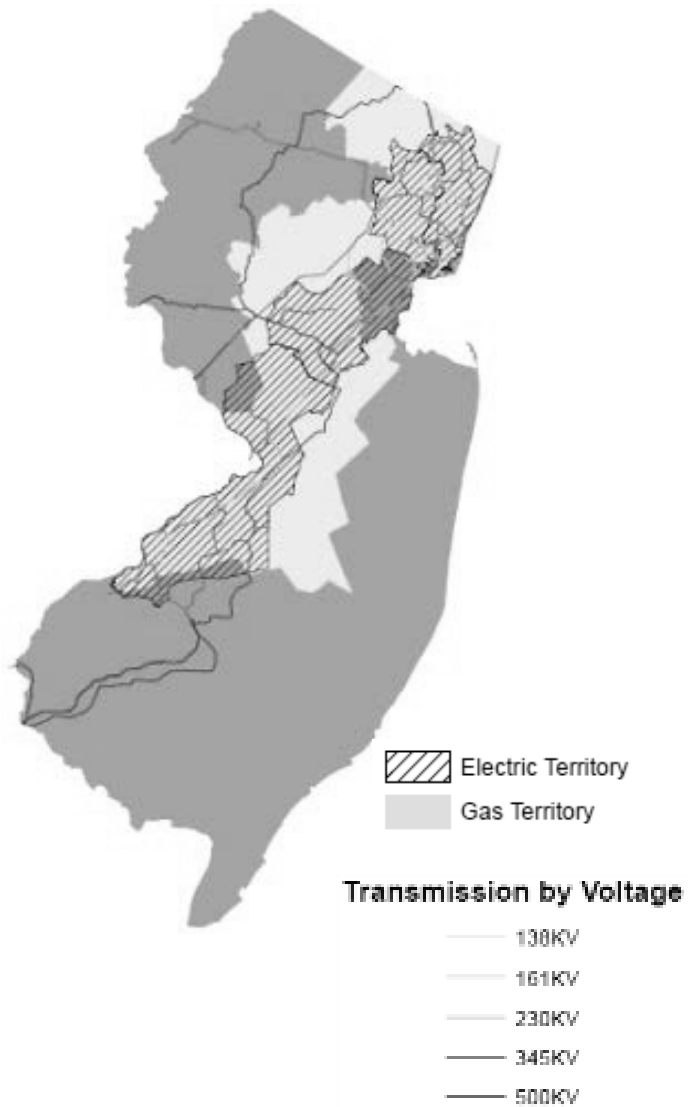
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-10261

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-10262

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

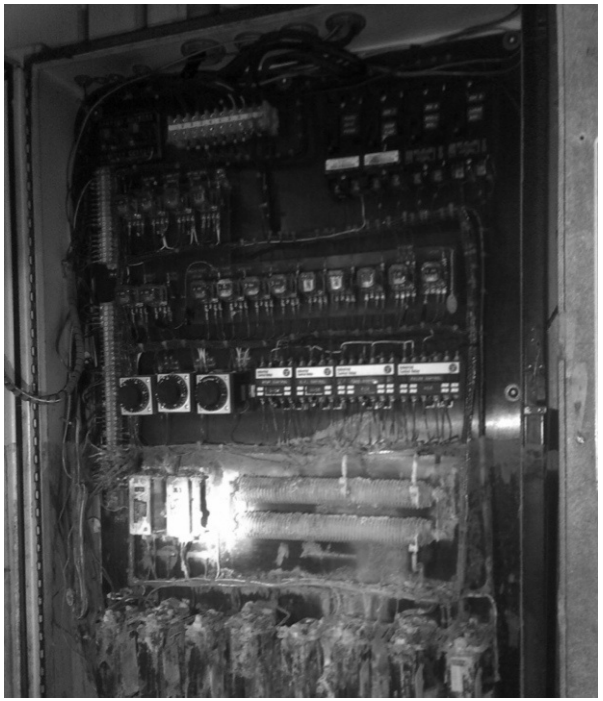
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI
Emergency Response Awards
Recovery Award

SI-SSA-0015-10263

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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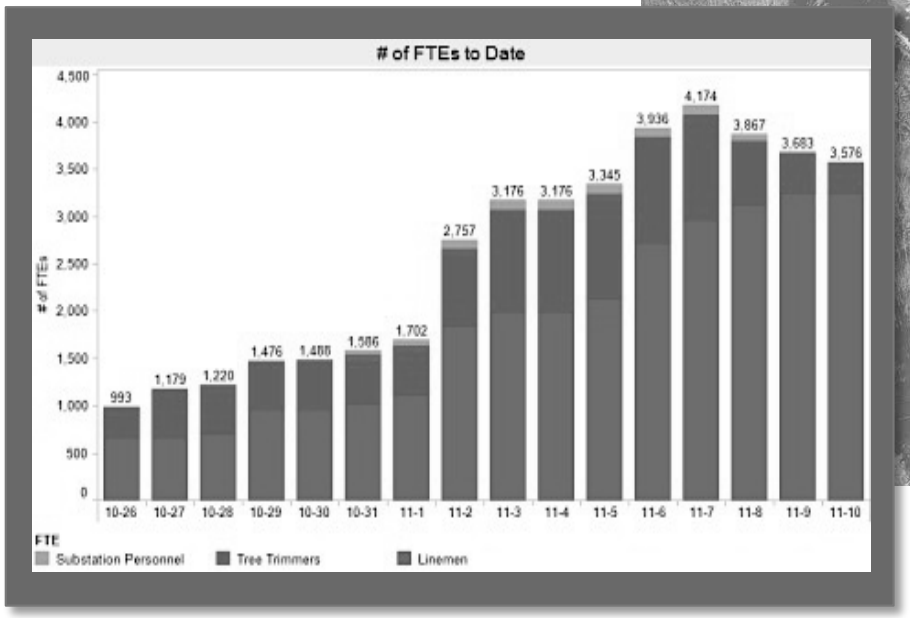
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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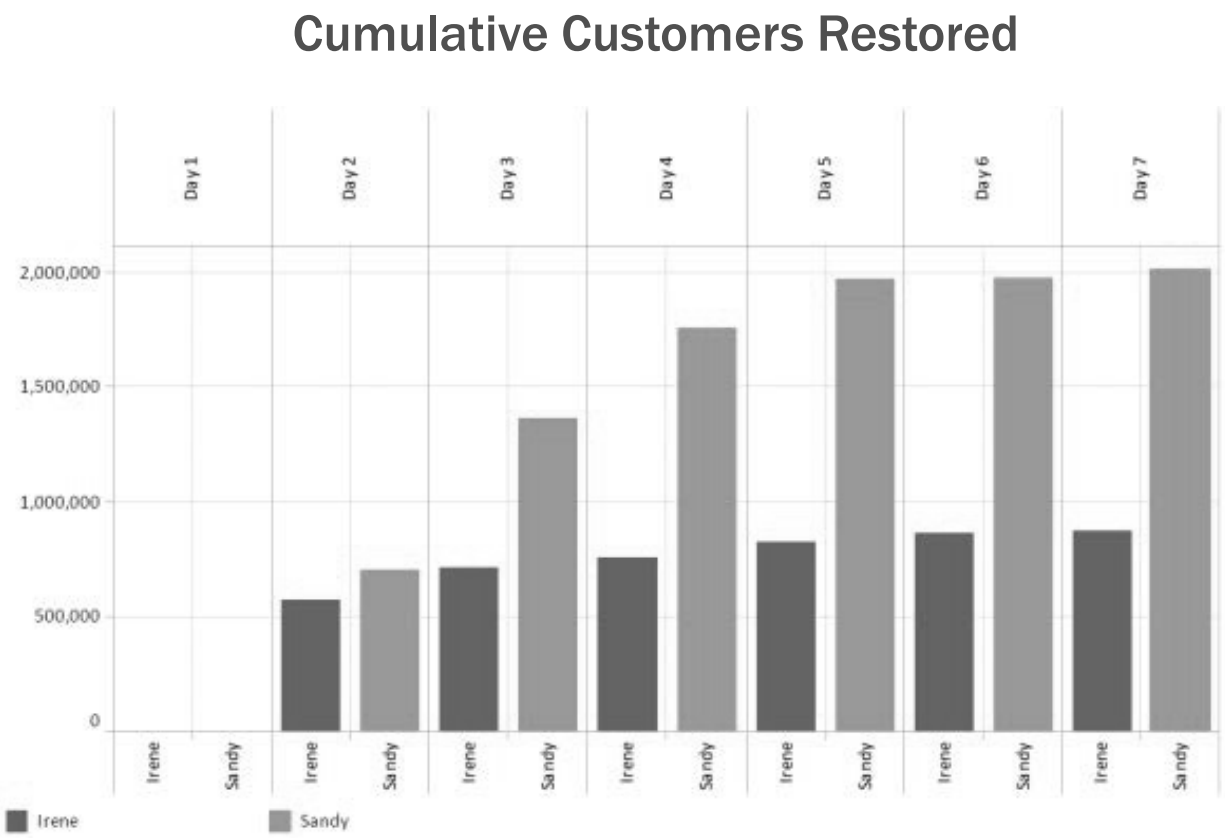
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-10266

PSE&G's operating earnings grew ~10%*

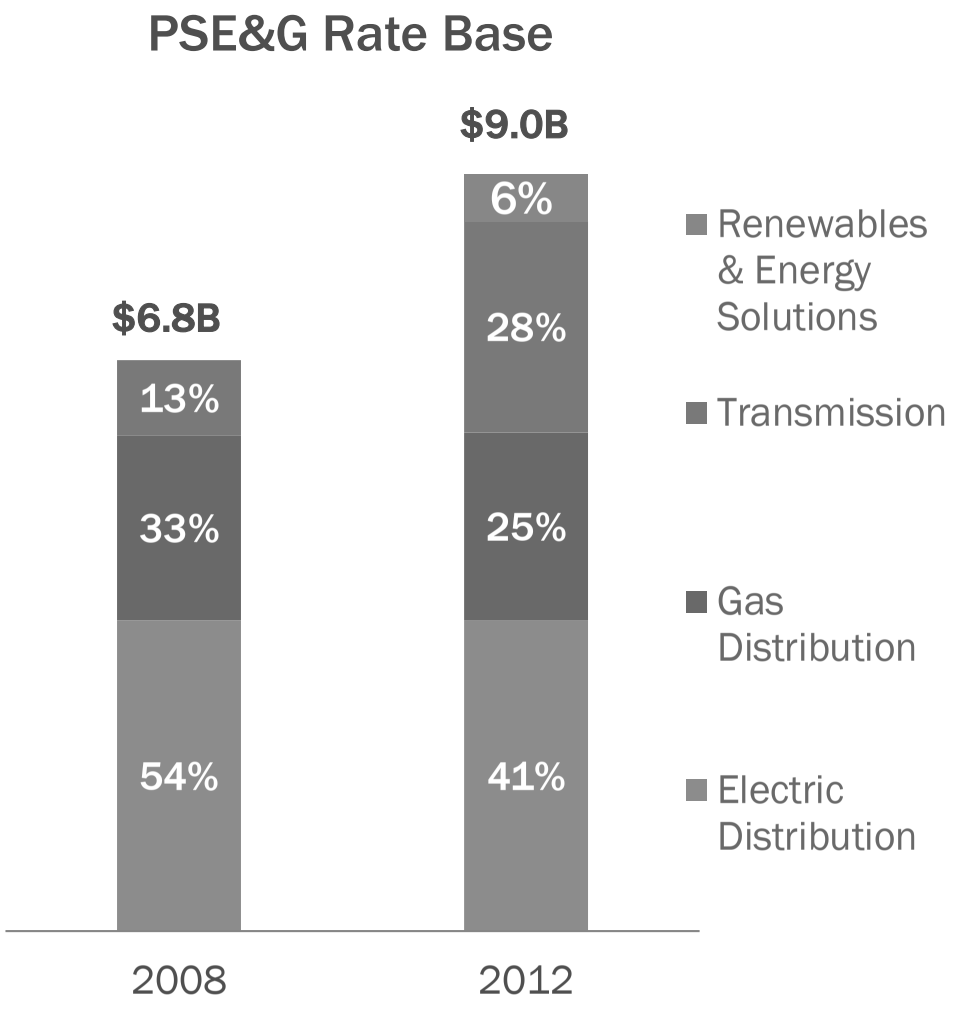
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-10267

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

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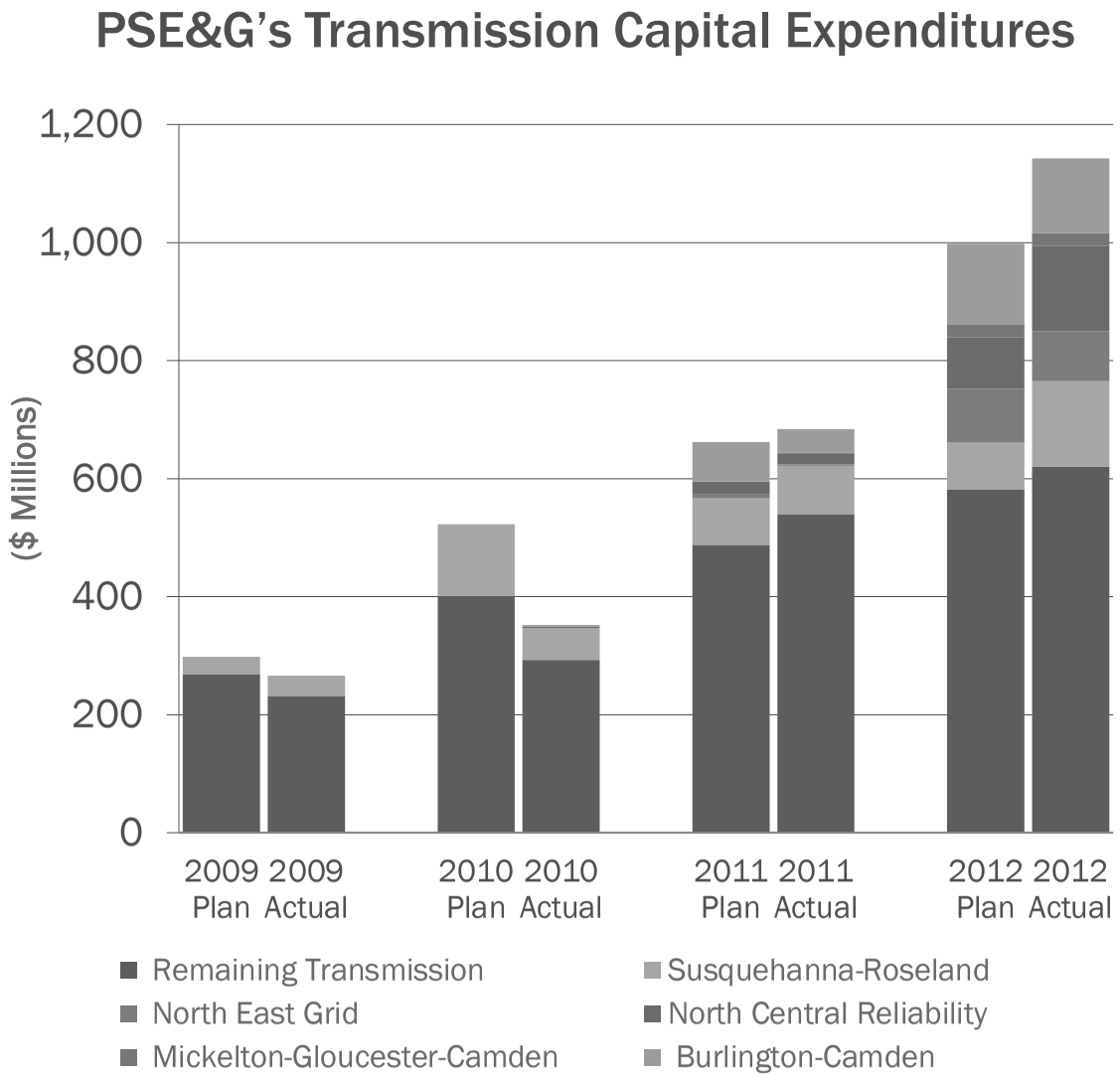
Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-10269

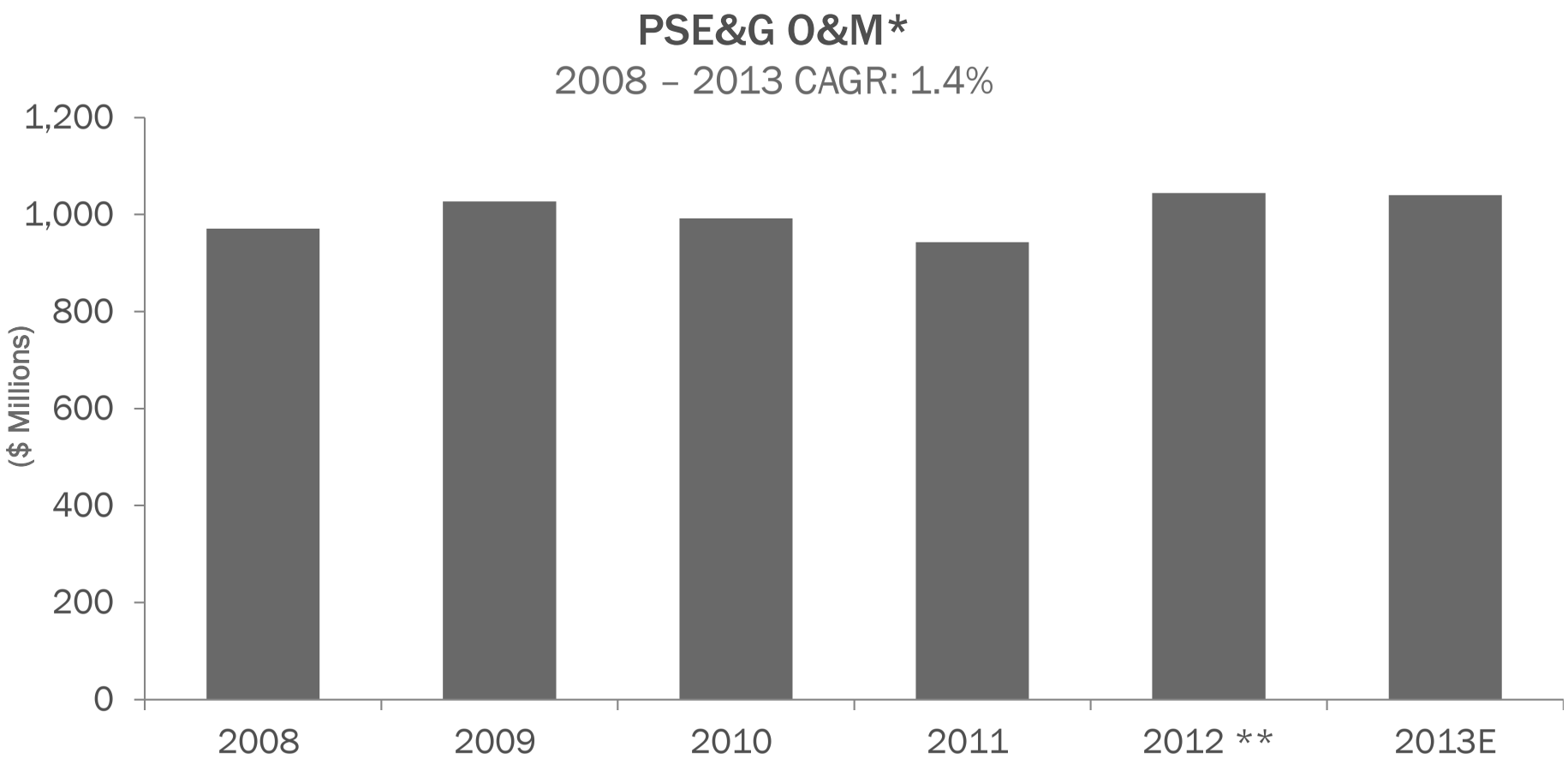
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-10270

Focus on controlling O&M allows us to earn our authorized return



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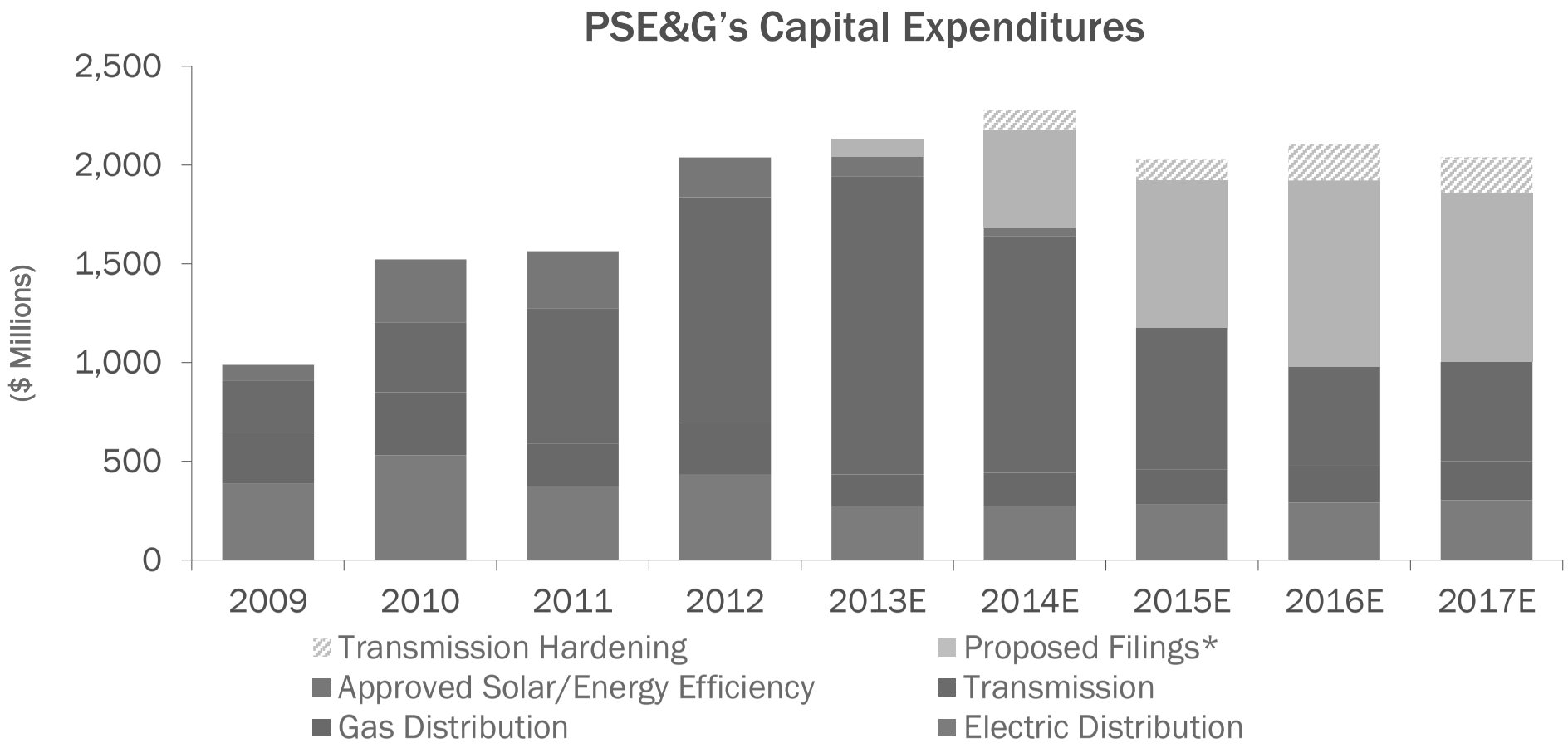
PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



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PSEG

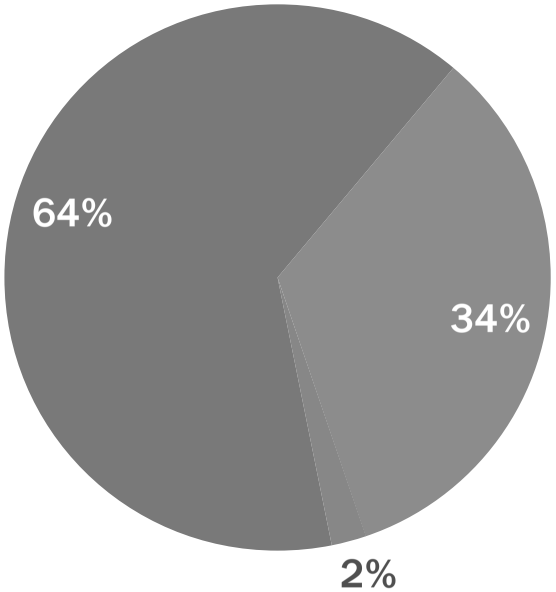
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

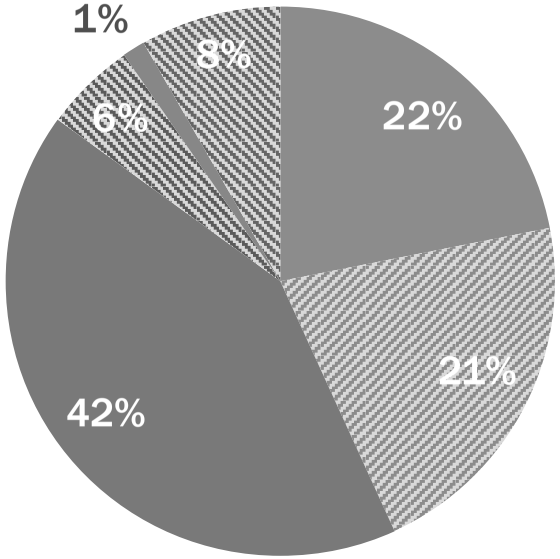
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

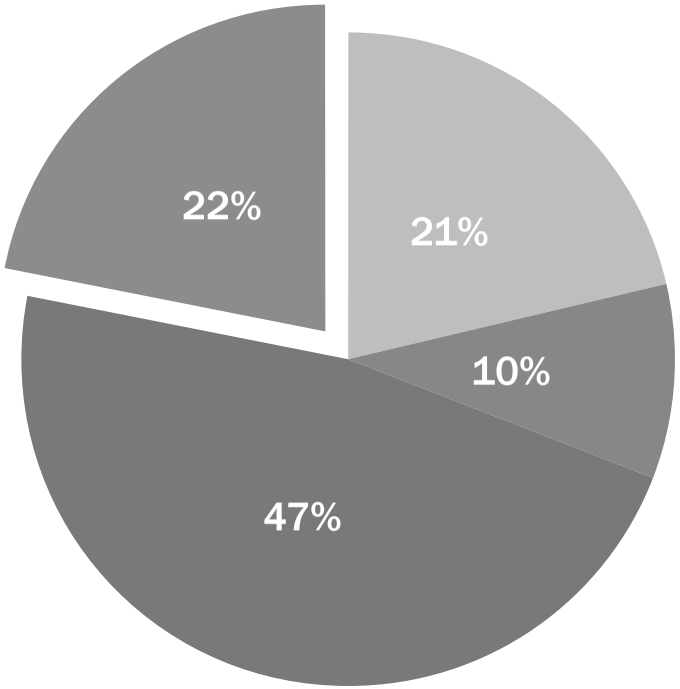
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-10273

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-10274

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-10275

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10276

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-10277

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10278

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10279

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10280

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-10281

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-10282

PSE&G is continuing to provide solutions

to assist New Jersey in achieving its EMP goals

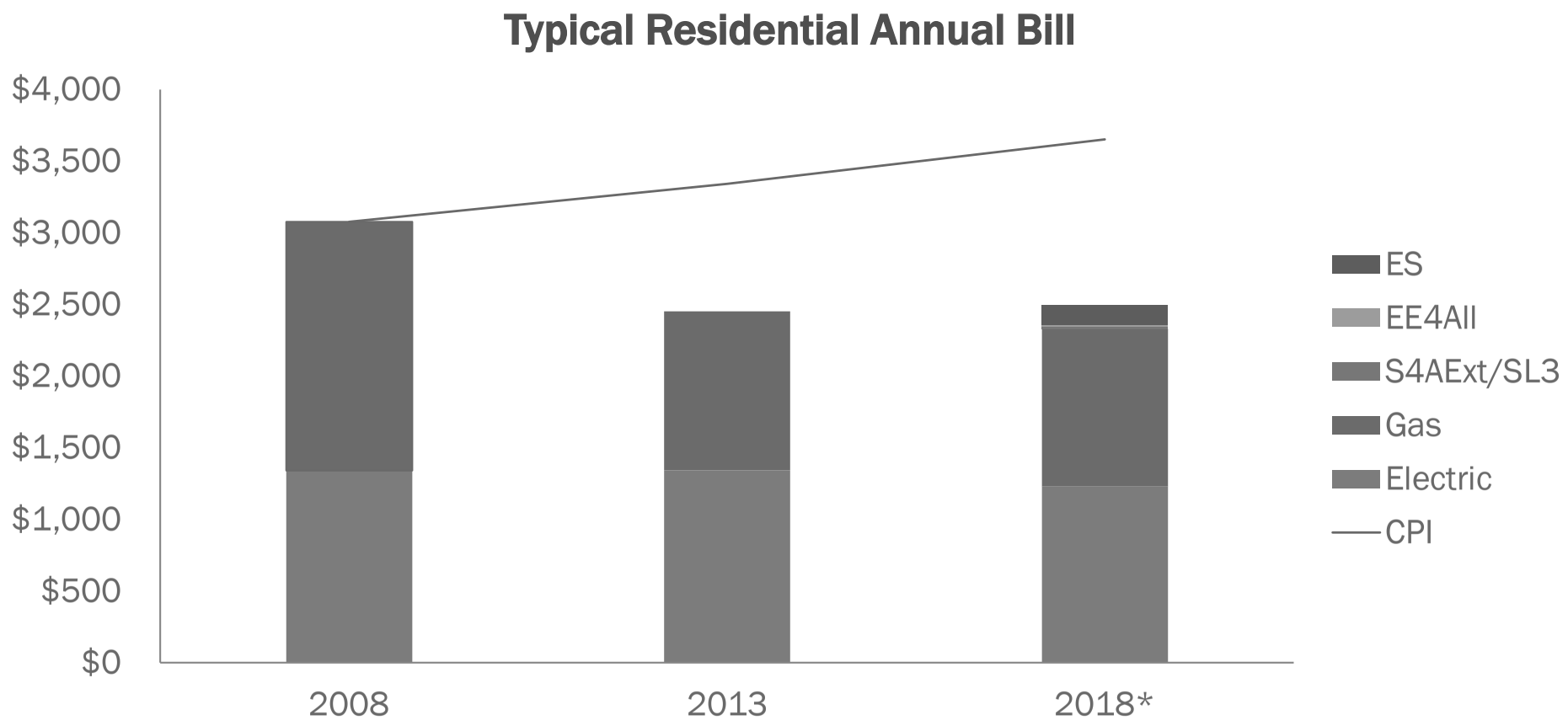
Solar Agreement Reached

- Agreement reached with NJBPU Staff and certain other parties provides for investment of $446 million over a 3-year period, and a return on equity of 10%
- A decision by the New Jersey BPU is anticipated no later than May 31

Solar 4 All extension (S4Ae)	Solar Loan III (SL3)
Agreement to invest up to $247 million to develop new solar capacity on landfills, brownfields (42MW) and 3 MW in smaller pilot programs	Agreement to invest up to $199 million on 97.5 MW of new solar

SI-SSA-0015-10283

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

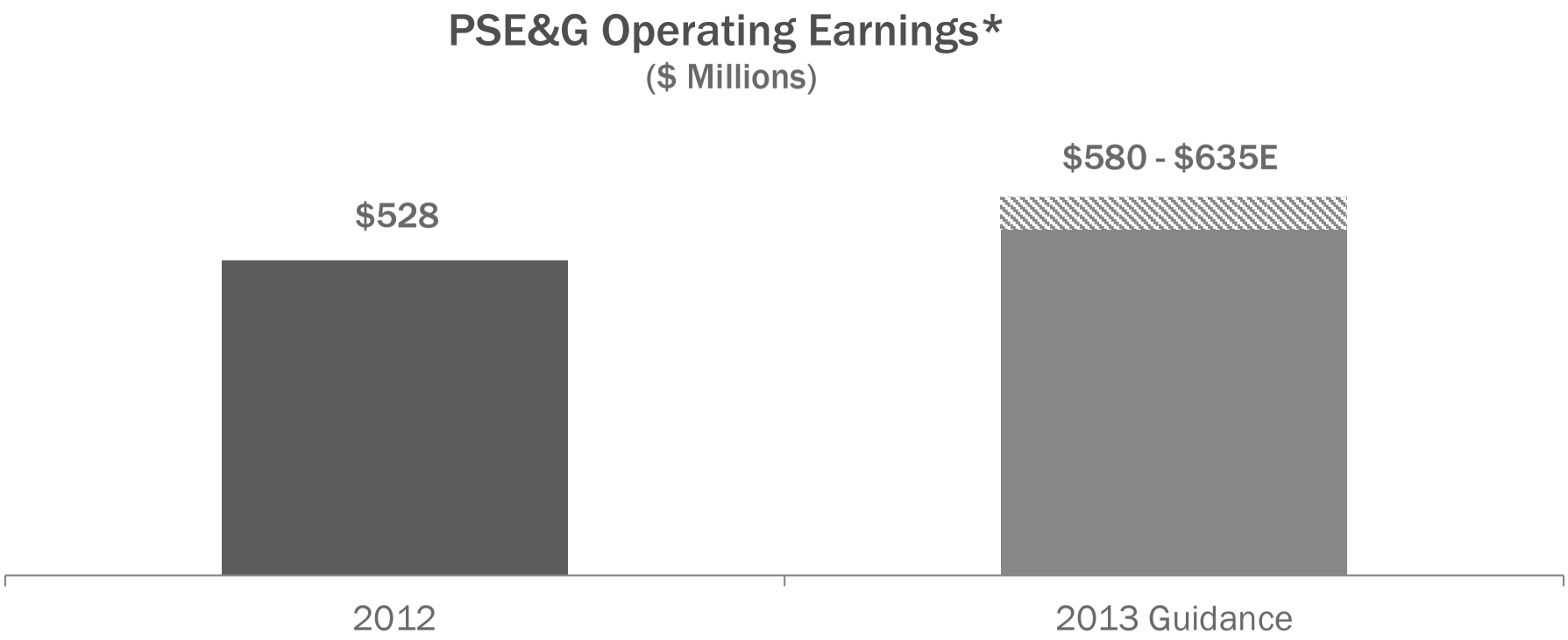


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-10284

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-10285

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-10286

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-10287

PSEG ENERGY HOLDINGS

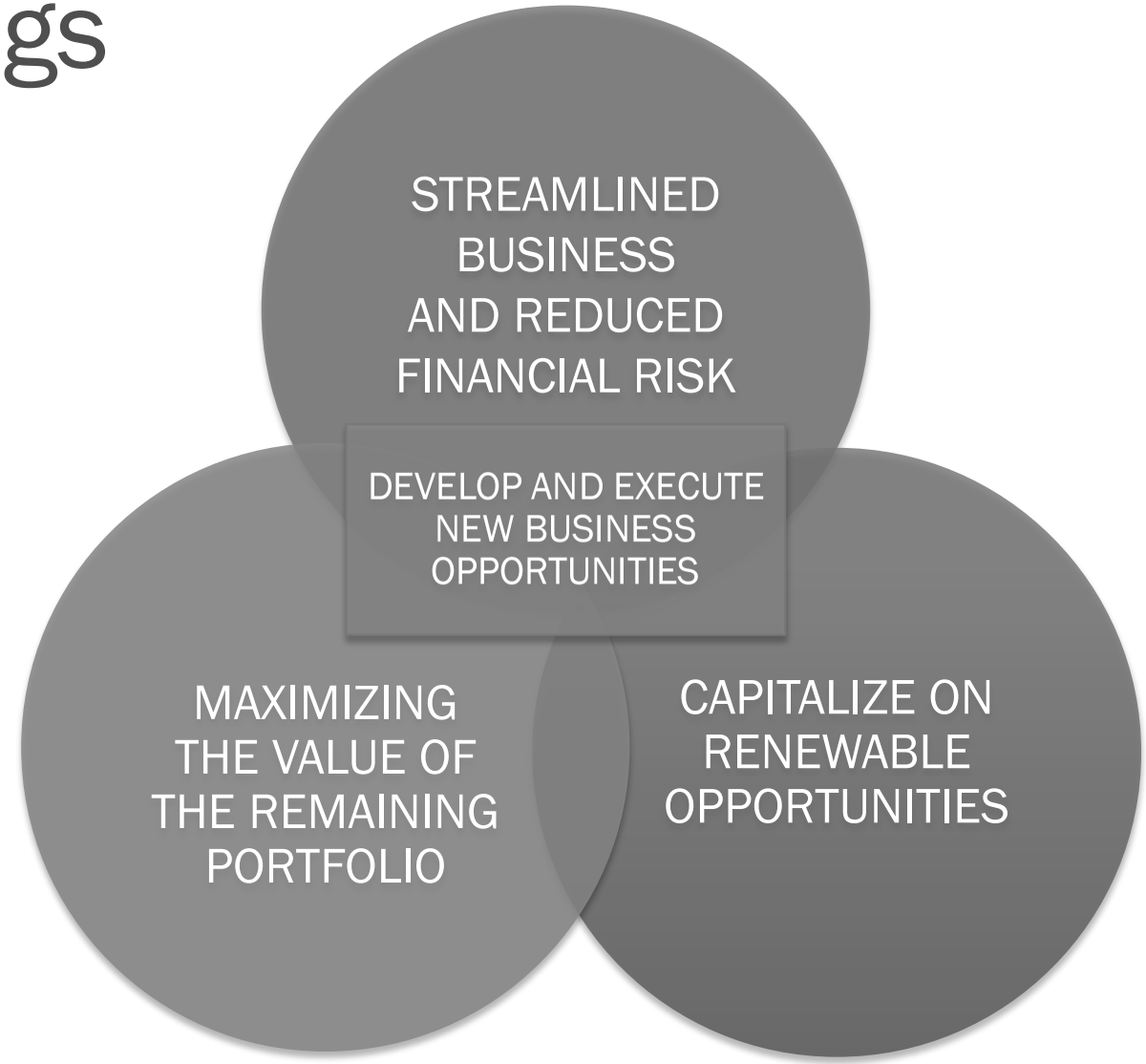
PSEG

We make things work for you.

SI-SSA-0015-10288

PSEG Energy Holdings strategy

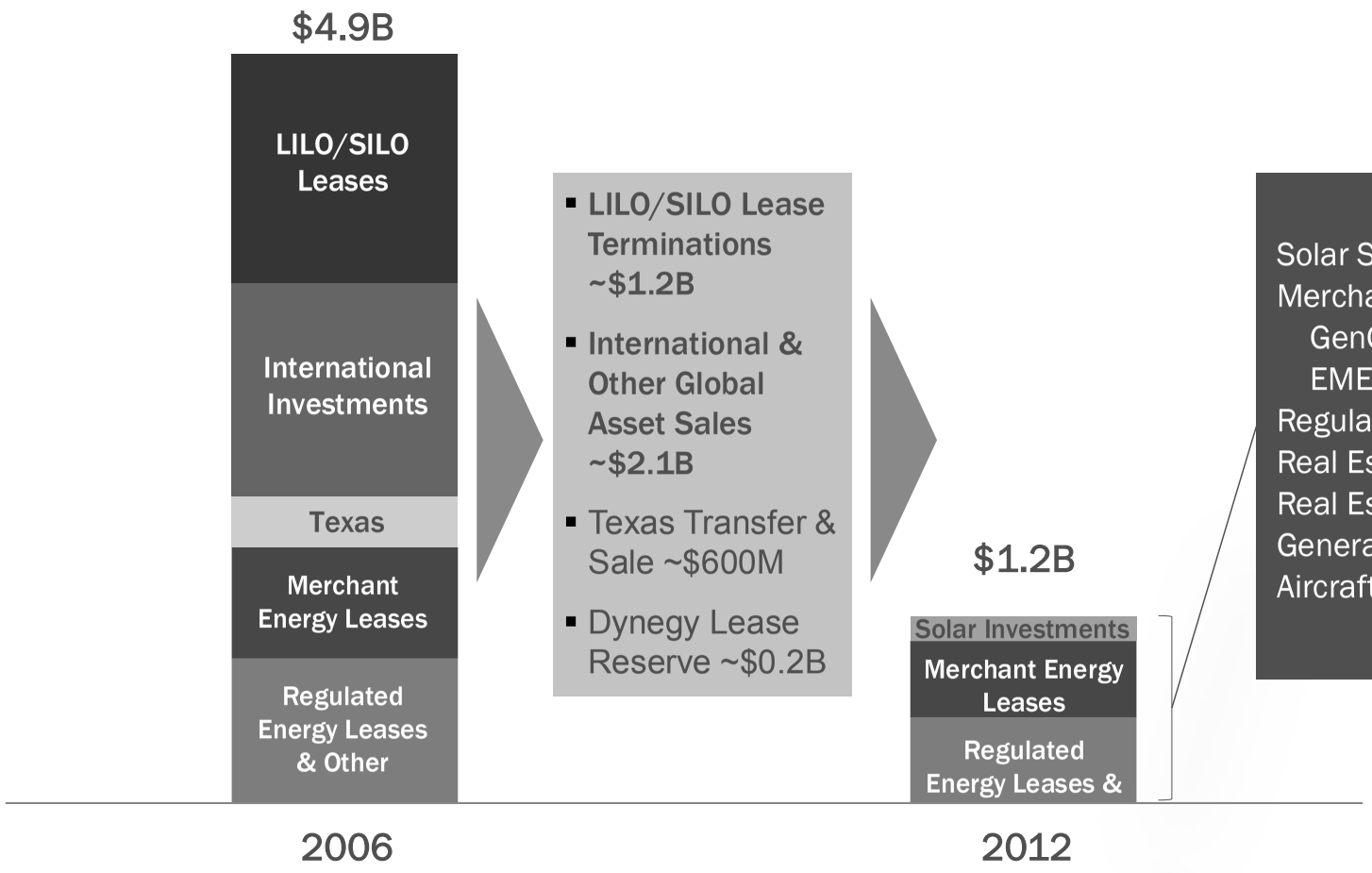
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-10289

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-10290

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-10291

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

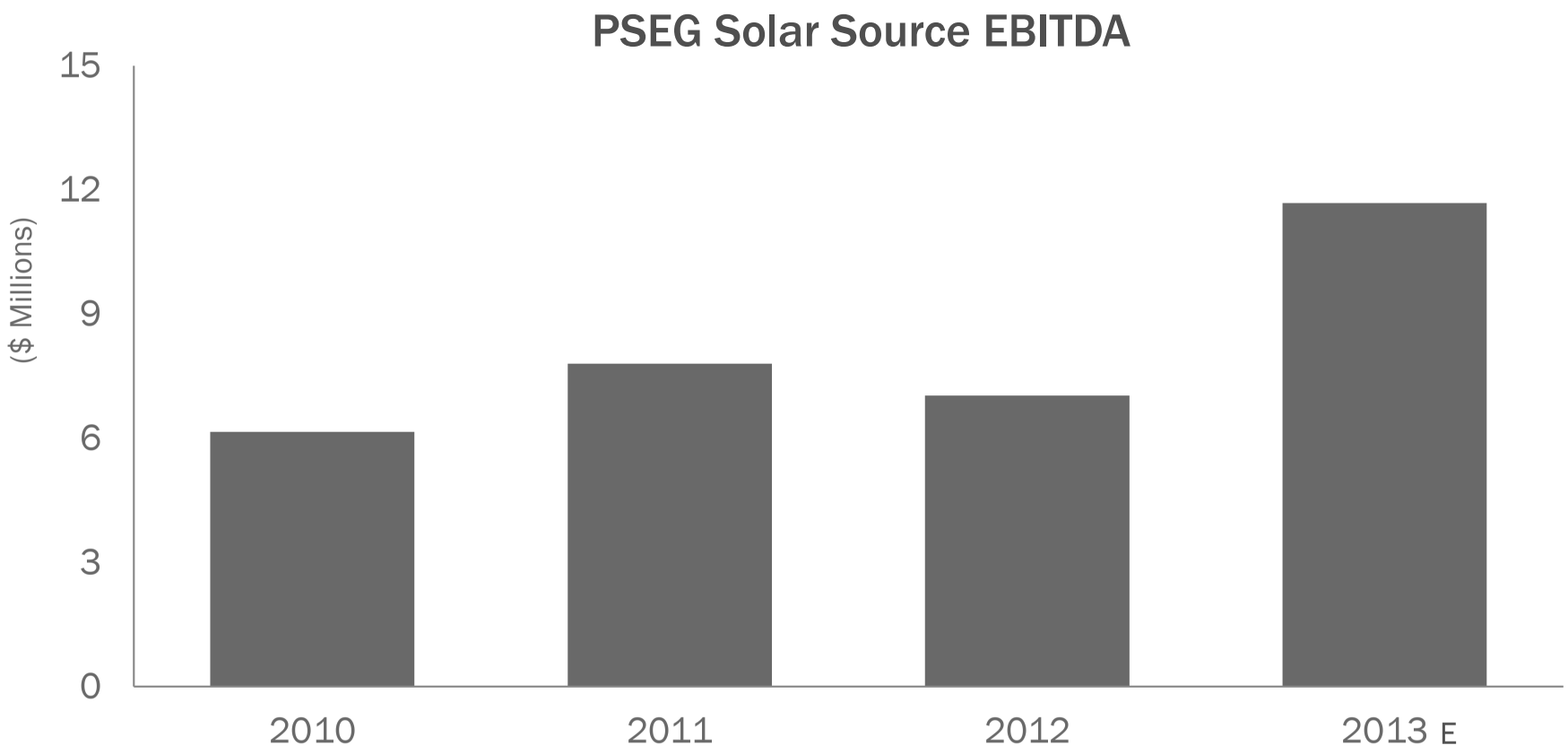
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-10292

PSEG Energy Holdings

These projects will produce steady results for PSEG

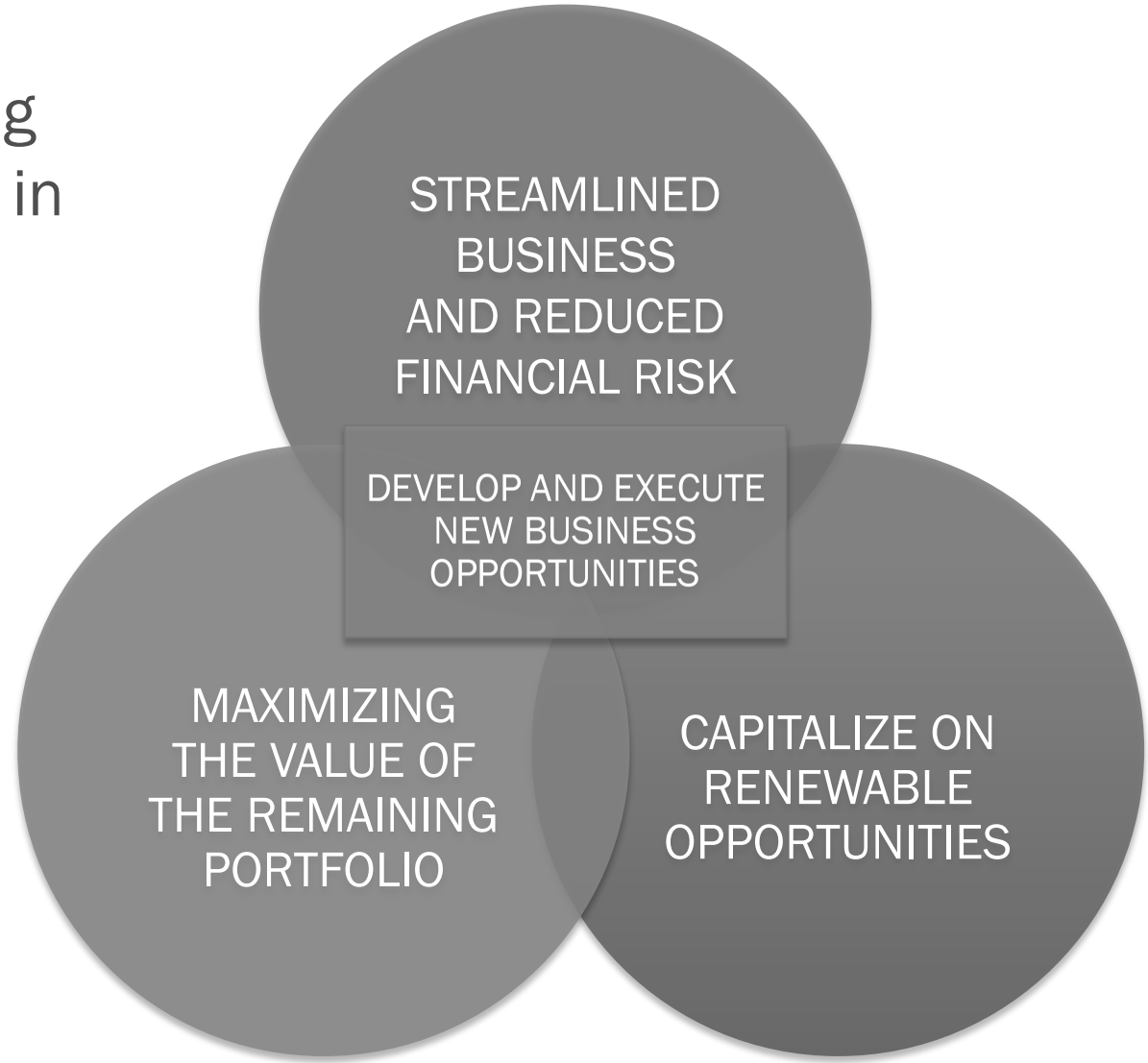


SI-SSA-0015-10293

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-10294

PSEG POWER

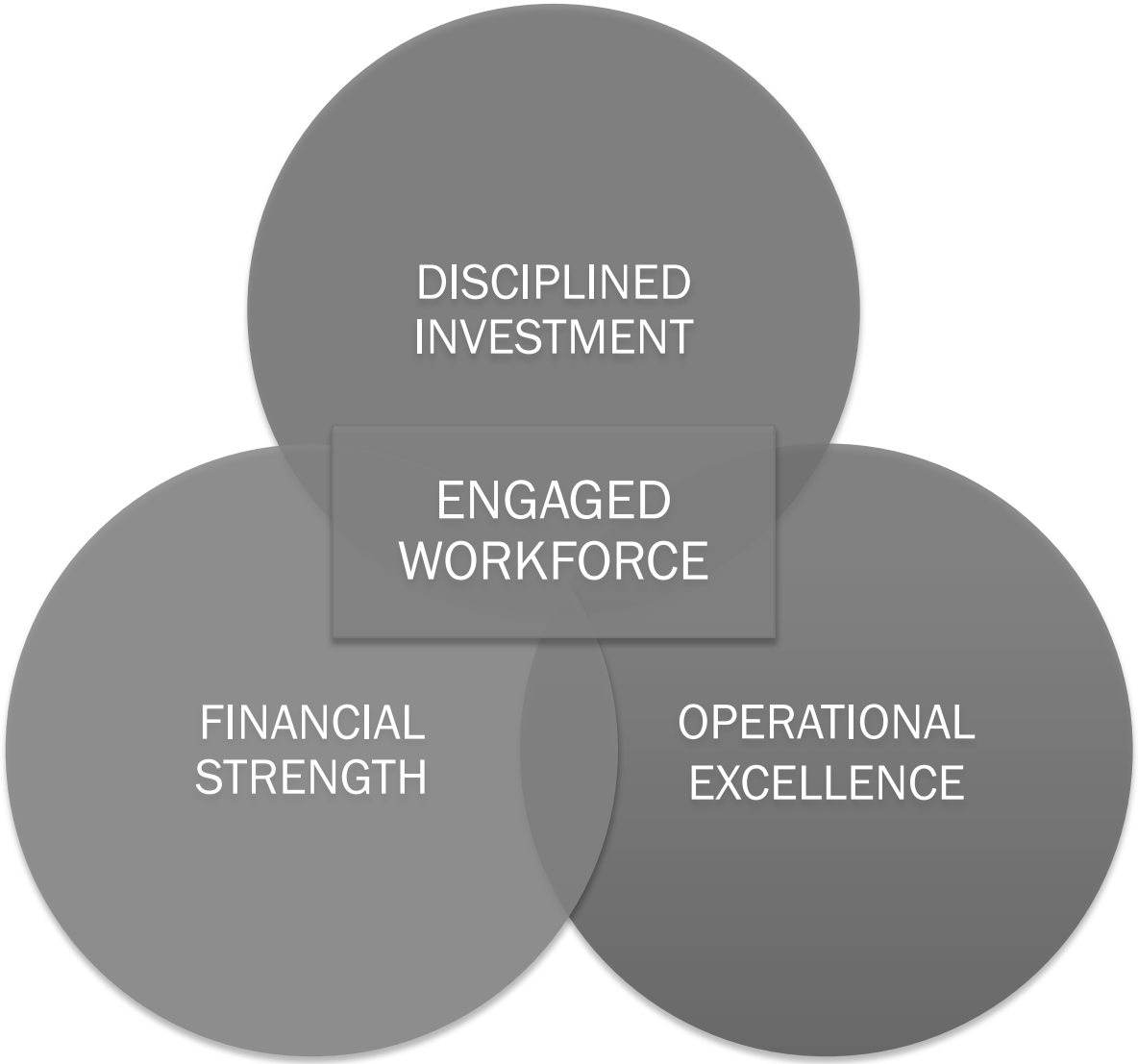
PSEG

We make things work for you.

SI-SSA-0015-10295

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-10296

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-10297

PSEG Power delivered in 2012

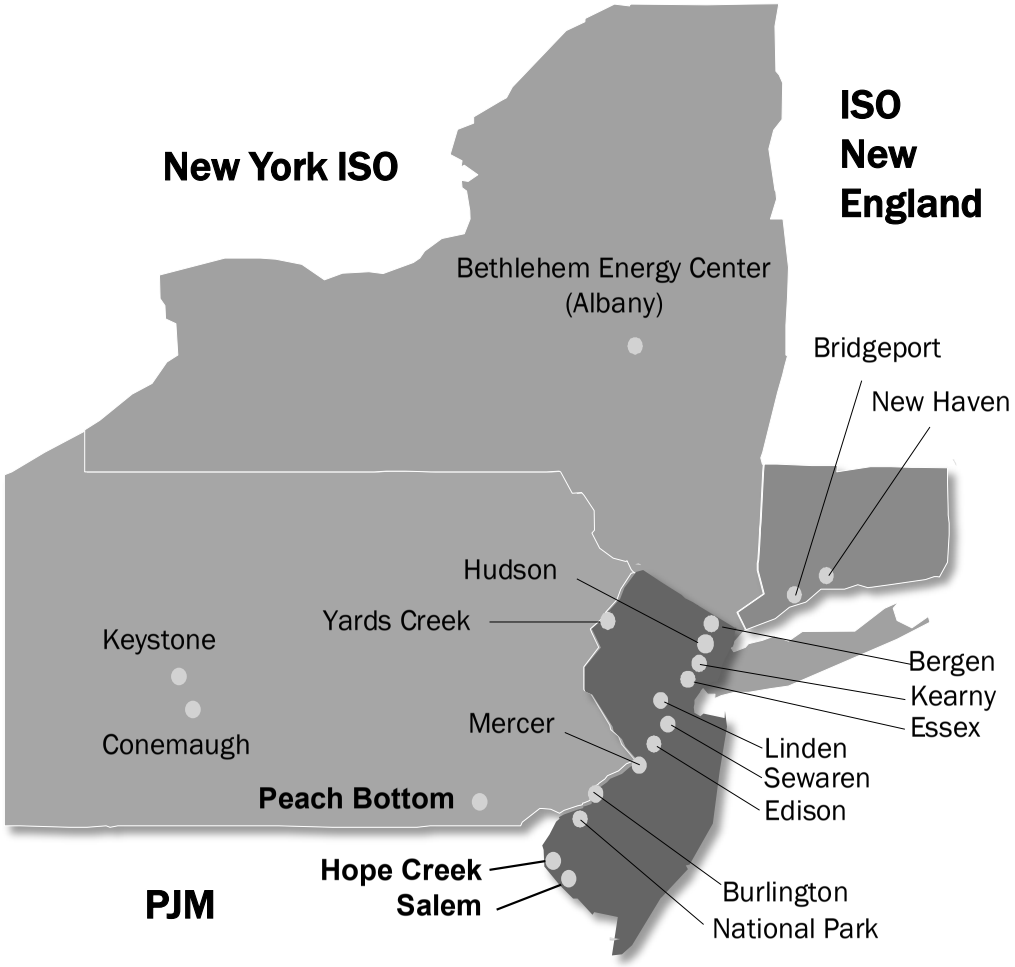
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-10298

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-10299

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-10300

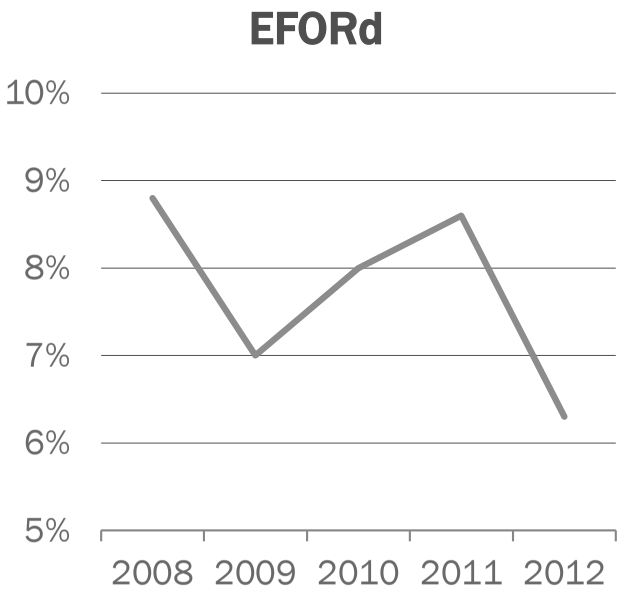
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

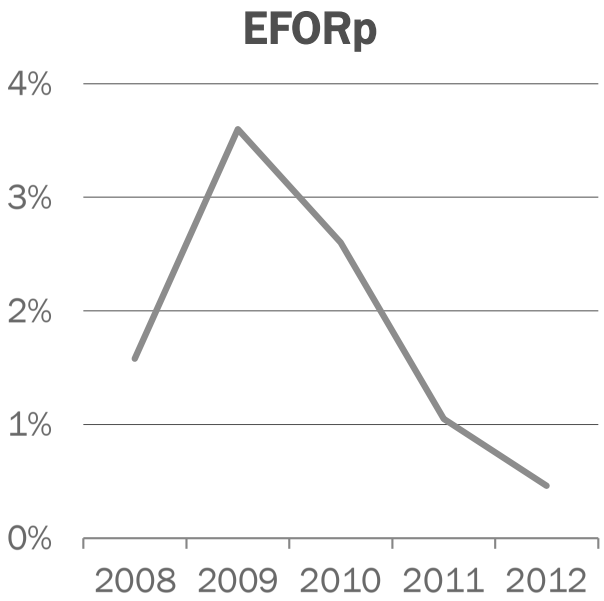
SI-SSA-0015-10301

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

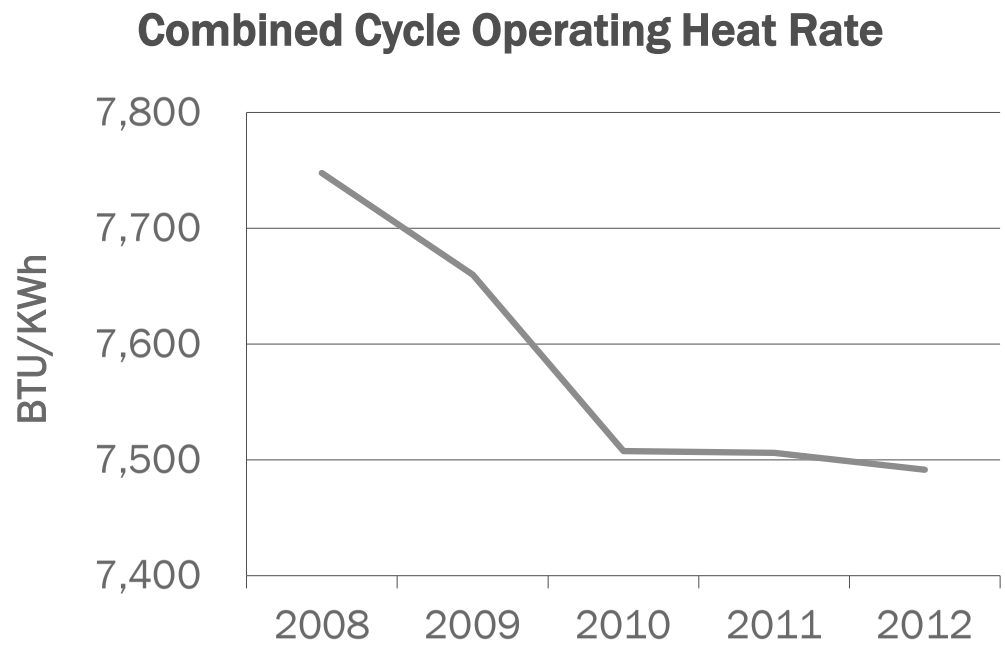


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-10302

PSEG Power improvements achieved in combined cycle fleet efficiency

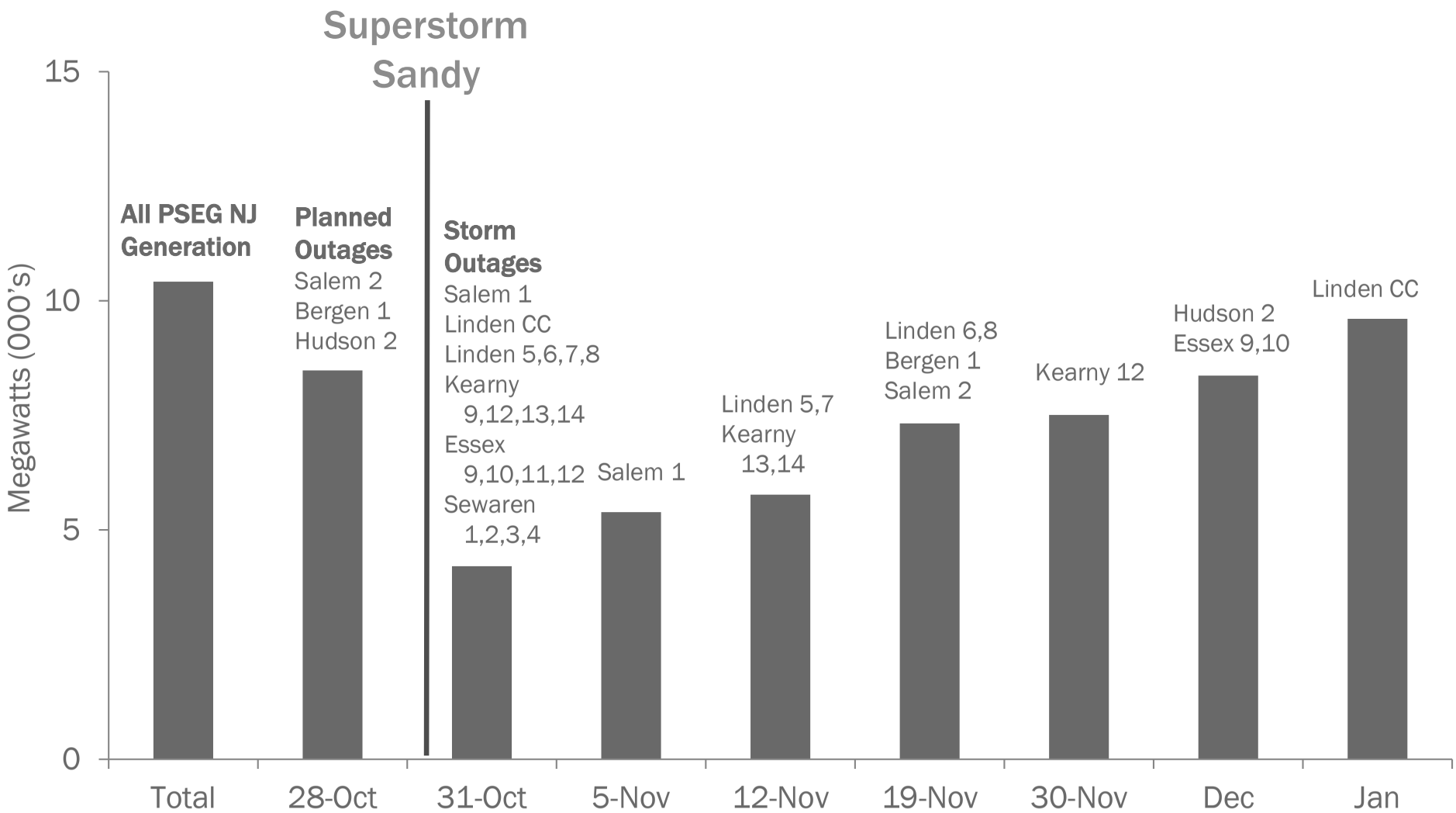


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-10303

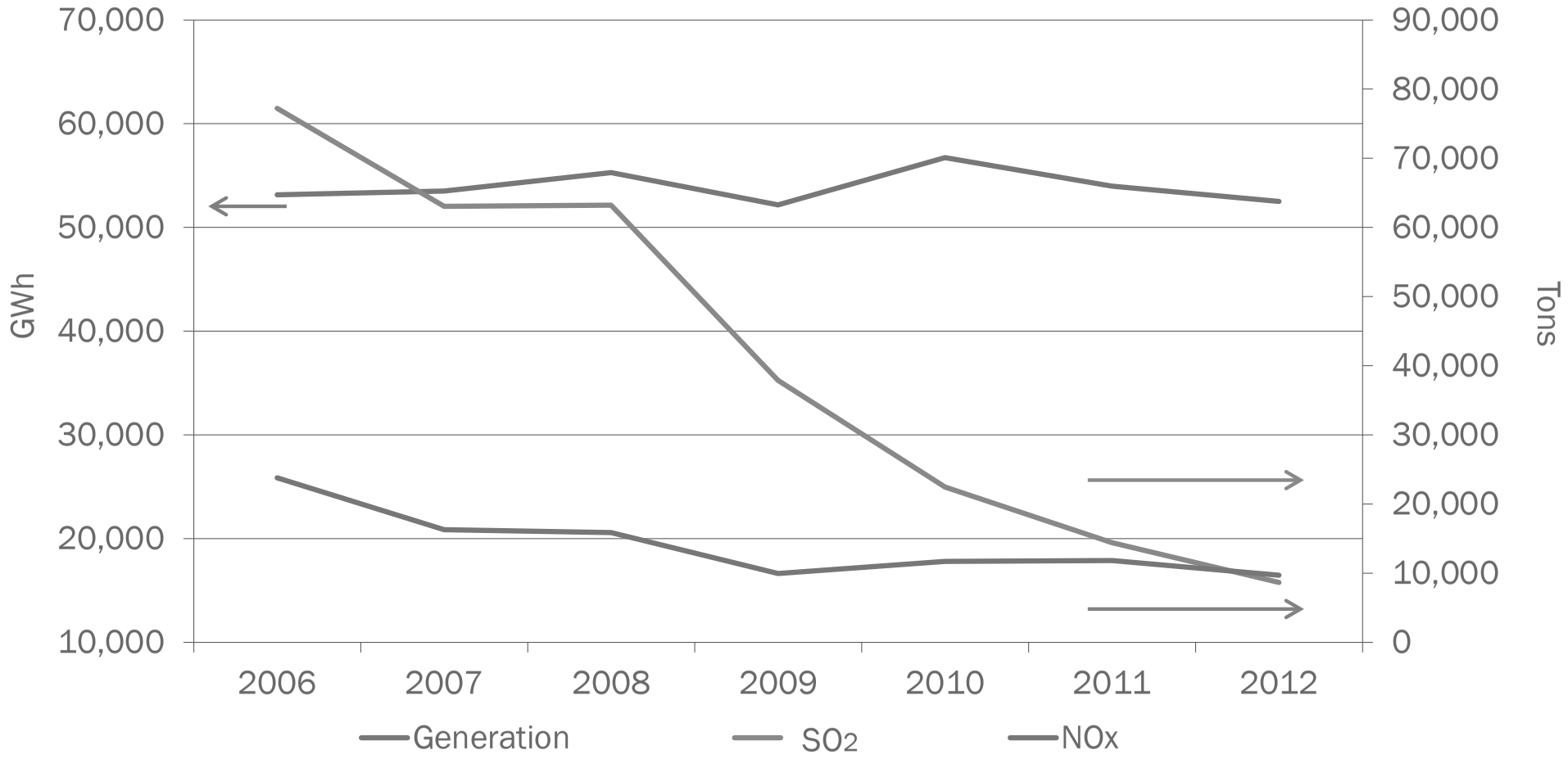
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-10304

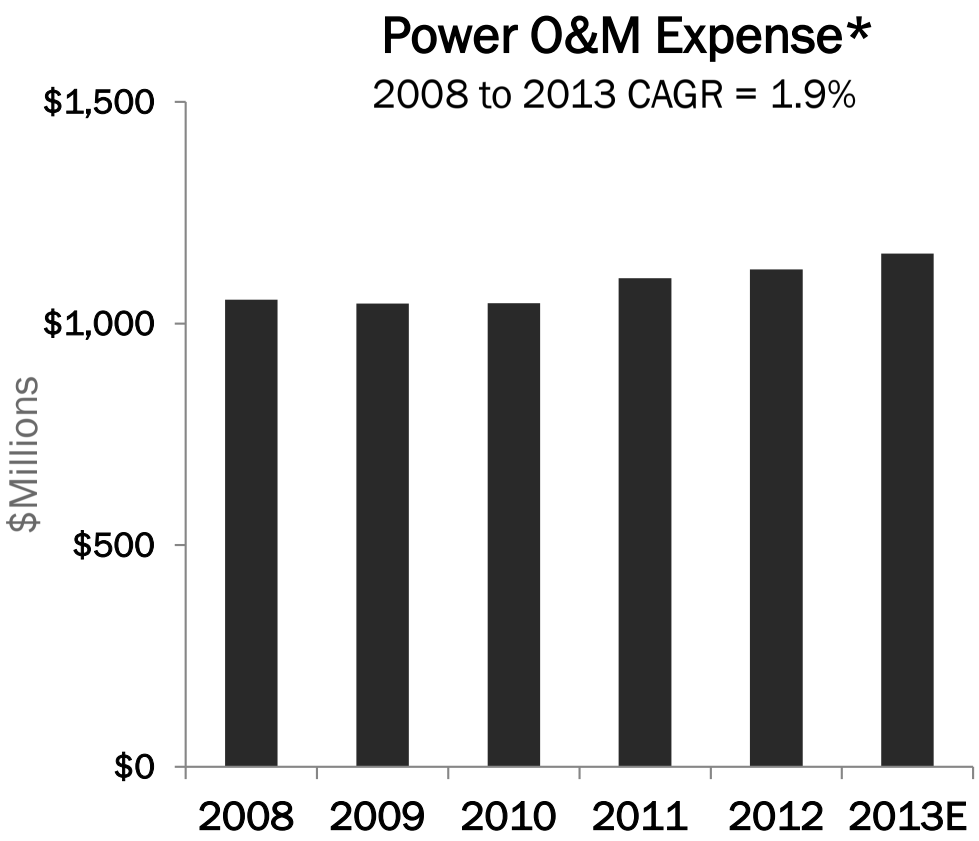
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-10305

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-10306

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

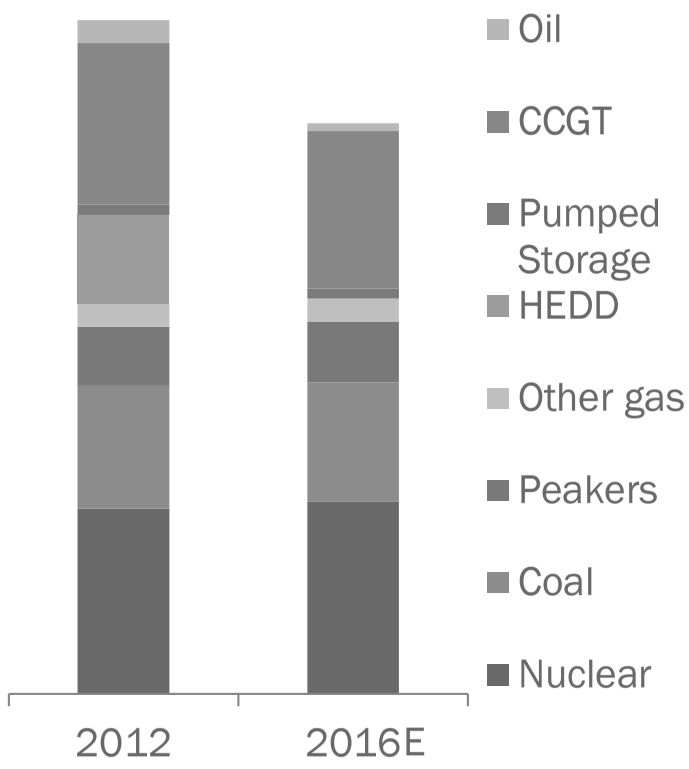
SI-SSA-0015-10307

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

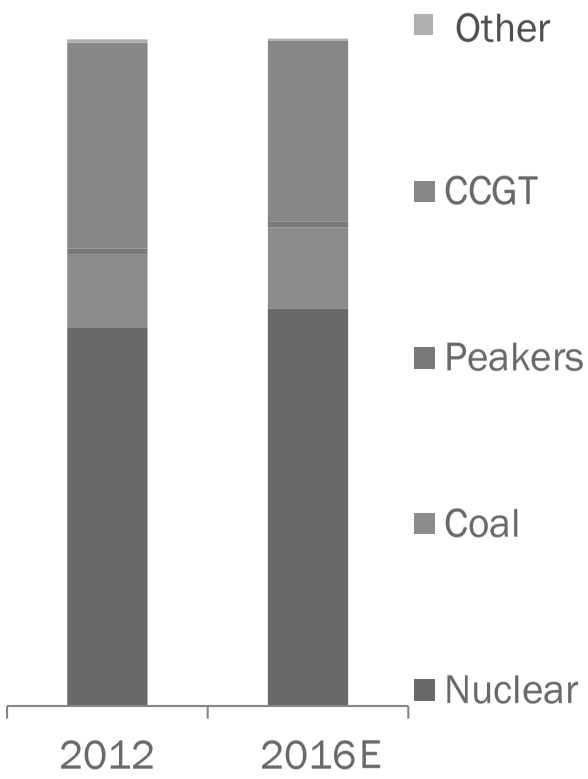
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



SI-SSA-0015-10308

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-10309

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-10310

PSEG

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

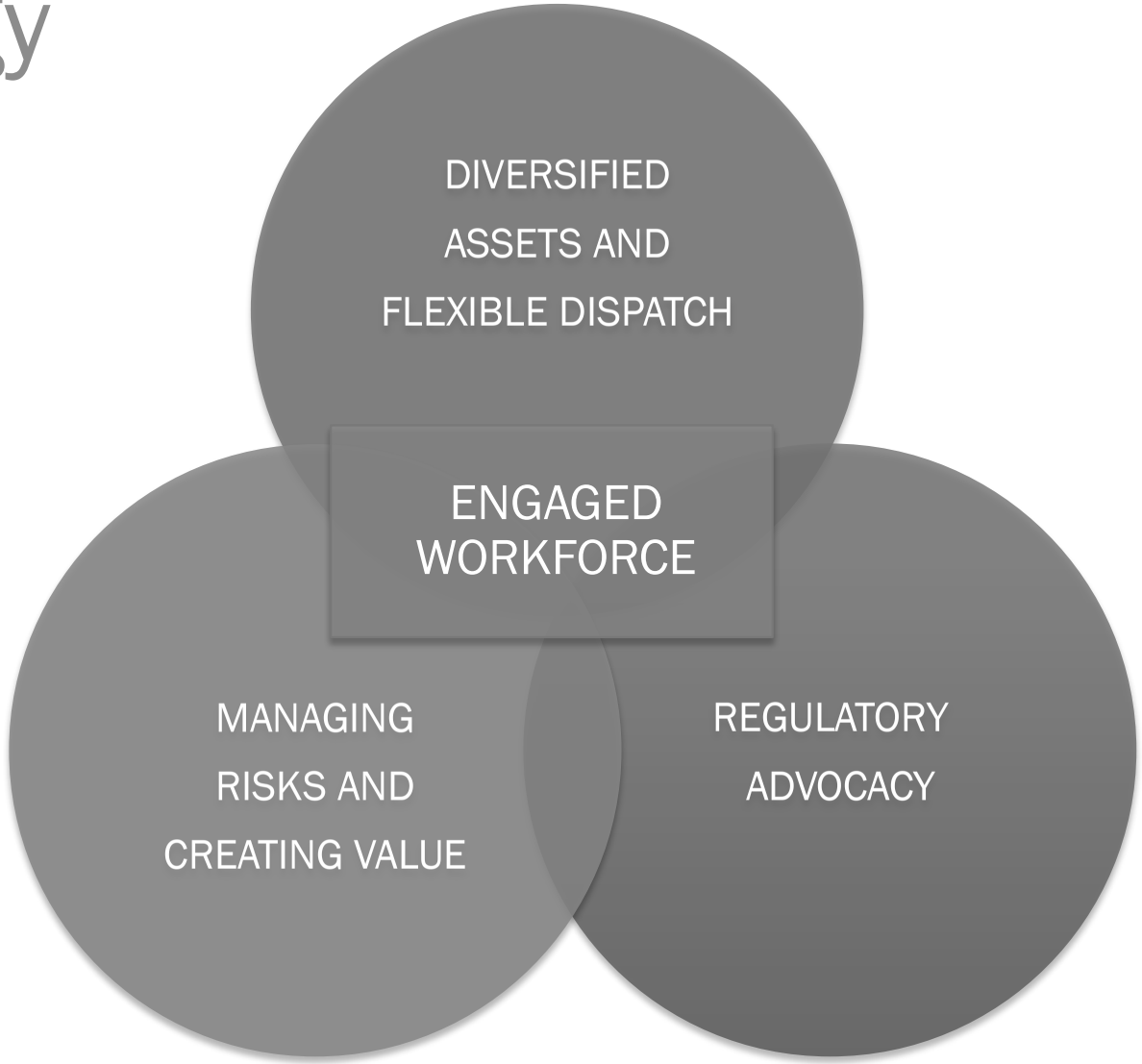
SI-SSA-0015-10311

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-10312

Diversified assets and flexible dispatch

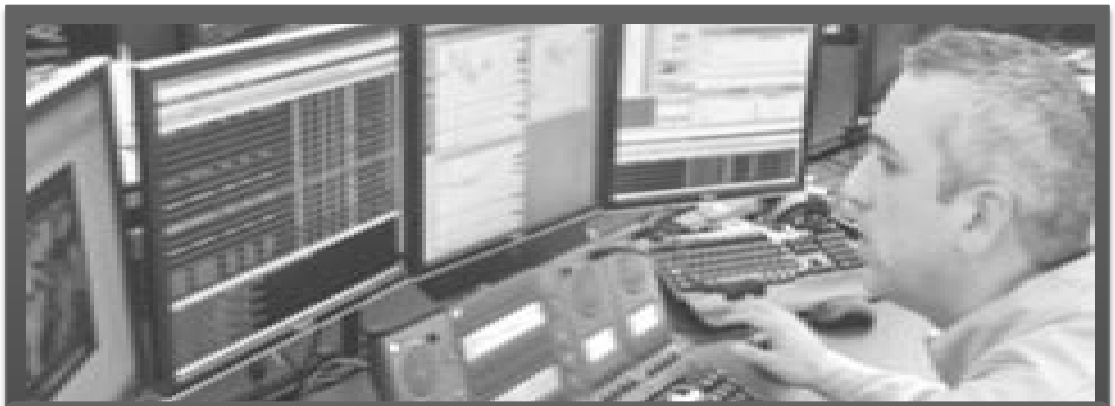
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

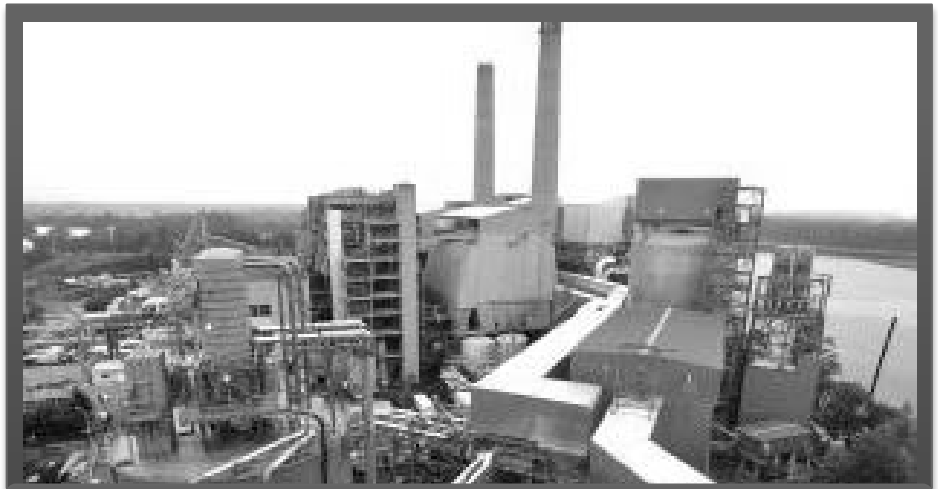
SI-SSA-0015-10313

Fleet capacity has been advanced by:

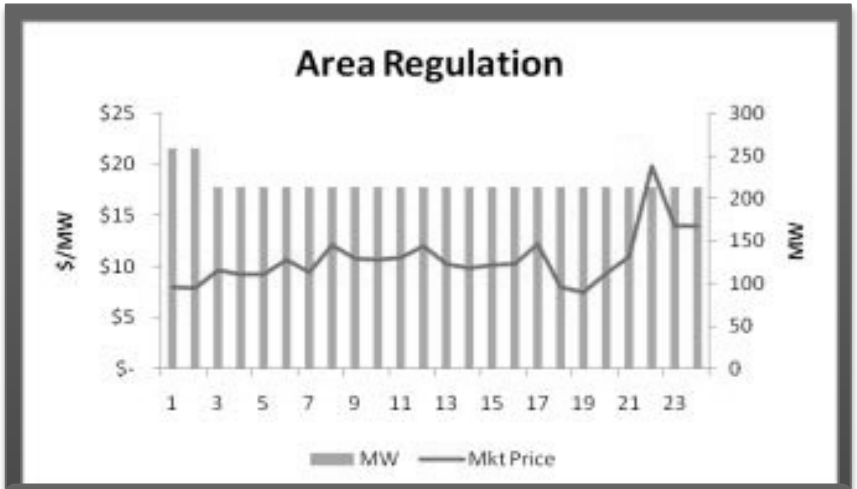
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



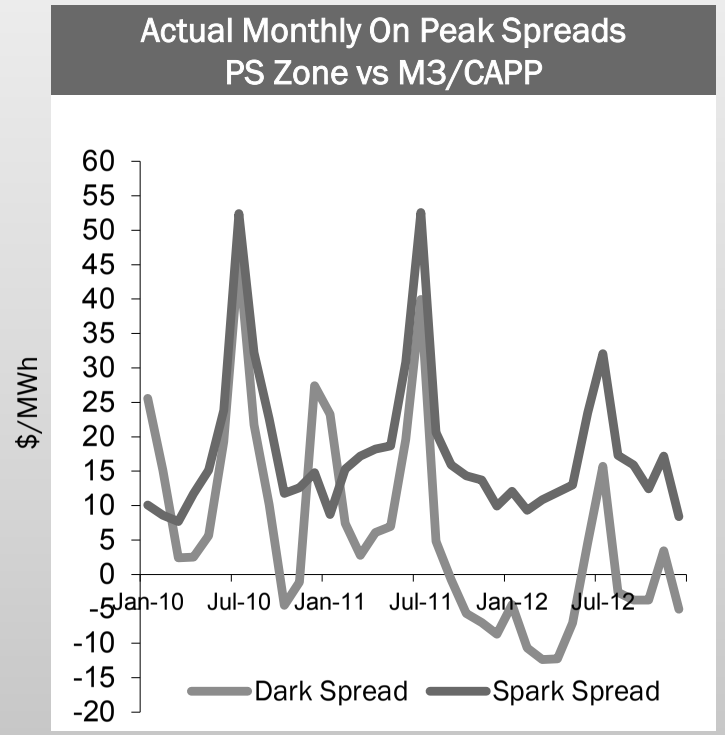
Reduced O&M and increased start-up success

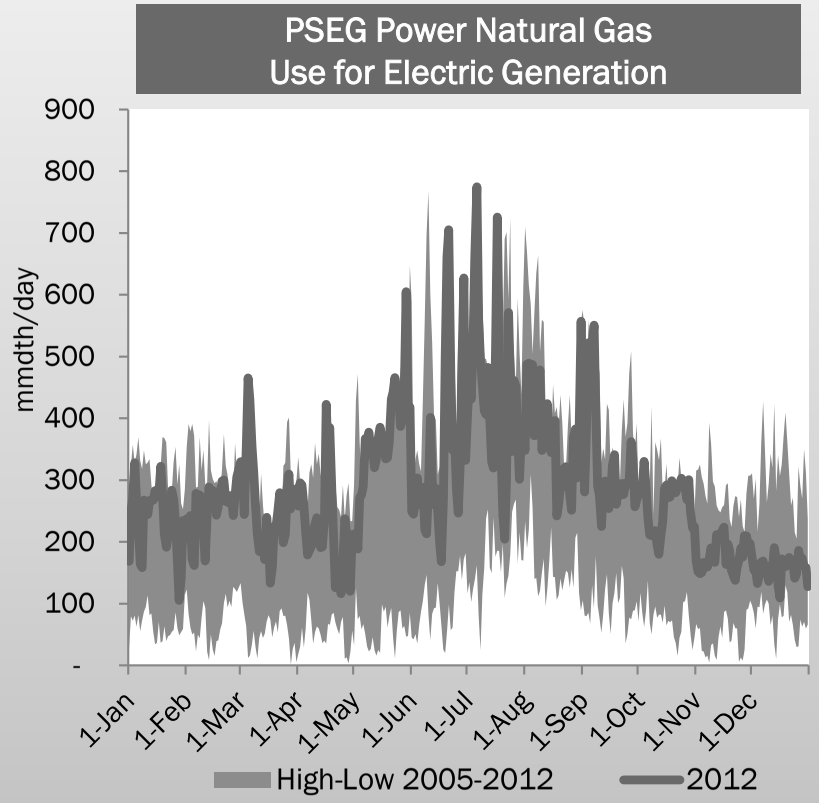


Capturing new products opportunity with minimal investment

SI-SSA-0015-10314

Spark spread replaces dark spread as major value driver

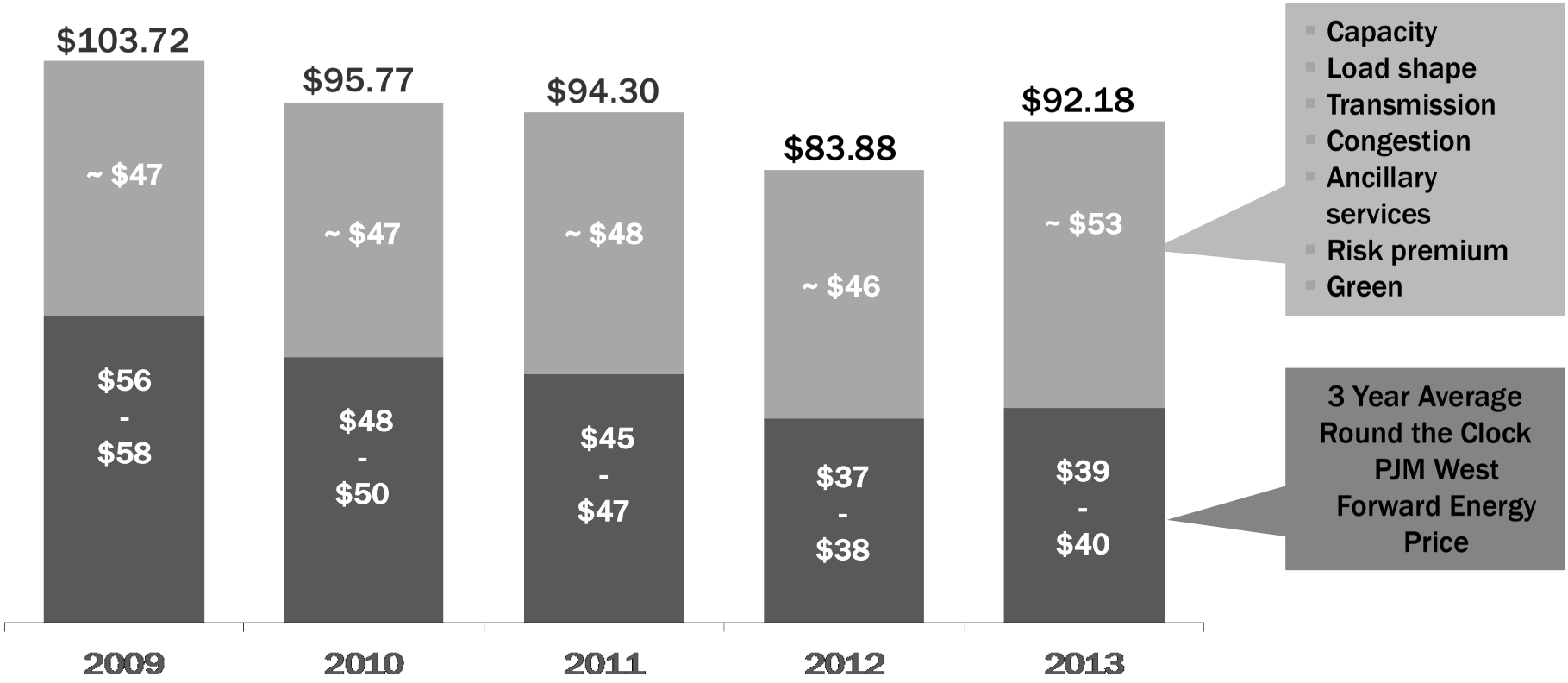




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-10315

2013 BGS Auction Results for PSE&G Zone

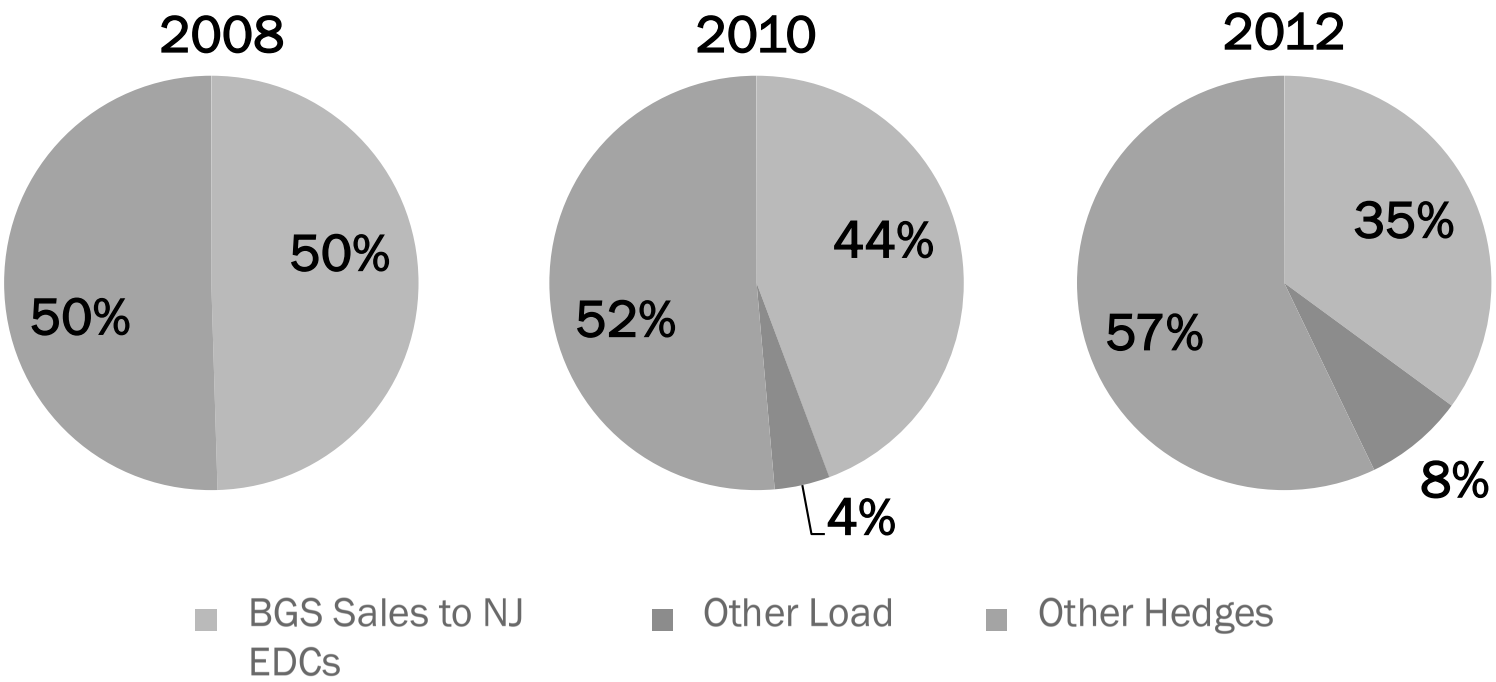


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-10316

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-10317

PSEG

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

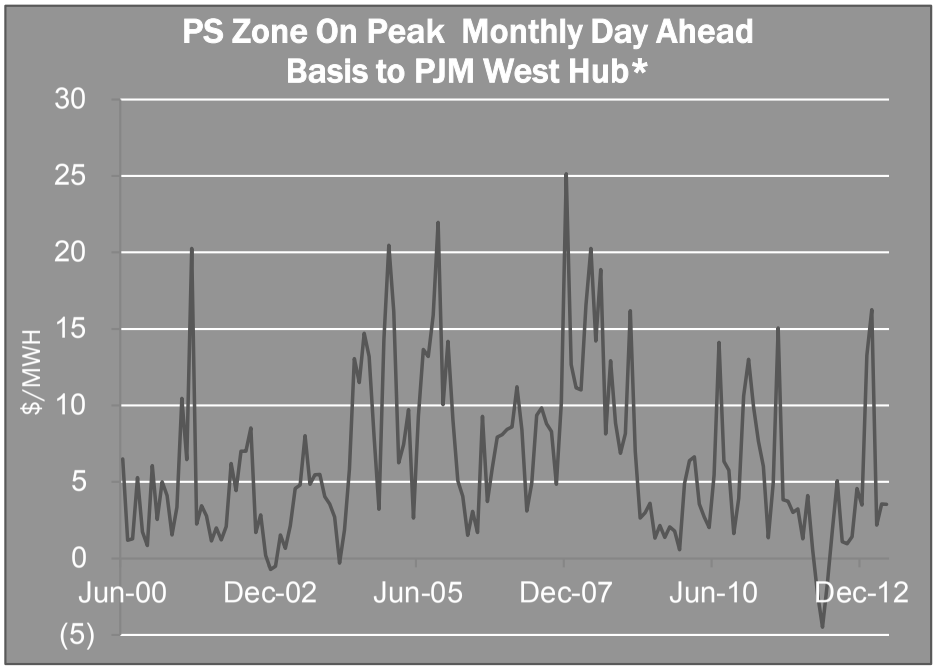
		Apr-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$50	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	15	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$50	$50
Total	Volume TWh	40-42	53-55	52-54
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$50	$50	$50

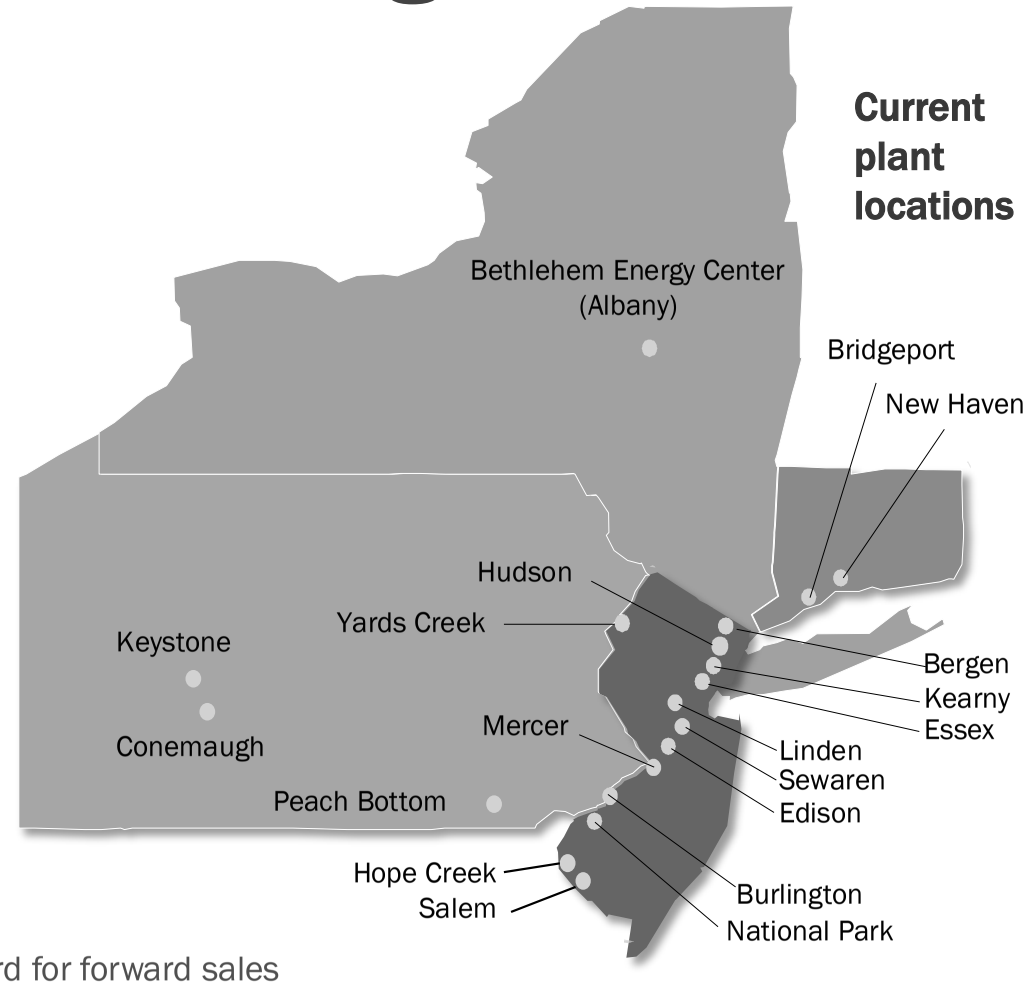
HEDGE PERCENTAGES AND PRICES AS OF MARCH 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-10318

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

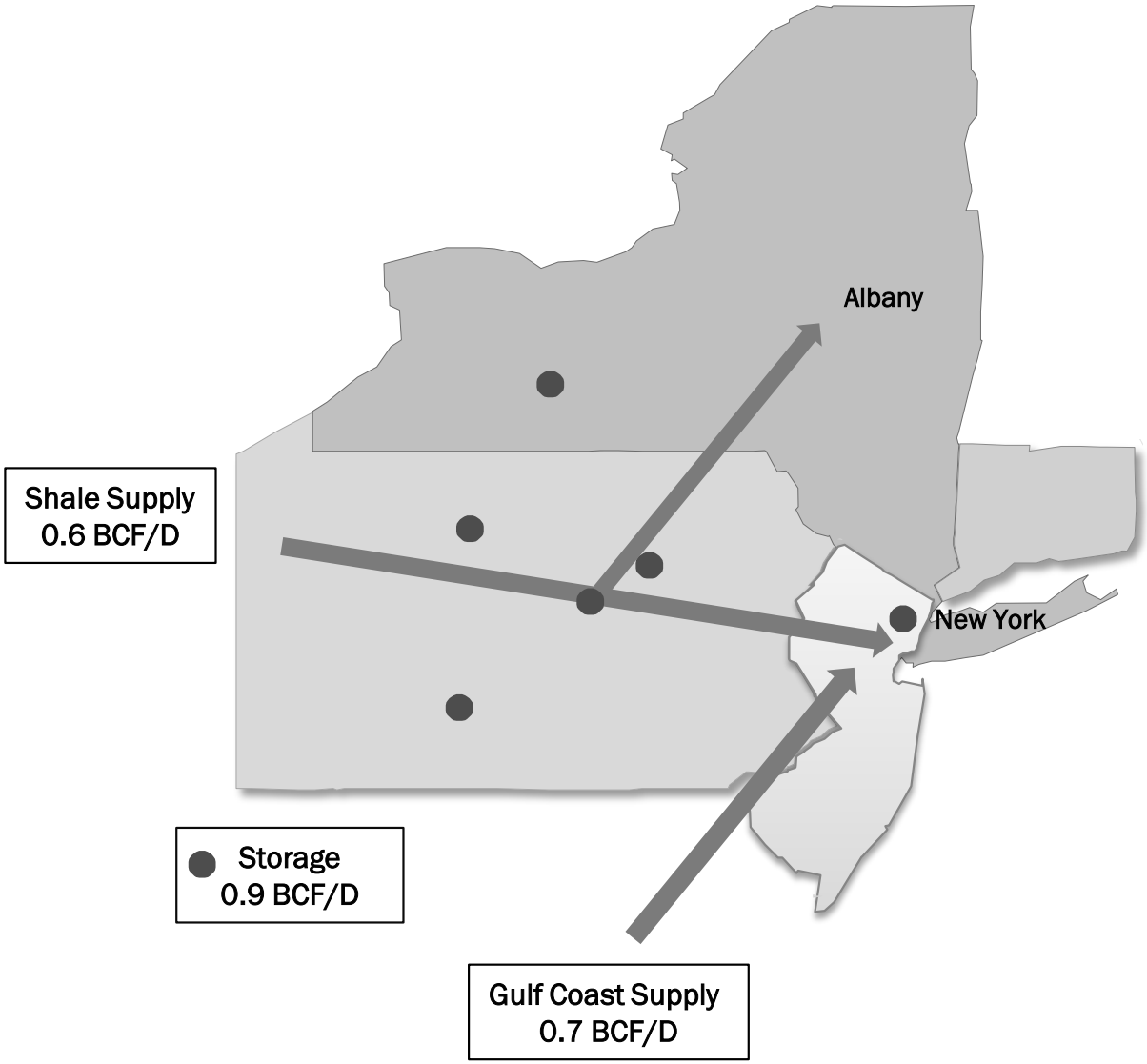
SI-SSA-0015-10319

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-10320

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

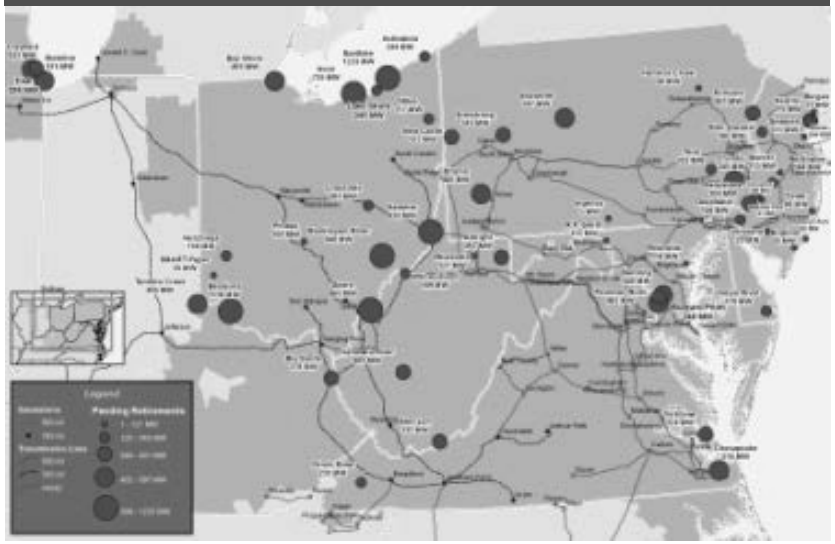
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-10321

Reserve margins in PJM declining with retirements

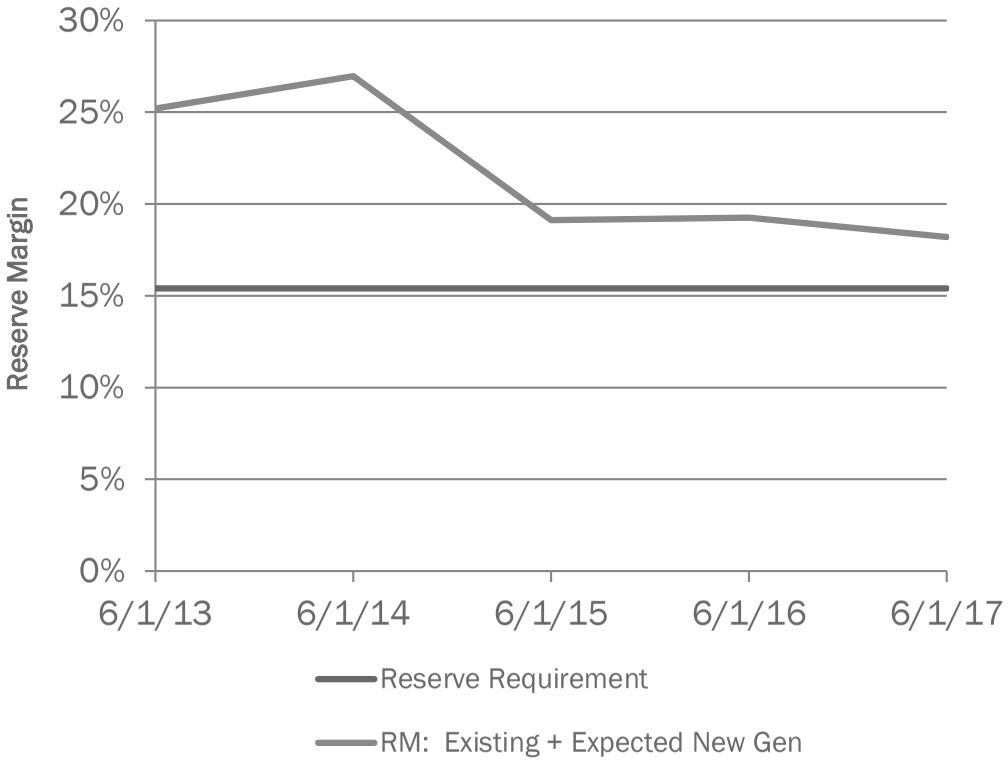
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-10322

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-10323

PSEG wholesale market strategy

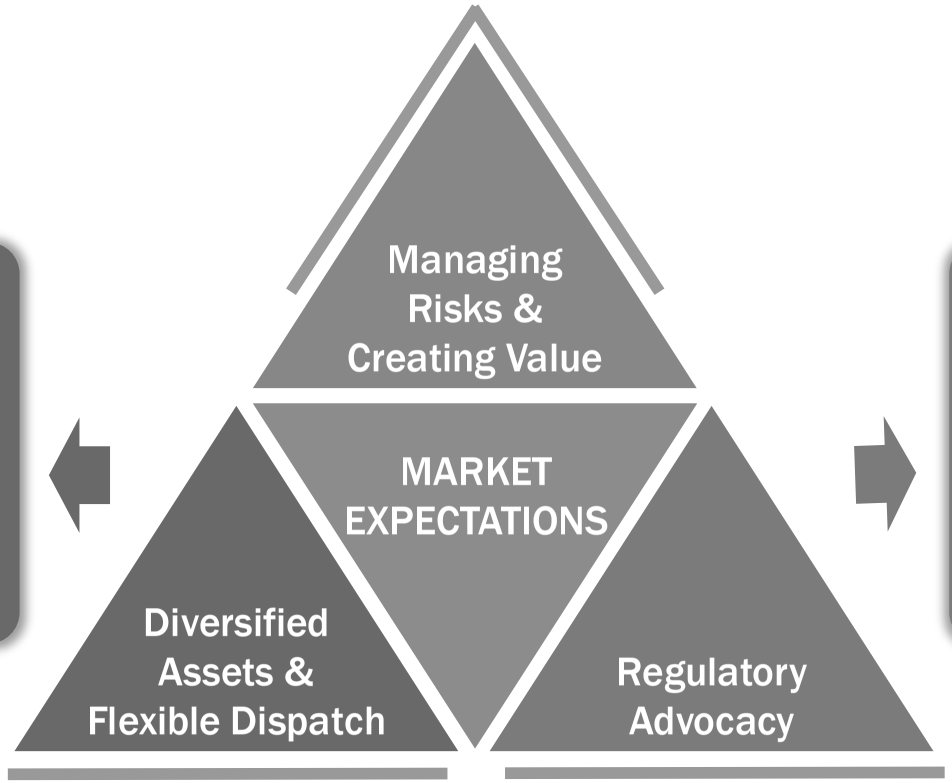
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-10324

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-10325

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-10326

Maintaining 2013 operating earnings guidance

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-10327

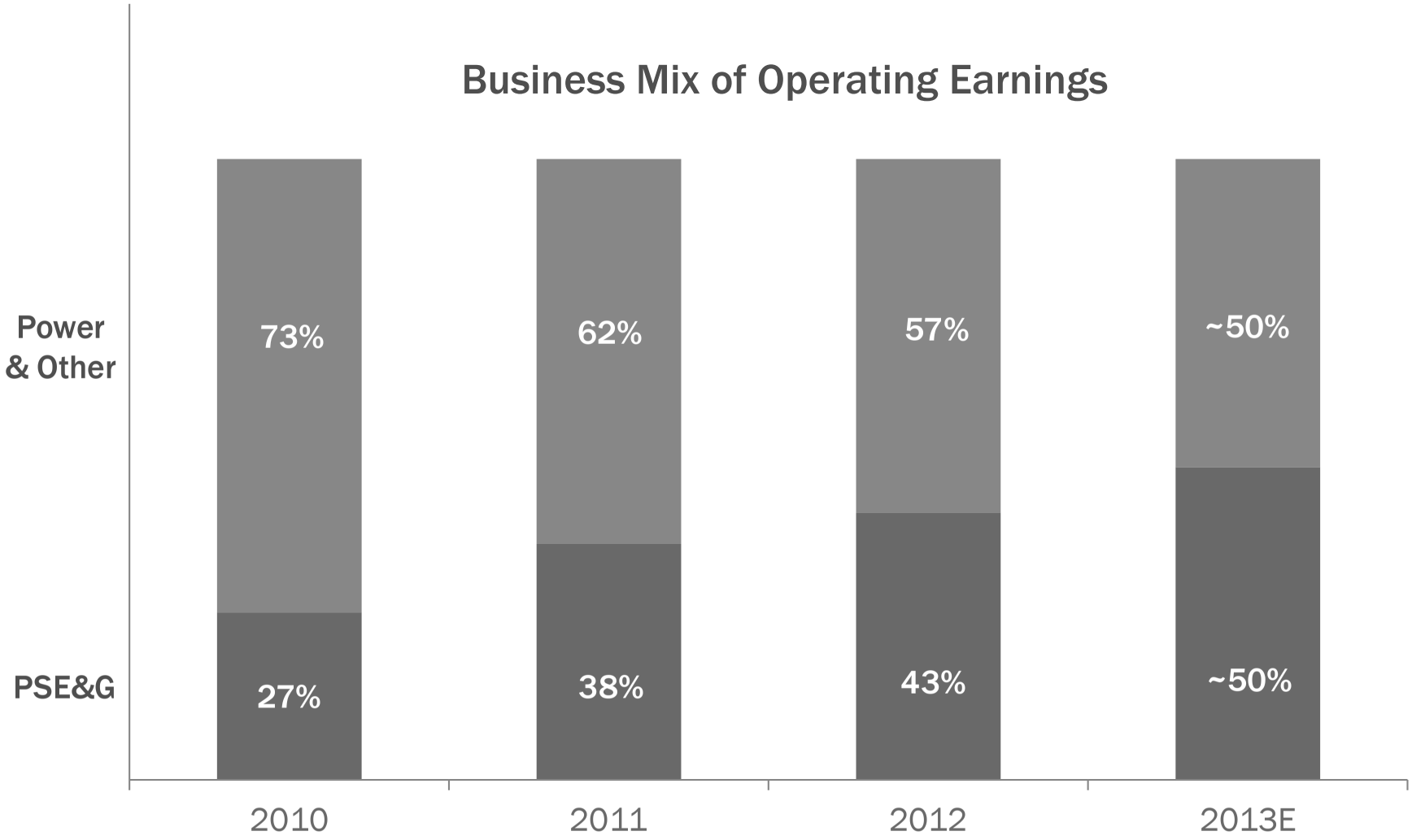
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

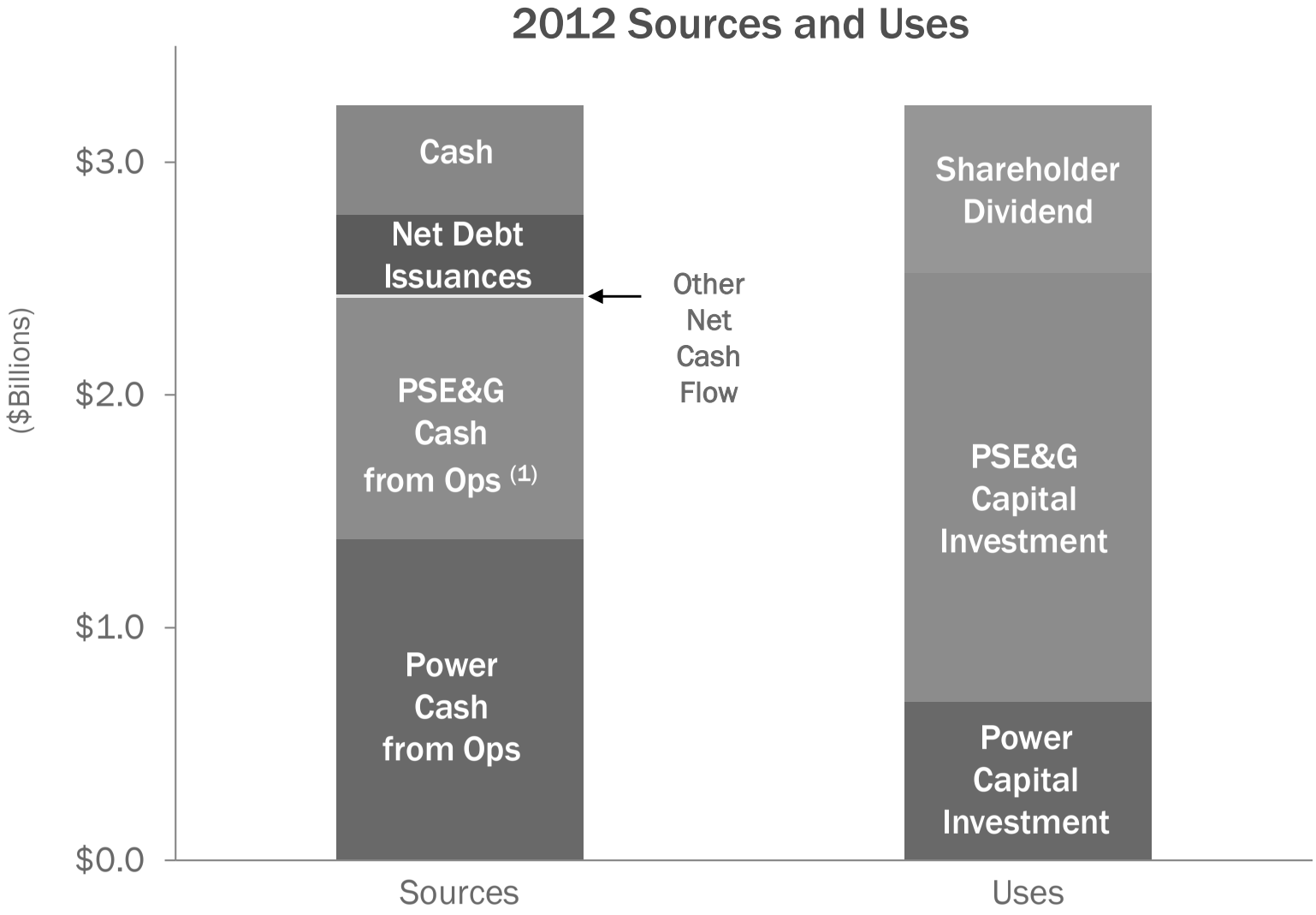


SI-SSA-0015-10328

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

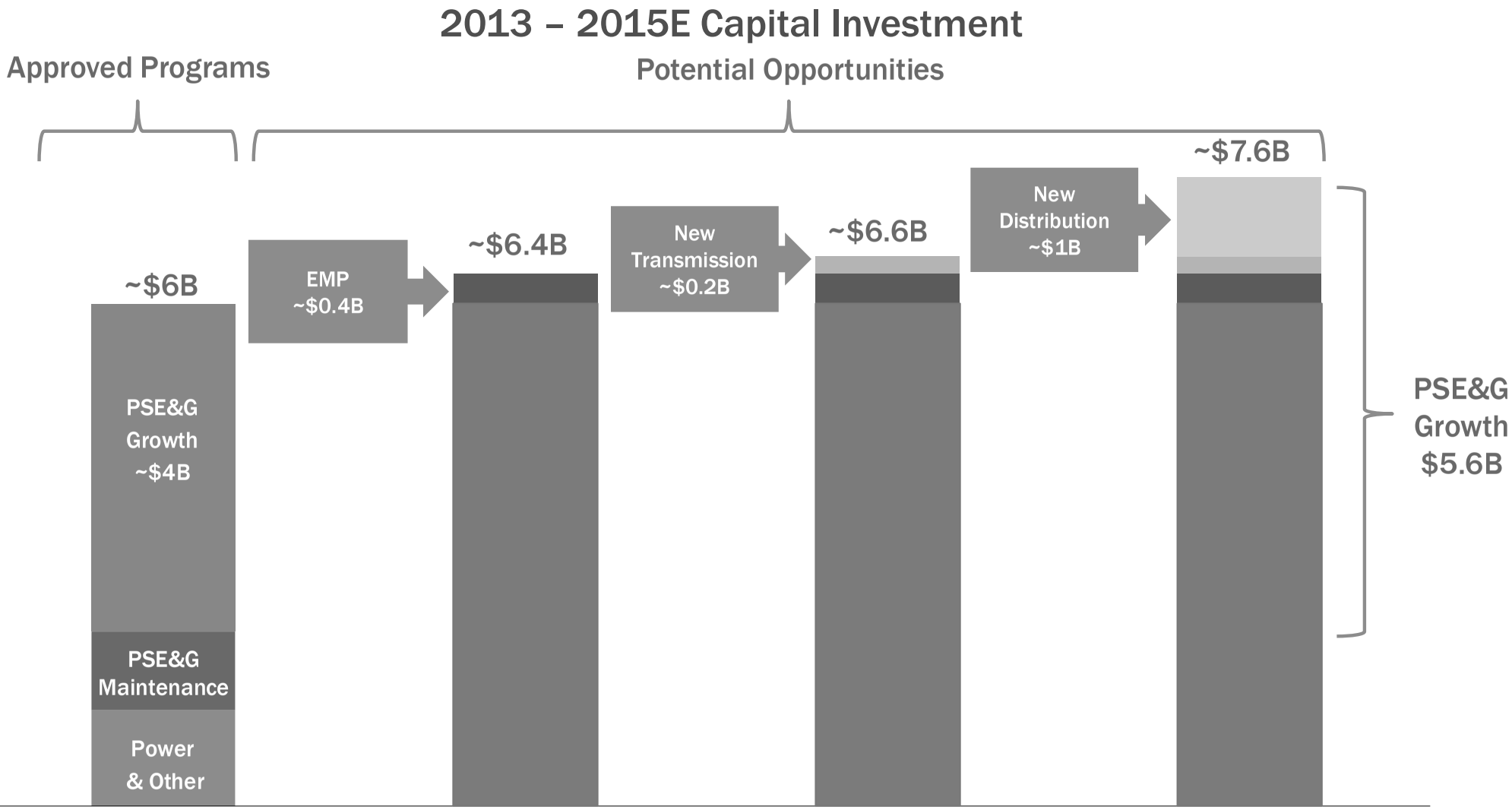
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

SI-SSA-0015-10329

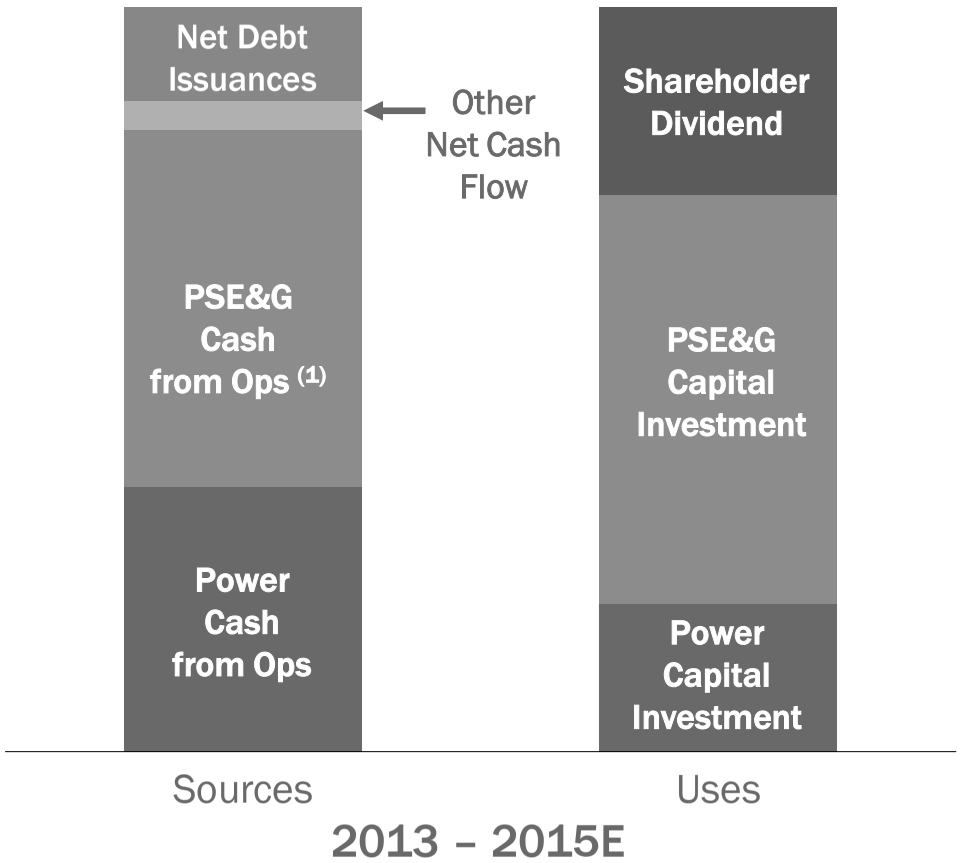
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



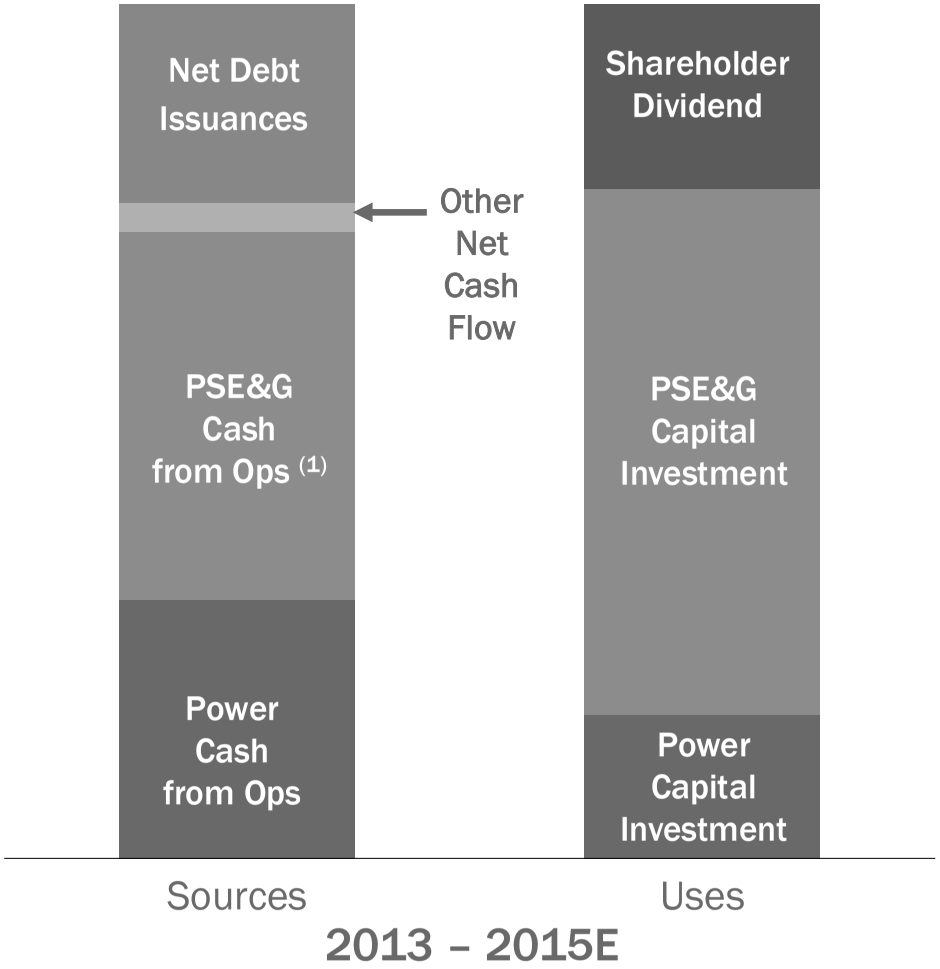
SI-SSA-0015-10330

All scenarios can be financed without new equity

Approved Programs



Approved Programs plus EMP, New Transmission and New Distribution



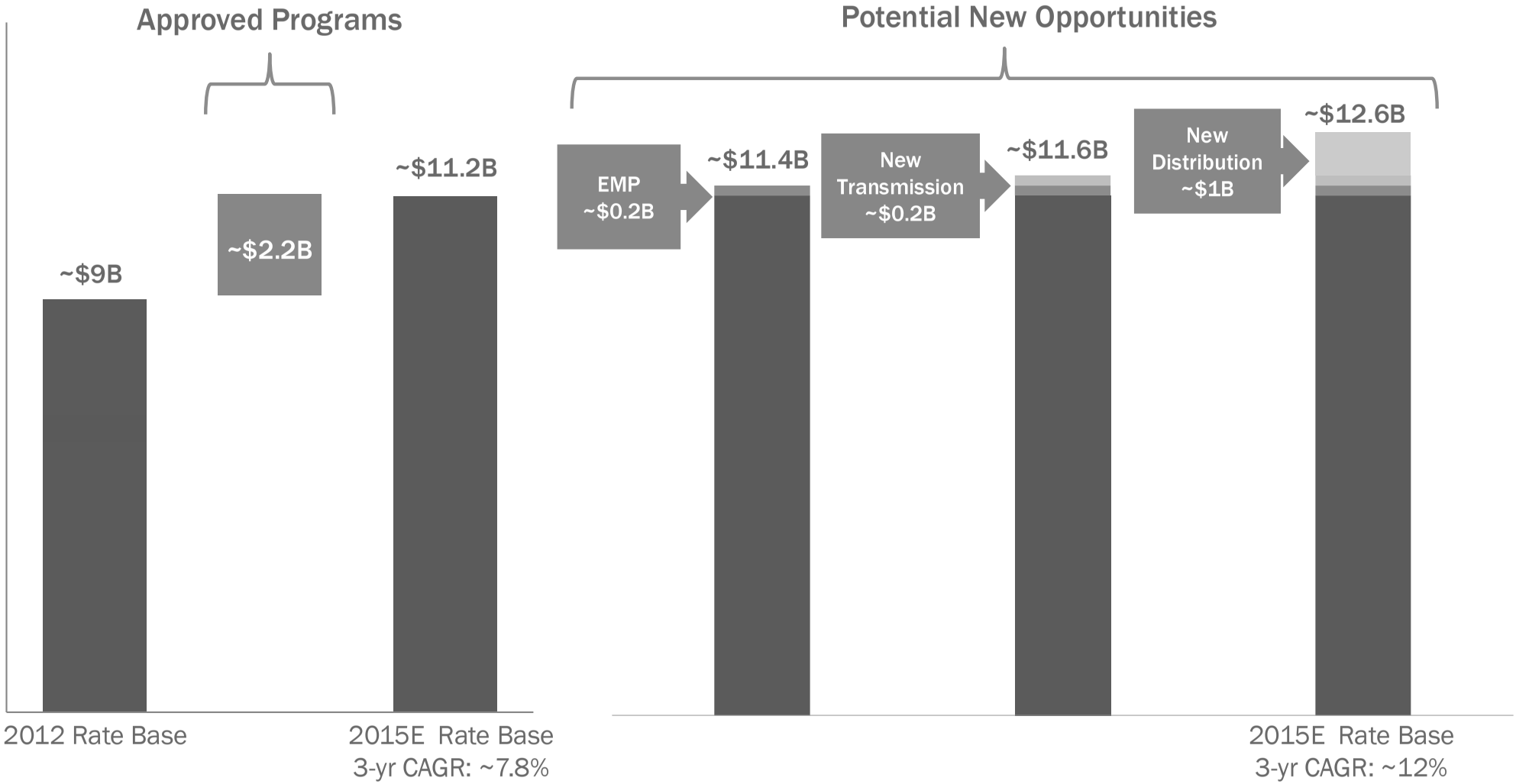
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-10331

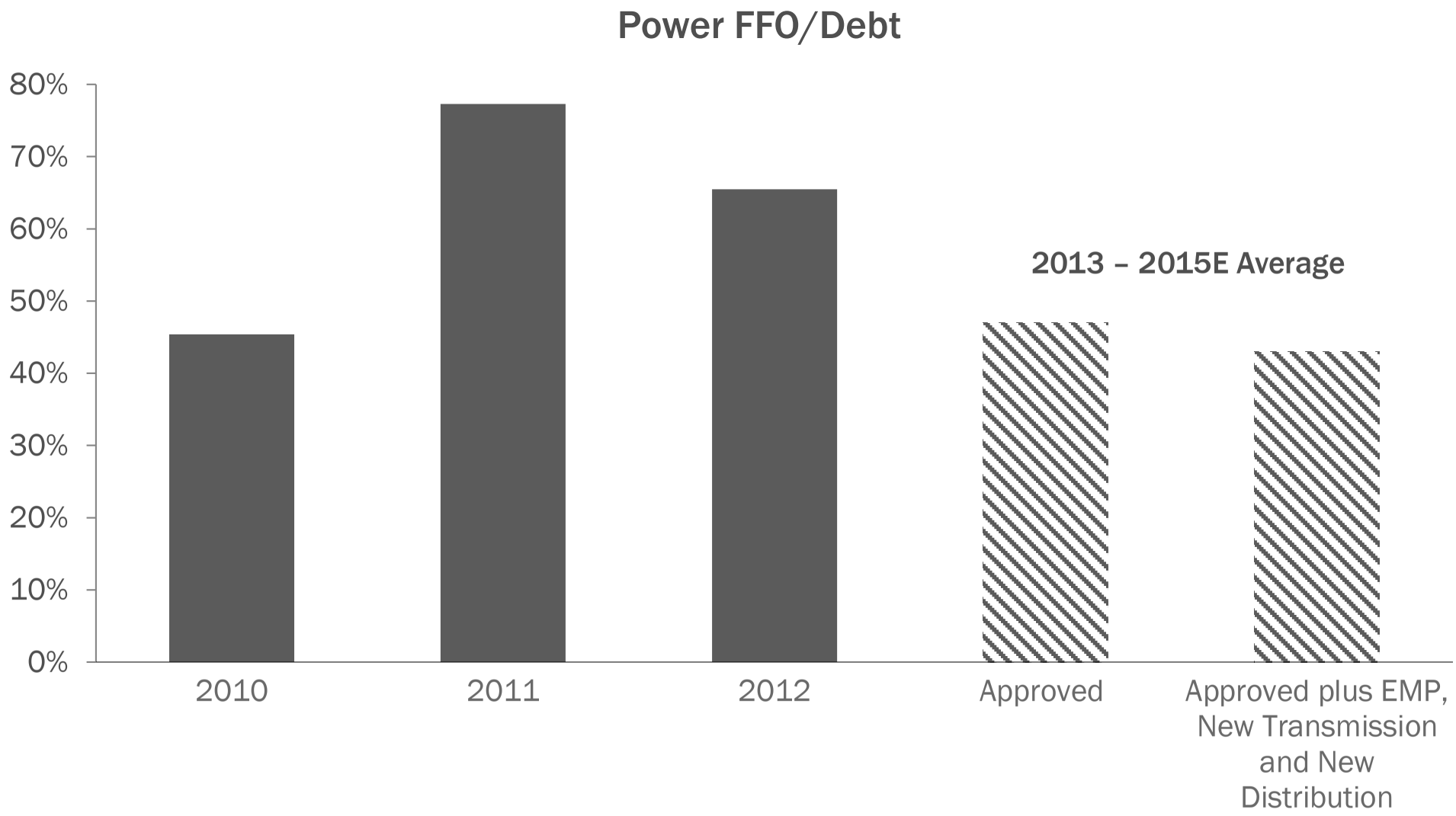
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-10332

Power's credit metrics are expected to remain strong



SI-SSA-0015-10333

Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-10334

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

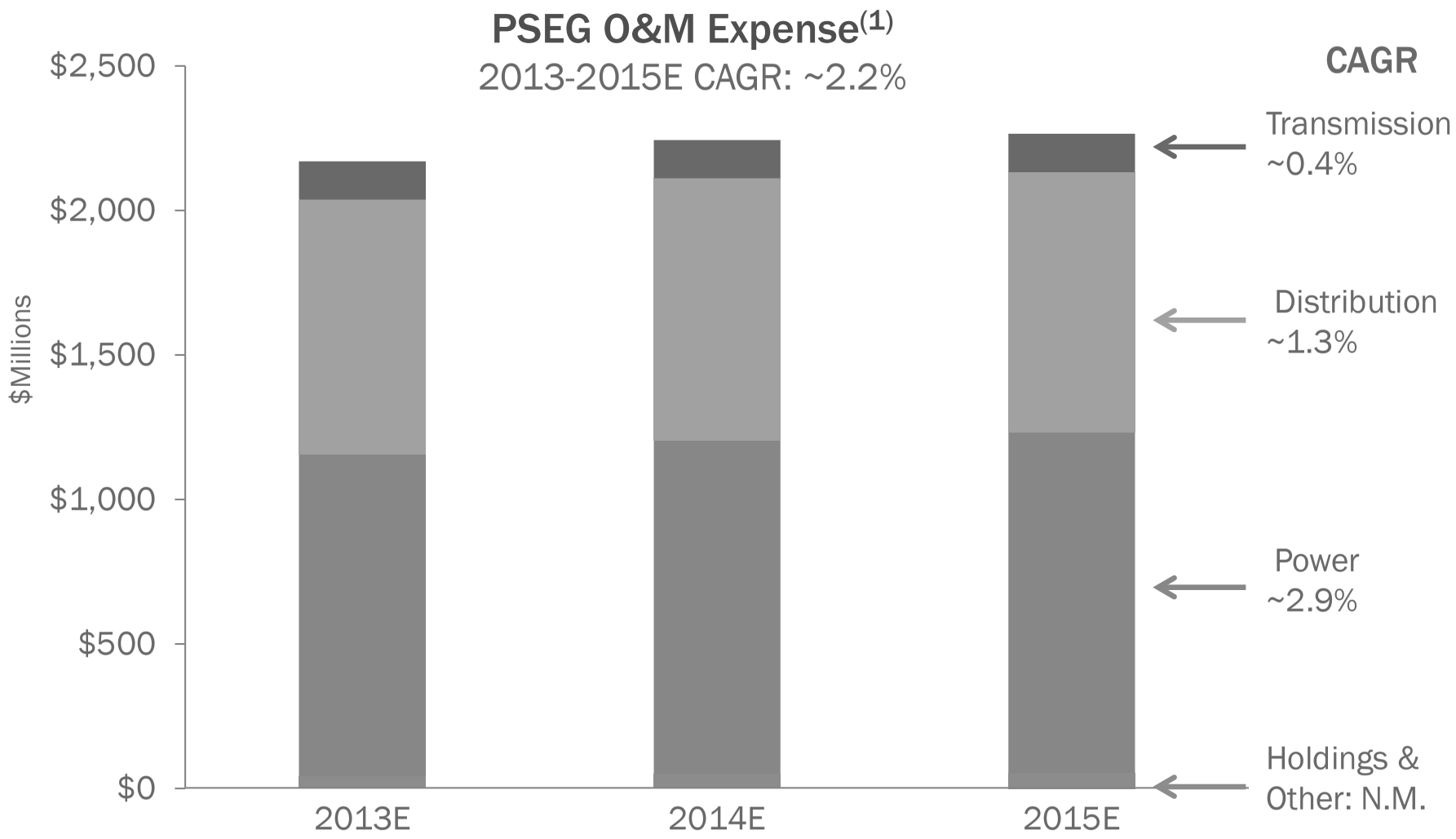
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-10335

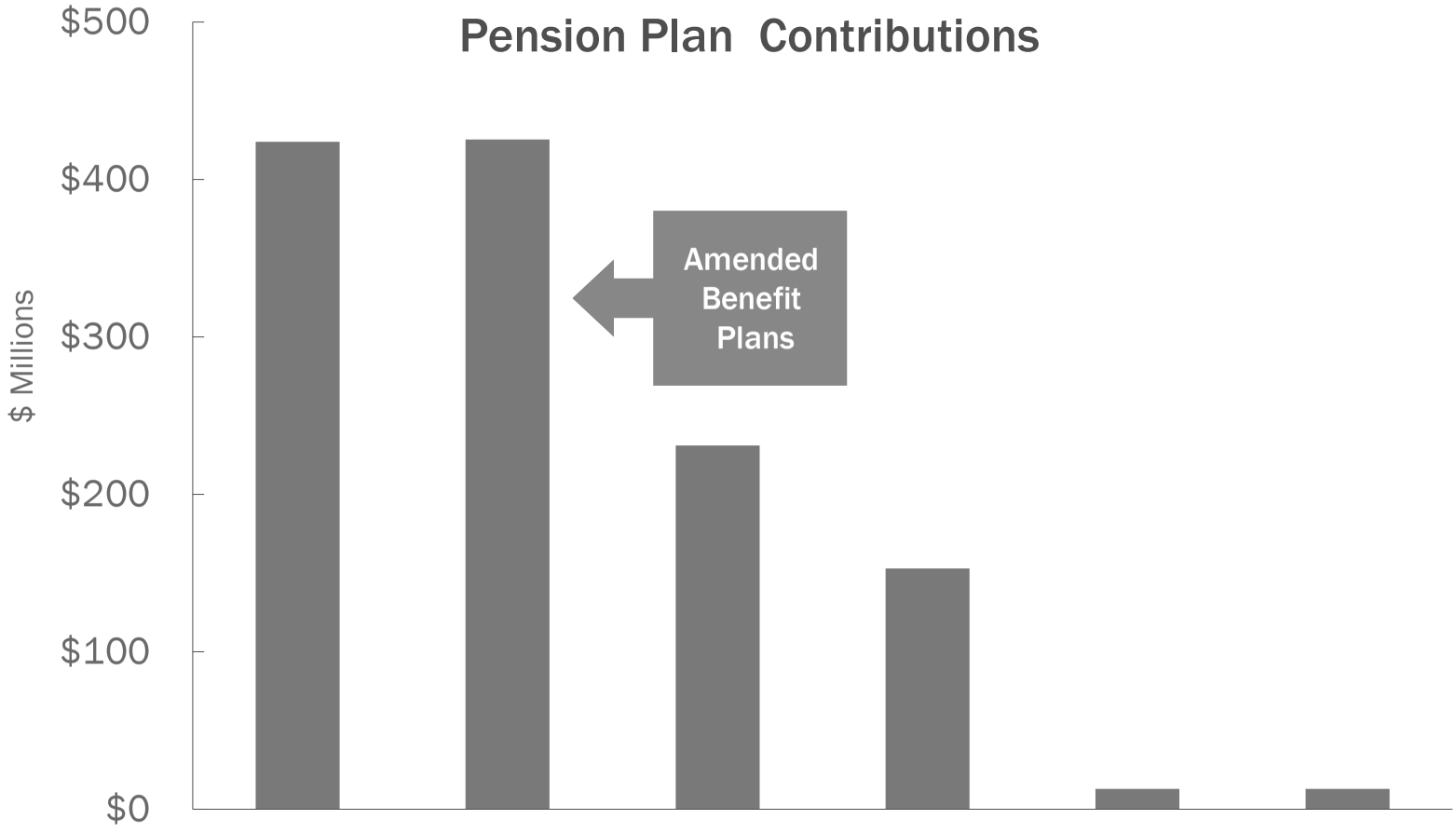
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-10336

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

E = ESTIMATE

SI-SSA-0015-10337

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

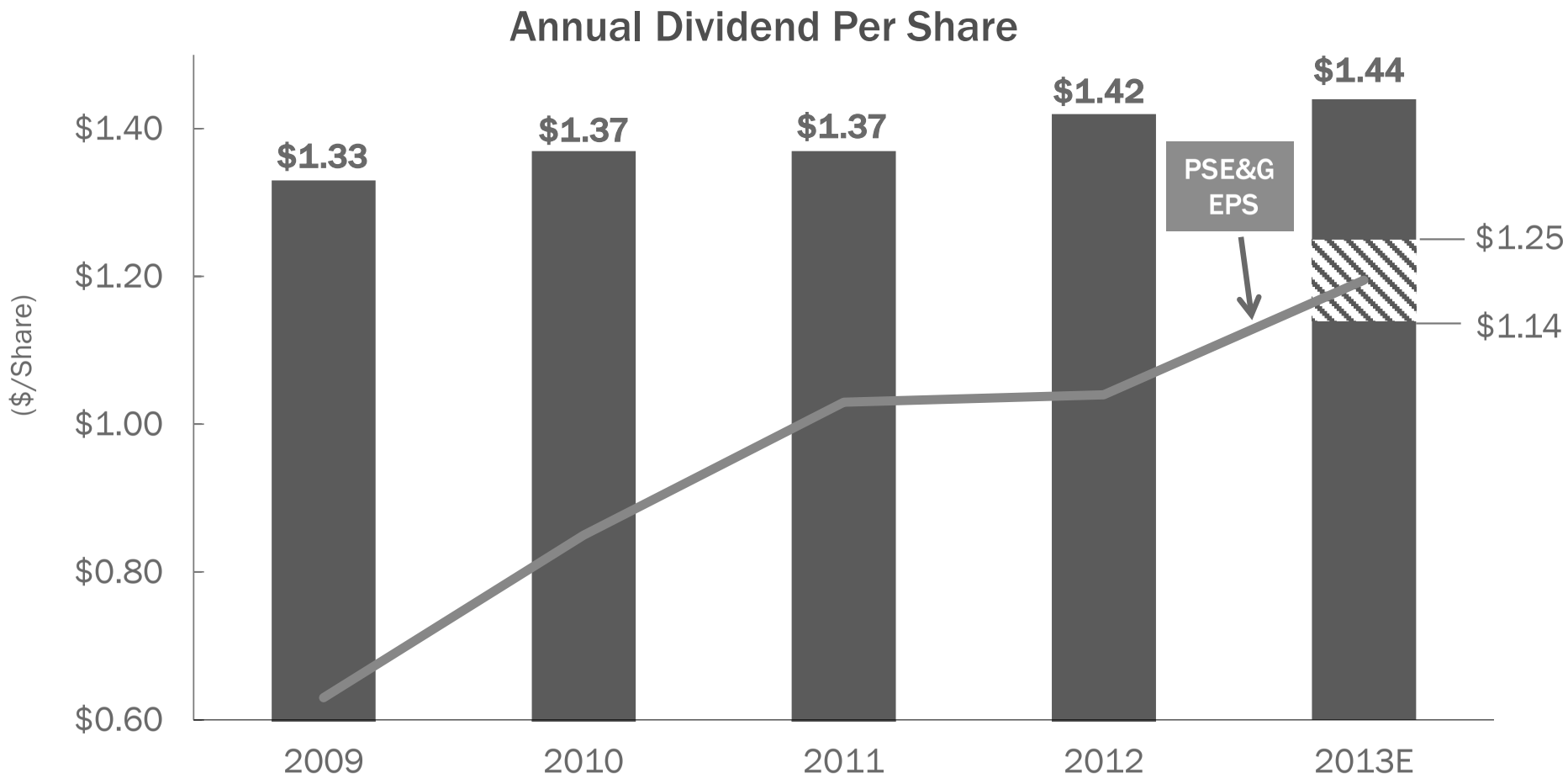
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-10338

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



E = ESTIMATE

SI-SSA-0015-10339

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share, with earnings mix shifting to ~50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-10340

APPENDIX

SI-SSA-0015-10341

Q1 2013 Operating Earnings by Subsidiary

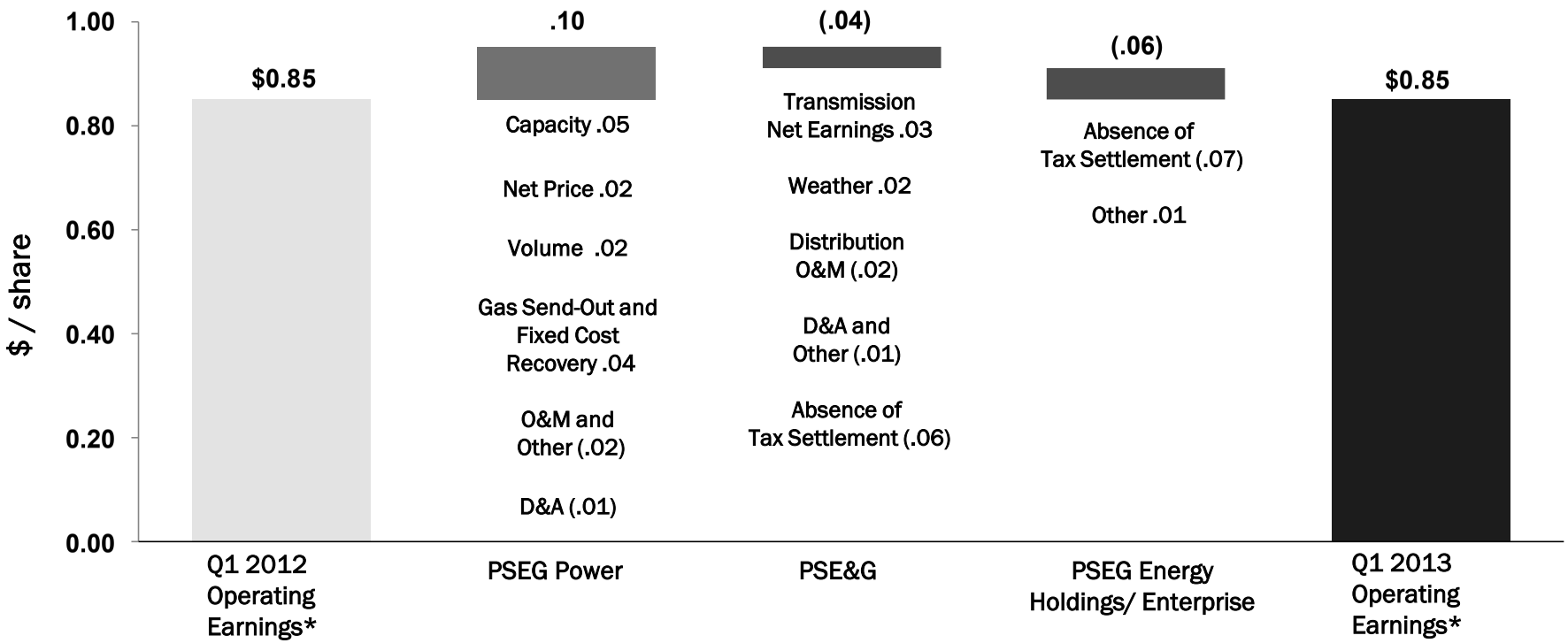
Quarter ended March 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 250	$ 196	$ 0.49	$ 0.39
PSE&G	179	197	0.35	0.39
PSEG Energy Holdings/ Enterprise	4	39	0.01	0.07
*Operating Earnings**	$ 433	$ 432	$ 0.85	$ 0.85

SI-SSA-0015-10342

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2013 versus Q1 2012



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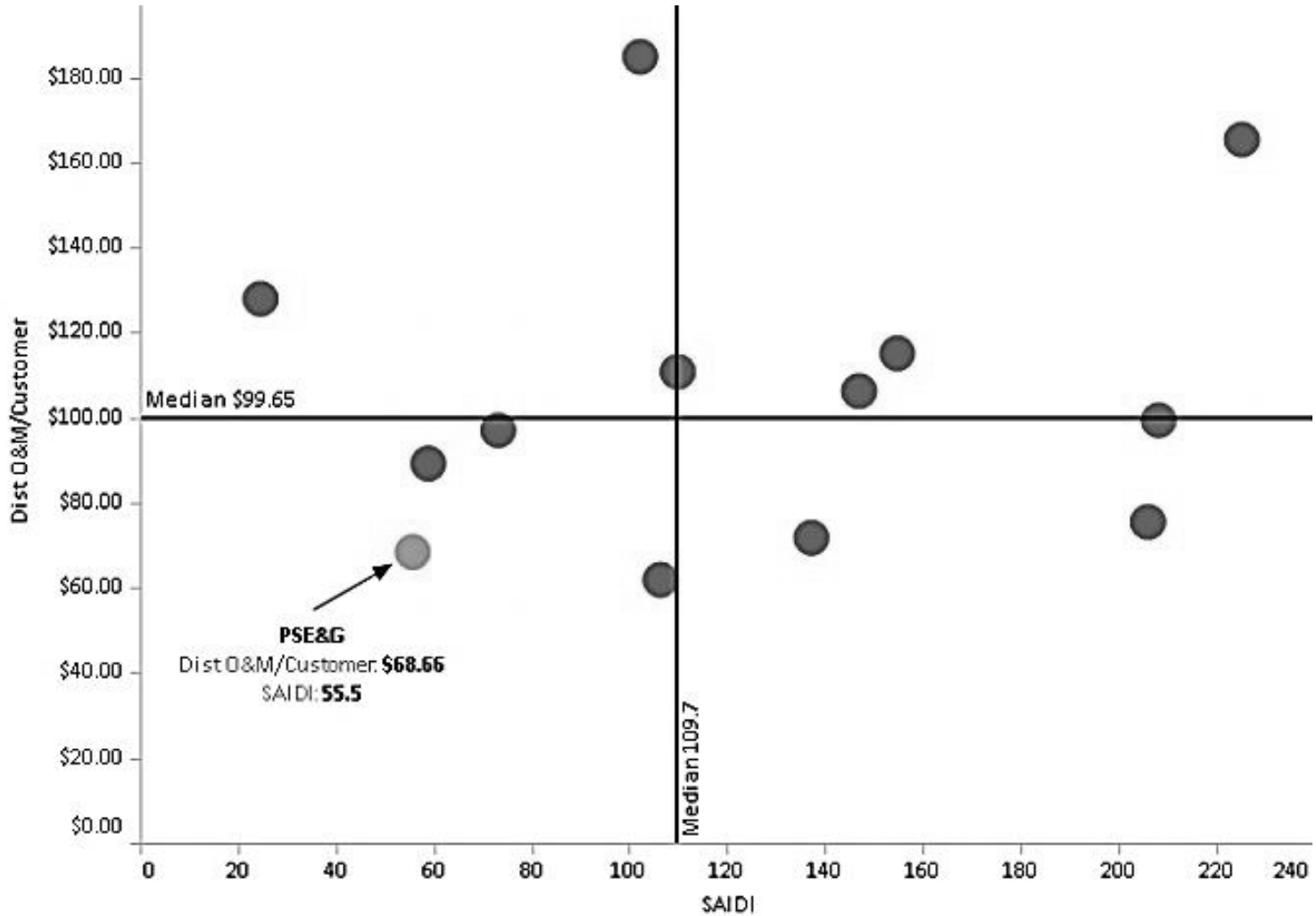
PSEG

* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G provides high reliability at below average cost which creates superior value to customers

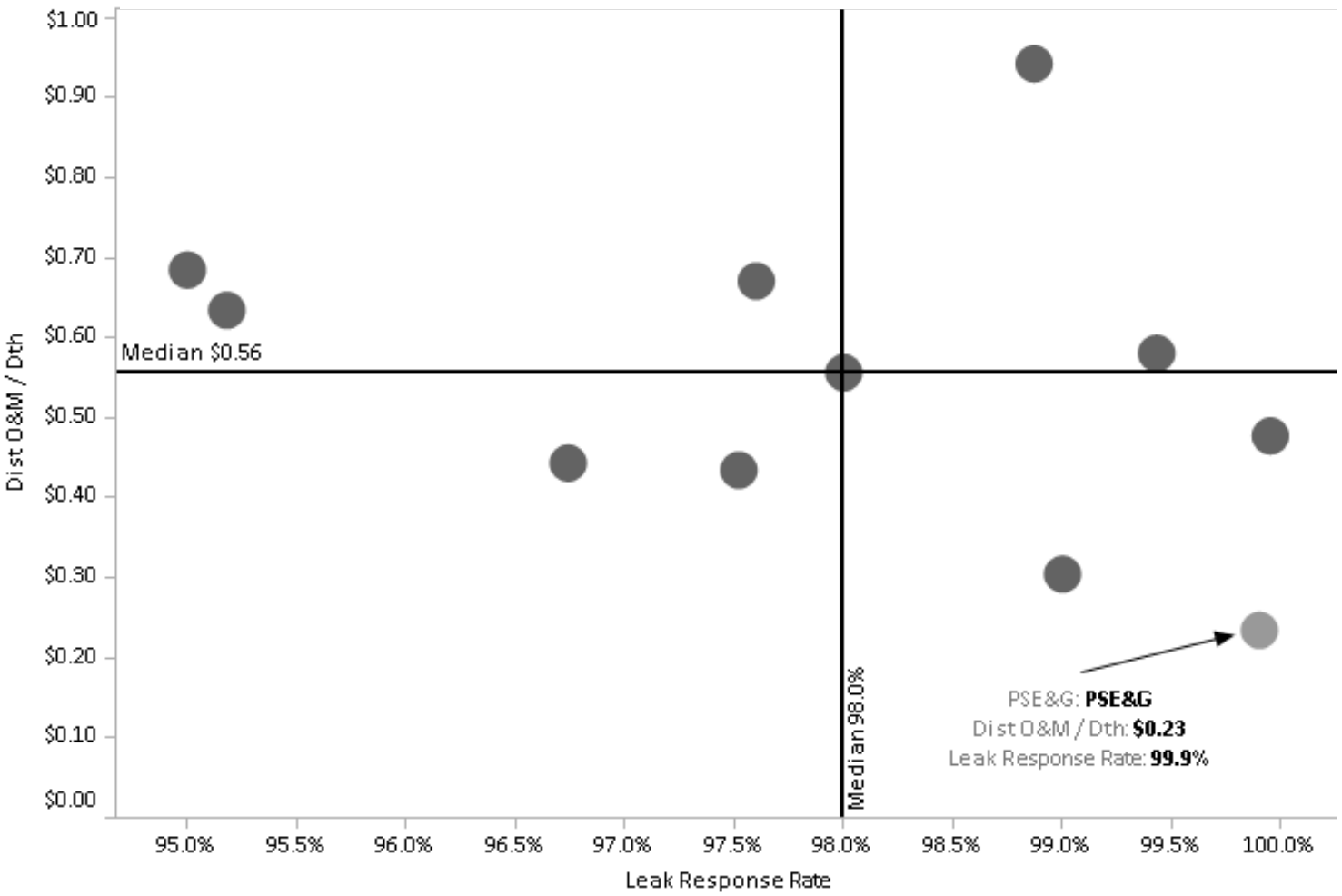


SI-SSA-0015-10344

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-10346

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.
  Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-10347

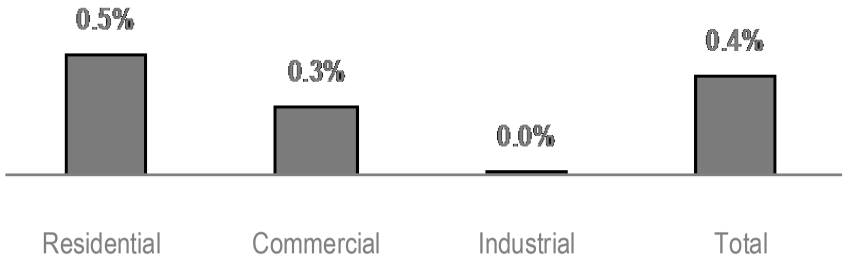
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

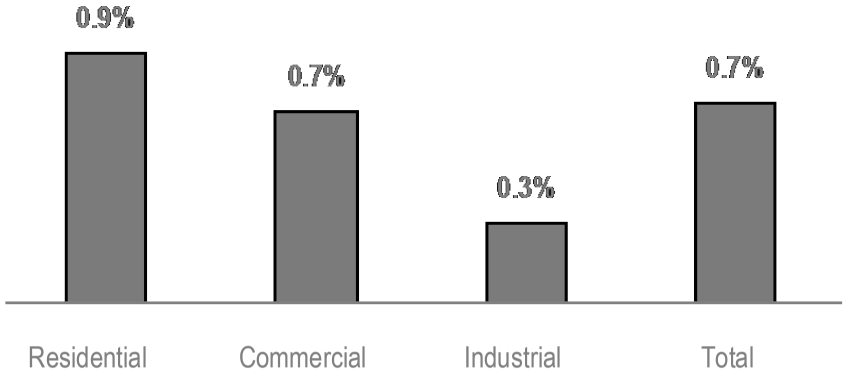
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-10348

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

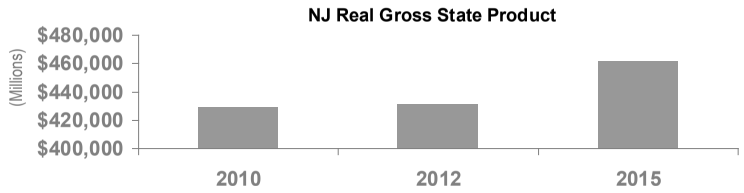
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

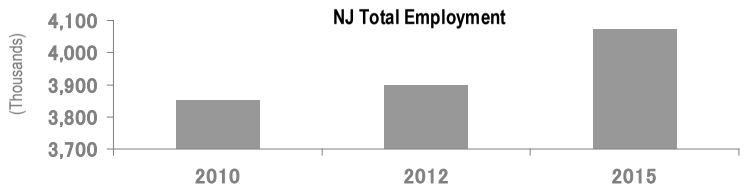
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

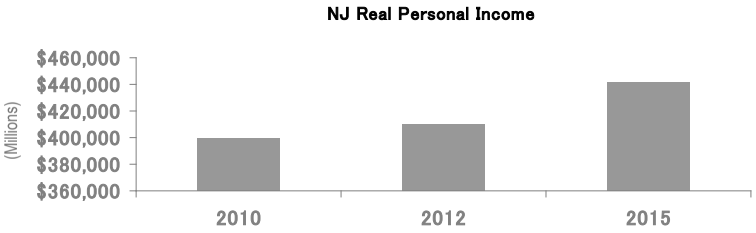
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

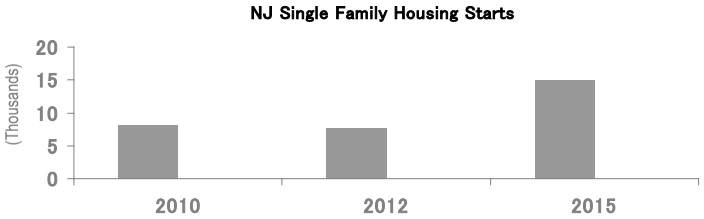
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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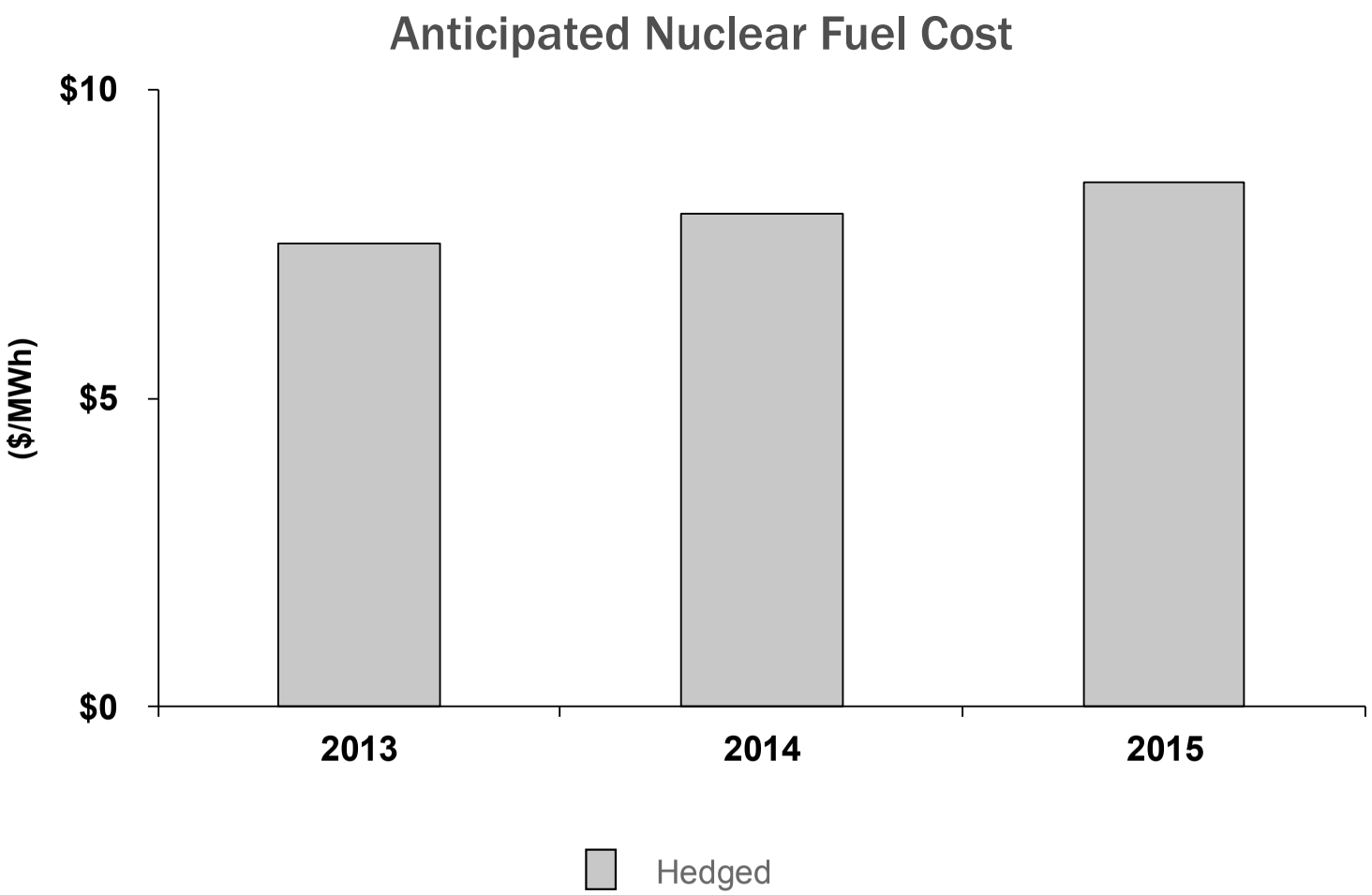
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



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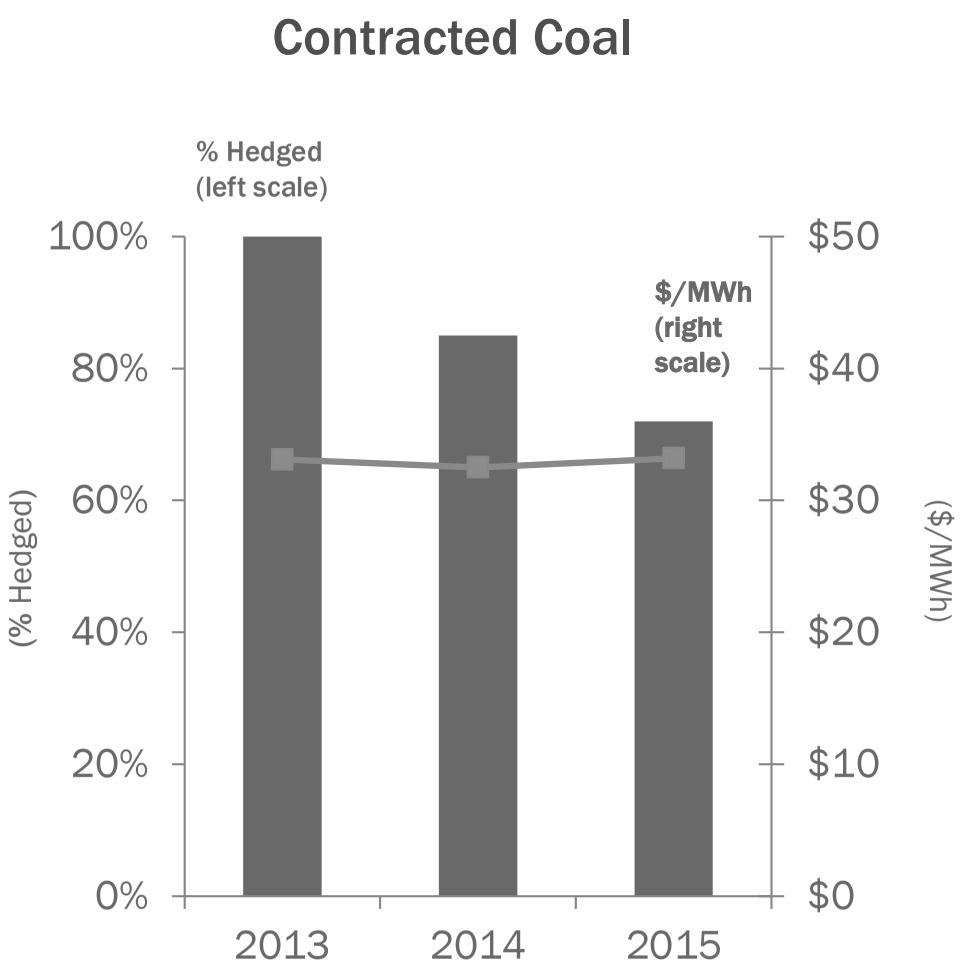
Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-10351

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	108
Hours per Year	8,760
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,000

SI-SSA-0015-10352

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-10353

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of March 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600	$178	$422
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	60	1,540
	5-Year Credit Facility (Power)	Mar-18	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Mar-18	500	0	500
		Total	$4,300	$342	$3,958
				PSEG Money Pool ST Investment	$289
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,247**
				Total Parent / Power Liquidity	**$3,825**

SI-SSA-0015-10354

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-10355

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

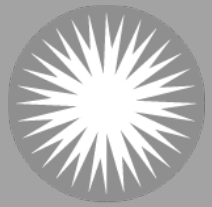
(Unaudited)

Pro-forma Adjustments, net of tax	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Earnings Impact ($ Millions)							
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(105)	52	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	4	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(17)	-	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	34	-	-	(13)
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)							
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.21)	0.10	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.01	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Platts Global Power Markets

LAS VEGAS, NEVADA – APRIL 15, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10357

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-10358

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-10359

Two complementary businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019	**Strategy:** Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2014 — Assets $22B Operating Earnings $725M	2014 — Assets $12B Operating Earnings $642M

SI-SSA-0015-10360

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SENDING PROPER POWER MARKET SIGNALS

Lathrop Craig

VICE PRESIDENT
ISO OPERATIONS

PSEG

We make things work for you.

SI-SSA-0015-10361

Is the shale gas boom distorting market design?

Shale gas is an example of markets doing what they do best

- Response to a price signal
- Creative application of technology
- Unexpected / unplanned solution
- Game-changer, and customers reap economic benefits

But it does change the market economics for all generators.

- Is this a "distortion", or just an "impact"?

SI-SSA-0015-10362

Should nuclear and coal be valued the same as natural gas in a competitive power marketplace?

Two fundamental disconnects hinder our collective ability to allow energy markets to function.

- What is the cost / value of providing energy?
- Should centralized planning of generation resource types play a role, and if so, how does it interact with market functioning?

SI-SSA-0015-10363

What is the cost of providing energy?

Is the cost too high?

The study says more infrastructure is needed to reduce energy costs,…
Portland Press Herald, 12/22/14

…power supply charge's sharp increase attracts regulatory scrutiny
Long Island Newsday 12/28/14

Or is it too low?

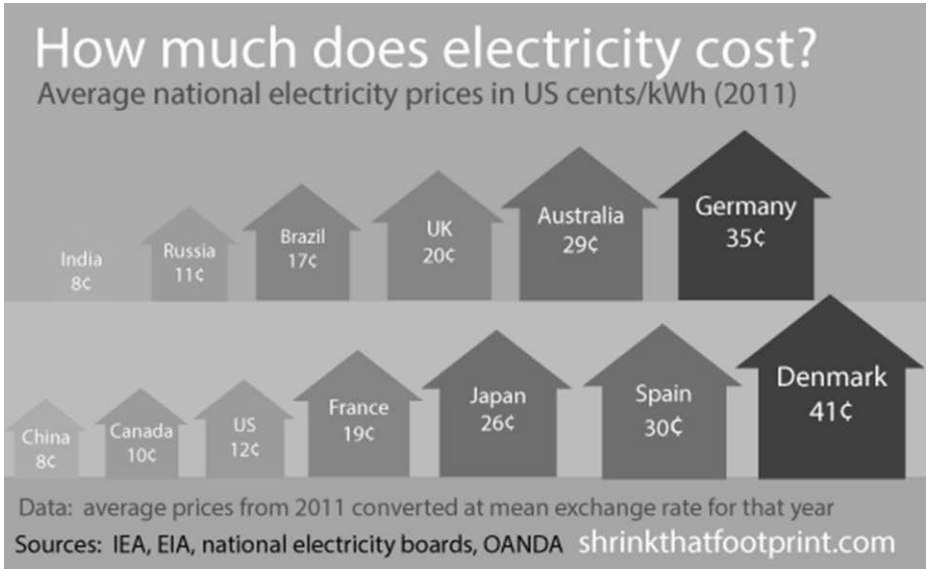
…Bill Proposes Surcharge to Fund Illinois Nukes
RTO Insider, 3/2/15

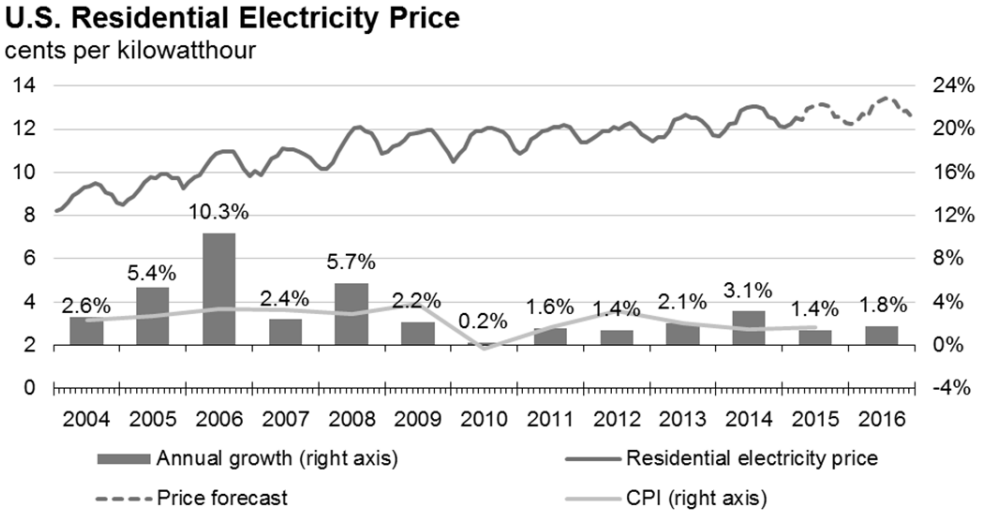
…administration saves power plant, reaps whirlwind
Capital New York, 3/9/15

PUCO rejects deal to have ratepayers subsidize a coal-fired power plant
Cleveland.com, 2/25/15

SI-SSA-0015-10364

Or do we just need some perspective?





Source: EIA Short-Term Energy Outlook, April 2015, and Bureau of Labor Statistics, CPI All Urban Consumers

SI-SSA-0015-10365

What is the value of providing energy?

Everyone values energy dearly…

BloombergBusiness | News | Markets | Insights | Video

Hurricane Sandy

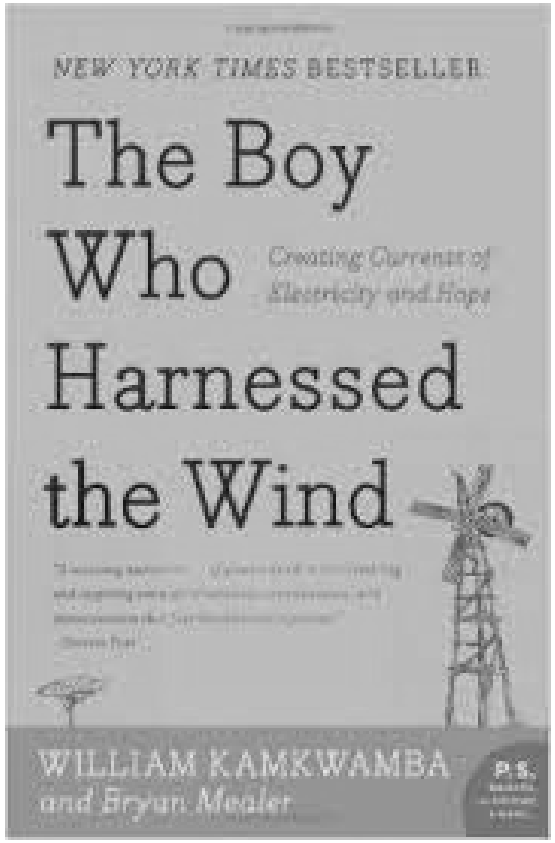
Hurricane Sandy Boosts the Generator Makers

By Caroline Winter | November 05, 2012

SEND TO kindle

Photograph by Victor J. Blue/Bloomberg

Manhattan on Oct. 30, after Superstorm Sandy left much of New York without power



… when they don't have it.

SI-SSA-0015-10366

Should centralized planning play a role, and if so, how does it interact with market functioning?

prices were higher in 2014 than in 2013 and capacity market prices were slightly lower in 2014 in 10 eastern zones and substantially higher in six western zones. Net revenues for all plant types were significantly affected by the high prices and high demand in January 2014 which resulted in an increase in profitable run hours for dispatchable units.

In 2014, average net revenues increased by 74 percent for a new combustion turbine, 30 percent for a new combined cycle, 113 percent for a new coal plant, 43 percent for a new nuclear plant, 24 percent for a new wind installation, and 7 percent for a new solar installation. Increases in 2014 net revenues were primarily the result of higher energy net revenues in January 2014. A new combined cycle would have been profitable in 12 of 19 zones while a new CT would have been profitable in 10 eastern zones. A new coal unit and a new nuclear unit would not have been profitable in any zone in PJM.

In 2014, a substantial portion of units did not achieve full recovery of avoidable costs through net revenue from energy markets alone, illustrating the critical role of the PJM capacity market in providing incentives for continued operation and investment. In 2014, RPM capacity revenues were sufficient to cover the shortfall between energy revenues and avoidable costs for the majority of units and technology types in PJM, with the exception of some coal and oil or gas steam units.

The impact of a relatively short period of high loads on net revenues illustrates how scarcity pricing can work to address the missing money issue in wholesale power markets. The net revenue impacts of a short period of unpredictable high load were substantial. But the question is whether relying on such revenues for the incentive to invest in new and existing resources is a preferred alternative to relying on more predictable revenues from a capacity market which is tightly linked to scarcity pricing in the energy market through a functional net revenue offset.

Particularly in times of stress on markets and when some flaws in markets are revealed, non-market solutions may appear attractive. Top down, integrated resource planning approaches are tempting because it is easy to think that experts know exactly the right mix and location of generation resources and the appropriate definition of resource diversity and therefore which technologies should be favored through exceptions to market rules. The provision of subsidies to favored technologies, whether solar, wind or nuclear, is tempting for those who would benefit but subsidies are a form of integrated resource planning that is not consistent with markets. Subsidies to existing units are no different in concept than subsidies to planned units and are equally inconsistent with markets. Cost of service regulation is tempting because guaranteed rates of return and fixed prices may look attractive to asset owners in uncertain markets and because cost of service regulation incorporates integrated resource planning.

But the market paradigm and the non-market paradigm are mutually exclusive. Once the decision is made that market outcomes must be fundamentally modified, it will be virtually impossible to return to markets.

Much of the reason that market outcomes are subject to legitimate criticism is that the markets have not been permitted to reveal the underlying supply and demand fundamentals in prices. Before market outcomes are rejected in favor of non-market choices, markets should be permitted to work.

It is more critical than ever to get capacity market prices correct. A number of capacity market design elements have resulted in a substantial suppression of capacity market prices for multiple years. The impact of continued inclusion of limited DR products in the capacity market was $2.2 billion in the 2017/2018 Base Residual Auction, a price reduction of 22.9 percent, holding everything else constant. The impact of the 2.5 percent offset to demand was $2.4 billion, a price reduction of 24.5 percent, holding everything else constant. The impact of continued inclusion of limited DR products combined with the impact of the 2.5 percent offset to demand, was $3.4 billion, a price reduction of 31.3 percent, holding everything else constant. The PJM market results in January highlighted the inadequacy of performance incentives in the current capacity market design.

These market design choices have substantial impacts. PJM is addressing the fundamental issues of the capacity market design in its Capacity Performance proposal, including price formation, product definition and performance incentives.

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Particularly in times of stress on markets and when some flaws in markets are revealed, non-market solutions may appear attractive. Top down, integrated resource

But the market paradigm and the non-market paradigm are mutually exclusive. Once the decision is made that market outcomes must be fundamentally modified, it will be virtually impossible to return to markets.

Much of the reason that market outcomes are subject to legitimate criticism is that the markets have not been permitted to reveal the underlying supply and demand fundamentals in prices. Before market outcomes are

SI-SSA-0015-10367

What happens to capacity markets if demand response is removed in response to recent litigation?

Demand response is a key element of a functioning competitive energy market. But how it participates is important.

- Consistent with EPSA v. FERC, DR belongs on the demand side
- DR should have comparable performance obligations as supply

FERC Commissioner Tony Clark's dissent in order denying PJM's Stop-Gap proposal:

"Today's order…perpetuates system inefficiencies created by the overcompensation of demand response products in wholesale electricity markets…I continue to believe that calling a "nega-watt" the equivalent of a "mega-watt" is clever rhetoric, but it defies common sense…Enabling functioning price-responsive demand is the right answer… Price-responsive demand provides all of the proper price-forming benefits the Commission seeks, but without concocting bureaucratically complex schemes to pay consumers not to consume power."

SI-SSA-0015-10368

Are energy and ancillary services markets being operated in a way that produces accurate price signals?

FERC Technical Conferences identified numerous opportunities to improve price formation, including:

- Use sub-hourly settlement intervals
- Allow block-loaded units to set prices
- Model all constraints and reliability requirements in dispatch software
- Allow real-time bid updates
- Improve shortage pricing
- Improve transparency, particularly of operator actions
- Develop ISO performance metrics that incentivize accurate price formation

ISO's are at various stages of implementing or considering these best practices, but opportunities to improve remain

SI-SSA-0015-10369

PSEG FINANCIAL APPENDIX

SI-SSA-0015-10370

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-10371

1Q 2013 Performance Update

"PSEG delivered for shareholders in the first quarter of 2013. We reported operating earnings of $0.85 cents per share compared with operating earnings of $0.85 cents per share earned in 2012's first quarter. We remain on track to meet our objectives for full year operating earnings of $2.25 - $2.50 per share. Results for the quarter demonstrated the locational value of Power' assets which, along with the strong performance of the nuclear fleet and our long position, allowed us to take advantage of a favorable price environment in the energy marketplace. Our results also reflect a contribution from PSE&G's increased capital investment in transmission and the continued benefit to results from our focus on operational excellence. PSEG is committed to delivering on the long-term promise associated with our proposed 10-year, $3.9 billion Energy Strong investment program. The proposal is a natural extension of our strategy to maintain PSE&G as one of the nation's most reliable utilities, and would occur during a period of time when certain major charges on the electric bill are scheduled to expire. The combination of growth at PSE&G with PSEG Power's free cash flow and our strong balance sheet provide the diversification and financial flexibility to help us contend with various market conditions and meet the long-term goals of our customers and shareowners."

– Ralph Izzo, CEO & Chairman, April 30, 2013

PSEG – 1Q 2013 HIGHLIGHTS

Earnings Strong

- Operating earnings of $0.85 vs. $0.85 per share in Q1 2012
- Power benefitted from higher pricing and increased output
- Increased contribution to earnings from PSE&G's investment in transmission

Operational Excellence

- PSEG Power output up 7.7% in quarter; nuclear capacity factor at 101%
- Diversity and location of Power's fleet provided flexibility to participate in market
- PSE&G's O&M on track to meet full-year expectations

PSEG Disciplined Capital Investment

- BPU decision pending on Solar 4 All extension and Solar Loan III agreement
- 33 local NJ governments have approved resolutions in support of PSE&G's Energy Strong proposal to fortify its electric & gas distribution systems
- Credit ratings upgraded by Standard & Poor's for PSEG, PSE&G and Power to BBB+/A/BBB+, respectively
- Increased common dividend to indicative annual rate of $1.44 per share

PSEG – Maintaining 2013 EPS Guidance

1Q 2013 OPERATING EARNINGS BY SUBSIDIARY

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2013**	**2012**	**2013**	**2012**
PSEG Power	$250	$196	$0.49	$0.39
PSE&G	179	197	0.35	0.39
PSEG Energy Holdings/Enterprise	4	39	0.01	0.07
Operating Earnings*	$433	$432	$0.85	$0.85

*See Operating Earnings to GAAP reconciliation under the Investor tab at **www.pseg.com**

KEY PERFORMANCE HIGHLIGHTS

	as of 3/31/13
Stock Price *(as of 3/31/13)*	$34.34
Dividends Paid per Share	$0.36
Dividend Yield *(%)*	4.2%
Return on Average Common Equity*	11.5%
Average Shares Outstanding *(000s)*	507,220
Book Value Per Common Share	$21.64

*Calculation based on Operating Earnings for 12-month period ended.

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80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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PSEG
We make things work for you.

Quarterly UPDATE

Q1 2017

Q1 2017 - Quarterly Performance Update

NYSE: PEG

"The company reported today Q1 2017 Net Income of $114 million, or $0.22 per share as compared to Net Income of $471 million, or $0.93 per share in Q1 2016. Non-GAAP Operating Earnings for Q1 2017 were $466 million or $0.92 per share compared non-GAAP Operating Earnings of $463 million or $0.91 per share in 2016's first quarter. PSEG's Net Income results of $0.22 per share reflect our decision last year to retire the Hudson and Mercer coal-fired generating units in June 2017; results also reflect an increase in a reserve for the impairment of our leveraged lease investment in the Keystone – Conemaugh generating stations. Non-GAAP Operating Earnings for the first quarter benefitted from the on-going successful execution of our investment program. Growth of our regulated utility business and effective cost management offset the impact on Power's earnings of a decline in energy prices. PSE&G is expected to grow 8.5% in 2017 to represent 66% of our full year 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share.

We have also turned our attention to achieving key policy objectives that we set for ourselves. First among these is getting recognition for the value of our nuclear generating assets. We have initiated discussions with key stakeholders at the federal and regional levels, and here in New Jersey to improve awareness of the importance of nuclear power. In addition, our company-wide investment program of $15 billion over 2017-2021 is focused on building an infrastructure that improves system reliability. We will update you throughout the year on our efforts to preserve the value of nuclear energy for NJ and to secure approval for regulatory mechanisms that provide customers clean, affordable, resilient energy supply. With the support of our dedicated 13,000 plus employees we expect to be able to successfully deliver on the promise of our investment program that should provide growth for our shareholders and a sustainable energy future for our customers."

Ralph Izzo, Chairman, President & CEO - April 28, 2017

PSEG – Q1 2017 Highlights

Achieved Solid Financial Results

- Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016; Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016;
- Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
- PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
- PSEG Power results aided by continued cost containment

Operational Excellence

- Nuclear fleet performance achieved 100% capacity factor for Q1

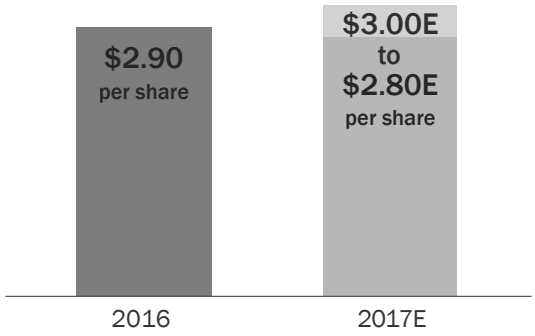
PSEG Disciplined Capital Investment – Producing Results

- PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
- Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
- Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

Re-affirming 2017 Full-Year Guidance

Growth in utility infrastructure investments continue to drive a higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance



E = ESTIMATE

Q1 2017 Results by Subsidiary

Three Months Ended March 31	Financial Results		Per Share	
$ millions *(except per share amounts)*	2017	2016	2017	2016
GAAP Net Income/(Loss)				
PSE&G	$299	$262	$0.59	$0.52
PSEG Power	$(170)	$192	$(0.34)	$0.38
PSEG Enterprise/Other	$(15)	$17	$(0.03)	$0.03
Total PSEG	$114	$471	$0.22	$0.93
Non-GAAP Operating Earnings*				
PSE&G	$299	$262	$0.59	$0.52
PSEG Power **	$150	$184	$0.30	$0.36
PSEG Enterprise/Other**	$17	$17	$0.03	$0.03
Total PSEG	$466	$463	$0.92	$0.91

Key Performance Highlights

	as of 3/31/2017
Stock Price on 3/31/2017	$44.35
Dividends Paid per Share (*year-to-date*)	$0.43
Dividend Yield *(%)*	3.9%
Total Shareholder Return (*year-to-date*)	2.1%
Average Shares Outstanding, Diluted *(in millions)*	508
Book Value Per Common Share	$25.78

*/**See Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other on page 2 of this report or at **https://www.pseg.com/info/investors/forward.jsp**

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Non-GAAP Operating Earnings is a financial measures that differ from Net Income in that it excludes the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The table below includes a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings. Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of April 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)		
Net Income	$ 114	$ 471	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)
Operating Earnings (non-GAAP)	$ 466	$ 463	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	$ 0.22	$ 0.93	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)
Operating Earnings (non-GAAP)	$ 0.92	$ 0.91	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Year Ended December 31, 2016
	($ millions, Unaudited)		
Net Income (Loss)	$ (170)	$ 192	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(17)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(10)	(22)	168
Hudson/Mercer Early Retirement, pre-tax	564	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(217)	6	(336)
Operating Earnings (non-GAAP)	$ 150	$ 184	$ 514
Depreciation and Amortization, pre-tax [c]	92	80	329
Interest Expense, pre-tax [c] [d]	16	22	83
Income Taxes [c]	101	123	275
Adjusted EBITDA (non-GAAP)	$ 359	$ 409	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)		
Net Income (Loss)	$ (15)	$ 17	$ (20)
Lease Related Activity, pre-tax	55	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(23)	-	(55)
Operating Earnings (non-GAAP)	$ 17	$ 17	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2018

April 30, 2018

SI-SSA-0015-10375

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10376

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PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

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PSEG
2018 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-10378

PSEG Q1 2018

- **First Quarter Highlights**
  - ✓ Net Income of $1.10 vs. Net Income of $0.22 per share in Q1 2017
  - ✓ Non-GAAP Operating Earnings* of $0.97, up 5.4% over $0.92 per share in Q1 2017
  - ✓ Operational & Regulatory focus achieving objectives for growth as risk is managed
  - ✓ PSE&G Earnings Per Share up 6.8% aided by growth in investment
  - ✓ PSEG Power non-GAAP results up 10% aided by tax reform

- **Operational Excellence**
  - ✓ Nuclear fleet performance remains strong as Hope Creek experiences record 517 day run
  - ✓ PSE&G responded to four major storms within 30 days in Q1 2018
  - ✓ Power's fleet diversity/availability responsive to January cold snap

- **Disciplined Investment – Producing Results**
  - ✓ PSEG expected to invest ~$3.4 billion in 2018, consisting primarily of $2.7 billion at PSE&G and $0.6 billion at PSEG Power
  - ✓ Regulatory/Legislative Focus: Legislative support for Nuclear and Clean Energy initiatives awaiting Governor's signature; GSMP II Settlement, subject to BPU approval, consistent with rate base growth objectives
  - ✓ Major capital Initiatives: Keys Energy Center & Sewaren 7 in-service by mid-2018; Bridgeport Harbor 5 in-service mid-2019

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-10379

PSEG Q1 Results Summary – Solid Results

Quarter ended March 31

$ millions (except EPS)	2018	2017
Net Income	$ 558	$ 114
Reconciling Items	(66)	352
Operating Earnings (non-GAAP)*	$ 492	$ 466
EPS from Net Income	$ 1.10	$ 0.22
EPS from Operating Earnings (non-GAAP)*	$ 0.97	$ 0.92

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-10380

Key Provisions of the Zero Emissions Certificate Bill*

Zero Emission Certificate

Upon enactment, directs NJ Board of Public Utilities (BPU) to pursue contracts with generators of nuclear energy for Zero Emission Certificates (ZEC) equal to no more than 40% of NJ's retail electric deliveries. BPU will assess a nuclear plant's financial need in addition to its impact on the state's air quality, fuel diversity, and environmental attributes.

ZEC Revenue = $0.004/KWh X Retail Electric Deliveries ÷ Greater of 40% of Retail Electric Deliveries, or KWhs from selected nuclear plants = ZEC Payment**

Process

BPU, upon enactment, has 180 days to complete a proceeding for commencement of a program and 330 days to establish criteria and determine eligibility and selection of nuclear power plants for ZEC payment.

Term

Selected nuclear power plants shall initially receive ZECs for a period that shall run from date of selection through the end of the first energy year plus an additional three years; 13 months prior to the conclusion of the 3-year period, the nuclear power plant must demonstrate its eligibility to receive ZECs for additional three-year periods.

*Awaiting Governor's signature

**There is no assurance that any PSEG Power facility will satisfy the eligibility requirements for ZEC payments or, if satisfied, whether such ZEC payments will provide a sufficient safety net for continued operations.

Clean Energy Bill – New Direction for NJ Energy Policy*

Energy Efficiency (EE)	• Electric utilities must reduce energy consumption by 2% and Gas utilities must reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Annual filing required for utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of sales losses • Utilities subject to incentive/penalty mechanism associated with meeting EE savings targets
Renewable Portfolio Standard (RPS)	• Class 1 obligation increases to 21% by January 2020; 35% by January 2025 and 50% by January 2030 • Caps impact of RPS on customer bill at 9% over 2019 – 2021 and 7% over subsequent years • Cap on customer bill excludes the cost of offshore wind and storage
Solar	• Annual solar requirement increases to 4.8% in 2025 from current requirement of 3.3% in 2019 and 3.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 • BPU must complete a study on how to modify or replace the SREC program by 24 months after enactment • Net metering cap increased to 5.8% from 2.9%
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"
Offshore Wind (OSW)	• Offshore Wind obligation increases to 3,500 MW from 1,100 MW • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • Dept. of Labor directed to develop job training programs to support OSW development
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030

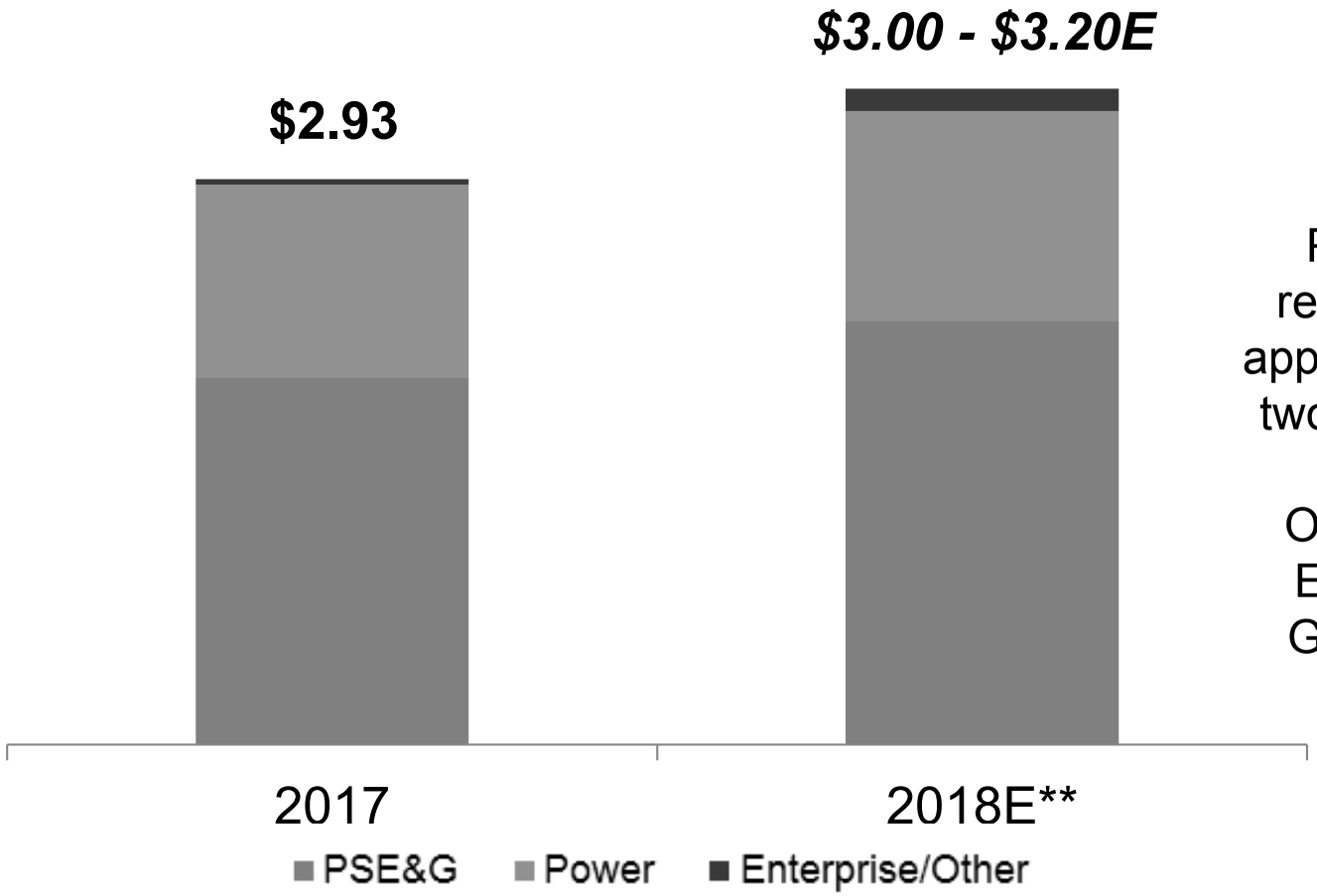
*Awaiting Governor's signature

SI-SSA-0015-10382

PSEG Reaffirming 2018 Full-Year Guidance +6% over 2017

Growth in utility infrastructure investment and Tax reform expected to drive increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share. E = Estimate.

SI-SSA-0015-10383

PSEG
2018 Q1 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-10384

PSEG – Q1 Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31

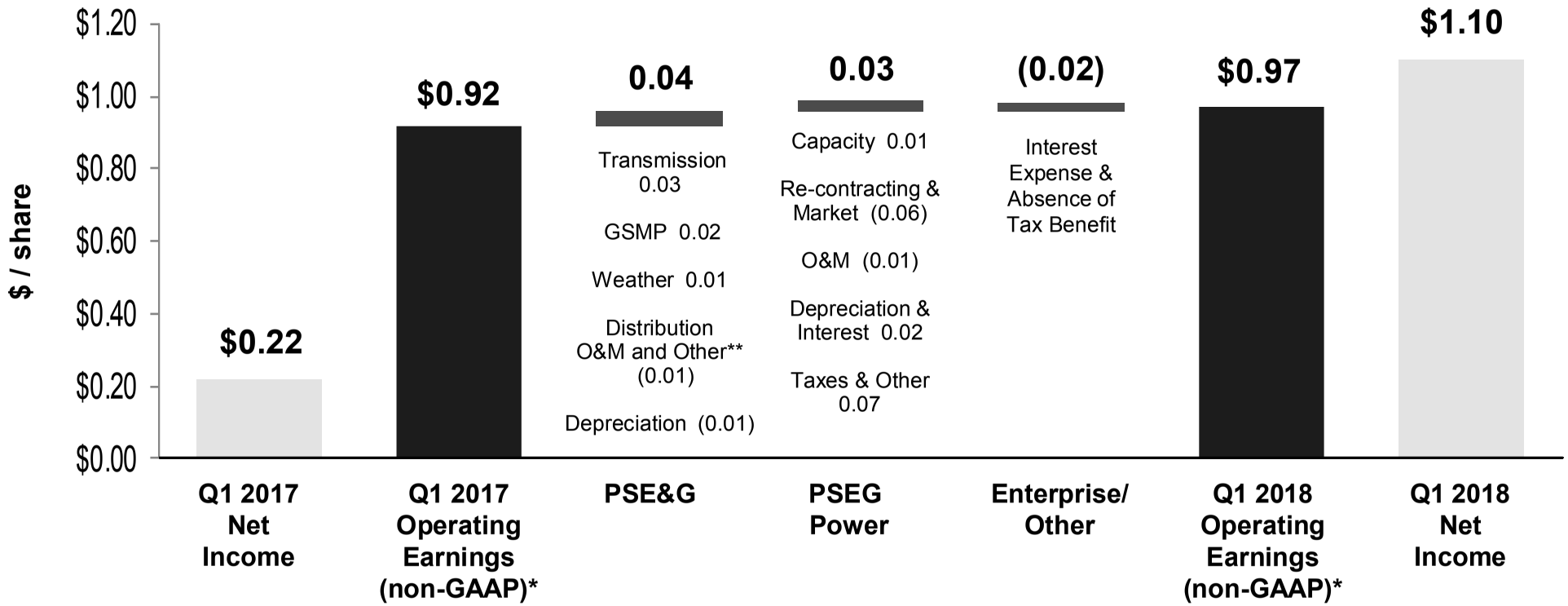
GAAP Net Income/(Loss)	2018	2017	Change
PSE&G	$ 0.63	$ 0.59	$ 0.04
PSEG Power	$ 0.46	$ (0.34)	$ 0.80
PSEG Enterprise/Other	$ 0.01	$ (0.03)	$ 0.04
Total PSEG	$ 1.10	$ 0.22	$ 0.88

Non-GAAP Operating Earnings*	2018	2017	Change
PSE&G	$ 0.63	$ 0.59	$ 0.04
PSEG Power	$ 0.33	$ 0.30	$ 0.03
PSEG Enterprise/Other	$ 0.01	$ 0.03	$(0.02)
Total PSEG	$ 0.97	$ 0.92	$ 0.05

*See Slide A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

PSEG EPS Reconciliation – Q1 2018 versus Q1 2017

Utility investment and Tax Reform drive Q1 earnings



*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

SI-SSA-0015-10386

PSE&G
2018 Q1 Review

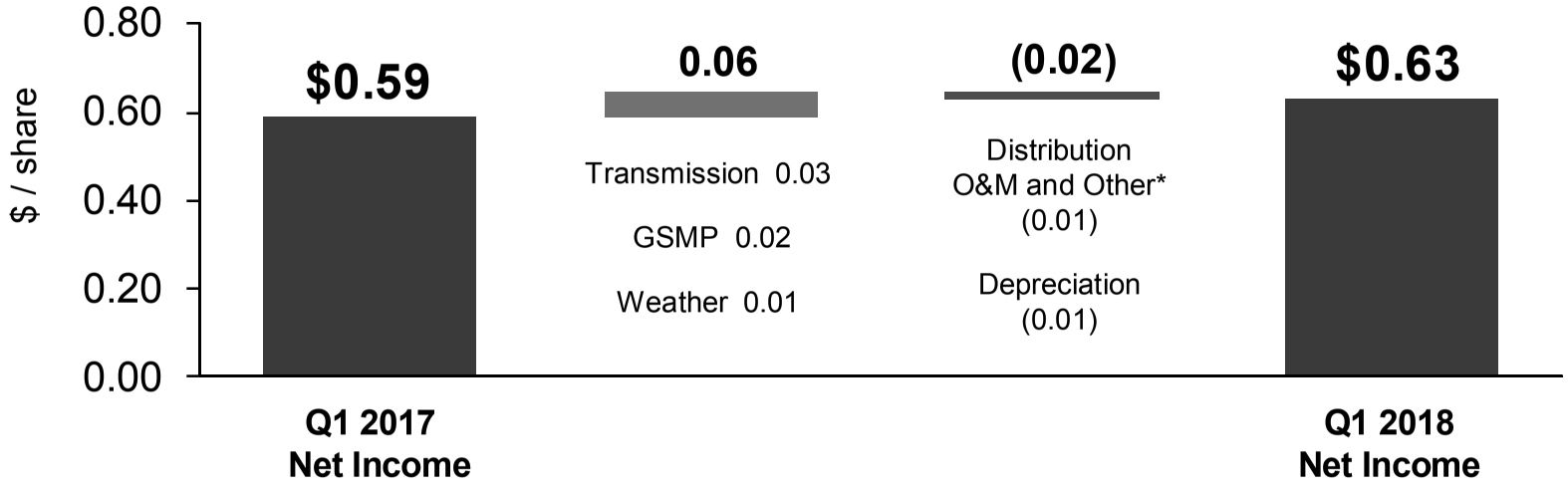
PSE&G – Q1 Summary of Results

$ millions (except EPS)	Q1 2018	Q1 2017	Variance
Operating Revenues	$ 1,845	$ 1,826	$ 19
Operating Expenses			
Energy Costs	782	762	20
Operation & Maintenance	391	370	21
Depreciation & Amortization	190	171	19
Total Operating Expenses	1,363	1,303	60
Net Income	$ 319	$ 299	$ 20
EPS from Net Income	$ 0.63	$ 0.59	$ 0.04

SI-SSA-0015-10388

PSE&G EPS Reconciliation – Q1 2018 versus Q1 2017

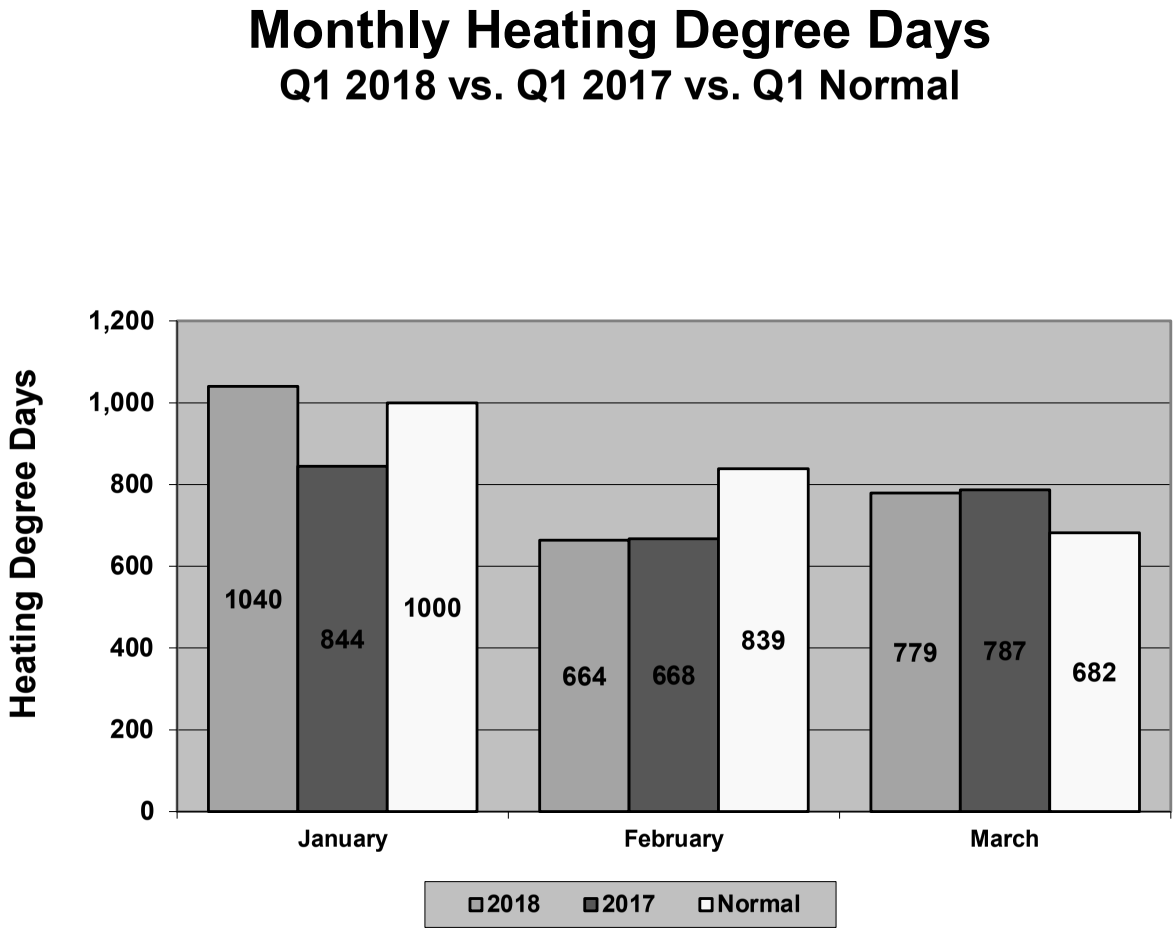
Investment drives growth in Q1 earnings



*Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

SI-SSA-0015-10389

PSE&G – Monthly Heating Degree Days



1Q 2018 winter weather, as defined by heating degree days, was ~1.5% warmer than normal and 8% colder than 1Q 2017; a colder than normal March offset a normal January and one of the warmest Februarys on record.

SI-SSA-0015-10390

GSMP II settlement extends and expands accelerated gas mains replacement program

Gas System Modernization Program

2016

Investment term: 3 years

- $905M Total investment
- Replaces ~150 miles per year
- Recovery: Annual recovery
  $215M/year via clause;
  $85M/year via base rate case;
  ROE: 9.75%

Gas System Modernization Program II

2018

Investment term: 5 years

- Settlement increases annual investment
- $1.9 billion Total investment starts 2019
- Replaces ~175 miles per year
- Recovery: Semiannual recovery
  $315M/year via clause;
  $300M of additional spend recoverable in next rate case;
  ROE to be set in pending rate review
- PSE&G agrees to file a base rate case within 5 years of starting GSMP II
- Awaiting BPU approval

PSE&G 2018 Distribution Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base request** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** >1% due to April, 2018 decrease in revenue due to tax reform
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** –Flow back of deferred taxes to offset storm costs and reduce bill impact
- **Updates since filing:**
  - **Taxes** –lowered rates on April 1 to accelerate return of tax rate savings to customers; Updated filing for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the requested change, would remain~20% lower than bills after last base rate case

SI-SSA-0015-10392

PSE&G – Q1 Operating Highlights

Operations

- ✓ Residential and commercial electric sales rose by 0.4% on weather-normalized basis; total sales declined 1.1% due to absence of one-time event that increased industrial sales in year-ago period
- ✓ Total firm gas sales rose by 1.6% on a weather-normalized basis
- ✓ PSE&G responded to four major storms during 1Q within 30 days

Regulatory and Market Environment

- ✓ GSMP II settlement will provide for 5-year investment of $1.9 billion
- ✓ FERC formula rate revenue increase of $64 million, net of $148 million due to lower tax rate, implemented January 1
- ✓ PSE&G lowered distribution rates by $114 million effective April 1, 2018 to pass through tax reform benefits
- ✓ Q1 weather 1% warmer than normal but 8% colder than Q1 2017
- ✓ Commissioner Fiordaliso (D) named President of NJ Board of Public Utilities (BPU); Robert Gordon (D) appointed to BPU; Commissioner Holden (R) reappointed to BPU

Financial

- ✓ PSE&G plan to invest $2.7 billion in 2018 part of 5-year, $11.5 billion - $13.2 billion capital program providing 7% - 9% annual growth in rate base
- ✓ PSE&G's Q1 2018 earnings increased by $0.04 per share, or 6.8%
- ✓ PSE&G's 2018 Net Income guidance range remains unchanged at $1,000 million - $1,030 million

SI-SSA-0015-10393

PSEG Power
2018 Q1 Review

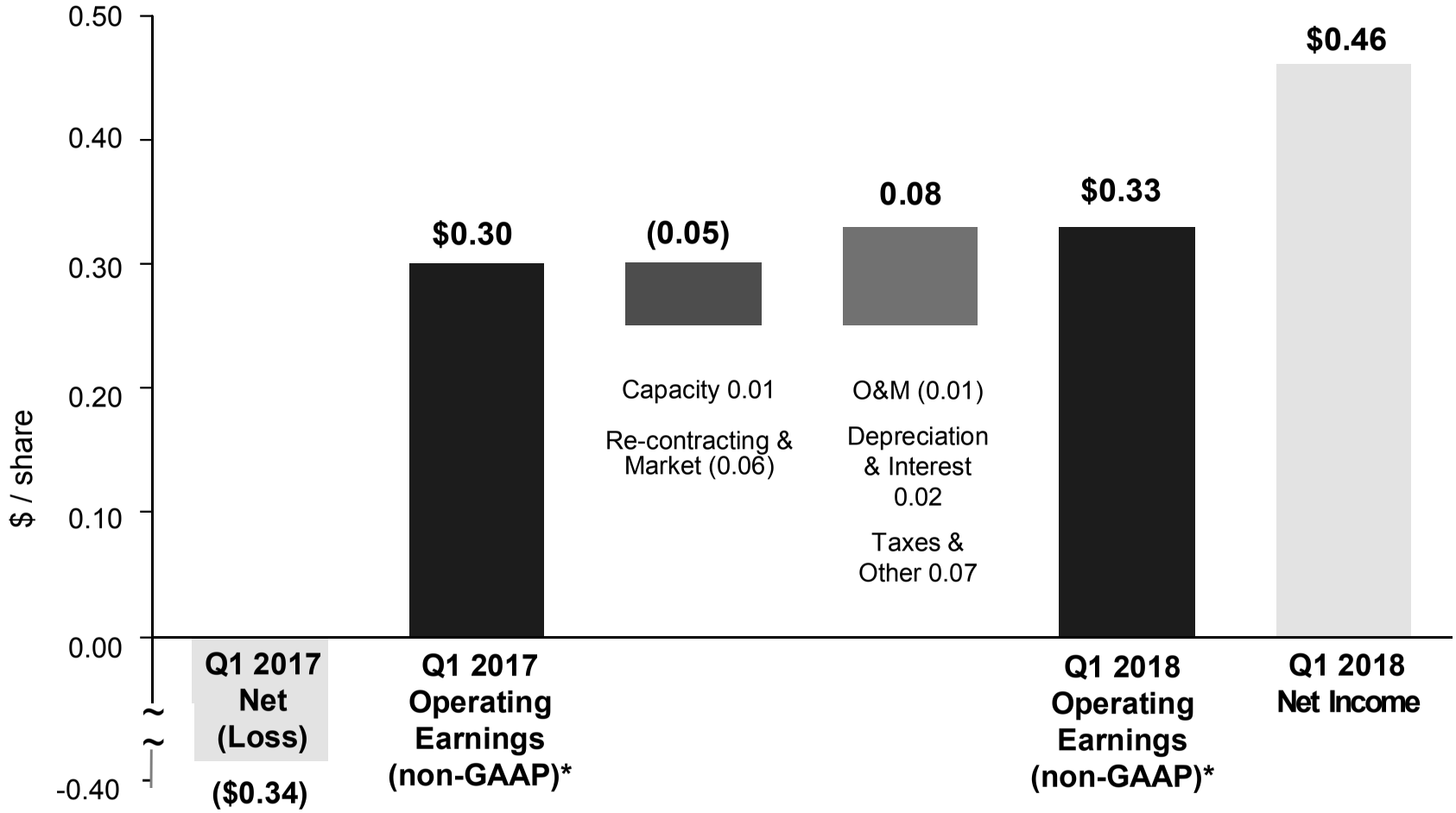
SI-SSA-0015-10394

PSEG Power – Q1 Summary of Results

$ millions (except EPS)	Q1 2018	Q1 2017	Variance
Operating Revenues	$ 1,403	$ 1,269	$ 134
Net Income/(Loss)	234	(170)	404
Reconciling Items	(66)	320	(386)
Operating Earnings (non-GAAP)*	$ 168	$ 150	$ 18
EPS from Net Income/(Loss)	$ 0.46	$ (0.34)	$ 0.80
EPS from Operating Earnings (non-GAAP)*	$ 0.33	$ 0.30	$ 0.03
Adjusted EBITDA (non-GAAP)*	$ 313	$ 359	$ (46)

*See Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) for PSEG Power.

PSEG Power EPS Reconciliation – Q1 2018 versus Q1 2017

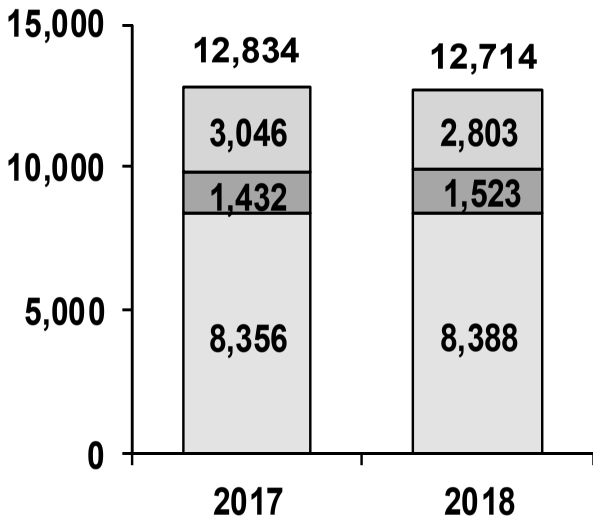


* See Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

SI-SSA-0015-10396

PSEG Power – Q1 Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended March 31	
	2017	2018
Combined Cycle	41.8%	37.4%
Coal**		
PA	83.5%	81.3%
CT	9.6%	22.5%
Nuclear	100%	99.5%

PSEG Power – Fuel Costs

	Quarter ended March 31	
($ millions)	2017	2018
Gas	$ 78	$ 89
Oil	0	25
Coal	35	44
Total Fossil	113	158
Nuclear	54	50
Total Fuel Cost	$ 167	$ 208
Total Generation (GWh)	12,834	12,714
$ / MWh	13.01	16.36

Total Nuclear Total Coal** Natural Gas Oil

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

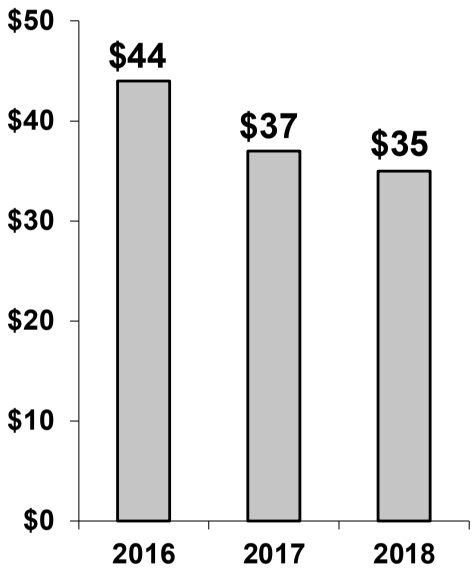
SI-SSA-0015-10397

PSEG Power – Gross Margin Performance

- ✓ Lower hedge prices
- ✓ Capacity revenues higher in New England
- ✓ PJM-West spark spread expanded in 1Q 2018 but contracted in PS Zone

PSEG Power Gross Margin ($/MWh)

Quarter ended March 31



Regional Performance		
Region	**Q1 Gross Margin ($M)**	**Q1 2018 Performance**
PJM	$405	Re-contracting at lower prices; gas availability constrained during cold snap
New England	$31	Higher capacity revenues
New York	$13	Increased demand supported by gas availability

SI-SSA-0015-10398

Hedging Update

Contracted Energy*

		Apr - Dec 2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	25	34	35
	% Hedged	100%	100%	65-70%
	Price $/MWh	$38	$37	$36
Intermediate, Combined Cycle, Peaking	Volume TWh	18-20	25-27	28-30
	% Hedged	60-65%	10-15%	0%
	Price $/MWh	$38	$37	-
Total	Volume TWh	43-45	59-61	63-65
	% Hedged	80-85%	60-65%	35-40%
	Price $/MWh	$38	$37	$36

* Hedge percentages and prices as of March 31, 2018 and reflect revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-10399

PSEG Power – Q1 Operating Highlights

Operations

- ✓ Q1 output affected by mild February and CCGT maintenance outages in March
- ✓ 2018 expected generation output unchanged at 55 – 57 TWh
- ✓ Nuclear fleet achieved average capacity factor of 99.5% as Hope Creek operated for record 517 days prior to Spring 2018 refueling outage; CCGT fleet had a capacity factor of 37% producing 2.7 TWh of energy; Coal fleet produced 1.5 TWh of energy

Regulatory and Market Environment

- ✓ PJM seeking FERC approval for one of two alternative & mutually exclusive proposals to reform capacity market in response to state subsidies for base load capacity
- ✓ PJM Staff directed to complete analysis on implementation of fast-start pricing by 3Q 2018 to enable implementation for Winter 2018/2019
- ✓ Keys Energy Center and Sewaren 7 projected to be in-service by mid-2018; Bridgeport Harbor 5 target completion remains mid-2019
- ✓ PSEG Power resolved cost-based bidding issue with FERC from 2014 with no material financial impact

Financial

- ✓ Power's total debt as a percentage of capitalization at March 31 was 28%
- ✓ 1Q 2018 non-GAAP EPS increased by 10% benefiting from tax reform
- ✓ Power's 2018 non-GAAP Operating Earnings guidance range remains unchanged at $485 million - $560 million; non-GAAP Adjusted EBITDA guidance for 2018 remains unchanged at $1,075 million - $1,180 million

SI-SSA-0015-10400

PSEG

PSEG Financial Highlights

- Affirming 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share
- NJ Legislative initiatives, awaiting Governor's approval, support nuclear capacity and advance clean energy agenda
- PSEG's 5-Year capital spending forecast of $13 billion - $15 billion over the 2018 – 2022 period mainly directed at PSE&G capital program
- PSE&G capital spend forecast of $11.5 billion - $13.2 billion supports annual growth in rate base of 7% - 9% over 2018 – 2022
- GSMP II agreement providing for 5-year, $1.9B investment program, awaiting BPU approval
- PSEG Power's capital program, including completion of new generation, will improve fleet efficiency
- Financial position remains strong:
  - ✓ Increased 2018 indicative common dividend by 4.7% to $1.80 per share
  - ✓ PSEG is a net beneficiary from the Tax Act
  - ✓ No need to issue equity to finance capital program; credit metrics support additional balance sheet capacity
  - ✓ Debt as a percentage of capitalization was 49% at March 31

Affirming PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, as noted)*

$ millions (except EPS)	2018E	2017
PSE&G	$1,000 - $1,030	$963
PSEG Power (non-GAAP)*	$485 - $560	$505
PSEG Enterprise/Other	$35 - $35	$20
Operating Earnings (non-GAAP)*	$1,520 - $1,625	$1,488
Operating EPS (non-GAAP)*	**$3.00 - $3.20E**	**$2.93**

Adjusted EBITDA (non-GAAP)*

$ millions	2018E	2017
PSEG Power	$1,075 - $1,180	$1,172

* See Slides A and B for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-10403

PSEG Liquidity as of March 31, 2018

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$16	$584
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$609	$891
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$46	$1,854
	3-year LC Facilities (Power)	Mar-20	$200	$112	$88
	Total Money Pool		$3,600	$767	$2,833
	Total		$4,200	$783	$3,417
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$0
			Total Liquidity Available		**$3,417**

SI-SSA-0015-10404

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	*Year-Ended December 31, 2017*
	($ millions, Unaudited)		
Net Income	**$ 558**	**$ 114**	**$ 1,574**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	24	(17)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	(118)	(10)	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	4	564	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	55	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	24	(240)	(427)
Tax Reform	-	-	(745)
Operating Earnings (non-GAAP)	**$ 492**	**$ 466**	**$ 1,488**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	**$ 1.10**	**$ 0.22**	**$ 3.10**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	0.04	(0.03)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	(0.23)	(0.02)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.01	1.10	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.11	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax reform[c]	0.05	(0.46)	(0.84)
Tax Reform	-	-	(1.47)
Operating Earnings (non-GAAP)	**$ 0.97**	**$ 0.92**	**$ 2.93**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

A

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

Reconciliation of Non-GAAP Operating Earnings

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	*Year-Ended December 31, 2017*
	($ millions, Unaudited)		
Net Income	$ 319	$ 299	$ 973
Tax Reform	-	-	(10)
Operating Earnings (non-GAAP)	$ 319	$ 299	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507

PSEG Enterprise/Other Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	*Year-Ended December 31, 2017*
	($ millions, Unaudited)		
Net Income (Loss)	$ 5	$ (15)	$ 122
Lease Related Activity, pre-tax	-	55	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	-	(23)	(32)
Tax Reform	-	-	(147)
Operating Earnings (non-GAAP)	$ 5	$ 17	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	*Year-Ended December 31, 2017*
	($ millions, Unaudited)		
Net Income (Loss)	**$ 234**	**$ (170)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	24	(17)	(133)
(Gain) Loss on MTM, pre-tax [b]	(118)	(10)	167
Hudson/Mercer Early Retirement, pre-tax	4	564	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	24	(217)	(395)
Tax Reform	-	-	(588)
Operating Earnings (non-GAAP)	**$ 168**	**$ 150**	**$ 505**
Depreciation and Amortization, pre-tax [d]	80	92	333
Interest Expense, pre-tax [d] [e]	6	16	48
Income Taxes [d]	59	101	286
Adjusted EBITDA (non-GAAP)	**$ 313**	**$ 359**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

C

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

PSEG
We make things work for you.

Quarterly UPDATE

Q1 2014

NYSE: PEG

Q1 2014 Performance Update

"I'm extremely pleased with PSEG's results: The first quarter was very strong financially and operationally. Operating earnings for the first quarter were $1.01 per share, compared to operating earnings for the first quarter of 2013 of $0.85 per share. The weather in the quarter represented a significant challenge. Through it, we demonstrated the strength of our assets and the talent of PSEG's employees. Volatile market conditions highlighted the diversity of PSEG Power's fuel mix, and dispatch flexibility supported the needs of customers and allowed Power to capture margin during extreme weather conditions as PSE&G's investment program is yielding improved growth. We are maintaining our operating earnings guidance for 2014 of $2.55 - $2.75 per share given the importance of normal weather to third quarter earnings expectations for PSE&G and Power.

PSE&G is expected to invest $2.2 billion in electric and gas infrastructure in 2014 and remains on course to achieve double-digit growth in operating earnings through 2016 with a 5-year, $10 billion capital spending program. These infrastructure investments will continue to drive improvement in customer reliability as it also transforms the profile of our company.

PSEG Power is enhancing its market position through economic investments in capacity uprates as the flexibility of our merchant generation business continues to provide earnings and cash flow to finance our investment program. Power has increased its forecast of generation output for the full year to 56 – 58 TWh from 53 – 55 TWh. The revised forecast reflects the increase in output during the first quarter and an improvement in the economic dispatch of the fleet.

Our strong earnings demonstrated the ability of our business model to perform for our customers and shareholders. We continue to reap benefits from our robust business mix: A strong financial position will allow us to meet our goals without the need to dilute shareholders through the issuance of equity, and our employees provide me with the confidence in our ability to achieve our long-term goals."

Ralph Izzo, Chairman, President & CEO - May 1, 2014

PSEG – Q1 Highlights

Strong Earnings

- Operating earnings of $1.01 per share, up 19% from $0.85 in Q1 2013
- Power benefited from higher market pricing, market volatility and increased output
- Increased contribution to earnings from PSE&G's investment in transmission

Operational Excellence

- PSEG Power output up 3% in quarter; nuclear capacity factor at 100%
- Diversity and location of Power's fleet provided flexibility to participate in market
- PSEG O&M on track to meet full-year expectations

PSEG Disciplined Capital Investment

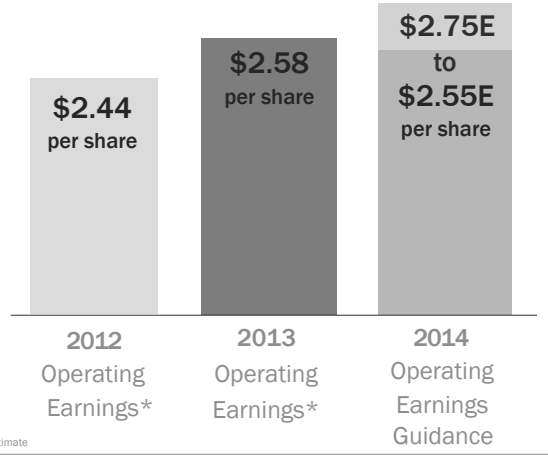
- BPU decision pending on Energy Strong infrastructure proposal
- PSE&G brought 230 kV Burlington-Camden line in-service ahead of schedule; energized a portion of the Susquehanna-Roseland 500 kV transmission line; and 230 kV North Central Reliability line expected in-service this summer
- PSEG Power adding 63 MWs at Linden CCGT station with completion of AGP uprate

Financial Strength

- Increased common dividend to indicative annual rate of $1.48 per share

PSEG - Maintaining 2014 EPS Guidance

2014 Operating Earnings guidance reflects increased level of investment, pension savings and assumes normal weather and unit operations for rest of year



E=Estimate

Q1 Operating Earnings by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2014**	**2013**	**2014**	**2013**
PSEG Power	$293	$254	$0.58	$0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
Operating Earnings*	$515	$433	$1.01	$0.85

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 3/31/2014
Stock Price	$38.14
Dividends Paid per Share (*year-to-date*)	$0.37
Dividend Yield *(%)*	3.9%
Return on Average Common Equity**	12.3%
Average Shares Outstanding - Diluted *(000s)*	507,831
Book Value Per Common Share	$23.32

** Calculation based on Operating Earnings for 12-month period ended.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[(a)] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: 973.430.6565
www.pseg.com

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Quarterly UPDATE

Q1 2015

NYSE: PEG

Q1 2015 Performance Update

"PSEG performed extremely well in the first quarter. We reported operating earnings for the first quarter of 2015 of $1.04 per share; a 3% increase over the first quarter of 2014's operating earnings of $1.01 per share. Based on the strong start to the current year – both operationally and financially – 2015 would represent the third year of growth in PSEG's operating earnings. Given that it is still early in 2015, we are maintaining our forecast of operating earnings for the full year of $2.75 - $2.95 per share.

PSE&G's capital program is on schedule and on budget. The Susquehanna-Roseland (S-R) 500-Kv transmission line is expected to be fully operational later this month...a major achievement. S-R's 2015 operational date will be 12 years after the August 2003 blackout and almost a decade after PJM identified the critical system needs. The NJ Board of Public Utilities (BPU) recently approved an expansion of PSE&G's successful energy efficiency programs, authorizing an additional investment of $95 million over the next three years. The first quarter results for Power demonstrate the strength of its asset mix. PSEG Power's earnings continue to benefit from strong operations and the capable management of its gas supply. On a separate matter, I'm pleased with the outcome of the settlement we reached with our insurers over claims related to Superstorm Sandy losses: In the end we have been fully compensated for the insurable spending we made on Sandy-related repairs.

Our business model is working the way it should. Operational excellence produces the financial strength that allows us to invest in a disciplined way for growth. This financial capability supports our current plans to invest $13 billion through 2019. The successful implementation of our investment plans will provide PSEG with a strong foundation to deliver customer satisfaction and shareholder value."

Ralph Izzo, Chairman, President & CEO - May 1, 2015

PSEG – Q1 Highlights

Strong Operating Performance – Delivering Results

- Operating Earnings of $1.04 per share, up 3% from $1.01 per share in Q1 '14
- Power benefited from higher prices on its hedged output, monetization of its gas supply and improved performance from CCGTs
- Increased earnings contribution from PSE&G's investment in transmission

Continued Operational Excellence

- PSEG Power CCGT units improved fleet availability; nuclear capacity factor at 95%
- PSE&G maintained high system reliability during record setting cold temperatures

PSEG Disciplined Capital Investment

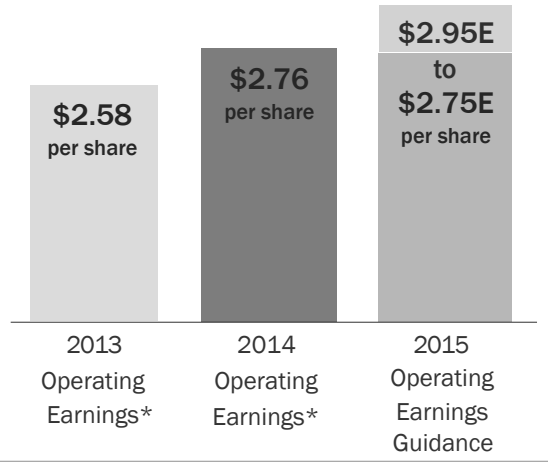
- Major Transmission projects under construction – on schedule and on budget S-R transmission line expected to be fully energized in May
- BPU approved Energy Efficiency Ext II for $95 million additional investment
- Settlement reached on Superstorm Sandy related insurance claims fully compensates PSEG for repairs covered by our policies

Financial Strength

- Common dividend increased by 5.4% to indicative annual rate of $1.56 per share

PSEG -- Maintaining 2015 Guidance

2015 Operating Earnings guidance reflects increased level of investment and assumes normal weather and unit operations



Q1 Operating Earnings -- by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2015**	**2014**	**2015**	**2014**
PSE&G	$242	$214	$0.47	$0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$529	$515	$1.04	$1.01

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 3/31/2015
Stock Price	$41.92
Dividends Paid per Share (*year-to-date*)	$0.39
Dividend Yield *(%)*	3.7%
Return on Average Common Equity**	11.7%
Average Shares Outstanding *(in millions)*	508
Book Value Per Common Share	$24.83

** Calculation based on Operating Earnings for 12-month period ended.

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2015	*2014*	*2014*	*2013*
	($ Millions, Unaudited)			
Operating Earnings	$ 529	$ 515	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	75	(6)	(16)	(32)
Net Income	$ 586	$ 386	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 1.04	$ 1.01	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.15	(0.01)	(0.03)	(0.07)
Net Income	$ 1.15	$ 0.76	$ 2.99	$ 2.45

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

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Quarterly UPDATE

Q1 2016

NYSE: PEG

Q1 2016 Performance Update

"PSEG delivered solid operations this quarter executing on our five-year, $16 billion capital program. We reported Net Income for the first quarter of 2016 of $471 million, or $0.93 per share as compared to Net Income of $586 million, or $1.15 per share, in the first quarter of 2015. Operating Earnings* for the first quarter of 2016 were $463 million, or $0.91 per share, compared to Operating Earnings for the first quarter of 2015 of $529 million, or $1.04 per share. We experienced extremes in weather conditions in this Q1 compared to Q1 2015 which hurt demand and margins. We are maintaining Operating Earnings guidance for the full year of $2.80 to $3.00 per share.

PSE&G is expected to invest $3 billion in 2016 as part of its 5-year $12 billion capital investment program. Transmission is the largest part of this effort, representing 60% of planned capital spend. PSE&G's investment program – and a continued focus on controlling costs – will help drive our forecast for double-digit growth in PSE&G's 2016 Operating Earnings. PSEG Power's Q1 results were impacted by extremely mild weather conditions compared to the year-ago period. Significantly lower weather-related demand hurt sales comparisons and wholesale market prices for energy. Power remains focused on operating efficiently and safely in an environment of low gas prices, and its $2 billion investment in three new combined cycle gas turbines (CCGTs) in Maryland, New Jersey and Connecticut will add 1,800 MWs of clean, reliable and efficient capacity to its fleet.

As we move forward, the weather and market conditions, especially during Q3, will be important for both PSEG Power and PSE&G. Current market conditions and the absence of a winter require that we maintain our relentless focus on identifying efficiencies and maintaining strong operating performance. However, continued growth in investment and strong operations help us withstand these short-term challenges as we focus on growing a reliable, efficient, clean energy infrastructure platform capable of meeting customer requirements.

Ralph Izzo, Chairman, President & CEO - April 29, 2016

PSEG – Q1 Highlights

Strong Operating Earnings – Maintaining Guidance or 2016

- Operating Earnings* of $0.91 per share vs. $1.04 per share in Q1 '15
- Power results impacted by extremes in weather comparisons and low prices
- PSE&G's expanded investment in transmission and distribution drives improvement in earnings

Operational Excellence

- PSEG Power operations performed well in Q1: Nuclear output up 7.5% on improvement in fleet capacity factor to 99.7%
- CCGT units improved fleet availability

PSEG Disciplined Capital Investment

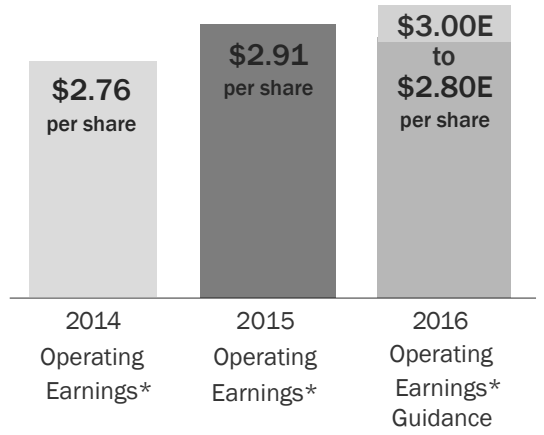
- Executing on our $16 billion capital program with ~75% directed toward PSE&G infrastructure investments in reliability/resiliency/replacement programs
- Construction commenced on Keys and Sewaren CCGTs for targeted commercial operation in 2018
- Power pursuing permits on new 485 MW CCGT plant at Bridgeport Harbor

Financial Strength

- Increased common dividend 5.1% to indicative annual rate of $1.64 per share

PSEG – Maintaining 2016 Guidance

2016 Operating Earnings guidance assumes normal weather and plant operations



Q1 Operating Earnings – by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2016**	**2015**	**2016**	**2015**
PSE&G	$262	$242	$0.52	$0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$463	$529	$0.91	$1.04

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 3/31/2016
Stock Price	$47.14
Dividends Paid per Share (*year-to-date*)	$0.41
Dividend Yield *(%)*	3.5%
Return on Average Common Equity**	10.9%
Average Shares Outstanding *(in millions)*	508
Book Value Per Common Share	$26.38

** Calculation based on Operating Earnings for 12-month period ended.

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	$ 463	$ 529	$ 1,476	$ 1,400
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	$ 471	$ 586	$ 1,679	$ 1,518
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 0.91	$ 1.04	$ 2.91	$ 2.76
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[a] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	$ 0.93	$ 1.15	$ 3.30	$ 2.99

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

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2Q 2013 Performance Update

"We reported operating earnings for the second quarter of $0.48 per share compared with operating earnings of $0.43 per share in 2012's second quarter. For the first half of 2013, operating earnings were $1.33 per share compared with operating earnings of $1.28 per share earned in 2012's first half. Based on our performance thus far in the year, and assuming normal weather and operations in the remainder of the year, we expect operating earnings for the full year to be at the upper end of our guidance of $2.25 - $2.50 per share.

Our results continue to benefit from employees' execution of our strategic goals as well as the locational value enjoyed by our merchant generating fleet. We remain on track to meet our capital investment and operations-related goals. We also remain focused on building support for PSE&G's $3.9 billion "Energy Strong" proposal, meeting our commitment to operate the Long Island Power Authority's transmission and distribution system at the start of 2014, and controlling our cost structure. These actions will strengthen our infrastructure and improve on system reliability. In the true spirit of how PSEG has operated for a century, this will enable us to serve our customers better while providing the opportunity for double-digit growth in PSE&G's earnings through 2015."

Ralph Izzo, Chairman, President & CEO - July 30, 2013

PSEG – 2Q 2013 HIGHLIGHTS

Strong Earnings

- Operating earnings of $0.48 vs. $0.43 per share in Q2 2012
- Power benefitted from higher PJM capacity prices and higher energy prices
- Increased contribution to earnings from PSE&G's investment in transmission

Operational Excellence

- PSEG Power output was flat in Q2 despite extended refueling at Salem 1
- Diversity and location of Power's fleet provided flexibility to participate in market
- PSE&G's O&M on track to meet full-year expectations

PSEG Disciplined Capital Investment

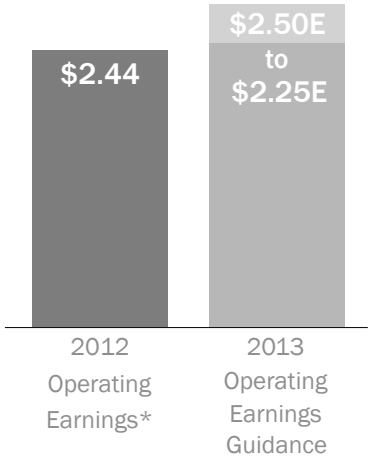
- BPU approved Agreement to extend Solar 4 All and Solar Loan III investment
- 54 NJ municipalities and five counties have approved resolutions in support of PSE&G's Energy Strong proposal to fortify its distribution systems
- Transmission construction program continues on schedule

Market Developments

- 2016/2017 RPM again recognized the locational advantage of Power's assets
- US District Court decision on LCAPP litigation awaited in both NJ and MD
- New LIPA agreement under consideration would broaden and extend original contract

PSEG – Maintaining 2013 EPS Guidance

Based on our performance year-to-date, we expect full-year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations



2Q 2013 OPERATING EARNINGS BY SUBSIDIARY

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2013**	**2012**	**2013**	**2012**
PSEG Power	$114	$110	$0.22	$0.22
PSE&G	121	101	0.24	0.20
PSEG Energy Holdings/Enterprise	8	4	0.02	0.01
Operating Earnings*	$243	$215	$0.48	$0.43

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

KEY PERFORMANCE HIGHLIGHTS

	as of 6/30/13
Stock Price *(as of 6/30/13)*	$32.66
Dividends Paid per Share (*year-to-date*)	$0.72
Dividend Yield *(%)*	4.4%
Return on Average Common Equity**	11.7%
Average Shares Outstanding *(000s)*	507,381
Book Value Per Common Share	$21.94

** Calculation based on Operating Earnings for 12-month period ended.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations /Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Year Ended December 31,*
	2013	*2012*	*2012*
Earnings Impact ($ Millions)			
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(10)
Lease Related Activity (PSEG Energy Holdings)	-	2	36
Storm O&M, net of insurance recoveries (PSEG Power)	2	-	(39)
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ 39**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**
Per Share Impact (Diluted)			
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.02)
Lease Related Activity (PSEG Energy Holdings)	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	(0.08)
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ 0.07**

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

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Quarterly UPDATE

Q2 2014

NYSE: PEG

Q2 2014 Performance Update

"Our results in the second quarter reflect the benefit of our diversified business model, the growth in our regulated utility company capital program and our long-term focus on operating in a safe, reliable manner. The primary driver of growth – increased investment in transmission in our utility, PSE&G – remained strong in the second quarter offsetting the impact from mixed operating conditions. Operating earnings for the second quarter of 2014 were $245 million or $0.49 per share compared to the second quarter of 2013 operating earnings of $243 million or $0.48 per share. The results for the quarter bring operating earnings for the first half of 2014 to $1.50 per share compared with operating earnings of $1.33 per share earned in 2013's first half.

We are delivering on the growth potential of our multi-billion dollar capital program while at the same time our favorable natural gas supply position continues to yield benefits for customers and shareholders. PSE&G remains on course to provide greater than 50% of our forecast operating earnings for the year as Power is well positioned to generate solid earnings and free cash flow. Based on our performance thus far in the year, and assuming normal weather and operations over the remainder of the year, we expect operating earnings for 2014 to be at the upper end of our guidance of $2.55 - $2.75 per share."

Ralph Izzo, Chairman, President & CEO - July 30, 2014

PSEG – Q2 Highlights

Earnings on Track

- Operating earnings of $0.49 per share vs. $0.48 in Q2 2013
- Increased contribution to earnings from PSE&G's investment in Transmission
- Expect 2014 Operating Earnings to be at upper end of $2.55 - $2.75 guidance range

Operating Review

- PSEG Power output down 5% vs. Q2 2013 from Linden & Salem 2 outages, partially offset by improvement in coal generation
- PSE&G placed the 230 kV North Central Reliability transmission project in service

PSEG Disciplined Capital Investment

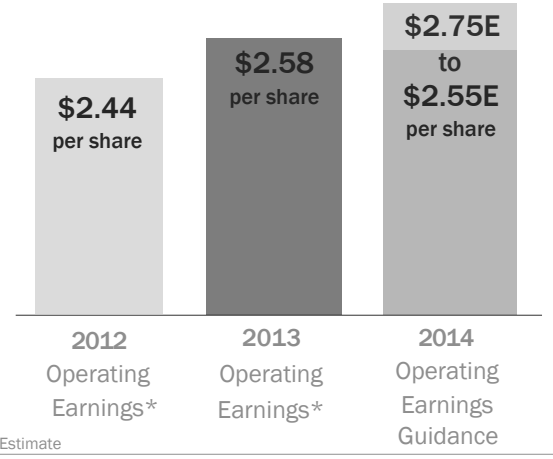
- BPU approved $1.22 billion investment in PSE&G Energy Strong program
- PJM deferred a final decision on its recommended solution, to be built by PSE&G for the Artificial Island project via FERC 1000 competitive bidding process
- PSEG Power added 63 MW at Linden CCGT station with AGP uprate

Financial Strength

- Standard & Poor's revised the credit rating outlooks of PSEG, PSE&G and PSEG Power from Stable to Positive in May

PSEG - Maintaining 2014 EPS Guidance

Based on our performance year-to-date, we expect full-year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations



E=Estimate

Q2 Operating Earnings by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2014**	**2013**	**2014**	**2013**
PSE&G	$151	$121	$0.30	$0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
Operating Earnings*	$245	$243	$0.49	$0.48

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 6/30/2014
Stock Price	$40.79
Dividends Paid per Share (*year-to-date*)	$0.74
Dividend Yield *(%)*	3.6%
Return on Average Common Equity**	12.1%
Average Shares Outstanding - Diluted *(000s)*	507,949
Book Value Per Common Share	$23.41

** Calculation based on Operating Earnings for 12-month period ended.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The table below includes a list of items excluded from Net Income to reconcile to Operating Earnings.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	$ 245	$ 243	$ 760	$ 676	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	$ 212	$ 333	$ 598	$ 653	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	507
Per Share Impact (Diluted)						
Operating Earnings	$ 0.49	$ 0.48	$ 1.50	$ 1.33	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	$ 0.42	$ 0.66	$ 1.18	$ 1.29	$ 2.45	$ 2.51

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

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PSEG
We make things work for you.

Quarterly UPDATE

Q2 2017

Q2 2017 - Quarterly Performance Update

NYSE: PEG

"PSEG reported today Q2 2017 Net Income of $0.22 per share as compared to Net Income of $0.37 per share in Q2 2016. Non-GAAP Operating Earnings for Q2 2017 were $0.62 per share compared with non-GAAP Operating Earnings of $0.57 per share in Q2 2016. PSEG's Net Income during the first half of 2017 reflects the June 1 retirement of the Hudson and Mercer coal/gas generating stations. The non-GAAP Operating Earnings increase in the second quarter 2017 of 9% reflects strong performance at both PSE&G and PSEG Power. PSE&G's earnings contribution is expected to grow to represent 66% of our full- year 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share.

Growth in PSE&G's earnings reflects the benefits of its expanded investment program. Our commitment to improving NJ's aging infrastructure continues, evidenced by our filing earlier this week of a 5-year $2.7 billion extension of our Gas System Modernization Program. PSE&G has also reached an agreement in principle in its Energy Efficiency (EE) filing with NJ regulatory staff and other parties to provide for a $69 million extension of PSE&G's investment in EE, bringing the total to ~$400 million. The Smart Electric Power Alliance (SEPA) also recently named PSE&G the 2017 Investor Owned Utility of the Year, in recognition of its leadership in building solar farms on landfills and brownfield sites in the State.

PSEG Power's quarterly results improved as on-going programs to reduce operating expenses supported earnings, and construction at its three CCGT generating stations is on schedule and on budget. Going forward, we expect that the growth prospects of PSE&G, the re-configuration of our merchant generating fleet and successful execution of our policy initiatives will allow PSEG to extend its track record of delivering value for our customers and growth for our shareholders – while we maintain a strong balance sheet and credit metrics."

Ralph Izzo, Chairman, President & CEO - July 28, 2017

PSEG – Q2 2017 Highlights

Achieved Solid Financial Results

- Net Income of $0.22 vs. Net Income of $0.37 per share in Q2 2016, reflecting Hudson and Mercer coal/gas generating station retirements on June 1
- Non-GAAP Operating Earnings* of $0.62 vs. $0.57 per share in Q2 2016
- PSE&G achieved 17% growth in Q2 earnings per share over Q2 2016 – supported by increased investment in transmission and distribution, and cost containment
- PSEG Power results aided by continued cost control

Operational Excellence

- Nuclear fleet performance achieved 89.6% capacity factor for Q2
- PSE&G named Smart Electric Power Alliance's (SEPA) 2017 Investor Owned Utility of the Year, recognizing PSE&G's leadership in landfill and brownfield solar

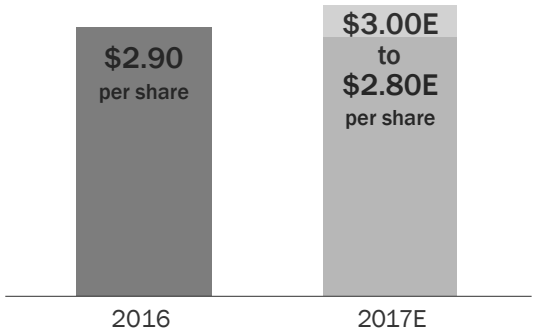
PSEG Disciplined Capital Investment – Producing Results

- PSEG to invest ~$4.7 billion in 2017, consisting of ~$3.4 billion at PSE&G and ~$1.2 billion at PSEG Power
- Regulatory & Policy Focus: New Jersey Board of Public Utilities (BPU) actions support infrastructure investment; Energy Efficiency agreement in principal reached; $2.7 billion Gas System Modernization Program (GSMP) extension and expansion filing

Re-affirming 2017 Full-Year Guidance

Growth in utility infrastructure investments drives higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance



E = ESTIMATE

Q2 2017 Results by Subsidiary

Three Months Ended June 30	Financial Results		Per Share	
$ millions *(except per share amounts)*	2017	2016	2017	2016
GAAP Net Income/(Loss)				
PSE&G	$208	$179	$0.41	$0.35
PSEG Power	$(97)	$(11)	$(0.19)	$(0.02)
PSEG Enterprise/Other	$(2)	$19	$(0.00)	$0.04
Total PSEG	$109	$187	$0.22	$0.37
Non-GAAP Operating Earnings*				
PSE&G	$208	$179	$0.41	$0.35
PSEG Power **	$97	$91	$0.19	$0.18
PSEG Enterprise/Other**	$11	$19	$0.02	$0.04
Total PSEG*	$316	$289	$0.62	$0.57

Key Performance Highlights

	as of 6/30/2017
Stock Price on 6/30/2017	$43.01
Dividends Paid per Share (*year-to-date*)	$0.86
Dividend Yield *(%)*	4.0%
Total Shareholder Return (*year-to-date*)	–0.1%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$25.60

*/**See Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other on page 2 of this report or at **https://www.pseg.com/info/investors/forward.jsp**

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Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	($ millions, Unaudited)			
Net Income	$ 109	$ 187	$ 223	$ 658
(Gain) Loss on Nuclear Decommissioning Trust (NDT)				
Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	(36)	171	(46)	149
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(136)	(69)	(376)	(63)
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	$ 0.22	$ 0.37	$ 0.44	$ 1.30
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.28)	(0.14)	(0.74)	(0.12)
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	($ millions, Unaudited)			
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275
Depreciation and Amortization, pre-tax [c]	87	81	179	161
Interest Expense, pre-tax [c] [d]	12	20	28	42
Income Taxes [c]	65	58	166	181
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	($ millions, Unaudited)			
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36
Lease Related Activity, pre-tax	22	-	77	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2018

August 1, 2018

SI-SSA-0015-10420

Forward-Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10421

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Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

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PSEG
2018 Q2 Review

Ralph Izzo
Chairman, President and Chief Executive Officer

SI-SSA-0015-10423

PSEG Q2 2018 Highlights

- **Second Quarter Results**
  - ✓ Net Income of $0.53 vs. Net Income of $0.22 per share in Q2 2017
  - ✓ Non-GAAP Operating Earnings* of $0.64, up 3% over $0.62 per share in Q2 2017
  - ✓ PSE&G Earnings Per Share up 12% driven by growth in T & D investment
  - ✓ PSEG Power results continue to benefit from tax reform and cost control
- **Operational Excellence**
  - ✓ PSEG Power placed into service Keys Energy Center and Sewaren 7, adding 1,300 MW of clean gas-fired CCGT capacity; Sewaren 1-4 retired 445 MW
  - ✓ PSE&G completed the final phase of the 345 kV Bergen-Linden Corridor upgrade project
- **Disciplined Investment – Producing Results**
  - ✓ PSEG on track to invest ~$3.6 billion in 2018: $2.8 billion at PSE&G, $0.7 billion at Power
  - ✓ Regulatory/Legislative Focus: GSMP II approved by BPU; Energy Strong (ES2) infrastructure program extension filed; Governor Murphy signed Nuclear ZEC and Clean Energy legislation into law
  - ✓ Major Capital Initiatives: PSEG Power completed construction of Keys Energy Center and Sewaren 7; Bridgeport Harbor 5 expected to be completed in mid-2019; PSE&G completing GSMP I and Energy Strong in 2018, GSMP II to begin in 2019

SI-SSA-0015-10424

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

PSEG Q2 Results Summary

$ millions (except EPS)	Quarter ended June 30 2018	2017
Net Income	$ 269	$ 109
Reconciling Items	56	207
Operating Earnings (non-GAAP)*	$ 325	$ 316
EPS from Net Income	$ 0.53	$ 0.22
EPS from Operating Earnings (non-GAAP)*	$ 0.64	$ 0.62

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG First Half Results Summary

Six Months ended June 30

$ millions (except EPS)	2018	2017
Net Income	$ 827	$ 223
Reconciling Items	(10)	559
Operating Earnings (non-GAAP)*	$ 817	$ 782
EPS from Net Income	$ 1.63	$ 0.44
EPS from Operating Earnings (non-GAAP)*	$ 1.61	$ 1.54

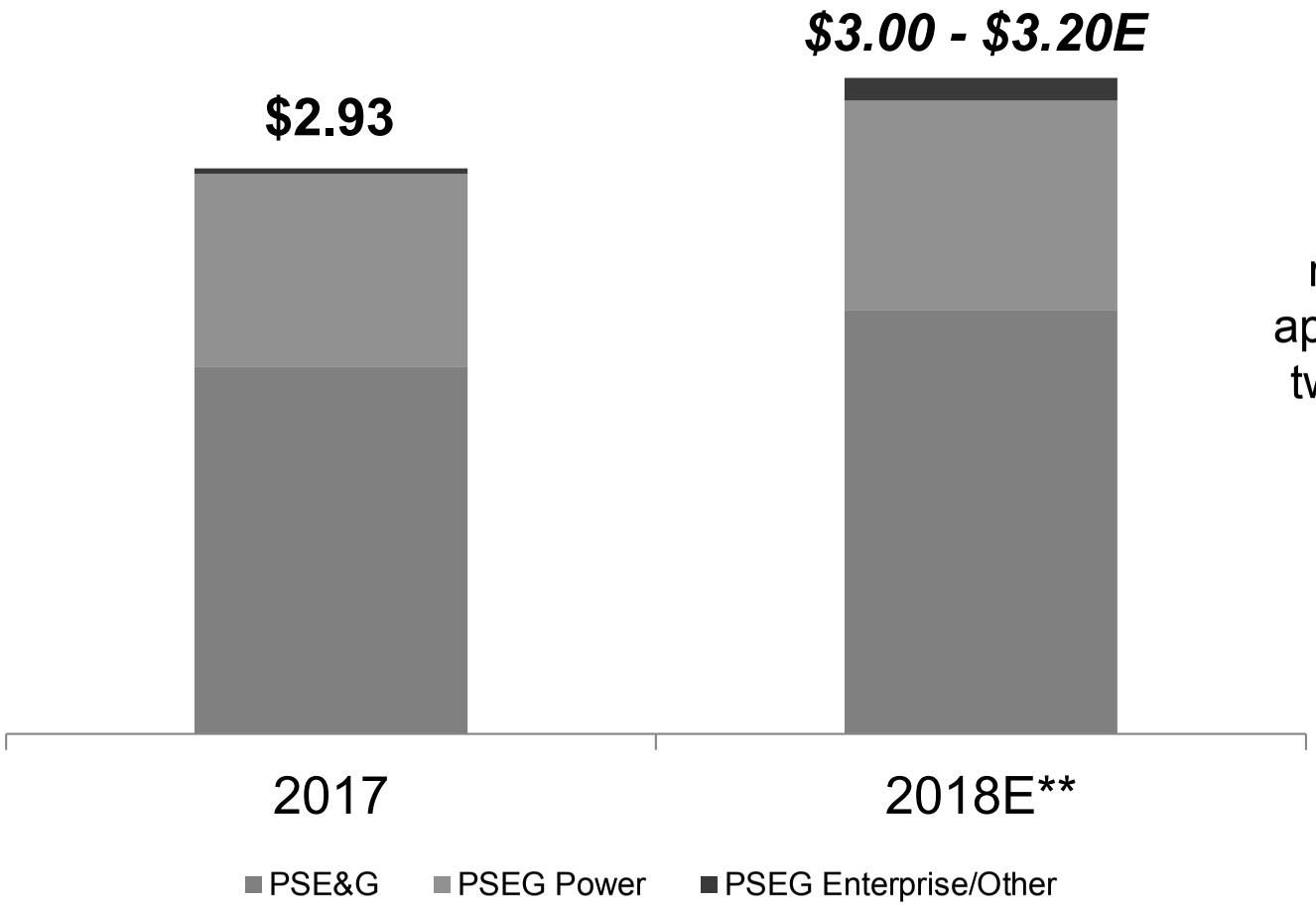
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-10426

PSEG Reaffirming 2018 Full-Year Guidance +6% over 2017

Growth in utility infrastructure investment and tax reform expected to drive increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share. E = Estimate.

SI-SSA-0015-10427

PSEG
2018 Q2 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-10428

PSEG – Q2 Results by Subsidiary

PSEG Q2 EPS Summary – Quarter ended June 30

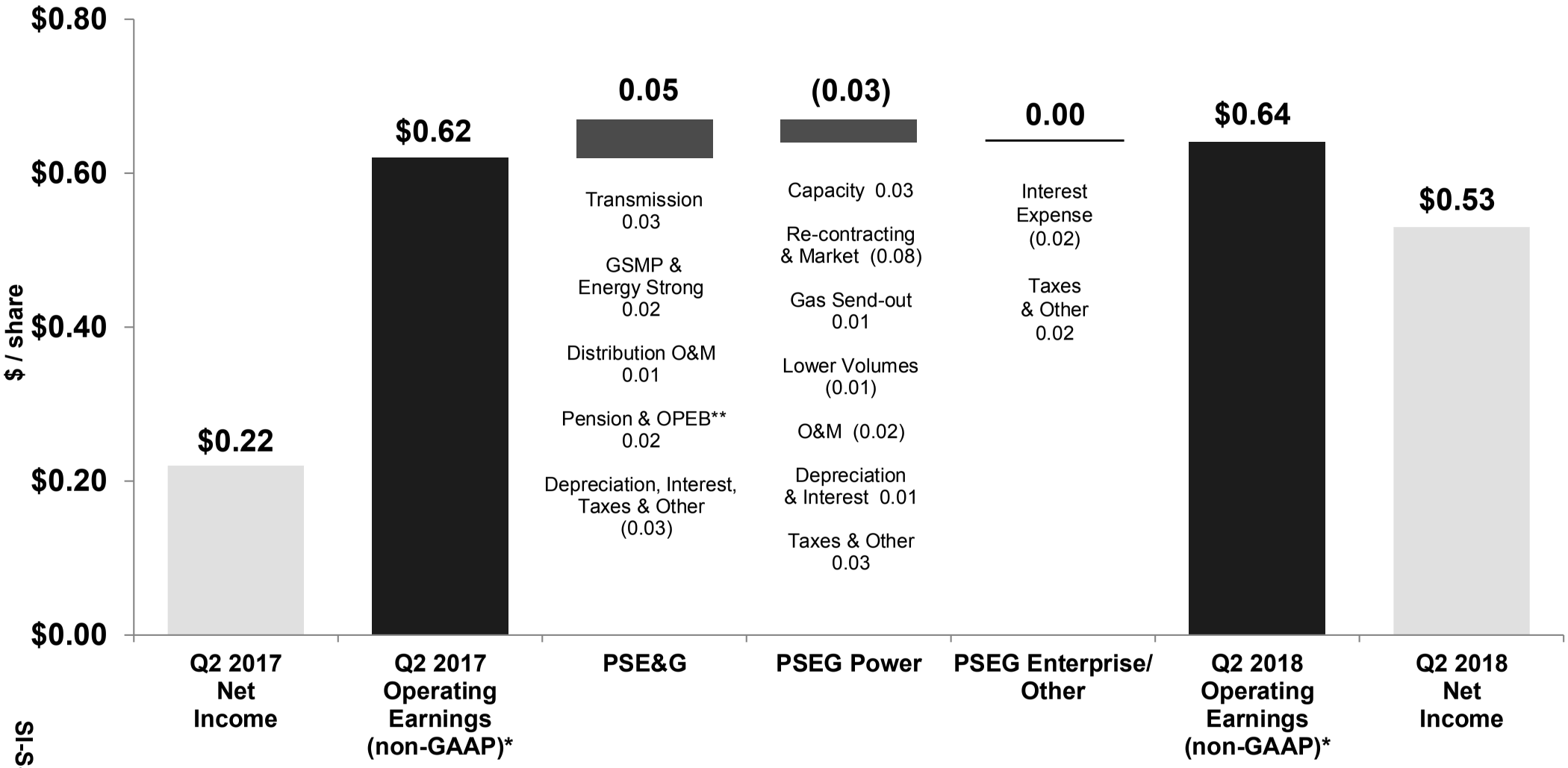
GAAP Net Income/(Loss)	2018	2017	Change
PSE&G	$ 0.46	$ 0.41	$ 0.05
PSEG Power	$ 0.08	$ (0.19)	$ 0.27
PSEG Enterprise/Other	$ (0.01)	$ -	$ (0.01)
Total PSEG	$ 0.53	$ 0.22	$ 0.31

Non-GAAP Operating Earnings*	2018	2017	Change
PSE&G	$ 0.46	$ 0.41	$ 0.05
PSEG Power	$ 0.16	$ 0.19	$ (0.03)
PSEG Enterprise/Other	$ 0.02	$ 0.02	$ -
Total PSEG	$ 0.64	$ 0.62	$ 0.02

*See Slide A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-10429

PSEG EPS Reconciliation – Q2 2018 versus Q2 2017



*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

SI-SSA-0015-10430

PSEG – First Half Results by Subsidiary

PSEG First Half EPS Summary – Six Months ended June 30

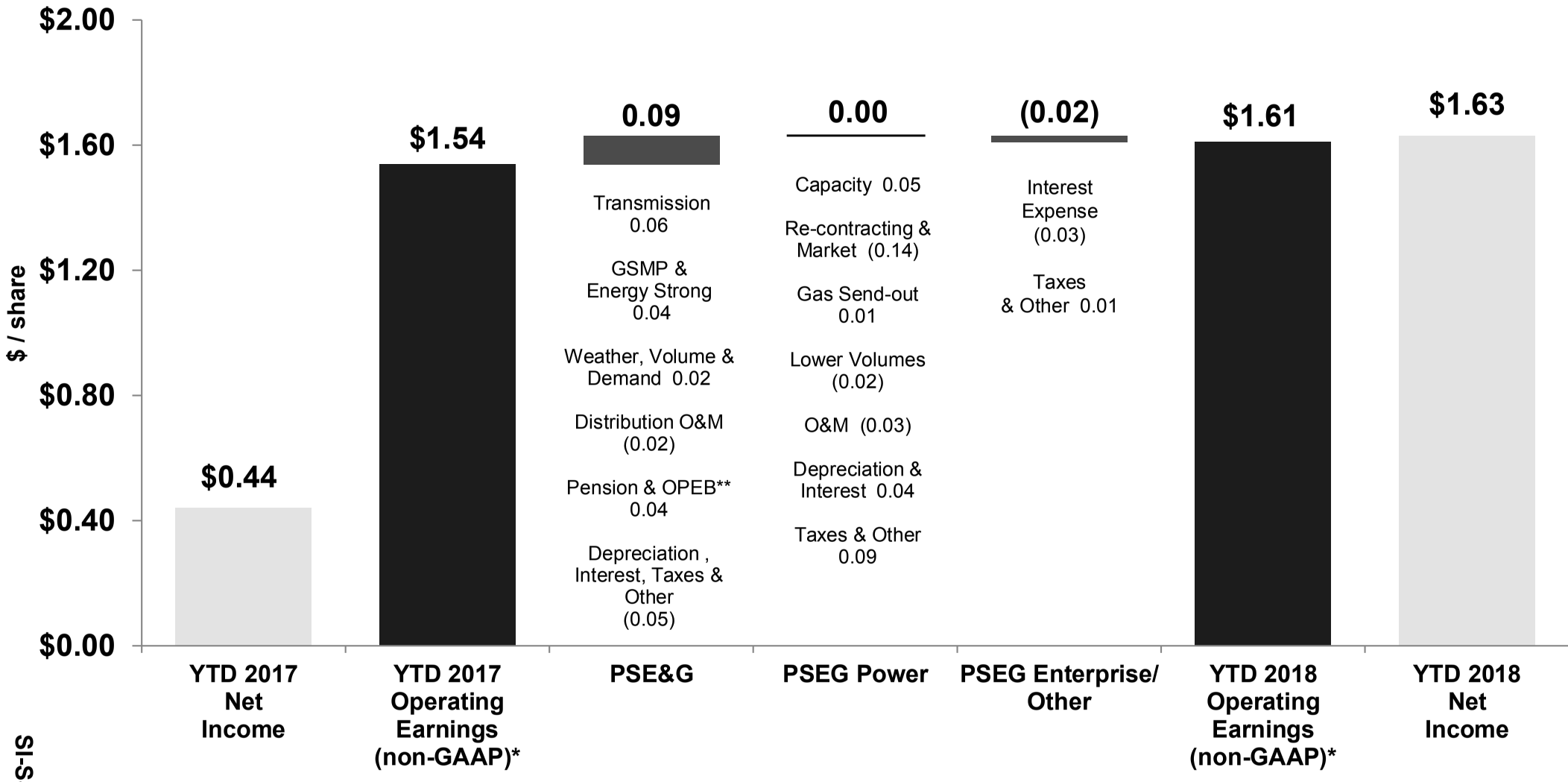
GAAP Net Income/(Loss)	2018	2017	Change
PSE&G	$ 1.09	$ 1.00	$ 0.09
PSEG Power	$ 0.54	$ (0.53)	$ 1.07
PSEG Enterprise/Other	$ -	$ (0.03)	$ 0.03
Total PSEG	$ 1.63	$ 0.44	$ 1.19

Non-GAAP Operating Earnings*	2018	2017	Change
PSE&G	$ 1.09	$ 1.00	$ 0.09
PSEG Power	$ 0.49	$ 0.49	$ -
PSEG Enterprise/Other	$ 0.03	$ 0.05	$ (0.02)
Total PSEG	$ 1.61	$ 1.54	$ 0.07

*See Slide A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-10431

PSEG EPS Reconciliation – First Half 2018 versus First Half 2017

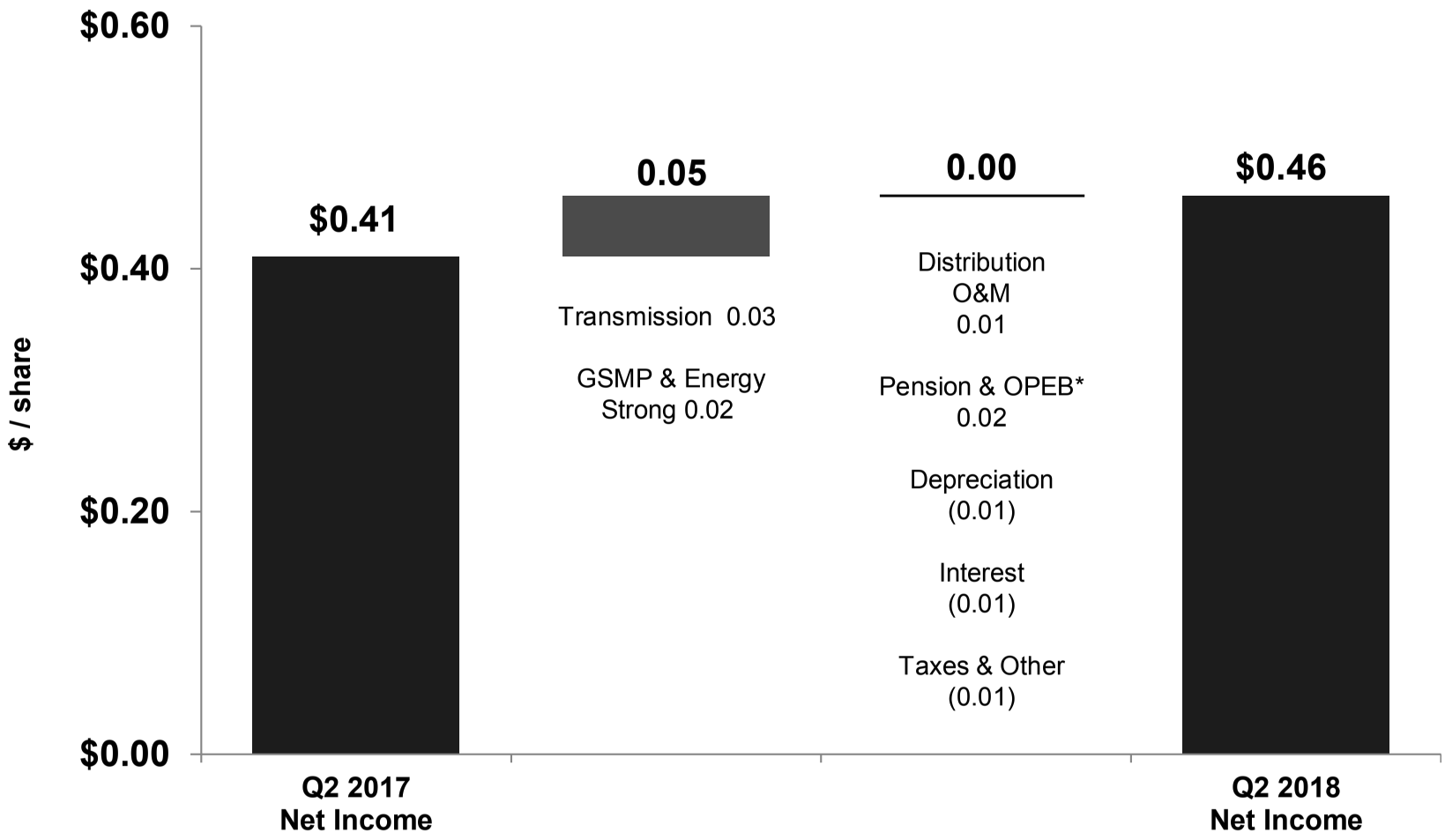


*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

SI-SSA-0015-10432

PSE&G
2018 Q2 Review

PSE&G EPS Reconciliation – Q2 2018 versus Q2 2017

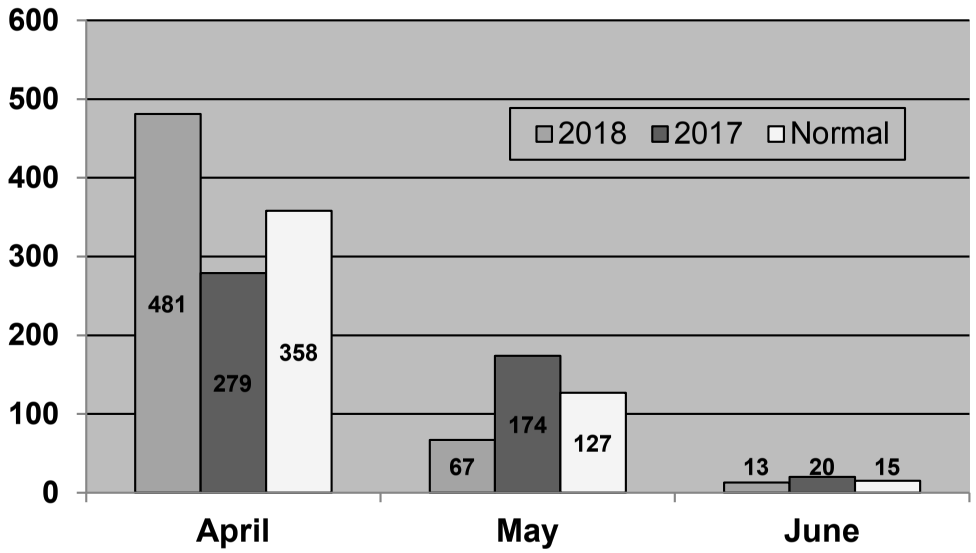


*Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

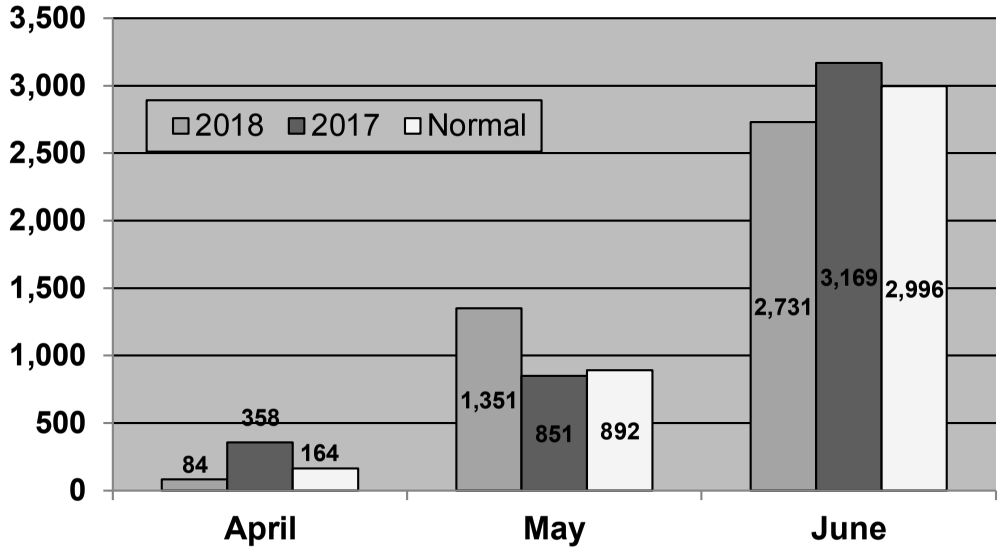
PSE&G – Q2 2018 weather had minor impact on EPS

PSE&G Monthly Weather Summary
2018 vs. 2017 vs. Normal

Monthly Heating Degree Days (HDD)



Monthly Temperature Humidity Index (THI)



Q2 2018 heating degree days were ~19% higher than Q2 2017 and ~12% higher than normal

Q2 2018 temperature-humidity index was ~5% lower than Q2 2017 and ~3% higher than normal

SI-SSA-0015-10435

Energy Strong Program Filing

PSE&G filed its Energy Strong II infrastructure program (ES2) which seeks to invest $2.5 billion, over a five-year period to further strengthen the utility's electric and gas systems to better withstand storms, increase reliability and significantly enhance resiliency

Electric:

- ✓ Provide flood mitigation for 16 stations within FEMA designated flood zones
- ✓ Rebuild 15 outdoor stations (most are pre-1956 vintage) in need of replacement
- ✓ Elevate and harden ~475 circuit miles
- ✓ Harden and increase redundancy/resiliency through circuit reconfiguration
- ✓ Modernize grid with an advanced distribution management system (ADMS) and fiber/mesh communication network

Gas:

- ✓ Improve the resiliency of PSE&G's gas distribution system to protect against potential interstate gas pipeline supply curtailments
- ✓ Rebuild and modernize seven gas Metering and Regulation stations

Dockets:

- ✓ EO 18060629 (Electric), GO 18060630 (Gas)

PSE&G 2018 Distribution Rate Case Update

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase** of ~3% due to April, 2018 decrease in revenue due to tax reform
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125 million increase in Depreciation rate
- **Decoupling** proposed via Green Enabling Mechanism (GEM) in support of expanded energy efficiency investments
- **Taxes** – Flow back of deferred taxes to offset storm costs and reduce bill impact
- **Updates since filing:**
  - ✓ **Taxes** – Lowered rates on April 1 to accelerate return of tax rate savings to customers; Updated filing for other tax impacts such as loss of bonus depreciation
  - ✓ **12+0 update** to be filed August 8th with all actual data

Overall bill for the typical PSE&G residential customer, even after consideration of the requested change, would remain ~20% lower than bills after last base rate case

PSE&G – Q2 Operating Highlights

Operations

- ✓ For the trailing 12-months ended June 30, weather-normalized electric sales were flat and weather-normalized firm gas sales were 3% higher, driven by increased commercial and industrial sales
- ✓ PSE&G's electric service continues to achieve high customer satisfaction scores

Regulatory and Market Environment

- ✓ Obtained final BPU approval of PSE&G's $1.9 billion GSMP II investment program to begin in 2019
- ✓ Filed the Energy Strong II infrastructure program which proposes $2.5 billion investment over 5 years
- ✓ Average residential electric customers benefit from 1.9% reduction in bills starting with the new BGS price on June 1, estimated savings of $24 per year
- ✓ Residential gas customers expected to benefit from continued low natural gas prices with another proposed reduction this fall
- ✓ PSE&G expects to file its Clean Energy Future (CEF) program later in 2018, a $2.9 billion, 6-year plan to invest in energy efficiency, electric vehicle infrastructure and battery storage

Financial

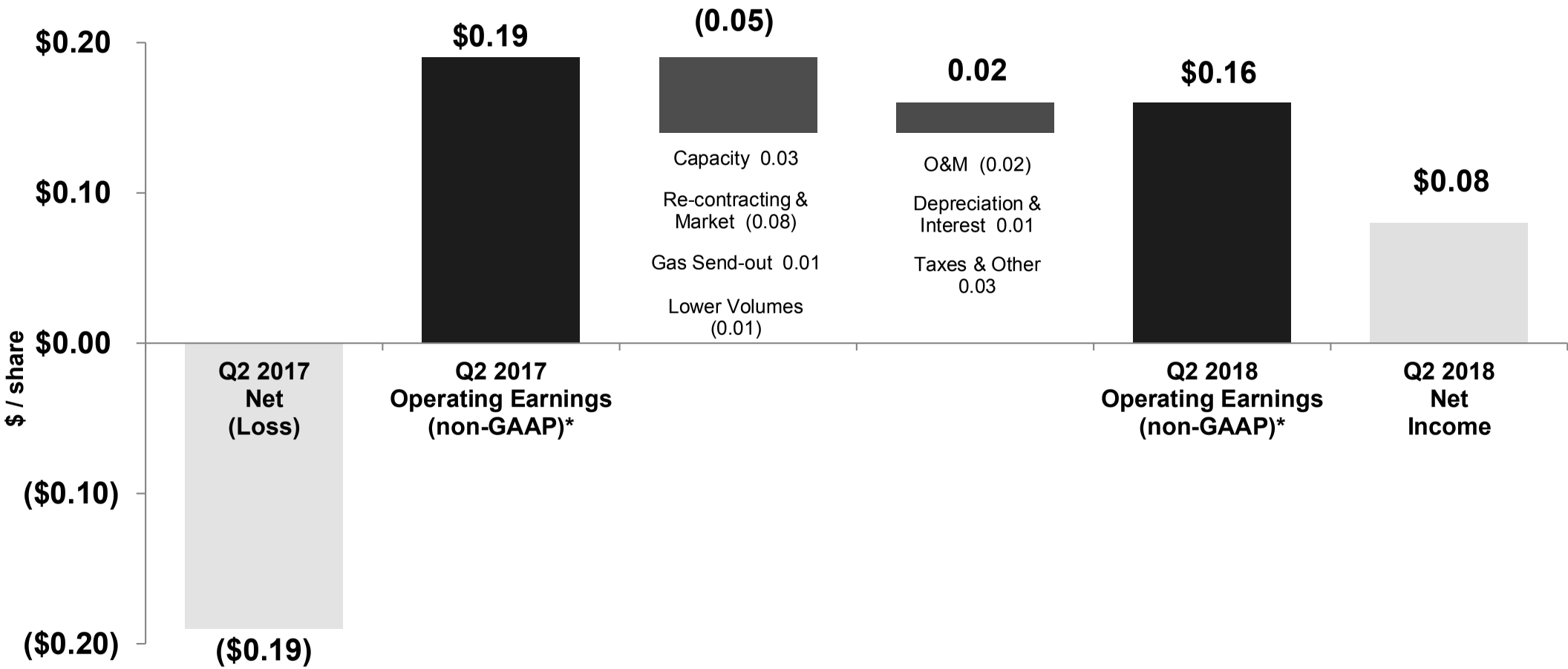
- ✓ PSE&G invested $1.6 billion during the first six months of 2018, on track to invest $2.8 billion for the year
- ✓ PSE&G's Q2 2018 earnings increased by $0.05 per share, or 12%
- ✓ In May, PSE&G issued $375 million of 10-year Medium-Term Notes (MTNs) at 3.70% and $325 million of 30-year MTNs at 4.05%, and retired $400 million of 5.30% MTNs
- ✓ PSE&G's 2018 Net Income guidance range remains unchanged at $1,000 million - $1,030 million

SI-SSA-0015-10438

PSEG Power
2018 Q2 Review

SI-SSA-0015-10439

PSEG Power EPS Reconciliation – Q2 2018 versus Q2 2017

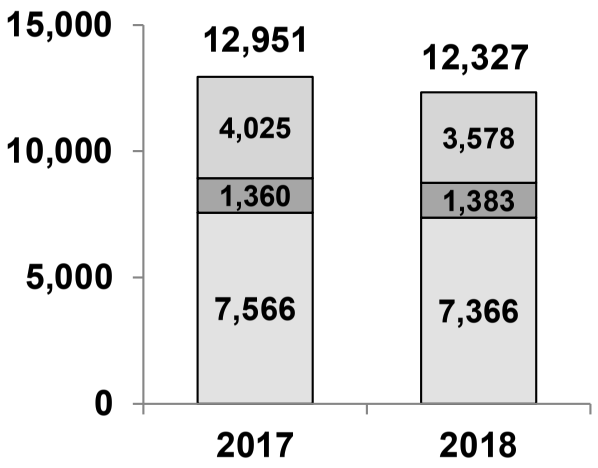


*See Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

SI-SSA-0015-10440

PSEG Power – Q2 Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended June 30	
	2017	2018
Combined Cycle	55.3%	46.3%
Coal**		
PA	81.2%	80.8%
CT	0.9%	5.0%
Nuclear	89.6%	86.4%

PSEG Power – Fuel Costs

	Quarter ended June 30	
($ millions)	2017	2018
Gas	$ 82	$ 67
Oil	1	1
Coal	31	33
Total Fossil	114	101
Nuclear	47	45
Total Fuel Cost	$ 161	$ 146
Total Generation (GWh)	12,951	12,327
$ / MWh	12.43	11.84

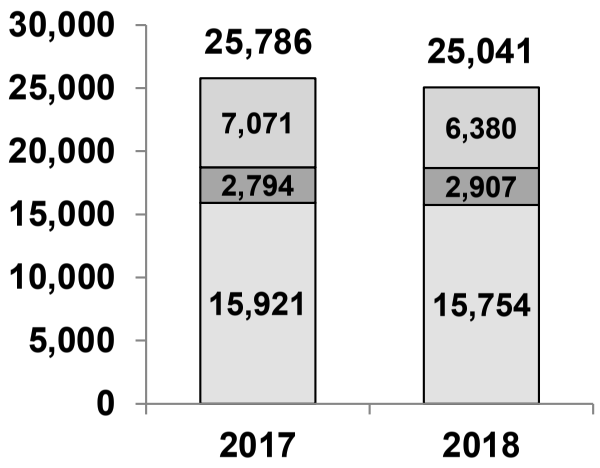
Total Nuclear Total Coal** Natural Gas Oil

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-10441

PSEG Power – First Half Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Six Months ended June 30	
	2017	2018
Combined Cycle	48.5%	42.0%
Coal**		
PA	82.5%	81.1%
CT	5.2%	13.7%
Nuclear	94.8%	92.9%

PSEG Power – Fuel Costs

	Six Months ended June 30	
($ millions)	2017	2018
Gas	$ 160	$ 157
Oil	2	26
Coal	65	76
Total Fossil	227	259
Nuclear	101	95
Total Fuel Cost	$ 328	$ 354
Total Generation (GWh)	25,786	25,041
$ / MWh	12.72	14.14

Total Nuclear Total Coal** Natural Gas Oil

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

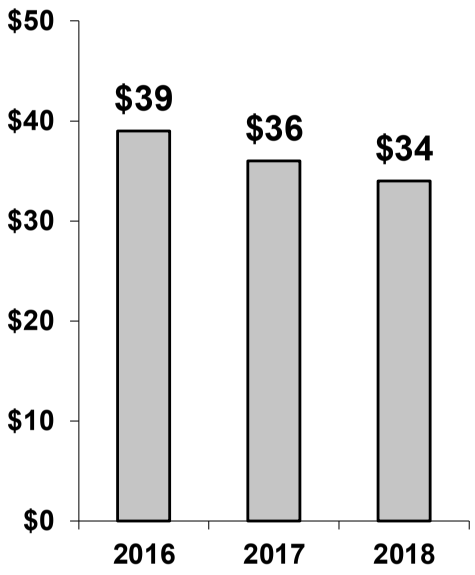
SI-SSA-0015-10442

PSEG Power – Gross Margin Performance

- ✓ Lower generation due to Hope Creek refueling and fossil maintenance
- ✓ Capacity prices increased on June 1: Average price now $205 MW/day in PJM and $314 MW/day in ISO-NE through May 31, 2019

PSEG Power Gross Margin ($/MWh)

Quarter ended June 30



Regional Performance		
Region	**Q2 Gross Margin ($M)**	**Q2 2018 Performance**
PJM	$379	Re-contracting, lower generation from refueling and maintenance outages and lower market demand offset by higher capacity prices
New England	$25	Higher generation, market prices and capacity prices
New York	$18	Higher prices partially offset by lower market demand

SI-SSA-0015-10443

Hedging Update

Contracted Energy*

		Jul – Dec 2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	34	35
	% Hedged	100%	100%	65-70%
	Price $/MWh	$38	$37	$36
Intermediate, Combined Cycle, Peaking	Volume TWh	11-13	23-25	27-29
	% Hedged	80-85%	20-25%	0%
	Price $/MWh	$38	$37	-
Total	Volume TWh	28-30	57-59	62-64
	% Hedged	90-95%	65-70%	35-40%
	Price $/MWh	$38	$37	$36

* Hedge percentages and prices as of June 30, 2018 and reflect revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

PSEG Power – Q2 Operating Highlights

Operations

- ✓ Q2 output down 5% from Hope Creek refueling and other planned fossil maintenance at Linden
- ✓ Nuclear achieved average capacity factor of 86% in Q2; CCGT fleet had a capacity factor of 46% producing 3.5 TWh of energy; Coal fleet achieved 81% capacity factor producing 1.4 TWh of energy
- ✓ Keys Energy Center and Sewaren 7 placed in service mid-year; Bridgeport Harbor 5 target completion remains mid-2019

Regulatory and Market Environment

- ✓ 2018 expected generation output reduced to 53 – 55 TWh on lower market demand
- ✓ FERC recent order found the existing PJM capacity market unjust and unreasonable because it allows resources supported by out-of-market payments to suppress capacity prices; FERC initiated a new proceeding to address modifications to PJM's capacity market
- ✓ Fast-start market price reform continues to progress with PJM targeted implementation in 2019

Financial

- ✓ Power's total debt as a percentage of capitalization at June 30 was 34%
- ✓ In June, Power issued $700 million of 3.85% Senior Notes due 2023
- ✓ In July, the State of NJ imposed a 4-year tax surcharge on corporate income of 2.5% in 2018 and 2019 and 1.5% in 2020 and 2021 – expected to have a modest negative impact on Power
- ✓ Power's 2018 guidance ranges for non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA remain unchanged at $485 million - $560 million and $1,075 million - $1,180 million, respectively

SI-SSA-0015-10445

PSEG

PSEG Financial Highlights

- Reaffirming 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share
- PSEG's 5-Year capital spending forecast of $14 billion - $17 billion over the 2018 - 2022 period mainly directed at PSE&G capital program
- PSE&G capital spend forecast of $12 billion - $15.5 billion supports annual growth in rate base of 8% - 10% over 2018 - 2022
- Recent NJ Legislative initiatives support nuclear capacity and advance clean energy agenda
- GSMP II agreement provides for 5-year, $1.9 billion investment program; Energy Strong II filed, proposing a 5-year, $2.5 billion program
- Expect to file Clean Energy Future program (6-year, $2.9 billion) later in 2018
- PSEG Power's capital program, nearing completion with Bridgeport Harbor 5 targeted mid-2019 in-service date, will improve fleet efficiency
- Financial position remains strong:
  - ✓ PSEG is a net beneficiary from the Tax Cut and Jobs Act
  - ✓ No need to issue equity to finance capital program; credit metrics support additional balance sheet capacity
  - ✓ Debt as a percentage of capitalization was 50% at June 30
  - ✓ Opportunity for consistent and sustainable dividend growth with Q1 increase in full year indicative dividend to $1.80 per share

Affirming PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, as noted)*

$ millions (except EPS)	2018E	2017
PSE&G	$1,000 - $1,030	$963
PSEG Power (non-GAAP)*	$485 - $560	$505
PSEG Enterprise/Other	$35 - $35	$20
Operating Earnings (non-GAAP)*	$1,520 - $1,625	$1,488
Operating EPS (non-GAAP)*	**$3.00 - $3.20E**	**$2.93**

Adjusted EBITDA (non-GAAP)*

$ millions	2018E	2017
PSEG Power	$1,075 - $1,180	$1,172

- See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-10448

PSEG Liquidity as of June 30, 2018

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$211	$389
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$88	$1,412
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$40	$1,860
	3-year LC Facilities (Power)	Mar-20	$200	$162	$38
	Total Money Pool		$3,600	$290	$3,310
	Total		$4,200	$501	$3,699
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$0
			Total Liquidity Available		**$3,699**

SI-SSA-0015-10449

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 269	$ 109	$ 827	$ 223	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(9)	(30)	15	(47)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	67	(36)	(51)	(46)	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	(1)	387	3	951	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	20	22	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(136)	3	(376)	(427)
Tax Reform	-	-	-	-	(745)
Operating Earnings (non-GAAP)	$ 325	$ 316	$ 817	$ 782	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.53	$ 0.22	$ 1.63	$ 0.44	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.01)	(0.06)	0.03	(0.09)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.13	(0.07)	(0.10)	(0.09)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.77	0.01	1.87	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.03	0.04	0.03	0.15	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.28)	0.01	(0.74)	(0.84)
Tax Reform	-	-	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.64	$ 0.62	$ 1.61	$ 1.54	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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

A

Reconciliation of Non-GAAP Operating Earnings

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Month Ended June 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 231	$ 208	$ 550	$ 507	$ 973
Tax Reform	-	-	-	-	(10)
Operating Earnings (non-GAAP)	$ 231	$ 208	$ 550	$ 507	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Month Ended June 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	$ (3)	$ (2)	$ 2	$ (17)	$ 122
Lease Related Activity, pre-tax	20	22	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	(6)	(9)	(6)	(32)	(32)
Tax Reform	-	-	-	-	(147)
Operating Earnings (non-GAAP)	$ 11	$ 11	$ 16	$ 28	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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

B

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Month Ended June 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	**$ 41**	**$ (97)**	**$ 275**	**$ (267)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax [a]	(9)	(30)	15	(47)	(133)
(Gain) Loss on MTM, pre-tax [b]	67	(36)	(51)	(46)	167
Hudson/Mercer Early Retirement, pre-tax	(1)	387	3	951	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [c]	(15)	(127)	9	(344)	(395)
Tax Reform	-	-	-	-	(588)
Operating Earnings (non-GAAP)	**$ 83**	**$ 97**	**$ 251**	**$ 247**	**$ 505**
Depreciation and Amortization, pre-tax [d]	82	87	162	179	333
Interest Expense, pre-tax [d] [e]	11	12	17	28	48
Income Taxes [d]	34	65	93	166	286
Adjusted EBITDA (non-GAAP)	**$ 210**	**$ 261**	**$ 523**	**$ 620**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

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

C

PSEG
We make things work for you.

Quarterly UPDATE

Q2 2015

Q2 2015 Performance Update

NYSE: PEG

"PSEG reported strong results for the second quarter: Operating earnings were $289 million or $0.57 per share compared to $245 million or $0.49 per share in Q2 2014 – up 16%. The results for the quarter bring operating earnings for the first half of 2015 to $1.61 per share, a 7% increase over operating earnings of $1.50 per share earned in 2014's first half. Our businesses are performing well and meeting the challenges of today's low energy price environment. PSE&G's expanded investment program is successfully translating into improvements in customer satisfaction as operational improvements at PSEG Power supported increased output.

PSE&G's focus on improving resiliency of the grid and increasing efficiency has also translated into strong performance in a number of areas of customer satisfaction, including price, billing and payment, corporate citizenship and field service. PSE&G invested $1.3 billion in the first half of the year as part of its planned capital investment for 2015 of $2.6 billion in upgrades to the electric and gas distribution and transmission system. PSE&G was also recently awarded work at Artificial Island as part of PJM's recently approved upgrades. This program will increase PSE&G's investment in transmission by $100 - $130 million over 4 years through 2019. The NJ Board of Public Utilities (BPU) has begun proceedings related to PSE&G's proposed $1.6 billion Gas System Modernization program. PSEG Power's earnings demonstrate the strength of its asset mix. Recent investments have increased the capacity of existing nuclear and fossil units and improved the fleet's operating efficiency and its capability. Power also announced it has acquired the rights to develop the 755-MW Keys Energy Center in Maryland, representing an investment of $825 - $875 million and targeted for completion in 2018. The Keys plant will expand our footprint in our core PJM market and provide a strong operational and financial fit for the portfolio.

Based on the strength of our results for the first half of the year and outlook for the remainder of the year, we are updating our full-year 2015 guidance for operating earnings to $2.80 - $2.95 per share from $2.75 - $2.95 per share. We are focused on executing on our investment strategies and expanding our infrastructure in a disciplined manner – a manner that supports the goals of customers and shareholders."

Ralph Izzo, Chairman, President & CEO - July 31, 2015

PSEG – Q2 Highlights

Strong Operating Performance – Delivering Results

- Operating Earnings of $0.57 per share, up 16% from $0.49 per share in Q2 '14
- Updating full-year 2015 operating earnings guidance to $2.80 - $2.95 per share, from $2.75 - $2.95 per share
- Increased earnings contribution from PSE&G's investment in transmission

Continued Operational Excellence

- PSEG Power generating output up by 10% vs. Q2 2014
- PSE&G placed the 500kV Susquehanna Roseland transmission line in service

PSEG Disciplined Capital Investment

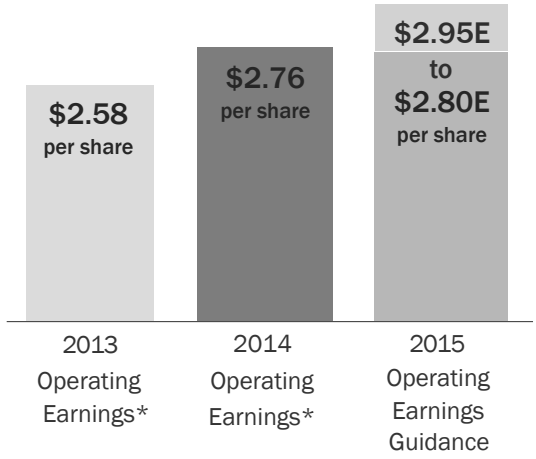
- PSE&G's $1.6 billion, 5-year Gas System Modernization Program filing pending
- Power acquired the Keys CCGT new build plant in Maryland; 755 MW unit targeted for 2018, estimated cost $825 to $875 million
- FERC assigned PSE&G a portion of the Artificial Island upgrade project; adds ~$100-$130 million of transmission spend over next four years

Market Developments

- FERC issued order supporting PJM Capacity Performance product

PSEG -- Updating 2015 Guidance

Full-year 2015 guidance update reflects the strength of results for both businesses for the first half of the year, and assumes normal weather and unit operations



Q2 Operating Earnings -- by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2015**	**2014**	**2015**	**2014**
PSE&G	$167	$151	$0.33	$0.30
PSEG Power	110	87	0.22	0.17
PSEG Enterprise/Other	12	7	0.02	0.02
Operating Earnings*	$289	$245	$0.57	$0.49

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 6/30/2015
Stock Price	$39.28
Dividends Paid per Share (*year-to-date*)	$0.78
Dividend Yield *(%)*	4.0%
Return on Average Common Equity**	11.9%
Average Shares Outstanding *(in millions)*	508
Book Value Per Common Share	$25.12

** Calculation based on Operating Earnings for 12-month period ended.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	
	2015	2014	2015	2014	2014	2013
	($ Millions, Unaudited)					
Operating Earnings	$ 289	$ 245	$ 818	$ 760	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	$ 345	$ 212	$ 931	$ 598	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.57	$ 0.49	$ 1.61	$ 1.50	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	$ 0.68	$ 0.42	$ 1.83	$ 1.18	$ 2.99	$ 2.45

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

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PSEG
We make things work for you.

Quarterly UPDATE

Q2 2016

NYSE: PEG

Q2 2016 Performance Update

"PSEG's second quarter earnings benefited from its expanded investment program and an alignment of costs with current power market dynamics. We reported second quarter 2016 Net Income of $187 million or $0.37 per share as compared to Net Income of $345 million or $0.68 per share reported for the second quarter of 2015. Operating Earnings for both the second quarter of 2016 and 2015 were $289 million or $0.57 per share. We are maintaining our Operating Earnings guidance for 2016 of $2.80 - $3.00 per share. However, reaching the upper end of guidance will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M for the remainder of the year.

PSE&G invested ~$1.4 billion in the first half of 2016 as part of its planned capital investment for 2016 of $3 billion in upgrades to the electric and gas distribution and transmission system. In May 2016, PSE&G filed with the New Jersey Board of Public Utilities (BPU) to extend its existing landfill/brownfield Solar 4 All program, representing a capital investment of up to $240 million over a 5-year period. PSE&G has also increased its estimate of Distribution capital expenditures over 2016–2018 by $300 million to address new business requests and replace certain aging equipment and infrastructure. The expansion of capital spending under these programs could represent an increase of over $500 million in PSE&G's planned $12 billion capital spending program over the 5-year period ended 2020, and would improve on PSE&G's growth in rate base of 8% per year over the same period.

PSEG Power's second quarter results reflect the impact of the known decline in PJM capacity revenues and average prices on energy hedges in addition to the effect of an extended refueling outage at Salem 1. In May, Power cleared ~8,900 MW of capacity at an average price of $116 MW/day in the 2019/2020 RPM auction, which reflected PJM's downward revisions to the demand forecast and the effects of both new generation and uncleared generation from the prior year's auction. We remain focused on investments that meet customers' demand for reliable, efficient, and clean energy as well as drive long-term value creation.

Ralph Izzo, Chairman, President & CEO - July 29, 2016

PSEG – Q2 Highlights

Solid Results – Maintaining Guidance

- Net Income of $0.37 vs. $0.68 per share in Q2 2015
- Operating Earnings* of $0.57 per share vs. $0.57 per share in Q2 2015
- Increased earnings contribution from PSE&G's investment in Transmission

Operating Review

- PSEG Power generating output declined by 6% vs. Q2 2015 – reflecting mild weather, low gas prices and impact of extended outage at Salem nuclear facility

PSEG Disciplined Capital Investment

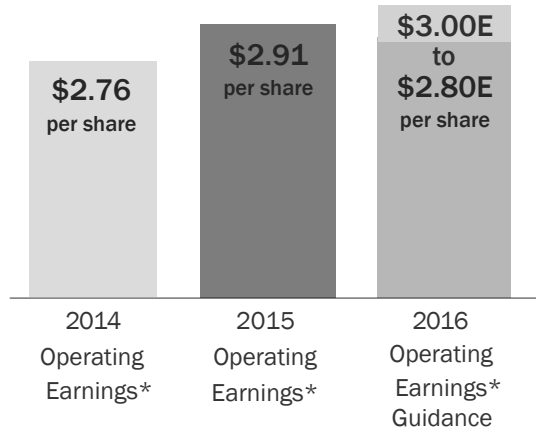
- PSE&G identifies more than $500 million of additional capital opportunities through 2020
- Solar 4 All Extension II filing made with NJBPU in May with decision expected in Q4
- Power's construction of Keys and Sewaren CCGTs on schedule and on budget

Market Developments

- RPM auction results for 2019/2020 reflected PJM's downward revisions to demand forecast and effects of both new and uncleared generation from prior year's auction

PSEG – Maintaining 2016 Guidance

Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M



Q2 Operating Results by Subsidiary

	Operating Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2016**	**2015**	**2016**	**2015**
PSE&G	$179	$167	$0.35	$0.33
PSEG Power*	91	110	0.18	0.22
PSEG Enterprise/Other	19	12	0.04	0.02
Operating Earnings*	$289	$289	$0.57	$0.57
Reconciling Items	(102)	56	(0.20)	0.11
Net Income	$187	$345	$0.37	$0.68

Key Performance Highlights

	as of 6/30/2016
Stock Price	$46.61
Dividends Paid per Share (*year-to-date*)	$0.82
Dividend Yield *(%)*	3.5%
Total Shareholder Return (*year-to-date*)	22.7%
Average Shares Outstanding, Diluted *(in millions)*	508
Book Value Per Common Share	$26.38

* See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

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Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

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80 Park Plaza, Newark, NJ 07102
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www.pseg.com

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NYSE: PEG

3Q 2013 Performance Update

"We reported operating earnings for the third quarter of $0.76 per share compared with operating earnings of $0.75 per share in 2012's third quarter. For the first nine months of 2013, operating earnings were $2.09 per share compared with operating earnings of $2.03 per share earned in 2012's comparable period. Based on our performance year to date, we have raised our guidance for full year 2013 Operating Earnings to $2.40 - $2.55 per share from $2.25 to $2.50 per share prior. Once again, we have delivered solid results that are consistent with our operating objectives. For the year, PSE&G is on track to provide double-digit growth in earnings on increased investment in transmission, as PSEG Power's results benefit from its strong locational advantages.

Our shareholders continue to realize the benefit to earnings from the expansion of our investment in transmission and distribution while our customers enjoy the improvements in reliability that come along with it. PSE&G's $3.4 billion transmission investment program includes 5 major transmission lines – all 5 are on time and on budget. PSEG is now also benefiting from our location which gives us access to low-cost gas in the Marcellus Basin through our gas pipeline and storage contracts. PSE&G's residential customers are the primary beneficiaries of this contractual position. PSE&G recently announced a two-month bill credit for its residential customers that will reduce the typical monthly gas bill by 33% in both November and December of this year.

We made a move several years ago to use the strength of our balance sheet to invest primarily in our more stable, regulated business in ways that meet customer needs as we also sought to protect the upside of our strong merchant business. Our focus is yielding returns, and we are well positioned to meet the needs of our customers and perform for our shareholders.

Ralph Izzo, Chairman, President & CEO - October 30, 2013

PSEG – 3Q HIGHLIGHTS

Operating Earnings of $0.76 vs. $0.75 per share in Q3 2012

- Delivered solid results for the quarter driven by Power's locational value and PSEG's continuing investment in Transmission
- Raised 2013 full-year Operating Earnings guidance to $2.40-$2.55 per share

Executing on Operational Goals

- PSEG Power met summer demand using diverse fleet
- Continued control of O&M supports full year expectations

PSEG Disciplined Capital Investment

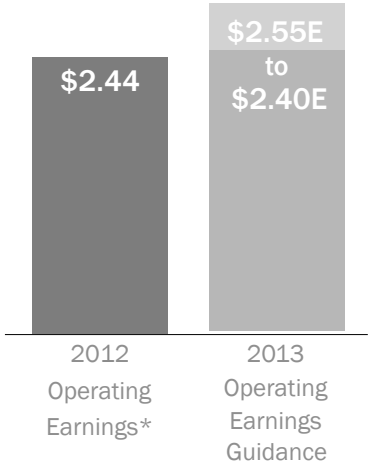
- Transmission program of $3.4 billion, including contstruction of 5 major projects, continues on schedule and on budget
- Review of Energy Strong proposal underway by BPU; Over 80 NJ municipalities, including 7 county governments, have passed resolutions in support of the Energy Strong infrastructure proposal

Market Developments

- US District Courts in both NJ and MD rendered decisions supportive of competitive markets and FERC's ratemaking authority
- New LIPA agreement broadens and extends original contract

PSEG – Updating 2013 EPS Guidance

Based on performance year-to-date, we have raised guidance for full-year 2013 Operating Earnings to $2.40 to $2.55 per share, based on normal weather and unit operations



3Q OPERATING EARNINGS BY SUBSIDIARY

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2013**	**2012**	**2013**	**2012**
PSEG Power	$216	$217	$0.43	$0.43
PSE&G	168	155	0.33	0.30
PSEG Energy Holdings/Enterprise	1	10	–	0.02
Operating Earnings*	$385	$382	$0.76	$0.75

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

KEY PERFORMANCE HIGHLIGHTS

	as of 9/30/13
Stock Price	$32.93
Dividends Paid per Share (*year-to-date*)	$1.08
Dividend Yield *(%)*	4.4%
Return on Average Common Equity**	11.6%
Average Shares Outstanding *(000s)*	507,433
Book Value Per Common Share	$22.41

** Calculation based on Operating Earnings for 12-month period ended.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)						
Operating Earnings	$ 385	$ 382	$ 1,061	$ 1,029	$ 1,236	$ 1,389
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	3	(76)	(22)	(34)	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7	36	(173)
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-	(39)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	34
Income from Continuing Operations	$ 390	$ 347	$ 1,043	$ 1,051	$ 1,275	$ 1,407
Discontinued Operations	-	-	-	-	-	96
Net Income	$ 390	$ 347	$ 1,043	$ 1,051	$ 1,275	$ 1,503
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	507
Per Share Impact (Diluted)						
Operating Earnings	$ 0.76	$ 0.75	$ 2.09	$ 2.03	$ 2.44	$ 2.74
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07	(0.34)
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-	(0.08)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	0.06
Income from Continuing Operations	$ 0.77	$ 0.68	$ 2.06	$ 2.07	$ 2.51	$ 2.77
Discontinued Operations	-	-	-	-	-	0.19
Net Income	$ 0.77	$ 0.68	$ 2.06	$ 2.07	$ 2.51	$ 2.96

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

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NYSE: PEG

Q3 2014 Performance Update

"PSEG had strong results in the third quarter. We continue to see the benefit to earnings from the expansion of our regulated utility capital programs. Our results also benefitted from the focus placed on controlling the growth in our operating expenses which offset the impact of less favorable weather conditions on demand. Operating earnings for the third quarter of 2014 were $0.77 per share compared with operating earnings of $0.76 per share earned in 2013's third quarter. The results for the third quarter bring PSEG's operating earnings for the nine months ended September 30, 2014 to $2.27 per share, a 9% increase over the $2.09 per share earned during the first nine months of last year.

Investment opportunities under active consideration amounting to approximately $1 billion will provide our customers with access to low-cost gas and cost-effective technologies that reduce emissions as they also improve system reliability. Based on the strength of our results for the quarter and year-to-date, we are raising the low end of our full year operating earnings guidance to $2.60 from $2.55 per share, and, as we indicated last quarter, we remain on track to achieve results at the upper end of our revised operating earnings guidance of $2.60 - $2.75 per share. Our investments are meeting our expectations, our costs are under control and we remain well positioned to deploy our balance sheet to meet shareholder objectives for long-term growth.

Ralph Izzo, Chairman, President & CEO - October 30, 2014

PSEG – Q3 Highlights

Earnings on Track

- Operating earnings of $0.77 per share vs. $0.76 in Q3 2013
- Increased contribution to earnings from PSE&G's investment in Transmission
- Narrowed 2014 full-year Operating Earnings guidance to $2.60 - $2.75 per share, from $2.55 to $2.75 per share

Operating Review

- PSEG Power output up 4% vs. Q3 2013 – with increased availability
- Control of O&M supports full-year expectations

Executing on our Capital Program

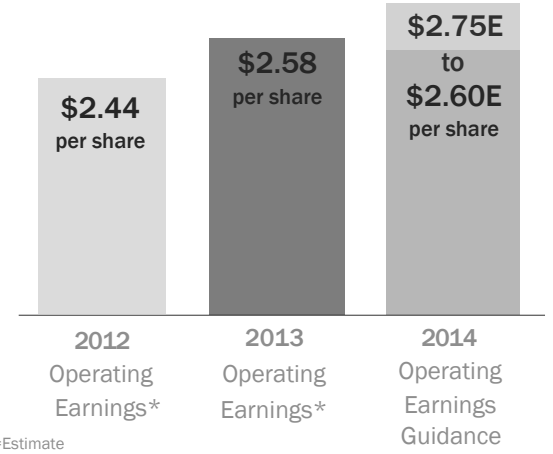
- Transmission program of $6.8 billion continues on schedule and on budget
- Energy Strong investment underway – gas mains replacement prioritized
- Power announced a new $100-$120 million investment in the PennEast Pipeline

Market Developments

- PJM proposed changes on Capacity Performance, Demand Curve adjustment and pending Demand Response (DR) issues supportive of price formatio
- PJM decision on FERC 1000 Artificial Island solution expected early 2015
- Updated PSEG-Long Island "Utility 2.0" filing submitted to NY regulators

PSEG - 2014 Another Year of Growth

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



E=Estimate

Q3 Operating Earnings by Subsidiary

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

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 9/30/2014
Stock Price	$37.24
Dividends Paid per Share (*year-to-date*)	$1.11
Dividend Yield *(%)*	4.0%
Return on Average Common Equity**	12.0%
Average Shares Outstanding - Diluted *(000s)*	507,402
Book Value Per Common Share	$23.89

** Calculation based on Operating Earnings for 12-month period ended.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The table below includes a list of items excluded from Net Income to reconcile to Operating Earnings.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

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

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

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

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PSEG
We make things work for you.

Quarterly UPDATE

Q3 2017

NYSE: PEG

Q3 2017 - Quarterly Performance Update

"PSEG reported today Q3 2017 Net Income of $0.78 per share as compared to Net Income of $0.64 per share in Q3 2016. Non-GAAP Operating Earnings for Q3 2017 were $0.82 per share compared with non-GAAP Operating Earnings of $0.88 per share in Q3 2016. We experienced solid results for the quarter, executing well on major operational and policy initiatives, delivering reliable, efficient service as we continue to upgrade our transmission system, replace cast-iron pipe and construct three new clean gas-fired combined cycle generating stations. Despite the impact of abnormally cool weather on sales and earnings at both businesses, we remain within our non-GAAP Operating Earnings guidance for the full year of $2.80 - $3.00 per share.

For the year, PSE&G currently expects to invest $3.1 billion of capital in its infrastructure; this is lower than the plan of $3.4 billion due to a delay in timing on certain projects and better than anticipated efficiencies. However, based on the development of our various investment programs, we are increasingly comfortable with PSE&G's ability to achieve growth in rate base at the upper end of our forecast rate of growth of 7 – 9% per year for the five-year period ended in 2021.

PSEG Power's Q3 results were impacted by a decline in energy prices and the effect of cooler than normal weather on demand and output, which offset a decline in operating and maintenance expense. We are supportive of the Department of Energy's (DOE) recent initiative to immediately address the erosion occurring in the resiliency of our electric grid due to the risk of premature retirements of baseload generation. Successful execution of PSEG's key policy and regulatory initiatives would assure PSEG's ability to provide customers with the service, reliability and resiliency that they have come to want–and expect–that is also affordable."

Ralph Izzo, Chairman, President & CEO - October 31, 2017

PSEG – Q3 2017 Highlights

Solid Financial Results

- Net Income of $0.78 vs. Net Income of $0.64 per share in Q3 2016
  Non-GAAP Operating Earnings* of $0.82 vs. $0.88 per share in Q3 2016
- PSE&G results benefited from increased investment in electric and gas transmission and distribution
- Power results aided by continued cost control and improved nuclear performance
- Unseasonably mild weather weighed on results of both business

Operational Excellence

- Nuclear fleet achieved a capacity factor of ~96% for Q3 and ~95% for the YTD

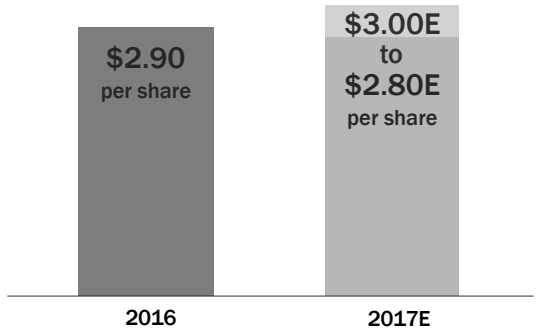
Disciplined Capital Investment

- PSE&G investing ~$3.1 billion to upgrade transmission, replace cast-iron pipe and improve the resilience of the electric distribution system in 2017 and PSEG Power investing ~$1.2 billion constructing three new highly efficient gas-fired CCGTs
- Regulatory Focus: Per Board of Public Utilities (BPU) agreement, PSE&G will delay the Distribution Base Rate Case filing to no later than 12/1/17; Decision by BPU on Infrastructure Investment Proposal expected by year-end
- Policy Focus: FERC seeking response to DOE proposed rule making to preserve the viability of fuel-secure, base load resources; Reply comments due 11/7/17

Re-affirming 2017 Full-Year Guidance

Growth in utility infrastructure investments drives higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance



E = ESTIMATE

Q3 2017 Results by Subsidiary

Three Months Ended September 30	Financial Results		Per Share	
$ millions *(except per share amounts)*	2017	2016	2017	2016
GAAP Net Income/(Loss)				
PSE&G	$246	$255	$0.49	$0.50
PSEG Power	$136	$139	$0.27	$0.27
PSEG Enterprise/Other	$13	$(67)	$0.02	$(0.13)
Total PSEG	$395	$327	$0.78	$0.64
Non-GAAP Operating Earnings*				
PSE&G	$246	$255	$0.49	$0.50
PSEG Power **	$158	$170	$0.31	$0.34
PSEG Enterprise/Other**	$13	$19	$0.02	$0.04
Total PSEG*	$417	$444	$0.82	$0.88

Key Performance Highlights

	as of 9/30/2017
Stock Price on 9/30/2017	$46.25
Dividends Paid per Share (*year-to-date*)	$1.29
Dividend Yield *(%)*	3.7%
Total Shareholder Return (*year-to-date*)	8.5%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$26.01

*/**See Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other on page 2 of this report or at **https://www.pseg.com/info/investors/forward.jsp**

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Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of October 31, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	*Year-Ended December 31, 2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2018

October 30, 2018

SI-SSA-0015-10463

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10464

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Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

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PSEG
2018 Q3 Review

SI-SSA-0015-10466

PSEG Q3 2018 Highlights

- **Third Quarter Results**
  - ✓ Net Income per share of $0.81 up 4% vs. $0.78 in Q3 2017
  - ✓ Non-GAAP Operating Earnings* per share of $0.95 up 16% vs. $0.82 in Q3 2017
  - ✓ PSE&G Earnings per share up 10% from growth in T & D investment and weather
  - ✓ PSEG Power non-GAAP Operating Earnings* per share improved driven by lower taxes
  - ✓ Updating 2018 non-GAAP Operating Earnings guidance to $3.05 - $3.15 per share
- **Operational Excellence**
  - ✓ Nuclear achieved an average capacity factor of 93% for Q3 and YTD; the CCGT fleet ran at a capacity factor of 68% in Q3
  - ✓ PSE&G maintained high system reliability throughout second hottest third quarter on record
- **Disciplined Investment – Producing Results**
  - ✓ PSEG on track to invest ~$3.6 billion in 2018: $2.8 billion at PSE&G, $0.7 billion at Power
  - ✓ Regulatory/Legislative Focus: PSE&G settled its Distribution Rate Case in October; Clean Energy Future (CEF) programs filed; Energy Strong II pending before the Board of Public Utilities (BPU); Zero Emission Certificate (ZEC) public hearings concluded
  - ✓ Major Capital Initiatives: PSEG Power CCGT construction program expected to conclude with Bridgeport Harbor 5 completion in mid-2019; GSMP II investments to begin in 2019

SI-SSA-0015-10467

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

PSEG Q3 Results Summary

Quarter ended September 30

$ millions (except EPS)	2018	2017
Net Income	$ 412	$ 395
Reconciling Items	69	22
Operating Earnings (non-GAAP)*	$ 481	$ 417
EPS from Net Income	$ 0.81	$ 0.78
EPS from Operating Earnings (non-GAAP)*	$ 0.95	$ 0.82

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG Year-to-Date Summary

Nine Months ended September 30

$ millions (except EPS)	2018	2017
Net Income	$ 1,239	$ 618
Reconciling Items	59	581
Operating Earnings (non-GAAP)*	$ 1,298	$ 1,199
EPS from Net Income	$ 2.44	$ 1.22
EPS from Operating Earnings (non-GAAP)*	$ 2.56	$ 2.36

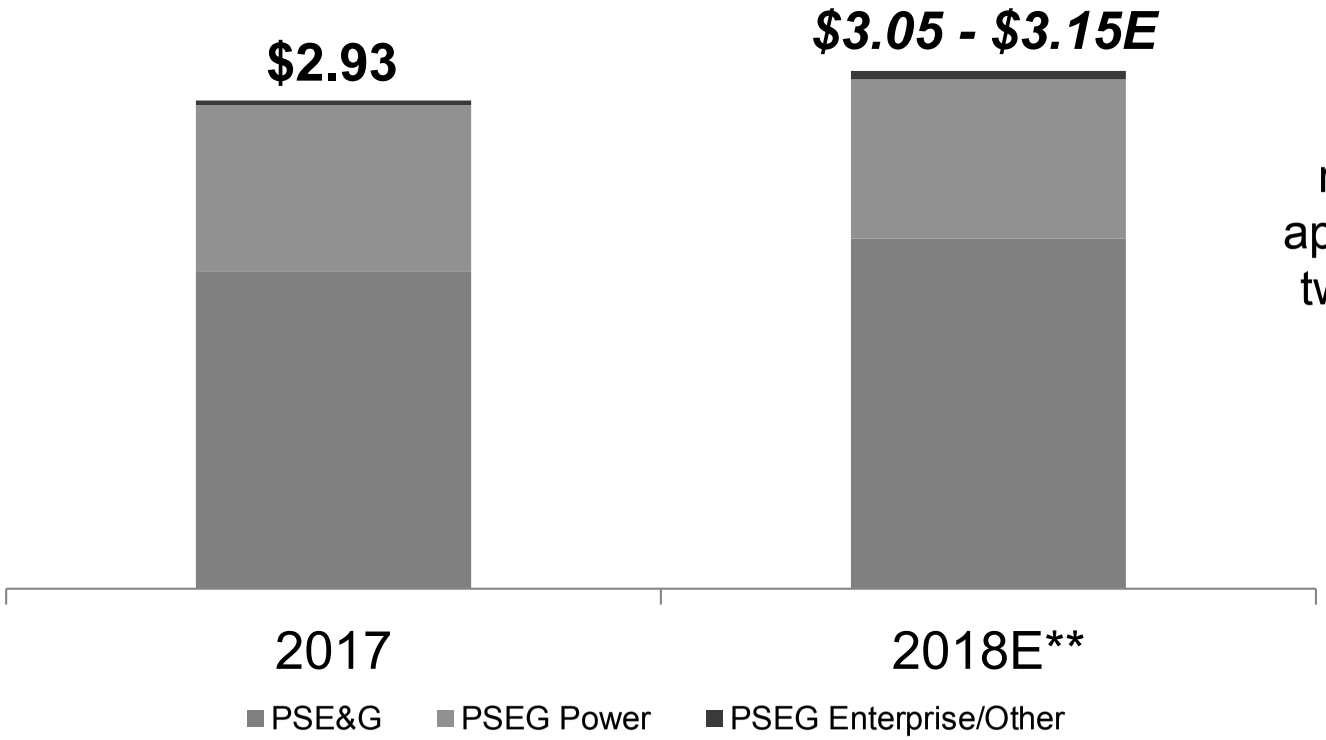
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-10469

PSEG Updating 2018 Full-Year Guidance and Adjusting Subsidiary Contribution Ranges

Growth in utility infrastructure investment and tax reform expected to drive earnings ~6% higher than 2017

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Updated Guidance



PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

Subsidiary contributions adjusted to reflect an increased contribution from PSE&G, balancing lower expected results at PSEG Power and Enterprise/Other

* See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of updated 2018 non-GAAP Operating Earnings guidance of $3.05 - $3.15 per share. E = Estimate.

SI-SSA-0015-10470

PSEG
2018 Q3 Operating Company Review

SI-SSA-0015-10471

PSEG – Q3 Results by Subsidiary

PSEG Q3 EPS Summary – Quarter ended September 30

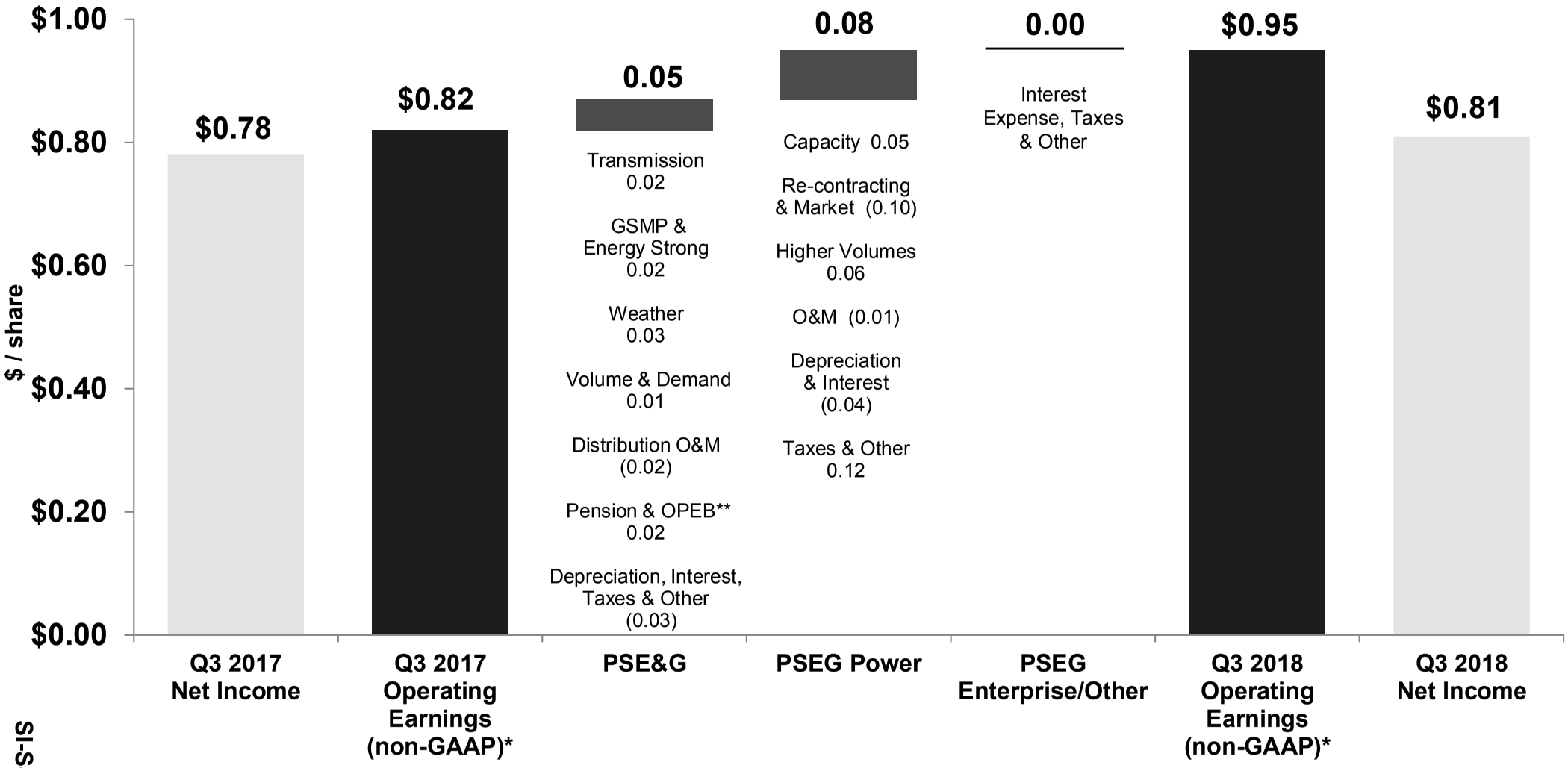
GAAP Net Income/(Loss)	2018	2017	Change
PSE&G	$ 0.54	$ 0.49	$ 0.05
PSEG Power	$ 0.25	$ 0.27	$ (0.02)
PSEG Enterprise/Other	$ 0.02	$ 0.02	$ -
Total PSEG	$ 0.81	$ 0.78	$ 0.03

Non-GAAP Operating Earnings*	2018	2017	Change
PSE&G	$ 0.54	$ 0.49	$ 0.05
PSEG Power	$ 0.39	$ 0.31	$ 0.08
PSEG Enterprise/Other	$ 0.02	$ 0.02	$ -
Total PSEG	$ 0.95	$ 0.82	$ 0.13

*See Slide A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-10472

PSEG EPS Reconciliation – Q3 2018 versus Q3 2017



*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

SI-SSA-0015-10473

PSEG – Year-to-Date Results by Subsidiary

PSEG YTD EPS Summary – Nine Months ended September 30

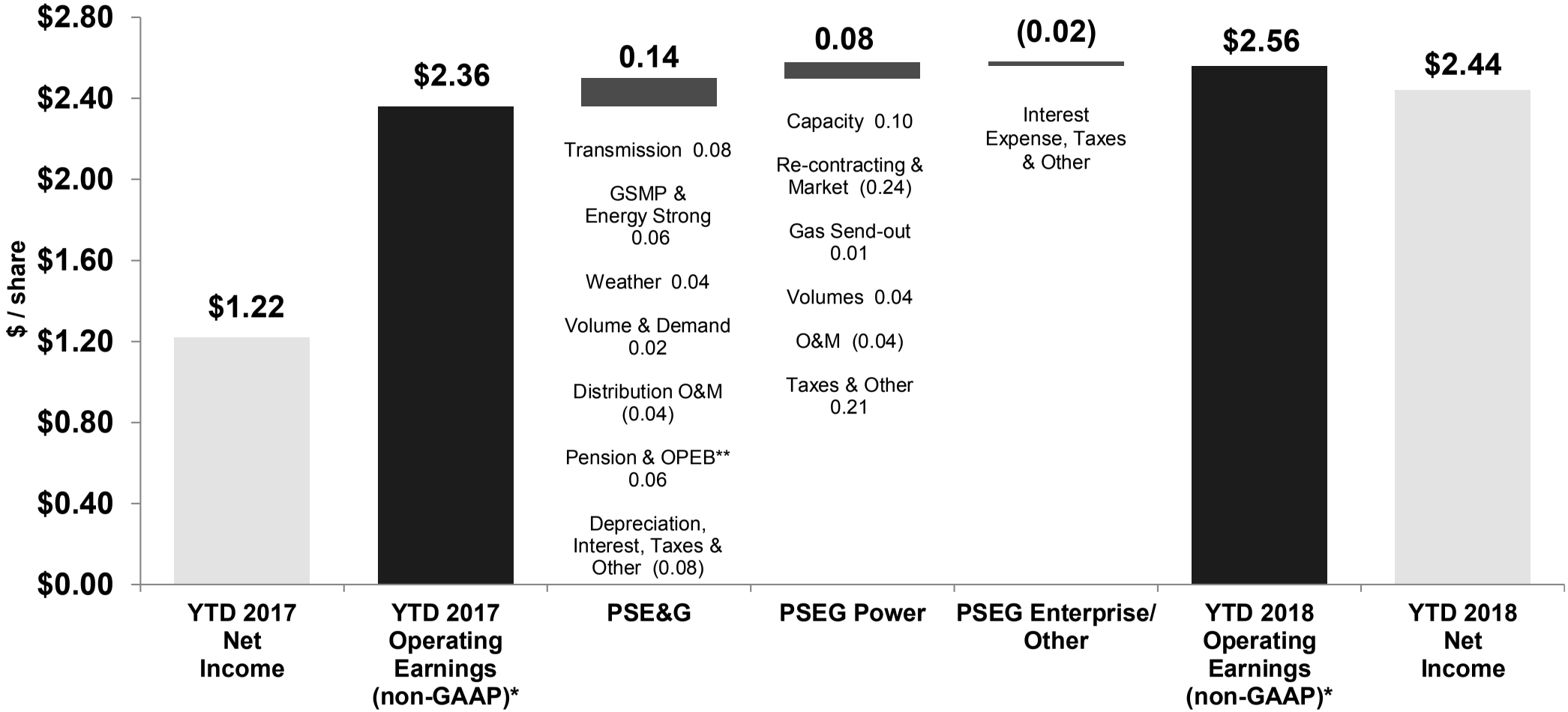
GAAP Net Income/(Loss)	2018	2017	Change
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.79	$ (0.26)	$ 1.05
PSEG Enterprise/Other	$ 0.02	$ (0.01)	$ 0.03
Total PSEG	$ 2.44	$ 1.22	$ 1.22

Non-GAAP Operating Earnings*	2018	2017	Change
PSE&G	$ 1.63	$ 1.49	$ 0.14
PSEG Power	$ 0.88	$ 0.80	$ 0.08
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG	$ 2.56	$ 2.36	$ 0.20

*See Slide A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-10474

PSEG EPS Reconciliation – YTD 2018 versus YTD 2017



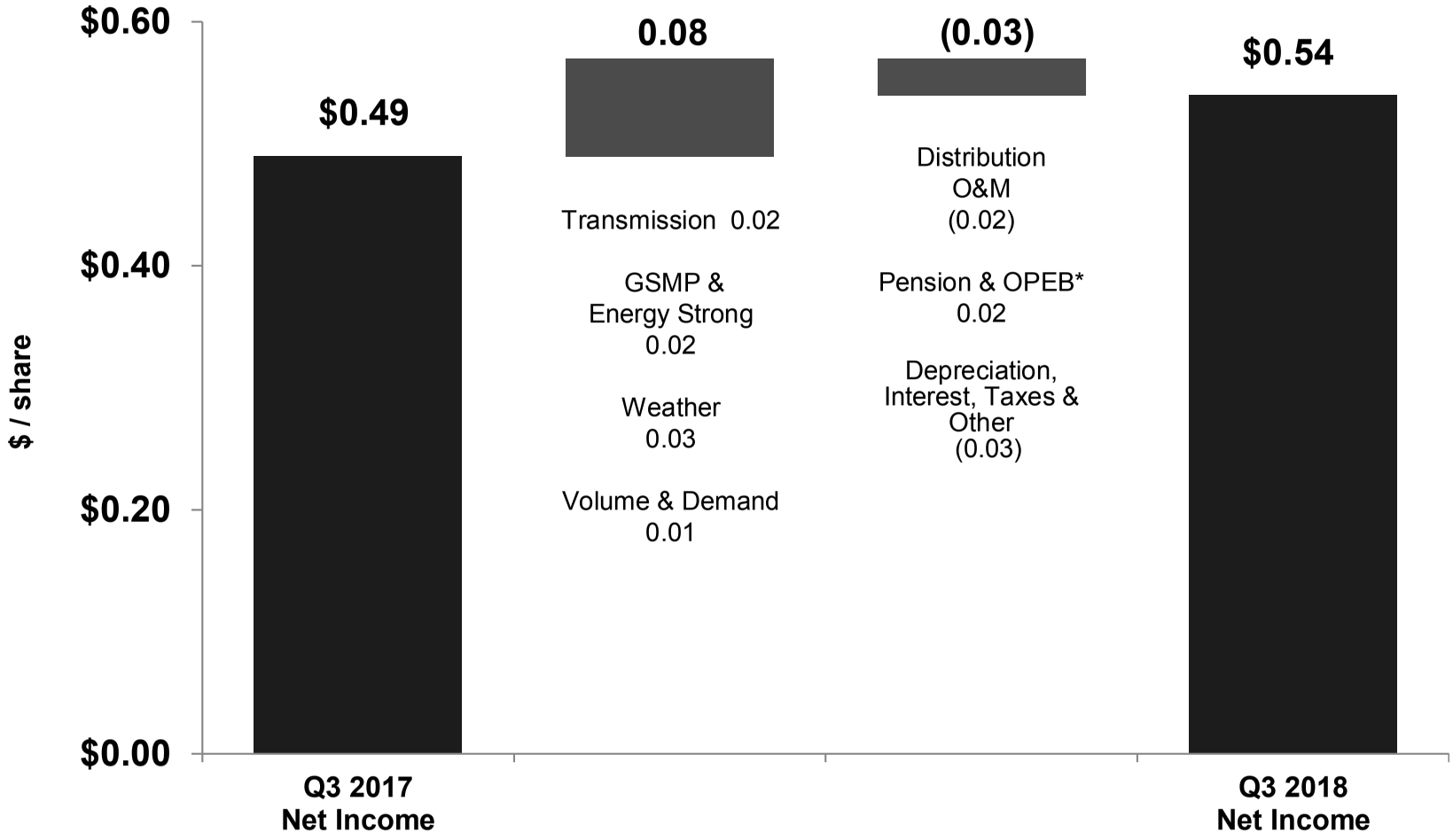
*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

Note: Prior quarter results may not add to year-to-date totals due to rounding.

SI-SSA-0015-10475

PSE&G
2018 Q3 Review

PSE&G EPS Reconciliation – Q3 2018 versus Q3 2017



*Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

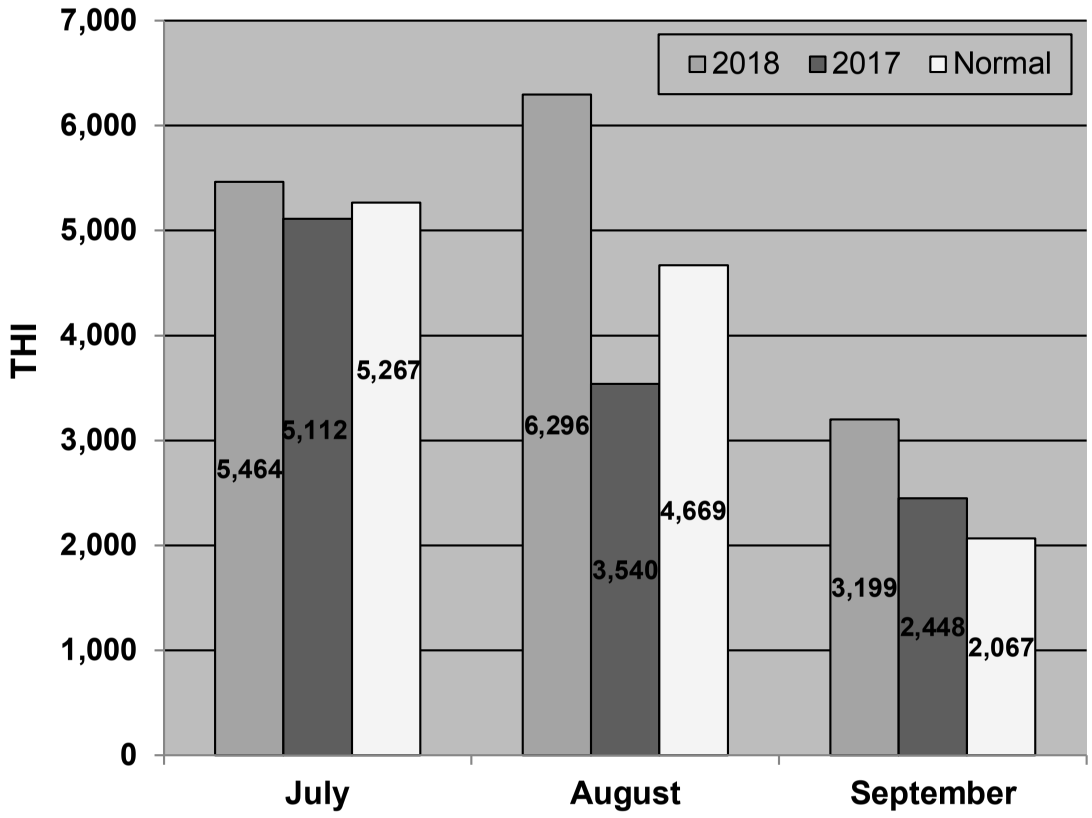
SI-SSA-0015-10477

PSE&G – Q3 2018 warmer than normal weather

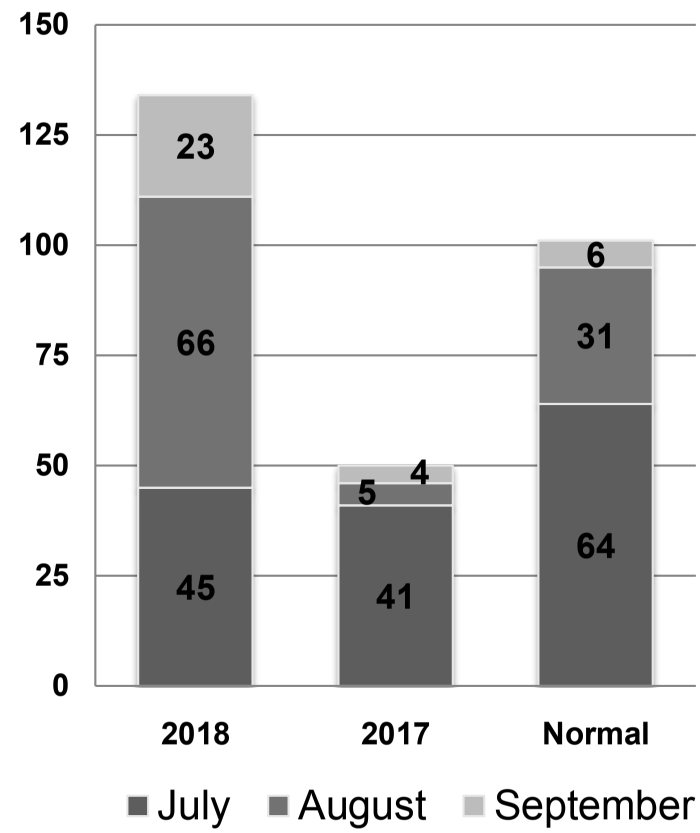
PSE&G Monthly Weather Summary

2018 vs. 2017 vs. Normal

Monthly Temperature Humidity Index (THI)



Total Hours at 90°F or Higher



Q3 2018 temperature-humidity index was ~35% higher than Q3 2017 and ~25% higher than normal

Q3 2018 total hours at or above 90°F were ~168% higher than Q3 2017 and ~33% higher than normal

SI-SSA-0015-10478

Clean Energy Future

Clean Energy Future, totaling ~$3.6 Billion over 6 years, seeks to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- ✓ **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings support 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- ✓ **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- ✓ **Energy Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- ✓ **Energy Cloud: Advanced Metering Infrastructure (AMI):** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits.

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

SI-SSA-0015-10479

Distribution Rate Case Settlement Approved

- New rates become effective November 1, 2018
- Bill impact is generally <1% per rate class. Typical residential combined electric & gas customer bills are ~30% lower versus 2008 in nominal dollars

Key Terms

- ROE of 9.6%; 54% equity ratio
- Rate Base of $9.5B: $5.5B Electric and $4.0B Gas
- Base revenues include recovery of deferred storm costs (~$50M/year)
- Tax Adjustment Clause – Two tax items flowed back to customers, with a return on the portion related to rate base:
  - Excess deferred taxes – Unprotected over five years; Protected via ARAM
  - 'Safe Harbor Adjusted Repair Deduction' (SHARE) - Ongoing and 1/3 of historic balance
- Rate design changes:
  - Higher monthly fixed service charges for electric and gas bring us more in line with other NJ utilities
  - Decoupling/lost revenues to be addressed in CEF filings

Annual Revenue Impact ($ millions)	Electric	Gas	Total
Base Revenue	$89	$123	$212
Tax Adjustment Clause	(80)	(145)	(225)
Net Revenue Change	$9	$(22)	$(13)

Note: ROE= Return on Equity, ARAM = Average Rate Assumption Method

SI-SSA-0015-10480

PSE&G – Q3 Operating Highlights

Operations

- ✓ Q3 2018 electric sales up ~6% on weather that was 35% warmer than Q3 2017 and 25% warmer than normal
- ✓ Weather normalized electric sales were flat for the trailing 12 month period ending September 30

Regulatory and Market Environment

- ✓ Filed for 2019 FERC Formula Rate increase of approximately $100 million to be effective January 1, 2019, reflects increase in transmission investment; Additional filing to return excess deferred taxes
- ✓ Distribution Rate Case settlement approved by NJ BPU, a positive outcome that benefits PSE&G and provides customers with rate stability
  - Typical residential combined electric and gas customer bills are ~30% lower since 2008 in nominal dollars
  - Rates go into effect November 1st
- ✓ Filed Clean Energy Future programs, totaling $3.6 billion including $0.7 billion in Energy Cloud/AMI investment
- ✓ Energy Strong II filing, which proposes $2.5 billion investment over 5 years, is pending before the BPU

Financial

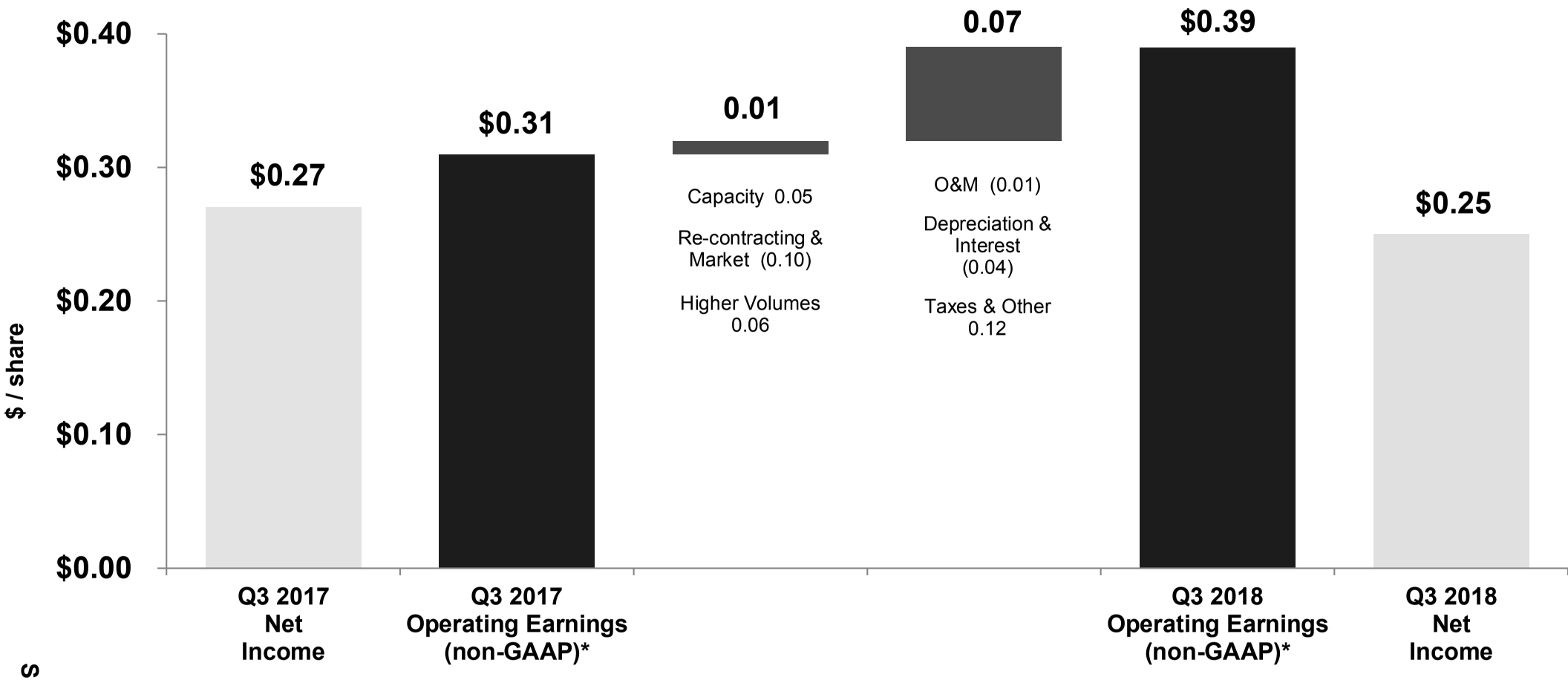
- ✓ PSE&G invested $2.3 billion during the first nine months of 2018, on track to invest $2.8 billion for the year
- ✓ PSE&G's Q3 2018 earnings increased by $0.05 per share, or 10%
- ✓ In September, PSE&G issued $325 million of 5-year Medium-Term Notes (MTNs) at 3.25% and $325 million of 10-year MTNs at 3.65%; and retired $350 million of 2.30% MTNs
- ✓ PSE&G's 2018 Net Income guidance range has been updated to $1,055 million - $1,070 million, from $1,000 million - $1,030 million as a result of stronger sales mostly due to warmer than normal summer weather

SI-SSA-0015-10481

PSEG Power
2018 Q3 Review

SI-SSA-0015-10482

PSEG Power EPS Reconciliation – Q3 2018 versus Q3 2017

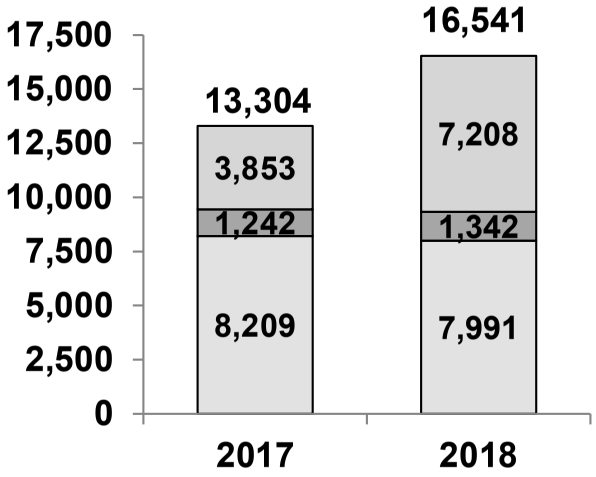


*See Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

SI-SSA-0015-10483

PSEG Power – Q3 Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended September 30	
	2017	2018
Combined Cycle	51.0%	68.2%
Coal**		
PA	73.9%	78.6%
CT	1.3%	3.1%
Nuclear	96.1%	92.7%

PSEG Power – Fuel Costs

	Quarter ended September 30	
($ millions)	2017	2018
Gas	$ 63	$ 141
Oil	-	1
Coal	27	30
Total Fossil	90	172
Nuclear	51	48
Total Fuel Cost	$ 141	$ 220
Total Generation (GWh)	13,304	16,541
$ / MWh	10.60	13.30

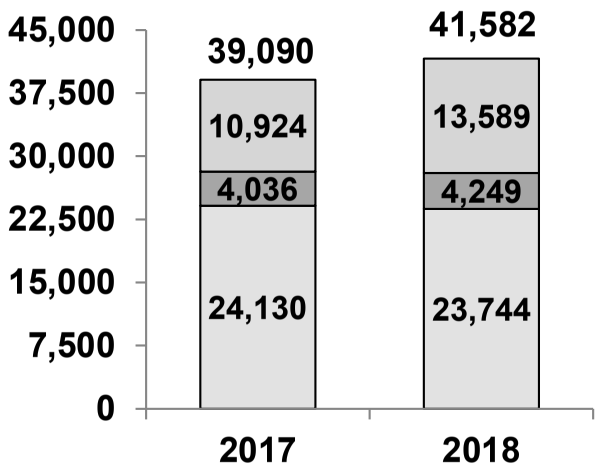
Total Nuclear Total Coal** Natural Gas Oil

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-10484

PSEG Power – YTD Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Nine Months ended September 30	
	2017	2018
Combined Cycle	49.3%	52.5%
Coal**		
PA	79.6%	80.2%
CT	3.8%	10.1%
Nuclear	95.2%	92.9%

PSEG Power – Fuel Costs

	Nine Months ended September 30	
($ millions)	2017	2018
Gas	$ 222	$ 297
Oil	2	27
Coal	92	107
Total Fossil	316	431
Nuclear	153	143
Total Fuel Cost	$ 469	$ 574
Total Generation (GWh)	39,090	41,582
$ / MWh	12.00	13.80

Total Nuclear Total Coal** Natural Gas Oil

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

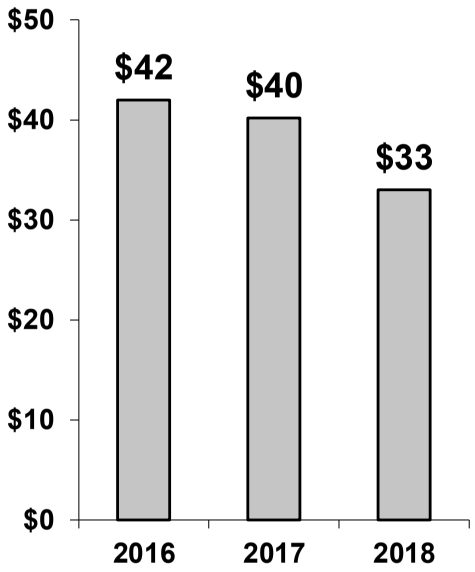
SI-SSA-0015-10485

PSEG Power – Gross Margin Performance

- ✓ Higher gas prices compressed Power's spark spread
- ✓ Higher generation due to commencement of Keys and Sewaren 7 commercial operation and increased market demand
- ✓ Capacity revenues up vs. Q3 2017 reflecting a step-up in PJM and ISO-NE capacity pricing to an average of $205 and $314 MW/day, respectively

PSEG Power Gross Margin ($/MWh)

Quarter ended September 30



Regional Performance		
Region	**Q3 Gross Margin ($M)**	**Q3 2018 Performance**
PJM	$495	Keys and Sewaren 7 commercial operations, higher capacity prices and higher market demand partially offset by re-contracting and lower spark spreads
New England	$24	Higher generation, market prices and capacity prices
New York	$22	Lower market demand partially offset by higher prices

SI-SSA-0015-10486

Hedging Update

Contracted Energy*

		Oct – Dec 2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	9	35	36
	% Hedged	100%	100%	75-80%
	Price $/MWh	$37	$36	$36
Intermediate, Combined Cycle, Peaking	Volume TWh	4-6	23-25	27-29
	% Hedged	55-60%	35-40%	0%
	Price $/MWh	$37	$36	$-
Total	Volume TWh	13-15	58-60	62-64
	% Hedged	80-85%	70-75%	40-45%
	Price $/MWh	$37	$36	$36

* Hedge percentages and prices as of September 28, 2018 and reflect revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

PSEG Power – Q3 Operating Highlights

Operations

- ✓ Q3 output up 24% as Sewaren 7 and Keys Energy Center commenced commercial operations
- ✓ Nuclear achieved an average capacity factor of 93% in Q3 and YTD; the CCGT fleet ran at a capacity factor of 68%, producing 7.0 TWh of energy; and the Coal fleet achieved a 79% capacity factor, producing 1.3 TWh of energy

Regulatory and Market Environment

- ✓ 2018 expected generation output modestly increased to 54 – 56 TWh on higher market demand
- ✓ Power submitted comments largely supporting PJM's capacity redesign proposals
- ✓ ZEC public hearings have been completed; Power anticipates submitting applications for its three NJ nuclear units in December
- ✓ Fast-start market price reform remains pending, with PJM targeted implementation anticipated in 2019

Financial

- ✓ Power's total debt as a percentage of capitalization at September 30 was 34%
- ✓ Power's 2018 guidance ranges for non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA have been updated to $465 million - $500 million and $1,045 million - $1,100 million from $485 million - $560 million and $1,075 million - $1,180 million, respectively, reflecting lower realized margins from Power's portfolio

SI-SSA-0015-10488

PSEG

PSEG Financial Highlights

- Updating 2018 (non-GAAP) Operating Earnings guidance to $3.05 - $3.15 per share, and adjusted subsidiary contribution ranges
- PSEG's 5-Year capital spending forecast of $14 billion - $17.5 billion over the 2018 - 2022 period, 90% directed at PSE&G capital program
- PSE&G capital spend forecast of $12 billion - $16 billion supports expected annual growth in rate base of 8% - 10% over 2018 - 2022
- Clean Energy Future filings made, totaling $3.6 billion over 6 years
- Energy Strong II, totaling $2.5 billion over 5 years, pending
- PSEG Power's capital program nearing completion with Bridgeport Harbor 5 targeted mid-2019 in-service
- Financial position remains strong:
  - ✓ PSEG is a net beneficiary from the Tax Cut and Jobs Act
  - ✓ No need to issue equity to finance capital program; credit metrics support additional balance sheet capacity
  - ✓ Debt as a percentage of capitalization was 51% at September 30
  - ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-10490

Updating PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, as noted)*

$ millions (except EPS)	2018E	2017
PSE&G	$1,055 - $1,070	$963
PSEG Power (non-GAAP)*	$465 - $500	$505
PSEG Enterprise/Other	$25 - $25	$20
Operating Earnings (non-GAAP)*	$1,545 - $1,595	$1,488
Operating EPS (non-GAAP)*	**$3.05 - $3.15E**	**$2.93**

Adjusted EBITDA (non-GAAP)*

$ millions	2018E	2017
PSEG Power	$1,045 - $1,100	$1,172

- See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Slide C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

PSEG Liquidity as of September 30, 2018

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$56	$544
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$393	$1,107
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$51	$1,849
	3-year LC Facility (Power)*	Mar-20	$100	$62	$38
	3-year LC Facilities (Power)	Sep-21	$200	$100	$100
	Total Money Pool		$3,700	$606	$3,094
	Total		$4,300	$662	$3,638
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$0
			Total Liquidity Available		**$3,638**

* Letter of Credit will be terminated during the fourth quarter of 2018

SI-SSA-0015-10492

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 412	$ 395	$ 1,239	$ 618	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	9	3	960	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(18)	(387)	(427)
Tax Reform	-	-	-	-	(745)
Operating Earnings (non-GAAP)	$ 481	$ 417	$ 1,298	$ 1,199	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.81	$ 0.78	$ 2.44	$ 1.22	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.08)	(0.05)	(0.05)	(0.14)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.26	0.09	0.16	-	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.02	0.01	1.89	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	0.03	0.15	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.02)	(0.03)	(0.76)	(0.84)
Tax Reform	-	-	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.95	$ 0.82	$ 2.56	$ 2.36	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see slide 3 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Reconciliation of Non-GAAP Operating Earnings

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income	$ 278	$ 246	$ 828	$ 753	$ 973
Tax Reform	-	-	-	-	(10)
Operating Earnings (non-GAAP)	$ 278	$ 246	$ 828	$ 753	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	$ 9	$ 13	$ 11	$ (4)	$ 122
Lease Related Activity, pre-tax	-	-	20	77	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	-	(6)	(32)	(32)
Tax Reform	-	-	-	-	(147)
Operating Earnings (non-GAAP)	$ 9	$ 13	$ 25	$ 41	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Please see slide 3 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

B

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Month Ended September 30,		Year-Ended December 31,
	2018	2017	2018	2017	2017
	($ millions, Unaudited)				
Net Income (Loss)	**$ 125**	**$ 136**	**$ 400**	**$ (131)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax [a]	(43)	(22)	(28)	(69)	(133)
(Gain) Loss on MTM, pre-tax [b]	133	46	82	-	167
Hudson/Mercer Early Retirement, pre-tax	-	9	3	960	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [c]	(21)	(11)	(12)	(355)	(395)
Tax Reform	-	-	-	-	(588)
Operating Earnings (non-GAAP)	**$ 194**	**$ 158**	**$ 445**	**$ 405**	**$ 505**
Depreciation and Amortization, pre-tax [d]	91	77	253	256	333
Interest Expense, pre-tax [d] [e]	29	12	46	40	48
Income Taxes [d]	46	109	139	275	286
Adjusted EBITDA (non-GAAP)	**$ 360**	**$ 356**	**$ 883**	**$ 976**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

Please see slide 3 for an explanation of PSEG's use of Operating Earnings and adjusted EBITDA as a non-GAAP financial measure and how it differs from Net Income.

C

Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2013-10-30
Event Description: Q3 2013 Earnings Call

Market Cap: 17,042.33
Current PX: 33.69
YTD Change($): +3.09
YTD Change(%): +10.098

Bloomberg Estimates - EPS
Current Quarter: 0.428
Current Year: 2.481
Bloomberg Estimates - Sales
Current Quarter: 2306.400
Current Year: 10218.111

Q3 2013 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Daniel Eggers
- Neel Mitra
- Julien Dumoulin-Smith
- Paul Fremont

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, My name is Brian, and I will be your conference operator today. At this time, I would like to welcome everyone to the Public Service Enterprise Third Quarter 2013 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers remarks there will be a question-and-answer session. [Operator Instructions] Thank you.

Ms. Lally, you may begin your conference.

Kathleen A. Lally

Thank you, Brian. Good morning everyone. Thank you for participating in our call this morning. We understand it's a very busy day for earnings. But as you are aware, we released our third quarter 2013 earnings statements earlier today. Both the release and attachments are posted on our website at www.pseg.com, under the Investor section. We also posted a series of slides that detail the operating results by company for the quarter and our 10-Q for the period ended September 30, 2013, is expected to be filed shortly.

I will go through the full disclaimer statements or the comments we have on the difference between operating earnings and GAAP results. But as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimate changes, unless we are required to do so. Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K for other filings for a discussion of the factors that may cause results to differ from management projections, forecast and expectations, and for a reconciliation of operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and CFO. At the conclusion of their remarks, there will be time for your questions. I'm not going to ask that you limit yourself to one question and one follow-up, but please take note of others who may be on the call ready to ask a question. Thank you. Ralph.

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Ralph Izzo

Thank you, Kathleen, and thank you, everyone, for joining us today. It's hard to believe that it was a year ago when we were reporting results for the third quarter of 2012 while we were responding to the damage to our system caused by Superstorm Sandy. Our utility PSE&G restored service to 2.1 million customers within 10 days, and PSEG powers asset, you will recall, were severely tested as well, but performed so as to ensure that electricity was available to every one of those 2.1 million customers as they were being restored. Both companies in the past year have embarked on programs to strengthen their systems.

But enough of the past. It's with a great sense of satisfaction, and in fact, it's somewhat remarkable when looking back at what we faced that time, that I can report to you stronger operating earnings for the third quarter 2013 and, in fact, the nine months of 2013. And on top of that, I can report to you this morning an increase in our operating earnings guidance for the full year from what had initially been $2.25 to $2.50 per share to our new guidance range of $2.40 to $2.55 per share.

So earlier this morning, we reported operating earnings for the third quarter of 2013 of $0.76 per share compared with operating earnings of $0.75 per share earned in 2012 third quarter. We've delivered solid results that are consistent with our operating objectives. And once again, it is due to the tireless efforts of a dedicated workforce that we are on track to meet our near and long term targets for capital investment and operational efficiency and that we can raise our guidance for full year operating earnings.

Our shareholders continue to realize the benefits earned from the expansion of our investment in transmission and distribution, while our customers enjoy the improvements in reliability that come along with it. PSEG's $3.4 billion transmission investment program includes five major transmission lines that require substantial sighting and logistical support, yet all projects are on time and on budget and schedule to be operational during 2014 through 2015.

Since PSEG began its transmission expansion program in 2009, its investment in transmission has grown to represent 28% of rate base at the end of 2012. This represents a net investment of $2.5 billion iand expected to grow to represent approximately 40% of PSEG's rate base at the end of 2015 or an investment of approximating $4.8 billion. As I've already mentioned, the investment in these major transmission projects will further enhance reliability for our customers.

Shifting our attention to PSEG Power for a moment, Power in an impressive comeback restoring operations at most of its peaking generation stations to pre-Sandy levels to assure their availability during the critical summer months. And Power continues to benefit from its favorable location. Now in the past, when we refer to Power's location value, it was typically a reference to the benefits associated with the assets in the east located close to load and of course this remains true.

But then, Power is also benefiting from our location which gives us access to low cost gas in the Marcellus Basin through our gas pipeline and storage contracts. PSE&G's residential customers are the primary beneficiaries of this contracted position. And for that reason, PSE&G announced last week that it will be providing a two-month bill credit for its residential gas customers that will reduce the typical monthly bill by 33% in both November and December this year.

However, to the extent that we have firm pipeline capacity in excess of the need for serving residential customers, this firm transportation capacity may be used and in fact is used to supply power generation fleet under BPU approved agreement. Power configure this firm gas transmission capability over the past 15 years with the object of building a network at the most liquid supply hubs to support the needs of its customers.

PSEG Power as a result is one of the largest shippers of gas in the Marcellus Basin. As new interstate pipelines become operational later this year, they will provide an additional outlet for some of the Marcellus supply. We believe, however, that Power should continue to experience periods of higher spark spreads given PSEG Power's gas transportation condition. Power's earnings are currently benefiting from favorable prices it receives on capacity located at PJM.

We were very pleased that the U.S. District Courts in Maryland and New Jersey ruled in manner that preserves competitive wholesale generation markets. We believe that a competitive market is the best approach for ensuring there is a sufficient supply of electric capacity to meet customer demand at the lowest cost. The court's decision is not expected to have an impact on markets over the near term. PJM has and will continue to address improvements in market design. It's important however, that the market rules are understood, and the playing field is leveled to support new investment when needed over the long term.

Now as I've stated already, our strong operating performances due to the dedication shown by our employees to meeting our corporate objectives. This dedication has been recognized with the recently approved enhancements to our contract to operate the Long Island Power Authority's transmission and distribution systems. The contract enhancement will allow Power's energy resources and trade group to manage LIPA's electric dispensing fuel procurement needs in 2015 and provide for an increase in our management fee in 2016. The agreement remains contingent on LIPA receiving a private letter ruling from the IRS on the continued tax exempt status of its debt.

We also remained focused on securing approval for PSE&G's Energy Strong proposal. At this moment, 74 municipalities and 7 county governments have submitted resolutions to the board of public utilities in support of our proposal. Public hearings have been held and we expect the proposal to receive careful consideration given the opportunity to improve the resiliency of the distribution system with little net income on the customer's bill due to the coincidental expiration of areas of the charges.

And for the year, PSE&G's on track to provide double digit growth in earnings, on increased investment in transmission as PSEG Power's results benefit from the strong location advantages I've already described. We made a move several years ago to use the strength of our balance sheet to invest primarily in more stable regulated business in ways that meet customer needs as we also sought to protect the upside of our strong merchant business. Our focus is yielding returns, and we're well-positioned to meet the needs of our customers and to perform for our shareholders.

I'll turn the call over to Caroline to review our operating results in greater detail, and then I'll rejoin her at the end to answer your questions.

Caroline D. Dorsa

Thank you, Ralph and good morning, everyone. I'll review our quarterly operating earnings as well as the outlook for full year operating results by subsidiary company. As Ralph said, PSEG reported operating earnings for the third quarter of 2013 of $0.76 per share versus operating earnings of $0.75 per share in last year's third quarter. For the nine months ended September 30, we reported operating earnings of $2.09 per share versus $2.03 per share last year.

Slide 4 and 5 in our webcast deck provide a reconciliation of operating earnings to income from continuing operations and net income for the quarter and year-to-date. We've provided, as always, a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 to provide you with the changes in operating earnings by each business on a year-to-date basis.

I'll now review each company in more detail and I'll start with Power. As shown on slide 14, PSEG Power reported operating earnings for the third quarter of $0.43 compared with $0.43 per share a year ago. Power's third quarter earnings benefited from higher PJM capacity prices and improvement in the market price of energy, a decline in the supply cost of gas and strong operating performance.

Before reviewing the earnings in detail, I want to spend some time on Power's gas position. Power currently sells wholesale natural gas under a full requirement basic gas supply service or BGSS contract with PSE&G to meet the gas supply requirements of PSE&G's residential customers. Power has configured its contractual arrangements with Intrastate pipelines over the years, which amount to 1.3 billion cubic feet per day of firm transportation capacity to meet its obligations under the BGSS contract. Approximately 46% of PSE&G's peak daily gas requirements is provided from Power's firm transportation capacity, which is available every day of the year. Power satisfies the remainder of PSE&G's requirements and storage contracts, L&G, seasonal purchases and other sources of supply.

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The transportation contract source gas from both the Marcellus basin at about 0.6 Bcf per day and the Gulf Coast at about 0.7 Bcf per day. This supply is supplemented with 0.9 Bcf per day of storage deliverability from a total storage capacity of about 76 billion cubic feet.

So the primary beneficiary of these contractual arrangements, as I mentioned, is the firm utility customer. When capacity beyond daily demand and storage injections is available, it may be used to serve the gas supply need of Power's generation fleet under a BPU-approved agreement.

Over the years, having firm transportation contracts for gas has provided Power with direct and indirect market benefits. The firm gas contracts and Power's electric hedging strategy have allowed Power to take advantage of market volatility created by weather and supplier positions.

Gas market volatility also has an impact on the electric market and can affect the value of basis as well as the value of ancillary services provided by Power's generation fleet. We experienced this favorable impact on earnings of the volatility earlier this year as we have in past years in varying degrees, and you'll recall we discussed this on the first quarter call.

Because production from the Marcellus Basin has increased faster than the availability of infrastructure to move the gas, the cost of gas from the Marcellus relative to other basins has declined in 2013, particularly since July of this year. The cost decline has occurred at the time of low heating demand while storage was being filled to meet the needs of residential customers in the upcoming winter heating season. Excess supply is normally available in the third quarter and this year was available to meet the needs of our generating fleet.

So, you should think of Power's firm transportation contracts providing benefits in the following order: Utility customers are first in line including the need to fill storage in a summer month; then to the extent supply existence excess of this firm customer needs Power would be able to make off-system sales a large portion of which benefit the utility customer; and lastly, provide gas for each generation fleet. Customer demand and the use of these gas assets will differ by season of the year and is largely dependent on the weather. The ability of generation to access the low cost Marcellus supply is more likely to occur during the summer months and the shoulder periods for the reasons I just noted.

So now I'll provide you with more detail behind Power's third quarter operating earnings. During the third quarter, Power's combined cycle fleet realized spark spreads which were approximately 40% to 45% greater than what it realized in the third quarter of 2012, the direct benefit of its Marcellus position. Power's results also benefited from the favorable impact which higher overall market prices for natural gas and an improvement in PS Zone bases had on spot market prices for energy. So combined, the improvement in the wholesale price of energy and the decline in fuel cost added $0.04 per share to earnings quarter-over-quarter with the majority of the benefit coming from the Marcellus impact.

An increase in capacity prices improved Power's quarter-over-quarter earnings by $0.11 per share. The improvement in capacity revenue on wholesale energy margins more than offset the $0.10 per share decline in quarter-over-quarter earnings from a reduction in the average price on hedged volumes.

A reduction in generation volumes, as a result of more normal weather and the maintenance-related outage at the gas-fired Bethlehem Energy Center or BEC reduced Power's quarter-over-quarter earnings comparisons by $0.02 per share.

The major maintenance outage at BEC which concluded in October resulted in an increase in Power's operating and maintenance expense exclusive of storm-related activity and reduced quarter-over-quarter earnings comparisons by $0.04 per share. Taxes and other items added about $0.01 per share to quarter-over-quarter earnings comparisons.

Volume declined by 5.4% in the quarter. There were more normal weather conditions and the BEC maintenance outage reduced output from the fossil fleet by 10% in the quarter.

The nuclear fleet maintained its strong operating performance with an average capacity factor of 91% in the quarter and 93.2% for the nine months ended September. While volumes were lower, overall performance was strong including

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excellent summer availability.

The combination of higher capacity prices and lower fuel costs resulted in gross margins for Power of approximately $51 per megawatt hour in the third quarter versus gross margins of $47 per megawatt hour in the year ago period. Remember, capacity prices increased to an average of $244 per megawatt day from $153 per megawatt day on June 1 of this year and those higher prices remained in effect through May 31, 2014.

Slide 19 on your deck provides detail on Power's realized gross margin. Power continues to forecast output for both 2013 and 2014 of between 53 and 55 terawatt hours. Output for the fourth quarter of approximately of 13 to 14 terawatt hours this year is 70% to 75% hedged at an average price of $50 per megawatt hour.

Of 2014 forecast output, Power has hedged approximately 65% to 70% at an average price of $48 per megawatt hour. Power has hedged approximately 35% to 40% of 2015 forecast generation of 52 to 54 terawatt hours at an average price of $48 per megawatt hour. Power's forecast of total generation output in each of the next two years is unchanged from prior guidance. The percentage of generation hedged in each of the next two years is greater than our prior forecast and the average price of energy hedged is declined by $1 per megawatt hour.

The changes reflect both in upward adjustment to the forecasted BGS-related hedges as well as an increase in the percentage of energy hedged at PJM West prices. The data for 2014 now assumes BGS volumes of about 11 terawatt hours versus prior guidance of 10 terawatt hours as customers switching to third party suppliers has slowed during the year. Power continues to resume BGS-related load in hedges in 2013 will represent about 12 terawatt hours of generation for this year.

Results for the remainder of the year will continue to be influenced by higher capacity prices as well as the decline in the average price of our hedges. We also continue to forecast an increase in Power's quarter-over-quarter O&M expense given a refueling outage at our 100%-owned Hope Creek nuclear facility currently underway as well as the maintenance work at BEC which concluded as I mentioned earlier in October.

Based on the performance of Power through the year including the third quarter, we have raised the forecast range of Power to operating earnings for 2013 to $630 million to $685 million from $535 million to $600 million. Let's now turn to PSE&G, PSE&G reported operating earnings for the third quarter of 2013 of $0.33 per share compared with $0.30 per share for the third quarter of 2012. The utility third quarter earnings reflect increased revenue associated with an increase level of investment.

Higher transmission revenue effective on January 1, 2013 increased quarter-over-quarter earnings by $0.04 per share. Revenue from investments made under PSE&G's distribution capital infrastructure investment program contributed $0.01 per share to earnings in the quarter.

Electric demand in the third quarter was influenced by weather which was hotter than normal, but cooler than the weather condition experienced in the year-ago quarter. Also, demand for electricity continues to be impacted by customer conservation in a slowly improving economic environment. Weather normalized electric sales led by a decline in the residential sector are estimated to have declined by 2.3% in the third quarter.

Sales of gas, although not as important in the third quarter as the demand for electricity, increased 10.4% from year-ago levels and year-to-date are 1.9% higher than last year. This continues the pattern we've seen this year and talked about earlier and could be reflective of customers' adjustment to an overall lower cost of gas.

You'll note PSE&G announced last week that it will be providing its residential customers with a two-month bill credit that will reduce the typical monthly bill by approximately 33% in both November and December. And this is on top of the ongoing 39% reduction in BGS rates that have been announced over the past four years.

The net impact on earnings from weather and the change in sales was a reduction in quarter-over-quarter earnings of $0.02 per share. A slight increase in distribution-related O&M and depreciation expense was offset by a decline in interest expense and other items. PSE&G is investing $3.4 billion in transmission-related programs over the period from 2013 through 2015. This program, which as Ralph mentioned, includes five major transmission lines remains on time and on budget. All five lines are expected to be operational over 2014 to 2015.

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And PSE&G filed an annual update of its revenue requirements associated with the transmission investment program with the Federal Energy Regulatory Commission in mid-October. If accepted, transmission revenue in 2014 would increase by $176 million at the start of next year. PSE&G's control of its operating expenses and recovery of its transmission investment capital on a formula rate basis should continue to allow the company to earn its authorized return.

We're tightening our forecast of PSE&G's operating earnings for 2013 from $585 million to $600 million, from the prior $580 to $635 million. Results from the year will be influenced by a full-year increase in transmission revenue, weaker demand and the absence of a negative impact of Superstorm Sandy on sales and O&M in the fourth quarter.

We continue to anticipate double-digit growth in PSE&G's operating earnings this year and through 2015 based on approved programs, and we'll update you on expectations for 2014 through 2016 in February on our fourth quarter call.

Let me now turn to Energy Holdings and Enterprise. PSEG Energy Holdings, together with the parent, reported operating earnings of $1 million for the third quarter of 2013 versus operating earnings of $10 million or $0.02 per share during the third quarter of 2012. Results for the quarter reflect a continued monetization of assets within Holdings portfolio and the absence of a gain on an asset sale that occurred in the year ago quarter.

As many of you are aware, the terms of NRG Energy's recent announcement to acquire Edison Mission Energy, or EME, as part of an EME Chapter 11 reorganization would protect the entirety of Holdings equity value in the Powerton and Joliet leverage leases. This transaction is expected to close in the first quarter of 2014.

We've adjusted our forecast of PSEG Energy Holdings and Enterprise full year operating earnings to zero to $10 million from the prior $25 million to $35 million. The updated guidance reflects the impact of revised estimates for the legacy Holding's portfolio and related taxes completely separate from merchant energy leases which are expected to more than offset the benefit to operating earnings from the commercial operation of Holding's sixth solar facility in the fourth quarter. Recall that our strategy in Holdings is to wind down the portfolio, reduce risk and sell off assets, and we think we've been very successful to date in achieving this strategy.

Next, I'd like to briefly mention PSEG Long Island. The board of directors for the Long Island Power Authority, or LIPA, recently approved amendments to PSEG Long Island's original operating services agreement for LIPA's transmission and distribution system. When all regulatory approvals are received, we will begin to operate under the new contract. The revised terms are expected to add an estimated $0.04 to $0.05 per share to PSEG's earnings when fully effective in 2016 versus the original agreement which provided a run rate of earnings of about $0.03 per share.

Lastly, on the financing front, we continue to be in a strong position to finance our capital program. At the end of September, we had approximately $448 million in cash on hand, debt represented about 41% of PSEG's consolidated capital with debt at Power approximating 28% of its capital base. Power's cash flow remains strong and PSE&G's cash generation has improved with its ability to earn its authorized return on increased levels of capital investment.

As we said before, we can finance our existing capital program without the need to issue equity and we can finance an expanded capital program that includes spending on energy strong related projects also without the need to issue equity. And that still leaves us with the opportunity for modest and sustainable growth and a common dividend as we look to the future.

So finally, just to reiterate, as Ralph said earlier, I'm pleased to be raising our guidance for the forecast of operating earnings for the full year of 2013 to $2.40 to $2.55 per share. That concludes my remarks, and Bryan, I will now turn it over to you to introduce the Q&A.

Q&A

Operator

[Operator Instructions] And our first question from the line of [indiscernible] (29:16) Finances.

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<Q>: Good morning. A couple of areas, on the decline in demand, 2.3% in the third quarter, can you give us what that is year-to-date and a little color maybe on what you think is going on there and what the outlook is going forward from here?

<A>: Yes. So year-to-date, it was 2.7%. Remember these are weather-normalized numbers and I think I've done 26 of these quarterly calls and I always get the same caveat which is weather normalization. This is much art as a science. And we had some extreme weather conditions, so trying to back that out is not always easy. The big change this quarter was in the residential sector that was down 2.9%. The good news, if you will, is we're primarily a commercial sector-driven service territory and that was down 1% in the third quarter which is a little bit stronger than – which is less of a down that it had been prior year-to-date.

It's a combination of a slowly recovering economy as the unemployment levels in New Jersey are well published as about [ph] 8.3% (30:39). We've seen some modest recovery in housing starts, but the status didn't go down as far as others in 2008 and hasn't sprung back as quickly as others, but it's a combination, we think, of economic factors and just greater use of energy efficiency.

<Q>: And Ralph do you see that – is there some kind of structural change going on here where the new normal is going to be that there's negative sales or do you expect this to be cyclical and bounce back and what do you see as the, say, three to five-year growth rate?

<A - Ralph Izzo>: So what we told regulators is that we think that the – certainly the old days of loan growth being proportional GDP are gone and the more recent year of loan growth I think half of GDP are likely to not be the case anymore. And that is an important part of why we are so insistent upon contemporaneous returns on our significant investment approach in utility. Remember, as you well know, [ph] Kit (31:43), PSE&G's earnings growth are not driven by load growth. Our earnings growth are triggered by in reliability enhancements, infrastructure replacement and in enhanced resiliency. And the old system of regulatory lag, giving you some load growth to kind of carry you until the next rate case, is one that doesn't work when you have zero-ish load growth as we've been experiencing, and that zero-ish is obviously being a little bit kind when we've just reported negative numbers.

So whatever the future holds in terms of load growth, which looks to be something that is less than it has been in the past, I think that buttresses our argument for the need for clause recovery mechanisms while we're making significant and necessary capital investments. So PSE&G is not about load growth. It's about rate-based growth, and the regulatory system has to reflect the new load growth paradigm.

<Q>: Great. And one other area, if I could. Can you just give us a little more color, obviously you mentioned on energy strong, the resolutions that have been passed by the local governments. Clearly you're getting a lot of support there. Has it become – been mentioned at all in the gubernatorial race? And assuming it's not going to get done till after the election, when – what kind of timing do you think we have on getting approval?

<A>: Sure, [ph] Kit. (33:15). So you will remember that two of the last three major storms occurred within one week of election day, they were the Superstorm Sandy and the Halloween snowstorm of 2012 and third storm is Irene which is in August.

So mayors and elected officials know only too well the inconvenience and problems associated with local residents being without power. So as a result, we've had these 81 jurisdictions, a combination of counties and municipalities rallied to show up at public hearings which went extremely well, I would characterize it, in the months of September and early October. But it wasn't limited to local jurisdictions that showed up in support. We had strong support from a myriad of business associations, hospital associations and labor unions.

The schedule now calls for evidentiary hearings to take place, I believe, it's in February through the beginning of March. So on a fully litigated track, this won't be resolved until the end of March and the first quarter. But we remain hopeful that we could settle this because the conversations with the staff have been very, very reasonable. I mean, this is a big investment and they're asking good questions about engineering studies and expectations for what might be the range of cost associated with some of the proposals we've made.

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I'm not aware of comments that have been made by the candidates. I think early on, the governor said he expects the BPU to give this a full and thorough review kind of sort of reasonable and rational project that you would expect from this governor, just in light of the complexity of it. And the fact that he has a full BPU that's supposed to look after this. And I don't believe it's hit the radar screen of his opponent. I'm looking around the room here and everyone shaking their head no. So I don't think I missed the article that might have mentioned that.

So see, we're still hopeful that we'll come through some settlement agreement around the end of the year and as long as you allow me to define the end of year as possible including January, I feel very confident of that. So that's where things stand right now.

<Q>: Great. Thank you.

<A>: Next question.

Operator

And now our next question comes from the line of Dan Eggers of Credit Suisse.

<Q - Daniel Eggers>: Good morning. I guess – thanks for all detail on the gas positioning and kind of the benefit you guys were seeing from basis differentials. But, Caroline, [ph] further thing (35:47) about this a little more, what is the full year benefit you guys are seeing if you got about $0.04 in the third quarter? If you look at kind of the basis over the year, how much of the benefit have you guys seen this year?

<A - Caroline Dorsa>: Thanks, Dan. So if you remember some of the things I've said in my remarks. Because of the way in which our contract structure works and the primary benefit goes to the PSE&G residential customer, you're going to see us get these benefits when they're available in those sort of shoulder seasons or seasons where the residential customer doesn't need a lot of heat like this summer.

So, we saw the Marcellus prices really come down this summer. That was sort of the single biggest drop we saw and that lies immediately right into our shoulder summer period. So, the $0.04 I just described in this quarter, the majority of it is coming from the Marcellus, is the quarter in which you saw the gas to electric benefit from Marcellus have the biggest impact on us this year. So, that's the way to think about it from sort of a gas to electrics primarily been this quarter and you wouldn't expect to see on the gas to electric a lot of benefit in the winter because the benefits going – the pipeline is going to the residential customer.

That being said, remember in the first quarter, we talked about the fact that some of the volatility that was happening in gas given our position and given our ability to sell off capacity in off-system sales when there is a need on actually contributed $0.04 per share quarter-over-quarter in the first quarter, but that was not the gas to electric, right? That was the BGSS itself in terms of the ability to recover our fixed cost which we hadn't in the first quarter of 2012 because you may remember it's so mild that winter.

So the way to think about it going forward, though I don't encourage you to think about it, is you'll see us to the extent that this differential persist and, again, we don't know how long it will persist, but we have probably the single best positioning to garner it when it persists, is going to be in shoulder periods or summer periods where the residential customer doesn't have that gas demand.

We didn't see it as much this spring because that Marcellus price drop really happened in July. So going forward, I'd encourage you to look for it in the sort of spring and fall periods or shoulder periods or from gas to electric. It's been this quarter that you've really seen it come through the P&L.

<A>: I think one of the other things we've noticed, Dan, it's been quite favorable and it's difficult to quantify is that to the extent that benefit is not available to Power that's because residential gas demand is high which would tend to mean that we have some severe weather conditions which benefits Power and utility in other ways. And to the extent that there is not a strong demand which would suggest that there is weather condition that is not beneficial to Power in the utility, then the basis of differences seems to expand which offsets that negative outcome. So there's also this kind of

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natural hedge phenomenon taking place that seems to work to our favor.

<Q - Daniel Eggers>: Okay. So just done with it, your 4% benefit spreads stayed where they are today, kind of in the second quarter we could replicate something like we saw on the third quarter of this year because that would be another low gas demand period, is that a reasonable way of thinking about things?

<A - Caroline D. Dorsa>: I don't want to forecast the specific, right? Because it depends on what happens to that differential and of course recognizing. As we've said, there are some lines that are coming in right into the New York region [ph] Spectra (39:19) Line and the Williams Line, so not certain how that basis will actually move n the future. But to the extent the basis is there, we think we're well positioned to capture it. But I wouldn't want to get specific on a number because that all depends on weather conditions and everything else.

<Q - Daniel Eggers>: Okay, that's fair. And I guess just along those lines, is that going to – with this opportunity or maybe more obvious of an opportunity. Are you guys going to reevaluate how you hedge the gas generation in the future or maybe the structuring of the hedges or the magnitude of the hedges?

<A - Caroline D. Dorsa>: So, I don't think so, Dan, for this reason, right? Because if you think about where I was citing the benefit, it's the spark spread widening that we received, a realized spark spread at that 40% to 45% level. Remember as we look at our hedge table, as we always break out for you, the base load versus the intermediate, this combined cycle, that's a part of the stack that you see us do very little hedging in advance of the current year.

So for example, it's about 10% hedged, that whole category right now for next year, that's typically what you see us optimize in the year. So to the extent that we see combined cycle as opportunities here, those opportunities are still going to be available to us and we're going to hedge in essentially the same way for that part of the stack which is in the year. And in the year is where we tend to have some visibility.

<Q - Daniel Eggers>: Okay, great. Thank you for clarifying that. I appreciate it.

<A - Caroline D. Dorsa>: Sure. Next question?

Operator

Our next question comes from the line of Neel Mitra of Tudor Pickering.

<Q - Neel Mitra>: Hi, good morning. I just wanted to understand the contract structure of the Marcellus Gas at Power. So is the way to look at it that the firm pipeline capacity cost is borne by the PSE&G rate payers and the off-system sales when the gas isn't needed for them, kind of accrues to Power as a variable cost with no operating cost associated with it?

<A - Caroline D. Dorsa>: Neel, so good question. So the cost of the pipeline is passed through to the residential customer. So it's not a net cost to power. So the residential customer is covering the full cost of distribution, as you would expect, nor is the pass-through of the gas to the residential customer process center for Power. It simply goes through to the residential customer.

When there is excess beyond what the residential customers need, then we have the ability to make off-system sales. And when you make those off-system sales, the value that's garnered there is shared with the PSE&G customer. In fact, the majority goes to the PSE&G customer, and then there's a small amount that's left for Power.

So think of Power as providing this on a pass-through basis to the customer. Customer covers the cost. Power doesn't make money on the actual throughput. Then to the extent there's excess, there's value garnered from the off-system. Majority goes to the customer, residential customer, and a minority of that comes to the bottom line for Power.

<Q - Neel Mitra>: Okay. Great. So is the way we should think about it is that as these contracts kind of roll off, you'll re-contract them just from the perspective that PSE&G needs Marcellus gas to supply its LDC and customers, or is it more of kind of a speculative bet that Marcellus' pricing is lower?

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<A - Caroline D. Dorsa>: So good question as well. It's not a speculative bet. So if you remember, I think Ralph said this in his remarks, we set up this network of our contracting about 15 years ago, and it was designed and developed to cover the PSE&G load from liquid sources. So it's not speculative, but it's also not short term. These are actually very long-term evergreen-like contracts that we have rights to together with the contracts we have for storage. The entire design was to support our PSE&G customers. The real story and then the story you've been telling this quarter is, as has always been the case when the customer needs are lower and the access can be used for PSEG Power, we do that. It turns out this summer that that's turned out to be very beneficial because of Marcellus, but the original design and purpose which has been for many years and will continue to be for many years, is to pass this value through to our customers. And then if there's excess and only then if there's excess, we use it for PSEG Power.

<Q - Neel Mitra>: Okay, great. Thank you very much.

<A - Caroline D. Dorsa>: Sure. Next question?

Operator

Our next question comes from the line of Julien Dumoulin-Smith of UBS.

<Q - Julien Dumoulin-Smith>: Hi, good morning.

<A - Caroline D. Dorsa>: Good morning.

<A - Ralph Izzo>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: So switching topics a bit, if you will. I wanted to focus quickly on the switching phenomenon you described. And I suppose the question is, is it that just fundamentally the offers out there is just less competitive and is less headroom in a rising capacity price environment or is it rather that we're reaching some sort of lowering customer migration and there's something of customer lethargy to be explained? That's all.

<A - Ralph Izzo>: Julien, as you know, we're not in the retail business. But our responsibility at this product combination of those two that your most price-sensitive customers are the first to go and now, just having folks switch is a bit more of a challenge, the declining BGS prices. So our headroom has been single digit delta throughout the year and that headroom has to be something that your cost of customer acquisition leaves under, so it's not a business, as I said, we're in. So I think it's a combination of two things you mentioned.

<Q - Julien Dumoulin-Smith>: And just to be clear, what level of switching did that correspond to for 2014? I'm not sure I caught that.

<A - Ralph Izzo>: In the percentage basis?

<Q - Julien Dumoulin-Smith>: Yeah, if you don't mind.

<A - Caroline D. Dorsa>: Yeah. On percentage basis, we don't forecast it any longer but I can tell you the numbers that we see in terms of this is the overall aggregate switching from BGS, right, or in that sort of mid-high 30 percentage point range and that has not really changed in the past few quarters. So we use to try and track it every quarter and give you targets for it. What we think makes more sense is to give those targets we now give you for BGS, which is I remember from my remarks, we just raise by 1 terawatt hour for next year.

So it's just not coming through to be that much more switching and the reason really is, as Ralph said, the headroom just isn't that large. Whatever the retailers are doing on those dynamics and their profitability obviously a question through them. But it appears to have leveled out and of course, as BGS prices have come down, right, the average price came down $1 when we started this year BGSs and given what was rolling off and rolling on, there's just not much difference.

<Q - Julien Dumoulin-Smith>: Right. And then looking at the Long Island opportunity here, just to think about perhaps beyond the fees that you could receive here, could you be a little bit more explicit about the investment

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opportunities perhaps rate base-like or otherwise that you could earn on?

<A - Ralph Izzo>: Sure. So, Julien, so as Carol and I try to point out, the $0.03 in 2014 grows to $0.07 or $0.08 by 2016. And then there is a provision in the contract that requires that we propose a concept that really is just a concept by July 1, 2014 on utility 2.0. But what's interesting about it is that it describes in the contract in words that are similar to many of things that PSE&G has done successfully in New Jersey under various clause mechanisms and those are renewable energy sources, energy efficiency and behind-the-meter services.

So we have a team of people looking at that. That's not something that we can forecast the number right now or even the timeframe. But the proposal is due from us to the LIPA board on July – by July 1 of next year. And we're excited about that because there are good some things we've been able to do for customers in New Jersey that we'd like to do for customers on Long Island and I'm sure we get fair treatment in terms of competition for doing so.

<Q>: Okay. And then lastly, not to beat up the subject one more time. But on the gas issue looking towards 2014 rather 2013, I presume a full year of sort of wider gas basis, the positive but meanwhile you could ask some offsets from new gas infrastructure reducing that basis. Is that the right – a fair way to characterize a full year impact in 2014?

<A - Caroline D. Dorsa>: Yeah. I think that's very fair, Julien. I guess the way that I think about this all in is, don't know what the basis will turn out to be. Obviously, that's determined by the market. Obviously, we serve our residential customers first. But we have a large position, as you saw from what we put in the slides here, right, of 0.6 BCF per day of shale supply.

So we have nice opportunity. And to the extent that that opportunity presents itself in terms of a differential, we think we're actually pretty optimally positioned to take advantage. And so, in those periods where the customers need the PSE&G are low, to the extent that basis is still there, we're going to be able to capture it.

So I think that – I think all in, that's the way I'd encourage you to think about it. We can't predict it anymore than you can predict it, but when it's there to be garnered, we garner it. We garner it first for our E&G customers. But after that, we garner it for Power. And we're pretty pleased about that opportunity of positioning, which wasn't developed for that reason but has now given us a real opportunity.

<Q>: Great. Thank you very much for the time.

<A - Caroline D. Dorsa>: Sure. Next question?

Operator

And now our next question comes from the line of [ph] Greg Gordon (49:25).

<Q>: Thanks. Good morning.

<A - Ralph Izzo>: Good morning, Greg.

<A - Caroline D. Dorsa>: Good morning.

<Q>: Guys, your balance sheet capacity is still quite robust and all the more so bolstered by the strong performance you're seeing at PEG Power. If you don't get approval for the full $3.8 billion of Energy Strong, would that spare balance sheet capacity then be redeployed into perhaps a more robust growth in the dividend?

<A - Ralph Izzo>: Greg, so, we maintained that our number one priority is reinvesting in the business. As you know, in addition to Energy Strong, we have some transmission resiliency of programs that we are in pursuit of with PJM. So, you would see us make sure that we're exhausting all regulated growth opportunities. Then, we've been talking to PJM as is everyone else and very publically about the 2012 [indiscernible] (50:22) enhancements that were put forth. That was grandfather on the FERC Order 1000, so those projects would come to us as an incumbent.

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We proposed some projects coming out of Artificial Island as on FERC Order 1000 basis as well. So, I'm running through a laundry list of regulated utility investments that are beyond Energy Strong, but of course our primary focus right now is over the near term getting Energy Strong. Having said that, yes number two on the hit parade is the dividend. And then number three on the hit parade in anticipation of somebody else following up would be share repurchase. But I would put far away number one is reinvesting the business and then number two would be dividend growth.

<Q>: Great. Two more questions. First is with the decision on LCAPP, does that change your calculus on whether or not you would bid to see Warren into the next PJM Base Residual Auction?

<A - Ralph Izzo>: Well, so partially, right? I mean, what it does is it reduces the risk of a competitively big unit having challenges come through subsidized plants. We would do the same kind of return analysis, we use the forward price curve for the near term and then we use our fundamental models over the longer term, and then we have our own internal hurdle rate that I think we've been implying in a fairly disciplined way. So those numbers have to pass muster, first and foremost. And then, of course, as the qualitative discussion, which is all around well, if you would, we think the rules will be like X years from now and the recent court decisions helped mitigate some of that risk, but they don't help in terms of the market fundamentals.

By the way, [ph] Greg (52:03), the risk of beating a dead horse, I want to go back to your first question. Even with all of the Energy Strong and transmission opportunities that we see, at the risk of stating the obvious, the balance sheet is strong enough to support modest and sustained growth in that dividend. I think just your question was sort of without those things, would you do more? And I was responding in that vein earlier.

<Q>: Yes, that was clear. Thank you. Last question, is the lack of load growth in the service territory, perhaps to some degree related to the very high degree of rooftop solar penetration you have in the state. And if so, can you comment on trends in further penetration of distributed generation, mainly rooftop solar? And I guess that dovetails with the commentary on how the [ph] export (52:55) markets are performing.

<A - Ralph Izzo>: Yes. So, clearly, all of these things are contributing factors. To [ph] Kit's (53:02) point before, I mean, there's energy efficiency. There's lack of very strong and robust economic response, distributed generation. I think we're still the number one developer of solar energy in the state, and when the programs finished it, it's about 200 megawatts or so, 180 megawatts, with a capacity factor of about 12%.

So from an energy sales point of view, it's really fairly miniscule which is kind of the challenge, right, around solar that when you take that numerator which is sizeable in terms of capital invested and you divide by energy output which is not so sizeable, you get a pretty high cost of solar electricity which is something that we're very clear with our regulators that in pursuit of these RPS [indiscernible] (53:52) mindful of the rate impact to the customer from a point of view of cents per kilowatt hour. So short answer of course would be yes, it's a contributor. Longer answer would be, if you do the arithmetic, it's not that big a contributor.

<Q>: Then going forward, do you see penetration continuing at the current sort of rate or do you see solar investment both from utilities both yourself and independents declining?

<A - Ralph Izzo>: Yeah, I think that the real challenge – it's a tough question to answer. The real challenge is if we're determined to live by the renewable portfolio standard then the question I would post to the policy maker is when we originally cash that standard, it's under the assumption that as we nurture the industry in the early stages, it would then achieve certain economic efficiencies either in the form of lower cost of panels or in the form of higher efficiency rates that it would become kind of self-sustaining and so the prices will come down and probably the ITC will go away at the federal level.

We've seen those panel prices come down, but it has not come down – those prices have not come down enough to be economically competitive with $4 gas. I think you're beginning to see the first example of that reflected in our own solar filing, right? We went in and asked for $800 million-plus over five years and we got $440 million over three years.

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And I think, based on conversations I had with Paul, that was kind a reflection of, hey, we can't do this forever. We need to start seeing some of those expectations be realized in terms of the economic viability of the technology, and that makes perfect sense. I mean it's just – I'm a huge solar fan. We've invested over a billion in solar, but you can't keep doing this at the price points that it's been achieving and do it at the RPS levels that we hope to see in 2020 or 2022.

<Q>: Thank you very much. Take care.

<A - Caroline D. Dorsa>: Sure. Next question?

Operator

And our next question comes from the line of Paul Fremont of Jefferies & Company.

<Q - Paul Fremont>: Thanks. So if I look at the – you're expecting, I think, $85 million to $95 million of uplift at PEG Power versus where you had been previously. If I look at the $0.04 in the third quarter and then the other gas-related item in the first quarter, that makes up roughly, I guess, $70 million. So what makes up – would gas in some way, shape or form also make up the remaining piece of the $85 million to $95 million, or is that coming from somewhere else?

<A - Caroline D. Dorsa>: So, Paul, in terms of the – you correctly pointed out the factors that we've highlighted, and so which we talked about today gas in the first quarter and in terms of BGSS, and then the $0.04 this quarter. Remember that one of the things we've talked about during the year is we have had some higher market prices than original expectations. So on a year-over-year basis, that has given us some uplift tool that's different than what we expected. So prices have come up and that you see that of course across the fleet in every quarter offset by the hedges but a little bit more positive than our expectations. So I think it's been – we've got great operational performance now. We do expect that, but it's certainly come through.

We did have weather that was warmer than normal this summer, cooler than last year but warmer than normal, and we always plan on normal weather. So when you put all of those factors together with the benefits we've actually seen on those specific things that I've called out and you just called out, that's overall but really lifts us across the fleet. So it's a confluence of factors that all worked in our direction but of course, which we've been able to take advantage of because of our good operational performance.

<Q - Paul Fremont>: And then if I look at BGSS volumes, I guess on a steady state throughout the year, roughly 75% is residential, roughly 25% is non-residential. Would you not get the benefit for the non-residential portions even in the winter months in terms of pipe usage?

<A - Caroline D. Dorsa>: So the – just to clarify, for the residential customer, It's a pass through cost so there's no profitability kind of either way relative to that. And for the commercial customer that uses some of that gas and territory, I think we've gone specifically into all of that but really think of it is in general, it's sort of a formula based on market prices and in competitive markets. So I wouldn't look to that, frankly, as a significant source of overall earnings going forward. Think of that as a little bit more on just a competitive market basis.

<Q - Paul Fremont>: I'm still not sure. In terms of my question, my question just relates specifically to winter months. In other words, in winter months, should we allocate some benefit because there's a roughly 75/25 split where 25% of the cost – of the volume at least are going to customers on which you are able to make a margin.

<A - Caroline D. Dorsa>: Yes. That's right. So, again a competitive sort of a market-based approach for BGS for the non-residential customer. I just want to be sure to distinguish between a residential and non-residential because there isn't margin in the structure for the residential customer. There is some margin for us under the contract for the non-residential customer. But again, I wouldn't look into that as a significant source of earnings. And that's something we've been getting overall all time, right? That's something that's been baked into our numbers, so baked into our year-on-year.

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<Q - Paul Fremont>: Right. But the – I think the price differential at – in the Marcellus is a recent phenomena, but what you're saying is even in months where you at peak usage, you are still – there will still be benefit that is essentially going to benefit PEG Power?

<A - Caroline D. Dorsa>: Yes.

<Q - Paul Fremont>: From the lower cost gas?

<A - Caroline D. Dorsa>: That's right. That's exactly right. Yes.

<Q - Paul Fremont>: And then if I look at third quarter, I would assume third quarter would be less for profit opportunity for you than the fourth quarter because you also are dedicating a certain amount of pipe to storage delivery, correct?

<A - Caroline D. Dorsa>: So, we are dedicating pipe to storage delivery, as I mentioned, but keep in mind you've got some going into storage, but you don't have the residential customer draw. So, actually from – if you're just looking at the issue of what kind of benefit does Marcellus gives to the combined cycle, the best opportunities for that are in the shoulder periods where the customer demand residential PSE&G customer is pulling less of the pipe. So we definitely are filling storage. We absolutely do that, but given the flow that we have that you've seen in the slides in our deck, we fill the storage but we still have extra room. And so we typically fill the storage earlier in the summer months, and then when the store is essentially filling up, we have that extra flow on the pipe. We can use it for our own generation or we can sell that pipe capacity to others.

So I would say when you think about the gas pipeline and the benefit, you think about the potential benefit for us is the least in the winter and the most in the seasons other than the winter because you've got the least draw on the one class of utilization of the pipe that isn't the profit opportunity and that's the PSE&G residential customer.

<Q - Paul Fremont>: And then my last question just has to do with the, for the LIPA contribution, you say it's $0.03 in 2014 going to $0.07 to $0.08 in 2016. So in 2015, should we just pick something like a $0.05 contribution? In other words it goes -- I assume it goes up from the $0.03 but not quite to the $0.07 to $0.08?

<A - Ralph Izzo>: That's exactly right. You should add another $0.02 in that point, Paul.

<A - Caroline D. Dorsa>: Yeah.

<Q - Paul Fremont>: Thank you very much.

<A - Caroline D. Dorsa>: You're welcome

Kathleen A. Lally

I think operator that brings us to the hour and I know everyone's busy with earnings calls today. So, Ralph, back to you then.

Ralph Izzo

So, thanks, Kathleen. So hopefully you've noticed that Caroline and I and the team are quite pleased with our quarter. We're pleased with the year-to-date and moreover we're greatly encouraged by our opportunities and the fact that we have the financial strength to take advantage of those opportunities and have demonstrated the execution when the opportunities come our way. So we hope to see you all at EEI. Thank you for joining us today.

Caroline D. Dorsa

Thank you.

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Ralph Izzo

That's it.

Operator

This concludes today's conference call. You may now disconnect.

Caroline D. Dorsa

Thank you, Brian.

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PSEG
We make things work for you.

Quarterly UPDATE

Q3 2015

NYSE: PEG

Q3 2015 Performance Update

"PSEG delivered solid earnings in the third quarter and year-to-date and we made excellent progress on our objectives for growing our business. Operating earnings were $403 million or $0.80 per share compared to $393 million or $0.77 per share in Q3 2014 -- up 4%. The results for the quarter bring operating earnings for the first nine months of 2015 to $2.41 per share, a 6% increase over the $2.27 per share earned in 2014's first nine months. Based on the strength of our year-to-date results and the outlook for the remainder of the year, we are updating full-year 2015 guidance for operating earnings to $2.85 - $2.95 per share from $2.80 - $2.95 per share.

PSE&G continues to deliver on the earnings promise of its expanded capital program. During the quarter, PSE&G reached an agreement with the Staff of the NJ Board of Public Utilities (BPU) and the NJ Division of Rate Counsel that provides for PSE&G to invest $905 million over a three-year period beginning next year to replace aging cast iron gas mains. Approval by the BPU later this year will allow PSE&G to continue the work begun under Energy Strong supporting a clean, safe and reliable gas system well into the future. PSE&G's focus on improving the resiliency of the grid and increasing operational efficiency has translated once again into PSE&G being recognized as the most reliable utility in the Mid-Atlantic region for the 14th year.

PSEG Power achieved solid operational and financial results driven by improved performance from its nuclear and combined cycle fleet. Power is increasing its investment in clean, efficient gas-fired capacity, clearing a new 540 MW combined cycle gas plant (CCGT) at the Sewaren Station as part of PJM's Reliability Pricing Model Base Residual Auction. The new Sewaren unit represents an investment of $625 - $675 million and is in addition to Power's announced plans to construct and operate a new 755 MW combined cycle unit at the Keys Energy Center in Maryland for $825 - $875 million. Both units are expected to achieve operational status in 2018.

We have maintained a disciplined approach to investing as our strong financial position supports growth without the need to issue equity. We intend to utilize our financial strength to meet the high standards for reliability expected by our customers and enhance the returns required by our shareholders."

Ralph Izzo, Chairman, President & CEO - October 30, 2015

PSEG – Q3 Highlights

Strong Operating Performance – Successful Quarter

- Operating Earnings of $0.80 per share, up 4% from $0.77 per share in Q3 '14
- Updating 2015 operating earnings guidance to $2.85 - $2.95 per share, from $2.80 - $2.95 per share
- Increased earnings contribution from PSE&G's investment in transmission, weather, and Power's strong hedging and plant operations

Continued Operational Excellence

- PSEG Power solid capacity factor performance: Nuclear at 95% and CCGTs at 73%
- PSE&G electric sales up 7% in Q3, the 5th hottest summer on record

PSEG Disciplined Capital Investment

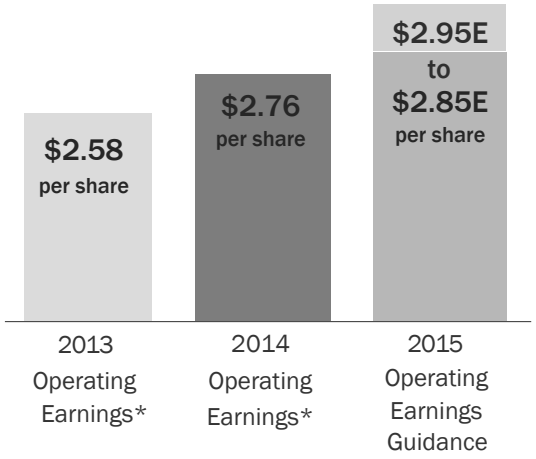
- PSE&G reached settlement with BPU Staff on GSMP ($905 million/3 years)
- Power will invest $1.5 billion over the next 3 years to build 2 new CCGTs: Sewaren 7 in NJ (estimated cost of $625 to $675 million) along with the 755 MW Keys Energy Center in Maryland (estimated cost $825 to $875 million)

Market Developments

- FERC NOPR and PJM Capacity Performance auctions supportive of price formation

PSEG -- Updating Full-Year 2015 Guidance

Updated 2015 guidance reflects the strength of operating results for the year-to-date period, and assumes normal weather and unit operations



Q3 Operating Earnings -- by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2015**	**2014**	**2015**	**2014**
PSE&G	$222	$200	$0.44	$0.39
PSEG Power	170	171	0.33	0.34
PSEG Enterprise/Other	11	22	0.03	0.04
Operating Earnings*	$403	$393	$0.80	$0.77

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 9/30/2015
Stock Price	$42.16
Dividends Paid per Share (*year-to-date*)	$1.17
Dividend Yield *(%)*	3.7%
Return on Average Common Equity**	11.8%
Average Shares Outstanding *(in millions)*	508
Book Value Per Common Share	$25.90

** Calculation based on Operating Earnings for 12-month period ended.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The table below includes a list of items excluded from Net Income to reconcile to Operating Earnings with a reference to this table where the non-GAAP information appears.

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

Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	$ 403	$ 393	$ 1,221	$ 1,153	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(14)	17	(11)	40	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	50	36	58	(138)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(2)	102	(13)	(16)	(32)
Net Income	$ 439	$ 444	$ 1,370	$ 1,042	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.80	$ 0.77	$ 2.41	$ 2.27	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.02)	0.04	(0.02)	0.08	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.09	0.07	0.11	(0.27)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	0.20	(0.03)	(0.03)	(0.07)
Net Income	$ 0.87	$ 0.87	$ 2.70	$ 2.05	$ 2.99	$ 2.45

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

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80 Park Plaza, Newark, NJ 07102
Investor Relations: 973.430.6565
www.pseg.com

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PSEG
We make things work for you.

Quarterly UPDATE

Q3 2016

Q3 2016 Performance Update

NYSE: PEG

"Public Service Enterprise Group (PSEG) reported strong results for the third quarter 2016: Net Income of $327 million or $0.64 per share as compared to Net Income of $439 million or $0.87 per share reported for the third quarter of 2015. Non-GAAP Operating Earnings for the third quarter of 2016 were $444 million or $0.88 per share as compared to non-GAAP Operating Earnings for the third quarter of 2015 of $403 million or $0.80 per share. PSEG's performance continues to demonstrate the benefits from its expanded investment program. A focus on controlling costs supported results as demand was aided by the warmer than normal weather experienced this past summer. Net Income was also impacted by our decision to retire the Hudson and Mercer coal-fired generating stations in 2017. Retirement of these units continues the evolution of PSEG Power's assets into a portfolio of reliable, low-cost, flexible assets capable of competing in today's energy market. By the end of this decade, our nuclear and gas-fired generation facilities will provide more than 90% of our generation output. This decision will allow us to meet market conditions and aids PSEG Power's future cash flow and return profile.

PSE&G has reached a settlement with key parties to extend its existing Solar 4 All program to invest approximately $80 million to construct 33MWs of grid-connected solar facilities over three years. In addition, PSE&G recently filed a proposal with the BPU to partner with NJ Transit (NJT) on an investment partnership to develop a new $270 million substation. Including the solar settlement and potential partnership with NJT, PSE&G has identified >$600 million year to date of additional capital opportunities through 2020.

Strong third quarter results weren't sufficient to offset the lack of a winter, and we are adjusting our guidance for 2016's non-GAAP Operating Earnings to $2.80-$2.95 per share from $2.80-$3.00 per share. We remain committed to our core operating philosophy of operational excellence, investing in a disciplined manner and maintaining a strong financial position to support the growth expected by our shareholders."

Ralph Izzo, Chairman, President & CEO - October 31, 2016

PSEG – Q3 Highlights

Results in Q3

- Net Income of $0.64 vs. $0.87 per share in Q3 2015
- Non-GAAP Operating Earnings* of $0.88 per share vs. $0.80 per share in Q3 2015
- Increased earnings contribution from PSE&G's investment in Transmission

Operating Review

- PSEG Power generation met demand of the hottest summer weather in our 37 years of data
- Returned Salem units in late July following refueling and baffle bolt repairs at Unit 1 and transformer issues at Unit 2
- PSE&G maintained high system reliability throughout extreme summer conditions

PSEG Disciplined Capital Investment

- PSE&G identified >$600M year to date of additional capital opportunities through 2020
- Recent PSE&G Solar 4 All Extension II settlement to invest $80 million over 3 years
- Power's construction of Keys/Sewaren/Bridgeport Harbor on schedule and on budget

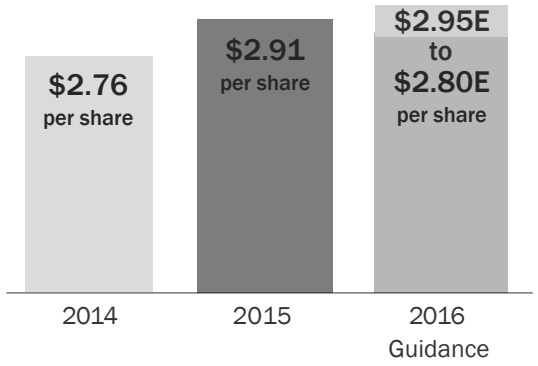
Market Developments

- Power announced retirement of the Hudson and Mercer generating stations (~1,250 MW) planned for mid-2017
- Energy Holdings recorded an impairment of $86 million (after-tax) related to the NRG REMA, LLC leveraged leases residual value

PSEG – Updating 2016 Full-Year Guidance

Strong Q3 results were not sufficient to make up for the lack of a winter in the first half of the year

Non-GAAP Operating Earnings*



Q3 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2016**	**2015**	**2016**	**2015**
PSE&G	$255	$222	$0.50	$0.44
PSEG Power	139	206	0.27	0.40
PSEG Enterprise/Other	(67)	11	(0.13)	0.03
Net Income	$327	$439	$0.64	$0.87
Reconciling Items	117	(36)	0.24	(0.07)
Operating Earnings (non-GAAP)*	$444	$403	$0.88	$0.80

Key Performance Highlights

	as of 9/30/2016
Stock Price	$41.87
Dividends Paid per Share (*year-to-date*)	$1.23
Dividend Yield *(%)*	3.9%
Total Shareholder Return (*year-to-date*)	11.3%
Average Shares Outstanding, Diluted *(in millions)*	508
Book Value Per Common Share	$26.69

* See Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) on page 2 or at **www.pseg.com/info/investors**

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Management uses Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the investor tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Operating Earnings (non-GAAP)

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ millions, Unaudited)					
Net Income	$ 327	$ 439	$ 985	$ 1,370	$ 1,679	$ 1,518
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(4)	24	4	14	(24)	(138)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(58)	(84)	91	(98)	(157)	(111)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	(172)	27
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	114	-	114	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	137	-	137	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(72)	24	(135)	107	150	104
Operating Earnings (non-GAAP)	$ 444	$ 403	$ 1,196	$ 1,221	$ 1,476	$ 1,400
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Net Income	$ 0.64	$ 0.87	$ 1.94	$ 2.70	$ 3.30	$ 2.99
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.05	0.01	0.03	(0.05)	(0.27)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.11)	(0.17)	0.18	(0.19)	(0.31)	(0.22)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	(0.34)	0.05
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.22	-	0.22	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.27	-	0.27	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.14)	0.05	(0.26)	0.21	0.31	0.21
Operating Earnings (non-GAAP)	$ 0.88	$ 0.80	$ 2.36	$ 2.41	$ 2.91	$ 2.76

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate of 37% and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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Quarterly UPDATE Q4 & FY 2013

NYSE: PEG

4Q & FY 2013 Performance Update

"PSEG delivered outstanding results in 2013. Operating Earnings for the year 2013 were $1,309 million or $2.58 per share compared to 2012 Operating Earnings of $1,236 million or $2.44 per share. An increased level of investment in our regulated utility company produced double-digit earnings growth at PSE&G. PSEG Power's earnings benefited from the locational premium placed on the capacity price for its generating assets. Power also realized the benefits from higher wholesale prices on its open position and successful management of its gas supply arrangements.

We executed well on our business plan in 2013, and a strong balance sheet continues to support our growth initiatives without the need to issue equity. Our approach to managing supply risk has been affirmed during the recent period of extreme weather and volatility in the power markets. We have successfully responded to record demand while our customers have benefited from our ability to pass along savings in gas costs. The emphasis we have placed on the anchor principles of our strategy – operational excellence, financial strength and disciplined investment – created benefits in 2013 and is expected to continue to yield results over the coming year.

For 2014, we are initiating Operating Earnings guidance of $2.55 - $2.75 per share. Our optimism was demonstrated by the Board's recent decision to increase the common dividend by 2.8% to the indicative annual level of $1.48 per share. Double-digit growth in earnings from our stable, regulated business, Power's strong free cash flow and the benefits from successful management of our cost structure -- including our pension obligations -- are expected to yield long lasting benefits to Operating Earnings. The strong commitment and dedication shown by our employees to our customers has been a major contributor to our success and provides me with confidence in our ability to achieve our long-term goals."

Ralph Izzo, Chairman, President & CEO - February 20, 2014

PSEG – 2013 Highlights

Strong 2013 Financial Performance – Exceeded Guidance

- Achieved operating earnings of $2.58 per share, up 5.7% from $2.44 in 2012
- PSE&G posted double-digit earnings growth, representing 47% of consolidated operatitng earnings, and Power's operating earnings exceeded high end of guidance

Continued Operational Excellence

- PSEG Power set record output at Linden CCGT and Salem 2 nuclear
- PSE&G awarded 12th consecutive year as the Mid-Atlantic Region's Most Reliable Electric Utility

PSEG Disciplined Capital Investment

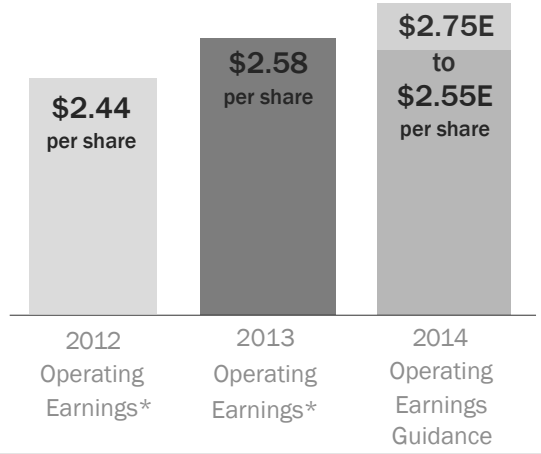
- Five major Transmission projects under construction – on schedule and on budget
- New PJM transmission projects add to utility rate base growth beyond 2015
- PSEG Power adding 150 MWs through uprates at CCGTs

Financial Strength

- Common dividend increased by 2.8% to indicative annual rate of $1.48 per share for 2014 from $1.44 per share, the 10th increase in the last 11 years

PSEG 2014 Guidance - Building on Success

2014 Operating Earnings guidance reflects increased level of investment, pension savings and assumes normal weather and unit operations



4Q & Full Year 2013 Operating Earnings by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**4Q 2013**	**FY 2013**	**4Q 2013**	**FY 2013**
PSEG Power	$115	$710	$0.23	$1.40
PSE&G	144	612	0.29	1.21
PSEG Enterprise/Other	(11)	(13)	(0.03)	(0.03)
Operating Earnings*	$248	$1,309	$0.49	$2.58

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 12/31/2013
Stock Price	$32.04
Dividends Paid per Share (*year-to-date*)	$1.44
Dividend Yield *(%)*	4.5%
Return on Average Common Equity**	11.8%
Average Shares Outstanding *(000s)*	507,525
Book Value Per Common Share	$22.95

** Calculation based on Operating Earnings for 12-month period ended.

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PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	$ 248	$ 207	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	11	3	40	52
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	(52)	23	(74)	(10)
Lease Related Activity (PSEG Energy Holdings)	-	30	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(7)	(39)	(32)	(39)
Net Income	$ 200	$ 224	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507
Per Share Impact (Diluted)				
Operating Earnings	$ 0.49	$ 0.41	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	-	0.08	0.10
Gain (Loss) on MTM[(a)] (PSEG Power)	(0.11)	0.05	(0.14)	(0.02)
Lease Related Activity (PSEG Energy Holdings)	-	0.06	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.08)	(0.07)	(0.08)
Net Income	$ 0.39	$ 0.44	$ 2.45	$ 2.51

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

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NYSE: PEG

4Q & FY 2014 Performance Update

"I am pleased to report that 2014 was a year that we continued to make progress on our plans to deliver for our customers and shareholders. Operating Earnings for the fourth quarter were $0.49 per share versus $0.49 per share in 2013 bringing results for the full year to $2.76 per share, or 7% greater than 2013's operating earnings of $2.58 per share and above our guidance of $2.60-$2.75 per share. Our core strategy – focused on operational excellence, financial strength and disciplined investment – is expected to yield a third year of growth in operating earnings over the coming year. For 2015, we are initiating Operating Earnings guidance of $2.75 - $2.95 per share.

Earnings from our regulated company grew to represent 52% of consolidated operating earnings as PSE&G's investment in transmission has grown to represent 39% of its $11.4 billion rate base at the end of 2014. PSEG Power's successful management of its gas supply arrangements supported earnings in excess of guidance for the full year, and delivered substantial savings to our customers. In 2014, we received approval to invest $1.22 billion in Energy Strong – a program that will improve the resiliency of our electric and gas distribution systems. We successfully grew PSEG Solar Source's portfolio by adding projects in three states, and now have 122 MWs of clean, renewable energy. And, we had a successful 1st year of managing the electric system of the Long Island Power Authority.

We are focused on growing our business: A robust pipeline of investment opportunities supports an expansion of our five year capital program. Our financial position remains strong. An acknowledgement of our success in mitigating risk and growth in earnings was the recent decision by our Board of Directors to meaningfully increase the common dividend by 5.4% to the indicative annual level of $1.56 per share. We've made significant strides in meeting our objectives for growth as we also satisfy customer requirements ,,, and we're not done."

Ralph Izzo, Chairman, President & CEO - February 20, 2015

PSEG – 2014 Highlights

Strong 2014 Financial Performance – Delivering Results

- Achieved Operating Earnings of $2.76 per share, up 7% from $2.58 in 2013
- PSE&G posted 18% earnings growth, representing 52% of consolidated Operating Earnings, and Power's results again exceeded the high end of guidance

Continued Operational Excellence

- PSEG Power set record CCGT generating output
- PSE&G awarded 13th consecutive year as the Mid-Atlantic Region's Most Reliable Electric Utility

PSEG Disciplined Capital Investment

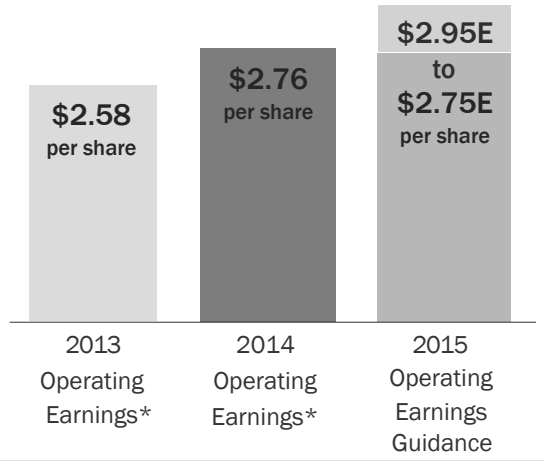
- Major Transmission projects under construction – on schedule and on budget
- PJM transmission projects add to utility rate base growth beyond 2015
- Energy Strong investments underway - gas mains replacement prioritized

Financial Strength

- Common dividend increased by 5.4% to indicative annual rate of $1.56 per share for 2015 from $1.48 per share, the 11th increase in the last 12 years

PSEG 2015 Guidance - Building on Success

2015 Operating Earnings guidance reflects increased level of investment and assumes normal weather and unit operations



4Q & Full Year 2014 Operating Earnings by Subsidiary

	Operating Earnings		Earnings per Share (EPS)	
$ millions *(except EPS)*	**4Q 2014**	**FY 2014**	**4Q 2014**	**FY 2014**
PSE&G	$160	$725	$0.32	$1.43
PSEG Power	91	642	0.18	1.27
PSEG Enterprise/Other	(4)	33	(0.01)	0.06
Operating Earnings*	$247	$1,400	$0.49	$2.76

*See Operating Earnings to GAAP reconciliation on page 2 or at **www.pseg.com/info/investors**

Key Performance Highlights

	as of 12/31/2014
Stock Price	$41.41
Dividends Paid per Share (*year-to-date*)	$1.48
Dividend Yield *(%)*	3.6%
Return on Average Common Equity**	11.8%
Average Shares Outstanding *(in millions)*	508
Book Value Per Common Share	$24.09

** Calculation based on Operating Earnings for 12-month period ended.

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	$ 247	$ 248	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	28	11	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	204	(52)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	(3)	(7)	(16)	(32)
Net Income	$ 476	$ 200	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
Per Share Impact (Diluted)				
Operating Earnings	$ 0.49	$ 0.49	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.02	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.40	(0.11)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	(0.03)	(0.07)
Net Income	$ 0.94	$ 0.39	$ 2.99	$ 2.45

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

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PSEG
We make things work for you.

Quarterly UPDATE

Q4 & YE 2016

Q4 & Year-End 2016 Performance Update

NYSE: PEG

"We delivered strong results in 2016: Net Income of $887 million or $1.75 per share, as compared to Net Income of $1,679 million, or $3.30 per share, for 2015. Non-GAAP Operating Earnings for the year 2016 were $1,475 million, or $2.90 per share, compared to 2015 non-GAAP Operating Earnings of $1,476 million, or $2.91 per share. Net Income for 2016 was largely impacted by expenses associated with the early retirement of coal-gas units at the Hudson and Mercer generating stations and reserves for a leveraged lease impairment. Net Income for 2015 includes insurance proceeds for the recovery of storm costs. PSEG also reported a Net Loss for the fourth quarter of 2016 of $98 million or $0.19 per share. This compares to fourth quarter 2015 Net Income of $309 million or $0.60 per share. Non-GAAP Operating Earnings for the fourth quarter of 2016 were $279 million, or $0.54 per share, compared to fourth quarter 2015 non-GAAP Operating Earnings of $255 million, or $0.50 per share. Net Loss in the fourth quarter reflects the impact of incremental depreciation expense and other expenses of $555 million pre-tax associated with the early retirement of the Hudson and Mercer.

We continue to pursue opportunities to enhance earnings and reduce financial risk. Actions to transition our business mix in response to changing market conditions have supported earnings. For 2017, we forecast non-GAAP Operating Earnings of $2.80 - $3.00 per share. Based on the growth in our regulated utility's investment program, PSE&G's Net Income is forecast to grow 8.5% at the mid-point of 2017's guidance to represent 66% of our forecast non-GAAP Operating Earnings.

PSEG currently plans to invest approximately $10.2 billion over 2017 – 2019 primarily in PSE&G (77%) and PSEG Power (23%). Our investment program, coupled with the impact from the retirement of Hudson and Mercer (which is excluded from our non-GAAP Operating Earnings) is expected to improve the resiliency of our infrastructure and the economic efficiency of our generating fleet. Our ultimate goal is to provide an attractive earnings and dividend profile as we also deliver value to the customer. Our balance sheet remains strong, and we are well positioned to meet our goals."

Ralph Izzo, Chairman, President & CEO - February 24, 2017

PSEG – Q4 & FY 2016 Highlights

Another Year of Successful Capital Deployment

- Net Loss of $(0.19) vs. Net Income of $0.60 per share in Q4 2015; Full-Year Net Income of $1.75 vs. $3.30 per share in 2015; Decision to retire Hudson-Mercer units impacted results for Q4 and FY 2016
- Non-GAAP Operating Earnings* of $0.54 vs. $0.50 per share in Q4 2015; Full-year non-GAAP Operating Earnings* of $2.90 vs. $2.91 per share in 2015
- PSE&G achieved 13% growth in Net Income over 2015 on increased investment in T&D
- PSEG Power results exceeded revised guidance with stringent control of O&M

Operating Review

- PSE&G recognized for the 15th consecutive year as the Mid-Atlantic region's most reliable electric utility
- Nuclear performance stabilized following extended outages at Salem; Both units operating in excess of 98% capacity factor in Q4 2016

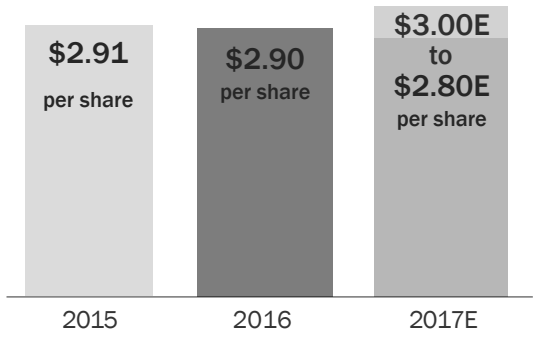
PSEG Disciplined Capital Investment

- PSEG invested $4.2 billion in 2016: $2.8 billion at PSE&G and $1.3 billion at PSEG Power
- PSE&G's $905 million GSMP and $1.2 billion Energy Strong infrastructure investments continue
- Solar 4 All programs total 158 MWDC with latest extension to provide $80 million for development of 33 MWDC of grid-connected, landfill/brownfield solar over next 3 years

PSEG – Initiating 2017 Full-Year Guidance

Growth in utility infrastructure investments continue to drive a higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance



Q4 2016 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2016**	**2015**	**2016**	**2015**
PSE&G (Net Income)	$193	$156	$0.38	$0.31
PSEG Power (Net Income/(Loss))	$(302)	$149	$(0.59)	$0.29
PSEG Power (non-GAAP Operating Earnings)	$69	$95	$0.13	$0.19
PSEG Enterprise/Other (Net Income)	$11	$4	$0.02	–
PSEG Enterprise/Other (non-GAAP Operating Earnings)	$17	$4	$0.03	–
PSEG (Net Income/(Loss))	$ (98)	$309	$(0.19)	$0.60
PSEG (non-GAAP Operating Earnings)	$279	$255	$0.54	$0.50

Key Performance Highlights

	as of 12/31/2016
Stock Price on 12/31/2016	$43.88
Dividends Paid per Share (*year-to-date*)	$1.64
Dividend Yield *(%)*	3.7%
Total Shareholder Return (*year-to-date*)	17.8%
Average Shares Outstanding, Diluted *(in millions)*	508
Book Value Per Common Share	$26.01

* See Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) on page 2 or at **https://www.pseg.com/info/investors/forward.jsp**

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Non-GAAP Operating Earnings is a financial measures that differ from Net Income in that it excludes the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The table below includes a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings. Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of March 6, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2016	*2015*	*2016*	*2015*
	($ millions, Unaudited)			
Net Income (Loss)	**$ (98)**	**$ 309**	**$ 887**	**$ 1,679**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(9)	(38)	(5)	(24)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	77	(59)	168	(157)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	555	-	669	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	10	-	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(256)	43	(391)	150
Operating Earnings (non-GAAP)	**$ 279**	**$ 255**	**$ 1,475**	**$ 1,476**
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	**$ (0.19)**	**$ 0.60**	**$ 1.75**	**$ 3.30**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.02)	(0.08)	(0.01)	(0.05)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.15	(0.12)	0.33	(0.31)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.02	-	0.29	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.52)	0.10	(0.78)	0.31
Operating Earnings (non-GAAP)	**$ 0.54**	**$ 0.50**	**$ 2.90**	**$ 2.91**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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PSEG Investor Summary

RBC CAPITAL MARKETS • GLOBAL INFRASTRUCTURE FORUM
US UTILITY CORPORATE DAY
MARCH 12-13, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10521

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10522

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PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of February 23, 2018.

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PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT INVESTOR RELATIONS

SI-SSA-0015-10524

PSEG

We make things work for you.

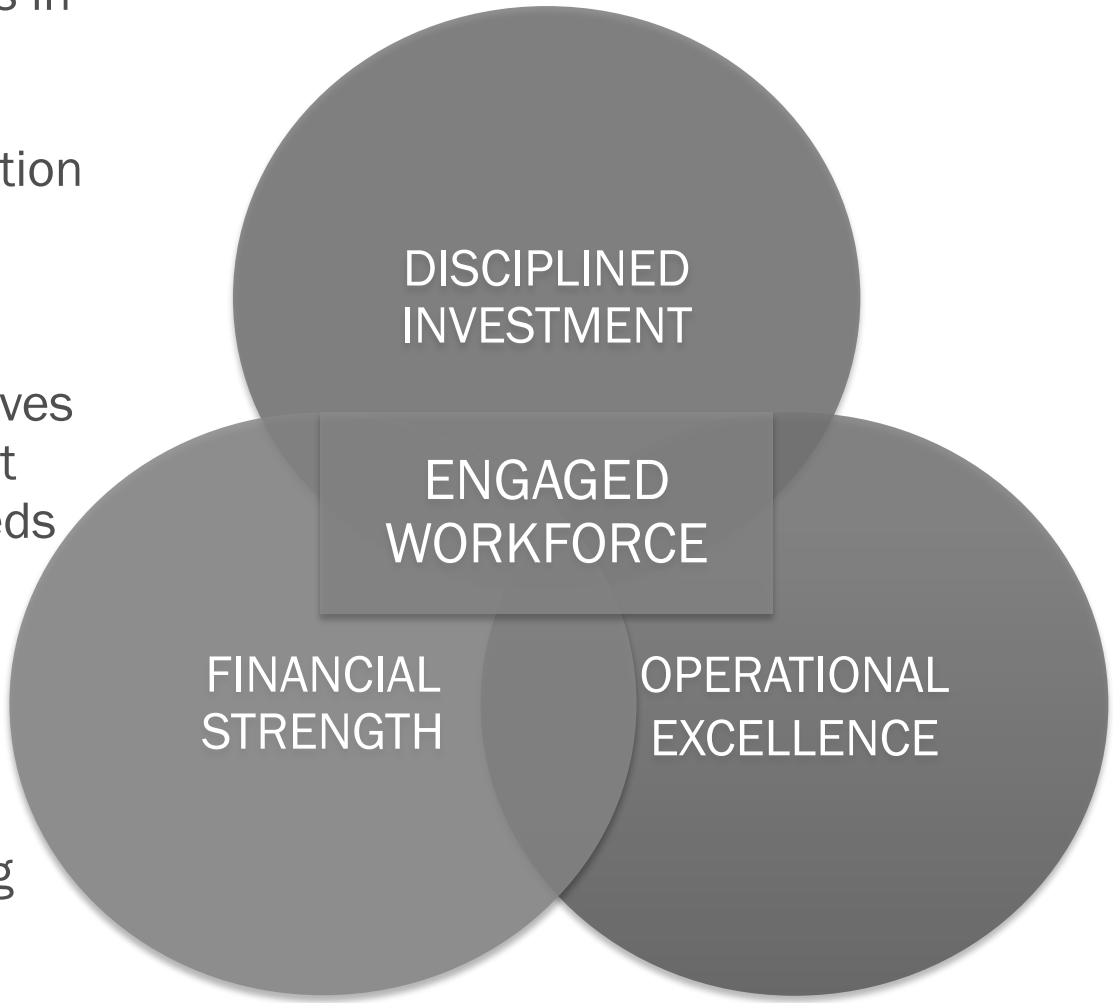
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $11.5 - $13.2 billion infrastructure program with opportunities to expand, producing 7% - 9% annual rate base growth through 2022	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2017 **Assets $29B** **Net Income $973M** **Non-GAAP Operating Earnings* $963M**	2017 **Assets $12B** **Net Income $479M** **Non-GAAP Operating Earnings* $505M**

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2017 exceeded the mid-point of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • PSEG is a net beneficiary of recent tax legislation • Increased dividend in February 2018 – 14th increase in last 15 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2018-2022) with investments in Transmission, Electric and Gas distribution, Gas System Modernization Programs (GSMP), Energy Strong and Clean Energy • Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, will improve fleet efficiency and geographic diversity

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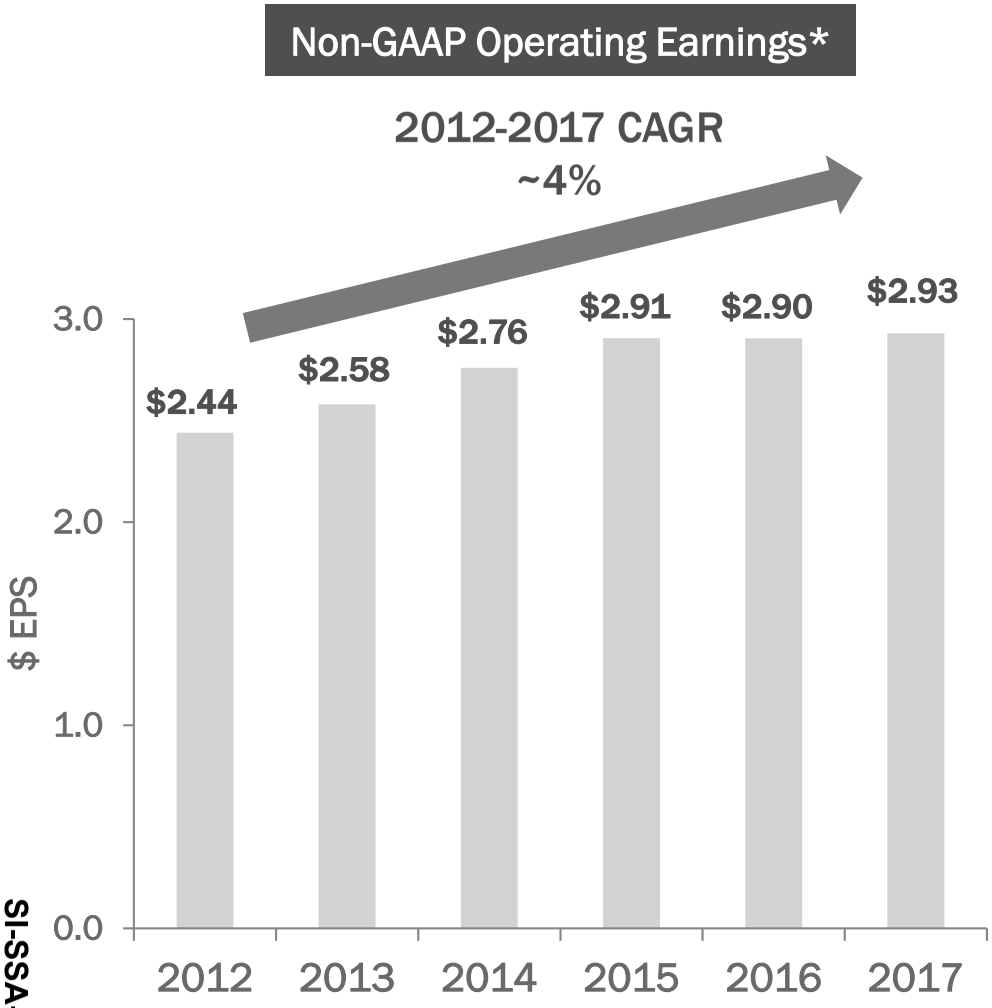
Focus on earning our cost of capital has provided for growth in operating earnings* and dividends



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*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSEG Policy and Regulatory focus

on mechanisms that provide customers with clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- Requested ~1% increase in revenue primarily to recover investments, partially offset by benefits related to tax reform

Long-Term Infrastructure Investment Platform

- BPU approved policy providing for constructive investment recovery mechanism encouraging investment in long-term infrastructure

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy that recognizes the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-10529

PUBLIC SERVICE ELECTRIC & GAS

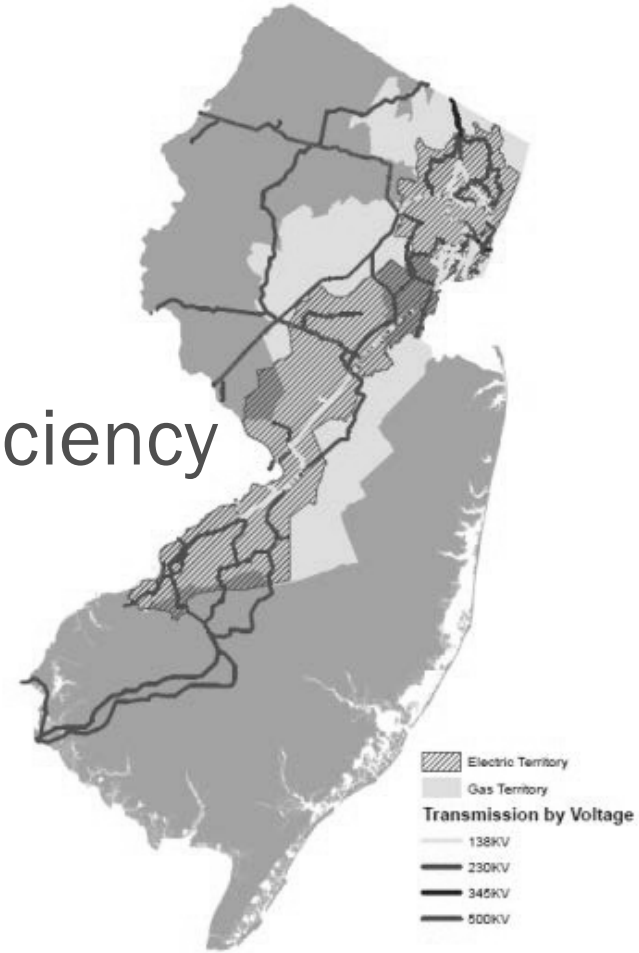
PSEG

We make things work for you.

SI-SSA-0015-10530

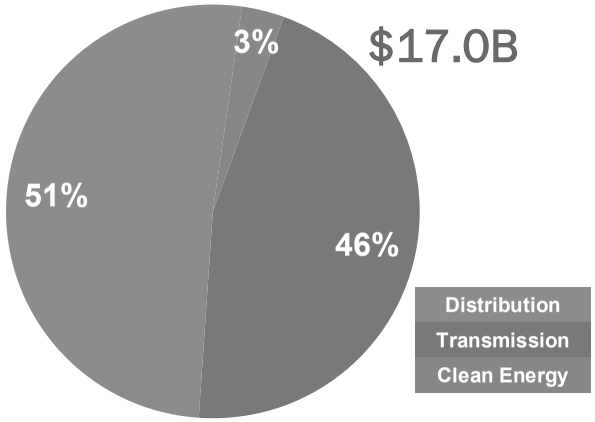
PSE&G – New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2013 – 2017)	2.2 Million 0.6%	1.8 Million 0.6%
2017 Electric and Gas Sales	40,740 GWh	2,397M Therms*
Sales Mix (2017)		
Residential	32%	59%
Commercial	58%	37%
Industrial	10%	4%

PSE&G 2017 Rate Base



* GAS FIRM SALES ONLY.

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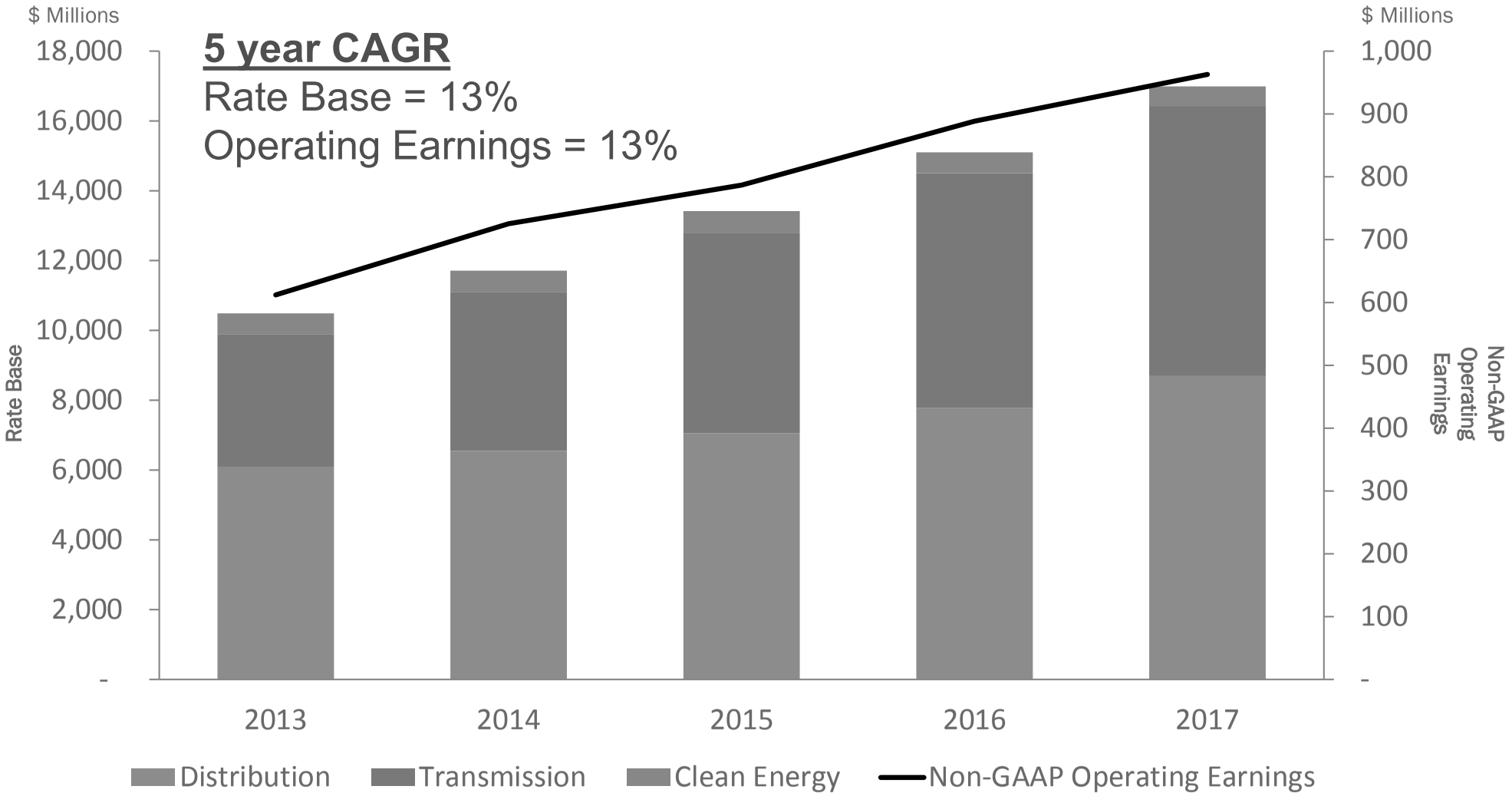
PSE&G Investment – Delivering growth



- Our rate base is roughly balanced between federal and state jurisdictions
- Non-GAAP operating earnings growth aligned with rate base growth

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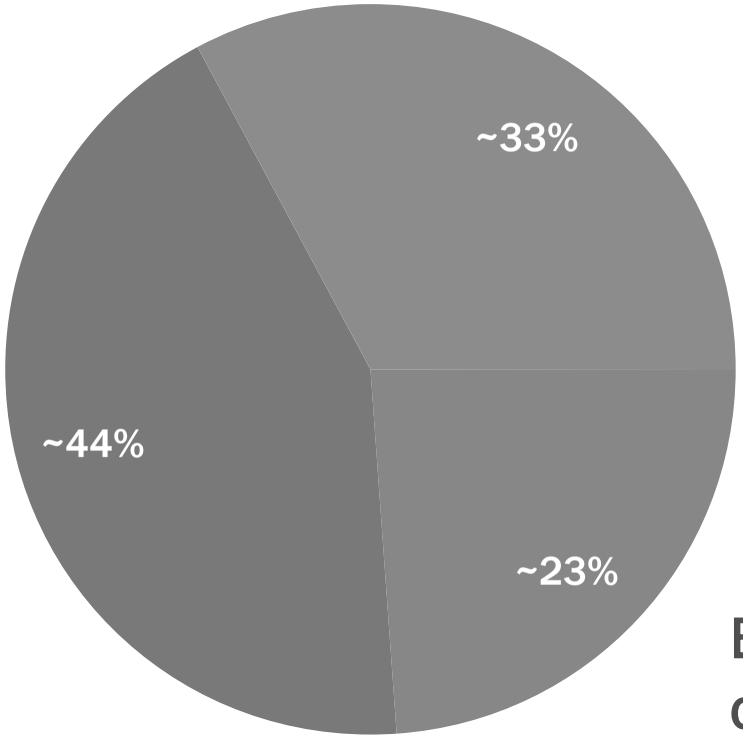
Developing investment opportunities

with near-contemporaneous recovery mechanisms

2018-2022E PSE&G Capital with Program extensions by Recovery Method

$11.5B - $13.2B



$13B plan includes program extension filings comparable to current investment levels:

- GSMP II
- Energy Strong (ES) II
- Clean Energy Future (CEF) filing
  - expansion of current energy efficiency programs
  - electric vehicle programs
  - energy storage
  - LED streetlights

Broad opportunity set of investment potential driven by customer expectations and public policy

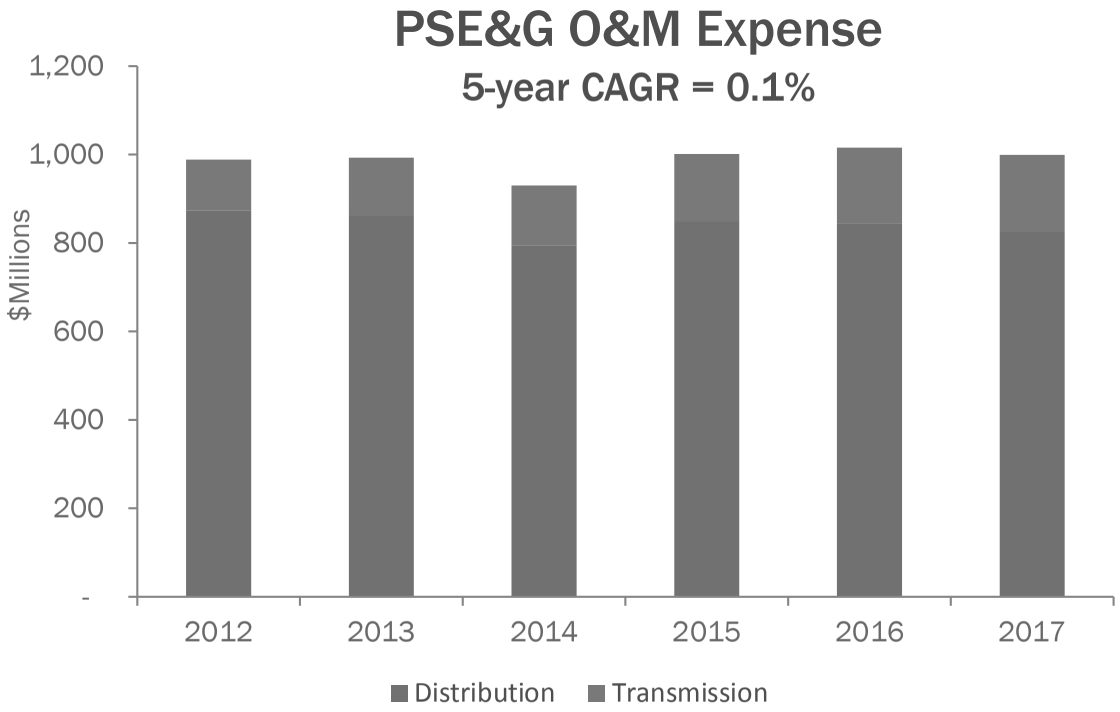
FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Clean Energy

SI-SSA-0015-10533

PSEG

E = ESTIMATE. DATA AS OF FEBRUARY 2018. INCLUDES AFUDC.

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendors, ensuring maximum value
- Successful management of pension

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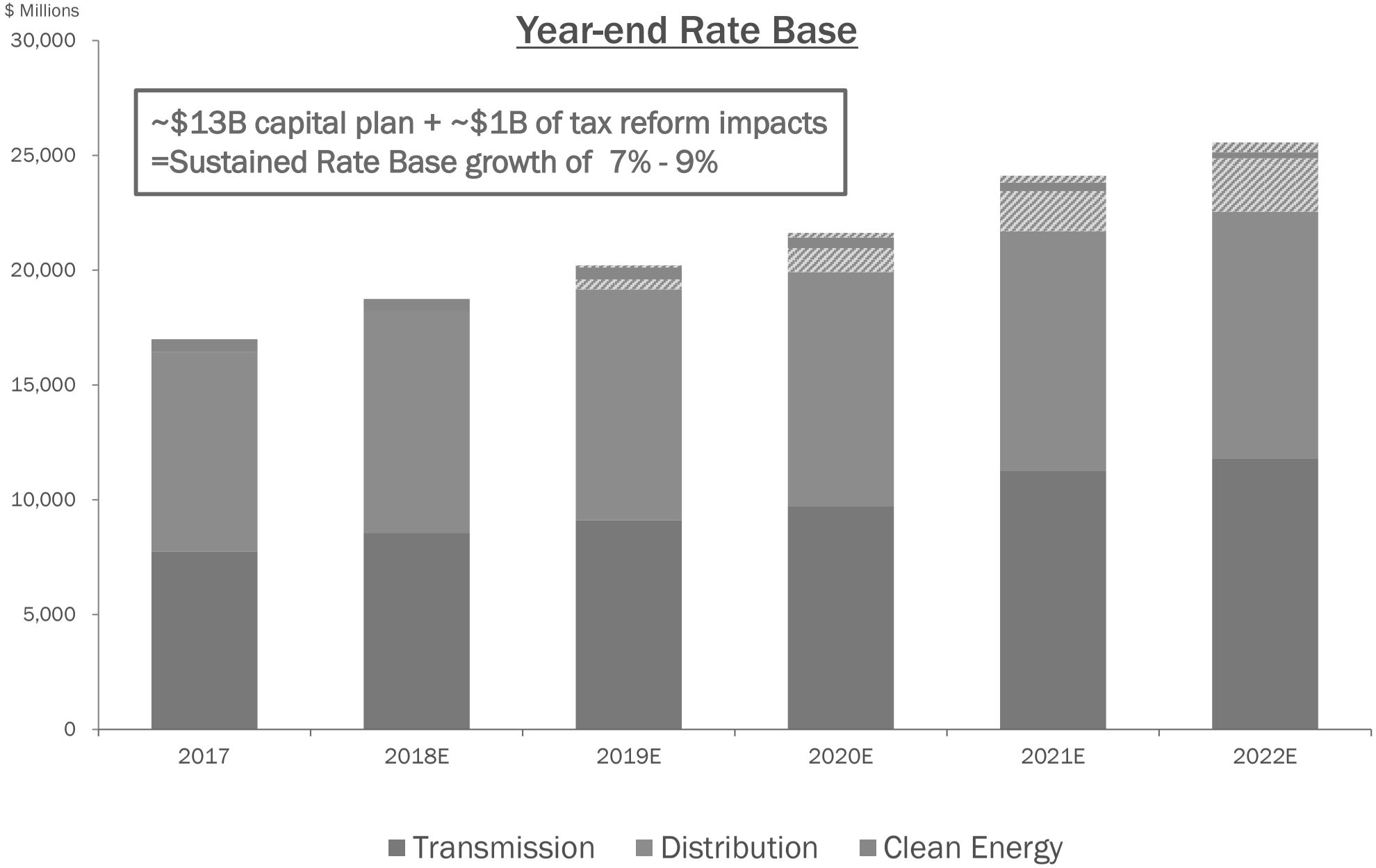
Continued strong rate base growth – off a higher base



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS EXTENSIONS OF DISTRIBUTION CLAUSE PROGRAMS INCLUDING GSMP II, ES II AND A LARGE CLEAN ENERGY PROGRAM

SI-SSA-0015-10535

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2013 - 2017

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2018-2022E

Complete hardening, begin system modernization, expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

EV Infrastructure and Battery storage

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth into the next decade

SI-SSA-0015-10536

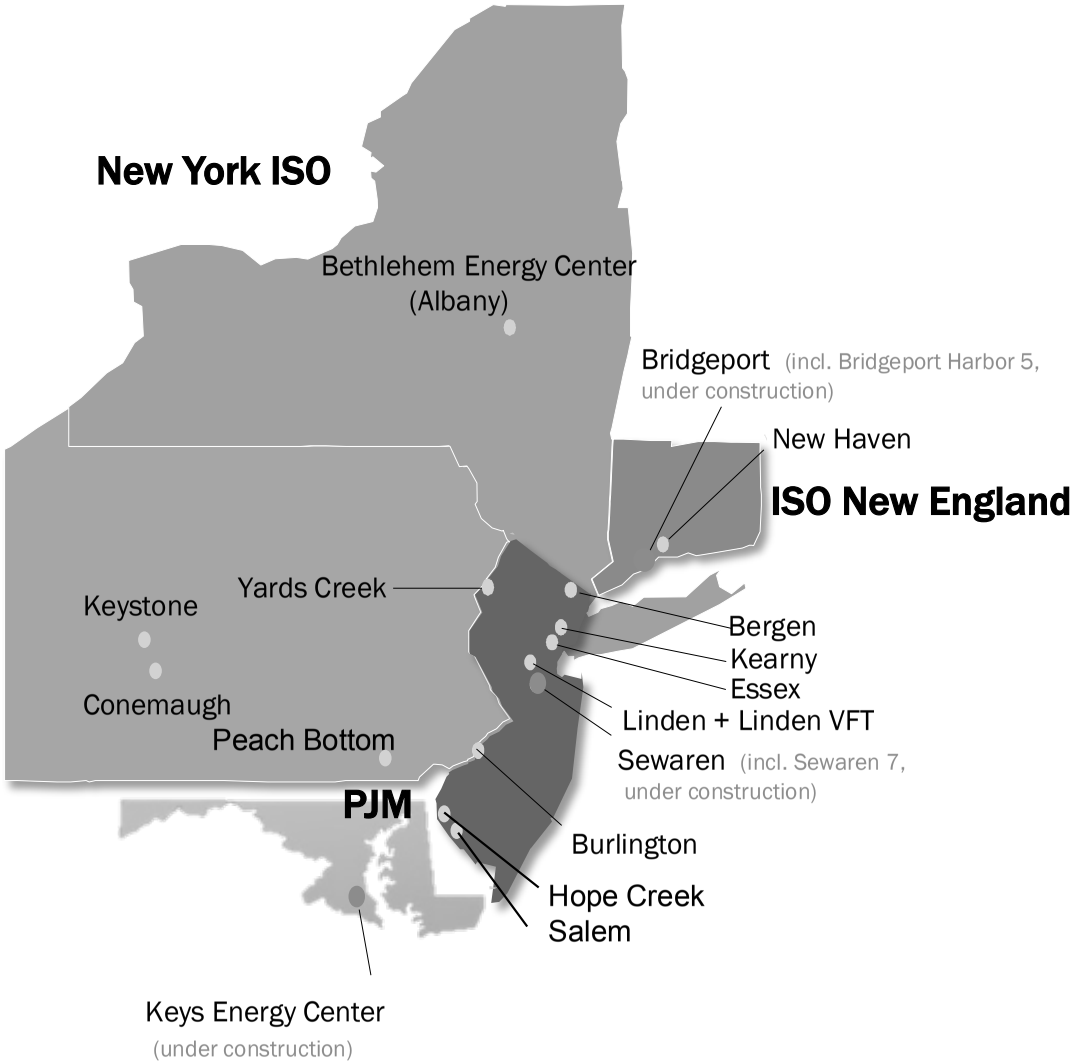
PSEG POWER

PSEG

We make things work for you.

SI-SSA-0015-10537

Power has generating assets in three competitive markets



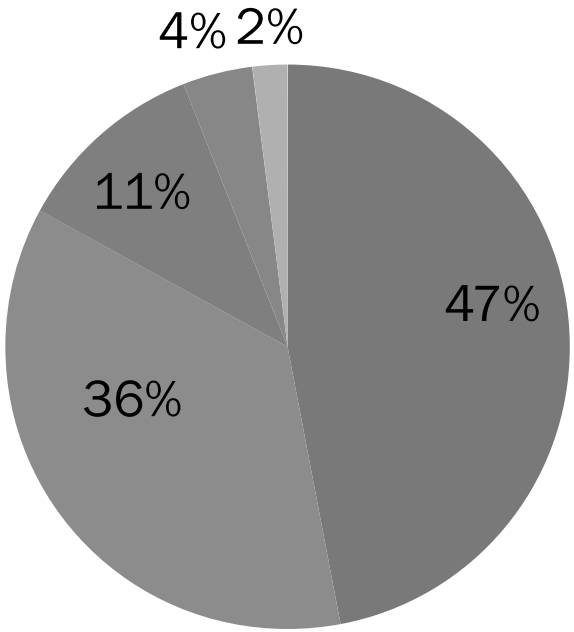
- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-10538

Power has a diverse fleet of generating assets which enables it to respond to market needs

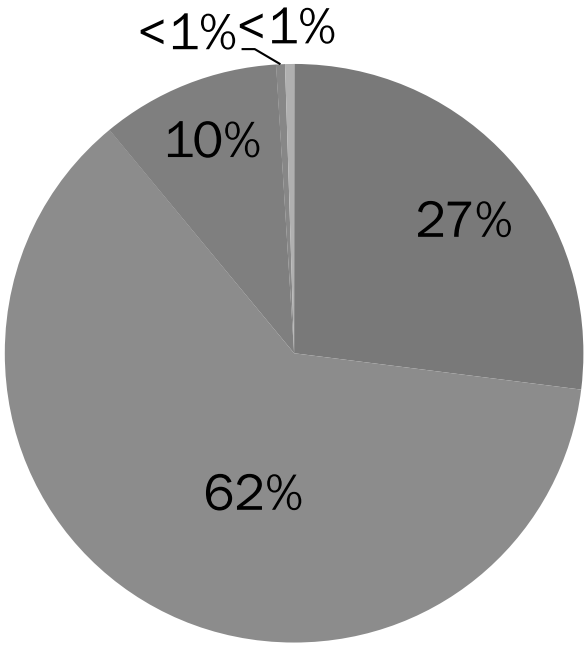
Fuel Diversity 2017*

Total MW: 10,458



Energy Produced 2017*

Total GWh: 51,089



- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

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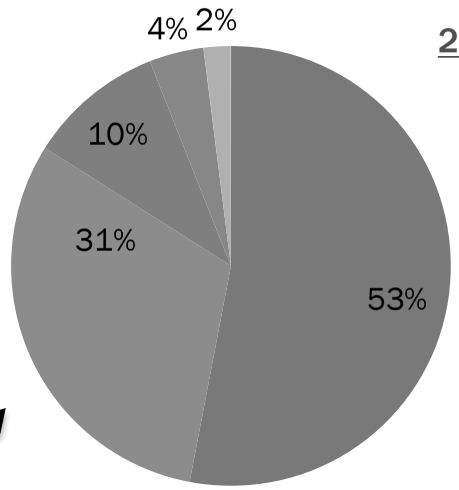
PSEG

* EXCLUDES SOLAR (414MW$_{DC}$ /325MW$_{AC}$) AND KALAELOA (104MW).

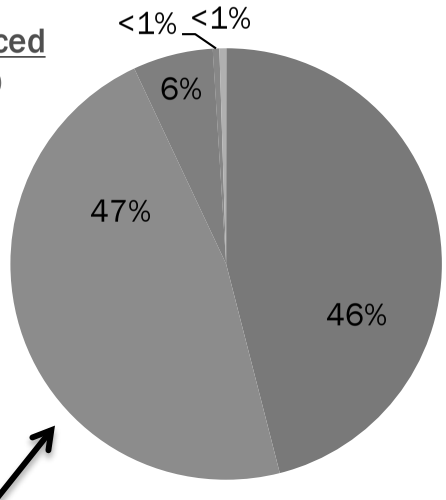
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2020E

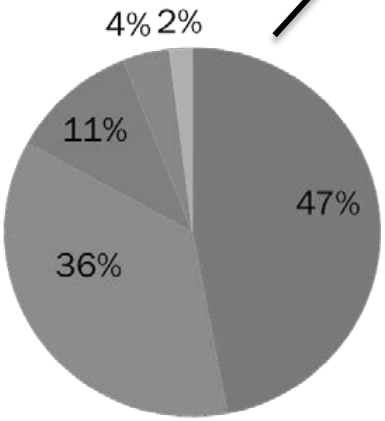
2020E Fuel Diversity
Total MW: 11,800



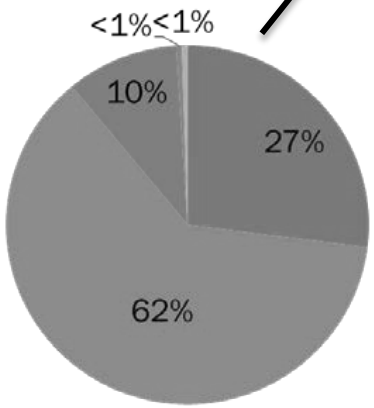
2020E Energy Produced
Total GWh: 65,500



Energy hedging being moderated due to uncertainty around future operations of NJ nuclear units, given economic challenges



2017 Fuel Diversity[1]
Total MW: 10,458



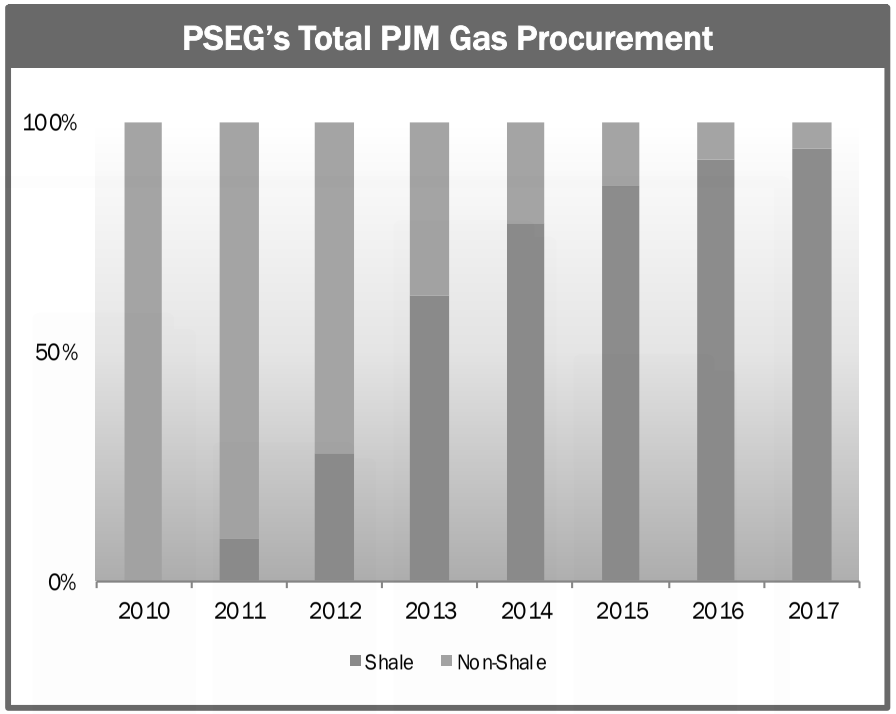
2017 Energy Produced[1]
Total GWh: 51,089

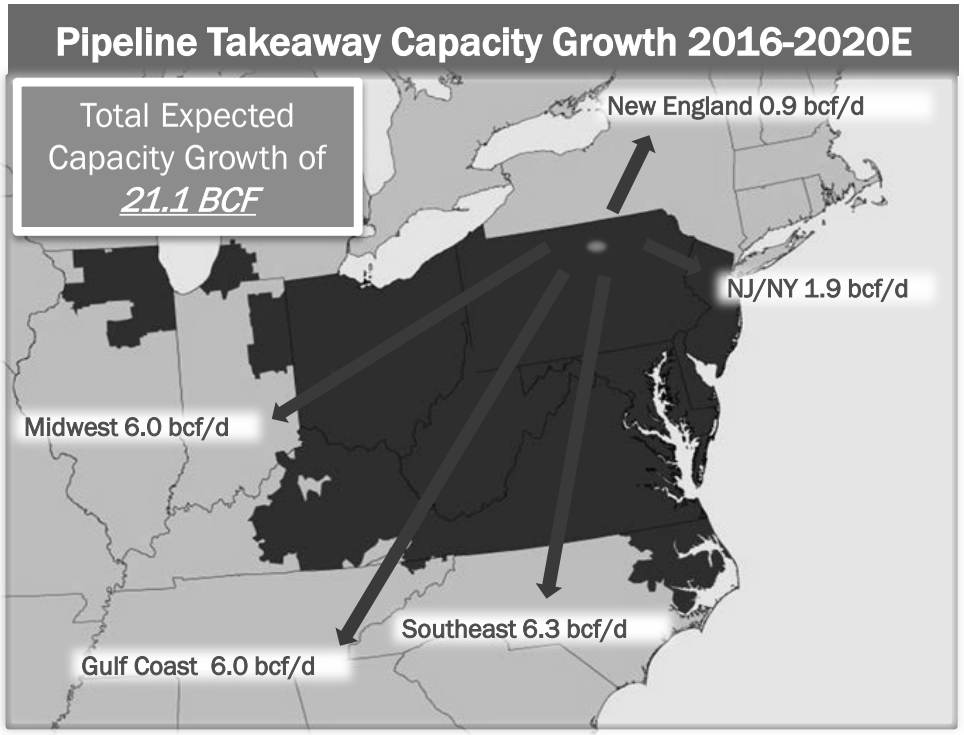
- Gas
- Nuclear
- Coal
- Oil
- Pumped Storage

[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS ON JUNE 1, 2017.
ALL PERIODS EXCLUDE SOLAR (414 MW_{DC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
E= ESTIMATE.

SI-SSA-0015-10540

Power's fleet is well-located with access to shale gas production





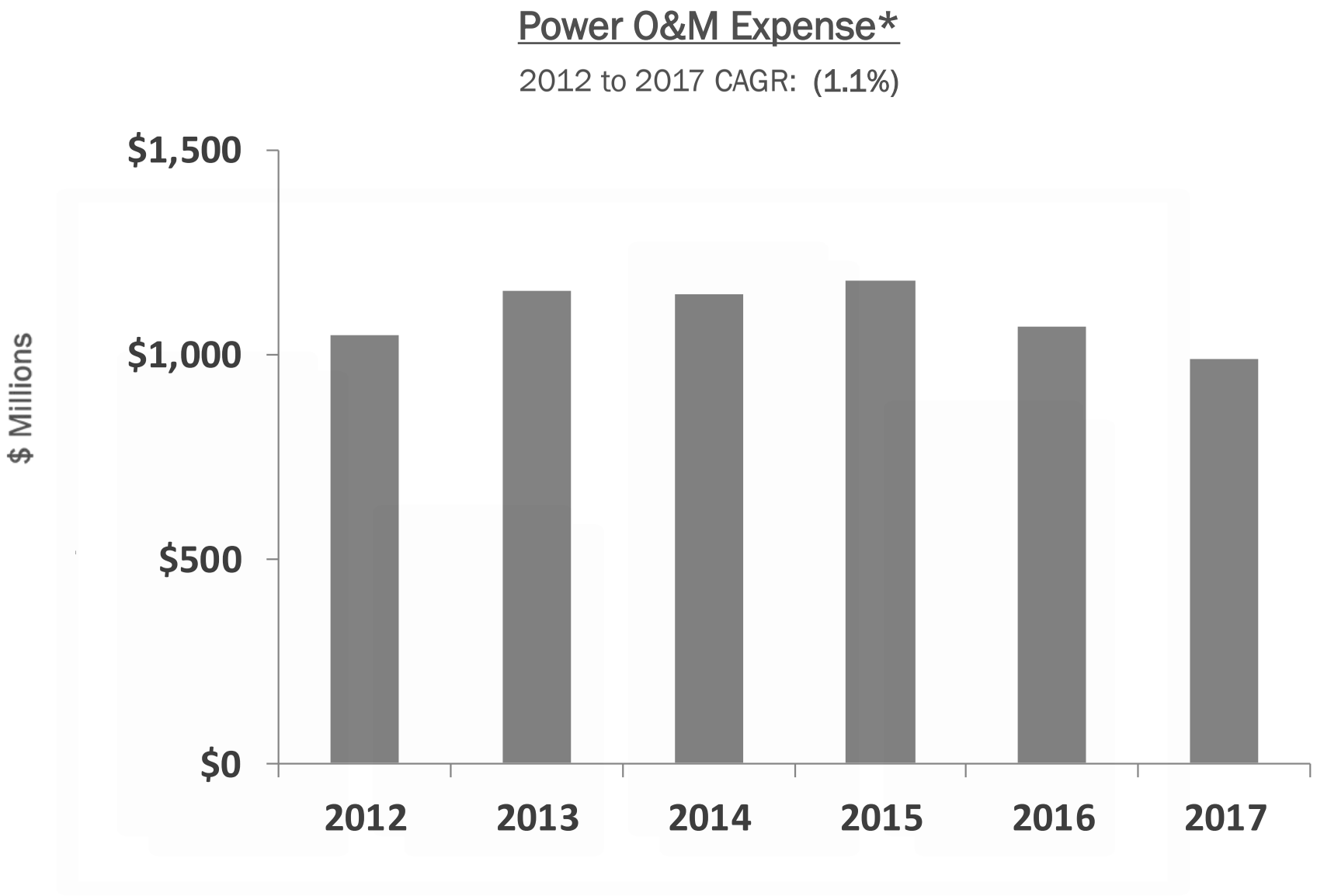
- PSEG Power procured approximately 360 BCF in 2017 with approximately 50% going towards PSE&G's utility gas customer usage
- PSEG Power's gas for PJM generation was ~65 BCF in 2017, of which >85% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-10541

E = ESTIMATE.

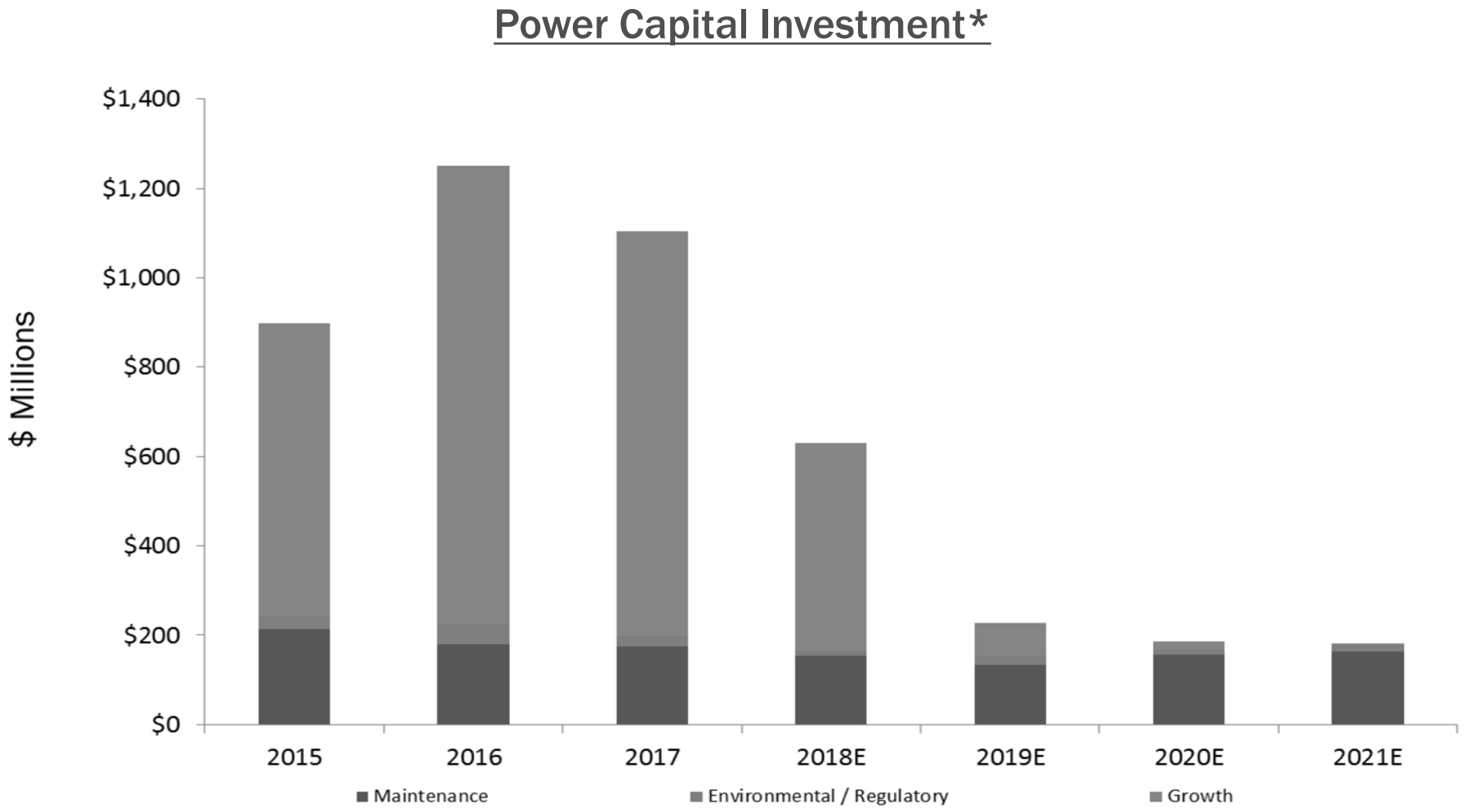
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.

SI-SSA-0015-10542

Power's capital needs decline following construction of new capacity, enhancing free cash flow



SI-SSA-0015-10543

PSEG

EXCLUDES NUCLEAR FUEL. INCLUDES IDC. E=ESTIMATE. DATA AS OF MARCH 9, 2018.
*UPDATED TO REFLECT RECENT CANCELLATION OF NUCLEAR CAPITAL PROJECTS AT SALEM THAT ARE NOT REQUIRED FOR REGULATORY COMPLIANCE OR SAFE OPERATION.

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-10544

PSEG

We make things work for you.

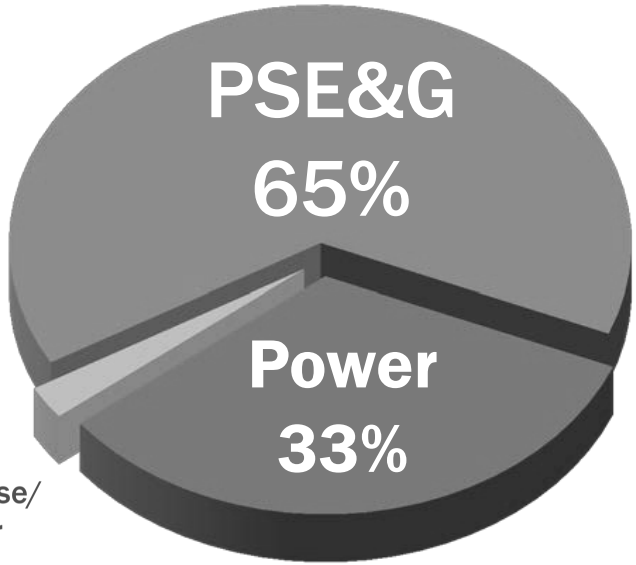
Strong financial position driven by PSE&G with meaningful contribution from Power

	2017 Financial Position
Earnings	✓ Delivered on 2017 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on completion of Power's construction program
Cash Flow and Credit Metrics	✓ PSEG business mix yields net benefits from recent tax reform ✓ Produced stable and strong PSE&G cash from operations ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 4.7% or $0.08 per share

SI-SSA-0015-10545

Investment programs provide opportunity for growth

2018E Non-GAAP Operating Earnings Guidance Contribution*



Enterprise/ Other 2%

2018-2022E Total Capital**

~$13.2B

8% annual growth in rate base with expansion/extension of existing programs

~$1.5B

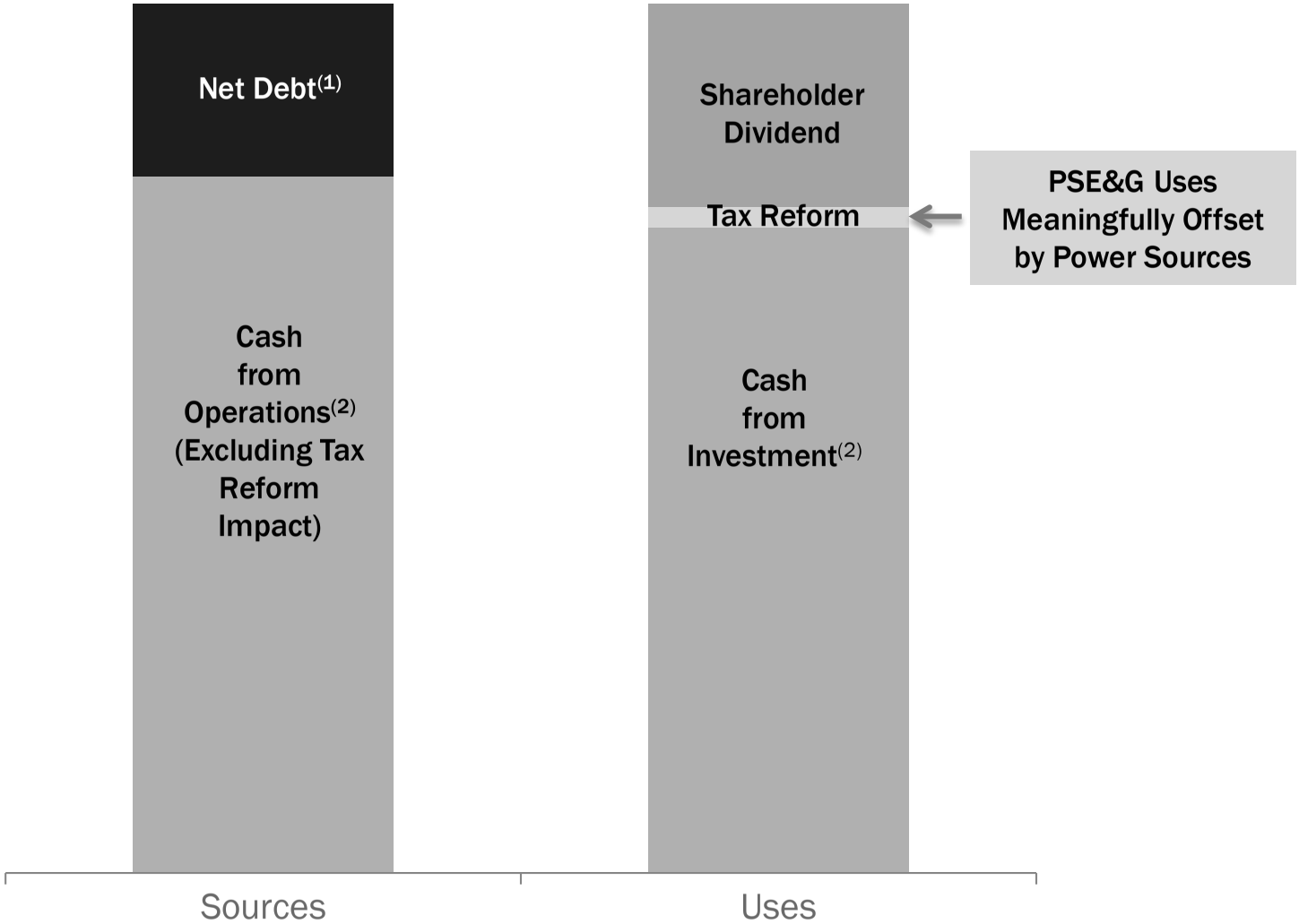
Completion of capital program for new combined cycle plants

SI-SSA-0015-10546

*BASED ON THE MID-POINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
**INCLUDES ALL PLANNED SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Cash Impact from Tax Reform is Manageable

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) INCLUDES ISSUANCES, REDEMPTIONS, CASH POSITION AND TREASURY SHARES
2) ADJUSTED TO SHIFT CUMULATIVE ENERGY EFFICIENCY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT. E = ESTIMATE.

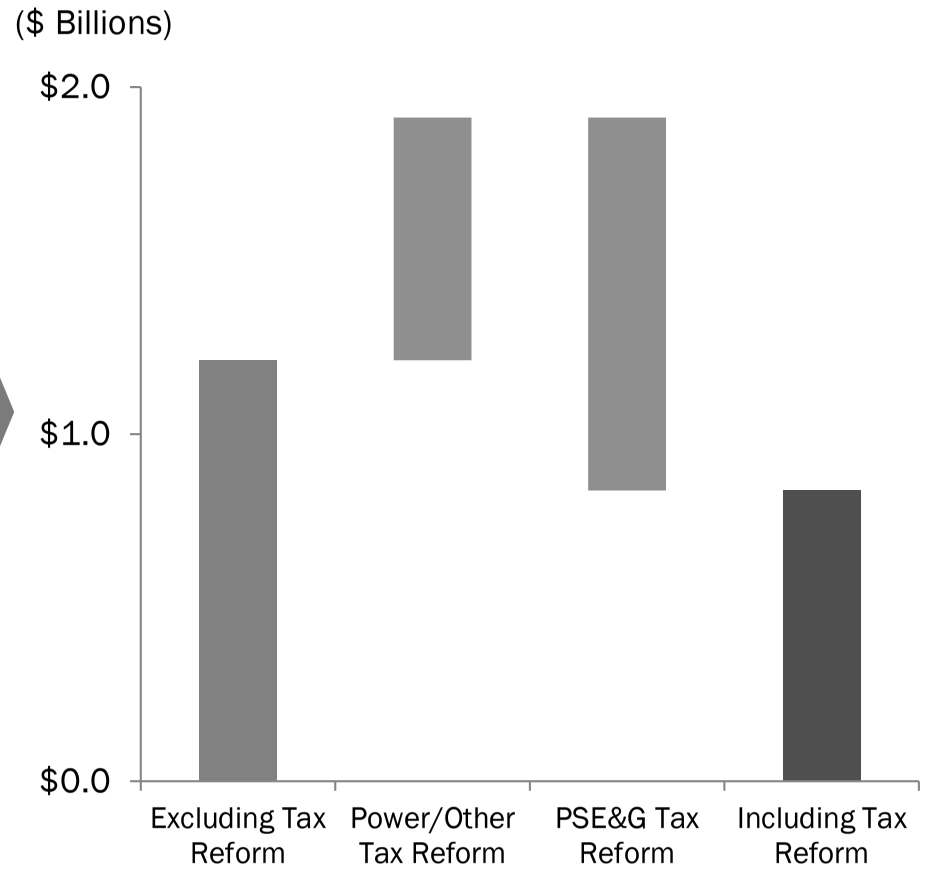
SI-SSA-0015-10547

Excess Investment Capacity of nearly $1B after tax reform and continued investment

Average Funds From Operations / Debt 2018E – 2020E

	Power	PSEG
Estimate (Including Tax Reform)	Low - Forties	~20%
Tax Reform Impact	~5%	~(2%)
Minimum Threshold	30%	High - Teens

Total Incremental Investment Capacity (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

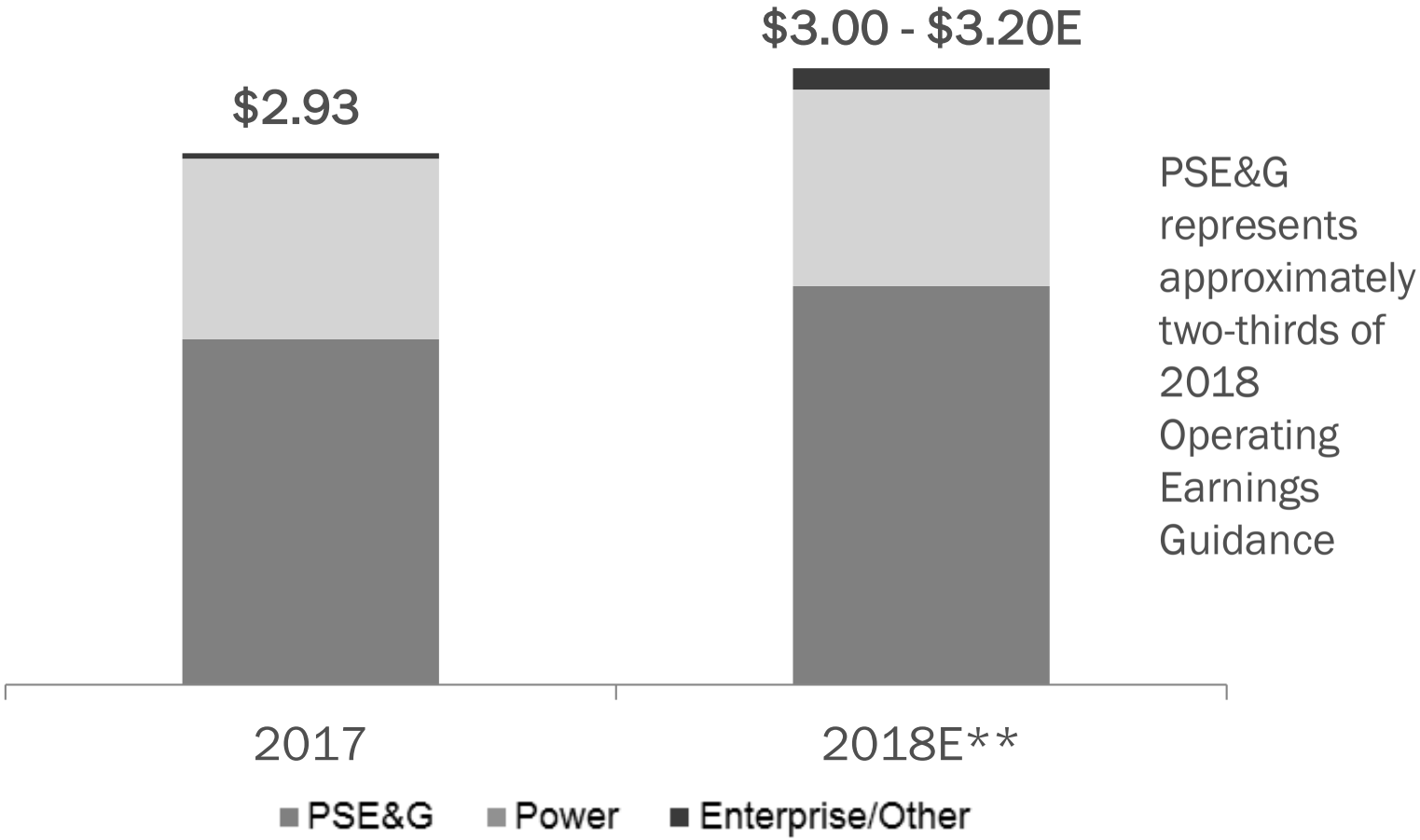
SI-SSA-0015-10548

E=ESTIMATE.

PSEG 2018 non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



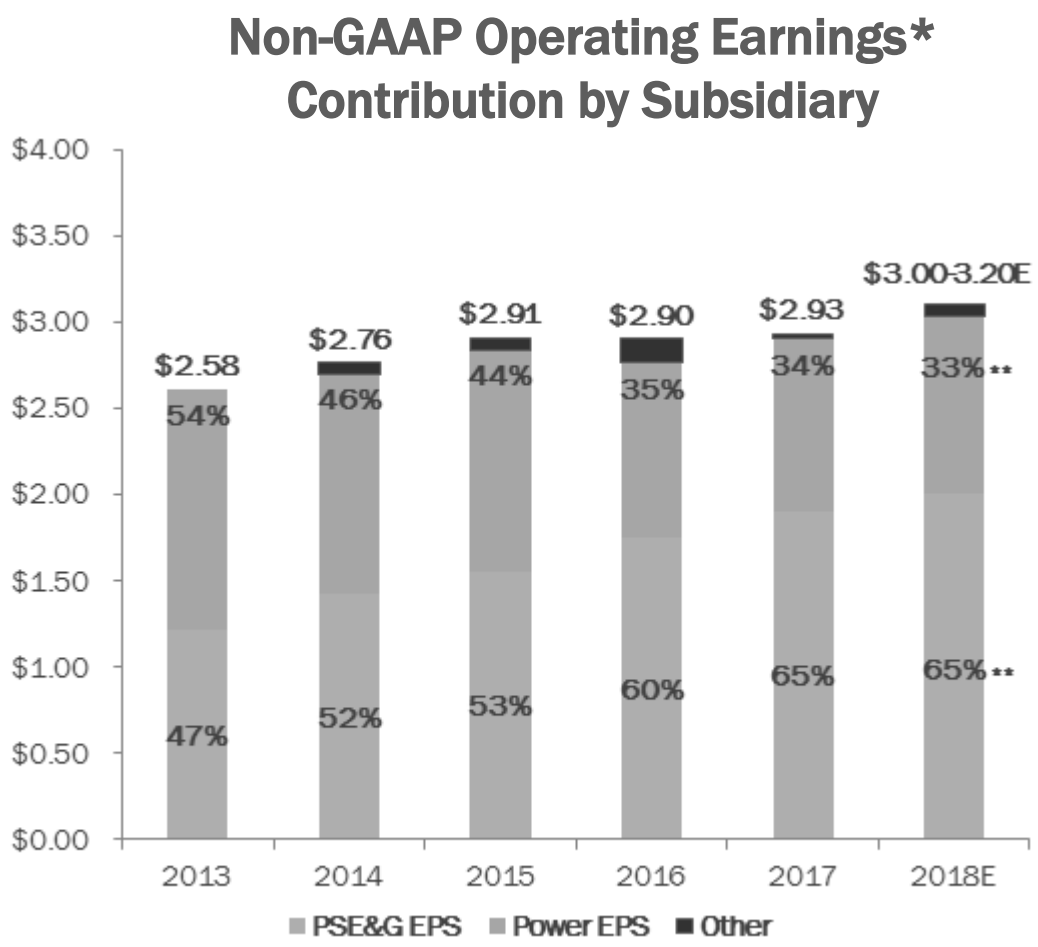
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

SI-SSA-0015-10549

PSEG

* SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME (LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
** BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E = ESTIMATE.

2018 Operating Earnings Guidance – PSE&G expected to contribute two-thirds of operating earnings



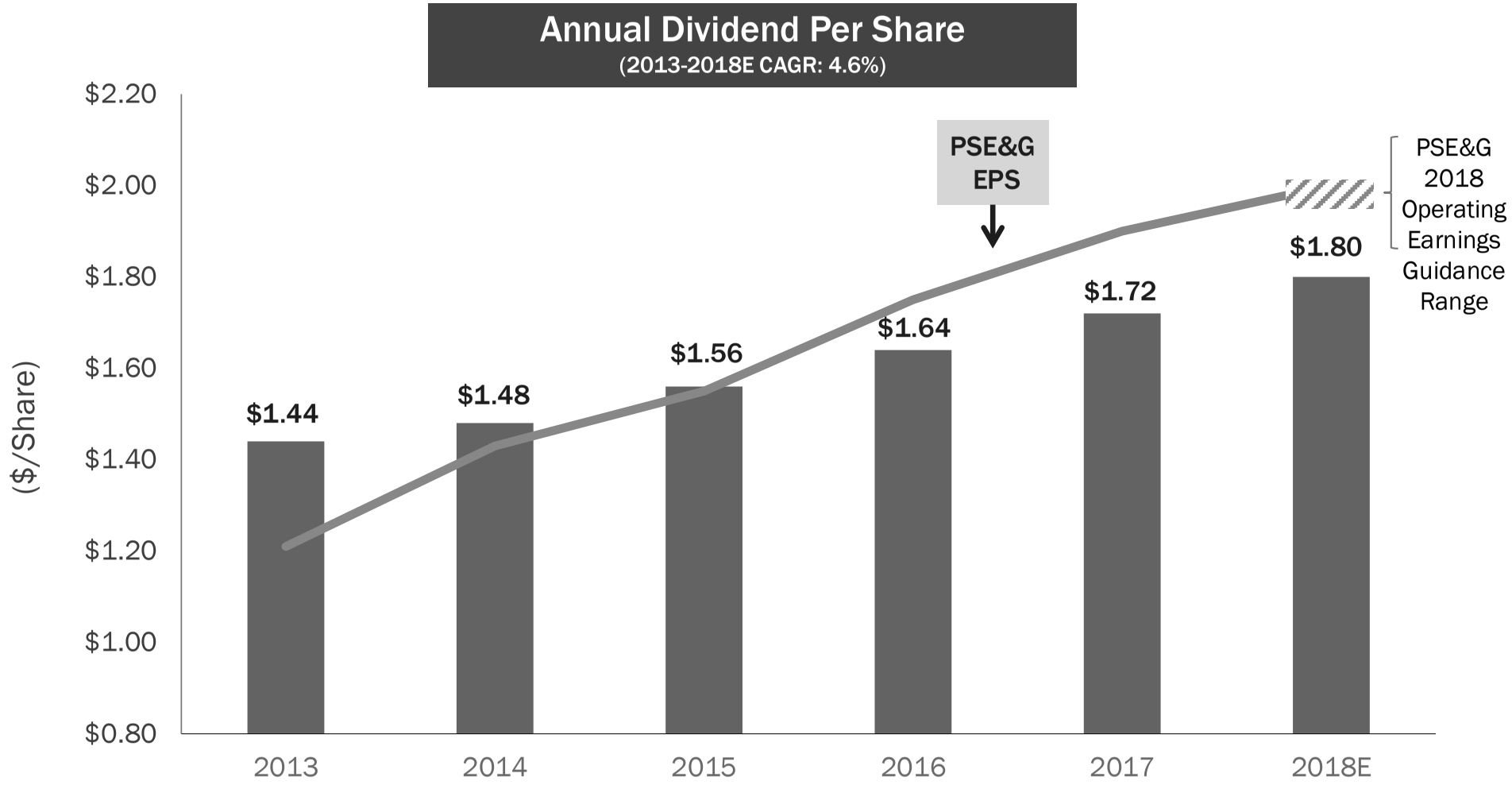
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2018E Guidance
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
Enterprise/Other	$35 - $35
Operating Earnings*	$1,520 - $1,625
*Operating EPS**	$3.00 - $3.20E

SI-SSA-0015-10550

PSEG

*SEE SLIDES A ,B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. **BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE. E= ESTIMATE. GUIDANCE INCLUDED HEREIN IS AS OF FEBRUARY 23, 2018.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

SI-SSA-0015-10551

PSEG's Value Proposition

- A stable platform with a $13-$15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-10552

PSEG APPENDIX

SI-SSA-0015-10553

PSEG

We make things work for you.

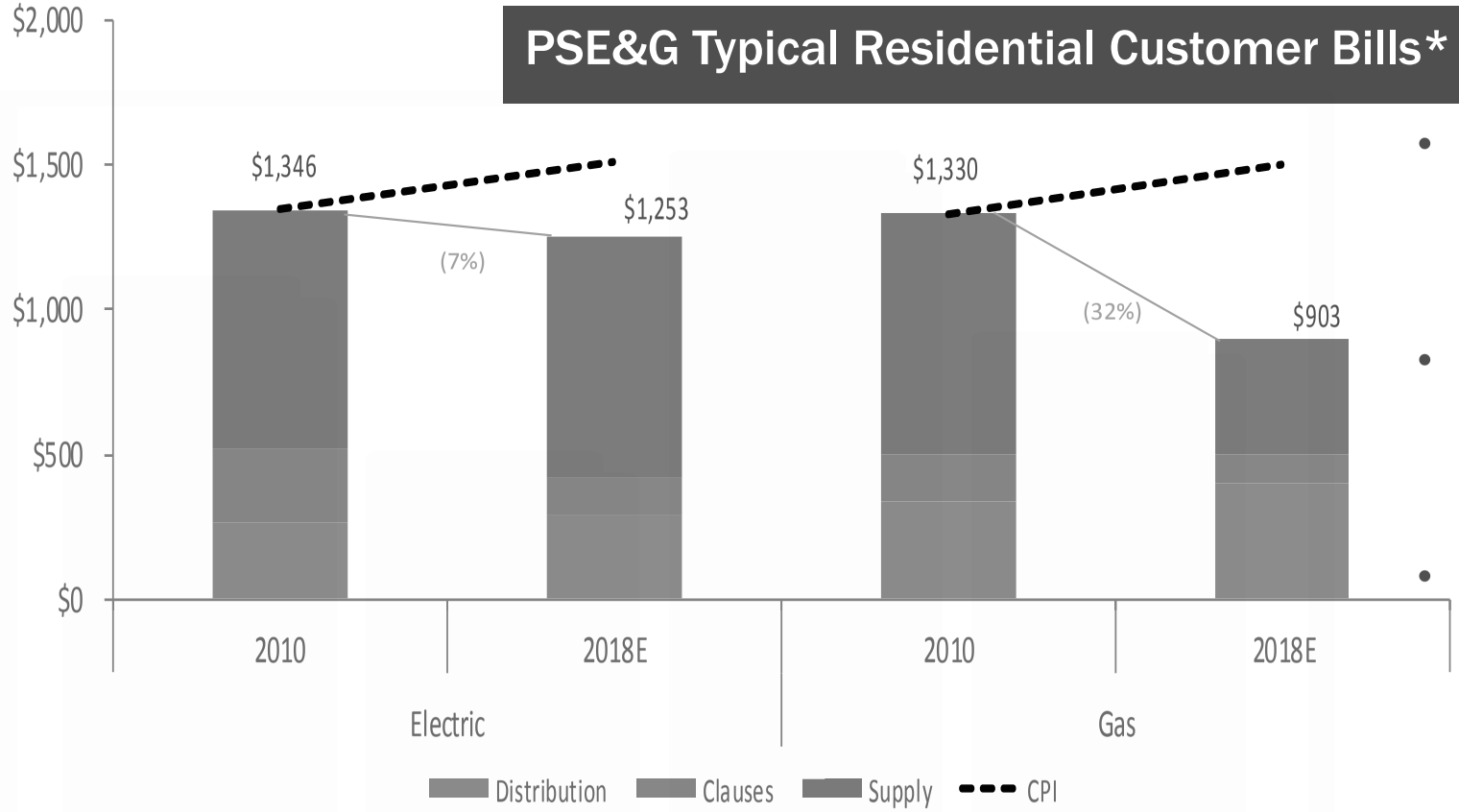
PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain ~20% lower than bills after last base rate case

SI-SSA-0015-10554

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case
- Provided Gas bill credits totaling ~$670 per customer since 2012
- Continued investment at the current rate of growth would take about a decade to equal the 2010 bill rates (adjusted for growth in CPI/disposable income)

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric

SI-SSA-0015-10555

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

New Jersey BGS accounts for ~10 TWh of our hedging

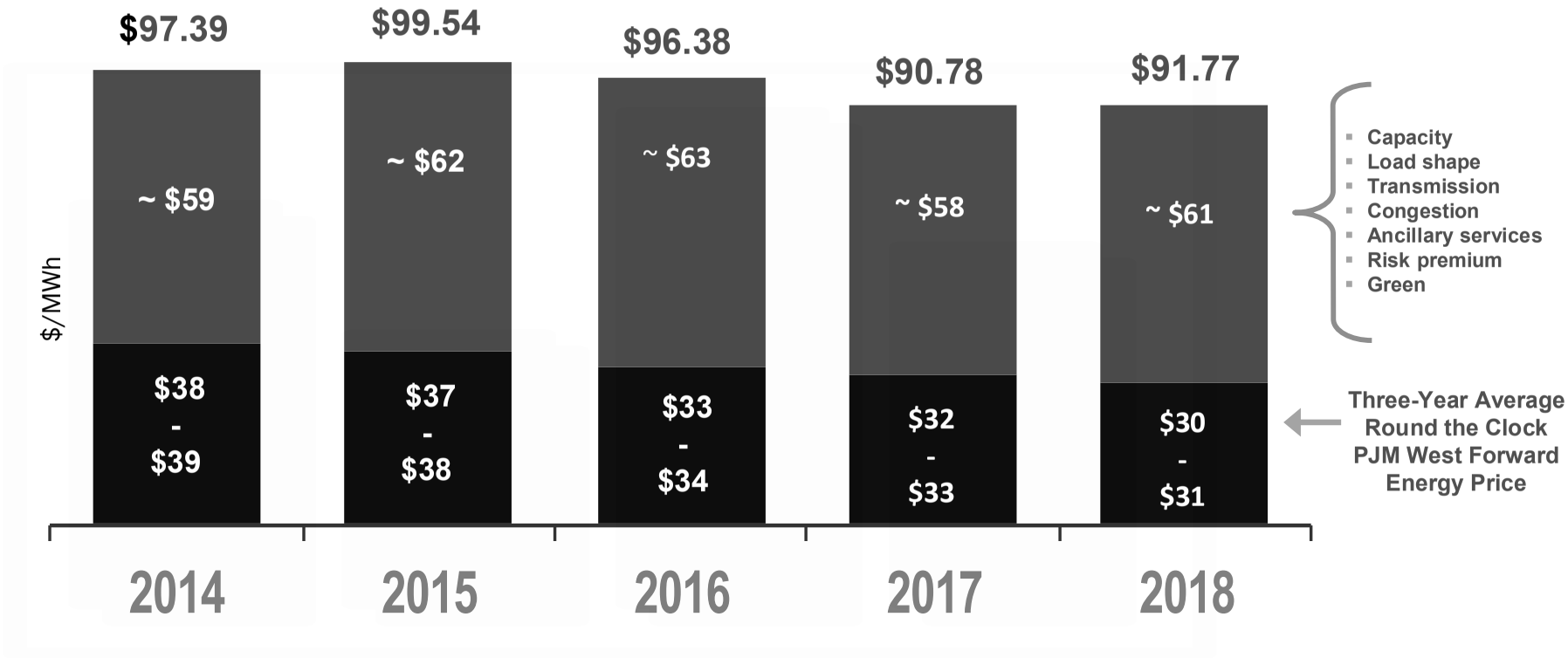
Retail marketing will complement BGS

Full Requirements Component

Capacity Markets/RPM

Growing Renewable Energy/Transmission

Component for Market Risk



Latest auction results reflect mix of lower prices for energy and higher transmission costs

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2016-2018 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2018.

SI-SSA-0015-10556

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$172	$177	$215	$116	$174
Rest of Pool Prices ($/MW-day)	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)
Power's Cleared Capacity (MW)	8,700	8,700	8,650	8,900	7,800

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	777	848	831	1,333	1,333

Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

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*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

SI-SSA-0015-10558

Tax Cuts and Jobs Act: PSEG is well positioned

given positive non-utility contribution to earnings and a strong balance sheet

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

OUR ESTIMATES AND ANALYSIS ARE PRELIMINARY. THE SEC HAS PROVIDED COMPANIES ONE YEAR TO FINALIZE 2017 ACCOUNTING REQUIREMENTS. FURTHER ADJUSTMENTS IN 2018 MAY BE REQUIRED.

SI-SSA-0015-10559

Tax reform impacts – PSE&G

Lowered federal corporate tax rate from 35% to 21%

- Lowers costs and annual revenue requirements by ~$275M
- Updated Transmission Formula rate lowered by $148M effective 1/1/2018
- Incorporated ~$130M reduction into Distribution base rate case filing

Lower tax depreciation benefits (no bonus depreciation, lower tax rate)

Excess deferred taxes due to lower tax rate of ~$2.1B

- Protected ~$1.6B – Flow back period over the lives of the assets (ARAM method)
- Unprotected ~$0.5B – Flow back period will be addressed with the BPU and FERC

Financial impact

✓ **Rate base growth** - Lower deductions and planned flow back increases rate base by >$1B

✓ Average annual earnings increase by ~$20M in 2019 growing to ~$30M in 2022

✓ Investment program and metrics to support strong credit rating is maintained

SI-SSA-0015-10560

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-10561

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-10562

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-10563

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)
Tax Reform	(745)	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)
Tax Reform	(1.47)	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSE&G and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612
Tax Reform	(10)	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)
Tax Reform	(588)	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of Non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013
	($ millions, Unaudited)				
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-
Tax Reform	(147)	-	-	-	-
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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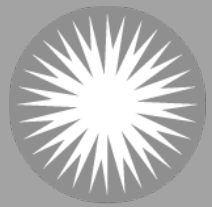
PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME/(LOSS).

RBC Midwest – Canada Investor Meetings

MARCH 26-28, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10567

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT,
INVESTOR RELATIONS

PSEG

We make things work for you.

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Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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PSEG OVERVIEW & OUTLOOK

PSEG

We make things work for you.

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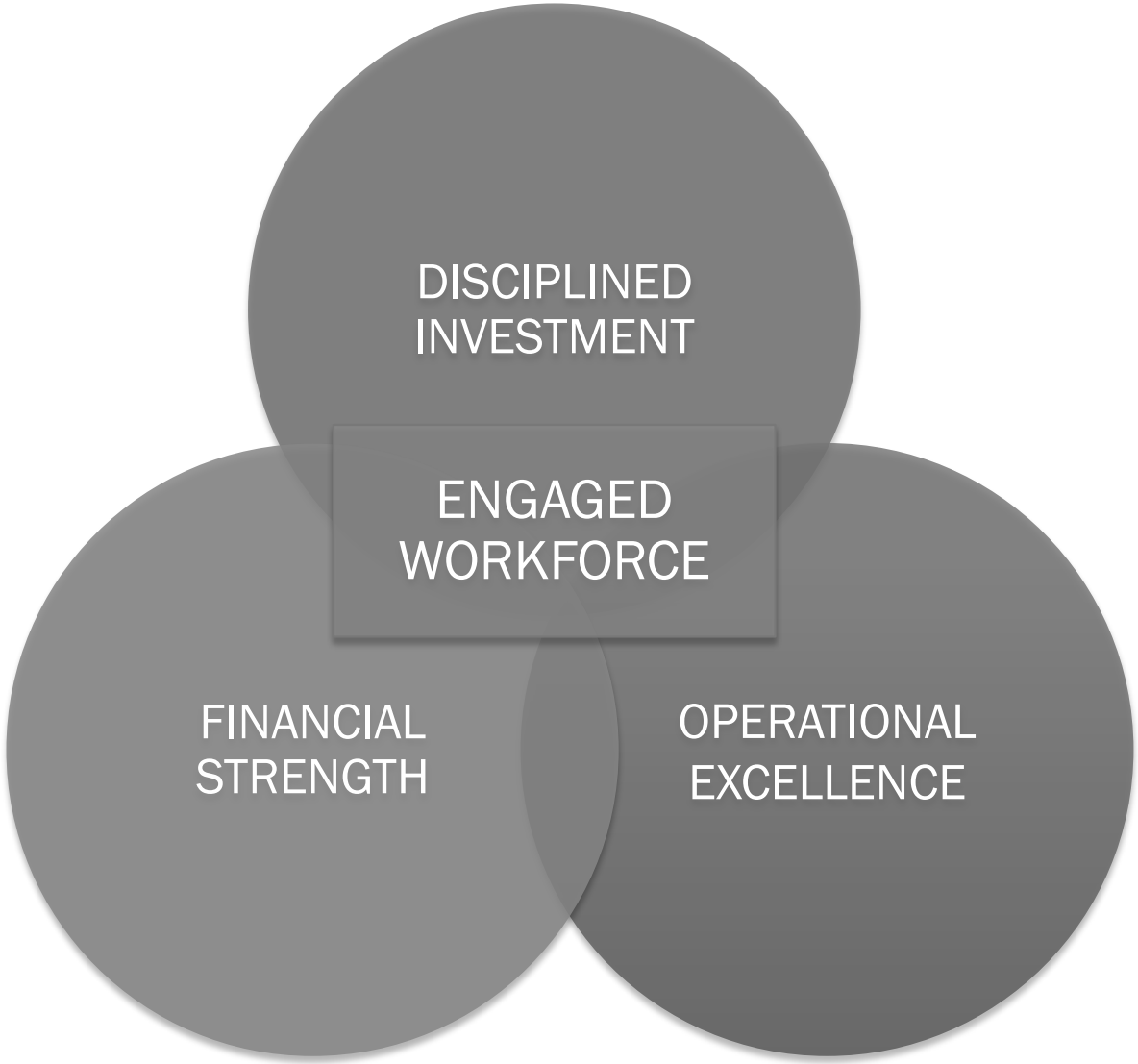
PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

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PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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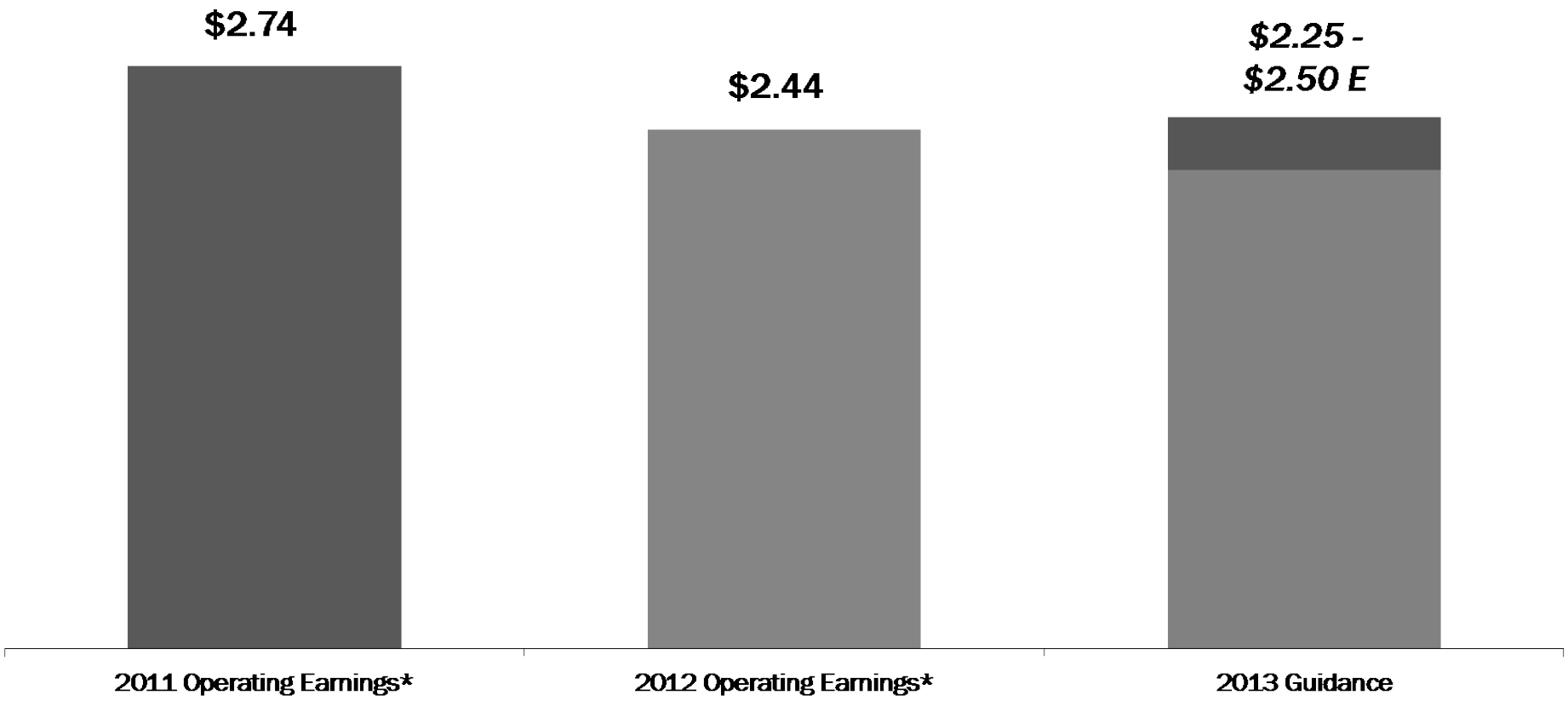
2013 Operating Earnings Guidance



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PSEG

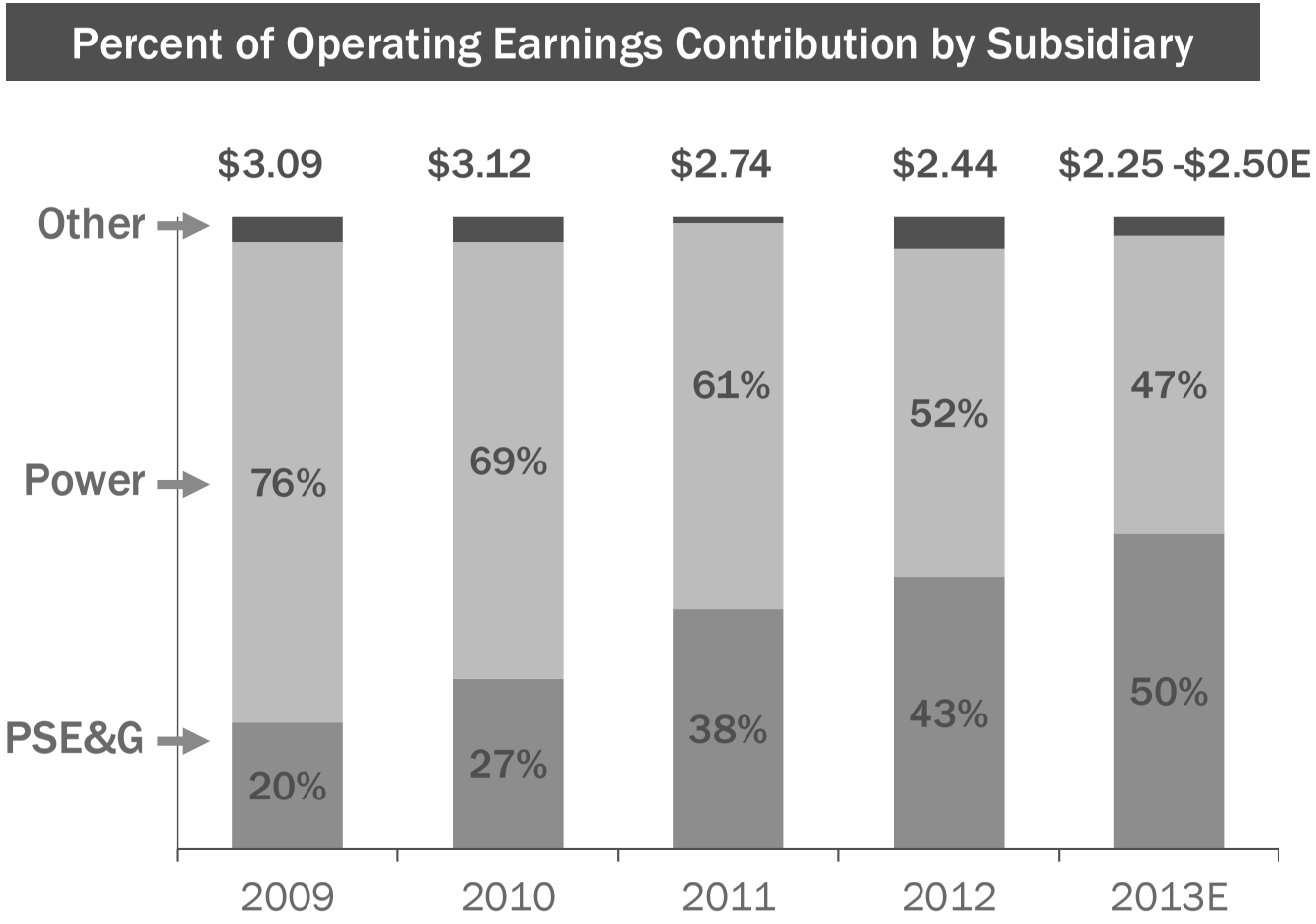
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

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SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

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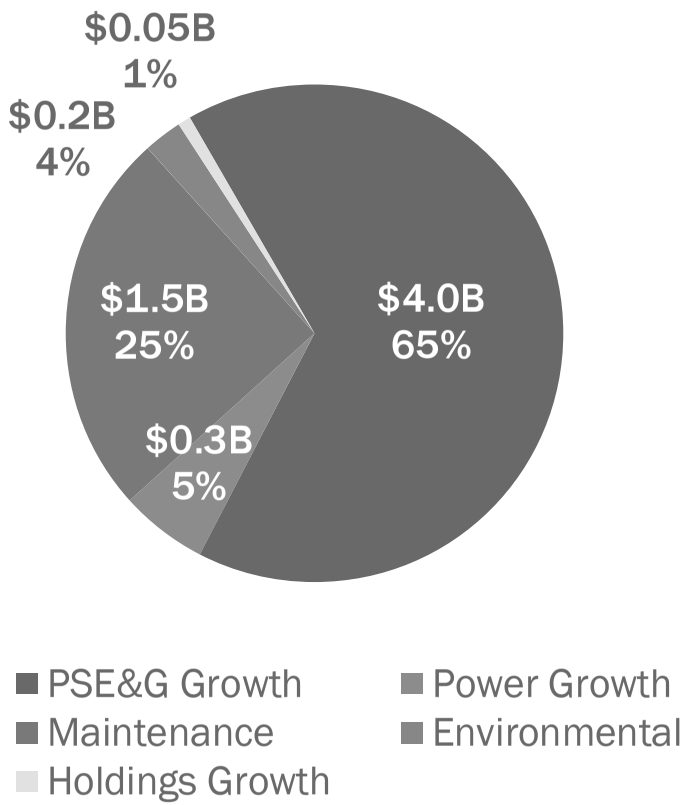
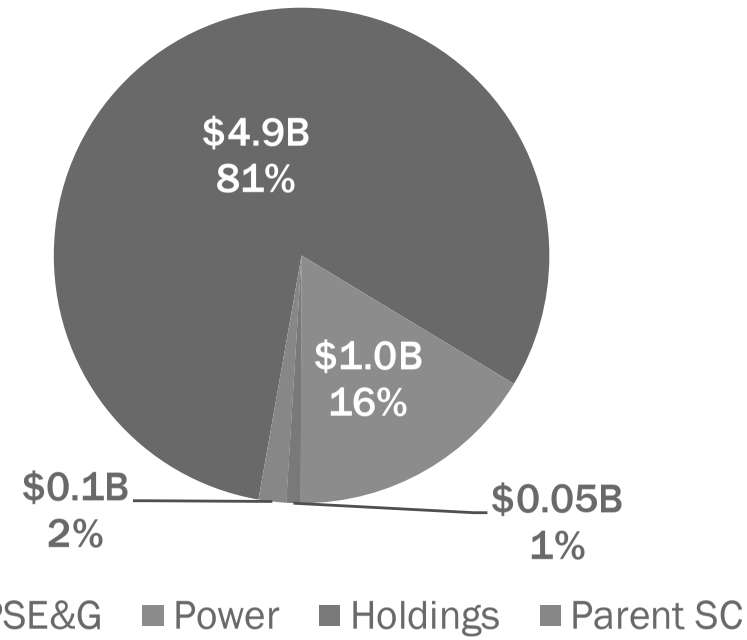
PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary

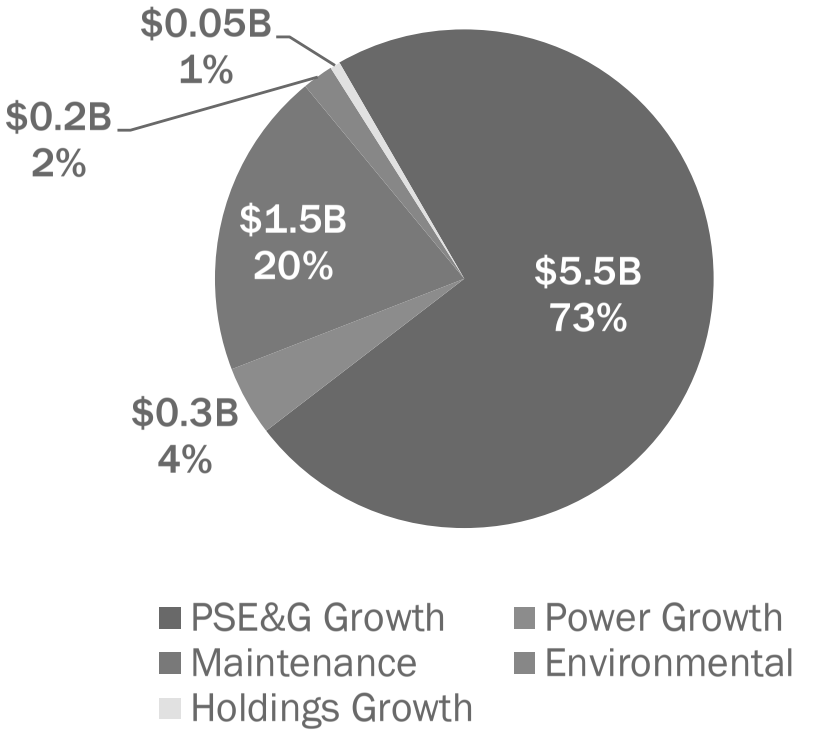


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

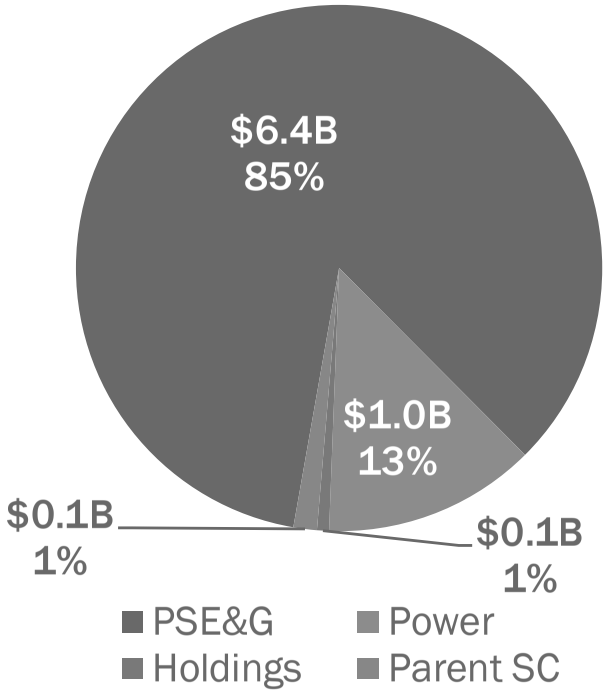
SI-SSA-0015-10579

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

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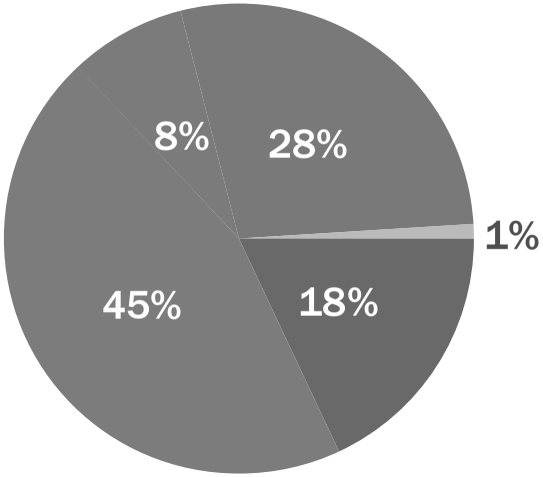
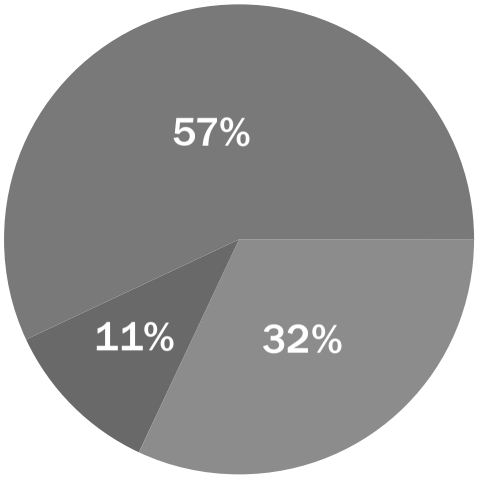
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

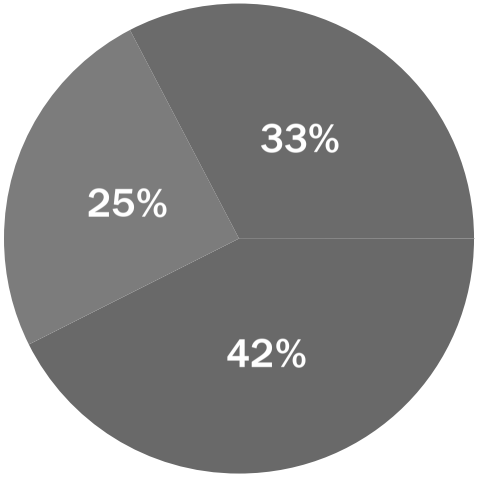


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

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PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

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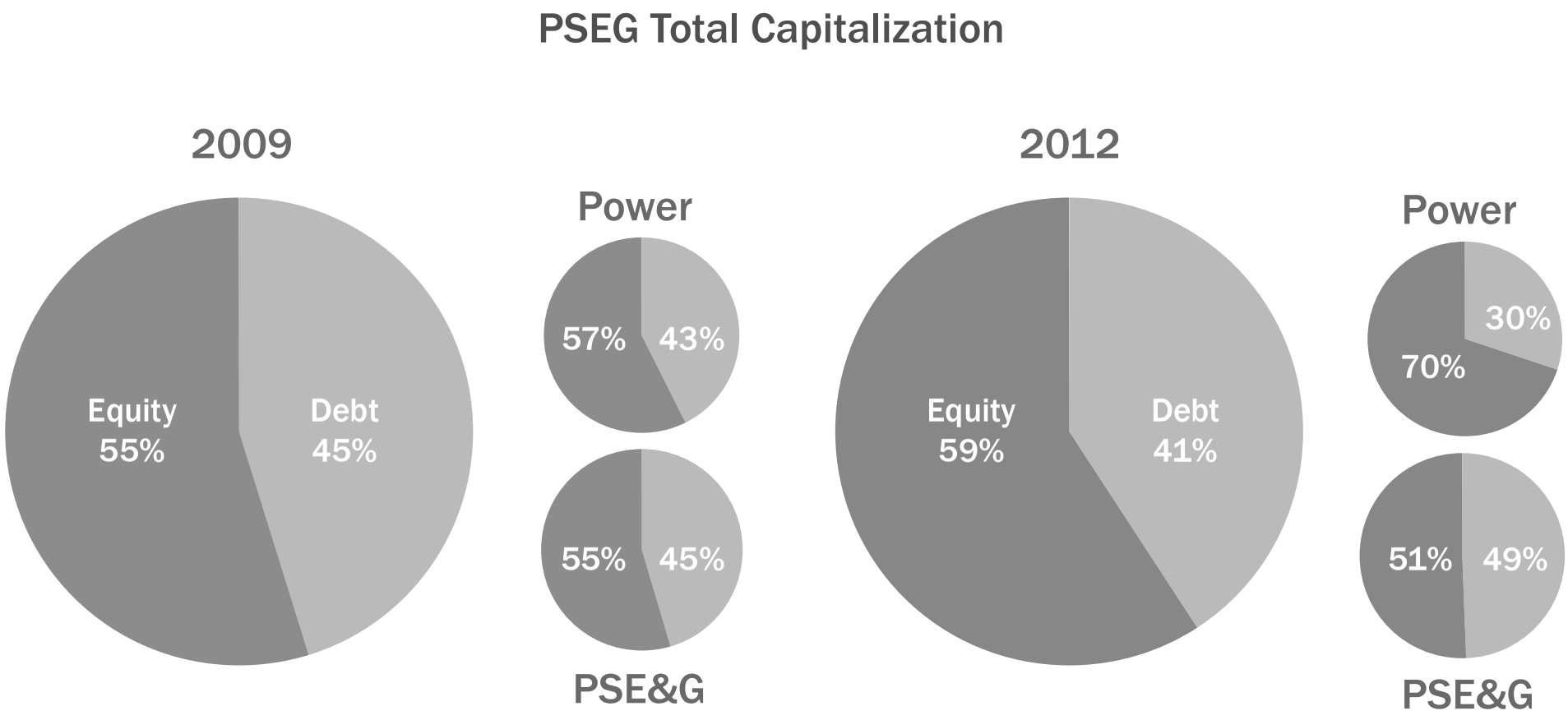
Balance Sheet Strengthened

PSEG has reduced risk



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Using PSEG's balance sheet strength

to finance growth in the regulated enterprise without equity issuance

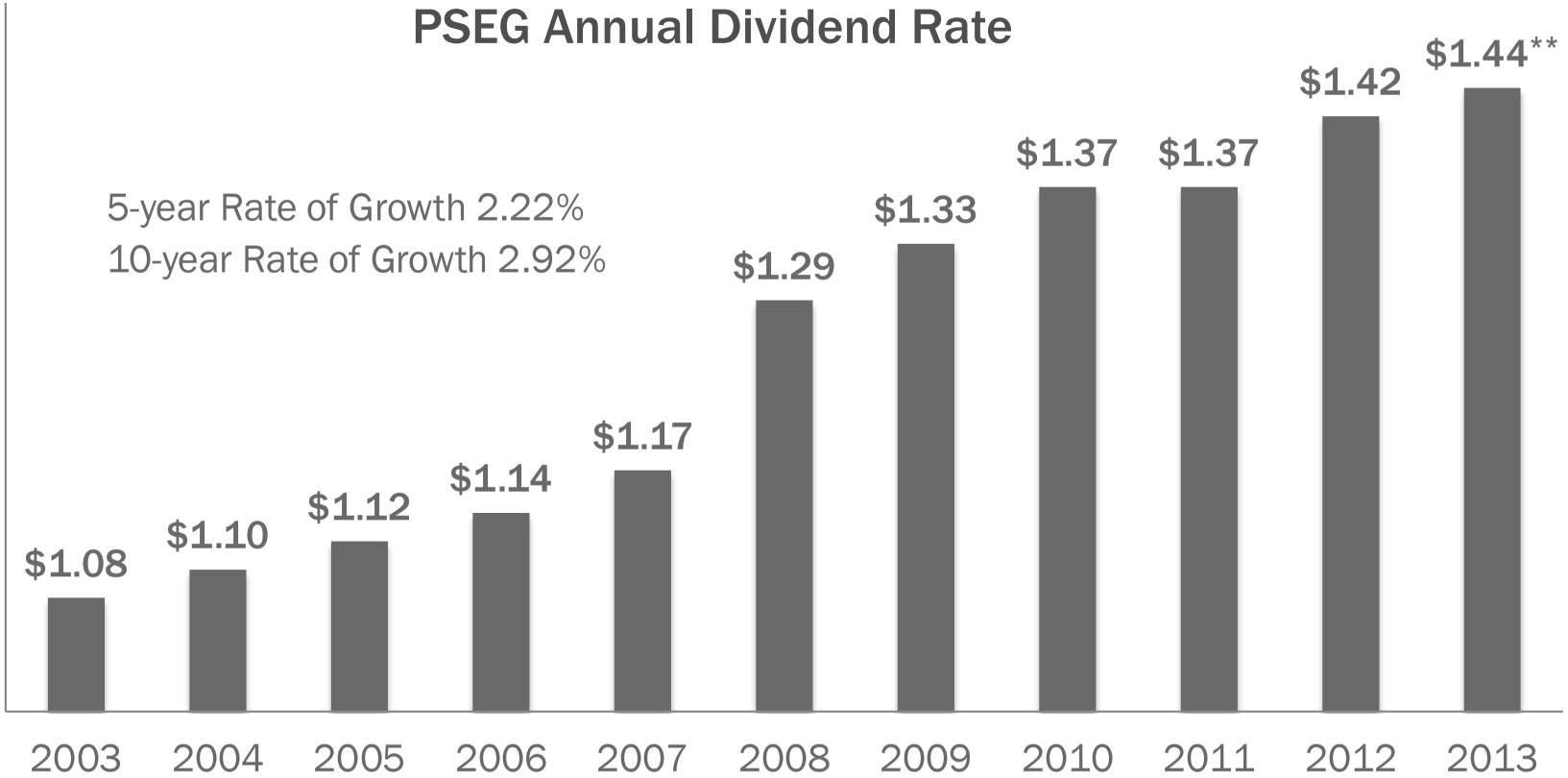
PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-10585

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

SI-SSA-0015-10586

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-10587

PSE&G

SI-SSA-0015-10588

PSEG

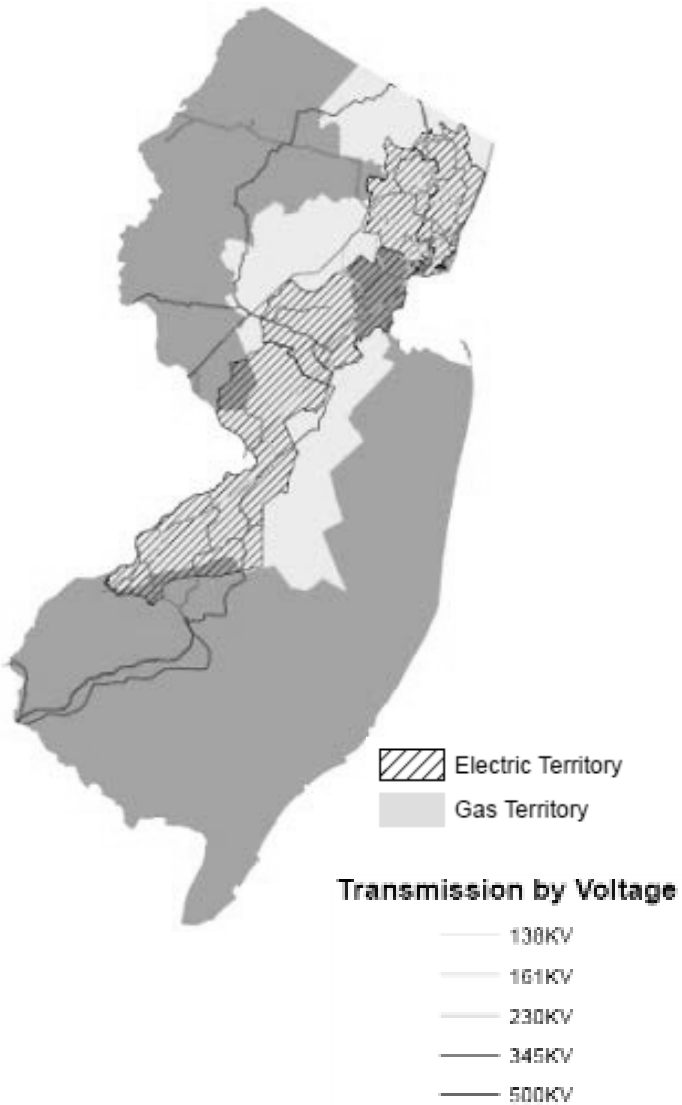
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-10589

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

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PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

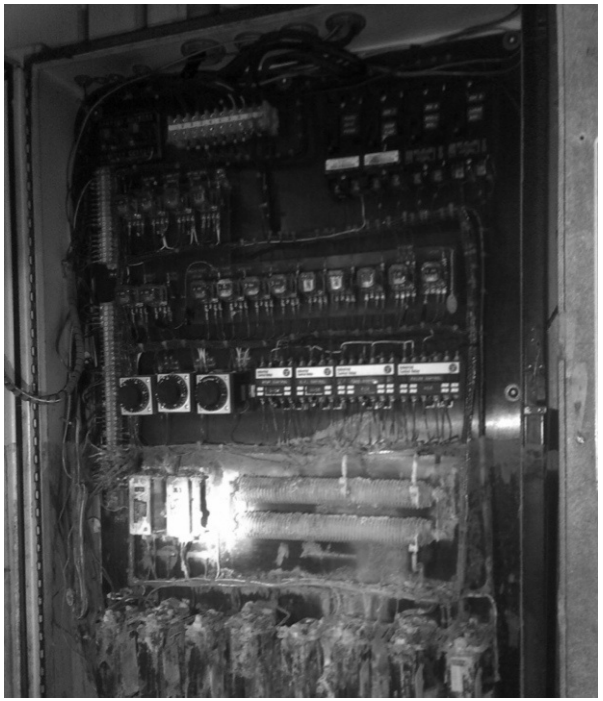
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-10591

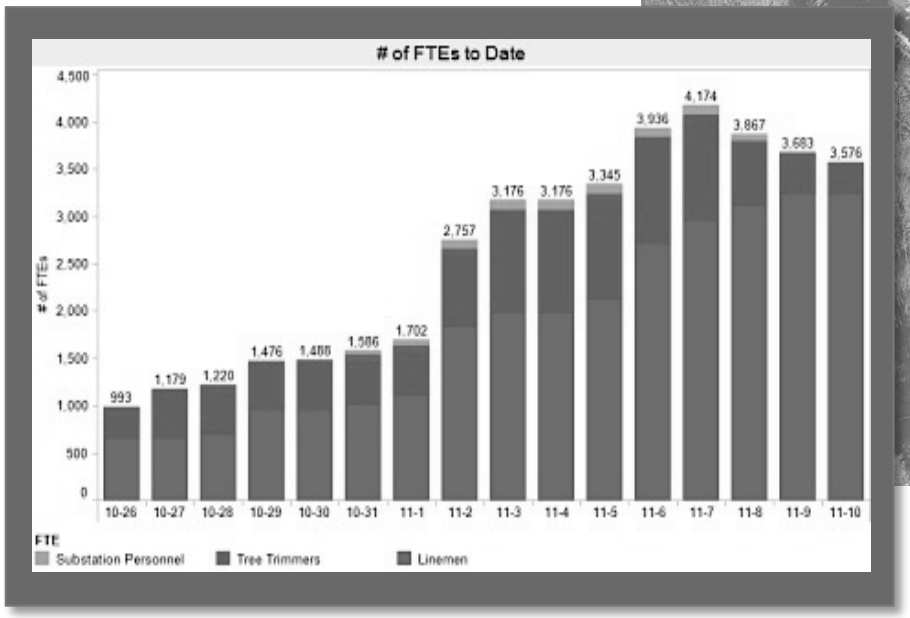
During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-10592

PSE&G brought in more than 4,000

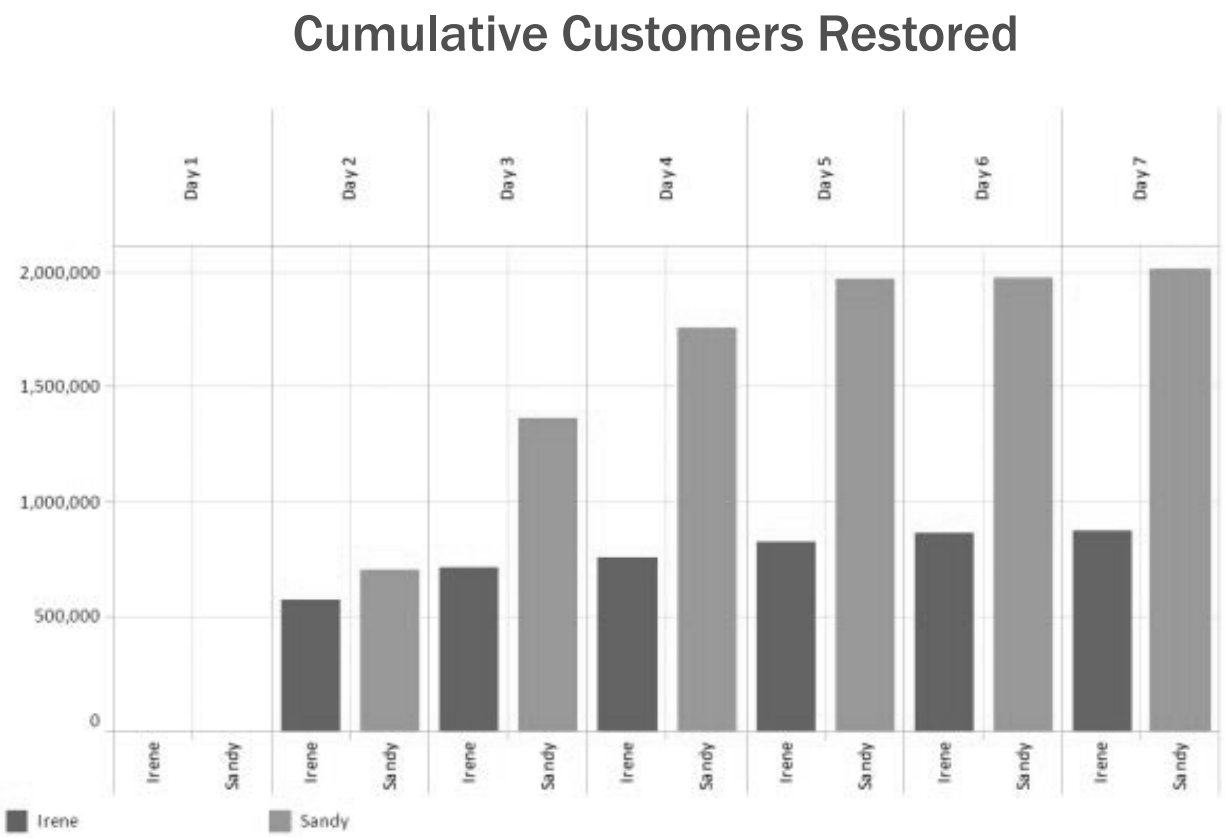
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-10593

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-10594

PSE&G's operating earnings grew ~10%*

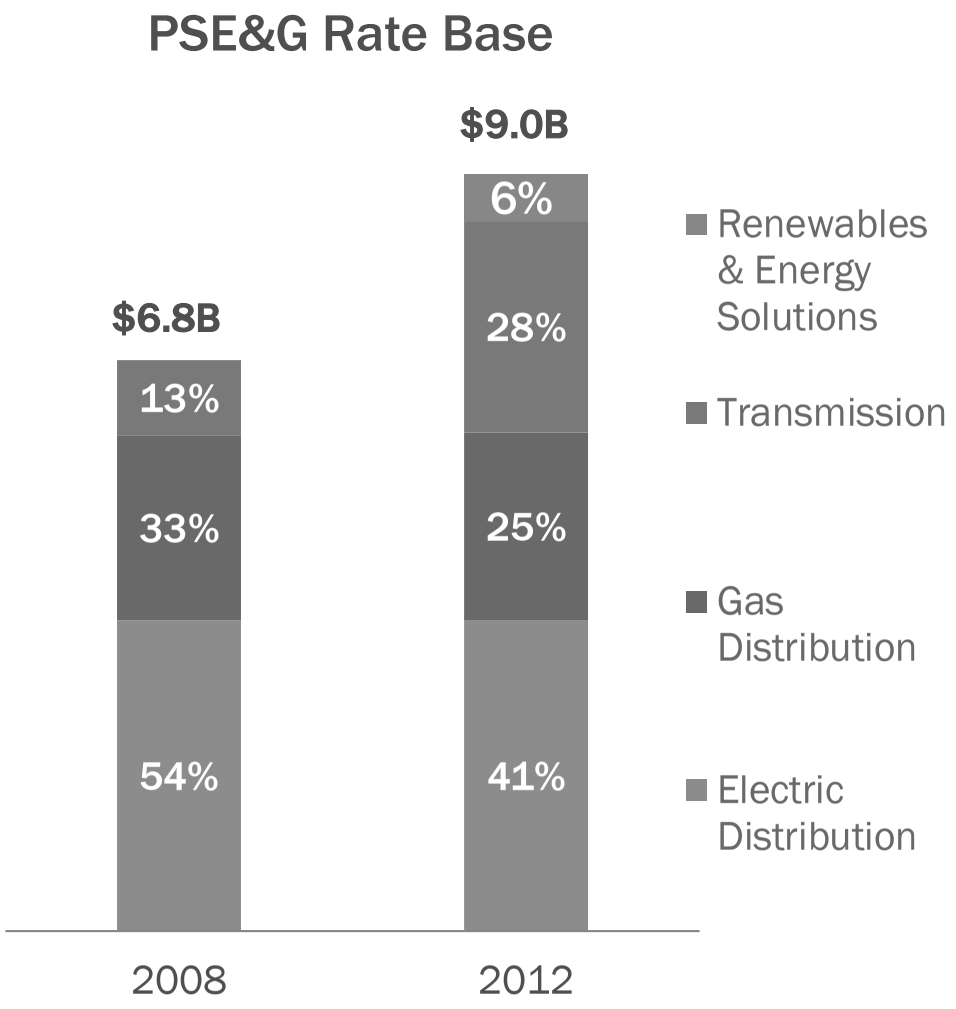
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-10595

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

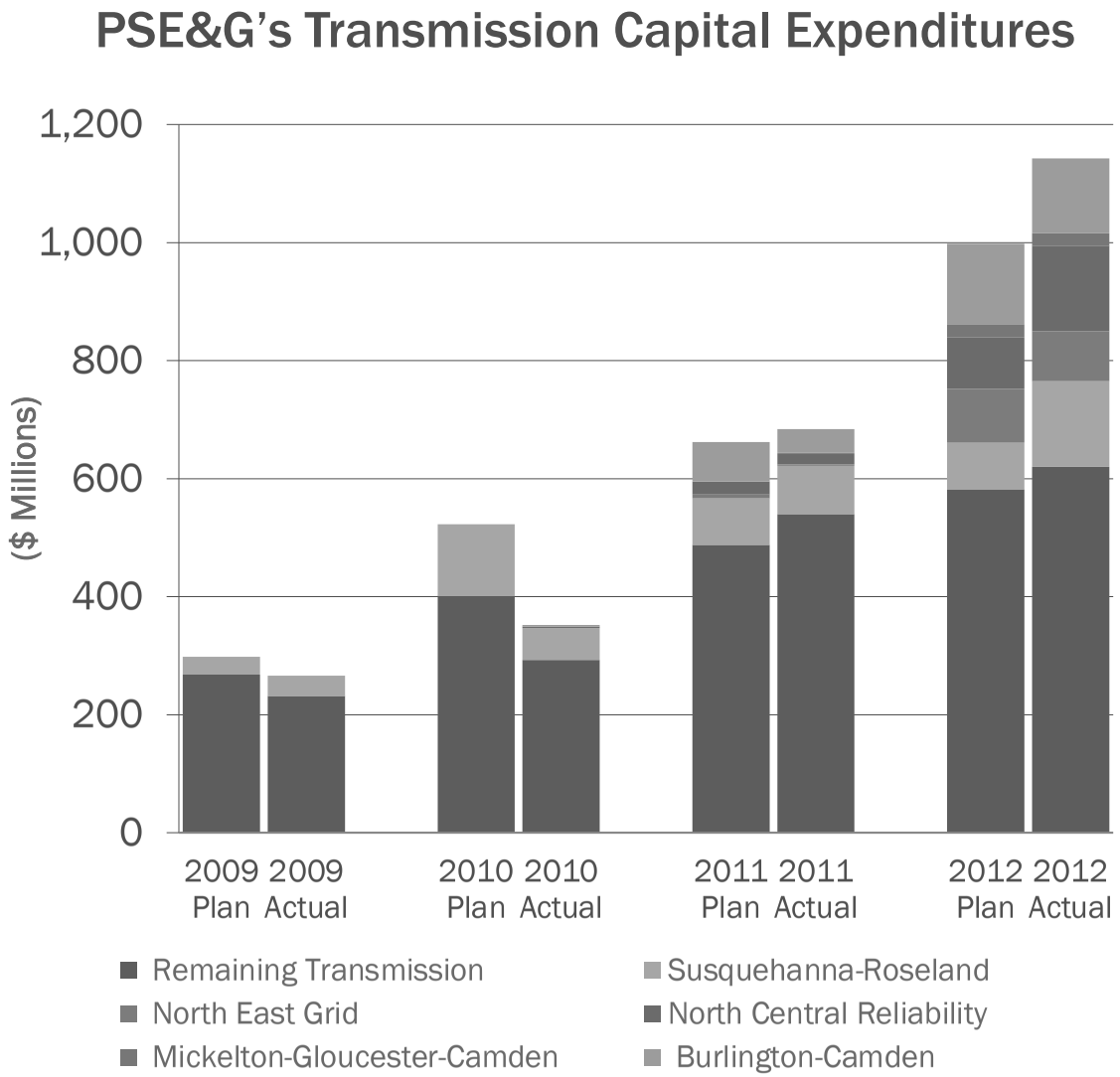
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-10596

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-10597

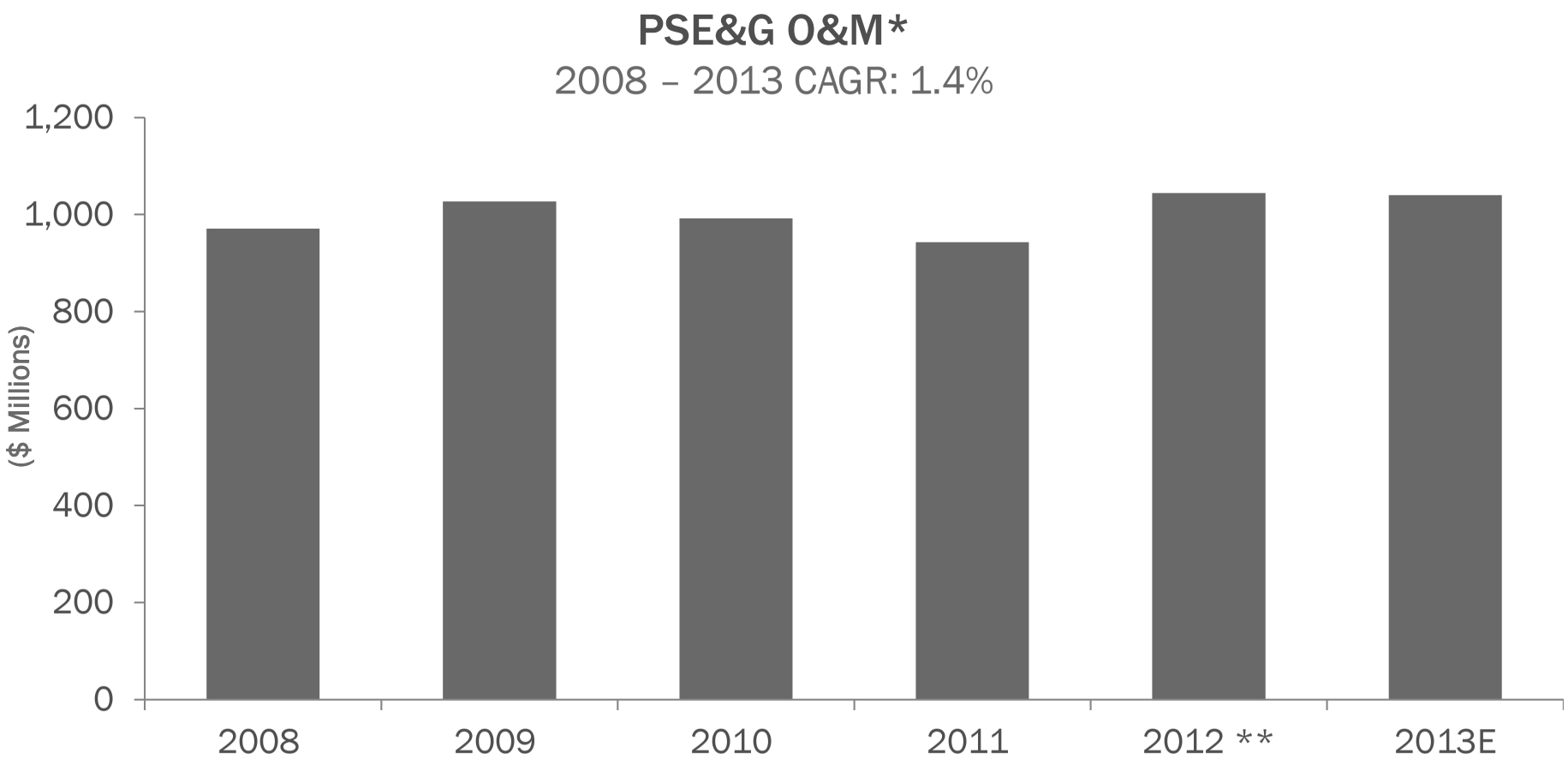
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-10598

Focus on controlling O&M allows us to earn our authorized return

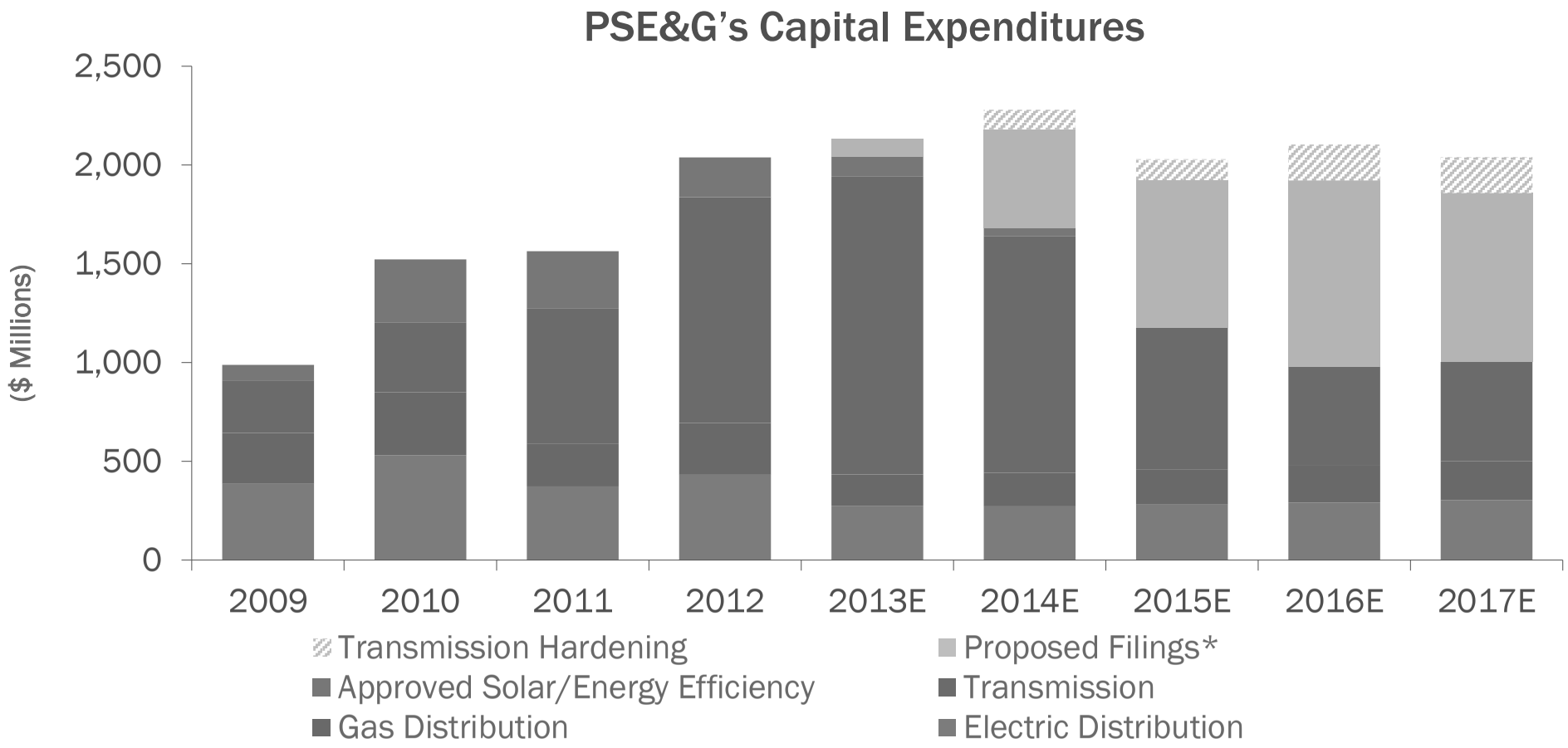


SI-SSA-0015-10599

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-10600

PSEG

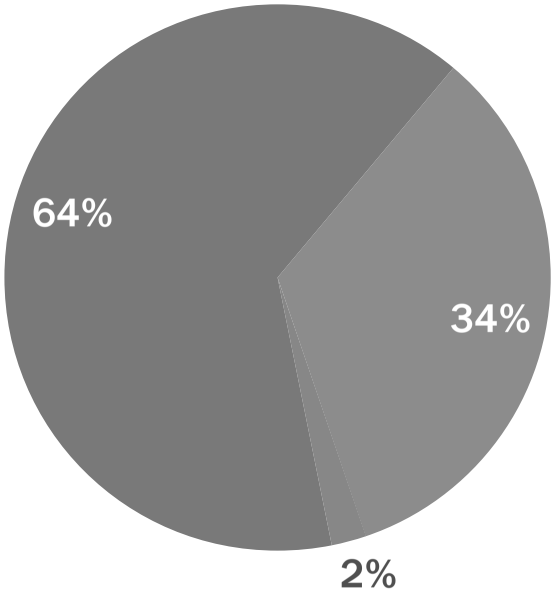
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

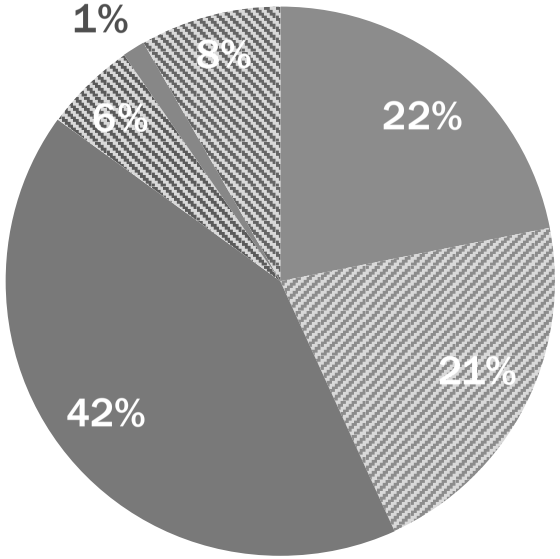
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

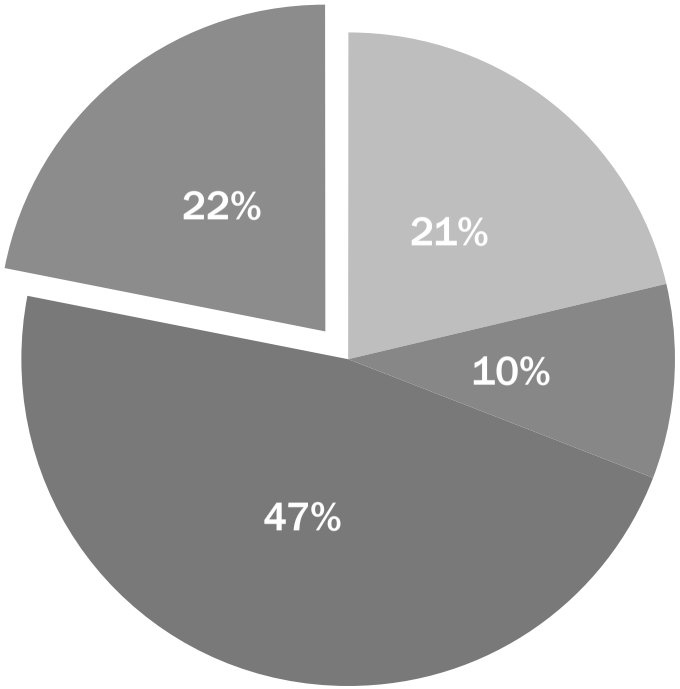
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-10601

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-10602

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-10603

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10604

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-10605

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10606

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10607

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10608

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-10609

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-10610

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

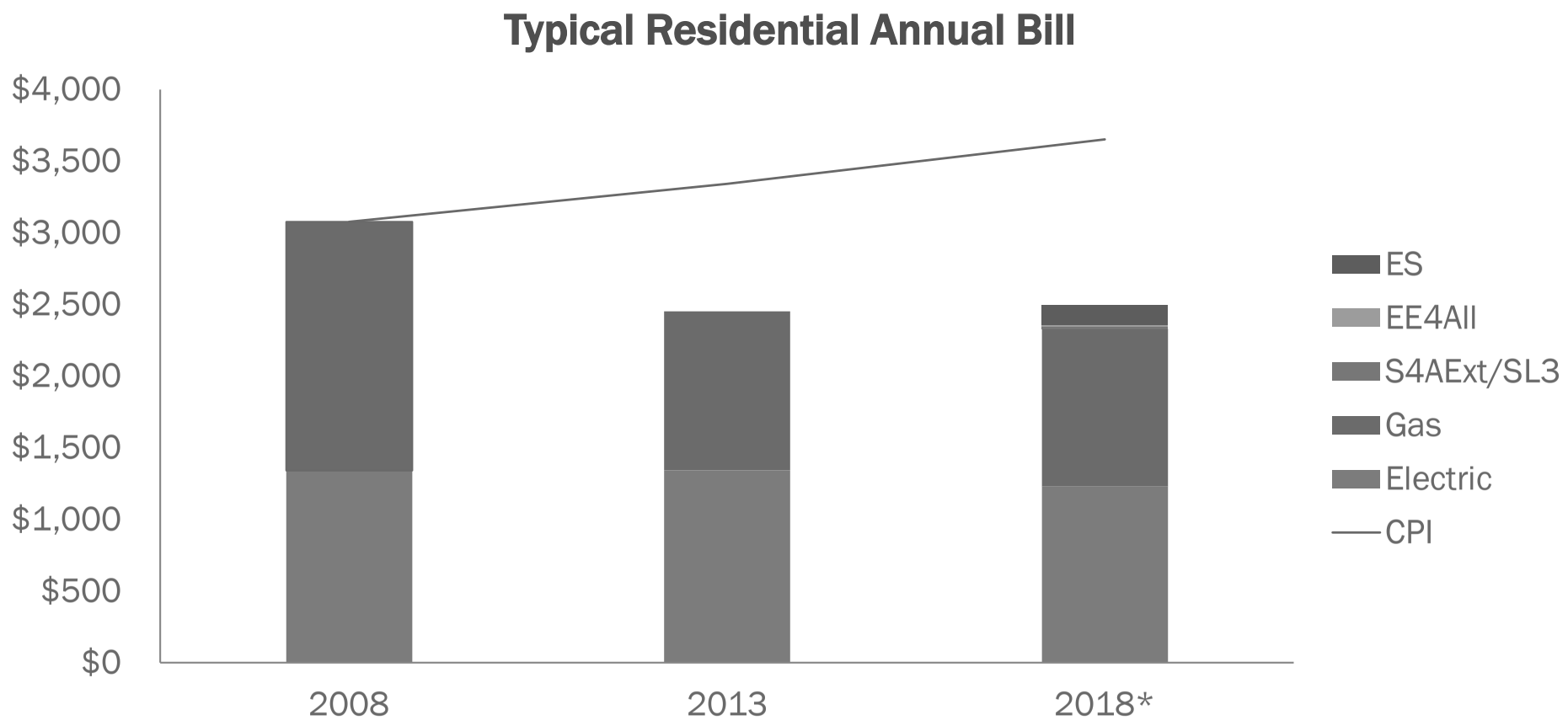
Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-10611

*PENDING APPROVAL.

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

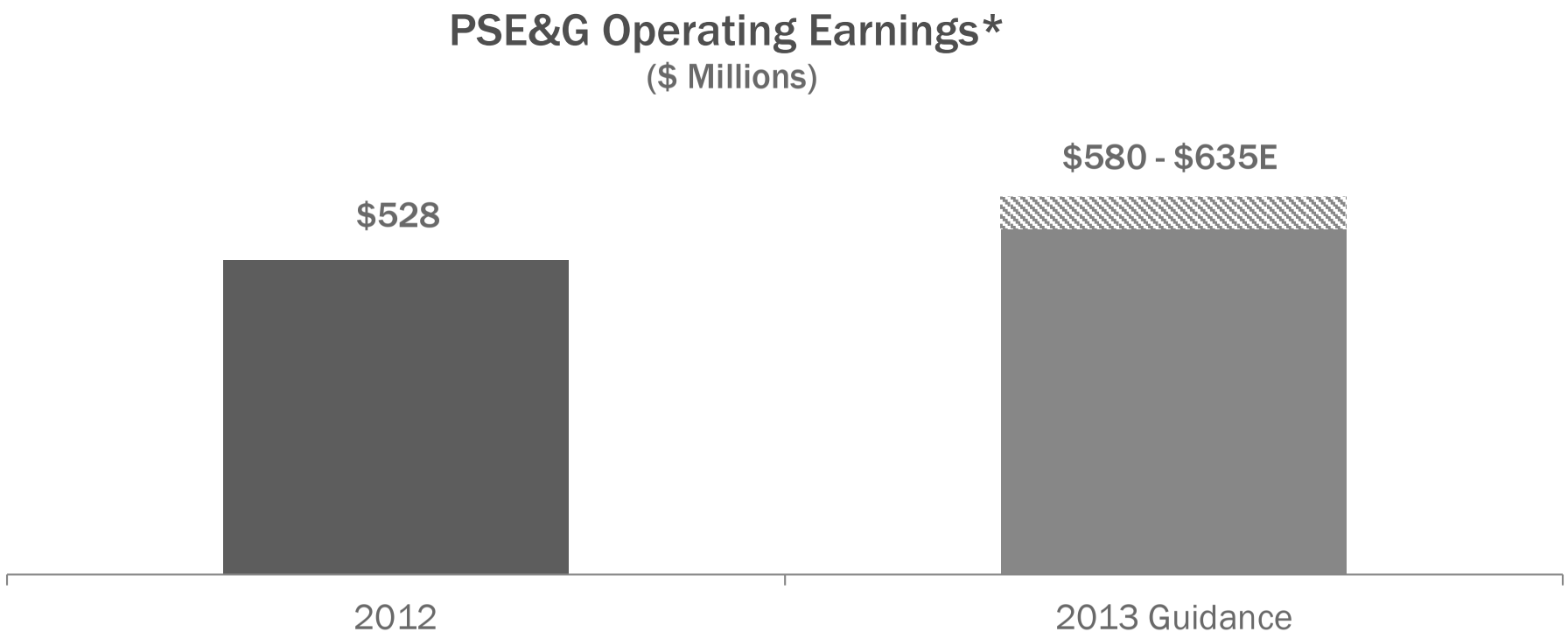


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-10612

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-10613

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-10614

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-10615

PSEG ENERGY HOLDINGS

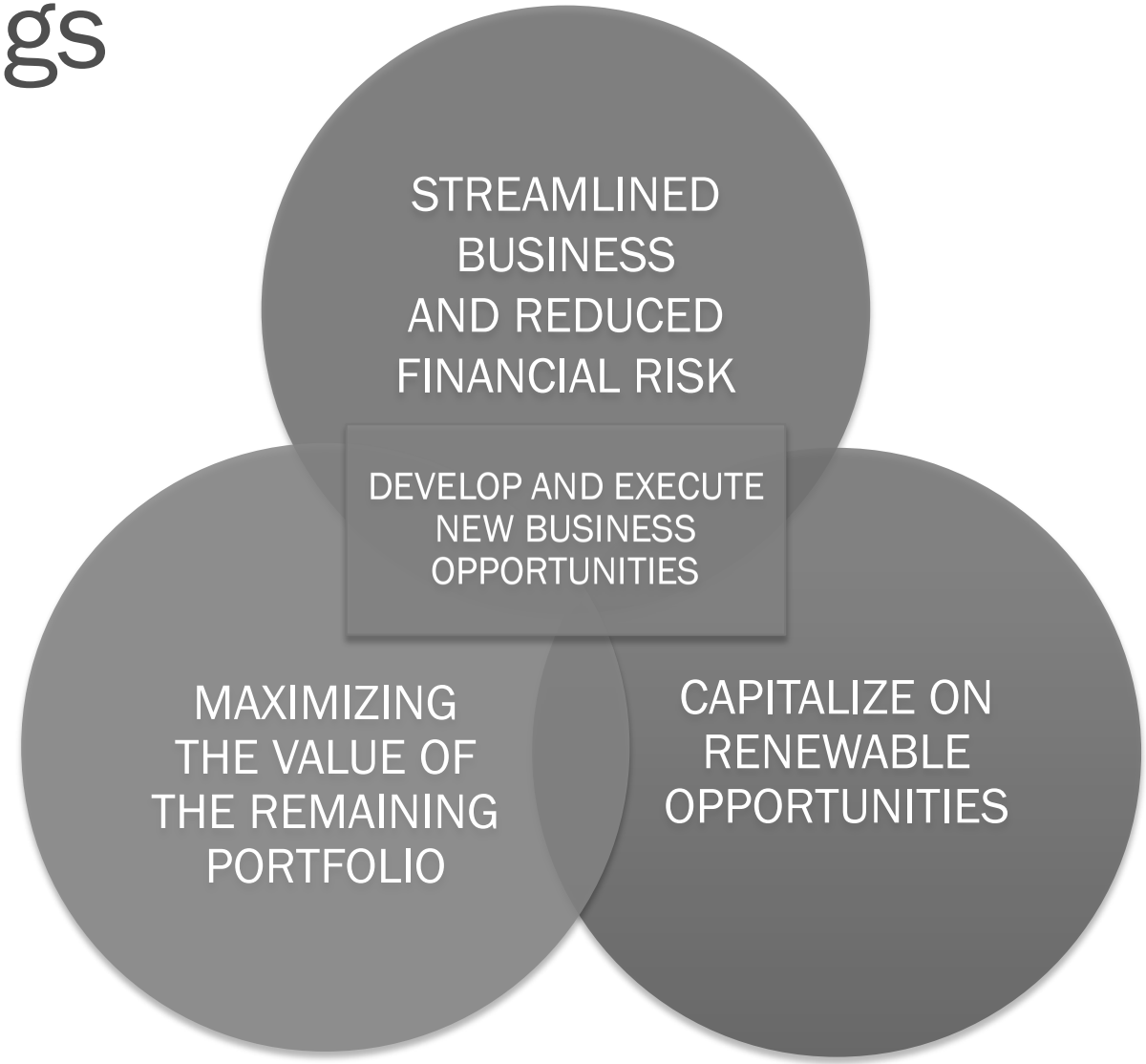
SI-SSA-0015-10616

PSEG

We make things work for you.

PSEG Energy Holdings strategy

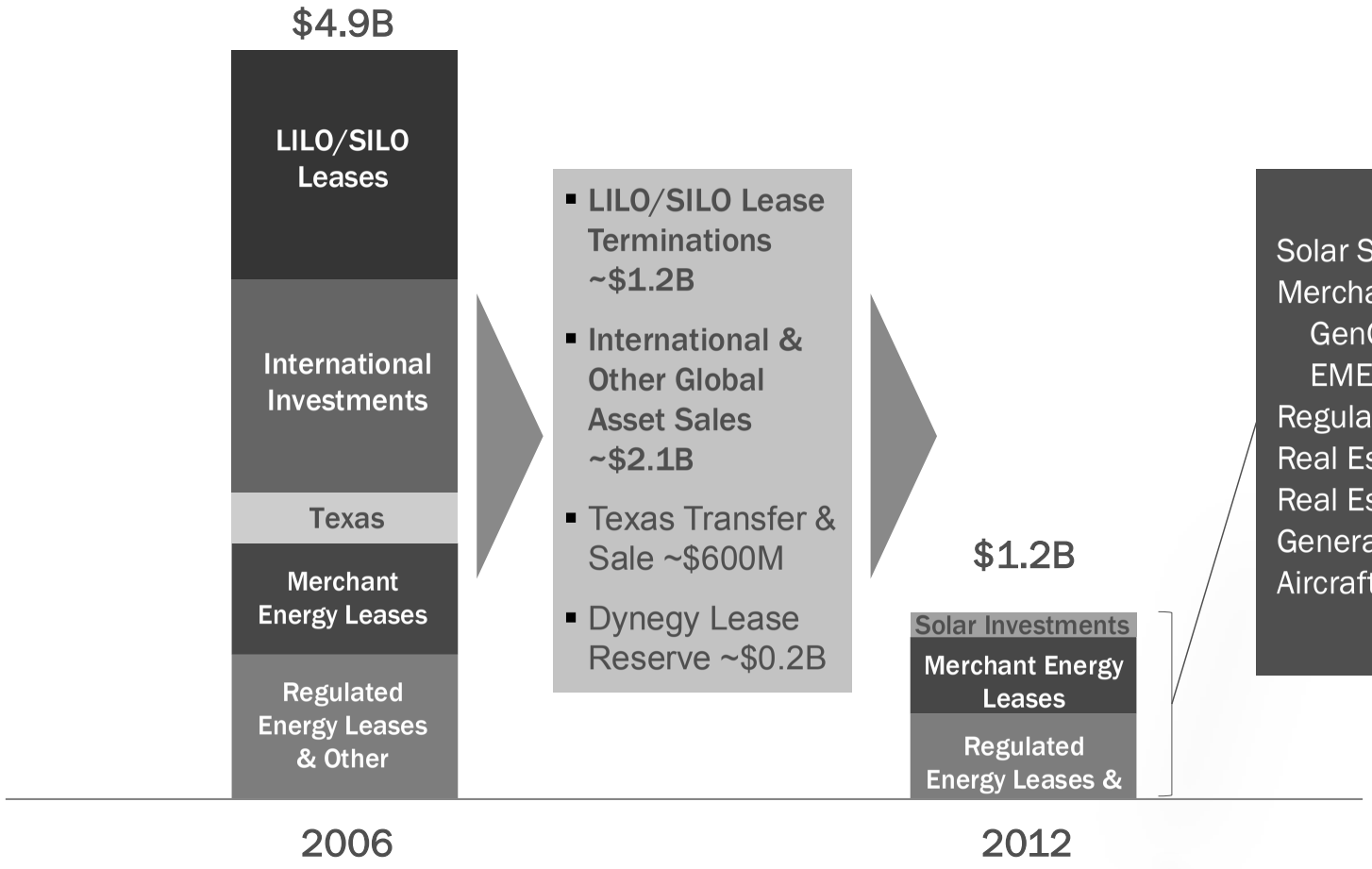
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-10617

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-10618

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-10619

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

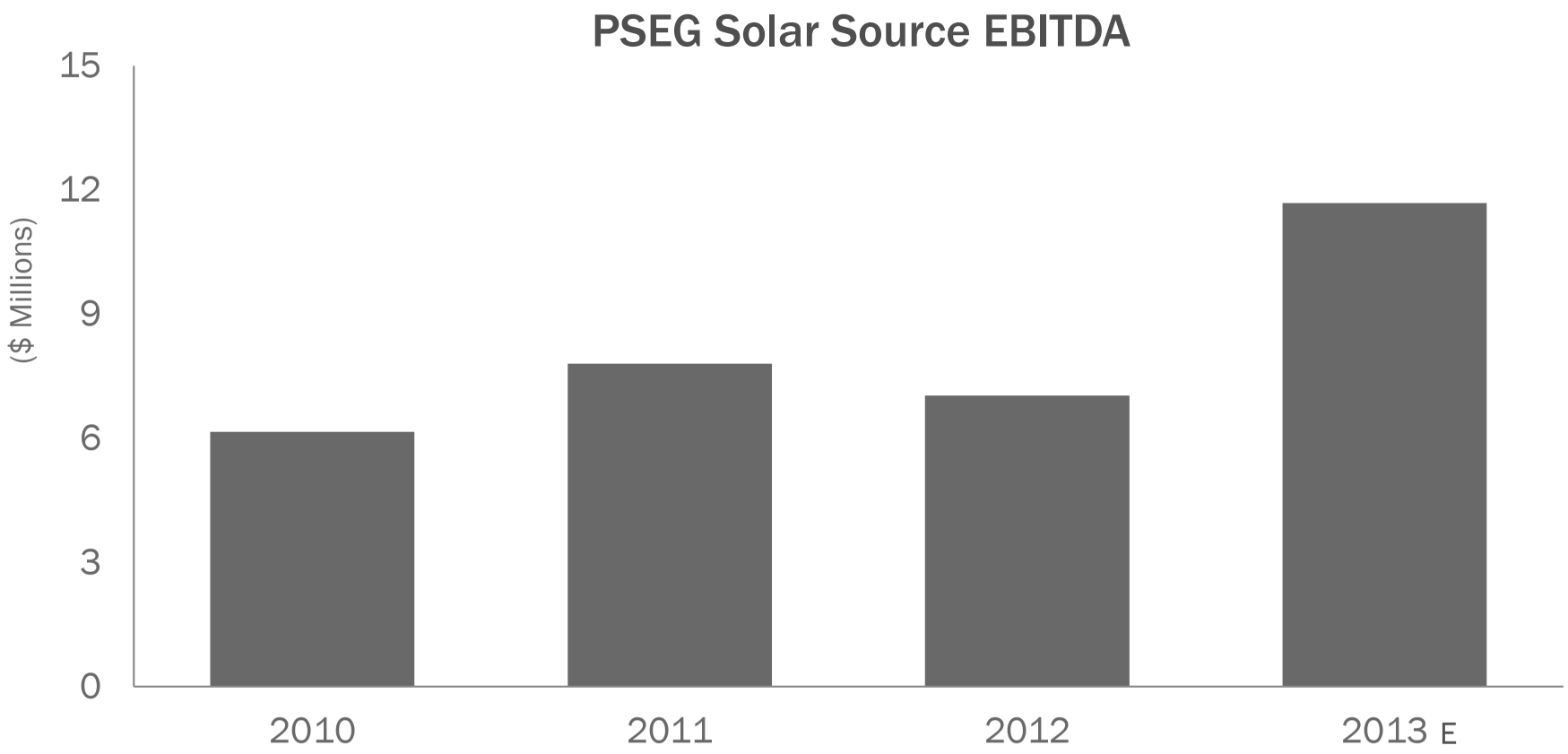
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-10620

PSEG Energy Holdings

These projects will produce steady results for PSEG

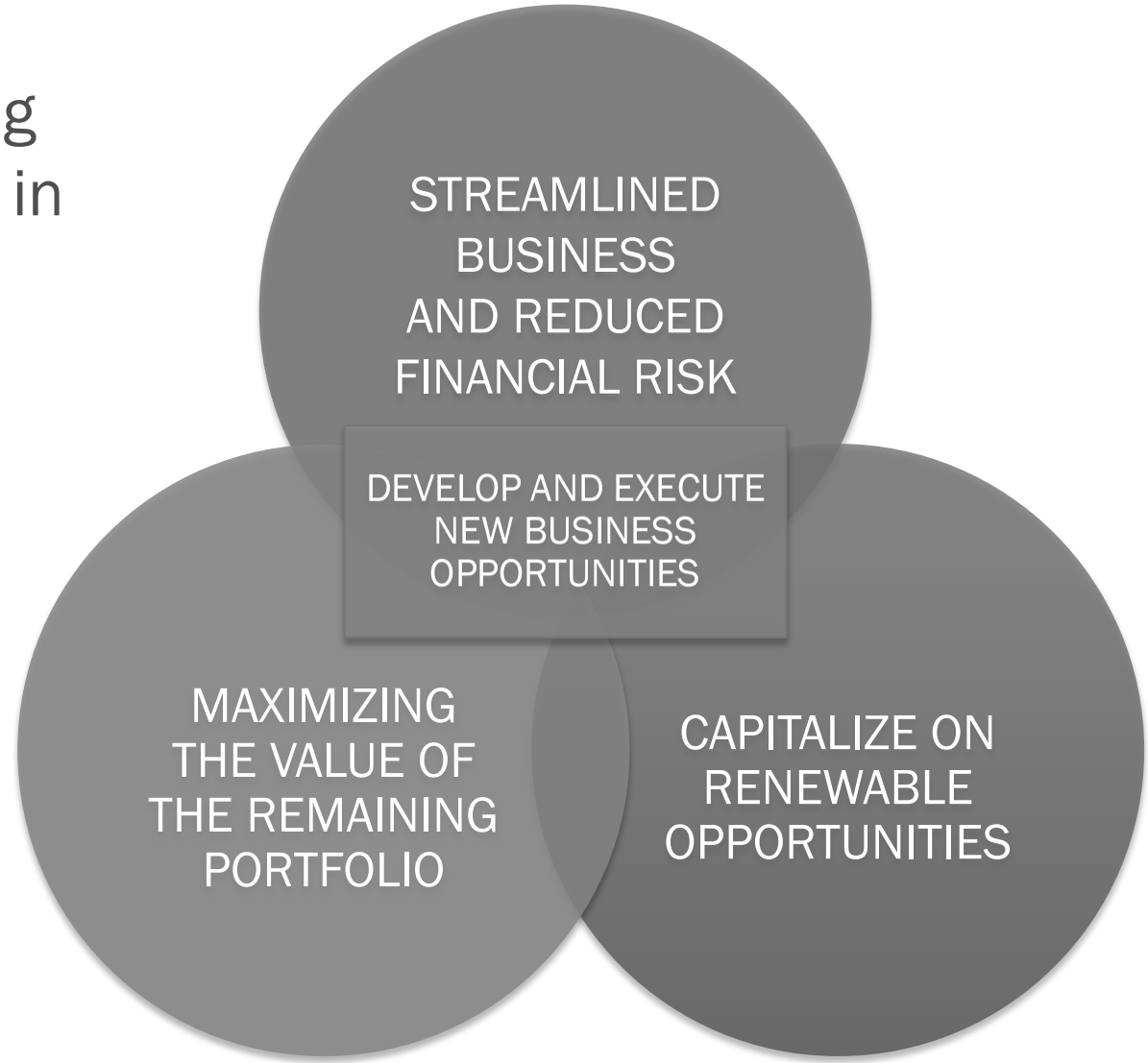


SI-SSA-0015-10621

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-10622

PSEG POWER

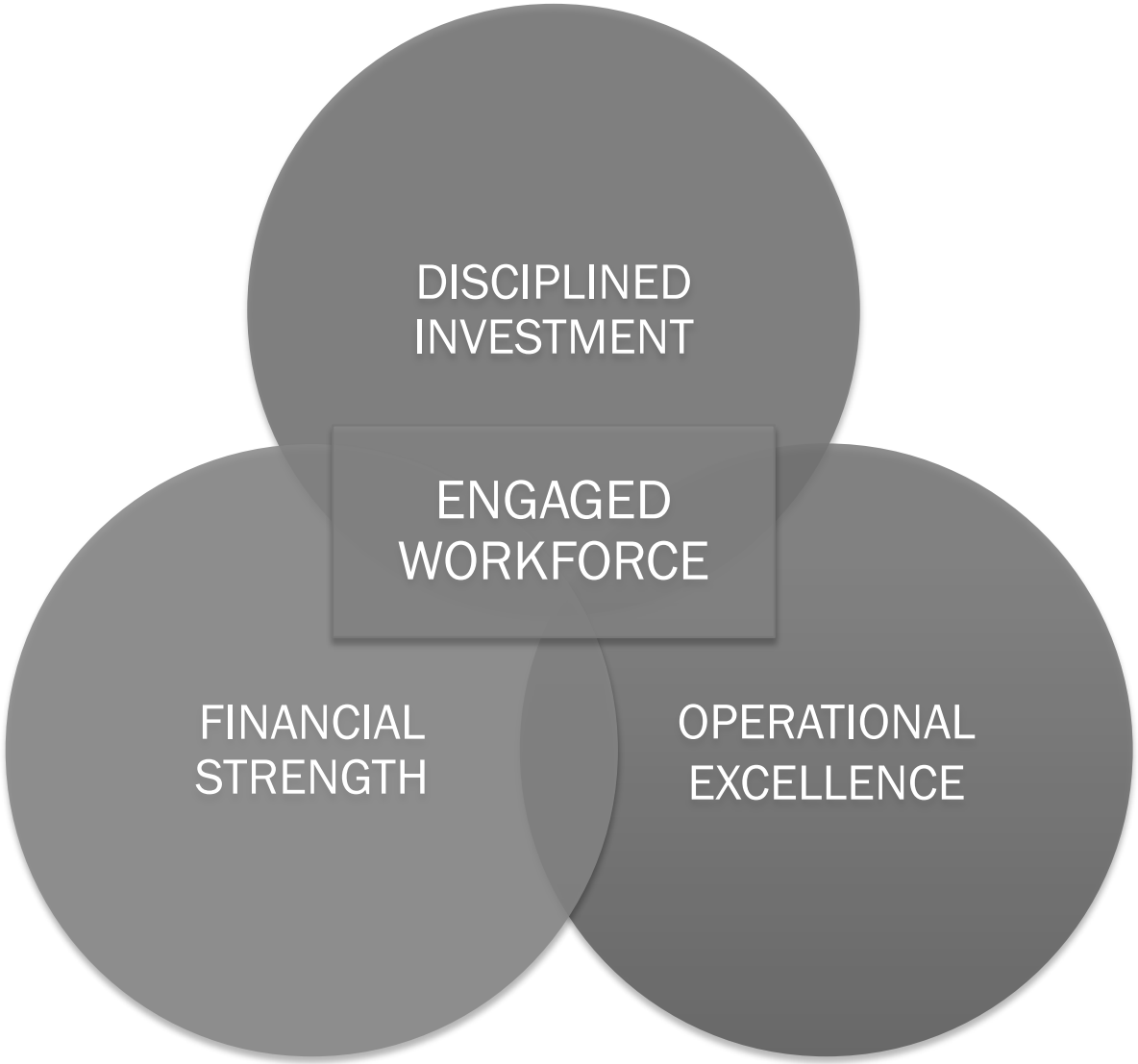
PSEG

We make things work for you.

SI-SSA-0015-10623

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-10624

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-10625

PSEG Power delivered in 2012

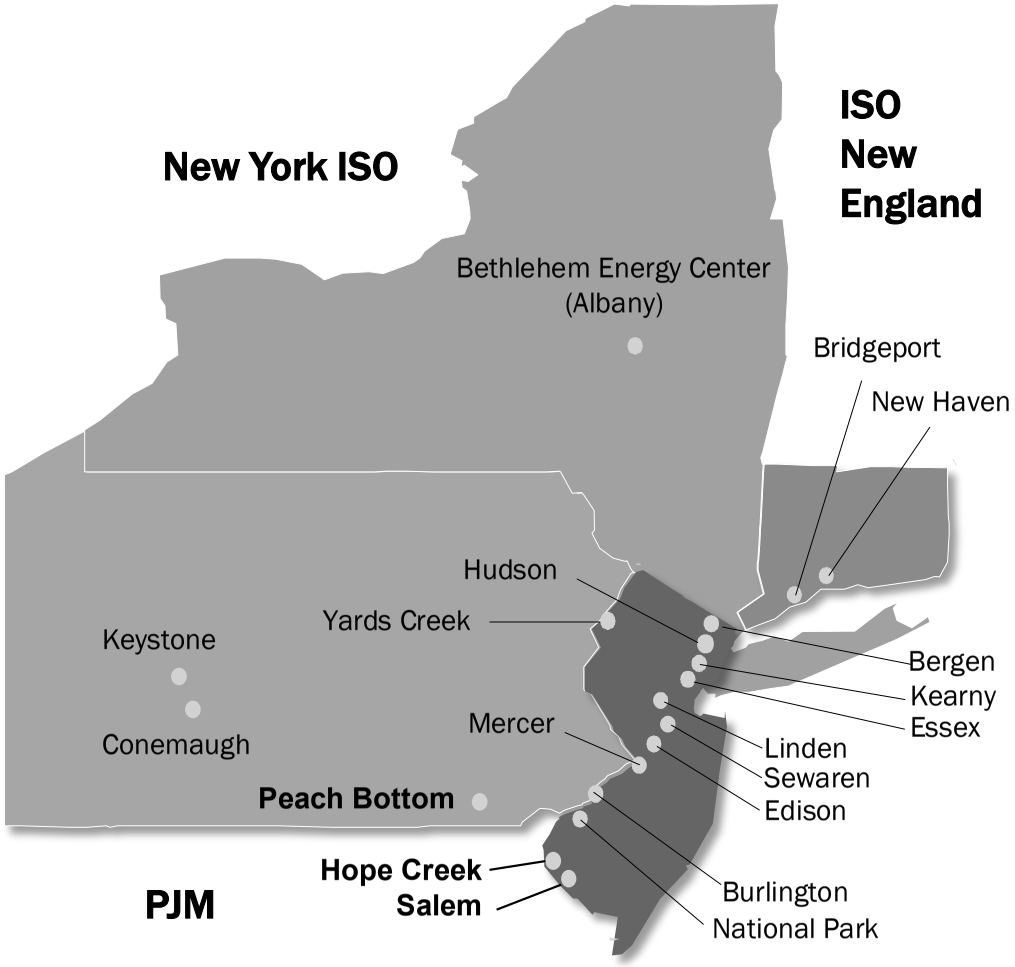
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-10626

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-10627

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-10628

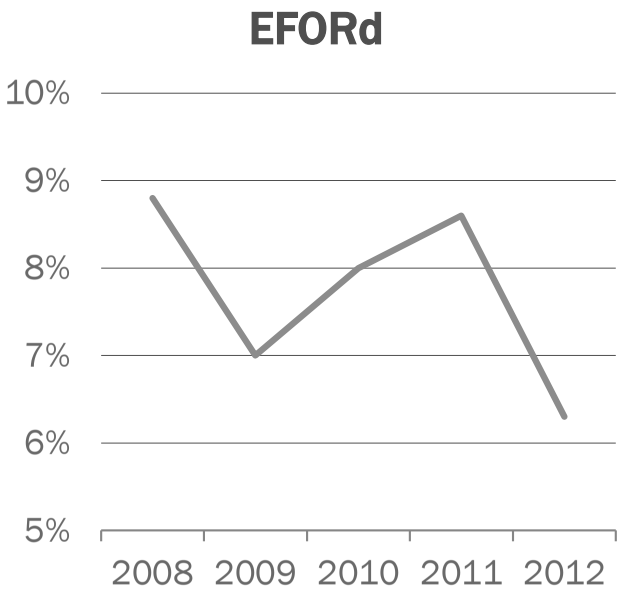
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

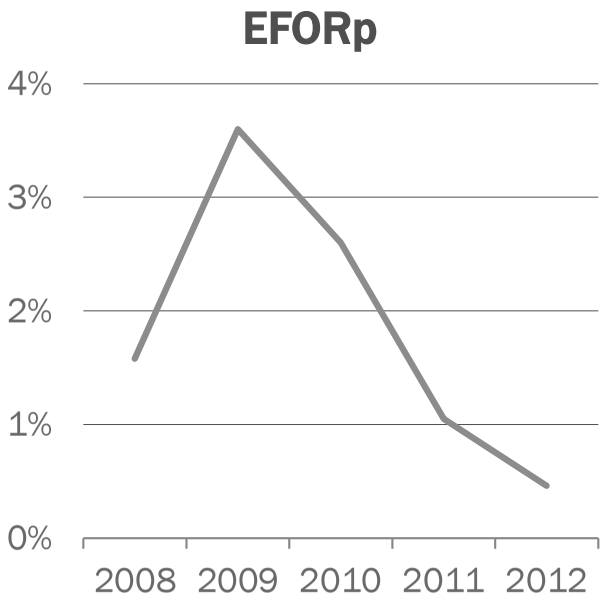
SI-SSA-0015-10629

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

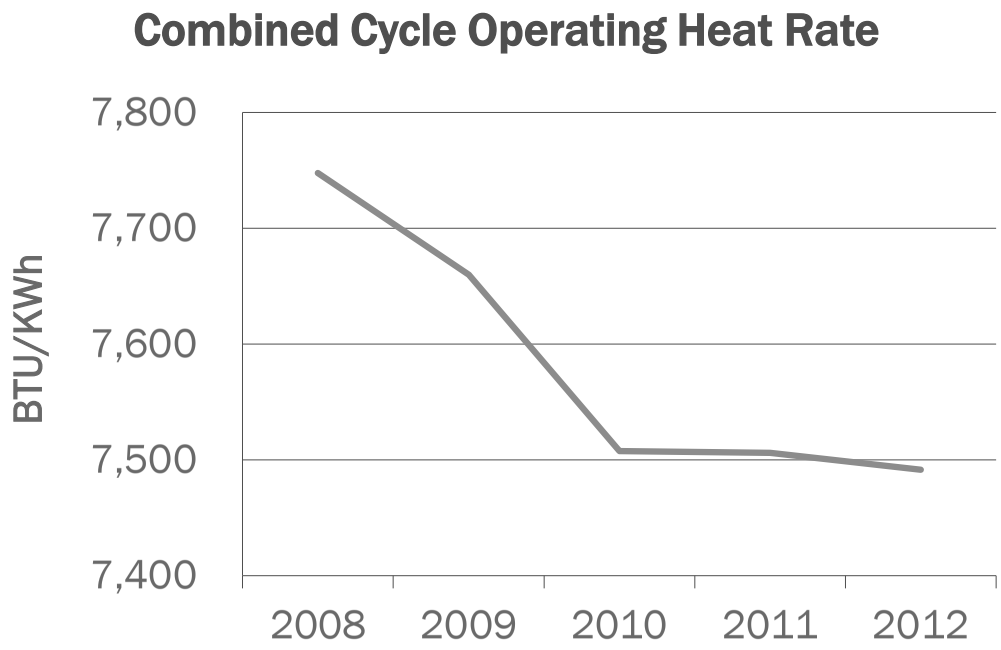


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-10630

PSEG Power improvements achieved in combined cycle fleet efficiency

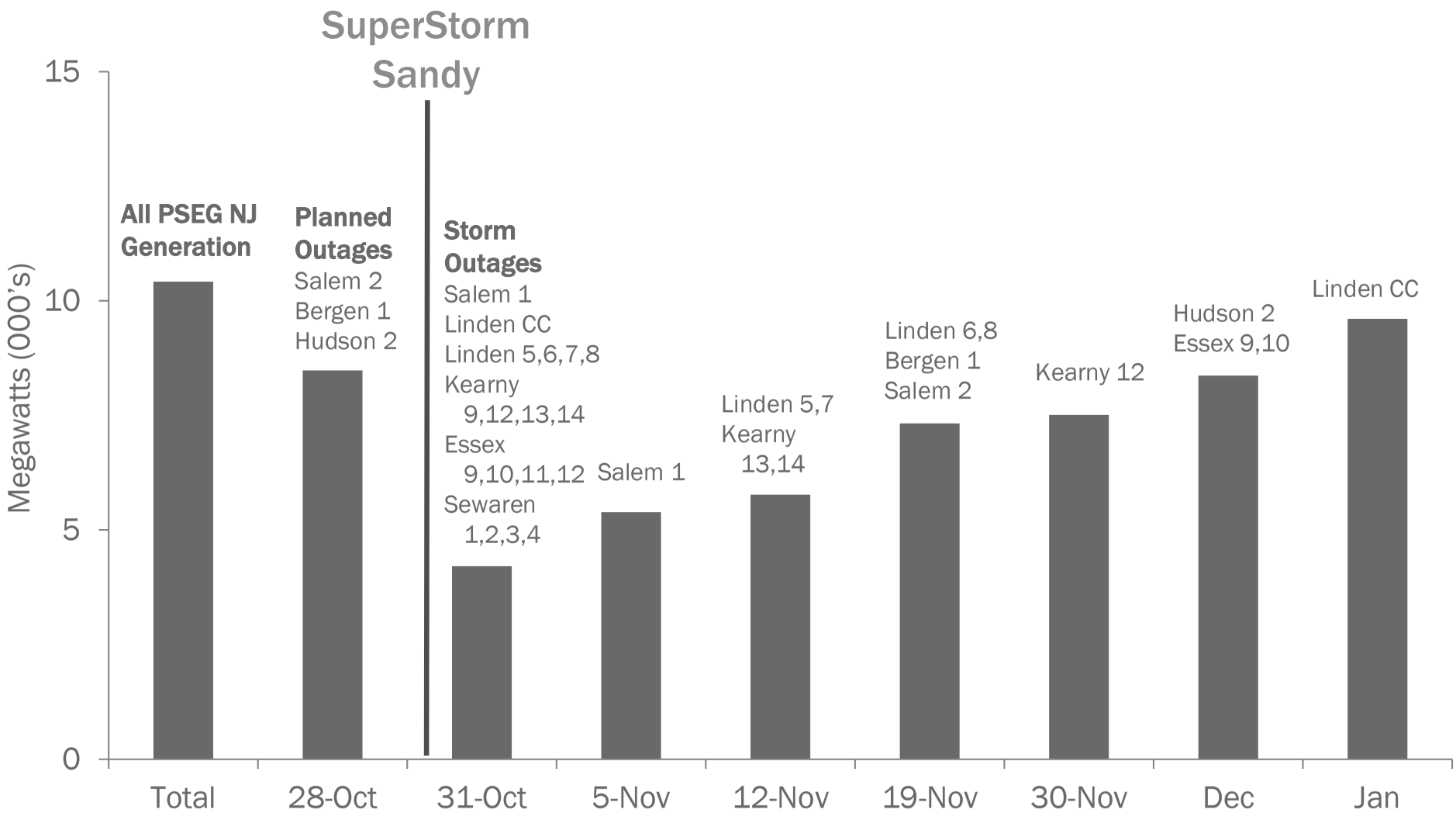


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-10631

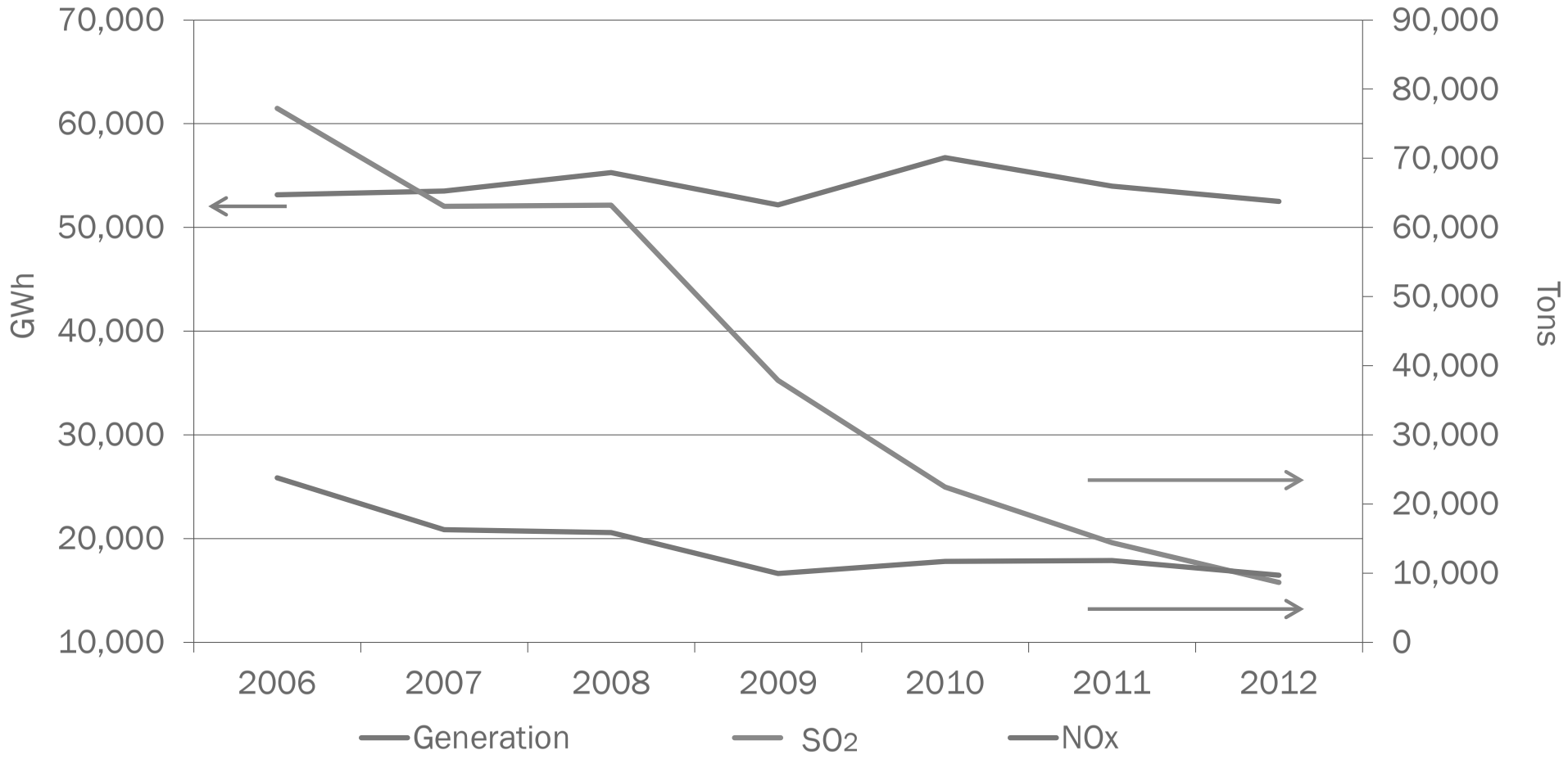
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-10632

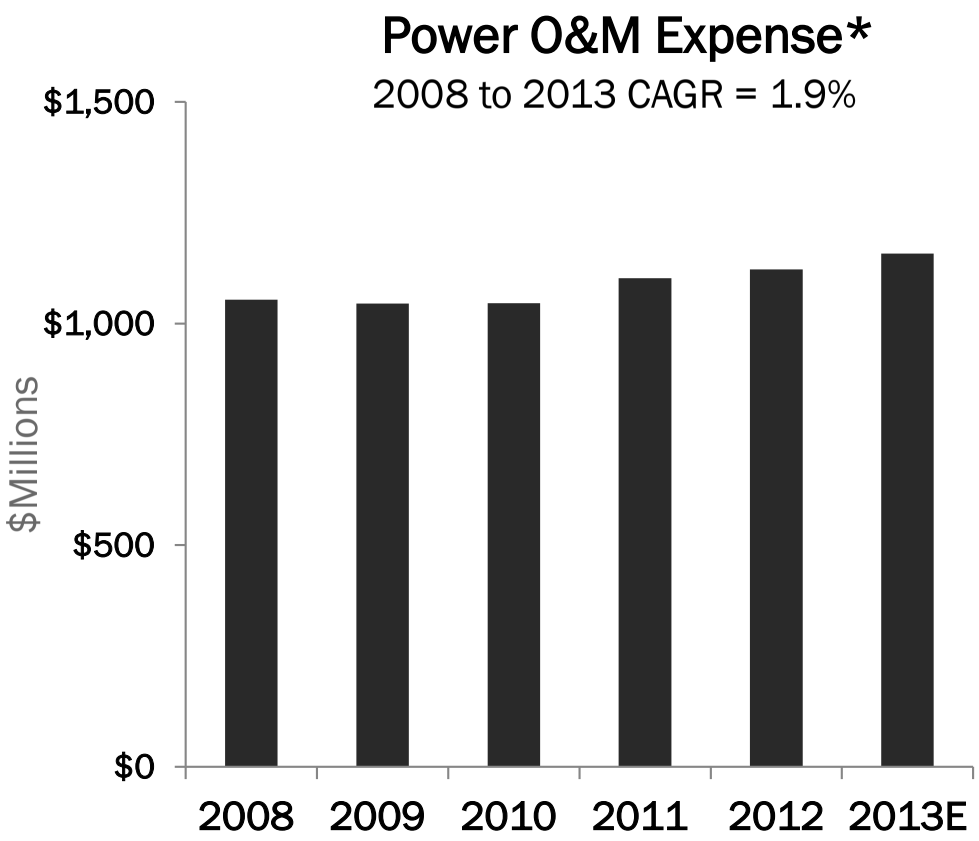
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-10633

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-10634

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

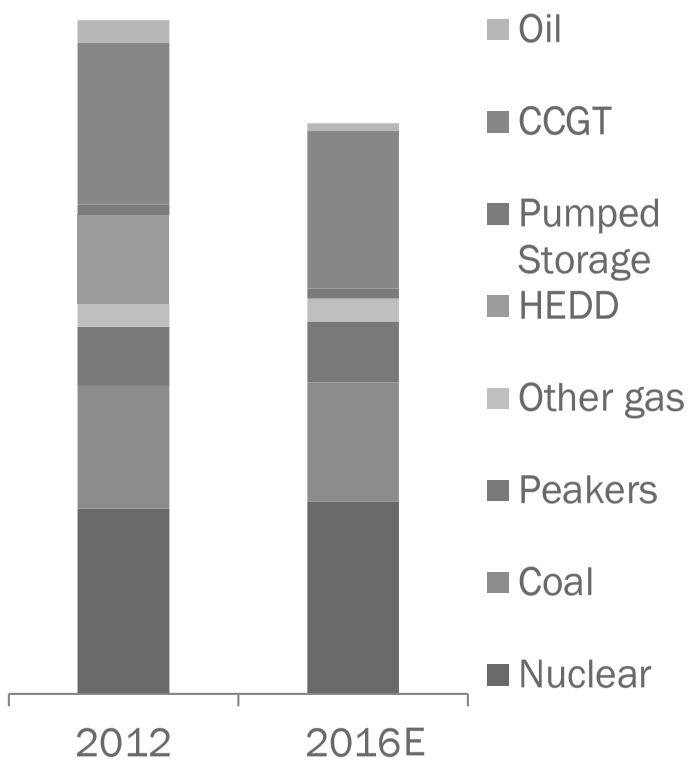
SI-SSA-0015-10635

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

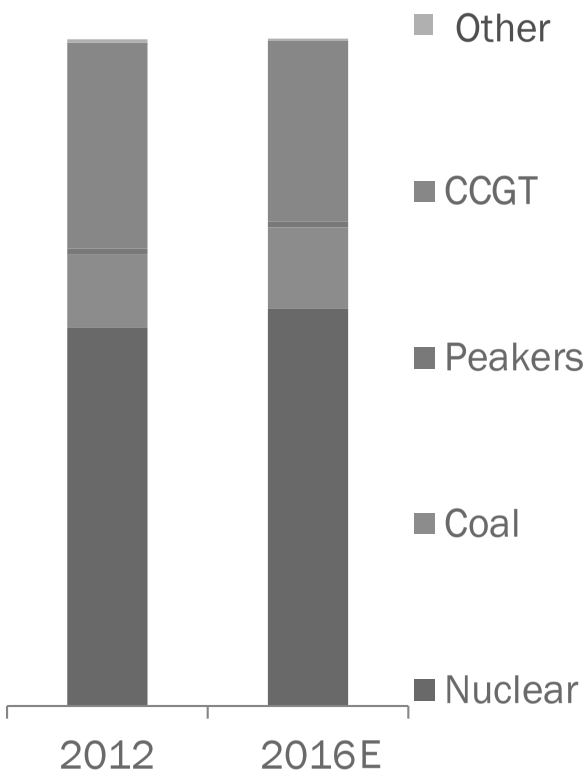
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



SI-SSA-0015-10636

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-10637

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-10638

PSEG

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

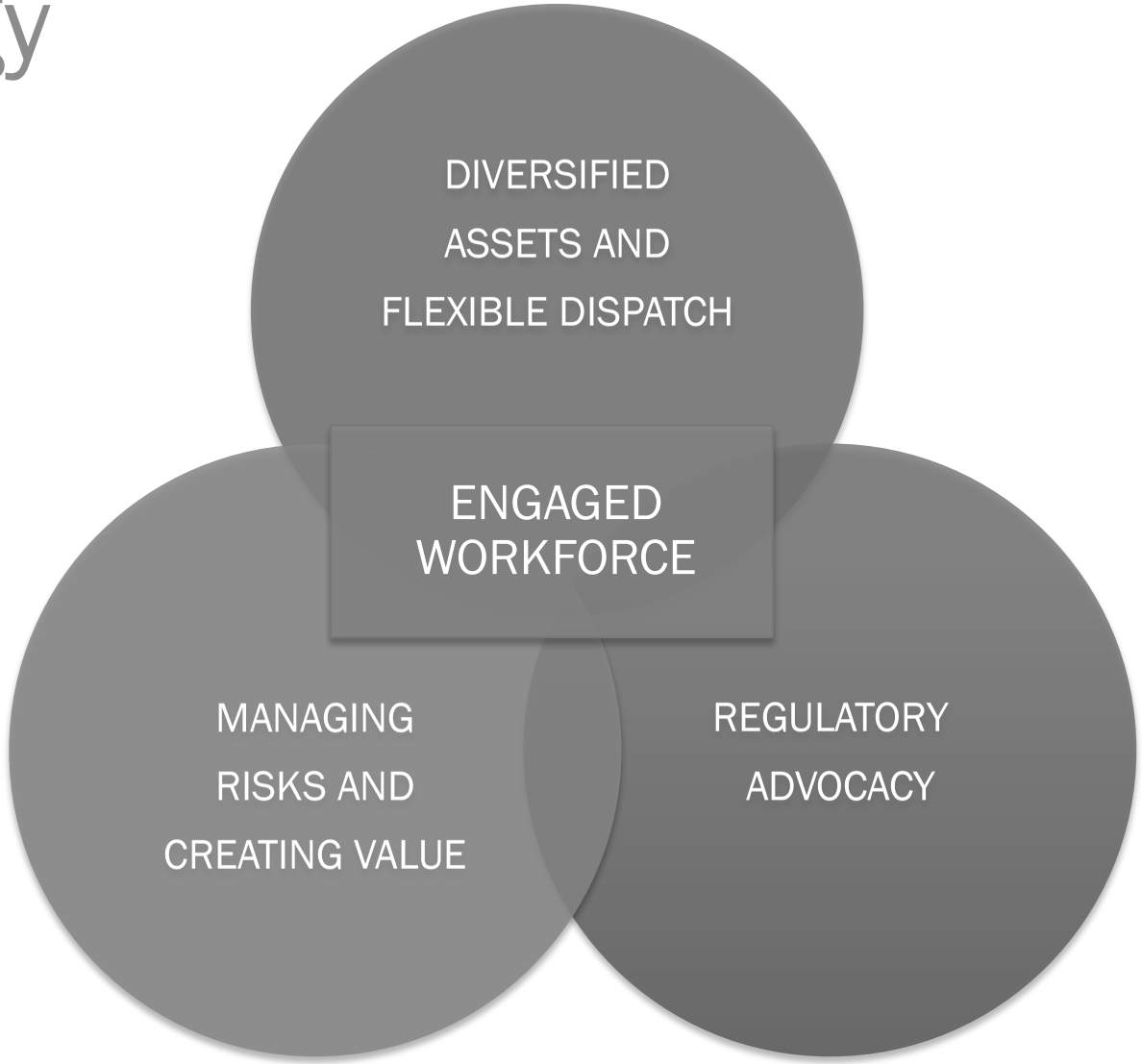
SI-SSA-0015-10639

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-10640

Diversified assets and flexible dispatch

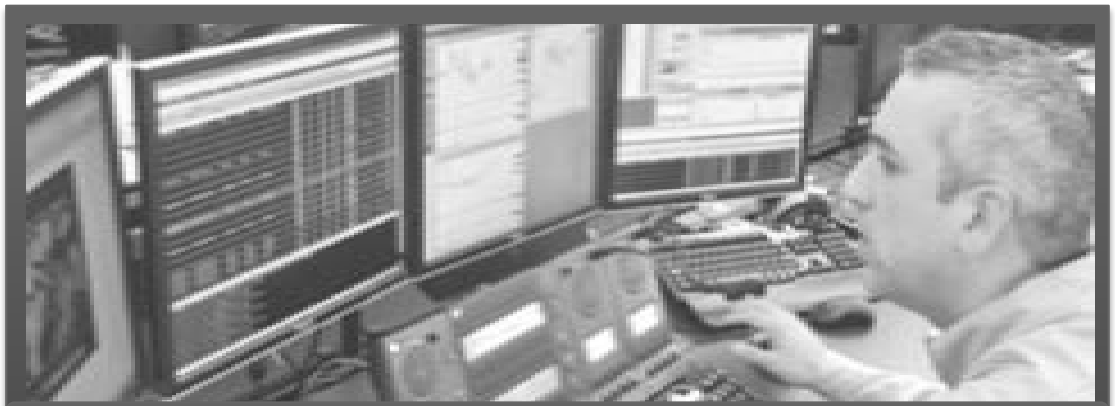
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

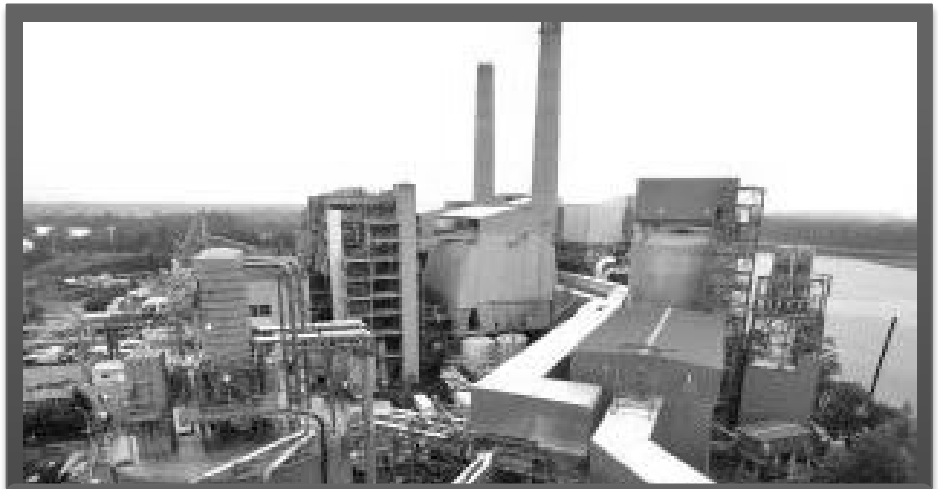
SI-SSA-0015-10641

Fleet capacity has been advanced by:

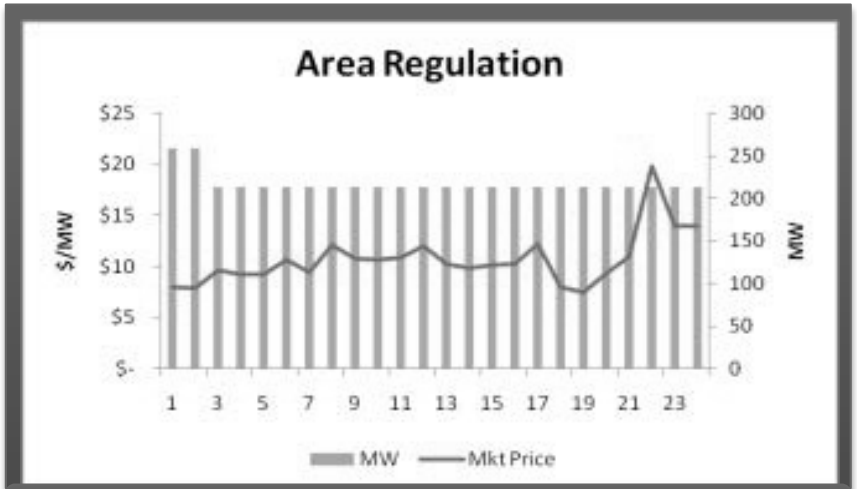
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



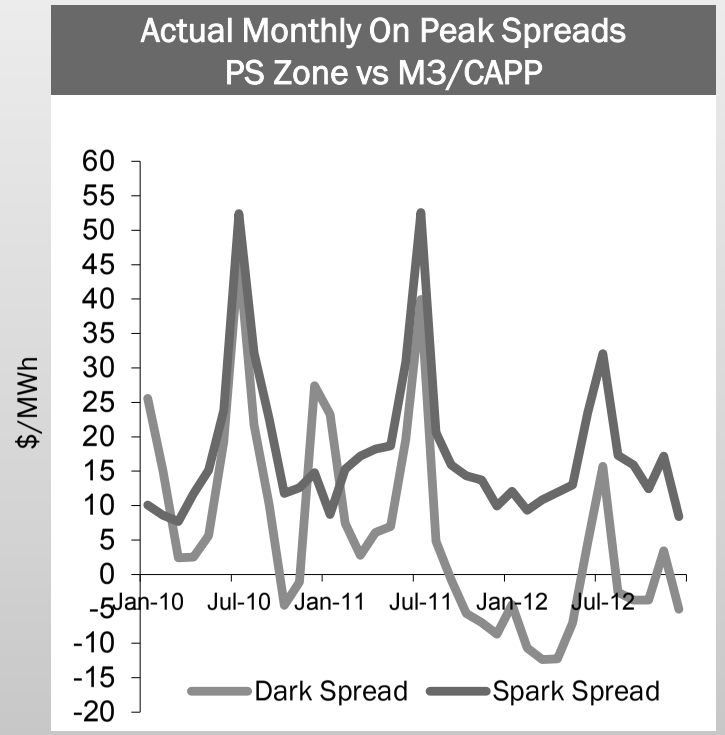
Reduced O&M and increased start-up success

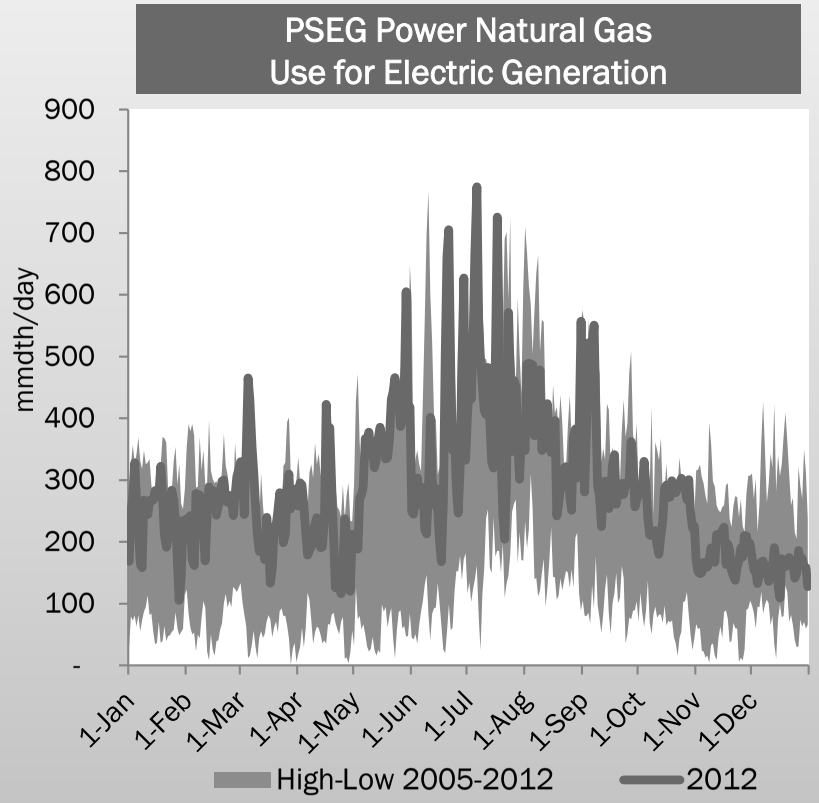


Capturing new products opportunity with minimal investment

SI-SSA-0015-10642

Spark spread replaces dark spread as major value driver

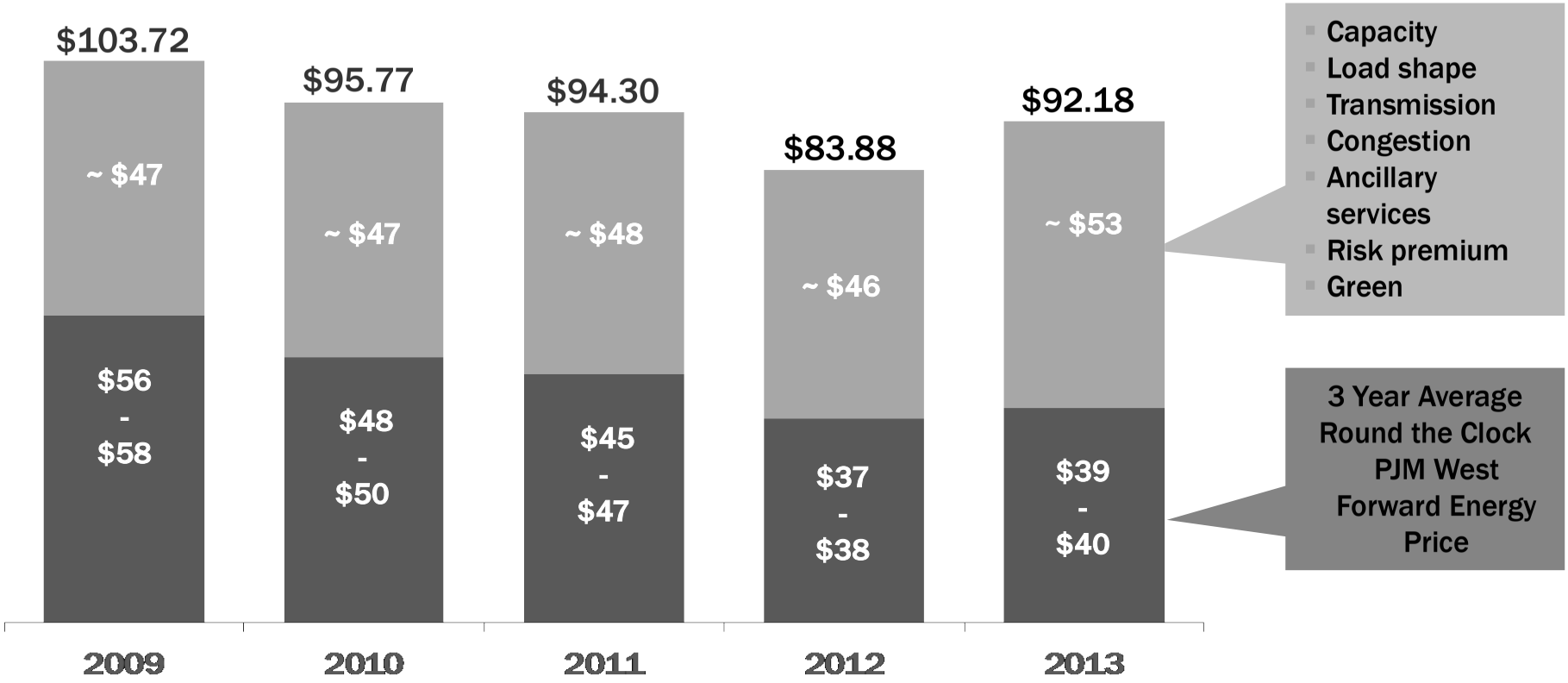




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-10643

2013 BGS Auction Results for PSE&G Zone

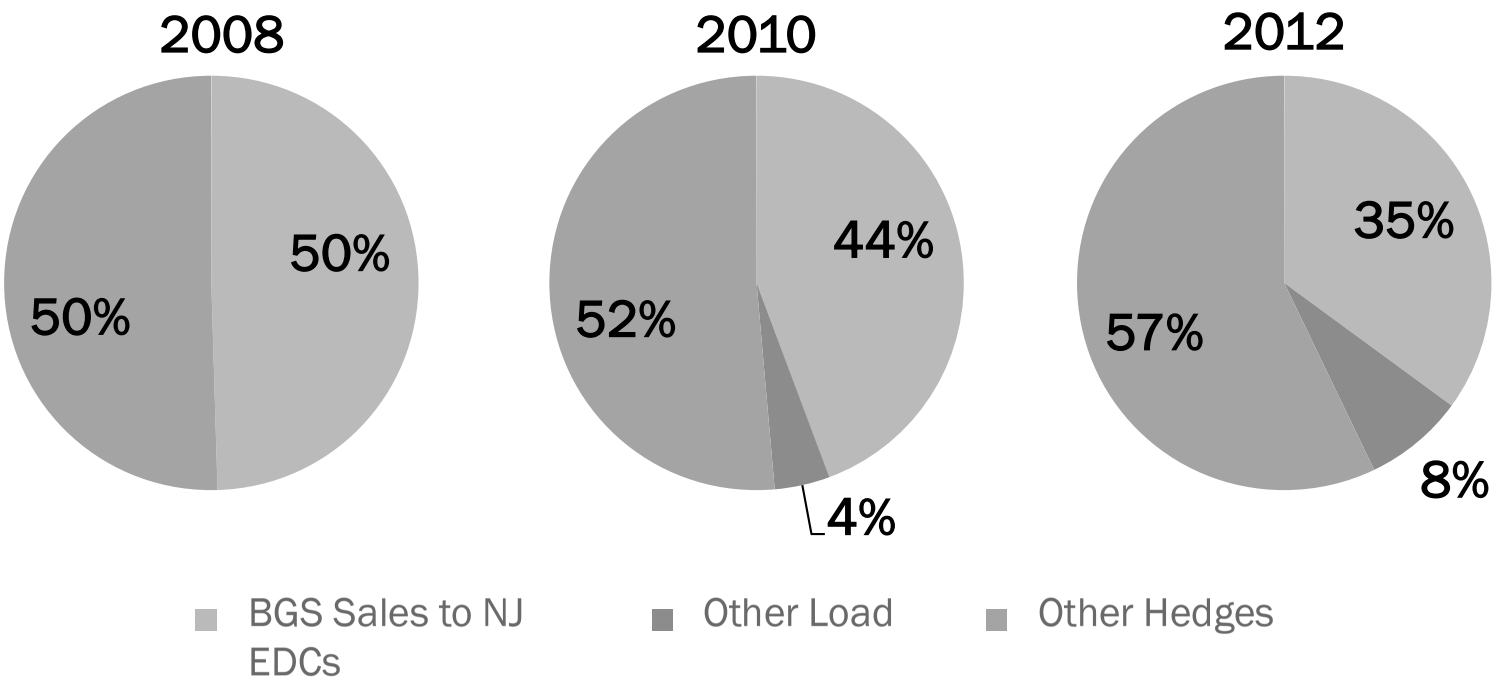


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-10644

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-10645

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

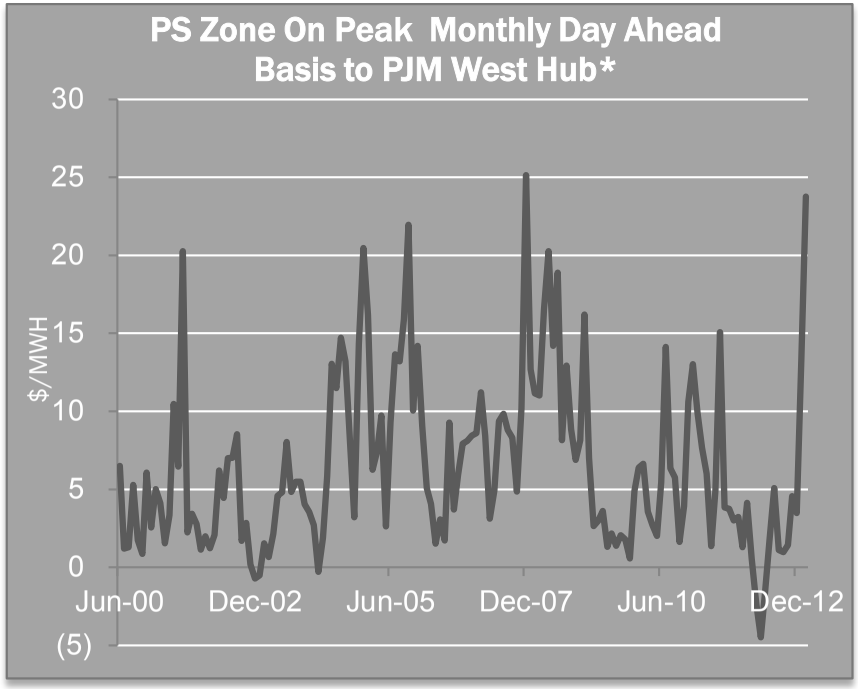
SI-SSA-0015-10646

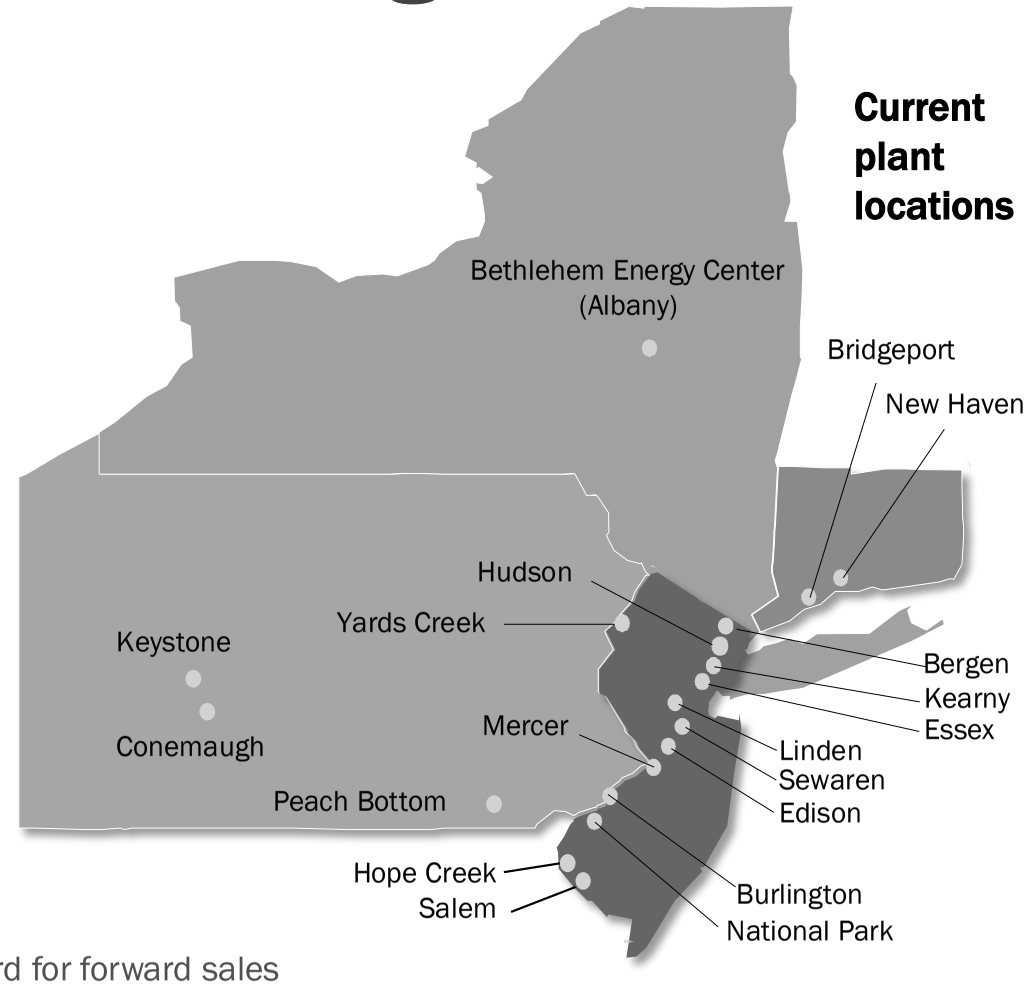
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

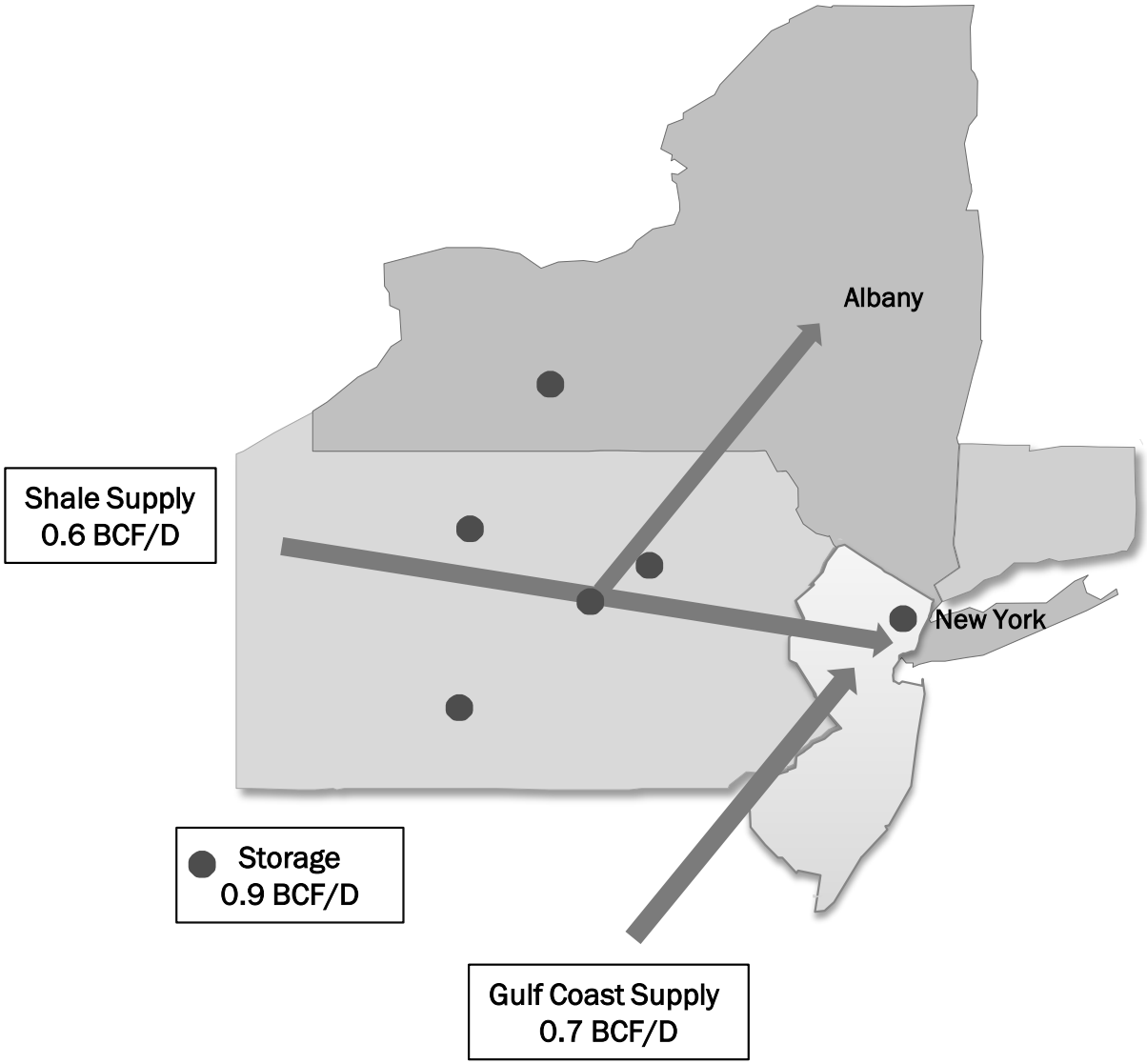
SI-SSA-0015-10647

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-10648

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

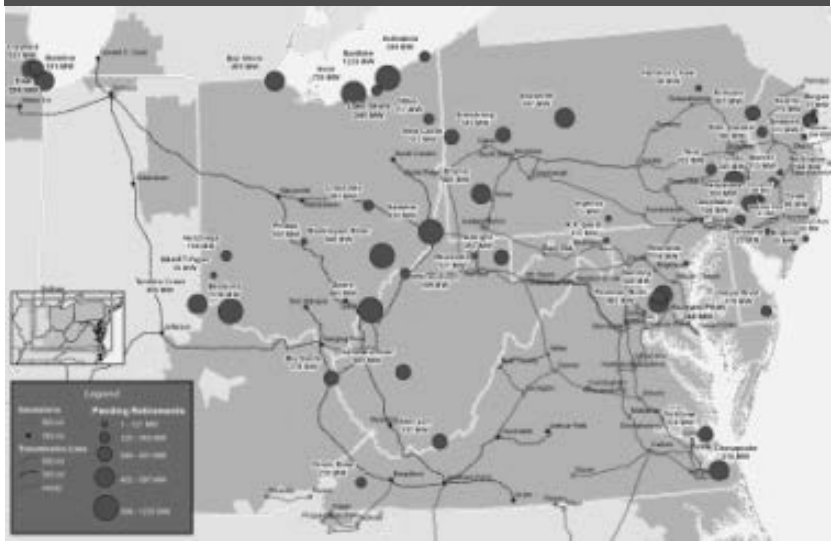
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-10649

Reserve margins in PJM declining with retirements

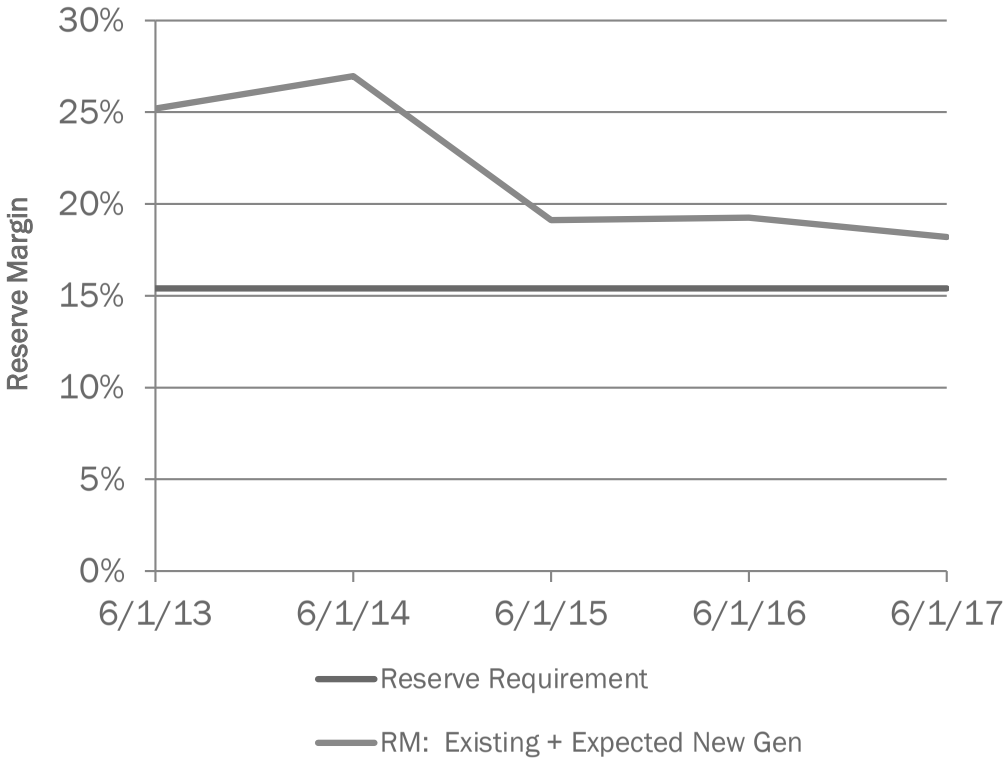
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-10650

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-10651

PSEG wholesale market strategy

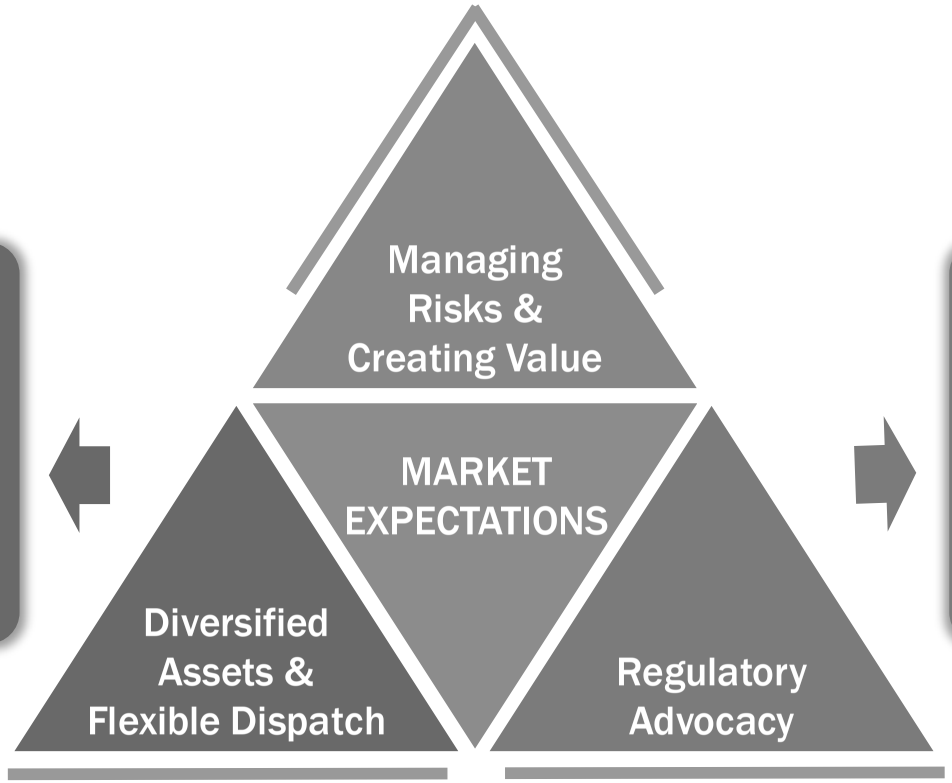
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-10652

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-10653

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-10654

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-10655

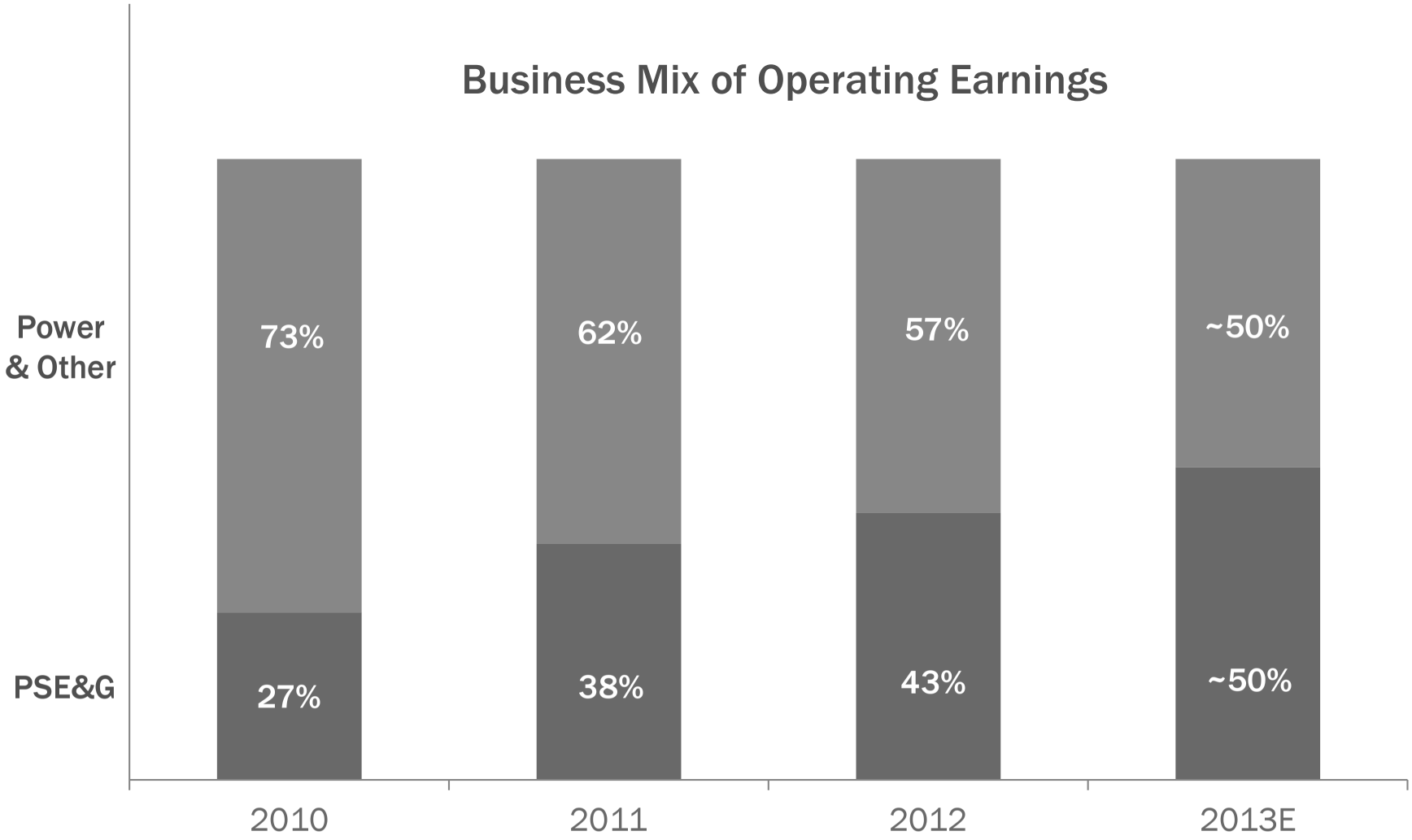
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

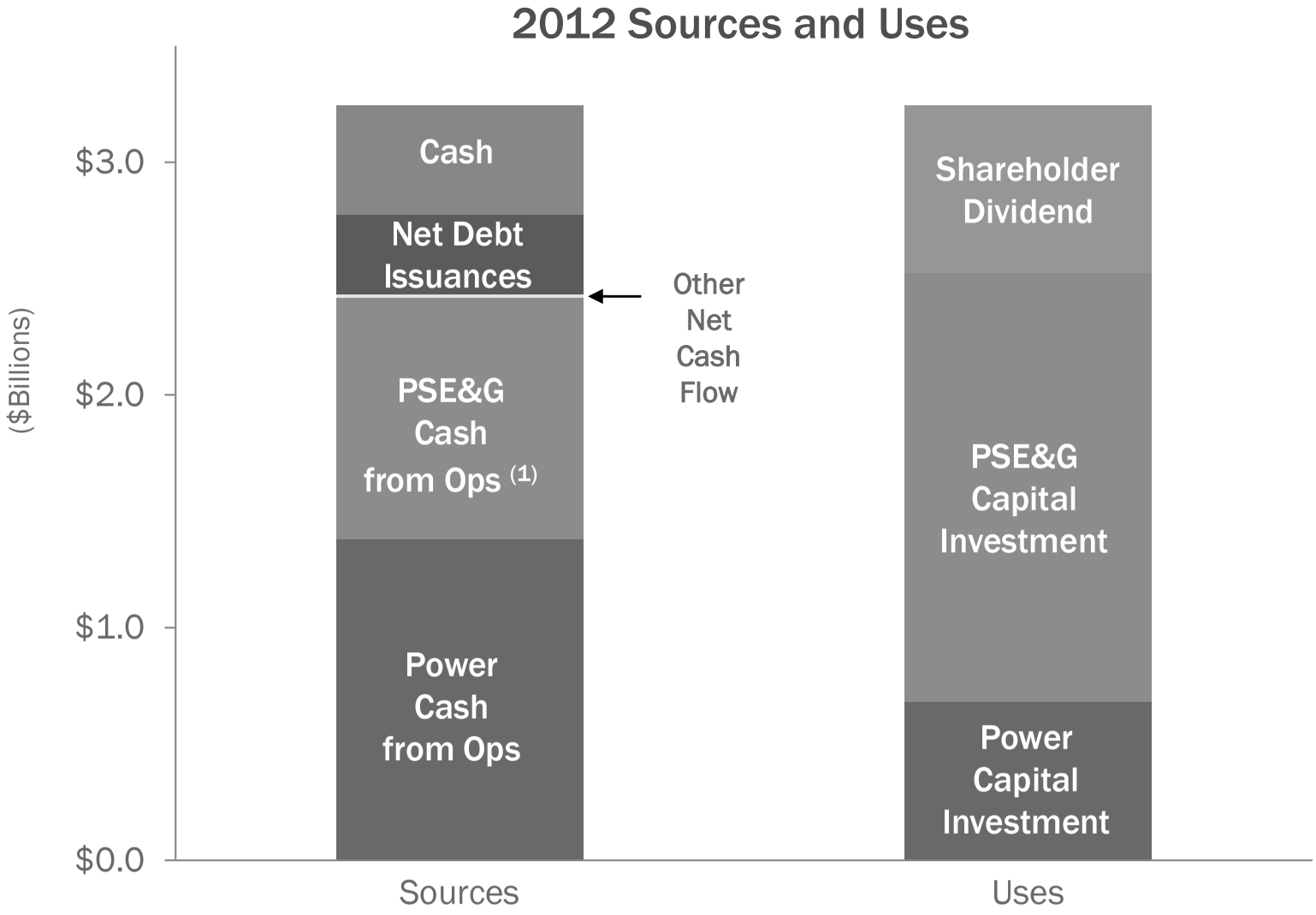


SI-SSA-0015-10656

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

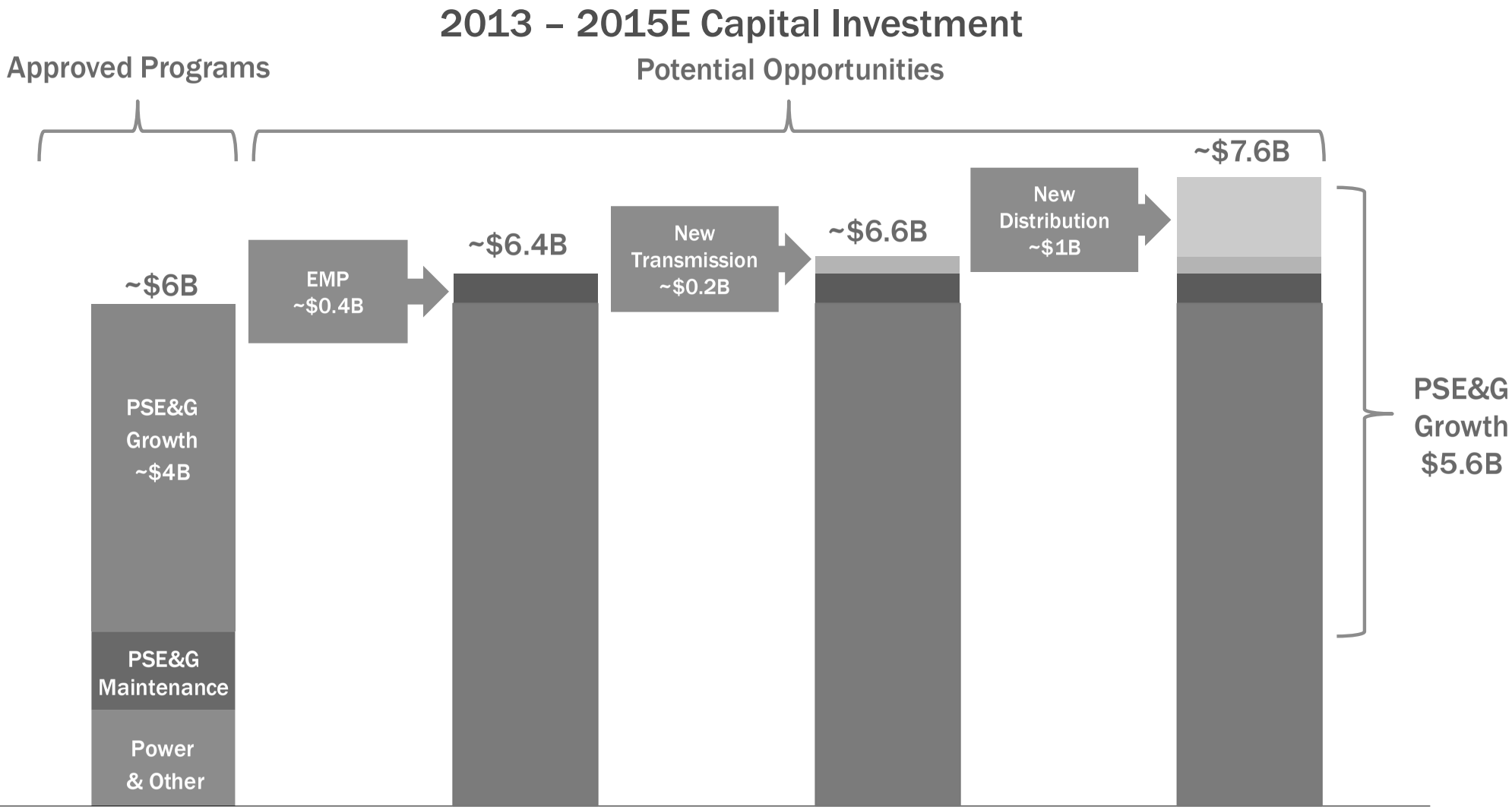
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

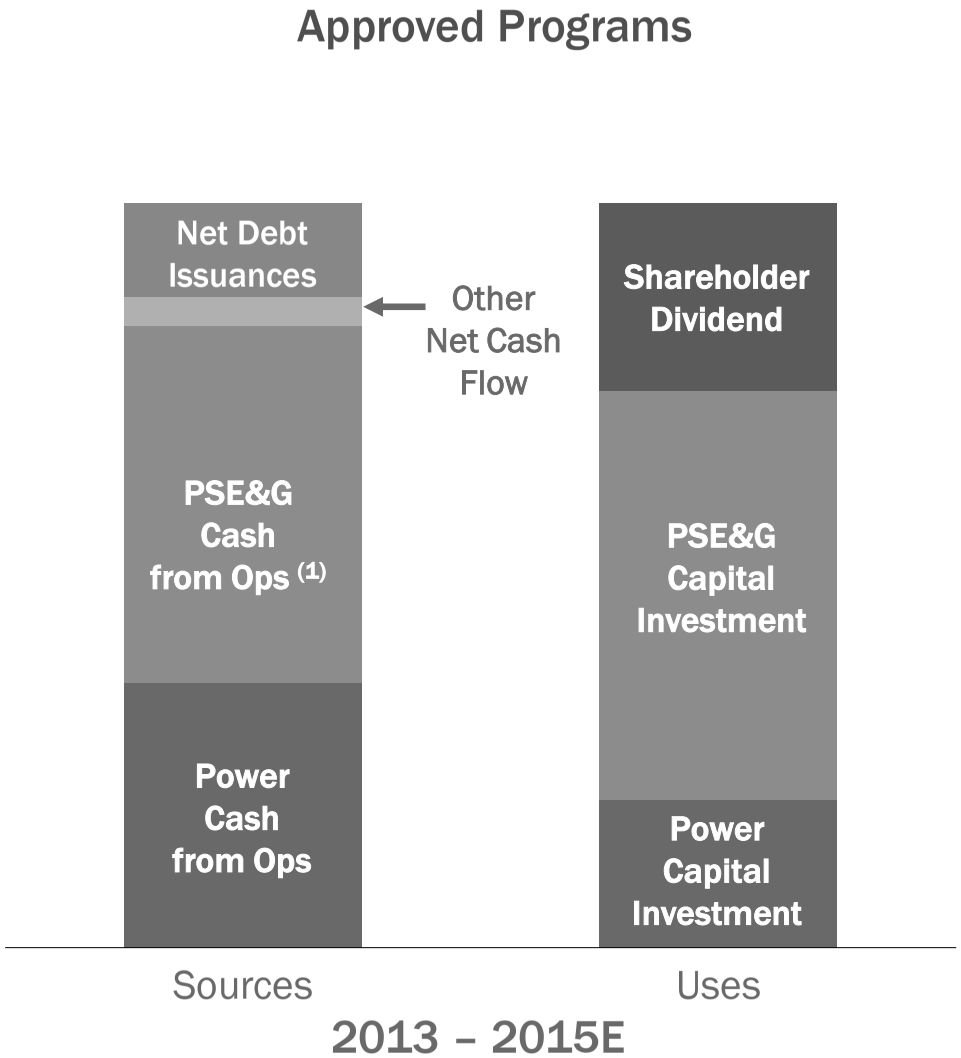
SI-SSA-0015-10657

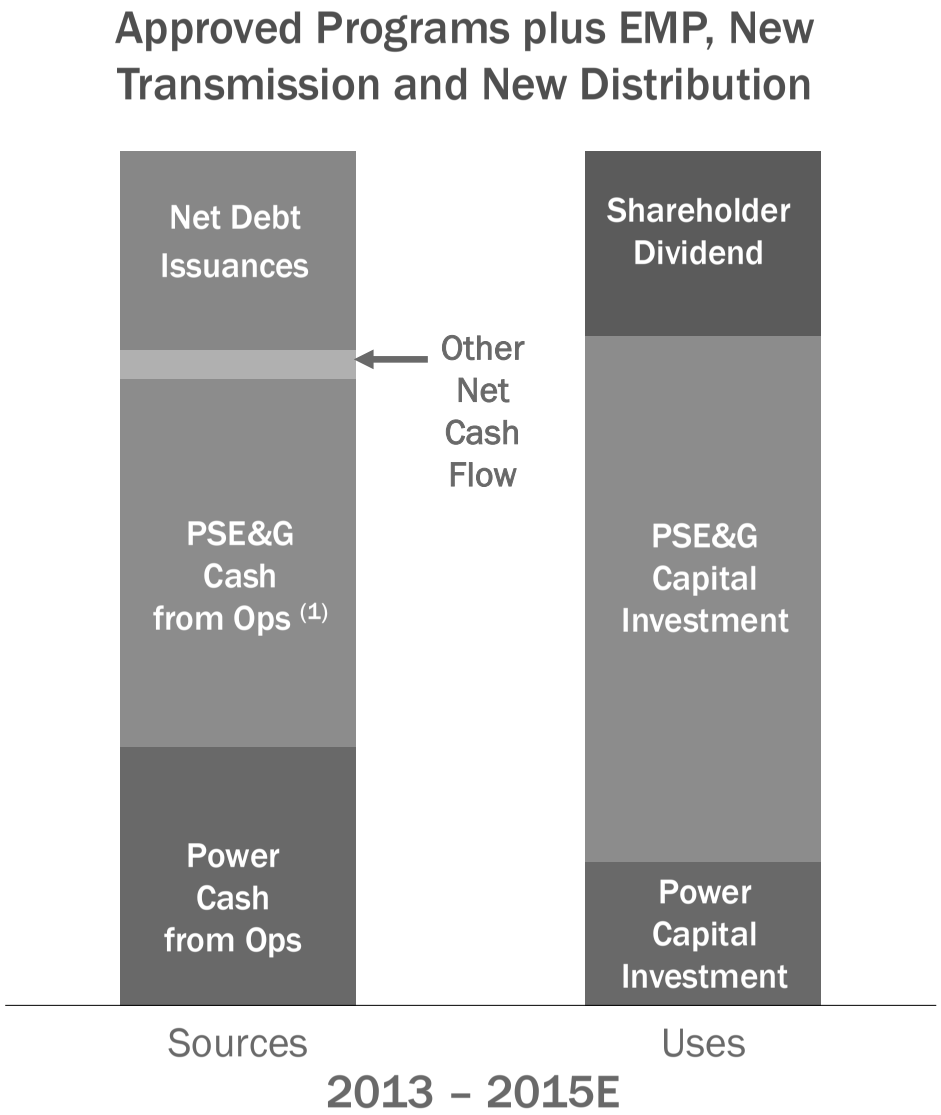
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-10658

All scenarios can be financed without new equity





SI-SSA-0015-10659

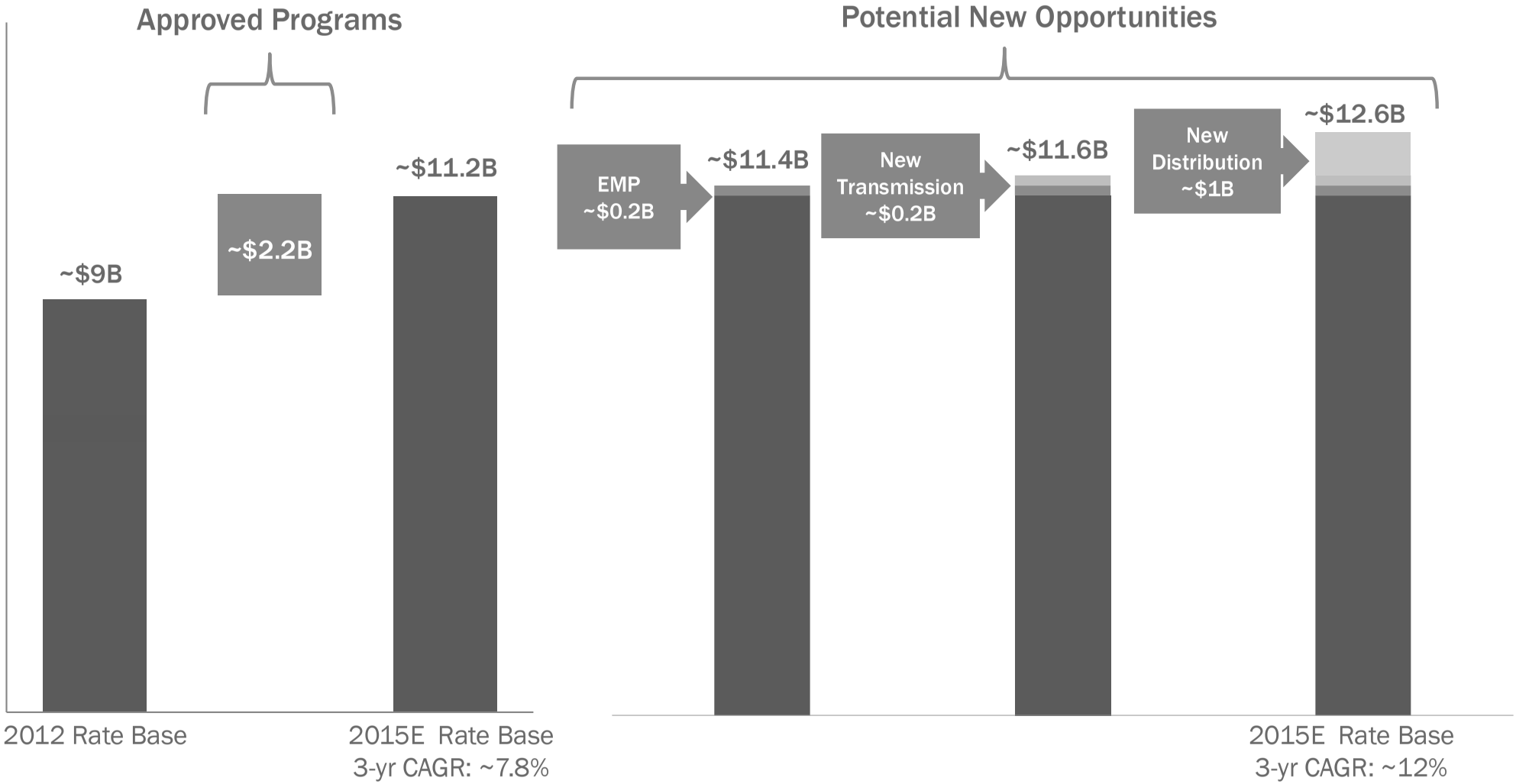
PSEG

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

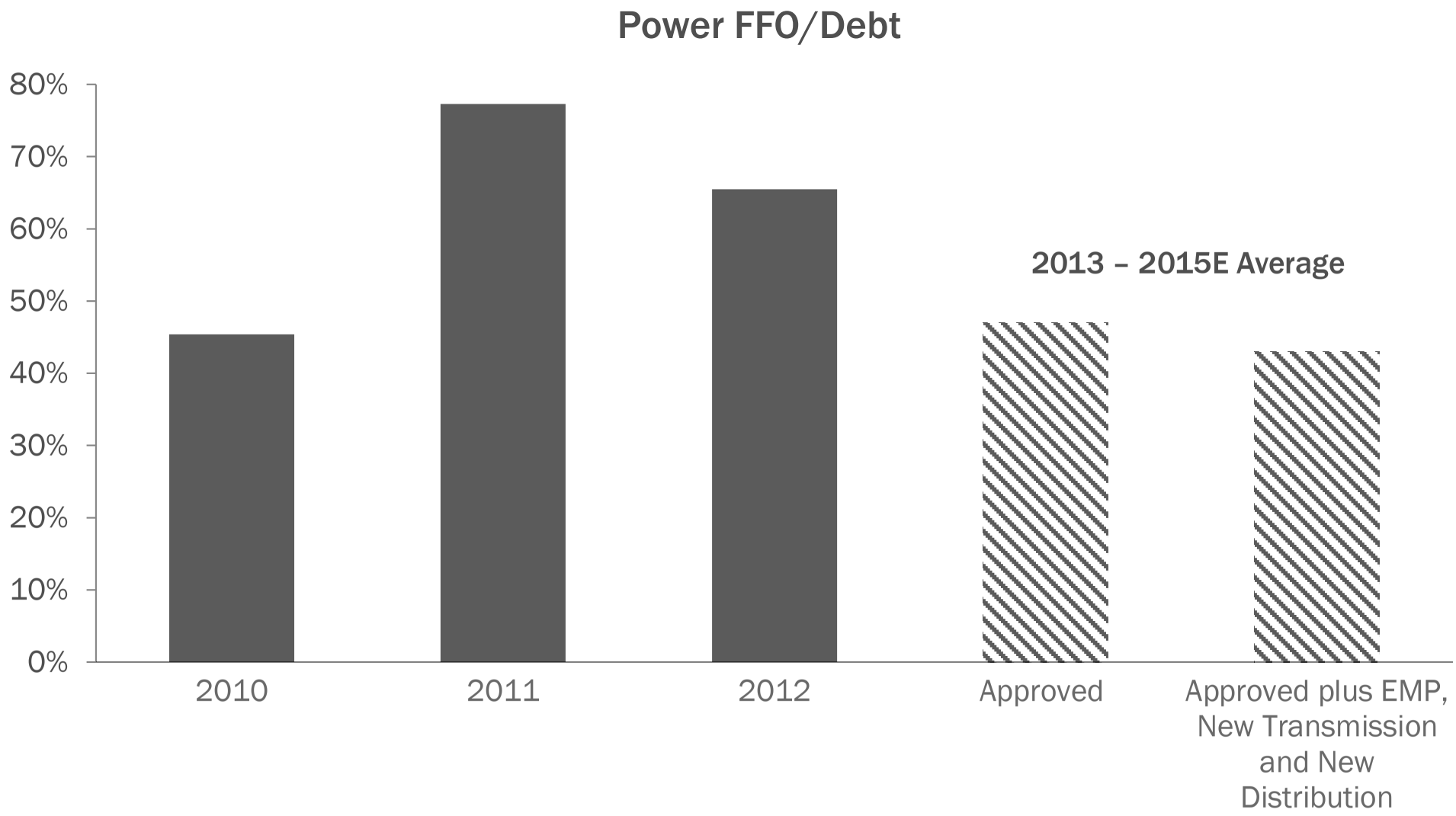
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-10660

Power's credit metrics are expected to remain strong



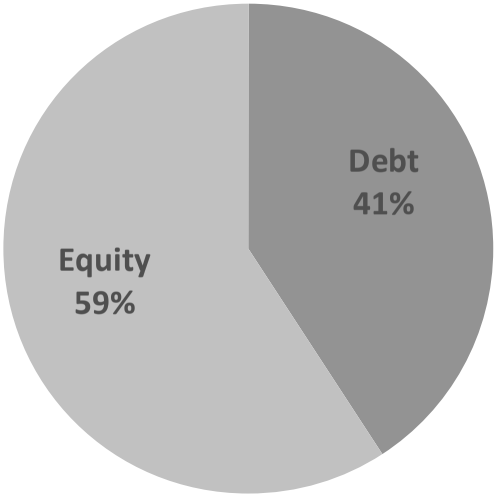
SI-SSA-0015-10661

Using PSEG's balance sheet strength

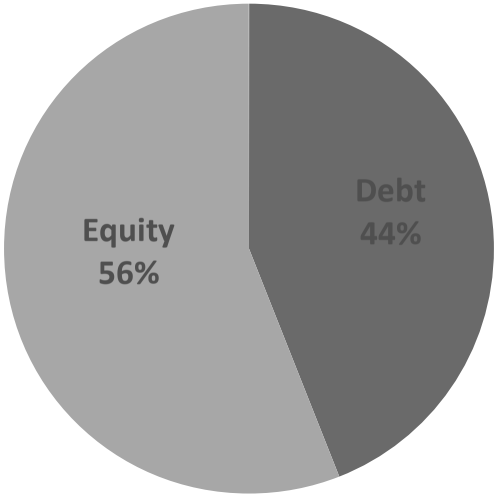
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-10662

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

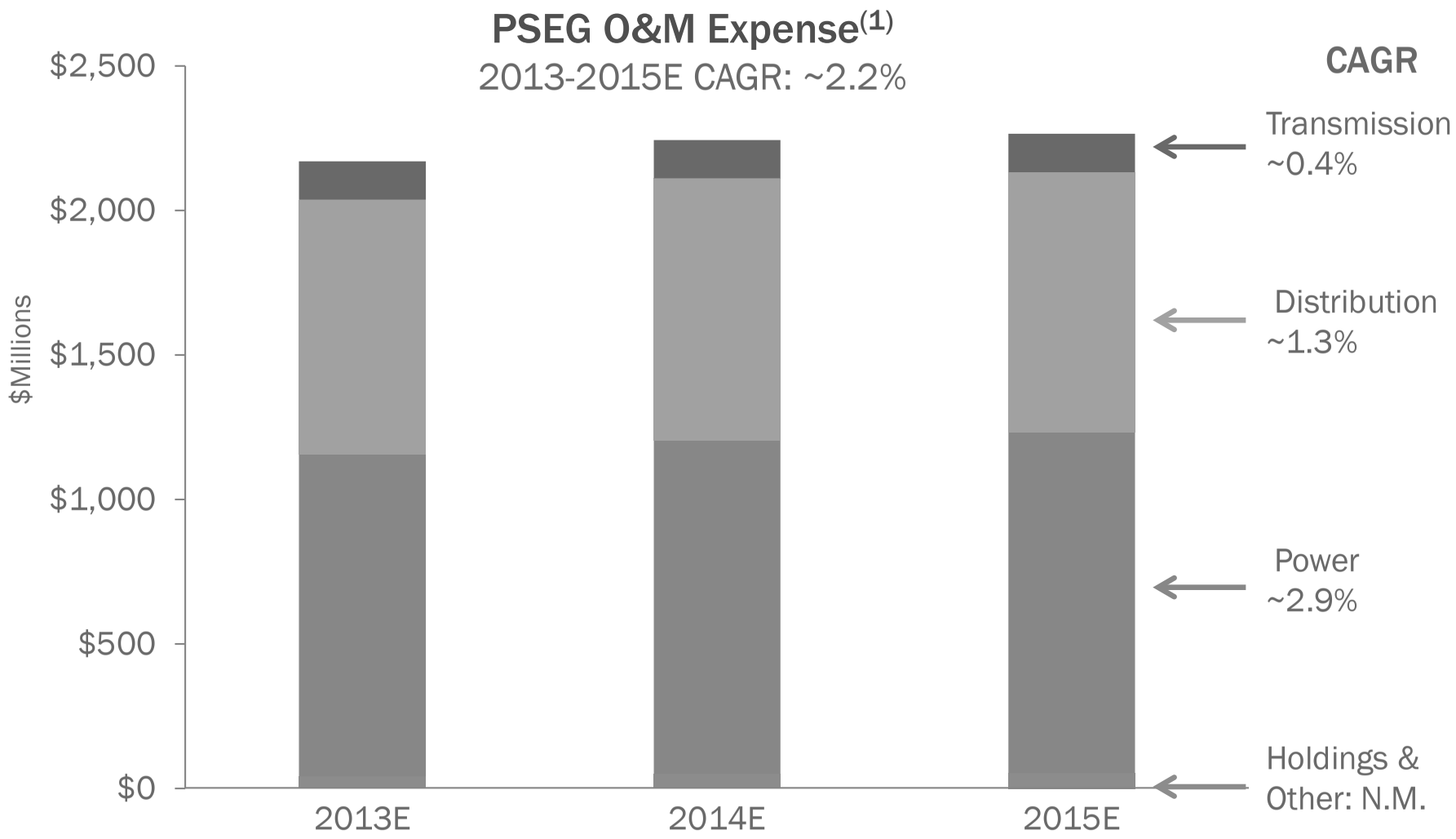
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-10663

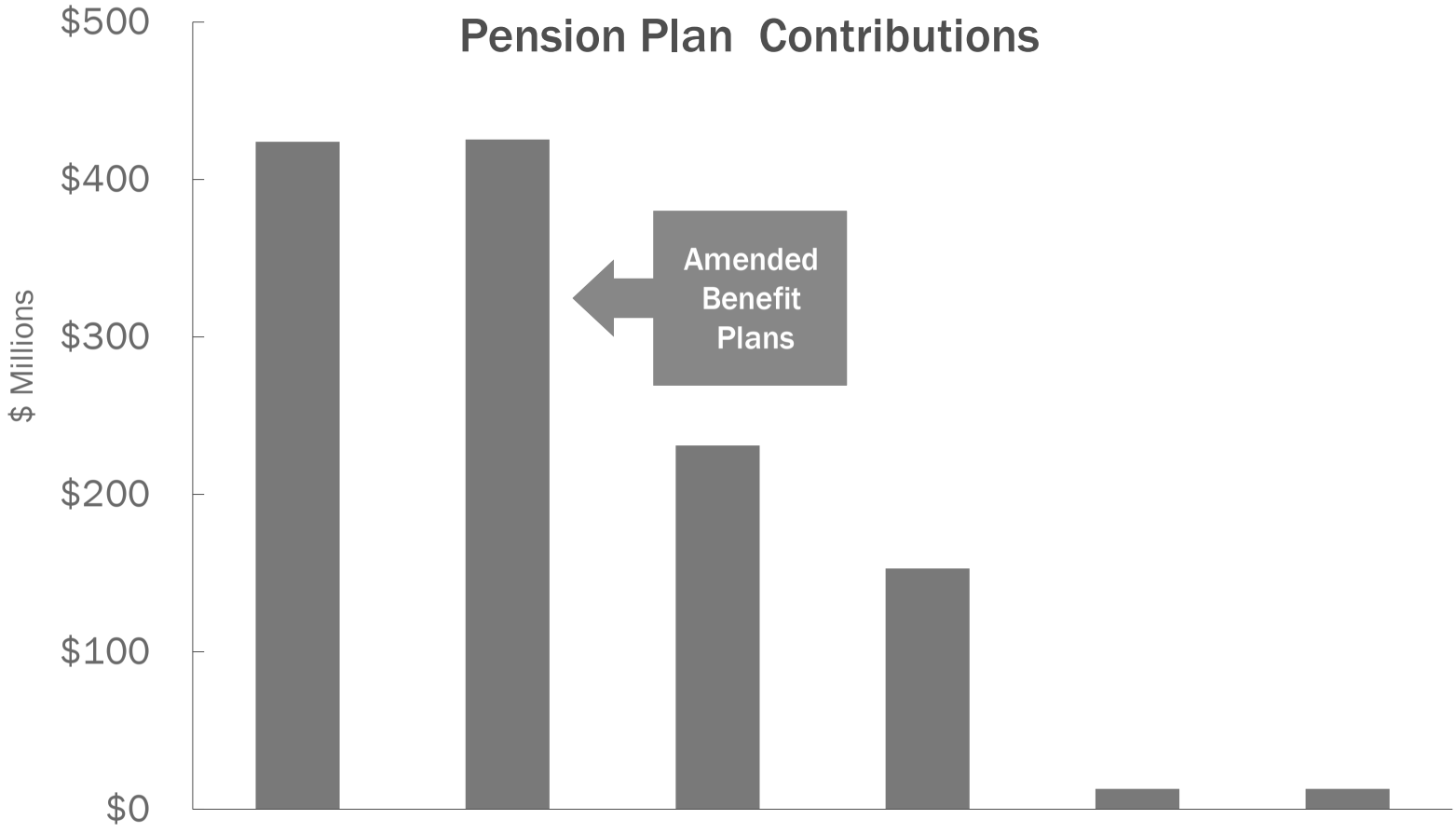
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-10664

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-10665

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

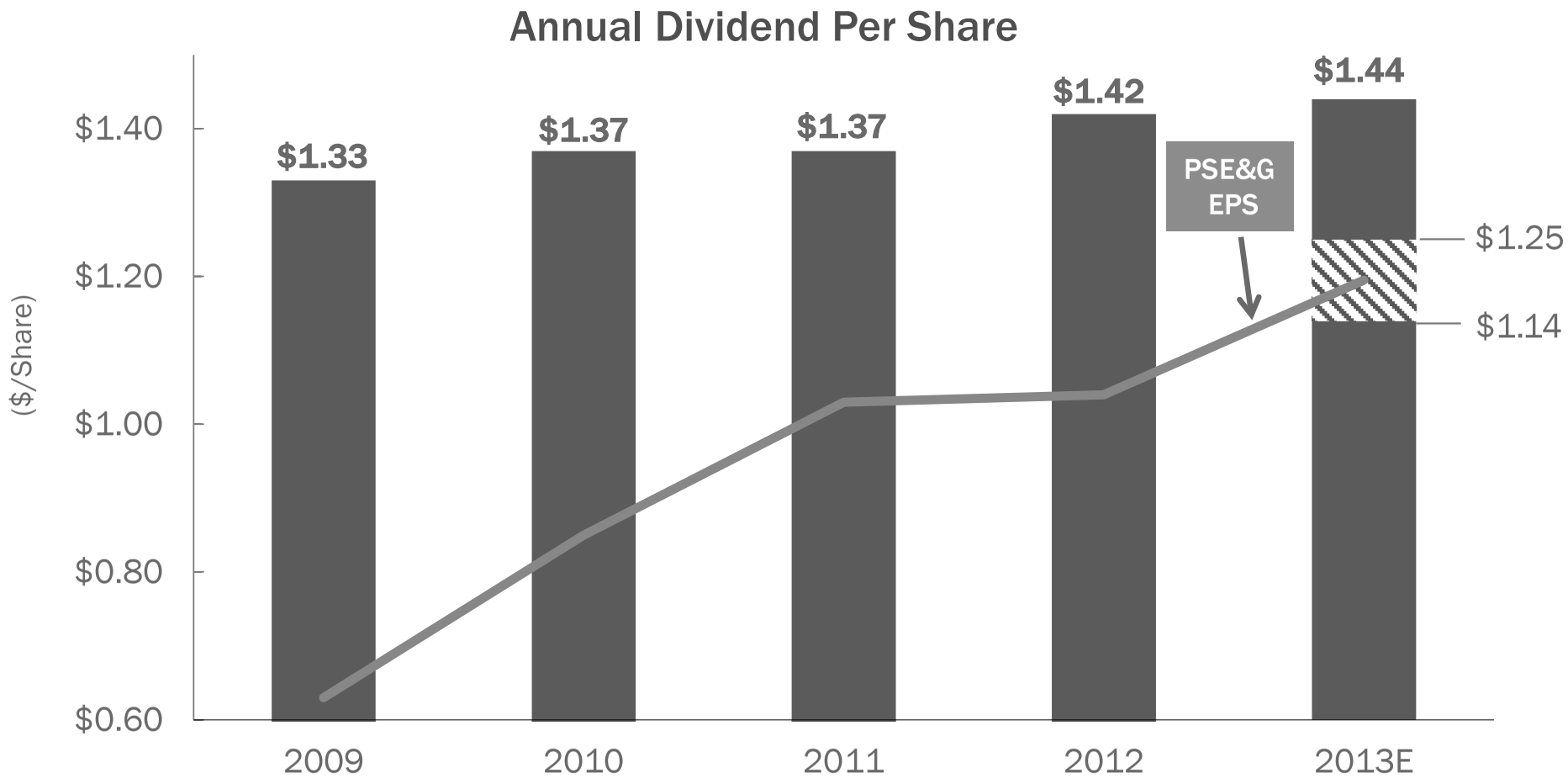
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-10666

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



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PSEG Summary

- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-10668

APPENDIX

SI-SSA-0015-10669

Full-year Operating Earnings by Subsidiary

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2012	2011	2012	2011
PSEG Power	$ 644	$ 845	$ 1.27	$ 1.67
PSE&G	528	521	1.04	1.03
PSEG Energy Holdings/ Enterprise	64	23	0.13	0.04
*Operating Earnings**	$ 1,236	$ 1,389	$ 2.44	$ 2.74

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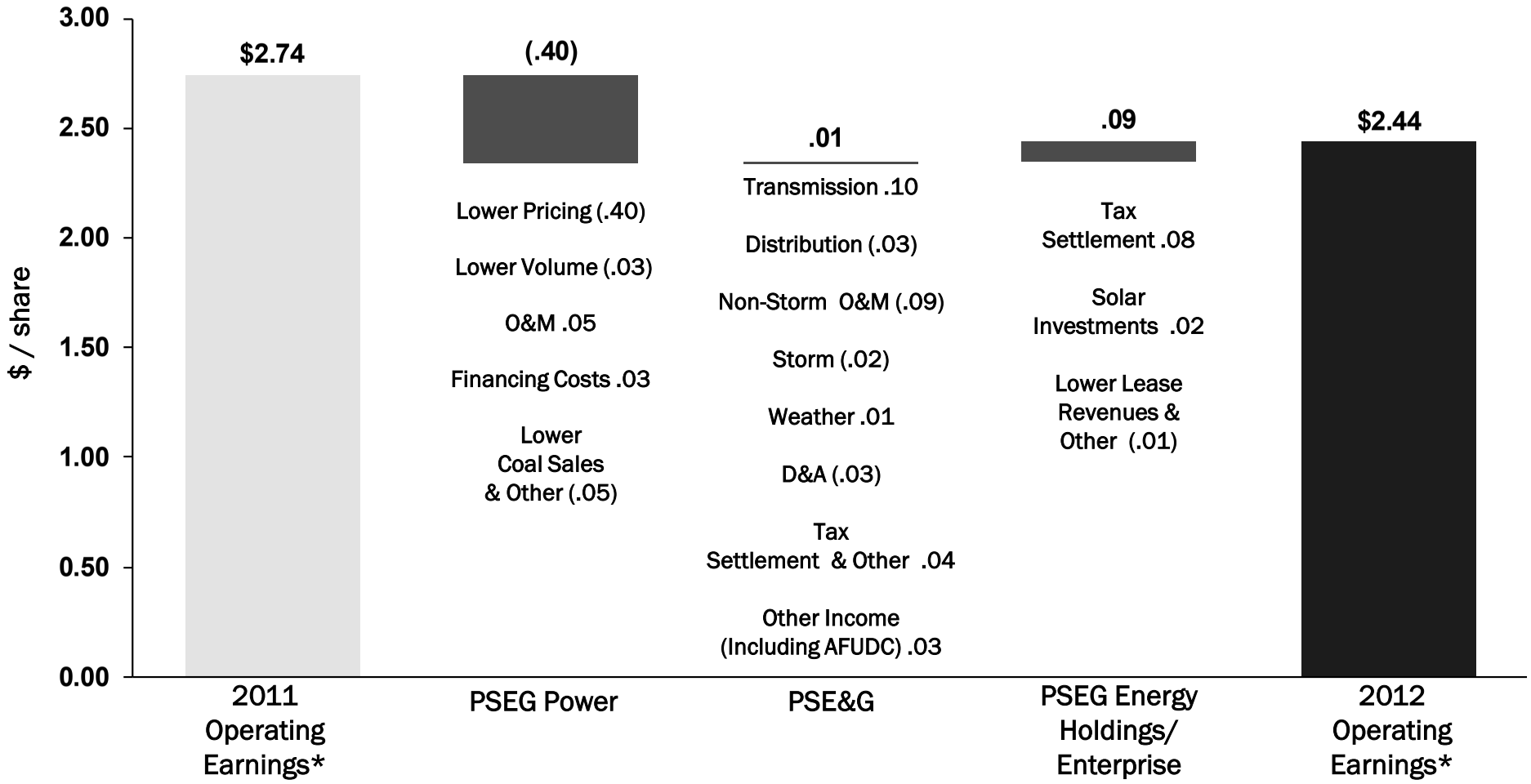
PSEG

• See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2012 versus Full-year 2011



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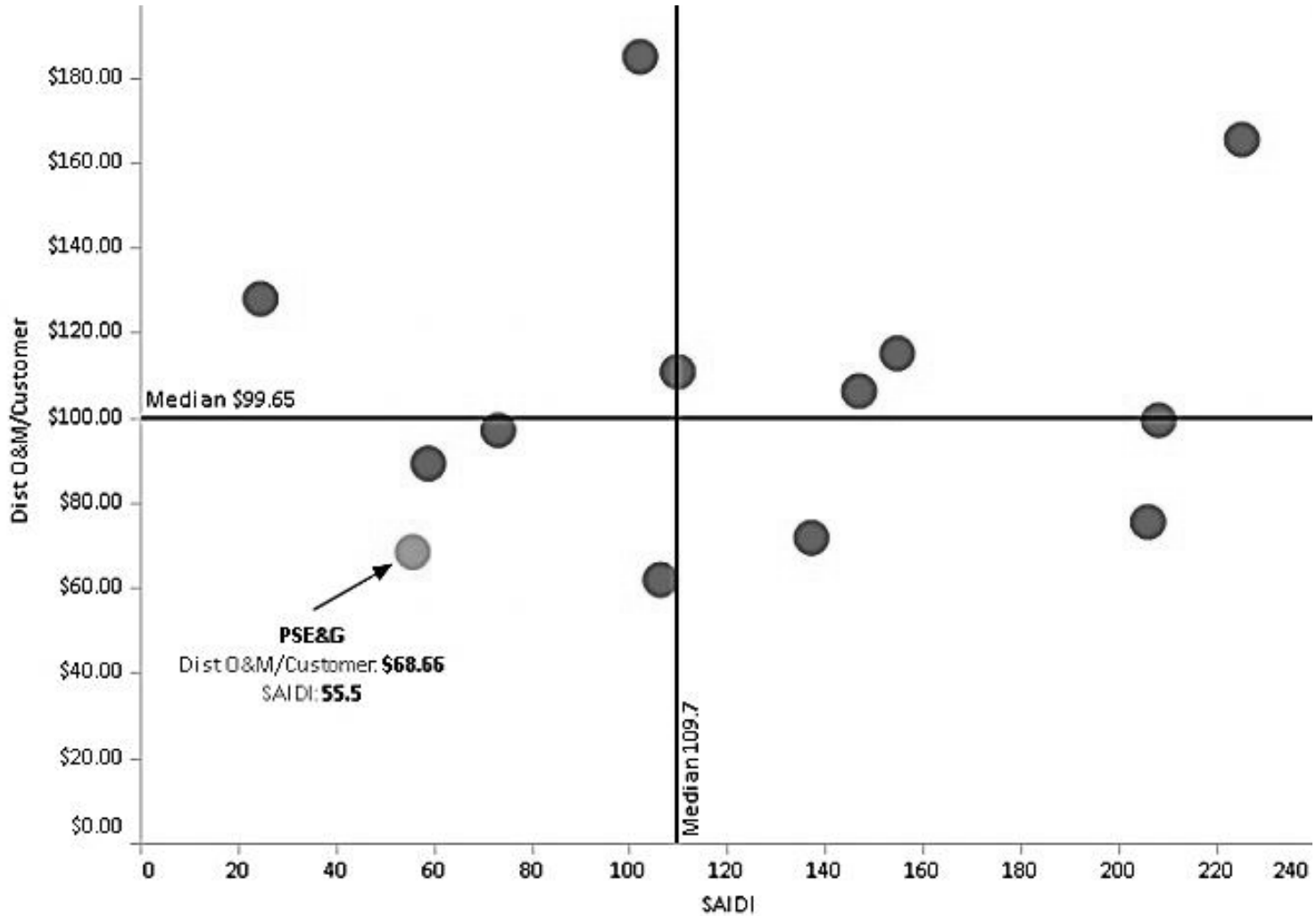
PSEG

* See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSE&G provides high reliability at below average cost which creates superior value to customers



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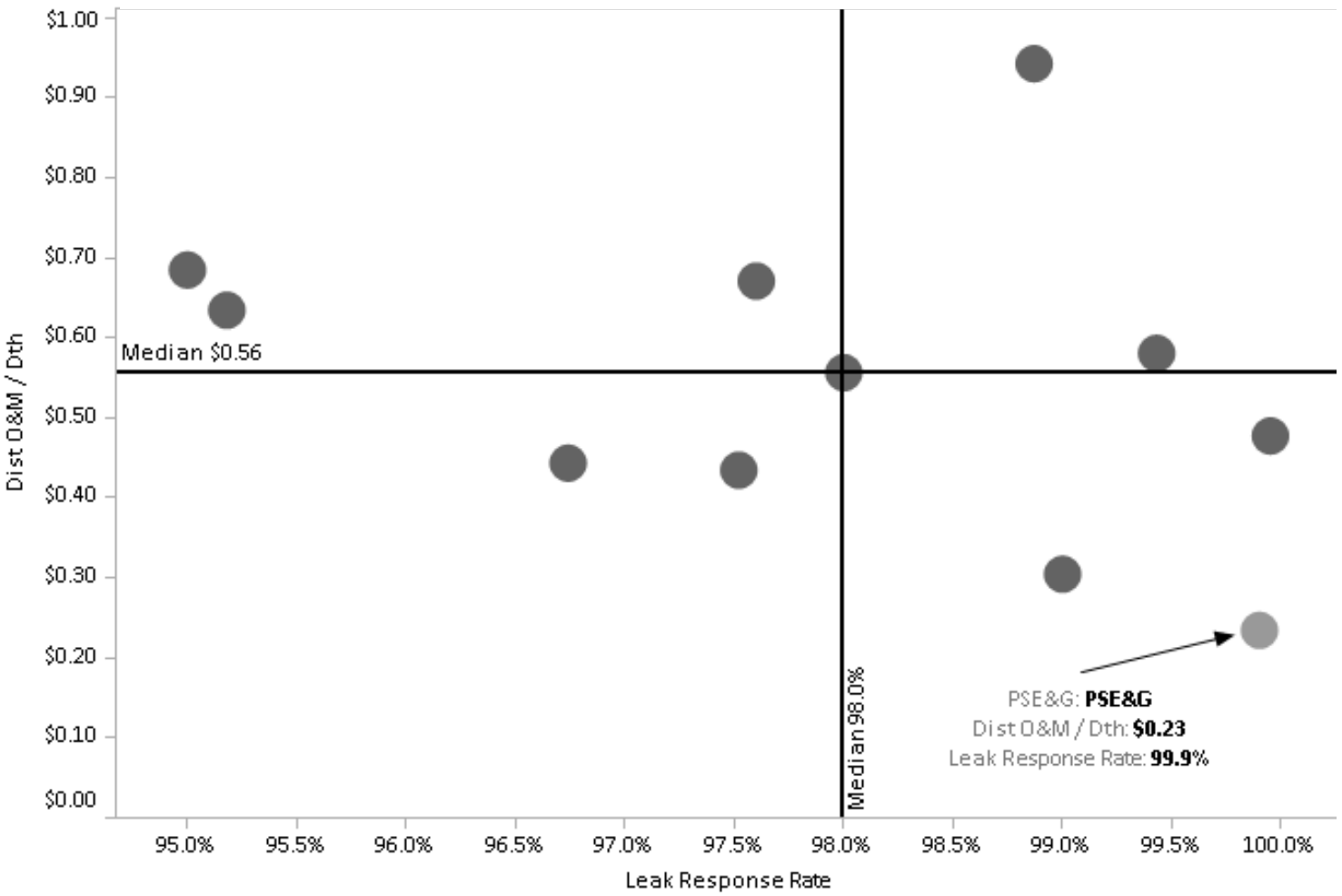
SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-10673

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-10674

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-10675

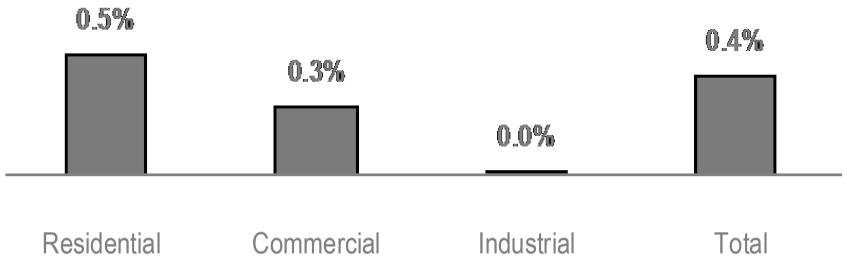
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

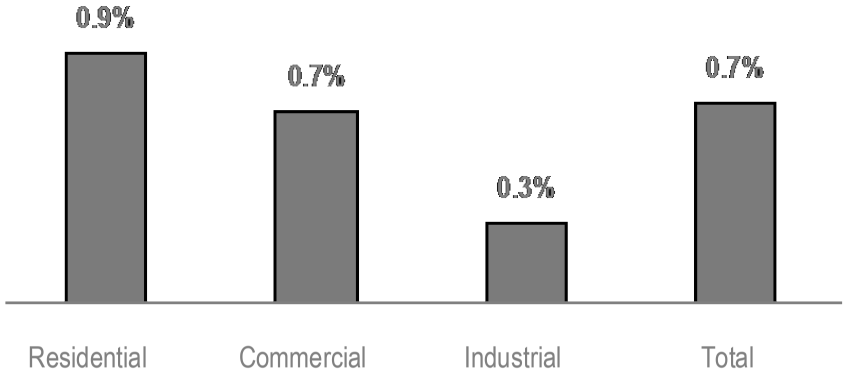
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



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* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

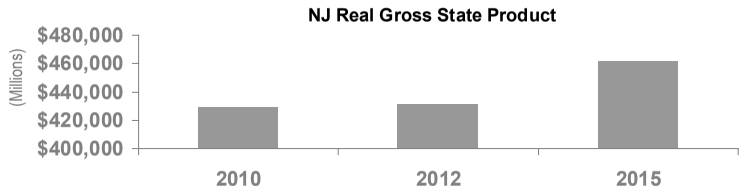
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

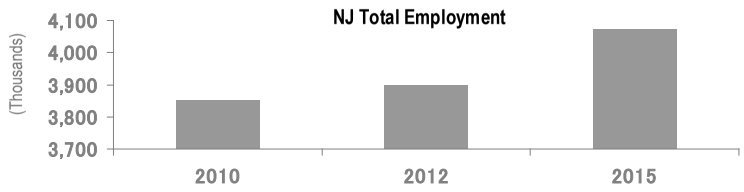
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

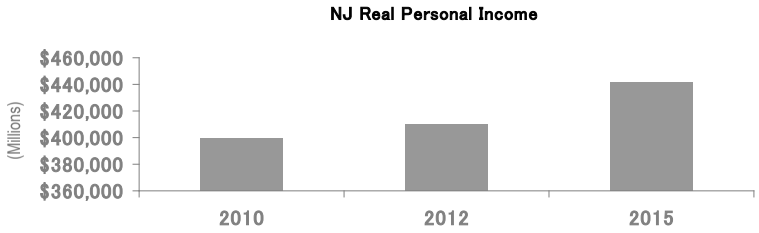
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

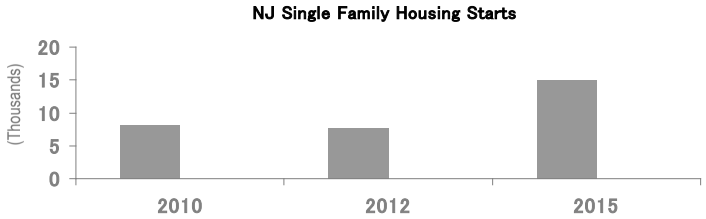
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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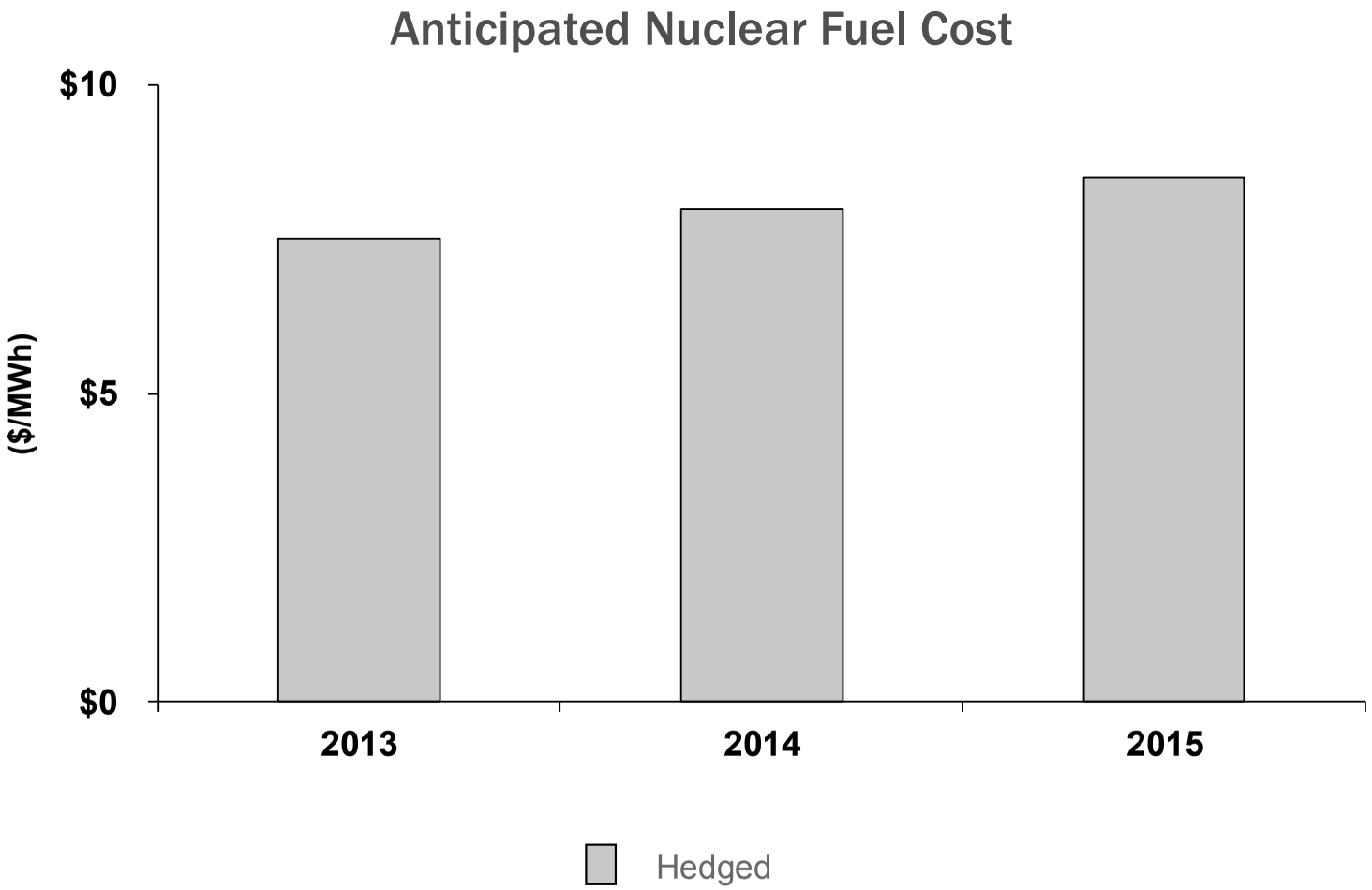
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



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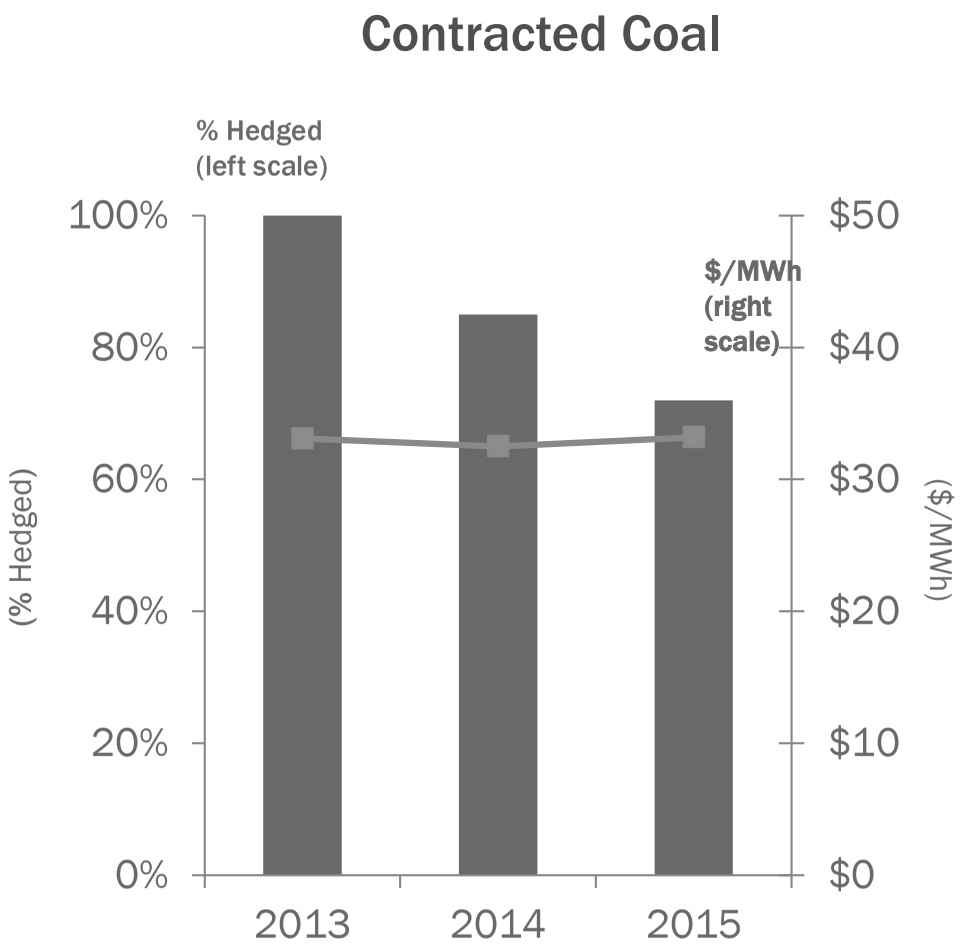
Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

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The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

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PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-10681

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

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Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Summary

RBC – SOUTHEAST MARKETING

APRIL 10-11, 2017

SI-SSA-0015-10685

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

PSEG

We make things work for you.

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10686

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of March 6, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-10687

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-10688

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

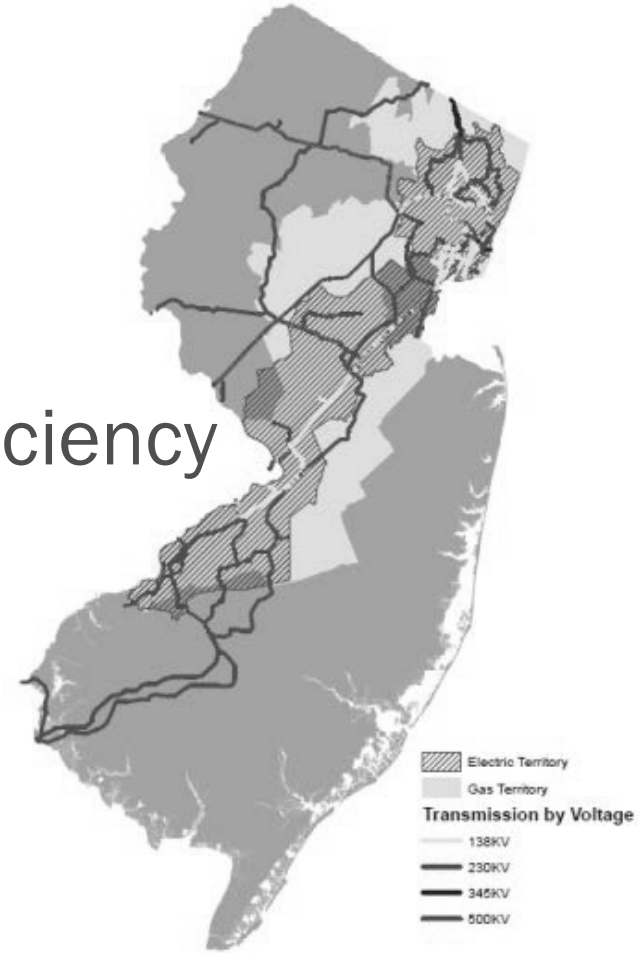
SI-SSA-0015-10689

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

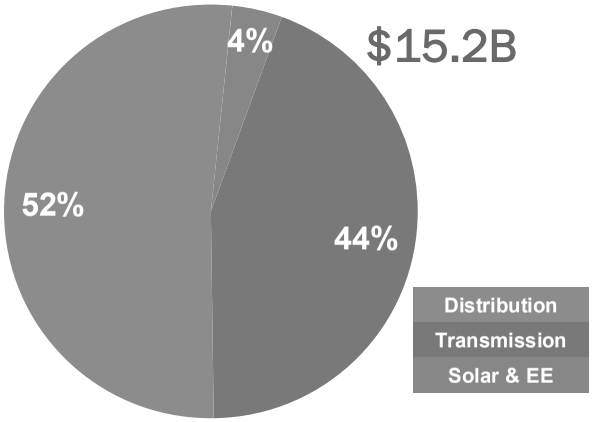
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



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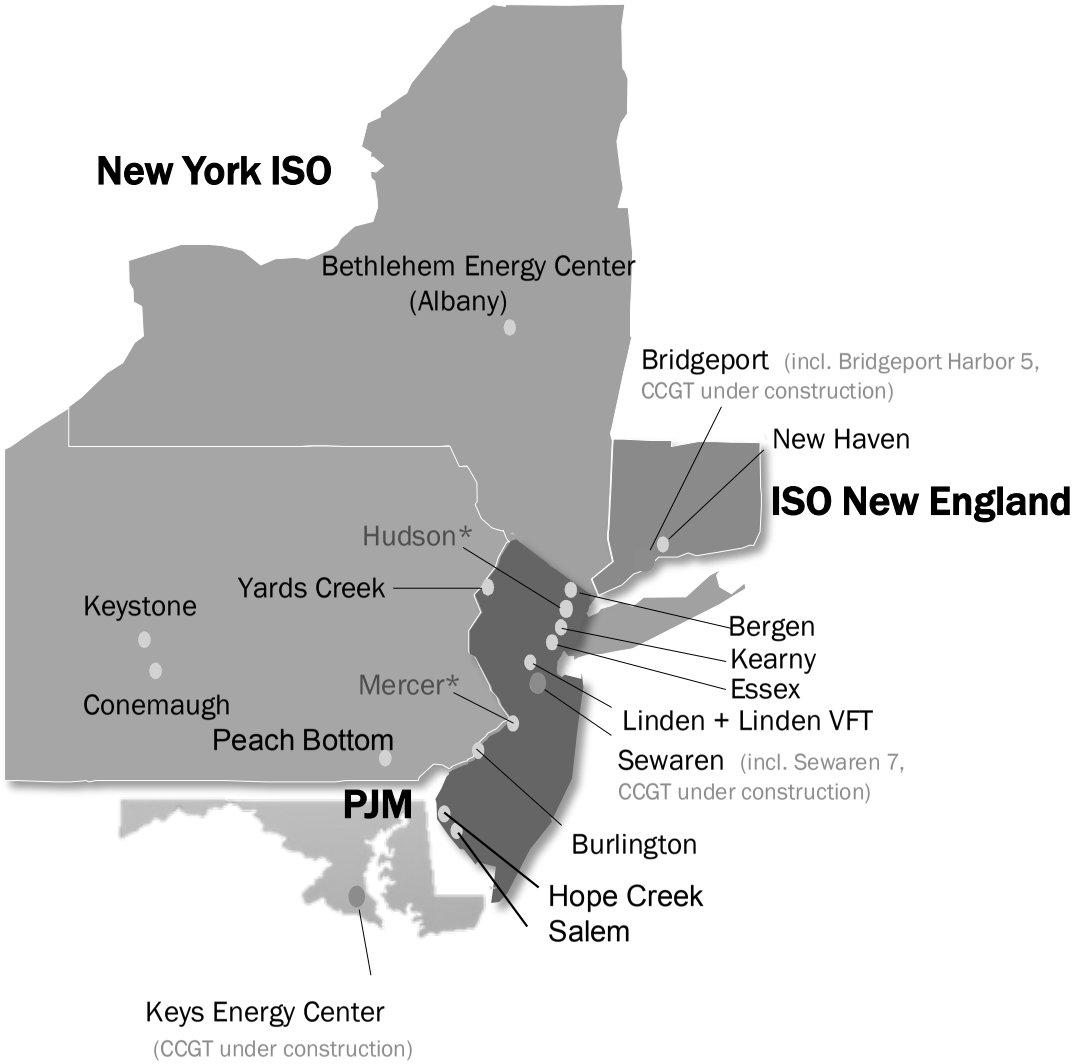
PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-10691

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

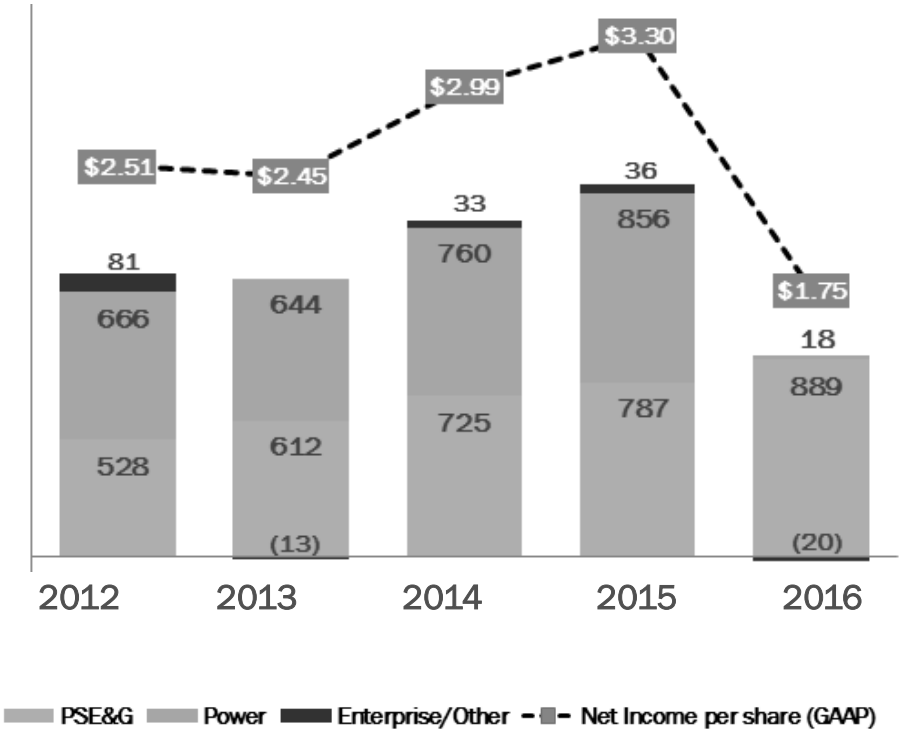
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

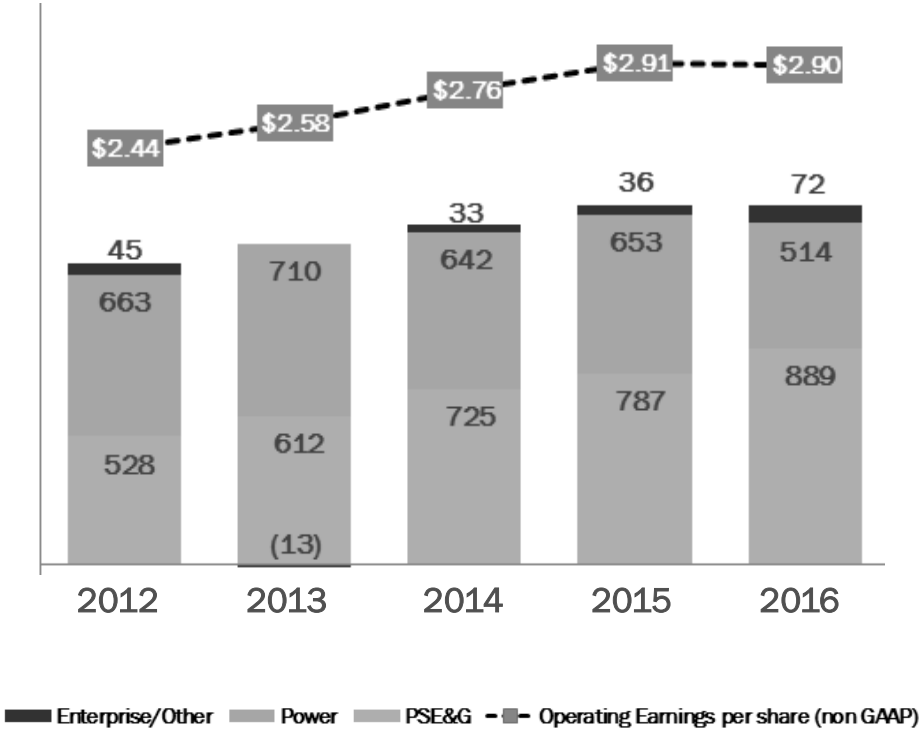
SI-SSA-0015-10692

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)

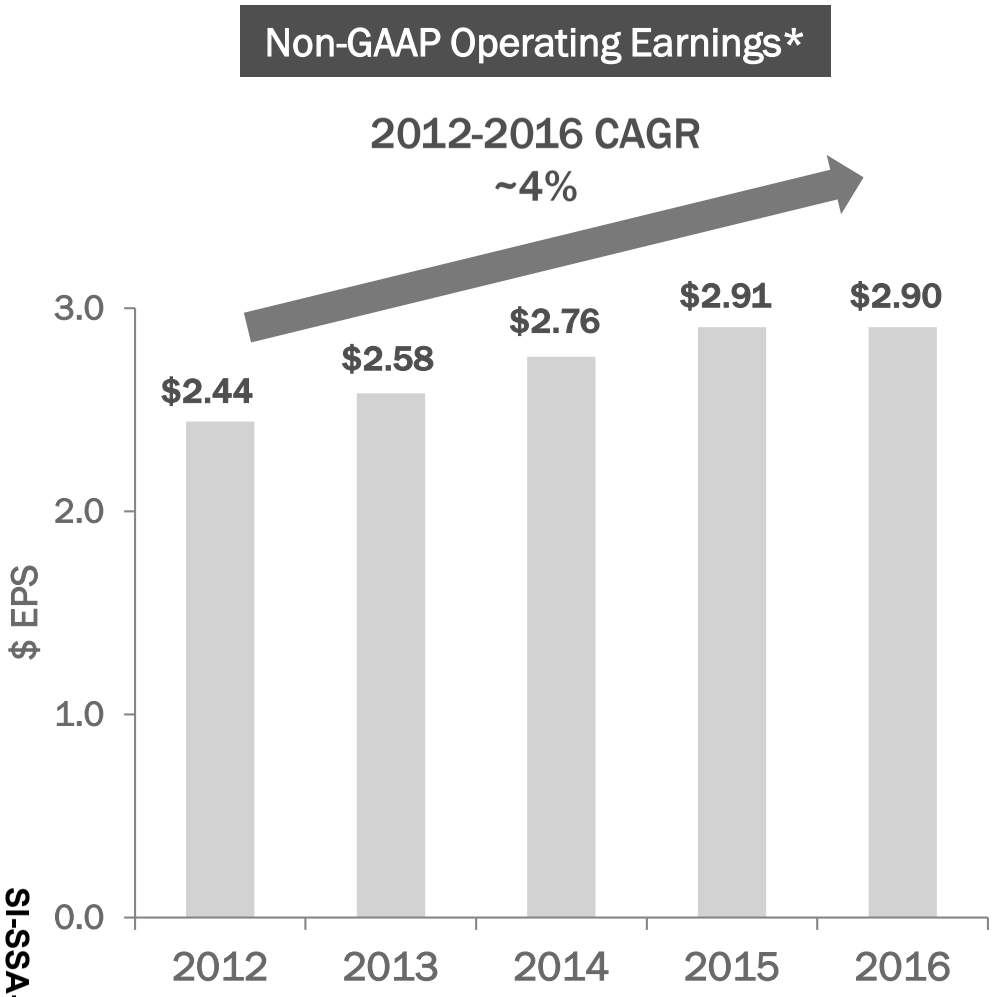


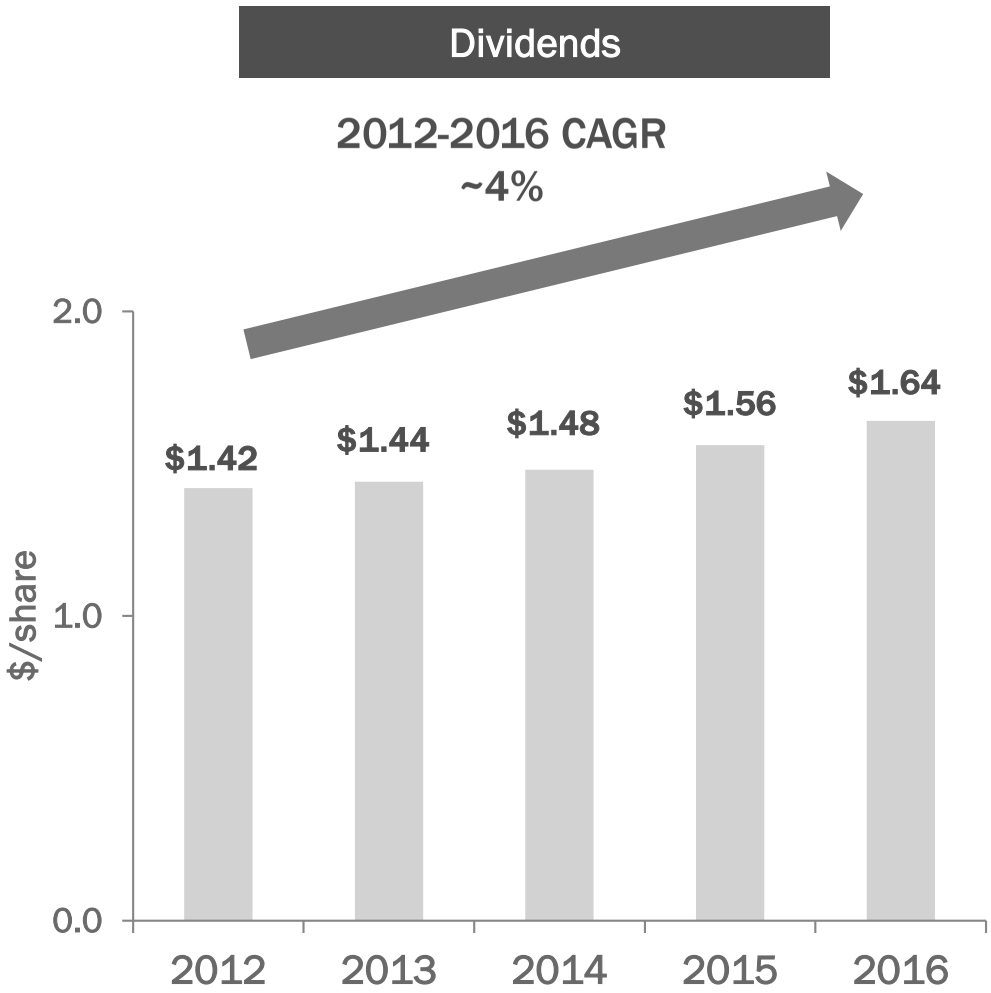
SI-SSA-0015-10693

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

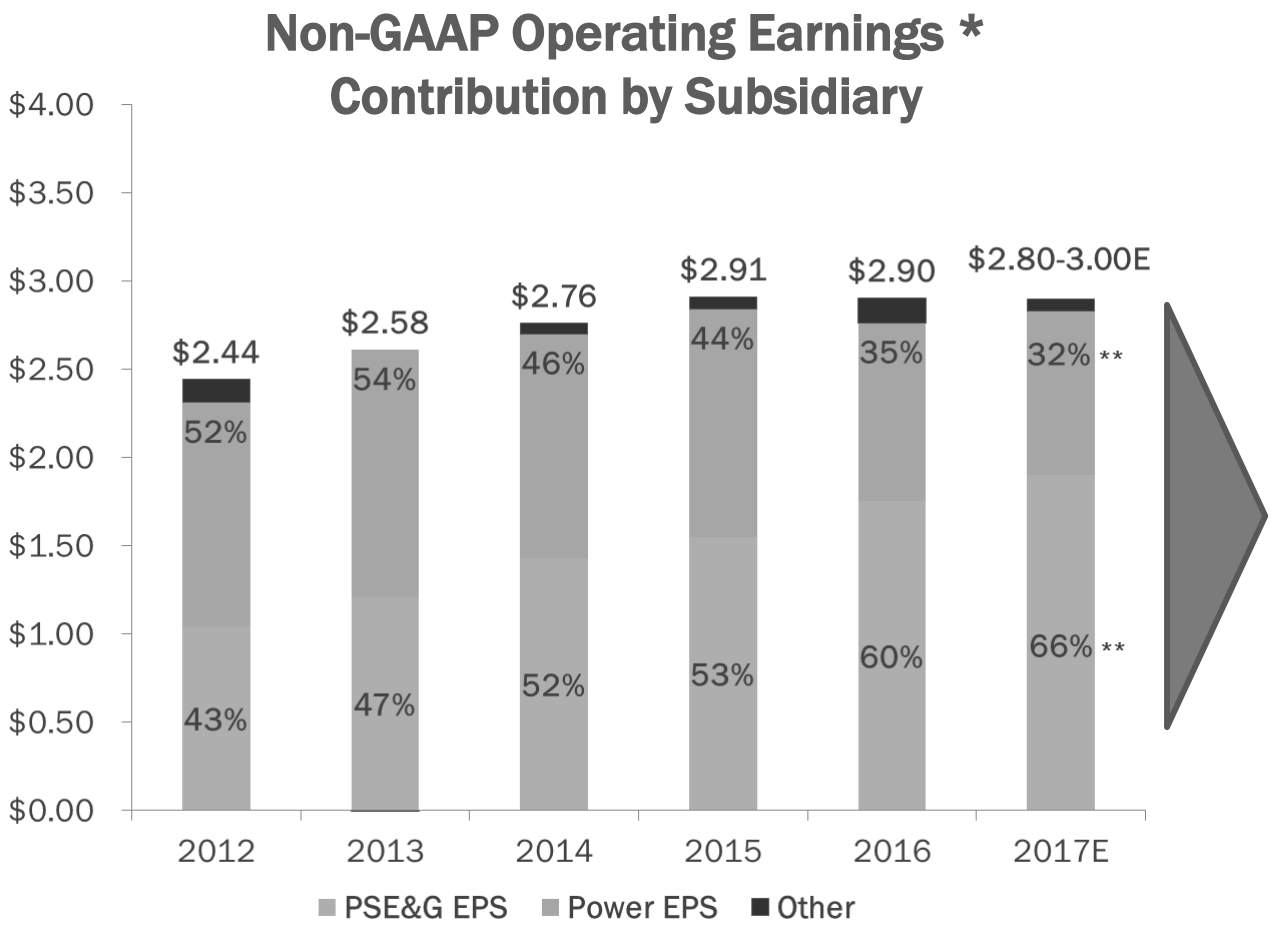




SI-SSA-0015-10694

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



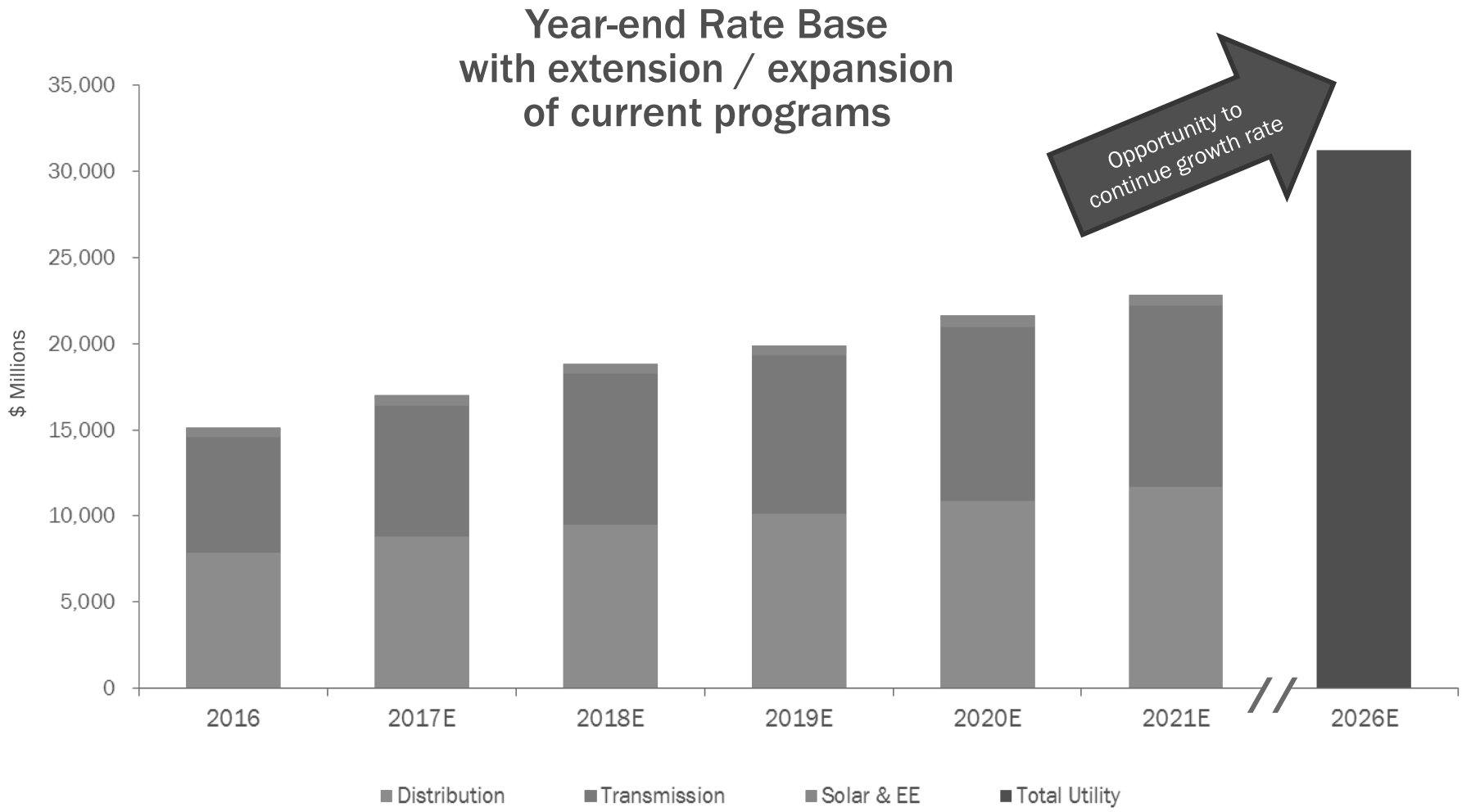
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-10695

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

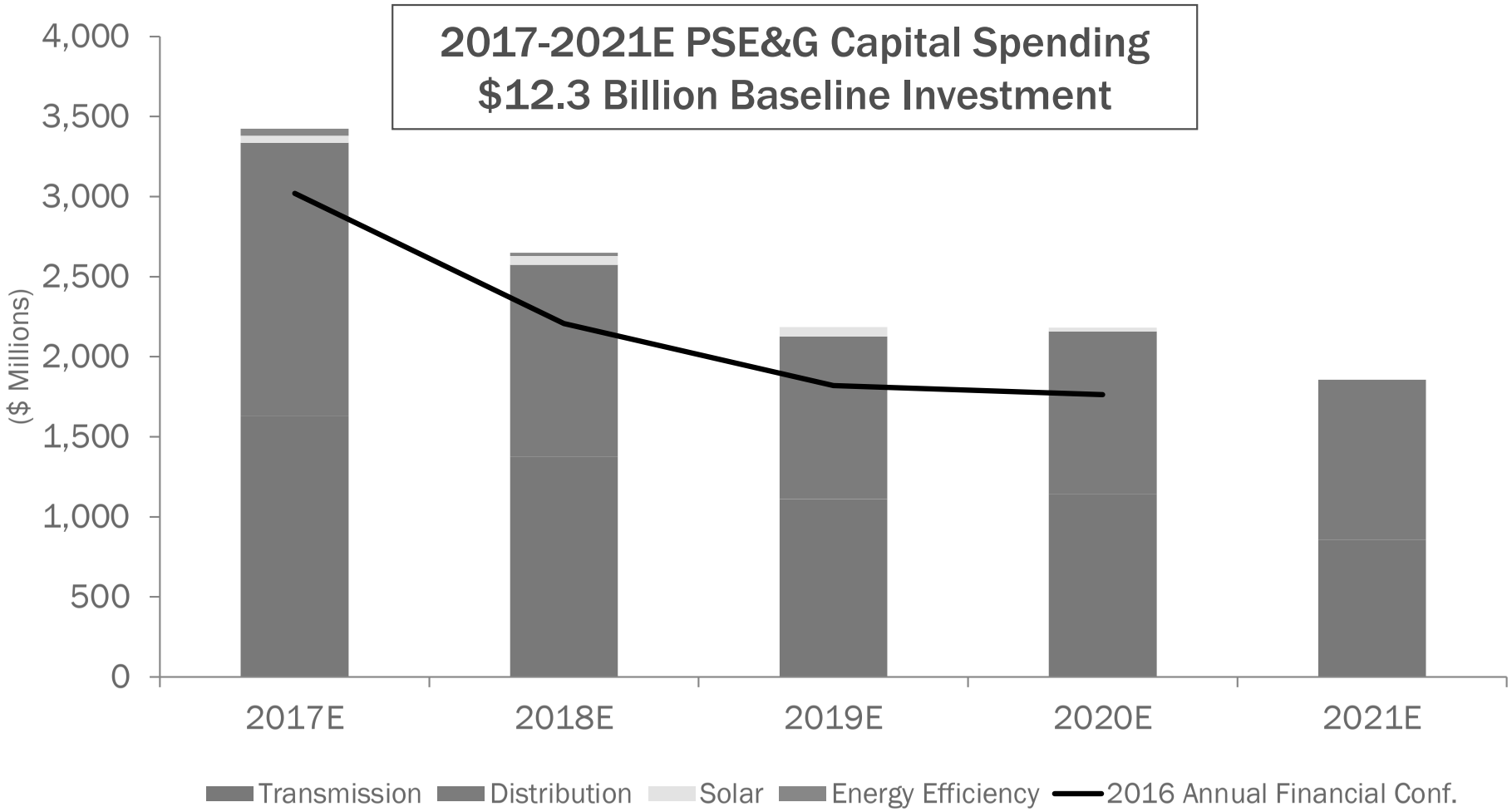
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-10696

Baseline programs yield 7% compound annual growth in rate base



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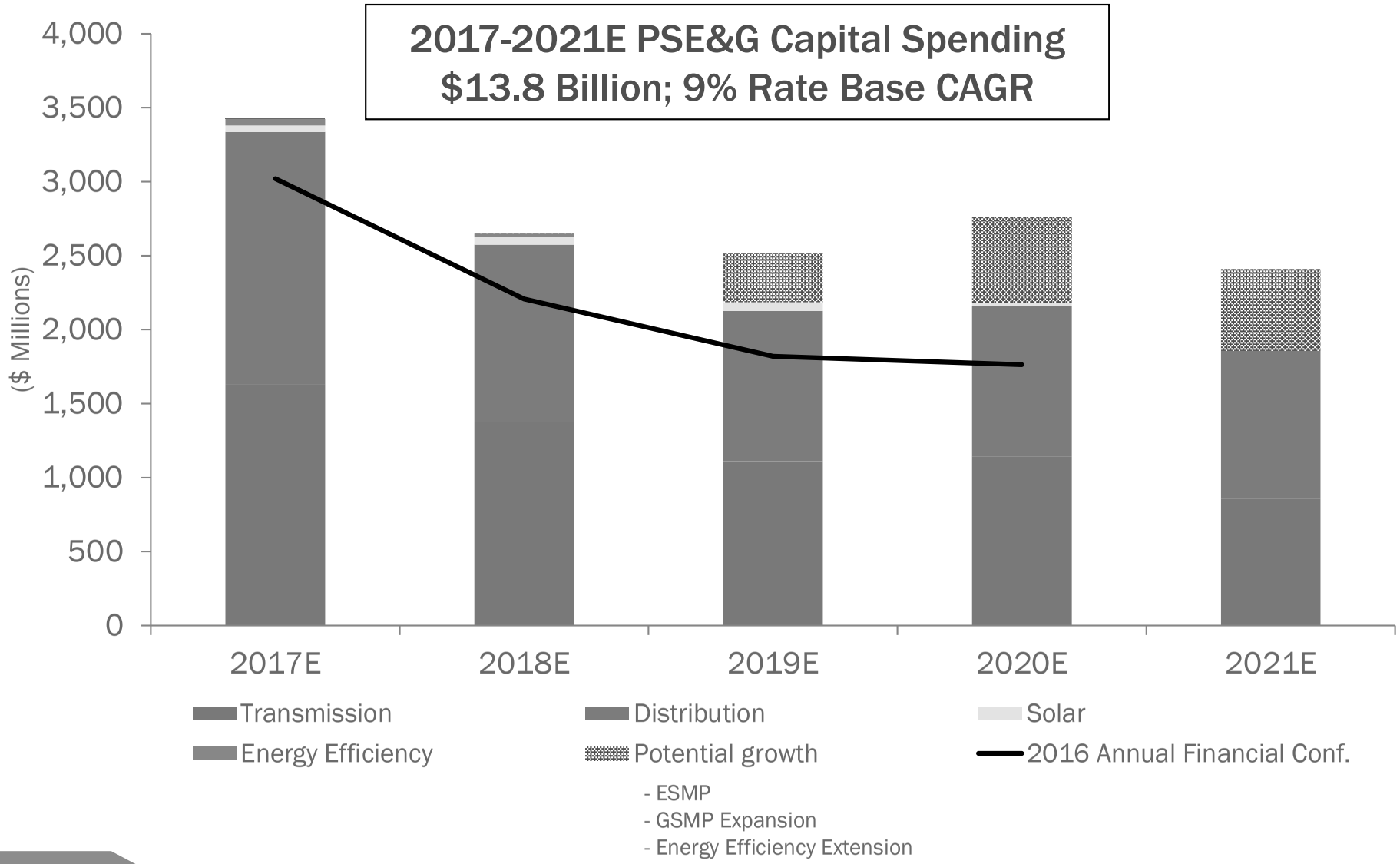
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-10698

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

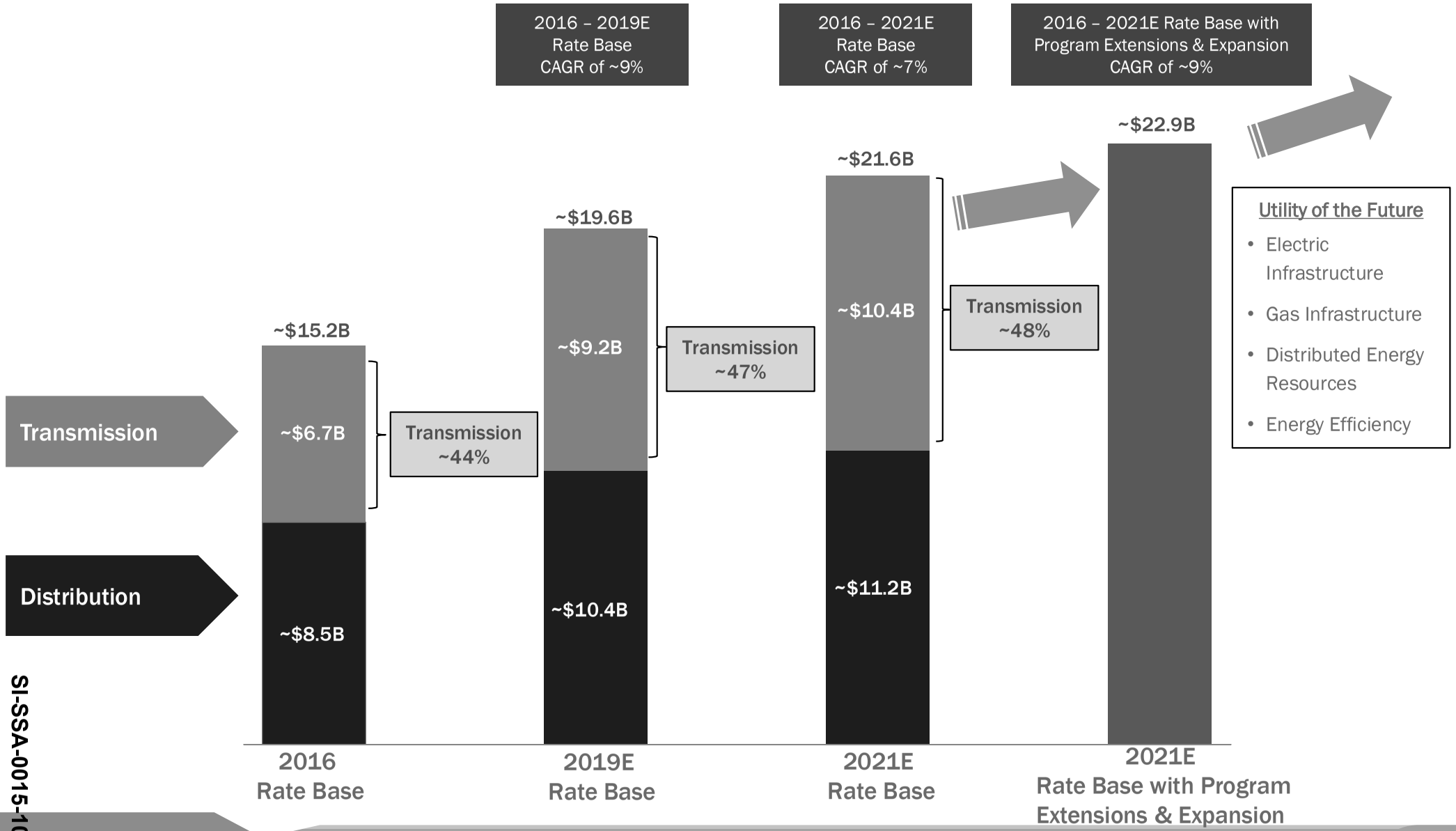
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-10699

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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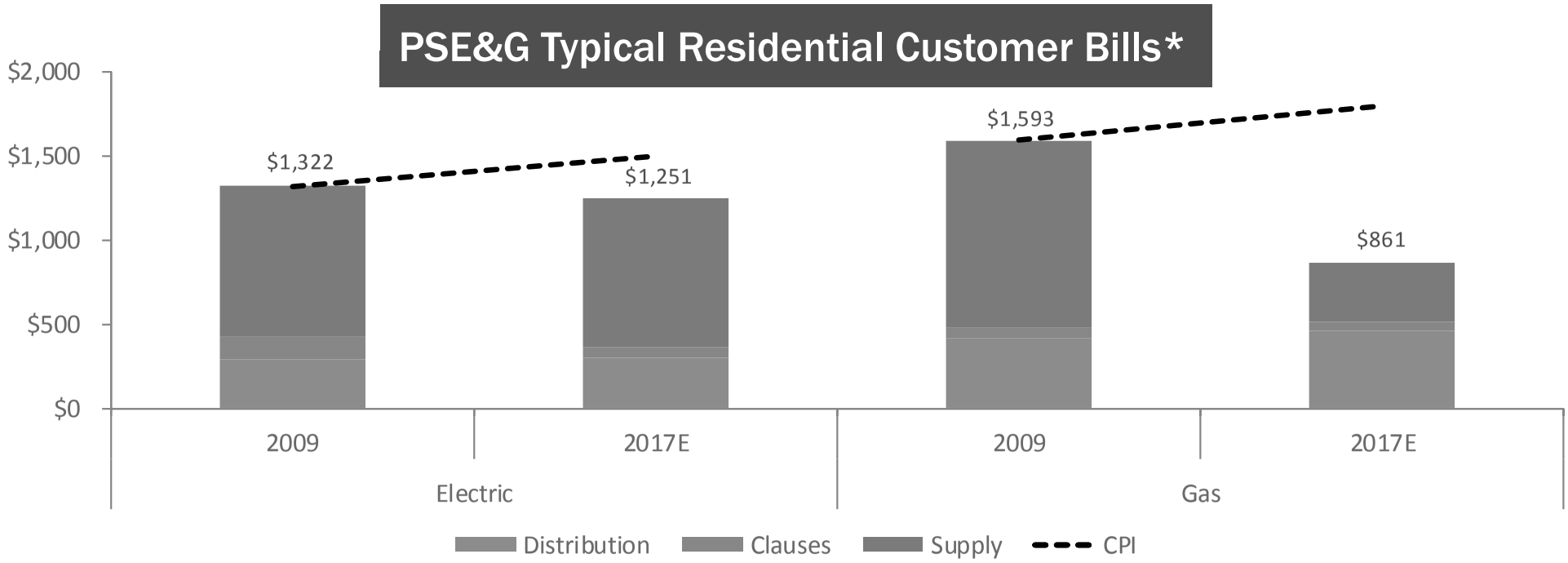
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

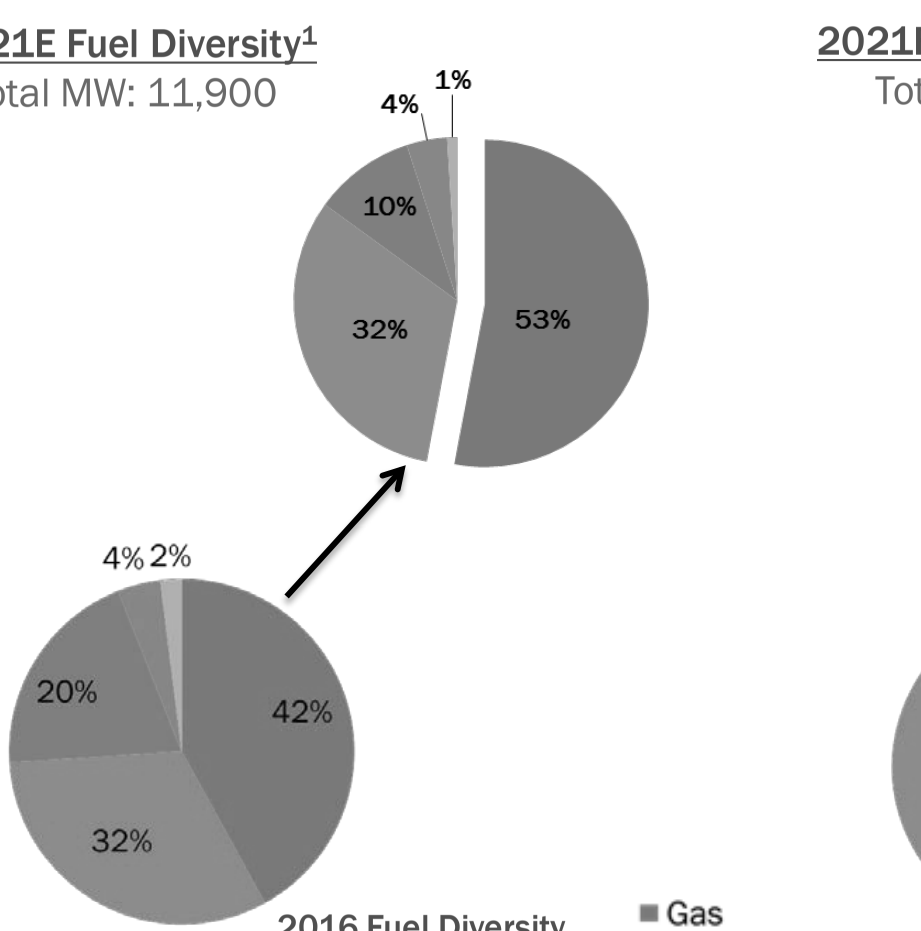
SI-SSA-0015-10701

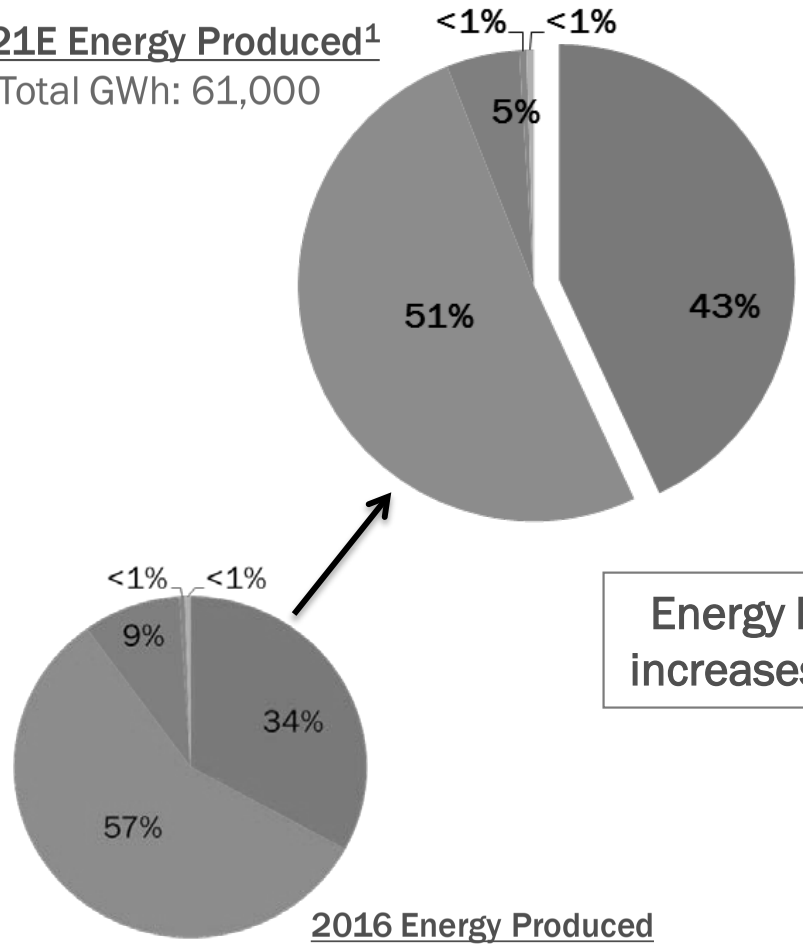
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E





Energy Produced increases by >18%

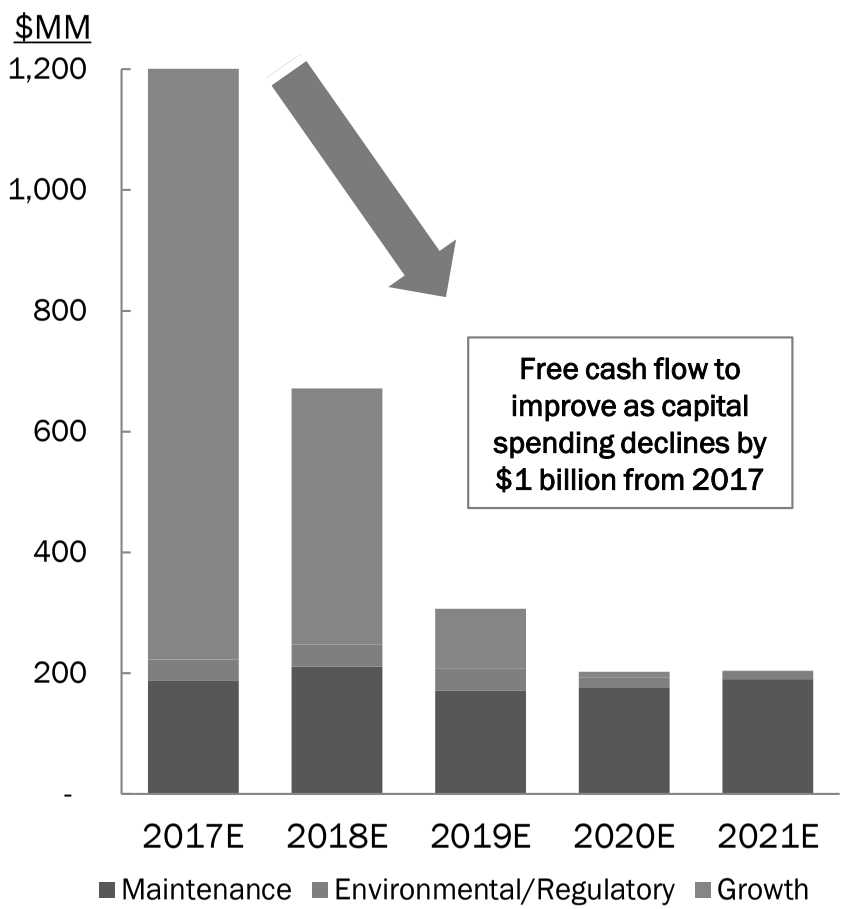
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

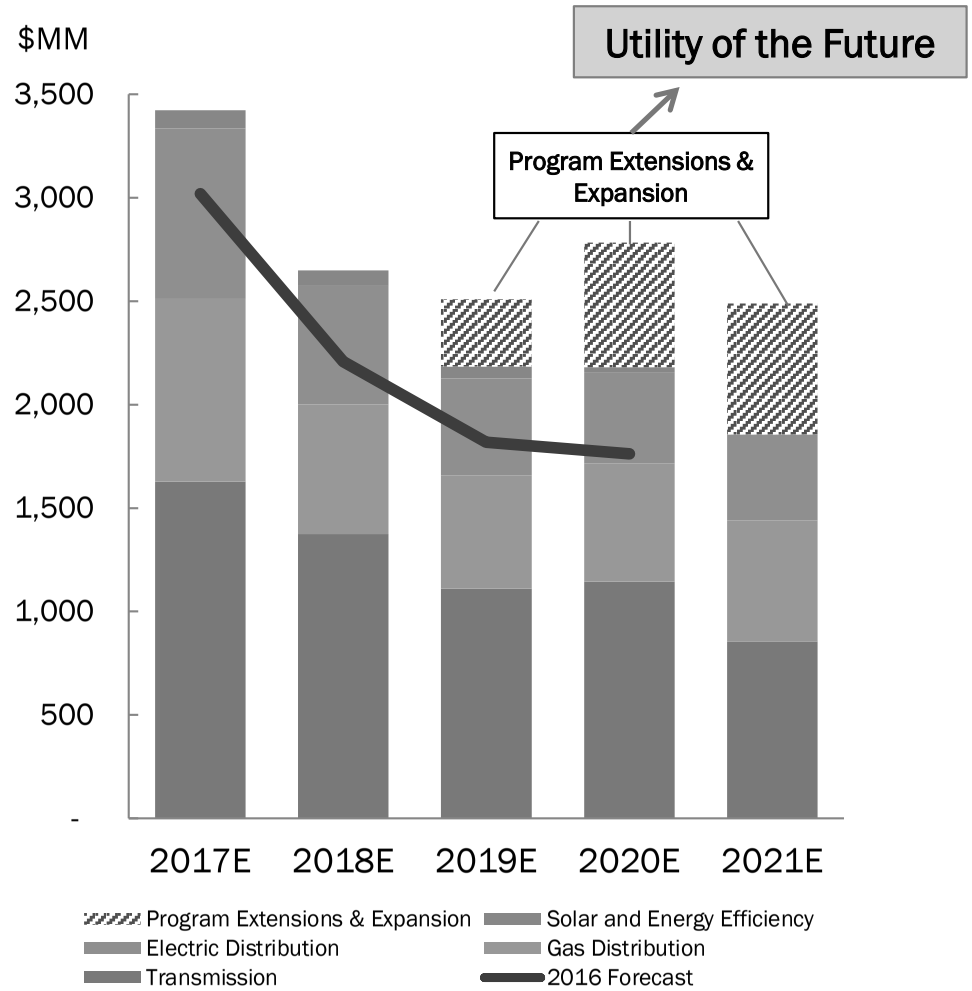
SI-SSA-0015-10702

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

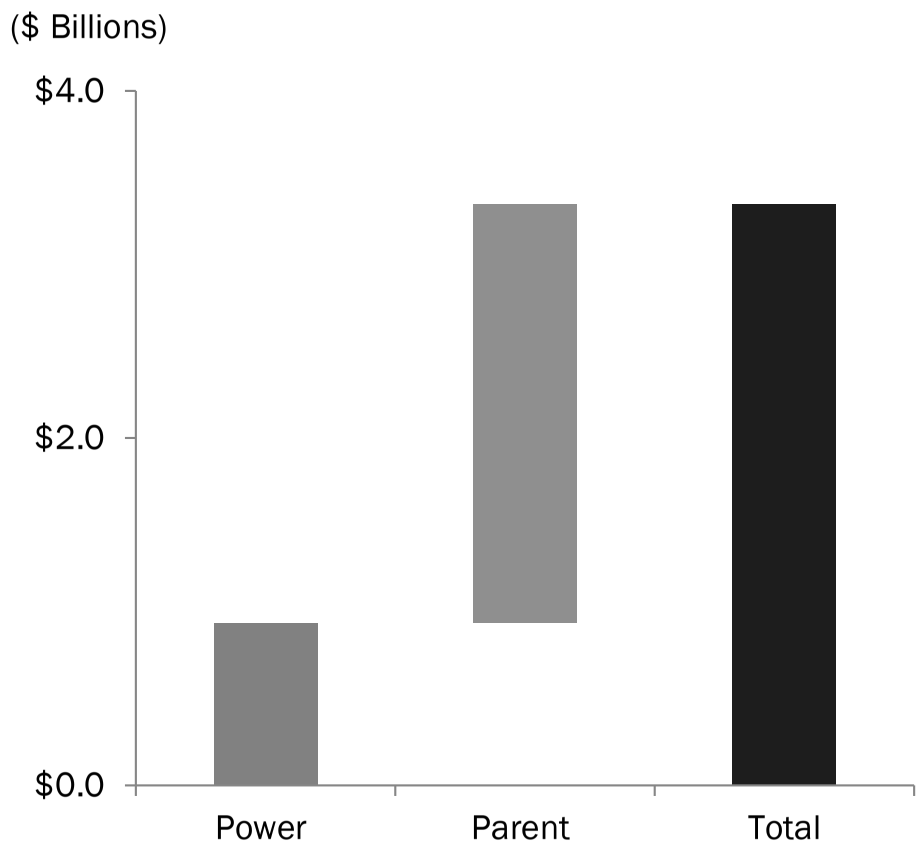
SI-SSA-0015-10703

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity

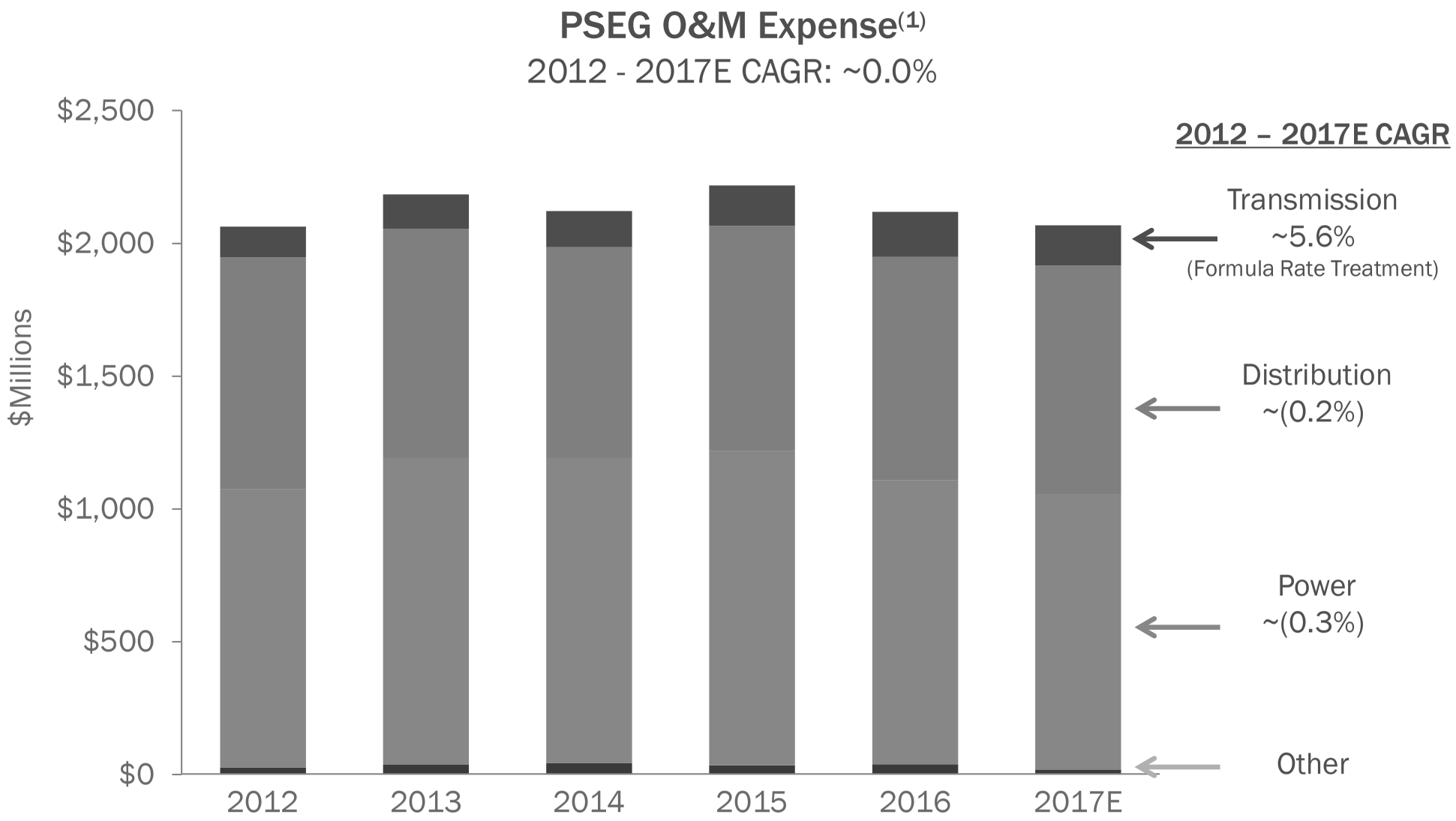


Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-10704

E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-10705

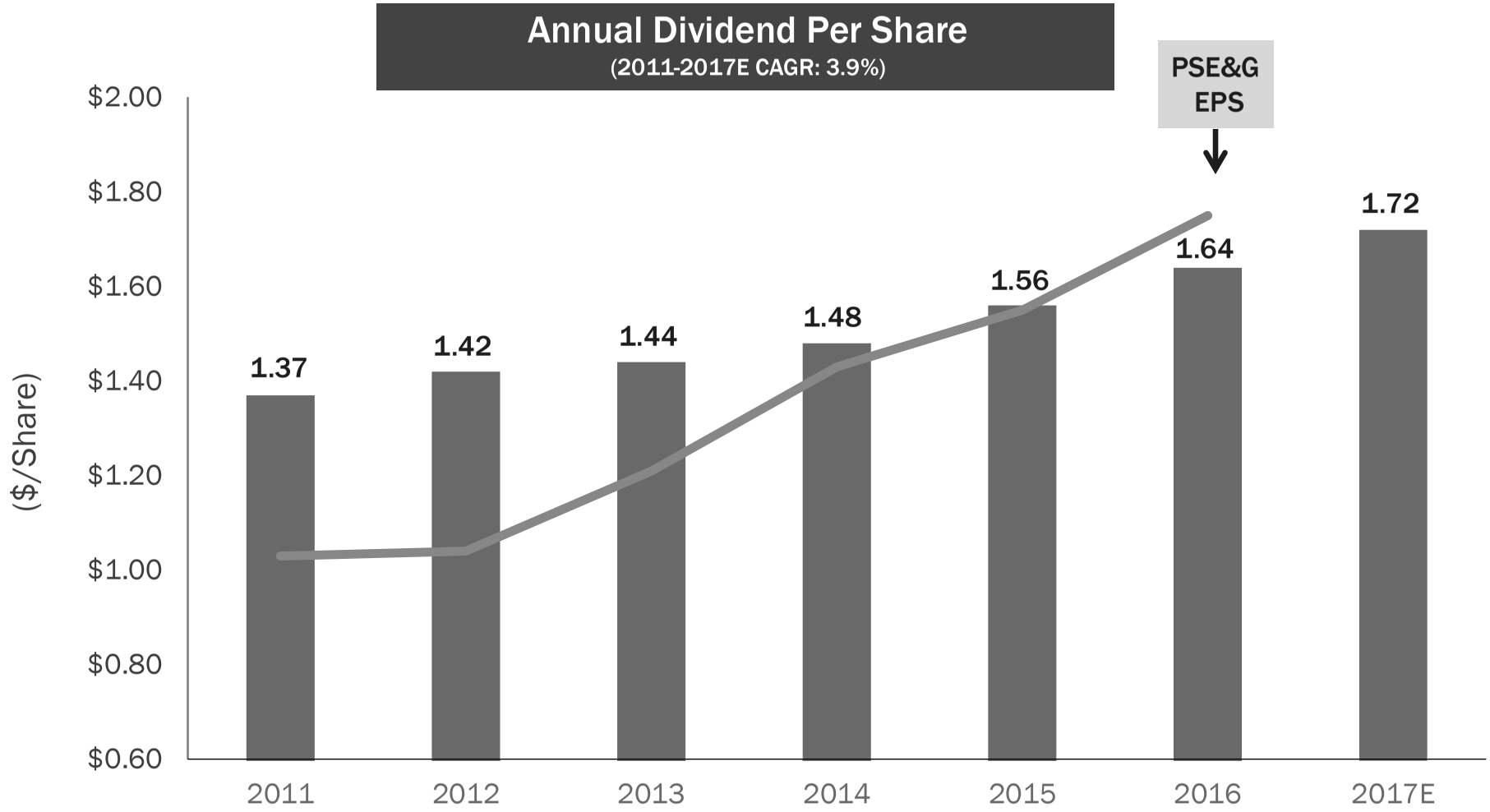
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-10706

Opportunity for meaningful and sustainable dividend growth



SI-SSA-0015-10707

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-10708

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-10709

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-10710

PSEG

We make things work for you.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

RBC – California Investor Meetings

LOS ANGELES & SAN FRANCISCO – JULY 9-10, 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10713

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-10714

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG OVERVIEW

PSEG

We make things work for you.

SI-SSA-0015-10716

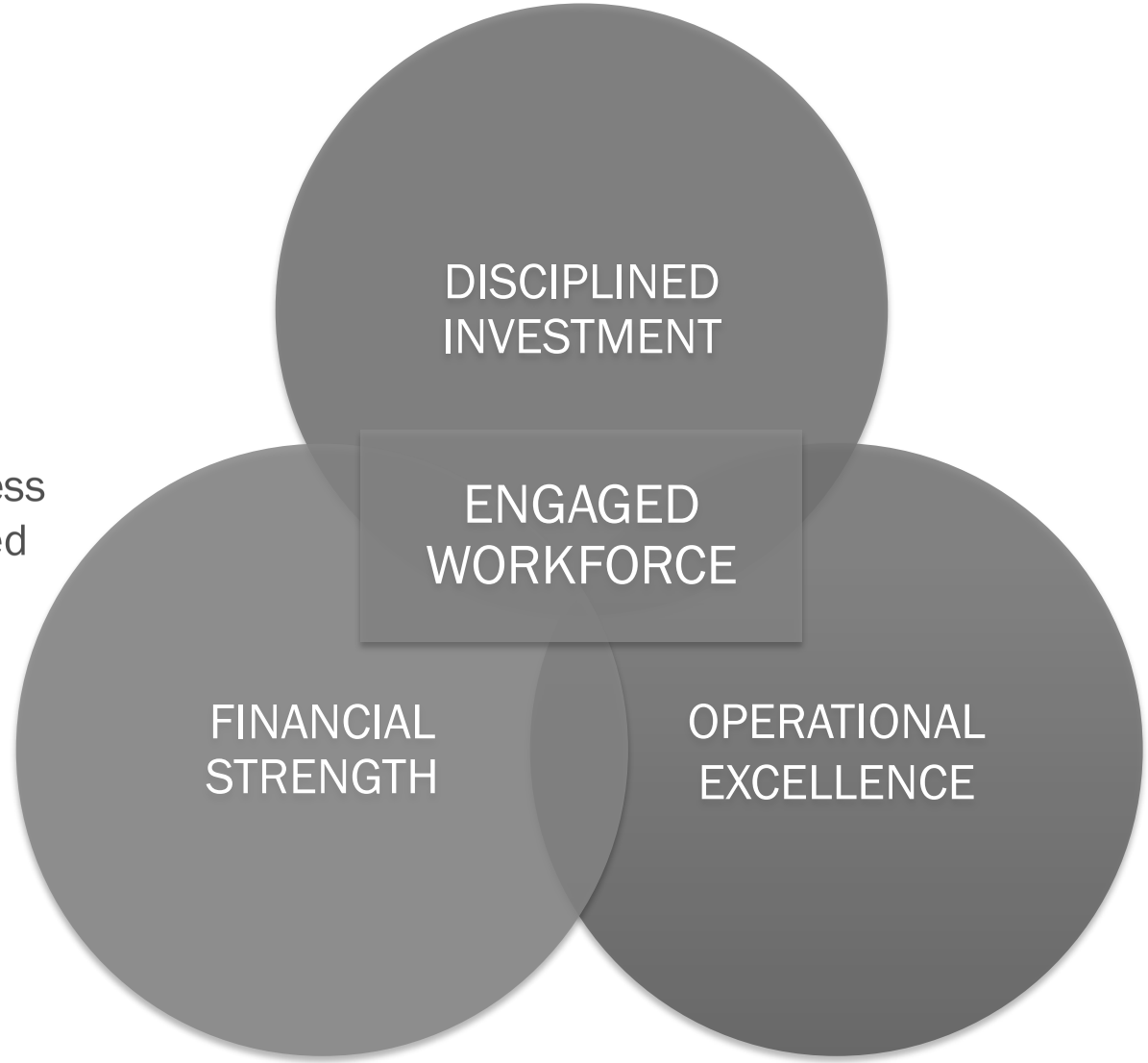
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



SI-SSA-0015-10717

Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-10718

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

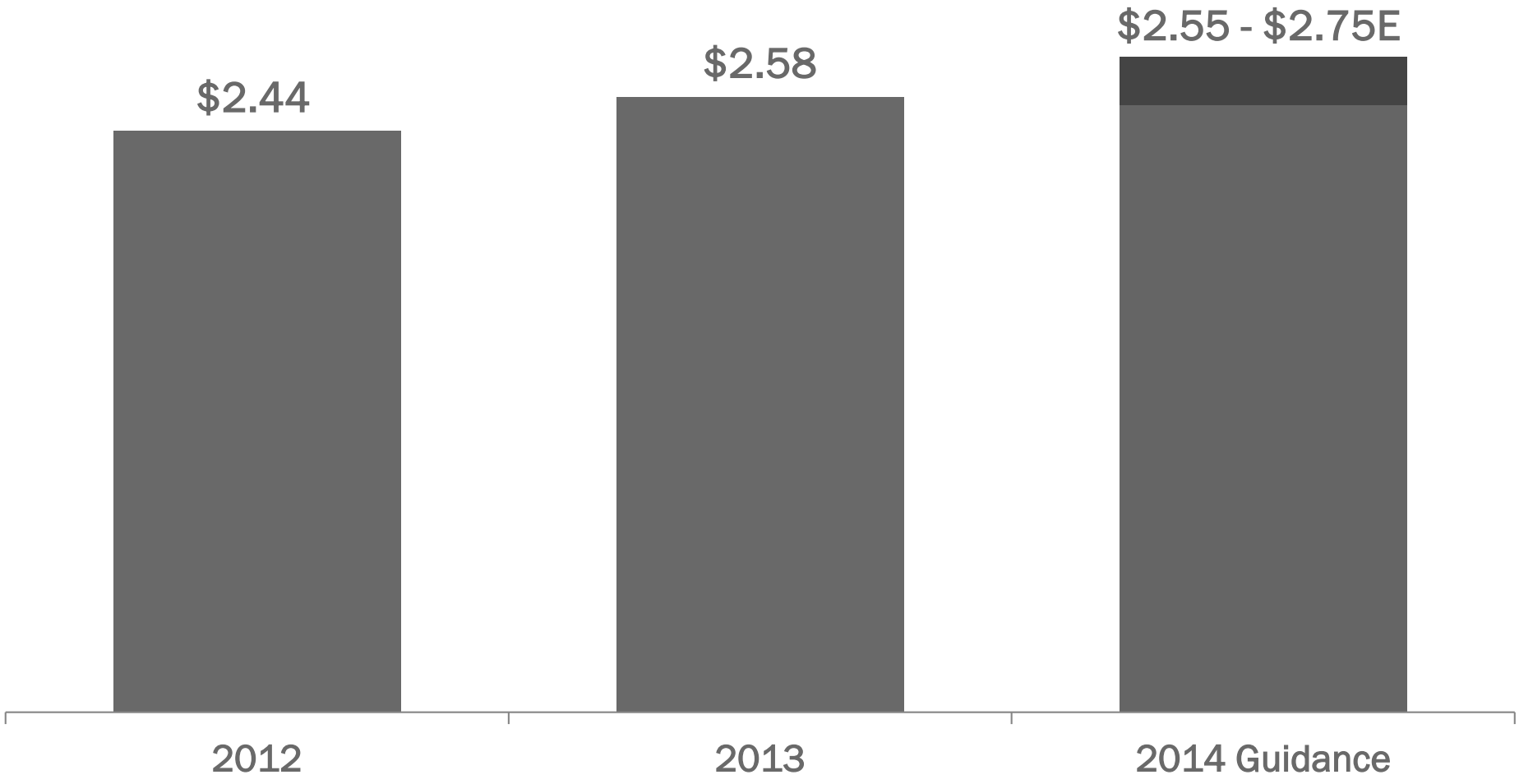
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-10719

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

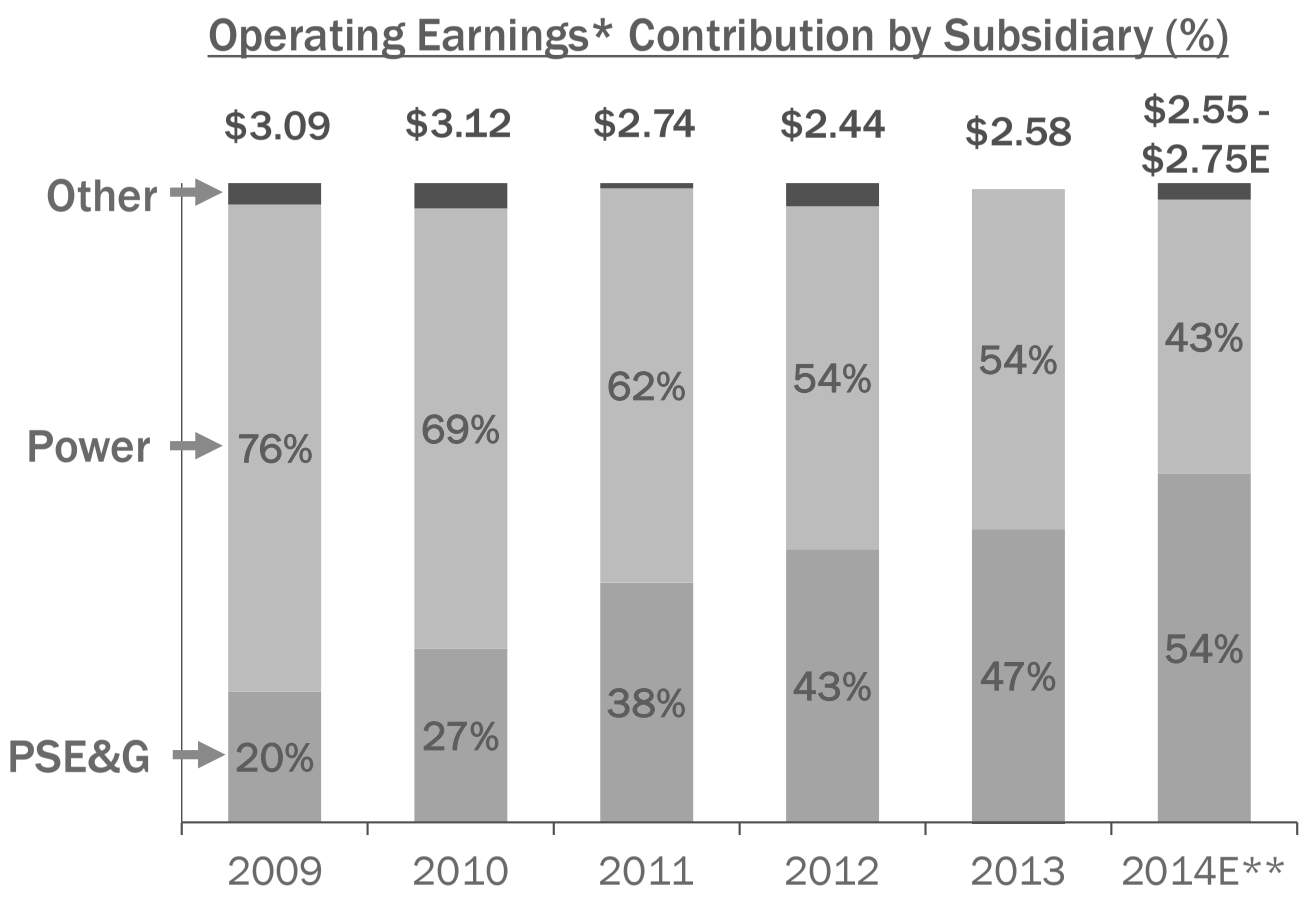
SI-SSA-0015-10720

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



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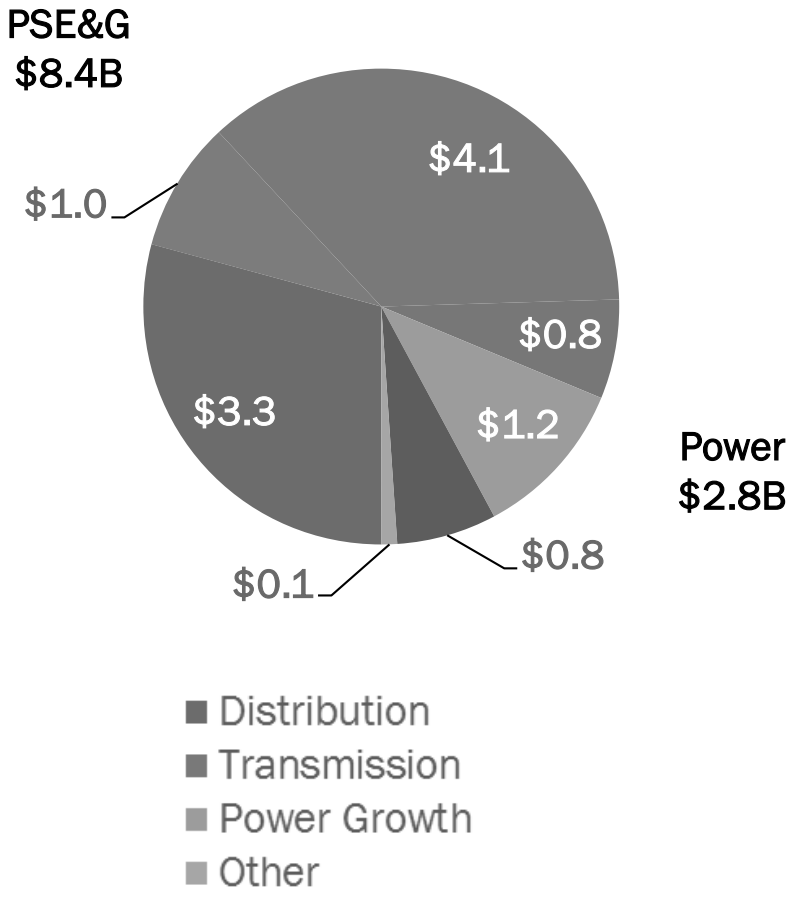
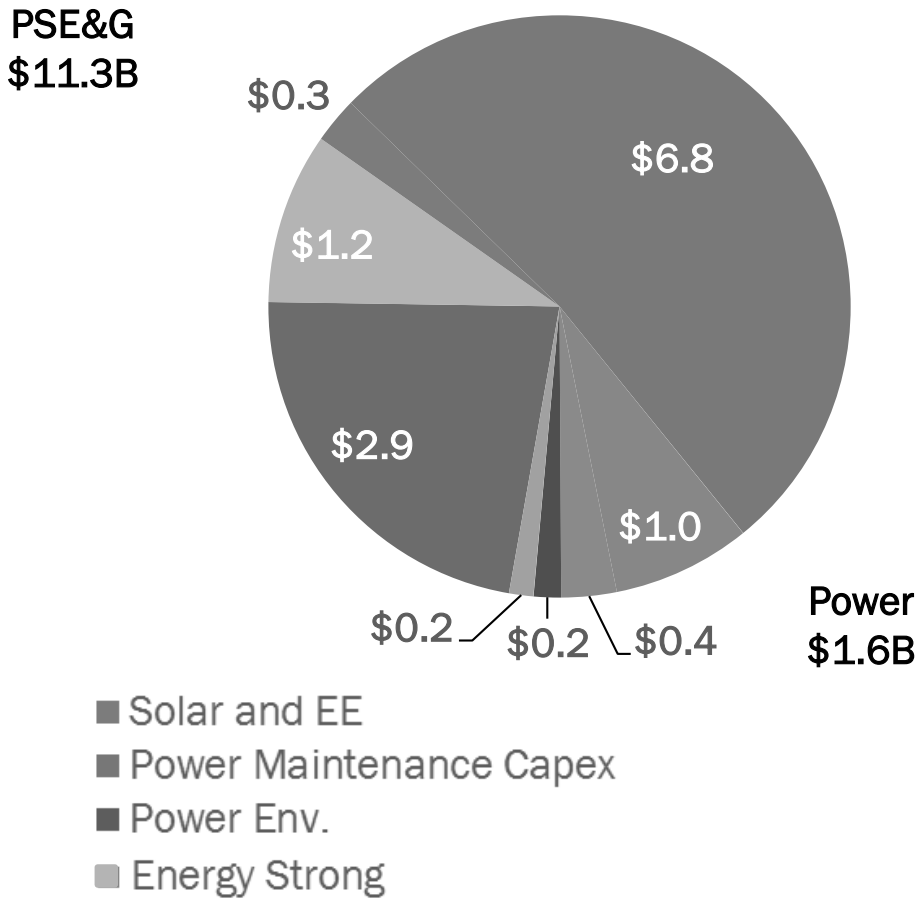
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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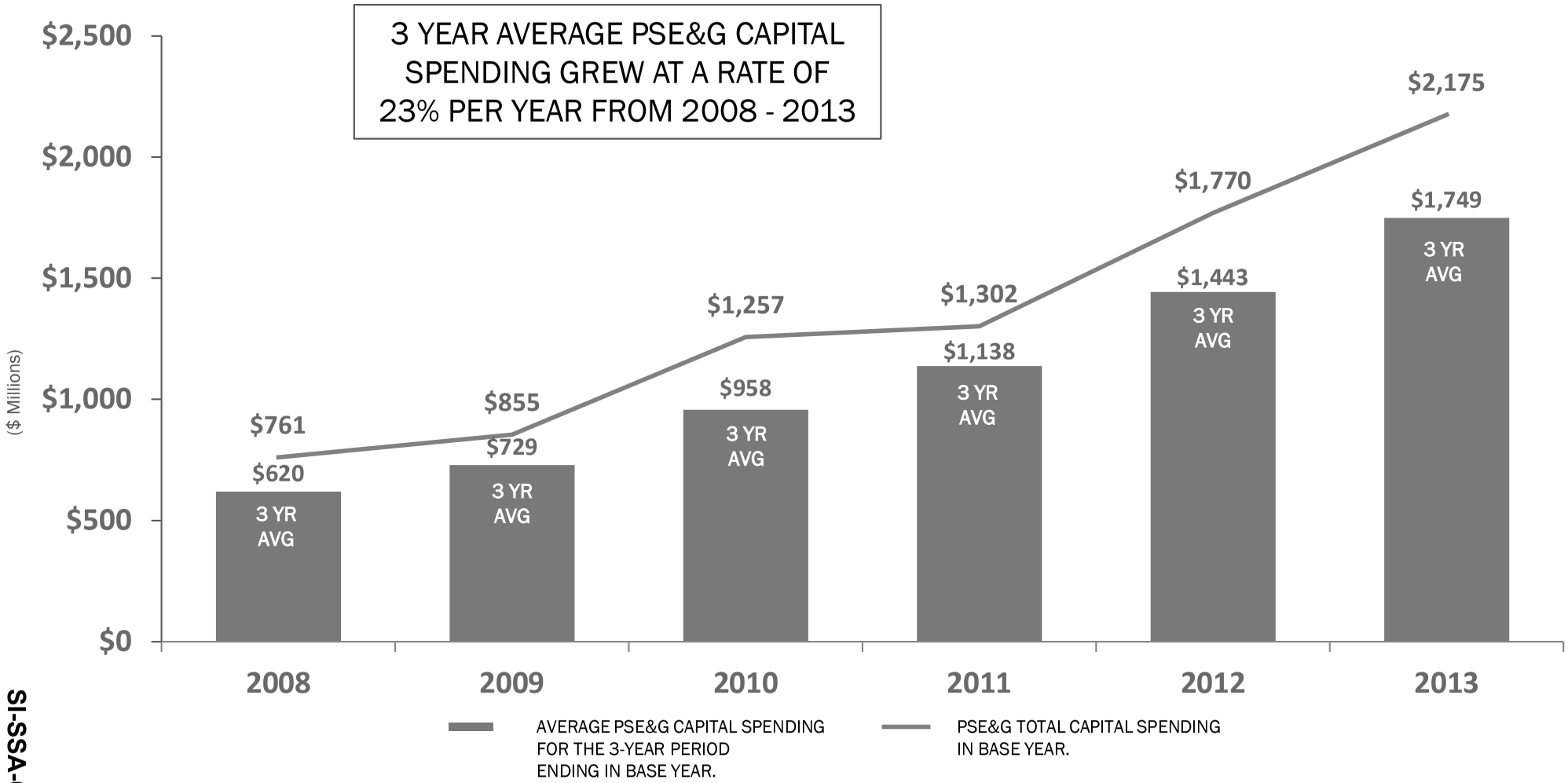
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-10723

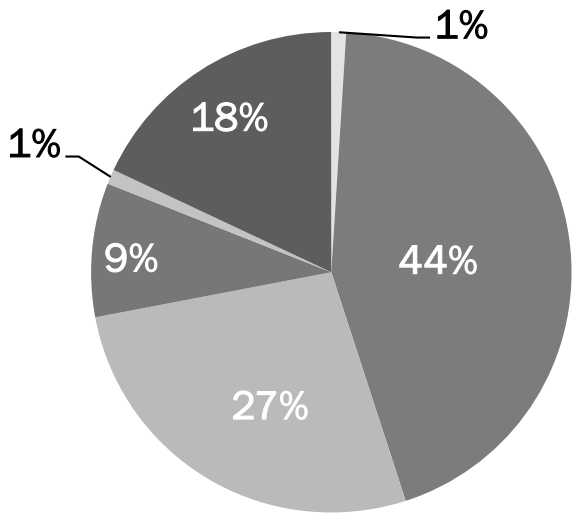
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

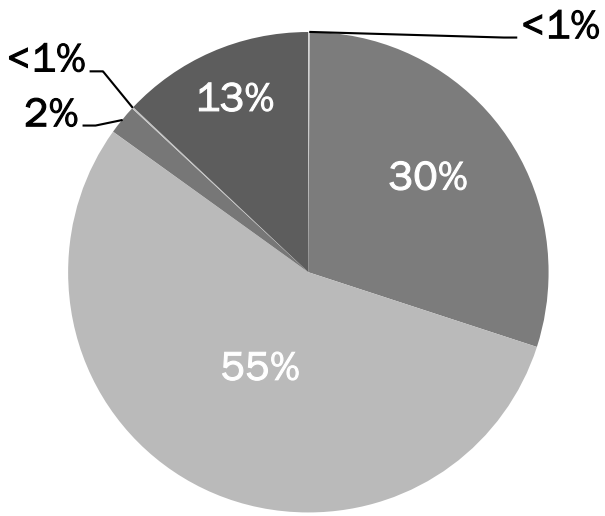
SI-SSA-0015-10724

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

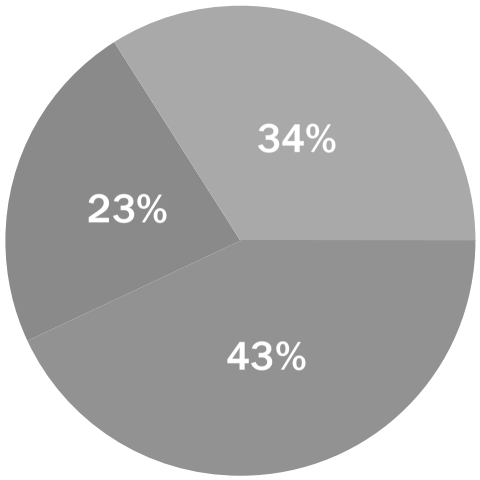
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

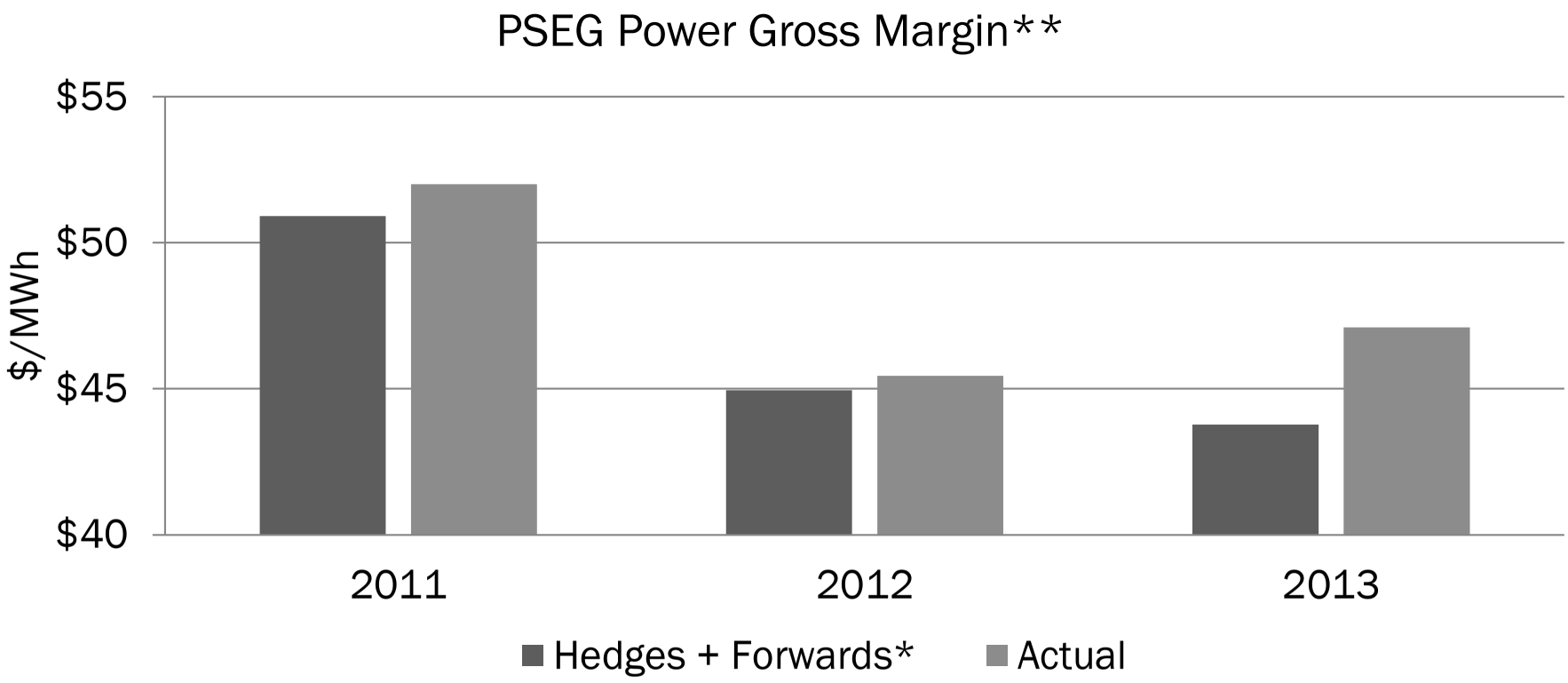


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-10725

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-10726

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

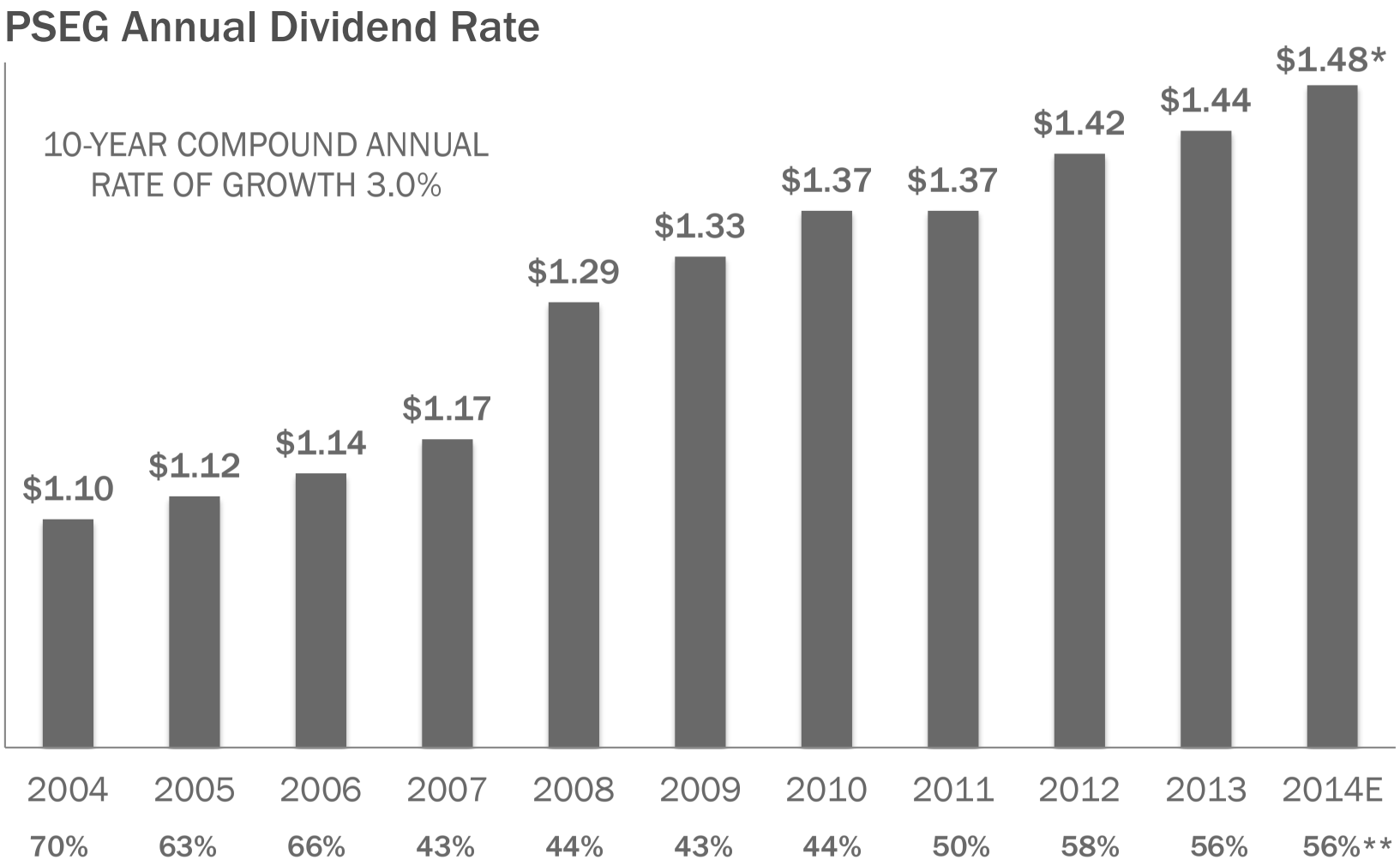
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-10727

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-10728

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013*
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-10729

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-10730

PSE&G

SI-SSA-0015-10731

PSEG

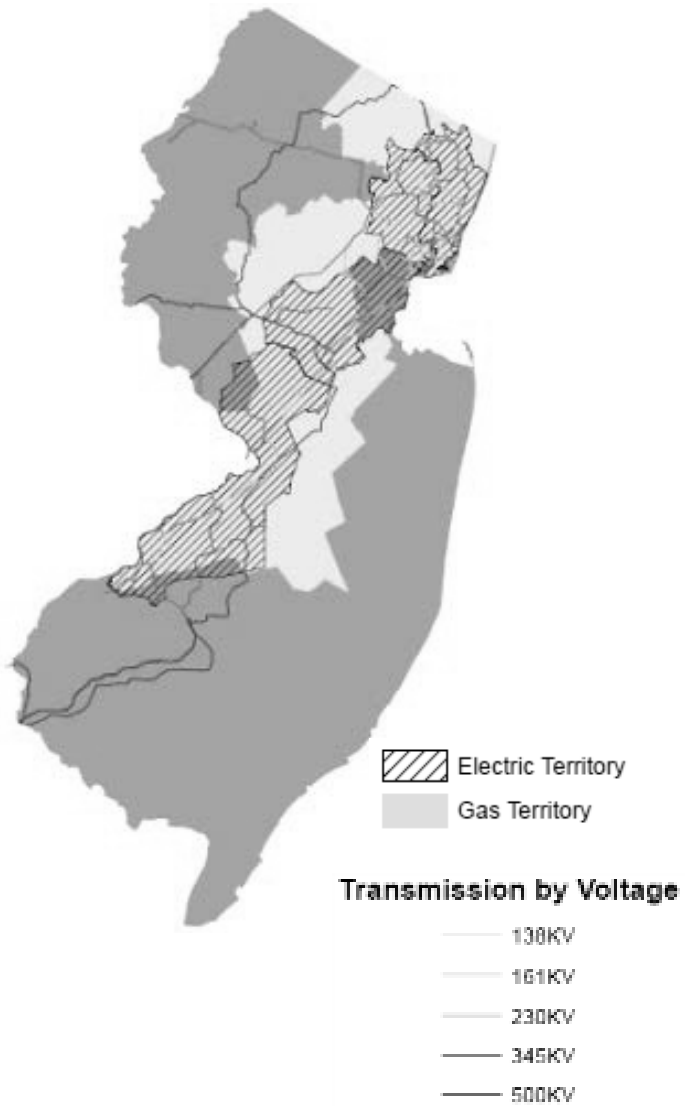
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-10732

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-10733

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-10734

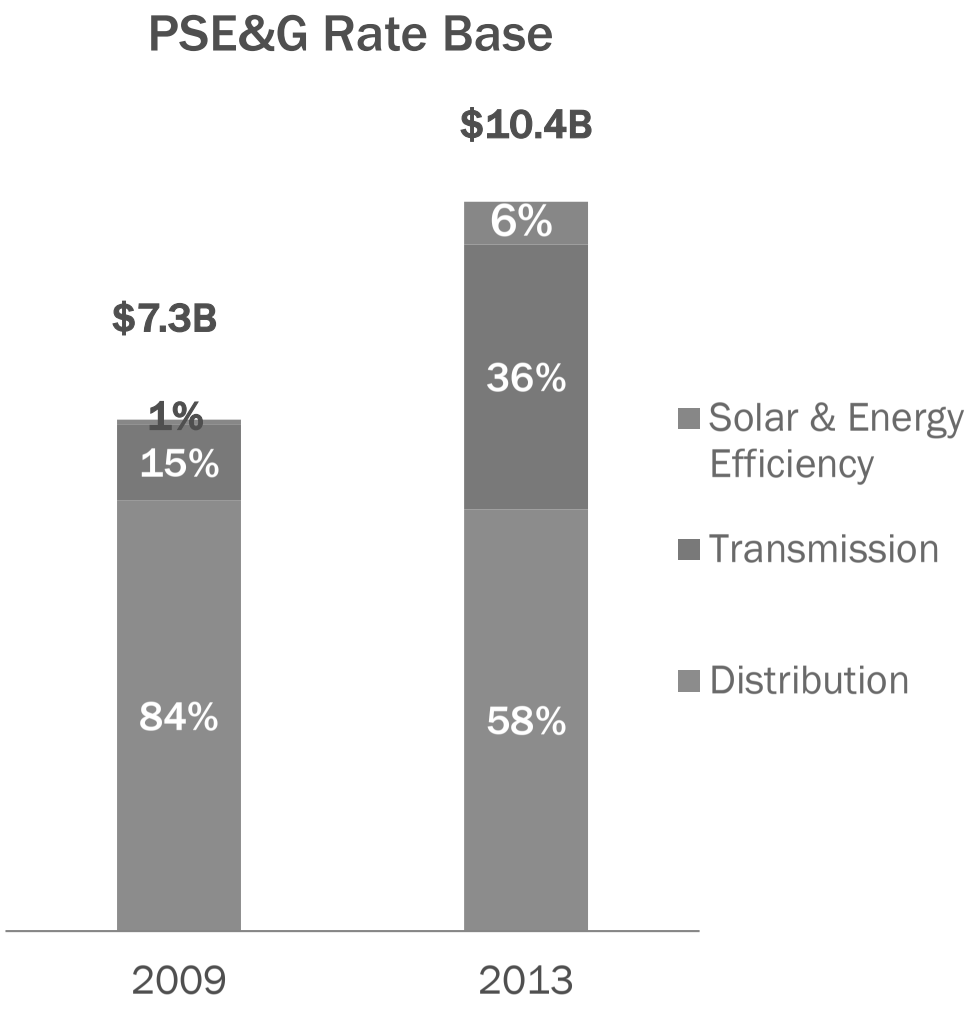
PSE&G's operating earnings grew ~18%

per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-10735

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-10736

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

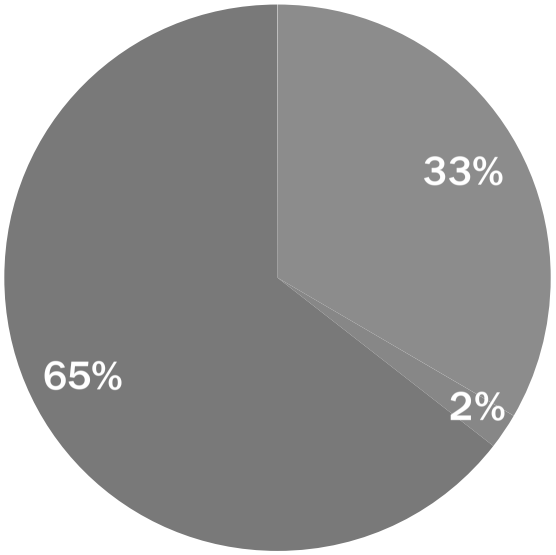
SI-SSA-0015-10737

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

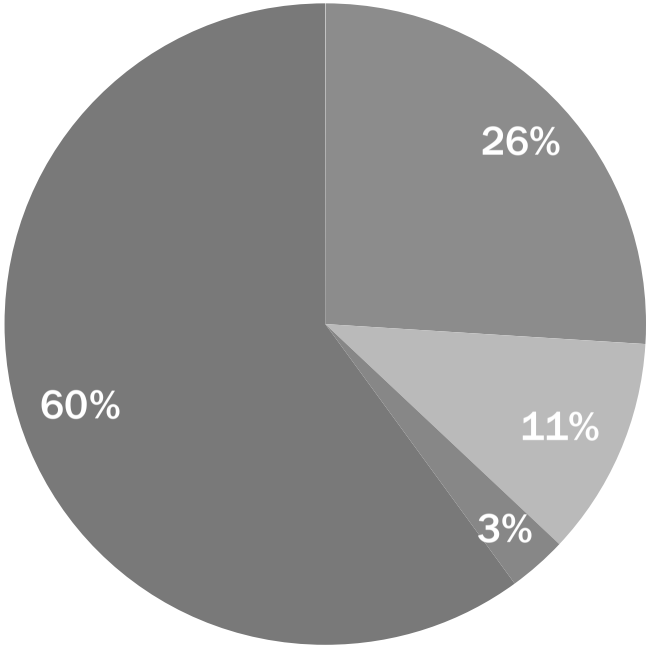
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

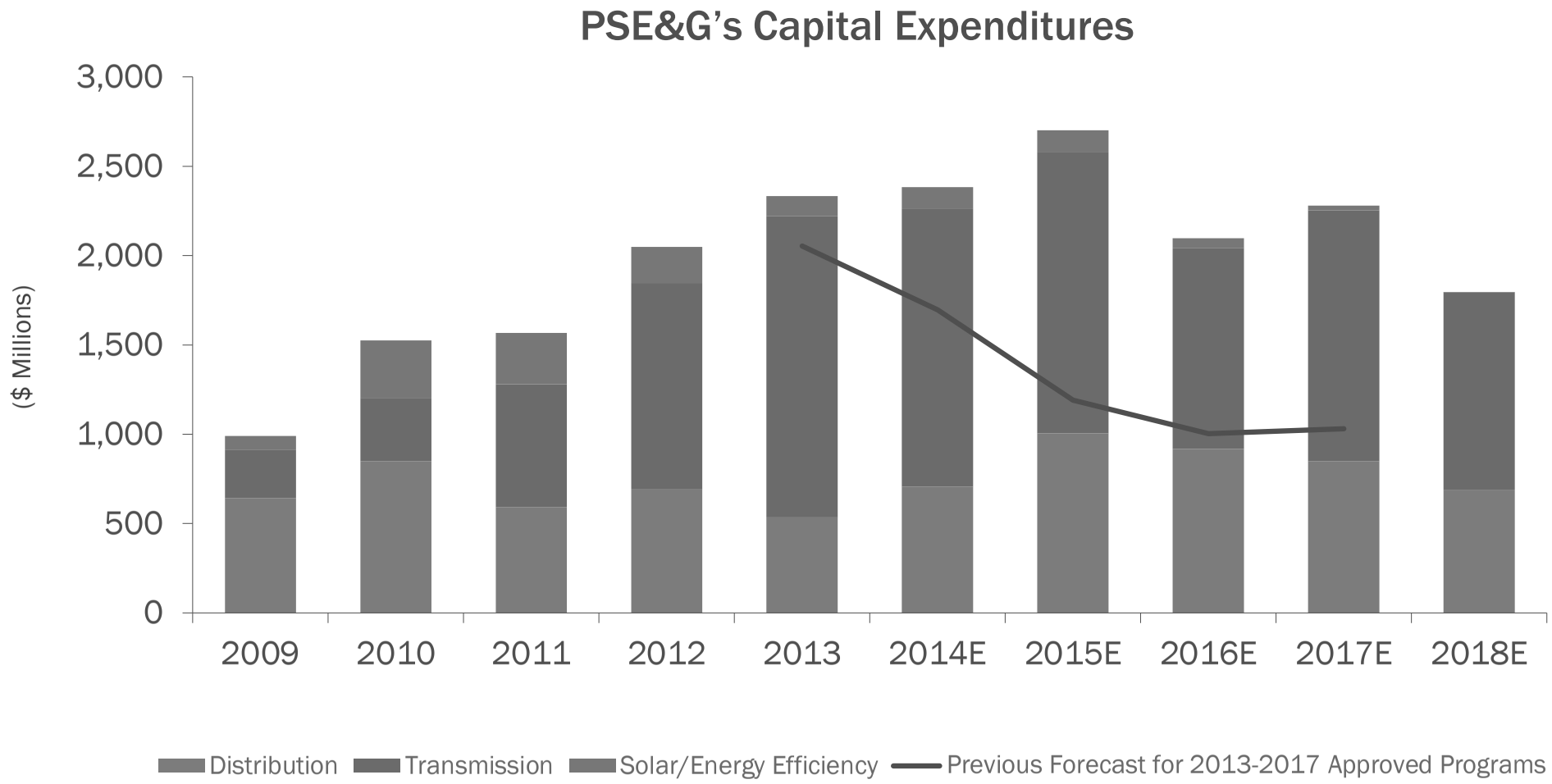


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-10738

PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-10739

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

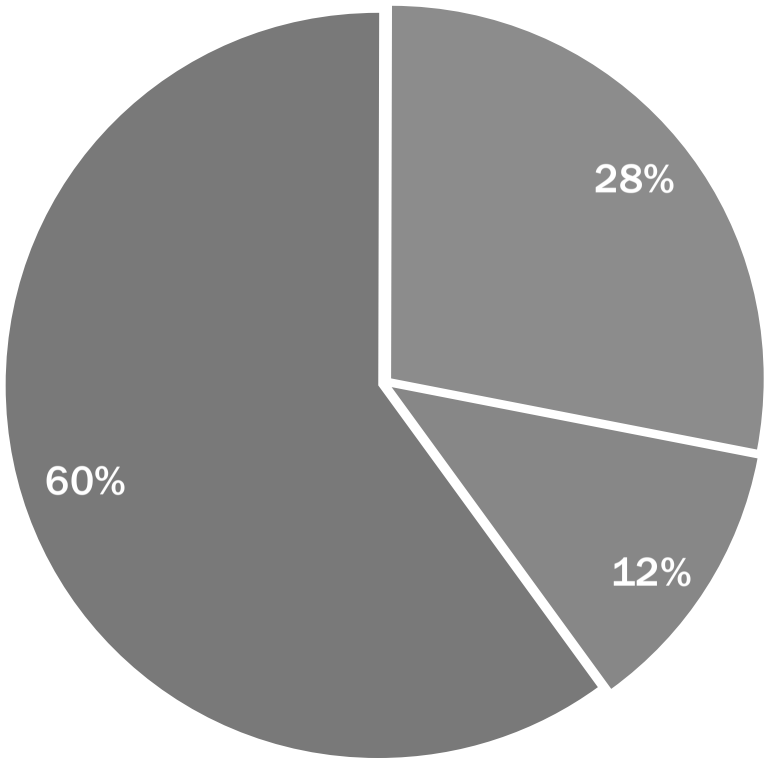
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-10740

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

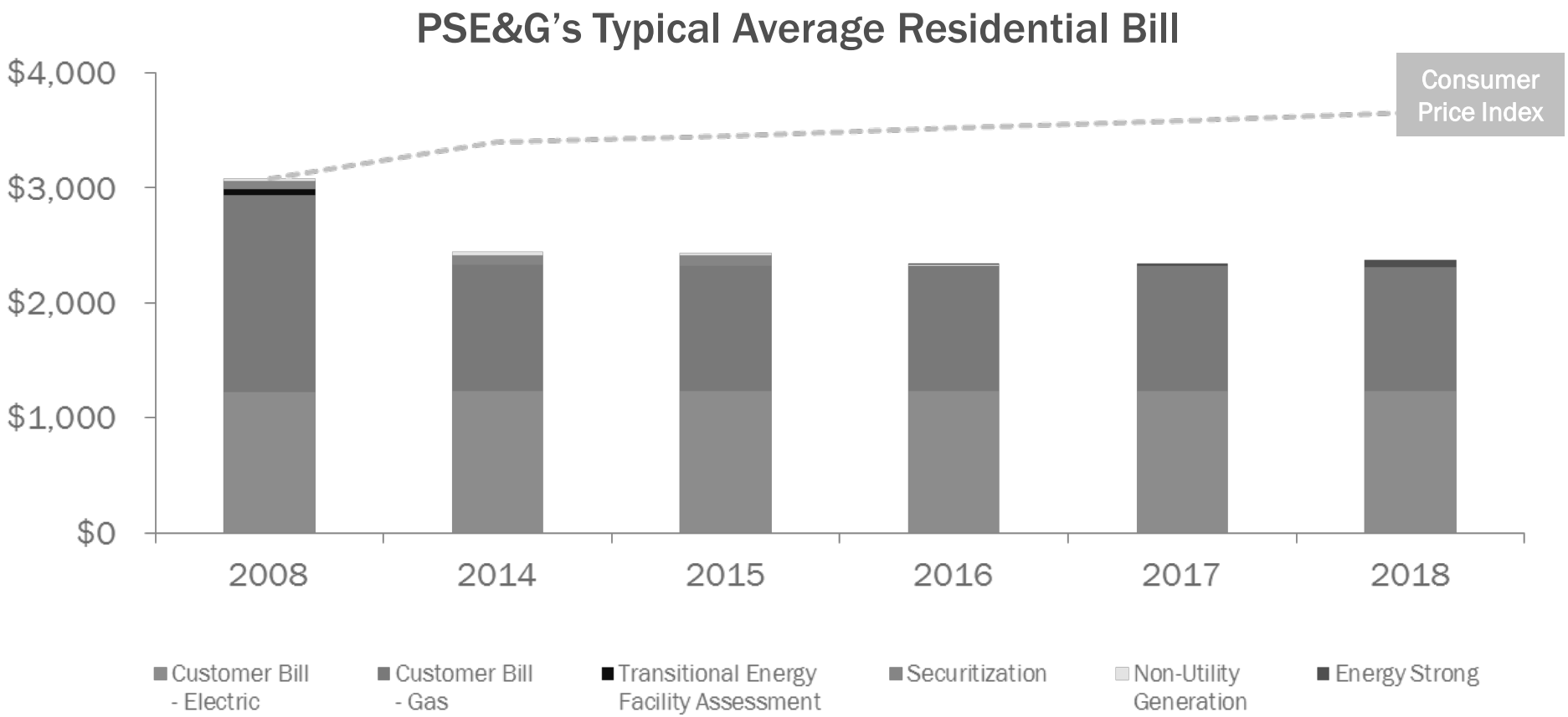
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-10741

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-10742

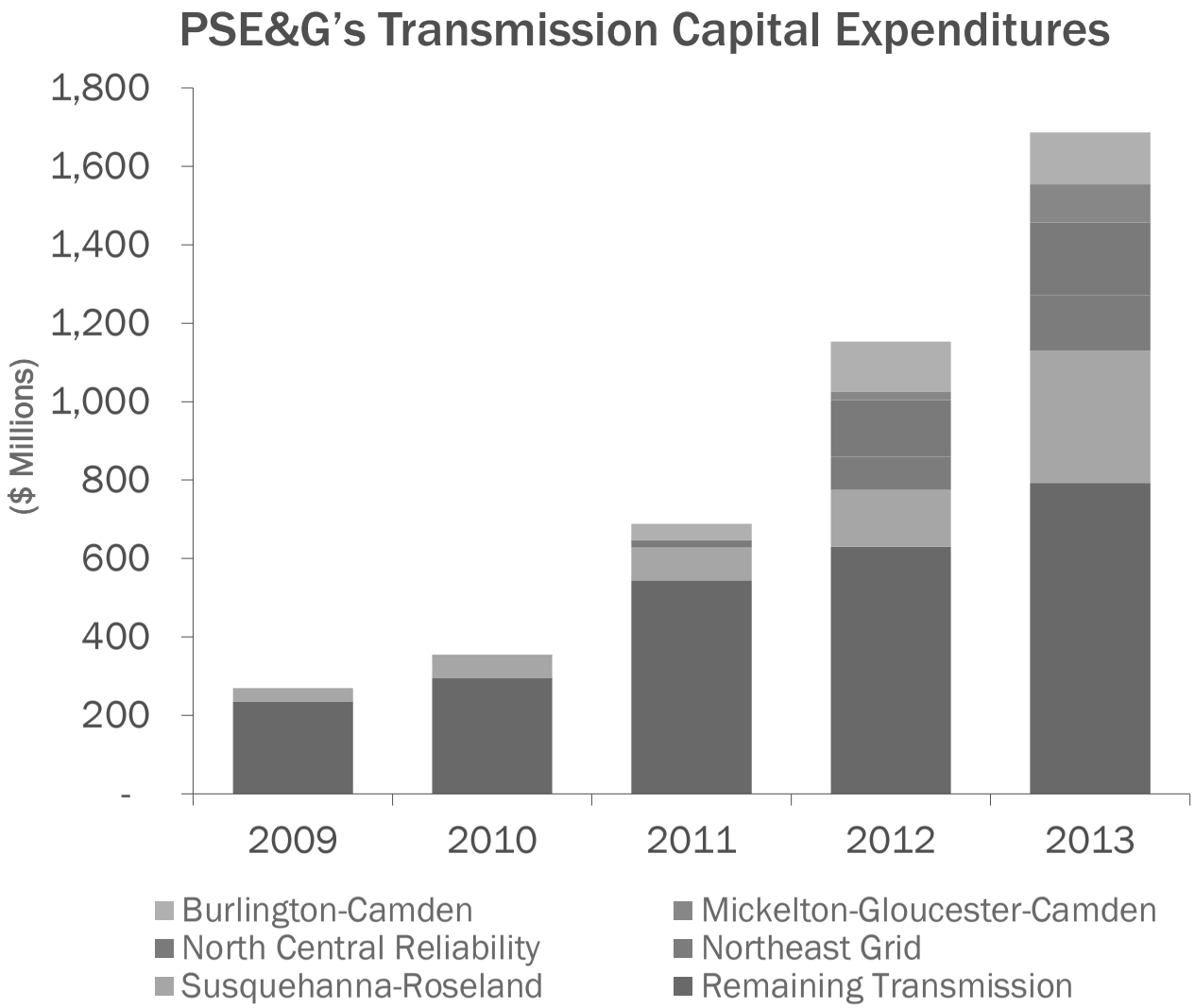
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-10743

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-10744

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-10745

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-10746

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-10747

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-10748

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-10749

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-10750

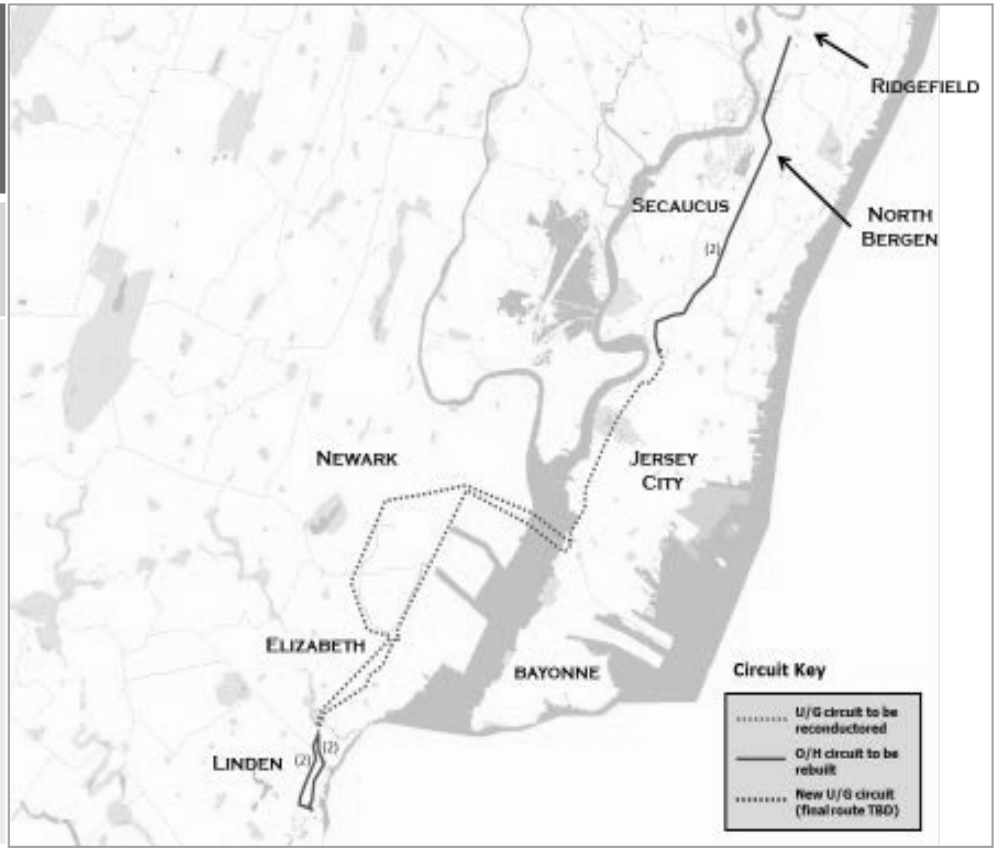
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

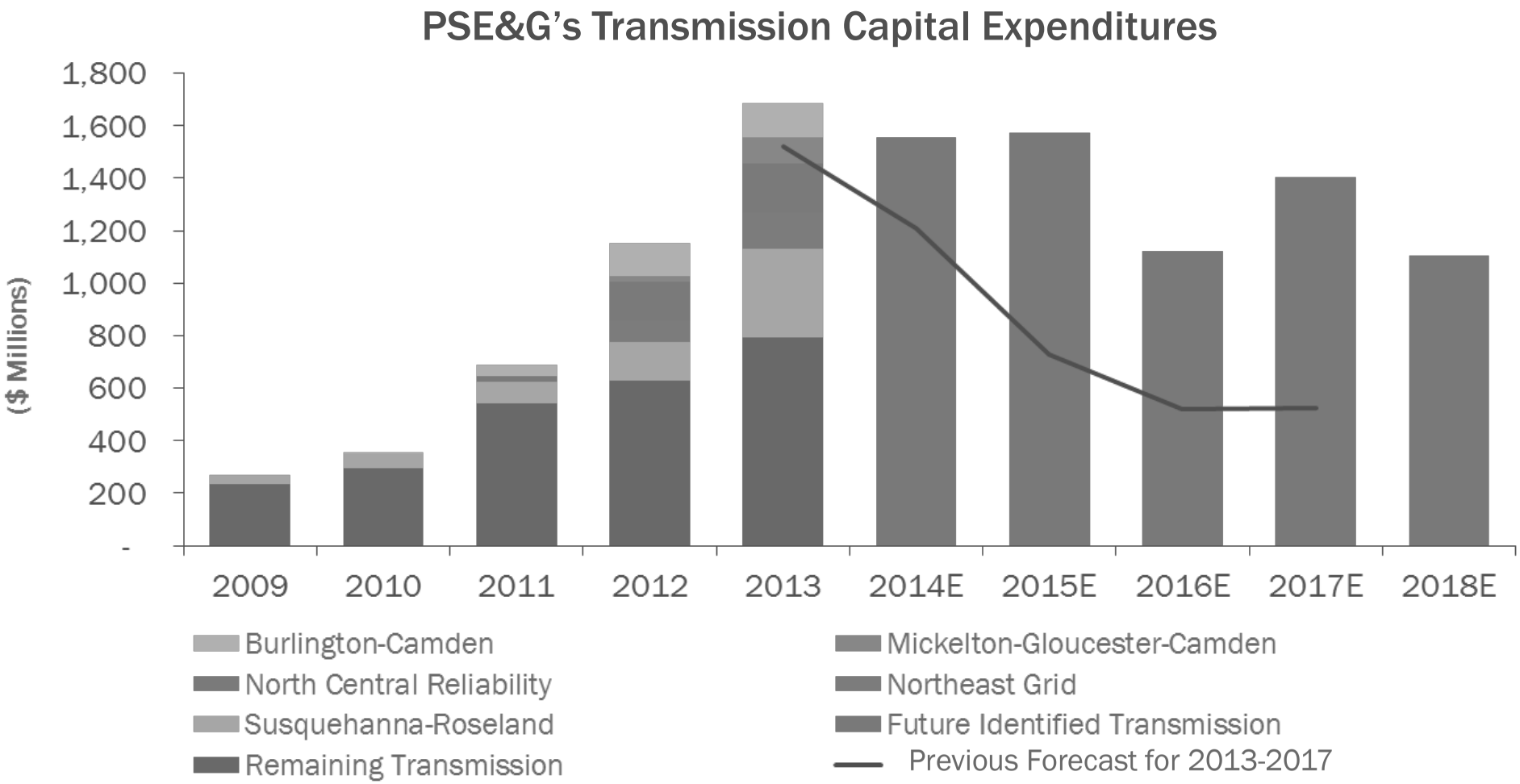
Project Status: Engineering



SI-SSA-0015-10751

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-10752

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-10753

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-10754

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-10755

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-10756

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-10757

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-10758

PSEG POWER

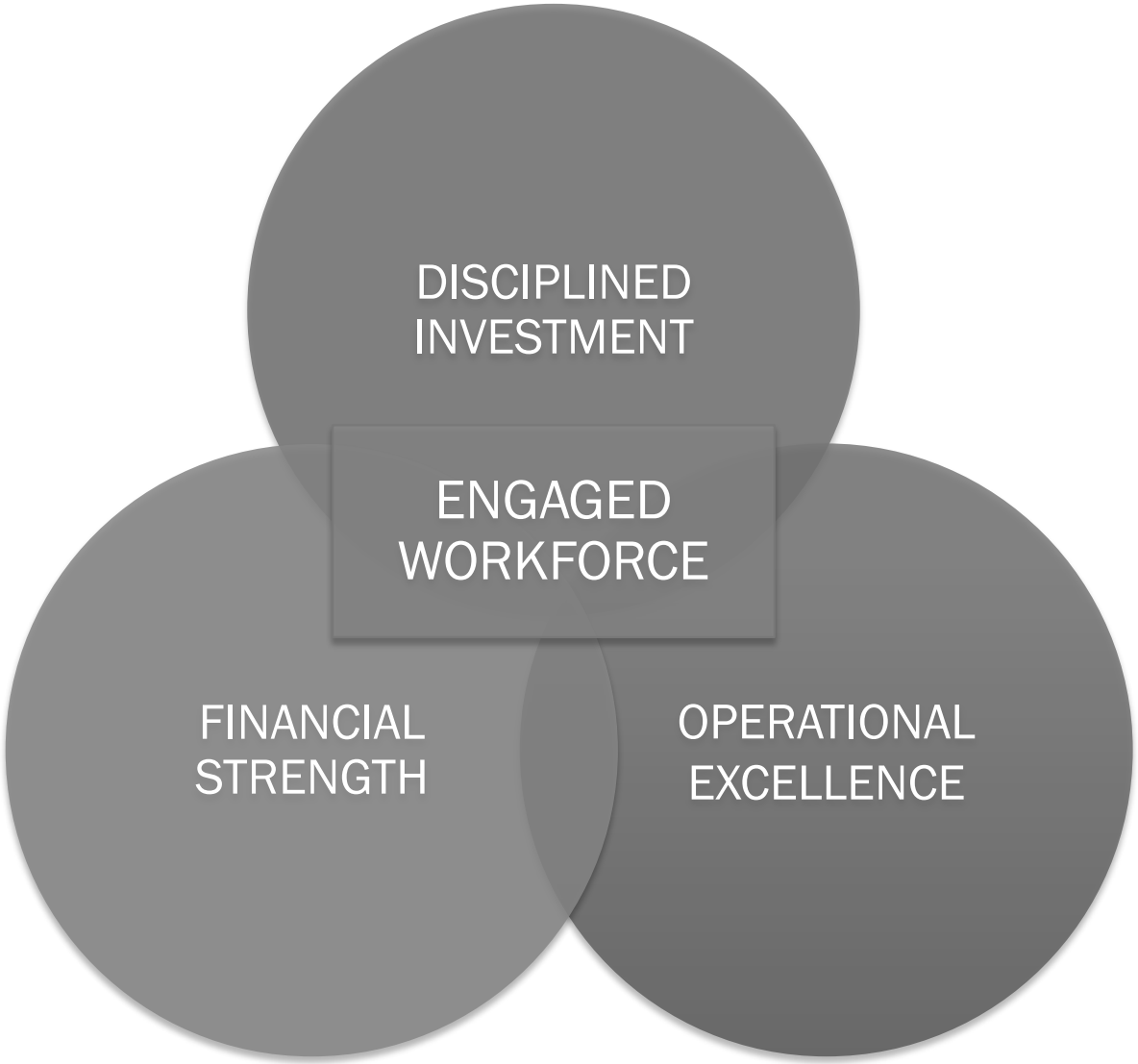
PSEG

We make things work for you.

SI-SSA-0015-10759

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-10760

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-10761

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-10762

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

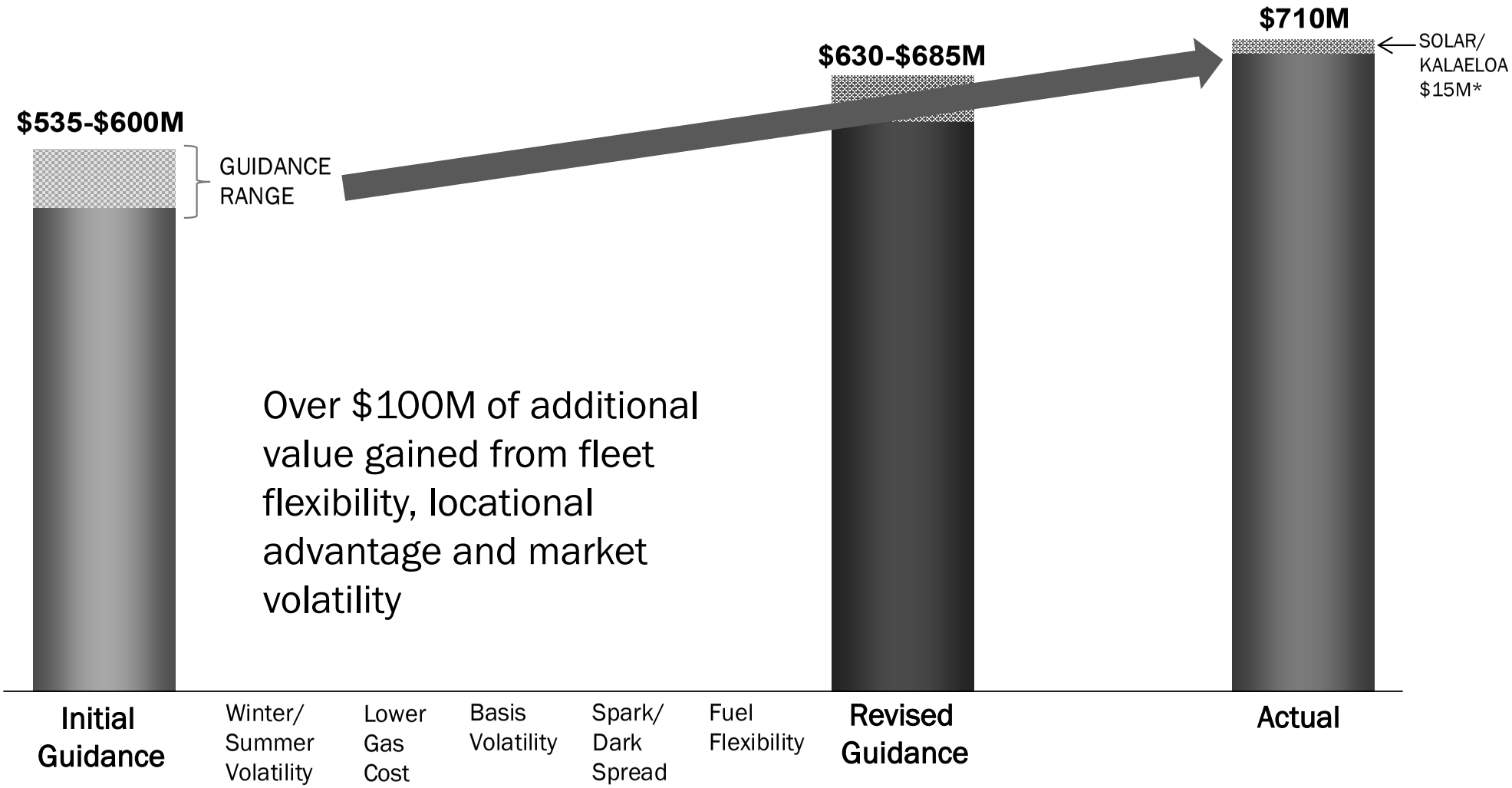
SI-SSA-0015-10763

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-10764

PSEG Power exceeded 2013's earnings guidance



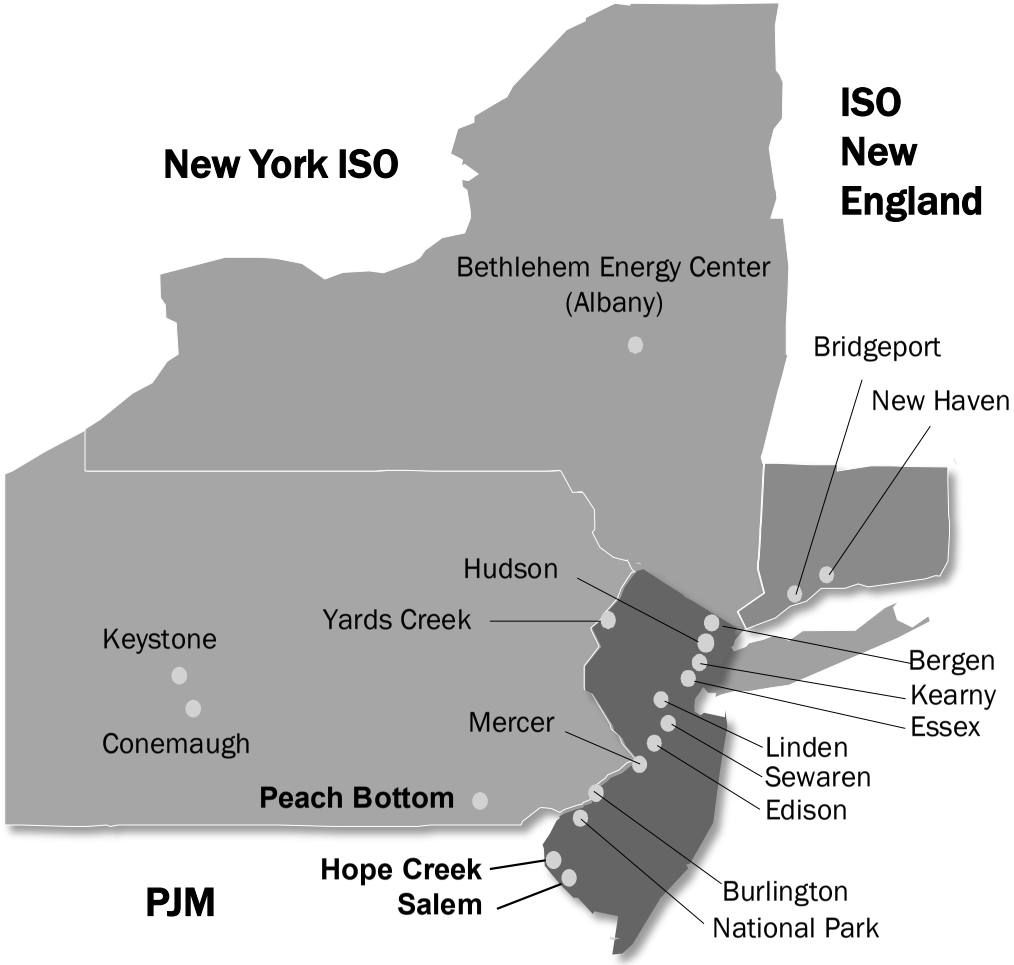
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-10765

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



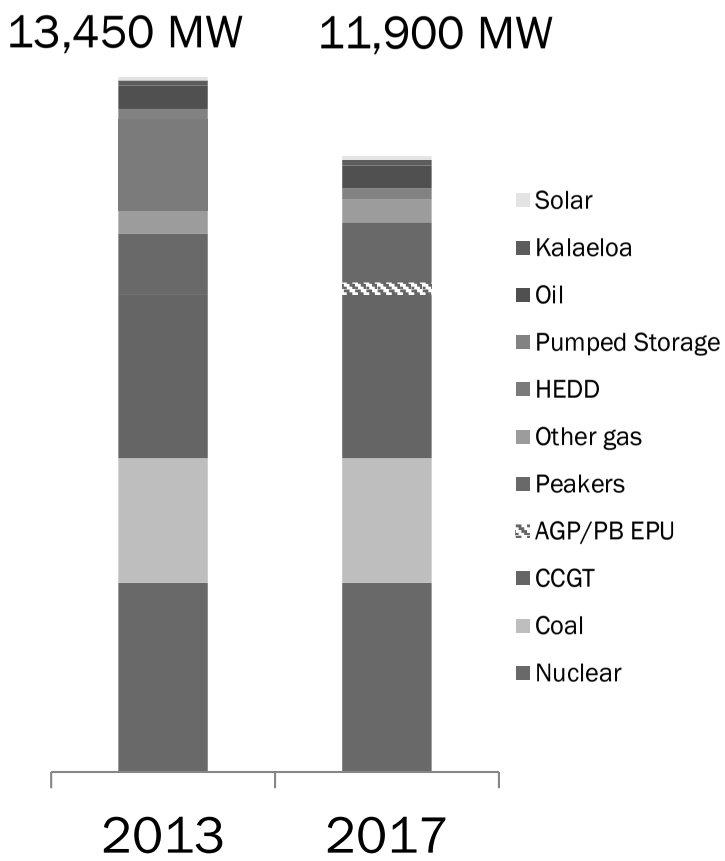
SI-SSA-0015-10766

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

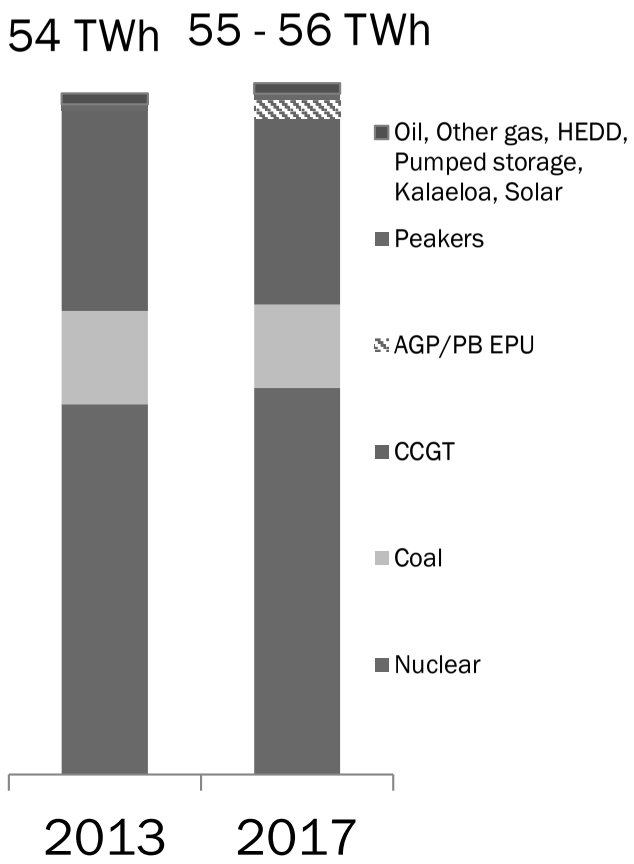
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

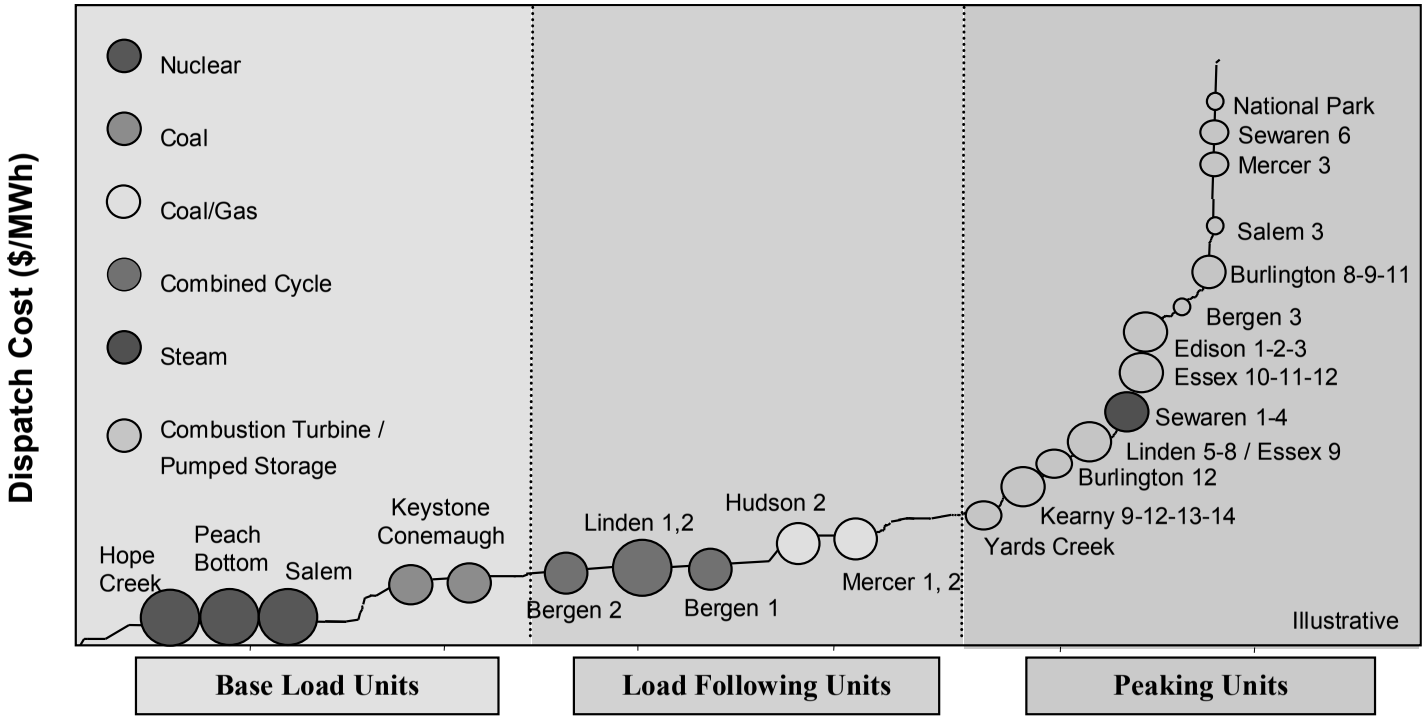


Energy Produced



SI-SSA-0015-10767

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-10768

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-10769

PSEG Power Nuclear is core to the fleet and has competitive advantages

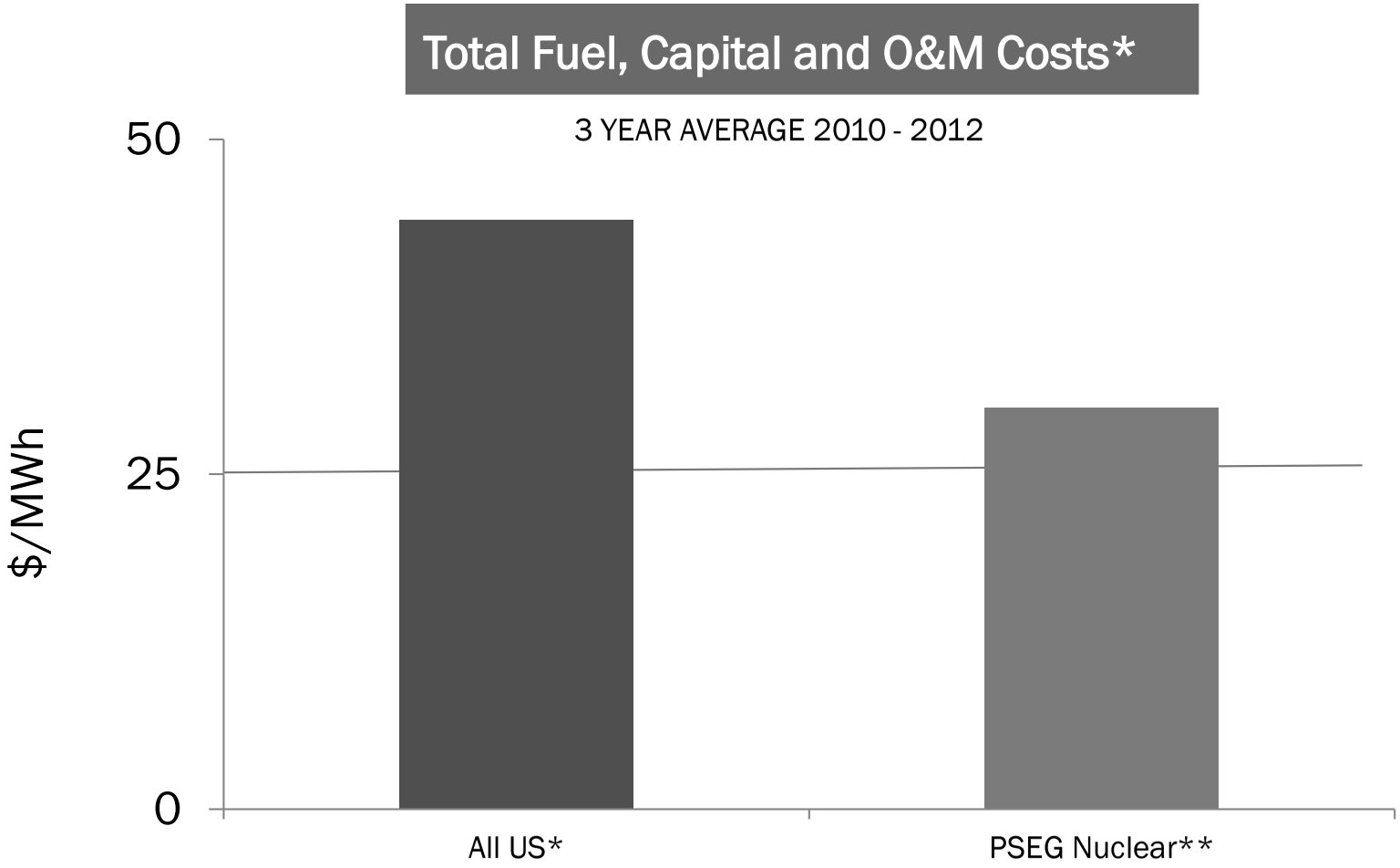
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

SI-SSA-0015-10770

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

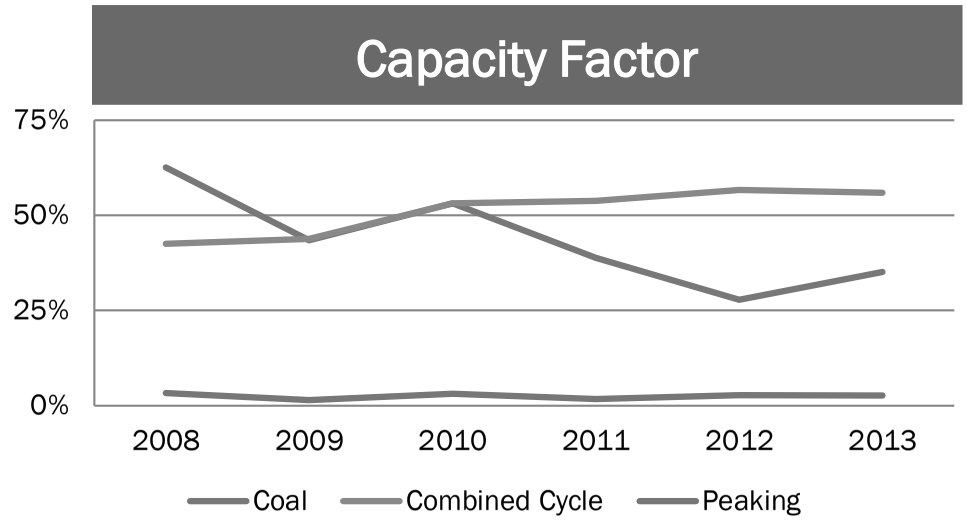


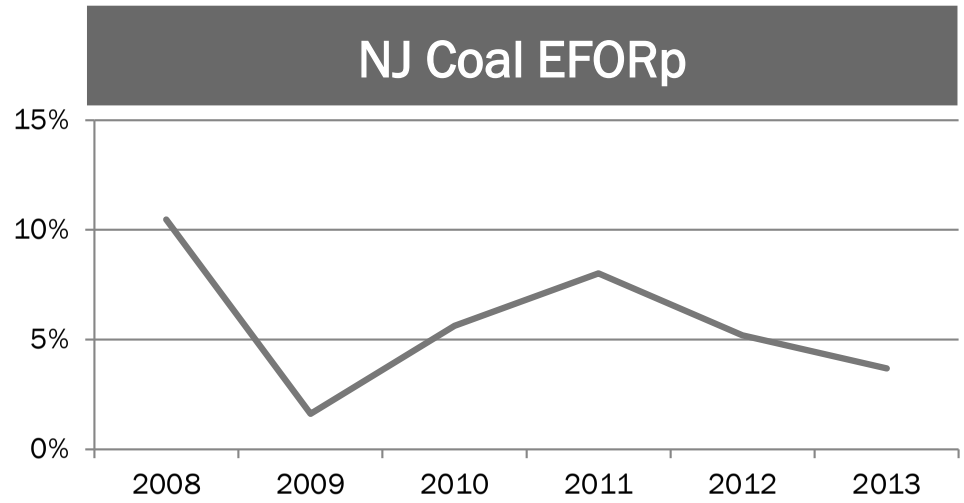
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

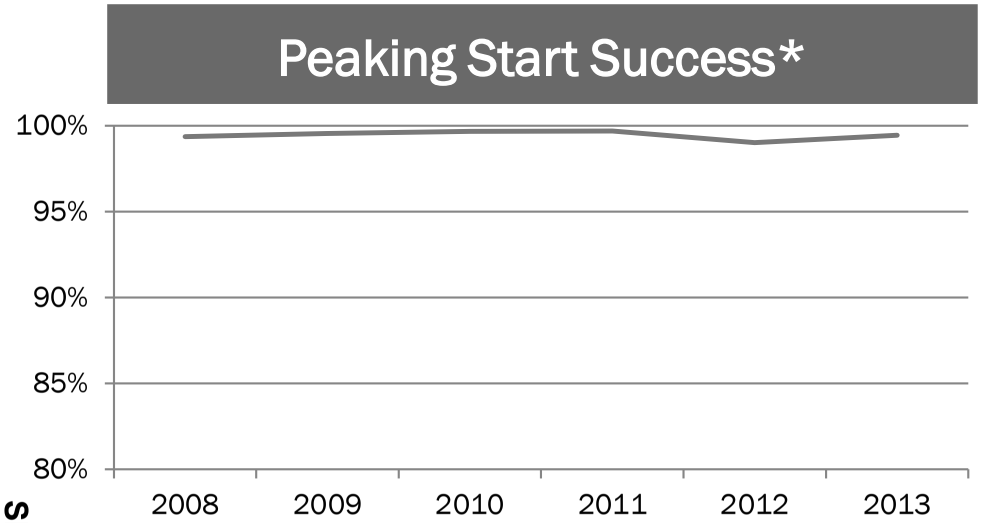
SI-SSA-0015-10771

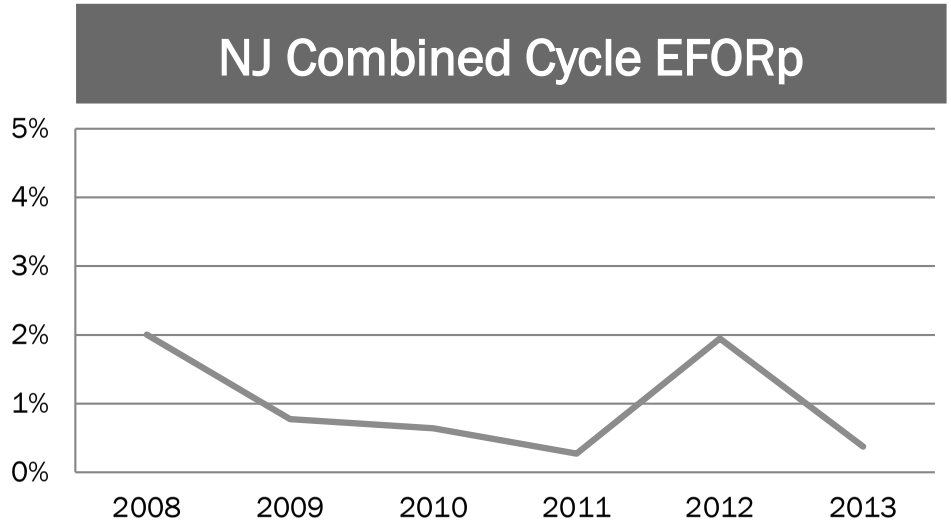
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

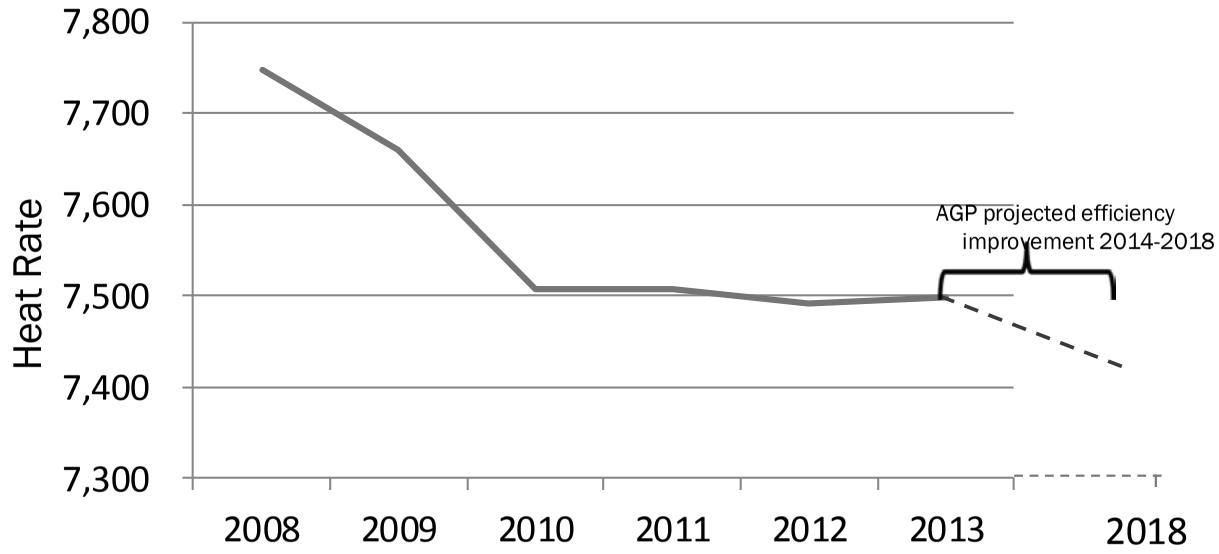
SI-SSA-0015-10772

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-10773

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

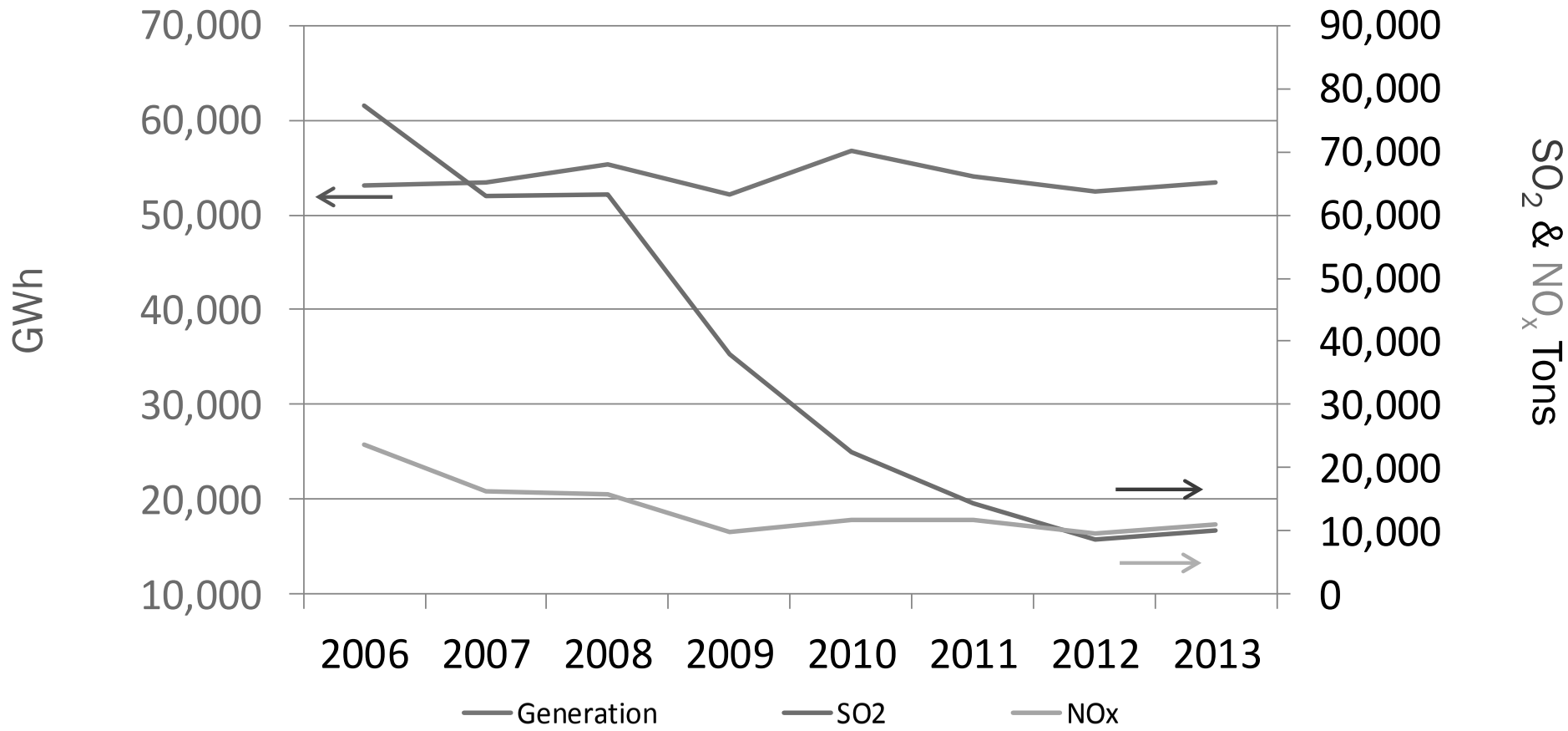
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-10774

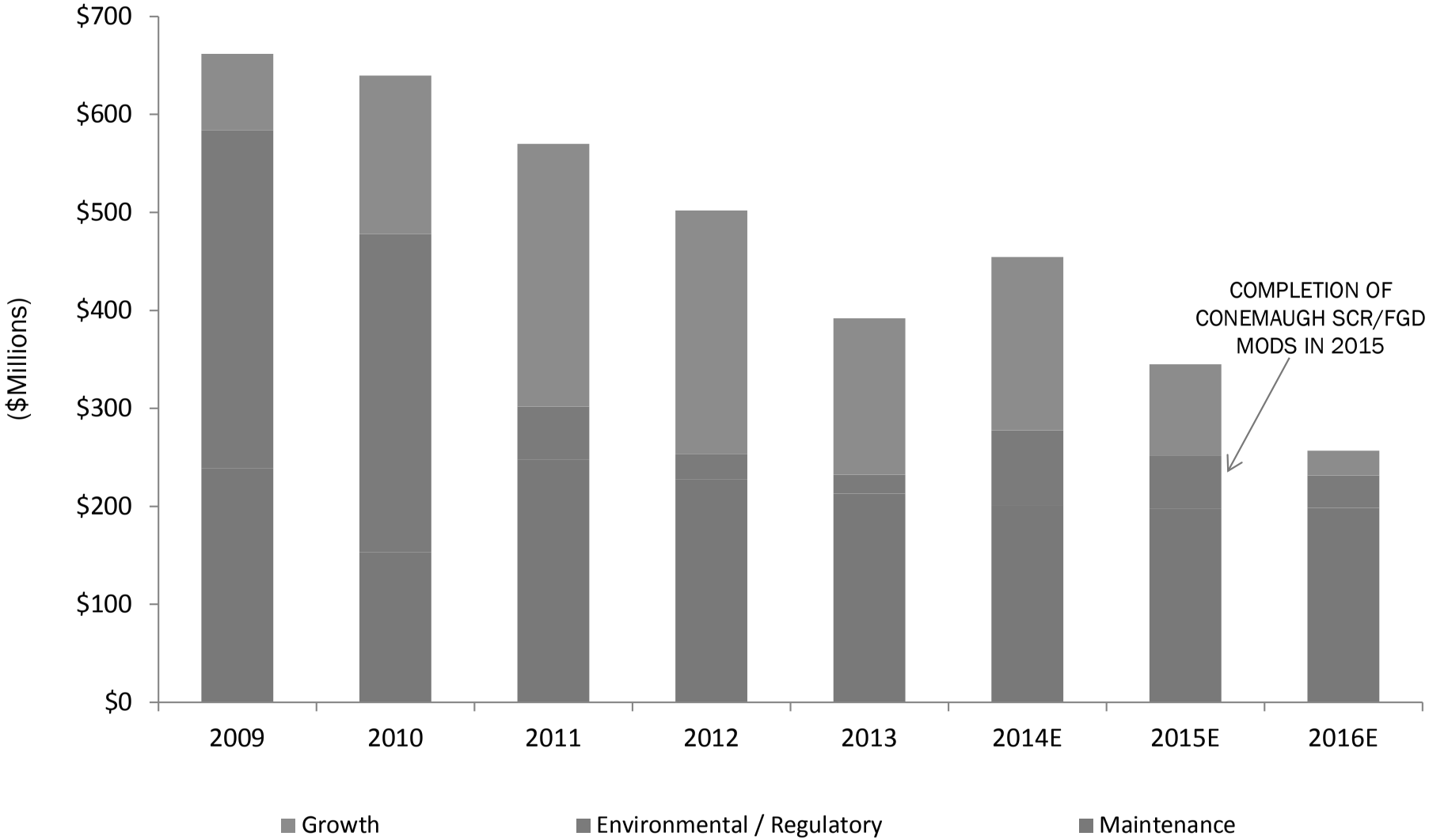
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-10775

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-10776

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-10777

PSEG Solar Source owns 92 MW of operating solar facilities*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

*PSEG Solar Source recently acquired a 10MW (AC) Texas solar project from juwi solar for $22 million. The expected COD is YE 2014; the project has a 30-year PPA with El Paso Electric.

SI-SSA-0015-10778

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-10779

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-10780

PSEG POWER
ER&T

SI-SSA-0015-10781

PSEG

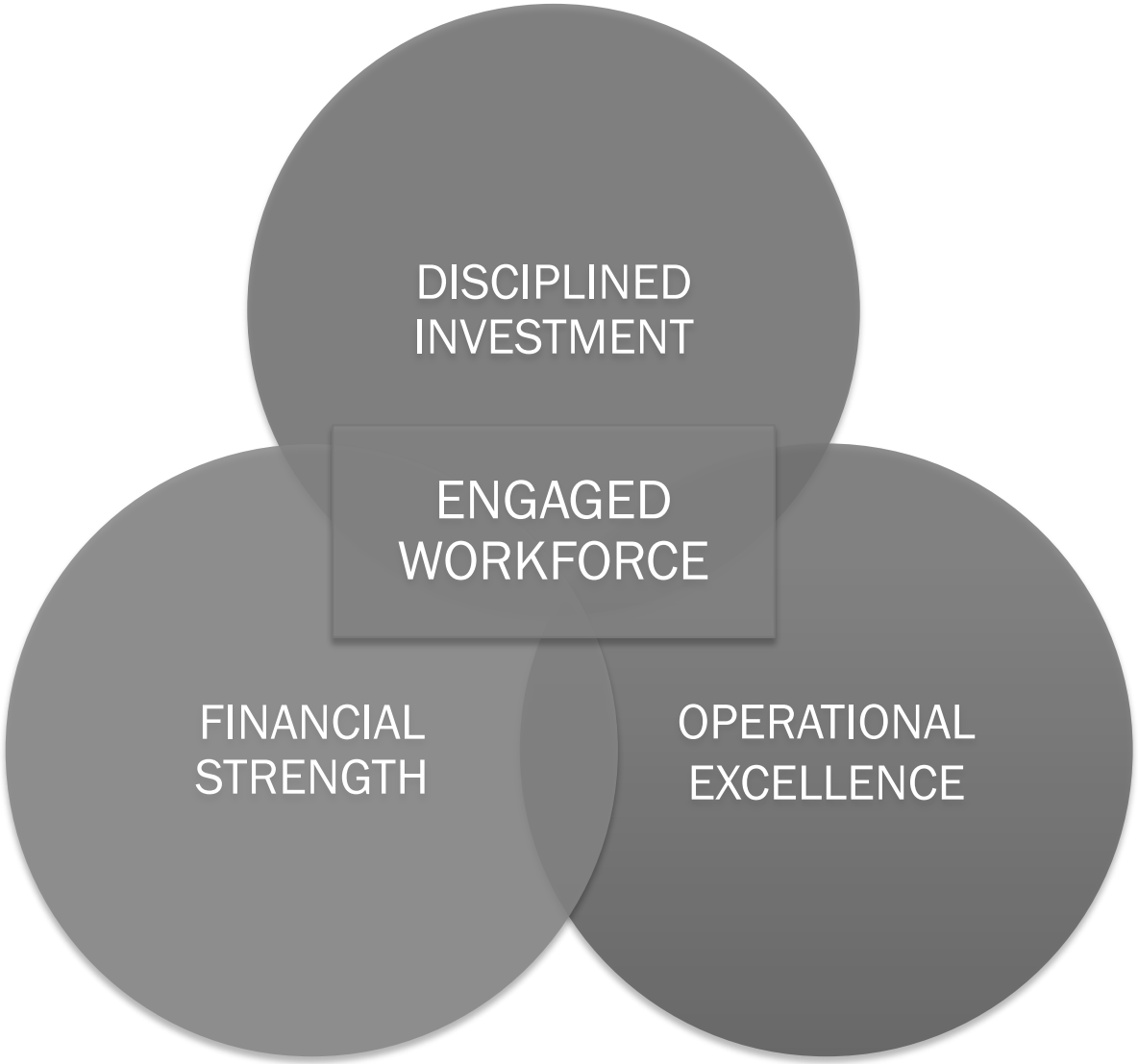
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-10782

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

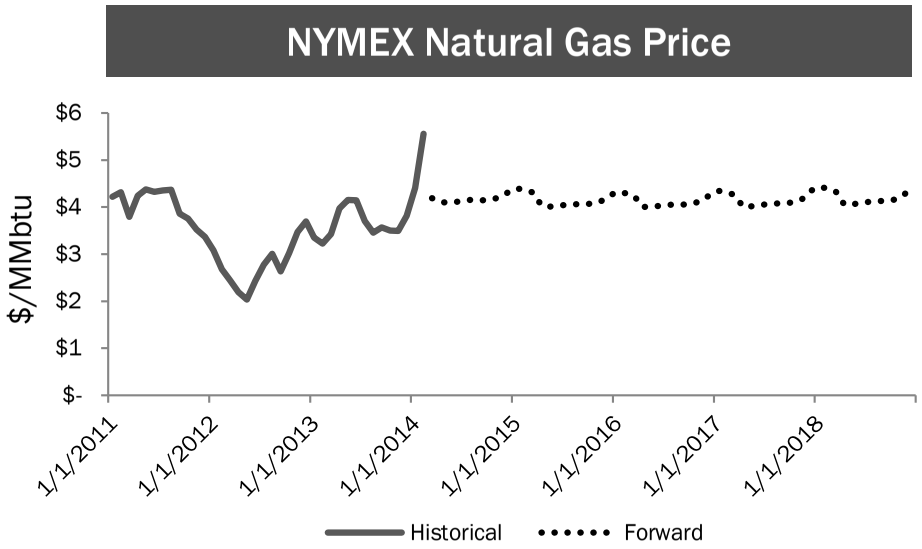
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

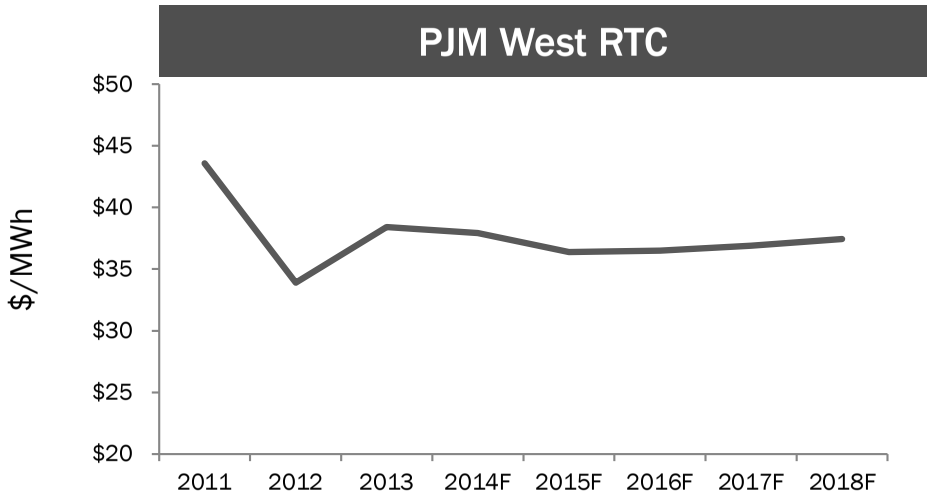
PSEG's Sustainable Advantage

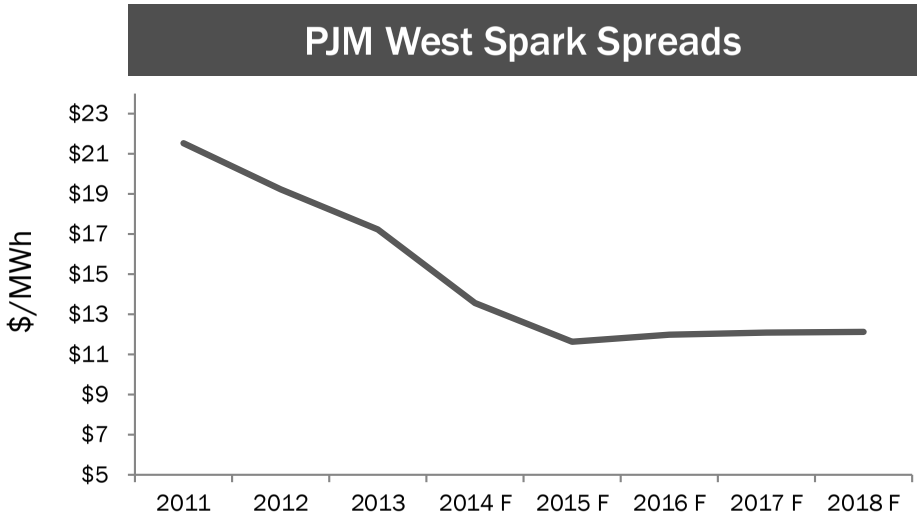
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-10783

Market Review: Prices have stabilized







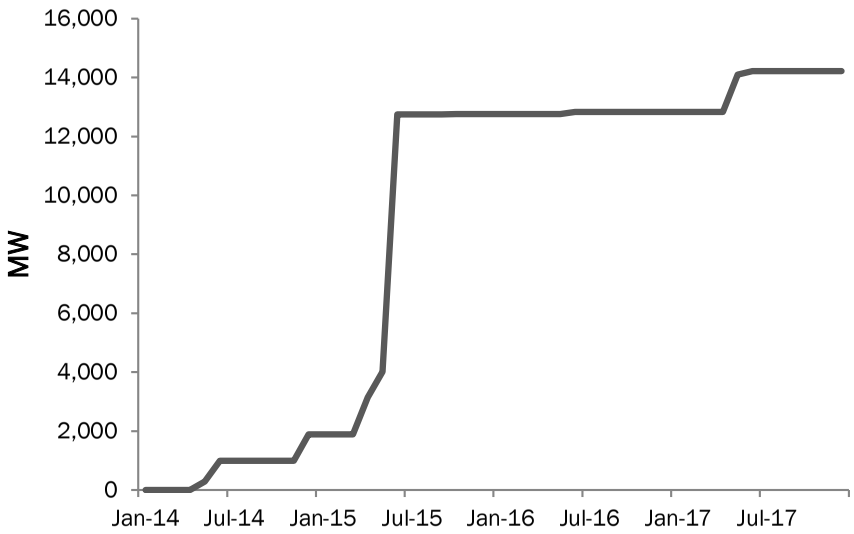
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-10784

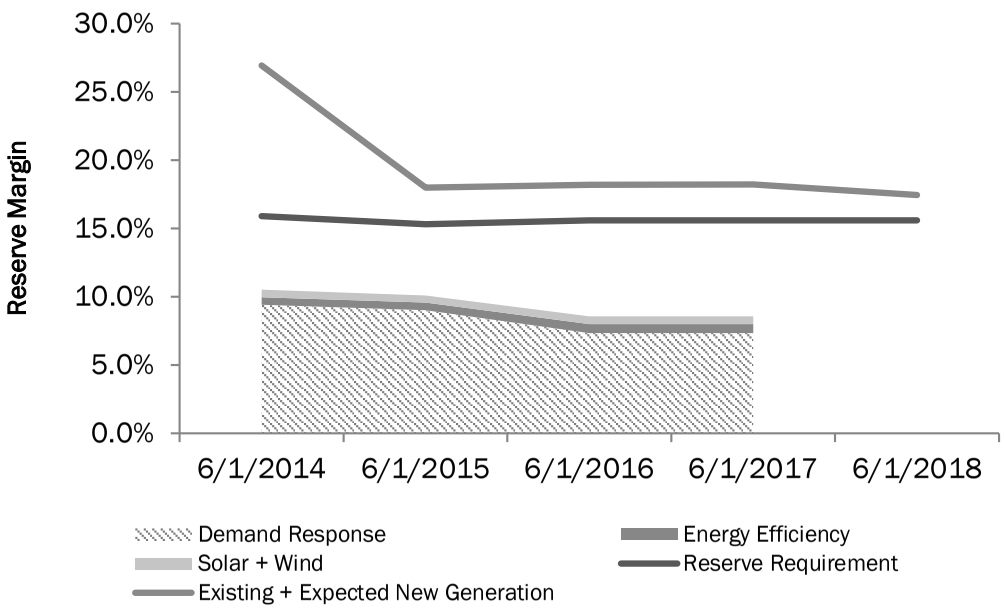
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-10785

PSEG

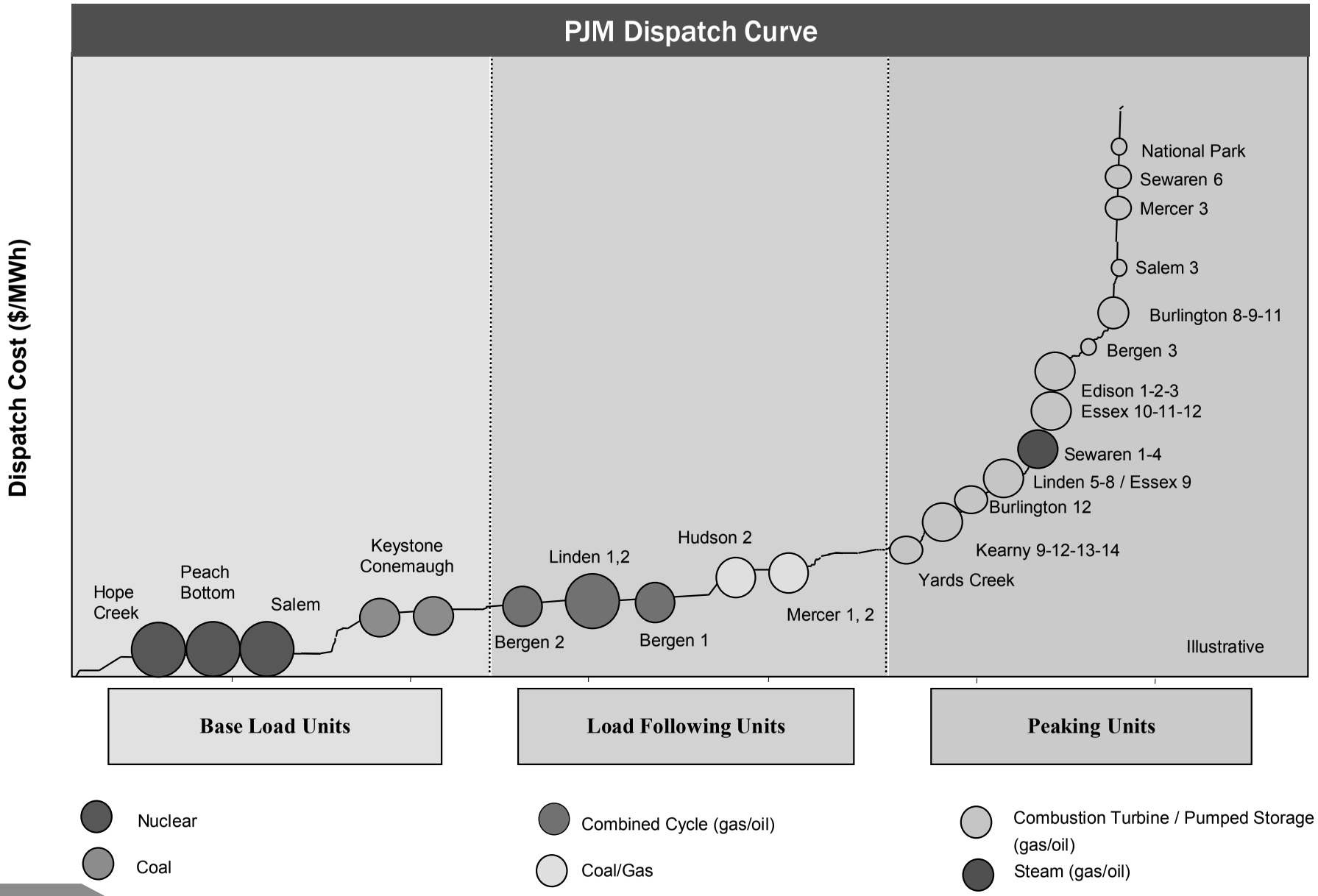
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

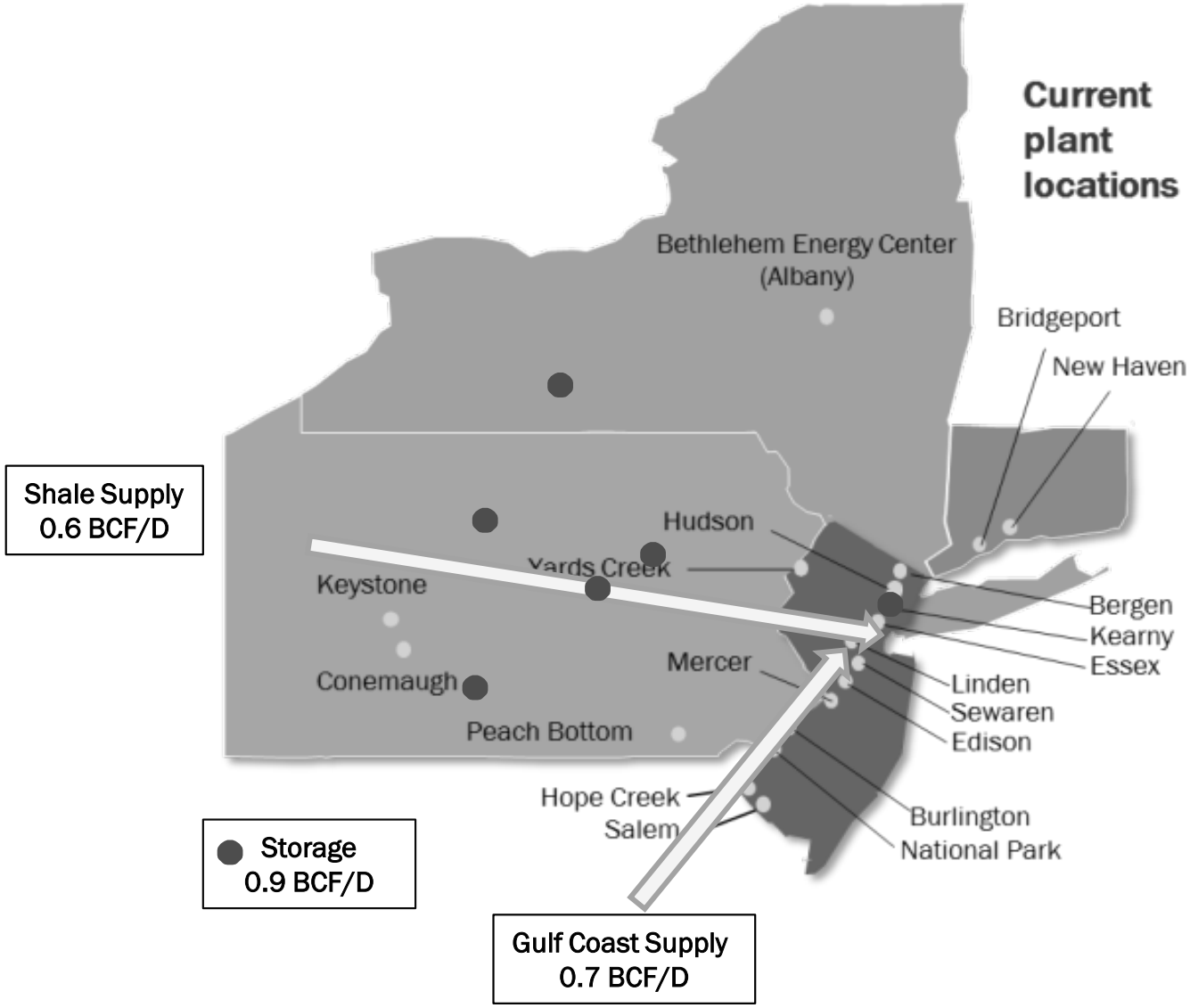
SI-SSA-0015-10786

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



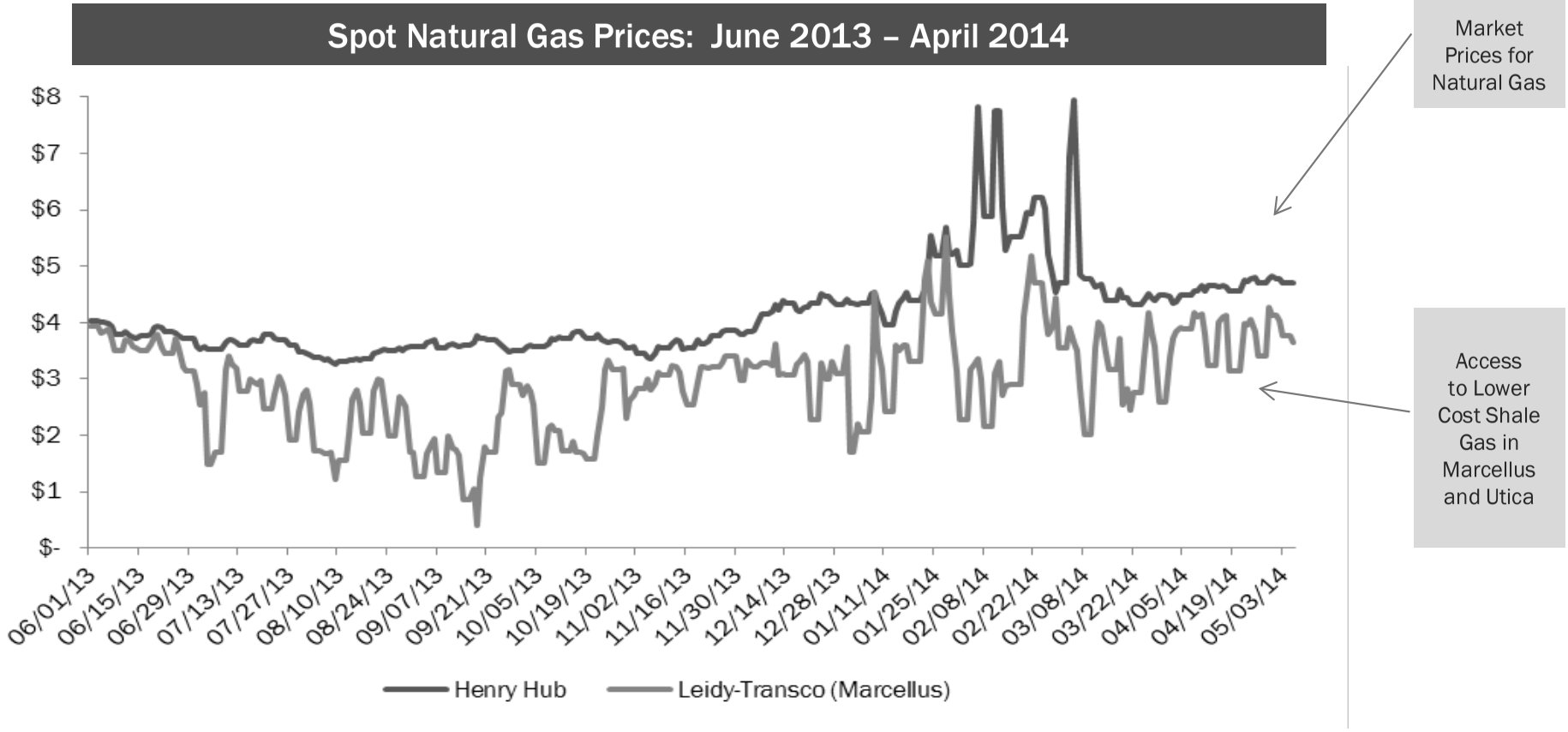
SI-SSA-0015-10787

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-10788

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

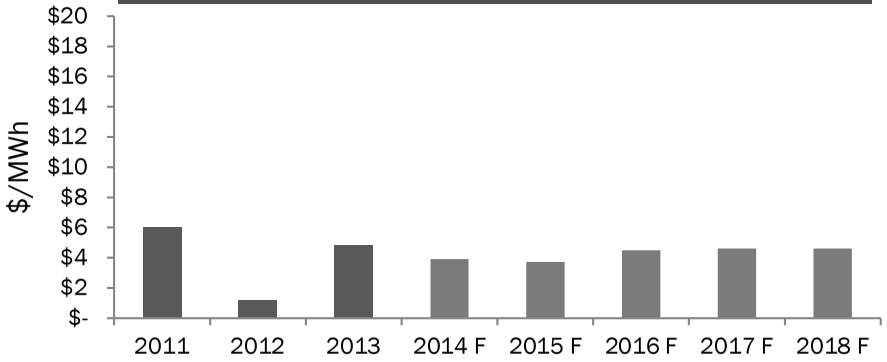


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

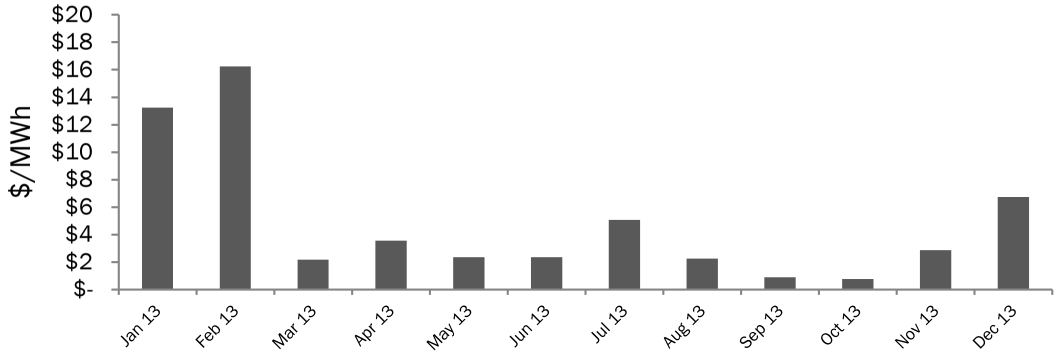
SI-SSA-0015-10789

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

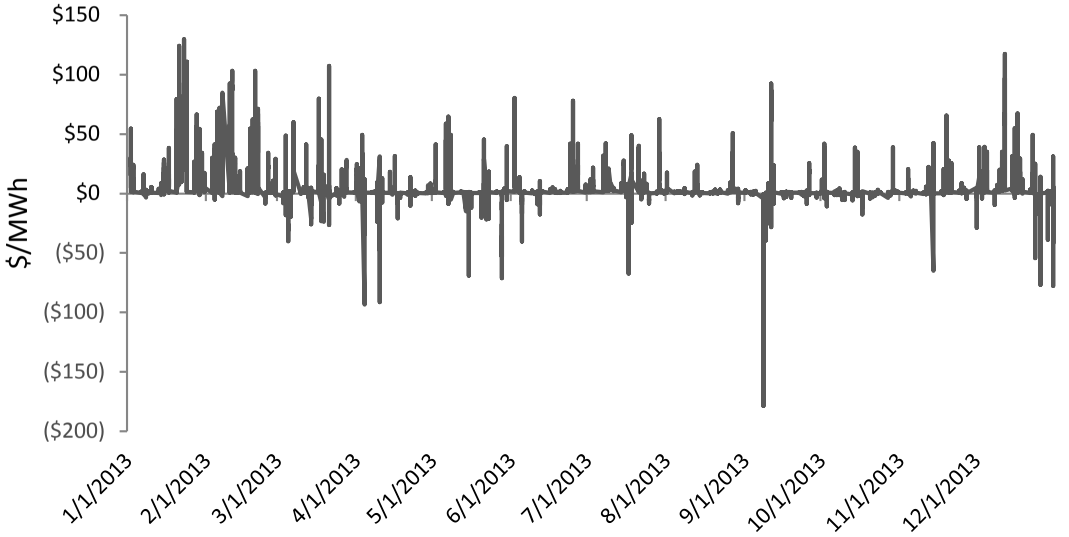


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

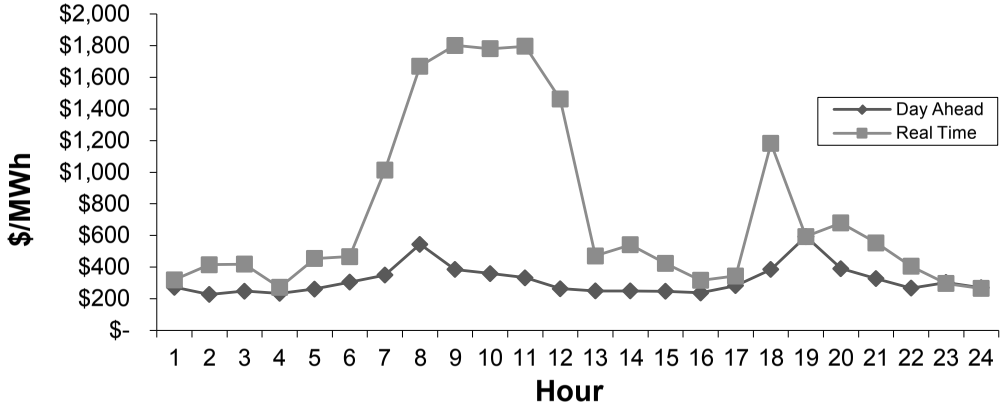
PS Zone Real Time On Peak Hourly Basis to PJM-W



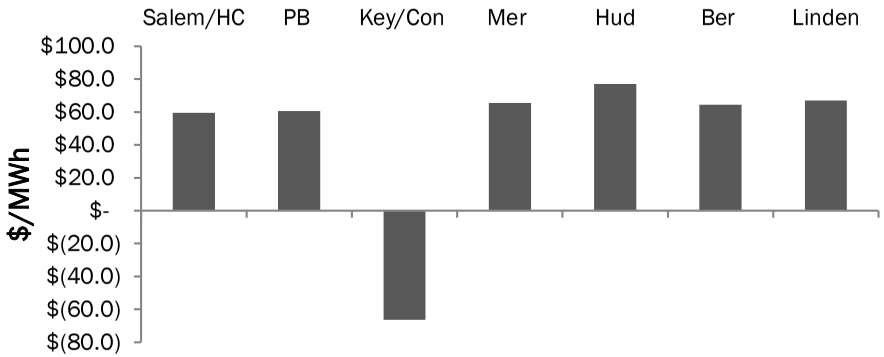
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

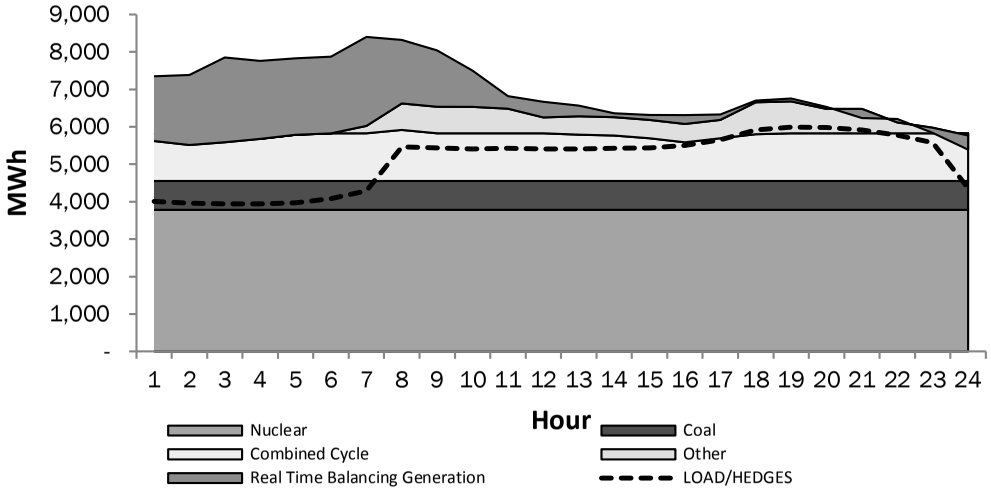
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

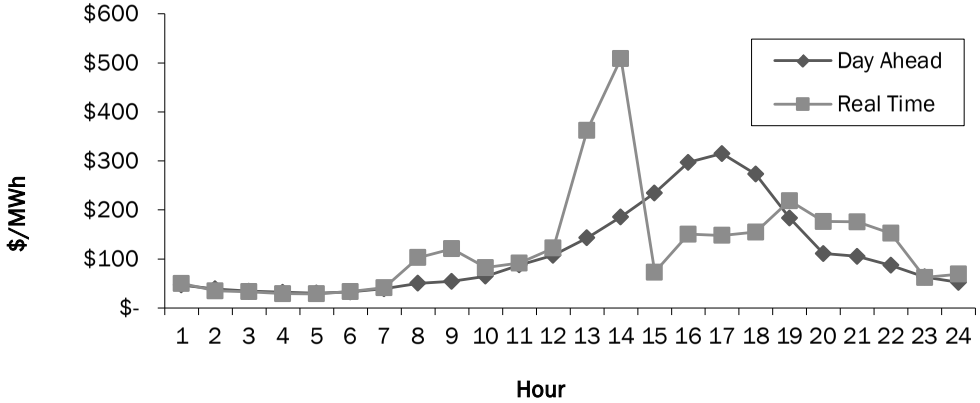


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

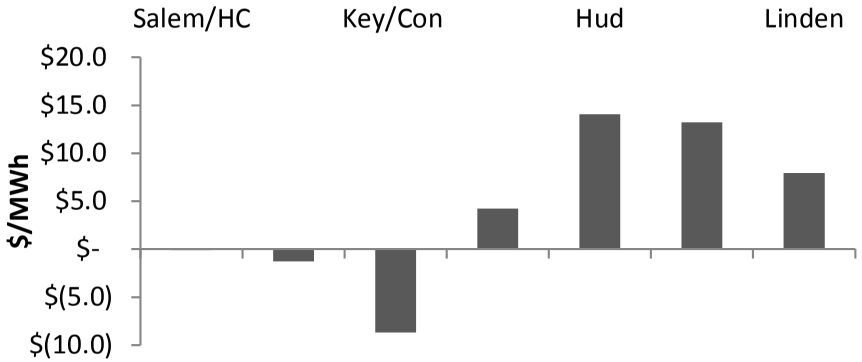
SI-SSA-0015-10791

Competitive Advantage: Trading & Asset Flexibility

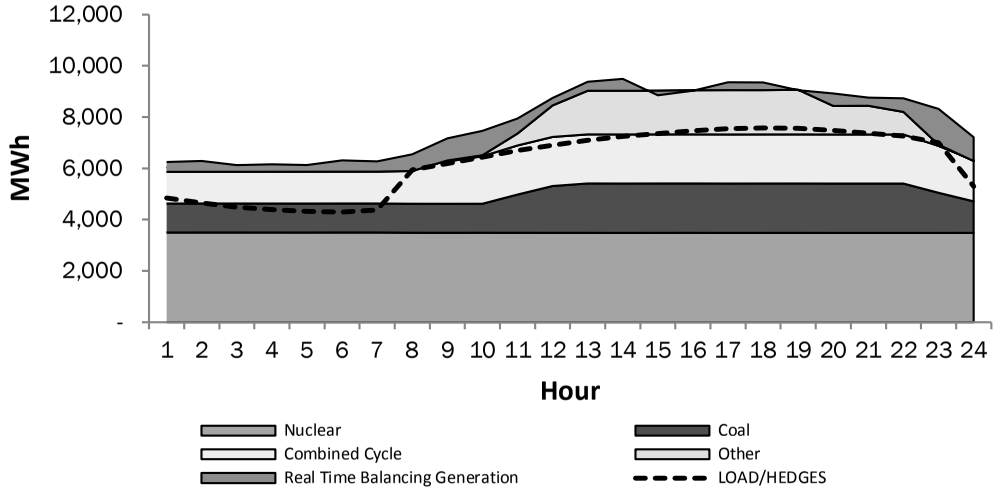
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



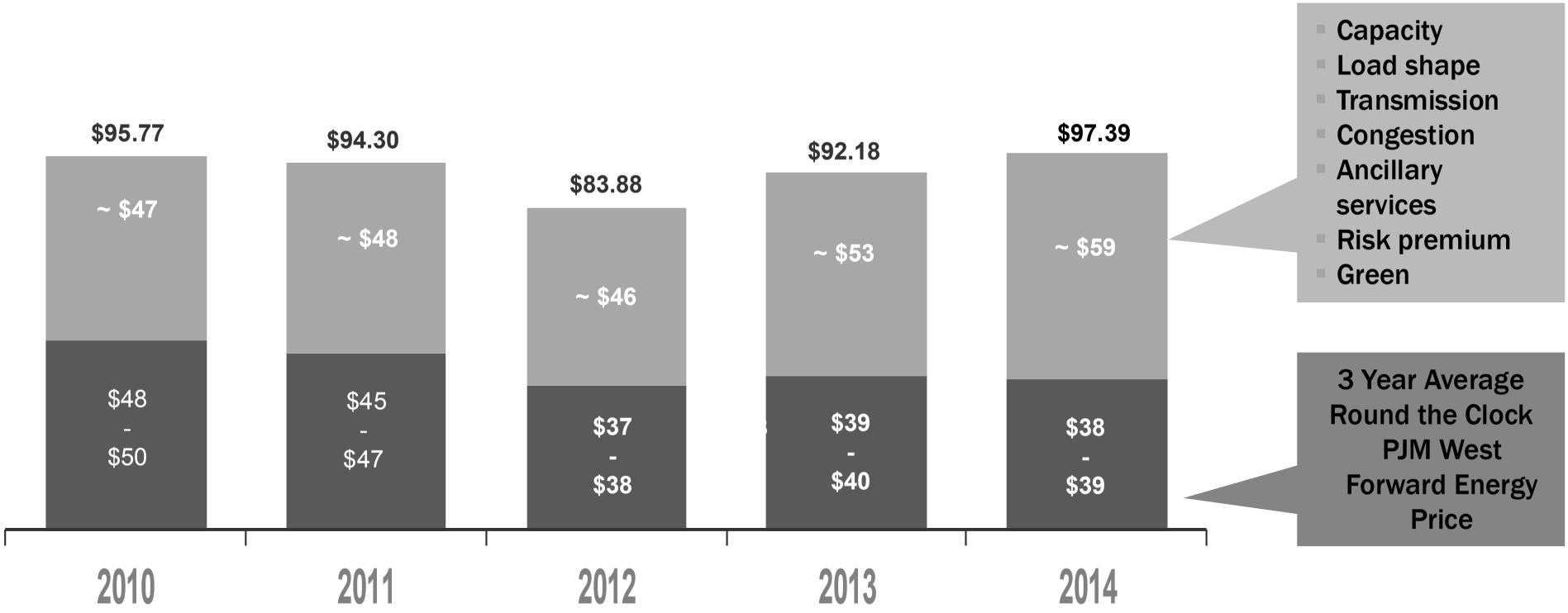
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-10792

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-10793

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

SI-SSA-0015-10794

PSEG

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

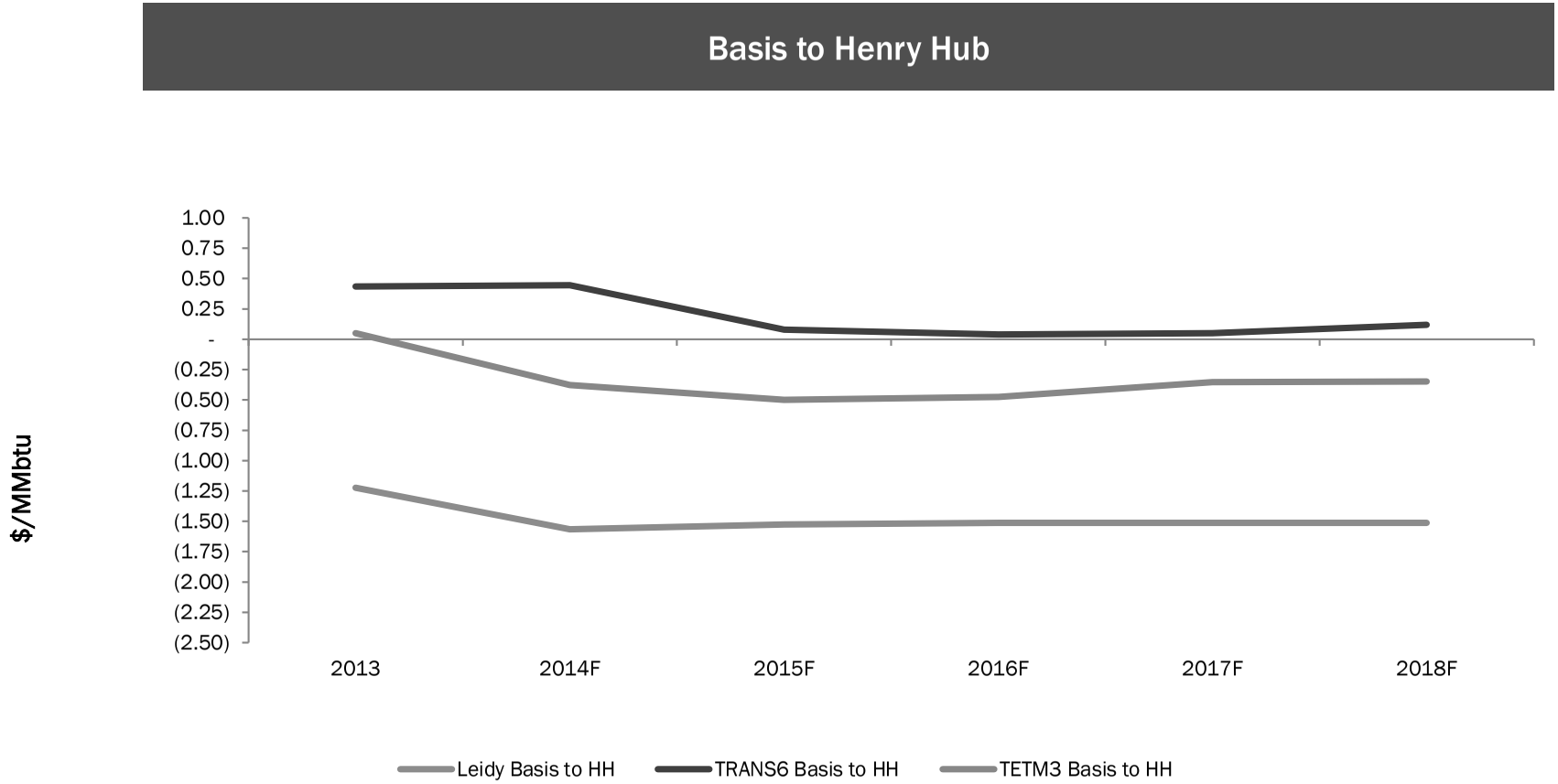
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-10795

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-10796

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-10797

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-10798

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-10799

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

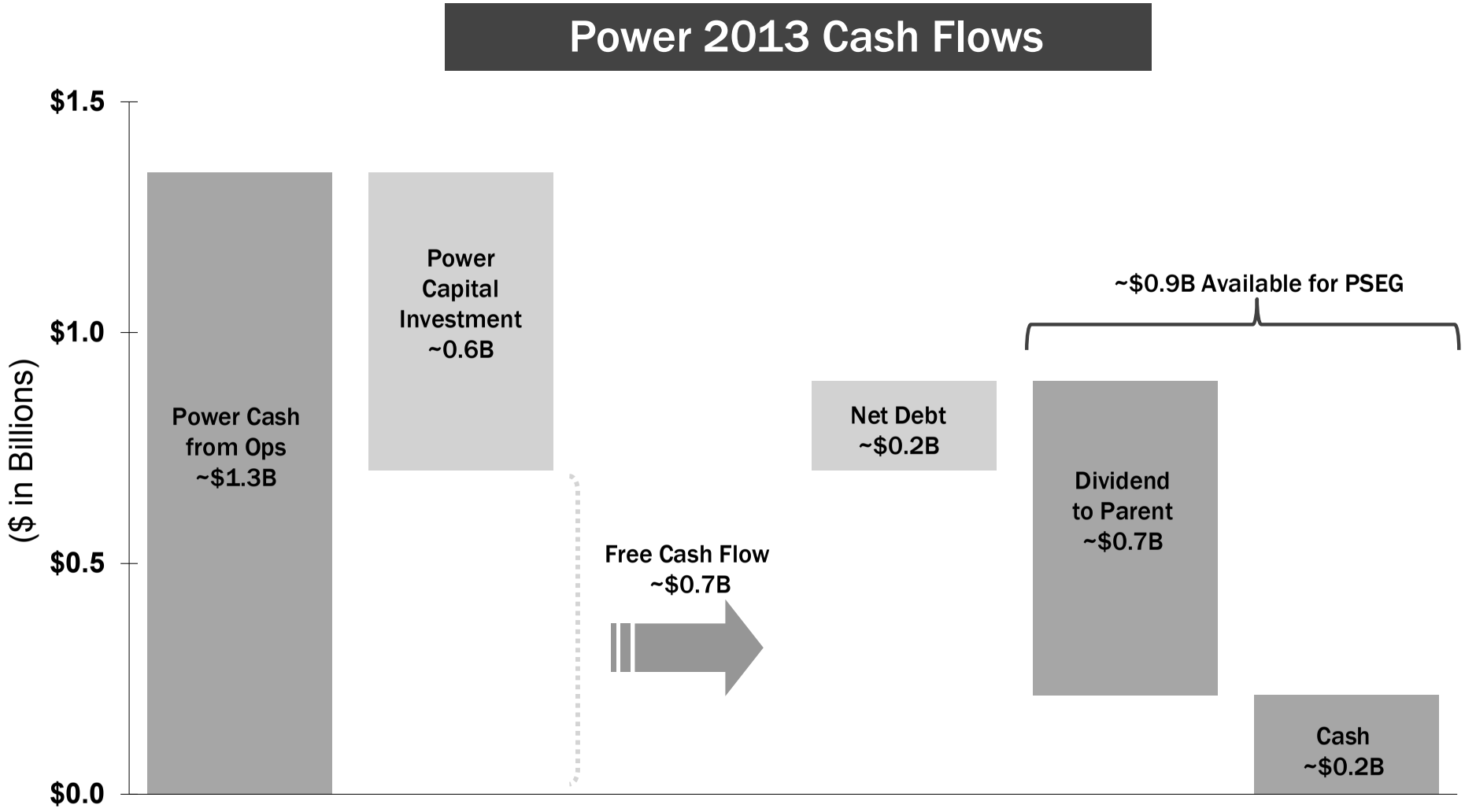
SI-SSA-0015-10800

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

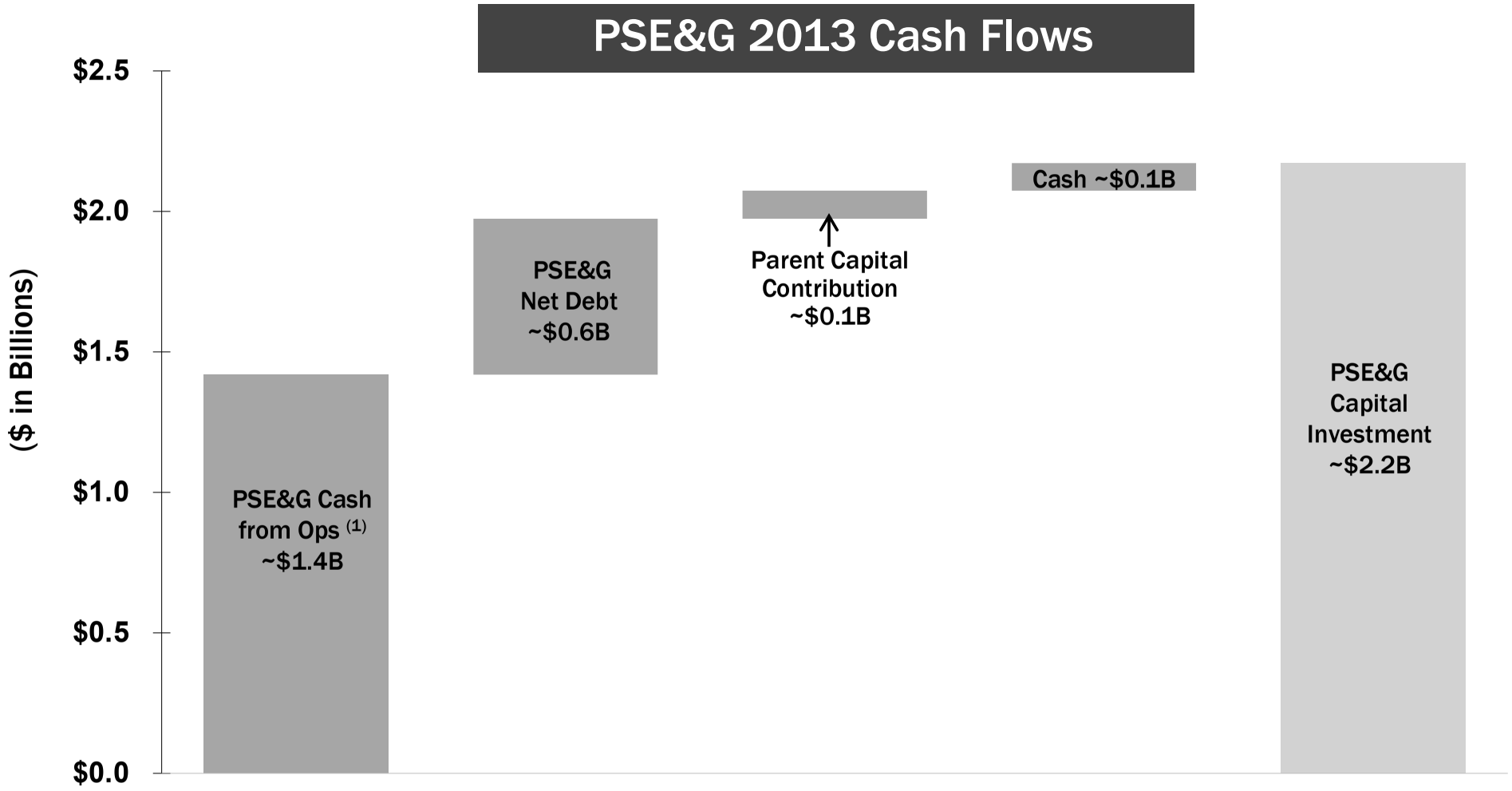
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-10801

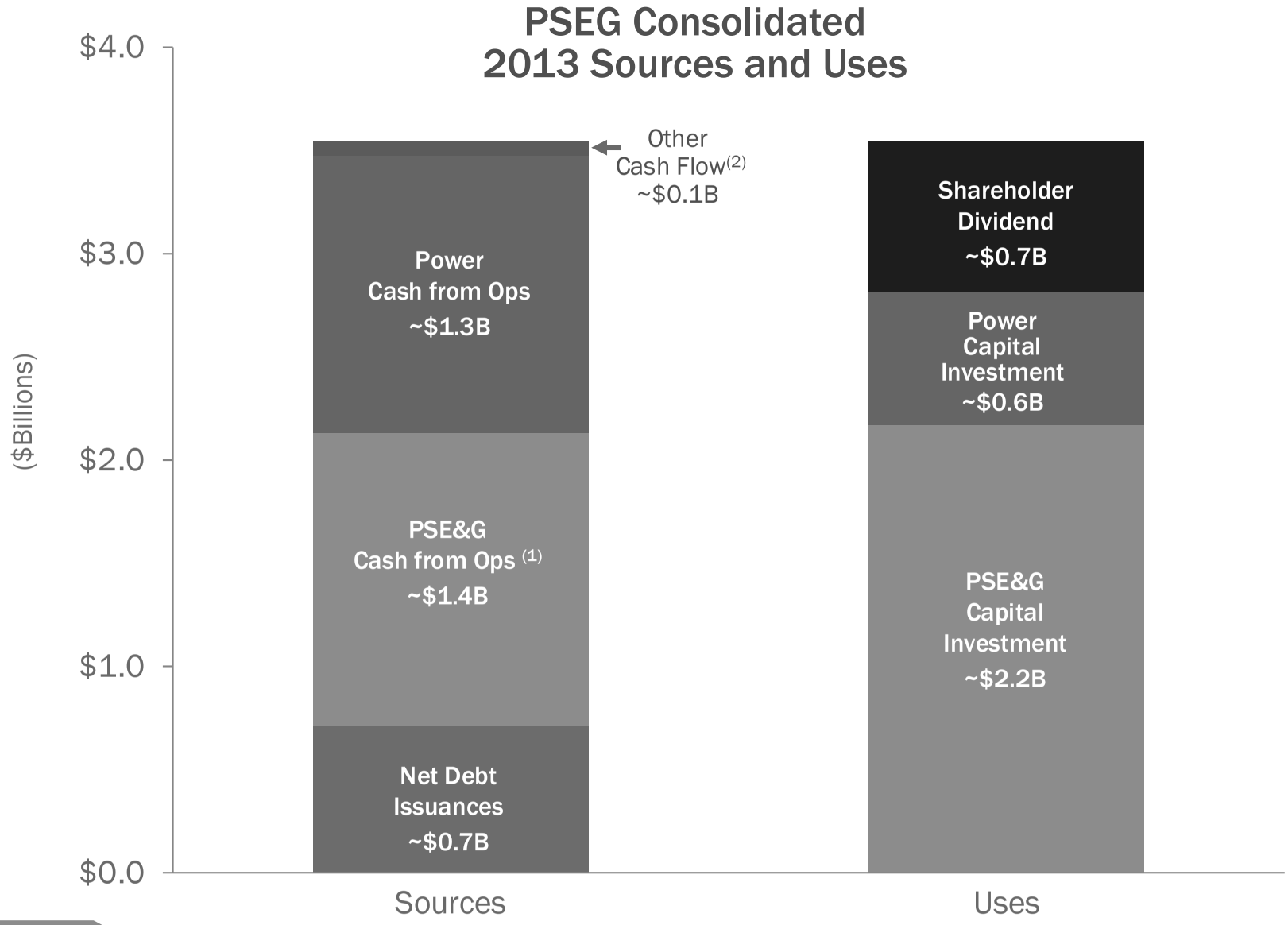
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-10802

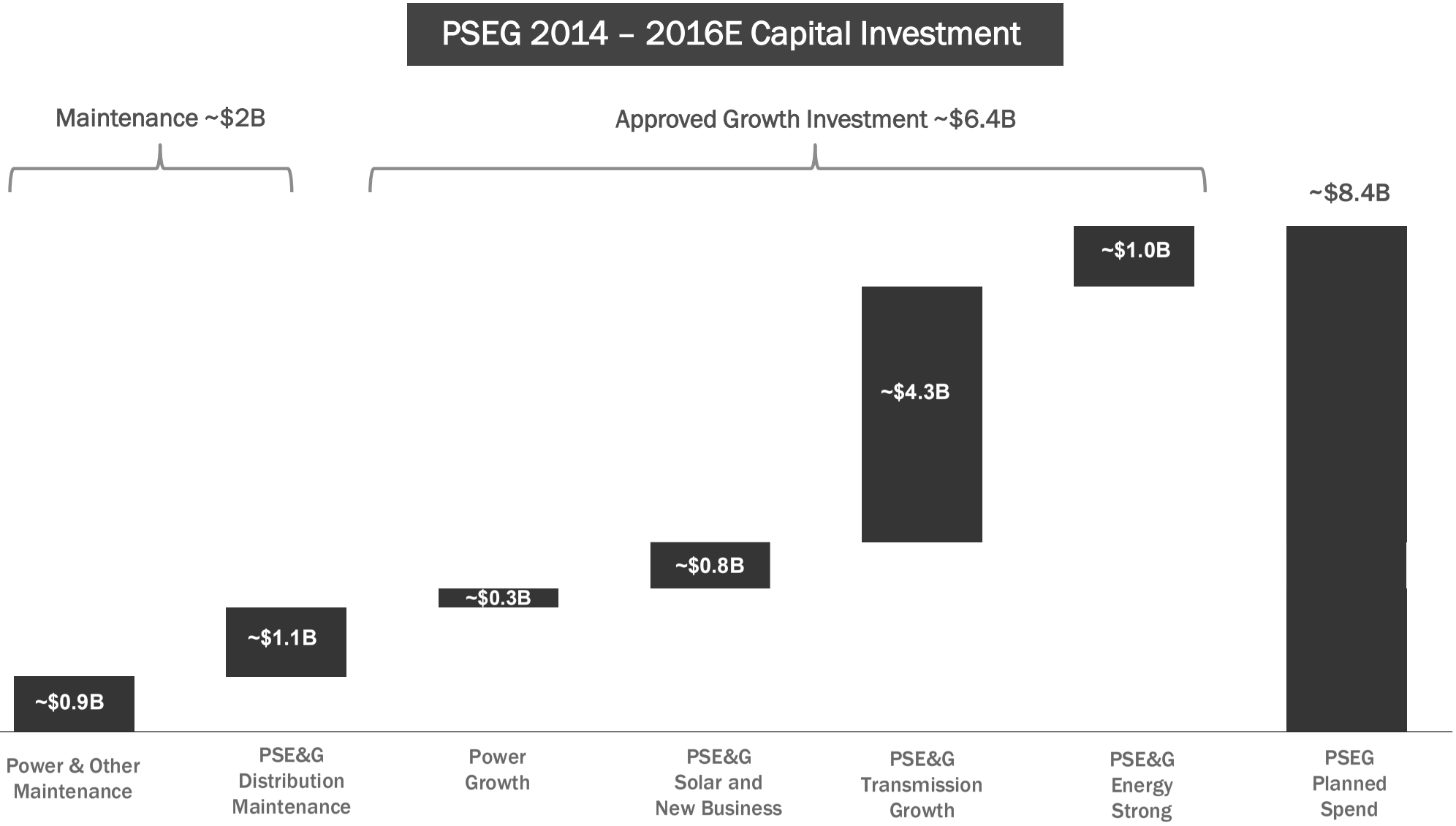
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-10803

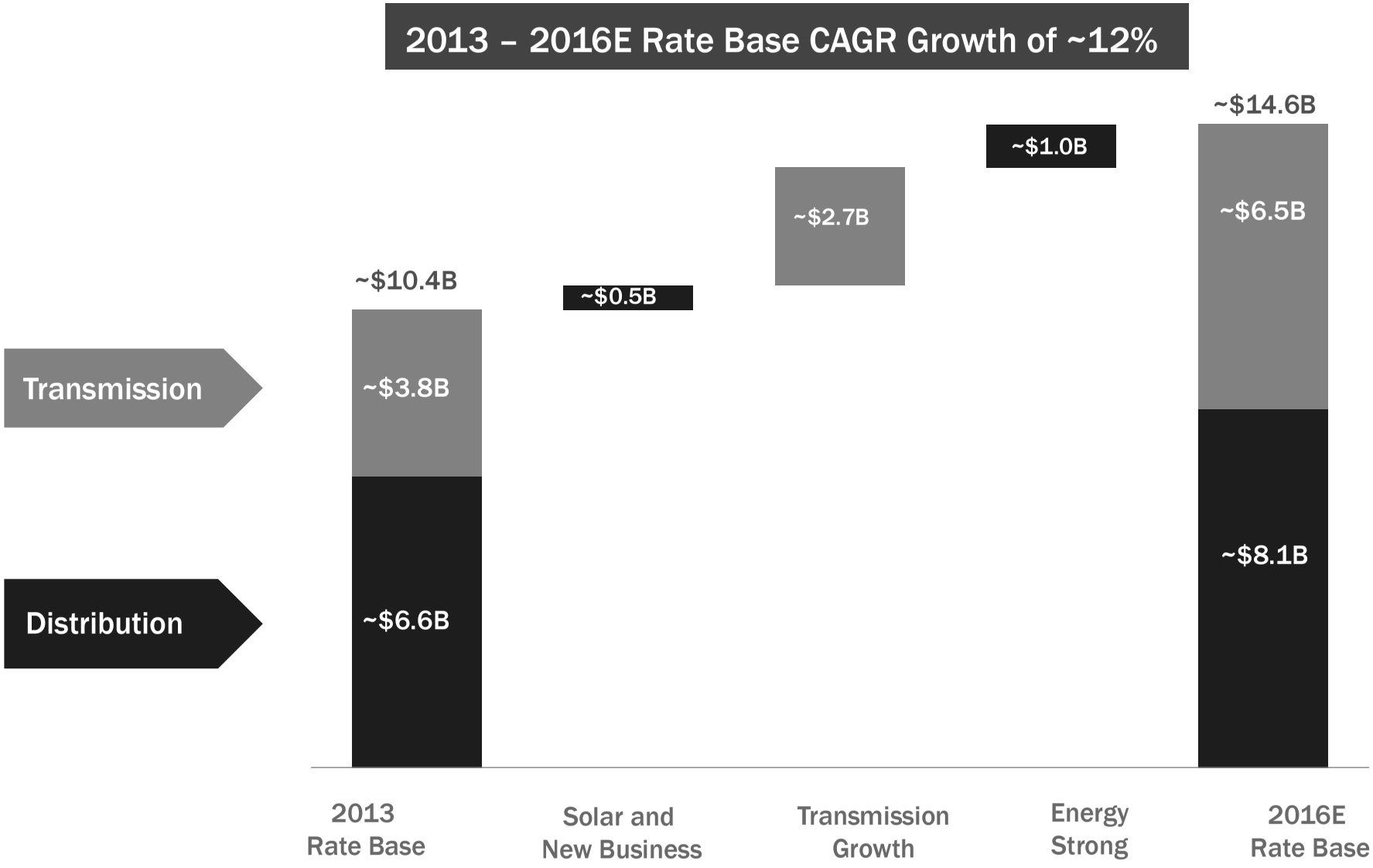
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

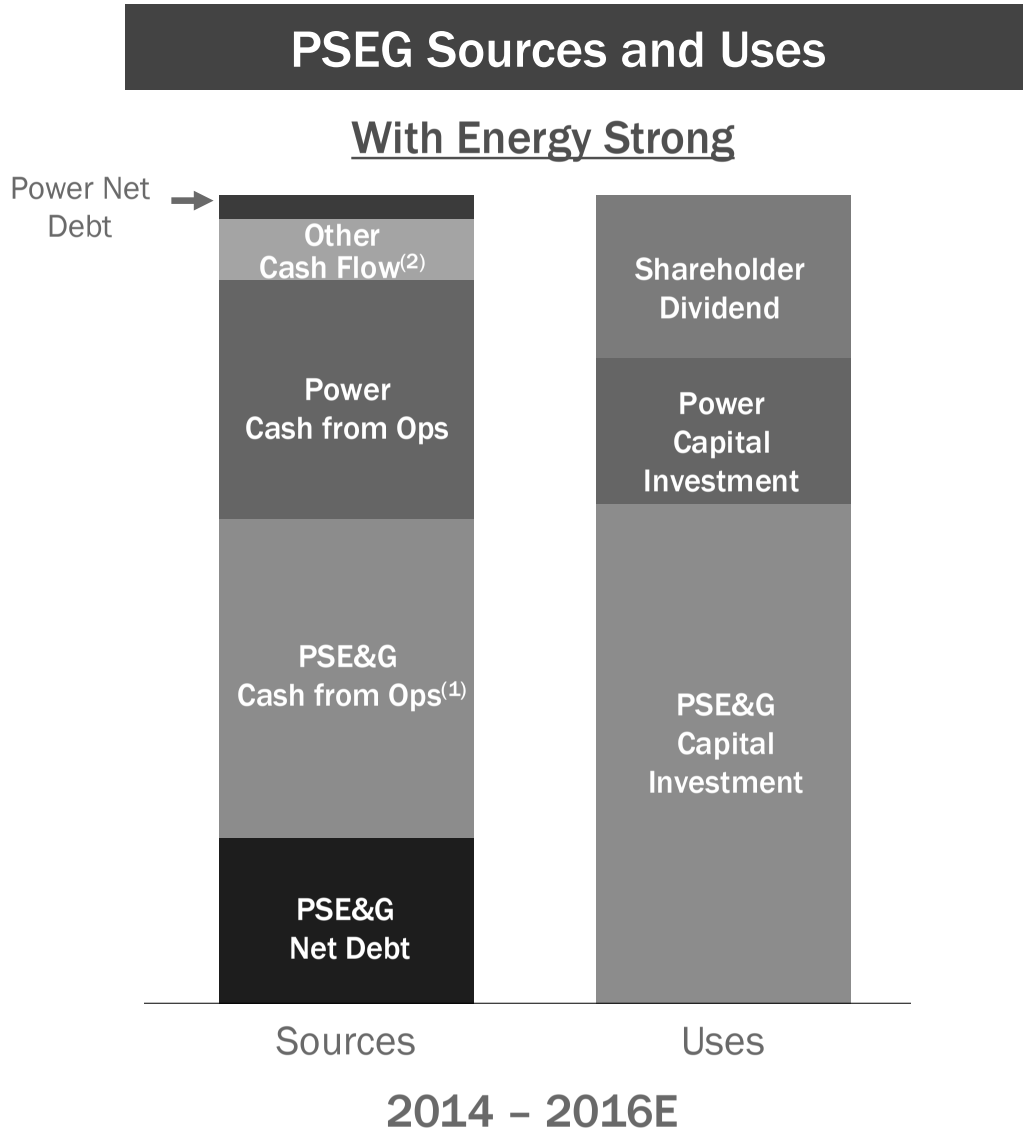
SI-SSA-0015-10804

PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-10805

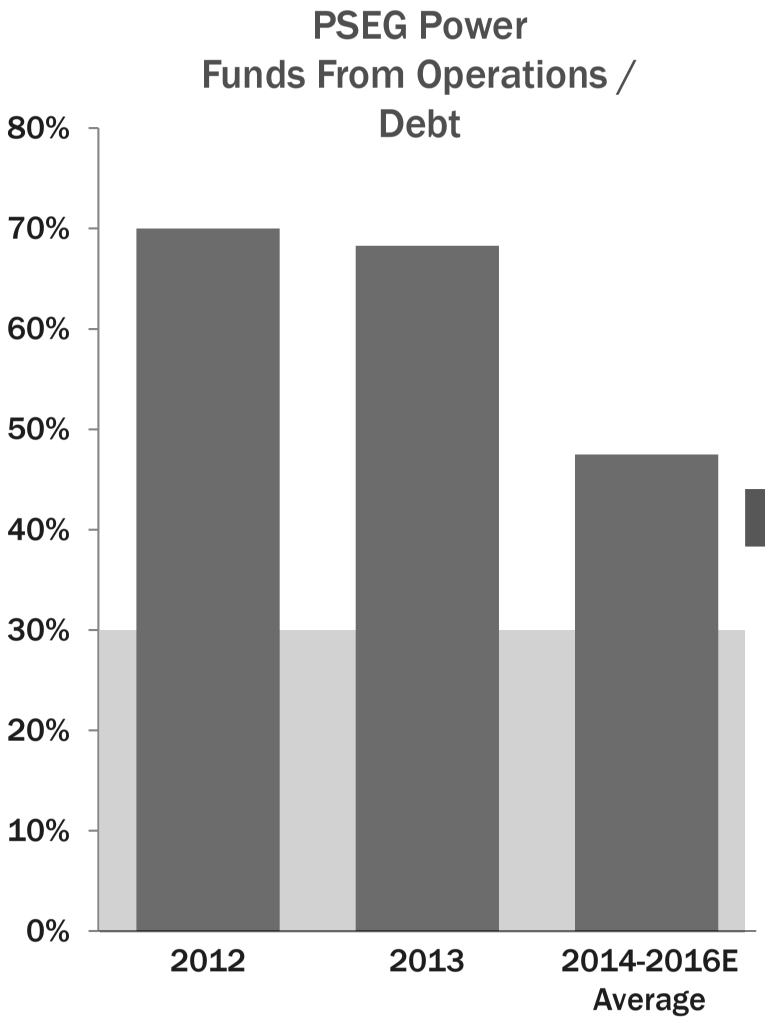
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-10806

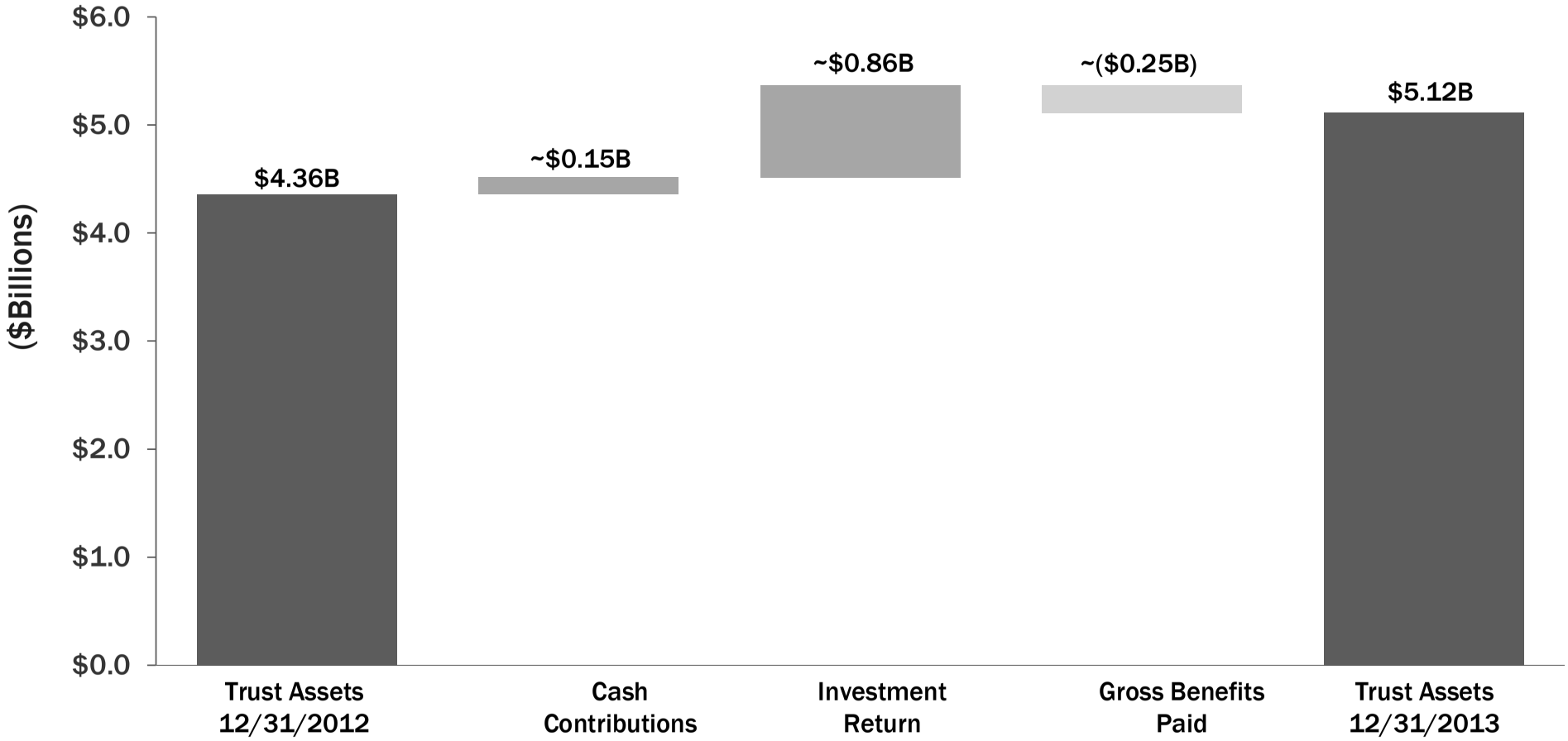
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-10807

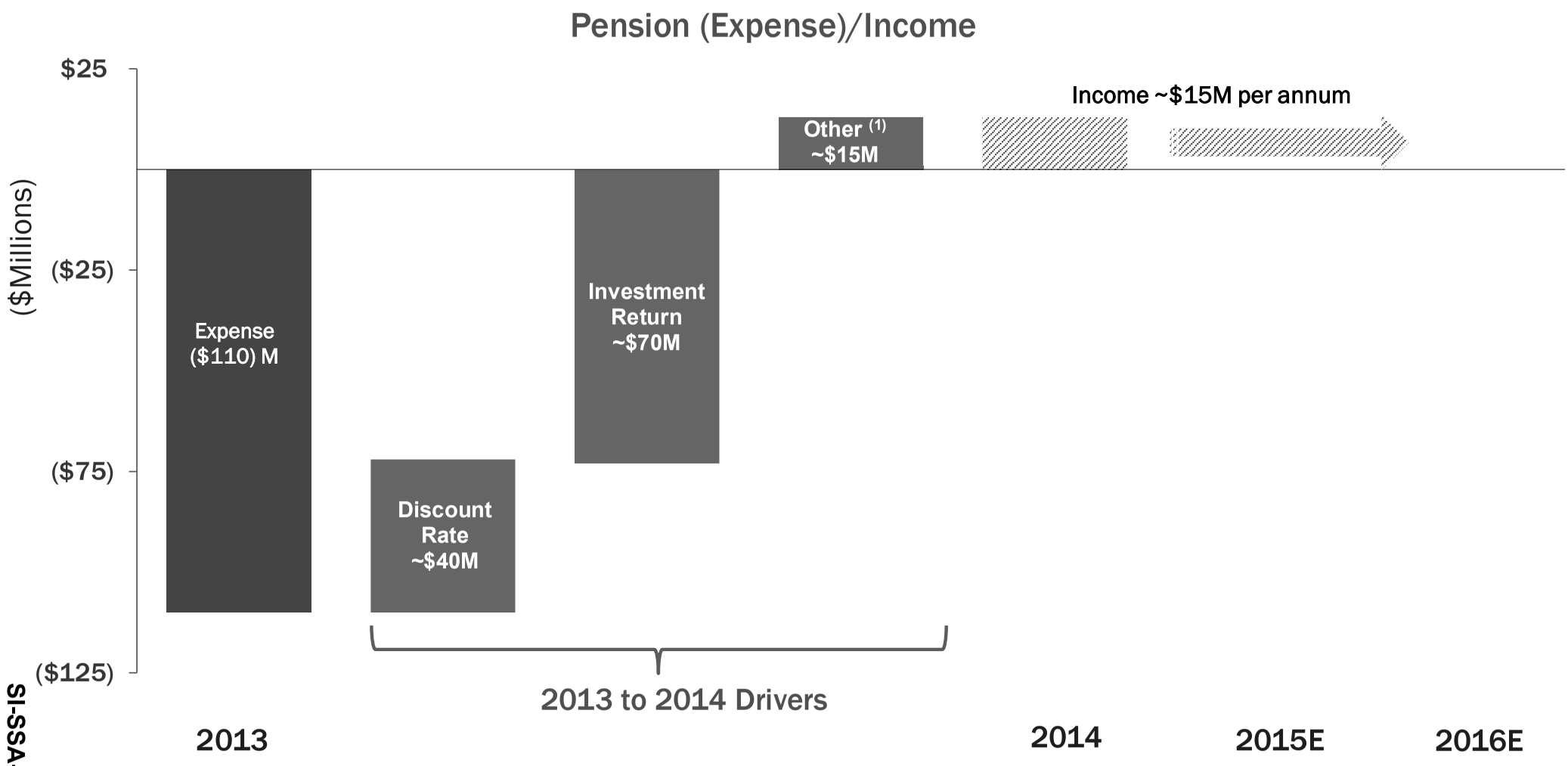
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%	Fully Funded Pension →	106%

SI-SSA-0015-10808

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-10809

PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

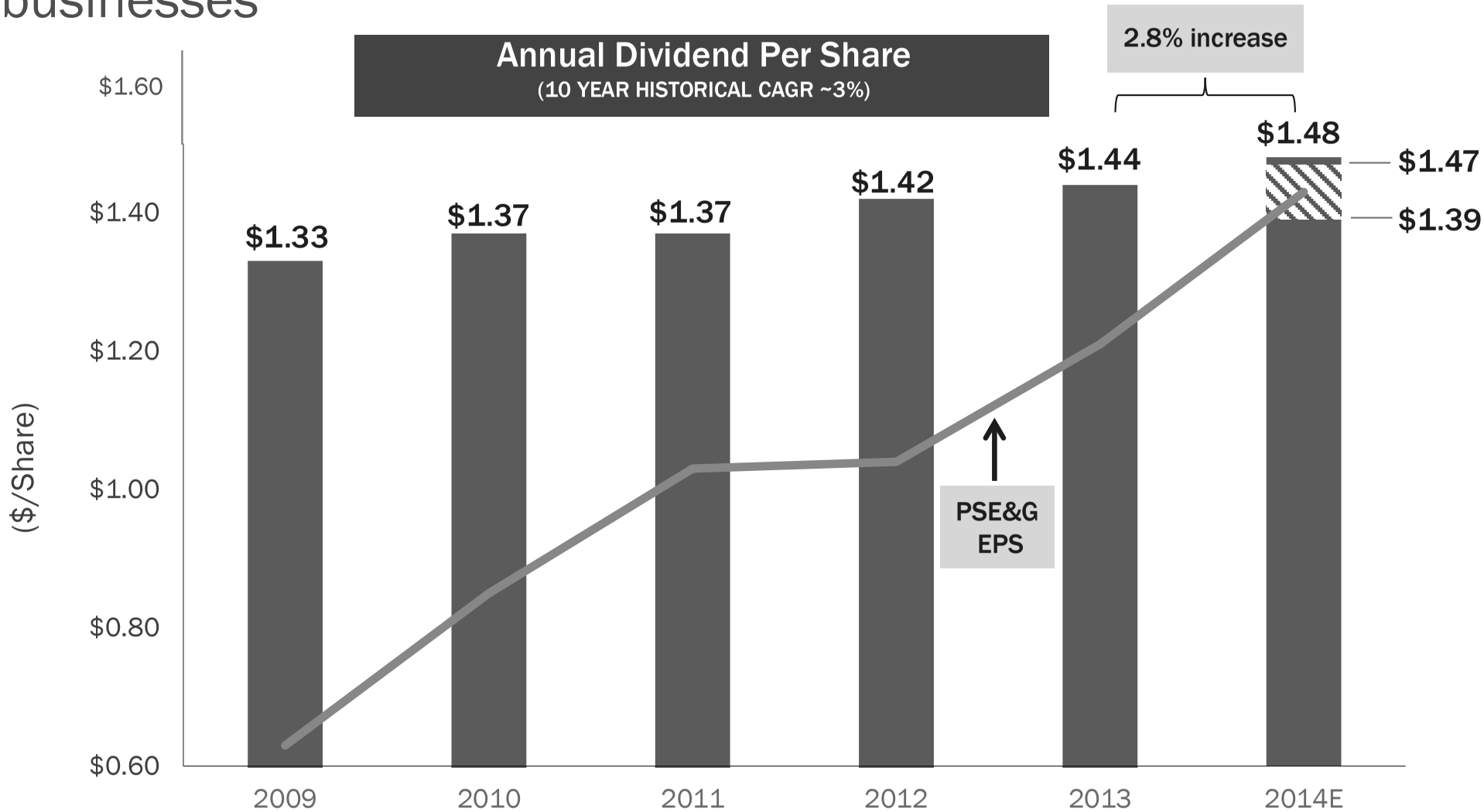
SI-SSA-0015-10810

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-10811

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-10812

PSEG Summary

- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

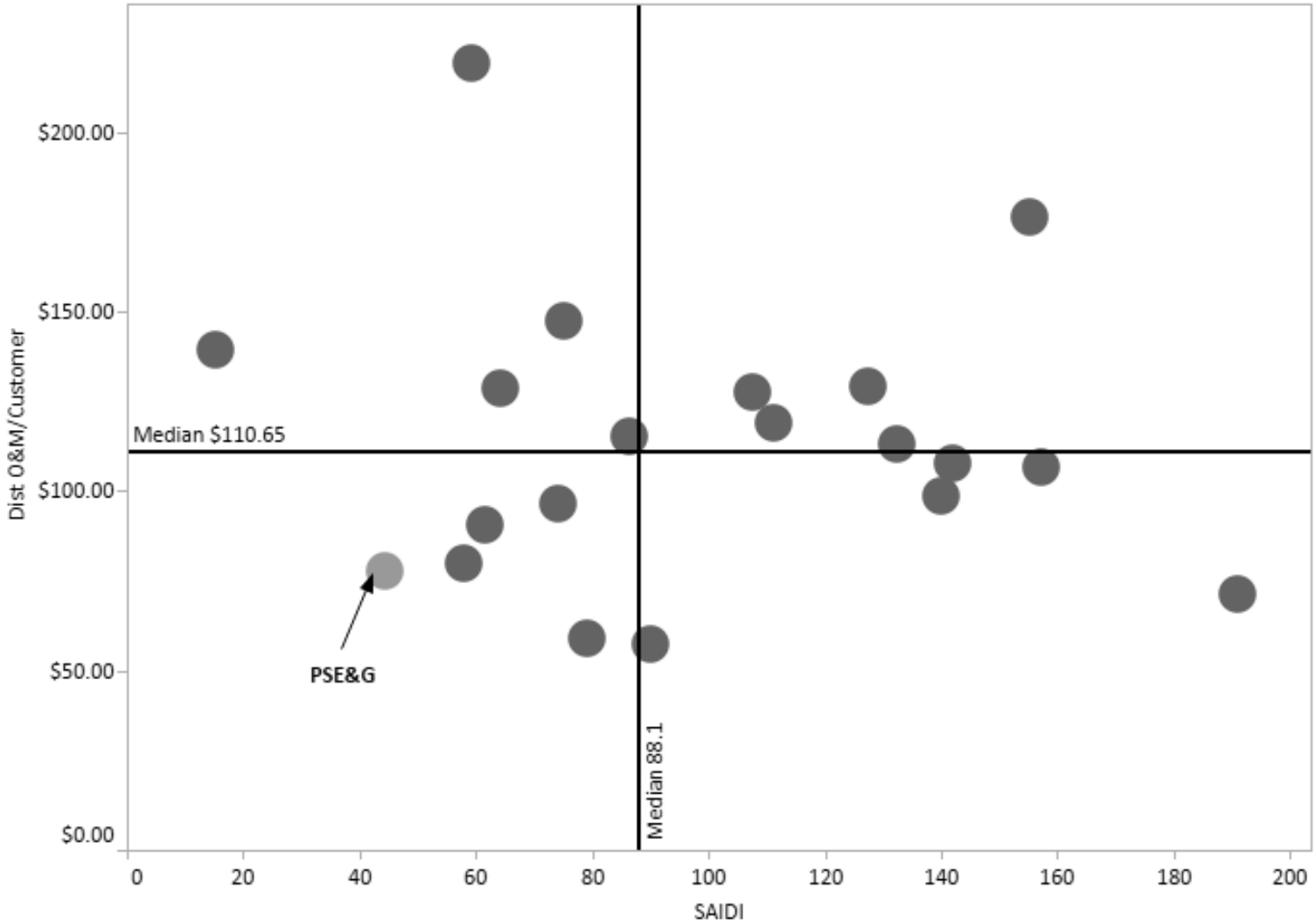
SI-SSA-0015-10813

PSE&G APPENDIX

SI-SSA-0015-10814

PSEG

PSE&G provides high reliability at below average cost which creates superior value to customers

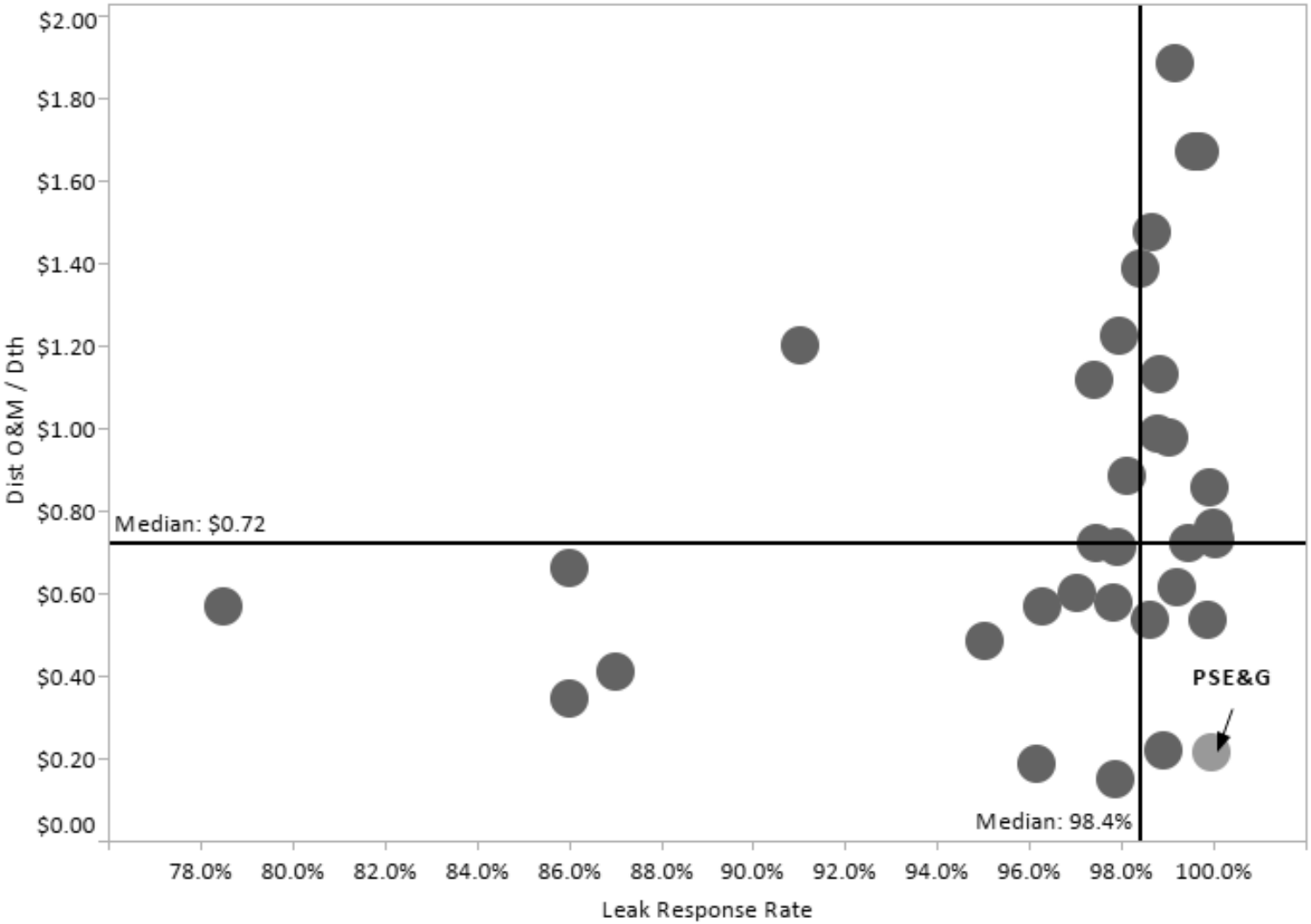


SI-SSA-0015-10815

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



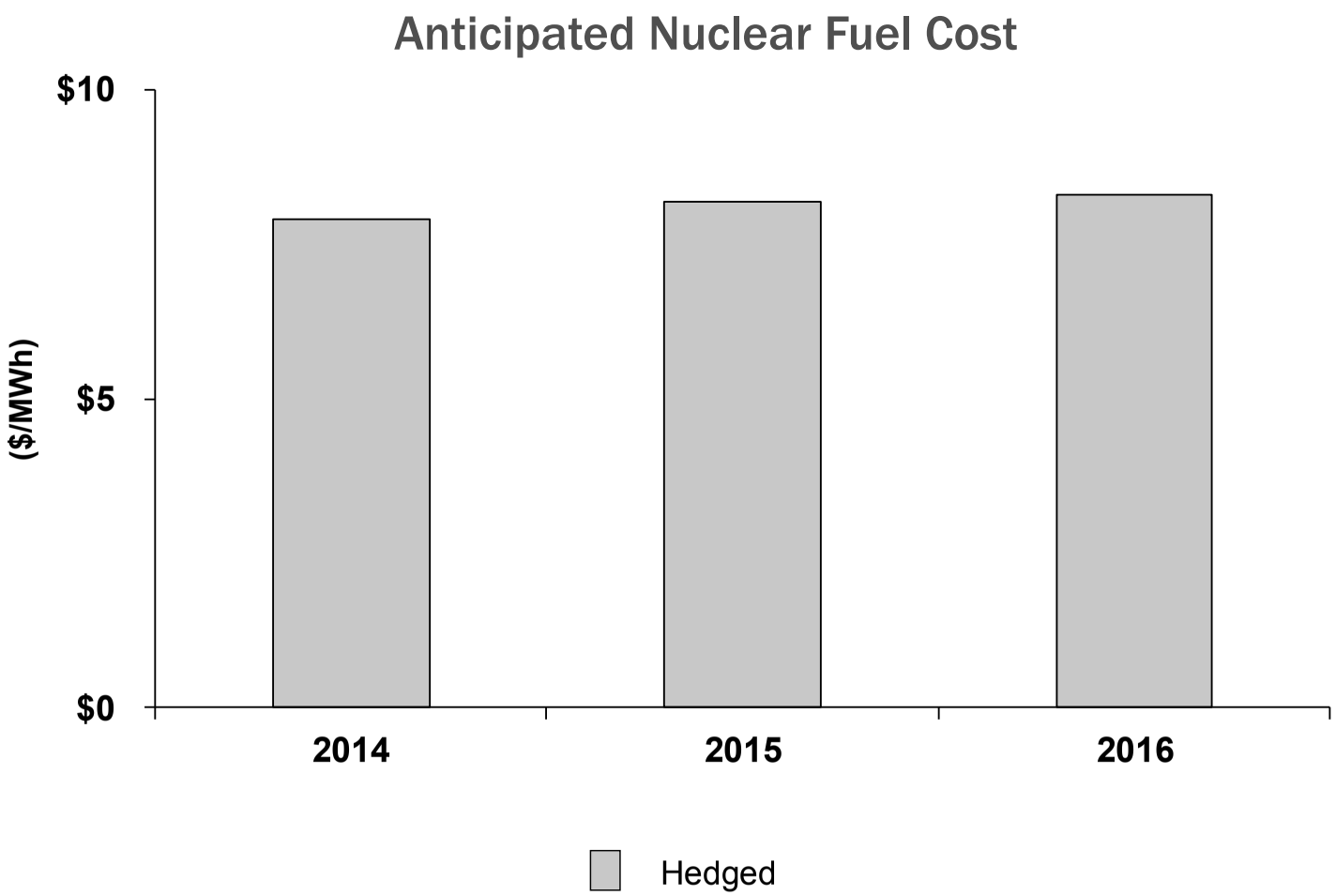
SI-SSA-0015-10816

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

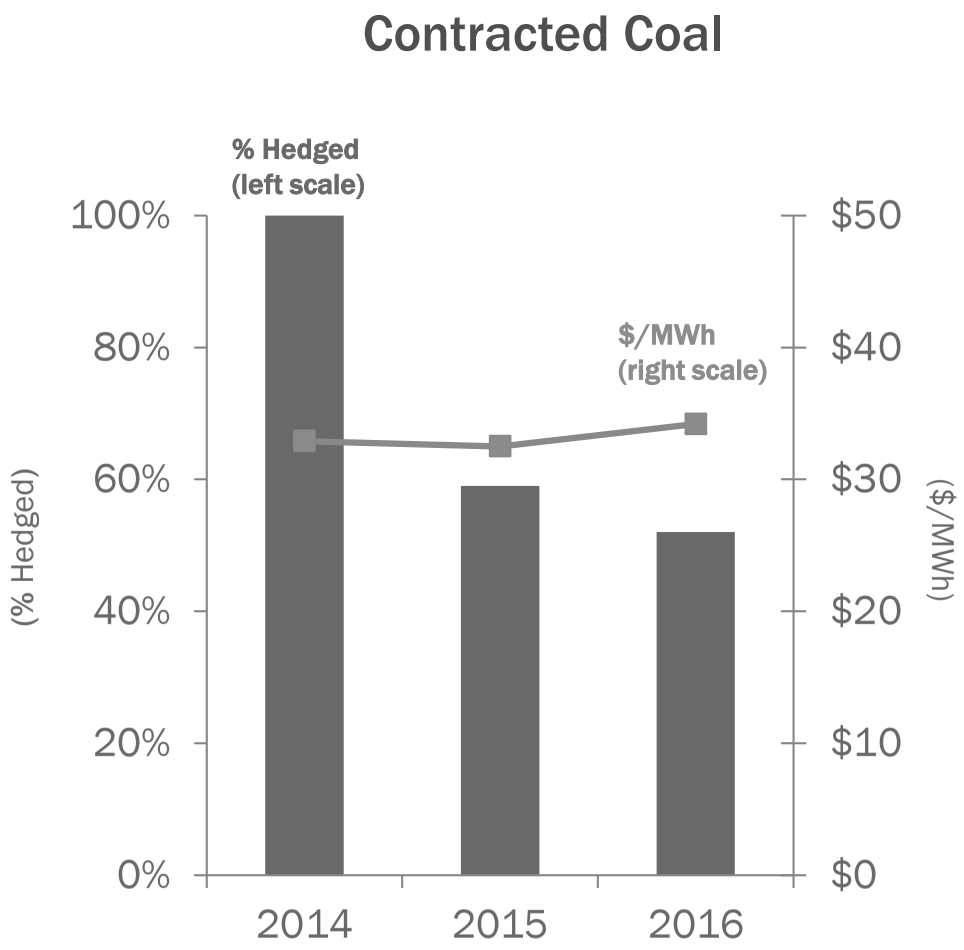
SI-SSA-0015-10817

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-10818

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-10819

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-10820

PSEG FINANCIAL APPENDIX

SI-SSA-0015-10821

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

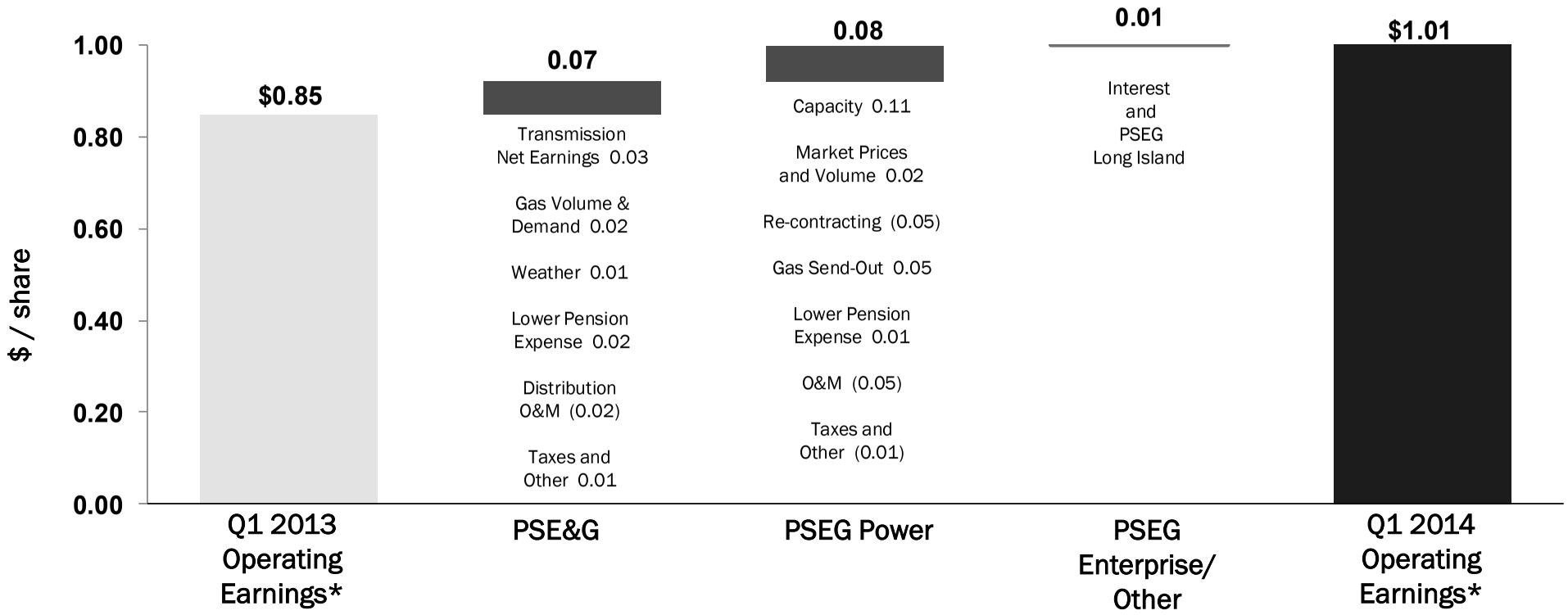
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-10822

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-10823

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

SI-SSA-0015-10824

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-10825

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-10826

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-10827

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a]Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

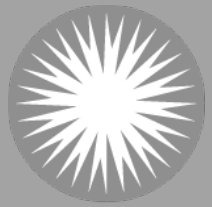
Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-10829

RBC Southeast Investor Meetings

AUGUST 2-3, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-10830

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-10831

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

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

SI-SSA-0015-10832

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-10833

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-10834

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-10835

* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-10836

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-10837

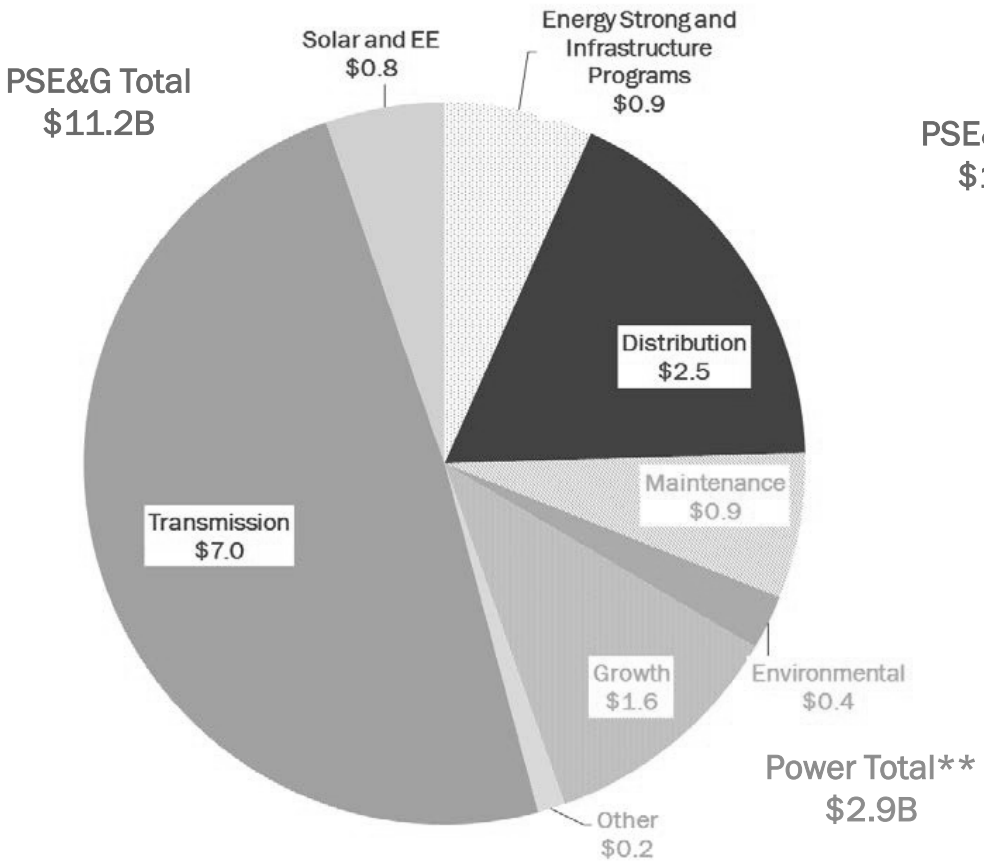
PSEG

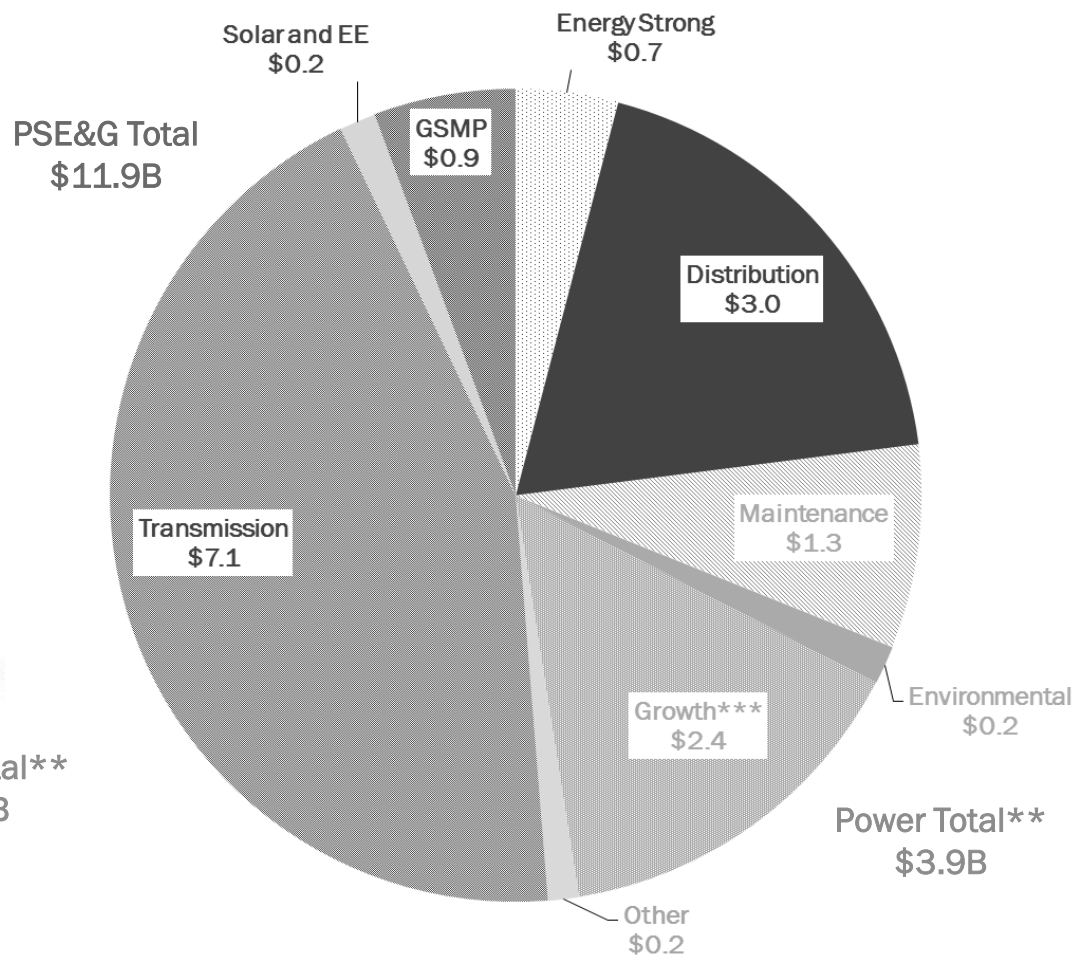
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-10838

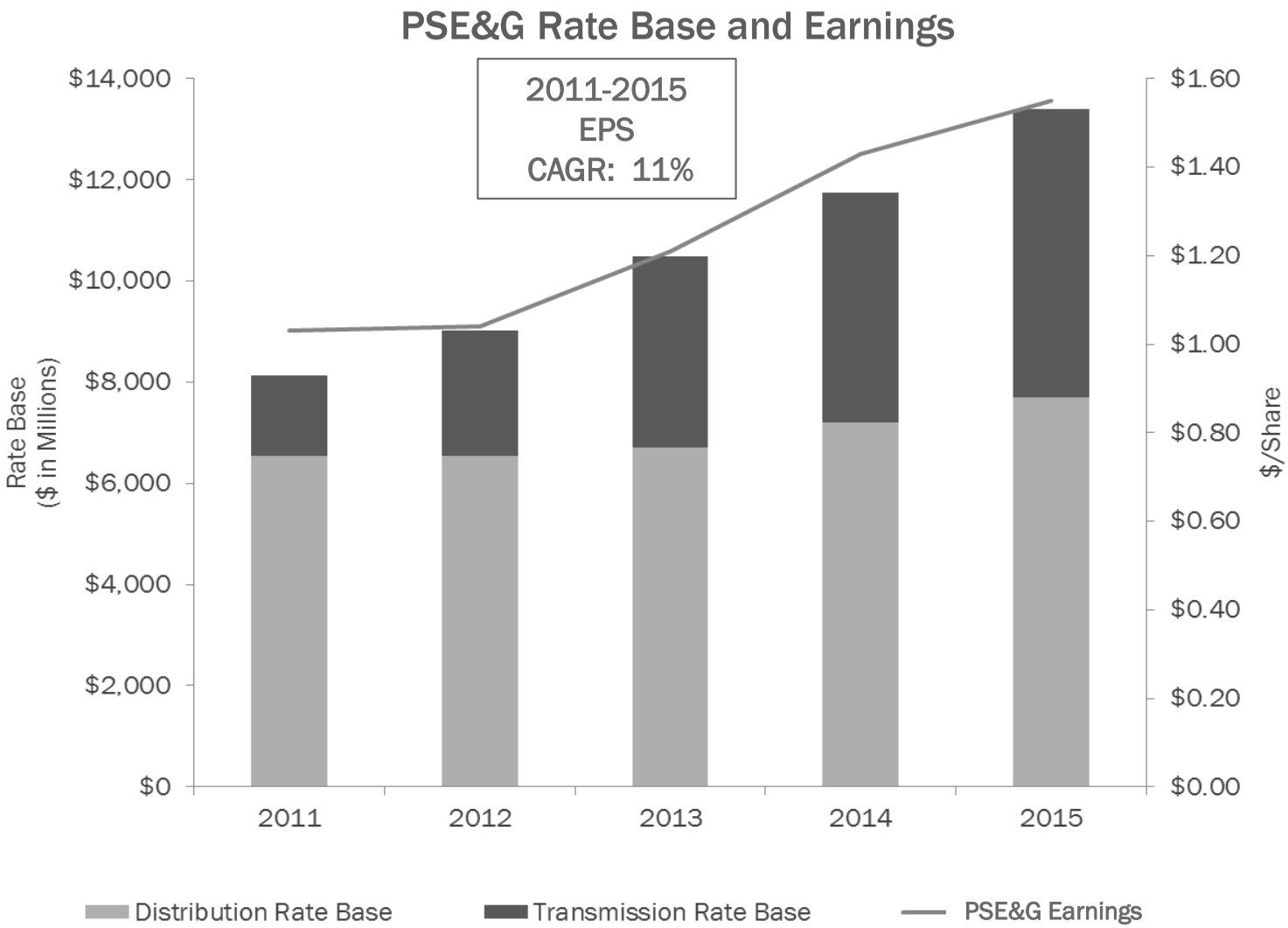
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-10839

PSE&G's investment program

Meeting public policy goals and customer needs



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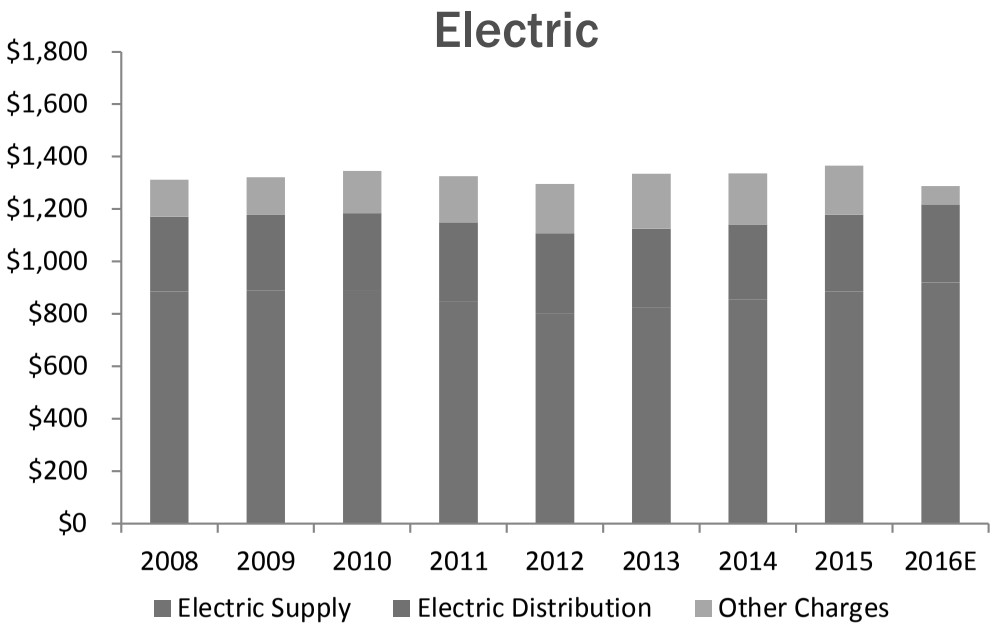
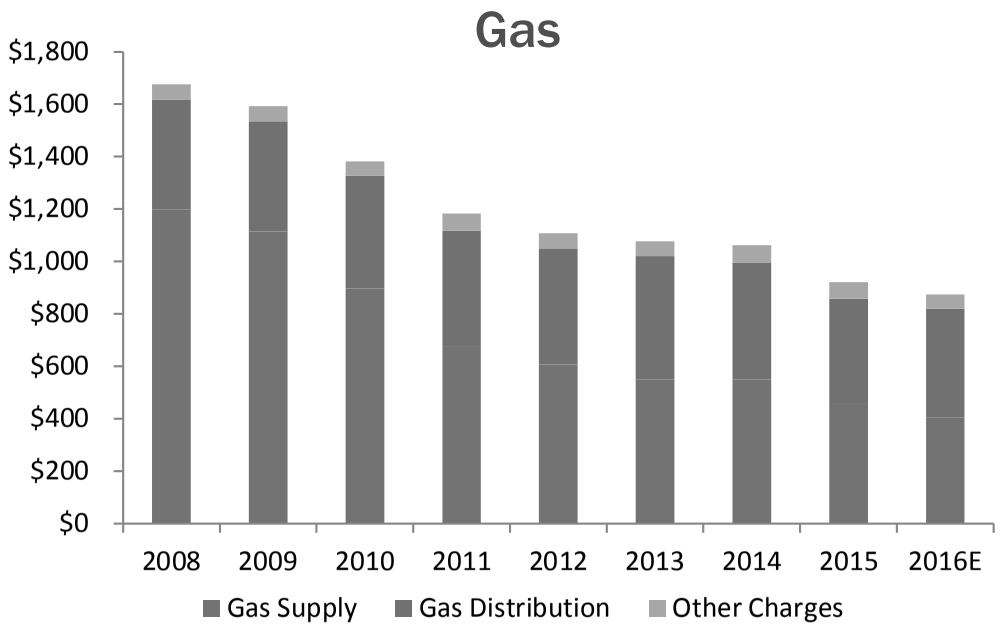
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-10841

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

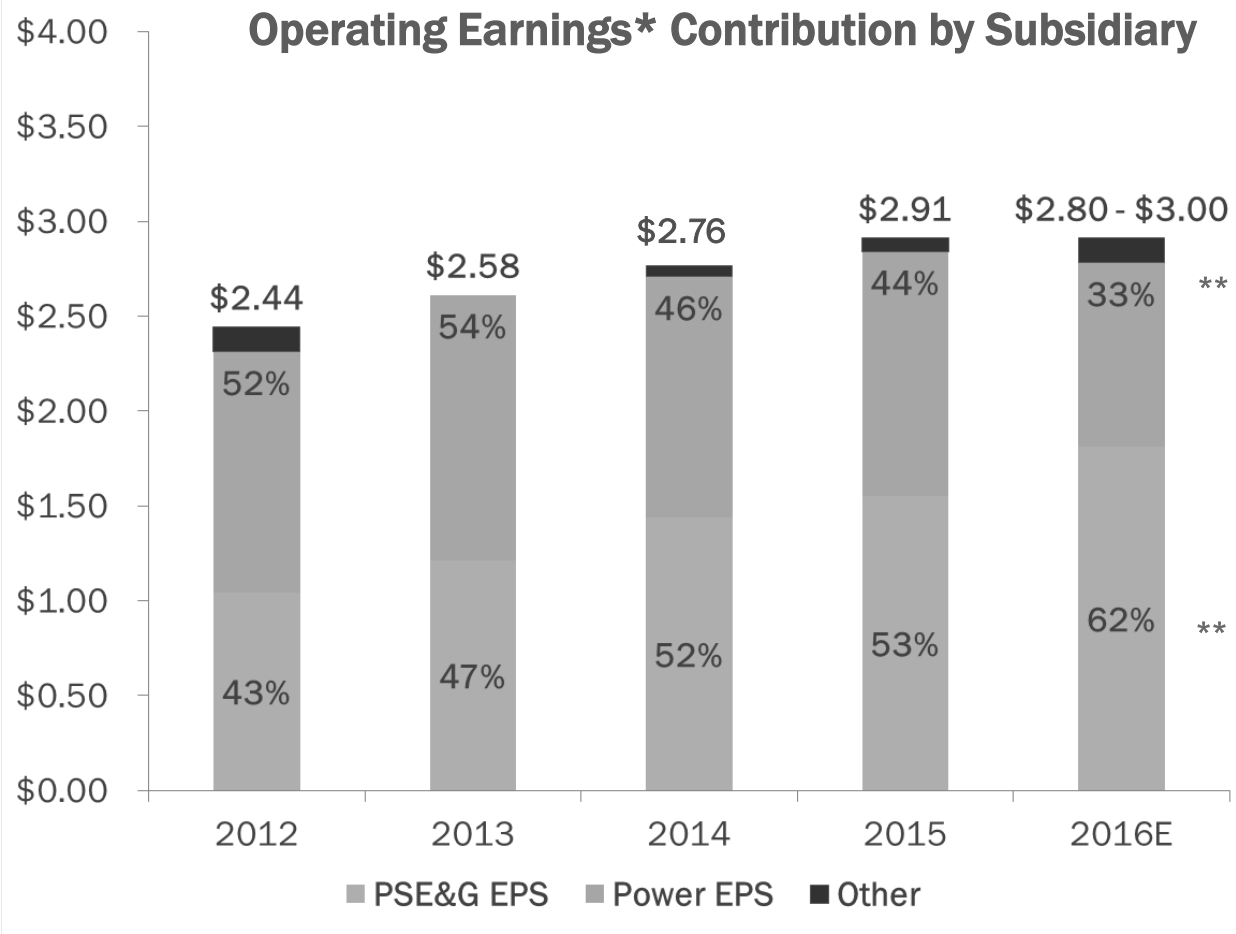
SI-SSA-0015-10842

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

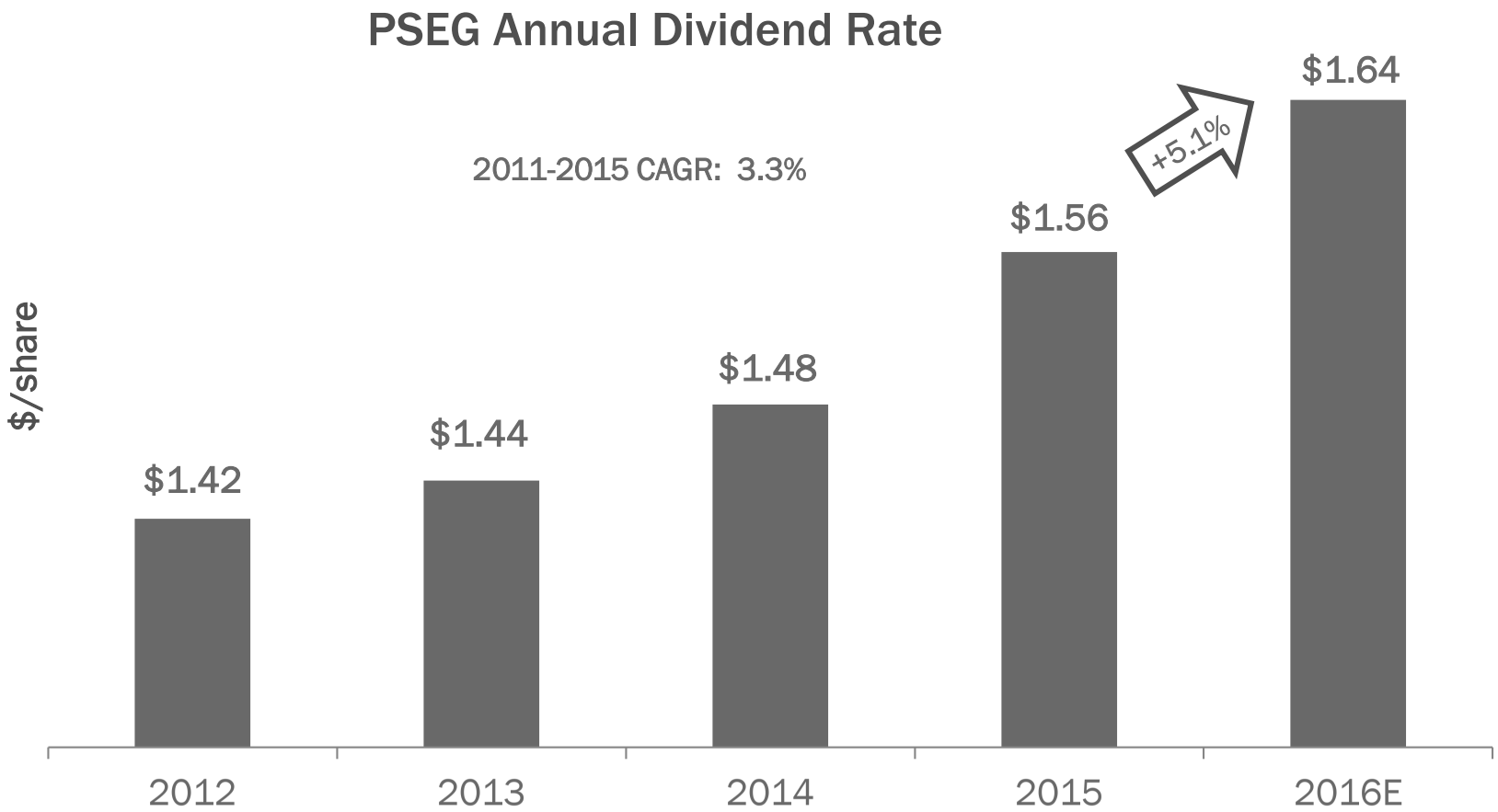
SI-SSA-0015-10843

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-10844

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G

- **Operational excellence and cost control**
- **Capital program execution** – Transmission, Energy Strong and GSMP program
- **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island

- **Continue execution** – Achievement of performance metrics

SI-SSA-0015-10845

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-10846

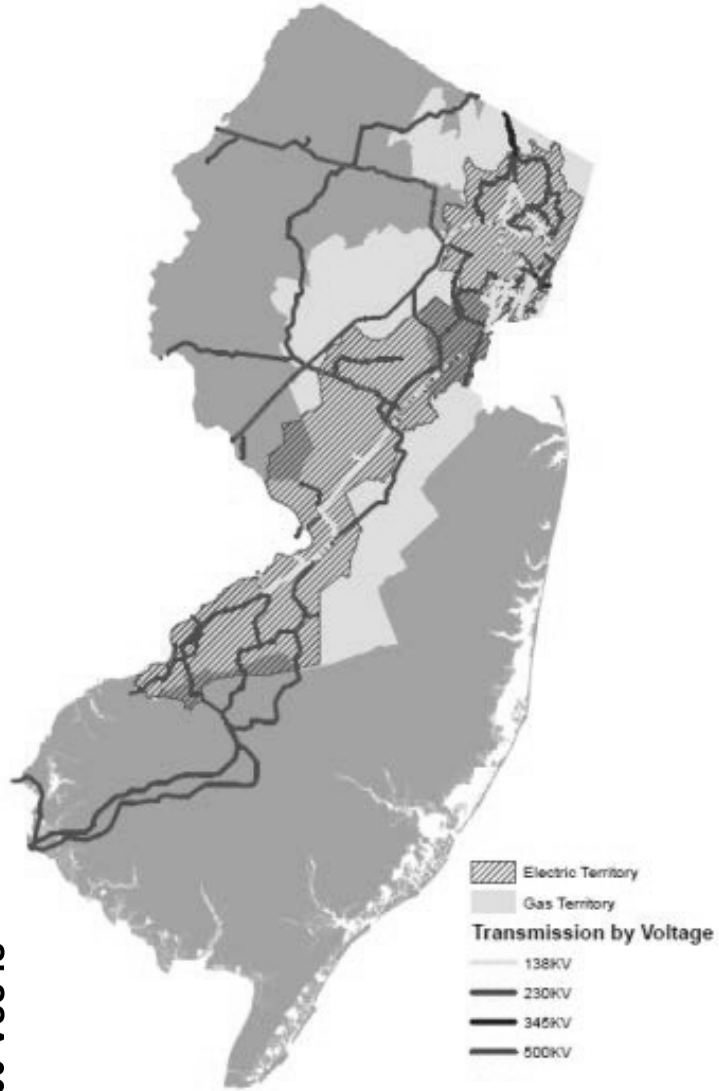
PSE&G

SI-SSA-0015-10847

PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-10848

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-10849

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

SI-SSA-0015-10850

PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-10851

Operational Excellence

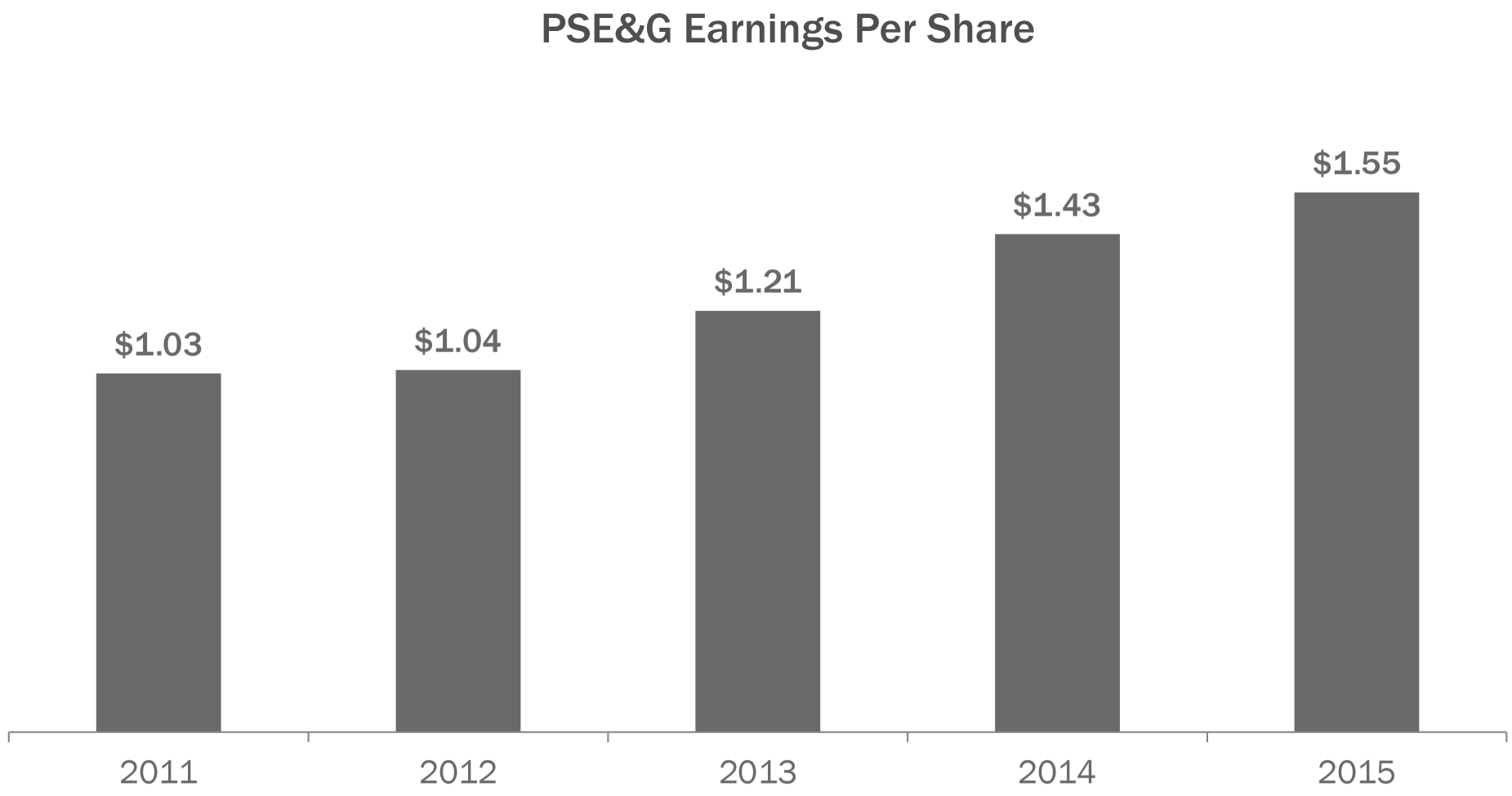
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-10852

Achieved ~11% annual earnings growth

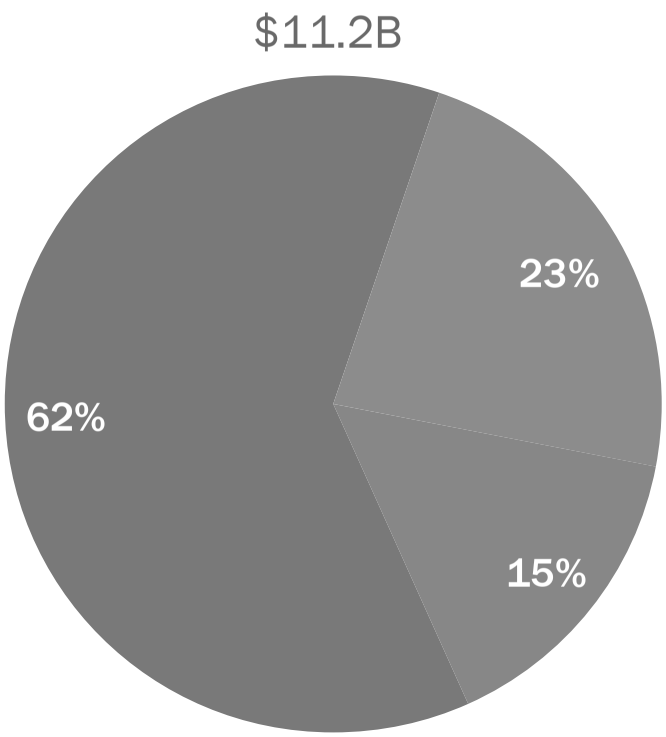
over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



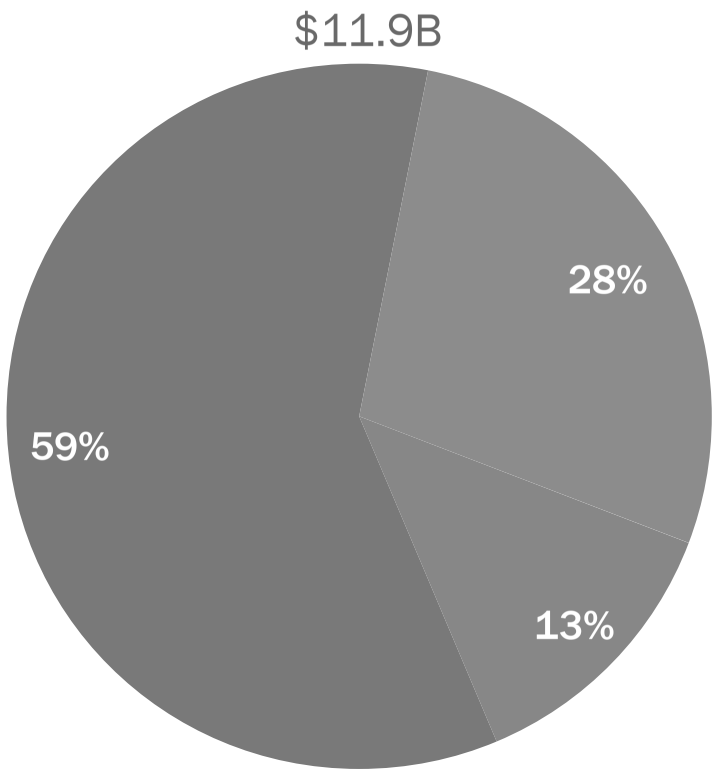
SI-SSA-0015-10853

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-10854

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

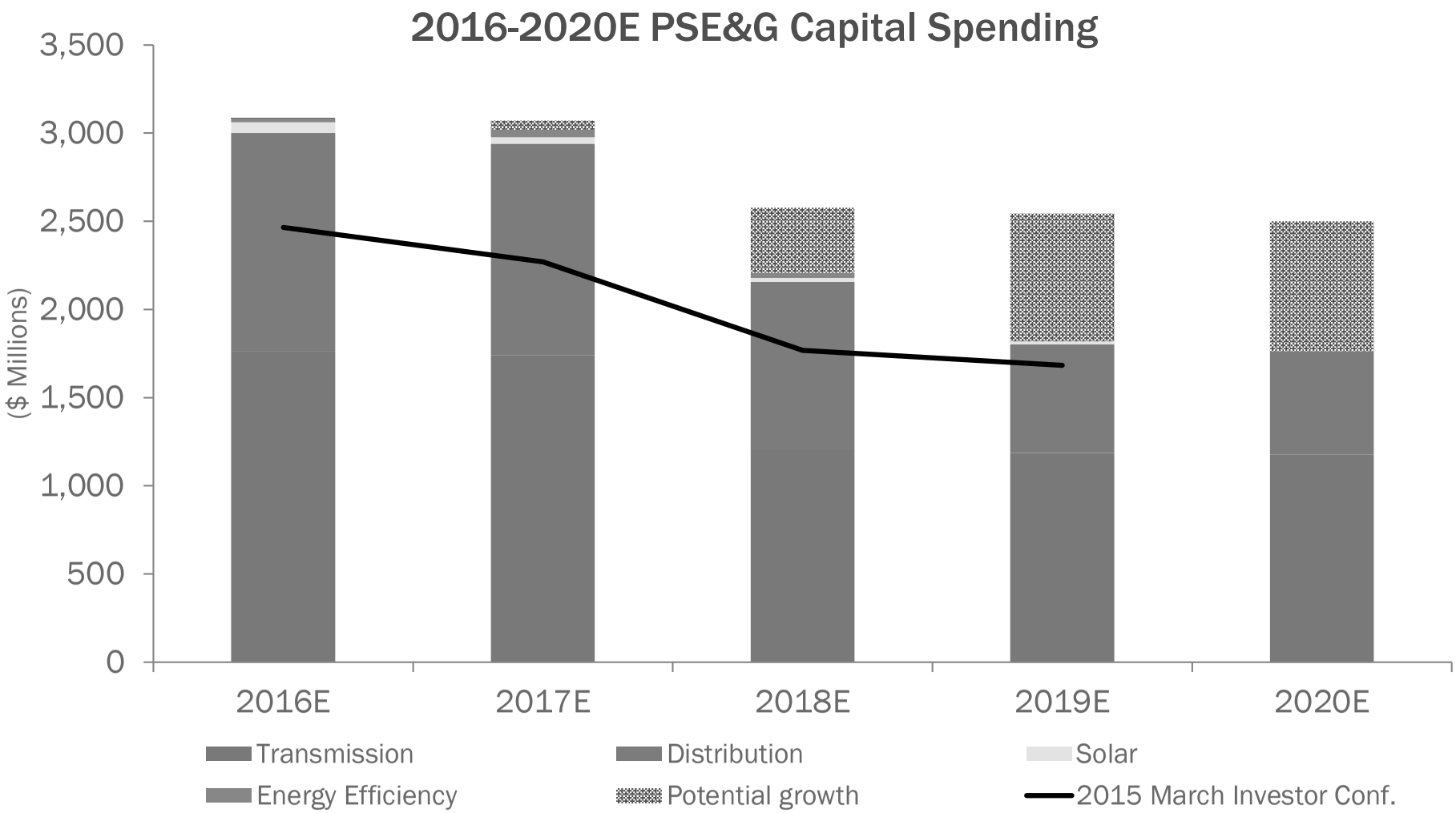
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-10855

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-10856

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

*CURRENTLY APPROVED ROE.

SI-SSA-0015-10857

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-10858

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-10859

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-10860

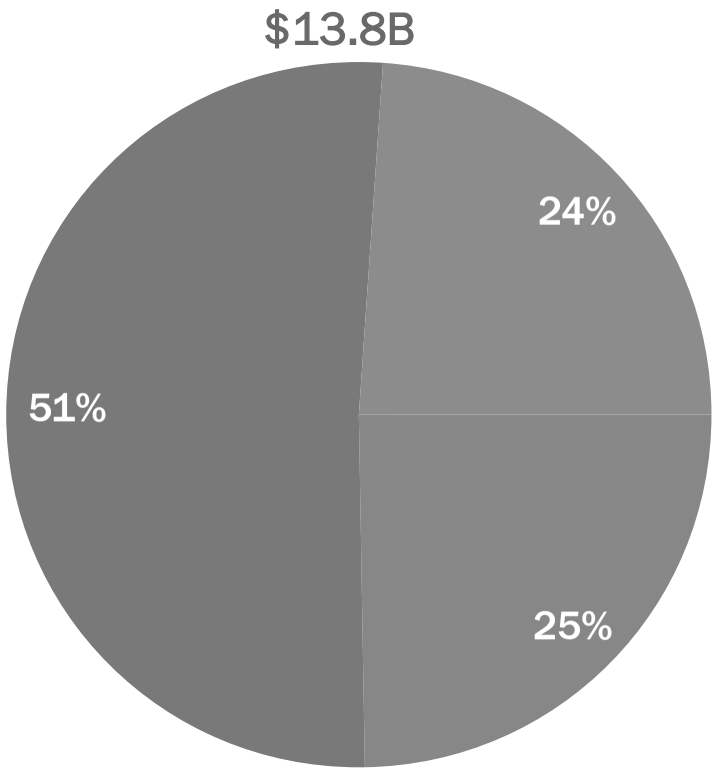
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-10861

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

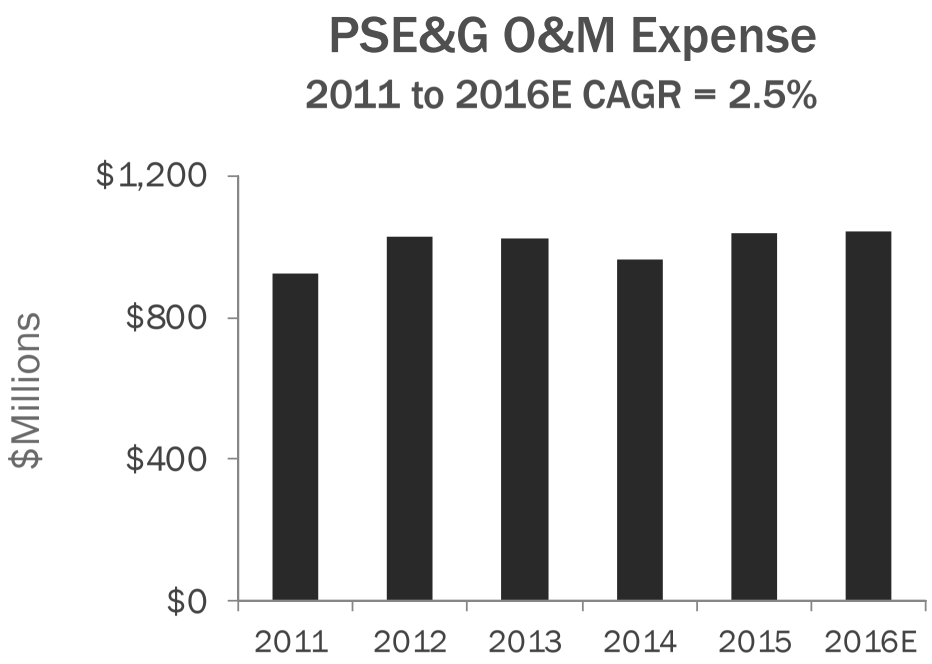
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-10862

Demonstrated ability to control O&M and plan to drive future efficiencies



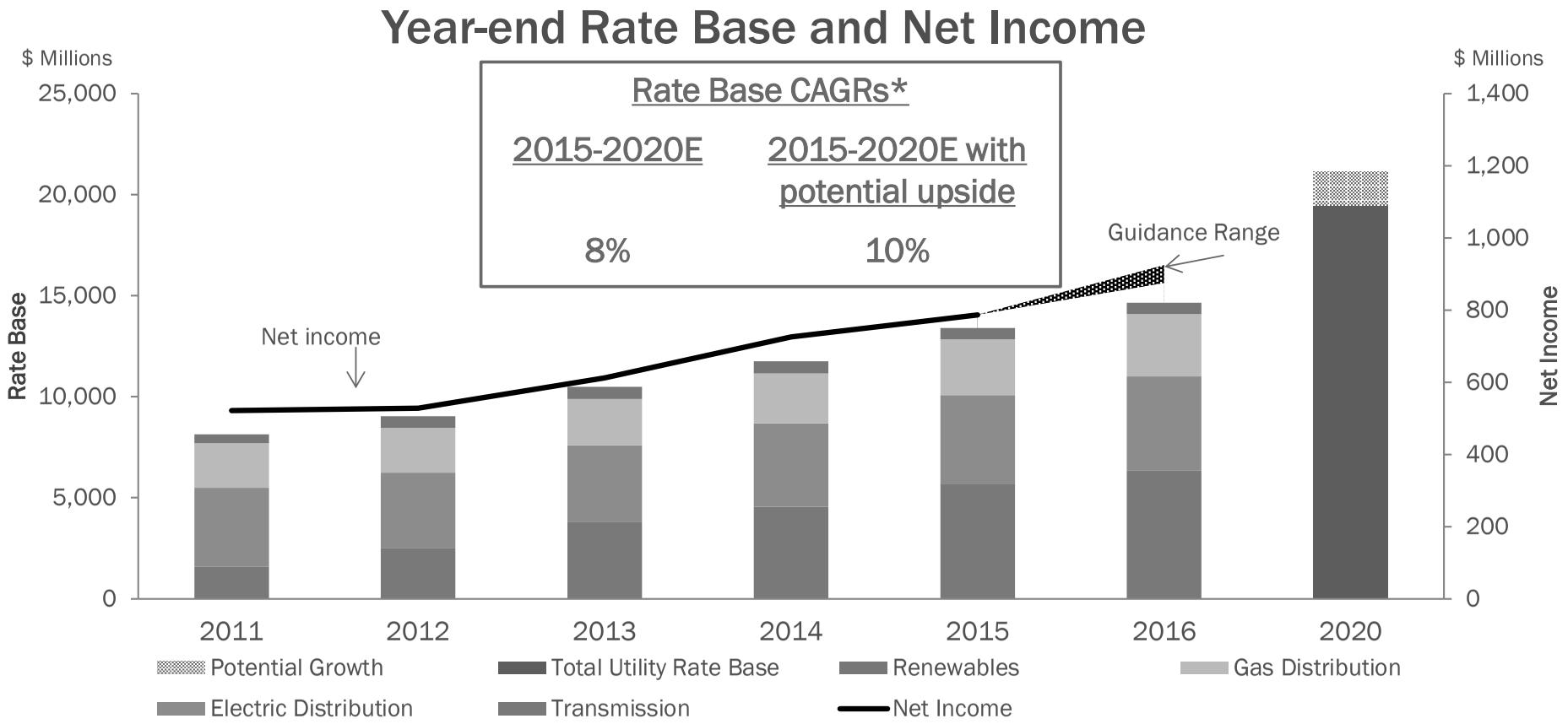
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-10863

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

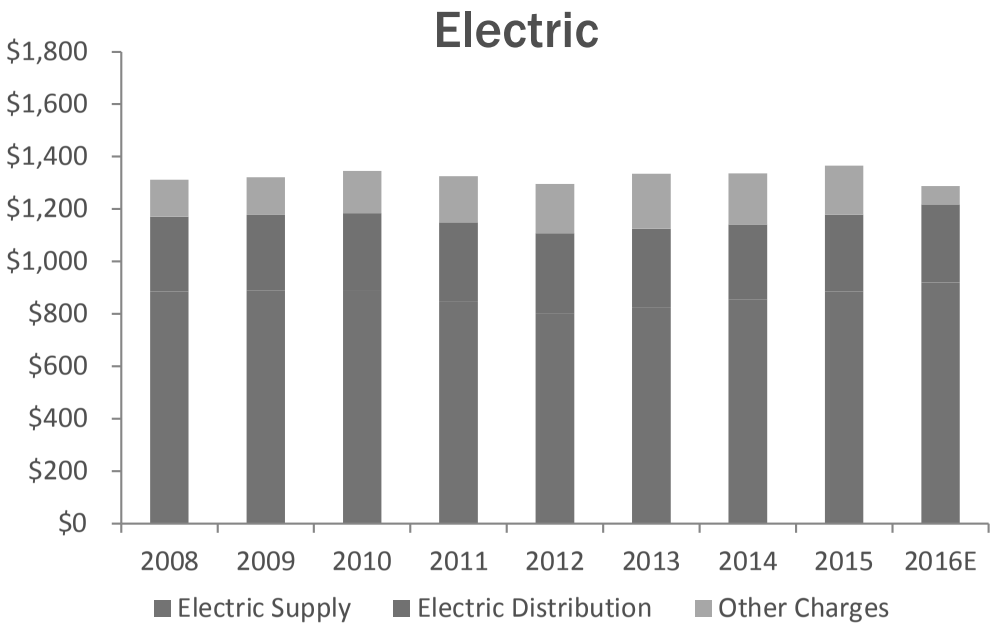
SI-SSA-0015-10864

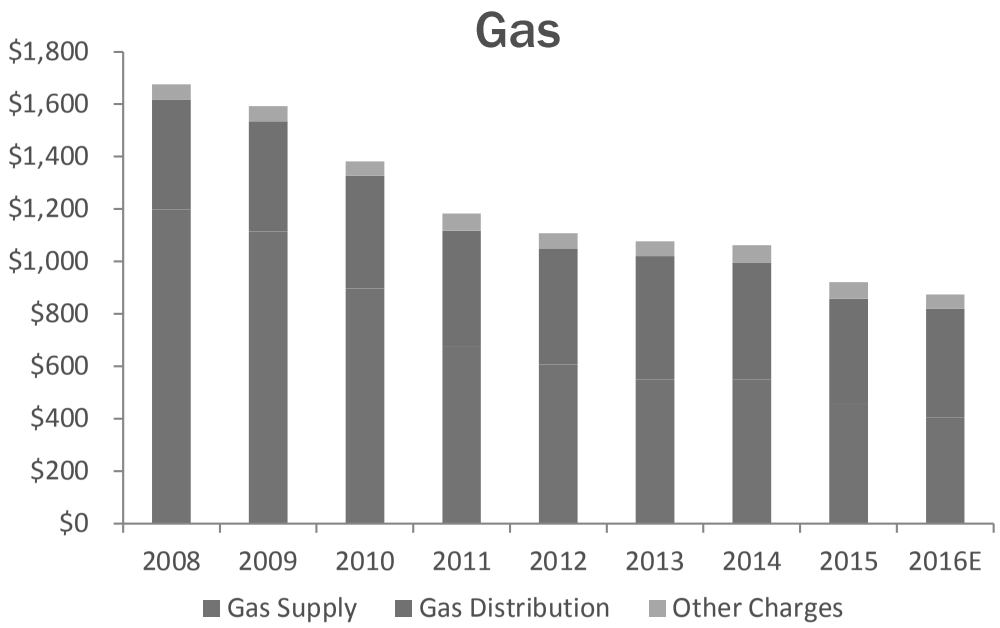
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





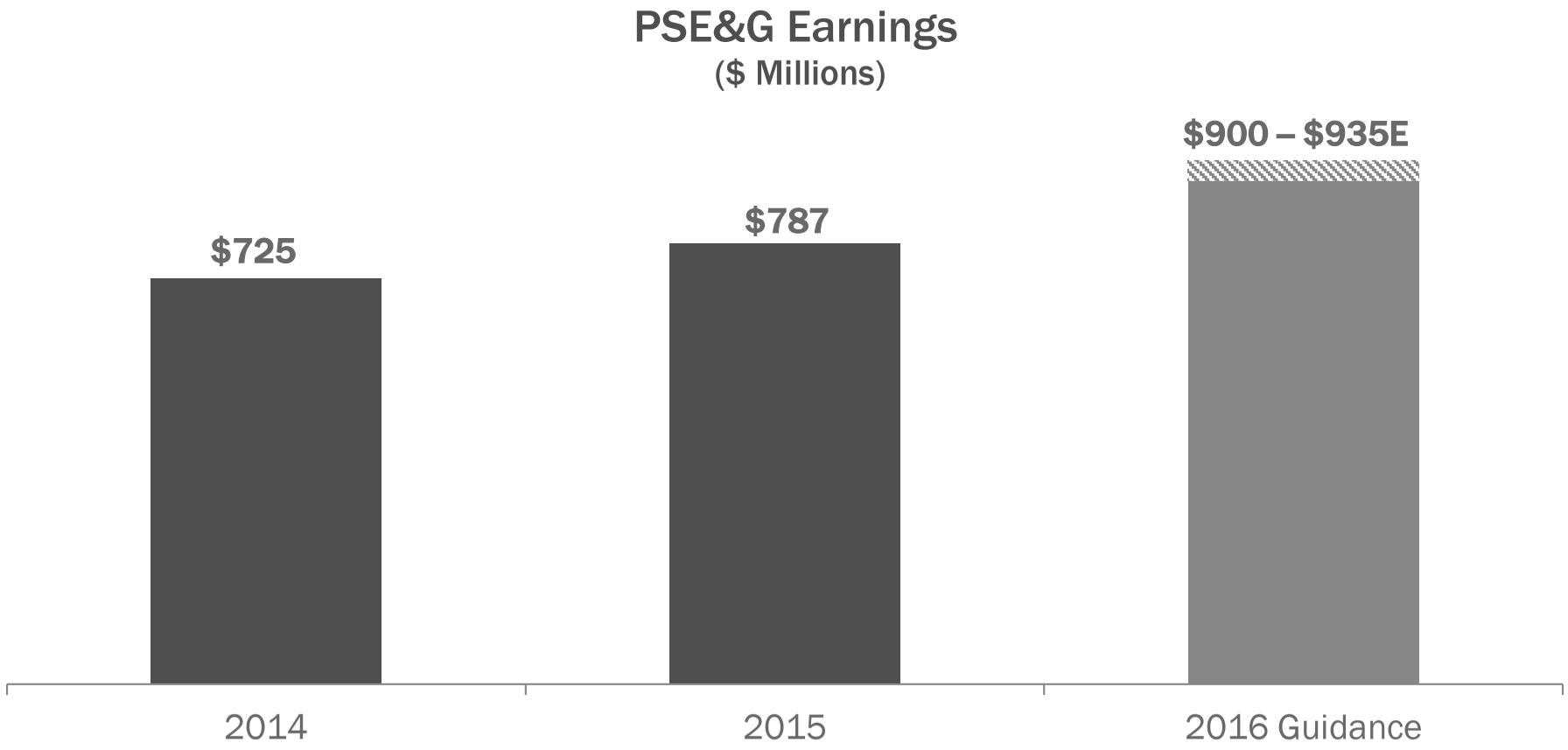
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-10865

PSEG

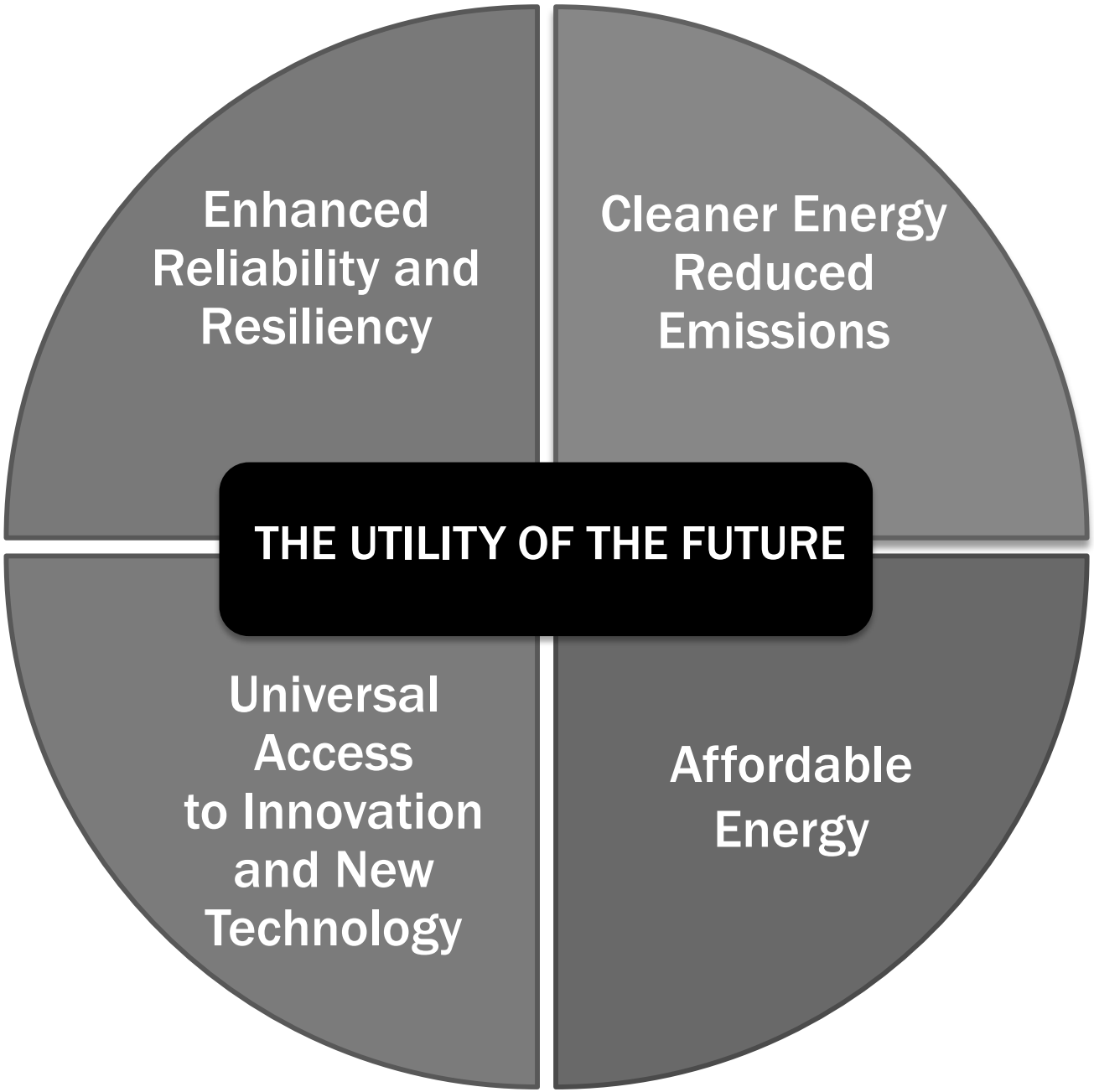
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



SI-SSA-0015-10866

E =ESTIMATE. UPDATED AS OF JULY 29, 2016,



SI-SSA-0015-10867

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-10868

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-10869

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

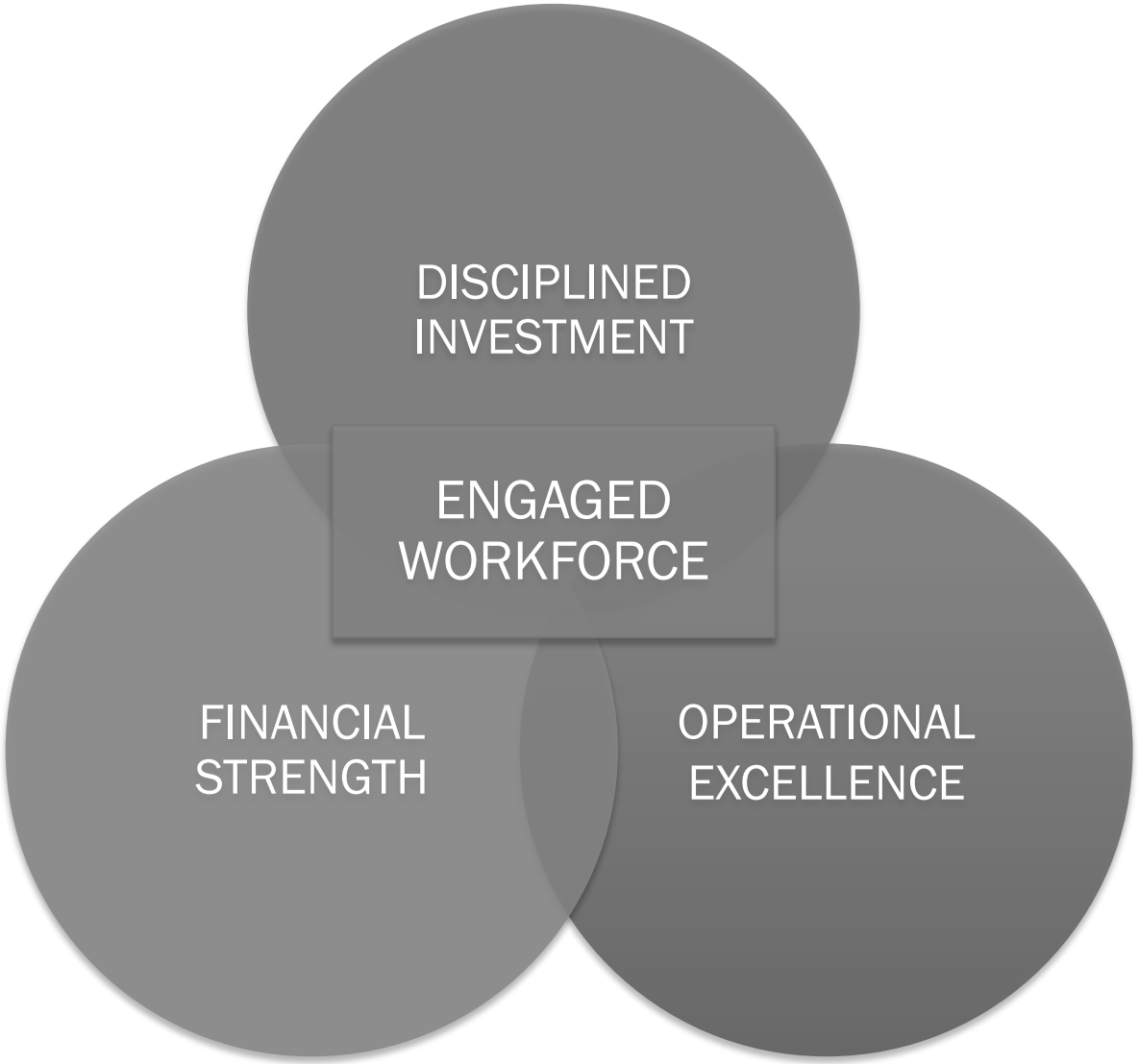
SI-SSA-0015-10870

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-10871

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

SI-SSA-0015-10872

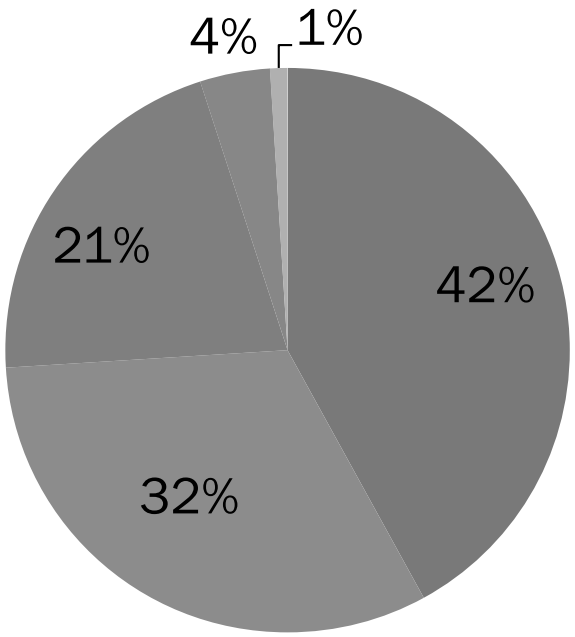
PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

2015 Actual

Fuel Diversity*

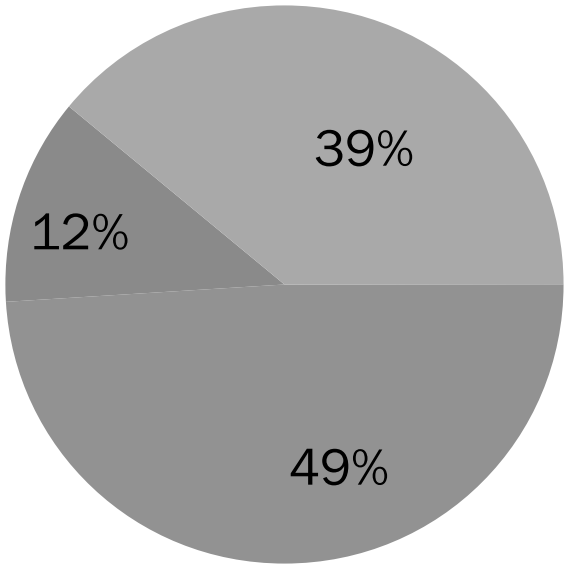
Total MW: 11,678



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

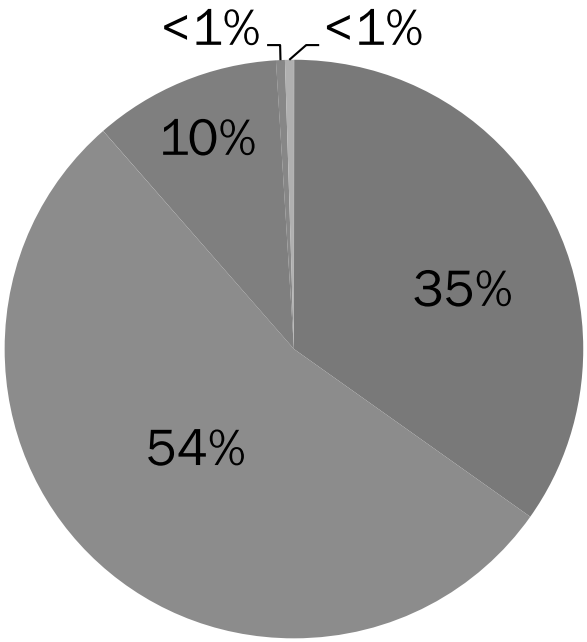
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 55,213



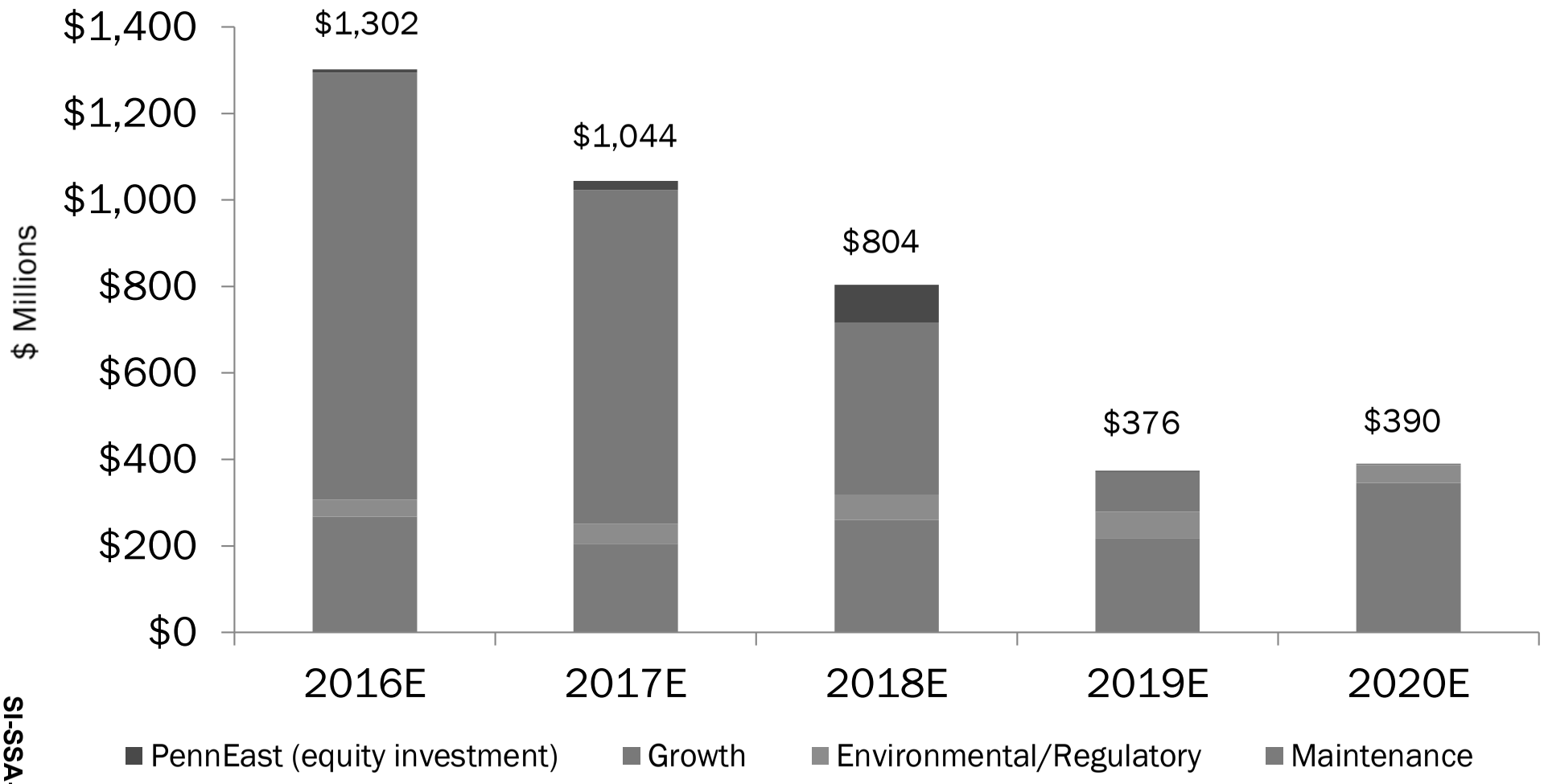
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

* EXCLUDES SOLAR AND KALAELOA.

**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-10873

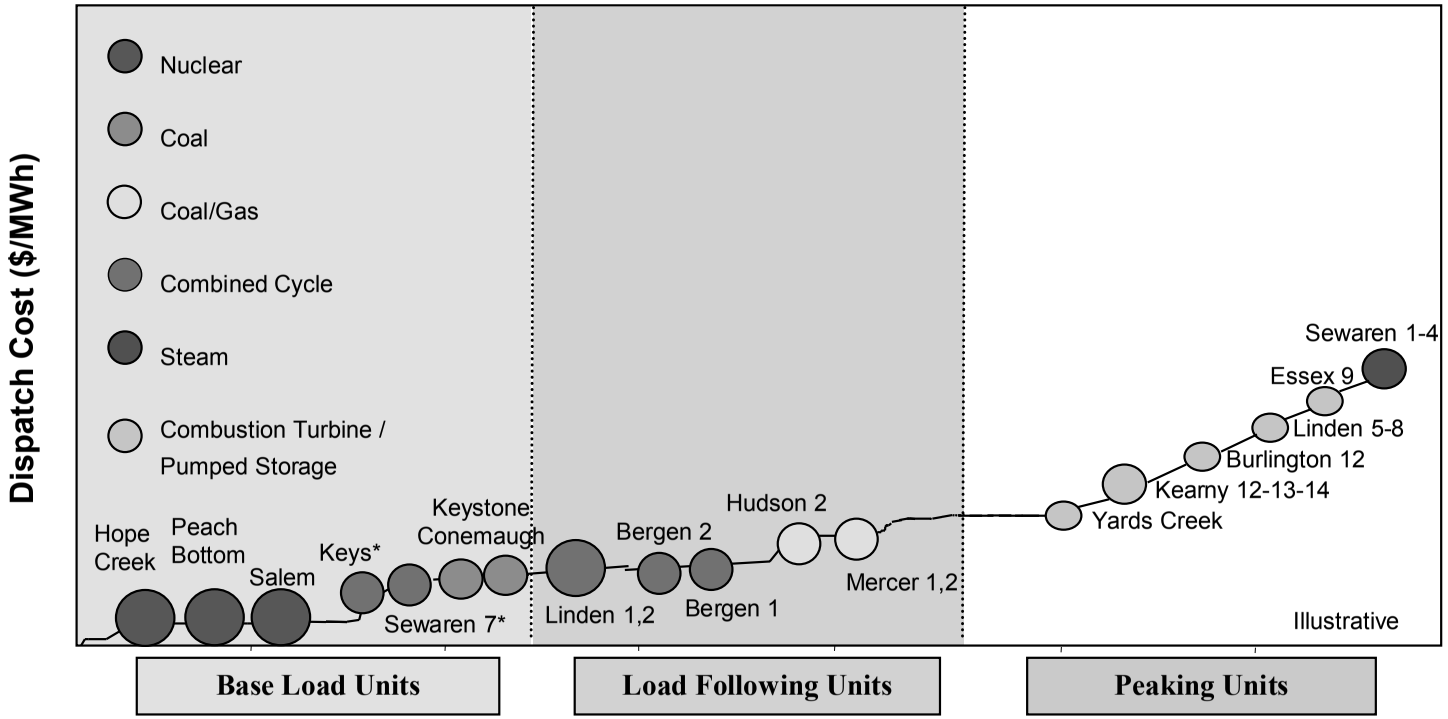
Power investing $2 billion of capital in new capacity



SI-SSA-0015-10874

E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

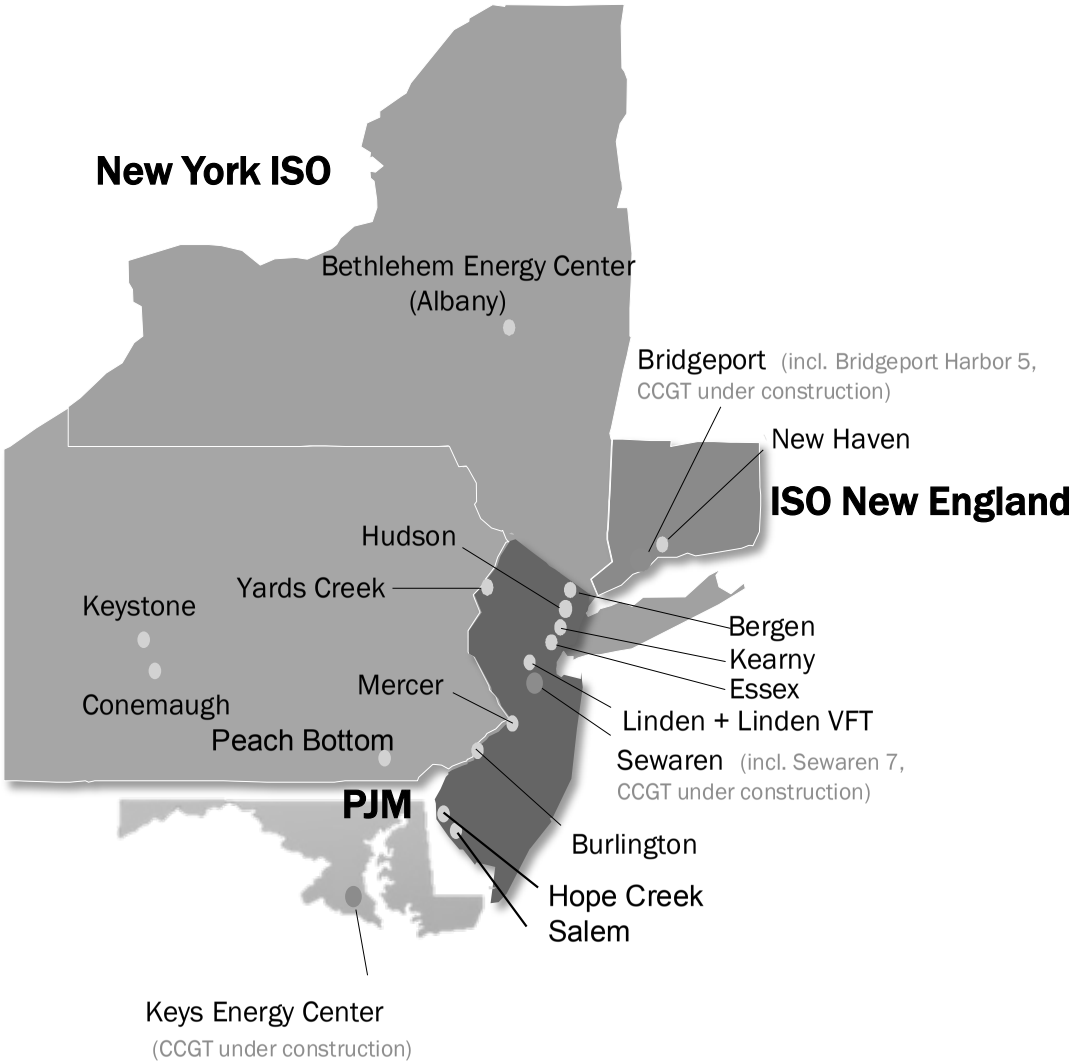
SI-SSA-0015-10875

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

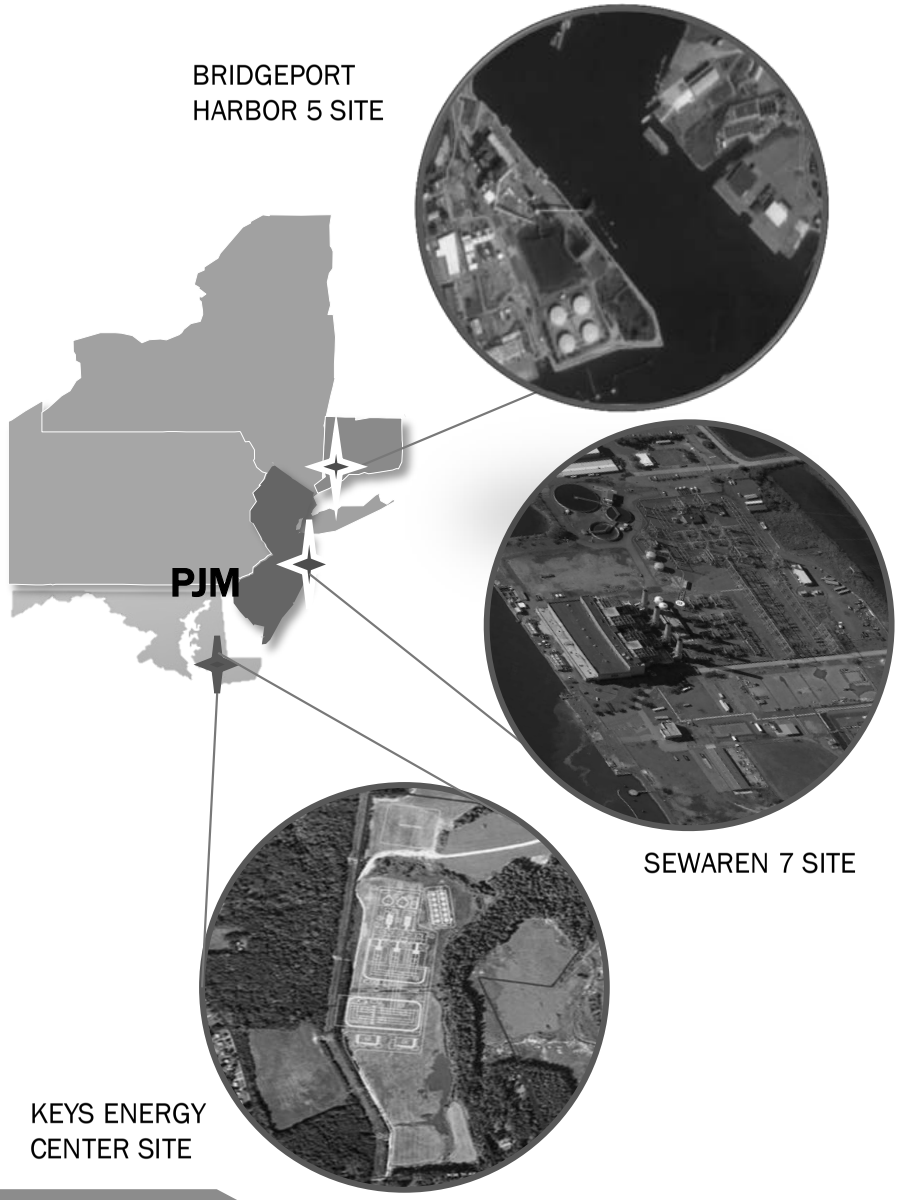
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-10876

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



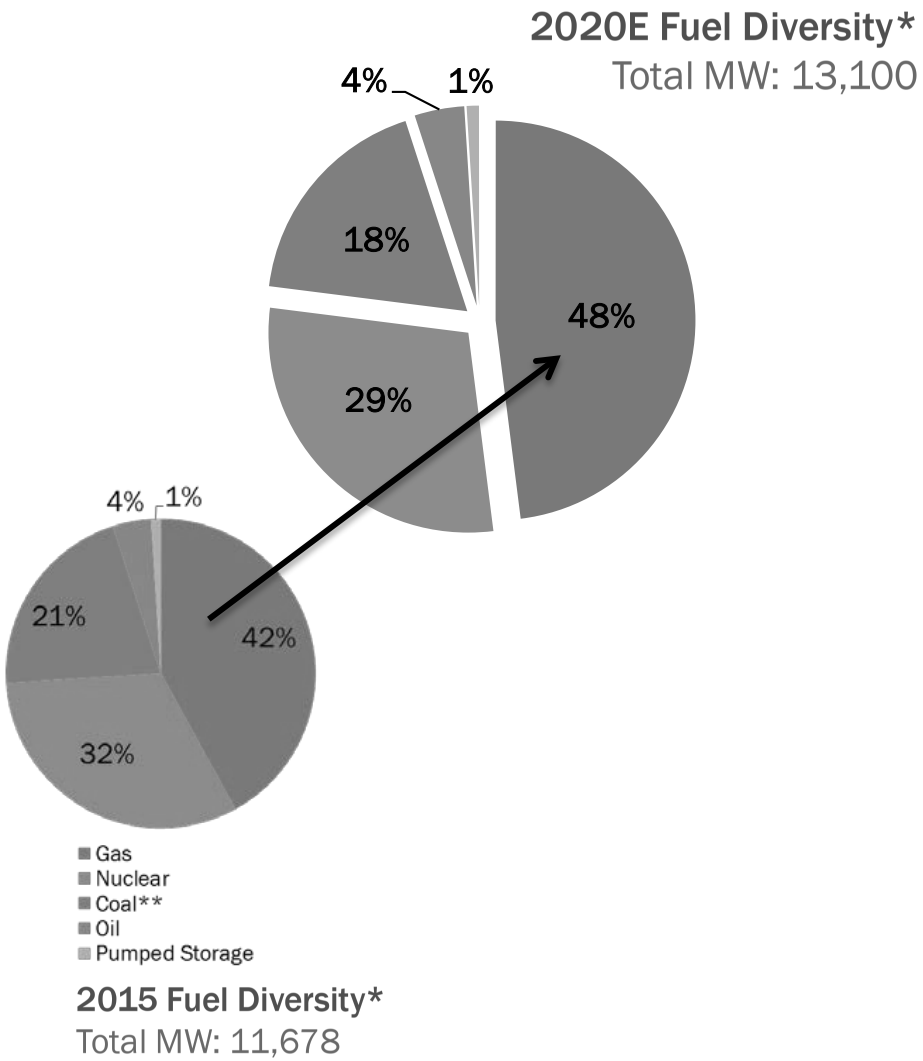
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

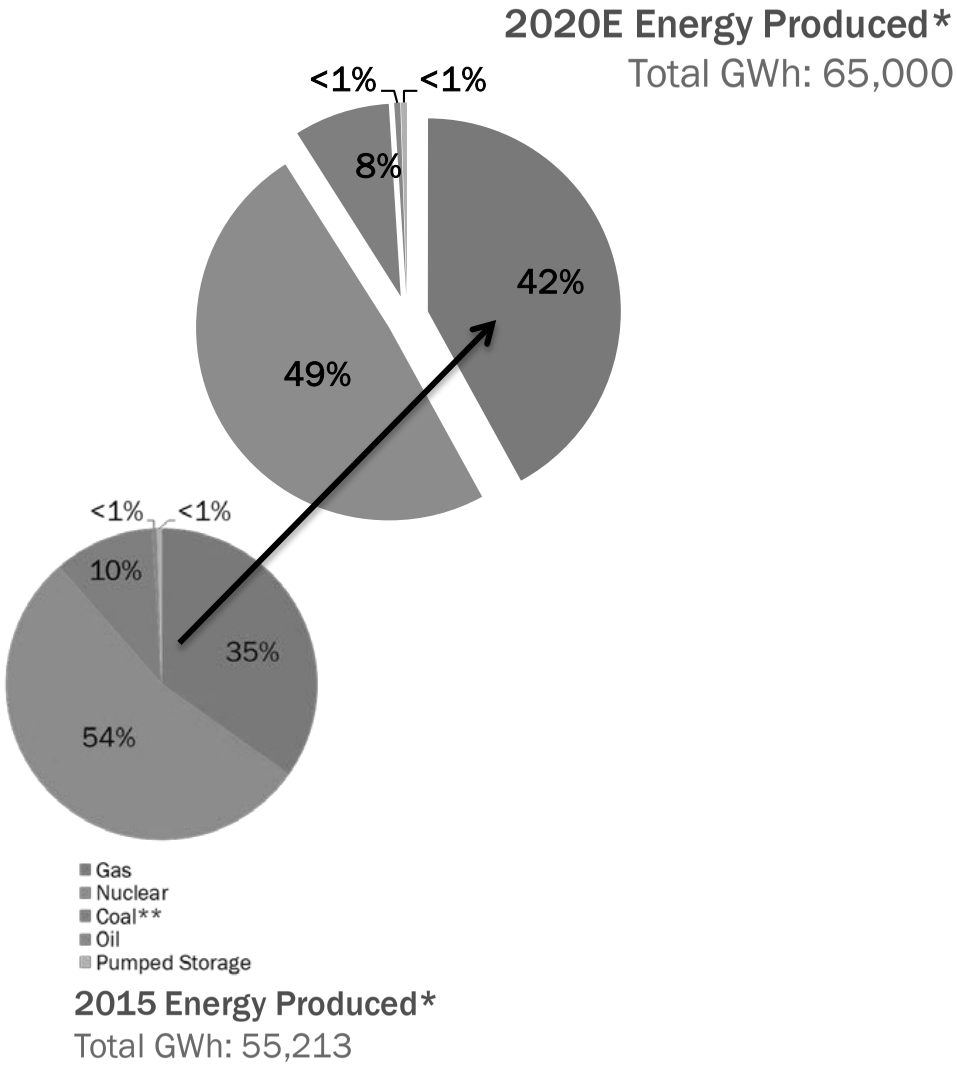
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-10877

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

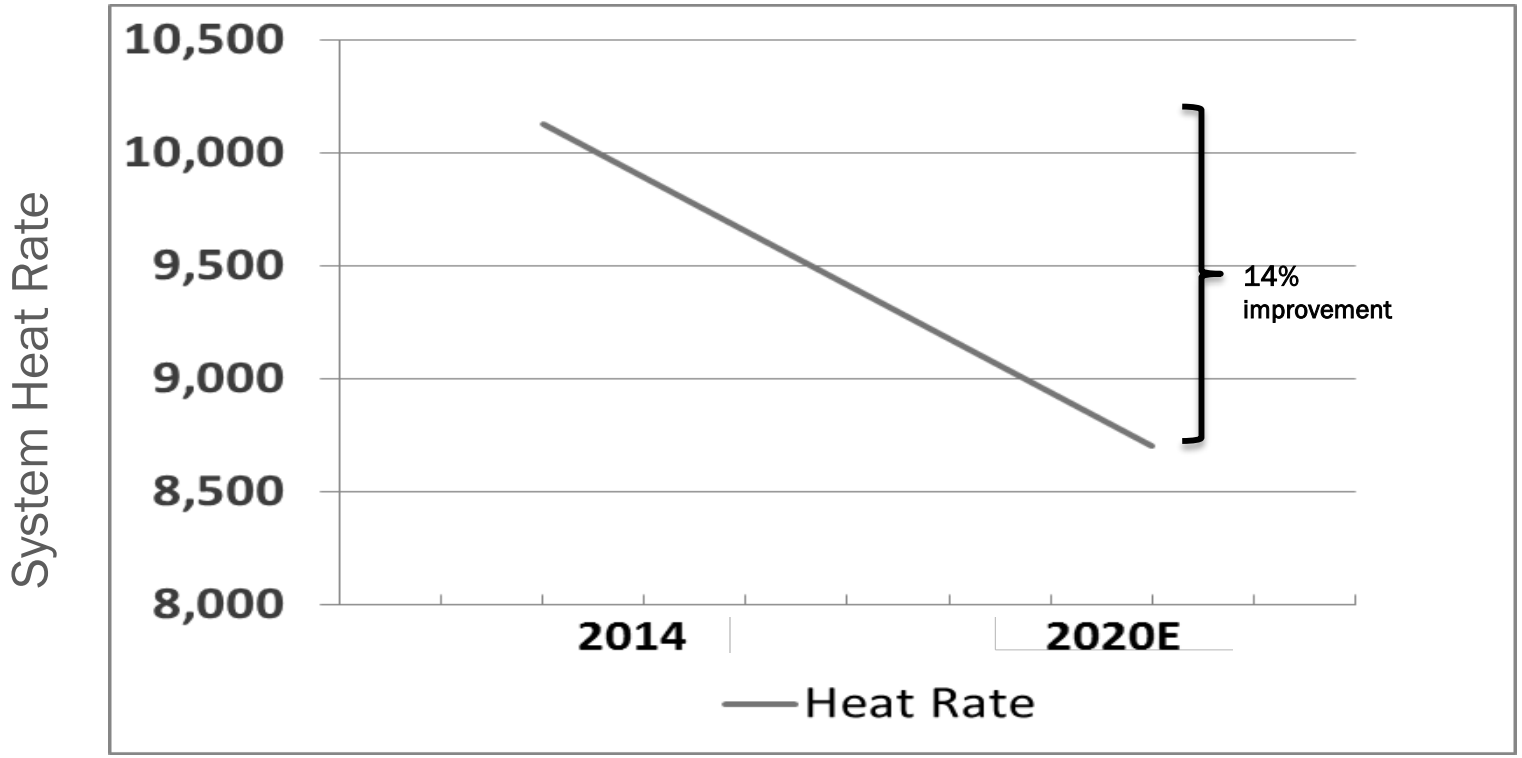




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-10878

PSEG Power's fossil fleet expected to see improvements in efficiency



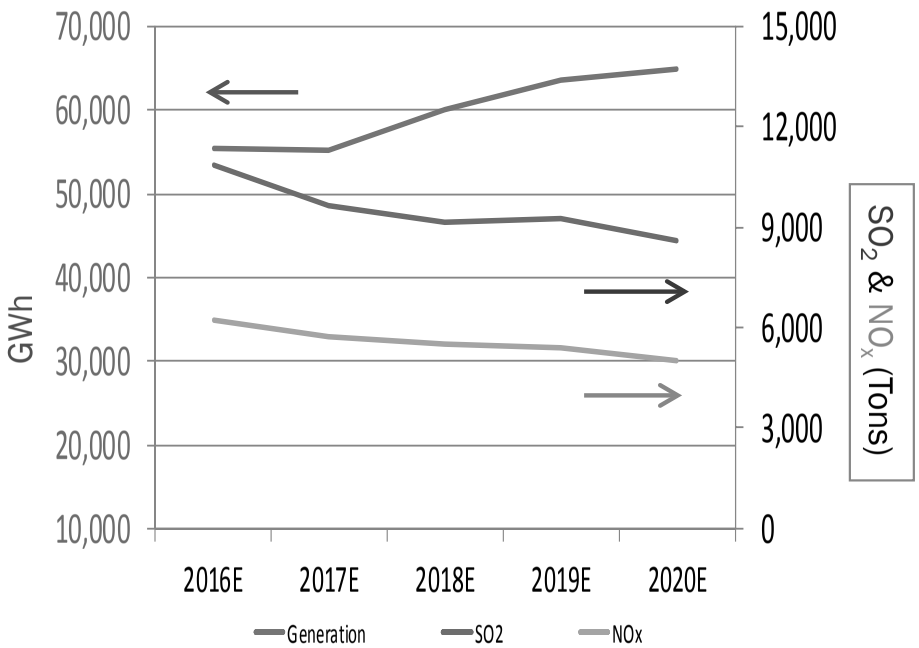
- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-10879

E = ESTIMATE

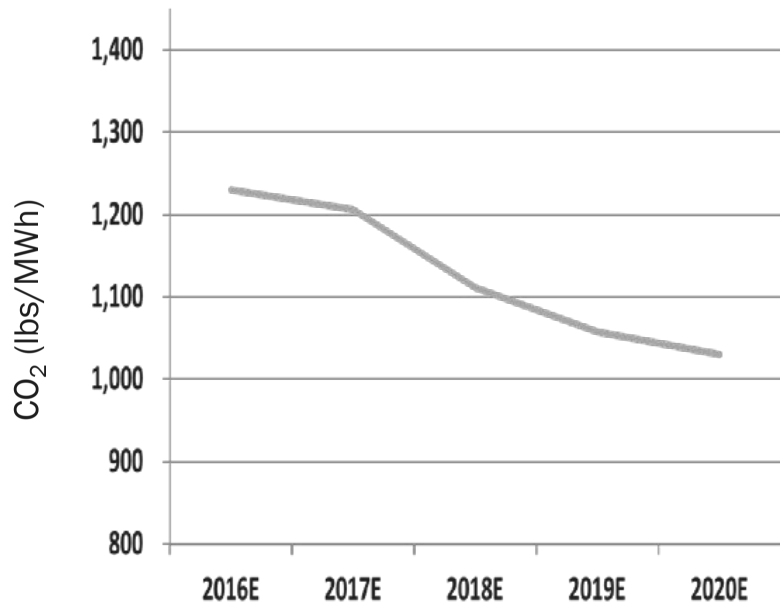
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-10880

Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,176 MW • Owned Capacity: 1,176 MW • License Expiration: 2046 • Next Scheduled Refueling ➢ Fall 2016 • Uprate 18MW Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,294 MW • Owned Capacity: 1,317 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,502 MW • Owned Capacity: 1,251 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2016 ➢ Unit 3 – Fall 2017 • Uprate: 130 MW (PS Share) ➢ Unit 2 – March 2015 ➢ Unit 3 – December 2015

SI-SSA-0015-10881

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-10882

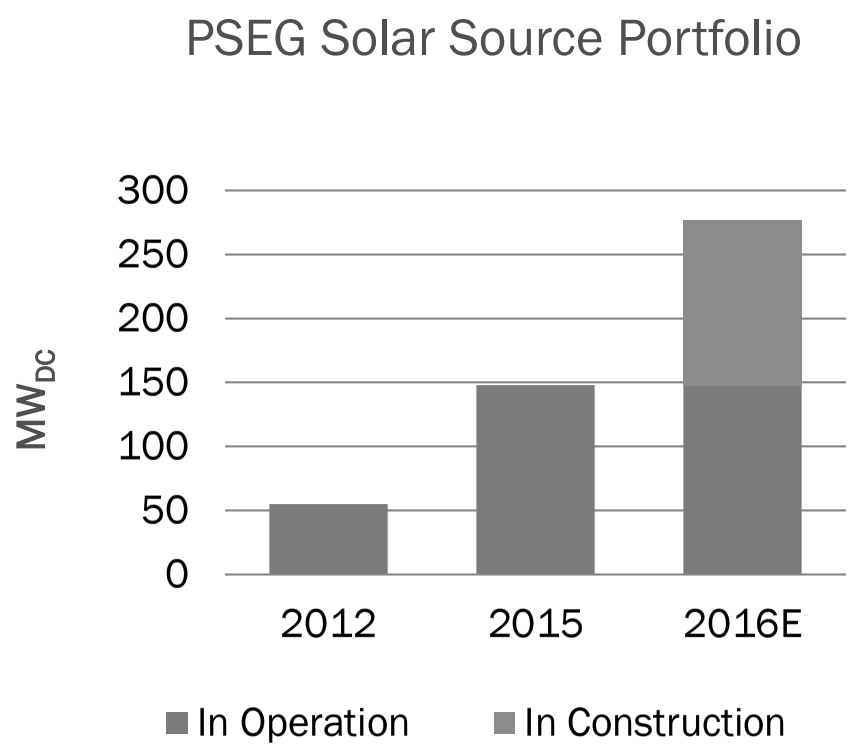
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



SI-SSA-0015-10883

* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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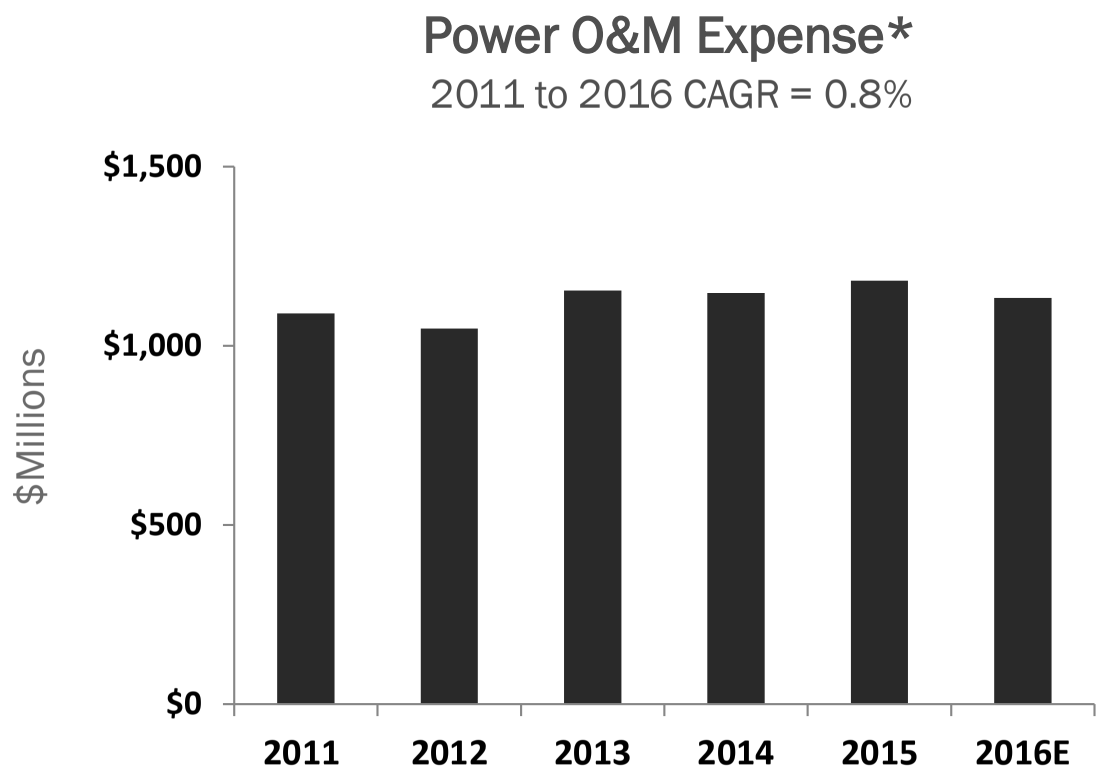
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

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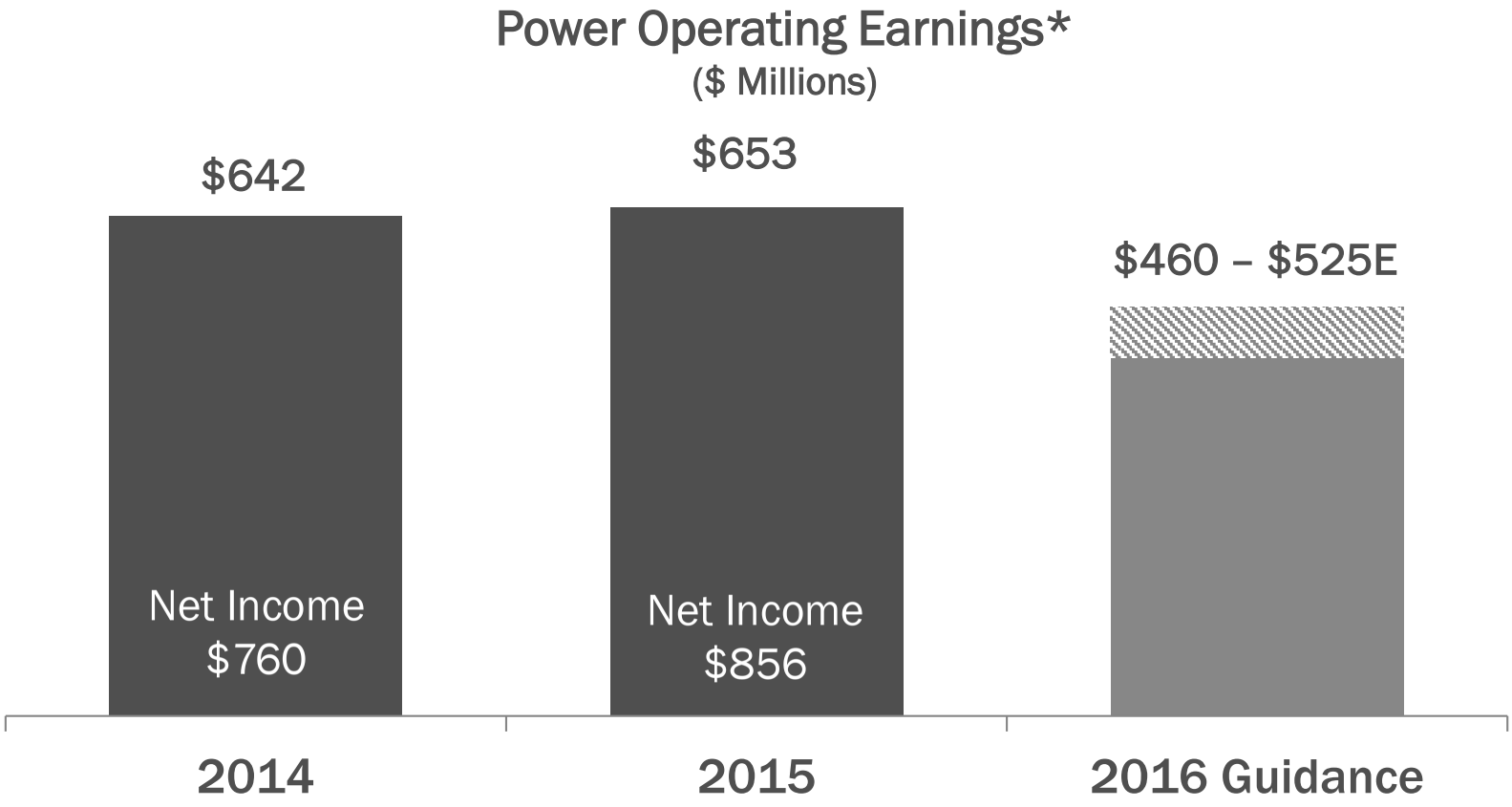
Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-10888

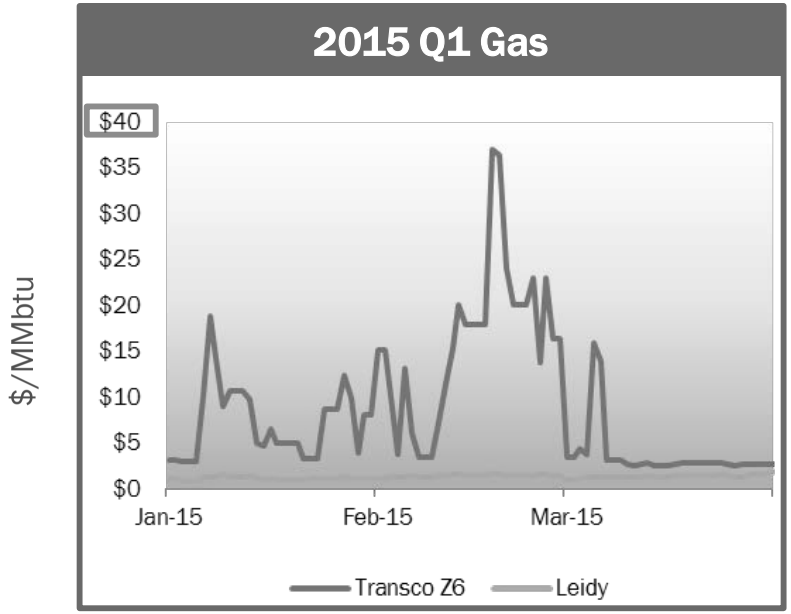
PSEG POWER
ER&T

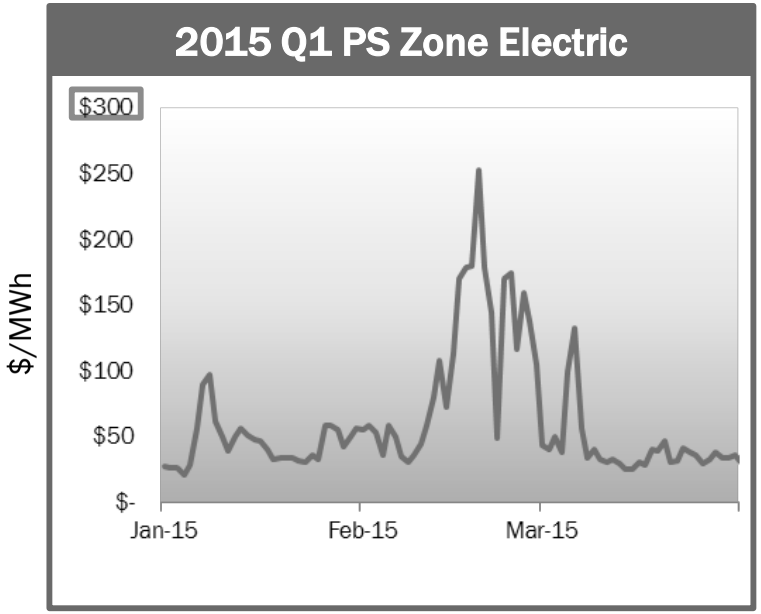
SI-SSA-0015-10889

PSEG

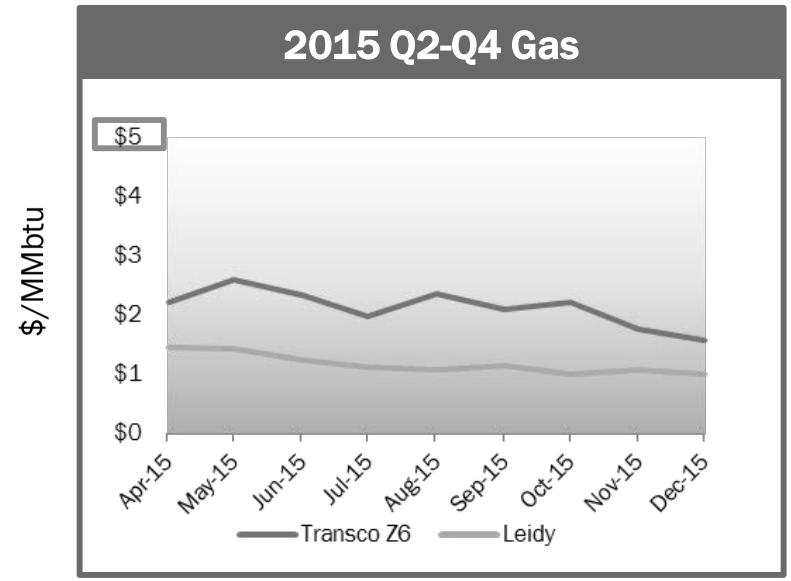
We make things work for you.

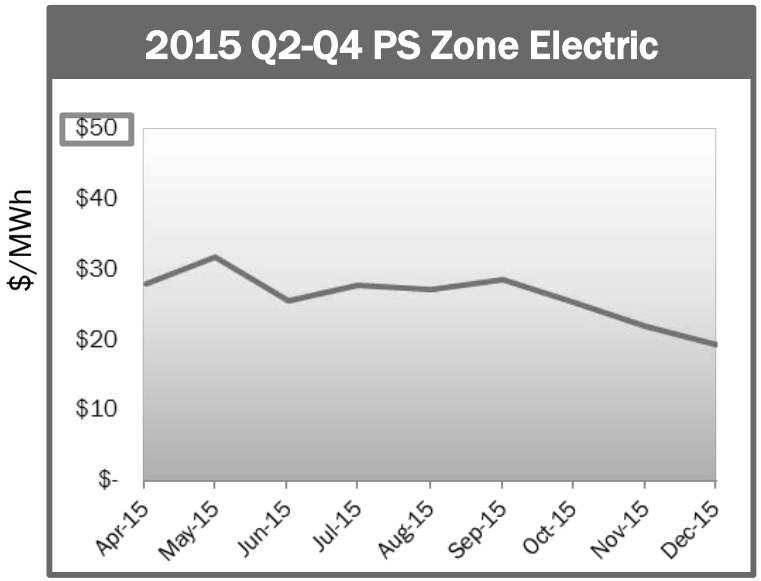
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

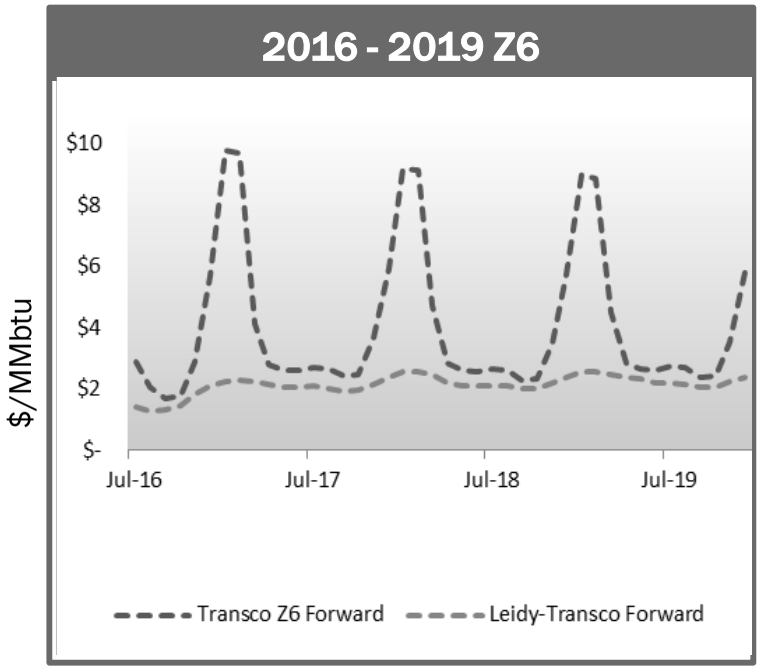


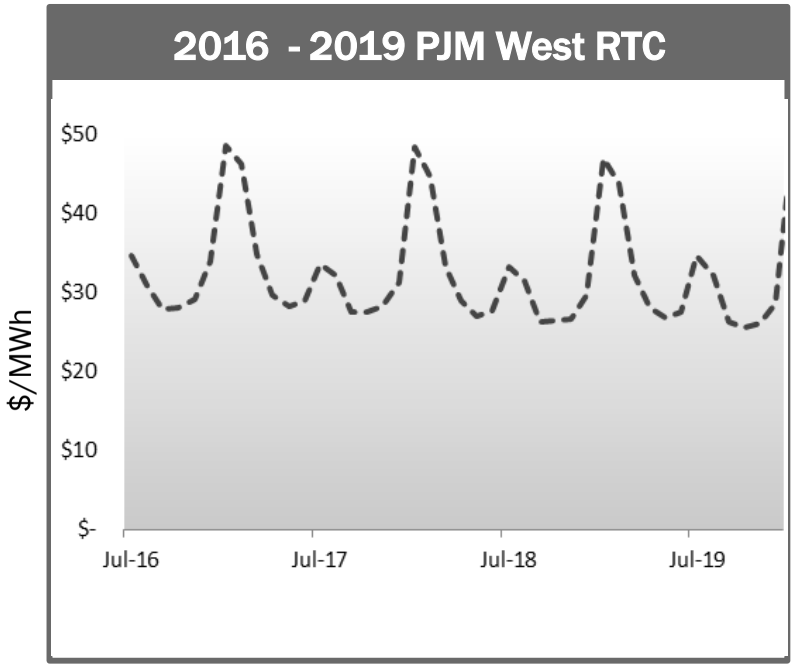


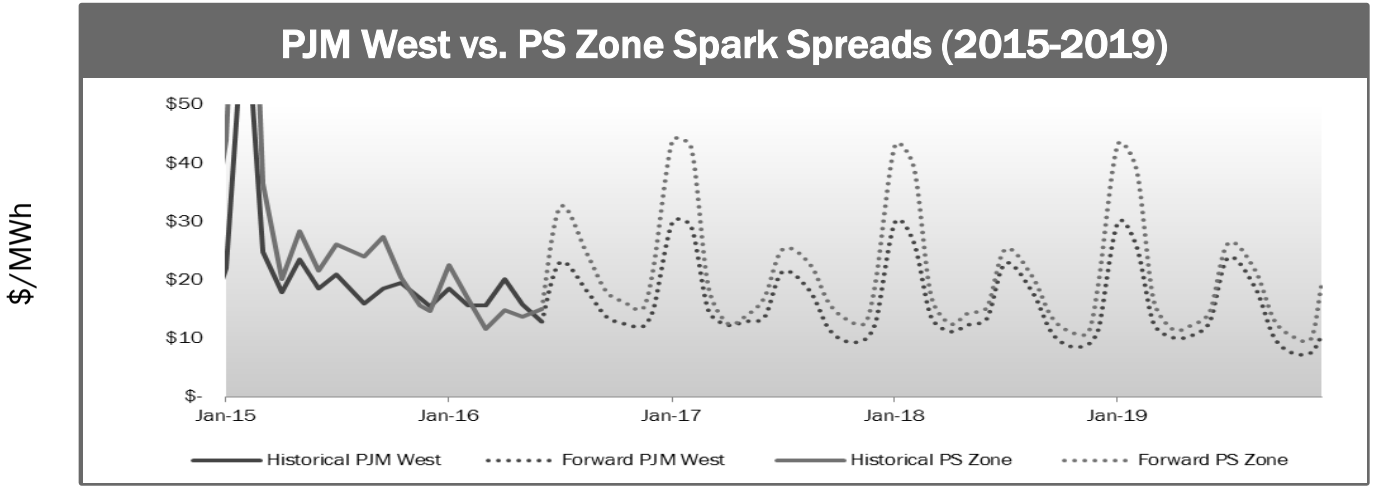
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-10890

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

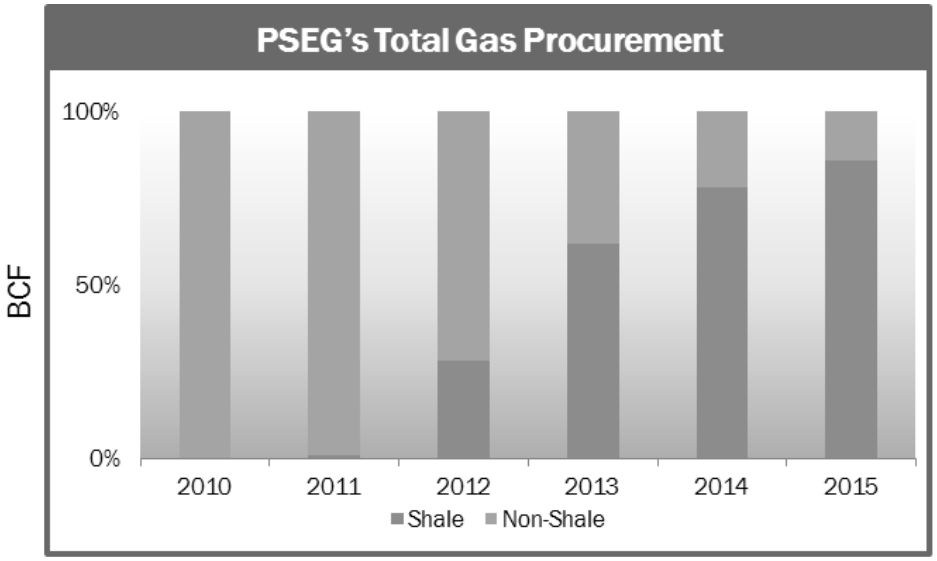


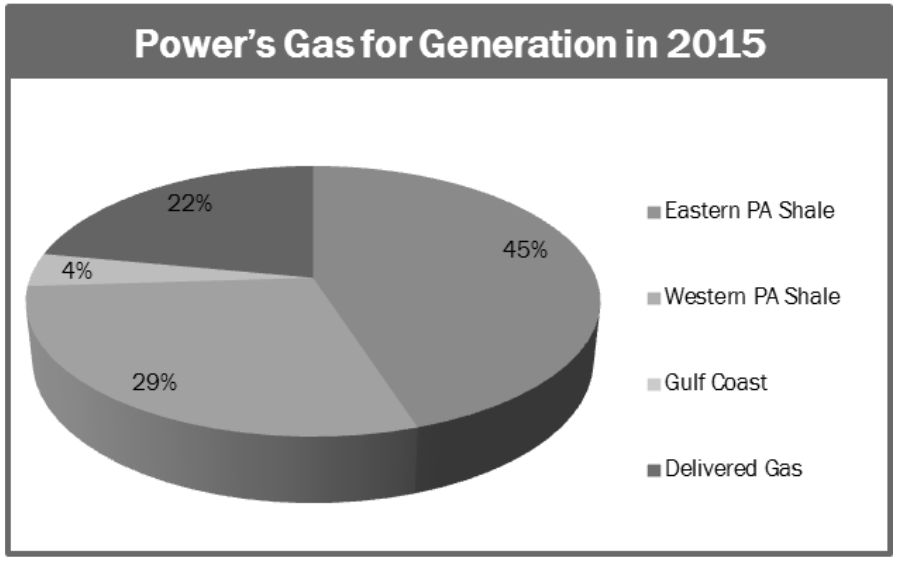




SI-SSA-0015-10891

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



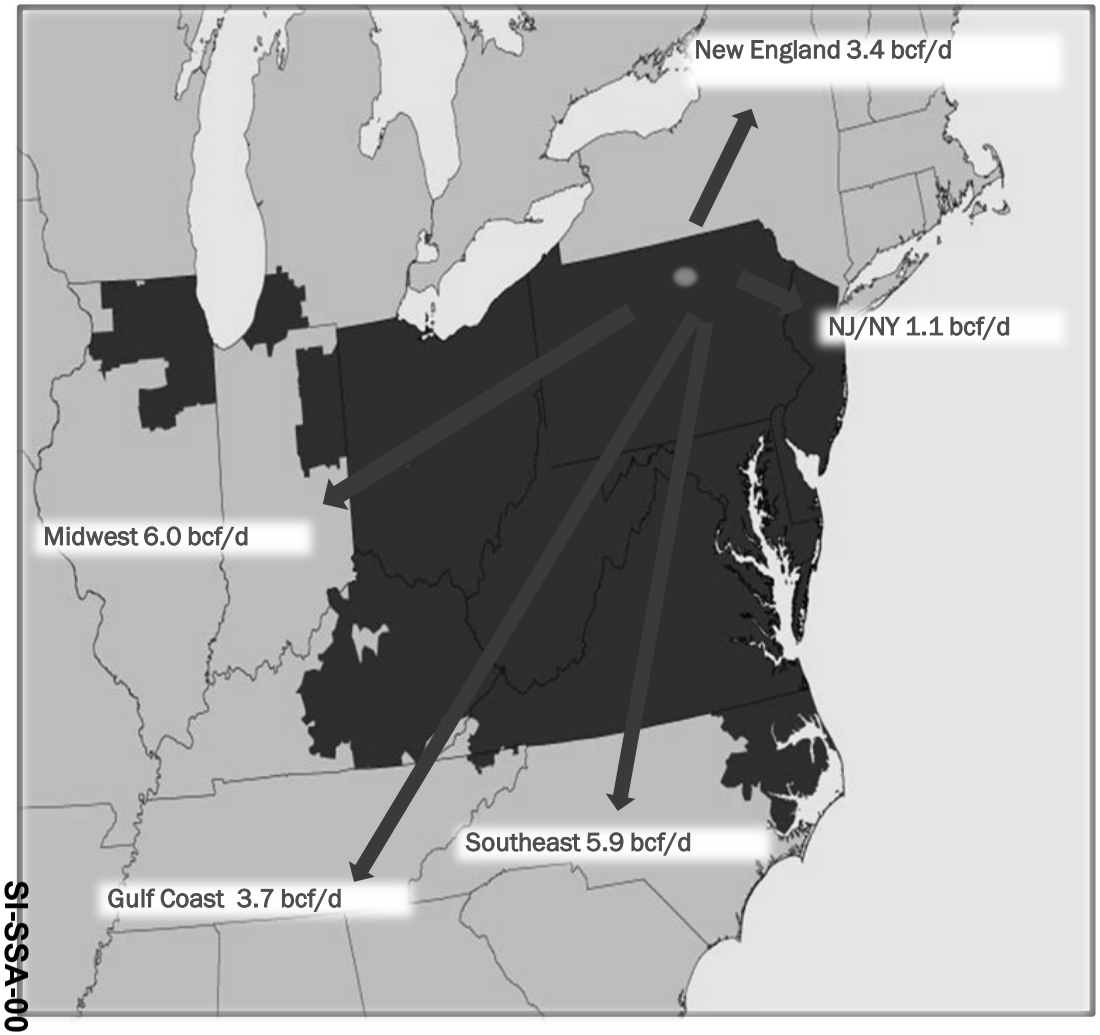


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-10892

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-10893

Regulatory Framework: New capacity and energy market designs in PSEG's core markets will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs and RTO reports addressing critical price formation issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after U.S. Supreme Court (SCOTUS) ruling
	STATE INTERVENTION	• SCOTUS dismissed the Maryland and New Jersey appeals in April 2016 • Ohio PPAs: FERC rescinded the previously approved waivers of the affiliate transaction standards and will review the PPAs under the affiliate abuse standards
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves submitted for FERC approval (FCA 11) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe • New PJM DR rules requiring that BTM diesel-fired generation employ environmental controls

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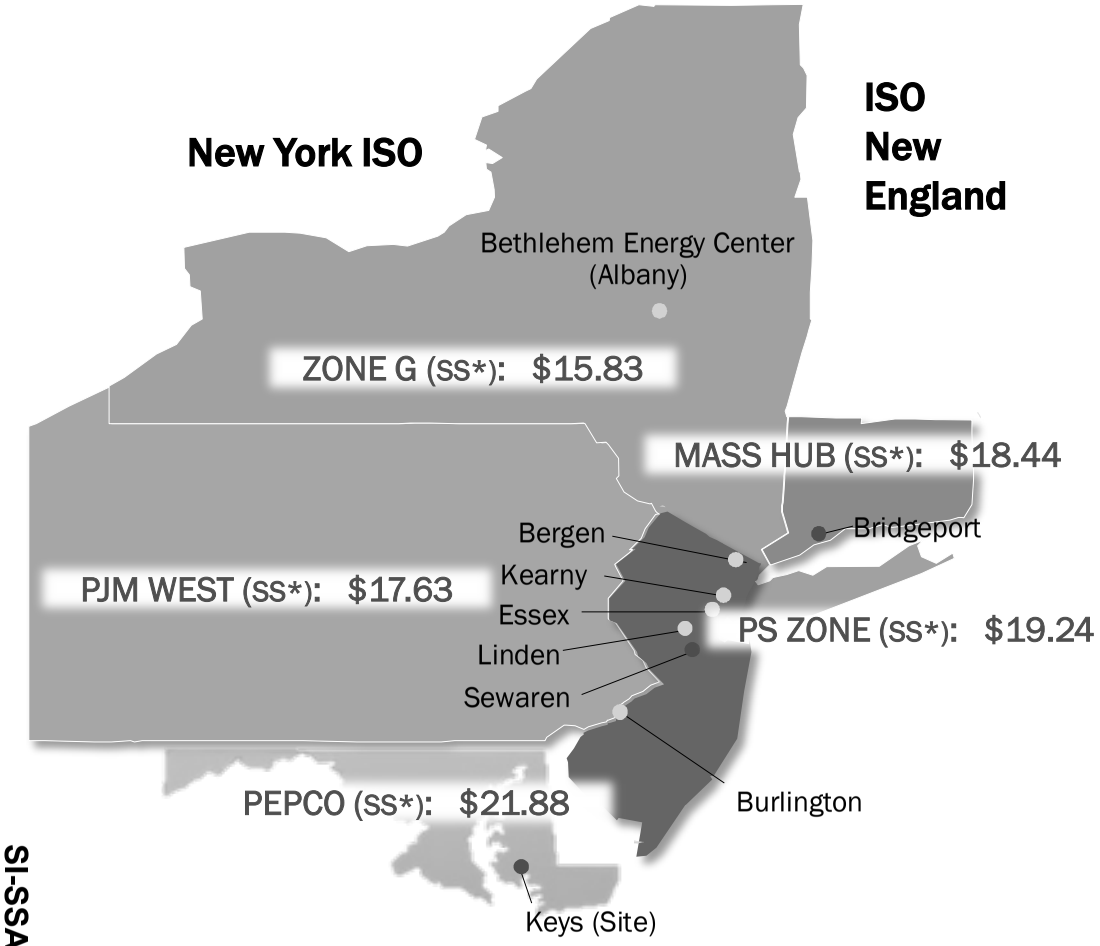
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

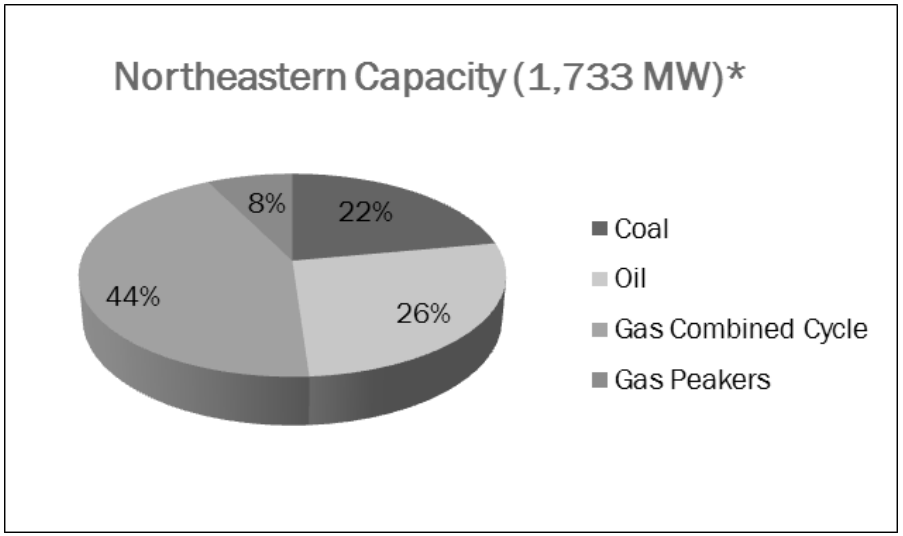
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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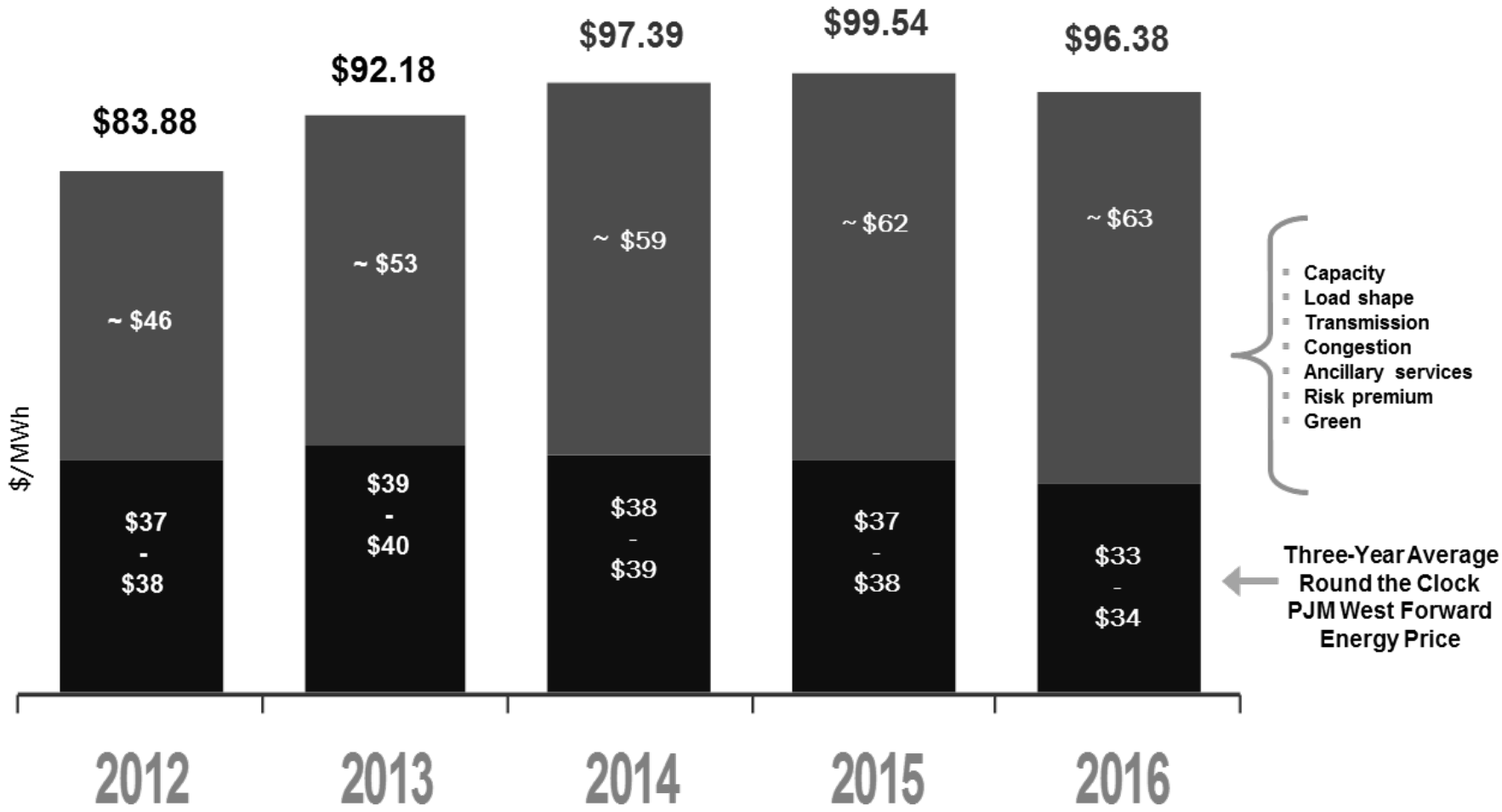
*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

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PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

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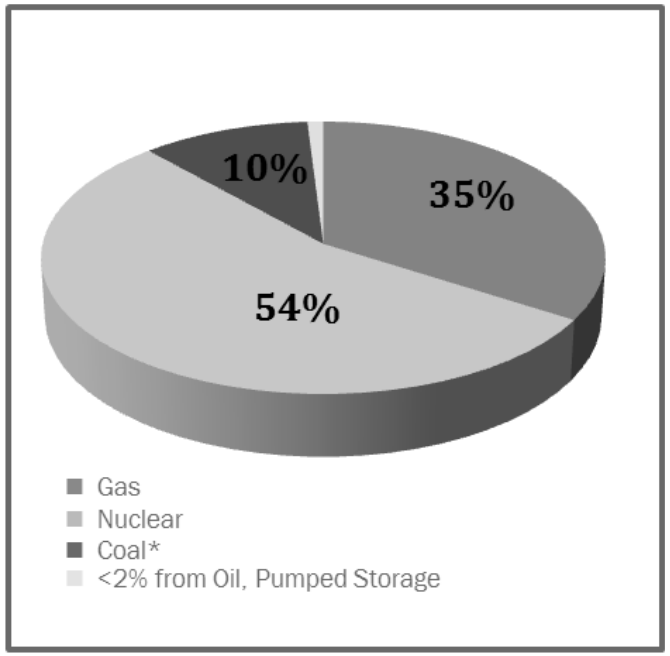
PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

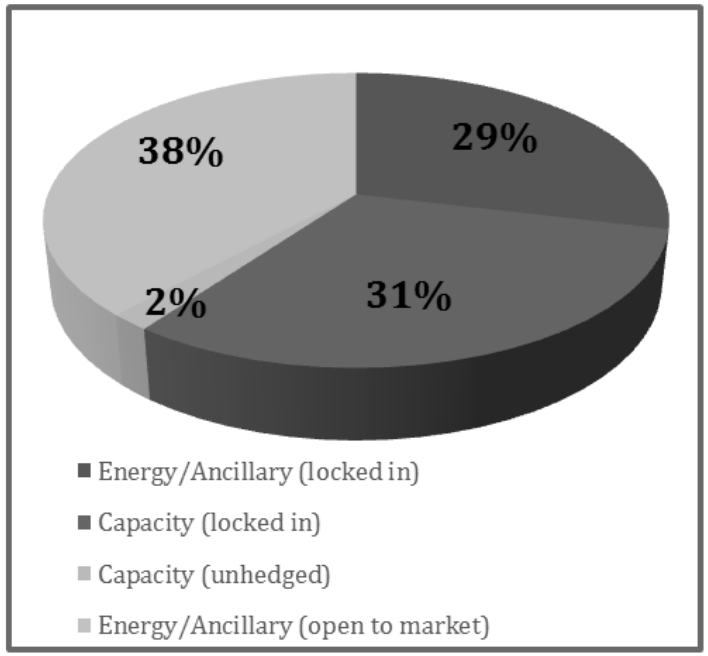
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



. E = ESTIMATE.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

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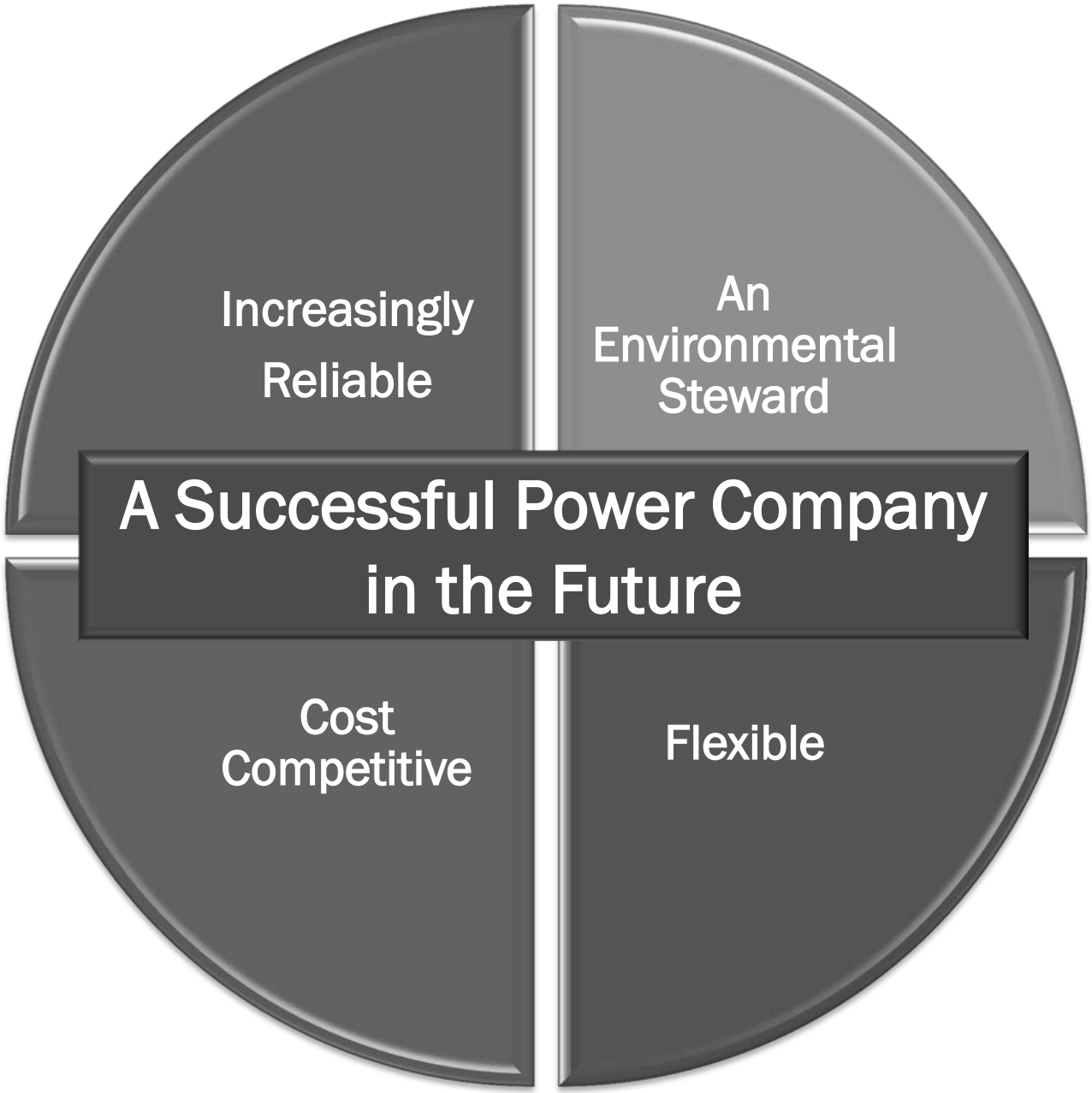


SI-SSA-0015-10902

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-10903

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-10904

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-10905

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-10906

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

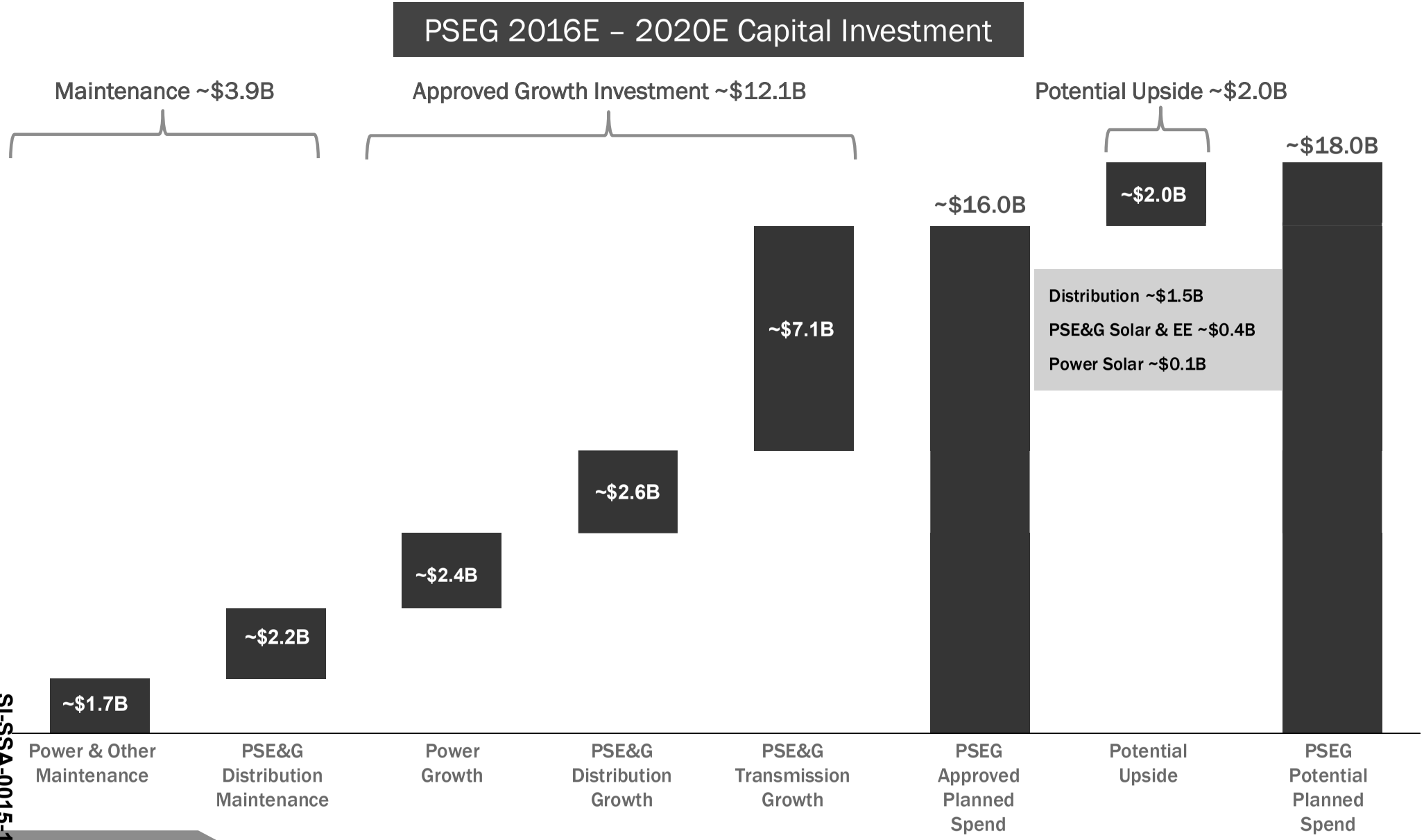
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-10907

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

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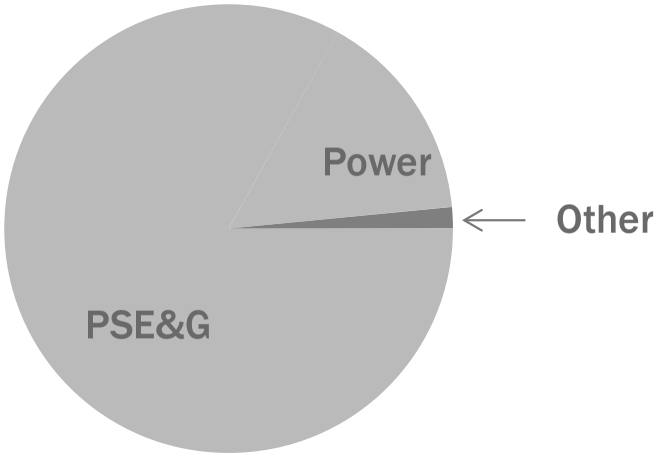
We increased our Capital Program by $3B

since last year

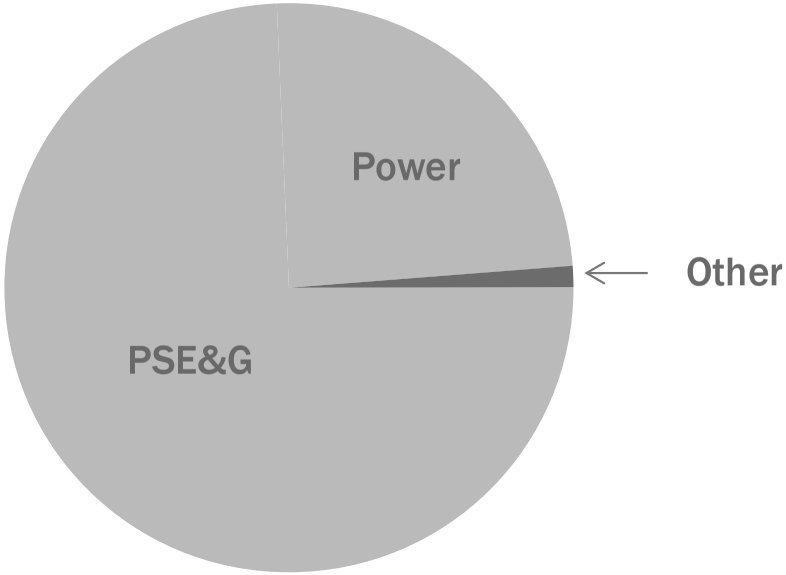
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B



- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

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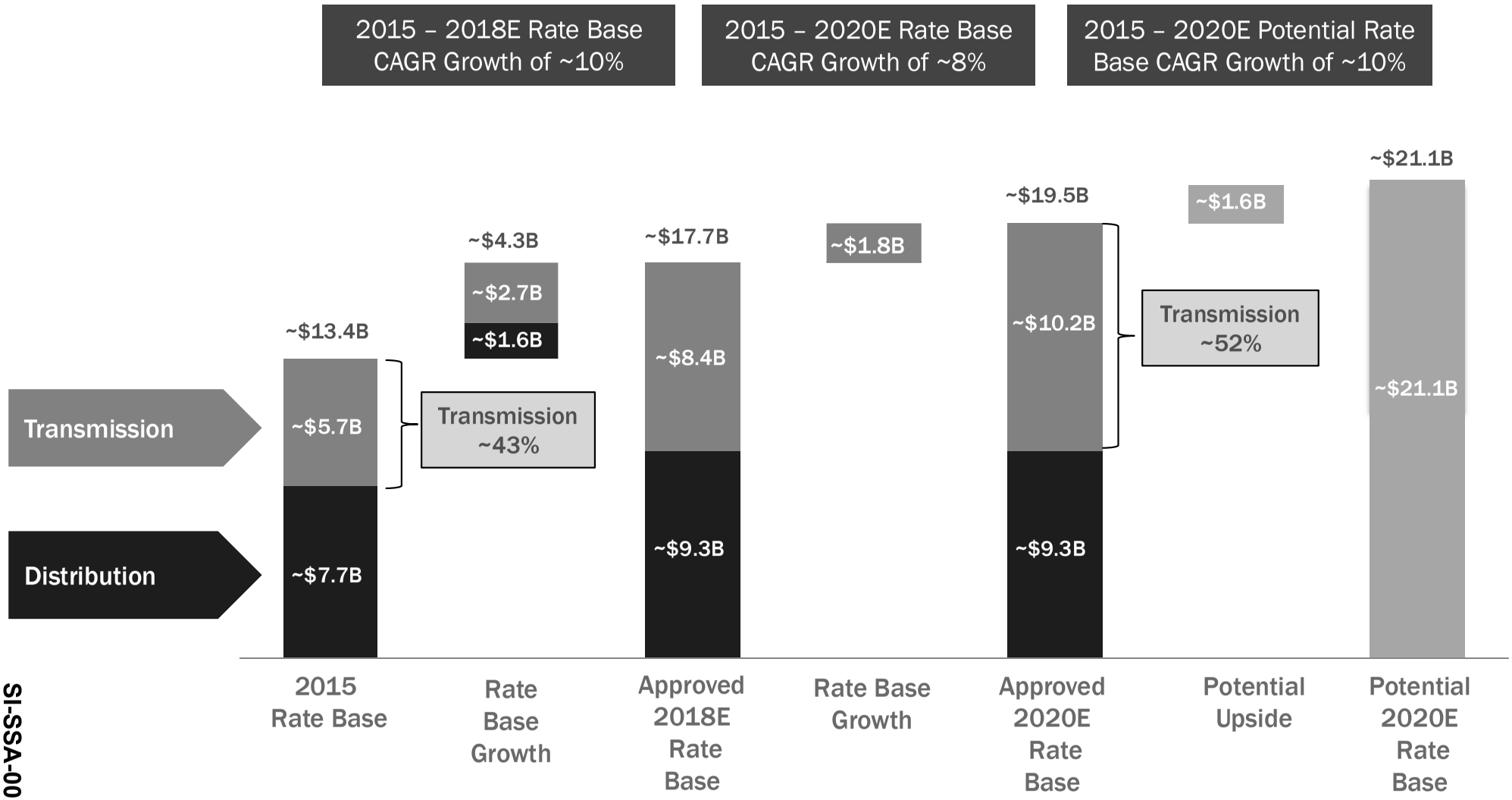
E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

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Bonus Depreciation adds $1.7B cash

through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

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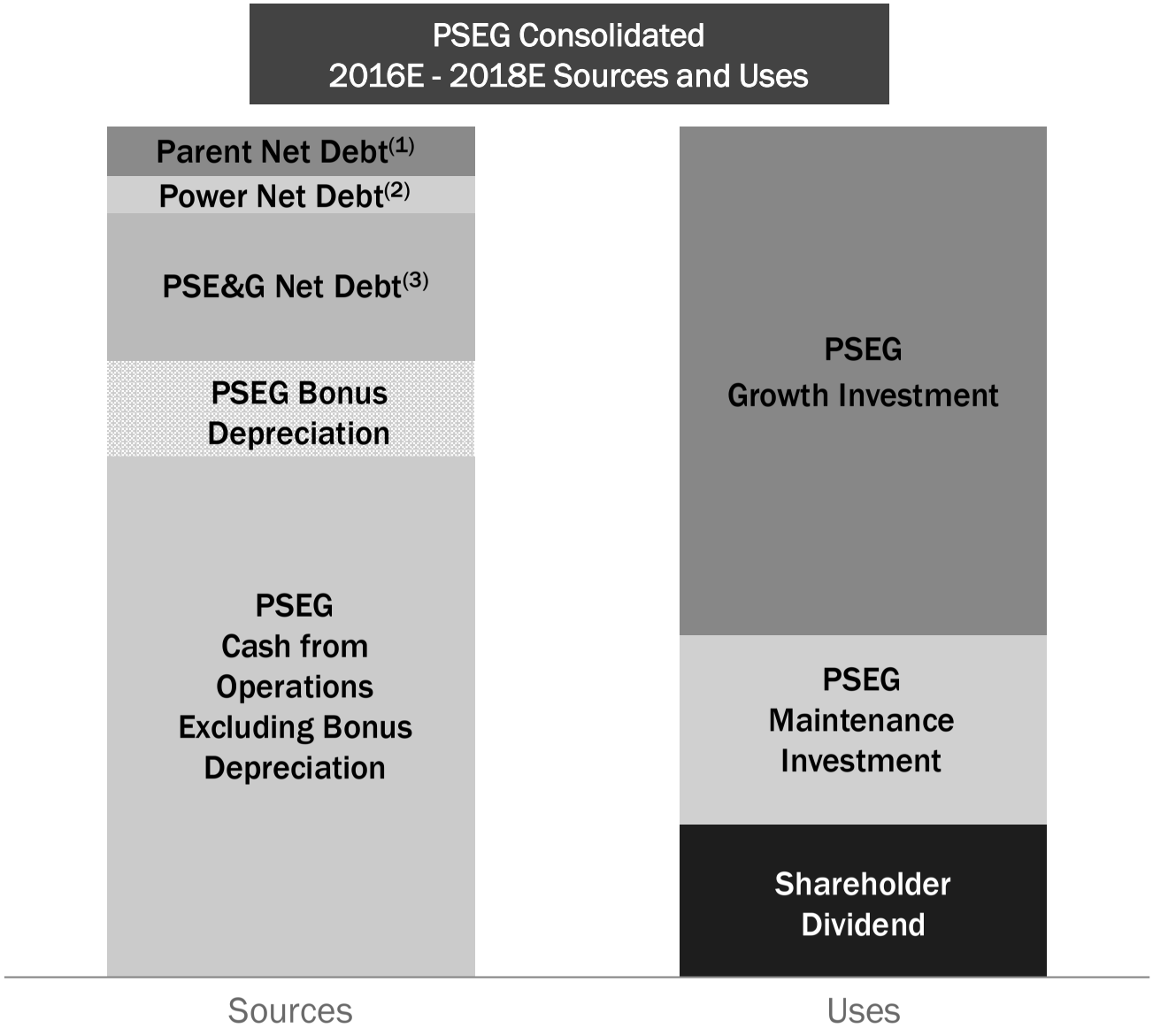
Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

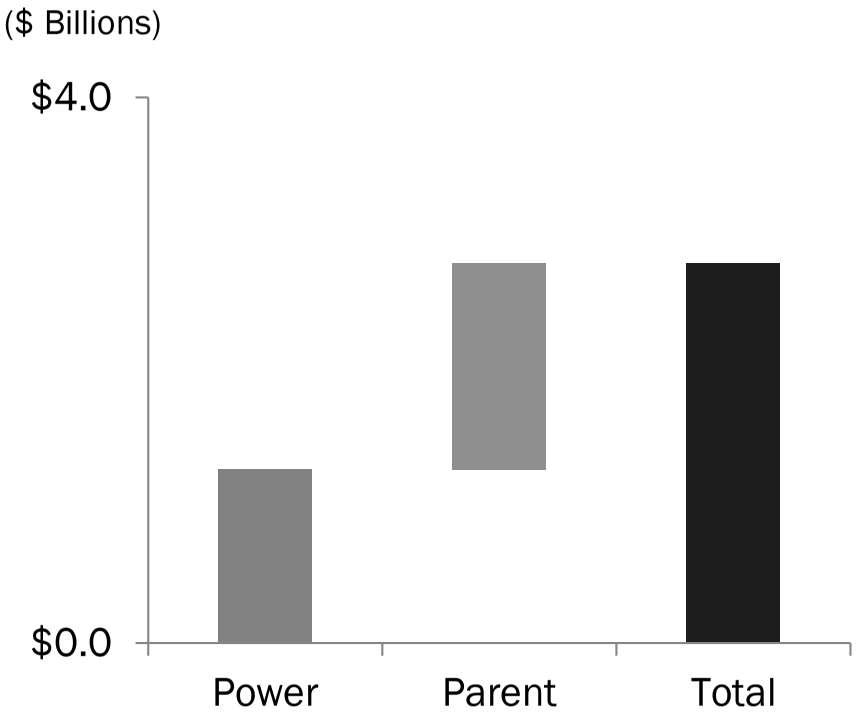
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

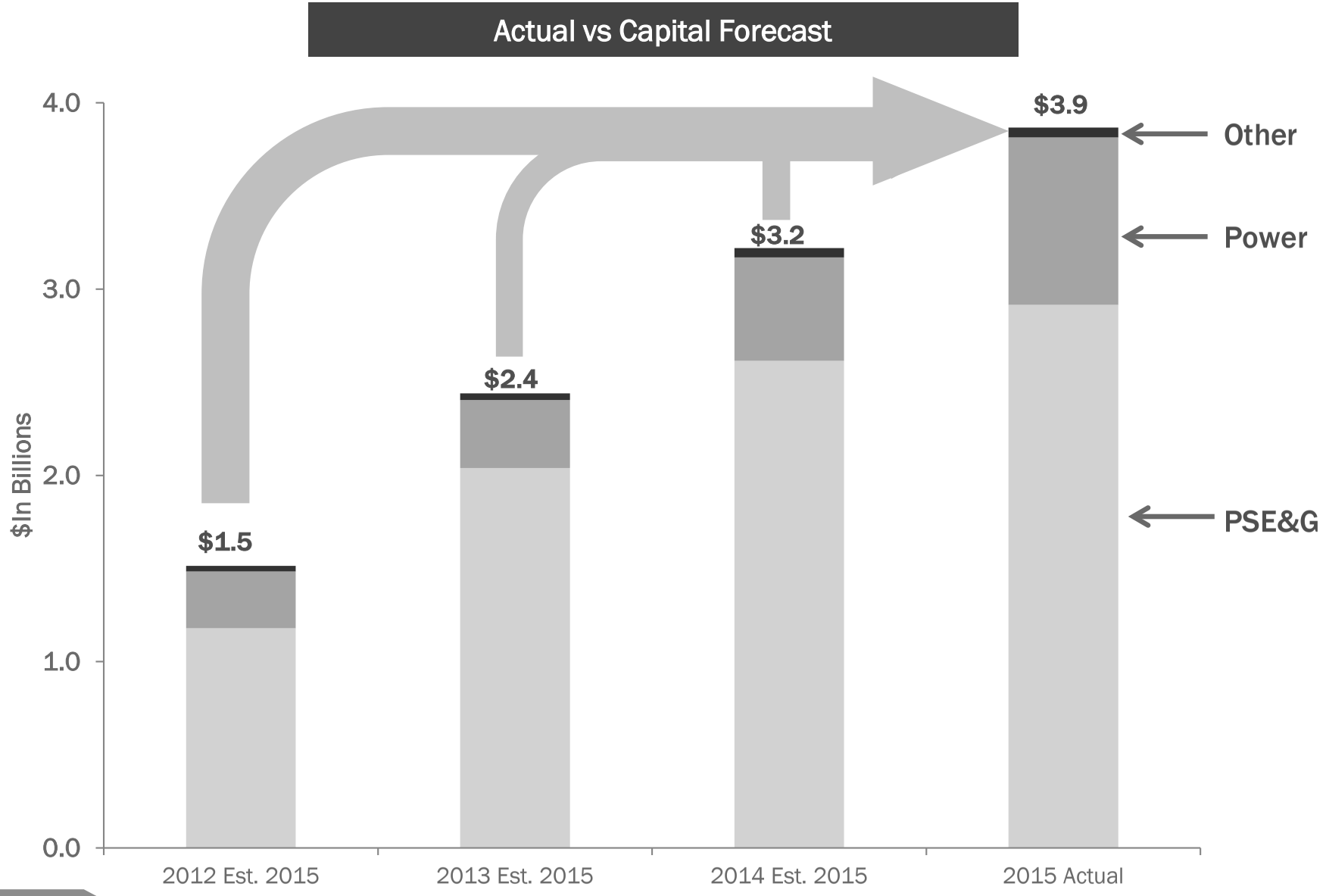
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

We have consistently identified investment opportunities beyond our approved forecasted expenditures



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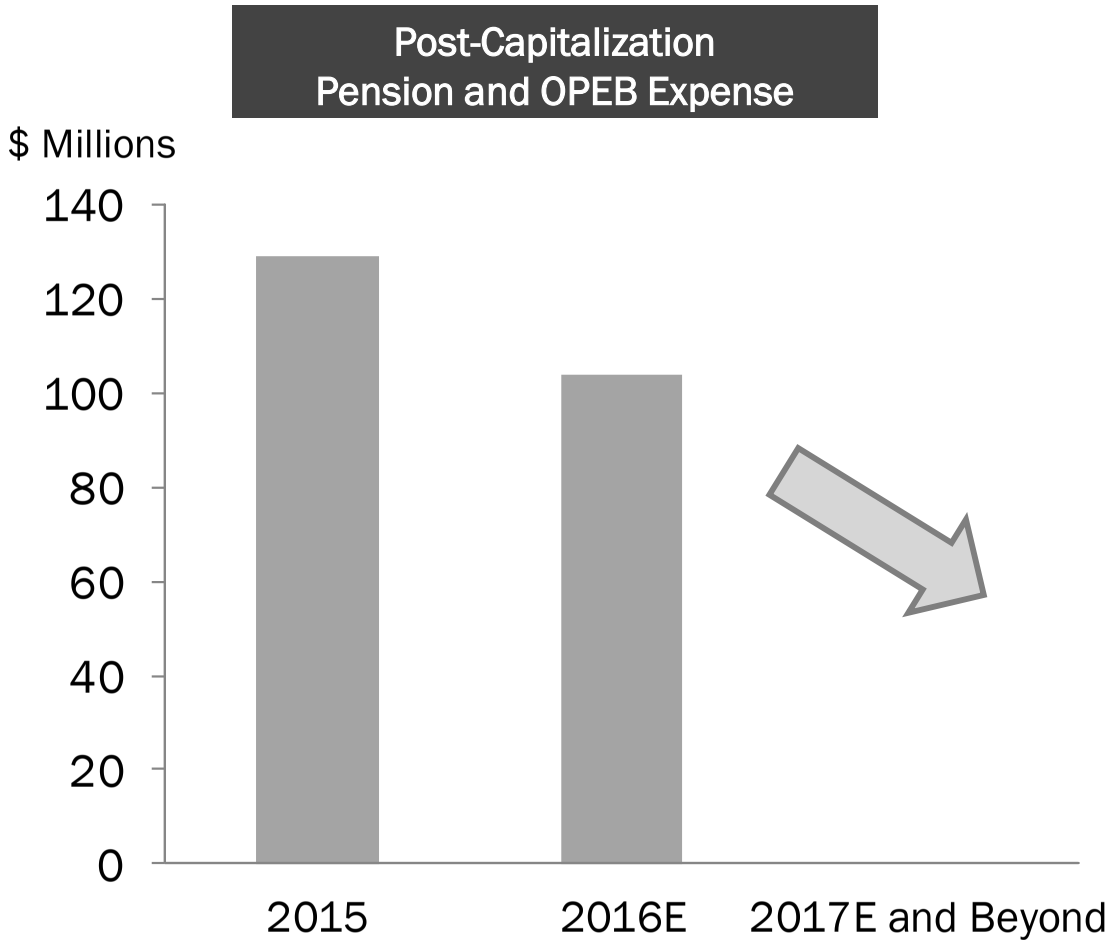
Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016



- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

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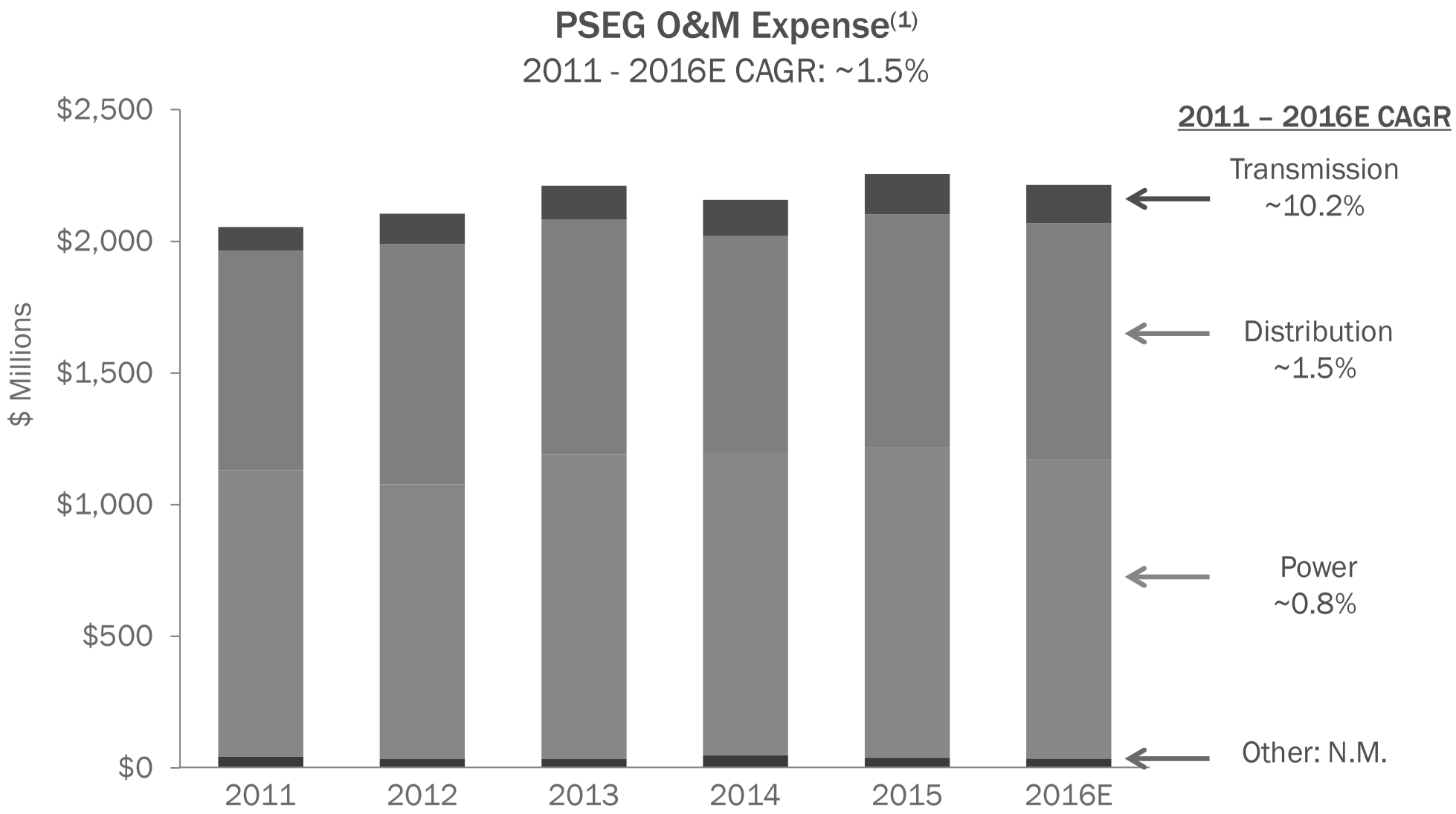
E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018



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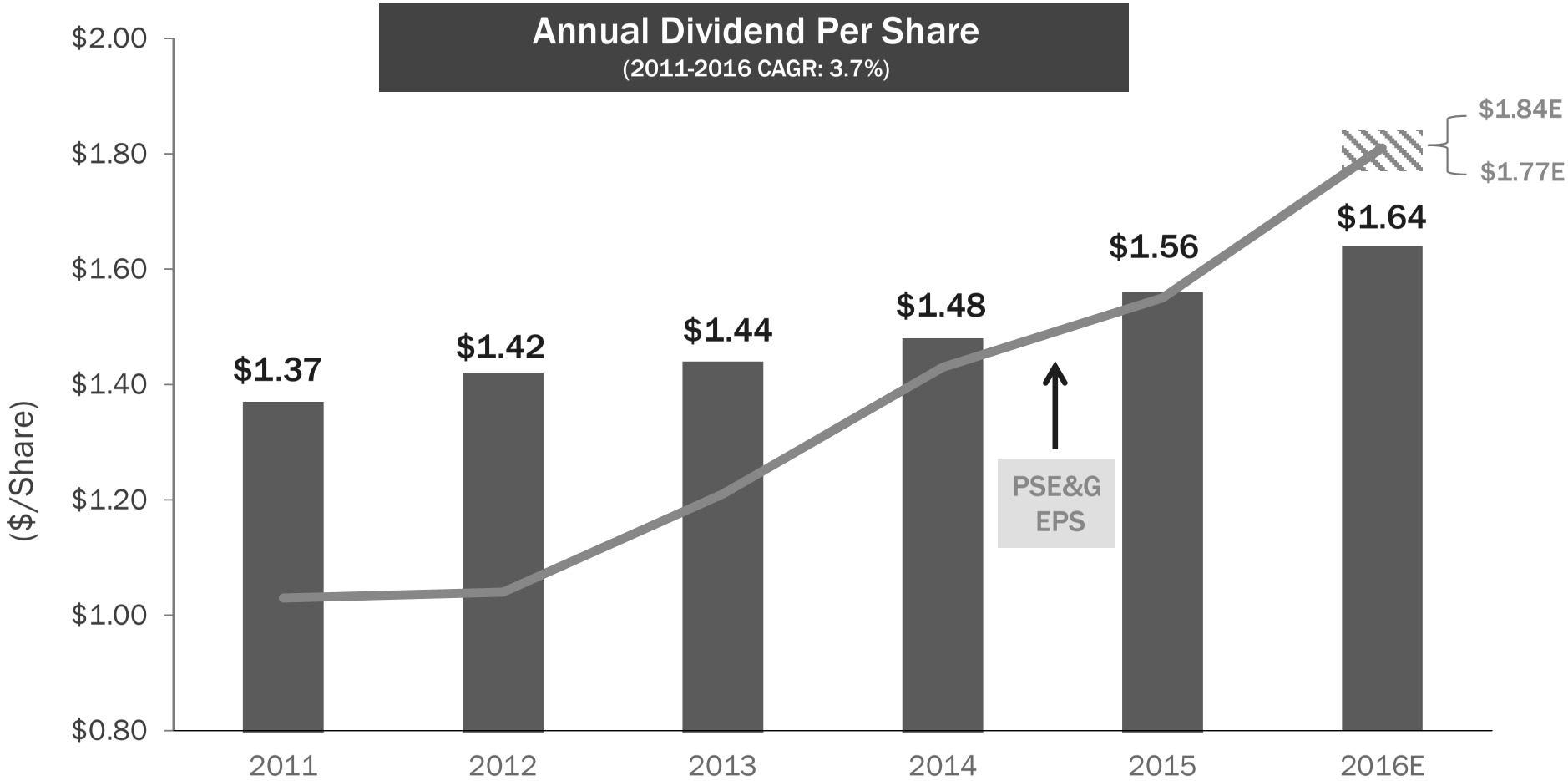
(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

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(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

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PSEG Summary

- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

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PSE&G APPENDIX

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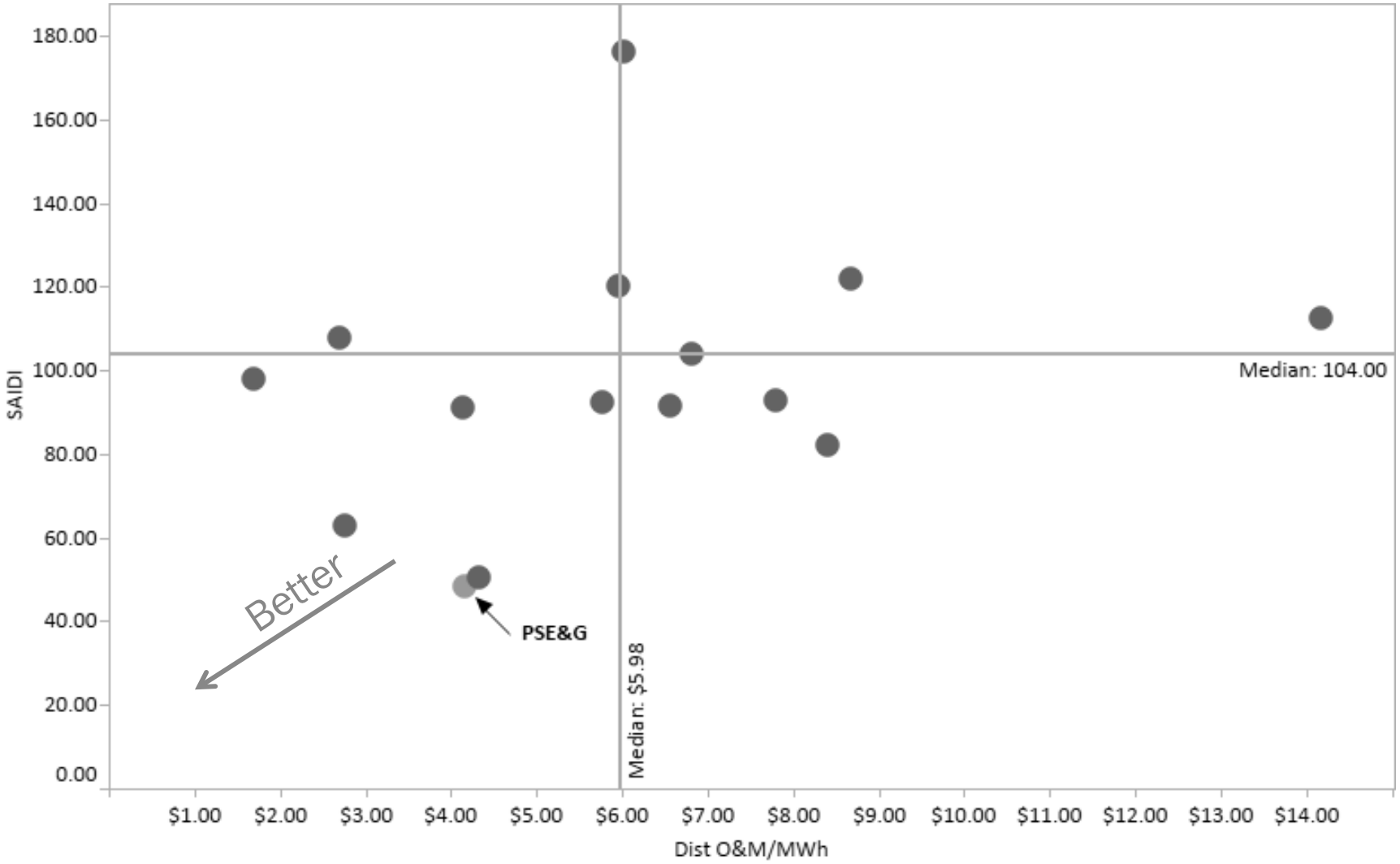
PSE&G provides high reliability at below average cost which creates superior value for customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

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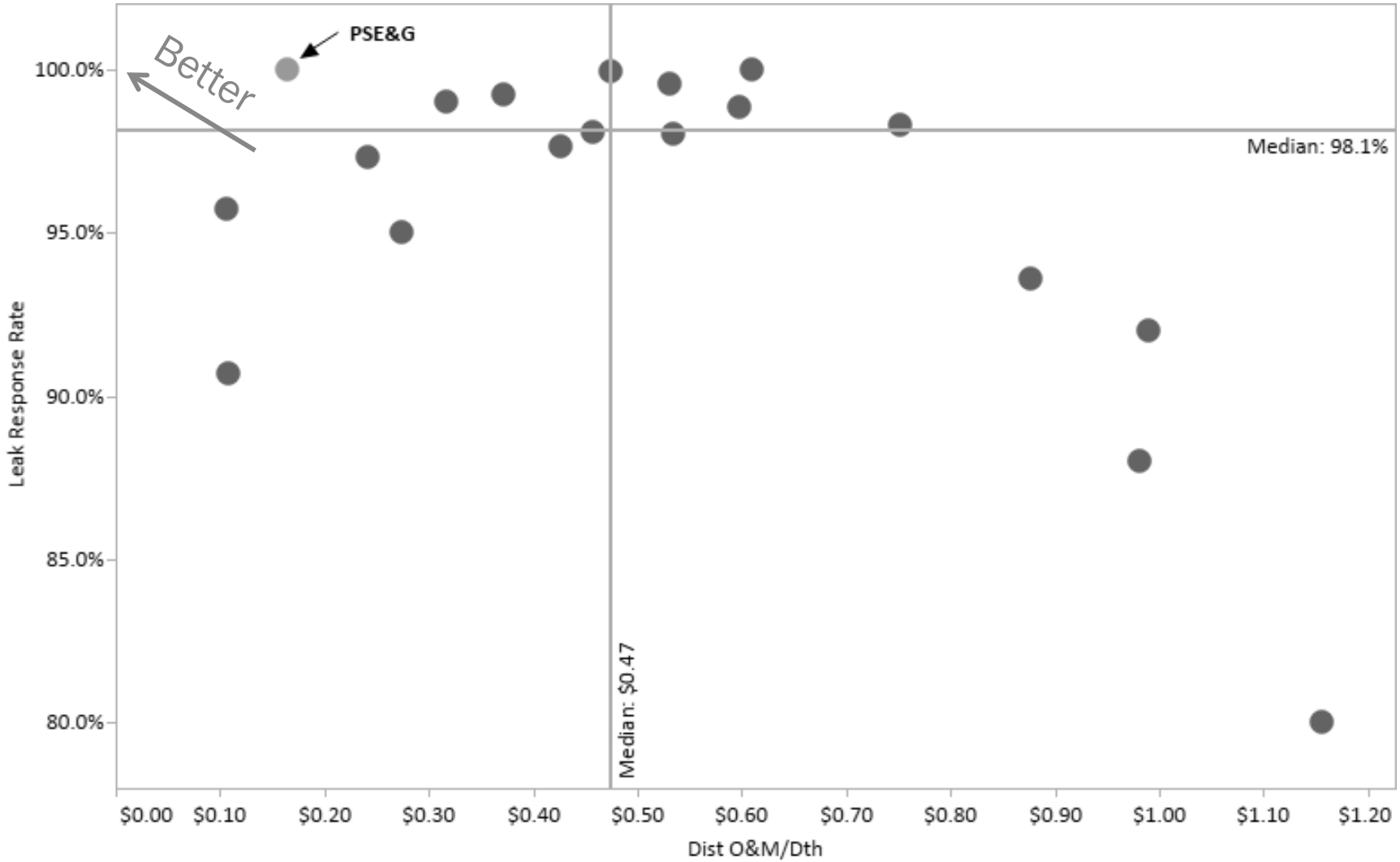
PSE&G prioritizes public safety

while maintaining value for customers



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LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-10923

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

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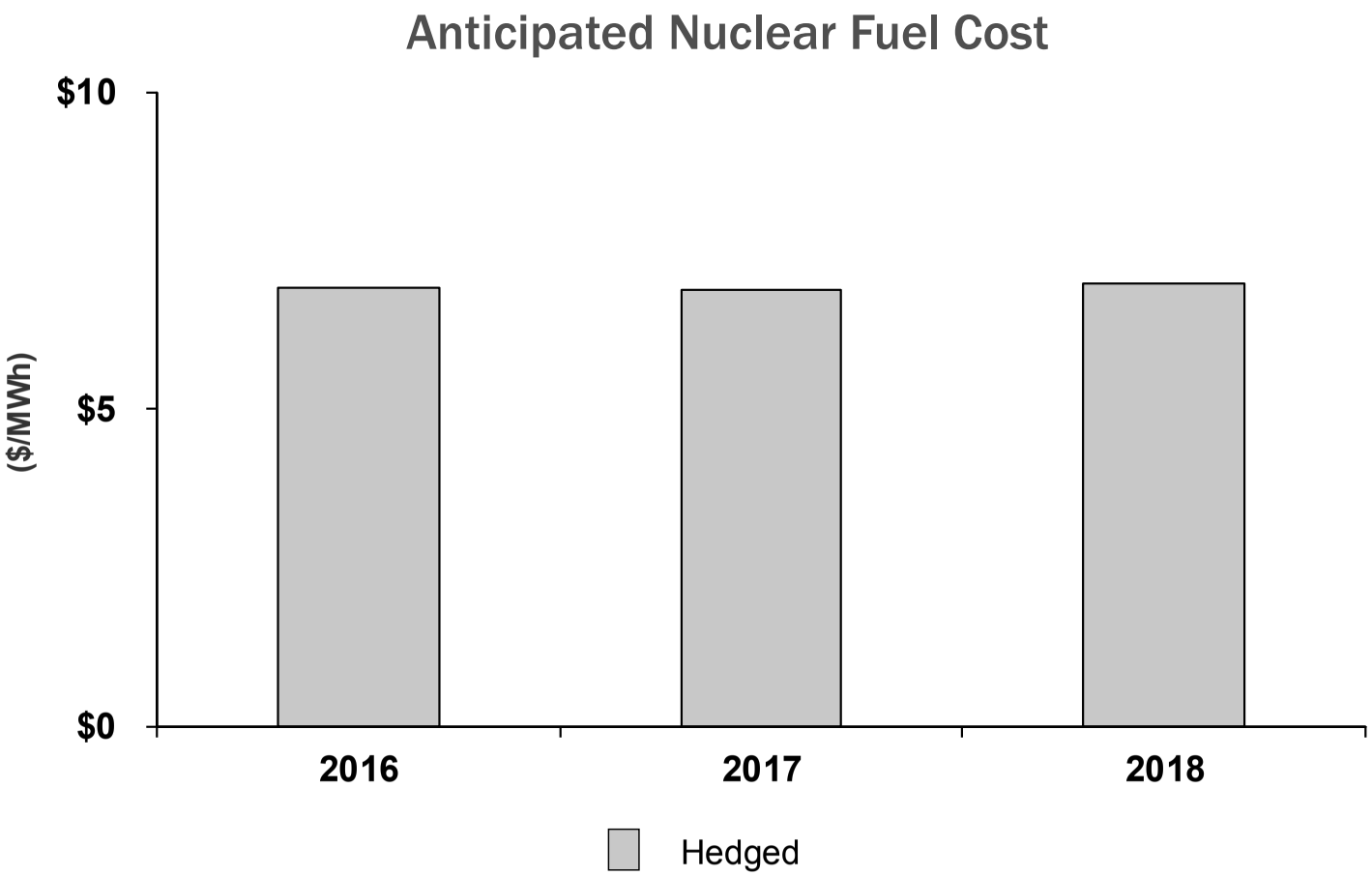
Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

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PSEG FINANCIAL APPENDIX

SI-SSA-0015-10927

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-10928

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

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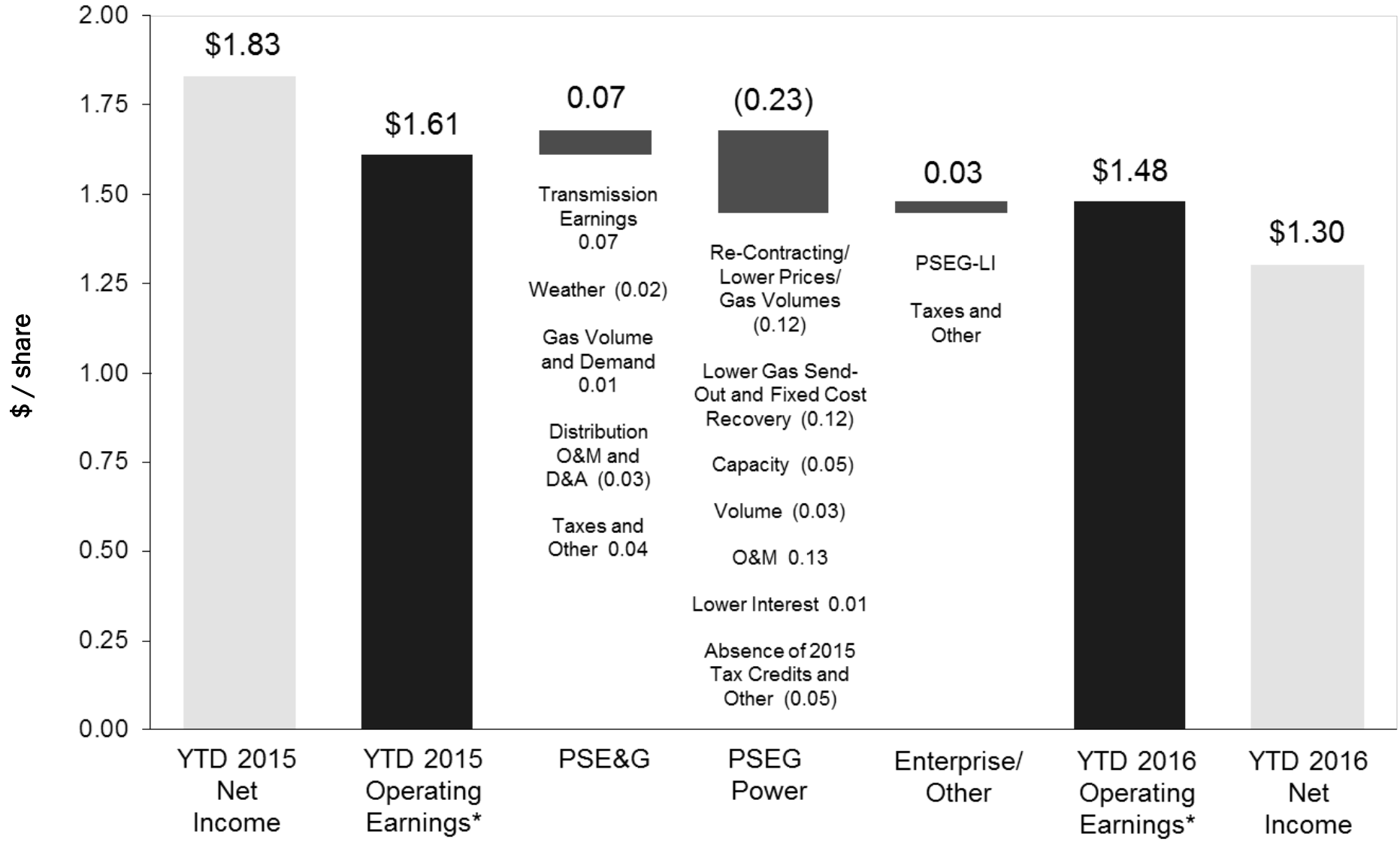
PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	**$24.2**	**$15.5**	**$9.2**
Total Debt / Capitalization	**45%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.4%

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PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

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PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

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PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Income from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Income from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

PSEG Investor Summary

RBC – SOUTHEAST MARKETING

APRIL 10-11, 2017

SI-SSA-0015-10936

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

PSEG

We make things work for you.

Forward-Looking Statements

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

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10937

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of March 6, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-10938

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-10939

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

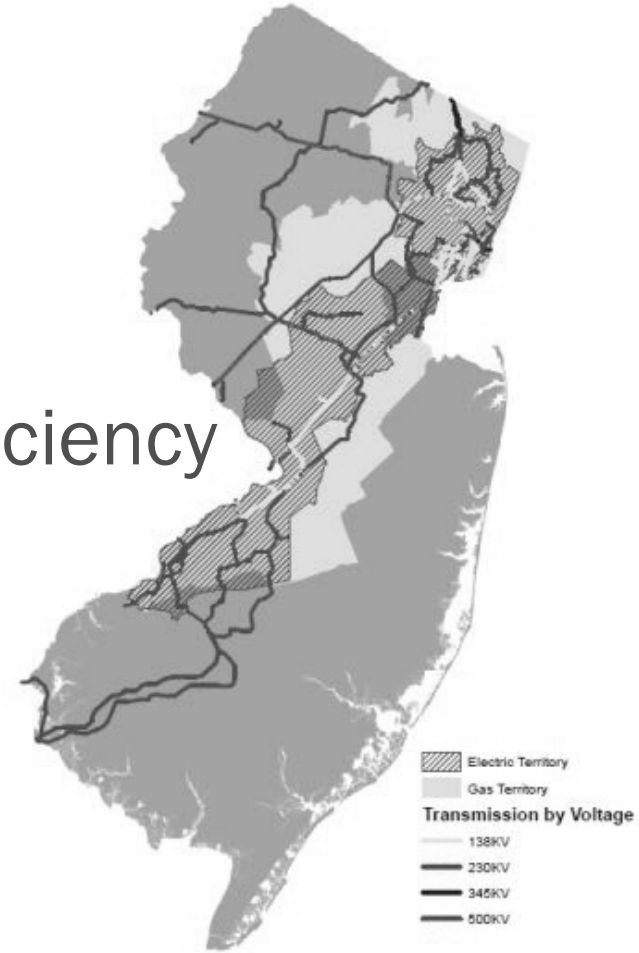
SI-SSA-0015-10940

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

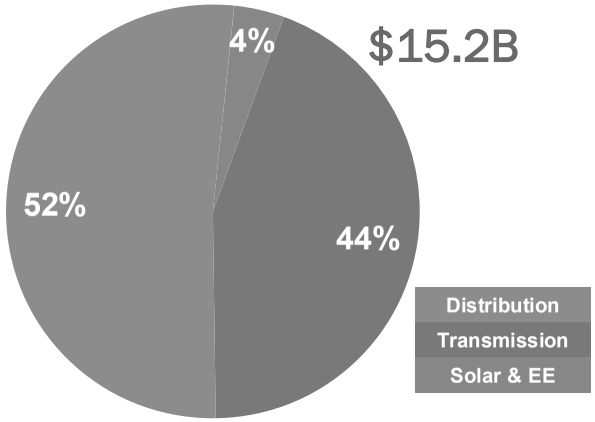
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base

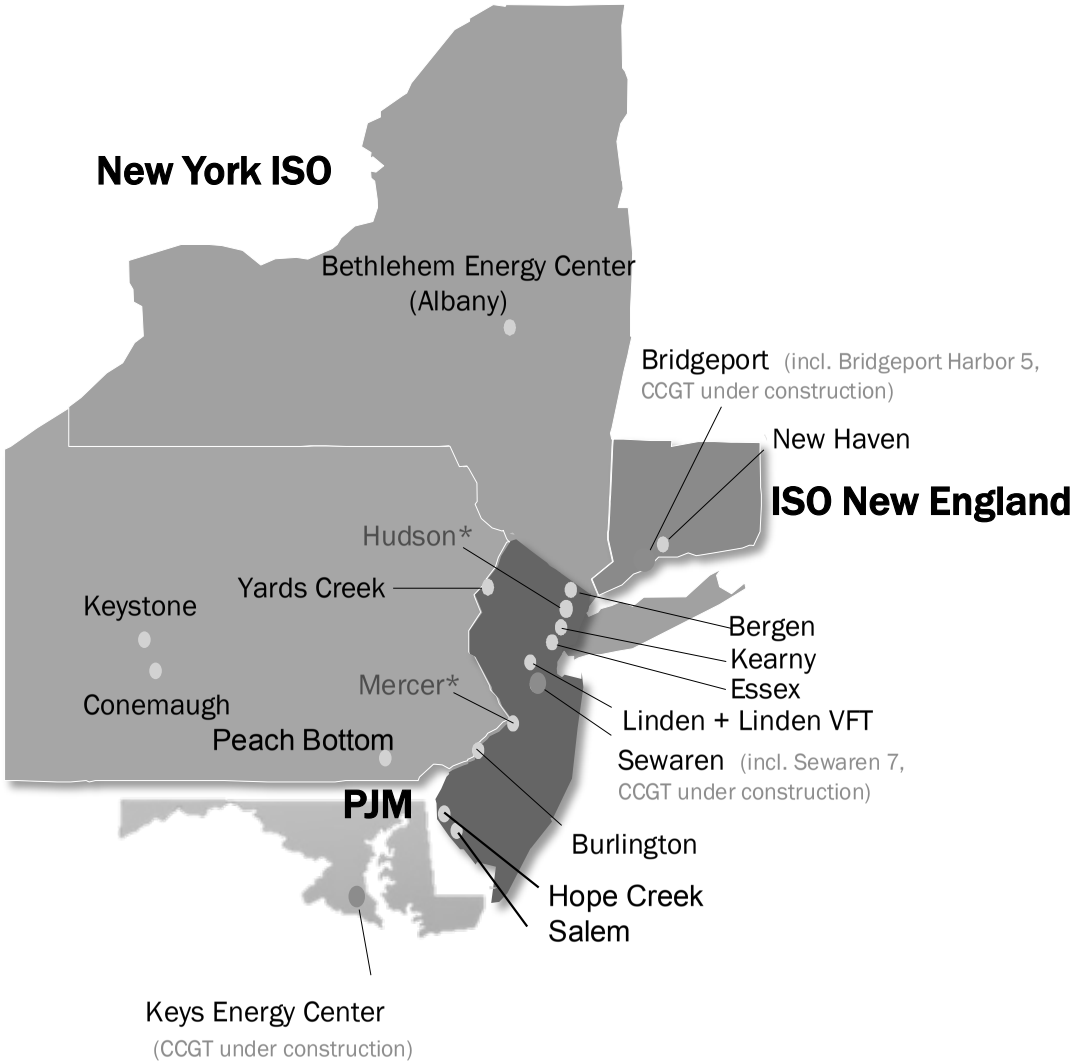


SI-SSA-0015-10941

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

SI-SSA-0015-10942

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

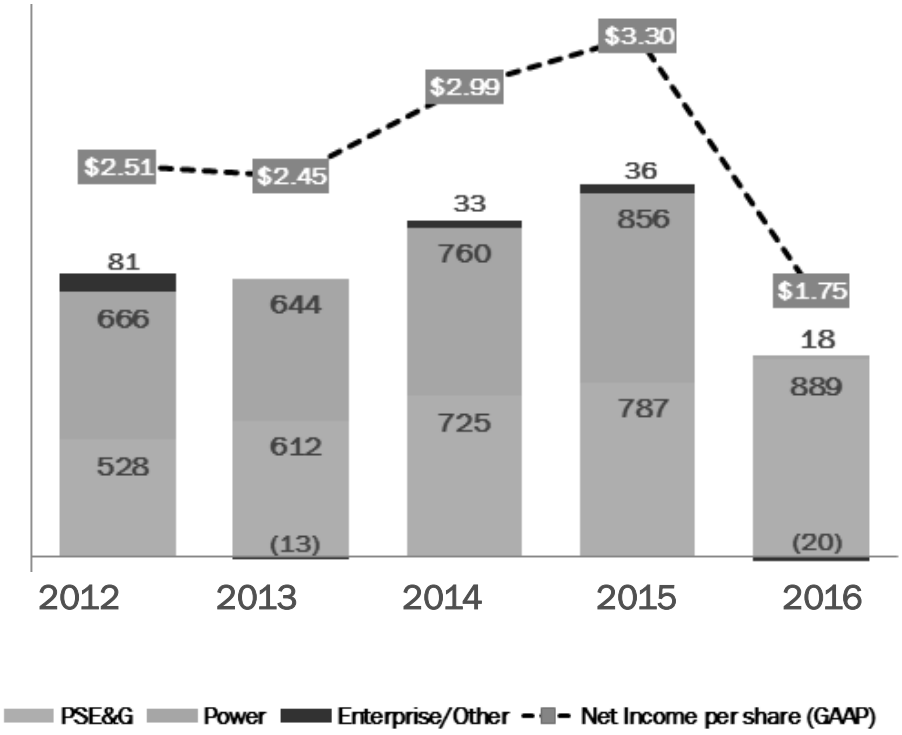
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

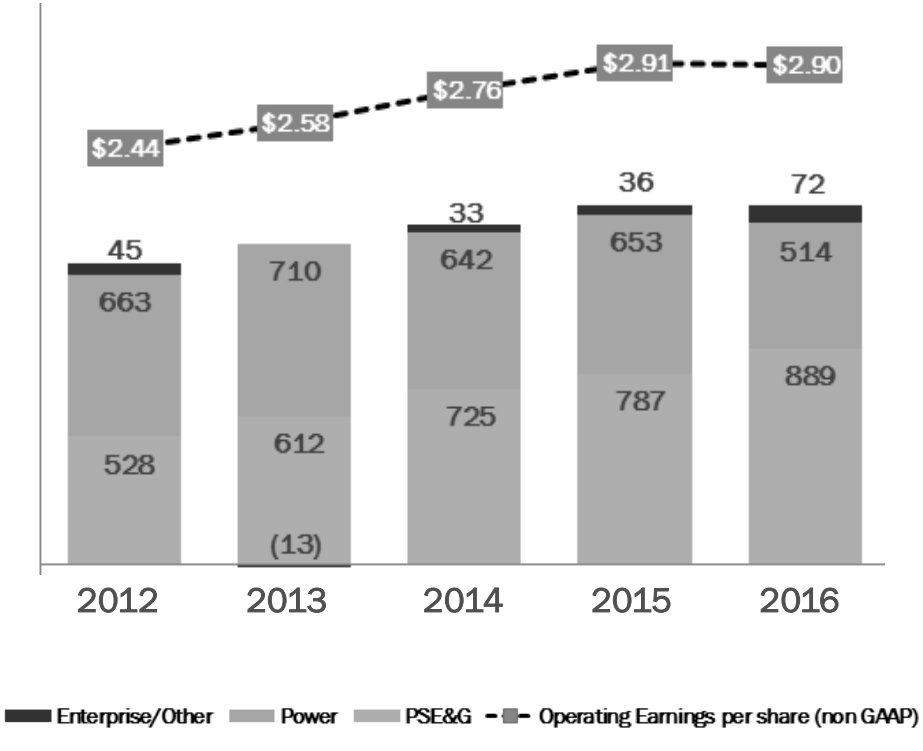
SI-SSA-0015-10943

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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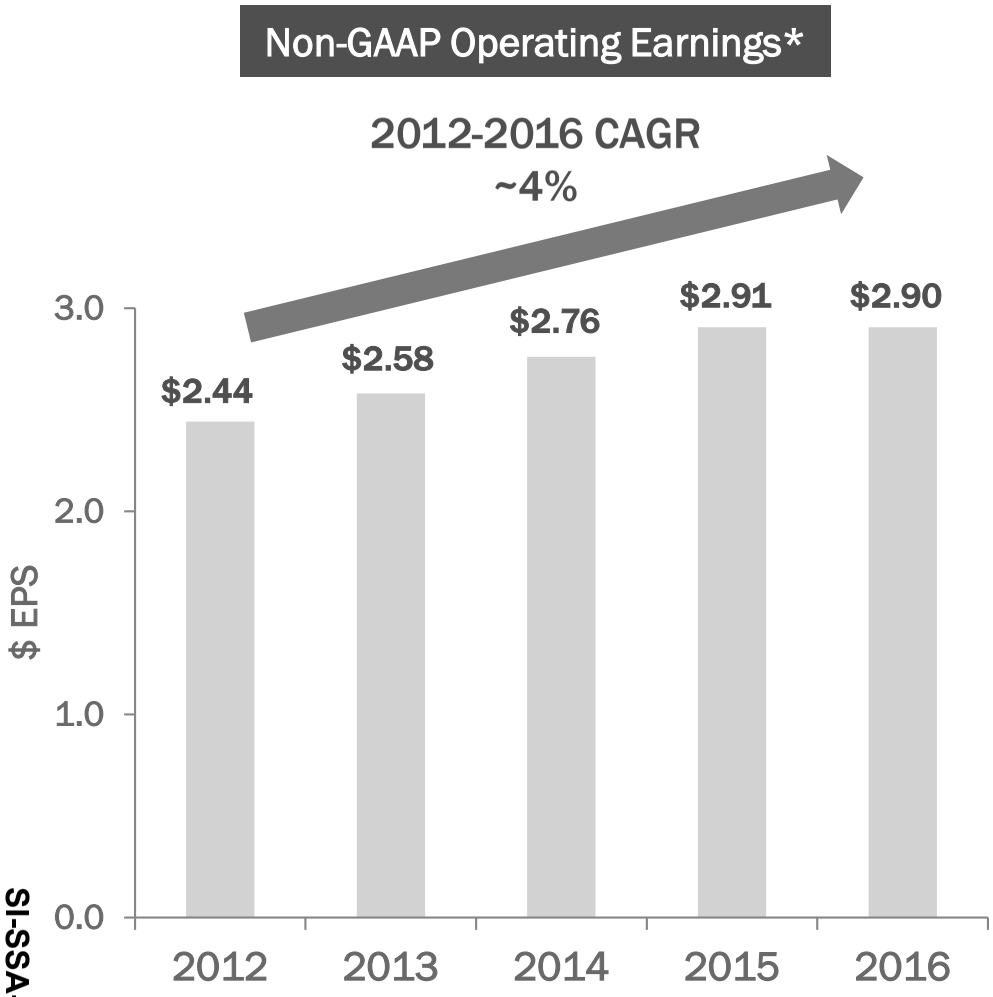
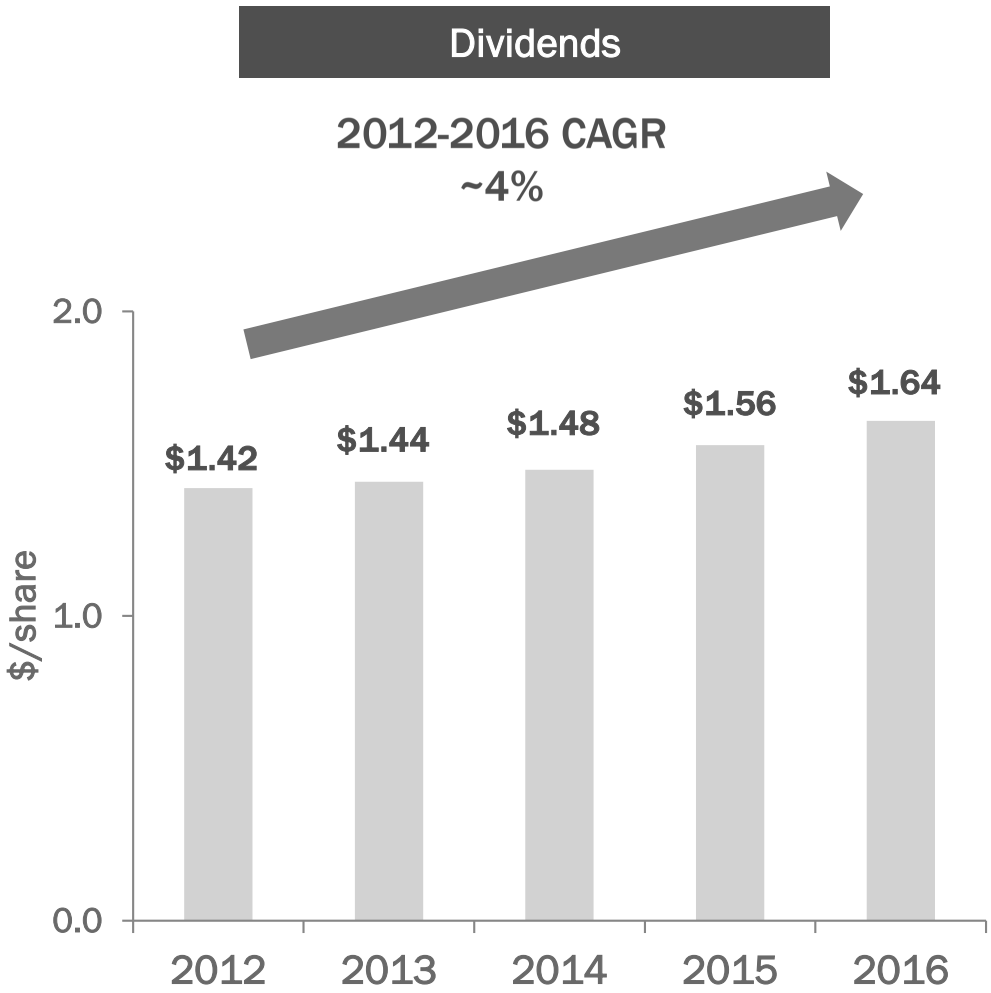
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends

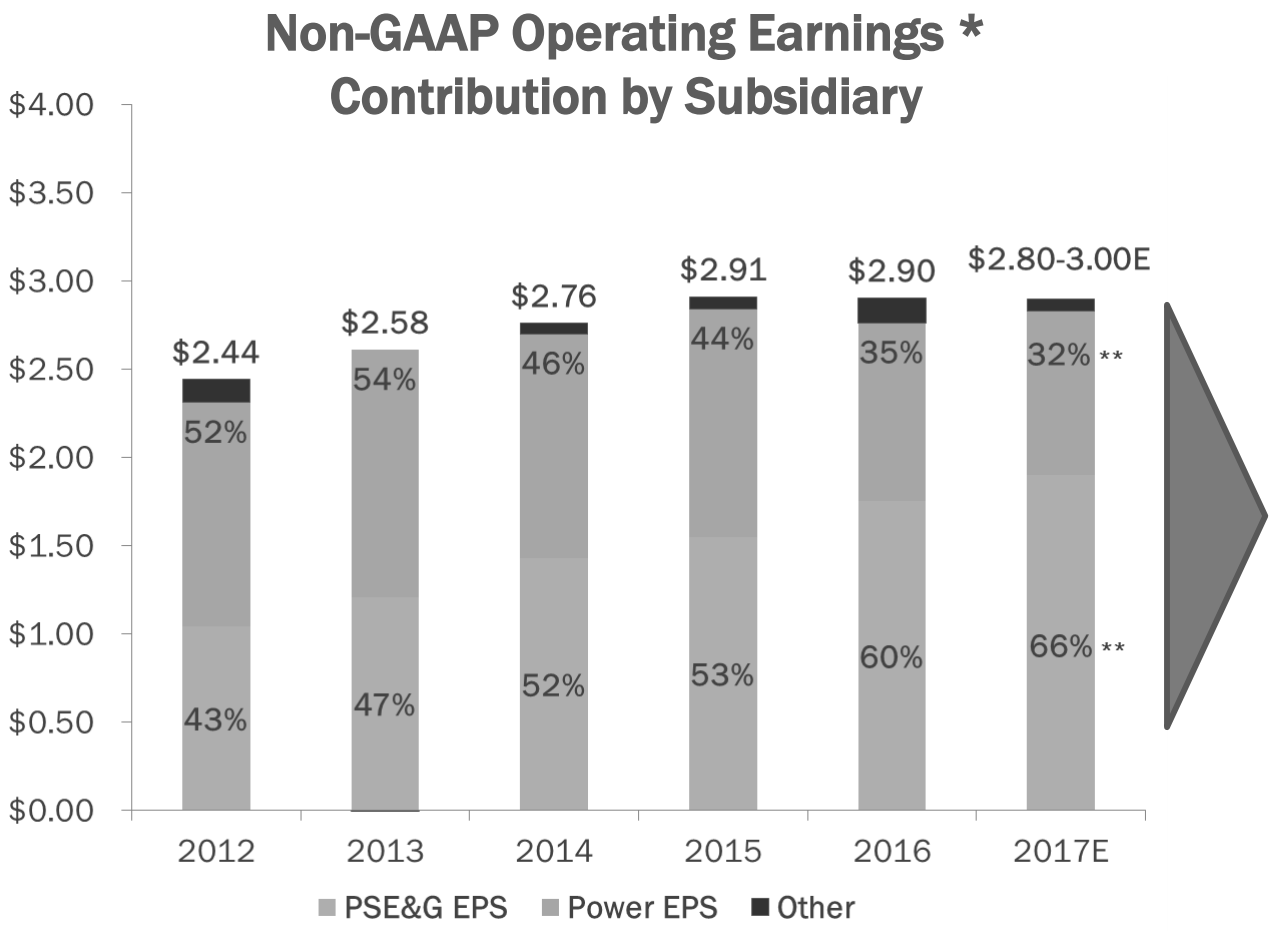




SI-SSA-0015-10945

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



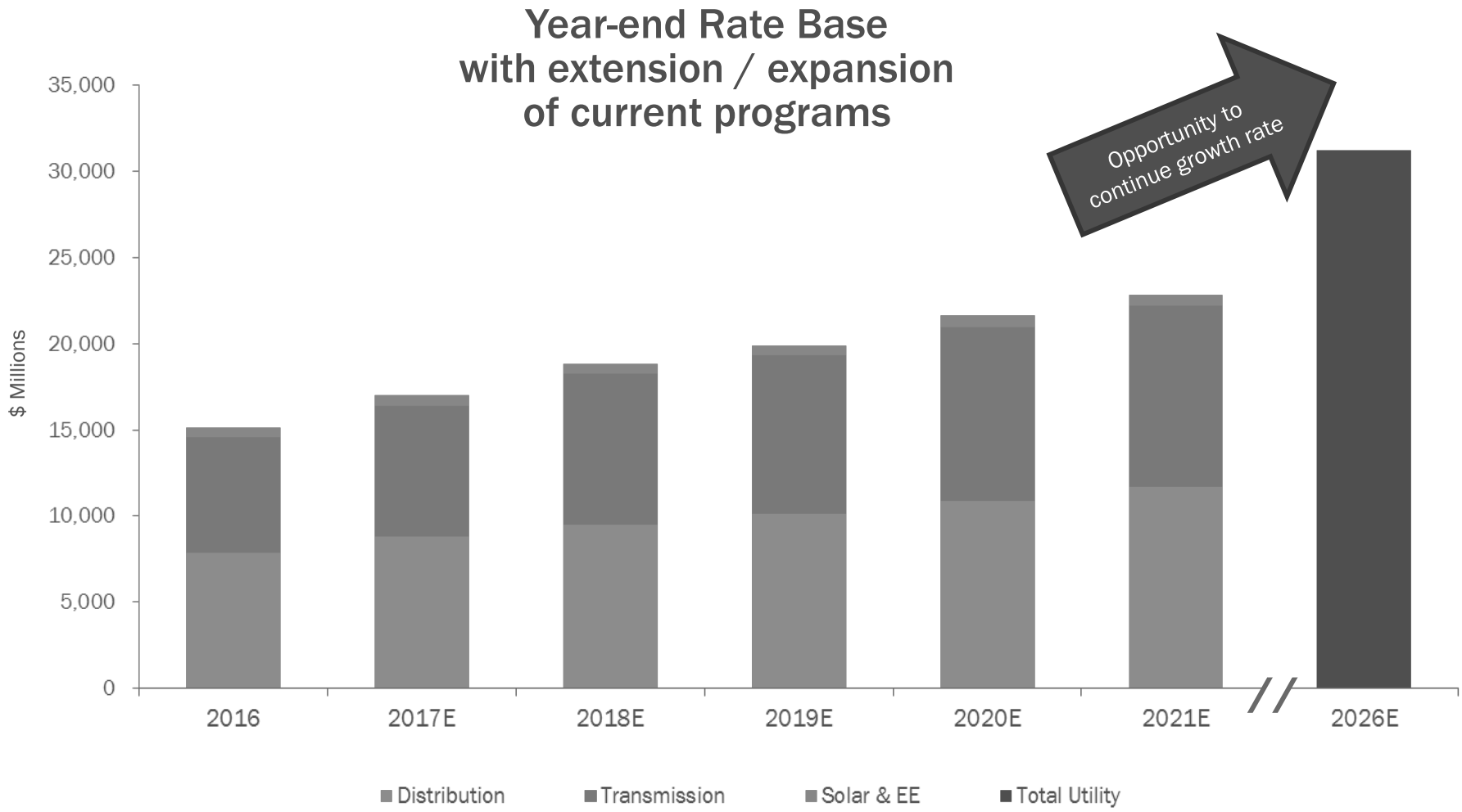
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-10946

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

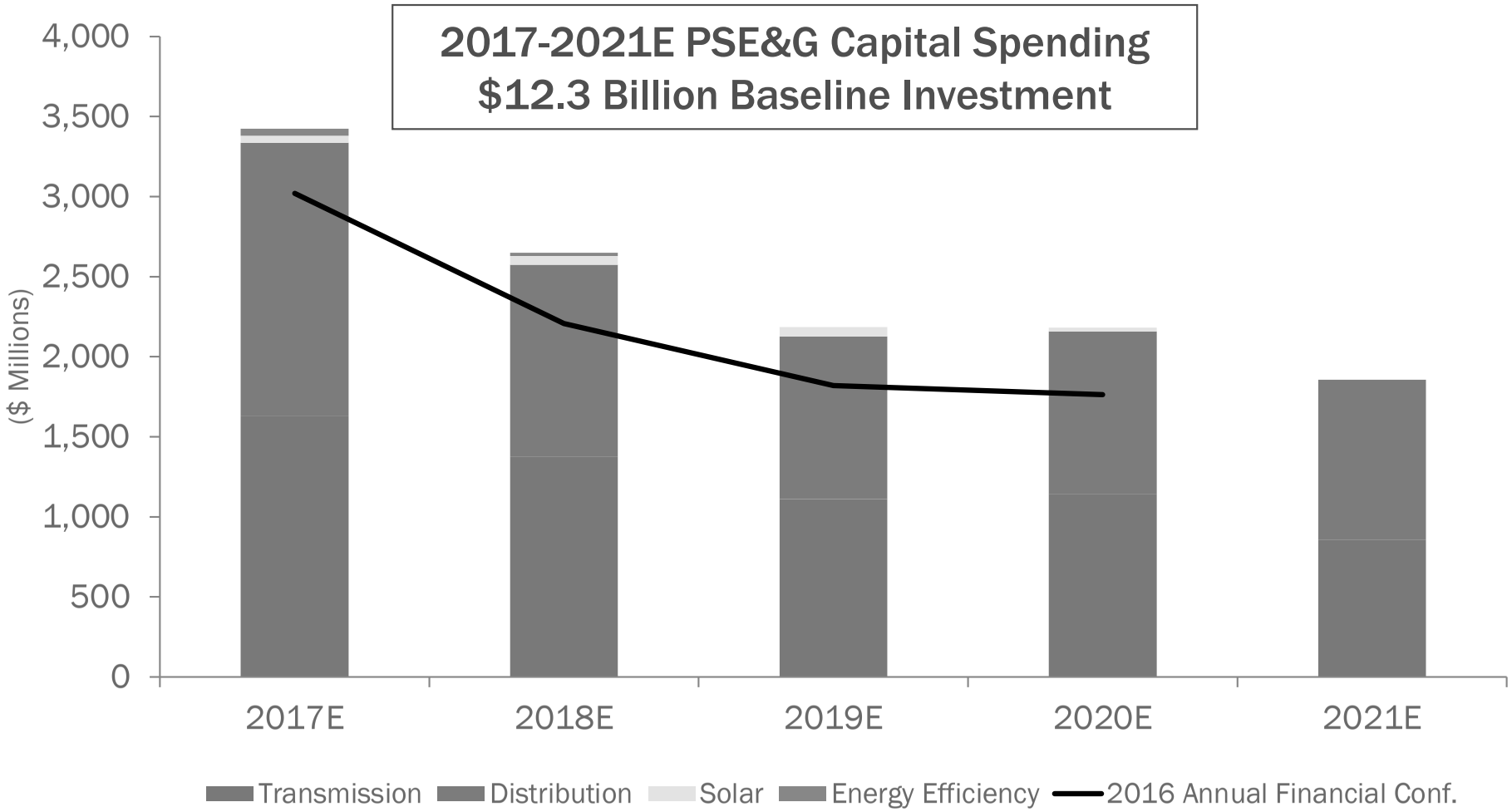
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

SI-SSA-0015-10947

Baseline programs yield 7% compound annual growth in rate base

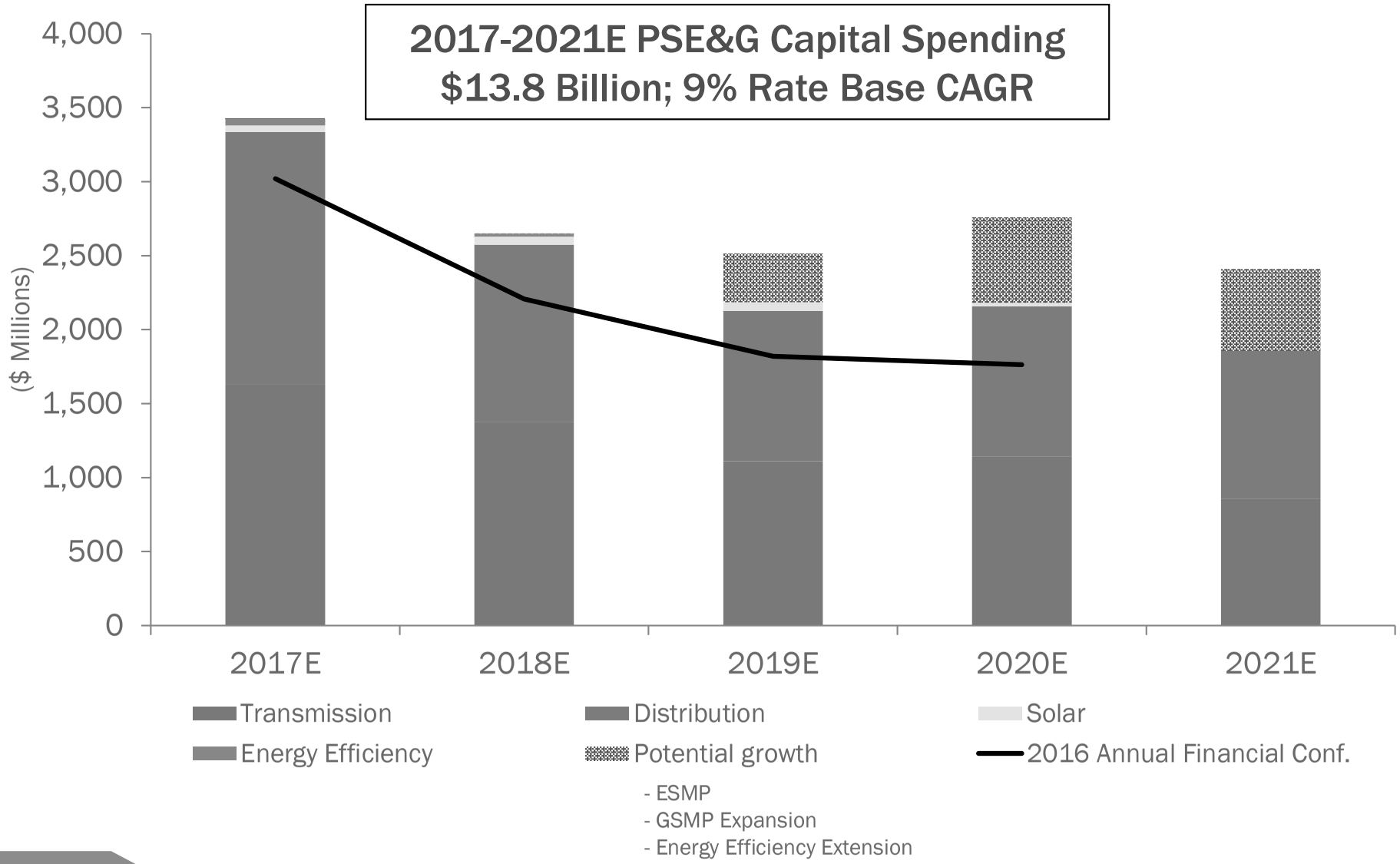


SI-SSA-0015-10948

PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-10949

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

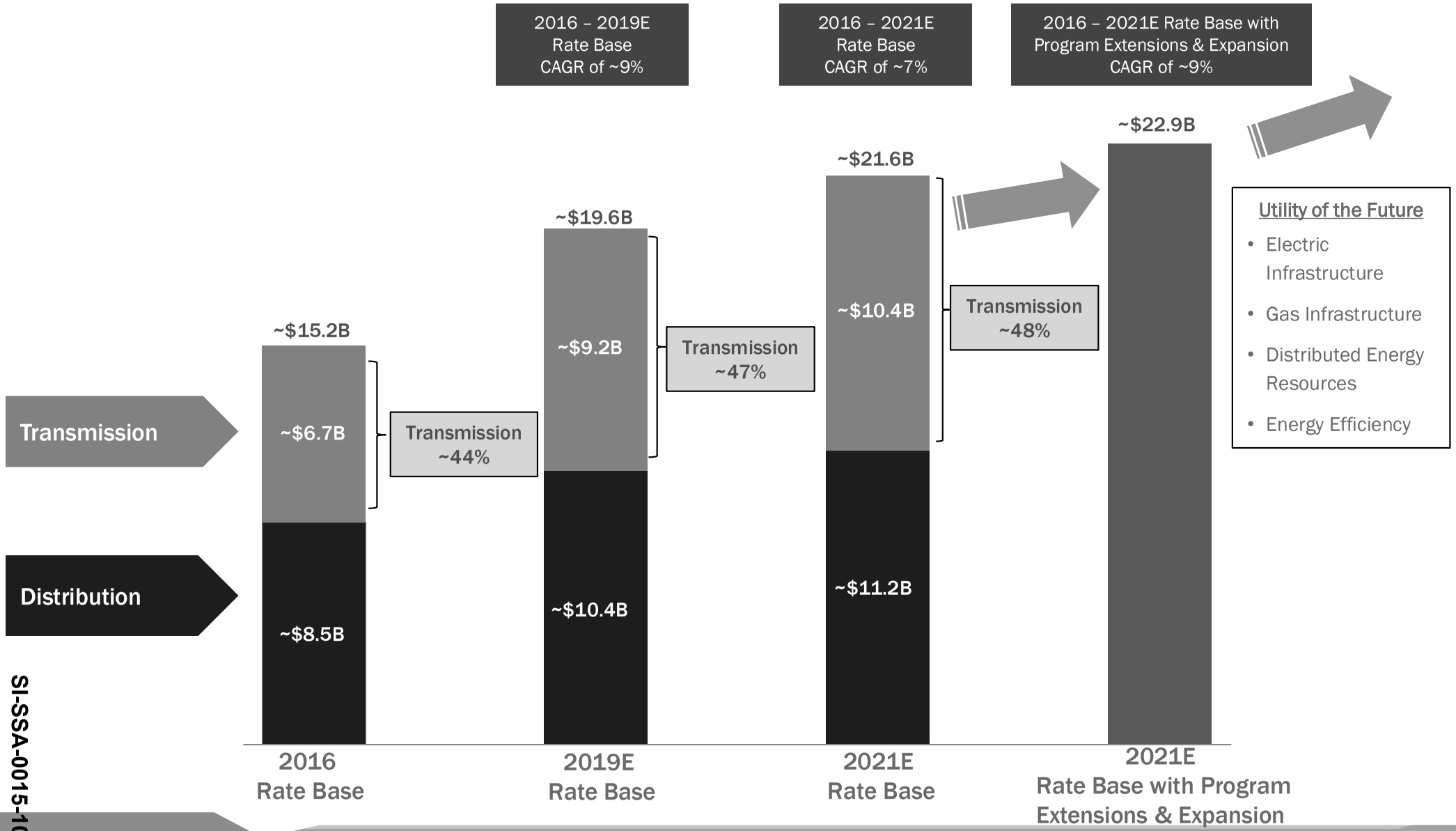
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-10950

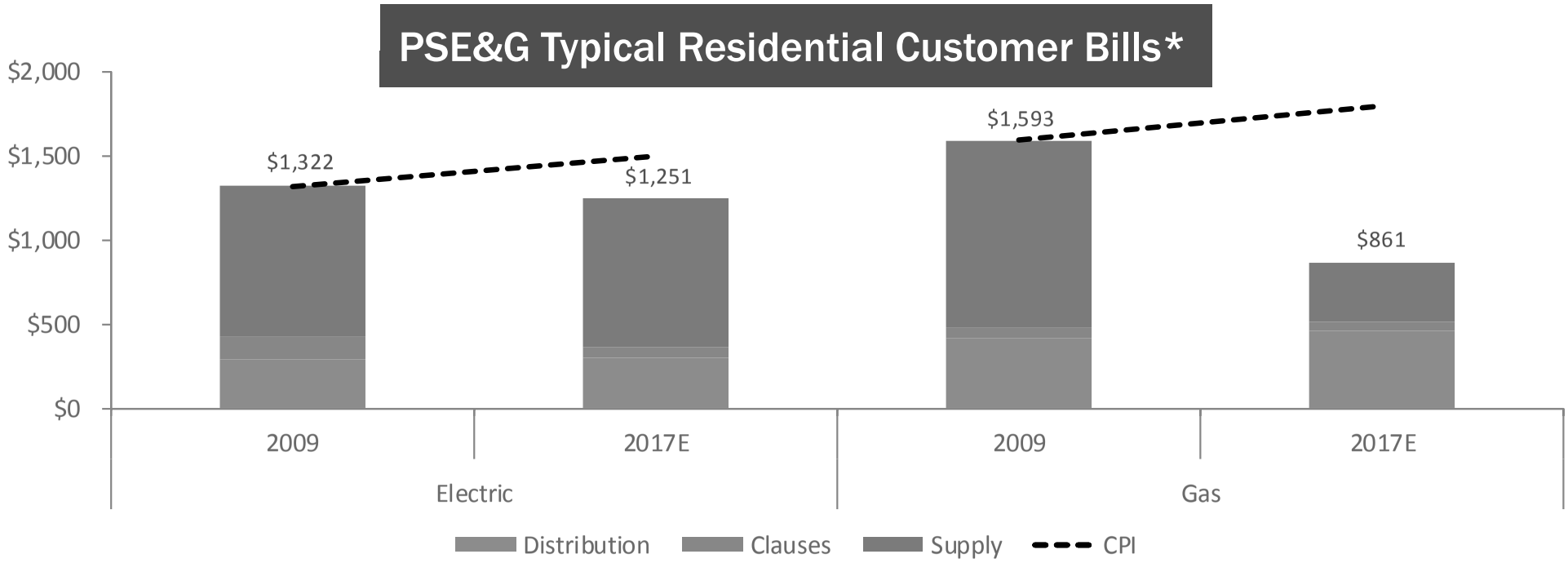
PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

SI-SSA-0015-10951

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-10952

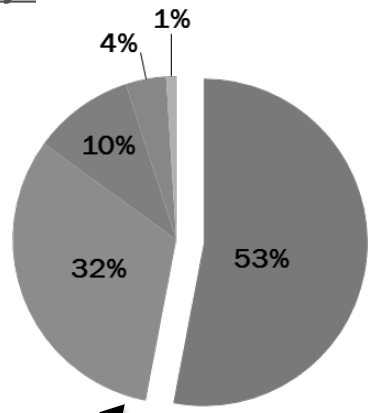
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

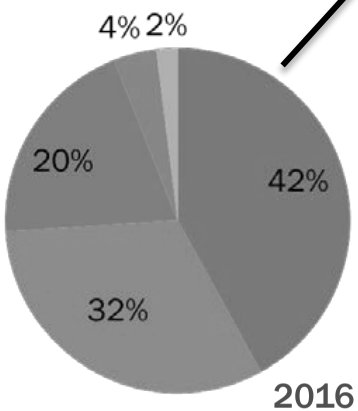
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

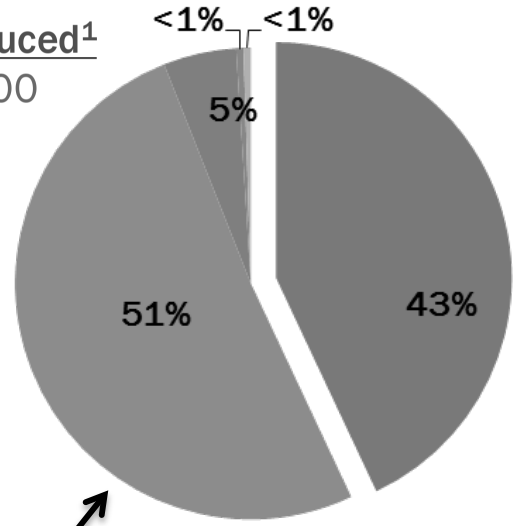
2021E Fuel Diversity[1]
Total MW: 11,900



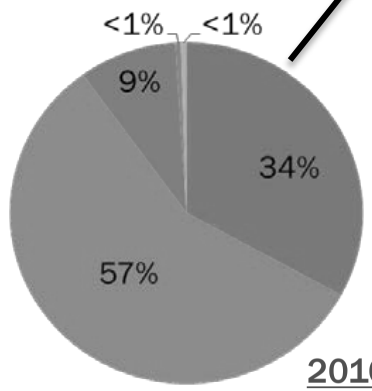
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



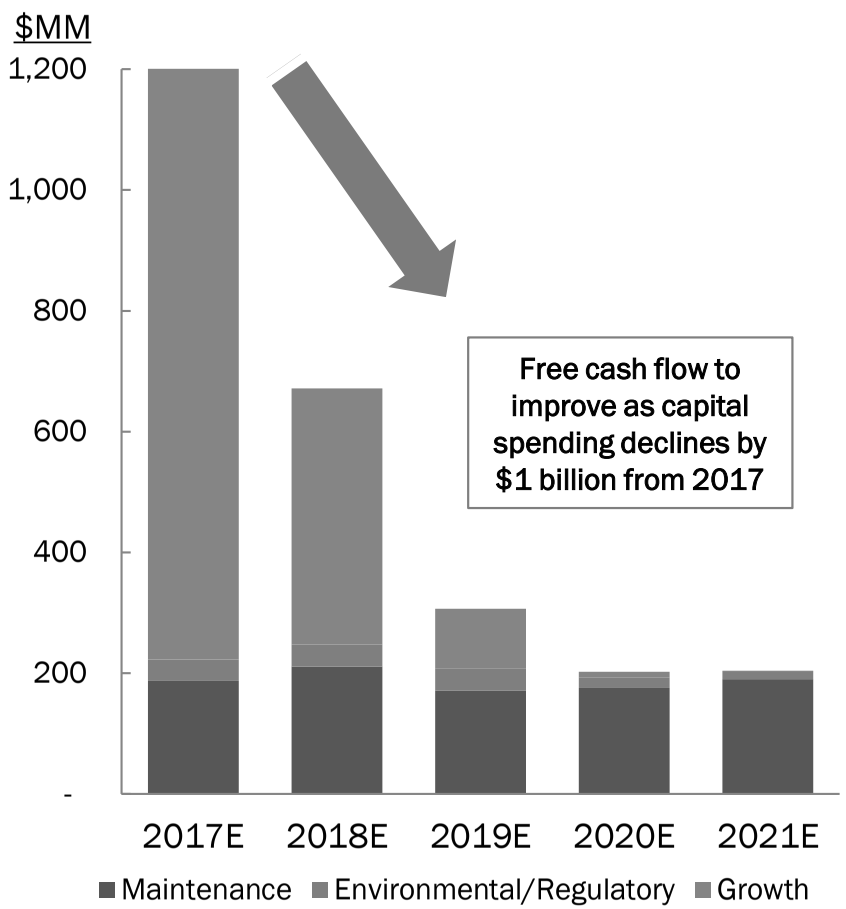
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Produced increases by >18%

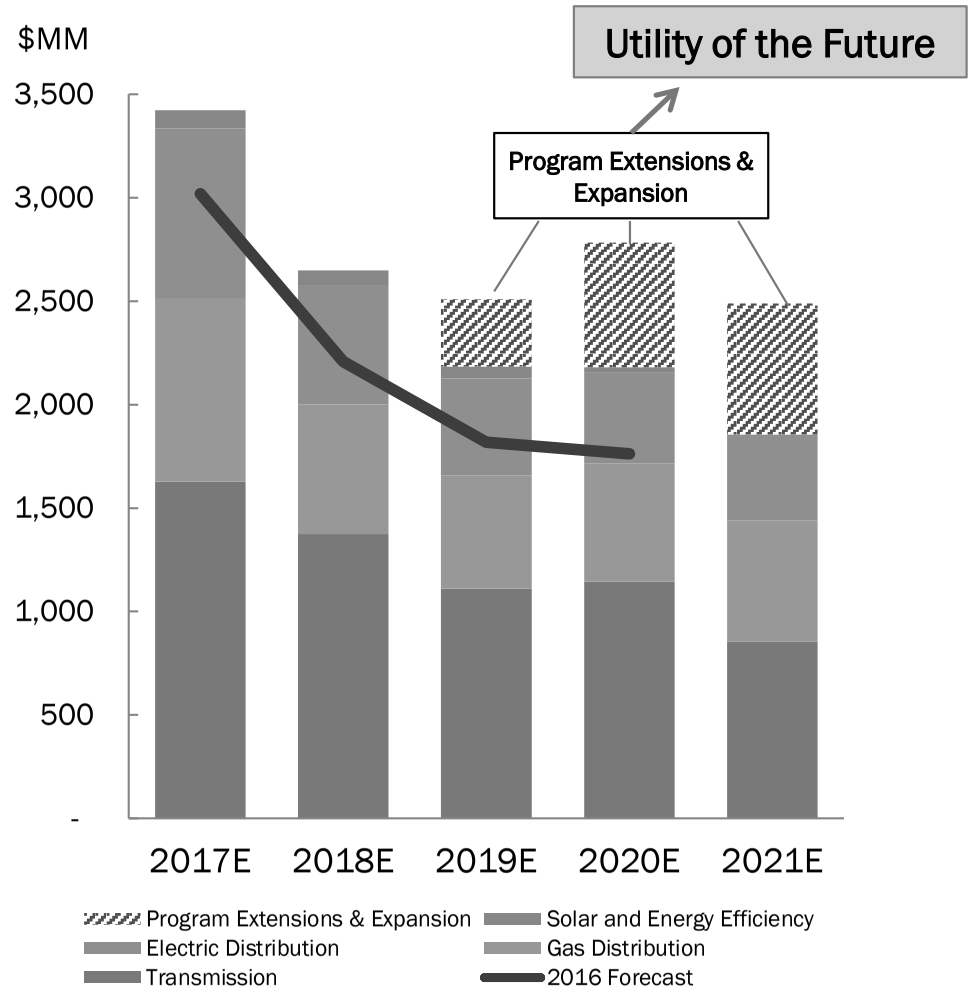
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



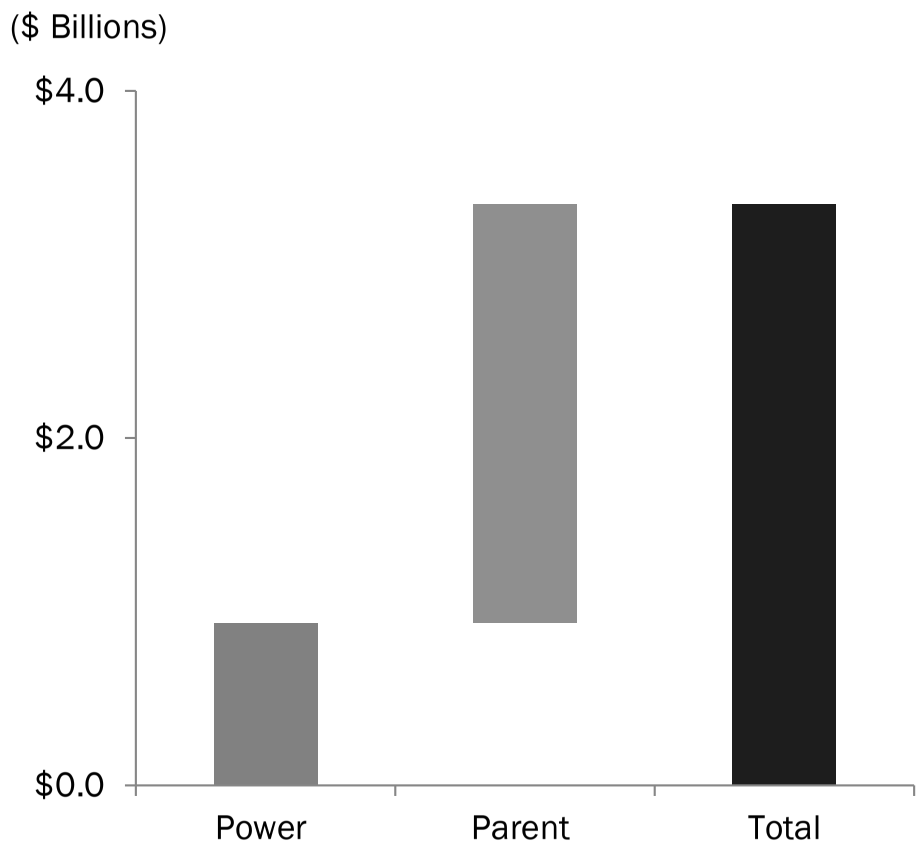
(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity

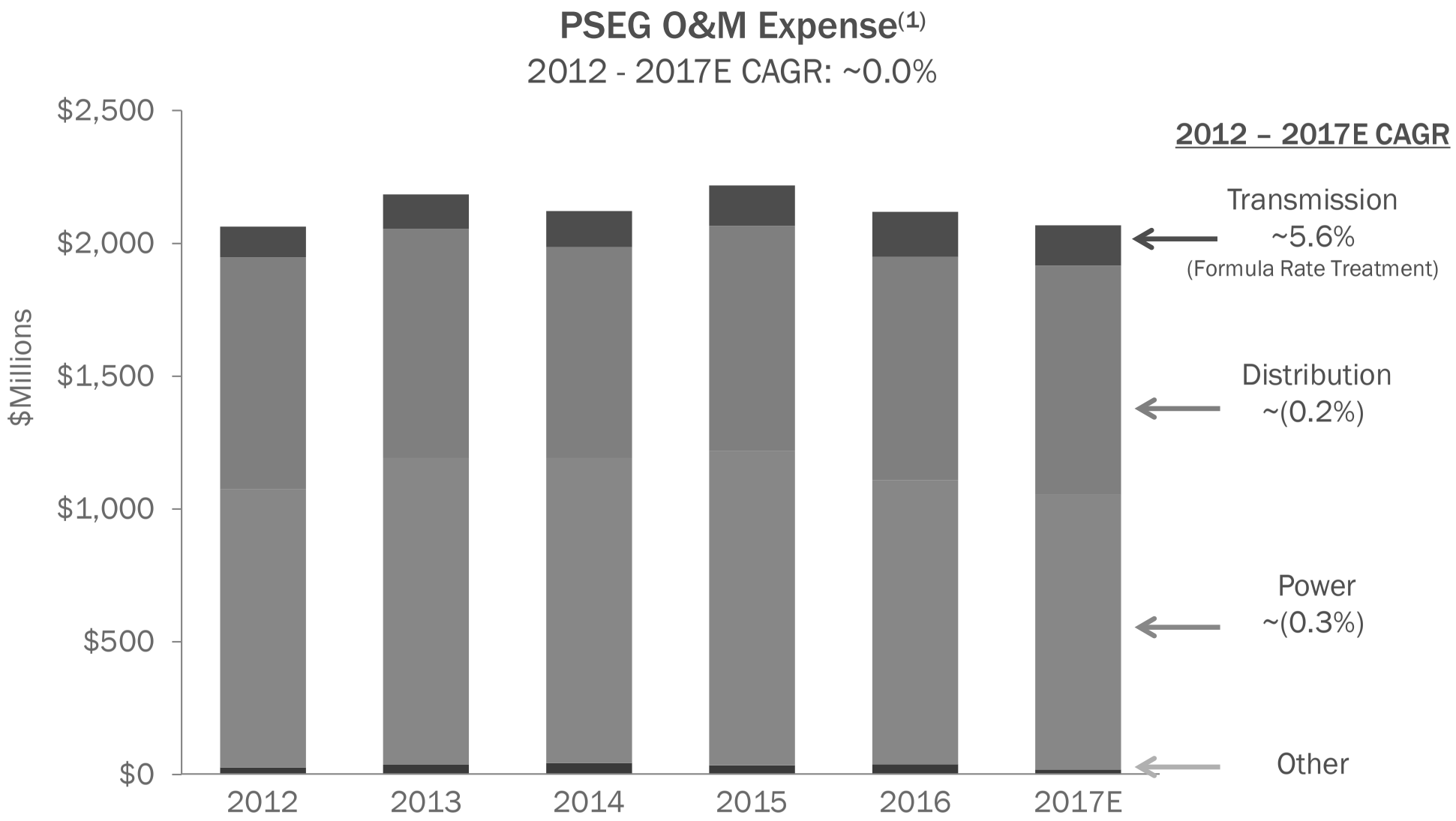


Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-10955

E=ESTIMATE.

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



SI-SSA-0015-10956

PSEG

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

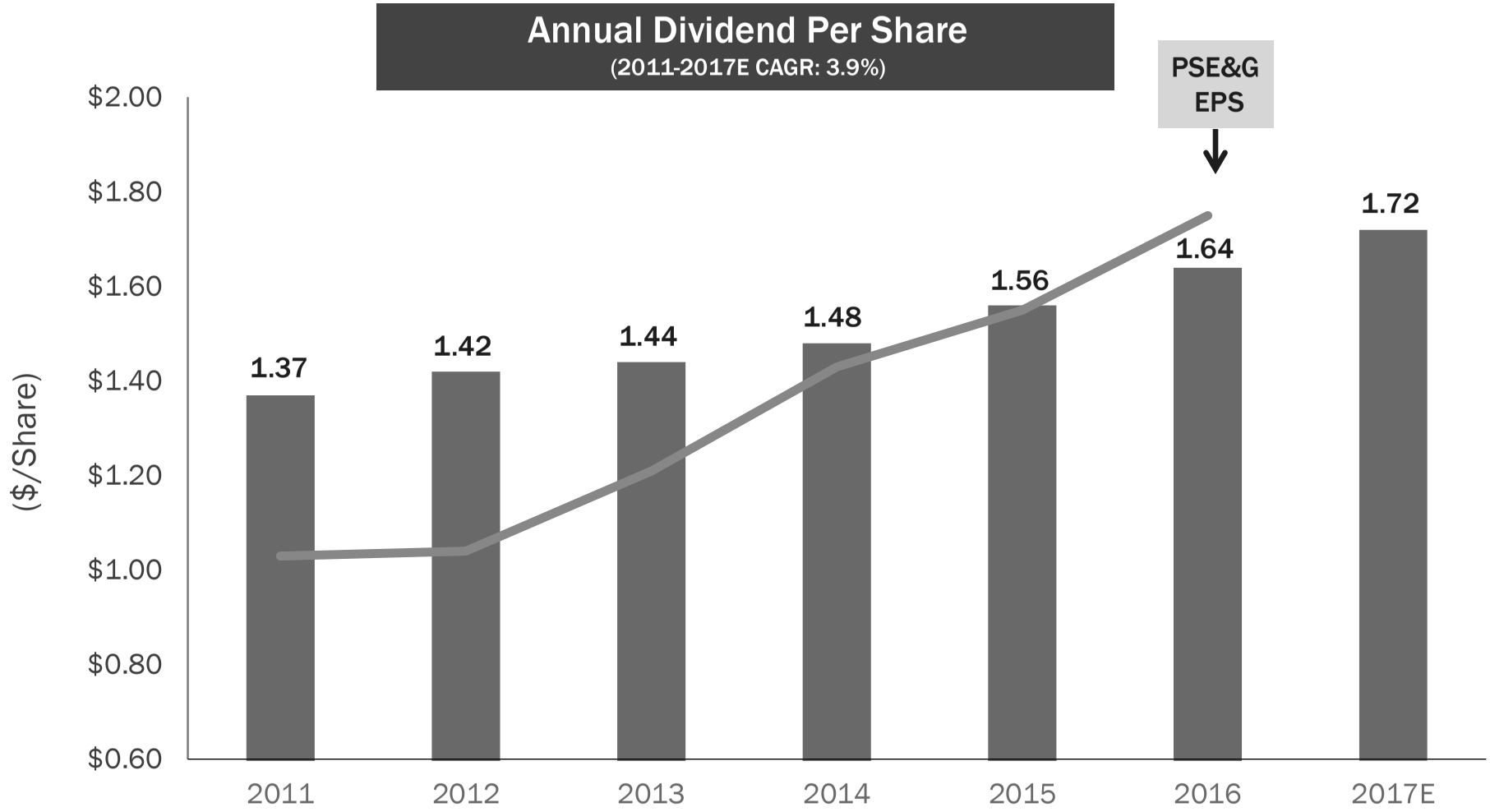
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-10957

Opportunity for meaningful and sustainable dividend growth



SI-SSA-0015-10958

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-10959

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-10960

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-10961

PSEG

We make things work for you.

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

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

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-10962

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

NYSE: PEG

PSEG Investor Update
Capital World • June 20, 2018

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10965

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include lists of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of May 31, 2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-10966

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

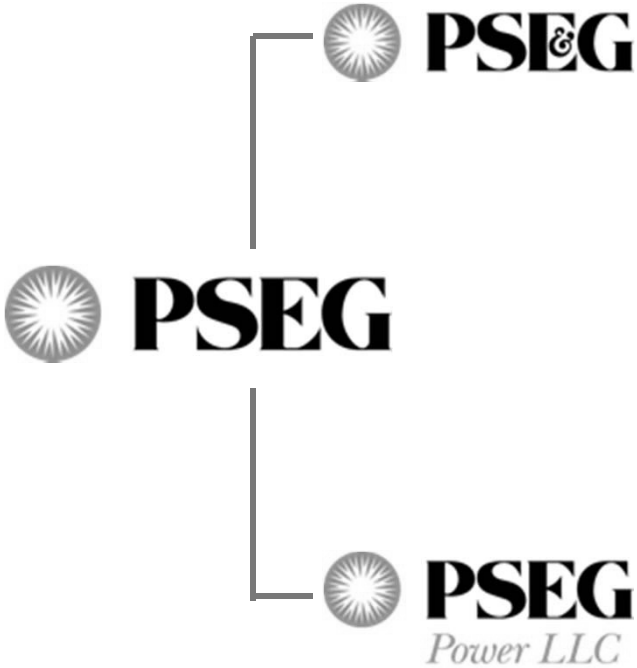
Ralph Izzo
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-10967

PSE&G Represents 65% of Non-GAAP Operating Earnings
4.7% Increase in 2018 Common Dividend
Promoting Sound Energy Policy
115 Years Investing in NJ's Critical Infrastructure
5–Year Investment Program Provides Opportunity for 8%-10% CAGR in PSE&G Rate Base
PSEG

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $15.5 Billion infrastructure program expected to produce **8%-10%** annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER.

SI-SSA-0015-10969

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

SI-SSA-0015-10970

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

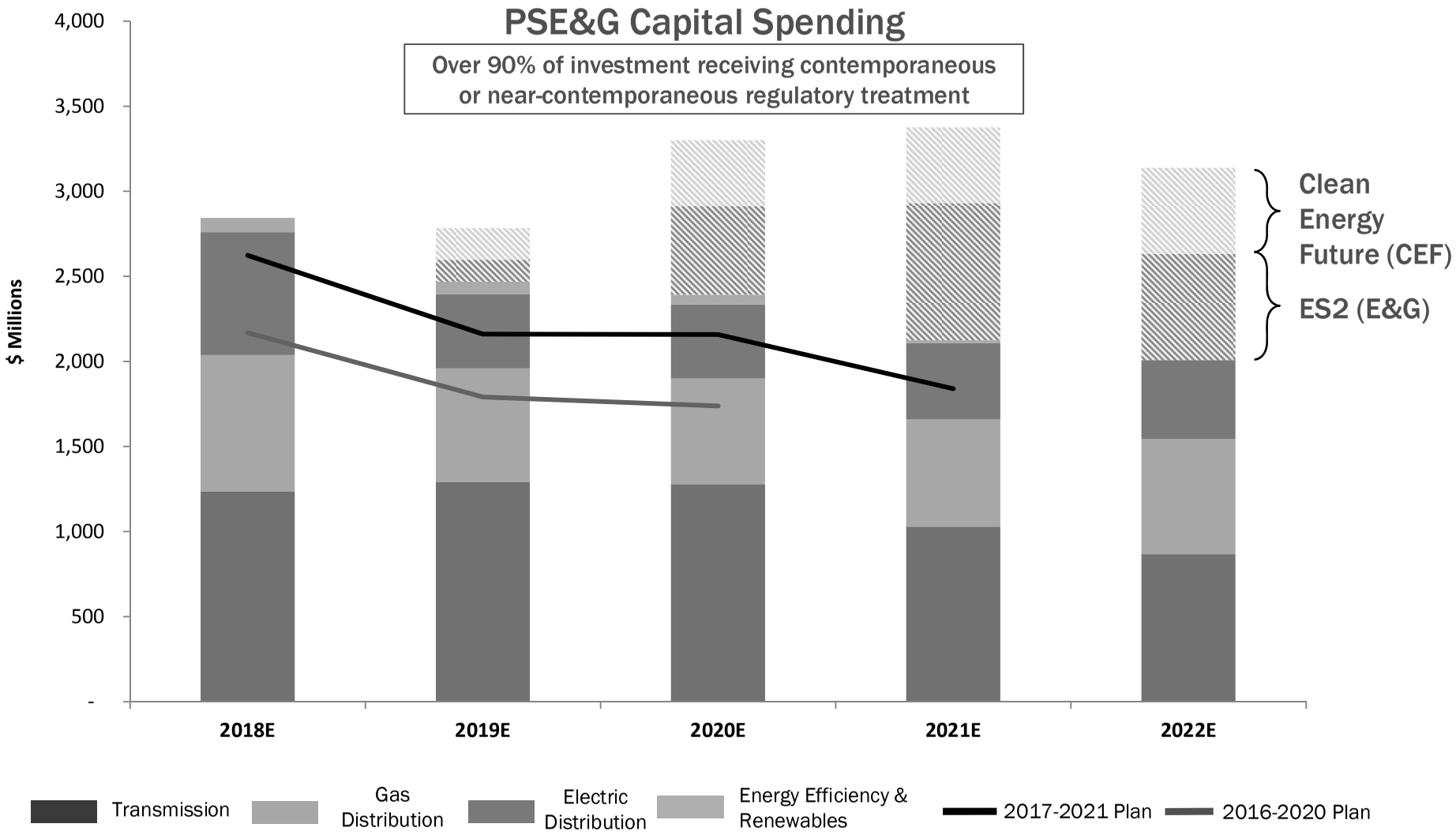
2018	PSEG 5-Year Capital Investment Program $14B - $17B

- ✓ Investing $12 Billion-$15.5 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-10971

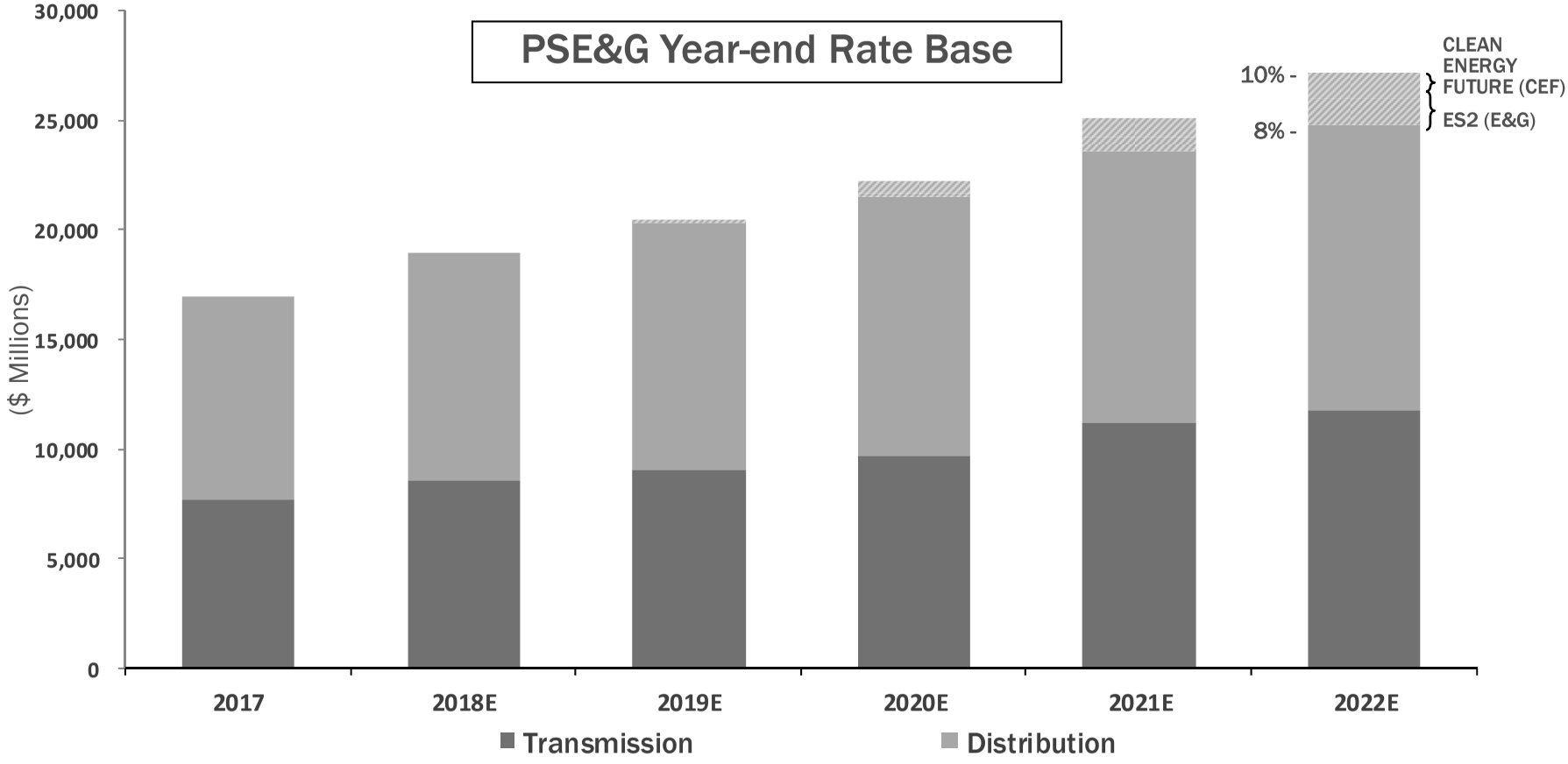
$12B-$15.5B investment program focused on grid modernization, reliability and clean energy



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-10972

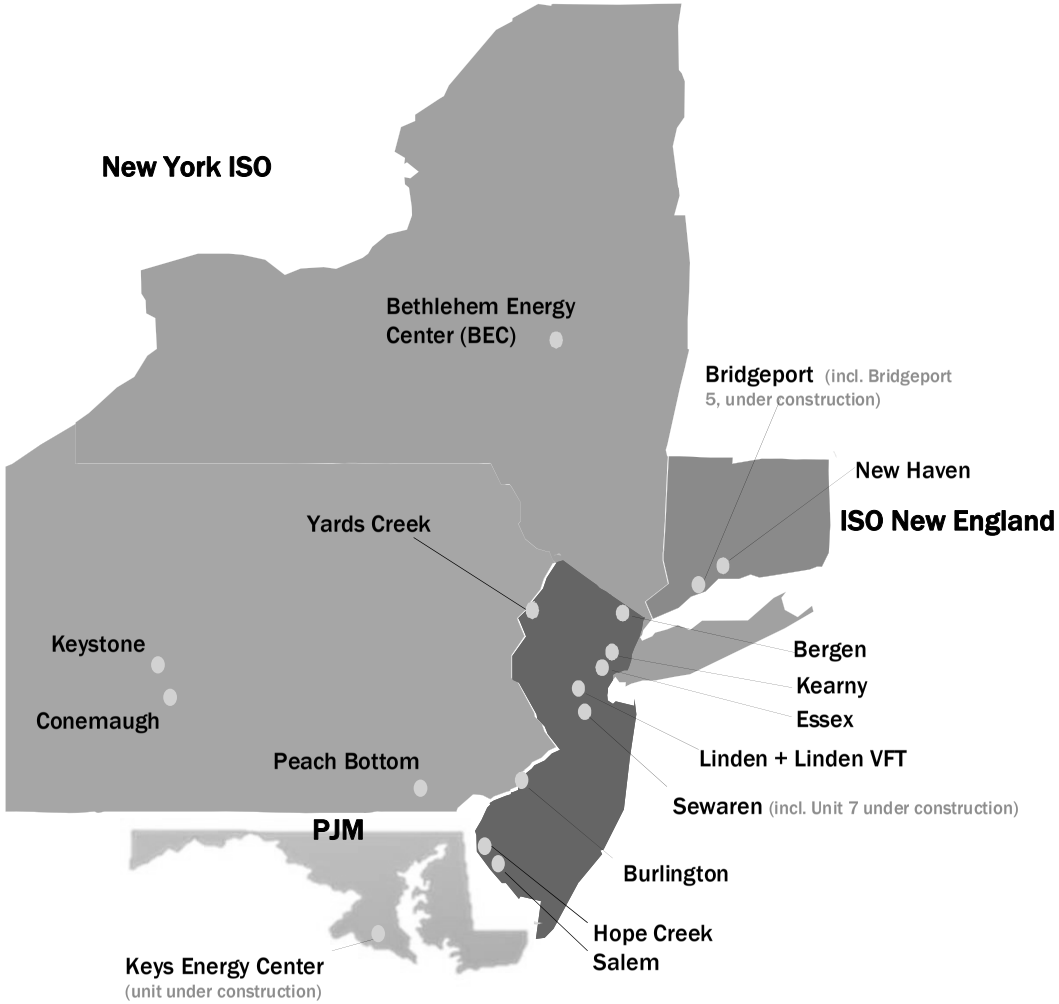
Expanded utility investment program of $12B - $15.5B provides opportunity for rate base growth of 8% - 10%

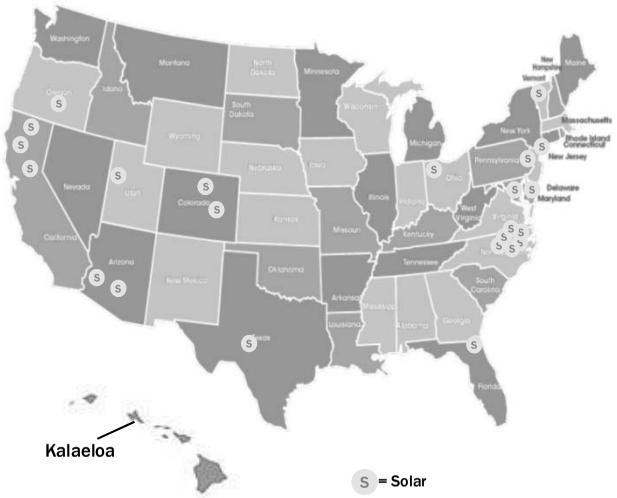


E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-10973

Power's generating assets mainly located in three competitive markets





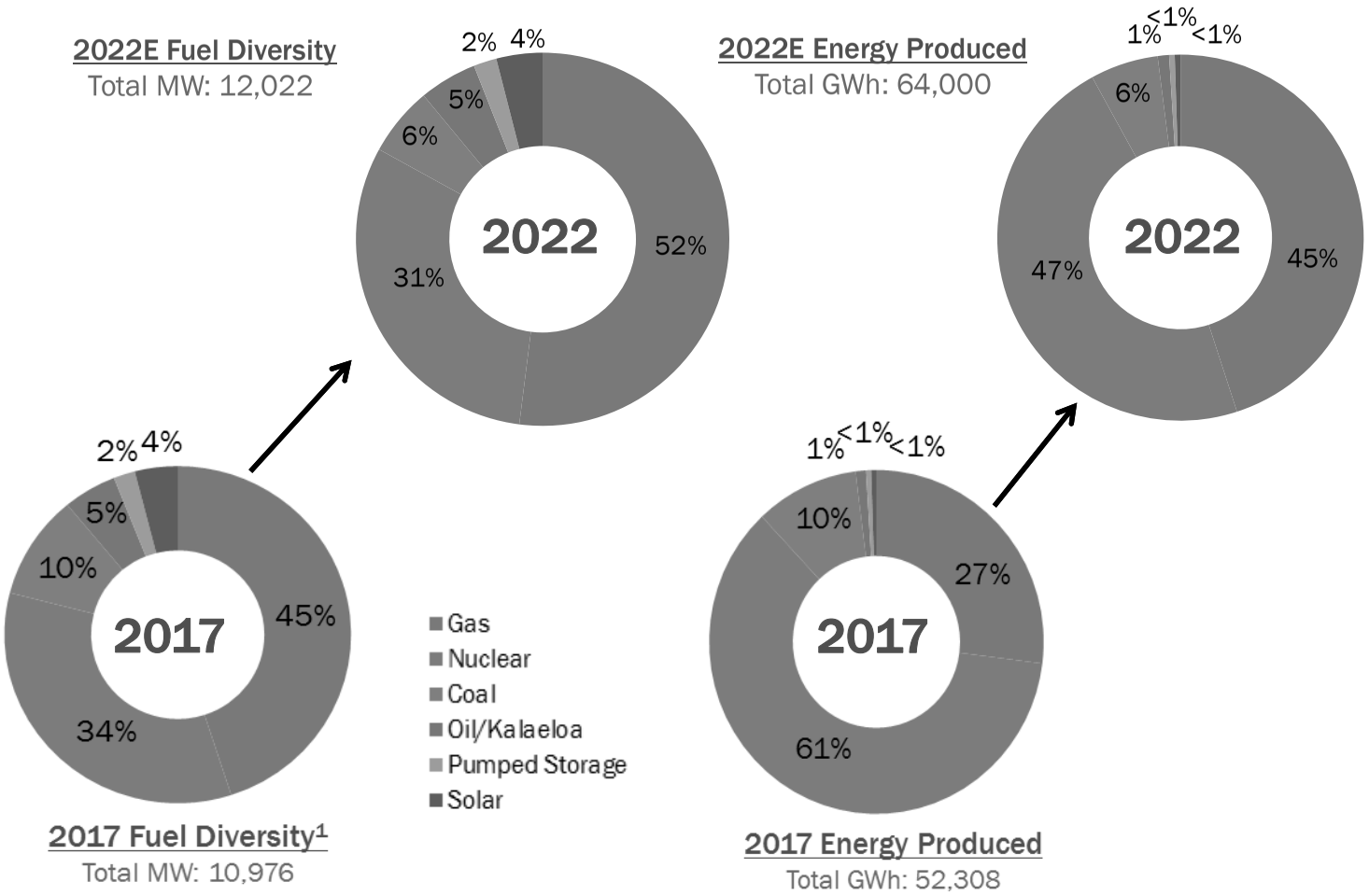
- Power Ventures assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

SI-SSA-0015-10974

Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-10975

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filing Shortly

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage and EVs

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform expected in 2018

SI-SSA-0015-10976

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ Starts a 330-Day process – NJ Board of Public Utilities to determine eligibility and selection of nuclear plants eligible for ZECs
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-10977

Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

SI-SSA-0015-10978

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication; AMI Regulated Renewables

SI-SSA-0015-10979

NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

SI-SSA-0015-10980

Partnership for a Clean Energy Future:

~$2.9 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

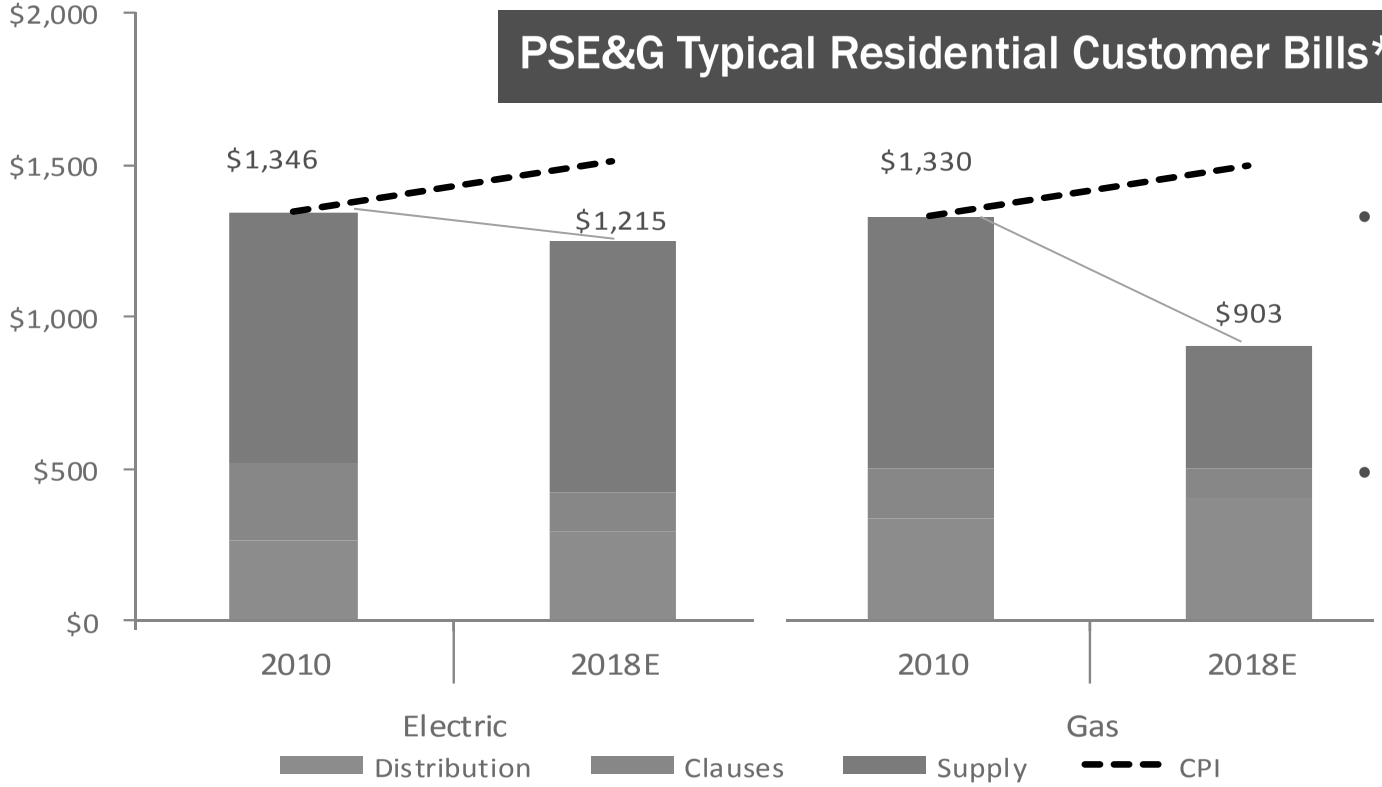
- **Energy Efficiency:** Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
- **Electric Vehicles:** "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Battery Storage:** Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Battery Storage	$0.1
Investment Total	$2.9

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of decoupling
- Expect to file in the near-term

SI-SSA-0015-10981

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

SI-SSA-0015-10982

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

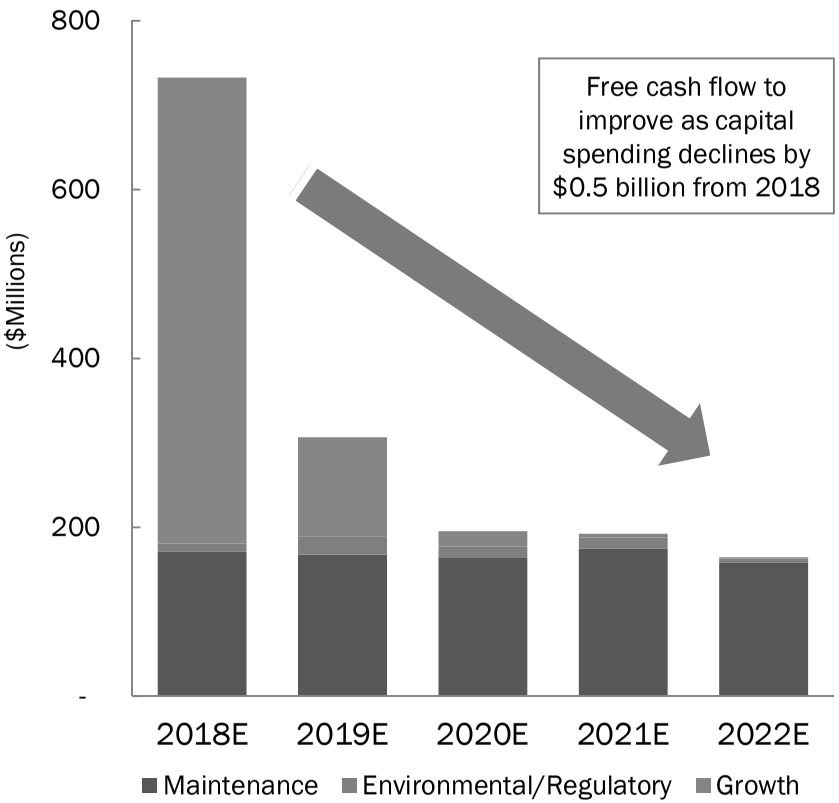
Investment in regulated business represents ~90% of capital program

CAPITAL INCLUDES IDC AND AFUDC
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E=ESTIMATE

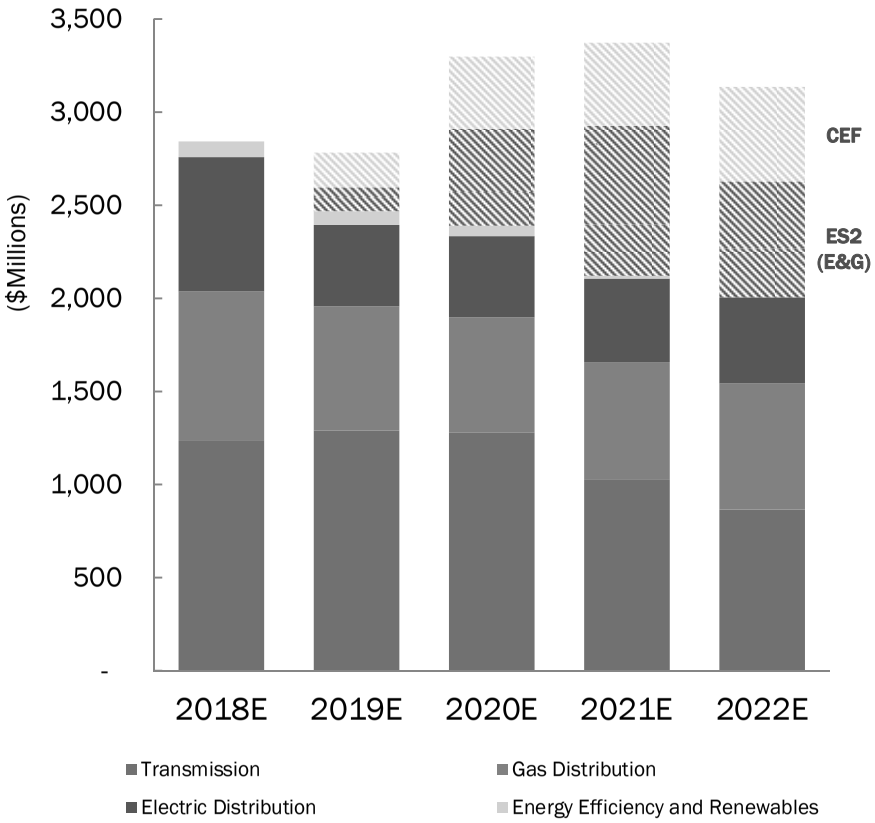
SI-SSA-0015-10983

Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE
2) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E = ESTIMATE.

SI-SSA-0015-10984

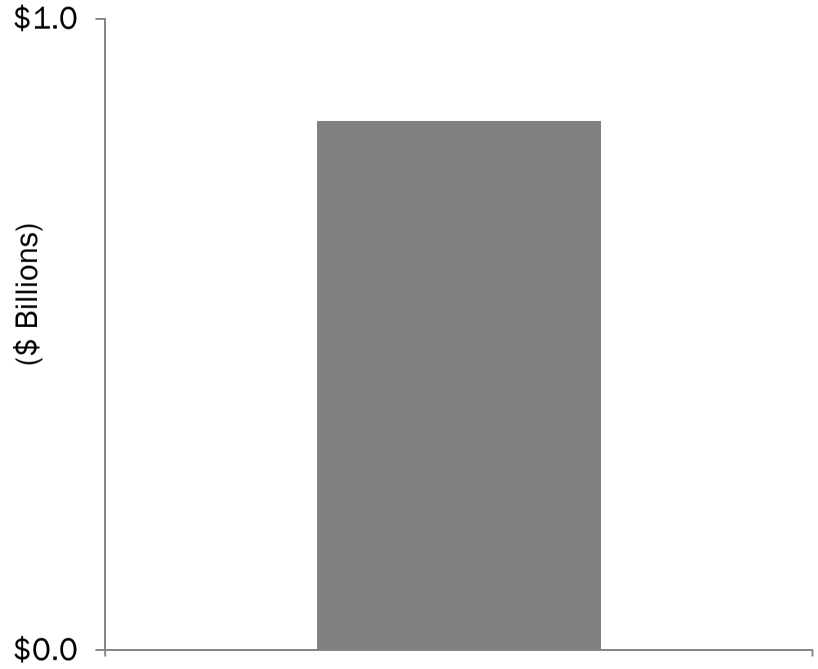
Solid credit metrics support additional investment capacity

**Average Funds From Operations/Debt*
2018E – 2020E**

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

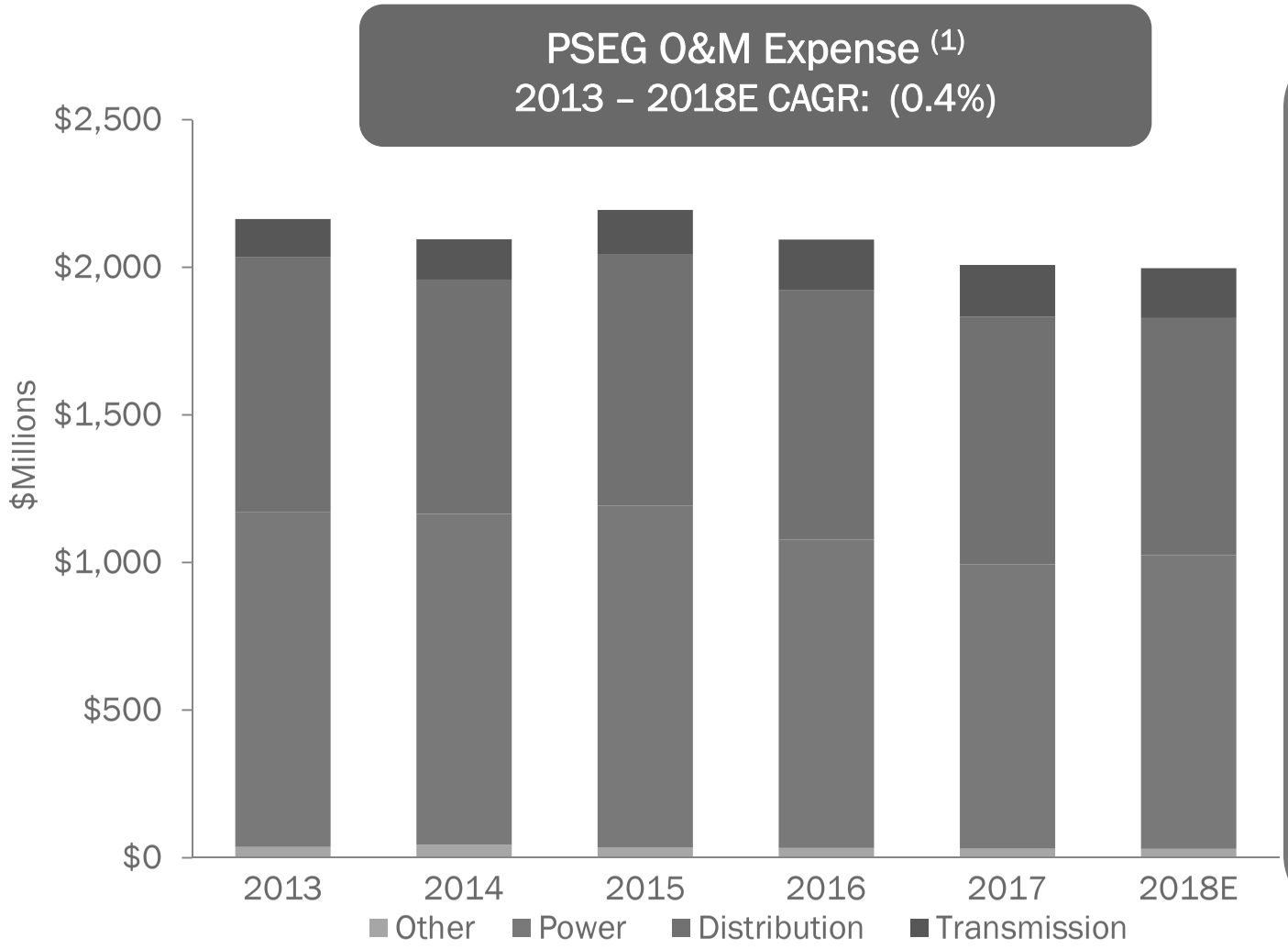
**Total Incremental Investment Capacity
2018E – 2020E (PSEG and Power)**



Incremental capacity invested in PSE&G would be matched with utility debt

SI-SSA-0015-10985

PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

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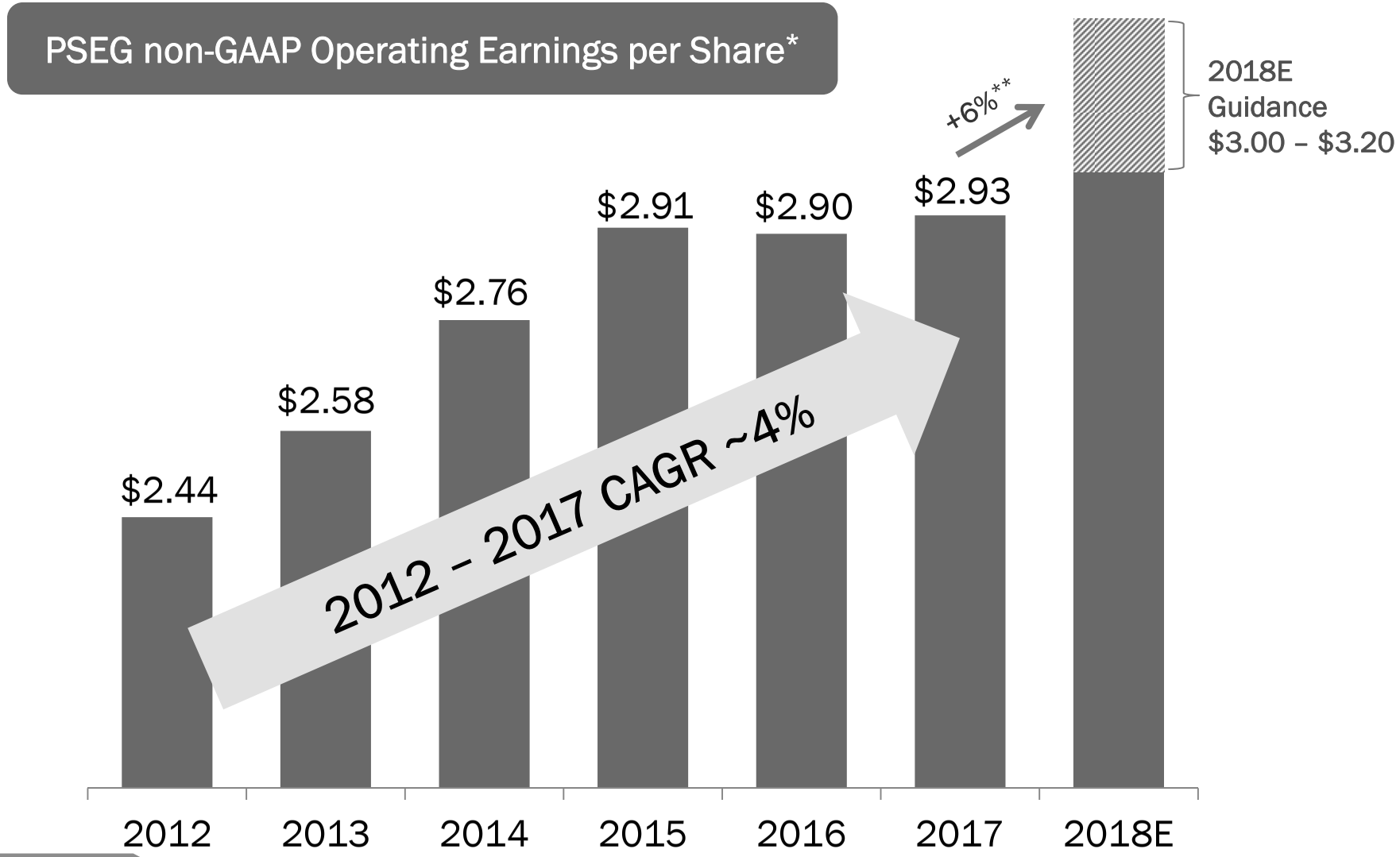
Strategic focus continues to deliver solid results

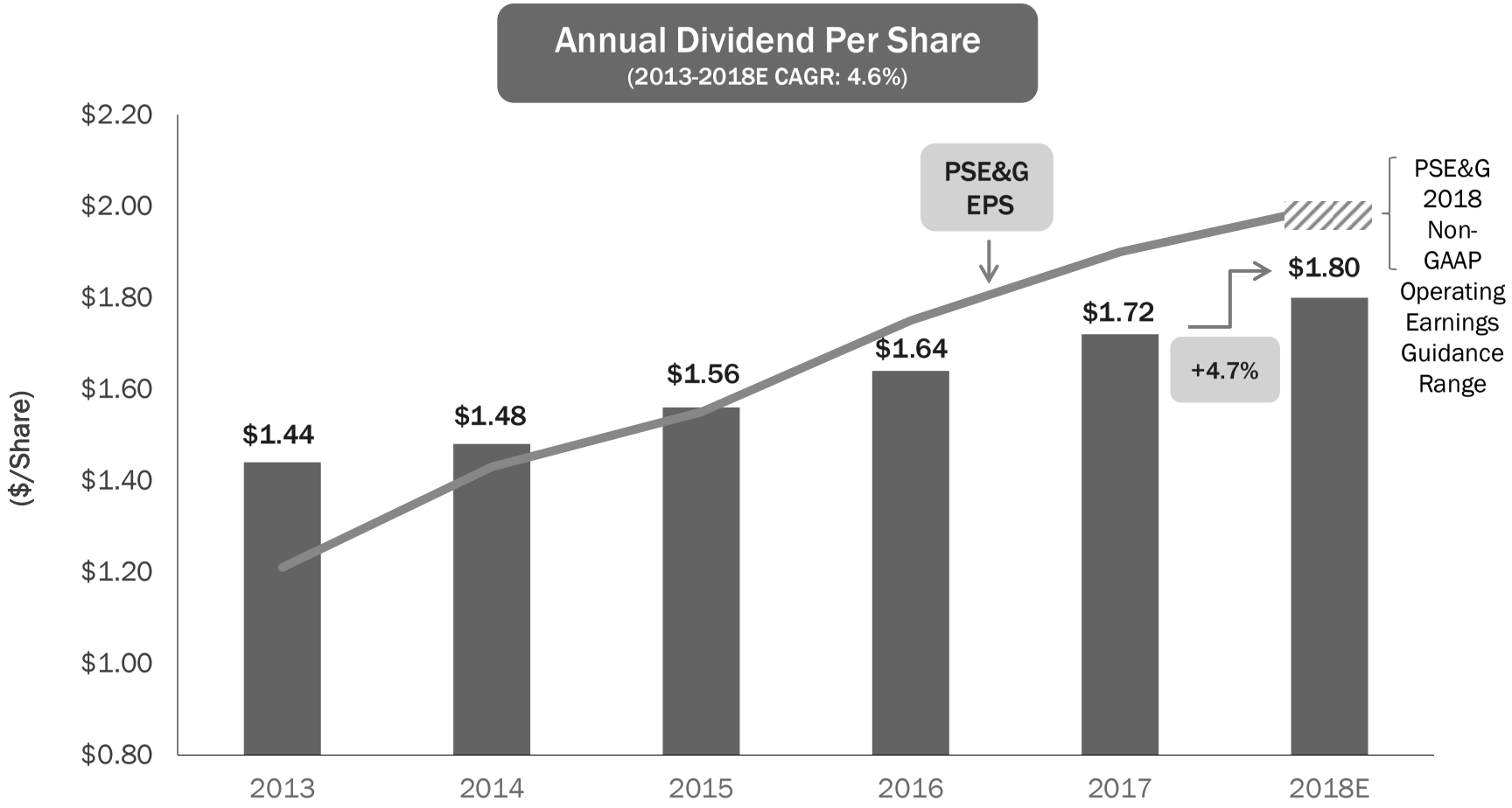


PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE AS OF 5/31/2018.
E = ESTIMATE.

SI-SSA-0015-10987

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE.

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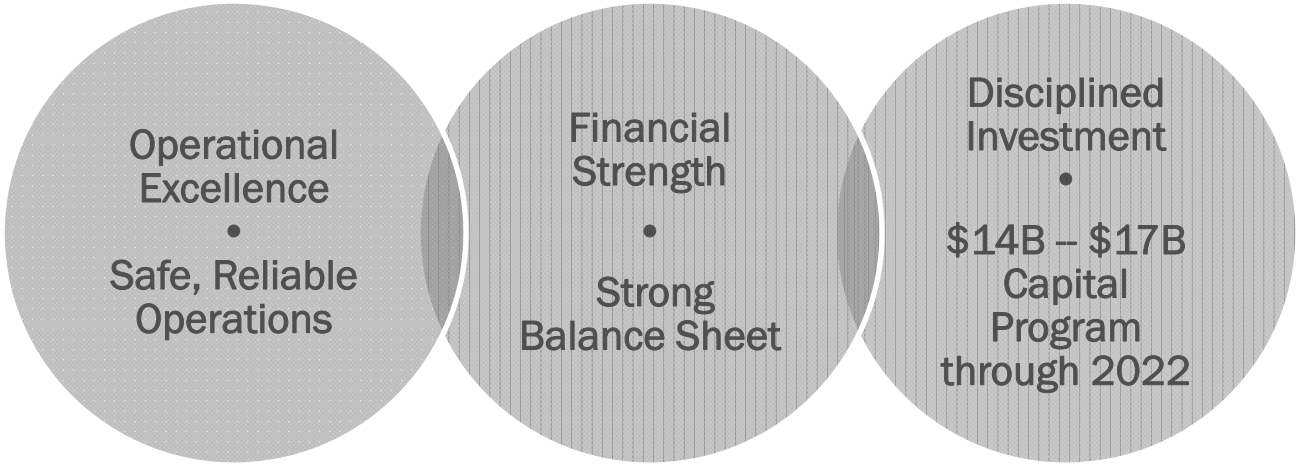
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-10989

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-10990

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

SI-SSA-0015-10991

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-10992

NYSE: PEG

PSEG Investor Update

•

September 28, 2018

SI-SSA-0015-10993

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-10994

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results.

Operating Earnings is a non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The last two slides in this presentation (Slides A and B) include lists of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings with a reference to those slides included on each of the slides where the non-GAAP information appears.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

SI-SSA-0015-10995

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-10996

PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

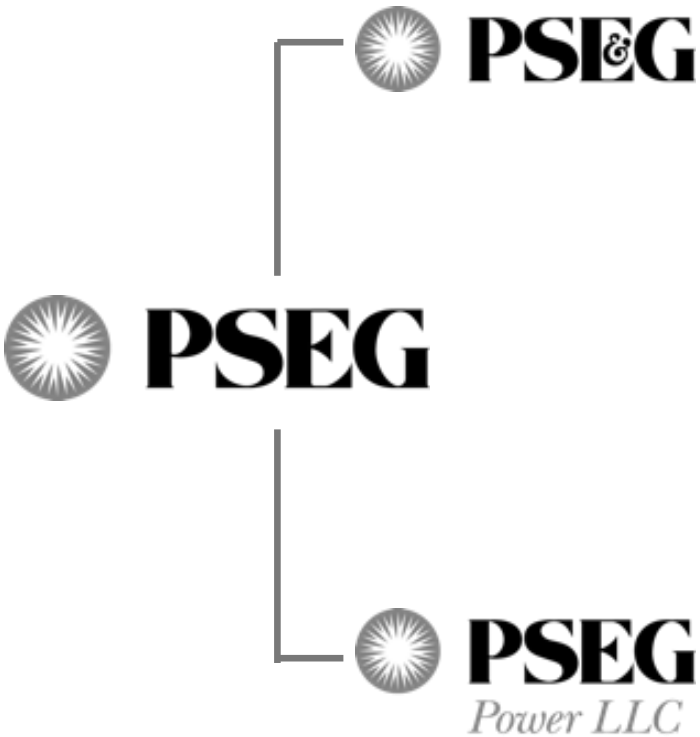
Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

*SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

SI-SSA-0015-10999

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

2018	PSEG 5-Year Capital Investment Program $14B - $17.5B

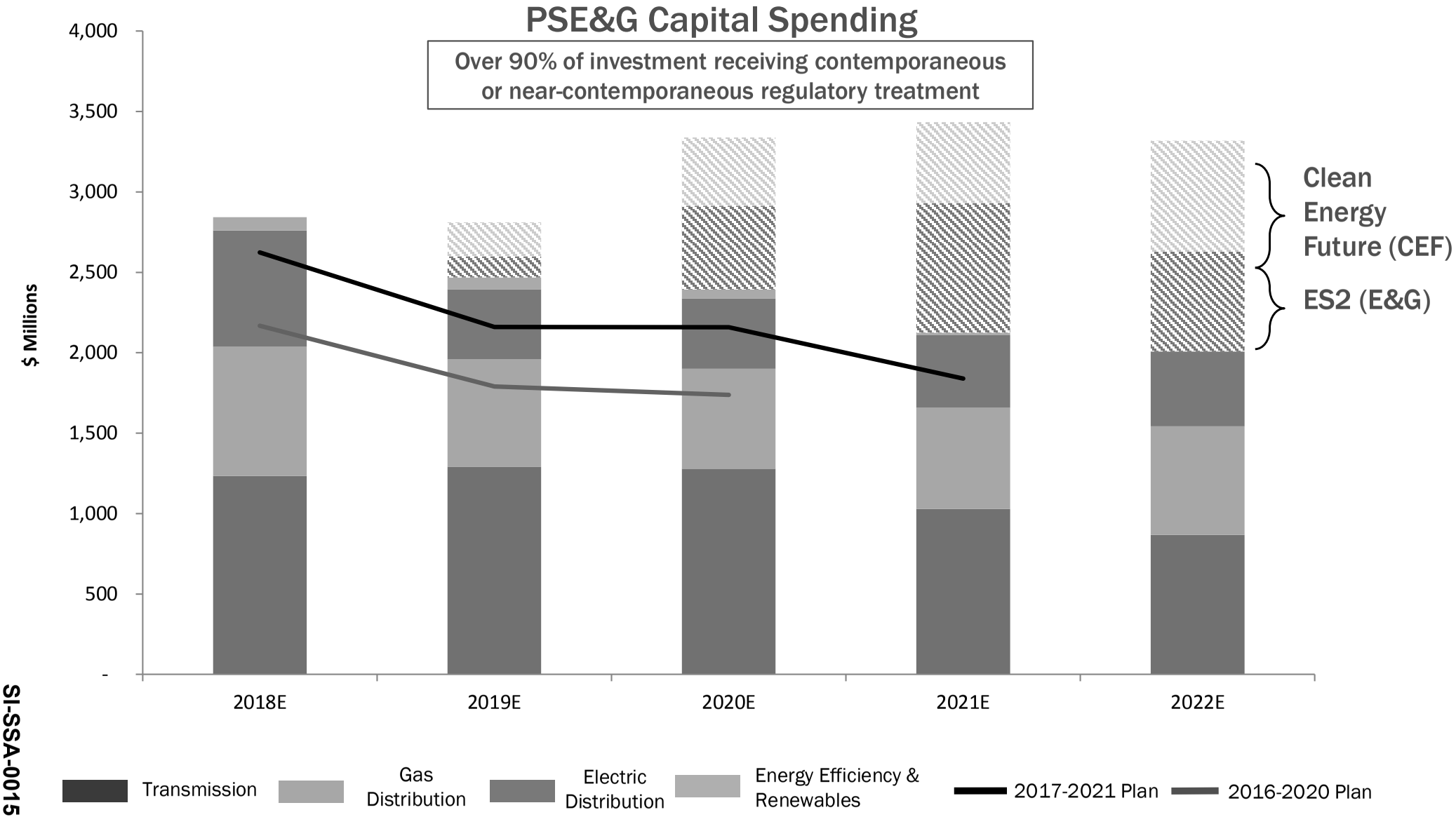
- ✓ Investing $12 Billion-$16 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-11000

NOTE: PSEG AND PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

$12B-$16B investment program focused on grid modernization, reliability and clean energy



HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

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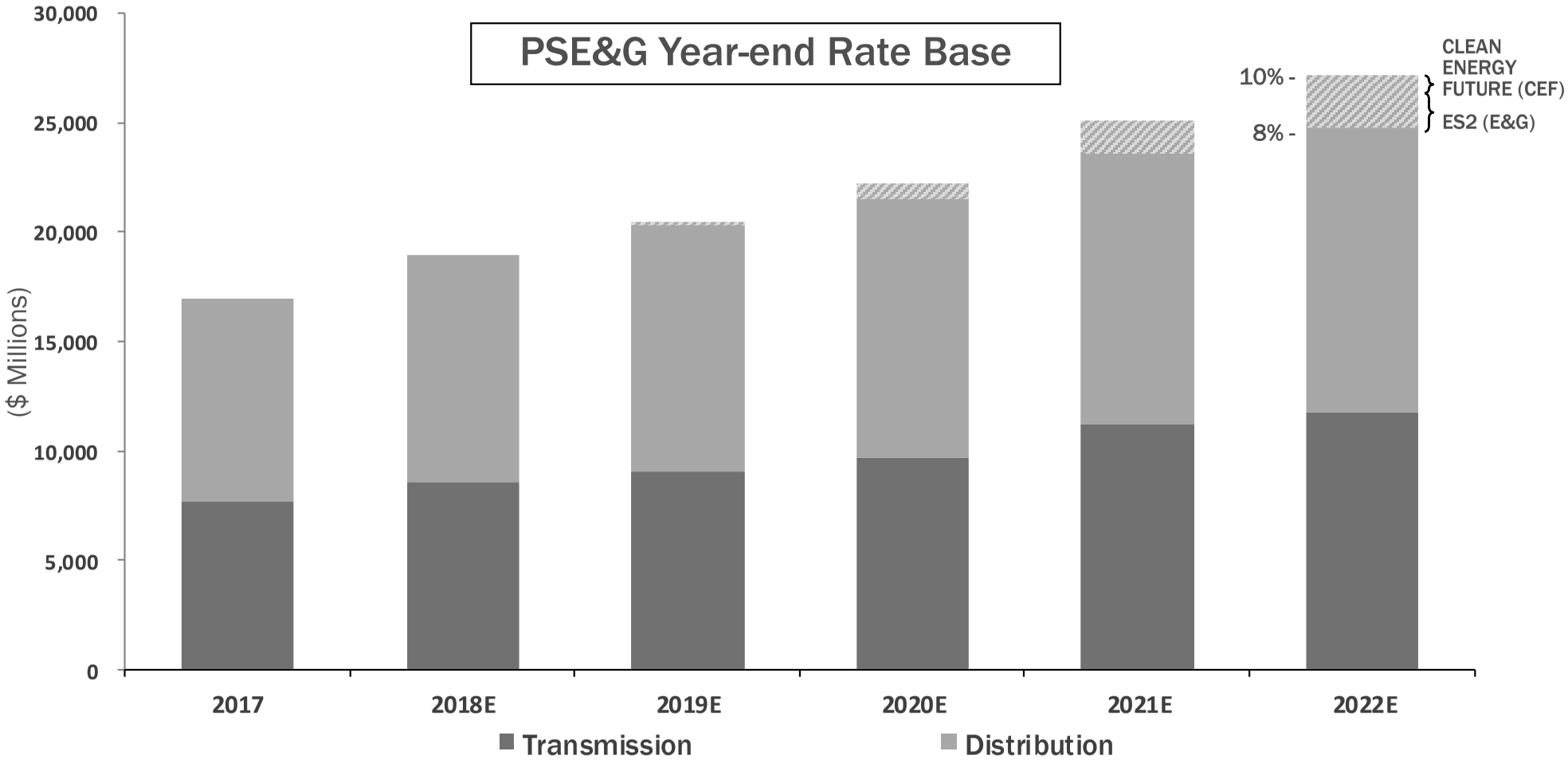
Expanded utility investment program of $12B - $16B provides opportunity for rate base growth of 8% - 10%



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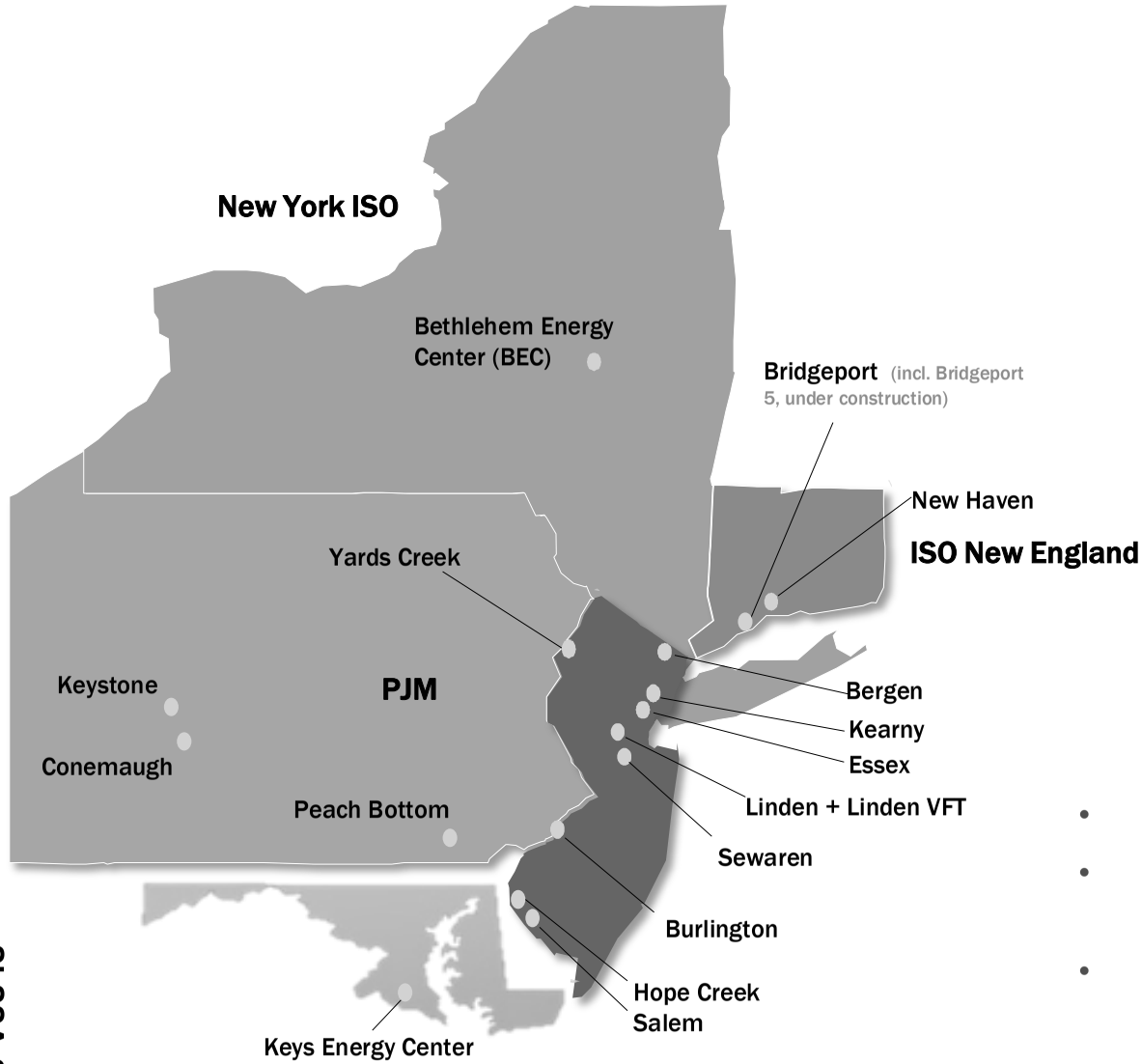
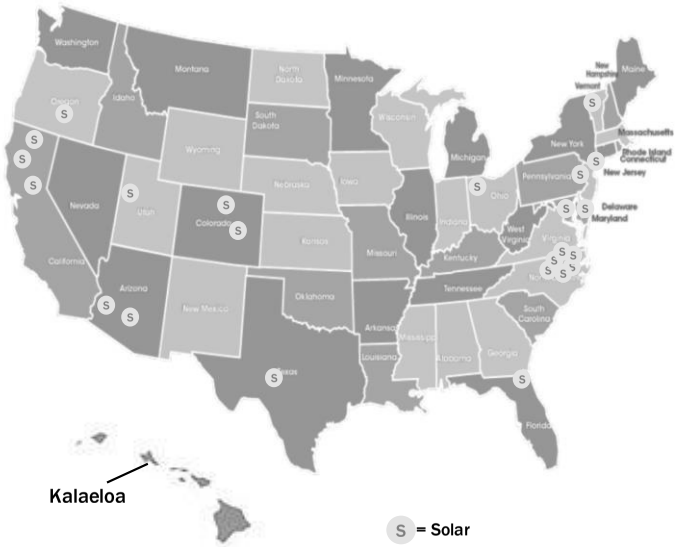
PSEG

HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

Power's generating assets mainly located in three competitive markets





Power Ventures assets:

- Solar (414 MW_{DC}/325 MW_{AC})
- Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Completing construction program of three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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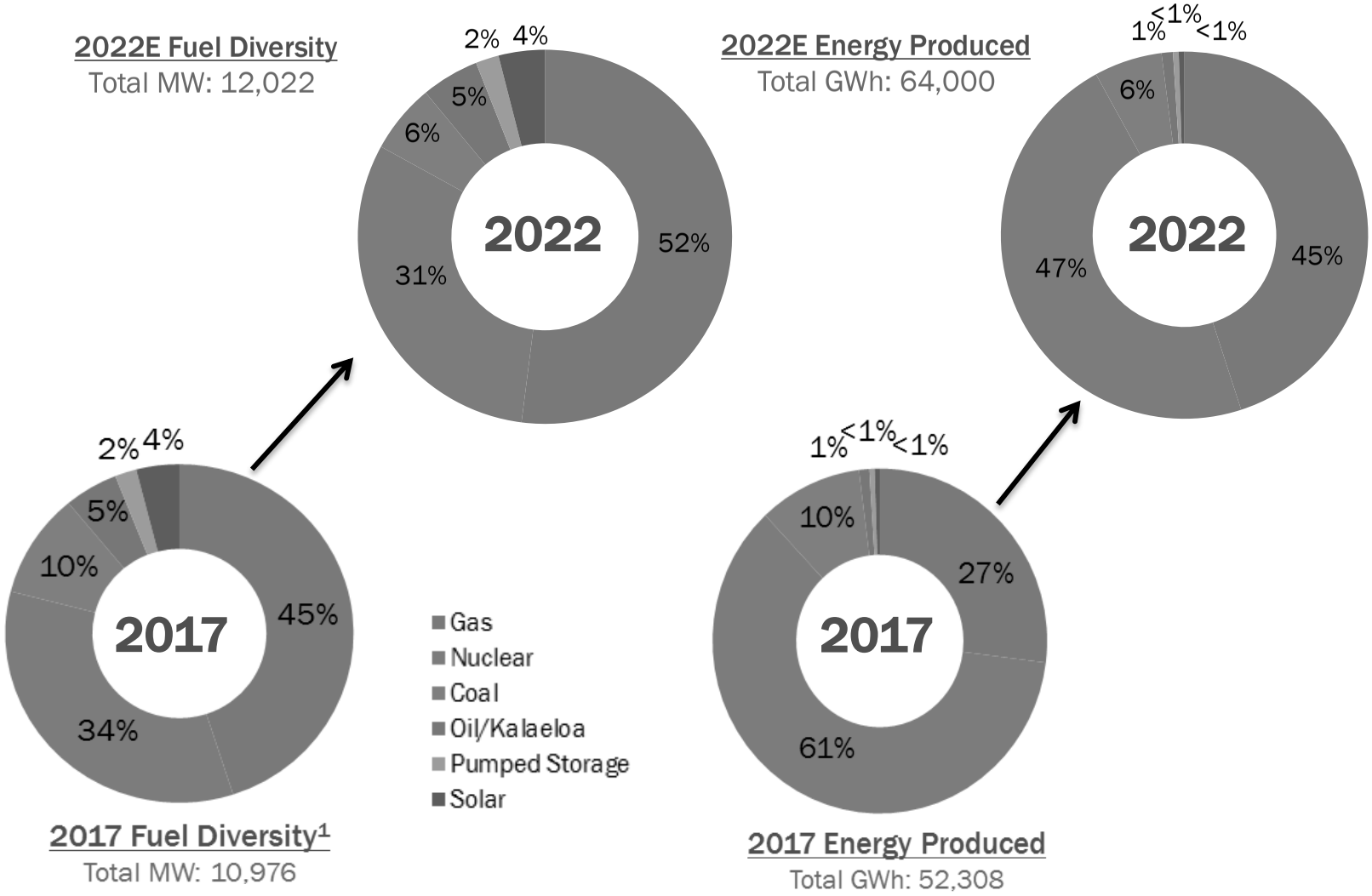
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-11004

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filed in June 2018

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage, EVs and Energy Cloud - AMI

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform at PJM expected in 2019

SI-SSA-0015-11005

AMI = ADVANCED METERING INFRASTRUCTURE.

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ 330-Day process underway – NJ Board of Public Utilities expected to determine eligibility and select nuclear plants to receive ZECs by mid-April 2019
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

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Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 19, 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

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PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV Infrastructure • Energy Storage • Energy Cloud – AMI Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication Regulated Renewables

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AMI = ADVANCED METERING INFRASTRUCTURE.

NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

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Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency:** Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles:** "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage:** Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: Advanced Metering Infrastructure (AMI):** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

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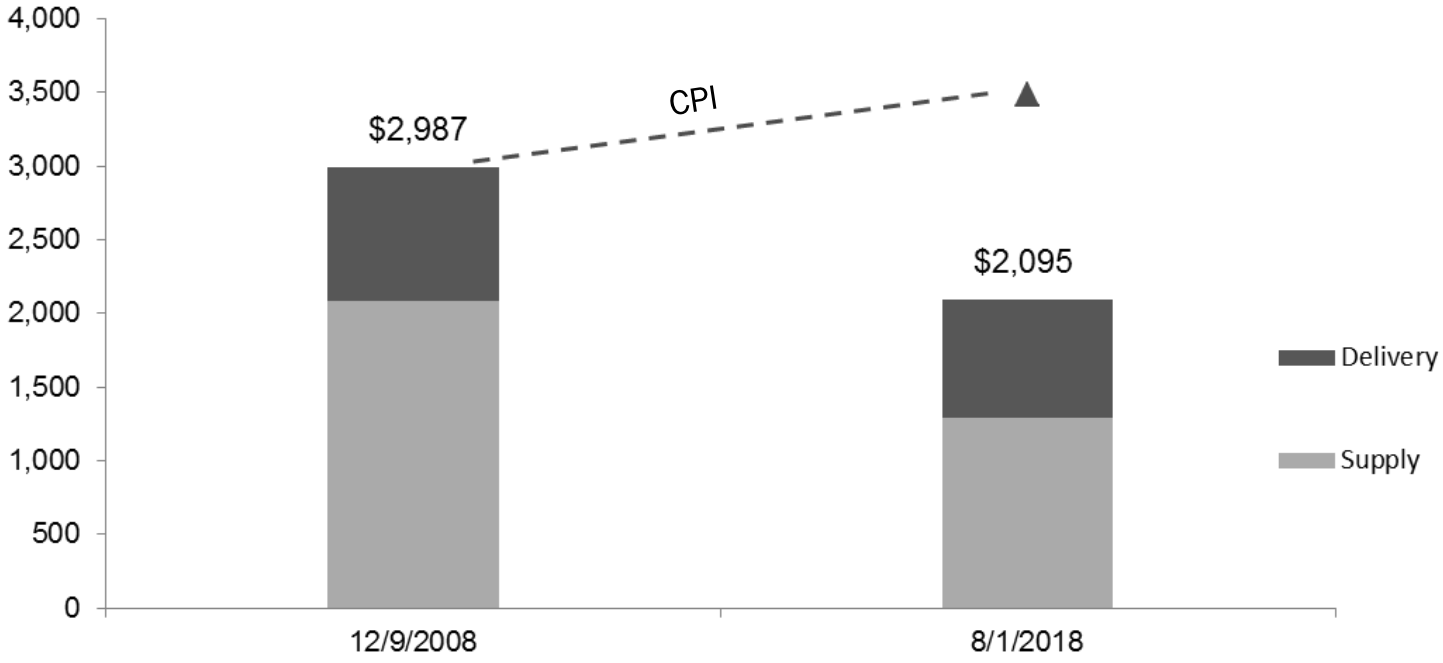
Customer's bills are materially lower, supporting needed investment in the system

PSE&G Combined Typical Annual Residential Customer Bills*



- Combined, typical residential electric and gas customer bills are ~30% lower since the highpoint in 2008 and >40% lower when adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Delivery revenue component is the lowest in the state for Gas and second lowest for Electric
- PSE&G's infrastructure and clean energy investment programs would increase rates by approximately 2% - 3% annually, aligned with inflation

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

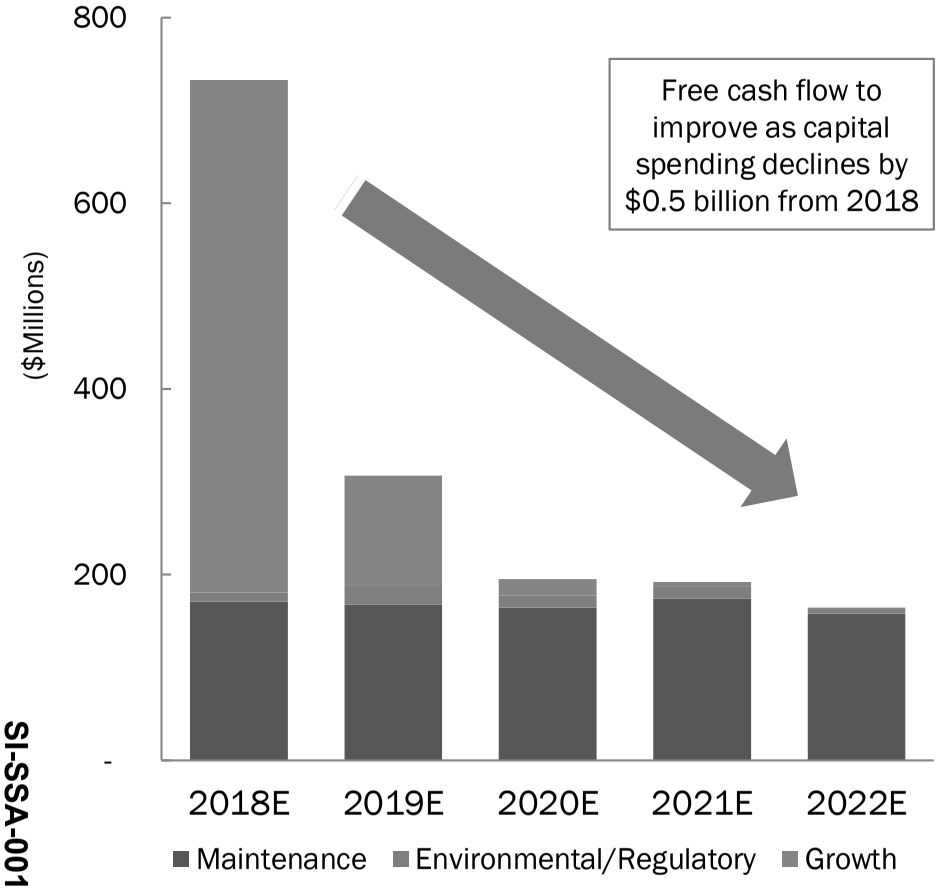
$14B to $17.5B

Investment in regulated business represents ~90% of capital program

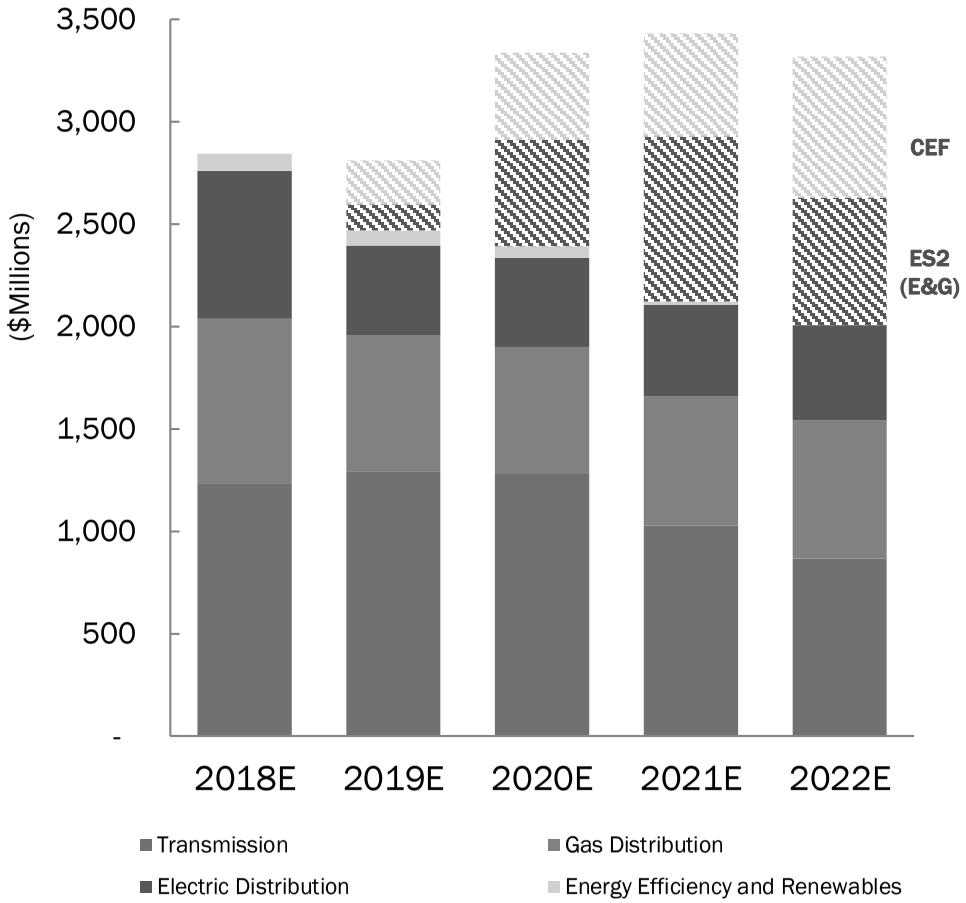
.HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILING.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018
CAPITAL INCLUDES IDC AND AFUDC E=ESTIMATE

Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1)CAPITAL INCLUDES IDC AND AFUDC.
2)HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
E = ESTIMATE

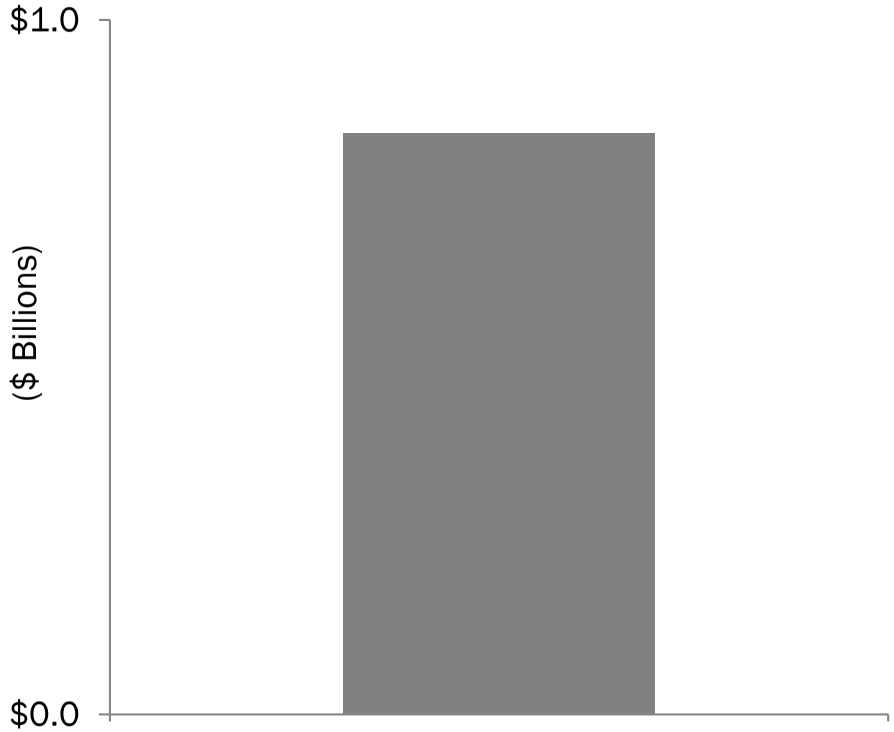
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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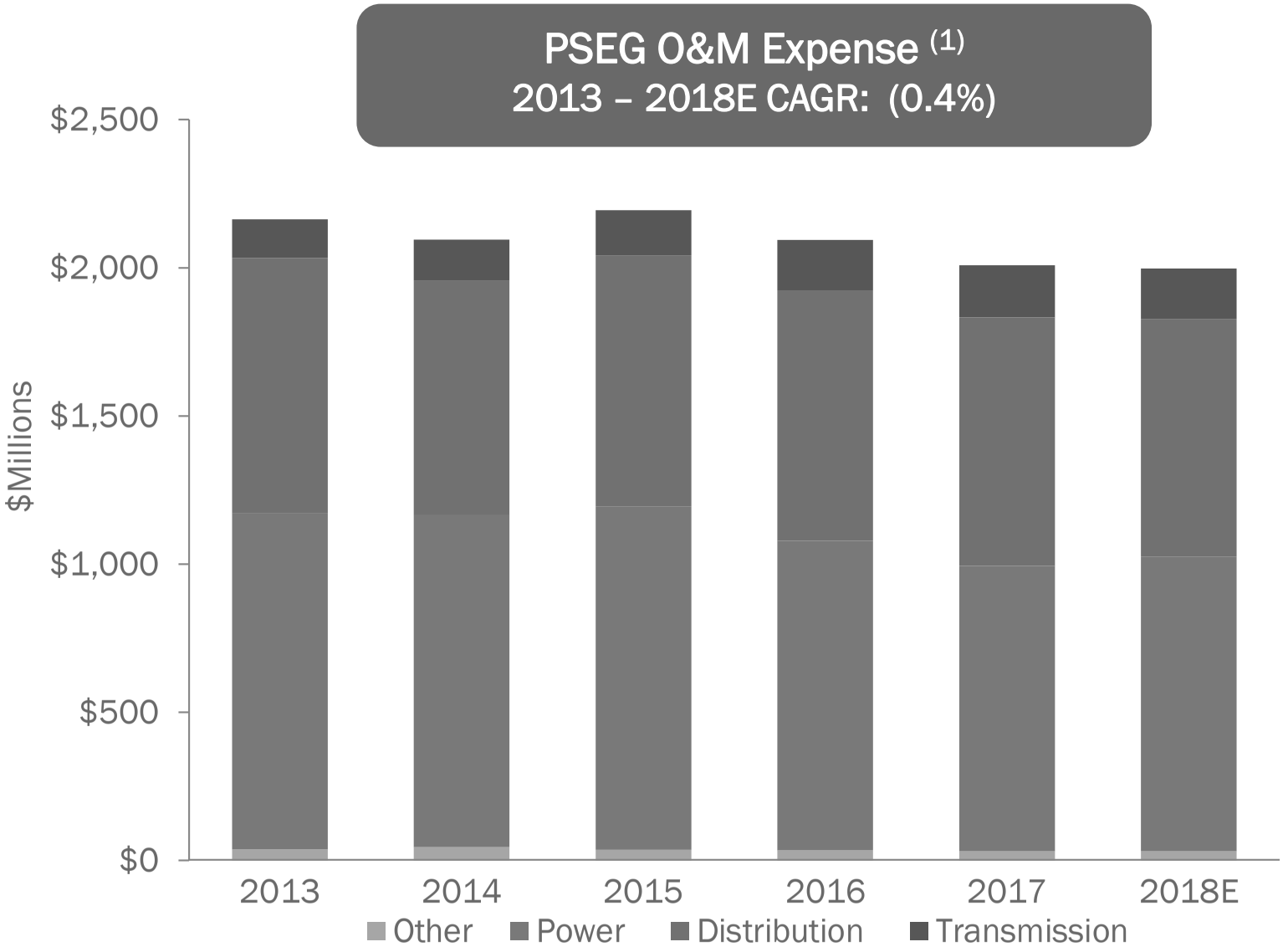
PSEG has controlled O&M



Cost Control Actions

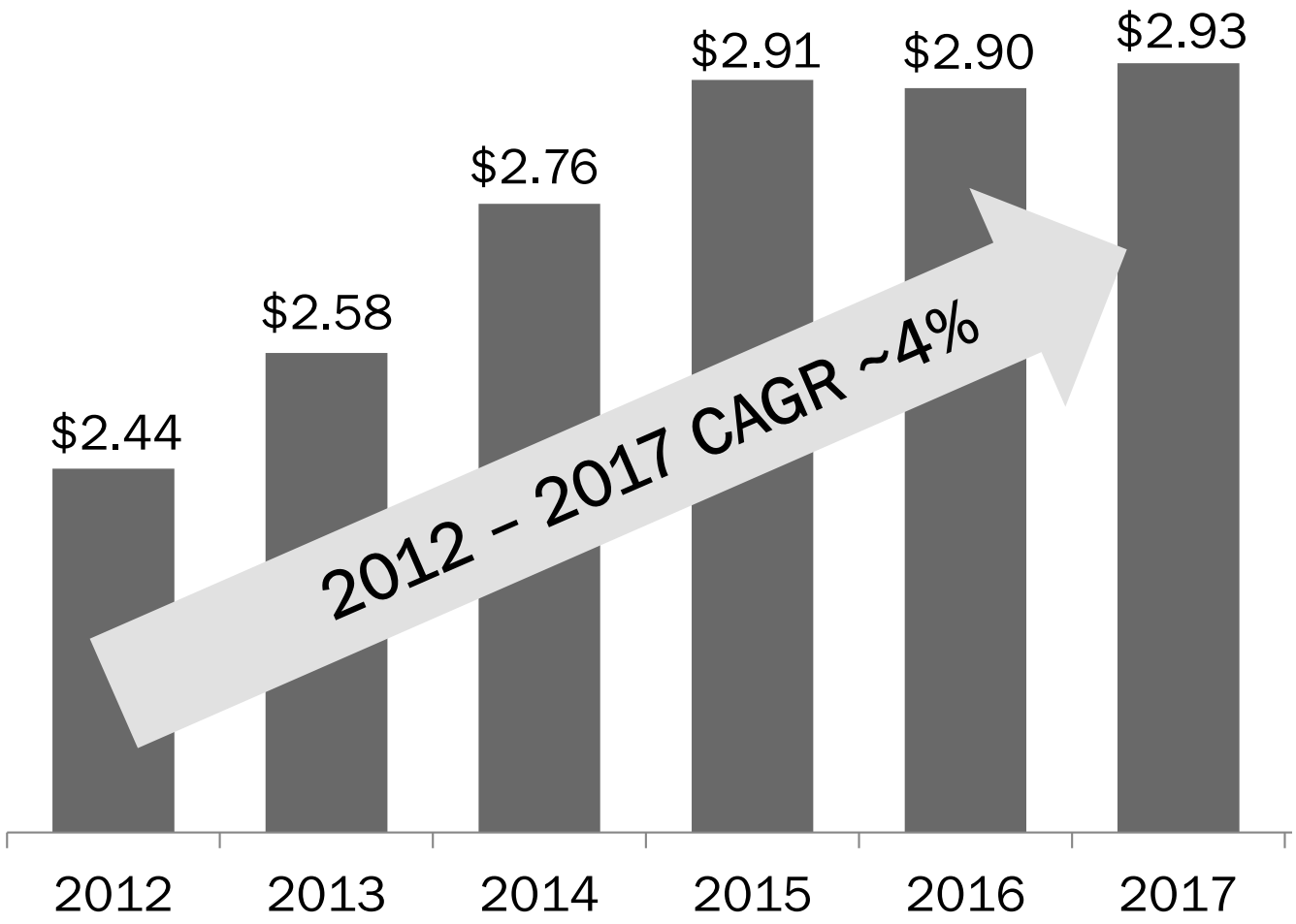
- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

SI-SSA-0015-11015

Strategic focus continues to deliver solid results

PSEG non-GAAP Operating Earnings per Share*



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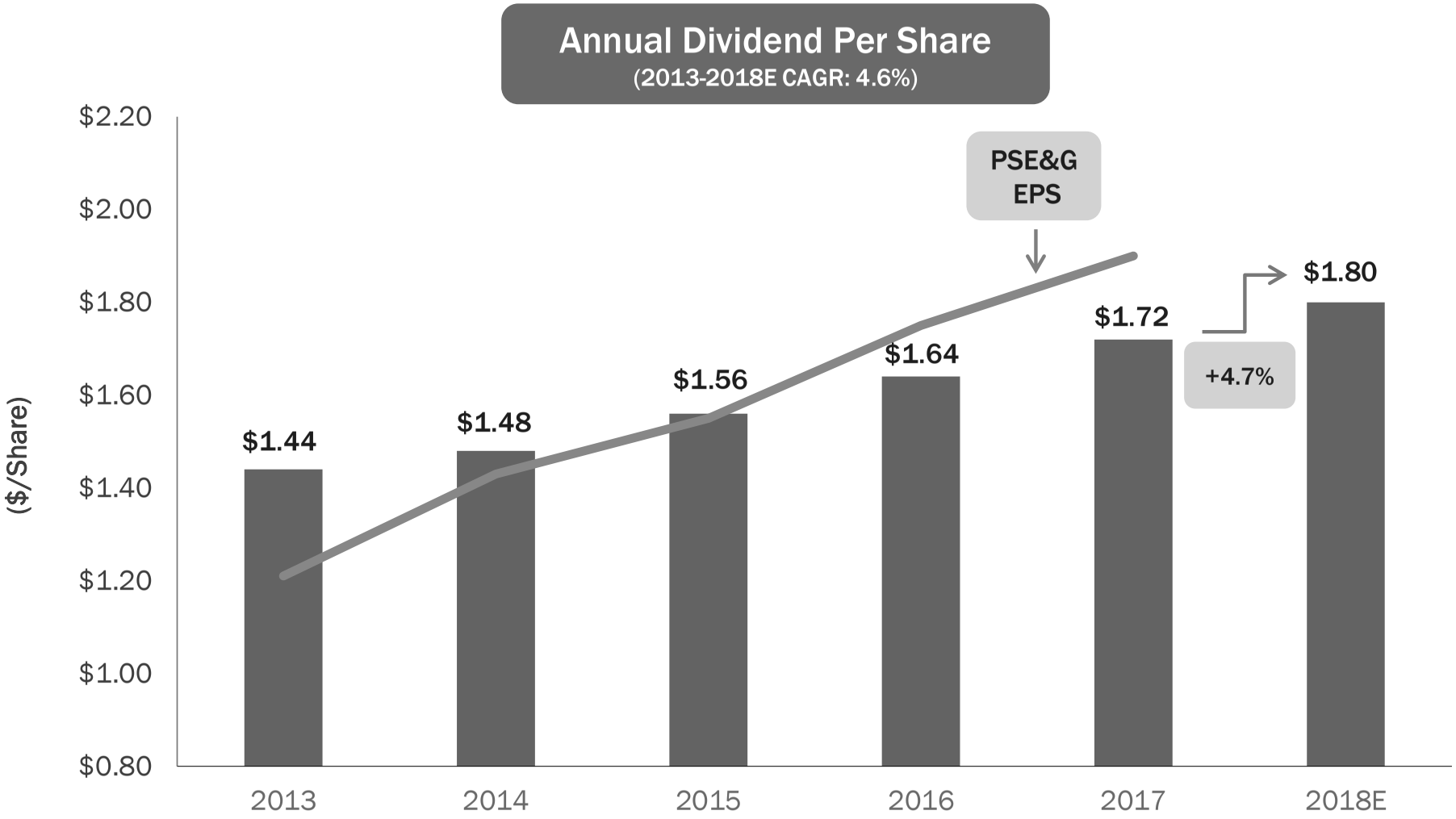
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E = ESTIMATE.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE; INDICATIVE ANNUAL RATE.

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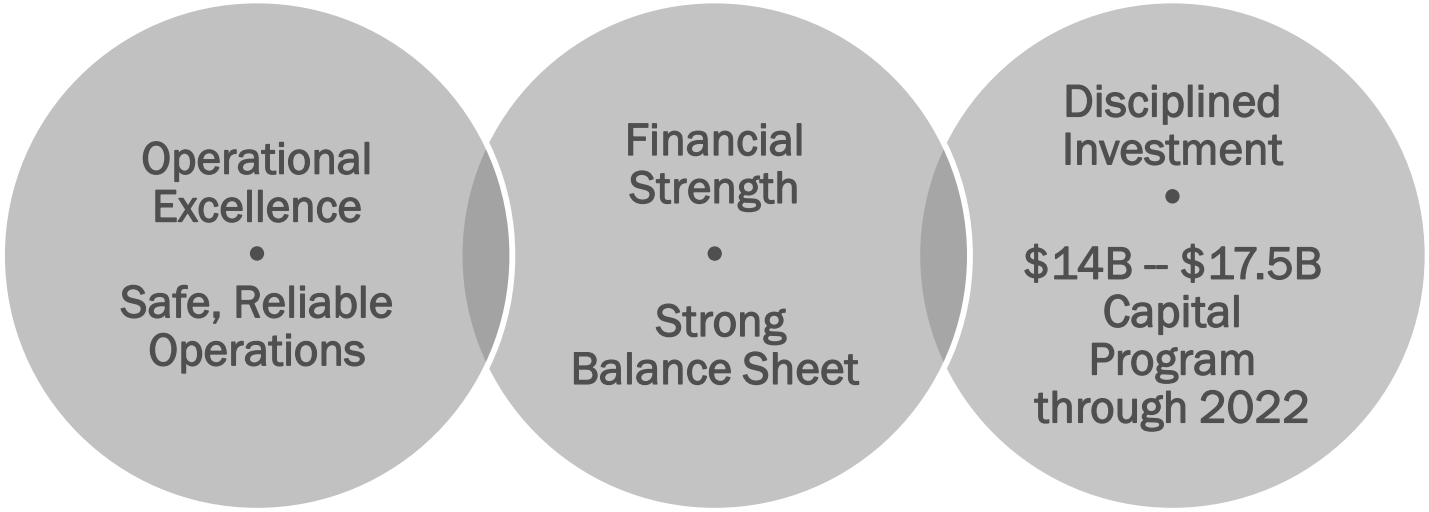
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-11018

NOTE: PSEG 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels
- ✓ Named to the Dow Jones North America Sustainability Index for the 11th year in 2018
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-11019

PSEG EXECUTIVE PROFILES

SI-SSA-0015-11020

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

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Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-11022

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

UBS Energy Conference

Dallas, Texas

MARCH 5-6, 2013

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11025

PSEG

We make things work for you.

PSEG

Ralph Izzo
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

SI-SSA-0015-11026

PSEG
We make things work for you.

Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-11027

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-11028

PSEG OVERVIEW & OUTLOOK

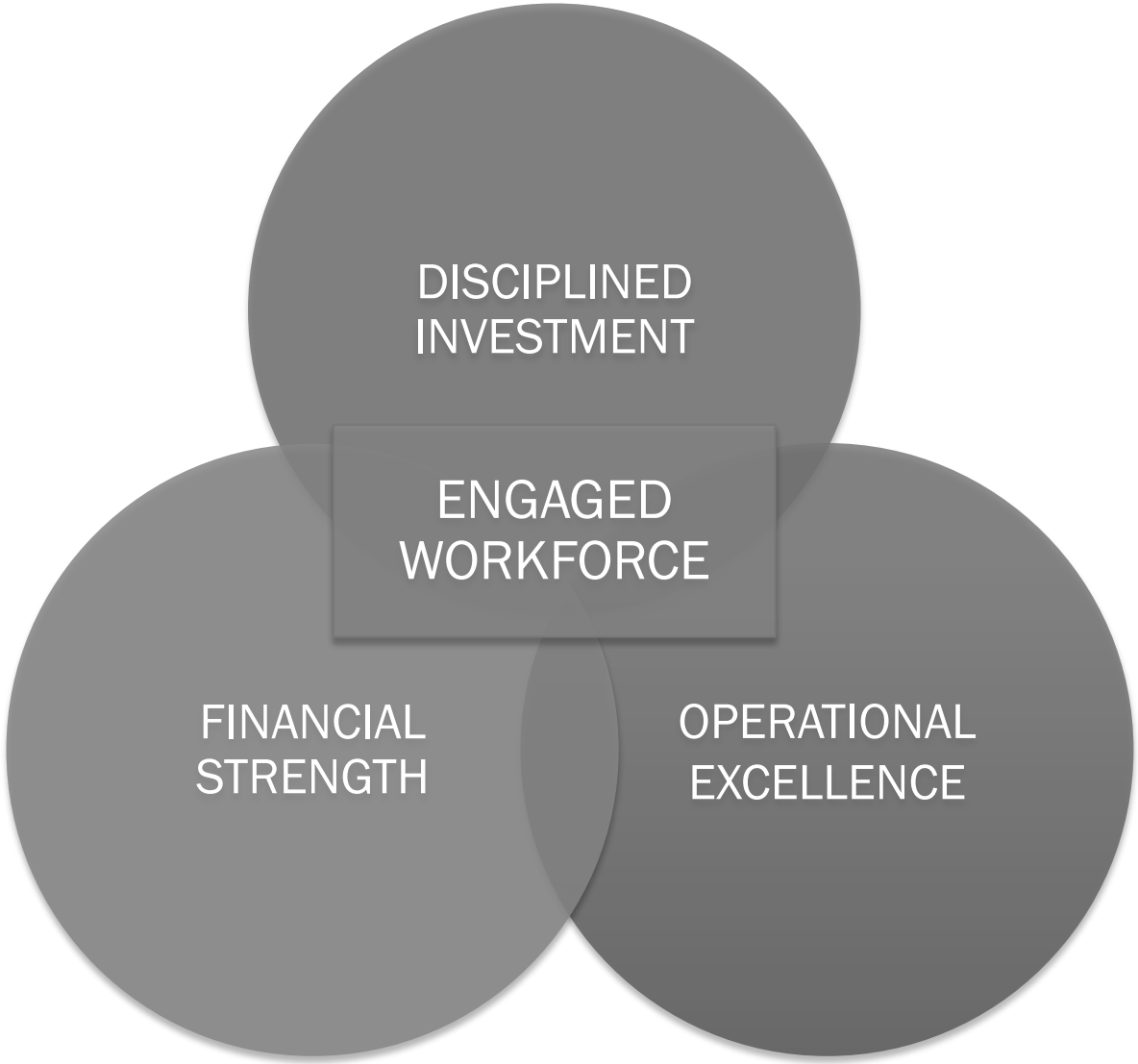
PSEG

We make things work for you.

SI-SSA-0015-11029

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-11030

PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

SI-SSA-0015-11031

PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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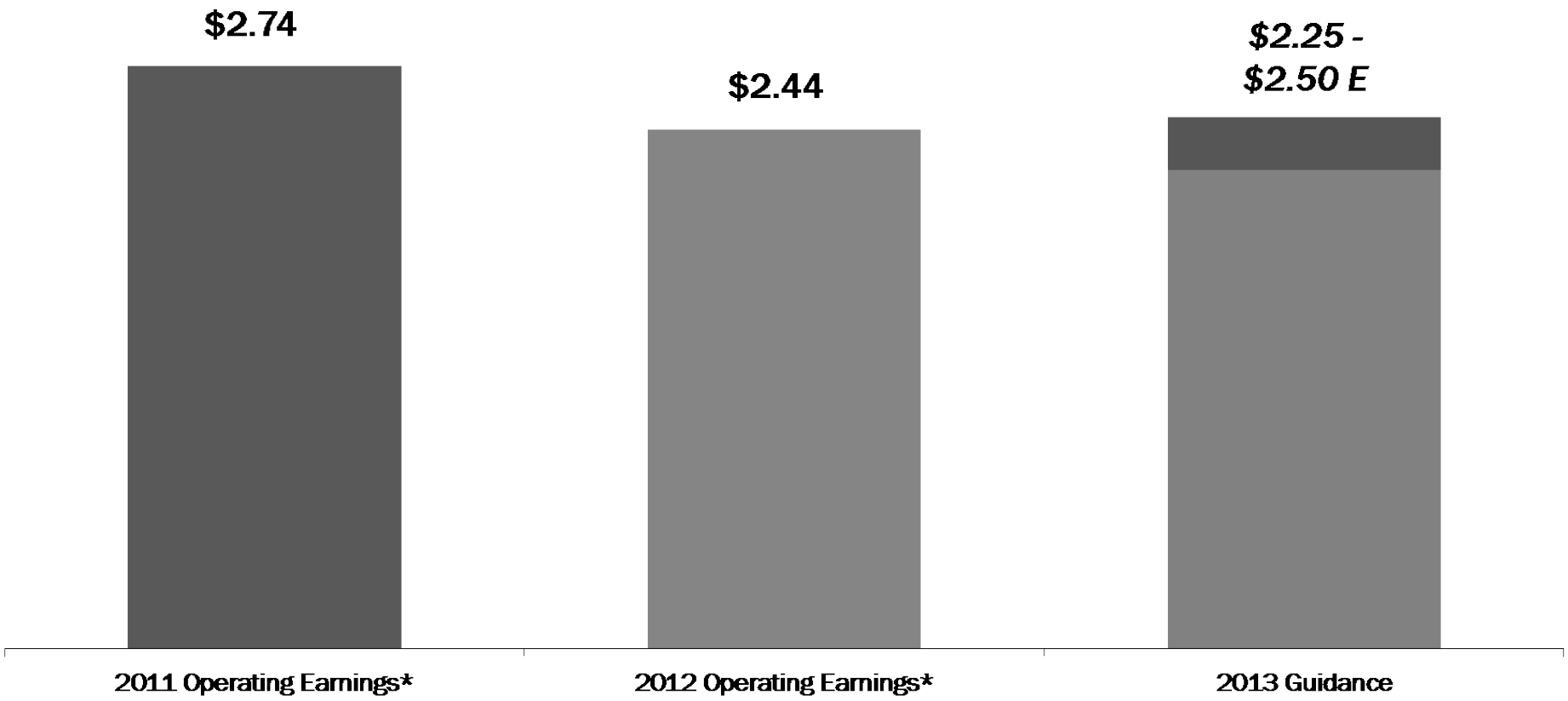
2013 Operating Earnings Guidance



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PSEG

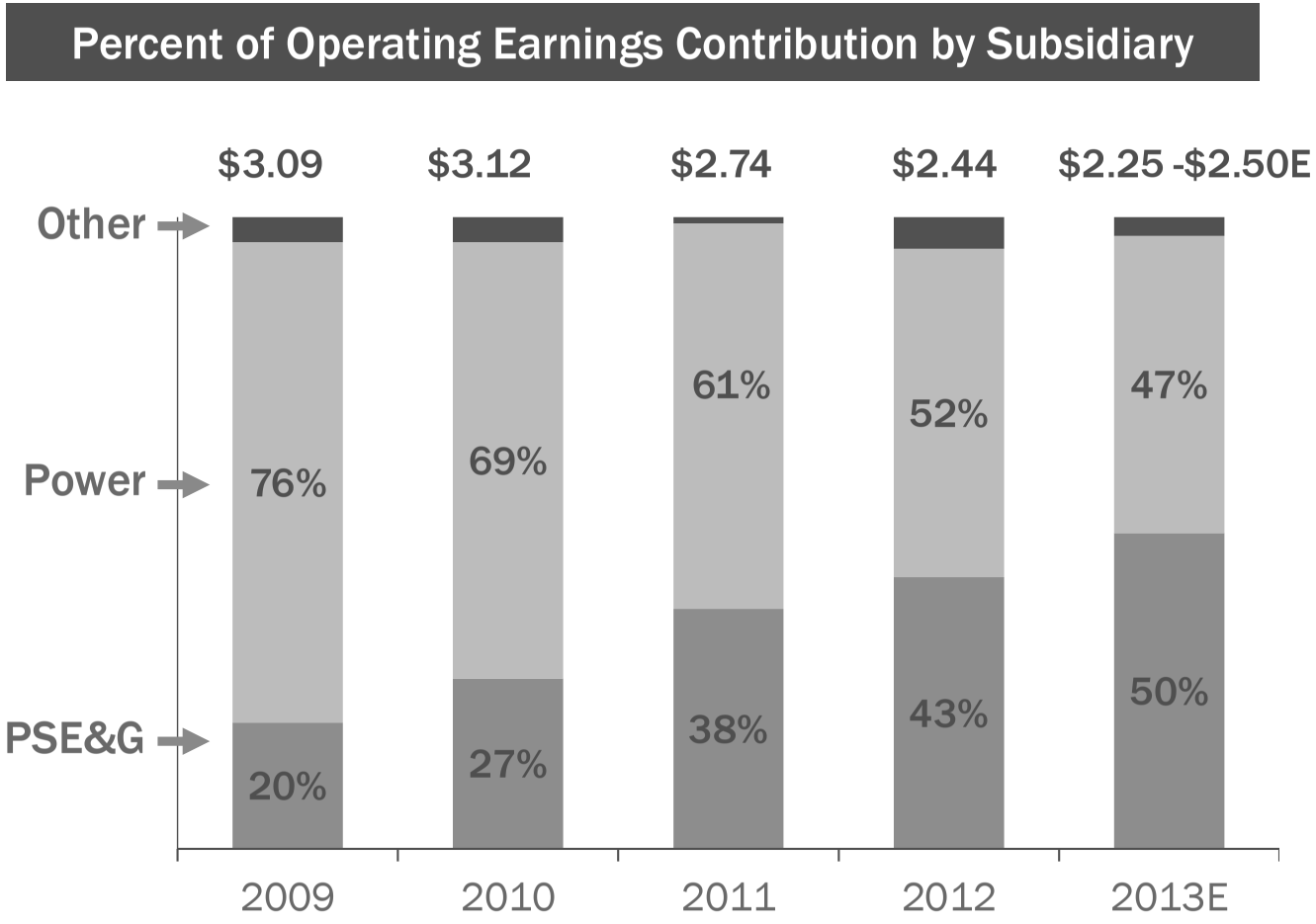
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

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SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

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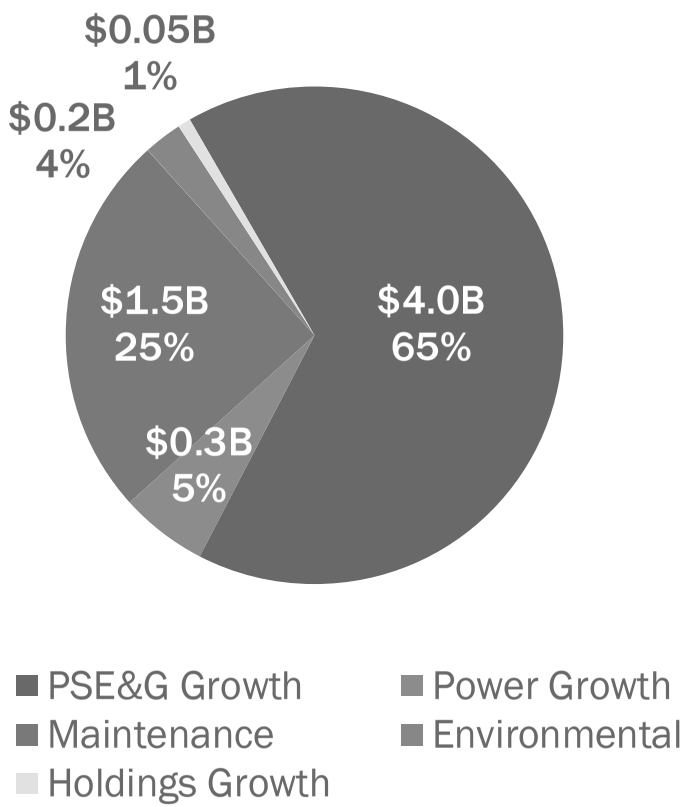
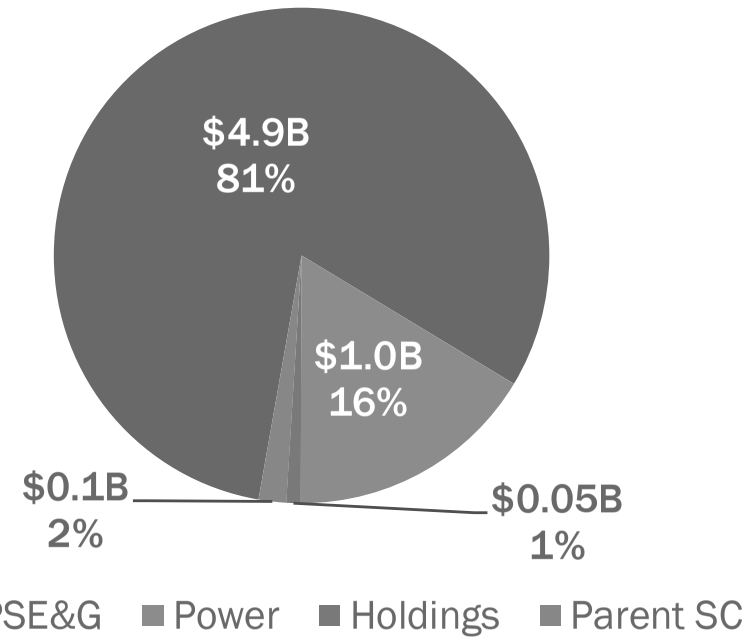
PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary

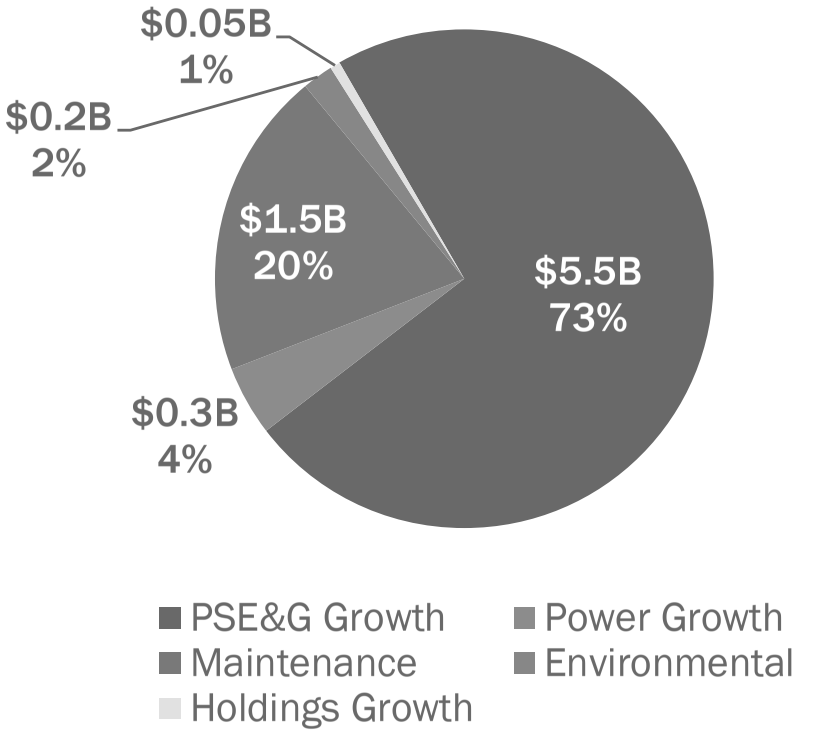


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

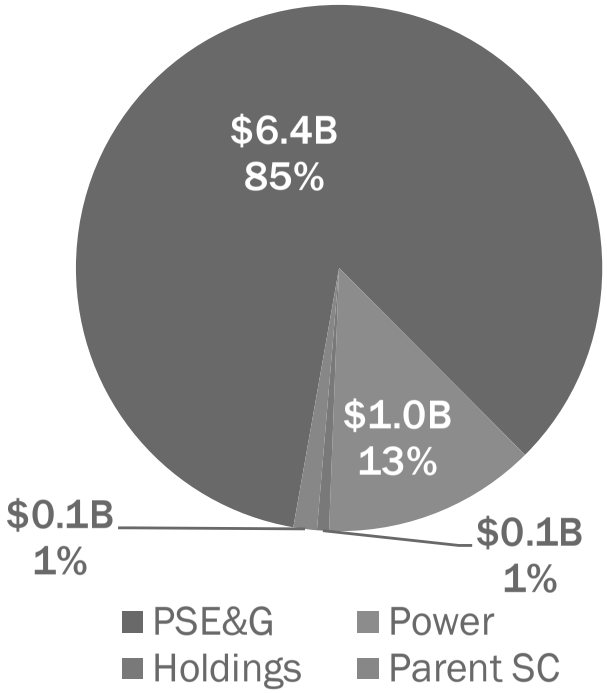
SI-SSA-0015-11037

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

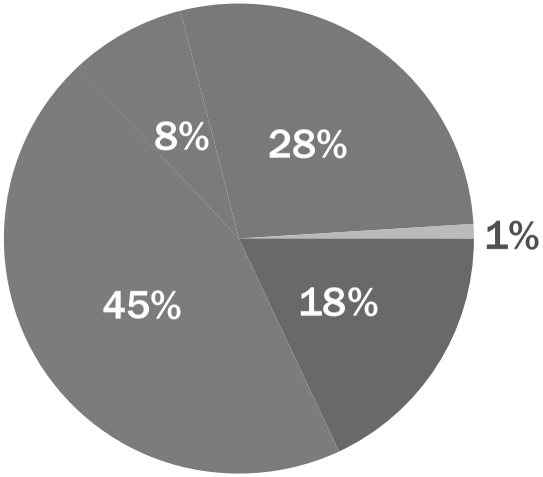
PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-11039

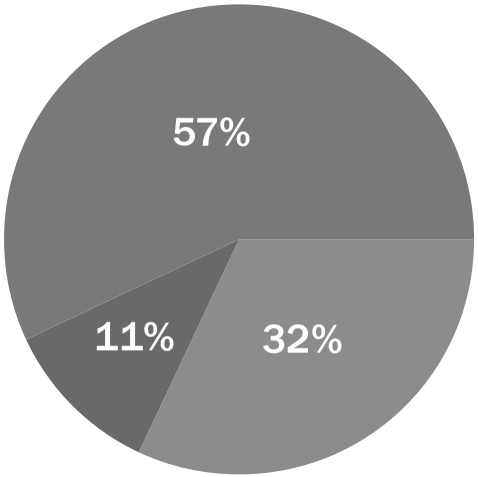
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

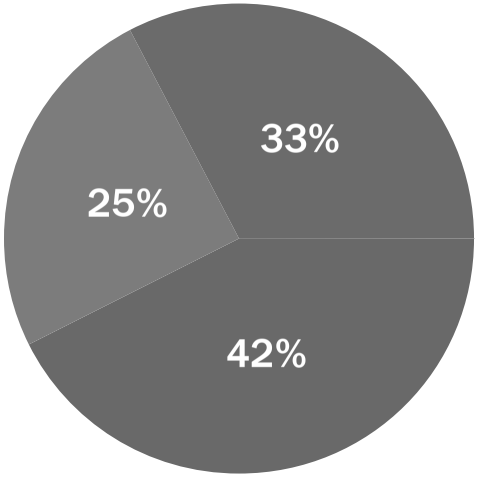


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Baseload

SI-SSA-0015-11040

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

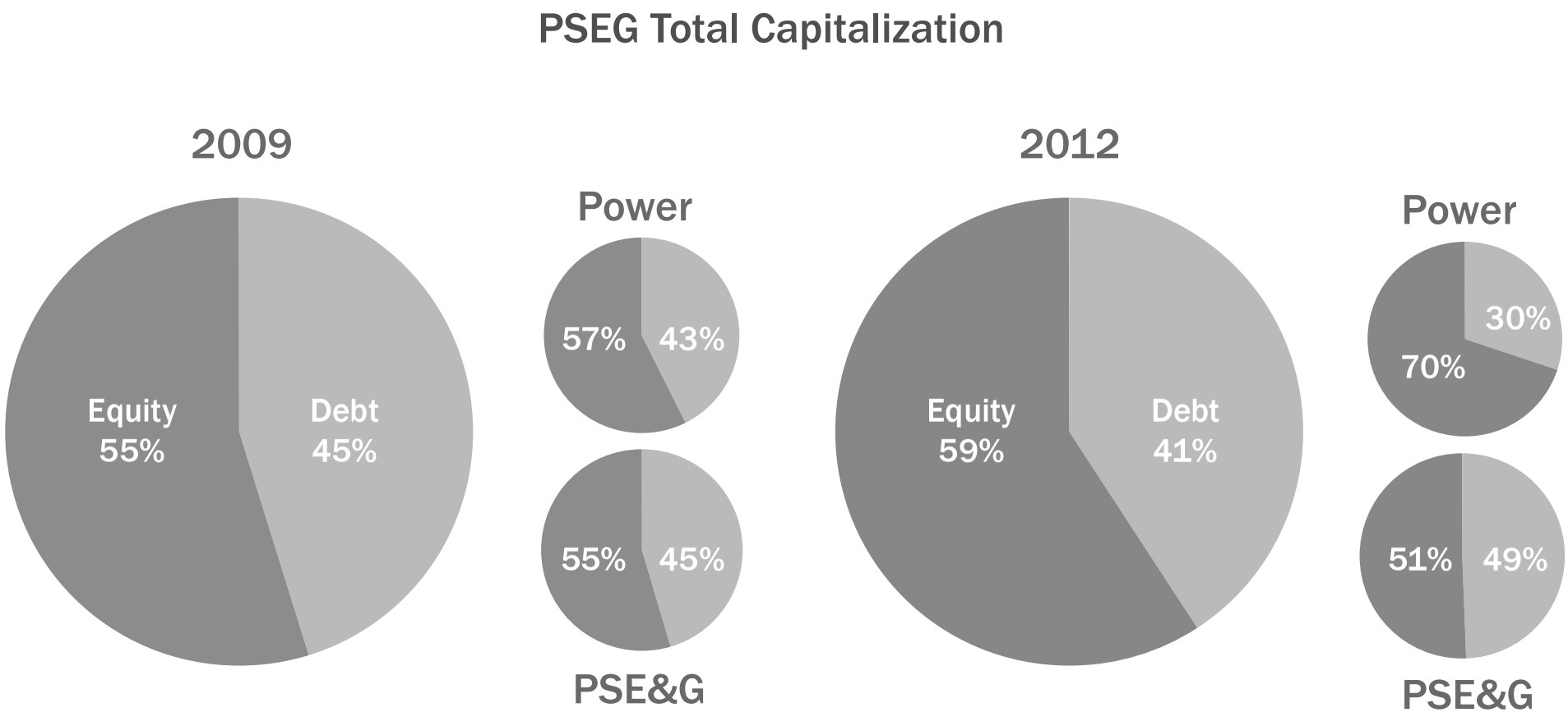
(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

SI-SSA-0015-11041

Balance Sheet Strengthened

PSEG has reduced risk



SI-SSA-0015-11042

Using PSEG's balance sheet strength

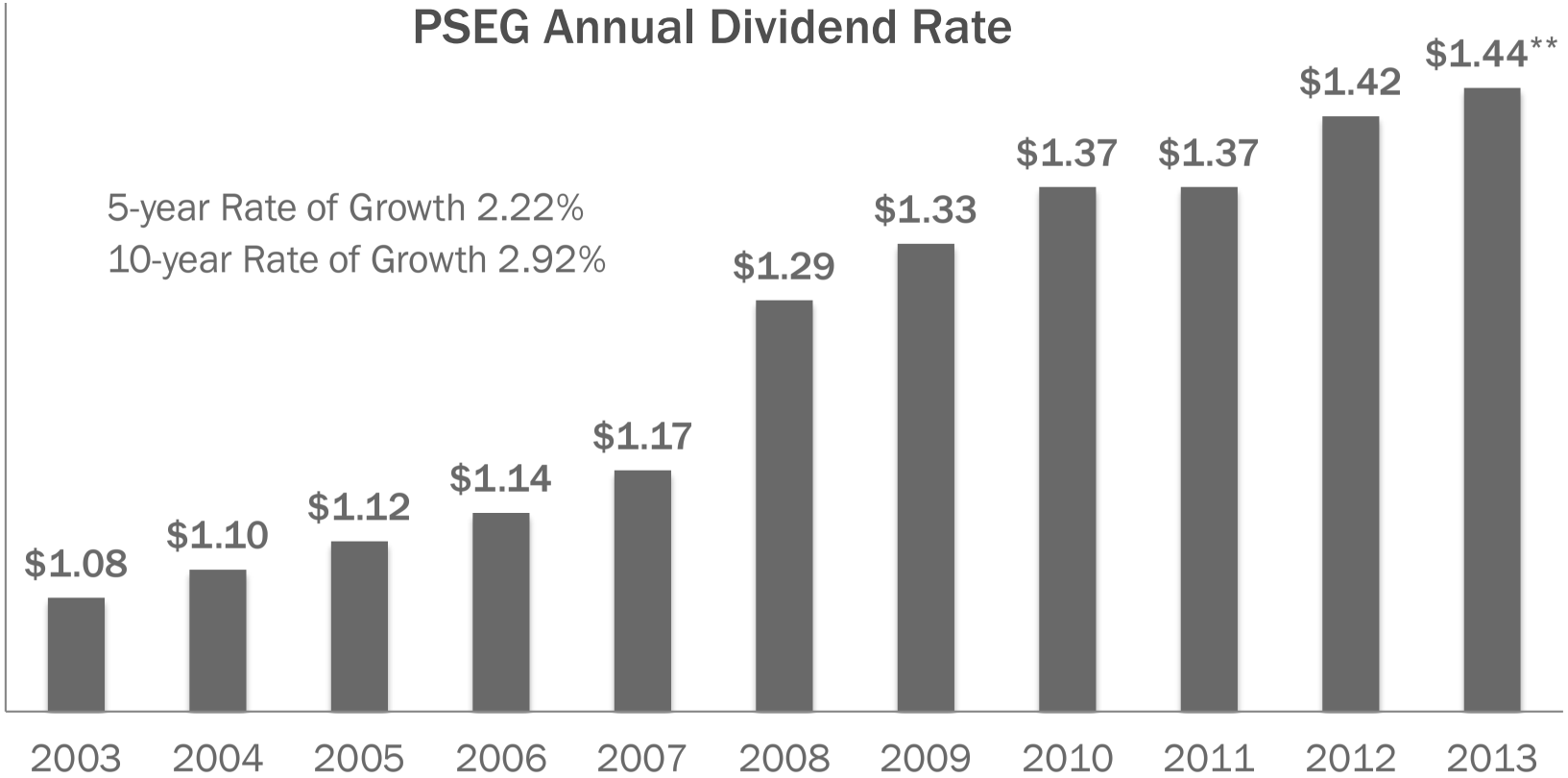
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

SI-SSA-0015-11044

PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-11045

PSE&G

SI-SSA-0015-11046

PSEG

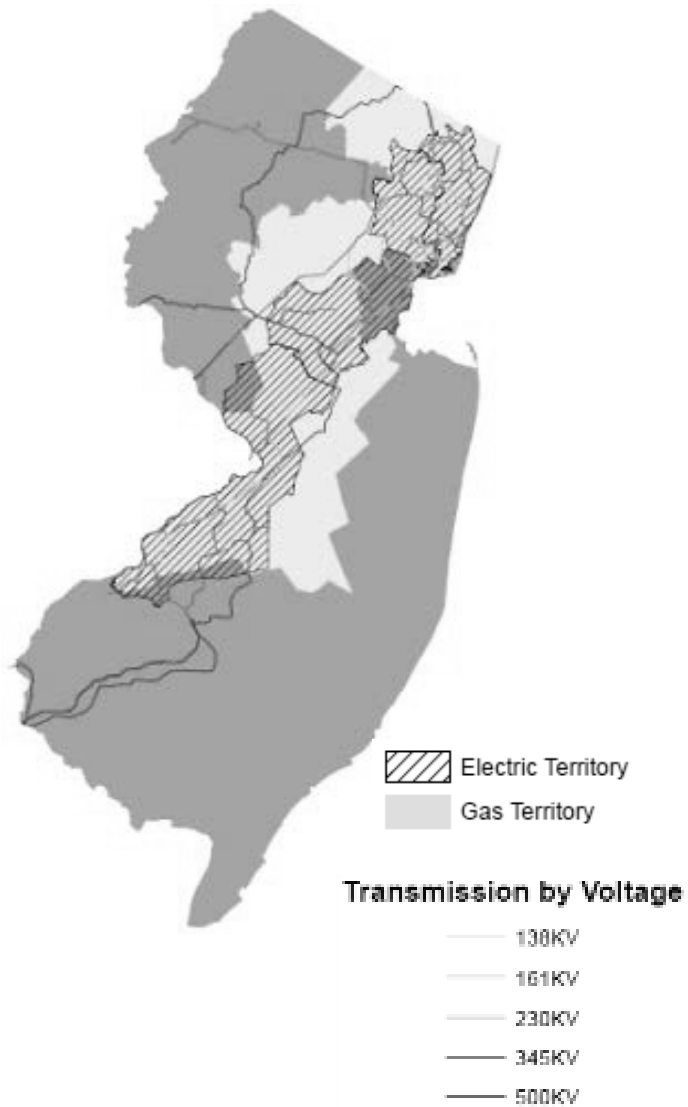
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-11047

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-11048

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

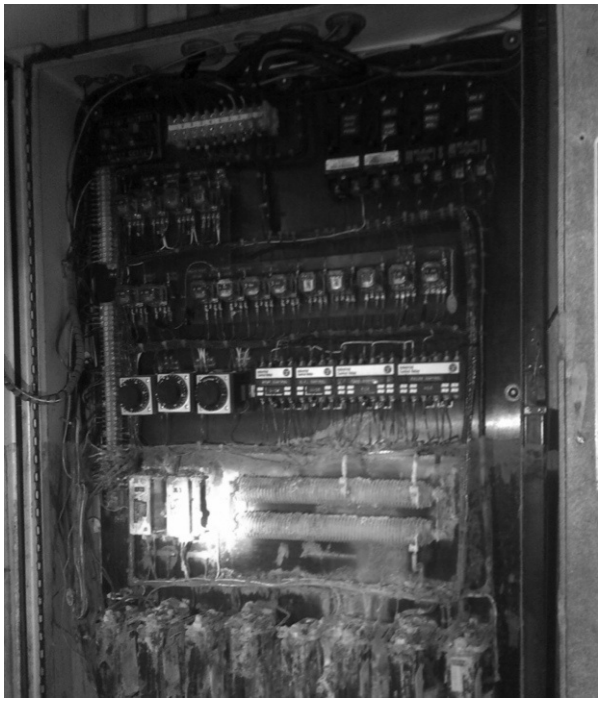
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-11049

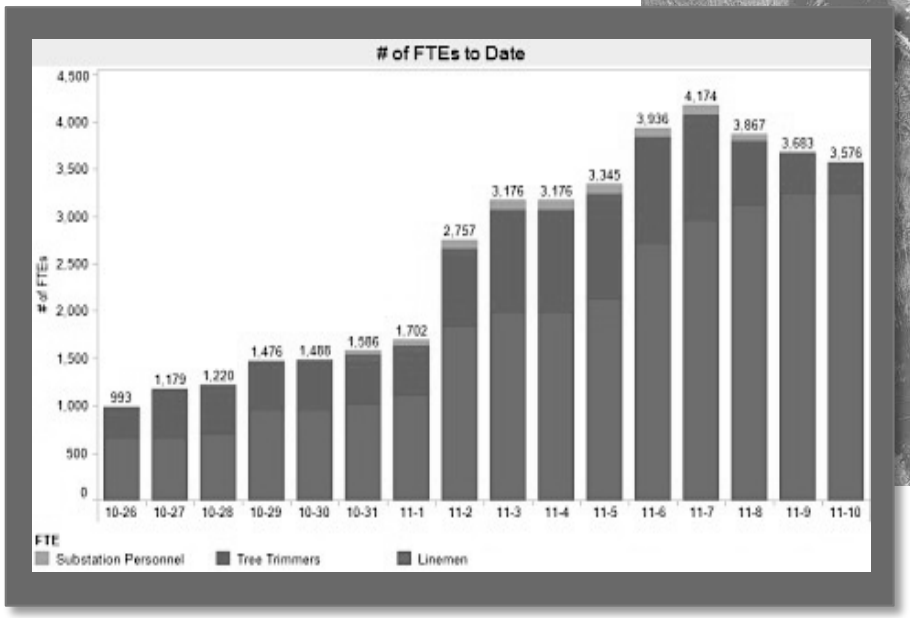
During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



SI-SSA-0015-11050

PSE&G brought in more than 4,000

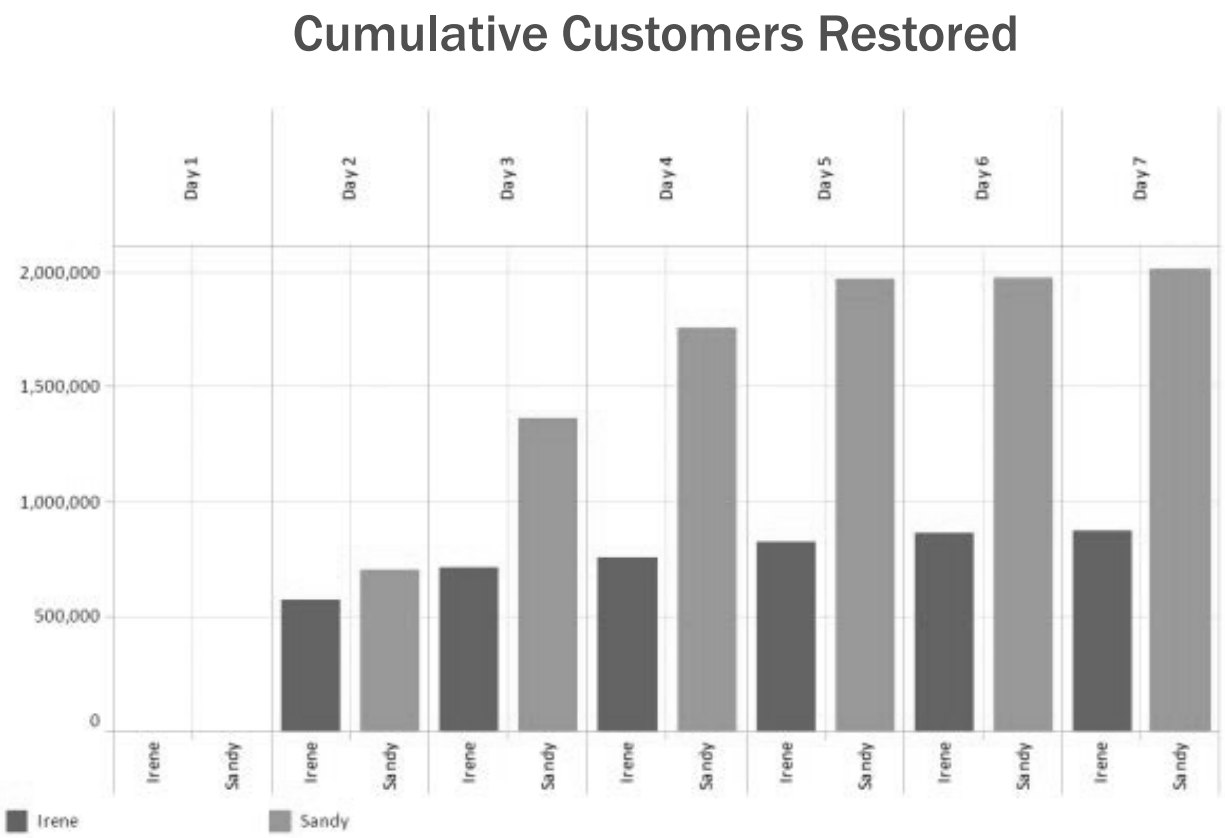
contractors and mutual aid workers at the height of restoration efforts



SI-SSA-0015-11051

PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-11052

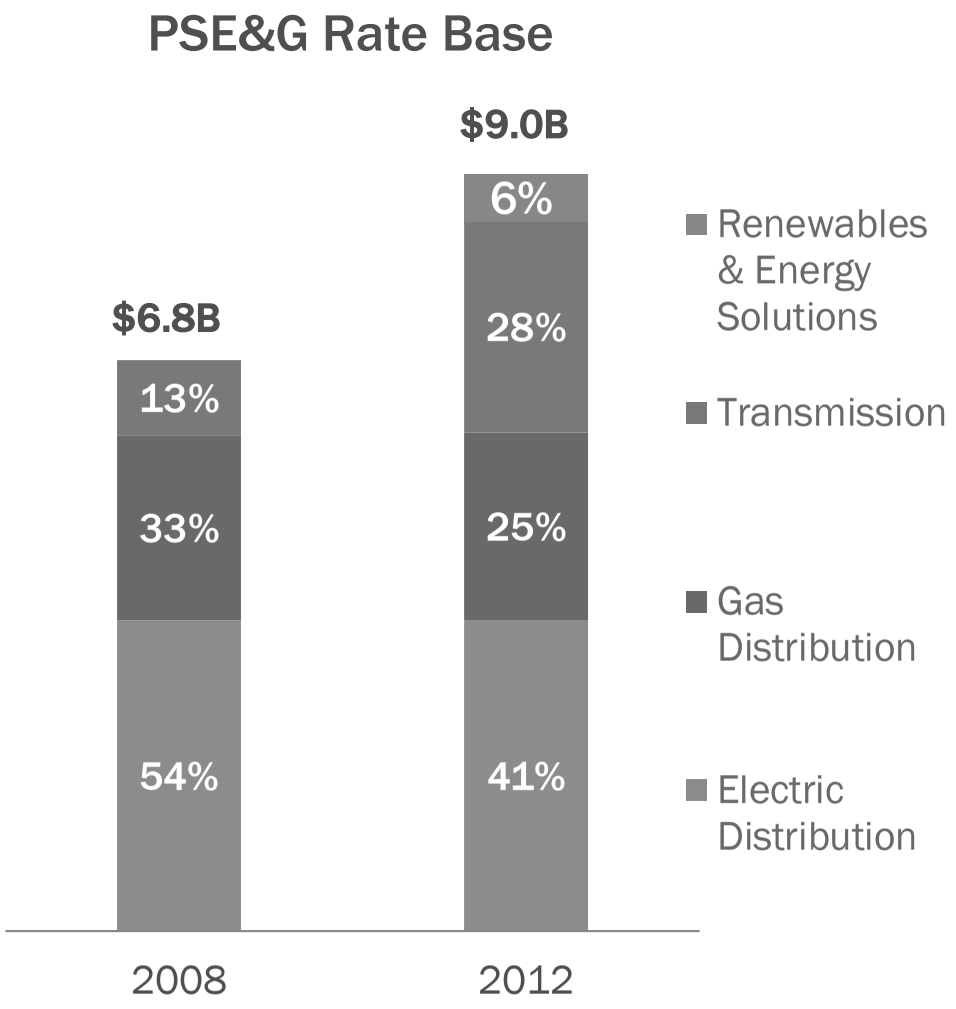
PSE&G's operating earnings grew ~10%* with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-11053

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

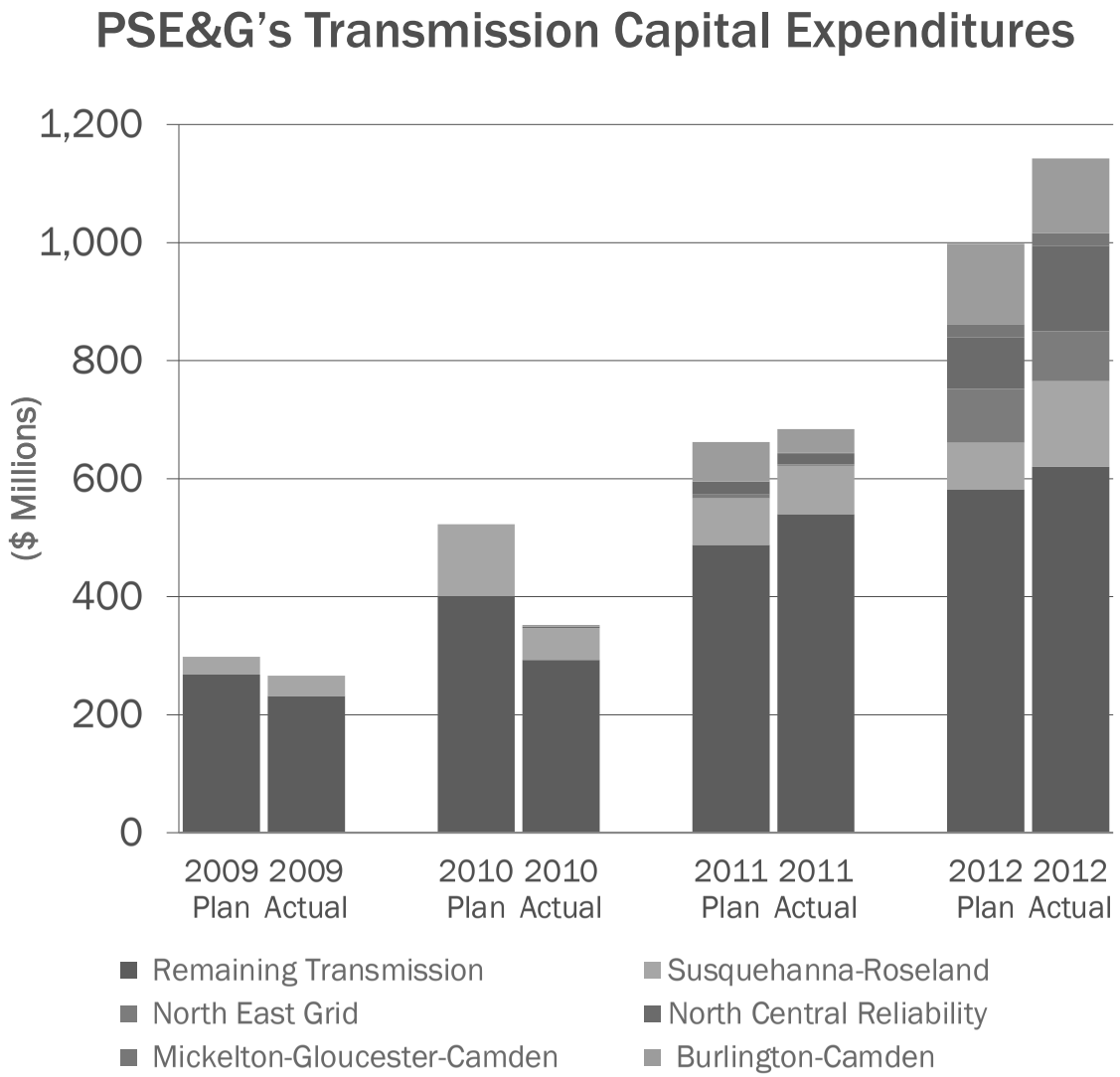
PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

SI-SSA-0015-11054

Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-11055

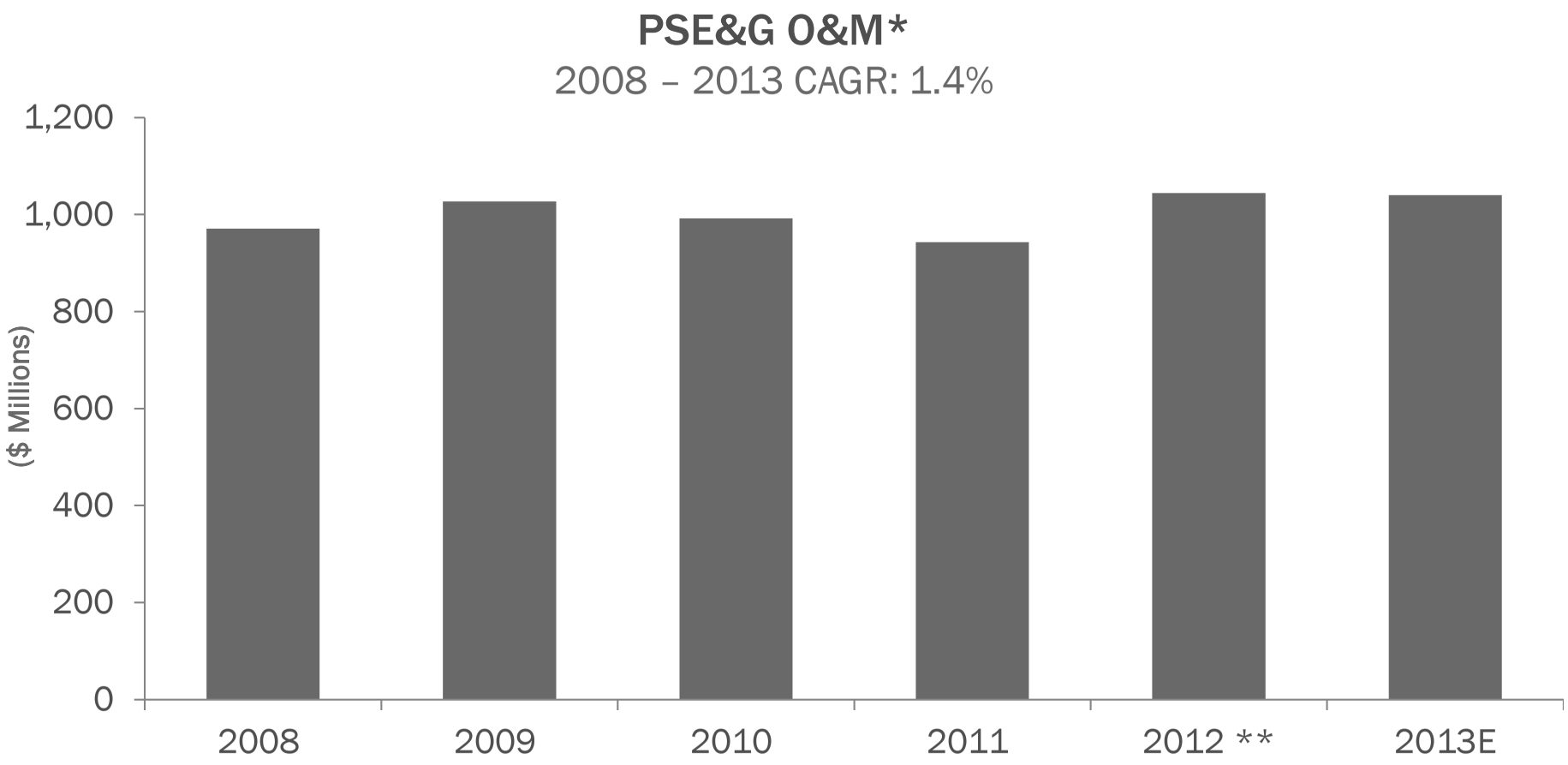
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-11056

Focus on controlling O&M allows us to earn our authorized return

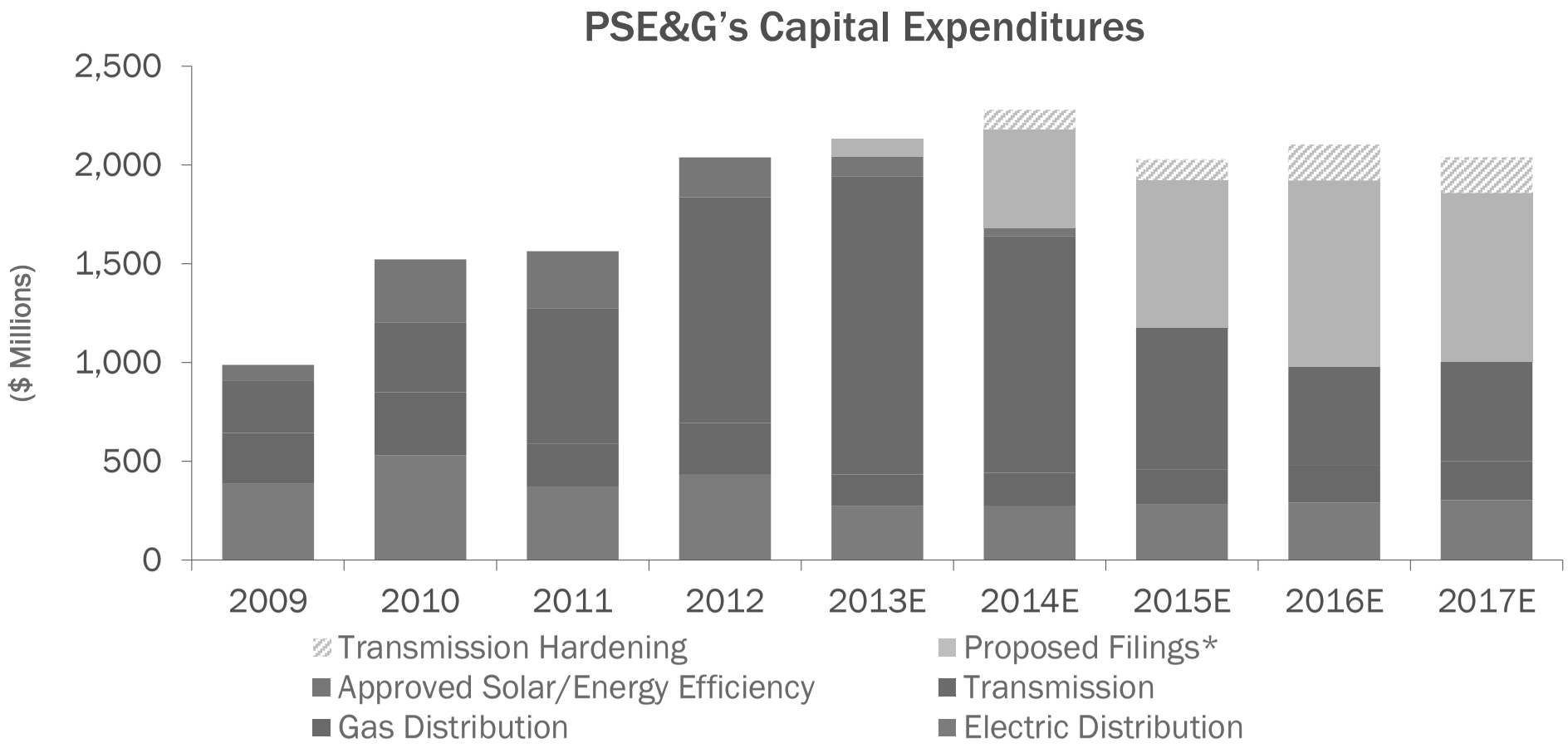


SI-SSA-0015-11057

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-11058

PSEG

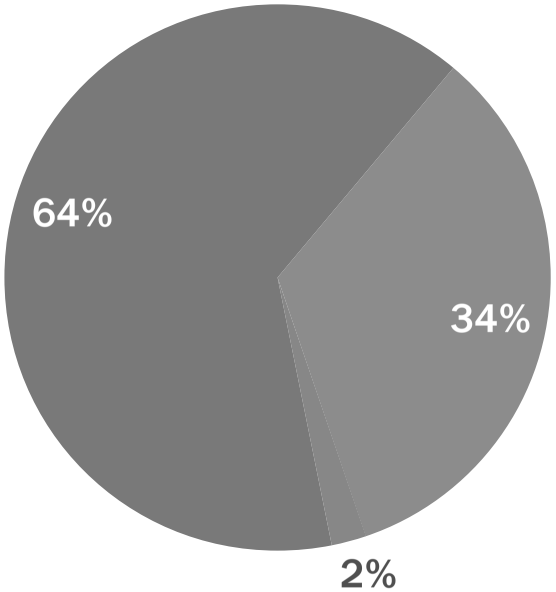
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

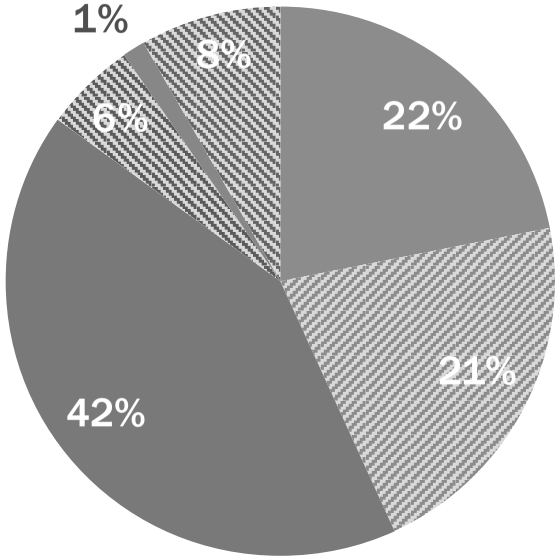
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

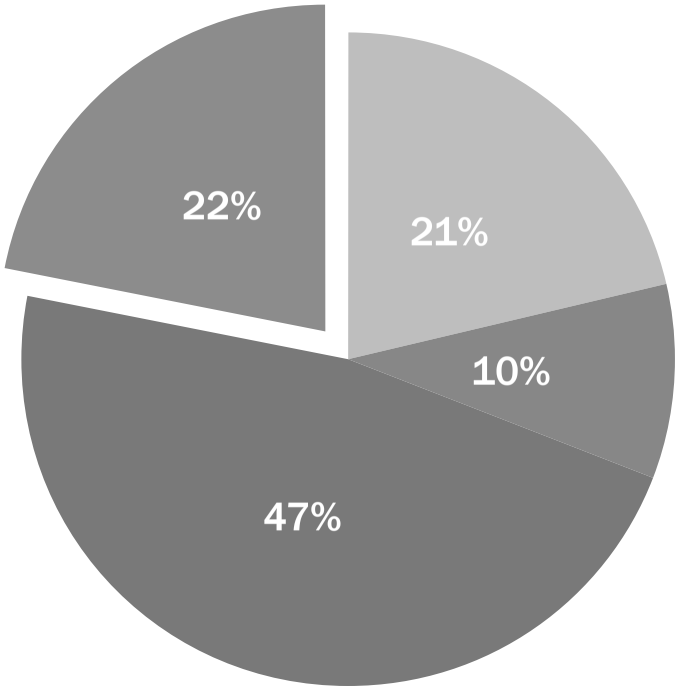
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-11059

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-11060

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-11061

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11062

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-11063

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11064

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11065

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11066

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-11067

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-11068

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

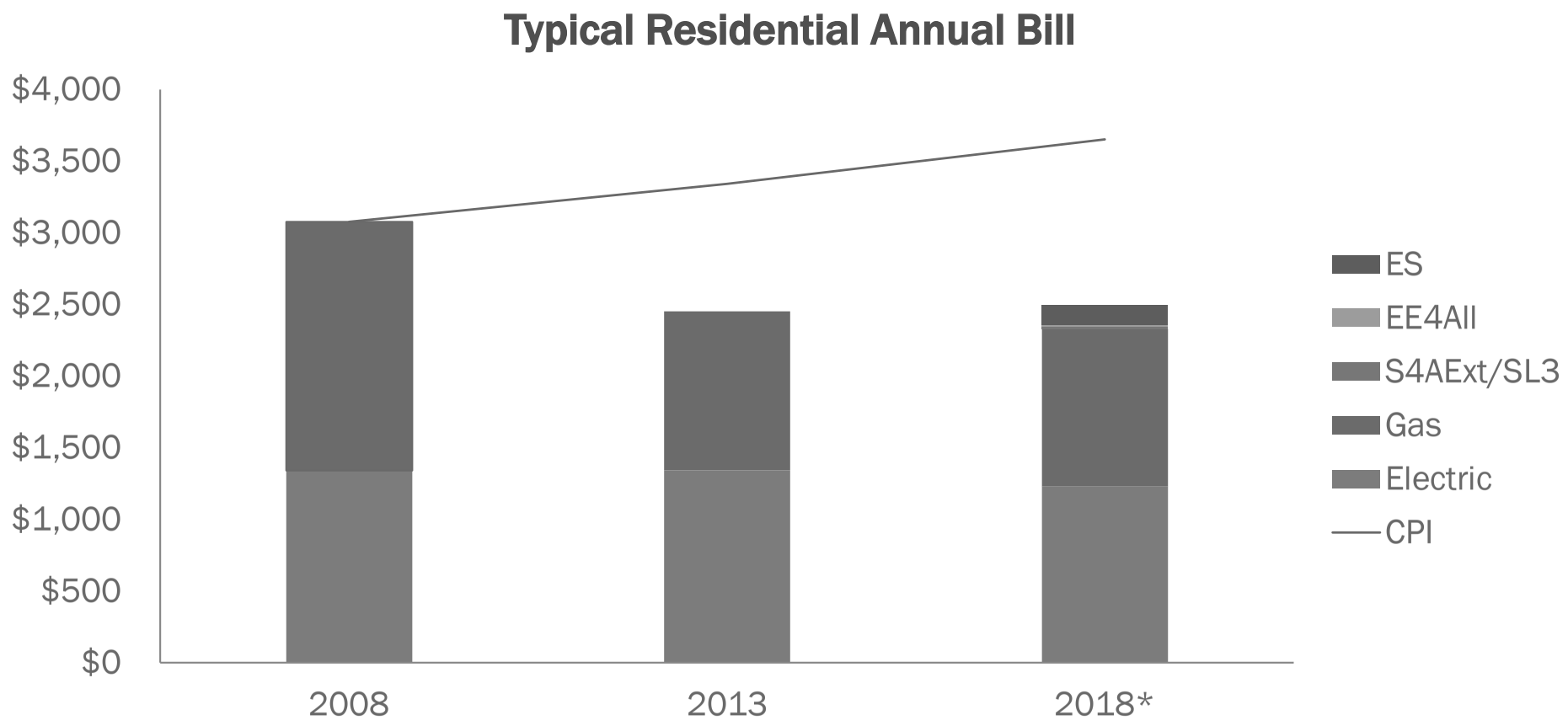
Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-11069

*PENDING APPROVAL.

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

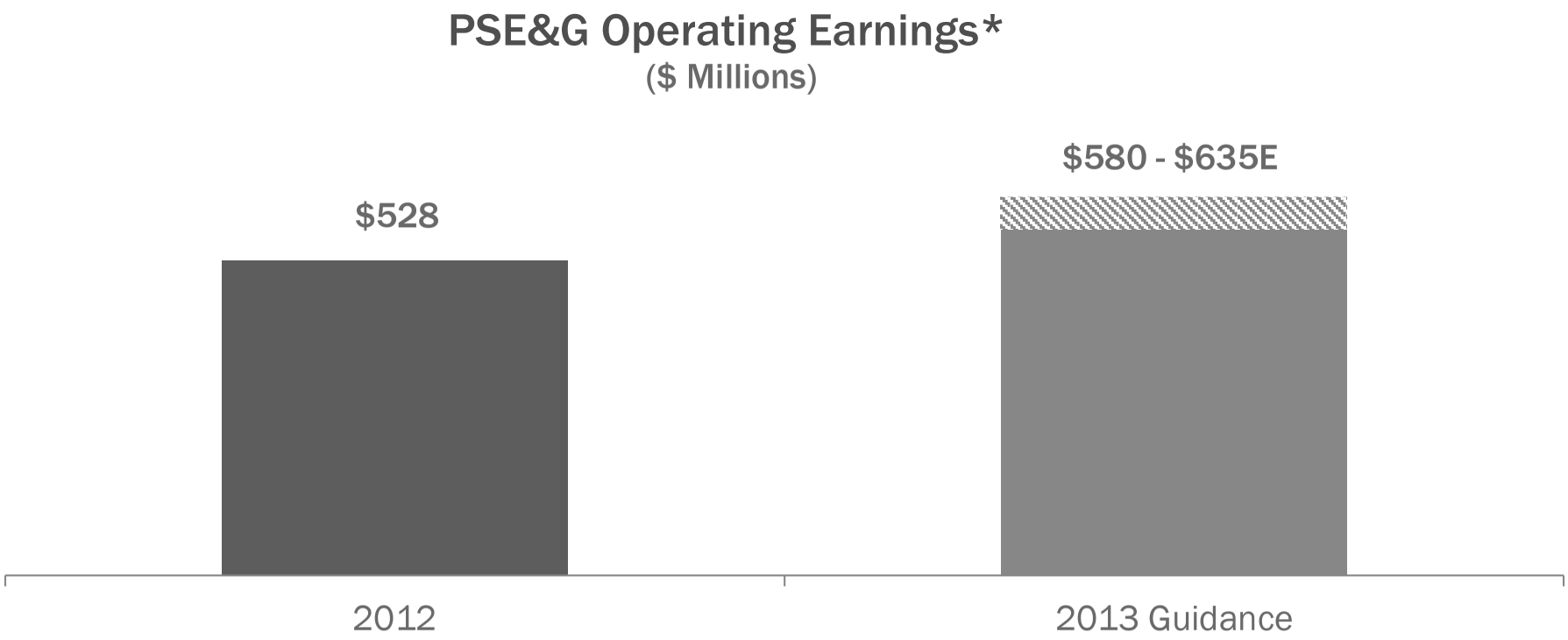


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-11070

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-11071

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-11072

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-11073

PSEG ENERGY HOLDINGS

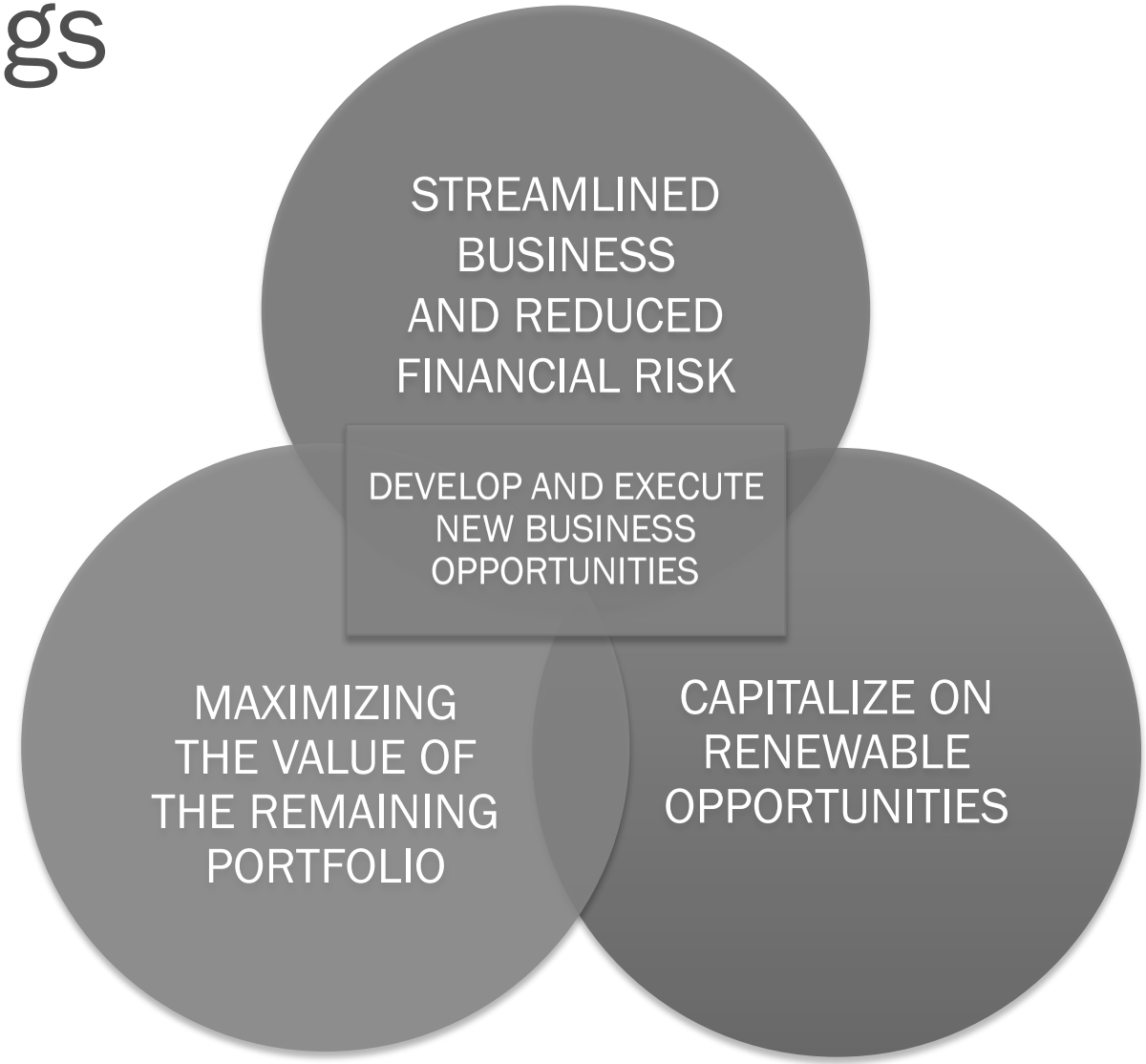
SI-SSA-0015-11074

PSEG

We make things work for you.

PSEG Energy Holdings strategy

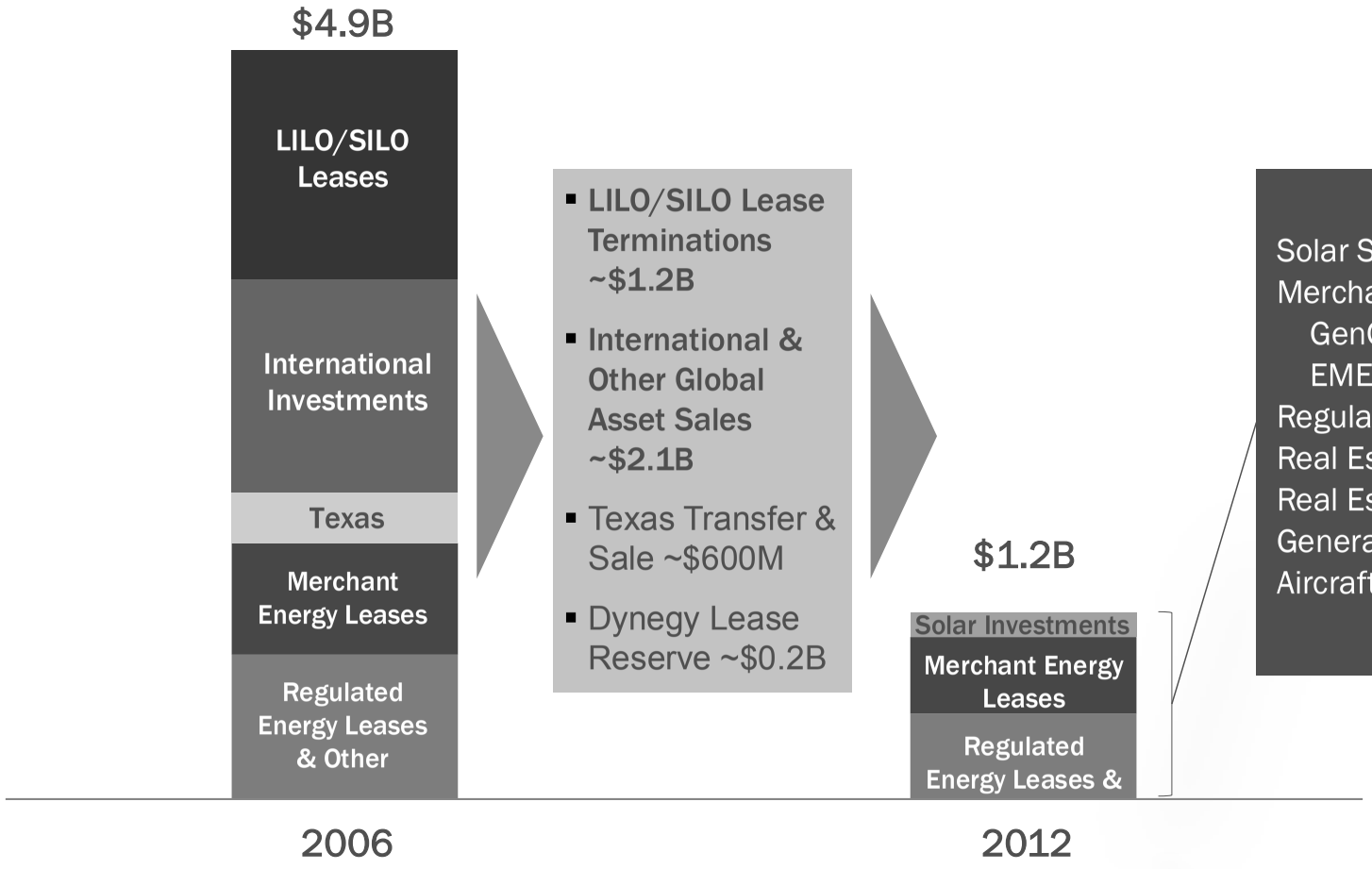
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-11075

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-11076

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-11077

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

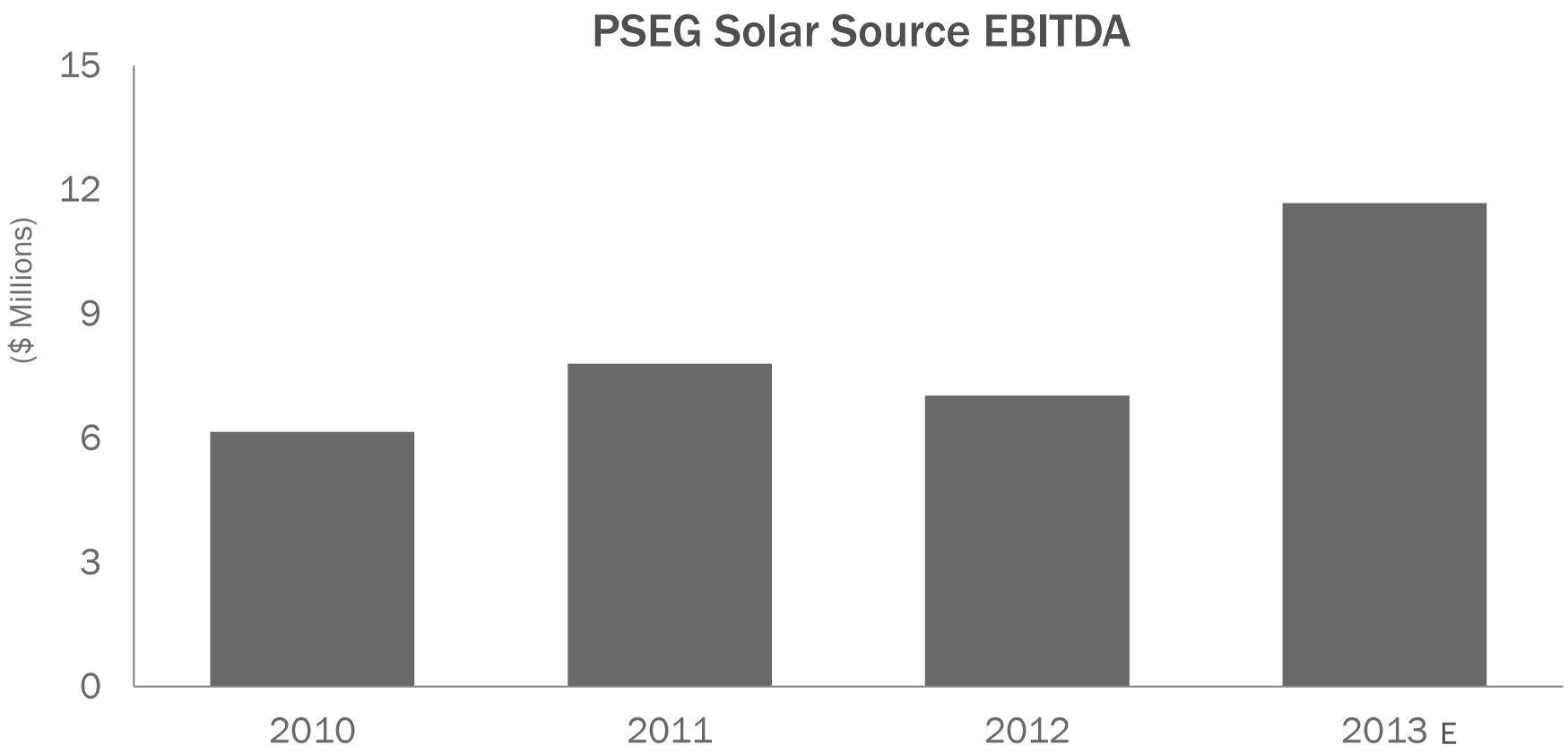
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-11078

PSEG Energy Holdings

These projects will produce steady results for PSEG

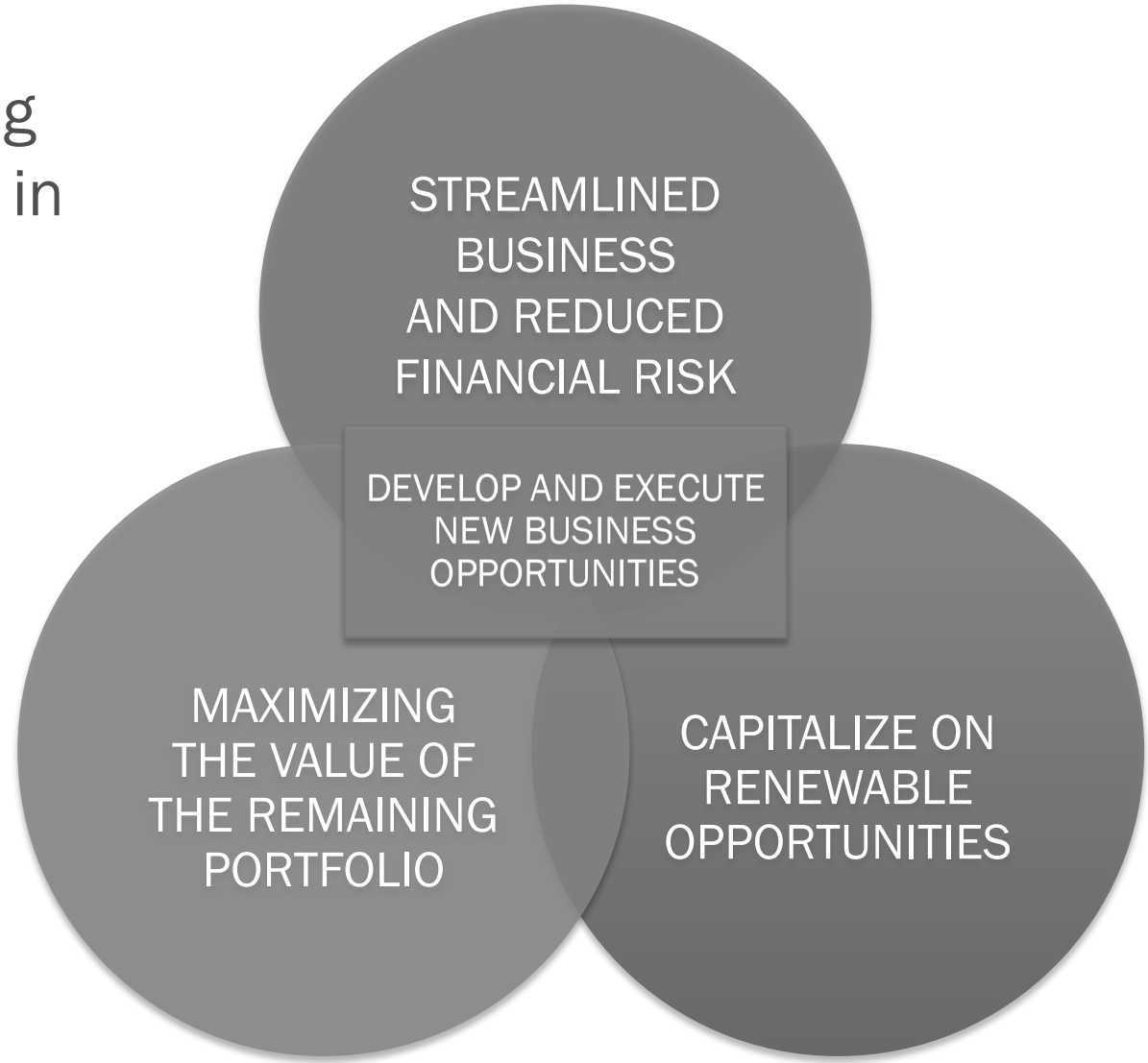


SI-SSA-0015-11079

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-11080

PSEG POWER

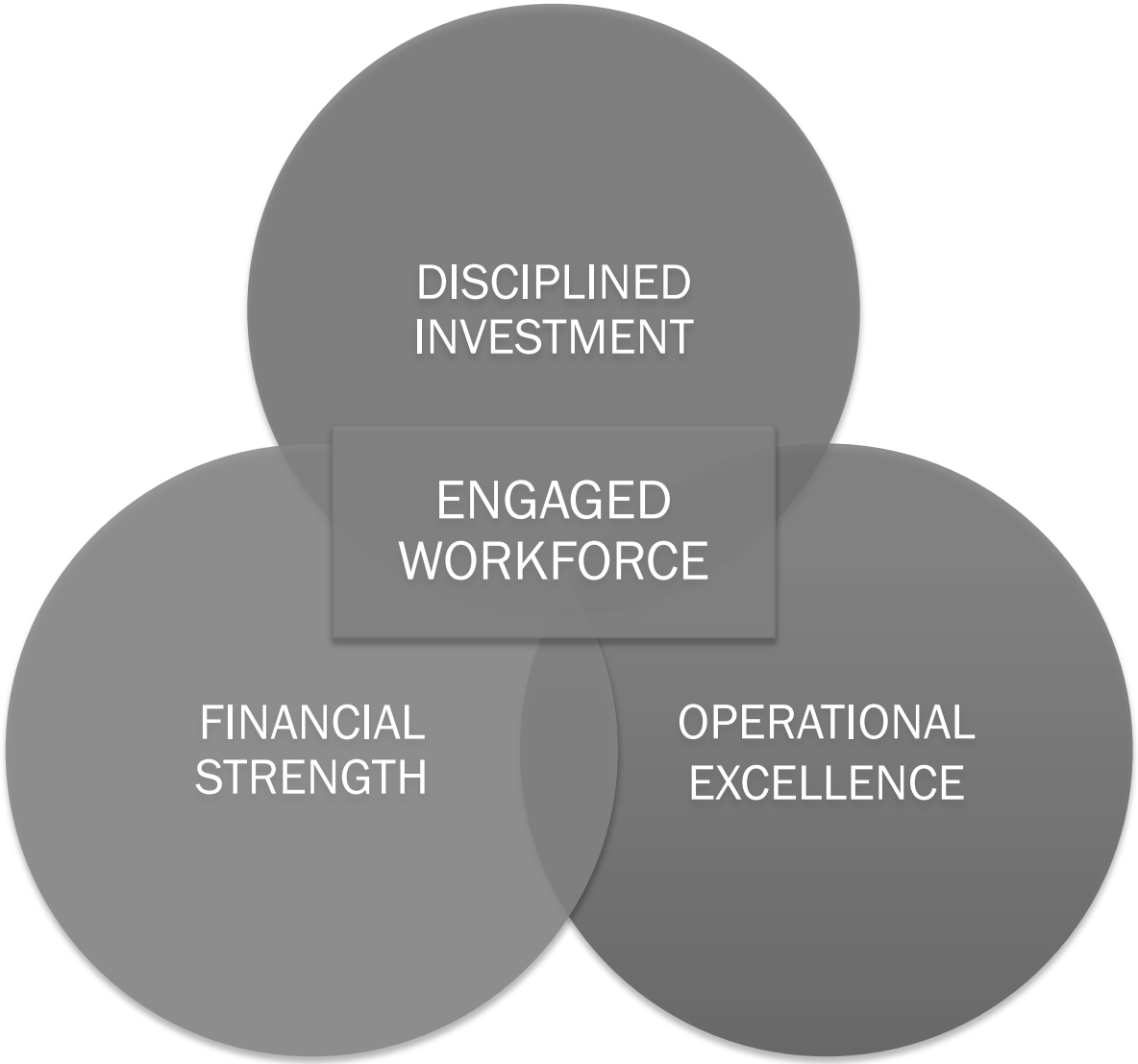
SI-SSA-0015-11081

PSEG

We make things work for you.

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-11082

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-11083

PSEG Power delivered in 2012

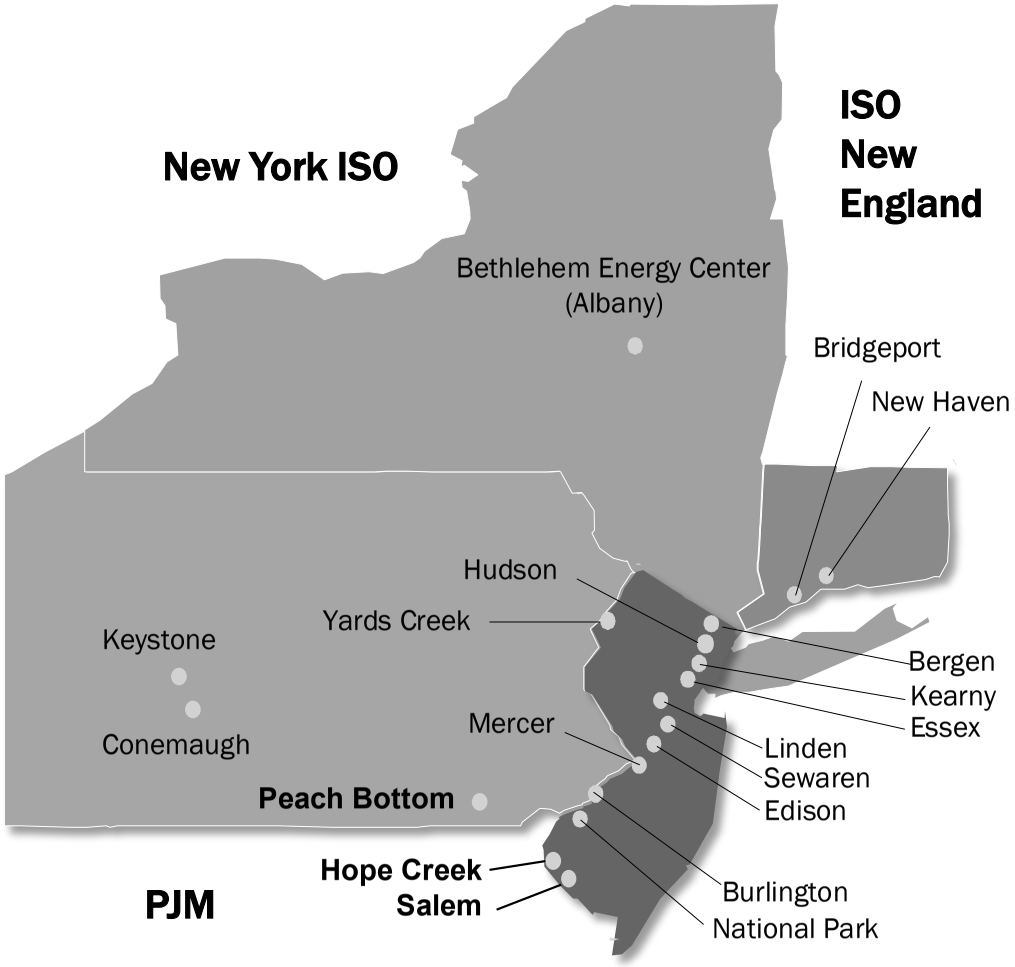
Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-11084

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-11085

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-11086

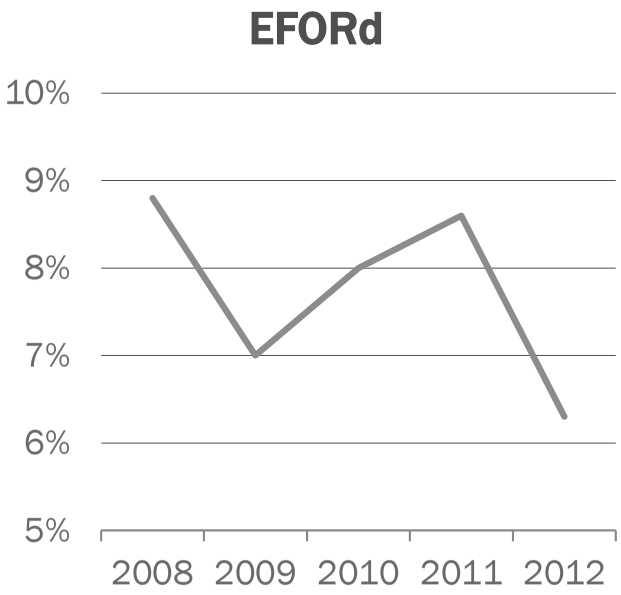
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

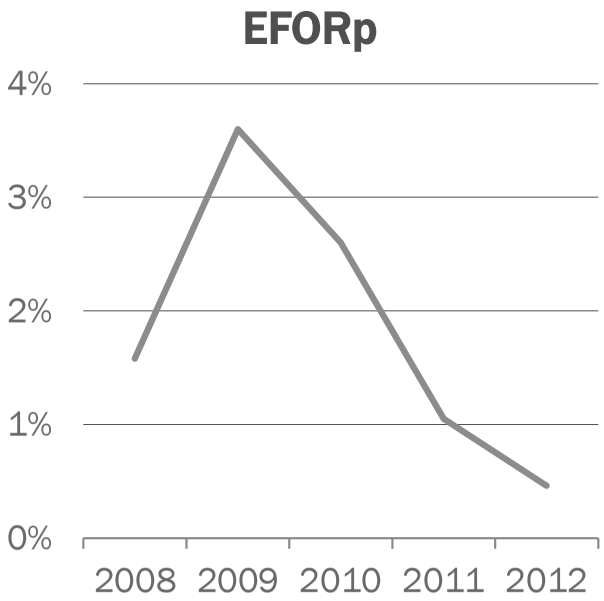
SI-SSA-0015-11087

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

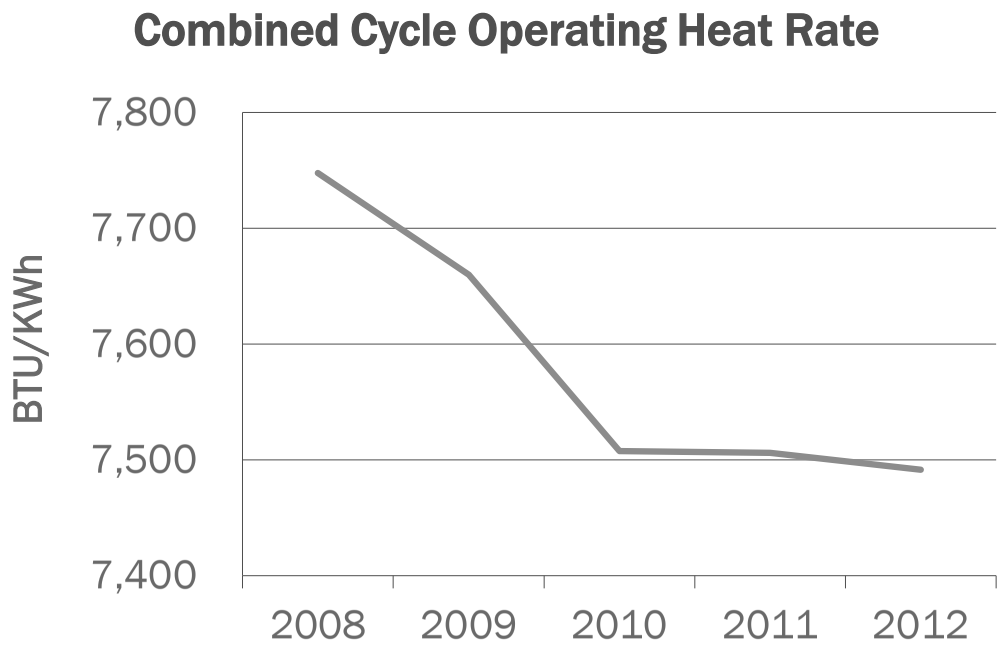


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-11088

PSEG Power improvements achieved in combined cycle fleet efficiency

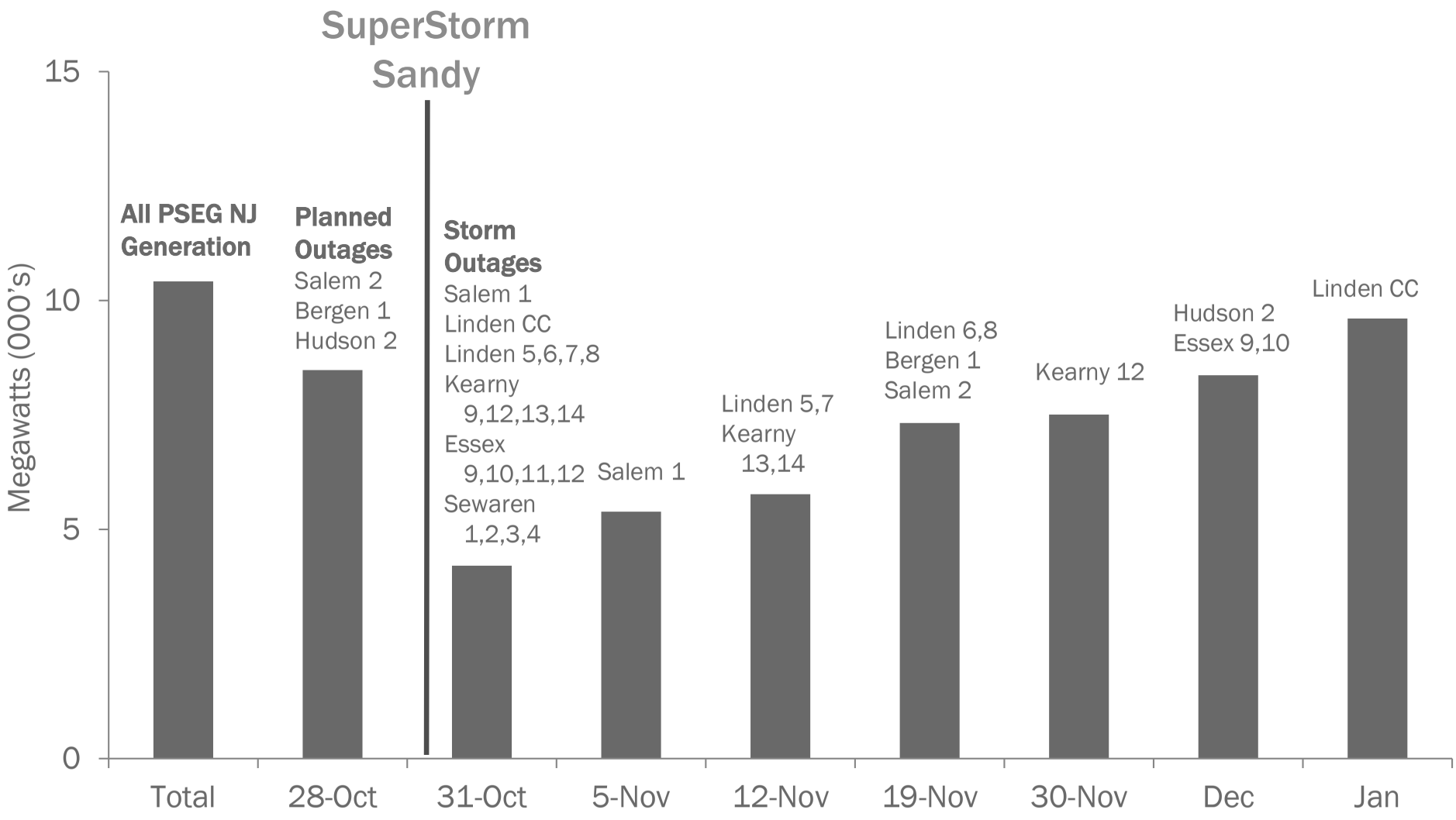


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-11089

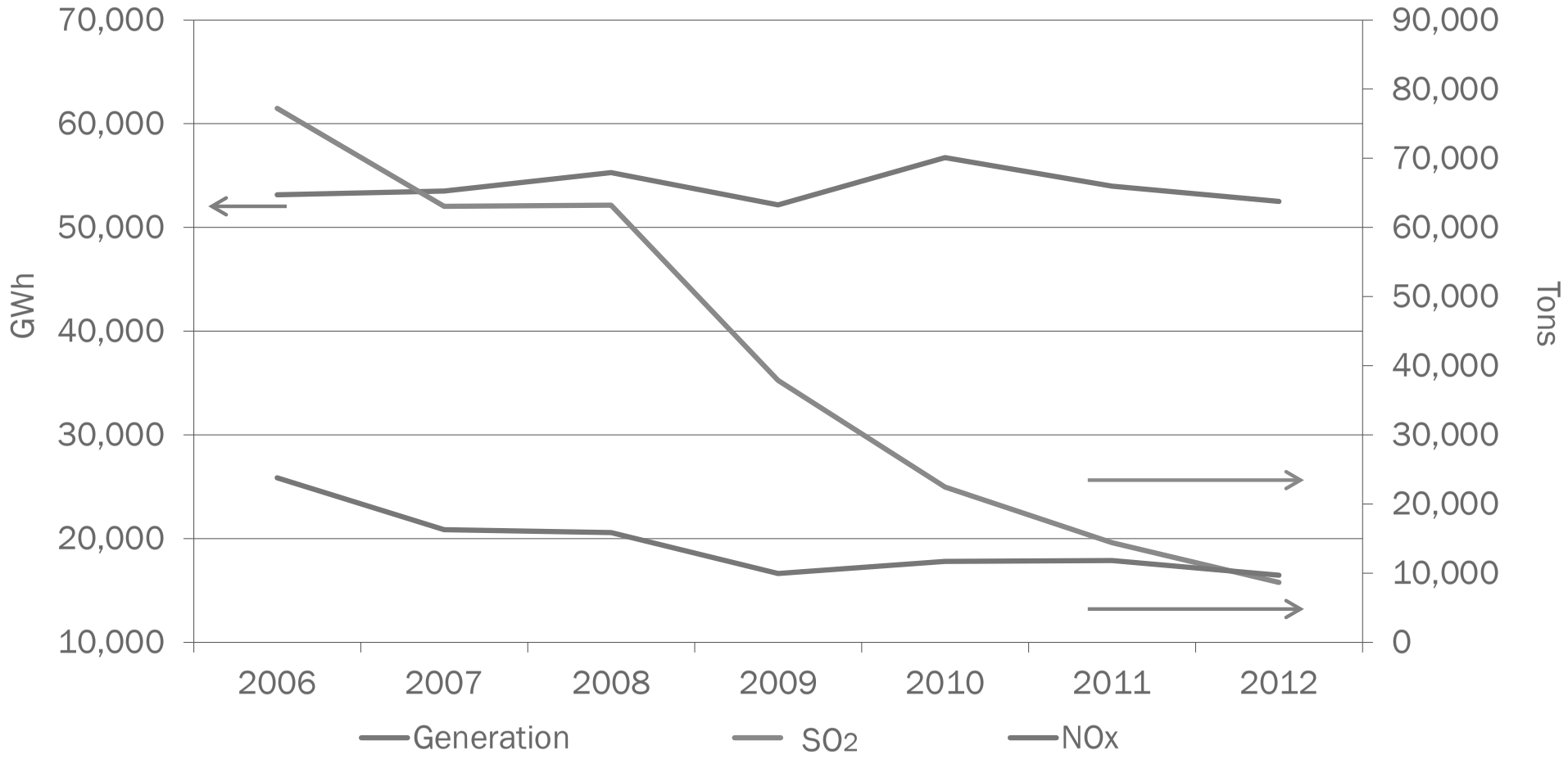
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-11090

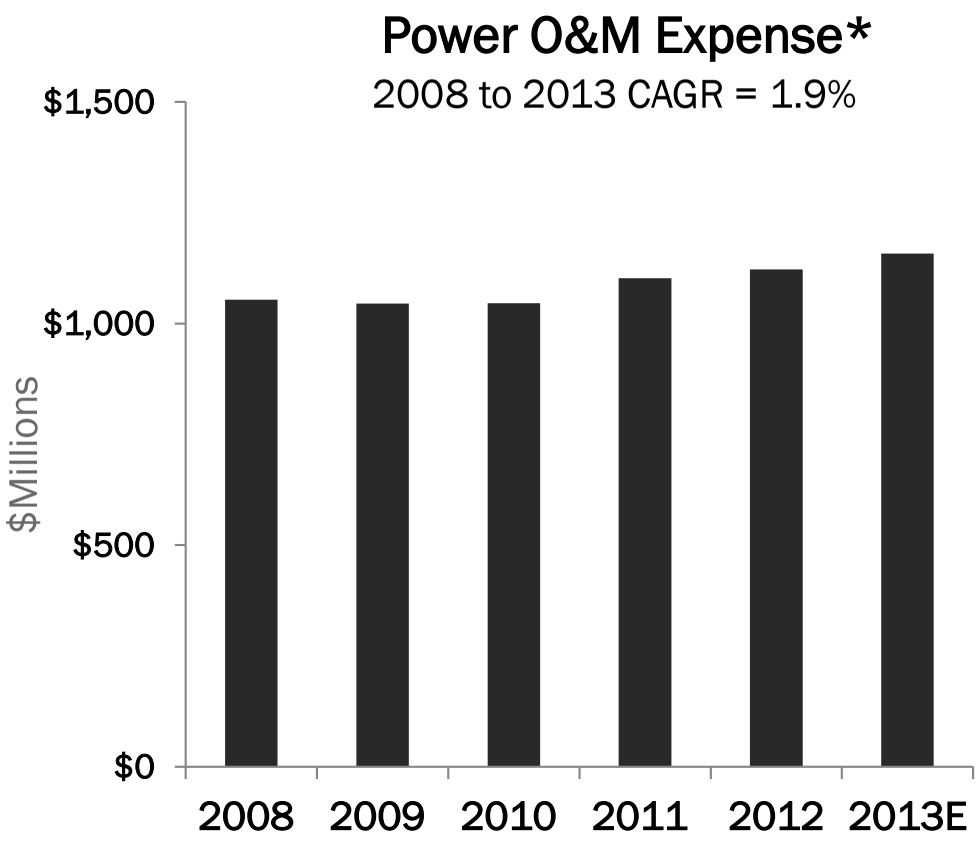
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-11091

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-11092

PSEG

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

SI-SSA-0015-11093

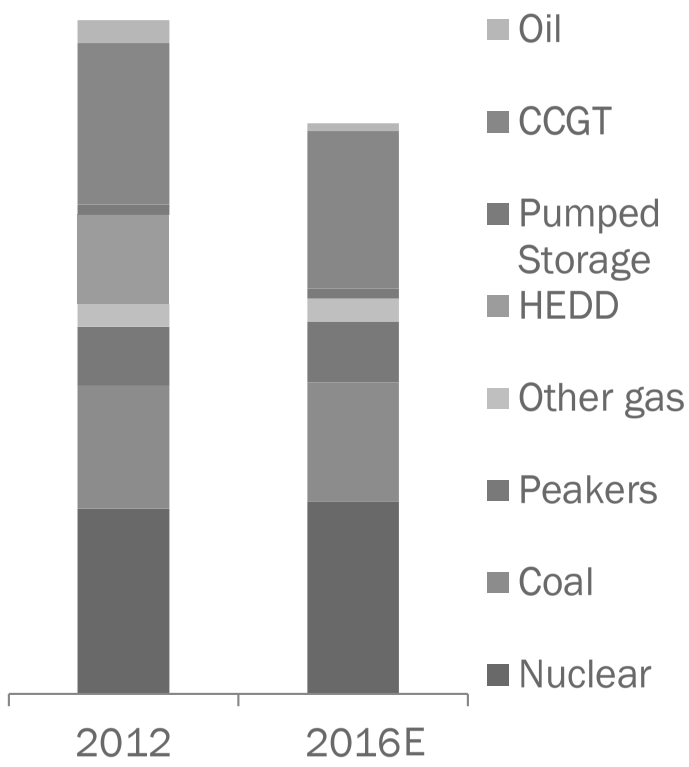
PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

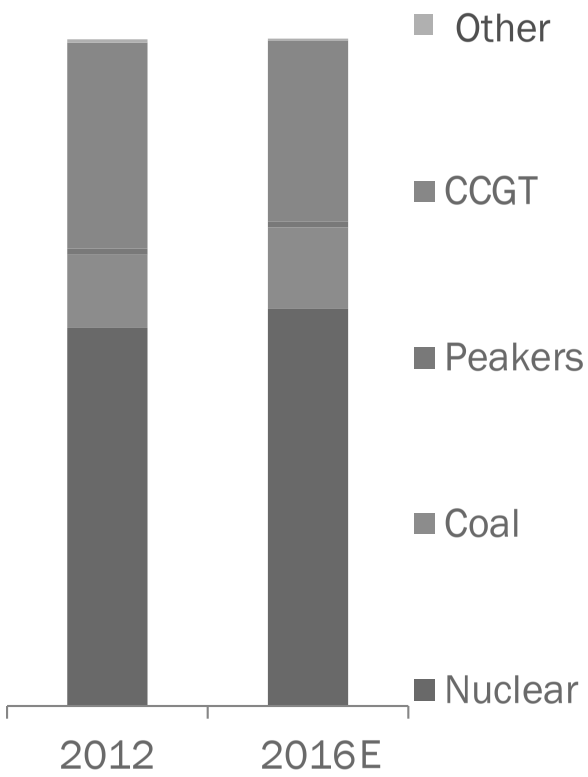
Fuel Diversity

13,226 MW 11,200 MW



Energy Produced

52.5 TWh 52-54 TWh



SI-SSA-0015-11094

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-11095

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-11096

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

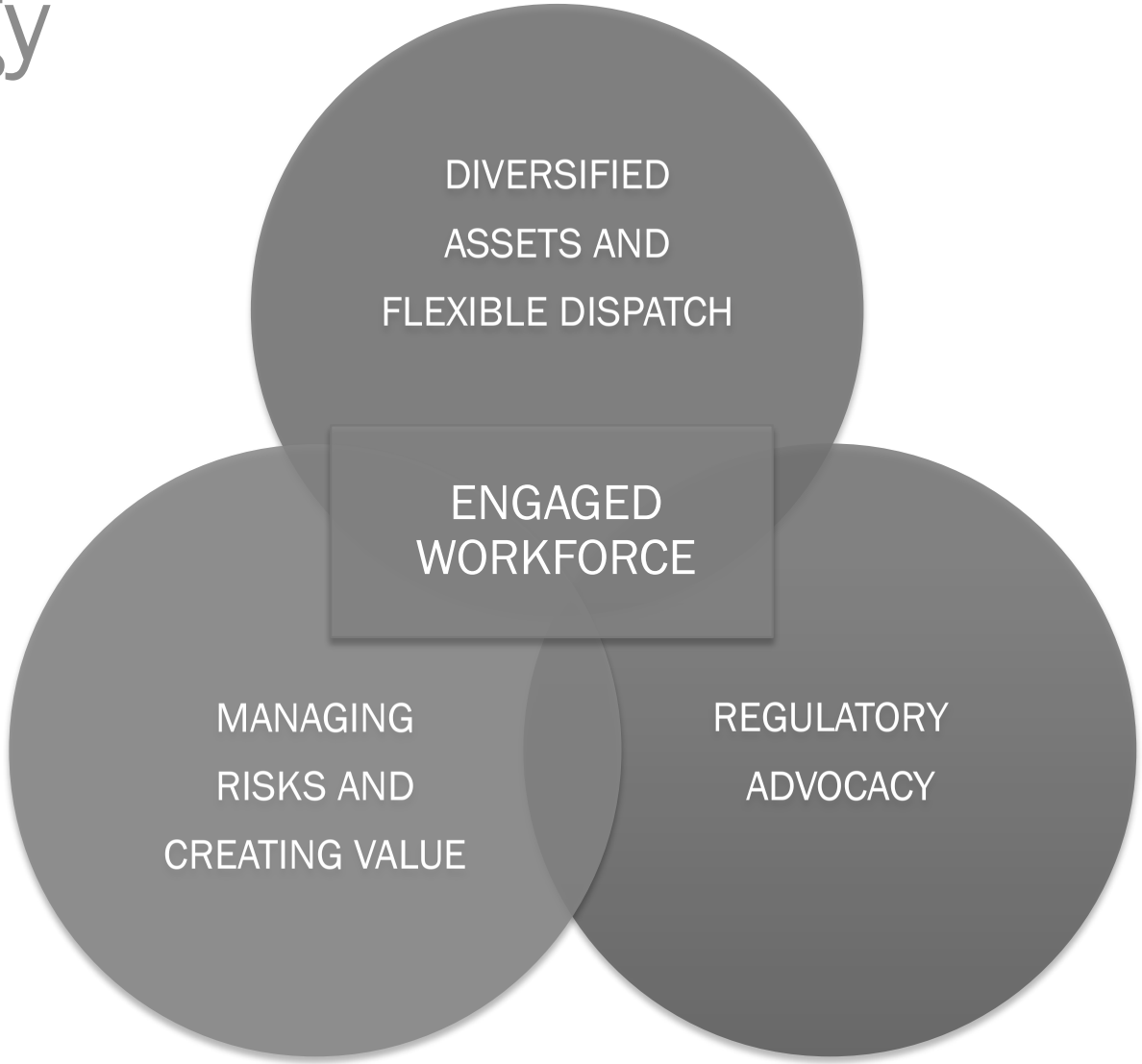
SI-SSA-0015-11097

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-11098

Diversified assets and flexible dispatch

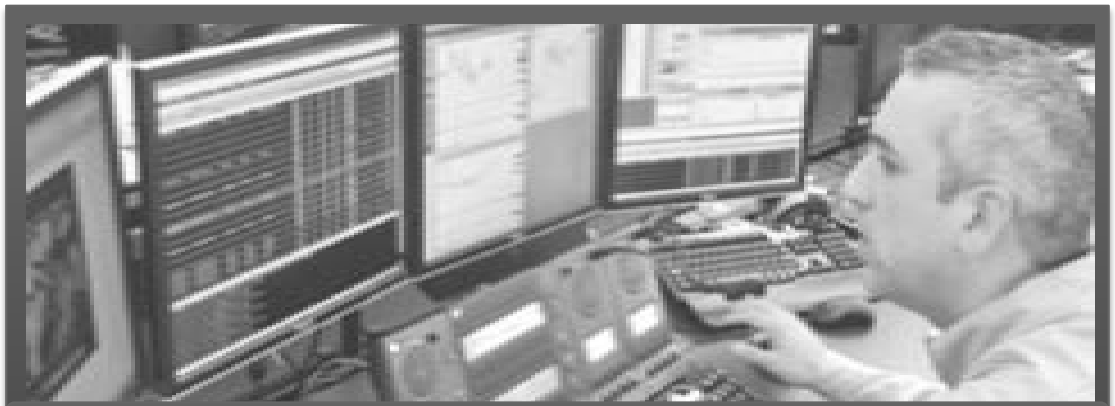
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

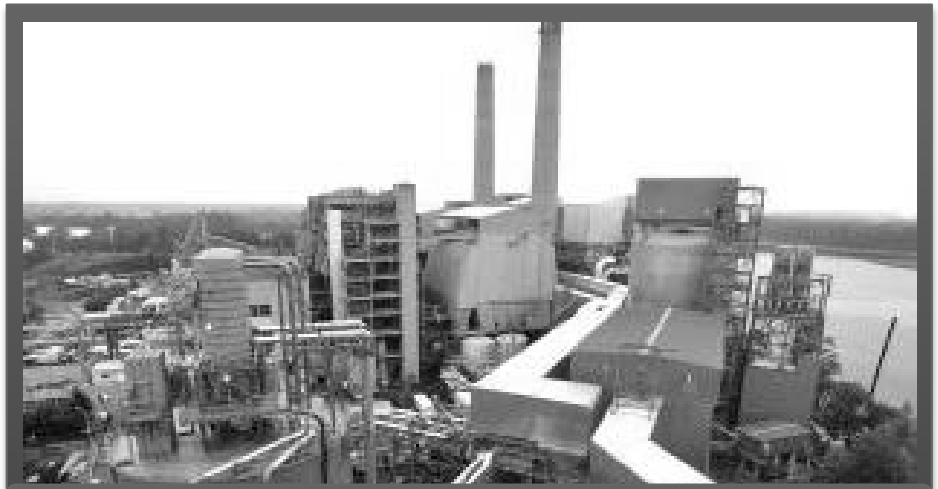
SI-SSA-0015-11099

Fleet capacity has been advanced by:

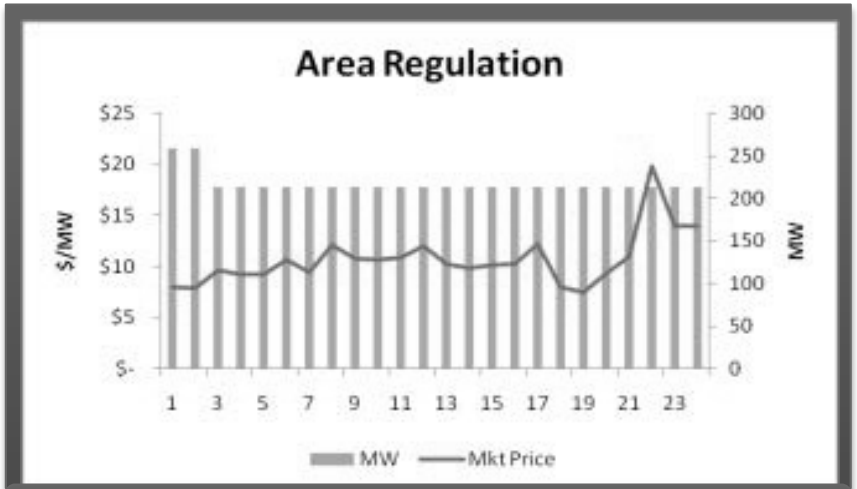
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



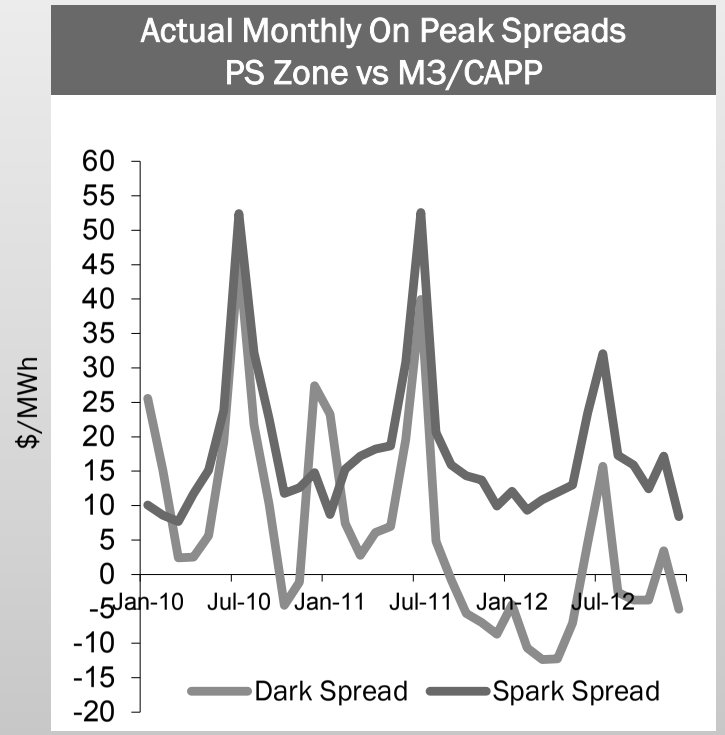
Reduced O&M and increased start-up success

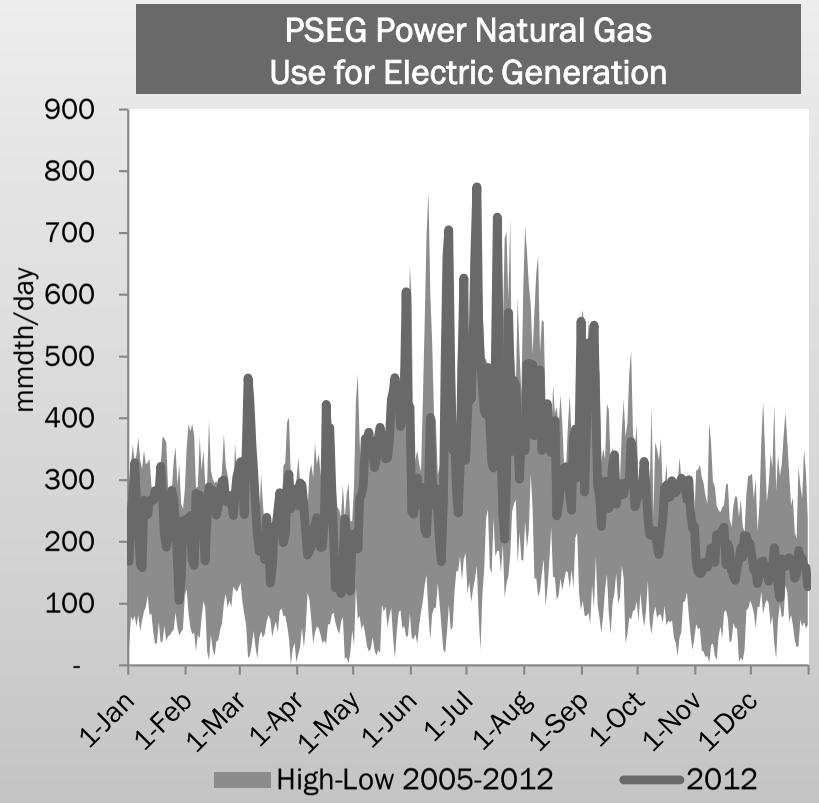


Capturing new products opportunity with minimal investment

SI-SSA-0015-11100

Spark spread replaces dark spread as major value driver

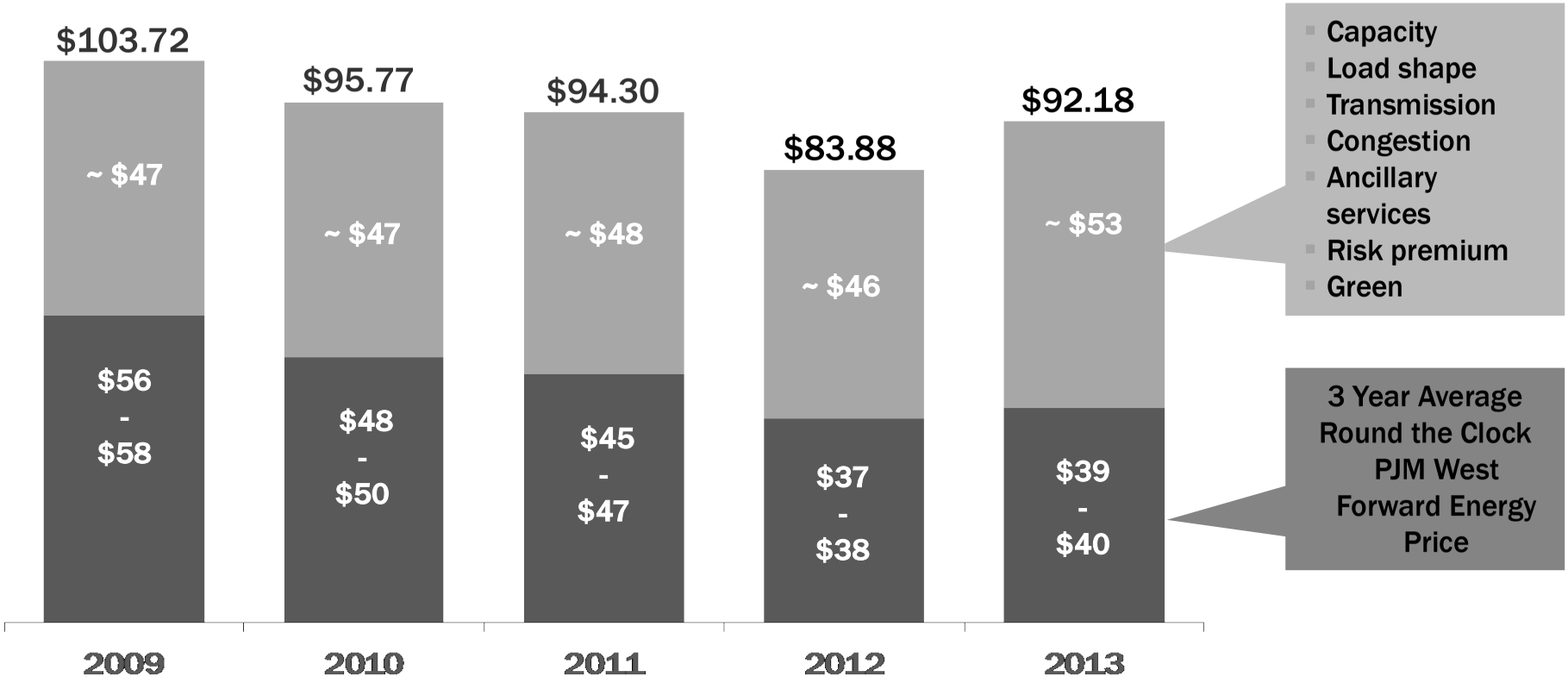




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-11101

2013 BGS Auction Results for PSE&G Zone

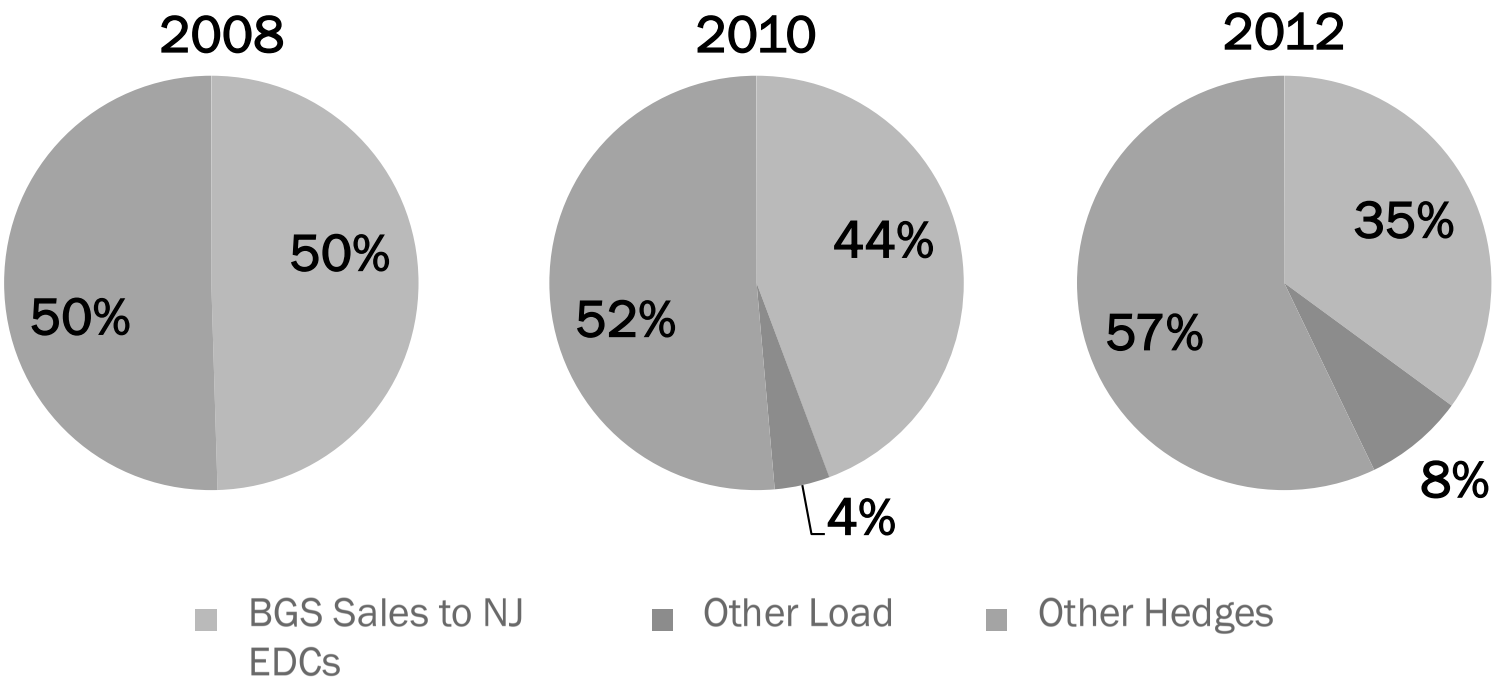


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-11102

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-11103

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

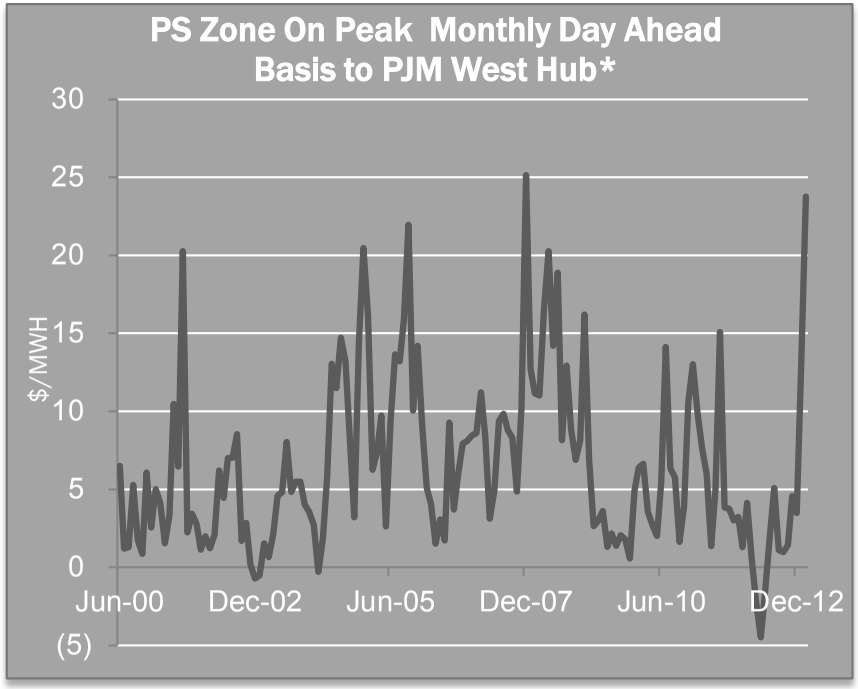
SI-SSA-0015-11104

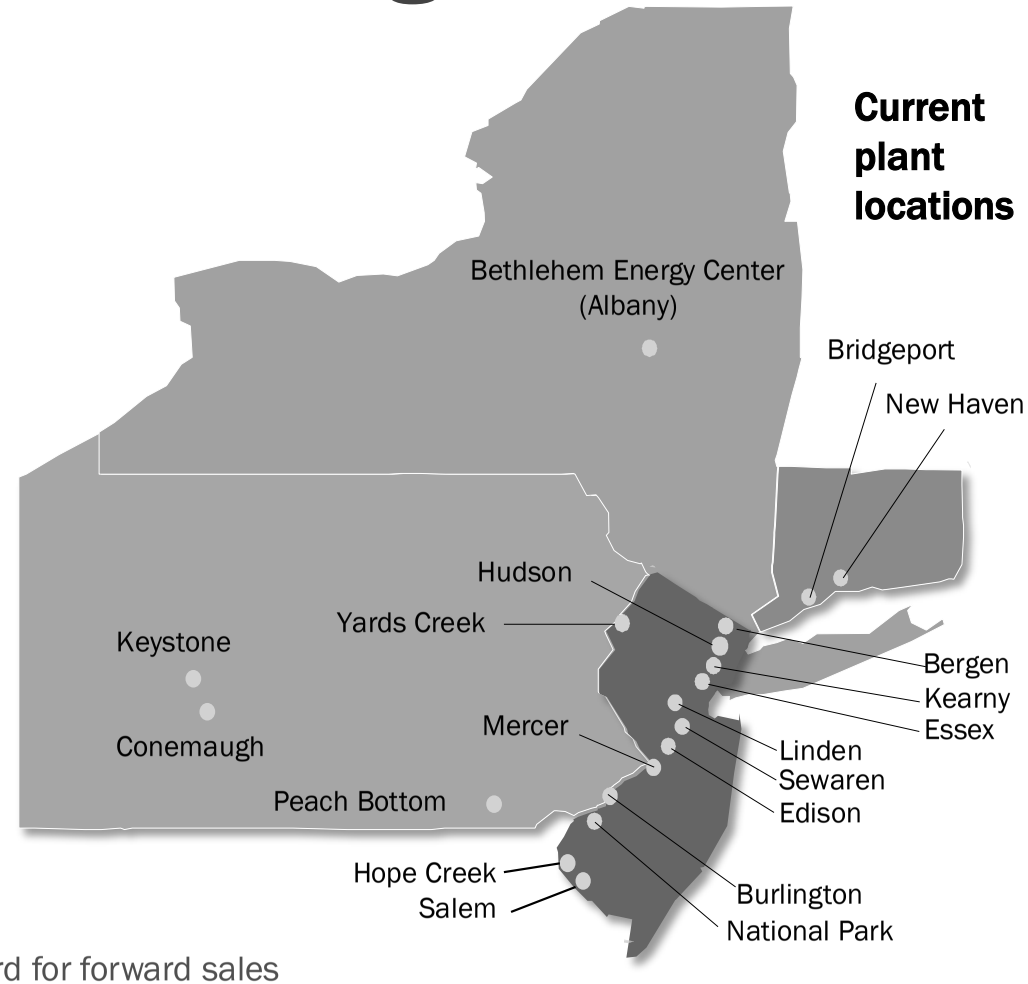
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

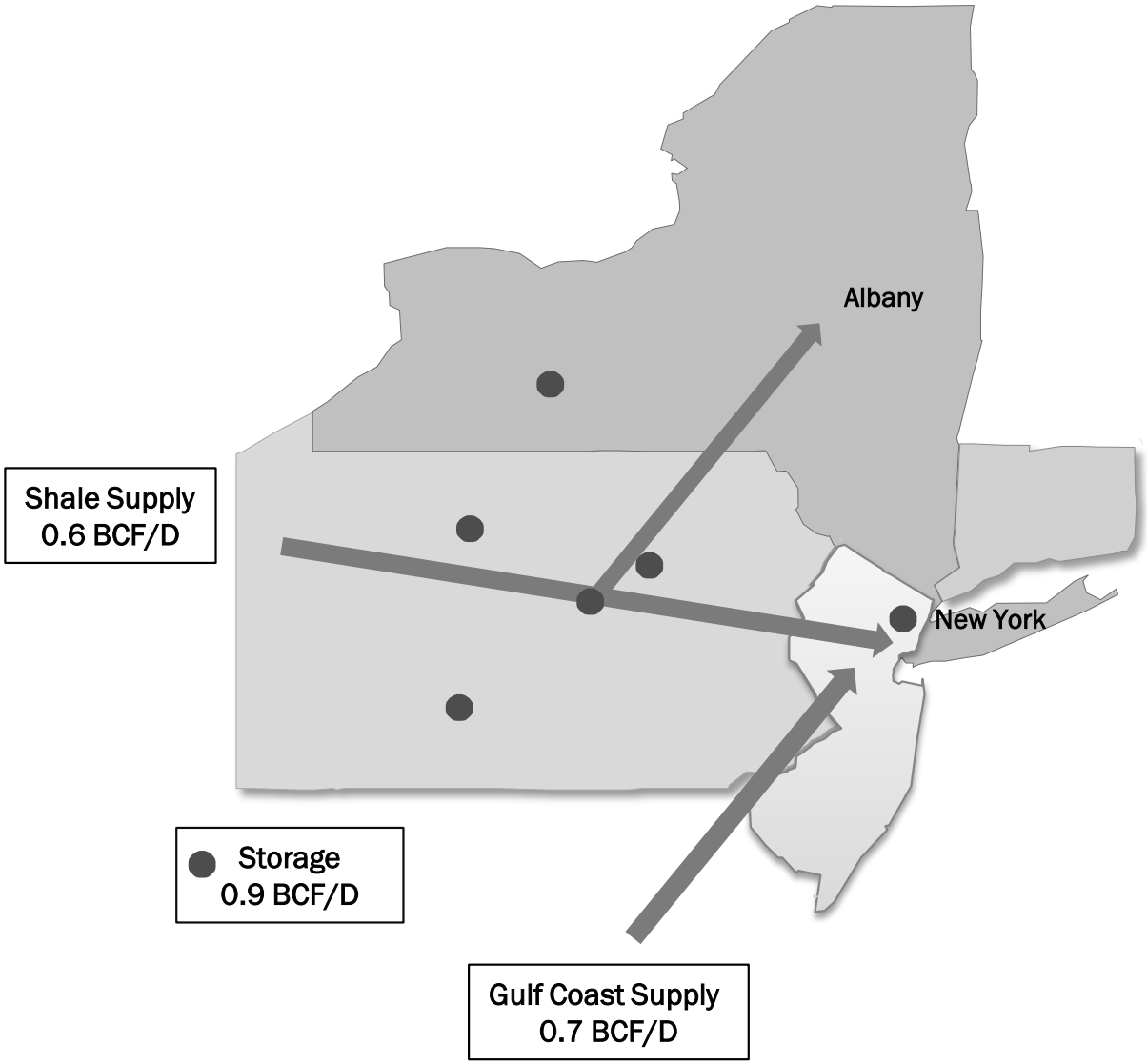
SI-SSA-0015-11105

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-11106

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

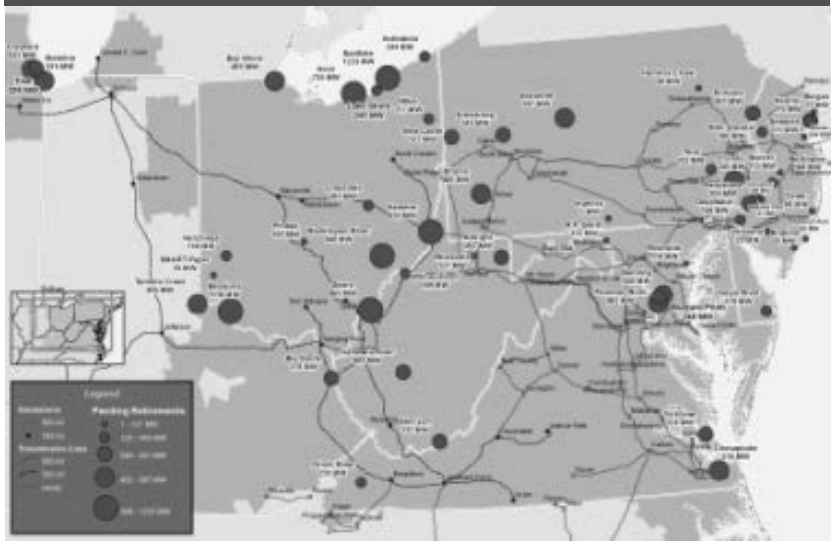
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-11107

Reserve margins in PJM declining with retirements

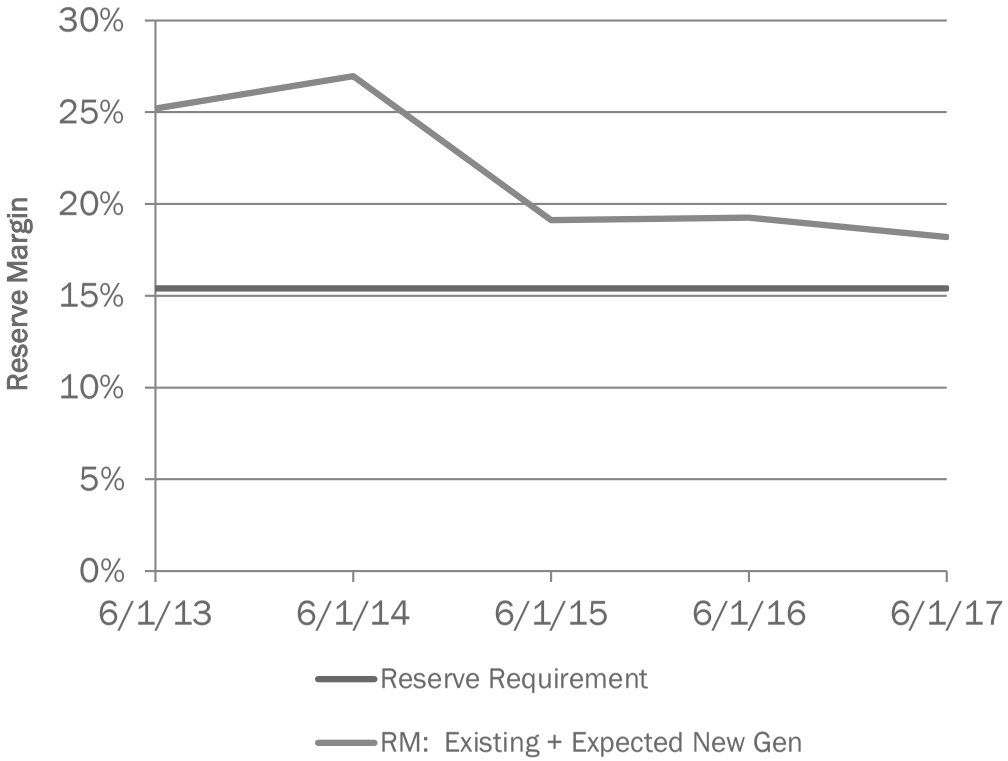
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-11108

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-11109

PSEG wholesale market strategy

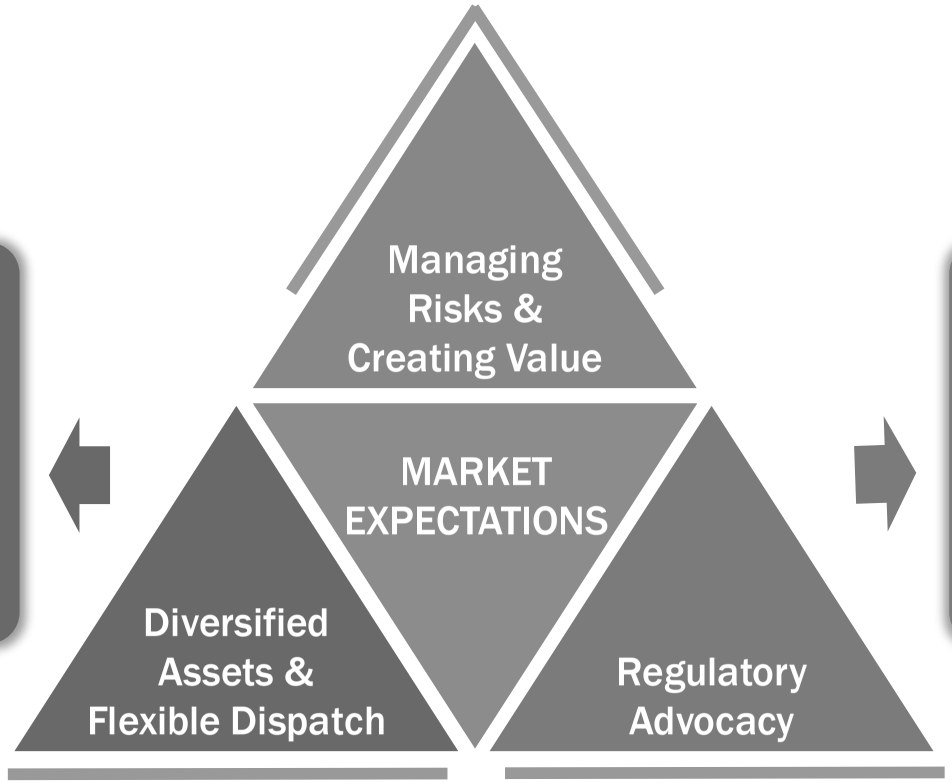
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-11110

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-11111

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-11112

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

SI-SSA-0015-11113

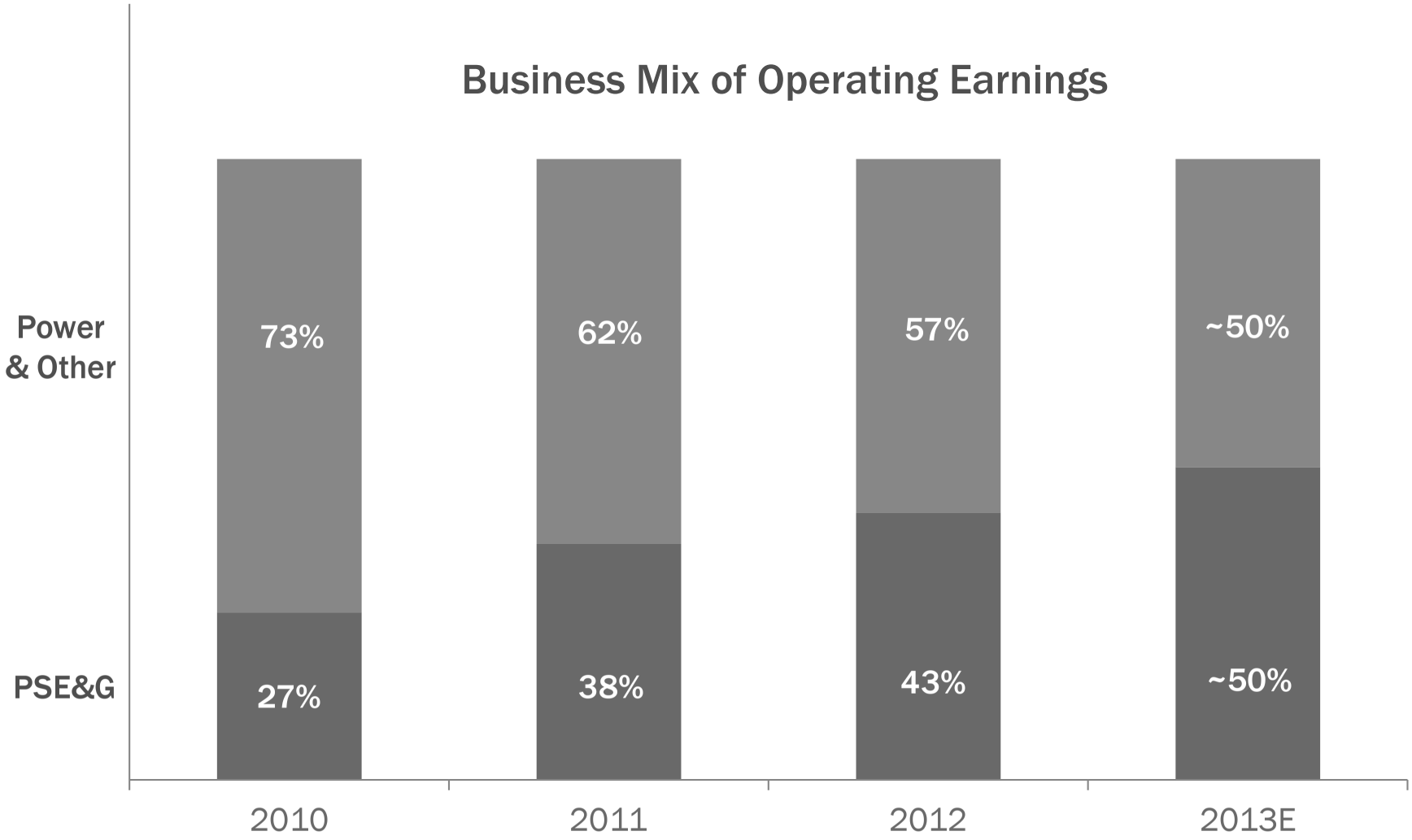
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings



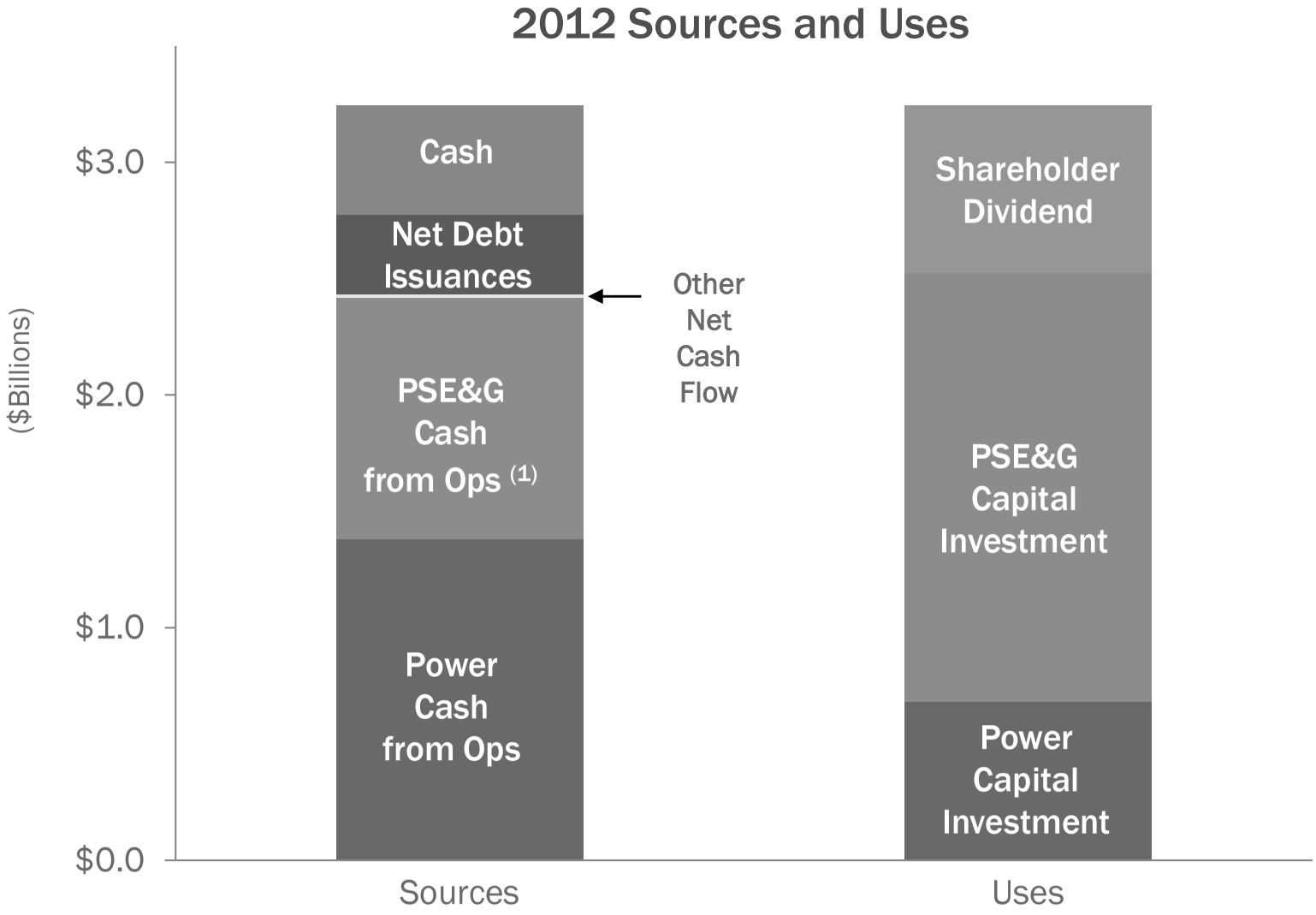
SI-SSA-0015-11114

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

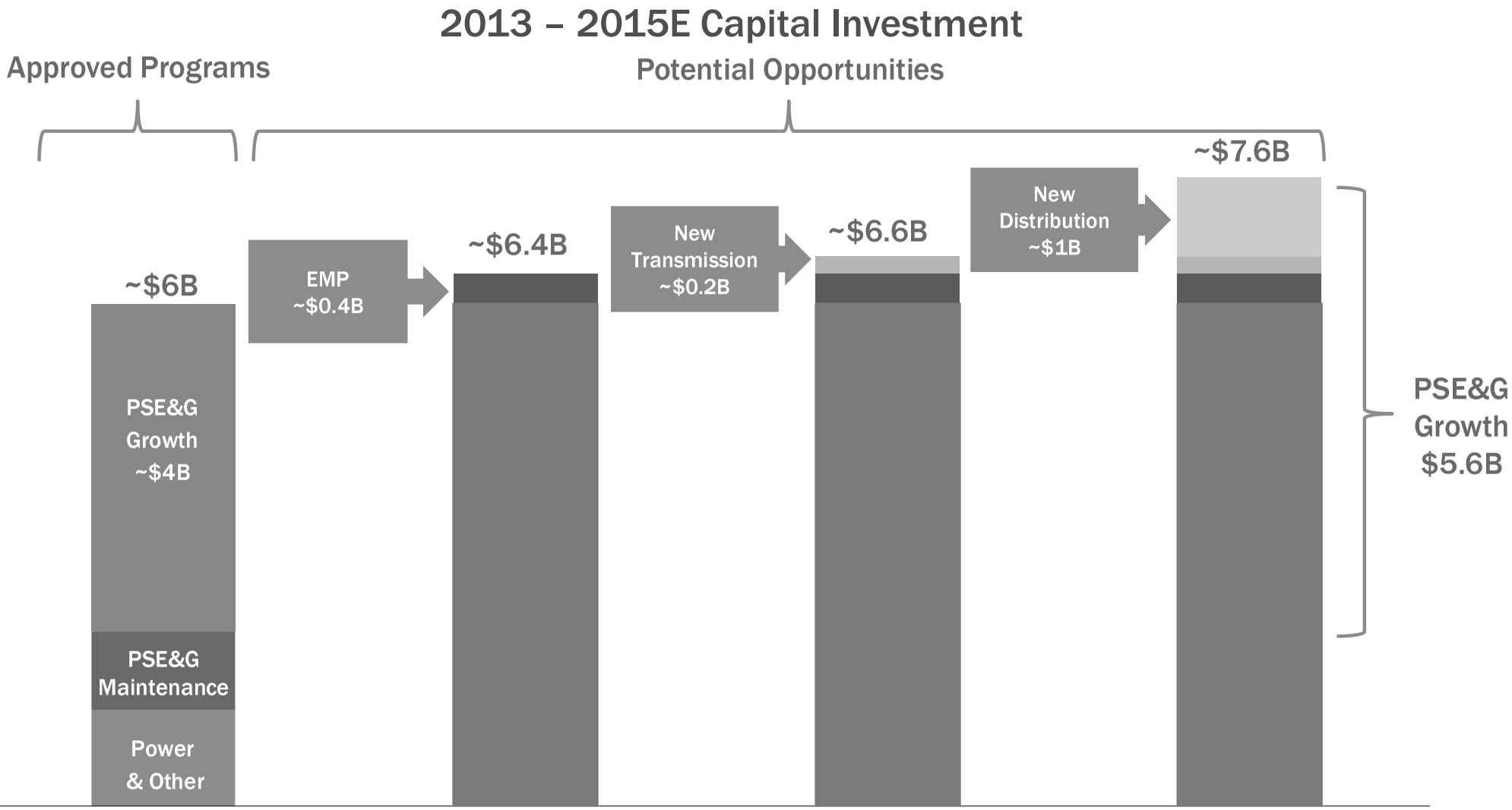
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

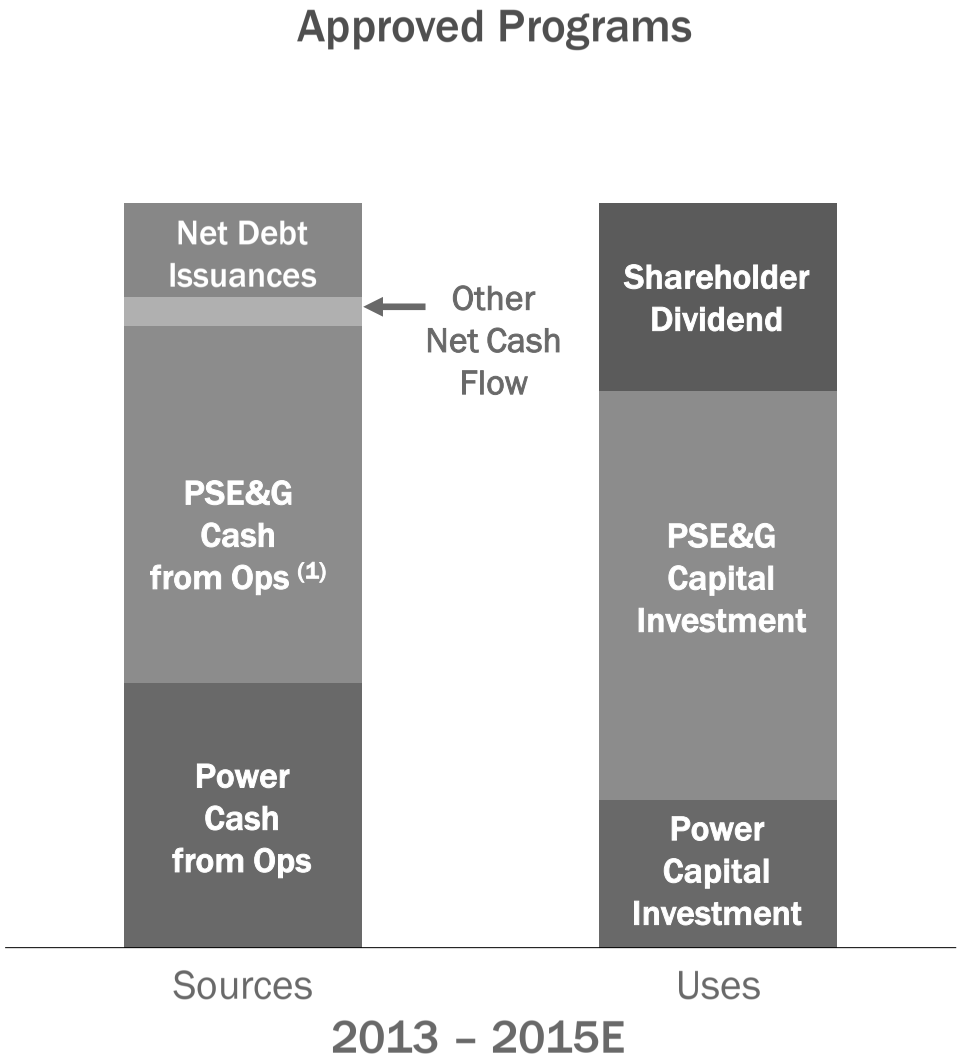
SI-SSA-0015-11115

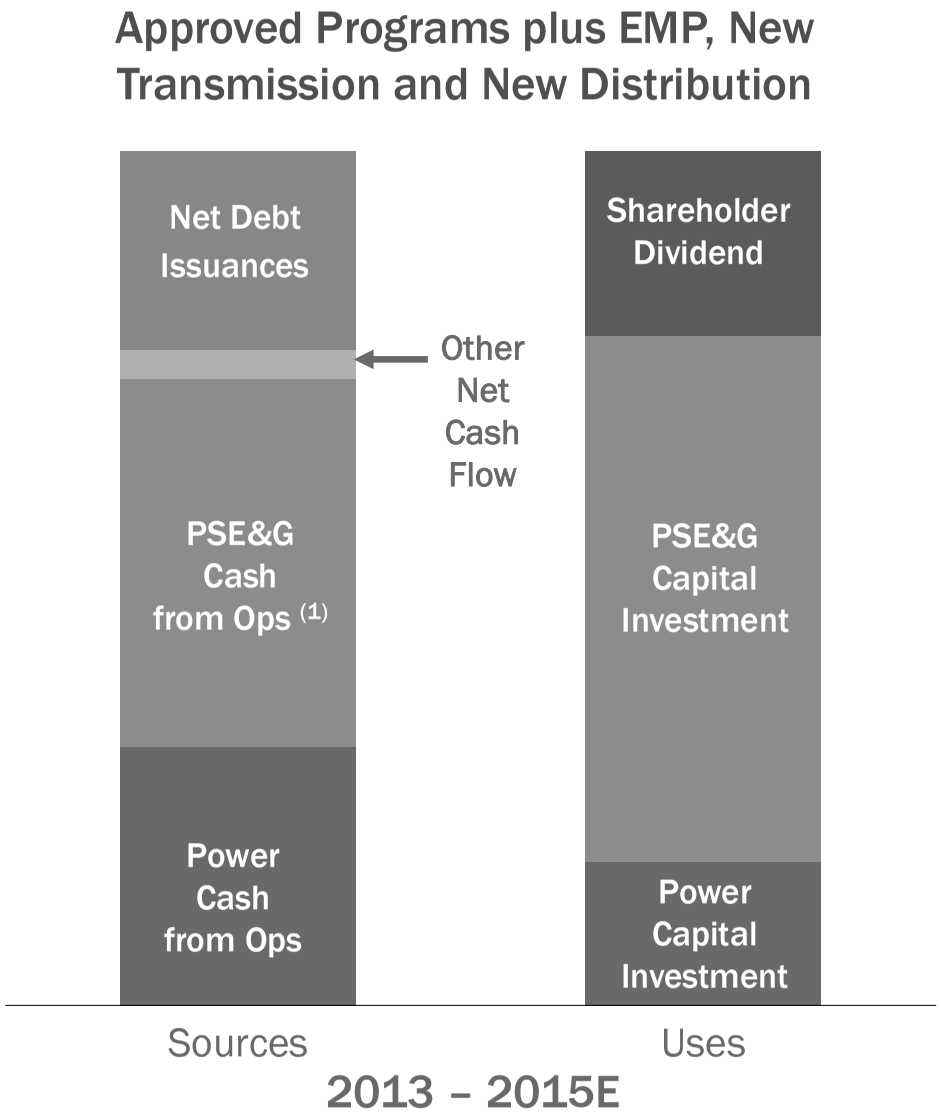
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-11116

All scenarios can be financed without new equity





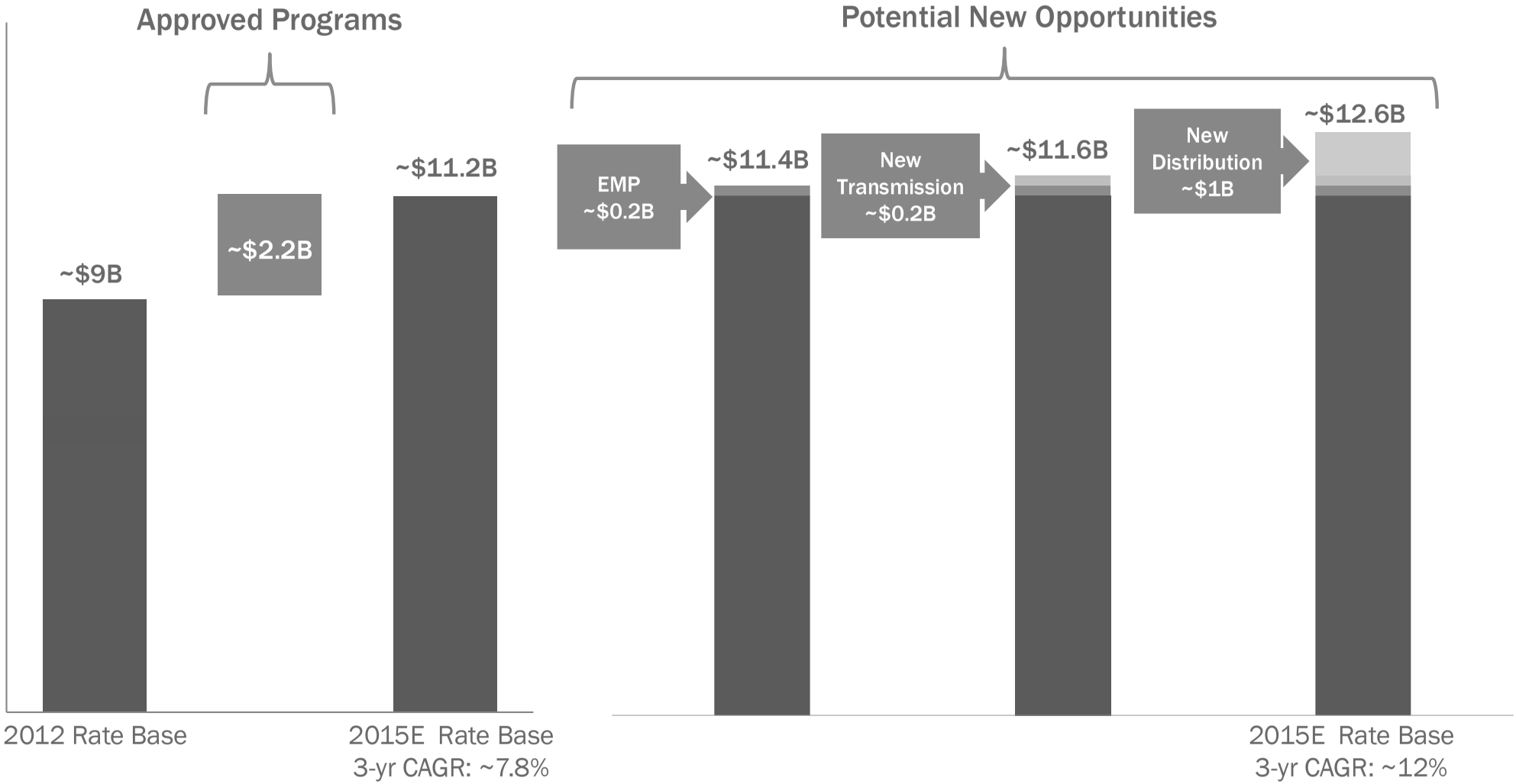
SI-SSA-0015-11117

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

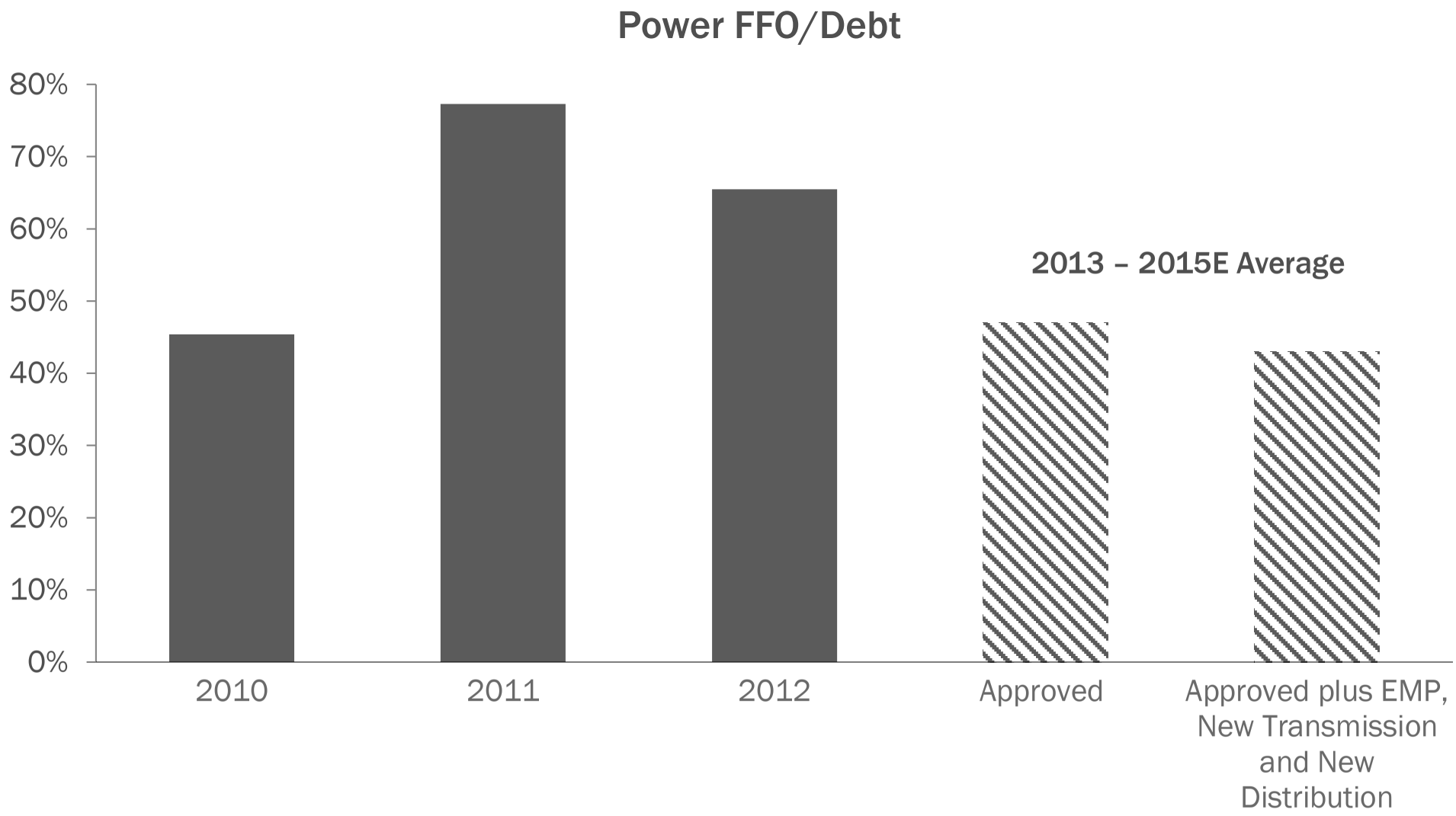
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-11118

Power's credit metrics are expected to remain strong



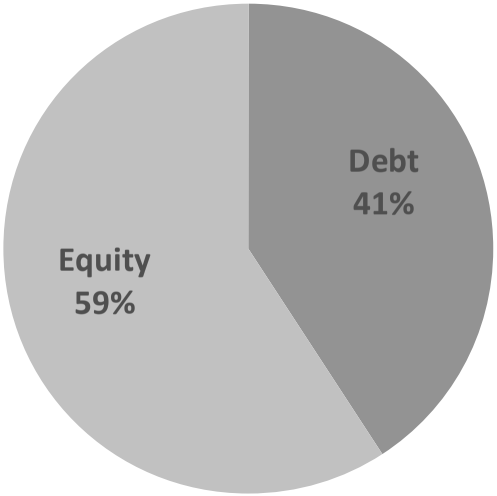
SI-SSA-0015-11119

Using PSEG's balance sheet strength

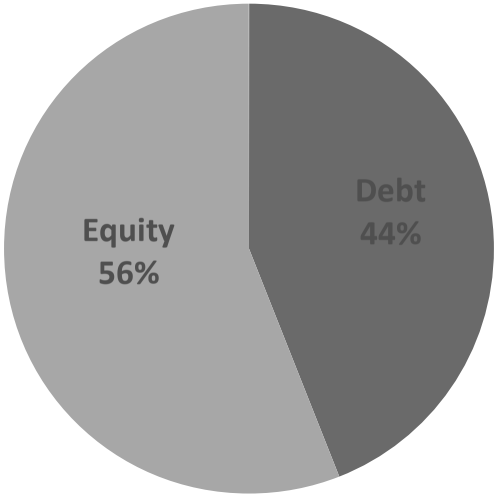
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



SI-SSA-0015-11120

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

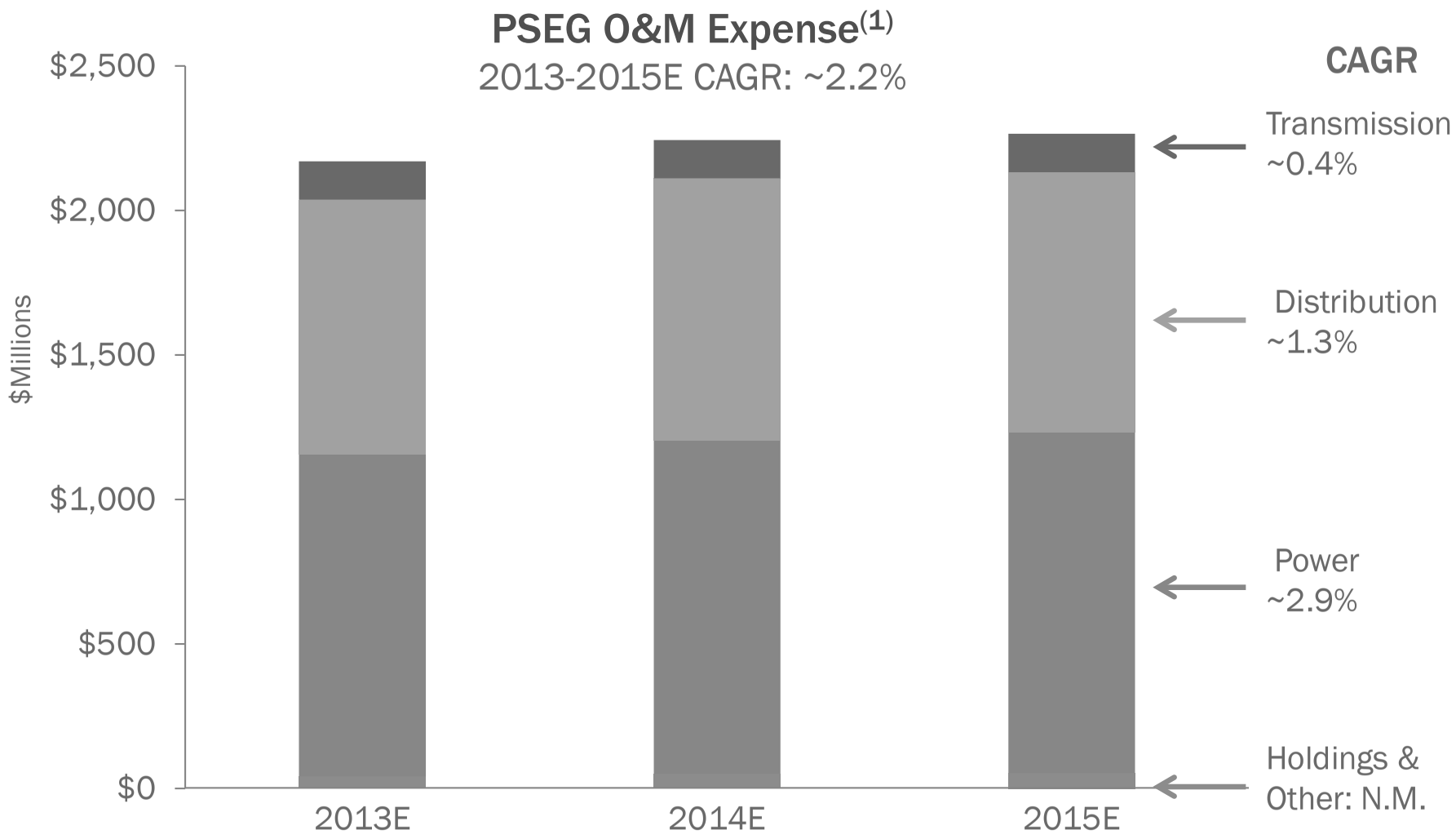
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-11121

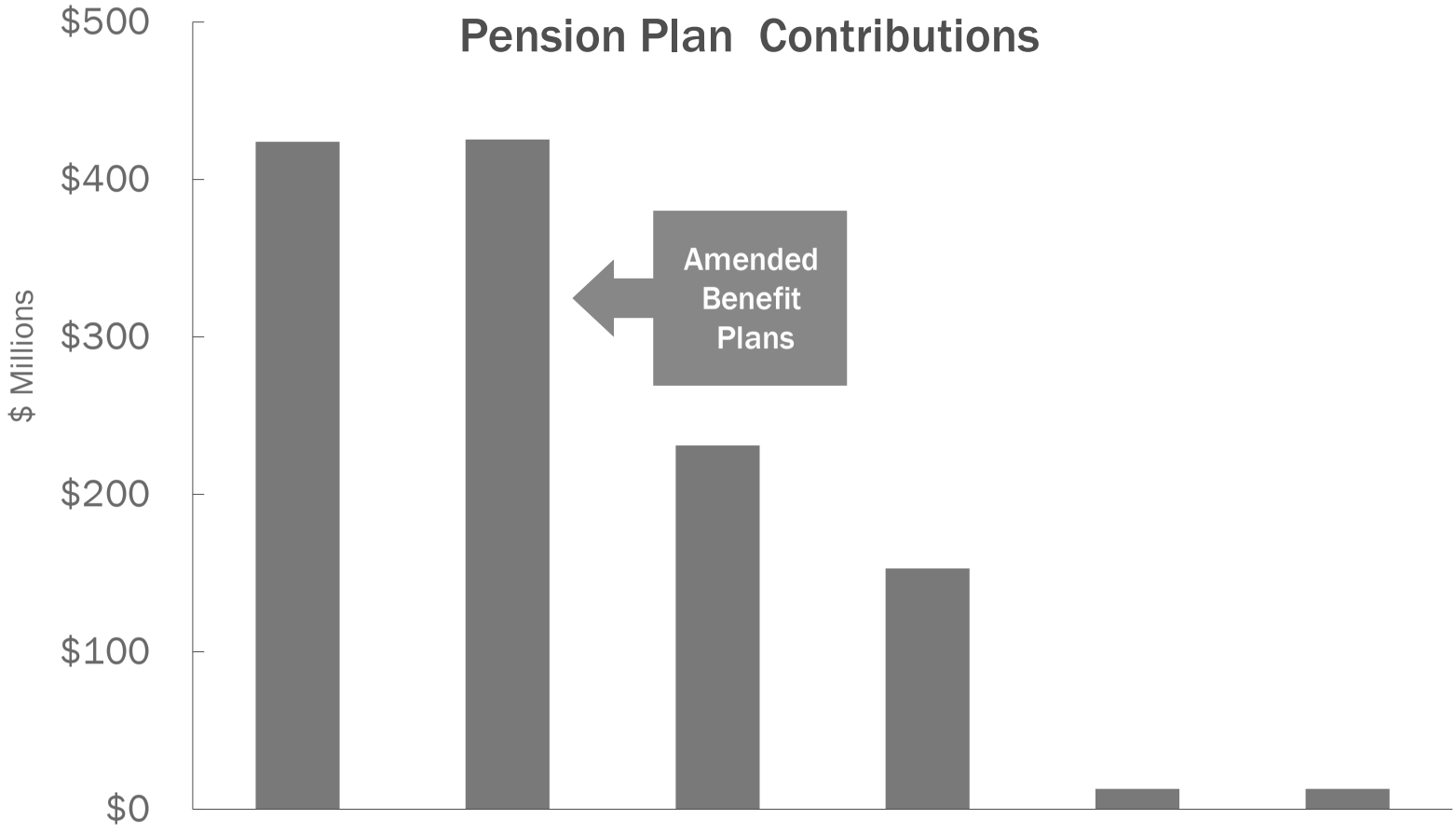
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-11122

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-11123

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

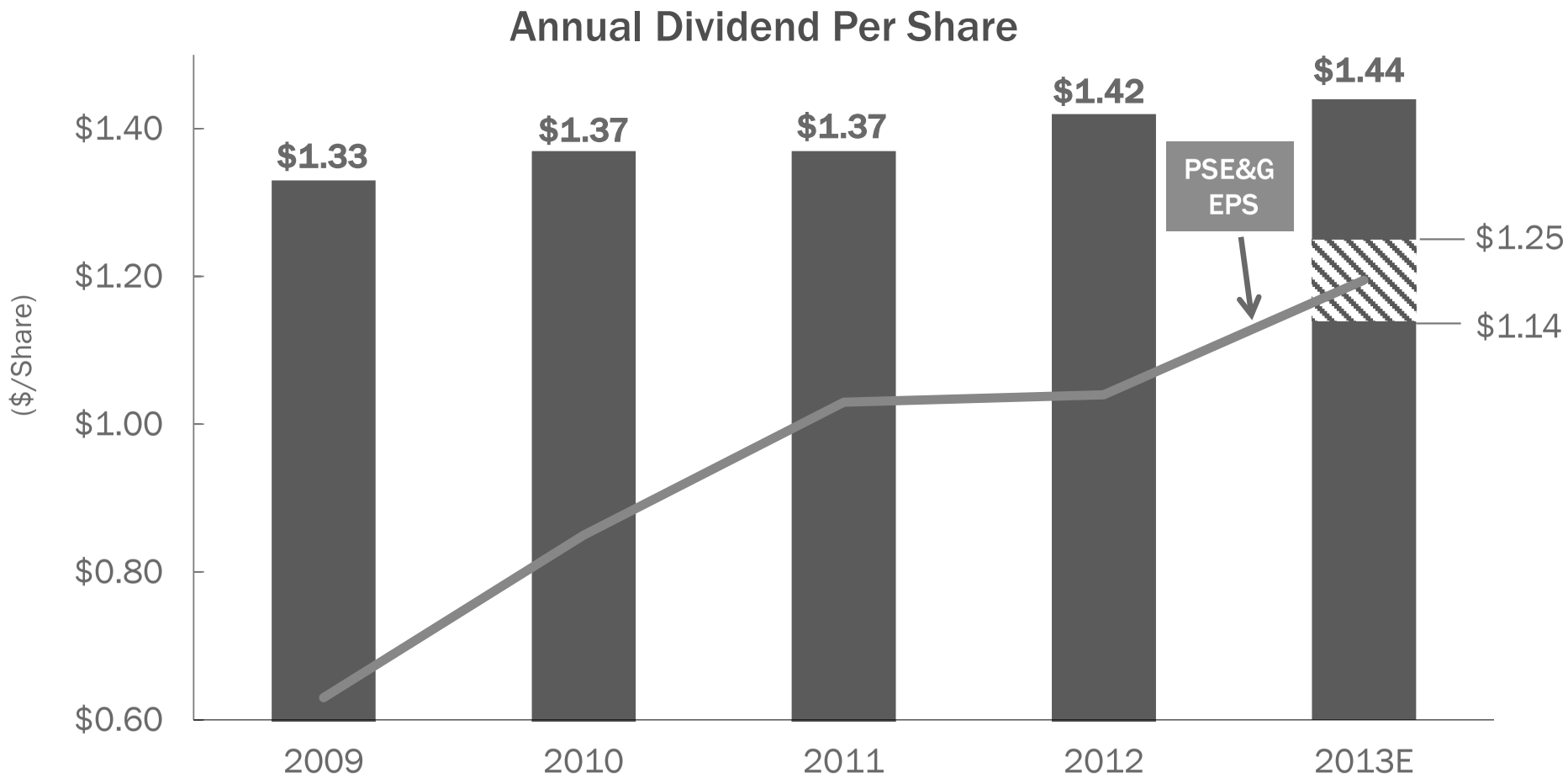
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-11124

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



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PSEG Summary

- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-11126

APPENDIX

SI-SSA-0015-11127

Full-year Operating Earnings by Subsidiary

Twelve Months ended December 31

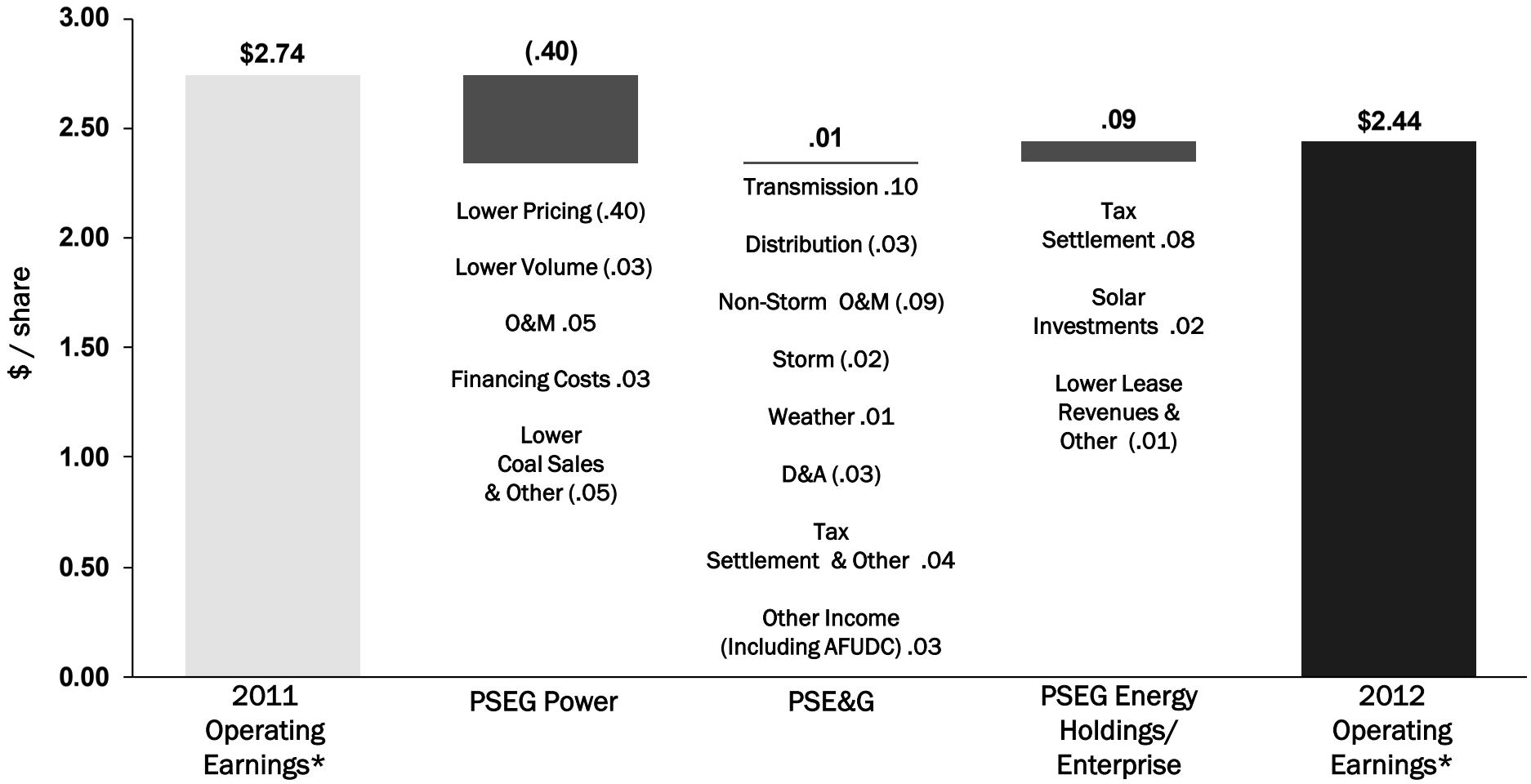
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2012	2011	2012	2011
PSEG Power	$ 644	$ 845	$ 1.27	$ 1.67
PSE&G	528	521	1.04	1.03
PSEG Energy Holdings/ Enterprise	64	23	0.13	0.04
*Operating Earnings**	$ 1,236	$ 1,389	$ 2.44	$ 2.74

SI-SSA-0015-11128

PSEG

• See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2012 versus Full-year 2011



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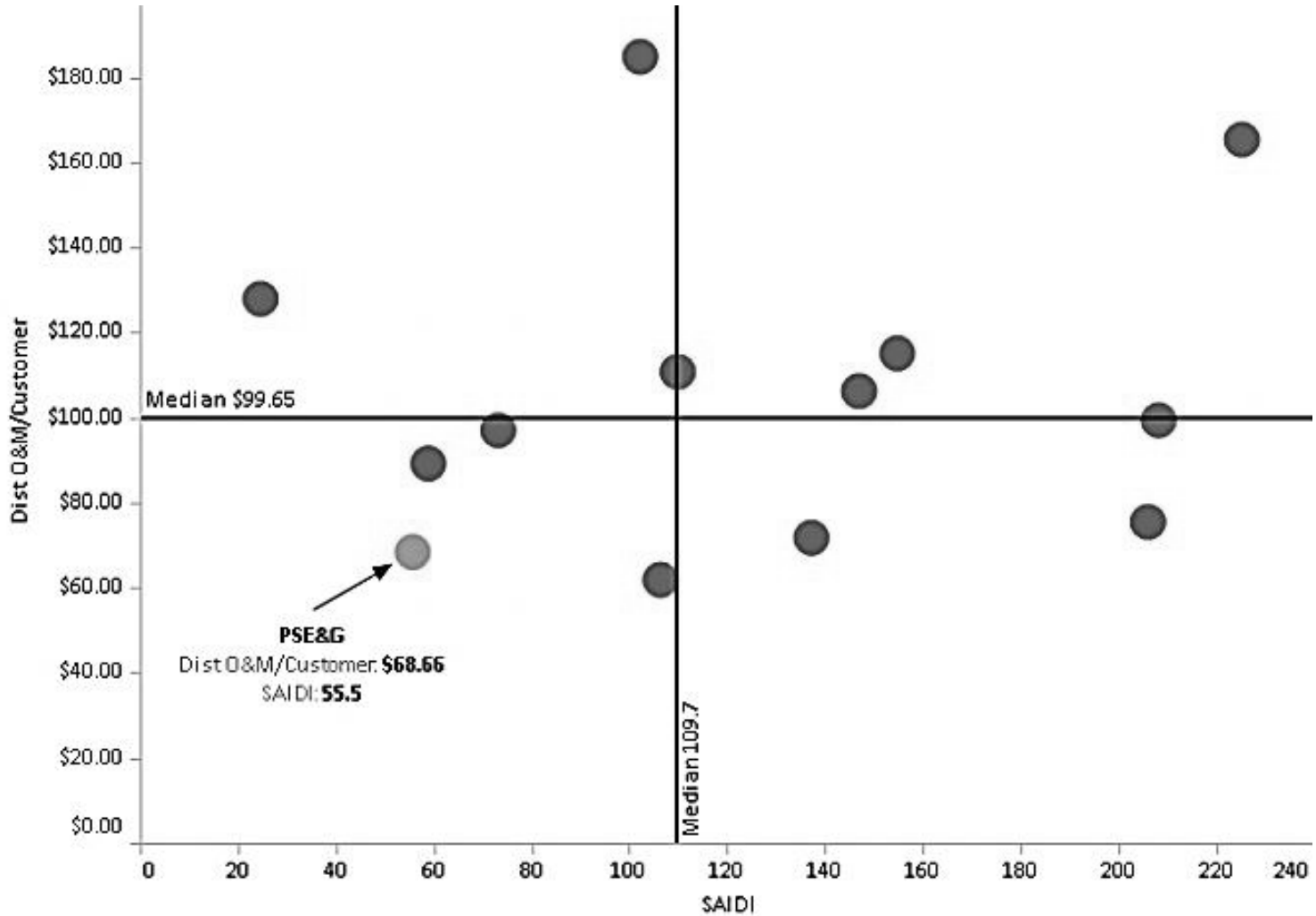
PSEG

* See Page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSE&G provides high reliability at below average cost which creates superior value to customers



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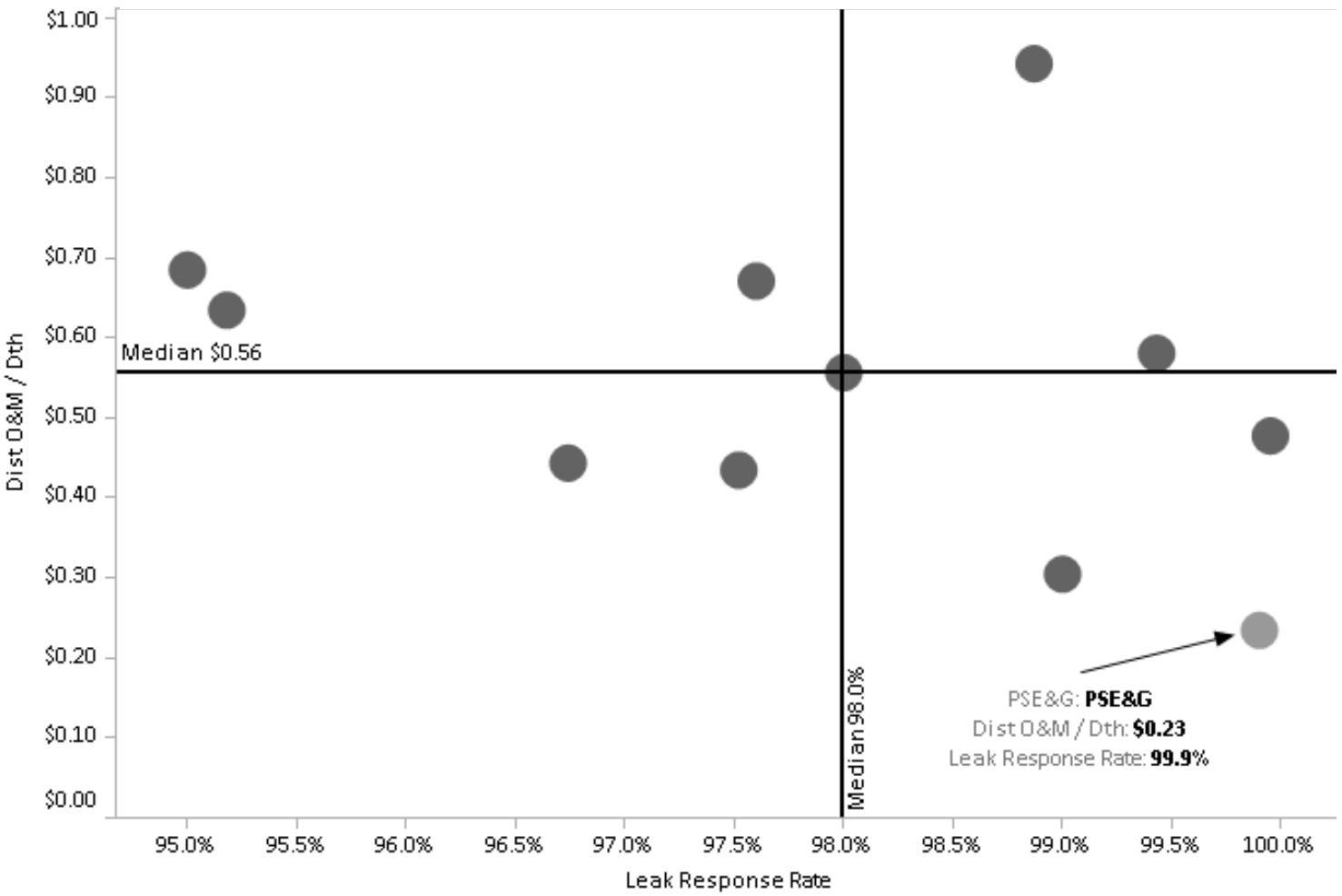
SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-11132

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-11133

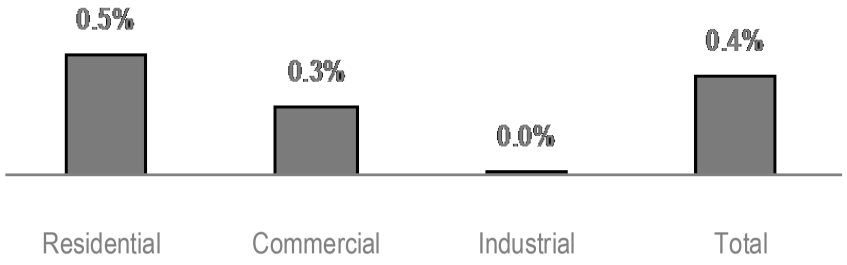
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

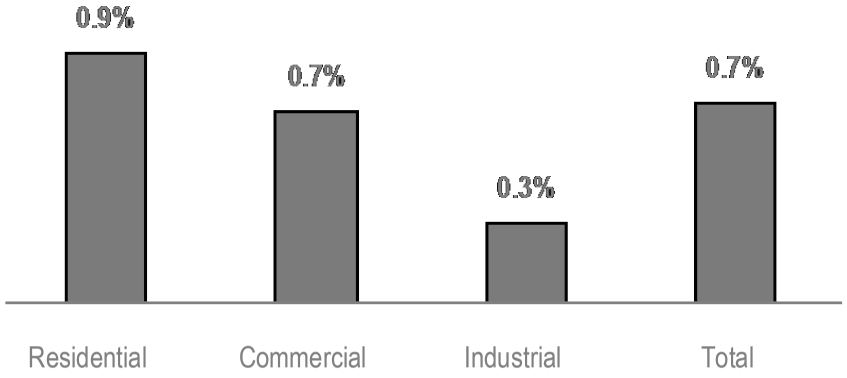
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



SI-SSA-0015-11134

* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

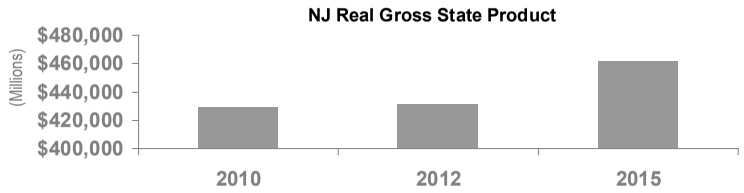
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

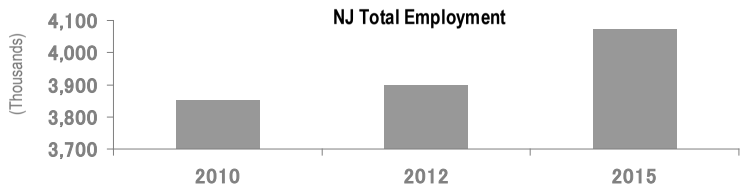
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

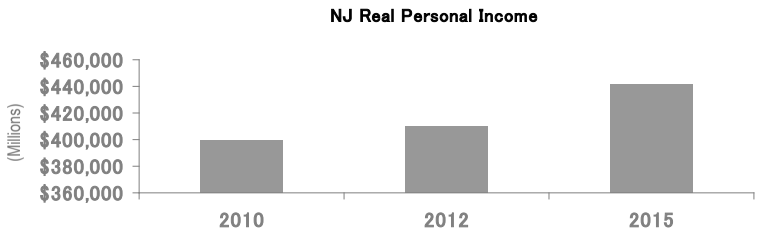
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

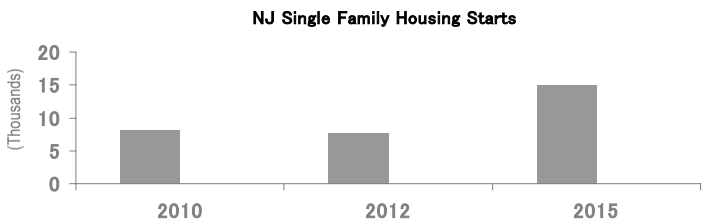
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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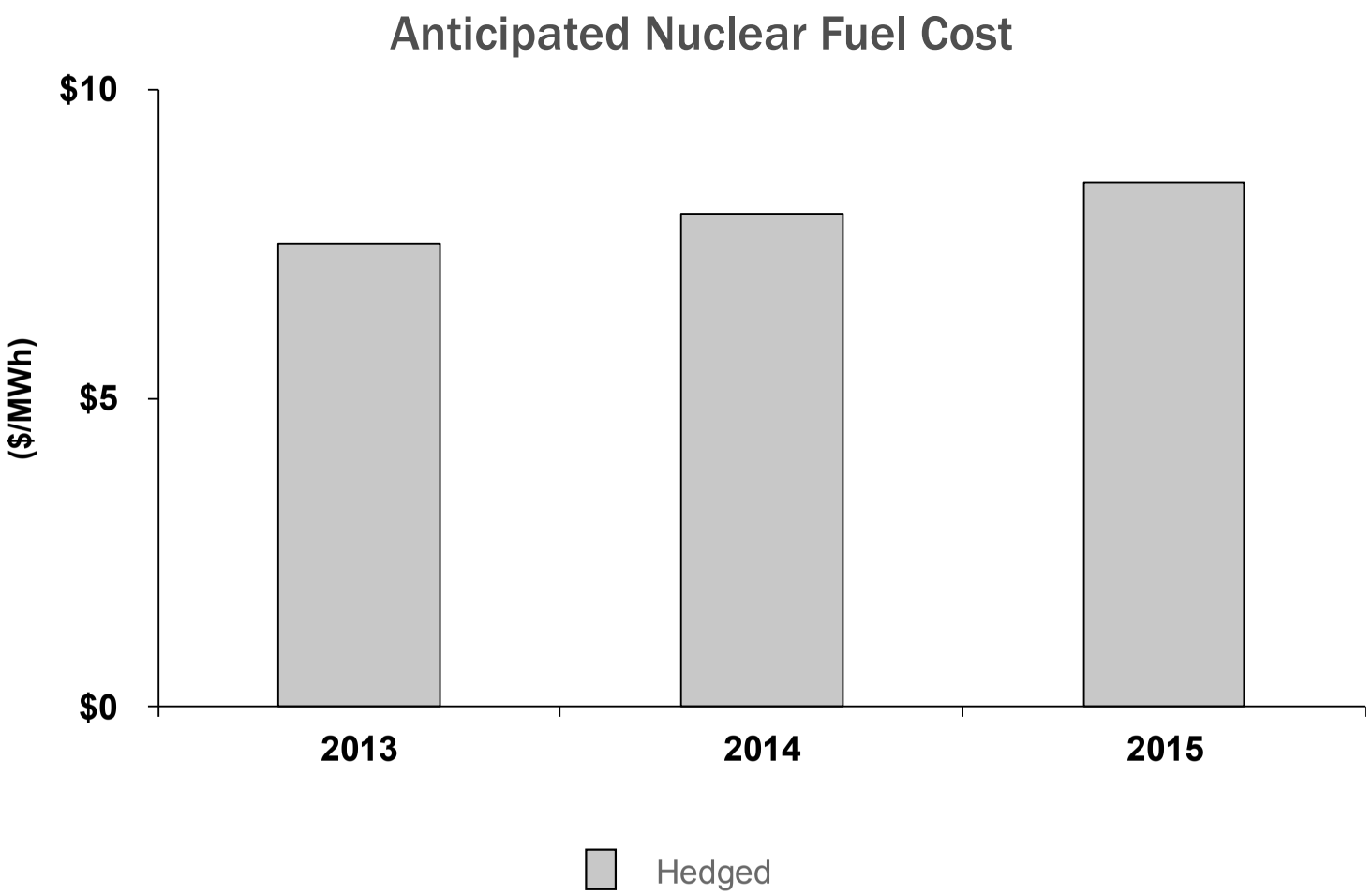
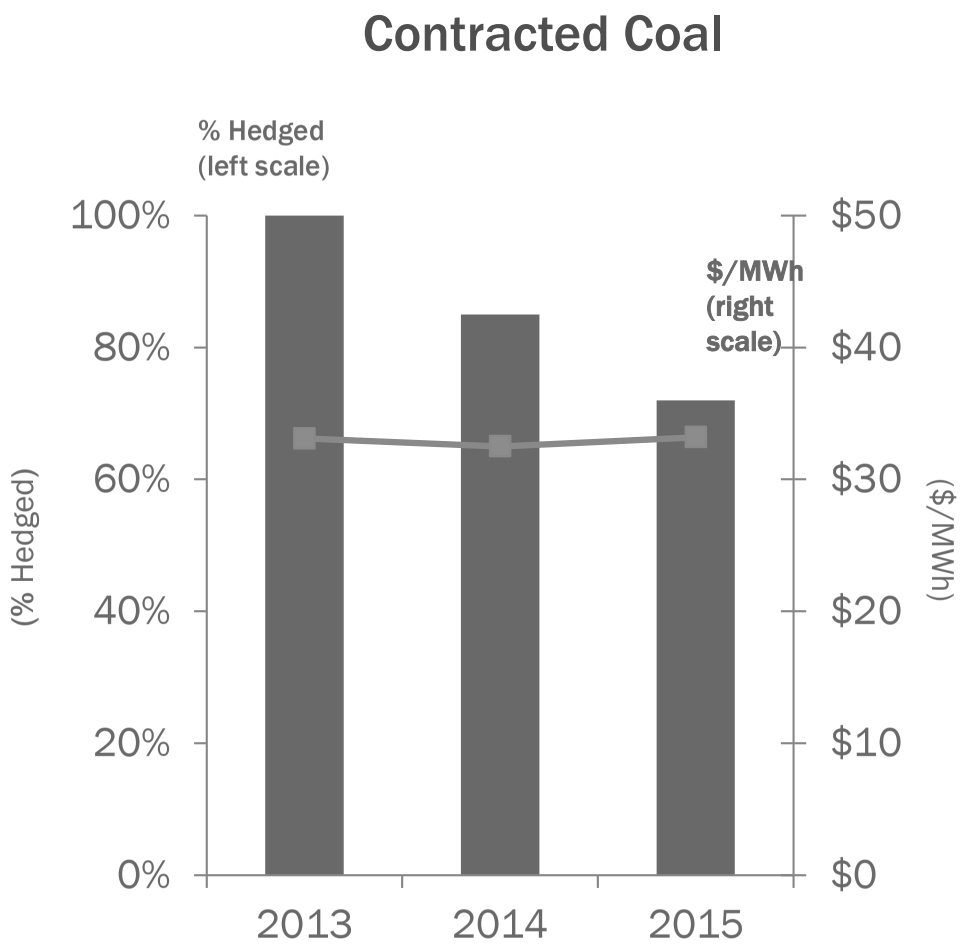
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-11136

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

SI-SSA-0015-11137

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

SI-SSA-0015-11138

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

SI-SSA-0015-11139

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

SI-SSA-0015-11140

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

SI-SSA-0015-11141

PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

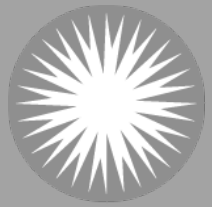
Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

UBS – Investor Meetings

SEPTEMBER 26-30, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11143

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-11144

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-11145

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

PSEG

We make things work for you.

SI-SSA-0015-11146

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

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ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

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* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

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SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

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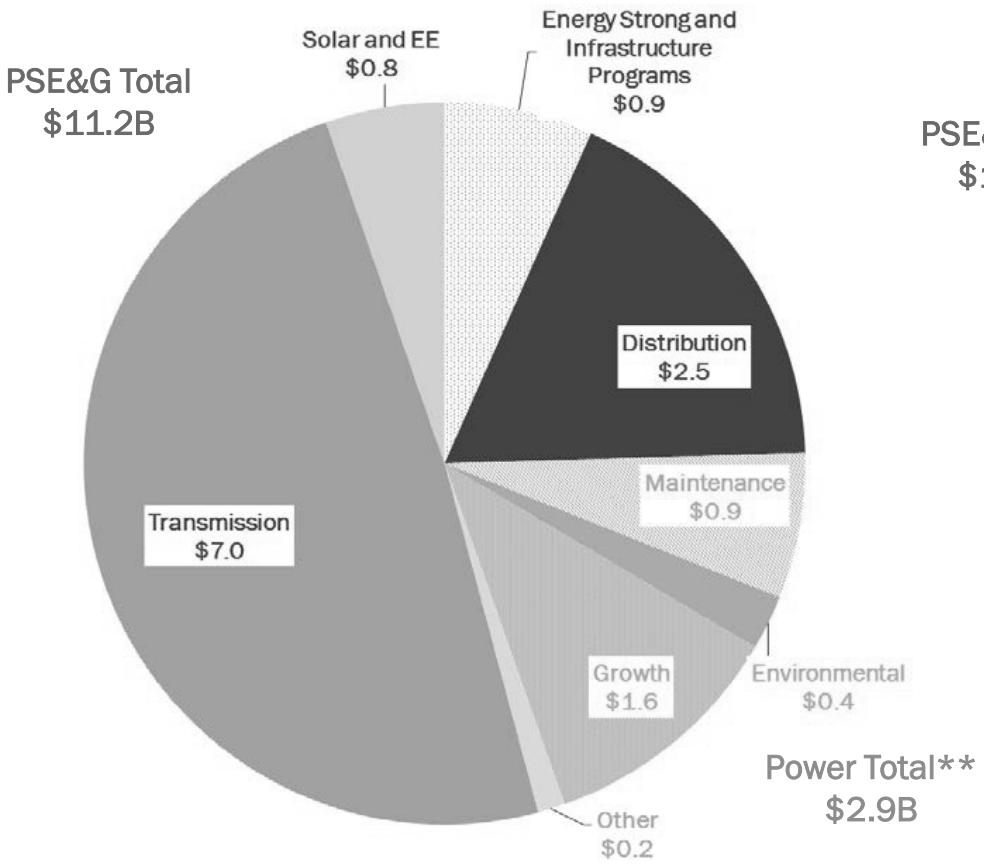
PSEG

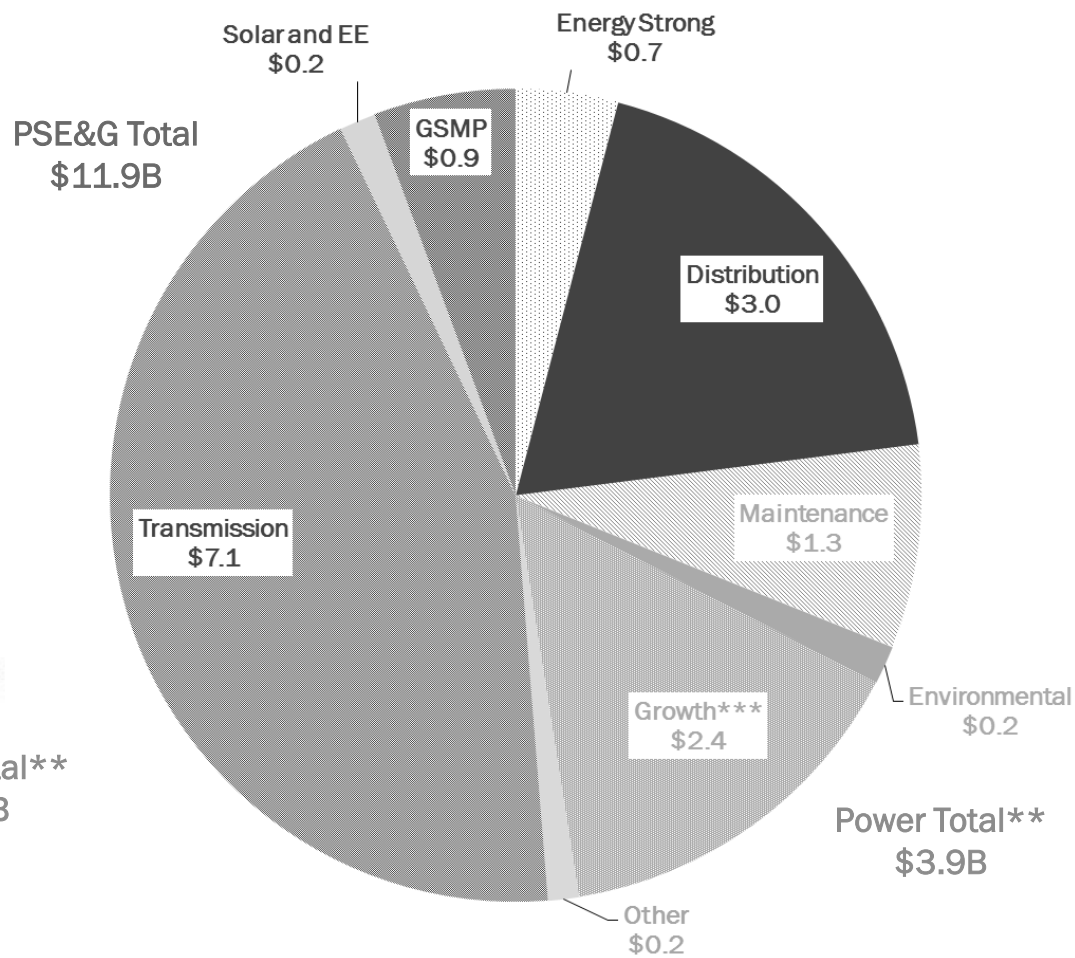
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

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Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

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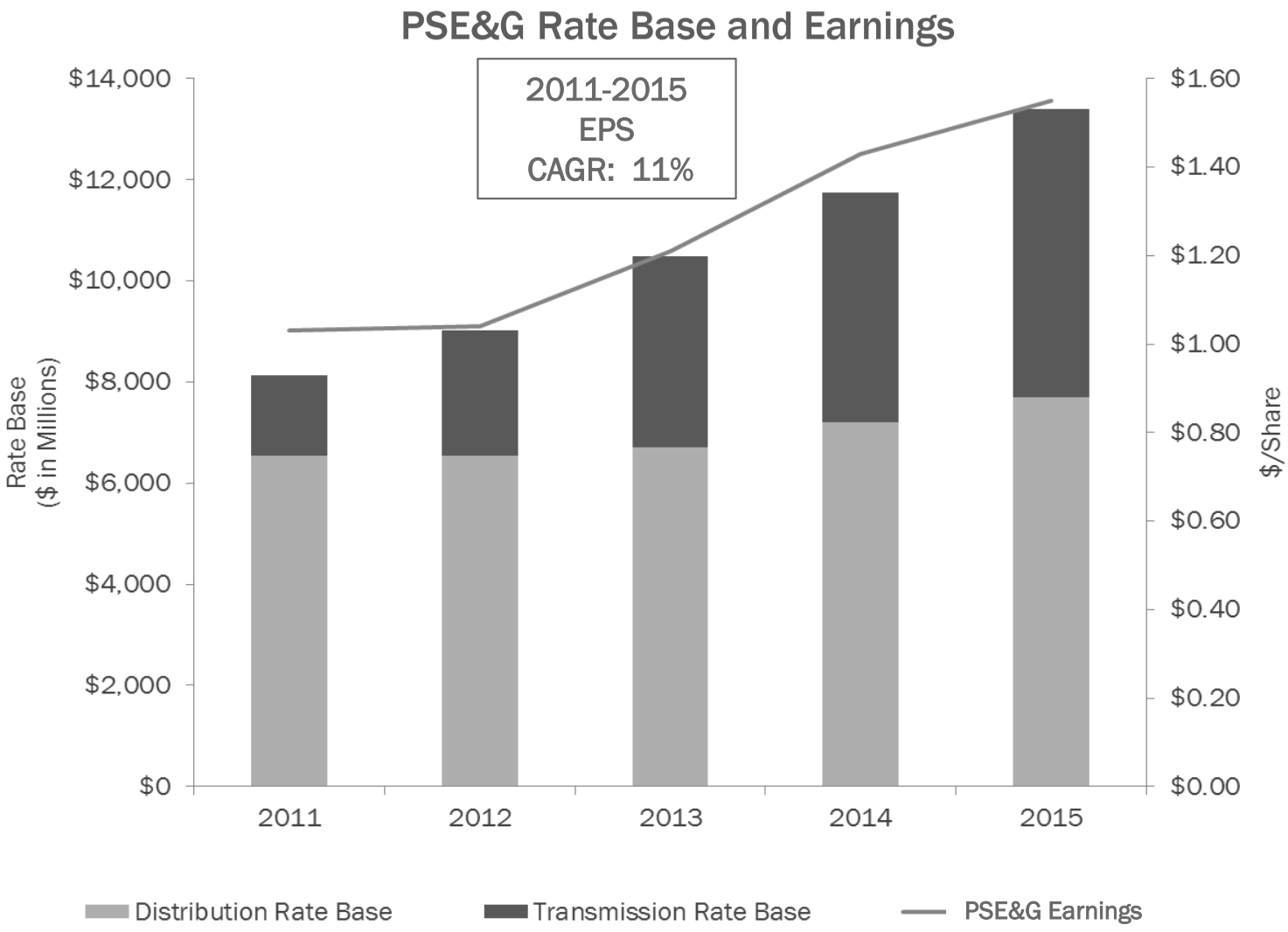
PSE&G's investment program

Meeting public policy goals and customer needs



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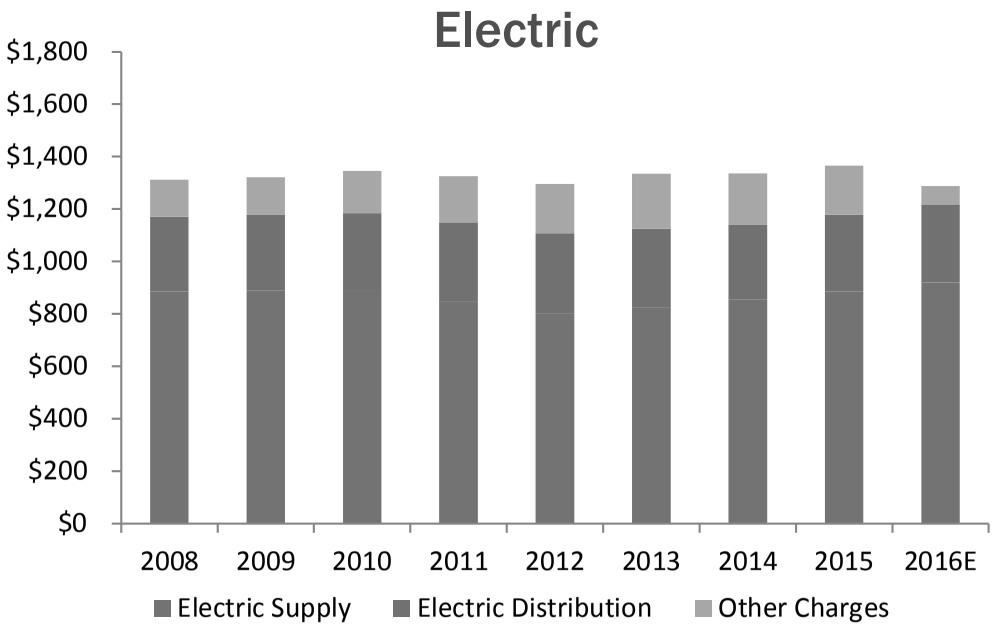
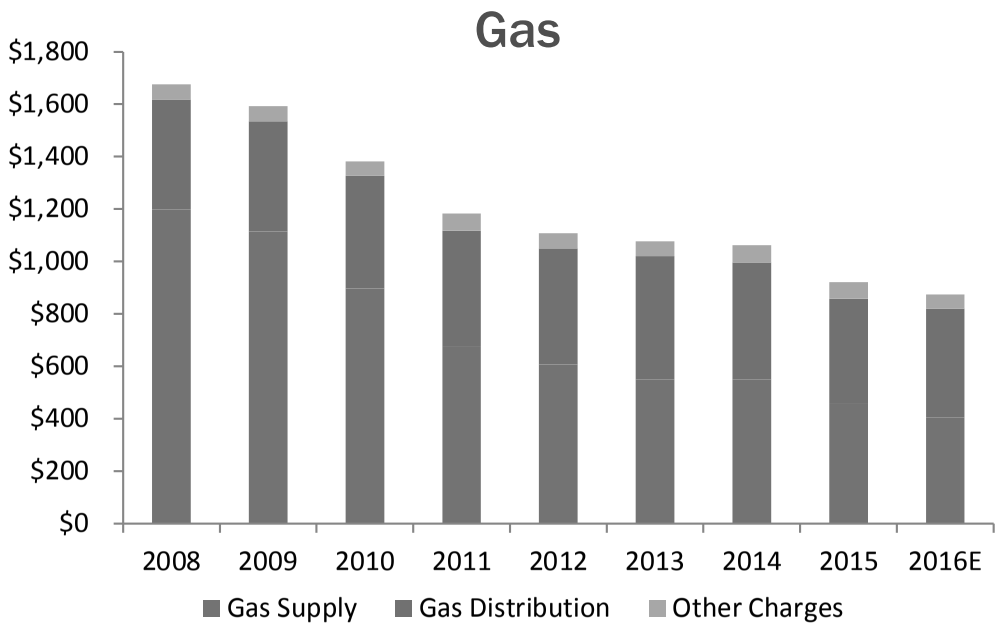
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

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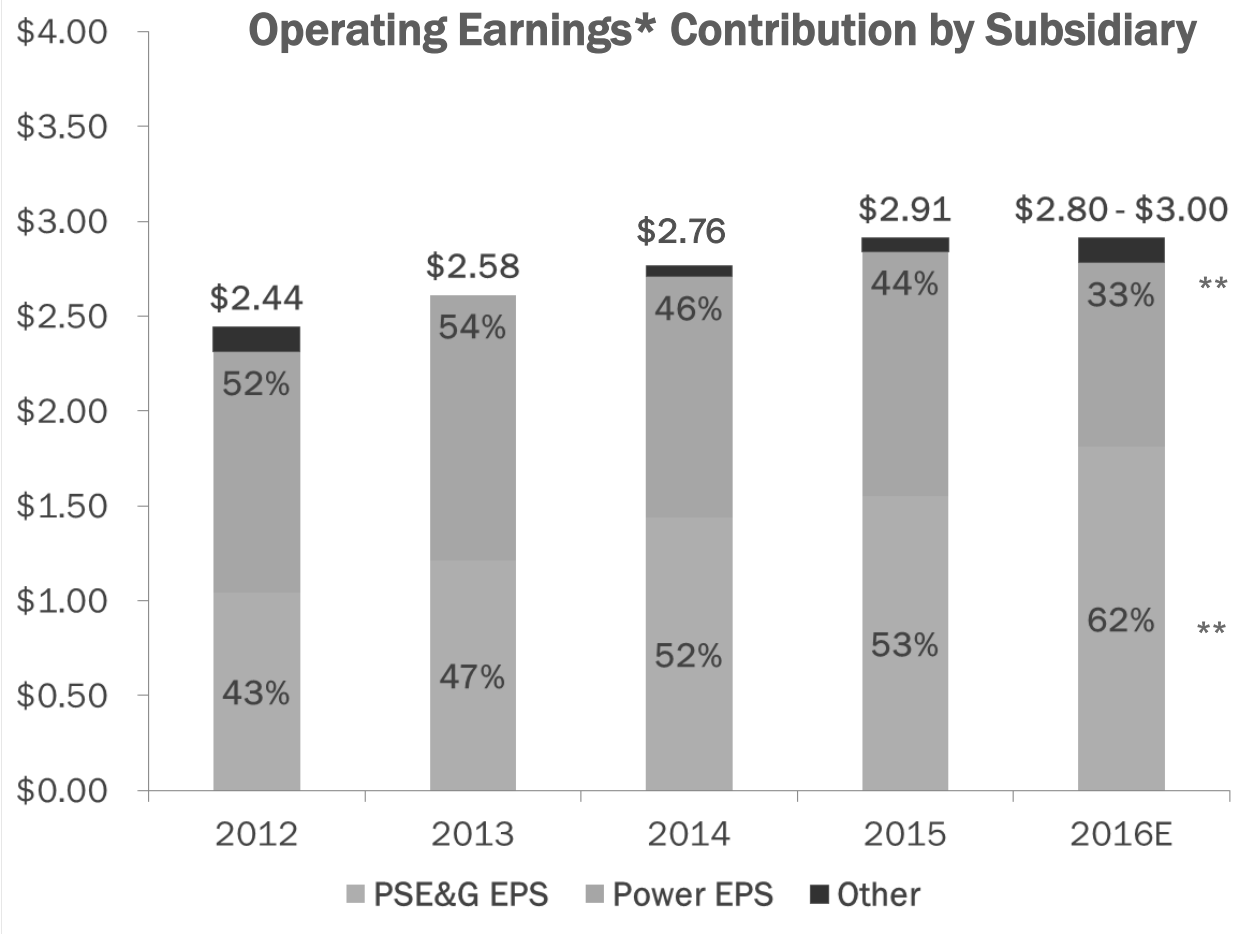
*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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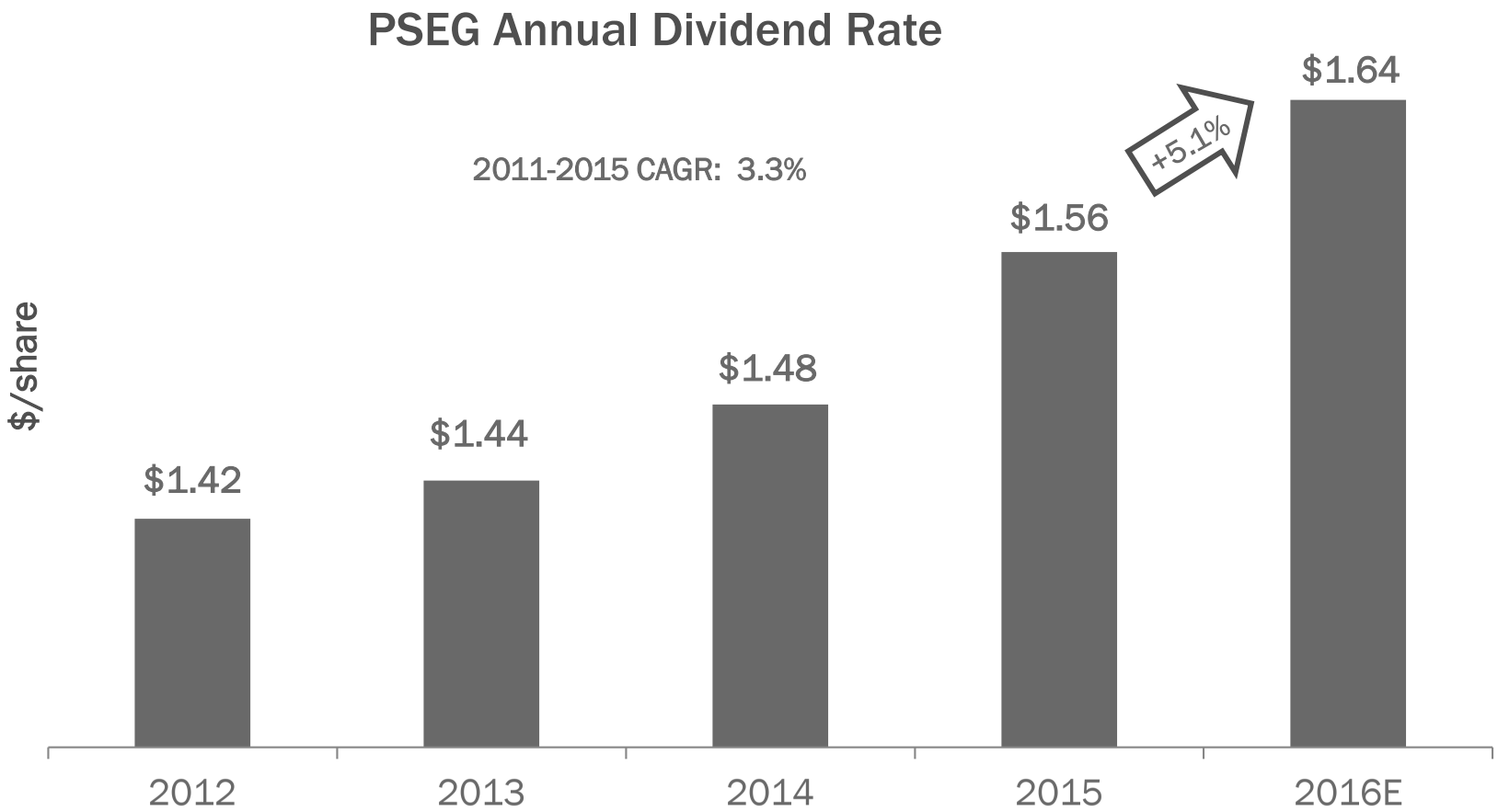
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

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PSEG

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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PSE&G

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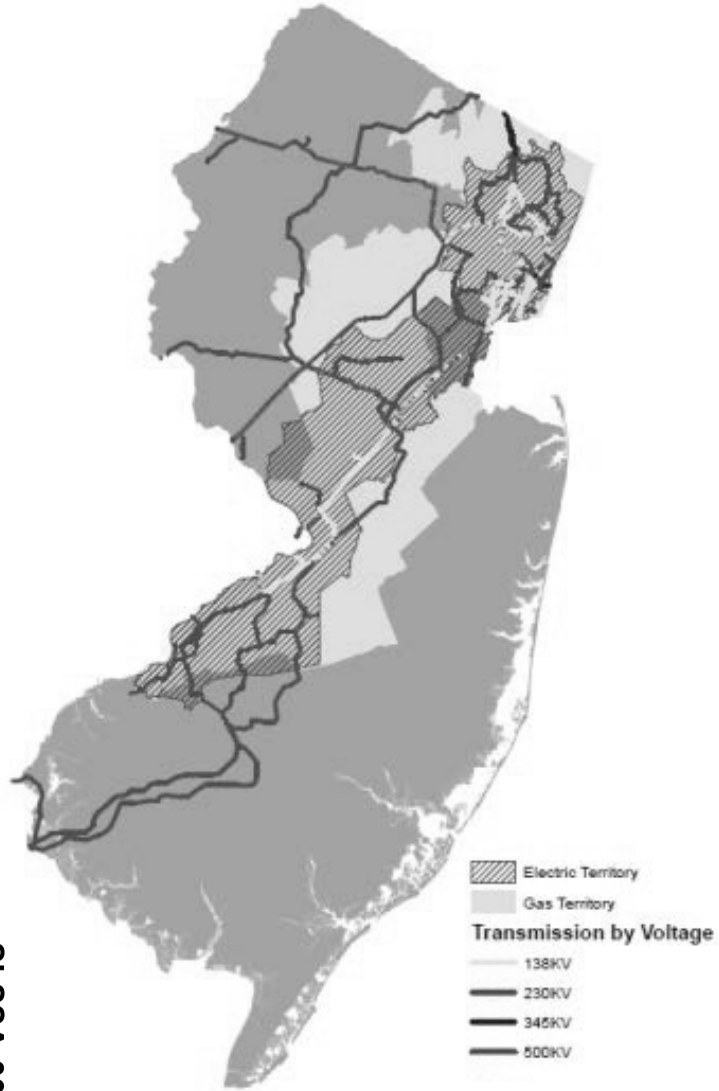
PSEG

We make things work for you.

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

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PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

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PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

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PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

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Operational Excellence

Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

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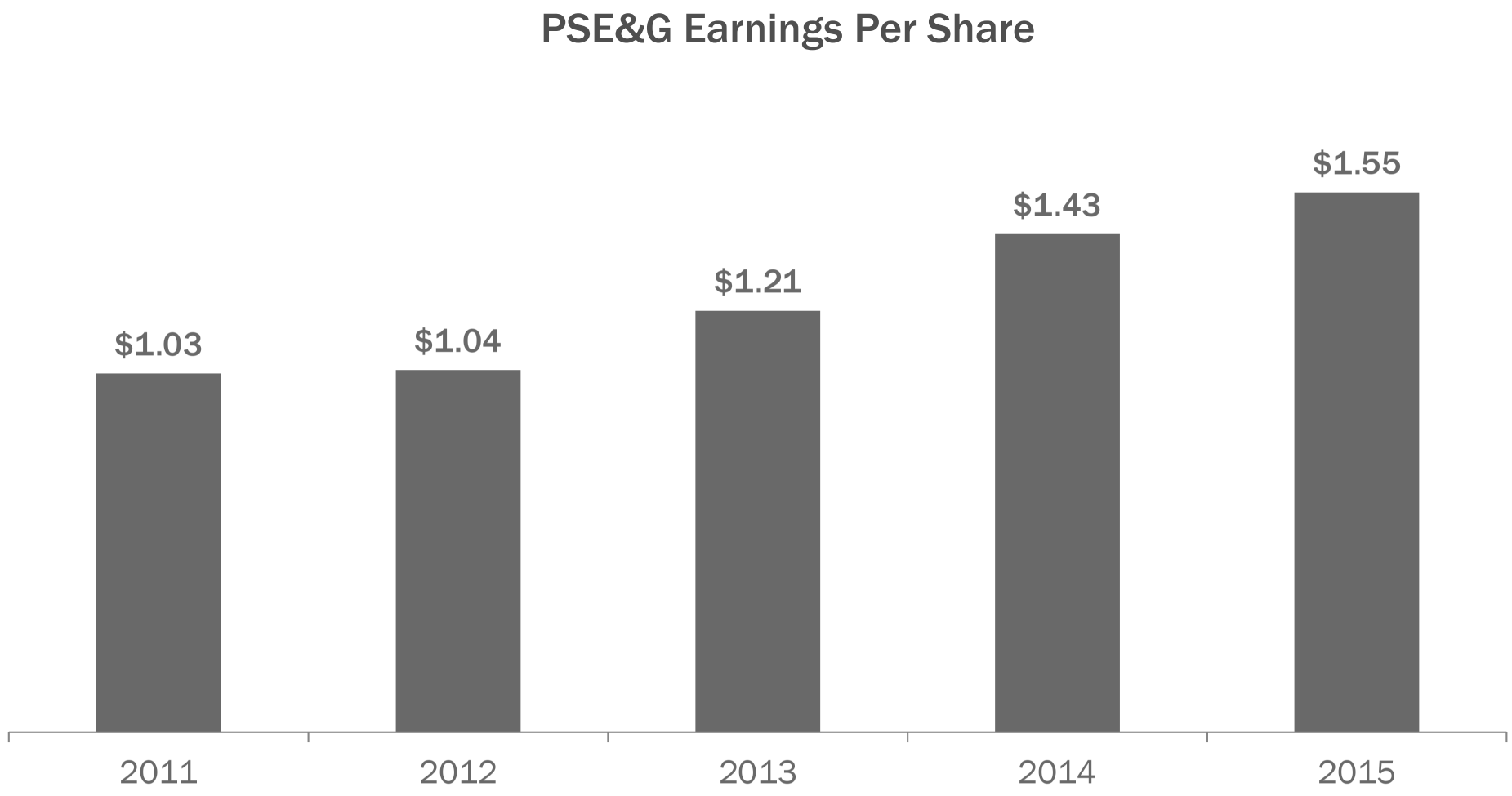
Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



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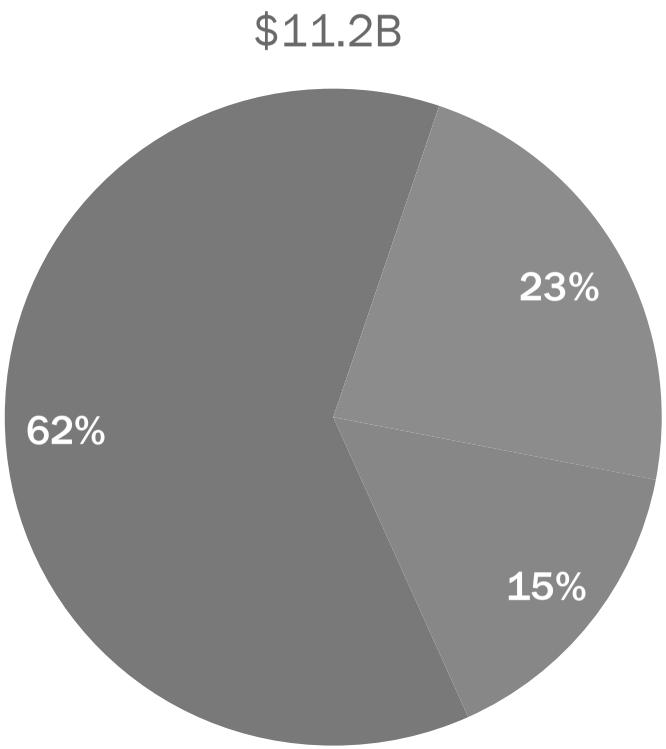
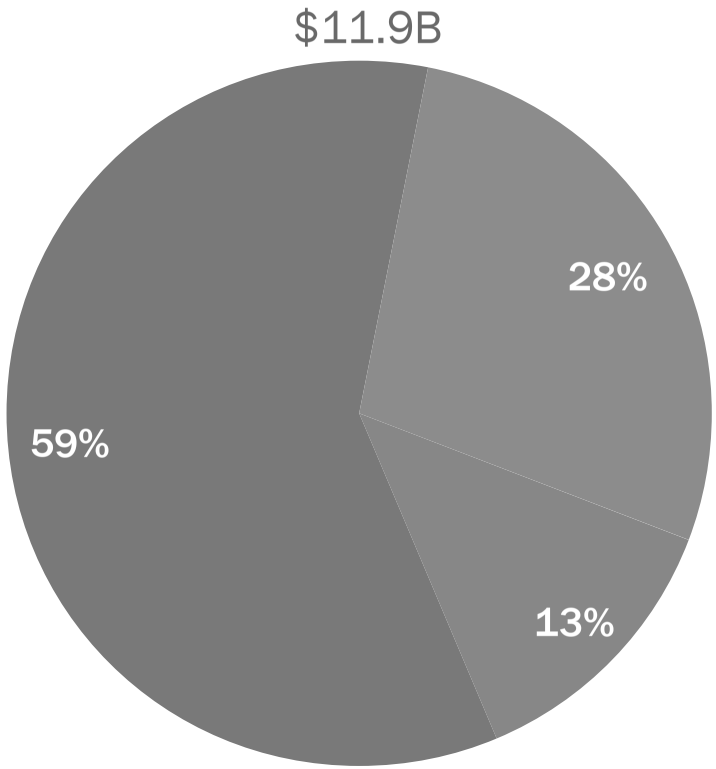
Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

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Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

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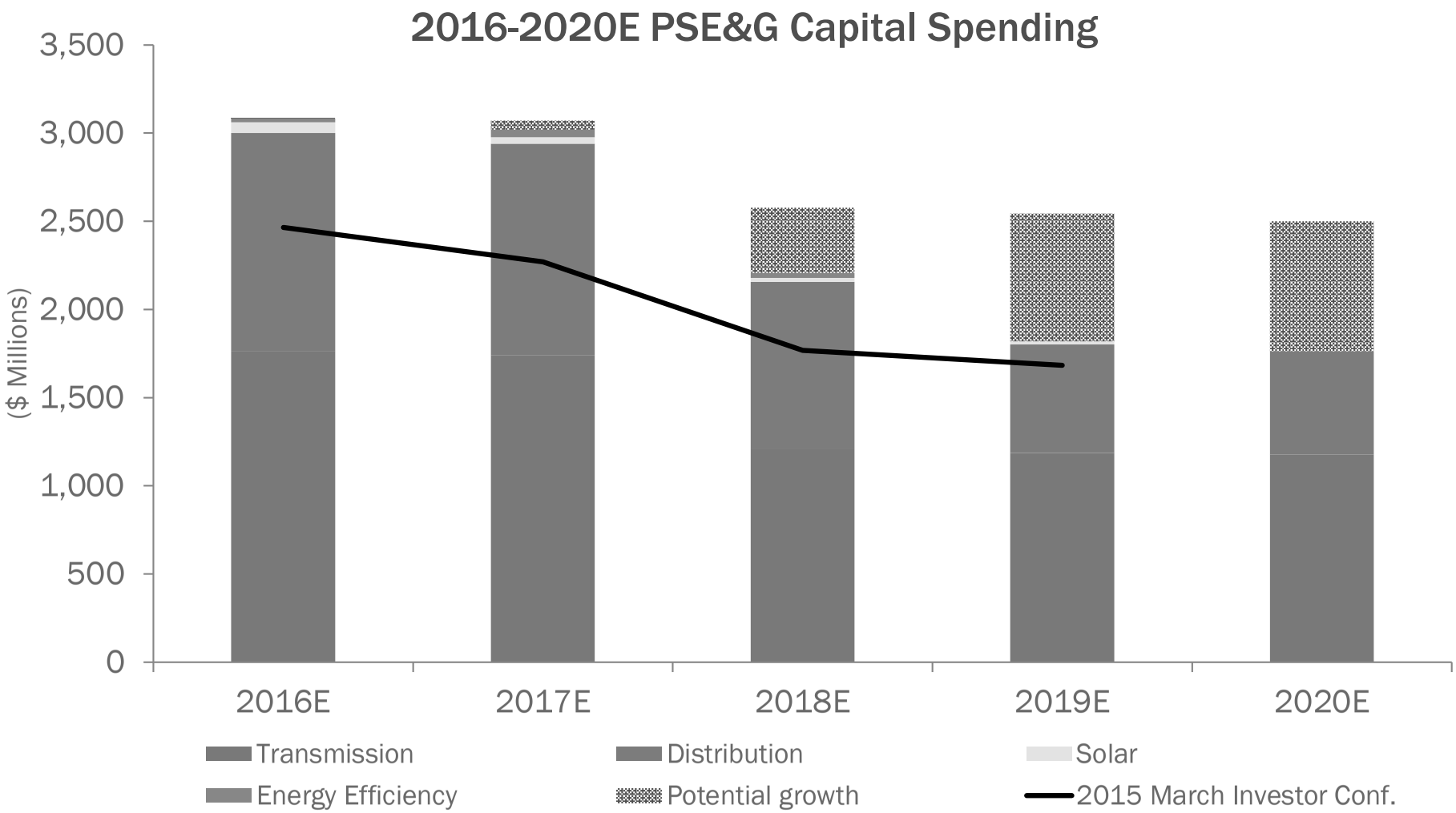
Continued identification of investment opportunities focused on improving reliability for our customers



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Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

*CURRENTLY APPROVED ROE.

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Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

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PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

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PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

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Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

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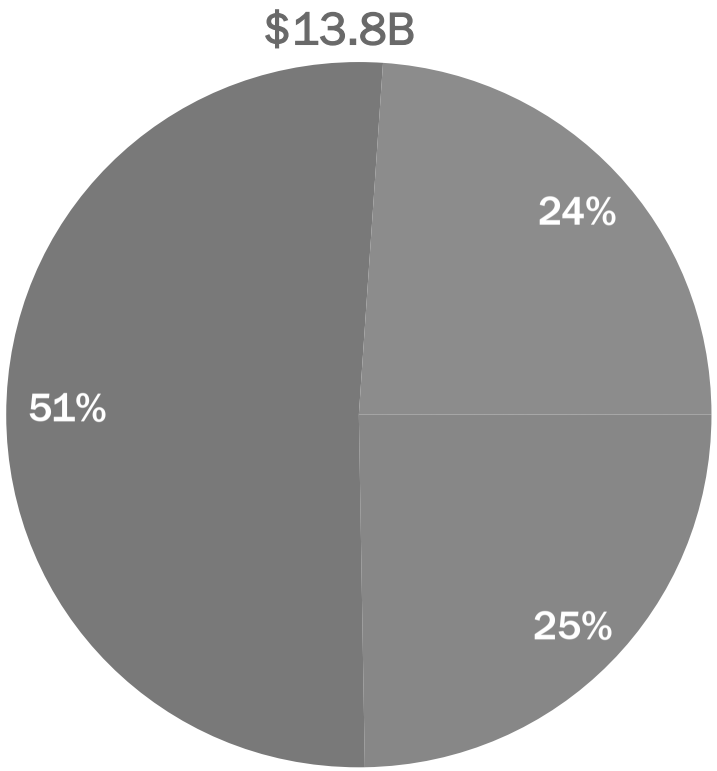
Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

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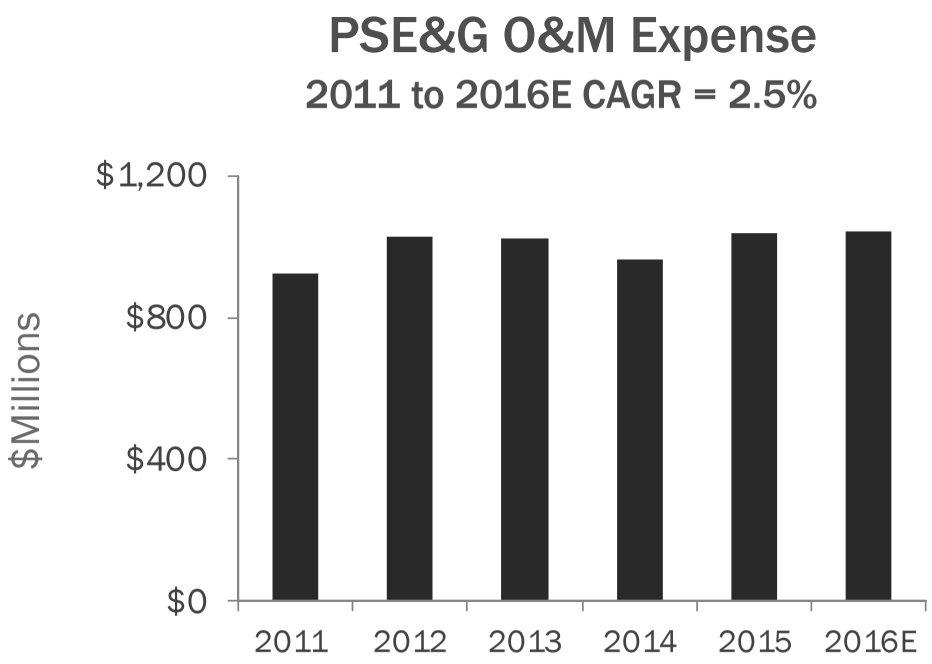
Demonstrated ability to control O&M and plan to drive future efficiencies



Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

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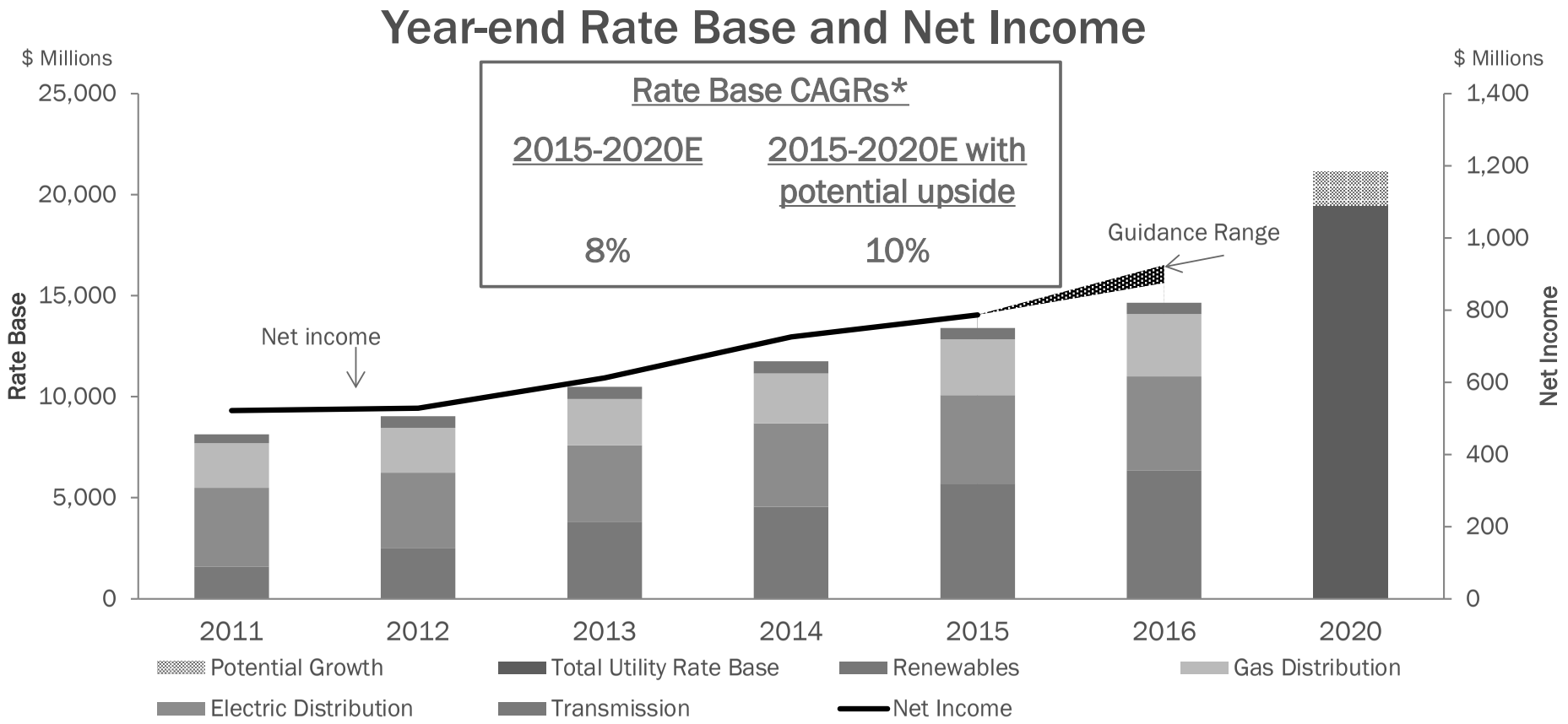
Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

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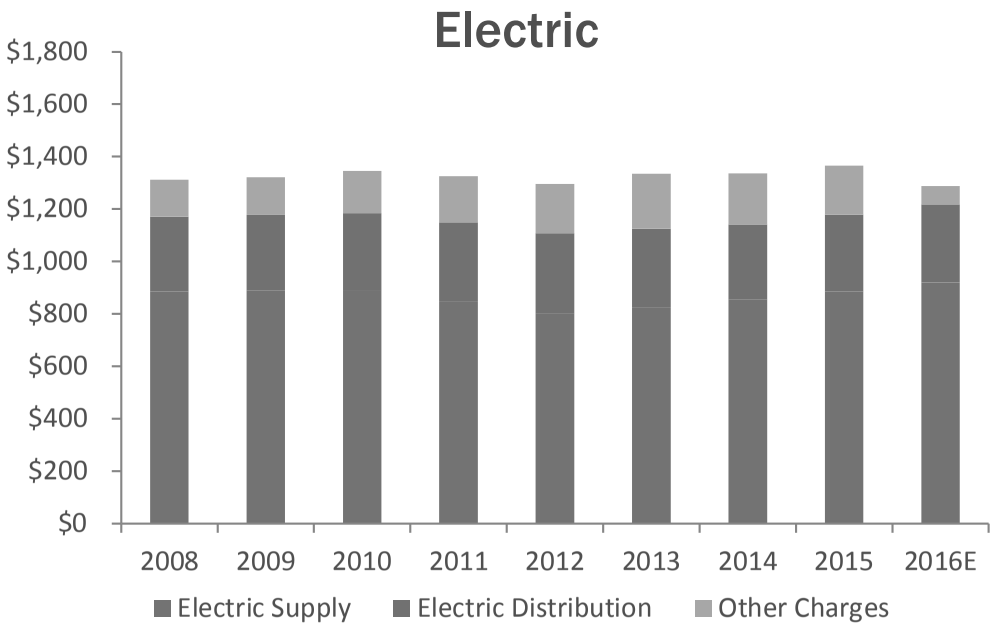
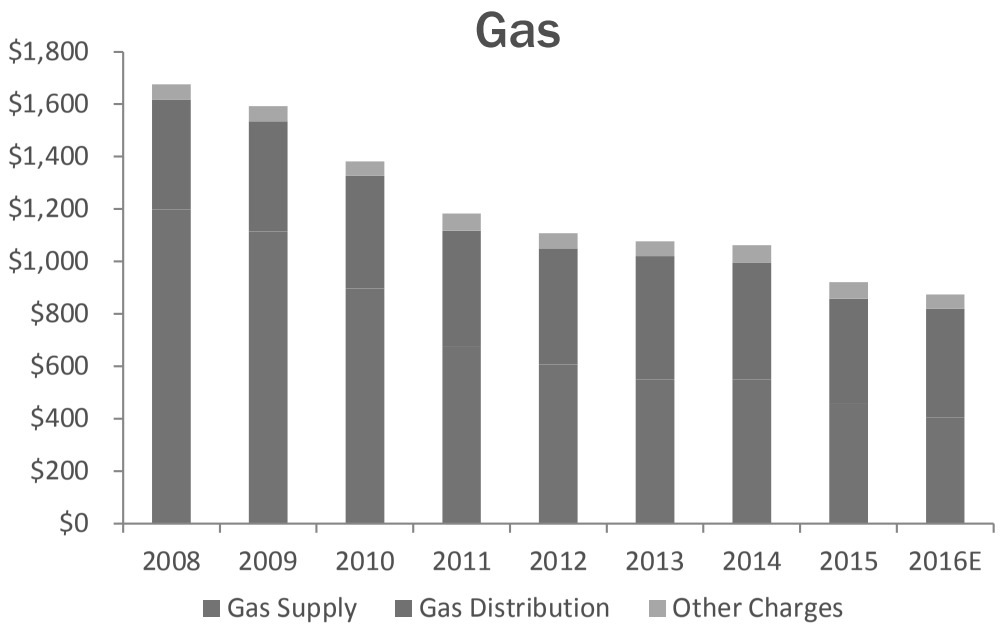
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





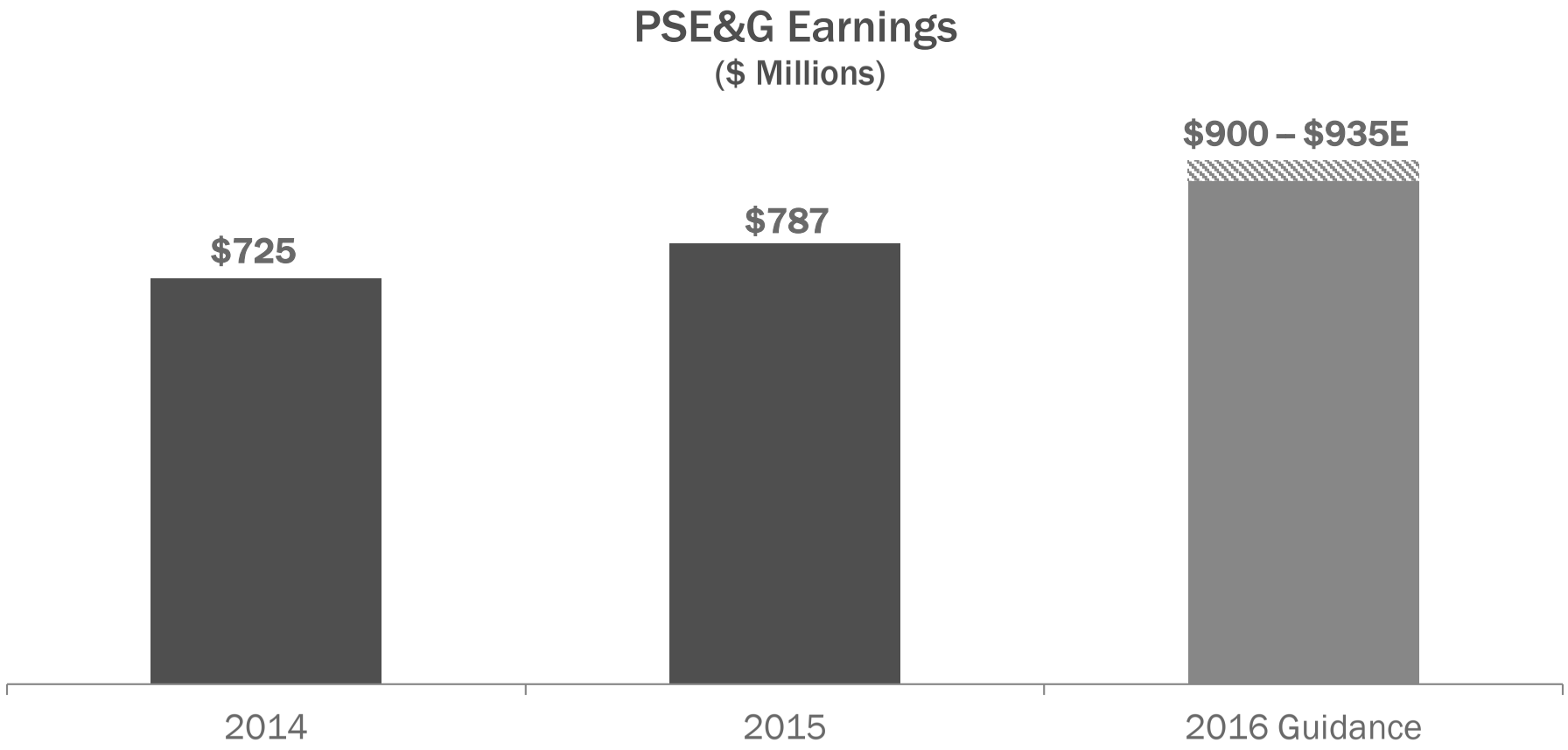
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-11178

PSEG

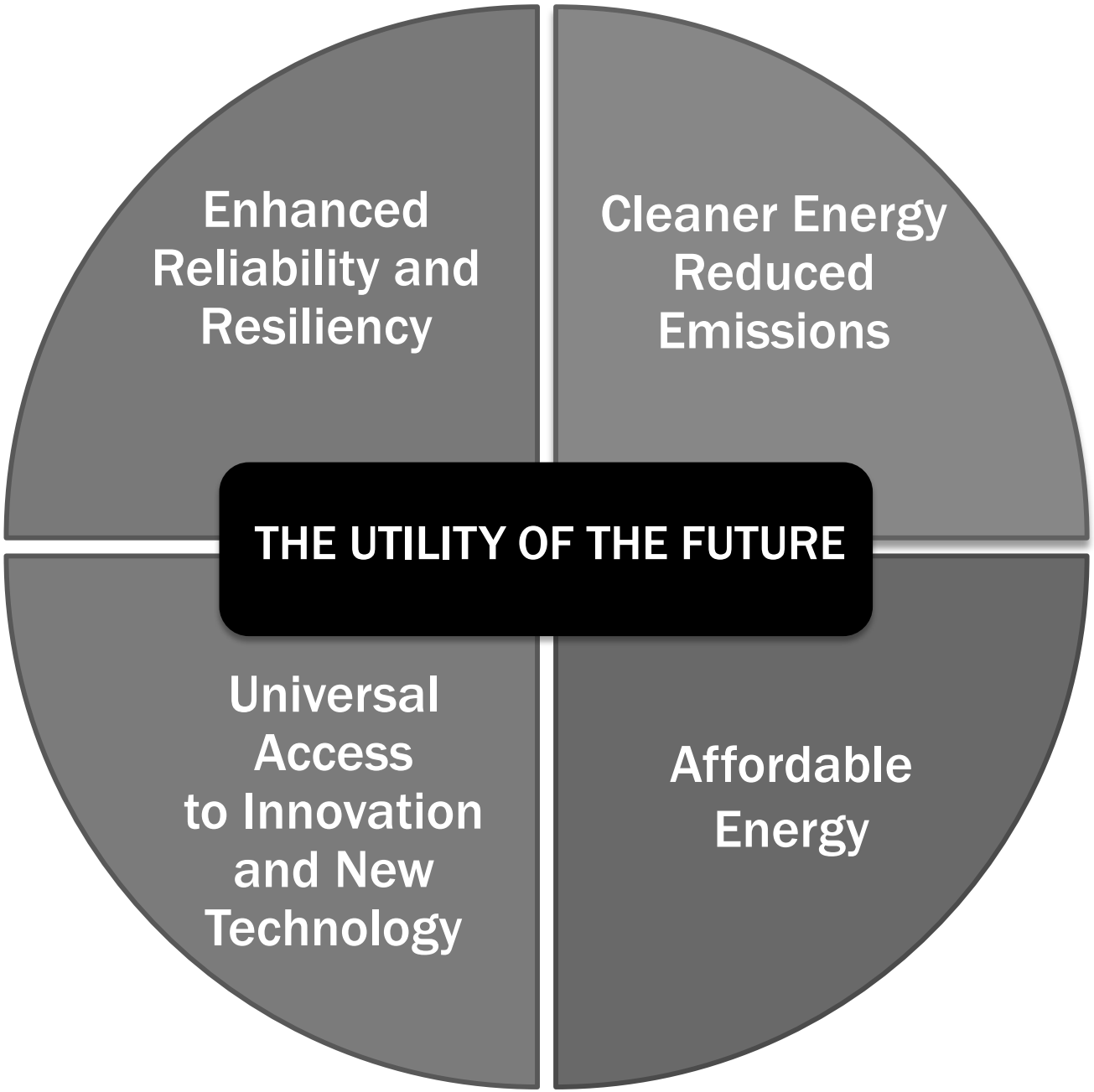
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



SI-SSA-0015-11179

E =ESTIMATE. UPDATED AS OF JULY 29, 2016,



SI-SSA-0015-11180

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-11181

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-11182

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

PSEG

We make things work for you.

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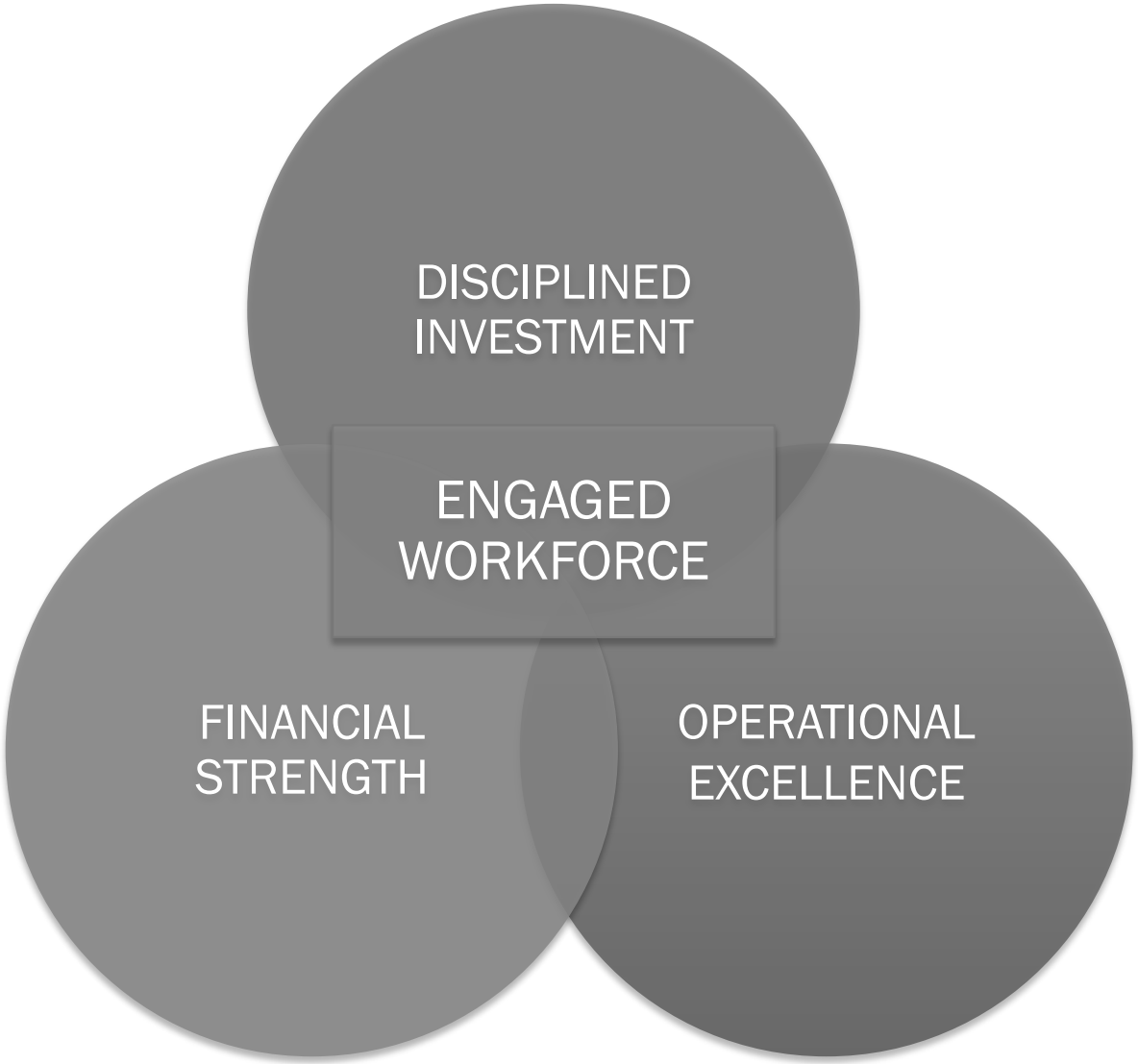
PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-11184

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

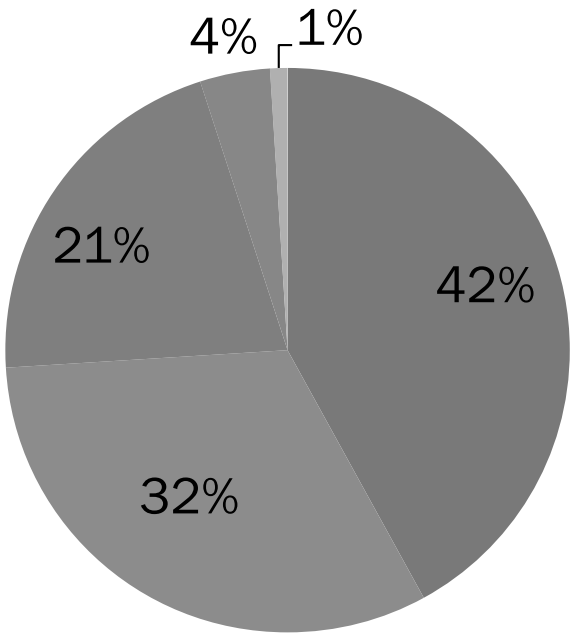
SI-SSA-0015-11185

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

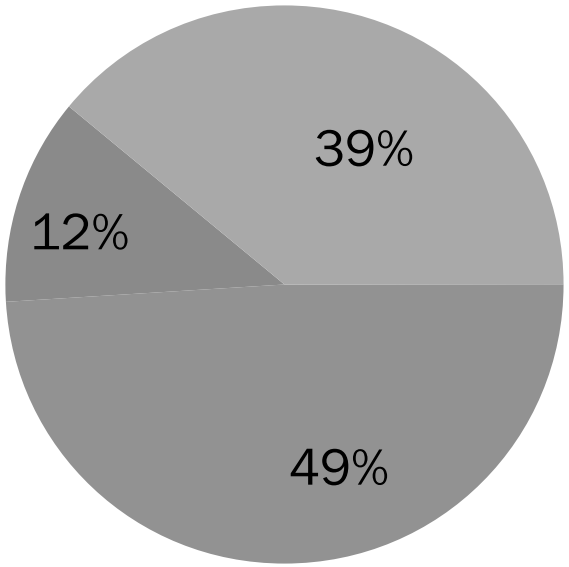
2015 Actual

Fuel Diversity*
Total MW: 11,678



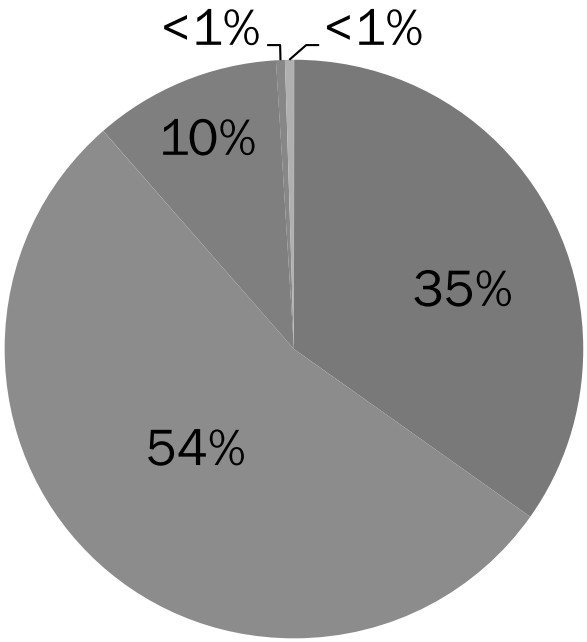
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

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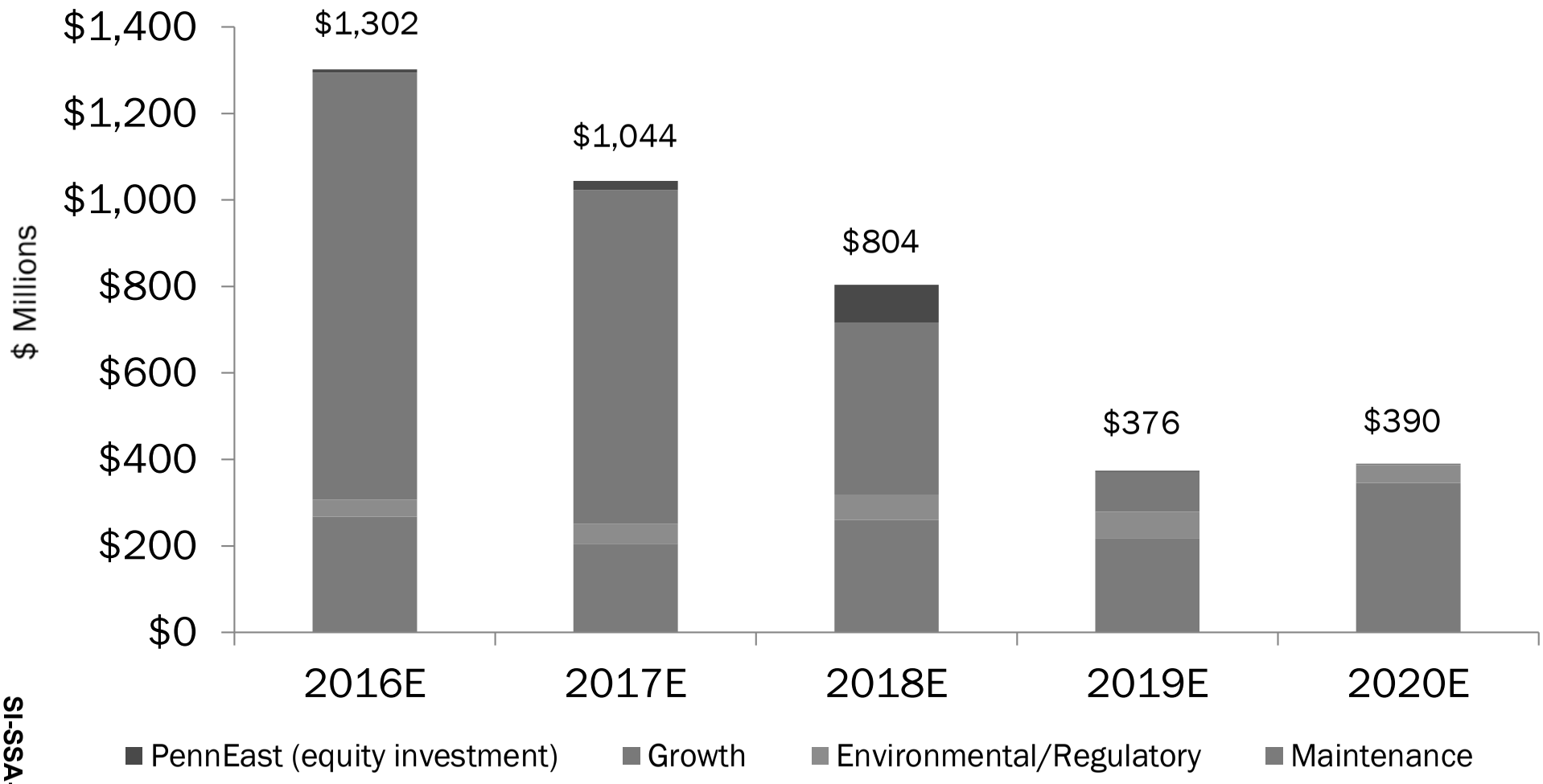
PSEG

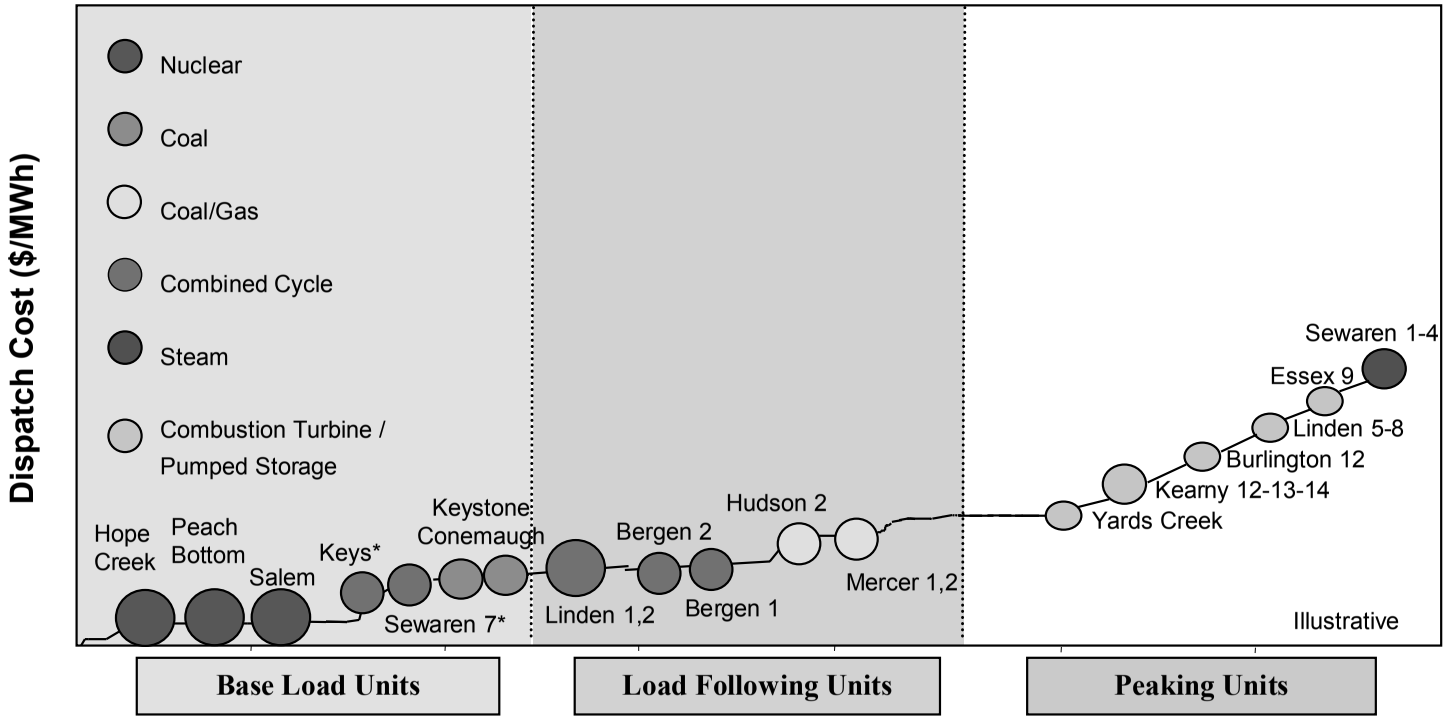
* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

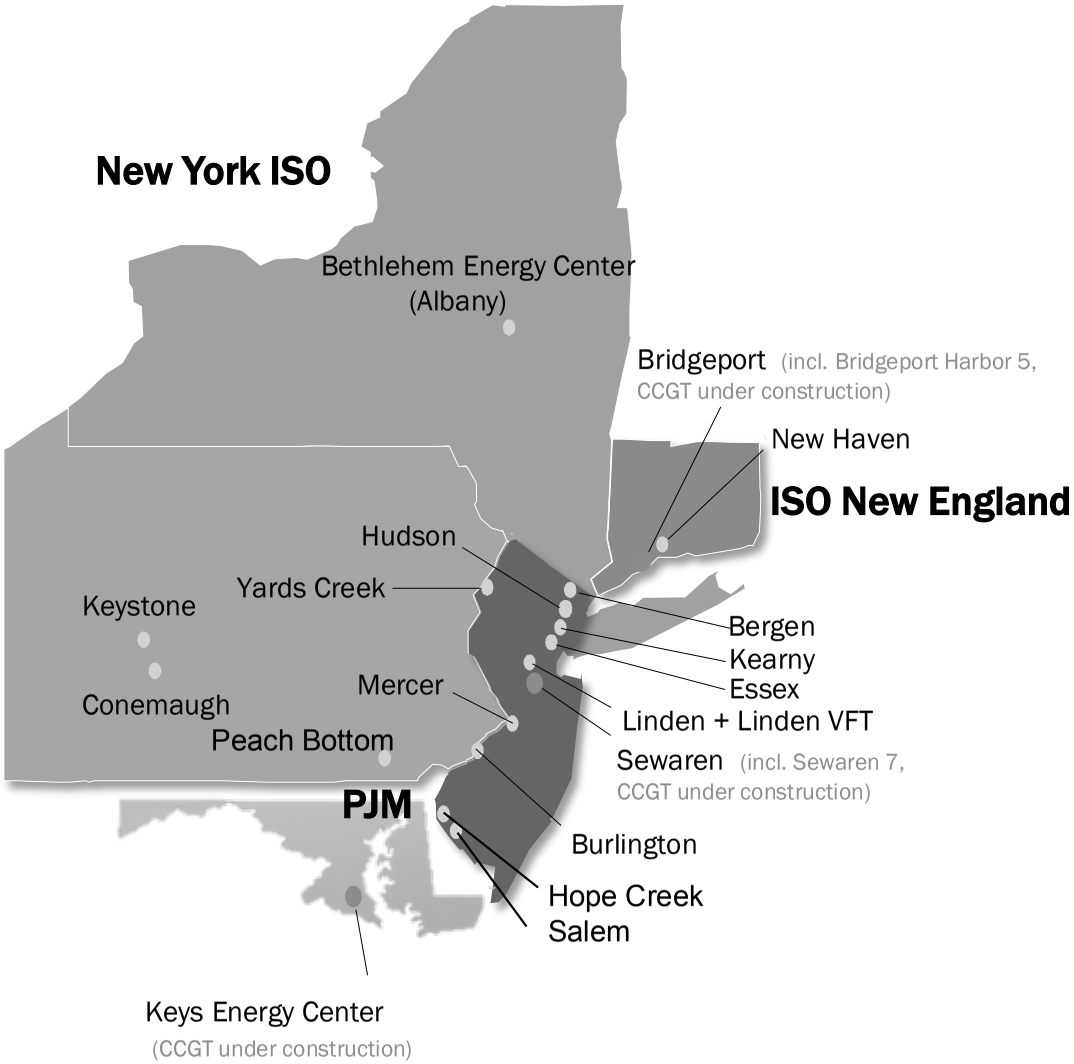
SI-SSA-0015-11188

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

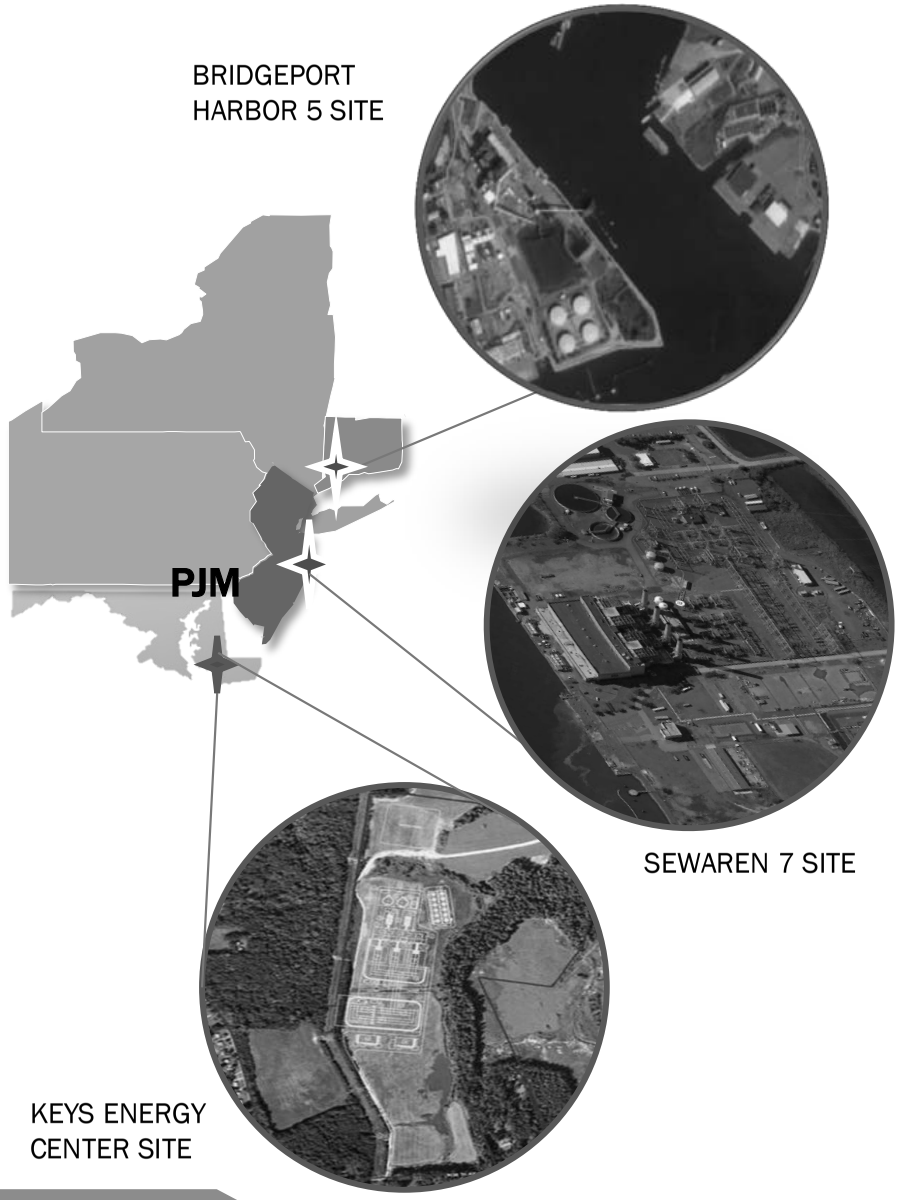
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-11189

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



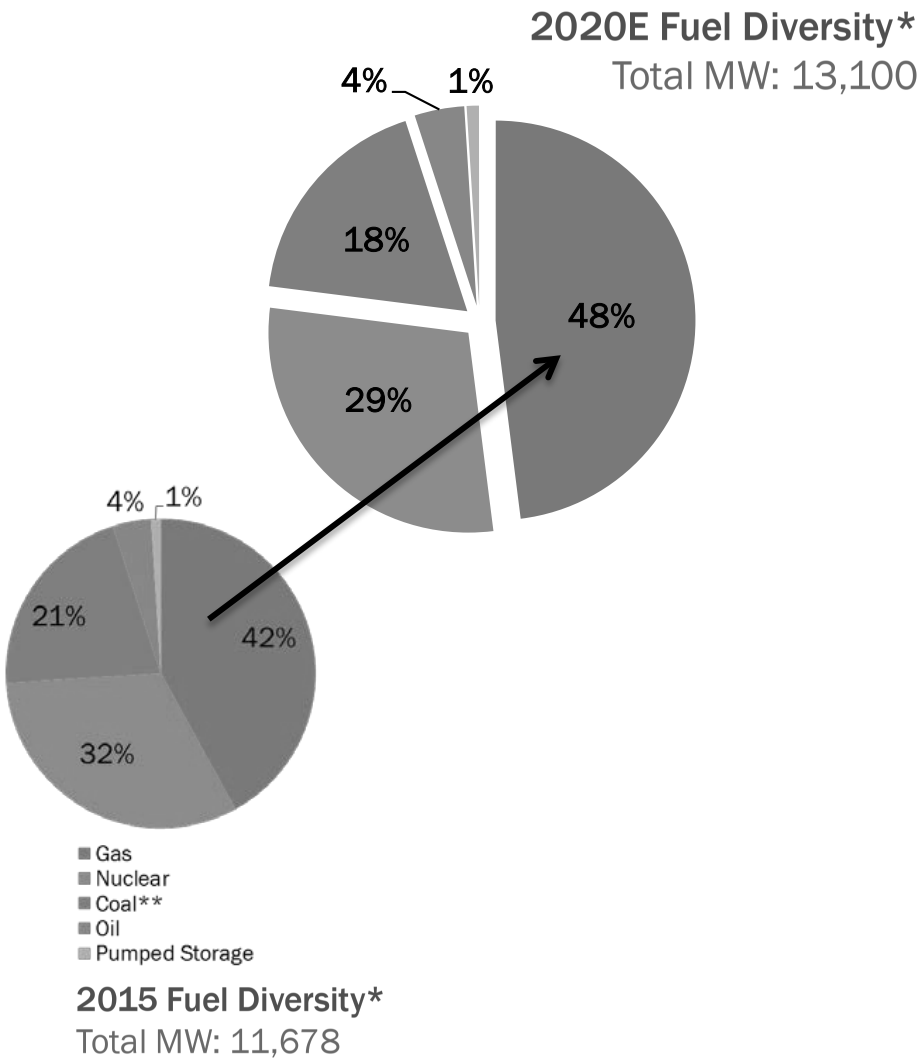
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

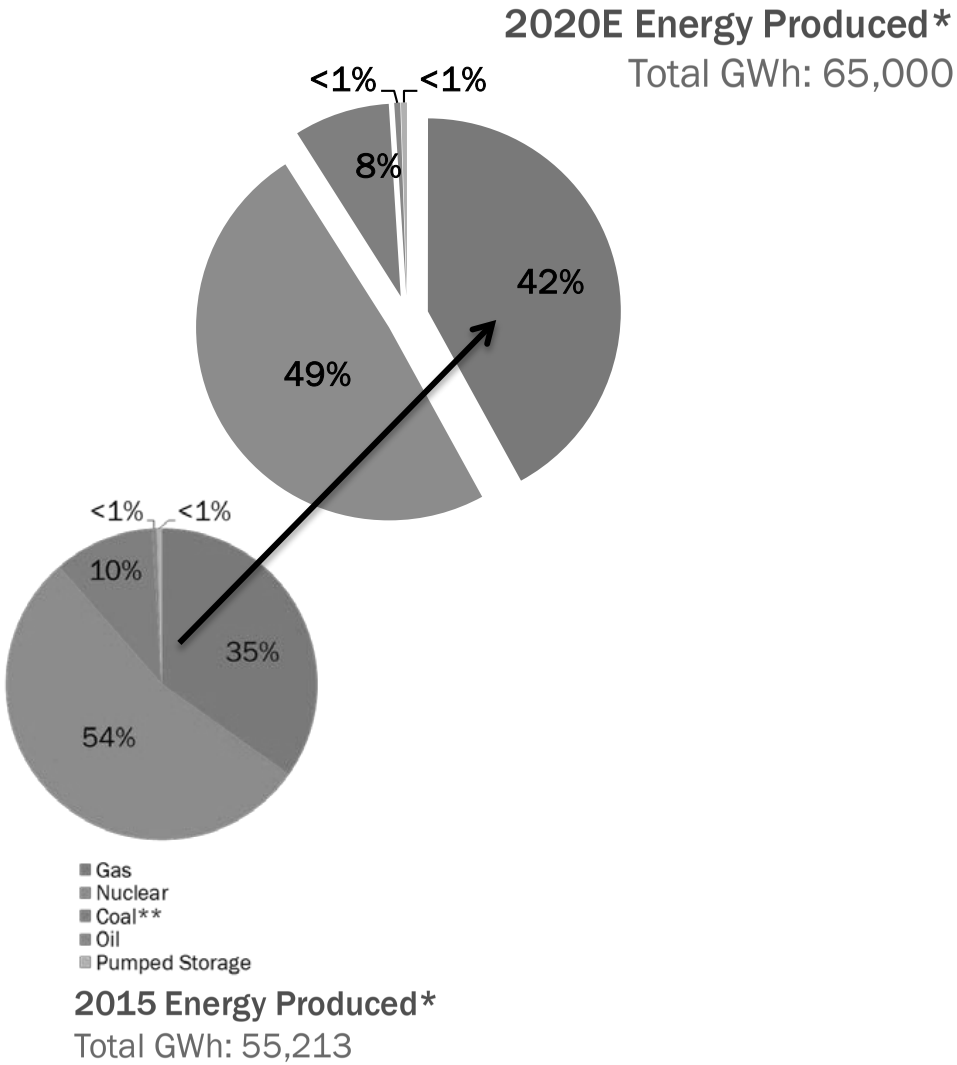
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-11190

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E

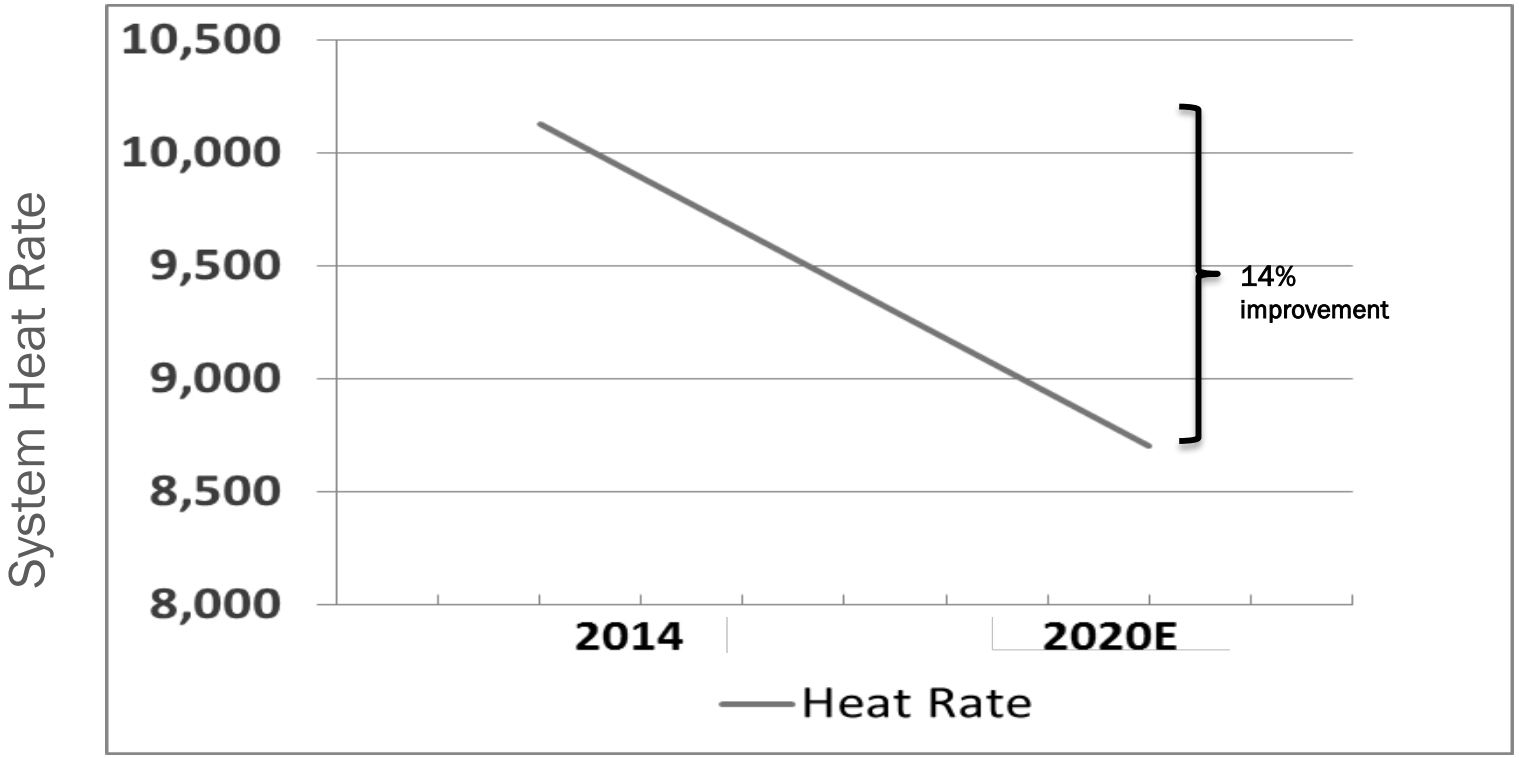




*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-11191

PSEG Power's fossil fleet expected to see improvements in efficiency

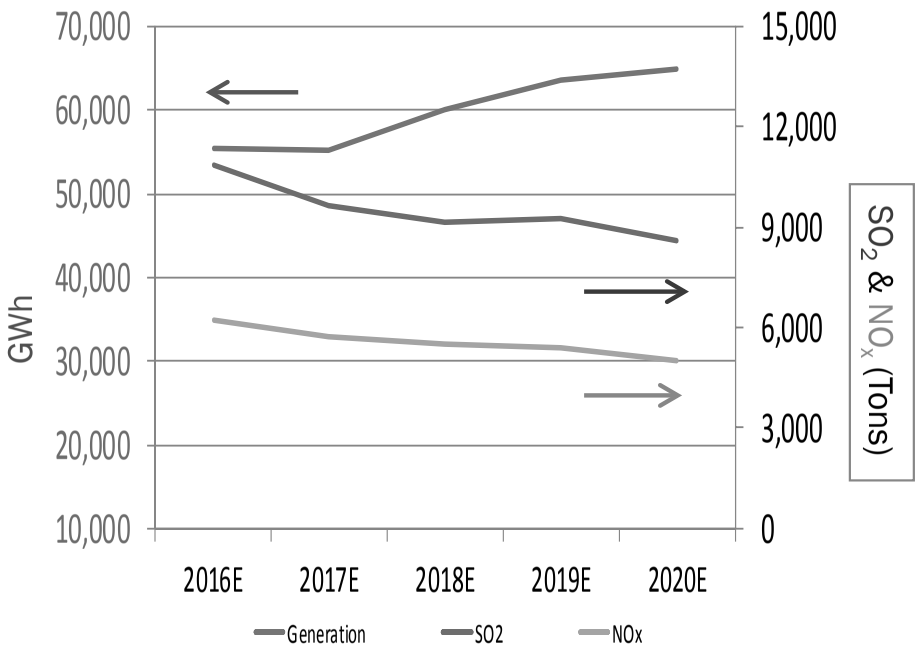


- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-11192

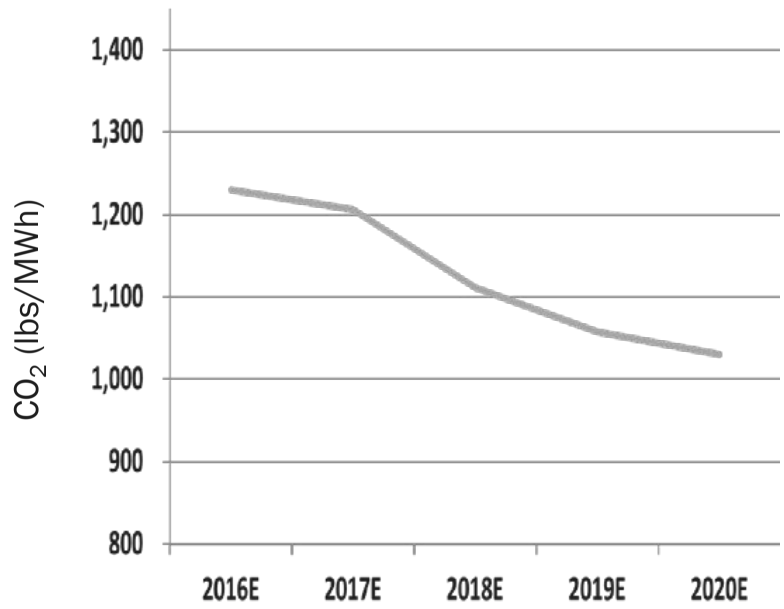
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

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E = ESTIMATE

Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,176 MW • Owned Capacity: 1,176 MW • License Expiration: 2046 • Next Scheduled Refueling ➢ Fall 2016 • Uprate 18MW Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,294 MW • Owned Capacity: 1,317 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,502 MW • Owned Capacity: 1,251 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2016 ➢ Unit 3 – Fall 2017 • Uprate: 130 MW (PS Share) ➢ Unit 2 – March 2015 ➢ Unit 3 – December 2015

SI-SSA-0015-11194

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 Completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-11195

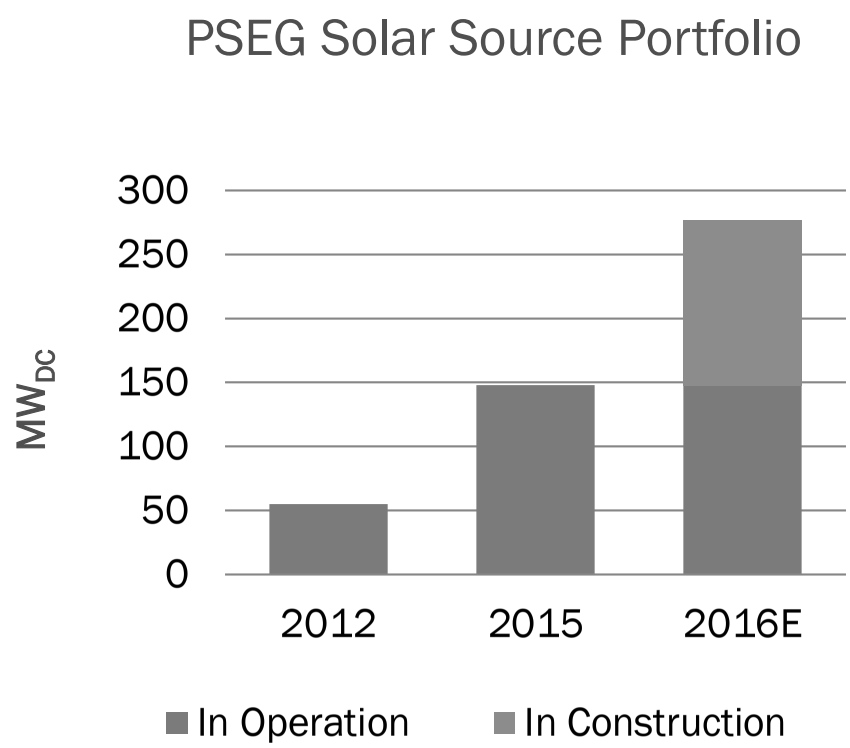
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



SI-SSA-0015-11196

* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

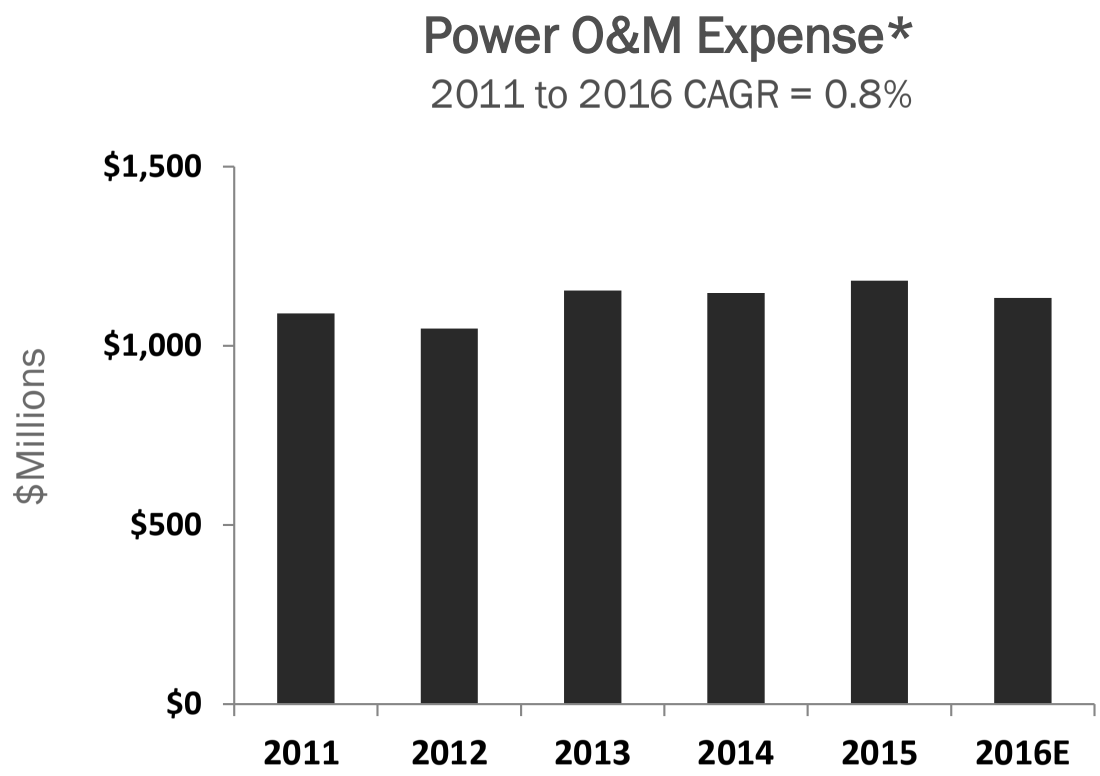
LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

SI-SSA-0015-11197

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

SI-SSA-0015-11198

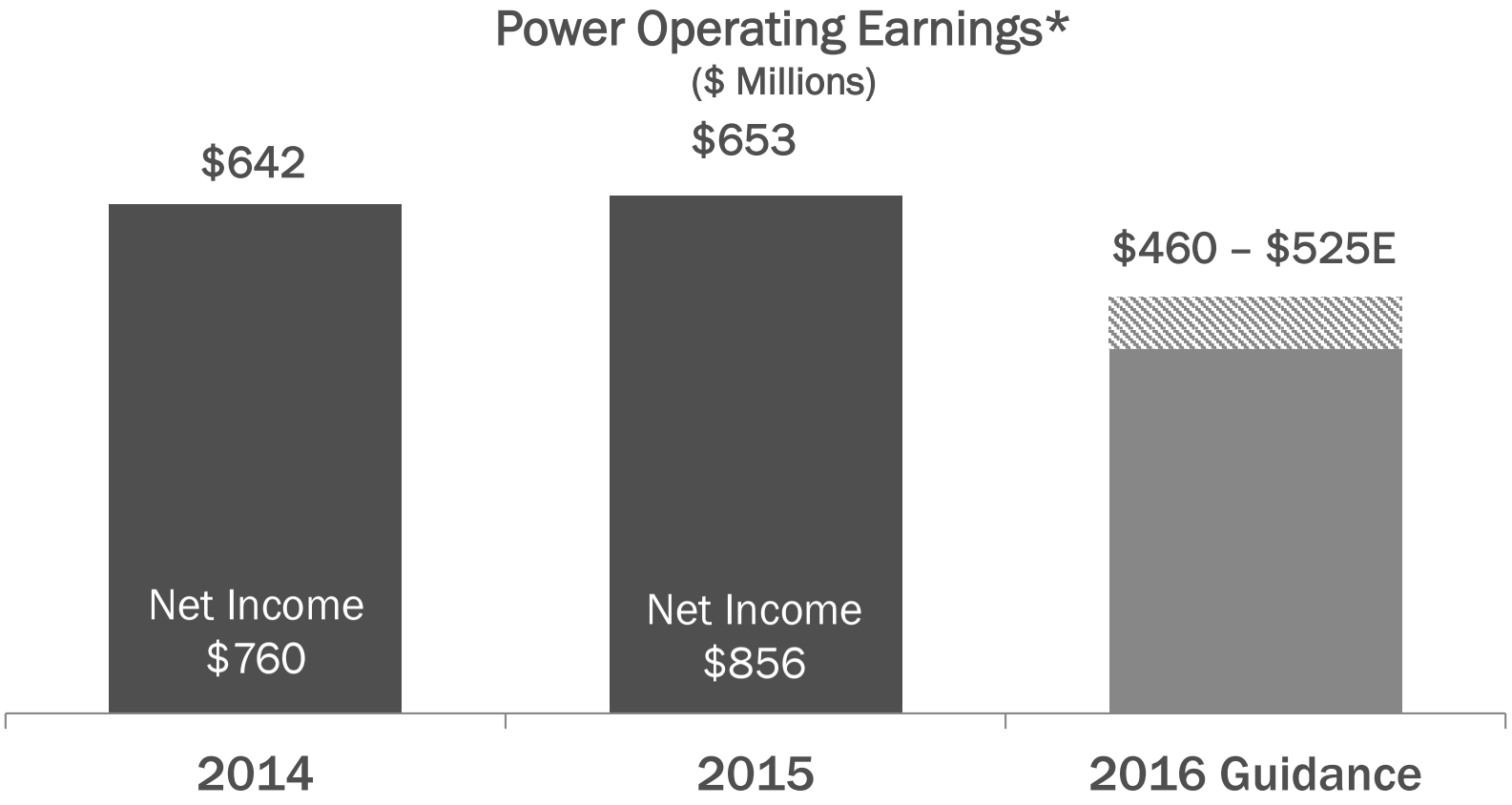
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-11199

Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



SI-SSA-0015-11200

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-11201

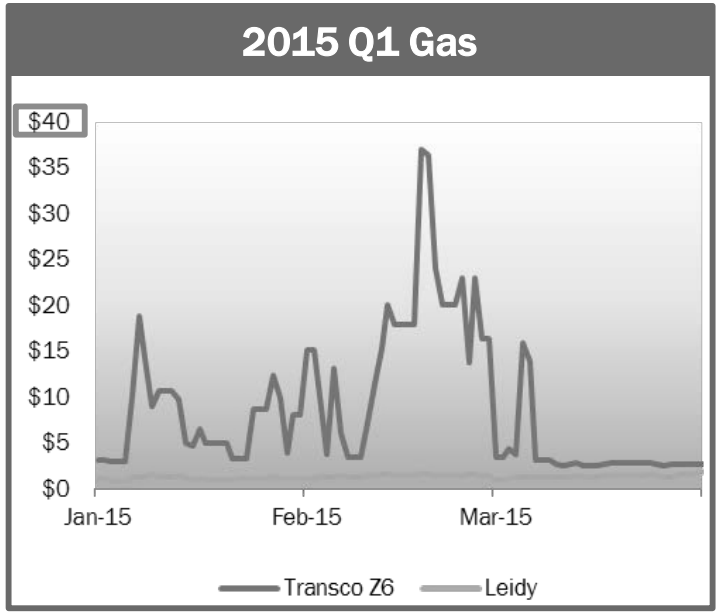
PSEG POWER
ER&T

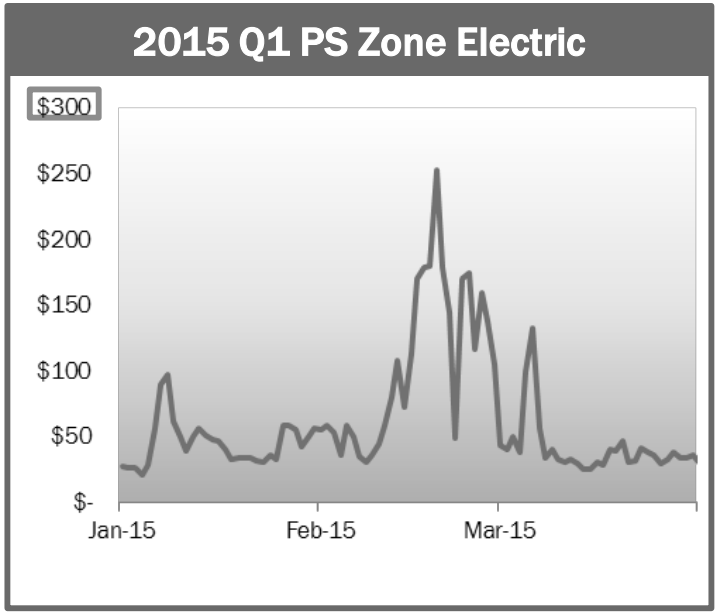
SI-SSA-0015-11202

PSEG

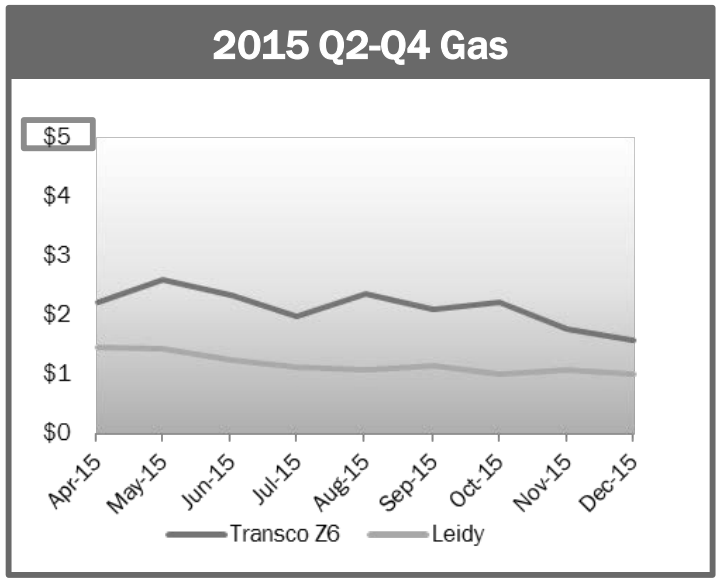
We make things work for you.

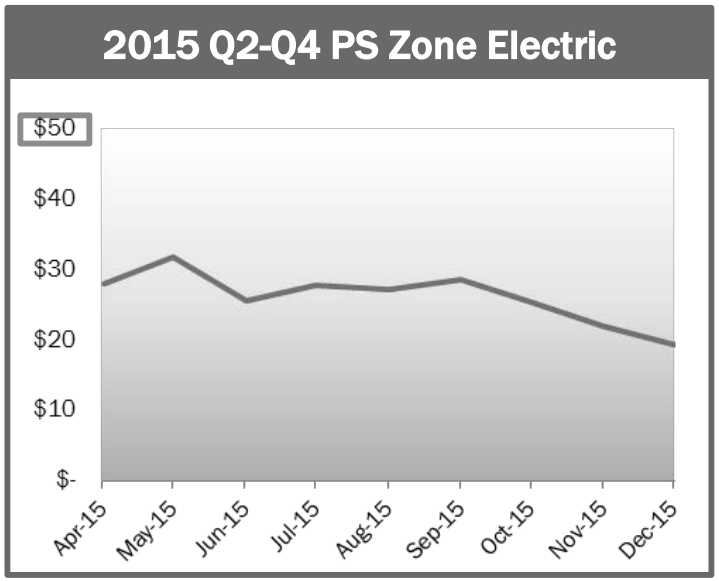
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

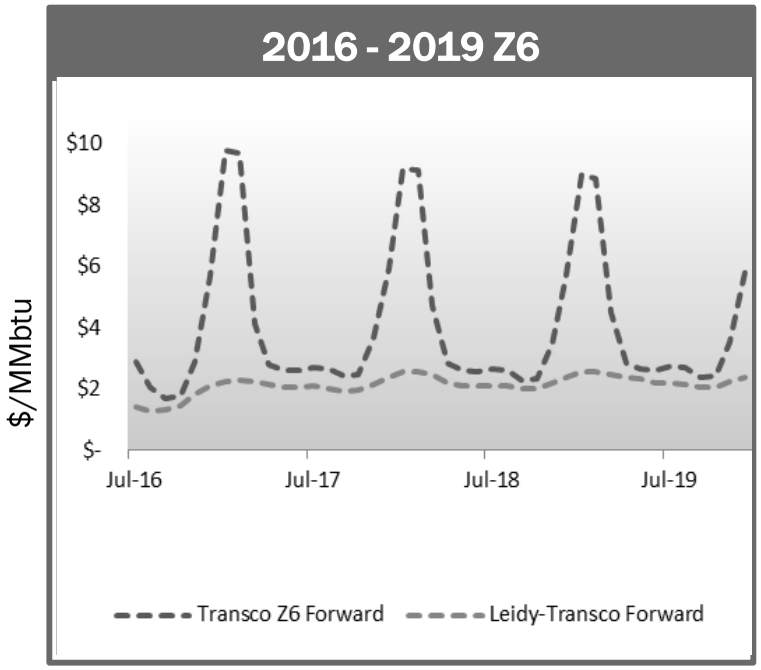


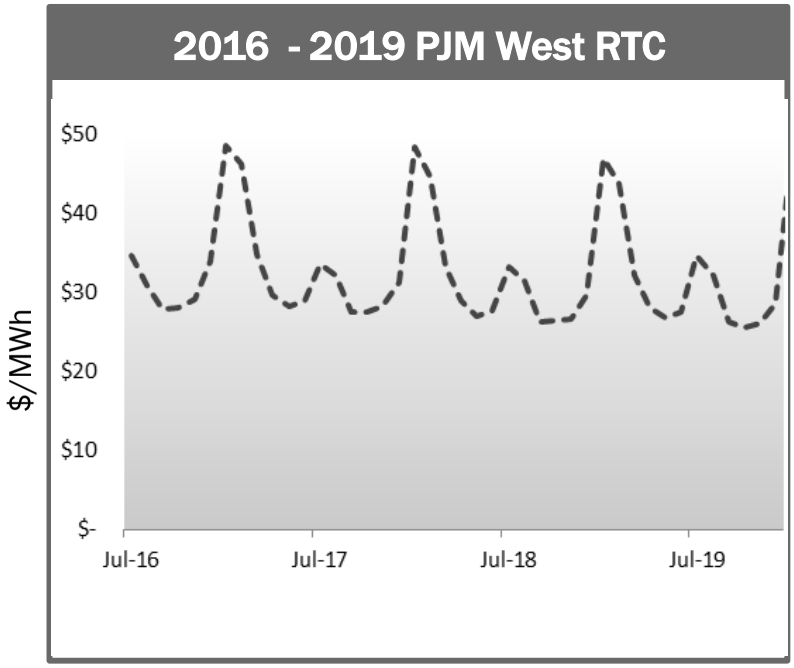


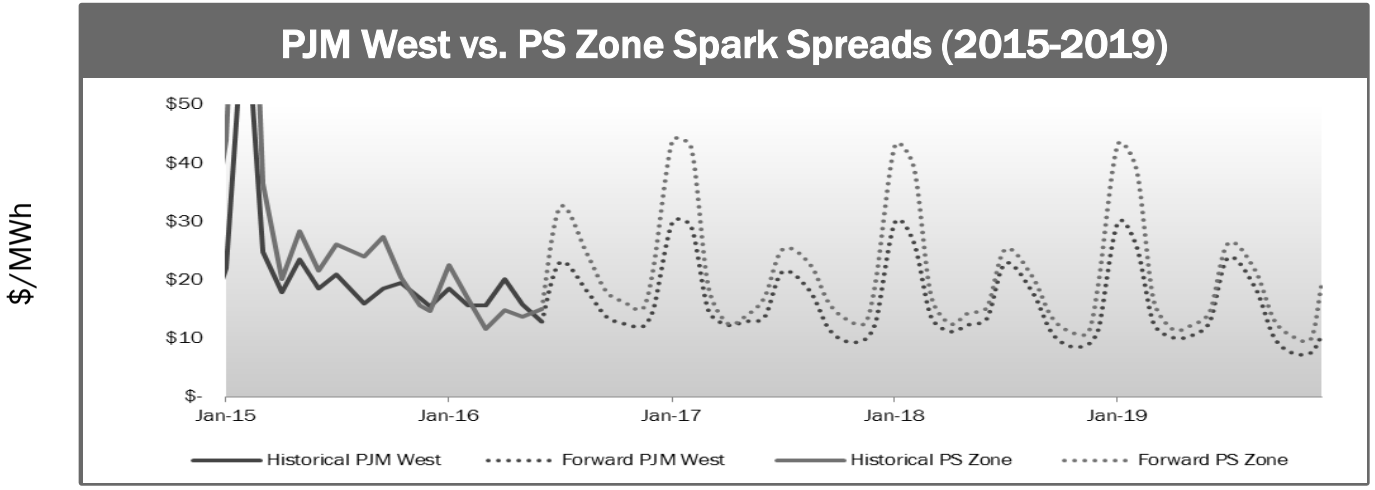
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-11203

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

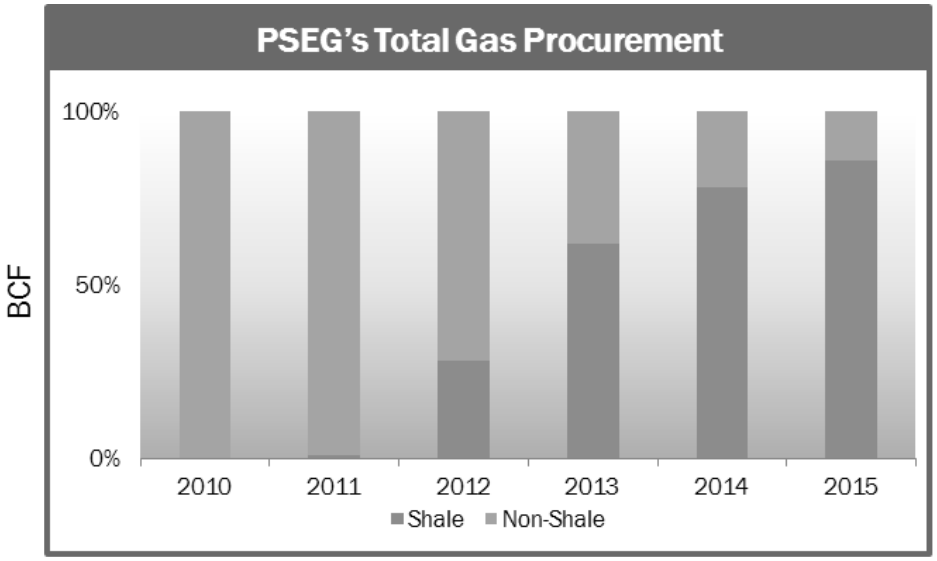


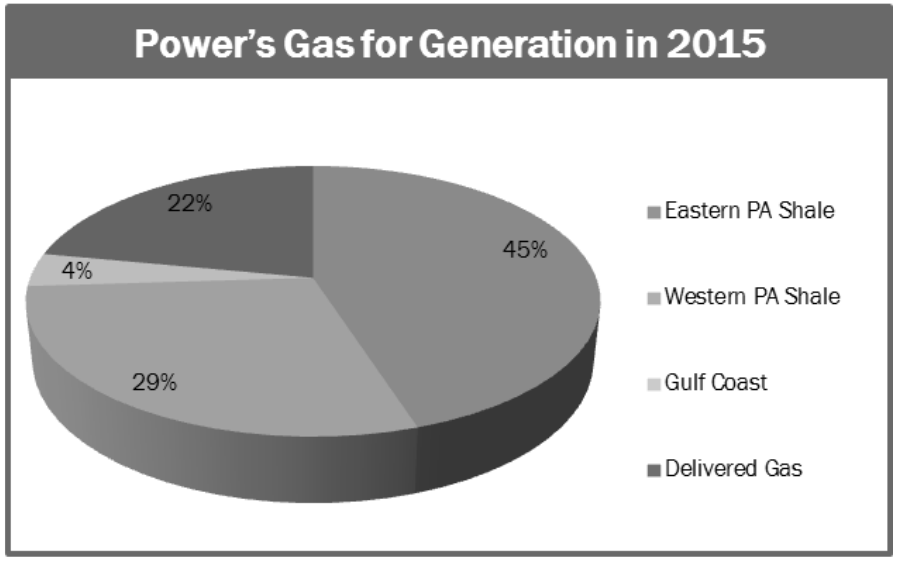




SI-SSA-0015-11204

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



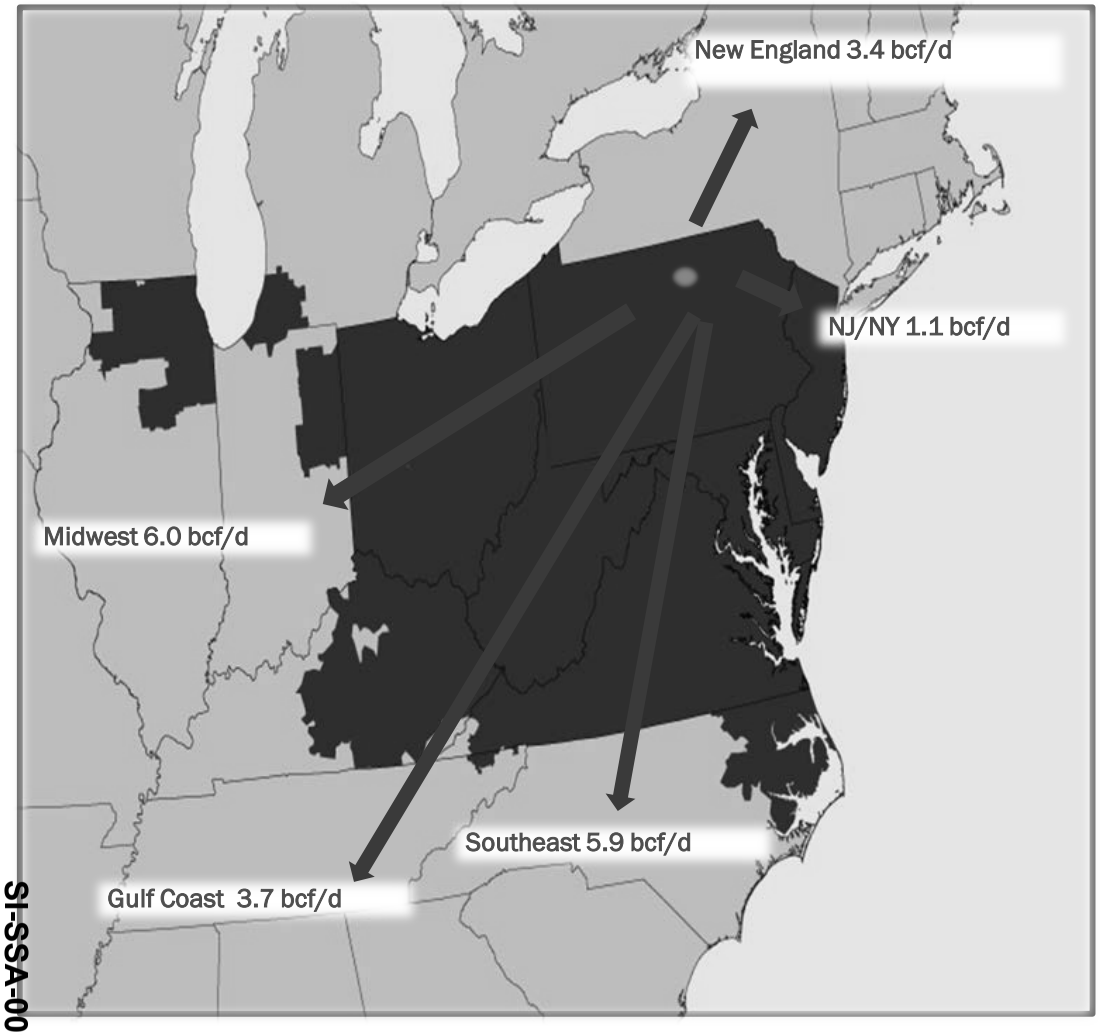


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-11205

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-11206

Regulatory Framework: Market structures are evolving to appropriately recognize value of reliable, diverse and clean dispatchable generation.

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held in May 2017
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – five minute settlements and shortage pricing improvements are on the horizon
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment following full deployment of Capacity Performance expected to limit participation in capacity markets
	STATE INTERVENTION	• Efforts in Ohio to subsidize uneconomic resources met with significant opposition and led to FERC finding that affiliate abuse standards would apply • PJM commenced process to develop rules for integrating public policy driven resources that would protect competitive markets; PJM also has commenced study to determine value of fuel diversity
ISO-NE	CAPACITY	• Zonal demand curves approved by FERC for FCA 11 • Nuclear and coal under pressure; closure of Pilgrim and Vermont Yankee • New initiative to incorporate state carbon goals in wholesale markets consistent with competitive outcomes
	ENERGY	• Proposed gas pipelines are stalled • Significant rule changes to improve price formation – five minute settlement and fast start pricing
NYISO	CAPACITY	• Retirement of upstate coal plants tighten market • NYPSC develops a clean energy standard that retains upstate nuclear and recognizes the value of zero emissions
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS; oral argument before D.C. Circuit scheduled for September 27, 2016 • Some states will still prepare implementation plans for 2020+ timeframe • CSAPR update rule cuts ozone season NOx emissions

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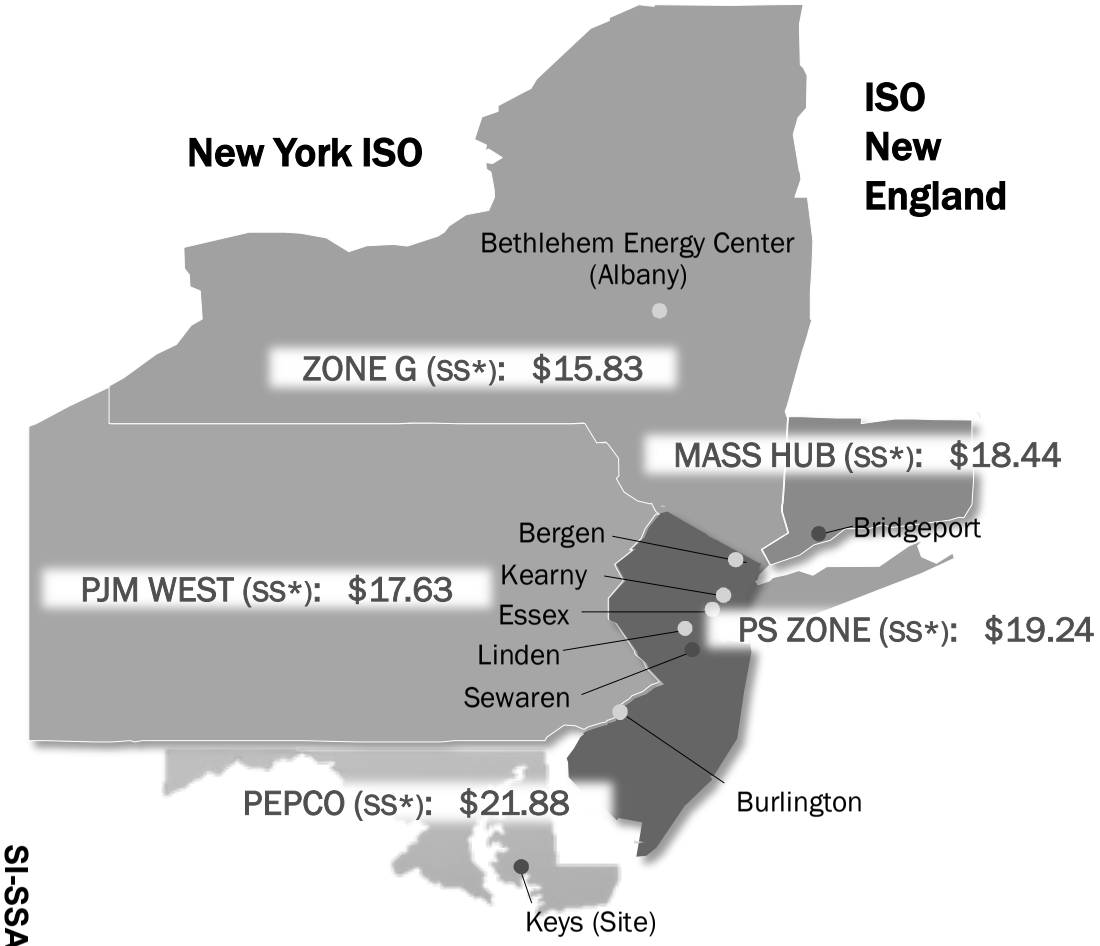
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

SI-SSA-0015-11208

PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

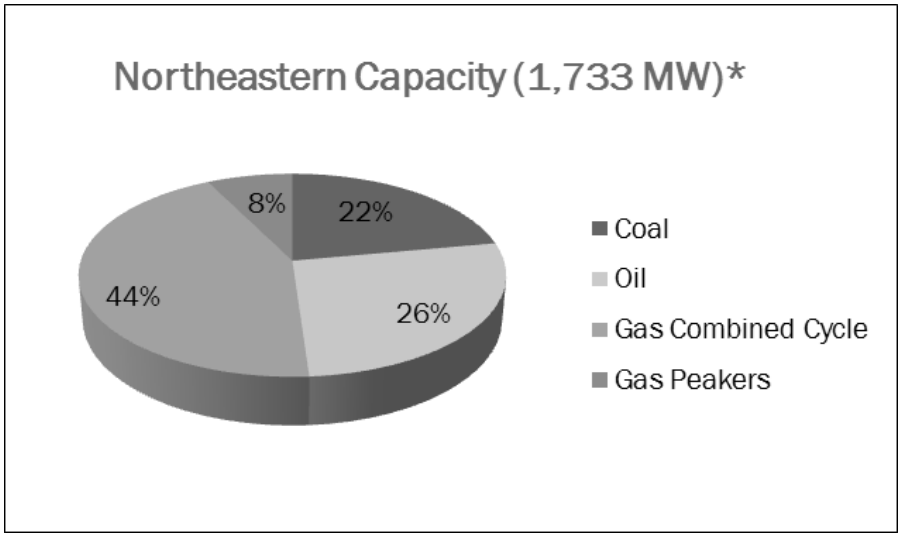
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



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PSEG

+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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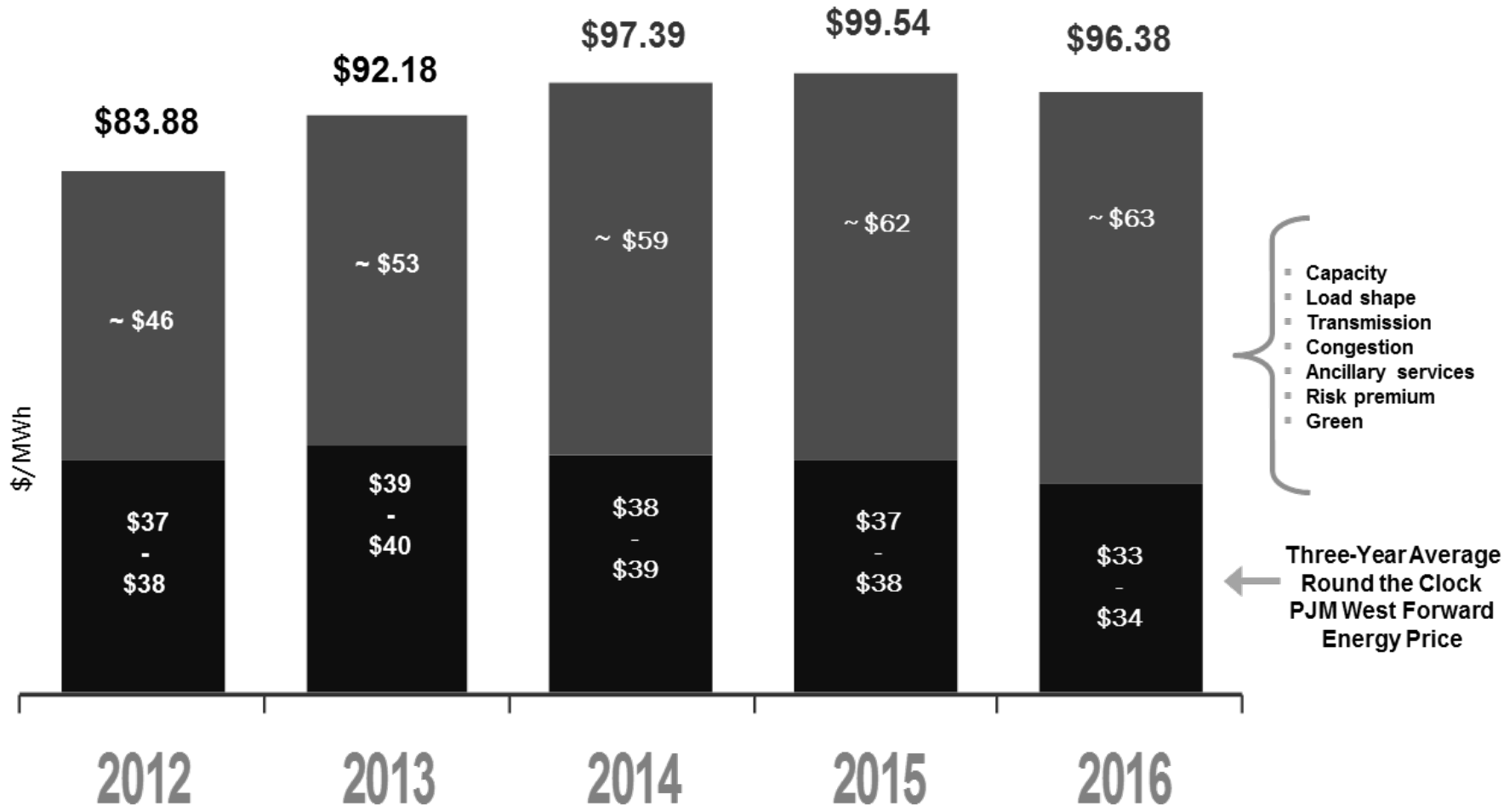
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-11211

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

SI-SSA-0015-11212

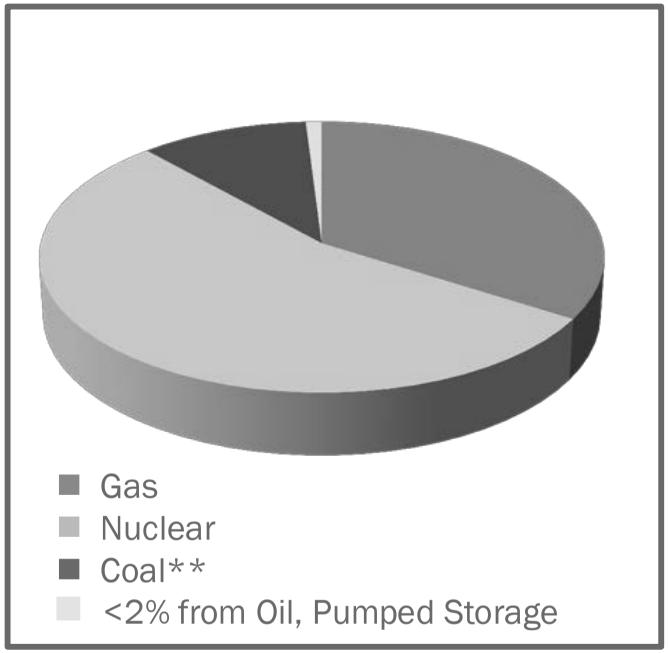
PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

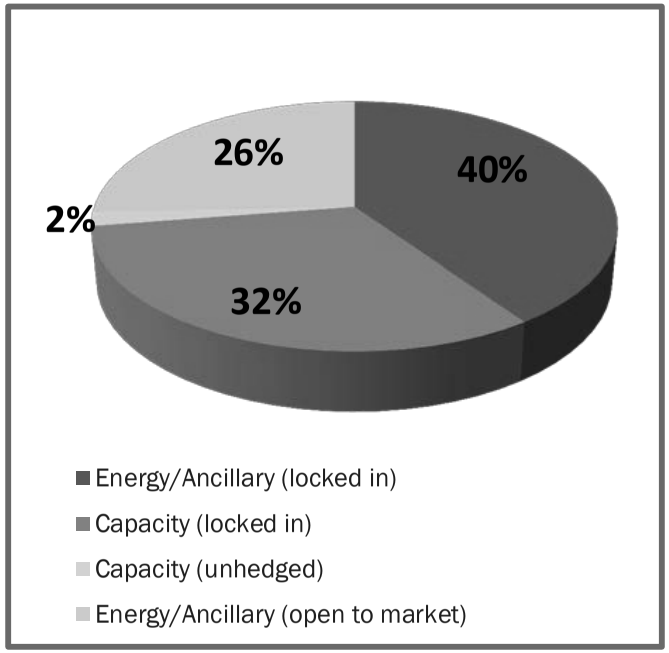
Energy Produced in 2015

55,213 GWH



**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



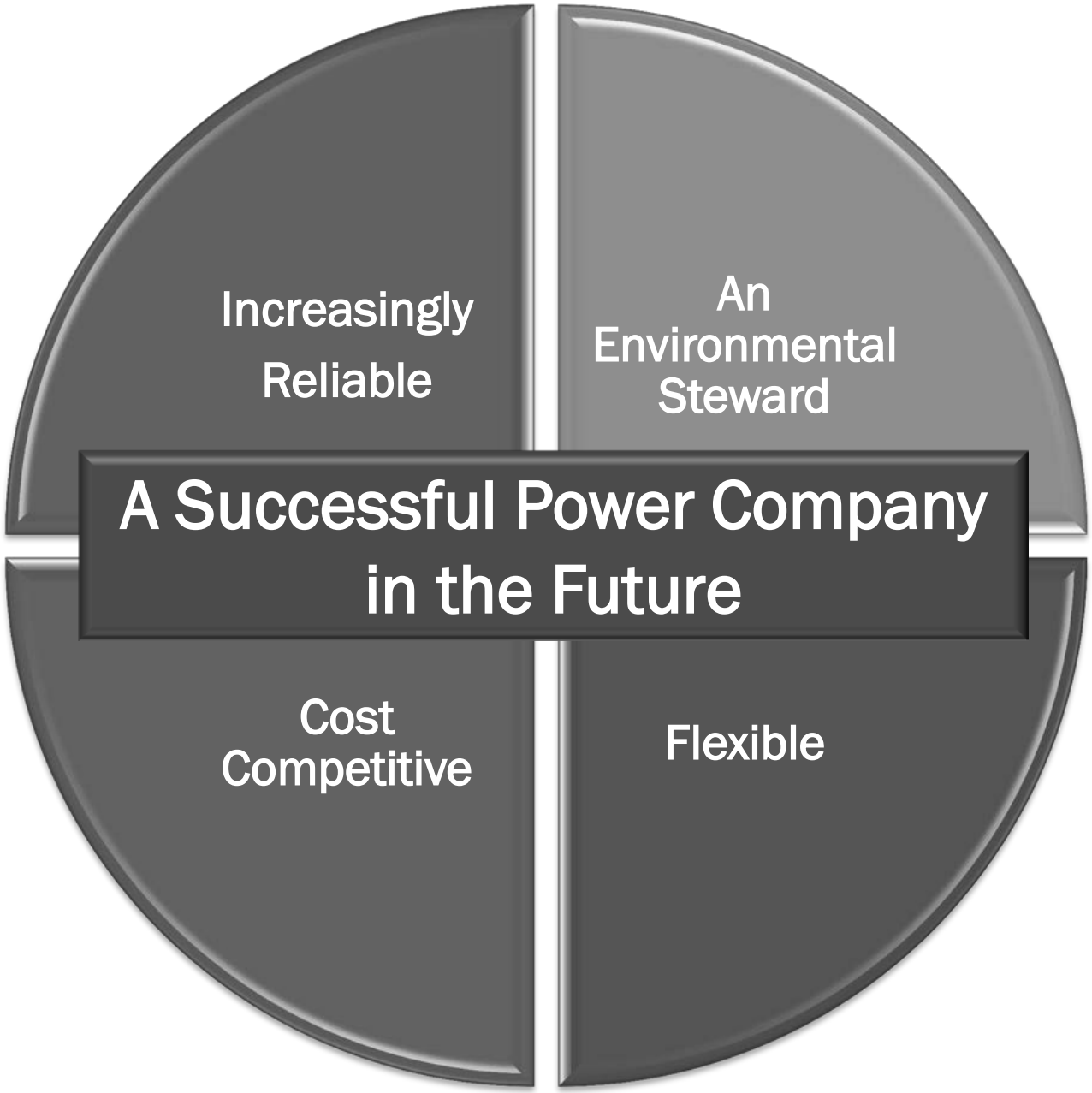
*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-11214



SI-SSA-0015-11215

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-11216

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-11217

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-11218

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-11219

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

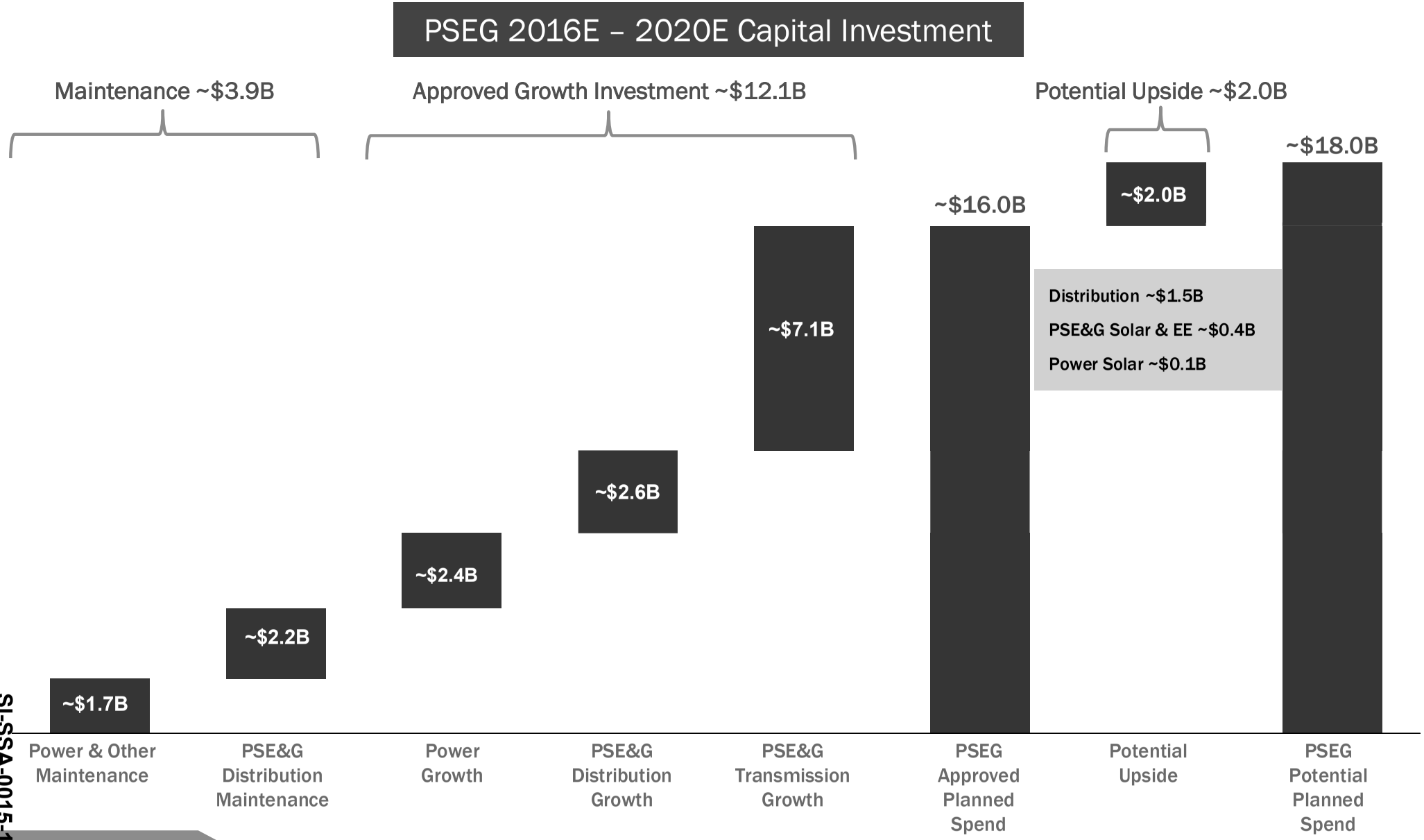
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-11220

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



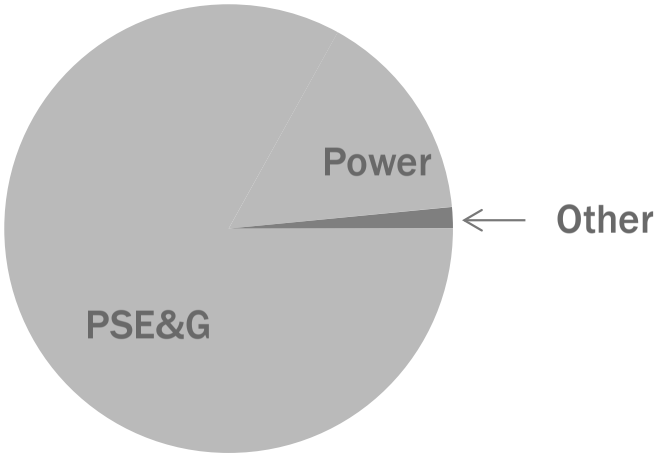
E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

We increased our Capital Program by $3B

since last year

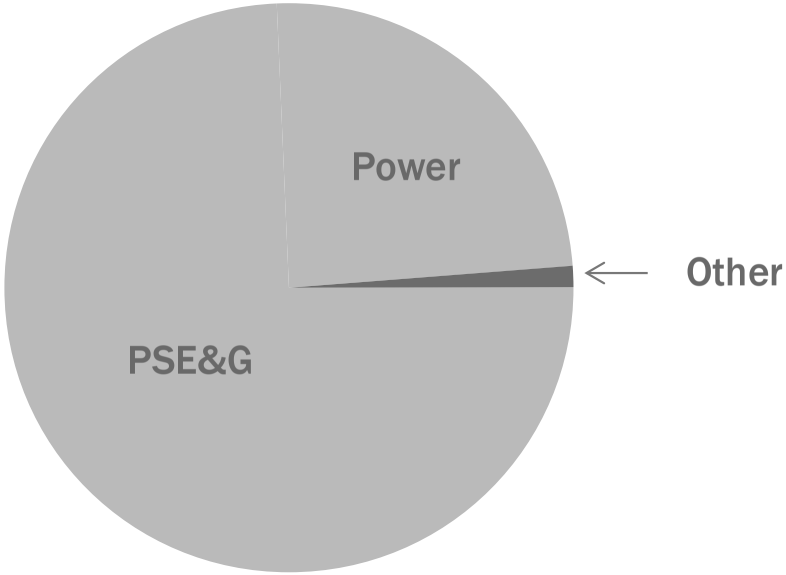
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

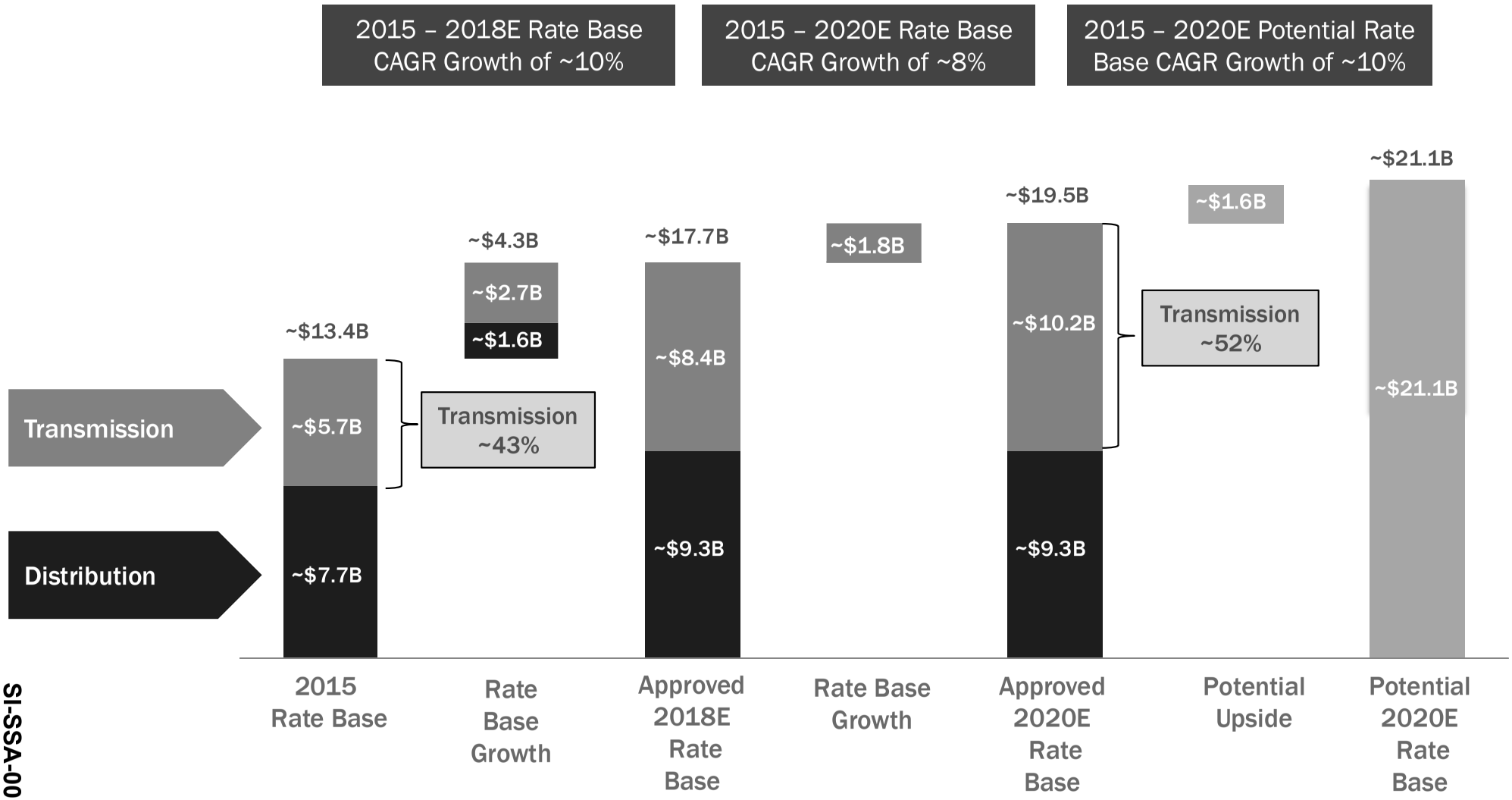


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-11222

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-11223

Bonus Depreciation adds $1.7B cash

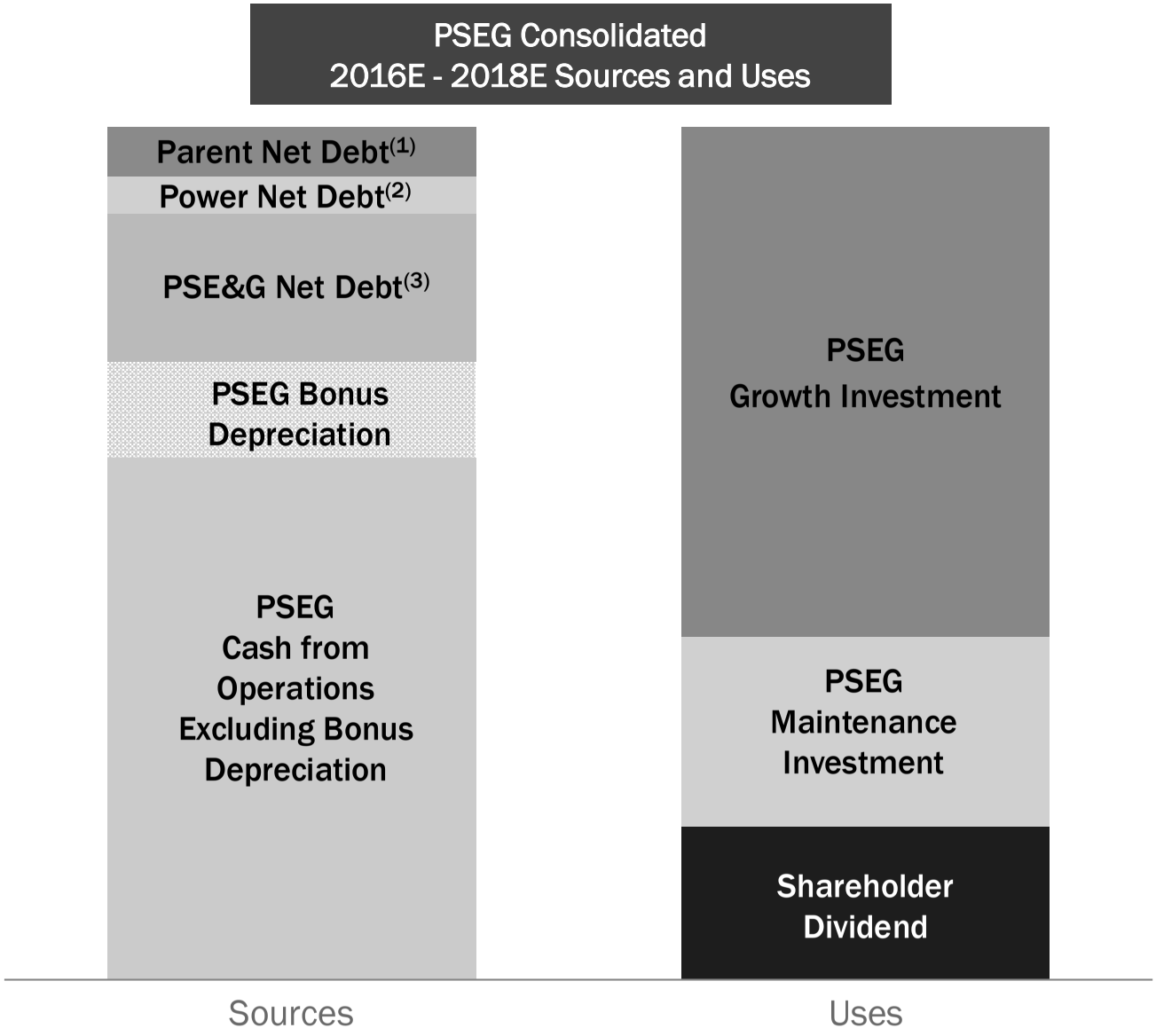
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-11224

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

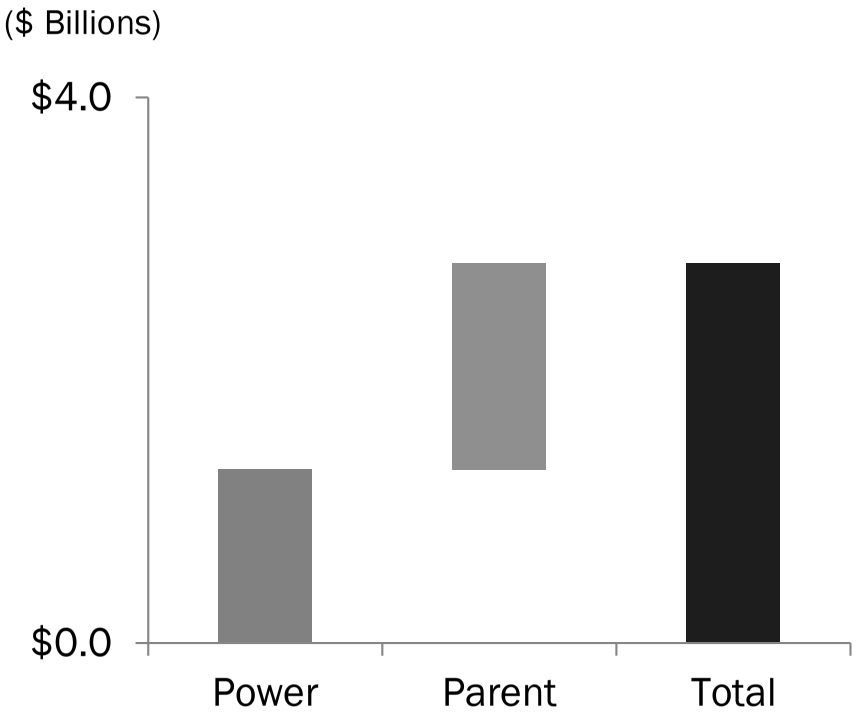
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

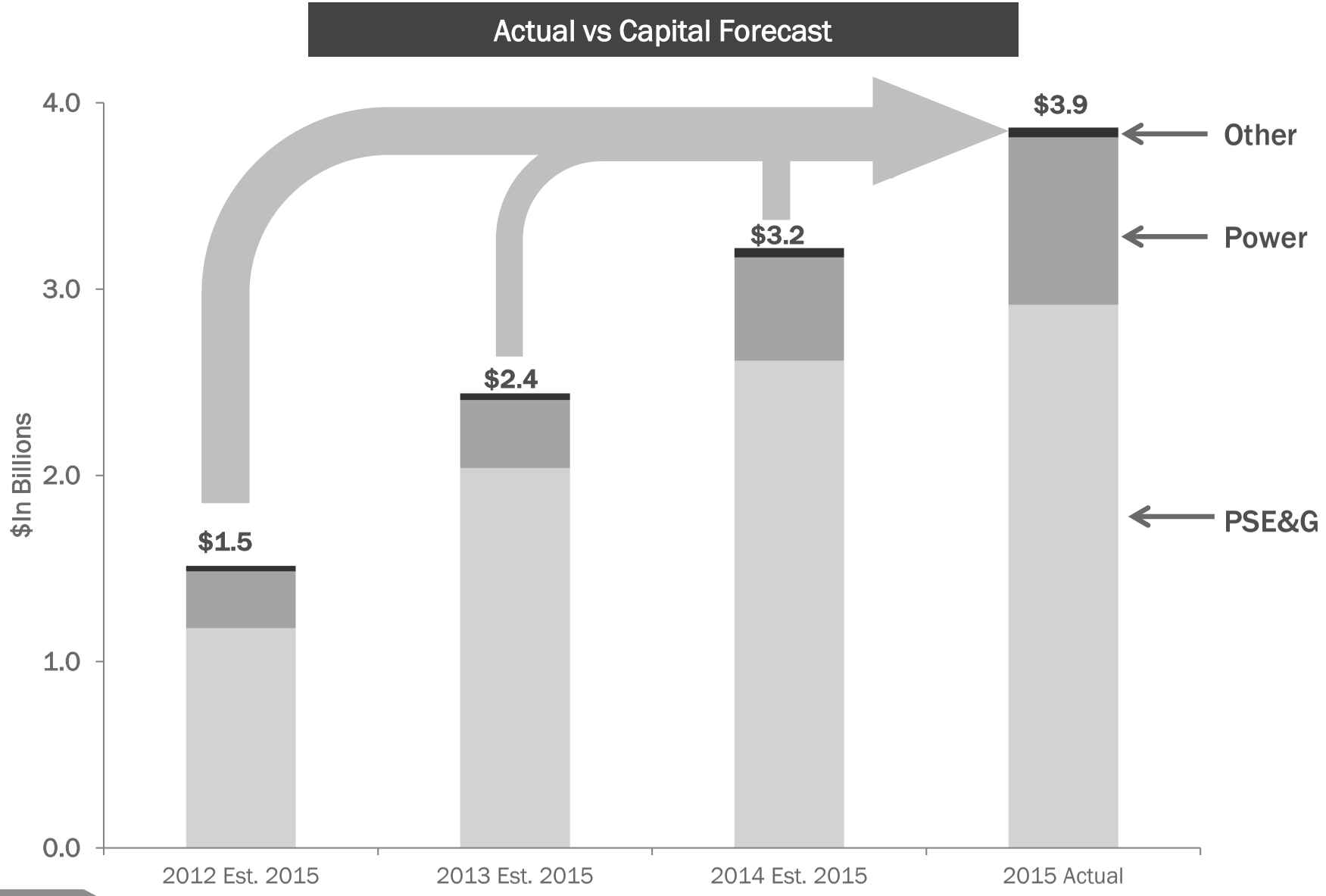
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

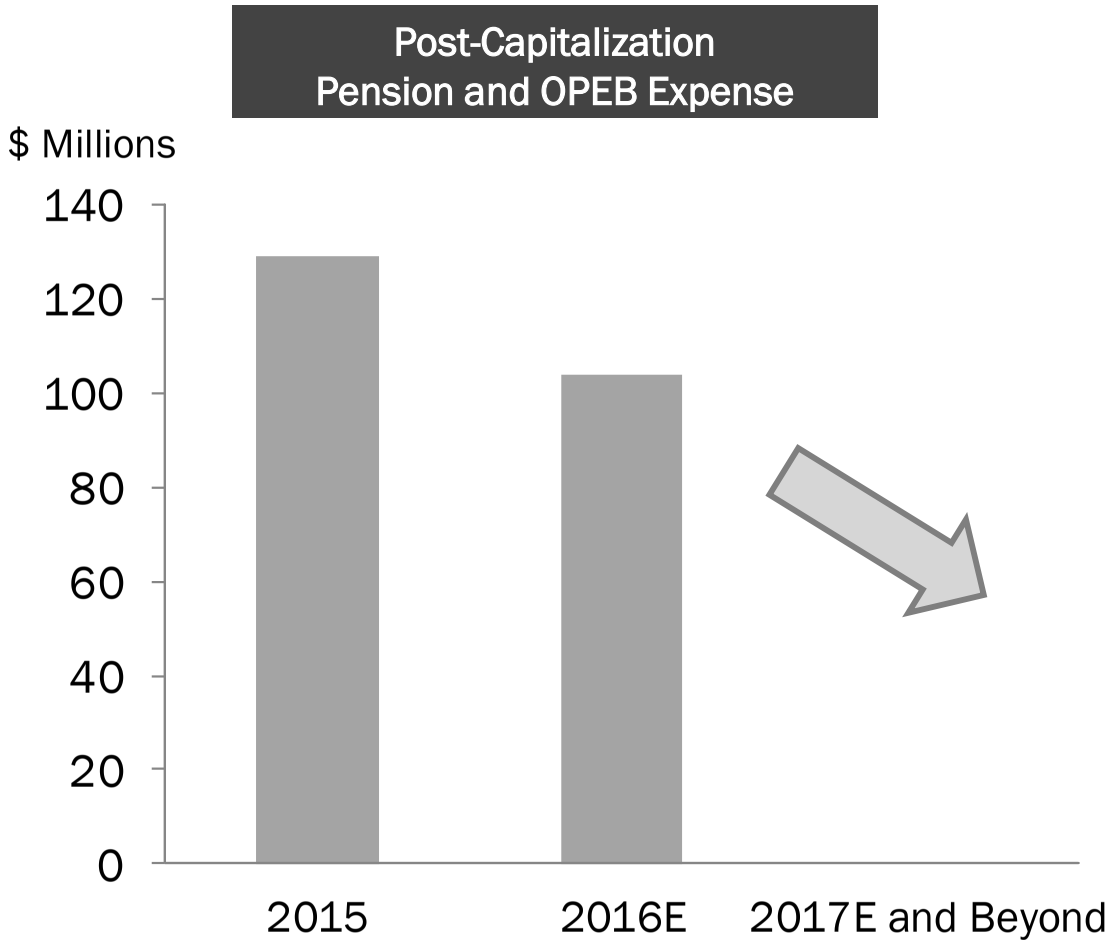
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-11227

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

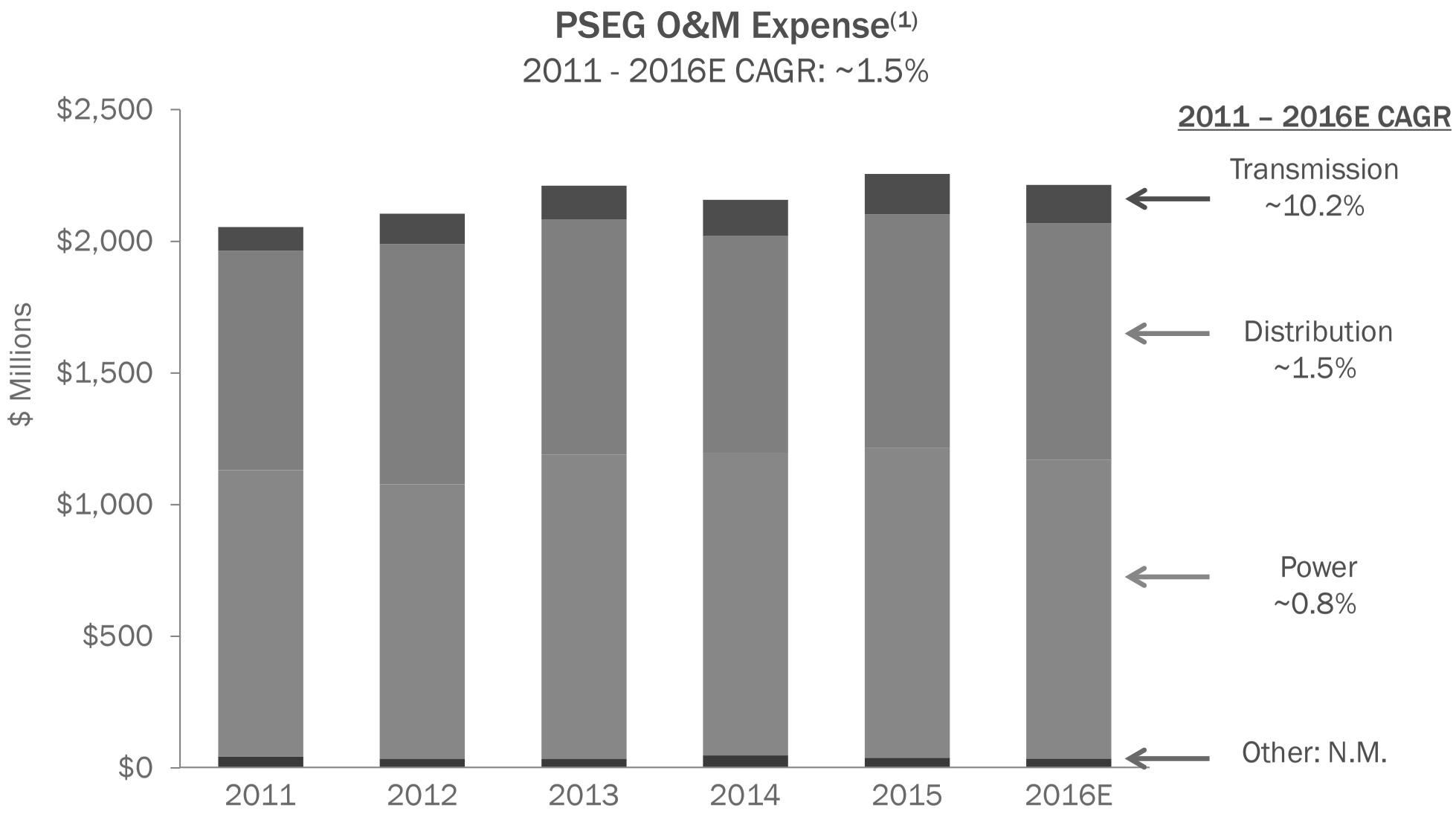


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-11228

E = ESTIMATE.

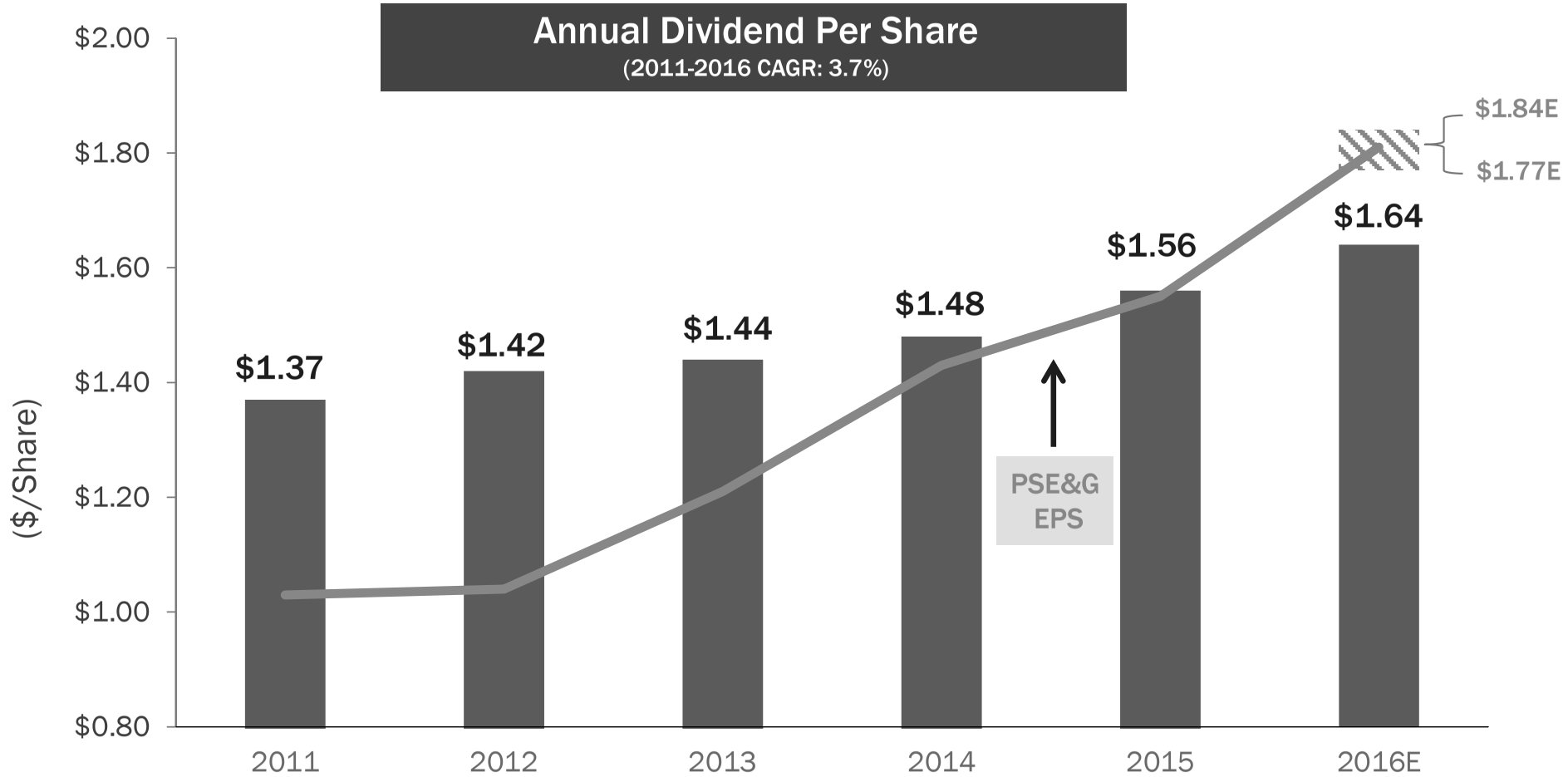
PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

SI-SSA-0015-11229

Opportunity for meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-11230

PSEG

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-11231

PSEG Summary

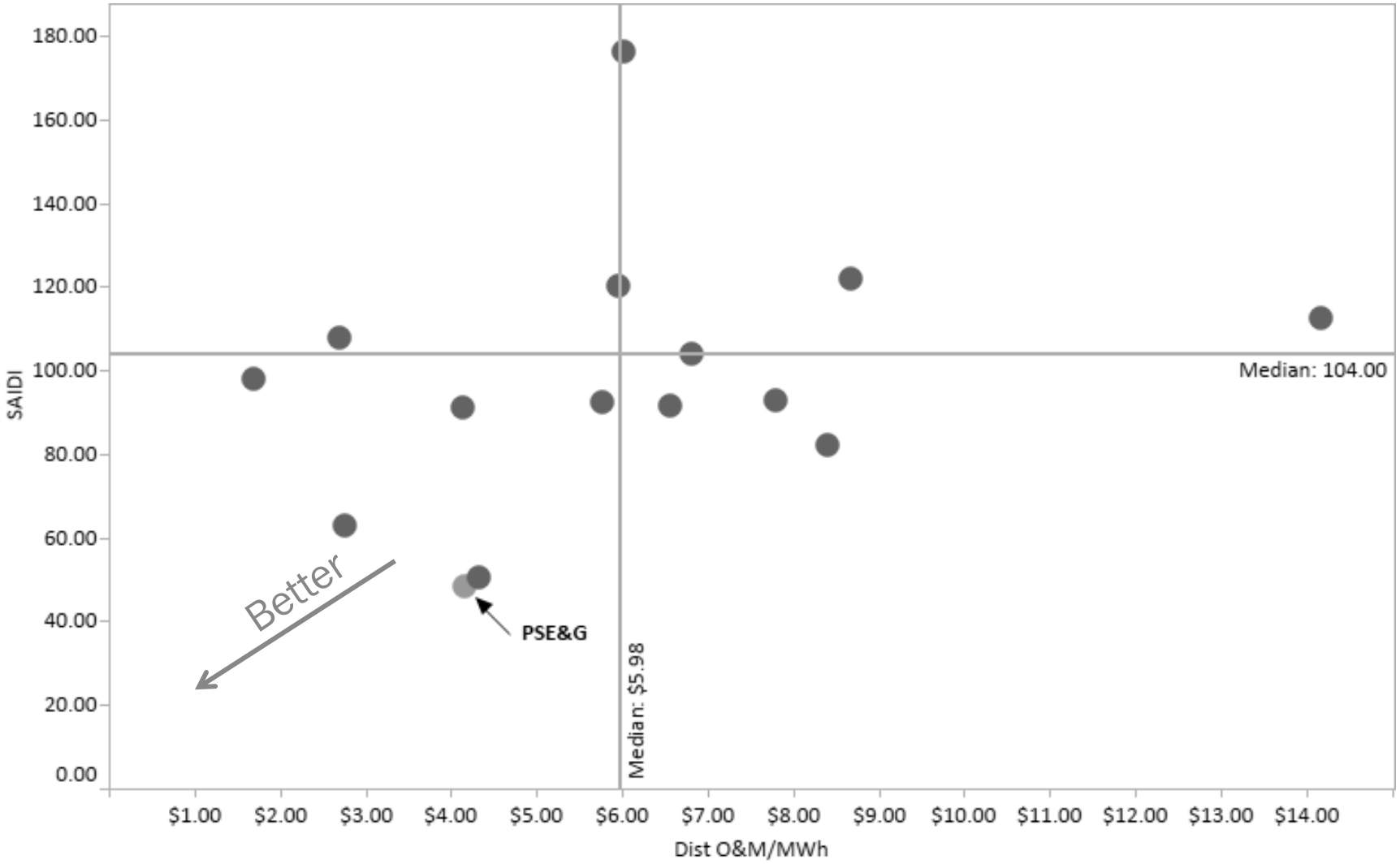
- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-11232

PSE&G APPENDIX

SI-SSA-0015-11233

PSE&G provides high reliability at below average cost which creates superior value for customers

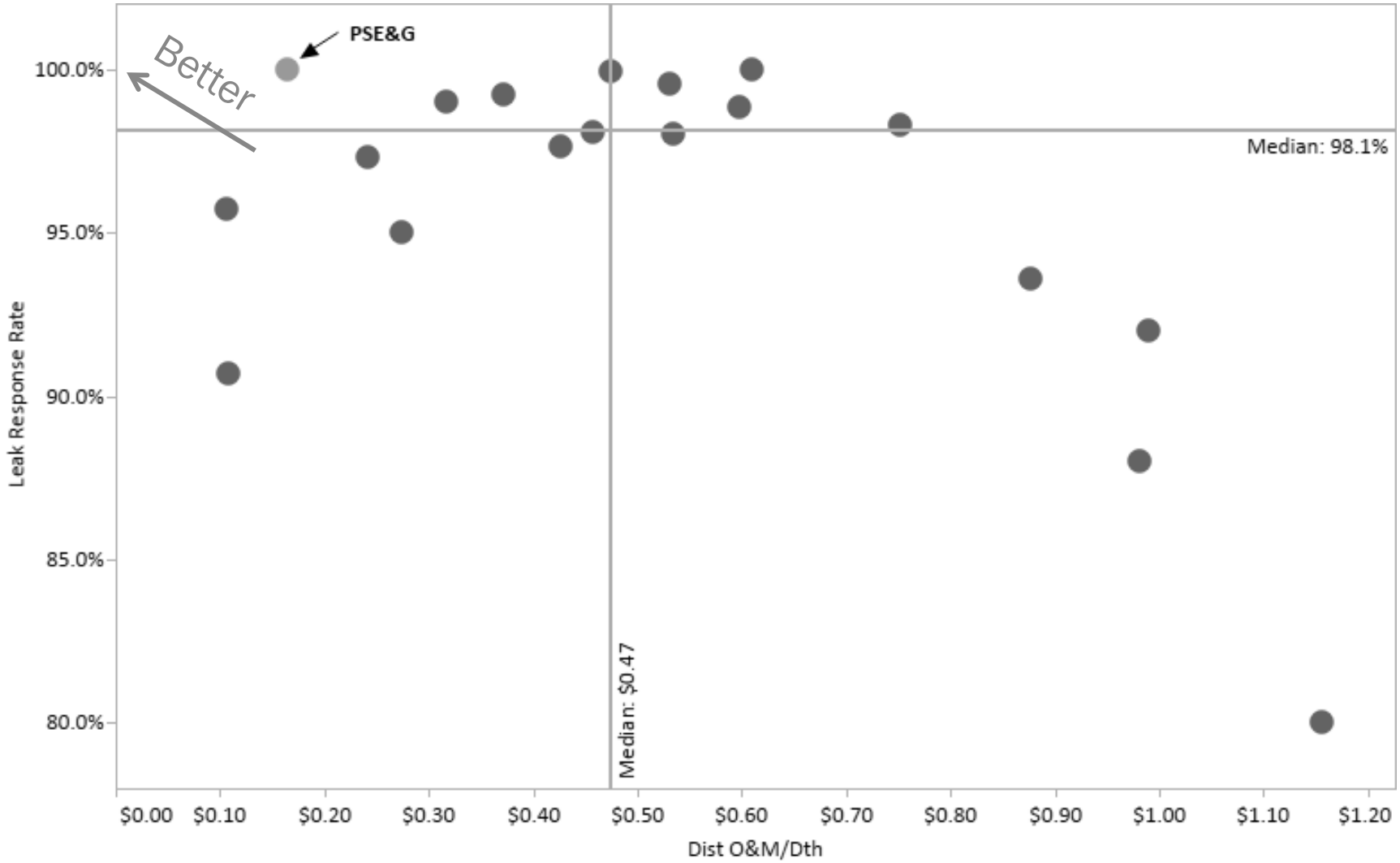


SI-SSA-0015-11234

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

PSE&G prioritizes public safety

while maintaining value for customers



SI-SSA-0015-11235

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-11236

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-11237

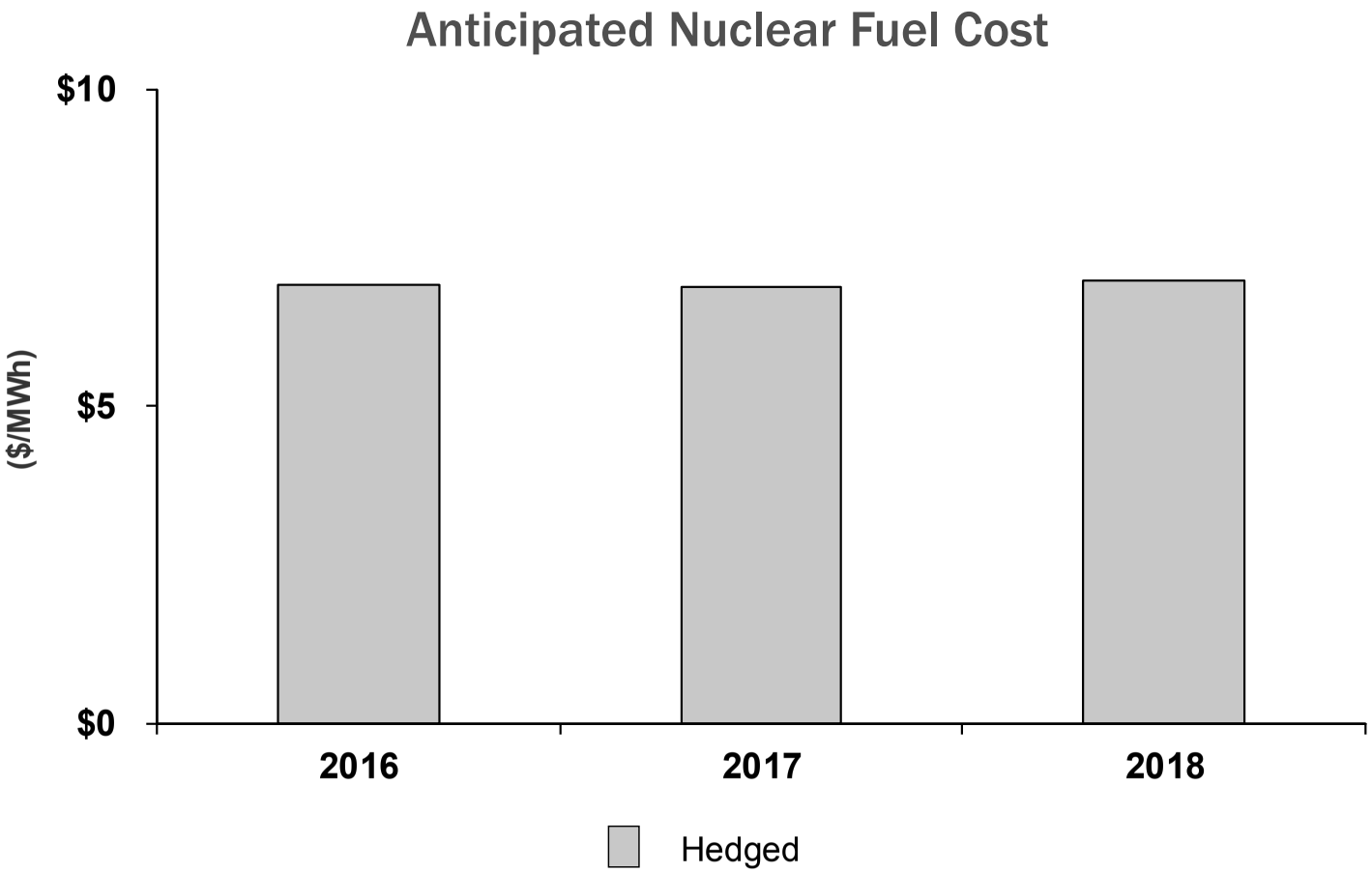
NJ Coal-Fired Plant Details

	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a preliminary request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the 2020-2021 capacity auction to be held in May 2017. The two stations have not cleared the PJM capacity auction for the prior two years, and would need significant investment to achieve the performance standards associated with PJM's Capacity Performance construct. The submission provides PSEG Power the opportunity to fully analyze the market conditions and economics, among other factors, associated with maintaining station operations, including any necessary capital improvements, prior to making a final determination whether or not to bid in the 2020-2021 capacity auction by December 1, 2016.

SI-SSA-0015-11238

Nuclear fuel needs have been hedged through 2018



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The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-11240

PSEG FINANCIAL APPENDIX

SI-SSA-0015-11241

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-11242

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

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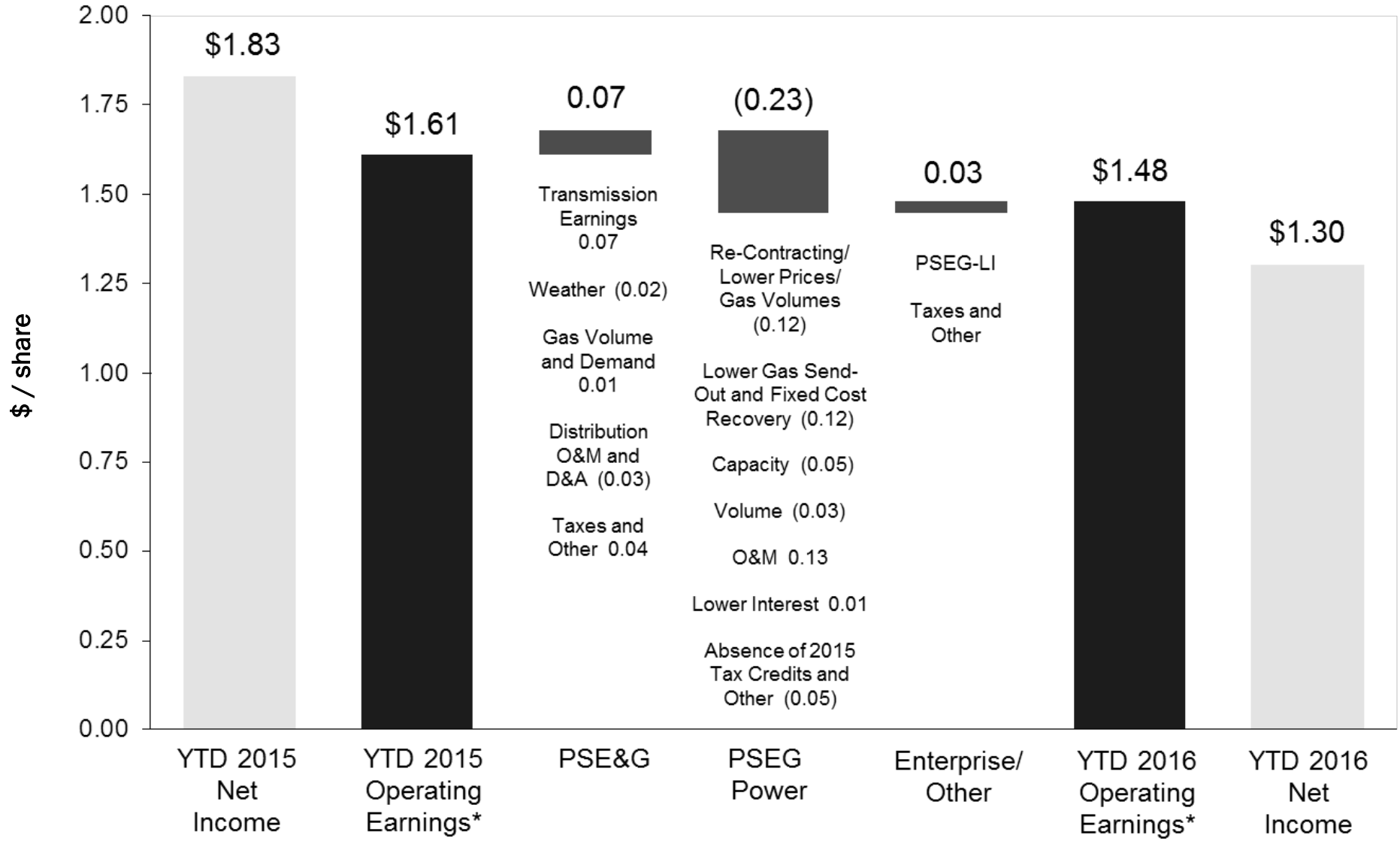
* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



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PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	**$24.2**	**$15.5**	**$9.2**
Total Debt / Capitalization	**45%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.4%

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PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

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PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

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PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

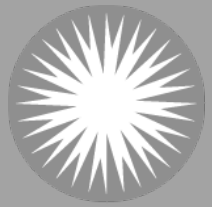
Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-11249

UBS – Investor Meetings

SEPTEMBER 26-30, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11250

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-11251

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-11252

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Kathleen Lally

VICE PRESIDENT – INVESTOR RELATIONS

SI-SSA-0015-11253

PSEG

We make things work for you.

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-11254

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

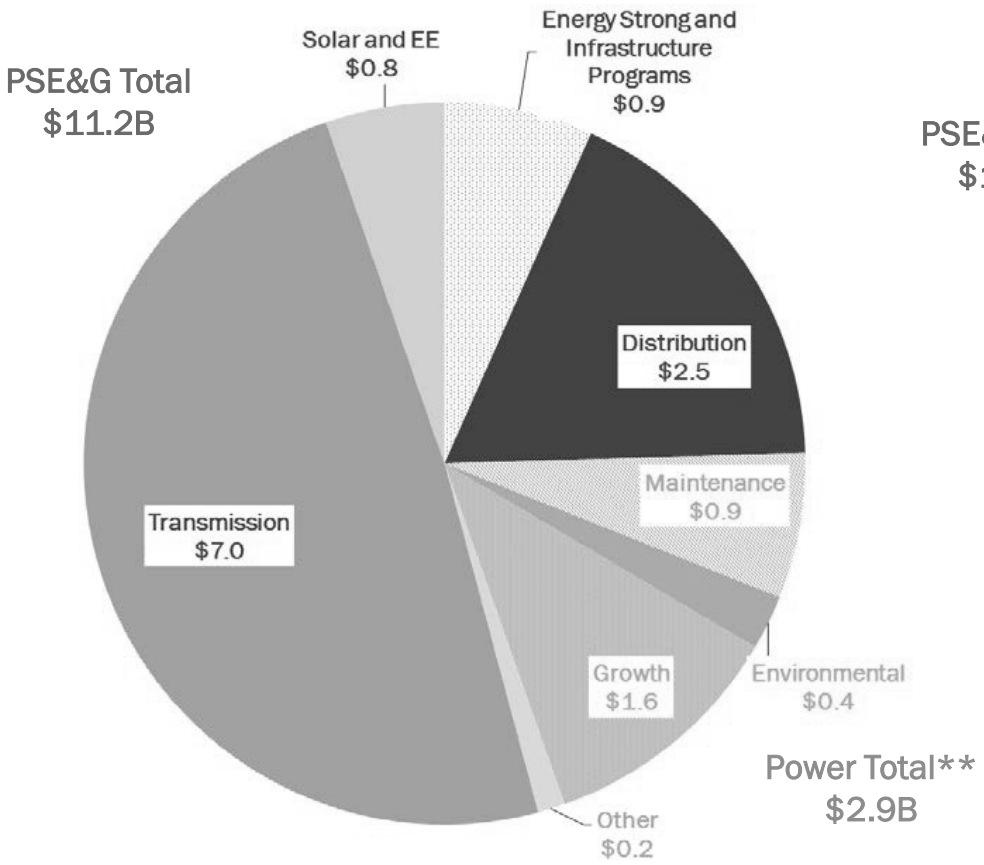
SI-SSA-0015-11255

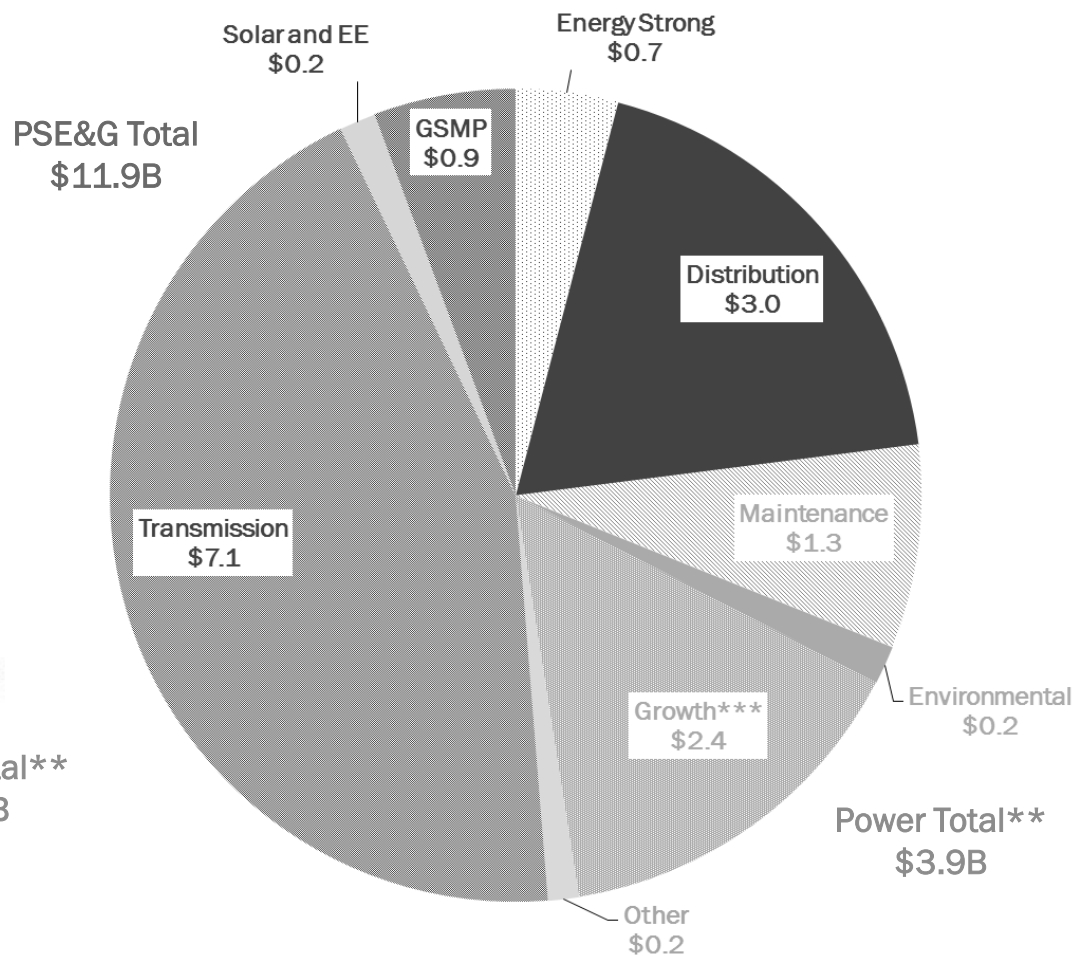
* SECOND YEAR OF EPS GROWTH.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**



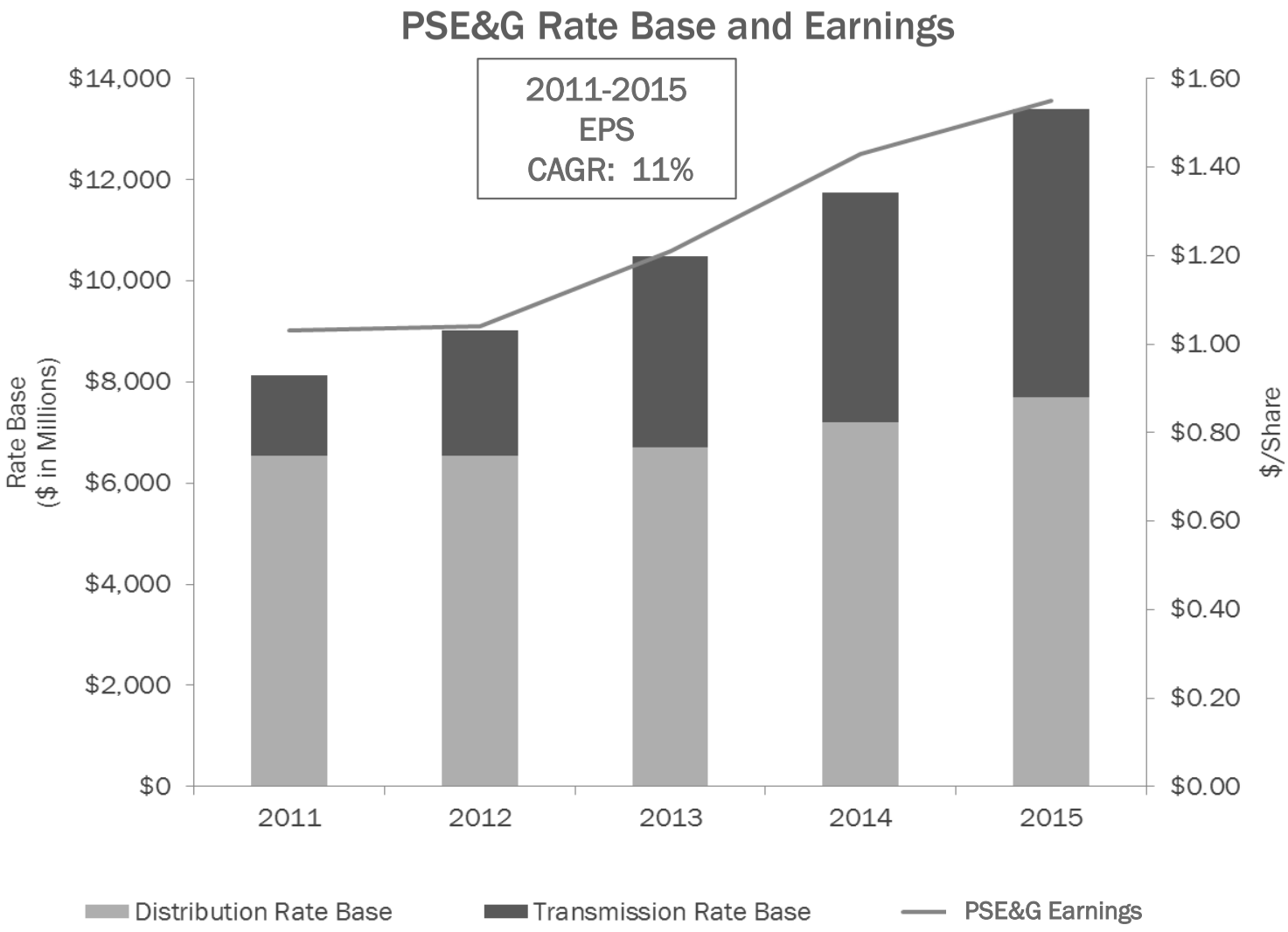


*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-11256

PSE&G's investment program

Meeting public policy goals and customer needs



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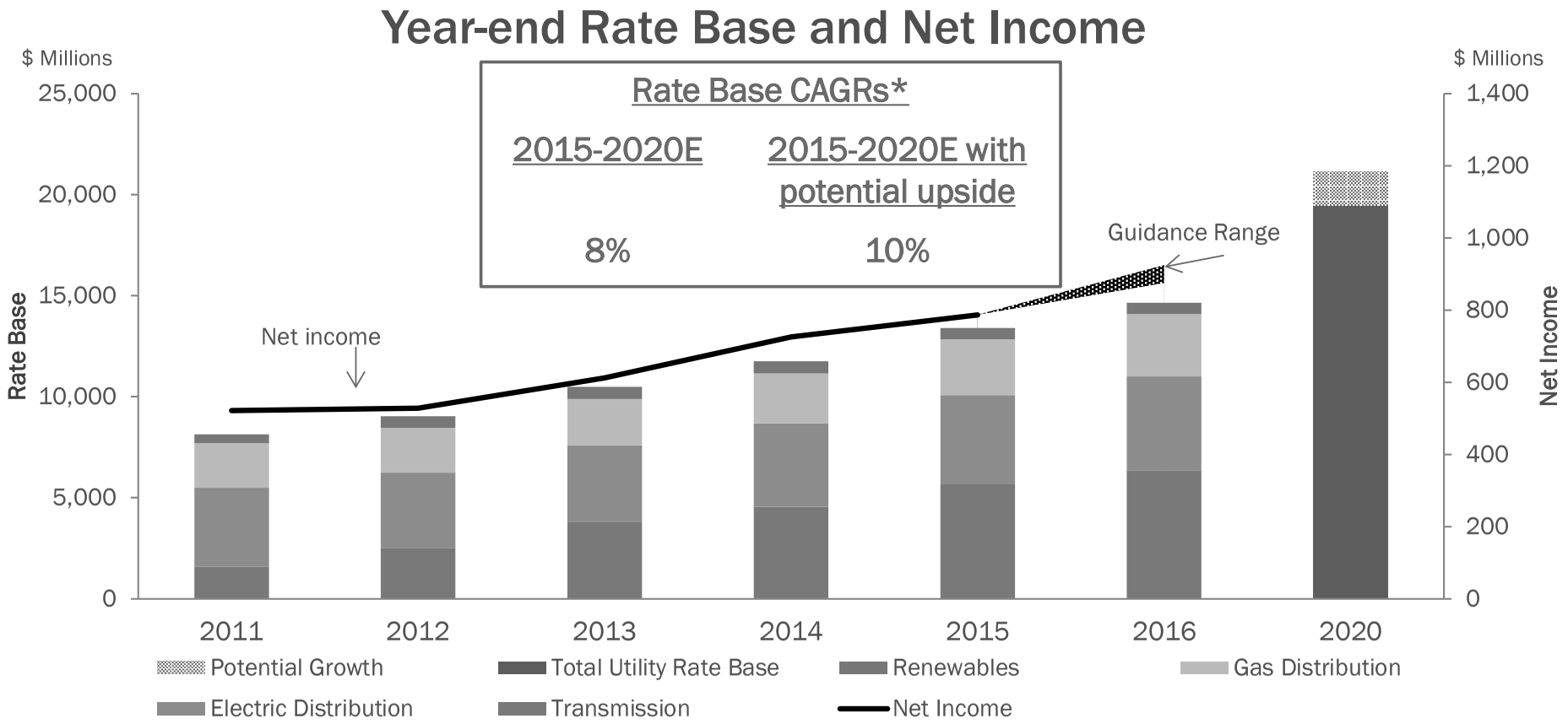
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Investment program combined with cost control drives growth in earnings



Bonus depreciation

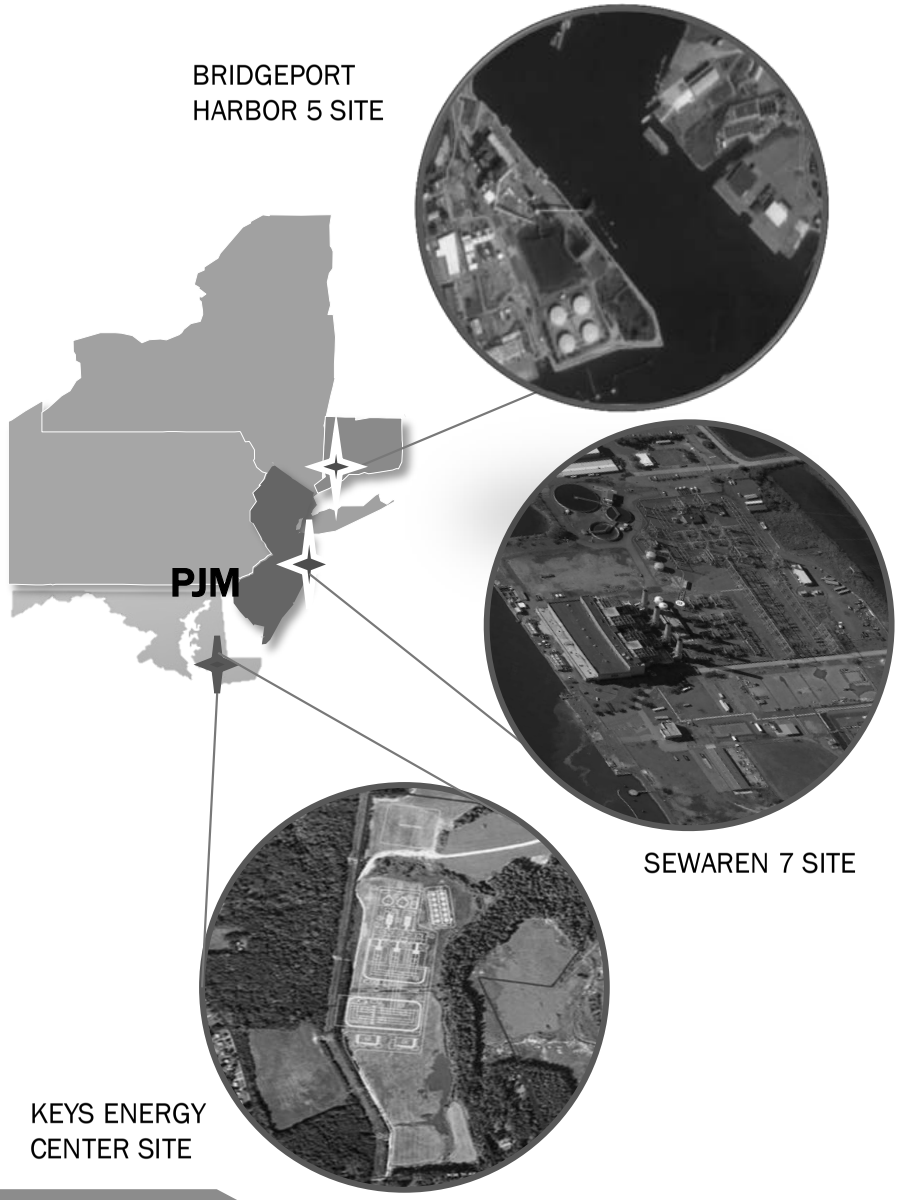
- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

SI-SSA-0015-11258

PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT

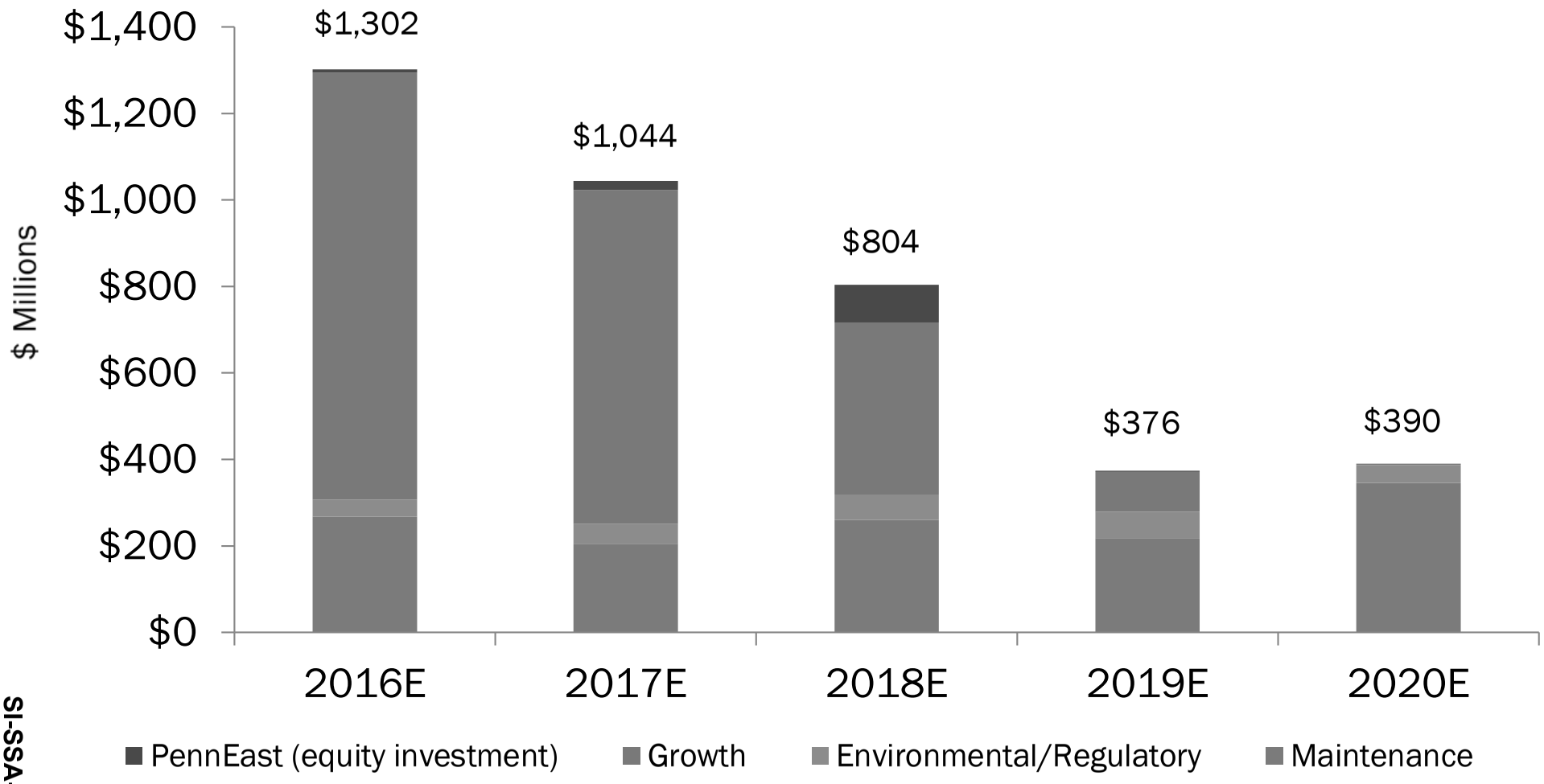


- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-11259

Power investing $2 billion of capital in new capacity



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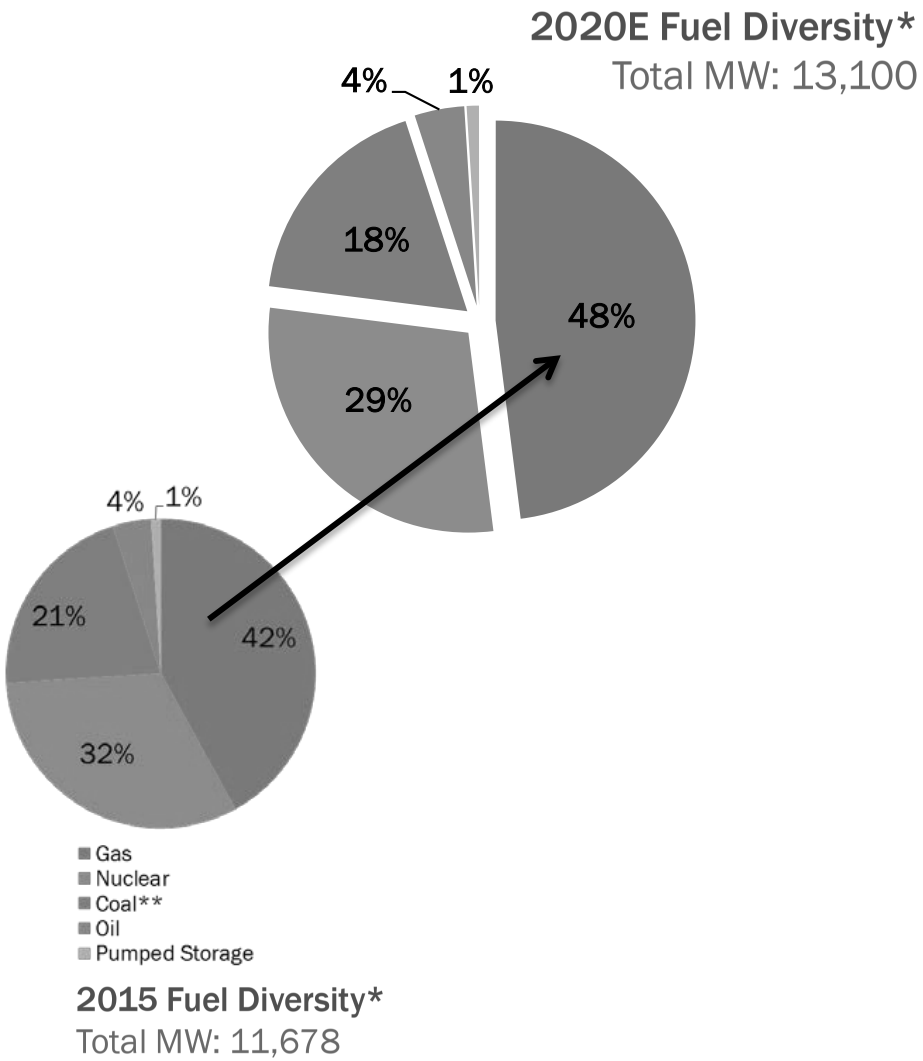
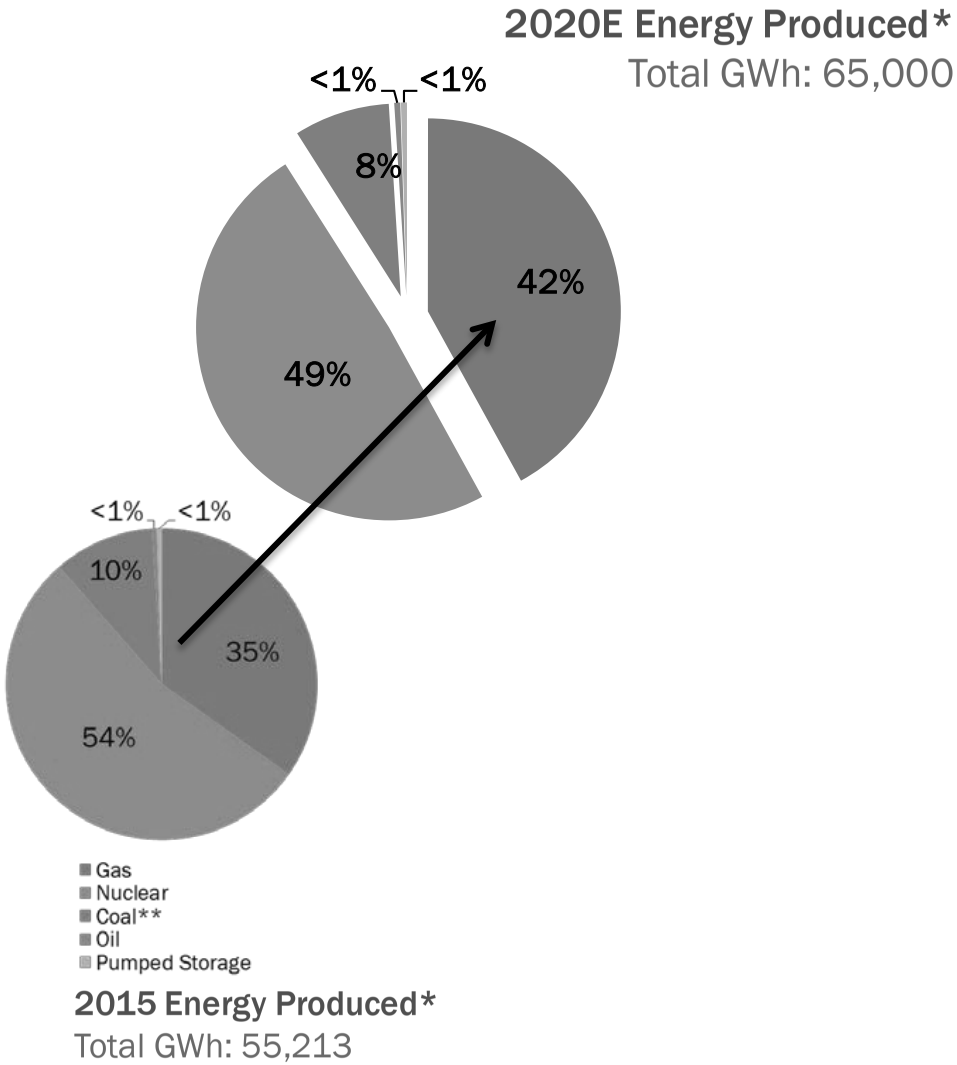
E=ESTIMATE. DATA AS OF MARCH 2016

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-11261

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

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PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

Hudson and Mercer Generating Stations

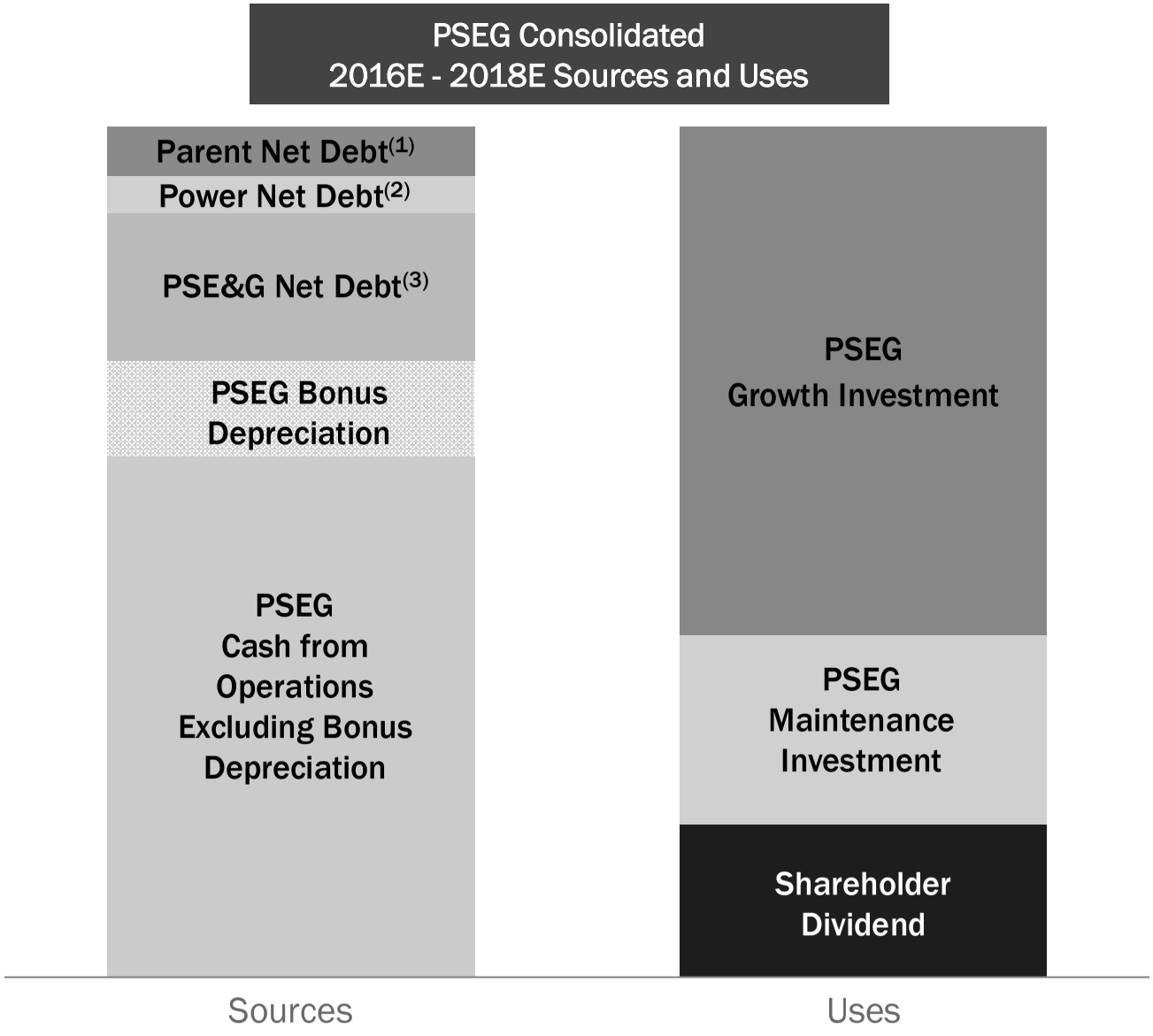
- On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the May 2017 capacity auction
- The two stations have not cleared the PJM capacity auction for the prior two years, and would require significant investment to achieve the performance standards associated with PJM's Capacity Performance construct
- A final determination on whether or not to bid in the 2020-2021 capacity auction would be made no later than December 1, 2016

	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

SI-SSA-0015-11264

Utilizing our Strong Balance Sheet

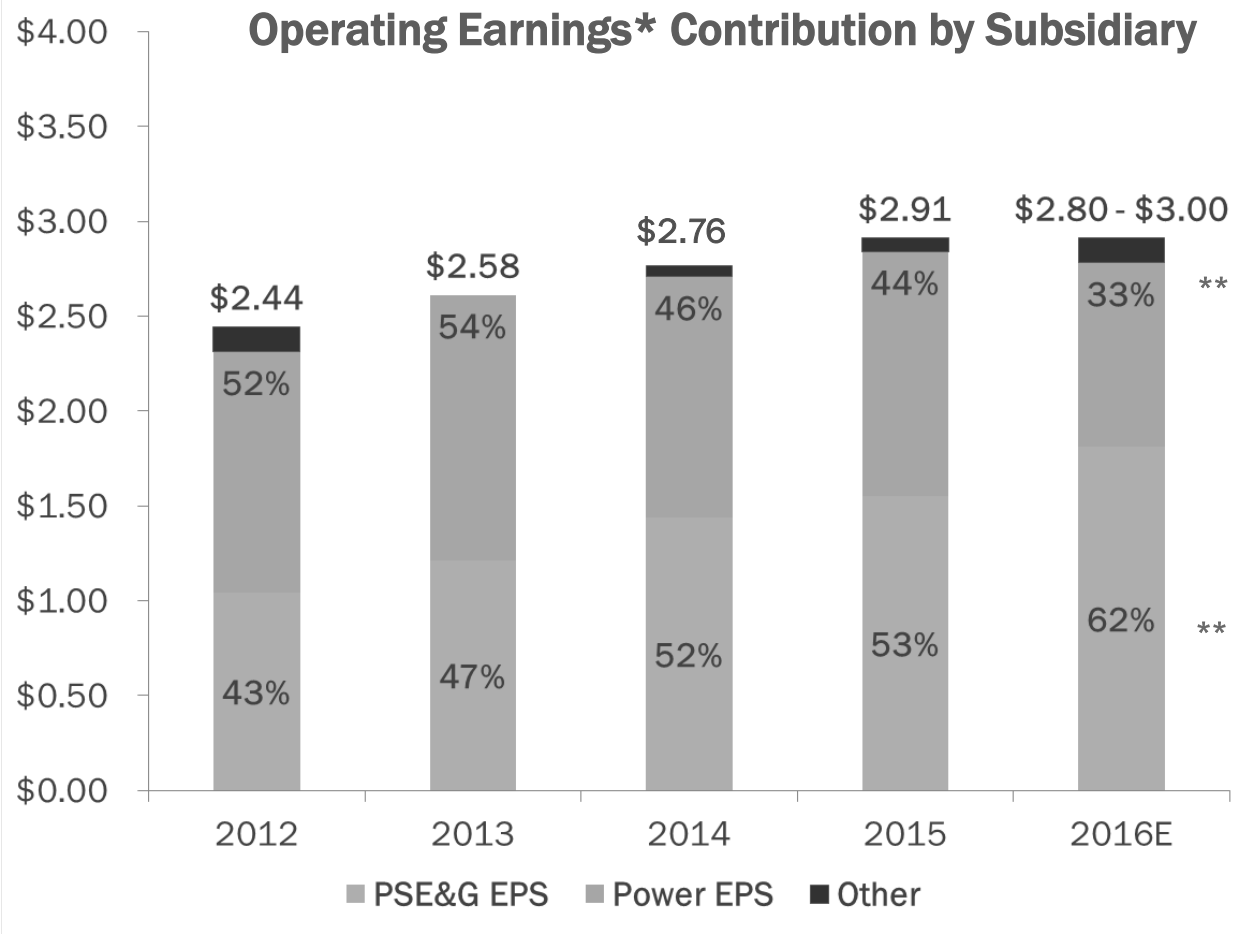
and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

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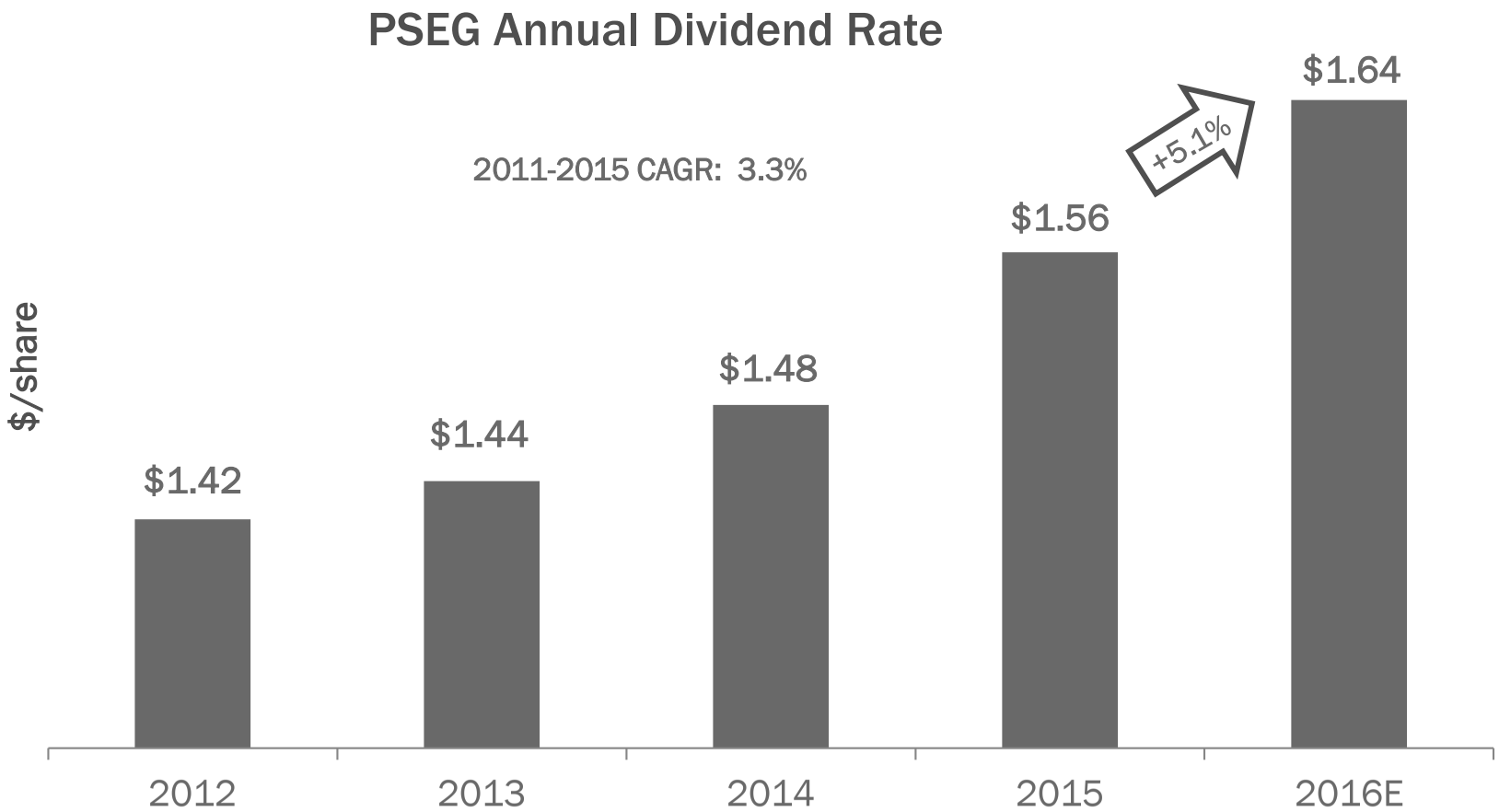
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

SI-SSA-0015-11267

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

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PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

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Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

NYSE: PEG

PSEG Investor Update • September 28, 2018

SI-SSA-0015-11271

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-11272

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results.

Operating Earnings is a non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The last two slides in this presentation (Slides A and B) include lists of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings with a reference to those slides included on each of the slides where the non-GAAP information appears.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

SI-SSA-0015-11273

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-11274

PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

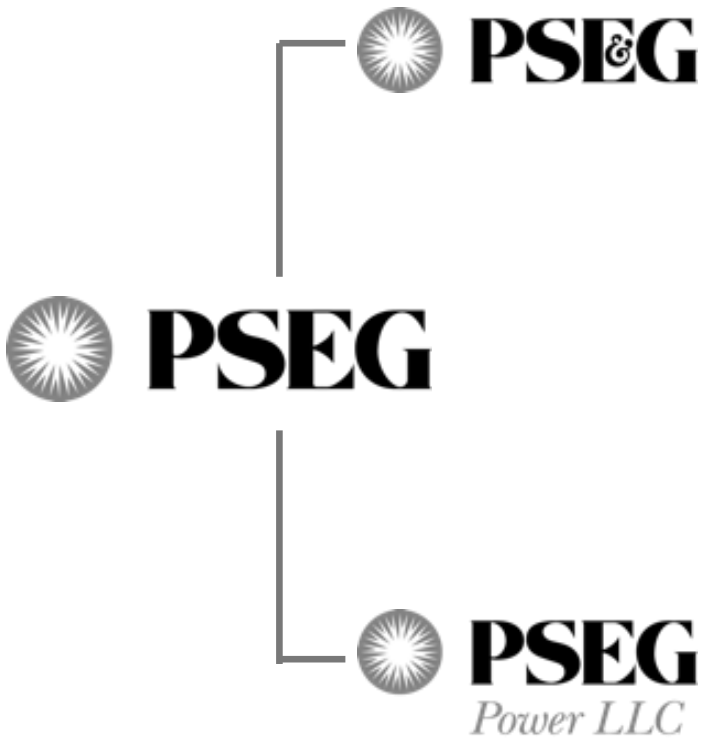
Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

*SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

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Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

2018	PSEG 5-Year Capital Investment Program $14B - $17.5B

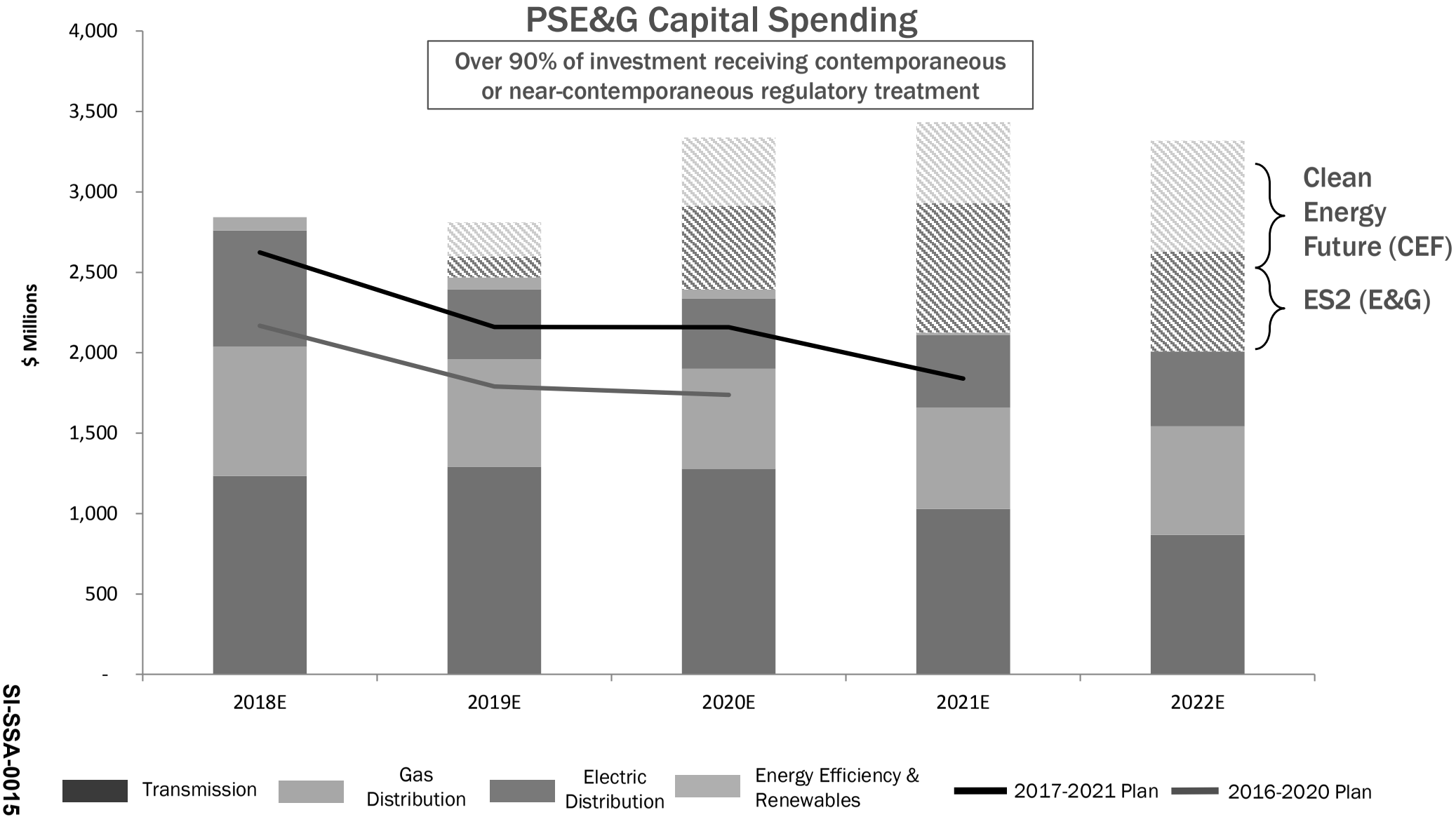
- ✓ Investing $12 Billion-$16 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-11278

NOTE: PSEG AND PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

$12B-$16B investment program focused on grid modernization, reliability and clean energy



HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

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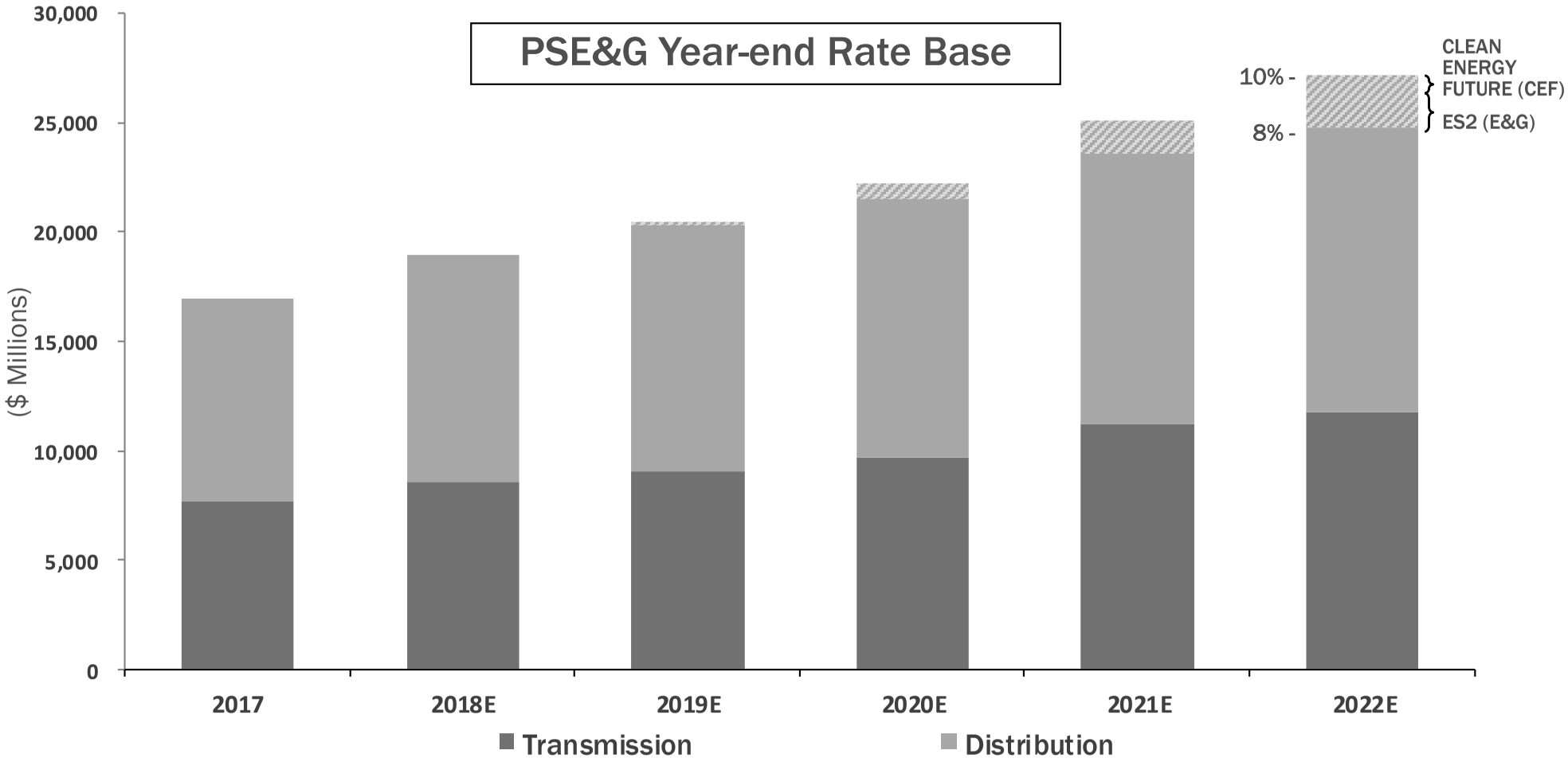
Expanded utility investment program of $12B - $16B provides opportunity for rate base growth of 8% - 10%



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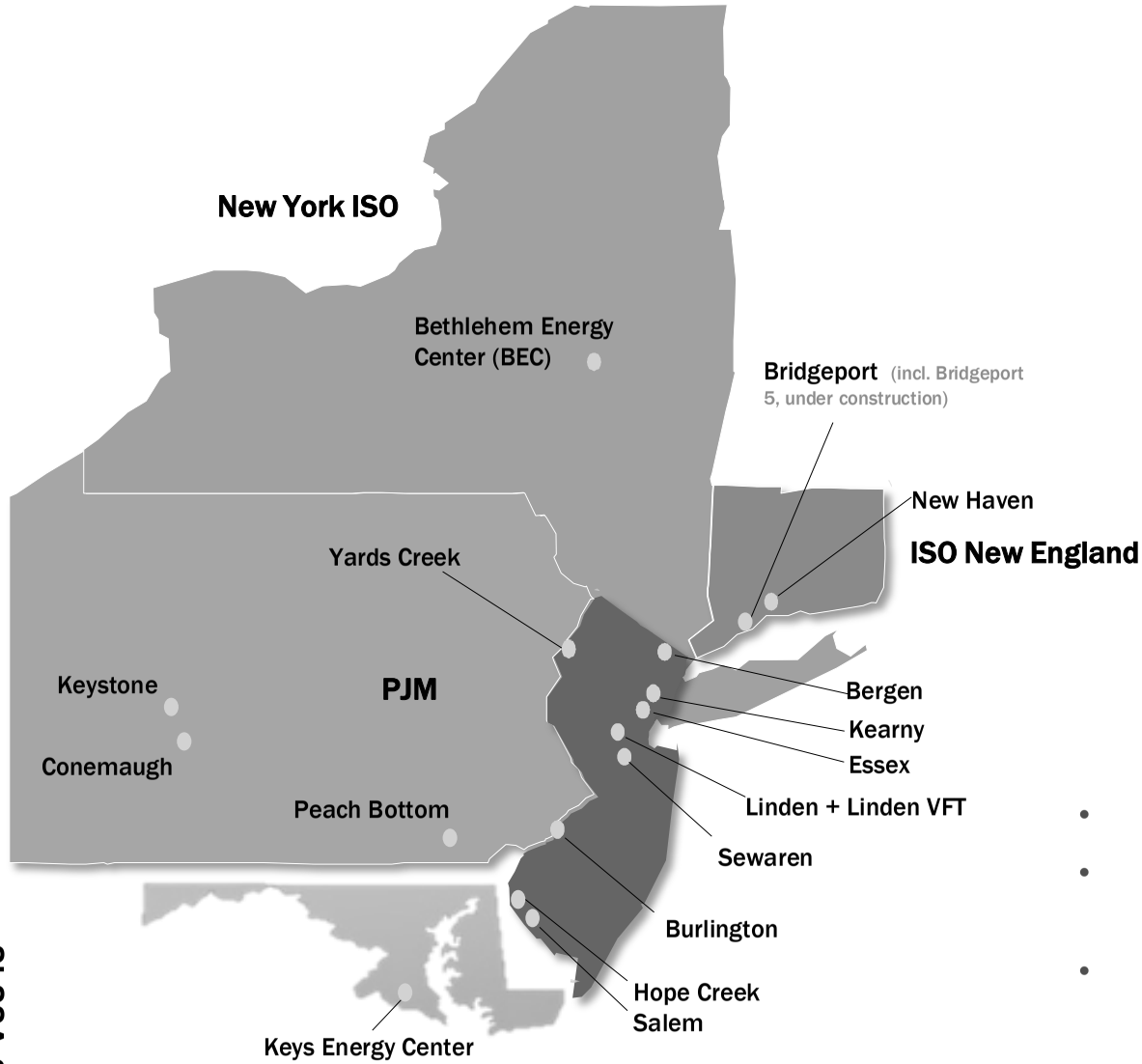
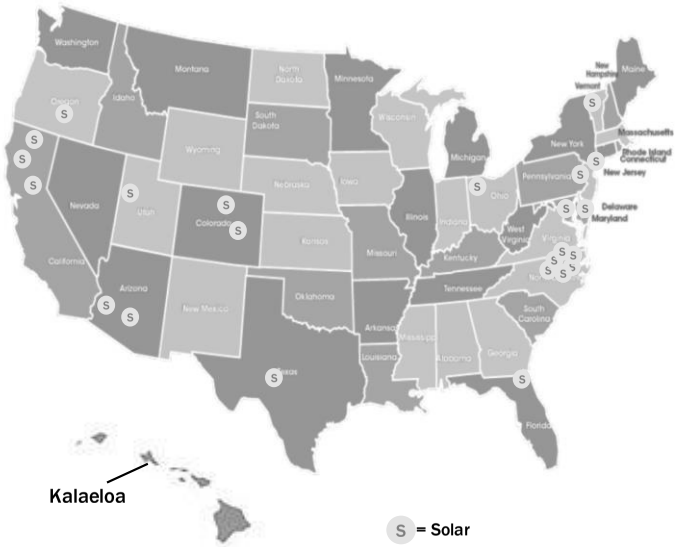
PSEG

HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

Power's generating assets mainly located in three competitive markets





Power Ventures assets:

- Solar (414 MW_{DC}/325 MW_{AC})
- Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Completing construction program of three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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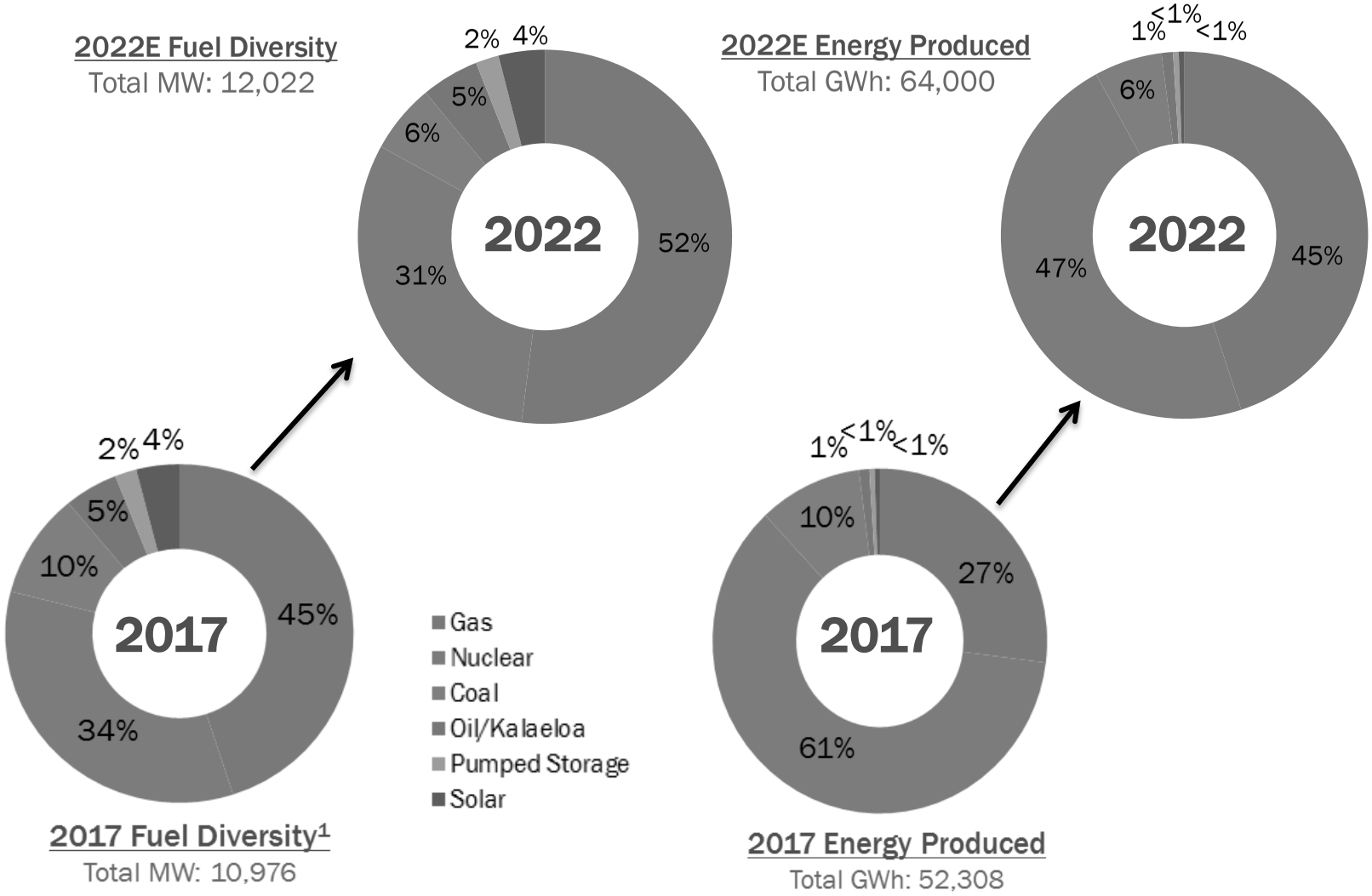
Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

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PSEG

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filed in June 2018

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage, EVs and Energy Cloud - AMI

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform at PJM expected in 2019

SI-SSA-0015-11283

AMI = ADVANCED METERING INFRASTRUCTURE.

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ 330-Day process underway – NJ Board of Public Utilities expected to determine eligibility and select nuclear plants to receive ZECs by mid-April 2019
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-11284

Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 19, 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

SI-SSA-0015-11285

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV Infrastructure • Energy Storage • Energy Cloud – AMI Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication Regulated Renewables

AMI = ADVANCED METERING INFRASTRUCTURE.

NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

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Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency:** Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles:** "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage:** Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: Advanced Metering Infrastructure (AMI):** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

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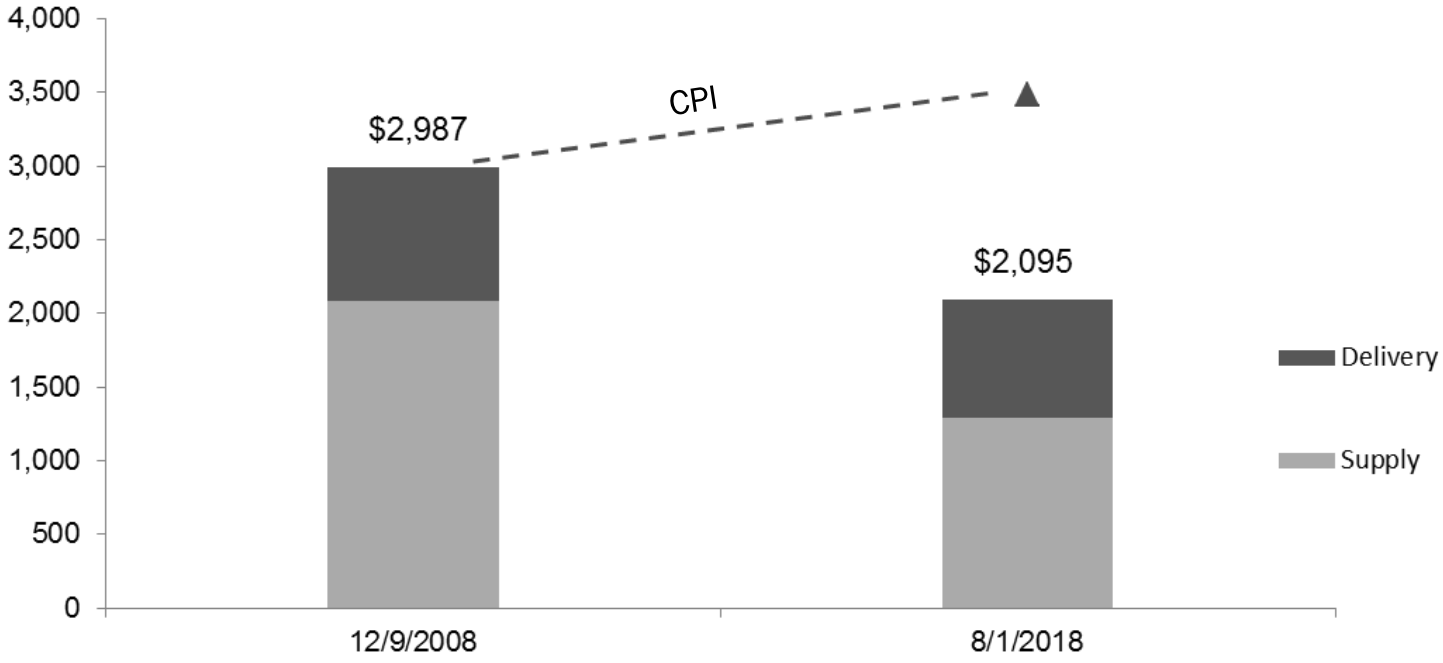
Customer's bills are materially lower, supporting needed investment in the system

PSE&G Combined Typical Annual Residential Customer Bills*



- Combined, typical residential electric and gas customer bills are ~30% lower since the highpoint in 2008 and >40% lower when adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Delivery revenue component is the lowest in the state for Gas and second lowest for Electric
- PSE&G's infrastructure and clean energy investment programs would increase rates by approximately 2% - 3% annually, aligned with inflation

SI-SSA-0015-11289

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

$14B to $17.5B

Investment in regulated business represents ~90% of capital program

.HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILING.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018
CAPITAL INCLUDES IDC AND AFUDC E=ESTIMATE

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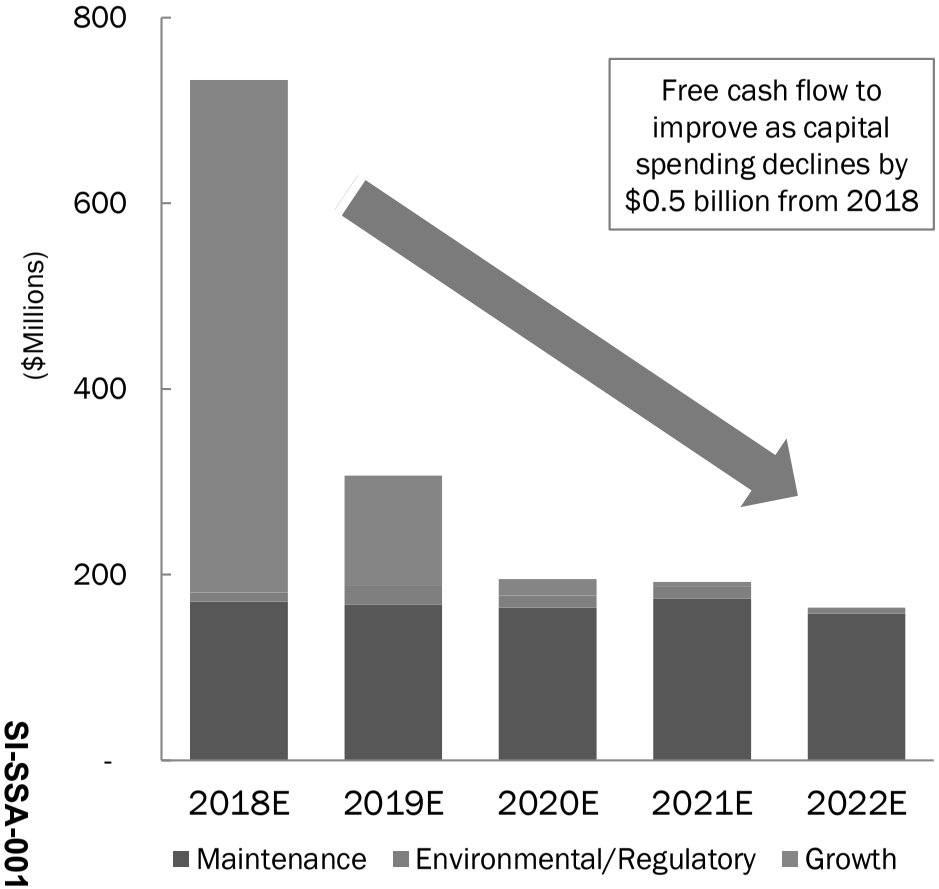
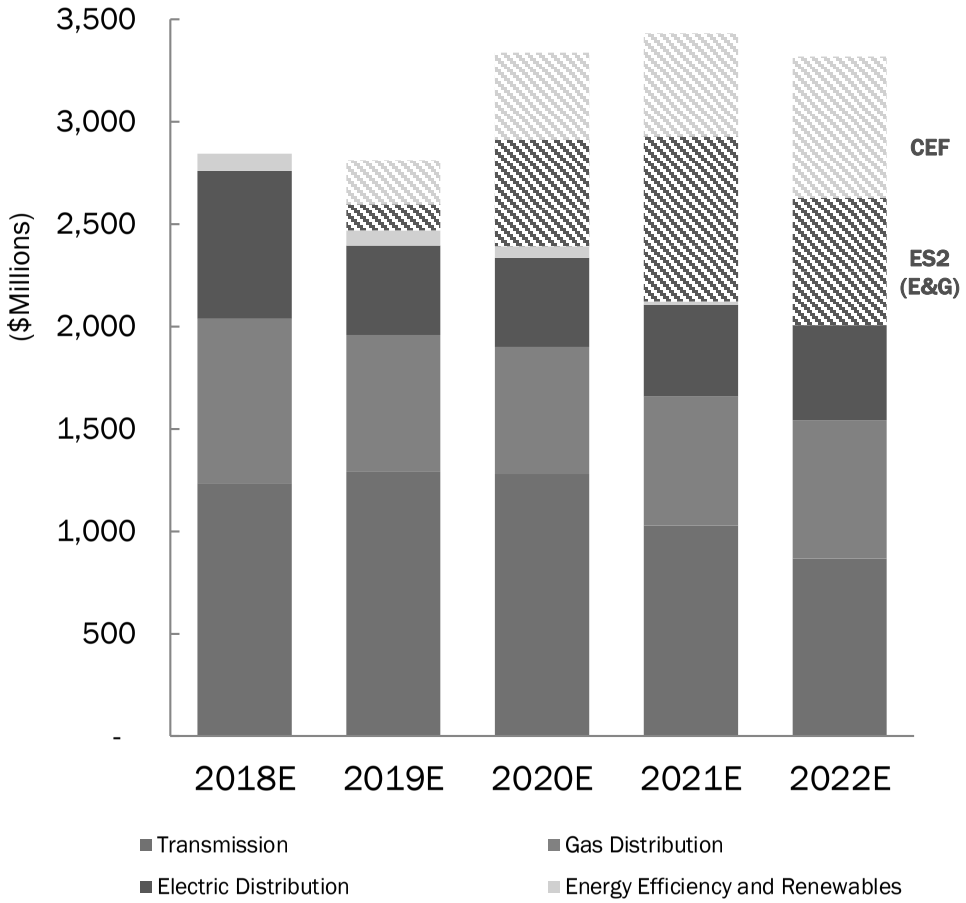
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1)CAPITAL INCLUDES IDC AND AFUDC.
2)HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
E = ESTIMATE

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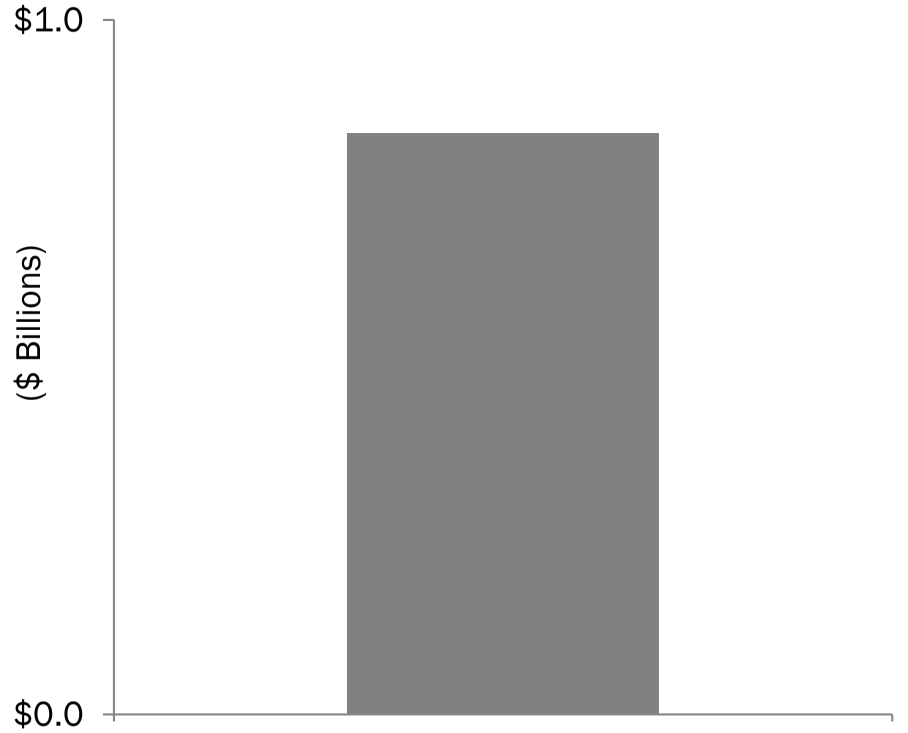
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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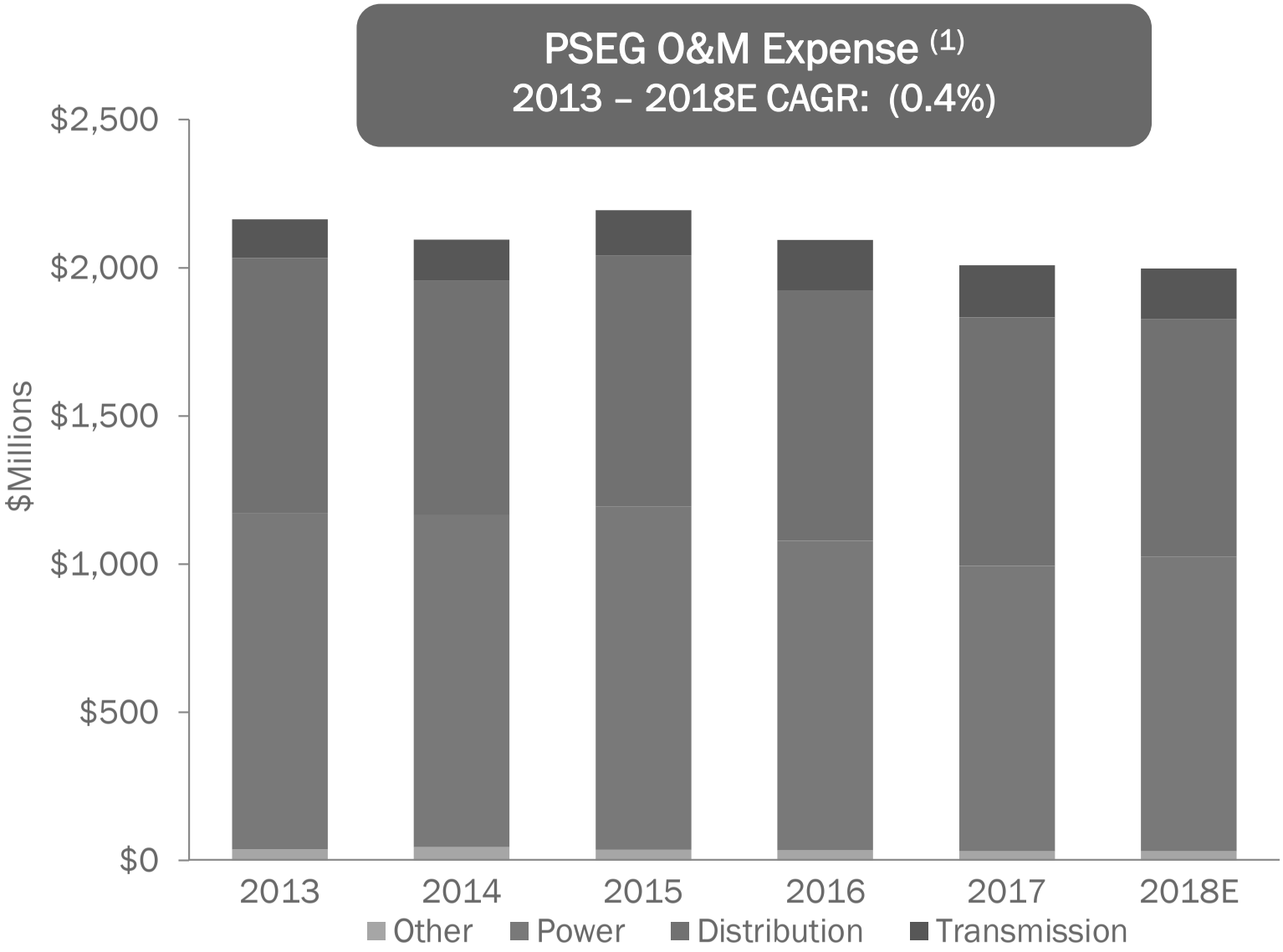
PSEG has controlled O&M



Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

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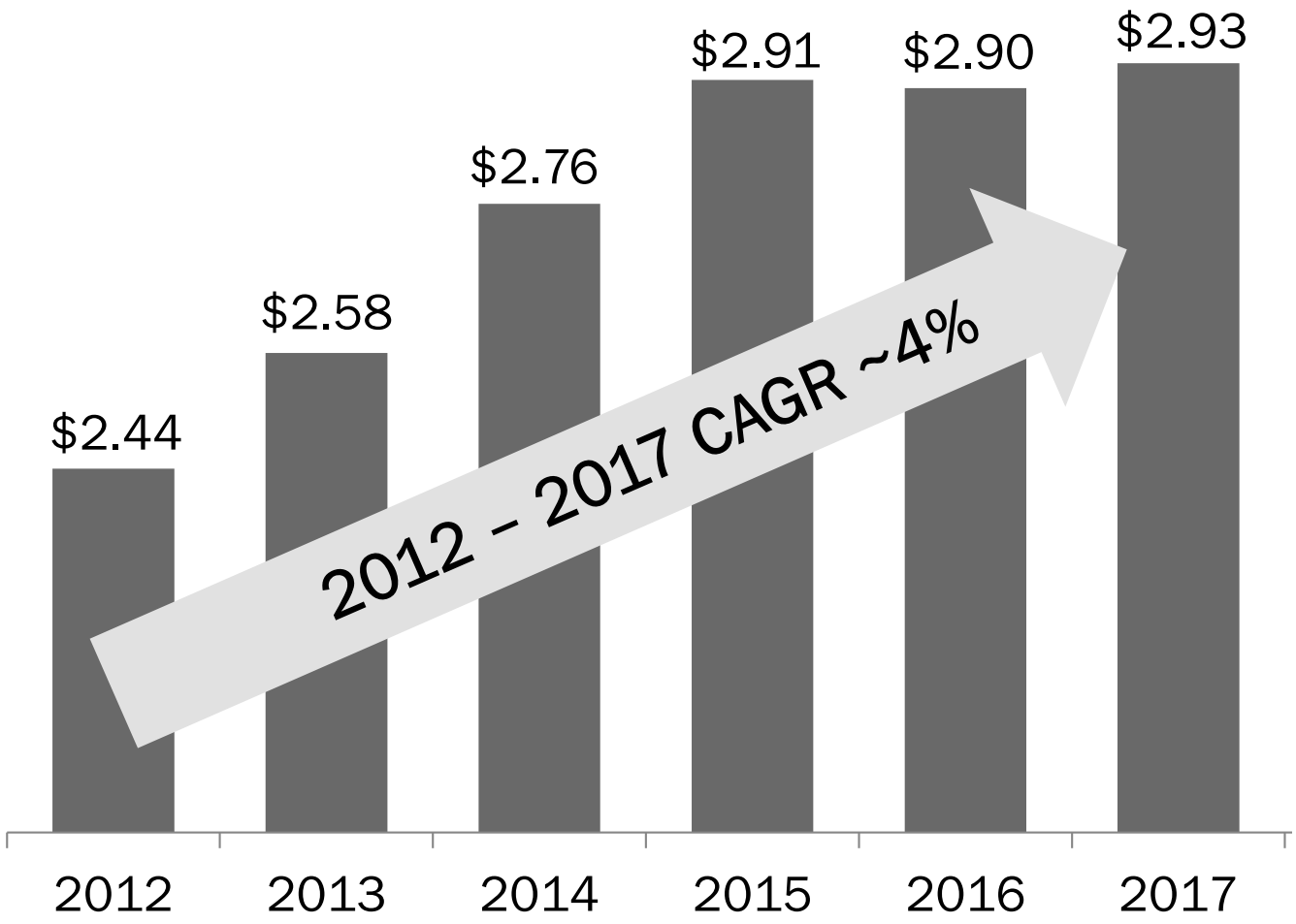
Strategic focus continues to deliver solid results

PSEG non-GAAP Operating Earnings per Share*



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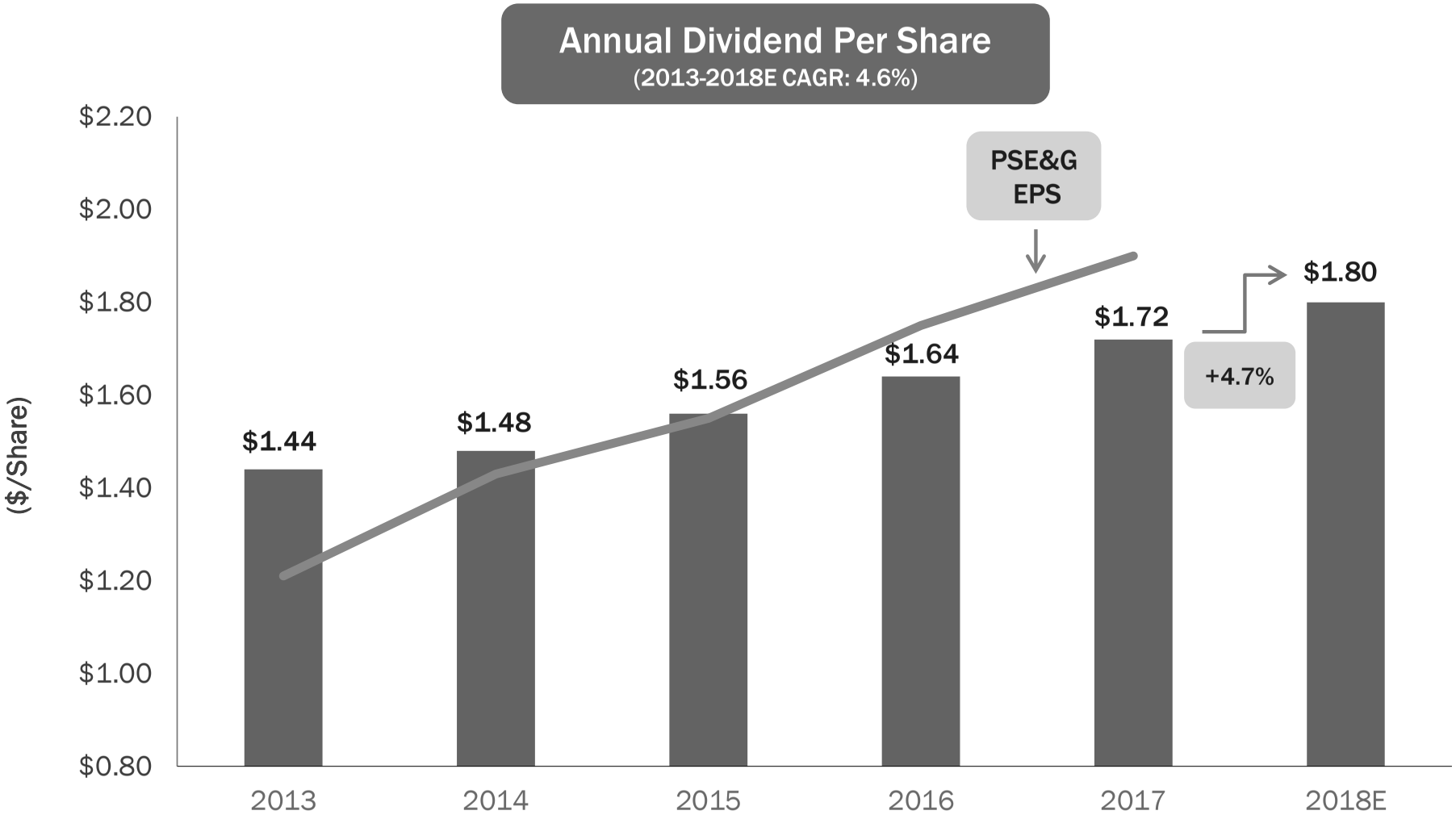
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E = ESTIMATE.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE; INDICATIVE ANNUAL RATE.

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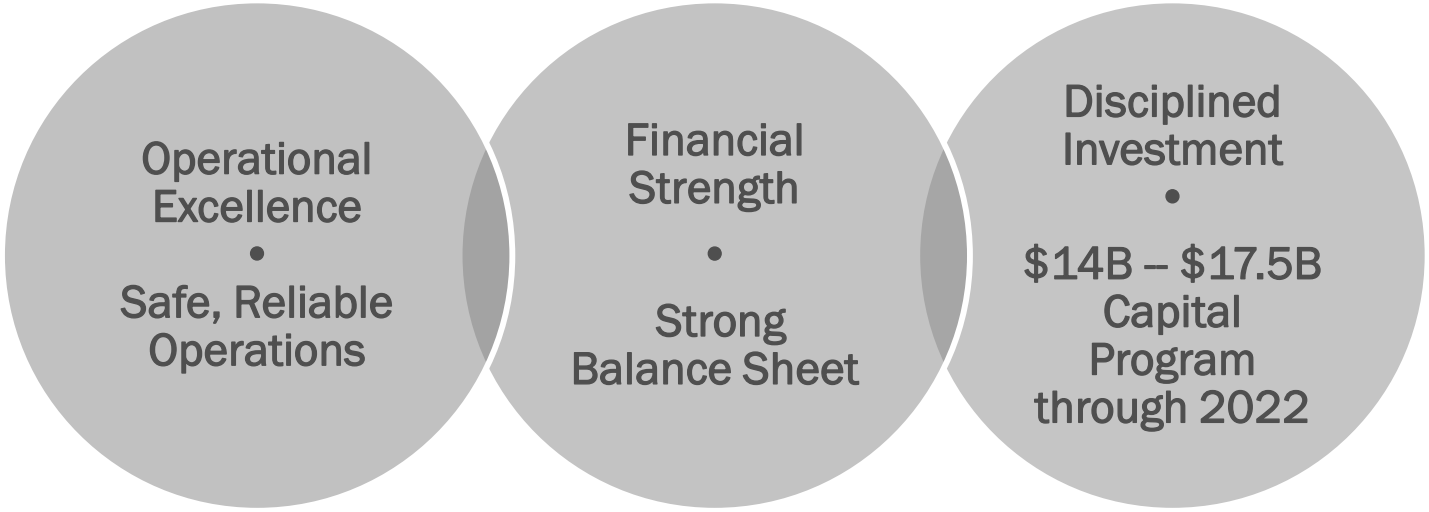
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-11296

NOTE: PSEG 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels
- ✓ Named to the Dow Jones North America Sustainability Index for the 11th year in 2018
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-11297

PSEG EXECUTIVE PROFILES

SI-SSA-0015-11298

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

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Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

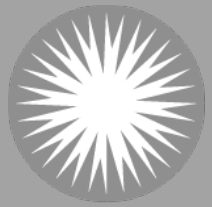
Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

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

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

UBS – Canadian Investor Conference

TORONTO – JUNE 19, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11303

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-11304

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG OVERVIEW

PSEG

We make things work for you.

SI-SSA-0015-11306

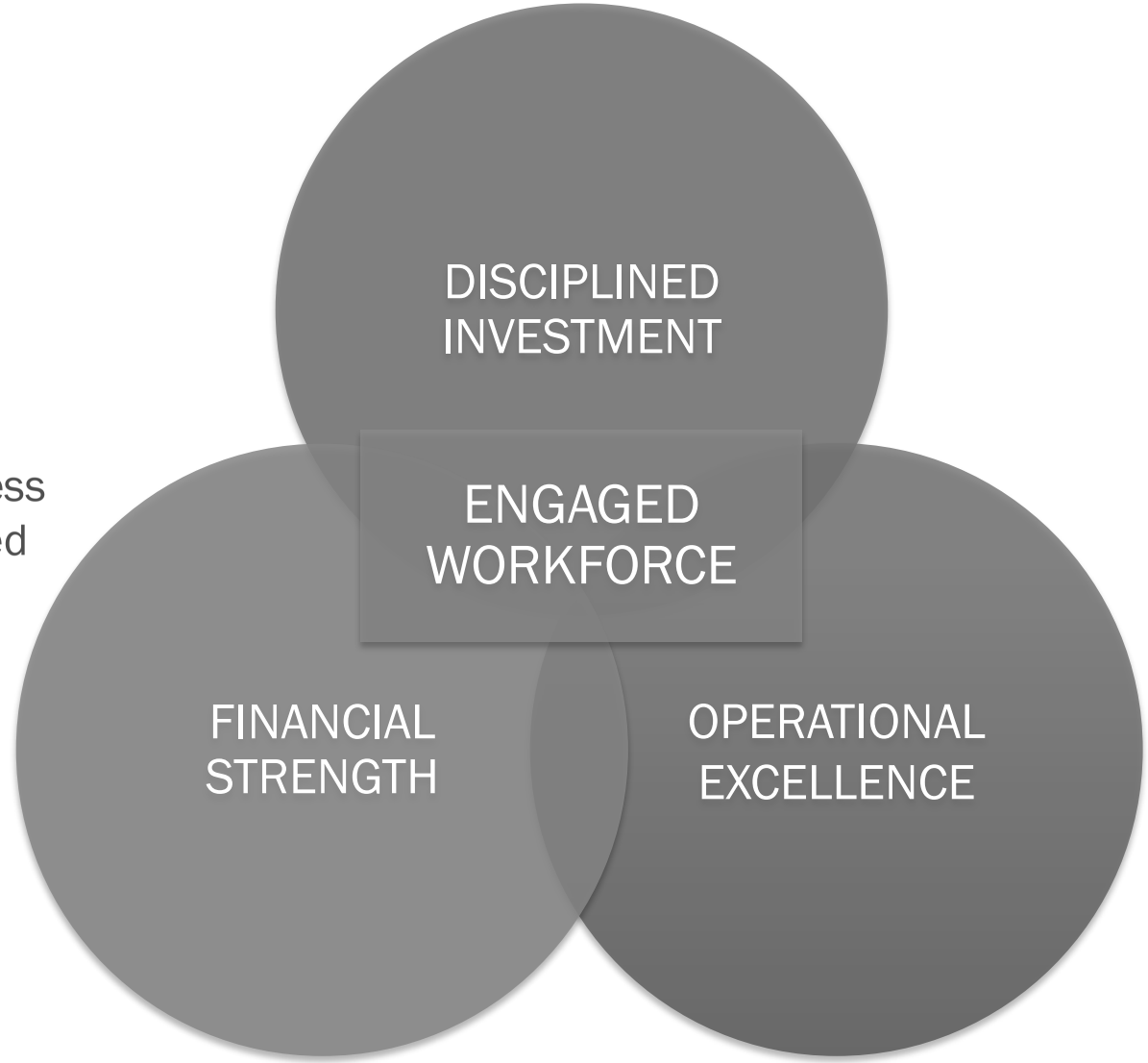
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness
Value Proposition: An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B; Operating Earnings $612M	2013 — Assets $12B; Operating Earnings $710M

SI-SSA-0015-11308

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

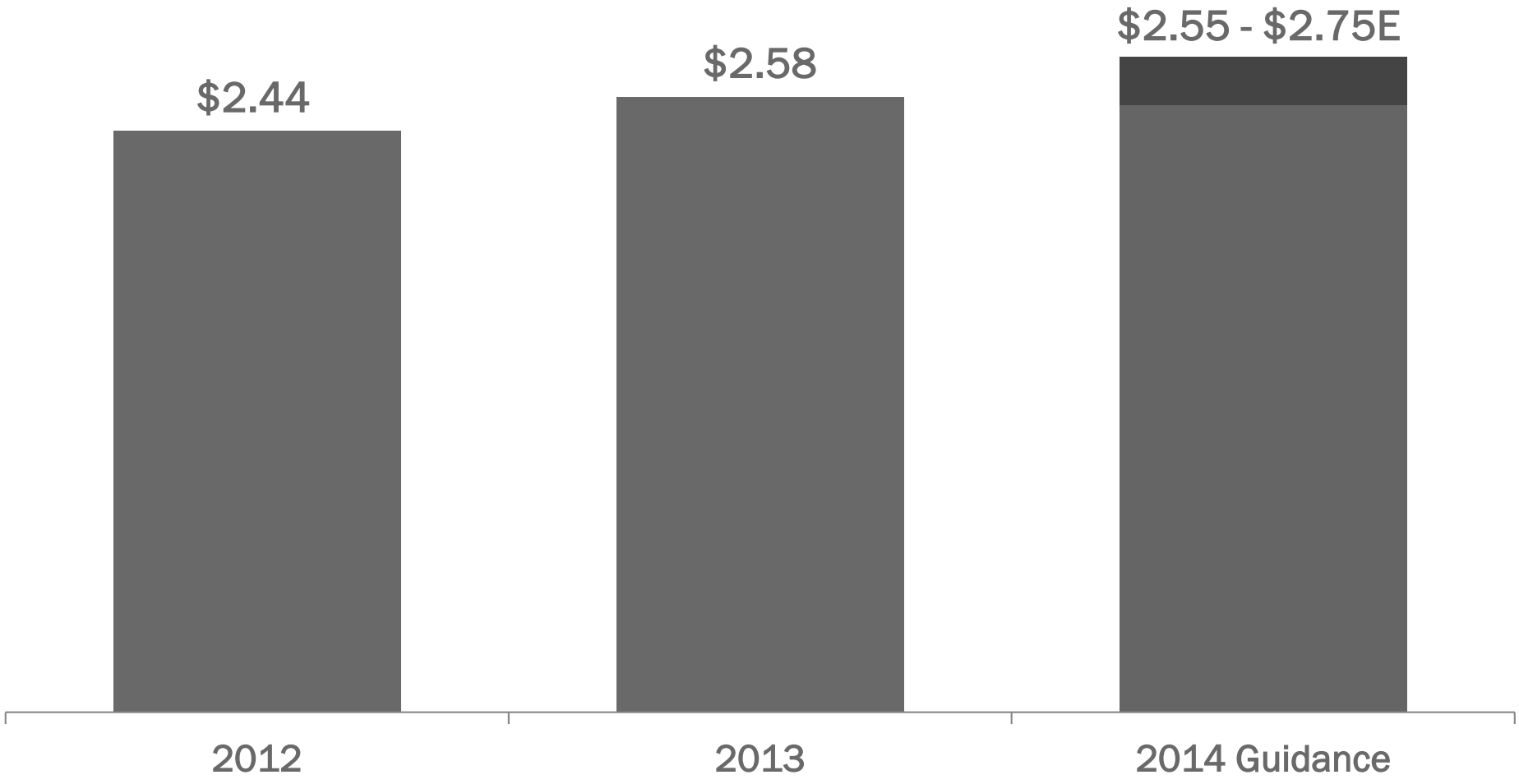
Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-11309

Maintaining PSEG 2014 Operating Earnings Guidance

Reflects increased level of utility investment, pension savings and assumes normal weather and unit operations for the rest of year



SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

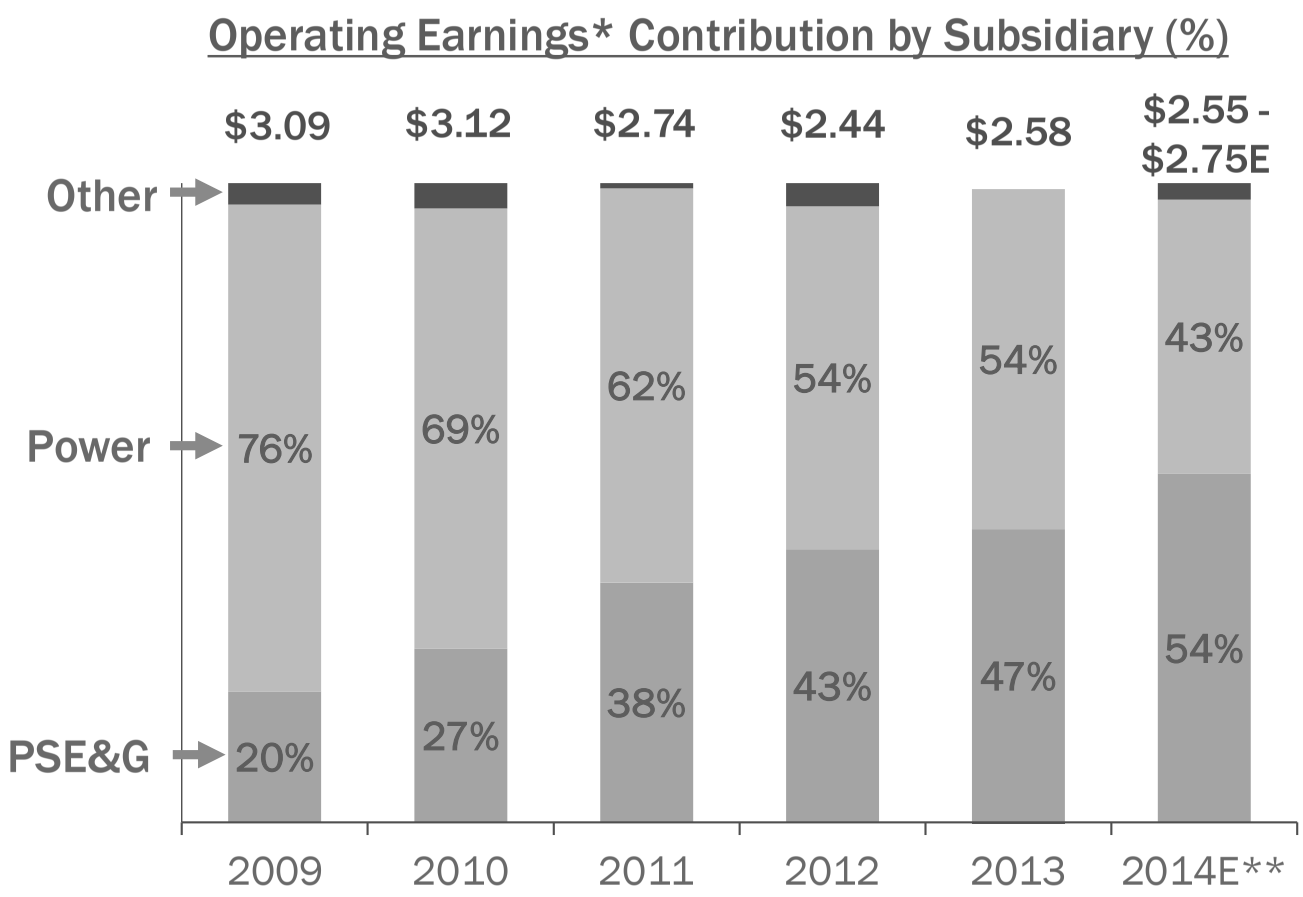
SI-SSA-0015-11310

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



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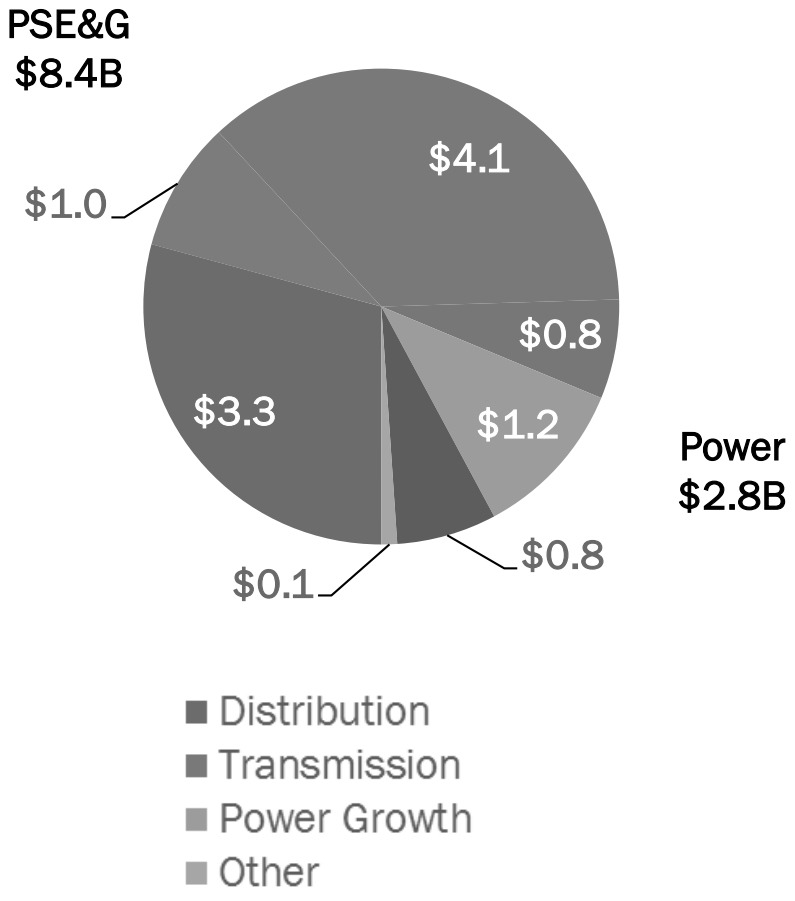
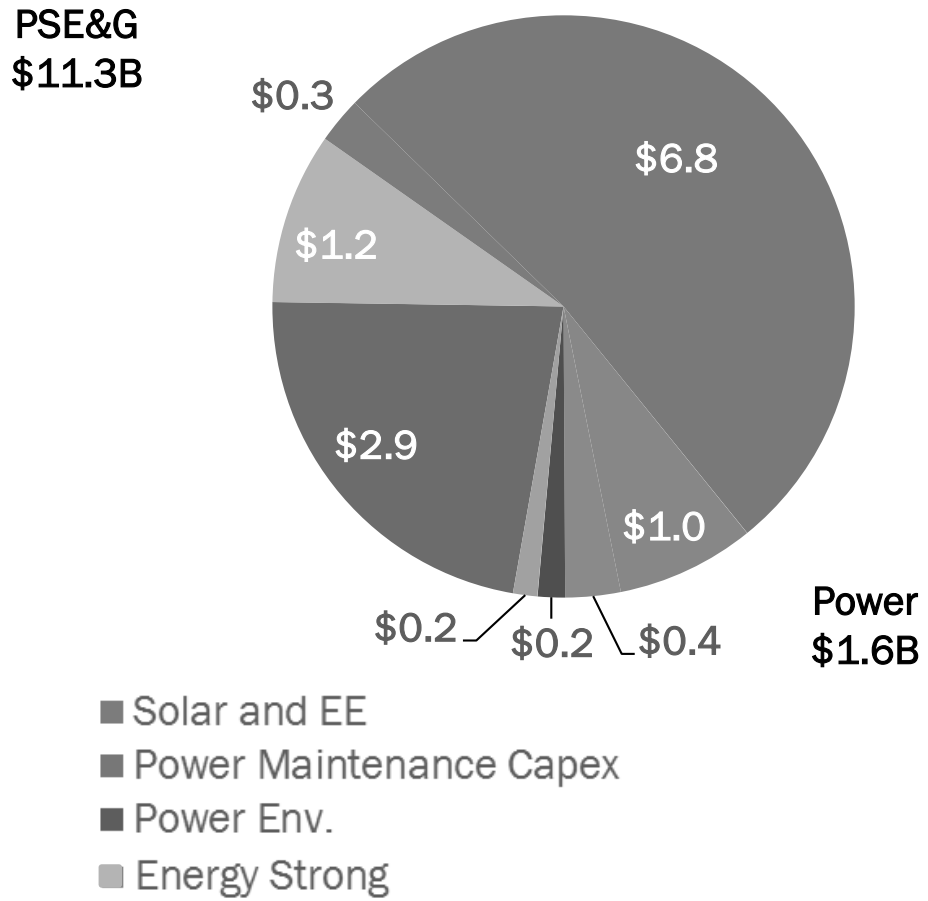
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion





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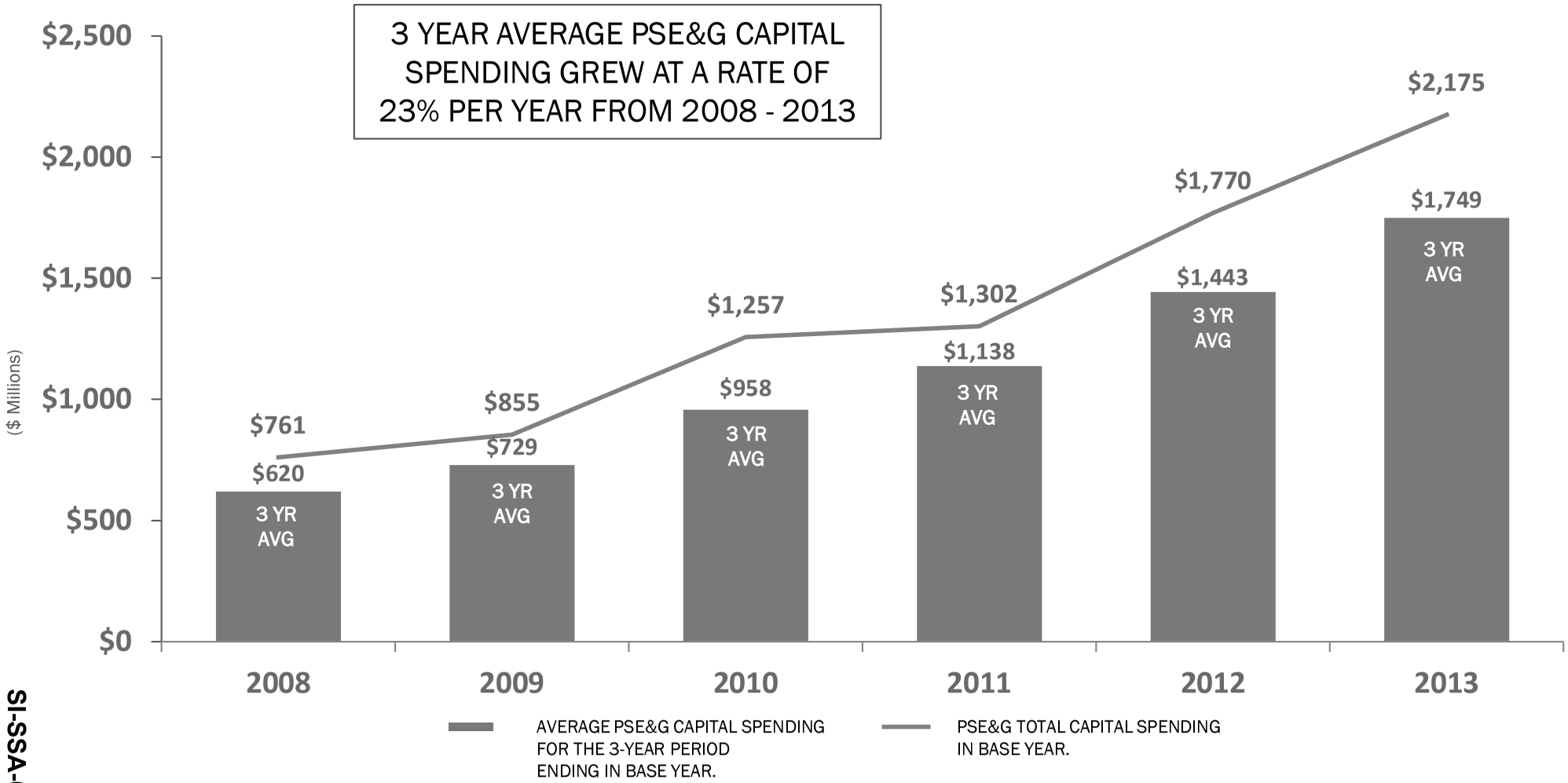
PSEG

NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

PSEG's business profile has been transformed through significant growth in utility capital spending



SI-SSA-0015-11313

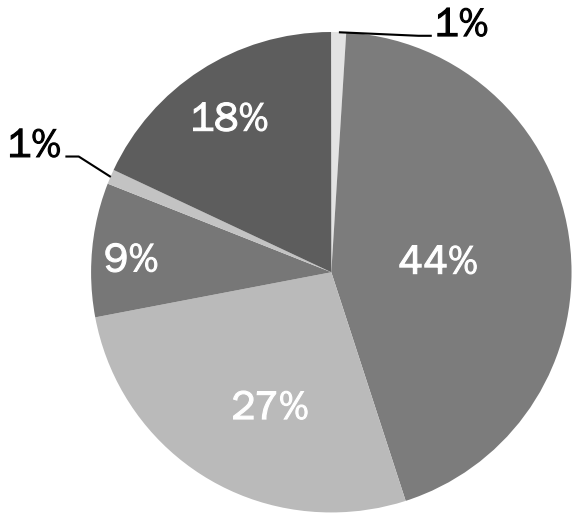
Energy Strong Agreement recognizes benefits of system investments

- Energy Strong Agreement reached with all parties
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- Over 100 New Jersey municipalities supported Energy Strong
- Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program

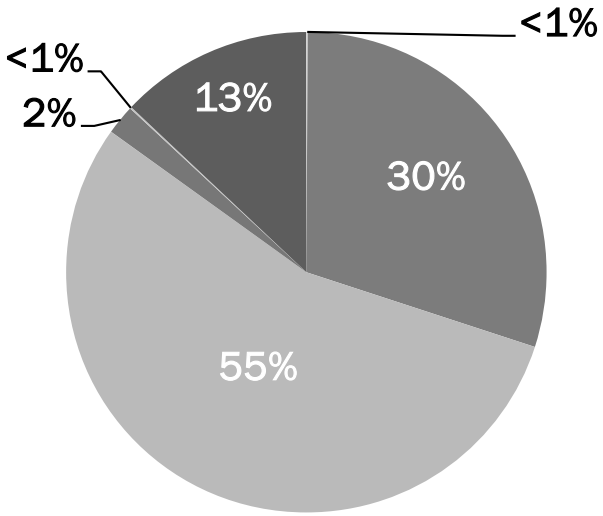
SI-SSA-0015-11314

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

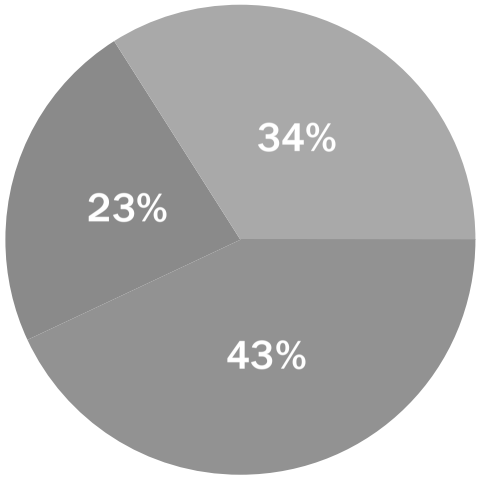
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450

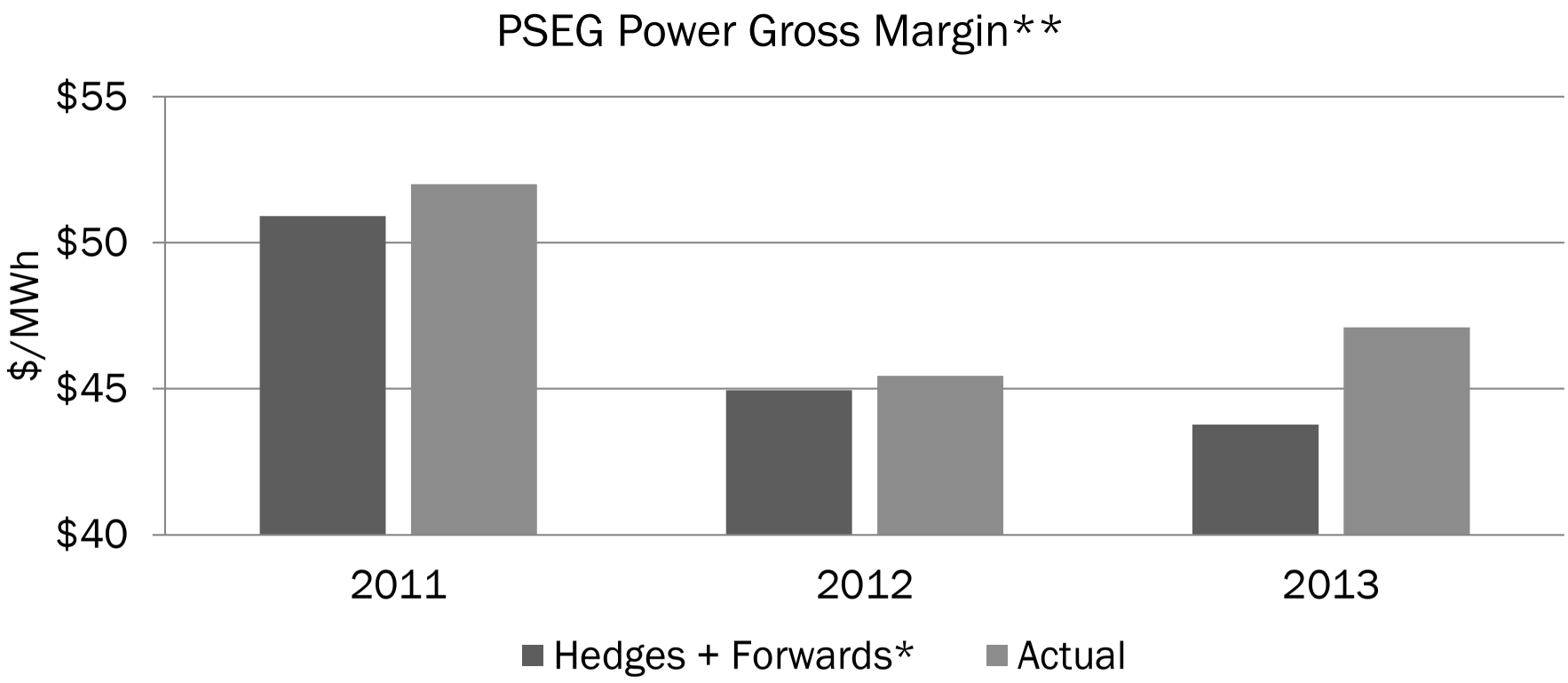


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-11315

PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



SI-SSA-0015-11316

PSEG

*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

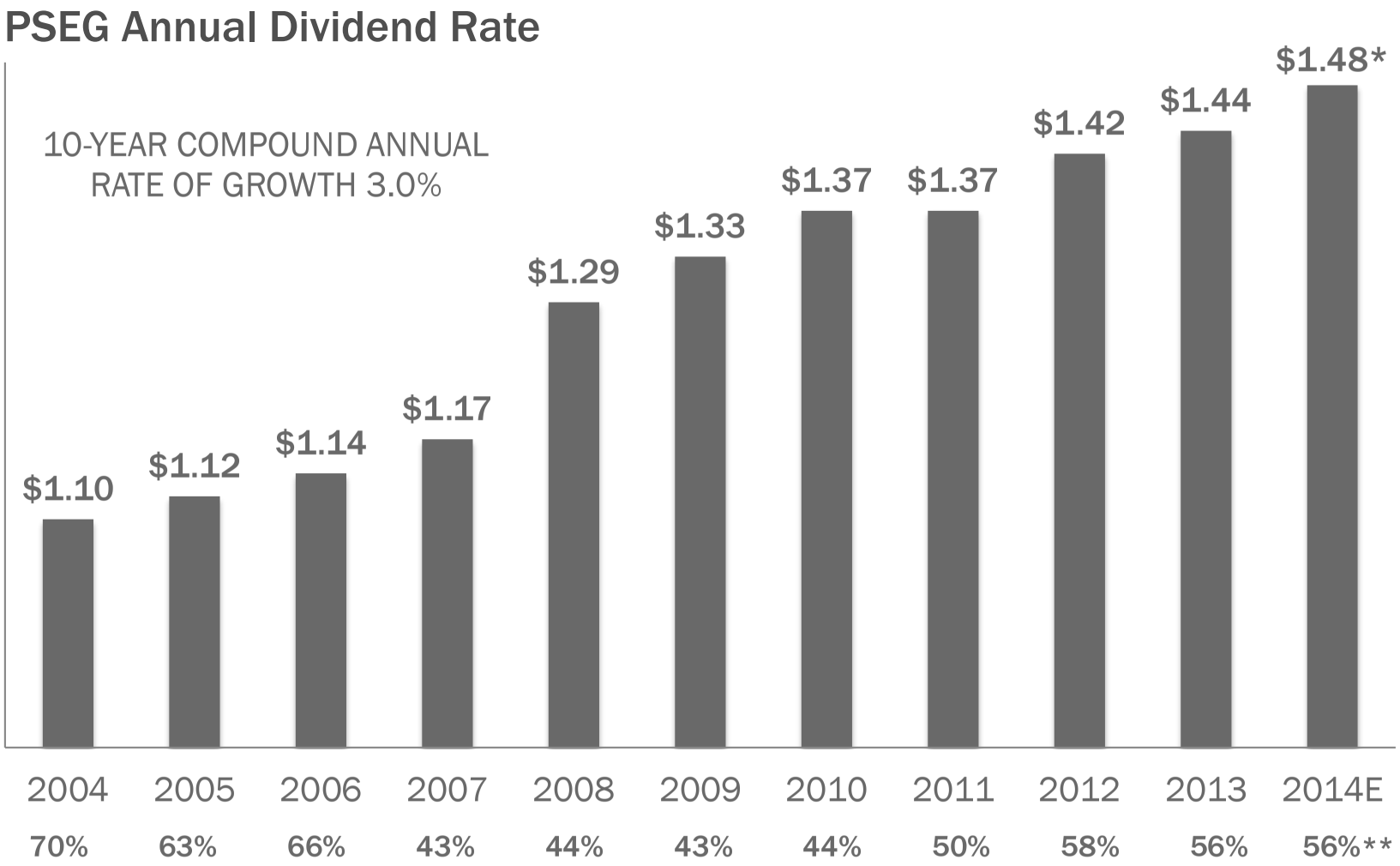
- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-11317

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



SI-SSA-0015-11318

*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

PSEG Q1 2014 Financial Highlights

- Strong Q1 Earnings

✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
✓ Power benefited from higher market pricing, market volatility and increased output
✓ Increased contribution to earnings from PSE&G's investment in transmission

- Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share

✓ Focused on maintaining operating efficiency and customer reliability
✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule

- Agreement on PSE&G's Energy Strong infrastructure program to invest $1.22 billion over 2014 – 2018

- Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time

- Financial position remains strong

✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014
✓ Debt as a percentage of capital was 41% at March 31, 2014

SI-SSA-0015-11319

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-11320

PSE&G

SI-SSA-0015-11321

PSEG

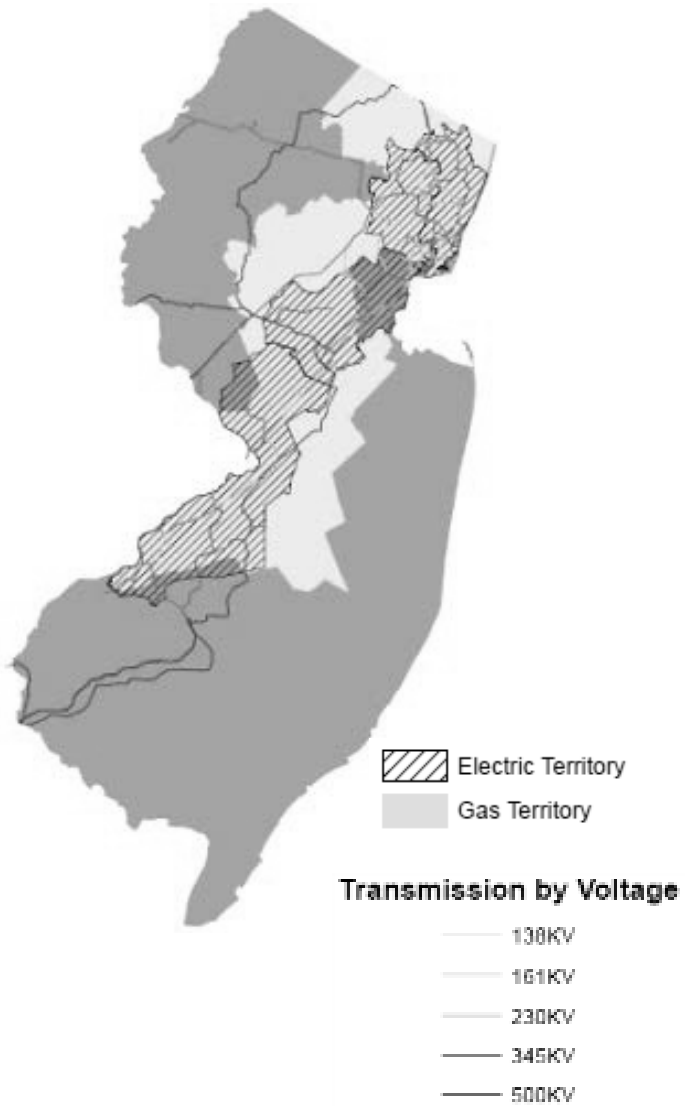
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-11322

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-11323

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-11324

PSE&G's operating earnings grew ~18%

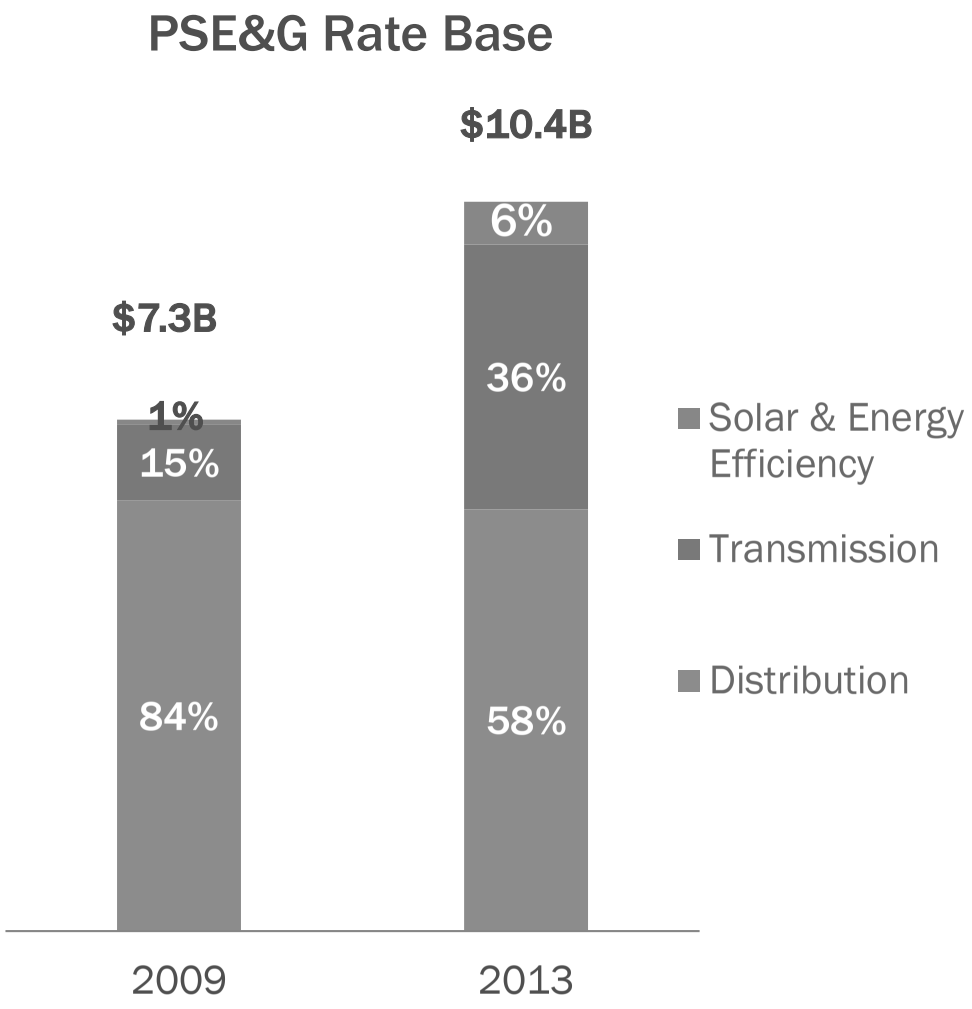
over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-11325

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-11326

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013; plan to invest additional ~$1.6B through 2018 in approved programs

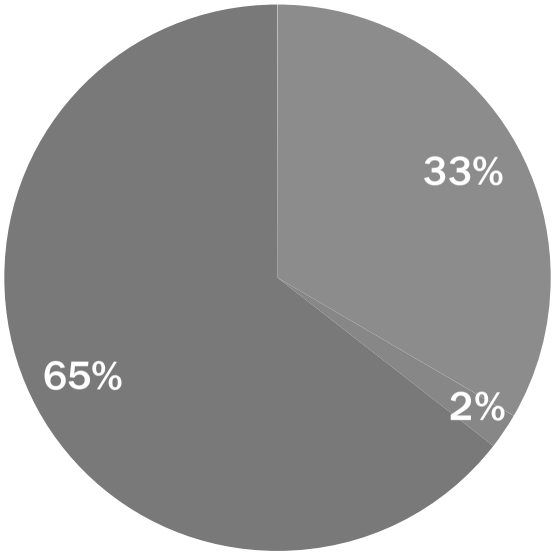
SI-SSA-0015-11327

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

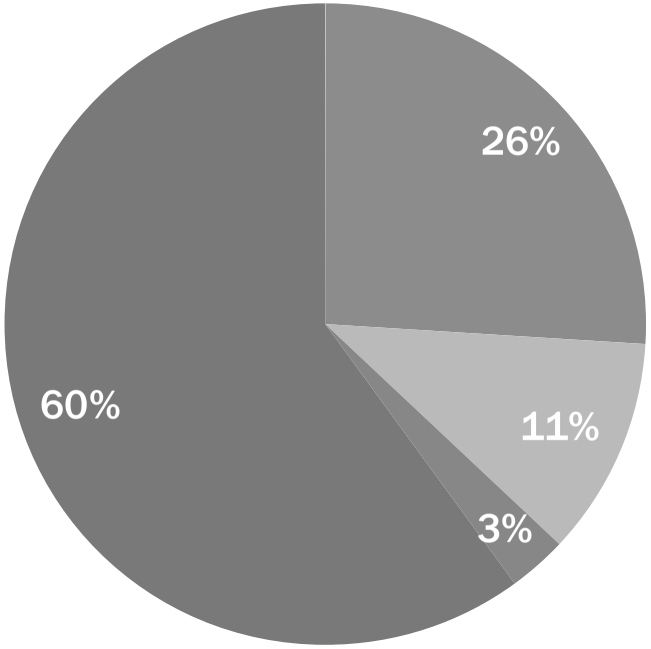
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion

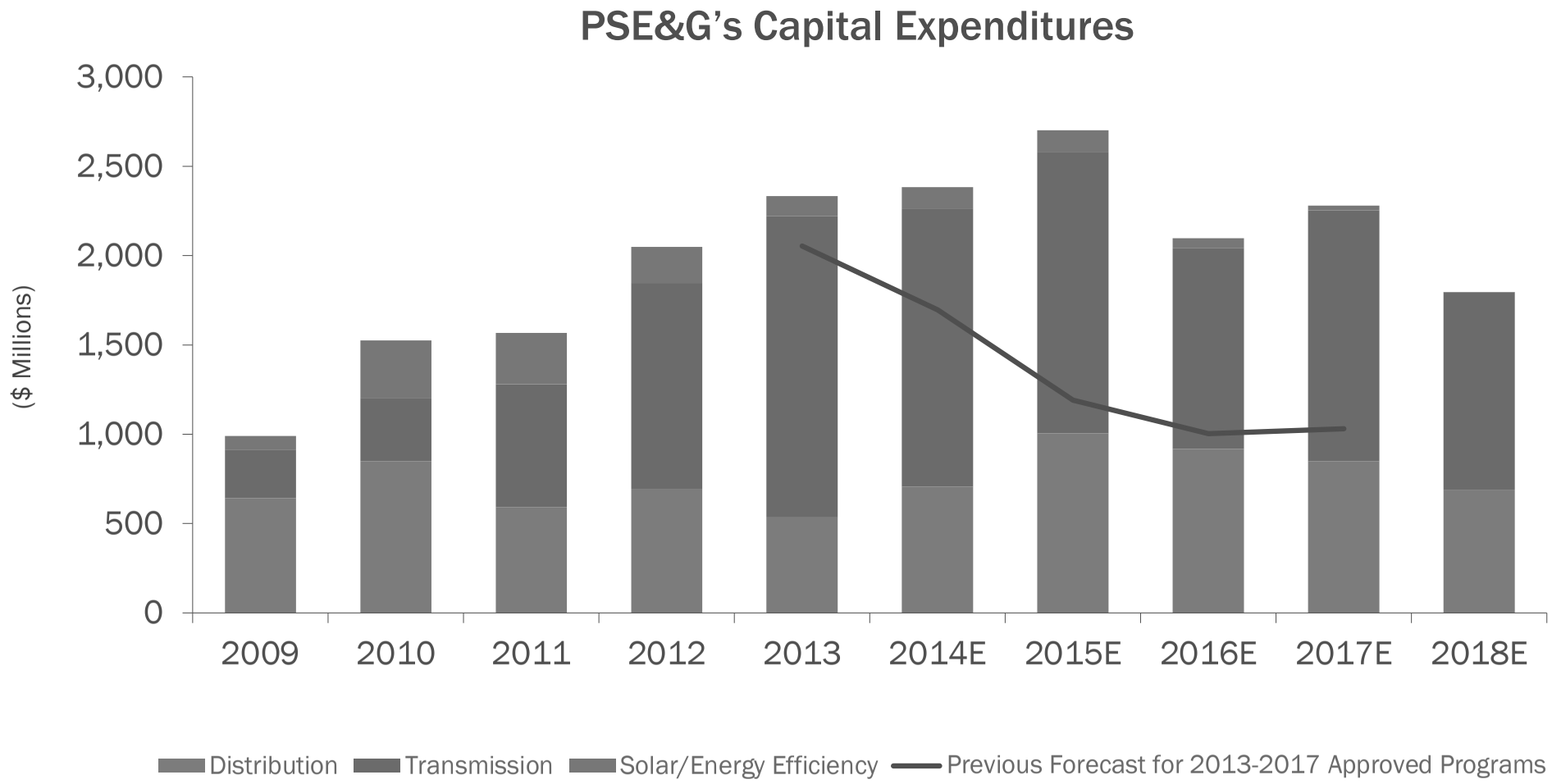


Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-11328

PSE&G's capital program has expanded

with the addition of Energy Strong



SI-SSA-0015-11329

PSEG

E = ESTIMATE

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

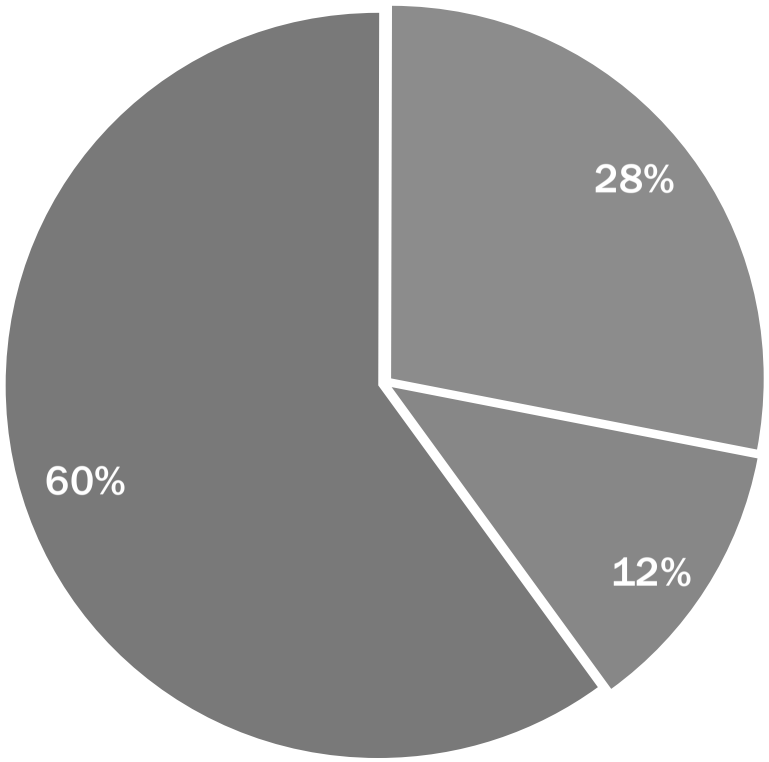
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-11330

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

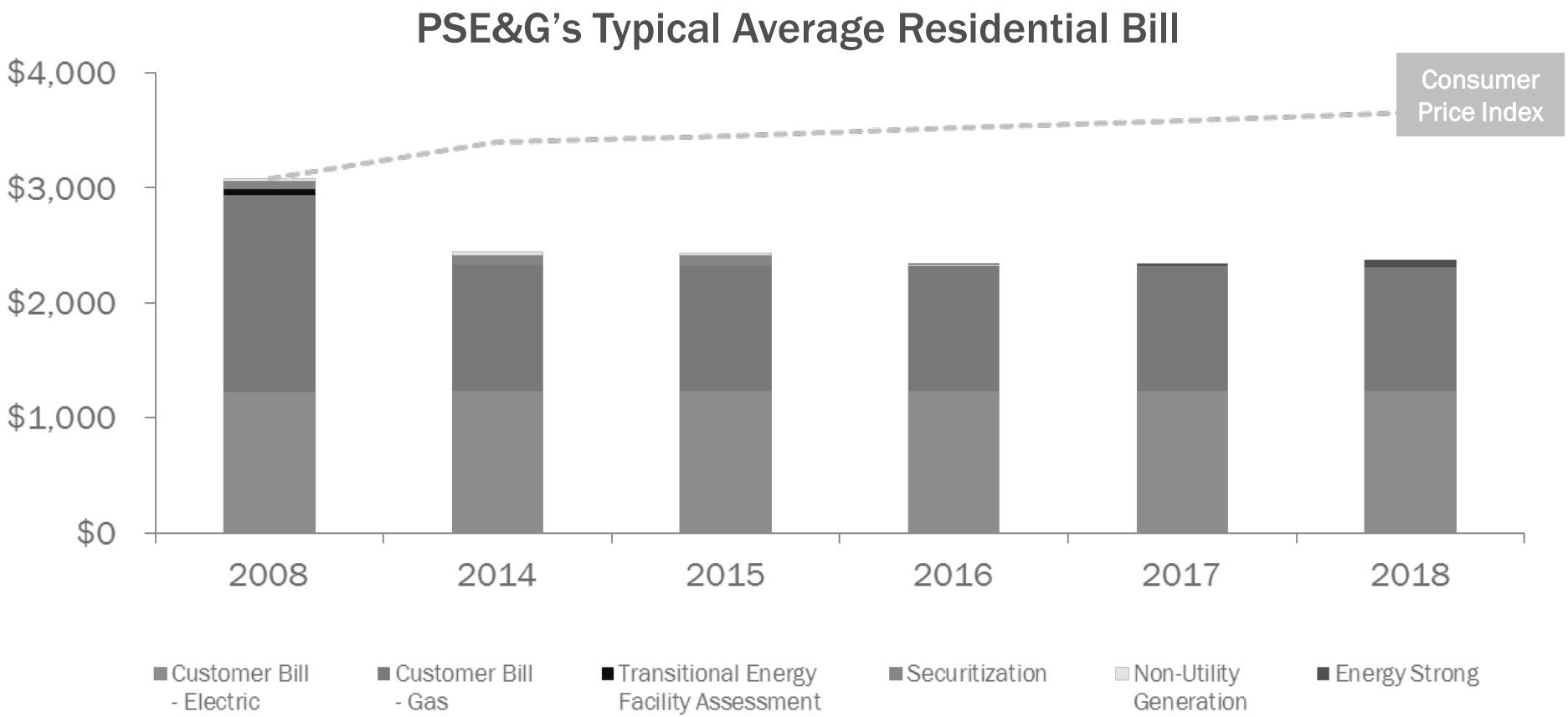
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-11331

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-11332

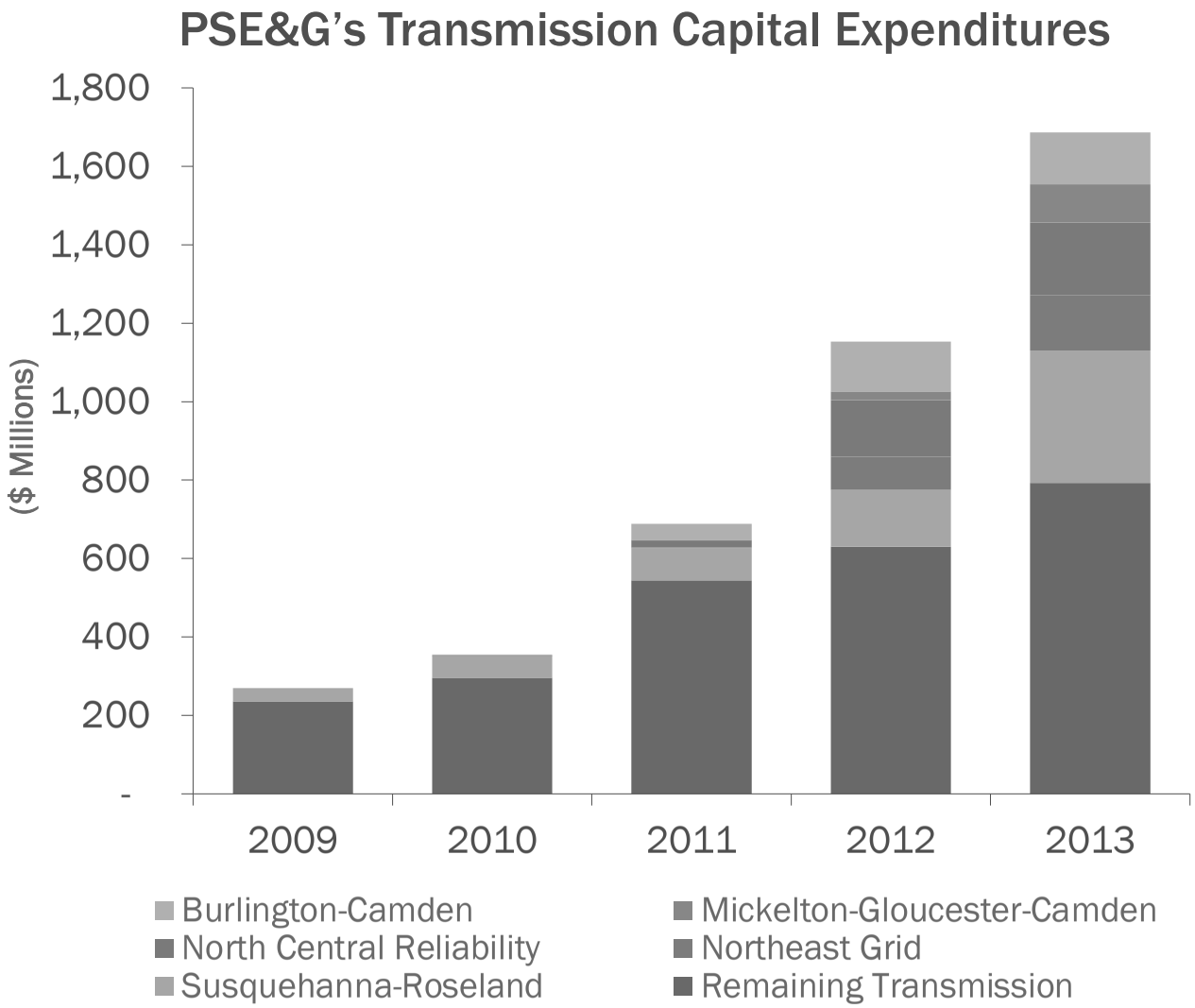
PSE&G TRANSMISSION

PSEG

We make things work for you.

SI-SSA-0015-11333

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-11334

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-11335

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-11336

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-11337

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-11338

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In-service April 2014

SI-SSA-0015-11339

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11340

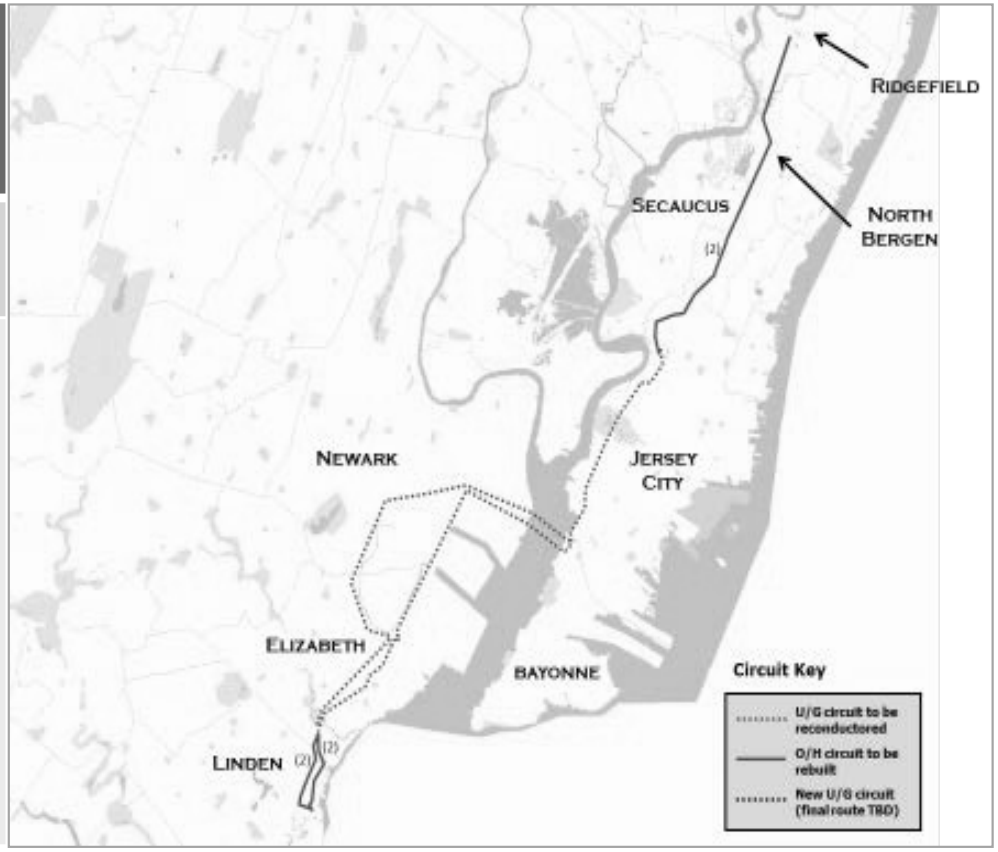
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

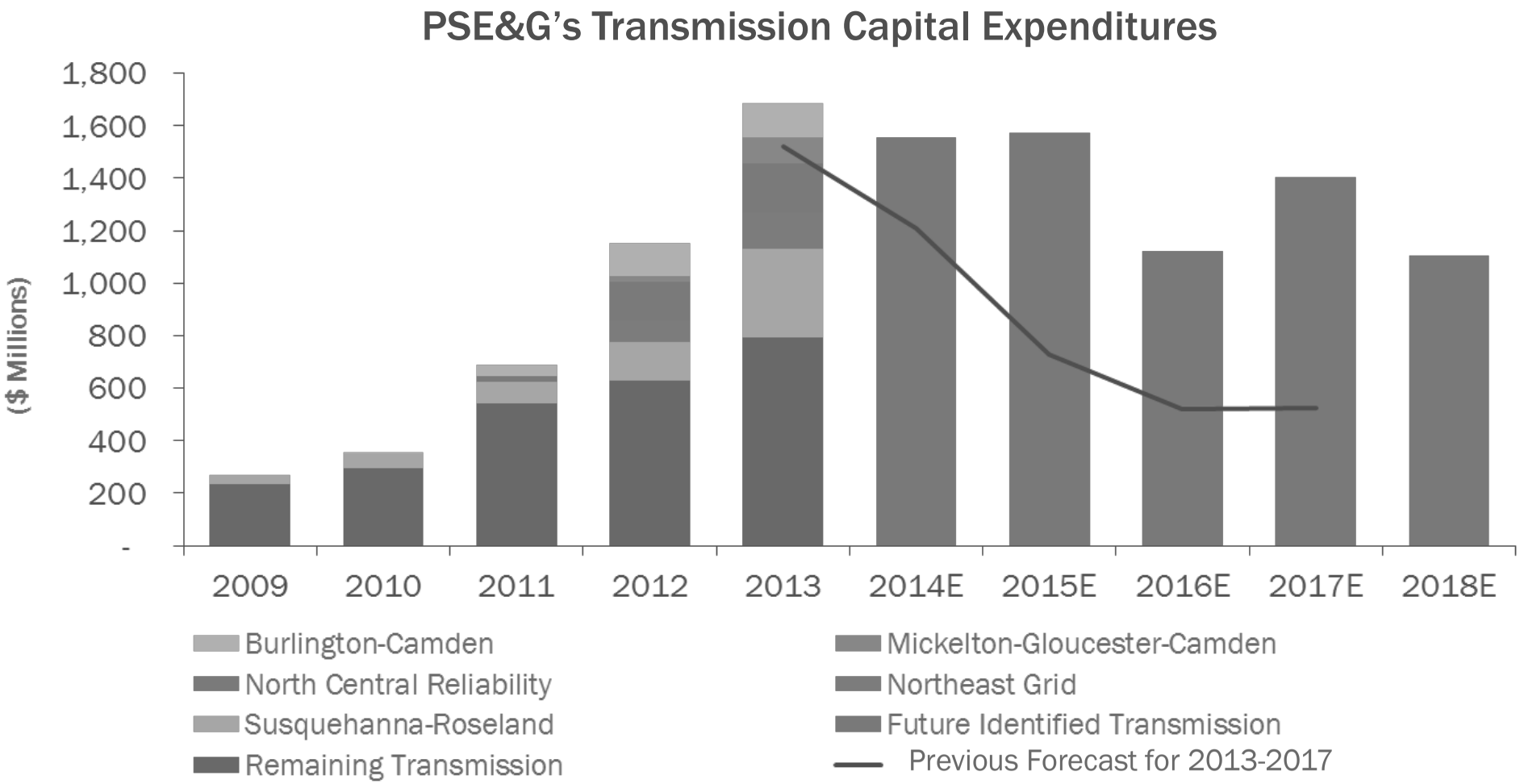
Project Status: Engineering



SI-SSA-0015-11341

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-11342

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-11343

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-11344

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-11345

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-11346

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-11347

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-11348

PSEG POWER

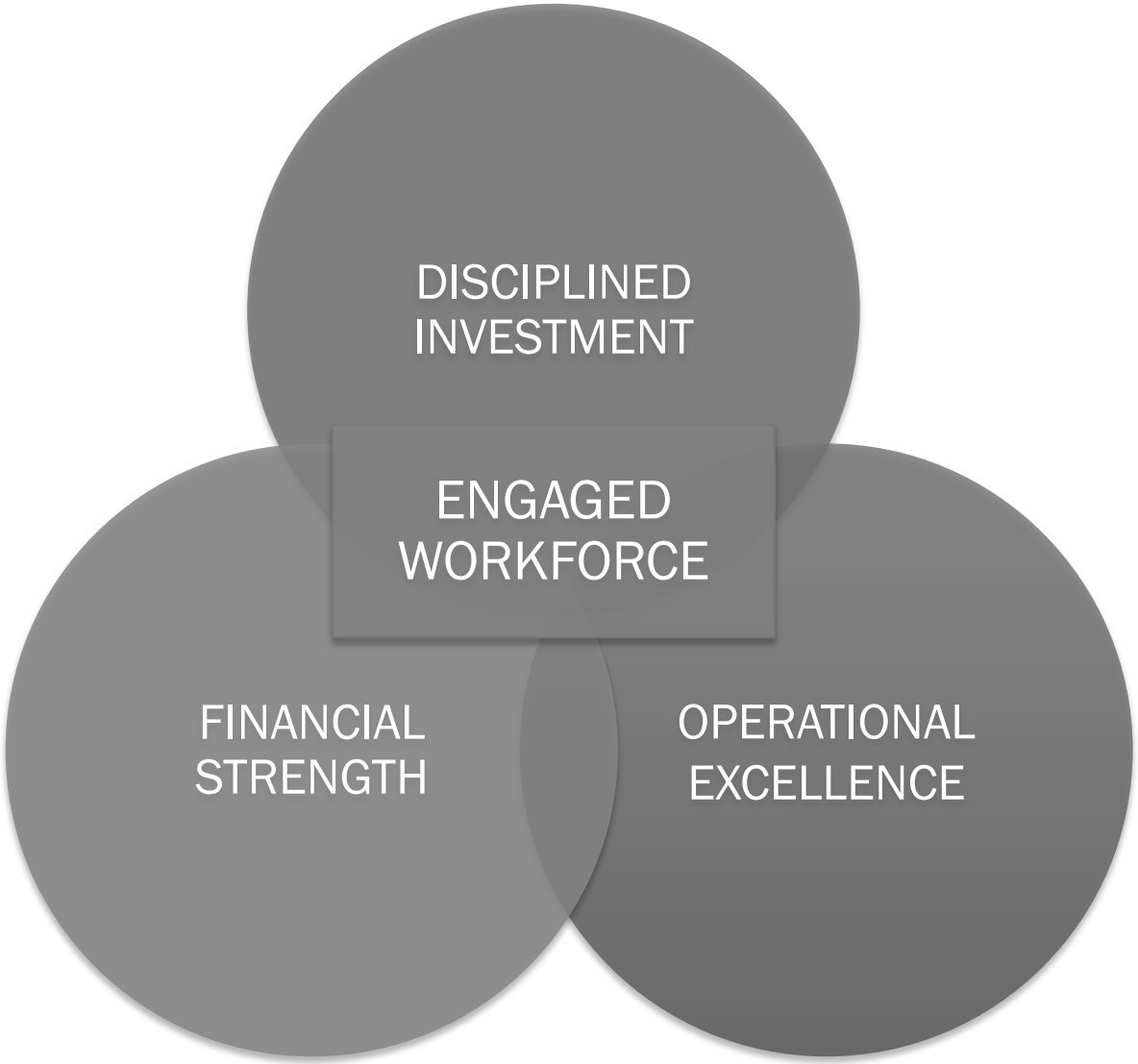
PSEG

We make things work for you.

SI-SSA-0015-11349

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-11350

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-11351

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-11352

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

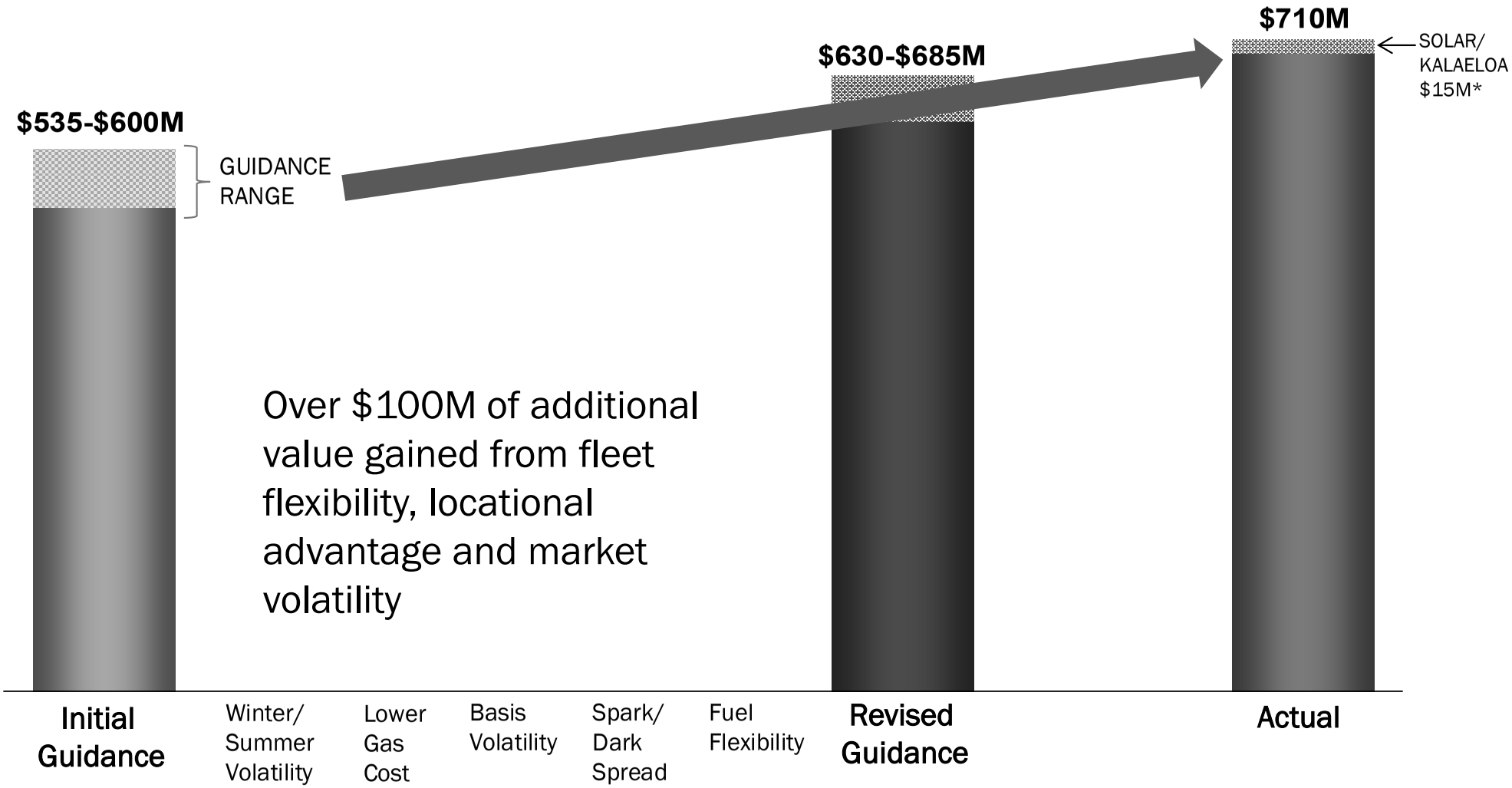
SI-SSA-0015-11353

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-11354

PSEG Power exceeded 2013's earnings guidance



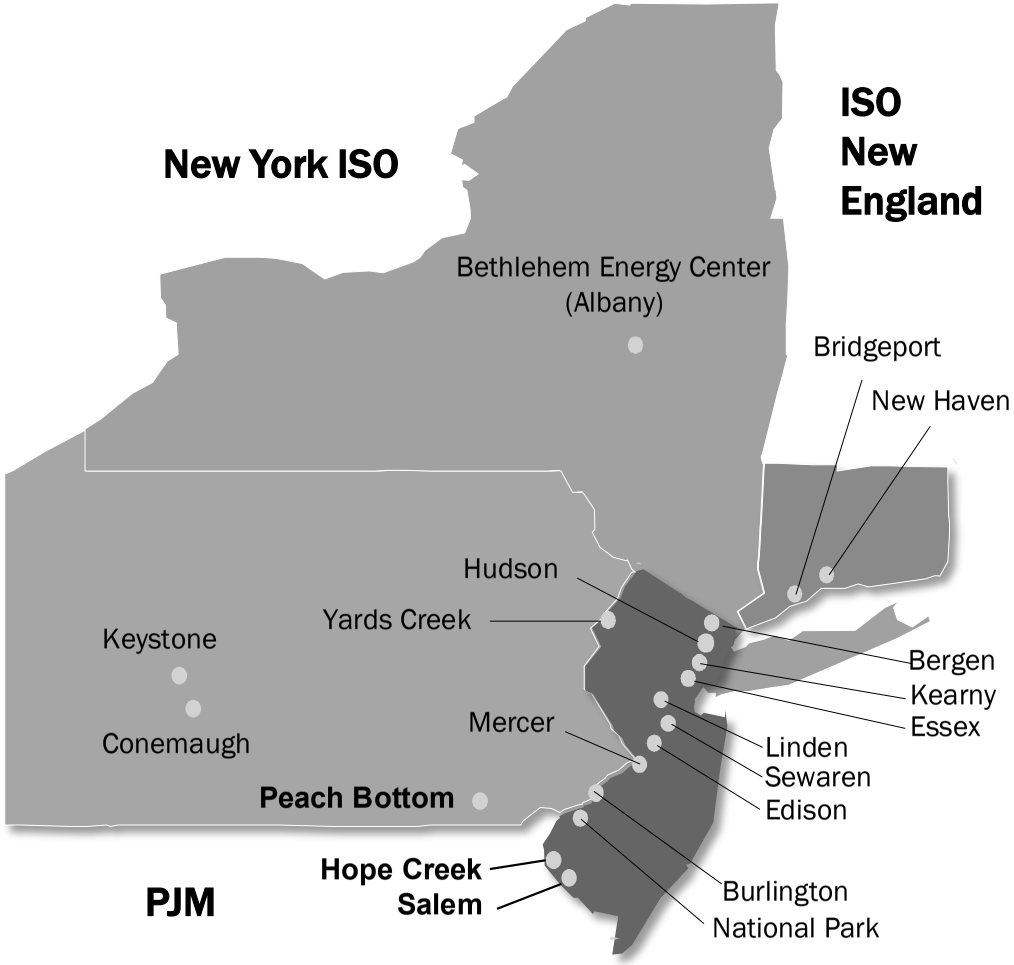
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-11355

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



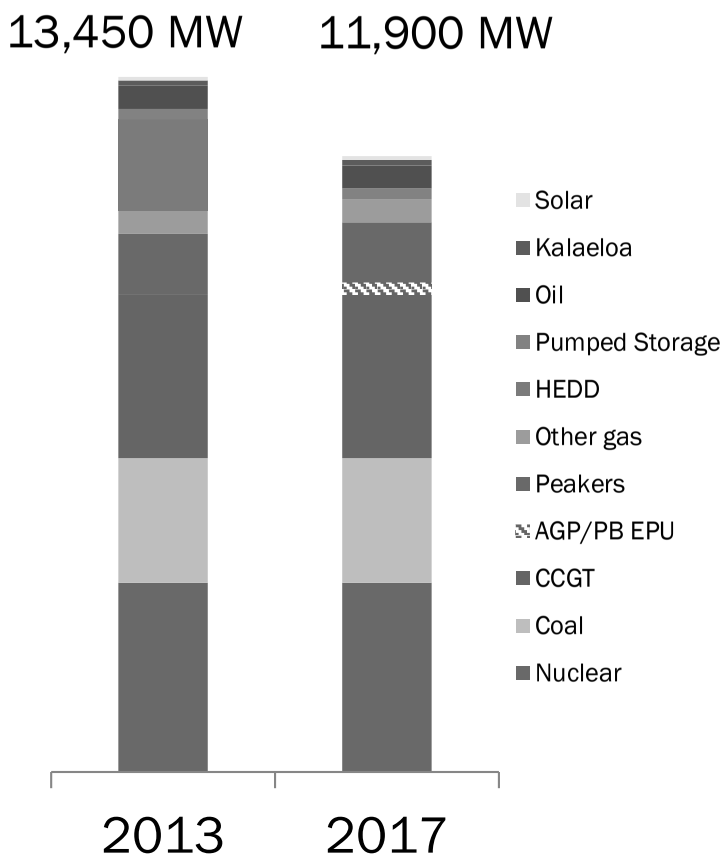
SI-SSA-0015-11356

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

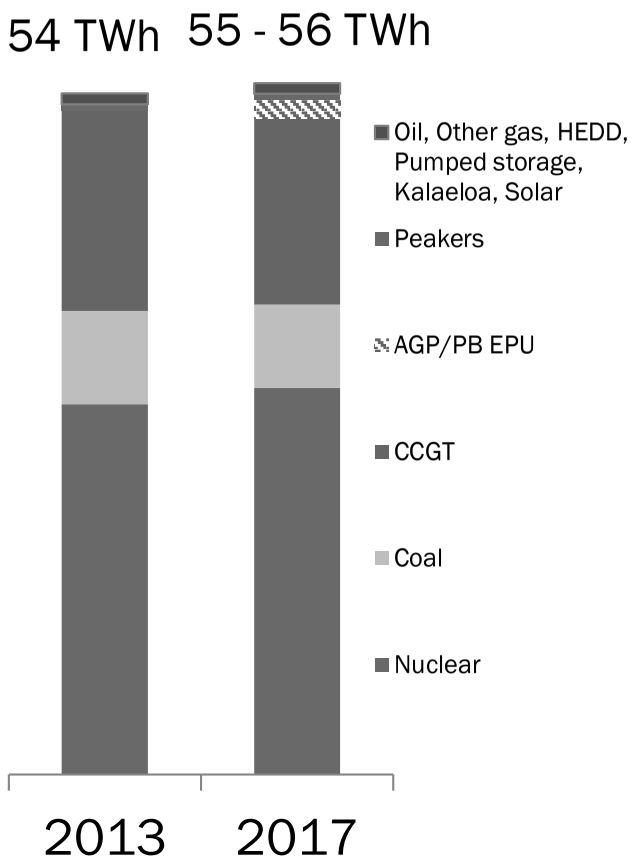
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity

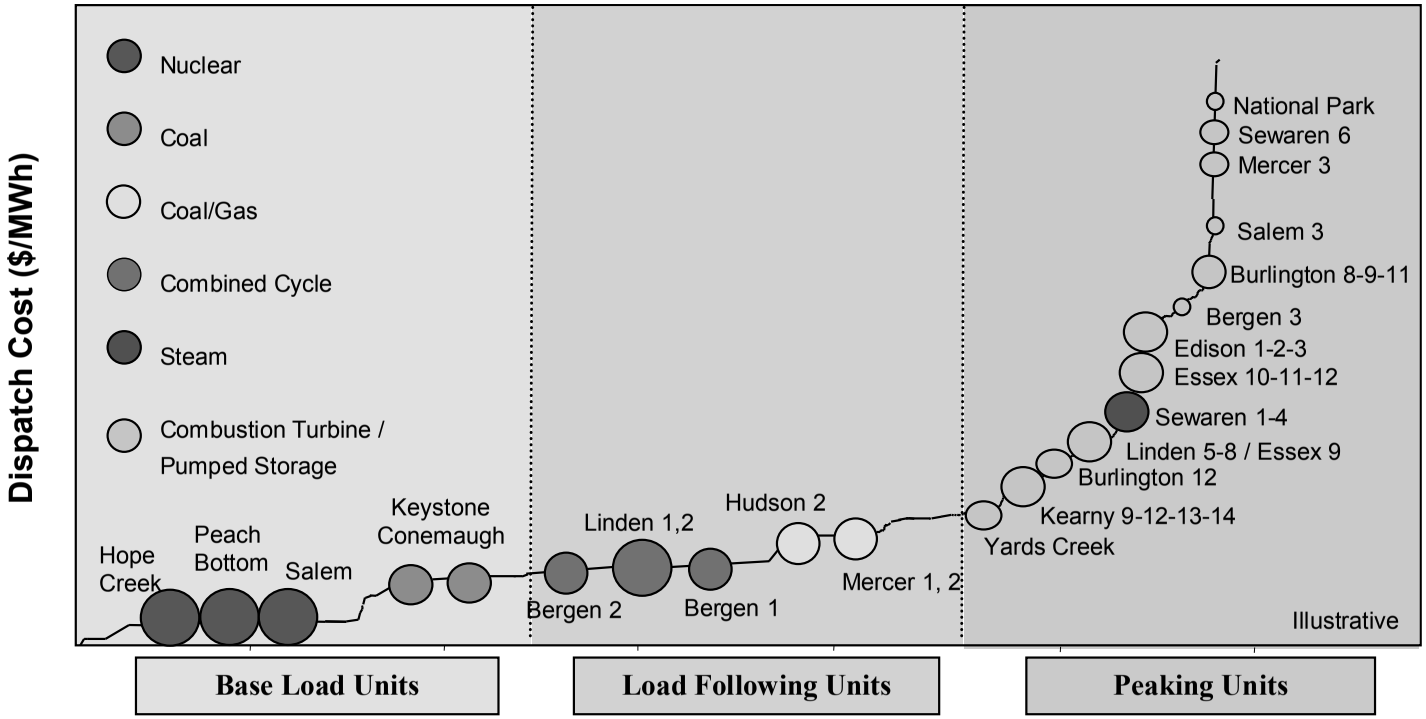


Energy Produced



SI-SSA-0015-11357

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-11358

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-11359

PSEG Power Nuclear is core to the fleet and has competitive advantages

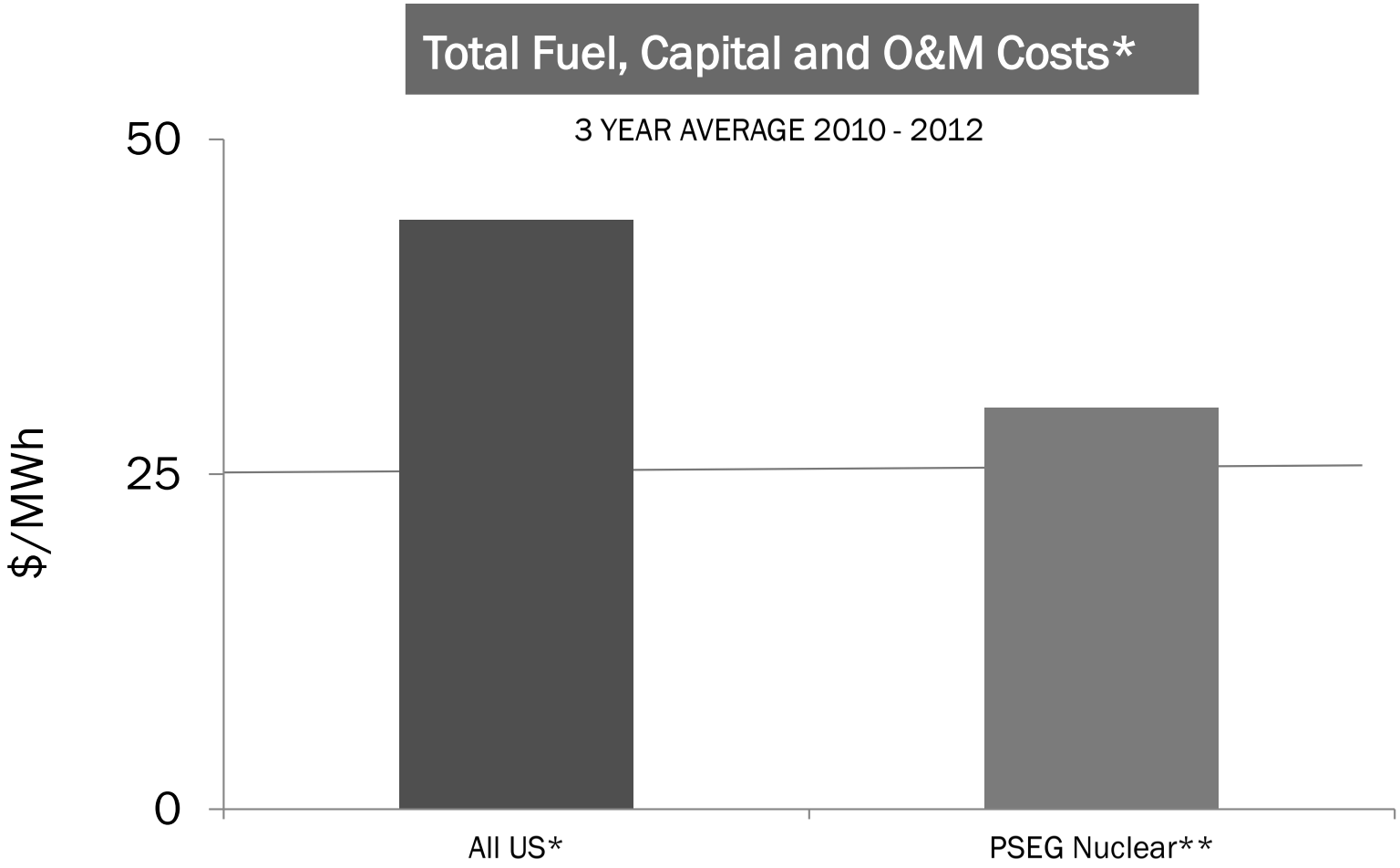
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-11360

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

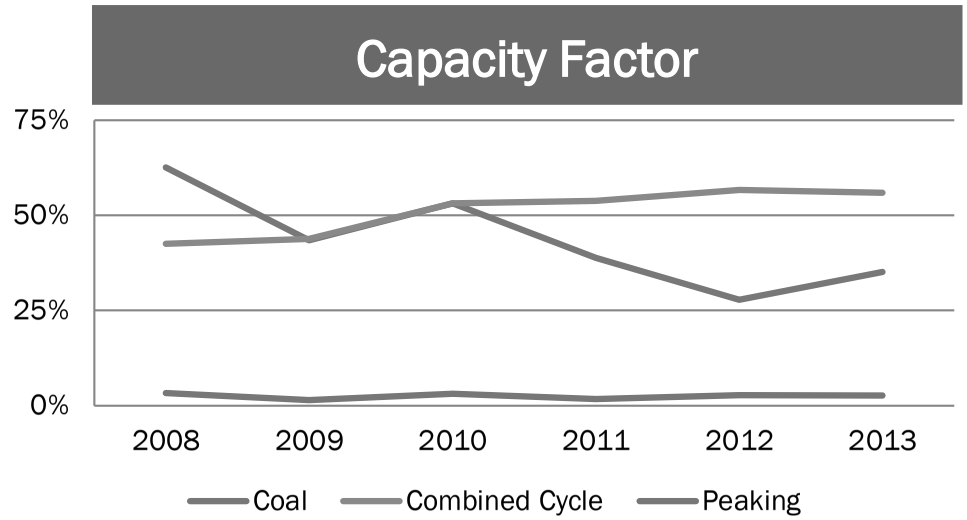


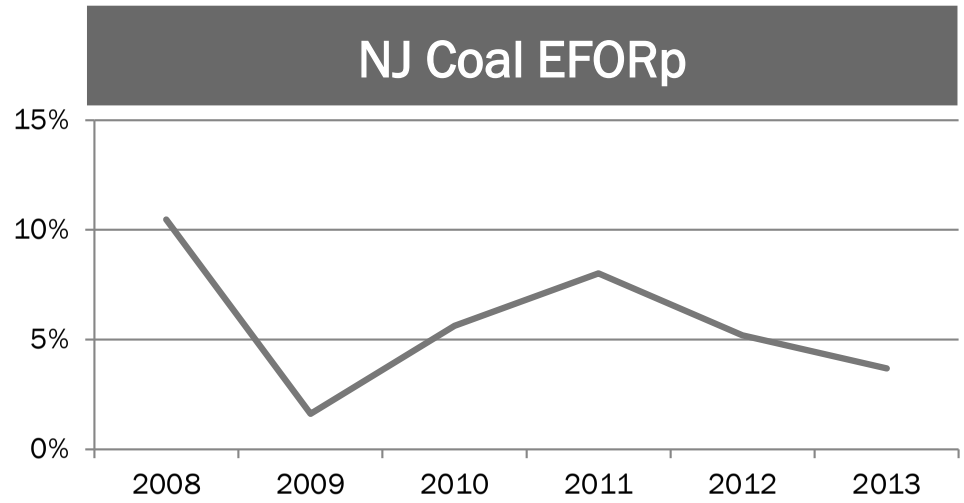
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

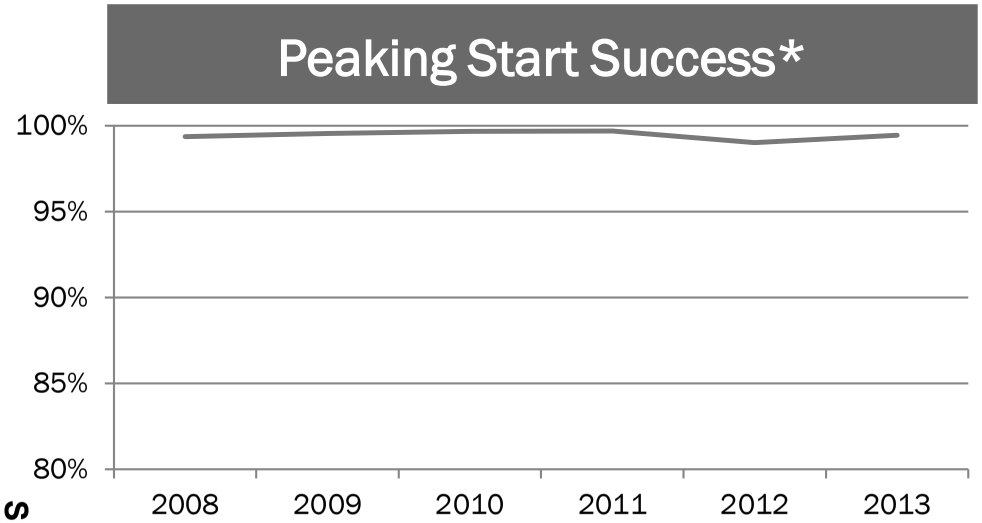
SI-SSA-0015-11361

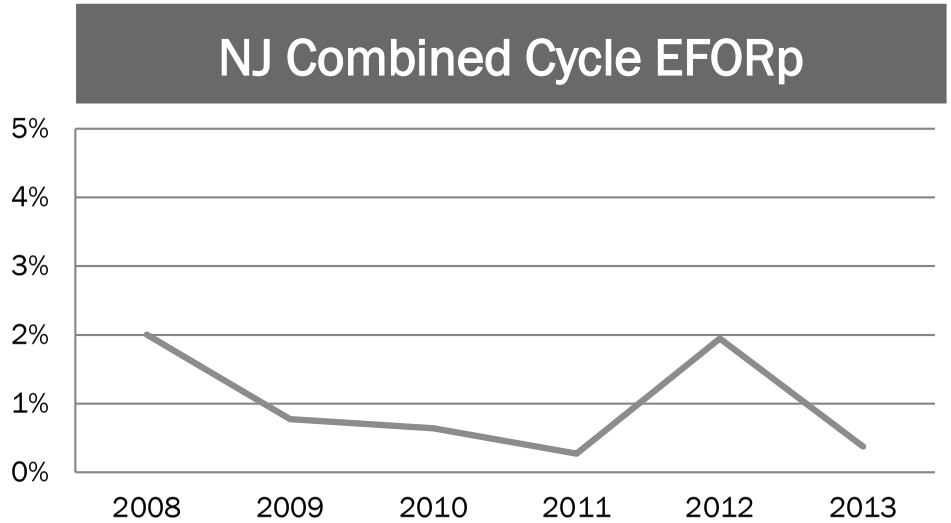
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

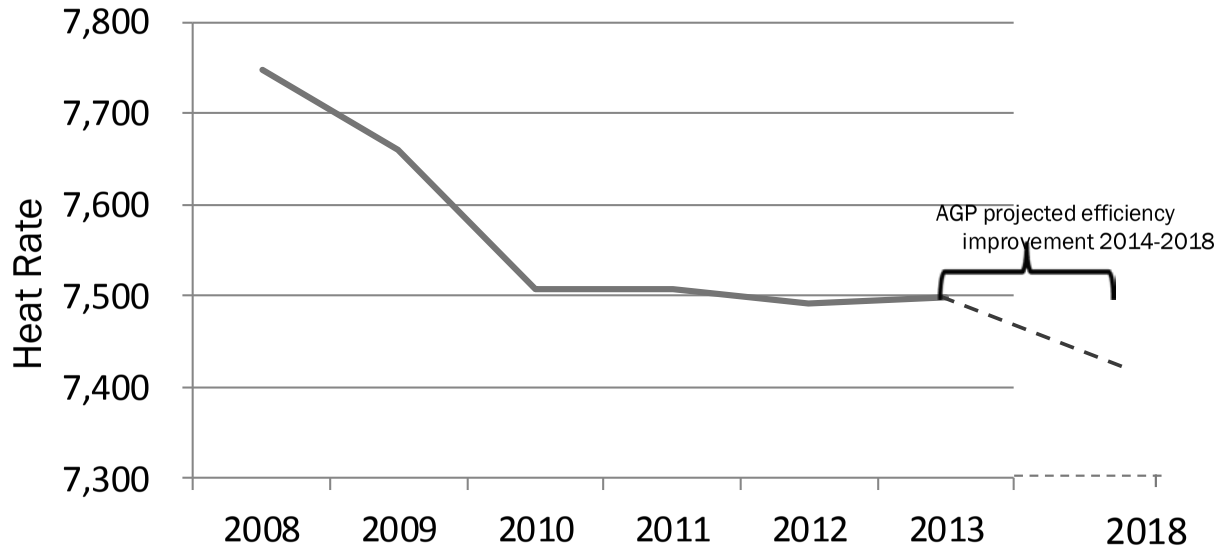
SI-SSA-0015-11362

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-11363

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

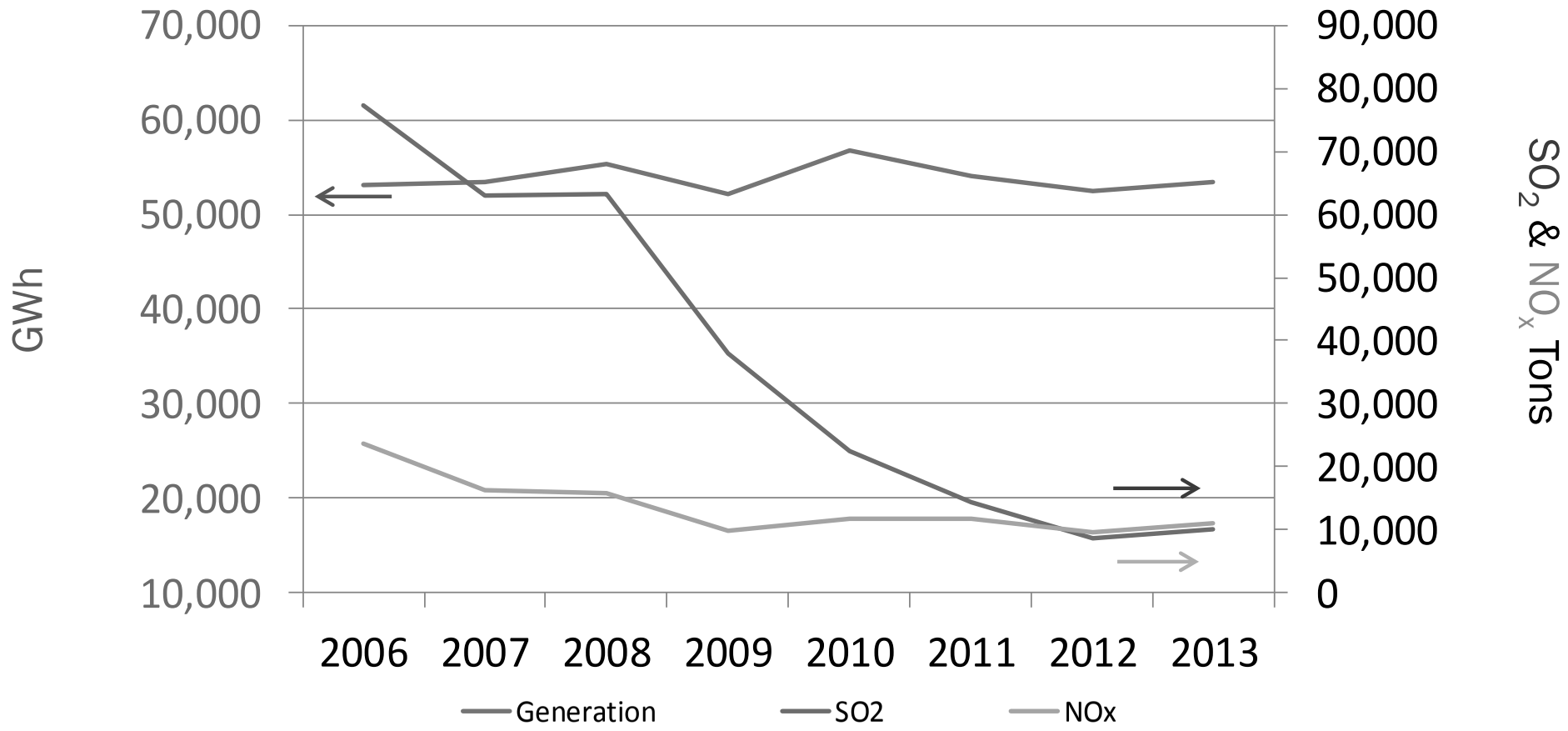
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-11364

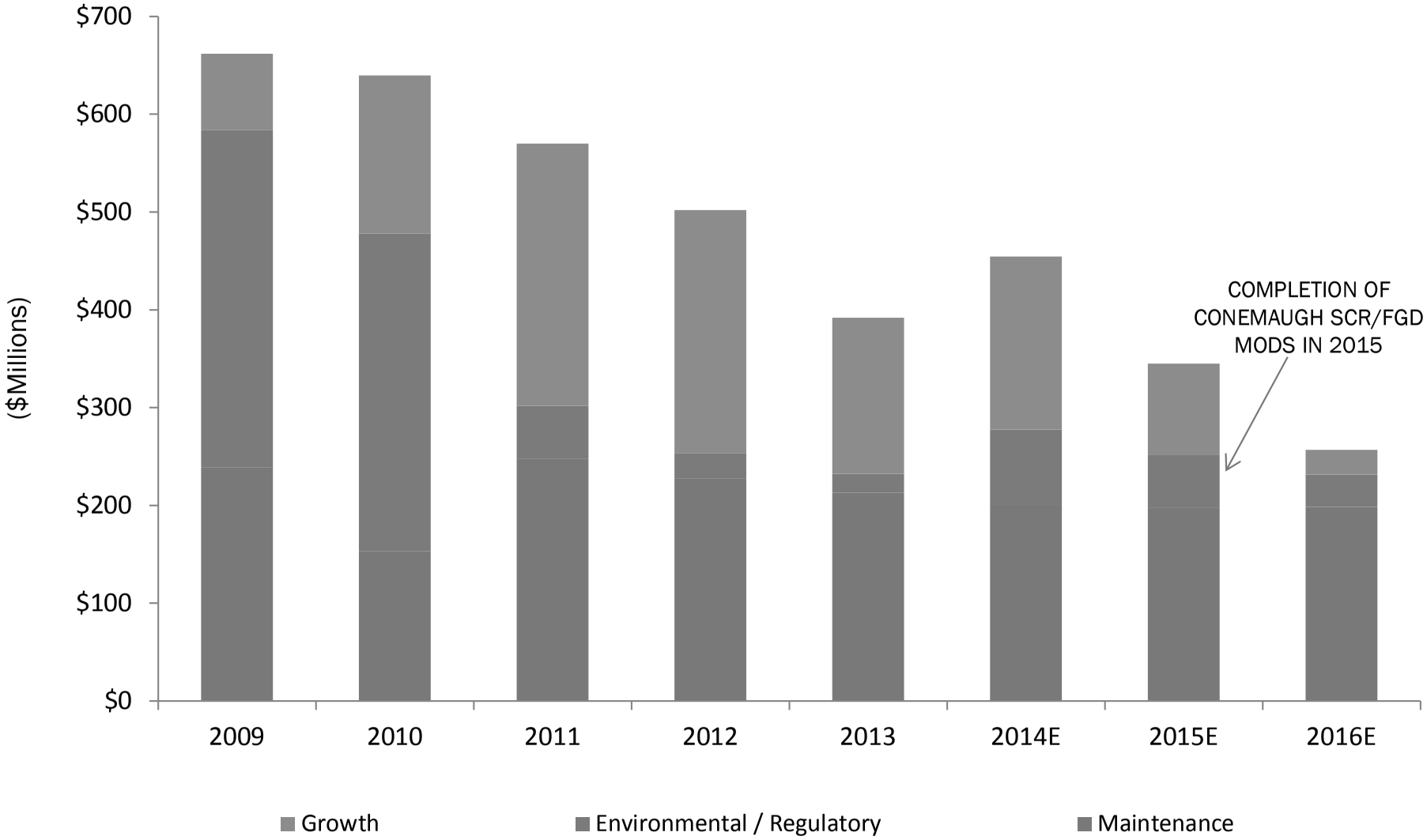
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-11365

PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

SI-SSA-0015-11366

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-11367

PSEG Solar Source owns 92 MW of operating solar facilities

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis tracker
Investment $13 million
20 year PPAs with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-11368

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-11369

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-11370

PSEG POWER
ER&T

SI-SSA-0015-11371

PSEG

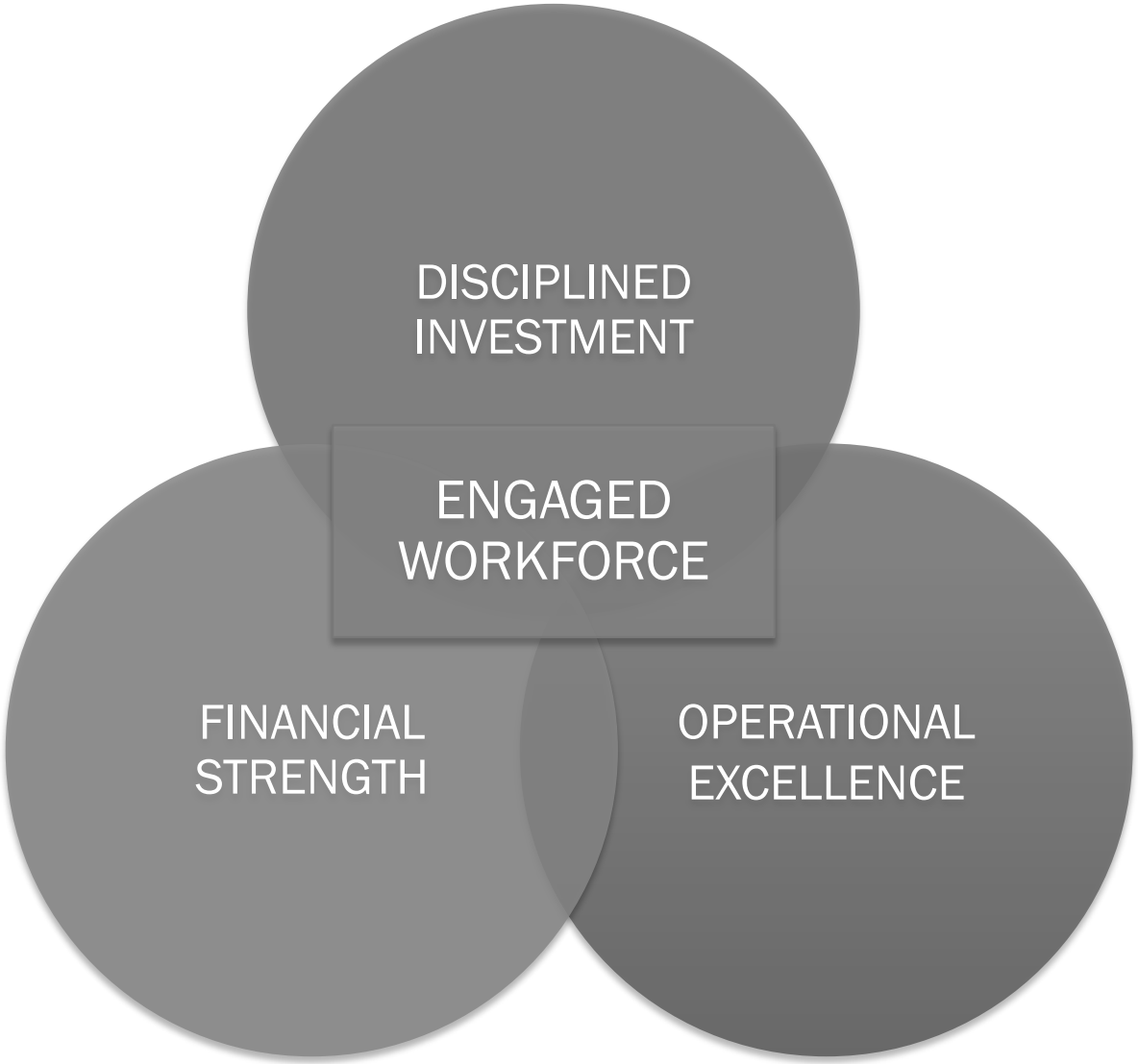
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-11372

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

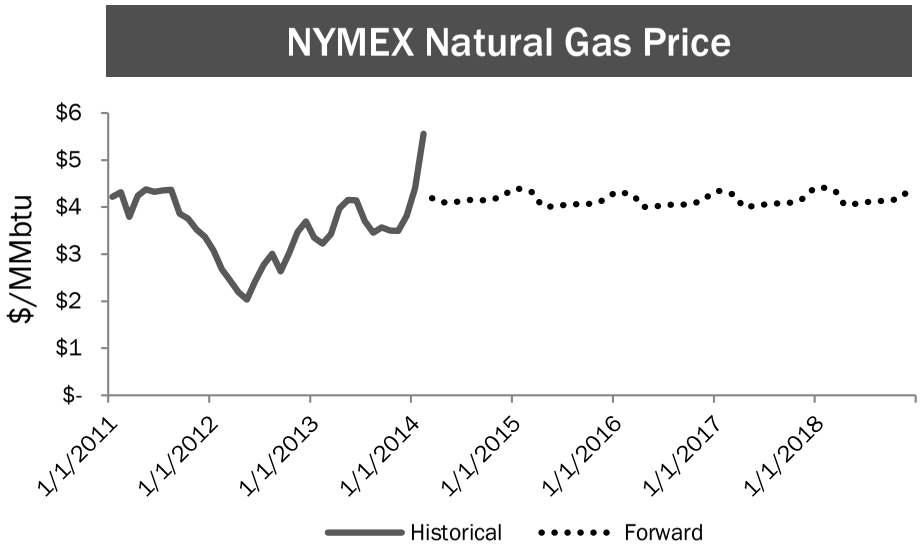
- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

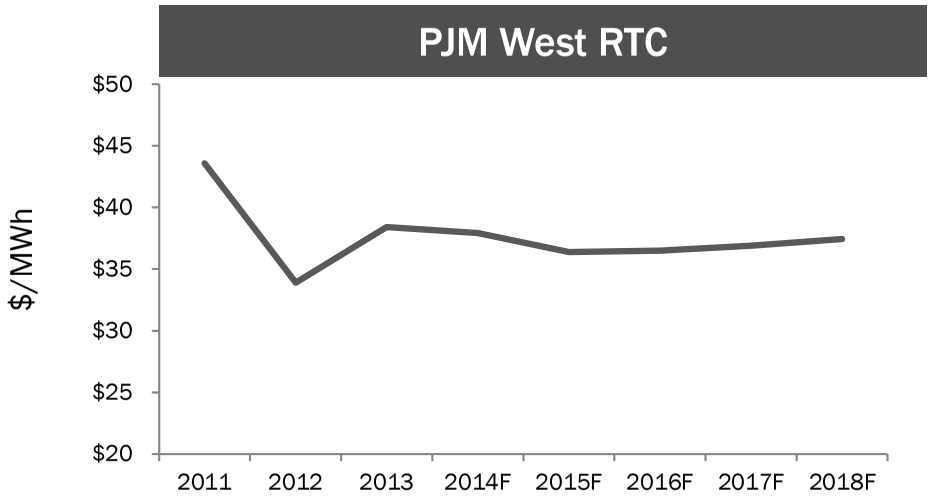
PSEG's Sustainable Advantage

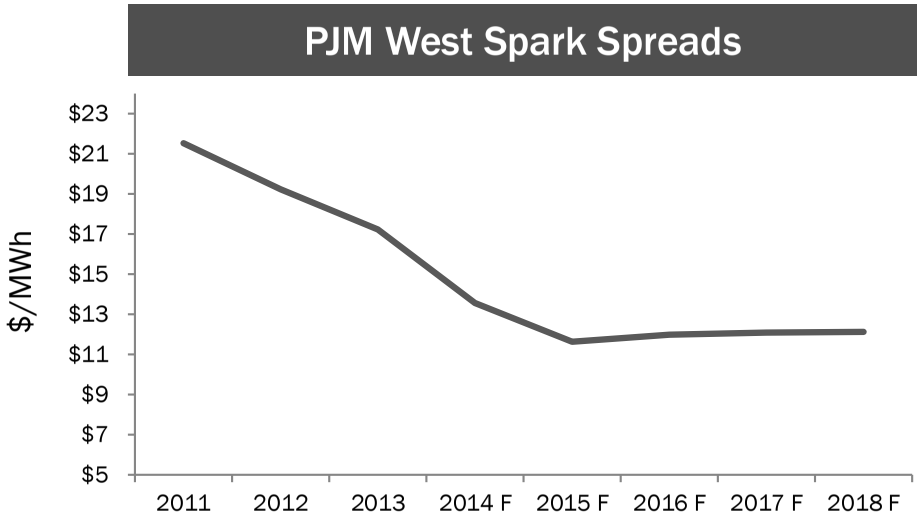
- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-11373

Market Review: Prices have stabilized







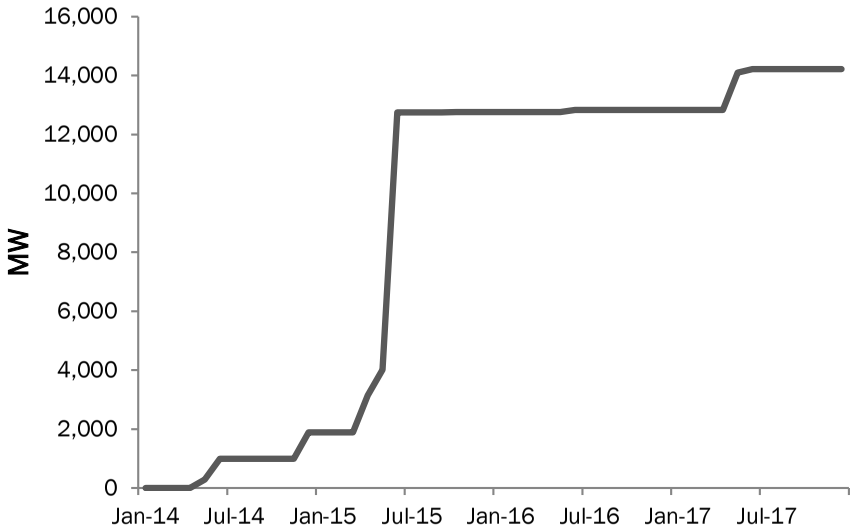
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-11374

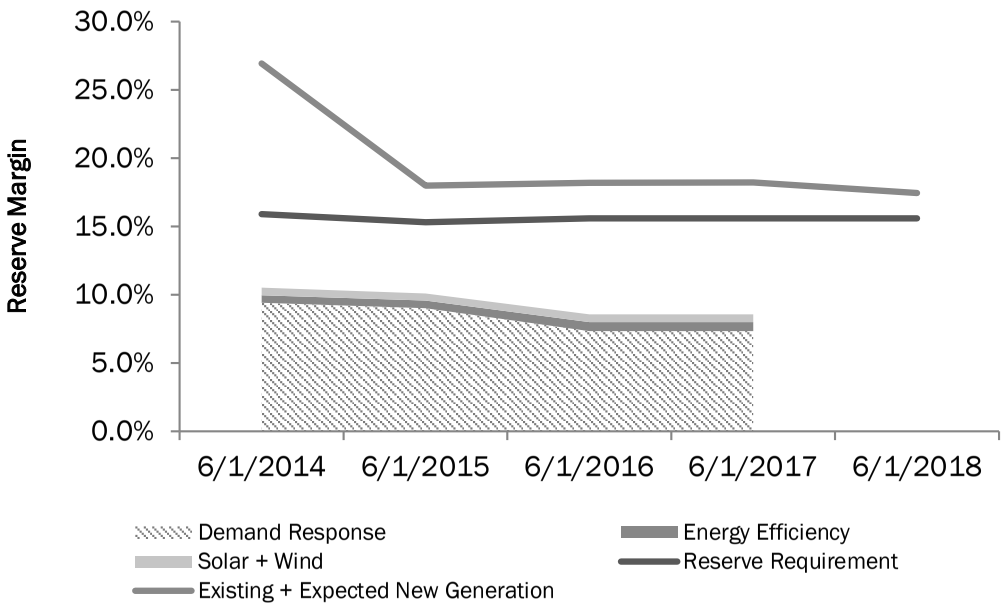
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-11375

PSEG

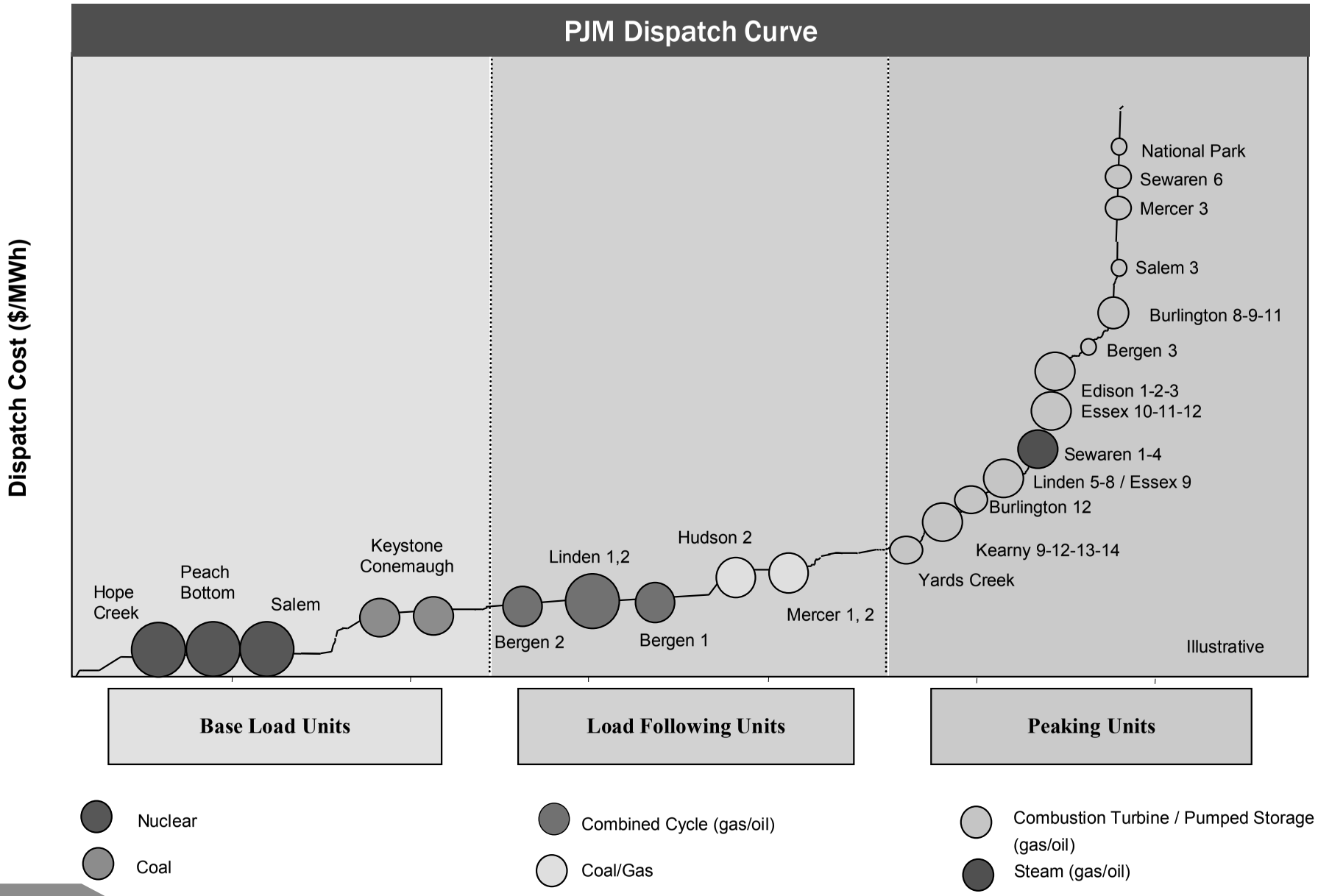
*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

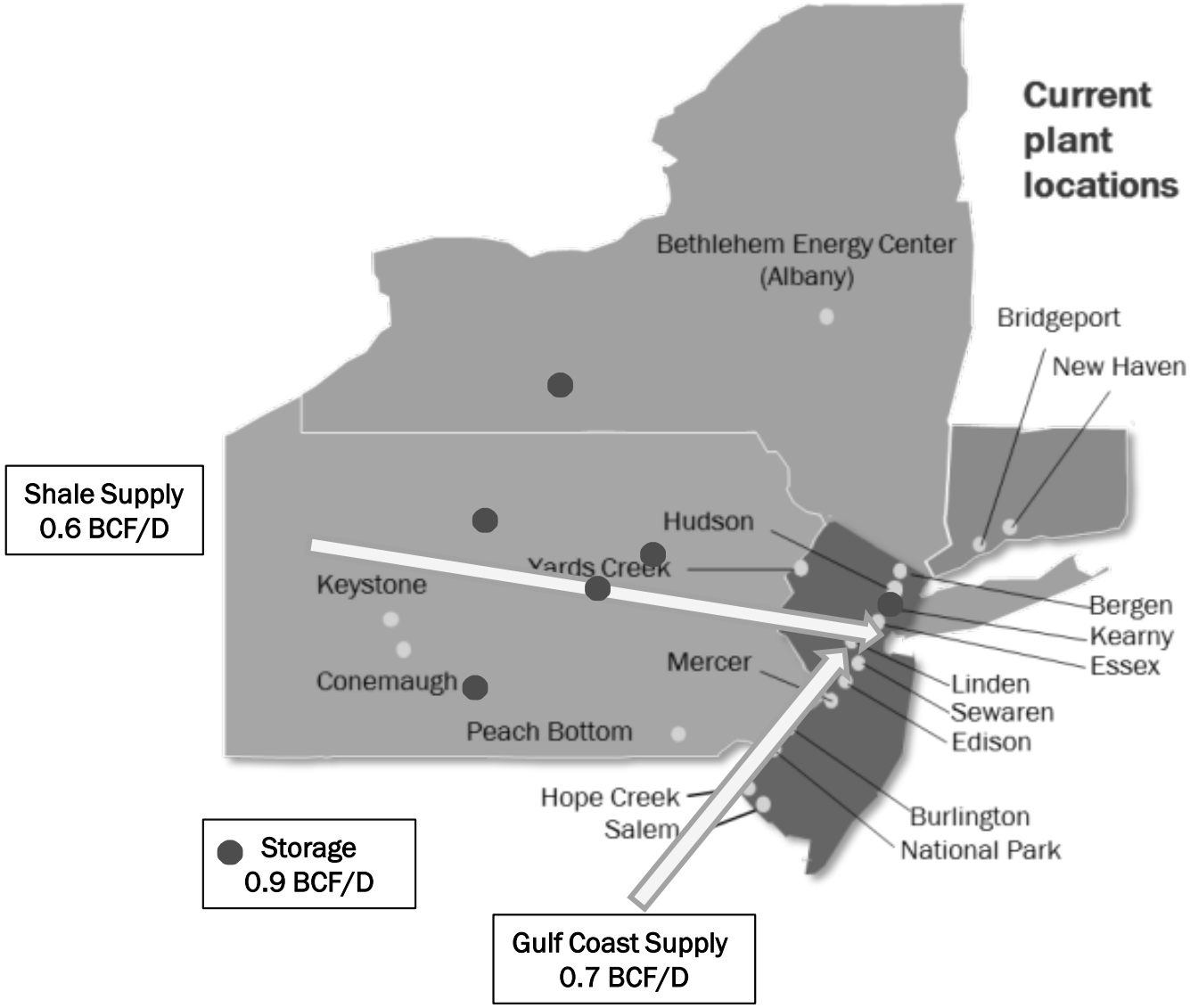
SI-SSA-0015-11376

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



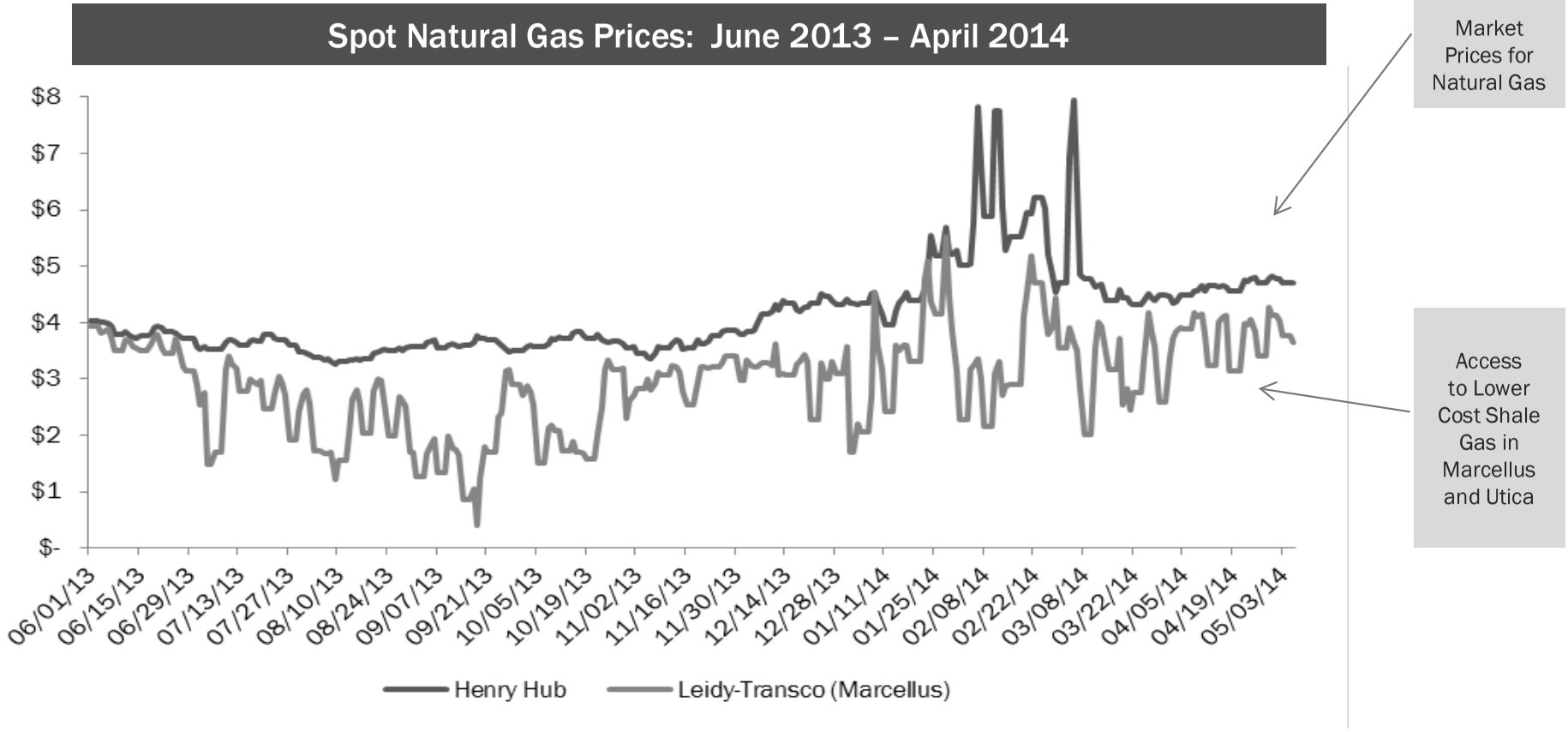
SI-SSA-0015-11377

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-11378

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

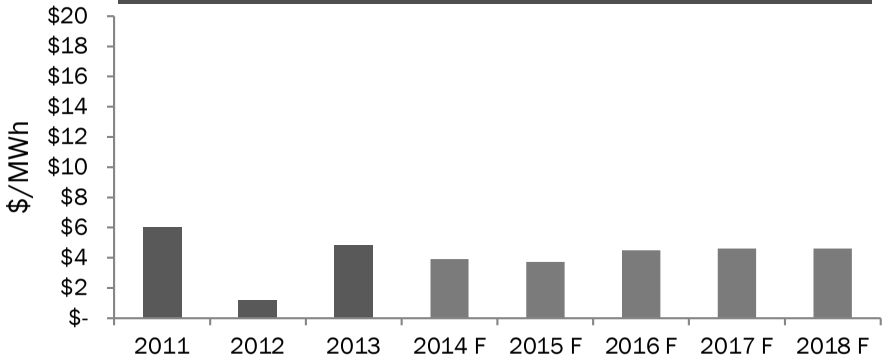


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

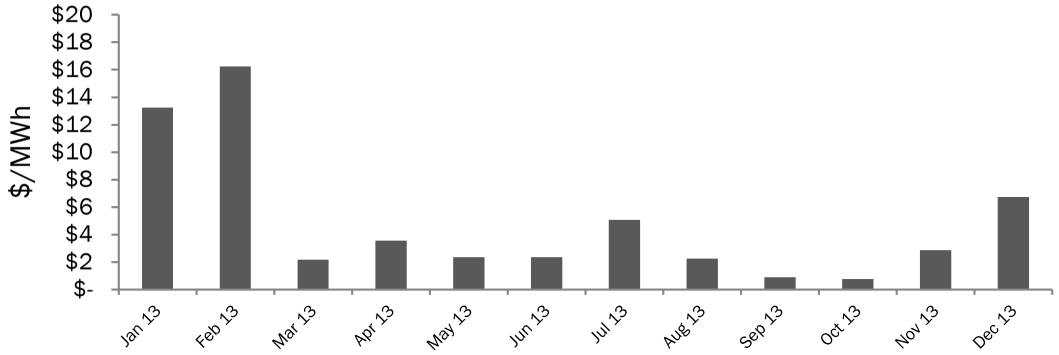
SI-SSA-0015-11379

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

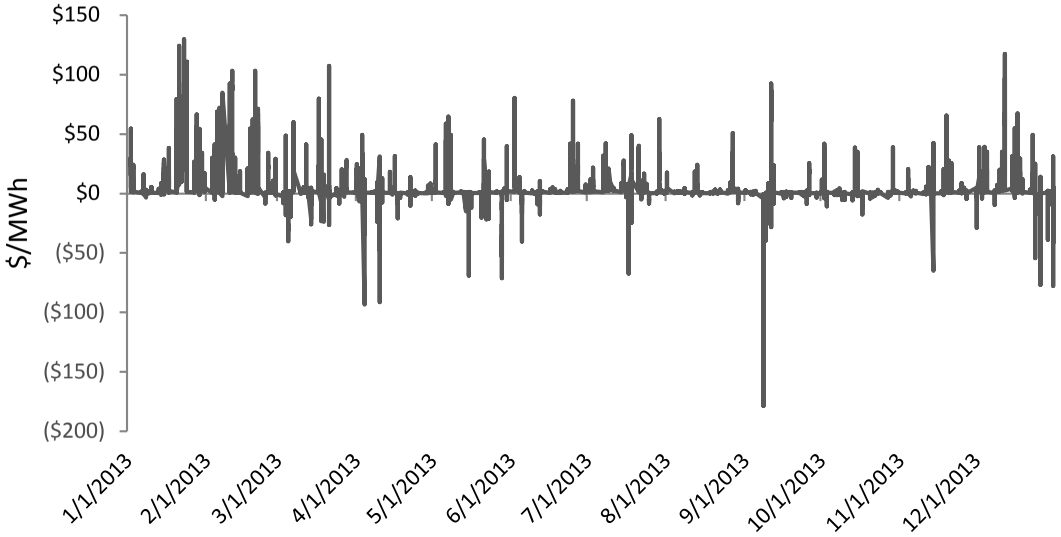


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W

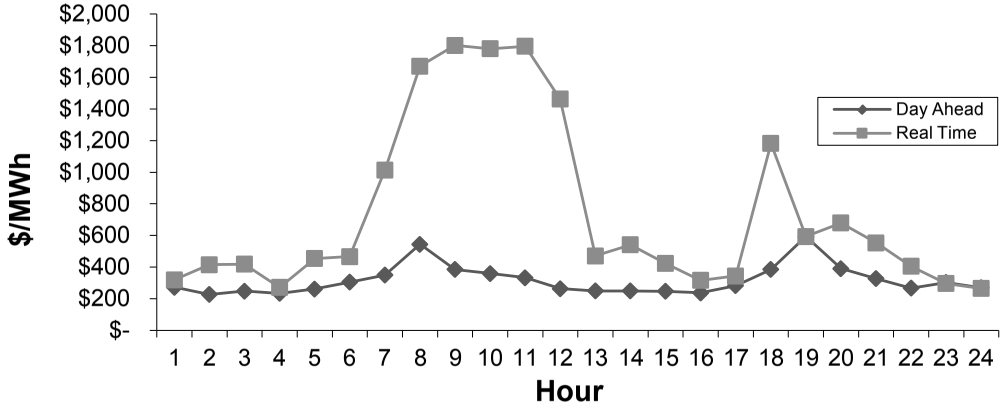


SI-SSA-0015-11380

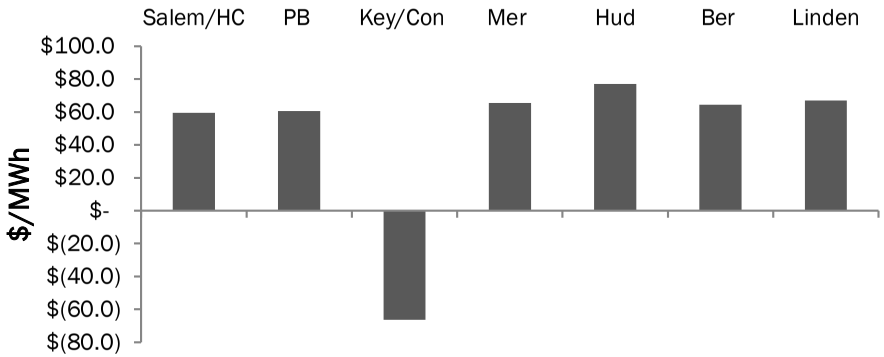
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

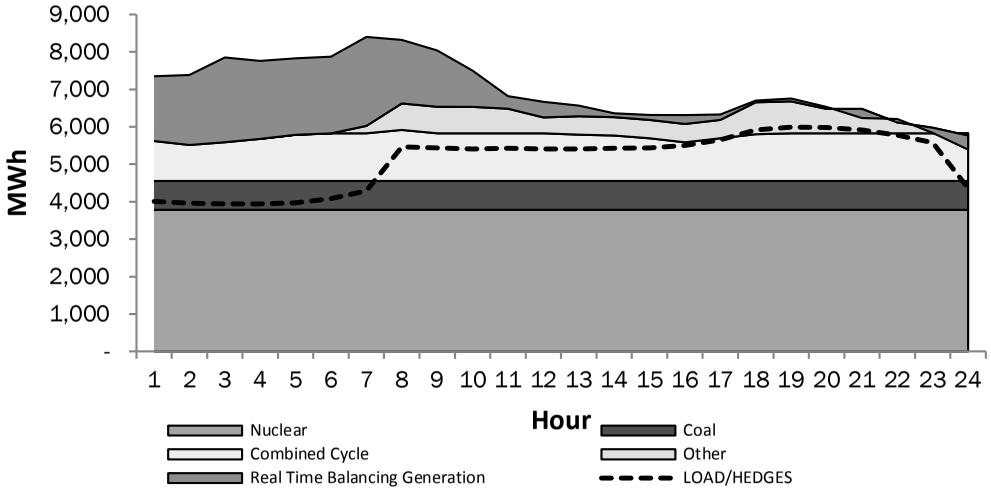
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

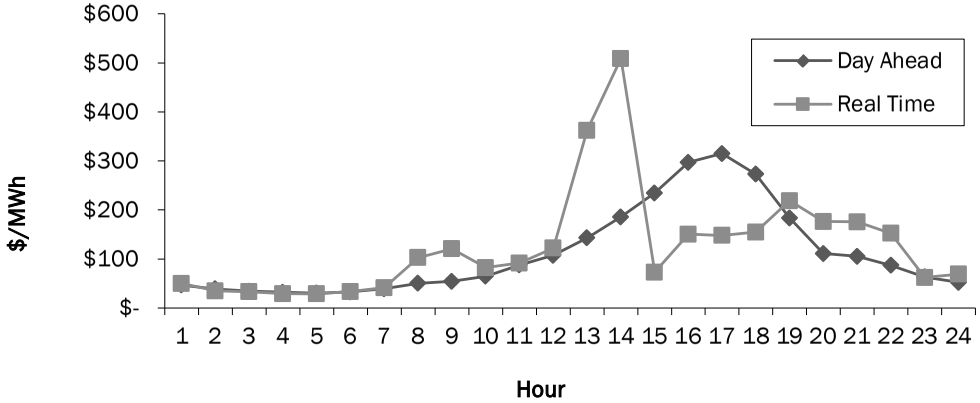


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

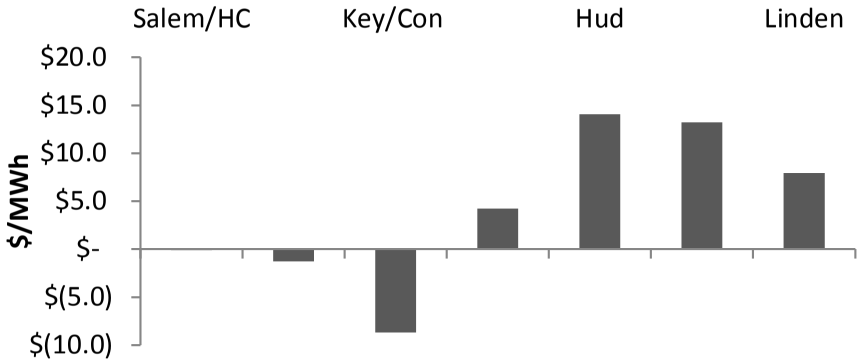
SI-SSA-0015-11381

Competitive Advantage: Trading & Asset Flexibility

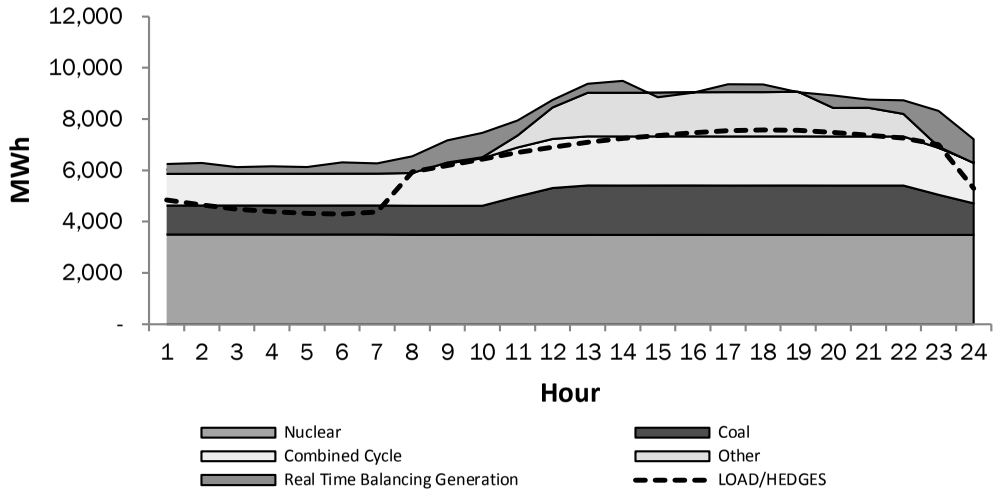
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



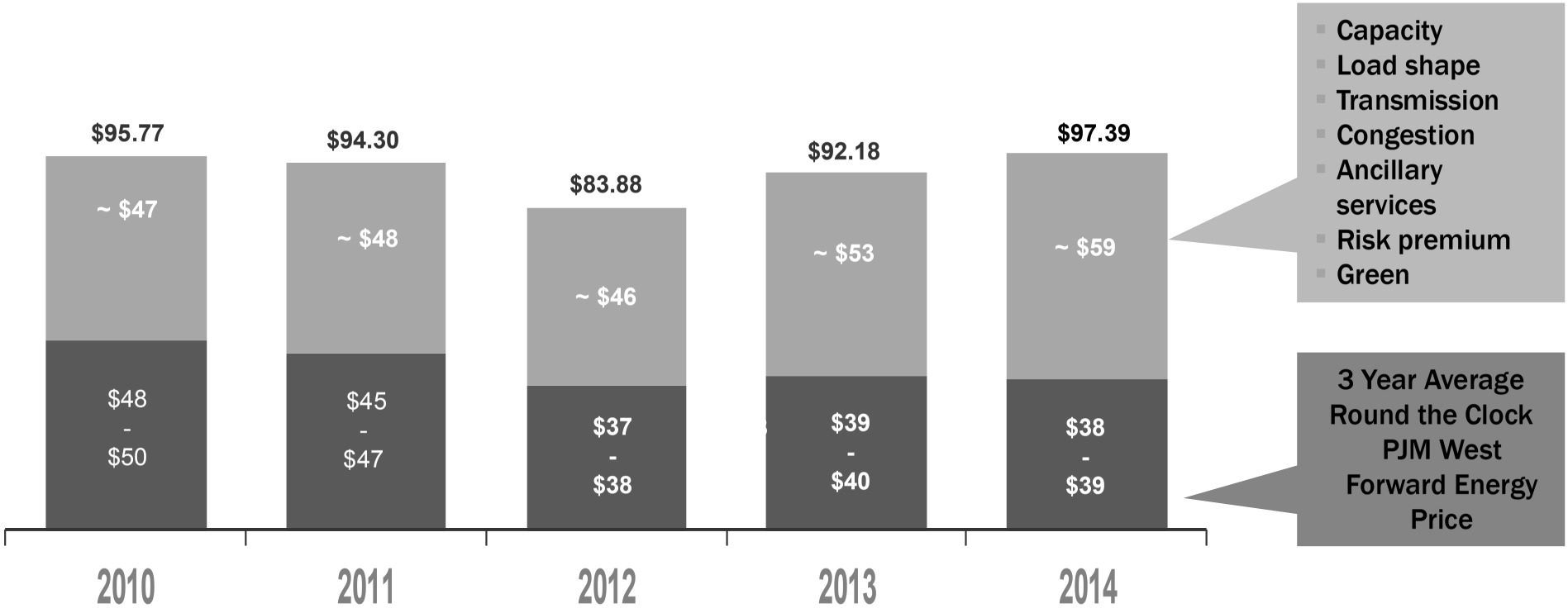
Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-11382

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-11383

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

Forecast output: Increased to reflect improvement in economic dispatch

SI-SSA-0015-11384

PSEG

HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

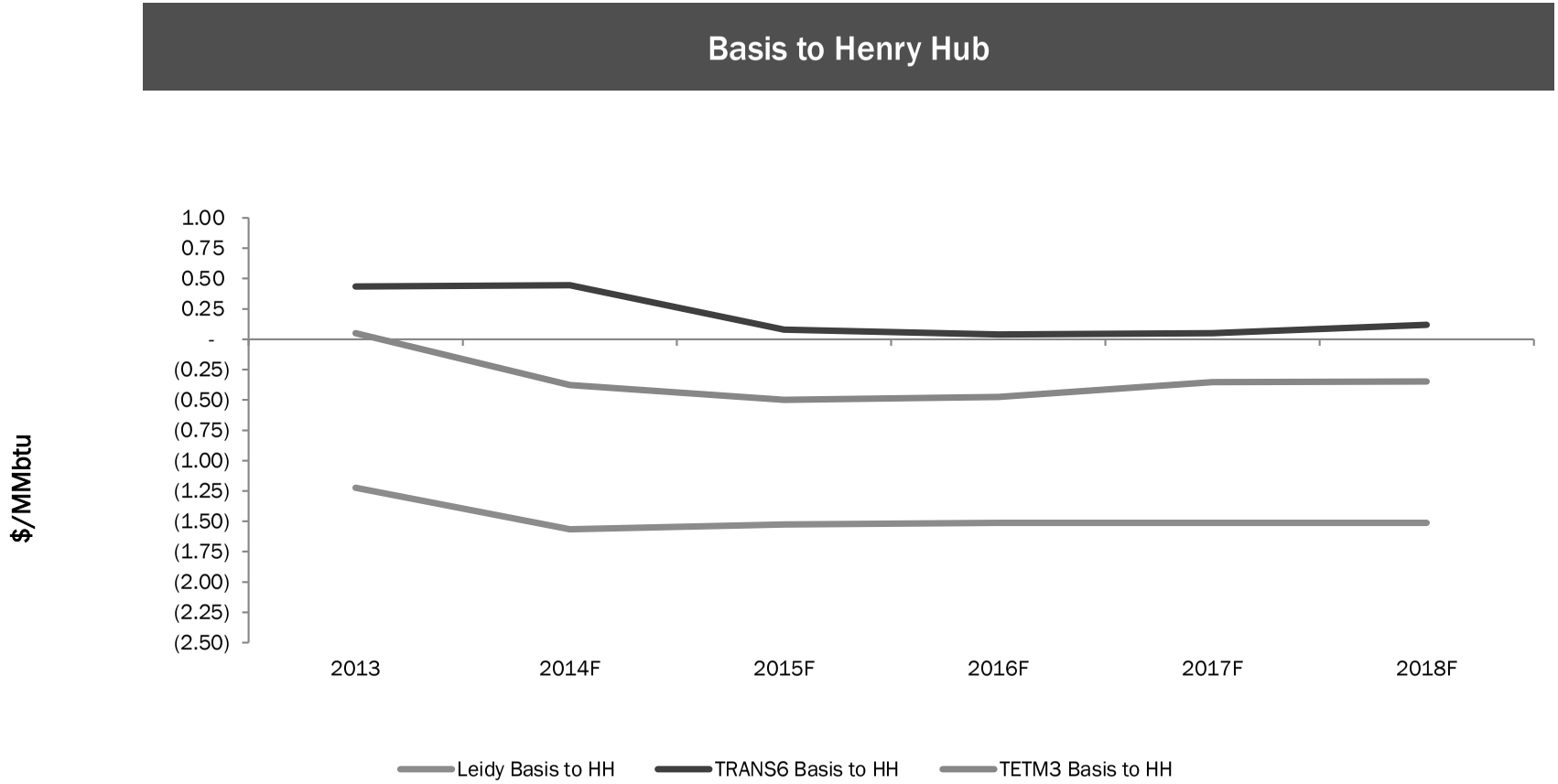
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-11385

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-11386

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-11387

PSEG FINANCIAL REVIEW & OUTLOOK

PSEG

We make things work for you.

SI-SSA-0015-11388

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-11389

Exceeded upwardly revised guidance

in both businesses

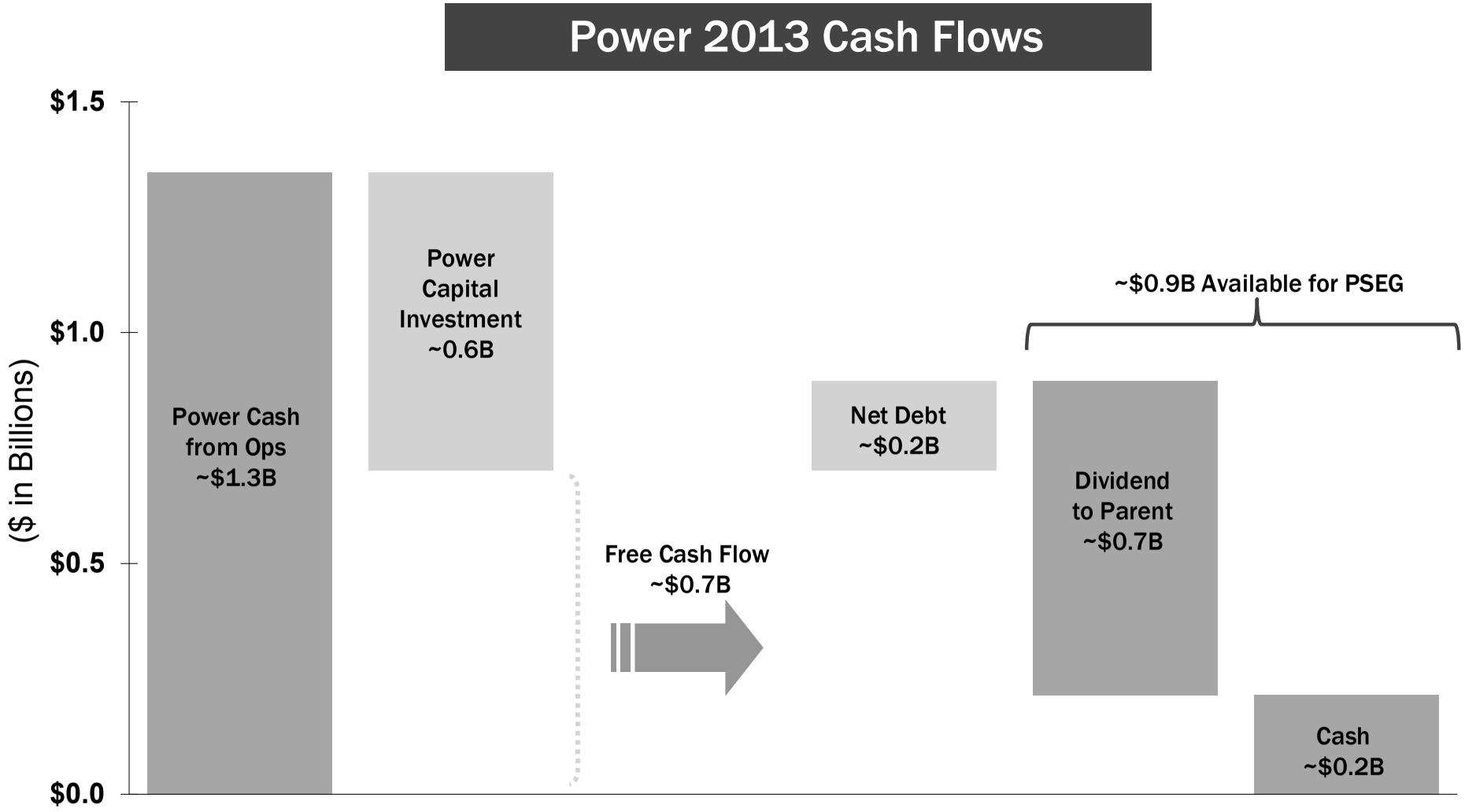
PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

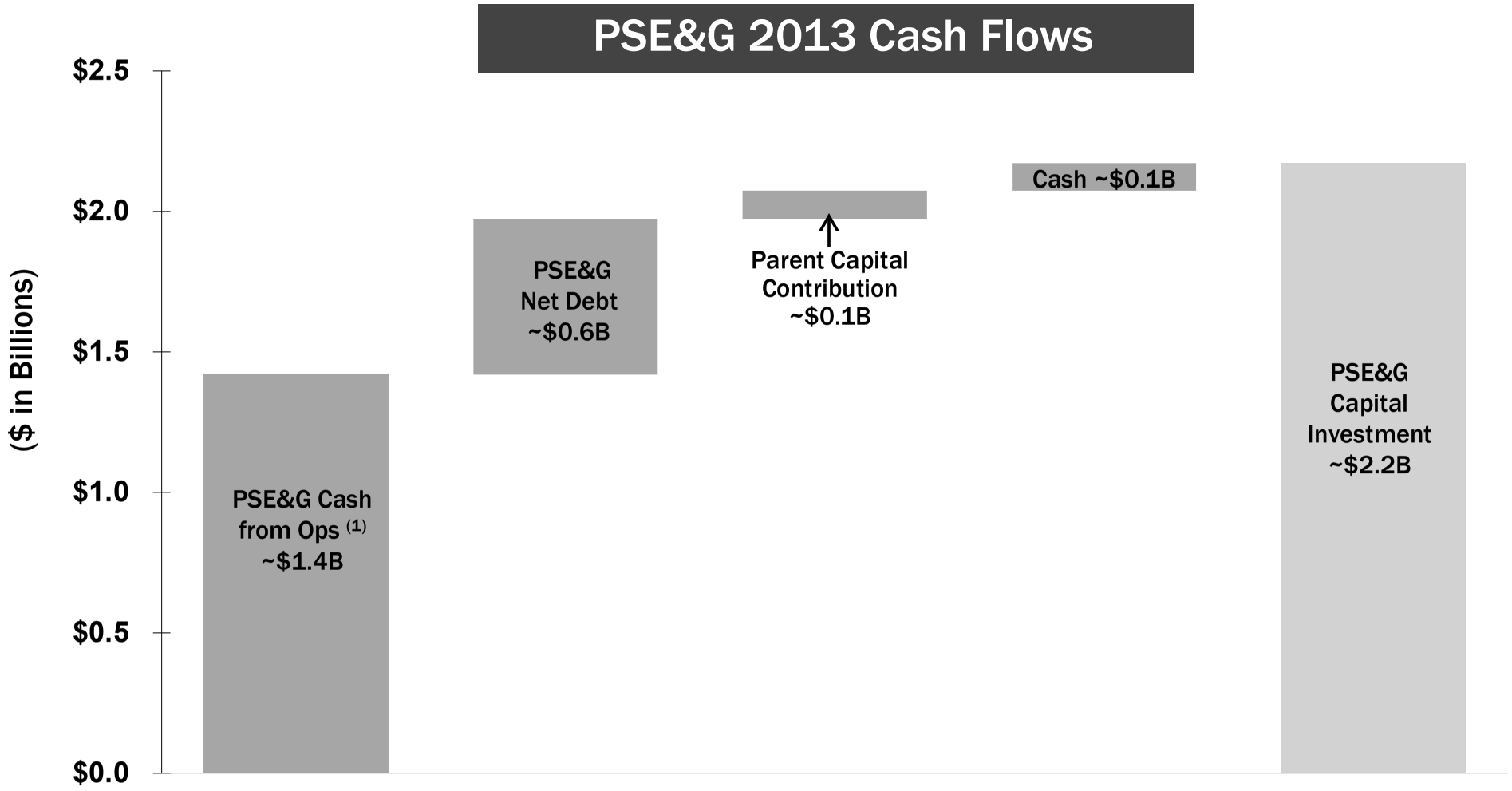
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

In 2013, Power had significant free cash flow



SI-SSA-0015-11391

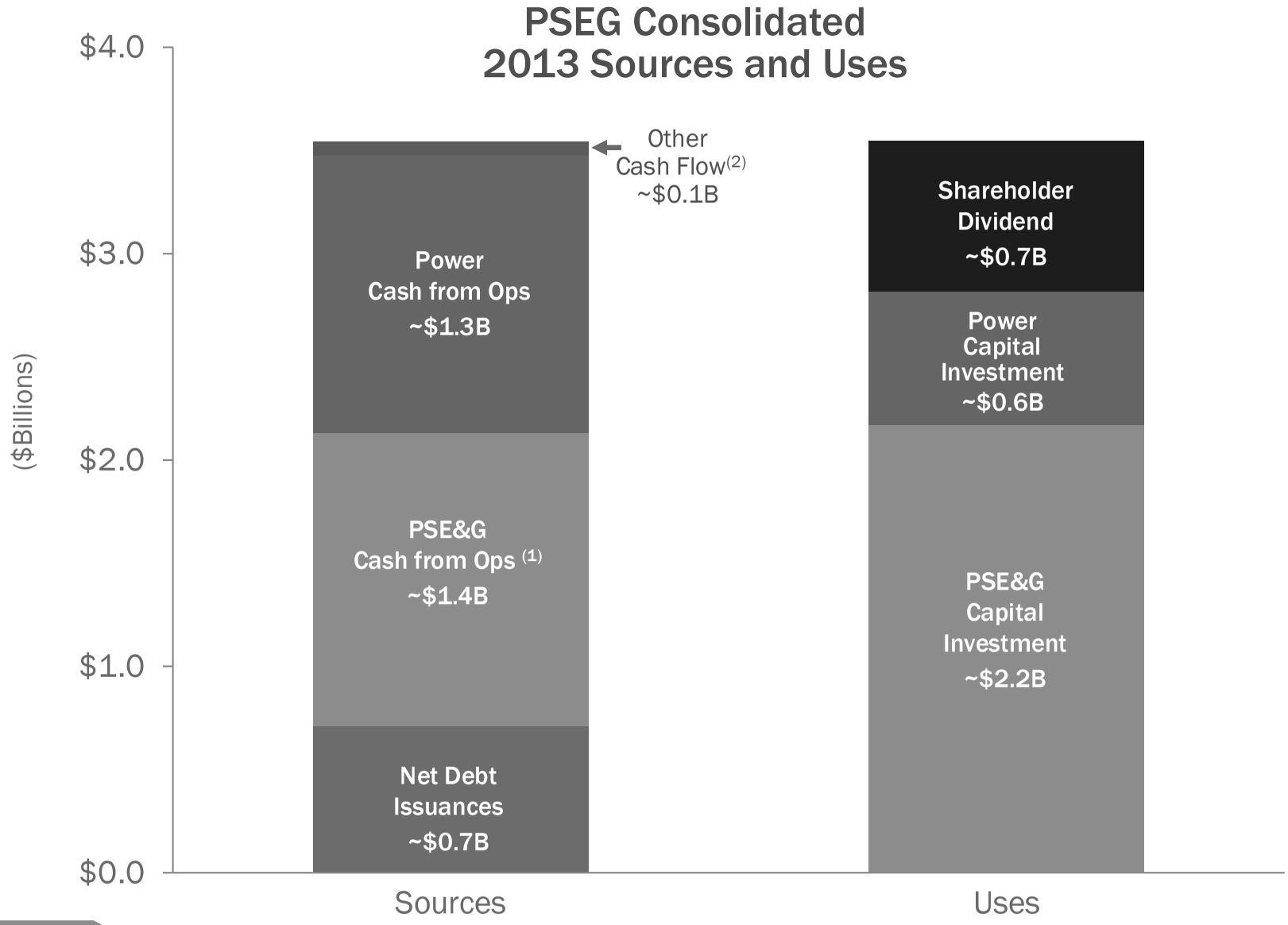
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-11392

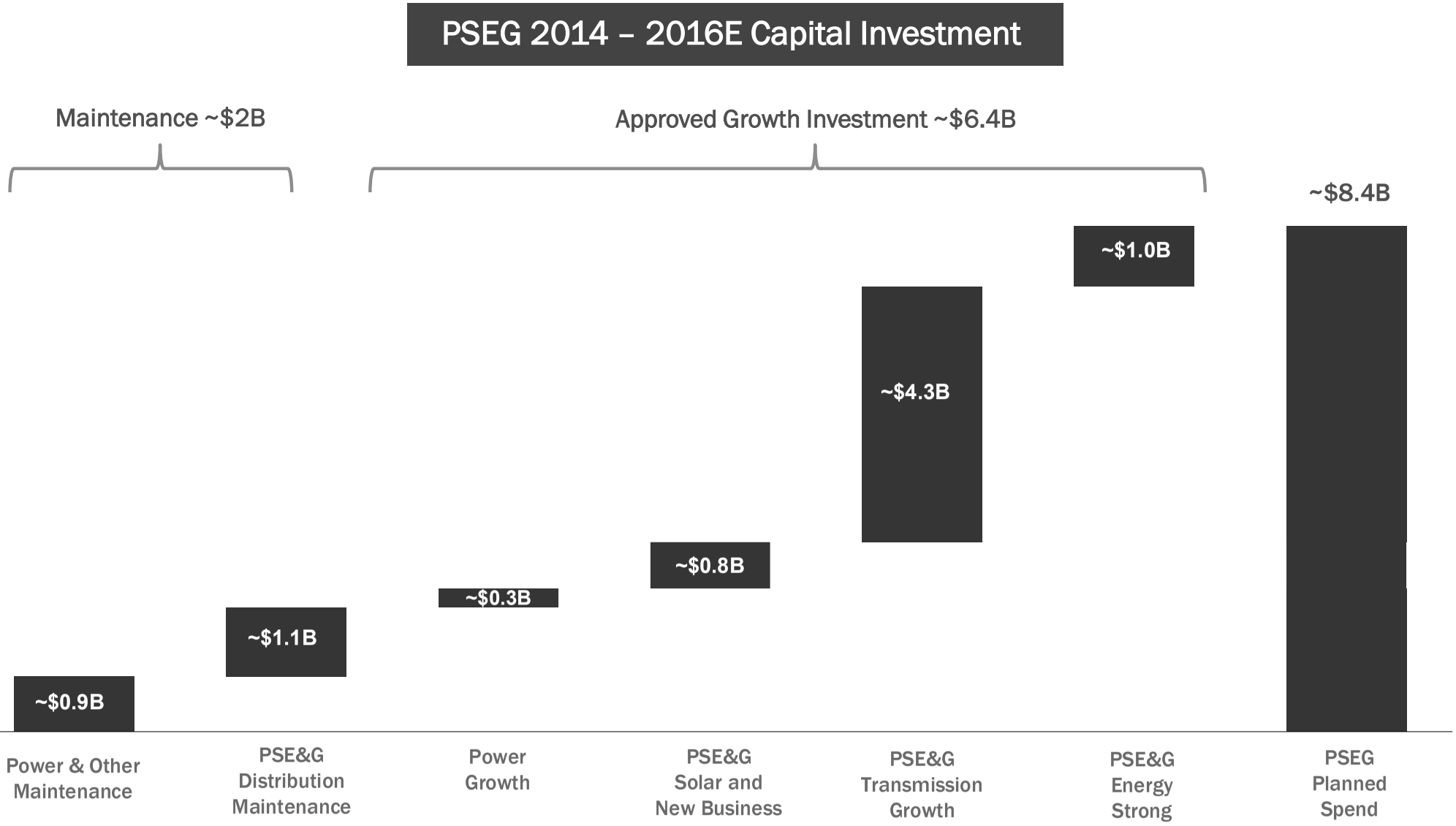
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-11393

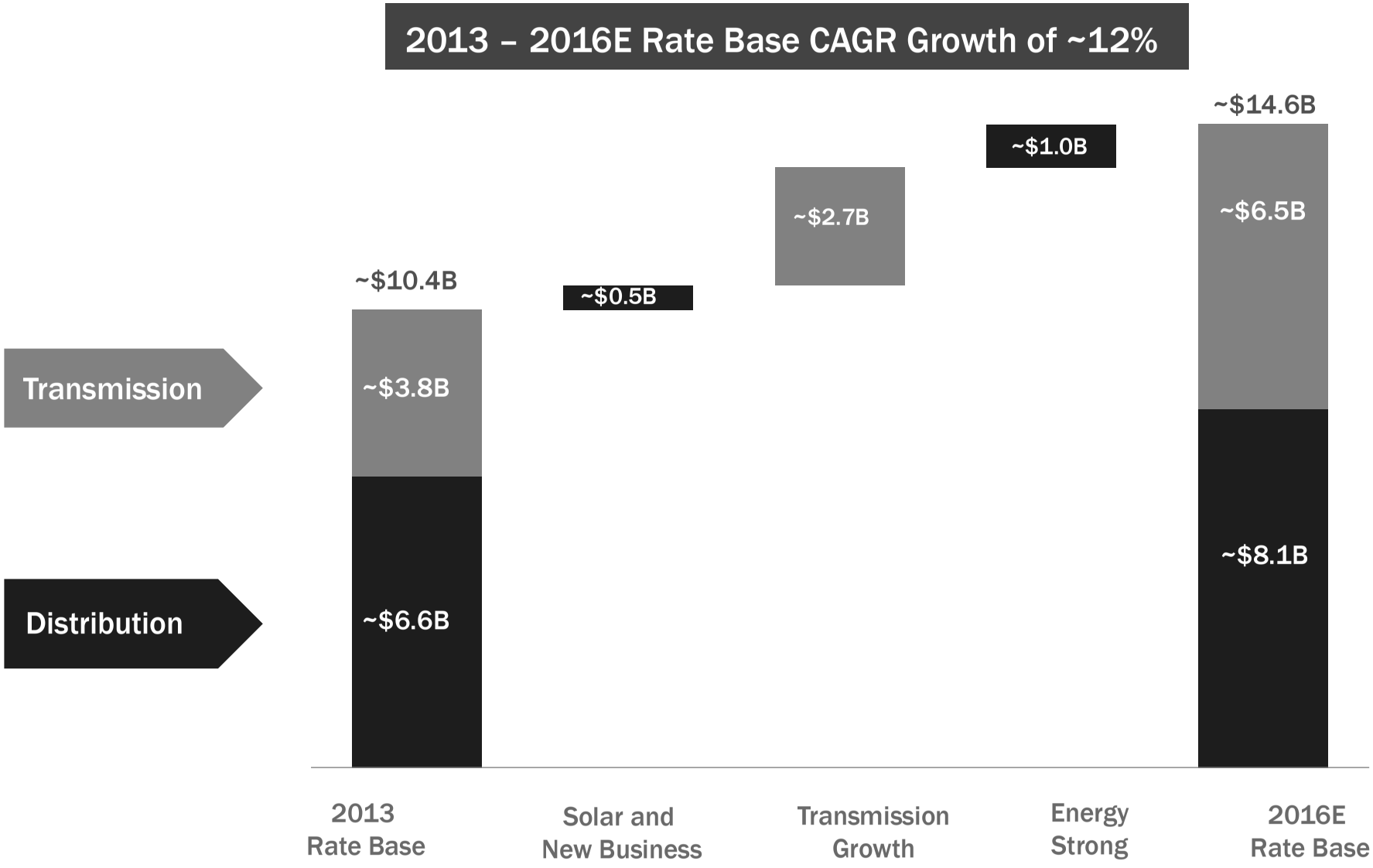
PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-11394

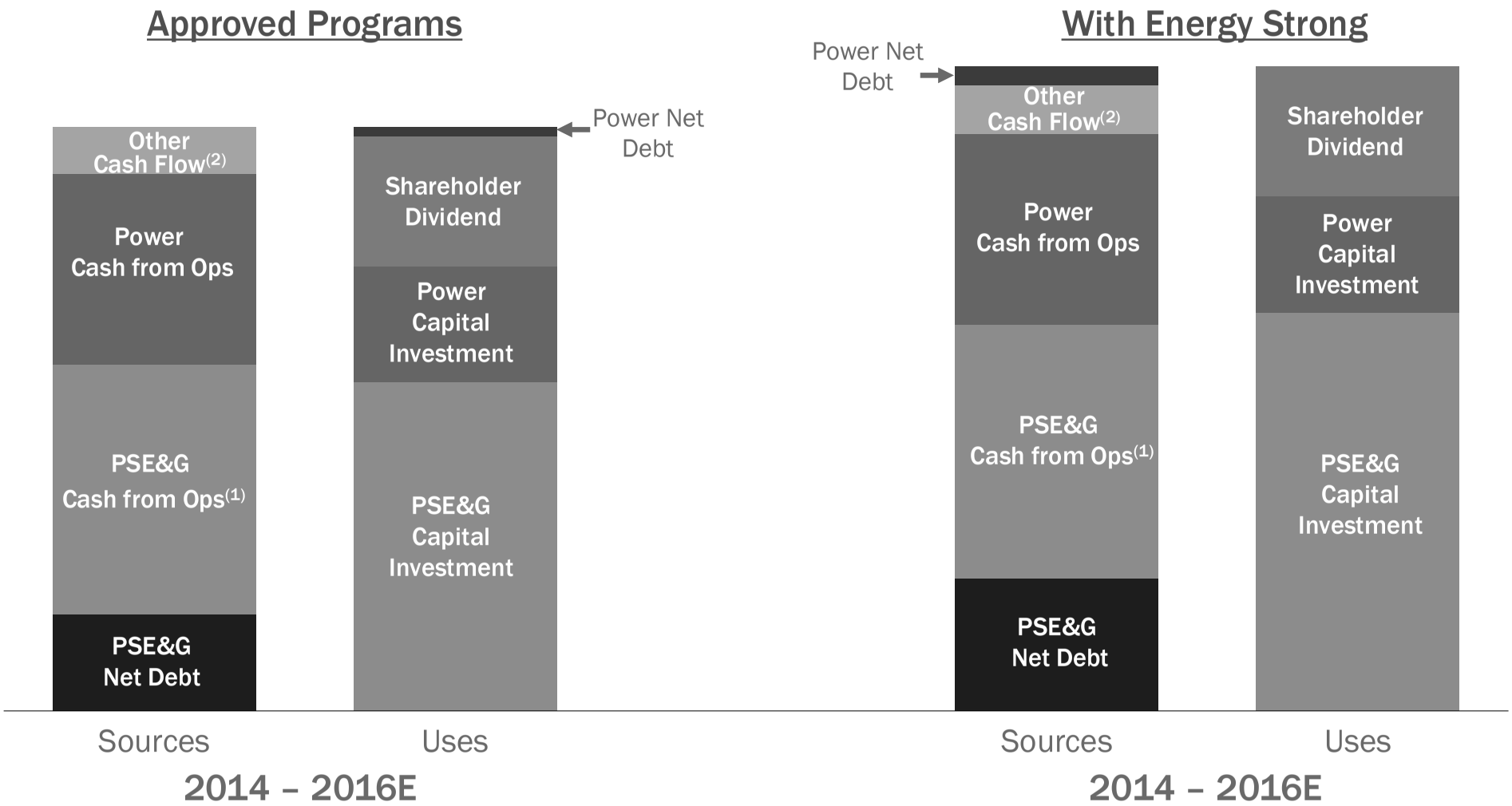
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-11395

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

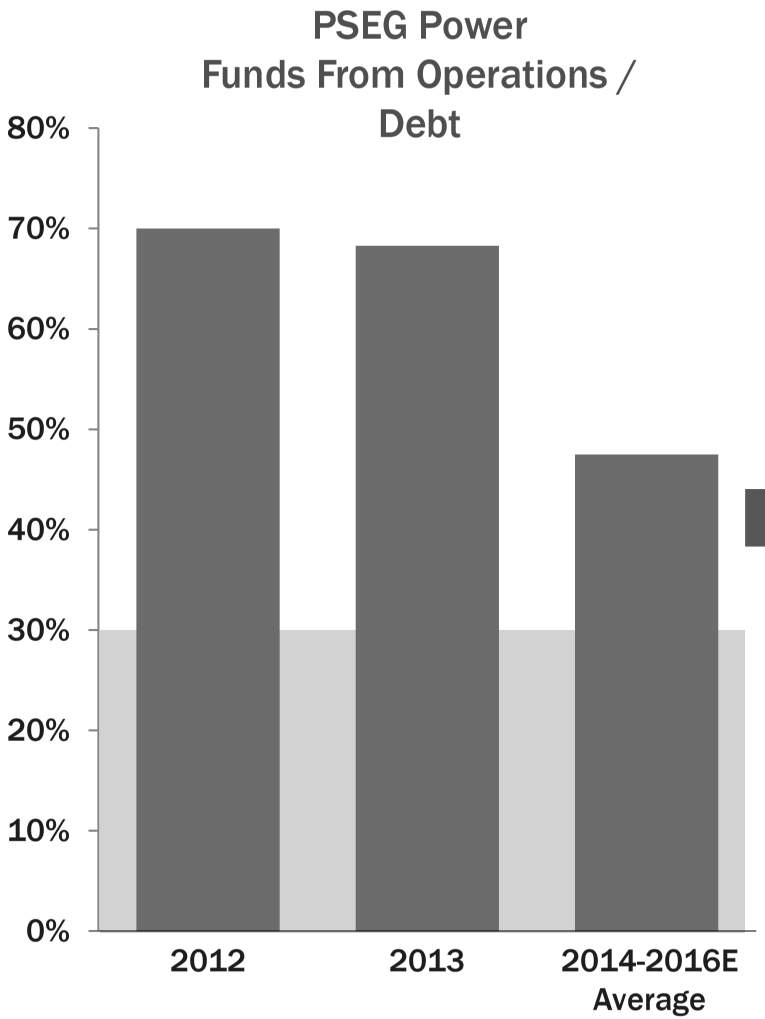
PSEG Sources and Uses



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE

SI-SSA-0015-11396

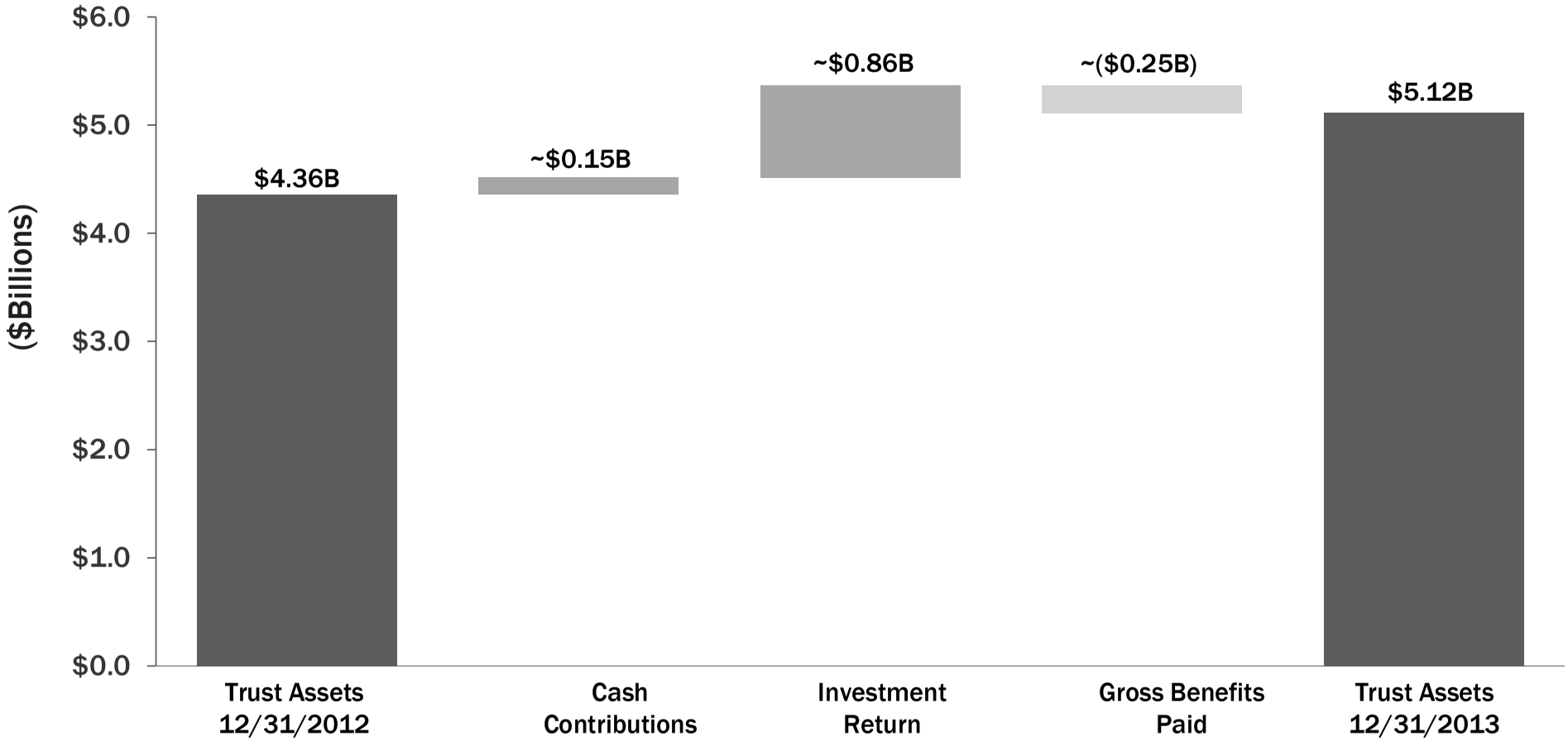
Power's key credit metric supports incremental investment opportunities



- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-11397

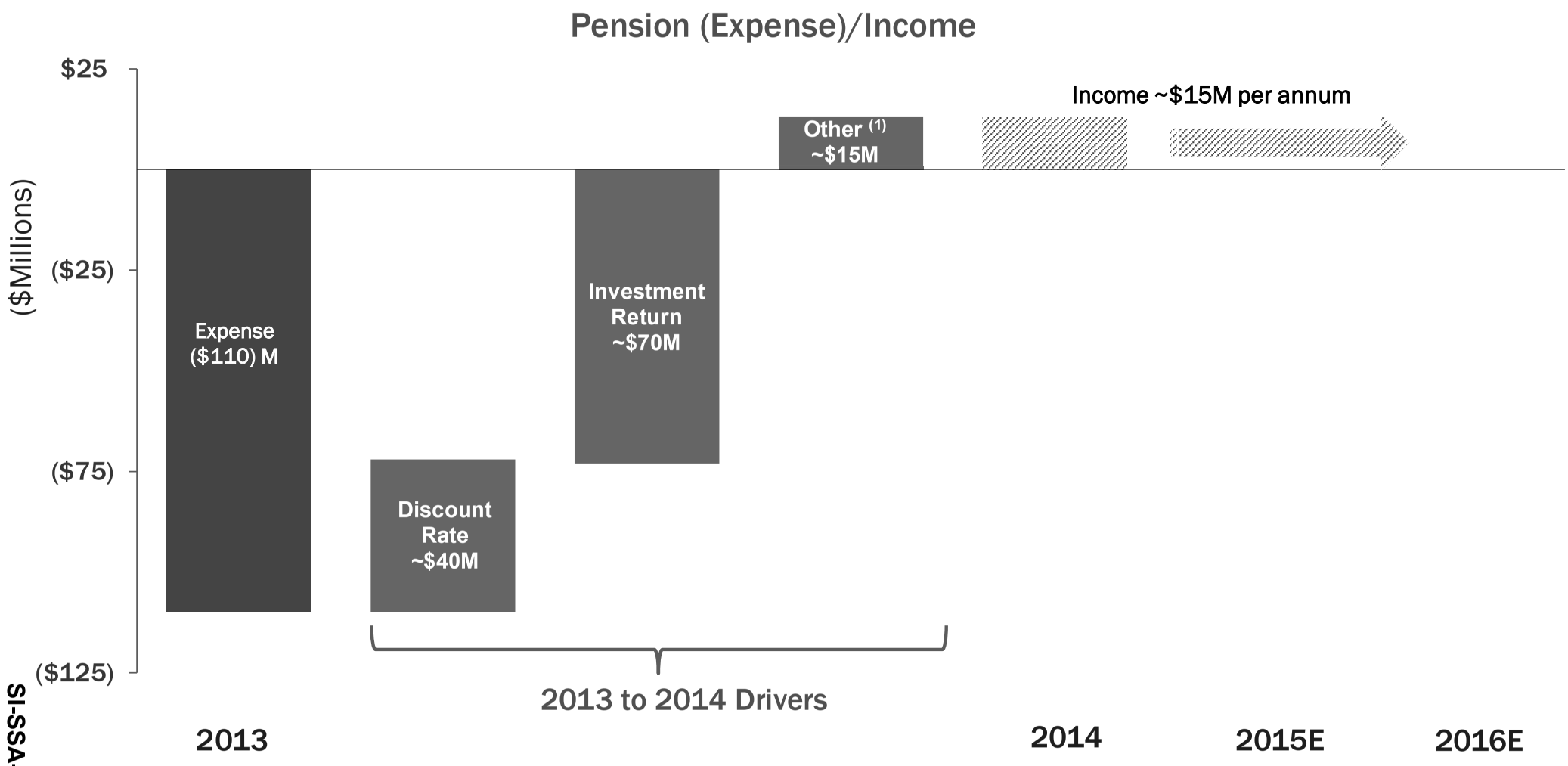
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-11398

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



SI-SSA-0015-11399

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

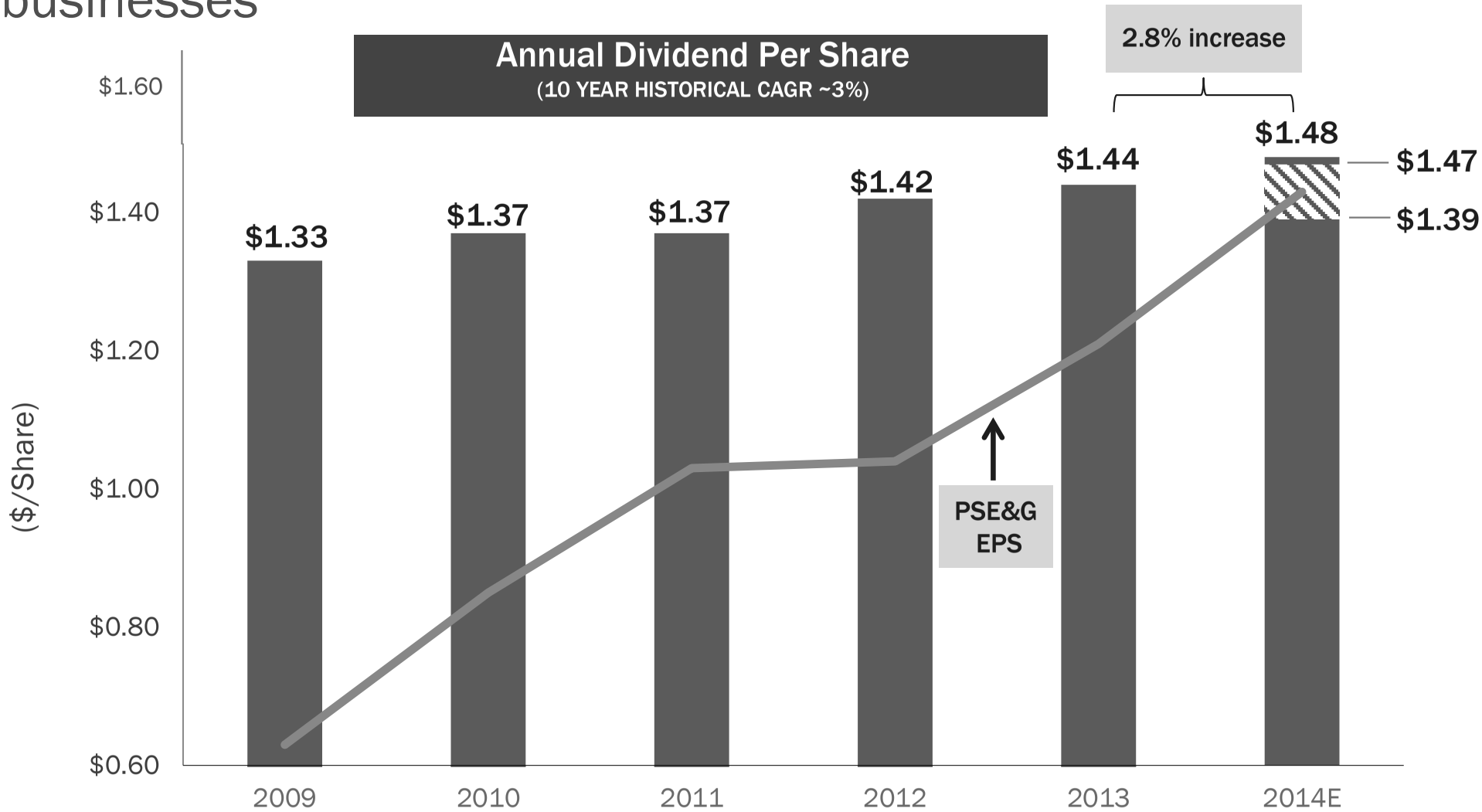
SI-SSA-0015-11400

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-11401

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-11402

PSEG Summary

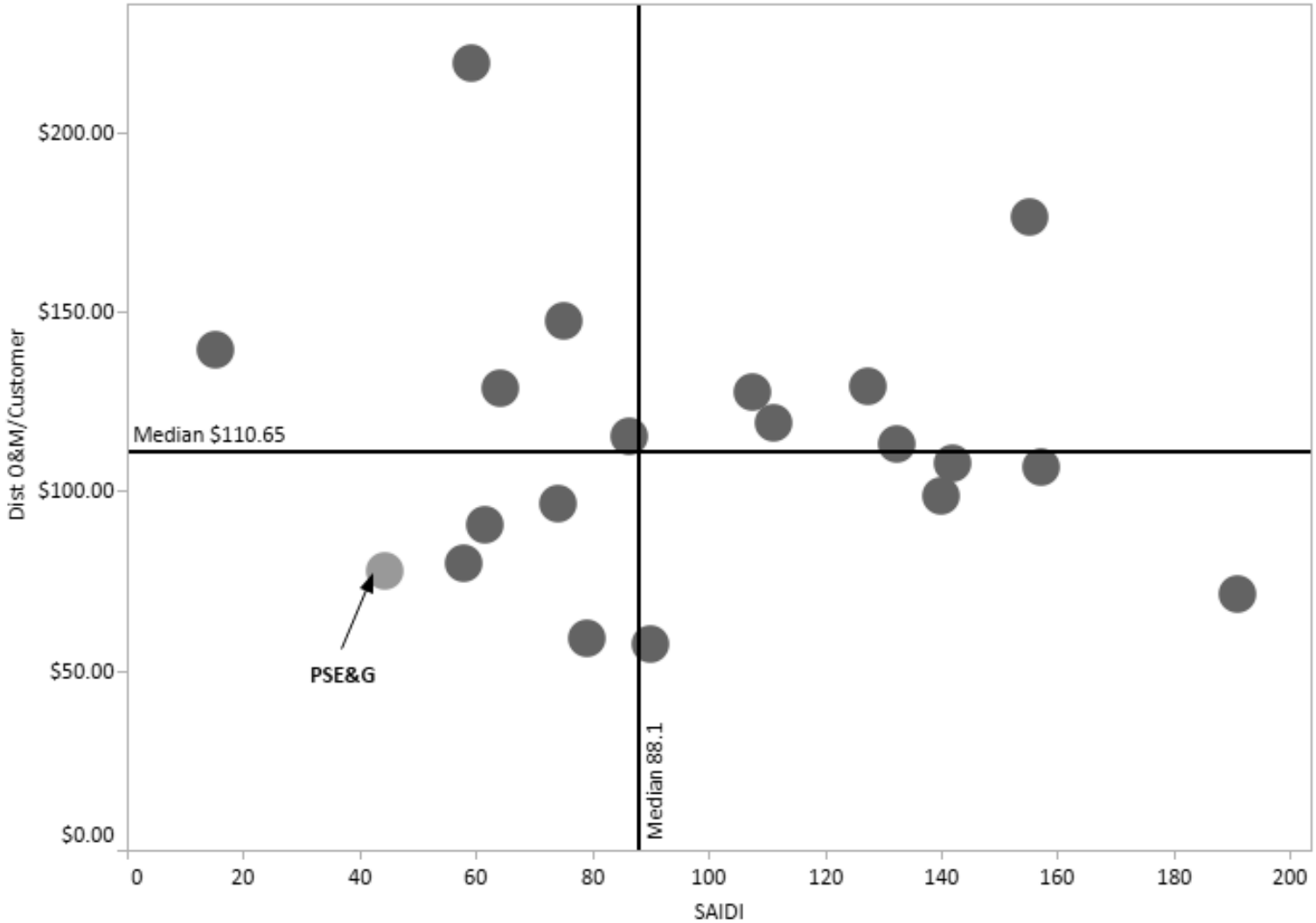
- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-11403

PSE&G APPENDIX

SI-SSA-0015-11404

PSE&G provides high reliability at below average cost which creates superior value to customers

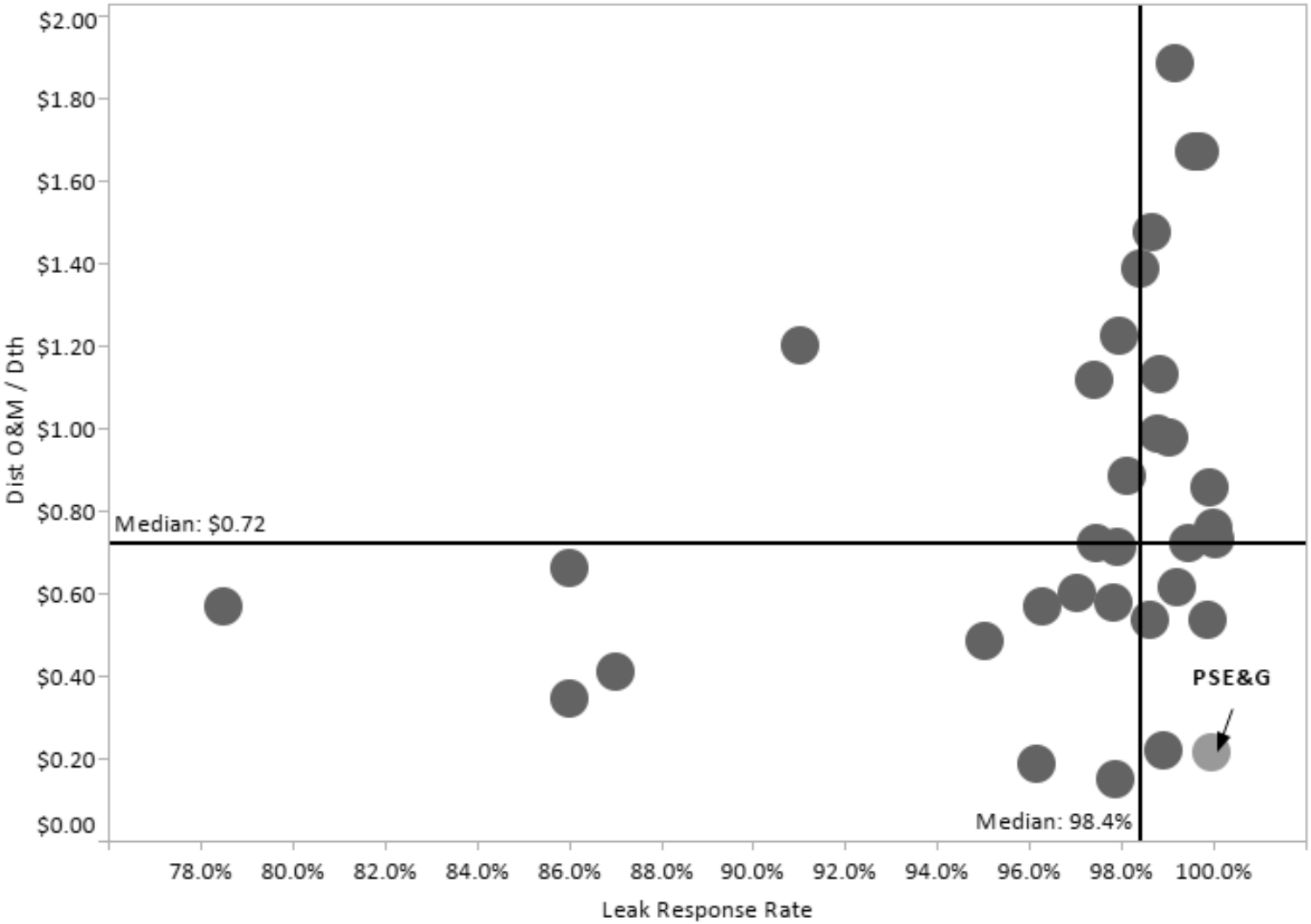


SI-SSA-0015-11405

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



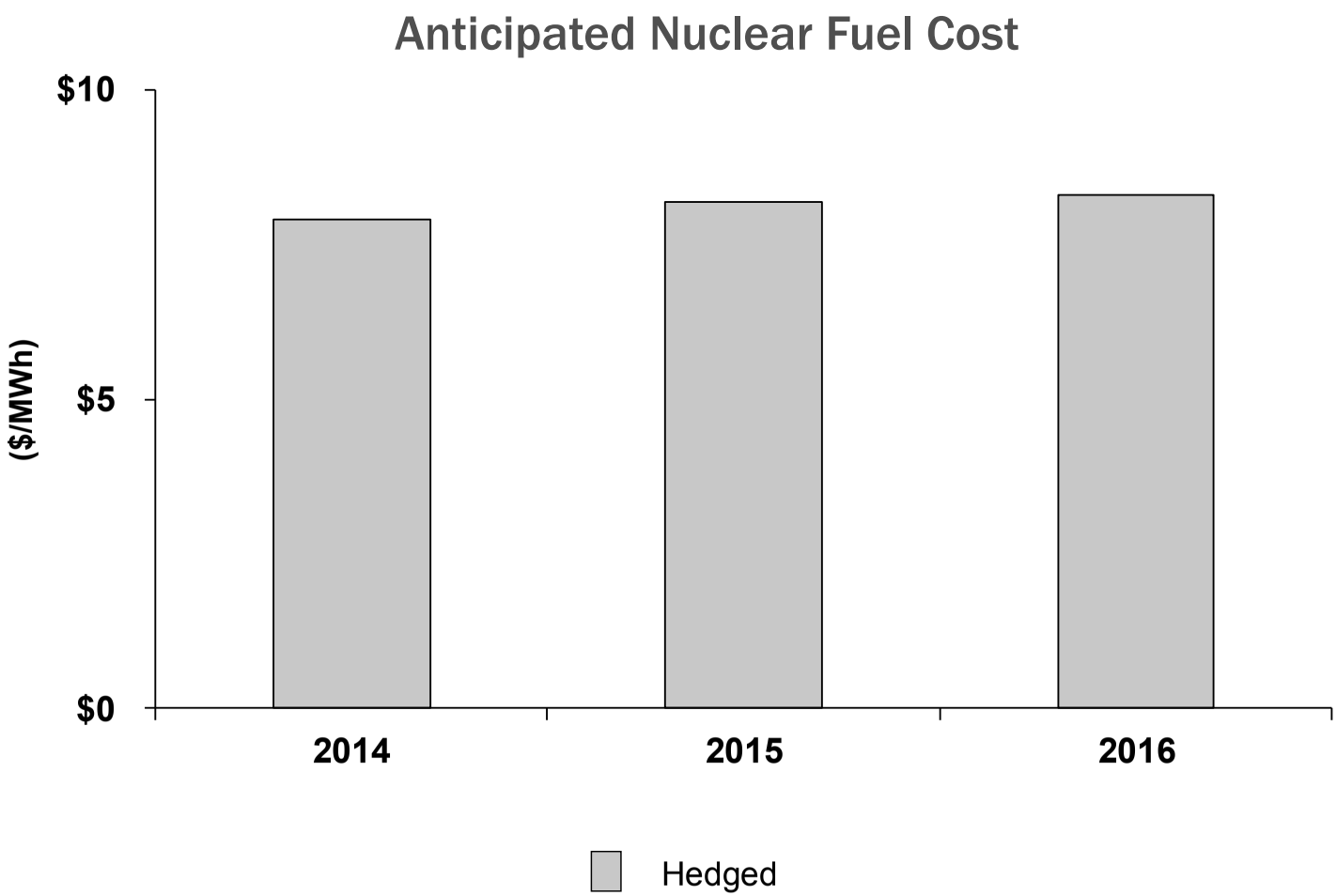
SI-SSA-0015-11406

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

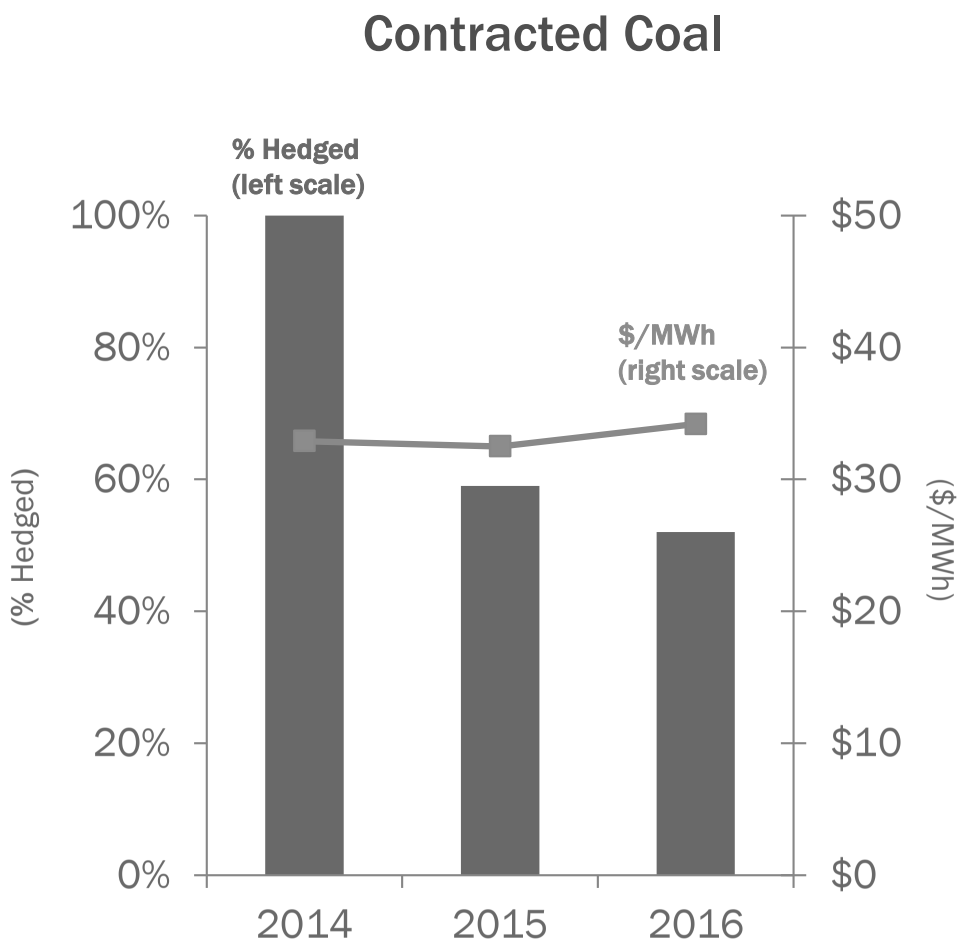
SI-SSA-0015-11407

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-11408

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-11409

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-11410

PSEG FINANCIAL APPENDIX

SI-SSA-0015-11411

Q1 Operating Earnings by Subsidiary

Quarter ended March 31

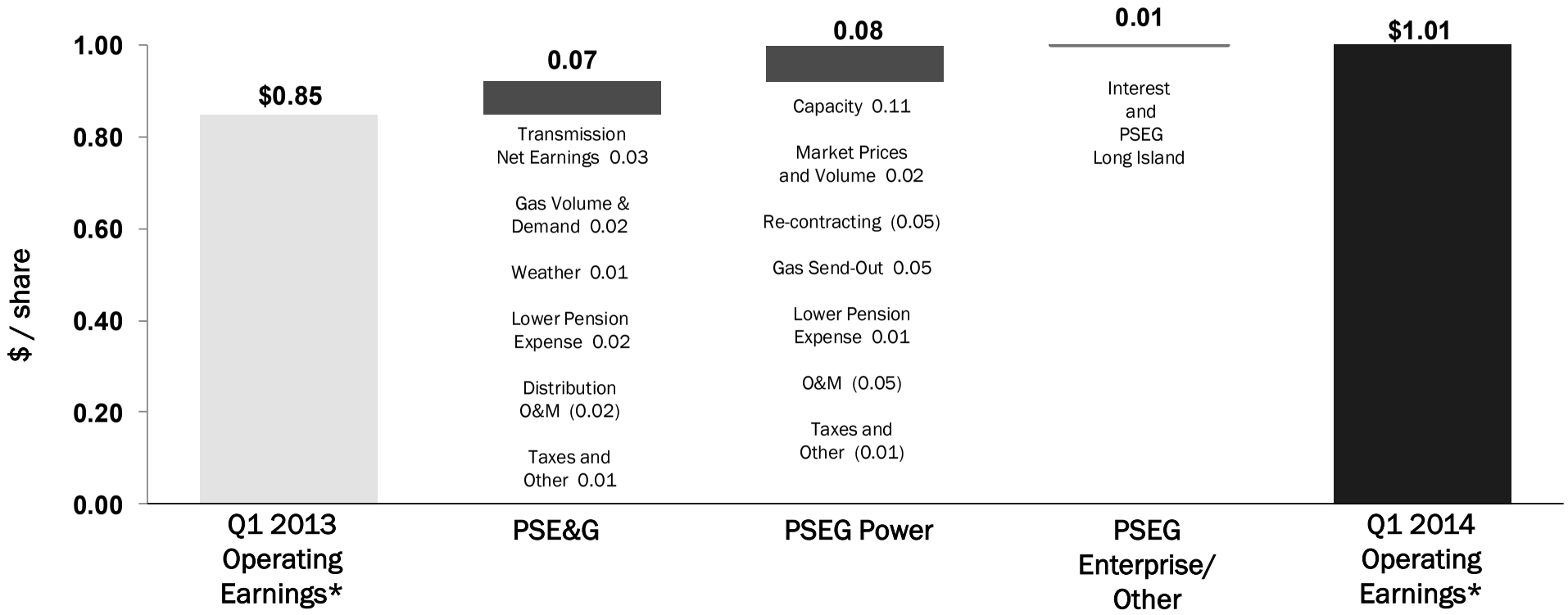
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
*Operating Earnings**	$ 515	$ 433	$ 1.01	$ 0.85

SI-SSA-0015-11412

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



SI-SSA-0015-11413

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

March 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.6	$0.1	N/A[2]
Short Term Debt	$0.0	$0.0	N/A[2]
Long Term Debt[3]	8.1	5.5	2.5
Common Equity	11.8	6.3	5.7
Total Capitalization	**$19.9**	**$11.8**	**$8.2**
Total Debt / Capitalization	**41%**	**47%**	**31%**

PSE&G Regulated Equity Ratio[1] 53%

SI-SSA-0015-11414

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENTWITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $442 MILLION.

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-11415

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 3/31/14 ($millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$344
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$193
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$69
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$4
Other	Land & Receivables	$7
	Total Holdings Investments	**$908**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-11416

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-11417

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

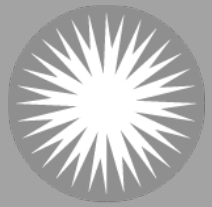
Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	**(Unaudited)**			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

SI-SSA-0015-11419

Wolfe Research Power & Gas Leaders Conference

NEW YORK CITY – SEPTEMBER 24, 2013



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11420

PSEG

Caroline Dorsa
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally
VICE PRESIDENT,
INVESTOR RELATIONS

PSEG
We make things work for you.

SI-SSA-0015-11421

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

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

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

SI-SSA-0015-11422

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slides A and B at the end of this presentation include a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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PSEG OVERVIEW & OUTLOOK

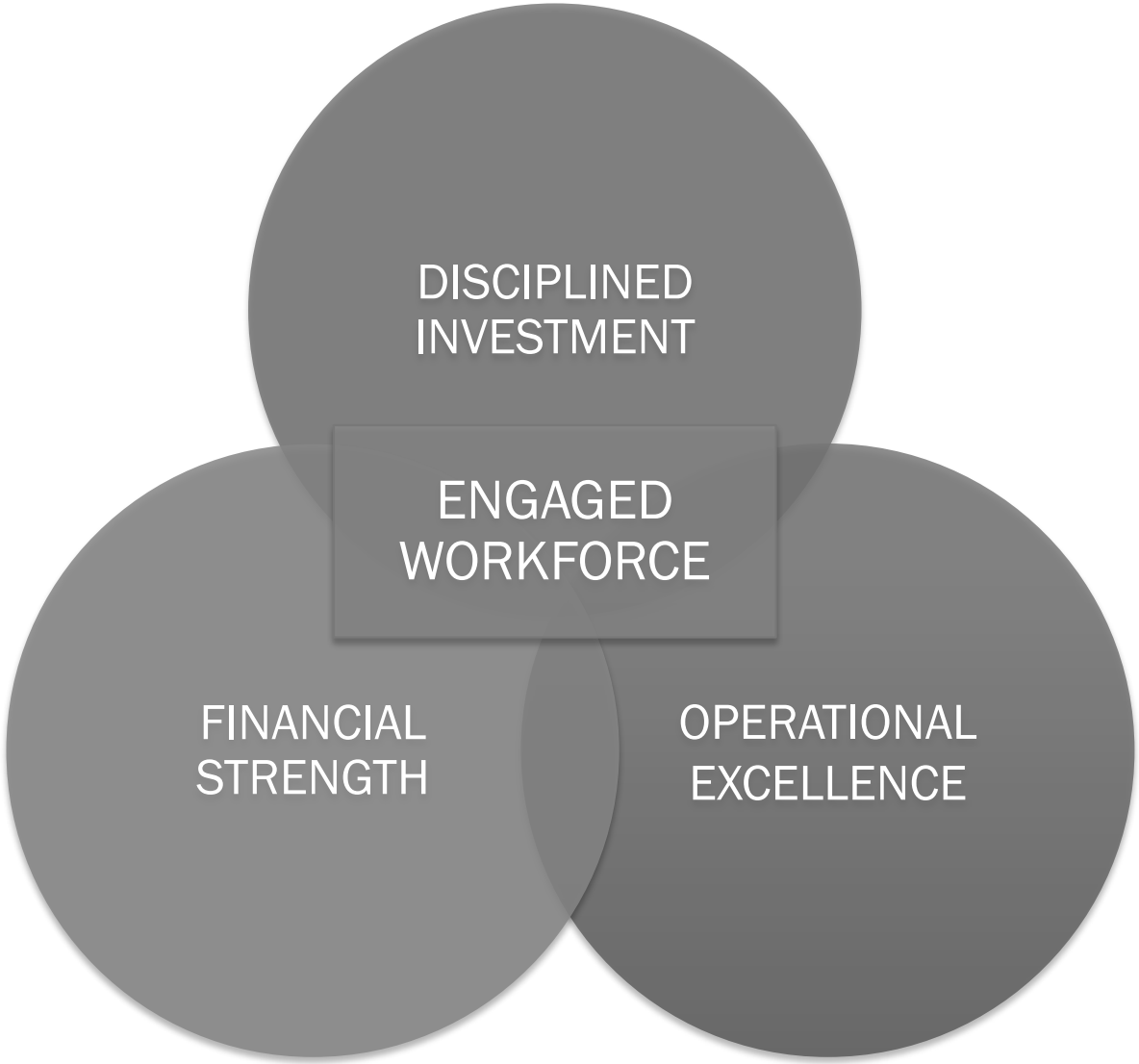
PSEG

We make things work for you.

SI-SSA-0015-11424

PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



SI-SSA-0015-11425

PSEG meeting the market's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
*ENERGY HOLDINGS INCLUDES PARENT.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-11426

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240
$1.29	Common Dividend Per Share[3]	$1.42

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012. (3) 2013 INDICATED ANNUAL DIVIDEND RATE IS $1.44 PER SHARE.

SI-SSA-0015-11427

Superstorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by Superstorm Sandy, but when the load returned in the days following, Power's assets were available

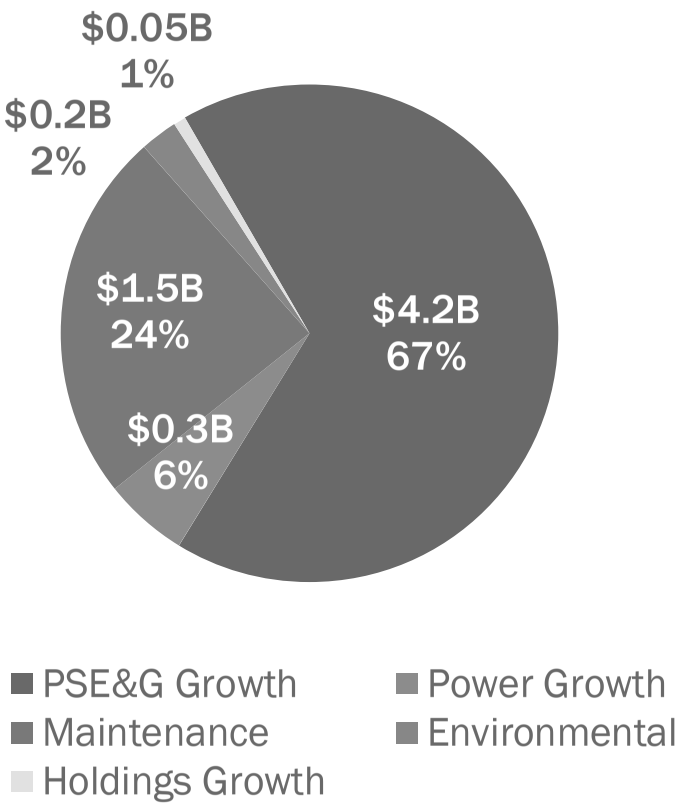
SI-SSA-0015-11428

PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*

$6.3 Billion

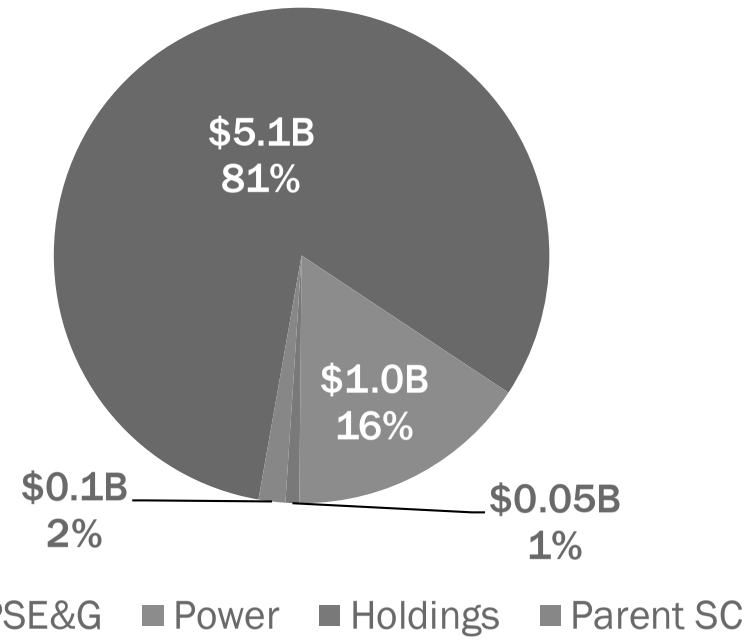
Growth / Environmental / Maintenance



PSEG 2013-2015E Capital Spending*

$6.3 Billion

by Subsidiary

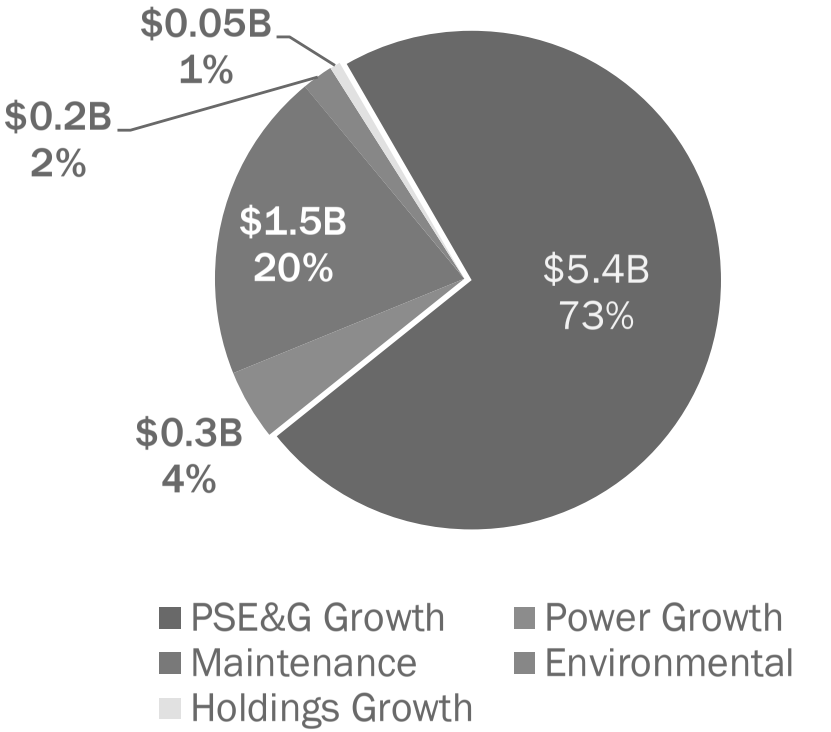


E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF THE ENERGY STRONG PROPOSAL RECENTLY FILED WITH THE NJBPU. DATA AS OF JUNE 30, 2013.

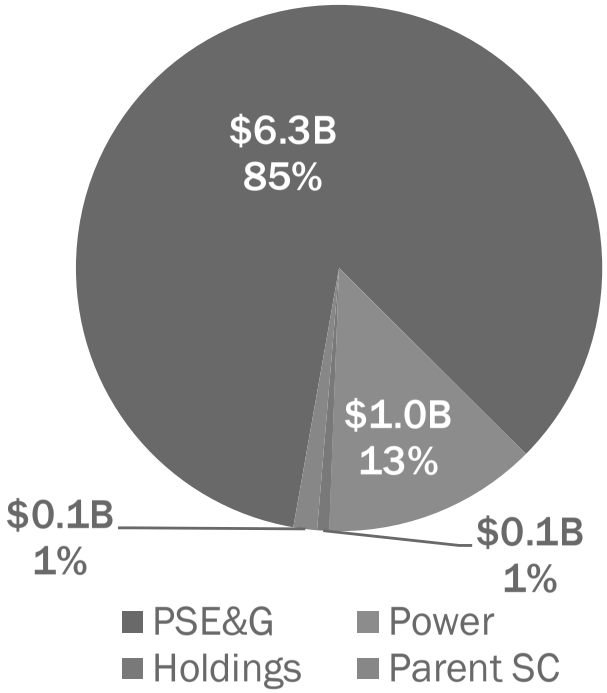
SI-SSA-0015-11429

What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.5 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC. *DATA AS OF JUNE 30, 2013.

PSE&G's Energy Strong Capital Program addresses new reality

- New ten-year, $3.9 Billion Infrastructure Program filed February 2013 with the NJBPU to strengthen PSE&G's distribution system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in transmission grid over the ten-year period
- The 10-year Energy Strong proposal includes:
  - ✓ Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - ✓ Making the electric grid smarter and easier to repair (**$460 Million**)
  - ✓ Adding backup distribution lines and system redundancies (**$550 Million**)
  - ✓ Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - ✓ Modernizing the gas distribution system (**$1.2 Billion**)

- PSE&G is seeking BPU approval to implement the first five years of the Energy Strong proposal, an investment of $2.6 Billion
- The proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

SI-SSA-0015-11431

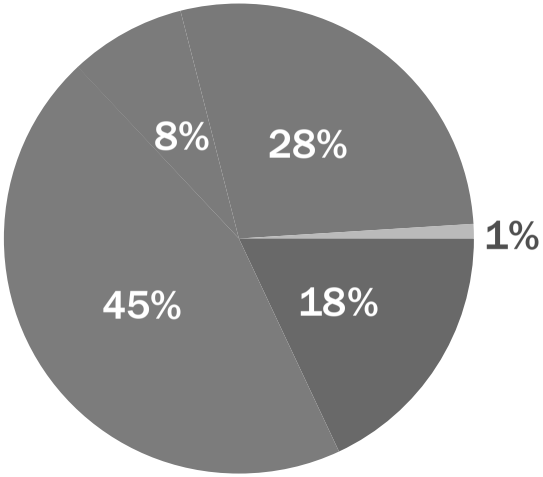
68 local NJ towns and 6 counties support

- 68 municipalities and six counties (Bergen, Hudson, Mercer, Passaic, Somerset and Union) have approved resolutions in support of Energy Strong, PSE&G's infrastructure proposal to improve and fortify its electric and gas distribution systems
- The Energy Strong proposal is currently being evaluated by the NJ Board of Public Utilities
- Public hearings are scheduled for September and October 2013

SI-SSA-0015-11432

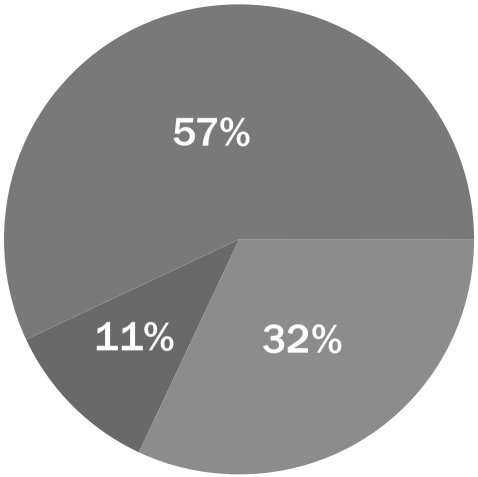
PSEG Power value advantaged by asset diversity, fuel flexibility and location

Fuel Diversity*
Total MW: 13,226

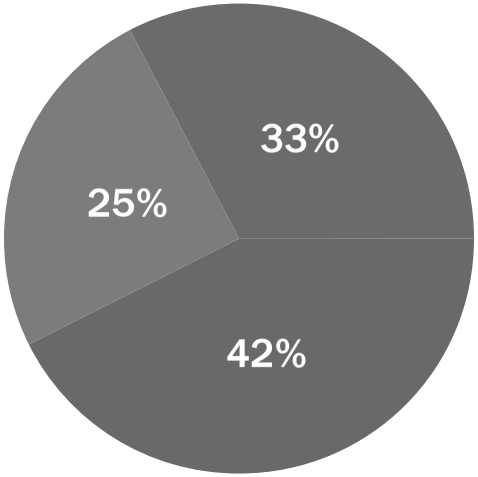


- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Intermediate
- Peaking
- Base load

SI-SSA-0015-11433

PSEG

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

Where we're going … PSE&G operating earnings are forecast to grow at double digit rate through 2015

PSEG Focus

($ millions, except as noted)

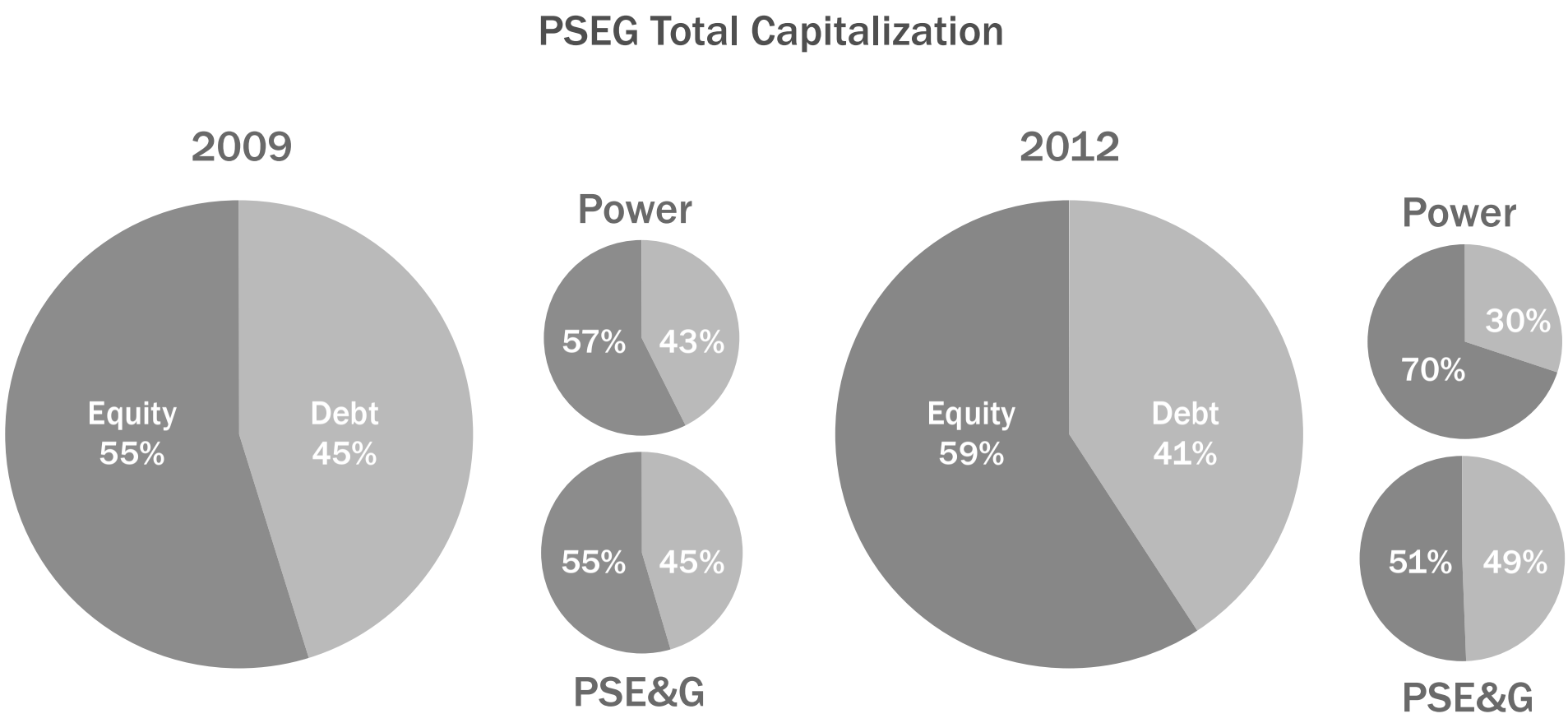
2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

Balance Sheet Strengthened

PSEG has reduced risk



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PSEG First Half 2013 - Highlights

Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share

- Strong earnings: First half 2013 earnings of $1.33 per share vs. $1.28 in year-ago period
  - Power benefitting from higher capacity prices and asset location
    - PSE&G seeing results from increased investment in transmission
      - O&M under control {Continuing control of O&M supporting results}

- Capital investment on schedule
  - PSE&G received approval to invest $446 million in extensions of Solar 4 All and Solar Loan programs
    - PSE&G's existing $3.4 billion Transmission investment program remains on schedule
      - Hearings scheduled for Energy Strong, PSE&G's $2.6 billion, 5-year capital infrastructure program

- Financial position remains strong
  - S&P credit rating upgrade across Enterprise, Power and PSE&G
    - Debt represented 41% of capital at June 30, 2013
      - Dividend increased 1.4% to $1.44 per share, the 9th increase in the last ten years

Full year 2013 operating earnings expected to be at the upper end of guidance, assuming normal weather and unit operations

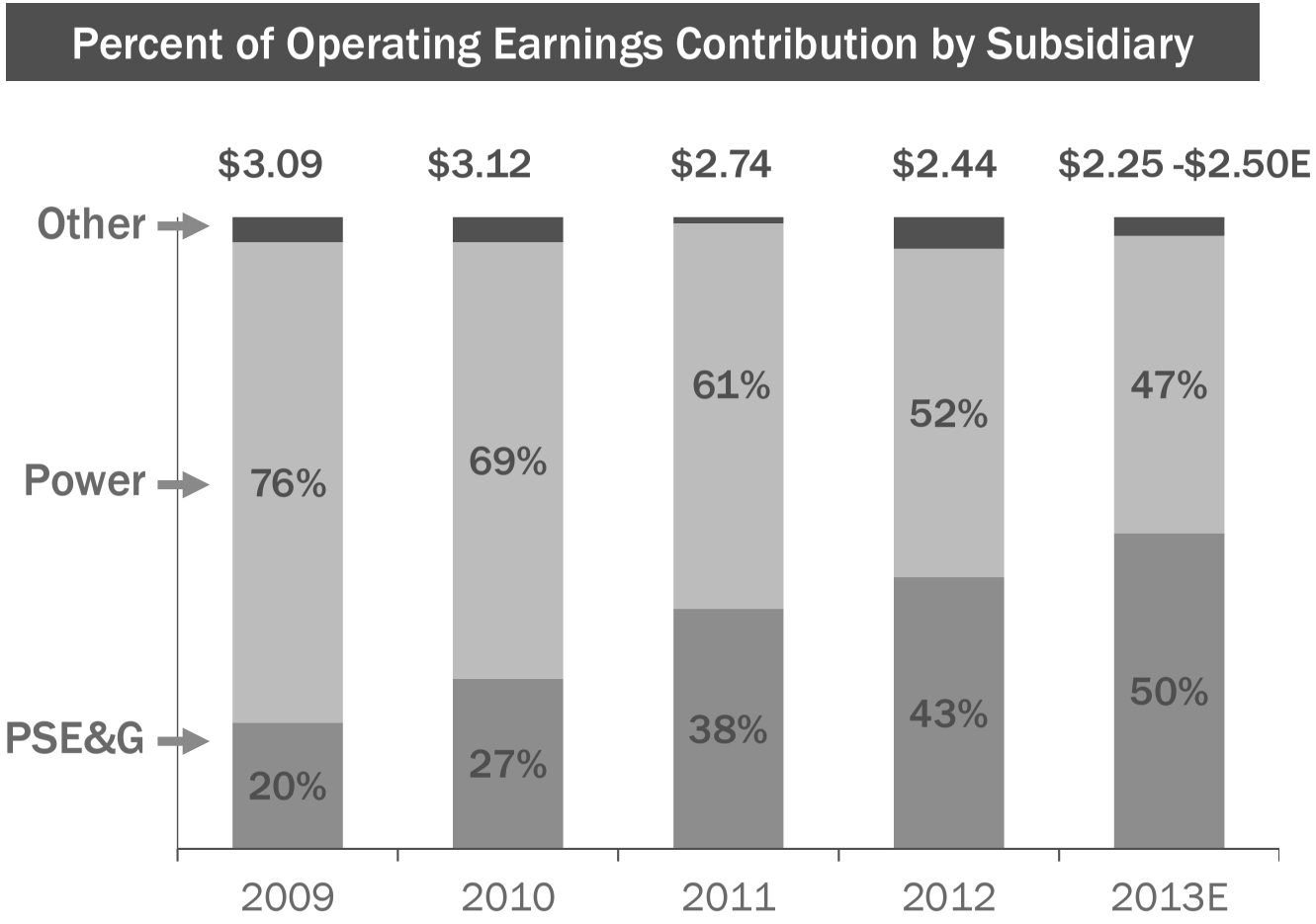
SI-SSA-0015-11436

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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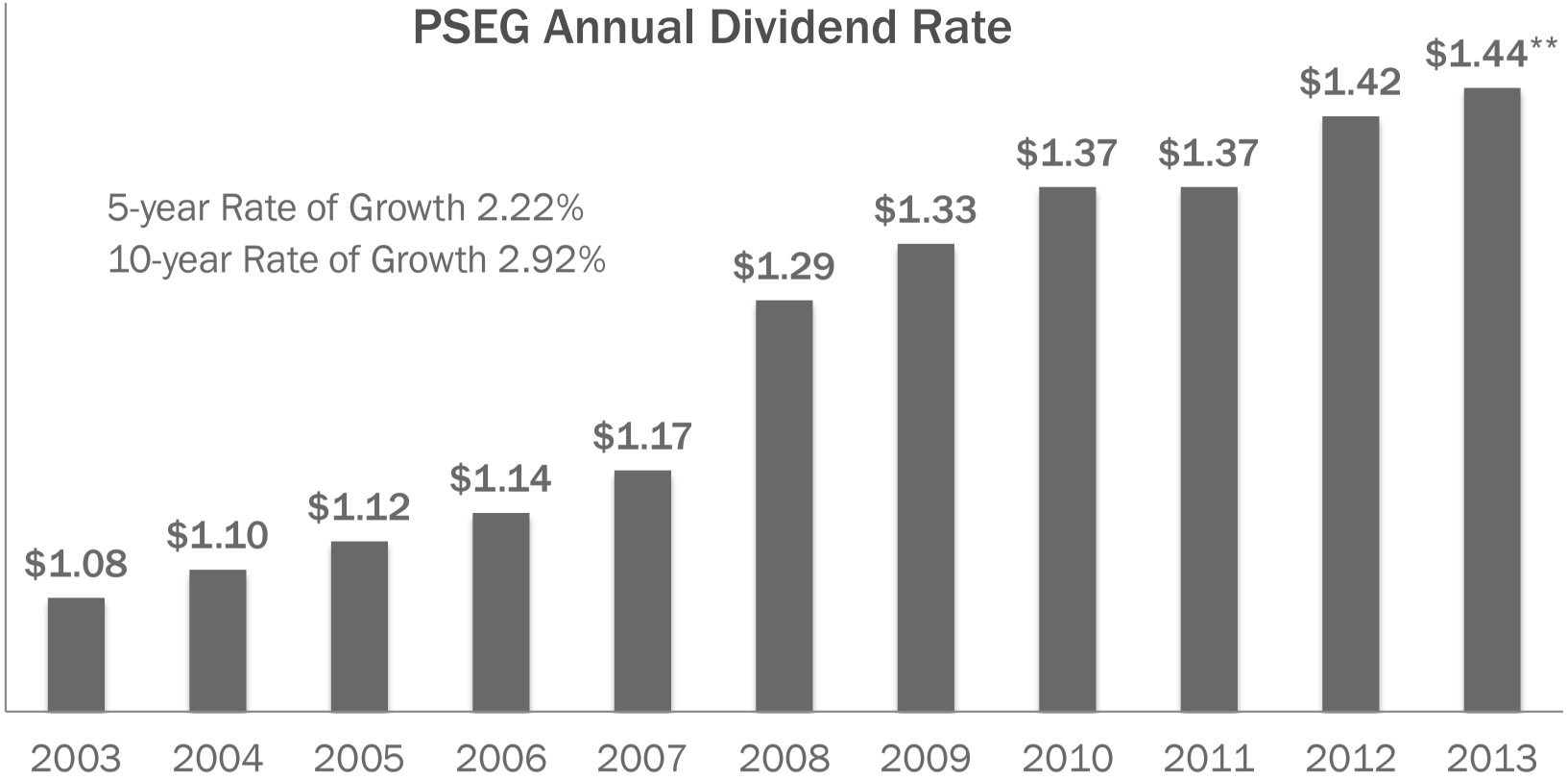
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-11438

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-11439

PSEG

We make things work for you.

PSE&G

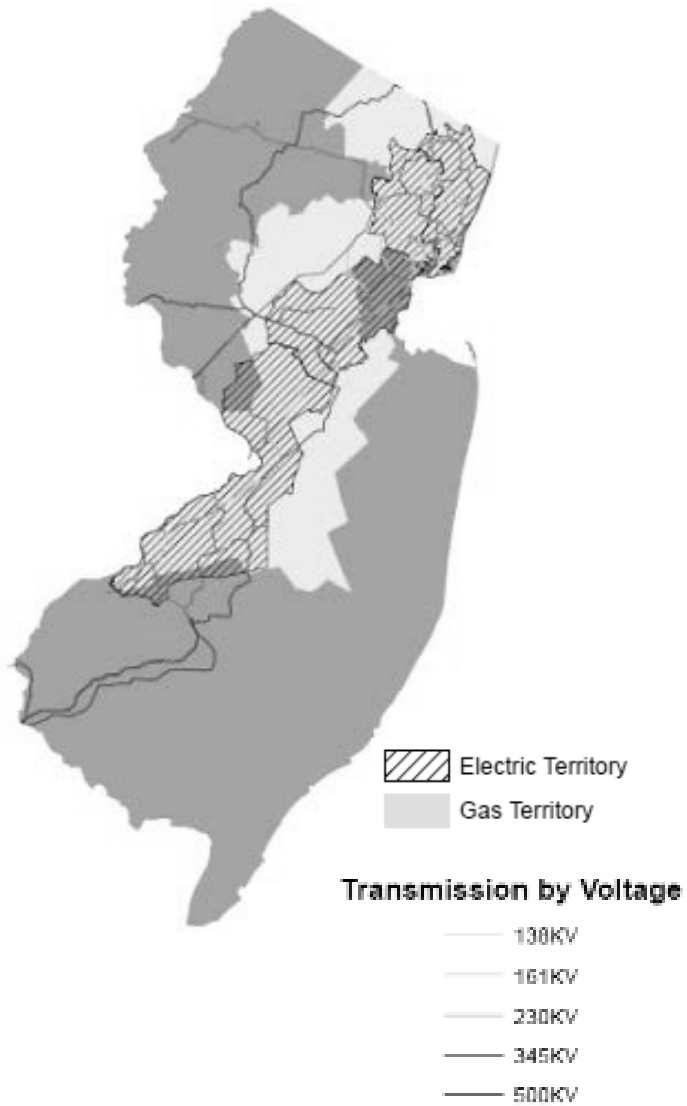
SI-SSA-0015-11440

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-11441

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan I-III	67 MW	179 MW
Solar 4 All and Extension	74 MW	125 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-11442

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

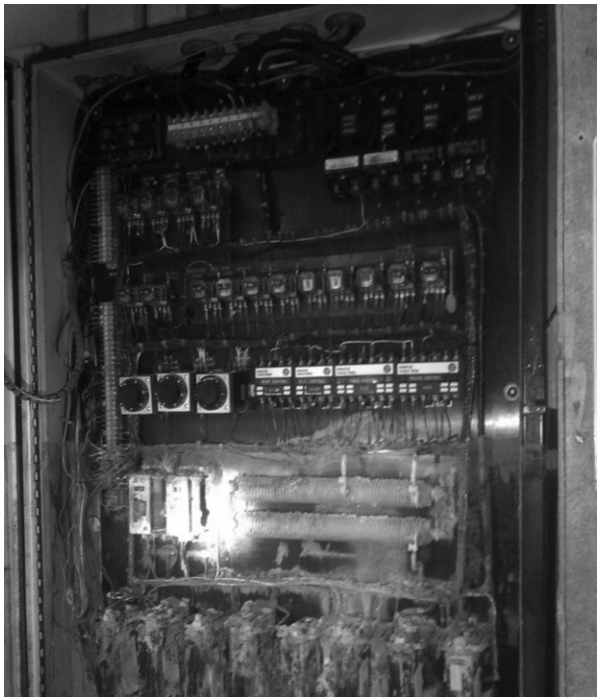
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-11443

During Superstorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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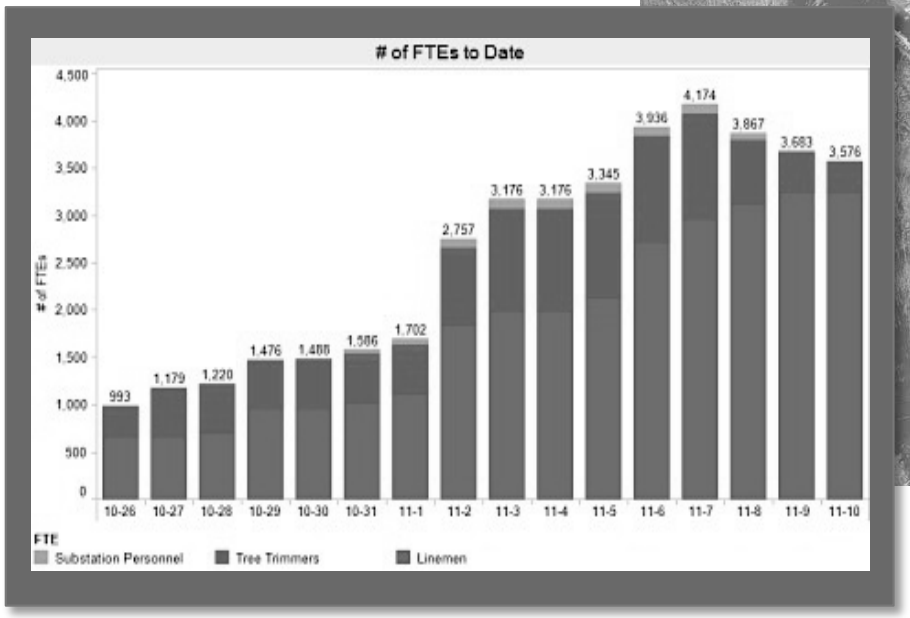
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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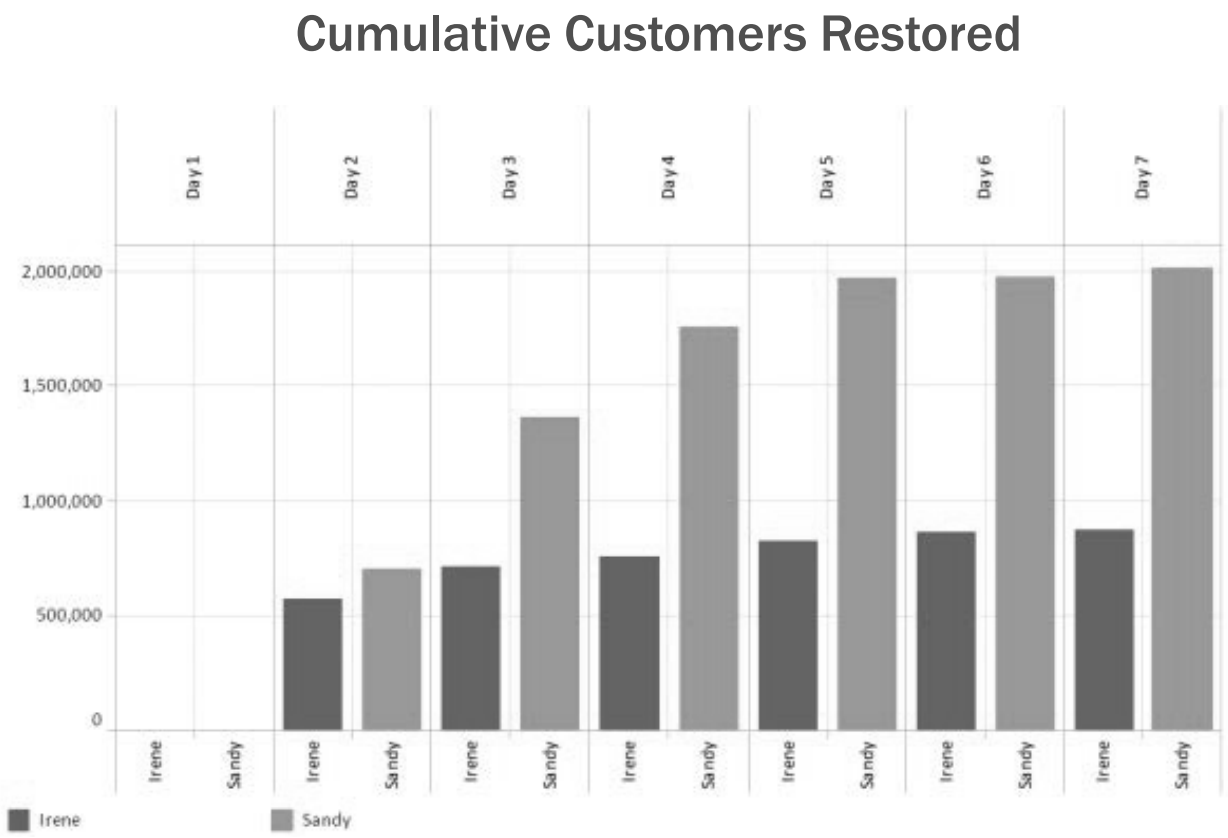
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



SI-SSA-0015-11446

PSE&G's operating earnings grew ~10%*

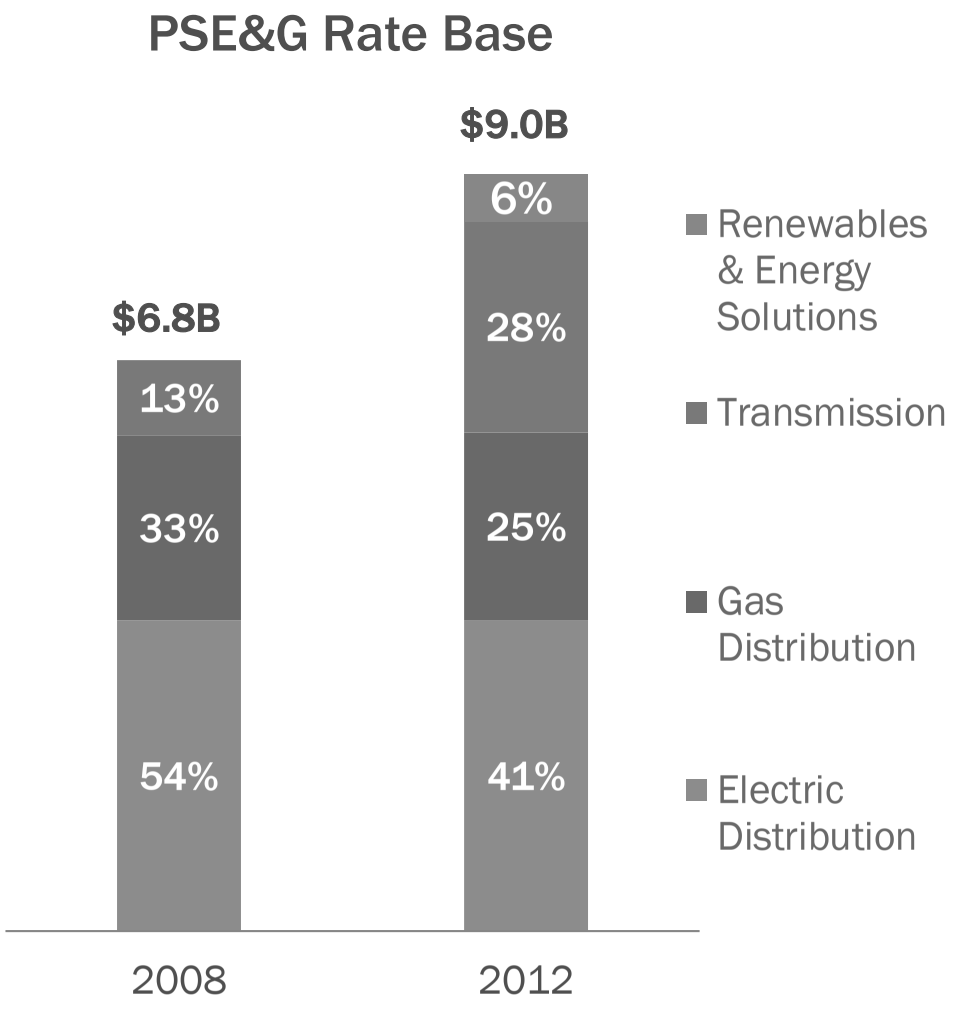
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-11447

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

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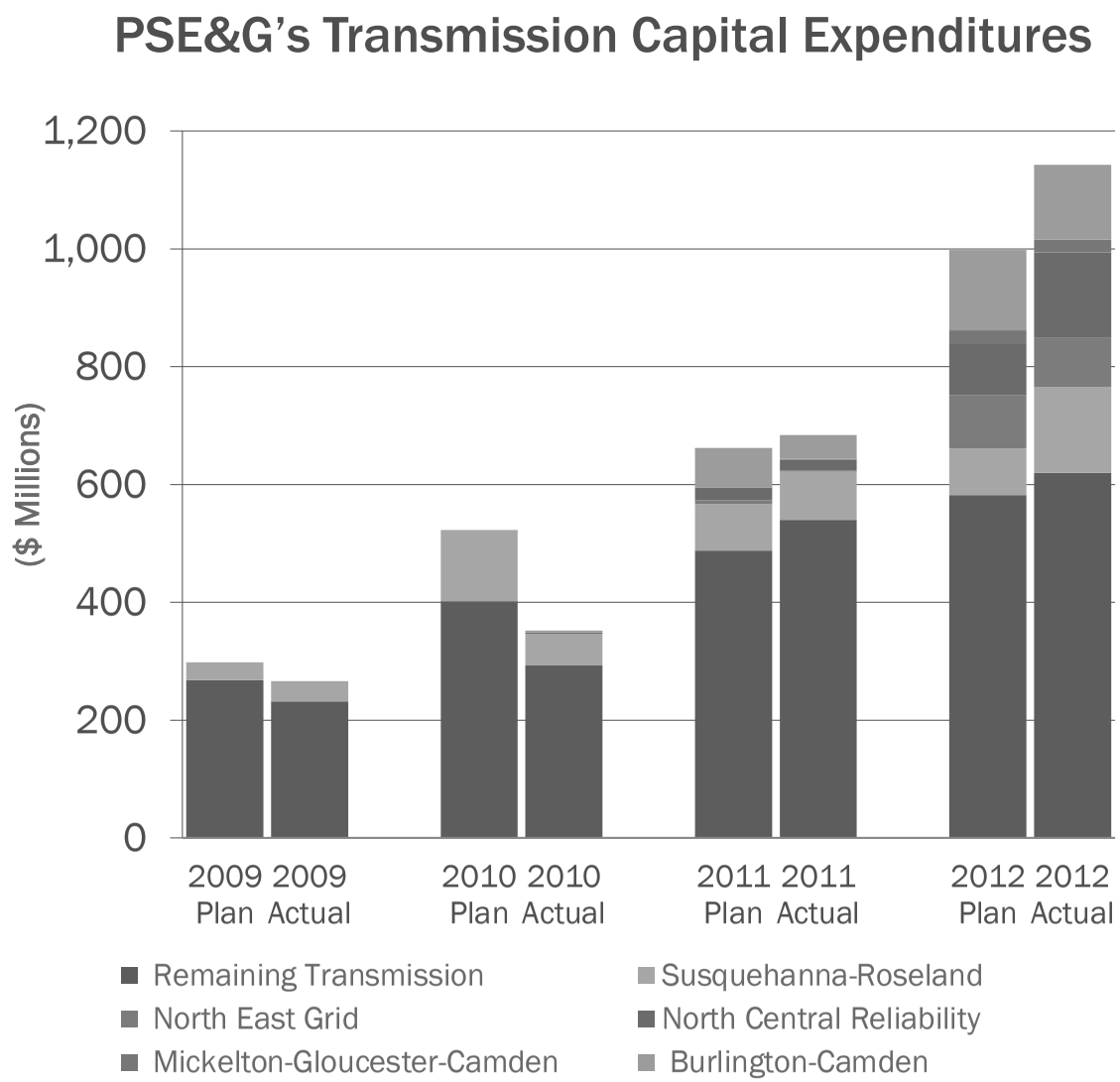
Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-11449

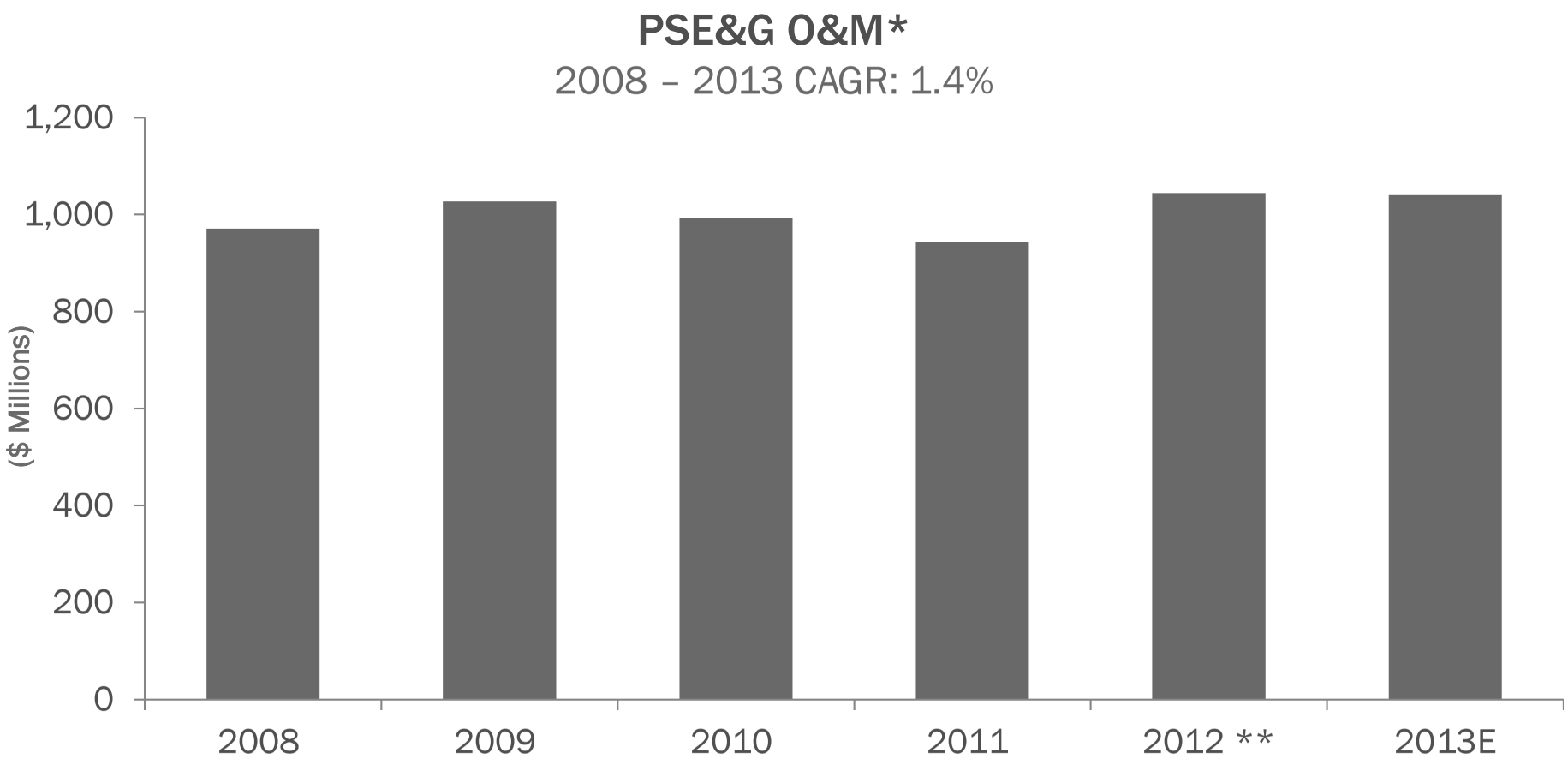
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spend As of 6/30/13	Remaining Spending
Renewables				
Solar Loan I & II	2008- 2009	$244	$228	$16
Solar 4 All	July 2009	457	456	1
Solar Loan III	May 2013	199	-	199
Solar 4 All Extension	May 2013	247	-	247
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	157	4
Demand Response	July 2009	34	29	5
Energy Efficiency Economic Stimulus Extension	July 2011	93	23	70
Distribution				
NJ Capital Infrastructure Program I (CIP I)	April 2009	702	702	-
NJ Capital Infrastructure Program II (CIP II)	July 2011	280	280	-
	Total	**$2,462**	**$1,920**	**$542**

*SOLAR 4 ALL EXT AND SOLAR LOAN 3 REFLECT BPU APPROVED PROGRAM SPEND "UP TO" LISTED AMOUNTS.

SI-SSA-0015-11450

Focus on controlling O&M allows us to earn our authorized return

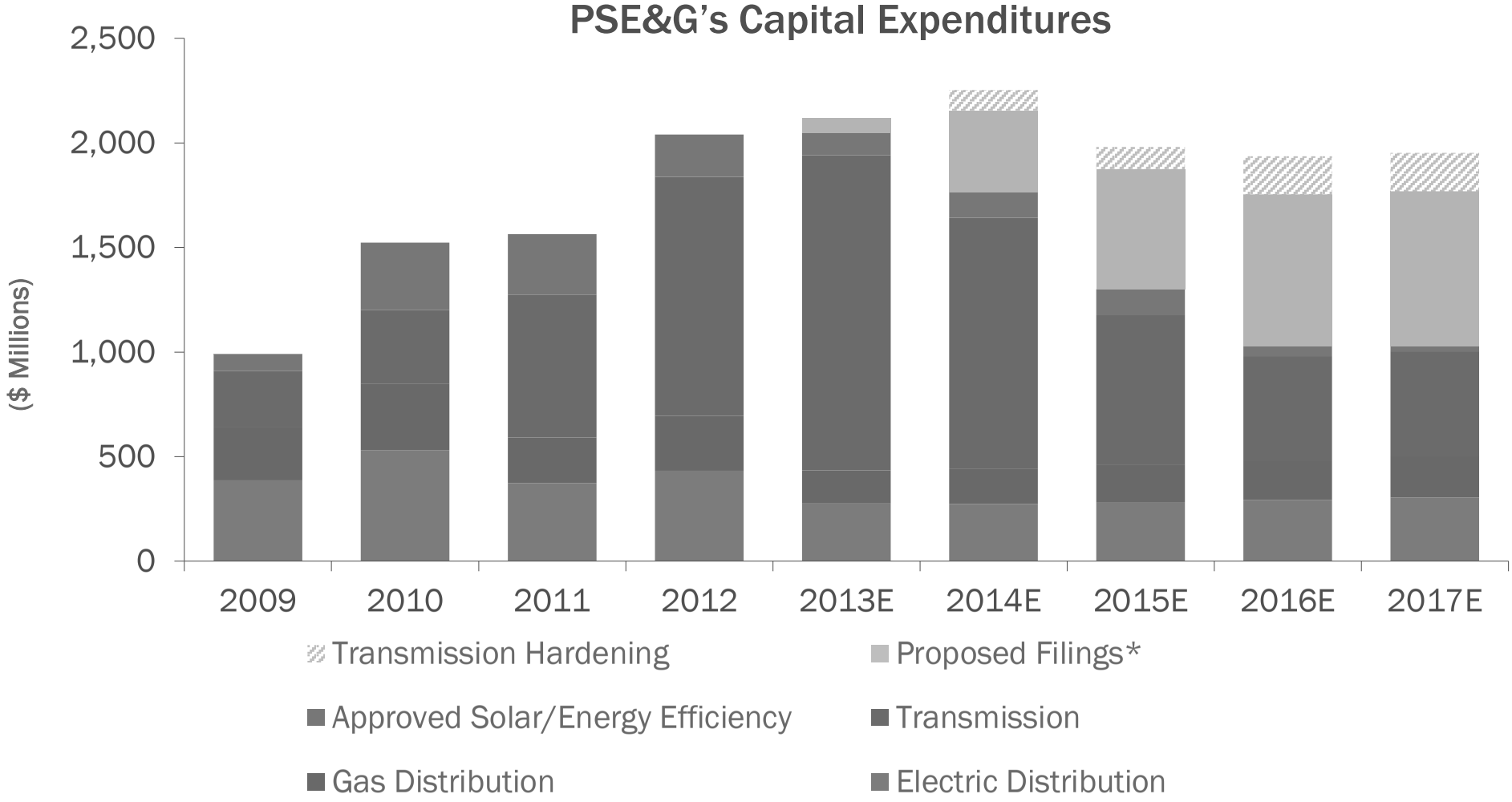


SI-SSA-0015-11451

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-11452

PSEG

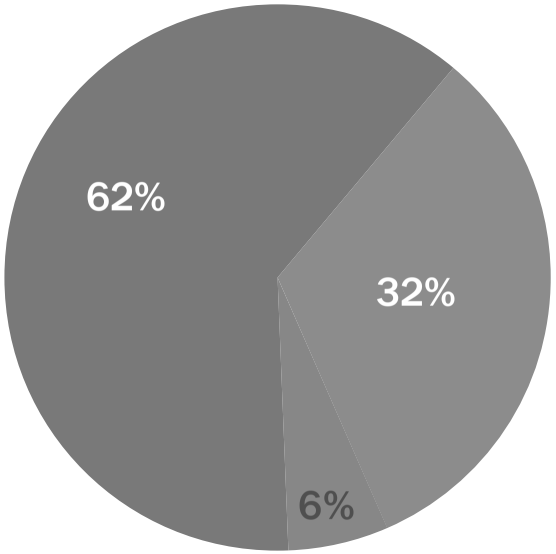
DATA AS OF JUNE 30, 2013. * PROPOSED FILINGS INCLUDE ENERGY STRONG (ES) AND EE4A. E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

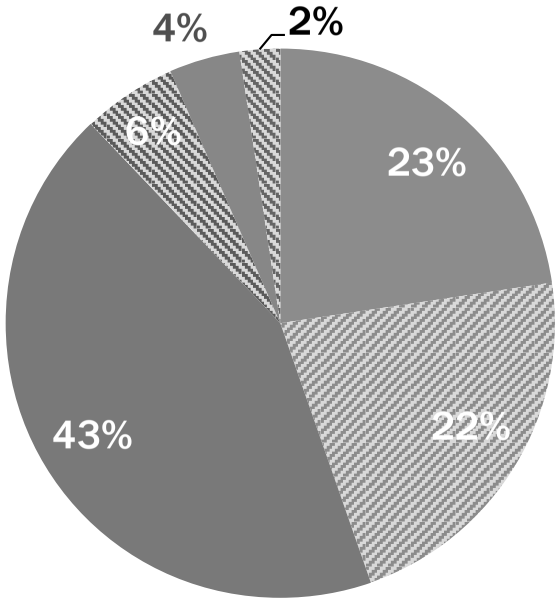
2013-2017E Capital Expenditures

Existing Plan
$7.2 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.3 Billion



- Distribution ES Filing*
- Transmission Hardening*
- Energy Efficiency Filings

* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-11453

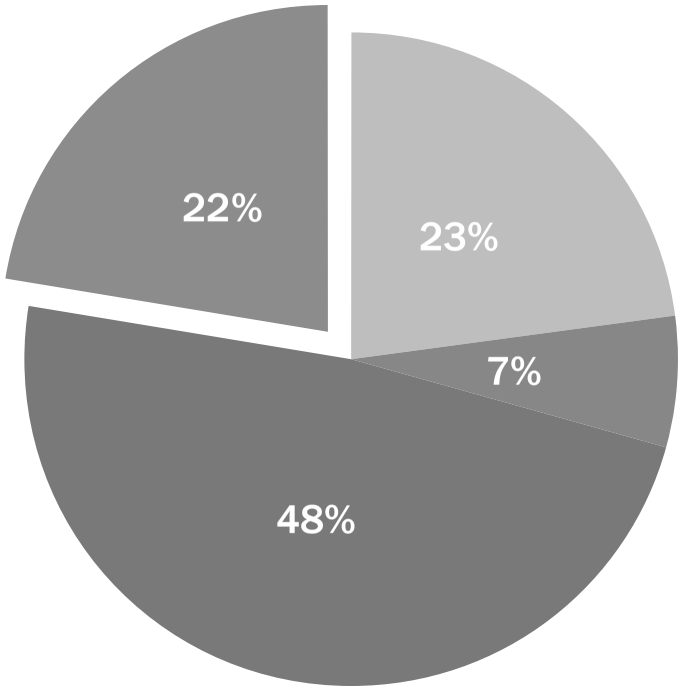
PSEG

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.3 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-11454

DATA AS OF JUNE 30, 2013. E = ESTIMATE

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-11455

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11456

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-11457

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11458

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11459

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11460

State policy imperatives have been redefined by Superstorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

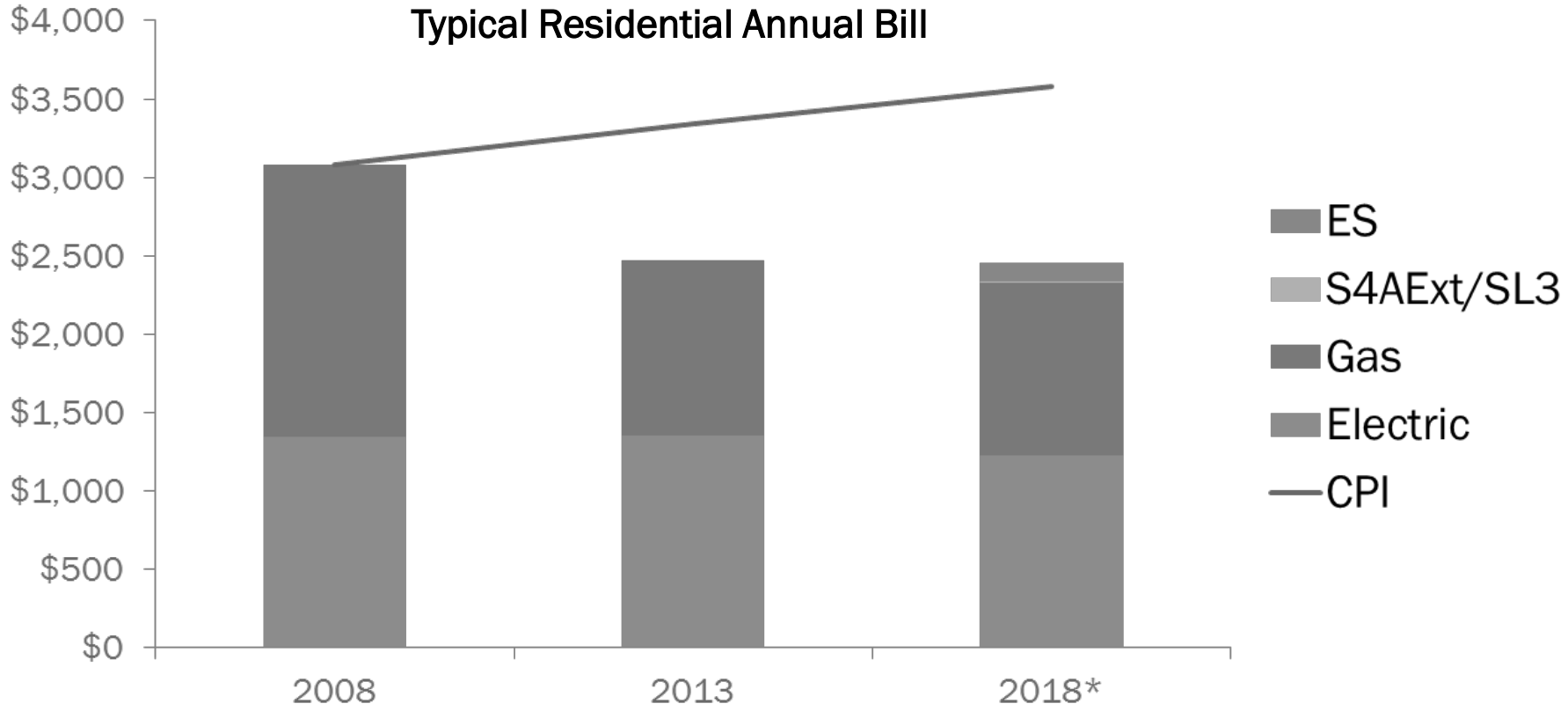
SI-SSA-0015-11461

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-11462

Lower commodity costs and expiration of certain transition charges are expected to offset the impact to customer bills

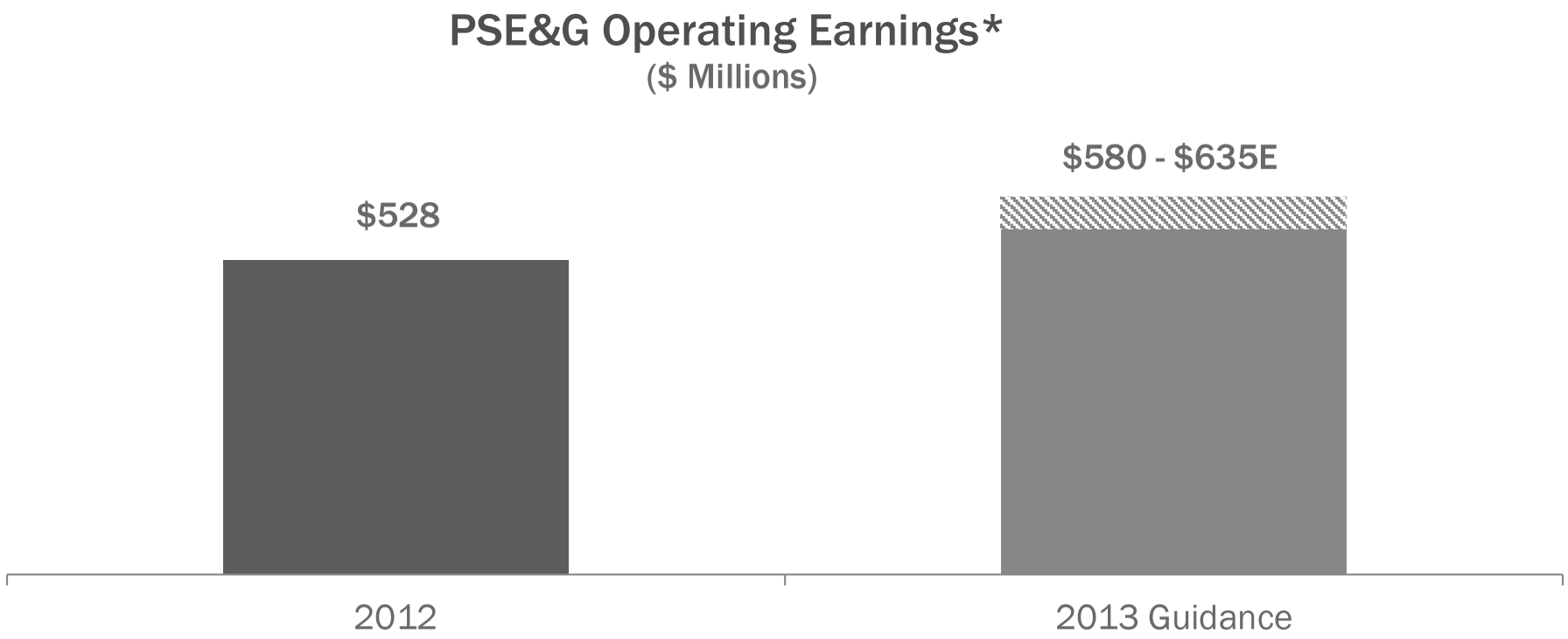


*FOR THE TYPICAL COMBINED ELECTRIC & GAS RESIDENTIAL CUSTOMER, 2018 BGS (INCLUDING TRANSMISSION) / BGSS, AS WELL AS SBC, WNC, RAC AND DISTRIBUTION RATES HELD CONSTANT AS OF THE ES FILING DATE (FEB-2013). RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM (CIP I) AND THE CIP EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS & ELECTRIC BARS AND FORECASTED BASED UPON MAR-2013 ESTIMATES. THE BILL IMPACTS FOR ES PROGRAM BASED UPON THE PROPOSED FILING AND S4AEXT/SL3 IMPACTS ARE BASED UPON THE BPU APPROVED PROGRAM.

SI-SSA-0015-11463

PSE&G's 2013 operating earnings

benefiting from transmission growth and cost containment initiatives



*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

SI-SSA-0015-11464

LONG ISLAND POWER AUTHORITY

SI-SSA-0015-11465

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - ✓ Commitment to cost control and investment optimization
  - ✓ Corporate culture of transparency and data-driven decision making
  - ✓ Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of Superstorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-11466

PSEG ENERGY HOLDINGS

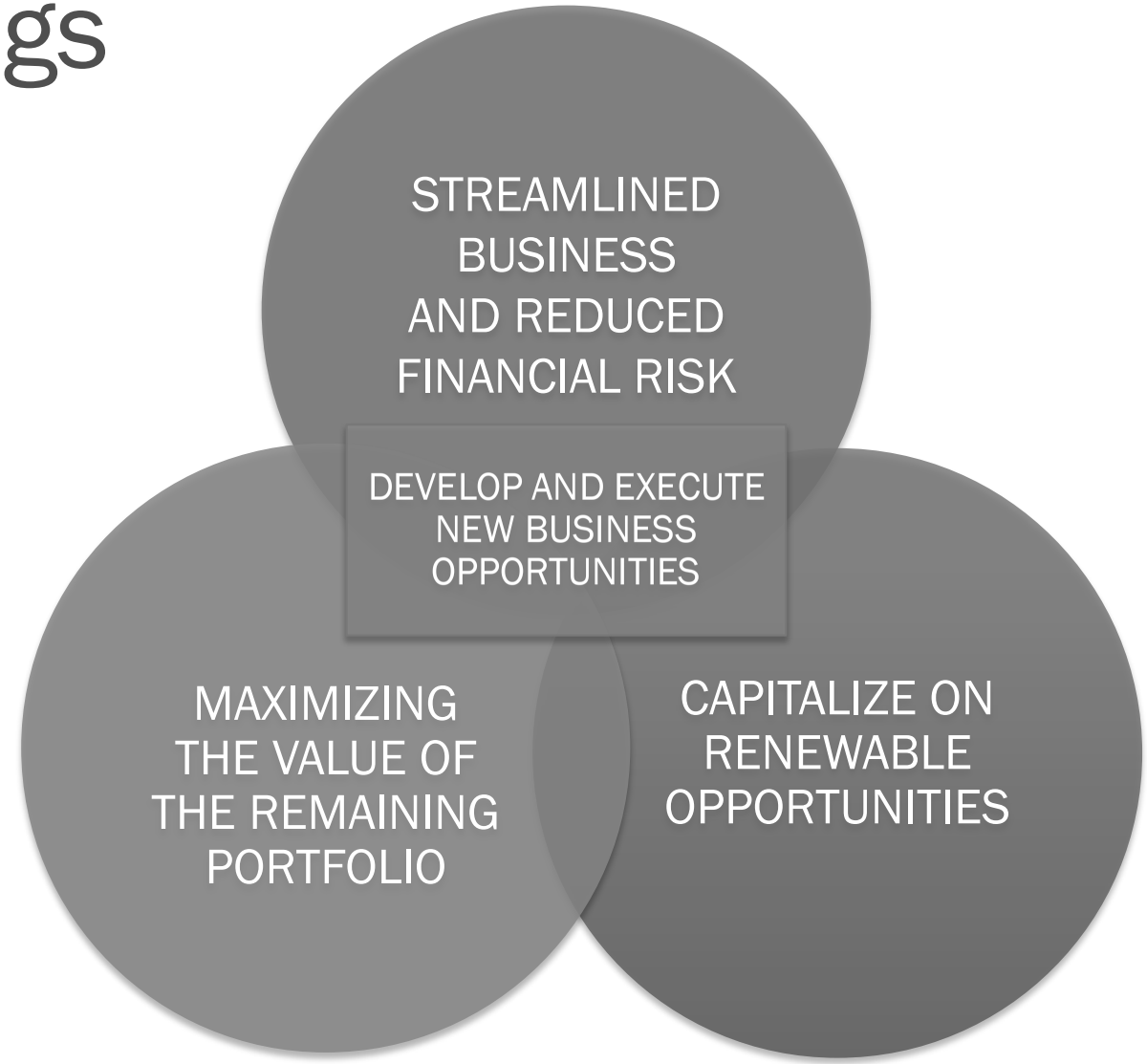
PSEG

We make things work for you.

SI-SSA-0015-11467

PSEG Energy Holdings strategy

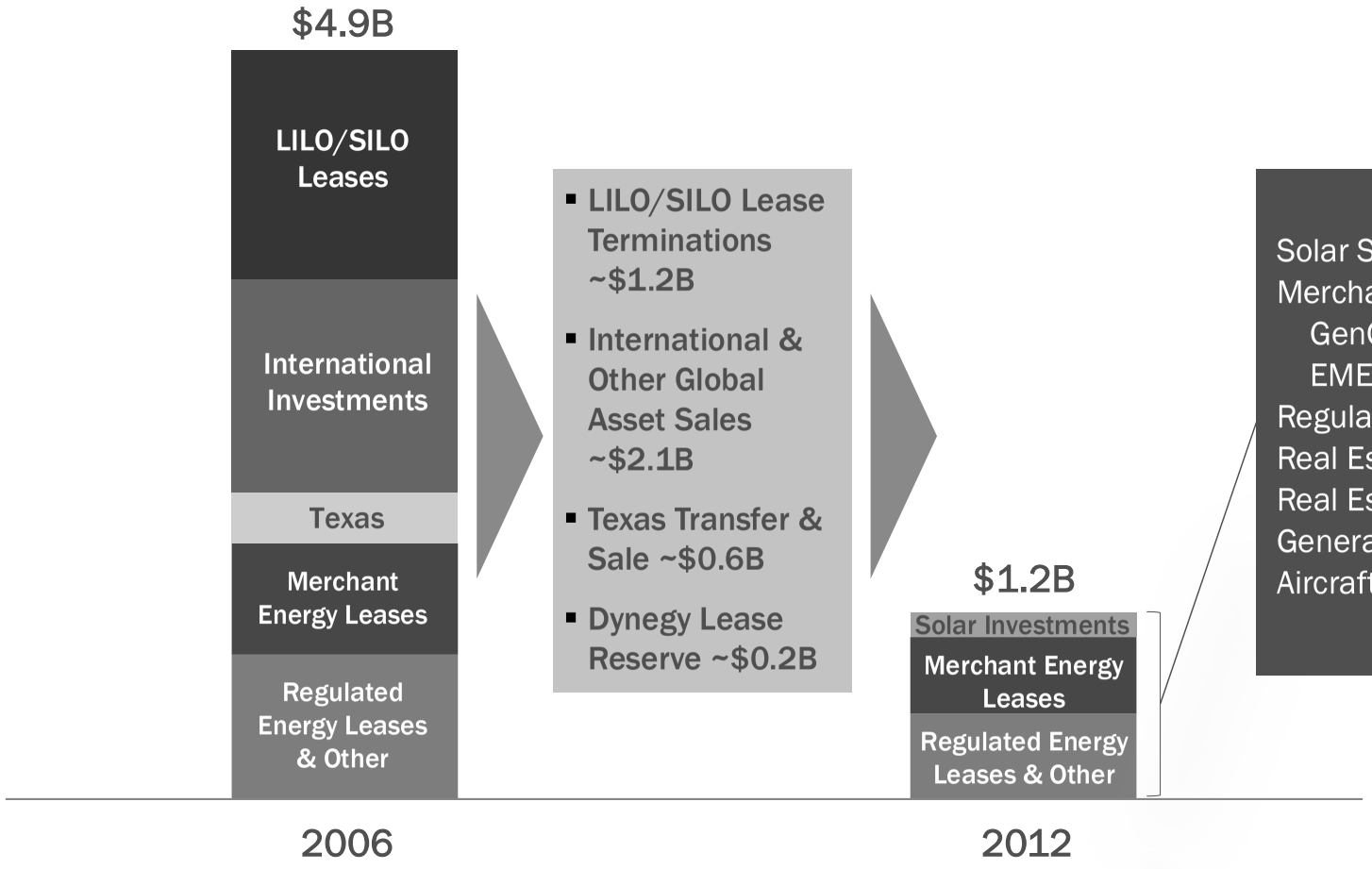
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-11468

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011.

SI-SSA-0015-11469

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-11470

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

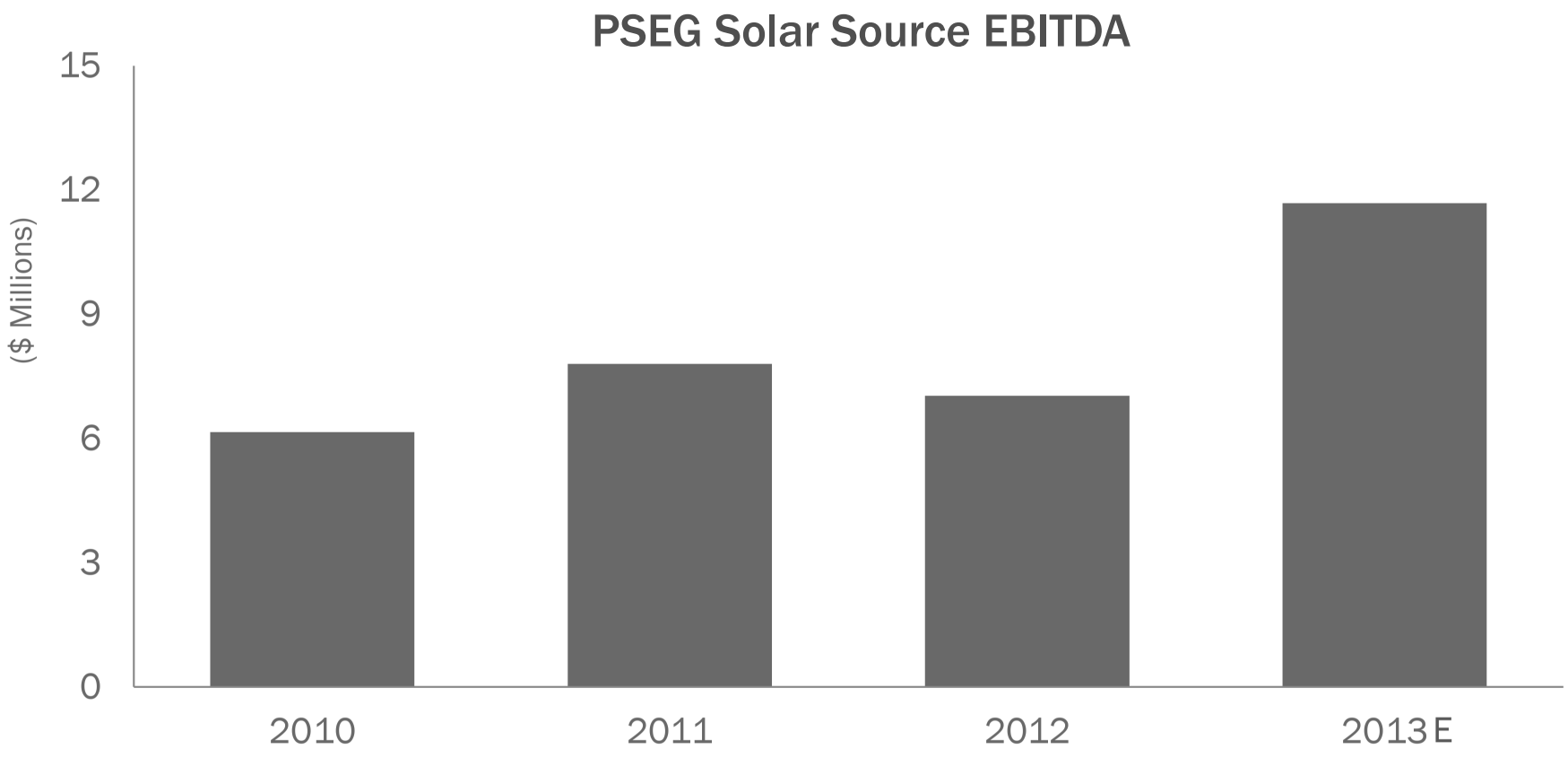
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-11471

PSEG Energy Holdings

These projects should produce steady results for PSEG

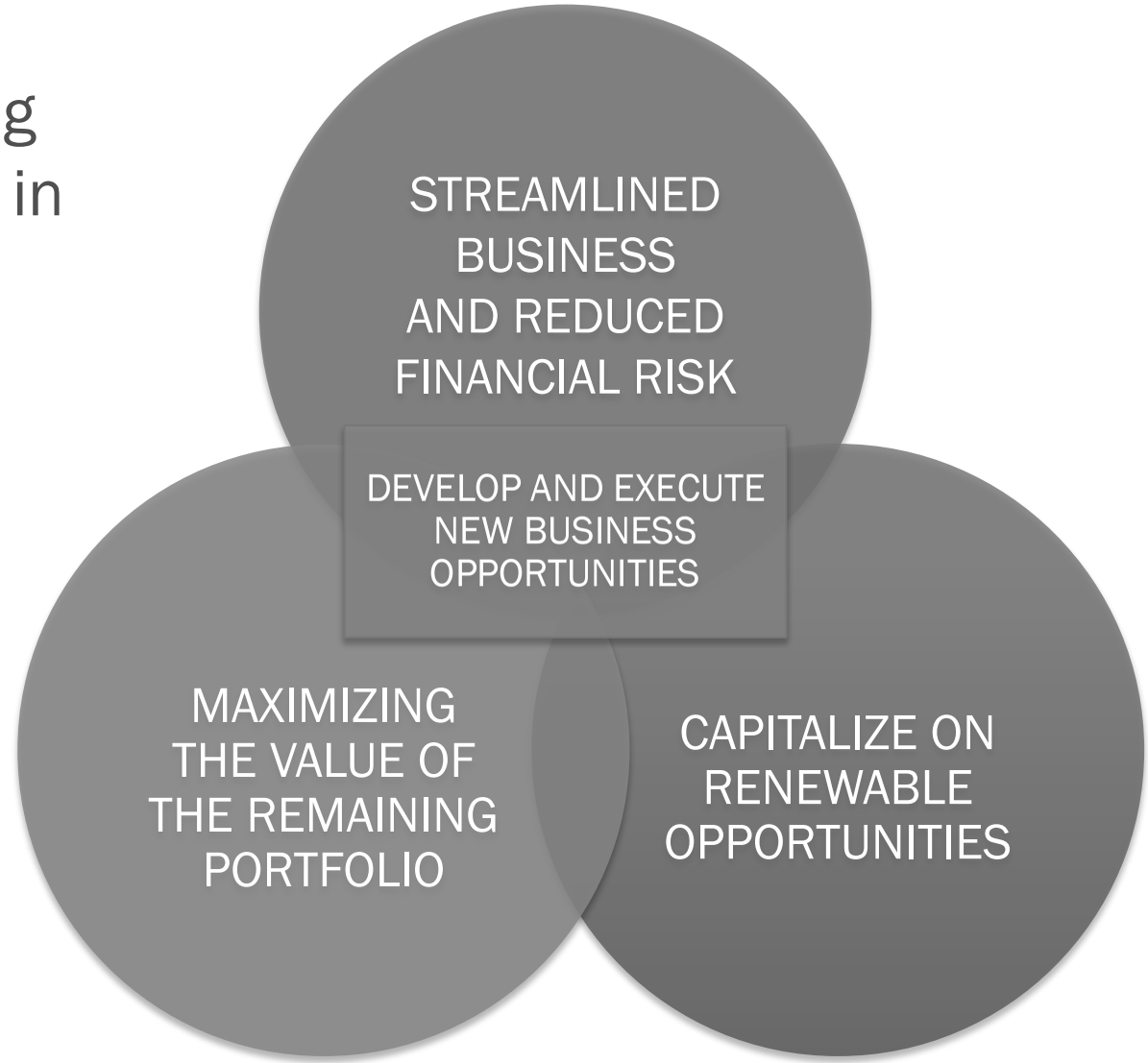


SI-SSA-0015-11472

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-11473

PSEG POWER

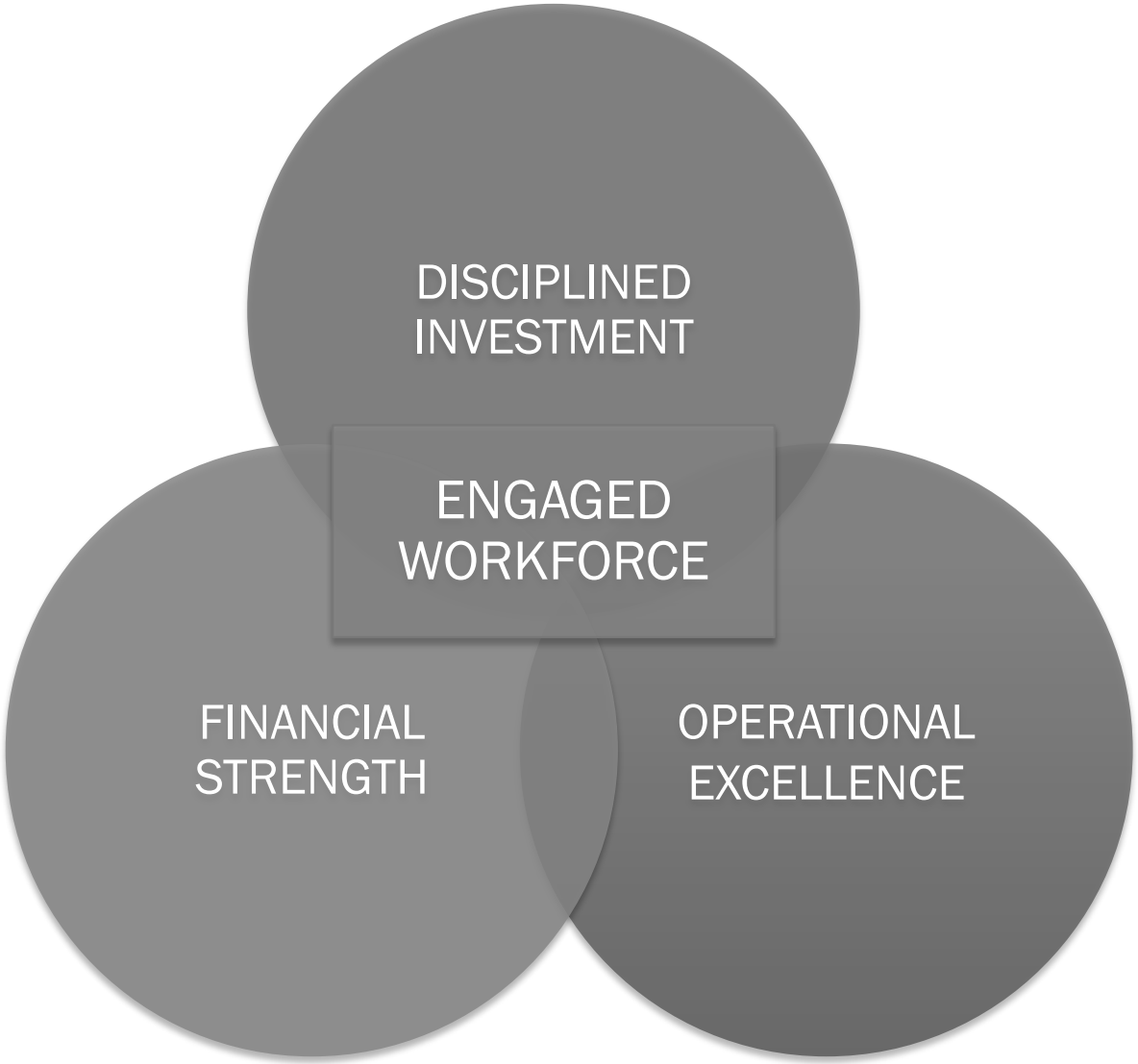
PSEG

We make things work for you.

SI-SSA-0015-11474

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-11475

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-11476

PSEG Power delivered in 2012

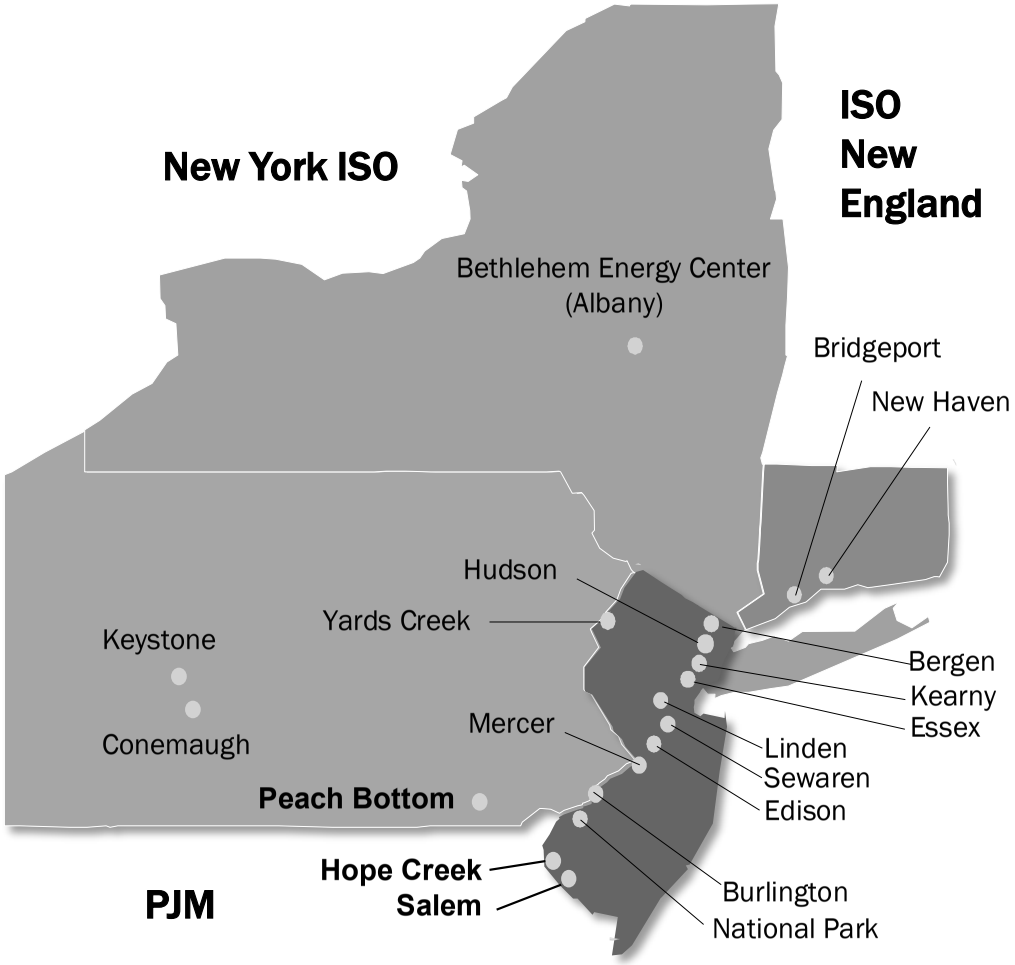
Storm and weather challenges	Market challenges	Value delivered
• Superstorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-11477

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-11478

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 – Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-11479

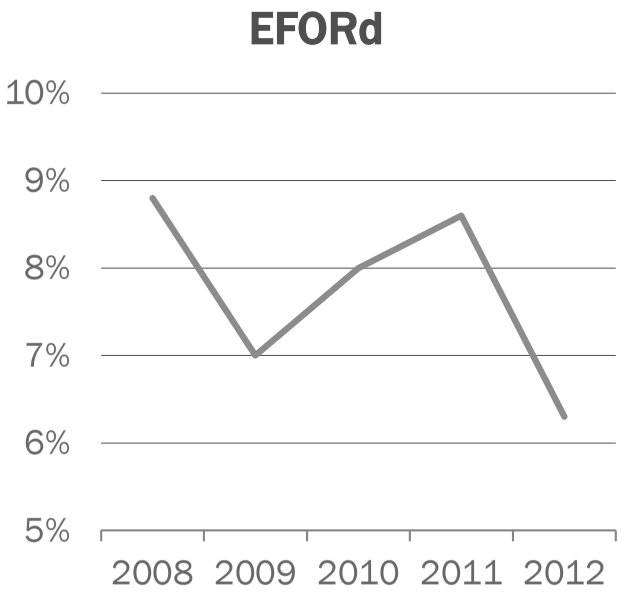
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

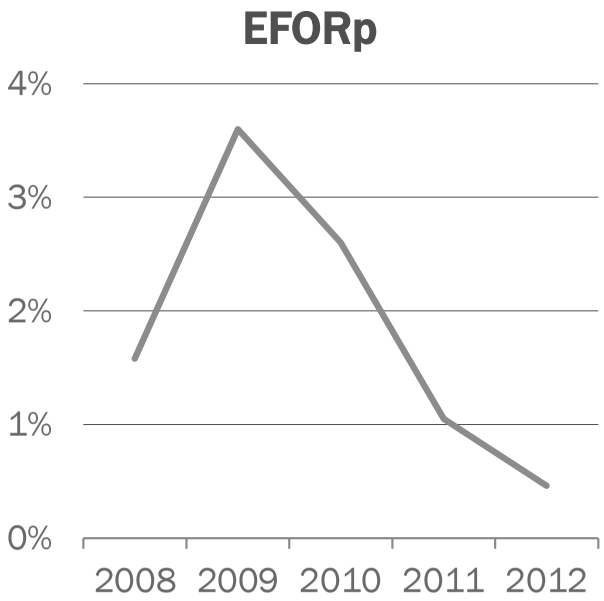
SI-SSA-0015-11480

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

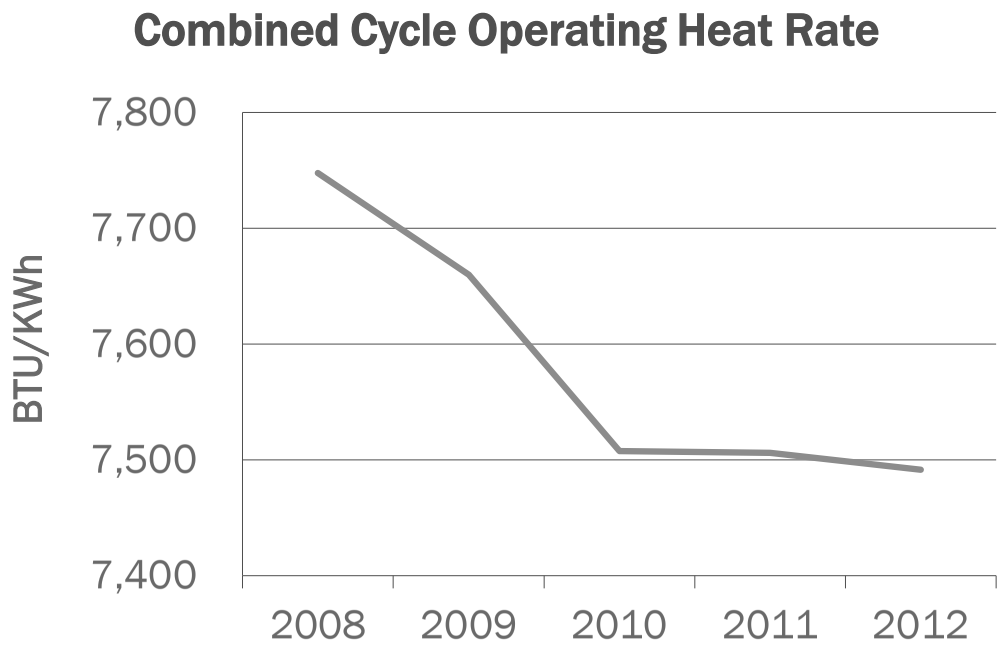


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-11481

PSEG Power improvements achieved in combined cycle fleet efficiency

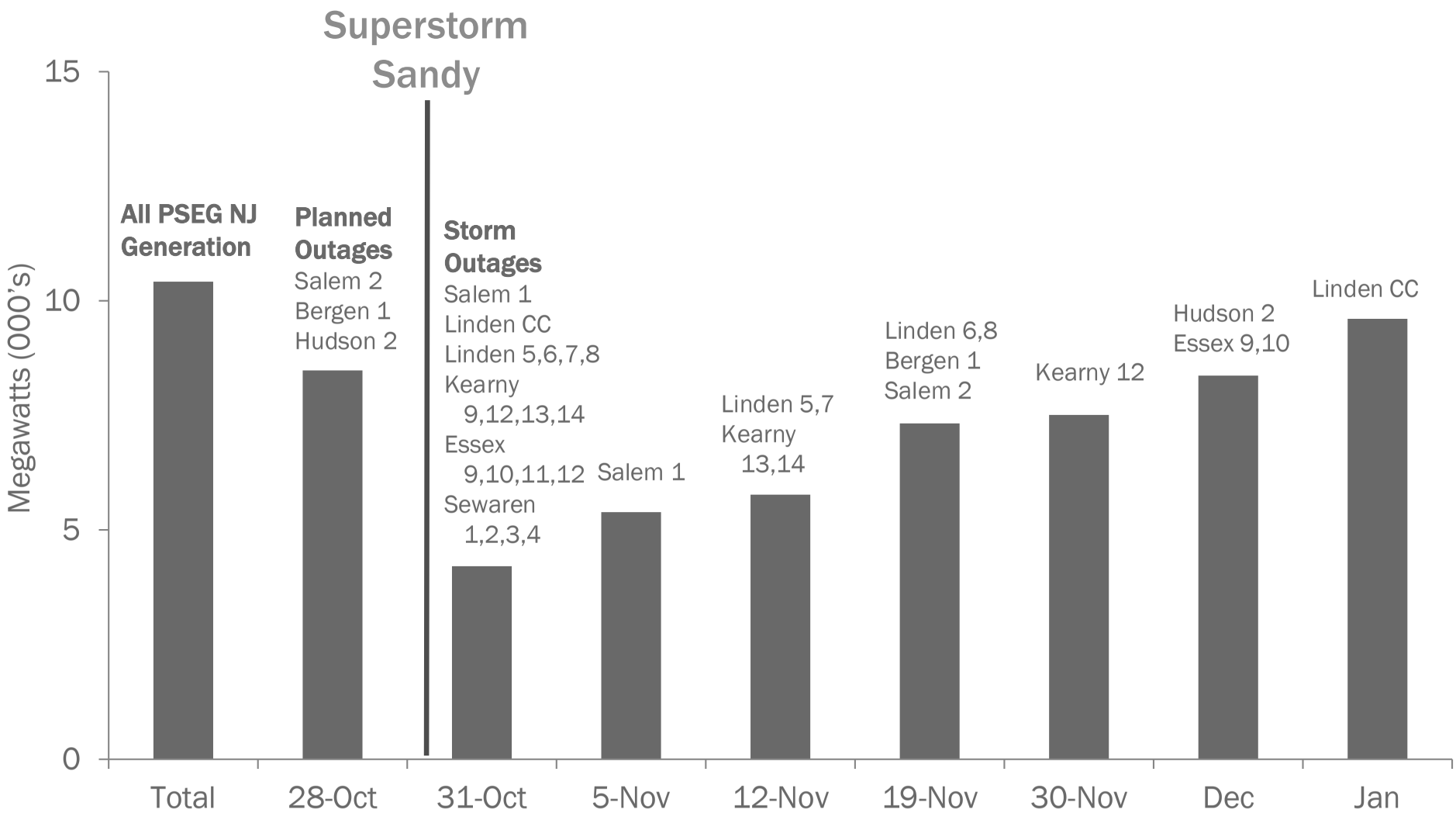


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-11482

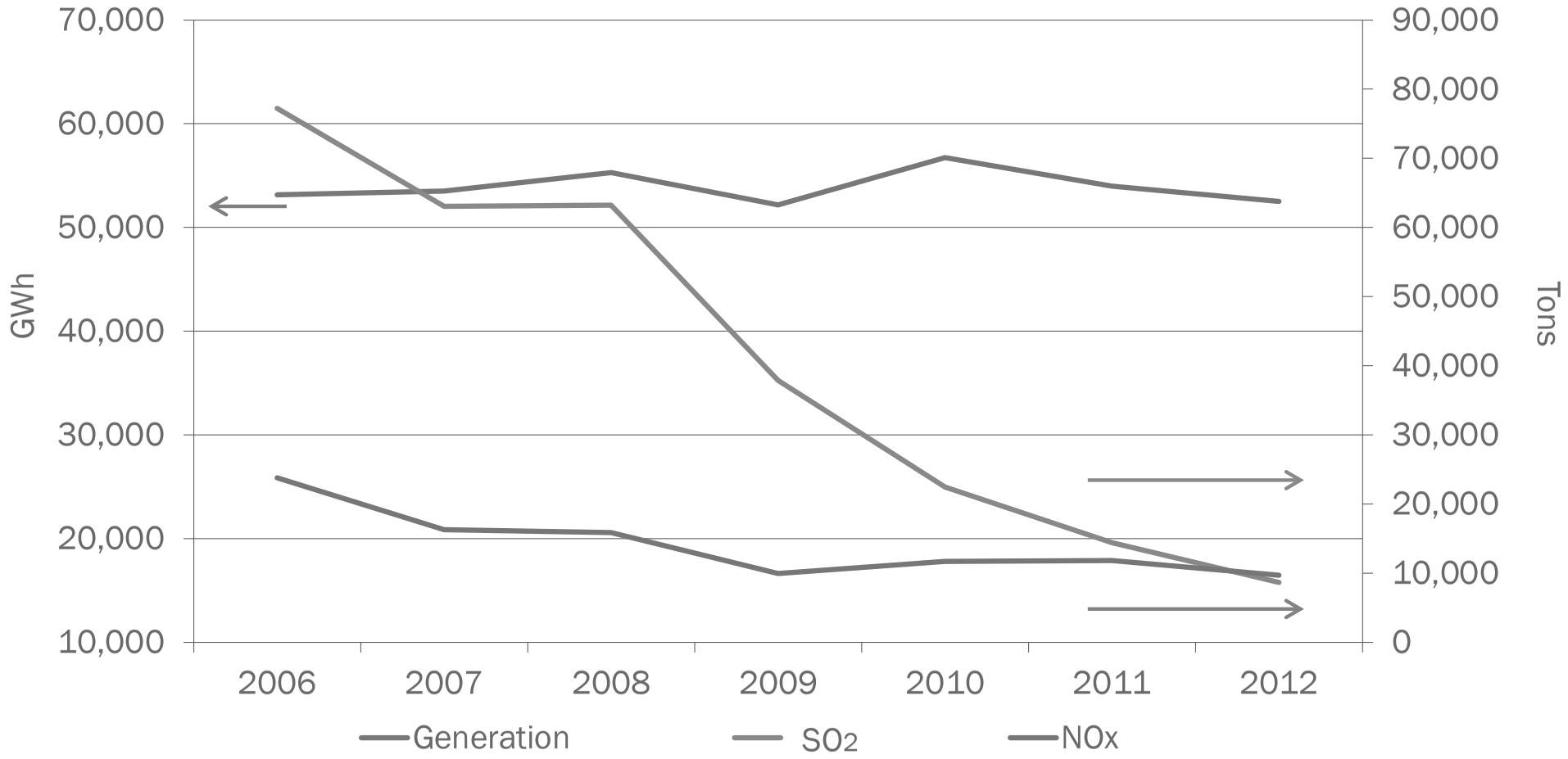
Superstorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-11483

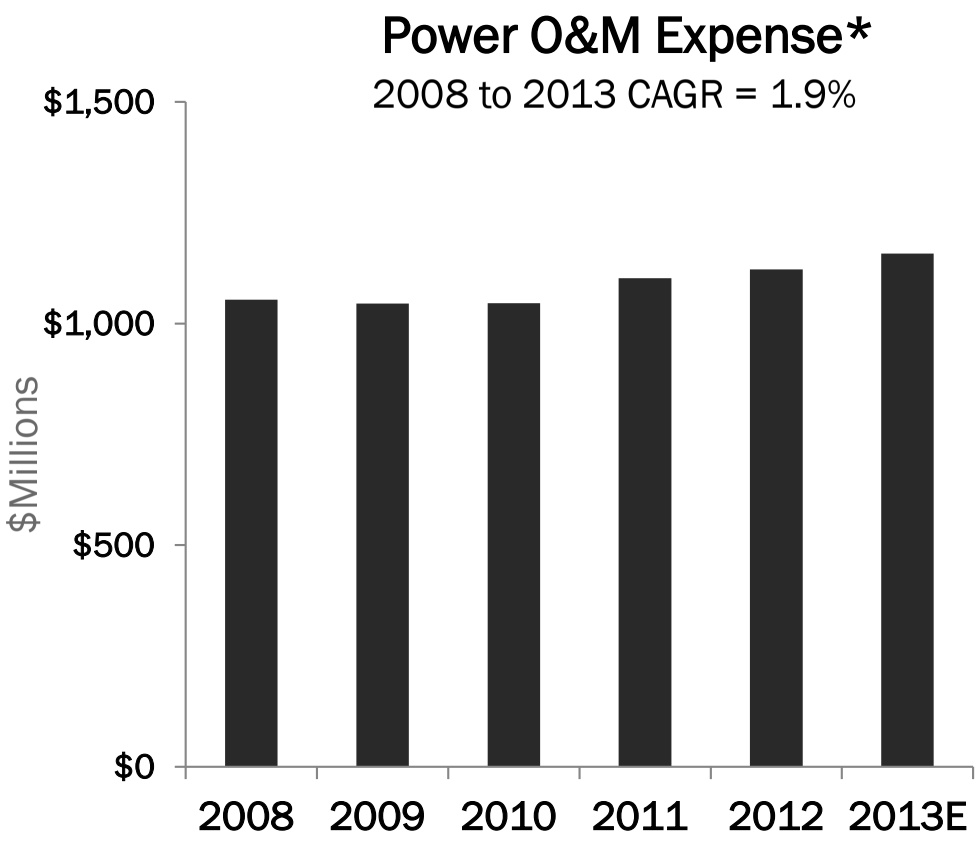
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-11484

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-11485

PSEG

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

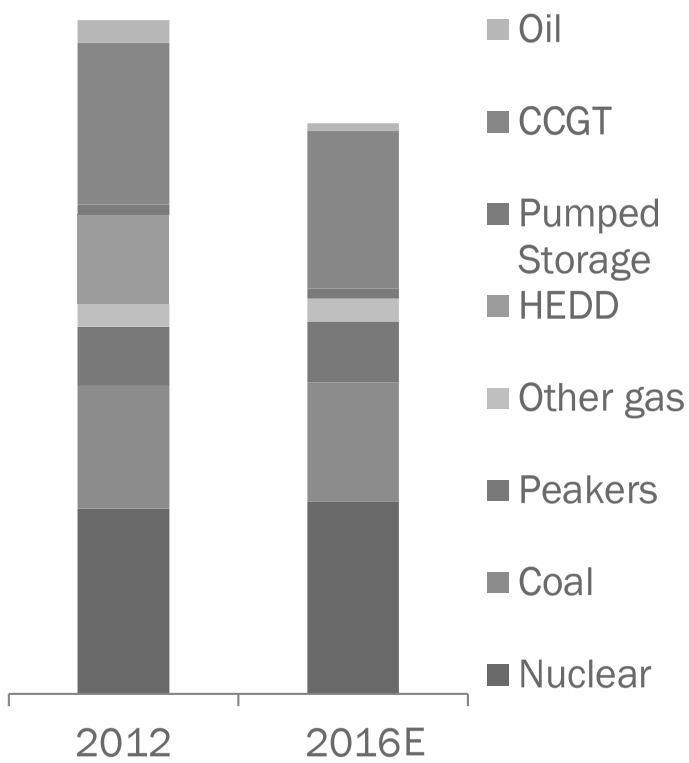
SI-SSA-0015-11486

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

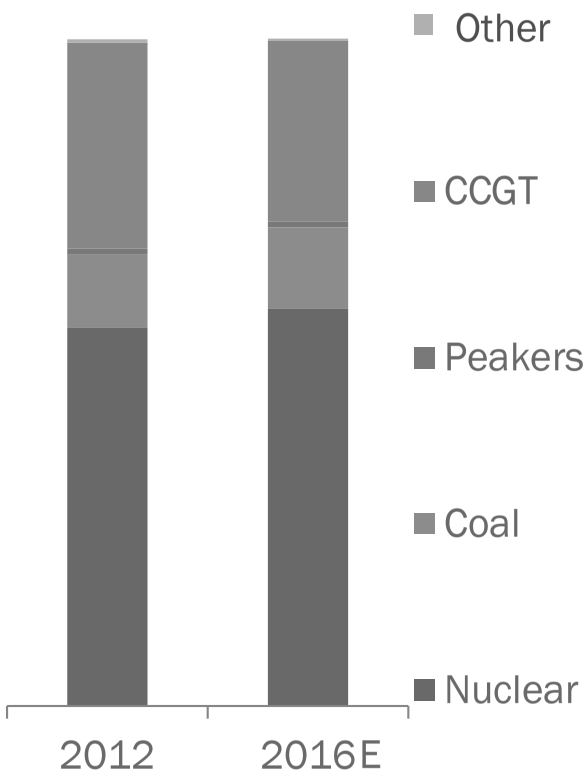
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



SI-SSA-0015-11487

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-11488

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-11489

PSEG

* EXCLUDES SANDY IMPACT.

PSEG POWER
ER&T

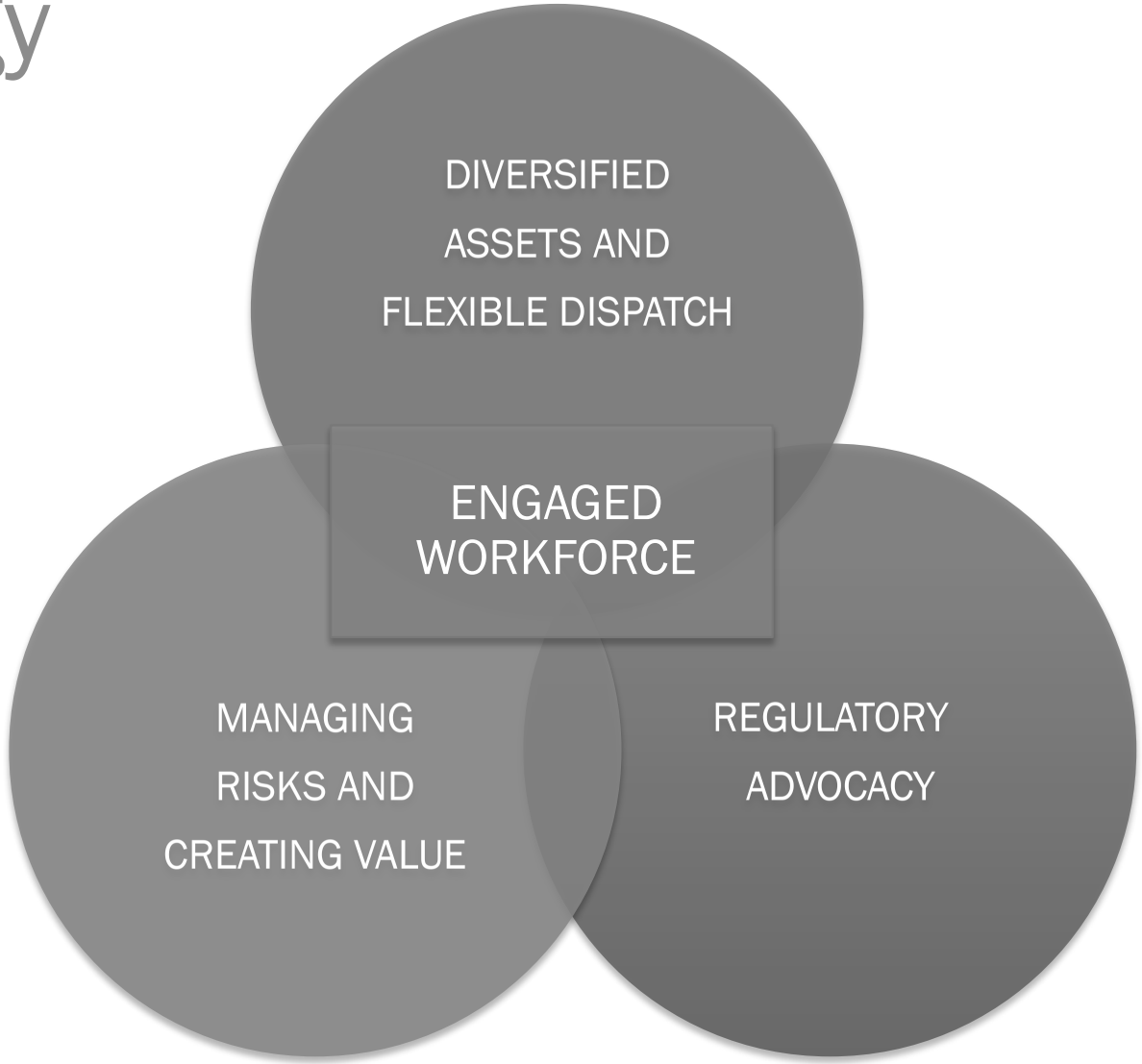
SI-SSA-0015-11490

PSEG

We make things work for you.

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-11491

Diversified assets and flexible dispatch

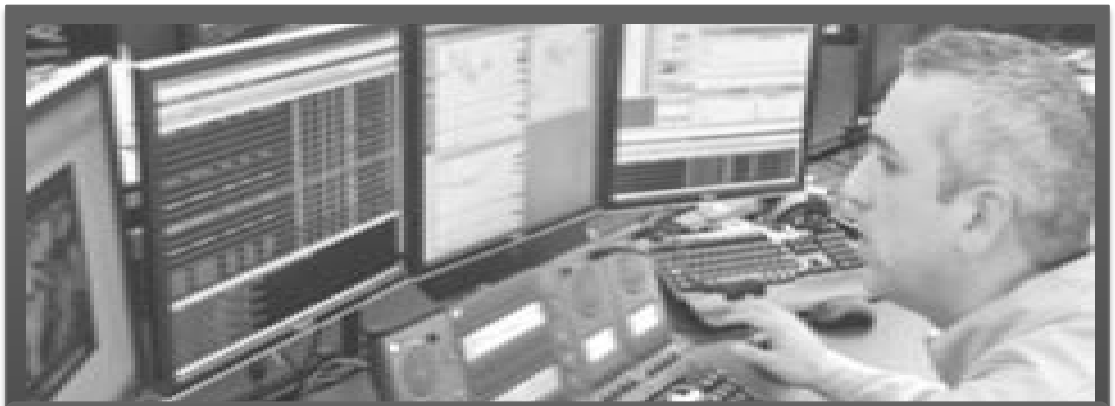
High performing, base load nuclear assets	3,632 MW
Fuel advantaged, base load coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

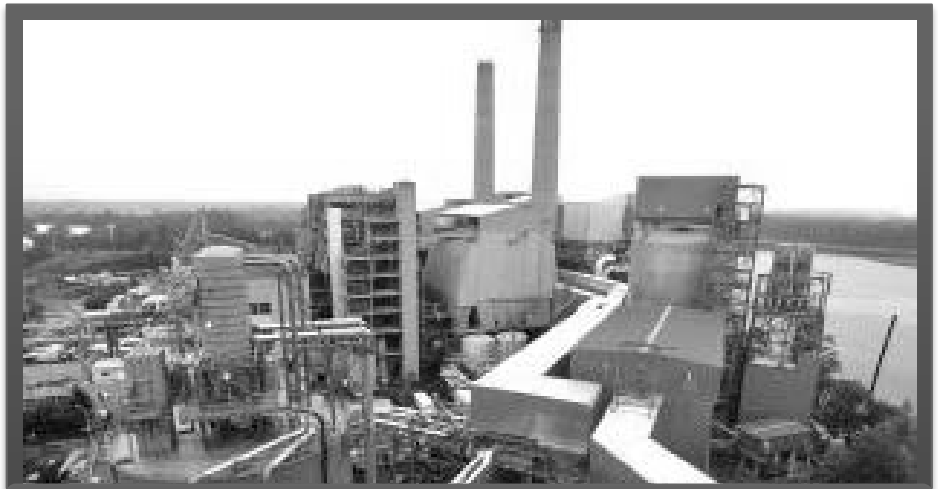
SI-SSA-0015-11492

Fleet capacity has been advanced by:

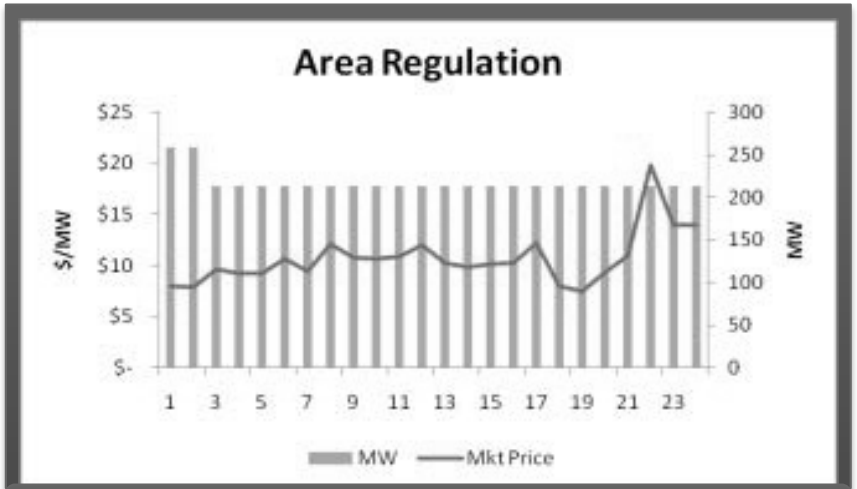
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



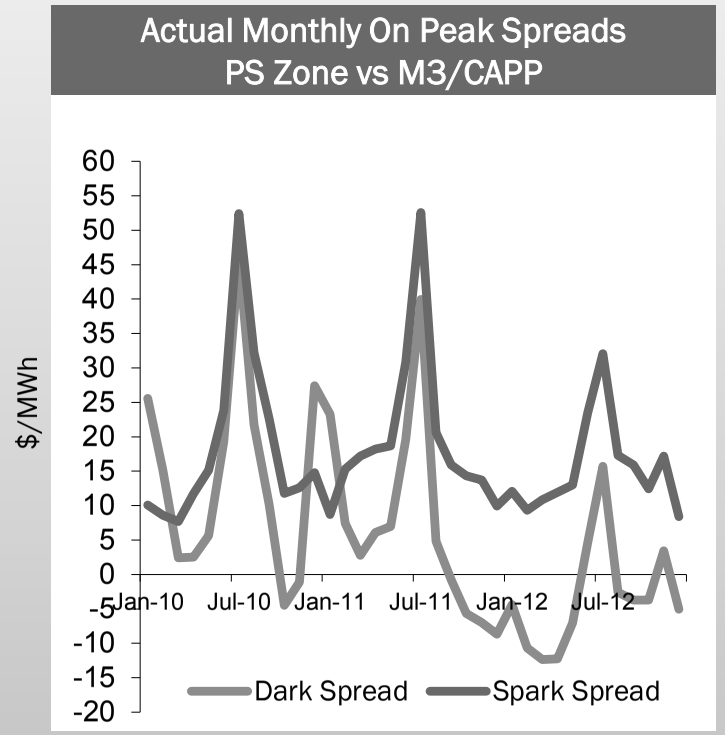
Reduced O&M and increased start-up success

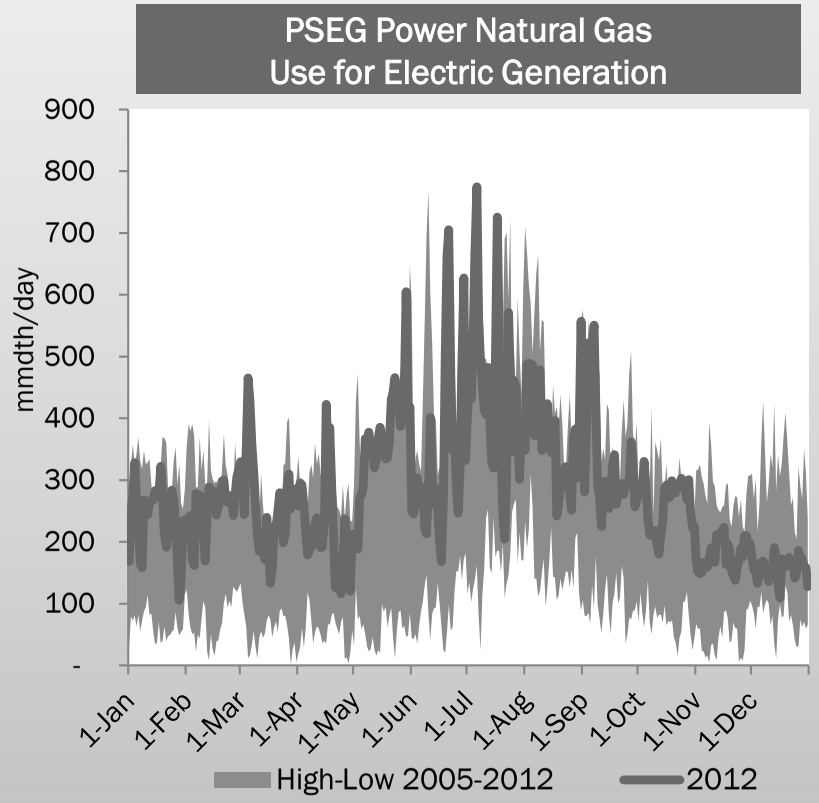


Capturing new products opportunity with minimal investment

SI-SSA-0015-11493

Spark spread replaces dark spread as major value driver

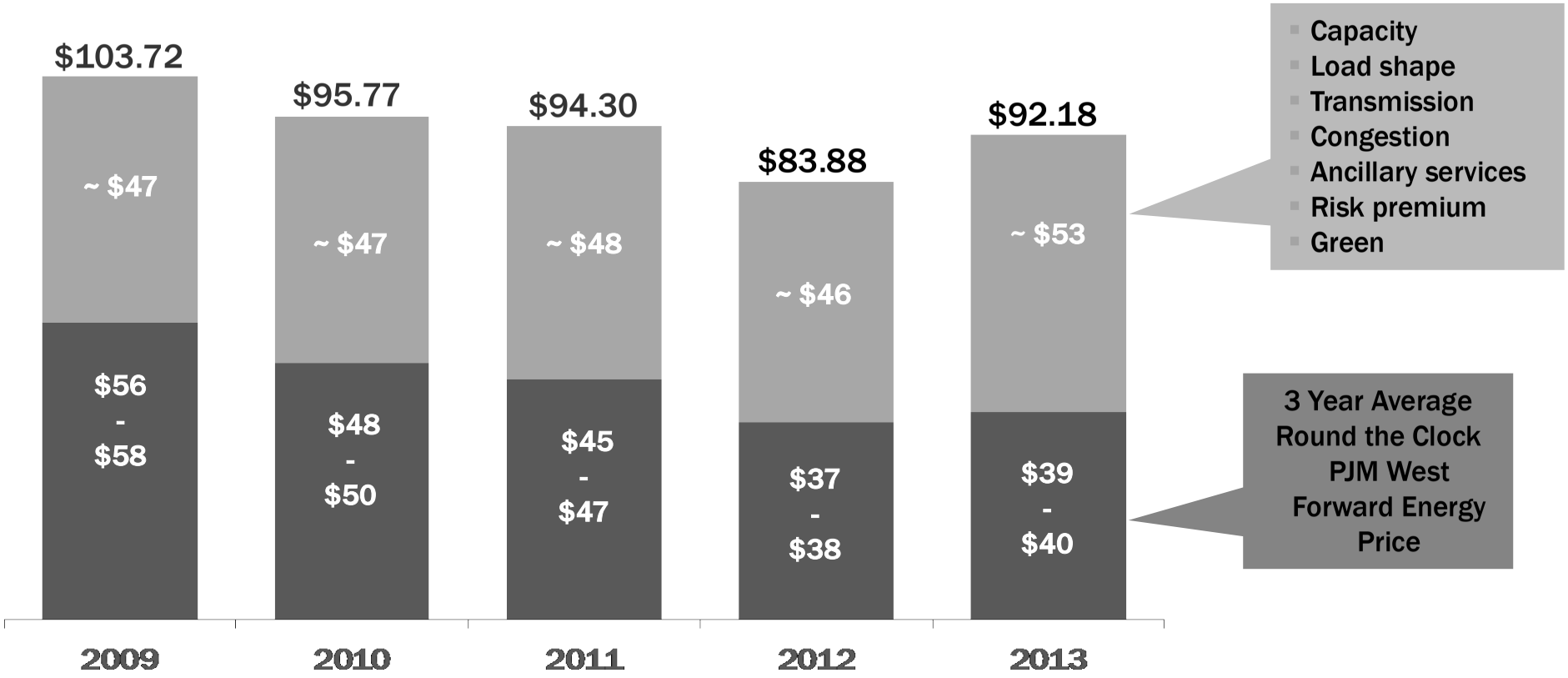




- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-11494

2013 BGS Auction Results for PSE&G Zone

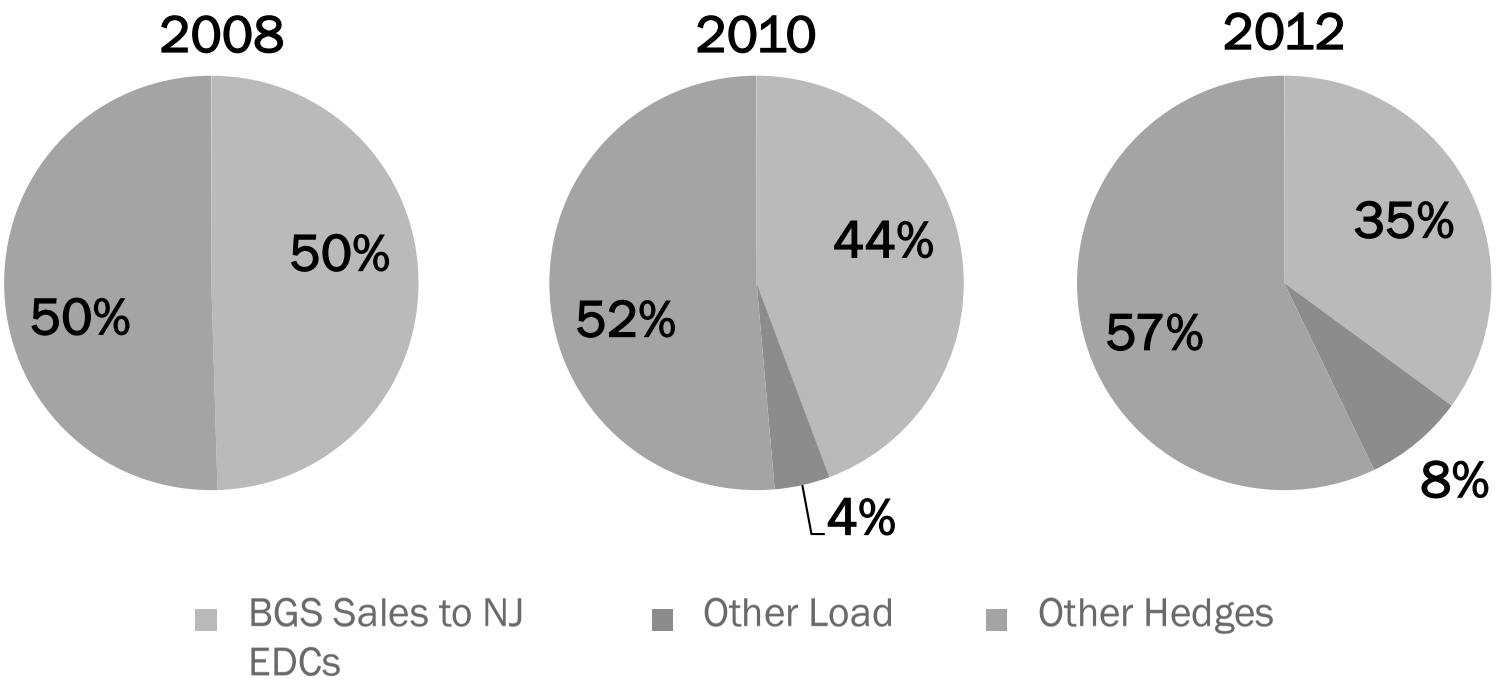


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-11495

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-11496

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Base Load:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

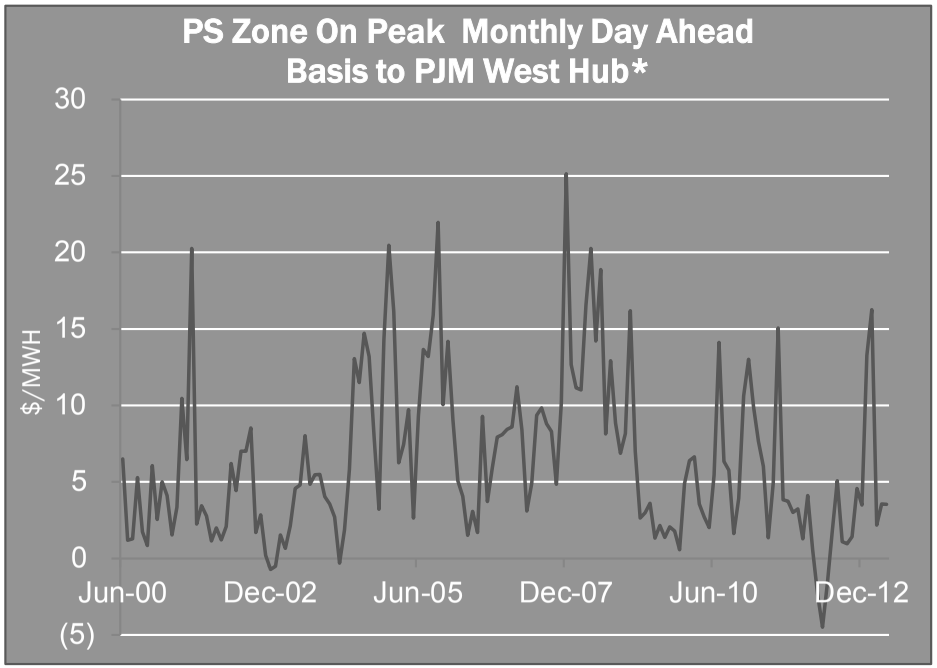
		Jul-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

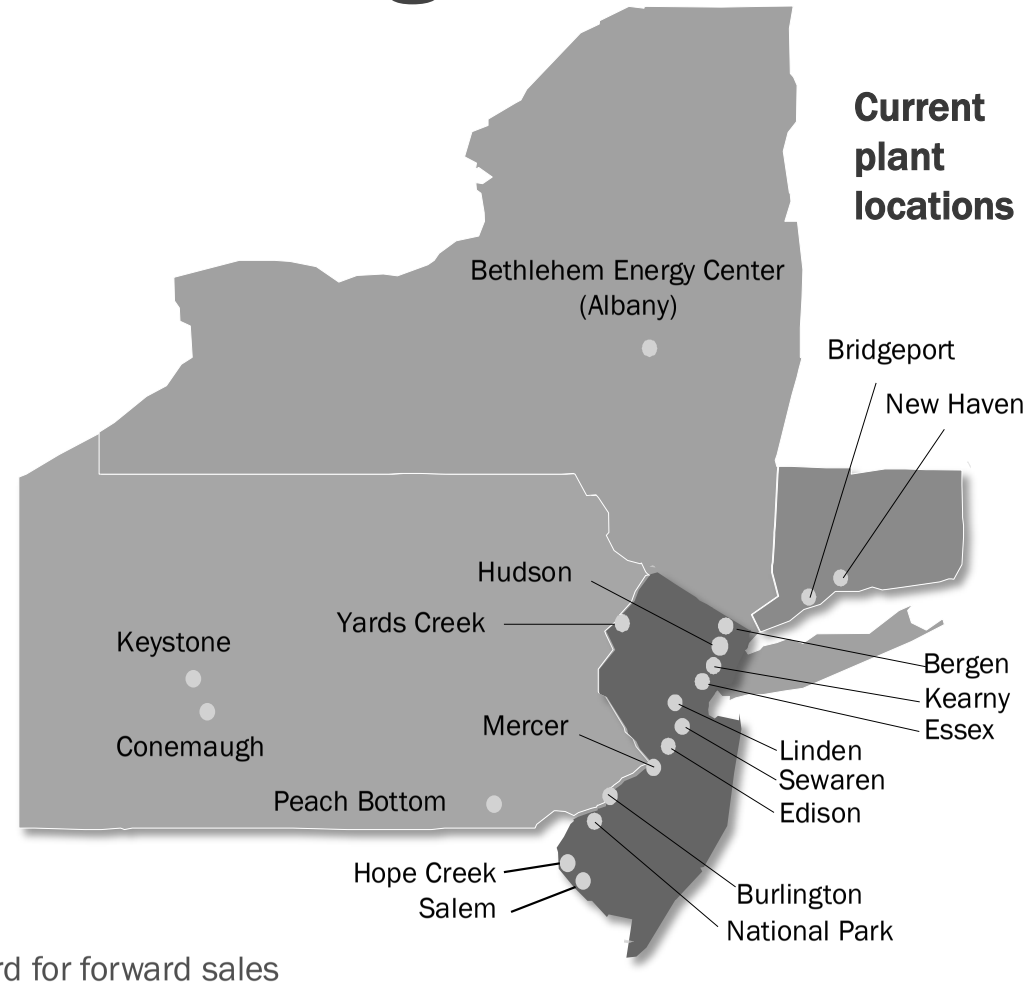
HEDGE PERCENTAGES AND PRICES AS OF JUNE 28, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-11497

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

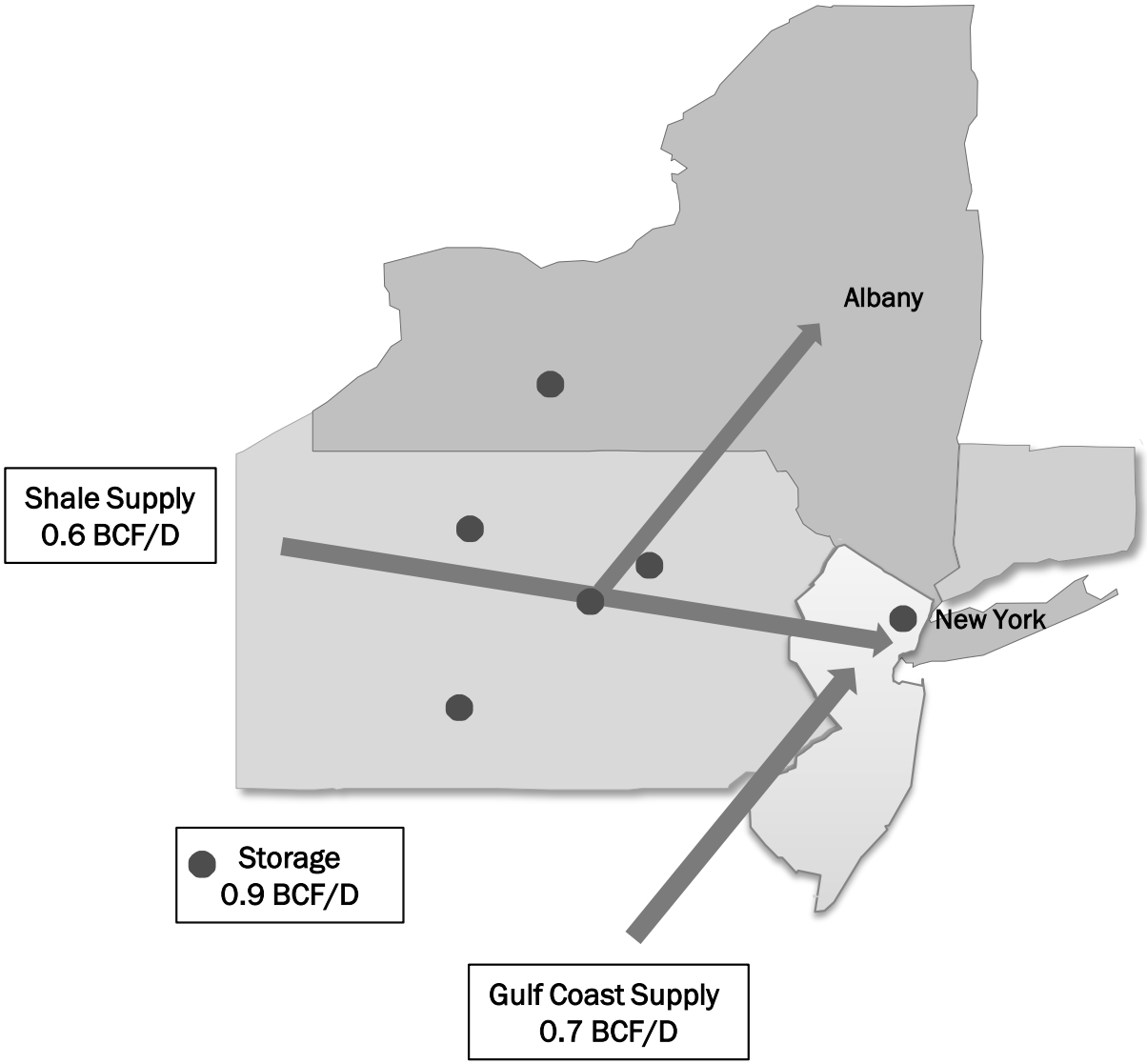
SI-SSA-0015-11498

*AS OF MAY 15, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity benefits PSE&G customers and Power's generating assets



SI-SSA-0015-11499

PJM's capacity market continues to recognize locational value of our fleet

$/MW-Day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Price	$153	$244	$162	$167	$166
PS Zone					$219
EMAAC	$140	$245	$137	$167	$119
RTO	$16	$28	$126	$136	$59
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,637*

*PSEG Power's cleared megawatts split between PS Zone and EMAAC.

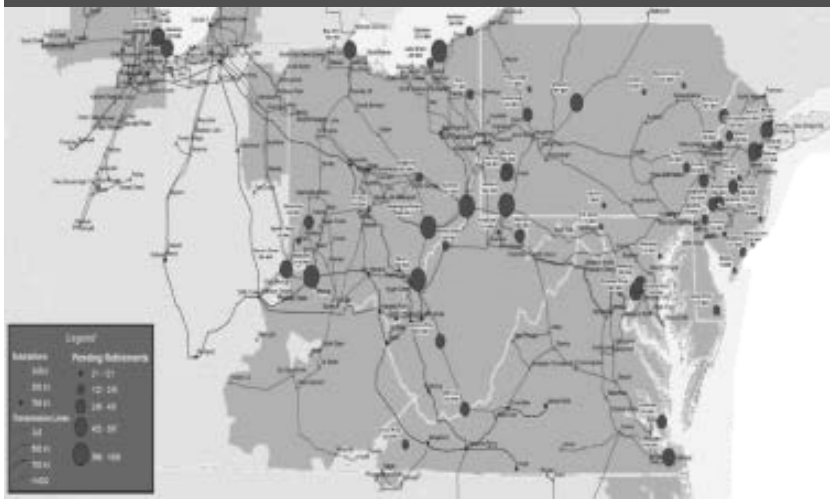
2016/2017 RPM Auction Influenced By:

- New Build and Higher Imports
- Updated Transfer Capabilities
- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Lower Demand Response

SI-SSA-0015-11500

Reserve margins in PJM declining with retirements

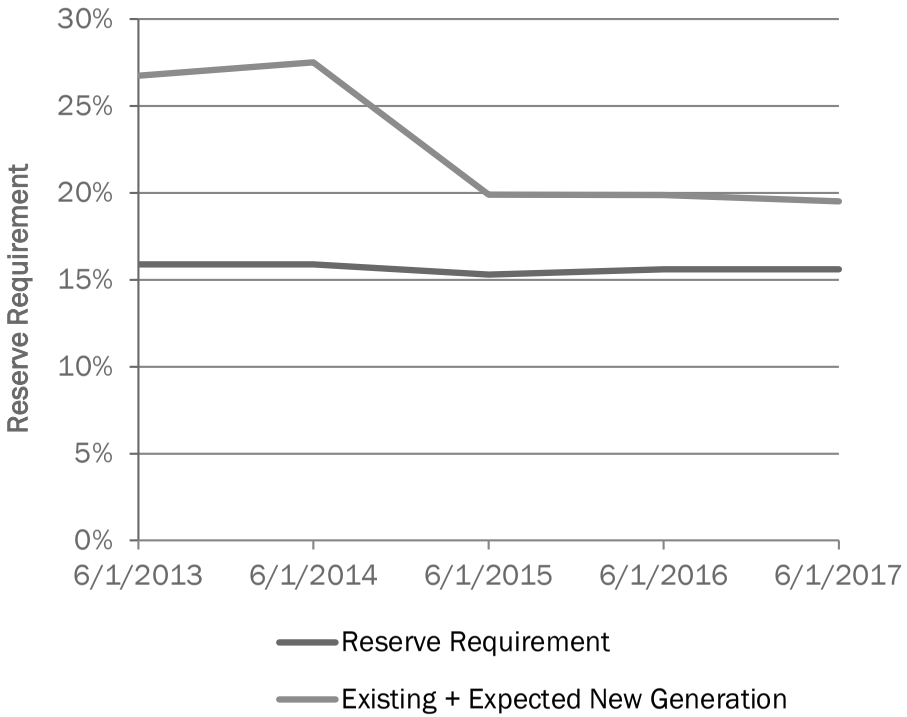
Generation Deactivation Notifications



Source: PJM TEAC, 8/8/2013

- PJM Pending Deactivation Requests of 13,340 MW as of August 13, 2013
- Approximately 5,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM June 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-11501

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-11502

PSEG wholesale market strategy

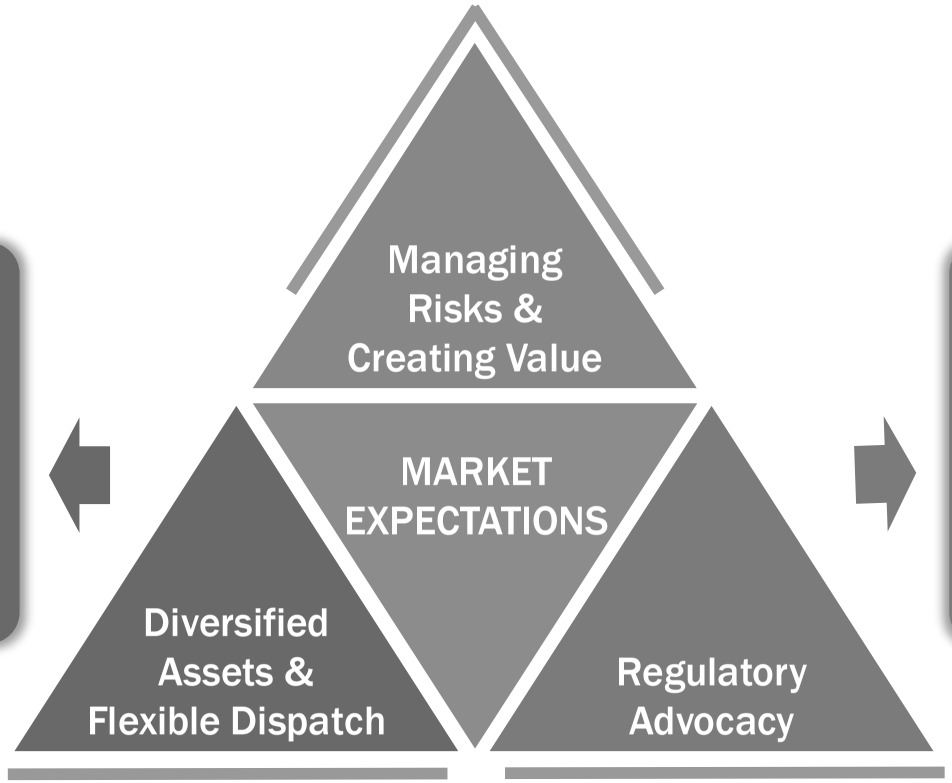
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-11503

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-11504

PSEG

We make things work for you.

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-11505

Maintaining 2013 operating earnings guidance

Based on our performance year-to-date, we expect full year operating earnings to be at the upper end of guidance, assuming normal weather and unit operations

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

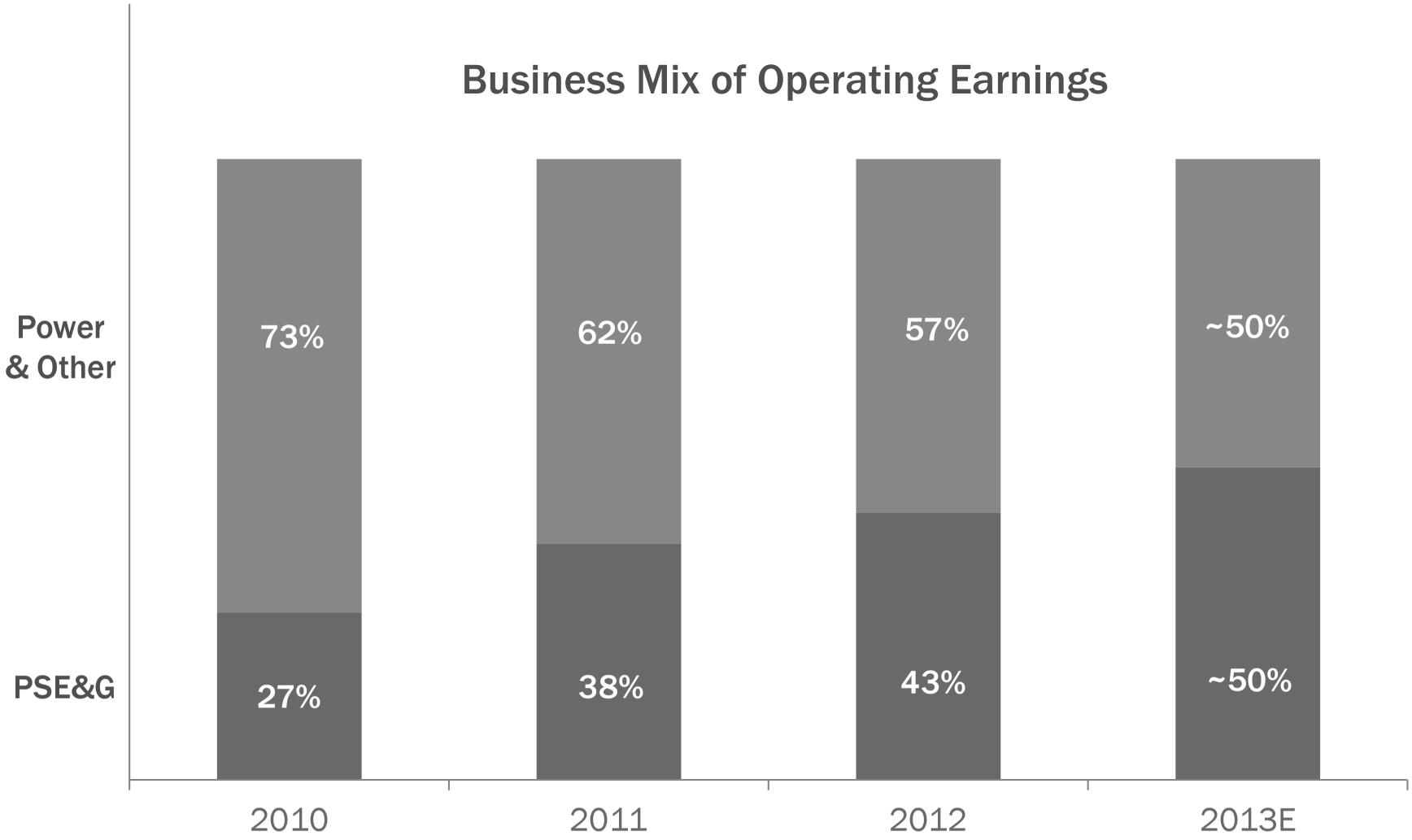
SI-SSA-0015-11506

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

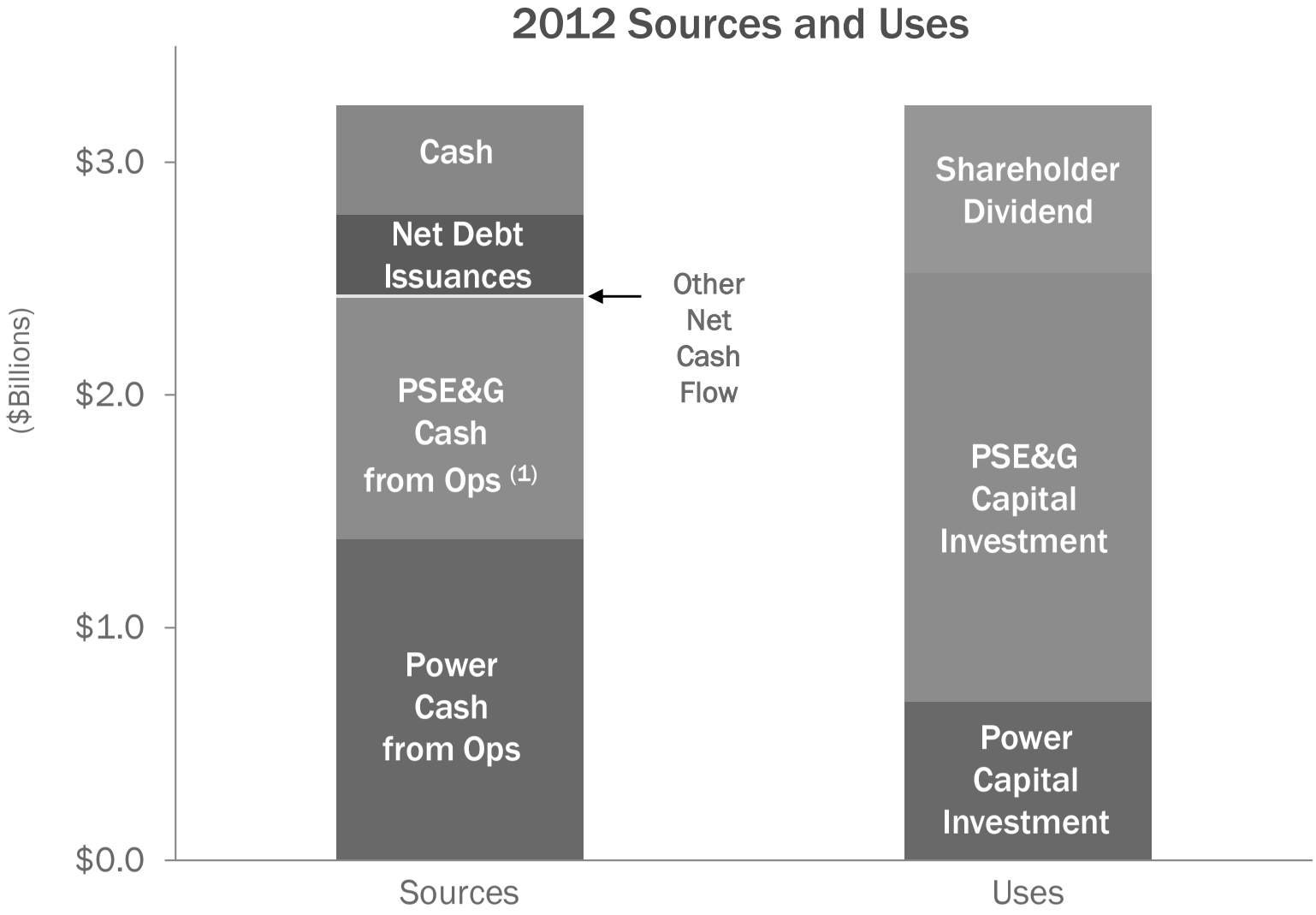


SI-SSA-0015-11507

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

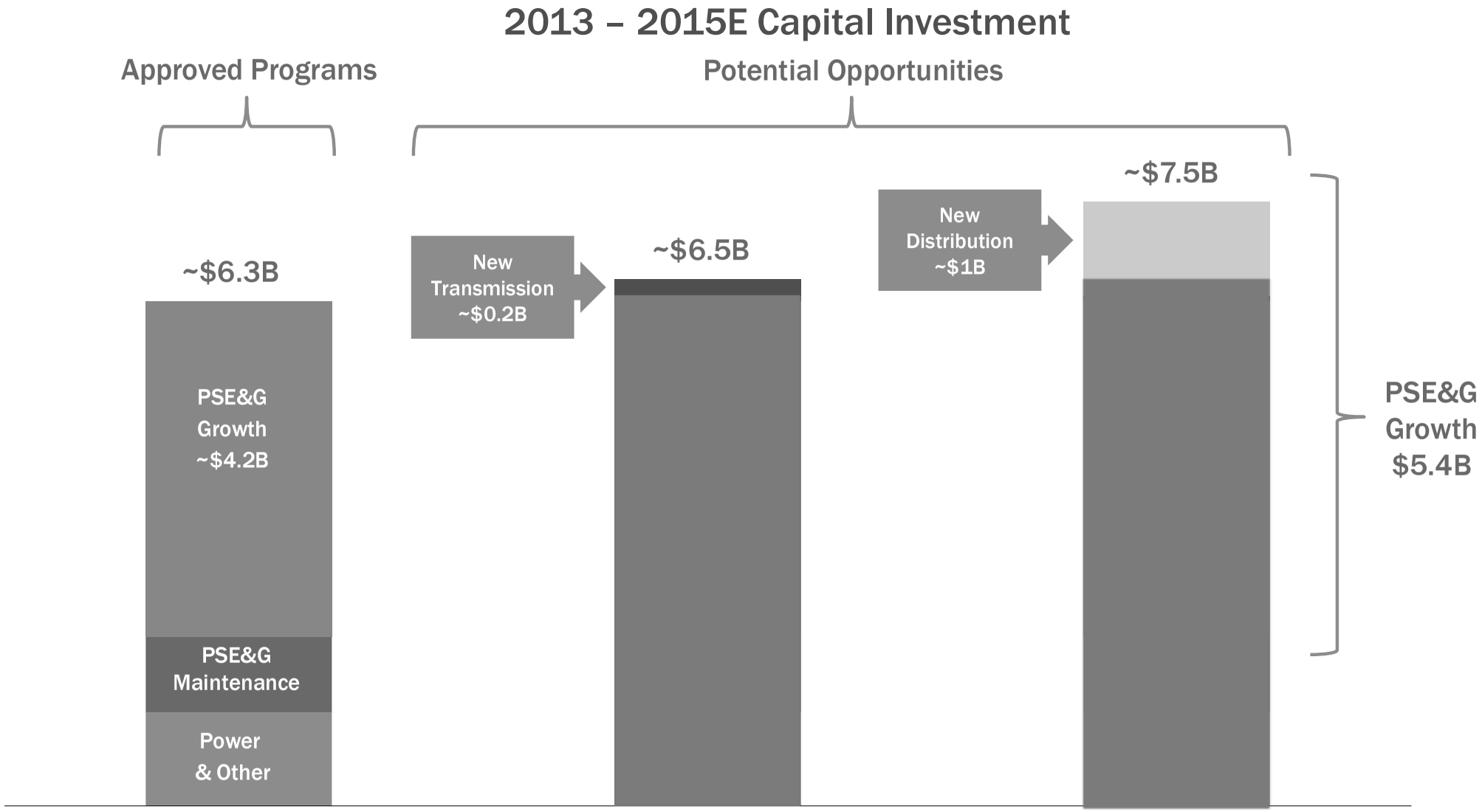
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

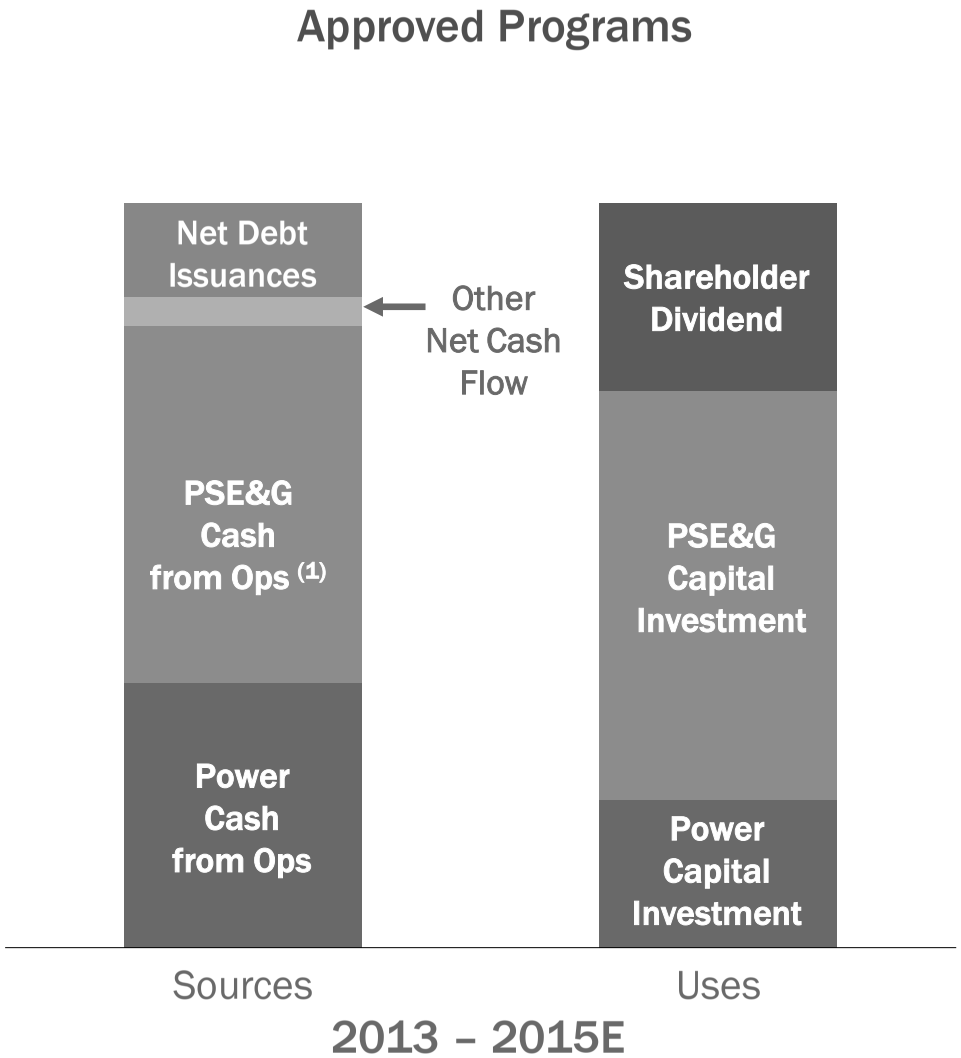
SI-SSA-0015-11508

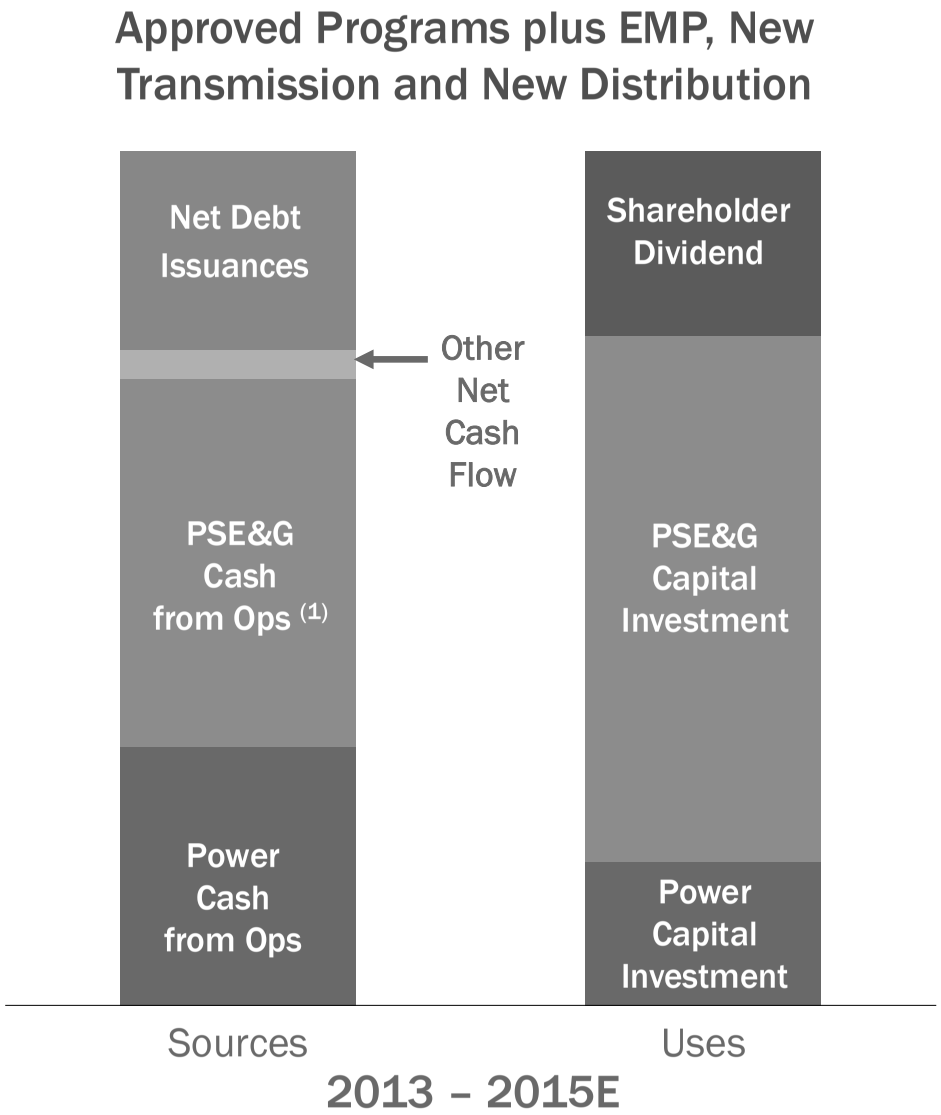
Our capital investment options can result in as much as $5.4B of utility growth investment through 2015



SI-SSA-0015-11509

All scenarios can be financed without new equity





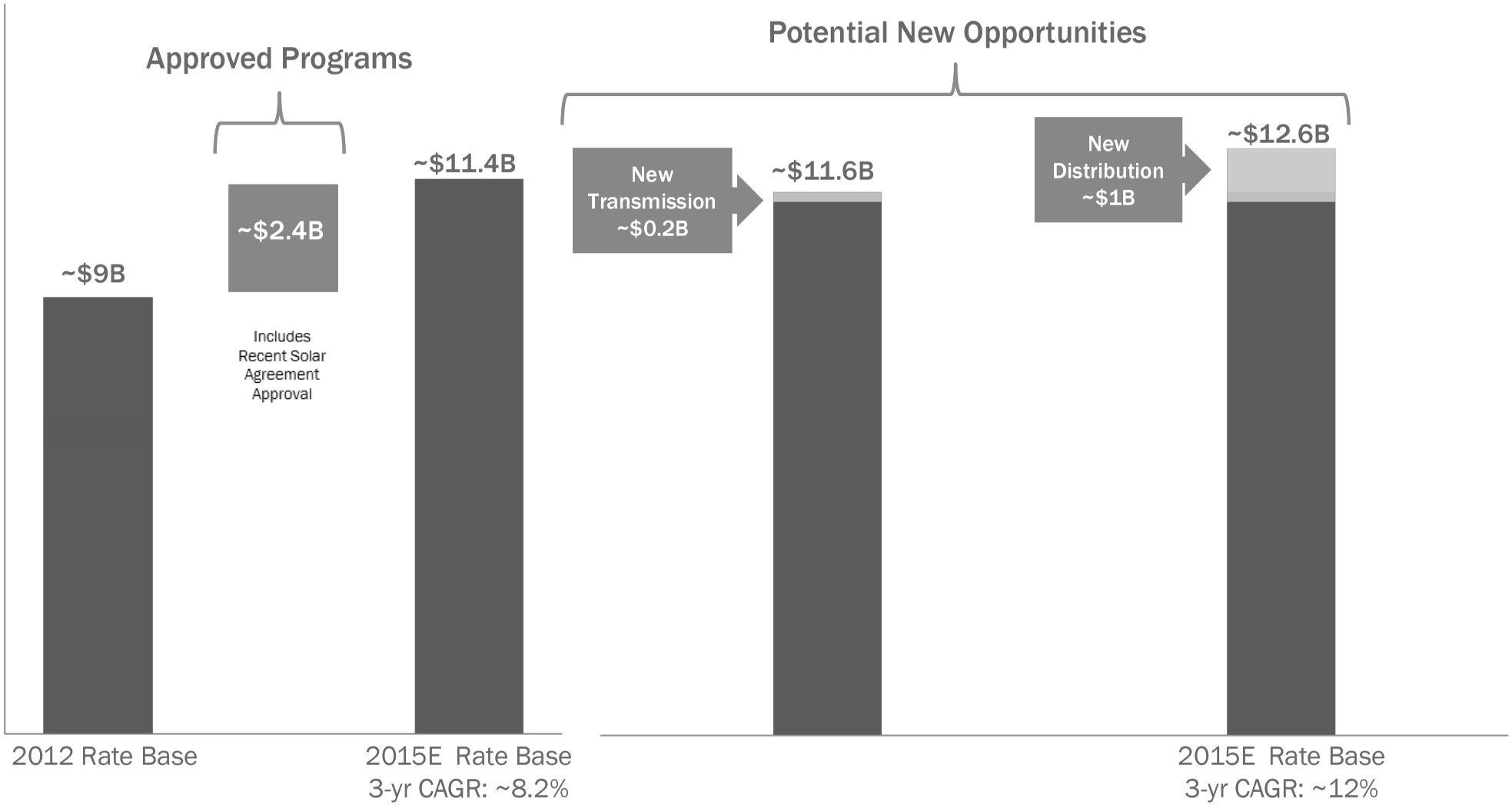
SI-SSA-0015-11510

(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015 EMP: ENERGY MASTER PLAN

E = ESTIMATE

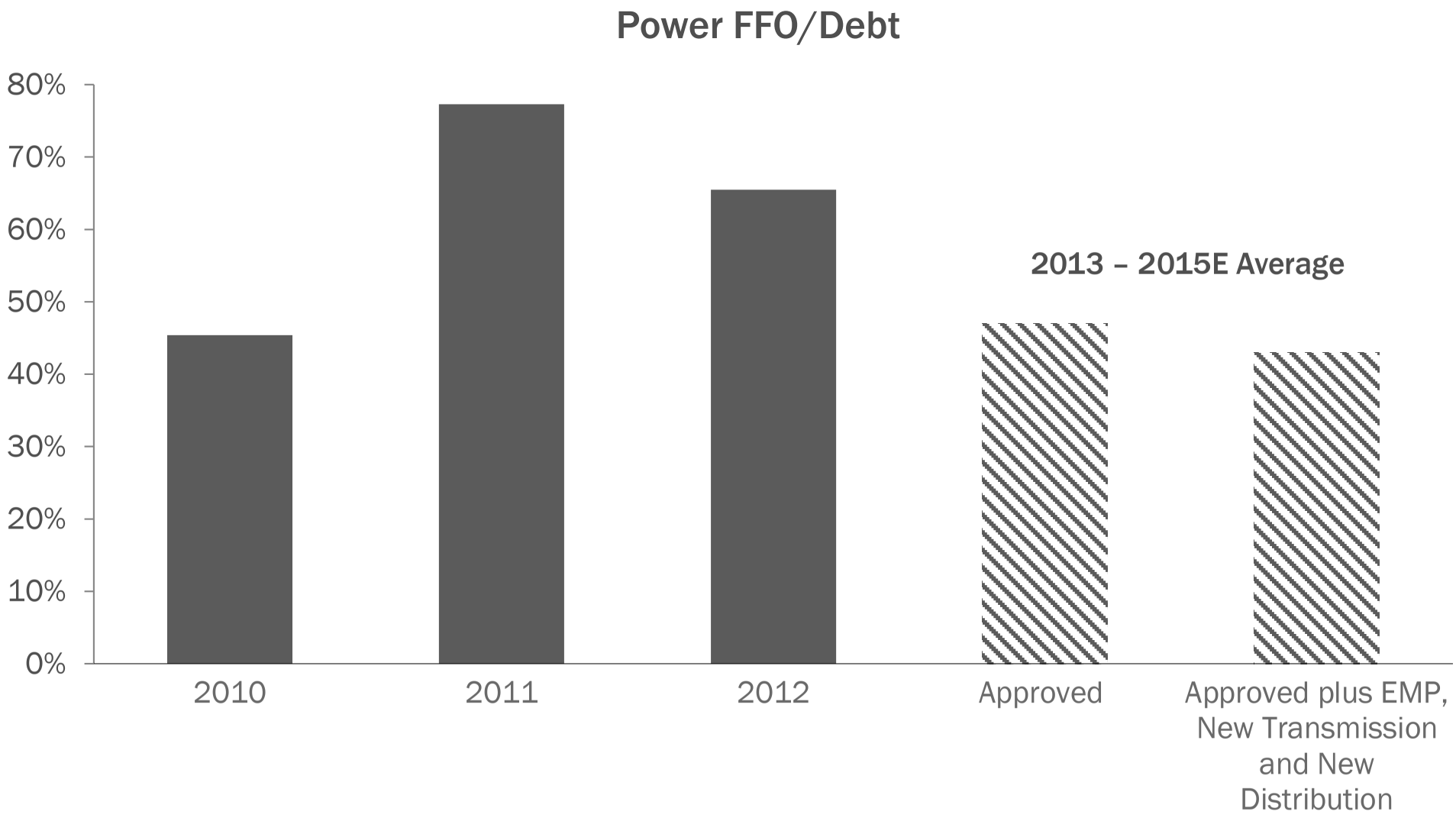
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-11511

Power's credit metrics are expected to remain strong



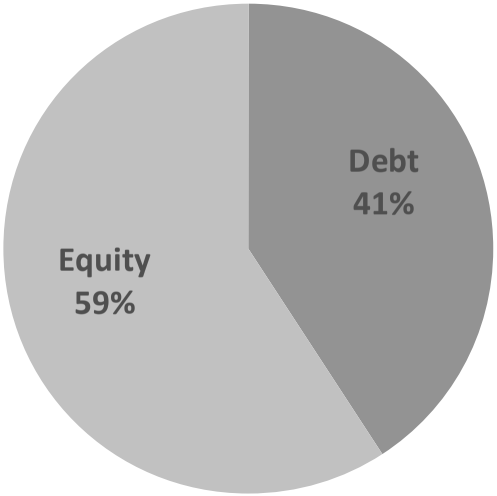
SI-SSA-0015-11512

Using PSEG's balance sheet strength

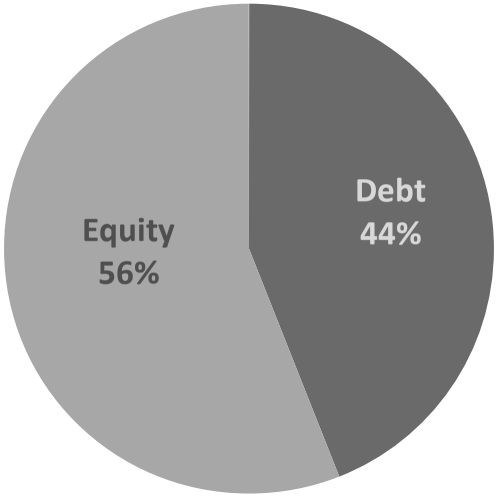
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



SI-SSA-0015-11513

PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, ENERGY STRONG (ES) AND TRANSMISSION HARDENING AND BPU APPROVED SPENDING ON SOLAR.

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

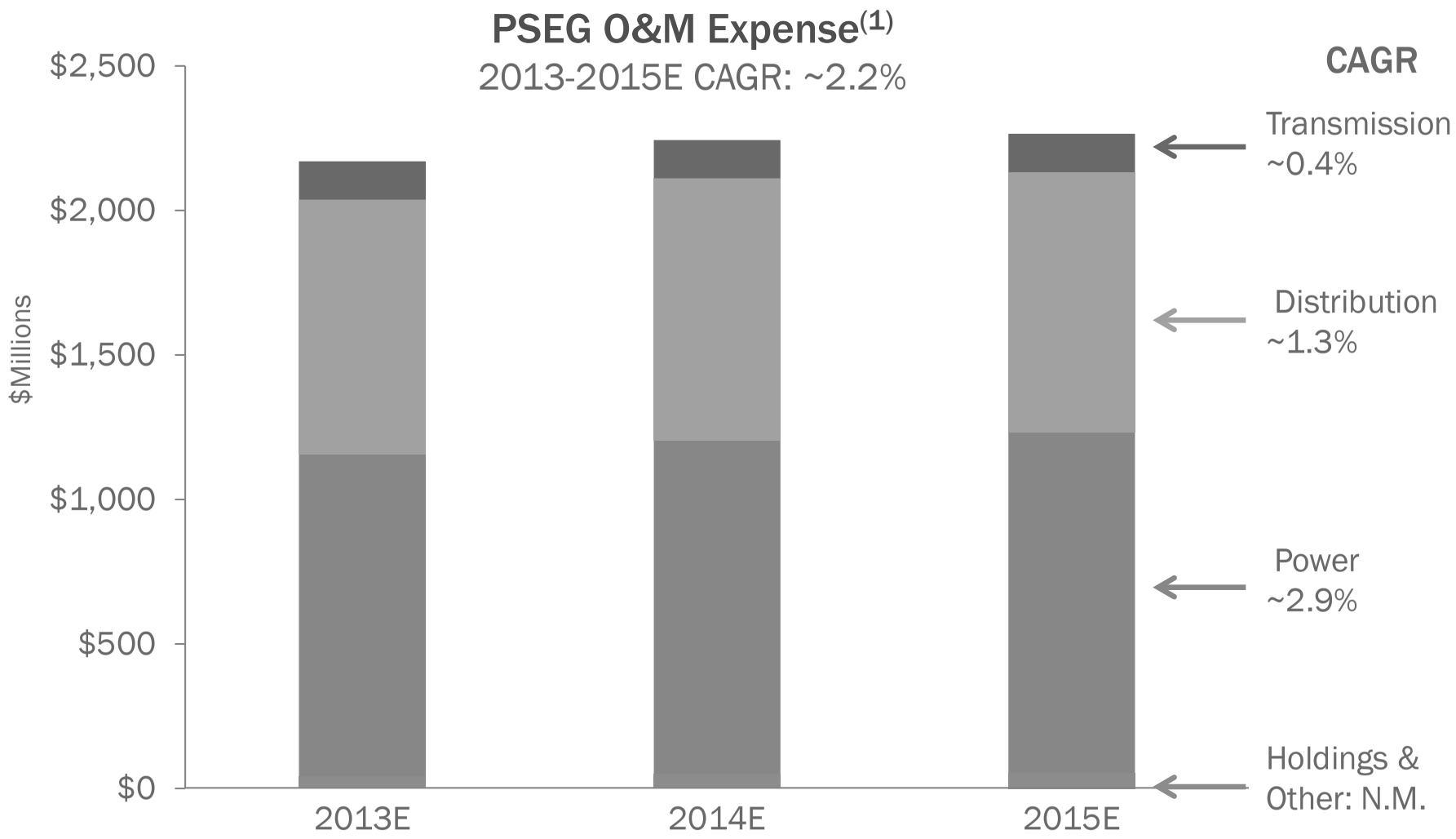
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-11514

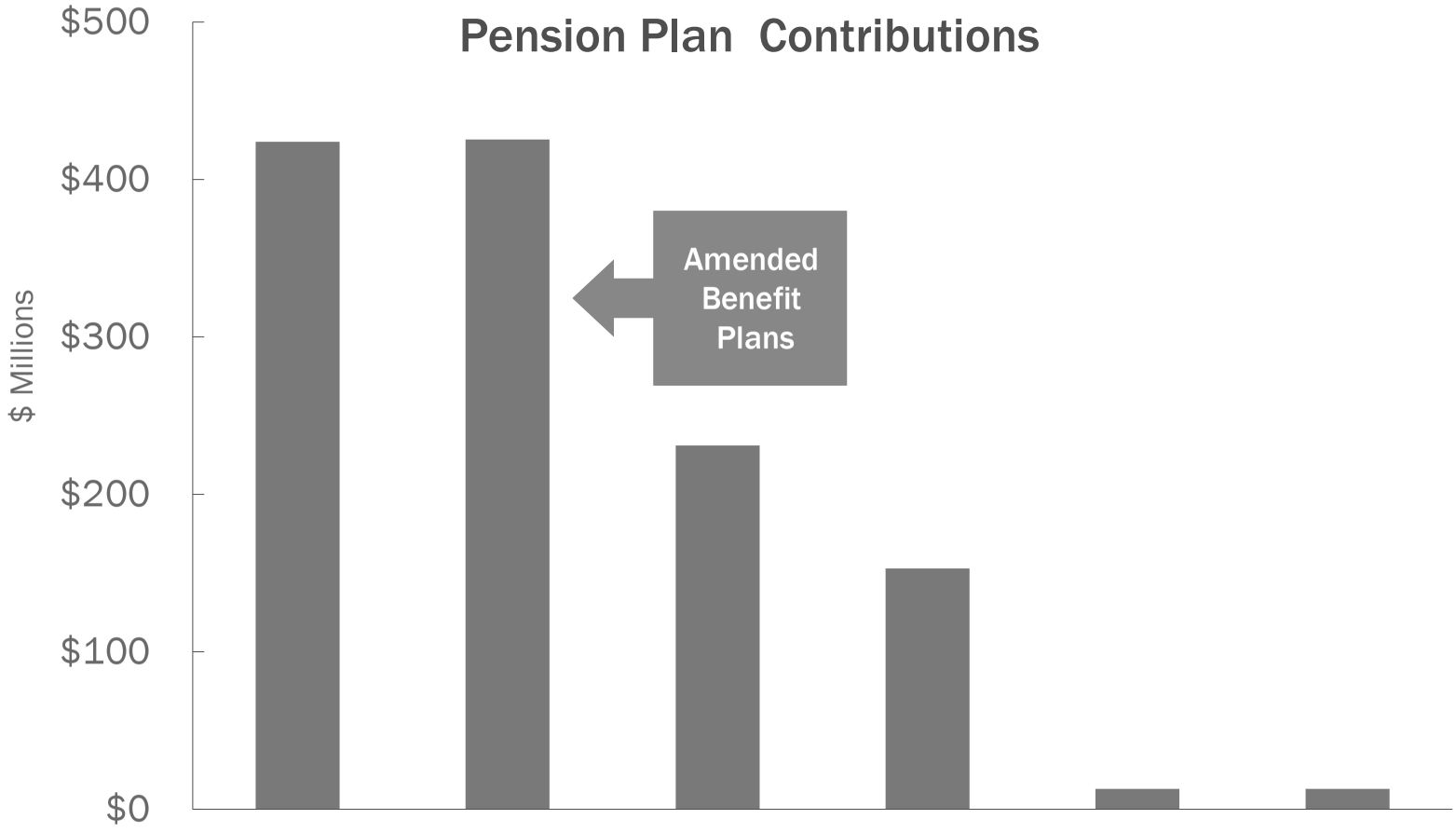
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-11515

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-11516

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

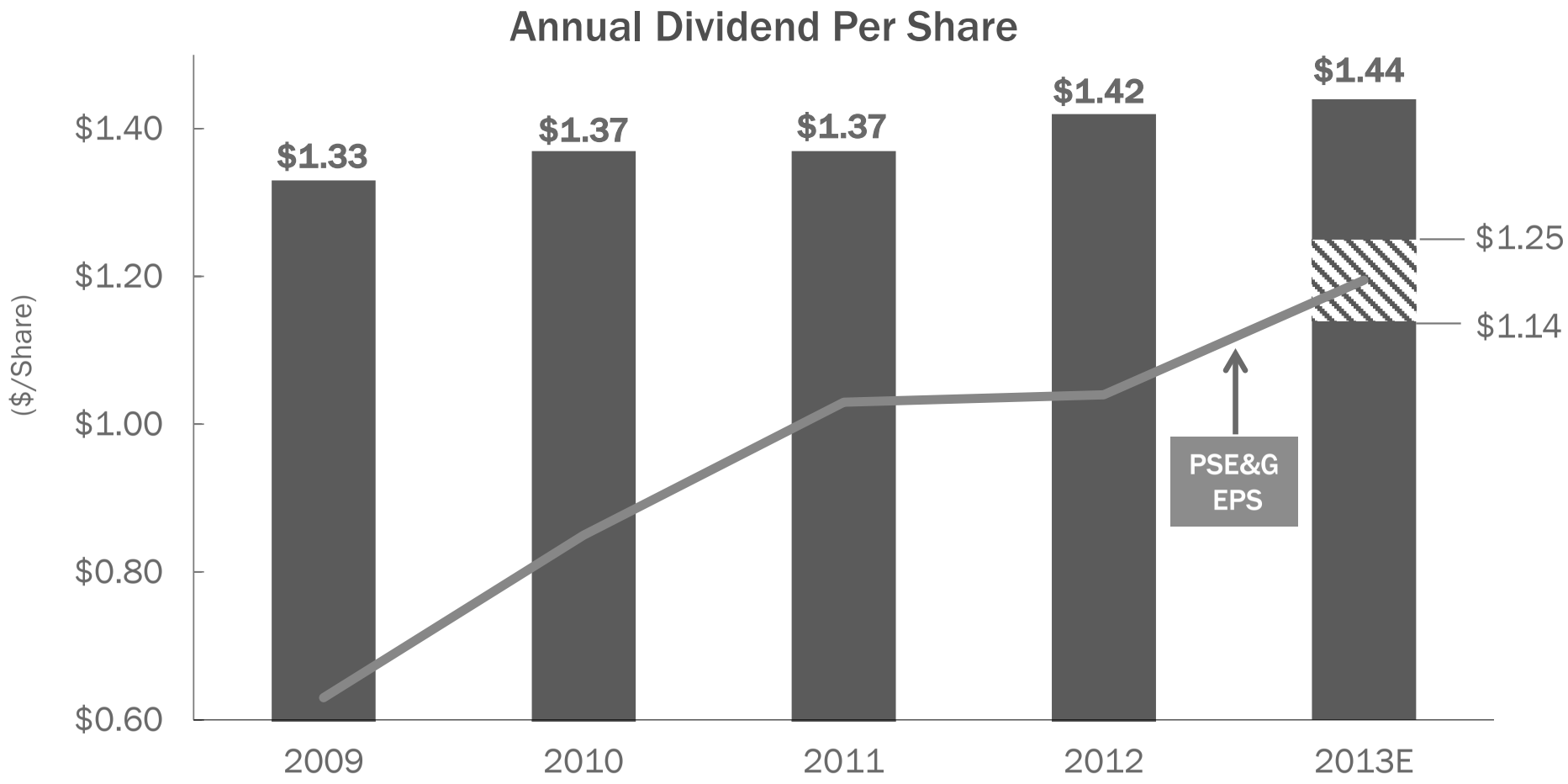
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-11517

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-11518

PSEG Summary

- Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share -- based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth

SI-SSA-0015-11519

APPENDIX

PSEG

SI-SSA-0015-11520

First Half 2013 Operating Earnings by Subsidiary

Six months ended June 30

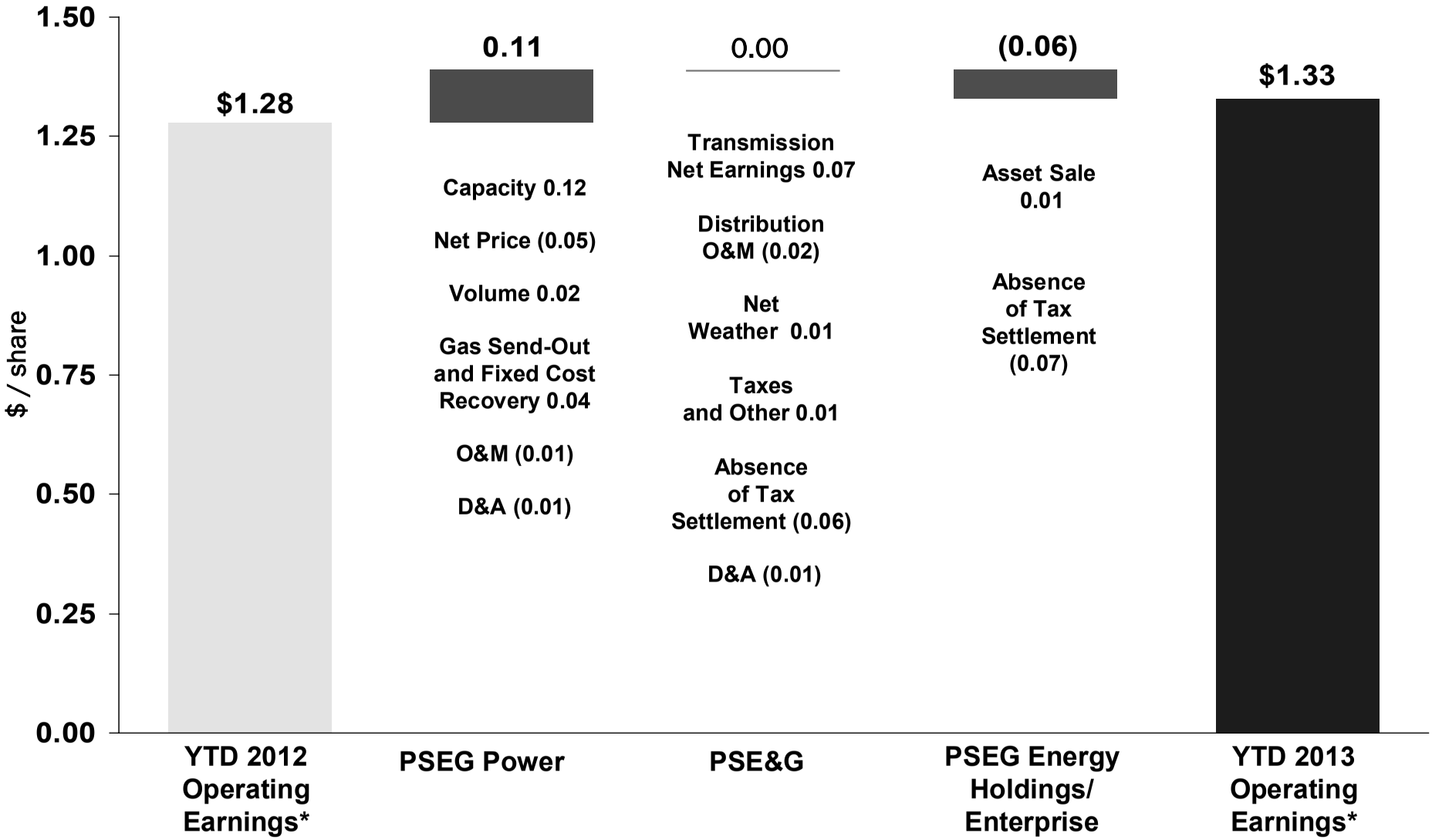
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

SI-SSA-0015-11521

PSEG

*SEE PAGE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First-Half 2013 versus First Half 2012



SI-SSA-0015-11522

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Second Quarter 2013 Operating Earnings by Subsidiary

Quarter ended June 30

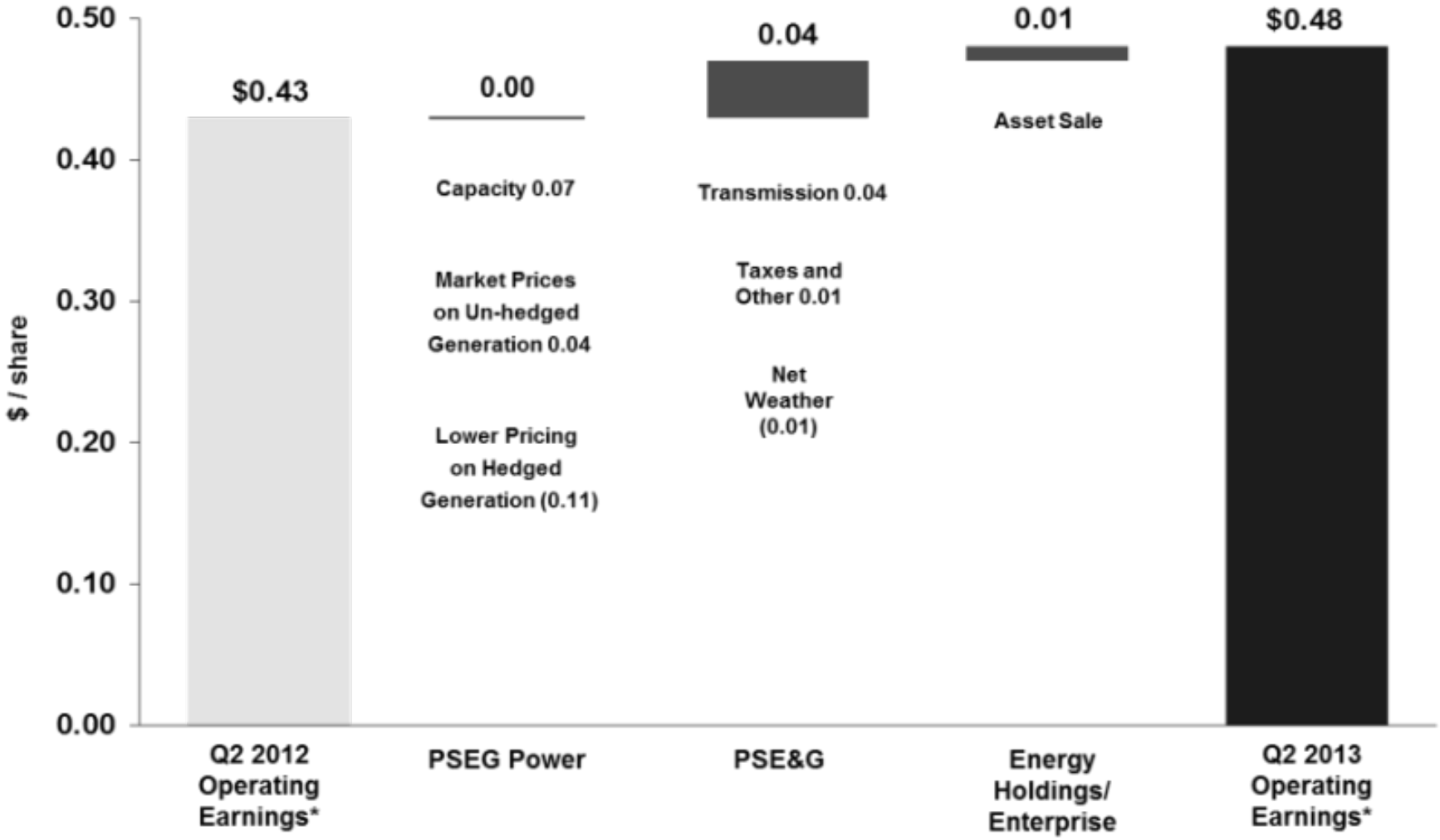
	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-11523

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

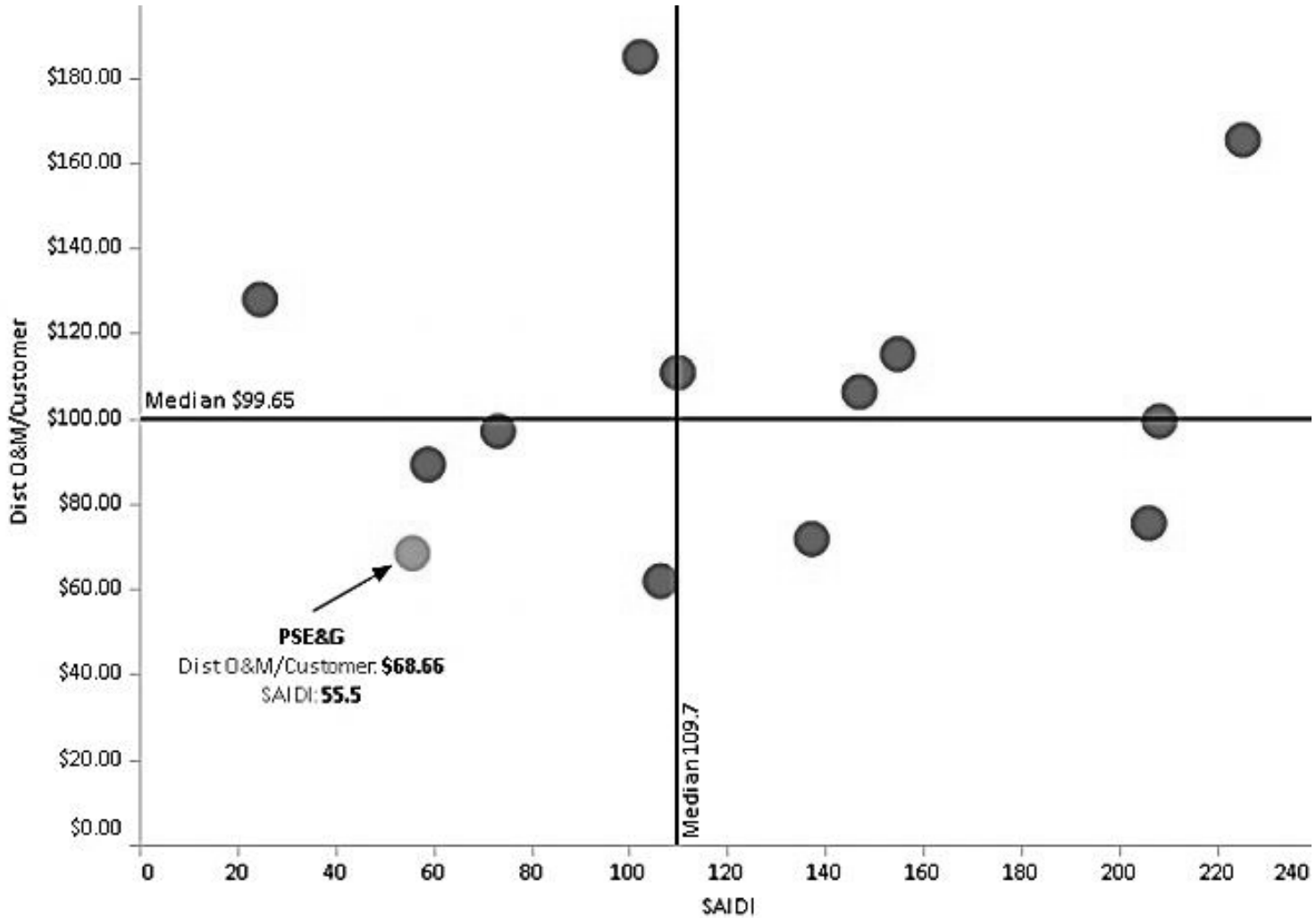
PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-11524

* SEE SLIDE B FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

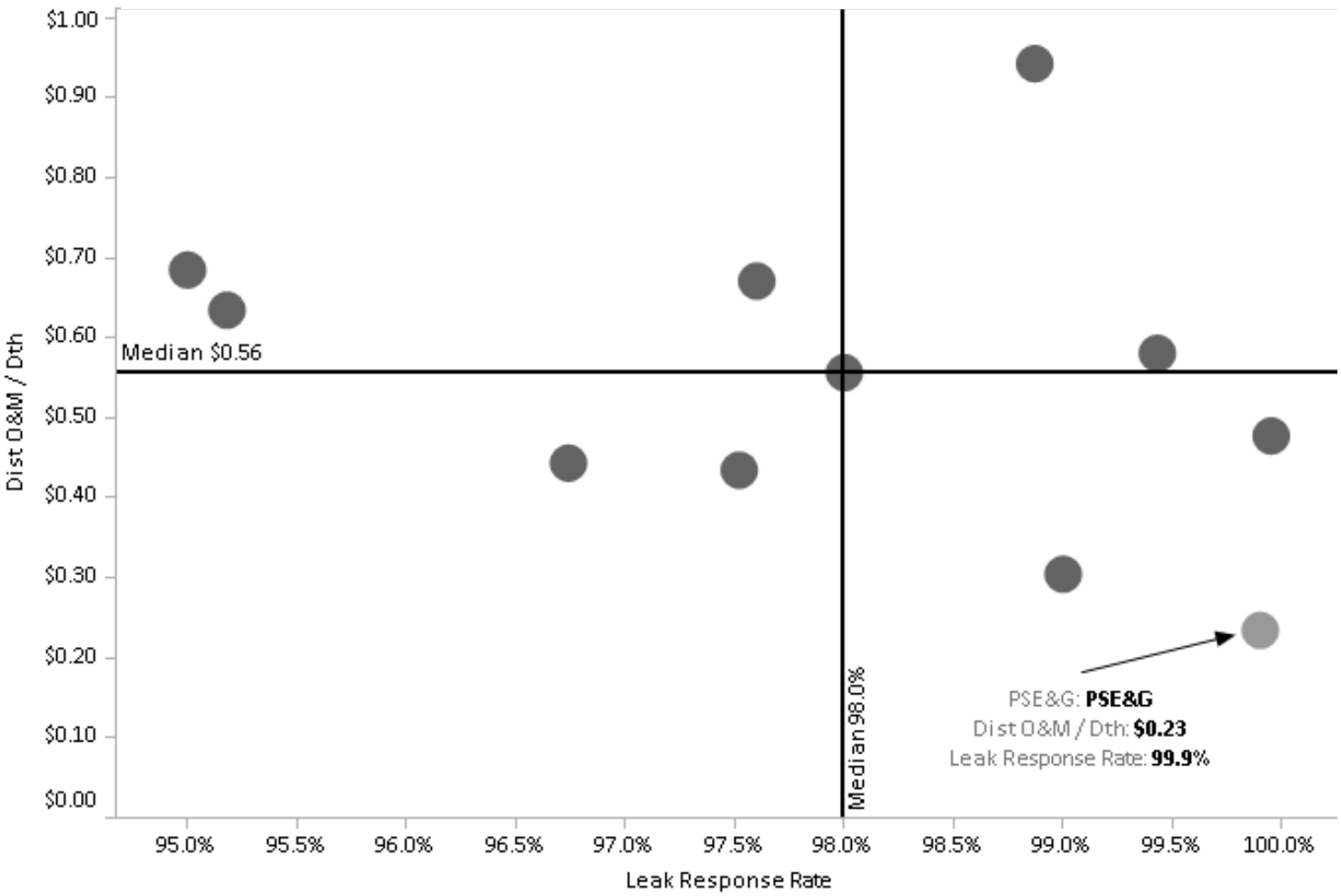
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-11526

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-11527

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President.

  Currently, the commissioners are:

  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
  - Dianne Solomon

- Stefanie Brand, Director of the N.J. Division of Rate Counsel

SI-SSA-0015-11528

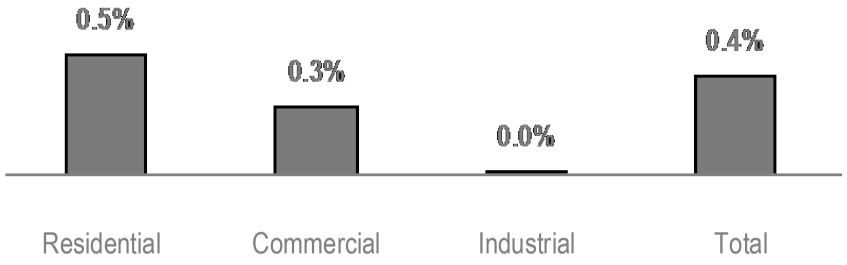
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

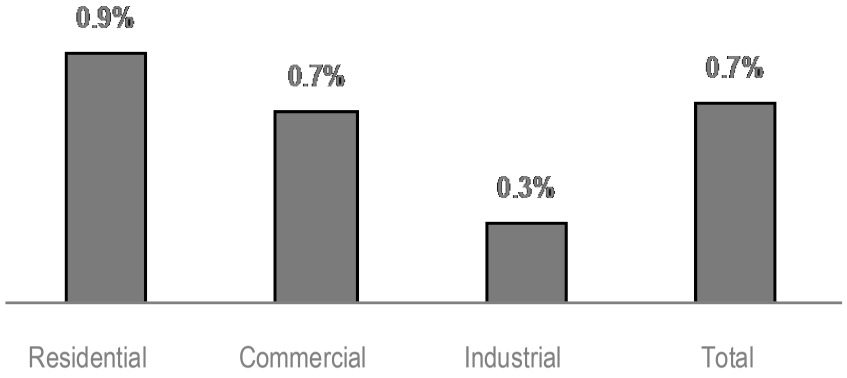
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015
Projected Sales Growth – Gas*



2013 – 2015
Projected Sales Growth – Electric*



*WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD; PROJECTED SALES GROWTH FOR 2013-2015 GAS INCLUDES ONLY FIRM SALES.

SI-SSA-0015-11529

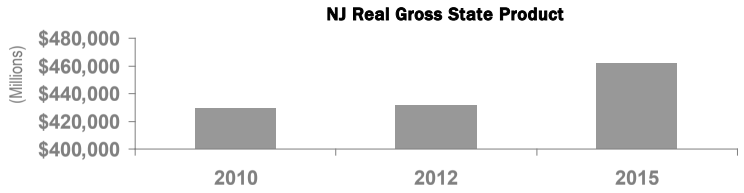
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

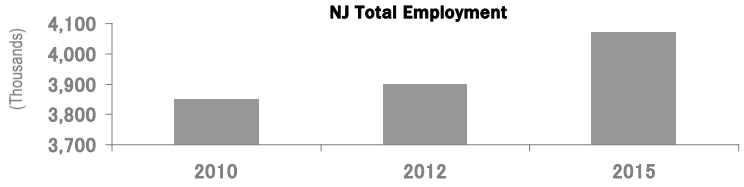
The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

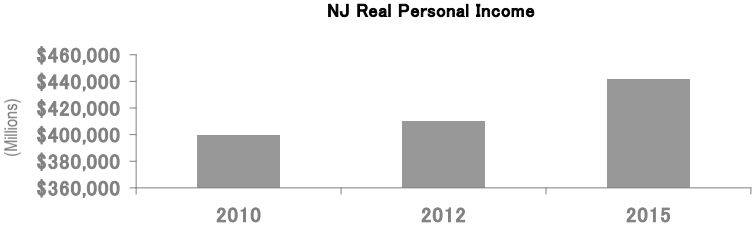
New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

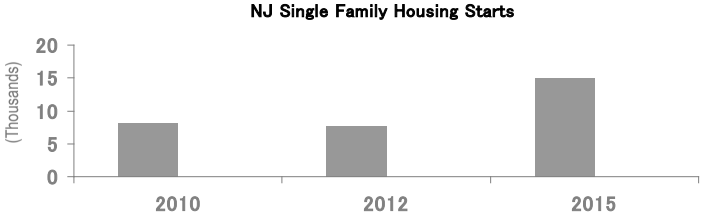
Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015









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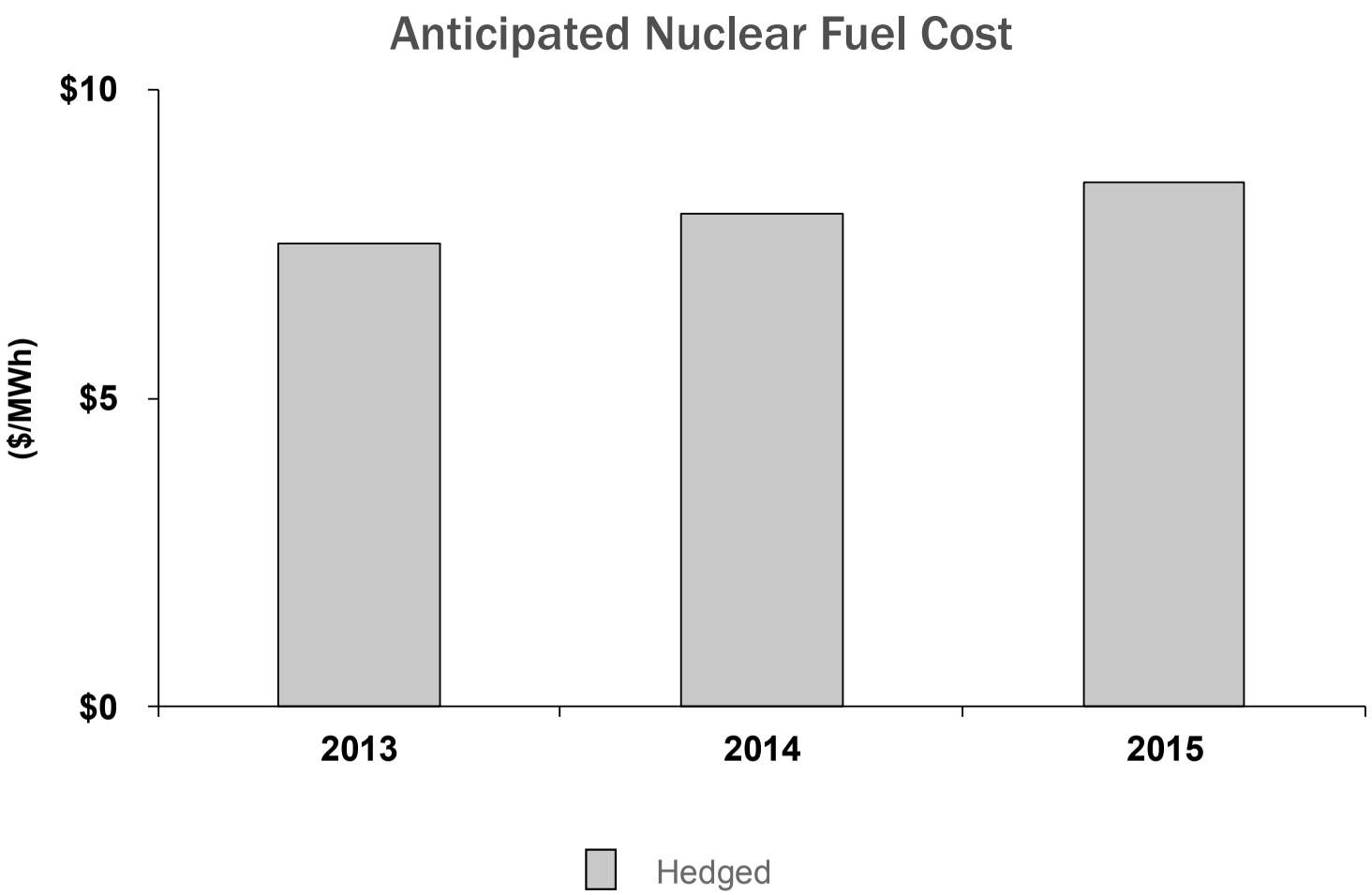
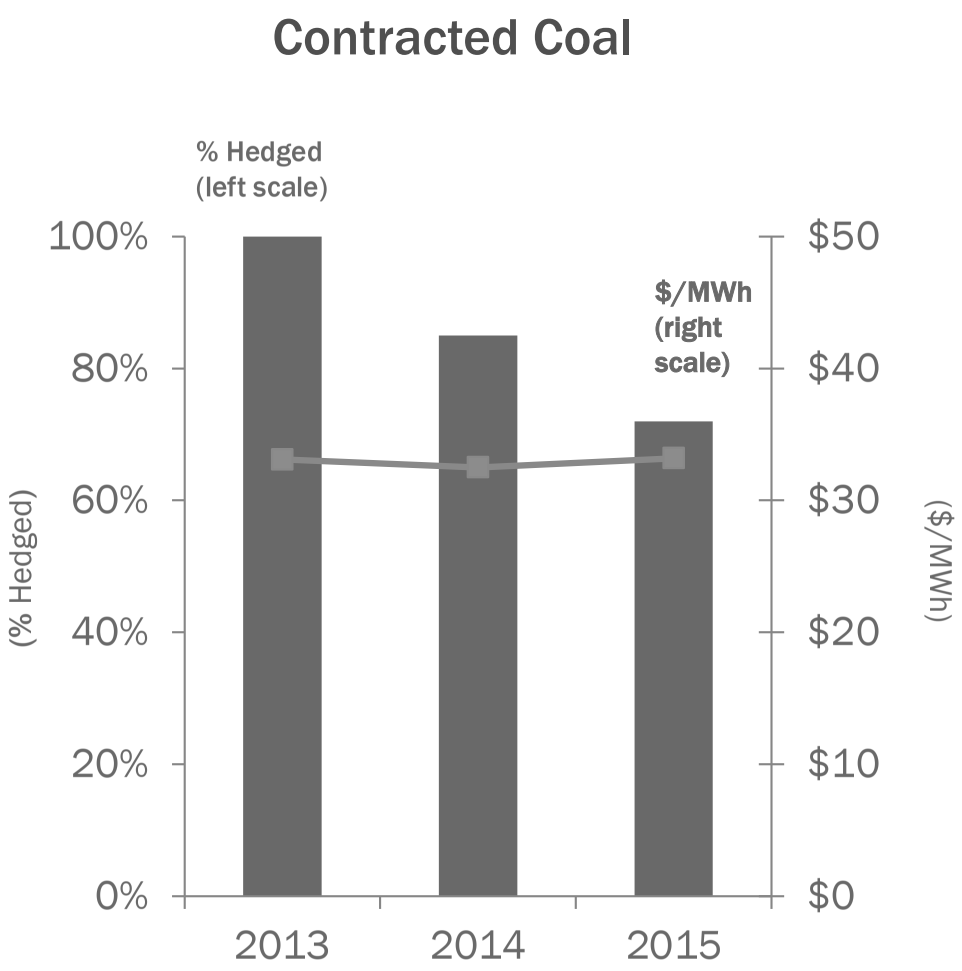
SOURCE: IHS GLOBAL INSIGHT FEBRUARY 2013 FORECAST.

Nuclear fuel needs have been hedged through 2015



SI-SSA-0015-11531

Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-11532

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	**$**	**195**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$195
MW per Tranche (varies by EDC)	108
Days per Year	365
Capacity Cost per Tranche	**$ 7,712,637**

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	**$**	**22**

SI-SSA-0015-11533

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 6/30/13 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$199**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$343**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$190**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	**$ 67**
Real Estate Operating Leases	Office Towers, Shopping Centers - 32 properties	**$84**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 97**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 23**
	Total Holdings Investments	**$1,221**

SI-SSA-0015-11534

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Liquidity as of June 30, 2013

Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
5-year Credit Facility (PSE&G)	Mar-18	$600 [1]	$170	$430
5-Year Credit Facility (Power)	Mar-17	1,600	54	1,546
5-Year Credit Facility (Power)	Mar-18	1,000 [2]	0	1,000
5-Year Bilateral (Power)	Sep-15	100	100	0
5-year Credit Facility (PSEG)	Mar-17	500	5	495
5-year Credit Facility (PSEG)	Mar-18	500 [3]	0	500
	Total	$4,300	$329	$3,971
			PSEG Money Pool ST Investment	$114
			PSE&G ST Investment	$0
			Total Liquidity Available	**$4,085**
			Total Parent / Power Liquidity	**$3,655**

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

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

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

SI-SSA-0015-11535

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

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

(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

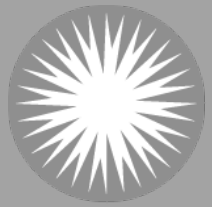
Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6
Storm O&M, (PSEG Power)	2	-	(15)	-
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01
Storm O&M, (PSEG Power)	-	-	(0.03)	-
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**

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

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME.

Wolfe Research Utilities & Power Leaders Conference

SEPTEMBER 26, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11539

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

SI-SSA-0015-11540

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-11541

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-11542

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-11543

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

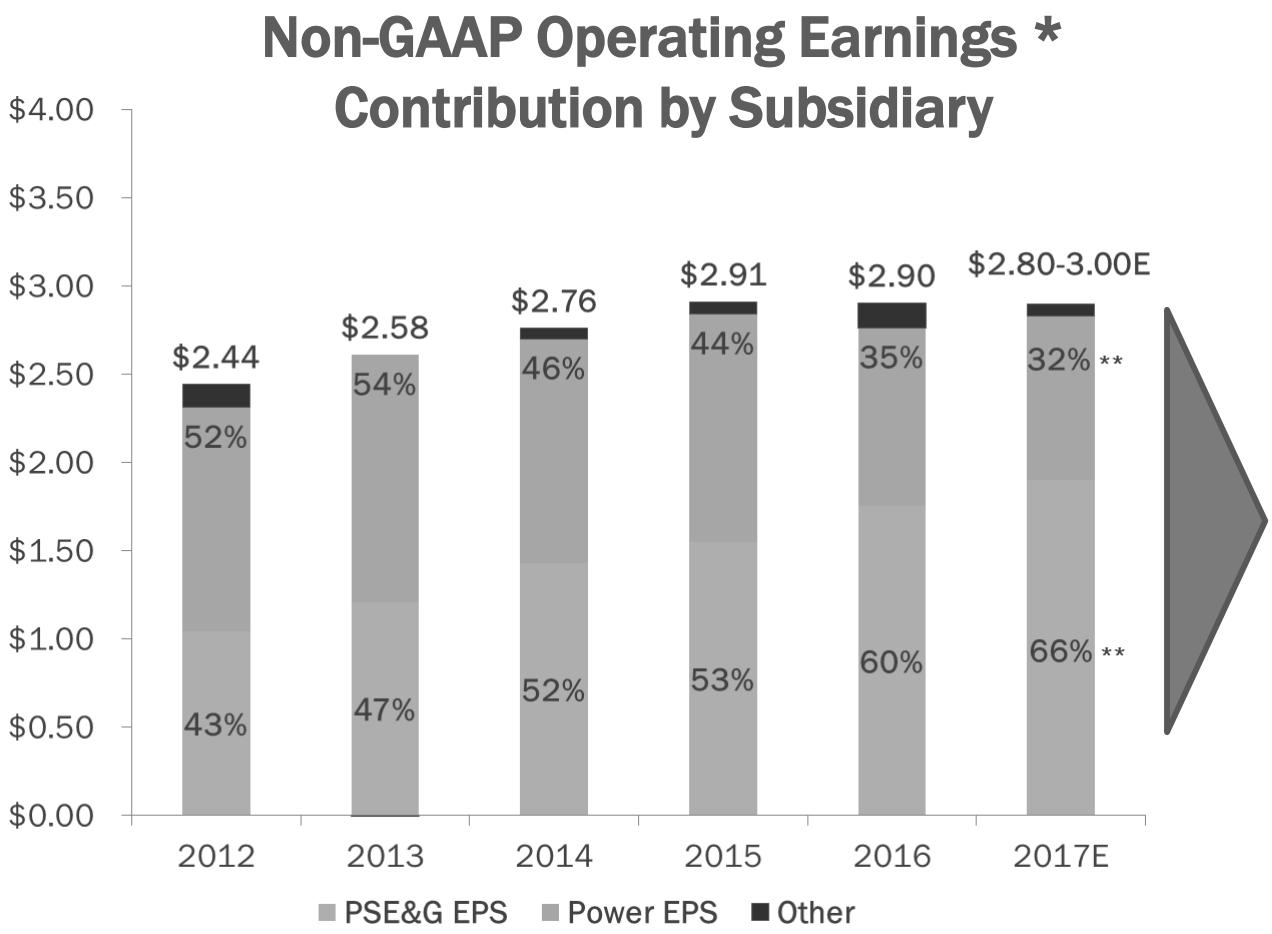
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-11544

PSE&G expected to grow to represent ~66%

of 2017 operating earnings



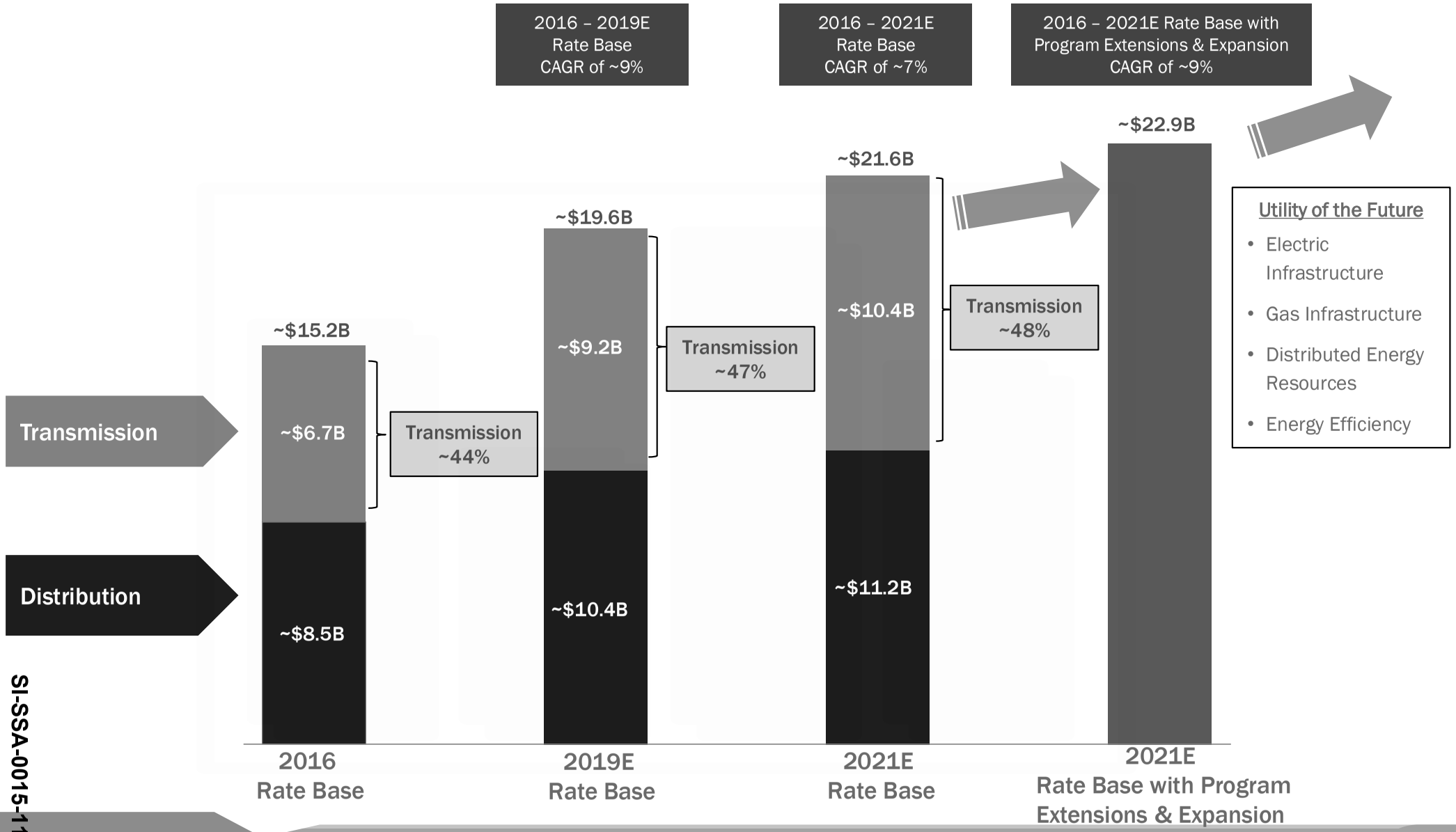
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-11545

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's capital spending drives high single-digit growth in rate base

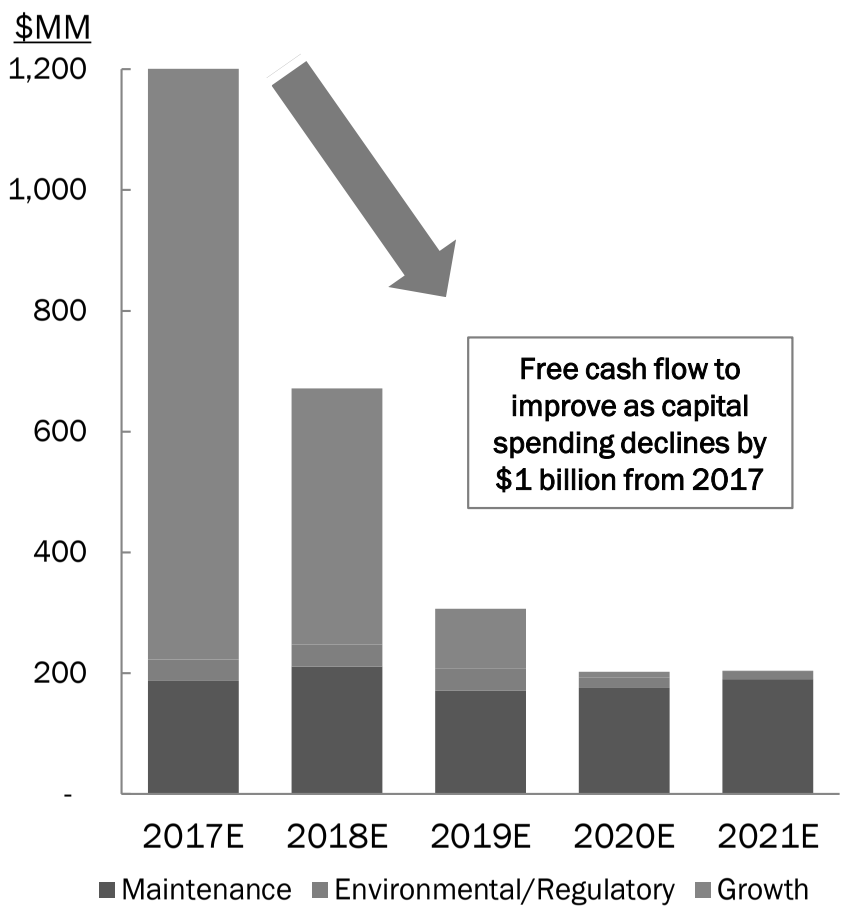


E = ESTIMATE.

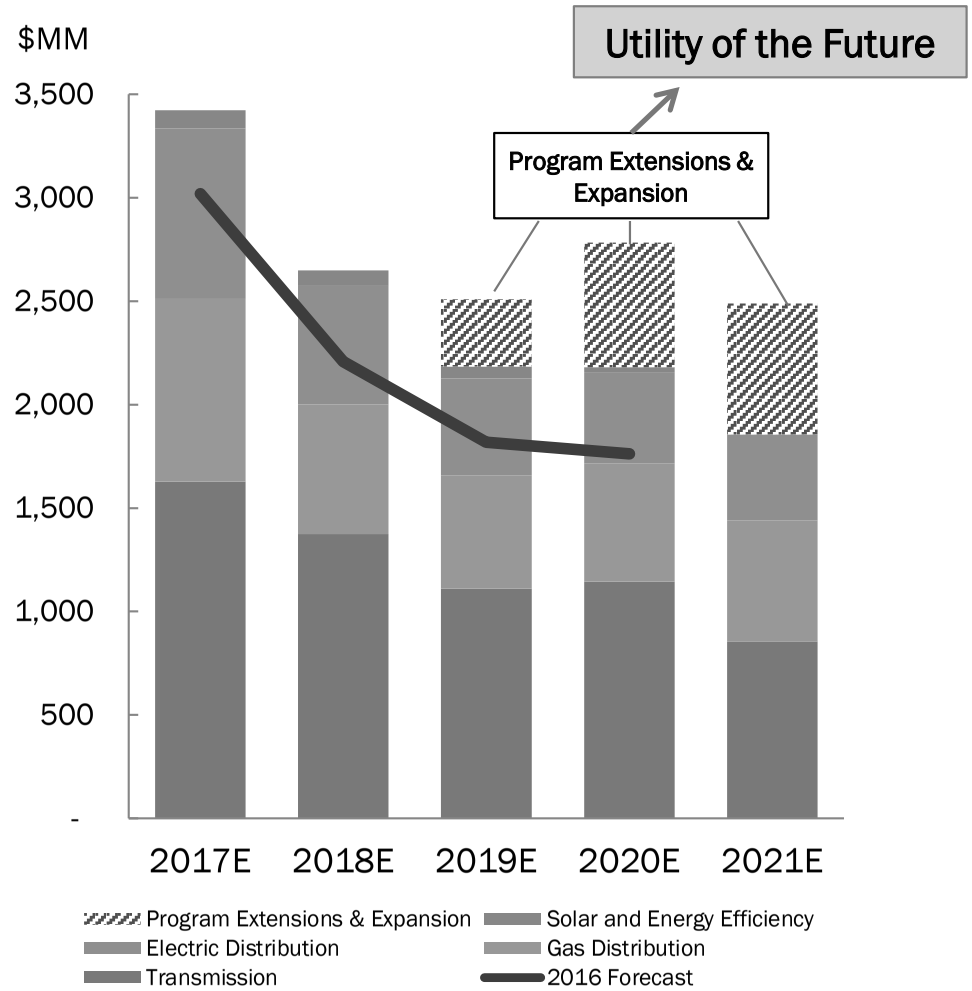
SI-SSA-0015-11546

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending [1]



PSE&G
2017E – 2021E Capital Spending [1]



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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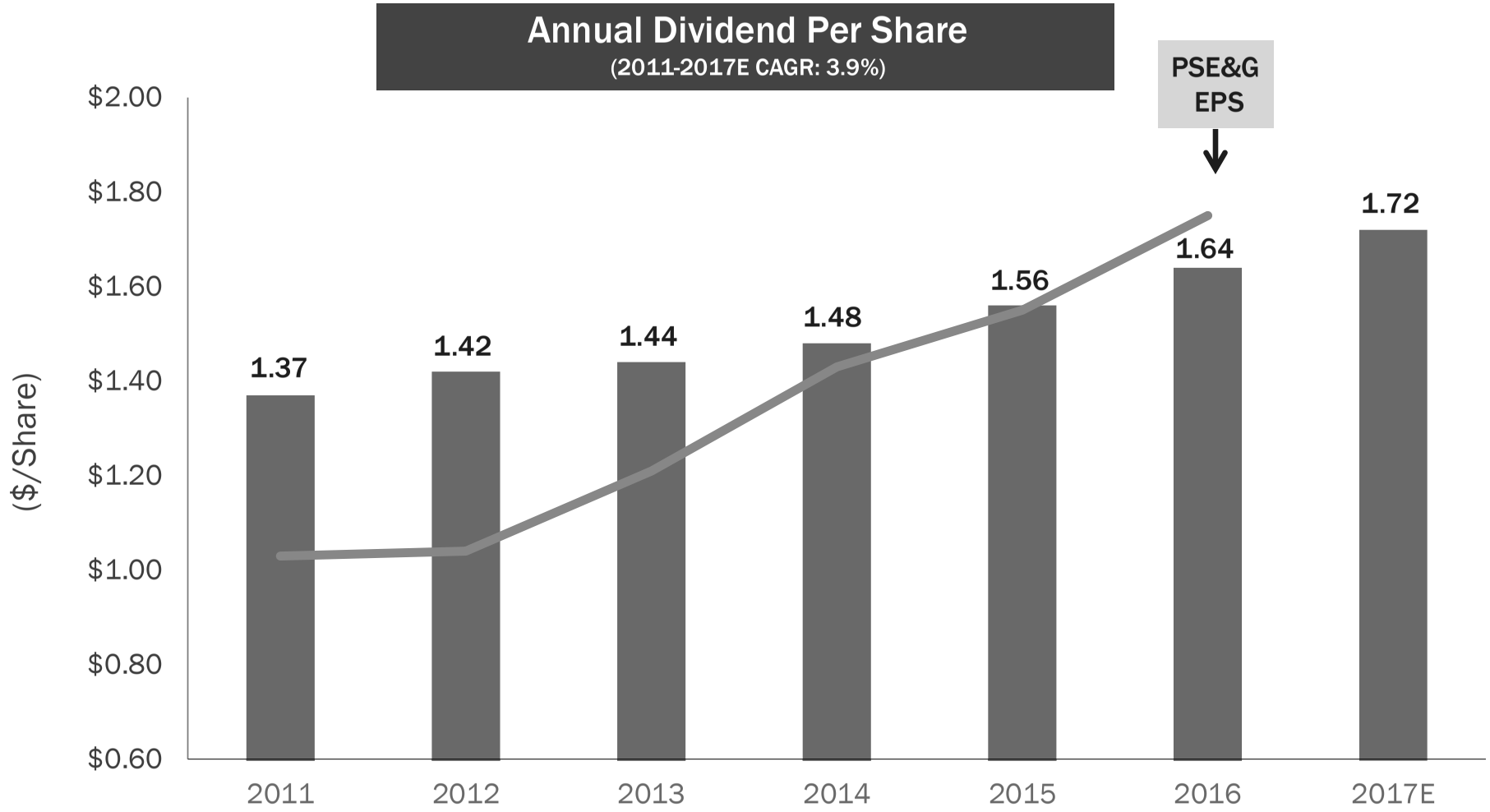
Opportunity for meaningful and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

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Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

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PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Wolfe Research Utilities & Power Leaders Conference

OCTOBER 3, 2018

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11552

PSEG POWER

Lathrop Craig

VICE PRESIDENT, ISO OPERATIONS
PSEG POWER

SI-SSA-0015-11553

PSEG
We make things work for you.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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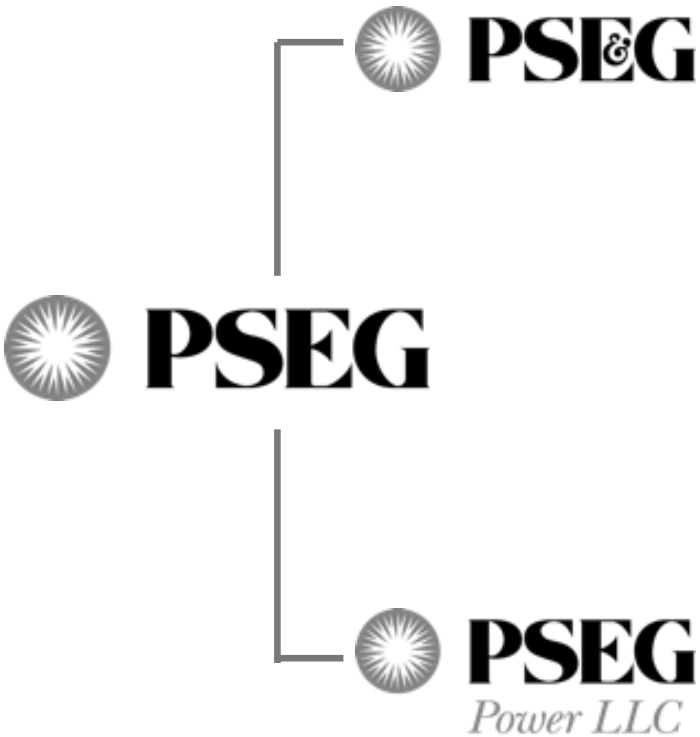
Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

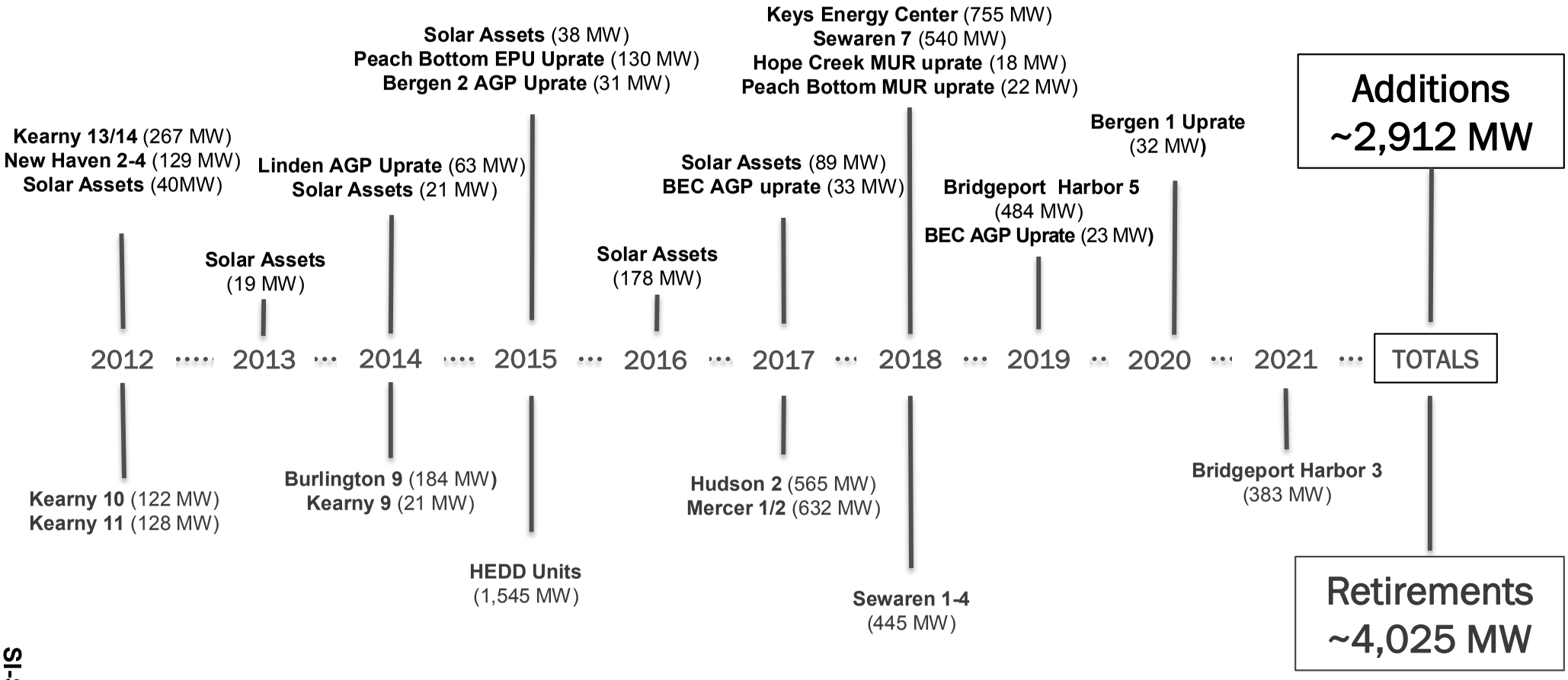
Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M

SI-SSA-0015-11555

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

Power's fleet transformed with focus on improvement in efficiency



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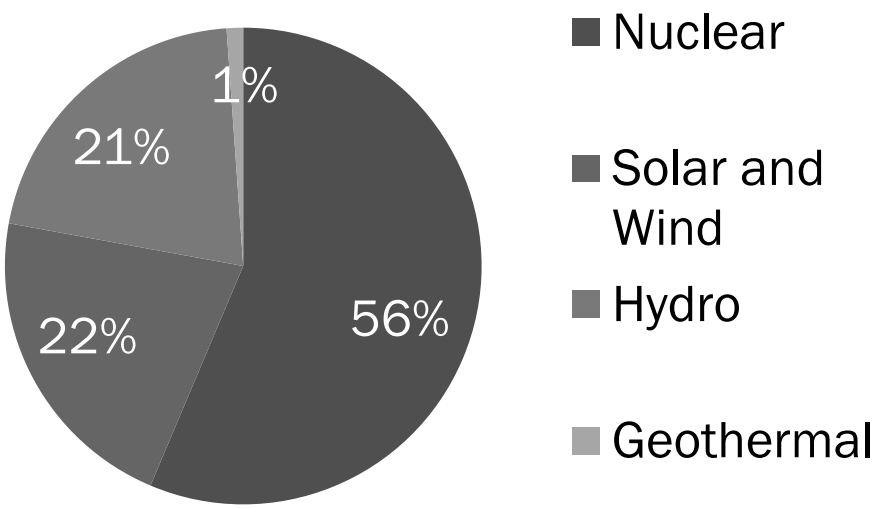
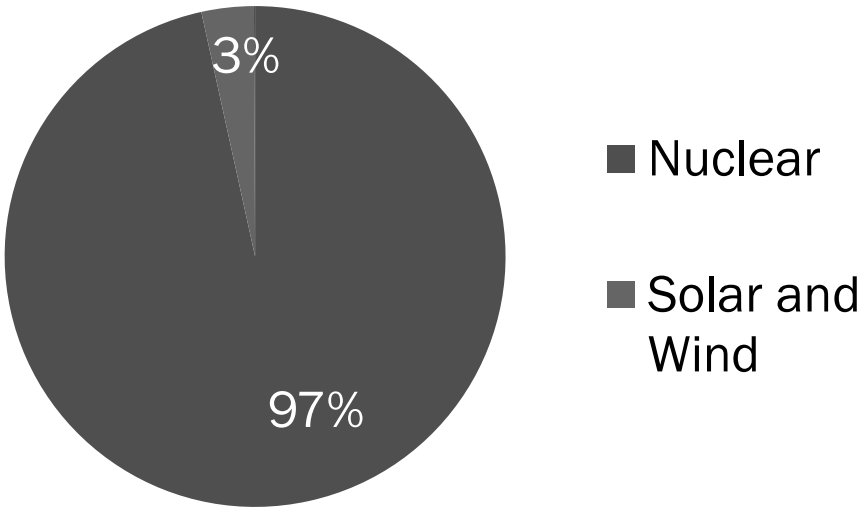
Sources of air emission-free generation
(CO_2, NO_x, SO_x, particulates)

United States



New Jersey



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PSEG

SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION (EIA-923 REPORT) BASED ON PRELIMINARY 2017 MONTHLY DATA

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ 330-Day process underway – NJ Board of Public Utilities expected to determine eligibility and select nuclear plants to receive ZECs by mid-April 2019
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-11558

Broad based benefits from properly valuing nuclear…

- Seeks fair compensation for the environmental attributes of at-risk nuclear generating plants
- Bill approved by NJ Legislature on April 12, and signed by NJ Governor on May 23; NJBPU has 330 days to determine eligibility and select which nuclear power plants have been chosen to receive Zero Emission Certificates (ZEC)
- Would require NJ utilities to purchase ZECs from eligible nuclear plants at $0.004 per KWh on retail distribution customers (approximately $300 Million/year)
- NJBPU will rank nuclear plants based on assessment of financial need in addition to its impact on fuel diversity, air quality, and other environmental attributes to determine ZEC eligibility
- Eligible nuclear plants must be licensed to operate beyond 2030 and be located in PJM
- Opportunity to preserve a highly reliable, zero carbon generation resource as part of a diverse energy grid

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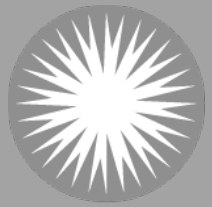
Wolfe Research Power & Gas Leaders Conference

NEW YORK, NY – SEPTEMBER 27-28, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11560

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-11562

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

PSEG

We make things work for you.

SI-SSA-0015-11563

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-11564

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of Operating EPS* growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-11565

* SECOND YEAR OF EPS GROWTH.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-11566

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011 → 2012 → 2013 → 2014 → 2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-11567

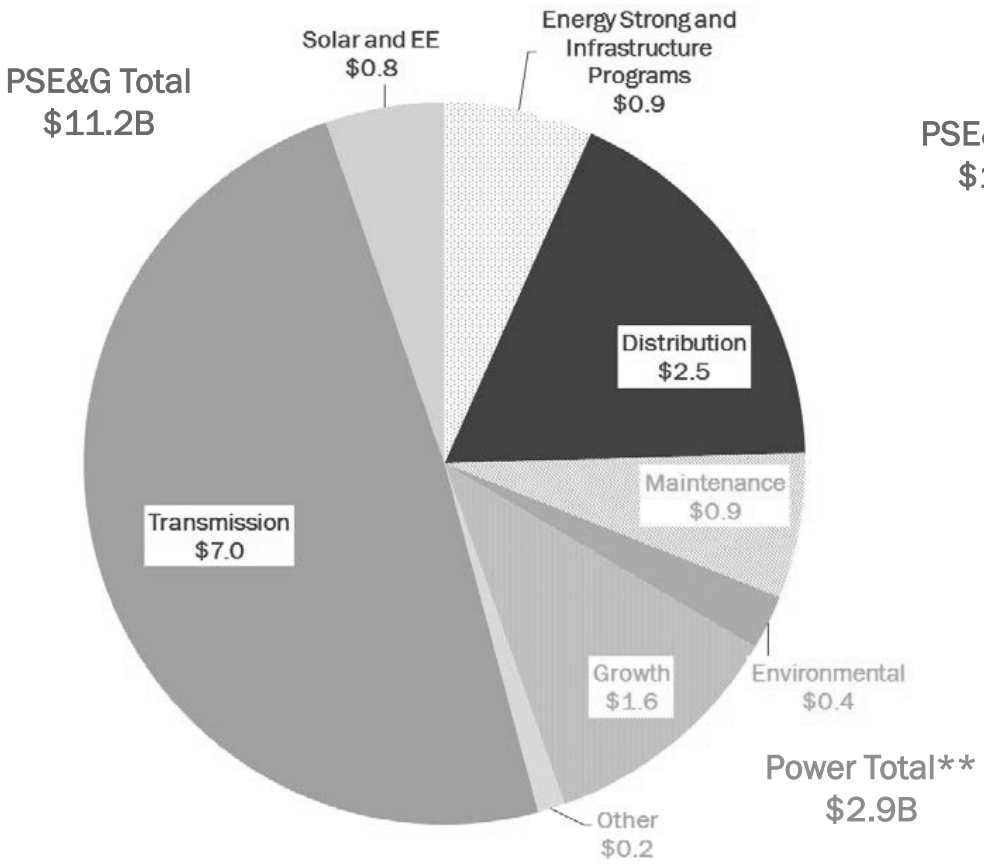
PSEG

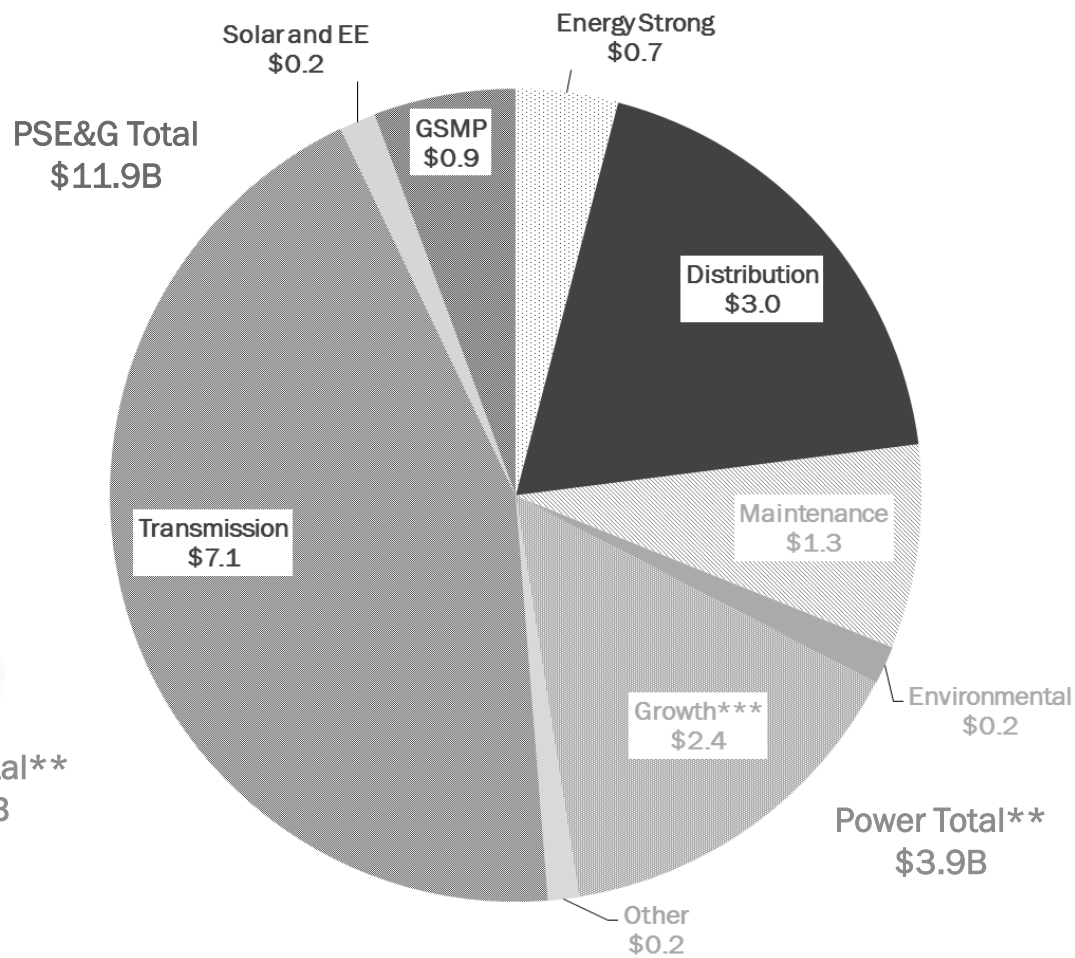
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER. ** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-11568

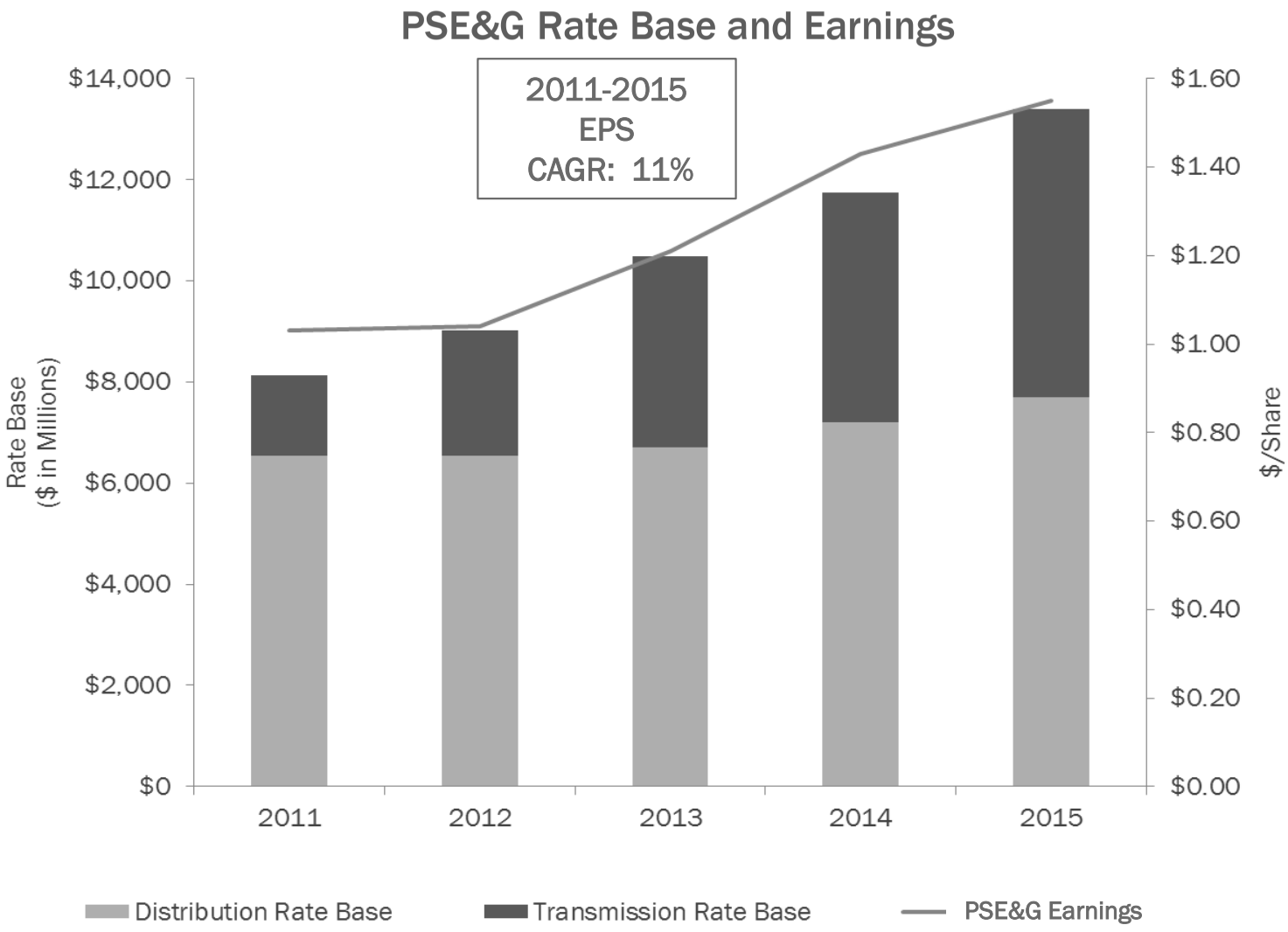
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-11569

PSE&G's investment program

Meeting public policy goals and customer needs



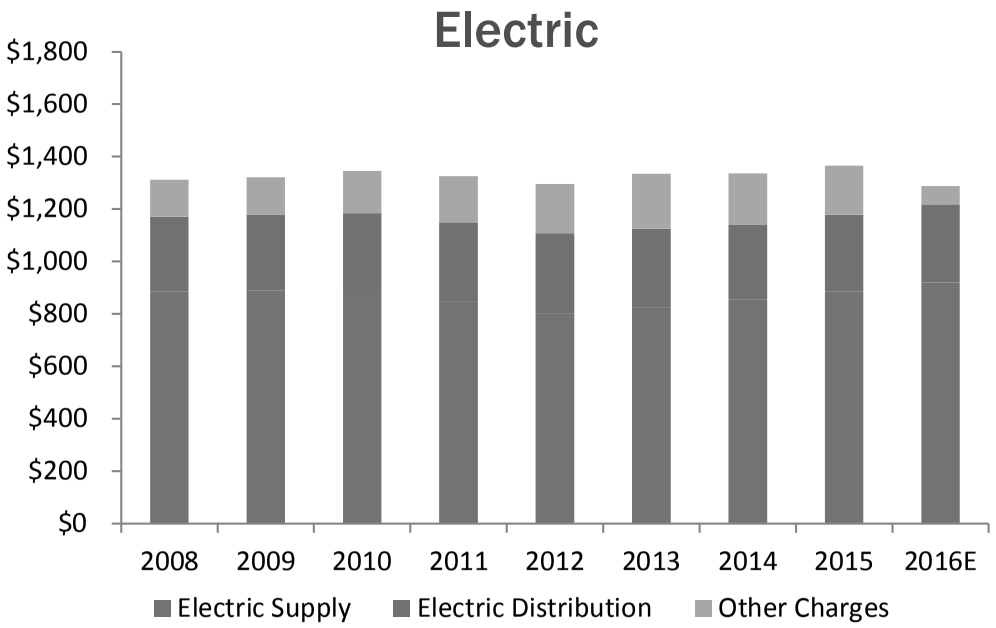
SI-SSA-0015-11570

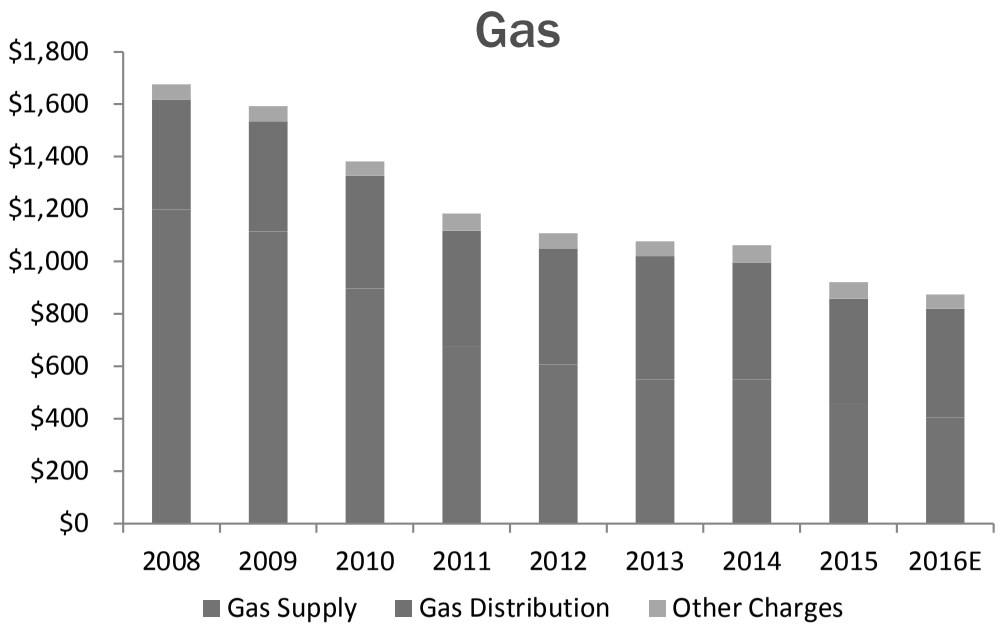
PSEG

* DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-11571

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

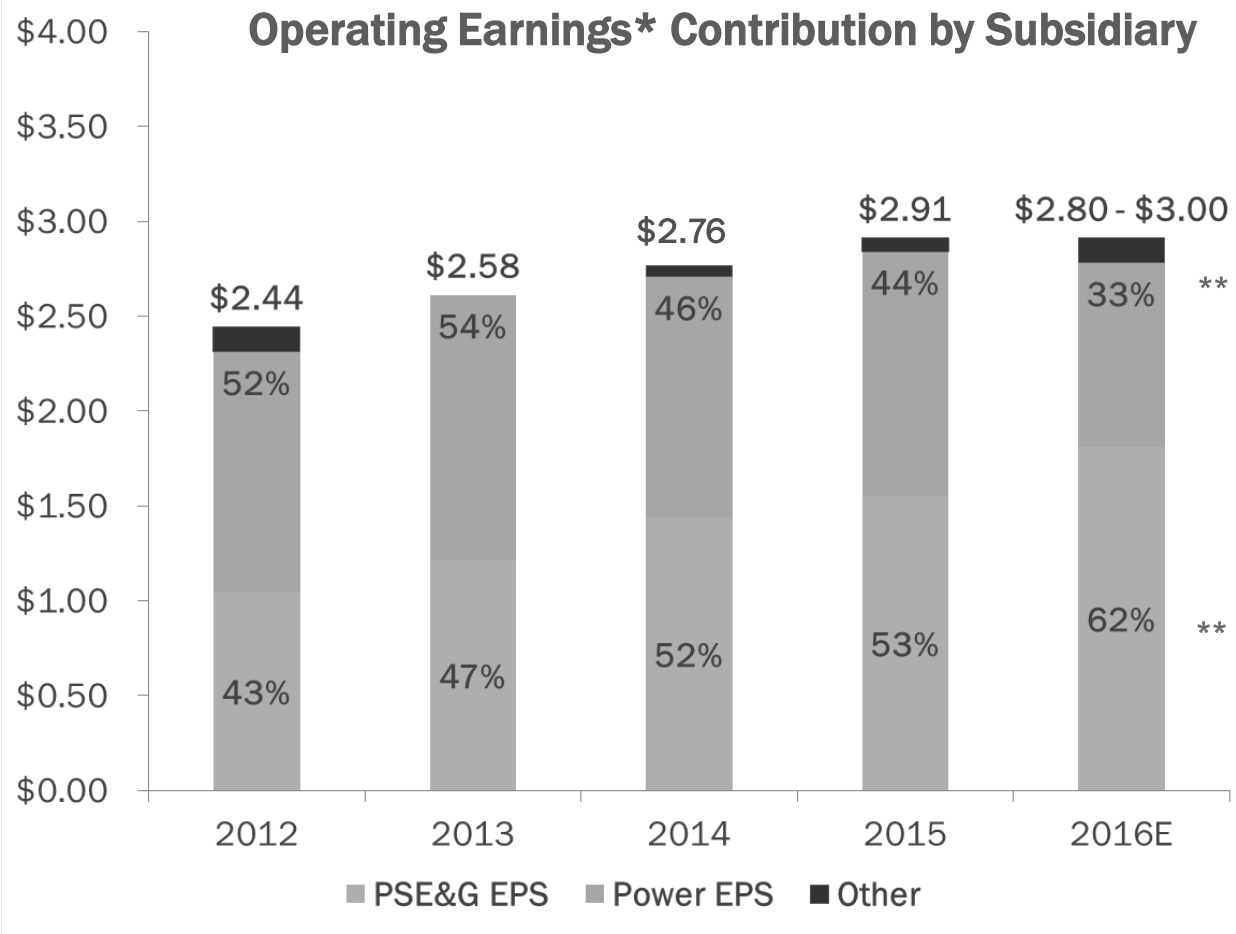
SI-SSA-0015-11572

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

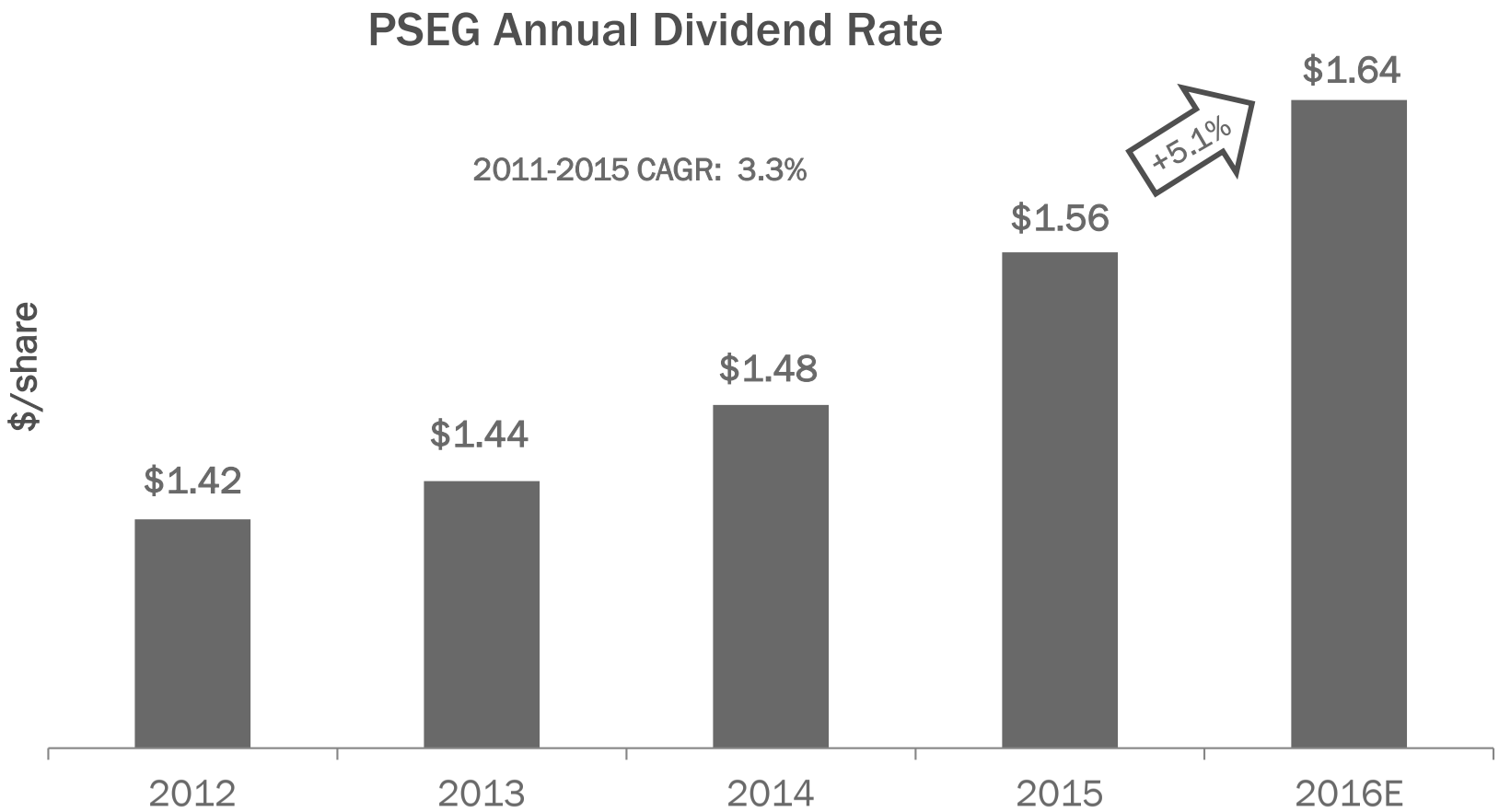
SI-SSA-0015-11573

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE ** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

SI-SSA-0015-11574

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-11575

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-11576

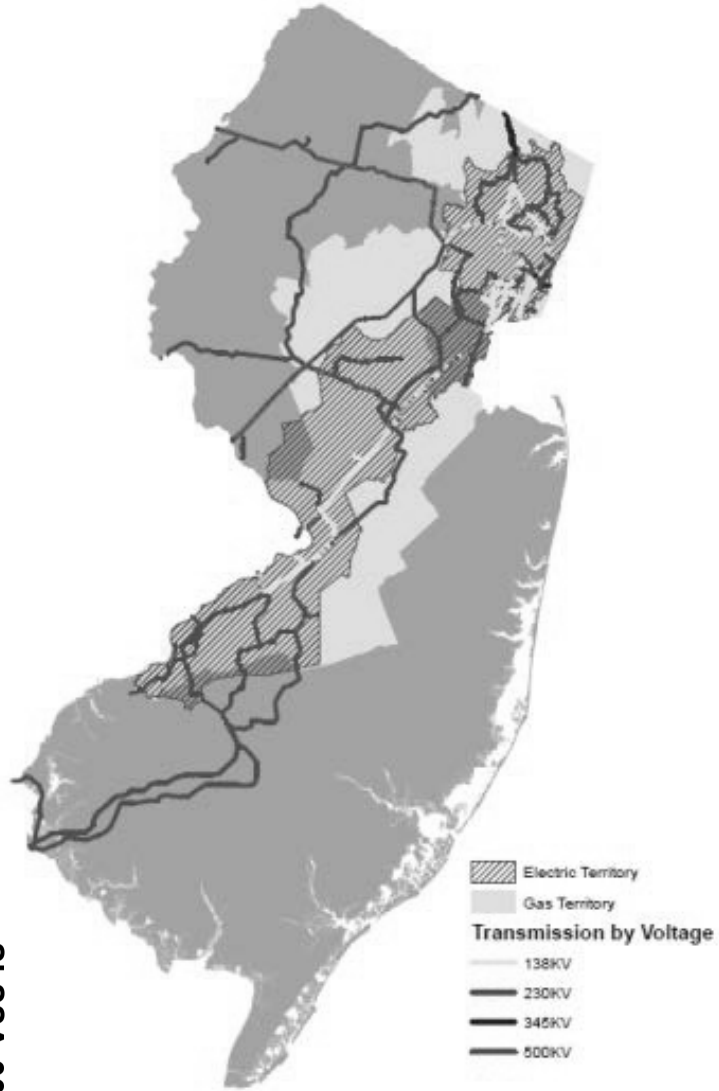
PSEG

We make things work for you.

PSE&G

SI-SSA-0015-11577

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-11578

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-11579

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

SI-SSA-0015-11580

PSEG

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-11581

Operational Excellence

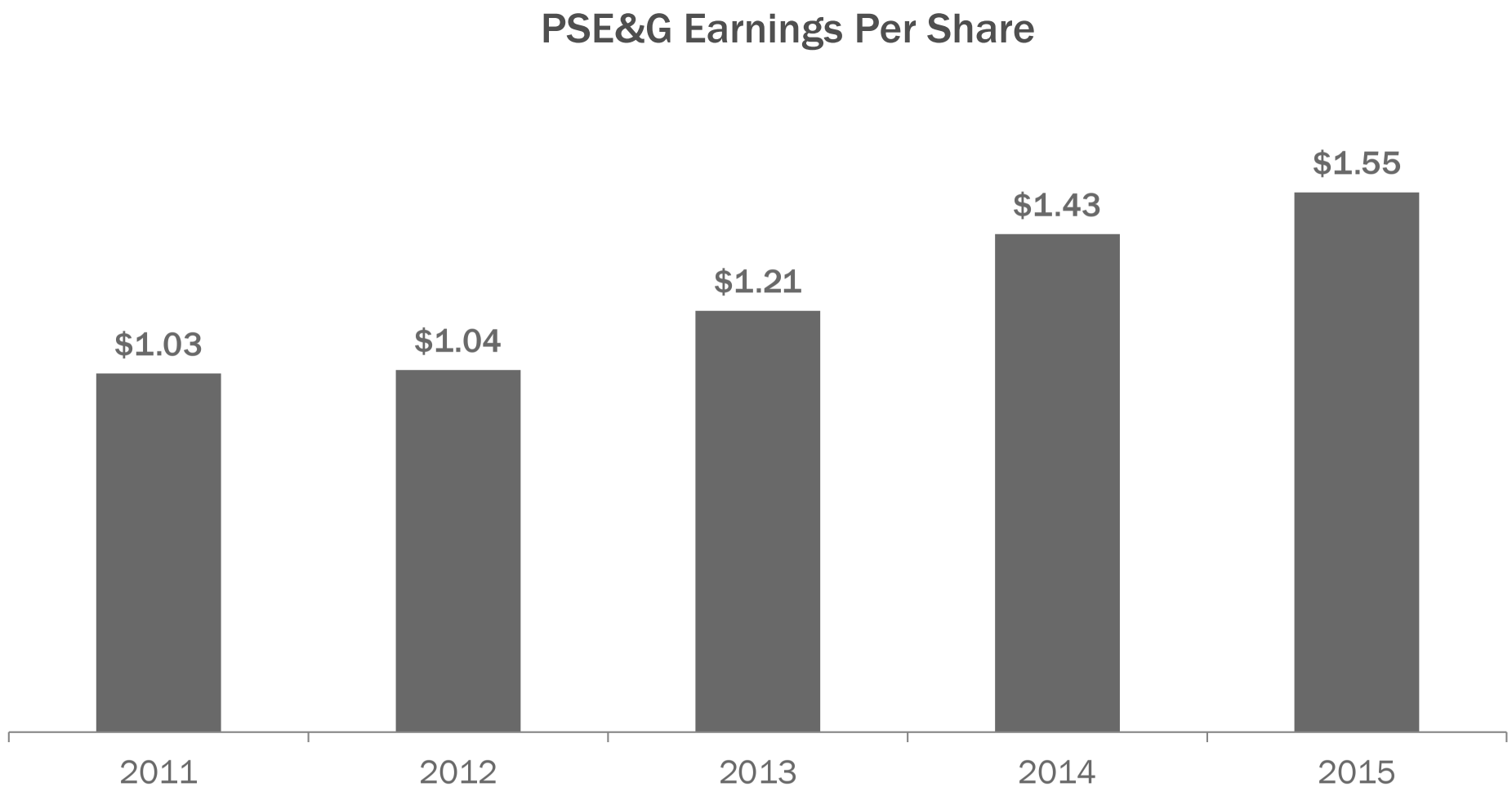
Reliability and Customer Service

- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-11582

Achieved ~11% annual earnings growth

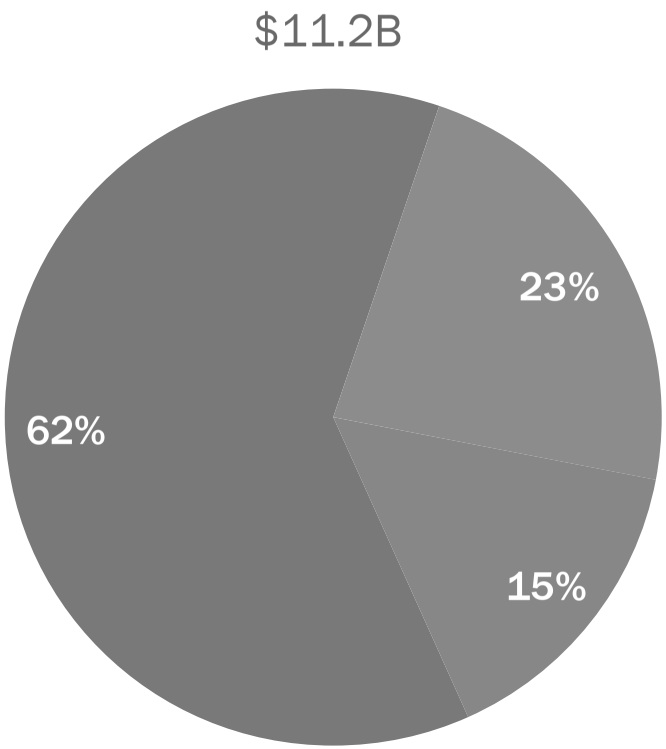
over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control



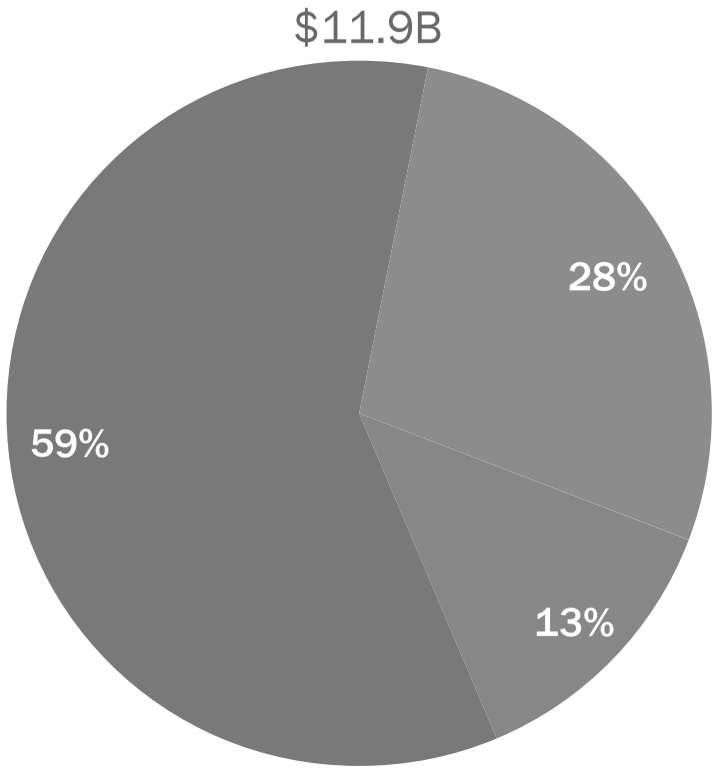
SI-SSA-0015-11583

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-11584

Increasing investment across our portfolio

Transmission

- Large portfolio of projects to meet ongoing reliability and life-cycle requirements

Electric Distribution

- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Electric System Modernization Program (ESMP)

Gas Distribution

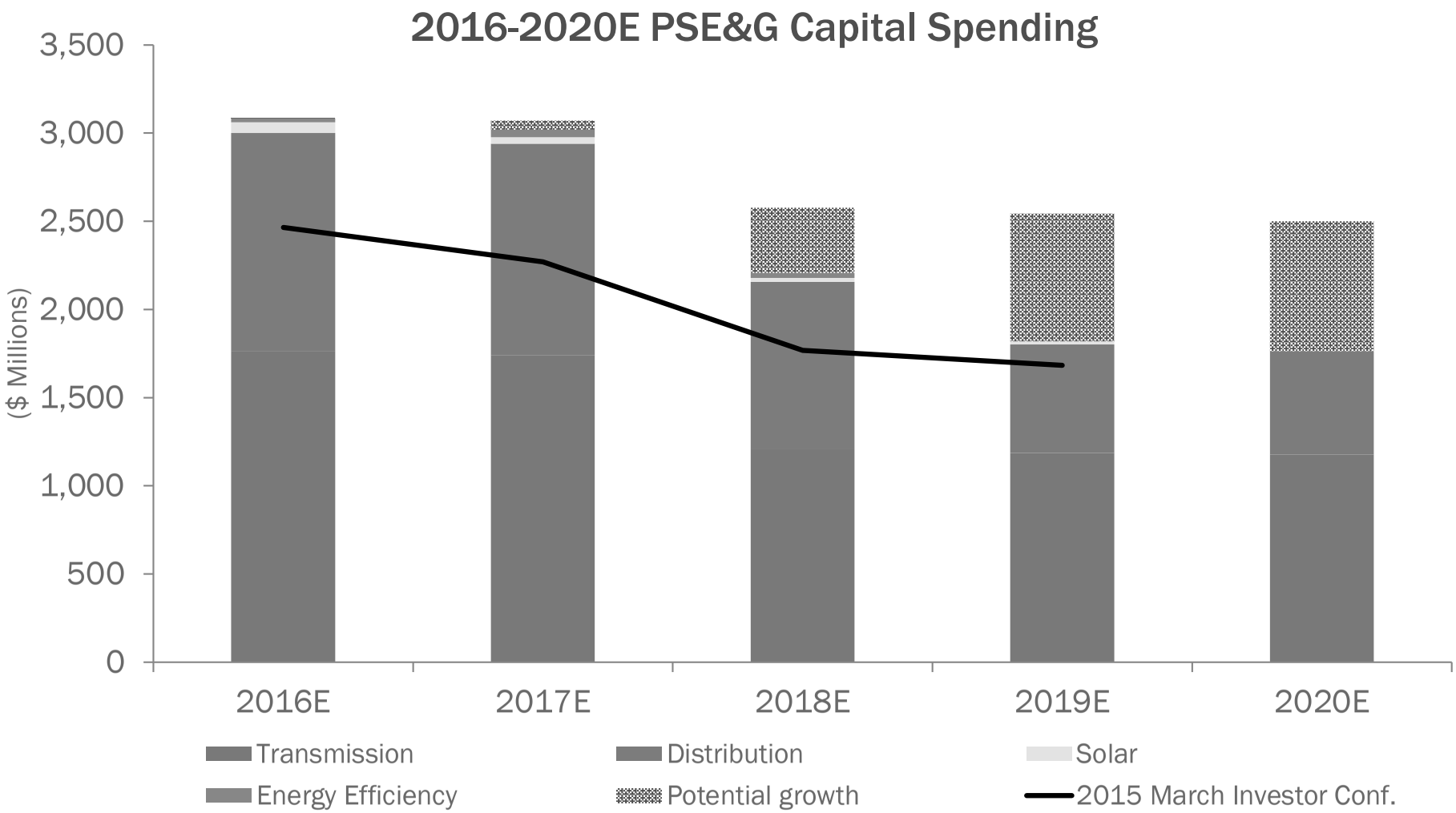
- Base spending
- Infrastructure investment programs with clause recovery
  - Energy Strong (ES) and related programs
  - Gas System Modernization Program (GSMP)

Solar and Energy Efficiency

- Recently filed with NJBPU to extend our successful Solar 4 All program, with a request to invest an additional ~$240 million to develop an additional 100 MW_{dc} of grid-connected solar capacity on landfills and brownfields by year-end 2021

SI-SSA-0015-11585

Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-11586

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

SI-SSA-0015-11587

PSEG

*CURRENTLY APPROVED ROE.

Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-11588

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2 ←	• GSMP • Energy Strong (ES)	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

SI-SSA-0015-11589

PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	Requested S4A Extension (for additional 100 MW_{dc}) focused on landfill and brownfield sites
Investment	~$545M	~$140M	May 2016 request to invest ~$240M in a multi-year program
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-11590

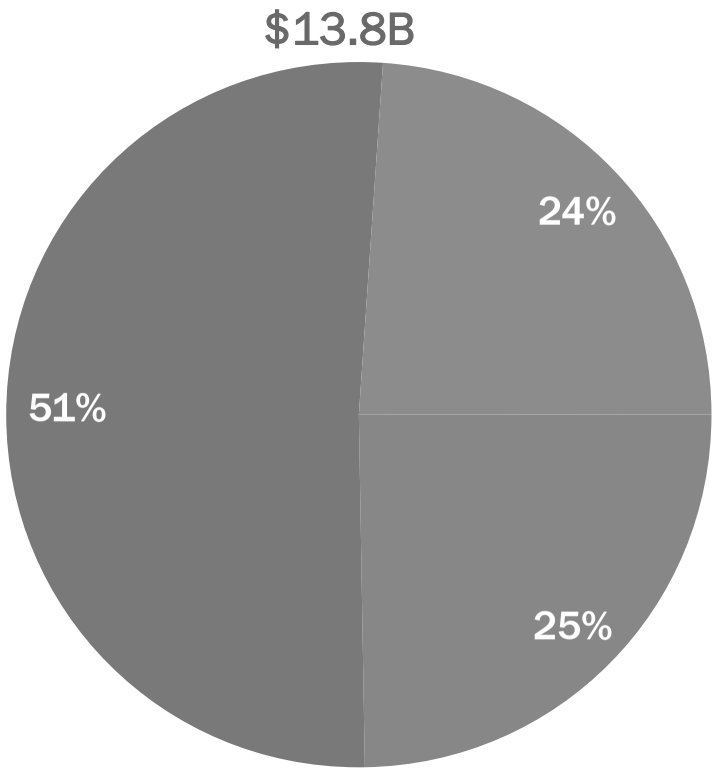
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-11591

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and Energy Efficiency programs
- Large customer needs

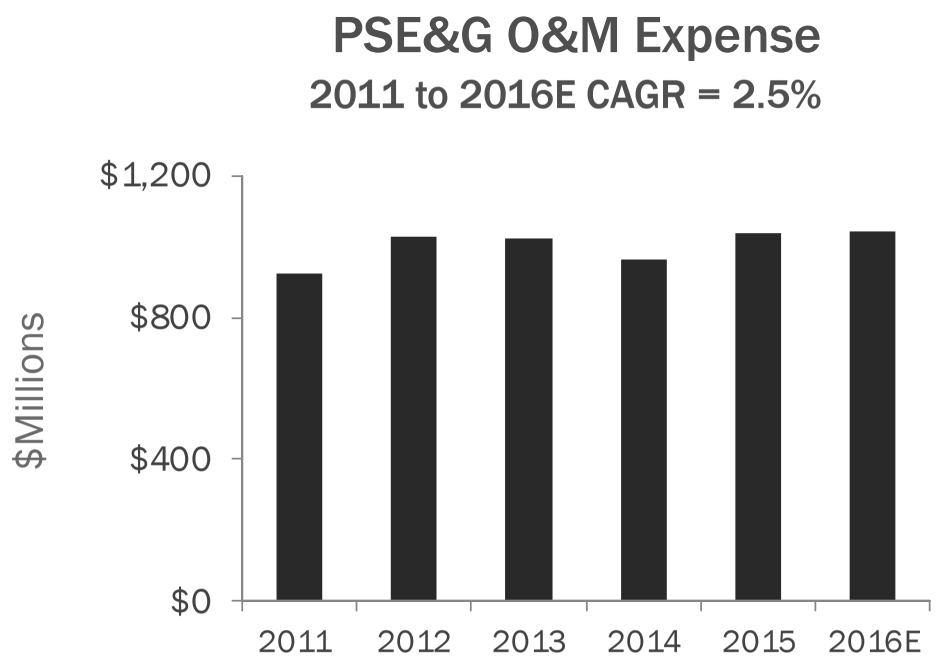
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-11592

Demonstrated ability to control O&M and plan to drive future efficiencies

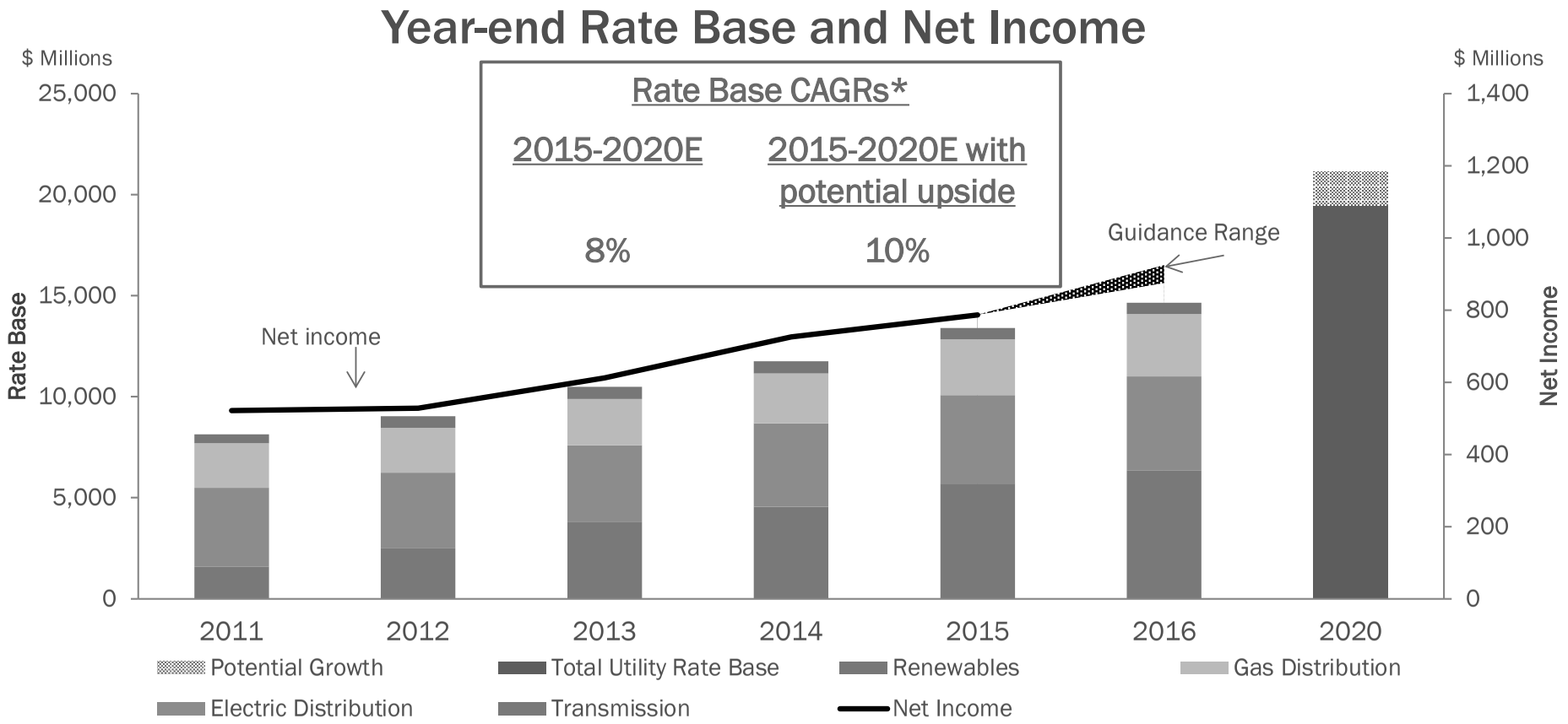


Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

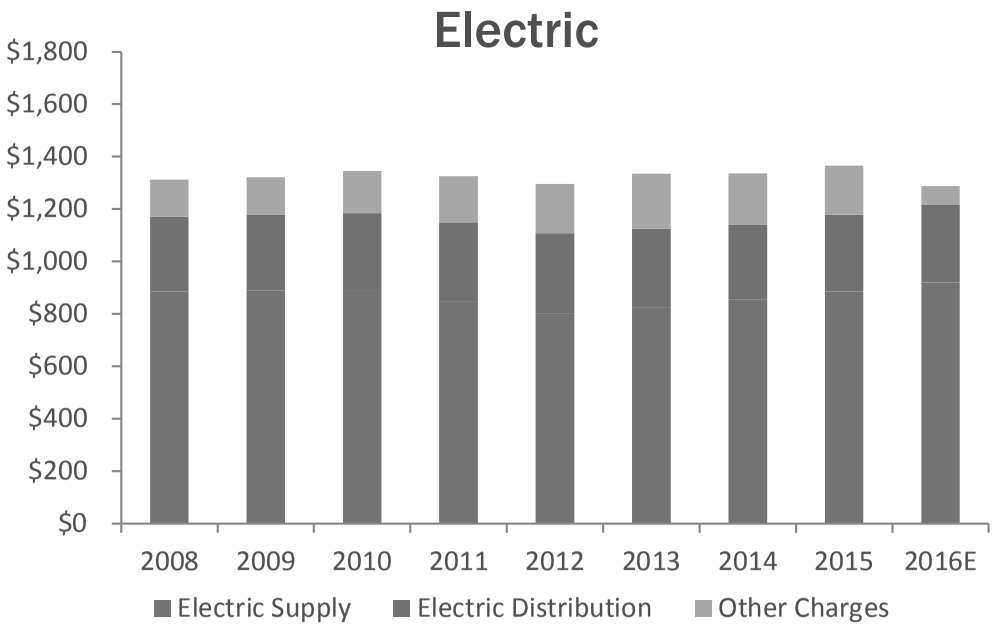
SI-SSA-0015-11594

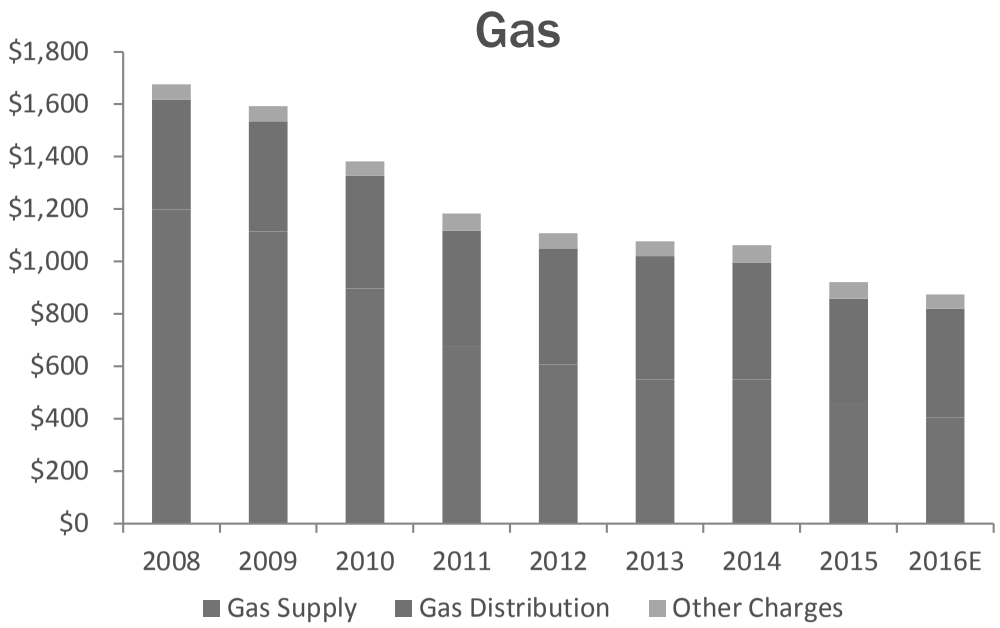
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





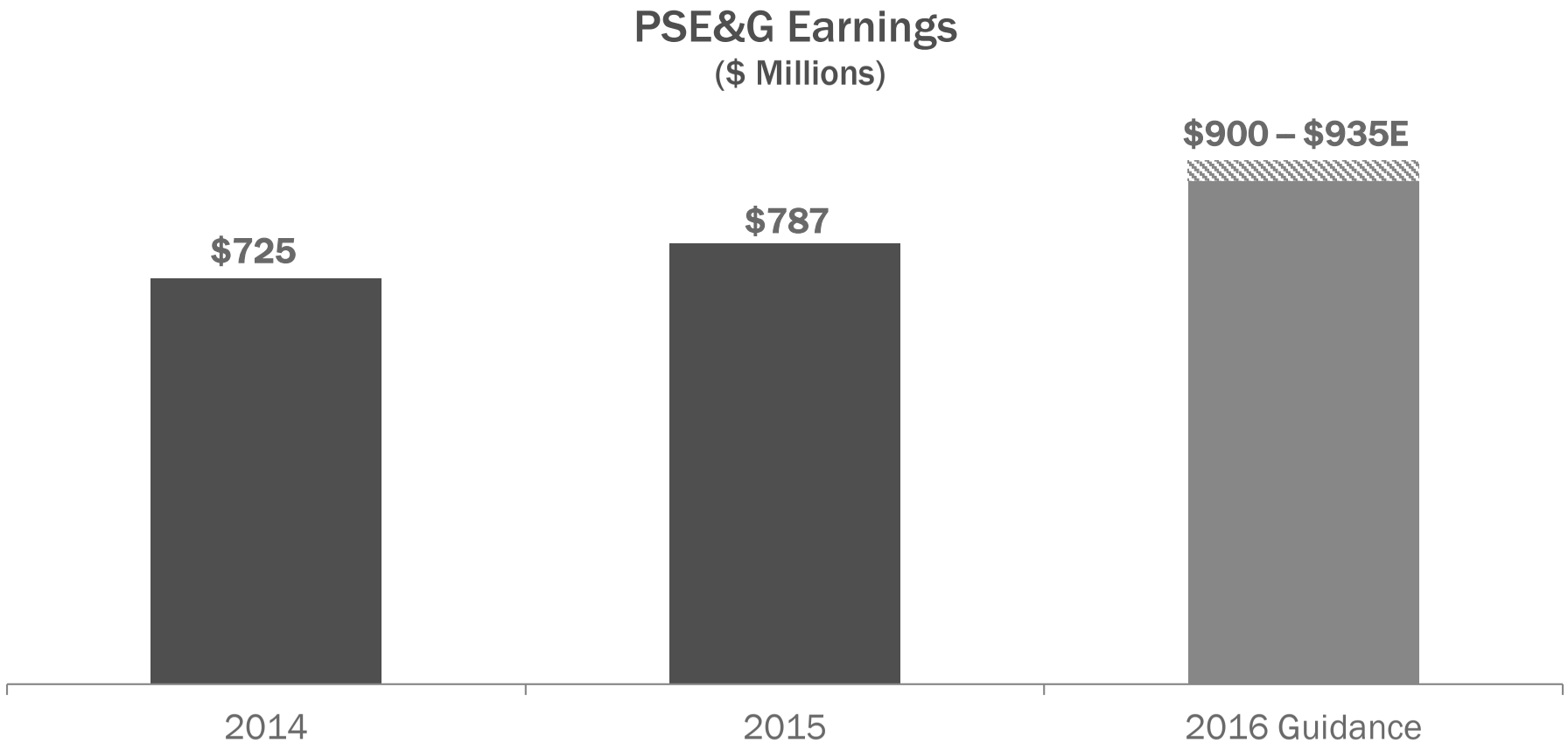
- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-11595

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 earnings updated to reflect first-half 2016 results, expanded investment programs and cost control over the balance of the year



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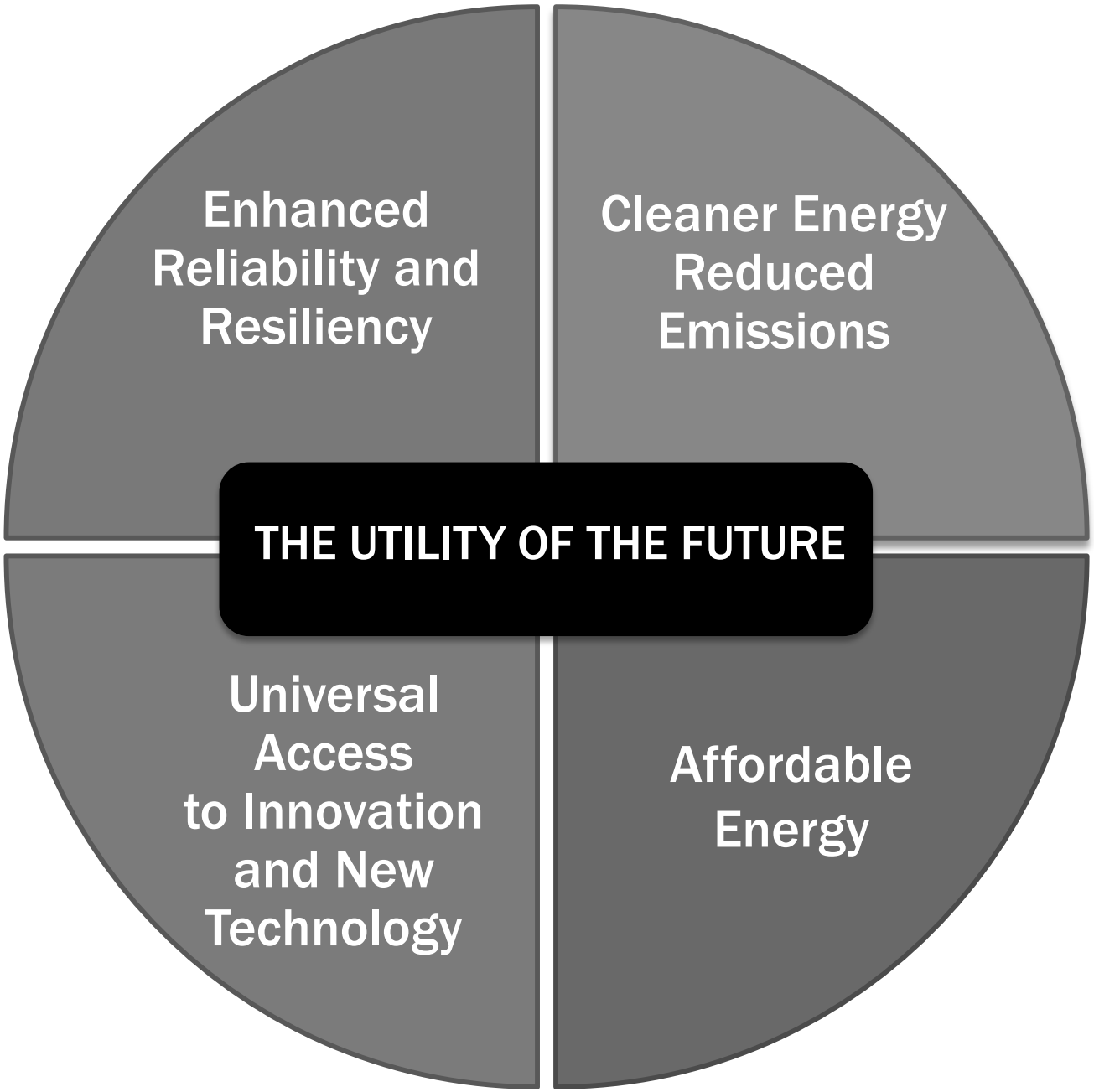
E =ESTIMATE. UPDATED AS OF JULY 29, 2016,



SI-SSA-0015-11597

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-11598

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-11599

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

PSEG POWER

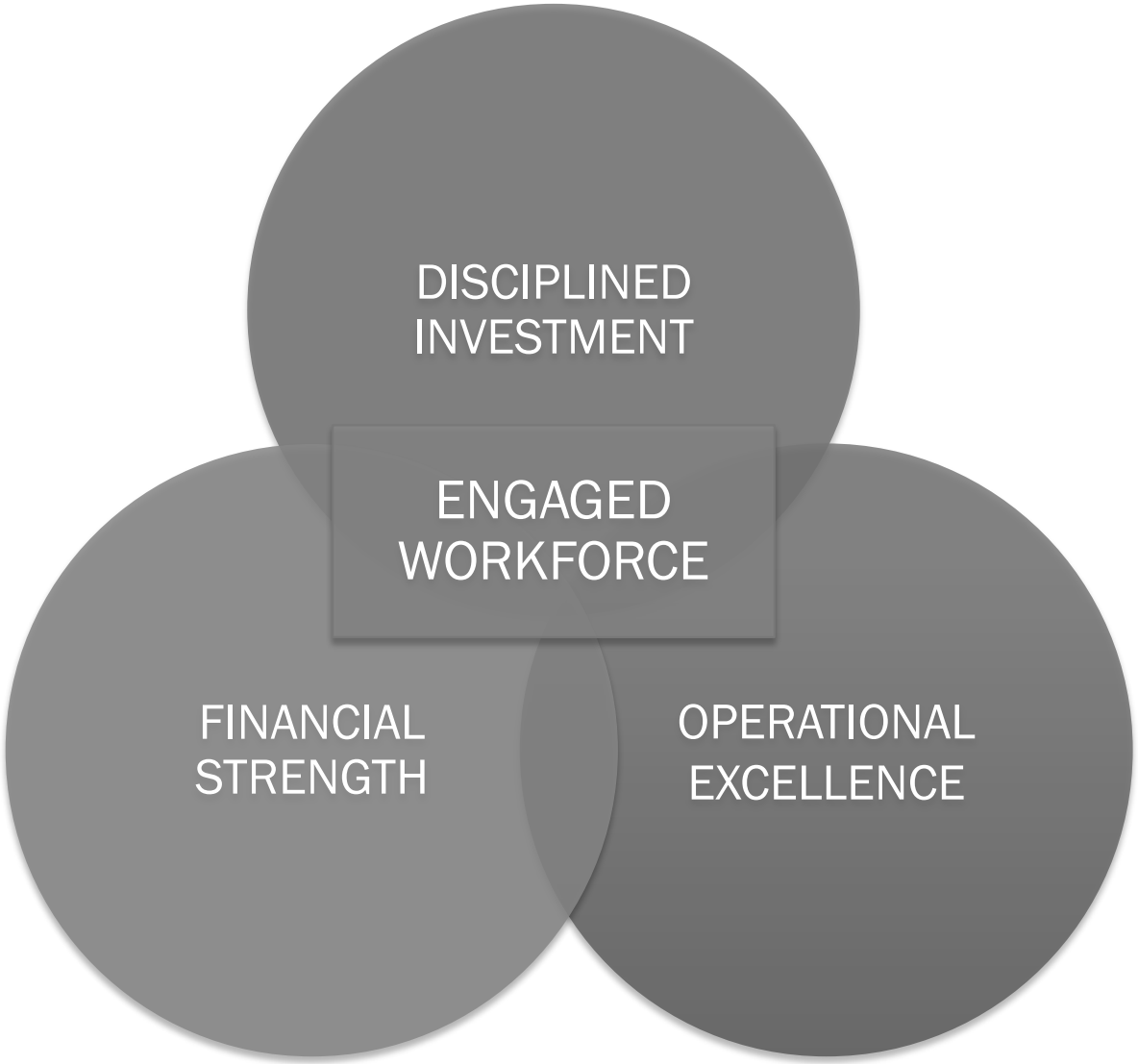
PSEG

We make things work for you.

SI-SSA-0015-11600

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-11601

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

Selected Accomplishments

2011

- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012

- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013

- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015

- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

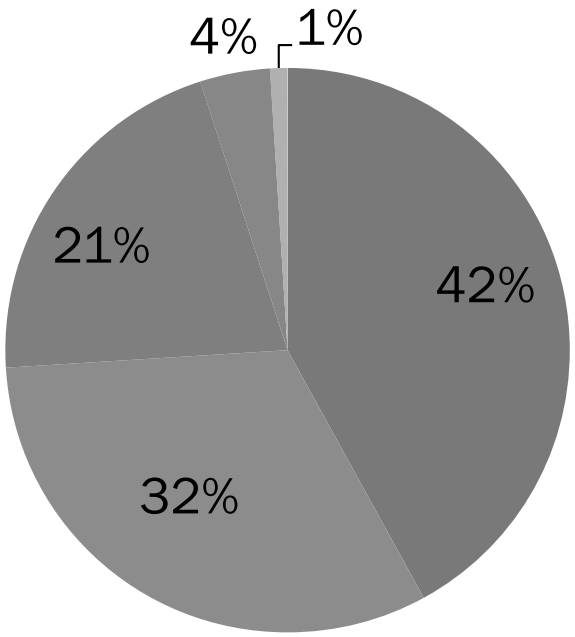
SI-SSA-0015-11602

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

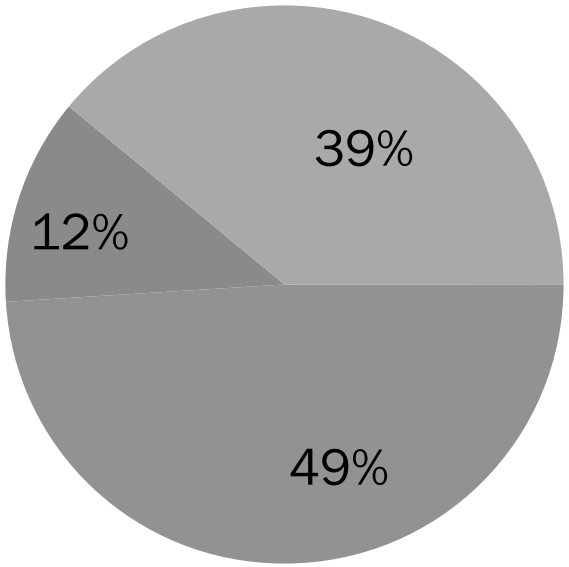
2015 Actual

Fuel Diversity*
Total MW: 11,678



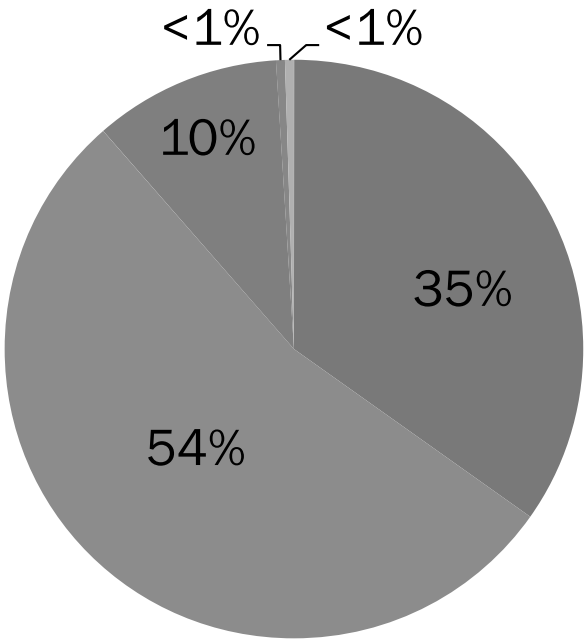
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

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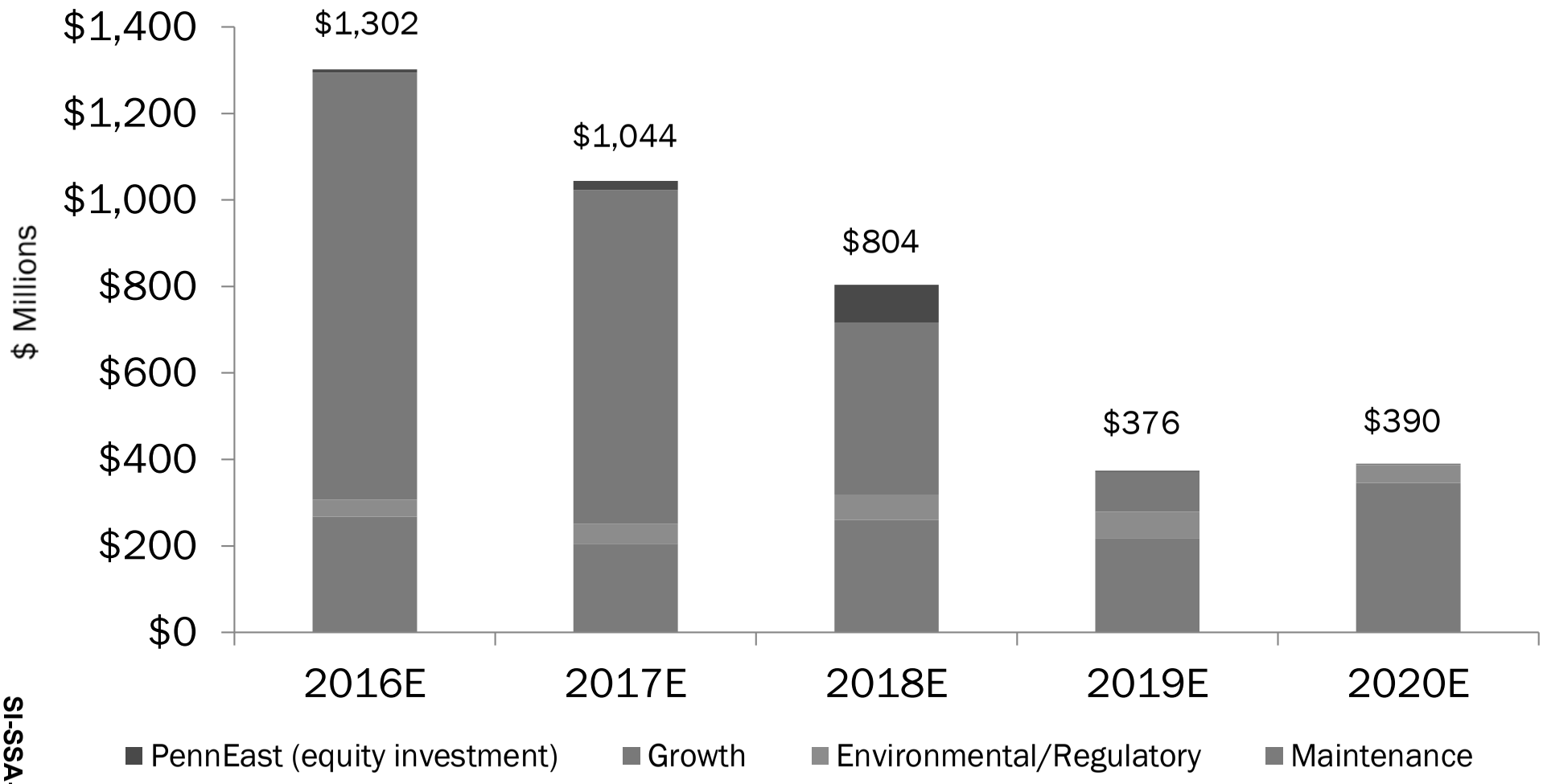
PSEG

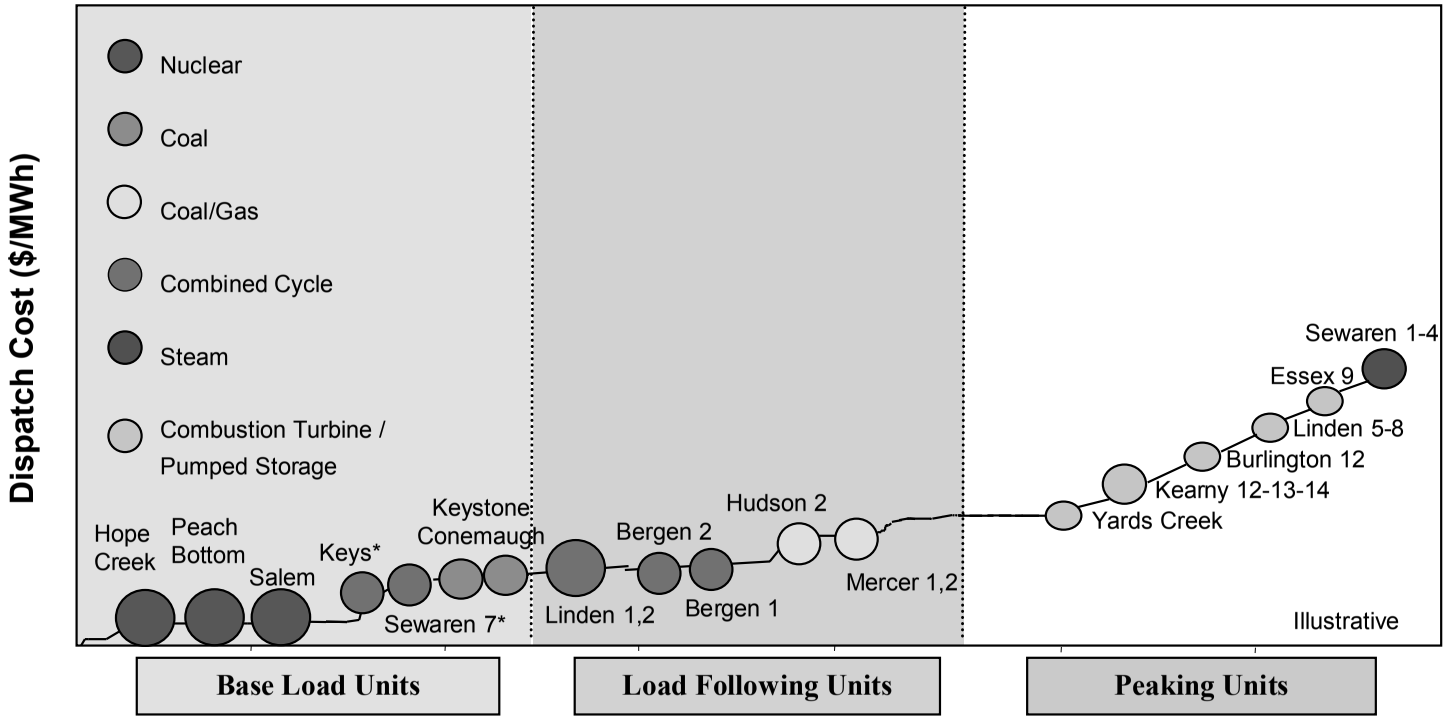
* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

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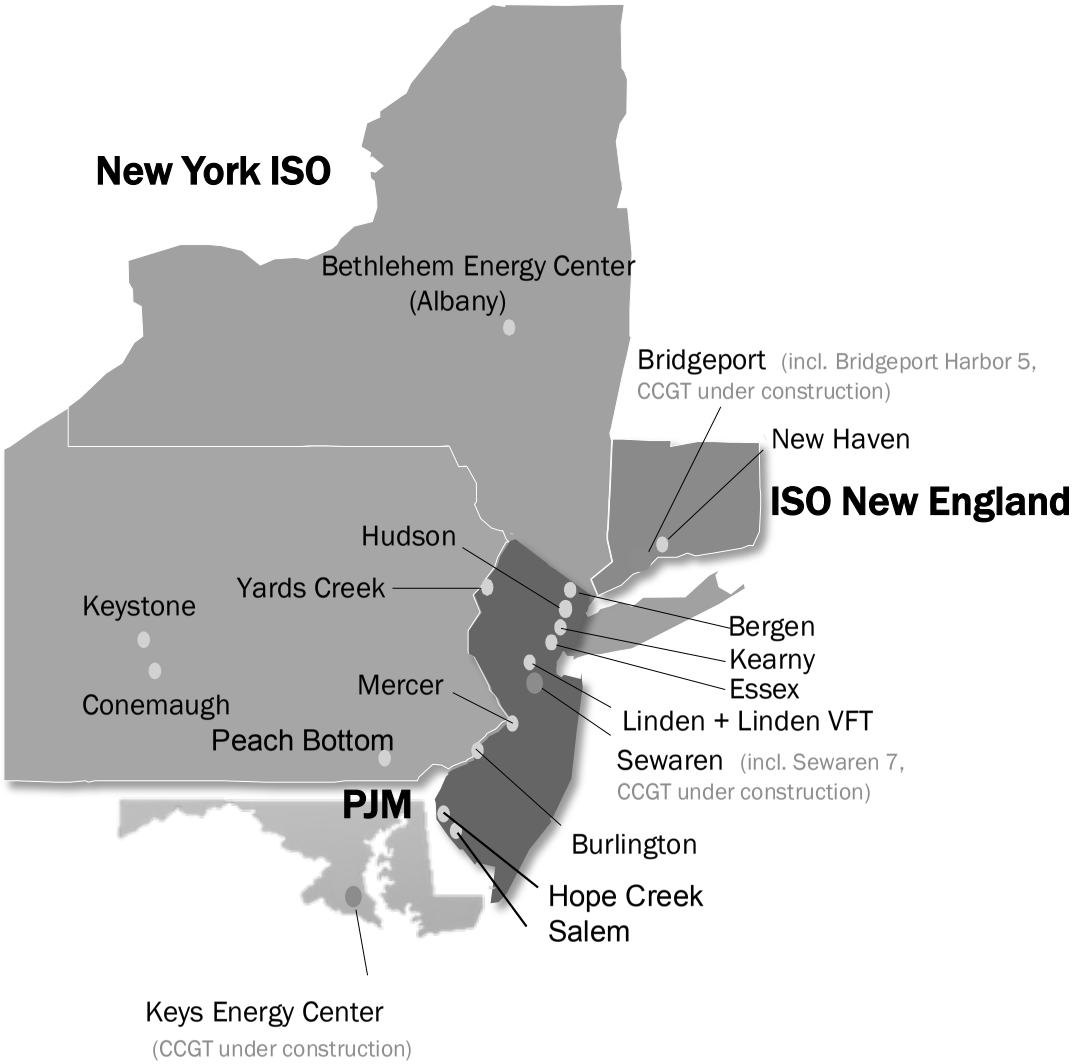
PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

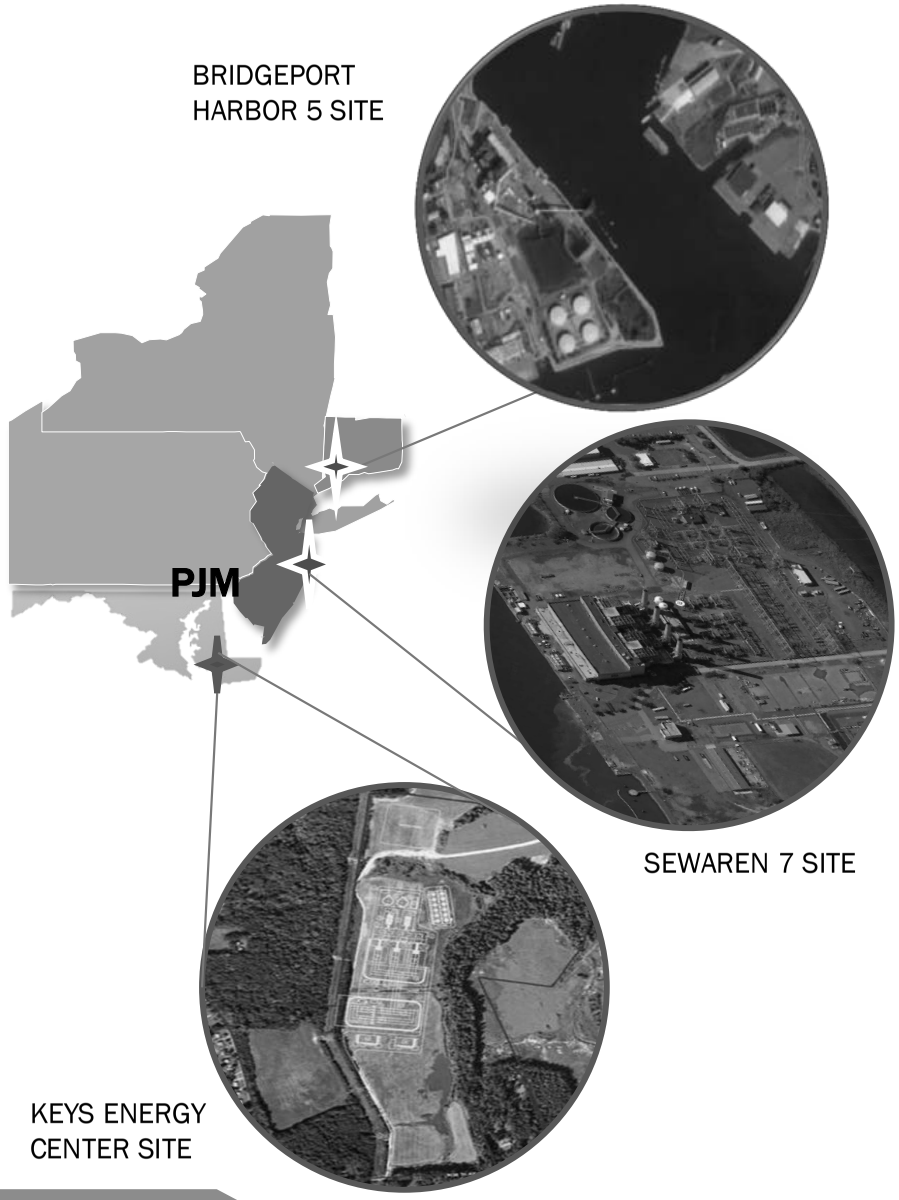
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-11606

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



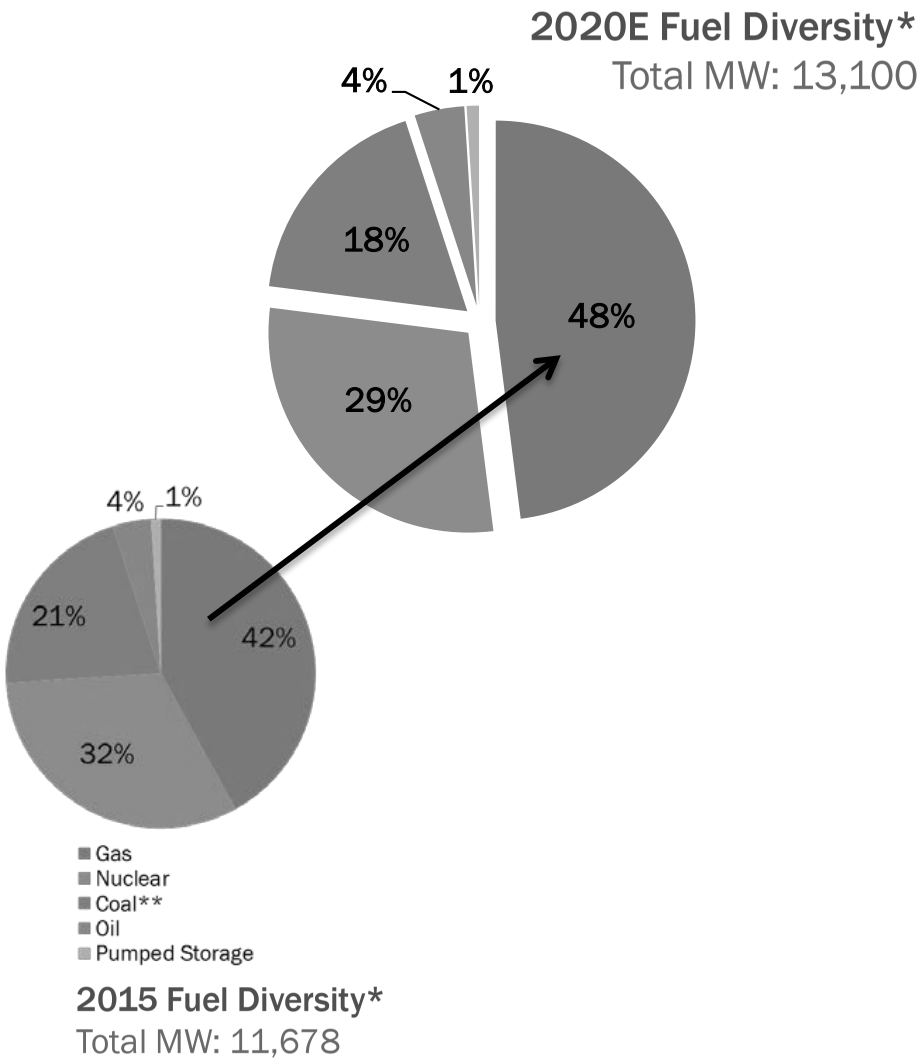
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

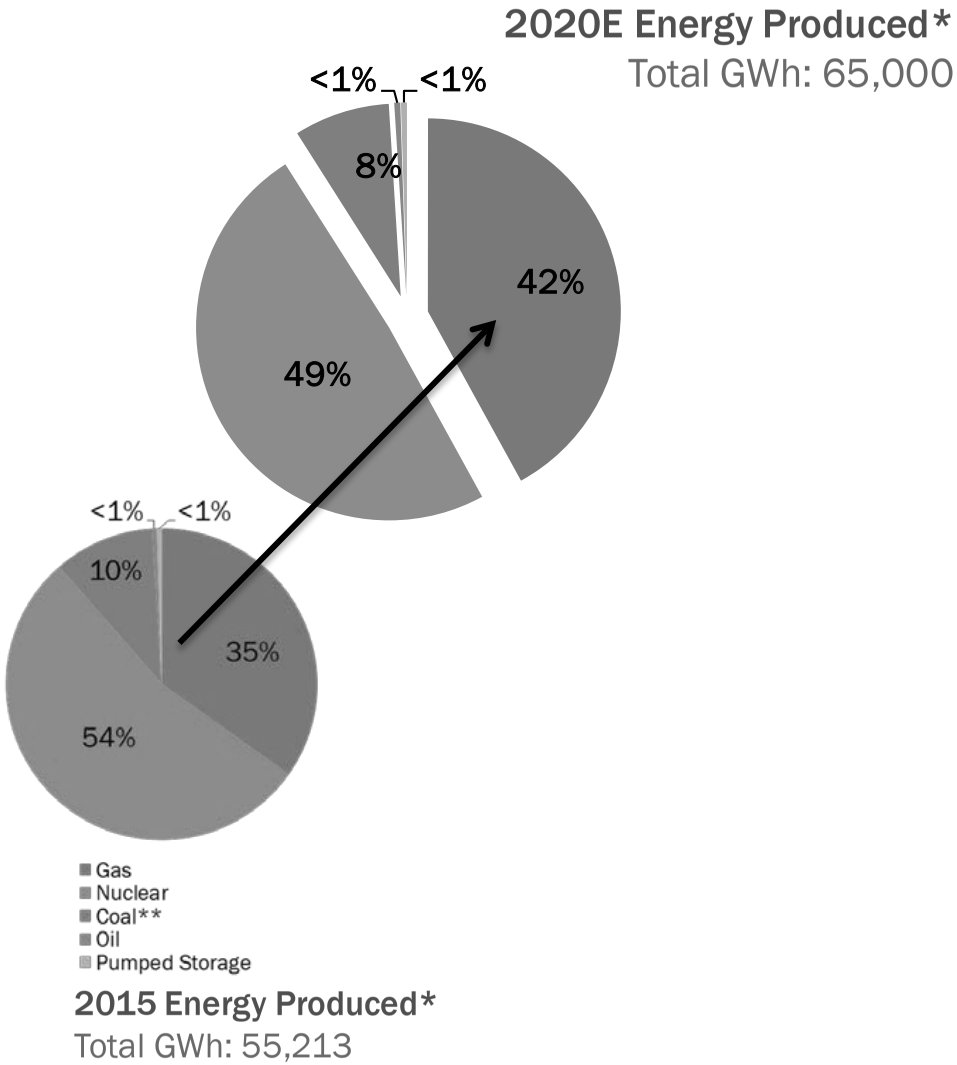
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-11607

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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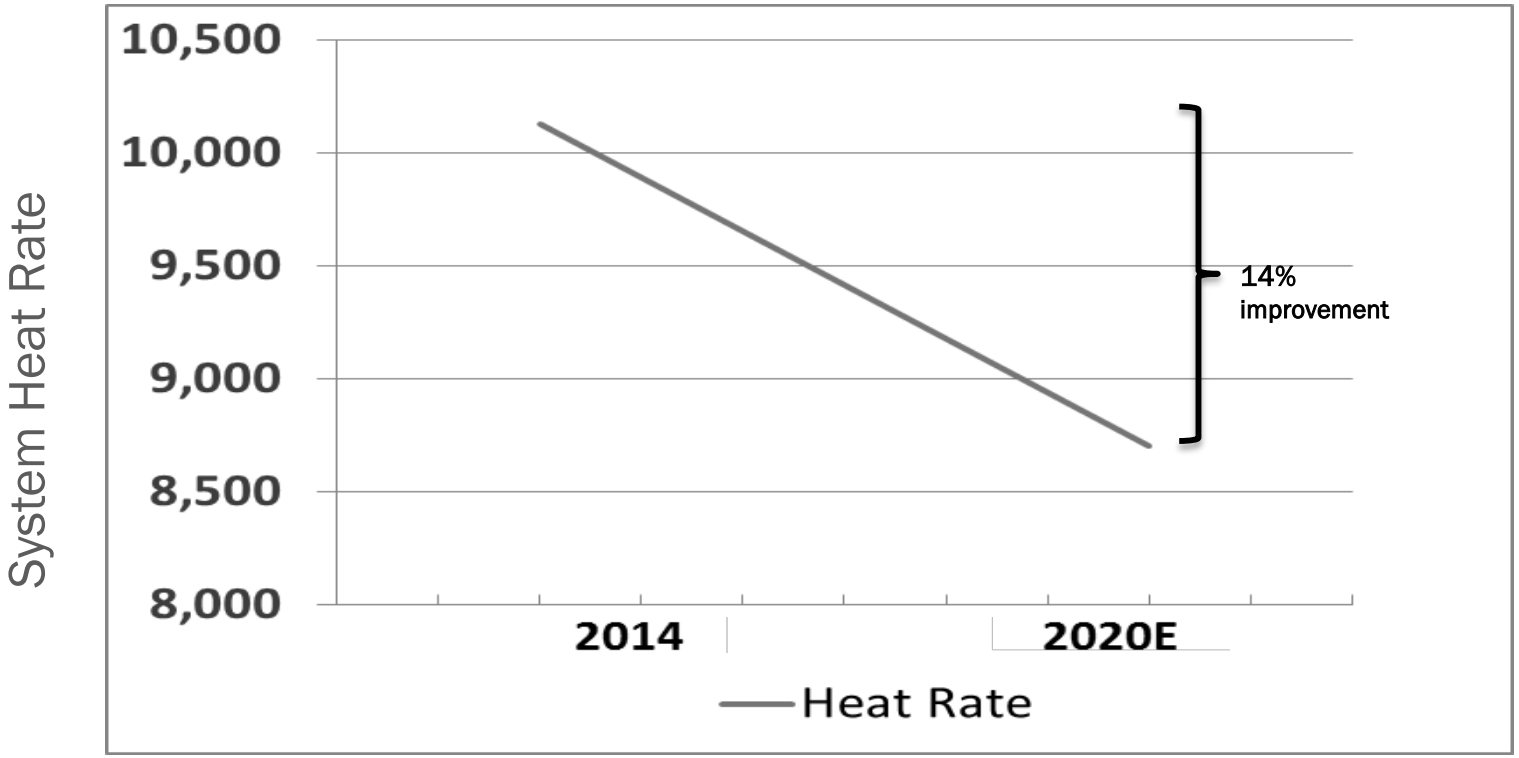
PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

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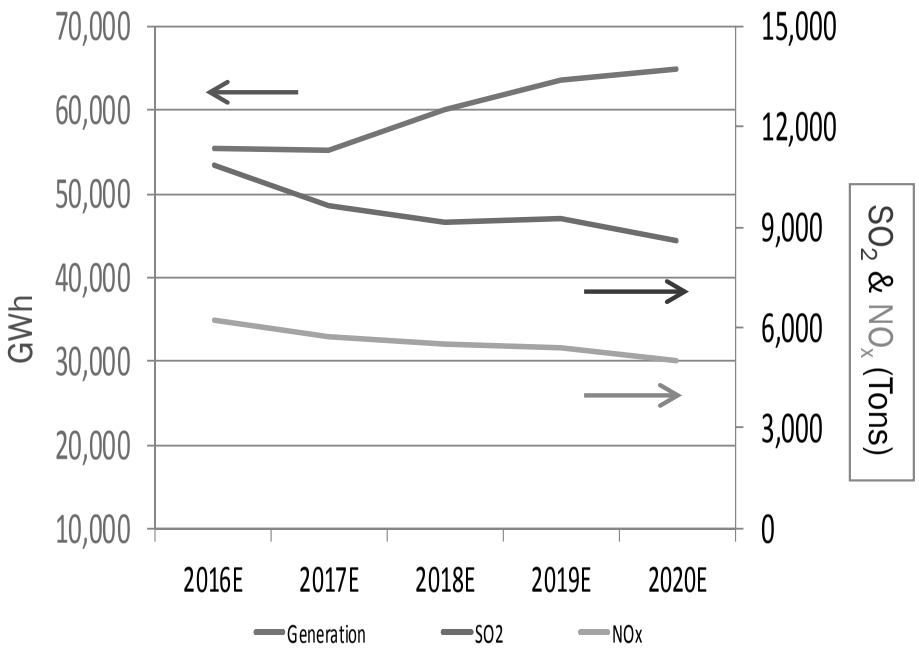
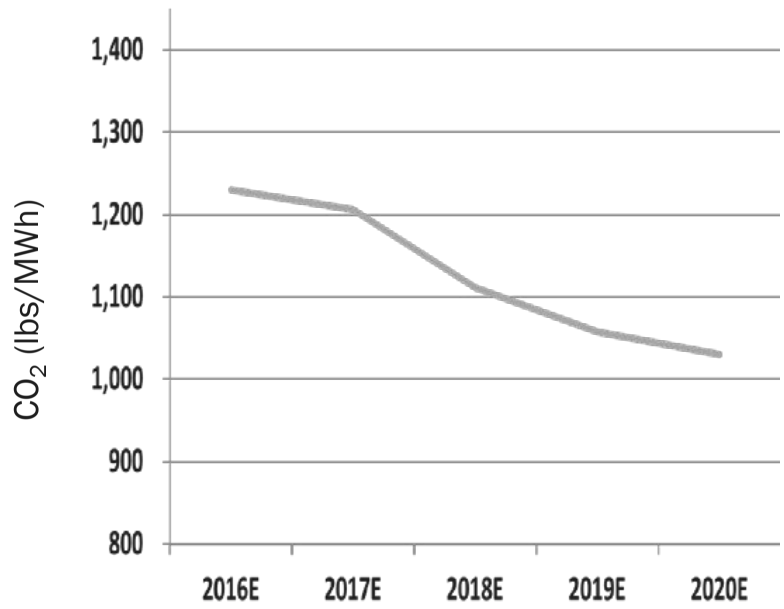
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-11610

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Scheduled Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Scheduled Refueling
  - Unit 1 – Fall 2017
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Scheduled Refueling
  - Unit 2 – Fall 2016
  - Unit 3 – Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 – March 2015
  - Unit 3 – December 2015

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PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 Completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

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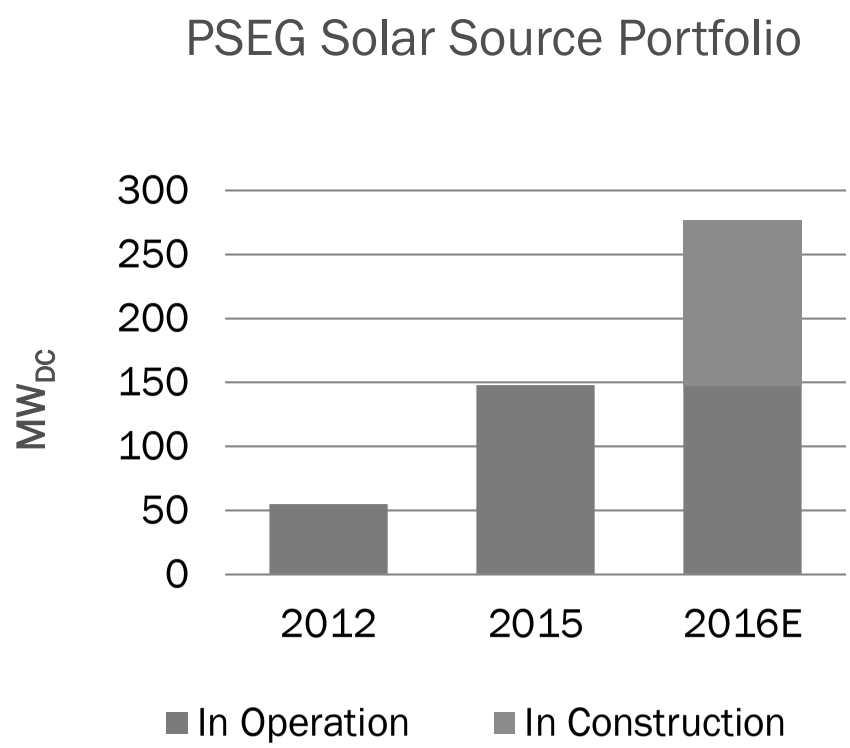
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil unit

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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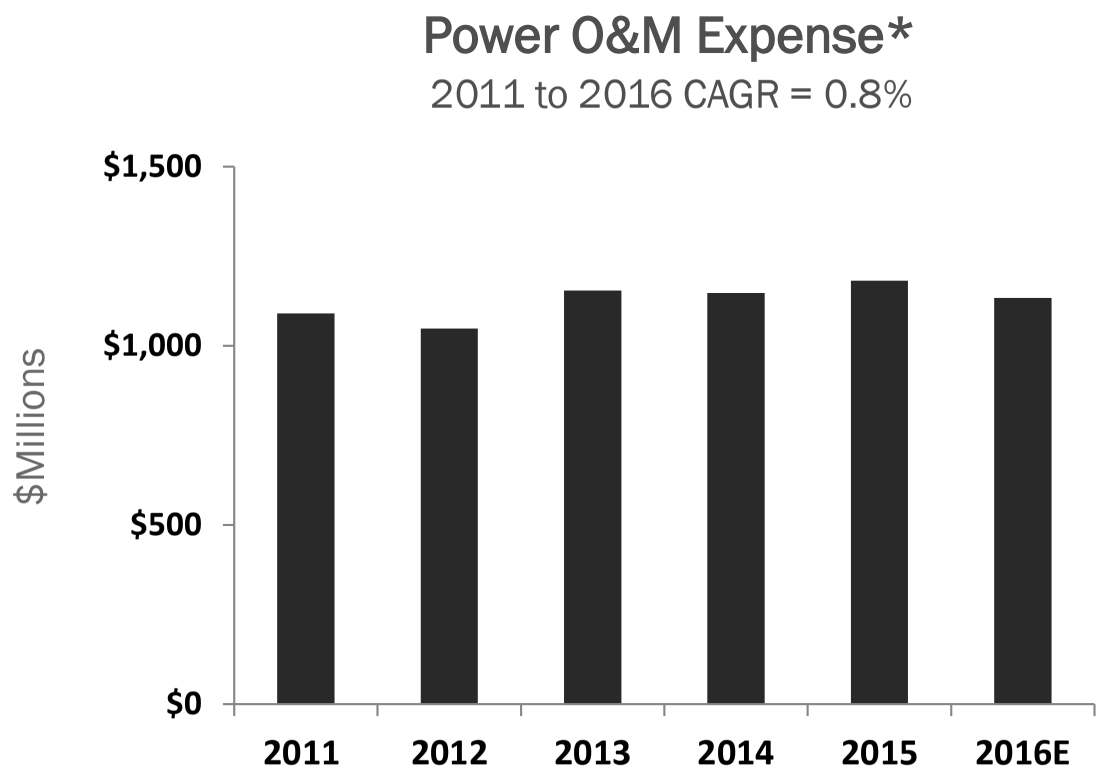
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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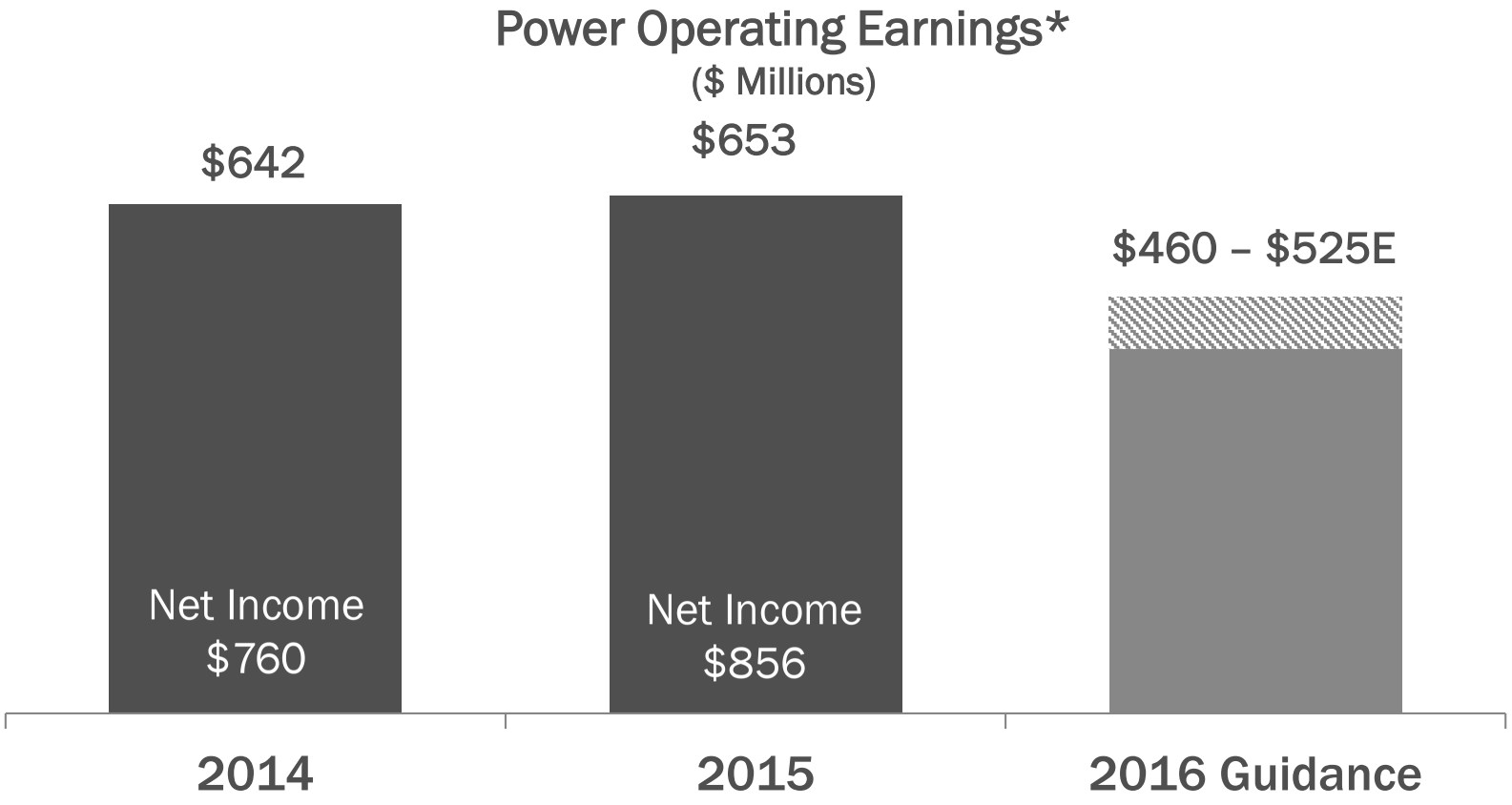
During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

SI-SSA-0015-11616

Power's 2016 operating earnings range

adjusted to incorporate results from the first half of 2016



SI-SSA-0015-11617

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.
UPDATED AS OF JULY 29, 2016.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

SI-SSA-0015-11618

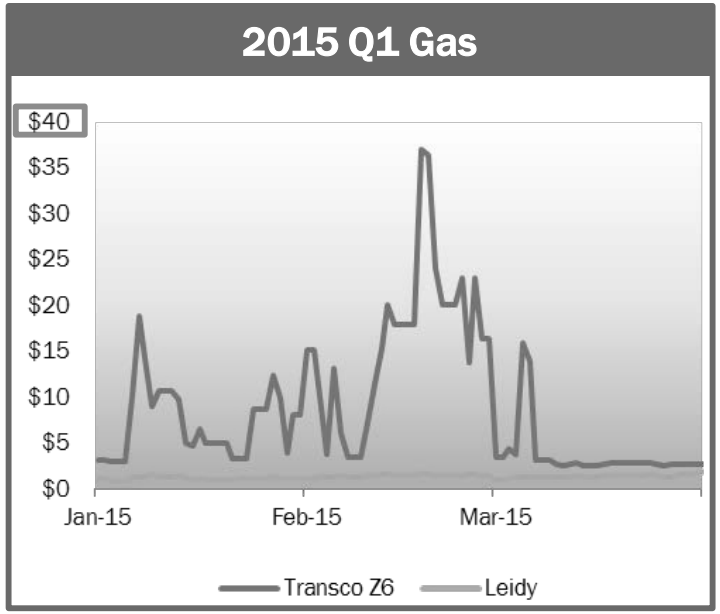
PSEG POWER
ER&T

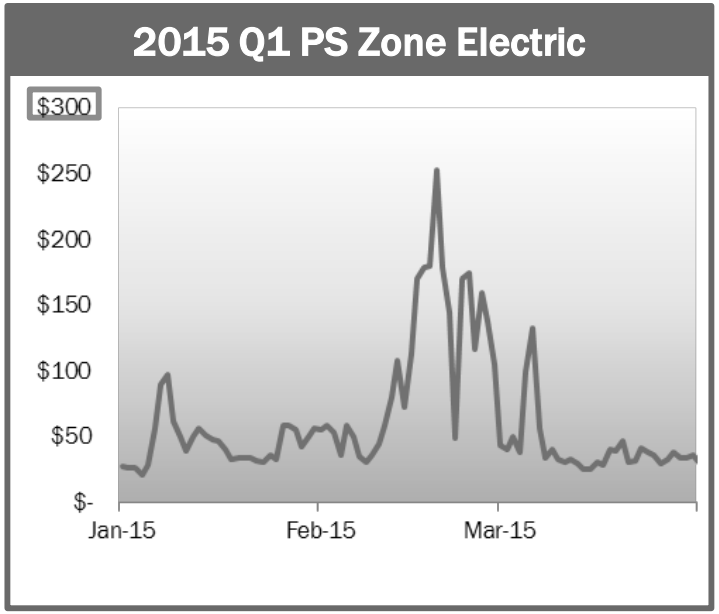
SI-SSA-0015-11619

PSEG

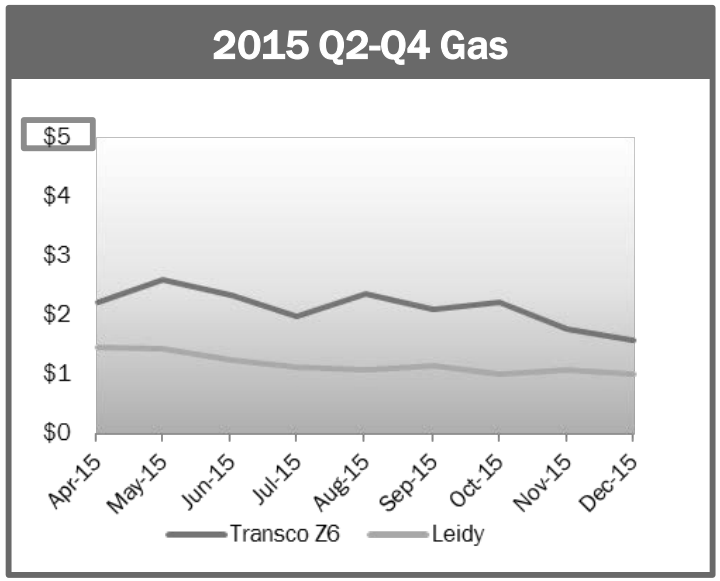
We make things work for you.

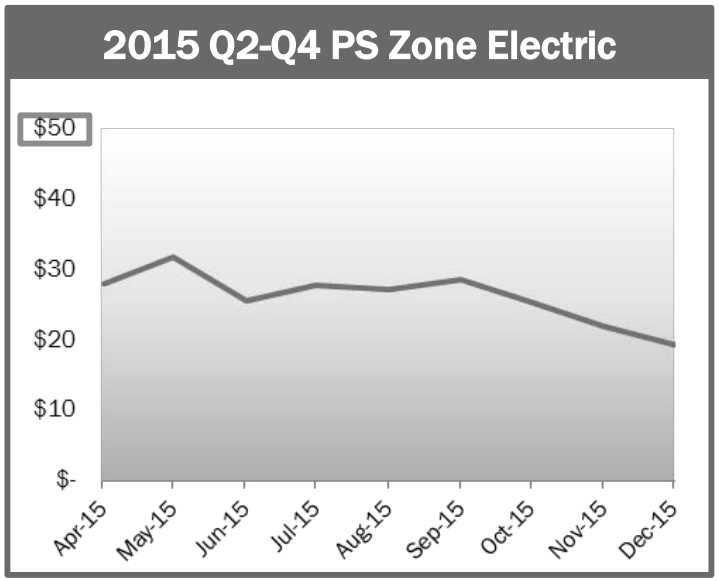
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand

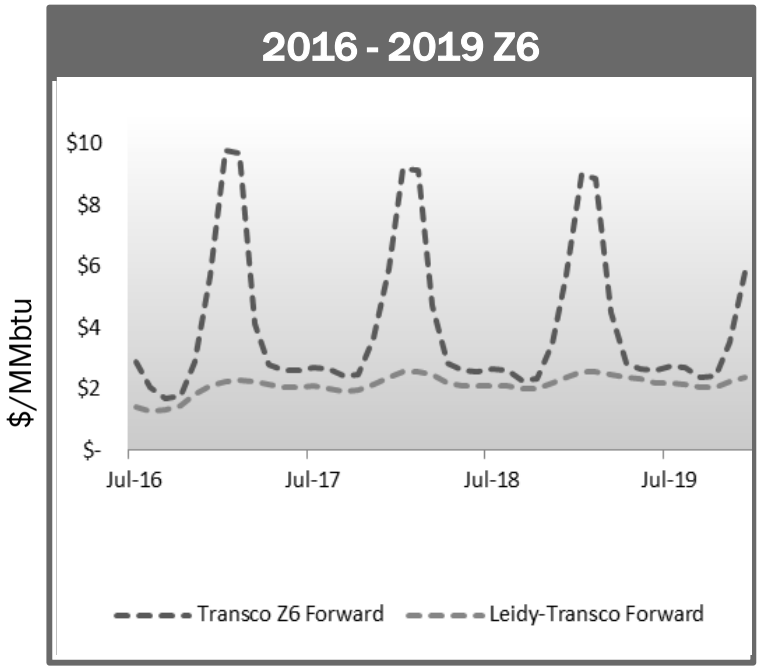


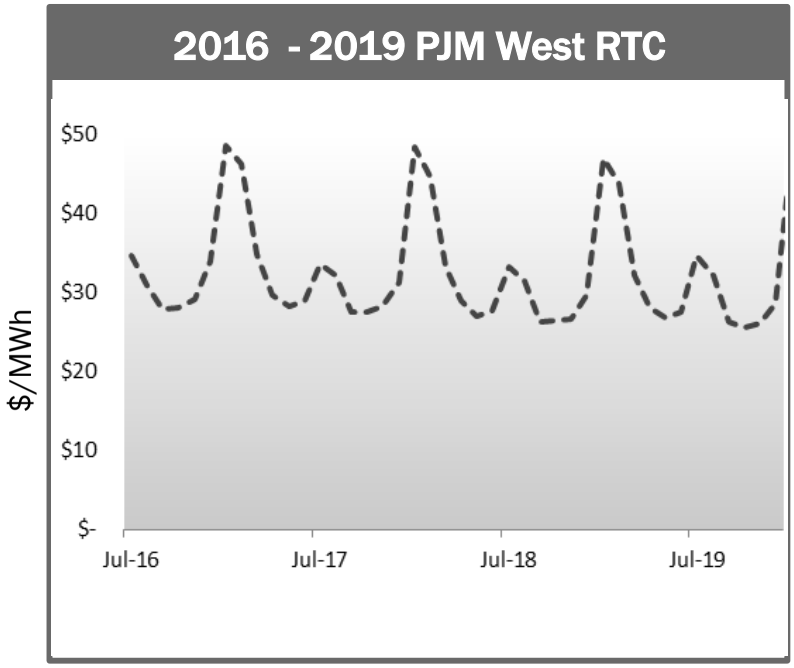


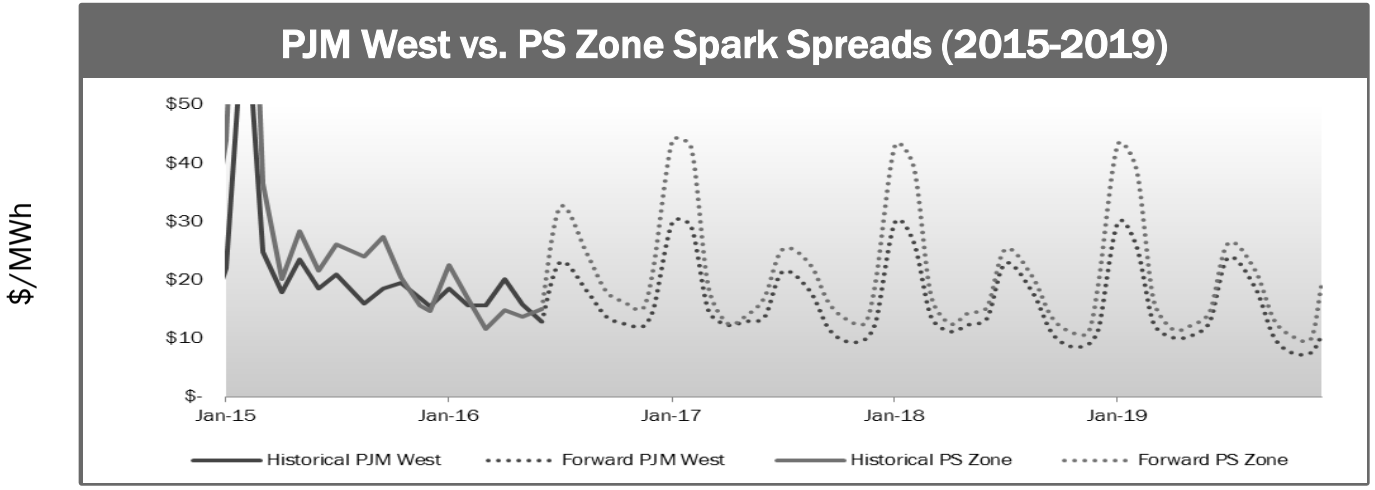
Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

SI-SSA-0015-11620

Market Review: YTD 2016 impacted by weather but forward gas and electric prices retain seasonal volatility

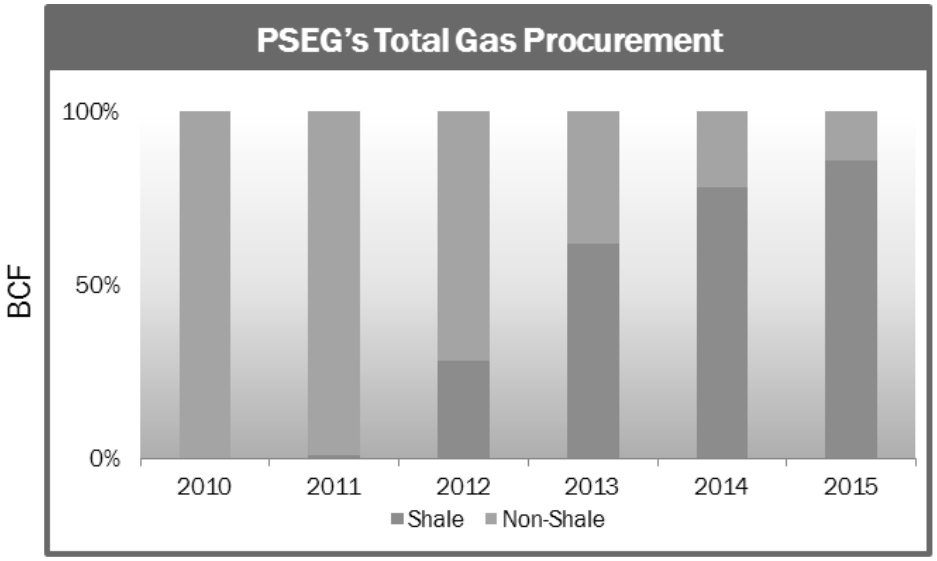


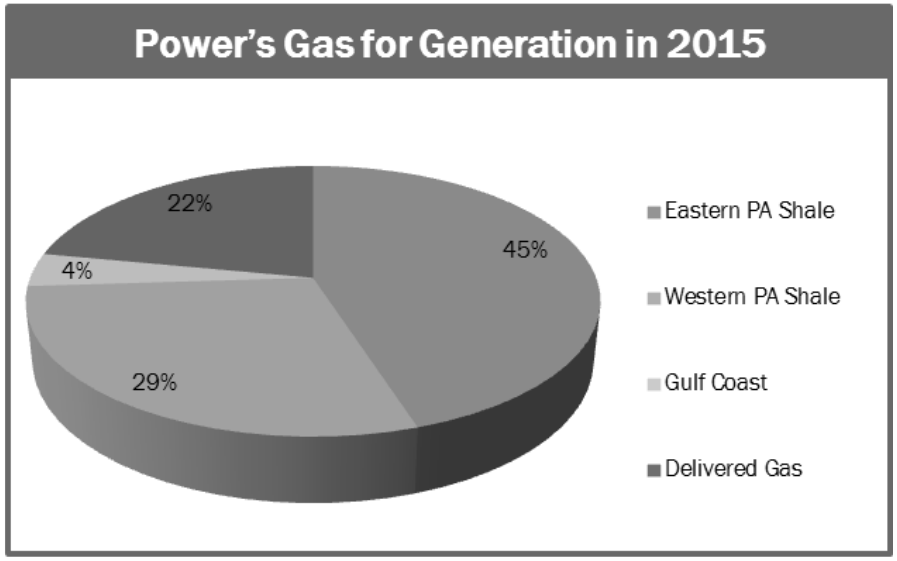




SI-SSA-0015-11621

Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



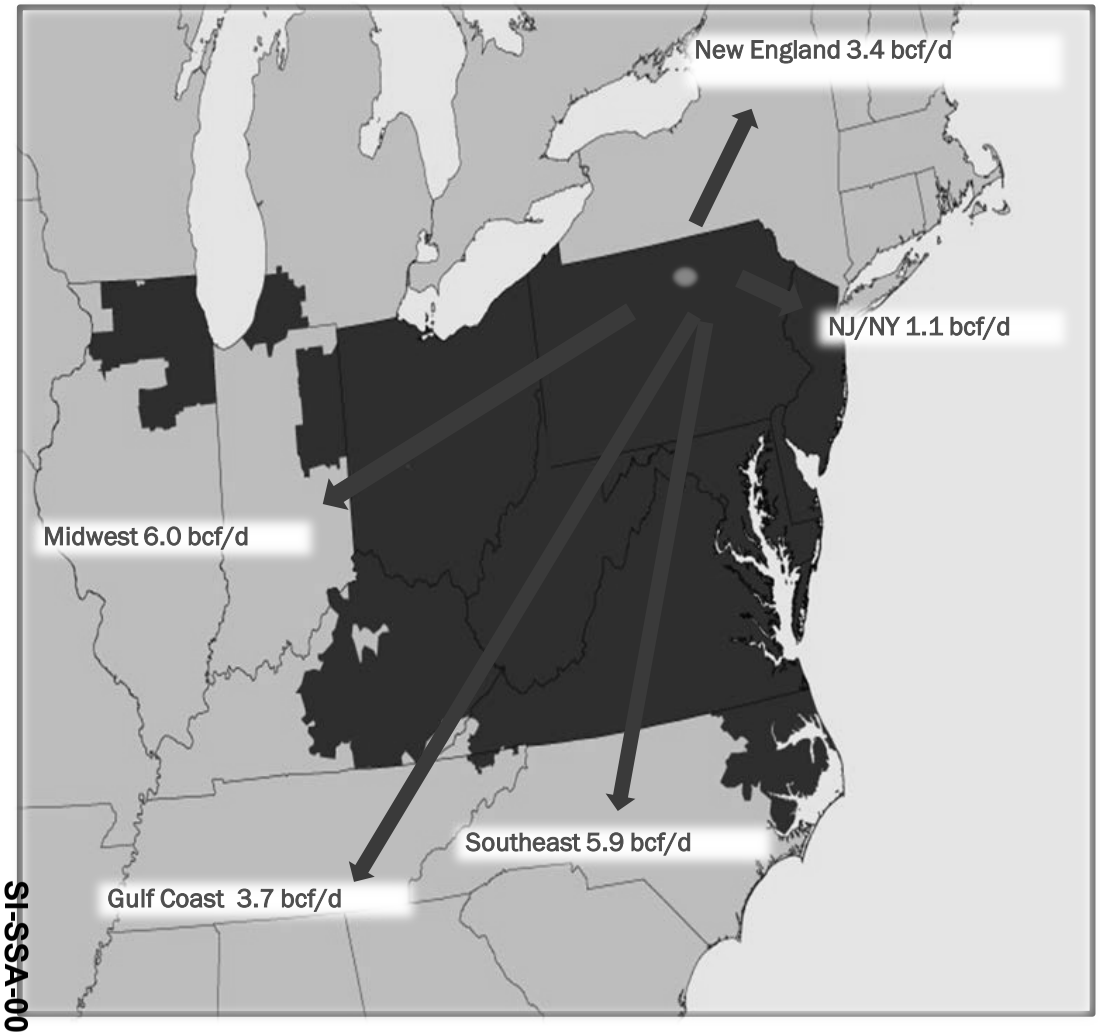


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-11622

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-11623

Regulatory Framework: Market structures are evolving to appropriately recognize value of reliable, diverse and clean dispatchable generation

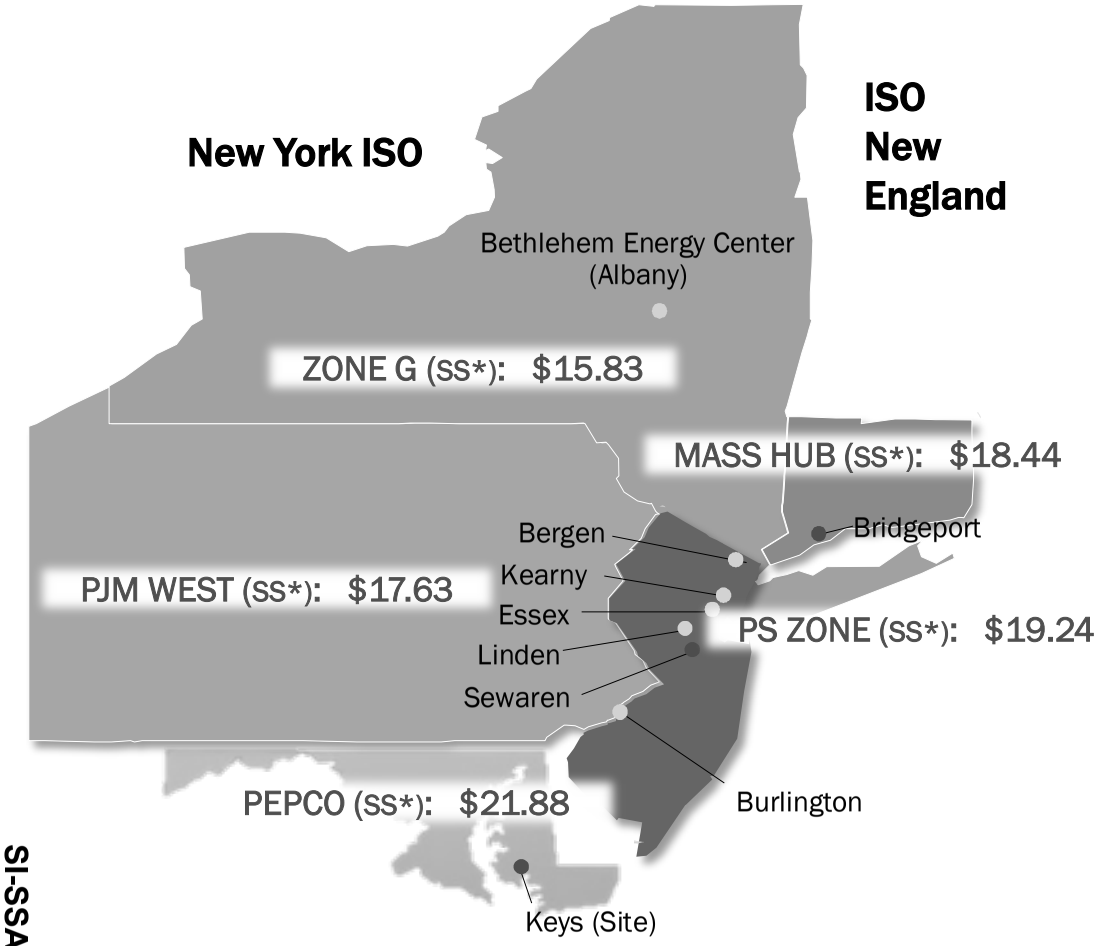
	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held in May 2017
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – five minute settlements and shortage pricing improvements are on the horizon
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment following full deployment of Capacity Performance expected to limit participation in capacity markets
	STATE INTERVENTION	• Efforts in Ohio to subsidize uneconomic resources met with significant opposition and led to FERC finding that affiliate abuse standards would apply • PJM commenced process to develop rules for integrating public policy driven resources that would protect competitive markets; PJM also has commenced study to determine value of fuel diversity
ISO-NE	CAPACITY	• Zonal demand curves approved by FERC for FCA 11 • Nuclear and coal under pressure; closure of Pilgrim and Vermont Yankee • New initiative to incorporate state carbon goals in wholesale markets consistent with competitive outcomes
	ENERGY	• Proposed gas pipelines are stalled • Significant rule changes to improve price formation – five minute settlement and fast start pricing
NYISO	CAPACITY	• Retirement of upstate coal plants tighten market • NYPSC develops a clean energy standard that retains upstate nuclear and recognizes the value of zero emissions
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS; oral argument before D.C. Circuit scheduled for September 27, 2016 • Some states will still prepare implementation plans for 2020+ timeframe • CSAPR update rule cuts ozone season NOx emissions

SI-SSA-0015-11624

PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	7.2	5,008

SI-SSA-0015-11625

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

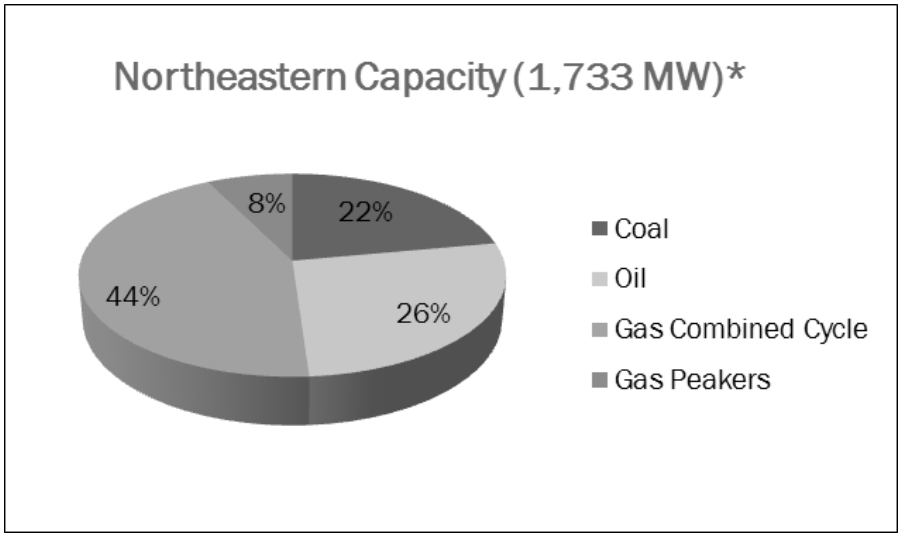
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-11626

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018*+	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onwards RPM Auction Impacted By:

- 100% Capacity Performance
- Change in Net CONE
- Change in PJM Parameters
- Demand Response Rules
- Reduction in Load Forecast
- Environmental Retirement

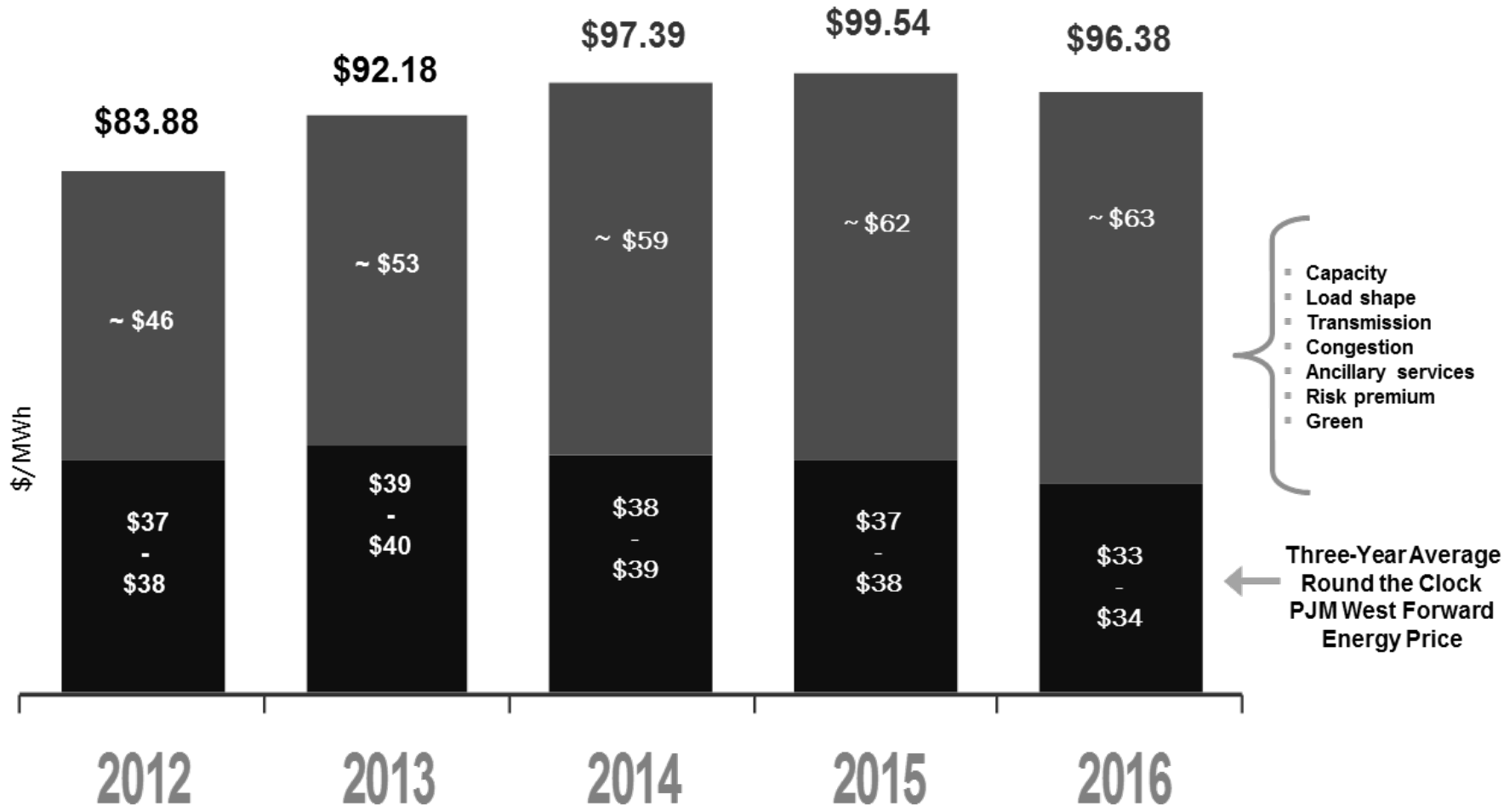
ISO New England's Forward Capacity Market Auction Results					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019+	2019/2020
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231
Power's Cleared Capacity (MW)	773	777	848	831	1,333

SI-SSA-0015-11627

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

SI-SSA-0015-11628

PSEG

NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	-	-
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

SI-SSA-0015-11629

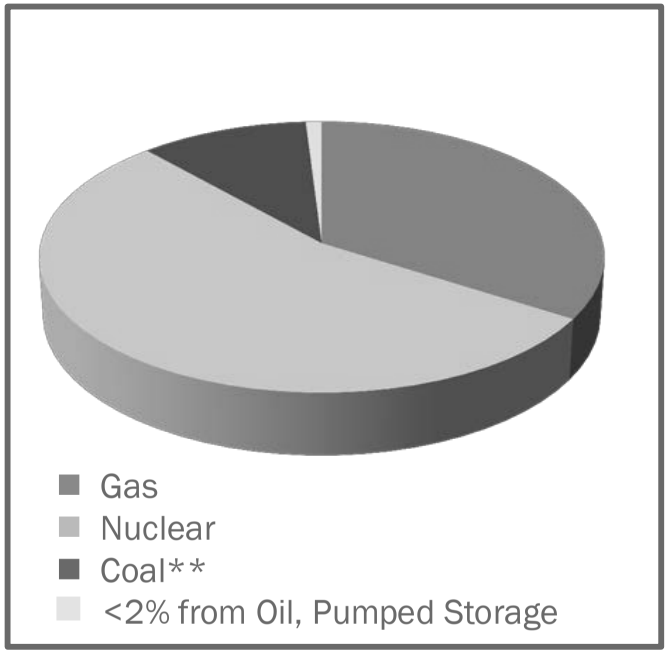
PSEG

HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2016. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with over 70% of the portfolio hedged through 2018

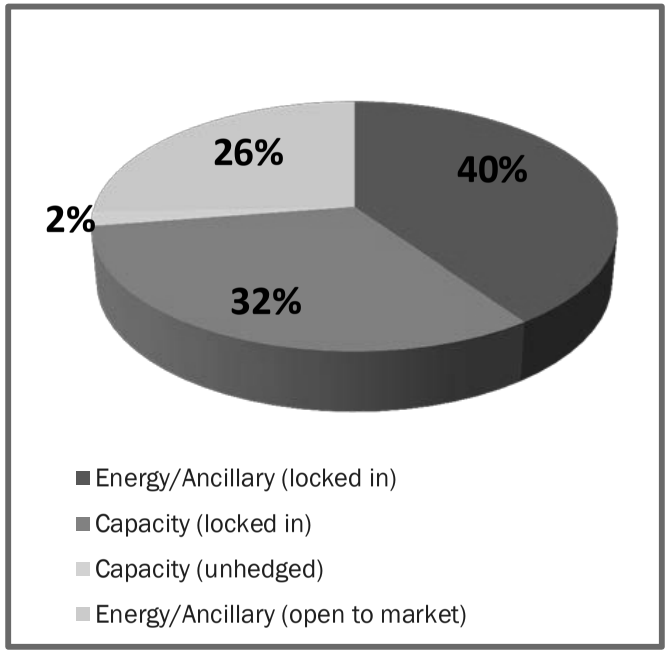
Energy Produced in 2015

55,213 GWH



**INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue 2016-2018*



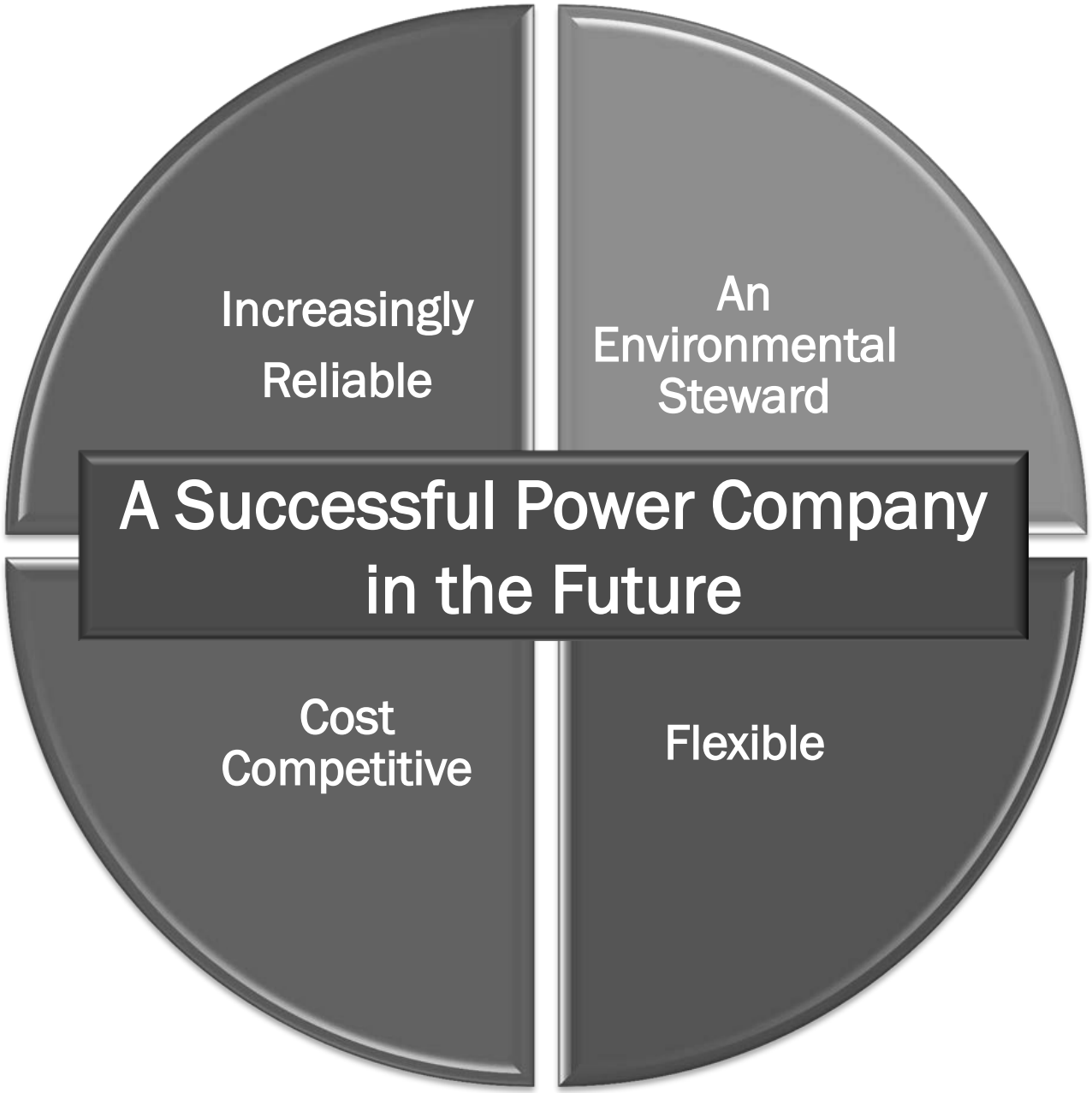
*FOR THREE YEARS ENDED INCLUDES SIX MONTHS HISTORICAL 2016 DATA.

PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

SI-SSA-0015-11631



SI-SSA-0015-11632

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-11633

Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

SI-SSA-0015-11634

2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

SI-SSA-0015-11635

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Results					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$900 - $935
PSEG Power*	$663	$710	$642	$653	$460 - $525
Enterprise/Other	$45	($13)	$33	$36	$65
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E
Net Income	$1,275	$1,243	$1,518	$1,679	
EPS	$2.51	$2.45	$2.99	$3.30	

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	16.6%[1]
% Regulated Earnings	43%	47%	52%	53%	62%[1]

SI-SSA-0015-11636

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

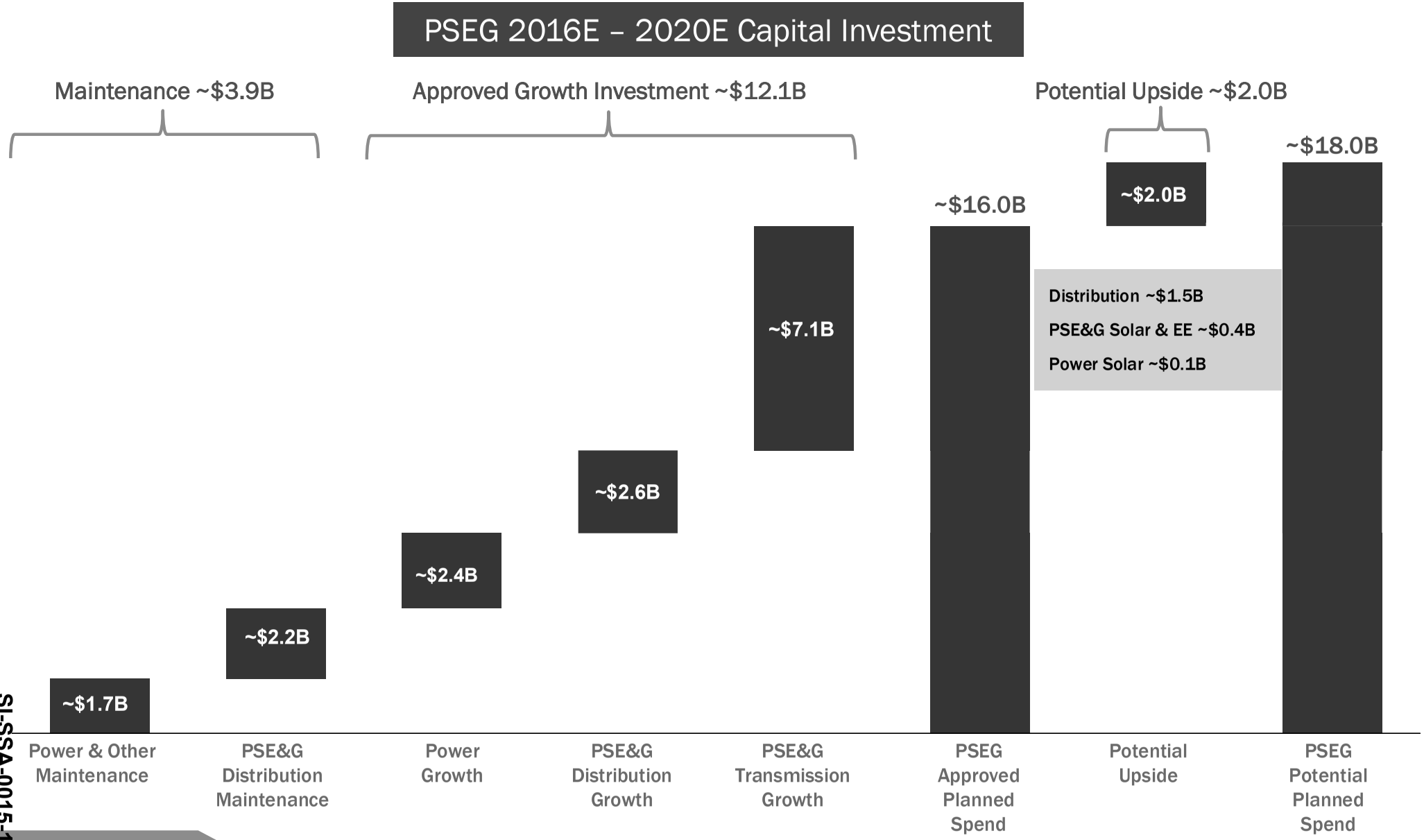
1 - BASED ON MID-POINT OF 2016 OPERATING EARNINGS GUIDANCE. E= ESTIMATE UPDATED AS OF JULY 29, 2016.

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00 per share
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

SI-SSA-0015-11637

Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

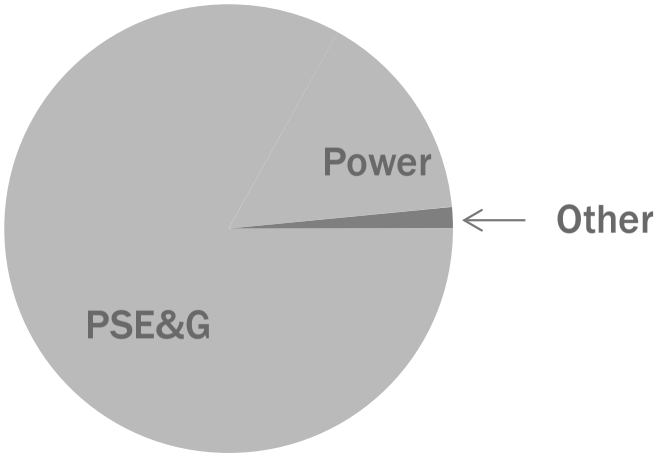
SI-SSA-0015-11638

We increased our Capital Program by $3B

since last year

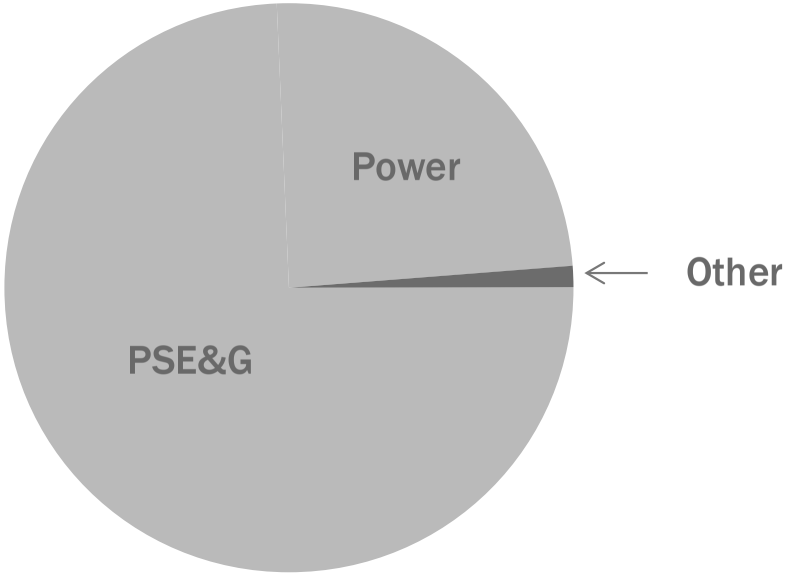
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B

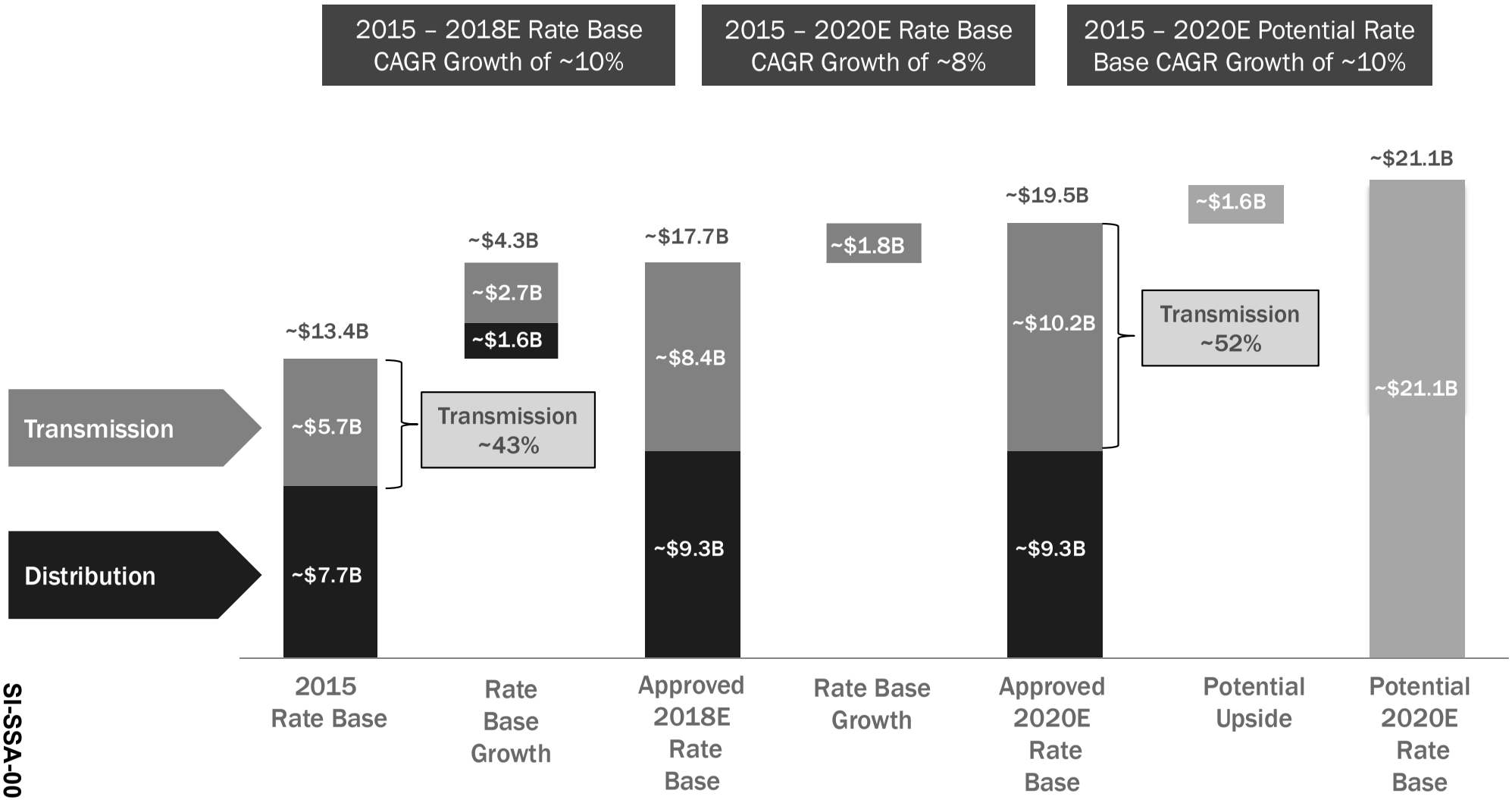


- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

SI-SSA-0015-11639

E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

SI-SSA-0015-11640

Bonus Depreciation adds $1.7B cash

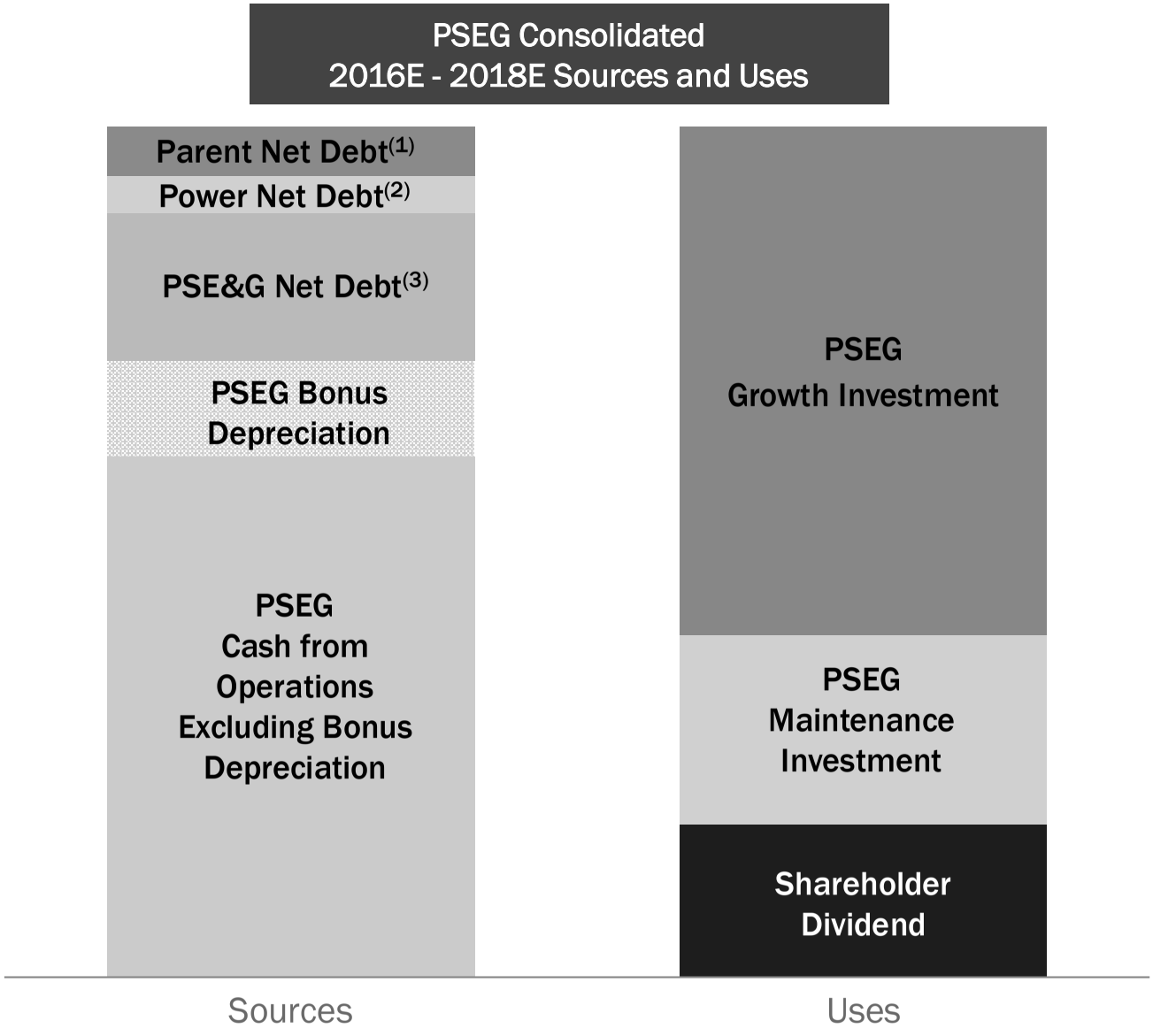
through 2019

- **PSE&G cash benefit of $1.2B**
  - Identified additional growth opportunities to offset rate base decrease
- **PSEG Power cash benefit of $0.5B**
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

SI-SSA-0015-11641

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

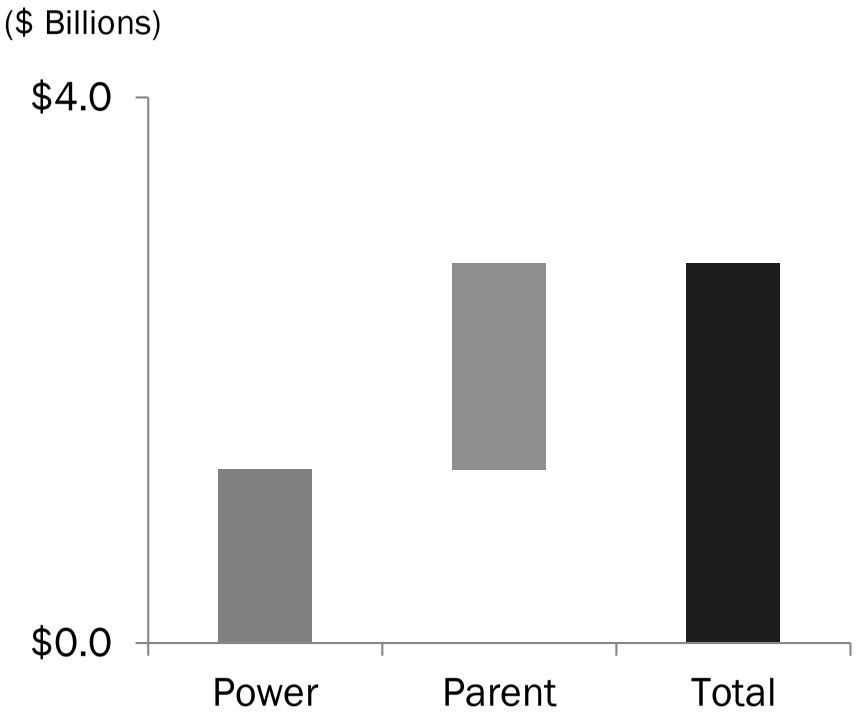
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

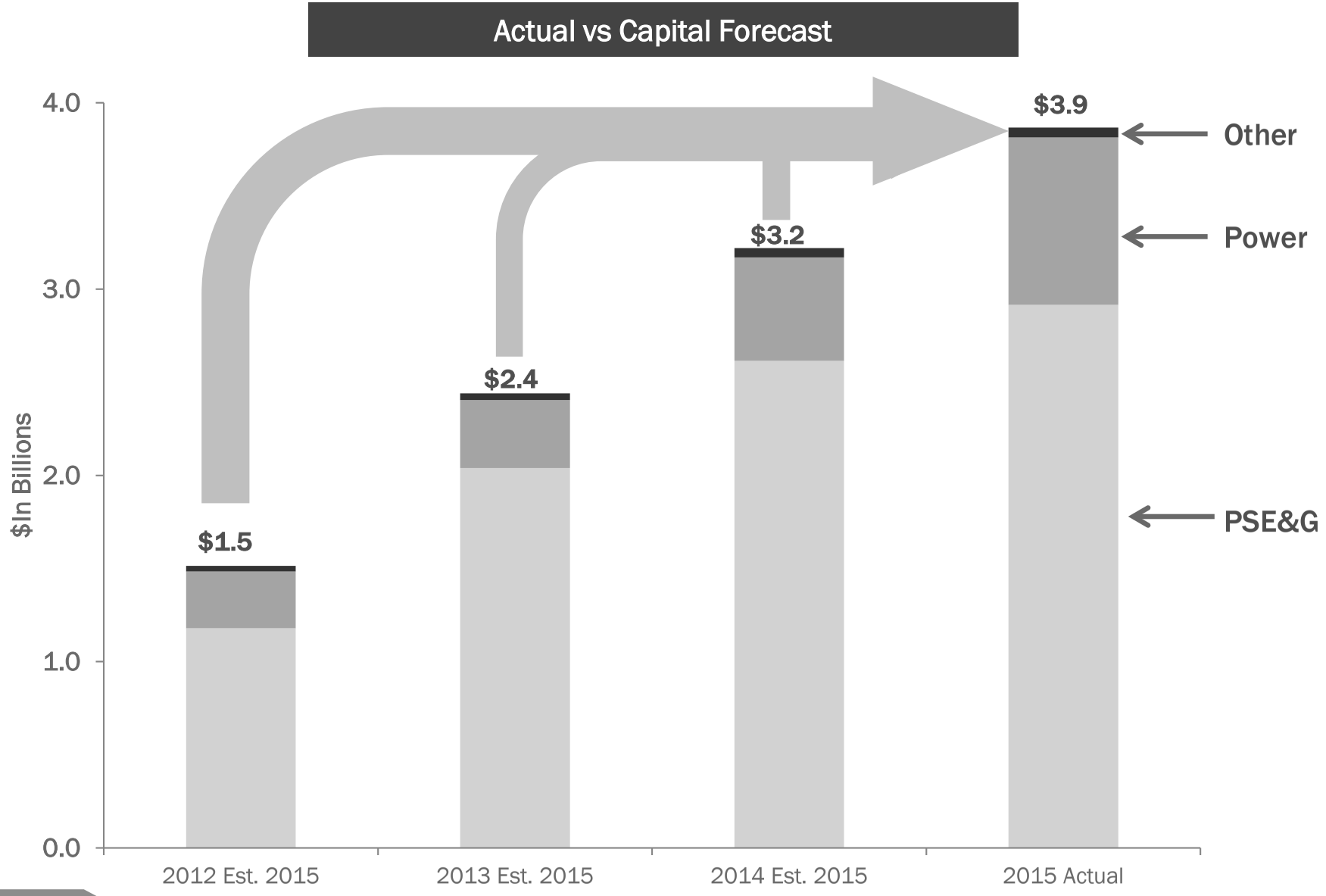
Total Incremental Investment Capacity
through 2018E



- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

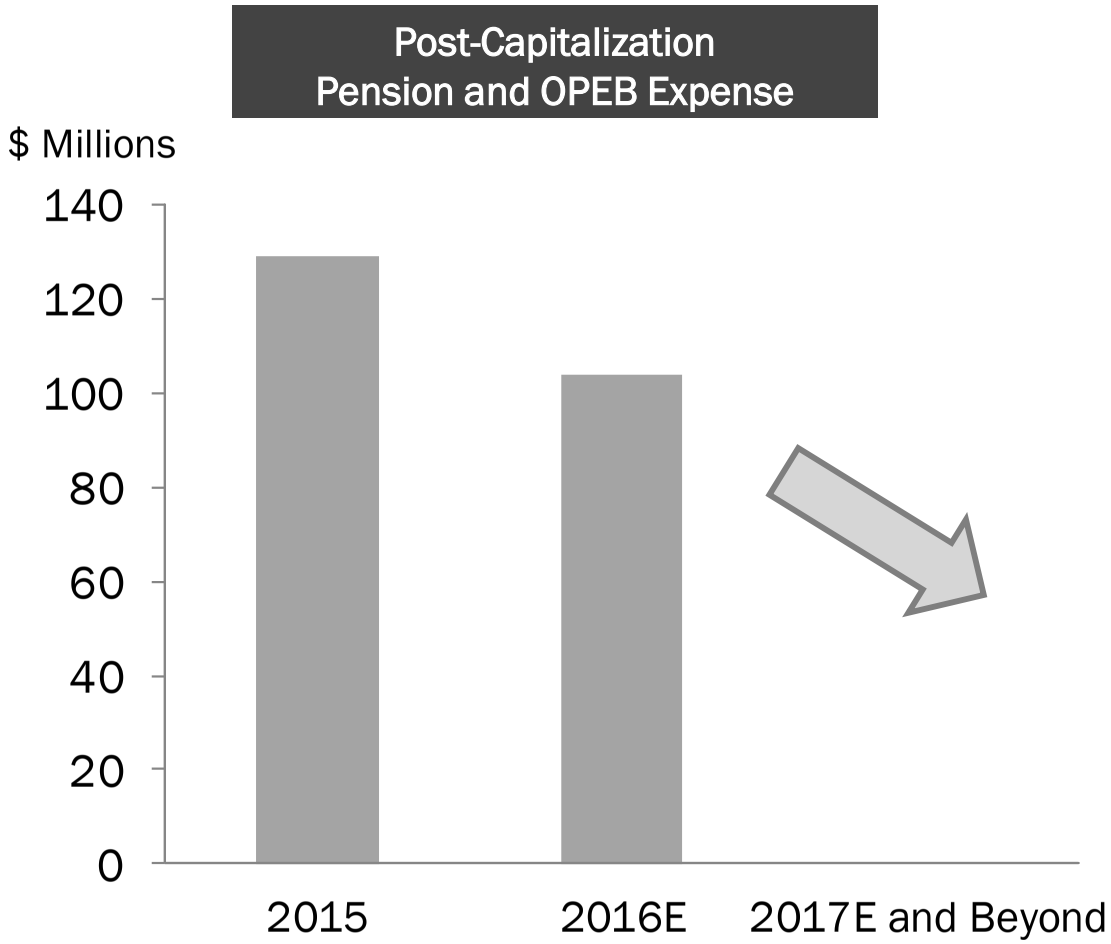
We have consistently identified investment opportunities beyond our approved forecasted expenditures



SI-SSA-0015-11644

Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

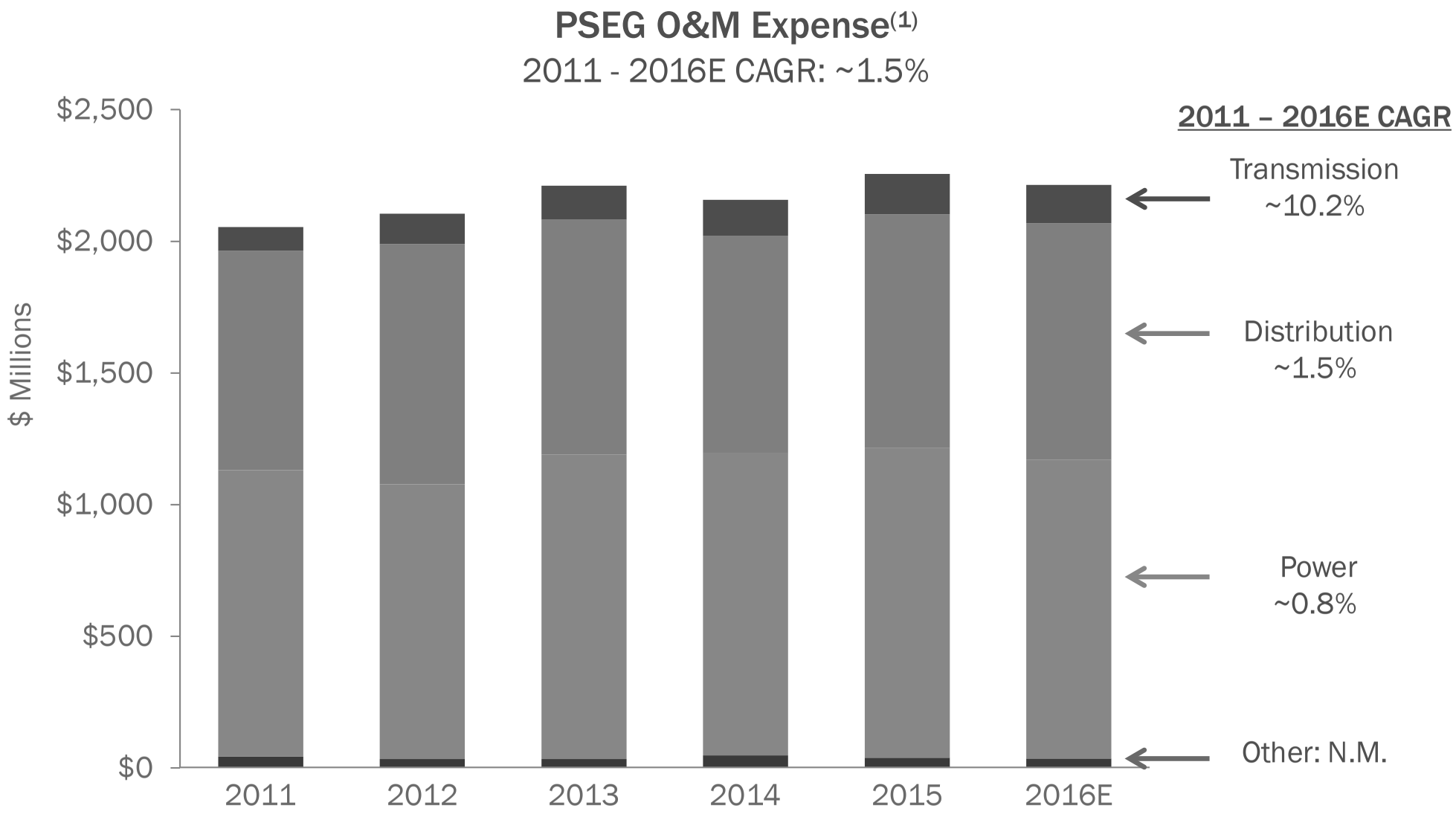


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-11645

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

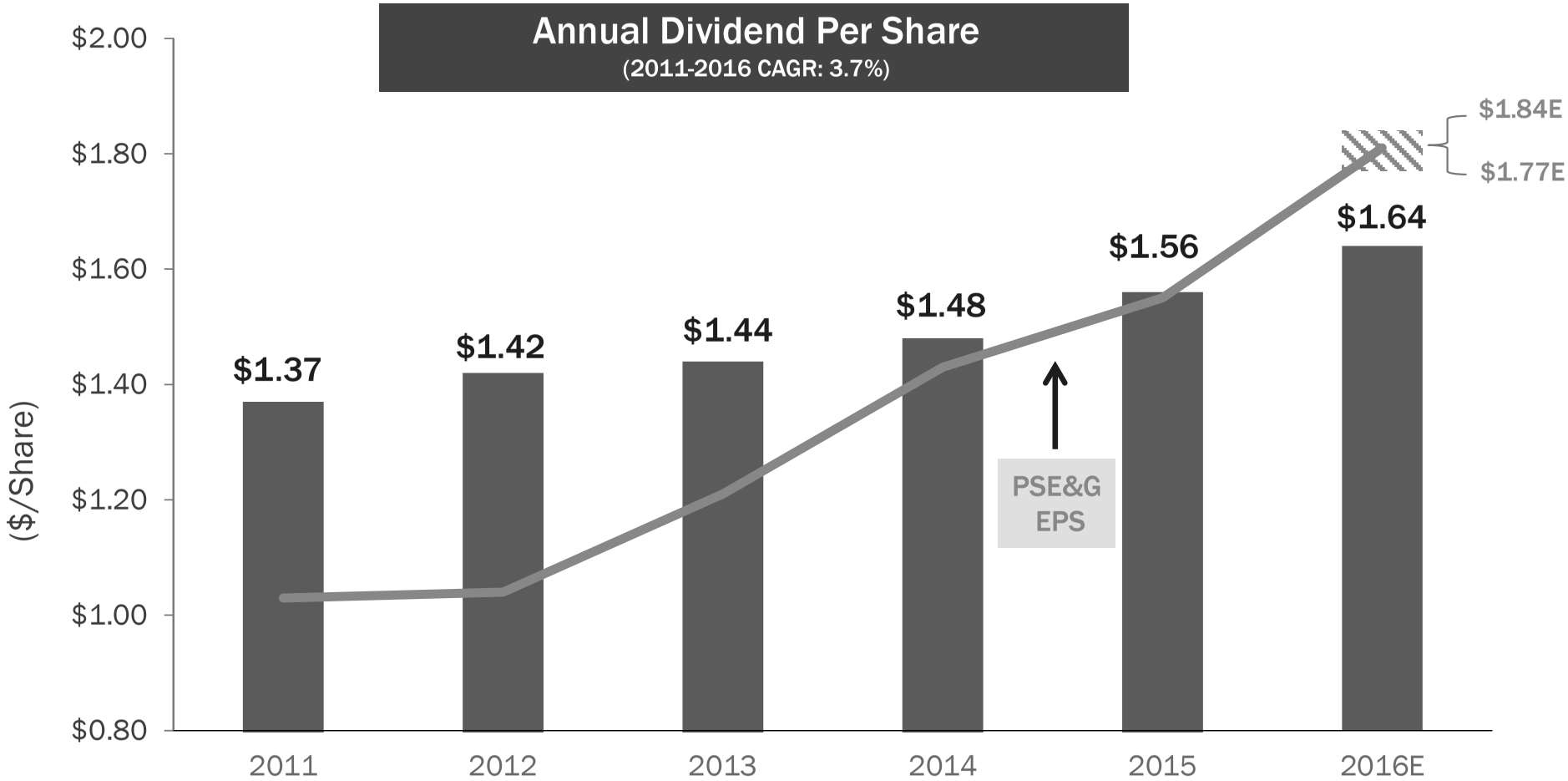


SI-SSA-0015-11646

(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS. NM = NOT MATERIAL
E = ESTIMATE

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-11647

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.01	$0.02-$0.05	$0.10-$0.14
Each $2/MWh Change in Spark Spread	$0.02	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-11648

PSEG Summary

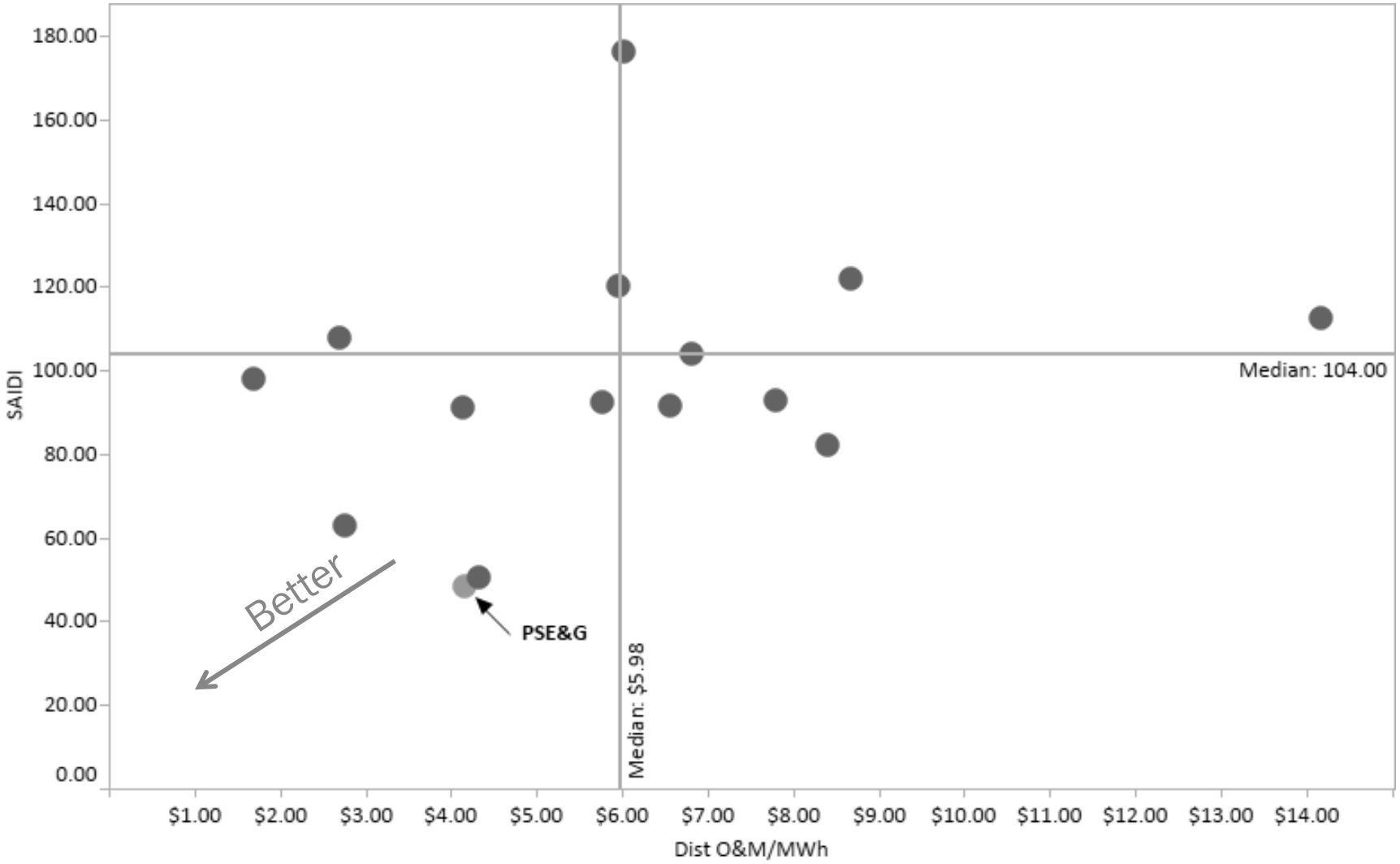
- 2015 Operating Earnings of $2.91 were at the upper end of our upwardly revised guidance of $2.85 - $2.95 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-11649

PSE&G APPENDIX

SI-SSA-0015-11650

PSE&G provides high reliability at below average cost which creates superior value for customers

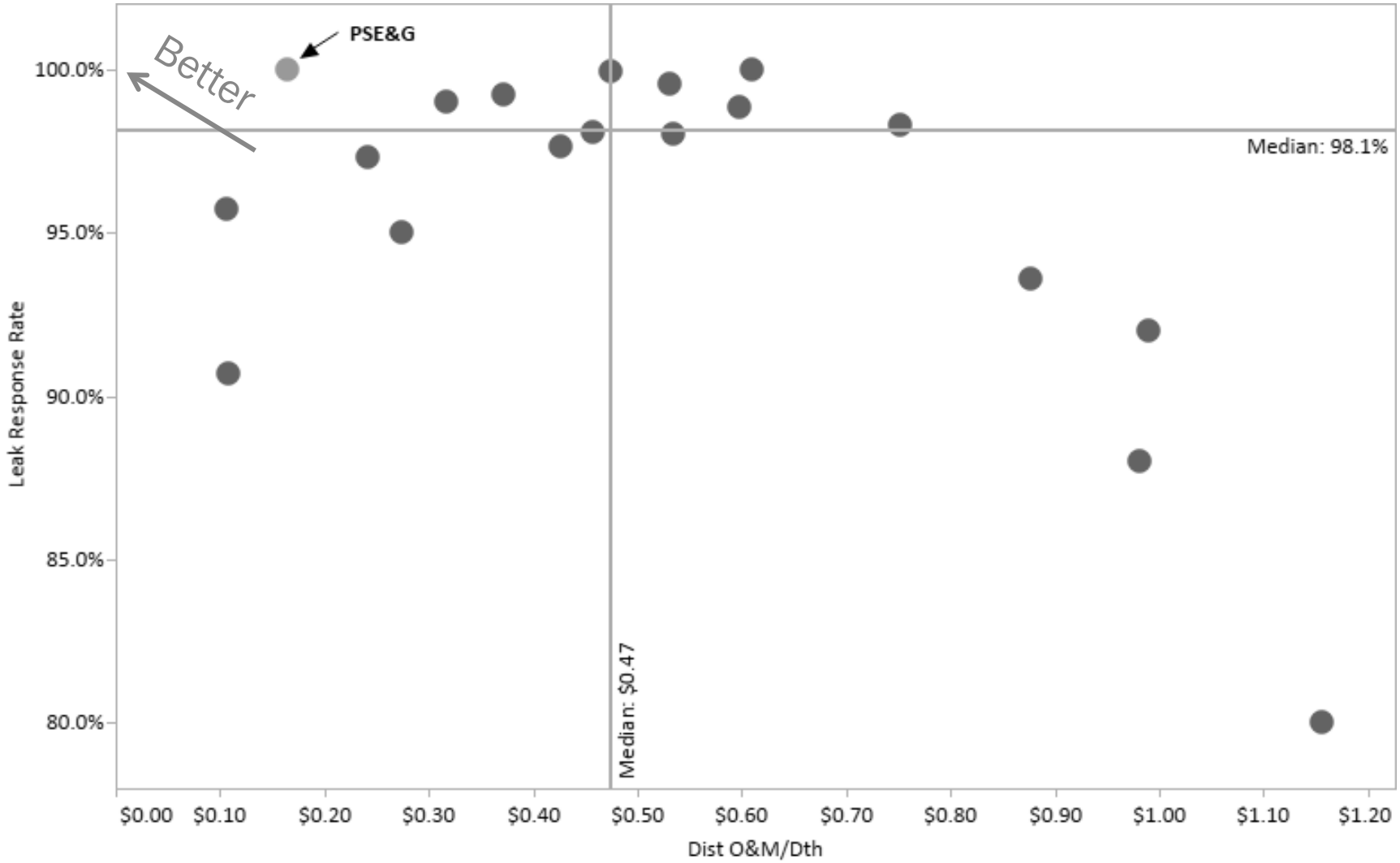


SI-SSA-0015-11651

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

PSE&G prioritizes public safety

while maintaining value for customers



SI-SSA-0015-11652

LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-11653

PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-11654

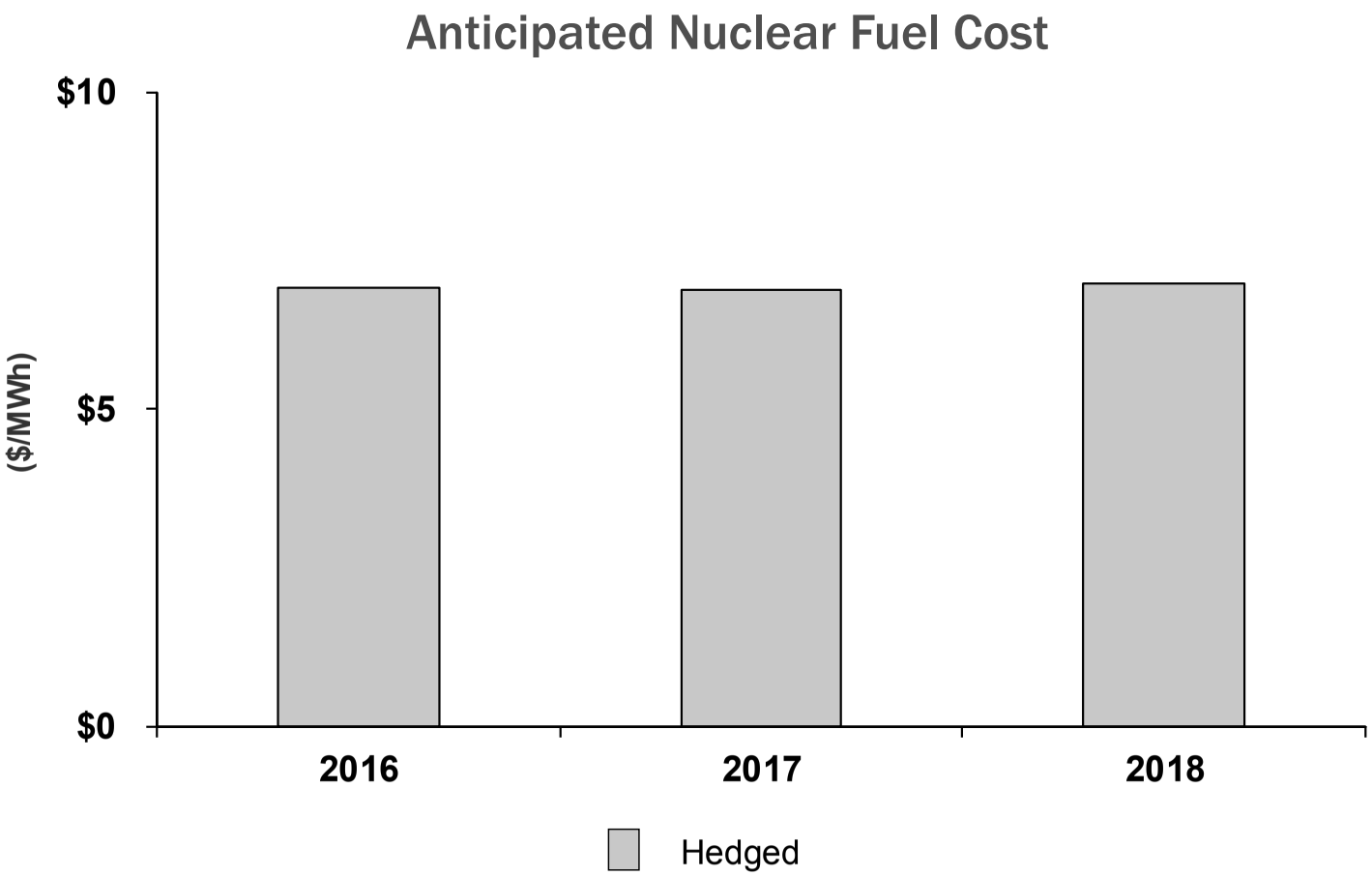
NJ Coal-Fired Plant Details

	Hudson	Mercer
Capacity (MW)	620	632
Capacity Factor (%)		
2015	6	5
2014	20	9
Fuel	Coal/Gas	Coal/Gas
Start of Operations	1968	1960/1961

On September 1, 2016, PSEG Power submitted to the PJM Independent Market Monitor and the PJM Office of Interconnection a preliminary request for an exception to PJM's Reliability Pricing Model must-offer requirement for the Hudson and Mercer generating stations in connection with the 2020-2021 capacity auction to be held in May 2017. The two stations have not cleared the PJM capacity auction for the prior two years, and would need significant investment to achieve the performance standards associated with PJM's Capacity Performance construct. The submission provides PSEG Power the opportunity to fully analyze the market conditions and economics, among other factors, associated with maintaining station operations, including any necessary capital improvements, prior to making a final determination whether or not to bid in the 2020-2021 capacity auction by December 1, 2016.

SI-SSA-0015-11655

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-11656

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-11657

PSEG FINANCIAL APPENDIX

SI-SSA-0015-11658

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

SI-SSA-0015-11659

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

First Half Operating Results by Subsidiary

Six months ended June 30

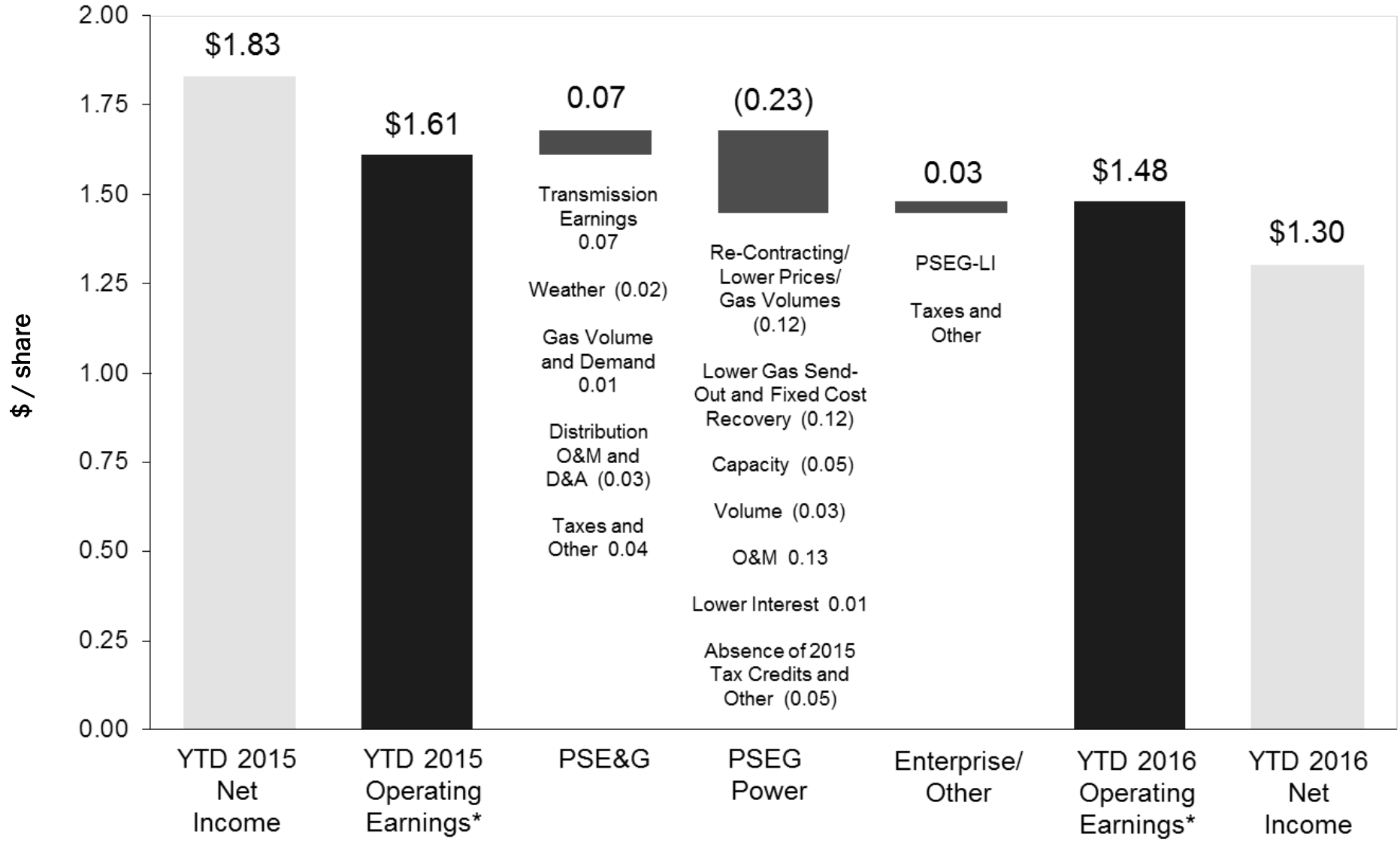
	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

SI-SSA-0015-11660

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



SI-SSA-0015-11661

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Our balance sheet remains strong

June 30, 2016

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.6	$0.2	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	10.9	7.5	2.9
Common Equity	13.3	8.0	6.3
Total Capitalization	**$24.2**	**$15.5**	**$9.2**
Total Debt / Capitalization	**45%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.4%

SI-SSA-0015-11662

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-11663

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance * at 06/30/16 ($millions)
Merchant Energy Leases		
NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases		
Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 159
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 13
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 58
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 32
Other	Land	$ 5
	Total Holdings Investments	**$840**

SI-SSA-0015-11664

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012.
EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	For the Year Ended December 31, 2015	2014	2013	2012
	($ Million, Unaudited)			
Operating Earnings	$ 1,476	$ 1,400	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	24	138	86	104
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	157	111	(125)	(18)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	172	(27)	(54)	(66)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	61
Income Taxes related to Operating Earnings reconciling items [b]	(150)	(104)	27	(42)
Net Income	$ 1,679	$ 1,518	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 2.91	$ 2.76	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.27	0.17	0.21
Gain (Loss) on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	0.31	0.22	(0.25)	(0.04)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	0.34	(0.05)	(0.11)	(0.13)
Lease Transaction Activity, pre-tax (PSEG Enterprise/Other)	-	-	-	0.12
Income Taxes related to Operating Earnings reconciling items [b]	(0.31)	(0.21)	0.06	(0.09)
Net Income	$ 3.30	$ 2.99	$ 2.45	$ 2.51

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Items Excluded from Net Income to Reconcile to Operating Earnings

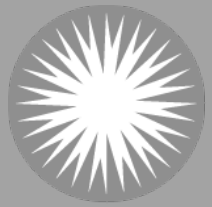
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Wolfe Research Power & Gas Leaders Conference

NEW YORK, NY – SEPTEMBER 28, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11667

Forward-Looking Statements

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

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-11668

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

From time to time, PSEG, PSE&G and Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and /or Really Simple Syndication (RSS) feeds regarding new postings. PSEG meeting materials and other financial releases can be found on the www.pseg.com website under the investor tab, or at http://investor.pseg.com.

SI-SSA-0015-11669

PSEG STRATEGY: GROWING A HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-11670

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

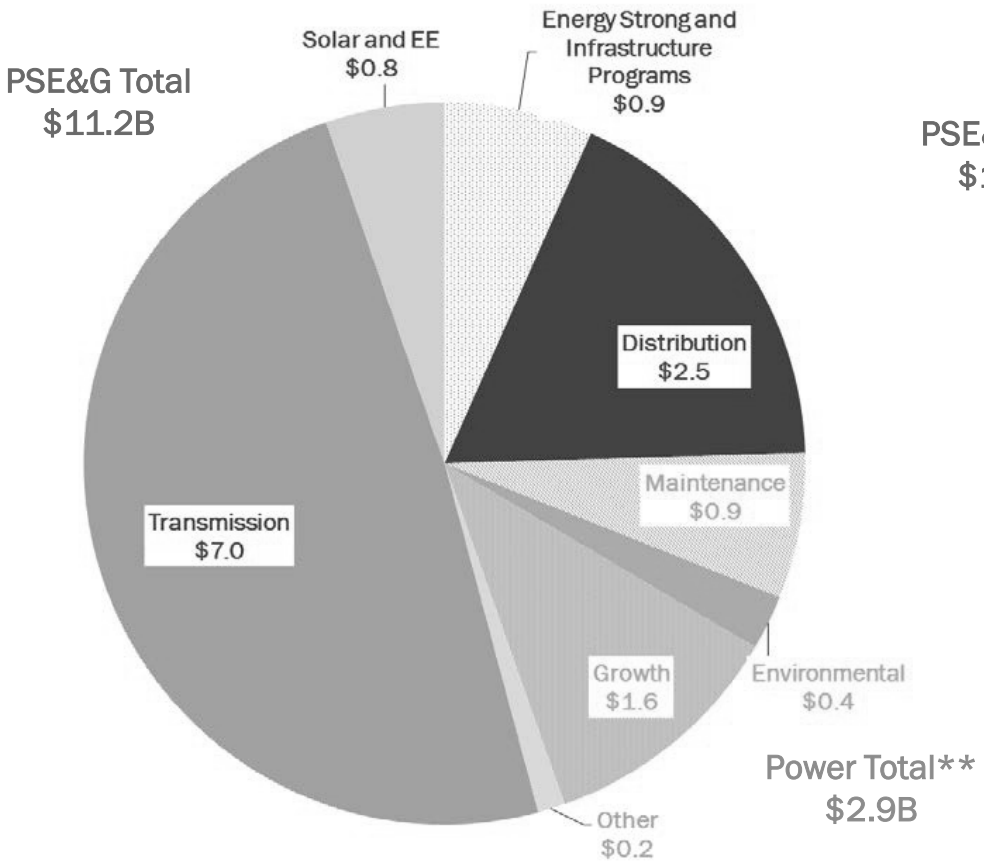
SI-SSA-0015-11671

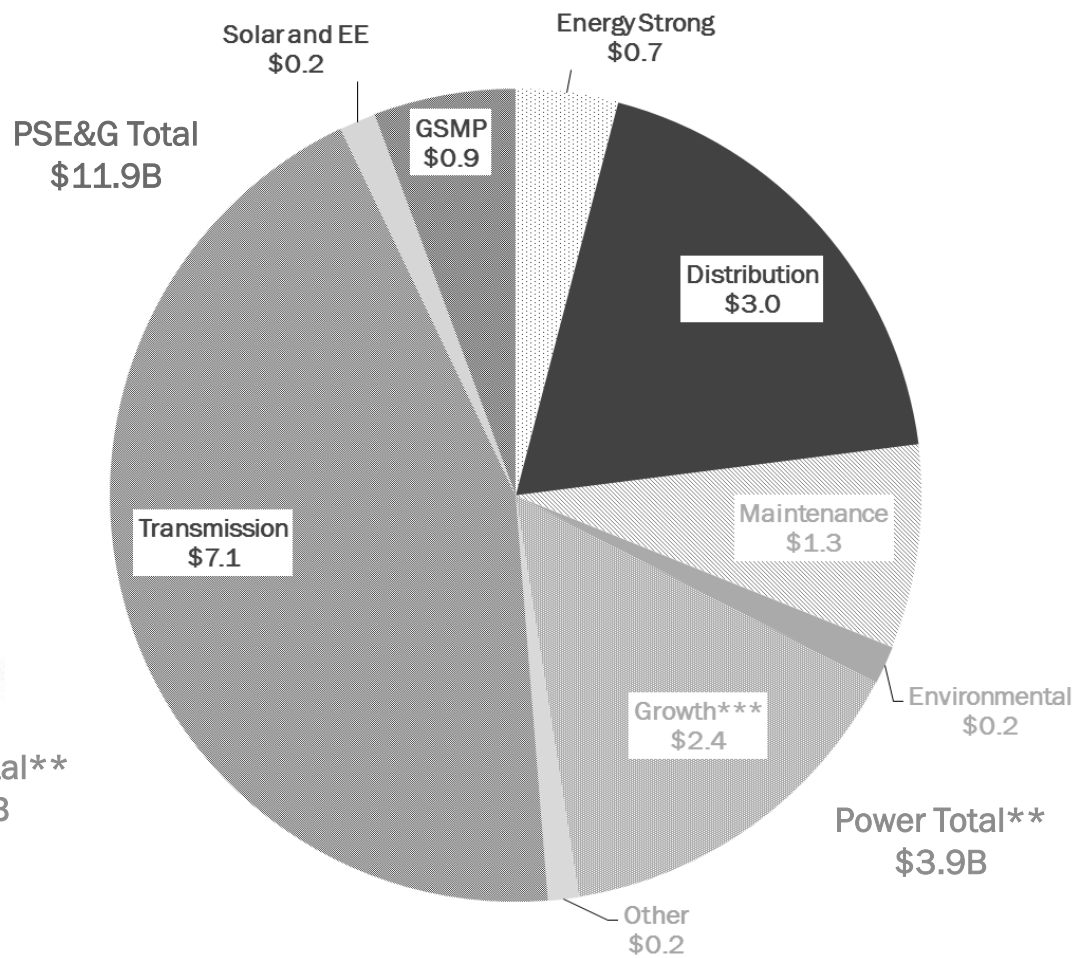
ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**

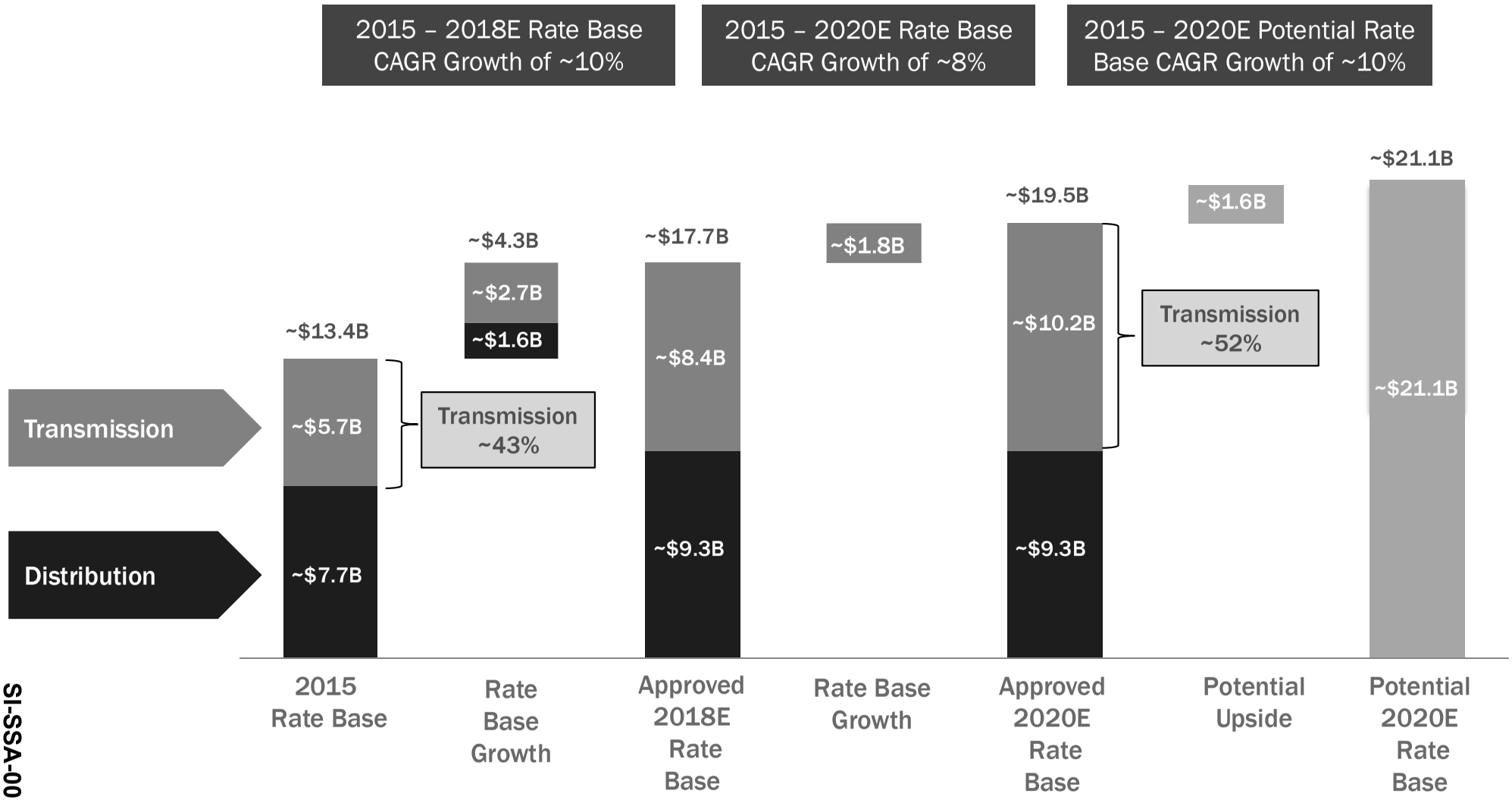




*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-11672

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



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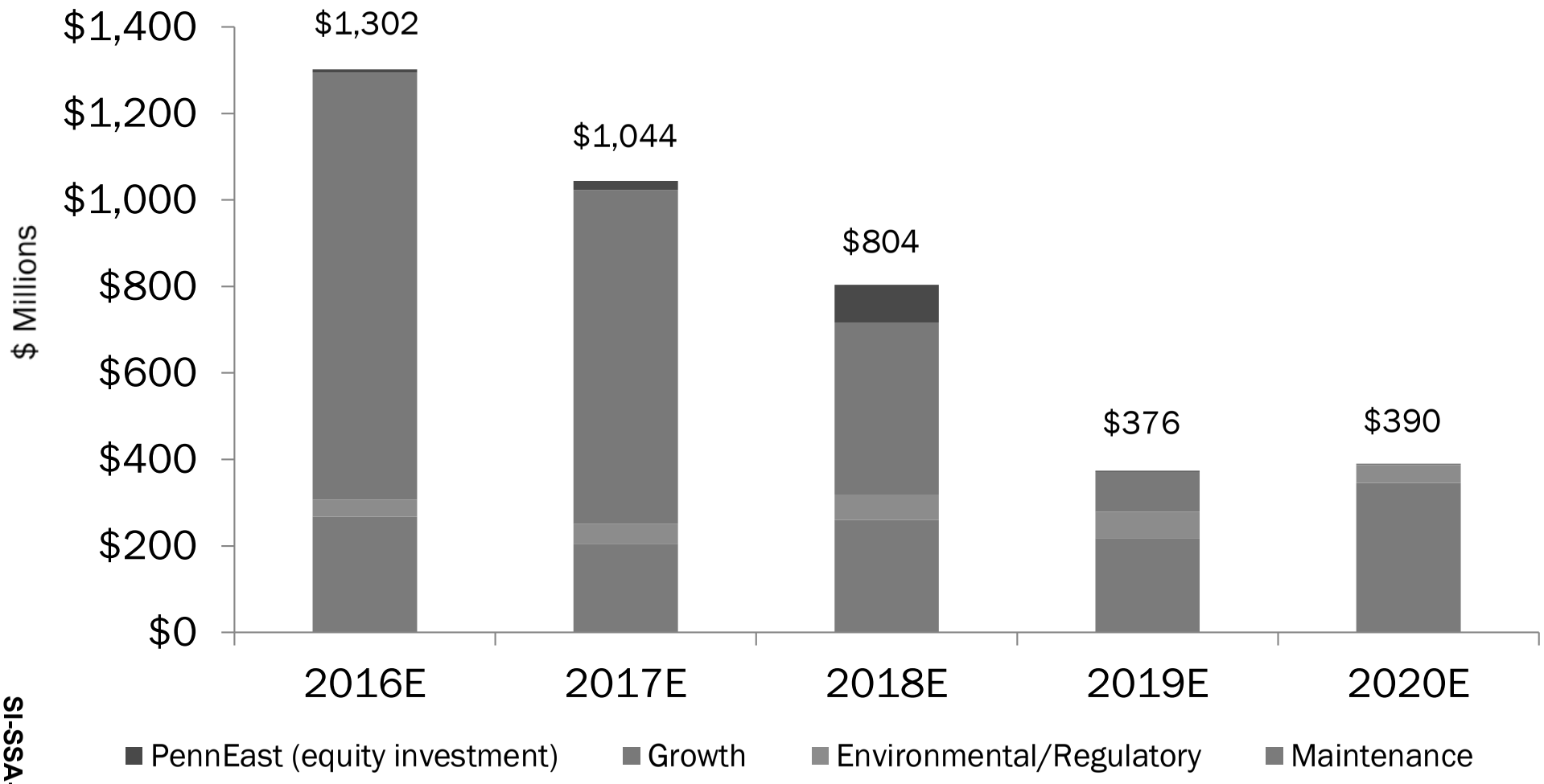
E = ESTIMATE.

Power investing $2 billion of capital in new capacity

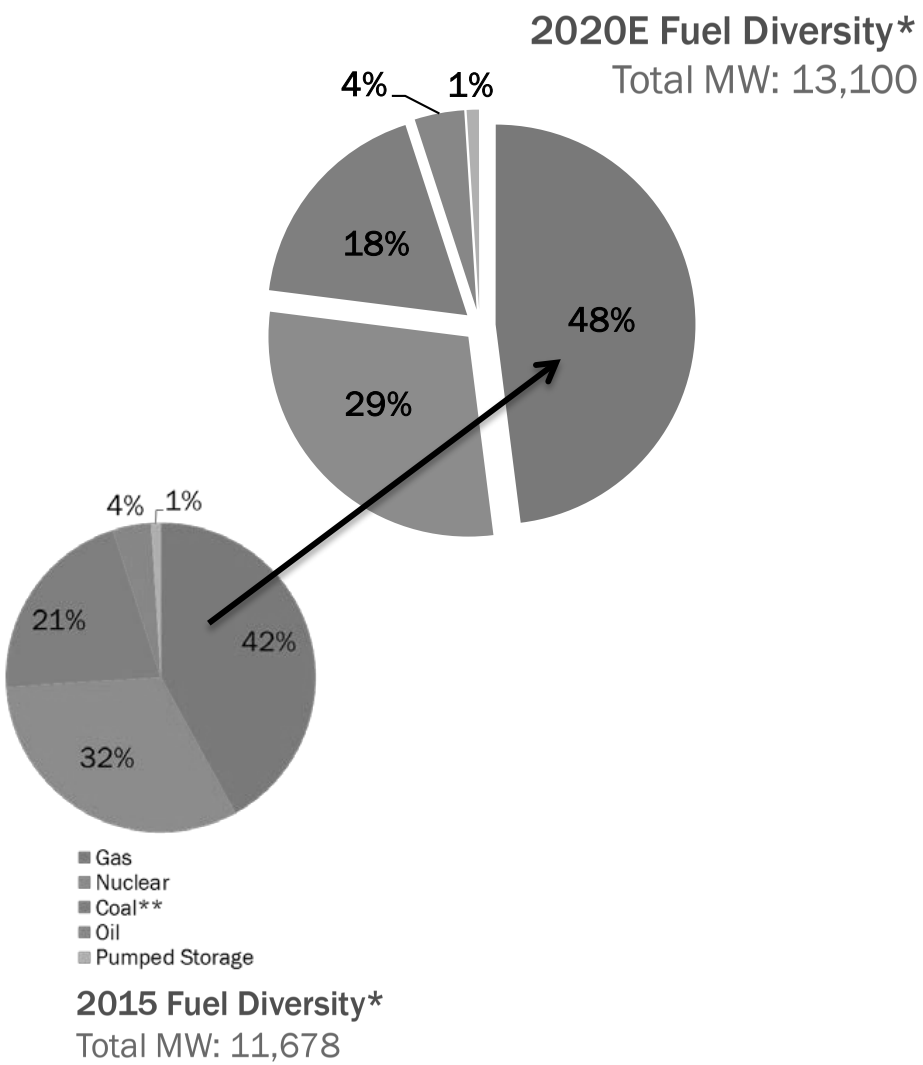


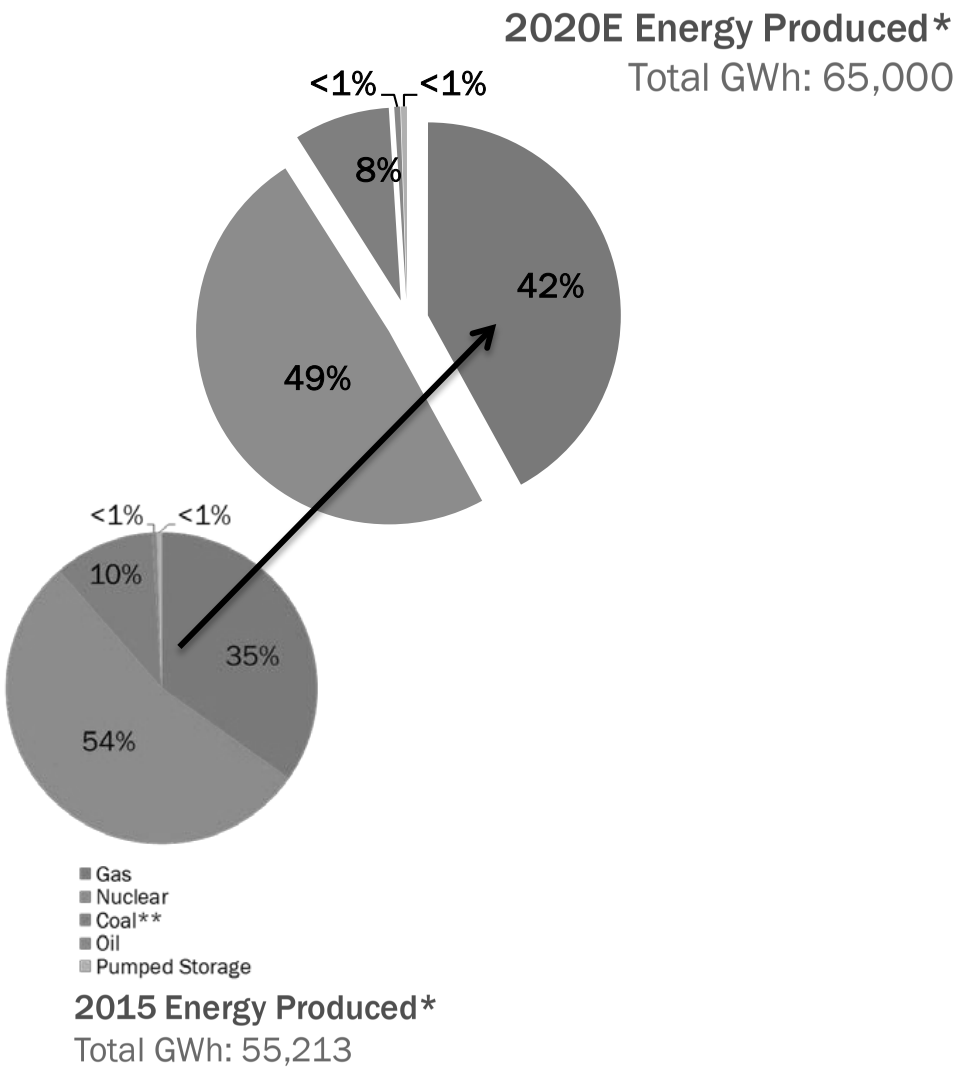
E=ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-11674

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E



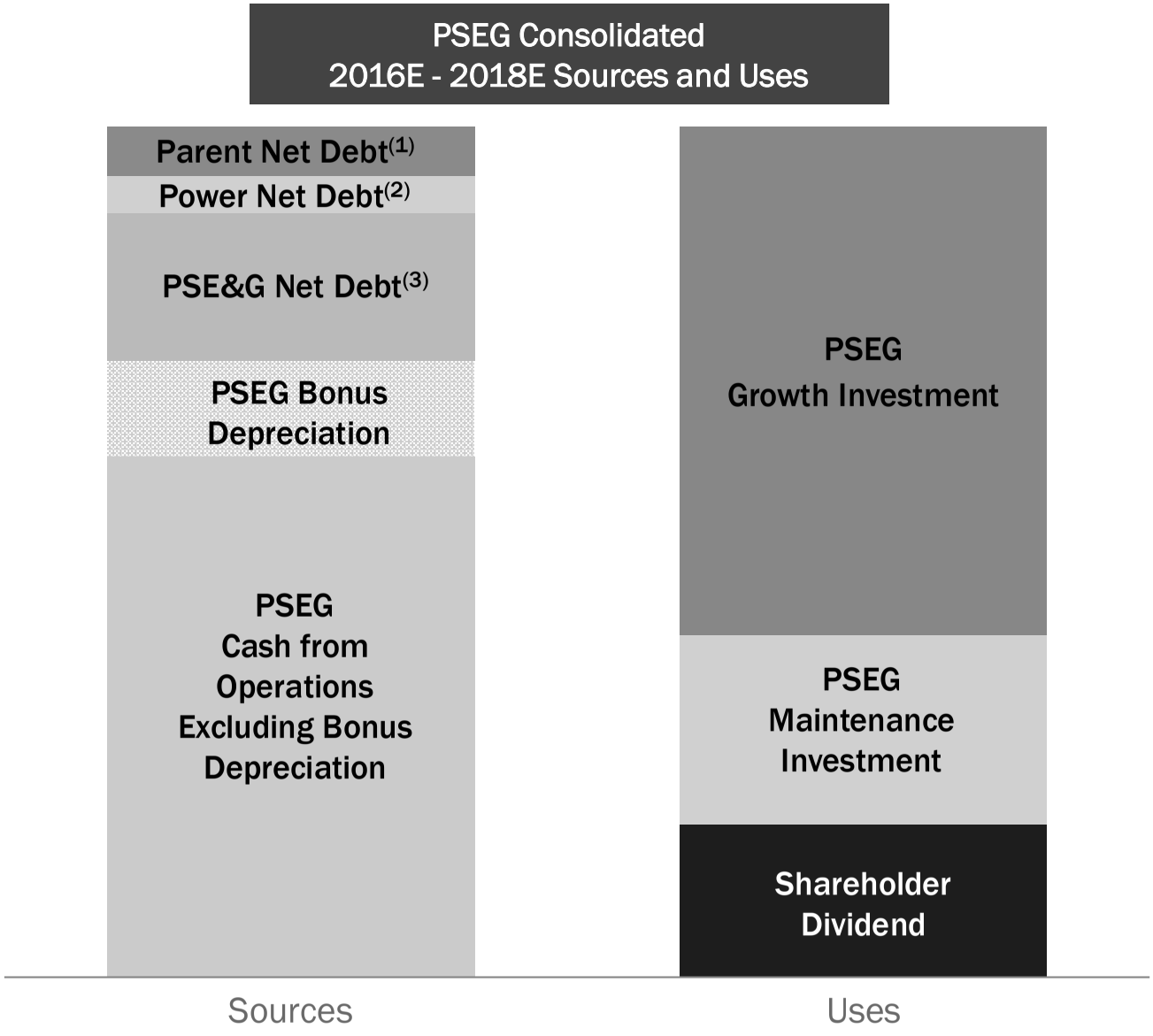


*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE **INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-11675

Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-11677

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

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2016 Wolfe Research Power & Gas Deep Dive Conference

HOUSTON – APRIL 6, 2016

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11679

Forward-Looking Statement

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

SI-SSA-0015-11680

GAAP Disclaimer

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

SI-SSA-0015-11681

PSEG POWER AND ER&T

Shahid Malik

PRESIDENT
ENERGY RESOURCES & TRADE

PSEG
We make things work for you.

SI-SSA-0015-11682

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-11683

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PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

Selected Accomplishments

2011

- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012

- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013

- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015

- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

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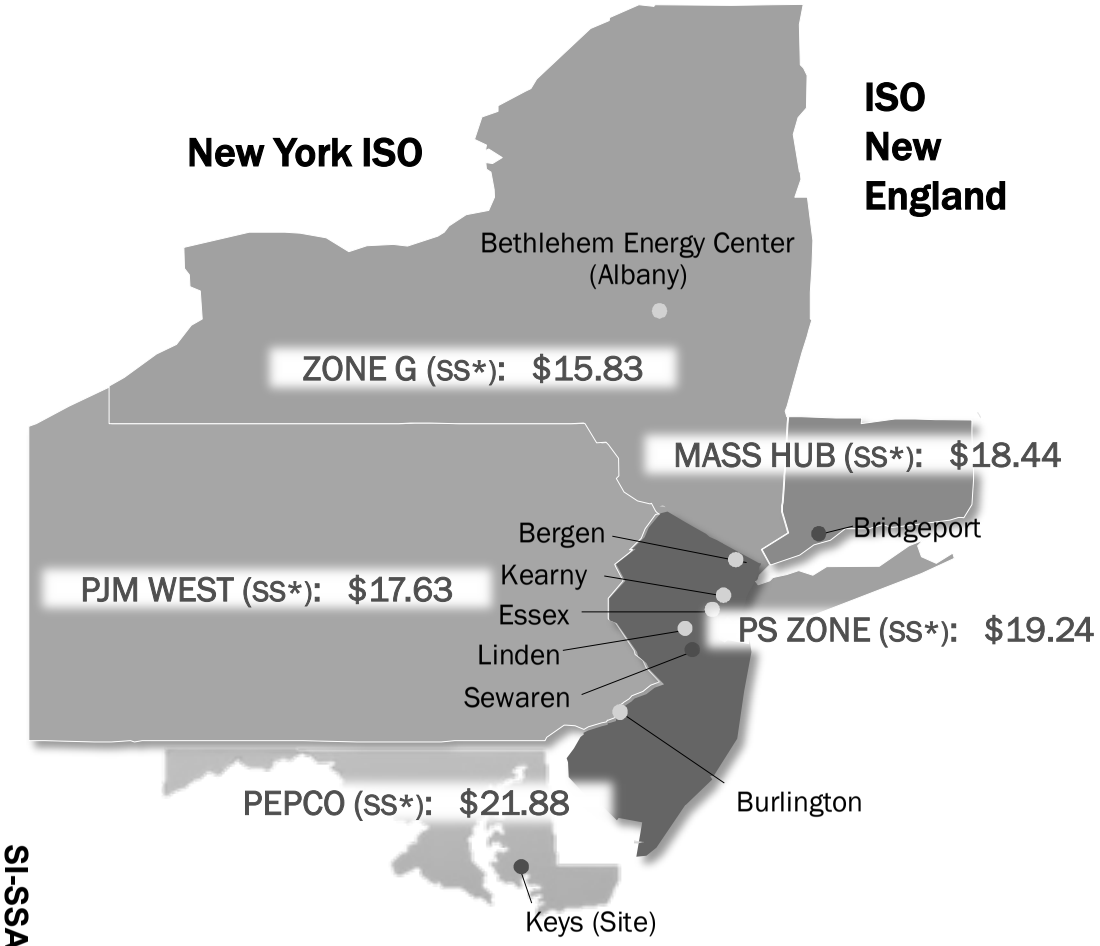
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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PSEG

*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

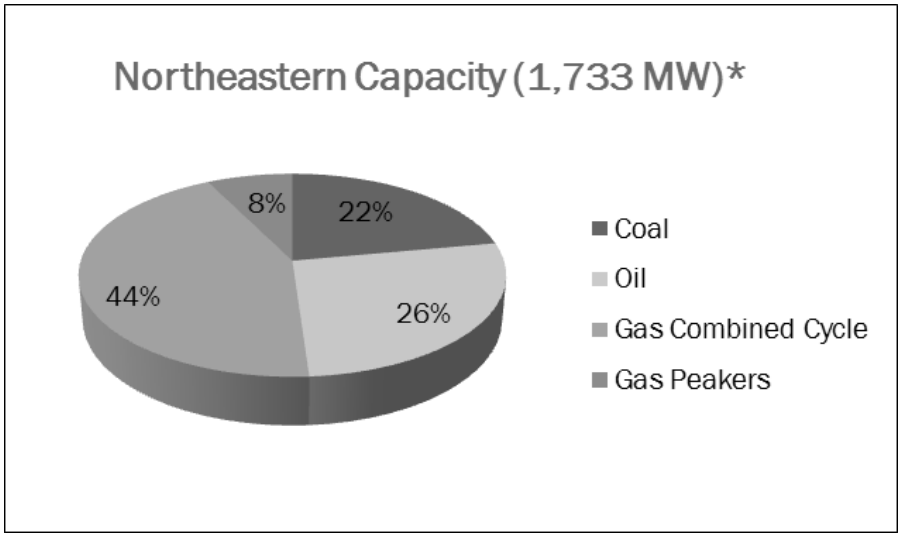
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

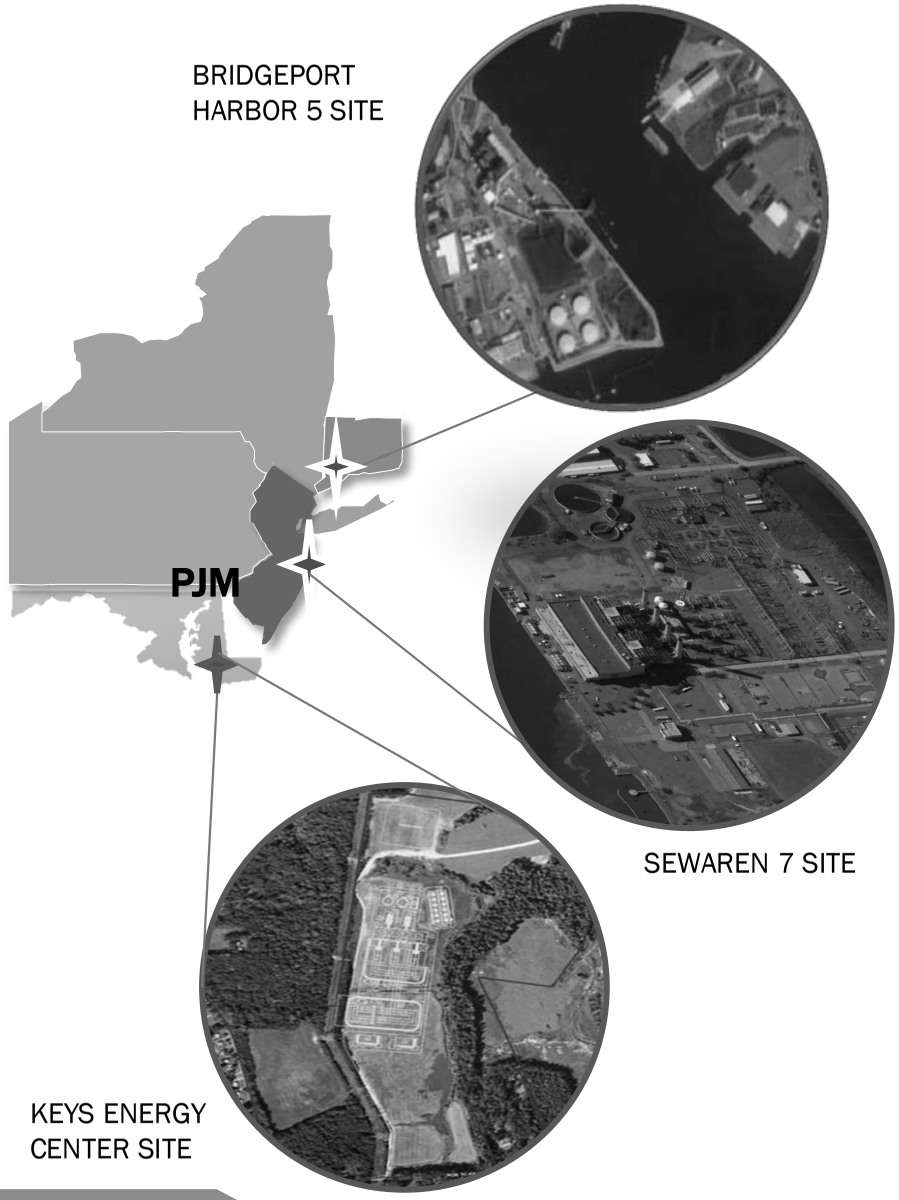
- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

SI-SSA-0015-11686

Power to invest $2 billion of capital in 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



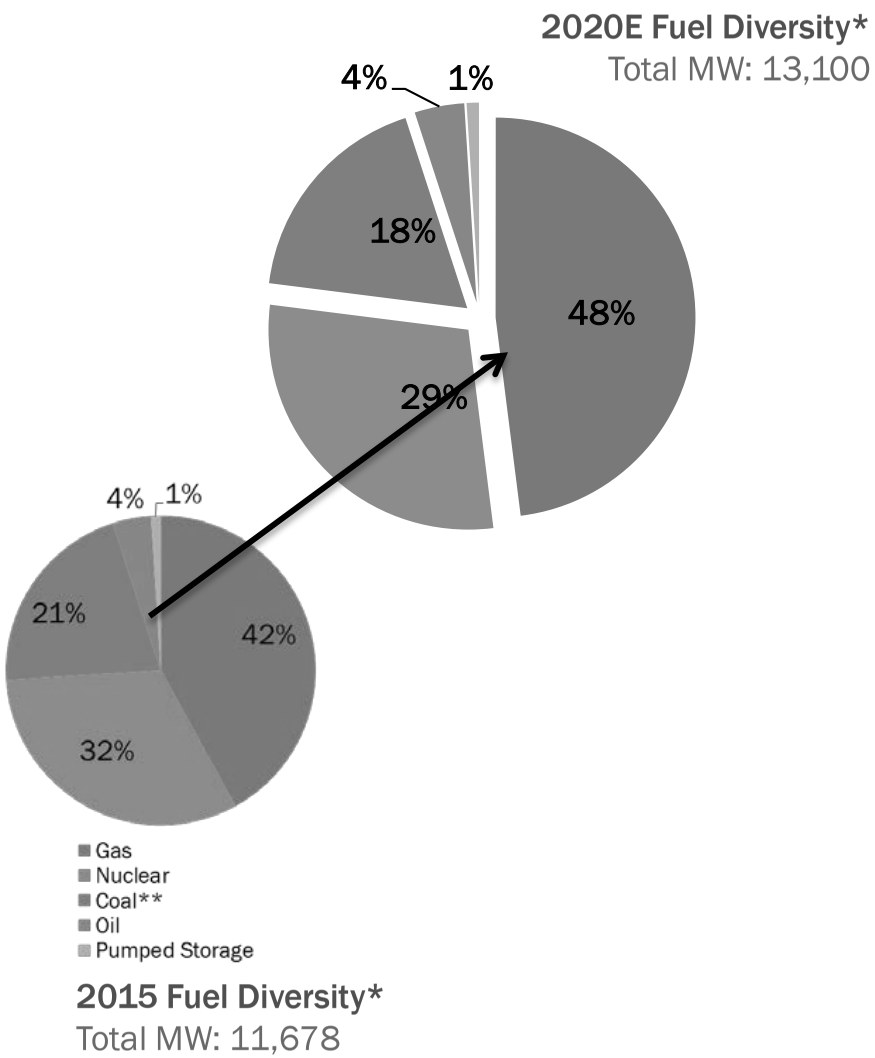
- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

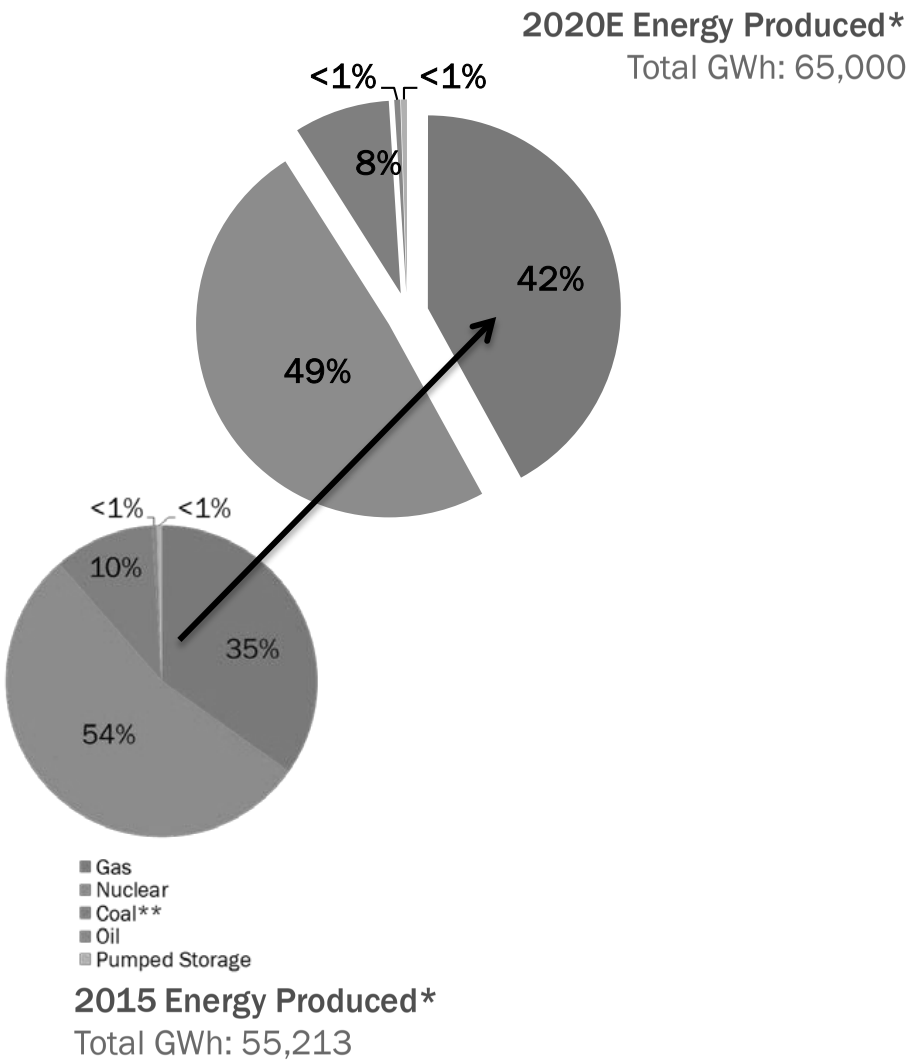
*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-11687

Power's fleet to be transformed with addition of Keys, Sewaren 7 and Bridgeport Harbor in 2018-2019

Projected Fleet Comparison 2015 to 2020E





*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE CCGT = COMBINED CYCLE GAS TURBINE
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

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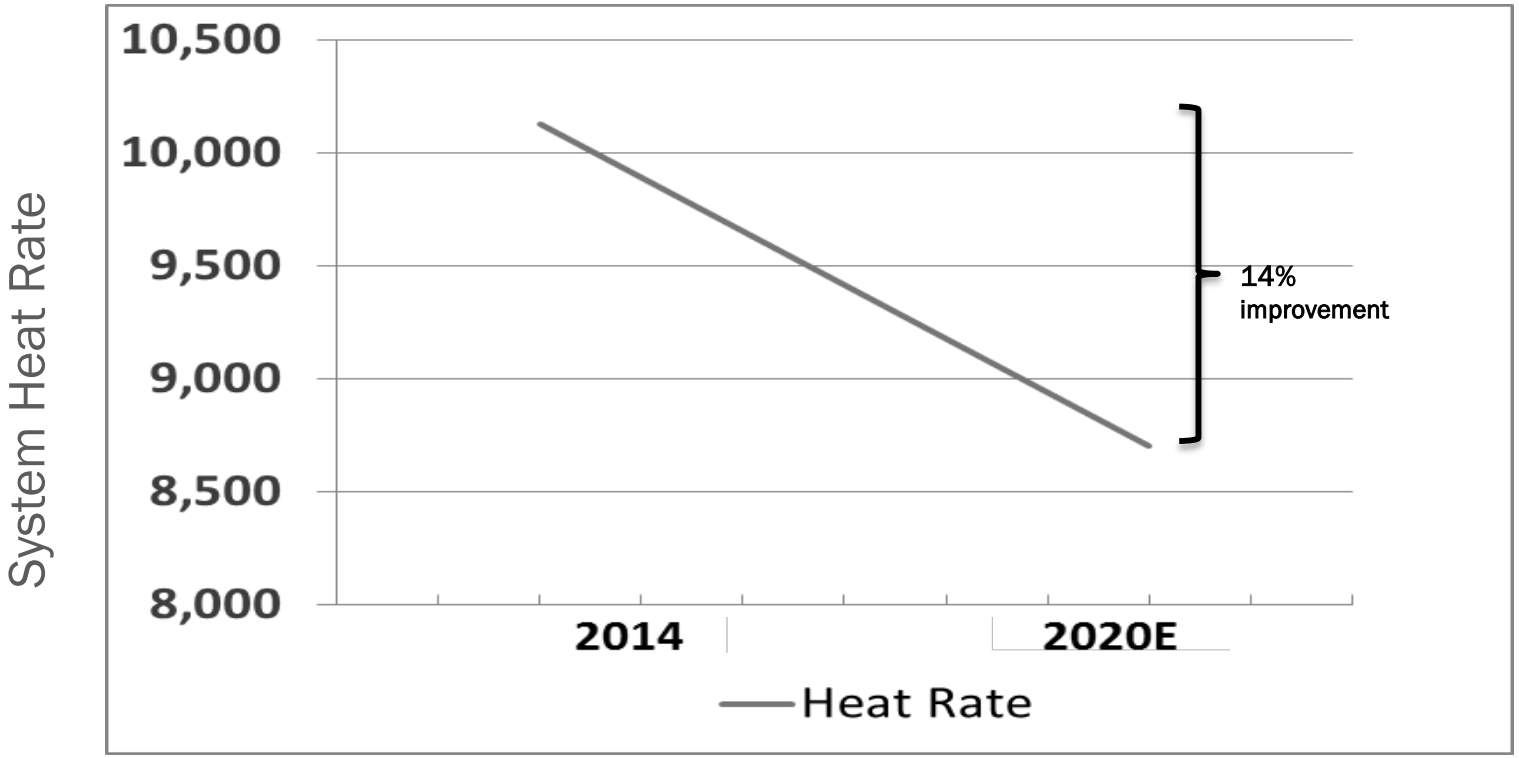
PSEG Power's fossil fleet expected to see improvements in efficiency

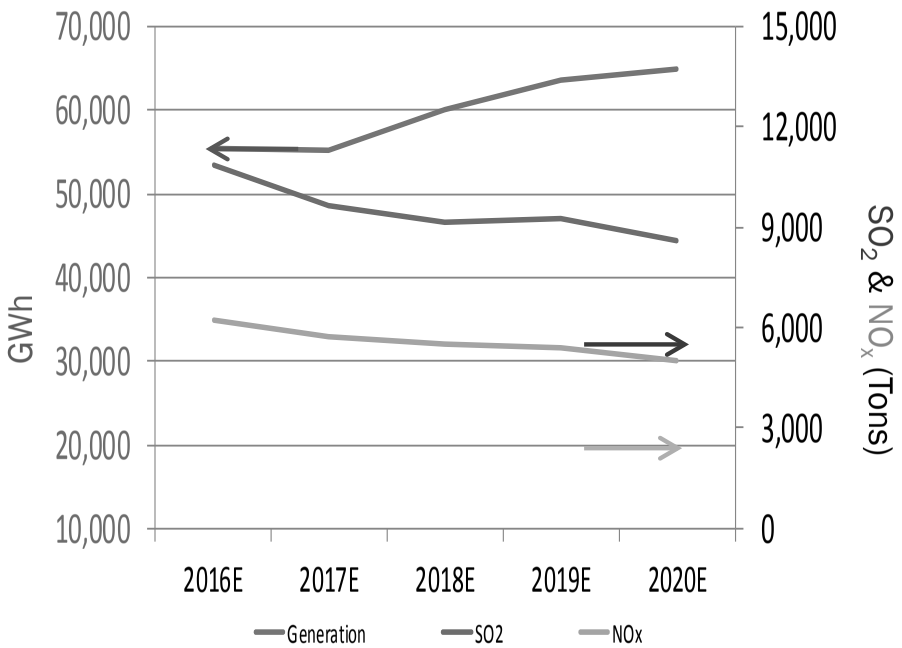


- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

E = ESTIMATE

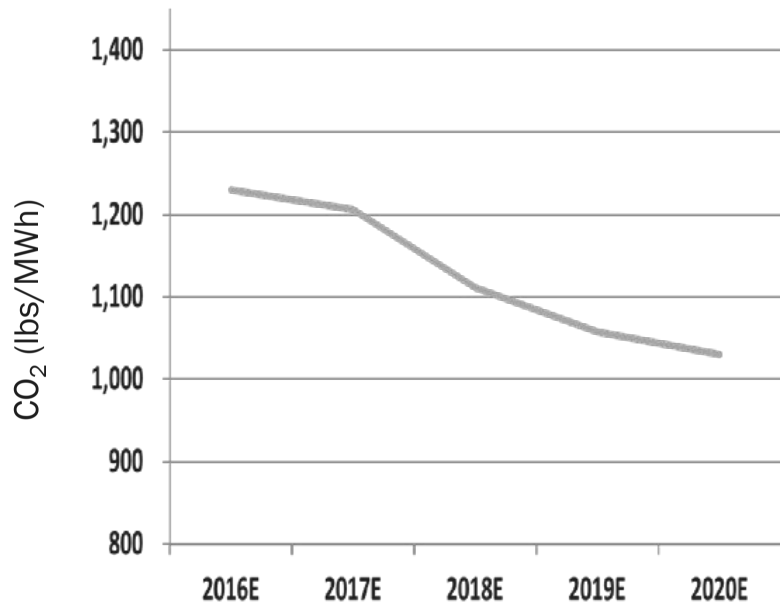
PSEG Power's fossil fleet …

Among the lowest emitting in the industry



- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

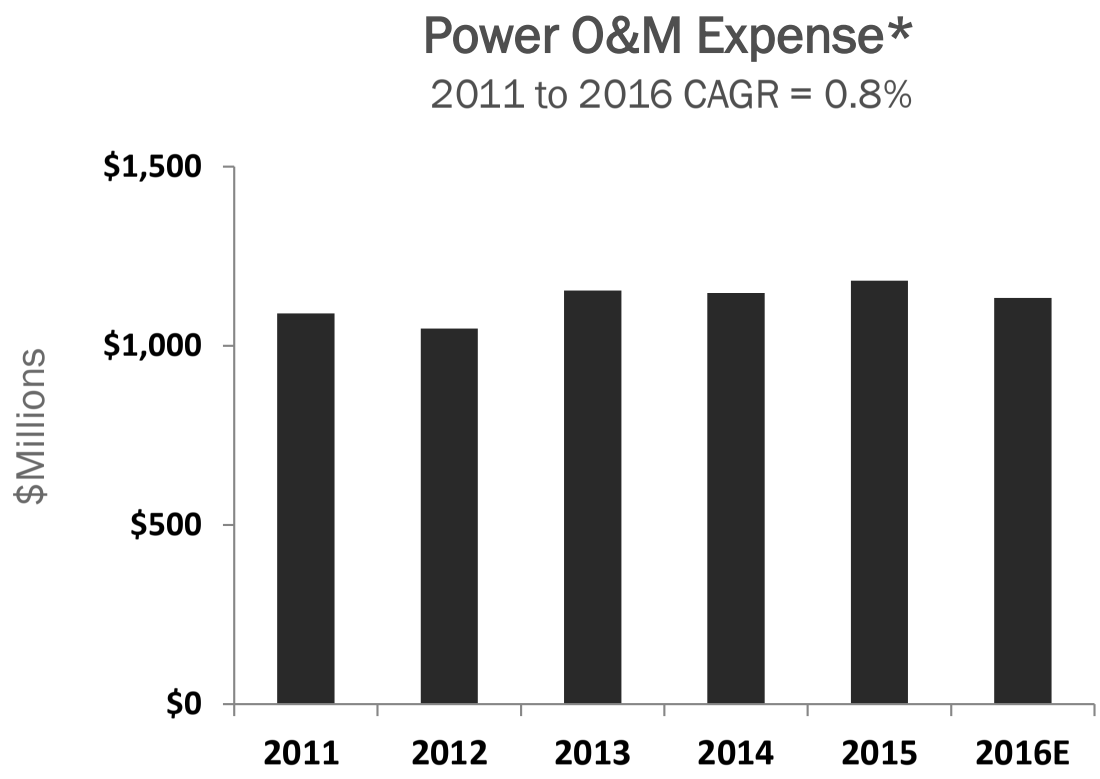
Expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

E = ESTIMATE

PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Fall 2016
  - Unit 3 - Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 – December 2015

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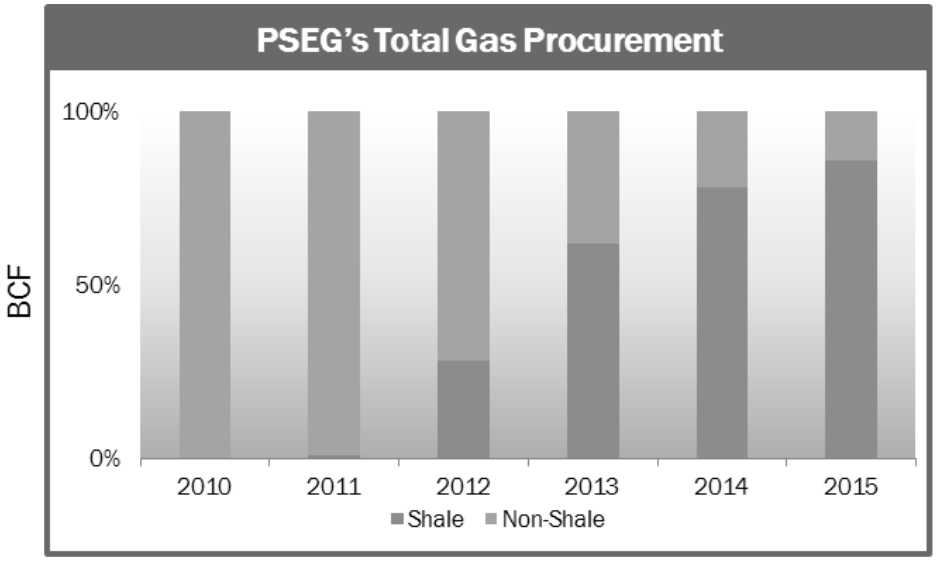
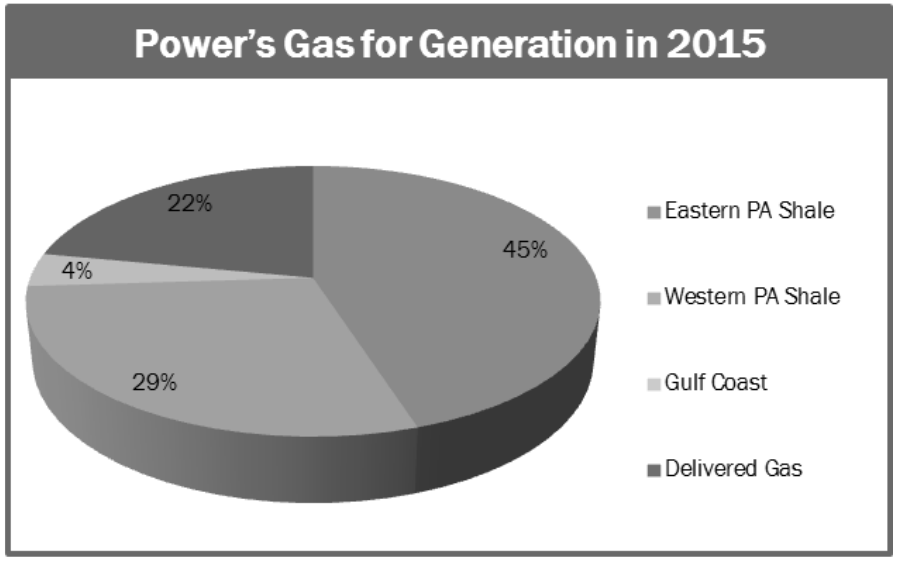
Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas





- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

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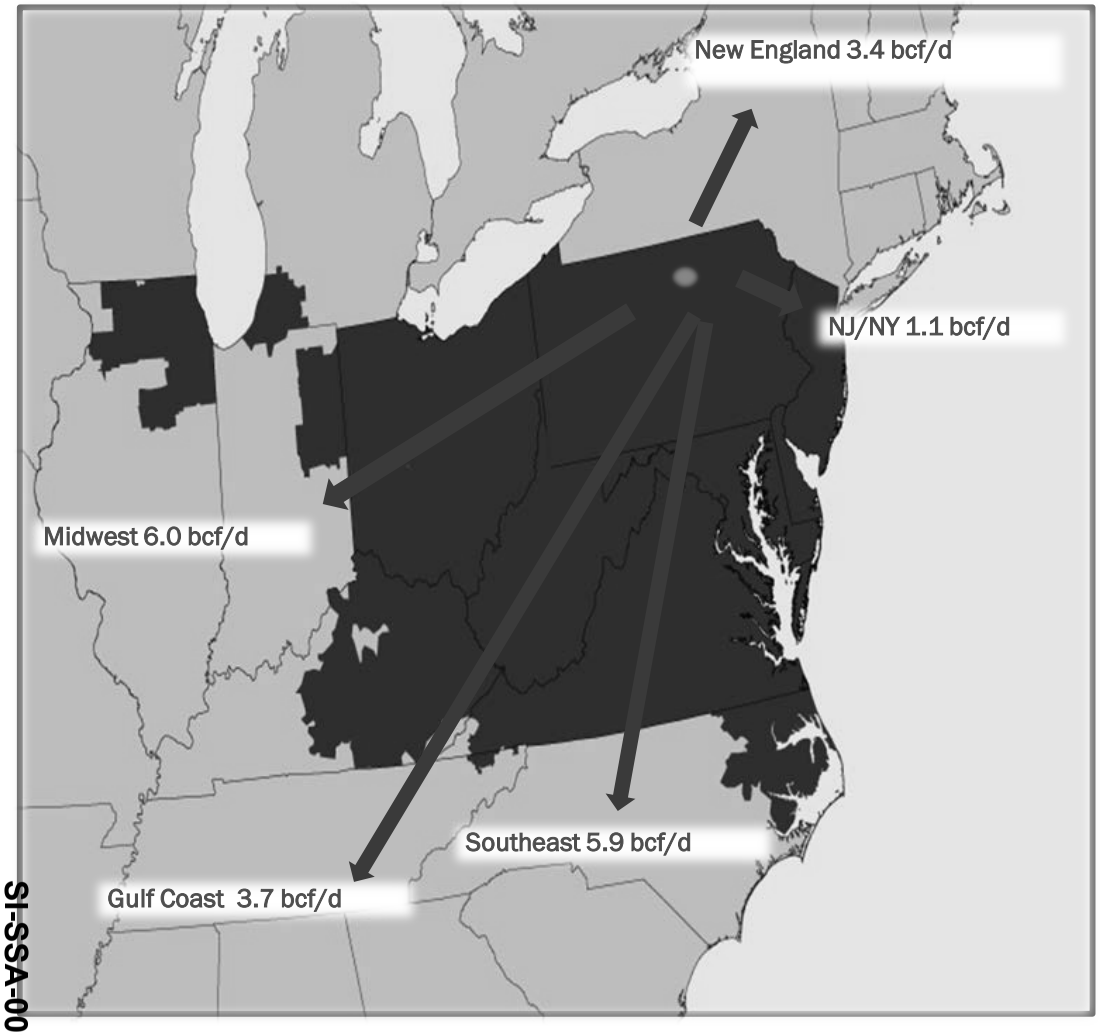
Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

SI-SSA-0015-11694

Regulatory Framework: New capacity and energy market designs in PSEG's core markets (PJM and New England) will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs addressing critical RTO issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after SCOTUS ruling
	STATE INTERVENTION	• LCAPP: Awaiting Supreme Court decision • Ohio PPA: Challenged at the local level by the IPP industry, PJM and FERC
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves ordered for FCA 11 (2021) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe

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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

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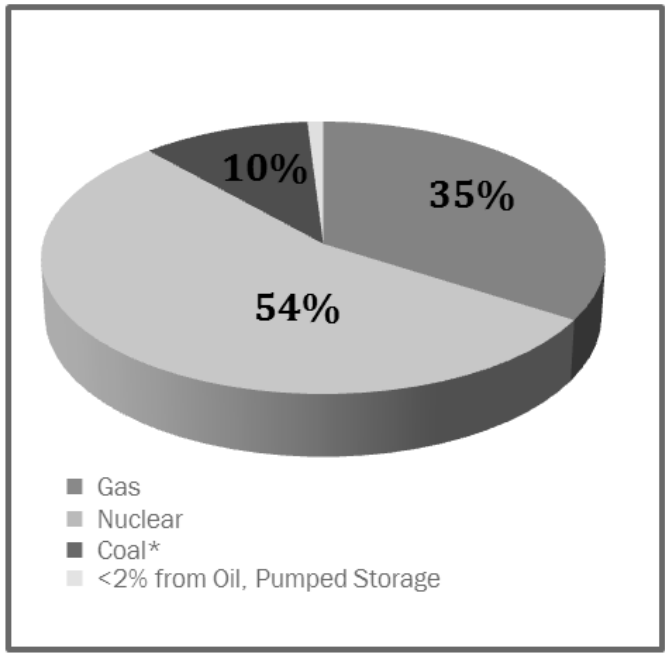
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

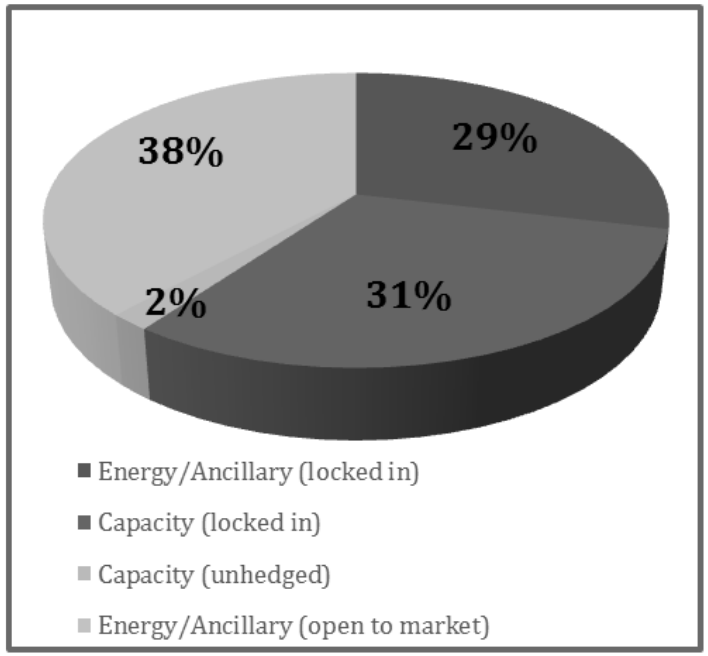
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



. E = ESTIMATE.

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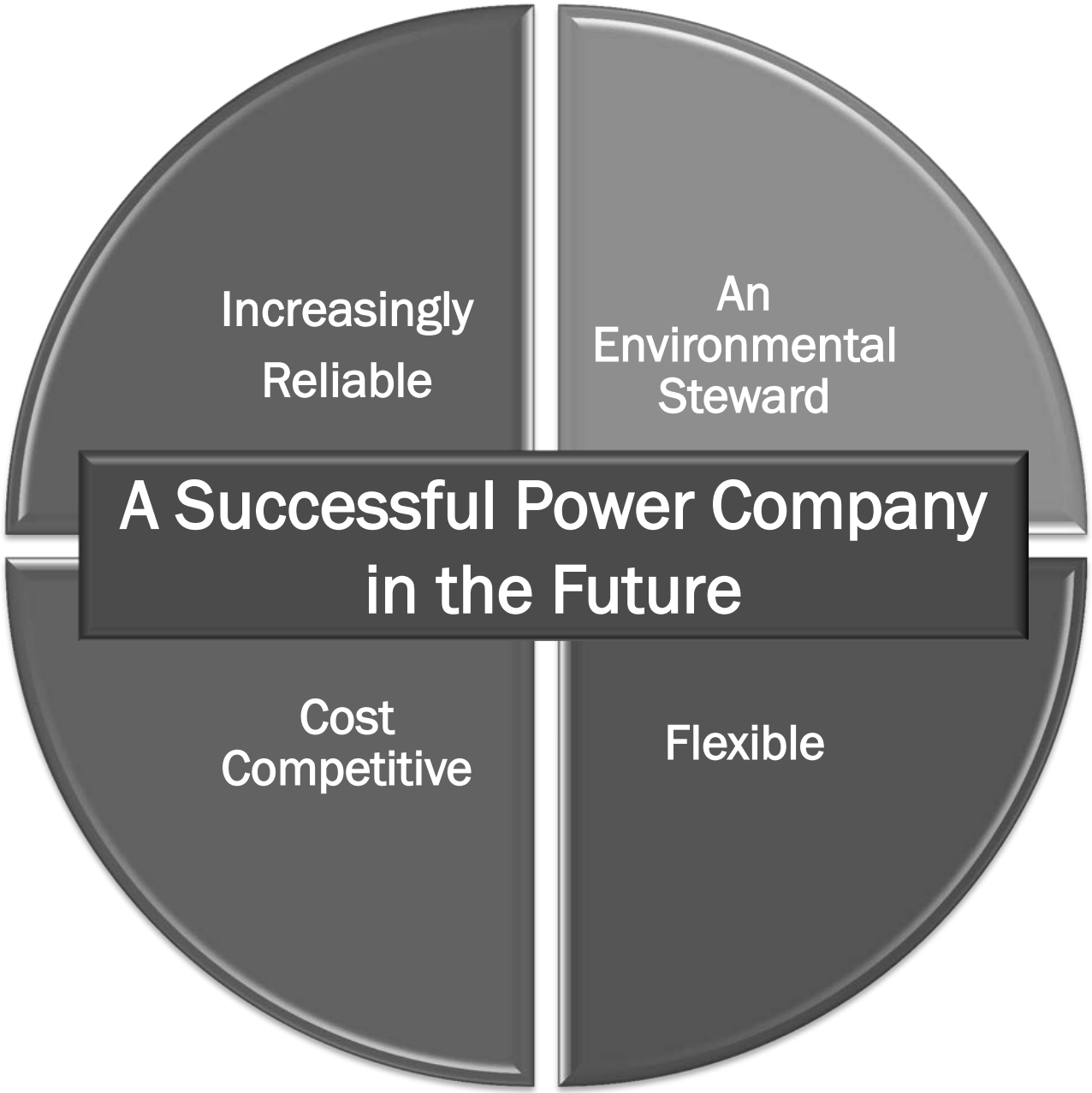

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Items Excluded from Income from Continuing Operations/Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

WOLFE RESEARCH – POWER & GAS 2014 DEEP DIVE CONFERENCE

HOUSTON, TEXAS – APRIL 2, 2014

Shahid Malik

PRESIDENT, PSEG ENERGY RESOURCES & TRADE

PSEG

We make things work for you.

We have the **energy** to make things better ... for you, for our investors and for our stakeholders.

SI-SSA-0015-11700

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-11701

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-11702

Agenda

About PSEG

PSEG Power's Operations

Wholesale Market Positioning

SI-SSA-0015-11703

Two complementary businesses

Strong asset platform, performing well and positioned for the future

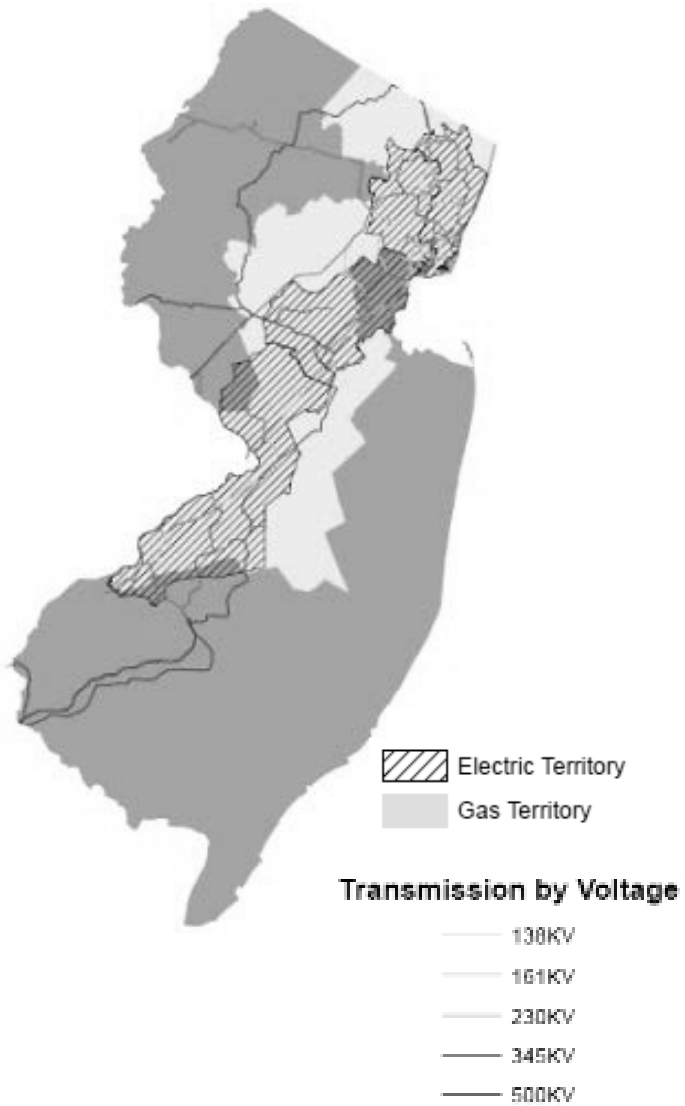
PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-11704

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-11705

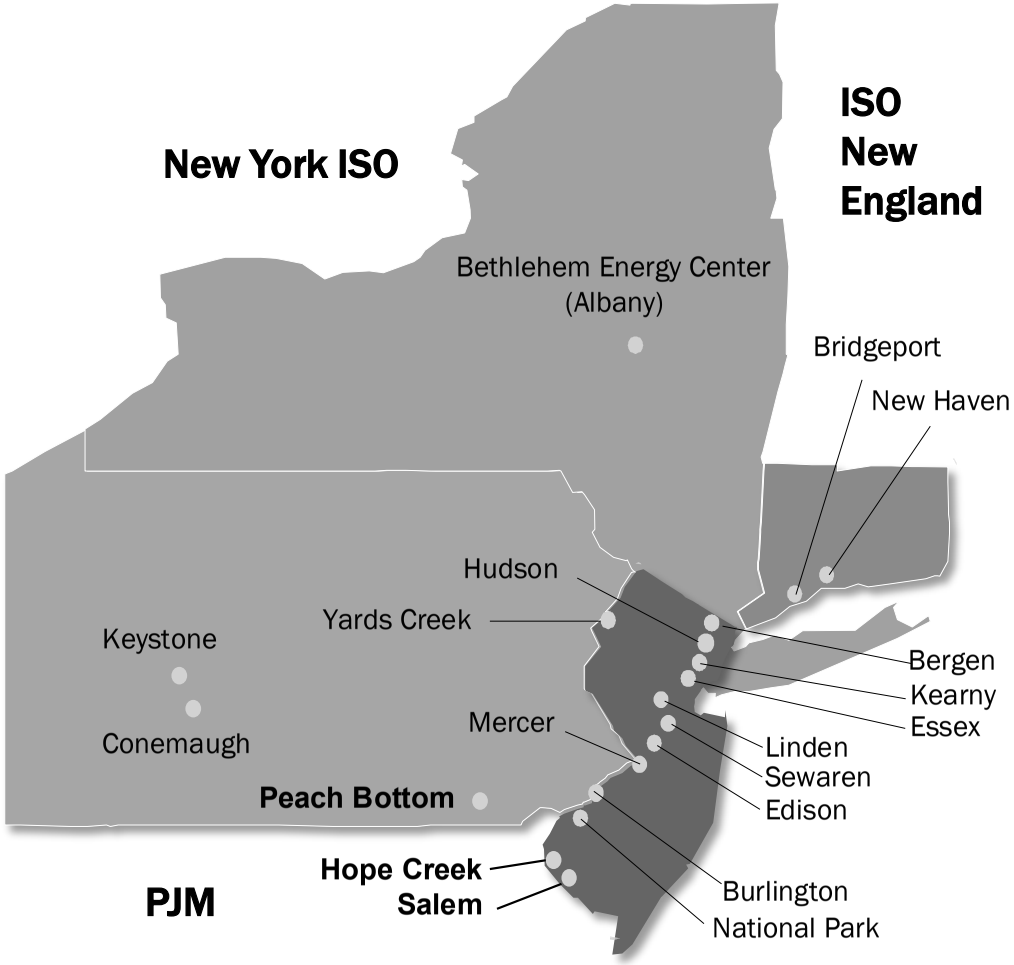
PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD retirements
- Most sites suitable for expansion



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Agenda

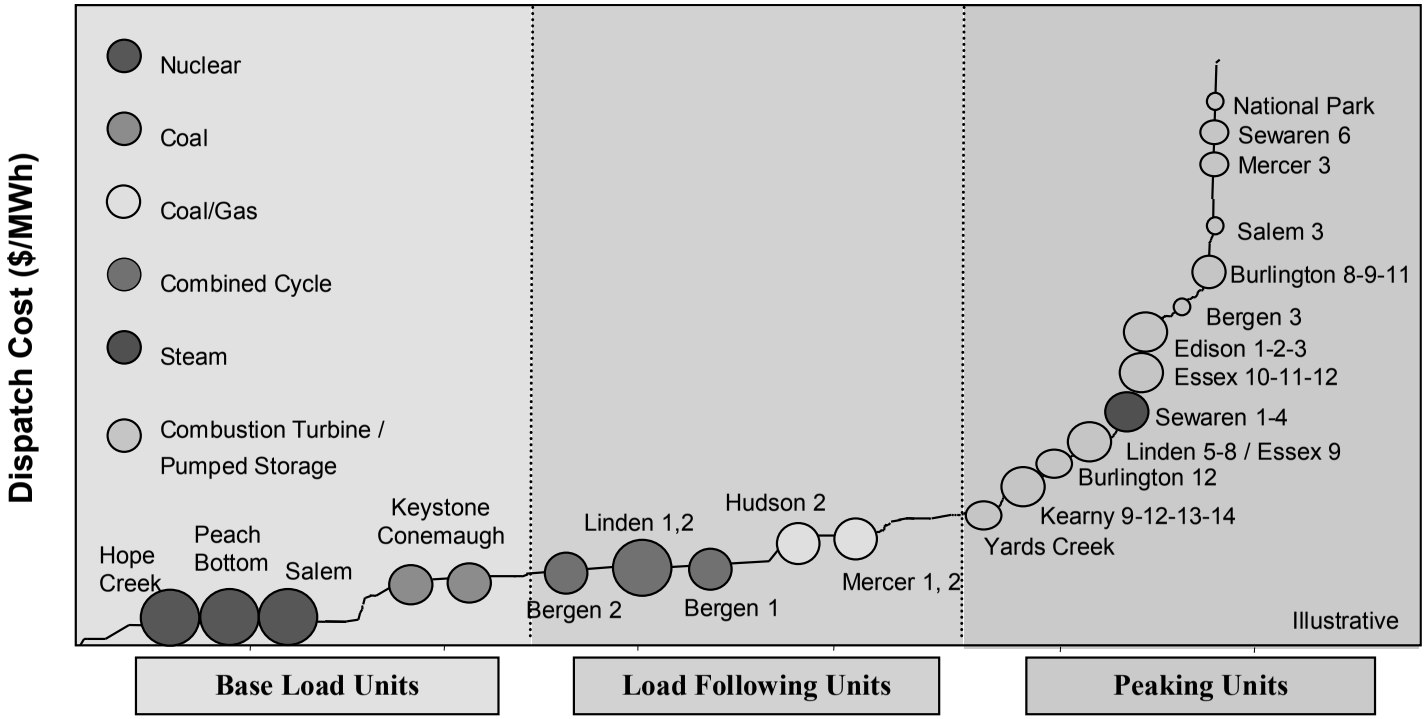
About PSEG

PSEG Power's Operations

Wholesale Market Positioning

SI-SSA-0015-11707

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

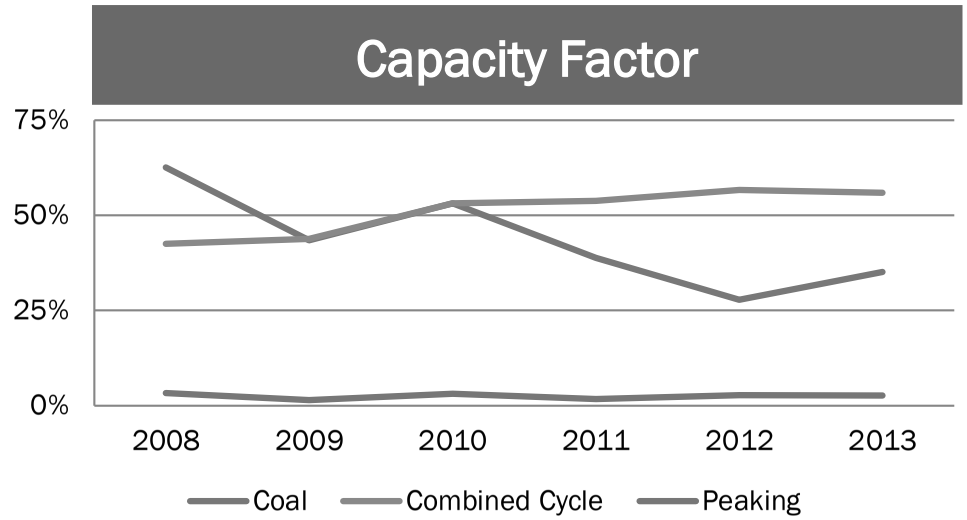
- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

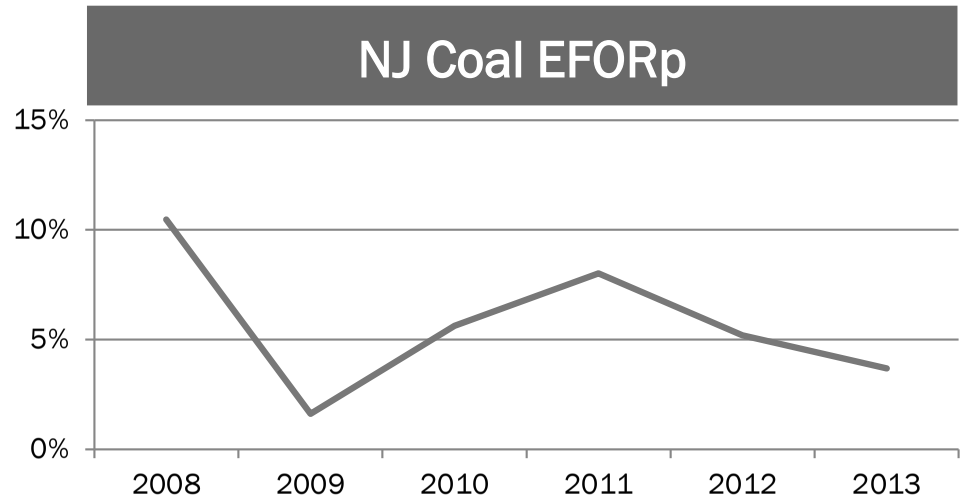
- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

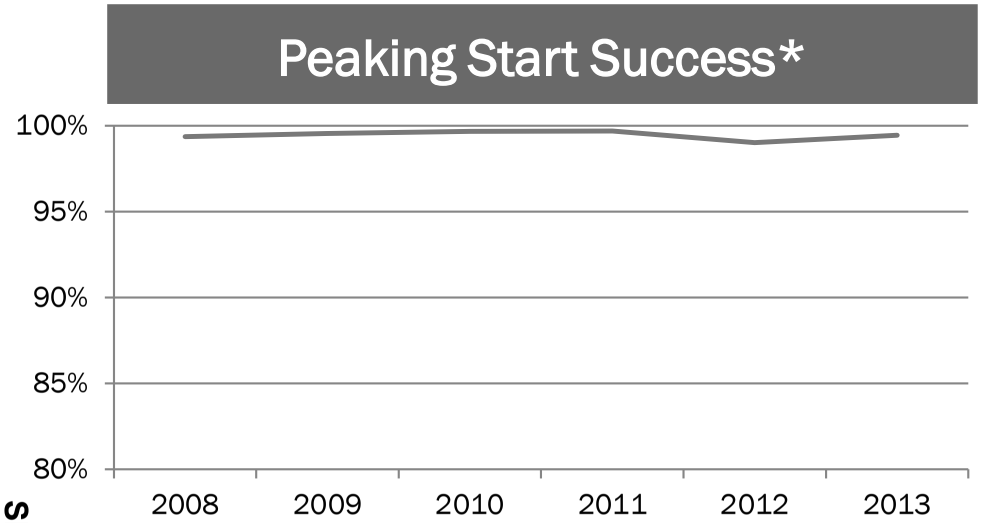
SI-SSA-0015-11708

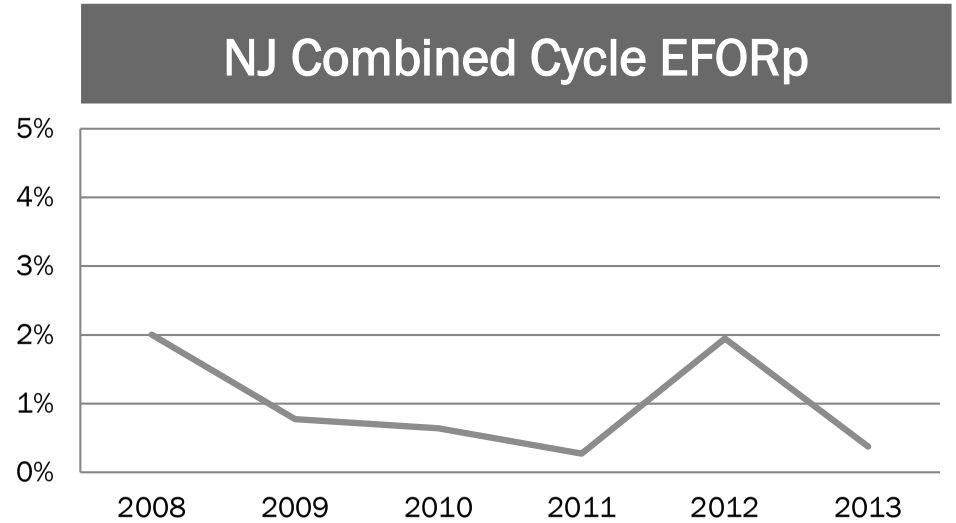
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

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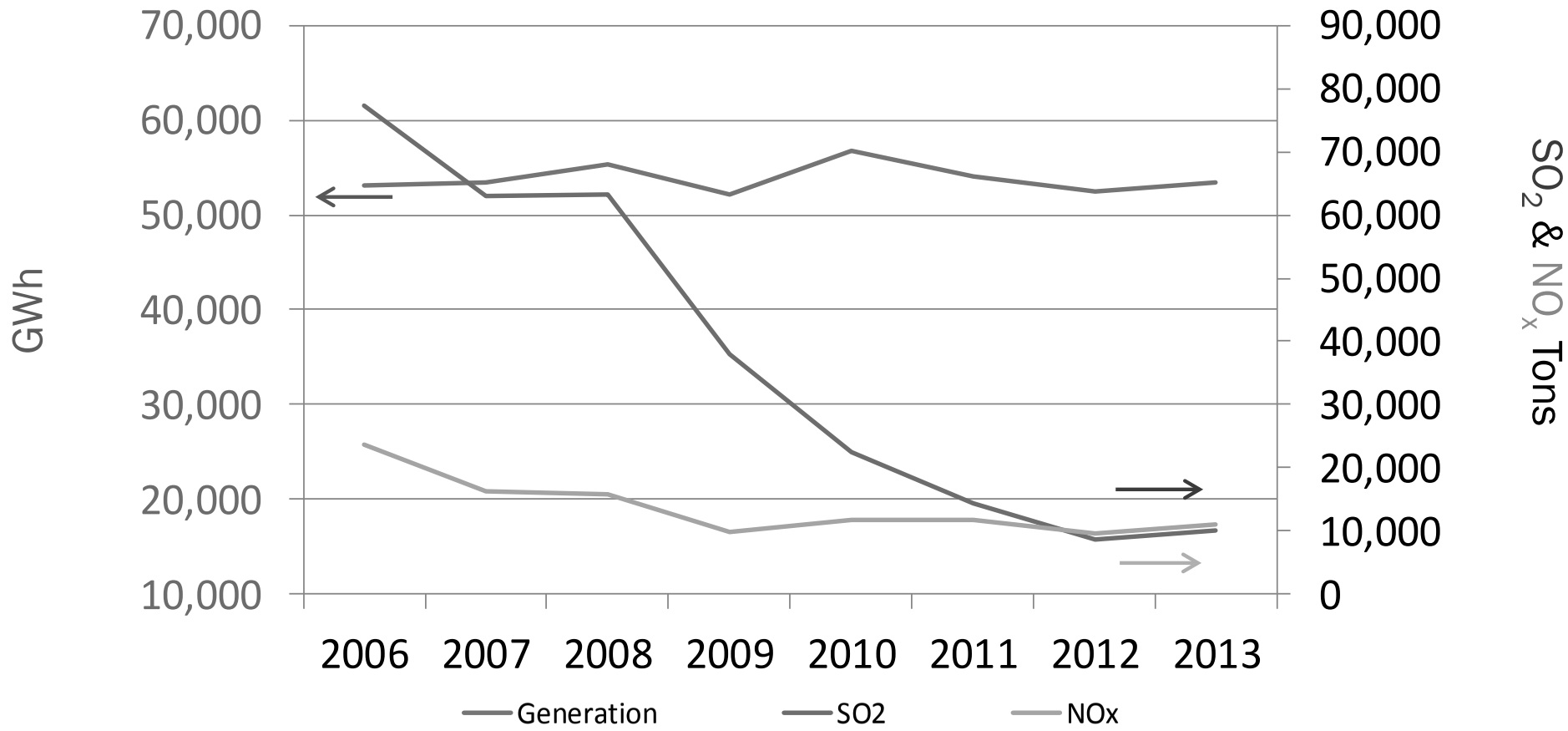
PSEG

*LM6000 AND 7EA UNITS

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

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Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

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PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

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Agenda

About PSEG

PSEG Power's Operations

Wholesale Market Positioning

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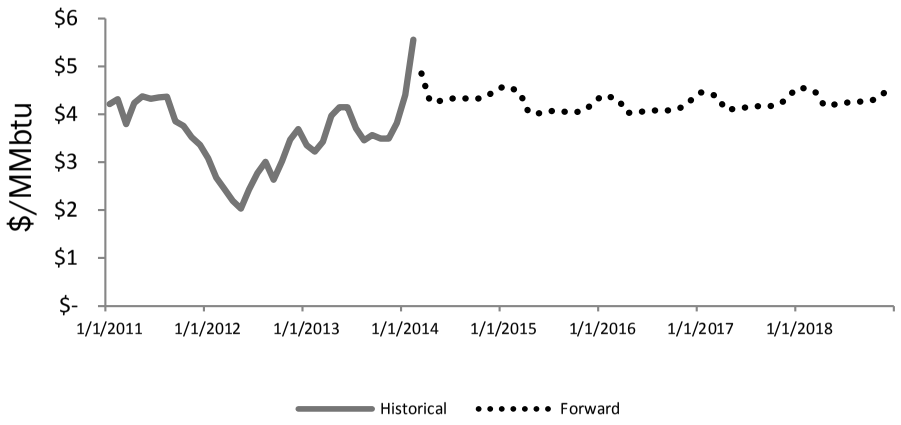
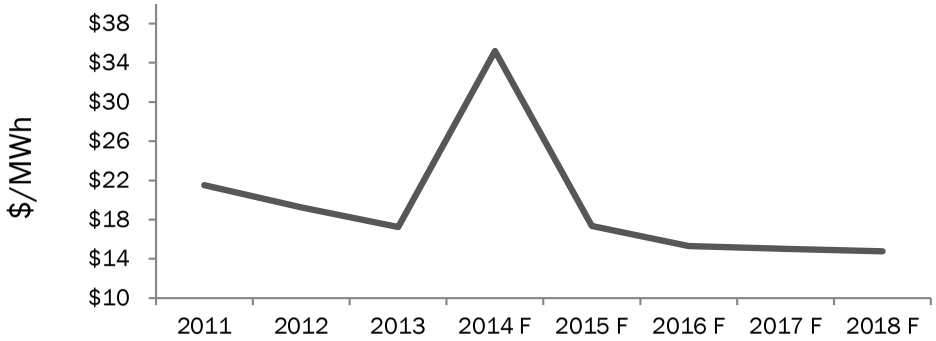
Market Review: Prices have stabilized

NYMEX Natural Gas Price



PJM West RTC

PJM West Spark Spreads



- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

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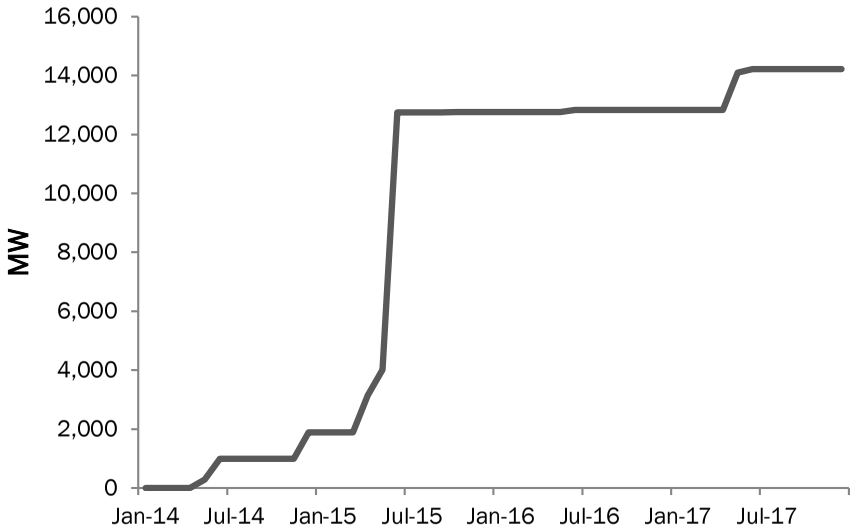
PSEG

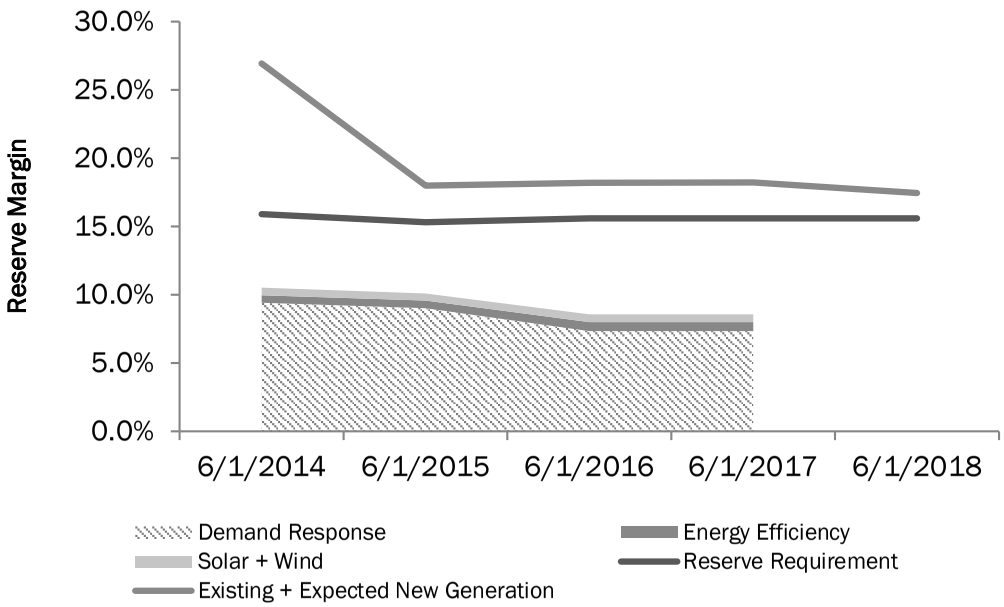
F=FORWARDS AS OF 3/24/14
2014F INCLUDES HISTORY AND FORWARDS AS OF 3/24/14

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

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PSEG

*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

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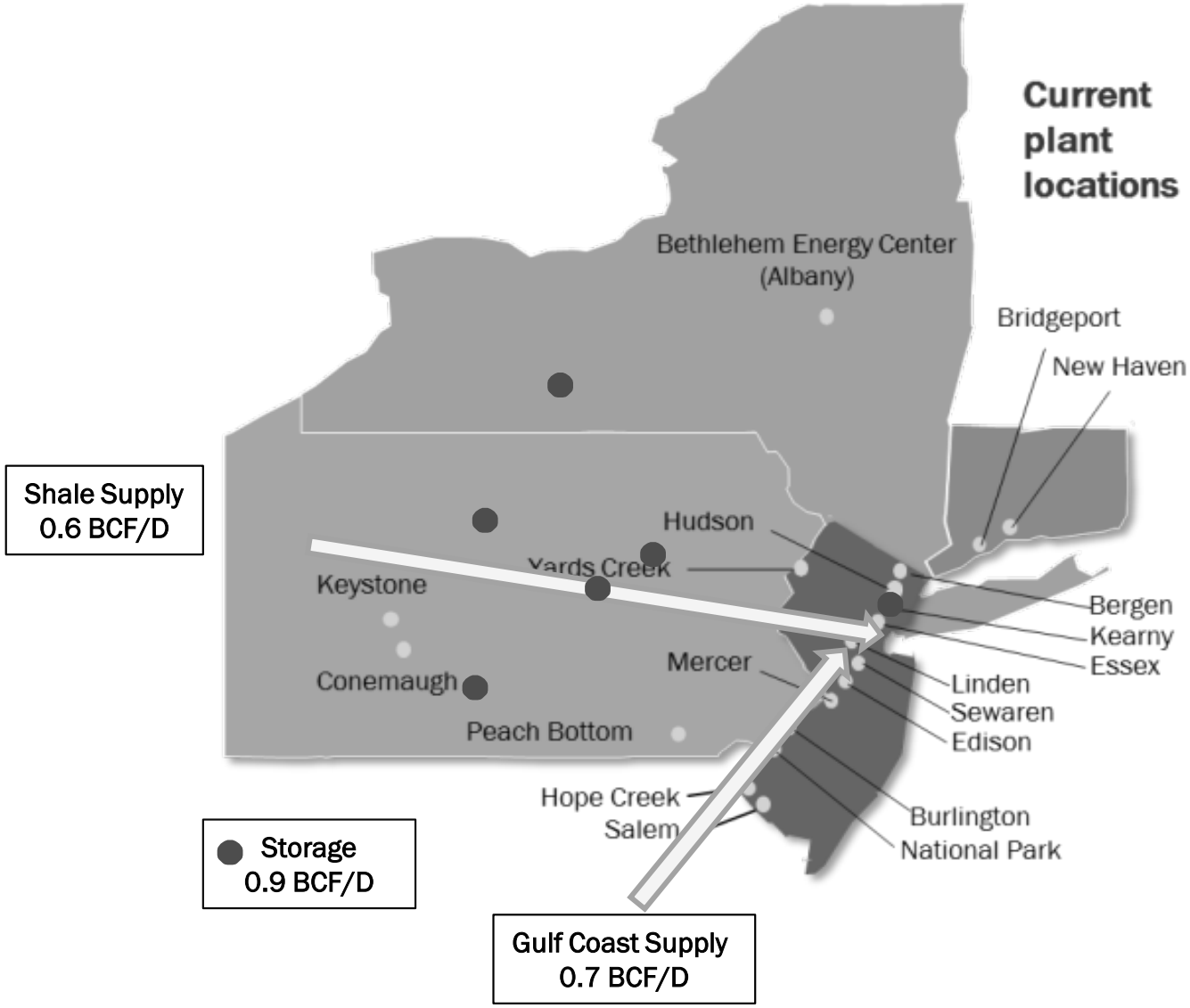
Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



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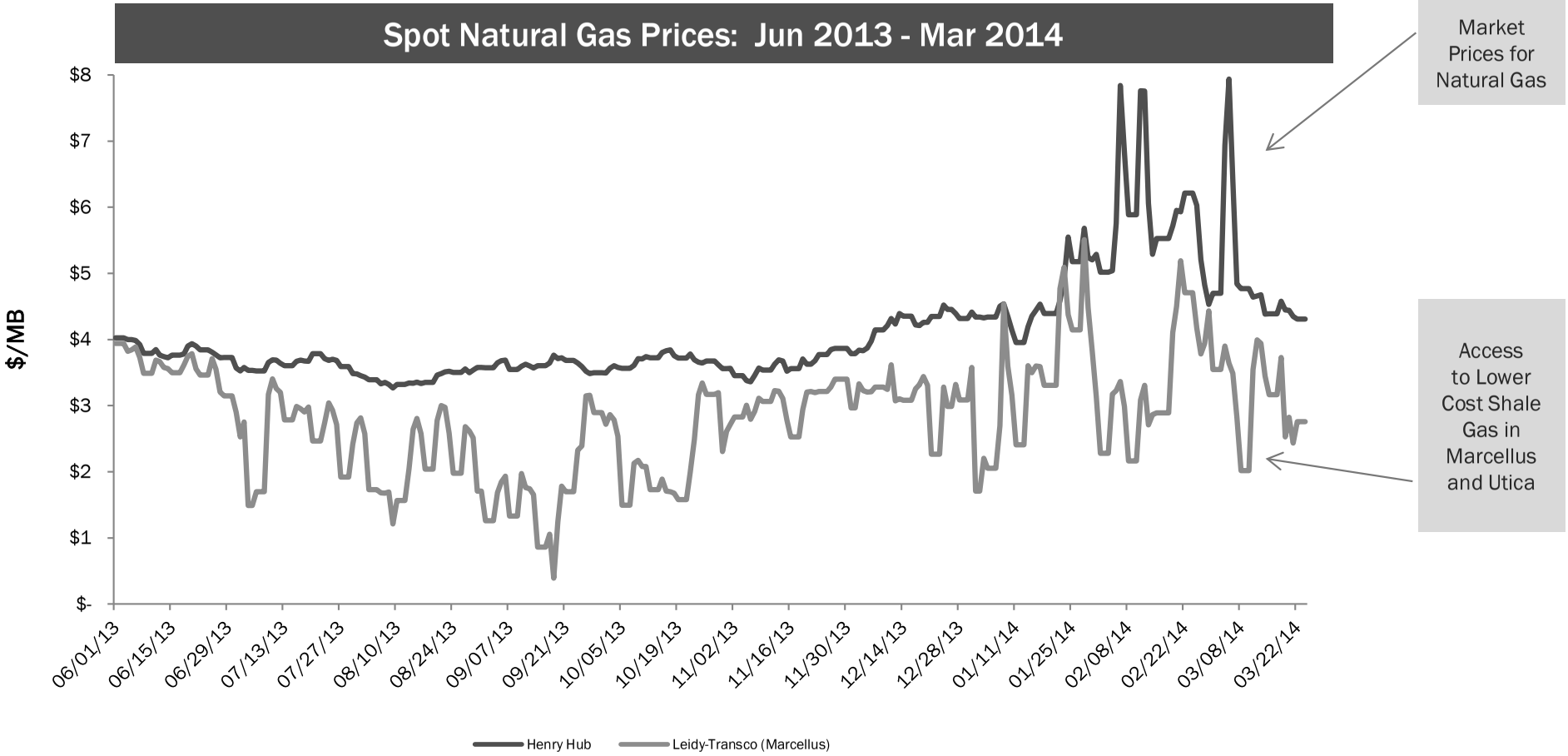
Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus



- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

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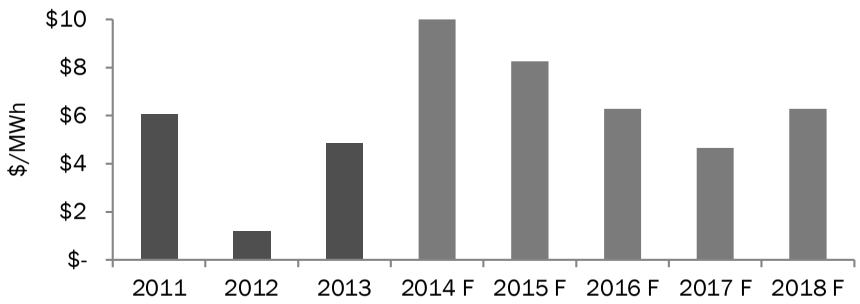
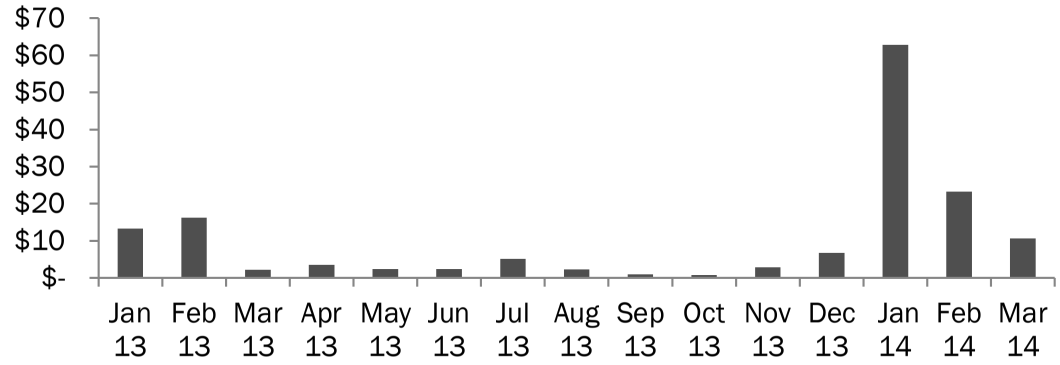
Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

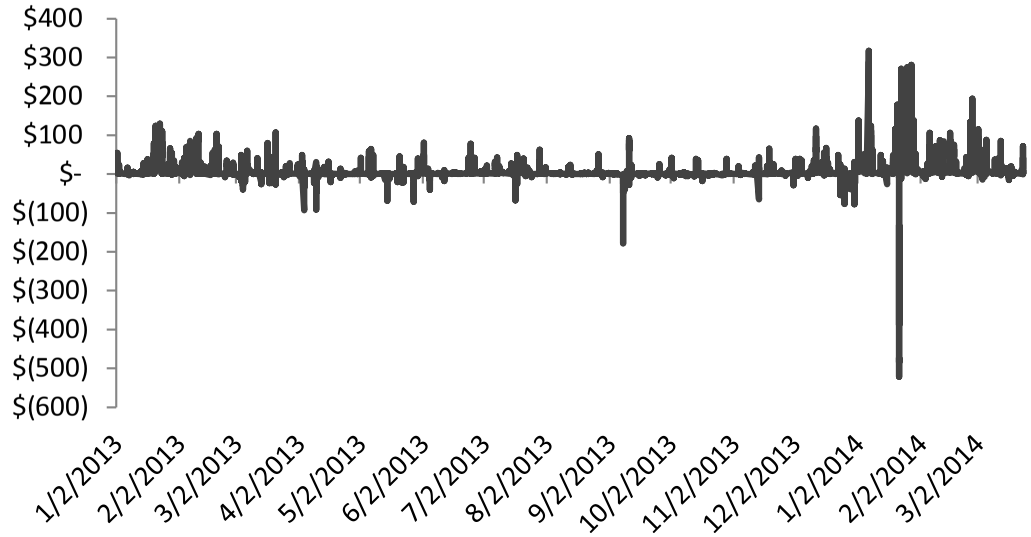


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

PS Zone Real Time On Peak Hourly Basis to PJM-W



-ANNUAL FORWARD BASIS TO PJM-WEST AS OF 3/24/2014.
-2014F INCLUDES HISTORY AND FORWARDS AS OF 3/24/14

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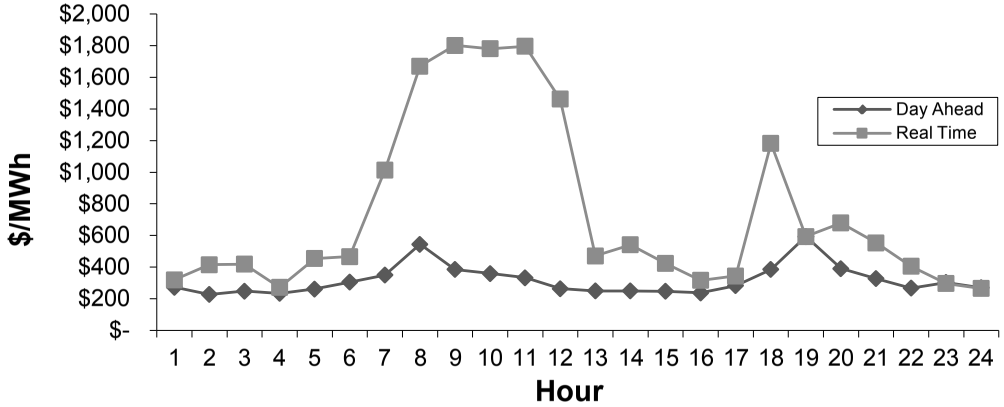
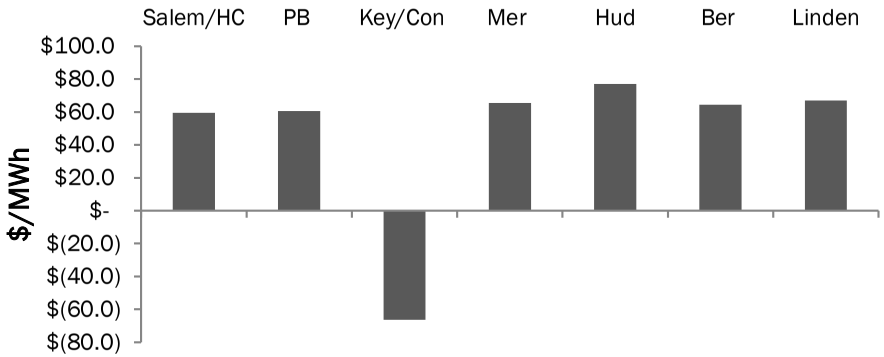
Competitive Advantage: Trading & Asset Flexibility

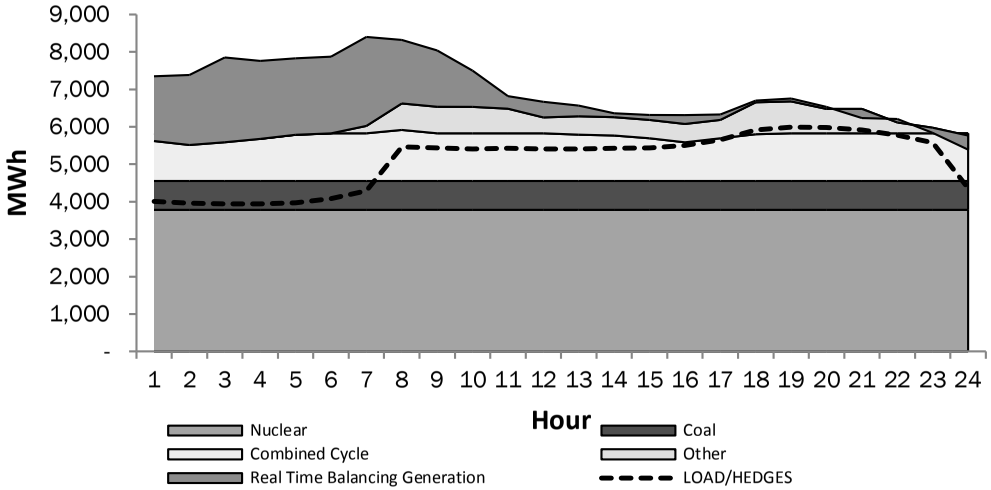
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014



- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

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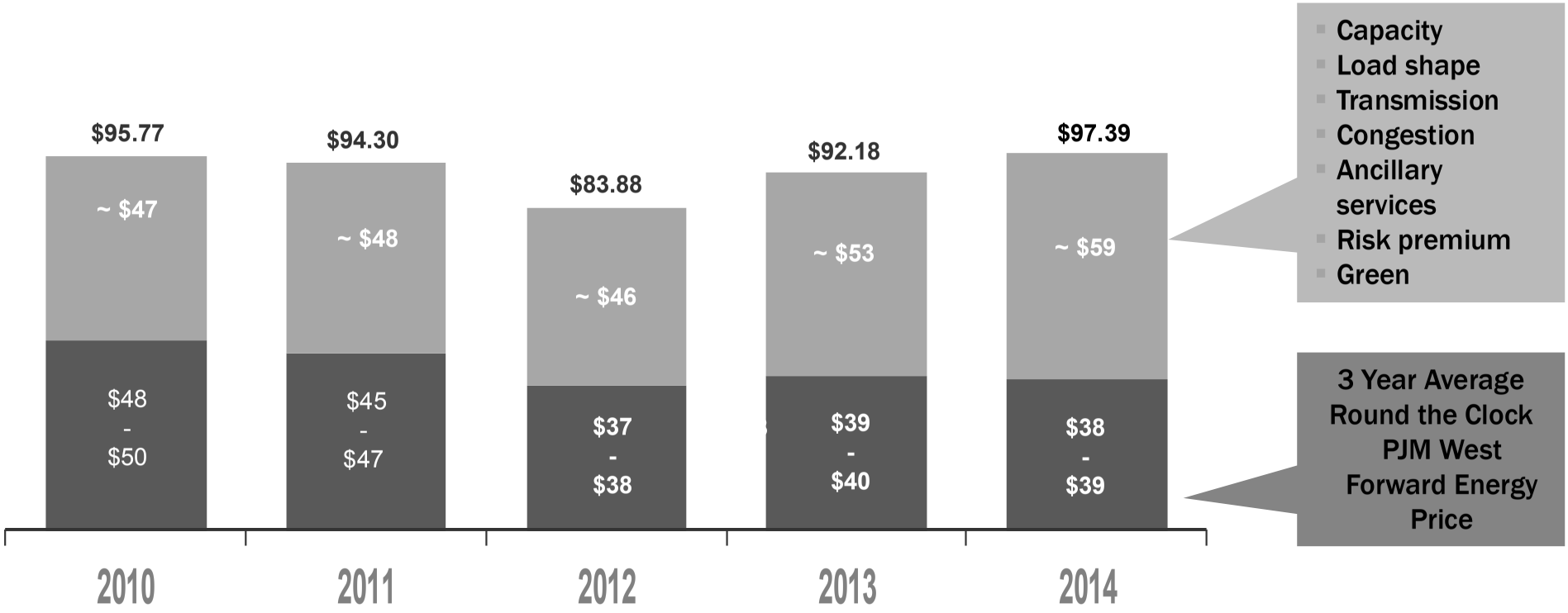
Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

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PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

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Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

RPM Auction Results*					
($/MW-day)	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	2016 / 2017
Power's Average Prices	$153	$242	$166	$166	$166
Rest of Pool Prices	$16	$28	$126	$136	$59
Power's Cleared Capacity (MW)	10,400	10,890	10,710	9,210	8,610

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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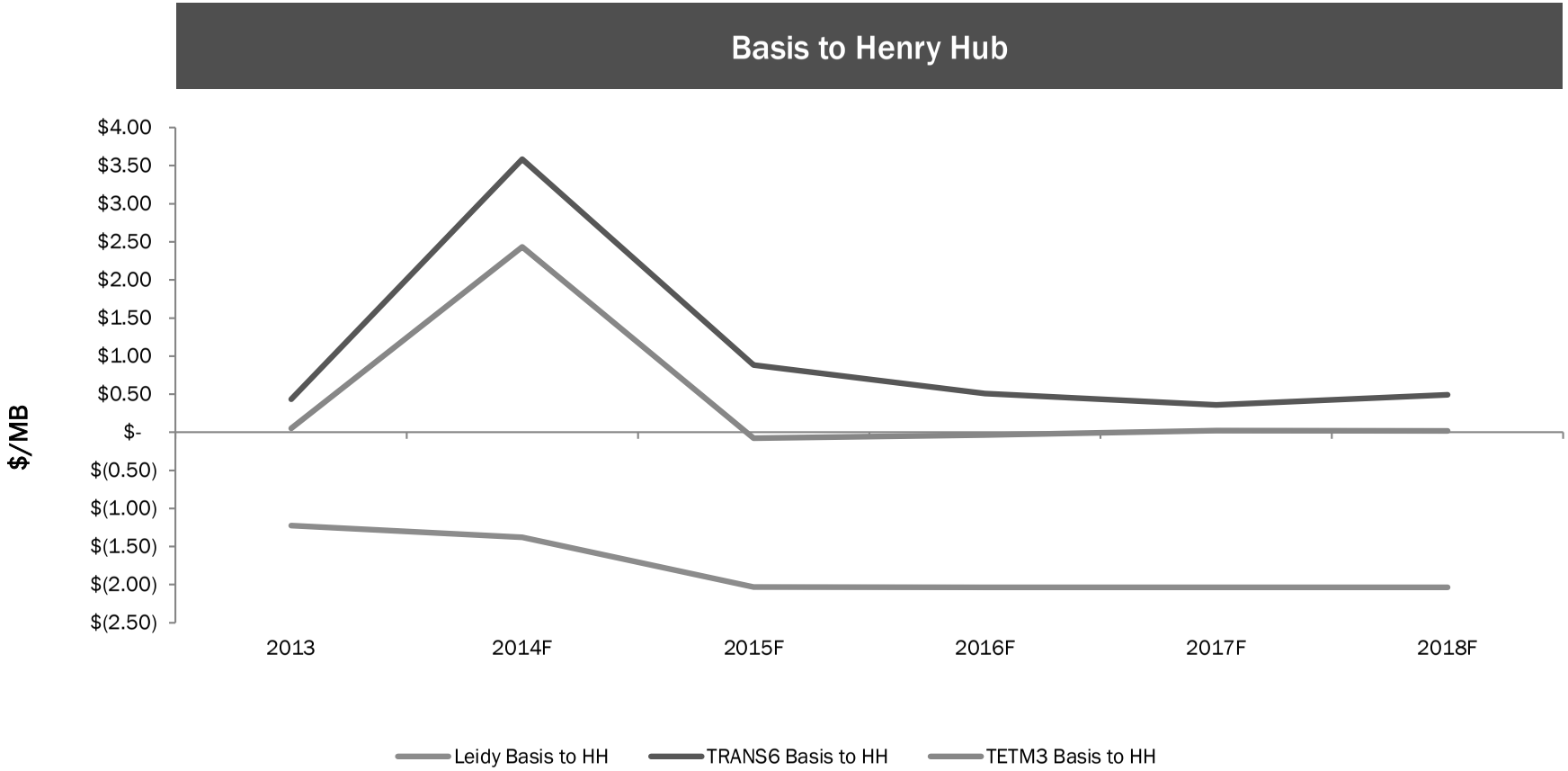
PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

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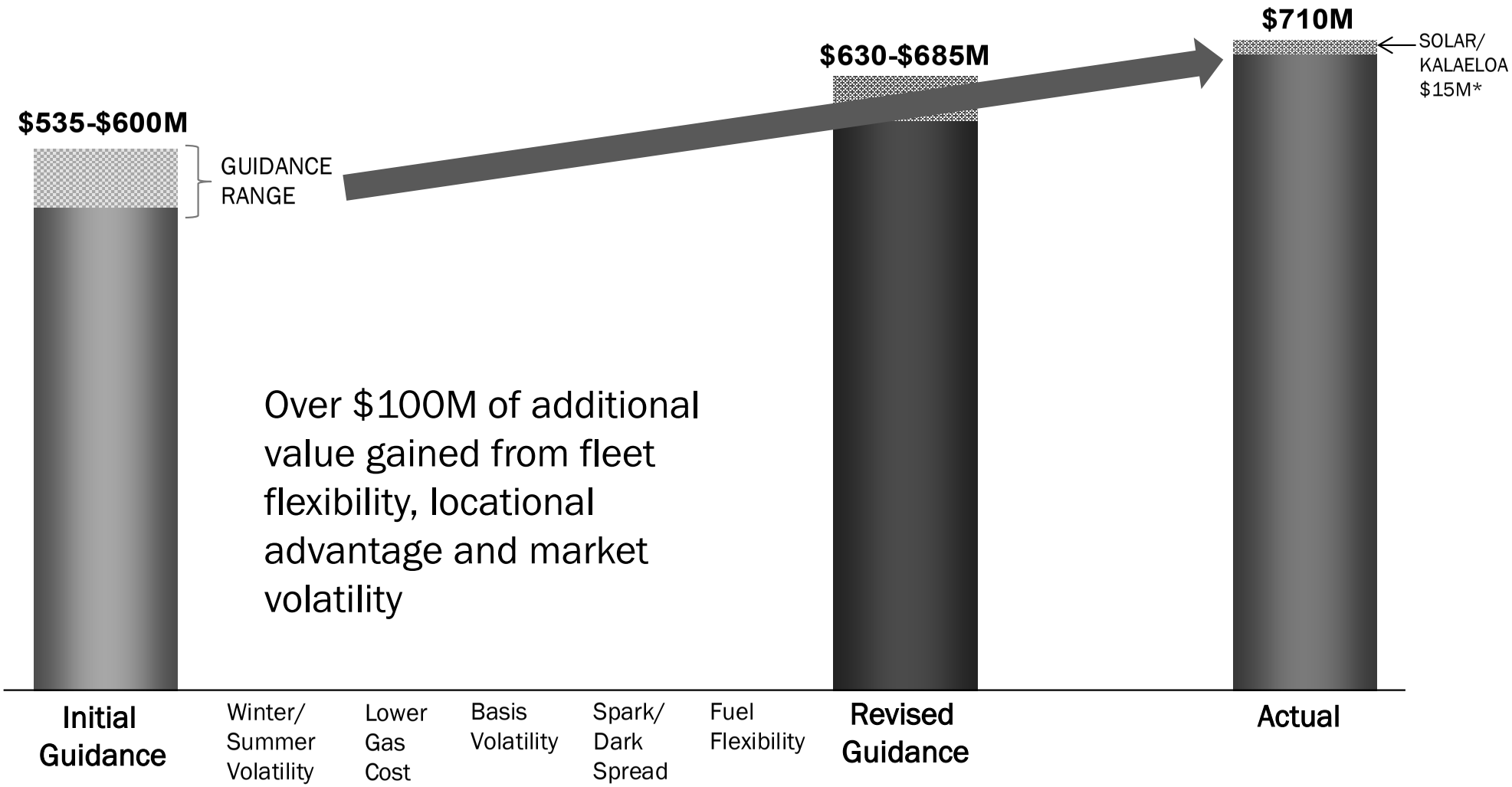
PSEG

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 3/24/14. LEIDY BASIS FROM ICE/BROKER QUOTES.
2014F INCLUDES HISTORY AND FORWARDS AS OF 3/24/14

PSEG Power exceeded 2013's earnings guidance



OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-11725

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-11726

Appendix

SI-SSA-0015-11727

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a] Includes the financial impact from positions with forward delivery months.

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

WOLFE TRAHAN 2013 POWER & GAS DEEP DIVE CONFERENCE

HOUSTON, TEXAS – APRIL 11, 2013

Shahid Malik

PRESIDENT, PSEG ENERGY RESOURCES & TRADE

PSEG

We make things work for you.

We have the **energy** to make things better ... for you, for our investors and for our stakeholders.

SI-SSA-0015-11729

Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-11730

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-11731

Agenda

About PSEG

PSEG Power's Operations

Wholesale market positioning

SI-SSA-0015-11732

PSEG met 2012's challenges

with our strong platform of assets

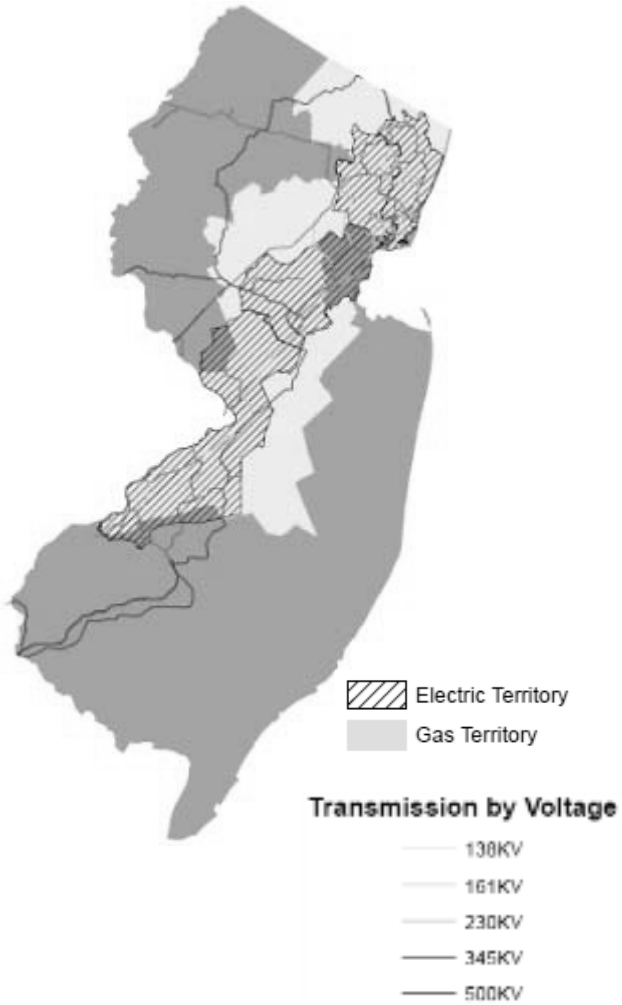
PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B Operating Earnings $528M	Assets $11.0B Operating Earnings $644M	Assets $1.5B Operating Earnings $64M

SI-SSA-0015-11733

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

PSEG

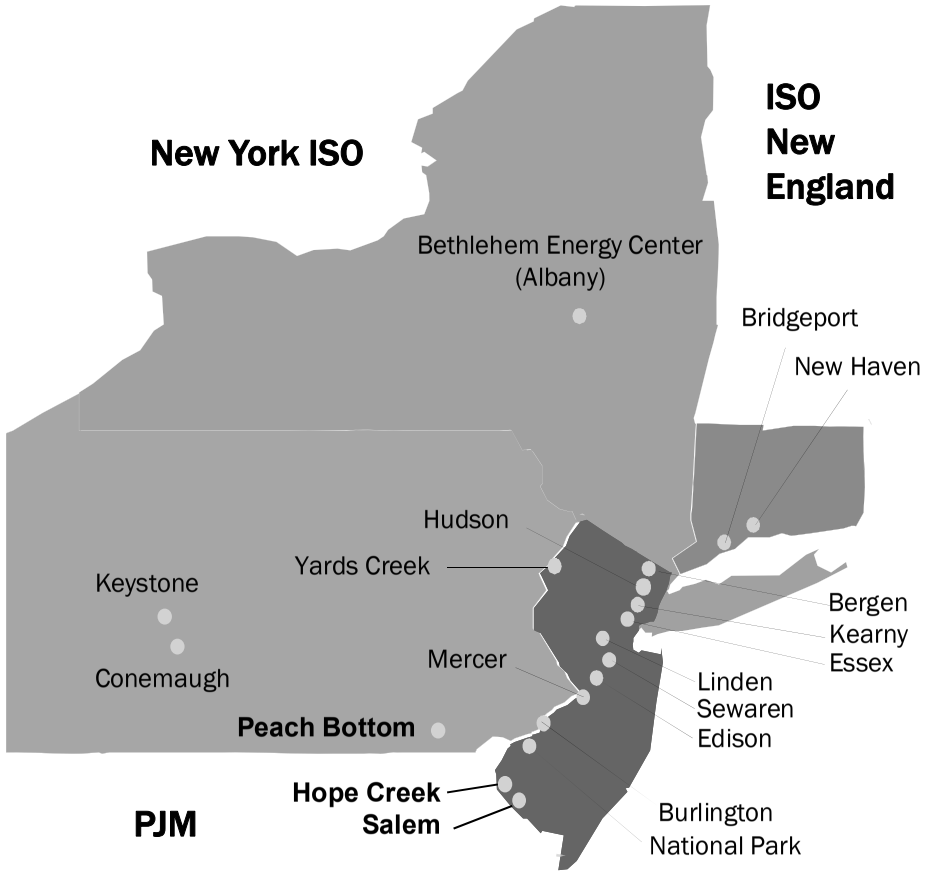
* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

SI-SSA-0015-11734

PSEG Power has generating assets

in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-11735

Agenda

About PSEG

PSEG Power's Operations

Wholesale market positioning

SI-SSA-0015-11736

PSEG Power wholesale market strategy

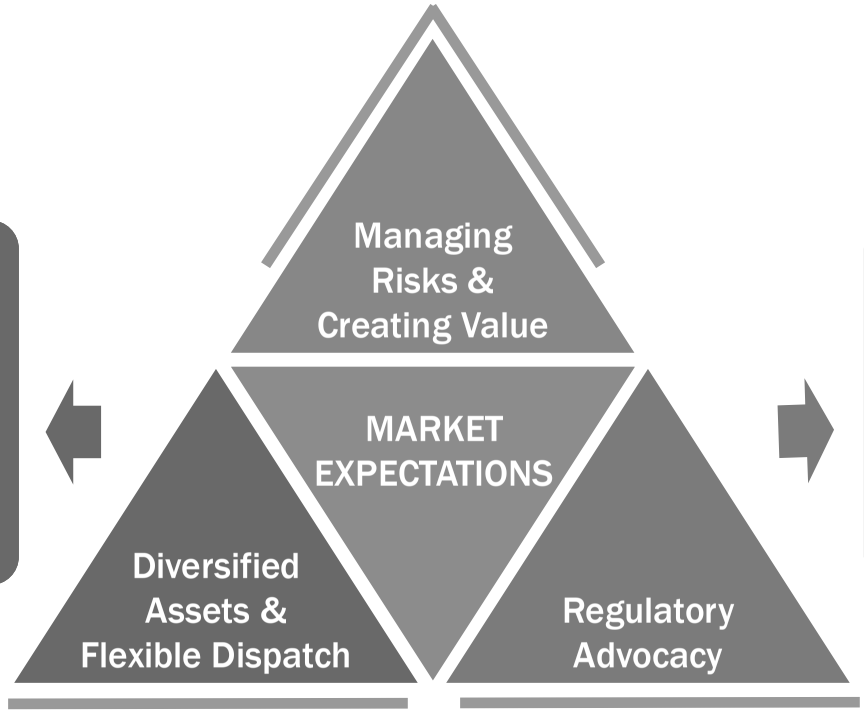
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Safety Performance Culture
Strong operational performance
Fuel switching
Ancillary services



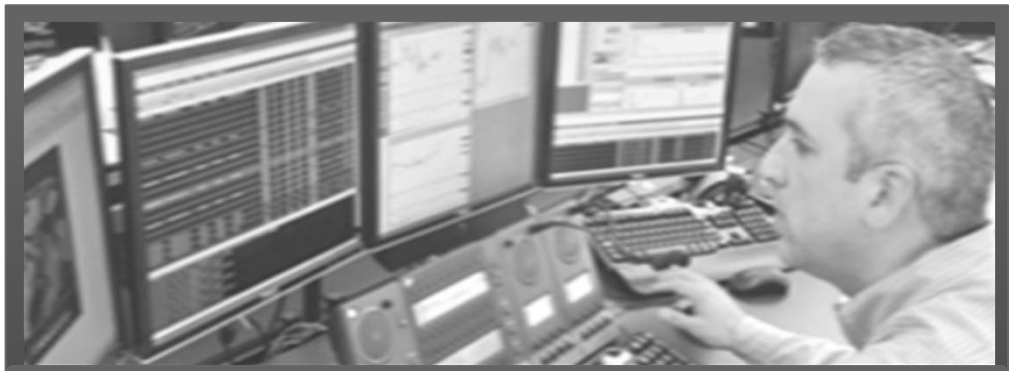
Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-11737

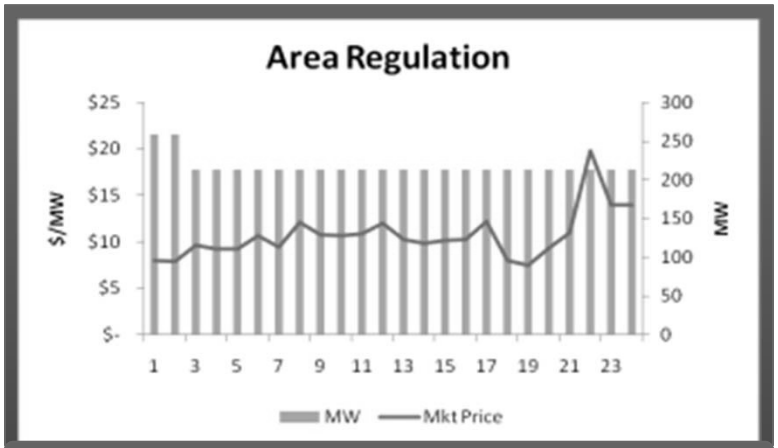
Fleet capacity has been advanced by:

Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities

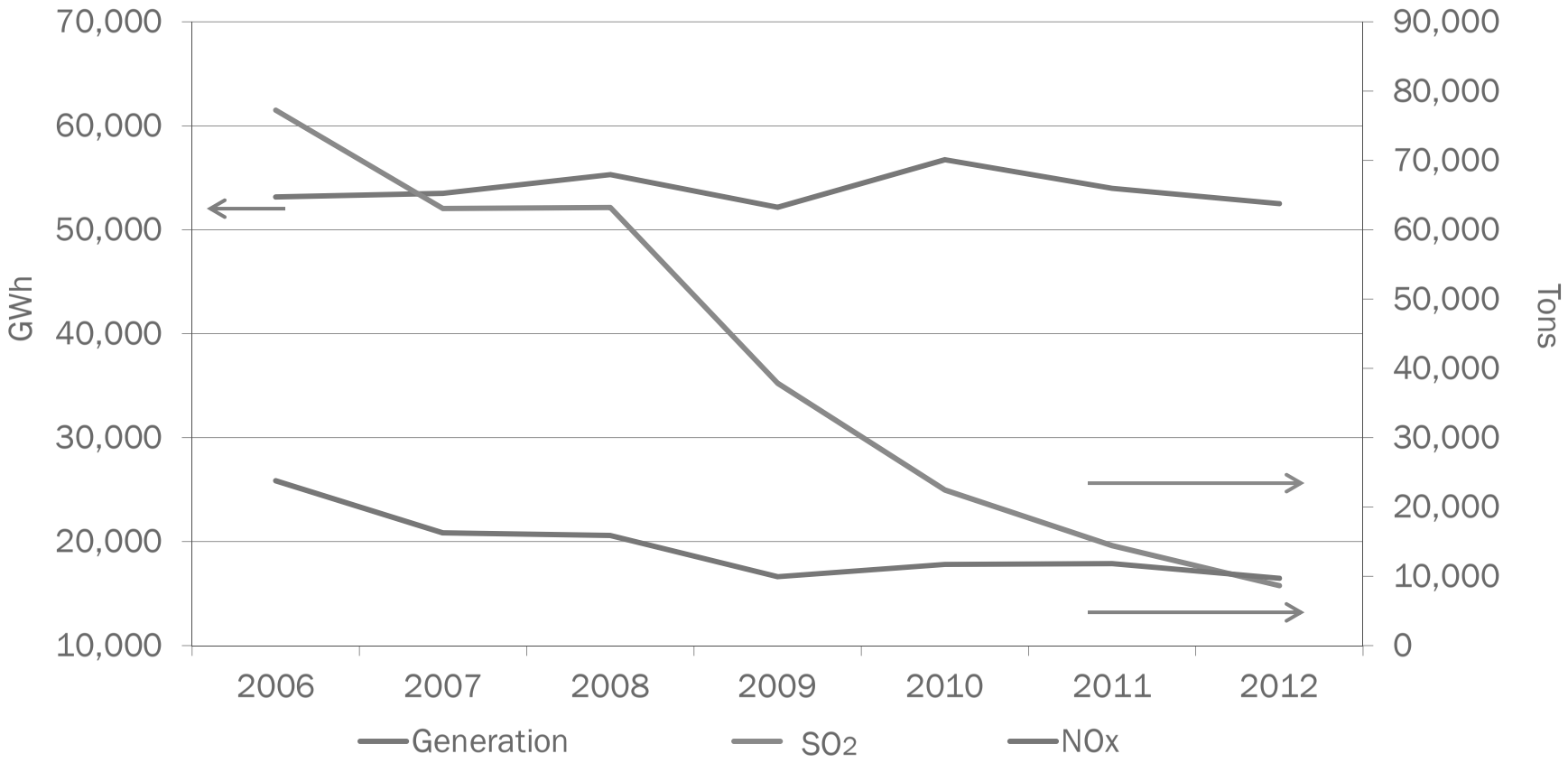
Reduced O&M and increased start-up success



Capturing new products opportunity with minimal investment

SI-SSA-0015-11738

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-11739

PSEG Power delivered in 2012

Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-11740

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

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* EXCLUDES SANDY IMPACT.

Agenda

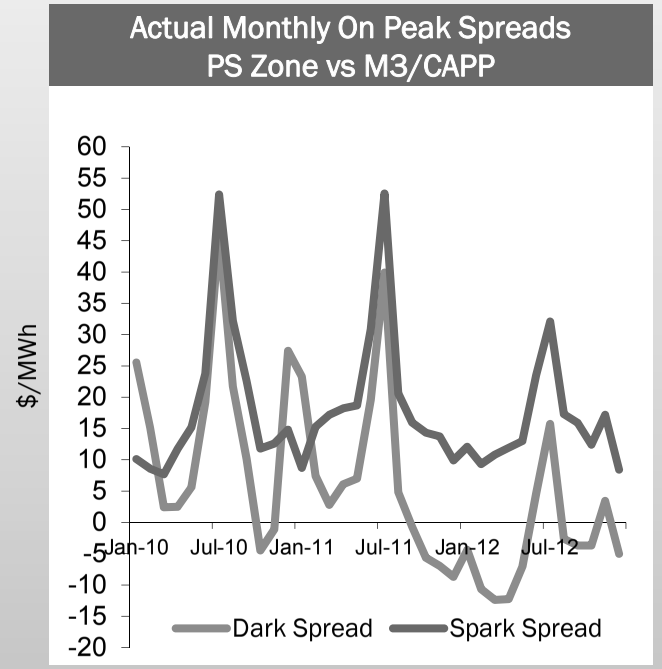
About PSEG

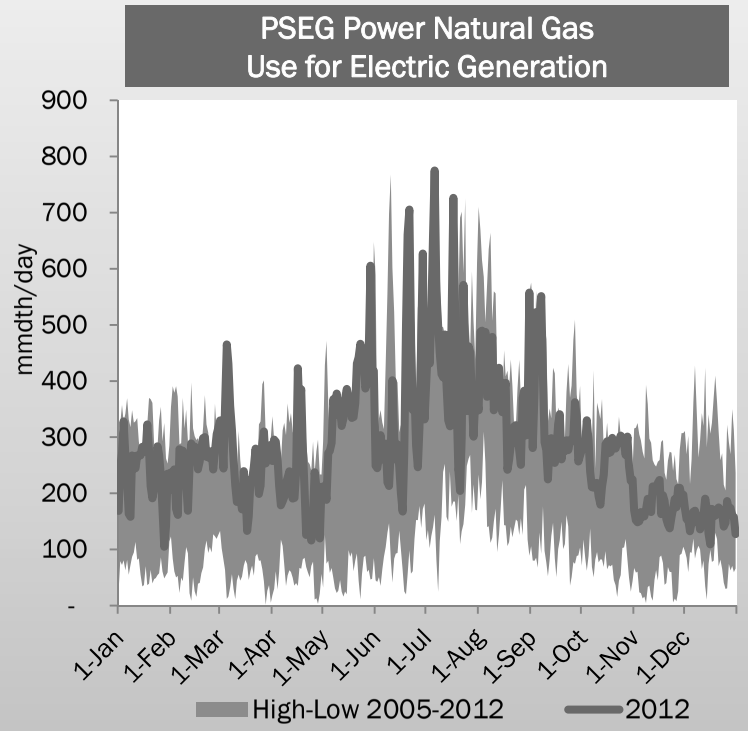
PSEG Power's Operations

Wholesale market positioning

SI-SSA-0015-11742

Spark spread replaces dark spread as major value driver



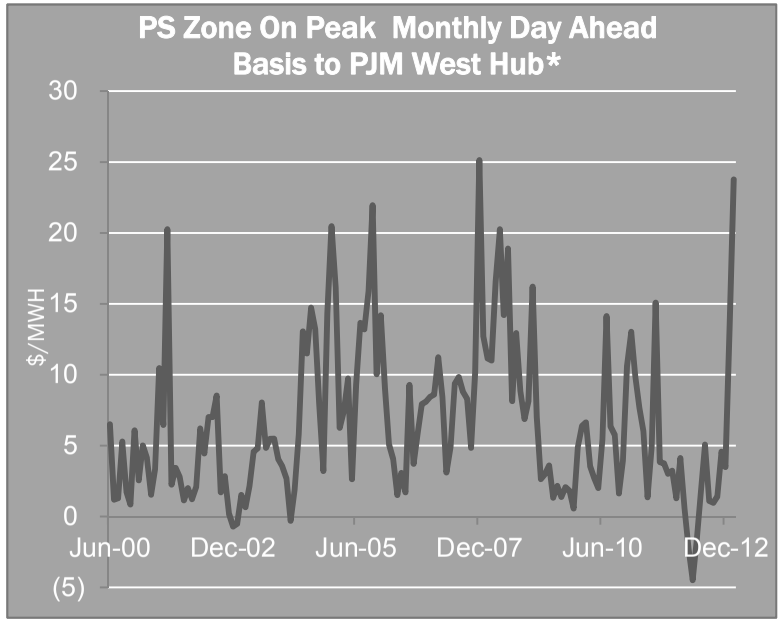


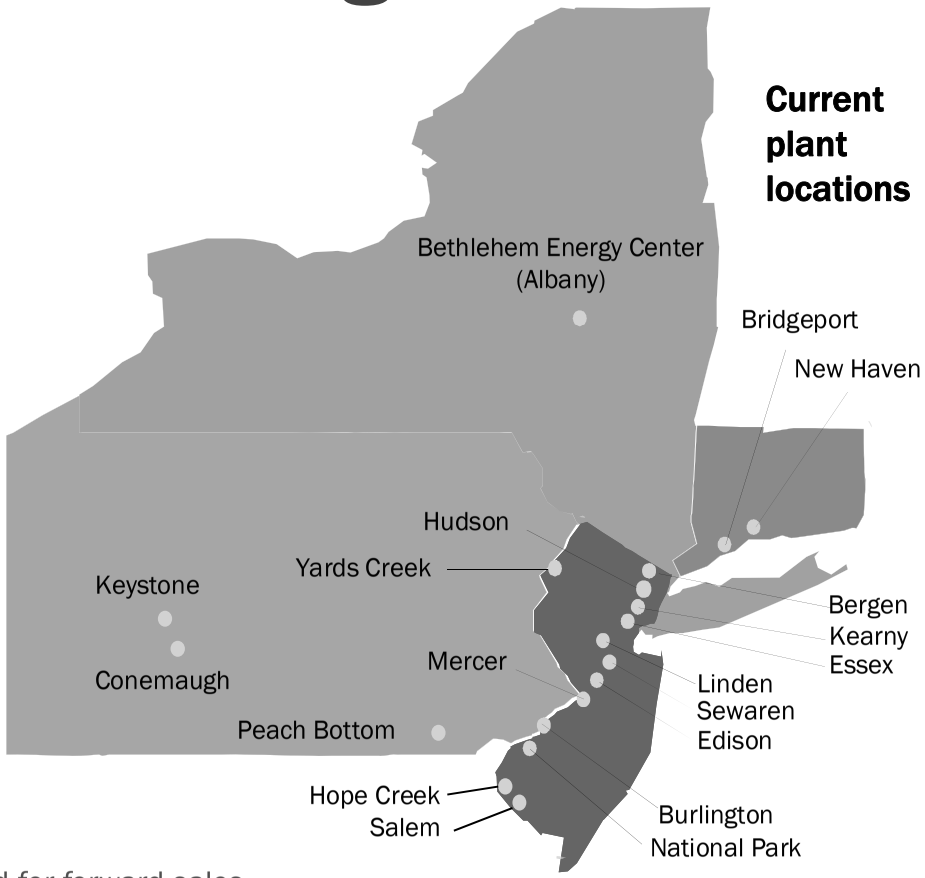
- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-11743

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

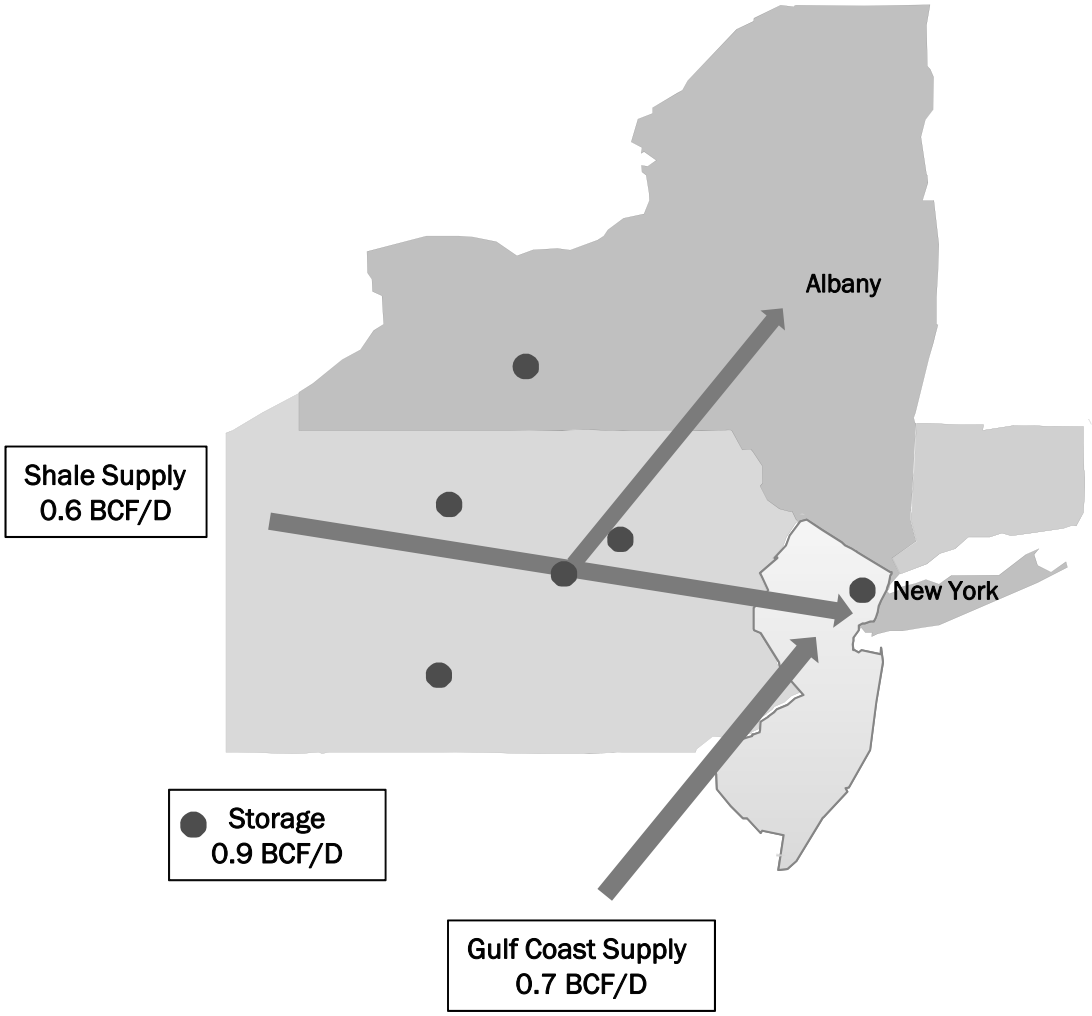
*AS OF FEBRUARY 14, 2013.

SI-SSA-0015-11744

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



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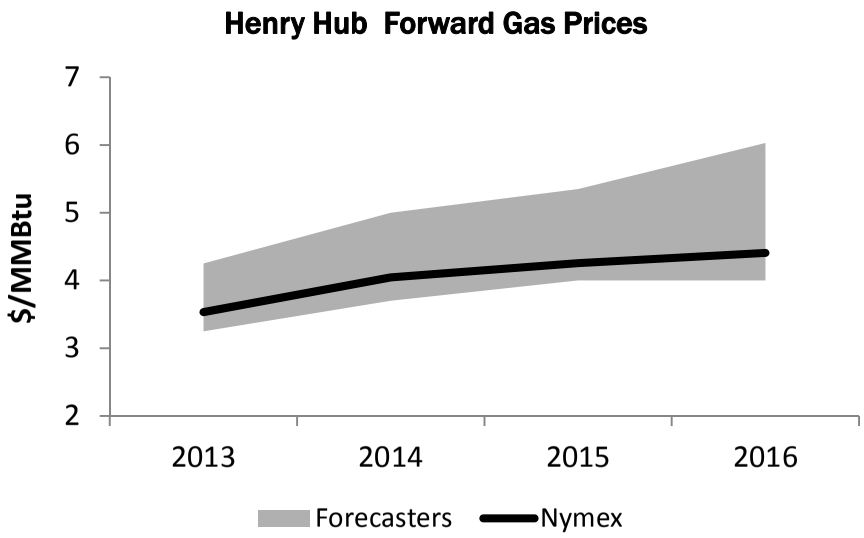
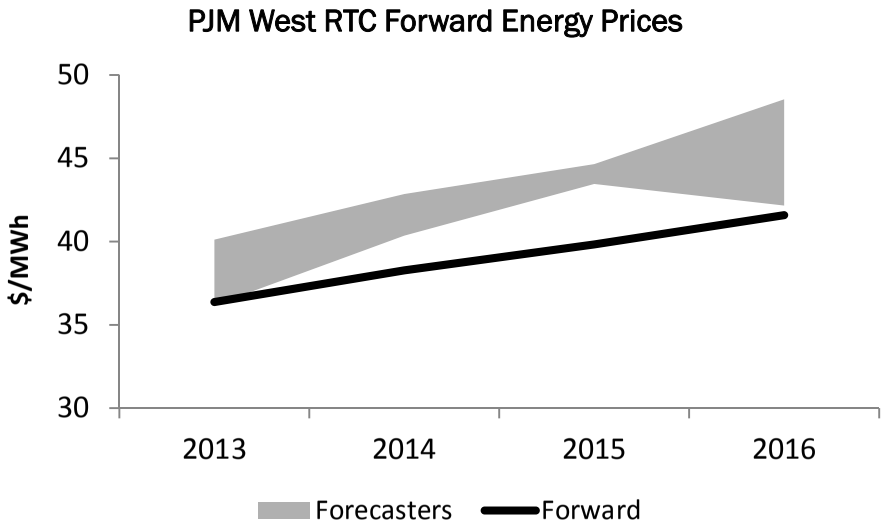
Broad Industry Expectations of price trends





- Dry Gas production in the US, while prolific, needs a $4+ Henry Hub price equivalent to maintain growth
- Coal prices appear to have stabilized and oil to gas delta maintains a historically high spread
- We anticipate strong gas consumption growth for industrial use
- Gas prices are under- valued and are trending upwards although there will be occasional downside volatility

- PJM plant retirements are showing up and Plant Replacement to Retirement ratio is low
- Electric demand growth, while muted, will continue at a 0 -1% pace
- Volatility will increase as companies spend less on preventive maintenance, particularly coal fleets
- Electric prices are under- valued and are trending upwards albeit at a moderate pace

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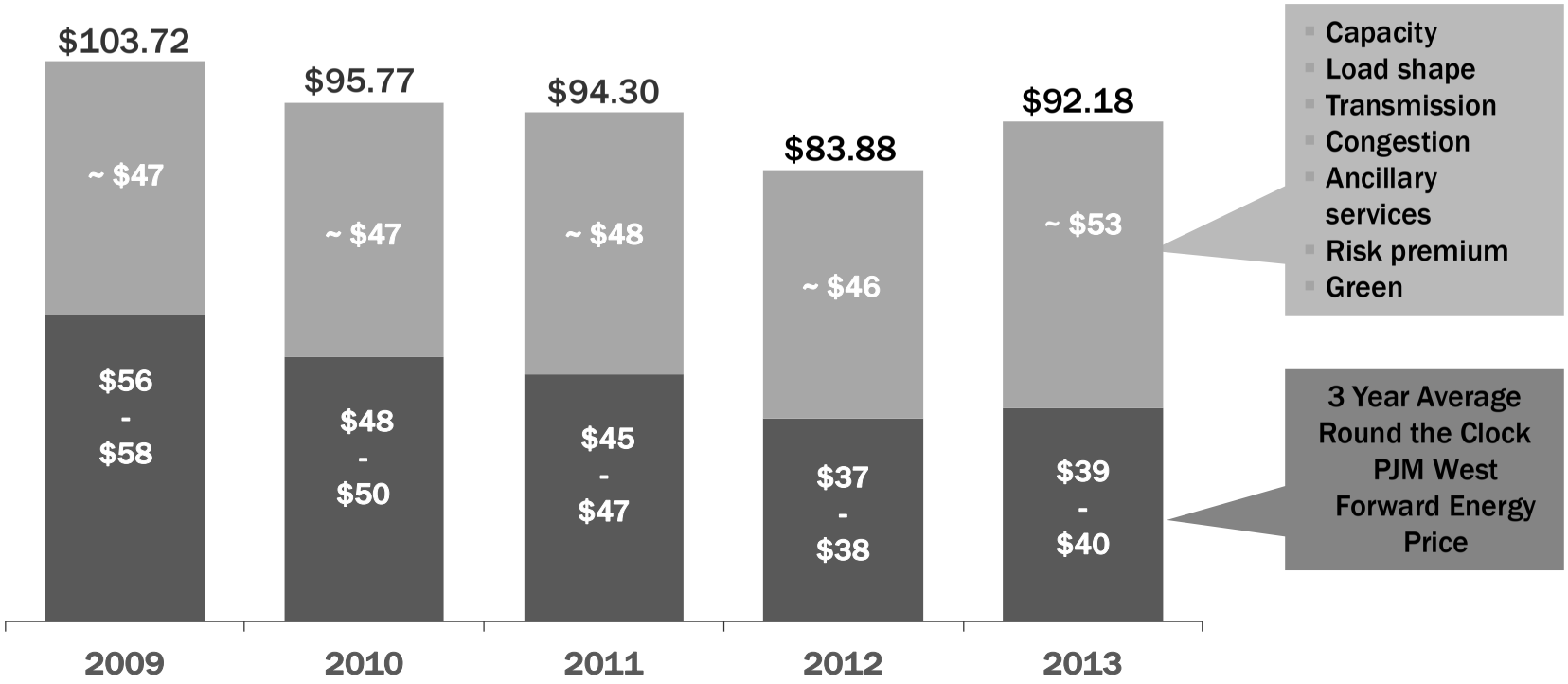
PSEG

* Prices as of 1/31/2013. Ranges based on Bloomberg survey of bank analysts' forecasts and/or three major advisory services

2013 BGS Auction Results for PSE&G Zone



BGS sales account for about a third of our forward portfolio of hedges

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PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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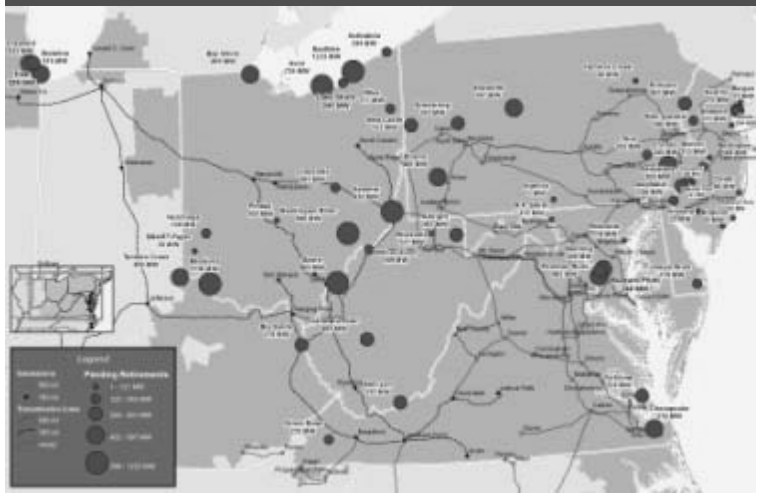
Reserve margins in PJM declining with retirements

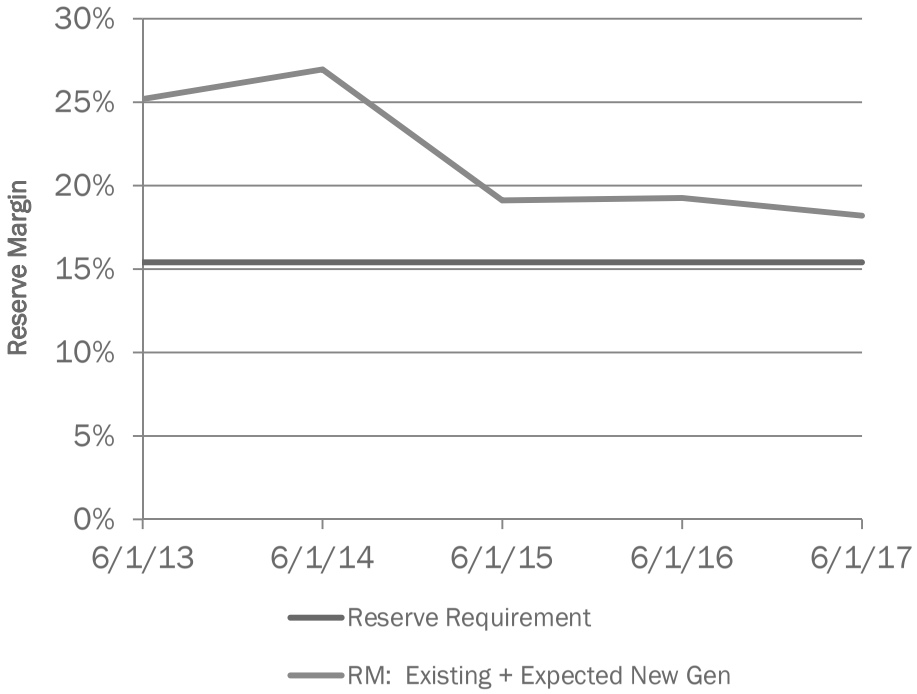
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

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Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

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

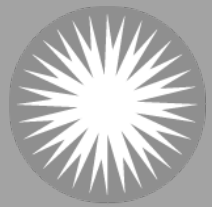
Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	508
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 4 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Wolfe Research Power & Gas Conference

NEW YORK CITY – SEPTEMBER 29, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11752

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-11753

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Income from Continuing Operations/Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

The last slide in this presentation (Slide A) includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-11754

PSEG POWER OVERVIEW

Shahid Malik
PRESIDENT
PSEG POWER ER&T

PSEG
We make things work for you.

SI-SSA-0015-11755

PSEG Power Highlights

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient CCGT capacity

Value Proposition: Provides substantial free cash flow in current environment and upside from market rule improvements

2014

Assets $12B
Operating Earnings $642M

Planned investment of $3.6B (2015-2019) focused on re-positioning fleet to enhance efficiency and reliability

New CCGT Project Development:
- Keys Energy Center (MD): 755 MW CCGT (2018)
- Sewaren 7 (NJ): 540 MW CCGT (2018)

Uprates and Other Investments:
- 151 MW of Advanced Gas Path uprates for a total investment of $157 million
- 130 MW of nuclear uprates for a total investment of $417 million
- Early site permit – NRC

Retired ~1,400 MWs of peakers in 2015 to comply with NJ HEDD rules, with plans to retire ~550 MW of older Sewaren units in 2018

12 facilities totaling 148 $MW_{(DC)}$ of utility-scale solar

SI-SSA-0015-11756

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG Power has generating assets

in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Sites suitable for expansion

SI-SSA-0015-11757

PSEG Power will improve diversity and efficiency as we invest in the fleet

Objective 2015 → 2018

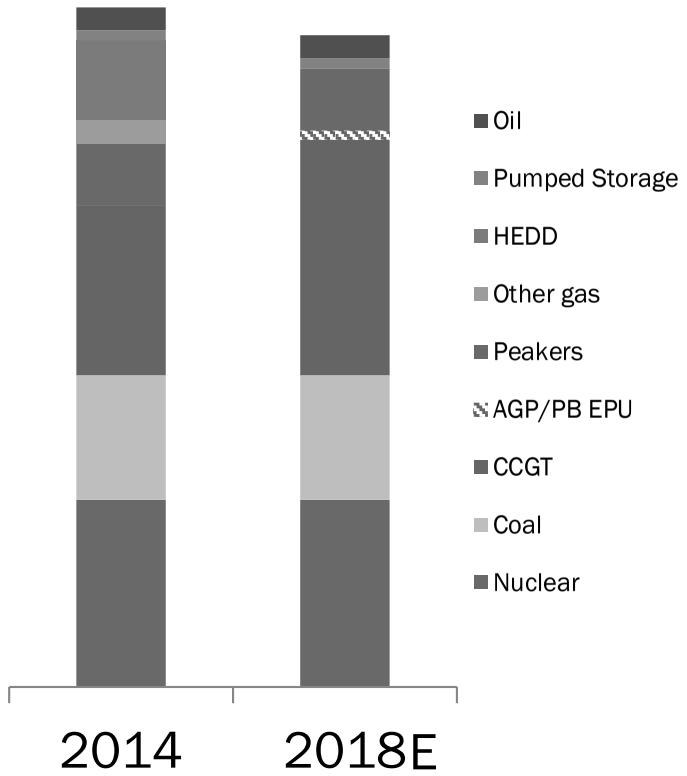
Maintain
- Fuel diversity
- Load-serving capability
- Low cost structure

Complete
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)

Invest
- Combined cycle units Keys and Sewaren 7 operational in 2018

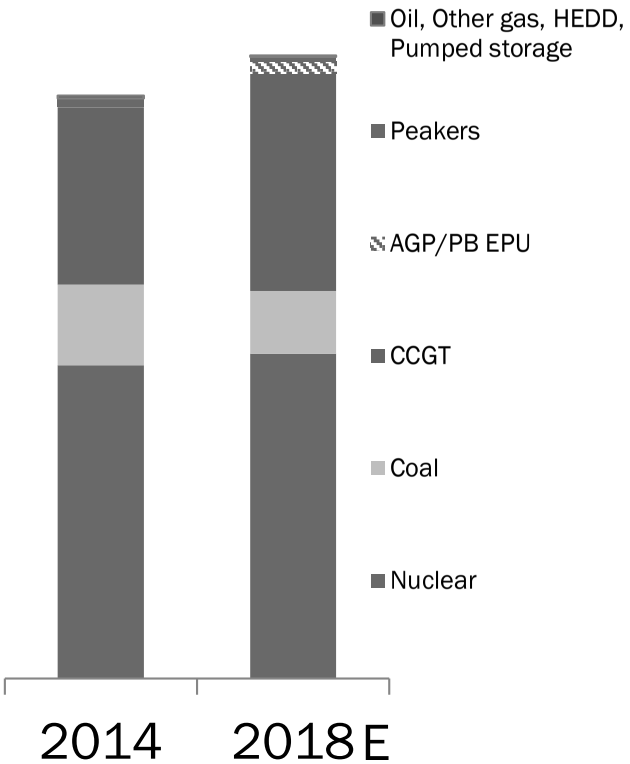
Fuel Diversity

13,146 MW 12,600 MW



Energy Produced

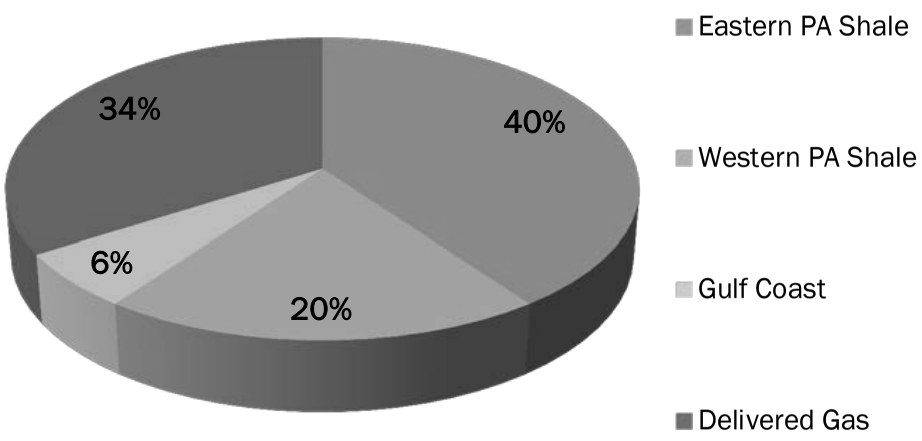
54 TWh 57 - 59 TWh



E=ESTIMATE.

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

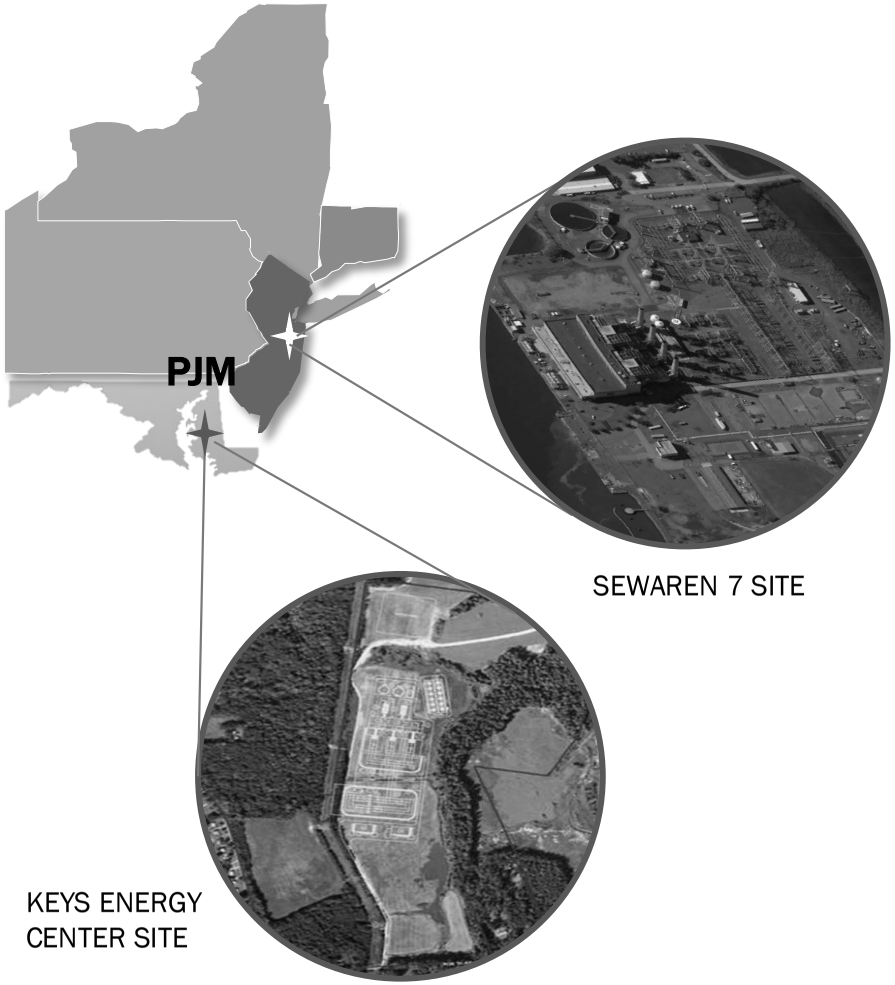
Power's Gas for Generation in 2014



- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

SI-SSA-0015-11759

PSEG Power developing 1,300 MW of new, efficient CCGT capacity in MD and NJ



- **Construction of 755 MW Keys Energy Center to begin this Fall** on a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of **$825 to $875 million**
- Power cleared a new **540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*)**, in the recent 2018/2019 RPM auction; the unit is expected to cost ~$600 million and is targeted to be in service in 2018; older Sewaren units will be retired upon completion of the new unit
- **PSEG Fossil** will oversee the construction and operation of both PSEG Keys Energy Center and Sewaren 7

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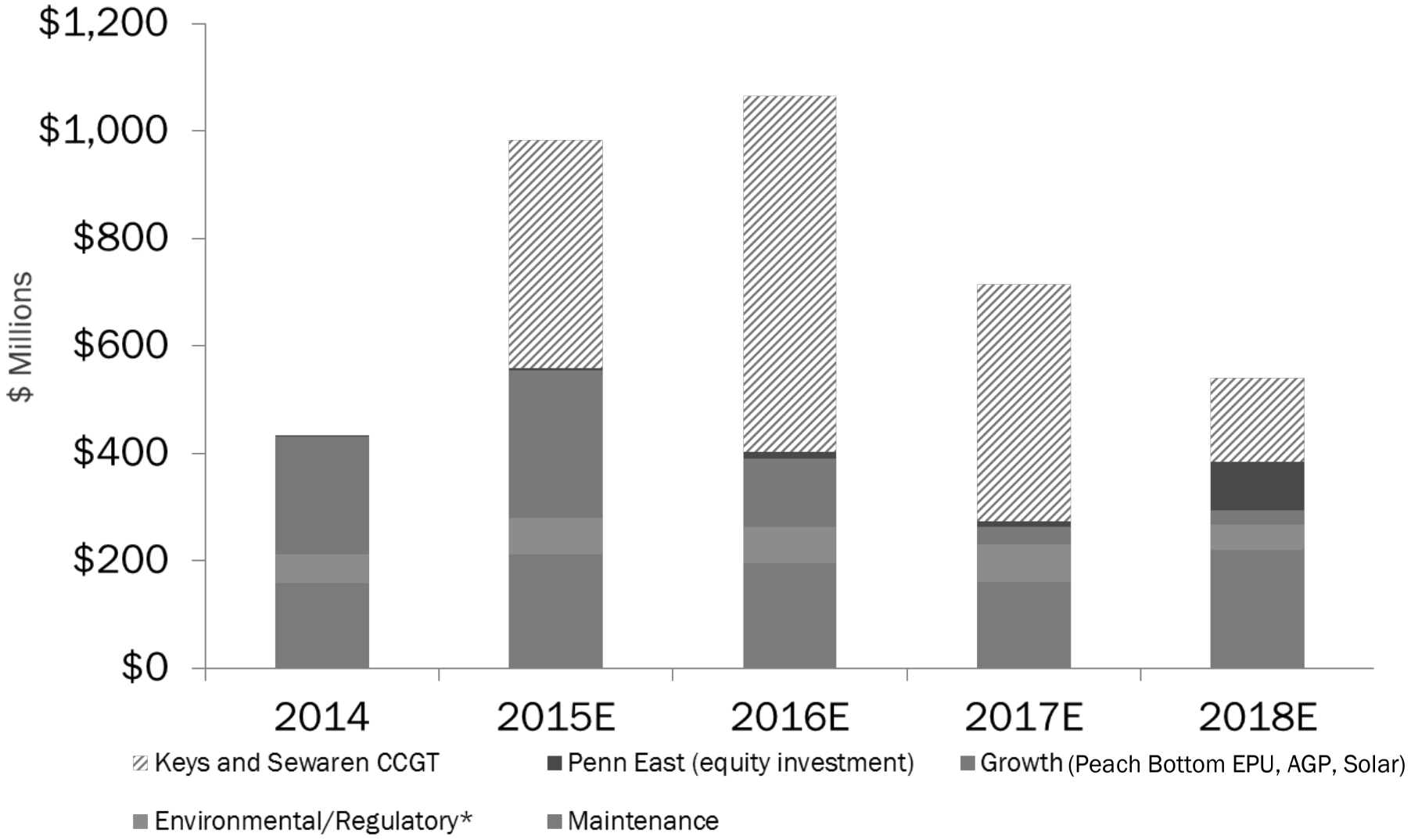
PSEG

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

PSEG Power increased capital spending

by $1.6 billion with addition of new generating capacity focused on improving efficiency and reliability



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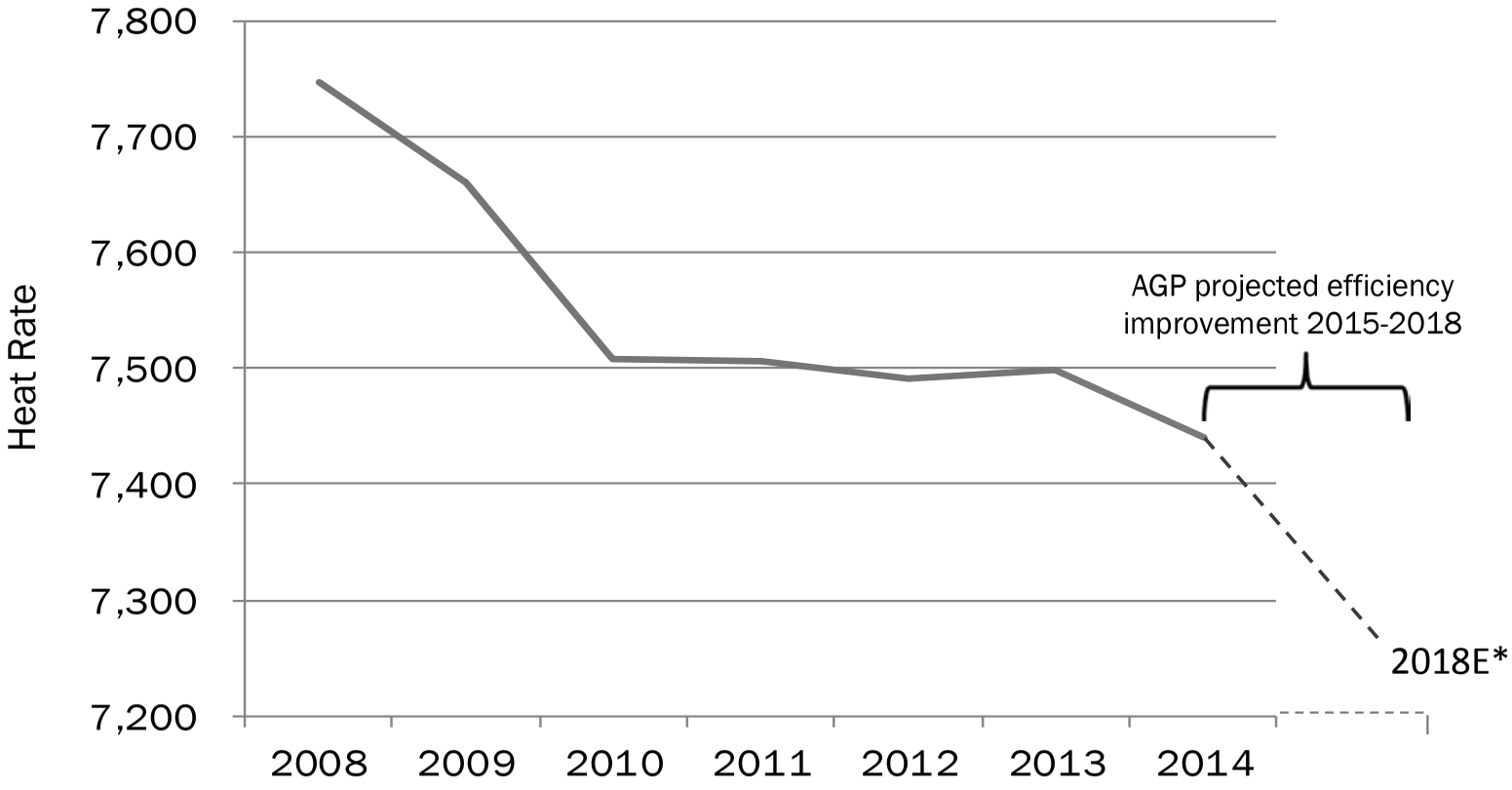
*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



*The weighted average Combined Cycle Operating Heat Rate in 2018, with the addition of Sewaren 7 and Keys Energy Center, will be approximately 7,250

SI-SSA-0015-11762

PSEG

E= ESTIMATE.

Capacity Market Pricing: ~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction **met the new CP standards**

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	**$215**
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	**8,650**
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

… Recent capacity auctions provide for growth in capacity revenue into 2019

2018/2019 RPM Auction Highlights

- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

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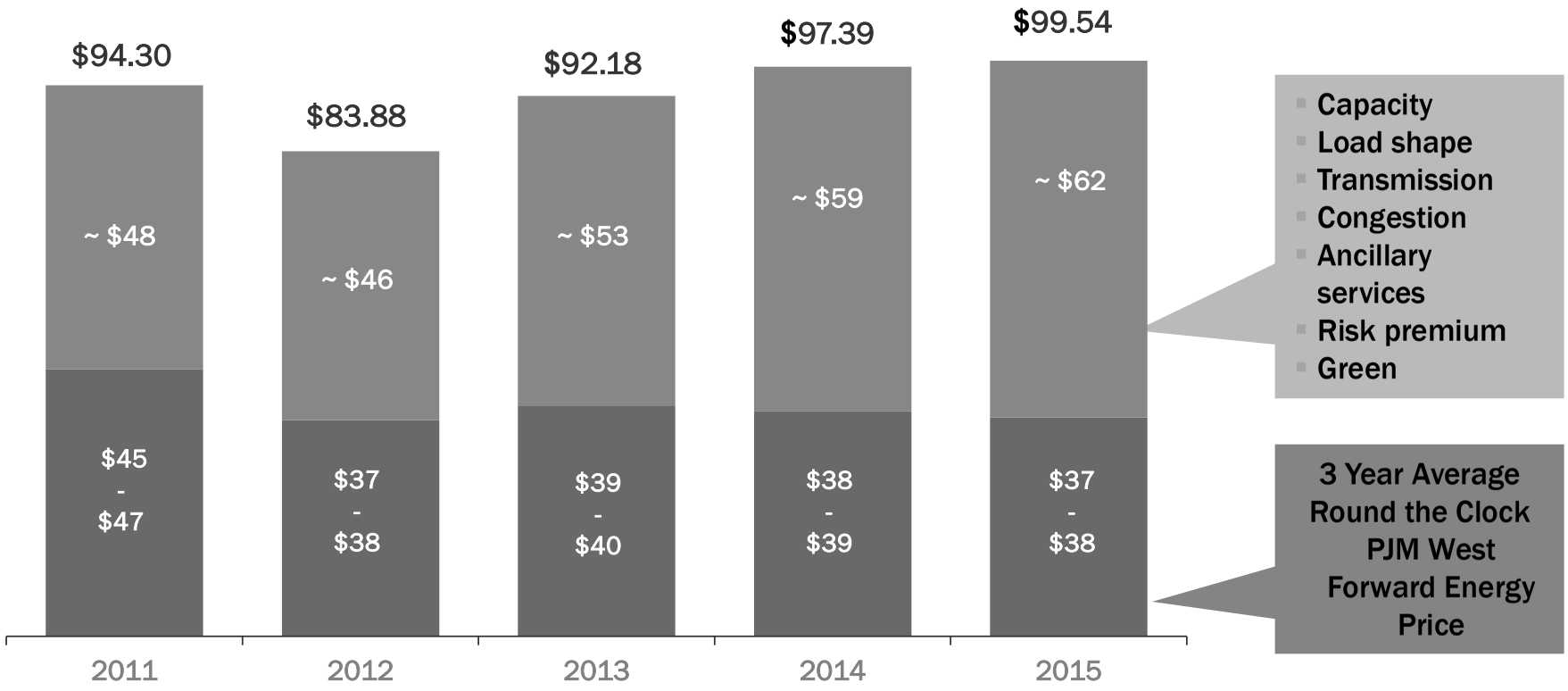
NJ default service provides Power the ability to forward hedge generation and protect energy basis



NJBGS sales account for approximately 20% of our forward portfolio of hedges

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PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Regulatory Framework: Significant reforms implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) • Tighter performance obligations for Demand Resonse

	ENERGY	• FERC directed improvements to energy price formation:
		  • 5 minute settlement (FERC Notice of Proposed Rulemaking)
		  • Developing day-ahead hourly offers/real-time reoffers in Q4 2016

ISO-NE	CAPACITY	• Implemented two settlement capacity market (Pay for Performance) • Higher prices in recent auction better reflect tight supply conditions in concert with implementation of sloped demand curve in FCA 9 • Supply and demand near equilibrium • Zonal demand curves expected in FCA 11
	ENERGY	• Implemented day-ahead hourly offers/real-time reoffers in Q4 2014 • Reserve market prices better reflect scarcity prices • 5 minute settlement expected implementation Q1 2017
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals • FERC directed NYISO to develop RMR Rules in place of NYPSC rules
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• *FERC v. EPSA* before Supreme Court and national implications • DC Circuit RICE NESHAPs decision affecting diesel engines pending
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-11765

Energy Price Formation -- Getting Prices Right

- The energy market provides the primary economic signal to all commercial entities in the market
- FERC Notice of Proposed Rulemaking (RM15-24)
  - ✓ Addresses two issues for all FERC jurisdictional RTOs/ISOs:
    - Alignment of settlement pricing with dispatch intervals
    - Shortening the timeframe for recognizing scarcity pricing
  - ✓ These two items are the start of a series of steps the Commission plans to take on price formation

SI-SSA-0015-11766

Power – Growing value by improving market rules and developing investment opportunities

Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and August 2015 Capacity Performance auction • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air quality standards via Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates underway • New build Keys CCGT in SWMAAC* (MD) and Sewaren 7 in EMAAC* • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • ~148 MW** of utility-scale solar, with significant project pipeline • Continue to seek opportunities to expand the fleet

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PSEG

* SWMAAC = SOUTHWEST MID-ATLANTIC AREA COUNCIL \EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

**PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 115 MW.

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

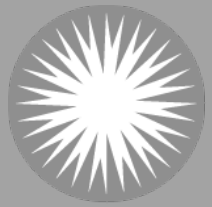
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

Wolfe Research Mid-Atlantic Investor Meetings

JANUARY 21-22, 2015



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-11769

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-11770

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slides in this presentation include a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

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

SI-SSA-0015-11771

PSEG OVERVIEW

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Kathleen Lally

VICE PRESIDENT
INVESTOR RELATIONS

PSEG

We make things work for you.

SI-SSA-0015-11772

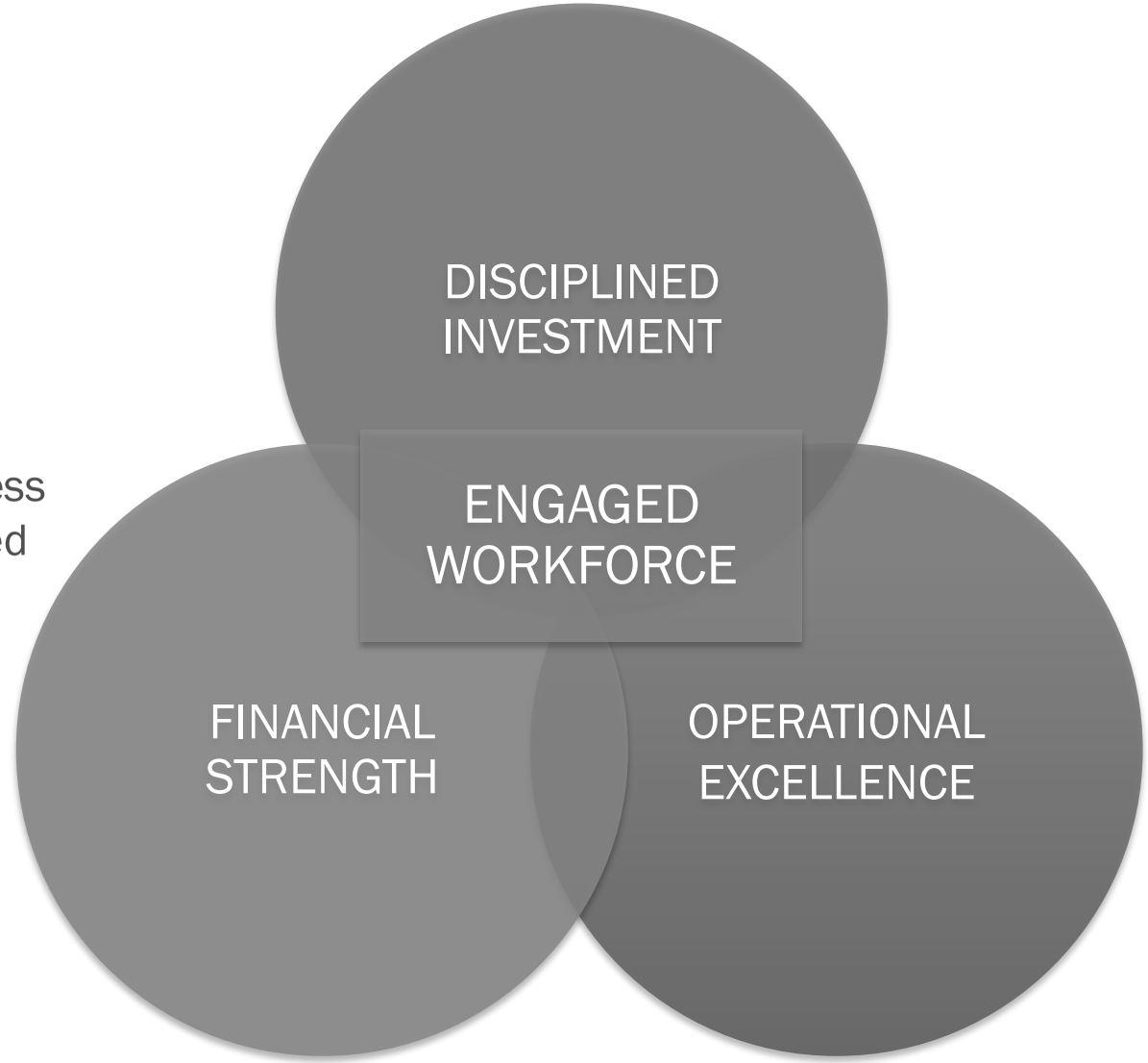
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** An $11.3 billion infrastructure program – focused on transmission – that is expected to produce double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

SI-SSA-0015-11774

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

SI-SSA-0015-11775

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013

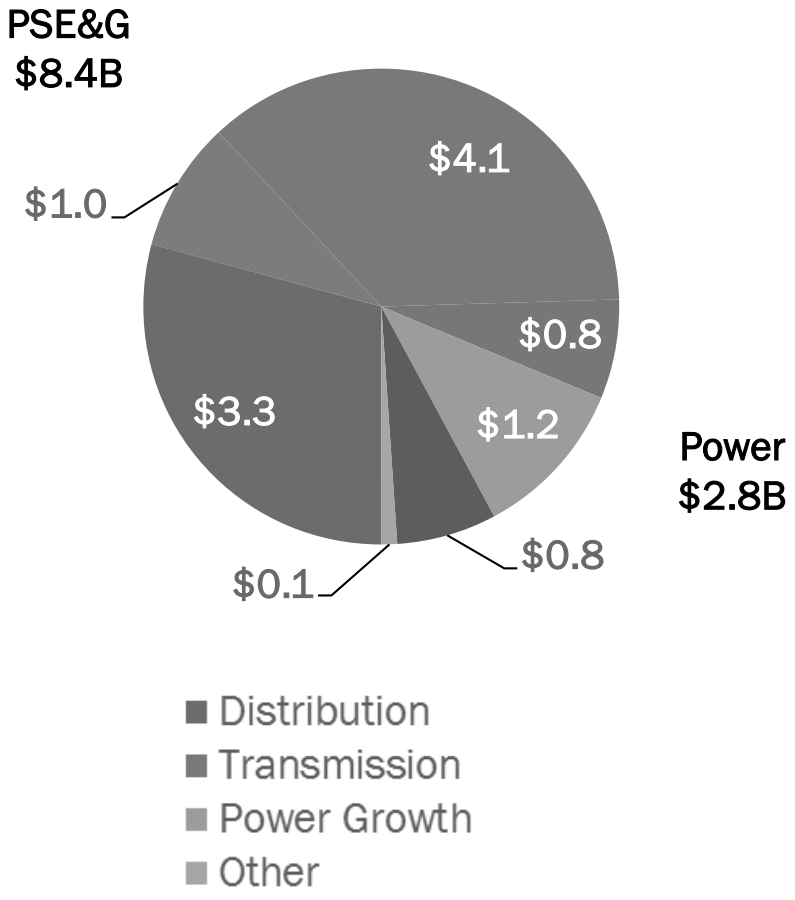
SI-SSA-0015-11776

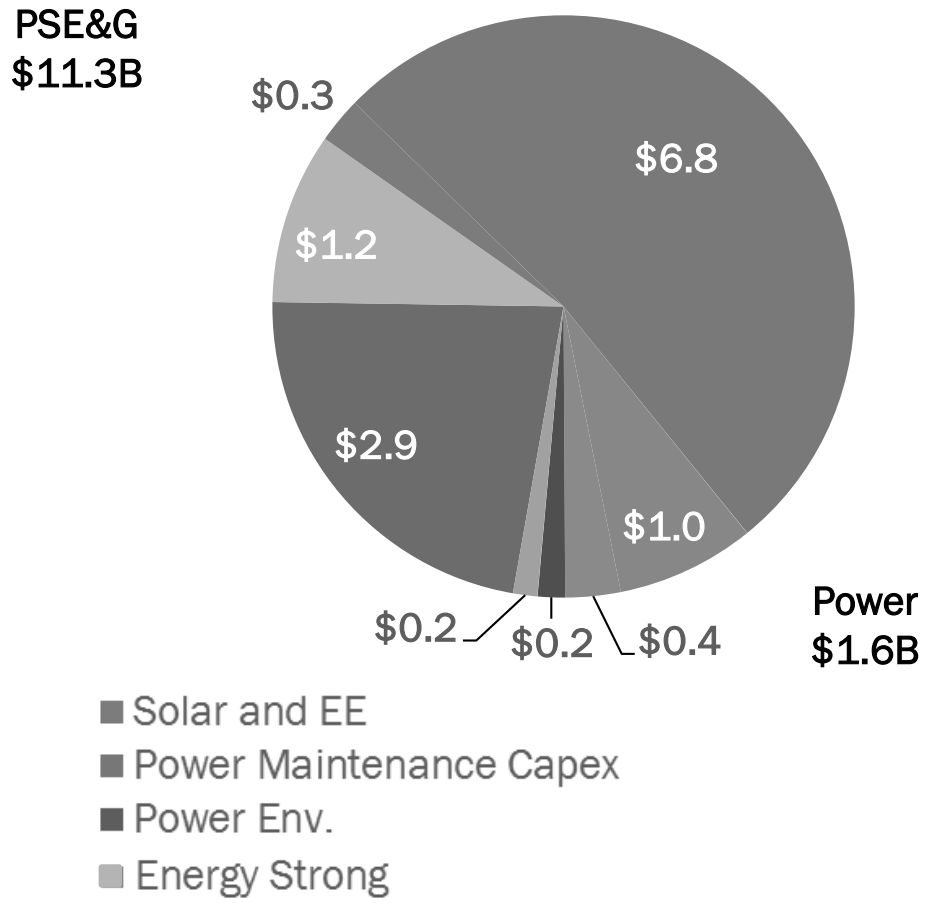
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $13.1 Billion

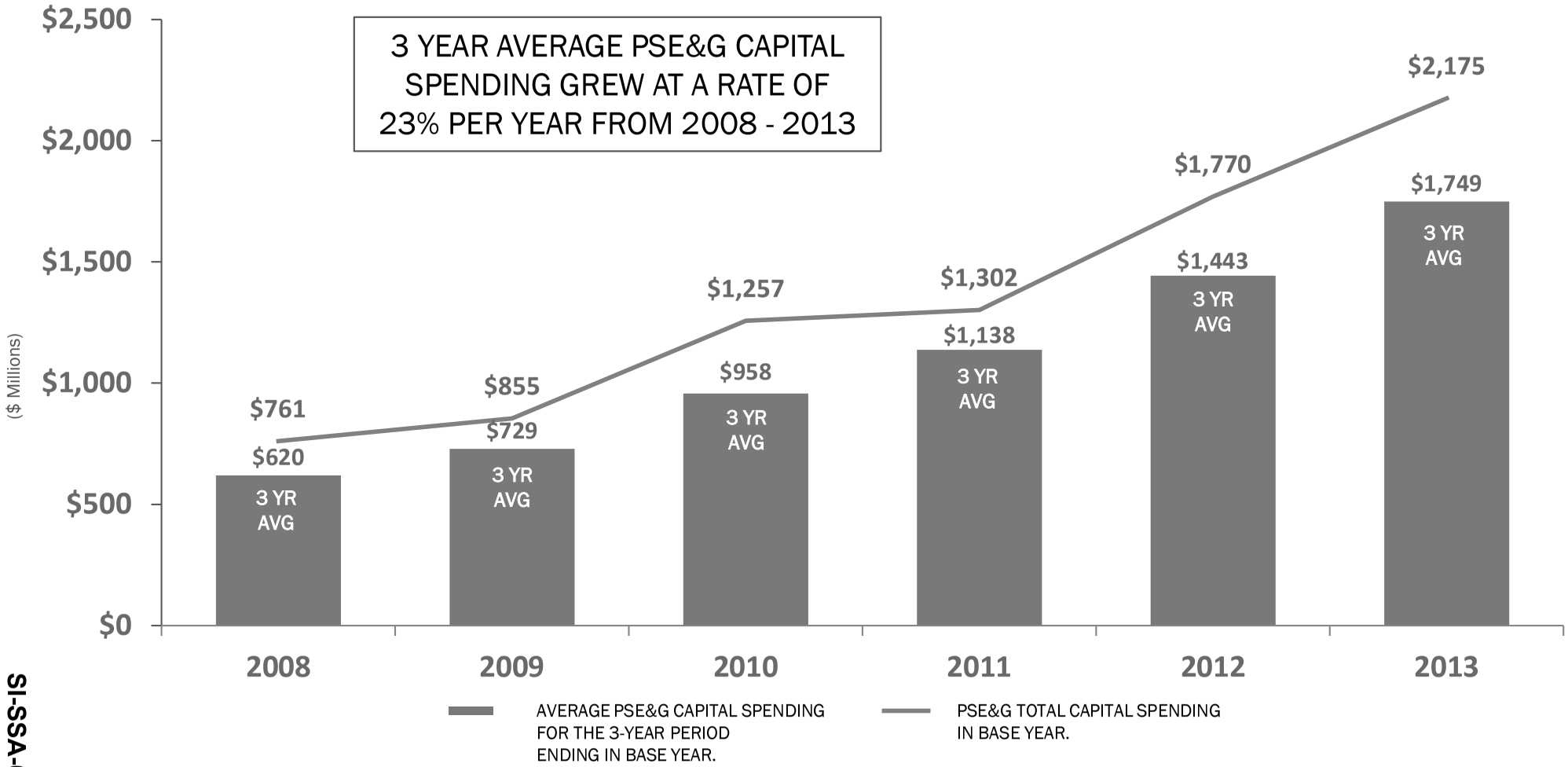




NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND.
POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE.
DATA AS OF MARCH 31, 2014.

SI-SSA-0015-11777

PSEG's business profile has been transformed through significant growth in utility capital spending, and we have consistently identified attractive opportunities for additional investment



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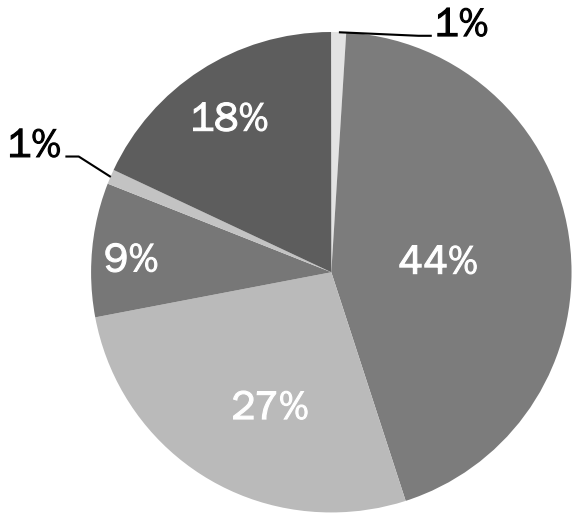
Energy Strong Agreement recognizes benefits of system investments

- **Energy Strong Agreement reached with all parties**
  - ✓ Agreement recognizes the benefits of system investments that prevent or shorten outages
  - ✓ Supports $1.22 billion capital program over several years on reasonable terms: $1 billion recovered through accelerated, rate recovery mechanism
    - $820 million Electric
    - $400 million Gas
  - ✓ Allows PSE&G to earn a 9.75% ROE on the $1 billion recovered on accelerated basis
  - ✓ Requires PSE&G to file a base rate case by November 2017
  - ✓ Approved by the NJBPU in May 2014
- **Over 100 New Jersey municipalities supported Energy Strong**
- **Energy Strong agreement clears path for PSE&G to begin the initial phase of this robust capital program**

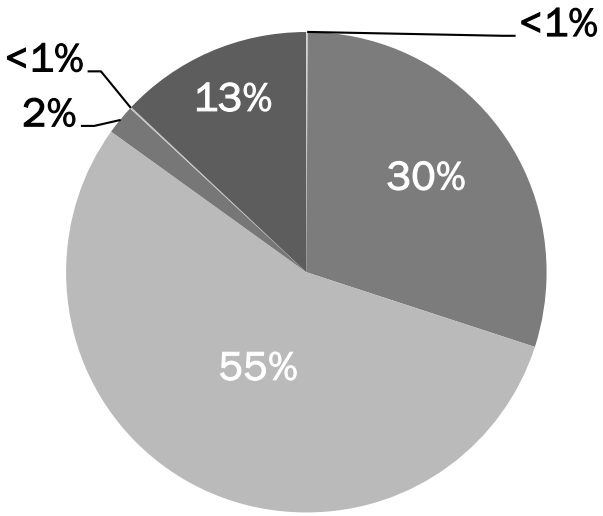
SI-SSA-0015-11779

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

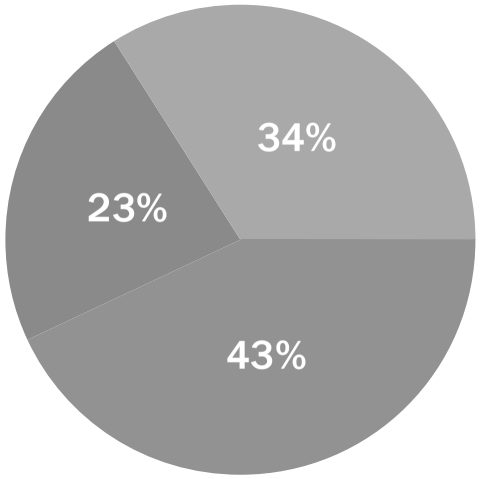
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

SI-SSA-0015-11780

PSEG – Year to Date 2014 Highlights

- **Operating Earnings YTD up 9% to $2.27 per share from $2.09 for YTD 2013**
  - ✓ PSE&G on track to record double-digit growth in earnings on expanded capital investment program
  - ✓ PSEG Power expected to earn at upper level of expectations for the full year
  - ✓ Narrowed 2014 full–year, operating earnings guidance to $2.60-$2.75 per share, from $2.55-$2.75 per share prior

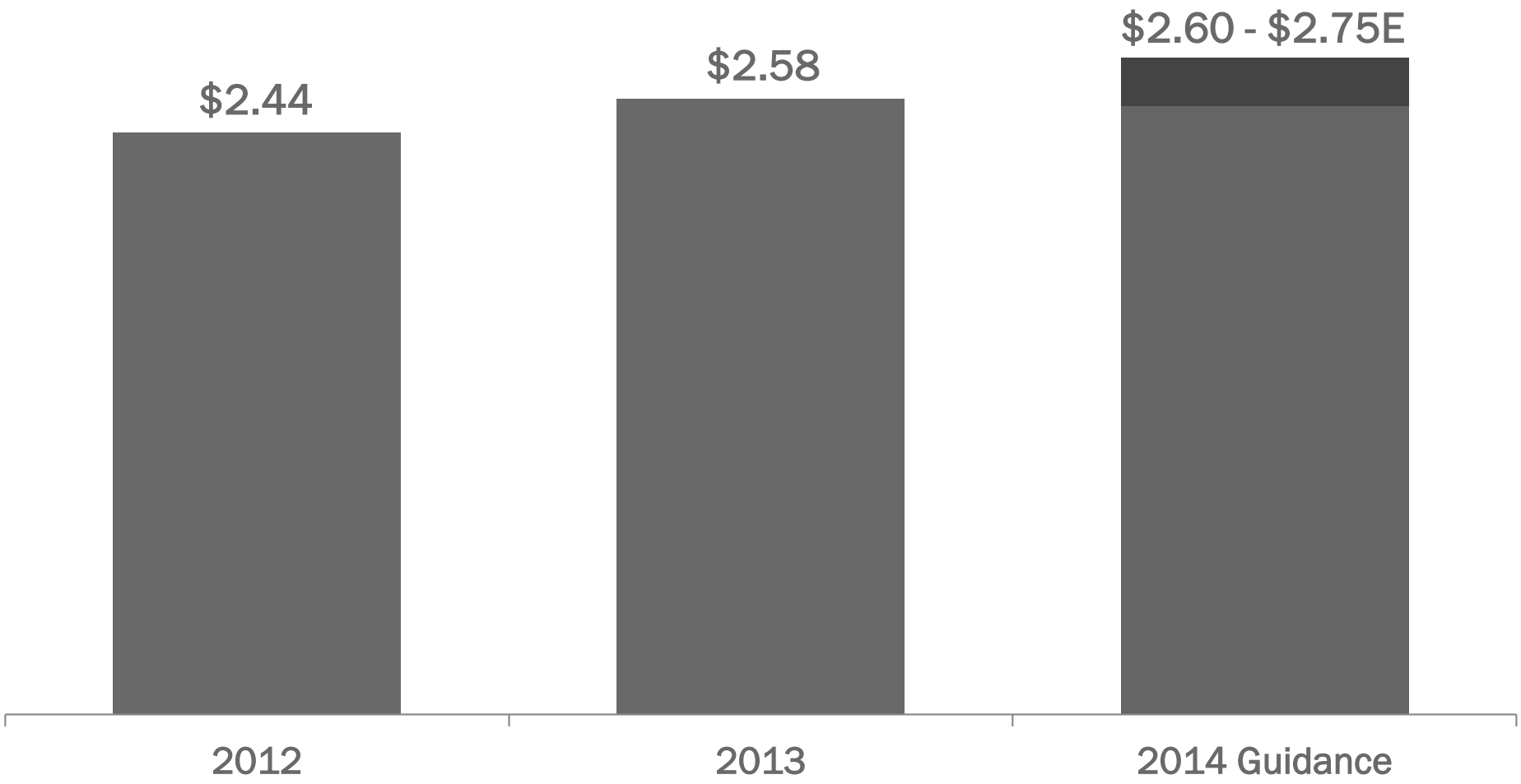
- **Executing on our capital program**
  - ✓ Replacement of PSE&G's gas cast-iron pipe underway as part of $1.22 billion Energy Strong capital program
  - ✓ Major transmission projects under $6.8 billion capital program are on-time and on-budget

- **Market developments**
  - ✓ PJM proposed changes to its Reliability Price Model, Demand Curve Adjustment and pending Demand Response (DR) issues supportive of price formation

SI-SSA-0015-11781

PSEG – 2014 Another Year of Growth

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



SI-SSA-0015-11782

PSEG

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $11.3 billion approved investment program through 2018
- Opportunity for consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-11783

Investment opportunities exceeding $1 billion

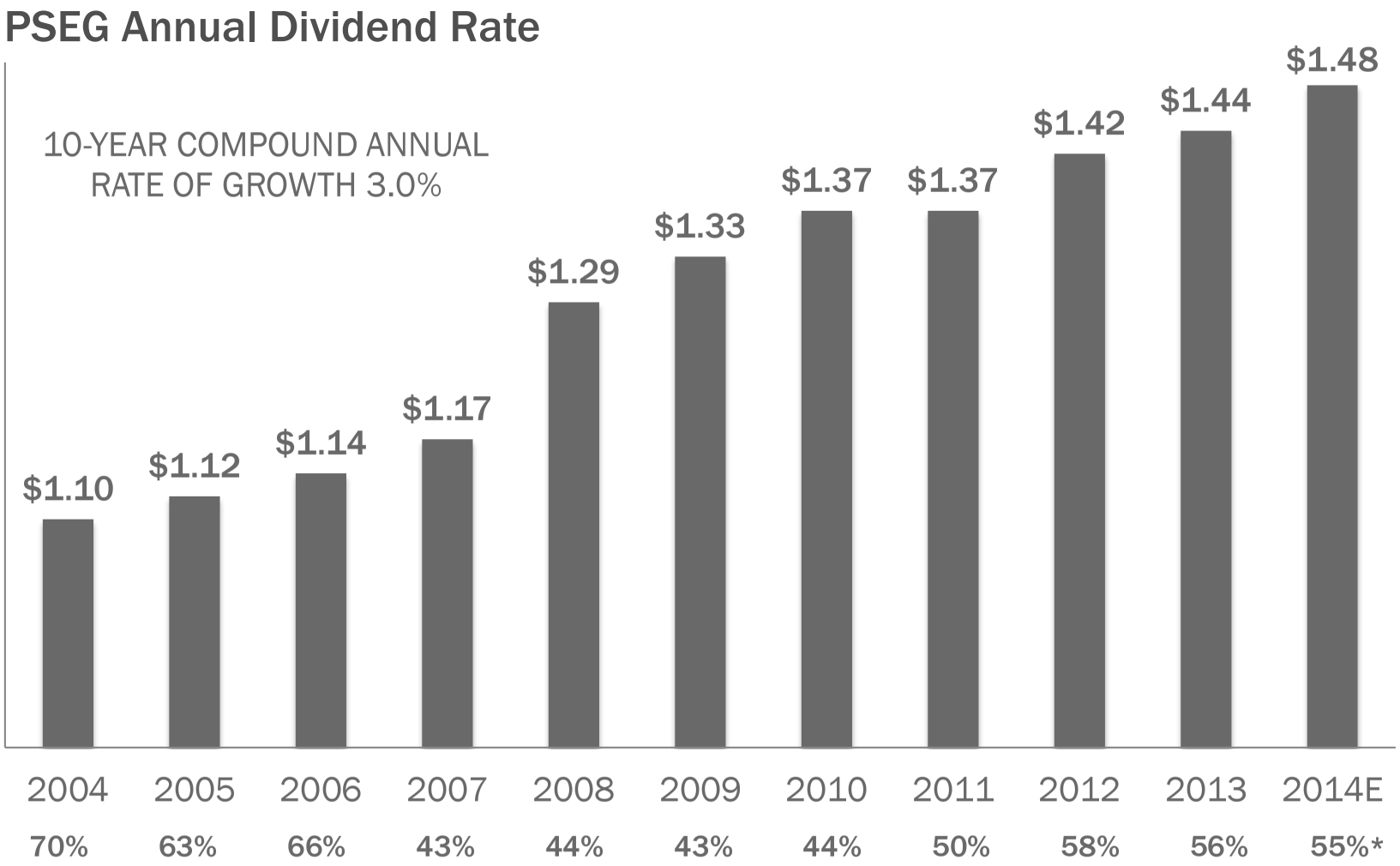
Focused on providing our customers with access to low-cost gas and cost-effective technologies that reduce emissions as they also improve system reliability

Potential Investment	Description	Amount ($ Millions)
Bridgeport Harbor Station	New 450 MW CCGT Unit	$500 -- $700
PSEG -- Long Island	Utility 2.0 Energy Efficiency Filing	$200 -- $345
Artificial Island	FERC 1000 Project*	$250 -- $300
PennEast Pipeline	Equity Interest	$100 -- $120
PSE&G Energy Efficiency	Program Extension	$100 -- $100
Total		$1,150-$1,565

*Artificial Island Project includes amount for related compensator which has been assigned to PSE&G.

SI-SSA-0015-11784

PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



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*2014E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

Value Proposition

PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-11786

PSE&G

SI-SSA-0015-11787

PSEG

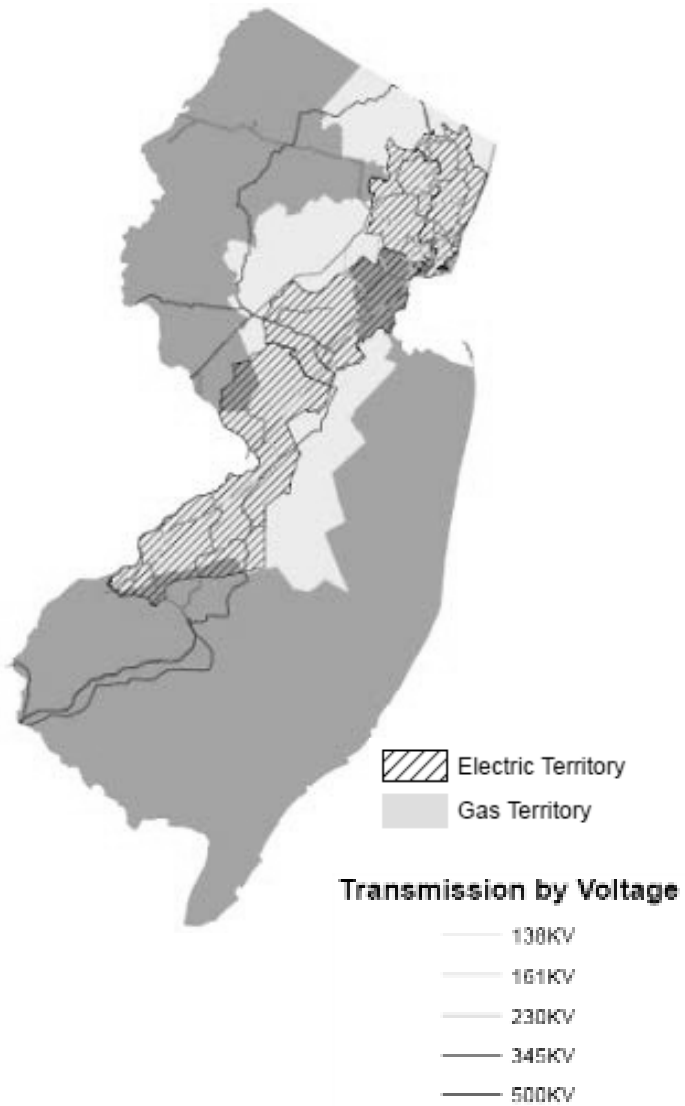
We make things work for you.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-11788

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-11789

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-11790

PSE&G's operating earnings grew ~18%

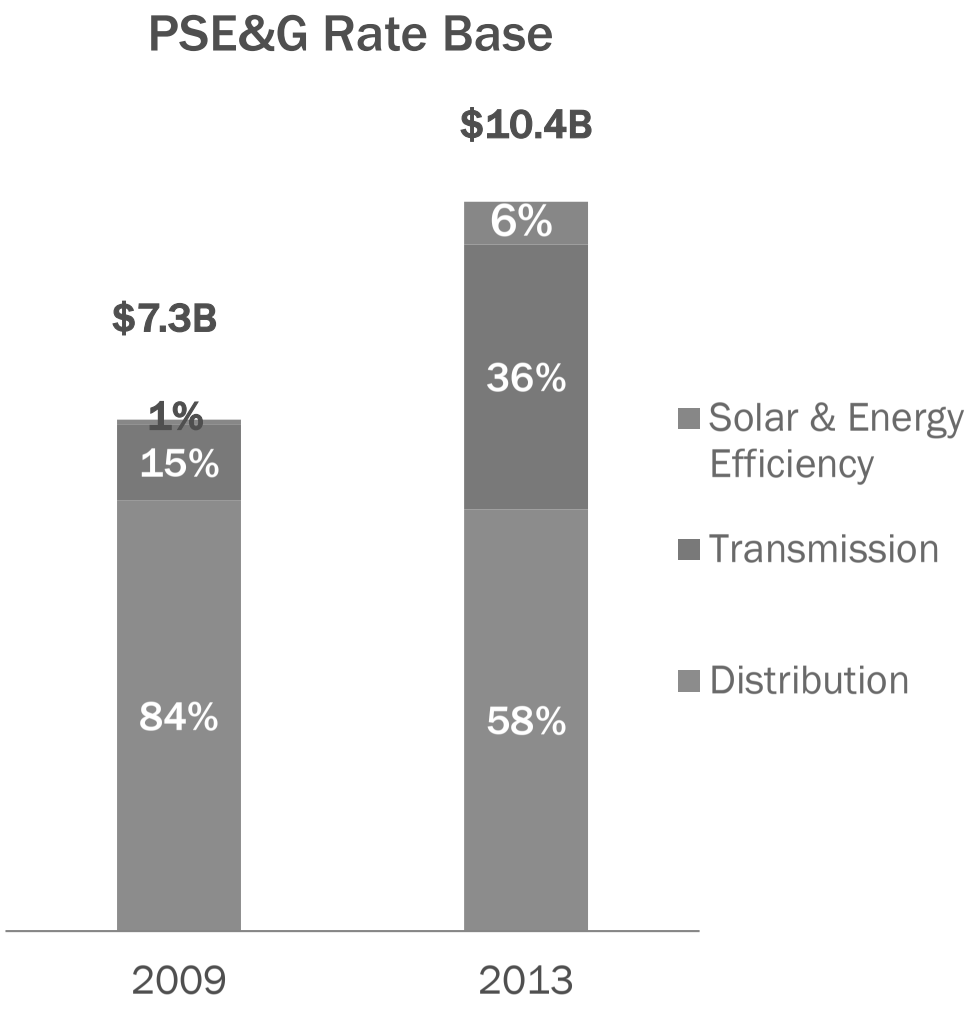
per year over the 5-year period with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-11791

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-11792

Successfully worked with regulators

to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION
improving electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

Invested ~$2.0B through 2013 → Plan to invest additional ~$1.6B through 2018 in approved programs → Filed for Energy Efficiency Extension II in August 2014 for ~$100 million

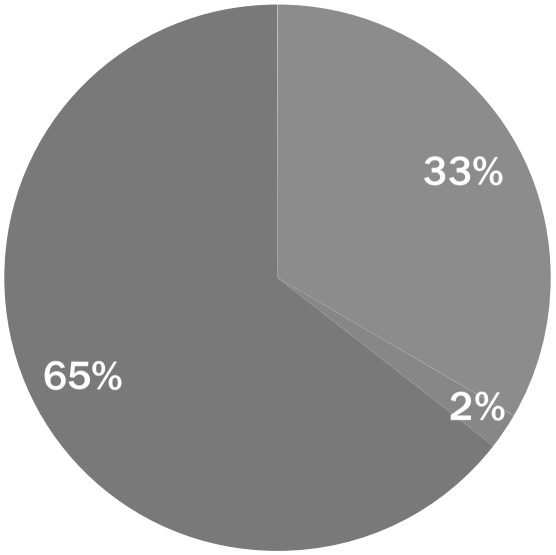
SI-SSA-0015-11793

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

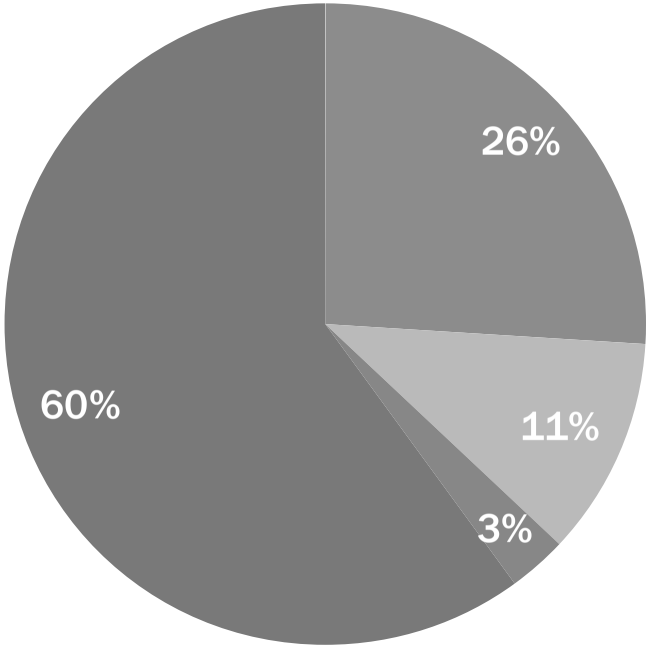
A 60% increase to $11.3 billion, in our 5-year investment program, including Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



2014-2018E
$11.3 Billion



Distribution Energy Strong Solar/Energy Efficiency Transmission

SI-SSA-0015-11794

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

Energy Strong Agreement supports customers' needs in the aftermath of Superstorm Sandy

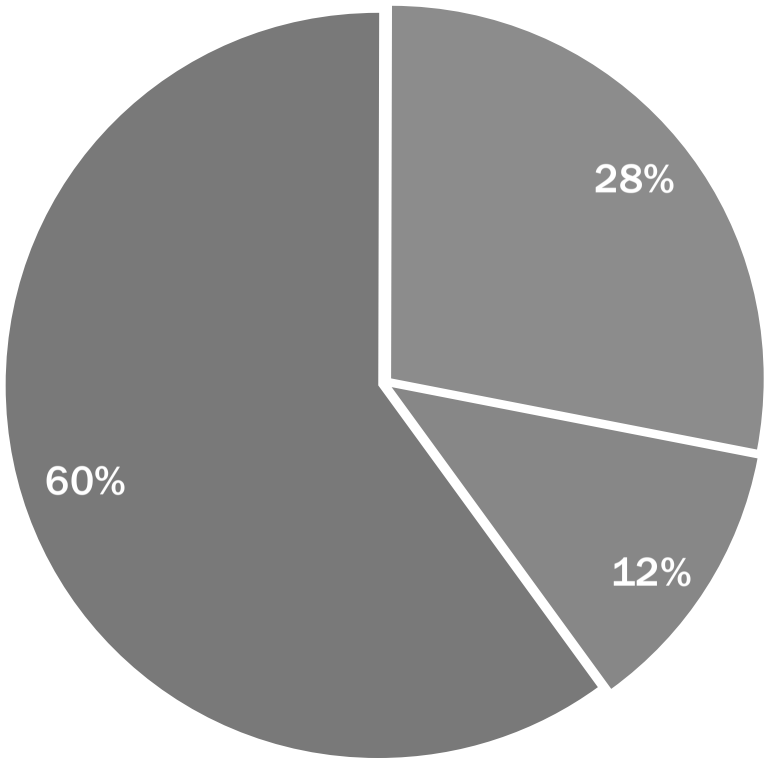
- Settled with NJBPU Staff and all other parties in May 2014 for $1.22 billion; approved by the NJBPU in May 2014
- Program addresses system resiliency and hardening by:
  - ✓ $620 million to raise, relocate or protect 29 switching and substations that were damaged by water in recent storms
  - ✓ $350 million to replace and modernize 250 miles of low-pressure, cast iron gas mains in or near flood areas
  - ✓ $100 million to create redundancy in the electric system, reducing outages when damage occurs
  - ✓ $100 million to deploy smart grid technologies to better monitor system operations to increase our ability to more swiftly deploy repair teams
  - ✓ $50 million to protect five natural gas metering stations and a liquefied natural gas station affected by Sandy or located in flood zones

SI-SSA-0015-11795

Over 70% of PSE&G's $11.3 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$11.3 Billion



Clause Recovery Mechanisms

- Energy Strong / Solar / Energy Efficiency

FERC Formula Rates

- Transmission

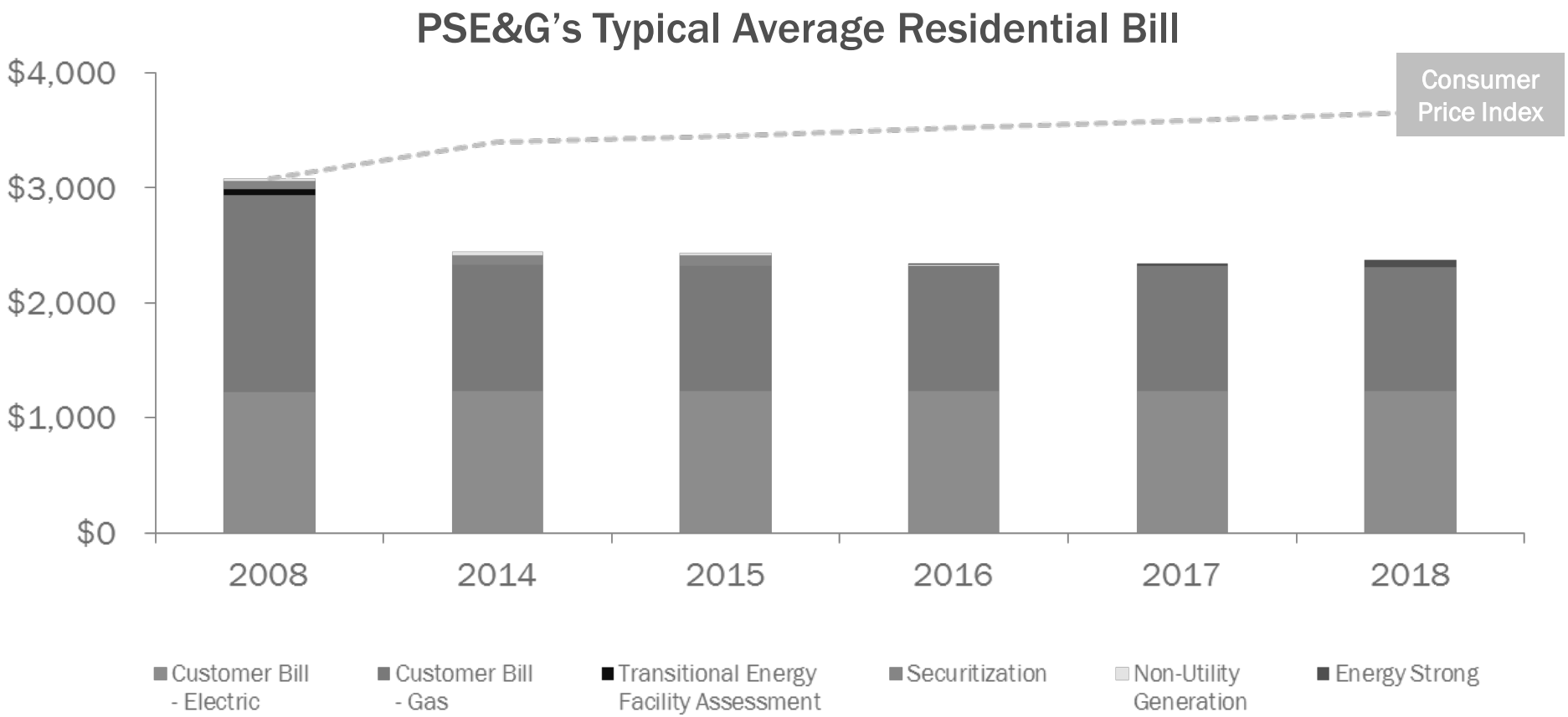
Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-11796

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON SETTLEMENT.

SI-SSA-0015-11797

PSE&G TRANSMISSION

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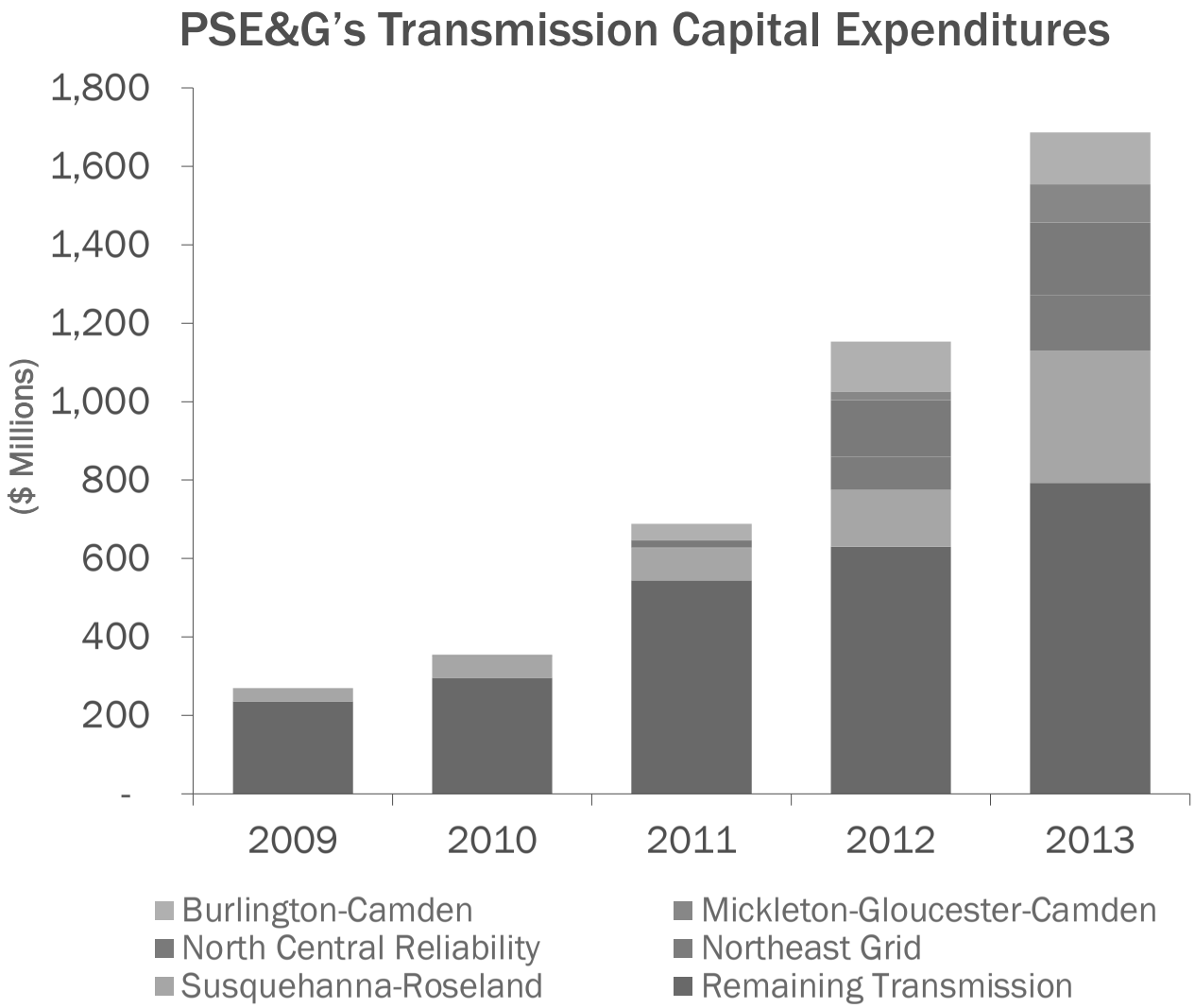
Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-11799

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	Jun-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015
Bergen—Linden Corridor 345kV	11.68%	✓	✓	$1,200	June 2018

SI-SSA-0015-11800

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	Phase 1 – **Completed** Phase 2 – June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: The eastern part of line from Hopatcong to Roseland, NJ in service April 2014; NJ construction phase completed in 2014. PA portion outside plant construction in progress. Western portion in NJ and the PA portion is planned to go in service June 2015.

SI-SSA-0015-11801

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	Jun - Dec 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-11802

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	Completed

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-11803

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	Completed

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: In service April 2014

SI-SSA-0015-11804

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-11805

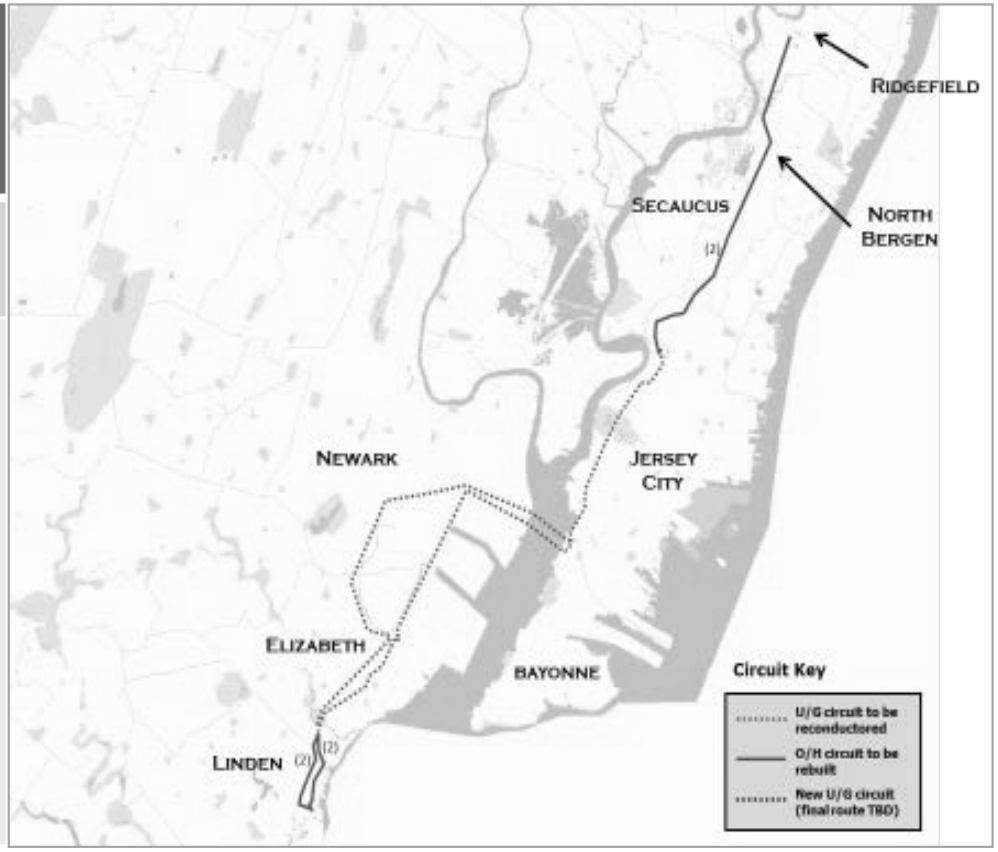
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

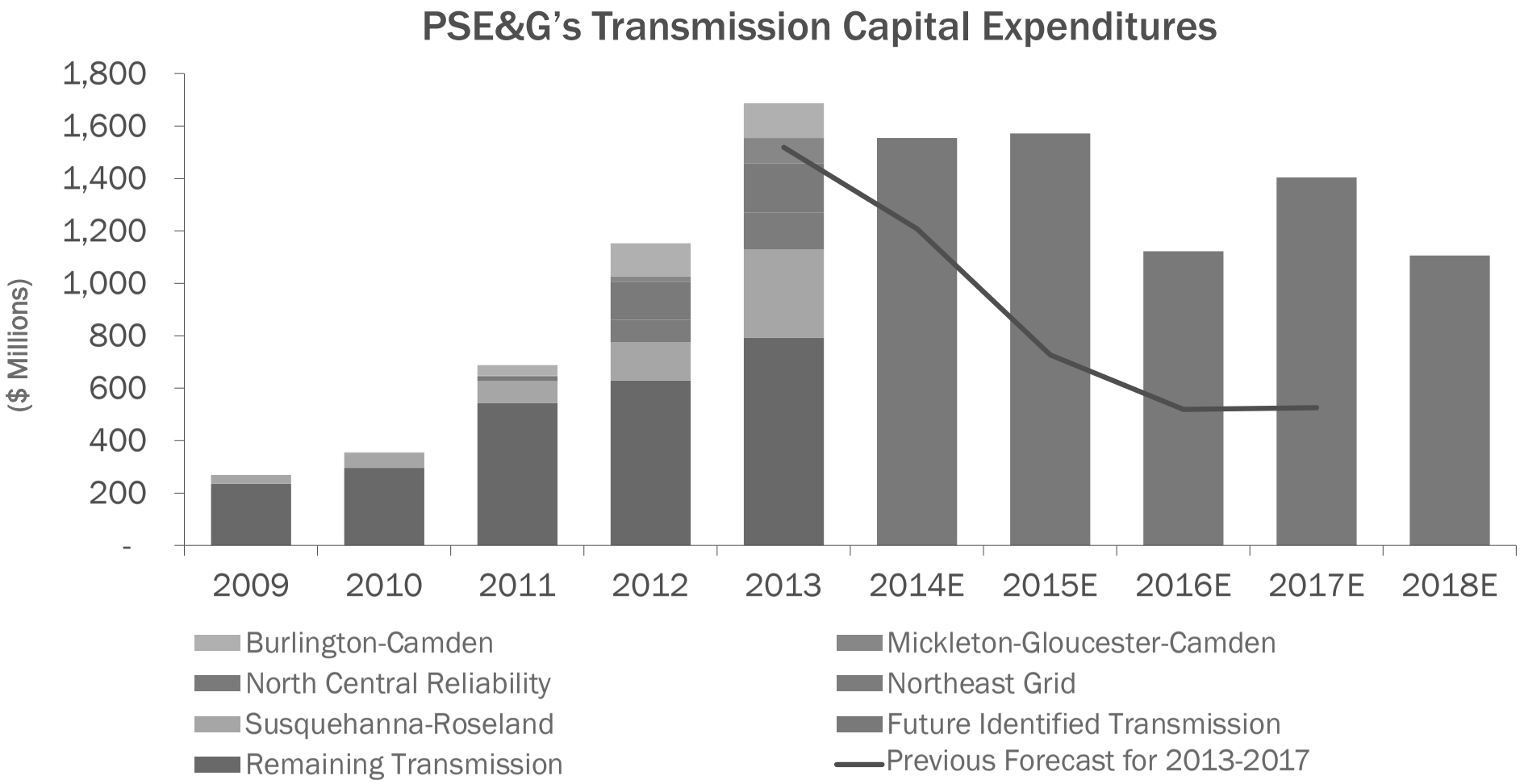
Project Status: Engineering



SI-SSA-0015-11806

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE. DATA AS OF MARCH 31, 2014.

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-11808

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Participating in competitive solicitations under FERC 1000 -- Artificial Island recommendation

SI-SSA-0015-11809

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-11810

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 31, 2014.

PSEG LONG ISLAND

PSEG

We make things work for you.

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PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - PSEG Energy Resources and Trading (ER&T) began managing LIPA's fuel/energy contracts on January 1, 2015
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-11812

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Utility 2.0 – Expanded program filed ~$345 million

Early performance

Successful transition to PSEG Long Island	Improved stakeholder communications	Achieving reliability and customer satisfaction metrics

SI-SSA-0015-11813

PSEG POWER

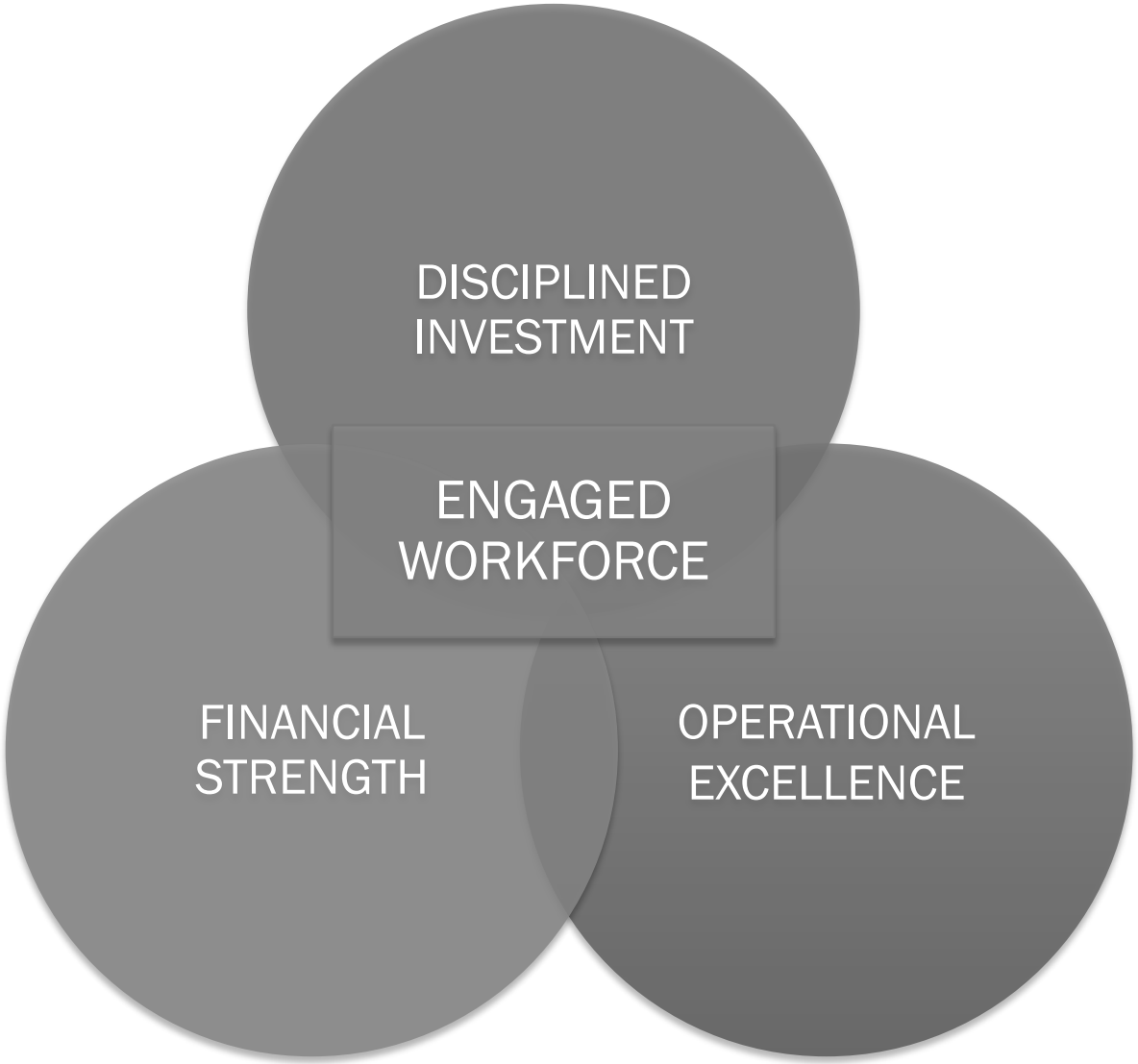
PSEG

We make things work for you.

SI-SSA-0015-11814

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-11815

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units operated at over 90% capacity factors for the 9th consecutive year through 2013 • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-11816

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • New Rockfish solar project brings Solar Source's portfolio to 123 MW • Nuclear ESP is expected in 2015

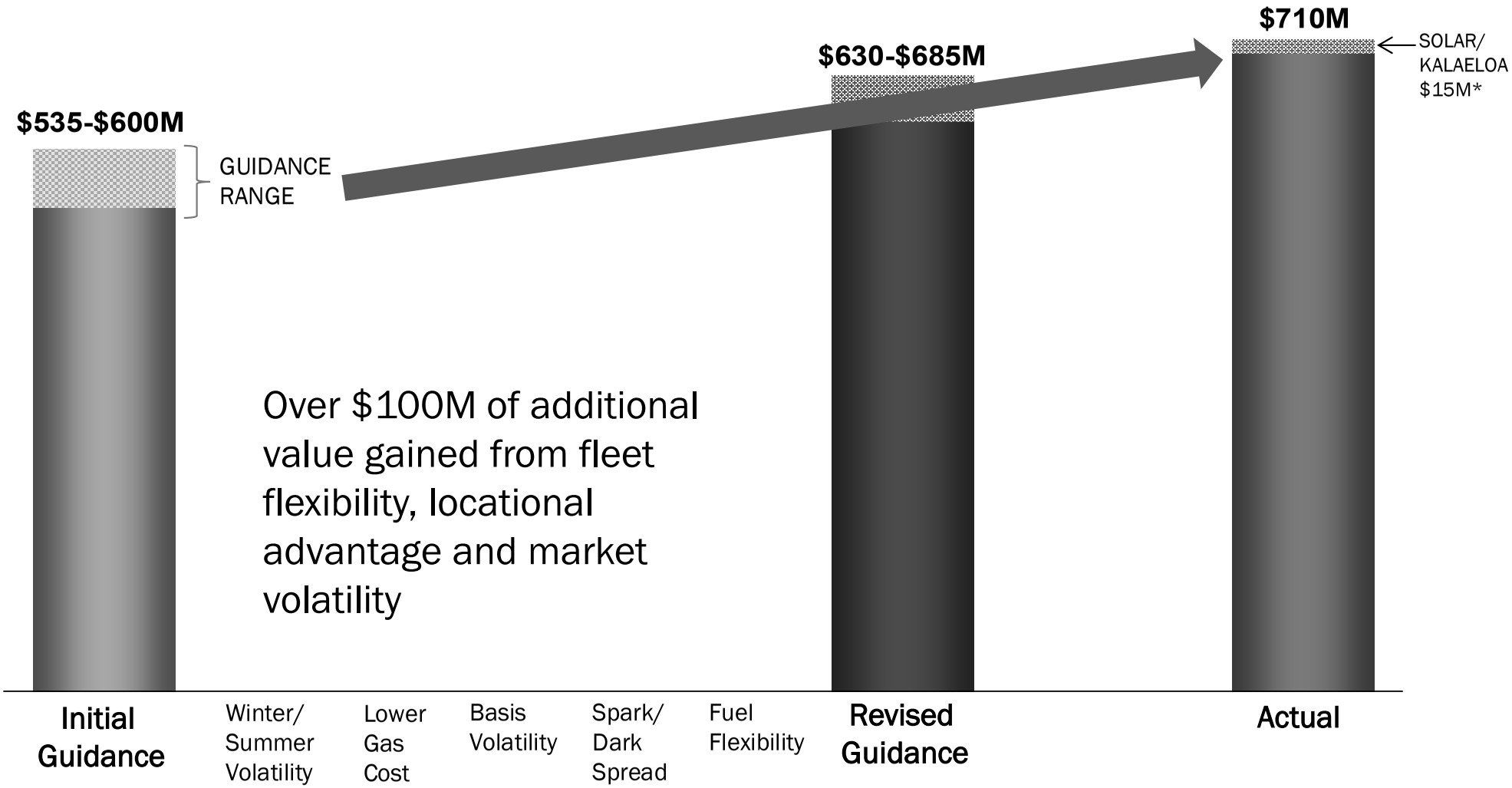
SI-SSA-0015-11817

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-11818

PSEG Power exceeded 2013's earnings guidance



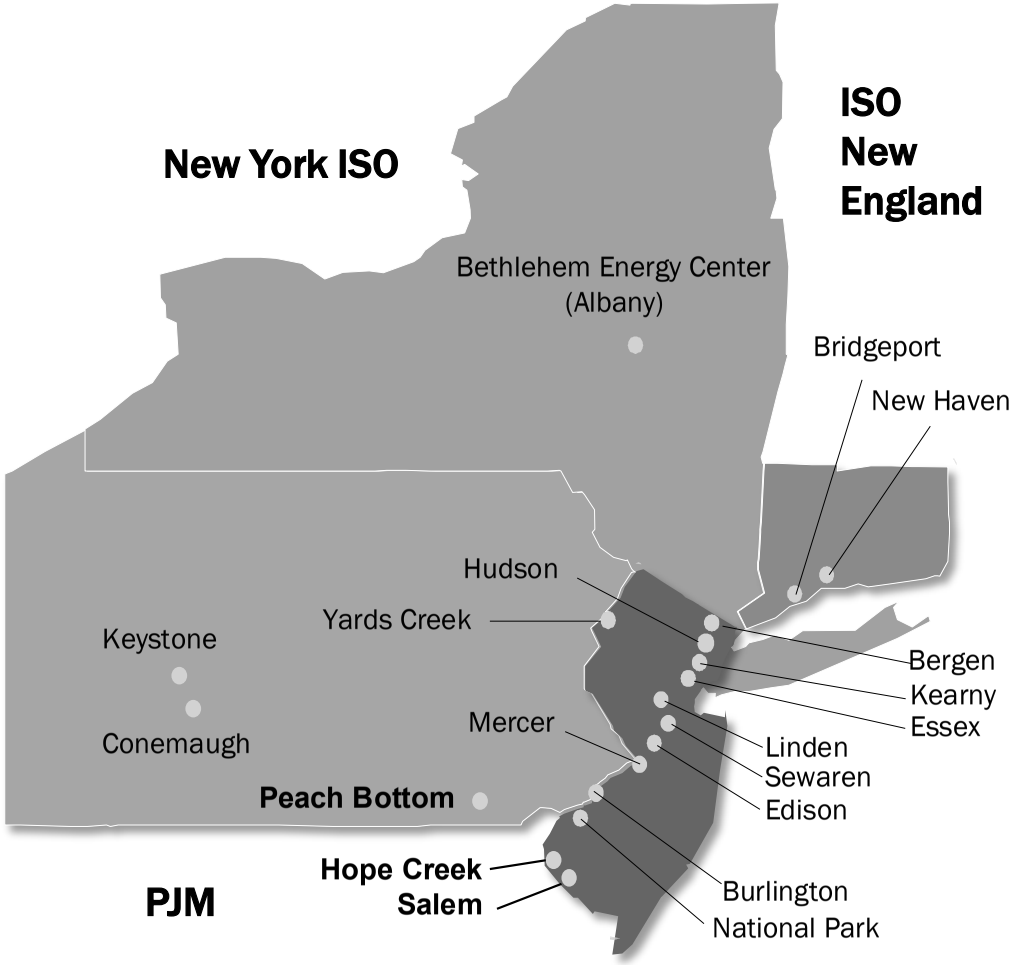
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-11819

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



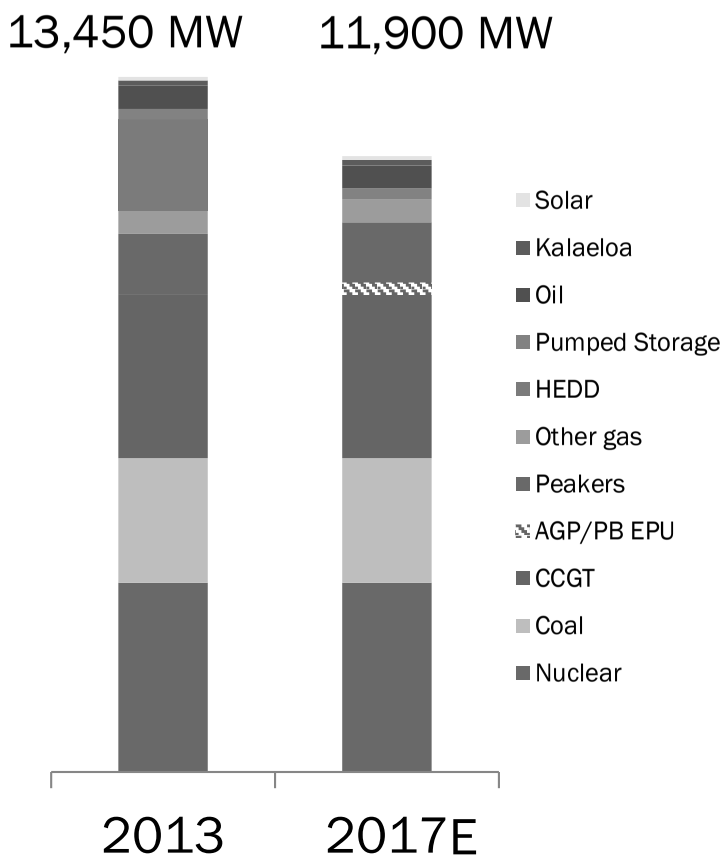
SI-SSA-0015-11820

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

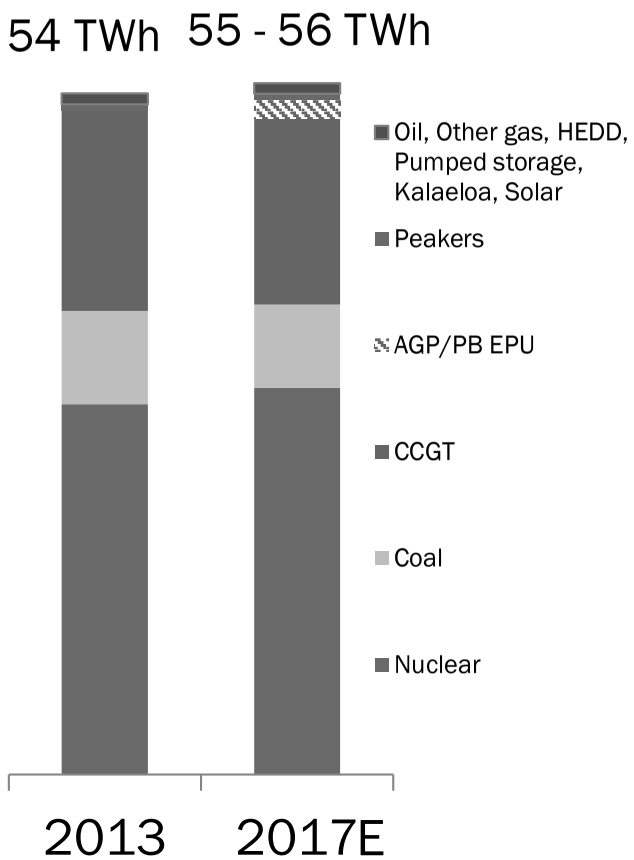
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



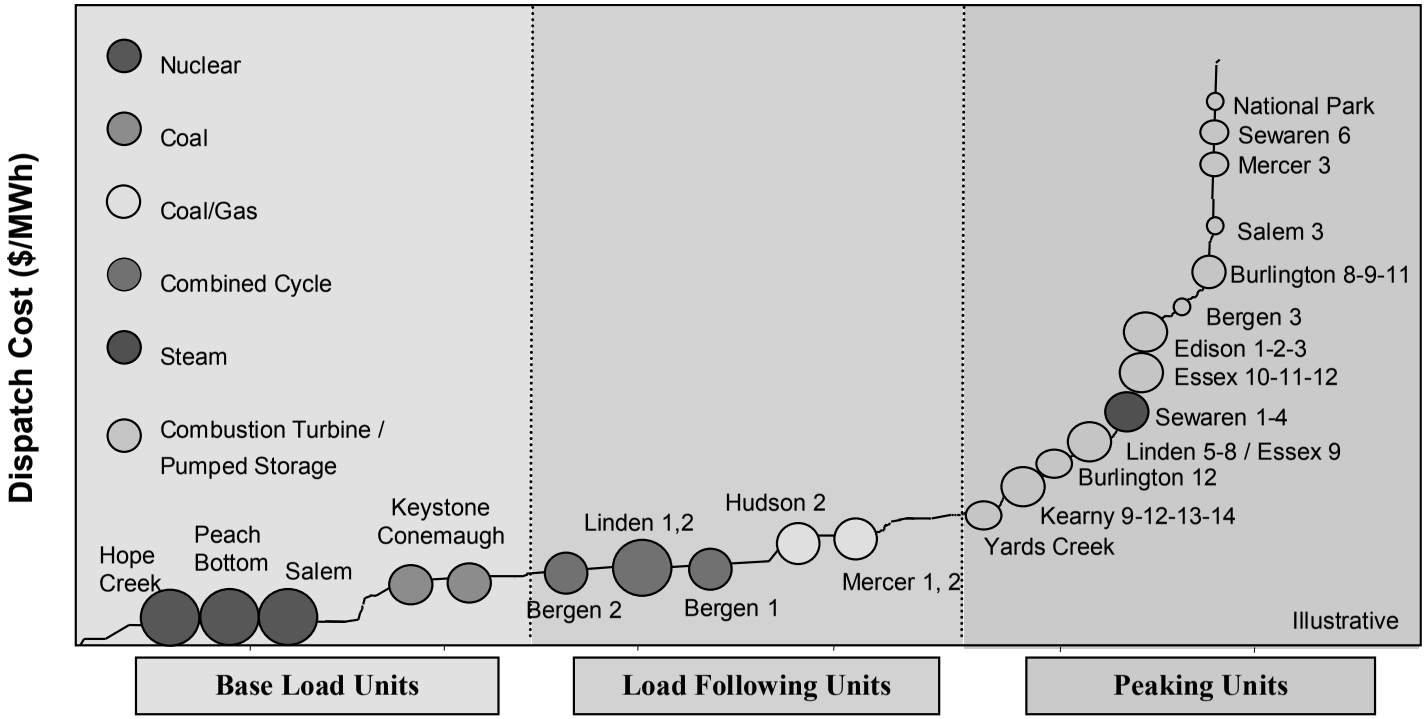
Energy Produced



E=ESTIMATE.

SI-SSA-0015-11821

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-11822

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Technology: Boiling Water Reactor • Total Capacity: 1,178 MW • Owned Capacity: 1,178 MW • License Expiration: 2046 • Next Refueling ➢ Spring 2015	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Technology: Pressurized Water Reactor • Total Capacity: 2,365 MW • Owned Capacity: 1,358 MW • License Expiration: 2036 and 2040 • Next Refueling ➢ Unit 1 – Spring 2016 ➢ Unit 2 -- Fall 2015	• Operated by Exelon • PSEG Ownership: 50% • Technology: Boiling Water Reactor • Total Capacity: 2,251 MW • Owned Capacity: 1,125 MW • License Expiration: 2033 and 2034 • Next Refueling ➢ Unit 2 – Spring 2016 ➢ Unit 3 – Fall 2015 • Uprate: 130 MW (PS Share) Unit 2 - 2015/Unit 3 - 2016

SI-SSA-0015-11823

PSEG Power Nuclear is core to the fleet and has competitive advantages

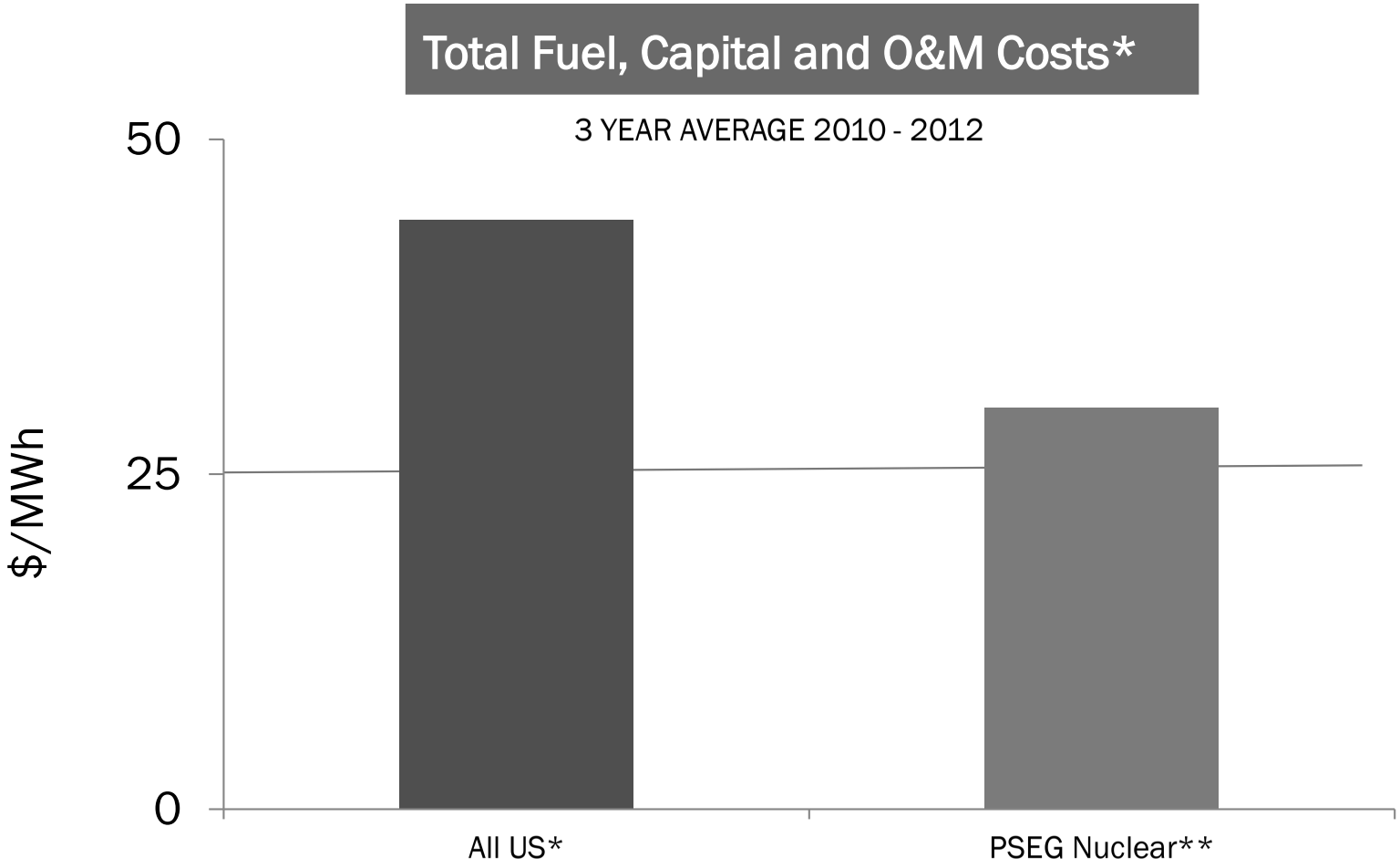
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor through 2013
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-11824

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

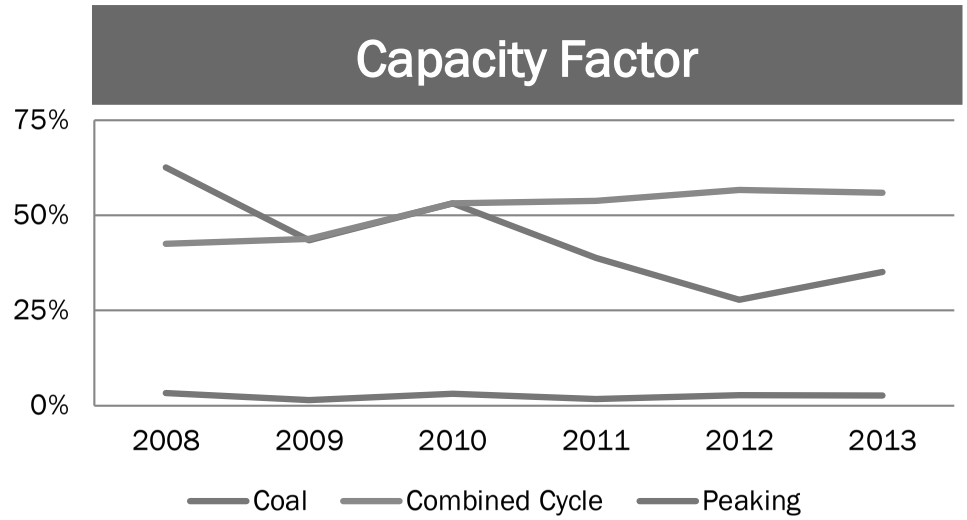


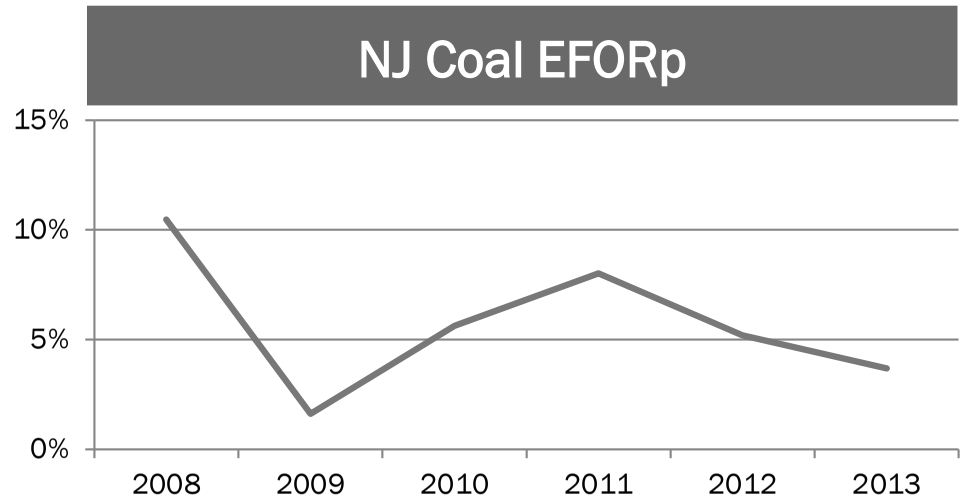
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

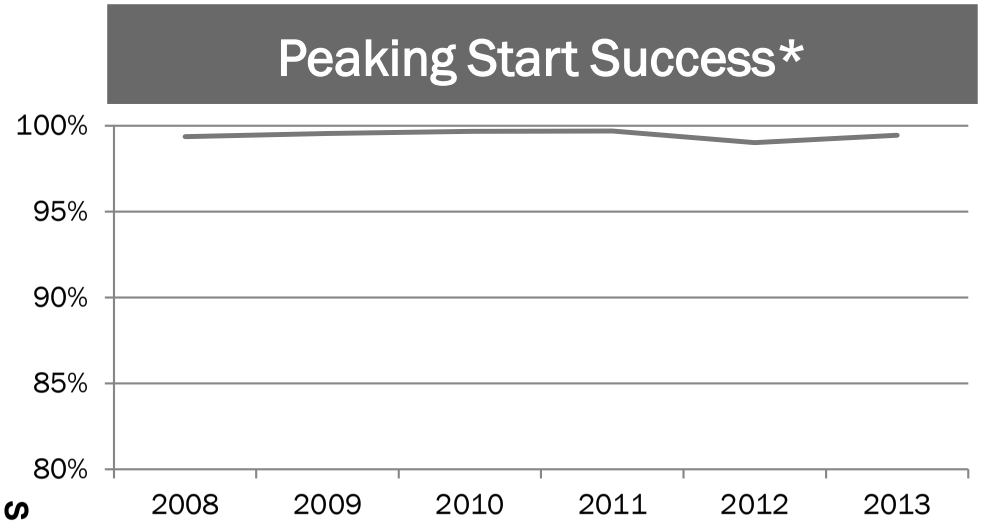
SI-SSA-0015-11825

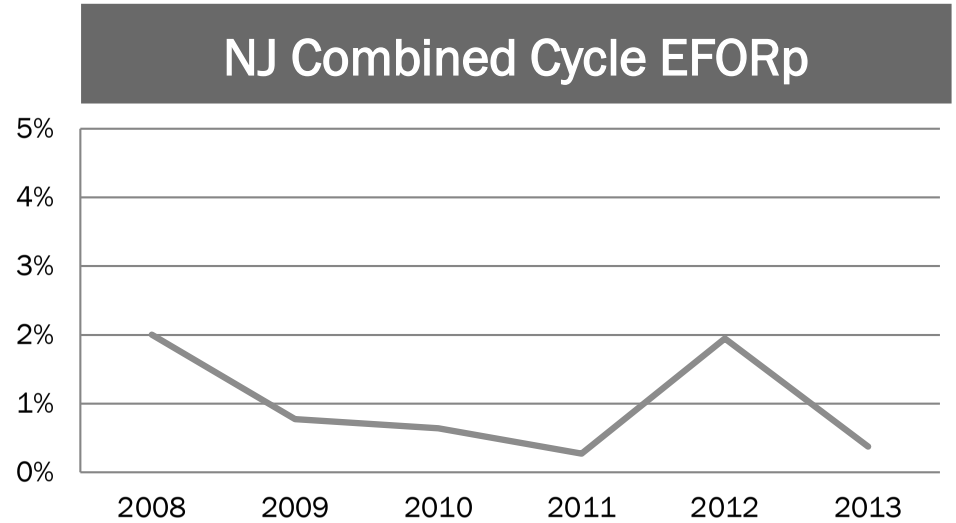
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

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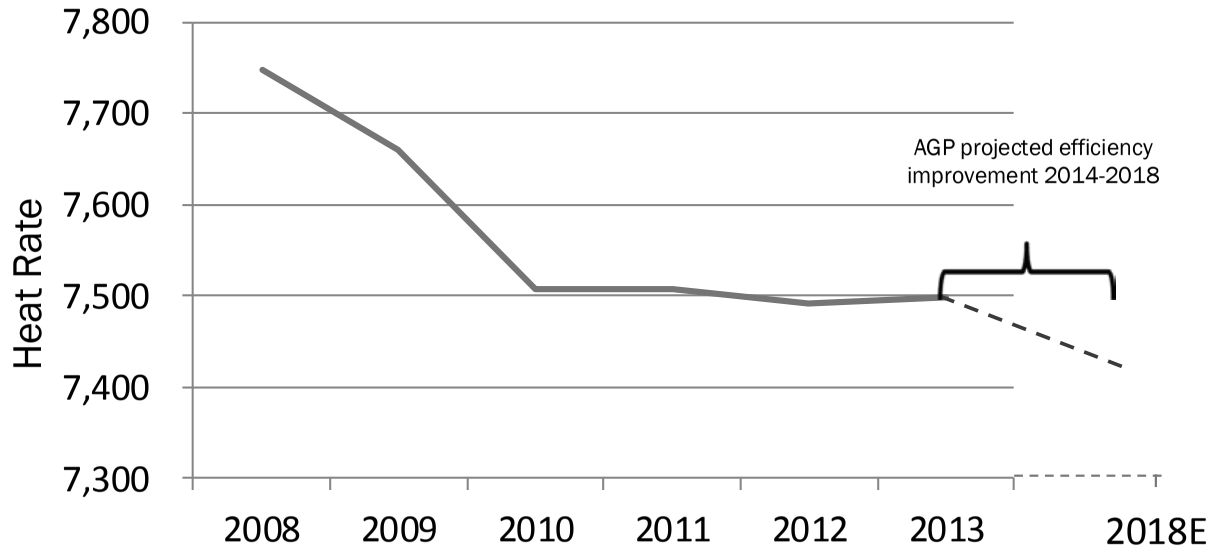
PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

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*E= ESTIMATE.

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – Completed)
  - Bergen (31 MW – 2015)
  - BEC (58 MW – 2017-2018)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

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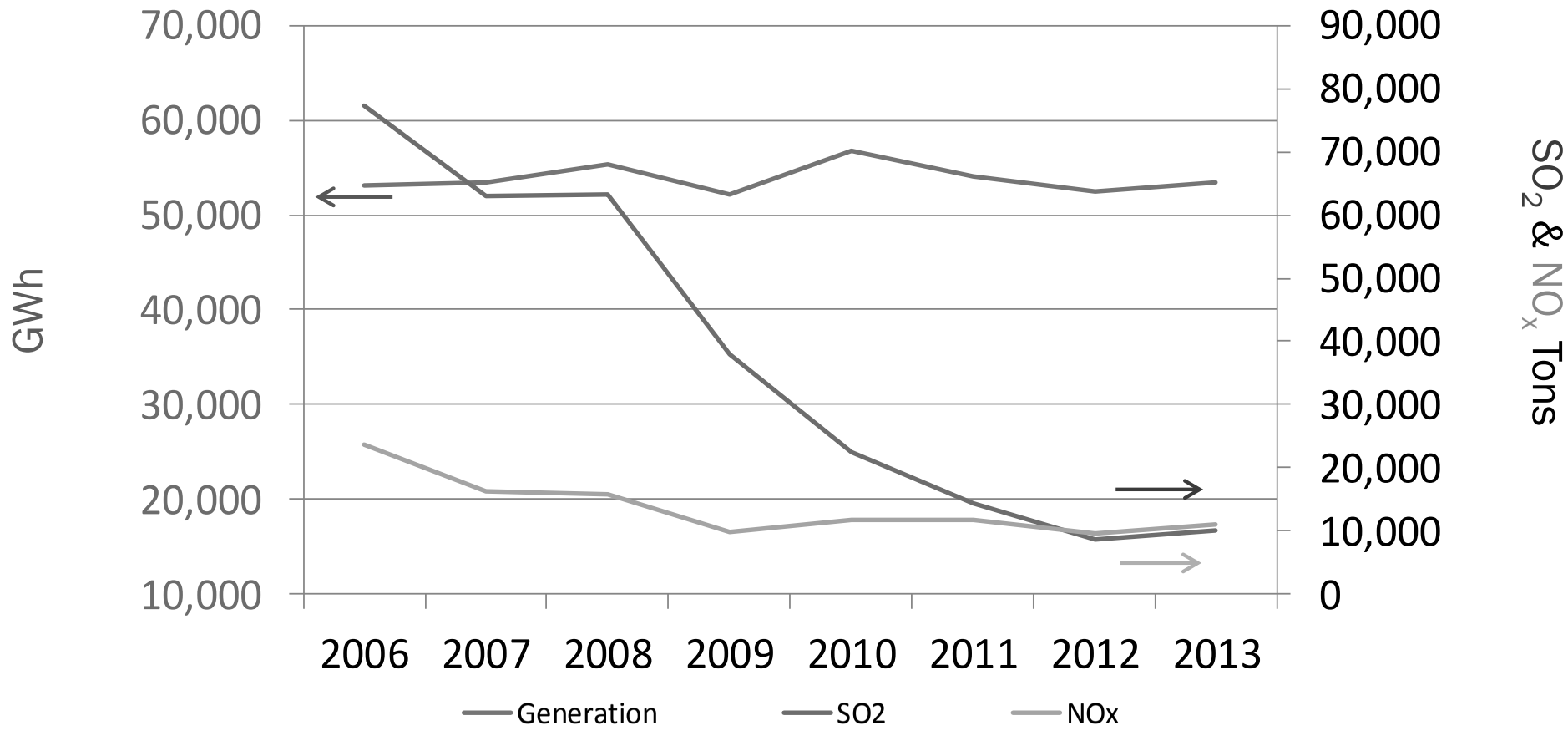
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

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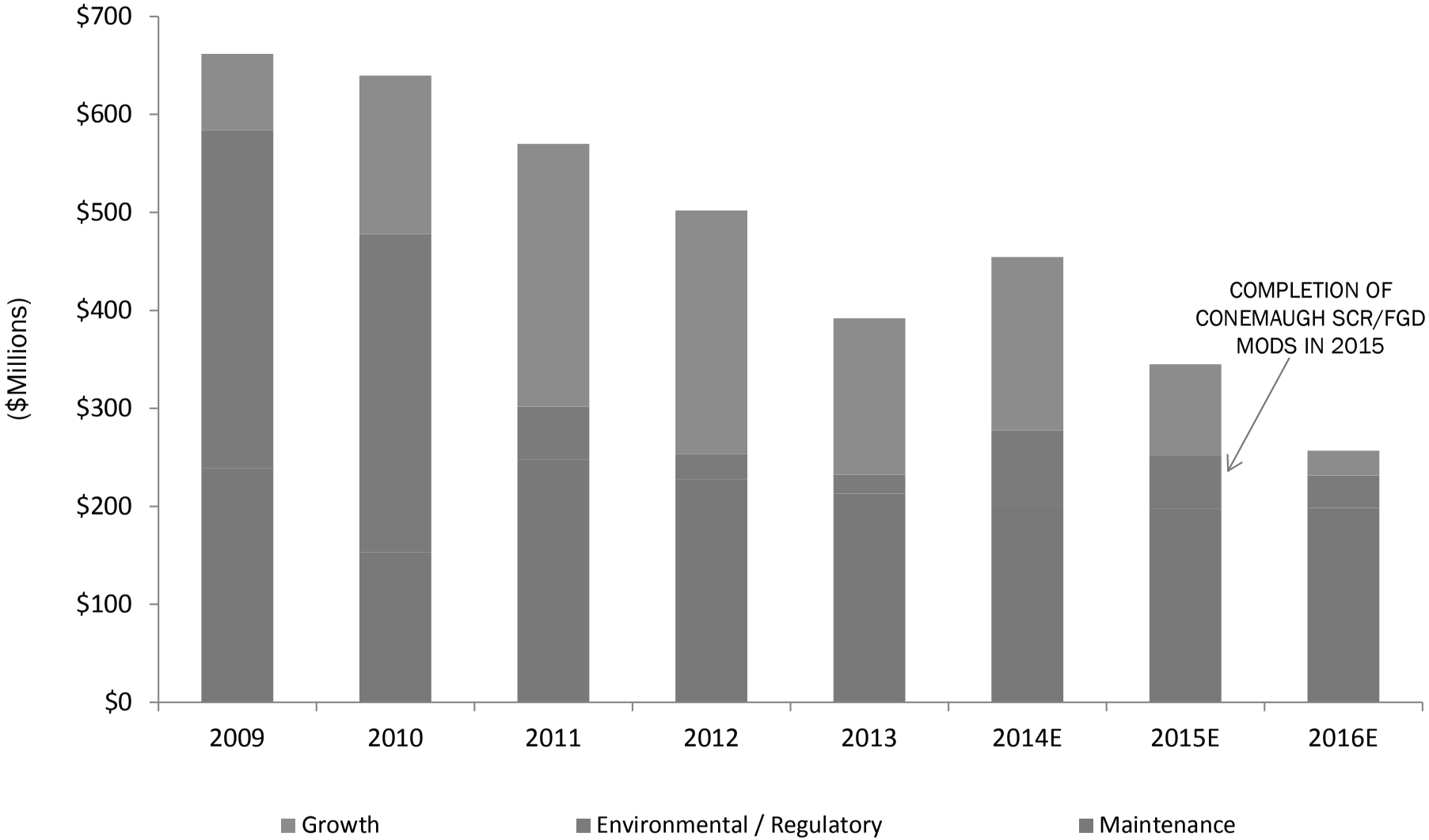
PSEG Power's capital expenditures for environmental requirements are essentially complete*



*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF MARCH 31, 2014.

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PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-11831

PSEG Solar Source owns ~123 MW

of solar facilities with long term contracted revenues*

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $79 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $50 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

SI-SSA-0015-11832

PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT). E=ESTIMATE.

PSEG POWER
ER&T

SI-SSA-0015-11833

PSEG

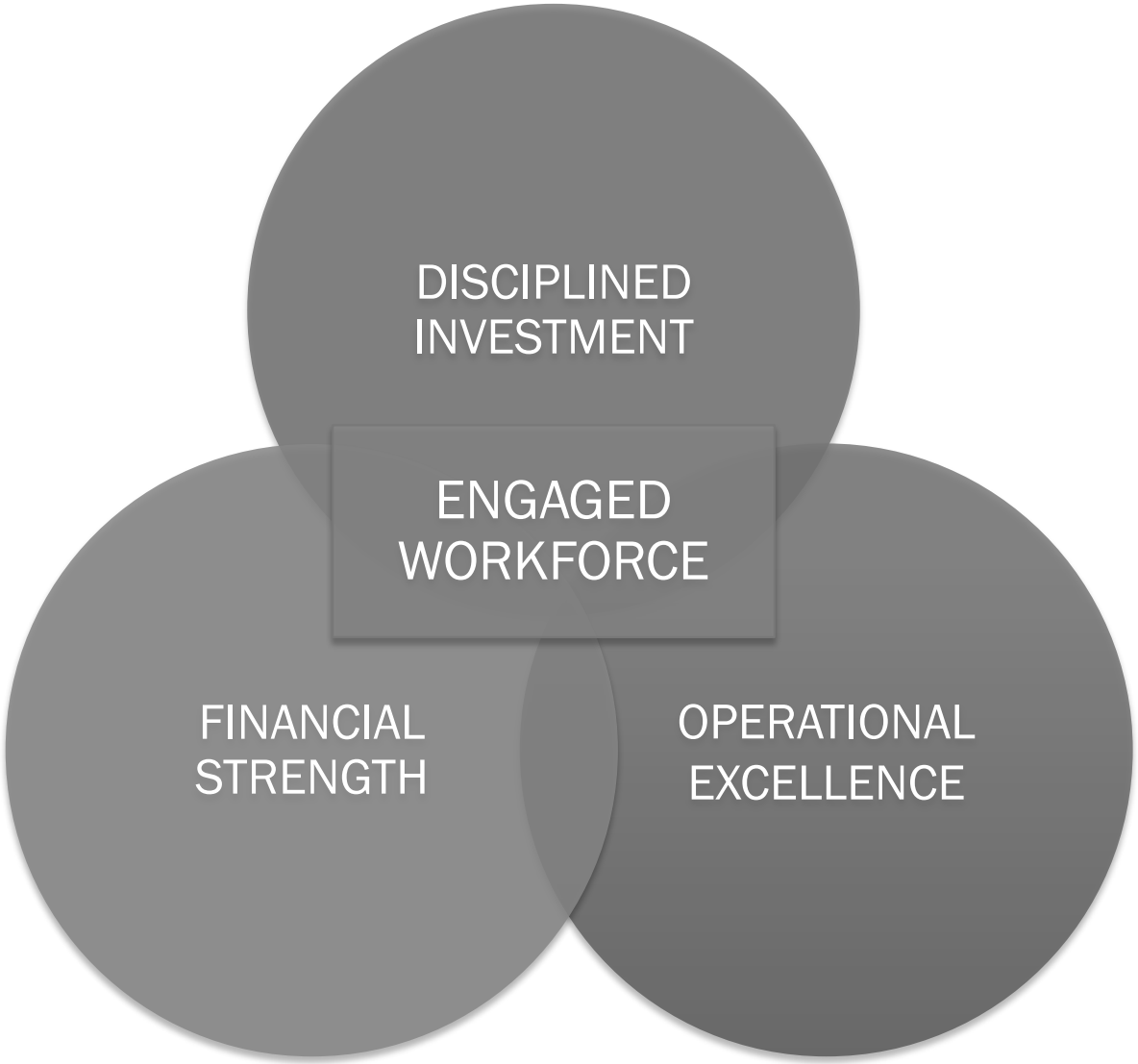
We make things work for you.

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-11834

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

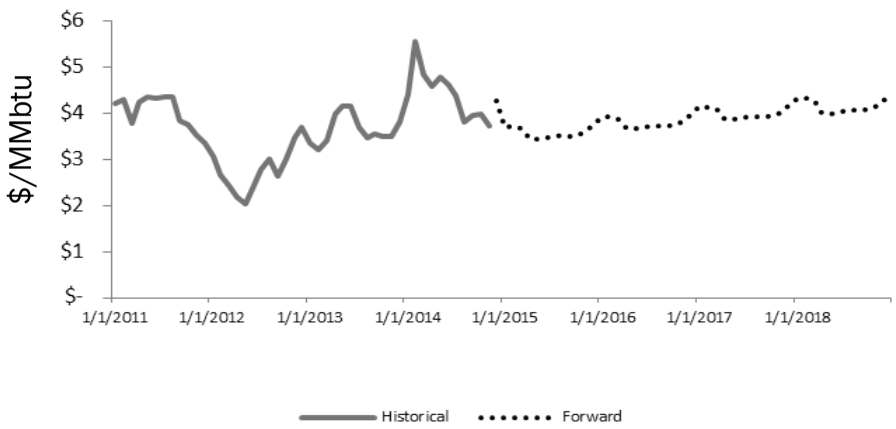
PSEG's Sustainable Advantage

- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

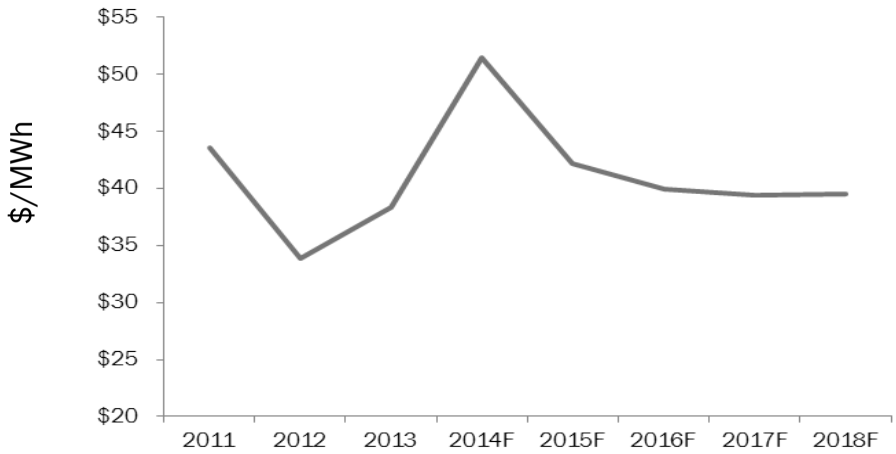
SI-SSA-0015-11835

Market Review: Long-term fundamentals remain sound

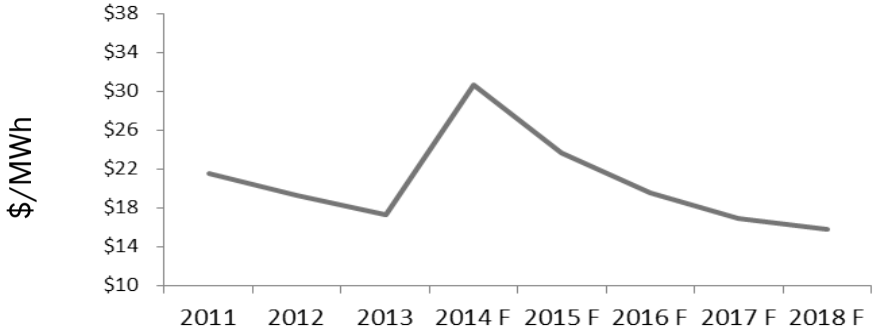
NYMEX Natural Gas Price



PJM West RTC



PJM West Spark Spreads



- Market influenced by increased gas supply and capacity retirements
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks
- Market liquidity remains weak beyond 2015

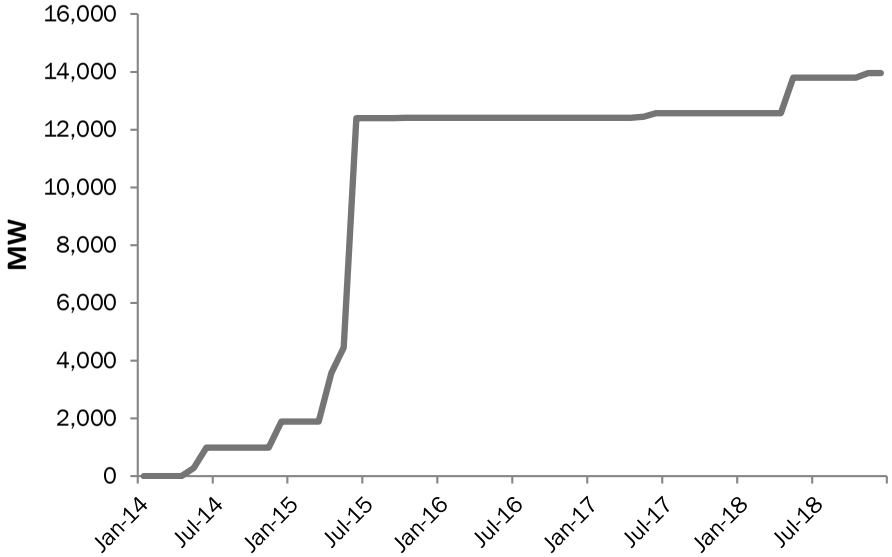
SI-SSA-0015-11836

PSEG

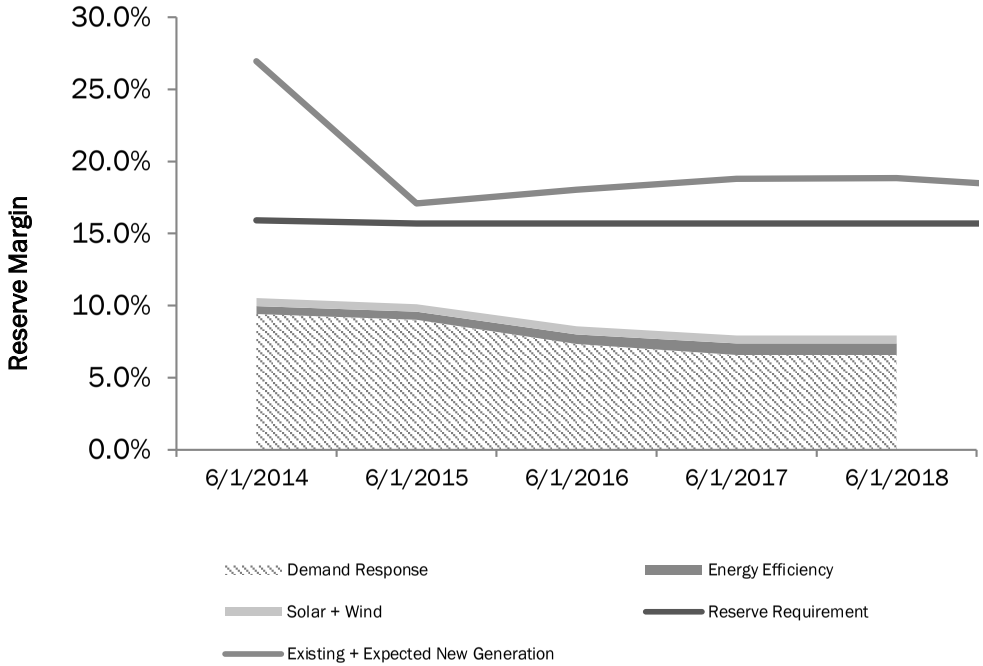
F = FORWARDS AS OF DECEMBER 17, 2014; 2014F INCLUDES HISTORY AND FORWARDS.

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM October 2014)



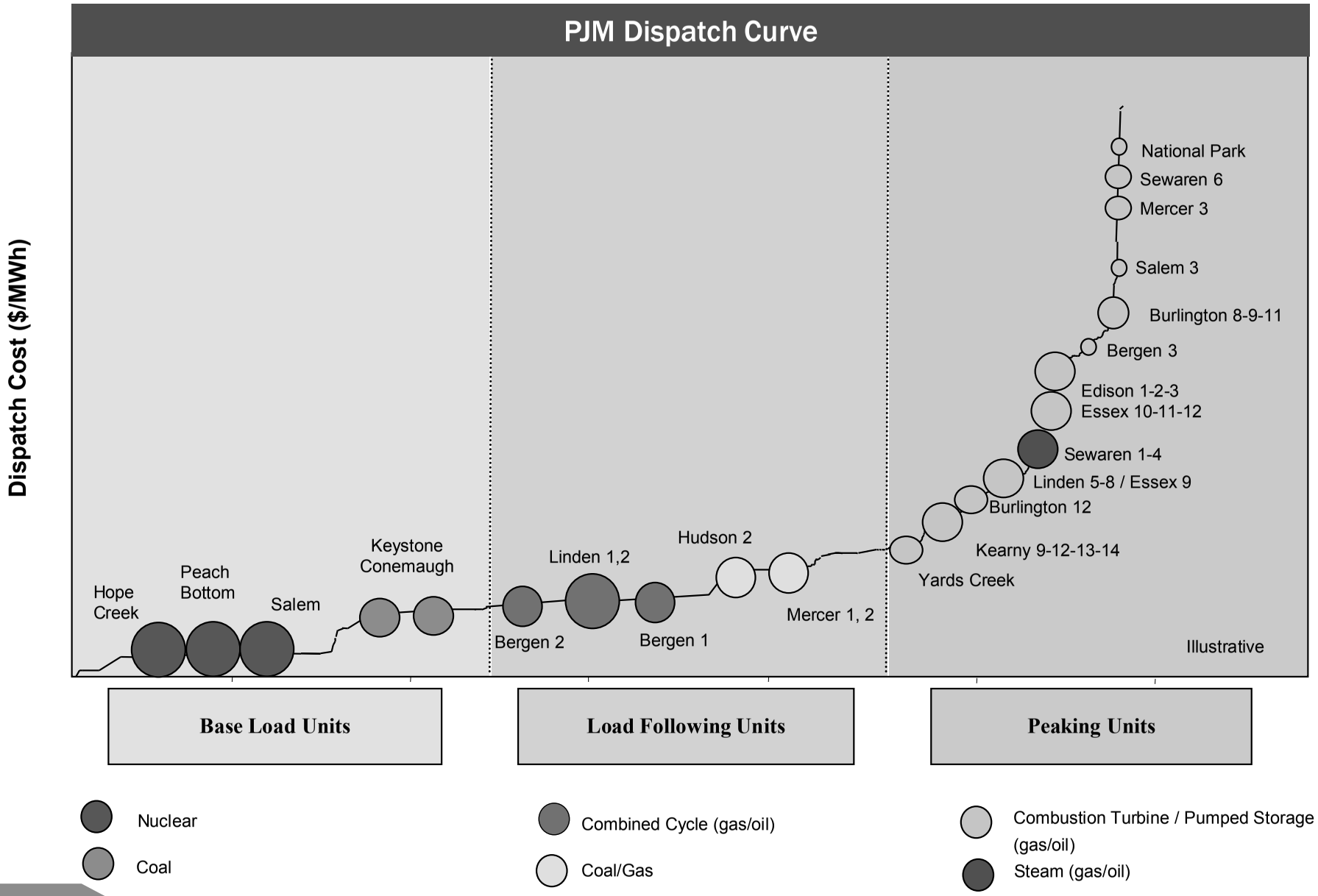
- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-11837

PSEG

*PJM AS OF DECEMBER 23, 2014
SOURCE OF CHART DATA: PJM

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch

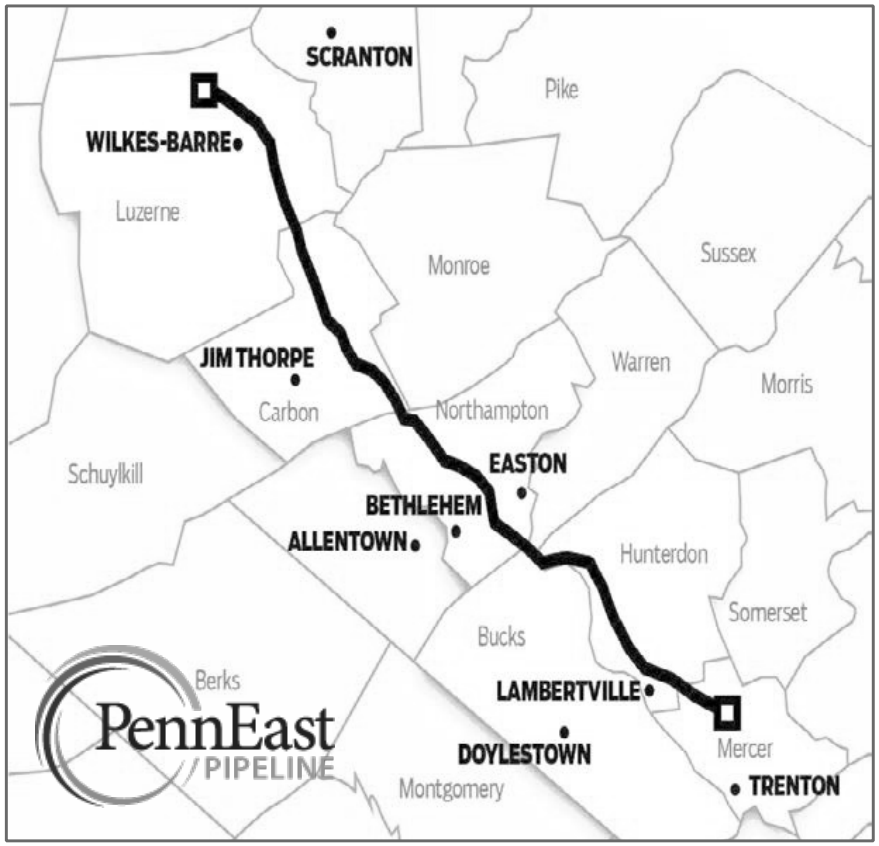


SI-SSA-0015-11838

Competitive/Sustainable Advantage:

PSEG expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



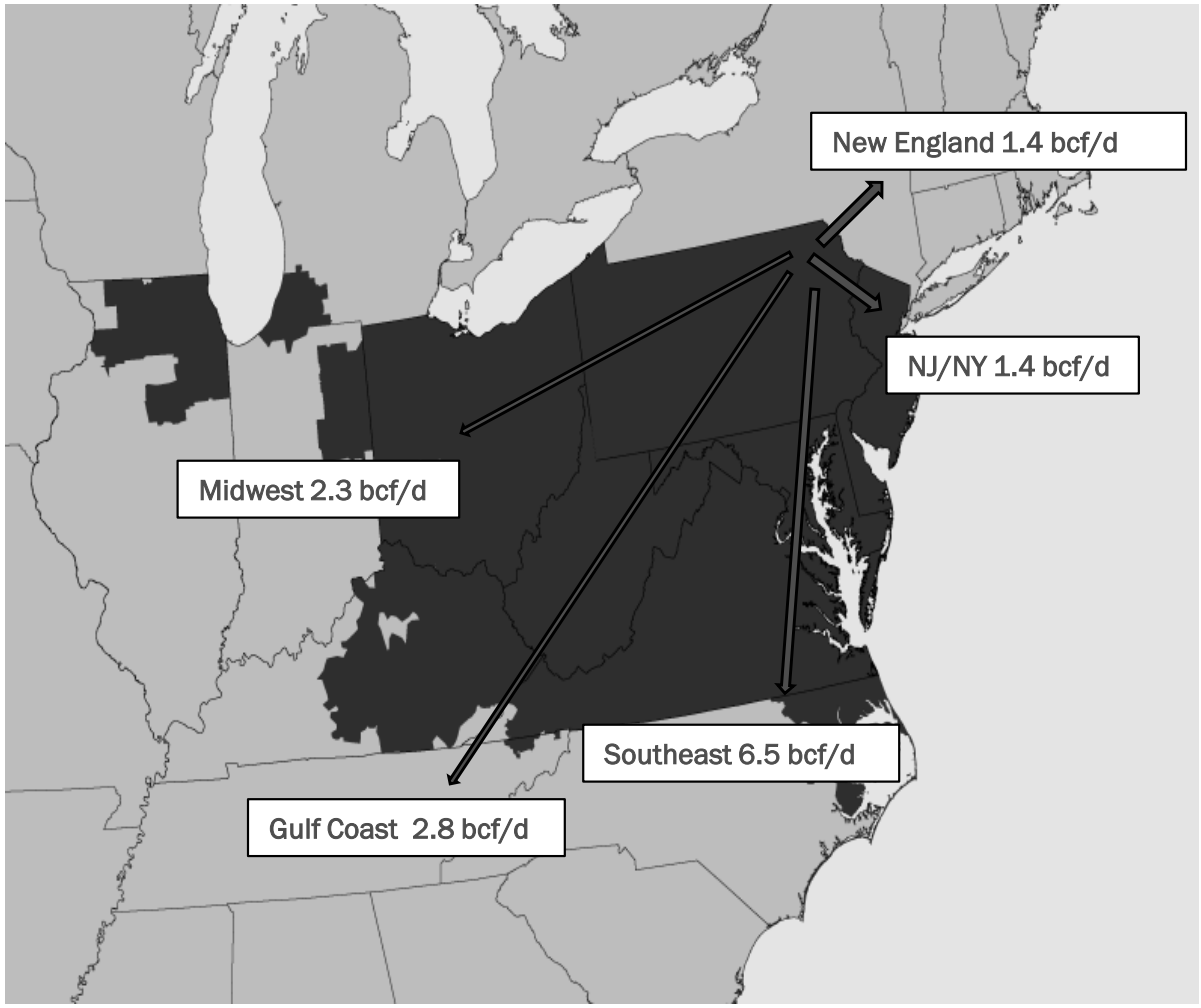
- PSEG plans to invest $100 - $120 million in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors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

SI-SSA-0015-11839

Industry infrastructure build through 2018

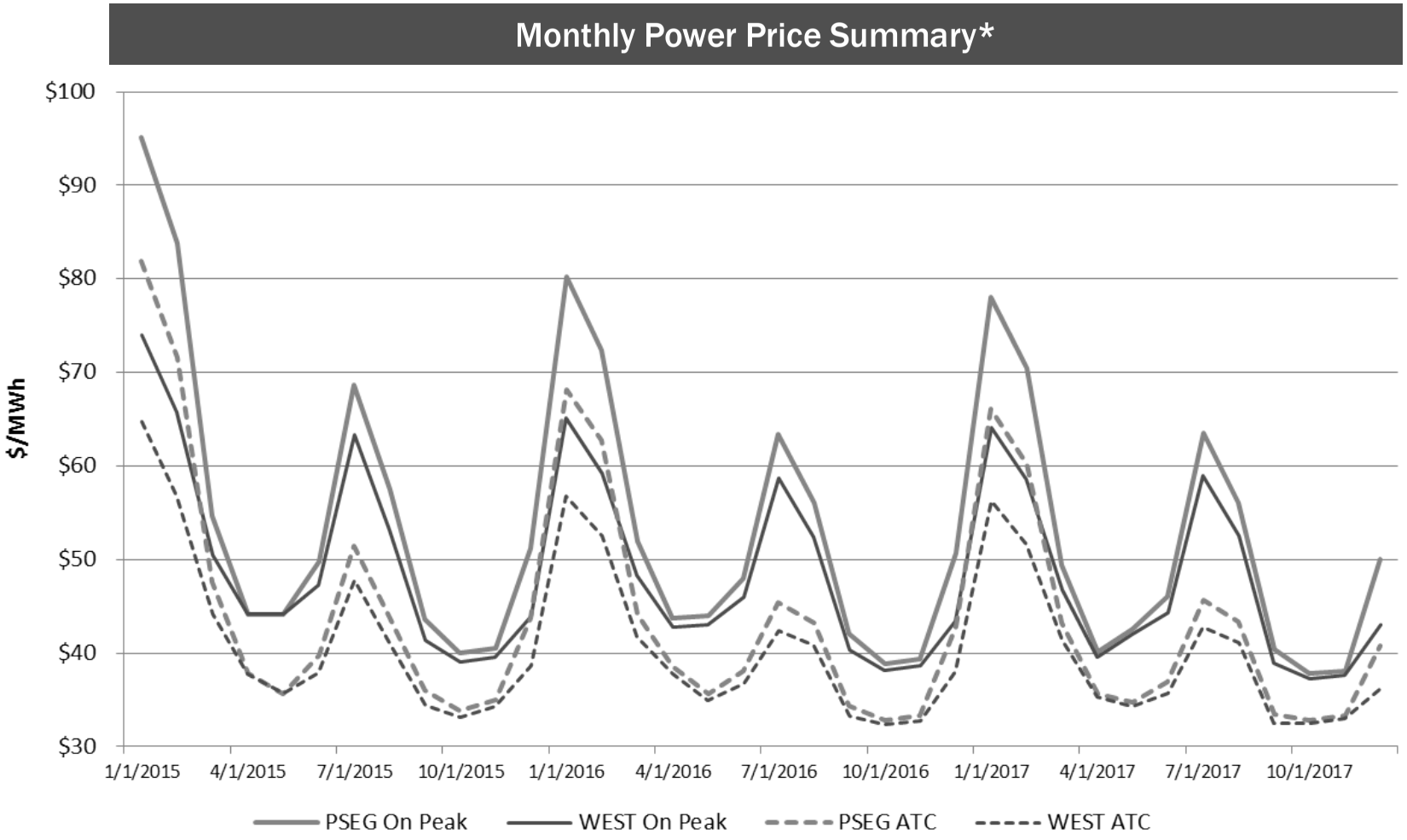
to meet demand growth

New investment will increase pipeline takeaway capacity from low-cost Marcellus and Utica shale basins to meet demand in the South and Midwest



SI-SSA-0015-11840

Sustainable Advantage: Forward power curves indicate PSEG Zone retains premium price



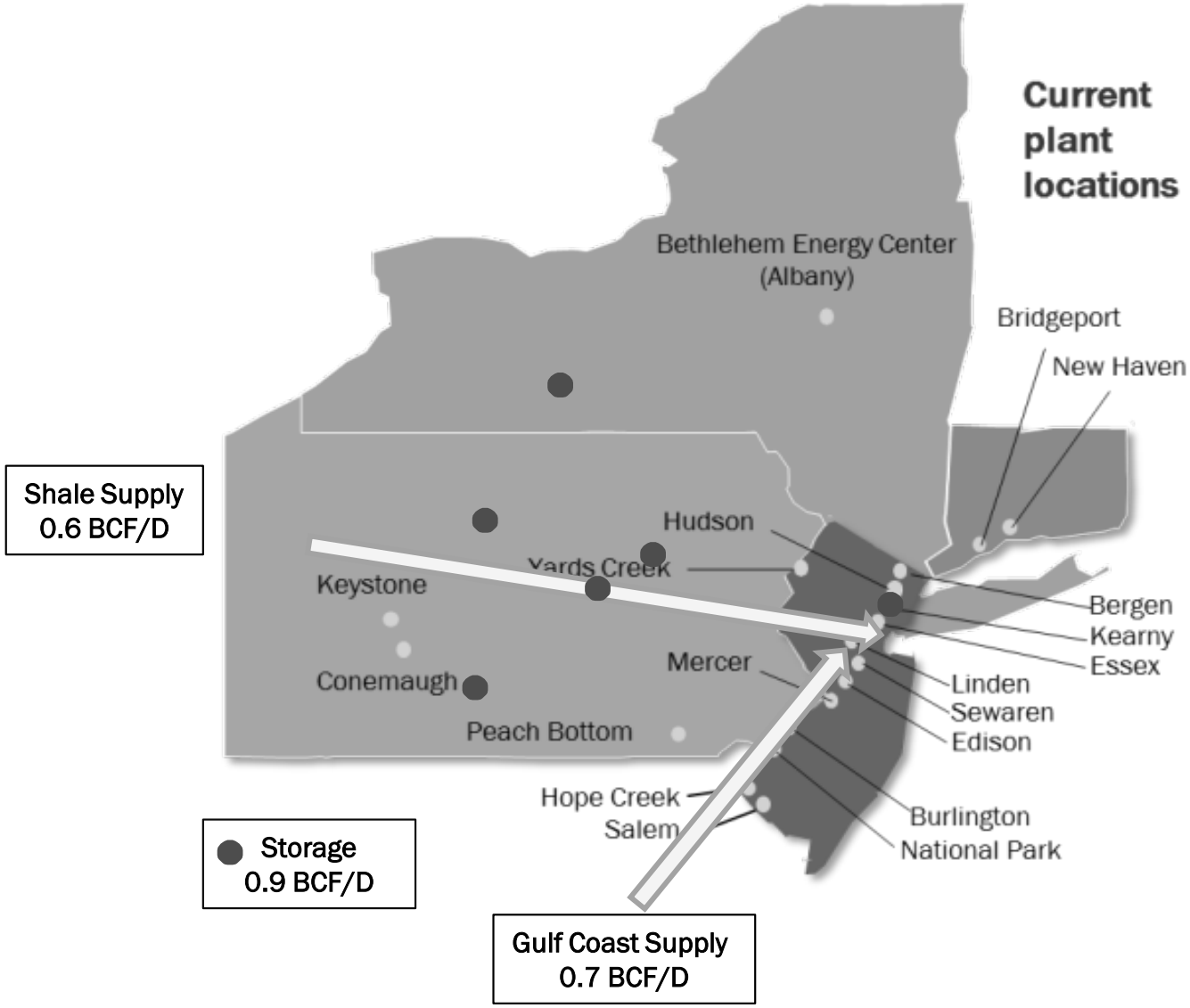
Growing importance of the winter peak has influenced PJM reliability planning … with supportive implications for price formation

SI-SSA-0015-11841

PSEG

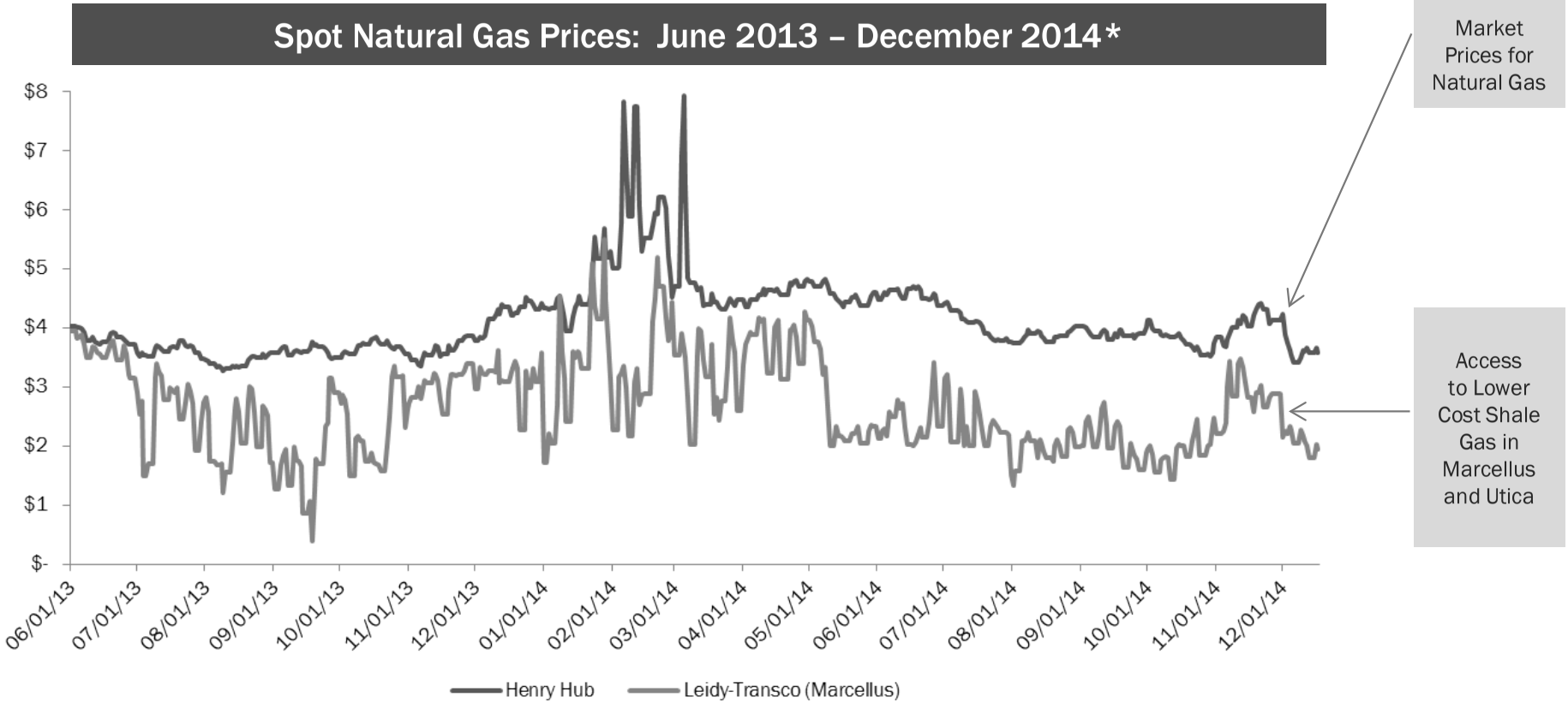
* MARKET AS OF DECEMBER 17, 2014
SOURCE: ICE/BROKER QUOTES

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-11842

Competitive Advantage: In 2014, ~40% of Power's gas for generation comes from Marcellus



- Our Combined Cycle and Peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

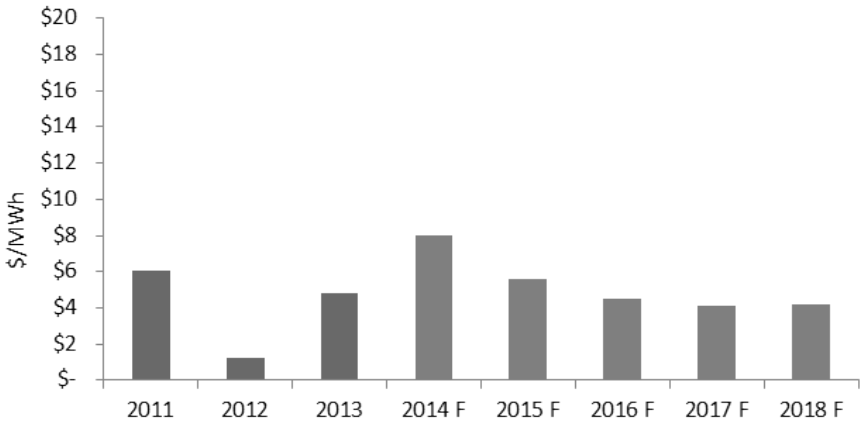
SI-SSA-0015-11843

PSEG

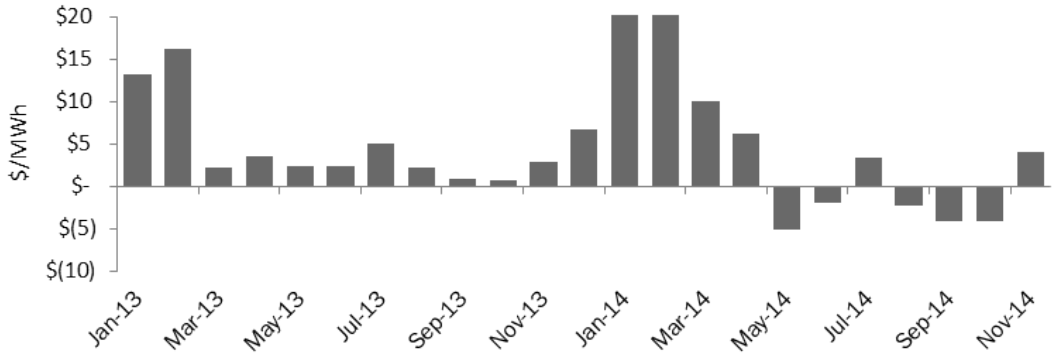
* AS OF DECEMBER 17, 2014

Competitive Advantage: Locational advantage from short term basis volatility

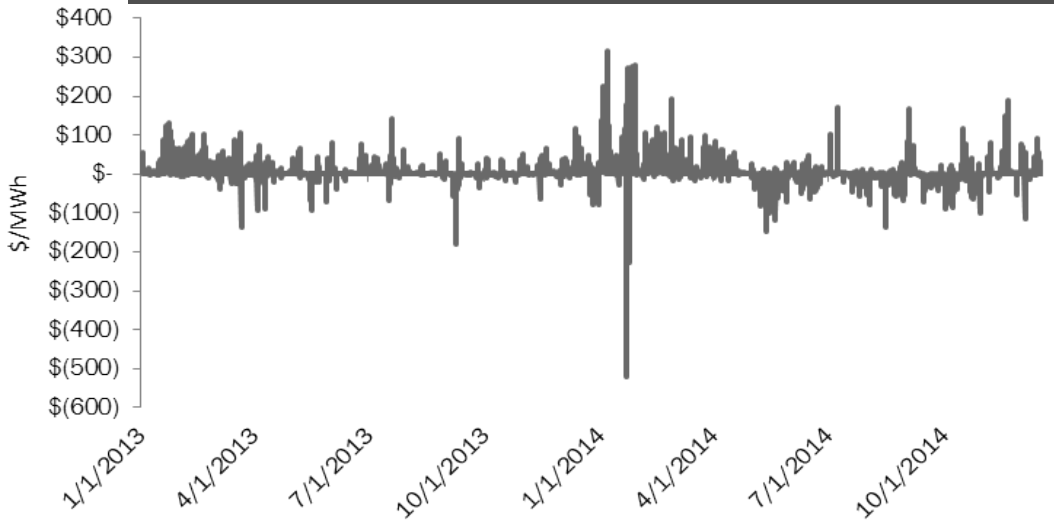
PS Zone On Peak Annual Basis to PJM-W



PS Zone Day Ahead On Peak Monthly Basis to PJM-W



PS Zone Real Time On Peak Hourly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

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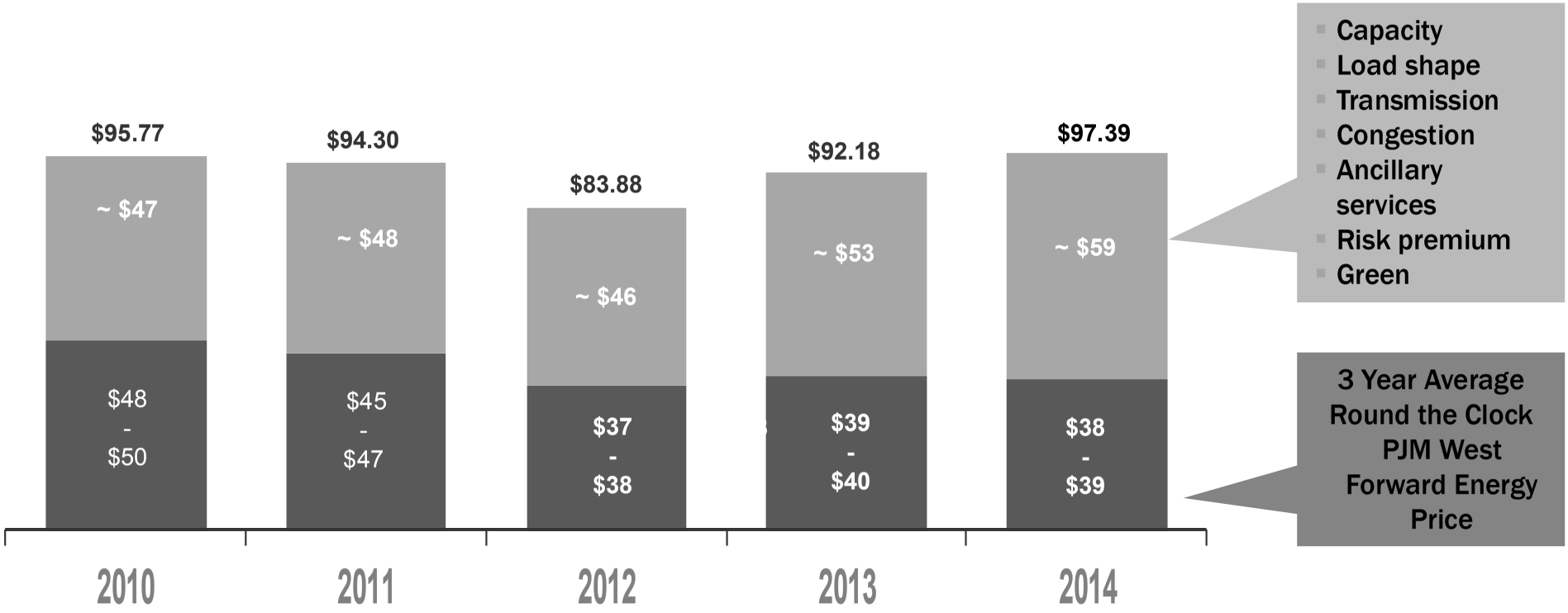
PSEG

ANNUAL FORWARD (F) BASIS TO PJM-WEST AS OF DECEMBER 17, 2014, 2014F INCLUDES HISTORY AND FORWARDS.

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-11845

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

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

HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-11846

Sustainable Advantage: PJM's capacity market continues to recognize locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$166	$166	$166	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,890	10,710	9,210	8,610	**~8,700**

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

PJM Capacity Performance Proposal:
aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places **emphasis on reliability** given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure to **encourage availability**

- **Generator availability/flexibility is key** objective for units with secure fuel supply capable of meeting operating standards

- **Elimination of 2.5% holdback**, making all capacity resources annual products, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

April 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

SI-SSA-0015-11848

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-11849

PSEG FINANCIAL REVIEW & OUTLOOK

SI-SSA-0015-11850

PSEG

We make things work for you.

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to annual rate of $1.48 per share for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-11851

Exceeded upwardly revised guidance

in both businesses

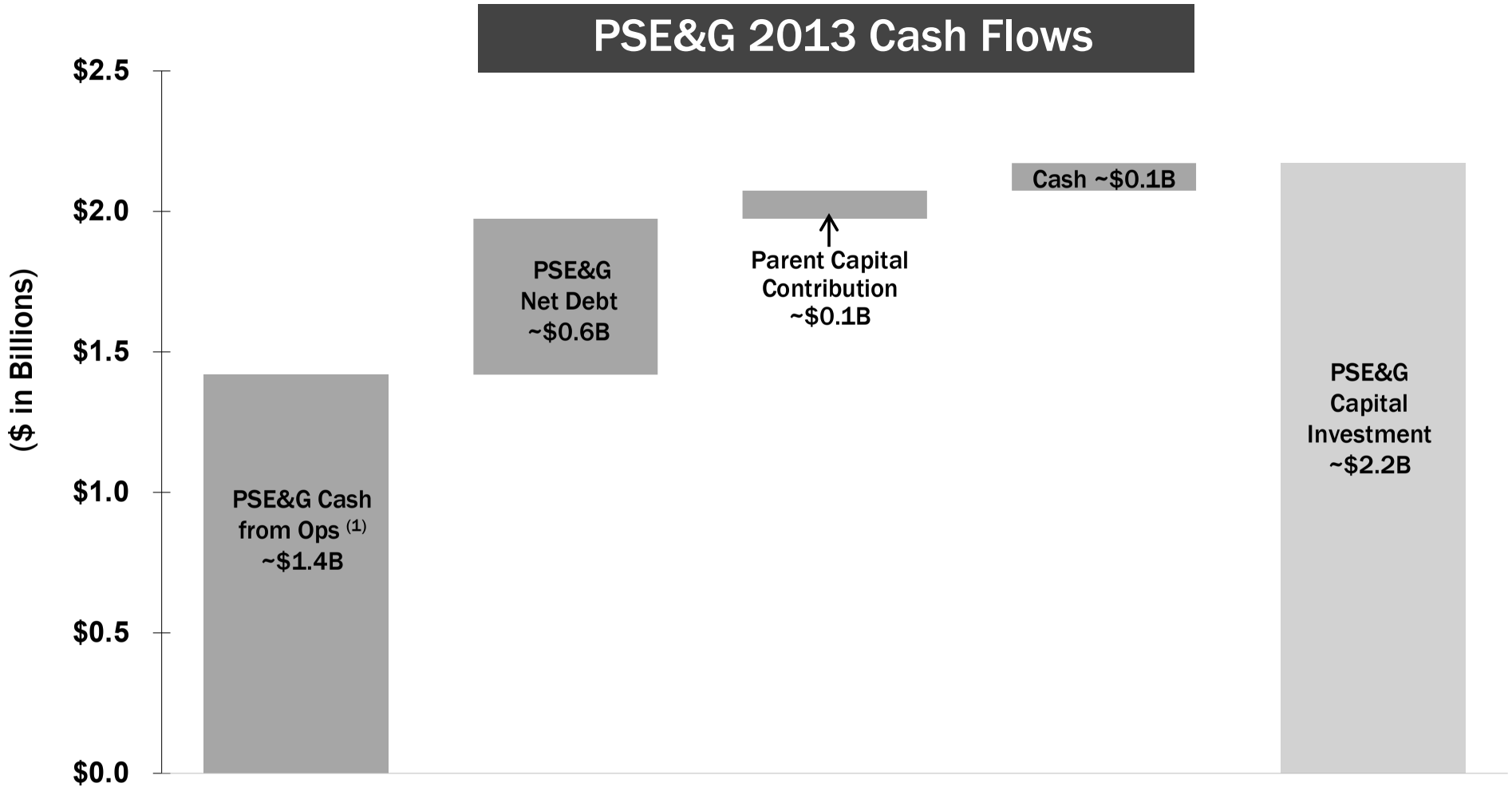
PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

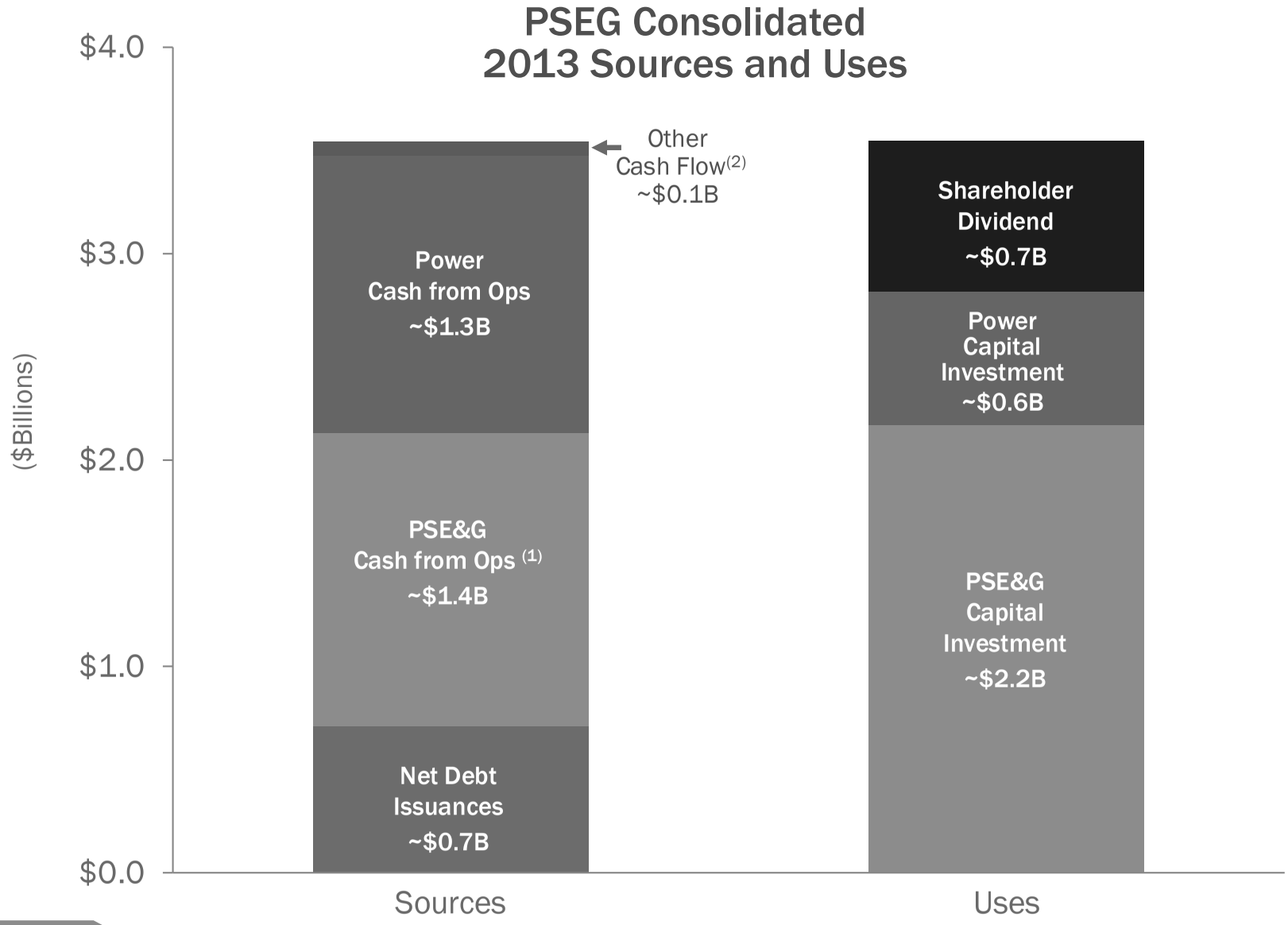
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-11853

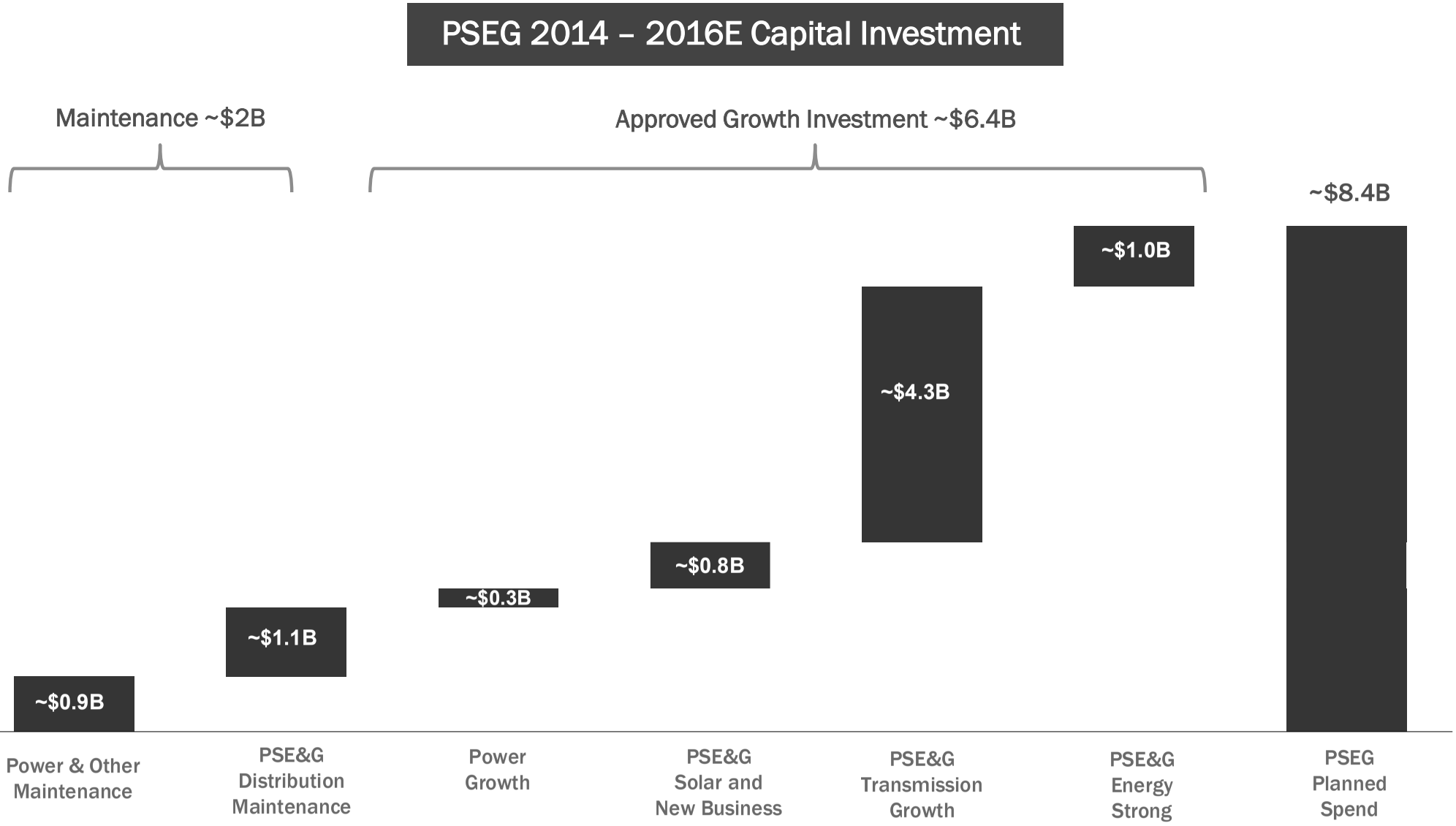
In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

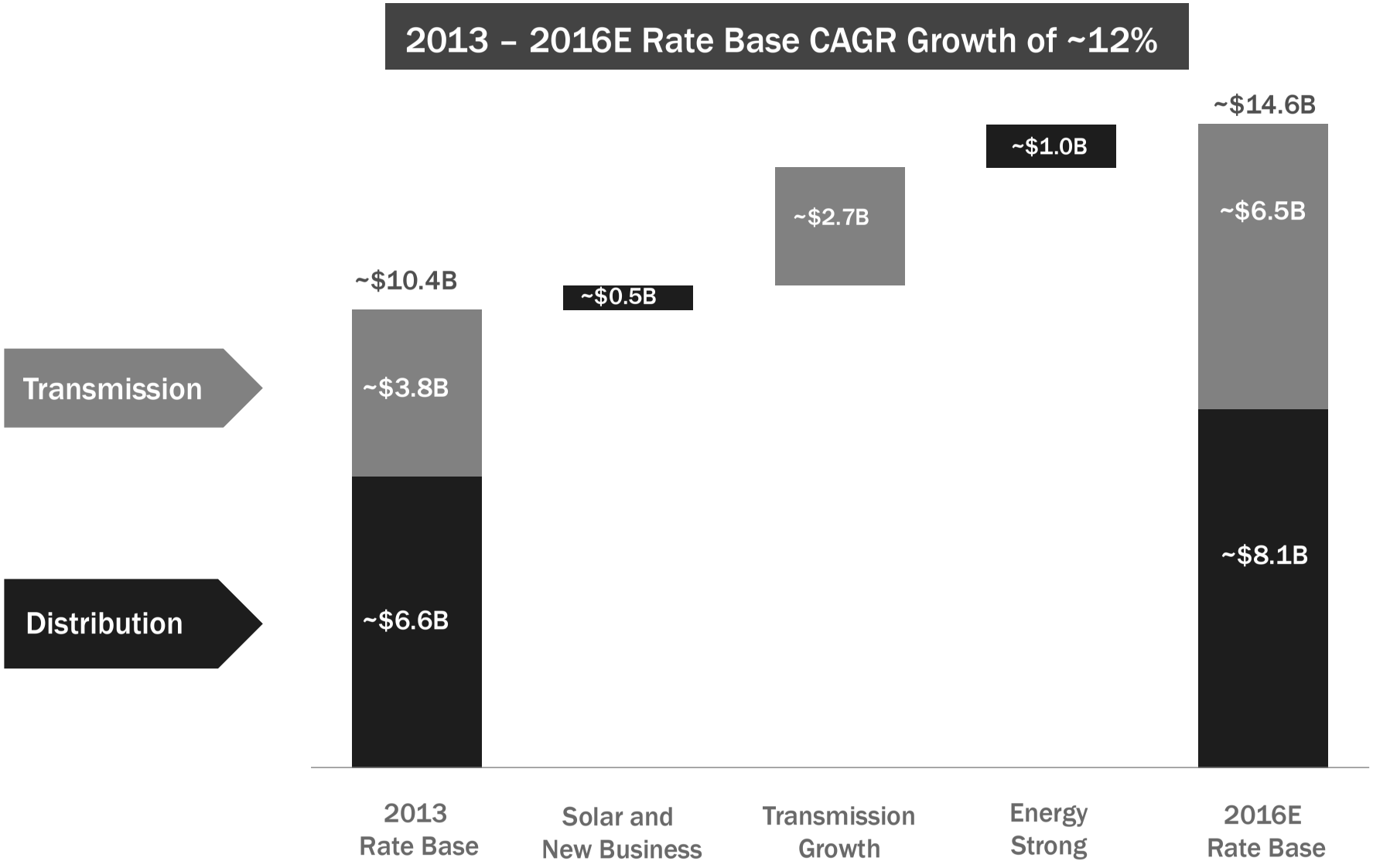
SI-SSA-0015-11854

PSEG growth spend, including Energy Strong, of ~$6.4B represents ~76% of total investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.
DATA AS OF MARCH 31, 2014.

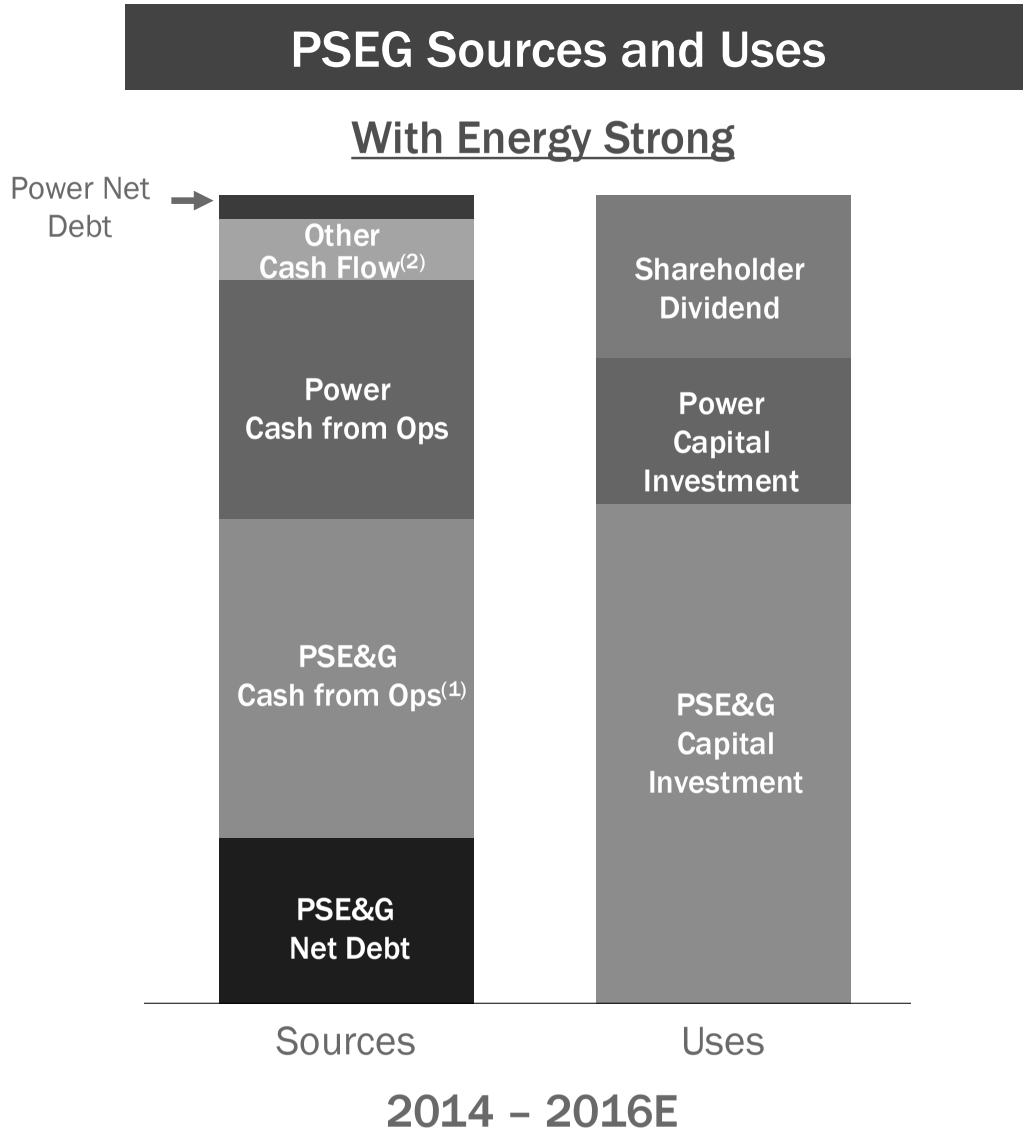
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period



SI-SSA-0015-11856

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

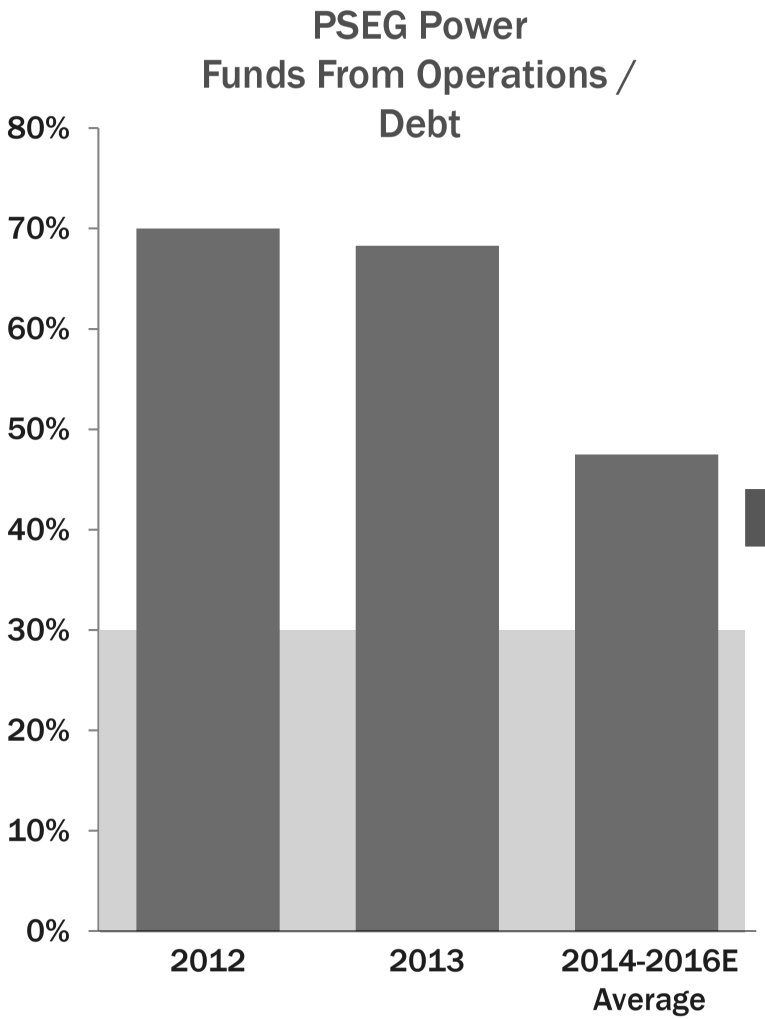
PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT
E = ESTIMATE. DATA AS OF MARCH 31, 2014.

SI-SSA-0015-11857

Power's key credit metric supports incremental investment opportunities

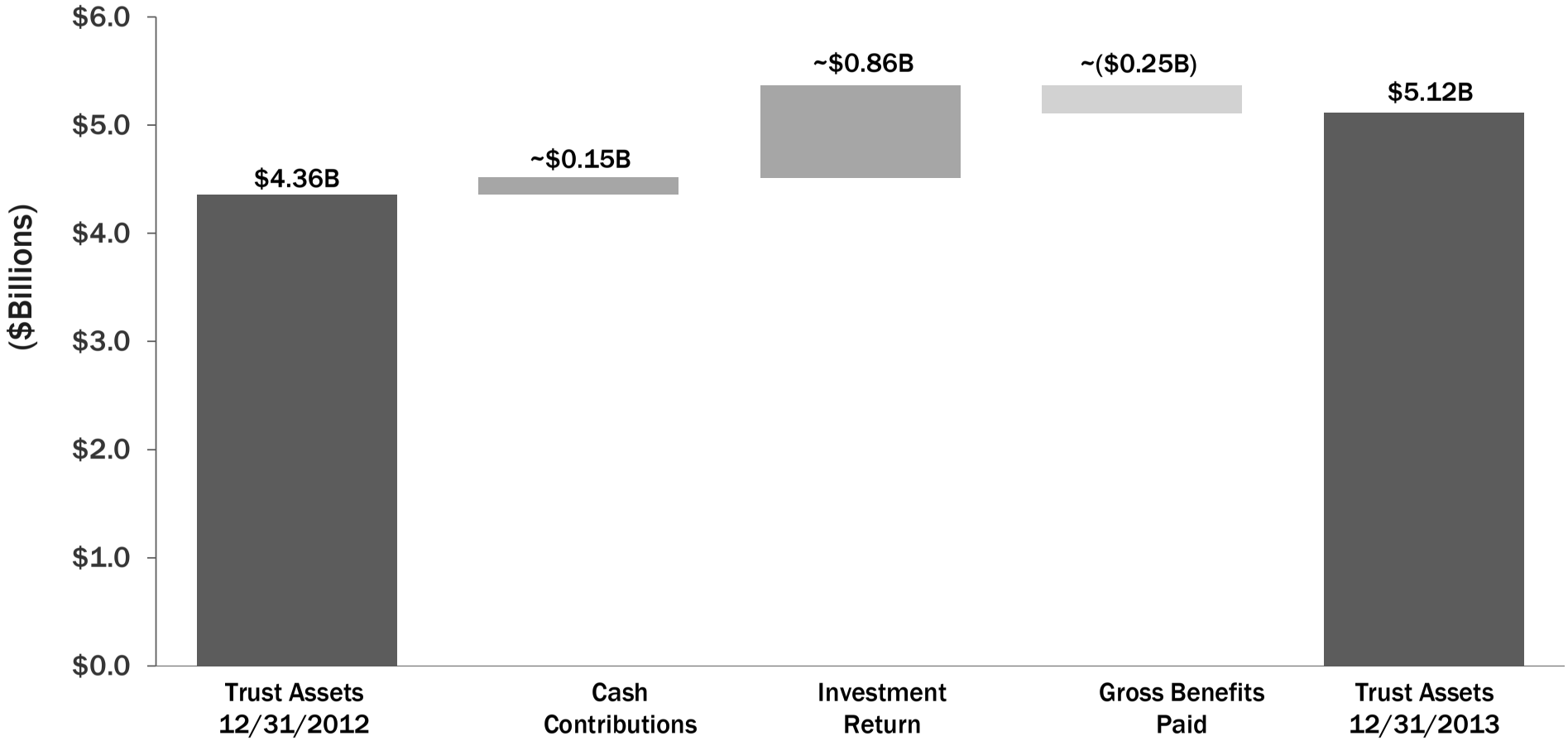


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-11858

E = ESTIMATE. DATA AS OF MARCH 31, 2014.

Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-11859

Improving Operating Earnings

and increased contribution from PSE&G

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

Regulated % of Earnings	**43%**	**47%**	**53% - 54%**

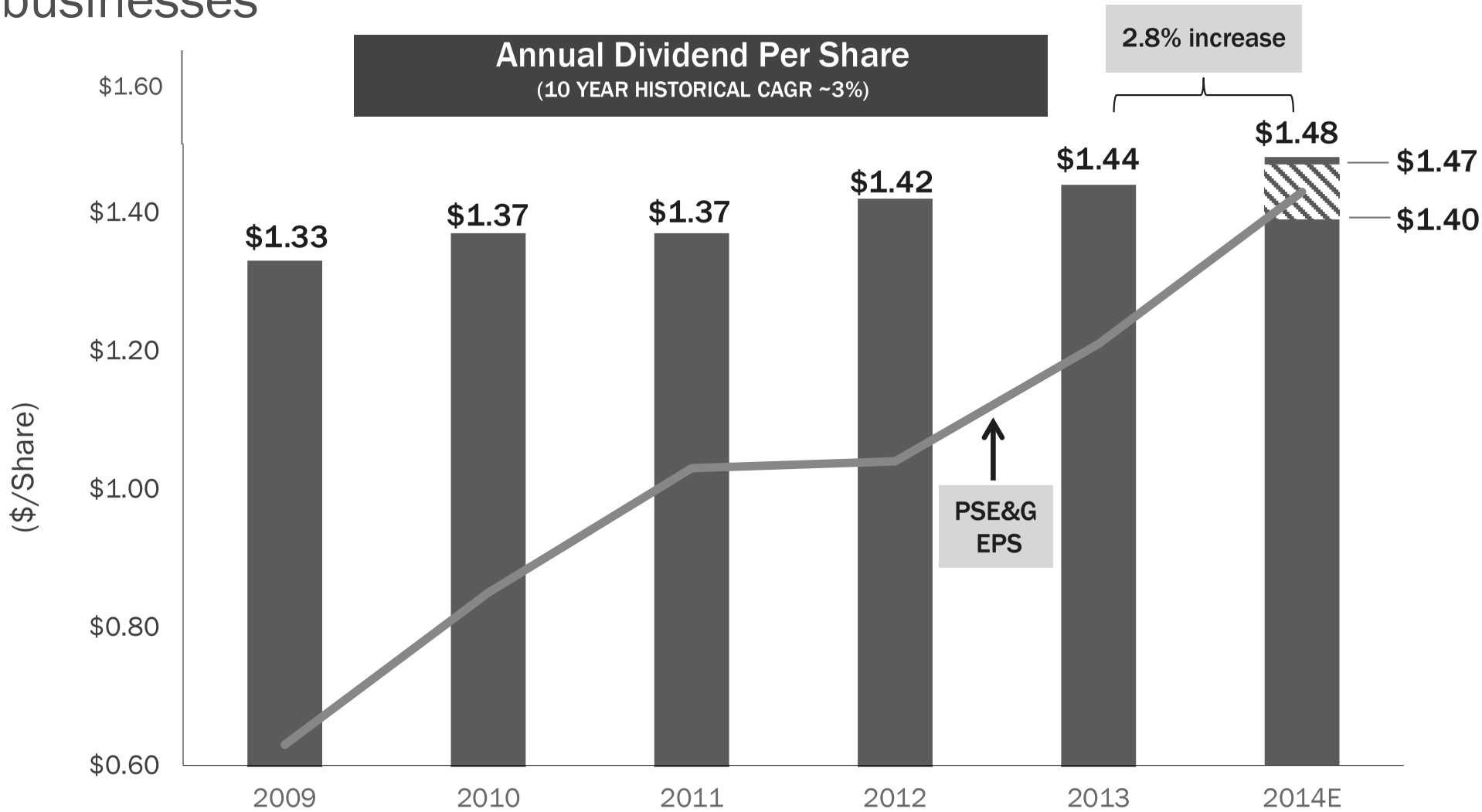
SI-SSA-0015-11860

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	55%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.60-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.07-$0.10
Each $2/MWh Change in Spark Spread	$0.05	$0.05
Each $5/MWh Change in Dark Spread	$0.02	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

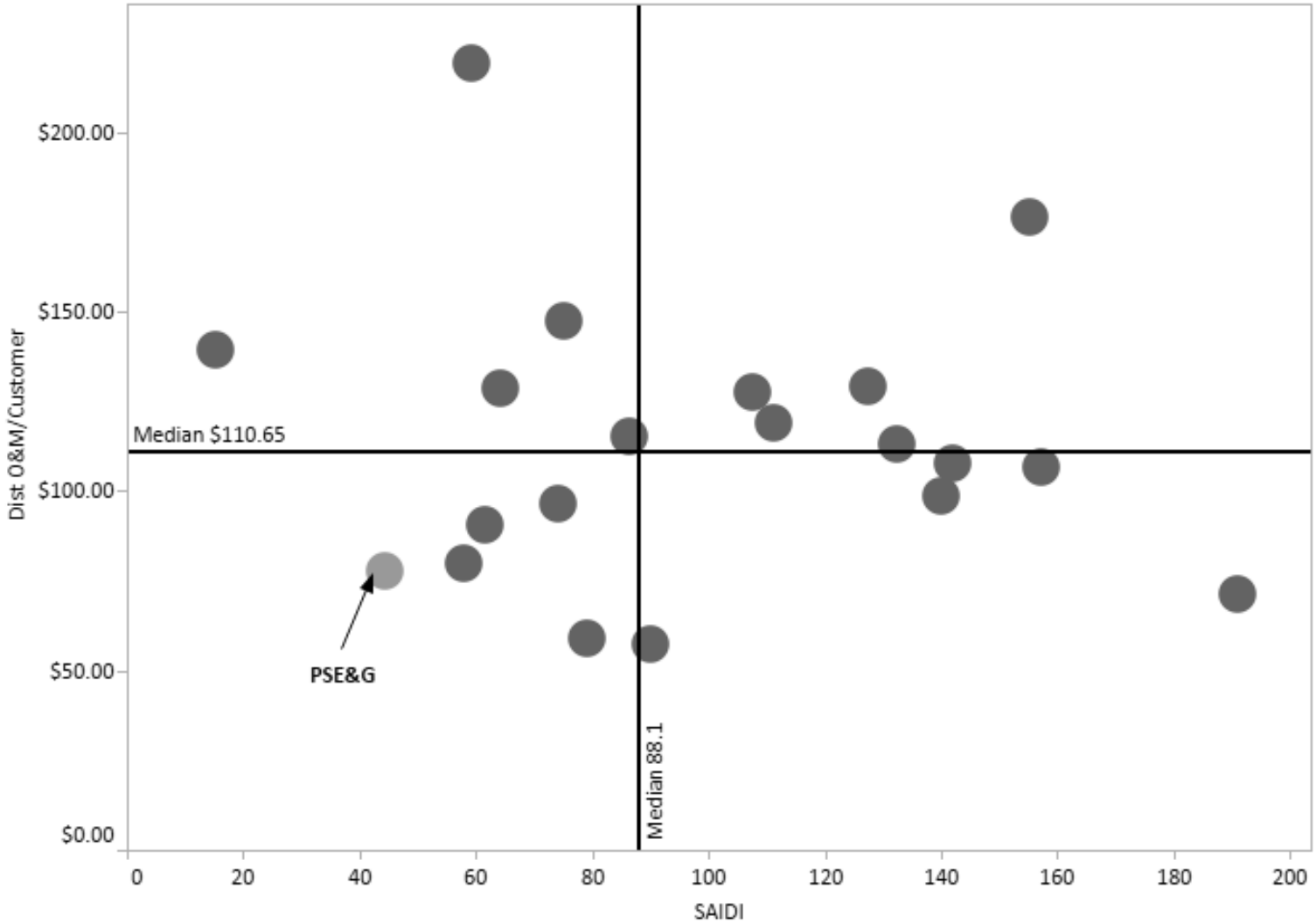
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01

SI-SSA-0015-11862

PSE&G APPENDIX

SI-SSA-0015-11863

PSE&G provides high reliability at below average cost which creates superior value to customers

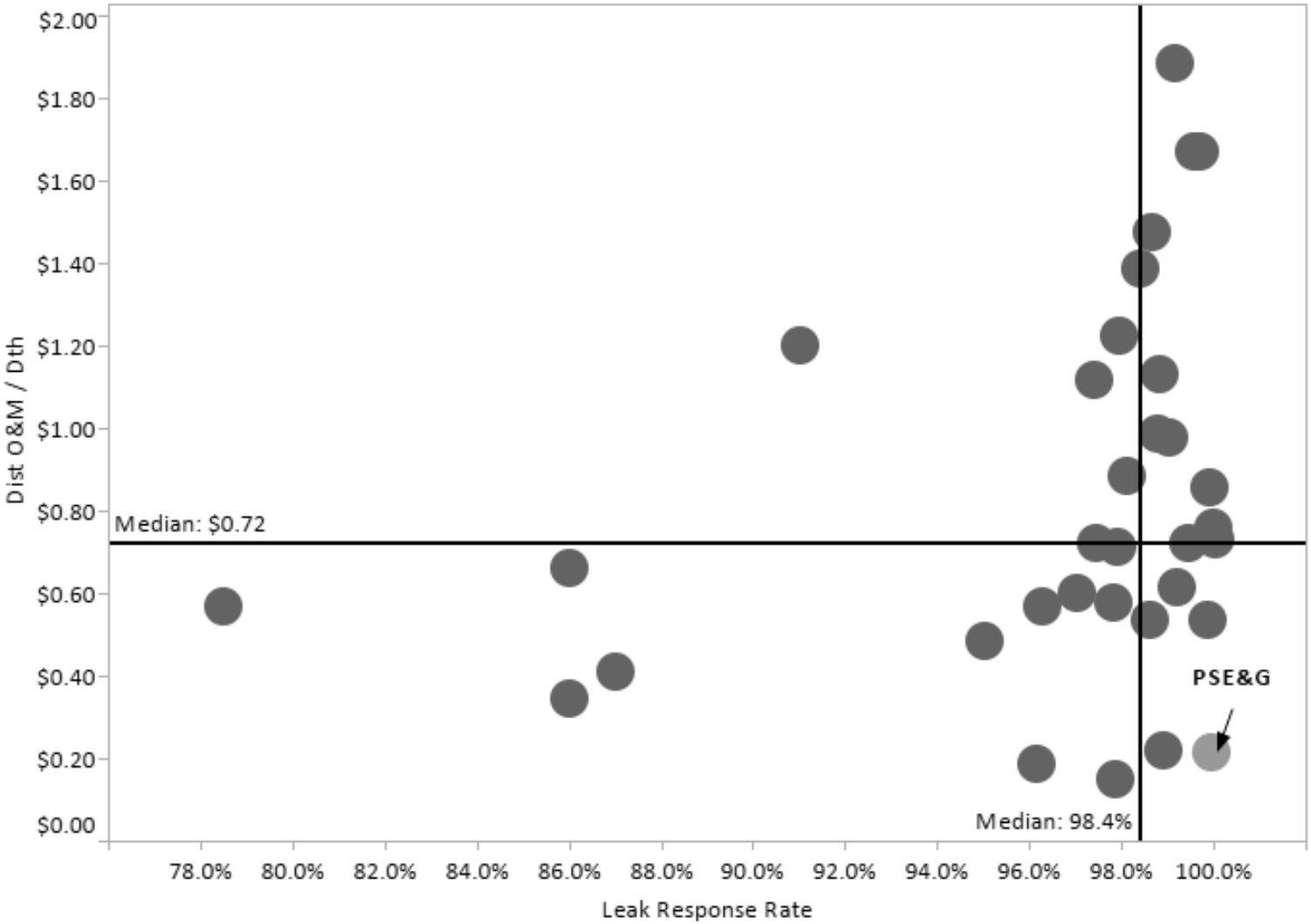


SI-SSA-0015-11864

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



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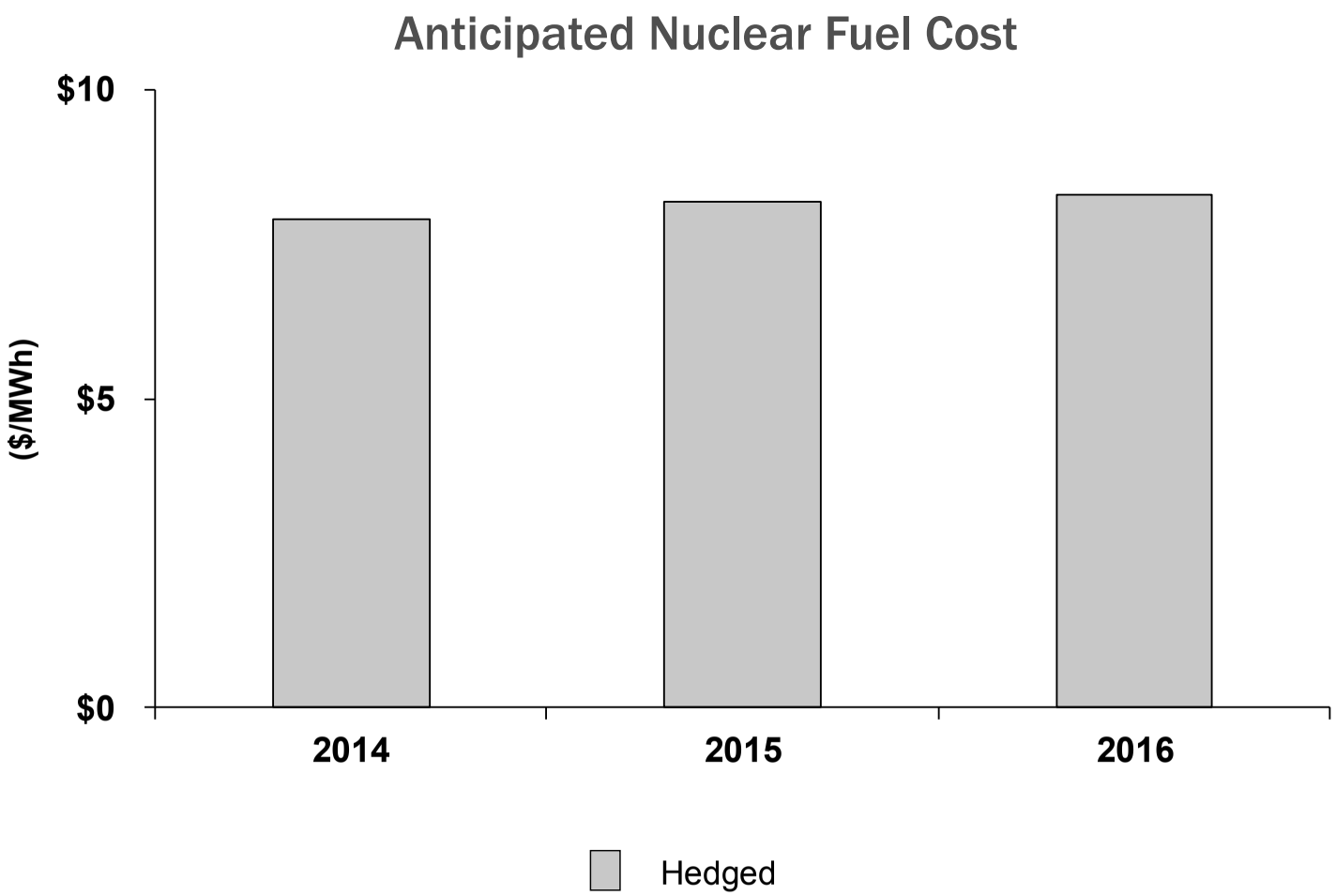
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

PSEG POWER AND ER&T APPENDIX

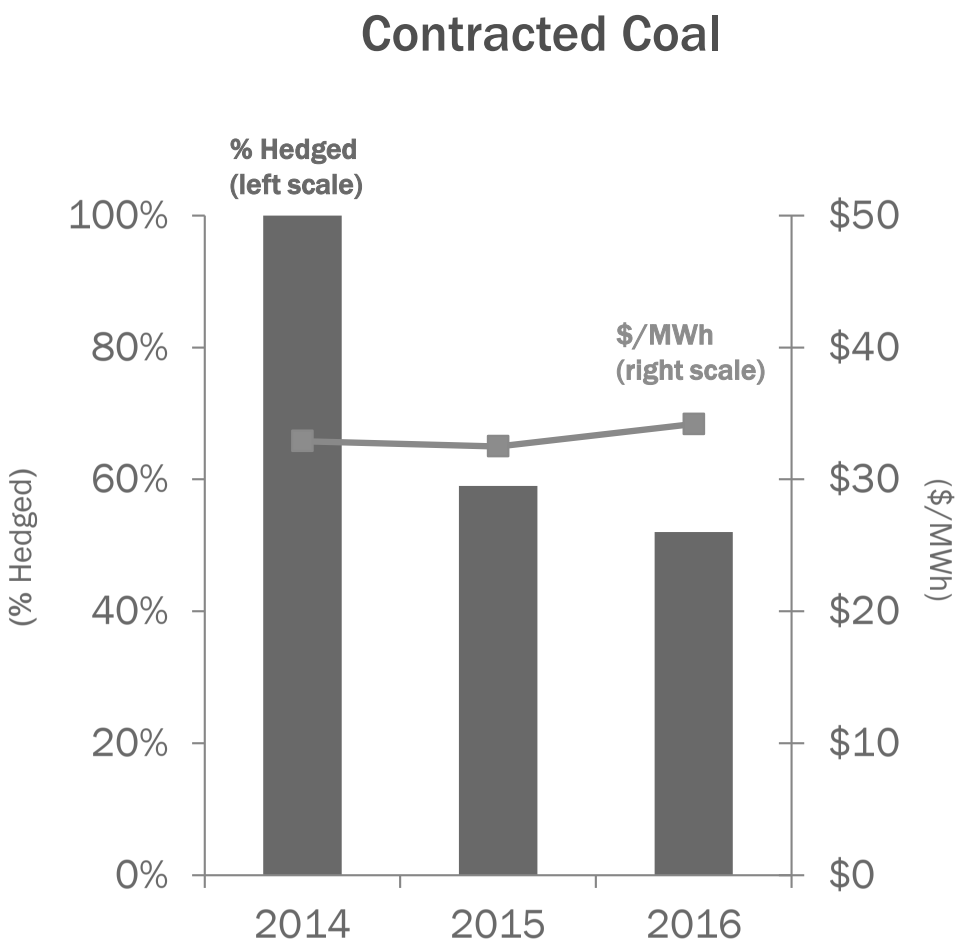
SI-SSA-0015-11866

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-11867

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

SI-SSA-0015-11868

*COMMODITY PLUS TRANSPORTATION.

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-11869

PSEG FINANCIAL APPENDIX

SI-SSA-0015-11870

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

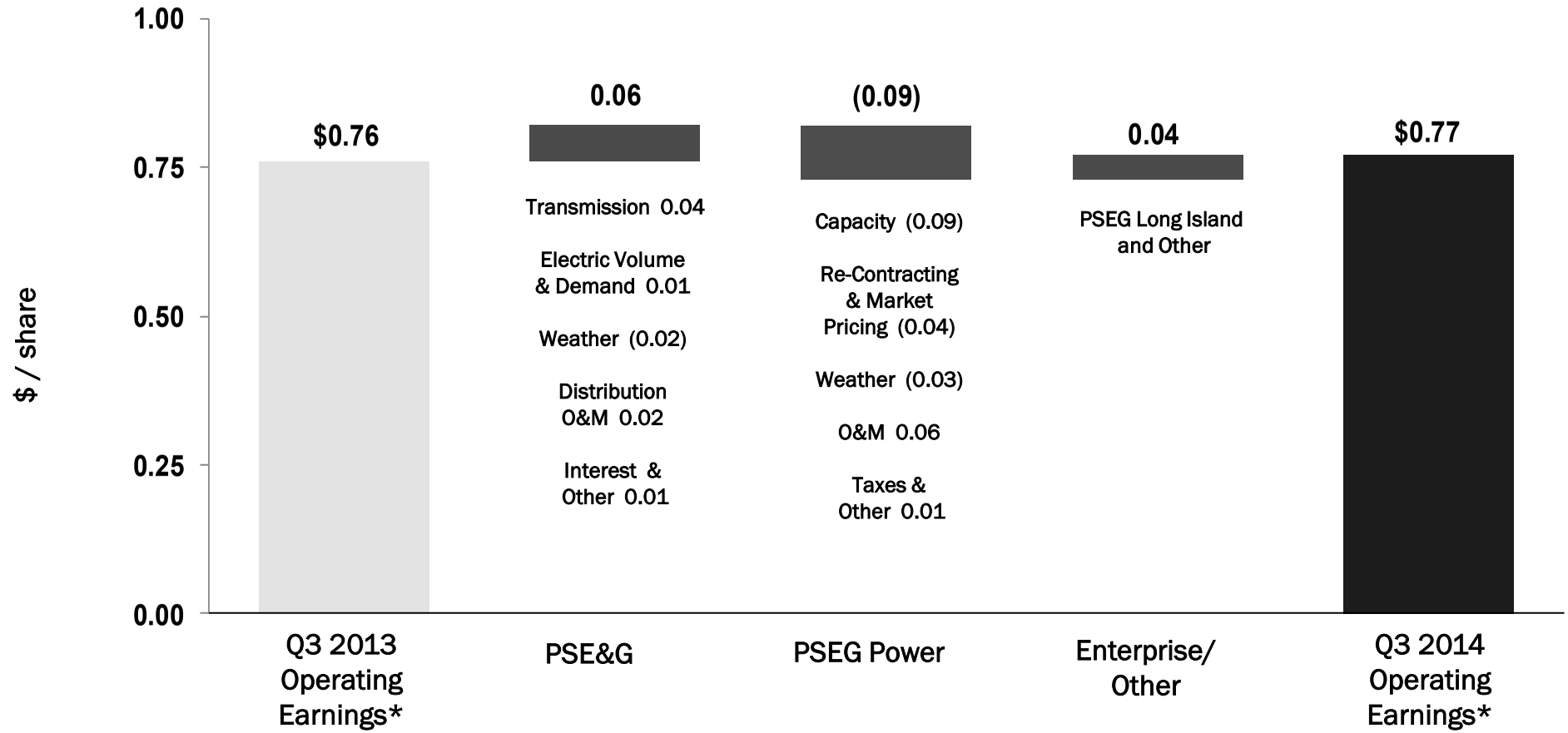
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 200	$ 168	$ 0.39	$ 0.33
PSEG Power	171	221	0.34	0.43
PSEG Enterprise/Other	22	(4)	0.04	-
*Operating Earnings**	$ 393	$ 385	$ 0.77	$ 0.76

SI-SSA-0015-11871

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – Q3 2014 vs. Q3 2013



SI-SSA-0015-11872

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

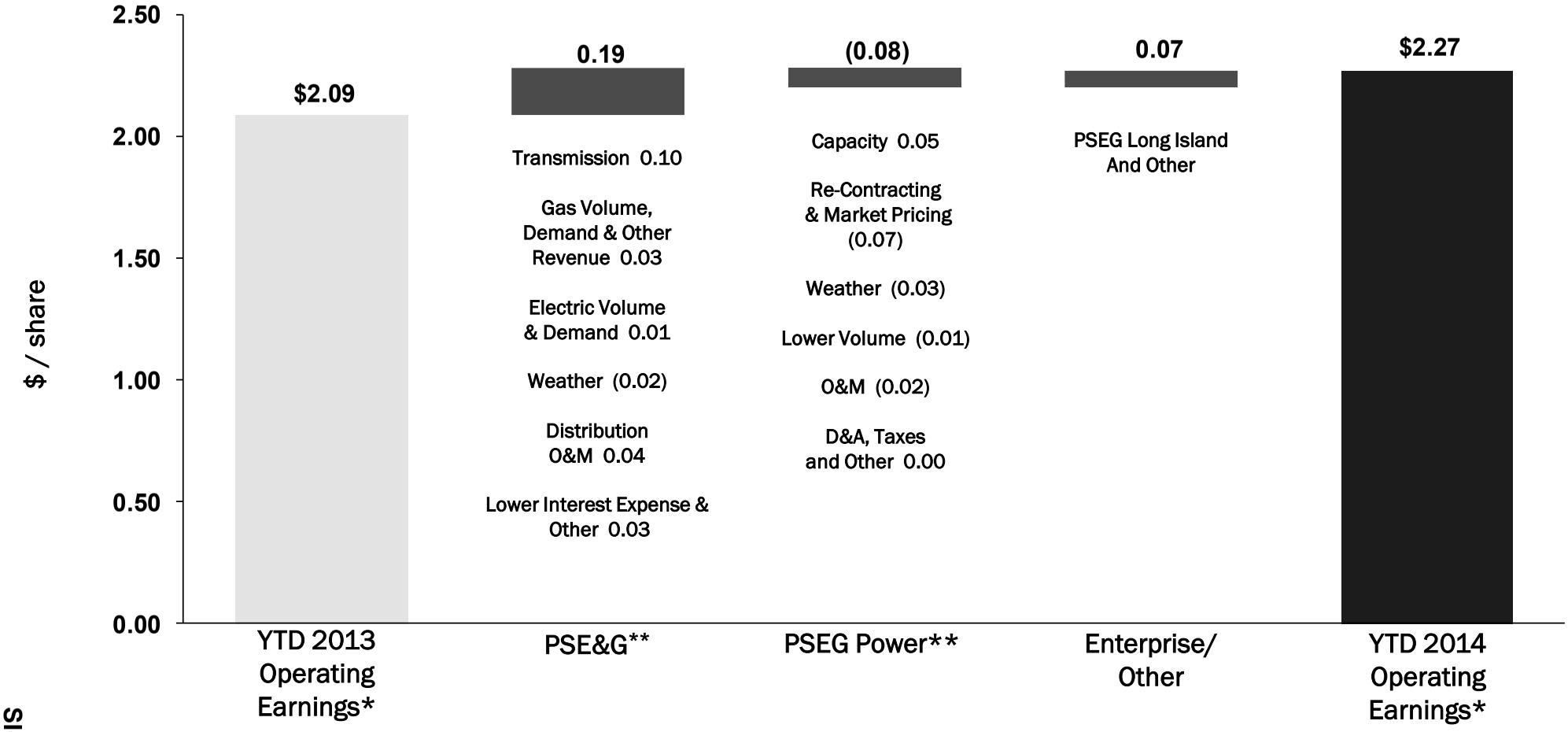
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 565	$ 468	$ 1.11	$ 0.92
PSEG Power	551	595	1.09	1.17
PSEG Enterprise/Other	37	(2)	0.07	-
*Operating Earnings**	$ 1,153	$ 1,061	$ 2.27	$ 2.09

SI-SSA-0015-11873

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation – YTD 2014 vs. YTD 2013



SI-SSA-0015-11874

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

Our balance sheet remains strong

September 30, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.7	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(2)	8.6	6.1	2.5
Common Equity	12.1	6.6	5.5
Total Capitalization	**$20.7**	**$12.7**	**$8.0**
Total Debt / Capitalization	**42%**	**48%**	**32%**

PSE&G Regulated Equity Ratio(1) 51.8%

SI-SSA-0015-11875

PSEG

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$97 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $326 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.

PSEG Liquidity as of September 30, 2014

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

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

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

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

SI-SSA-0015-11876

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance* at 9/30/2014 ($ millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$345
NRG Energy/Midwest Gen **	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$197
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$73
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	$57
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$3
Other	Land & Receivables	$5
	Total Holdings Investments	**$898**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON APRIL 1,2014, EME WAS ACQUIRED BY NRG; ALL MONETARY DEFAULTS WERE CURED AT CLOSING WITH NO CHANGE TO HOLDINGS' STATED EQUITY VALUE.

SI-SSA-0015-11877

Strong, full year 2013 operating earnings delivered

	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-11878

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	$ 1,309	$ 1,236	$ 1,389	$ 1,584	$ 1,567	$ 1,478
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (PSEG Enterprise/Other)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	34	-	-	(13)
Income from Continuing Operations	$ 1,243	$ 1,275	$ 1,407	$ 1,557	$ 1,594	$ 918
Discontinued Operations	-	-	96	7	(2)	270
Net Income	$ 1,243	$ 1,275	$ 1,503	$ 1,564	$ 1,592	$ 1,188
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	508
Per Share Impact (Diluted)						
Operating Earnings	$ 2.58	$ 2.44	$ 2.74	$ 3.12	$ 3.09	$ 2.91
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (PSEG Enterprise/Other)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	$ 2.45	$ 2.51	$ 2.77	$ 3.07	$ 3.14	$ 1.81
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	$ 2.45	$ 2.51	$ 2.96	$ 3.08	$ 3.14	$ 2.34

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-11879

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

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

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

SI-SSA-0015-11880

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Wolfe Research Power and Gas Leaders Conference

EVENT DATE/TIME: SEPTEMBER 24, 2013 / 2:15PM GMT

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THOMSON REUTERS

SI-SSA-0015-11881

CORPORATE PARTICIPANTS

Leo Denault *Entergy Corporation - Chairman & CEO*

Bill Spence *PPL Corporation - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Steve Fleishman *Wolfe Trahan & Co. - Analyst*

PRESENTATION

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Okay, we're going to get started with our next panel. So I think this will be a really interesting panel. This is a question -- I title the question I think about a lot, can the integrated model work? So we'll see the answers to that question, but I think it's one of the issues we've been wrestling a lot over the last year.

We're going to start off with Entergy with Leo Denault. Leo is the Chief Executive Officer of Entergy. Then we'll go to PPL with Bill Spence. Bill is the Chairman and CEO of PPL. And then finally, we'll end with Public Service Enterprise Group, better known as [Peggy], with Caroline Dorsa, who is the Chief Financial Officer.

So let me give it to Leo to kick us off. Thanks.

Leo Denault - *Entergy Corporation - Chairman & CEO*

Thanks, Steve, and thanks to all of you who have come out to listen to us this morning. I'll leave it to them to answer the question yes or no. We leave the suspense up for Steve for a little while.

As you know, some of what I say is going to be forward-looking, so I'd just encourage you to look at -- to read this word for word. And then to look at our website for more information. And also, I will mention a few things about the ITC transaction. There are some disclosures out there, filings by ITC and by Transco that I would encourage you to look at as well as read this page word for word in addition to that.

As you know, the way the Company sits today is, I guess, a hybrid model in terms of ownership of merchant generator as well as integrated electric utilities in the Gulf South. For our part, we do believe that there is a rationale behind separation of those businesses, but I won't go into that today. Just suffice it to say that at the moment, this is the way the Company sits.

The merchant business is predominantly nuclear plants in the Northeast, some fossil units in the Gulf South, as well as a district energy business that we just announced the sale of. And then we have utilities in the Gulf South; fully integrated model continues to be a generation transmission and distribution, at least for the time being. And two gas LDCs.

As we've been saying for the last several months this year, one of the objectives of the Company going forward into 2014 and beyond is to try and simplify what we have going on. We have a significant amount of activity, significant amount of initiatives that are geared towards improving our lot in life as a relates to the improving results, improving cash flow, reducing costs, making our rates lower. But in addition to those efforts that are geared towards improving results, and those all -- each one of these imperatives is designed to improve results -- that is increase earnings, increase growth, increase cash flow.

At the same point in time, we're trying to limit the amount of uncertainty that goes around with the Company to limit, basically, the discount rate associated with that value proposition as well. So if you go through each imperative that we have today or anything that we may come up with in

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the future, you can ask yourself the question is how does this benefit the customers, how does this benefit the shareholders, how does it benefit our employees and the communities we serve. That's improvement results part. But also you'll notice that we've got a significant effort towards reducing the amount of activity that's going on within the Company so that we're easier to follow, we're easier to value, we're easier to talk about -- that the story is little bit simpler going forward.

And I'll just give an update on some of these imperatives. I won't go into too much detail, given time for the panel and provide more time for other panelists. But one of the biggest initiatives we've had going on for the last several years is our transmission -- transition into MISO.

A big benefit to customers, estimates of $1.4 billion of savings to customers, which will result in lower rates over the course of the next 10 years. In addition to providing savings to customers in lowering rates, it obviously reduces risk. Reduces risk of our operations around the transmission system. It improves transparency around the transmission system, and it provides less regulatory overhang of our transmission system and how that integrates with the rest of the utility as we move forward into the future.

We've been working on not only the regulatory conditions that we have to get through to get ourselves transitioned into MISO, but we've also been working quite diligently on practicing operations within MISO -- going through testing, making sure systems are in place, making sure that everyone knows their role in the changing market as we get into the day-two market that is what MISO provides for us going forward.

In addition to the transition to MISO, it's timed around its initiation as we exit the system agreement with Entergy Arkansas. As you all know, in 2015, we will also exit the system agreement with Entergy Mississippi. And part of our conditional approval in Texas is for us to also file, within the next month or so, the exit of Texas from the system agreement and provide that eight-year notice. In addition to that, we are seeking a way to get Texas out of the system agreement earlier than the eight-year notice that both Arkansas and Mississippi have had to deal with.

What you'd see as you go through -- for the system agreement, once Texas exits, all you have left in the system agreement is the Louisiana companies. Entergy Gulf states, Louisiana, Entergy Louisiana, and Entergy New Orleans. So you have to question the necessity of the agreement going forward or whether there's some sort of changed agreement that we can provide benefits to the system as designed by just the Louisiana companies.

As you know, the system agreement has been a very complicated beast for us for quite some time. It's been the source of over 30 years of issues in litigation. And, again, getting ourselves to some resolution around the system agreement and eliminating that uncertainty is, again, something that we believe provides real value to all of us as we go forward, as we can get ourselves out of some of that litigious nature of what's kind of gotten us caught in the middle from time to time. It makes things a little bit difficult for all of you to follow.

The next step with the transmission business is the ITC transaction. Significant benefits, we believe, in four areas for our customers there. We believe that improved reliability will result from a singular focus transmission enterprise. We believe that we'll have reduced congestion in a day-two market, where congestion has a visible cost. We'll be able to reduce that through the singular focus in planning model of a transmission-only company managing that system. We believe that there'll be access to different generation than we provide today. Just by virtue of the fact that ITC will plan across a region, and not just for the Entergy customer base but for a much broader region that goes beyond just merely MISO but would also include other regions around MISO. That could provide benefits.

And we also believe that that appearance of a different model with a singularly focused non-generator managing that system that it's likely that new generation will show up in the footprint that otherwise wouldn't, and access to that generation will also reduce costs to our customers.

Again, the ITC transaction will reduce costs to our customers, provide through better reliability, lower congestion, and access to more generation that's lower-cost going forward in addition to what we would see just out of MISO.

As you know, we filed in Texas -- or refiled in Texas yesterday. Our filing in Texas is, in many ways, the same filing that we had already made but with some additions. The additions of the rate mitigation plan and the other commitments that have been made that were not allowed on the record in Texas.

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If you observed the August 9 meeting and read Commissioner Anderson's memo at that point time, they were in a due process box in their point of view, that they could not consider the rate mitigation plan. So the rate mitigation plan is now on the record. In addition, we put in some testimony around some benefits that are associated with economies of scale and scope from a combination of the two transmission businesses, the synergies associated with that. And we addressed all of the 26 conditions that were put in Commissioner Anderson's memo to the Chair. And we believe that we've gone -- we've basically been able to address each of those with a positive outcome through the commitments that have been made and the rate mitigation plan and the filing as we had it originally.

We've also asked for an expedited process to try and get this approval before the end of the year. And it is our desire that we would be able to get the commission themselves to preside over the hearings; that's something they brought up in the open meeting August 9. And by doing that and by the predominance of the record that we already had, the discovery that we already had, the RFIs that we already had being part of this record at the outset, we believe that it's reasonable to think that we should be able to get that done. But we'll see what their procedural schedule is as the process goes forward. And as we do that, we've got filings tomorrow in Mississippi, and then we will have to reinvigorate the process in the other jurisdictions that suspended their processes once we got into the situation of withdrawing our filing in Texas. All of that geared towards trying to get approval before the end of the year.

The other thing that we've got on the utility side is moderate growth, as we've always had within the Entergy service territory. It's not a straight line, but typically we see ourselves in the 1% to 2% growth rate. We believe that just left alone, the service territory would have about a 1% to 1.25% growth rate going forward.

We, like other people, have seen the impact of energy efficiency. Seen that impact our residential customers. We've also seen some of that in some of the other customer classes as well. And on the horizon, we are making sure that we prepare ourselves to look at what distributor generation may or may not do to us as we proceed into the course of the next five to 10 years of our story.

But we also have a unique situation at the moment in terms of economic development activity that presents itself within the footprint that we serve in the Gulf South. Manufacturing, whether it be at LNG terminals, steel mills, the chemical base, all driven by what's going on in the natural gas markets, the oil markets, and the business-friendly nature of what we have in the Gulf South.

There's a significant amount of projects out there already that we know about. About $50 billion worth of investment. We've got a significant number of jobs associated with this, about 45 projects. Only about 10% of which have actually come to fruition at this point. It's our objective to reinvigorate the economic development process to make sure that we not only get as much of these projects that are already out there as we can, but also to look forward to trying to get additional projects.

The benefit of that -- spread our fixed costs over more megawatt hours is going to result in lower costs to our customers, which will, again, make us more competitive. And to the extent that we can provide the vehicle for which we can make productive investments, investments in things that actually add customers, that add rate base and growth at the same point in time, we think that that's going to be beneficial to us.

As opposed to what we see across the industry today -- and we have our share of this as well, where you have cost structure increases that aren't really providing one more megawatt hour, they're not adding one more customer; whether it be environmental compliance around coal units, whether it's Fukushima, cost around nuclear units, critical infrastructure protection, reliability requirements. Some of those that don't actually add another megawatt hour of load or another megawatt hour of production. Some of the environmental costs reduce the amount of production that you have in terms of parasitic load and things like that.

We'd like to gear ours more towards growth to the extent we can. And this is something we have to make sure that we take advantage of as much as we can.

We also are geared toward trying to keep our costs low and the business more efficient through our human capital management program. There's a significant amount of that [that's] at the utility that we've talked about. And certainly we have our share of investments going forward, either with or without transmission.

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Turning our focus to EWC, EWC is a little bit different situation with the decline in gas prices, that it made our service territory. And our rates, very competitive, have certainly taken their toll as it relates to what's going on with the merchant fleet, particularly the nuclear plants in the Northeast. With HCM process, we spent a lot of time trying to make sure we get as efficient -- cost efficient as we can in that business. We are trying to simplify the story. I know many of you didn't know we owned District Energy till we announced the sale. But the fact of the matter is that things like that, that we need to pare down to give Bill some time to work on the more important things like relicensing of Indian Point and what to do with the rest of the fleet up there.

The announced closure of Vermont Yankee should provide incremental cash flow over the next five years. Be neutral-to-positive to earnings as we go through the next five-year period. Difficult decision in the fact that it impacts the community, it impacts our employees, but certainly it was a decision that the economics drove and nothing else.

The other thing that we are working on is market design. Obviously, one of the contributing factors to the closure of Vermont Yankee was not only the gas market, but it also had a lot to do with the cost structure and it had something to do with the way the markets are designed. Not adequately compensating assets for the benefits that they provide to the region, and that's something that we're working on.

Lower Hudson Valley capacity zone in New York is a step in the right direction. We've been working on that quite a bit. That should provide some benefit, some uplift for Indian Point, and should actually provide some incentive for people to bring capacity into that region, but more work needs to be done. Just as an example, when we announced the closure of Vermont Yankee, the next day prices for the next three years rose -- you would say moderately -- but the overall impact into the market of the incremental costs caused primarily by gas basis differentials on that day was about $1 billion over the 15-, 16-, 17-year timeframe. Those three years right after we closed Vermont Yankee. That's the kind of impact that retirement of that asset looks like it might have had on the market. Between that and the things we saw go on in the New England market at the beginning of the year, there are certainly some things that need to be done to market design to improve not only the investment decisions of the people who are already there to bring new capacity in, but also to provide reliable service in those regions.

So I guess to summarize, the utility is someplace that we continue to focus -- that we're going to continue to put more and more focus on in the coming years. The simplification of the story between now and 2014 will allow us to really work on the growth aspect of the utility, both through more efficiency, reduction of costs, improving our results that way, but also trying to take advantage of the growth opportunities that we have on the load side as well, and to make sure that we can push out any of those negative impacts in terms of bottom-line results that we would see otherwise from energy efficiency distributor generation.

On the EWC side, focusing again on simplification to the extent we can improve the results and making sure that we make the right calls around assets, whether it be the sale of District Energy or the close of Vermont Yankee, so that we really get our focus on what is important going forward. And, again, by this time next year, we should be a much simpler, easier Company to talk about. It doesn't mean we won't have interesting things going on, we just hope to have fewer of them going on at any one point in time.

Thank you, yes, Bill?

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Turn it over to bill.

Bill Spence - *PPL Corporation - Chairman, President & CEO*

Thanks, Leo, and good morning, everyone. Before I start today, let me just, as Leo did, remind you of the fact that I'm going to be talking about future events and forward-looking statements under the Safe Harbor provisions, and actual results may vary. And, again, as Leo stated, please look at our appendix and read those words carefully. I'm also going to be talking about ongoing earnings which -- and other non-GAAP financial measures. So a description of those can also be found and reconciliations in our appendix today.

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Let me start this morning with just a brief overview for those of you that may not be familiar with the PPL story, and looking at kind of where our assets reside. Our legacy assets are in Pennsylvania, with not only our PPL electric utilities, the regulated TND wires business; but also our competitive [gen] fleet, which is comprised primarily of coal, nuclear, and hydro assets; but also complemented by some very flexible oil and natural gas assets. And we also deliver electricity to about 1.4 million customers in Eastern and Central Pennsylvania, as highlighted by the properties shaded in blue on the state there.

The pins in blue represent about 9000 megawatts of generation that we own and operate in Pennsylvania, as well as the 1200 megawatts of competitive coal and hydro generation assets that we have in the state of Montana. With the acquisition of Louisville Gas and Electric in Kentucky utilities in 2010, we also operate fully integrated regulated utilities in the states of Kentucky and Virginia, serving over 1.2 million customers and operating a gen fleet there of over 8000 megawatts.

As far as our international operations, they consist of our the WPD South Wales, Southwest, as well as the East and West Midlands properties that we picked up from E.ON back in 2011. Our four UK-regulated businesses are actually the largest in the UK, as measured by the combined regulated asset base. And there in the UK, we serv over 7.8 million customers. And, interestingly, we've been operating actually for quite some time since 1996 in the UK. So a lot of experience there.

The next slide really shows what I would consider as our investment thesis, where we believe were very well positioned for the future, based on our rate-regulated businesses that are going to drive our earnings and cash flow for the foreseeable future, and providing stability and security to our earnings forecast as well as benefits to our dividend and credit ratings. In fact, over 85% of our projected earnings this year, 2013, will be coming from our regulated businesses.

These businesses are projected to grow significantly. We have a lot of organic growth opportunity in these businesses with our planned CapEx programs driving a compound annual growth rate in our regulated businesses of nearly 8% over the next five years. Much of this rate-based growth comes from planned CapEx that's already been reviewed by regulators, with little lag in earning return for share owners. The business improvements that we've made over the past few years have resulted in an excellent business risk profile rating from Standard & Poor's, putting us in a category with only a handful of other companies.

This more stable earnings mix also makes our dividend more secure and gives us a platform for continued growth, even in pressured commodity cycles as evidenced by the increase in our dividend that we announced earlier this year. And while wholesale electricity prices remain a bit challenging, our high-quality competitive fleet provides upside once those markets improve in the longer-term.

Our efficient environmentally competitive coal plants at PJM are complemented by flexible mix of gas-fired, nuclear, and hydro units that position us very well in one of the largest markets in PJM in the world. This fuel mix also differentiates our Company from a number of our competitors, providing us some competitive advantages in a variety of market conditions.

And last, we've consistently proven our operational excellence in our ability to make and execute on the right strategic and tactical calls in our view as we continue to grow share owner value. For example, our UK team is performing best in class now among our UK peers, as shown by our outperformance in cost and customer service metrics. And in our domestic regulated operations, our teams have been working very hard through general rate cases last year that awarded increases of 10.25% in allowed ROE in Kentucky, and 10.4% distribution ROE in Pennsylvania.

This next slide shows our CapEx spending over the next several years, and I did want to mention that much of this expenditure is subject to real-time -- or nearly real-time returns on enough capital, significantly reducing the regulatory lag that would otherwise occur. Especially in the slow load growth environment. In fact, over two-thirds, or more than $10 billion, of our CapEx will be in this category through the year 2017.

On our WPD operations, we're allowed real-time returns of and on every dollar of capital we spend, based on the real-time constructive regulatory framework there in the UK.

In Kentucky, we operate under regulation that allows for the near real-time return of and the majority of capital that we spend on environmental control equipment for our coal combustion generation, which is the bulk of the capital we're going to be spending in the next several years.

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In Pennsylvania, PPL Electric Utilities has a significant and growing transmission business aimed at improving regional reliability through capital projects that received FERC formula rates. In addition, beginning in July of this year, we are allowed to recover reliability-based distribution CapEx through a disk mechanism as a result of the bill that was passed and signed into law last year.

Moving on to the UK, let me look at each of the businesses and starting with the UK. This is a highly attractive rate-regulated business for us, distribution only. The system there provides for, as I mentioned, pre-approved, five-year, forward-looking formula revenues which are inflation-adjusted, taking into account capital spending, O&M costs, financing needs; and we face no volumetric risk, given the revenue requirement nature of the model there.

We've got the ability to earn, in addition, some incentive revenues that can be quite substantial, based on the quality of customer service and by determining how efficient we are as an operator. As shown here in the chart on the lower left-hand side, you can see that -- or the lower right-hand side -- we've earned over $185 million in annual revenue bonuses based on performance over the past eight regulatory years for exceeding specific metrics. This also reflects the great work of our management team there in being able to turn around the two acquired Midland operations, formally central networks, into very high-performing companies in a very short period of time.

We have taken that same low-cost operating model that exists in South West and South Wales, integrated it into the East and West Midlands, and are achieving strong results there as demonstrated through the level of bonus revenues that you see. I think Ofgem is very supportive is very supportive of the work we've been able to accomplish in such a short time frame. And, as many of you know, we're currently in the process of a regulatory review for the next price control period called REO ED-1, which would extend for an eight-year period through March of 2023.

We filed our business plan early in the third quarter and remain confident that our focus for companies can be fast-tracked in this process, providing incentive awards, and certainly much earlier than companies that go through the extended review process. So we look forward to November when Ofgem is expected to issue their initial assessment of the business plans and letting us know whether we're fast-tracked or not.

Moving on to our domestic businesses, let me start with our Kentucky regulated operations. These are efficient, well-run utilities that project significant rate-based growth in the coming years. Indicative of the construction regulatory climate there, we've got mechanisms in place that provide for a timely recovery of a substantial portion of the CapEx plans over the next five years. And, as I mentioned, we get recovery of an on-capital projects to retrofit legacy coal plants with modern technology to meet new EPA regulations and receive real-time recovery at a 10.25% ROE.

We currently estimate compound annual growth in our Kentucky rate base of almost 9% over the next five years, which would put us at over $10 billion in rate base by the end of 2017.

Moving on to Pennsylvania, we're also forecasting significant rate-based growth in both our [T&D] operations. On the transmission side, we estimate annual growth rate of roughly 22% through 2017, driven by a couple of very large projects to improve aging transmission facilities in Pennsylvania. The 145-mile Susquehanna Roseland transmission project that we're in partnership with PSE&G is a good example. We also have the Northeast/Pocono Reliability Project; again, a very large project that we expect to drive that transmission growth. We expect the Susquehanna Roseland to be fully energized in June 2015, with the majority of the construction to occur this year and through the end of next year. You'll find additional information on the project in the appendix of today's presentation.

We're also continuing to upgrade the aging infrastructure in our Pennsylvania distribution system that covers 29 counties in the state of Pennsylvania. Our distribution improvement efforts are expected to result in a 5% compound annual growth rate base over the next five years. The state is very supportive of these efforts, and as I mentioned, we were able to have approved the Act 11 to provide a more timely recovery mechanism in the state.

On the supply side of our business, while the energy industry continues to face the challenge of low wholesale power prices, our diverse competitive fleet continues to be well-positioned in our view. On the operational front, in PJM, we have more than 1200 -- 2400 megawatts of low-cost nuclear and hydro assets. We've also got about 2800 megawatts of efficient, supercritical coal units that are substantially in compliance with new emission standards; and we're not looking at any major capital investments for compliance.

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In addition, we've get 2400 megawatts of gas-fired plants at PJM that have been running at near baseload levels, given the low gas prices. And that fleet has benefited from those gas prices and will help offset some of our unhedged stark spread risks associated with the coal assets.

And this is one of the benefits of the fleet diversity, in addition to the fuel types we have, the dispatch response that we can deploy, as well as technology that helps us in a variety of different market conditions.

On the cost side of the business, the team has done a great job of responding to the more challenged commodity prices. And we've taken a lot of cost out of the business already. In fact, in the last two business planning cycles, we've taken out over $1 billion of CapEx, and we've also been successful with controlling O&M spending. And we plan to eliminate an additional $25 million to $50 million in O&M by 2015. In fact, I think we'll be at the high end of that range.

Of course, we're trying to be judicious and balance the needs to keep the cash flow and the earnings positive across the enterprise, with the belief that ultimately we're going to see a recovery in energy and capacity prices. And we want to make sure our units are able to perform when we get to that point.

Last slide, I just wanted to mention our dividend profile. I've highlighted the business segments, each with unique opportunities to provide strong share owner returns. But we know that the dividend is an important component of our share owner returns, and an important piece of the total share owner returns. So this chart shows the security of our current dividend, in that projected ongoing earnings per share from our regulated businesses more than covers our current dividend. The projected rate-based growth, our expectations regarding earned ROEs, and the timing of general rate case position us very well to continue to grow that dividend.

Finally, we are delivering on the commitments we made to our investors over the past several years, providing a stable and growing investment for share owners coupled with the securing, growing dividend. That concludes my prepared remarks, Steve. And I'll look forward to the questions in a little bit.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

And I'll turn it over to you, Carolyn.

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

Okay, thank you, Bill. Thank you, Steve. Good morning, everyone. I look forward to talking a little bit now about PSEG, and then will have our conversation and I guess try to answer the question that we haven't answered yet, right?

So I'll start off by also citing -- consistent with the theme, what's consistent across our presentation is good forward-looking statements. So I encourage you, of course, to reference ours and of course our materials and our 10K filings as well. And also our GAAP disclaimer, since we will be discussing GAAP and non-GAAP numbers, as we typically do, when we cite our earnings.

So starting with our strategy -- and I think those of you who are familiar with PSEG are familiar with this page, but I think it's always worth repeating. We really look at our business and manage our entire business, whether it is the power business or the utility business, under three key principles. Disciplined investment, rigorous review of our investment opportunities to ensure that they create not only value for our customers but value for our shareholders, operational excellence in everything we do, very rigorous metric assessments for everything that we engage in to ensure that we are always pushing toward top-quartile performance, and then financial strength. As you know, we have a very strong balance sheet, and I'll talk a little bit about how that positions us well for our growth in the utility as we go forward as a result of our filing for Energy Strong. And of course, an engaged workforce is what makes this all happen.

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So those have been the tenets of our strategy, our financial business and operational strategy. They have been consistent for quite a number of years, and we think they do provide the best opportunity for value for our customers, reliability for our customers and regulators, and results for our shareholders.

In terms of our Company and businesses, we are an integrated, as are the other companies here this morning. You know our three businesses, but let me just review briefly for you. Under the PSEG umbrella is PSE&G, our regulated gas and electric utility, all situated in New Jersey. Assets of just over $19 billion at last year's year-end, and you can see the operating earnings for last year as well.

We are, we think, a premier utility in the state of New Jersey and positioned well for additional investment opportunities, which I'll talk a little bit more about in a moment or two. But they are both on the transmission side as well as on the distribution side; in a contemporaneous return framework on the distribution side, and in a formulary framework on the transmission side. So good opportunities, and I think a lot more for us there, which I'll talk about.

PSEG Power, our wholesale energy generation Company, about $11 billion in assets. And you can see last year's operating earnings there as well. We think we operate a low-cost, environmentally friendly, and diverse fleet that has some advantages based on its location and also the diversity of its fleet.

And then Energy Holdings, a smaller business for us; assets of about $1.5 billion, you can see the earnings there. And in that business, we are really focused on growing our renewable profile with solar investments that we have made there. Other things that we used to have there, for example, international investments are now totally gone. And so while we're cleaning up some of the rest of that portfolio, the focus is really growing that renewable business all with PPAs, so not merchant exposure.

So just a moment on PSE&G in terms of our footprint. So the map of New Jersey -- as you can see, the light-blue is the gas territory and the shaded area is the electric territory. A little more or a little less than two million customers, depending on whether electric or gas, counting each customer for each business once in each column. You can see that in terms of our mix, we are highly commercial, relative to residential on the electric side; and very light on industrial, not a lot of manufacture in the state of New Jersey. And that flips around, of course, when you get to the gas business, which is predominantly residential and then flips around to commercial there.

We have an approved ROE from our last distribution rate case in 2010 of 10.3 on a 51.2% equity ratio, and we are earning that authorized return. On the transmission side, we have a formulary rate of 11.68 on our base formula rate, and then we have some incentives on some programs, Susquehanna-Roseland, as Bill mentioned, for us is a 12.93% ROE, again, under a formula rate basis. We have no current plans to go back in for a rate case. We don't need to do so in the near term. And as we talk about incremental utility investments, they come on top of -- and with incremental clause recovery, on top of our base distribution rates. And I'll talk more about those in a moment.

In terms of some of the things that we have gotten approval for in addition to our base distribution rates, you can see some of the initiatives we have made under the state's energy master plan in terms of solar. We have a pretty significant program, as you can see by the number of megawatts for the total program. Both a loan program to incent third parties, but also a Solar for All program wherein we own the actual solar assets. And you can see a pretty significant amount of total megawatts for those programs.

And then some energy efficiency programs which we've also undertaken to improve the efficiency of energy utilization for our customers. All of these programs have been done with incremental ratemaking mechanism sitting on top of our distribution; so contemporaneous clause recoveries, no regulatory lags. So we support some of the state's social goals in terms of promoting renewables and promoting energy efficiency in ways that we think work for our customers, but also don't cause any regulatory lag for our shareholders. And have all been approved with essentially the 10.3% return post our rate case, everything that was approved there. Our most recent solar program was approved with 10.0%.

In terms of the power business, we do like our power profile. And you can see the location of our units here on the map. Most of our units are in New Jersey, as you know, but we do have units in Pennsylvania, in Connecticut, and in New York.

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The things that we think characterize this portfolio well is fuel flexibility; so we are about 57% nuclear, if you looked at actual generation. And then the next biggest piece is gas, and then coal. And of course gas has been running more than coal. So we have fuel flexibility across all fuel types. Our two major New Jersey coal plants actually also run on gas, so we have inherent fuel flexibility even in our largest coal plants in the state of New Jersey. So a lot of opportunity, we think, to take advantage of the best fuel mix for our profitability.

Our assets are obviously located near load centers. And we have a diversity that is baseload, intermediate, and peaking, so we're able to serve full requirements contracts like BGS. We will retain that diversity and efficiency in 2016. We have already announced, and I know many of you are familiar with, some of the deactivations in of [HEDD]-related units, but we still retain a full fleet all the way up through [peaking] and have some opportunities for expansion. So we like the reliability of this fleet, we like its cost profile, it does not need significant capital investments. All of our coal plants already have the investments needed to meet the MATS rules. And the only significant spend that we have is for the Peach Bottom site, which we co-own with Exelon and they manage for actual up rates. So an NPV-positive transaction.

So we think a nicely situated fleet of assets near load with nice diversity and flexibility. And also, as some of you have been asking us recently, with nice access to low-cost Marcellus gas. So we do access Marcellus gas for some of our fleet in addition to Henry Hub gas. And you can see the statistics there give us the opportunity to utilize that low-cost gas both to benefit our customers in terms of utility, but also in their gas supply but also our power plants.

In terms of where we're going going forward, this is a nice picture of some key metrics, if you look at from 2008 to 2012, and then from 2012 to 2015, what we've been able to accomplish. Good control on actual O&M growth from 2008 to 2012, versus the planned O&M of 2.4, but the actual was less than a percentage point. Our current forecast, about 2.2 on a CAGR basis going forward.

In terms of rate base, I think a really good story there. You can see how much money we have put into our rate base growth from where we were in 2008 to where we are in 2012 and where we expect to be 2015. And, again, that transmission and energy master plan growth is all contemporaneous or formula rate. And then we have new filings underway for Energy Strong, which I'll talk about a moment, that can give us even incremental rate-based growth. On power, you can see the statistics there in terms of what we've been able to do in terms of generating incremental terawatt hours and managing key metrics like our E4D rate.

Solar, you see how we've grown it from really nothing in 2008 in holdings and then LIPA earnings, something many of you are aware of we start in 2014. Under our current existing contracts, should add about $0.03 a share.

In terms of our guidance, our guidance we are maintaining at $2.25 to $2.50 a share this year. But we did note at the end of the second quarter that if -- with normal weather and normal operating performance, we expect to be at the upper end of that guidance, driven by power being at the upper end of its guidance.

In terms of the mix of our businesses -- so you can see over time, it's a rate base that's grown for PSE&G. PSE&G is becoming close to 50% of our operating earnings, versus where it had been just a few years ago, more like a quarter of our operating earning. And we do anticipate double-digit growth in PSE&G's operating earnings through 2015, based on already approved programs and the opportunity to grow our rate base both on the transmission side as well as the new approvals for things like solar as well.

In terms of the two businesses and contributions in the integrated models, what we were able to do in terms of our balance sheet -- if you look at this chart, which is 2012 actual data, you can see that both of our businesses are actually significant cash flow generators, in terms of looking at cash from ops from about sort of a cash flow statement kind of view.

Both businesses, significant cash flow generators. We also started the end of the year with net cash on the balance sheet. The net debt issuances are all utility net debt issuance to support the growth in our rate base. But you can see going to the uses side that it's PSE&G that has the majority of the capital investment. And, again, that's consistent with growing our rate base.

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As a result of this picture, and if you were to roll this picture forward, we have the opportunity to support everything we are looking to do at PSE&G, both approved and filed for Energy Strong without the need to do any equity issuance at all because both businesses are significant cash flow from operations generators.

In terms of capital investment opportunity, here you can see the capital investments based on approved programs between now and 2015 is $6.3 billion at the utility. You can see the growth is $4.2 billion out of that $6.3 billion, so the majority of our capital is growth, and the majority of our capital is utility growth with that contemporaneous or formula rate type treatment. We have the opportunity for new transmission investments over the same period of time beyond that base amount, based on additional hardening of the system that we identified post-Sandy. And then new distribution of $1 billion represents our -- the three-year period for Energy Strong, the filing that we have made with the BPU for as much as $3.9 billion over a 10-year period, for which we've asked for $2.6 billion over the first 60 months or five-year period, all with contemporaneous return as well. That would give us an even greater opportunity to grow the PSE&G growth investments from $4.2 to over $5 billion over this period. So we think a lot of opportunity there for even better rate-based growth utility, again, serving our customers' needs for reliability.

In terms of our balance sheet, given the strength that we start with and the opportunity to make these investments with just keeping the utility's debt structure at a 51.2% equity, there is opportunity for us to do that without any need for equity issuance because we ended last year with almost 60% equity and our capital structure.

And then in terms of dividend, also to focus on that for a moment. Well, you can see the growth in our dividend over the past few-year period. You can also see with the growth anticipated in PSE&G, you can see that PSE&G becomes a very significant contributor. If you just took its income and looked at its income relative to our dividend, it would be about an [80%] in terms of the percentage sourcing of our dividend, if you looked at it just from PSE&G's earnings. So good safety and security from the dividend; but of course, in terms of the place that we're putting money back to work, it is PSE&G because we have those good contemporaneous returns.

So overall, we think our value proposition is straightforward; strong, good, reasonable, risk-adjusted rates of return, contemporaneous in nature; opportunity to grow the utility by double digits based on approved programs with opportunities for upside based on our energy strong program. Continuing to manage our costs at power and running a lean, low-cost fleet that is a net access cash flow generator without significant capital investments gives us the opportunity to make those investments at the utility without having any dilution or equity issuance needs and support a solid dividend with the opportunity for future dividend growth.

So with that, I'll stop and turn it over to Steve.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Great. Thanks, Carolyn. So maybe just to kick off with an initial question. I'm sure you guys have all -- and actually, I guess, Entergy -- actually tried to do some kind of review of separation scenarios of the Company. And at this point, none of you have actually done it.

Maybe you could give us a little sense of when you have looked at it, what are some of the pros and cons that you've seen through that analysis? And why are you kind of where you are today? Bill, do you want to kick us off?

Bill Spence - *PPL Corporation - Chairman, President & CEO*

Sure, I'll go right ahead. So I think whenever you talk about a separation in today's environment, looking at the utility business stand-alone and the supply business, for example, stand-alone I think on the pro side of the opportunity for kind of pure play multiples, probably is one of the stronger, more compelling reasons why you might want to consider some type of separation between the two businesses. I think -- you know, there are benefits to -- perhaps on the supply side, if you believe in critical mass and the need to grow the competitive generation fleet to a size in a low-commodity market condition like we have seen now, and spreading some of your overhead cost, that's going to be a significant driver of some synergies perhaps you can get. So bigger, probably in this case, might be better in the current environment. It's not always the case, but perhaps now it is. I think that's probably a pro.

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On the con side, I think sometimes unraveling the supply business from what, in many of our cases, were formally integrated utility companies, has some challenges. So there are some internal cost structural challenges with that. You have to be careful when you unwind that that you don't leave the utility holding company, let's say, with some stranded costs. That's a potential that you have to look out for. I think, you know, how you finance the two companies is a key consideration, too. And, again, whatever you're left with, depending on the business mix you start with, could be a factor. And then there's some -- there could be some tax complexities to it as well, depending on what kind of tax basis you have in the legacy utility company and how you choose to kind of separate.

So those are just kind of some preliminary thoughts on some of the pros and cons.

Leo Denault - *Entergy Corporation - Chairman & CEO*

Obviously, we think it's a good idea if we separated them because we tried to do that. For us it's a little bit different than either of my co-panelists in that there's a couple of thousand miles of geography between the majority of our merchant fleet and our utilities. They did not grow up together. They are a function of acquisitions that we made that were geared toward operational improvements around nuclear plants that were underperforming for the most part, and so we were able to turn around those operations.

But just because Indian Point and River Bend are two nuclear plants does not make the merchant fleet and the fully integrated utility anything alike as far as business goes. So for us, it's a little bit easier to make that distinction because we didn't grow up with those being in the same place. So all the pros are around starting with their just two different businesses. They have two different value propositions. They have two different skill sets in terms of the commercial viability of them, even though the assets that you upgrade are identical. And so there's a myriad of benefits that I won't really go into. Mostly they are commercial, analytical, financial, etc., but the businesses really in our case don't belong together.

The two cons that I would mention that are I guess philosophical not specific to us is one, the operations are economies of scale, the operations of 11 or 12 units versus five or six. So I think that that is we tried to actually address that through how we were going to operate the fleets when we're going to look at the spend. But that is certainly something that's been worthwhile for us as we've grown the fleet of nuclear plants to be able to operate across a much larger fleet from an operations standpoint. You know, commercially the businesses are not the same and, again, the other comment that we weren't able to do it.

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

I'll add just really echoing what Bill said, I think there are the potential for some of the dissynergies of costs that you have to re-create to support service organizations, so that's a little bit of a challenge. We do like the integrated model in terms of the kinds of efficiencies it gives us in terms of capital redeployment. That's not to say investors couldn't do it on their own separated. But we do think it's very efficient for us to be able to put money into the regulated utility during times of power price really being lower than they have been before when the power company doesn't need the capital investment.

We do like the ability to have for a cross-pollination of our people in terms of training and development. We do think that that makes a lot of sense. So we do like the model, and I think everything that Bill said I would echo. There can be tax issues and all sorts of other things, but we do think our ability to look at each business and think about what's the best opportunities for growth. And one that might be at a different time that there is growth, and another gives us nice opportunities.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Okay. One other related question. None of you mentioned the rating agencies, at least specifically. And I guess in theory, it would be very hard to have a generation business on its own that's investment grade. So maybe you will give that up. But you will also then have a pure distribution business or pure utility that maybe is a lot easier requirements to meet. So maybe just get some perspective on it. Would there be a lot of embedded capital freed up separate because of that than the requirements you have to meet today to keep your solid investment grade? Any perspectives on that?

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Bill Spence - *PPL Corporation - Chairman, President & CEO*

Sure. Well, in PPL's case, with the lower gas prices and some of the challenges we face in the capacity markets, we have really pared back a lot on the capital that goes towards generation fleet. And with the size of PPL today versus where we were with 85% of our earnings coming from the regulated side of the business, the allocation of capital issue isn't probably as significant as it would be maybe in other cases.

So we really are not deploying that much capital in towards the generation business at this time. And most of the big capital needs that we had for compliance type activities on the EPA front are behind us. So we don't face a significant level of new capital that needs to be deployed through that business. So it's really not a terribly important issue for us at this time.

So I think it's a good question because it does you point out a good issue there around the rating agencies and the financeability of a pure merchant company. It would be sub-investment grade. I mean that's the nature of the business, and sitting inside a holding company like we have it may not be on its surface the most ideal, but there are some benefits as Caroline mentioned as well. So it's -- again, it is a bit of some pros and cons.

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

Yes, I would say similar to Bill, I mean clearly there could be some pros and cons. Similarly to what Bill mentioned, we don't have a lot to invest in the merchant business, as I mentioned, other than things that have a positive NPV. We do like -- frankly, at the end of the day, we like the strategic flexibility of having an investment grade, solid investment grade rating as we do as you know when our power company gives us in terms of opportunities to use the balance sheet. There are opportunities that present themselves. If we were separated, obviously it would be very, very different. But we do think that financial strength gives us options as we can look at more opportunities to grow either company because we start with the balance sheet that has room and we like that.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Okay. I'll take one more question, and then we'll open it up to the audience. Just on the -- one more question I guess on the unregulated businesses. Just your perspectives on potential for power recovery. And just I think all of you to some degree think it will get better. Is that a view on your views on natural gas? Is that a view on just basic supply/demand in your regions? You know, kind of what are your point of view thoughts there, or do you just not have a point of view and you are just going to kind of eek it out?

Unidentified Participant

(multiple speakers) (laughter) We're not going to eek it out.

Leo Denault - *Entergy Corporation - Chairman & CEO*

Again, I guess from our perspective, we do think things are going to get better. It's a combination of factors. We do think that we're going to see some constructive moves in the gas market. That's going to be driven, I think, a little bit what we're seeing in some areas. In our utility business, for example, a lot of the economic growth and economic development opportunities we see are demand-related factors. Doesn't mean that we believe that gas is going to get to back to where it was in 2007 and 2008, but we do think there is some reasons that gas will recover somewhat from where it is today.

We also -- it depends on what you talk about. As of today, we also see that there's some things that just structurally are in the power markets where our units are that underplay heat rate in the forward market. So we think the power prices themselves given the lack of liquidity and power longer-term versus gas, you see what is an implied heat rate that is not necessarily what we see when things come to term. And then we are diligently working to help the capacity markets as much as we can to actually perform the way they're supposed to to both compensate people for the capacity that they currently own, but also to be in a position where they themselves letting the market run as opposed to some other form

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or fashion of capacity will actually encourage new capacity. In the open market, the way most of them work today, it's difficult to see how a lot of that's going to happen, just in the purely competitive nature of the capacity market itself as opposed to things that come around the periphery and some sort of special deal as it were.

Bill Spence - *PPL Corporation - Chairman, President & CEO*

In PJM, I think from a PPL perspective, we see some maybe what I would say is improving -- I wouldn't say it is a trend, but some improving signals from PJM management that suggests they're going to deal with a couple of things hopefully before the next capacity auction in early next year, and those things are import limitations. There was, I think, a surprise in the last auction with how much capacity was allowed into the auction from imports. I think they're going to deal with that. I think there were some issues around individual, minimum offer price requirements, MOPR exceptions, if you will. I think they're going to deal with that.

There were some concerns about the level of demand response; I think there are some things underway with that. And then finally, there's this issue of the incremental capacity auctions and the potential for people to gain that with maybe not enough penalties in that structure.

So I think to Leo's point around market design, I think the ISOs are trying to address some of the concerns that they see coming down the pike to make sure that they maintain enough capacity in the system to meet all the reliability requirements, and we think that's a good thing. And obviously with the last incremental auction that just went off last week came in at $111, that's a very significant number. That's higher than any other incremental auction in the history of these incremental auctions. So that's a positive.

On the energy side, you know I think to answer your question specifically, I see it more on the supply and demand fundamentals, Steve, than I do on improving gas prices. I think gas prices will improve somewhat, but I think the power recovery is going to be driven more by demand and retirements, more retirements than are perhaps in the system for prices today and maybe the cost of compliance, particularly with maps may not be fully embedded in the forward prices.

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

I'd say, Steve, on the capacity side for us, for us for the last three years given where we are in Eastern PJM, our capacity price results are actually pretty steady in that $160 per megawatt range. So that's been pretty consistent given the strength of where we are. We do very much support on the PJM front the design issues getting the rules right, things that Bill mentioned.

Things like demand response having to have the right rules around what it can bid and, if it's going to be paid like a generator, being more treated in terms of having to show up like a generator and demonstrate its viability like a generator. We support those things. We do support things that assist in thinking carefully about the amount of imports and MOPR and having a stronger kind of MOPR message there.

On the energy side, we do observe that there does appear to be less liquidity in the forward curve than there had been before, and you've seen some announcements of institutions indicate exit there, which obviously does have issues for liquidity in the out years. That being said, very important for us always internally that we run the business, and we plan the business on the forward curve.

So in terms of how we think about our OEM, in terms of how we think about capital deployment between the businesses, in terms of how we look at opportunities in the power markets, we always look at the forward curve as opposed to assume it's wrong because, while it probably won't be exactly where prices turn out to be in a few years, we don't think it makes sense to bet against that and pay money upfront for that.

So while there may be some liquidity pressures there, we're assessing that. We still run the business and certainly plan our costs and expenditures on the assumption of the forward curve.

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Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Let me open it up to the audience, any questions? We've got Stephen in the back there and then Rob.

QUESTIONS AND ANSWERS

Unidentified Audience Member

With all of the coal to gas switching that's going on, you hear a lot about how power flows have changed substantially on the grid maybe in different ways than they have been planned for 10 years ago, say. I was just sort of wondering what kind of opportunity does that give you for transmission investments, new constraints suddenly come up in the system, and how do those opportunities may be compare to lost power sales from your generation business, and how much maybe does one side offset the other?

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

So, I'll kick it off. For us, in terms of transmission investments, our investments are reliability driven by identify things in PJM in terms of reliability issues. So not transfer capacity type of issues, but really more reliability issues, and we have a multibillion-dollar program underway there.

That is at PSE&G under the formula rate. Obviously, the opportunity for more investments under Energy Strong are something else that we're looking at up to $1.5 billion over 10 years. So opportunities there really present themselves because of the reliability issues that have been identified by PJM. We are not really in the business of looking at large scales or energy transfer type transmission investment opportunities.

Leo Denault - *Entergy Corporation - Chairman & CEO*

I'd probably echo what Caroline just said on the PPL side. And I think with the large transmission projects, they take so long to put into the planning process that by the time you get there, those anomalies, if you will, or those opportunities to arbitrage between gas and coal units may have gone away. So I don't think we would probably take that risk on that type of a project in light of how fickle some of these markets can be.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Want to go, Steve?

Unidentified Audience Member

The Marcellus shale by 2020 is expected to basically fully supply the Northeast gas demand. If the Utica is developed, there will be even more gas in the Northeast. We've already seen pretty significant basis differential. If you assume like a $0.80 or $1.00 basis differential to Henry Hub, how will this affect power markets in your territories? How do you plan the business around this kind of scenario?

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

That's such a tough one, I think Leo should answer that. (laughter)

Leo Denault - *Entergy Corporation - Chairman & CEO*

Well, I mean the -- there's a significant number of scenarios out there in terms of where gas markets may go and where power markets may go. I think the short answer to that is that, as we are looking at where things are, we've got to run a lot of scenarios around where they might be. To the

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extent that some of those things show up and to the extent that we start to see actual reductions in gas prices versus where we are today or if we see real -- I mean I hate to say have the base -- Henry Hub to Northeast basis crash, like it hasn't already. But the fact of the matter is, that as those things continue, it's going to make it tough for those of us who have assets that are driven by some other fuel like nuclear power, for example.

That phenomenon was a major driver in the decision to close Vermont Yankee was the fact that gas prices are now much lower than they were before than the power markets that we're in. Not a lot of coal to gas switching in the Northeast where we are because there's not a lot of coal. It is mostly gas already. What if the gas was oil?

So the fact of the matter is that is just the kind of thing that we need to make sure that we keep our eye on and we keep on top of, and you know to the extent that you're running a coal plant or a nuclear plant and things get worse before they get better, that just means you've got to keep an eye on your cost structure. You've got to keep an eye on your investment profile. You've got a make some tough calls like what we already did with Vermont Yankee where it's actually a better economic decision not to run the plant and then to continue to run the plant. Some of that is gas driven, some of that is cost driven, and some of that is market design driven. But, you know, the fact of the matter is when you say, how do you plan your business around that? Well, we already do plan our business around that as a potential outcome of where things are today. And just like with what Caroline said, everything we do marks our plan to market.

Because, as we all know, particularly if you've ever been around the competitive trading side of the business, particularly as it was developed in the phase of the 90s and the early part of 2000s, that's what the price is. If you want to sell something in 2015 today, there's a price for it, and that's the price. Just because I think it should be higher or I believe it will go higher doesn't change that.

Now the decision I make might be informed by whether I think it's going to go higher or lower, and we make those bets all the time. We not only make those bets as it relates to the merchant fleet, we make those bets as it relates to the integrated utility fleet as well. When we decide to build a gas plant versus nuclear plant versus a coal plant versus some other technology, we are making a bet on the cost of all commodities that go into that whether it's copper, whether it's natural gas, whether it's uranium. And we're making a regulatory bet on what's going to happen whether it's environment controls or consumer costs or whatever. We have to make those all the time.

So how we look at it is we kind of do a statistical analysis of spreading what those potential outcomes might be, and while we mark the plan to market, we are going to make our decisions based on, well, how do we think that's going to turn out then? And if the market is -- there's one way to look at it is where we are all say the markets here and we believe it's going to be higher, we wouldn't make one decision based on that. If you are looking at the market here and you think it's going to be lower, you make a different decision while you have the opportunity. You can hedge it out so it doesn't hurt you or to make some sort of call, so it is not going to close the plant now or something like that.

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

I think one thing I would add to that, when you think about that question, right, you are taking one variable -- albeit an important one and albeit one that seems to be in a sea change from where was -- but as we think about planning the business, right, we have to think about the multiple variables. We have to think about what's going on there.

What might be happening with the actual implementation of EPA regulations? What's going to be happening with the CO2 related regulations? What's going to happen to loan growth? What's going to happen to renewables? What will be the government's policy around all of those things? Where might there be new builds? Where might there be plant closures?

So a single shot variable, albeit a really important one, right, how does it find its way into power prices, and what's going to happen in different regions? We look at all of those together, and so we can't isolate one out and say, if this happens, what will be the result? Because then you'd say, what happens to the other 20 things and then how far out should you plan for that?

And that's kind of the way we try to look at them on an integrated basis. What are the interactions between one or the other, right, and then how do we think about what that means for what we commit to, put in the ground versus how we run what we are doing today and things like that? So it's a little hard to disaggregate one and say on that vector, it would be this. We really just don't build the business model that way.

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Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

A question upfront.

Unidentified Audience Member

Leo, one of the drivers that you didn't mention is the political one, and I wonder particularly in Texas if you could comment at all on the appointment of new Commissioner? The Commissioner has sort of been impossible to act on anything the way it was structured for the last year or so, and we now have a third Commissioner, which is hopefully going to do something. Do you have any insight at all on her and where she might be going and whether she's close to Chairman Nelson or not, etc.?

Bill Spence - *PPL Corporation - Chairman, President & CEO*

You know, our view is that she's going to be a very solid Commissioner. She's going to do a good job. Certainly she's got to come up a learning curve on a variety of issues in Texas, and it's somewhat complicated by Texas' structure versus [Urquhart] versus not Urquhart. And so I think there's a learning curve there that she will be more than capable of getting up, and I think that she's going to be constructive in a lot of ways coming out of the Governor's office like she has and the kind of things she's been involved in. And I think that it will just add to -- you know, it will add to the Commission, and it has probably been difficult for them with just two Commissioners to work their way through that process more than anything else and to understand the implications of what happens when they don't agree, more so than when they don't or when they do agree.

So I think it will be helpful. It will be a new source of ideas coming with a different perspective. She certainly has a good background. Our view is that she's going to be very constructive. She is very intelligent, all of the things that you like to see in a Commissioner, and that they should probably all three work well together.

And my guess is that I wouldn't say that any Commissioner aligns with any other Commissioner on any -- I think they all are really well-versed in the issues. They all get up to speed on themselves and make their own calls in a really informed way, and I don't think she's going to be any different. I think she's going to do a really good job.

Steve Fleishman - *Wolfe Trahan & Co. - Analyst*

Great. Well, I think we've run out of time. Thank you very much to the panel.

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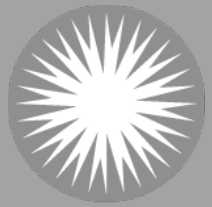

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- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

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

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

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of July 28, 2017.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

SI-SSA-0015-11900

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Dan Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-11901

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-11902

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

PSEG Policy and Regulatory focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

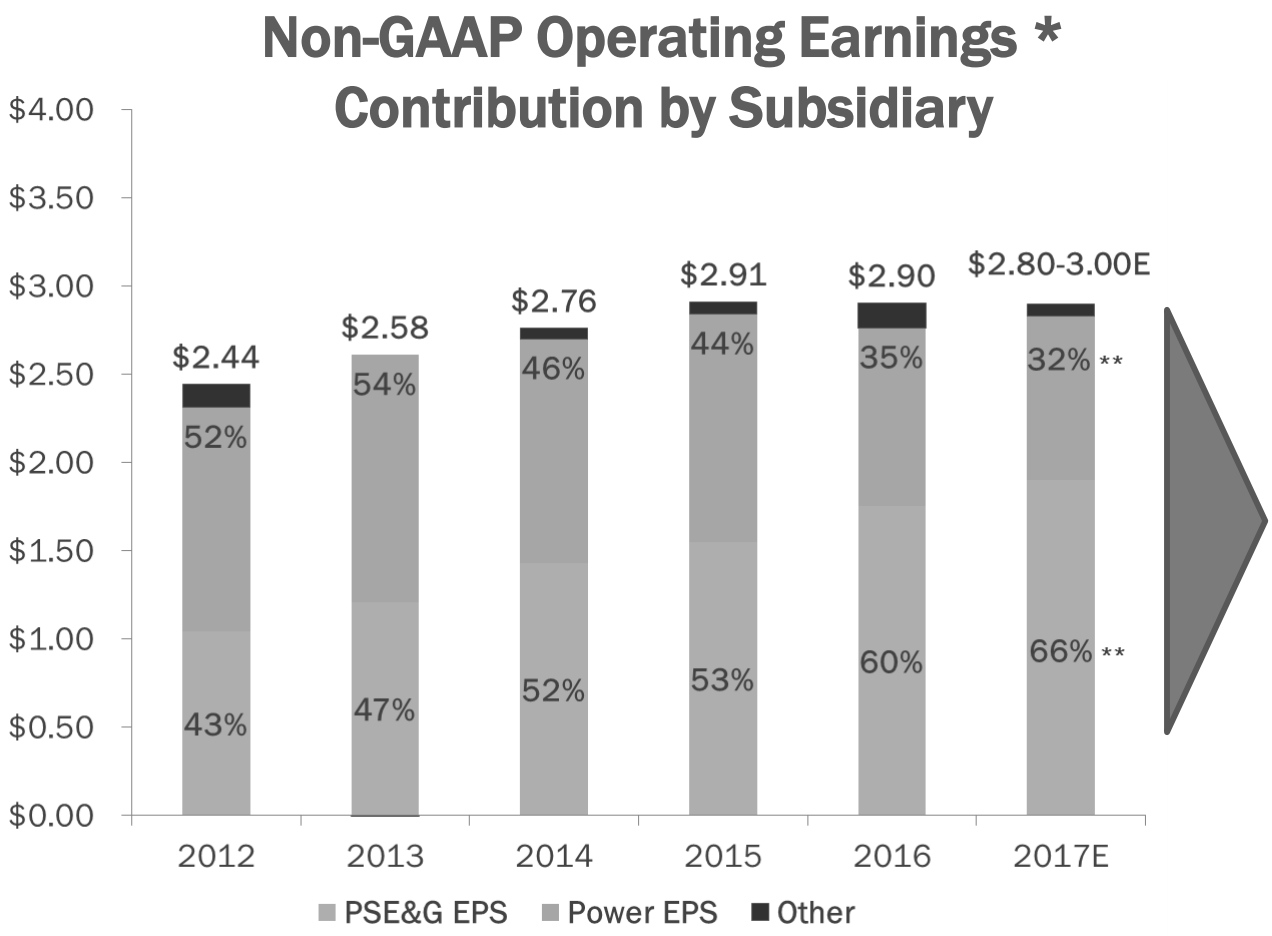
Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-11903

PSE&G expected to grow to represent ~66%

of 2017 operating earnings



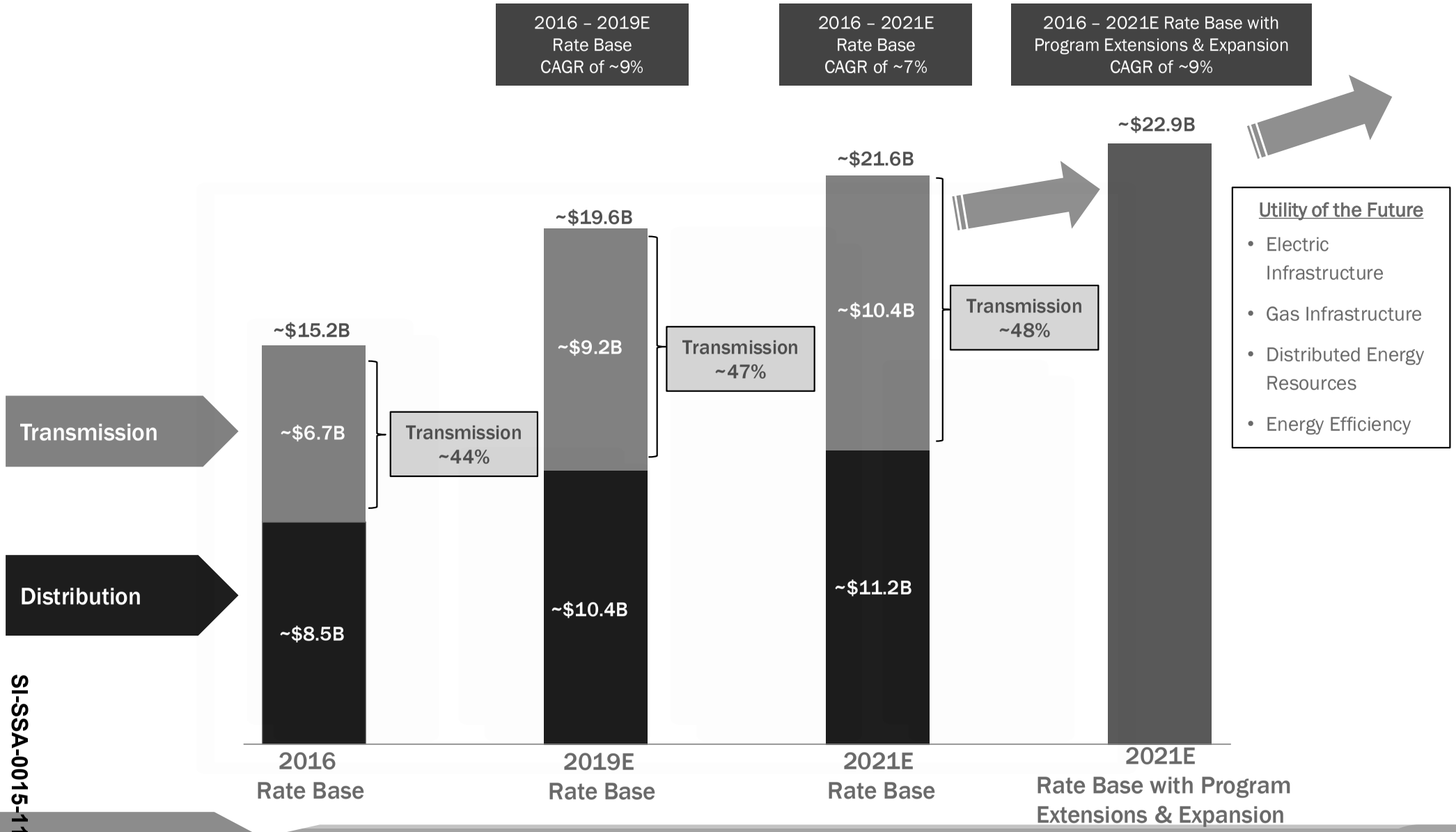
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-11904

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's capital spending drives high single-digit growth in rate base



E = ESTIMATE.

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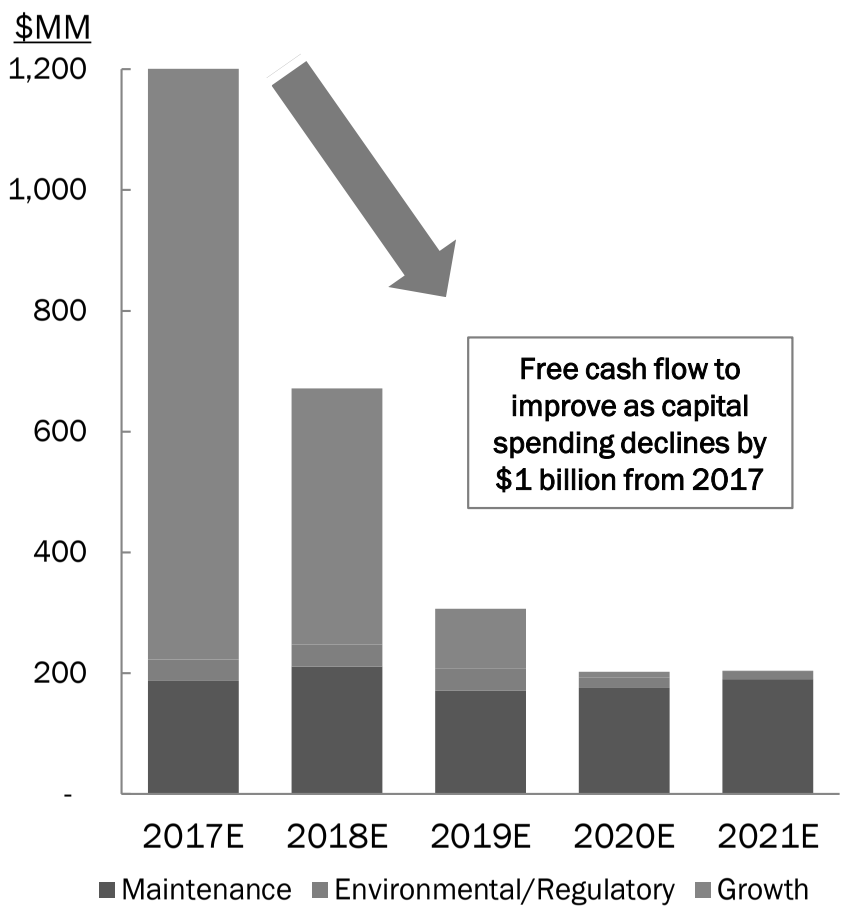
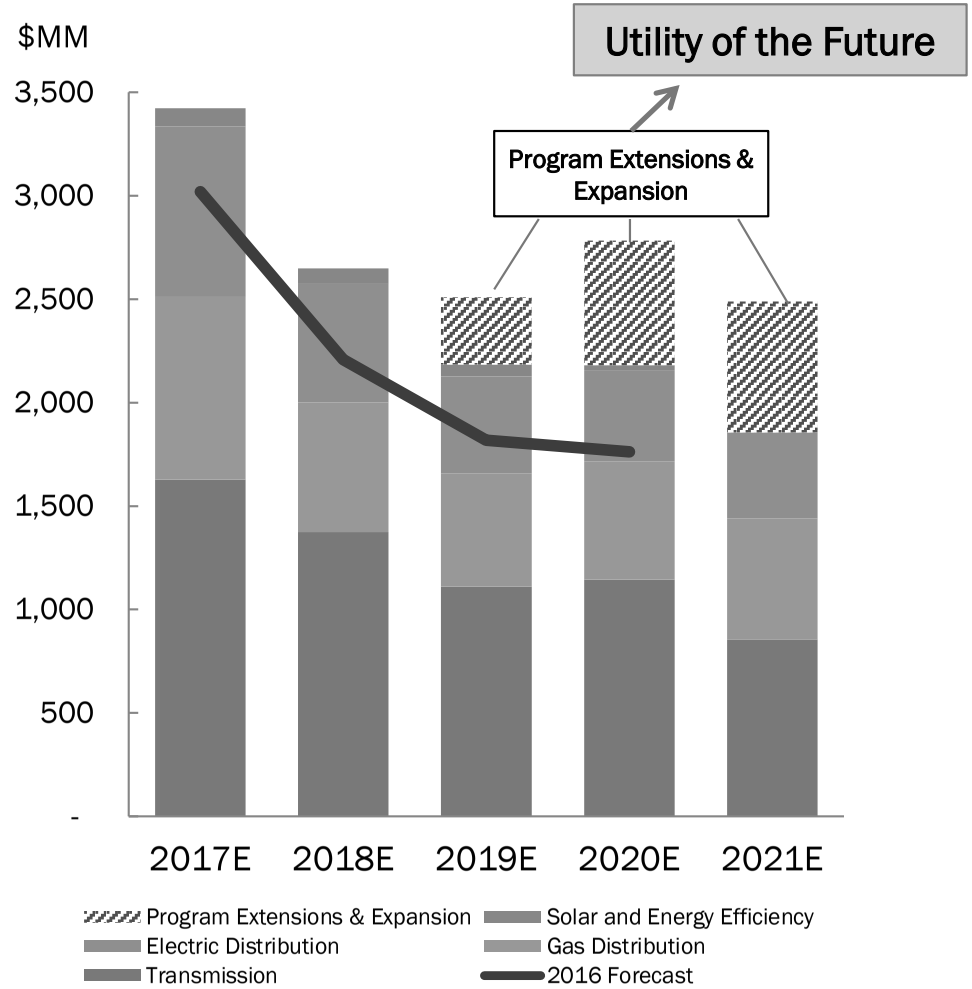
Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

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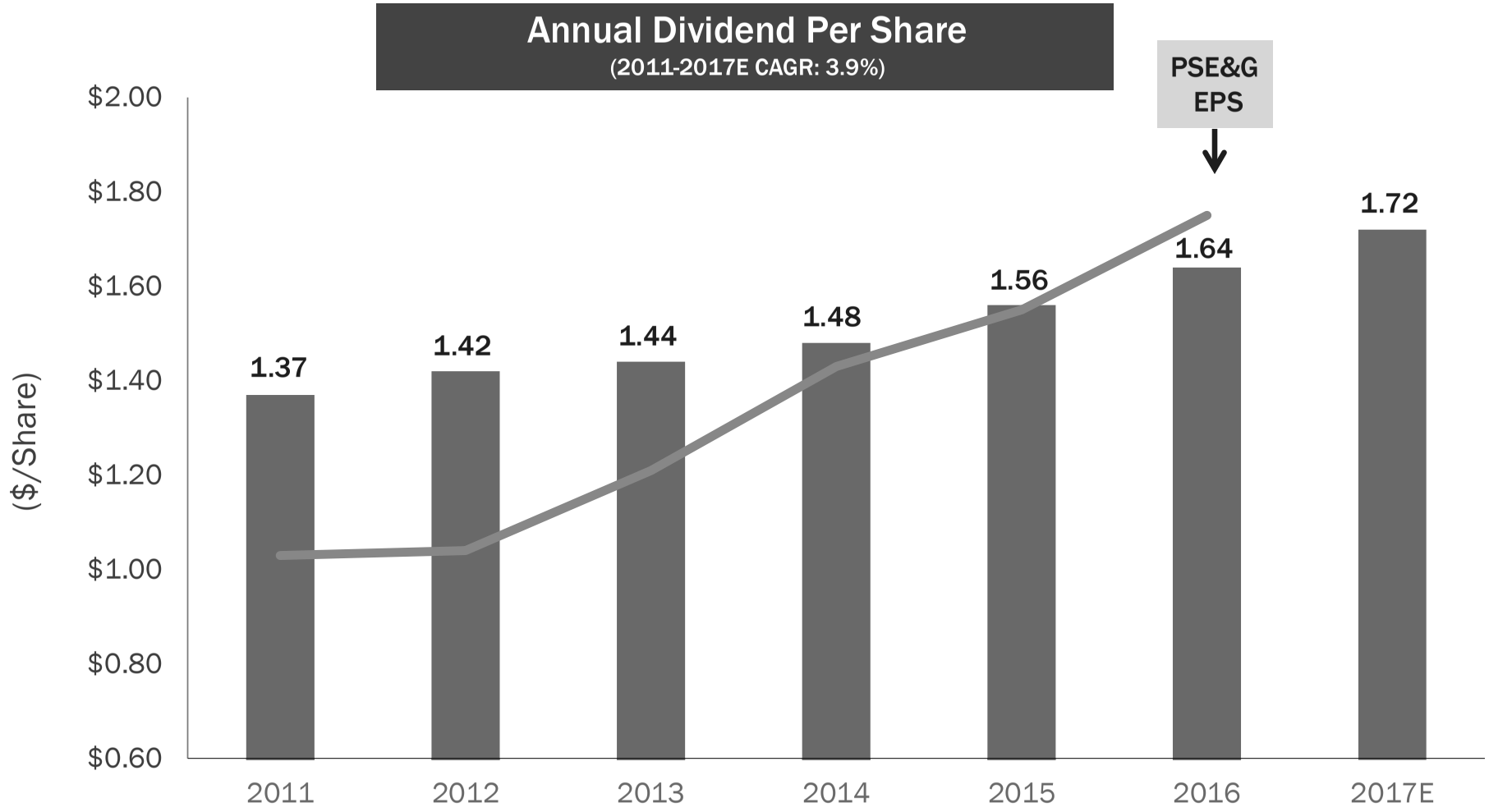
Opportunity for meaningful and sustainable dividend growth



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PSEG's Value Proposition

- A stable platform with a $15 billion infrastructure investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 110-year record of paying common dividend with opportunity for consistent, sustainable growth
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile

SI-SSA-0015-11908

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*				
	2017	*2016*	*2017*	*2016*	*2016*	*2015*	*2014*	*2013*	*2012*
	($ millions, Unaudited)								
Net Income (Loss)	$ 109	$ 187	$ 223	$ 658	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(36)	171	(46)	149	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(136)	(69)	(376)	(63)	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)								
Net Income (Loss)	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

SI-SSA-0015-11909

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Reconciliation of Non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [c]	87	81	179	161	329
Interest Expense, pre-tax [c] [d]	12	20	28	42	83
Income Taxes [c]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,		Year-Ended December 31,
	2017	2016	2017	2016	2016
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc at Wolfe Research Power and Gas Leaders Conference

EVENT DATE/TIME: SEPTEMBER 29, 2015 / 12:50PM GMT

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CORPORATE PARTICIPANTS

Shahid Malik *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

Joe Nigro *Exelon Corporation - EVP of Exelon and CEO of Constellation*

Jack Thayer *Exelon Corporation - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

Steve Fleishman *Wolfe Research - Analyst*

PRESENTATION

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

Good morning, everyone. Thank you, Steve, for inviting us to your conference again. Appreciate the opportunity to just come across the Hudson, rather than fly all the way down to Texas. This is good for us.

Before I start, I'd just like to remind you of the forward-looking statement.

And then -- so I'm here today really to talk about our deregulated business that we call PSEG Power. Our strategy is very simple; actually it's to operate a regionally focused, highly efficient generation fleet in hopefully the nation's premium power markets. We have approximately $12 billion worth of assets, consisting primarily of 12,000 megawatts of power generation in the Northeastern part of the US. And we're in the process right now of upgrading our generation fleet. We have an investment scheduled of approximately $3.5 billion over the next five years, investing in both existing as well as in new generation.

And like others in the industry, we have retired older units to comply with some of the environmental regulations out there. But we're also investing to grow our existing nuclear, and our existing and new gasifier generation. In addition, we own about 12 utility-scale solar facilities in six states that total about 150 megawatts.

So I mentioned that we're regionally focused. And really we think that's the one distinguishing factor we have -- one of the distinguishing factors we have. The primary one of those is location, and we sit next to this really big electric demand region in North America, with New York City and Philadelphia on one side. And on the other side, as you heard the previous panelist talk about, the largest natural gas supply region in North America, the Marcellus.

So we benefit from that cheap gas, and we also have that consistent load and volatility as a result of being close to New York and Philadelphia. And there's other northern New Jersey power markets.

So important these days to have a well performing and flexible [gasified] assets, especially with the CP product that Joe just talked about. And we have a solid base of high-performance nuclear units, too. And that allows us to cover our base load sales with those nuclear assets while having our gas assets really take advantage of the volatility. That's inherent in being the constrained [serves] up in the Northeast.

So, with respect to additional investments, what we plan to do is upgrade our existing fleet with more efficient combined cycles, and I'll talk about those in just a second. And you'll see that our mix will be changing a little bit over the next few years. And principally, however, you'll note that our megawatt output, despite a slightly lower owned capacity -- megawatt generated will still be a little bit higher than we are currently, between the 54 to the 58, 59 terawatt hour range. That's principally because we're replacing some of our older, less efficient megawatts with new, efficient combined cycles, which will run on more of a baseload basis.

I mentioned gas earlier on. Fuel costs are among the lowest in the US. We have also, fortunately, one of the largest gas trading and procurement operations in this region. And last year, we bought over 400 Bcf of gas. That allows us to leverage those prices further down and benefit our utility

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customers. The orange and the blue slices show that we've bought over 60% of our gas directly from the Marcellus and from the Utica. And the green slice, which is what we buy on a delivered basis from other customers and producers, I would bet that a lot of that comes from the Marcellus, as well.

So we're getting a lot of gas at cheap prices. And because of our extensive network of gas contracts on the pipelines, we're able to get the gas delivered to our assets at a pretty good price; certainly better than, we think, a lot of our competitors.

On the development side, we've been actively seeking ways to grow our portfolio and to improve our efficiency, as I mentioned earlier. So we are very happy, then, to be building two new combined cycle power plants, both of which are targeted to come online in the 2018 time frame.

The Keys Energy Center is close to Washington, DC, and it's located in the constrained Pepco [zone]. We believe there's strong load growth in the region and also easy access to Marcellus gas. That really is a nice growth story for us, we believe. The Sewaren plant in New Jersey that we've also announced is a redevelopment of an existing site. So, essentially, we're trading old and inefficient megawatts for new, efficient megawatts.

And since it's a brownfield site, we have the ability to lower our costs by using existing infrastructure, as well as benefiting from the strong local natural gas position that we have. Importantly, these new plants really improve our overall heat rate, or our efficiency. And in a competitive market, as you've heard the panelists talk about earlier, pennies matter. And if we can shave off a few cents from our cost of production by having those most efficient power plants in the marketplace, then we'll get dispatched first.

We have additional growth investments going on right now. I mentioned the combined cycles and some uprates that we have on the gas side. That will cost us about $1.6 billion over the next five years. And as you can see from this profile, our capital spend for new investments, in blue, will peak next year, and then we'll see the earnings impact from 2018 onwards. We have a small amount of spend that's required for environmental reasons, which is the orange segment there. And the gray segments reflect capital for maintenance and for improvement.

But even after these investments, our intention is to have a very strong balance sheet and to have a strong credit rating. We will retain that strong balance sheet, and that will allow us to keep looking for additional high-value opportunities as this market goes through a period of consolidation.

And our capital investments are being made to increase our output, but also to increase their efficiency. And as you can see, the average heat rate of the fleet is going down. We believe that leading technology these days is between a 65 to a 7,000 heat rate. And we're investing in our fleet to get down to those levels as well, so we can be the cheapest unit on the block.

Just briefly, Joe also talked about capacity markets; we have two additional advantages by virtue of being where we are. The first is the capacity market. That's present in each of the three Northeastern markets that we operate in. This chart shows you how over the last four capacity cycles, stretching through May of 2019, our assets have generally enjoyed a significant premium over the rest of the RTO in PJM. And our guaranteed capacity revenue of $540 million to $630 million each year really allows us to invest in existing and new units to improve their reliability and to improve their effectiveness.

And a second advantage is our ability to sell long-term electricity to New Jersey's customers. This forward sales construct is available for pretty much all of our generation in that part of the world. And it's very helpful at a time when forward liquidity is lower than in prior years, and also provides us a visible stream of earnings for the next three years. So you add the energy visibility we have with the capacity market visibility, we have a pretty good benefit from our locations in the Northeast.

Just quickly, then, on the regulatory side: although we can't control or influence energy prices -- which by the way, Steve, are lower than we would like, as you pointed out -- we do have the ability to influence the regulatory environment, which we are actively doing. And I might add that the industry has had some considerable success, actually, in the last couple of years in improving both capacity and energy markets from a regulatory standpoint and a market development standpoint. And we've already seen significant uplift from improved capacity markets, and we also expect improvements in capacity in energy market price signals, as well.

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And you may have heard that last week FERC signed off on and issued a NOPR, a Notice of Proposed Rulemaking. And they challenged the RTOs to address the two issues that I have on this slide here. And they indicated that other items, such as operator transparency, are also in the works. And that's very encouraging for those of us in this industry, because it will help the industry obtain fairer and more accurate pricing, we believe, for our assets.

So to wrap up, in summary, we've been very active in helping shape and improve rules in the markets that we operate in -- whether it's in new capacity market construct in New England or in PJM, stricter rules for how demand response participates, as well as those recent moves I mentioned to improve price signals in the market by FERC -- we think we've been a leading player, together with Exelon and others, in this marketplace.

And this regulatory backdrop for PSEG, coupled with our strong balance sheet, has really allowed us to start growing our footprint again, but we're doing it in a highly selective manner. We're doing it with -- where we anticipate strong projected financial returns in a very disciplined way. So, we believe we have a good story. That gives us the ability to be successful now and in the future.

So with that, I'll wrap up, and I'll be happy to take any questions with Joe in a bit.

QUESTIONS AND ANSWERS

Steve Fleishman - *Wolfe Research - Analyst*

Great. Thanks, guys. We're solidly back on schedule. Maybe just to kick off the questioning, I guess first for Joe, you mentioned very much that NIHub is very cheap. You don't really mention PJM West, so maybe view the differences there. And I guess if the issue is a lack of forward liquidity, why is that okay at PJM West, not NIHub? I guess that's a bigger hub. But maybe just some views there.

Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

I think, Steve, there's a couple of things. First is, PJM West Hub, we think, is more fairly priced than NIHub. I would add, though, there's a tremendous amount of seasonality associated with that. And what I mean by that is we believe the winter periods are probably fairly priced and carry the right premiums, and some periods in the off-peak hours in the non-winter months at West Hub actually we still see upside -- the market relative to our fundamental view.

I think the big thing, though, is you do have more market liquidity at West Hub. But as you go beyond a year or two years, let's say, 2017, now the liquidity falls off quite substantially. I think the other thing to note is most of the new generation that's being built is more impactful to West Hub than it would be, for example, to NIHub. And I think what we see is more of the coal retirements have happened or are happening in the western part of PJM.

So when you overlay the new generation on the eastern side with the retirements on the western side, we actually see the basis between those two locations becoming closer together, and the market currently isn't reflecting that. That's part of the reason we see the increased value at NIHub. And then you just have less liquidity on the forward curve at NIHub compared to West Hub. So I think all of those things factored together drive what we're saying. It's not just one variable.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. And Shahid, just maybe a question on the new build question. So in the panel before, which you weren't listening to, but one of the comments was just that -- don't see the economics for new build. But then you just bought a new build plant, and so do you see that differently? Or was that just a special situation in terms of opportunity, and generally you don't see the new build economics?

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Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

So it's always preferable if you can buy a combined cycle or a unit that's been operating for a while. You have less construction risk and you're able to earn earnings from day one. Those assets are pretty competitive. Then you compare that with building new and you look for specific opportunities. For us we felt -- and we've been looking for some time, frankly -- to grow our portfolio, and we haven't found the right asset to do that.

This one came along. We are very excited by it, because actually we think there is good load growth in that area. It's a constrained zone. We believe it will have a strong spark spread because of the cheaper Marcellus gas and the low growth that we expect in that region.

So actually, we do think it's a good asset. We think that we'll be successful in constructing it, and we think it's going to be well located. Plus it also helps in how we manage our portfolio with respect to the other parts of our business. Yes, we feel pretty good about that, Steve.

Steve Fleishman - *Wolfe Research - Analyst*

Well, let me ask that question just another way, which is just that at a high level, would you be interested in doing more of those at, let's say, the same rough valuation?

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

So, when we look at our investments, we clearly look at what are the alternatives for those dollars. Do we spend on the regulated side, the deregulated side? Do we give money back to our shareholders? So we have a very stringent internal hurdle, the metrics that we look at in order to make the investments. As you can tell for the last couple of years, we haven't made a lot of investments in the power side. We've had a lot of uprates. We've had some improvements in our base lid, but haven't stepped out to build new generation.

These circumstances looked very favorable to us. They passed all our internal hurdles and our internal metrics. And so, yes, if the right opportunity came along, Steve, we would certainly look at it.

As a mentioned, though, we're now in the process of building two new combined cycles. Sewaren power plant in New Jersey is a slightly different animal for us in that it's replacing all megawatts with new, efficient megawatts. It's replacing megawatts on an existing brownfield site, which makes it cheaper from an infrastructure standpoint. And so that's a different animal.

So yes, I would say that we would look at them. But generally our preference right now would be to look at those assets that are currently running, probably offered at a discount to new build.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. I'll ask one more question, then I'll open up to the audience. I think as you guys know, we put out a report last week that talked about supply/demand work that we do. And in PJM, one of the more controversial conclusions we came to was that supply/demand is loosening. And I'm just curious -- I'm not sure how much you've had a chance to look at what we did. But just overall, would you agree that's true, or not? And if you had views that were different than ours, what would they be?

Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

Yes, I did look at it briefly, Steve. And I think -- like I said, I think in general when you look at it, we expect a fair amount of new generation to be built as well. We saw, I think, in the previous three capacity auctions, about 5 gigawatts of new combined cycle plants clear each year. I think this year is a little less than that, so call it close to 20 gigawatts in total that we expect. We retired about 25 gigawatts of coal. You're repowering some assets. There is continued -- I would say continued development of renewables. And load growth is probably somewhere -- it's less than 1%, clearly, when you look at it.

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So I think when we put all that together, I think the big driver is you have a changing composition in the dispatch stack. I think this summer, quite frankly, was a little bit of an anomaly. We had obviously very, very low M-3 gas prices. And if gas prices are sustained at $1.50 in perpetuity, we're going to be having a very different conversation, obviously. I think also we didn't see, let's call it, the peak loads that we would have expected in the coincident peaks across the power pool that we've seen in years past. So I think some of the volatility got masked.

I think it's fair to say, though, when you put all that together, as we said, we think the West Hub is generally fairly priced with the seasonality I mentioned, and there's upside at NIHub. But I think the other relevant point is, with that, you're going to get increased volatility. And we serve a pretty big book of load in PJM, as you saw in the slide I presented, and we're comfortable with that, given our generation backstop and our ability to do that. And I think you're going to see that; and I think there's opportunity to capture value both when the market is volatile to the high side, like it was in the winter of 2014, but also to the downside, like we saw this past summer.

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

And I'll just add a little bit to what Joe said. And I wouldn't dream of contradicting my friend here; but Steve, we did look at your report yesterday, and the one previously, and I think you fairly accurately represent potential new builds. The spark spreads are very strong, particularly if you have access to that cheap gas, which I think is very helpful.

Perhaps there might be some more retirements, not necessarily because of environmental, but also because of economics. And you had the previous panelists talk about some of the pressure on some of the baseload units, the old nuclear -- the small, single-site nuclear units that are out there, as well as some of the disadvantaged coal that, frankly, we don't expect to be around that much longer.

So, I think on the retirement side you might see some more of those, primarily for economic reasons.

Steve Fleishman - *Wolfe Research - Analyst*

Any questions from the audience? Making it very easy on me. Maybe just on capacity. Obviously the auctions overall, I think, were a success. And whatever has gone on with supply/demand, the capacity side obviously gives you a lot of cash visibility. What do you see beyond this? It seems like next year we go to more full CP, and demand response still a question. Do you think this is just beginning -- continue of higher auction pricing?

Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

I think one thing you know is, expect the unexpected. We've seen a line of volatility in capacitor results, but I think the point you made is a relevant one. As we transition from -- into the 80% procurement for the recently completed 2018-2019 auction, by the time we get out to it, I think it's 2021. I think there's a lot of puts and takes that will be associated with that. There's talk about how PJM is going to forecast load in the future, its changes to the DRR curve.

I think the jury is out on how demand response is going to be able to participate with the capacity performance product. I'm not sure it will be quite the quantity we've seen in years past. But I think, at the end of the day, there's two elements that are really important. I think the first is recognizing to ensure reliability the penalty structures needed to change. And I think folks recognize that, and we saw that in the prices that cleared in 2018-2019.

And then the second element is the bidding behavior of the participants really matters. And I think they recognize that with the increased volatility or the risk of higher penalties and associated with nonperformance, you had to prepare your plants to perform in those hours when they're most needed. And I think the prices need to reflect that, and we would expect that to continue.

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Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

So, I was a little surprised in the 2018-2019 auction, frankly, that there was such a small discount between the base product and the competing product, the CP product. And I would attribute that to being a relatively new market construct. And I believe, and I think others in our Company believe, that some folks in the industry that did bid underpriced risk relative to the base. And we could see some continued widening of that spread over the next few years. I'm not sure what it means for the absolute price of capacity, and I wouldn't want to predict that, but I would say that's one element that we're keeping an eye on.

And the other element, in addition to the puts and takes that Joe mentioned, is that if electric prices stay low, then the way the formula in PJM works, is that capacity prices have to rise. Because the net of the two adds up to a number that provides incentives for generators to maintain their power plants and to build new power plants. So there's a constant dynamic between energy price and capacity price, particularly in those Northeastern markets. So if one is weak, then the other one should be strong.

Generally, I feel pretty good about the construct. I think that there's still some more learning that participants will have to go through to get comfortable with it, maybe some refinements of people's bidding tactics. But I think PJM made a good start, and I think the industry responded.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. Questions in the audience?

Unidentified Audience Member

(inaudible - microphone inaccessible)

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

Yes, it was a pretty good-sized move for us. And as you know, over the last few years we've focused a lot of our attention and development dollars on our utility business, which has performed pretty well. But we still have a pretty strong balance sheet, good opportunities on the power side. It's not that we haven't wanted to spend on the power side; we haven't found the opportunities that really work for us.

So to answer your question, and to follow up on what Steve said, it's unlikely that we'd want to build a whole bunch more right now. We'd certainly for selective assets that we could pick up to add to our portfolio, either to improve our diversity, to improve the efficiency, or to increase the amount of base capacity that we have.

With respect to consolidation, the reason I mentioned that is because I believe that the economics in the industry today are causing some companies some financial problems, particularly those companies that have high debt and are highly leveraged, and the cash flow isn't coming in as they might have expected since power prices are relatively low. And so I think some companies are going to be forced to make a decision: do I continue funding the leverage that I've put on with the lower cash flows? Or do I exit? And I think we're seeing signs of folks, particularly smaller portfolios, smaller power plants, looking to exit.

And Paul Farr mentioned that in the previous panel -- that they're seeing every opportunity that's out there, and so are we; and there does seem to be quite a lot out in the market right now. Whether we'd be interested in buying another portfolio our size or not, I guess probably not. But we'd certainly look for selective assets rather than a big portfolio.

Does that answer your question? Thank you.

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Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

I would just echo similar comments. We have seen consolidation on the power generation side, and I would expect that we continue to see consolidation. I think another important element for Exelon is in 2014 we acquired two retail companies. And I think you're going to see continued consolidation on that side of the business, as well. And I think that would be an area where we would have interest in acquiring assets on the retail side, given the nice match with our generation output.

Steve Fleishman - *Wolfe Research - Analyst*

On that topic, I know, Shahid, that Ralph almost gave a little bit of a hint to potentially having interest in the retail business. So be curious where your thoughts are there right now, because that was definitely new for PEG.

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

Right. So, I run a retail company; I'm comfortable with the retail business and operational risks, I believe, and there are operational risks around retail businesses -- and I'm sure Joe will be happy to describe -- principally for companies in our space, it's credit risk and getting your bills out on time, and getting paid. So, generally, PSEG has always considered different vehicles for getting its output to market, and the one that's worked best for us in the past has been the wholesale market.

As the market and the industry develops, you're seeing less liquidity in the out years, and you're definitely seeing more -- and less liquidity out there. And as a result of that, whatever vehicle is working on it to get your megawatts out would be a good potential option. So we've considered it in the past; we are considering it right now; and we'll see whether it makes sense for us in the future.

If we do it, it would be a defensive strategy, something that basically helps us sell megawatts in our territory. I don't expect it to be significant in any way or to move the needle from an earnings standpoint, but more of a vehicle for us to move megawatts from our power plants.

Steve Fleishman - *Wolfe Research - Analyst*

Okay. Want to make sure we had a chance, since Jack is here, to maybe talk a little bit about Exelon's news last night with Pepco.

So maybe, Jack, if you could just address that and --.

Jack Thayer - *Exelon Corporation - EVP and CFO*

(inaudible - microphone inaccessible)

Steve Fleishman - *Wolfe Research - Analyst*

Well, maybe just to use on -- the chances that a settlement can get done; are there other important parties involved, like the Public Council, which is in opposition? And how long would you let this -- if there's not something happening -- how long would you let this go before you'd say it's over?

Jack Thayer - *Exelon Corporation - EVP and CFO*

(inaudible - microphone inaccessible)

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Steve Fleishman - *Wolfe Research - Analyst*

Okay. Anybody else have questions for Jack on this, before we go back? You guys are being easy.

Okay, maybe just one more question for the panel on just -- Joe, you touched on this a little bit on natural gas prices, because obviously those are very important, that you expect it to get better. And it sounds like you expect gas basis to moderate as well. Could maybe each of you give your views there, and a little more define what you expect it to get better? And how do you know the LNG is actually going to leave the country, for example, in your view?

Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

I'll start it with what I think the easier one is, first. I think from a gas basis perspective -- and I'm talking about M-3 -- we see the market improving already. When you look at 2016, you're at a slight discount to Henry Hub, and by the time you get out to 2018-2019, you're at our premium. And I think that's really predicated on the buildout of takeaway capacity from that area to other parts of the country. I don't think we differ from that in any way. I think we think the market structure, the way it's priced, is right.

When I talk about our upside fundamentally on the power side, at NIHub we're using market fuel prices, so we're not adding to that anything that overlays a view. We do believe, though, on the Henry Hub side of it, there is some upside to natural gas prices. And I don't think anyone can debate, we continue to get more and more efficient on the supply side. The technology is getting better and better, increasing the efficiency. And I think the cost of drilling, given all the capital cuts both on the oil and gas side, come down.

But I do think when you look at the prices, we see that there will be a small supply response to that. And I think if you dial back the clock, call it 12 to 24 months, you would expect it to continue to grow production. And I think just given where prices are, we think that that may flatten some.

But, more importantly, I think it's on the demand side. I think the LNG, the 7.5 to 8 Bcf that has been contracted, will get exported. We've seen a pickup of power generation as the consumption of natural gas with the turnover to more of a gas stack.

You are seeing increased exports to Mexico, and we think that will continue. And when you look at it over the four- or five-year horizon, there's probably an additional somewhere between 16 and 20 Bcf of additional demand in all these different buckets, and we think that will be a driver. We're not talking about material upside here in the near term, but as you go out through time I don't think it's unreasonable to think we could see some upside to price. And that would be in addition to what we're saying on the power side.

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

I would echo a lot of what Joe said. I think the wild card, frankly, though, is what are the producers going to do? And you probably have a good handle on that. Other panelists are going on tomorrow, Steve. As I was preparing for this presentation and the conference today, I looked back at the last time I did this, a year and a bit ago in Houston. And at the time, the predictions for Marcellus production for 2015 were about 16 Bcf a day. Well, today, we're at 20 Bcf, so the production guide really gone on a binge in the last couple of years.

And the question we have is, when the hedges are [aloft], what will they do with production? And will they reduce production, not just because gas prices are low, but because oil prices are low? And certainly we've seen signs of that. And Joe alluded to the supply side being important as well. So, I think that's bit of a wild card. But I think the trends, both domestically and internationally, are for less drilling, less production at these low prices.

So, on the demand side, though -- which I think is something that we have a reasonably good handle on as a utility -- we're seeing a lot more use by our customers for natural gas as a result of lower prices. So they're switching from oil; they're switching from electricity; they're using more gas. So customers are using -- or power companies are using a lot more gas to generate than they were previously, so there's demand growth there, as well.

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We're seeing industry come back in a significant way, particularly in the South, but also increasingly here in the Mid-Continent and the Northeast. And chemicals industries in particular are big consumers of natural gas. We expect that to happen.

The other wild card of course is exports, and contracts have indeed been signed to export gas, LNG. And the question is, will those physically leave these shores, or will they be replaced by purchases elsewhere to cover those short sales? And I think the jury is out on that. It depends a lot on what world crude oil prices do. If OPEC has its way, and is able to take some producers out of business and then raise the price, then I think you could see LNG prices and gas prices rise, as well.

I also think we're at this -- this business is cyclical, and I remember 10 years ago when gas prices were $2. Well, guess what? We're at $2 again, and the power industry hasn't gone out of business. In fact, the power industry in many ways has gotten better and better. And so I think that you will see these cycles. And the challenge for companies like ours is, how do you manage through these cycles, and how do you have the most efficient machines? How do you have the lowest cost? And how do you invest so you can be successful in the markets that you choose to be in?

Steve Fleishman - *Wolfe Research - Analyst*

I'm going to ask one more question to close it up. So, in our panel before, I guess Bob Flexon talked about -- with a 20% free cash flow yield, I'd rather buy my stock than necessarily buy other companies right now. Both of your stocks, at least relative to the pure independent generators, have held up relatively well.

So, given that there's a lot of assets and portfolios out on the markets, do you have interest in growing the generation side of your businesses, still? Do you have room to do it? You are both pretty big in PJM, at least. And do you see maybe more of a competitive advantage to actually win these days?

Joe Nigro - *Exelon Corporation - EVP of Exelon and CEO of Constellation*

Steve, I think we are investing in two new state-of-the-art, efficient, combined cycle plants in Texas, and they're both being built on existing sites. We think they provide a competitive advantage; match very well to our load business. I think from our perspective, though, we would have to think long and hard about adding additional merchant generation. I think you mentioned in PJM, in a lot of instances, it's going to be difficult for us to do that.

To the extent we can keep our book of business balanced between our load and power generation business, we may have some interest. But I think right now, where we are, we're very comfortable with the portfolio we have. And we would continue to look to consolidate retail entities and acquire retail entities; and to the extent, then, we need it to backstop that with generation we would look to add as necessary.

Shahid Malik - *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

I think that from PSEG's standpoint, we would like to grow the Company. We would like to grow it on the regulated side as well as the deregulated side. The alternative, of course, is to give money back to our shareholders in the form of dividends or share buybacks, or whatever companies like that do with their cash. Firstly, we intend to maintain a strong balance sheet. We intend to maintain a very strong credit rating, because we think it helps us.

Actually, I think were able to take advantage of that in periods like this. We start seeing some assets come on the market that are good, strong assets that you previously wanted to own, but didn't want to pay the price for. So, we think that there will be opportunities, Steve. We will certainly look at them all. Whether we execute on them really depends on the situation at the time and the particular asset. But we have room to grow.

As I said, I think we prefer existing generation, unless there's a unique situation, such as in New England where there's a seven-year capacity [lock], we might think differently. But we'd evaluate each asset or each portfolio of assets -- likely not big, probably very small -- in the context of, how does it fit our portfolio? And can it add value, long-term, for our shareholders?

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But we're in this business for the long haul. It's not like we intend to come out of it in the next two or three years. So we have to figure out how we deploy our capital. Letting our fleets run down and be inefficient and ineffective is not an option for us. We've got to figure out how we invest smartly to improve our efficiency so we can be effective in the marketplace.

Steve Fleishman - *Wolfe Research - Analyst*

Great. Well, Joe, Shahid, thank you very much. Great panel. Appreciate it.

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EDITED TRANSCRIPT

PEG - Q1 2013 Public Service Enterprise Group Inc Earnings Conference Call

EVENT DATE/TIME: APRIL 30, 2013 / 03:00PM GMT

OVERVIEW:
PEG reported 1Q13 operating EPS of $0.85. Expects full-year 2013 operating EPS to be $2.25-2.50.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc. - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc. - Chairman, President and CEO*

Caroline Dorsa *Public Service Enterprise Group Inc. - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

Paul Fremont *Jefferies & Co. - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Dan Eggers *Credit Suissse - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Andy Levi *Avon Capital - Analyst*

Stephen Byrd *Morgan Stanley - Analyst*

Travis Miller *Morningstar - Analyst*

Neel Mitra *Tudor Pickering - Analyst*

Greg Gordon *ISI Group - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is DeTamyra and I am your conference operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group first-quarter 2013 earnings conference call and webcast.

At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session for members of the financial community. (Operator Instructions). As a reminder, this conference is being recorded today April 30, 2013 and will be unavailable for telephone replay beginning at 1 p.m. Eastern Time today until 11.30 p.m. on May 8, 2013. It will also be available as an audio webcast on PSEG's Corporate website at www.PSEG.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc. - VP of IR***

Thank you, operator. Good morning. We appreciate your participation in our call this morning. As you are aware, we released our first quarter 2013 earnings statements earlier this morning. The release and attachments can be found on our website at www.PSEG.com under the investor section. We have also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2013 is expected to be filed shortly.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties and although we may elect to update forward-looking statements from time to time we specifically disclaim any obligation to do so even if our estimate changes unless we are required to do so.

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Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or our other filings for a discussion of the factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

I am now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo ***- Public Service Enterprise Group Inc. - Chairman, President and CEO***

Thank you, Kathleen, and thank you everyone for joining us today.

Earlier this morning we reported operating earnings for the first quarter of 2013 of $0.85 per share which equaled the operating earnings from 2012's first quarter. We are very pleased with our results. The current quarter's results compared to operating earnings in the year ago period which benefitted from IRS tax settlements at PSEG Energy Holdings and PSE&G by contributing $0.13 per share to consolidated operating earnings.

We also achieved these strong results despite a decline in the average price of our hedged energy. The quarter's earnings demonstrate the locational value of PSEG Power's assets which along with the strong performance of PSEG Power's nuclear fleet and Power's open position on its intermediate and peaking generation, allowed us to take advantage of a favorable price environment in the energy market place while managing downside risk through the hedges on our base load fleet.

Our results also reflect the steady increase in the earnings contribution from PSE&G's capital investment in transmission. Mostly the quarter's results are an affirmation of our focus on operational excellence and disciplined investment through maintenance of a strong balance sheet to meet the core objectives of our customers and shareholders for reliability and growth.

The performance of Power's nuclear fleet was enhanced by record quarterly generation from the Salem station. An upgrade of the equipment and the design of the circulating water intake structure at Salem greatly aided its performance.

Power also worked tirelessly to restore critical generating stations to operation in the aftermath of the damage created by Superstorm Sandy. The Linden gas-fired generating station was returned to service on January 11 and was available to meet the increase in demand during the winter months.

The Hudson coal facility was also returned to service in January. However, given the dual fuel flexibility at Hudson, this station was able to run on gas until higher gas prices and demand favored its dispatch on coal.

Regulatory recovery of PSE&G's investment in transmission under its FERC formula rates increased the earnings contribution from this critical enhancement to PSE&G's infrastructure. PSE&G's investment in transmission will help drive our forecast for double-digit growth in PSE&G's operating earnings in 2013.

PSE&G is expected to invest $3.4 billion in transmission from 2013 through 2015. This investment will increase transmission as a percent of PSE&G's rate base to approximately 40% and continues to drive our expectations for double-digit earnings growth at PSE&G over this multiyear period.

We benefited from excellent operating performance and an increase in our capital investment this quarter but as focused as we are on meeting our short-term goals, we are equally committed to delivering on the long-term promise associated with our proposed 10-year $3.9 billion Energy Strong distribution investment program. This program along with plans to invest $1.5 billion to harden our transmission system over the same period is a natural extension of our strategy to maintain PSE&G as one of the nation's most reliable utilities.

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We are seeking approval from the New Jersey Board of Public Utilities for the initial five-year distribution related capital program associated with Energy Strong which would occur during a period of time when some major charges on the customer electric bill are scheduled to expire.

On a separate matter, we have reached an agreement with the staff of the New Jersey BPU and certain other parties to expand our investment in solar under the Solar Loan and Solar 4 All programs. The BPU is expected to act on the agreement at its meeting on May 29 and issue a final order on May 31. We believe the agreement recognizes the importance of the solar industry to New Jersey and will allow the BPU to focus on our infrastructure filing to make New Jersey Energy Strong.

In the meantime, we are responding to the BPU staff's request for additional information on our Energy Strong proposal. We can't provide you with a schedule but expect the program to receive careful consideration giving the opportunity to improve the resilience of the distribution system with little net impact on the customer's bill.

Our financial condition is strong. This was recently affirmed by Standard & Poor's upgrade of the credit ratings for each of PSEG's principal subsidiary companies as well as the Company's consolidated credit worthiness. The upgrade is an endorsement of the strategy we have been focused on which allows us to leverage the strength of our balance sheet to invest primarily in our stable regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders.

We remain on track to meet our objectives for full-year 2013 operating earnings of $2.25 to $2.50 per share. Our success as always is driven by the hard work and dedication of our employees and was amply demonstrated in the first quarter's operating results.

With that I will turn the call over to Caroline who will discuss our financials in greater detail.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP and CFO*

Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported operating earnings for the first quarter of 2013 of $0.85 per share equal to operating earnings of $0.85 per share in last year's first quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide four.

And as you can see on slide eight, PSEG Power provided the largest contribution to earnings. For the quarter, Power reported operating earnings of $0.49 per share compared with $0.39 per share last year. PSE&G reported operating earnings of $0.35 per share compared with $0.39 per share last year and Energy Holdings and Parent together contributed operating earnings of $0.01 per share compared with operating earnings of $0.07 per share during the first quarter of 2012.

We provided you with a waterfall chart on slide nine to take you through the net changes in quarter-over-quarter operating earnings by major business and I will now review each company in more detail starting with Power.

PSEG Power reported operating earnings of $0.49 per share for the first quarter compared with operating earnings of $0.39 per share for the first quarter last year. Power's first quarter operating earnings benefited from strong market prices for energy, higher capacity prices and an increase in output.

Normal winter weather conditions experienced this year compared to the abnormally mild weather conditions you will recall in the year-ago quarter, higher market prices for natural gas, and market volatility all contributed to stronger energy prices during the quarter in Power's primary PJM market.

The improvement in wholesale market pricing quarter-over-quarter offset the impact of an approximately $10 per megawatt hour decline in average contract prices on energy hedged through the Basic Generation Service contract, or BGS, as well as other wholesale contracts. As a result, we saw a net increase in earnings quarter-over-quarter attributable to price of $0.02 per share.

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An increase in capacity prices on June 1, 2012 to $153 per megawatt day from the $110 per megawatt day price in the first half of 2012 improved Power's quarter-over-quarter earnings by $0.05 per share. Power's output increased 7.7% during the quarter as a result of the higher market prices for energy and more favorable weather. The increase in generation added $0.02 per share to earnings quarter over quarter. The improvement in pricing and output together led to a $2.00 per megawatt hour increase in Power's gross margin in the quarter to approximately $48 per megawatt hour.

The weather experienced in the first quarter also had a favorable impact on off-system gas sales. The increase in send-out aided recovery of the fixed expenses associated with Power's gas supply and storage operations. These two items together improved quarter-over-quarter earnings by $0.04 per share.

The improvement in revenue and margin was somewhat offset in the quarter by an increase in operating and maintenance expense exclusive of storm-related activity which I will mention later and other items which reduced earnings by $0.02 per share.

Higher depreciation expense related to the placing in service of the new peaking capacity and low-pressure turbines at the Peach Bottom Nuclear Station reduced earnings by $0.01 per share.

During the quarter, the nuclear fleet operated at full capacity slightly in excess of its rated capacity or 101% and provided 57% of Power's output. The fleet's performance was enhanced by the absence of any forced outages and record first-quarter generation from the Salem station.

The economics of operating Power's coal units -- on coal -- improved in the first quarter. Performance was supported by an increase in demand associated with more normal weather conditions and higher gas prices than experienced last year. Generation from Power's coal fleet nearly doubled from the year-ago quarter and provided approximately 16% of Power's output. The increase in output was experienced at all of our coal stations with the largest improvement at our New Jersey and Connecticut based coal units which operated on a very limited basis in the year-ago quarter.

Although the dispatch economics of the coal fleet have improved with higher gas prices, gas prices have not reached the level necessary to sustain the dispatch of fully scrubbed coal ahead of our gas-fired combined cycle fleet.

Power's gas-fired combined cycle fleet operated at an average capacity factor in the quarter of 52% compared to 56% in the year-ago quarter. Output at the Linden facility continued to be affected early in the quarter by repair activity in the aftermath of Superstorm Sandy. The station was returned to service in January.

The Bergen station, which was not affected by the storm, operated at an average capacity factor of 56% in the first quarter versus 53% in the year-ago period.

Slide 16 outlines Power's hedge profile through 2015. Power continues to forecast output for 2013 of 53 to 55 terawatt hours; output for the remainder of this year is approximately 70% to 75% hedged at an average price of $50 per megawatt hour.

For 2014, output is forecast also at 53 to 55 terawatt hours and is approximately 50% to 55% hedged at an average price of $50 per megawatt hour. Power has hedged 25% to 30% of its forecast generation in 2015 of 52 to 54 terawatt hours in total at an average price of $50 per megawatt hour. The results include the impact of the February 2013 auction of BGS load in New Jersey. A price of $92 per megawatt hour for the three years beginning on June 1, 2013 will replace the expiring contract for approximately $96 per megawatt hour.

Our assumption on the percentage of output hedged and the price of the output continued to reflect BGS volumes of the approximately 12 terawatt hours in 2013 and approximately 10 terawatt hours in 2014.

The percentage of generation hedged reflects expectations for the full year across a portfolio of assets consisting of base load, intermediate and peaking capacity. As you can see in slide 16, our low-cost base load generation is more fully hedged in any one year with our intermediate and peaking facilities more open to the market.

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This profile is very consistent with our practice and we believe it reduces Power's downside risk, recognizes the need to meet the full load requirements of the BGS contract during the important summer months, and minimizes the potential risk of a unit not being available daring critical periods. It also provides the opportunity for Power to optimize the portfolio under the right set of market conditions as we did in the first quarter.

Forecast of Power's operating earnings for 2013 remains unchanged at $535 million to $600 million. Results for the remainder of the year will continue to be influenced by a decline in the average price of our hedges of approximately $10 per megawatt hour and higher capacity prices. Remember that the average price for Power's capacity in PJM is scheduled to increase to $244 per megawatt day on June 1, 2013 from $153 per megawatt day.

We also want to point out that Power's full-year expectations reflect the impact of an increase in O&M during the second half of the year associated with plans for the Bethlehem, New York and Bergen combined cycle facilities to undergo major maintenance programs as part of normal planned maintenance cycles. This will increase O&M expense for the year above what was incurred during the second half of 2012 and above the expected trend for O&M growth over the long term. But all of this is consistent with and baked into our guidance.

The forecast for Power's operating earnings as we have indicated does not include the costs associated with storm related repair. Power expensed approximately $28 million pretax on storm recovery activity in the first quarter of 2013 bringing total pretax storm-related expenditures to $113 million and of this amount, Power has received initial insurance proceeds of $19 million in the fourth quarter of 2012 to return its facilities to service.

Let's now turn to PSE&G. For PSE&G, as shown on slide 19, we reported operating earnings for the first quarter of 2013 of $0.35 per share compared with $0.39 per share for the first quarter of 2012. PSE&G's first-quarter results reflect the absence of $0.06 per share in the tax settlement in the year-ago quarter which more than offset the contribution to earnings in the quarter from PSE&G's increased level of transmission investment.

As we mentioned in February, the Federal Energy Regulatory Commission, or FERC, authorized PSE&G's request for an annual increase in transmission revenue under our formula rate filing. The increase in revenue which was effective on January 1, 2013, supported a quarter-over-quarter increase in the net bottom-line earnings contribution from transmission of $0.03 per share.

Electric and gas demand in the quarter was influenced by whether which was close to normal but significantly colder than a year ago. The favorable weather comparison added $0.02 per share to earnings.

An increase in distribution related operation and maintenance expense quarter over quarter was influenced in part by storm-related repair but more significantly by normal weather.

PSE&G focused on O&M related work in the quarter as opposed to a year ago when the abnormally mild weather conditions supported an acceleration of capital related work. The increase in distribution O&M reduced quarter-over-quarter earnings by $0.02 per share and an increase in depreciation expense and other miscellaneous items reduced earnings quarter-over-quarter by $0.01 per share.

Electric and gas sales grew in the quarter at a rate of 0.9% and 23% respectively given the more normal weather conditions versus 2012. We estimate weather normalized electric sales declined by about 2% in the first quarter from year-ago levels as weather normalized gas deliveries increased by about 6/10 of 1% quarter over quarter.

As Ralph mentioned, PSE&G has reached an agreement on its proposed solar capital investment programs. Under the agreement, PSE&G will invest up to $199 million on 97.5 megawatts of new solar as part of the Solar Loan III program. The agreement also provides for PSE&G to invest approximately $247 million to develop 45 megawatts of new solar capacity with 42 megawatts of this amount developed on landfills and brownfield sites as part of the Solar 4 All extension program.

The agreement represents approximately 50% of PSE&G's original request to invest up to $883 million on the two programs and provides for a return on equity of 10%.

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This capital investment is expected to occur over a three-year period of time instead of the five-year program we initially proposed. Keep in mind if approved this investment of up to $446 million is incremental to the base spending of $4.9 billion for 2013 to 2015 that we discussed on March 1 and appears in our 10-K for PSE&G. The settlement, which is for a three-year period, provides for essentially the same amount of spending over the 2013 to 2015 period as we included in our upside case on March 1 for Solar.

So this continues to support a potential 12% compound annualized growth rate in rate base through 2015 if you include all of our new programs.

We are maintaining our forecast for double-digit growth in PSE&G's operating earnings of $580 million to $635 million. Results for the full year will continue to be influenced by growth in the earnings contribution from PSE&G's investment in transmission and our forecast also assumes that the full-year growth rate for distribution related O&M will be lower than the rate of growth seen during the first quarter as we don't assume a similar level of storm-related repair work as we experienced at the end of 2012.

I am sure you will recall that Superstorm Sandy related repair work reduced earnings by $0.05 per share during the 2012 fourth quarter.

Let me now turn to Energy Holdings and Enterprise. Energy Holdings and the parent together reported operating earnings of $4 million or $0.01 per share compared with operating earnings of $39 million or $0.07 per share during the first quarter of 2012.

The results for Holding and Enterprise aren't really a surprise. If you recall, operating earnings for the first quarter reflect the absence of the $0.07 per share tax benefits received in the first quarter of 2012 related to the settlement of the 10 years of IRS tax audits.

We are maintaining our estimate of full-year operating earnings for PSEG Energy Holdings and Parent at $25 million to $35 million. The results will include the contribution from Holdings' legacy investments, a full year of operation at the Milford and Queen Creek solar facilities of 40 megawatts which entered service in the fourth quarter of 2012, as well as the forecast commercial operation of a 19 megawatt solar facility located in Arizona which is expected to enter service in the fourth quarter at a cost of approximately $50 million.

We are very pleased with S&P's recognition of the strength of our balance sheet and the balance provided by the mix of growth and stability incorporated in PSEG's financial strategy. S&P raised its corporate credit ratings on PSEG, PSE&G and PSEG Power to BBB+ from BBB and the rating on PSE&G's senior secured debt was raised to A from A-, and the rating on all three issuers is stable.

As we said, we can finance our capital program without the need to issue equity given the strength of Power's cash flow and our already strong balance sheet. At the end of March 2013, debt represented 41% of our consolidated capital and we ended the quarter with $420 million in cash. Overall, we continue to forecast operating earnings for the full year of $2.25 to $2.50 per share.

That concludes my comments and I will now turn the call back over to the operator to open the line for questions. Operator?

QUESTION AND ANSWER

Operator

(Operator Instructions). Paul Fremont, Jefferies.

Paul Fremont *- Jefferies & Co. - Analyst*

Thank you. I guess the first question I have is why did the New Jersey BPU believe that your Energy Strong filing was incomplete? I guess what should we assume is the timeframe where you would I guess resubmit a more detailed plan?

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Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Hi, it is Ralph. Obviously you can tell my voice apart from Caroline's hopefully. We put something in that we believe makes a lot of sense in the point of view of the number of customers that would be affected in a future storm. Over 800,000 fewer would be out but what the Board is now probably more deeply into (which makes perfect sense given the vast size of the program) $3.9 billion over 10 years with half of that in the first five, a little bit more than half in the first five, what is the cost benefit associated with each aspect of the program.

So they are asking more detailed questions about -- okay, what does it cost to harden a substation versus to underground certain lines? What is the cost benefit associated with enhancing systems on the distribution network versus raising some of the inside plant and the substations?

So it is a fair set of questions for the Board staff. We received them I think it was about April 15 and last I checked with Ralph LaRossa, he was reading the draft final response to them yesterday and we expect him to go back to the Board staff sometime this week.

So I view this as normal course of business and prudent regulatory due diligence by the Board staff and we are ready to answer as I said this week, their questions.

Paul Fremont - ***Jefferies & Co. - Analyst***

And my follow-up question would be -- interveners seem to have reacted negatively to the tracker clause recovery mechanism part of your proposal. Would the Company consider moving forward without that as part of your Energy Strong program?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

So let me break that question into two pieces because I respectfully will disagree with the characterization of interveners broadly defined. Some interveners have. We have 37 towns and counties that have passed resolutions supporting this. We have countless number of unions and trade associations supporting this. We have the New Jersey Chamber of Commerce supporting this. We have regular letters to the editor supporting this. We have over 5000 people who are a blend of employees and customers who have signed up on our advocacy site who realized the cost of losing power far and away exceeds the cost of doing this.

Now having said that, a microcosm of interveners have said yes, we don't want this to be done -- using a tracker but let me be very clear, we will not do this without a tracker. These are extraordinary investments taking the most reliable electric utility in the nation to a higher level of reliability and we are not doing this with retroactive rate making.

Paul Fremont - ***Jefferies & Co. - Analyst***

Thank you.

Operator

Julien Dumoulin-Smith, UBS.

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Julien Dumoulin-Smith *- UBS - Analyst*

First question on the Power side, could you just talk to what drove the positive basis in the quarter, just the various factors? And then sustainability of those factors if you wouldn't mind?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

Sure, Julien. It seems to be largely the changing gas dynamics in the marketplace. So as the increased build of gas gathering and transportation infrastructure, some of that volatility will be diminished in the future.

Julien Dumoulin-Smith *- UBS - Analyst*

So what would you expect going forward just to be clear because I know there are a lot of different projects, some of which are going to bring gas to your neck of the woods.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

I will let Caroline respond but we would expect to $2.25 to $2.50 a share this year.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP and CFO*

In terms of basis, Julian, you know we don't forecast that and for sure we don't see bases levels on a continuing basis the way we saw them years ago. We are still looking at single-digit type basis.

But I think the important thing to recognize, as Ralph was mentioning, is when we have seen demand and when we have seen higher prices and when we have seen the weather that we saw, you see basis spike up and because we are not 100% hedged, we get to take advantage of that and that is what we did in the first quarter.

So long term similar lower levels like we have talked about before but when there are spikes we see them in our region, the locational value is still there and because of the way we operate the units as you know and how we sell them in, we try to take advantage of that as much as possible.

Julien Dumoulin-Smith *- UBS - Analyst*

Then perhaps a quick clarification or follow-up. Does this relate at all to some of the dynamics that are going on in New England and the very high gas prices we are seeing there? Is there any kind of export opportunity shall we say?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

No, I wouldn't see that at all. At an 80,000 foot level, it relates to the rising dominance of natural gas and the infrastructure being a little bit lagging in terms of the dominance. But I wouldn't go any more specific than that.

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Julien Dumoulin-Smith - ***UBS - Analyst***

Great. Back on the utility if you don't mind, again I appreciate that it is dynamic right now but at the end of the day what kind of timeframe are we talking to getting across the finish line on some sort of approval for Energy Strong? I mean what is the timeline from now if you will?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

We don't have a schedule but yes, there is a six-month anniversary of Sandy. The Board staff turned around their questions very quickly and they did in it in I think 10 or 15 days. Our response is very quick 15 days. I will simply say that I would be disappointed if we didn't have something by the end of the year and I know everyone is working real hard to do something in the fourth-quarter timeframe.

It is a complicated set of issues but one that there has been no diminution of recognition of the importance of it. In fact, I think it grows with every passing day.

Julien Dumoulin-Smith - ***UBS - Analyst***

Great, thank you.

Operator

Ashar Khan, Visium.

Ashar Khan - ***Visium Asset Management - Analyst***

Good morning and congrats on great results. So one thing that is clear from the remarks if I heard them correctly that positive basis in the first quarter was not anticipated and hence the Power's good results were better than expectation for the first quarter. Is that a fair commentary?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

No, I think maybe you missed the --. But could you just repeat what you said in the beginning, was it something about congratulations on your good quarter or something like that?

Look, if we go back to ancient history of about 36 months ago, you would see basis numbers of about $10 to $20 and if you look at more recent history, you would see consistent basis numbers of about $3 or $4 and we just had higher bases than that low single-digit number in the first quarter driven by a myriad of factors. And I think all Caroline was saying is that our locational advantages remained. We always have some power plants open and we are never 100% hedged to take advantage of those occasional spikes, increases in basis whenever you get these kind of dislocations in gas deliverability.

Ashar Khan - ***Visium Asset Management - Analyst***

Okay. I understand, Ralph, but could you just give us a little bit more what the basis has been January, February, March and I don't know if there is any data for April?

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Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

I was about to and then like three people sat on my head and said no, I'm not allowed to do that. So no, we won't -- we don't give the specifics on a basis, competitive information.

Ashar Khan - ***Visium Asset Management - Analyst***

Okay, okay.

Operator

Dan Eggers, Credit Suisse.

Dan Eggers - ***Credit Suissse - Analyst***

Just on the -- congratulations on getting the Solar settlement done. I was wondering if you guys could kind of share kind of where the conversation went kind of to scale and to the size you guys ended up with, and then accelerating the timeline, both what it means to maybe the future of Solar in New Jersey? And then is there a cost or a rate threshold that you are finding amongst interveners that could potentially be reflective in the Energy Strong project?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Sure, Dan. That is a series of excellent questions that I will try to do justice in a brief response. So remember, we filed Solar in July of last year, and then we had a major event that occurred just three months later in the form of Sandy. So one of the things I think we and the Board are always mindful of is what are the rate effects of investments and what are the benefits associated with those investments?

In the case of solar we have never, ever shied away from the fact that solar is not the competitive cost alternative for energy supply. This is an industry that we believe has a future. The State Energy Master Plan says it believes it has a future, and we are constantly struggling with how do you nurture it in its infancy to bring about that hope for and successful future?

So given some of the promises made by panel manufacturers and people who are prominent in the industry about how the cost curve continues to decline, I think the Board really said look, in light of the other investments we need to make, does it make sense to have a five-year program where the regulated utility is a big participant?

Let's look out three years and let's keep this going in those market segments where the market clearly is shying away from, that being landfills and brownfields. So you have an investment rate on the settlement that matches the investment rate that was anticipated in the original program, but over a shorter time period, and that seems fair and reasonable to us.

I guess the best demonstration that the settlement seems fair and reasonable is that the people who didn't sign on have one of two opinions; either the program is not big enough or the program is too big, which suggests that the board and we and those who did sign on have hit a reasonable compromise on it. So I do think you have a situation where we have an ongoing industry that people have confidence in and believe in but has not achieved the kind of competitive level that it needs to from the point of view of price competition.

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And then you have a recognition that given the changing weather patterns over the last 18 months has really driven home four months after the Solar filing that something more needs to be done in terms of grid resiliency. And then that has kind of dominated the regulatory landscape since the Solar filing was done.

Dan Eggers - ***Credit Suissse - Analyst***

Do you think this is just a prioritization of capital so you don't think it is a reflection of there is more resistance to another meaningful but important CapEx program in Energy Strong?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Yes, I think that is correct. I think there is just a recognition that you cannot have three to four and depending on how you count weather events in the last 18 months knocking out millions of customers and that is where capital needs to flow first and foremost.

I do think over the long term and long term is beyond three years, that you will see increased scrutiny to the level of subsidization needed to renewable technologies. I mean that is just -- cannot continue in perpetuity.

Dan Eggers - ***Credit Suissse - Analyst***

And I guess just changing topics on Salem's better performance with the mechanical fixes, should we be thinking about kind of a sustained higher utilization rate effectively for the nuclear fleet going forward with these fixes in place? Or is this a bit of a seasonal benefit that works slow when the weather is cold?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Well, it is a seasonal benefit insofar as this is the season where we had our biggest problems. The units I think are running if you take out the last quarter at 91.3% or thereabouts. If you just put in 18 month re-fueling outages that last 25 days, we maybe have an additional forced loss rate of anywhere from 1% to 3%. So I hope none of the folks at the nuclear fleet are listening to me say this but I don't know how much harder I can push them.

But we are constantly seeking to continuously improve. I just don't know how much more upside you can expect out of it. The 101% capacity factor is pretty darn good performance.

Dan Eggers - ***Credit Suissse - Analyst***

Great. Thank you, guys.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - ***Glenrock Associates - Analyst***

Just to sort of follow back upon Energy Strong and it makes a lot of sense what you are saying in terms of the track and what have you, just sort of wondering though -- I mean you mentioned retroactive rate making which I generally think of being not really legally

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possible in most jurisdictions. I mean if for some reason you were required to engage in a major CapEx program let's say outside of Energy Strong, is there some particular retroactive rate making risk or something we should be thinking about?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

So, Paul, I am glad you asked that question because I use the word retroactive in the Merriam-Webster's dictionary sense of the word. You are seizing upon it in a term of art that is used in our industry whereby people go back and change rates that were previously approved. That is not what I'm talking about here. I was talking about a traditional rate setting where we would deploy hundreds of millions of dollars in capital and after watching our returns collapse, we would go in and see great increases subject to prudency review.

And what we have said consistently is that PSE&G for the last 11 years in a row was the most reliable electric utility in the mid-Atlantic region. Five out of the last eight years, it is the most reliable in the country by one set of measures and we cannot put forth a $4 billion capital program to take what is arguably one of the most if not the most reliable utility in the nation up to a higher level and then later on ask whether or not that was prudently incurred.

These are extraordinary investments that we believe are necessary and our customers are demanding but we are going to get approval up front for that and we are going to understand the way in which we are going to get compensated up front for doing that.

It doesn't mean we will get paid up front. That means we will get paid over the next 40 and 50 years over the depreciable lives of the assets at a fair return. But we are not going to do it with the kind of regulatory lag that is typical of traditional rate setting.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. And then just a follow-up on what -- I think you guys indicated that you hope to have a decision by the fourth quarter. Is that sort of the timeframe we should be thinking about when there might be an actual decision coming out of the Commission?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

I said two things. I said number one, we don't have a schedule and number two, I said that we would be disappointed if we didn't have something by the end of the year. No one wants to have another major storm whether it is this summer or next summer and then have to answer the question what did you do about it and the answer be nothing.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay and just really quickly the 2% decline in electric sales, has that got to do with Leap Year and it just seems like there is a big difference between gas usage, weather adjusted and electric usage. Is there some sort of strange thing happening there or just any quick thought on that?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP and CFO***

Sure, Paul. It is Caroline. No, it is nothing to do with Leap Year. We don't make any of those kinds of adjustments. I think what you see in the weather normalization which as Ralph has always said is more art than science, so it is not a terrific economy in the state right now. We struggle like many other states so economic growth has been a little bit weak and of course there is some energy conservation under way. We think those are more of the driving factors nothing related to calendar like events, nothing like that.

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Paul Patterson - ***Glenrock Associates - Analyst***

So the fact that we had one day less this quarter did not lower -- the 2% takes that into account? In other words without that if you didn't have that, it takes into account the fact that we have one year less in this quarter, is that correct?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP and CFO***

It takes a look at the total over the prior quarter so whether there is any adjustment for that I don't know. That is de minimis. I think the fundamental driving factors are some of the economic challenges in energy conservation which is in fact what we have been saying in prior quarters so this is really consistent with how we have talked about some of the weather normalization in prior quarters.

But again, weather normalization is obviously a difficult thing to know with any certainty but I would not attribute it to a Leap day.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay, thank you.

Operator

Andy Levi, Avon Capital.

Andy Levi - ***Avon Capital - Analyst***

Good morning and I will pat you on the back again, Ralph.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Thanks, Andy. So what did you say?

Andy Levi - ***Avon Capital - Analyst***

Just on Energy Strong, just a couple more questions on that. Could you maybe just discuss kind of where Governor Christie's position is on this given his desire to have lower energy prices in New Jersey?

And then just also I guess last week there was a budget committee hearing at the assembly where Chairman Hanna discussed Energy Strong and his concerns that I guess there would be an 8% increase. So I'm just trying to politically find out kind of what is going on?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Obviously I can't speak for the governor. What I can paraphrase because I don't remember the exact words was some of his early comments that were quoted in the press which was clearly we need to do something but I'm counting on the BPU to take a careful look at the cost of benefits associated with this. And that I think is as best a response as we can expect from a governor who is dealing with everything from pension reform to education reform to a whole host of other issues to trust his agency to do the work.

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With respect to President Hanna, I can't -- we're struggling a little bit to tie to the exact 8% number that he put out there. I am sure there is a sound basis for it but the confusion tends to stem from the fact that we have some charges rolling off the distribution bill over the next three years. And depending upon the customer class you fall into, those charges can be as low as 4% to as high as 14%. And the average residential bill would come down by about 8.7% than they would be under the current bill.

So if you do our program, you don't see that rolling off of the charge showing up in your bill. You see it being offset by the increase to our program so we of course say your bill will be flat. Others say no, no, no they are increasing your bill by 6% to 8% and then they're just going to chew up the discount. That is true but I would rather use less derogatory terms and say that what we are trying to do is save 800,000 customers from losing power in another Sandy like event and this is the right time to do it.

We have got an improvement in our credit rating. We are borrowing money at 30 years for 3.65%. We have labor available and we have some charges from restructuring that are rolling off.

So no one is saying things that are inaccurate. It is just you need to be careful about how you are rolling off of charges and a layering in of the increases that would have come from these programs.

Andy Levi *- Avon Capital - Analyst*

So we shouldn't be concerned that based on his testimony last week that the President may have some issues with Energy Strong?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

No, I think that the President will give very, very careful scrutiny to the cost of benefits associated with what we are doing and I have got a lot of confidence in our team proposing things that make sense to do.

Again, I can't speak for President Hanna. I don't think you should conclude that he doesn't think anything needs to be done or that we should put capital at risk without knowing how we are going to be compensated for it.

Andy Levi *- Avon Capital - Analyst*

Thank you very much. And again, a great quarter.

Operator

Stephen Byrd, Morgan Stanley.

Stephen Byrd *- Morgan Stanley - Analyst*

Good morning. I wondered if you could just talk a little bit out the coal dynamics you see, you use a number of different types of coals. I wonder if you are seeing any trends broadly in terms of coal pricing, types of coal that is being consumed, changes over time? Just curious what you are seeing on the coal side of things?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

While Caroline digs out some of those numbers, Stephen, you forgot to mention congratulations on the first quarter. But what we have seen generally speaking is that our fuel flexibility in terms of the Hudson and Mercer stations being able to switch has been a big

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plus for us right now and we do tend to run them on gas whenever it is $5 or less. But when we have seen some of the spikes in prices that we saw in the first quarter, we did run on coal fairly extensively I think probably about half the time those units ran on coal.

But Caroline, you may want to talk about it.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP and CFO*

Sure. Absolutely, Stephen, just as Ralph said, so we did have the New Jersey coal units running on coal a little bit more than half the time and in fact the Mercer unit ran on coal almost all of the time. Hudson a little less so just as it was getting through some Sandy-related repairs. So we have seen the economics and the coal dynamics improve in terms of the ability to run coal particularly as the prices moved up and gas prices moved up in the winter period.

But as we said earlier as I mentioned in my remarks, we are still not at the point for gas prices where you are seeing our coal with all of the scrubbing that we have from the back-end technologies dispatch ahead of the gas-fired units. That would be more like gas prices of about $5.50 and we are not there as you well know. But in those periods where we have had that increased demand, higher near-term prices, higher near-term power prices, the coal units have dispatched and nicely in terms of dispatching on coal.

Now of course, Bridgeport Harbor doesn't run on gas, it only runs on coal and that was running as we mentioned and as I think you saw in the attachment, that was running more as well.

Also keep in mind of course the Pennsylvania units only run on coal and they were running well.

In terms of the types of coal, now this is not news, these are things that I am sure you know once we finish the back-end technologies at Hudson, it no longer had to run on Adaro coal so it is running on Cap coal so that is cheaper. Bridgeport Harbor only runs on Adaro, as you know, that continues as we have always had it.

Keep in mind about two years ago, we changed that contract so it no longer has volume requirements for us to build and then Mercer after its back-end technology still runs on met coal but a less expensive met call than prior.

So through our back-end technologies, we have reduced really the kinds of coal in terms of cost that we need at those facilities, Bridgeport Harbor being the exception. And then as these market dynamics have come back, we have been pleased to see those units run on coal.

We are still very well hedged with coal in terms of what we have in inventory but it is nice to see that coal being burned. So I think we are in a pretty good position again not yet for coal dispatching ahead of gas but obviously our back-end technologies were done sooner than others who may have to do that in the future as they make decisions about their units.

Stephen Byrd *- Morgan Stanley - Analyst*

Okay, thank you. Just a follow-up on LIPA, just curious if there is any developments there, any evolution of your thinking regarding LIPA?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

Yes, Stephen, so 90% of our efforts right now in terms of personnel are getting ready for the contract that goes into effect on January 1 of next year. However, we have been approached by the state to have a broader and more expanded role and we are in conversations with them on what that might look like but it would be premature to say anything more specific than that at this point.

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Stephen Byrd - ***Morgan Stanley - Analyst***

Understood. Thank you.

Operator

Travis Miller, Morningstar.

Travis Miller - ***Morningstar - Analyst***

Thanks. I wanted to keep going on the utility here. If we ignore the Energy Strong program and look at just core distribution, how are you thinking about or seeing the next distribution rate case on a base level particularly as they are recovering some of those Sandy costs?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President and CEO***

Okay, so two different things there, Travis. In terms of base rate case, what we have said is that we don't see it in the next three years in terms of our kind of expectations for capital deployment and our projections of O&M increases and where demand is going.

Now what the Board has initiated is a separate proceeding for all of the utilities as they pertain to recovery of already incurred expenses associated with Irene and Sandy and we have deferred about $242 million I believe which would be part of that proceeding but we are in the very early stages of that generic proceeding at this point in time.

Travis Miller - ***Morningstar - Analyst***

Okay, great. Thanks a lot.

Operator

Neel Mitra, Tudor Pickering.

Neel Mitra - ***Tudor Pickering - Analyst***

Good morning. Congratulations on the quarter. A follow-up on Stephen's question with kind of the coal costs and what it takes to switch back to coal. So you put out a number of really need $5.50 gas and what is driving that? What are some of the levers that you can pull? Could you turn off some of the scrubbers or the back-end equipment to lower operating costs? Could you renegotiate some of the Cap coal contracts? I mean is $5.50 something that you think is the long-term price that we need to see switching or could it come down?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP and CFO***

Sure. So I think the fundamental way to think about this, Neel, is it can move around the $5.50 -- and it has been that number for a while -- we have talked about as the cost where -- the gas price where we would see based on our units, the back-end technologies and there heat rate, they would dispatch ahead of combined cycle. Remember that would be different depending on your region but also

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different depending on your unit and our units have the back-end technologies that have been in service a while now. We can't run them without that. That is our commitment is we only run the coal when we run the back-end technology and they have incremental marginal costs that come with running the BET for the inputs that we use for scrubbing so therefore they are marginally factored into the price.

That is the fundamental thing that drives the differential. My comment earlier on something to keep in mind if you think about that price and it might sound different from other coal units in terms of what their costs would be relative to switching and dispatching ahead of gas, two factors to keep in mind. One of course every region is different but also we have completed all of our back-end technologies to be in compliance with the upcoming match rules and not everyone else has done that.

So think of us as a little bit sort of a bellwether of where economics for coal would move directionally not perfectly but directionally as others make the remediations that they might need.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

Neel, just to add, this may sound a little strange. So while we have limited flexibility on our variable costs, we have worked hard to manage our fixed costs and I said that specifically the way I did even though one would normally not assume that fixed can be variabilized and the variabilized have to stay fixed.

And what we do is we basically take plant personnel and move them to other outages specifically at our nuclear fleets when we anticipate protracted periods of no operation of the coal.

Neel Mitra *- Tudor Pickering - Analyst*

Got it, okay, great. Thank you. As a follow-up on the utility, Ralph, you mentioned that you wouldn't go through with Energy Strong without a tracker. How would you approach a compromise where you could possibly maybe go in for a base rate case which in this environment could maybe lower your ROE and get approval for the spending and replacement of a tracker?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

I would rather not get into a telephonic negotiation with the BPU on what is the best way to implement Energy Strong. So I think we would be open to any kind of discussion that protected our investors while we delivered the value that customers are begging us to deliver.

Neel Mitra *- Tudor Pickering - Analyst*

Got it, great. Thank you very much.

Kathleen Lally *- Public Service Enterprise Group Inc. - VP of IR*

We have time for one more question if there is anyone that remains on the line.

Operator

Greg Gordon, ISI Group.

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Greg Gordon *- ISI Group - Analyst*

Quick question. What is the schedule -- the comparable schedule or expected timeline at the FERC to get validation of your desire to spend more in storm hardening in transmission?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

So that would just be rolled into our annual formula rate treatment, Greg. That would not be any special rate case or any special event.

Greg Gordon *- ISI Group - Analyst*

So you don't have to get a formal approval from any regulatory agency to decide to spend more?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

No, remember most of that if not all about $1.5 billion was what we call kind to the business as usual, the no harm at PJM so once PJM says okay, if you think that makes sense that is not part of the (inaudible) go ahead with it and we just file on an annual basis in our formula rate (inaudible).

Greg Gordon *- ISI Group - Analyst*

Okay, so PJM then is the critical path?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

Yes, but it is a different path. These are small projects mostly and internal to our service territory and some less complicated type of analysis goes into it.

Greg Gordon *- ISI Group - Analyst*

Okay. Thanks, Ralph. Congratulations on the quarter.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President and CEO*

Thanks for mentioning that. So look, hopefully you realize that every day we strive to do better around here. But I have got to tell you I couldn't be more proud of our employees and the leadership team which right now is firing on all cylinders. Our plants are running better than ever. Our utility reliability remains best in class. We have the biggest capital program in our history under way, more keeps getting added to the Solar Loan, the Solar 4 All. I do believe we will see more in Energy Strong. I know we are going to see more in transmission.

All of the equity needs for these programs are internally funded. We are still telling you that despite all of that we have the opportunity for growth in our dividend and at the end of the day the rating agencies upgraded us for our very healthy balance sheet.

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So we are feeling pretty good around here. We will work hard every day to feel even better and to do even more for you. But thanks for joining us on the call. Take care now.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager – Investor Relations Phone: 973-430-6596

April 30, 2013

PSEG ANNOUNCES 2013 FIRST QUARTER RESULTS

Earnings from Continuing Operations of $0.63 Per Share; Operating Earnings of $0.85 Per Share

Results Reflect Increased Investment at PSE&G and Strong Performance from PSEG Power

PSE&G Reaches Agreement on Solar Investment

Company Maintains 2013 Guidance of $2.25 - $2.50 Per Share

Public Service Enterprise Group (PSEG) reported today Income from Continuing Operations and Net Income for the first quarter of 2013 of $320 million or $0.63 per share as compared to Income from Continuing Operations and Net Income of $493 million or $0.97 per share in the first quarter of 2012. Operating Earnings for the first quarter of 2013 were $433 million or $0.85 per share compared to Operating Earnings for the first quarter of 2012 of $432 million or $0.85 per share.

"PSEG delivered for shareholders in the first quarter of 2013, and remains on track to meet its objectives for full year operating earnings of $2.25 - $2.50 per share" said Ralph Izzo, chairman, president and chief executive officer. He went on to say, "the results for the quarter demonstrate the locational value of Power's assets which, along with the strong performance of PSEG Power's nuclear fleet and Power's open position on its intermediate and peaking generation, allowed us to take advantage of a favorable price environment in the energy marketplace while managing downside risk through the hedges on our base load fleet. Our results also reflect a contribution from PSE&G's increased capital investment in transmission and the continued benefit from our focus on operational excellence. Our success, as always, is driven by the hard work and dedication of our employees."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the first quarter. See Attachment 10 for a complete list of items excluded from Income from Continuing Operations in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
First Quarter Comparative Results
2013 and 2012

	Income ($millions)		Diluted Earnings Per Share	
	2013	**2012**	**2013**	**2012**
Operating Earnings	$433	$432	$0.85	$0.85
Reconciling Items	(113)	61	(0.22)	0.12
Income from Continuing Operations/Net Income	**$320**	**$493**	**$0.63**	**$0.97**
		Avg. Shares	**507M**	**507M**

“We are very pleased with our results”, said Ralph Izzo. “We benefited from excellent operations this quarter, but, as focused as we are on meeting our short-term goals, we are just as committed to delivering on the long-term promise associated with our proposed 10-year $3.9 billion Energy Strong investment program. The program, along with plans to invest an additional $1.5 billion to harden our transmission system over this period, is a natural extension of our strategy to maintain PSE&G as one of the nation’s most reliable utilities, and would occur during a period of time when major charges on the electric bill are scheduled to expire. The combination of growth at PSE&G with PSEG Power’s free cash flow and our strong balance sheet provide the diversification and financial flexibility to help us weather various market conditions and meet the long-term goals of our customers and shareholders.”

The following table outlines continued expectations for operating earnings in 2013 by subsidiary:

2013 Operating Earnings Guidance
($ millions, except EPS)

	2013E
PSEG Power	$535-$600
PSE&G	580-635
PSEG Energy Holdings/Parent	25-35
PSEG Operating Earnings	$1,140-$1,270
Earnings Per Share	$2.25 - $2.50

Operating Earnings Review by Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSEG Power

PSEG Power reported operating earnings of $250 million ($0.49 per share) for the first quarter of 2013 compared with operating earnings of $196 million ($0.39 per share) for the first quarter of 2012. Power’s operating earnings exclude the impact of Super Storm Sandy related restoration costs given the unusual nature of the storm’s impact on Power.

Power’s first quarter operating earnings benefited from strong market prices for energy, higher capacity prices, and an increase in generation.

Normal winter weather conditions this year compared to abnormally mild weather conditions in the year-ago quarter, higher prices for natural gas and an improvement in basis all had a favorable influence on spot market prices for energy in the first quarter. Power’s results also benefited from higher market prices on its unhedged intermediate and peaking generation. The improvement in wholesale pricing quarter-over-quarter offset the impact of lower contract prices on energy hedged through the Basic

Generation Services Contract (BGS) and other wholesale contracts resulting in a net increase in earnings quarter-over-quarter of $0.02 per share. An increase in capacity prices on June 1, 2012 to $153 per MW-day from $110 per MW-day improved Power's quarter-over-quarter earnings by $0.05 per share.

PSEG Power's output increased 7.7% during the quarter as a result of higher pricing and more favorable weather which had a positive influence on the dispatch of Power's fossil fleet. The increase in generation added $0.02 per share to earnings quarter-over-quarter. Normal weather conditions compared to abnormally warm conditions in the year-ago quarter also had a favorable impact on off-system gas sales. The improvement in send-out also supported recovery of Power's fixed expenses associated with its gas supply and storage operations; these items together improved quarter-over-quarter earnings by $0.04 per share. An increase in operating and maintenance expense (exclusive of storm-related activity) and other items reduced earnings by $0.02 per share. An increase in depreciation related to the in-service of new peaking capacity and low pressure turbines at Peach Bottom reduced earnings by $0.01 per share.

PSEG Power expensed approximately $28 million pre-tax on storm recovery activity in the first quarter of 2013, bringing Power's total pre-tax storm related expenditures to $113 million. Of this amount, Power has received $19 million in initial insurance proceeds to return its facilities to service.

The nuclear fleet operated slightly in excess of its rated capacity in the first quarter, or at 101%, and provided 57% of Power's output. The fleet's performance was enhanced by record quarterly generation from the Salem Station. An upgrade of the equipment and the design at Salem's circulating water intake structure strongly aided plant performance. The economics of operating Power's coal units improved in the first quarter. Performance was supported by higher demand under more normal winter weather conditions and higher gas prices. Generation from Power's coal fleet nearly doubled from the year-ago quarter and provided approximately 16% of Power's output. Power's gas-fired combined cycle fleet operated at an average capacity factor in the quarter of 52% compared to 56% in the year-ago quarter. Output at the Linden facility was reduced due to repair activity following Super Storm Sandy. The facility was returned to full-service on January 11, 2013.

Power continues to forecast output for 2013 of 53 – 55 TWh. Output for the remainder of the year is approximately 70% - 75% hedged at an average price of $50 per MWh. For 2014, forecast output of 53 – 55 TWh is approximately 50% - 55% hedged at an average price of $50 per MWh. Power has hedged 25% - 30% of its forecast generation in 2015 of 52 – 54 TWh at an average price of $50 per MWh. The results include the impact of the February 2013 auction of Basic Generation Service (BGS) load in New Jersey. A price of $92 per MWh for the PSE&G zone in the latest auction will replace BGS auction prices of $96 per MWh for the three-year period beginning June 1, 2013. Average hedge prices also continue to reflect assumed BGS volumes of 12 TWh in 2013 and 10 TWh in 2014.

The forecast of Power's operating earnings for 2013 remains unchanged at $535 million - $600 million.

PSE&G

PSE&G reported operating earnings of $179 million ($0.35 per share) for the first quarter of 2013 compared with operating earnings of $197 million ($0.39 per share) for the first quarter of 2012.

PSE&G's first quarter results reflect the absence of the $0.06 per share tax settlement in the year-ago quarter which more than offset the contribution to earnings from the increased level of transmission investment.

The Federal Energy Regulatory Commission (FERC) authorized PSE&G's request for an annual increase in transmission revenue under the company's formula rate filing. The rate increase, which was effective on January 1, 2013, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.03 per share. Electric and gas demand in the quarter was influenced by weather which was only slightly colder than normal, but significantly colder than a year ago. Electric and gas sales increased in the quarter by 0.9% and 23% respectively. We estimate weather normalized electric sales declined by 2.0% in the first quarter from year-ago levels as weather normalized gas deliveries increased by 0.6% quarter-over-quarter. The favorable weather comparison added $0.02 per share to earnings.

An increase in Distribution Operation and Maintenance (O&M) expense quarter-over-quarter was influenced by the continued impact of storm related repair, and the more normal weather experienced in the current period which resulted in O&M related work versus the warm weather in the year-ago period which supported an acceleration of capital related work. The increase in Distribution O&M reduced quarter-over-quarter earnings by $0.02 per share. The full year growth rate for O&M is expected to be lower than the rate of growth seen during the first quarter. An increase in depreciation expense and other miscellaneous items reduced earnings quarter-over-quarter by $0.01 per share.

The forecast of PSE&G's operating earnings for 2013 remains unchanged at $580 - $635 million.

Solar Agreement

PSE&G has reached an agreement with the Staff of the New Jersey Board of Public Utilities (BPU) and certain other parties on its proposal to increase spending on renewable energy under its Solar Loan and Solar 4 All investment programs. Under the agreement, which will now be subject to comment by all parties, PSE&G will invest up to $199 million on new solar (97.5 MW) as part of the Solar Loan III program. The agreement also provides for PSE&G to invest approximately $247 million to develop new solar capacity (42 MW) on landfills, brownfields and 3 MW in smaller pilot programs as part of the Solar 4 All extension. The investment would represent 50% of PSE&G's original request to invest up to $883 million on the two programs. The capital investment would occur over a 3-year period of time as compared to the original 5-year request. A decision by the New Jersey BPU is anticipated no later than May 31.

PSEG Energy Holdings/Enterprise

PSEG Energy Holdings/Enterprise reported operating earnings of $4 million ($0.01 per share) for the first quarter of 2013 compared with operating earnings of $39 million ($0.07 per share) during the first quarter of 2012. First quarter operating earnings reflect the absence of $0.07 per share of tax benefits received in the first quarter of 2012 related to the settlement of IRS tax audits.

The forecast of PSEG Energy Holdings/Parent full year operating earnings for 2013 is unchanged at $25 million - $35 million. The results will reflect the full year operation of the Milford and Queen Creek solar facilities (40 MW) which entered service in the fourth quarter of 2012 as well as the commercial

operation of a 19MW solar facility located in Arizona expected to enter in-service in the fourth quarter at a cost of approximately $50 million.

Credit Ratings

Standard & Poor's Ratings Services (S&P) raised its corporate credit ratings on PSEG, PSE&G and PSEG Power LLC to BBB+ from BBB on April 23, 2013. S&P also raised the rating on PSE&G's senior secured debt to A from A-. The rating outlook on all three issuers is stable.

FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended March 31,	
	2013	***2012***
Earnings Results ($ Millions)		
PSEG Power	$ 250	$ 196
PSE&G	179	197
PSEG Energy Holdings/Enterprise	4	39
Operating Earnings	**$ 433**	**$ 432**
Reconciling Items [(a)]	(113)	61
Income from Continuing Operations/Net Income	**$ 320**	**$ 493**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**
Per Share Results (Diluted)		
PSEG Power	$ 0.49	$ 0.39
PSE&G	0.35	0.39
PSEG Energy Holdings/Enterprise	0.01	0.07
Operating Earnings	**$ 0.85**	**$ 0.85**
Reconciling Items [(a)]	(0.22)	0.12
Income from Continuing Operations/Net Income	**$ 0.63**	**$ 0.97**

(a) See attachment 10 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended March 31, 2013

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,786	$ (656)	$ 1,447	$ 1,995
OPERATING EXPENSES				
Energy Costs	1,155	(672)	860	967
Operation and Maintenance	710	1	282	427
Depreciation and Amortization	290	11	64	215
Taxes Other Than Income Taxes	21	-	-	21
Total Operating Expenses	2,176	(660)	1,206	1,630
OPERATING INCOME	610	4	241	365
Income from Equity Method Investments	2	2	-	-
Other Income and (Deductions)	32	1	19	12
Other Than Temporary Impairments	(2)	-	(2)	-
Interest Expense	(102)	1	(30)	(73)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	540	8	228	304
Income Tax Benefit (Expense)	(220)	(4)	(91)	(125)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 320**	**$ 4**	**$ 137**	**$ 179**
OPERATING EARNINGS	$ 433	$ 4	$ 250	$ 179
Reconciling Items Excluded from Continuing Operations [b]	(113)	-	(113)	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 320**	**$ 4**	**$ 137**	**$ 179**

Three Months Ended March 31, 2012

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,875	$ (625)	$ 1,561	$ 1,939
OPERATING EXPENSES				
Energy Costs	1,179	(645)	822	1,002
Operation and Maintenance	628	11	241	376
Depreciation and Amortization	256	9	57	190
Taxes Other Than Income Taxes	29	-	-	29
Total Operating Expenses	2,092	(625)	1,120	1,597
OPERATING INCOME	783	-	441	342
Other Income and (Deductions)	28	3	15	10
Other Than Temporary Impairments	(5)	-	(5)	-
Interest Expense	(101)	2	(30)	(73)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	705	5	421	279
Income Tax Benefit (Expense)	(212)	38	(168)	(82)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 493**	**$ 43**	**$ 253**	**$ 197**
OPERATING EARNINGS	$ 432	$ 39	$ 196	$ 197
Reconciling Items Excluded from Continuing Operations [b]	61	4	57	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 493**	**$ 43**	**$ 253**	**$ 197**

(a) Includes activities at Energy Holdings and the Parent as well as intercompany eliminations.
(b) See attachment 10 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	March 31, 2013	December 31, 2012
DEBT		
Long-Term Debt	$ 7,417	$ 7,173
Securitization Debt	671	722
Project Level, Non-Recourse Debt	26	44
Total Debt	8,114	7,939
STOCKHOLDERS' EQUITY		
Common Stock	4,833	4,833
Treasury Stock	(612)	(607)
Retained Earnings	7,080	6,942
Accumulated Other Comprehensive Loss	(355)	(388)
Total Common Stockholders' Equity	10,946	10,780
Noncontrolling Interests - Equity Investments	1	1
Total Equity	10,947	10,781
Total Capitalization	$ 19,061	$ 18,720

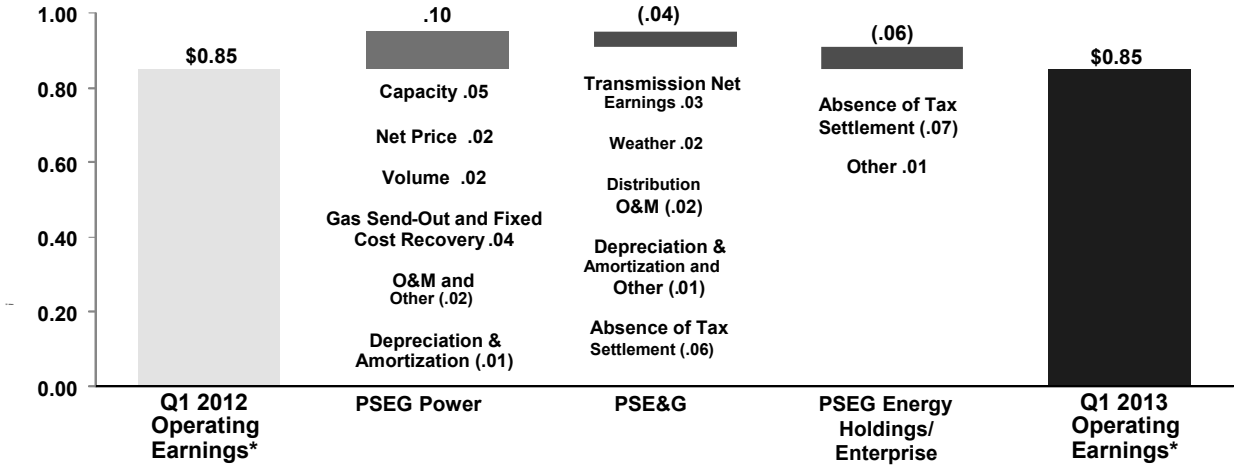
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 320	$ 493
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	557	595
NET CASH PROVIDED BY OPERATING ACTIVITIES	877	1,088
NET CASH USED IN INVESTING ACTIVITIES	(733)	(706)
NET CASH USED IN FINANCING ACTIVITIES	(103)	(285)
Net Change in Cash and Cash Equivalents	41	97
Cash and Cash Equivalents at Beginning of Period	379	834
Cash and Cash Equivalents at End of Period	$ 420	$ 931

Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2013 vs. March 31, 2012
(Unaudited)



* See Attachment 10 for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

Attachment 6

PSEG POWER LLC
Generation Measures
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2013	2012
Nuclear - NJ	5,588	5,436
Nuclear - PA	2,549	2,534
Total Nuclear	**8,137**	**7,970**
Fossil - Coal/Natural Gas - NJ*	479	44
Fossil - Coal - PA	1,419	1,063
Fossil - Coal - CT	309	23
Total Coal	**2,207**	**1,130**
Fossil - Oil & Natural Gas - NJ	2,888	2,840
Fossil - Oil & Natural Gas - NY	878	1,211
Fossil - Oil & Natural Gas - CT	47	(8)
Total Oil & Natural Gas	**3,813**	**4,043**
	14,157	**13,143**

	% Generation by Fuel Type Three Months Ended March 31,	
	2013	2012
Nuclear - NJ	39%	42%
Nuclear - PA	18%	19%
Total Nuclear	**57%**	**61%**
Fossil - Coal/Natural Gas - NJ*	4%	0%
Fossil - Coal - PA	10%	8%
Fossil - Coal - CT	2%	0%
Total Coal	**16%**	**8%**
Fossil - Oil & Natural Gas - NJ	21%	22%
Fossil - Oil & Natural Gas - NY	6%	9%
Fossil - Oil & Natural Gas - CT	0%	0%
Total Oil & Natural Gas	**27%**	**31%**
	100%	**100%**

*Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months ended March 31, 2013 and 2012. Also includes natural gas fuel switching intervals.

Attachment 7

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2013

Electric Sales and Revenues

Sales (millions kwh)	Three Months Ended	Change vs. 2012
Residential	3,130	4.7%
Commercial & Industrial	6,699	-0.8%
Street Lighting	91	1.4%
Interdepartmental	3	2.6%
Total	9,923	0.9%
Revenue (in millions)		
Residential	$ 470	-4.8%
Commercial & Industrial	436	-10.9%
Street Lighting	18	-13.5%
Other Operating Revenues*	105	15.1%
Total	$ 1,029	-6.0%

Weather Data	Three Months Ended	Change vs. 2012
THI Hours - Actual	0	-100.0%
THI Hours - Normal	24	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2013

Gas Sold and Transported

Sales (millions therms)	Three Months Ended	Change vs. 2012
Residential Sales	624	18.1%
Commercial & Industrial - Firm Sales	219	14.5%
Commercial & Industrial - Interr. & Cogen	28	15.2%
Total	871	17.1%
Gas Transported - Firm Sales	298	41.2%
Gas Transported - Non-Firm	207	-25.5%
Revenue (in millions)		
Residential Sales	$ 311	14.8%
Commercial & Industrial - Firm Sales	119	22.5%
Commercial & Industrial - Interr. & Cogen	13	21.2%
Other Operating Revenues*	42	10.8%
Total	$ 485	16.4%
Gas Transported	$ 481	13.6%

Weather Data	Three Months Ended	Change vs. 2012
Degree Days - Actual	2,550	25.9%
Degree Days - Normal	2,539	

*Primarily Appliance Service.

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Weighted Average Common Shares Outstanding (000's)		
Basic	505,942	506,010
Diluted	507,220	507,029
Stock Price at End of Period	$ 34.34	$ 30.61
Dividends Paid per Share of Common Stock	$ 0.3600	$ 0.3550
Dividend Payout Ratio*	59.0%	50.5%
Dividend Yield	4.2%	4.6%
Price/Earnings Ratio*	14.1	11.2
Rate of Return on Average Common Equity*	11.5%	13.6%
Book Value per Common Share	$ 21.64	$ 21.00
Market Price as a Percent of Book Value	159%	146%
Total Shareholder Return	13.5%	-6.2%

*Calculation based on Operating Earnings for the 12 month period ended.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2013	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(105)	52	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	4	36	(173)
Storm O&M (PSEG Power)	(17)	-	(39)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	34
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.21)	0.10	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	0.01	0.07	(0.34)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	0.06
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**

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

Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2013

April 30, 2013

SI-SSA-0015-11958

Forward-Looking Statement

Certain of the matters discussed in this report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management’s beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 8. Commitments and Contingent Liabilities, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-11959

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

PSEG
2013 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-11961

Q1 Earnings Summary

Quarter ended March 31

$ millions (except EPS)	2013	2012
Operating Earnings	$ 433	$ 432
Reconciling Items, Net of Tax	(113)	61
Income from Continuing Operations/Net Income	$ 320	$ 493
EPS from Operating Earnings*	$ 0.85	$ 0.85

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

SI-SSA-0015-11962

PSEG – Q1 2013 Highlights

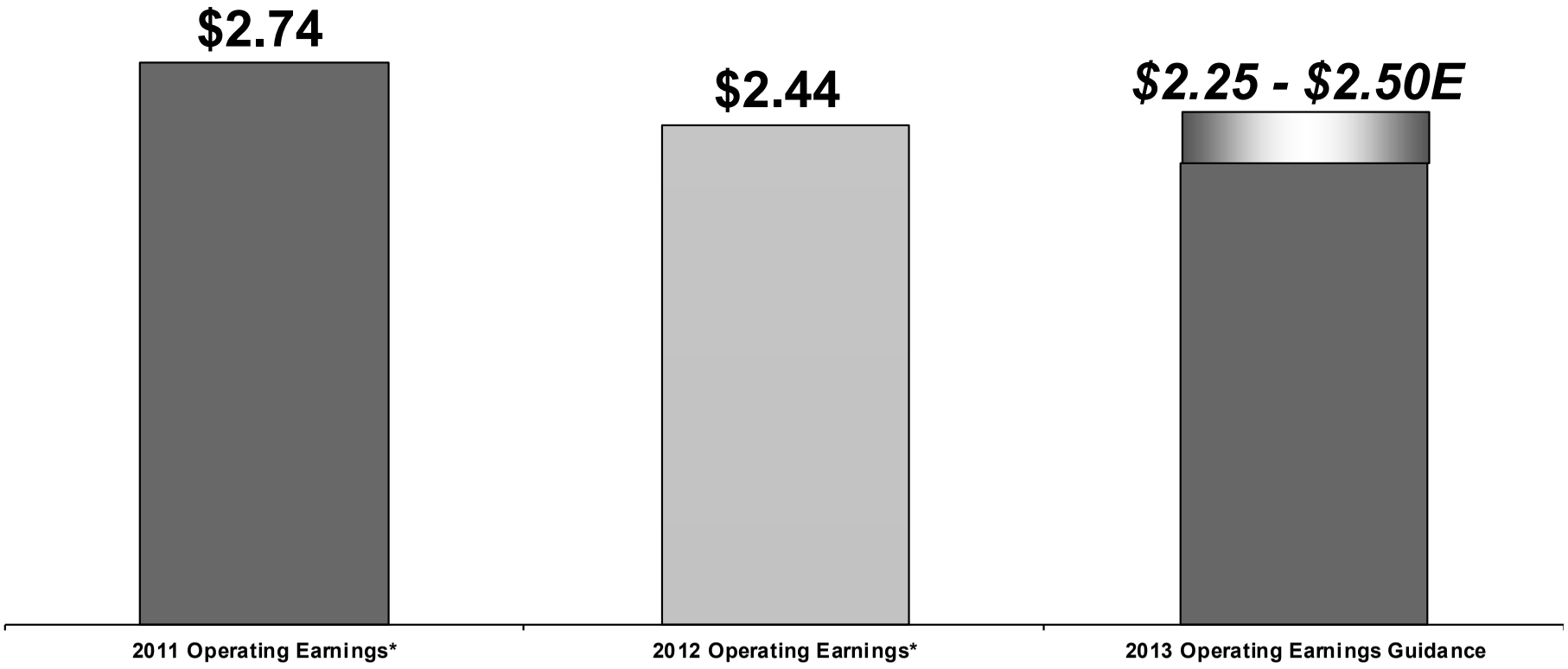
- **Strong Earnings**
  - ✓ Operating earnings of $0.85 vs. $0.85 per share in Q1 2012
  - ✓ Power benefited from higher pricing and increased output
  - ✓ Increased contribution to earnings from PSE&G's investment in transmission

- **Operational Excellence**
  - ✓ PSEG Power output up 7.7% in quarter; nuclear capacity factor at 101%
  - ✓ Diversity and location of Power's fleet provided flexibility to participate in market
  - ✓ PSE&G's O&M on track to meet full-year expectations

- **PSEG Disciplined Capital Investment**
  - ✓ BPU decision pending on Solar 4 All extension and Solar Loan III agreement
  - ✓ 33 local NJ governments have approved resolutions in support of PSE&G's Energy Strong proposal to fortify its electric and gas distribution systems
  - ✓ Credit ratings upgraded by Standard & Poor's for PSEG, PSE&G and Power
  - ✓ Increased common dividend to indicative annual rate of $1.44 per share in Q1

SI-SSA-0015-11963

PSEG – Maintaining 2013 Guidance



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

PSEG
2013 Q1 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-11965

Q1 Operating Earnings by Subsidiary

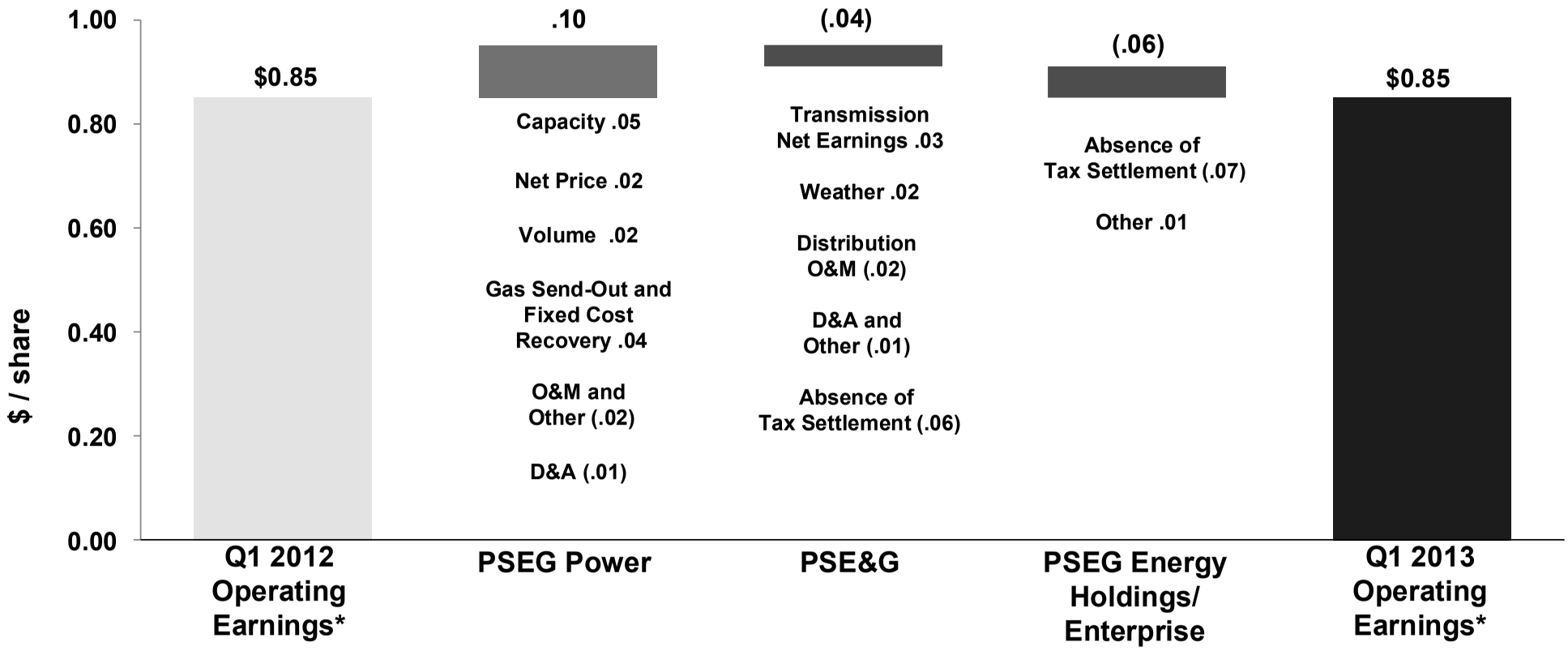
Quarter ended March 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2013**	**2012**	**2013**	**2012**
PSEG Power	$ 250	$ 196	$ 0.49	$ 0.39
PSE&G	179	197	0.35	0.39
PSEG Energy Holdings/ Enterprise	4	39	0.01	0.07
Operating Earnings*	$ 433	$ 432	$ 0.85	$ 0.85

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

SI-SSA-0015-11966

PSEG EPS Reconciliation – Q1 2013 versus Q1 2012



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

SI-SSA-0015-11967

PSEG Power
2013 Q1 Review

SI-SSA-0015-11968

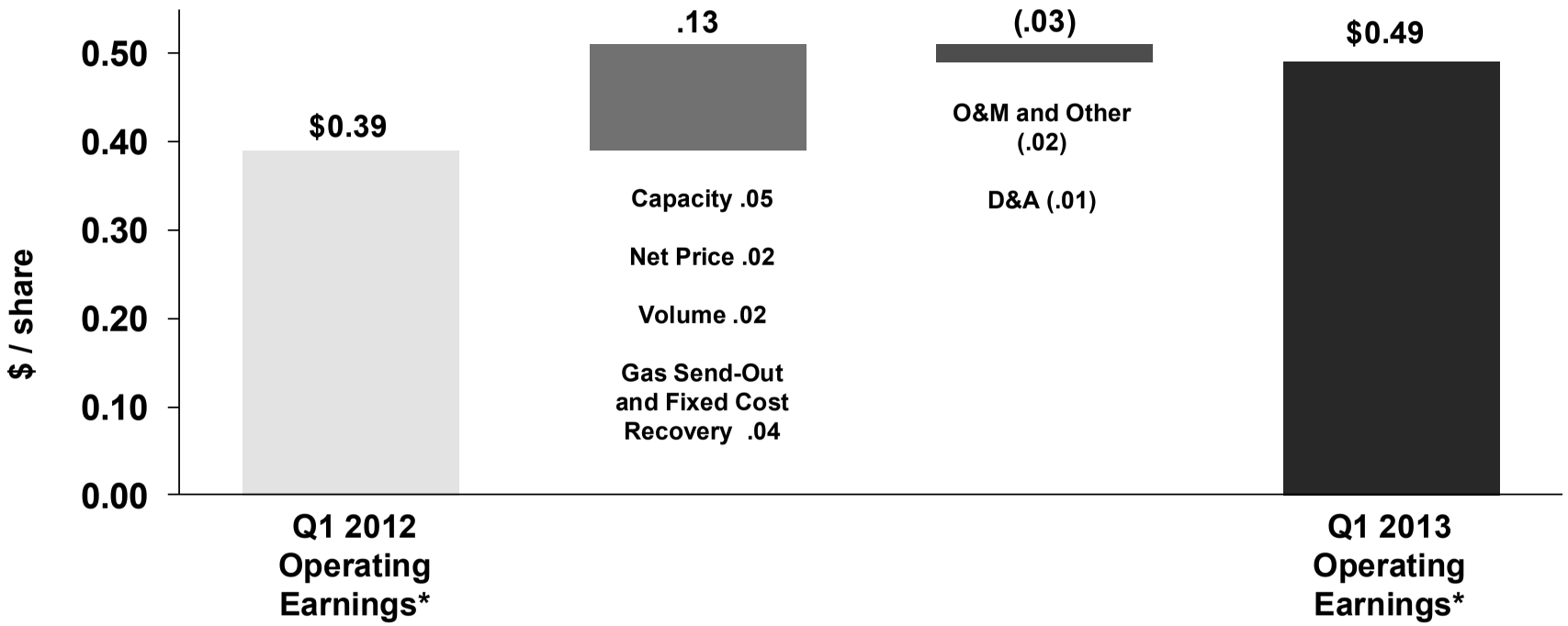
PSEG Power – Q1 2013 EPS Summary

$ millions (except EPS)	Q1 2013	Q1 2012	Variance
Operating Revenues	$ 1,447	$ 1,561	$ (114)
Operating Earnings	$ 250	$ 196	$ 54
Pro Forma Adjustments, Net of Tax**	(113)	57	(170)
Income from Continuing Operations/ Net Income	$ 137	$ 253	$ (116)
EPS from Operating Earnings*	$ 0.49	$ 0.39	$ 0.10

* See Slide A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-11969

PSEG Power EPS Reconciliation – Q1 2013 versus Q1 2012



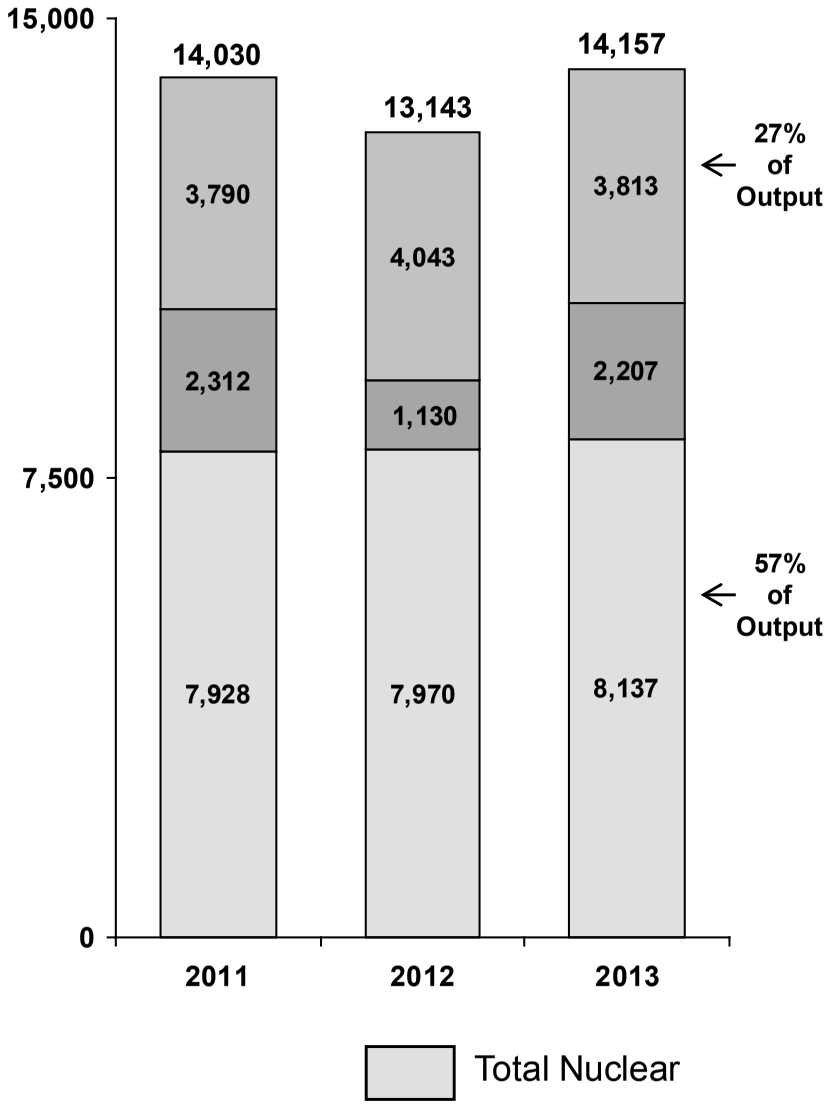
* See Slide A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

SI-SSA-0015-11970

PSEG Power – Generation Measures

Generation by Fuel (GWh)

Quarter ended March 31



Fleet Capacity Factors (%)

Quarter ended March 31

	2011	2012	2013
Combined Cycle			
PJM and NY	53%	56%	52%
Coal*			
NJ (Coal/Gas)	29%	2%	19%
PA	83%	63%	85%
CT	24%	2%	36%
Nuclear	99%	98%	101%

* Includes figures for Pumped Storage. Also includes natural gas fuel switching intervals during 2012 and 2013.

SI-SSA-0015-11971

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

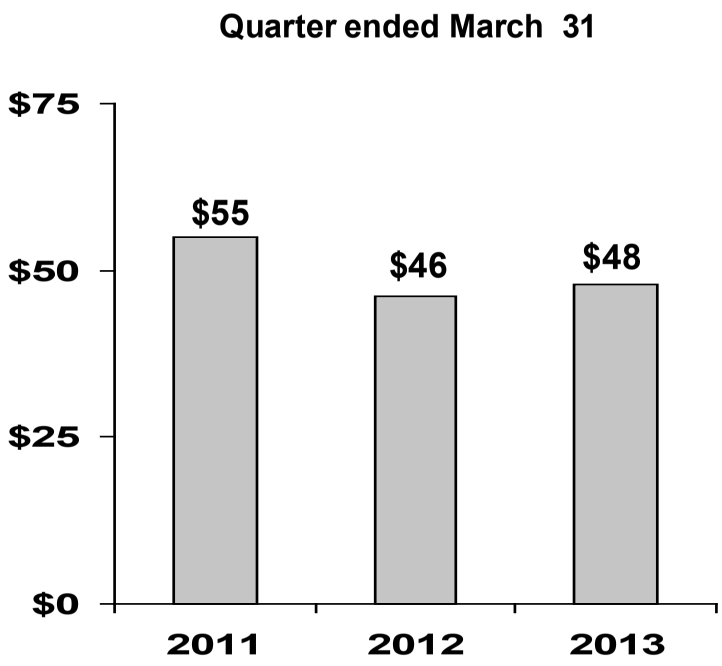
	Quarter ended March 31		
($ millions)	2011	2012	2013
Coal	$90	$39	$66
Oil & Gas	191	128	178
Total Fossil	281	167	244
Nuclear	46	50	58
Total Fuel Cost	$327	$217	$302
Total Generation (GWh)	14,030	13,143	14,157
$ / MWh	23.31	16.51	21.33

SI-SSA-0015-11972

PSEG Power – Gross Margin Performance

- ✓ Return to normal weather and higher spot power and gas prices offset declines in average hedge price
- ✓ Q1 spot prices higher across PJM, ISO-NE, and NYISO
- ✓ Capacity prices higher year-over-year
- ✓ Market support for dispatch of NJ coal units on coal
- ✓ Continued strong portfolio output enables Power to participate in market opportunities

PSEG Power Gross Margin ($/MWh)



Q1 2013 Regional Performance		
Region	**Gross Margin ($M)**	**2013 Performance**
PJM	$638	Higher market pricing and higher volumes offset lower pricing from roll off of higher priced hedges. Higher capacity pricing versus a year ago.
New England	$20	Higher volume and higher pricing.
New York	$15	Higher pricing.

SI-SSA-0015-11973

Hedging Update…

Contracted Energy*

		Apr-Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$50	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	15	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$50	$50
Total	Volume TWh	40-42	53-55	52-54
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$50	$50	$50

* Hedge percentages and prices as of March 28, 2013. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-11974

PSEG Power – Q1 2013 Operating Highlights

Operations

- ✓ Q1 output up 7.7% on strong portfolio production; nuclear capacity factor at 101%
- ✓ Salem station posted record generation
- ✓ Equipment and design upgrades contributed to excellent nuclear performance
- ✓ Output of NJ coal units was 54% coal, 46% gas fueled

Regulatory and Market Environment

- ✓ Improved spot power prices reflected normal winter weather and higher natural gas prices; basis in the quarter improved from Q1 2012 lows
- ✓ MOPR settlement decision pending at FERC
- ✓ Decision in Federal Court on NJ LCAPP case expected after May RPM
- ✓ 2013 anticipated base load output hedged at an average price of $50/MWh

Financial

- ✓ S&P upgraded Power's senior unsecured debt rating from BBB to BBB+ (Outlook Stable)
- ✓ Superstorm Sandy cost estimates: $28 million O&M in Q1; $113 million storm-to-date; $300 million in total over two-year period (excluding insurance recoveries)
- ✓ Power's total debt as a percentage of capital at March 31 was 30%

SI-SSA-0015-11975

PSE&G
2013 Q1 Review

SI-SSA-0015-11976

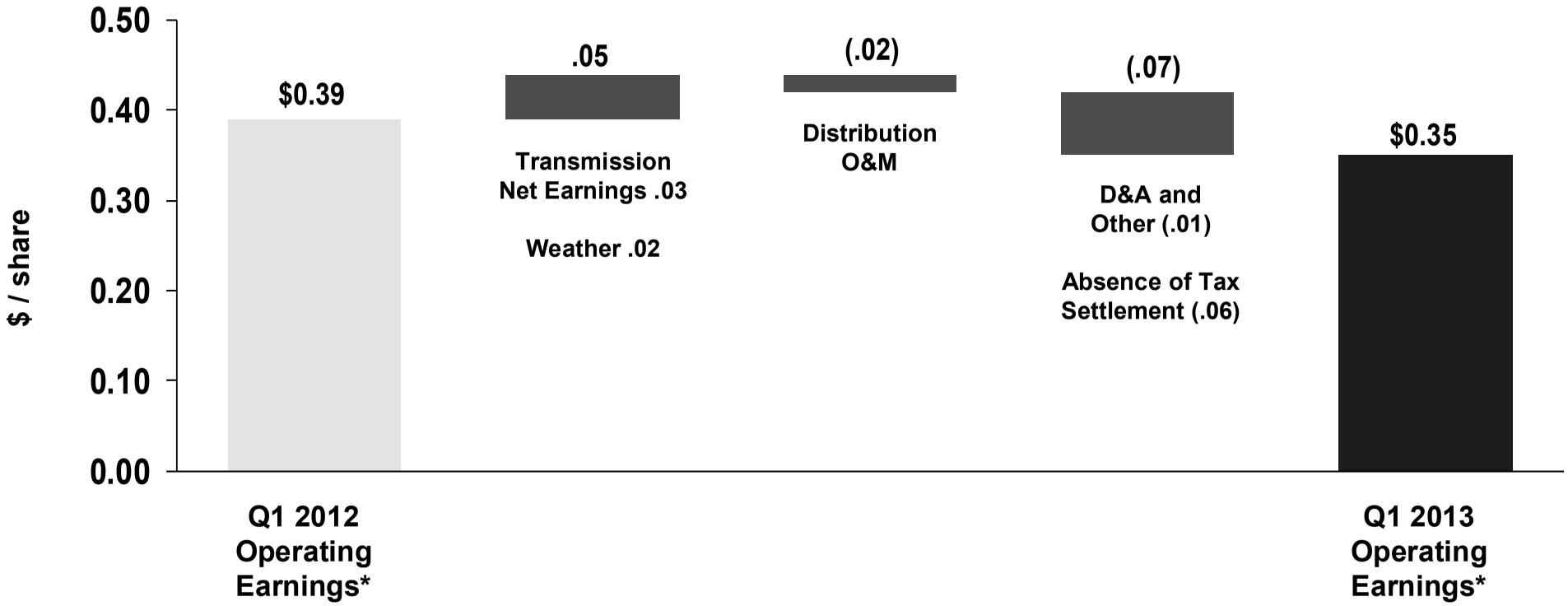
PSE&G – Q1 Earnings Summary

$ millions (except EPS)	Q1 2013	Q1 2012	Variance
Operating Revenues	$ 1,995	$ 1,939	$ 56
Operating Expenses			
Energy Costs	967	1,002	(35)
Operation & Maintenance	427	376	51
Depreciation & Amortization	215	190	25
Taxes Other than Income Taxes	21	29	(8)
Total Operating Expenses	1,630	1,597	33
Operating Earnings	$ 179	$ 197	$ (18)
EPS from Operating Earnings*	$ 0.35	$ 0.39	$ (0.04)

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

SI-SSA-0015-11977

PSE&G EPS Reconciliation – Q1 2013 versus Q1 2012



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

SI-SSA-0015-11978

PSE&G – Q1 Operating Highlights

Operations

- ✓ Q1 weather was significantly colder than a year ago but about normal
- ✓ Heating degree days 26% above Q1 2012, flat versus normal weather
- ✓ Residual impacts of Sandy and a still-slow economy continue to weigh on demand
- ✓ More normal O&M spend in Q1 2013; expect O&M to even out over balance of year

Regulatory and Market Environment

- ✓ BPU decision pending on agreement to spend up to $247 million on Solar 4 All extension and up to $199 million on Solar Loan III program
- ✓ PSE&G pursuing Energy Strong infrastructure proposal with the NJBPU to invest $3.9 billion over the next ten years on electric and gas system hardening and resiliency
- ✓ Advancing plans for Transmission hardening program of $1.5 billion over 10 years
- ✓ NJBPU initiated two generic proceedings with the NJ EDCs on storm response
- ✓ Construction of major transmission lines progressing on schedule

Financial

- ✓ S&P upgraded PSE&G's senior secured debt rating from A- to A (Outlook Stable)
- ✓ PSE&G earned its authorized return in the quarter

SI-SSA-0015-11979

PSEG Energy Holdings/Enterprise 2013 Q1 Review

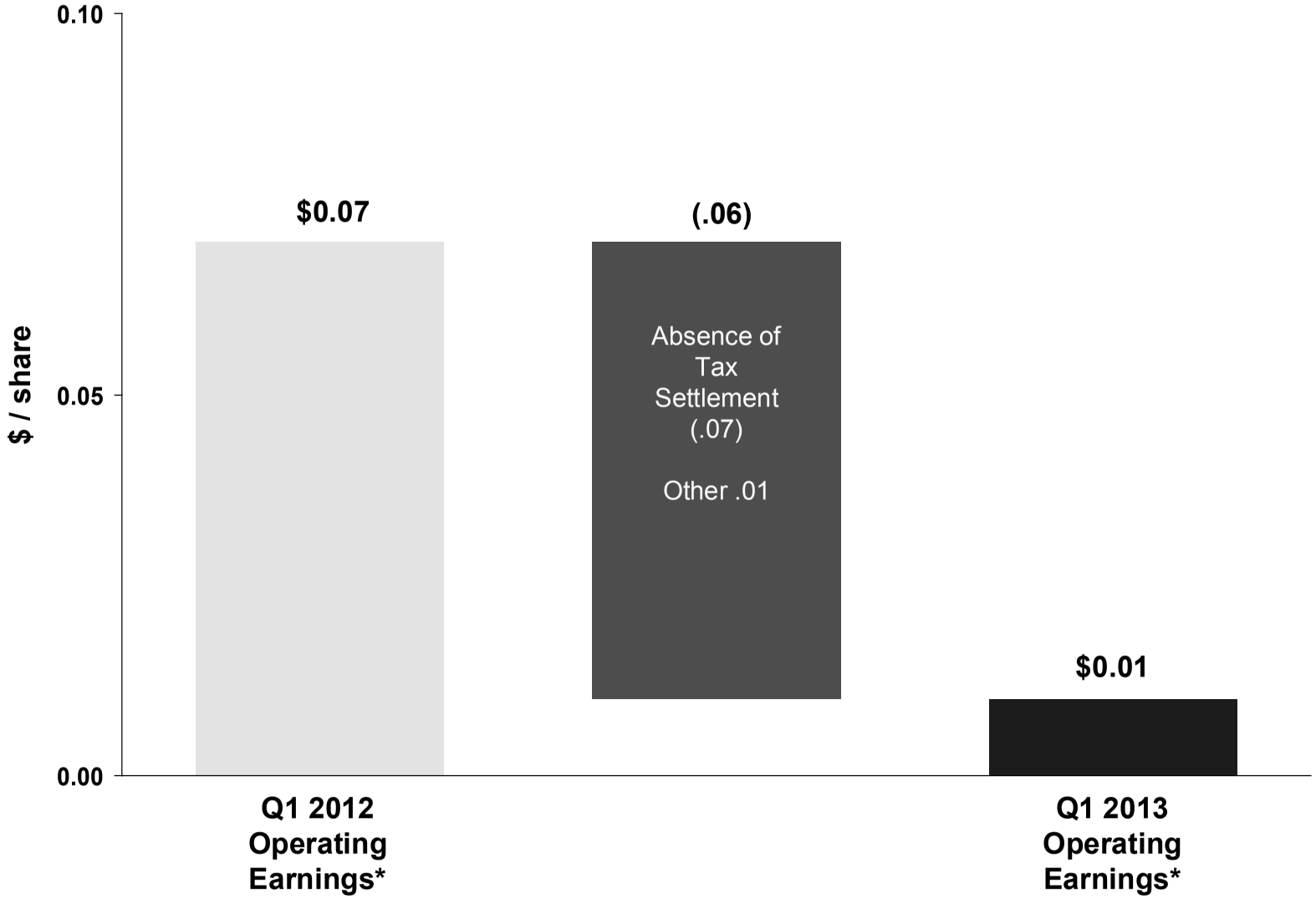
SI-SSA-0015-11980

PSEG Energy Holdings/Enterprise – Q1 2013 Earnings Summary

$ millions (except EPS)	Q1 2013	Q1 2012	Variance
Operating Earnings	$ 4	$ 39	$ (35)
Lease Transaction Activity	-	4	(4)
Net Income	$ 4	$ 43	$ (39)
EPS from Operating Earnings*	$ 0.01	$ 0.07	$ (0.06)

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

PSEG Energy Holdings/Enterprise EPS Reconciliation – Q1 2013 versus Q1 2012



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

SI-SSA-0015-11982

PSEG

PSEG Financial Highlights

- **Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G expected to grow at double-digit rate in 2013 and provide ~50% of operating earnings

- **Executing existing $3.4 billion transmission capital spending program on schedule**

- **PSE&G pursuing Energy Strong, its $3.9 billion, ten-year infrastructure spending program to strengthen electric and gas distribution, communications, and customer reliability and resiliency. In addition, PSE&G plans to invest $1.5 billion during this time-frame to harden its transmission system**

- **Financial position remains strong**
  - ✓ S&P upgraded PSEG's corporate credit rating from BBB to BBB+ (Outlook Stable)
  - ✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capital was 41% at March 31, 2013

- **Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth**
  - ✓ Increased common dividend to indicative annual rate of $1.44 per share in Q1

SI-SSA-0015-11984

PSEG 2013 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	**2013E**	**2012A**
PSEG Power	$535 – $600	$644
PSE&G	$580 – $635	$528
PSEG Energy Holdings/Enterprise	$25 – $35	$64
Operating Earnings*	$1,140 – $1,270	$1,236
Earnings per Share	**$2.25 – $2.50**	**$2.44**

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

SI-SSA-0015-11985

PSEG Liquidity as of March 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600	$178	$422
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	60	1,540
	5-Year Credit Facility (Power)	Mar-18	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Mar-18	500	0	500
		Total	$4,300	$342	$3,958
				PSEG Money Pool ST Investment	$289
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,247**
				Total Parent / Power Liquidity	**$3,825**

SI-SSA-0015-11986

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2013	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 9	$ 5	$ 52	$ 50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(105)	52	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	4	36	(173)
Storm O&M (PSEG Power)	(17)	-	(39)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	34
Total Pro-forma adjustments	**$ (113)**	**$ 61**	**$ 39**	**$ 18**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.10	$ 0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.21)	0.10	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	0.01	0.07	(0.34)
Storm O&M (PSEG Power)	(0.03)	-	(0.08)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	0.06
Total Pro-forma adjustments	**$ (0.22)**	**$ 0.12**	**$ 0.07**	**$ 0.03**

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

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EDITED TRANSCRIPT

PEG - Q2 2013 Public Service Enterprise Group Inc Earnings Conference Call

EVENT DATE/TIME: JULY 30, 2013 / 11:00AM ET

OVERVIEW:

PEG reported 1H13 operating EPS of $1.33 and 2Q13 operating EPS of $0.48. Expects full-year 2013 operating EPS to be at upper end of $2.25-2.50.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group, Inc. - VP of IR*

Ralph Izzo *Public Service Enterprise Group, Inc. - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group, Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Travis Miller *Morningstar - Analyst*

Brandon Blossman *Tudor, Pickering, Holt - Analyst*

Gregg Orrill *Barclays Capital - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Anthony Crowdell *Jefferies - Analyst*

Shahriar Pourreza *Citigroup - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Nick and I'm your event operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group's second-quarter 2013 earnings conference call and webcast. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session for members of the financial community. (Operator Instructions).

As a reminder, this conference is being recorded today, July 30, 2013 and will be available for telephone replay beginning at 12 PM Eastern today until 11.30 PM Eastern on August 8, 2013. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally, please go ahead.

Kathleen Lally ***- Public Service Enterprise Group, Inc. - VP of IR***

Thanks very much, Nick. Good morning, everyone. Thank you for participating in our earnings conference call this morning. As you are aware, we released second-quarter 2013 earnings statements earlier today and, as mentioned, the release and attachments are posted on our website, www.PSEG.com under the Investor section. We also posted a series of slides earlier this morning that detail operating results by Company for the quarter. Our 10-Q for the period ended June 30, 2013 is expected to be filed shortly.

I'm not going to go through the full disclaimer statements or the comments we have on the difference between operating earnings and GAAP results, but, as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless we are required to do so.

Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or our other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

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I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks there will be time for your questions. Thank you.

Ralph Izzo *- Public Service Enterprise Group, Inc. - Chairman, President & CEO*

Thank you, Kathleen, and thank you, everyone, for joining us today. Earlier this morning we reported operating earnings for the second quarter of 2013 of $0.48 per share compared with operating earnings of $0.43 per share in 2012's second quarter. The results for the quarter bring operating earnings for the first half of 2013 to $1.33 per share and that's compared with operating earnings of $1.28 per share earned in 2012's first half. Slides 4 and 5 contain the detail on the results for the quarter and the first half.

We are very pleased with our results; all of our businesses performed well and, once again, demonstrated the ability to succeed against the background of slow growth in the economy at large and lower power prices. Our earnings results for the quarter were once again based upon our employees' efforts. We are realizing the benefits of earnings from the expansion of our investment in transmission which remains on time and on budget.

Our earnings are also supported by our employees' focus on controlling the growth in operating expenses. Lastly, our financial results were aided by the restoration; post Sandy, of most of our peaking generating stations to assure their availability during the key summer period.

But strong execution above all means providing the level of service expected by our customers. We would not be able to deliver this level of service at all times, and especially during periods of extreme weather as we have experienced, without our daily focus on maintaining as well as improving through ongoing investment our electric and gas system.

Earnings for the second quarter also continue to be supported by the locational advantage enjoyed by Power's assets, the dispatch capability of Power's portfolio of assets and Power's open position on its intermediate and peaking generation. As a result of PJM's latest auction of capacity, that is the RPM auction, Power's assets will receive an average price of $1.66 -- $166 -- that would be terrible -- $166 per megawatt day for the 2016-2017 year.

The results for the latest auction are essentially in line with the average price of $167 per megawatt day received in last year's auction. But it remains above the average price received for capacity within the PJM region. The price for capacity in our zone will stay at a similar level from mid-2014 through mid-2017.

Auction results yielding prices for that period have incorporated many pushes and pulls including the impact of new transmission transfer capability, the addition of subsidized generation, the impact of environmental rules on capacity and the tightening of regulatory oversight over new options such as demand resources.

Over the past few years we have all seen administrative design elements within the capacity market create some volatility in pricing as PJM continues to address improvements in market efficiency. But upon more careful scrutiny it is quite clear that stable capacity-related parameters exist in our zone and have for the past three years.

We also benefit from our close proximity to low-cost shale gas in the Marcellus basin, which has resulted in lower gas cost to PSE&G's customers and provides our large fleet of gas-fired combined cycle generating assets with a source of low cost fuel supply. This profile allowed us to capture value by managing volatility in the energy marketplace while minimizing downside risk to the hedges on our baseload fleet.

In short, this past quarter the combination of returns on new investment and the capable management by our employees of each business demonstrated PSEG's ability to perform well even against a backdrop of slow economic growth and low power prices. But we remain equally focused on meeting our long-term growth objectives.

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The New Jersey Board of Public Utilities, the BPU, approved our plans to invest up to an additional $446 million in renewable energy through our Solar Loan and Solar 4 All programs. This investment will fund up to 143 MW of new solar capacity. We are making progress with key stakeholders on explaining the importance of strengthening our infrastructure and improving system resiliency through our proposed Energy Strong program.

Nine months have passed since Superstorm Sandy devastated New Jersey, but it remains very much on our minds and on the minds of regulators and other policymakers. Public support for Energy Strong has grown since we proposed the investment program back in February. As of today 55 municipalities and five county governments have passed resolutions in support of our investment program.

The BPU has appointed a lead commissioner and we are in discussions regarding the scope and timing of the work to be performed. As a reminder, we have asked the BPU to approve spending for the first five years of the 10-year program. This would amount to $2.6 billion of the $3.9 billion program. It would represent approximately $2.2 billion of capital spending to strengthen the distribution through 2017, which is the timeline we've outlined previously for our capital program.

All of these statistics are independent of additional transmission investments we would make. So we expect the program to receive careful consideration given the opportunity to improve the resiliency of the distribution system with little net impact on the customer's bill due to the coincidental expiration of various other charges.

Separately, in New York State we are discussing the final terms of a renegotiated contract to operate the Long Island Power Authority's distribution system at the start of 2014. These actions will strengthen the infrastructure and improve our system reliability throughout the region. In the true spirit of how PSEG has operated for a century, this will enable us to serve customers better while providing reasonable returns to our shareholders.

We aren't changing our guidance for full-year operating earnings of $2.25 to $2.50 per share. However, given the strength of our results for the second quarter and the first half of the year, we do expect our full-year operating earnings to be at the upper end of our guidance assuming normal weather and normal unit operations for the remainder of the year.

So with that I will turn the call over to Carolyn who will discuss our financial results in greater detail and then I will join her at the end for Q&A.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

Thank you, Ralph. Thank you, everyone, for joining us today. As Ralph said, PSEG reported operating earnings for the second quarter of 2013 of $0.48 per share versus operating earnings of $0.43 per share in last year's second quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide 4.

We've also provided you with a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 provides you with the changes in operating earnings by each business on a year-to-date basis. And I will now review each Company in more detail starting with Power.

PSEG Power reported operating earnings of $0.22 per share for the second quarter of 2013 compared with operating earnings of $0.22 per share for the second quarter of 2012. Power's second-quarter earnings benefited from higher 2013 realized PJM capacity prices and a quarter-over-quarter improvement in the market price for energy with an increase in the price of gas from last year's second-quarter levels.

Market prices for energy were influenced by a higher price for natural gas quarter over quarter and an improvement in the premium on power sold in the PS Zone, which of course we know is basis. These conditions were similar to, but not as extreme as, the market conditions Power experienced in the first quarter and you would expect that moderation in a shoulder quarter.

The market price for Power is influenced by the movement in the price of gas; it's also influenced by constraints on generation and on the transmission system. This upward movement in realized wholesale market pricing quarter over quarter increased Power's earnings

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by $0.04 per share. An increase in the average price received on PJM capacity to $183 per megawatt day from $124 per megawatt day improved Power's quarter-over-quarter earnings by $0.07 per share.

And as a reminder, PJM capacity prices increased to $244 per megawatt day on June 1 of this year and that price factors into one month of the average price realized in the second quarter, but that $244 price will be in place through May of 2014. This improvement in wholesale market pricing offset the impact on earnings of an approximately $9 per megawatt hour decline in average contract prices on energy hedged through the BGS, Basic Gas Generation, service contract as well as other wholesale contracts.

PSEG Power's operations and maintenance expense was unchanged from year-ago levels. An increase and O&M at Fossil associated with planned outage work was offset by a reduction in outage-related work at Nuclear. An increase in depreciation expense related to the installation of 400 MW of new peaking capacity and low pressure turbines at Peach Bottom was offset by a decline in interest expense.

PSEG Power's output during the quarter was basically unchanged from the 12.7 terawatt hours generated in the year-ago quarter. An increase in output from Power's baseload nuclear and coal fleet offset a decline in production at Power's New Jersey-based coal units.

The Nuclear fleet operated at an average capacity factor in the quarter of 87.9% bringing the capacity factor for the fleet in the first half of the year to 94.4%. The fleet's performance in this quarter was influenced by a refueling outage and main generator repair work at Salem 1, which as you know is 57% owned by us and operated by PSEG Power, versus a refueling outage in the second quarter of 2012 at Power's 100% owned and operated Hope Creek unit.

Power's baseload coal units in Pennsylvania increased their generation. The combined cycle gas fired fleet ran at levels equivalent to their strong performance in the year-ago period with a 57% capacity factor. The location of PSEG Power's generating and natural gas assets provide it with access to low-cost gas supply in the Marcellus basin to partially fuel the combined cycle fleet. The combination of price and operating performance supported gross margins of $43 per megawatt hour, similar to the level realized in the year-ago period.

Power continues to forecast output for 2013 of 53 to 55 terawatt hours. Output for the remainder of the year of 26 to 28 terawatt hours is 70% to 75% hedged at an average price of $51 per megawatt hour. For 2014 forecast output of 53 to 55 terawatt hours is approximately 55% to 60% hedged at an average price of $49 per megawatt hour. Power has hedged 30% to 35% of its forecast generation in 2015 at total forecast generation is 52 to 54 terawatt hours at an average price of $49 per megawatt hour.

The increase over the last quarter in the percentage of generation hedged for 2014 and 2015 reflects an increase in the level of hedges on our baseload generation, consistent with our ratable hedging program. Power's intermediate and peaking generation remains open and the data by year is provided for you on slide 20. Average hedge prices continued to reflect assumed BGS volumes of 12 terawatt hours in 2013 and 10 terawatt hours in 2014.

Power's hedging profile is very consistent with our prior practice and, as we have demonstrated, ratably hedging our baseload while some intermediate and peaking remains open, even in the current year, reduces Power's downside risk by recognizing the need to meet demand requirements of full load contracts like BGS while minimizing the risk of a unit not being available. It also provides Power the opportunity to optimize the portfolio under the right set of market conditions.

The forecast of Power's operating earnings for 2013 remains unchanged at $535 million to $600 million. However, given Power's strong results in the first half of the year, we expect operating earnings for the full year to be at the upper end of Power's guidance. Results for the remainder of the year will continue to be influenced by a decline in the average price of our hedges and higher capacity prices. Remember that the average price for Power's capacity in PJM increased to $244 per megawatt day on June 1 from the prior $153 per megawatt day.

We also continue to forecast an increase in Power's O&M in the second half of the year given major maintenance planned at two of the combined cycle units and a fall refueling outage at Hope Creek.

The forecast for Power's operating earnings, as we've indicated, doesn't include the cost of storm-related repair. Power expensed approximately $22 million pretax on storm recovery activity in the second quarter of 2013. This brings the total pretax storm-related

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expenditures to $135 million. Of this amount Power recognized an additional $25 million of insurance proceeds in the second quarter for a total of $44 million in insurance proceeds to date.

Let's now turn to PSE&G. PSE&G reported operating earnings for the second quarter of 2013 of $0.24 per share compared with $0.20 per share for the second quarter of 2012 and results for the quarter are shown on slide 23. PSE&G's second-quarter results reflect the contribution to earnings from the increased level of transmission investment. The execution of our transmission program added $0.04 per share quarter over quarter.

PSE&G experienced weather conditions in the second quarter which were favorable both relative to normal conditions and in comparison to weather experienced in the year-ago quarter. As compared with normal temperatures weather was colder than normal in April, normal in May and warmer than normal in June. Electrical kilowatt hour sales declined approximately 2.5% in the quarter.

Demand for electricity from the residential sector grew by about 0.8%. However, demand from the commercial and industrial, or C&I sectors remained weak. Demand for electricity continues to be affected by customer conservation in the face of a slowly improving economy. PSE&G's margin on electric sales was flat quarter over quarter despite the decline in sales as margin from C&I customers is based on demand levels more than on volume.

Sales of gas increased 17% quarter over quarter reflecting primarily more normal winter weather versus 2012. Consumers of gas after years of responding to high commodity prices by reducing consumption appear to have adjusted their behavior to reflect an expectation of lower commodity prices and we see a small uptick in the weather normalized gas sales.

The net impact on PSE&G's earnings from weather and the change in sales was a reduction in quarter-over-quarter earnings of $0.01 per share. The earnings comparison reflects an increase in weather-related demand for gas of $0.01 per share which was offset by the absence of $0.02 per share of revenue accrued under the gas weather normalization clause in the year-ago quarter.

PSE&G implemented cost controls throughout the quarter in response to lower demand growth. As a result, distribution-related O&M expense was unchanged quarter over quarter. For the remainder of the year distribution-related O&M is expected to be lower than levels realized in the prior year given expectations for a decline in storm-related restoration expense.

Recall that PSE&G incurred approximately $0.05 per share of O&M in the fourth quarter of 2012 related to Superstorm Sandy related restoration work. These expenses, unlike the treatment for Power storm restoration work, are reflected in operating earnings as, you recall, we discussed last year.

PSE&G's tight control of operating expenditures continues to allow it to earn its authorized return. As Ralph mentioned, the New Jersey BPU approved the settlement authorizing an increase in PSE&G's spending on solar by up to $446 million. We have as a result adjusted our forecast level of capital spending.

PSE&G is projected to spend approximately $215 million over the 2013 through 2015 period on the Solar 4 All extension and solar programs resulting in total capital expenditures over this period for PSE&G of $5.1 billion versus the prior forecast of $4.9 billion. Spending on these two newly approved programs will continue beyond 2015.

Slide 26 outlines the updated capital expenditure program for 2013 through 2015. These new programs will bring PSE&G's investment in solar to $1.1 billion. Our forecast of PSE&G's operating earnings for 2013 remains unchanged at $580 million to $635 million. Results will be influenced by a full year increase in transmission revenue and the absence of the negative impact of Superstorm Sandy on both sales and O&M.

Let me now turn to PSEG Energy Holdings and parent. Operating earnings for PSEG Energy Holdings/Enterprise in the second quarter of 2013 were $8 million or approximately $0.02 per share versus operating earnings of $4 million or $0.01 per share earned during the second quarter of 2012. These results were in line with expectations and reflect a gain on the sale of a commercial office complex in the second quarter.

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Holdings remains focused on monetizing key assets as it also builds a portfolio of solar projects. The expected fourth-quarter operation of a 19 megawatt solar project in Arizona will bring Holding's portfolio to six solar projects with a total capacity of approximately 90 megawatts.

We continue to forecast full-year operating earnings for PSEG Energy Holdings/Enterprise of $25 million to $35 million. The results will include the contribution from Holding's legacy investments, a full year of operation at the Milford and Queen Creek solar facilities which entered service in the fourth quarter of 2012 and the commercial operation of the 19 megawatt facility in Arizona in the fourth quarter at a cost of approximately $50 million.

Our forecast level of consolidated capital spending has increased by approximately $215 million over 2013 through 2015 related to the solar approval to bring us to $6.4 billion. PSE&G's capital program represents approximately 80% or $5.1 billion of our planned investment.

We are in a strong position to finance our capital program. PSE&G issued $500 million of 10-year medium-term notes at 2-3/8 and retired $150 million of 5% medium-term notes in the quarter. At the end of June debt represented 41% of PSE&G's consolidated capital with debt at Power approximating a 28% of the capital base. Power's cash flow remains strong and PSE&G's cash generation has improved with its ability to earn return on increased levels of capital investment.

As we have said, we can finance our existing capital program without the need to issue equity. And we can finance an expanded capital program that includes spending on Energy Strong related projects without the need to issue equity. And this still leaves us with the opportunity for modest and sustainable growth in the dividend as we look out to the future.

We continue to forecast operating earnings for the full year of $2.25 to $2.50 per share and, as Ralph indicated, we expect results for the full year to be at the upper end of our guidance, assuming normal weather and unit operations in the remainder of the year. With that we are now ready to take your questions. And I will turn a back over to Nick to introduce the Q&A.

QUESTION AND ANSWER

Operator

(Operator Instructions). Greg Gordon, ISI Group.

Kathleen Lally *- Public Service Enterprise Group, Inc. - VP of IR*

We can go on to the next one. Greg can call in again.

Operator

Travis Miller, Morningstar.

Travis Miller *- Morningstar - Analyst*

I wonder if you can talk a little bit about the coal to gas switching environment. And how much of this increase in coal and flat at least gas gigawatt hours was related to economic switching? How much was just related to how the load distribution fell out?

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Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

So, Travis, we will team up on that one. Good morning. Our New Jersey coal units need gas to be at about $5.50 to $6 to be dispatched on coal. So they have year to date run probably two thirds more often on gas than they have on coal, so that low teens capacity effect that you see for the year is probably running a two to one gas to coal for our Hudson and Mercer units.

Having said that, our Keystone/Conemaugh base-load have been dispatched quite a bit more this year than they were last year given the slightly higher gas prices as compared to the 2012. But you recall, 2012 we had zero winter and gas at one point was down to $1.90. So, Caroline, if you want to supplement that.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

Right and you recall as we talked about in the first quarter we had our units, Hudson and Mercer, running on both gas and coal, Mercer actually more on coal than gas. Hudson wasn't ready to run on coal given the Superstorm Sandy related remediations that were coming online in the first quarter. In this quarter the units ran but they ran entirely on gas given those economics that Ralph just mentioned.

So, the good news for us is the ability to have those units which are now available -- available to run on coal and, of course, all the environmental spend already done, but having that inherent fuel flexibility to move between coal and gas has provided us with value as we look at those assets.

Travis Miller - ***Morningstar - Analyst***

Was there any kind of weather impact year over year on your fleet in terms of generation?

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

No, not second quarter in terms of generation. Remember we talked about much stronger generation in the first quarter because we had a real winter this quarter as opposed to last year. Generation this quarter was essentially flat at a little more than 12 terawatt hours, as I mentioned on the remarks, versus last year's second quarter. So kind of pretty much normal in terms of how to think of quarter over quarter for this quarter.

Travis Miller - ***Morningstar - Analyst***

Great, thanks so much.

Operator

Brandon Blossman, Tudor Pickering.

Brandon Blossman - ***Tudor, Pickering, Holt - Analyst***

Kind of a follow-up question on the New Jersey gas units. You had mentioned, Ralph, in your prepared comments about taking advantage of less expensive Marcellus gas. And we've seen some pretty dramatically low pricing kind of day-to-day in the Marcellus

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at certain trading hubs. Are you able to take full advantage of that? And is there any kind of plan for kind of going forward to be able to maybe contract for some of that gas at below NYMEX prices?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

Well, I will let Caroline chime in on this one there.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

So good question. As we said, we are positioned to be able to access Marcellus gas and we do access some of our gas through Marcellus, and obviously we have some storage capability that enables us to do that. Then of course we bid the units into the market in the normal bidding process.

So we are always looking for the best sources of gas relative to our units; we follow all the normal practices in terms of how we bid into the market in terms of how those units are compensated. Of course it's a very competitive sort of situation so I don't want to give too much detail here. But you are right to point out we do have access to both sources of gas as we bid the units in.

Brandon Blossman - ***Tudor, Pickering, Holt - Analyst***

Okay, helpful and very interesting as we go forward. And then kind of as a follow-up, last couple of PJM/RPM auctions we have seen some new build CCGTs clear. Do you guys have any insight on whether or not those get built and the financing available for those projects?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

So our focus has been primarily in the Eastern MAAC zone and, to the best of our knowledge, there is a new unit that is being built in Eastern MAAC owned and operated by LS Power, a consortium of companies. All indications are that a Hess proposal for a power plant in northern PS Zone is moving ahead.

There are two other plants that we know a little less about; as a matter of fact we believe that a plant that was proposed in the Somerville area is not going forward, that would have been in the Eastern MAAC zone as well. As a matter of fact it was a filing made by PSE&G about -- with that developer regarding the terms and conditions of their standard offer contract agreement. And in fact that developer agreed that they were no longer going to honor the conditions of that standard offer contract agreement.

One other plant had cleared the auction last year and that one we simply have been told through public comments that it is that at least a year delayed, but it is still intending to go forward. So everything I just told you is out in the public domain and is the best information we have at this point.

Brandon Blossman - ***Tudor, Pickering, Holt - Analyst***

Useful summary nevertheless. Thank you, Ralph; thank you, Carolyn.

Operator

Gregg Orrill, Barclays.

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Gregg Orrill - ***Barclays Capital - Analyst***

I was wondering if you'd talk a little bit more about the process at the New Jersey BPU around the energy hardening program that you have proposed. And when you will be able to update us on a more accurate CapEx forecast over the next few years versus the one that doesn't include elements of your proposed program?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

Sure, Gregg. So from where things stand right now as Commissioner Fiordaliso has been named the hearing officer for the filing. The filing is complete, although we do keep getting some additional discovery questions and are responding to them. Hearing dates have been announced for September and October.

Now what happens after that is a little bit flexible, we have proposed a schedule that would result in a fully litigated decision at the December 18 meeting of the BPU. Others are proposing a different schedule and Commissioner Fiordaliso hasn't ruled on that. We anticipate his ruling on the scheduled to be imminent. I'm less worried about the schedule because, as you know, we tend to try to move on this and other issues in a settlement, which is what we did with solar and what we have done in prior infrastructure programs.

So I still remain hopeful and optimistic that we will have something resolved by the end of the year. It's pretty clear we have missed taking any action for this storm season, that doesn't mean I'm expecting or hoping for any storms, but quite the contrary. Our hope though is to be able to get things resolved by the end of the year so that we can begin the engineering and design work to get some infrastructure hardened prior to next year's storm season. But we just don't have anything more definitive on that.

Rest assured, Gregg, we will tell you and everyone else everything we know as soon as we know it and the BPU will release information. None of that has any impact on our plans to spend an additional $1.5 billion on transmission over that 10-year period with about $500 million of that taking place over the first five years.

Gregg Orrill - ***Barclays Capital - Analyst***

Okay. And on -- separately on the insurance proceeds at Power, what are you expecting in terms of the timeline to get that recovered? And I guess that -- the comment on guidance?

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

sure.

Gregg Orrill - ***Barclays Capital - Analyst***

Yes.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

So this is Caroline, Gregg, good morning. So relative to the insurance, as we mentioned, we had an additional $25 million recovered this quarter. So total recoveries under the insurance for Power are $44 million and there is about $6 million for the utility. So total recoveries for the Company about $50 million.

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In terms of timeline, we don't have a timeline for anything for future. As you know we have filed a litigation relative to the parties -- the underwriters relative to coverage terms. And of course since we are in litigation we can't comment on the progress or status of litigation and of course that means that the timeline is really subject to the outcome of that litigation.

What I can tell you is that we continue to make the repairs that we have discussed and we'll continue to report them on an actual basis as Power's O&M below the line for operating earnings purposes as we have updated this quarter. Just a reminder, that was $135 million for Power in the aggregate that was spent. And from that you subtract the $44 million for recovery that we received from the insurance companies for a net $91 million. So can't forecast exactly how that will play out given litigation; we will of course report it to you on an actual basis.

Gregg Orrill *- Barclays Capital - Analyst*

Thank you.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides *- Goldman Sachs - Analyst*

Can you talk a little bit when you look across the fleet and really look across not just your fleet but the industry, kind of think about the competitive positioning of your Company versus others, in terms of the economics for some of your coal units whether it is Bridgeport up in Connecticut or even Hudson and Mercer over a long period of time, as well as there has been a lot of discussion about the economics of nuclear -- of existing nuclear. And just kind of talk about what you are seeing and how it impacts your Company as well as how it impacts the industry as a whole?

Ralph Izzo *- Public Service Enterprise Group, Inc. - Chairman, President & CEO*

Sure, Michael. So we talked a bit about the dispatch curve, right, and the fuel flexibility we have and the technology flexibility we have. I think by and large the nuclear units dispatch ahead and except for that one anomalous situation we had our baseload coal is always called upon to run. But then the Bergen and Linden units swap places with the Hudson and Mercer units for the past few years and who knows what the future will bring.

So I feel good about the fuel and technology flexibility we have as it pertains to the dispatch curve. And I think one obviously needs to consider any capital improvements that need to be made when thinking about the overall economics of plants and really that comes in two forms for all of us. One is just sort of clean air capital investments. And as you know, all of those are behind us with some SCR that has to be put on our Conemaugh plant being the one exception.

So we are in great shape from a HAPs/MACT compliance point of view and you can expect us to continue to operate and run our plants based on just a marginal cost basis here because there is no additional sunk cost that needs to be made.

The post-Fukushima drivers for the nuclear plants are still undetermined at this point. However, we do have quite a few design differences in our plants that are different from the typical design of other units. For example, all of our spent fuel pools have hardened concrete reinforced buildings. So we don't have butler buildings, stainless steel buildings that are protecting our spent fuel pools.

We have different designs on our vents that we're going to argue before the NRC are already hardened. So we are in good shape from the point of view of CapEx going forward. As a matter of fact we're still going ahead with Exelon on our Peach Bottom upgrade, we

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feel that strongly about the dispatch ability and the economics of our nuclear units. So I don't know what to say about others, they can speak for themselves, but I feel pretty good about the fleet that we have.

Michael Lapides *- Goldman Sachs - Analyst*

Okay. And this may be one for Caroline, an unrelated question. When you think about the lease exposure at the end, the Edison Mission bankruptcy, how should investors quantify the potential risk to PSEG whether it is from a tax perspective or kind of other perspective in terms of your being one of the lessors?

Caroline Dorsa *- Public Service Enterprise Group, Inc. - EVP & CFO*

Right, so, thanks, Michael. So relative to the lease exposure, we've talked about that and of course disclosed that for a pretty good amount of time in our financial statements. I think the way to think about it is when you look at the exposure amounts typically think of that total exposure as we talk about and for Edison Mission it is about $220 million. Think of that as the pretax amount of the maximum amount of a write down.

But also remember that that is not cash, right, that is the write down amount. We have always talked about the cash exposure related to the taxes. But I think one thing to keep in mind for this is this has been deferred again in terms of any decisions related to rejection of the lease until September. And we are obviously representatives for our share and our rights in that process. The deferral continues which apparently is obviously from the lessee's perspective on their decisions on what to do in that regard.

In terms of the other leases that we have, they continue to be current on payments. Obviously the Edison case is different, but that is why we are in this process right now. So if we can think about the write-off exposure, it is that amount, as I mentioned, on a pretax basis and then you'd put it on an after-tax basis.

Michael Lapides *- Goldman Sachs - Analyst*

And is the tax exposure -- I'm just trying to think about going back and thinking about leases and kind of back taxes and that type of stuff. Is the tax exposure -- could it any way be more significant than the $220 million?

Caroline Dorsa *- Public Service Enterprise Group, Inc. - EVP & CFO*

No. The tax exposure is less than that, I can tell you that for sure. And then of course that would be processed relative to our rights from the lessee in terms of any recapture.

Michael Lapides *- Goldman Sachs - Analyst*

Understood. Thanks, Caroline.

Operator

Anthony Crowdell, Jefferies.

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Anthony Crowdell - ***Jefferies - Analyst***

A question on I guess the Energy Strong initiative. I think your comments earlier, Ralph, you had said that you have kind of missed a window to maybe reinforce the system for this storm season. Is it the weak industrial load and it looks like weak demand maybe a headwind of getting a large project approved by the state?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

No, I don't think so, Anthony. This is a big capital program and the BPU staff understandably is doing a very thorough job of trying to assess from their point of view whether or not we've prioritized things the way they think maximize benefits for customers. Not surprisingly the consumer advocate wants us to do it for free and that's kind of a tough thing for our shareholders to accept and for us to accept.

So it really doesn't have anything to do with demand at all. As a matter of fact, all of our infrastructure programs --transmission, Energy Strong - are completely decoupled from demand growth and really have much more to do with either a replacement of an aging infrastructure or the desire to move from best in class reliability, which I can truthfully say we possess to just greater resiliency. And in fact probably no one has felt the damages associated with storms more so than our commercial and industrial sectors.

Anthony Crowdell - ***Jefferies - Analyst***

When do expect I guess the final decision on approval, is that this calendar year or does it potentially carry over to 2014?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

Yes. No, I mean we are hopeful and still confident it will be this calendar year. But you never say never. So it could spill over into next calendar year, I just cannot imagine it spilling deeply over into next calendar year if it were to do so.

Anthony Crowdell - ***Jefferies - Analyst***

Great. Thanks for taking my question.

Operator

Shahriar Pourreza, Citigroup.

Shahriar Pourreza - ***Citigroup - Analyst***

Most of my questions have been answered, but maybe I can just ask a question on gas. Over the past several weeks we have seen a negative basis with gas in the East relative to the Henry Hub. How is this -- have you seen an impact with Power's hedges especially if you hedge gas which is tied to Henry Hub and you hedge the heat rates or power on using Eastern prices? Have you seen an impact in any of your hedges at Power?

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Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

We deliberately keep our load following and intermediate assets open certainly out beyond the current year. We've seen tremendous volatility in basis, the $3 or $4 number that we see in the future has a little bearing on the day-to-day or the day-ahead of real-time basis differential. And so we don't make a habit of hedging the fuel separate and apart from the electric output, we match that. And from that point of view sparks have been pretty robust and basis has been pretty robust for us.

And you have seen an effort two quarters in a row, right, for different reasons. And that is one of the themes we are trying to highlight in our discussions with investors and here on this call that it goes to the question that Michael asked before, our competitive positioning is one of having good assets and good locations that could take advantage of the volatility in the market through our natural long position. And it's not just a simple as okay, power prices at the western hub are $39 and PEG has got this amount of open position and let's multiply it by those two numbers. Caroline will chime in here as well.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

One other thing to keep in mind, we have talked about this you may recall earlier this year. When you look at and try to estimate approximate forward bases you can get to some numbers that we see as well in the low single-digits. But when the demand has been there and there have been issues of congestion, we have seen that basis be higher in the closer to real-time. And so by having the assets open in our positioning we have been able to capture some of that volatility in basis.

And we have a slide in some of our investor materials that talks about that in terms of seeing how volatile that basis has been, our ability to capture that volatility as we make our assets available is something else that our team is very focused on.

Shahriar Pourreza - ***Citigroup - Analyst***

Got it, got it. And just -- maybe just one last question on that. If you get to a period where Marcellus just keeps producing and you don't really get a lot of gas being shipped from the Gulf and that basis of what you are seeing sort of expands because we have seen an expansion over the past several weeks. Is there a potential impact that you can see on [quarks] and some of the nuclear economics if you get to a period where the foreword curves continue to trade at a discount?

Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

Yes, I think there is no denying that. Clearly our gas fleet will do better, but to the extent that overall prices come down and [corks] compress then you will see an impact on our nuclear fleet.

Shahriar Pourreza - ***Citigroup - Analyst***

Perfect. Thanks very much.

Operator

There are no further questions at this time. Please continue with your presentation or closing remarks.

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Ralph Izzo - ***Public Service Enterprise Group, Inc. - Chairman, President & CEO***

Okay, thank you, everyone, for joining us. So just to recap, another strong quarter, we believe. Power actually eked out a couple million dollars improvement over last year, which is a nice change in the trend line at Power and utility right on track with the double-digit earnings growth that we have talked about largely driven by great progress on the transmission construction program.

And looking longer-term we are pleased with the dialogue we have with BPU staff on the Energy Strong proposal. We are pleased with the dialogue we are having with folks over at LIPA and how we might be able to enhance that relationship even before it begins. And with that we look forward to seeing many of you in several of the upcoming conferences that we will be at an August and in September. So we will see you in person very soon. Thanks, everyone.

Caroline Dorsa - ***Public Service Enterprise Group, Inc. - EVP & CFO***

Thank you, operator.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan Lane, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2013 SECOND QUARTER RESULTS

Earnings from Continuing Operations of $0.66 Per Share; Operating Earnings of $0.48 Per Share

Results Reflect Increased Investment at PSE&G; Continued Solid Performance from PSEG Power

Operating Earnings Expected to be at Upper End of Full Year Guidance of $2.25 - $2.50 Per Share

July 30, 2013 (Newark, NJ) (NYSE- PEG) Public Service Enterprise Group (PSEG) reported today Second Quarter 2013 Net Income and Income from Continuing Operations of $333 million or $0.66 per share as compared to Net Income and Income from Continuing Operations of $211 million or $0.42 per share reported for the Second Quarter of 2012. Operating Earnings for the Second Quarter of 2013 were $243 million or $0.48 per share compared to the Second Quarter of 2012 Operating Earnings of $215 million or $0.43 per share.

"Our earnings reflect strong performance for all our businesses" said Ralph Izzo, chairman, president and chief executive officer. He went on to say "our results continue to benefit from employees' execution of our strategic goals as well as the locational value enjoyed by our merchant generating fleet of assets. PSEG again demonstrated the ability to perform against a background of slow growth in electric demand and low prices. Based on our performance thus far in the year, and assuming normal weather and operations in the remainder of the year, we expect operating earnings for the full year to be at the upper end of our guidance of $2.25 - $2.50 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of returns/(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and other material one time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings for the second quarter. See Attachment 12 for a complete list of items excluded from Income from Continuing Operations/Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
Second Quarter Comparative Results
2013 and 2012

	Income ($millions)		Diluted Earnings Per Share	
	2013	**2012**	**2013**	**2012**
Operating Earnings	$243	$215	$0.48	$0.43
Reconciling Items	90	(4)	0.18	(0.01)
Income from Continuing Operations*	$333	$211	$0.66	$0.42
		Avg. Shares	**507M**	**507M**

*Income from continuing operations is equal to net income in both years.

Ralph Izzo went on to say "we remain on track to meet our capital investment and operations-related goals. PSE&G's $3.4 billion transmission construction program remains on schedule. Post-Superstorm Sandy Power has restored operations sufficiently at its peaking units in time to support summer demand, and Holdings continues to monetize non-essential assets in its portfolio. We also remain focused on building support for PSE&G's $3.9 billion "Energy Strong" proposal, meeting our commitment to operate the Long Island Power Authority's transmission and distribution system at the start of 2014, and controlling our cost structure. These actions will strengthen our infrastructure and improve system reliability."

Operating Earnings guidance by company for the full year (which is unchanged from prior disclosure) is as follows:

Operating Earnings
($ millions, except EPS)

	2013E	**2012A**
PSEG Power	$535 - $600	$644
PSE&G	$580 - $635	$528
PSEG Energy Holdings/Parent	$25 - $35	$64
Total	$1,140- $1,270	$1,236
Earnings Per Share	$2.25- $2.50	$2.44

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSEG Power

PSEG Power reported operating earnings of $114 million ($0.22 per share) for the second quarter of 2013 compared with operating earnings of $110 million ($0.22 per share) for the second quarter of 2012.

Power's second quarter earnings benefited from higher PJM capacity prices and an improvement in market prices for energy with an increase in the price of gas.

Higher prices for natural gas and an improvement in basis in the PS zone had a favorable influence on spot market prices for energy. The improvement in pricing on Power's un-hedged generation added $0.04 per share to earnings quarter-over-quarter. An increase in capacity prices improved Power's quarter-over-quarter earnings by $0.07 per share. These items together offset a reduction in average prices on Power's hedged volumes.

PSEG Power's operation & maintenance (O&M) expense (exclusive of storm-related restoration activity) was unchanged from year-ago levels. An increase in O&M at fossil associated with planned outage related work was offset by a reduction in outage related O&M at nuclear. An increase in depreciation expense related to the installation of new peaking capacity and low pressure turbines at Peach Bottom was offset by a decline in interest expense.

Power expensed approximately $22 million pre-tax on storm related activity in the second quarter, bringing Power's total pre-tax storm expenditures to $135 million. Of this amount, Power received an additional $25 million in insurance proceeds during the second quarter for a total of $44 million in insurance proceeds to return its facilities to service.

Power's output was unchanged in the quarter from year-ago levels. The nuclear fleet operated at an average capacity factor in the quarter of 87.9% versus 87.2% last year bringing the capacity factor for the first half of the year to 94.4%. The fleet's performance in the quarter was influenced by a refueling outage and main generator repair work at Salem 1 (57% owned and operated by PSEG Power) versus a refueling outage in the second quarter of 2012 at PSEG Power's 100%-owned and operated Hope Creek unit. Output from our baseload nuclear and Pennsylvania coal units in the quarter offset a decline in production at Power's NJ-based coal units.

Power continues to forecast output for 2013 of 53 – 55 TWh. For the remainder of the year output of 26 – 28 TWh is 70% - 75% hedged at an average price of $51 per MWh. For 2014, forecast output of 53 – 55 TWh is approximately 55% - 60% hedged at an average price of $49 per MWh. Power has hedged 30% - 35% of its forecast generation in 2015 of 52 – 54 TWh at an average price of $49 per MWh. The increase in the percentage of generation hedged for 2014 – 2015 reflects only an increase in the level of hedges on base load generation. Power's

intermediate and peaking generation remains open. Average hedge prices continue to reflect assumed BGS volumes of 12 TWh in 2013 and 10 TWh in 2014.

The forecast range of Power's operating earnings for 2013 remains unchanged at $535 - $600 million. However, based on Power's performance year-to-date, results for the full year are expected to be at the upper end of the range.

PSE&G

PSE&G reported operating earnings of $121 million ($0.24 per share) for the second quarter of 2013 compared with operating earnings of $101 million ($0.20 per share) for the second quarter of 2012.

PSE&G's second quarter results reflect the contribution to earnings from the increased level of transmission investment. An increase in PSE&G's transmission revenue, effective on January 1, 2013, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.04 per share.

Weather conditions for electric and gas demand were favorable relative to normal and in comparison to the weather experienced in the year-ago quarter. Sales of gas increased 17% quarter-over-quarter, however, continued weakness in electric demand from the commercial and industrial sectors resulted in a 2.5% decline in the sale of electricity. After several years of declining prices, gas customers appear to have adjusted their consumption to reflect an expectation of low commodity prices. Electric demand, however, continues to be affected by customer conservation in the face of a slowly improving economy.

The net impact on earnings from weather and the change in sales was a reduction in quarter-over-quarter earnings of $0.01 per share. The earnings comparison reflects the absence of revenue accrued under the gas weather normalization clause, which amounted to $0.02 per share to earnings in the year-ago quarter offsetting lower sales in the year-ago quarter.

The implementation of cost controls in response to lower than expected demand resulted in no change in distribution related O&M expense quarter-over-quarter. For the remainder of the year, distribution related O&M is expected to be lower than the levels realized in the prior year given expectations for a decline in storm related restoration activity. An increase in depreciation expense was offset by lower interest expense and other minor items.

The forecast of PSE&G's operating earnings for 2013 remains unchanged at $580 - $635 million. Results will be influenced by a full year increase in transmission revenue and the absence of the negative impact on sales and O&M expense in the fourth quarter of 2012 from Superstorm Sandy.

PSEG Energy Holdings/Enterprise

PSEG Energy Holdings/Enterprise reported operating earnings of $8 million ($0.02 per share) for the second quarter of 2013 versus operating earnings of $4 million ($0.01 per share) during

the second quarter of 2012. The improvement in operating earnings for the quarter reflects a gain on the sale of a commercial office complex.

The forecast of PSEG Energy Holdings/Parent full year operating earnings for 2013 is unchanged at $25 - $35 million. The results will reflect the full year operation of the Milford and Queen Creek solar facilities (40 MW), which entered service in the fourth quarter of 2012, as well as the commercial operation of a $50 million (19 MW) solar facility located in Arizona, which is expected to enter service in the fourth quarter.

Other Items

The NJ Board of Public Utilities (BPU) on May 29 approved a settlement authorizing an increase in spending on renewables through the Solar 4 All Extension ($247 million) and Solar Loan III ($199 million) investment programs.

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FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management’s beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 9. Commitments and Contingent Liabilities, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,

- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2013	*2012*	*2013*	*2012*
Earnings Results ($ Millions)				
PSEG Power	$ 114	$ 110	$ 364	$ 306
PSE&G	121	101	300	298
PSEG Energy Holdings/Enterprise	8	4	12	43
Operating Earnings	**$ 243**	**$ 215**	**$ 676**	**$ 647**
Reconciling Items [(a)]	90	(4)	(23)	57
Income from Continuing Operations/Net Income	**$ 333**	**$ 211**	**$ 653**	**$ 704**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**
Per Share Results (Diluted)				
PSEG Power	$ 0.22	$ 0.22	$ 0.71	$ 0.60
PSE&G	0.24	0.20	0.59	0.59
PSEG Energy Holdings/Enterprise	0.02	0.01	0.03	0.09
Operating Earnings	**$ 0.48**	**$ 0.43**	**$ 1.33**	**$ 1.28**
Reconciling Items [(a)]	0.18	(0.01)	(0.04)	0.11
Income from Continuing Operations/Net Income	**$ 0.66**	**$ 0.42**	**$ 1.29**	**$ 1.39**

(a) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended June 30, 2013

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,310	$ (303)	$ 1,190	$ 1,423
OPERATING EXPENSES				
Energy Costs	755	(321)	496	580
Operation and Maintenance	646	(3)	280	369
Depreciation and Amortization	283	11	65	207
Taxes Other Than Income Taxes	14	-	-	14
Total Operating Expenses	1,698	(313)	841	1,170
OPERATING INCOME	612	10	349	253
Income from Equity Method Investments	3	3	-	-
Other Income and (Deductions)	39	-	25	14
Other-Than-Temporary Impairments	(2)	-	(2)	-
Interest Expense	(101)	3	(29)	(75)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	551	16	343	192
Income Tax Benefit (Expense)	(218)	(8)	(139)	(71)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 333**	**$ 8**	**$ 204**	**$ 121**
OPERATING EARNINGS	$ 243	$ 8	$ 114	$ 121
Reconciling Items Excluded from Continuing Operations/Net Income [b]	90	-	90	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 333**	**$ 8**	**$ 204**	**$ 121**

Three Months Ended June 30, 2012

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,098	$ (294)	$ 985	$ 1,407
OPERATING EXPENSES				
Energy Costs	761	(308)	447	622
Operation and Maintenance	629	(5)	284	350
Depreciation and Amortization	255	9	58	188
Taxes Other Than Income Taxes	20	-	-	20
Total Operating Expenses	1,665	(304)	789	1,180
OPERATING INCOME	433	10	196	227
Income from Equity Method Investments	2	2	-	-
Other Income and (Deductions)	32	1	20	11
Other-Than-Temporary Impairments	(7)	-	(7)	-
Interest Expense	(103)	3	(32)	(74)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	357	16	177	164
Income Tax Benefit (Expense)	(146)	(10)	(73)	(63)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 211**	**$ 6**	**$ 104**	**$ 101**
OPERATING EARNINGS	$ 215	$ 4	$ 110	$ 101
Reconciling Items Excluded from Continuing Operations/Net Income [b]	(4)	2	(6)	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 211**	**$ 6**	**$ 104**	**$ 101**

(a) Includes activities at Energy Holdings and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Six Months Ended June 30, 2013

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 5,096	$ (959)	$ 2,637	$ 3,418
OPERATING EXPENSES				
Energy Costs	1,910	(993)	1,356	1,547
Operation and Maintenance	1,356	(2)	562	796
Depreciation and Amortization	573	22	129	422
Taxes Other Than Income Taxes	35	-	-	35
Total Operating Expenses	3,874	(973)	2,047	2,800
OPERATING INCOME	1,222	14	590	618
Income from Equity Method Investments	5	5	-	-
Other Income and (Deductions)	71	1	44	26
Other-Than-Temporary Impairments	(4)	-	(4)	-
Interest Expense	(203)	4	(59)	(148)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,091	24	571	496
Income Tax Benefit (Expense)	(438)	(12)	(230)	(196)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 653**	**$ 12**	**$ 341**	**$ 300**
OPERATING EARNINGS	$ 676	$ 12	$ 364	$ 300
Reconciling Items Excluded from Continuing Operations/Net Income [b]	(23)	-	(23)	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 653**	**$ 12**	**$ 341**	**$ 300**

Six Months Ended June 30, 2012

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 4,973	$ (919)	$ 2,546	$ 3,346
OPERATING EXPENSES				
Energy Costs	1,940	(953)	1,269	1,624
Operation and Maintenance	1,257	6	525	726
Depreciation and Amortization	511	18	115	378
Taxes Other Than Income Taxes	49	-	-	49
Total Operating Expenses	3,757	(929)	1,909	2,777
OPERATING INCOME	1,216	10	637	569
Income from Equity Method Investments	2	2	-	-
Other Income and (Deductions)	60	4	35	21
Other-Than-Temporary Impairments	(12)	-	(12)	-
Interest Expense	(204)	5	(62)	(147)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,062	21	598	443
Income Tax Benefit (Expense)	(358)	28	(241)	(145)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 704**	**$ 49**	**$ 357**	**$ 298**
OPERATING EARNINGS	$ 647	$ 43	$ 306	$ 298
Reconciling Items Excluded from Continuing Operations/Net Income [b]	57	6	51	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 704**	**$ 49**	**$ 357**	**$ 298**

(a) Includes activities at Energy Holdings and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	June 30, 2013	December 31, 2012
DEBT		
Long-Term Debt	$ 7,608	$ 7,173
Securitization Debt	617	722
Project Level, Non-Recourse Debt	25	44
Total Debt	8,250	7,939
STOCKHOLDERS' EQUITY		
Common Stock	4,842	4,833
Treasury Stock	(615)	(607)
Retained Earnings	7,231	6,942
Accumulated Other Comprehensive Loss	(362)	(388)
Total Common Stockholders' Equity	11,096	10,780
Noncontrolling Interests - Equity Investments	1	1
Total Equity	11,097	10,781
Total Capitalization	$ 19,347	$ 18,720

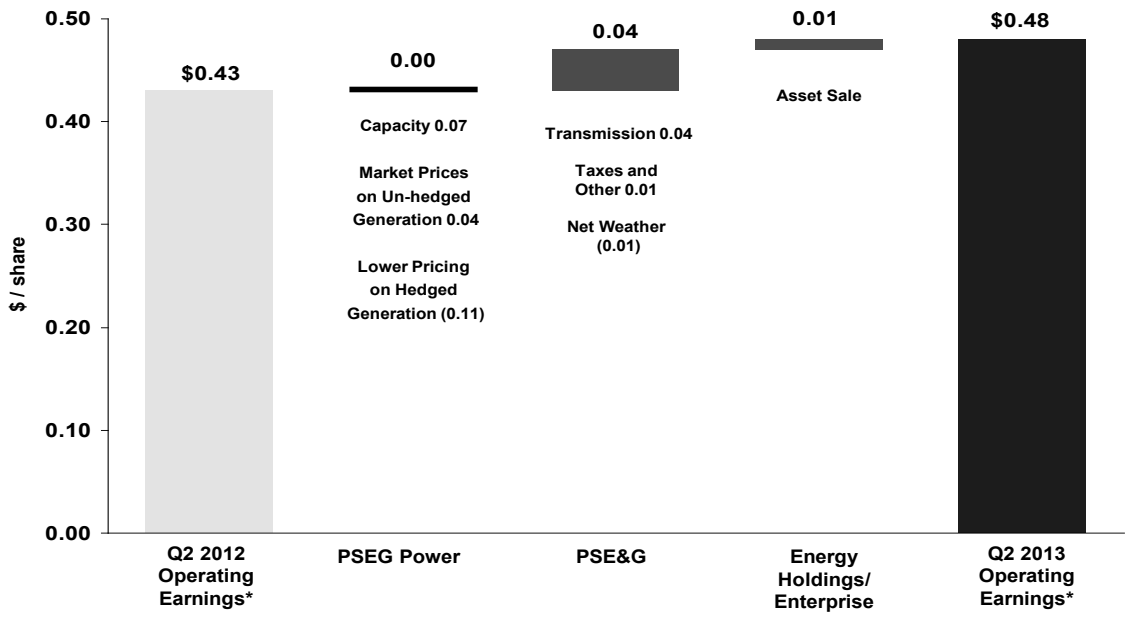
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 653	$ 704
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	690	674
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,343	1,378
NET CASH USED IN INVESTING ACTIVITIES	(1,379)	(1,339)
NET CASH USED IN FINANCING ACTIVITIES	(179)	(108)
Net Change in Cash and Cash Equivalents	(215)	(69)
Cash and Cash Equivalents at Beginning of Period	379	834
Cash and Cash Equivalents at End of Period	$ 164	$ 765

Attachment 6

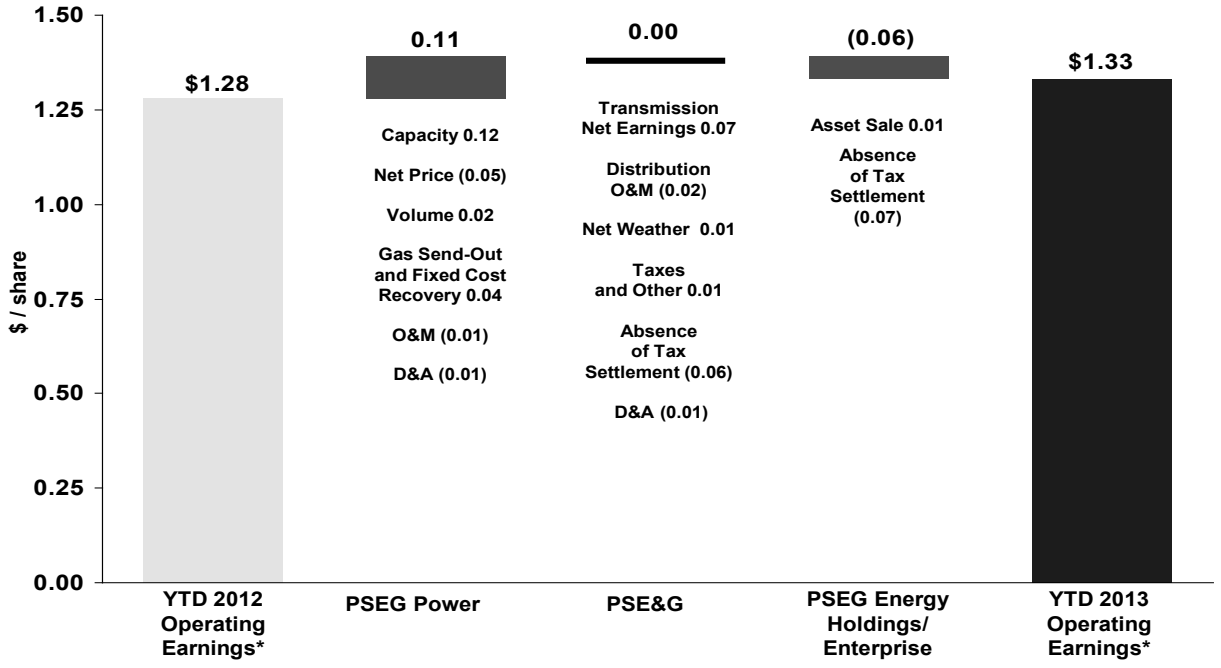
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2013 vs. June 30, 2012
(Unaudited)



* See Attachment 12 for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2013 vs. June 30, 2012
(Unaudited)



* See Attachment 12 for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

Attachment 8

PSEG POWER LLC
Generation Measures
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2013	2012	2013	2012
Nuclear - NJ	4,638	4,599	10,227	10,035
Nuclear - PA	2,509	2,476	5,057	5,010
Total Nuclear	**7,147**	**7,075**	**15,284**	**15,045**
Fossil - Coal/Natural Gas - NJ*	187	363	666	407
Fossil - Coal - PA	1,175	1,069	2,593	2,133
Fossil - Coal - CT	22	22	331	45
Total Coal	**1,384**	**1,454**	**3,590**	**2,585**
Fossil - Oil & Natural Gas - NJ	3,000	2,997	5,889	5,837
Fossil - Oil & Natural Gas - NY	1,190	1,164	2,068	2,375
Fossil - Oil & Natural Gas - CT	(3)	16	44	7
Total Oil & Natural Gas	**4,187**	**4,177**	**8,001**	**8,219**
	12,718	**12,706**	**26,875**	**25,849**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2013	2012	2013	2012
Nuclear - NJ	36%	36%	38%	39%
Nuclear - PA	20%	20%	19%	19%
Total Nuclear	**56%**	**56%**	**57%**	**58%**
Fossil - Coal/Natural Gas - NJ*	1%	3%	2%	2%
Fossil - Coal - PA	10%	8%	10%	8%
Fossil - Coal - CT	0%	0%	1%	0%
Total Coal	**11%**	**11%**	**13%**	**10%**
Fossil - Oil & Natural Gas - NJ	24%	24%	22%	23%
Fossil - Oil & Natural Gas - NY	9%	9%	8%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**33%**	**33%**	**30%**	**32%**
	100%	**100%**	**100%**	**100%**

*Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and six months ended June 30, 2013 and 2012. Also includes natural gas fuel switching intervals.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2013

Electric Sales and Revenues

Sales (millions kwh)	Three Months Ended	Change vs. 2012	Six Months Ended	Change vs. 2012
Residential	3,077	0.8%	6,207	2.7%
Commercial & Industrial	6,578	-4.1%	13,277	-2.4%
Street Lighting	67	0.3%	158	0.9%
Interdepartmental	2	38.9%	5	16.5%
Total	9,724	-2.5%	19,647	-0.8%
Revenue (in millions)				
Residential	$ 479	0.3%	$ 949	-2.3%
Commercial & Industrial	510	-3.9%	946	-1.3%
Street Lighting	16	-1.3%	34	-8.1%
Other Operating Revenues*	107	29.0%	212	21.8%
Total	$ 1,112	0.4%	$ 2,141	-2.8%

Weather Data	Three Months Ended	Change vs. 2012	Six Months Ended	Change vs. 2012
THI Hours - Actual	4,655	10.1%	4,656	8.0%
THI Hours - Normal	3,940		3,964	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission-related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2013

Gas Sold and Transported

Sales (millions therms)	Three Months Ended	Change vs. 2012	Six Months Ended	Change vs. 2012
Residential Sales	167	10.8%	790	16.5%
Commercial & Industrial - Firm Sales	62	17.5%	281	15.2%
Commercial & Industrial - Interr. & Cogen	16	-13.1%	43	3.1%
Total	245	10.5%	1,114	15.6%
Gas Transported - Firm Sales	104	25.5%	402	37.1%
Gas Transported - Non-Firm	282	5.5%	488	-10.3%
Revenue (in millions)				
Residential Sales	$ 84	0.3%	$ 397	11.4%
Commercial & Industrial - Firm Sales	37	64.5%	155	30.4%
Commercial & Industrial - Interr. & Cogen	9	33.7%	22	25.9%
Other Operating Revenues*	42	2.9%	83	6.8%
Total	$ 172	11.7%	$ 657	15.2%
Gas Transported	$ 139	-4.3%	$ 620	8.3%

Weather Data	Three Months Ended	Change vs. 2012	Six Months Ended	Change vs. 2012
Degree Days - Actual	519	35.6%	3,069	27.4%
Degree Days - Normal	509		3,048	

*Primarily Appliance Service.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Year Ended June 30, 2013	Year Ended June 30, 2012
Weighted Average Common Shares Outstanding (000's)				
Basic	505,900	505,903	505,921	505,956
Diluted	507,381	506,969	507,301	506,999
Stock Price at End of Period			$ 32.66	$ 32.50
Dividends Paid per Share of Common Stock	$ 0.3600	$ 0.3550	$ 0.7200	$ 0.7100
Dividend Payout Ratio*			57.8%	54.3%
Dividend Yield			4.4%	4.4%
Price/Earnings Ratio*			13.1	12.6
Rate of Return on Average Common Equity*			11.7%	12.6%
Book Value per Common Share			$ 21.94	$ 21.04
Market Price as a Percent of Book Value			149%	154%
Total Shareholder Return	-3.8%	7.4%	9.1%	0.7%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*
	2013	*2012*	*2013*	*2012*	*2012*
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9	$ 52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42	(10)
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6	36
Storm O&M, net of insurance recoveries (PSEG Power)	2	-	(15)	-	(39)
Total Pro-forma adjustments	**$ 90**	**$ (4)**	**$ (23)**	**$ 57**	**$ 39**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02	$ 0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08	(0.02)
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	(0.03)	-	(0.08)
Total Pro-forma adjustments	**$ 0.18**	**$ (0.01)**	**$ (0.04)**	**$ 0.11**	**$ 0.07**

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

Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2013

July 30, 2013

SI-SSA-0015-12021

Forward-Looking Statement

Certain of the matters discussed in this report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management’s beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1. Financial Statements—Note 9. Commitments and Contingent Liabilities, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC). These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to sufficiently obtain coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology and customer usage patterns.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12022

GAAP Disclaimer

PSEG presents Operating Earnings in addition to Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

PSEG
2013 Q2 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12024

Q2 Earnings Summary

Quarter ended June 30

$ millions (except EPS)	2013	2012
Operating Earnings	$ 243	$ 215
Reconciling Items, Net of Tax	90	(4)
Income from Continuing Operations/Net Income	$ 333	$ 211
EPS from Operating Earnings*	$ 0.48	$ 0.43

SI-SSA-0015-12025

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

First Half 2013 Earnings Summary

Six months ended June 30

$ millions (except EPS)	2013	2012
Operating Earnings	$ 676	$ 647
Reconciling Items, Net of Tax	(23)	57
Income from Continuing Operations/ Net Income	$ 653	$ 704
EPS from Operating Earnings*	$ 1.33	$ 1.28

SI-SSA-0015-12026

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

PSEG – Q2 2013 Highlights

- **Strong Earnings**
  - ✓ Operating earnings of $0.48 vs. $0.43 per share in Q2 2012
  - ✓ Power benefitted from higher PJM capacity prices and an improvement in market prices for energy
  - ✓ Increased contribution to earnings from PSE&G's investment in transmission

- **Operational Excellence**
  - ✓ PSEG Power output was flat in Q2 despite extended refueling at Salem 1
  - ✓ Diversity and location of Power's fleet provided flexibility to participate in market
  - ✓ PSE&G's O&M on track to meet full-year expectations

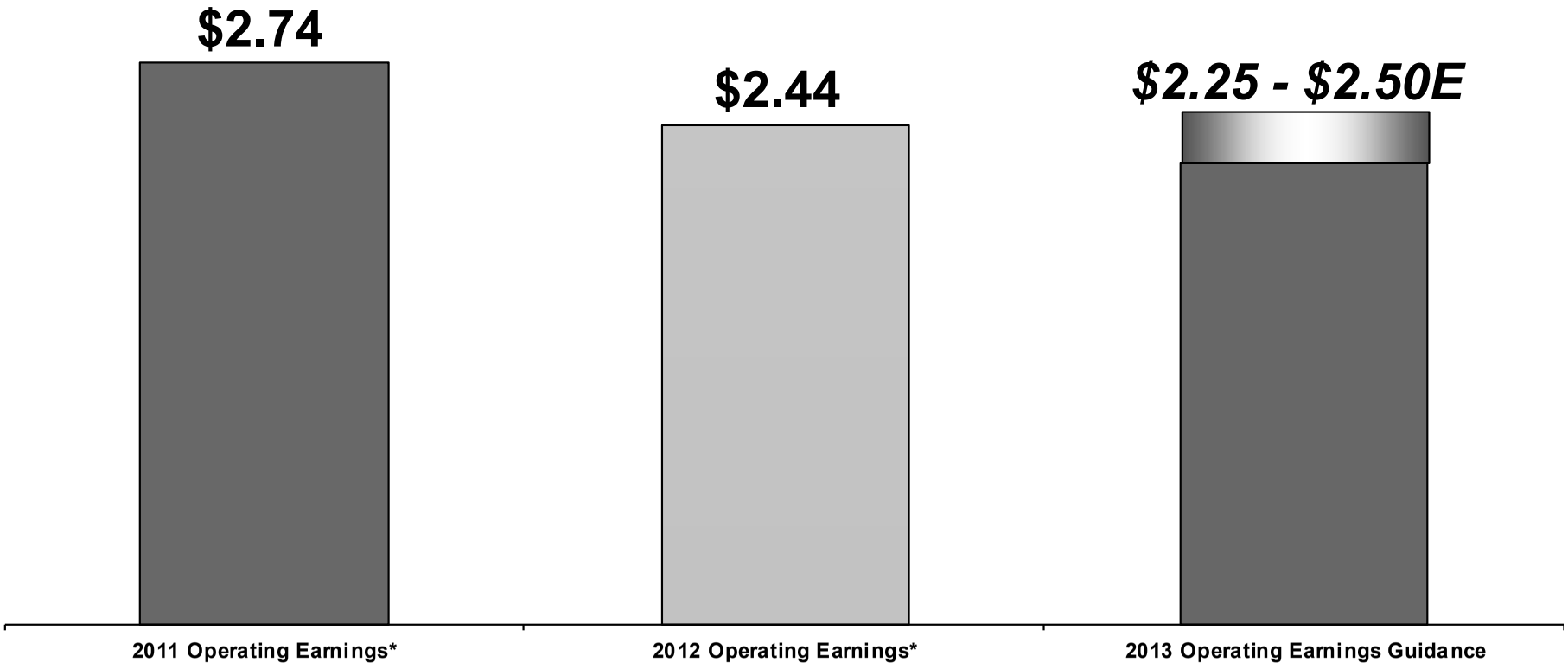
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved Solar Agreement to extend Solar 4 All and Solar Loan III investment
  - ✓ 54 NJ municipalities and five counties have approved resolutions in support of PSE&G's Energy Strong proposal to fortify its electric and gas distribution systems
  - ✓ Transmission construction program continues on schedule

- **Market Developments**
  - ✓ 2016/2017 RPM auction again recognized the locational advantage of Power's assets
  - ✓ US District Court decision on LCAPP litigation awaited in both NJ and MD
  - ✓ New LIPA agreement under consideration would broaden and extend original contract terms

SI-SSA-0015-12027

PSEG – Maintaining 2013 Guidance

Based on our performance year-to-date, we expect operating earnings for the full year to be at the upper end of guidance assuming normal weather and unit operations



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

PSEG
2013 Q2 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12029

Q2 Operating Earnings by Subsidiary

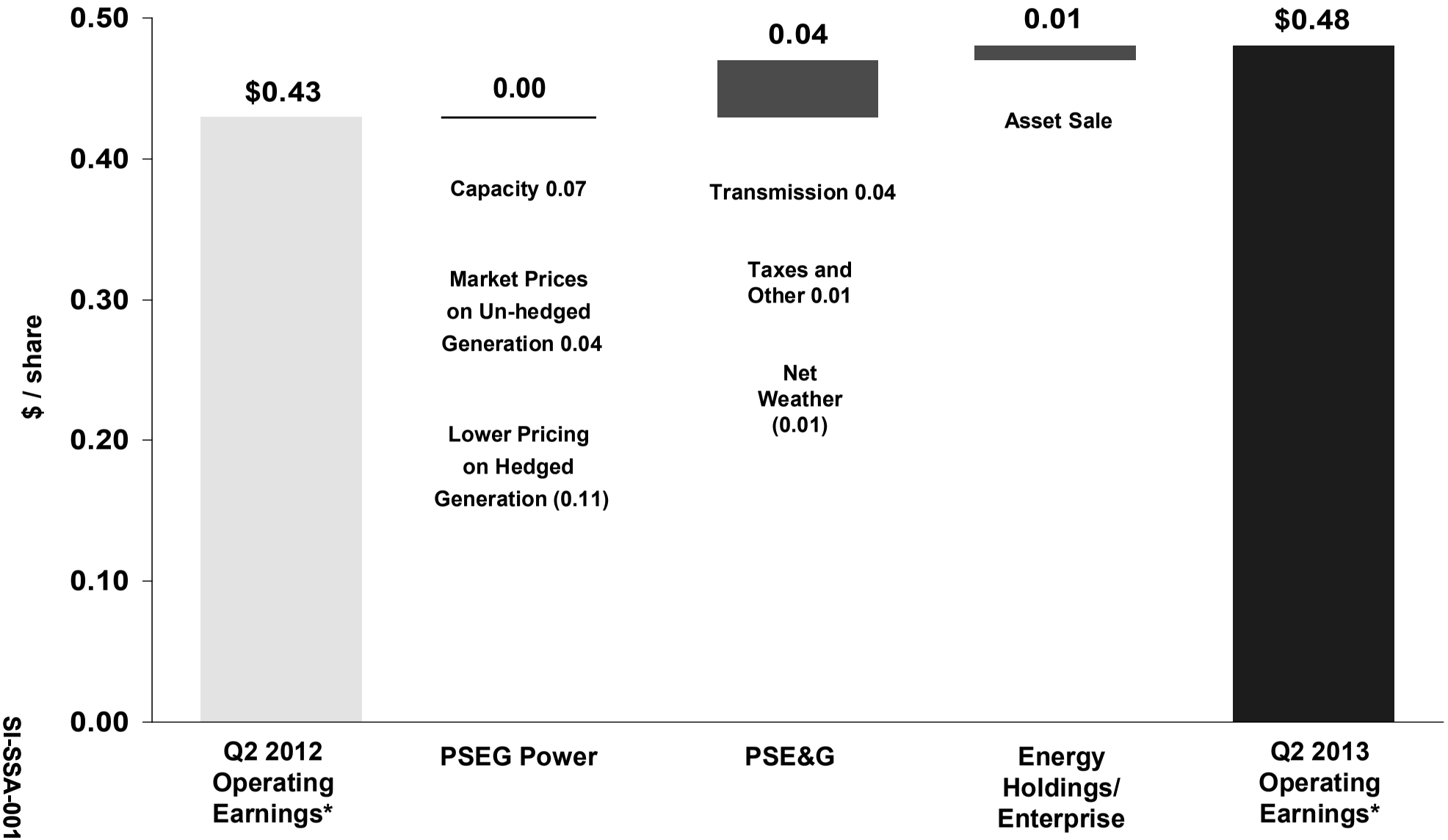
Quarter ended June 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 114	$ 110		$ 0.22	$ 0.22
PSE&G	121	101		0.24	0.20
PSEG Energy Holdings/ Enterprise	8	4		0.02	0.01
Operating Earnings*	$ 243	$ 215		$ 0.48	$ 0.43

SI-SSA-0015-120030

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-12031

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

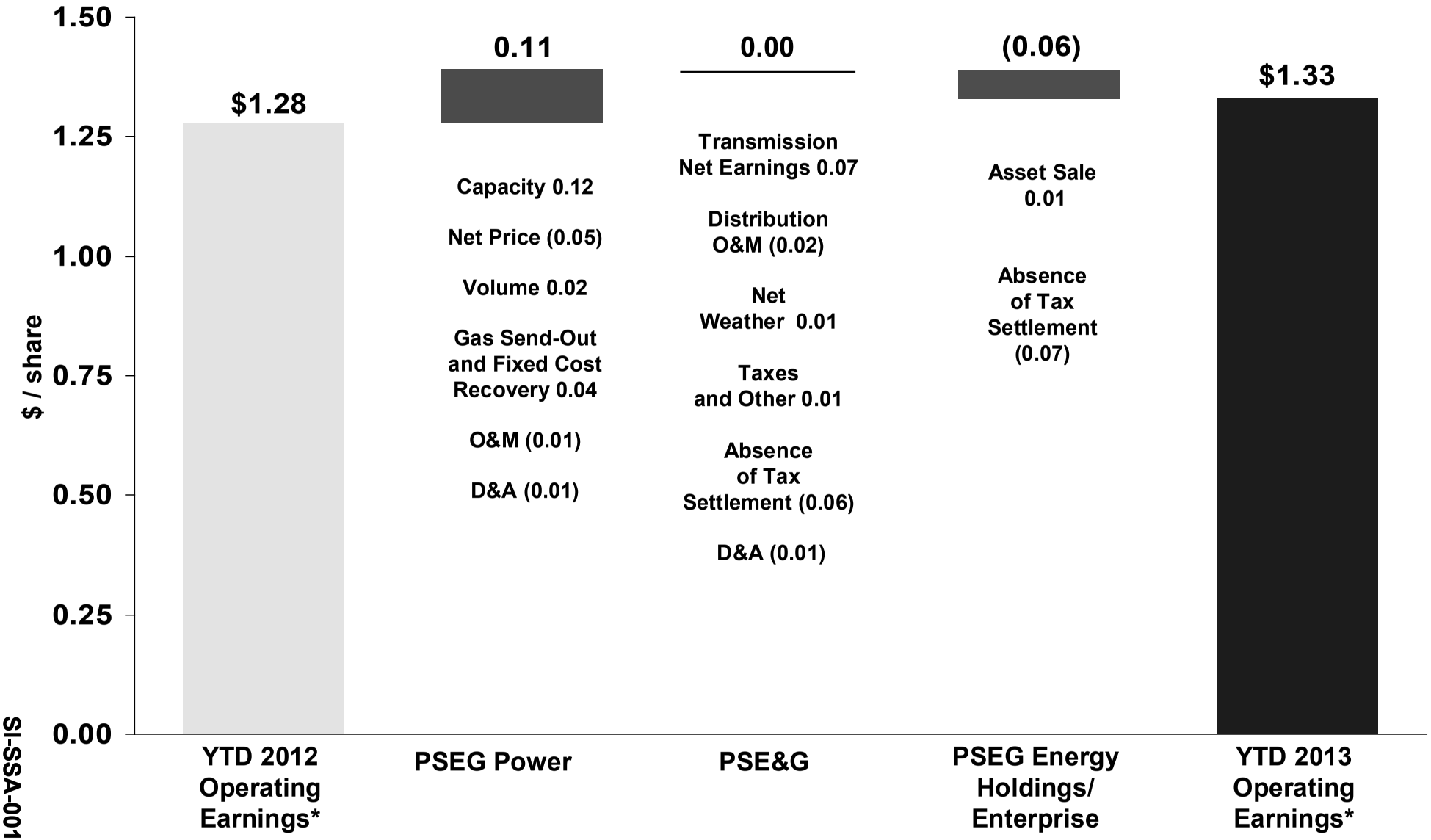
First Half Operating Earnings by Subsidiary

Six months ended June 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 364	$ 306		$ 0.71	$ 0.60
PSE&G	300	298		0.59	0.59
PSEG Energy Holdings/ Enterprise	12	43		0.03	0.09
Operating Earnings*	$ 676	$ 647		$ 1.33	$ 1.28

*See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – YTD 2013 versus YTD 2012



SI-SSA-0015-12033

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

PSEG Power
2013 Q2 Review

SI-SSA-0015-12034

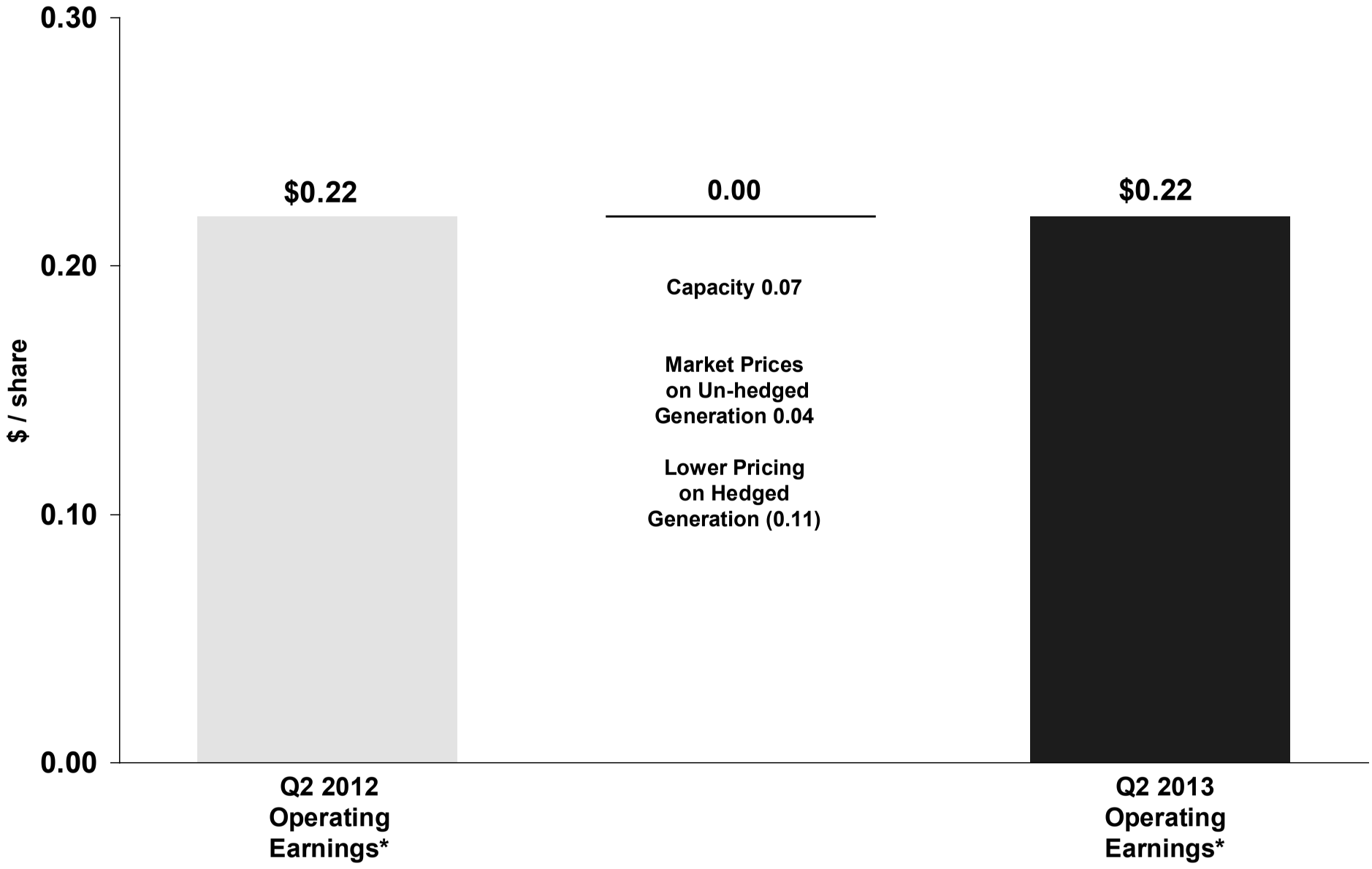
PSEG Power – Q2 2013 EPS Summary

$ millions (except EPS)	Q2 2013	Q2 2012	Variance
Operating Revenues	$ 1,190	$ 985	$ 205
Operating Earnings	114	110	4
NDT Funds Related Activity, Net of Tax	8	4	4
Mark-to-Market, Net of Tax**	80	(10)	90
Storm O&M, Net of Insurance Recoveries	2	-	2
Income from Continuing Operations/Net Income	$ 204	$ 104	$ 100
EPS from Operating Earnings*	$ 0.22	$ 0.22	$0.00

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.
**Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-12035

PSEG Power EPS Reconciliation – Q2 2013 versus Q2 2012



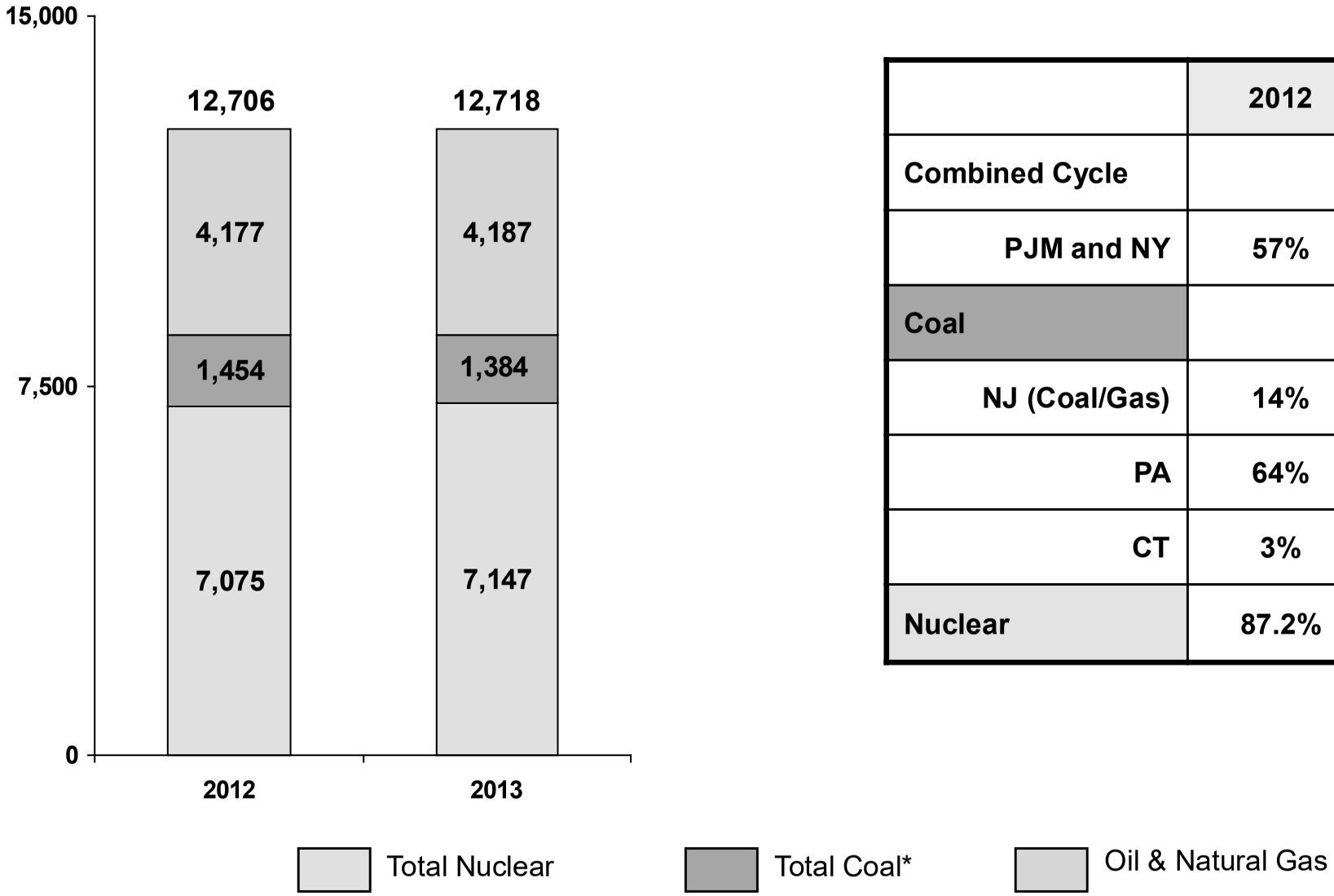
SI-SSA-0015-12036

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

PSEG Power – Q2 2013 Generation Measures

PSEG Power – Generation (GWh)

Quarter ended June 30



PSEG Power – Capacity Factors (%)

Quarter ended June 30

	2012	2013
Combined Cycle		
PJM and NY	57%	57%
Coal		
NJ (Coal/Gas)	14%	8%
PA	64%	70%
CT	3%	3%
Nuclear	87.2%	87.9%

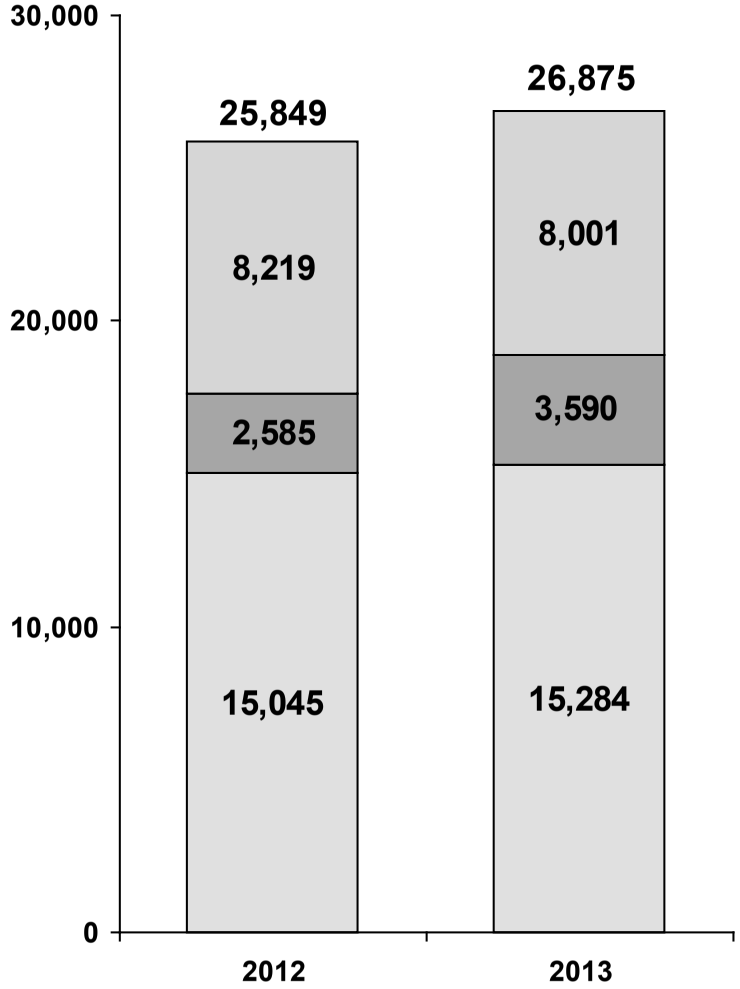
* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-12037

PSEG Power – YTD 2013 Generation Measures

PSEG Power – Generation (GWh)

Six Months ended June 30



Total Nuclear | Total Coal* | Oil & Natural Gas

PSEG Power – Capacity Factors (%)

Six Months ended June 30

	2012	2013
Combined Cycle		
PJM and NY	57%	55%
Coal		
NJ (Coal/Gas)	8%	13%
PA	63%	78%
CT	3%	19%
Nuclear	92.7%	94.4%

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

SI-SSA-0015-12038

PSEG Power – Fuel Costs

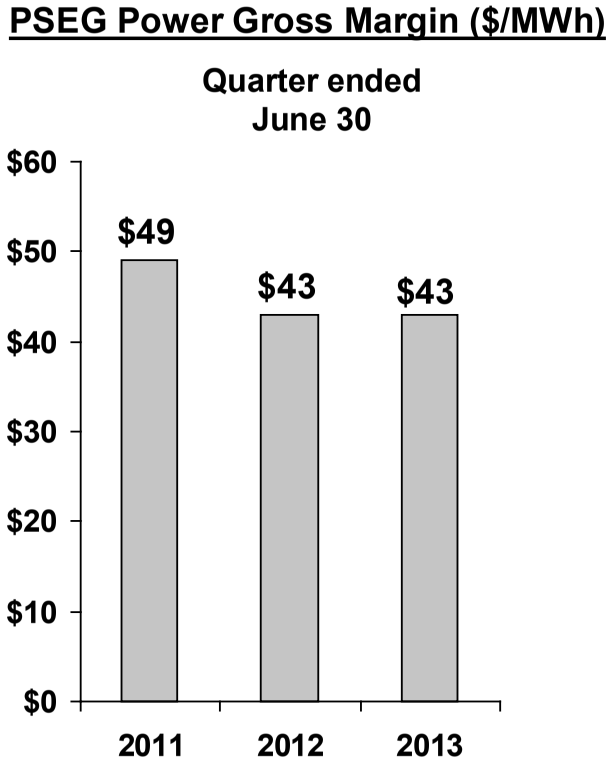
PSEG Power – Fuel Costs

	Quarter ended June 30	
($ millions)	2012	2013
Coal	$39	$30
Oil & Gas	113	160
Total Fossil	152	190
Nuclear	48	52
Total Fuel Cost	$200	$242
Total Generation (GWh)	12,706	12,718
$ / MWh	15.74	19.03

	YTD June 30	
($ millions)	2012	2013
Coal	$77	$96
Oil & Gas	241	338
Total Fossil	318	434
Nuclear	98	110
Total Fuel Cost	$416	$544
Total Generation (GWh)	25,849	26,875
$ / MWh	16.09	20.24

PSEG Power – Gross Margin Performance

- ✓ Locational advantage of generating portfolio offset lower prices in hedged products
- ✓ Q2 spot prices higher across PJM-W, PS Zone, ISO-NE and NYISO
- ✓ Margins stable with higher capacity pricing offsetting lower net pricing
- ✓ Migration volumes in line with expectations



Regional Performance		
Region	**Q2 2013 Gross Margin ($M)**	**2013 Performance**
PJM	**$523**	Roll-off of higher priced hedges offset higher capacity prices versus a year ago and flat generation output.
New England	**$15**	Higher pricing on flat volume.
New York	**$12**	Higher pricing on flat volume.

SI-SSA-0015-12040

Hedging Update…

Contracted Energy*

		Jul -Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	35	35
	% Hedged	100%	90-95%	50-55%
	Price $/MWh	$51	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	18	17
	% Hedged	30-35%	0%	0%
	Price $/MWh	$51	$49	$49
Total	Volume TWh	26-28	53-55	52-54
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$51	$49	$49

* Hedge percentages and prices as of June 28, 2013. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-12041

PSEG Power – Q2 2013 Highlights

Operations

- ✓ Q2 output was flat year-over-year, reflecting Salem 1 extended refueling and a 6 day forced outage at Hope Creek
- ✓ Nuclear capacity factor was 87.9% for Q2 and 94.4% for the YTD
- ✓ Equivalent availability factors for CCGT units restored to pre-Sandy levels near 90%
- ✓ Output of NJ coal units was 38% coal, 62% gas fueled for the YTD

Regulatory and Market Environment

- ✓ Capacity auction results continue to recognize the locational advantage of Power's assets: For the 2016/2017 RPM auction, Power cleared 8,637 MW of capacity at an average price of $166/MW-day
- ✓ Higher spot power prices across PJM, NYISO, and ISO-NE continued in Q2
- ✓ Remainder of 2013 anticipated base load output hedged at an average price of $51/MWh
- ✓ Decisions in Federal Court for NJ and MD LCAPP cases pending

Financial

- ✓ Storm related spending was $22 million pre-tax in Q2, $50 million YTD, and $135 million storm-to-date (before insurance recoveries thus far totaling $44 million)
- ✓ Power's total debt as a percentage of capital at June 30 was 28%
- ✓ Power paid at maturity a $300 million, 2.5% senior note in April

SI-SSA-0015-12042

PSE&G
2013 Q2 Review

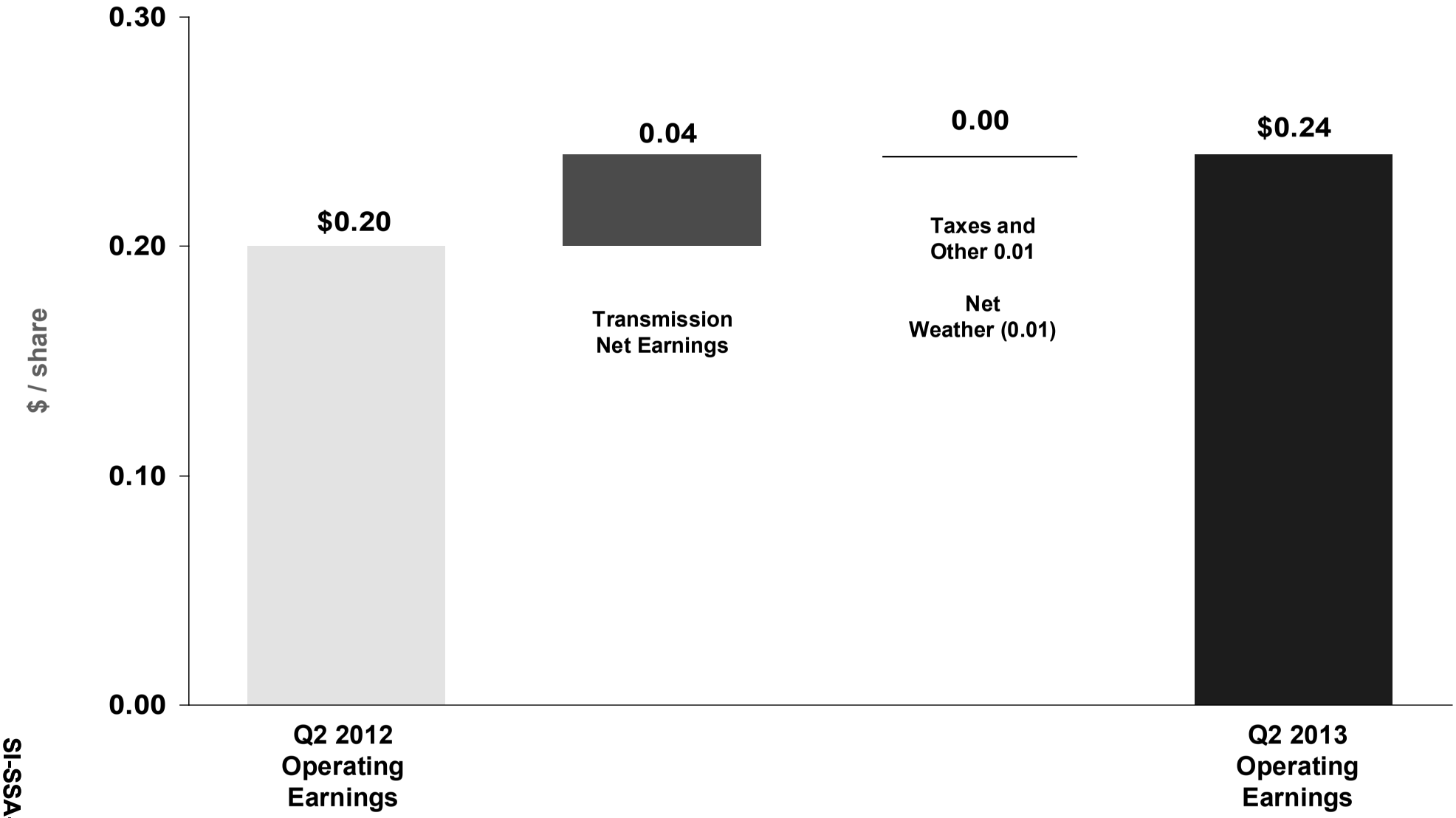
SI-SSA-0015-12043

PSE&G – Q2 Earnings Summary

$ millions (except EPS)	Q2 2013	Q2 2012	Variance
Operating Revenues	$ 1,423	$ 1,407	$ 16
Operating Expenses			
Energy Costs	580	622	(42)
Operation & Maintenance	369	350	19
Depreciation & Amortization	207	188	19
Taxes Other than Income Taxes	14	20	(6)
Total Operating Expenses	1,170	1,180	(10)
Operating Earnings / Net Income	121	101	20
EPS from Operating Earnings	$ 0.24	$ 0.20	$ 0.04

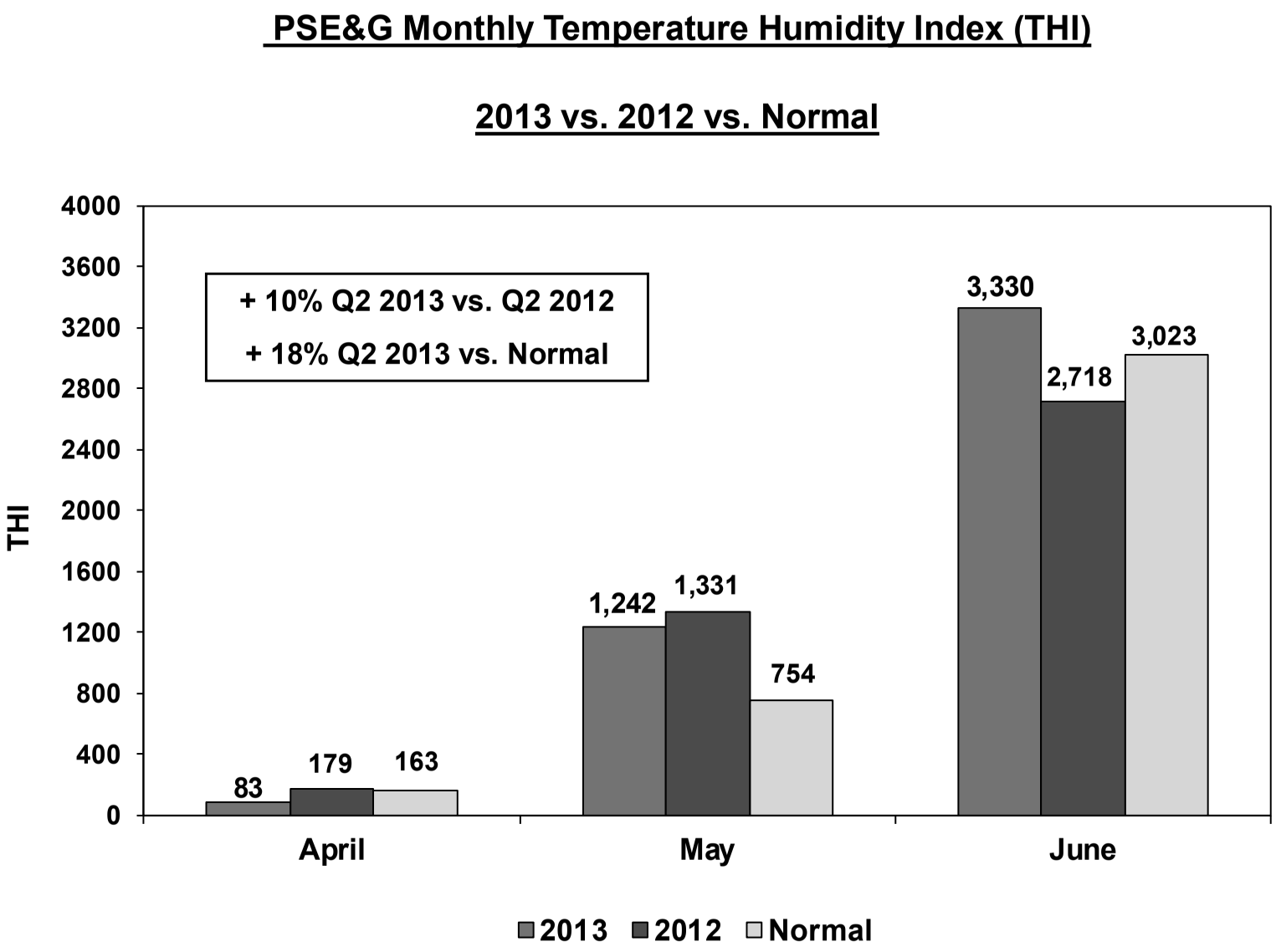
SI-SSA-0015-12044

PSE&G EPS Reconciliation – Q2 2013 versus Q2 2012



SI-SSA-0015-12045

PSE&G – Monthly Summer Weather Data



SI-SSA-0015-12046

PSEG Capital Expenditures 2013-2015

- ✓Revised PSE&G 2013-2015 Capital Spending forecast includes new solar programs
- ✓Transmission investment represents over 50% of planned capital spend over 2013-2015

Capital Spending ($ Millions)	Prior 2013-2015E	Updated 2013-2015E
PSE&G		
Transmission	$3,430	$3,430
Distribution	1,330	1,330
Renewables	140	355
PSE&G Total	$4,900	$5,115
Power	1,070	1,070
Other-Renewables	50	50
Other	115	115
PSEG Total	$6,135	$6,350

*E=Estimate; Updated 2013-2015 Capital Spending revisions do not reflect the Energy Strong filing, or the $1.5 billion of Transmission hardening.

SI-SSA-0015-12047

PSE&G – Q2 2013 Highlights

Operations

- ✓ Q2 winter weather was significantly colder than Q2 2012 but only slightly colder than normal
- ✓ Q2 summer weather was warmer than Q2 2012 and warmer than normal
- ✓ A still-slow economy continues to weigh on electric demand; gas demand improving
- ✓ O&M expected to moderate in second-half 2013

Regulatory and Market Environment

- ✓ BPU approved Solar Agreement to spend up to $247 million on Solar 4 All extension and up to $199 million on Solar Loan III program
- ✓ Continuing regulatory process on Energy Strong infrastructure proposal to invest $3.9 billion over the next ten years on electric and gas system hardening and resiliency
- ✓ Advancing plans for Transmission hardening program of $1.5 billion over 10 years
- ✓ Construction of major Transmission lines progressing on schedule

Financial

- ✓ PSE&G is earning its authorized return on equity
- ✓ PSE&G's capital budget for 2013-2015 revised to $5.1 billion from $4.9 billion, to reflect approval of expanded investment in solar
- ✓ Issued $500 million, 10-year secured MTNs at 2.375% due May 2023

SI-SSA-0015-12048

PSEG Energy Holdings/Enterprise 2013 Q2 Review

SI-SSA-0015-12049

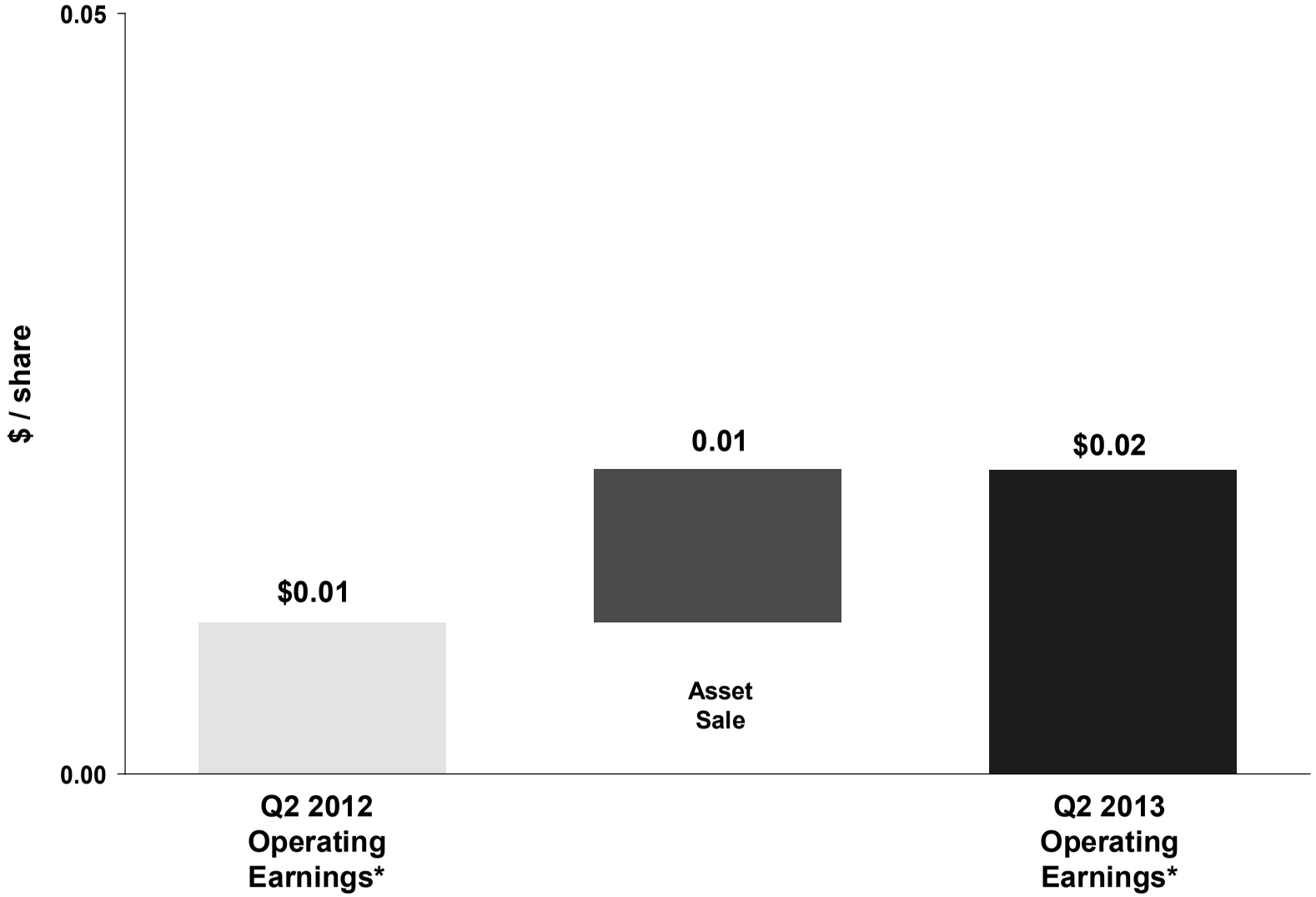
PSEG Energy Holdings/Enterprise – Q2 2013 Earnings Summary

$ millions (except EPS)	Q2 2013	Q2 2012	Variance
Operating Earnings	$ 8	$ 4	$ 4
Lease Related Activity	-	2	(2)
Income from Continuing Operations/ Net Income	$ 8	$ 6	$ 2
EPS from Operating Earnings*	$ 0.02	$ 0.01	$ 0.01

* See Page A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12050

PSEG Energy Holdings/Enterprise EPS Reconciliation – Q2 2013 versus Q2 2012



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

SI-SSA-0015-12051

PSEG Energy Holdings/Enterprise – Q2 2013 Highlights

Financial

- ✓ Expanded LIPA management agreement under consideration
- ✓ Edison Mission Energy agreement to defer lease decisions until late September
- ✓ Badger 1 (19 MW) solar farm scheduled to be in service this Fall
- ✓ Continuing to monetize non-core assets

SI-SSA-0015-12052

PSEG

PSEG Financial Highlights

- **Maintaining 2013 operating earnings guidance of $2.25 - $2.50 per share**
  - ✓ Based on financial results to date, we expect operating earnings for the full year to be at the upper end of our guidance range assuming normal weather and unit operations
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G's operating earnings expected to grow at double-digit rate in 2013, and provide ~50% of consolidated operating earnings

- **Executing PSE&G's existing $3.4 billion Transmission capital spending program on schedule – fueling double-digit growth in PSE&G operating earnings through 2015, based on approved programs**

- **PSE&G pursuing Energy Strong, its $3.9 billion, ten-year infrastructure spending program to strengthen electric and gas distribution, communications, and customer reliability and resiliency. In addition, PSE&G plans to invest $1.5 billion during this time-frame to harden its Transmission system**

- **Financial position remains strong**
  - ✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capital was 41.2% at June 30, 2013

- **Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth**

SI-SSA-0015-12054

PSEG 2013 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	2013E	2012A
PSEG Power	$535 – $600	$644
PSE&G	$580 – $635	$528
PSEG Energy Holdings/Enterprise	$25 – $35	$64
Operating Earnings*	$1,140 – $1,270	$1,236
Earnings per Share	**$2.25 – $2.50**	**$2.44**

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

SI-SSA-0015-12055

PSEG Liquidity as of June 30, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$170	$430
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$54	$1,546
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$5	$495
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$329	$3,971
				*PSEG Money Pool ST Investment	$114
				*PSE&G ST Investment	$0
				Total Liquidity Available	**$4,085**
				Total Parent / Power Liquidity	**$3,655**

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

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

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

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)						
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 8	$ 4	$ 17	$ 9	$ 52	$ 50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	80	(10)	(25)	42	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	2	-	6	36	(173)
Storm O&M, net of insurance recoveries (PSEG Power)	2	-	(15)	-	(39)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	-	-	34
Total Pro-forma adjustments	$ 90	$ (4)	$ (23)	$ 57	$ 39	$ 18
Fully Diluted Average Shares Outstanding (in Millions)	507	507	507	507	507	507
Per Share Impact (Diluted)						
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.02	$ 0.01	$ 0.04	$ 0.02	$ 0.10	$ 0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.16	(0.02)	(0.05)	0.08	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07	(0.34)
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	(0.03)	-	(0.08)	-
Gain on Sale of Qwest Building (PSEG Energy Holdings)	-	-	-	-	-	0.06
Total Pro-forma adjustments	$ 0.18	$ (0.01)	$ (0.04)	$ 0.11	$ 0.07	$ 0.03

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

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

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q3 2013 Public Service Enterprise Group Inc Earnings Conference Call

EVENT DATE/TIME: OCTOBER 30, 2013 / 03:00PM GMT

OVERVIEW:
Management discussed 3Q13 results, reporting operating EPS of $0.76. Guidance was for 2013 operating EPS of $2.40-2.55.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc. - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Caroline Dorsa *Public Service Enterprise Group Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Kit Konolige *BGC Financial - Analyst*

Dan Eggers *Credit Suisse - Analyst*

Neel Mitra *Tudor, Pickering, Holt - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Greg Gordon *ISI Group - Analyst*

Paul Fremont *Jefferies & Co. - Analyst*

PRESENTATION

Operator

Good morning, my name is Brian and I will be your conference operator today. At this time I would like to welcome everyone to the Public Service Enterprise's third-quarter 2013 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (Operator Instructions). Thank you. Ms. Lally, you may begin your conference.

Kathleen Lally ***- Public Service Enterprise Group Inc. - VP of IR***

Thank you, Brian. Good morning, everyone. Thank you for participating in our call this morning; we understand it is a very busy day for earnings. But as you are aware, we released our third-quarter 2013 earnings statement earlier today. Both the release and attachments are posted on our website at www.PSEG.com under the investor section. We also posted a series of slides that detail the operating results by Company for the quarter and our 10-Q for the period ended September 30, 2013 is expected to be filed shortly.

I won't go through the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results. But, as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are the subject to various risks and uncertainties.

Although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless we are of course required to do so. Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause results to differ from management projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and CFO. At the conclusion of their remarks there will be time for your questions. I'm not going to ask that you limit yourself to one question and one follow-up, but please take note of others who may be on the call ready to ask a question. Thank you. Ralph?

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THOMSON REUTERS

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG***

Thank you, Kathleen, and thank you, everyone, for joining us today. It is hard to believe that it was a year ago when we were reporting results for the third quarter of 2012 while we were responding to the damage to our system caused by Superstorm Sandy. Our utility, PSE&G, restored service to 2.1 million customers within 10 days and PSEG Power's assets, you will recall, were severely tested as well, but performed so as to ensure that electricity was available to every one of those 2.1 million customers as they were being restored.

Now both companies in the past year have embarked on programs to strengthen their systems. But enough of the past. It is with a great sense of satisfaction, and in fact it is somewhat remarkable when looking back at what we faced at that time, that I can report to you strong operating earnings for the third quarter 2013 and in fact the nine months of 2013. And on top of that I can report to you this morning an increase in our operating earnings guidance for the full year from what had initially been $2.25 to $2.50 per share to our new guidance range of $2.40 to $2.55 per share.

So earlier this morning we reported operating earnings for the third quarter of 2013 of $0.76 per share compared with operating earnings of $0.75 per share earned in 2012's third quarter. We have delivered solid results that are consistent with our operating objectives. And once again it is due to the tireless efforts of a dedicated workforce that we are on track to meet our near- and long-term targets for capital investment and operational efficiency. And that we can raise our guidance for full-year operating earnings.

Our shareholders continue to realize the benefit to earnings from the expansion of our investment in transmission and distribution, while our customers enjoy the improvement in reliability that come along with it. PSE&G's $3.4 billion transmission investment program includes five major transmission lines that require substantial citing and logistical support, yet all projects are on time and on budget and scheduled to be operational during 2014 through 2015.

Since PSE&G began its transmission expansion program in 2009, its investment in transmission has grown to represent 28% of rate base at the end of 2012. This represents a net investment of $2.5 billion and expected to grow to represent approximately 40% of PSE&G's rate base at the end of 2015, or an investment approximating $4.8 billion. As I've already mentioned, the investment in these major transmission projects will further enhance reliability for our customers.

Shifting our attention to PSEG Power for a moment, Power made an impressive comeback restoring operations at most of its peaking generating stations to pre-Sandy levels to assure their availability during the critical summer months. And Power continues to benefit from its favorable location.

Now in the past when we referred to Power's locational value it was typically a reference to the benefits associated with assets in the east located close to load and of course this remains true. But now Power is also benefiting from our location which gives us access to low-cost gas in the Marcellus basin through our gas pipeline and storage contract.

PSE&G's residential customers are the primary beneficiaries of this contracted position. And for that reason PSE&G announced last week that it would be providing a two-month bill credit for its residential gas customers that will reduce the typical monthly bill by 33% in both November and December of this year.

However, to the extent that we have firm pipeline capacity in excess of the need for serving residential customers, this firm transportation capacity may be used, and in fact is used, to supply power generation fleet under a BPU approved agreement. Power configured as firm gas transmission capability over the past 15 years with the objective of building a network at the most liquid supply hub to support the needs of its customers. PSEG Power as a result is one of the largest shippers of gas from the Marcellus basin.

As new interstate pipelines become operational later this year they will provide an additional outlet for some of the Marcellus supply. We believe, however, that Power should continue to experience periods of higher spark spreads given PSEG Power's gas transportation condition.

Power's earnings are currently benefiting from favorable prices it receives on capacity located in PJM. We were very pleased that the US District Courts in Maryland and New Jersey ruled an amendment that preserves competitive wholesale generation markets. We

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believe that a competitive market is the best approach for ensuring there is a sufficient supply of electric capacity to meet customer demand at the lowest cost.

The Court's position is not expected to have an impact on markets over the near-term. PJM has and will continue to address improvements in market design. It's important, however, that the market rules are understood and the playing field is level to support new investment when needed over the long-term.

Now as I have stated already, our strong operating performance is due to the dedication shown by our employees to meeting our corporate objective. This dedication has been recognized with the recently approved enhancement to our contract to operate the Long Island Power Authority's transmission and distribution system.

The contract enhancement will allow Power's energy resources and trade group to manage LIPA's electric dispatching fuel procurement needs in 2015 and provide for an increase in our management fee in 2016. The agreement remains contingent on LIPA receiving a private letter ruling from the IRS on the continued tax exempt status of its debt.

We also remain focused on securing approval for PSE&G's Energy Strong proposal. At this moment 74 municipalities and seven county governments have submitted resolutions to the Board of Public Utilities in support of our proposal. Public hearings have been held and we expect the proposal to receive careful consideration given the opportunity to improve the resiliency of the distribution system with little net impact on the customer's bill due to the coincidental expiration of various other charges.

And for the year PSE&G is on track to provide double-digit growth in earnings on increased investment in transmission as PSEG Power's results benefit from the strong locational advantages I have already described.

We made a move several years ago to use the strength of our balance sheet to invest primarily in our more stable regulated business in ways that meet customer needs us we also sought to protect the upside of our strong merchant business. Our focus is yielding returns and we are well positioned to meet the needs of our customers and to perform for our shareholders.

I will turn the call over to Carol to review our operating results in greater detail and then I will rejoin her at the end to answer your questions.

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

Thank you, Ralph, and good morning, everyone. I will review our quarterly operating earnings as well as the outlook for full-year operating results by subsidiary Company. As Ralph said, PSEG reported operating earnings for the third quarter of 2013 of $0.76 per share versus operating earnings of $0.75 per share in last year's third quarter. For the nine months ended September 30 we reported operating earnings of $2.09 per share versus $2.03 per share last year.

Slides 4 and 5 in our webcast deck provide a reconciliation of operating earnings to income from continuing operations and net income for the quarter and the year to date. We've provided as always a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business and a similar chart on slide 12 provides you with the changes in operating earnings by each business on a year-to-date basis. I will now review each Company in more detail and I will start with Power.

As shown on slide 14, PSEG Power reported operating earnings for the third quarter of $0.43 per share compared with $0.43 per share a year ago. Power's third-quarter earnings benefited from higher PJM capacity prices, an improvement in the market price of energy, a decline in the supply cost of gas and strong operating performance. Before reviewing the earnings in detail I want to spend some time on Power's gas position.

Power currently sells wholesale natural gas under a full requirement basic gas supply service, or BGSS, contract with PSE&G to meet the gas supply requirements of PSE&G's residential customers. Power has configured its contractual arrangements with interstate

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pipelines over the years which amount to 1.3 billion cubic feet per day of firm transportation capacity to meet its obligations under the BGSS contract.

Approximately 46% of PSE&G peak daily gas requirement is provided from Power's firm transportation capacity, which is available every day of the year. Power satisfies the remainder of PSE&G's requirements from storage contracts, LNG, seasonal purchases and other sources of supply. The transportation contract stores gas from both from the Marcellus basin at about 0.6 Bcf per day and the Gulf Coast at about 0.7 Bcf per day. This supply is supplemented with 0.9 Bcf per day of storage deliverability from a total storage capacity of about 76 billion cubic feet.

So the primary beneficiary of these contractual arrangements, as I mentioned, is the firm utility customer. When capacity beyond daily demand and storage injections is available it may be used to serve the gas supply needs of Power's generation fleet under a BPU approved agreement.

Over the years having firm transportation contracts for gas has provided Power with direct and indirect market benefits. The firm gas contracts and Power's electric hedging strategy have allowed Power to take advantage of market volatility created by weather and supplier positions. Gas market volatility also has an impact on the electric market and can affect the value of [bases] as well as the value of ancillary services provided by Power's generation fleet.

We experienced this favorable impact on earnings of the volatility earlier this year as we have in past years in varying degrees. And you will recall we discussed this on the first-quarter call. Because production from the Marcellus basin has increased faster than the availability of infrastructure to move the gas the cost of gas from the Marcellus relative to other basins has declined in 2013, particularly since July of this year.

The cost decline has occurred at a time of low heating demand while storage was being filled to meet the needs of residential customers and the upcoming winter heating season. Excess supply is normally available in the third quarter and this year was available to meet the needs of our generating fleet.

So you should think of Power's firm transportation contracts providing benefits in the following order -- utility customers are first in line, including the need to build storage in the summer months; then to the extent supply exists in excess of these firm customer needs, Power would be able to make off system sales, a large portion of which benefit the utility customer and, lastly, provide gas for its generation fleet. Customer demand and the use of these gas assets will differ by season of the year and is largely dependent on the weather.

The ability of generation to access the low-cost Marcellus supply is more likely to occur during the summer months and the shoulder periods for the reasons I just noted. So now I will provide you with more detail behind Power's third-quarter operating earnings.

During the third quarter Power's combined cycle fleet realized spark spreads which were approximately 40% to 45% greater than what it realized in the third quarter of 2012, the direct benefit of its Marcellus position. Power's result also benefited from the favorable impact with higher overall market prices for natural gas and an improvement in PS-zone basis had on spot market prices for energy.

So combined the improvement in the wholesale price of energy and a decline in fuel cost added $0.04 per share to earnings quarter over quarter with the majority of the benefit coming from the Marcellus impact.

An increase in capacity prices improved Power's quarter-over-quarter earnings by $0.11 per share. The improvement in capacity revenue and wholesale energy margins more than offset the $0.10 per share decline from quarter-over-quarter earnings from a reduction in the average price on hedged volumes. A reduction in generation volumes as a result of more normal weather and the maintenance related outage at that gas fired Bethlehem Energy Center, or BEC, reduced Power's quarter-over-quarter earnings comparison by $0.2 per share.

The major maintenance outage at the BEC, which concluded in October, resulted in an increase in Power's operating and maintenance expense exclusive of storm-related activity and reduced quarter-over-quarter earnings comparisons by $0.04 per share. Taxes and other items added about a penny per share to quarter-over-quarter earnings comparisons.

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Volume declined by 5.4% in the quarter. There were more normal weather conditions and the BEC maintenance outage reduced output from the fossil fleet by 10% in the quarter. The nuclear fleet maintained its strong operating performance with an average capacity factor of 91% in the quarter and 93.2% for the nine months ended September.

While volumes were lower overall performance was strong including excellent summer availability. The combination of higher capacity prices and lower fuel costs resulted in gross margins for Power of approximately $51 per megawatt hour in the third quarter versus gross margins of $47 per megawatt hour in the year-ago period. Remember capacity prices increased to an average of $244 per megawatt day from $153 per megawatt day on June 1 of this year and those higher prices remain in effect through May 31 of 2014. Slide 19 in your deck provides detail on Power's realized gross margins.

Power continues to forecast output for both of 2013 and 2014 of between 53 and 55 terawatt hours. Output for the fourth quarter of approximately 13 to 14 terawatt hours this year is 70% to 75% hedged at an average price of $50 per megawatt hour. Of 2014's forecast output Power has hedged approximately 65% to 70% at an average price of $48 per megawatt hour.

Power has hedged approximately 35% to 40% in 2015's forecast generation of 52 to 54 terawatt hours at an average price of $48 per megawatt hour. Power's forecast of total generation output in each of the next two years is unchanged from prior guidance. The percentage of generation hedged in each of the next two years is greater than our prior forecast and the average price of energy hedged has declined by $1 per megawatt hour. The changes reflect both an upward adjustment to the forecasted BGS-related hedges as well as an increase in the percentage of energy hedged at PJM-West prices.

The data for 2014 now assumes BGS volumes of about 11 terawatt hours versus prior guidance of 10 terawatt hours as customers switching to third-party suppliers has slowed during the year. Power continues to assume BGS-related load and hedges in 2013 will represent about 12 terawatt hours of generation for this year.

Results for the remainder of the year will continue to be influenced by higher capacity prices as well as a decline in the average price of our hedges. We also continue to forecast an increase in Power's quarter-over-quarter O&M expense given a refueling outage at over 100% owned Hope Creek nuclear facility currently underway as well as the maintenance work at BEC which concluded, as I mentioned earlier, and October.

Based on the performance of Power through the year including the third-quarter we have raised the forecast range of Power's operating earnings for 2013 to $630 million to $685 million from $535 million to $600 million.

Let's now turn to PSE&G. PSE&G reported operating earnings for the third quarter of 2013 of $0.33 per share compared with $0.30 per share for the third quarter of 2012. The utility's third-quarter earnings reflect increased revenue associated with an increased level of investment. Higher transmission revenue effective on January 1 of 2013, increased quarter-over-quarter earnings by $0.04 per share.

Revenue from investments made under PSE&G's distribution capital infrastructure investment program contributed $0.01 per share to earnings in the quarter. Electric demand in the third quarter was influenced by whether, which was hotter than normal, but cooler than the weather conditions experienced in the year-ago quarter. Also demand for electricity continues to be impacted by customer conservation in a slowly improving economic environment.

Weather normalized electric sales led by the decline in the residential sector are estimated to have declined by 2.3% in the third quarter. Sales of gas, although not as important in the third quarter as the demand for electricity, increased 10.4% from year ago levels and year to date are 1.9% higher than last year. This continues the pattern we've seen this year and talked about earlier and could be reflective of customers' adjustment to an overall lower cost of gas.

You will note PSE&G announced last week that it would be providing its residential customers with a two-month bill credit that will reduce the typical monthly bill by approximately 33% in both of November and December. And this is on top of the ongoing 39% reduction in BGSS rates that have been announced over the past four years.

The net impact on earnings from weather and the change in sales was a reduction in quarter-over-quarter earnings of $0.02 per share. A slight increase in distribution related O&M and depreciation expense was offset by a decline in interest expense and other items.

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PSE&G is investing $3.4 billion in transmission-related programs over the period from 2013 through 2015. This program, which as Ralph mentioned, includes five major transmission lines, remains on time and on budget. All five lines are expected to be operational over 2014 to 2015.

And PSE&G filed an annual update of its revenue requirements associated with the transmission investment program with the Federal Energy Regulatory Commission in mid-October. If accepted transmission revenue in 2014 would increase by $176 million at the start of next year. PSE&G's control of its operating expenses and recovery of its transmission investment capital on a formula rate basis should continue to allow the Company to earn its authorized return.

We're tightening our forecast of PSE&G's operating earnings for 2013 from $585 million to $600 million from the prior $580 million to $635 million. Results from the year will be influenced by a full-year increase in transmission revenue, weaker demand in the absence of the negative impact of Superstorm Sandy on sales and O&M in the fourth quarter.

We continue to anticipate double-digit growth in PSE&G's operating earnings this year and through 2015 based on approved programs. And we will update you on expectations for 2014 through 2016 in February on our fourth-quarter call. Let me now turn to Energy Holdings and Enterprise.

PSEG Energy Holdings together with the parent reported operating earnings of $1 million for the third quarter of 2013 versus operating earnings of $10 million or $0.02 per share during the third quarter of 2012. Results for the quarter reflect continued monetization of assets within Holdings' portfolio and the absence of a gain on an asset sale that occurred in the year-ago quarter.

As many of you are aware, the terms of NRG Energy's recent announcement to acquire Edison Mission Energy, or EME, as part of an EME Chapter 11 reorganization would protect the entirety of Holdings' equity value in the Powerton and Joliet leverage leases. The transaction is expected to close in the first quarter of 2014.

We've adjusted our forecast of PSEG Energy Holdings and Enterprise full-year operating earnings to zero to $10 million from the prior $25 million to $35 million.

The updated guidance reflects the impact of revised estimates for legacy Holdings' portfolio and related taxes completely separate from merchant energy leases, which are expected to more than offset the benefit to operating earnings from the commercial operation of Holdings of six solar facilities in the fourth quarter.

Recall that our strategy in Holdings is to wind down the portfolio, reduce risk and sell off assets and we think we've been very successful to date in achieving this strategy.

Next I would like to briefly mention PSEG Long Island. The Board of Directors for the Long Island Power Authority, or LIPA, recently approved amendments to PSEG Long Island's original operating services agreement for LIPA's transmission and distribution system. When all regulatory approvals are received we will begin to operate under the new contract.

The revised terms are expected to add an estimated $0.04 to $0.05 per share to PSEG's earnings when fully effective in 2016 versus the original agreement which provided a run rate of earnings of about $0.03 per share.

Lastly on the financing front, we continue to be in a strong position to finance our capital program. At the end of September we had approximately $448 million in cash on hand, debt represented about 41% of PSEG's consolidated capital with debt at Power approximating 28% of its capital base. Power's cash flow remains strong and PSE&G's cash generation has improved with its ability to earn its authorized return on increased levels of capital investment.

As we've said before, we can finance our existing capital program without the need to issue equity. And we can finance and expand a capital program that includes expanding on Energy Strong related projects also without the need to issue equity. And that still leaves us with the opportunity for modest and sustainable growth in the common dividend as we look to the future.

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So finally, just to reiterate, as Ralph said earlier, we are pleased to be raising our guidance for the forecasted operating earnings for the full year of 2013 to $2.40 to $2.55 per share. That concludes my remarks. And, Brian, I will now turn it over to you to introduce the Q&A.

QUESTION AND ANSWER

Operator

(Operator Instructions). Kit Konolige, BGC Financial.

Kit Konolige *- BGC Financial - Analyst*

A couple of areas -- on the decline in demand, 2.3% in the third quarter, can you give us what that is year to date? And a little color maybe on what you think is going on there and what the outlook is going forward from here?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Yes, so year to date it was 2.7%, remember these are weather normalized numbers. And I think I have done 26 of these quarterly calls and I always get the same caveat, which is weather normalization is as much art as it is science. We had some extreme weather conditions, so trying to back that out is not always easy.

The big change this quarter was in the residential sector, that was down 2.9%. The good news, if you will, is we primarily driven by the commercial sector -- and that was down 1% in the third quarter which is a little bit stronger than -- which is less of a down than it had been prior year to date.

It is a combination of a slowly recovering economy, the unemployment levels in New Jersey are well published at about 8.2% to 8.3%. We have seen some modest recovery in housing starts but the status didn't go down as far as others in 2008 and hasn't sprung back as quickly as others, but it is a combination we think of economic factors and just greater use of energy efficiency.

Kit Konolige *- BGC Financial - Analyst*

And, Ralph, Is there some kind of structural change going on here where the new normal is going to be that there is negative sales? Or do you expect this to be cyclical and bounce back? And what do you see as the say three to five year growth rate?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Yes, so what we have told regulators is that we think that certainly the old days of load growth being proportional to GDP are gone and the more recent era of load growth being half of GDP are likely to not be the case anymore. And that is an important part of why we are so insistent upon contemporaneous returns on our significant investment approach in the utility.

Remember, as you well know, Kit, PSE&G's earnings growth is not driven by load growth. Our earnings growth is triggered by reliability enhancements, infrastructure replacement and enhanced resiliency. And the old system of regulatory lag giving you some load to growth to kind of carry you until the next rate case is one that doesn't work when you have zero-ish load growth as we have been experiencing. And zero-ish is obviously being a little bit kind when we have just reported negative numbers.

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So whatever the future holds in terms of load growth, which looks to be something that is less than it has been in the past, I think that buttresses our argument for the need for the clause recovery mechanism while we are making significant and necessary capital investment. So PSE&G is not about load growth, it is about rate base growth and the regulatory system has to reflect the new load growth paradigm.

Kit Konolige *- BGC Financial - Analyst*

Great, and one other area if I could. Can you just give us a little more color -- obviously you mentioned on Energy Strong the resolutions that have been passed by the local governments. Clearly you're getting a lot of support there. Has it become -- been mentioned at all in the gubernatorial race? And assuming it is not going to get done until after the election, what kind of timing do you think we have on getting approval?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Sure, Kit. So you'll remember that two of the last three major storms occurred within one week of Election Day, they were Superstorm Sandy and the Halloween snowstorm of 2012 and the third storm I am thinking of is Irene, which was in August. So mayors and elected officials know only too well the inconvenience and problems associated with local residents being without power.

So as a result we have had these 81 jurisdictions, a combination of counties and municipalities rally to show up at public hearings which went extremely well I would characterize it in the month of September and early October. But it wasn't limited to local jurisdictions that showed up in support; we had strong support from a myriad of business associations, hospital associations and labor unions.

The schedule now calls for evidentiary hearings to take place, I believe it is in February or the beginning of March. So on a fully litigated track this won't be resolved until the end of March, end of first quarter. But we remain hopeful that we can settle this because the conversations with the staff have been very, very reasonable. I mean this is a big investment and they are asking good questions about engineering studies and expectations for what might be the range of costs associated with some of the proposals we have made.

I am not aware of comments that have been made by the candidates. I think early on the governor said he expects the BPU to give this a full and thorough review, kind of the sort of reasonable or rational [project] that you would expect from this governor, just in light of the complexity of it, and the fact that he has a full BPU that is supposed to look after this. And I don't believe it has hit the radar screen of his opponent I am looking around the room here and everyone is shaking their head no. So I don't think I missed the article that might have mentioned it.

So seeing that -- we are still hopeful that we will come to some settlement agreement around the end of the year. And as long as you allow me to define the end of the year as possibly including January, I feel very confident of that. That is where things stand right now.

Kit Konolige *- BGC Financial - Analyst*

Great, thank you.

Operator

Dan Eggers, Credit Suisse.

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Dan Eggers - *Credit Suisse - Analyst*

I guess thanks for all of the detail on the gas positioning and kind of the benefit you guys are seeing from basis differentials. But, Caroline, I prefer to think about this a little more. What is the full-year benefit you guys are seeing if you got about $0.04 in the third quarter if you look at kind of the basis over the year? How much cumulative benefit have you guys seen this year?

Caroline Dorsa - *Public Service Enterprise Group Inc. - EVP & CFO*

Thanks, Dan. So you remember some of the things I said in my remarks. Because of the way in which our contract structure works and the primary benefit goes to the PSE&G residential customer, you are going to see us get these benefits when they are available in those sort of shoulder seasons or seasons where the residential customer doesn't need a lot of heat, like the summer. So we saw the Marcellus prices really come down this summer. That was sort of the single biggest drop we saw, and that lies immediately right into our shoulder summer period.

So the $0.04 I just described in this quarter, the majority of it is coming from the Marcellus, is the quarter in which you saw the gas to electric benefit from Marcellus have the biggest impact on us this year. So that is the way to think about it from sort of a gas to electric has primarily been this quarter. And you wouldn't expect to see on the gas to electric a lot of benefit in the winter because the benefit is going -- is going to the residential customer.

That being said, remember, in the first quarter we talked about the fact that some of the volatility that was happening in gas given our position and given our ability to sell off system sales when there isn't need actually contributed $0.04 per share quarter over quarter in the first quarter, but that was not the gas to electric.

That was the BGSS itself in terms of the ability to recover our fixed cost, which we hadn't in the first quarter of 2012, because you may remember it was so mild that winter. So the way to think about it going forward, the way I will encourage you to think about it is you will see us to the extent that this differential persists -- and again, we don't know how long it will persist but we have probably the single best positioning to garner it when it persists -- it is going to be in shoulder period or summer period where the residential customer doesn't have that gas demand.

We didn't see it as much this spring because that Marcellus price drop really happened in July. So going forward I would encourage you to look for it in the sort of spring and fall periods, so shoulder period. But from gas to electric it has been this quarter that you have really seen it come through the P&L.

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

I think one of the other things we have noticed, Dan, that has been quite favorable, and is difficult to quantify, is that to the extent that that benefit is not available to Power that is because residential gas demand is high, which would tend to mean that we have some severe weather conditions which benefit Power and the utility in other ways.

And to the extent that there is not strong demand, which would suggest that there is a weather condition that is not beneficial to Power and the utility, then the basis differential seems to expand, which offsets that negative outcome. So there is also this kind of natural hedge phenomenon taking place that seems to work to our favor.

Dan Eggers - *Credit Suisse - Analyst*

Okay so just a $0.04 benefit if spreads stayed where they are today, kind of in the second quarter we could replicate something like we saw in the third quarter of this year because that would be another low gas demand period. Is that a reasonable way of thinking about things?

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Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

I don't want to forecast a specific, right, because it depends on what happens to that differential. And of course recognizing, as we said, there are some lines that are coming in, right, into the New York region, the Spectra line, the Williams line. So not certain how that basis will actually move in the future, but to the extent the basis is there we think we are well positioned to capture it. But I wouldn't want to get specific on a number because that all depends on weather conditions and everything else.

Dan Eggers - ***Credit Suisse - Analyst***

Okay, that is fair. And I guess just along those lines, is that going to -- with this opportunity or maybe more obvious if not an opportunity -- are you guys going to reevaluate how you hedge the gas generation in the future, maybe the structuring of the hedges or the magnitude of the hedges?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

I don't think so, Dan, for this reason, right, because you think about where I was citing the benefit, it is the spark spreads widening that we received, the realized spark spread at that 40% to 45% level. Remember as we look at our hedged table, as we always break out for you, the base load versus the intermediate, this combined cycle, that is a part of the stack that you see as do very little hedging in advance of the current year.

So, for example, it is about 10% hedged, that whole category right now for next year. That is typically what you see us optimize in the year. So to the extent that we see combined cycle has opportunities here, those opportunities are still going to be available to us and we are going to hedge in essentially the same way for that part of the stack, which is in the year. And in the year is where we tend to have some visibility.

Dan Eggers - ***Credit Suisse - Analyst***

Okay, great. Thank you for clarifying that, I appreciate it.

Operator

Neel Mitra, Tudor Pickering.

Neel Mitra - ***Tudor, Pickering, Holt - Analyst***

I just wanted to understand the contract structure of the Marcellus gas at Power. Is the way to look at it that the firm pipeline capacity cost is borne by the PSE&G rate payers? And the off system sales, when the gas isn't needed for them, kind of accrues to Power as a variable cost with no operating cost associated with it?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

Good question. So the cost of the pipeline is passed through to the residential customer, so it is not a net cost of Power. So the residential customer is covering the full cost of distribution, as you would expect. Nor is the pass through of the gas to the residential customer a profit center for Power. It simply goes through to the residential customer.

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When there is excess beyond what the residential customers need then we have the ability to make off system sales. And when we make those off system sales the value that is garnered there is shared with the PSE&G customer, in fact the majority goes to the PSE&G customer and then there is a small amount that is left for Power.

So think of Power as providing this on a pass-through basis to the customer, customer covers the cost, Power doesn't make money on the actual throughput. Then to the extent there is excess there is value garnered from the off system, the majority goes to the residential customer and a minority of that comes to the bottom line for Power.

Neel Mitra *- Tudor, Pickering, Holt - Analyst*

Okay, great. So is the way we should think about it is that as these contracts kind of roll off you will re-contract them just from the perspective that PSE&G needs Marcellus gas to supply at LDC and customers? Or is it more of a kind of a speculative bet that Marcellus pricing is lower?

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP & CFO*

No. So a good question as well. It's not a speculative bet. So if you remember I think Ralph said this in his remarks, we set up this network of our contracting over a 15 year period and it was designed and developed to cover the PSE&G load from liquid sources. So it is not speculative but it is also not short-term, these are actually very long-term Evergreen like contracts that we have rights to together with the contracts we have for storage. The entire design was to support our PSE&G customers.

The real story and the story we have been telling this quarter is, as has always been the case, when the customer needs are lower, and the excess can be used for PSEG power, we do that. It turns out this summer to be very beneficial because of Marcellus. But the original design and purpose, which has been for many years and will continue to be for many years, is to pass this value through to our customers and then if there is excess, and only then if there is excess, we use it for PSEG Power.

Neel Mitra *- Tudor, Pickering, Holt - Analyst*

Okay, great. Thank you very much.

Operator

Julien Dumoulin-Smith, UBS.

Julien Dumoulin-Smith *- UBS - Analyst*

So switching topics a bit, if you will, I wanted to focus quickly on this switching phenomenon you described. And I suppose the question is, is it that just fundamentally the offers out there are just less competitive and there is less headroom in a rising capacity price environment? Or is it rather that we are reaching some sort of floor and customer migration and there is something of customer lethargy?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Julien, as you know, we are not in the retail business, but our response would be that this is probably a combination of those two. That your most price-sensitive customers are the first to go and now just having folks switch is a bit more of a challenge. A decline in BGS prices, so our headroom has been single-digit delta throughout the year. And that headroom has to be something that your cost of

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customer acquisition lives under. So that is not a business, as I said, we are in. But I think it is a combination of two things you mentioned.

Julien Dumoulin-Smith *- UBS - Analyst*

And just to be clear, what level of switching did that correspond to for 2014; I'm not sure I caught that.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

As a percentage basis?

Julien Dumoulin-Smith *- UBS - Analyst*

Yes, if you don't mind.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP & CFO*

Yes, a percentage basis, we don't forecast that any longer. But I can tell you the numbers that we see in terms of this is the overall aggregate switching from BGS, right, or in that sort of mid/high 30 percentage point range and that has not really changed in the past few quarters.

So, we used to try to track it every quarter and give you targets for it. What we think makes more sense is to give you those targets we now give you for BGS, which, as you may remember from my remarks, we just raised by 1 terawatt hour for next year. So it is just not coming through to be that much more switching.

And the reason really is, as Ralph said, the headroom just isn't that large. Whatever the retailers are doing on those dynamics and their profitability obviously a question for them. But it appears to have leveled out and, of course, as BGS prices have come down, right, the average price came down $1 when we started this year's BGS season given what was rolling off and rolling on. There is just not that much difference.

Julien Dumoulin-Smith *- UBS - Analyst*

And then looking at the Long Island opportunity here, just to think about perhaps beyond the fees that you could receive here. Could you be a little bit more explicit about the investment opportunities, perhaps rate based-like or otherwise, that you could earn on?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Sure. So, Julien, so as Caroline and I tried to point out, the $0.03 in 2014 grows to $0.07 or $0.08 by 2016. And then there is a provision in the contract that requires that we propose a concept -- and it really is just a concept -- by July 1 of 2014 on utility 2.0.

But what is interesting about it is that it describes in the contract in words that are similar to many of the things that PSE&G has done successfully in New Jersey under various clause mechanisms. And those are renewable energy resources, energy efficiency and behind the meter services.

So we have a team of people looking at that. That is not something that we can forecast a number right now or even a timeframe. But a proposal is due from us to the LIPA Board by July 1 of next year. And we are excited about that because there are some good things

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we've been able to do for customers in New Jersey that we would like to do for customers on Long Island and I'm sure they get fair treatment from the competition for doing so.

Julien Dumoulin-Smith *- UBS - Analyst*

Great, and then lastly, not to beat up the subject one more time. But on the gas issue looking towards 2014 rather than 2013, I presume a full year of wider gas basis to positive. But meanwhile you could have some offsets from new gas infrastructure reducing that basis, is that the right -- a fair way to characterize a full year impact in 2014?

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP & CFO*

Yes, I think that is very fair, Julien. I guess the way that I think about this all in is don't know what the basis will turn out to be, obviously that is determined by the market. Obviously we serve our residential customers first. But we have a large position, as you saw from what we put in this slides here, right, of 0.6 Bcf per day of shale supply. So we have nice opportunity.

And to the extent that that opportunity presents itself in terms of a differential, we think we're actually pretty optimally positioned to take advantage. And so, in those periods where the customers needs at PSE&G are low, to the extent that basis is still there we are going to be able to capture it.

So I think all in that is the way I would encourage you to think about it. We can't predict it anymore than you can predict it. But when it is there to be garnered we garner it, we garner it first for our E&G customers but after that we garner it for Power and we are pretty pleased about that opportunity of positioning, which wasn't developed for that reason, but has now given us a real opportunity.

Julien Dumoulin-Smith *- UBS - Analyst*

Great, thank you very much for the time.

Operator

Greg Gordon.

Greg Gordon *- ISI Group - Analyst*

Guys, your balance sheet capacity is still quite robust and all the more so bolstered by the strong performance you are seeing in PSEG Power. If you don't get approval for the full $3.8 billion of Energy Strong, would that spare balance sheet capacity then be redeployed into perhaps a more robust growth in the dividend?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

So, Greg -- so we maintain that our number one priority is reinvesting in the business. So as you know, in addition to Energy Strong we have some transmission resiliency programs that we are in pursuit of with PJM. So you would see us make sure that we are exhausting all regulated growth opportunities.

Then we have been talking to PJM, as has everyone else, and very publicly about the 2012 RTEP enhancements that were pushed forth. That was grandfathered on the FERC order 1000, so those projects would come to us as an incumbent. We have proposed some products coming out of artificial island as on FERC order 1000 basis as well.

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So I am running through a laundry list of regulated utility investments that are beyond Energy Strong, but of course our primary focus right now is over the near-term getting Energy Strong. Having said that, yes, number two on the hit parade is the dividend. And then number three on the hit parade in anticipation of somebody else following up would be share repurchase. But I would put far and away number one is reinvesting in the business and then number two would be dividend growth.

Greg Gordon *- ISI Group - Analyst*

Great, two more questions. First is with the decision on LCAPP, does that change your calculus on whether or not you would bid Sewaren into the next PJM base residual auction?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

No -- well, so partially, right. I mean what it does is it reduces the risk of a competitively bid unit having challenges come through subsidized plants. We would do the same kind of return analysis, we use the forward price curve for the near-term and then we use our fundamental models over the longer term and then we have our own internal hurdle rate that I think we have been implying in a fairly disciplined way. So those numbers have to pass muster first and foremost.

And then of course there is the qualitative discussion which is all around well, gee, what do we think the rules will be like X years from now? And the recent court decisions help mitigate some of that risk, but they don't help in terms of the market fundamentals.

By the way, Greg, at risk of beating a dead horse I want to go back to your first question. Even with all of the Energy Strong and transmission opportunities that we see, at the risk of stating the obvious, the balance sheet is strong enough to support modest and sustained growth in that dividend. Just your question was sort of without those things would you do more? And I was just pondering in that vein earlier.

Greg Gordon *- ISI Group - Analyst*

No, that was clear. Thank you. Last question, is the lack of load growth in the service territory perhaps to some degree related to the very high degree of rooftop solar penetration you have in the state? And if so, can you comment on trends in further penetration of distributed generation, mainly rooftop solar? And I guess that dovetails with the commentary on how markets are performing.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Yes, so clearly all of these things are a contributing factor. To Kit's point before, I mean there is energy efficiency, there is lack of a very strong and robust economic response, there is distributed generation. I think we are still the number one developer of solar energy in the state. And when the program is finished it is about 180-200 megawatts, with the capacity factor of about 12%.

So from an energy sales point of view, it is really fairly miniscule, which is kind of a challenge, right, around solar that when you take that numerator, which is sizable in terms of capital invested and you divide by energy output, which is not so sizable you get a pretty high cost of solar electricity.

Which is something that we were very clear with our regulators that in pursuit of these RPS (inaudible) that one has to be mindful of the rate impact to the customer from a point of view cents of per kilowatt hour. So short answer of course would be yes, it is a contributor. Longer answer would be if you do the arithmetic it is not that big of a contributor.

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Greg Gordon *- ISI Group - Analyst*

And going forward do you see penetration continuing at the current sort of rate? Or do you see solar investment, both from utilities like yourself and independents declining?

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG*

Yes, I think that the real challenge -- that is a tough question to answer. The real challenge is if we are determined to live by the renewable portfolio standard. Then the question I would pose to the policymaker is when we originally test that standard it is under the assumption that as we nurture the industry in the early stages it would then achieve certain economic efficiencies, either in the form of lower cost of panels or in the form of higher efficiency rates that it would become kind of self-sustaining.

And prices would come down and probably the ITC would go away at the federal level. We have seen those panel prices come down but it has not come down -- those prices have not come down enough to be economically competitive with $4 gas. And I think you are beginning to see the first example of that reflected in our own solar filing. We went in and asked for $800 million plus over five years and we got $440 million over three years.

And I think based on conversations I had with policymakers that was kind of a reflection of we can't do this forever. We need to start seeing some of those expectations be realized in terms of the economic viability of the technology. And that makes perfect sense. I mean it's just -- I am a huge solar fan, we have invested over $1 billion in solar. But we can't keep doing this at the price point that it has been achieving and do it at the RPS levels that we hope to see in 2020 or 20 (technical difficulty).

Greg Gordon *- ISI Group - Analyst*

Thank you very much. Take care.

Operator

Paul Fremont, Jefferies & Company.

Paul Fremont *- Jefferies & Co. - Analyst*

So if I look at the -- you are expecting I think $85 million to $95 million of uplift at PSEG Power versus where you had been previously. If I look at the $0.04 in the third quarter and then the other gas-related item in the first quarter that makes up roughly I guess $70 million. So, what makes up -- would gas in some way, shape or form also make up the remaining piece of the $85 million to $95 million, or is that coming from somewhere else?

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP & CFO*

You correctly pointed out the factors that we've highlighted and which we talked about today, gas in the first quarter and in terms of BGSS and then the $0.04 this quarter. Remember that one of the things we have also talked about during the year is we have had some higher market prices than original expectations. So, on a year-over-year basis that has given us some uplift a little bit different than what we expected.

So prices have come up and you see that of course across the fleet in every quarter offset by the hedges but a little bit more positive than our expectations. So I think it has been -- we have got great operational performance, now we do and expect that but it certainly

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comes through. We did have weather that was warmer than normal this summer, cooler than last year but warmer than normal. And you know we always plan on normal weather.

So when you put all those factors together with the benefit we've actually seen on those specific things that I've called out and you've just called out, that is overall what really lifts us across the fleet. So it is a confluence of factors that have all worked in our direction, but of course which we have been able to take advantage of because of our good operational performance.

Paul Fremont - ***Jefferies & Co. - Analyst***

And then if I look at the BGSS volumes, I guess on a steady state throughout the year, roughly 75% is residential, roughly 25% is nonresidential. Would you not get the benefit for the nonresidential portion even in the winter month in terms of pipe usage?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

So the -- just to clarify, right, for the residential customer, right, it is a pass-through cost, so there is no profitability kind of either way relative to that. And for the commercial customer that uses some of that gas in the territory I think we have gone specifically into all of that.

But really think of it as in general it is sort of a formula based on market prices and a competitive market. So I wouldn't look to that frankly as a significant source of overall earnings going forward, think of that as a little bit more on just a competitive market base.

Paul Fremont - ***Jefferies & Co. - Analyst***

Still not sure -- in terms of my question, my question just relates specifically to winter months. So in other words, in winter months should we allocate some benefit because there is a roughly 75/25 split where 25% of the volumes at least are going to customers on which you are able to make a margin?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

Yes, that is right. So again, a competitive sort of market-based approach for BGSS for the nonresidential customer. I just want to be sure just to distinguish between the residential and non residential because there isn't margin in the structure for the residential customer.

There is some margin for us under the contract for the nonresidential customer. But again, I wouldn't look to that as a significant source of earnings and that is something we've been getting overall all the time. Right, that is something that has been baked into our numbers, so baked into our year on year.

Paul Fremont - ***Jefferies & Co. - Analyst***

Right, but the -- I think the price differential in the Marcellus is a recent phenomenon, but what you are saying is even in months where you are at peak usage you are still -- there will still be benefit that is essentially going to benefit PSEG Power --

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Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

Yes.

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SI-SSA-0015-12074

Paul Fremont - ***Jefferies & Co. - Analyst***

-- from the lower cost gas?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

That is right, that is exactly right. Yes.

Paul Fremont - ***Jefferies & Co. - Analyst***

And then if I look at third quarter, I would assume third quarter would be less of a profit opportunity for you than fourth quarter because you also are dedicating a certain amount of pipe to storage delivery, correct?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP & CFO***

So we are dedicating pipe to storage delivery, as I mentioned. But keep in mind, you have got some going into storage but you don't have the residential customer draw. So actually from -- if you are just looking at the issue of what kind of benefit does Marcellus give to the combined cycle, the best opportunities for that are in the shoulder period where the customer demand, residential PSE&G customer, is pulling less of the pipe, right.

So we definitely are filling storage, we absolutely do that. But given the flow that we have, that you have seen in the slides in our deck, we fill the storage but we still have extra room. And so we typically fill the storage earlier in the summer months and then when the storage is eventually filling up you have that extra flow on the pipe we can use it for our own generation or we can sell that pipe capacity to others.

So I would say when you think about the gas pipeline and the benefit you think about that potential benefit for us is the least in the winter and the most in the seasons other than the winter because you have got the least draw on the one class of utilization of the pipe that isn't a profit opportunity and that is the PSE&G residential customer.

Paul Fremont - ***Jefferies & Co. - Analyst***

And then my last question just has to do with -- for the LIPA contribution you say it is $0.03 in 2014 going to $0.07 to $0.08 in 2016. So in 2015 should we just pick something like a nickel contribution? In other words -- I assume it goes up from the $0.03 but not quite to the $0.07 to $0.08?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG***

That is exactly right. You should add another $0.02 to that.

Paul Fremont - ***Jefferies & Co. - Analyst***

Thank you very much.

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Kathleen Lally - ***Public Service Enterprise Group Inc. - VP of IR***

I think, operator, that brings us to the noon hour and I know everyone is busy with earnings calls today. So if, Ralph, you have --.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO of PSEG***

Yes. So, thanks, Kathleen. So hopefully you noticed that Caroline and I and the team are quite pleased with our quarter. We are pleased with the year to date. And moreover, we're greatly encouraged by our opportunity and the fact that we have the financial strength to take advantage of those opportunities and, again, have demonstrated the execution when the opportunities come our way. So we hope to see you all at EEI, thank you for joining us today.

Operator

This concludes today's conference call. You may now disconnect.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan Lane, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2013 THIRD QUARTER RESULTS

$0.77 PER SHARE FROM CONTINUING OPERATIONS

Operating Earnings of $0.76 Per Share

Operating Earnings Guidance Increased to $2.40 - $2.55 Per Share

October 30, 2013 (Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) today reported third quarter 2013 Income from Continuing Operations and Net Income of $390 million or $0.77 per share as compared to Net Income and Income from Continuing Operations of $347 million or $0.68 per share for the third quarter of 2012. Operating earnings for the third quarter of 2013 were $385 million or $0.76 per share compared to the third quarter of 2012 operating earnings of $382 million or $0.75 per share.

"Our company delivered solid results in the third quarter consistent with our objectives," said Ralph Izzo, chairman, president and chief executive officer of PSEG. "PSE&G is on track to provide double-digit growth in earnings driven by increased investment in transmission, and PSEG Power's results benefit from its strong locational advantages. Based on our performance through the third quarter, we are raising our full year operating earnings guidance to $2.40 - $2.55 per share from $2.25 - $2.50 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of returns/(losses) associated with Nuclear Decommissioning Trust (NDT), certain Mark-to-Market (MTM) accounting and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the third quarter. See Attachment 12 for a complete list of items excluded from Income from Continuing Operations in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)

Third Quarter Comparative Results
2013 and 2012

	Income ($ millions)		Diluted Earnings Per Share	
	2013	**2012**	**2013**	**2012**
Operating Earnings	$385	$382	$0.76	$0.75
Reconciling Items	5	(35)	0.01	(0.07)
Income from Continuing Operations*	$390	$347	$0.77	$0.68
Average Shares			**508M**	**507M**

*Income from Continuing Operations is equal to Net Income in both years.

Mr. Izzo went on to say, “A year ago, we were responding to the devastation to our system caused by Superstorm Sandy. It’s only due to the tireless efforts of a dedicated work-force that we are on track to meet our near and long-term targets for capital investment and can raise our full year guidance for operating earnings. The ability of our workforce to meet customer needs has been recognized with an enhancement to our original contract to operate the Long Island Power Authority’s transmission and distribution system. We remain focused on securing approval for PSE&G’s ‘Energy Strong’ proposal, and are well positioned to meet the needs of our customers and perform for our shareholders.”

Our revised Operating Earnings guidance by company for the full year is as follows:

Operating Earnings
($ millions, except EPS)

	2013E	2012A
PSEG Power	$630 - $685	$644
PSE&G	$585 - $600	$528
PSEG Energy Holdings/ Parent	$0 - $10	$64
Total	$1,215- $1,295	$1,236
Earnings Per Share	$2.40 - $2.55	$2.44

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSEG Power

PSEG Power reported operating earnings of $216 million ($0.43 per share) for the third quarter of 2013 compared with operating earnings of $217 million ($0.43 per share) for the third quarter of 2012.

Power’s third quarter earnings benefited from higher PJM capacity prices, an improvement in the market price of energy and a decline in the supply cost of gas.

An increase in capacity prices improved Power’s quarter-over-quarter earnings by $0.11 per share. Higher overall market prices for natural gas and an improvement in basis in the PS-zone had a favorable influence on spot market prices for energy. In addition, Power’s results benefited from its firm gas transportation contracts which provide it with access to low-cost gas from the Marcellus Basin. The improvement in the wholesale price of energy and decline in fuel cost combined to add $0.04 per share to earnings quarter-over-quarter. The improvement in capacity revenue and wholesale energy margins more than offset the impact on earnings from a reduction in the average price on hedged volumes. The decline in the average price of energy hedges reduced quarter-over-quarter earnings by $0.10 per share. A reduction in generation

volumes, as a result of more normal weather and a maintenance related outage, reduced Power's quarter-over-quarter earnings comparisons by $0.02 per share.

PSEG Power initiated a planned major maintenance program at the Bethlehem Energy Center in the third quarter. The maintenance work, which concluded in October, resulted in an increase in Power's operating and maintenance (O&M) expense (exclusive of storm-related restoration activity) and reduced quarter-over-quarter earnings comparisons by $0.04 per share.

Power's output declined by 5.4% in the quarter from year-ago levels. More normal weather conditions and the maintenance outage at Bethlehem combined to reduce output from the fossil fleet by 10% in the quarter. The nuclear fleet operated at an average capacity factor of 91% in the quarter versus 92% in the year-ago quarter resulting in a capacity factor of 93.2% for the nine months ended September 30, 2013.

Power continues to forecast output for 2013 of 53 – 55 TWh. Output for the fourth quarter of approximately 13 – 14 TWh is 70% - 75% hedged at an average price of $50 per MWh. For 2014, forecast output of 53 – 55 TWh is approximately 65% - 70% hedged at an average price of $48 per MWh. Power has hedged approximately 35% - 40% of its forecast generation in 2015 of 52 – 54 TWh at an average price of $48 per MWh. Power's forecast of total output in each of the next two years remains unchanged from prior guidance. The increase in the percentage of Power's generation hedged for 2014 – 2015 reflects an upward adjustment to the forecast of BGS related hedges as well as an increase in the percentage of energy hedged through other PJM-West hedges. The hedge data for 2014 now assumes BGS volumes of 11 TWh versus the prior guidance of 10 TWh. Power continues to assume BGS related load and hedges in 2013 will represent approximately 12 TWh of generation for the year.

The forecast range of Power's operating earnings for 2013 has been increased to $630 - $685 million from $535 - $600 million.

PSE&G

PSE&G reported operating earnings of $168 million ($0.33 per share) for the third quarter of 2013 compared with operating earnings of $155 million ($0.30 per share) for the third quarter of 2012.

PSE&G's third quarter earnings reflect increased revenue associated with a greater level of investment.

An increase in PSE&G's transmission revenue, effective on January 1, 2013, increased quarter-over-quarter earnings by $0.04 per share. Revenue from investments made under PSE&G's distribution capital infrastructure investment program contributed $0.01 per share to earnings in the third quarter.

Electric demand in the third quarter was influenced by weather which was hotter than normal, but cooler than the weather conditions experienced in the year-ago period. Also, demand for electricity continues to be impacted by customer conservation in a slowly improving economic environment. Weather normalized sales – led by a decline in the residential sector – are estimated to have declined by 2.3% in the third quarter. Sales of gas, although not as important in the third quarter as demand for electricity, increased 10.4% from year-ago levels reflective of customer adjustment of use to a lower cost of gas.

The net impact on earnings from weather and the change in sales was a reduction in quarter-over-quarter earnings of $0.02 per share. A slight increase in distribution related O&M and depreciation expense was offset by a decline in interest expense and other items.

PSE&G announced on October 23 that it would be providing a two-month bill credit for its residential gas customers that will reduce the typical monthly bill by approximately 33% in both November and December. The credit is driven by our access to low-cost shale gas supply.

PSE&G is investing $3.4 billion in transmission related programs over the period 2013 – 2015. This program, which includes five major transmission lines, remains on time and on budget. All five transmission projects are expected to be operational during 2014 – 2015. PSE&G filed its annual update of revenue requirements associated with its transmission investment program with the Federal Energy Regulatory Commission (FERC) in mid-October. If accepted, transmission revenue in 2014 would increase by $176 million at the start of the New Year.

The forecast of PSE&G's operating earnings for 2013 has been adjusted to $585 million - $600 million from $580 - $635 million.

PSEG Energy Holdings/Enterprise

PSEG Energy Holdings/Enterprise reported operating earnings of $1 million for the third quarter of 2013 versus operating earnings of $10 million ($0.02 per share) during the third quarter of 2012. Results for the quarter reflect the continued monetization of assets within Holdings' portfolio and the absence of gains on an asset sale in the year-ago quarter.

NRG Energy recently announced that it has entered into an agreement to acquire Edison Mission Energy (EME) as part of an EME Chapter 11 plan of re-organization sponsored by NRG. In connection with the transaction, NRG has agreed to certain financial conditions with the lessors of the Powerton and Joliet facilities (including PSEG Energy Holdings) which would cure all monetary defaults at closing and protect the lessors' equity value in the leveraged leases.

The forecast of PSEG Energy Holdings/Enterprise full year operating earnings for 2013 has been adjusted to $0 - $10 million from $25 - $35 million. The updated guidance reflects the impact of revised estimates for the legacy Holdings' portfolio and related taxes (separate from the merchant energy leases) which are expected to more than offset the impact on operating earnings from the commercial operation of Holdings' sixth solar facility, a 19MW solar facility ($50 million investment) located in Arizona.

PSEG – Long Island

The Board of Directors for the Long Island Power Authority (LIPA) has approved amendments to PSEG – Long Island's original operating services agreement for LIPA's transmission and distribution system. The amendments recognize an increase in PSEG – Long Island management responsibility to operate and maintain LIPA's system, expand the length of the contract by 2 years to 12 years effective January 1, 2014, increase PSEG – Long Island's compensation effective in 2016 and, in 2015, provide PSEG Power's Energy Resources and Trade group with the contract to procure LIPA's fuel requirements. The agreements' effectiveness is contingent upon LIPA's receipt of a Private Letter Ruling from the IRS on the continued tax-exempt status of certain LIPA debt securities and LIPA's approval of the proposed 2014 and 2015 operating and capital pass-through budgets.

FORWARD-LOOKING STATEMENTS

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition from certain rate-base transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we

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

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

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2013	***2012***	***2013***	***2012***
Earnings Results ($ Millions)				
PSEG Power	$ 216	$ 217	$ 580	$ 523
PSE&G	168	155	468	453
PSEG Energy Holdings/Enterprise	1	10	13	53
Operating Earnings	**$ 385**	**$ 382**	**$ 1,061**	**$ 1,029**
Reconciling Items [(a)]	5	(35)	(18)	22
Income from Continuing Operations/Net Income	**$ 390**	**$ 347**	**$ 1,043**	**$ 1,051**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**
Per Share Results (Diluted)				
PSEG Power	$ 0.43	$ 0.43	$ 1.14	$ 1.03
PSE&G	0.33	0.30	0.92	0.89
PSEG Energy Holdings/Enterprise	-	0.02	0.03	0.11
Operating Earnings	**$ 0.76**	**$ 0.75**	**$ 2.09**	**$ 2.03**
Reconciling Items [(a)]	0.01	(0.07)	(0.03)	0.04
Income from Continuing Operations/Net Income	**$ 0.77**	**$ 0.68**	**$ 2.06**	**$ 2.07**

(a) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended September 30, 2013

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,554	$ (281)	$ 1,169	$ 1,666
OPERATING EXPENSES				
Energy Costs	801	(290)	430	661
Operation and Maintenance	713	1	304	408
Depreciation and Amortization	313	11	66	236
Taxes Other Than Income Taxes	15	-	-	15
Total Operating Expenses	1,842	(278)	800	1,320
OPERATING INCOME	712	(3)	369	346
Income from Equity Method Investments	4	4	-	-
Other Income and (Deductions)	47	1	34	12
Other-Than-Temporary Impairments	(3)	-	(3)	-
Interest Expense	(100)	1	(26)	(75)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	660	3	374	283
Income Tax Benefit (Expense)	(270)	(2)	(153)	(115)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 390**	**$ 1**	**$ 221**	**$ 168**
OPERATING EARNINGS	$ 385	$ 1	$ 216	$ 168
Reconciling Items Excluded from Continuing Operations/Net Income [b]	5	-	5	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 390**	**$ 1**	**$ 221**	**$ 168**

Three Months Ended September 30, 2012

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,402	$ (319)	$ 1,038	$ 1,683
OPERATING EXPENSES				
Energy Costs	879	(333)	456	756
Operation and Maintenance	619	(2)	255	366
Depreciation and Amortization	286	10	60	216
Taxes Other Than Income Taxes	24	-	-	24
Total Operating Expenses	1,808	(325)	771	1,362
OPERATING INCOME	594	6	267	321
Income from Equity Method Investments	7	7	-	-
Other Income and (Deductions)	95	1	84	10
Other-Than-Temporary Impairments	(2)	-	(2)	-
Interest Expense	(106)	2	(35)	(73)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	588	16	314	258
Income Tax Benefit (Expense)	(241)	(5)	(133)	(103)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 347**	**$ 11**	**$ 181**	**$ 155**
OPERATING EARNINGS	$ 382	$ 10	$ 217	$ 155
Reconciling Items Excluded from Continuing Operations/Net Income [b]	(35)	1	(36)	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 347**	**$ 11**	**$ 181**	**$ 155**

(a) Includes activities at Energy Holdings and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Nine Months Ended September 30, 2013

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 7,650	$ (1,240)	$ 3,806	$ 5,084
OPERATING EXPENSES				
Energy Costs	2,711	(1,283)	1,786	2,208
Operation and Maintenance	2,069	(1)	866	1,204
Depreciation and Amortization	886	33	195	658
Taxes Other Than Income Taxes	50	-	-	50
Total Operating Expenses	5,716	(1,251)	2,847	4,120
OPERATING INCOME	1,934	11	959	964
Income from Equity Method Investments	9	9	-	-
Other Income and (Deductions)	118	2	78	38
Other-Than-Temporary Impairments	(7)	-	(7)	-
Interest Expense	(303)	5	(85)	(223)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,751	27	945	779
Income Tax Benefit (Expense)	(708)	(14)	(383)	(311)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 1,043**	**$ 13**	**$ 562**	**$ 468**
OPERATING EARNINGS	$ 1,061	$ 13	$ 580	$ 468
Reconciling Items Excluded from Continuing Operations/Net Income [b]	(18)	-	(18)	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 1,043**	**$ 13**	**$ 562**	**$ 468**

Nine Months Ended September 30, 2012

	PSEG	PSEG Energy Holdings/ Enterprise [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 7,375	$ (1,238)	$ 3,584	$ 5,029
OPERATING EXPENSES				
Energy Costs	2,819	(1,286)	1,725	2,380
Operation and Maintenance	1,876	4	780	1,092
Depreciation and Amortization	797	28	175	594
Taxes Other Than Income Taxes	73	-	-	73
Total Operating Expenses	5,565	(1,254)	2,680	4,139
OPERATING INCOME	1,810	16	904	890
Income from Equity Method Investments	9	9	-	-
Other Income and (Deductions)	155	5	119	31
Other-Than-Temporary Impairments	(14)	-	(14)	-
Interest Expense	(310)	7	(97)	(220)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,650	37	912	701
Income Tax Benefit (Expense)	(599)	23	(374)	(248)
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 1,051**	**$ 60**	**$ 538**	**$ 453**
OPERATING EARNINGS	$ 1,029	$ 53	$ 523	$ 453
Reconciling Items Excluded from Continuing Operations/Net Income [b]	22	7	15	-
INCOME FROM CONTINUING OPERATIONS/NET INCOME	**$ 1,051**	**$ 60**	**$ 538**	**$ 453**

(a) Includes activities at Energy Holdings and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Income from Continuing Operations/Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	September 30, 2013	December 31, 2012
DEBT		
Long-Term Debt	$ 7,909	$ 7,173
Securitization Debt	561	722
Project Level, Non-Recourse Debt	16	44
Total Debt	8,486	7,939
STOCKHOLDERS' EQUITY		
Common Stock	4,852	4,833
Treasury Stock	(615)	(607)
Retained Earnings	7,439	6,942
Accumulated Other Comprehensive Loss	(338)	(388)
Total Common Stockholders' Equity	11,338	10,780
Noncontrolling Interests - Equity Investments	1	1
Total Equity	11,339	10,781
Total Capitalization	$ 19,825	$ 18,720

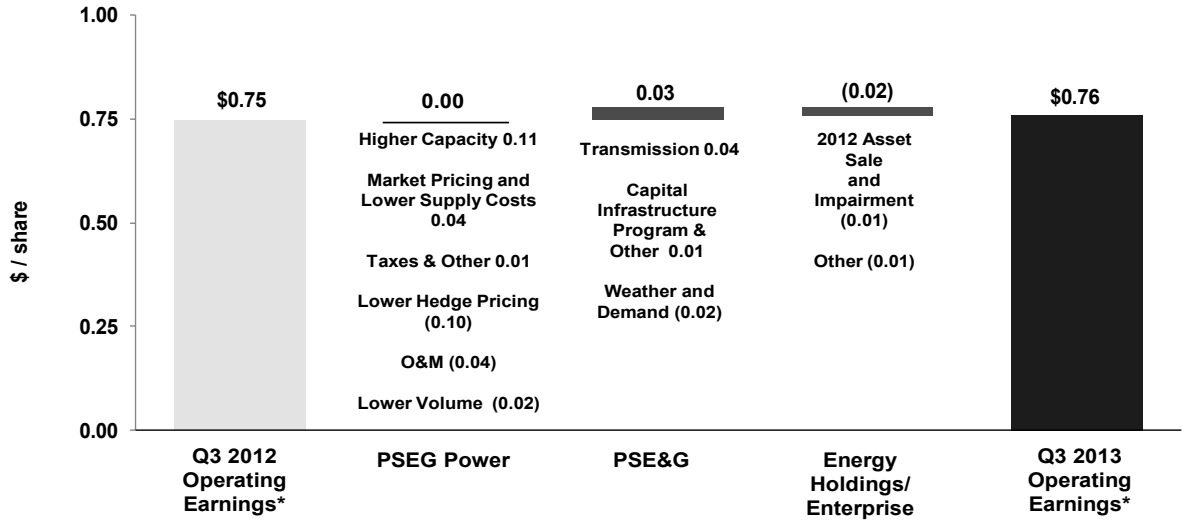
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Condensed Consolidated Statements Of Cash Flows
(Unaudited, $ Millions)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,043	$ 1,051
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,392	1,260
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,435	2,311
NET CASH USED IN INVESTING ACTIVITIES	(2,088)	(2,051)
NET CASH USED IN FINANCING ACTIVITIES	(278)	(314)
Net Change in Cash and Cash Equivalents	69	(54)
Cash and Cash Equivalents at Beginning of Period	379	834
Cash and Cash Equivalents at End of Period	$ 448	$ 780

Attachment 6

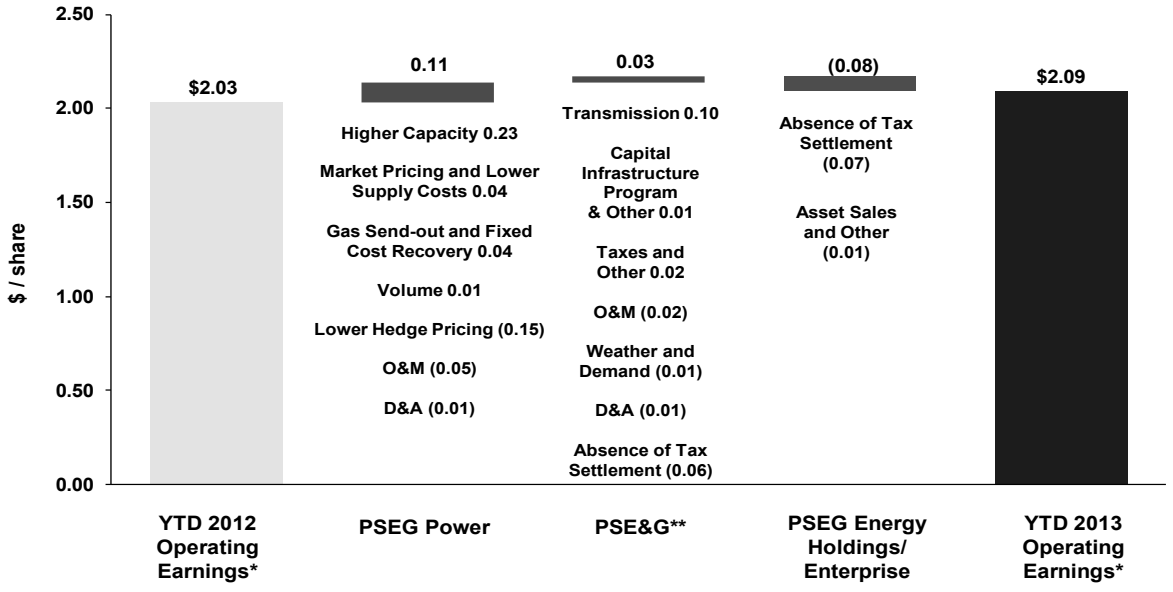
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2013 vs. September 30, 2012
(Unaudited)



* See Attachment 12 for Items excluded from Income from Continuing Operations/Net Income to compute to Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2013 vs. September 30, 2012
(Unaudited)



* See Attachment 12 for Items excluded from Income from Continuing Operations/Net Income to compute to Operating Earnings.

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

Attachment 8

PSEG POWER LLC
Generation Measures
(Unaudited)

	GWhr Breakdown Three Months Ended Septmeber 30,		GWhr Breakdown Nine Months Ended Septmeber 30,	
	2013	2012	2013	2012
Nuclear - NJ	5,408	5,490	15,635	15,525
Nuclear - PA	2,090	2,069	7,148	7,079
Total Nuclear	**7,498**	**7,559**	**22,783**	**22,604**
Fossil - Coal/Natural Gas - NJ*	420	694	1,086	1,101
Fossil - Coal - PA	1,413	1,344	4,006	3,477
Fossil - Coal - CT	103	33	434	78
Total Coal	**1,936**	**2,071**	**5,526**	**4,656**
Fossil - Oil & Natural Gas - NJ	3,691	3,874	9,579	9,711
Fossil - Oil & Natural Gas - NY	952	1,344	3,020	3,719
Fossil - Oil & Natural Gas - CT	34	71	78	79
Total Oil & Natural Gas	**4,677**	**5,289**	**12,677**	**13,509**
	14,111	**14,919**	**40,986**	**40,769**

	% Generation by Fuel Type Three Months Ended Septmeber 30,		% Generation by Fuel Type Nine Months Ended Septmeber 30,	
	2013	2012	2013	2012
Nuclear - NJ	38%	37%	38%	38%
Nuclear - PA	15%	14%	17%	17%
Total Nuclear	**53%**	**51%**	**55%**	**55%**
Fossil - Coal/Natural Gas - NJ*	3%	5%	3%	3%
Fossil - Coal - PA	10%	9%	10%	9%
Fossil - Coal - CT	1%	0%	1%	0%
Total Coal	**14%**	**14%**	**14%**	**12%**
Fossil - Oil & Natural Gas - NJ	26%	26%	24%	24%
Fossil - Oil & Natural Gas - NY	7%	9%	7%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**33%**	**35%**	**31%**	**33%**
	100%	**100%**	**100%**	**100%**

*Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and nine months ended September 30, 2013 and 2012. Generation includes natural gas fuel switching intervals.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2013

Electric Sales and Revenues

Sales (millions kwh)	Three Months Ended	Change vs. 2012	Nine Months Ended	Change vs. 2012
Residential	4,320	-6.9%	10,527	-1.4%
Commercial & Industrial	7,604	-2.9%	20,880	-2.6%
Street Lighting	73	7.0%	232	9.0%
Interdepartmental	3	-2.2%	7	-1.6%
Total	**12,000**	-4.4%	**31,646**	-2.2%
Revenue ($ millions)				
Residential	$ 677	-4.5%	$ 1,627	-3.2%
Commercial & Industrial	649	0.6%	1,595	-4.2%
Street Lighting	17	-2.8%	51	-6.4%
Other Operating Revenues*	109	9.0%	321	17.0%
Total	**$ 1,452**	-1.3%	**$ 3,594**	-2.2%

Weather Data	Three Months Ended	Change vs. 2012	Nine Months Ended	Change vs. 2012
THI Hours - Actual	12,355	-8.0%	17,011	-4.1%
THI Hours - Normal	11,508		15,472	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission-related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2013

Gas Sold and Transported

Sales (millions therms)	Three Months Ended	Change vs. 2012	Nine Months Ended	Change vs. 2012
Firm Sales				
Residential Sales	99	10.8%	984	21.5%
Commercial & Industrial	97	10.0%	685	17.4%
Total Firm Sales	**196**	10.4%	**1,669**	19.8%
Non-Firm Sales				
Commercial & Industrial	338	-27.6%	870	-17.4%
Total Non-Firm Sales	**338**		**870**	
Total Sales	**534**	**-17.1%**	**2,539**	**3.8%**
Revenue ($ millions)				
Residential Sales - Firm	$ 45	-2.1%	$ 440	9.8%
Commercial & Industrial - Firm Sales	18	9.8%	173	27.9%
Non-Firm Sales	9	-8.0%	31	14.2%
Other Operating Revenues*	41	3.9%	124	5.8%
Total	**$ 113**	**1.3%**	**$ 768**	**12.9%**
Gas Transported	$ 101	2.1%	$ 722	7.4%

Weather Data	Three Months Ended	Change vs. 2012	Nine Months Ended	Change vs. 2012
Degree Days - Actual	49	168.0%	3,118	28.5%
Degree Days - Normal	30		3,078	

*Primarily Appliance Service.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Weighted Average Common Shares Outstanding (000's)				
Basic	505,858	505,914	505,900	505,942
Diluted	507,694	507,111	507,433	507,037
Stock Price at End of Period			$ 32.93	$ 32.18
Dividends Paid per Share of Common Stock	$ 0.3600	$ 0.3550	$ 1.0800	$ 1.0650
Dividend Payout Ratio*			57.6%	56.8%
Dividend Yield			4.4%	4.4%
Price/Earnings Ratio*			13.2	12.9
Rate of Return on Average Common Equity*			11.6%	12.1%
Book Value per Common Share			$ 22.41	$ 21.36
Market Price as a Percent of Book Value			147%	151%
Total Shareholder Return	2.0%	0.1%	11.2%	0.9%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)						
Operating Earnings	**$ 385**	**$ 382**	**$ 1,061**	**$ 1,029**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49	52	50
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	3	(76)	(22)	(34)	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7	36	(173)
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-	(39)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	34
Income from Continuing Operations	**$ 390**	**$ 347**	**$ 1,043**	**$ 1,051**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	-	96
Net Income	**$ 390**	**$ 347**	**$ 1,043**	**$ 1,051**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.76**	**$ 0.75**	**$ 2.09**	**$ 2.03**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10	0.10	0.10
Gain (Loss) on MTM[(a)] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07	(0.34)
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-	(0.08)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	0.06
Income from Continuing Operations	**$ 0.77**	**$ 0.68**	**$ 2.06**	**$ 2.07**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	-	0.19
Net Income	**$ 0.77**	**$ 0.68**	**$ 2.06**	**$ 2.07**	**$ 2.51**	**$ 2.96**

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

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2013

October 30, 2013

SI-SSA-0015-12095

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance on such matters,
- increases in competition in energy supply markets as well as competition from certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and microgrids, and resultant changes in customer usage patterns, including energy efficiency and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12096

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

PSEG
2013 Q3 Review

Ralph Izzo
Chairman, President and Chief Executive Officer

SI-SSA-0015-12098

Q3 Earnings Summary

Quarter ended September 30

$ millions (except EPS)	2013	2012
Operating Earnings	$ 385	$ 382
Reconciling Items, Net of Tax	5	(35)
Income from Continuing Operations/ Net Income	$ 390	$ 347
EPS from Operating Earnings*	$ 0.76	$ 0.75

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

SI-SSA-0015-12099

Year to Date Earnings Summary

Nine months ended September 30

$ millions (except EPS)	2013	2012
Operating Earnings	$ 1,061	$ 1,029
Reconciling Items, Net of Tax	(18)	22
Income from Continuing Operations/ Net Income	$ 1,043	$ 1,051
EPS from Operating Earnings*	$ 2.09	$ 2.03

* See Slide A for Items excluded from income from Continuing Operations/Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12100

PSEG – Q3 2013 Highlights

- **Operating Earnings of $0.76 vs. $0.75 per share in Q3 2012**
  - ✓ Delivered solid results in the quarter driven by Power's locational value, and PSE&G's continuing investment in transmission
  - ✓ Raised 2013 full–year, operating earnings guidance to $2.40-$2.55 per share, from $2.25-$2.50 per share prior

- **Executing on operational goals**
  - ✓ Power met summer demand using diverse fleet
  - ✓ Continued control of O&M supports full-year expectations

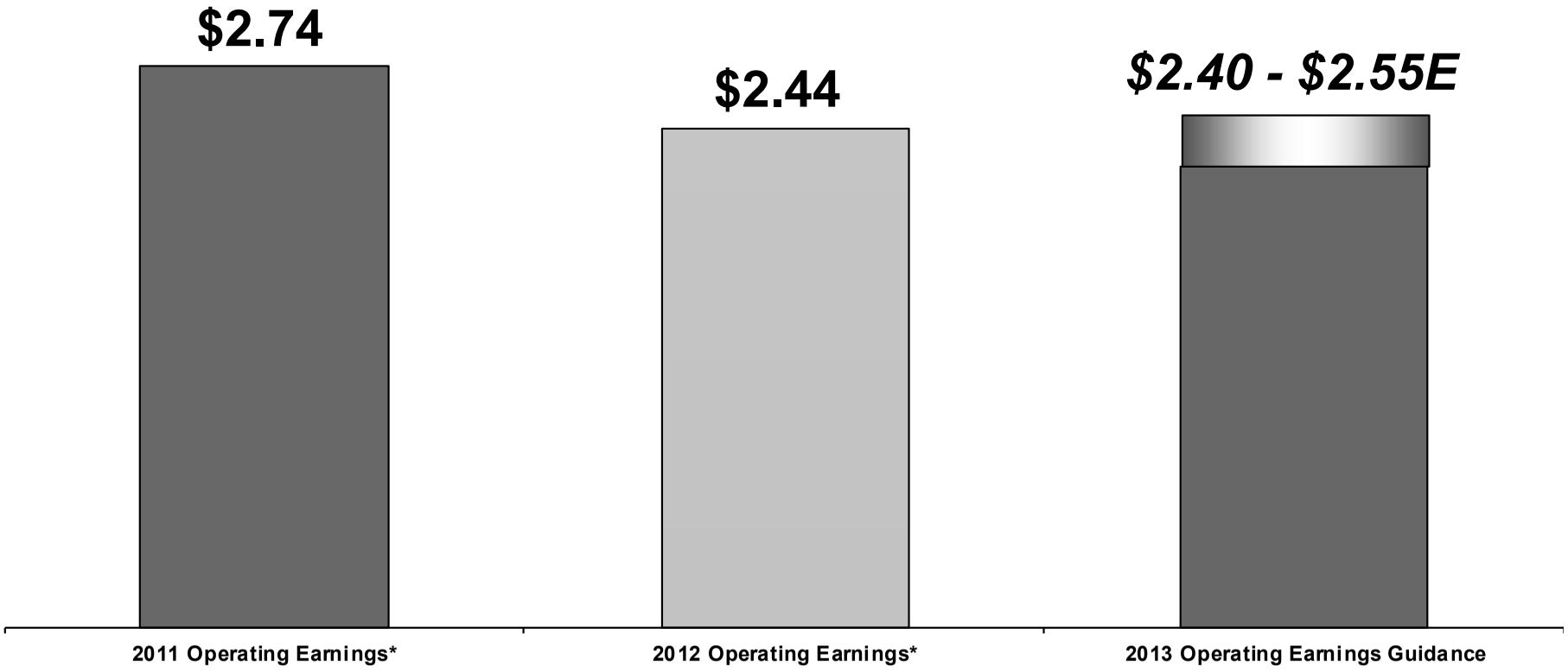
- **Executing on capital program**
  - ✓ Transmission program of $3.4 billion, including construction of 5 major transmission projects, continues on schedule and on budget
  - ✓ Review of Energy Strong proposal underway by BPU
  - ✓ Over 80 NJ municipalities, including 7 county governments, have passed resolutions in support of the Energy Strong infrastructure proposal

- **Market developments**
  - ✓ US District Courts in NJ and MD rendered decisions supportive of competitive markets and FERC's rate-setting authority
  - ✓ New LIPA agreement broadens and extends original contract

SI-SSA-0015-12101

PSEG – Raising 2013 Operating Earnings Guidance

We have raised full-year 2013 Operating Earnings guidance to $2.40 - $2.55 per share from $2.25 - $2.50 per share



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

SI-SSA-0015-12102

PSEG
2013 Q3 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12103

Q3 Operating Earnings by Subsidiary

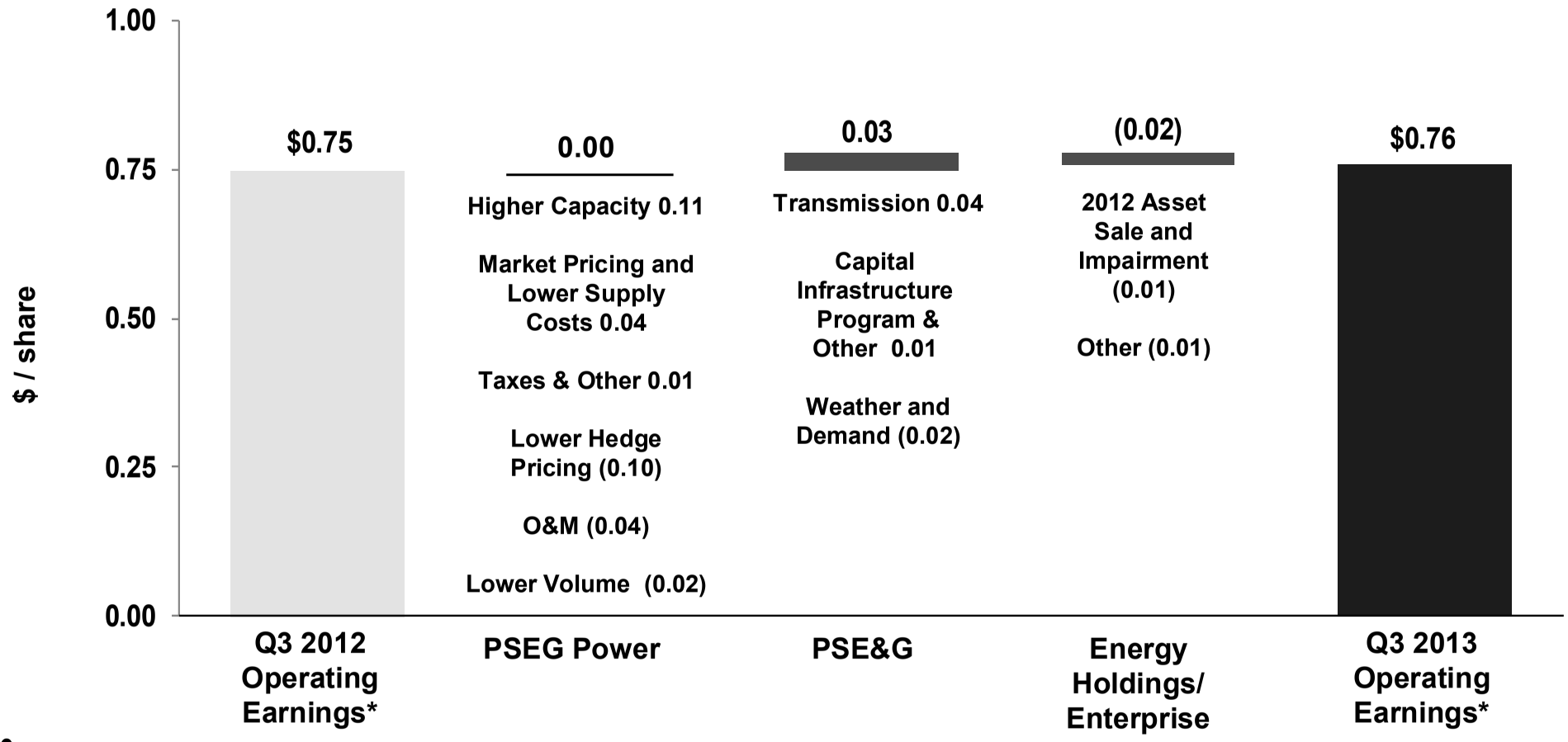
Quarter ended September 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 216	$ 217		$ 0.43	$ 0.43
PSE&G	168	155		0.33	0.30
PSEG Energy Holdings/ Enterprise	1	10		-	0.02
Operating Earnings*	$ 385	$ 382		$ 0.76	$ 0.75

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

SI-SSA-0015-12104

PSEG EPS Reconciliation – Q3 2013 versus Q3 2012



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

SI-SSA-0015-12105

Year to Date Operating Earnings by Subsidiary

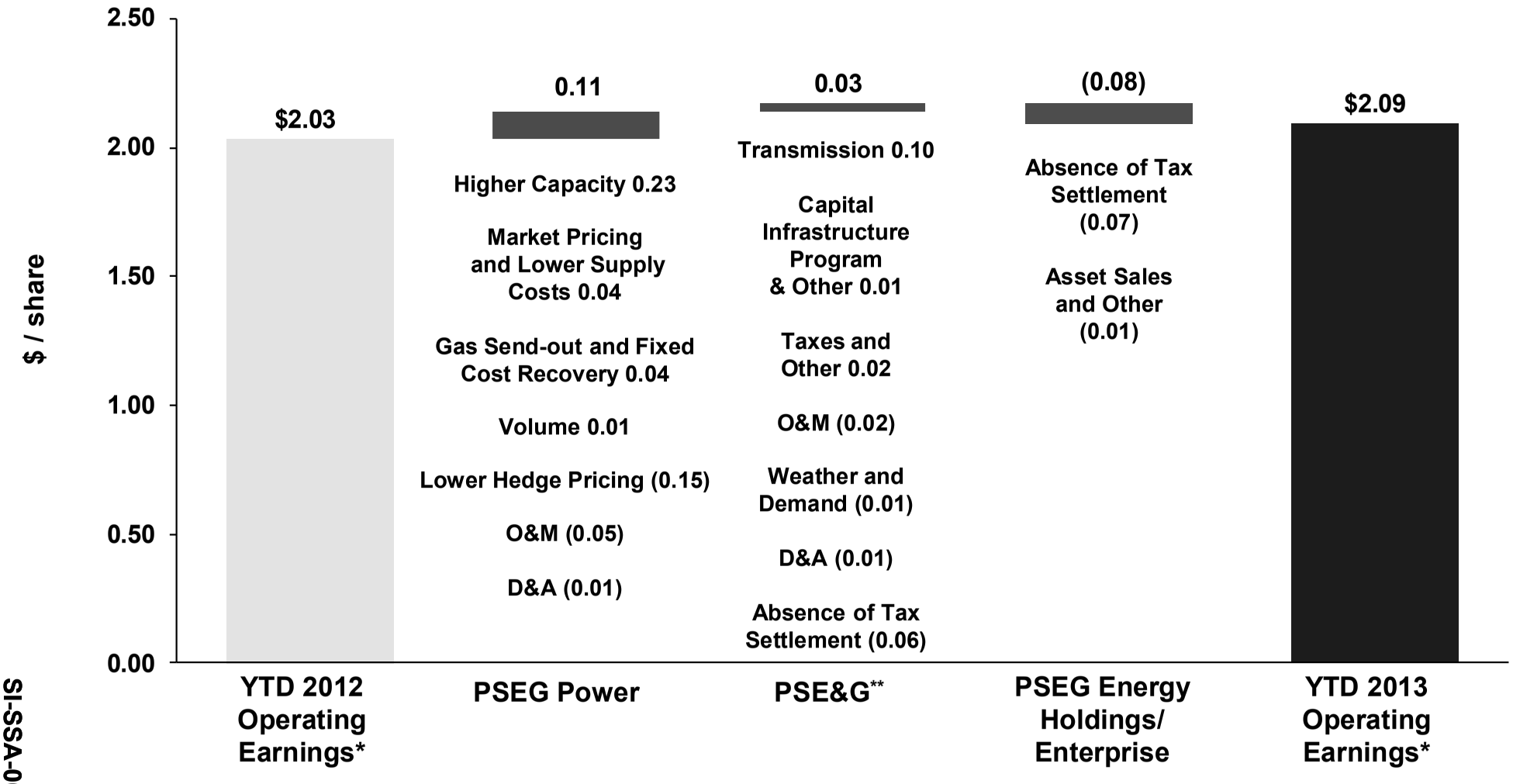
Nine months ended September 30

	Operating Earnings			Earnings per Share	
$ millions (except EPS)	**2013**	**2012**		**2013**	**2012**
PSEG Power	$ 580	$ 523		$ 1.14	$ 1.03
PSE&G	468	453		0.92	0.89
PSEG Energy Holdings/ Enterprise	13	53		0.03	0.11
Operating Earnings*	$ 1,061	$ 1,029		$ 2.09	$ 2.03

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

SI-SSA-0015-12106

PSEG EPS Reconciliation – YTD 2013 versus YTD 2012



* See Slide A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

SI-SSA-0015-12107

PSEG Power
2013 Q3 Review

SI-SSA-0015-12108

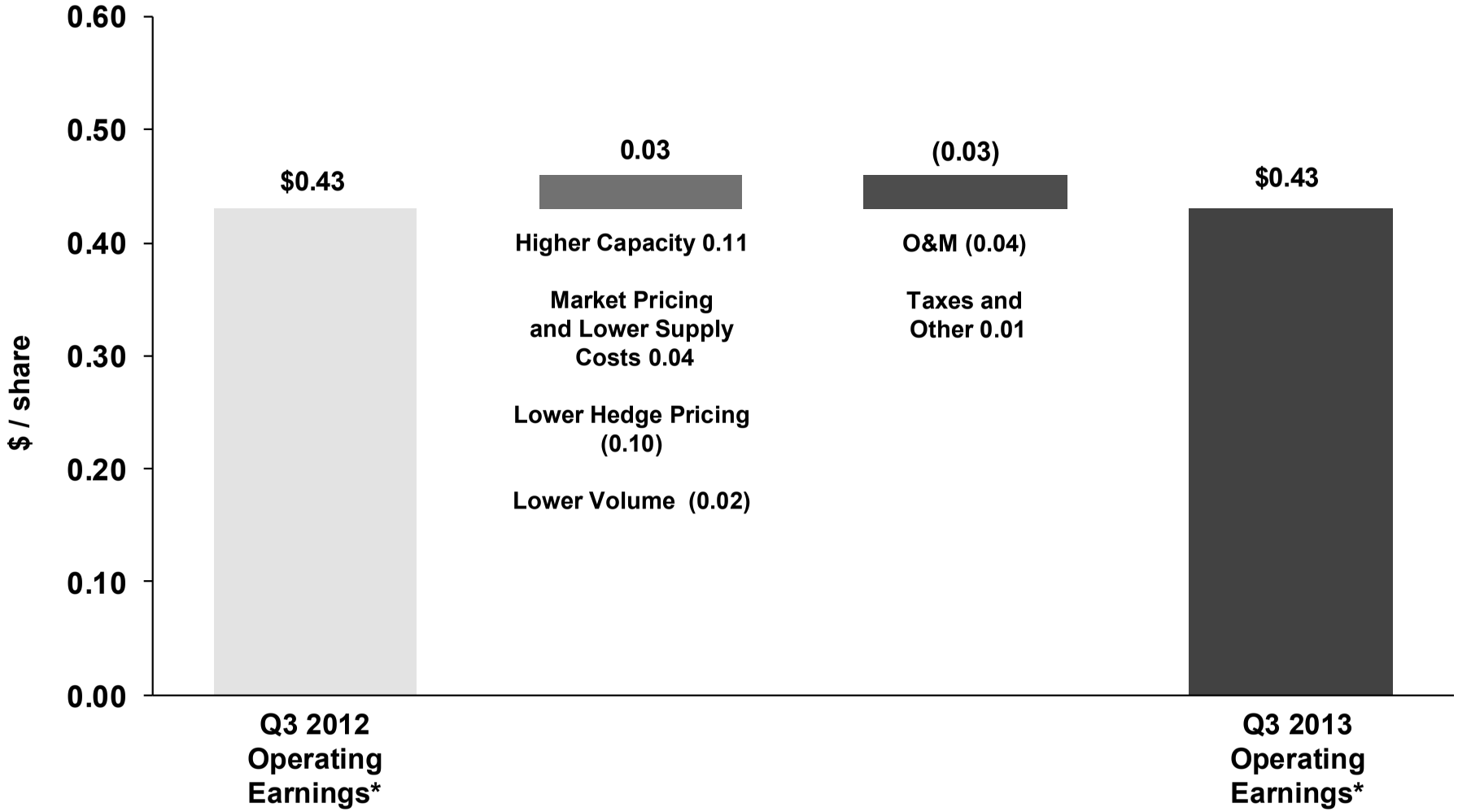
PSEG Power – Q3 Earnings Summary

$ millions (except EPS)	Q3 2013	Q3 2012	Variance
Operating Revenues	$ 1,169	$ 1,038	$ 131
Operating Earnings	216	217	(1)
NDT Funds Related Activity, Net of Tax	12	40	(28)
Mark-to-Market, Net of Tax**	3	(76)	79
Storm O&M, Net of Insurance Recoveries	(10)	-	(10)
Income from Continuing Operations/Net Income	221	181	40
EPS from Operating Earnings*	$ 0.43	$ 0.43	$ (0.00)

* See Slide A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.
**Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-12109

PSEG Power EPS Reconciliation – Q3 2013 versus Q3 2012



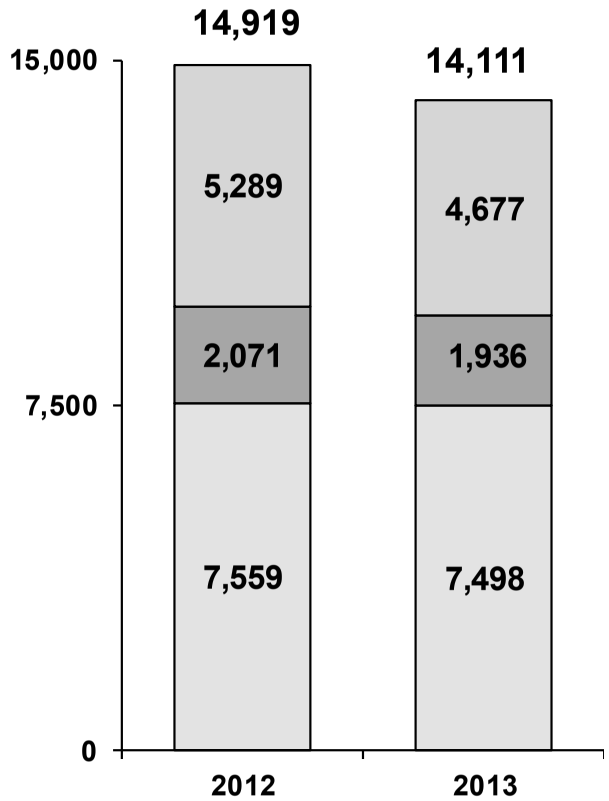
* See Slide A for Items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12110

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended September 30



PSEG Power – Capacity Factors (%)

Quarter ended September 30

	2012	2013
Combined Cycle		
PJM and NY	67.1%	60.4%
Coal		
NJ (Coal/Gas)	26.6%	16.3%
PA	79.0%	83.1%
CT	3.8%	11.6%
Nuclear	92.0%	91.0%

Total Nuclear Total Coal* Oil & Natural Gas

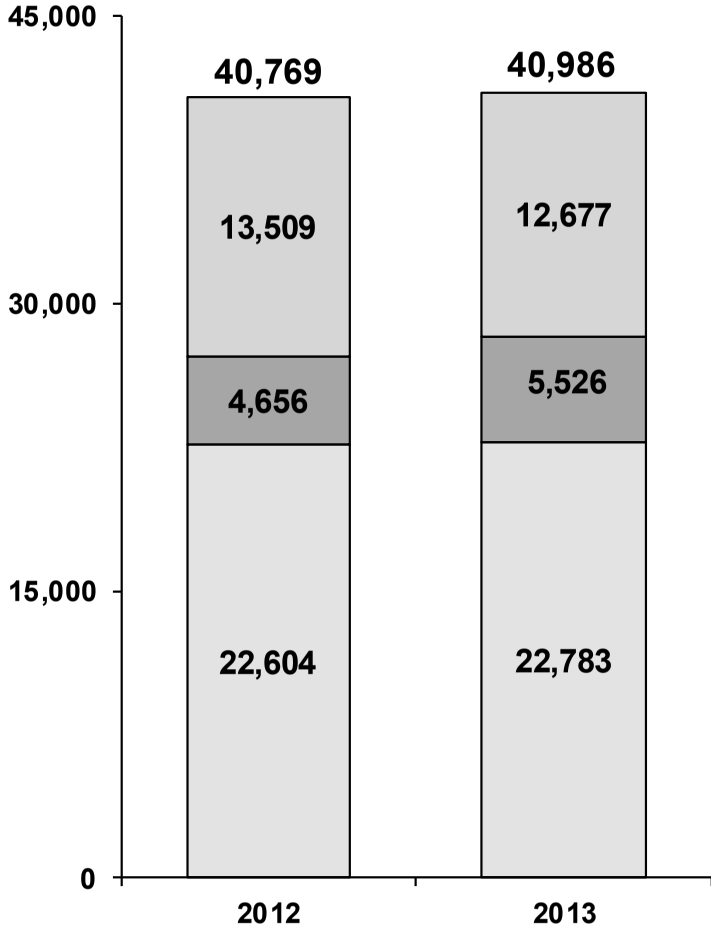
* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-12111

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Nine Months ended September 30



PSEG Power – Capacity Factors (%)

Nine Months ended September 30

	2012	2013
Combined Cycle		
PJM and NY	60.3%	57.0%
Coal*		
NJ (Coal/Gas)	14.2%	14.2%
PA	68.7%	79.4%
CT	2.9%	16.6%
Nuclear	92.5%	93.2%

Total Nuclear Total Coal* Oil & Natural Gas

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

SI-SSA-0015-12112

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

	Quarter ended September 30	
($ millions)	2012	2013
Coal	64.9	45.1
Oil & Gas	166.7	146.1
Total Fossil	231.6	191.2
Nuclear	52.7	56.5
Total Fuel Cost	284.3	247.7
Total Generation (GWh)	14,919	14,111
$ / MWh	19.05	17.55

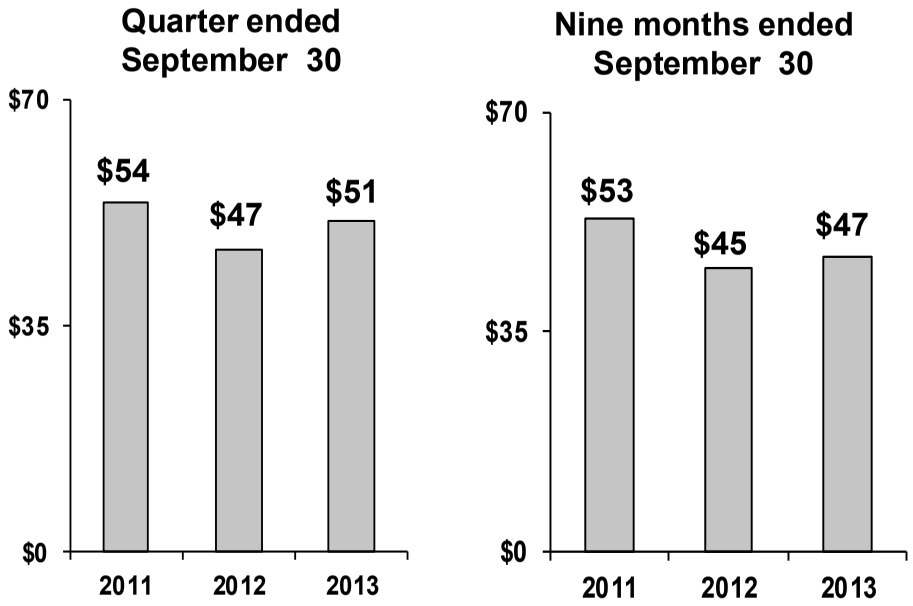
	Nine months ended September 30	
($ millions)	2012	2013
Coal	142.4	141.3
Oil & Gas	407.8	483.8
Total Fossil	550.2	625.1
Nuclear	150.7	166.6
Total Fuel Cost	700.9	791.7
Total Generation (GWh)	40,769	40,986
$ / MWh	17.19	19.32

SI-SSA-0015-12113

PSEG Power – Gross Margin Performance

- ✓ Margins aided by higher capacity pricing through mid-2014
- ✓ Higher year-over-year spot market prices continued in Q3
- ✓ Lower cost Marcellus gas contributing to fuel cost savings

PSEG Power Gross Margin ($/MWh)

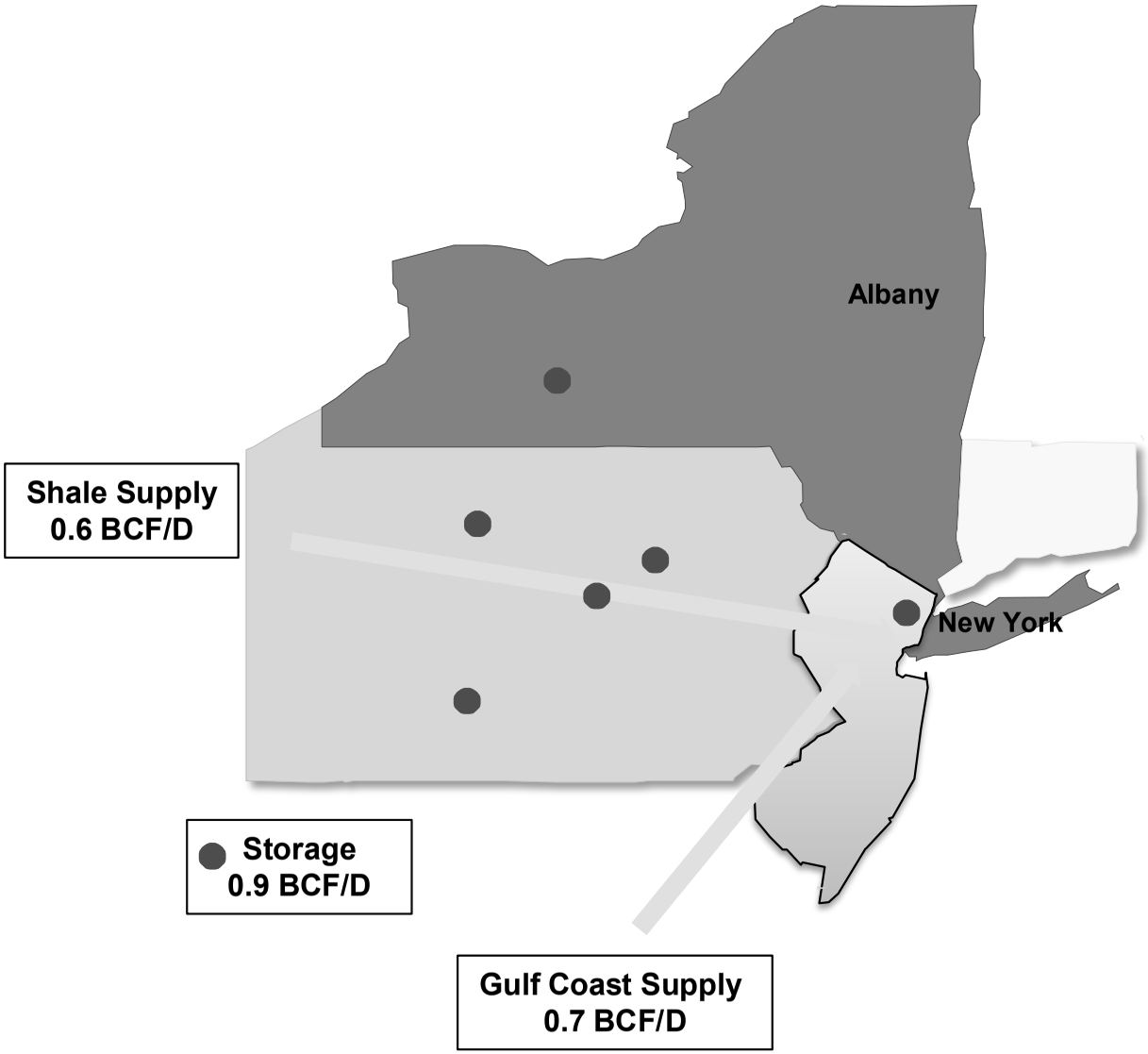


Regional Performance		
Region	**Q3 2013 Gross Margin ($M)**	**2013 Performance**
PJM	**$691**	Decline in hedged energy prices offset by full quarter of higher capacity prices and lower fuel costs
New England	**$19**	Milder weather
New York	**$12**	Major maintenance outage limited production during Q3

SI-SSA-0015-12114

PSEG's locational advantage and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- Availability of a robust gas portfolio of storage and pipeline capacity primarily benefits PSE&G's gas customers and then Power, as conditions permit



SI-SSA-0015-12115

Hedging Update…

Contracted Energy*

		Oct -Dec 2013	2014	2015
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	35
	% Hedged	100%	100%	55-60%
	Price $/MWh	$50	$48	$48
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	5	18	17
	% Hedged	30-35%	5-10%	0%
	Price $/MWh	$50	$48	$48
Total	Volume TWh	13-14	53-55	52-54
	% Hedged	70-75%	65-70%	35-40%
	Price $/MWh	$50	$48	$48

* Hedge percentages and prices as of September 30, 2013. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-12116

PSEG Power – Q3 2013 Operating Highlights

Operations

- ✓ Power met all demand requirements during the hottest days of July
- ✓ Q3 output declined by 5.4% from the Q3 2012 reflecting maintenance at NY CCGT
- ✓ Strong nuclear performance has resulted in a YTD nuclear capacity factor of 93.2%
- ✓ Hope Creek refueling outage underway

Regulatory and Market Environment

- ✓ Recent NJ and MD Federal Court decisions supportive of competitive markets
- ✓ Average energy only hedge price for 2013 is $50/MWh
- ✓ Lower cost Marcellus gas continuing to provide fuel cost savings

Financial

- ✓ Power's total debt as a percentage of capital at September 30 was 28%

SI-SSA-0015-12117

PSE&G
2013 Q3 Review

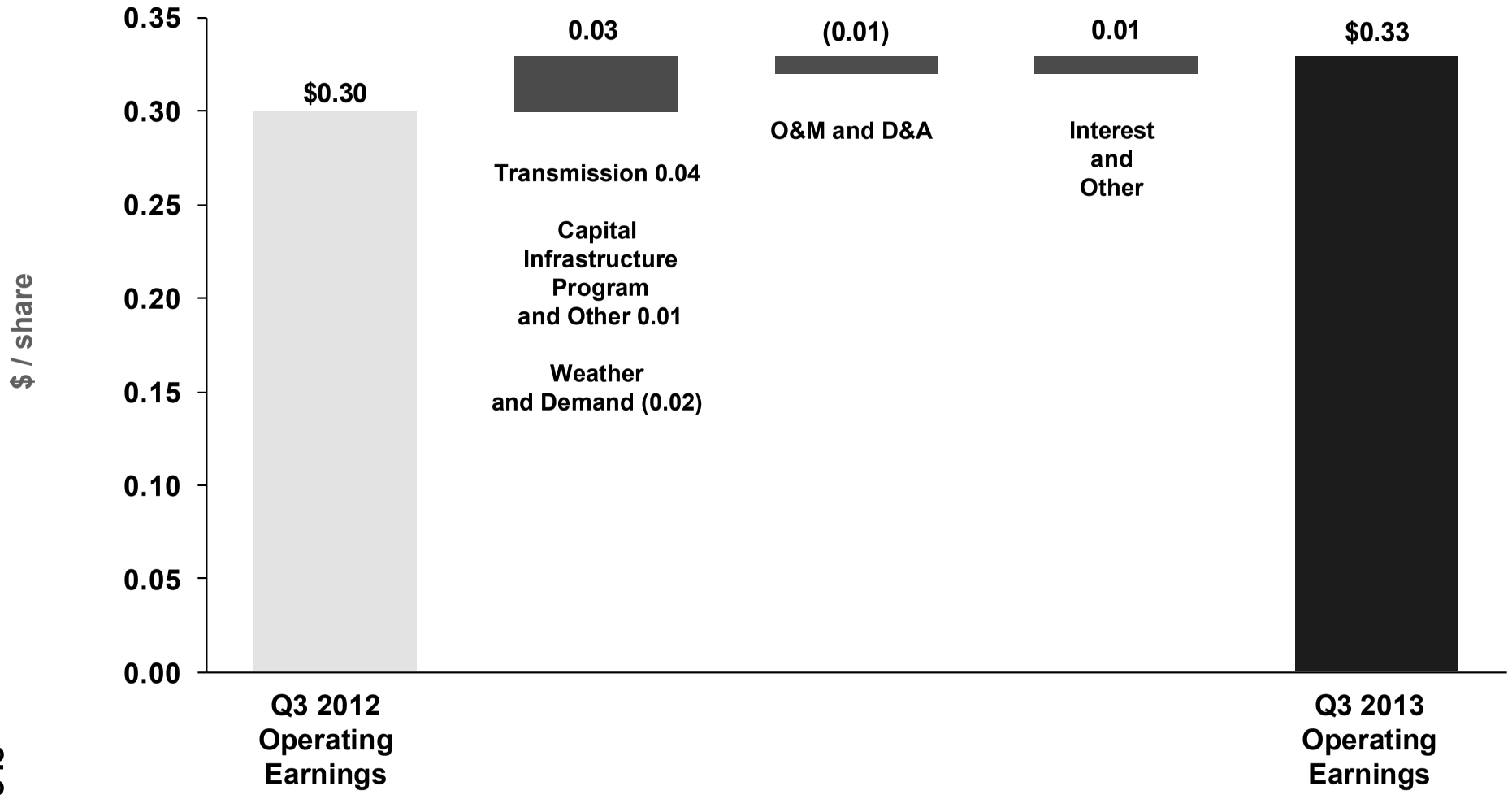
PSE&G – Q3 Earnings Summary

$ millions (except EPS)	Q3 2013	Q3 2012	Variance
Operating Revenues	$ 1,666	$ 1,683	$ (17)
Operating Expenses			
Energy Costs	661	756	(95)
Operation & Maintenance	408	366	42
Depreciation & Amortization	236	216	20
Taxes Other than Income Taxes	15	24	(9)
Total Operating Expenses	1,320	1,362	(42)
Operating Earnings / Net Income	$ 168	$ 155	$ 13
EPS from Operating Earnings*	$ 0.33	$ 0.30	$ 0.03

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

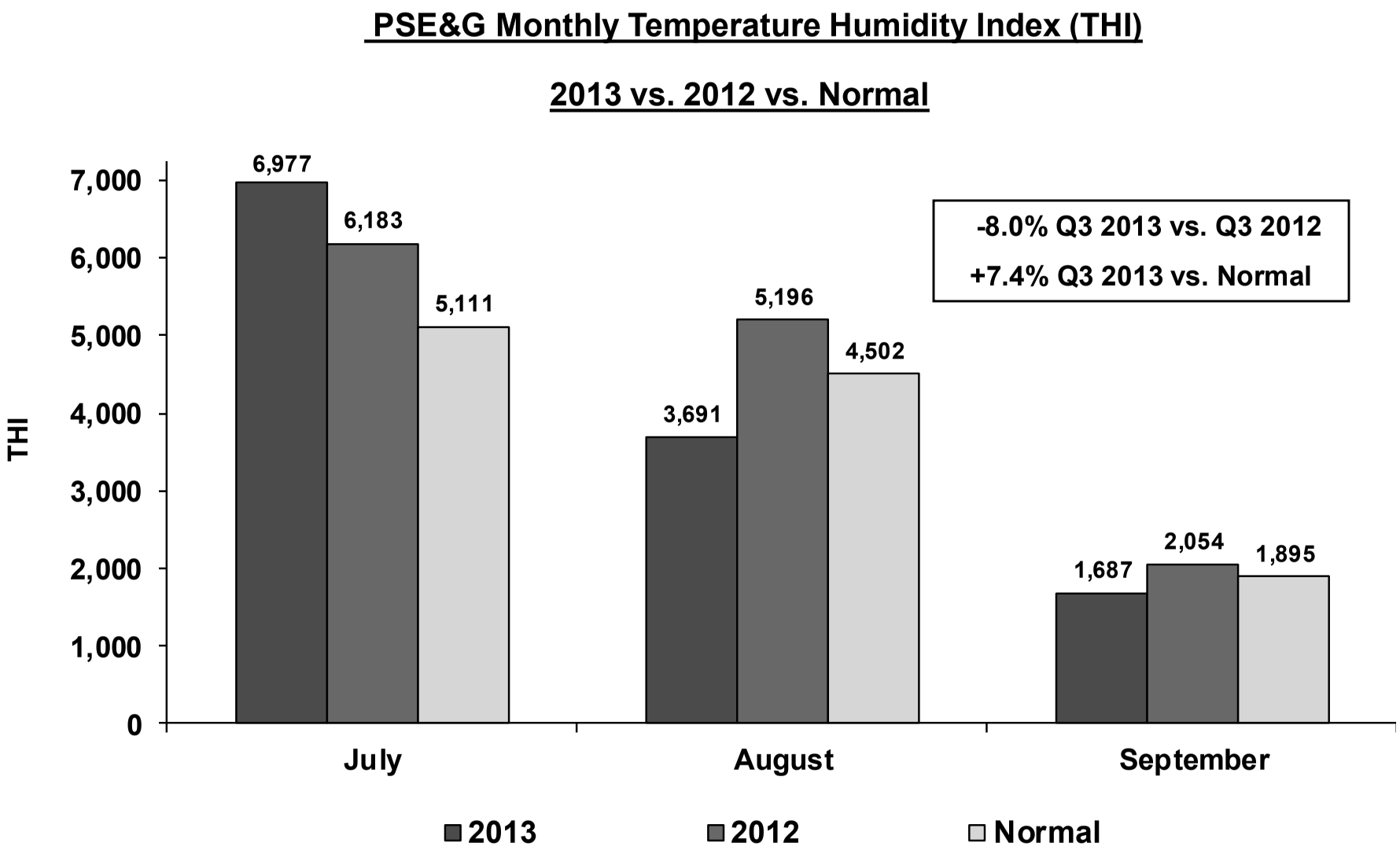
SI-SSA-0015-12119

PSE&G EPS Reconciliation – Q3 2013 versus Q3 2012



SI-SSA-0015-12120

PSE&G – Monthly Summer Weather Data



SI-SSA-0015-12121

PSE&G – Q3 Operating Highlights

Operations

- ✓ Weather in Q3 2013 warmer than normal but cooler than Q3 2012
- ✓ Transmission revenues added $0.04 per share over Q3 2012
- ✓ O&M remains under control

Regulatory and Market Environment

- ✓ All five major Transmission projects on schedule and on budget
- ✓ BPU review of Energy Strong infrastructure proposal underway; Public hearings concluded in October
- ✓ 2014 FERC Formula Rate filing submitted
- ✓ PSE&G announced a 33% gas bill credit for November and December 2013 to reflect lower commodity costs for residential gas customers

Financial

- ✓ PSE&G earned its authorized return
- ✓ Issued $600 million of secured MTNs and retired $300 million of maturities in Q3

SI-SSA-0015-12122

PSEG Energy Holdings/Enterprise 2013 Q3 Review

SI-SSA-0015-12123

PSEG Energy Holdings/Enterprise – Q3 Earnings Summary

$ millions (except EPS)	Q3 2013	Q3 2012	Variance
Operating Earnings	$ 1	$ 10	$ (9)
Lease Related Activity	-	1	(1)
Net Income	$ 1	$ 11	$ (10)
EPS from Operating Earnings*	$ 0.00	$ 0.02	$ (0.02)

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

SI-SSA-0015-12124

PSEG Energy Holdings/Enterprise – Q3 Operating Highlights

Financial

- ✓ **LIPA – Amended Operating Services Agreement will begin January 1, 2014 subject to LIPA receiving IRS ruling on tax status of debt**
  - Increases PSEG-Long Island's management responsibility to operate and maintain the LIPA T&D system
  - Extends original 10-year contract by two years
  - PSEG Power will procure LIPA's fuel requirements beginning 2015
  - PSEG-LI compensation will increase in 2016 for expanded management role
- ✓ **NRG Energy's announced acquisition of Edison Mission Energy would cure all monetary defaults at closing and preserve Holdings' entire equity value in the Powerton and Joliet leases**
- ✓ **Payments on Holdings' remaining lease portfolio are current**
- ✓ **Q4 2013 commercial operation of $50 million investment in 19 MW, Badger 1 solar farm in Arizona**

SI-SSA-0015-12125

PSEG

PSEG Financial Highlights

- **2013 operating earnings guidance raised to $2.40 - $2.55 per share**
  - ✓Focused on maintaining operating efficiency and customer reliability
  - ✓PSE&G's operating earnings on track to grow at double-digit rate in 2013

- **Executing PSE&G's existing $3.4 billion Transmission capital spending program on schedule and on budget – fueling double-digit growth in PSE&G operating earnings through 2015, based on approved programs**

- **Financial position remains strong**
  - ✓Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓Debt as a percentage of capital was 41% at September 30, 2013

- **Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth**

SI-SSA-0015-12127

PSEG 2013 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	**2013E**	**2012A**
PSEG Power	$630 – $685	$644
PSE&G	$585 – $600	$528
PSEG Energy Holdings/Enterprise	$0 – $10	$64
Operating Earnings*	$1,215 – $1,295	$1,236
Earnings per Share	**$2.40 – $2.55**	**$2.44**

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

SI-SSA-0015-12128

PSEG Liquidity as of September 30, 2013

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	58	$1,542
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	5	$495
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	0	$500
		Total	$4,300	$176	$4,124
				PSEG Money Pool ST Investment	$154
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,278**
				Total Parent / Power Liquidity	**$3,691**

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

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

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

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Reconciling Items Excluded from Income from Continuing Operations/Net Income to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*	*2012*	*2011*
Earnings Impact ($ Millions)						
Operating Earnings	$ 385	$ 382	$ 1,061	$ 1,029	$ 1,236	$ 1,389
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	12	40	29	49	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	3	(76)	(22)	(34)	(10)	107
Lease Related Activity (PSEG Energy Holdings)	-	1	-	7	36	(173)
Storm O&M, net of insurance recoveries (PSEG Power)	(10)	-	(25)	-	(39)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	34
Income from Continuing Operations	$ 390	$ 347	$ 1,043	$ 1,051	$ 1,275	$ 1,407
Discontinued Operations	-	-	-	-	-	96
Net Income	$ 390	$ 347	$ 1,043	$ 1,051	$ 1,275	$ 1,503
Fully Diluted Average Shares Outstanding (in Millions)	508	507	507	507	507	507
Per Share Impact (Diluted)						
Operating Earnings	$ 0.76	$ 0.75	$ 2.09	$ 2.03	$ 2.44	$ 2.74
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.08	0.06	0.10	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.01	(0.15)	(0.04)	(0.07)	(0.02)	0.21
Lease Related Activity (PSEG Energy Holdings)	-	-	-	0.01	0.07	(0.34)
Storm O&M, net of insurance recoveries (PSEG Power)	(0.02)	-	(0.05)	-	(0.08)	-
Gain on Sale of Asset (PSEG Energy Holdings)	-	-	-	-	-	0.06
Income from Continuing Operations	$ 0.77	$ 0.68	$ 2.06	$ 2.07	$ 2.51	$ 2.77
Discontinued Operations	-	-	-	-	-	0.19
Net Income	$ 0.77	$ 0.68	$ 2.06	$ 2.07	$ 2.51	$ 2.96

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

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

A

Public Service Enterprise Group
4Q 2013 Earnings Conference Call & Webcast

February 20, 2014
4:00 PM ET

Operator: Ladies and gentlemen, thank you for standing by. My name is Jennifer, and I am your event operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group Fourth Quarter 2013 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. At that time, if you have a question, you will need to press the star and the number one on your telephone keypad. To withdraw your question, press the pound key. As a reminder, this conference is being recorded today, February 20, 2014, and will be available for telephone replay beginning at 1:00 p.m. Eastern Standard today until 11:30 p.m. Eastern Standard on February 28, 2014. It will also be available as an audio webcast on PSEG corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally: Thank you, operator. Good morning, everyone. We appreciate your participating in our call today. As you are aware, we released our fourth quarter and full-year 2013 results earlier this morning. The release and attachments as mentioned are posted on our website, www.PSEG.com, under the Investor section. We have also posted a series of slides that detail the operating results by company for the quarter. Our 10-K for the period ended December 31, 2013 is expected to be filed shortly, usually by the end of February.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you read these comments contained in our slides and on our website. The disclaimer statement regards forward-looking statements detailing the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements, and although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimates change unless required by applicable securities law.

We also provide commentary with regard to the difference between operating earnings and net income, reported in accordance with Generally Accepted Accounting Principles in the United States. PSEG believes the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends. I am now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. And at the conclusion of their remarks, there will be time for your questions. We ask that you limit yourself to one question and one follow-up. There is a lot of interest in today's call. With that, Ralph.

Ralph Izzo: Great, thank you, Kathleen, and thanks everyone for joining us today. This is a great day for us following a great 2013 and an even better 2014 and beyond. So, let's get into the details.

This morning we reported operating earnings for the full year of 2013, and operating earnings for the fourth quarter were $0.49 a share versus $0.41 a share in 2012, which brought results for the full year to $2.58 per share, or 5.7%, almost 6%, greater than 2012's operating earnings of $2.44 per share, and actually was above our guidance range of $2.40 to $2.55 per share.

I hope you'll agree that PSEG delivered outstanding results in 2013 on many levels and let me tell you about a few of them. What made this success particularly notable is that we did it in the wake of the damage to our equipment and facilities that we sustained from Superstorm Sandy just a year earlier.

First of all, PSEG was recognized for the twelfth consecutive year as the Mid-Atlantic region's most reliable electric utility, and was specifically recognized by EEI for excellence in its storm response during Sandy. It seems that we're tested every year, and we excel at our response each and every time.

We maintain that focus on improving reliability throughout the year, not just after the storm. PSE&G invested $1.7 billion over the past year to upgrade its transmission network. The investment is part of a long-term program that has resulted in transmission growing to represent approximately 36% of PSE&G's rate base at the end of 2013. Let me remind you there'd been only 28% of the rate base at the end of 2012. This work includes work on five major transmission lines, each of which was scheduled to be operational during the course of 2014 and 2015, and each of which are on-schedule and on-budget.

But PSE&G's investment in transmission does not end in 2015. PSE&G was assigned construction by PJM of a new transmission project that is designed to maintain the reliability of the northeastern part of our electrical grid. This project, which has an expected in-service date of June 2018, has an estimated construction cost of up to $1.2 billion. PSE&G has also started to invest in new solar capacity under the agreement we reached with the New Jersey Board of Public Utilities in 2013, which will allow us to spend up to $446 million over a multi-year period and result in about 143 megawatts of new renewable energy capacity through our solar loan and Solar for All programs.

We are still awaiting a response from the BPU on our Energy Strong proposal, and as you recall we asked for approval to invest $2.6 billion over five years. The investments, which strengthen PSE&G's distribution infrastructure, provide it with better intelligence on system outages and improve on the reliable service expected by customers.

Now, we're still in active discussion with parties to the proceeding, even while evidentiary hearings are scheduled for next Tuesday, February 25, 2014. And I will give you fair notice that as those negotiations are confidential, we are required to not disclose the details of those negotiations.

Now for the year, an increase in PSE&G's capital investment as well as sensible regulatory recovery mechanisms providing for contemporaneous return of our costs and

return on our costs, and PSE&G's ability to control growth and its operating expenses, all supported double-digit growth in PSE&G's operating earnings year-over-year.

Similarly, PSEG Power also did a superb job operating its power plants and especially bringing back units that were damaged by Superstorm Sandy. The Salem 2 nuclear unit operated at record levels, and the nuclear fleet operated over 90% capacity factor for the ninth consecutive year.

Our fossil fleet achieved top decile safety performance in 2013, as the gas-fired Linden combined cycle generation plant had record-setting output, and the coal fleet responded to an improvement in dark spreads. The fleet's fuel diversity allowed it to respond to changes in the market and its dispatch flexibility allowed it to overcome the impact of planned and unplanned outages, and participate in the improvement in market prices throughout the year.

And Power continues to benefit from its favorable location. Power's earnings in 2013 benefited from the successful management of its firm gas pipeline and storage contracts, which provided access to low cost gas in the Marcellus basin. The contracts primarily benefit PSE&G's residential customers, who enjoyed a credit amounting to 33% against the gas bills in both November and December of 2013, and then they also enjoyed an additional credit of 25% against their February bills.

We'll be providing details later today about providing customers with an additional credit for the month of March.

Power has become one of the largest shippers of gas from the Marcellus Basin, and under a BPU-approved agreement, is able to supply Power's generation fleet when capacity is not needed to meet the needs of residential customers. The availability of low-cost gas continued to provide a benefit to Power's earnings in the fourth quarter, on top of the benefits seen earlier in the year.

Power is moving ahead with plans to increase the output and improve the performance of its existing gas-powered combined cycle generating capacity. Power will be investing $150 million at the Bergen, Linden and Bethlehem facilities over several years, to increase the operating efficiency of the turbines at each station while adding approximately 150 megawatts of capacity. The investment should also lengthen the time between major maintenance programs and therefore yield attractive returns.

Power's approach to managing supply risk has been affirmed during the recent period of extreme weather and volatility in the power markets. The fuel flexibility of our fleet enabled us to maintain output during this time. We successfully responded to record demand while our customers have benefited from our ability to pass along savings and gas costs.

In another area, we negotiated a new 12-year amended and restated operations service agreement with the Long Island Power Authority which was effective at the start of this year. The new agreement will provide for an increase in our operating fee in 2016 and beginning in 2015, Power will provide LIPA with fuel procurement and power management services. The agreement is expected to add to our earnings, provide a

platform of growth for our employees, and doesn't require the commitment of financial capital.

The team at PSEG Long Island hit the ground running, responding to several storms since we assumed operations, and will I'm sure provide customers with the service they require and enhance our reputation for reliability. We literally had a snowstorm on January 2, 24 hours after taking over the operations, and the team is doing a fabulous job.

So, we exceeded our expectations for earnings in 2013 and we expect earnings to remain strong in 2014. We're providing operating earnings guidance for 2014 of $2.55 to $2.75 per share. Now, our outlook reflects the impact of the emphasis placed on the anchor principles of our strategy. First and foremost, operational excellence which yields financial strength which we then deploy through a disciplined manner in new investments.

PSE&G is building on a strong platform and providing the opportunity for continuation of growth with an investment program that supports reliability and enhances resilience. PSE&G is expected to contribute more than half of 2014's estimated operating earnings. PSEG Power continues to benefit from the flexibility of its fleet and a locational advantage. Recent structural changes in the gas market also favor power, given our ability to take advantage of market volatility. Power's strong financial position also allows us to respond to changes in the market. We focus on improving operating efficiency and are investing in economically-attractive capacity upgrades that add to our well-positioned fleet.

We remain committed to containing the growth in our operating expenses. We will be aided in this regard by reduction in pension expense, which provides an ongoing benefit. The commitment to funding our pension following the market decline in 2008 and an equity-oriented investment approach has brought the value of our pension at the end of 2013 to a level which is in excess of our obligations. The improvement in return on a portfolio and an increase in the discount rate will result in our pension adding modestly to income in '14, a substantial improvement from our recent experience.

And not to be overlooked, a strong investment-grade credit rating and robust cash flow support our growth program without the need to issue equity. We look ahead with optimism as demonstrated by the Board's recent decision to increase the common dividend by 2.8% to the indicative annual level of $1.48 per share. This is the tenth increase in the dividend in the last 11 years, and we believe we are well-positioned to provide our investors with consistent, sustainable growth in the dividend.

The strong commitment and dedication shown by our employees to our customers has been a major contributor to our success, and provides me with confidence in our ability to achieve our long-term goals. I will now turn the call over to Caroline for more details on our results and we'll be available to answer your questions after her remarks.

Caroline Dorsa: Thanks Ralph, and good morning, everyone. As Ralph said, PSEG reported operating earnings for the fourth quarter of $0.49 per share versus operating earnings of $0.41 per share in last year's fourth quarter. Our earnings for the fourth quarter brought operating earnings for the full year to $2.58 per share versus operating earnings for 2012 of $2.44 per share.

On slide four of our deck, we have provided you with a reconciliation of operating earnings, income from continuing operations and net income for the quarter. As you can see on slide 11, PSE&G provided the largest contribution to earnings for the quarter. PSE&G reported operating earnings of $0.29 per share compared to $0.15 per share last year. For the quarter, Power reported operating earnings of $0.23 per share compared with $0.25 per share last year. For the quarter, Power reported operating earnings of $0.23 per share compared with $0.25 per share last year.

PSEG Enterprise and Other reported a loss in operating earnings of $0.03 per share compared with operating earnings of $0.01 per share in the year-ago quarter. We provided you with waterfall charts on slide 12 and slide 14 to take you through the net changes in quarter-over-quarter and year-over-year operating earnings by the major businesses. So, I'll now go into more detail on each company starting with Power.

As shown on slide 16, PSEG Power reported operating earnings for the fourth quarter $0.23 per share compared with $0.25 per share a year ago. The results for the quarter brought Power's full-year operating earnings to $710 million, or $1.40 per share, compared to 2012's operating earnings of $663 million, or $1.31 per share.

Power's full-year operating earnings exceeded the upper end of our guidance. Even if we exclude the operating earnings associated with the asset transfer we undertook at year-end from Holdings to Power, which I'll discuss a bit later. The earnings release as well as the earnings slides 12 and 14 provide you with detailed analysis of the impact on Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and costs.

Power's fourth quarter operating earnings benefited from higher capacity revenues, an improvement in the market price of energy on a net long position, an increase in volume and a decline in the supply cost of gas. The improvement in gross margin during the quarter nearly offset the impact on operating earnings from a larger-than-expected increase in O&M expense, associated with both planned and unplanned outages. Note that part of that cost included the investment for the uprate work on the combined cycle capacity at Linden, which is a source as Ralph mentioned, of future additional earnings for Power.

Let's now turn to operations. Power's output increased 6.2% in the quarter from year-ago levels. For the year, output increased 1.8% to 53.5 terawatt hours. You saw the fleet's fuel and dispatch flexibility during the quarter and throughout the year. The nuclear fleet produced 29.5 terawatt hours, or about 55% of total generation, operating at an average capacity factor of 90.3%.

Record production from Salem 2 helped offset the impact from a refueling outage-related decline in output from our 100%-owned Hope Creek Nuclear Facility. The gas-fired combined cycle fleet produced 15.9 terawatt hours in 2013, or about 30% of total generation. Record setting output from the Linden station helped to partially offset the impact on production from planned major maintenance work at the Bethlehem Energy Center in New York in the second half of the year. At the coal fleet, we saw an improvement in dark spreads, so production from the base load coal fired stations in Pennsylvania increased 20% during the year. Bridgeport harbor's output increased in

response to higher market prices, and the New Jersey stations, Hudson and Mercer, primarily operated on gas throughout the year.

Overall, the coal stations provided approximately 14% of the fleet's output in 2013, or 7.3 terawatt hours.

As Ralph noted earlier, the gas-fired combined cycle fleet continues to benefit from its access to lower-price gas supplies in the Marcellus basin. Power's fleet enjoys higher spark spreads than implied by observed market prices, and the quarter-over-quarter impact on earnings from our spark spread advantage was not as large as experienced earlier in the year, but recall this is in line with our expectations given the need to meet utility customer heating demand in the winter period.

Slides 18 and 19 provide more detail on generation in the quarter and for the year.

The combination of higher capacity prices, lower fuel costs and an increase in market prices on Power's unhedged position more than offset the impact of lower average prices on hedges, resulting in gross margins for the fourth quarter of $46 per megawatt hour, equivalent to the level experienced in the year-ago period.

And for the year, gross margins amounted to $47 per megawatt hour versus $45 per megawatt hour last year.

Slide 21 in our deck provides detail on Power's gross margin for the quarter and the year. Power's forecasting output for 2014, a 53 to 55 terawatt hours, in line with 2013's performance. Right now, approximately 75% to 80% of anticipated production for the year is hedged at an average price of $48 per megawatt hour, which compares with average hedge prices in 2013 of about $50 per megawatt hour.

Power has hedged approximately 45% to 55% of its forecast generation in 2015, totaling 53 to 55 terawatt hours, at an average price of about $51 per megawatt hour. Power's forecast of total output over 2014 and 2015 is up slightly from our prior guidance, and for 2016 Power has hedged 20% to 30% of forecast production of 53 to 55 terawatt hours, at an average price of $53 per megawatt hour.

The increase in the percentage of generation hedged over '14 and '15 reflects the completion of the most recent basic generation service or BGS auction in New Jersey, and we assume that BGS volumes represent about 11 terawatt hours in 2014 and 10 terawatt hours in 2015, compared with volumes in 2013 of approximately 12 terawatt hours.

The BGS auction result for PSE&G customers for the three-year period beginning June of this year and ending May 31 of 2017, was priced at $97 per megawatt hour. This contract for one-third of the load will replace the contract for $94 per megawatt hour which expires on May 31 of 2014.

The latest auction is based on an average price per energy at the PJM west hub of about $38 to $39 per megawatt hour, which is similar to the base price for energy seen in the past two auctions.

You can see from the hedge data that Power's maintained a consistent strategy. Base load units were fully hedged in the current year, as Power maintains open positions on its intermediate and peaking assets. This strategy allows Power to contain the risk associated with its load-following contract such as BGS, while being able to participate in opportunities provided by the market.

Power's operating earnings for 2013 and 2012 now reflect the inclusion of its 50% equity interest in a partnership that owns and operates the Kalealoa generating facility in Hawaii and its wholly-owned interest in PSEG Solar Source, both of which were transferred from energy holdings in 2013. These assets provided $0.03 per share of operating earnings in 2013 and are included in Power's reported results. Compared with operating earnings in 2012 for these same assets of $0.04 per share.

So, Power's operating earnings for 2013 of $710 million would have exceeded the upper end of our guidance of $685 million, even if these assets had not been included in our results.

Power's operating earnings for 2014 are forecast at $550 million to $610 million. Results for the full year will be influenced by a $2 per megawatt hour reduction in the average price of energy hedges, and a decline in our average PJM capacity price on June 1 of this year, to $167 per megawatt day from the historically high level of $244 per megawatt day.

I'm sure you'll recall that Power's capacity price is essentially steady for the next three years, given the results of already-completed capacity auctions through mid-2017.

Power's fuel costs should continue to benefit from firm gas transportation agreements providing access to low-cost Marcellus gas supply, and O&M should compare favorably with the results of 2013 given a decline in pension expense and ongoing cost control.

Let me now turn to PSE&G. PSE&G reported operating earnings for the fourth quarter of 2013 of $0.29 per share compared with $0.15 per share for the fourth quarter of 2012 as we show on Slide 26. PSE&G's full-year 2013 operating earnings were $612 million, or $1.21 per share, compared with operating earnings of $528 million, or $1.04 per share for 2012, a growth rate of 16%.

PSE&G's earnings for the fourth quarter reflect the benefit of an increase in revenue associated with the greater level of capital investment, and a decline in O&M expense relative to the prior year period which as you recall included Superstorm Sandy-related restoration expenditures.

An increase in transmission revenue improved the quarter-over-quarter earnings contribution by $0.04 per share, and for the year PSE&G's investment in transmission increased earnings by $0.14 per share. In 2013, our $1.7 billion investment in transmission increased the percentage of rate-based and transmission from 28% last year to 36% at the end of 2013.

PSE&G's O&M declined during the quarter given comparisons against the year-ago period which included Sandy-related restoration expenditures, and the decline in O&M increased quarter-over-quarter earnings comparisons by $0.04 per share.

Demand for electricity and gas during the quarter was influenced by weather, which was slightly colder than a year ago. Also, weather normalized demand for gas continues to show improvement. The impact on quarter-over-quarter earnings from the improvement in demand and weather was about $0.01 a share.

Earnings comparisons in the quarter also improved by about $0.04 per share due to a reduction in taxes and the absence of a tax-related change in reserves recognized in the prior year. And all other items contributed about $0.01 per share to earnings.

Economic conditions in PSE&G service territory appear to have stabilized and exhibit signs of slow recovery. On a weather-normalized basis, electric sales are estimated to have improved in the quarter by 2.7% and for the year, weather normalized sales declined by 1.5%. It's too early to get excited about the improvement at weather normalized sales in the quarter, given the comparisons against a period impacted by Sandy-related outages. Gas deliveries, however, continue to point to improved demand. As a result of still low commodity prices and slowly-recovering economic conditions.

On a weather-normalized basis, gas deliveries increased 2.7% in the fourth quarter, and now for the year total an increase of 2.2%.

PSE&G's operating earnings for 2014 are forecast at $705 million to $745 million, and this implies that even at the low end of the range, we're forecasting at least 15% growth in PSE&G's operating earnings.

PSE&G's growth in 2014 will continue to benefit from its ability to earn a return on its expanded investment in transmission. The Federal Energy Regulatory Commission approved an agreement which provides for an annual increase in transmission revenue of $171 million under the Company's formula rate filing, and this increase became effective on January 1 of this year.

Results will also reflect the recovery of capital costs associated with PSE&G's investment in solar, and the reduction in pension expense as well as ongoing expense control is expected to result in a year-over-year reduction in O&M.

As Ralph indicated, PSE&G's significant transmission investment program is on time and on budget, and we'll be providing you with an updated forecast of PSE&G's capital expenditures for 2014 through 2018 at our annual Financial Conference on March 7 of this year.

Let me now turn to Enterprise and Other. Enterprise and Other reported a small operating loss for the fourth quarter of $11 million or about $0.03per share compared to operating earnings of $6 million or a penny per share in the fourth quarter of 2012. The results for the fourth quarter brought the full year 2015 to an operating loss of about $13 million or $0.03 per share compared with 2012's operating earnings of $45 million or $0.09 per share.

The results for the quarter and the full year have been restated simply to reflect the distribution to PSEG Power of the 50% equity interest in the partnership that owns the Kalaeloa generating facility as well as the wholly-owned interest in solar source.

Operating earnings on the remaining portfolio however, were affected by a decline in lease income as well as an adjustment to the tax basis of the portfolio which together reduced quarter-over-quarter earnings by $0.03 per share.

We'll no longer be reporting separately the results for energy holdings. The management team has successfully monetized non-core assets in the portfolio and significantly reduced financial risk. The focus going forward will be on managing the remaining assets in the lease portfolio.

For 2014, operating earnings are forecast to fall within the range of $35 million to $40 million. Going forward, the fee associated with the operating contract for PSEG Long Island will be reported as part of Enterprise, along with the results for the remaining lease portfolio.

Next, I'd like to spend just a minute talking about pensions. We did close 2013 with the value of our pension assets in excess of our PBO obligations. The improved return and higher discount rate will, as Ralph mentioned, have a favorable impact on pension expense this year and going forward. In fact, we estimate there will be a positive impact on income in 2014 and in future years, and compared to the previous year's expense of $110 million.

We will not need to make any cash contributions to our pension trust this year as well.

The benefit to earnings is essentially equally shared between PSE&G and PSEG Power, and will provide you with a deeper multi-year view of the impact on O&M from the improved outlook on pensions at our March 7 investor meeting.

Lastly, a word on our financing capability. We remain in a strong position to finance our capital program. At the end of 2013 we had approximately $493 million of cash on hand and debt represented approximately 42% of PSEG's consolidated capital with debt at Power approximating 31% of its capital base.

Power's free cash flow remains strong and PSE&G's cash generation has improved from its ability to earn its authorized return on increased levels of capital investment. And of course, we'll provide you with an update of our capital program at our annual financial conference, but the message on equity issuance will be the same. We can finance our robust long-term capital program without the need to issue equity.

We're guiding to strong operating earnings for 2014 of $2.55 to $2.75 per share. This outlook is our best guidance for the full year, but I will note that it does not reflect any specific weather conditions related to January, consistent with our practice of not incorporating weather into our guidance until we go through the Summer season.

The dividend was recently increased by 2.8% to the indicative annual level of $1.48 per share, and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward, and we'll provide more detail on our outlook at our annual financial conference on March 7.

So with that, I'll now turn it back to Jennifer, and we'll be happy to take questions.

Operator: Ladies and gentlemen, we will now begin the Question-and-Answer session for members of the financial community. If you have a question, please press star and the number one on your telephone keypad. If your question has been answered and you wish to withdraw your polling question, you may do so by pressing the pound key. If you are on a speaker phone, please pick up your handset before entering your question. One moment for the first question. And your first question comes from Travis Miller with Morningstar.

Travis Miller: Good morning, thanks.

Ralph Izzo: Good morning, Travis.

Caroline Dorsa: Good morning.

Travis Miller: I was wondering real quick if you could give some thoughts on that dividend policy. You've obviously got a strong balance sheet, you've got some pretty good visibility into earnings, at least certainly for next year and perhaps the following year. Good for cash flow generation. I was wondering what the thought is in terms of using some more of that cash flow capacity to perhaps increase the dividend at a faster rate?

Ralph Izzo: So Travis, as you know, we don't have a target number in terms of percentage payout or percentage growth rate. It's a variety of factors, it's where the earnings coming from, how stable are they, how predictable, where are we in the commodities cycle. So, the word that we continue to hold onto is that looking at all of that, where power prices are, where the market prediction could be, where our capital program is at the utility, that investors do have the opportunity for consistent and sustainable growth in a dividend. And I'd rather not be held to a specific number, at this point.

Travis Miller: Okay, I understand. And then real quick, what's the LIPA contribution for the 2014 guidance?

Ralph Izzo: It's $0.02 to $0.03 for '14, then it steps up in basically two-penny increments until we get to '16 where it's about $0.07 or $0.08.

Travis Miller: Great, thanks so much.

Operator: Your next question comes from Brian Chin with Merrill Lynch.

Brian Chin: Hi, good morning.

Caroline Dorsa: Good morning.

Brian Chin: Just a clarification on the ongoing pension question. Of the $110 million number you referenced, that's the year-over-year benefit from '13 into '14 that's included in guidance, is that right?

Caroline Dorsa: That's a great question Brian, let me clarify that. So, the $110 million was our net of capitalization, so therefore what impacts the P&L. That was our pension expense in 2013. So, in 2014 you're actually going to see pension income instead of having $110 million in expense. You're going to see pension income, and the turnaround on a year-

on-year basis is a $0.15 improvement from the impact of pension going from expense last year of $110 million to income in the teens that you're going to see in this year's numbers, split evenly between the businesses.

So, a $0.15 year-on-year improvement we're going, we expect to see pension income as we forecast out during the business plans, you're going to see continuation of value driven from pension as opposed to the history you've had in the last few years of significant pension expense.

Ralph Izzo: Just to add to that counsel, Brian, it's not a step up and then a step back down in subsequent years. It's just a resetting of the level of pension, in this case no longer burdened on the income statement but benefit, but we'll incorporate that in all of our other O&M forecasts in our March 7 meeting.

Brian Chin: Okay, understood, and I understand that you're going to give more quantitative color on the ongoing effect of that at the analysts' meeting. But in terms of just qualitatively what's going on beyond '14, the reason why there's an ongoing effect there is because assumably some degree of asset returns and adjustment in your discount rate, that would cause an ongoing pension income in future years. Is that sort of the right way to think about that, or is there an amortization effect that's taking place?

Caroline Dorsa: So the right way to think about this, Brian, is we make long-term assumptions for returns on our investment portfolio. We make the same long-term assumptions going forward that we've made prior. You know from our disclosures, we assume an 8% return on our asset investments. We just continue to assume that same return. We look at the discount rate from the forward curve, that's why -- the way everybody looks at it, right? So you set it from wherever you land, and when we look at it going forward, we're just looking at the forward curve.

So, the discount rate went up for this year from last year, right? Last year was 4.2%, this year it's 5%. That's pretty -- just taken right off the curves at the end of 2013. So, it's a really steady-as-she-goes set of assumptions about rate of return, which we've set at 8, and the discount rate which we just use from the forward curve. Very significant turnaround we see between '13 and '14 comes from the fact that in 2013, our trust returned 20% and that comes from having that sustained equity-oriented allocation, about 70% equities. You'll see if you look at our historical, that's been the same for the past few years. We really take a long-term view, and because we don't smooth the year-end asset values -- so remember, there's two types of smoothing in pension, right? There's the gain-and-loss smoothing, everybody does that, but the ending assets, most companies smooth the ending asset value. In other words, what value you apply that 8% return to in your current year. Most companies use a five-year average. We use the actual value at the end of the prior year.

So, the fact that we had 20% return gives us that benefit as we come into 2014, purely from where the market put our assets at the end of 2013.

Brian Chin: Thank you very much.

Caroline Dorsa: Sure.

Operator: Your next question comes from Kit Konolige from BGC.

Kit Konolige: Good morning.

Ralph Izzo: Hi, Kit.

Kit Konolige: So it would appear if I heard this correctly, that the 2014 guidance benefits relative to 2013 actual by $0.15 from the pension, correct?

Caroline Dorsa: That's correct.

Kit Konolige: Okay, so -- in other words, basically all of the improvement in let's say the midpoint of '14 versus '13 is due to that pension improvement?

Caroline Dorsa: Well, there are a lot of obviously different dynamics going on in the businesses s well, though. I wouldn't want you to just focus on one item and not focus on the others, right? We've got significant increases assumed in PSE&G, part of which comes from the year-on-year from pension, but it's much more than that. Right?

Ralph Izzo: Well, and we also have huge benefits from the transmission investment, offset by a decline in the hedge prices. So, we just need to be careful, Kit, that we don't just pick one thing that looks like a $0.15 change because that's the only thing that isn't washing out.

Kit Konolige: Right, absolutely. Understood. A lot of moving parts. The -- and the transmission improvement was $0.14, '13 versus '12? Is that -- did I get that down right?

Ralph Izzo: Yes, that's correct.

Caroline Dorsa: Yes, that's right.

Kit Konolige: Okay, and for -- can you give us a sense of at PSE&G, '14 versus '13 is the transmission improvement going to be similar to that? And what should we think of in terms of the benefit from the solar investment, year-over-year?

Ralph Izzo: What we've always told you so far is that we have a $171 million increase in transmission revenues. Now the piece that you're missing is, what's the increase in transmission O&M, we'll give a little bit more information on March 7. The solar 440 is a three-year program and you should assume that that's pretty evenly-distributed over the three years.

Kit Konolige: Okay.

Ralph Izzo: And that's a (inaudible) return at a 10% ROE, and a 51% equity ratio, 51 point.

Kit Konolige: Okay, great. And then final, my final question, on Energy Strong, there was an article in New Jersey Spotlight about I guess a -- you know, their indication was that there seemed to be a bid asked of about $1 billion from the staff and $1.9 billion that you guys had come down to. Are you in a phase, let me just ask it this way. Are you in a phase of negotiating about a number for Energy Strong at this point, and are other issues basically settled?

Ralph Izzo: So Kit, when that article appeared, there was an appropriate and very stern letter that came out of the presiding officer of the BPU, chastising all participants but in particular whoever was responsible for that leak, which was not us. That such conversations in public would not be tolerated and sanctions unnamed would be enforced afterwards. So, I really don't even want to come close to answering your question other than to say yes, there was an article.

Kit Konolige: I knew that already. (laughter)

Ralph Izzo: I know you did. (laughter)

Kit Konolige: Well, let me just follow up on that. Ralph, you've been saying all along that you expect the settlement in Energy Strong. Are you still confident that there will be a settlement rather than a full proceeding on Energy Strong?

Ralph Izzo: Yes I am, but I was clearly wrong on the date, right? I thought we'd have it done by the end of January and I obviously missed that time frame. But I'm still optimistic. Everyone recognizes the importance of the work that's being proposed, but the devil is in the details.

Kit Konolige: Great, thank you.

Operator: Your next question comes from Paul Patterson with Glen Rock Associates.

Paul Patterson: Good morning.

Ralph Izzo: Good morning, Paul.

Caroline Dorsa: Good morning.

Paul Patterson: Just to sort of follow up on the transmission, this Bergen to Linden line and just all the improvements that you guys have been doing there, should we think about any potential risk to the PS zone breakout?

Ralph Izzo: No Paul, so most of the transmission work that does have impact, you've seen already in the way they've been reflected in the RPM auction. So, the two biggest projects that had any effect were Susquehanna Roseland in terms of its transfer capability from eastern mac into PS zone, and then the overall PS zone, and then the northeast grid and its transfer capability between PS zone and PS north. I forget the exact number. I think I saw was about 1500 megawatts, and I think northeast grid was 400 or 500, I don't remember. 200 to 300 Kathleen's telling me.

So, those projects have had an effect, and that's fully-reflected in the price. This is, this latest project is pretty much wholly-within PS north and the NYISO seam, so this is a stability issue across the PGM and New York ISO (ph) seam.

Paul Patterson: Okay. So, nothing else that you see out there as being a problem?

Ralph Izzo: No, I don't.

Paul Patterson: Okay, and then just finally on taxes, for the 2014 guidance could you just tell us what we should be expecting there?

Caroline Dorsa: So, we haven't given a specific effective tax rate, but I think it's fair to assume you'll see tax rate kind of similar to what we've seen in Power over the past period close to 40%, and the utility obviously as solar installations go into effect, you have a little bit of an ITC. So, there's a little bit of a tax rate benefit. Won't be quite as high as Power but pretty much steady. Nothing really dramatically different going on there.

Ralph Izzo: Great. Thanks a lot.

Caroline Dorsa: Your next question comes from Jonathan Arnold with Deutsche Bank.

Jonathan Arnold: Good morning.

Caroline Dorsa: Morning.

Ralph Izzo: Good morning, John.

Jonathan Arnold: Hi. Can you just, first on the hedging, I notice that the pricing on the 2015 had gone up a little bit. Can you give us some sense on what -- is that primarily BGS, is there something else going on in there, is it peak-weighted? Or just whatever you could give me there. And then any flavor on what the composition of the 16 hedge is on the base load?

Caroline Dorsa: Sure. So, you're right Jonathan, on 2015 a big driver here from our prior disclosure is the impact of BGS. So, BGS goes in at about a low-teens impact on the total hedge book for 2015, because the most recent option of course puts a full year of BGS in there. And so, that's the biggest driver of the change in the hedge percentage, and the change in the hedge price, because remember we put BGS in there at about -- at the BGS price less capacity, so it has an impact as you go into 2015 on a full-year basis, and then raise the price from 48 to 51 per our last quarter disclosure.

For 2016, BGS has an impact in there as well, and the book for 2016 per your question is about a third BGS and about two-thirds west hub hedges. You know, as we go out further, BGS is a heftier piece of the total hedge book than it is near term, because it tends to be what you can really do on a long-term basis.

Jonathan Arnold: Okay, great. And secondly, on -- can you give us any insight how the portfolio behaved in this January and early February pricing blowouts? You know, was it a net positive, was it neutral, and how you've thought about that in the context of guidance?

Ralph Izzo: So, we did not factor that into the guidance we've just given you for '14, Jonathan, but I can tell you this. The units performed well. Our gas team was able to get the fuel we needed. There were times we were running on kerosene and not on natural gas, but the assets were up and running. We had Linden down I think for a few days because we were fishing out the AGP, the Advanced Gas Path, but no -- we had solid operational performance, managed the fuel situation very well, and did not factor that into our '14 guidance. We have -- Kathleen reminded me this morning, I forgot already, there's only 51 days gone so far. (laughter) 314 to go, so she didn't want me to get ahead of myself.

Jonathan Arnold: So you've just basically done it as of year-end?

Ralph Izzo: That's correct.

Caroline Dorsa: That's right.

Ralph Izzo: That's exactly right, John.

Jonathan Arnold: Okay, and then, just sort of finally as you -- as we think about this sort of '14 number, and the pension and the other moving parts, and I don't know if this is something you'll talk about now or not. But is -- do you see '15 and '16 as kind of flat-to-up kind of trajectory, adding everything together, or is this still kind of hedge roll-up headwind etc., kind of offsetting some of the positives you have on the other side of the business?

Ralph Izzo: So John, you know, we're not going to give guidance for the out years. We will at the conference remind folks, and I'll just do it at a high level here, of what the utility rate base growth will be and how that translates into earnings. We'll re-present, we'll present to you data that I think most of you know about RPM, because that does carry us certainly through '16. We'll update, we'll discuss the hedge book to the extent that further detail is needed. So what we don't do is try to outguess the forward price curve, and that's the part that keeps us from giving you precision in the out years. We're going to give you an O&M growth rate. I don't -- so other than changes in the forward price curve and how we're able to dynamically hedge, which is something that I think we're all learning to understand is a real advantage of Power. Those two limitations keep us from giving you even a plus or a minus for the out years.

And we're going to give you five years of utility capital this time around, as well.

Jonathan Arnold: But if you used, I mean, not asking you to second guess the curve, but if you assumed the curve, can you go there?

Ralph Izzo: Well, the reason why I wouldn't want to do that is, I think that limits us to a bias of understating our potential. Our naturally long position with our diverse asset fleet, both in terms of fuel and in terms of dispatchability, has allowed us to benefit from the volatility quite nicely. And the greater that volatility, the greater the benefit for us, and that's a theme we've been trying to educate the investor community about for the past 18 months or so, and I think we want to make sure we don't short change ourselves by simply saying the current prediction is a spark of X, and therefore that's all you should bake into our numbers.

Jonathan Arnold: Thank you, Ralph.

Ralph Izzo: Thank you, John.

Operator: Your next question comes from Ashar Khan with Visium.

Ashar Khan: Hi, how are you doing?

Caroline Dorsa: Good morning.

Ashar Khan: Can I just -- the -- what we should expect at the conference, would you be in a position at that time to give us -- Ralph, I guess this is a question in terms of Energy Strong, would that be done by then or not done by them? Or I'm just trying to see how you're going to address what is in rate base for the utility for the next five years.

Ralph Izzo: So, Ashar, I obviously did a mea culpa already on predicting it by the end of January, so I'm not going to invite a second opportunity to be wrong or beat my chest over being right by predicting a date and then not living up to it. We're in active negotiations. The hearings begin on Tuesday or Monday, I forget, the 25th. So, believe me, there's no one on this call who wants that done sooner but not without the right terms and conditions for our shareholders and our customers.

So, I can't predict if we'll have more details for you. Suffice to say that we will do what we've done in the past. We will tell you, here's what has been approved, and what is definitely happening, and to the extent that there are open questions, we'll tell you what those additional open questions could yield.

Ashar Khan: Okay, and then Caroline, just based on what you had provided earlier, and I know pensions has provided an uplift, but you had still said that going up 16 year-over-year, even starting from '14 the way I understood it, that the utility company could still show double digit EPS growth without Energy Strong. Am I -- if I'm understanding that right, that should still be the case, right? From a '14 to '16 time frame?

Caroline Dorsa: Yes. That's correct.

Ashar Khan: Okay. Okay. Thank you so much.

Caroline Dorsa: You're welcome.

Operator: Your next question comes from Julian Dumoulin-Smith with UBS.

Julian Dumoulin-Smith: Hi, good morning.

Ralph Izzo: Good morning, Julian.

Caroline Dorsa: Good morning.

Julian Dumoulin-Smith: So, a quick first question. I'll try. In terms of the, at least the first 60 days here of the year?

Ralph Izzo: (laughter) 51 days, Julian.

Julian Dumoulin-Smith: Yeah I mean you know (laughter) first couple months, what -- can you give us any ball park in terms of what that means for you versus plan?

Ralph Izzo: Caroline, I tried to say no. Your turn.

Julian Dumoulin-Smith: I tried, I swear. (laughter)

Caroline Dorsa: Well, we can't give you ballpark Julian, because we just obviously just put out the guidance at all. But I think as Ralph said, we performed well and we've had other periods where when opportunities present themselves we capture them, and we captured what was available to us here. But it's -- you know, we'll be on the phone with you not too long from now during the first quarter, it seems, right? In April? But I think you should expect that we're able to do the kind of things that our terrific ER&T group is able to do, which is take advantage of opportunities when they present themselves, because our operations and our assets, we run really well.

But beyond that, I think we'll just wait for the first quarter results.

Ralph Izzo: Yeah, I mean Julian, I do respect the desire for that information. We have two nuclear refueling outages ahead of us, we have a summer season that is at least as important as the winter season, so there's a lot of territory ahead of us before we start taking something to the bank.

Julian Dumoulin-Smith: Now, let me jump onto the last question a little bit and ask you -- in terms of you know, you have the 1 billion, you have the 2 billion. In terms of aggregate CapEx, at the utility, you talked about earnings growth. But you know, for the next few year period, is there an ability to accelerate other spend that you would've otherwise put into Energy Strong, should it come out at the lower end, if you get what I'm saying? Is there some level of flexibility? And maybe let me just head at this a little bit differently. How are you thinking about energy holdings spending in the context of perhaps greater balance sheet latitude and getting more involved on let's say more contracted assets on that side?

Ralph Izzo: So we -- we do continue to invest on contracted assets on the energy holdings side, but that is -- it is modest compared to what's going on in the utility. And while I do want Energy Strong for all the reasons we've articulated in the past, the critical issue in the utility has been and continues to be transmission. So, whether it's the Bergen-Linden 345 KV line, that was a $1.2 billion add. Now, that's a gross number. We will detail for you the net impact of that, because some projects are being canceled. Whether it's the possibility of the artificial island bid that we've made along with six other bidders, so we don't know if we'll win that. The fact that PJM is going to have an open window in April on FERC Order 1000 project.

So, there are, there have continued -- we have consistently been able to find important reliability-based investments to deploy our balance sheet in the utility, and I just think given the uncertainty in the market about where assets get built, power generation assets get built, and where they get shut down, that those opportunities will continue to appear before us and Caroline will add to that, now.

Caroline Dorsa: Yeah, and one other thing, Julian. I think you know we have a robust capital program. We talked about a lot going on including the potential for Energy Strong as filed, and the other thing that we will talk about in March as we always do, and you would expect from our results and our cash and balance sheet position, is everything we've talked about has the potential for going forward including Energy Strong, none of that takes away our entire investment capacity. So, there's more investment capacity to put to work on either good projects at the utility, additional transmission, things like you know, uprates at Power. There's opportunity to do even more because we've run the balance sheet and have so much free cash flow coming from both businesses. So, even the things that you

know, we'll still have more room to do more things as these opportunities that Ralph identified, come potentially come forward to us.

Julian Dumoulin-Smith: Got you. So, I'll take that as a general yes.

Ralph Izzo: Yes (laughter)

Julian Dumoulin-Smith: Great, thank you.

Operator: Your next question -- I'm sorry, go ahead?

Kathleen Lally: I'm going to say we have time for one more question, and then we'll have closing comments after that question, thank you.

Operator: Your next question comes from Neil Mitre from Tudor Pickering.

Neil Mitre: Hi, good morning.

Caroline Dorsa: Good morning.

Ralph Izzo: Good morning, Neil.

Neil Mitre: In the past, you guys have detailed a slide with the amount of exports that you have from New Jersey to New York, and I think the last time you put one out was about 2500 megawatts. Ralph, can you kind of talk about maybe how that number has changed, and maybe more specifically over the last year, and what projects are perhaps in the backlog that could increase the exports out of New Jersey?

Ralph Izzo: Neil, we haven't broken that number out in a number of years. I'm kind of trying to remember when the last time was that we did break that out. I know we have some, it's been at least three years I'm being told. So, I know we have some energy and capacity sales over a VFT line that goes over to New York. We do some spot transactions, but I don't know that we break out our Power book to that level of specificity.

Neil Mitre: I'm guessing more kind of on the utility side.

Ralph Izzo: Oh, on the utility side?

Neil Mitre: You talked about --

Ralph Izzo: Oh yeah, wait a minute, the utility isn't building any transmission into New York City. The -- perhaps, I hope I didn't mis-speak before. The 345 KV is a reliability issue that affects the seam but it's all inside New Jersey.

Neil Mitre: It's all inside New Jersey, okay, great. And then second, with the uprates, the 150 megawatts, are you considering any other kind of expansions, Power, I know in the past you've kind of talked about maybe Essex brown field additions. Are those off the table right now or are you kind of happy with the 150 megawatt?

Ralph Izzo: Right now we have two major projects, and the way we have an upgrade at about 140

megawatts at Peach Bottom and we have the advanced gas path. And right now, that's all that we have planned.

Neil Mitre: Okay, great. Thank you.

Ralph Izzo: Okay, yeah. So thanks everyone for participating in the call. We had a terrific 2013. I mean, it was terrific operationally, financially, meeting the needs of the New Jersey Energy Master Plan, and we firmly expect that we're going to build on that in '14 and beyond. So, we'll share some more details with you on March 7. We hope you're able to join us then in New York. I'm told by Kathleen in celebration of the winter we had, we may actually have some sleigh rides and hot chocolate for people, but hopefully we'll have the beginning of some Spring weather when we see you on March 7. So, thanks for being here today, and we'll see you soon.

Operator: Ladies and gentlemen, that does conclude your conference call for today. You may disconnect, and thank you for your participation.

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan Lane, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2013 RESULTS

$2.45 NET INCOME PER SHARE

Operating Earnings of $2.58 Per Share Exceeds Guidance of $2.40 - $2.55 Per Share

Company Provides 2014 Guidance of $2.55 - $2.75 Per Share

(February 20, 2014 – Newark, NJ) Public Service Enterprise Group (PSEG) reported today 2013 Net Income of $1,243 million or $2.45 per share as compared to Net Income of $1,275 million, or $2.51 per share for 2012. Operating Earnings for the year 2013 were $1,309 million or $2.58 per share compared to 2012 Operating Earnings of $1,236 million or $2.44 per share.

PSEG also reported Net Income for the fourth quarter of 2013 of $200 million, or $0.39 per share. This compares to fourth quarter 2012 Net Income of $224 million, or $0.44 per share. Operating Earnings for the fourth quarter of 2013 were $248 million, or $0.49 per share compared to fourth quarter 2012 Operating Earnings of $207 million, or $0.41 per share.

"PSEG delivered outstanding results in 2013" said Ralph Izzo, chairman, president and chief executive officer. "An increased level of investment in our regulated company produced double-digit earnings growth at PSE&G. PSEG Power's earnings benefited, as expected, from the locational premium placed on the capacity price for its generating assets, PSEG Power also realized the benefits from higher wholesale prices on its open position and successful management of its gas supply arrangements. We executed well on our business plan in 2013, and a strong balance sheet continues to support our growth initiatives without the need to issue equity. Our approach to managing supply risk has been affirmed during the recent period of extreme weather and volatility in the power markets. We have successfully responded to record demand while our customers have benefited from our ability to pass along savings in gas costs. We look ahead to 2014 with optimism as demonstrated by the Board's recent decision to increase the common dividend by 2.8% to the indicative annual level of $1.48 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of gains/(losses) associated with Nuclear Decommissioning Trust (NDT) investments and Mark-To-Market (MTM) accounting as well as other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the full year and fourth quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
Full-Year Comparative Results
2013 and 2012

	Income ($ millions)		Diluted Earnings Per Share	
	2013	**2012**	**2013**	**2012**
Operating Earnings	$1,309	$1,236	$2.58	$2.44
Reconciling Items	(66)	39	(0.13)	0.07
Net Income	**$1,243**	**$1,275**	**$2.45**	**$2.51**
		Avg. Shares	**508M**	**507M**

PSEG CONSOLIDATED EARNINGS (unaudited)
Fourth Quarter Comparative Results
2013 and 2012

	Income ($ millions)		Diluted Earnings Per Share	
	2013	**2012**	**2013**	**2012**
Operating Earnings	$248	$207	$0.49	$0.41
Reconciling Items	(48)	17	(0.10)	0.03
Net Income	**$200**	**$224**	**$0.39**	**$0.44**
		Avg. Shares	**508M**	**507M**

"The emphasis we have placed on the anchor principles of our strategy – operational excellence, financial strength and disciplined investment – created benefits in 2013 and is expected to continue to yield results over the coming year" continued Ralph Izzo. "Double-digit growth in earnings from our stable, regulated business, Power's strong free cash flow and the benefits from successful management of our cost structure -- including our pension obligations -- are expected to yield long lasting benefits to Operating Earnings. For 2014, we are initiating Operating Earnings guidance of $2.55 - $2.75 per share. The strong commitment and dedication shown by our employees to our customers has been a major contributor to our success and provides me with confidence in our ability to achieve our long-term goals."

The following table outlines PSEG's 2013 operating earnings by subsidiary and expectations for 2014.

2014 Guidance and 2013 Operating Earnings
($ millions, except EPS)

	2014E	**2013A**
PSE&G	$705 - $745	$612
PSEG Power	$550 - $610	$710
PSEG Enterprise/ Other	$35 - $40	$(13)
Operating Earnings	$1,290 - $1,395	$1,309
Earnings Per Share	$2.55 - $2.75	$2.58

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 6 and 7 for detail regarding the quarter-over-quarter and year-over-year earnings reconciliations for each of PSEG's businesses.

PSEG Power

PSEG Power reported operating earnings of $115 million ($0.23 per share) for the fourth quarter of 2013, bringing full year operating earnings to $710 million ($1.40 per share). On a comparative basis, PSEG Power reported operating earnings of $126 million ($0.25 per share) and $663 million ($1.31 per share) for the fourth quarter and full year 2012 respectively.

PSEG Power's operating earnings in the fourth quarter benefited from higher capacity revenues, an improvement in the market price of energy on a net long position, an increase in volume and a decline in the supply cost of gas. The improvement in gross margin during the quarter nearly offset the impact on operating earnings from an increase in operating and maintenance expense associated with outage related work.

Power's earnings for the fourth quarter benefited from higher revenues in PJM. An increase in our average PJM capacity prices to $244/MW-day from $153/MW-day on June 1, 2013 improved quarter-over-quarter earnings by $0.10 per share. The improvement in capacity revenues more than offset the $0.09 per share impact on earnings from lower realized prices on energy hedges. Higher prices for natural gas and an improvement in basis in the PS-zone had a favorable influence on the price received by Power on its open wholesale power position. In addition, Power's results continued to benefit from its firm gas transportation contracts which provided it with access to low-cost gas from the Marcellus Basin. Together these items added $0.02 per share to Power's quarter-over-quarter earnings. Generation volumes increased in the fourth quarter relative to the year-ago period when production was impacted by Superstorm Sandy. The increase in generation added $0.01 per share to Power's quarter-over-quarter earnings comparisons. Operating and maintenance (O&M) expenditures were higher than normal during the quarter due to outage related work – both planned and unplanned -- at the nuclear and fossil stations. The increase in O&M reduced quarter-over-quarter earnings comparisons by $0.08 per share. The absence of debt restructuring costs in the year-ago period improved quarter-over-quarter earnings comparisons by $0.02 per share. An increase in depreciation expense was offset by a reduction in interest expense.

Power's output increased 6.2% in the quarter from year-ago levels. For the year, output increased 1.8% to 53.5 TWh. The fleet's fuel and dispatch flexibility was demonstrated in the quarter and throughout the year. The nuclear fleet produced 29.5 TWh (55% of total generation) operating at an average capacity factor of 90.3%. Record production from Salem 2 helped offset the impact from a refueling-outage related decline in production at Hope Creek. The gas-fired combined cycle fleet produced 15.9 TWh in 2013 (31% of total generation). Record setting output from the Linden station helped to partially offset the impact on production from planned major maintenance work at the Bethlehem Energy Center in the second half of the year. The coal fleet responded to an improvement in dark spreads. Production from the base-load coal-fired stations in Pennsylvania increased 20% as the New Jersey stations continued to operate on gas and Bridgeport Harbor's output increased in response to higher market prices. The coal stations together provided 7.3 Twh of output in 2013 (14% of total generation).

Power continues to forecast output for 2014 of 53 – 55 TWh. Approximately 75% - 80% of anticipated production for the year is hedged at an average price of $48 per MWh which compares with average hedge prices in 2013 of $50 per MWh. Power has hedged approximately 45% - 55% of its forecast generation in 2015 of 53 – 55 TWh at an average price of $51 per MWh. Power's forecast of total output over 2014 – 2015 has increased slightly from prior guidance. For 2016, Power has hedged 20% - 30% of forecast production of 53 – 55 TWh at an average price of $53 per MWh. The increase in the percentage of generation hedged over 2014 – 2015 reflects the completion of the most recent Basic Generation Service auction in New Jersey. The hedge data for 2014 and 2015 assumes BGS volumes represent approximately 11 TWh in 2014 and 10 TWh in 2015 compared to approximately 12 TWh in 2013.

PSEG Power's operating earnings for 2013 and 2012 reflect the inclusion of its 50% equity interest in a partnership that owns and operates the Kalaeloa generation facility in Hawaii and its wholly owned interest in PSEG Solar Source LLC, both of which were transferred from Energy Holdings in 2013. These assets provided $0.03 per share of operating earnings in 2013 compared with operating earnings in 2012 of $0.04 per share.

Power's operating earnings for 2014 are forecast at $550 million - $610 million. Results for the full year will be influenced by a decline in our average PJM capacity price on June 1, 2014 to $167/MW-day from the historically high level of $244/MW-day and a $2/MWh reduction in the average price of energy hedges. Power's fuel costs should continue to benefit from favorable access to low-cost Marcellus gas supply, and O&M should compare favorably with the results of 2013 given a decline in pension expense, and on-going cost control.

PSE&G

PSE&G reported operating earnings of $144 million ($0.29 per share) for the fourth quarter bringing full year operating earnings to $612 million ($1.21 per share). On a comparative basis, PSE&G reported operating earnings of $75 million ($0.15 per share) and $528 million ($1.04 per share) for the fourth quarter and full year 2012, respectively.

PSE&G's earnings for the fourth quarter reflect the benefit of an increase in revenue associated with a greater level of capital investment and a decline in O&M expense relative to the prior year period which included Superstorm Sandy-related restoration expenditures.

An increase in transmission earnings from increased investment added $0.04 per share to earnings in the quarter. An absence of Sandy-related restoration expenditures improved quarter-over-quarter earnings comparisons by $0.04 per share. Electric and Gas demand was influenced by weather which was slightly colder than a year ago. Also, weather normalized demand for gas continued to improve. The impact on earnings quarter-over-quarter from the improvement in demand and weather was $0.01 per share. Earnings comparisons in the quarter also improved by $0.04 per share due to a reduction in taxes and the absence of a tax-related change in reserves recognized in the prior year. Miscellaneous items contributed $0.01 per share quarter-over-quarter.

Economic conditions in the service area have stabilized and exhibit signs of a slow recovery. On a weather-normalized basis, electric sales are estimated to have improved in the quarter by 2.7%. For the year, weather-normalized sales declined by 1.5%. It's too early to characterize the improvement in weather-normalized sales for the quarter as the result of economic growth, given comparisons against a period impacted by Sandy-related outages. Gas deliveries, however, continue to point to an improvement in demand as a result of still low commodity prices and slowly recovering economic

conditions. On a weather-normalized basis, gas deliveries increased 2.7% in the fourth quarter and 2.2% for the year.

The Federal Energy Regulatory Commission (FERC) approved an agreement reached with certain customers which provides for an annual increase in transmission revenue of $171 million under the company's formula rate filing. The increase in revenue was effective on January 1, 2014.

PSE&G was assigned construction by PJM of a new transmission project that will construct a double-circuit line in the Bergen-Linden Corridor to maintain the reliability of the northeastern electrical grid. This project has an expected in-service date of June 2018, and an estimated construction cost of up to $1.2 billion. The net increase in capital expenditures is expected to be less than the cost of the 345-kV project which will eliminate the need for other projects.

PSE&G's operating earnings for 2014 are forecast at $705 million - $745 million. Operating earnings will be influenced by an increase in transmission revenues, an increase in the amount of capital invested in solar and a reduction in pension expenses.

PSEG Enterprise/Other

PSEG Enterprise/Other reported a loss in operating earnings for the fourth quarter of $11 million ($0.03) per share compared to operating earnings of $6 million ($0.01 per share) for the fourth quarter of 2012. The results for the fourth quarter brought the full year 2013 for PSEG Enterprise/Other to a loss of $13 million ($0.03 per share) versus Operating Earnings in 2012 of $45 million ($0.09 per share).

The results reflect the distribution to PSEG Power of Energy Holdings' 50% equity interest in a partnership that owns the Kalaeloa generating facility as well as its wholly owned interest in PSEG Solar Source LLC. Operating earnings on the remaining portfolio of assets reflect a decline in lease income as well as additional taxes. These items reduced quarter-over-quarter earnings by $0.03 per share.

For 2014, operating earnings for PSEG Enterprise/Other are forecast to be $35 million - $40 million. Results will include the fee associated with the distribution management contract for PSEG – Long Island.

Long Island Power Authority

On December 31, 2013, PSEG-Long Island LLC and the Long Island Power Authority (LIPA) entered into a twelve-year Amended and Restated Operations Services Agreement (OSA) effective January 1, 2014 to operate LIPA's electric transmission and distribution (T&D) system in Long Island, NY. In addition, there is the opportunity for the parties to extend the contract for an additional eight years subject to the achievement by PSEG LI of certain performance levels during the initial term of the OSA. Also, beginning in 2015, Power will provide fuel procurement and power management services to LIPA under separate agreements.

FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently

available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions could adversely impact our businesses,
- Increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended December 31,		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*
Earnings Results ($ Millions)				
PSEG Power	$ 115	$ 126	$ 710	$ 663
PSE&G	144	75	612	528
PSEG Enterprise/Other	(11)	6	(13)	45
Operating Earnings	**$ 248**	**$ 207**	**$ 1,309**	**$ 1,236**
Reconciling Items [(a)]	(48)	17	(66)	39
Net Income	**$ 200**	**$ 224**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Results (Diluted)				
PSEG Power	$ 0.23	$ 0.25	$ 1.40	$ 1.31
PSE&G	0.29	0.15	1.21	1.04
PSEG Enterprise/Other	(0.03)	0.01	(0.03)	0.09
Operating Earnings	**$ 0.49**	**$ 0.41**	**$ 2.58**	**$ 2.44**
Reconciling Items [(a)]	(0.10)	0.03	(0.13)	0.07
Net Income	**$ 0.39**	**$ 0.44**	**$ 2.45**	**$ 2.51**

(a) See attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended December 31, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,318	$ (498)	$ 1,245	$ 1,571
OPERATING EXPENSES				
Energy Costs	825	(519)	711	633
Operation and Maintenance	818	27	356	435
Depreciation and Amortization	292	7	71	214
Taxes Other Than Income Taxes	18	-	-	18
Total Operating Expenses	1,953	(485)	1,138	1,300
OPERATING INCOME	365	(13)	107	271
Income from Equity Method Investments	2	(2)	4	-
Other Income and (Deductions)	41	1	27	13
Other-Than-Temporary Impairments	(5)	-	(5)	-
Interest Expense	(99)	2	(31)	(70)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	304	(12)	102	214
Income Tax Benefit (Expense)	(104)	1	(35)	(70)
NET INCOME	**$ 200**	**$ (11)**	**$ 67**	**$ 144**
OPERATING EARNINGS	$ 248	$ (11)	$ 115	$ 144
Reconciling Items Excluded from Net Income [b]	(48)	-	(48)	-
NET INCOME	**$ 200**	**$ (11)**	**$ 67**	**$ 144**

Three Months Ended December 31, 2012

	PSEG	PSEG Enterprise/ Other [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 2,406	$ (473)	$ 1,282	$ 1,597
OPERATING EXPENSES				
Energy Costs	900	(535)	656	779
Operation and Maintenance	756	(6)	346	416
Depreciation and Amortization	256	9	64	183
Taxes Other Than Income Taxes	26	-	-	26
Total Operating Expenses	1,938	(532)	1,066	1,404
OPERATING INCOME	468	59	216	193
Income from Equity Method Investments	3	-	3	-
Other Income and (Deductions)	7	(2)	(7)	16
Other-Than-Temporary Impairments	(4)	-	(4)	-
Interest Expense	(113)	(1)	(37)	(75)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	361	56	171	134
Income Tax Benefit (Expense)	(137)	(20)	(58)	(59)
NET INCOME	**$ 224**	**$ 36**	**$ 113**	**$ 75**
OPERATING EARNINGS	$ 207	$ 6	$ 126	$ 75
Reconciling Items Excluded from Net Income [b]	17	30	(13)	-
NET INCOME	**$ 224**	**$ 36**	**$ 113**	**$ 75**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Year Ended December 31, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 9,968	$ (1,750)	$ 5,063	$ 6,655
OPERATING EXPENSES				
Energy Costs	3,536	(1,801)	2,496	2,841
Operation and Maintenance	2,887	24	1,224	1,639
Depreciation and Amortization	1,178	33	273	872
Taxes Other Than Income Taxes	68	-	-	68
Total Operating Expenses	7,669	(1,744)	3,993	5,420
OPERATING INCOME	2,299	(6)	1,070	1,235
Income from Equity Method Investments	11	(5)	16	-
Other Income and (Deductions)	159	3	105	51
Other-Than-Temporary Impairments	(12)	-	(12)	-
Interest Expense	(402)	7	(116)	(293)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,055	(1)	1,063	993
Income Tax Benefit (Expense)	(812)	(12)	(419)	(381)
NET INCOME	**$ 1,243**	**$ (13)**	**$ 644**	**$ 612**
OPERATING EARNINGS	$ 1,309	$ (13)	$ 710	$ 612
Reconciling Items Excluded from Net Income [b]	(66)	-	(66)	-
NET INCOME	**$ 1,243**	**$ (13)**	**$ 644**	**$ 612**

Year Ended December 31, 2012

	PSEG	PSEG Enterprise/ Other [a]	PSEG POWER	PSE&G
OPERATING REVENUES	$ 9,781	$ (1,718)	$ 4,873	$ 6,626
OPERATING EXPENSES				
Energy Costs	3,719	(1,821)	2,381	3,159
Operation and Maintenance	2,632	(3)	1,127	1,508
Depreciation and Amortization	1,054	34	242	778
Taxes Other Than Income Taxes	98	-	-	98
Total Operating Expenses	7,503	(1,790)	3,750	5,543
OPERATING INCOME	2,278	72	1,123	1,083
Income from Equity Method Investments	12	(3)	15	-
Other Income and (Deductions)	162	4	111	47
Other-Than-Temporary Impairments	(18)	-	(18)	-
Interest Expense	(423)	4	(132)	(295)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,011	77	1,099	835
Income Tax Benefit (Expense)	(736)	4	(433)	(307)
NET INCOME	**$ 1,275**	**$ 81**	**$ 666**	**$ 528**
OPERATING EARNINGS	$ 1,236	$ 45	$ 663	$ 528
Reconciling Items Excluded from Net Income [b]	39	36	3	-
NET INCOME	**$ 1,275**	**$ 81**	**$ 666**	**$ 528**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	December 31, 2013	December 31, 2012
DEBT		
Long-Term Debt	$ 8,131	$ 7,173
Securitization Debt	496	722
Project Level, Non-Recourse Debt	16	44
Total Debt	8,643	7,939
STOCKHOLDERS' EQUITY		
Common Stock	4,861	4,833
Treasury Stock	(615)	(607)
Retained Earnings	7,457	6,942
Accumulated Other Comprehensive Loss	(95)	(388)
Total Common Stockholders' Equity	11,608	10,780
Noncontrolling Interests - Equity Investments	1	1
Total Equity	11,609	10,781
Total Capitalization	$ 20,252	$ 18,720

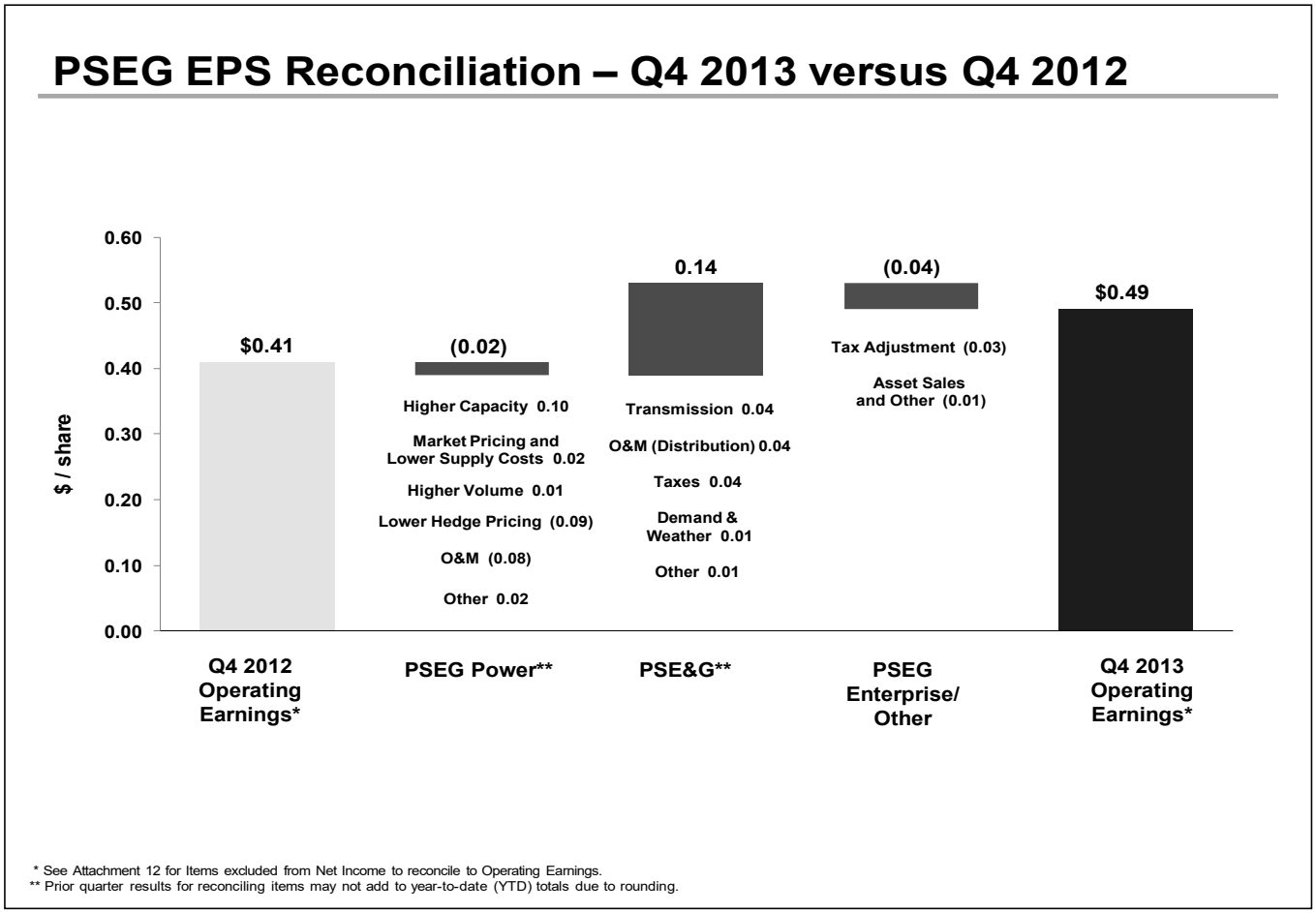
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Condensed Consolidated Statements Of Cash Flows
(Unaudited, $ Millions)

	Year Ended December 31, 2013	Year Ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,243	$ 1,275
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,915	1,512
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,158	2,787
NET CASH USED IN INVESTING ACTIVITIES	(2,801)	(2,625)
NET CASH USED IN FINANCING ACTIVITIES	(243)	(617)
Net Change in Cash and Cash Equivalents	114	(455)
Cash and Cash Equivalents at Beginning of Period	379	834
Cash and Cash Equivalents at End of Period	$ 493	$ 379

Attachment 6

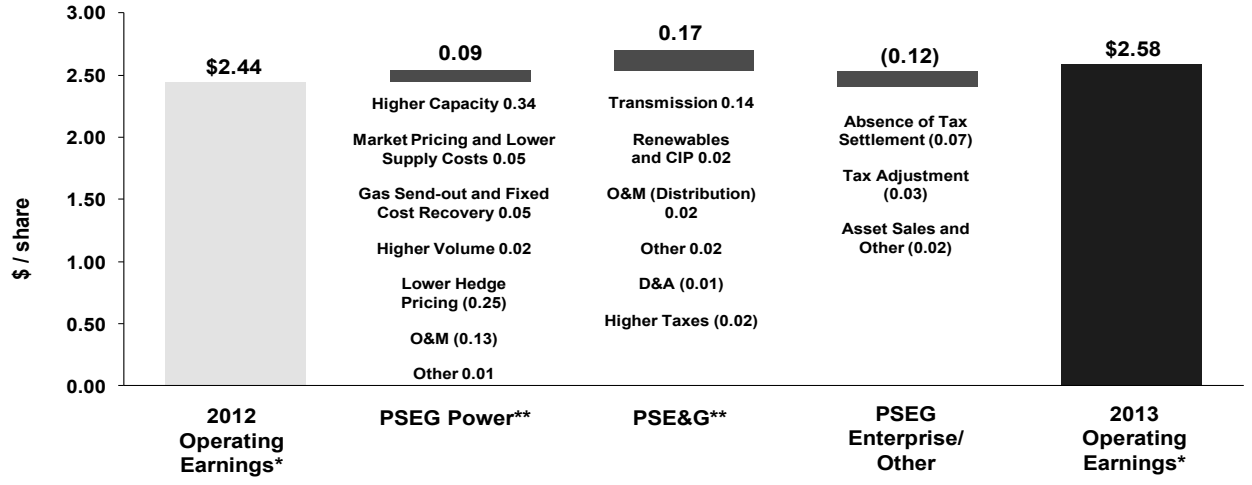
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
December 31, 2013 vs. December 31, 2012
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
December 31, 2013 vs. December 31, 2012
(Unaudited)

PSEG EPS Reconciliation – Full-year 2013 versus Full-year 2012



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended December 31,		GWhr Breakdown Year Ended December 31,	
	2013	2012	2013	2012
Nuclear - NJ	4,463	4,845	20,098	20,370
Nuclear - PA	2,249	2,324	9,397	9,403
Total Nuclear	**6,712**	**7,169**	**29,495**	**29,773**
Fossil - Coal/Natural Gas - NJ**	55	8	1,141	1,108
Fossil - Coal - PA	1,485	1,089	5,491	4,566
Fossil - Coal - CT	257	25	691	103
Total Coal	**1,797**	**1,122**	**7,323**	**5,777**
Fossil - Oil & Natural Gas - NJ	2,999	2,240	12,579	11,950
Fossil - Oil & Natural Gas - NY	932	1,185	3,952	4,904
Fossil - Oil & Natural Gas - CT	31	28	109	107
Total Oil & Natural Gas	**3,962**	**3,453**	**16,640**	**16,961**
	12,471	**11,744**	**53,458**	**52,511**

	% Generation by Fuel Type Three Months Ended December 31,		% Generation by Fuel Type Year Ended December 31,	
	2013	2012	2013	2012
Nuclear - NJ	36%	41%	38%	39%
Nuclear - PA	18%	20%	17%	18%
Total Nuclear	**54%**	**61%**	**55%**	**57%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	2%	2%
Fossil - Coal - PA	12%	10%	11%	9%
Fossil - Coal - CT	2%	0%	1%	0%
Total Coal	**14%**	**10%**	**14%**	**11%**
Fossil - Oil & Natural Gas - NJ	24%	19%	24%	23%
Fossil - Oil & Natural Gas - NY	8%	10%	7%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**32%**	**29%**	**31%**	**32%**
	100%	**100%**	**100%**	**100%**

* Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and twelve months ended December 31, 2013 and 2012. Generation includes natural gas fuel switching intervals.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2013

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2012	Year Ended	Change vs. 2012
Residential	2,963	3.5%	13,490	-0.4%
Commercial & Industrial	6,577	4.1%	27,457	-1.1%
Street Lighting	98	-1.4%	330	0.2%
Interdepartmental	2	-1.0%	9	-1.4%
Total	**9,640**	3.9%	**41,286**	-0.9%
Revenue ($ millions)				
Residential	$ 454	5.2%	$ 2,081	-1.5%
Commercial & Industrial	437	4.4%	2,031	-2.5%
Street Lighting	18	-0.8%	70	-5.0%
Other Operating Revenues*	105	18.9%	425	17.4%
Total	**$ 1,014**	6.0%	**$ 4,607**	-0.5%

Weather Data	Three Months Ended	Change vs. 2012	Year Ended	Change vs. 2012
THI Hours - Actual	577	93.1%	17,588	-2.5%
THI Hours - Normal	293		15,765	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission-related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2013

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2012	Year Ended	Change vs. 2012
Firm Sales				
Residential Sales	457	6.9%	1,441	16.5%
Commercial & Industrial	287	8.0%	972	14.5%
Total Firm Sales	**744**	7.3%	**2,413**	15.7%
Non-Firm Sales				
Commercial & Industrial	530	106.0%	1,400	6.8%
Total Non-Firm Sales	**530**		**1,400**	
Total Sales	**1,274**	**34.0%**	**3,813**	**12.2%**
Revenue ($ millions)				
Residential Sales - Firm	$ 95	-54.0%	$ 536	-11.9%
Commercial & Industrial - Firm Sales	73	0.5%	246	18.3%
Non-Firm Sales	10	7.5%	41	12.4%
Other Operating Revenues**	46	4.9%	170	5.6%
Total	**$ 224**	**-32.6%**	**$ 993**	**-2.1%**
Gas Transported	$ 333	7.8%	$ 1,055	7.6%

Weather Data	Three Months Ended	Change vs. 2012	Year Ended	Change vs. 2012
Degree Days - Actual	1,677	5.2%	4,794	19.3%
Degree Days - Normal	1,620		4,698	

*CSG rate included in non-firm sales

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2012
Weighted Average Common Shares Outstanding (000's)				
Basic	505,859	505,906	505,889	505,933
Diluted	507,796	507,231	507,525	507,086
Stock Price at End of Period			$ 32.04	$ 30.60
Dividends Paid per Share of Common Stock	$ 0.360	$ 0.355	$ 1.44	$ 1.42
Dividend Payout Ratio*			55.8%	58.2%
Dividend Yield			4.5%	4.6%
Price/Earnings Ratio*			12.4	12.5
Rate of Return on Average Common Equity*			11.8%	11.6%
Book Value per Common Share			$ 22.95	$ 21.31
Market Price as a Percent of Book Value			140%	144%
Total Shareholder Return	-1.6%	-3.8%	9.4%	-2.9%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Year Ended December 31, 2013	Year Ended December 31, 2012
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 248**	**$ 207**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	11	3	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(52)	23	(74)	(10)
Lease Related Activity (PSEG Energy Holdings)	-	30	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(7)	(39)	(32)	(39)
Net Income	**$ 200**	**$ 224**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 0.49**	**$ 0.41**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	-	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.11)	0.05	(0.14)	(0.02)
Lease Related Activity (PSEG Energy Holdings)	-	0.06	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.08)	(0.07)	(0.08)
Net Income	**$ 0.39**	**$ 0.44**	**$ 2.45**	**$ 2.51**

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

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Year-end 2013

February 20, 2014

SI-SSA-0015-12168

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions could adversely impact our businesses,
- Increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12169

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide 35 at the end of this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-12170

PSEG
2013 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12171

Q4 Earnings Summary – Strong finish to 2013

Quarter ended December 31

$ millions (except EPS)	2013	2012
Operating Earnings	$ 248	$ 207
Reconciling Items, Net of Tax	(48)	17
Net Income	$ 200	$ 224
EPS from Operating Earnings*	$ 0.49	$ 0.41

*See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12172

Full-year Earnings Summary – EPS exceeded guidance

Twelve Months ended December 31

$ millions (except EPS)	2013	2012
Operating Earnings	$ 1,309	$ 1,236
Reconciling Items, Net of Tax	(66)	39
Net Income	$ 1,243	$ 1,275
EPS from Operating Earnings*	$ 2.58	$ 2.44

SI-SSA-0015-12173

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG – 2013 Highlights

- **Strong 2013 financial performance – exceeded guidance**
  - ✓ Achieved operating earnings of $2.58 per share compared to $2.44 per share in 2012, up 5.7%
  - ✓ PSE&G posted double digit earnings growth, representing 47% of consolidated operating earnings with the growth in transmission investment
  - ✓ Power's operating earnings exceeded high end of guidance
- **Continued operational excellence**
  - ✓ Power set record output at Linden CCGT and Salem 2 nuclear
  - ✓ PSE&G's control of O&M supported results
  - ✓ PSE&G and Power successfully responded to record summer and winter demand, while our customers have benefitted from savings in gas costs
  - ✓ PSE&G recognized for the 12th consecutive year as the Mid-Atlantic region's most reliable electric utility
- **Disciplined capital investment – producing results**
  - ✓ Five major transmission projects in construction – on schedule and on budget
  - ✓ New PJM transmission projects add to utility rate base growth beyond 2015
  - ✓ Power adding 150 MWs through uprates at CCGTs
  - ✓ S&P ratings upgrades for Power (BBB+), PSE&G (A) and PSEG (BBB+); Moody's recently upgraded PSE&G's senior secured rating to Aa3

SI-SSA-0015-12174

PSE&G Energy Strong Proposal -- Update

- **Multi-year, $2.6 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency**

- **PSE&G's Infrastructure proposal includes:**
  - ✓ Protecting 29 utility installations from severe storms
  - ✓ Making the electric grid smarter and easier to repair
  - ✓ Adding backup distribution lines and system redundancies
  - ✓ Undergrounding 20 miles of overhead distribution lines
  - ✓ Modernizing the gas distribution system

- **Over 90 NJ municipalities, including 9 county governments, have passed resolutions supporting PSE&G's Energy Strong proposal**

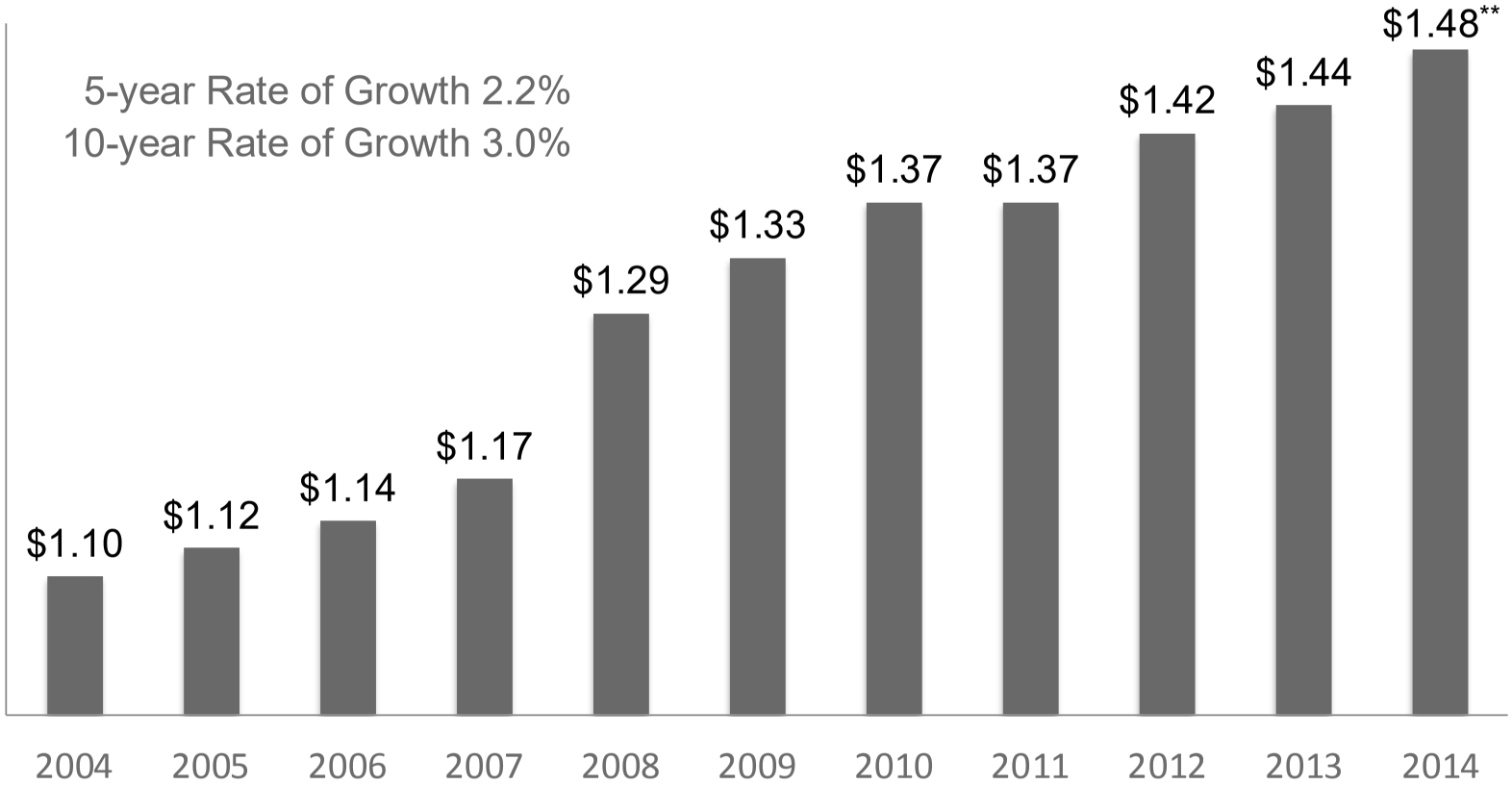
- **Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses**

SI-SSA-0015-12175

PSEG Annual Dividend – Increased 2.8%

A long history of returning cash to shareholders combined with opportunity for consistent, sustainable growth

PSEG Annual Dividend Rate



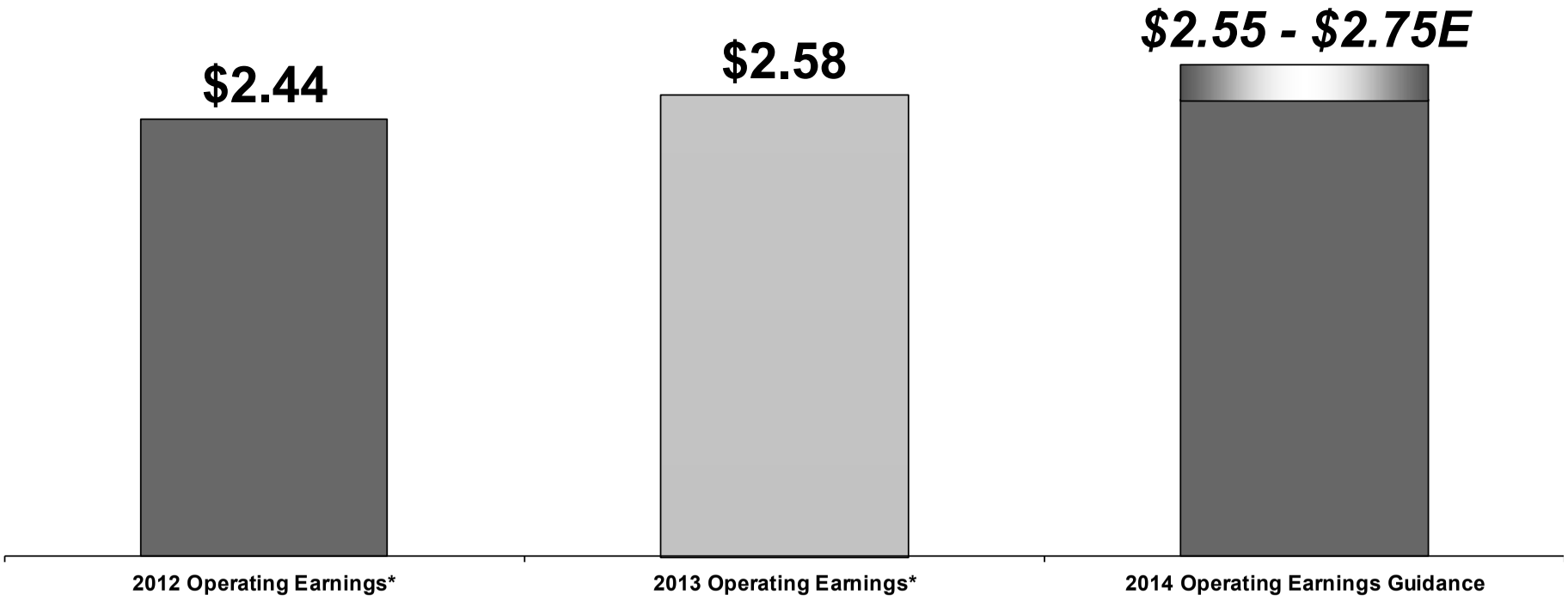
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Payout Ratio	70%	63%	66%	43%	44%	43%	44%	50%	58%	56%	56%*

*2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2014 OPERATING EARNINGS GUIDANCE OF $2.55-2.75 PER SHARE.
**INDICATED ANNUAL RATE.

SI-SSA-0015-12176

PSEG 2014 Guidance – Building on Success

2014 guidance reflects increased level of investment, pension savings and assumes normal weather and unit operations



* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

SI-SSA-0015-12177

PSEG
2013 Q4 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12178

Q4 Operating Earnings by Subsidiary

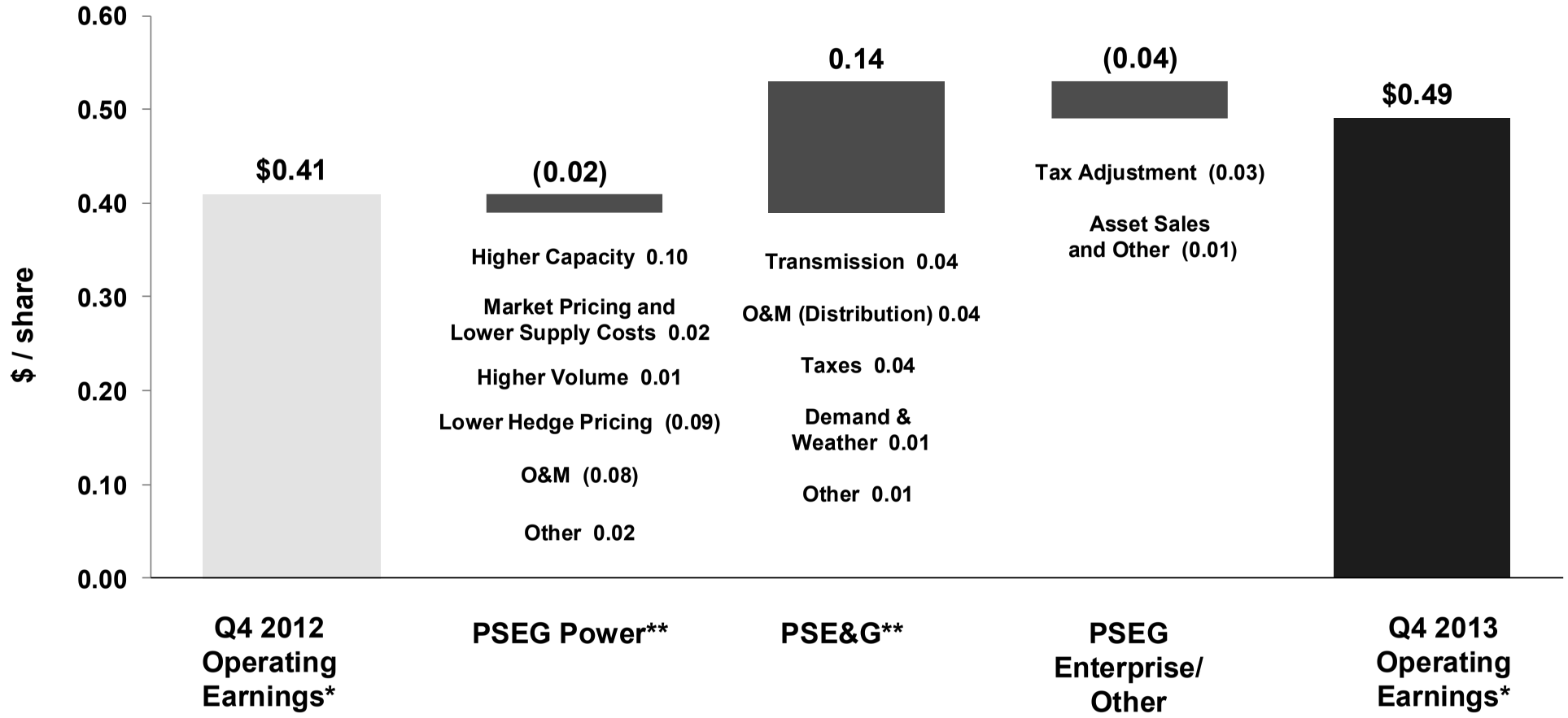
Quarter ended December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2013**	**2012**	**2013**	**2012**
PSEG Power	$ 115	$ 126	$ 0.23	$ 0.25
PSE&G	144	75	0.29	0.15
PSEG Enterprise/Other	(11)	6	(0.03)	0.01
Operating Earnings*	$ 248	$ 207	$ 0.49	$ 0.41

SI-SSA-0015-12179

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Q4 2013 versus Q4 2012



SI-SSA-0015-12180

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Strong Full-year Operating Earnings Delivered

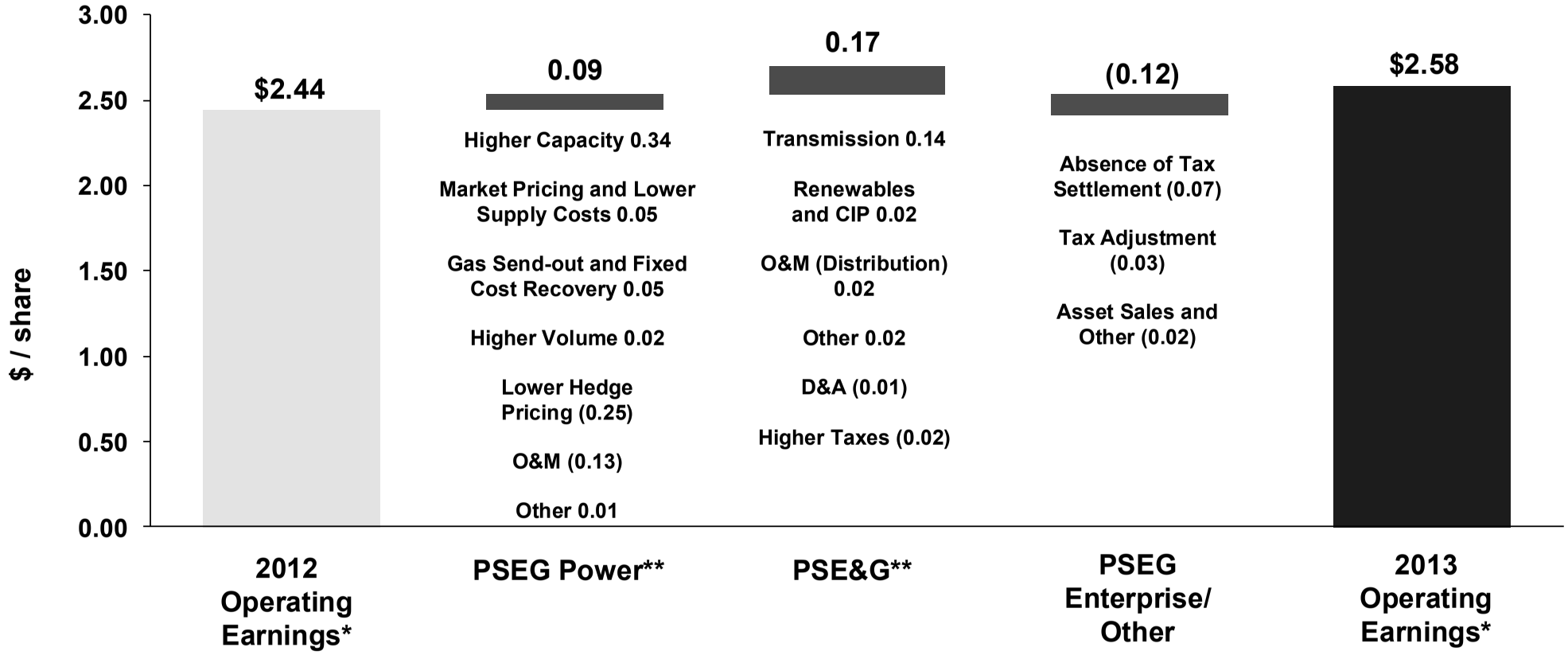
Twelve Months ended
December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2013**	**2012**	**2013**	**2012**
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-12181

•See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2013 versus Full-year 2012



SI-SSA-0015-12182

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

PSEG Power
2013 Q4 Review

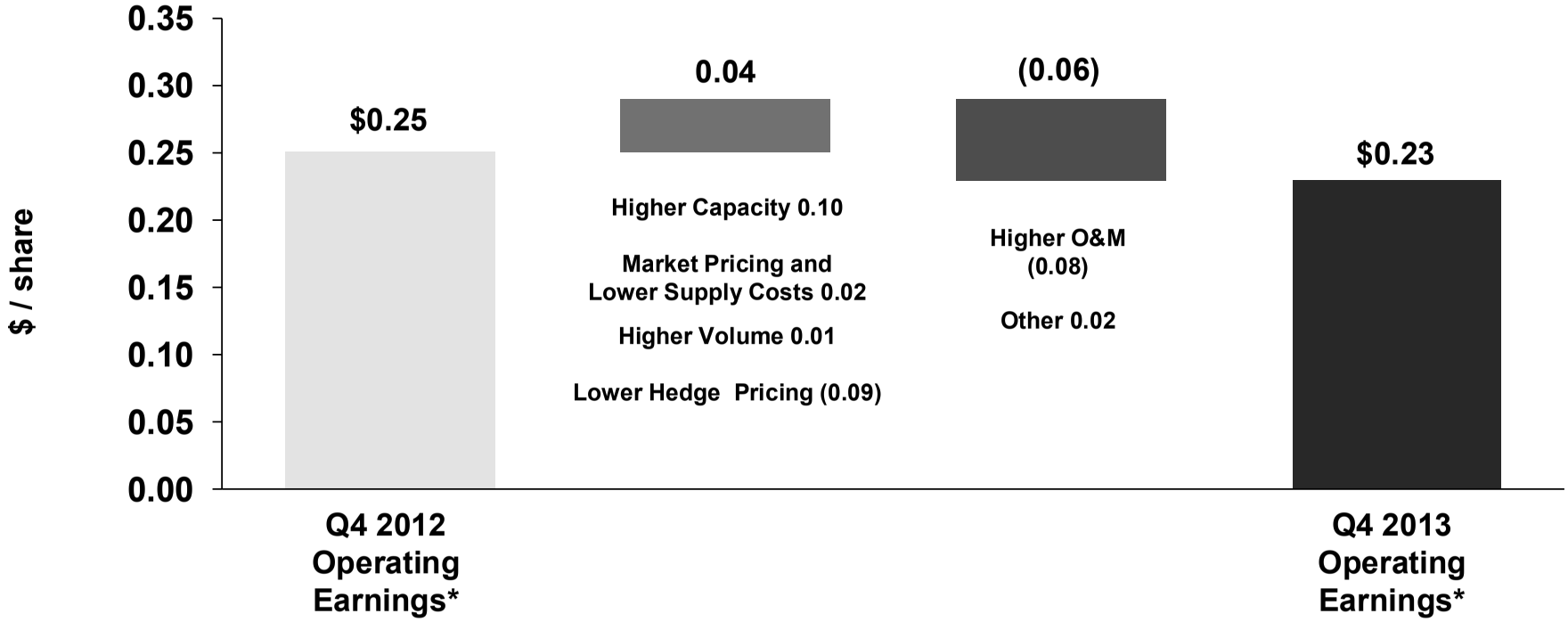
SI-SSA-0015-12183

PSEG Power – Q4 EPS Summary

$ millions (except EPS)	Q4 2013	Q4 2012	Variance
Operating Revenues	$ 1,245	$ 1,282	$ (37)
Operating Earnings	$ 115	$ 126	$ (11)
Pro Forma Adjustments, Net of Tax**	(48)	(13)	(35)
Net Income	$ 67	$ 113	$ (46)
EPS from Operating Earnings*	$ 0.23	$ 0.25	$ (0.02)

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

PSEG Power EPS Reconciliation – Q4 2013 versus Q4 2012



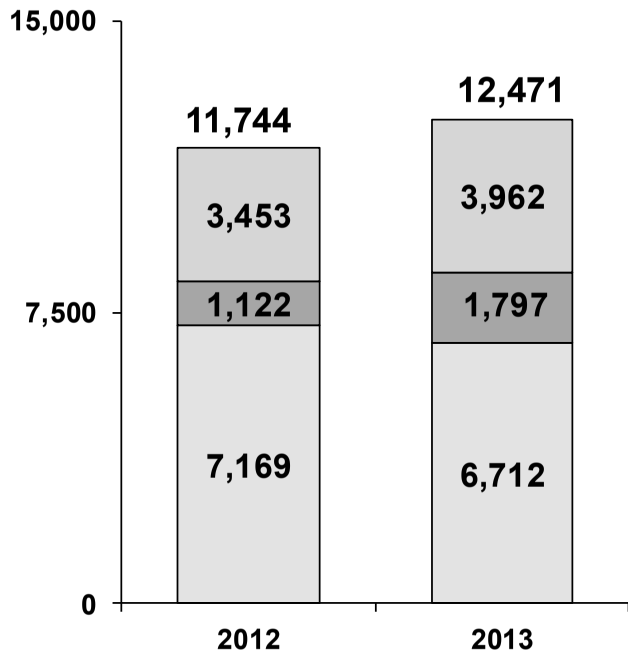
SI-SSA-0015-12185

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG Power – Q4 Generation Measures – Volume up 6.2%

PSEG Power – Generation (GWh)

Quarter ended December 31



PSEG Power – Capacity Factors (%)

Quarter ended December 31

	2012	2013
Combined Cycle		
PJM and NY	45.3%	53.1%
Coal*		
NJ (Coal/Gas)	1.3%	3.2%
PA	64.0%	87.3%
CT	2.9%	29.1%
Nuclear	87.3%	81.7%

Total Nuclear Total Coal* Oil & Natural Gas

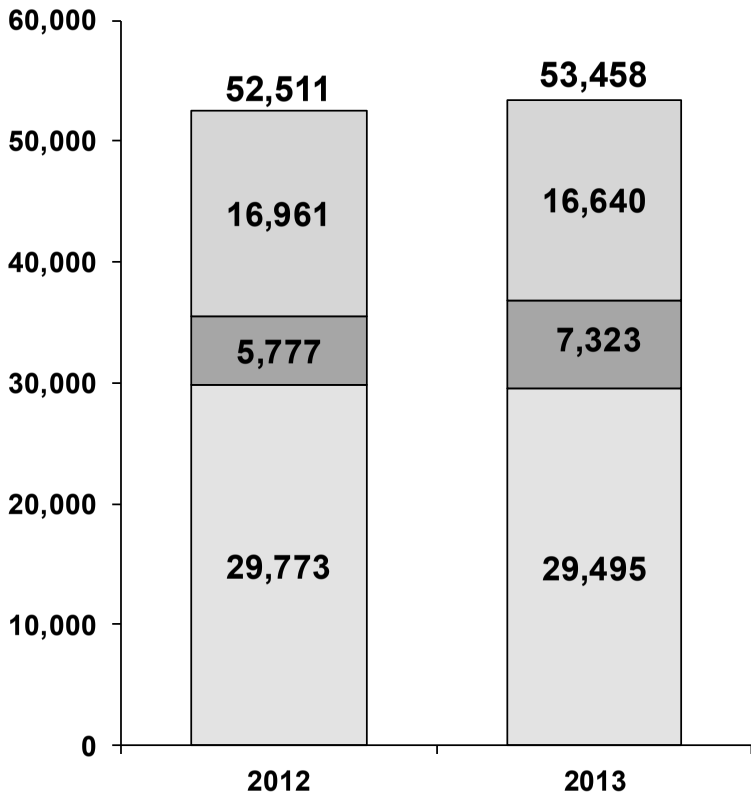
* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-12186

PSEG Power – Full-Year Generation Measures – Volume up 1.8%

PSEG Power – Generation (GWh)

Twelve months ended December 31



PSEG Power – Capacity Factors (%)

Twelve months ended December 31

	2012	2013
Combined Cycle		
PJM and NY	56.5%	56.0%
Coal*		
NJ (Coal/Gas)	10.9%	11.3%
PA	67.5%	81.4%
CT	2.9%	19.7%
Nuclear	91.1%	90.3%

Total Nuclear Total Coal* Oil & Natural Gas

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

SI-SSA-0015-12187

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

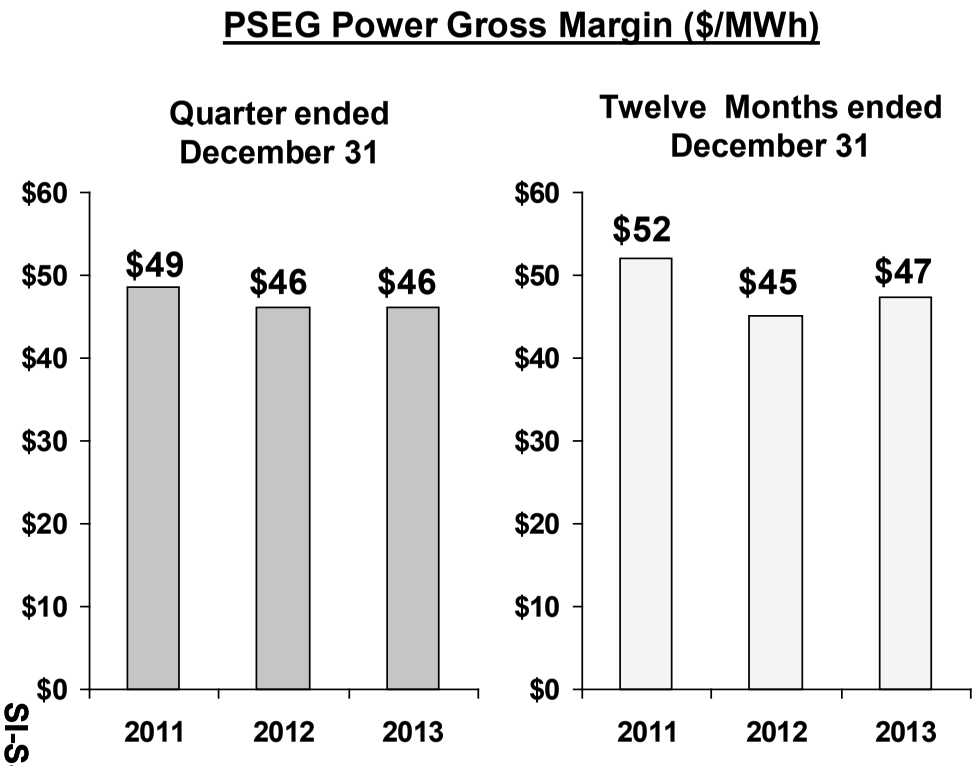
	Quarter ended December 31	
($ millions)	2012	2013
Coal	32.8	47.3
Oil & Gas	117.6	134.9
Total Fossil	150.4	182.2
Nuclear	50.9	53.6
Total Fuel Cost	201.3	235.8
Total Generation (GWh)	11,744	12,471
$ / MWh	17.14	18.91

	Twelve months ended December 31	
($ millions)	2012	2013
Coal	175.1	188.7
Oil & Gas	525.5	618.8
Total Fossil	700.6	807.5
Nuclear	201.6	220.2
Total Fuel Cost	902.2	1027.7
Total Generation (GWh)	52,511	53,458
$ / MWh	17.18	19.22

SI-SSA-0015-12188

PSEG Power – Gross Margin Performance

- ✓ Margins benefit from higher capacity pricing through mid-2014
- ✓ Higher year-over-year spot market prices throughout 2013
- ✓ Lower cost Marcellus gas continued to benefit fuel cost savings in Q4



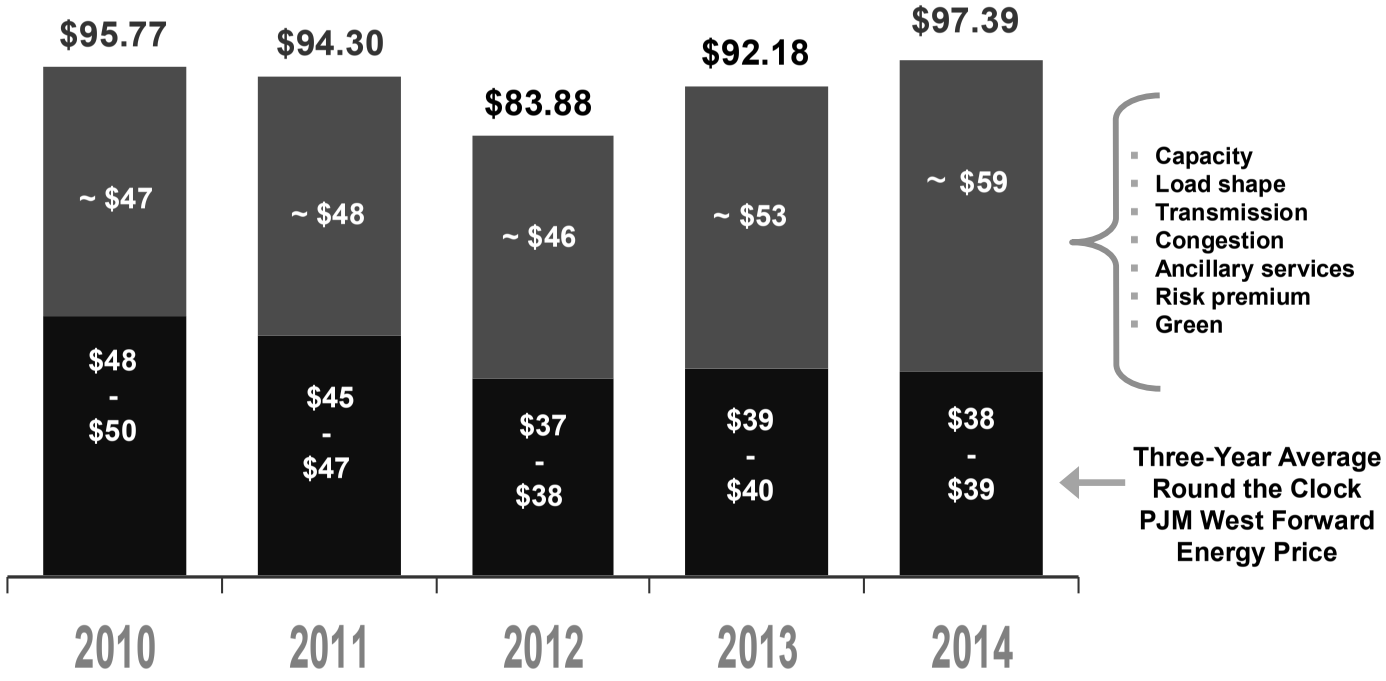
Regional Performance		
Region	**2013 Gross Margin ($M)**	**2013 Performance**
PJM	$2,392	Decline in hedged energy prices offset by higher capacity prices, improved spark spreads, increased volume and improved market pricing on open position for the year.
New England	$78	Favorable pricing and generation.
New York	$48	Major maintenance outage limited production during Q3.

SI-SSA-0015-12189

Market Perspective – 2014 BGS Auction Results

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



… reflects an increase from the prior year driven primarily by transmission costs

Note: BGS prices reflect PSE&G Zone; results from the 2012-2014 auctions will be the new blended prices beginning June 1, 2014.

SI-SSA-0015-12190

Hedging Update…

Contracted Energy*

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

* Hedge percentages and prices as of February 11, 2014. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-12191

PSEG Power – Q4 2013 Operating Highlights

Operations

- ✓ Q4 output up 6.2% from Q4 2012, with absence of Sandy outages, strong performance at Salem station and Peach Bottom 2 and Linden CCGT
- ✓ Nuclear capacity factor of 90.3% for 2013; record generation at Salem 2
- ✓ Major CCGT maintenance at BEC; began CCGT upgrades
- ✓ Hope Creek and Peach Bottom 3 refuelings in Q4

Regulatory and Market Environment

- ✓ 2014 BGS auction priced higher at $97.39/MWh vs. $92.18/MWh in 2013 and $83.88 in 2012 for the PSE&G contract
- ✓ 2014 anticipated base load output hedged at an average price of $48 MWh
- ✓ 2014 BGS load projected at 11 TWhs
- ✓ Power markets adjusting to heightened volatility, winter peak demand, less liquidity

Financial

- ✓ Power's total debt as a percentage of capitalization at year-end was 31%

SI-SSA-0015-12192

PSE&G
2013 Q4 Review

SI-SSA-0015-12193

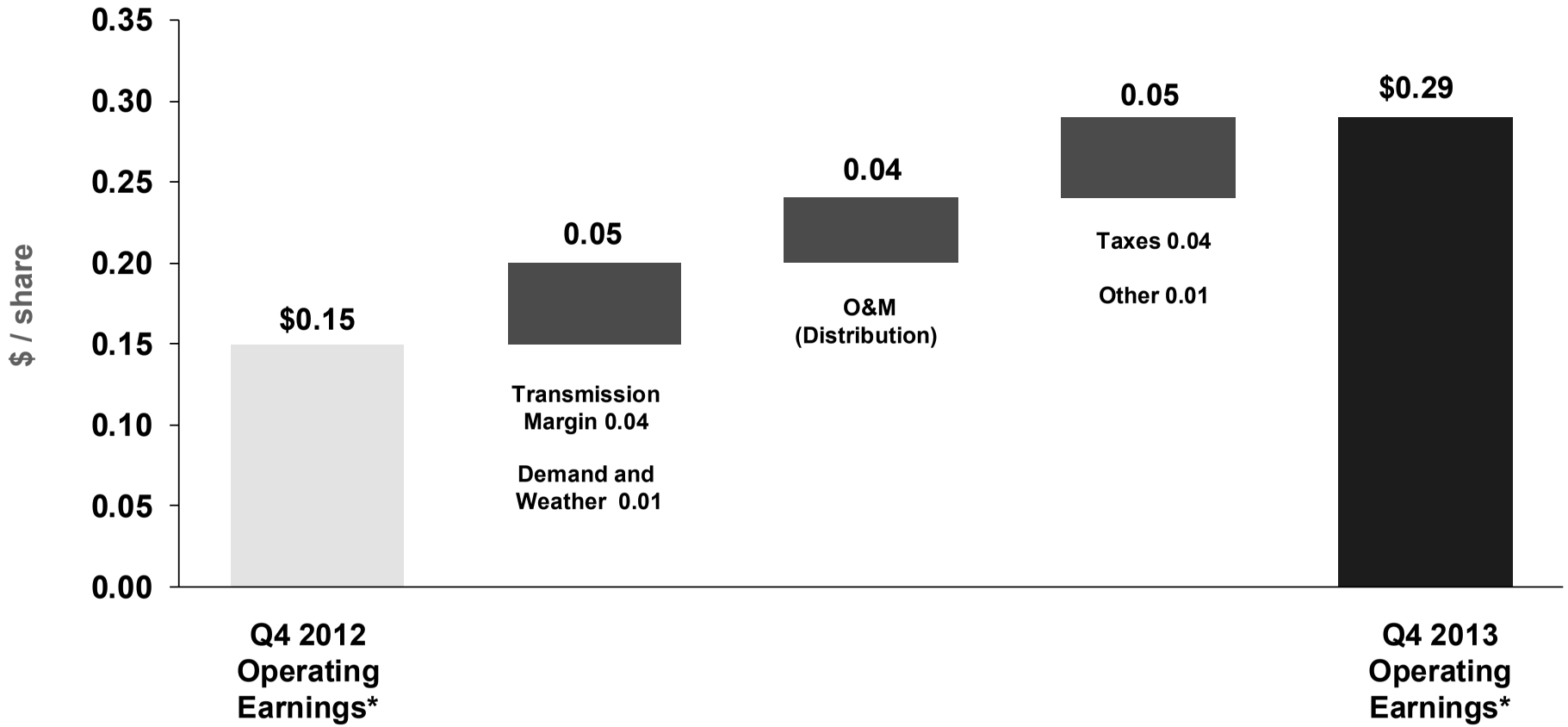
PSE&G – Q4 Earnings Summary

$ millions (except EPS)	Q4 2013	Q4 2012	Variance
Operating Revenues	$ 1,571	$ 1,597	$ (26)
Operating Expenses			
Energy Costs	633	779	(146)
Operation & Maintenance	435	416	19
Depreciation & Amortization	214	183	31
Taxes Other than Income Taxes	18	26	(8)
Total Operating Expenses	1,300	1,404	(104)
Operating Earnings / Net Income	$ 144	$ 75	$ 69
EPS from Operating Earnings	$ 0.29	$ 0.15	$ 0.14

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12194

PSE&G EPS Reconciliation – Q4 2013 versus Q4 2012



SI-SSA-0015-12195

*See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSE&G – Q4 Operating Highlights

Operations

- ✓ Q4 weather slightly colder vs. Q4 2012 and normal: Heating degree days 5.2% above Q4 2012 and 3.5% higher vs. normal weather
- ✓ Absence of Sandy costs
- ✓ Electric & Gas demand and volume up (weather adjusted) over Q4 2012

Regulatory and Market Environment

- ✓ Construction of 5 major transmission lines continues on schedule and on budget
- ✓ PJM assigned the "Double Circuit" project to PSE&G to enhance reliability of the Bergen-Linden line to 345-kV; expected in service date is June 2018
- ✓ Annual FERC formula rate revenue increase of $171 million effective January 1, 2014
- ✓ BPU continues to review Energy Strong infrastructure proposal
- ✓ PSE&G recognized for the 12th consecutive year as the Mid-Atlantic region's most reliable electric utility; specifically recognized by EEI for excellence in its storm response during Sandy

Financial

- ✓ PSE&G earned its authorized return in 2013
- ✓ Moody's recently upgraded PSE&G's senior secured debt rating to Aa3

SI-SSA-0015-12196

PSEG Enterprise/Other
2013 Q4 Review

PSEG Enterprise/Other – Q4 Earnings Summary

$ millions (except EPS)	Q4 2013	Q4 2012	Variance
Operating Earnings	$ (11)	$ 6	$ (17)
Lease Transaction Activity	-	30	(30)
Net Income	$ (11)	$ 36	$ (47)
EPS from Operating Earnings*	$ (0.03)	$ 0.01	$ (0.04)

SI-SSA-0015-12198

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG

PSEG Financial Highlights

- **Introducing 2014 operating earnings guidance of $2.55 - $2.75 per share**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G expected to provide over 50% of 2014 operating earnings

- **Energy Strong infrastructure proposal remains under consideration:**
  - ✓ First 5-year request to invest $2.6 billion to strengthen resiliency of PSE&G's distribution infrastructure

- **Executing existing transmission capital spending program on schedule and pursuing new RTEP, FERC 1000, and 345 kV projects**

- **Financial position remains strong:**
  - ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 42% at December 31, 2013

- **Increased common dividend 2.8% to indicative annual rate of $1.48 per share**
  - ✓ Increasing regulated earnings mix supports growing dividend

SI-SSA-0015-12200

PSEG 2014 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	2014E	2013	2012
PSE&G	$705 – $ 745	$612	$528
PSEG Power	$550 – $610	$710	$663
PSEG Enterprise/Other	$35 – $40	$(13)	$45
Operating Earnings*	$1,290 – $1,395	$1,309	$1,236
Earnings per Share	**$2.55 – $2.75**	**$2.58**	**$2.44**

* See Slide 35 for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

SI-SSA-0015-12201

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				*PSEG Money Pool ST Investment	$439
				*PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-12202

Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2013	*2012*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	$ 248	$ 207	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	11	3	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(52)	23	(74)	(10)
Lease Related Activity (PSEG Energy Holdings)	-	30	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(7)	(39)	(32)	(39)
Net Income	$ 200	$ 224	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507
Per Share Impact (Diluted)				
Operating Earnings	$ 0.49	$ 0.41	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	-	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.11)	0.05	(0.14)	(0.02)
Lease Related Activity (PSEG Energy Holdings)	-	0.06	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.08)	(0.07)	(0.08)
Net Income	$ 0.39	$ 0.44	$ 2.45	$ 2.51

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

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

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - PSEG Analyst Conference

EVENT DATE/TIME: MARCH 01, 2013 / 01:00PM GMT

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CORPORATE PARTICIPANTS

Kathleen Lally *PSEG Inc. - VP - IR*

Ralph Izzo *PSEG - President, CEO*

Ralph LaRossa *PSE&G - President*

Randall Mehrberg *PSEG Energy Holdings - President*

William Levis *PSEG Power - President, COO*

Shahid Malik *PSEG Inc. - President - Energy Resources & Trade*

Caroline Dorsa *PSEG Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Michael Lapides *Goldman Sachs - Analyst*

Gregg Orrill *Barclays Capital - Analyst*

PRESENTATION

Kathleen Lally ***- PSEG Inc. - VP - IR***

Good morning. I know it's a very busy season and we appreciate you all being here with us this morning, both at the Waldorf Astoria and on the webcast.

I'm Kathleen Lally, Vice President of Investor Relations for Public Service Enterprise Group. We have a very full morning for you. We intend to do a very thorough review of our businesses and provide you with an outlook for growth over the next several years, particularly in terms of the utilities capital program, take you out longer than we normally have in the past and provide a very thorough review of the financial picture of Power and the corporation as a whole. So, we hope you stay with us. We're going to start with Ralph Izzo, Chairman, President and CEO. We're going to hold questions for Ralph until the end of the morning. Ralph Izzo will be followed by the President of PSE&G, Ralph LaRossa, and then Randy Mehrberg of PSEG Energy Holdings. They will take questions at the end of Randy's comments.

After that concludes, we'll have a short break for about 15 minutes, and we will then proceed to discuss PSEG Power's business. Bill Levis, President and Chief Operating Officer of Power will do a review of his business, and he'll be joined by Shahid Malik, President of Energy Resources and Trade. They will take Q&A jointly at the end of Shahid's comments.

And shortly after the Q&A, Caroline Dorsa, Executive Vice President and Chief Financial Officer, will provide a review of the Company's earnings and cash picture for 2013 and into 2015. Caroline will be followed by a short summary from Ralph Izzo, and they will take Q&A together at the end of the day. Again, a very thorough review of PSEG, which we hope you will find informative.

I'm now going to turn the program over to Ralph Izzo.

Ralph Izzo ***- PSEG - President, CEO***

I saw my General Counsel gagging because we didn't refer to the forward-looking statement and the GAAP disclosure.

So, good morning, everyone, it's great to be here with you again for our annual meeting. And it is a fascinating phenomenon to watch, whether it's church or an employee meeting, how the front rows are always empty and you eventually do fill in. So, please, you're welcome to come on up and spend some time with us.

As Kathleen pointed out, we have lots to talk about today and I think we're going to be giving you some information that is new. It's not necessarily news, but it is more detail -- as it pertains to longer term outlook for the Company and the utility, in particular. And we'll create a context for you in terms of the utility capital program with respect to the overall company's financial picture that will provide a level of detail and fulsomeness that we haven't provided in the past. And I think you'll walk away feeling quite good about it. I certainly feel quite good about it and am eager to get started in that regard.

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So, a little bit about our philosophy at the Company, if I may, and then we'll get into some of the numbers. It all begins at PSEG with our employees, without question, and we are beyond fortunate to have the cast of employees that we do have. And it is often said that, while we still have not crossed the bridge, whereby the first two words out of our mouth when we meet with employees is anything other than good morning or good afternoon. But certainly the third and fourth words when we meet with employees are operational excellence.

And as a matter of fact, some people accuse me maybe of the first two words being operational excellence and the third and fourth being good morning. But we impress upon our employees, whether it's the 91.1% capacity factor at our nuclear plants or the 1.7% forced outage rate at our combined cycles or the 58 minute Kd results or the quality of our proxy statement or the accuracy of our press releases, that throughout the Company, operational excellence is first and foremost on our minds.

And I think you'll see some numbers later on from Ralph and from Bill and from Randy and Shahid, that point out that we've delivered on that promise and that's resulted in a level of financial performance that we're quite proud of in light of the business environment we face.

We've hit our earnings target. We've created a very strong balance sheet. And really, the theme today is about how we're going to deploy that balance sheet into some very disciplined investments. Investments that we believe, strongly, are what our customers need and are demanding today. But a little bit more about that in a few minutes.

So, last year, 2012, I won't read you the numbers, you can see the assets and the operating earnings by company. Starting on the left side of the screen, the utility, the usual list of accolades about its reliability, its performance, its customer satisfaction, I cannot say enough about that. But the story looking ahead is the capital program to reinvent the grids to a certain extent and I will spend quite a bit of time focusing on that later on.

Power, the story is one we've started to shine a light on. The flexibility of the fleet, the fuel flexibility, the technology flexibility, the consistent favorable physical location, the consistent favorable environmental position of the fleet is standing as well in a very, very challenging wholesale power market.

And in holdings, not only a fabulous job of derisking the balance sheet, but now starting to grow some fledgling businesses that are performing quite well for us, some very attractive unregulated solar energy projects.

So, if you'll indulge me for a moment as I look backward, prior to looking forward. 2012, a year of significant accomplishments, for the sixth year in a row we've hit our earnings guidance. I don't know that we didn't do it in the seventh year, but for very selfish reasons, I've only been counting six.

PSE&G now over 40% of the consolidated operating earnings of the Company, record output from our combined cycle gas turbine units, as gas has become in favor on the dispatch curve. The utility recognized in a variety of places, fifth time in the last eight years as the most reliable electric utility in the nation, 11th time in a row in the mid Atlantic and a bunch of awards for its outstanding response to a myriad of storms that we've experienced in the past 15 months. And a two-week period that was a defining event in our history, namely Superstorm Sandy, which we will have much more to say about later on.

And then, a very quiet thing that we did, which I don't think we often talk about and we should. Namely that we, without event, extended the contracts of five of our six labor unions, all of the major ones -- we have one major one that we didn't get to, but that doesn't come due until '14, at very, very fair and reasonable terms.

And I will submit to you that one of our competitive advantages is the progressive enlightened nature of our union leadership. We are quite fortunate to share our company with them, to share an operating experience and very often a cup of coffee with these men and women who are just outstanding and true partners in running the Company successfully.

Lastly, on the investment front, we had some key regulatory approvals, in particular as it related to our transmission programs. We are expecting a decision from the Board of Public Utilities on our solar filings made last July. We're expecting to hear something by May 1st on that.

We did get 400 megawatts of peakers in service, ready to operate and they did operate in New Haven and in Kearny for the summer peak demand and holdings -- added to its fleet of unregulated solar projects supported by long term PPAs.

That takes us to '13, where we are reaffirming our earnings guidance of $2.25 to $2.50 a share, following last year's operating earnings of $2.44 per share.

So, what's different about '13, if in fact, the guidance is exactly what you heard us offer in '12? Here, what we've tried to show is the percentage of earnings and where they are coming from and we've taken you back to 2009, albeit just a year after the gas price spike which drove the commodity earnings potential of PSEG Power, where it was essentially almost four to one times larger than the utility, to this year, where if you take the midpoint of the operating earnings guidance for each company, which we've publicized, you can see the utility is half of the Company and slightly larger than power.

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But the story does not end in '13, and that's what today is about. We've heard you loud and clear saying, gee, what happens after the next three years? We thought you'd get the message when we've answered that question well for each of the past five years, about the next three years not being the end of time. But nonetheless, we'll give you a little bit more visibility out to five and six -- I think we're just going out to five years today.

So, if I take a look back to where we were in 2008 and where we are in 2012, no one likes to show operating numbers that have a negative first derivative. There's just no if, ands or buts, there's no way to put a happy face on that. But if you look at that $2.91 going to $2.44 in the context of $70 of PJM West round the clock prices, compared to the $34 that we have today, I believe our strategy of making sure we get the most out of those power assets while growing the utility has at least offset a fair amount of what would have been an otherwise very, very challenging picture.

We've outperformed even our own expectations in terms of O&M growth. We have nearly tripled the transmission rate base. We took utility distribution spending from zero to $955 million, that gets contemporaneous returns. We opened up a quasi new line of business in terms of solar and energy efficiency to the tune of $900 million, in contemporaneous return.

We've maintained consistent solid performance at our combined cycle units. We eked out a few more terawatt hours of power from our nuclear plants, both in terms of running the assets better and expanding the output of Hope Creek, and we've started to grow this unregulated solar business. So, a pretty good run from '08 to '12.

But the event of '12 that, once again, defines us, and I know I'm repeating that expression but it can't be overstated, was Superstorm Sandy. I'm not going to read these statistics to you. But I am going to ask you to indulge me for about three minutes as I show you a video slideshow that we planned to share with our shareholders, as well as our employees about what Sandy meant to us. Now, do I have to do anything, Caroline or Kathleen -- no, it's the same. Thank heaven. Thank you. We can show the slideshow.

(VIDEO PRESENTATION)

Unidentified Speaker

Radar showed a storm nearly 500 miles wide would affect the eastern seaboard, from Florida to Maine. But it could only hint at the devastation Sandy would leave in its wake. With an unprecedented storm surge, cities and towns disappeared under black waters. Subways, power plants and 10s of thousands of homes were inundated and falling trees downed miles of power lines, snapped poles and destroyed buildings.

Shattering the records set by Hurricane Irene, Sandy became the most destructive storm in PSE&G's 110 year history and the worst natural disaster to ever strike New Jersey.

With lessons learned from Irene, PSE&G addressed challenges of the past to face the coming threat. The Company positioned out of state crews prior to the storm's arrival. Communications were upgraded, providing local officials and customers with critical updates and information. Mobile customer service centers were deployed to deliver food and water and charging stations helped customers stay connected with family and friends.

And PSE&G employees, many without power in their own homes, worked tirelessly to restore power to more customers in a two week period than any utility in America had done before. In the first three days alone, electric service was restored to over 1 million customers and PSE&G's power plants were ready to meet our customers' energy needs.

While the Company received outspoken support for their restoration efforts after the storm, PSE&G continues to work to make its system even more resilient against natural disasters.

The men and women of PSE&G are committed to making New Jersey energy strong, safe and more reliable than ever.

(VIDEO END)

Ralph Izzo ***- PSEG - President, CEO***

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So, a couple of observations on that point. First of all, I cannot over emphasize how much personal sacrifice employees experienced to make sure the customers came back. And while all eyes of policymakers and the media were on customers, one thing that no one noticed, and just a huge acknowledgment here that we need to make, was that every time a circuit was restored, there was a power plant able to deliver electricity through those wires.

The folks at PSEG power were every bit as responsible for the successful and safe restoration of electricity to 2.1 million customers. There was no problem with the grid when we watched load collapsed by 80% and there was no problem with the grid -- the high voltage grid when power was there to respond as customers were turned back on.

And that meant, successfully closing Salem during some pretty nasty conditions in the Delaware River, successfully bringing back our combined cycle gas turbines, successfully bringing back our peaking units with people working in the dark, in the cold around the clock. And it was just an amazing thing to watch.

It was equally fun to answer, personally, quite a few emails from customers. And I will tell you, it was actually rather heartwarming, customers would write, and it's interesting to see what panics people. In some cases, it was the absence of access to life saving equipment. In others, it was the looming early decision deadline for college applications in the absence of computer access. And whenever I would respond, in every case, the response back from the customer was, thank you so much. I know you're hard at work.

Except one customer wrote back, thank you so very much for responding, but you are still, without a doubt, the worst CEO and the worst run company. Suffice to say, I did not respond a second time to that email, but that was the two week period. So, it was quite an experience. And it was something that made us think hard and in a couple of slides we'll talk about what that thinking led to.

Here you see a set of numbers that are business as usual. By that, I mean, what we have discussed with our colleagues at the BPU, what has been approved, what we've discussed with our colleagues at PJM, what they have approved and put in the RTEP.

And that's a capital program, in the next three years, that calls for a little over $6 billion in investment, 70% of which is aimed at growth and 80% of all of the investment at the utility, the lion's share of the growth taking place at the utility, and once again, the centerpiece of that investment being in the transmission arena. This is already approved, in the works, engineers at the headquarters working on the work packages and getting that out to the field.

Now, we've talked about our $3.9 billion 10-year energy strong program, and in addition to that, the $1.5 billion transmission program, that we believe are essential for meeting what we're calling a new normal for our customers. And we'll give a little more detail on that in the next slide. If all of that were to occur over that multiyear period, here's what it means for the next three years.

Okay, so I'm not forecasting 10 years here, I'm just giving you out to '15. Caroline will give you a little bit more information out to '17 later on. And what you see is the 70% growth becomes 80% growth investments and the utility consumes 85% of that capital and the $6.1 billion becomes $7.6 billion over the next three year period.

Now, let me pull back a second and ask a question that I've often asked in the past of this group, but nonetheless, I want to repeat now. How many of you are our customers? Okay, fair chunk. I remember that in the past. So, I'm going to speak to those of you who are our customers, both as investors and analysts and as our customers today.

So, I will often congratulate Ralph LaRossa and his team at the utility, because they deserve it, people like John Latka, our division managers. I would argue there are none in the industry who are better at restoring customers, once they are out.

And in fact, throughout the Sandy and post Sandy era, people would come to me in my community, you must be tired, you must be exhausted having to deal with what you've had to deal with, and I say, yes, I am tired, but rest assured, my most important job is making sure that Ralph LaRossa's coffee cup was filled so he could do the real work of getting customers back.

And the last person you want in managing the emergency response and it was Izzo, and you wanted it to be LaRossa and he did an outstanding job. But I think Ralph would be the first person to tell you that outside of the Sandy type events, where everybody loses power, but on the day to day events, which are the ones that earn us the most reliable electric utility in the nation awards, it is not the current set of management team that are responsible for the outstanding performance of this company.

It was the foresight and the thinking of teams of engineers and network designers, decades ago, that realized a very simple fact, that you will do better by customers if they're being fed in more than one direction. So thus, our network is designed, in many parts, not throughout the territory, to feed customers in a different way if their primary route of getting electricity is down.

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So, we have the switching capability and the network design that achieves better levels -- lower levels of customer interruptions in most utilities. Even with a predominantly overhead system.

After Irene, after the Halloween snow storm, after Sandy, after getting those kinds of emails that say, thank you for your message but you are the worst CEO in the business, we said, wait a minute, something is going on here. Everyone is focused on demand growth slowing down, why are customers absolutely insane when they lose their power?

I mean, think about that we did as a nation during Sandy. We were shipping in military transport utility trucks from across the nation to restore customers. Think of the marginal cost to restore that last customer when we were doing things like that.

So, while demand is growing more slowly, what's ever, ever clearer is that our lives are much more centered around the use of electricity. Call it what you want, a digital economy, a digitized society, people cannot live without the electricity in their home, for a variety of reasons, beyond a finite period of time. And for some people, that finite period of time is measured in hours, in others, its days, but for no one is it measured in weeks.

So, number one, was the massive change in our lifestyles since the foresight that was demonstrated by the engineers of PSEG decades ago.

Number two, I happen to be a believer in climate change. I'm not saying the last 15 months is proof positive that we've had climate change. But I'll be darned if I'm going to be the one standing here for the next Sandy, the next Irene and if someone asks, what have you done about that, and my answer is nothing.

So, the severity of the weather that we've experienced -- weather patterns that we've experienced, the types of storms that we've experienced are clearly happening with increased frequency, whether it's climate change and due to manmade impacts or whether it's a cycle in the natural ecosystem, we're in it and it’s happening and there's something that needs to be done.

So, we said, what can our customers afford and what's the maximum value we can produce for them and we have two -- we have a few opportunities here. We have a low interest rate environment. We have highly available labor. We have a declining forward price as compared to where BGS was.

And equally, if not more importantly, we have a couple of components of the bill that are coming to an end. That would result in lower rates, if we just let time take its toll, and these have to do with the deregulation of the industry back in year 2000. But if we capture the moment of all of those forces, we can literally implement this program and hold bills flat.

So, we've been criticized by some people that say oh, you have to believe in fairy dust to think that you could spend $3.9 billion and not get paid for it. That is nonsense. Of course, we're going to get paid for it. But the customer won't be paying more than they're paying today.

We've had extensive conversations with policymakers, both in the administration and in the legislature. We've talked to senior staff of the board of public utilities. I'm not suggesting we've dotted I's and crossed T's by any stretch of the imagination.

But, I am delighted by the fact that the consistent foresight and progressive thinking at our board of public utilities and in our state government realizes that this is the time to do something of this nature, and we will now spend the coming months deciding whether or not the $1.7 billion for the 40 utility substations or the $454 million to finish out our SCADA systems, et cetera, et cetera, are exactly right.

I have confidence in our team that we have picked the things that are exactly right and, at the same time, creating almost 6,000 jobs for the economy of New Jersey. Ralph will go through a little bit more detail on this in his presentation.

So, let's talk a little bit about power. The middle -- the left pie chart and the right side pie chart are things that should be familiar to you, the middle chart keeps changing. The flexibility of our fleet is constantly in play, constantly being tested and constantly rising to the challenge. It wasn't that long ago where that nuclear piece was 50%. Now, you see it growing at 57% as we get more and more out of our nuclear plants.

The orange and the dark blue, you tell me what the spark spread is, you tell me what the dark spread is, I'll tell you what that piece of the pie is. But whatever that piece of the pie should be, will be what the market determines, and we're ready to deliver on that set of numbers.

It wasn't that long ago where that 32% for natural gas was, I think, 15% and the 11% for coal was 35%. And I believe in those numbers, in that 11% slice of the pie for coal, some of those coal plants were running on gas. So, we not only have the ability to switch from one plant to another, we have the ability to switch within a plant from one fuel to another, and Bill will tell you more about that as will Shahid.

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So, I've talked already about what we've done in going from '08 to '12, now let's talk about what we will do to get from here to '15.

So, in '13, we've given you the $2.25 to $2.50 a share guidance. From '13 to '15, we expect O&M to grow by 2.2%. And rest assured, we are always, always tackling those numbers.

Our rate base will grow by 40%. Our transmission alone will double. Our E&G distribution, if we get the energy strong program, will increase by nearly 16%. You'll see another 16% growth in our solar investments, in our energy efficiency investments. We'll further improve upon our strong performance in our forced outage rate at our combined cycle units. The peach bottom upgrade will materially increase the output from our nuclear generation. We'll look for additional projects and holdings, and we will have LIPA as of January 1, 2014, contributing to the bottom line.

And how are we going to do that? With a balance sheet that our finance team and every member of the Company has steadfastly protected. You could see what we've done to that balance sheet from 2009 to 2012, strongly, strongly delevering PSEG power.

Okay, so what are we going to do with that balance sheet from today to tomorrow? We will be able to make these investments with room to spare. With investment capacity left over, without one red cent of equity needs from outside the business.

Kathleen tells me she keeps getting calls on this. Let's put that to bed. We will grow this business. We will support the dividend and have room for modest and sustainable growth, and we will do that and end up with a balance sheet that you see on this side of the equation, the room for additional investment capacity. Because we are darn proud of that 100 year history of paying dividends on an annual basis and the 3% growth that we've seen over the past 10 years. And this management team isn't going to be the one to do anything, but continue that pattern over the future.

So, with that, I think you're understanding that our value proposition going forward is, once again, operational excellence, getting the most out of the tremendous asset base we have in PSEG Power, the fuel flexibility, the technology flexibility, continuing the outstanding track record of PSE&G, and designing that system for a completely different future than the one we've operated -- than the operating environment we've had in the prior century.

And I will be back later on after, Caroline finishes her remarks, but for now, I will turn it over to Ralph LaRossa to talk to you more about the utility.

Ralph LaRossa - ***PSE&G - President***

My goal is to only make the lights go out here once, and then Bill will do it no times because he runs a nuclear plant. Utility guys can make a mistake every once in a while.

Good morning, everybody. My goal here today is to kind of leave you with three things, just a reminder of who we are, how we operate, hopefully show you a little bit about our history and what I believe is some really good work that we've done. And so that you believe in us a little bit more, and then, set a clear path for you as to where we're going in the future.

So, without anymore ado, Ralph put this slide up, and he talked about our people. It's 1,000% true. Everything that I'm going to show you and explain to you about our response to Superstorm Sandy starts exactly with that, it's with the people that we have here. Ralph mentioned the fact that we have good relationships with our labor leaders.

I have to tell you, during that storm, there was never one phone call that came in from any of our union leaders that asked the question about, hey, how come you're treating people this way, how come -- the only question they ever came back to us was with was, how can we help you more? It's just a great, great organization to be part of, and can't say enough about those folks.

But we build that base and then what we try to do is, we try to align our interest with the interests of the policymakers, whether those are policymakers in the state of New Jersey or policymakers at FERC.

So, it's all about aligning our initiatives with public policy and using that base that we've talked about, and that Ralph explained earlier, about making those investments and put those two pieces together and being able to grow our business. Each one of the initiatives that I talk about that we've completed, and each one of the ones that I'll be talking about are all focused on exactly that.

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So, just a reminder, if there's anyone new in the room, I know there's a lot of customers, our service territory, take a straight line from the George Washington Bridge, go down to the Ben Franklin Bridge, 30 miles on both sides, slam in 2.2 million customers in the middle and try to keep the lights on and the gas flowing for each of those customers. That's our service territory.

What I want you to take away from this slide, though, are really three things. One, at the top of the slide, you can see that the growth rate of customers in that service territory has been rather slow. It's less than 1%. So, you look at that and you ask the question, how can you grow a business? Well, it's all about the replacement and reinforcement of the infrastructure, as well as the growth in our solar and energy efficiency businesses. So, I'll explain each one of those as we go.

The second thing I'd like you to take away is the section on the approved ROEs. That, to me, has always been a clear signal from the regulators as to where they would like to see investment. So, it was 10 years ago now that a tree fell in Ohio and when that tree fell in Ohio -- it's actually been 10 years, I can't believe it, it's been 10 years. It feels like yesterday we were in the control room, Ralph.

But -- and we kept Ralph away from the buttons back then, too, so -- but when that tree fell, FERC stood up and said, we're going to set policy and we're going to put rates of return in place, so that we can incent investment, and they've done that. And we responded, as a company, by aligning our investments and our plans with those -- with that desire from the regulator.

Same thing has happened in New Jersey where they've said from an energy master plan standpoint, we'd like to move ahead with solar, we'd like to move ahead with energy efficiency. So, we aligned our investments the same way. And that's what you see at the bottom part of the page, which is -- how we've actually executed on the plans that we were given approval for already on a solar loan, our Solar 4 All and our energy efficiency programs. So, a real good example of where we've intersected the public policy and our business initiatives.

So, that's who we are. Let me tell you a little bit about how we run the place. We thought 2012 was a challenge. 2011 was a challenge. And we had -- I sat up here in front of you and did what Ralph did earlier, which was ask you how many of you are customers? By the way, how many of you are Long Island customers? LIPA? Only a few.

Okay, so next year, hopefully, you won't be too mad at us and we'll explain that at the tail end. So, it'll mostly be New Jersey customers we'll still be talking to. But we're very proud of the results that we've given to all of you who are New Jersey customers. And if you look at the slide that's up here, we were recognized by a number of different entities for our reliability and for our response to Hurricane Irene and to the snowstorm that came through in October of last year.

So, we felt very good about our response, about how we've been recognized. It was from entities like PA Consulting which gave us the number one utility -- reliability in the nation, the folks from EEI. And we've also been [given] awards on our customer service side of our business, as well as our gas side of the business, specifically in the area of safety, which is so important these days in that area.

So, we were sitting there thinking that we've done pretty well, maybe we'll get a little breather and along came Sandy. Now, I put this slide up here and I'm going to spend a few minutes on it. So, it's rather important to take a look at each one of those pictures that you see.

I'll start in the top right hand corner, which is what everybody recognized as they were driving around, that's the overhead damage that we experienced. So, if you take our 1.9 million customers, about 1.1 million of our customers were impacted due to the damage that the wind caused in our system. You saw the video, you saw how the hurricane came in, and a lot of that high winds that run in north side of the eye all came in to the top part of our service territories, did quite a bit of damage.

So, when you look at what we've aligned ourselves with in our Superstorm Sandy filing, Sandy response, it's all about aligning our investments with the damage and the types of things that we saw. So, folks ask -- Leslie asked before we started, can you really spend this? Is this really -- if everything that we have in our filing is completely aligned directly with the damage that we experienced during Sandy?

So, the top right hand side is the overhead damage. So, what are we doing on that front? You'll see us, in our filing, if you look at the details, and Ralph had a little bit of it up there, we're going to respond by making some of those loop systems that our predecessors put in place. They come back in. They feed our customers, about 1,000 customers are in each one of our circuits, loop it together. So if a tree falls on one of those circuits, we don't impact everyone. We impact only about 250 customers because they're split up into four segments.

What we've started to do, and what we'll continue to do is further segment those circuits. So, instead of having four circuit segments, we'll have eight. And at some places, we even put 12 in place. So, use a smart grid technology, we're able to reduce the amount of impact that any one damage has, directly responsive to the storm.

We're talking about undergrounding some of our systems. We've identified about 20 miles of circuitry that we want to put underground, as well as some transformers and other assets that we had that were flooded out that are in our outside plant and we're going to underground those facilities.

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But in there, if you look at the filing, it's about $60 million for the 20 miles. So, as we've said and many people in the industry have said, $3 million a mile. Quite expensive. So, you really have to have focused efforts on that. But there's a few other things that we have in that area, but really, what we've tried to do is again is align our interests and our investments directly with a response to the storm, as policymakers in New Jersey have said.

The picture on the bottom right, I'll give anybody $1 if you can figure out what that is. But that's a control that caused all of you to get in gas lines. That is a control that was in our Sewaren switch that impacted many of the refineries and the tank farms that pump gasoline out of -- in New Jersey. So, that particular control, there's literally hundreds of them in our Sewaren switch, was underwater. Halfway up that picture, if you look, is the water line.

So, when we saw the video to talk about the black water, that's the result of what the black water does when it comes into your controls. We literally had to go in, by hand, with a toothbrush and clean out every one of those contacts. So, when we get back to that foundation that we talked about and the work the people do and you have an engaged workforce, just think about all the people that were working 24 hours a day to clean that up so we could restore power. Same thing was happening in Bill's part of the business. Same thing was happening in many other areas across the state in many of the utilities.

So, when you look at our filing for Superstorm Sandy, it's all focused on how we can try to improve things in our substations and switching stations that are in low lying areas.

So, four things that we're talking about in that area, one is to build some walls, some temporary walls, and secondarily, some permanent walls, so we can protect those assets, pump the water out from behind them if it gets in place. Third thing we're doing around those stations is actually lifting them.

So, we'll raise some of the assets so that we get above the flood plain that Governor Christie's come out with from the FEMA flood maps, where they've said they want to rebuild to. So, we're going to strengthen New Jersey, rebuild, again align with policymakers. We'll lift those assets up.

And finally, we'll build some redundancy into this system. So we can feed this circuits and those areas from elder circuits and from elder switching stations. So, those tank farms have a redundant source of power coming into them. So, multiple ways that we're trying to address the bottom right hand side of the picture.

The bottom left, our customer service centers, that's where all of you were trying to get information. When is my power going to come back on, what's going on, has the crew been dispatched. We also, in this filing, have identified a couple hundred million dollars of investment that we want to make in our IT infrastructure, so that your mobile devices get information that's meaningful to you.

Right now, we still give information that's generic to the utilities, timeframe that the lights will come back on, about how many customers we have out. The end of the day, in this society, as Ralph was saying earlier, everybody was just -- how does it impact me? So when will the lights come back on at One Main Street. And we're going to put some technology in place, tied to that overhead work that I mentioned which will give us better information so we can communicate better with customers.

And then, in the top left, that's our untold story from Superstorm Sandy, 41,000 customers were without gas service. We had to go in to 41,000 individual homes, clean out the meters because there was water infiltration and then, after we cleaned out the meters, go up into each one of the premises and relight the appliances. So, what you see there is one picture of one apartment building in Hoboken. And the amount of work that was needed.

So, what have we done in our energy strong filing? We've identified many of our gas mains that are low pressure, so the water can get into them if it gets too high, not high pressure mains, but low pressure mains that are cast iron. We've identified those, we're going to replace those mains, bring in high pressure, insert them with plastic, and you'll have that problem resolved in the future.

So, what I ask you to think about is every one of those pieces of the puzzle in that $3.9 billion filing we made with the state of New Jersey and the $1.5 billion that we're going to be making through our FERC regulatory process are all aligned with solving issues that you see on this slide.

We also think we did a halfway decent job from a logistics standpoint during the storm, but what I all ask you to take a focus on is the bottom left hand part of this slide, and that is what you should be all telling your kids to do, as Ralph mentioned, become a lines man.

We did bring in 1,000 folks in advance of the storm and we thought we were well prepared, not only did we bring people in, but we did put up sandbags around some of our substations that we had traditionally seen flooding, we did all sorts of preparation work with our workforce, but at the end of the day, that top right hand picture, that I mentioned, where you had the overhead damage is all about hand to hand combat and putting people up in the air to get the lights back on.

So, what you see there is a trend line of actually bringing personnel in and there's two big bumps in that line that I'll just point out to you, one is about halfway through the chart and that's when the power was restored in the Delmarva Peninsula. So, we started to get workforce that came up and helped us.

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The second big bump at the right hand side of the chart is when the nor'easter passed the Boston area and the crews were released from the Boston area. So, at no time during this storm were we or any other utility in this area not asking for help, we had identified right up front, once that storm hit and the severity of it, that we wanted additional personnel, but they just were not available from the industry standpoint.

We were flying people from California, that's how hard it was. So, if your kids are wondering what they want to be when they grow up, there's a lot of opportunity to be -- to work in the line workforce.

The logistics that we had to pull together 4,000 folks, that just gets right down to the hard work that's done by all of our employees in our back office. As Ralph said, he filled my coffee cup, I fill a lot more coffee cups, because there's a lot of great people that do work there, Dave Daly, Kim Hanemann, folks that work day in and day out really pull together and we're able to put 4000 people in beds, making sure that they had work every day when they woke up so that they could be out there and being productive.

And finally, with all of that gasoline -- all those gasoline lines were out there, we're able to fuel those trucks and get them on the road, we never had crews waiting at all during the entire storm for gasoline to be pumped into their trucks. It was always done the night before and it was all preplanned. So, just great work by a number of folks.

Which resulted in -- when you look again, we always want to get better, but if you compare us against a lot of the other utilities in the region, we did a pretty darn good job, almost had 1.8 million of our customers back by the end of the seventh day. You can see the growth that took place here.

And just comparing the orange being the response that we had to Superstorm Sandy and Irene, which we thought was a really big storm in blue, is just shown below that and the amount of damage that was -- the difference in the damage and difference in the customer impact is pretty dramatic. So, again, just a focus on what the employees were able to do and the work that the team pulled together.

So, we don't just run a good operation, we've done pretty decent job of growing the earnings and the utility and executing on the plans that we've identified. You can see, back from 2008, we've had about a 10% growth rate in our earnings, and I'd just point out to you, that if you took 2012 and you added back in the impacts of O&M for Sandy, that'd add back in about $0.04 and the impact of the reduced revenues would be about another $0.01. So, that number would have been about $1.08, $1.09, depending upon how you want to take a look at it. So, that growth plan has been put in place and it's been executed on by the folks in the utility.

And it's been done two ways, the first has been through the growth in the rate base. You could see here that rate base has grown about 7%. Our electric distribution, while it's gone down as a percentage of our total rate base, it stayed a little bit flat, a little bit of growth from our capital investment programs, which we've executed on and I'll show you in a second, our gas distribution, about the same story there, pretty flat, a little bit of growth. But the big area of growth has been the two quote, new areas of focus that regulators and policy makers have indicated to us the investment should be made in.

First, is on the transmission where we've grown that rate base from 13% of it 28% and the last piece being our renewable and our energy efficiency programs.

Little more detail on the transmission side of our business, we can see here, 2009 and '10, a little bit below our plan and we've really ramped up and executed in '11 and '12. What's been the difference? We are learning organization, we try to implement the lessons that we've learned, it's a big change in our understanding and our execution on the permitting process.

Last year I stood up here and talked to you about Susquehanna Roseland and some of the challenges we had in the national park service, that's not the reason for that, but we had other, smaller projects that were very similar in getting local approvals, and as we've learned the process, we've been really able to ramp up and execute on that transmission plan.

The transmission piece, again, aligns with the FERC regulators and their policy, what was aligned in the state of New Jersey, renewables, our Solar 4 All program, our solar loan program, again, executed on. We've got a little bit left to do in spending in those two programs, our energy efficiency programs. Again, good execution across the board there, the last one that was approved in July of 2011, that $81 million of spend will be about $40 million in this year and about $41 million next year in '14. So, a little bit left on that program, but that was the original schedule that we had laid out.

And then, the investment in our core electric distribution and gas distribution businesses was completed on the plan. The little bit that's left in electric, the $20 million is electric and that was pushed out a little bit because of Sandy and our response to Sandy. So, we didn't get that completed. But the regulator understood that and gave us an extension through the first quarter of this year.

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SI-SSA-0015-12213

So, that's the first piece, we've grown the capital. Second piece is, we've kept our own end flat -- flattish. We've gone from 2008 to 2013, we'll have a compound annual growth rate of 1.4%. So, investment being executed on and a good job by folks running the core business day in and day out to keep their expenses down throughout the entire length of that growth program that we've executed on.

So, where are we going? This is, as Ralph mentioned, our first time that we've talked about giving you a picture out five years. You can see what we've done through '12. That's the piece that I just spoke about, and I'm going to give you a little bit of a view into '13 and beyond. '13, good plan in place, very little of it associated with proposed filings at all that are in that '13 plan.

Most of it is actually right on our existing approved programs, and then, as we get out into '14 and beyond, it's all about our capital spend that's associated with the filings that we've discussed, our solar filings which we expect to hear in May, our Energy Strong filing, which is just been put out last week, and you've all read about it, and again, we think very well aligned with what the policy folks in the state of New Jersey are looking for, and then, our energy efficiency filing that we expect to make in the upcoming months, so, additional energy focus on the same type of programs that we've executed on in the past.

This is a little more detail about those. So, you can see where we take the utility from $6.9 billion to $10.6 billion in -- after all those proposed filings are executed on, and you can see the business mix, where we were very focused on transmission during this last timeframe, but as we rebuild New Jersey, as we rebuild the infrastructure, we start to focus a little more on the distribution going forward. Again, that alignment with the policy.

Here's just a little bit more on each one of those programs, broken down, but what I really want to focus on is the type of return that we get in this area. If you think about the way PSE&G and many utilities in the past were set up, a lot of the returns were traditional rate making -- you go in, you spend the money, and then you go back and have the true regulatory lag.

FERC, again, to incent the investment came out with a program that we've aligned with, which is the formula rate program. So, we've made those investments in transmission and as a result, we get contemporaneous return on those investments.

The state of New Jersey was also trying to incent investment in the solar area, in the energy efficiency area, and in those four distribution assets as there was a lull in the workforce, and they wanted to put some people to work, and they gave us that same type of alignment. That's why we've asked for the same type of treatment on the energy strong filing, because it's completely aligned with the policy to try to rebuild New Jersey better than it was when Sandy hit.

So, I'm going to take a second to go into a little more detail about transmission, I promise I won't bore you too much, but I think it's important to give you a little bit about each one of the major transmission projects that we've undertaken and where we stand. We have our Susquehanna Roseland line, which is the biggest line that's had the most visibility. That's the line that comes from Pennsylvania into northern New Jersey.

Our northeast grid reliability, which builds up our system in the northeast, just like it says, up by the George Washington Bridge area. North Central Reliablity is in the center part of our state, brings some power up into northern New Jersey, and then the reinforcements that we have down in the southern area that are all down outside of Philadelphia.

So, we'll start with Susquehanna Roseland. Last year I sat here and told you about some of the challenges with the permitting. Well, I'll tell you what our two major challenges are this year, the first one was a line workforce, back to what your kids should be when they grow up. A lot of the folks that were working on our Susquehanna Roseland line went off and were assisting us and other utilities during Superstorm Sandy.

We had to get those folks back, get them back on schedule. When you look at our total schedule with -- we're within one week. We've brought that all back in, we lost a little bit of time during Sandy, but within one week of our planned schedule. That's one issue.

Our second big issue, and another thing you should have your kids think about are snakes. Yesterday we removed 57 copperhead snakes from the project. We take those snakes out, we bring them to snake rehab, we let them relax a little bit, after we're done with our work, we release them back into the rightaways. 57 snakes yesterday were taken away out of the area.

We have cornered the market on everybody who handles snakes in New Jersey, they were working on this project. But that's a real tower that's going up on the lines today. No more pictures about what may be, it's no more artist rendering. That's an actual tower that's been built.

Our Northeast Grid Reliablity project, this is the only one of those five major projects where all permitting is not completed at this point. We have two towns left to get our permits through, West Caldwell and North Caldwell, we've continued to have conversations there. But we've started working the areas that we can. So, what you see here is a picture of some of our underground transmission work that was completed in the Jersey City area. So again, execution has started, a little bit left on the permitting side on the local level, but well on our way to move forward.

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Our North Central Reliablity project, any of you that are down by the Livingston Mall area, Short Hills Mall area, you can see the project being built there along route 280. It's going up. These are actual towers on the right of way.

Some real things that have helped us in this, we had a low rainfall last year in the fall, a lot of the swampy areas that this right a way goes through were down, so we were able to get in there very quickly and start to build the line, those are -- that is actually the first three towers that you see there are the new monopoles that are up, if you can look in the distance, you can see some of the lattice towers that we are taking down. We're executing on it.

Just a little bit of a tidbit for anybody that lives in the area, you can see the wires on the inside of the poles, that's because we're making sure that the electromagnetic fields are dissipated as much as possible to get to the edge of the right away, so we stick those lines together, they cancel each other out and are inside the poles.

So, again, good execution. Well on our way on the North Central Reliability project.

Burlington-Camden. Under the radar screen, to a great extent, not a lot of people talk about this project. That's our Burlington yard that you see there. Completely taken down, the transmission's being rebuilt already. Back in there, we've installed a lot of our transformers. All the permitting is completed. Everything that we need to do to site this project has been in place and we're, again, executing on the installations.

And finally, our Mickleton Gloucester to Camden line, this is the -- this one has not moved ahead from a construction standpoint, yet, just because we are that early in the process. But I point to you, if you look, the major permitting and citing has all been completed.

The biggest challenge for this line and the reason we show this picture, it's built over railroads. So, we're going to have to work with New Jersey Transit and Amtrak to get to schedule those times where we can actually be in there and working and we'll have to work through their train schedules and be a little bit of disruption there, but that's the only real challenge that we have left on this project, is scheduling those outages so we can get in there. So, things have continued and Amtrak and New Jersey Transit worked with us, which is why we have those permitting and citing hurdles behind us.

So a good story on transmission. A lot of execution completed, a lot of the permitting behind us and now I'll move into some of the things that we're looking forward to on the state front. As I mentioned to you earlier, and we've said a bunch of time today, the world's changed for us in October. When Sandy came through, we had to stop and rethink everything that we were doing.

The first thing we're waiting on, to get some clear signals from the Board of Public Utilities, was their order on some of the storm best practices that they wanted to see put out across the entire state. So, I think they came out with about 108 recommendations or so, that are needed. We're completely aligned with those, there's really nothing in there that is going to cause us a major change from an expense standpoint.

Only challenge that's out there is our IT infrastructure, to upgrade that and that's for all the utilities, there're looking for some more information, some more transparency for all of your, as our customers, so you can see exactly where those outages are.

Other than that, the -- a lot of those best practices actually came from our company and will continue to be implemented as we go forward. So, that was the first hurdle we had.

The second one was, how are we going to deal with the costs associated with our storm. As we've expressed, the storm itself, to restore the power, to get us back up and running, was about $295 million. The way that we've worked with the board on that is that those costs have been deferred until into a future time. We did that -- that came out in December of 2012, so that order was released.

And then, just on February 20th, just last month, the board has identified that they're going to have a generic proceeding to look at all of the cost for all the utilities, and then determine how they're going to deal with them going forward. So, that's a real good sign from my standpoint, because, again, we think were very prudent in what we did. A lot of the spend that we had was pretty low compared to some of our peers.

And not only that, but the fact that we're going to have that conversation now is a good indication rather than kicking the can too far down the road. So, all good signs, from my perspective, on how we're working together with the Board, on the response to the storm.

But that was just getting us done with what happened up to the date of the restoration. Where we responded is the slide that I spent all the time on, which was our energy strong filing. So, you can see in there that we've got, again, $3.9 billion of spend focused on those four core areas.

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And in addition to that, $1.5 billion in the transmission side, because that Sewaren switch, as an example, has both transmission assets in it, and distribution assets. So, when we raise those, when we deal with them, they -- both sides of the house have to be dealt with, to do it effectively.

A great example of what happens when you don't do it at the same time, when you don't move forward is our Bayonne switch. Bayonne area was upgraded. Our switching station was upgraded in Bayonne prior to Superstorm Sandy coming through. So, our transmission assets, the work was completed. And as a result, that -- those assets never lost power. We had energy at the switching station.

But the substation that fed Bayonne, was not raised yet. The work was not completed on those distribution assets, and as a result, they were affected. So, we do them at the same time. Again, aligned with the policy of what we're trying to do. We'll get everything completed, which is why you've got both the transmission and distribution needs in each one of these stations.

And let's not forget, everything that we've got from the energy master plan. So, we've got our Solar 4 All extension, which we filed in July. We've got our Solar Loan III program which we filed, again, last July. Ralph mentioned we'll have those -- we expect to have some answers on those by the May timeframe and we do expect to invest additional dollars in our energy efficiency programs. We've identified about $470 million worth of programs that we'll be talking to the Board of Public Utilities about shortly.

So, put those pieces together, got alignment with federal regulators, alignment with the policy of the state regulators, but we got to worry about my mom and dad, who are customers of the utility. So, we can't just keep layering on, as Ralph mentioned, we've got to look at the total bill. So, when my mom and dad get their bill, they don't want to -- I don't want to listen to them.

The first thing when we filed the $3.9 billion, my father called me up and said what's going to happen to my bill. Well, this is what's going to happen to the bill. It's going to stay flat. As we mentioned, the market transition charges, the NUG charges that are in our current bills for customers are going be to rolling off over the next three to five years. As those prices roll off, we feather in the infrastructure. We keep bills flat for the consumers. The reaction, so far, has been relatively positive to that concept, as we do that, and we've been able to, we think, have good positive conversations with board as we move forward with it.

So, putting all those projects on the table, we're not going to put a tremendous burden on the customers. If you look back to 2008 and the impact from the commodity prices, we've gone well down compared to the CPI. That line you see at the top is the CPI. So, buy a gallon of milk, buy an electron, much flatter -- actually, a decrease in the cost of that electron and an increase of cost in that gallon of milk. So, that's the story I tell my mom and dad, hopefully it stands with all of you as we go through the conversation.

We put those pieces together, as we mentioned, that we're going -- this is the range that we have for our operating earnings of 2013, growing from $528 million in 2012 to the range of $580 million to $635 million in '13, all about executing on our approved programs.

So that's the end of the New Jersey side of the river. I'll touch just a little bit on LIPA, and what we have on the front there. If you recall, back in December of 2011, LIPA chose us to manage the T&D system, going forward, starting on 1/1/14. The big takeaway for everyone here, the transition is on schedule. The teams continue to work towards that end.

We all have been reading in the newspaper, just like you have, about some of the thoughts that Governor Cuomo has about privatization. Some of the thoughts others have about municipalization, some of the thoughts others have about continuing the contract to go forward.

The clear signal that we've received, from the regulators and the policymakers in New York, has been to move ahead, to continue with the contract, to be ready to transition on 1/1/14.

Just like we talked about, everything at the federal level and at the New Jersey level, we will align our business with what the needs and the policy of the state of New York is. So, if they move that, we will align and we're not going to get into a battle with folks over each one of these things.

We're moving ahead, we think that the transition is going to provide better service to the customers on Long Island, we've identified three, four, five things that we think we can do tomorrow to start improve things. Just starting with the way we operate the system, the way we trim the trees, the way we communicate with customers.

Those things are easy for us to implement, quick hits for us. We think will show big improvement and those are the big areas that, again, the policymakers in New York have identified as needs for their consumers. So, all -- the whole story starts with and ends with an alignment of our interests with the policy that the state and the regulators put together.

With that, I'm going to turn it over to Randy.

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Randall Mehrberg - ***PSEG Energy Holdings - President***

Good morning. I'm going to speak with you about Energy Holdings this morning. We've made a lot of progress at Energy Holdings over the last several years. Most of the large problems, the large issues are behind us. Holdings is much simpler today than it was a few years ago and my goal this morning is to make this very clear and transparent for you.

Our focus today, as we continue to move forward in Holdings, is to continue to derisk the portfolio, to exit the noncore investments and maximize the value that we realize from the investments, to build our contracted renewable solar projects and to pursue other growth opportunities.

So, Ralph just spoke about LIPA. LIPA will reside in Holdings because obviously LIPA cannot reside in PSE&G. Although, the utility folks and the utility experts will run it, structurally, it'll be in Energy Holdings.

So, this chart depicts what holdings look like a few years ago and then, what's left today. Everything on here is depicted in book value, so you can take a look at it from that perspective. If you look on the left side of the chart, on the top of the LILO SILOs, we've exited all of those. They're completely done.

The international investments, we've exited all of those as well. Scott Jennings did a terrific job last year, in exiting the last investment in Venezuela, which was a little bit of a challenge.

With regard to our domestic power plants, we have only one operating plant left. That's a combined cycle in Hawaii. It's a good plant, it runs well, we like the plant. So, it's something that we may decide not to sell.

Unidentified Company Representative

(Inaudible - microphone inaccessible).

Randall Mehrberg - ***PSEG Energy Holdings - President***

Thank you, Ralph. Ralph is not, he's a little -- well, I won't comment any further. And most of the real estate assets have been sold as well. We sold the Qwest Tower in Denver about a year ago. There is some miscellaneous real estate, some more office complexes. We have the Renaissance, a couple of -- two towers of the Renaissance Center in Detroit left, and some other facilities, about 28 Wal-Marts, I think it was 29 yesterday.

So, what have we done with the proceeds? We've paid 100% of the holdings level debt. Back in 2005, that was almost $1.8 billion in debt. That is all paid in full. We've paid the Internal Revenue Service in full, with interest, on the LILO SILO claims. Indeed, we'll be getting a refund in connection with that. We've invested in the six solar projects.

And we've returned almost $1 billion to the public service parent. No new money has been invested or sent to holdings since about 2002. So, since that time, all the money from holdings has come to public service, to the parent, as opposed to the other way around.

So, what do we have left? It's $1.2 billion in book value assets. The box to the far right lays out what they are. Solar Source, on a book value basis, has about $159 million in solar assets. We invested about $240 million, but because of the ITC, the investment tax credit, a lot of that money comes back to us very quickly.

We have the merchant energy leases, with GenOn and Edison Mission. Regulated energy leases, that's our 11% interest in Entergy's Grand Gulf nuclear plant. We have a reservoir, things like that.

And then, we have the remaining real estate that I mentioned, things like a couple of office parks, shopping centers, strip malls, the Renaissance Center Towers, things like that.

The generating legacy assets, that's just the Hawaii plant plus, we're in the process of winding down a California plant, so there's a little bit in there. That'll be pretty much completed this year and then some miscellaneous assets. Some of these assets are challenged, most particularly the Edison Mission merchant leases.

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And then, some of these assets are very nice, like the Grand Gulf plant, which is on leveraged lease, which will end in 2015, there'll be no debt when that lease ends. Like the plant in Hawaii, like the Renaissance Center and the reservoir. So, a couple of challenges and some opportunities as well.

So, where do we go from here? We think we've demonstrated a good track record of derisking and moving forward. We are confident that we can continue along those lines. I can't control the timing of some bad things that may happen. For instance, the Edison bankruptcy, but as you look at the portfolio go forward, we've had as many or more good things in the portfolio as bad and we expect that to continue in the future. And then, at the same time, we're investing in things like our solar facilities and our LIPA agreement -- our LIPA management.

These are our solar projects to date. We're very, very proud of this portfolio. All of our projects were completed on time or better. All of our projects were completed on budget or better. All of these projects have long term power purchase agreements with the creditworthy counter parties, and all of these projects are performing well.

The bottom right is our Badger project. We expect that to come online near the end of this year and we continue to look to develop additional projects.

By the way, the slides that Ralph showed you earlier, and slides that Caroline will show you later, do not have any assumptions, go forward, with regard to solar. So, anything we're able to do in the future would just be a positive, but we didn't bake -- we did not bake into the plan additional solar projects, simply because we don't know when we would secure them, when they would come forward. So, we're conservative and they're not baked into our plan.

With regard to what they're producing for us, this is the EBITDA with regard to the solar projects we have in place. This year we project about $12 million in EBITDA. But on an annualized basis, if you looked at this on an annualized basis, it would be about $16 million because the Badger project comes on very late in the year.

So, what this means is, irrespective of any new projects, this is the level of EBITDA that is in these solar project, and these projects have a minimum of 20 year contracts, some have contracts as long as 30 years. And this, of course, is also irrespective of the investment tax credit. So, I know, in the call last week, some people asked about the impact of the investment tax credit, that's on top of what's here. Again, that's lumpy as you do a new project, but that's not reflected here.

So, if we were to stop doing solar tomorrow and not have a team anymore, this -- which is not what we're not going to do, this income -- this EBITDA would continue on a go forward basis.

And that's pretty much it. I hope I was able to make this holdings story simple and clear. I think we've reduced and bounded the risk and I think our future will be nice but modest growth through things like additional solar projects, the LIPA contract and other growth opportunities that we think makes sense for us.

QUESTION AND ANSWER

Unidentified Company Representative

So, Ralph and I are happy to entertain questions.

Unidentified Audience Member

(Inaudible - microphone inaccessible).

Unidentified Company Representative

Yes?

Unidentified Audience Member

Thank you. Ralph, just -- I'm curious it seemed like the estimates of the costs of the storm and obviously your restoration efforts were fantastic, and we give thanks for all the detail on that. But the cost estimates, kind of from what you -- what the numbers were initially being discussed to then where they kind of shook out, seemed to

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move quite a bit. I'm just wondering what caused that. What caused the kind of incremental expense over kind of the extrapolated type of numbers you may have had initially?

Unidentified Company Representative

So are you referring to the rebuild cost that go out to $3.9 billion?

Unidentified Audience Member

No, more the actual cost of restoration.

Unidentified Company Representative

Well, I think we came out -- I think we were pretty much within in the range that we had identified right in the beginning. We talked between $250 million and $300 million, and we came in at $295 million. So, on a per customer basis, you look at that from a prudency standpoint, that's why I think it's all -- but my recollection is, we from -- right from the beginning, we're between $250 million and $300 million.

Unidentified Audience Member

Okay, well I was -- just misperception on my part. Thank you.

Unidentified Audience Member

Going over to the holdings side of the equation, just when you think about the cash flows over the next few years, is it a net outflow back to the public service parent, sort of pre ITC and post IPC? How much cash can we expect to contribute?

Randall Mehrberg ***- PSEG Energy Holdings - President***

It really depends on a host of factors. How many assets we sell. We have a signed purchase and sale agreement for a medium sized office park right now. So, that would be an inflow of cash. If the Edison Mission plants -- if Edison Mission rejects the leases, that would likely trigger a tax liability.

So, that would be a cash outflow. And then, you have the recurring income that we get from things -- right now, we have a lease arrangement with Entergy, on Grand Gulf, so we get a nice payment for that every year. When the leverage lease expires, we can either renew the lease or sell the interest to them or somebody else. So, there're a whole bunch of variables.

But on a net net basis, what we've experienced is that there were at least as many positives, from holdings as they were negatives. And we've been able to manage all of the obligations through holdings. And I would expect something similar to that in the future, but again, I can't control the timing. I don't know that, for instance, if we sold our Grand Gulf interest, I don't know that, that would coincide with a potential problem at the Edison Mission bankruptcy.

Unidentified Audience Member

And then maybe a follow up there, just in terms of the earnings trajectory. Sort of net of all these factors, what do you think over the next few years as you think about it?

Randall Mehrberg ***- PSEG Energy Holdings - President***

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Right. So, Caroline gave you a number last week, for holdings and enterprise for this year, and I think the range was $25 million to $35 million. That's a good number. And again, that's subject to certain things. If we sell certain assets, we won't have the continuing income, but we'll have the money from the sale. But we have enough good assets, such that the number that Caroline gave you is a good number.

Kathleen Lally *- PSEG Inc. - VP - IR*

Another question?

Unidentified Audience Member

Ralph, could you talk about your load growth expectation, 0.7% at electric, 0.2% at gas, and why is that above the historical actual growth expectation. So, are you forecasting a pickup in load growth?

Ralph LaRossa *- PSE&G - President*

So, just a couple of things there. If you look at the total customers that have been coming in, we've been at about 0.6%, right? So, we get a little bit more growth on the electric side, on a per household basis or customer basis. So, that's just a little bit of a tick there. You actually lose ground compared to the amount of customers you add on the gas side because you have that energy -- basically, every time you upgrade a furnace in a home, it's got a higher efficiency.

So, we're really not adding any products on the gas side of the business. The electric side, we still got the iPods and the new TVs and the new things that are plugging in everyday. So, a little bit of a tick there, but it's really driven by the customer growth levels.

Unidentified Audience Member

And on FERC ROEs. Could you talk about that and all the discussion going on at FERC about base ROEs?

Ralph LaRossa *- PSE&G - President*

So, sure. We're monitoring what's going on at FERC. I stick by what I said in the beginning, which is FERC has sent a clear message to folks, they'd like to invest. We'll see what comes out of New England. When -- I guess that's in the September timeframe. There'll be some conversation there, we'll be monitoring it.

If there's a signal sent that, going forward, there should be a change in where our investment pattern should be, we'll take a look at it. But right now we're just -- all those programs are approved and we all have those our ROEs first. So, there's no big project that we're waiting to go into FERC and to get approval on.

Michael Lapides *- Goldman Sachs - Analyst*

Ralph, Michael Lapides, Goldman Sachs. How are you thinking about rate case timelines when you come back in and file? That's question one.

And question two, are you expecting pushback from intervenors or the commission itself about filing the energy strong program under a rider or a tracker mechanism versus just the traditional take? Because a lot of -- a lot of this work is on gas main replacement, a lot of this work is stuff that some folks might view as core. Why don't you just fund it as part of typical rate base growth of the distribution utility?

Unidentified Company Representative

Okay, so first piece on the rate case, our current plans do not have anything in there in the near term for a rate case. The way we've been managing the O&M has allowed us to stay out of that type of situation. Because we have some growth from our other -- some parts of our business, so our client service business, which we really don't talk about a lot, has also been growing, that offsets some of the expenses that we get.

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SI-SSA-0015-12220

So, if you just look at our electric and gas distribution, we're right at -- we've been earning our allotted rate of return. So, don't have any more detail there, it's right about where we need to be.

For the intervenor status, as we go forward -- and one other piece, if you go back to the rate case. We've been managing our base capital spend at depreciation level. So, you put the two pieces together, your expenses staying flat and you've got your capital at depreciation levels, we been trying to manage the business right at that allowed ROE.

Flipping over to the intervenors and what they're -- I absolutely expect people will push back. I mean, that's what happens in all these processes and then, at the end of the day, we'll find a place that makes sense for the policymakers. If you look again at the history that we've had on the solar, there was push back there. There was push back on the energy efficiency. There was push back on the CIP, the capital investment program.

All of those though, good conversation that we had, but the policy is what drove the day. And I believe that Governor Christie's been very clear about that need to rebuild New Jersey better than it was and to rebuild it in such a way that it matched against those FEMA flood maps and that's exactly what we've put on the table.

Michael Lapides *- Goldman Sachs - Analyst*

Would you do a -- quick follow up, would you do the same size and scalable program if you didn't get the tracker?

Unidentified Company Representative

I think we'd take a hard look at that. I'm not sure we would be making an investment of that magnitude without a tracker at all. I mean, there's just -- if policymakers want us to do it, this is the way we do it, and this is the way investors will want to see us do it.

If there's no tracker, not going to do that type of money at risk for a future rate case proceeding, it just doesn't make sense to us. Because again, if you want to leave the reliability where it is, that's fine. But if you want to raise it, and to be able to deal with the storms that we've had and to meet the desires of the policymakers, then we need the certainty from the contemporaneous return.

Unidentified Audience Member

Ralph, I just want to mention, I think that what you're doing is exactly what is needed, because I think for the infrastructure over here in the US is really poor and the European utilities see us, as they come, they laugh at the US infrastructure. And I think for those people should be paraded to the governor as well as to the regulator, especially in New Jersey, that how they view the US as being such an inferior infrastructure. So, I'm very, very happy that you've taken the stance.

And from a shareholder perspective, also, if the regulators don't give it us, then they shouldn't complain, because investment is needed to improve the service and we lose so much time and everything, especially this last hurricane. It was an eye opener. And it's an eye opener and if the regulators don't answer and the governor doesn't support us, then as the governor says, they should shut up.

Unidentified Company Representative

Can I just add two things to that? No, no, no, they're all positive. Just from an infrastructure standpoint, I do know some people look at our infrastructure and say, why do the poles fall down and everything else? We have to remember, those poles are built right along the roadways, so, yes, there may be better ways to build concrete and steel, but our -- the way our planners and our city planners laid things out, long time ago, they were constructed nearby, so you have to -- you can't make steel poles and concrete poles show up next to roadways.

So, I do understand some of the things that elders say, but there are some -- there's some good reason for why the infrastructure is built the way it was. I'm sticking up for my predecessor, Ralph.

And then, the only thing I'll say, look, Governor Christie has been very good, very supportive of the state. He has been very clear in what he said about rebuilding the shoreline. He didn't want anybody to rebuild their home, to raise it without certainty that they were going to have funding to go back to. That was a statement that was clearly made when they talked about changing the standards. That's exactly why I think the policy is aligned to what we're trying to do.

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Unidentified Audience Member

(Inaudible - microphone inaccessible).

Unidentified Company Representative

I'm proud of New Jersey, so (inaudible).

Gregg Orrill - ***Barclays Capital - Analyst***

Hi, Gregg Orrill with Barclays. As you thought about the proposal for the energy strong program and you came to $3.9 billion, what was kind of the -- what you could have proposed? I assume there was a much bigger number.

Unidentified Company Representative

So, everything that we proposed in that $3.9 billion was based upon those four pictures that we showed you. The overhead, we could go higher because you could rebuild loop systems and you could continue to deploy smart grid. So, that's where there's greater opportunity. What we've identified -- and what we think we need to do immediately are in those substations and switching stations. But long, long term and to continue to grow, you could quadruple the numbers that you've got on the overhead side.

Kathleen Lally - ***PSEG Inc. - VP - IR***

Any other questions? (Inaudible).

Unidentified Audience Member

Hey, Ralph, just a follow up on the FERC issues. Have you spoken to BPU are they're getting any indication about what they think is a fair return? Because they're participating on a 206 against ACE, so I was just curious, if they're going to kind of go after holding ROEs in state?

Unidentified Company Representative

No, I -- we have conversations, but that specific one hasn't come up and we haven't had conversations with the BPU about that. I think that if you read through that, the 206, there were some other things in there about transparency in the process. We've gone through that. We've been very transparent. We have our meetings all the time, so I think we've been holding good productive conversations all along.

Kathleen Lally - ***PSEG Inc. - VP - IR***

Anything else? With that, we're going to move to a 15-minute break and we'll be back here for Bill Levis and Shahid Malik. Thank you.

(BREAK)

PRESENTATION

Kathleen Lally - ***PSEG Inc. - VP - IR***

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I am going to ask that you find your seats. We're going to begin in just a few seconds. We're going to resume in a few seconds, I should say. Thanks. You've got enough -- do you have enough water up here? Can I ask that you take your seats? Thank you.

Good. Great. We're going to resume the presentation. Bill Levis, President and Chief Operating Officer of PSEG Power and Shahid Malik, President of Energy Resources and Trade will provide you a very thorough update on power's operations and financials and outlook for the market. Turn it over to Bill now.

William Levis *- PSEG Power - President, COO*

Well, thank you, Kathleen, and good morning, everybody. I am not here to announce the $3.9 billion building program at power. What I am going to talk about though is a number of the competitive forces and challenges in our business and let you know that we're not afraid of one of them. And in fact, we believe in competition, we think competitive business are a good thing and I think we're in pretty good shape to face whatever those headwinds may be ahead of us.

So, I want to amplify more about what Ralph talked about in his slide, but -- so the simple power strategy and focus is to insure that we get the most out of the assets that we have and resources under our control, and those include the power plants that we operate and also the people that work for us, and do so in a safe, reliable, economic and environmentally responsible fashion. And I'll show during the course of the discussion this morning that we have made progress in all of those fronts.

So, what do we do in PSEG Power and how do we add value and create value? Two points I will make up top there is relative to regulations, we try to insure that we have a seat at the table and can influence and shape regulations going forward. We talk an awful lot about being a deregulated business, but that couldn't be further from the truth relative to all the help we get and the various regulatory agencies. And rules matter. Rules are important, and we want to make sure we have an active voice in helping shaping those move forward.

The second point I'd like to make is, we don't try to predict markets. And we position ourselves so that we can take advantage of what the market presents. We position ourselves to make sure we manage the downside and lever ourselves to the upside. Because I haven't found anybody here that can predict the future and our industry has a long history of being wrong.

And -- so, it's not about looking forward and taking a stake, it's about managing everything that could possibly happen to us. And we truly do practice in all of the above strategy. Folks talk about it. We do it. We do it every day and it's about adding value in each of those pieces.

We recognize in order to have that seat at the table, in order to be an active player, it starts with safety. It starts with strong regulatory performance because that's the only way you can be credible with the public and with the regulator, if you're not running a safe operation.

The fleet diversity that Ralph mentioned before, we have assets up and down the dispatch curve and most of those assets can run on duel fuel. And whatever the market presents to us is the way that we'll operate our plants.

A couple of small notes here is, we do add incremental megawatts along the way. On the nuclear side, Peach Bottom completed its steam patch retrofit in the last year. That was a 28 megawatt effort altogether, 14 of those last year, 14 of those the year before.

The combined cycle fleet that Ralph referred to before, record generation last year. That was with our Linden plant unavailable for two months of the year. Even in that case, it was an 8% increase in generation year on year and in just a steady increase in production over the years.

400 megawatts of new peaking added. And in fact, those megawatts were added on essentially some of those units one year ahead of schedule and on budget. The first day that they were offered to the marketplace, they were taken. And in fact, those units at Kearny operated at greater than 12% capacity factor last year.

I'm going to talk a little bit going forward about how we've delivered on the O&M side to manage the business and what opportunities are available for expansion going forward.

So, I pushed this -- here we go. So, if I stood in front of you last year and talked about our business plan, which you'll see in our business plan, it has a lot of normal stuff in it. We assume normal weather. We assume normal operations with our power plants from transmission build and the like.

But if I told you that we would have no winter, that we'd have significant transmission outages and build that we're going to challenge basis, that we're going to have six weeks of steaming hot summer, followed by a storm that took out half of our generation and we were still going to meet the upper end of our earnings guidance, you'd have probably thought I needed to be replaced. But in fact, that's what happened, and that's what we did. And we did that by essentially acting everyday to what was presented to us.

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So, and when we saw there was going to be no winter, we essentially enhanced our seasonal dispatch model that we added earlier in place for our coal plants. And, as we looked at our coal plants, we know what maintenance is needed to be done for reliability purposes and efficiency purposes, which is condition based and time based, and we're able to pull the levers and the triggers to defer what didn't need to be done based on what we predicted then would be the run rate of our coal plants.

We're also able to take our people, so we need about half the people to run our plants on gas that we do with coal and dispatch those to other sites to displace contractors or combined cycle outages and also supported our nuclear plants. All told, those efforts in our fossil area saved us $50 million during the course of the year.

Our Hudson plant ran on gas two thirds of the time last year, one third of the time on coal. Our Mercer plant ran two thirds of time on coal, one third of the time on gas. As you'll see, availability numbers improved, and they improved when it mattered the most, that's when the prices were the best.

And in little things, like we saw with no winter, then we keep oil for winter operations primarily because sometimes there's a shortages of gas and we have that alternate fuel capability. We're able to monetize some oil sales, balance our coal sales. We have a favorable contractor sales and one that requires some delivery. So, between the two of them, we would offset one another, so there was essentially no impact on coal last year with some minor benefit in oil sales. And I'll talk a little bit about the storm recovery in a couple of slides.

So our assets come -- exist in three competitive markets. We happen to be believer in competitive markets and we think there are real benefits to competitive markets. And so, just a little bit about the assets here. So, essentially one third of our units are base load units.

That's our nuclear plant, you see in the south of New Jersey and also Eastern Pennsylvania with Peach Bottom and also Keystone Conemaugh plant, of which we're about 23% owners. Our mid merit plants are 42% of what we have available. That is essentially Linden, Bergen, Bethlehem Energy Center, Mercer and Hudson, a combination of combined cycle and coal plants, both -- all of which are duel fuel.

And then, up in New England, we have Bridgeport Harbor, which is a coal plant that many folks thought was a bad thing to have, because we were the only coal plant in Connecticut. And we predicted for some, why that would be a good thing at some point, and it certainly showed that in the last couple of months where there were some challenges with gas supply and the like, and that little coal plant that allowed to keep the lights on or up in the particular area.

Just wanted to highlight two little things and these aren't big dollars, but it's a reflection of what the organization has been able to do. Our New Haven plant up in Connecticut is essentially a 455 megawatt oil fired plant. Two years ago, we were able to convert that also to a gas fired plant, so it has the opportunity to run in gas at about 200 megawatts. And last year that was called to run 61 times. 61 times we met the bell, had that unit successfully started in on line.

Our Sewaren plant is an old steam plant, in fact, 65 years old. And gas fired and or oil fired. And last year, it was called to run 62 times and it met the bell 62 times. And in fact, our Sewaren plant has a string now of 248 consecutive successful starts. And I'll talk a little bit more about that plant and the storm recovery, but our organizations sure wants to make that 249.

And I'll show later on that we did put in notices that HEDD units would not be available after the 2015, '16 time period, and you'll actually see how those -- the heat rates improved from our organization as a result of that.

So, at the heart and the foundation of what we do is our nuclear operations. It's core to our business and a predictable and a reliable source of generation. This allows Shahid and his group, at energy trading and resources, then to have that as an important part of our hedging profile going forward. This predictability piece is essential for that to work correctly.

We've had eight consecutive years of greater than 90% capacity factor, and top quartile performance in the cost -- in generating cost arena. And certainly, we recognize the challenges and economic pressures in this particular area and we know the particular challenges some units face.

But I would tell you, large capital spend for these units is behind us, absent some regulatory risk potentially moving forward. And these are large units located in the right place with the licenses that have been extended so we think we're fairly well positioned for the nuclear future here.

These units have three outages per year, one in the spring, two in the fall. So, it really does form the basis from our planning, from our cost standpoint, and also Shahid talk about, our hedging profile.

So the -- essentially, I would say the risks that we manage going forward are associated with our operations and made a lot of progress -- be top quartile in many of the areas that matter here and then in nuclear business and going forward, it's a function of how well we manage our regulatory risk with some impending regulations. And I think we're in pretty good position to do that.

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The bottom bullet that I'll expand on a little later is we are active and have a seat at the table where it matters. And I think we're making a real difference in how these rules shape up.

Going forward, we do have an investment. In fact, our biggest investment is in the Peach Bottom up-rate, 130 megawatts, as you see, in service 2015 and 2016. That project is progressing on schedule at this point.

On the fossil side, so the headline there is steady improvement. And I think a lot about we do just shows that we're continuing to make that steady improvement. And these are just two indicators that I'll highlight. EFORd is effective forced outage rate, and you'll see over the -- since 2008 to '12.

And frankly, the reason we highlight '08 to '12 is because of the changes that have happened during this period of time. When we went a from a predominantly nuclear coal, little combined cycle to nuclear combined cycle a little bit of coal, and how we were able to change as the business changed.

So, that's 200 megawatts of additional capacity, just by improvements in forced outage rate. And as we talk about energy efficiency in our business, the most efficient plant is the one that doesn't have to be built. And so, we will continue to look for those opportunities in our power plants, and I will tell you every day we find another one.

The bottom slide is something we refer to as EFORp. You may or may not be familiar with that, but we look at that. This is essentially your forced outage rate during peak periods. And it measured at specific times in the summer and the winter. And this is a zero sum game, so to the extent that you do better than everybody else, you get a payment and to the extent that you don't, you pay.

And so, we have made steady progress in this area in four consecutive years now, and we have been paid because we've done better than our competitors in this particular area at having our plants online when it matters the most. And you can see last year this number was 0.46%. So, this is having that understanding what you think the market's going to need, having close coordination and cooperation with our trading and fossil organization, so that if there's an outage needed, you do it at the right time. But most importantly, that you have your unit available when it's needed the most?

In the combined cycle area, it certainly has been a keen area of focus for us lately, given the amount that our units have been running and what we see with sparks spreads in particular.

So, this represents an operating heat rate and so, before you look at that number in the far right and say, wait a minute, I know units out there that are 6,800 or so, that would be full load heat rate. That's not what this represents. This is an operating heat rate, which represents how the unit is run and dispatched every day.

I would tell you from a full load heat rate, we improved that number almost 150 BTUs per kilowatt hour last week, but the unit doesn't always run at full power and, in fact, usually runs many times of the year at someplace in the middle.

So, we had significant work done last year to improve the operation in this particular area and what we balance here is margin we get from an energy perspective versus margin we can get from other ancillary services, such as area regulation. I think this is an area Shahid will touch on, where we saw the rules changing in this area. We saw competition from things like batteries, flywheels and whatnot.

So, we made some modifications to our combined cycle units, so they could be faster responding and follow the demand curve much closer and we were able to take advantage of that opportunity when the rules changed in the October timeframe.

Just for an item reference, a 1% improvement in heat rate's worth about $5 million. And so, you see this period of time, 3.2% is about $16 million of opportunity for us.

So, that talks about the heat rate program. We have obviously brought a lot of people in our organization, so the training program is important, of how we train people to do rounds, how to monitor equipment, respond to alarms and the like so that we can take quick and timely action to insure our power plants are reliable.

I put unit testing initiative on there. We have to do environmental -- about 200 or so environmental tests on our units every year. And finding the time to do them is -- creates a challenge and opportunity for us. If you do this testing when you're out of the money, you actually have the potential to lose money while doing this testing.

So, we have made considerable progress with cooperation and coordination between the trading organization and the fossil organization to minimize the number of tests that had we do to, so we're able to combine some, to shorten the time, become more efficient in doing them, and then doing them at the right time. And over the last number of years, this has been $6 million or so plus of advantage for us of other cost that we didn't have to incur.

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And from an outage standpoint, we know what the top quartile and benchmark numbers are. We beat those and do considerable work to improve the efficiency of essentially turbines and condensers, which are a lot of the heat rate opportunities.

So, let me talk a little bit about Sandy. And we had a pretty simple goal when Sandy occurred, we knew Ralph and his crew were going to do a terrific job of getting power back, but we wanted to make sure the power plants were there to support it. I also did not want the opportunity to have to appear on television to say why there weren't available. So, I was going to let Ralph and Ralph handle all the press. Our simple strategy is stay off the radar screen, but let's get these power plants back.

So, if I back up just a little bit to -- we have a little over 10,000 megawatts available in the New Jersey area. We had some outages on plants ongoing at that time, namely our Salem two unit. So, as a part of our preparation, we had to do essentially significant work to be able to get that plant at a place where it was a good time to stop, staff up that organization, was essentially two shifts of folk that would be available around the clock, and then send 1,000 plus people home.

And, hoping, that many of them would come back. And I thought the organization did just a terrific job of being able to prep for that. And when the storm came, there, in fact, was a significant wave and surge of water that impacted the intake structure that caused number one Salem unit to trip.

On the fossil side, we did significant prep work also. We thought that we had learned quite a bit from Irene the year before, because we did experience some flooding in our sites. But I would tell you, we were not ready for the four to six foot wave of water that engulfed our sites. And we have many, many pictures that show how high that water level came up, but essentially basements were flooded, plants were flooded, and so we had a significant challenge on our hands, now how are we going to recover.

So, you see on 31 October, we lost 4,500 megawatts of generation. And now, was a matter of -- what we're going to get back? How we were going to get it back, so that, as Ralph restored the system, we had the right plants in the right location there to be able to supply load to the customers? So, fortunately, this wasn't the first time that we had to deal with outage readiness.

We've been well versed in doing outages before, doing scope evaluations, work evaluations, planning works. So, our outage command centers at both fossil and nuclear were manned, be able to do quick assessments, let's have an understanding of the extent of damage. And remember, this extent of damage is being done where there is no power, no heat and then, no light at night. And, so they developed a strategy of what we were going to recover and when. And during the course of that, we're able to get plants back in sufficient time to meet the needs of customers and the grid in our area.

So, you can see how Salem one came back first. There was just a minor impact at the intake structure that needed to be repaired. But some of that was, we needed to get divers to be able to go do those repairs for us. And our supplier organization, I'll tell you, did tremendous work. To go find the things that we needed, whether it was divers, generators, lights, spare parts, motors. I think the government could take a lesson from our supply folks on how to get stuff to where it's needed and get it there quickly.

But Salem came back, followed by some of our Linden peakers and our Kearny peakers. Kearny 13 and 14, in fact, were the new peakers that we just put in service that June. They were both on higher ground. So, we saw an opportunity to get them back sooner.

And then, the other Linden units, we finished the outage on Bergen one, Salem two then came back.

So, I talked about having to send all those people away. Now, we had to bring them back. So, we had to recover Salem one and get that outage back on track. And there were some impact of the outage, but I'll tell you when all was said and done, that refueling outage at Salem, as measured against everybody else, still ends up in the second quartile. Not so bad when you got a storm that impacts you right in the middle of it.

Now, we also thought that Linden would be available on November 30th, and in fact, had both units spinning the turbine, getting to sync it. We had essentially a bow and a rotor. So, we had to take that machine apart, ship the rotor off, get it straightened out, and we got essentially that back and the Linden unit back in service in early January, just before the cold weather hit.

Our Hudson unit was in outage that time. Another place that took five feet of water on site. And recognize, when this water comes on site, this isn't the most pleasant stuff to be deal with. There's various health concerns and the like that have to be fixed before you can actually send the folks working in a safe fashion. But our Hudson plant, we got back on gas by the end of the year. We just got it back on coal within the last two weeks.

So, you can see what it is that's recovered at this point. I will tell you there is still work to do to get, essentially, these units back to what we would call pre-storm conditions, because we have some systems working, but they're not working as well -- essentially, ancillary systems and the like, as we would like.

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The spend that got us to this point was $85 million. And if you saw, we have $19 million in insurance recovery, so that was a net spend last year of $66 million. We have a similar spend profile this year. Obviously, I'm not going to estimate what the recovery is, and Caroline will talk a little bit more about that, and we expect operating -- earnings to look like in '13. But essentially, our challenge, at this point, is to essentially get the level of spend commensurate with insurance recovery, and then make some decisions relative to some units that are not repaired yet.

And if you look up there, you can see, two sites, in particular, our Essex sites, units 11 and 12, and our Sewaren sites. That we are making progress restoring, although that progress is basically supplementing of the detail work and analysis about what's the work that needs to be done and then the insurance claim that follows it.

So, we have a number of options going forward, because you say wait a minute, you spent $85 million, you got $85 million more, that's not what you said your insurance claim was. And we're going to follow this process all along, try to manage spend commensurate with recovery, and then we have some decisions to make. And some of those decisions are depending on insurance recoveries.

And there are various options. Insurance recovery may offer us a cash out value, we just don't know how much that would be. Insurance may say you have to repair. So, if we repair, you might ask me, well, why would you repair a unit that's going to retire in 2015 anyway? Well, I might do that because then the salvage value is worth more.

Or maybe that unit does get picked up for a black start RFP that's out there. Or maybe, that money had to be invested in something new. New could be an up rate of existing units. New could be some other kind of power plant. We just don't know all those rules yet and we're going to follow that process along. And like all decisions we make, we'll do it in a disciplined fashion.

And so managing the storm recovery is still a big item on our plate this year. And our folks are keenly attuned to any reliability challenges that might present, too, because we made some repairs. And, as Ralph talked about, using toothbrushes and the like to clean out contacts. We did a lot of those same sorts of things.

And in the long term, maybe it is better to just replace the device and it wouldn't be making -- any decisions as we go, once again, commensurate with insurance recovery. We're also using this opportunity, quite frankly, to look at other practices and reshape the business. How do we do warehousing? Is was our previous practice in how we warehouse materials the best, because in that number that I quoted was about an $18 million impact on inventory?

So as we recover that, where do you want that? How do we want to do it? How can we get more efficient in that process? Likewise, damage to machine shops. So, it gives us a chance to look at how many do we need? Where do we need them? And what's the best way to do that business going forward also?

This is a slide I like to show to many audience, because it shows how you can invest in generation and produce more and emit less. And in fact, that's what the Company has a history of doing, and this particular one shows sulfur dioxide and nitrous oxide. And there's a note on the bottom about mercury. If you looked at just our plants, the PS owned and operated in New Jersey, that would be greater than 95% removal for mercury.

The outstanding item there, what's is driving that number right now, is the Conemaugh site that has an SCR project underway, due to be installed in the 2014 time period. We're well positioned perhaps. And don't know when that regulation will get in place, don't know how it will be challenged in the court systems, sooner is obviously better for us, but we're ready for it whenever it comes.

So, just a little bit on our O&M and essentially how we've been able to control and manage costs.

So, a couple of items, the asterisk up on the right, since this is with storm costs. So, if you look at 2012 in particular, we were able to absorb $66 million of storm cost, because we have saved $50 million plus in fossil with nary a tick up in our total O&M spend. In 2013, also includes storm cost.

What were some of the things we've done throughout the years? And as you just think throughout the years, we were essentially -- we've transitioned from coal operations to combined cycle operations, so how are we able to do that? Is one we did, obviously, assessments of both technologies and understanding the basis for the corrective maintenance program, have an asset management plan that knew what components need to be replaced and when, which needed to be replaced on a time basis, which one needs to be replaced on a condition basis. And so, when those conditions change, we're able to alter the investments and spend from our coal plants to our combined cycle plants.

You heard Ralph LaRossa talk about contracts negotiations that helps us, obviously, considerably going forward. And we know what our labor costs are going to be.

On the materials side, you may or may not recall, we talked last year about changing our approach in the maintenance of our combined cycle units, where we had a CSA, an agreement with General Electric to do maintenance in our plants, where they also own the parts. We changed that process, so that we own the parts now and we do the maintenance.

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And we're seeing some near term benefits in -- of that particular approach, as our people do more and more work, also gains a better understanding of how the machine operates, which helps us. And as we're doing outages on these machines now, we're doing additional inspections that will extend the life of these combined cycles for the next maintenance period.

We're looking to do that same effort with our LM6000 this year, to transition from the CSA to a PSA, a parts and services agreement.

On the nuclear side, we completed the productivity study. The number -- two years ago and this was essentially an effort to arm our supervisors and managers with the tools to make sure that the folks working for them are the most productive, so there specific measures in place that tell how well their crews are doing and we can compare one to another.

This year, there's a refueling initiative underway, and if you look at refilling performance, it's in the top quartile, but we recognize this as a -- obviously, one of the big drivers to things like capacity factor and O&M costs and the industry, as a whole, has seen a number of days increase and we're going to turn that around. And so, we have focused attention and help from some key players to continue improve performance in the refueling outage area.

So, relative to opportunities going forward, we just try to keep as many options open as we can. And so, we have done side studies at our locations and know which sites are available for expansion, whether that expansion is just an upgrade of the existing unit or whether that expansion would include a new unit.

We're going to continue our heat rate improvements on our machines. We did an efficiency study, completed last year on there's, we've have realized two thirds of the benefit at our Bergen plant, half of the benefit at Linden. We're going to realize the rest of that this year and take that to our existing combined cycles and then our coal plants also, because we realize there some synergies there, too.

So, heat rate improvements will continue, we -- basically the head room to do that as additional megawatts come out of that. Reviewing opportunity to upgrade our units. And then, just keeping alive what would it take to build -- looking for those right market conditions or whatever those might be to keep that option on the table for us.

So, just a before and after of our fleet from today until the 2016 time period. 2016 just represents when our HEDD units will be retired. And you can see a couple of things. One, is fuel diversity is maintained. Two, is our ability to manage full service requirements is maintained, up and down the dispatch curve. The fleets heat rate -- and this includes nuclear improves by 6%, if you break out just fossil, that improvement is 9%. And it's about heat rate and efficiency that gets you the opportunity to generate more also.

And if you look to the right, you'll see that borne out in the fact is that there will be no reduction in output from our units from an energy production standpoint.

So, I talked before about helping to shape the rules in our business, and I would tell you, we do have a seat at the table at the right places and are recognized as a leader in our business.

The first couple of areas, INPO, the Institute of Nuclear Power Operations, NEI, Nuclear Energy Institute, EPRI, Electric Power Research Institute, BWR Owners Group, they're primarily nuclear areas, where essentially, the basis for rules, rules and how they're implemented and then -- and standards of excellence are established.

So, fundamental to potential cost drivers in our business and we're actively involved in each of those, from Board of Director positions to some very important ones that may be off your radar screen, but we pay attention to it. If you look at the Chair of the Emergency Preparedness Working Group, you look at the Security Working Group, some of the near term drivers of cost and nuclear business are in security and emergency planning.

So, we want to make sure those rules get right, so that in the near term there's not a potential impact that there could be if those rules don't get established of where they could or should be.

And obviously, the Fukushima part, a lot to play out there yet. There's a lot of activity going on with filtered vents and will they be required, will they not be required. I believe what you'll see there is a more measured approach in their [grown] area, that something like rule making will happen, and which will allow us some more time to get input from all stakeholders, so that the right actions are required going forward.

That said, when we look at some of the design features of our site, I think we're fairly well situated for some of the potential changes that could come this way. But obviously, a lot of work to be done, we just followed our tier one responses yesterday that were due, and we'll see how this issue plays out in the weeks and months ahead.

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The USA Alliance is an alliance of single site nuclear operators that gets the benefit of fleet operations without the additional overhead. And so we're very, very active in there, in fact, chair it. So, these are nuclear plants all over the country that share best practices, indicators and the likes.

We have a good understanding of where we are and where the improvement opportunities are. Not up here, but also in the fossil area, we're key players in things like the 316b argument with UWAG, with leadership positions there. And Shahid will talk a little bit more with what we do with PJM, New York, New England, ISOs and the like to get the market rules right, so that we can be successful in those environments.

But, you can't be a leader in this business without having the credibility of solid operations. So, we always go back to, you got to pay attention to business each and every day, so that you can have a chance to have a seat at the table. So, what does this mean? As we look to add value every day in what we do.

And gone are the days when you just needed to show up where you can make money. You make money now by being a leader in the business. And I think the numbers up here show that we do that, and every one of these things are opportunities for us. And, at the end of the day, we're looking for every megawatt, every dollar, every day in a safe, reliable and economic responsible fashion.

And with that, I will stop and let Shahid talk about how we take these assets, that I've talked, about to market and even get additional opportunities from those.

Shahid Malik *- PSEG Inc. - President - Energy Resources & Trade*

Thank you, Bill. Good morning, everyone. I'd like to add my very warm welcome to you and thank you for joining us today and thank you for sticking around for my piece.

So, I wanted to share our view of the world today and describe some of the key areas that we focus on to add value and to manage our risk as we go to market. A year ago, I talked about some of the forces that are reshaping our industry and our business. And those forces, as you know, continue to shape and change our industry. Change is good, as Bill talked about, we've coped pretty well, considering all that has occurred over the last year. And as you know, power's earnings last year were lower than in 2011, due primarily to much lower commodity prices, so started their descent three years ago.

However, as I was outside in the hallway talking to our Controller, Derek Di Risio, earlier on, he reminded me that 2012 did actually start with some pretty good news. The Giants did win the Super Bowl and Linsanity became a cool new word for us in this region. But of course, the rest of the year was more challenging. Despite that, we've persevered and ended up having a pretty good year financially, with earnings in line with our expectations, and as Bill said, we recovered pretty well from the storm.

So I'm going to spend the next 30 minutes describing how we've dealt with all these events in the past year, and more importantly, how we're repositioning ourselves for the future.

PSEG's wholesale strategy, in a volatile commodity market, it's pretty simple. We optimize the value of fleet. We provide an outstanding service to our customers and we prudently manage our risk.

So I'm going to split the talk into three sections. First, I'd like to describe how we've managed our portfolio of power and gas assets in this market. I'll talk about how we managed risks and create additional upside for our company with our trading group. And I'll also give you a flavor of what we expect to see happening in the marketplace, and what some folks in the industry are saying about future trends.

And thirdly, I'd like to touch on the regulatory scene and what the key issues are that we're working on here at PSEG in the wholesale business.

So our wholesale strategy is built around a strong asset portfolio. And so what do I mean by having diversified and flexible assets? Bill described how we're becoming top quartile in running our generation fleet, and our commercial group adds significantly to that by aggressively managing its dispatch in each of the three [ISOs] that we operate in.

And a key value driver here, that we've actually improved on over the past 24 months, is our ability to switch between coal, oil and gas at many of our plants, whenever the economic dictates. By trading around the switching optionality, we increase not just the run times at our plants, but we also add income to our bottom line by using that optionality.

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So, how do we manage risks and create value? So those of you on the Wall Street, don't like companies like ours to trade speculatively, and we don't. What we do, do though is to trade to optimize our portfolio. We're cautious in how we do it, we have a robust system of control, we have an experienced trading team and a well defined hedging strategy that I'll talk about in just a minute.

But a goal that's equally important to us in managing risks is to create value by monetizing the option value of our fleet and of our positions. We do that by selling out of the money costs, by being long in the volatility, by buying fuel and storing it when it's cheap, by making a judgment call on which products and when to hedge. And I also talk a little bit more about that in just a second.

Now, as Ralph and Bill mentioned, we try not to outguess the overall market direction. We know that we're not smart enough to do that. But we definitely do have a point of view on the price of all the commodities that we trade, on power, on oil, on coal, on gas, on ancillary services, solar x, on capacity. You name it, we have a point of view. And each of our buy sell decisions is influenced by our opinion on the marketplace and we actively manage our short term portfolio according to that market view.

And the third platform on here is regulatory advocacy. This is about getting the rules right, the rules that promote a competitive wholesale market. Somebody asked me once what keeps me awake at night, to which I replied, I sleep pretty well, but my biggest nightmare would be a regulatory decision that completely changes the landscape overnight. And we try very, very hard, as Bill described, to have a seat at the table when the regulators are making decisions that affect our business. So, I'll talk about some of the key issues that's impacting us right now and how we're positioning ourselves on the regulatory front as well.

So, I'm going to quickly walk you through our assets, Bill talked about them, but they bring us great diversity from a geographic, fuel type and also an economic dispatch wise basis.

First, as Bill mentioned, our nuclear has performed exceptionally well, with an over 90% capacity factor last year. Now knowing that they're there gives us tremendous confidence to sell against them. Having them all the time being available, gives us that confidence. And with their location in Southern New Jersey also gives us an opportunity to arbitrage that basis south into the growth pockets of Washington, DC and also into the giant load pocket that is New York City.

Second, our share of two coal plants in Western Pennsylvania run on cheap, local Appalachian coal and give us access to sales and marketing opportunities in Western PJM, such as in FirstEnergy's territory. These shared stations are well run and Conemaugh being upgraded with an SCR, as Bill described, and both Keystone and Conemaugh will have full environmental controls by the end of next year.

Thirdly, our combined cycle fleet, which happens to be one of the largest in the Northeast has replaced a lot of the margin from our coal plants in New Jersey, they just don't run as much anymore. Furthermore, we've invested and fine tuned units, so that they run more often. And also, we're able to capture more ancillary service revenue as a result of that.

Fourthly, we have 1,200 megawatts of dual fuel, coal or gas fired generation, as well peaking units. They're predominantly in the eastern part of PJM and close to New York. So, they can take advantage of the gas and power volatility, which, by the way, has been exceptionally strong, as I think you've noticed this winter.

And last but not least, we have a very experienced group of employees that manage the commercial bidding, fuel management logistics, and the trading. And one of the things I've been really impressed with is the close communications between our operating plant management and our commercial management. Actually, we have shared goals and our common objective is to operate safely and to maximize value. And I think that working relationship, frankly, is as good as any that I've seen in the industry.

So, as the market has evolved, so has the capability of our fossil plants and the management of them. And moving anti clockwise from the top left chart and I'll give you four examples. Bill described what we do, so I won't dwell on it too much, but as this started running more, we raise the heat rate performance, the additional tune ups, better management practices and as a result, we've seen an increase in our performance by over 3%. And work is ongoing on the other combined cycles as well. And this has been very valuable as our units are now running at record rates of throughput, with almost a 60% capacity factor last year.

Secondly, in our three coal plants, we're trying to balance the need for proactive maintenance with the knowledge that they're just not generating the same kind of revenue that they were before. So, as a result, our generation team has dramatically lowered O&M by making better choices with our maintenance dollars and by replacing fixed overhead with variable cost. Primarily, by utilizing our fixed labor much more effectively.

Also, at our coal plant in New England, we change our work practices there to improve its start up success rate, and this has been especially helpful to us this winter to meet the high electricity demand that we've experienced over the last couple of months.

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Thirdly, as a result of being at the table, the bottom right chart, will show you that the ancillary services market -- we had a really good idea what the new rules would be for the ancillary services market in PJM. Particularly, in the area of regulation market. Bill described that we've actively made investments to the government in our combined cycle fleet to improve their ability to provide AR service to PJM. And as a result, we've raised their rate by 25 megawatts per unit at Linden and by 10 megawatts per unit at Bergen. And that's allowed us to increase our share of the AR market in PJM.

I won't tell you how much money we made, but I will tell you that our margin from AR service in 2012 was very meaningful, as a result of being proactive, with understanding the new market, working with the regulators -- the regulatory authorities at PJM and also upgrading our units and making those investments.

Lastly, on the trading desk, we're acutely aware of changes in commodity prices and the relative economics of our plants. As, a result, our plant managers have responded and they have changed the way in which they prepare the plants at night, so they can switch fuels and restart quicker than ever before. So, whether it's switching to more economic fuel, cycling the units at night, so we don't lose our rights in a dispatch stack or by taking a chance in self scheduling our units, we're changing the way in which we dispatch the fleet, which has all helped our bottom line.

So, how has the market evolved over the last 12 months? One crucial area, of course, has been in the economics of the industry's coal plants. In 2012, we continued to see the sparks spread outperformed the dark spread. Now, although the gap did narrow at the end of the year as gas prices rose with the onset of real winter demand. That dark spread is the key indicator, as you know, profitability. And there are many coal fleets out there that are struggling to make enough money in today's price environment.

The chart on the left shows us the three year relationship between the dark spread, essentially the economics burning coal for electricity, represented by the orange line, versus the spark spread, or burning gas for electricity, which is represented by the blue line. And as you know, gas prices fell much faster than coal prices last year, causing merchant plants to become uneconomic relative to gas plants, you saw widening in that spread during the year, and a little narrowing as we got toward the end of the year as gas prices rose.

Now, those lines, by the way, represent PSEG's delivered costs last year, that's why the dark spread shows as being negative, because it includes all of our costs, including our VOM cost.

Now, the chart on the right will show you how PSEG has responded to this change in relative economics. The shaded area reflects the average minimum and maximum gas burns for the last seven years for our fleet. The blue lines denotes where our actual gas burn was for 2012 only. And as you can see, it was as high as it's ever been in our history. Our burns did taper off post Sandy, as our Linden unit was temporarily taken out by the storm. But in general, our combined cycles are running well.

Now, although our combined cycles don't produce as much electricity or as much margin as our previously base loaded coal plants, we love the flexibility of the combined cycles and we love their ramping capability. Now, furthermore, we're advantaged by the different ancillary service markets that we can penetrate as a result of them, and we also use our gas requirement as a short position to manage our fleet around.

So, the market clearly has changed for coal, but what about for other commodities? So, in general, we don't forecast prices. There are plenty of first class companies that do just that for a living. What we do, do though, of course, is we do our own analysis, we have our own forecasts, we have our own models. And as a result, we're simply not just price takers for all our business.

Our base load energy is hedged on a consistent monthly basis, as long as it's profitable. But our remaining fleet, our gas position, our ancillary services, our load following business depends on us having a point of view and acting on that point of view. And, I'm sure, you've seen leading consultants forecast of full energy prices. On the gas side, this forecasts, you'll see a range of gas prices that are mostly higher than the forward curve, based on higher demand, higher production economics for natural gas, and eventually exports of LNG.

On the power side, similarly, they're seeing power prices above the forward curve. Even our friends at Morgan Stanley, I read Stephen Byrd's article a couple of weeks back, which mentioned that he felt that prices were undervalued by between $4 to $7 per megawatt hour.

We're not going to make those predictions, we will work within the forward curve. But such scenarios, of course, would help our nuclear fleet's profitability, much more so than any potential squeeze in the spark spread if gas prices rise.

And by the way, every $1 rise in the gas price, with all other things being equal, does raise our profitability by between $0.03 to $0.06 per share in 2014, as I think Caroline mentioned on the earnings call.

So, to sum it up, we transact around and within the forward curve. We do have a point of view in the market for our unhedged fleet, and as a result, we are ready to manage the portfolio for the downside, as we'll leverage it when required to the upside.

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So, turning now to how we protect our company from risk and create value at the same time. We receive a ton of questions from the analyst community about the BGS sale and how significant is it to our profitability and to our hedging practice. Let me say upfront, that we like BGS sales at the right price, but we're not wedded to it at any price.

Now, in general, we like BGS for four reasons. Firstly, the load obligation is well correlated to our units output. Secondly, it does provide us an opportunity to hedge some forward basis exposure. The sure positioning can be dynamically managed as part of our overall portfolio and we do that. And lastly, we can use it to lean long or short, depending on our short term market view.

Now, as I think you know, that every year we sell additional amount into this forward three year option. Last month, we took part, again, in the annual procurement by the New Jersey Utilities. The most interesting thing to note from this slide is that the first -- for the first time since 2009, prices did start to edge up, reflecting higher energy prices slightly, but more importantly higher transmission, higher capacity and higher renewables prices. It would appear that BGS prices have bottomed now.

New Jersey law prevents me from sharing with you the volumes we saw, but I can tell you that we are satisfied with the results. Having said that, we were fully prepared not to win anything at unacceptable margins.

Lastly, while there continues to be positive headroom here for third party of retailers, it is shrinking now into single digits and we expect that trend to continue. At some point, depending on headroom, we expect migration to decelerate or even stop.

And some of you have asked us as well, how have our BGS importance -- has the relative importance of it changed over the year, and these three pie charts try to show you what that percentages now look like. So, as you can see, five years ago in 2008, BGS sales made up about half of our hedged quantities. They fell modestly to 44% in 2010 and last year accounted for 35%. This was not necessarily a bad thing for us, frankly, as the financial value of BGS has dropped.

Without question though, BGS continues to be useful sales for us to make and it does help us lock in that basis risk and sell forward for up to three years. But in the market, if the absolute price should rise, we're not being overly aggressive on BGS sales, in fact, we've been supplementing BGS sales with shorter duration, full requirement sales in other markets, which are also very well correlated to our assets.

One other thing that we're doing, we are selling more into the retail market indirectly through the retailers and capturing some from that retail rent, what our competitors talk about all the time. We have no plans to directly enter the retail electric or gas market as salesmen.

Going to switch gears and talk about hedging. We fine tuned our hedging strategy this year with a more consistent monthly hedging program. Whereby, which we to lock up about two thirds of our base load plants output for the next three years. In numbers, that's about two thirds of 4,400 megawatts per hour for three years. By the way, this table only reflects energy hedges, but of course, PJM's capacity market does allow us to forward hedge up to three years in capacity as well, which is a very important part of our hedging activity.

Let me make a couple of additional points on our hedging strategy. First, we focus on capturing value and in protecting the gross margin long term. We do not hedge at a loss and we will fine tune our hedging, depending on relative economics. For example, for much of the last year, we did not sell off peak power in PJM until the price got to a level that we were comfortable with. When prices eventually reached our target, we sold into it and we rebalanced in our portfolio.

Dan Eggers and his team at Credit Suisse wrote a really interesting article last year on the impact of blindly hedging. My words, not his, where companies are hedging, come what may, driven by cash flow and debt coverage needs, rather than by profitability. He also spoke about the impact of retail companies, whose forward buying, insures that prices remain depressed for some of those companies with in house retail businesses.

Dan, I found this a very thoughtful piece and I hope that you circulate it to all of our competitors, with some remedial homework on their part. And, by the way, when I read this, this is a great title, Adventures in Power Market Expectations, sounds like a romance novel, I was very excited when I read it.

But joking aside, we're also have a trading activity that we call dynamic hedging. This is where we manage our closed hedge positions for operational reasons. In addition, we actively manage our open positions dependent on our view of the short term marketplace. We create many tens of millions of dollars in value here by monetizing the option value of our fleet.

So, in summary, we have a solid risk management practice, that in a consistent, monthly manner, attempts to lock up two thirds of our base load energy margin for three years. This is supplemented with short term, profitable trading tactics that adjust our positions based on operational and price opportunities.

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Moving on now, I'd like to talk a little bit about locational value. When we talk about the locational value of our assets, we're referring to some of that value as being the positive basis that's inherent in our location. Basis reflects the premium that our assets receive relative to the PJM West price, where most companies in this region place the financial hedges. Forward basis, by the way, through 2015, is currently trading in a $2 to $4 per megawatt hour range.

On the right hand side, you can see that our assets are located on the eastern edge of PJM, right next to the giant load pocket, that is New York City.

On the left hand side, you can see our monthly basis, relative to the PJM West hub, has varied. As you can see, it's very volatile. And as Bill alluded to, it was very negative last spring and it's also been very positive this past winter. Our assets and our open position are generally able to take advantage of that positive volatility, which we do on a regular basis. No pun intended, sorry.

Basis is impacted by the absolute level of prices, by the amount of load in the region, by the way, in which units are dispatched according to relative fuel economics and crucially, by the amount of electric and gas transmission capability into our region. As you know, each of these elements have changed over the past few years, sometimes quite dramatically, and we also expect changes heading into the future. For example, PSE&G, and others, have been building both electric and gas transmission into the eastern PJM region.

As a result, we expect that forward basis will continue to be pressured. However, basis will remain very volatile in prompt periods driven by other factors such as weather, operation energies, and some of the other things I mentioned, which has relative fuel economics.

In addition to locational advantage from electric basis, we also have locational advantage on the gas side. Particularly, at the top of that green region, that's an area that we affectionately call, PS North. This is a very constrained and a congestive region. Here, we can switch between coal, oil and gas at our units, from base load to intermediate to peaking. And our company derives great value from this flexibility. Both from the electric as well as actually on the fuel side.

And so, talking of fuel, we have a very strong natural gas position in the Northeast. In fact, PSEG, as I said before, has one of the largest gas transportation storage and procurement operations in the country. In 2012, we bought over 350 Bcf of gas, over one Bcf a day for our power generation as oils for our New Jersey customers. Being short in a market that's flooded with cheap Marcellus gas really gives us great leverage when we go to buy gas and also gives us great insight into the market.

As a result of all that, we're able to add significant value by purchasing gas below the market indices. Again, in 2012, we are very proud that the service we give our customers allows them to have the lowest consumer gas price in the state of New Jersey.

Now, this winter, as you know, we've seen enormous volatility in the gas price due to extreme weather conditions in the Northeast and very strong New England markets that have pulled up electric prices in the New York and PJM service. Despite this, we've maintained gas supply to our customers for heating and we've been able to buy additional gas for power plants to sell in to these high electric prices and capture value.

So, you can see that when it talk about locational advantage, we don't just mean having a terrific electric position in a world class [R tier], but we also have a terrific gas position right next a world class gas field, the Marcellus. Now, put another way, we're long electricity in a short market, and we're short gas in a long market. That's a nice position to have.

Another leg in our hedging strategy is the capacity market, which is present in all of the three markets that we operate in actually in PJM, New York and also in New England. Now, we believe that the capacity concert in PJM is pretty good, actually. Here we earn substantial revenues and we actively manage our plant investments in order to earn an acceptable return on our assets.

We're not just a price taker, we're involved in all stages of the process. We have a seat at the table when rules are being debated. We asses load growth, we'll analyze plant retirements and new builds. And we'll make investments in our plant when justified, so they can continue to clear the market, and then, of course, replace our bids.

As you know, the PJM capacity market continues to evolve and we've received updated parameters in February for the upcoming 2016, 2017 auction, which for PSEG, we believe, was fairly constructive.

In addition, as you know, there are several key issues being debated and litigated right now that we hope will eventually improve clarity around the PJM capacity markets. First, we are hopeful for a positive settlement in the Maryland and New Jersey court cases surrounding the outer market circuit contracts. And we expect a ruling on that this summer. The court cases start in the month of March.

Second, we do expect that FERC will allow PJM to adopt a robust and [mobile] construct in order to prevent future rigging of the capacity market. Although there is a good chance that won't come into force until the subsequent auction in 2014.

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Third, we believe that demand response will eventually be prevented from financially gaining the capacity market, maybe not in this auction, but certainly, in subsequent ones.

And fourth, and most important, we predict that some of the coal plants that had been hanging on for their life, will start shutting down post 2016 and tighten the supply demand balance, leading to more stable capacity prices.

So, when we think about retirement, not mine, which is still quite a few years away, happily. I wanted to show this chart from PJM on the left. PJM has received the activation notices from -- for nearly 13 gigawatts of capacity, shutting down by 2016 as environmental rules kick in. An additional four gigawatts has been announced by their plant owners. And this week, AEP actually announced another two gigawatts of retirement. We and others predict that the final number would be over 20 gigawatts, we're up to 19 right now. Driven actually more by economics of negative cash flow for coal plants and not just negative MPVs of environmental investment.

And that right hand chart from PJM, predicts the reserve margins fall into 18% within three years. These are their numbers, not ours. Despite weak load growth. We think that reserve margin might even go lower, due to some of those economic retirements I just mentioned. And as you know, often replacement generation that's promised often comes in slower than predicted.

I would also like to mention here that the forecast reserve margin for the Midwest ISO, right next door to PJM, is also headed downward. With 11 gigawatts of net retirements by 2016, which will lead to a 14.2% reserve margins by 2016 for the Midwest ISO. All that will set up the market for stable capacity pricing with potential strength in some LDA's leading to additional generation of investment towards the end of the decade, and the market will work. And in any event PSEG has a strong asset base that will participate in all future RPM options and will again be positioned with new generation available to the market, if prices warrant the investments.

So last, but not least, I do want to touch on some of the regulatory changes in our market and what we're doing to protect and defend those deregulated markets. The most important point is that, as a respected and strong player in the market, we have a seat at the table when decisions involve those deregulated markets. We are in favor of constructive market regulation and change. And we believe that as markets evolve, the regulation should also evolve to keep in step.

We proactively express our views, we share our data and we share our analysis. And then we promote positions that benefit the competitive market as a whole.

Now, as you know, although we operate in competitive markets, we are still very much under the purview of numerous government agencies and regulators. And on this slide, I have listed a few of the things that we're working on that are important to us.

Now regulators in our industry are doing whatever they can to make electricity cheaper, cleaner and more reliable. That's a direct quote from Connecticut's master energy plan that came out last month. Of course, they're aware that companies need to earn a reasonable rate of return on investment and not just enough to cover operating costs, which would be a sure path to value destruction.

And I've touched, and Bill has touched on some of these regulatory issues before, as has Ralph. But I would like to highlight three areas that we think we'll see meaningful movement and impact this year. First, capacity markets are gaining ground. It provides great support and credence to formalized capacity markets when the Texas and California ISOs are considering moving to a capacity market construct, just like in PJM.

Second, environmental issues will probably take a higher priority, we believe, now that President Obama's government has been reelected. As Bill described, we believe our fleet is very well positioned and will continue to promote reasonable positions to advocate for a cleaner environment.

And third, gas to electric coordination must improve as the events in New England this winter are bearing out. Last week, the New York Times had a front page article that highlighted the fragile nature of gas infrastructure up there. The solution to our minds is not a one size fits all approach, but an approach that meshes well with the requirements of a particular region or a particular ISO.

So, for example, we don't agree that generators must sign up for long term firm pipeline capacity for the less than 1% of time that gas is not available. Fuel diversity is an important part of the solution here and should be considered first. And as Jay Apt, from the Carnegie Mellon University said in that article, and I'll quote it, it's certainly true that a region like New England, that relies on a single fuel source, like natural gas for the bulk of its power does leave itself open for more disruptions than a region with more diverse fuel mixes. It's not a knock against natural gas, it's a knock against a single fuel source. Very well put.

So, with that, I'd like to wrap up now with some closing comments. As I hope Bill and I have been able to demonstrate, PSEG has a very strong, well performing power and gas assets and very constructive markets, particularly in PJM. We're very active in the wholesale markets in order to optimize the value of our fleet, which still have and we still predict will have, a strong locational advantage.

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We're not just price takers. We absolutely do have a view on the market direction as to when we hedge our non base load fleet and when to extract the option value of our assets. We are comforted by the opinion of industry consultants who think prices might be higher in the future, but we're not counting on them. We're counting on our own abilities and our own assets to grow our earnings.

We expect that BGS will continue to be a significant part of our future, but we will not be as dependent on it as we have been in the past. We think that forward electric and gas bases will decline, but prompt volatility at certain times of the year will allow us to extract tremendous financial value.

And finally, we know that the markets are evolving and we are participating in those changes, whether it's developing new products, investing in new equipment or advocating for competitive markets.

So with that, I want to thank you very much for your attention. That concludes my formal remarks, and I believe that Bill and I are ready now to take your questions. I'll turn the podium over to Kathleen to be our moderator

QUESTION AND ANSWER

Unidentified Audience Member

Thank you. So, perhaps going back to the earlier part of the discussion, on Fukushima impact, if we could just talk for a second about filtered vent expectations and what that might potentially cost you as well as timing expectations from here?

William Levis *- PSEG Power - President, COO*

I'm very hesitant to say what it might cost, because it's not clear what the rules might be. Okay? For example, I would argue that I have a filtered vent right now, so I could make an argument for a zero cost.

However, if there's something additional required that might meet some set of standards, then I just don't want to speculate where that could go, which is why I think rule making is the most prudent course of action here, so we can get some good discussion from all stakeholders involved. I think that's the course of action that will occur here and I think that'll occur over the course of years and not months.

Unidentified Audience Member

Great. And then, secondly, on the HEDD units, quickly. You talked about some latitude about insurance proceeds, et cetera as you think about making a decision on the state of some of those units, how could that impact your capital spending and also, specifically, your earnings in this period between 2013 and 2015, either positively or negatively?

William Levis *- PSEG Power - President, COO*

I would -- obviously, any investments -- we make -- we'll make sure we meet the threshold and hurdles we have in place for those. In that period of time that you refer to, where there could be some positive impact on earnings, if we took some of that insurance proceeds and used it to operate our unit. We think we could do that in that period of time. Other than that, most of those scenarios are outside of the planning period.

Unidentified Audience Member

Thank you, I have a question about your HEDD peakers. You made a statement that many of them didn't clear the last auction. So, what do you plan to do with those assets? And also, should we expect that you're going to be actually bidding in either expansion of those assets or upgrades of those assets in the upcoming auction? And also, could you give us a sense how big of an EPS impact or, roughly, you got in 2012 from your coal plant in New England and how this looks so far this year?

William Levis *- PSEG Power - President, COO*

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Let's see if I can get all those questions here in a second. I'll probably need to be reminded because I'll probably skip one. Relative to our high electric demand day units, I would say we expect that those units will retire in the 2015, '16 time period. That's the requirement of the state currently, and obviously, we have every intent on meeting that.

What we will do in its place, it depends on a wide variety of factors. Some of it, I know, depends on insurance proceeds. Other things depend on what does the capacity auction and market look like and what are the rules going forward there. And that's why we'll continue to monitor our efforts underway and make sure we play an active role to get a level playing field for all entrants. And I'm sure that answer your question on HEDD?

Now, there was a question about our coal plant in Connecticut, I'm not sure. If you could repeat that for me, please?

Unidentified Audience Member

I was basically trying to figure out the -- we saw this major spike in New England power prices on the back of some natural gas constraints and you have must have run your coal plant much more -- we've seen pretty strong results from PSE&G Power in 2012. The guidance for 2013 is also relatively strong, and I'm trying figure out how big of a -- how big of an impact the coal plant in New England is playing in those numbers?

William Levis ***- PSEG Power - President, COO***

I'm sorry, that impact from last year or the impact going forward?

Unidentified Audience Member

Both.

William Levis ***- PSEG Power - President, COO***

When we look at the coal plant, we don't just look at the coal plant, we actually look it as a fleet of plants. So, when we report on a particular area, we don't say whether this one plant is profitable or not. We say, is New England profitable? And I would say, we're not going to stay in a business that's not profitable.

And so, we're in that business and doing everything we can to make sure that it is profitable for us going forward, recognizing that there'll be ups and downs in the market. What I didn't say when I talked about Bridgeport Harbor before is, we've looked at O&M costs there. We look at staffing levels there and we made some adjustments. And if you look at how we operate those plants, we operate New England as a virtual plant. New Haven and Bridgeport Harbor are not that far from each other.

But essentially, we have one management team that operates both of those sites, and including the new peakers that were put in. And we had recognized some of the challenges that might exist in New England. Remember, New England hasn't had a summer or winter in years. This reliance on any one fuel source, we don't think is a good thing. And so, we believe that this plant will -- be very, very profitable when those conditions exist. We saw some of that the last couple of months. So, we don't bet on any one fuel source. Like I said, we do practice all of the above. And I think it played out for us in New England within the last couple of months.

Unidentified Audience Member

Hi, thanks. I just have a couple of questions. First of all, I notice you didn't talk much about your coal hedging strategy in the deck. How much flexibility do you have under your contracts now? And how does that impact your bidding strategies? Is there still a lot of take or pay obligations and how far out do they go? You said that this year, one third and two thirds of Hudson and Mercer were running on coal. I was just wondering why, with gas in the twos to threes, they would be dispatching on coal. You can answer that first.

Shahid Malik ***- PSEG Inc. - President - Energy Resources & Trade***

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So, thanks for the question on coal. Firstly, we do have contracts on coal that basically ran out at the end of 2012. We have committed to extend them for a little bit further to insure that we met the full contractual obligation of that load -- of that amount that we've signed up for. Since we weren't be able to fulfill the full amount of it in 2012. But the amounts are relatively small and we haven't seen the need to go out and contract for any more, since we have enough on our coal pile right now.

So, does that answer your question? We have a lot of flexibility, basically. We have small commitments, well within the range of reasonable, and well within the range of being able to put them on our sites.

Unidentified Audience Member

Sorry, Shahid, so running those units on coal, you're allowed to sort of bake in to your bid price some contract breakage cost or something that would allow you to bid --

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Shahid Malik ***- PSEG Inc. - President - Energy Resources & Trade***

The way that we bid our fuel into the PJM market is basically on a replacement cost basis. So, we make the decision as to whether we want to bid it at that price and we compare it, on an economic standpoint with the other fuels, whether it's oil -- whether it's oil or gas, and we will make that decision.

Now, the other thing that we will decide to do is, it may be better for us to burn the coal rather than take the penalty hit from not meeting our contractual obligations. So, you saw some of that in 2012 when we decided that it's better for us to burn the coal and lose less money than if we had taken a contract hit to our coal suppliers. But in general, I would tell you that when we look -- in general, we run coal when it's in the money and most of the time it was running last year it was in the money.

Unidentified Audience Member

Okay, thanks. And then, on the HEDD stuff, I noticed, beginning of this year, you filed deactivation request in PJM for about a gigawatt of capacity. I think that was at Essex and Edison. First question is, were those deactivation requests factored into PJM's parameters that they released on February 1st?

Shahid Malik ***- PSEG Inc. - President - Energy Resources & Trade***

Yes, yes, they were, 1,700 megawatts.

Unidentified Audience Member

1,700.

Shahid Malik ***- PSEG Inc. - President - Energy Resources & Trade***

For all our HEDD units.

Unidentified Audience Member

I was talking about the new deactivation --.

Shahid Malik ***- PSEG Inc. - President - Energy Resources & Trade***

Okay.

Unidentified Audience Member

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-- and then, the second question, how much did those units run last year? And is there going to be a significant reliability issue when all of that comes offline in 2015?

Shahid Malik *- PSEG Inc. - President - Energy Resources & Trade*

They ran very little last year, less than 1%. So, we don't expect there to be a reliability issue as a result of those units not being there. We have other assets close by that can handle the load from those assets.

Unidentified Audience Member

Okay, and then one last one. You mentioned, as part of your hedging strategy, you're seeing more opportunities to sell to competitive retailers. How does that work? I mean is that full requirements for those guys? And are they short load and they're coming to you, or you going to them?

Shahid Malik *- PSEG Inc. - President - Energy Resources & Trade*

Yes, that's a good the question. Firstly, do we go to them, or do they come to us? It's both. So, they come to us, we're a natural supplier to cover full requirements loads in eastern PJM by virtue of our assets. So, they see us as a natural seller and we see them as a potential natural outlet.

Then, in terms of which pieces of the loads do they want us to cover, typically they are more interested in us covering the peaky aspects of it and the capacity and the green, as opposed to base load energy price, which they can buy by hedging at PJM West. So, generally, they're looking for the hard to get stuff, and of course we charge them a premium for that.

Unidentified Audience Member

Okay. Thank you very much.

Shahid Malik *- PSEG Inc. - President - Energy Resources & Trade*

Sure, Thank you. Michael has a question.

Unidentified Audience Member

Yes, just a big picture question about the broader PJM market. We're seeing development occur, meaning people build combined cycles, outside of the plants that receive the LCAPP or the Maryland contracts. Meaning, I can think of one or two already that are permitted and financed. I can name one or two more that are actively seeking permits and starting at the very ground stages of seeking financing. What's your company's view about whether new build of combined cycle, especially in the eastern portions of PJM, Eastern Pennsylvania and New Jersey, et cetera whether that's economic?

William Levis *- PSEG Power - President, COO*

Well, we have a chance every year to bid in the RPM auction and we get the opportunity to ask ourselves that question. And what I will tell you is, we exercise discipline in that process and we're not going to build unless it's economic. And we'll control the things that we can control. Developers develop and so that might give them a different view on -- and a set of assumptions on the prospects for new build.

So, there's no perfect marketplace. There may be a lack of discipline by others and we're going to make sure we stay disciplined. And for those who are undisciplined, frankly, that creates an opportunity for us later. Economics rule and if they're doing -- making the right decisions, that's something we can pick up later.

PRESENTATION

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Kathleen Lally *- PSEG Inc. - VP - IR*

I'm going to ask that we hold any other questions for Bill and Shahid until the conclusion. And we're going to turn now to Caroline Dorsa to give you a financial overview of the operations.

Caroline Dorsa *- PSEG Inc. - CFO*

Good morning, everyone. I have the numbers to go through, I feel like my job is easy following my colleagues with such a strong operational story to tell, whether it's the Sandy related results or the ongoing operations of the business. They are really what allows the numbers to be what I hope you will appreciate when I show you are very, very strong. It comes from the ability of the plants and all the people in power and the utility to make these numbers work.

So, let me just do a brief reminder of our strong financial position, what we come into this opportunity for us an incremental investment with, then I'll do a brief review of 2012 and '13 guidance and then, do a little bit of a build going forward.

So, you've heard some nice comments about capital investment opportunities, I want to show you what that means for rate base, for potential for earnings, and also the work that we continue to do on O&M control, take that out a few years as well, and then show you what it all means when it all wraps together.

So, I'll start with a little bit about our financial position as we get started. So, as you know, we achieved our earnings guidance for 2012. We have a stable dividend, grown again this year, with opportunity for continued dividend growth, as you know, based on the earnings at the utility and the cash flow generation at power.

We have a strong balance sheet, which we've talked about for a long time and we'll show you some more statistics about that. That gives us the terrific platform to do the things that we've identified as potential opportunities, while continuing to not put anything like financial risk with the operational investments that we have. That regulated growth opportunity, therefore, can be achieved without equity issuance. I think Ralph said that twice, I'm probably going to say it four times before I'm done.

And importantly, because we're showing a base level of investment, but we're also showing a potential upside level of investment, that statement is true anywhere along that spectrum and I'll show you the outside bounds of that as we go.

On solid credit ratings, which are very important to us and we had every intention of keeping well controlled O&M, which I think you've seen from both Ralph and Bill, we've demonstrated and also intend to keep. As well as a well funded pension, something that has been a focus for many in our industry for the last few years and I think we're in a good position there as well, and I'll show you a little bit of that at the end.

What isn't on this sheet, but is just as important, is everything that I'll show you relative to thinking about the future, thinking about the credit metrics, the balance sheet. All of that assumes nothing other than the forward curve in all of our financial forecasts and projections. As Shahid said, we have a ratable hedging program, we don't take long term market views against the market, and so everything I'm showing here assumes nothing about anything other than a forward curve that you can read on your own screens as well.

So, in terms of guidance. Our 2013 guidance is, in fact, the same range as 2012, $2.25 to $2.50, but you can see something different, as I'm sure you all know, when looking at our numbers relative to what we've talked about for the last few years, and that is the changing position between PSE&G and PEG Power relative to their contribution to our earnings.

So, with our current guidance in 2013, you now see the utility being about 50% of our earnings, and you can see using last year's actual numbers against either side of the utilities, $580 million to $635 million, a double digit operating earnings growth opportunity in our guidance. So, strong utility earnings growth, opportunity. Obviously, power coming down for reasons that you know, related to pricing, but also a changing picture in terms of the position of PSE&G.

And of course, because we just filed our new programs, it goes without saying, that there's nothing material assumed in any of these numbers relative to utility and new programs, because those new programs have obviously just been filed.

So, this picture I don't need to spend a whole lot of time on, as you well know. And as Ralph alluded to, that changing picture has occurred over the last few years, for two reasons, obviously, the growth in the utility as our investment programs, transmission, as well as the infrastructure programs, have borne fruit. And, of course, the changing mix is in part -- a large part also driven by power and the pricing effects that have happened at power.

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But what has continued throughout this period, and I think really does make a difference when you think about where we landed in '12 and how we think about going forward, is the cash position. The significant sources of cash that we have that enables us to have that strong balance sheet and execute.

So, this picture in the traditional way that we've shown it to you, is our 2012 sources and uses. We did have significantly, again, cash from operations in both of our businesses, were very significant contributors. Power continued to deliver the highest amount of cash from operations. You take the PSE&G cash and take off securitization, as we always do. So, power did contribute the larger share of cash from operations, but the utility is becoming a significant cash flow generator.

In terms of the debt issuance for the year, that's a net debt issuance for PSE&G that, in fact, reflects net debt reduction at power, as you probably saw from looking at the 10K, offset by incremental issuance at PSE&G. So, that picture is right along with our spend profile as PSE&G has grown, it issued debt consistent with its capital structure. Power, once again, because of its strong cash flow position, had the opportunity to reduce its debt and improve its credit ratios.

Of course, on the usage side, the PSE&G capital investment, obviously, very significant, as you know, almost $2 billion. Power's capital investments, relatively modest, as we've been talking about all along. And as I go forward and talk about future investments will split out between growth and maintenance, but I think the key thing to keep in mind here is you got two businesses, both delivering significant cash and the growth investments are dominating where that cash is going.

We did end the year, by the way, with almost $400 million in cash. The cash I show here on the left bar is actually the net cash applied toward investment, but there was still net cash on hand at the end of the year.

And many of you are also always interested in how does this cash flow picture become affected by bonus depreciation, because that's been something we've talked about for a number of years. Actually, in 2012, if you look at bonus depreciation on a net basis -- and I think that's a good way to think about it now that we have bonus depreciation for a number of years, and what I mean by net is, the gross amount of bonus depreciation, net of the amount that you have from bonus depreciation effectively reversing, right? You get it early, that means you don't get it later.

So, if you look at the net amount of bonus depreciation that's embedded in these numbers, it's about $200 million because remember, in prior periods, we got very significant amounts of gross bonus depreciation, about $750 million last year, and so you start to see that net reversal. But it's still a positive contributor to our cash flow in 2012.

Actually, in this current 2012 picture, a little more for power than the utility because, you may recall, as Bill said, we had peakers come online and things like that. So, a good contributor, but not something that was critical to helping us have significantly strong cash flow generation in both of our businesses. So, I think a nice picture in terms of how it sets us up for going into the future.

So this next slide, it's a picture that sort of lays out on a year by year, three year basis, 2013 to 2015, our base approved program capital spend and so, of course, approved program is really referring to the utility and then the power and other spend at the bottom on the orange. But then, looking at how big that spend might be if all of our programs are approved, just during this three year period, '13, '14 and '15.

And so, if I just draw your attention to the total, you can see $6 billion in total spend is our forecast from approved programs, on a base level, if you will, for '13, '14, '15 in the aggregate, of which PSE&G's growth spend is $4 billion.

So, $4 billion is consistent with the numbers we have given you before, in terms of the base programs just carried out for an additional year. There's about $900 million in PSE&G maintenance, and about $1.1 billion in other. So, rounded, about $6 billion.

But there is more opportunity, based on the things that Ralph told you from the hardening programs, as well as the incremental transmission investments. And you can see that, that could be as big as a total capital spend over that three year -- same three year period, '13, '14, and '15, of as much as $7.6 billion with the potential for $400 million more being from the energy master plan programs, $200 million from transmission, and as much as $1 billion from the incremental distribution programs.

So, if you put that together, all of that increment is PSE&G growth. So, the total spend could be as much as $7.6 billion with PSE&G growth being as much as $5.6 billion, and out of that, transmission is about $3.6 billion. So, there's a lot of investment opportunity, based on things that we think really are good for our customers, based on their experience recently with Sandy, and of course, that base level of reliability based transmission baked in these numbers were already of $3.4 billion. So, a lot of opportunity, I think, for growth, based on the things that Ralph earlier outlined.

So, as Ralph likes to always say, how about the checkbook? So, here's effectively the checkbook. If you look at these pictures, they're the normal sources and uses pictures that we've looked at before going forward, and as I've said before, I usually like graphs with the Y axis, but this one doesn't, that's kind of on purpose, but I think you'll get the idea. The left set of bars are sources and uses based on the approved programs.

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So, the left set of bars are based on the numbers that I just mentioned on the left side of the last chart at the $6 billion. You can see PSE&G's cash from operations in the aggregate over that three year period, now exceeds power's cash from operations. You would expect that as the utility continues to grow and it's growing with programs like transmission that have formula rate returns, many of which have flip and rate base, so that means cash, as well as the other programs that it has underway.

Power continues to generate significant cash from operations and probably most important in that picture is that right side, when you look at power's capital investments, because over that three year period they're very modest. So, when you look at power, it continues to be a significant excess cash generator, as mentioned earlier, with so much of our environmental, for example, our back end technologies are all behind us. Power's excess cash flow becomes significant contributor in dividending up to the parent.

PSE&G, of course, continues the strong investment program and finances part of that with debt. In this base assumption, on the approved programs side, again, that net debt issuance reflects incremental issuance by the utility and some incremental debt reduction by power. So, we continue to have a very trim balance sheet, supporting all of our base level of growth.

So, why does that matter? It matters because when you flip to the right, and you look at that incremental investment, that $7.6 billion total, you see that now the net debt issuances are obviously bigger, because the utility is investing a whole lot more. And what's really going on in those dynamics is utility debt goes up consistent with its capital structure and if we were to have all of the opportunity to invest at the proposed program levels, you'd see power's debt go up a little bit, rather than go down.

We're still well within credit metrics and I'll show you what that looks like a little bit later. But also, I think an important piece to note in the orange portion of the right side, in terms of PSE&G's cash from operations, that's higher as well, because the nature of our investment programs as we talked about in terms of how we filed them, is contemporaneous return, so you start to get cash back as you make the investments.

So, the picture squares, in terms of setting us up in a way that we can handle even the highest level of capital investment that we've spoken about with keeping power's credit metrics strong, with keeping the utility in a nice position and having that excess cash flow at power that continues to provide opportunity for the shareholder dividend.

So, either way and everywhere in between, obviously, the missing piece on the picture is the new equity, because it simply doesn't need to be there.

So, in terms of what things mean for rate base, right? Because we always talk about when you look at the utility and you wrap it all together, show us that rate base picture, what does it look like? So, here's the rate base picture from the approved programs all the way out through the potential new investments, again, scaled exactly the same way over that three year timeframe.

So, you see the rate base from 2012 to 2015, just using the approved programs, has a CAGR of 7.8% and if we have all of the potential new programs, the ones we've been talking about, you can see the rate base increase up to $12.6 billion, by the end of '15, versus the $11.2 billion with a rate base CAGR now double digit of 12%.

Now, when I was preparing these slides, I said to Kathleen, we have a 7.8% three year rate base CAGR, and on a later slide that I have coming up in a moment, I talk about the double digit earnings growth opportunity, not just '12 to '13, as I already mentioned, but '12 through '15, CAGR is double digit on the earnings as well. And I said to her, maybe somebody will ask about the 7.8% relative to a double digit earnings opportunity.

I've already have that question about nine times at the first break. So, let me just say, that's right. The 7.8% rate base CAGR still supports a double digit operating earnings, or bottom line earnings growth for the utility over that time same timeframe. And let me just mention two things that I think will help square that for you as you think that through and then ultimately model it.

So, remember in the rate base growth, when we look at rate base growth, we're looking at the growth in the investments in net plant, offset by the growth in primarily deferred taxes. So, you do have some higher level of growth rate in deferred taxes than you have in net plant -- in plant additions, partially driven by bonus depreciation and partially driven by normal makers. So, that puts your rate base growth a little lower than your net plant growth. But, when you think about the earnings growth or the utility over this same time frame, I just encourage you to keep two things in mind.

First, the impact of the Sandy -- Superstorm Sandy, on the utilities starting earnings level in 2012 was affected on an absolute basis, as we've talked about, by $0.05 a share for Sandy. It was $0.04 year over year, but from a starting basis, is absolute $0.05 a share, which has one impact on the lowering the base, and therefore higher growth opportunity.

And the other is to keep in mind that part of our investments in transmission don't go in service, of course -- don't go into rate base until they go in service, the ones that don't have CWIP and they are earning on a bottom line EPS basis, AFUDC, and that's a significant growth over the period as well.

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So, those two things make the earnings growth a little bit different from the rate base growth, and the rate base growth is a little bit less than the gross plant because of the deferred taxes. And if you run that out and you look at the different places that we are investing, particularly transmission, you'll see all of that clears.

And of course, as we go out to a 12% CAGR for rate base, if we have all of the approved programs, the same math obviously applies, it's still double digit, can't say more than that, obviously. It doesn't get bigger than that, because it becomes triple digit, but it stays double digit all the way out, whether you have the base amount or whether you have that higher amount for approved programs.

So, what are the credit metrics that go along with this? Can we demonstrate that we still have that investment flexibility? And the answer is yes. As you know, power's cash from operations has been very strong and you can look at it in the 10K. You can see that power has significant cash from operations in 2012, and of course, with power's credit metrics as I -- as power's debt levels coming down slightly, you see that the FFO to debt continues to be very strong at the end of 2012, at over 60%.

Remember some of the -- the higher numbers in 2011 were partially affected by bonus depreciation, the tax receivable and tax cash that went along with that. So, they're just a little bit different from what you'd see in an ongoing run rate.

But if you look at the 2013 to 2015 average, again, cycling from the approved programs all the way out to the approved plus the new programs, you still see the FFO to debt metrics stay comfortably in the 40s, because remember as I said, in the approved program scenario, you'd be seeing some of the debt levels come down. In the higher scenario, you'd be seeing a little bit of incremental debt, but you still have a very strong opportunity to keep our credit metrics well above the floor that we always set for ourselves, which, as you know, is 35% FFO to debt.

So, it doesn't mean that this is tapped out to no longer have the ability to consider opportunities or to be so close to edge just to be problematic. So, we're very comfortable with our ability to say that we can finance all of what we have the potential, and hope to have the opportunity to do.

This picture has really repeated of what Ralph already showed, so you can see the total capitalization, the debt and equity split of 2012 to 2015. And you can see that even as we go out through 2015, the total debt of 44% relative, to the equity, you're still looking at power debt to cap still comfortably in that 30% or so range that we talked about before, so not even a push relative to our ability to handle the opportunities.

So, in terms of handling the opportunities, Ralph also mentioned the issue of the customer bill and the ability of the customer bill to handle what we're looking at doing with stability, given things that are rolling off. So, I thought I would just show you, because I know many of you track the numbers and try to reconcile between some of the things that's hit the GAAP numbers and the numbers that we gave you on an op earnings basis.

This picture is just really just a reminder for you of the fact that there are significant things that will roll off the customer bill, and to -- the two biggest ones that we talked about previously, certainly securitization, maybe not as much as the non utility generators, but if you look at the PSE&G securitization and NUG impacts, I show you here just how they hit the P&L geography.

Obviously, they are not P&L impacts to the bottom line because they are revenues to offset the costs of the expenses, so they zero out. But the revenue requirement, in order to zero that out on the P&L, is what hits the customer bill. And when these roll off, securitization, as I'm sure many of you are aware of, because we've talked about it before, finishing by the end of the 2015, the NUGs by the end of 2016, if you simply took those two and put them together and compared them as a proportion of today's customer bill, it's the fair way to do it, it's about 8.7%.

So, overtime, regardless of what happens on the energy side, these are absolutes that will be rolling off, and they provide that kind of headroom in the customer bill to be replaced by the things that we do think are very good for our customers and allow for bill stability.

So, let me turn now very briefly to O&M and talk a little bit about our O&M and our pension.

Modest O&M growth, something that we've talked about pretty consistently and as Ralph and Bill showed you, we've really been able to deliver over a very long term time horizon, and we anticipate still being able to do that.

So, starting with 2013 and the guidance that we've given already for 2013, if you look out from 2013 to 2015, what do the next two years of O&M growth look like? Obviously, we haven't given you the earnings growth of the Company but we like to give you the O&M picture, we see continued modest O&M growth of about 2.2% CAGR for the total company from '13 to '15.

You can see that transmission actually relatively modest growth. Transmission, a little more growth this year over last, but that's all recovered in our formula rates. So, transmission, about half a percentage point on a CAGR basis. Again, all of that recovered in our formula rates that allows us to get the $11.6 billion to as high as $12.9 billion, so think of that as coming in to our spend and then coming out as we get the formula rate recovery.

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Distribution, relatively modest, slightly higher growth rate at power, and as Bill shown you, a very modest growth rate over the long term historical period. Rolling that altogether, at 2.2%. Last year, we showed you about a 2.9% for a different period, '11 to '14, this is now '13 to '15, I can tell you we're hitting that target and now, we're talking about a more modest target as we go out from '13 to '15.

In prior slides that I've shown you on this in prior years, we've broken pension out separately. We didn't do that this time and I'll show you pension on the next chart, but I can tell you that our pension expense is moderating. In fact, our assumptions this year, and you know we set these based on the numbers at the end of the 2012, is that pension expense will be slightly lower this year than last year. It's a better position than we've been in a while, since pension has been a little bit volatile. So, we didn't break it out here, because it's actually really not a driver of the thinking about the impacts for O&M on a go forward basis, as it has been in the past.

If you look at our pension contributions, it goes right along with, obviously, a moderating pension expense. As you know, we've talked about making significant contributions to our pension plan. We've made over $1 billion in contributions in the last few years. We have a pension plan that's funded at about the mid 80s, 83% at 2012, and our expectations are more modest contributions this year, and as you can see, very much more modest than the out years, based on our assumptions.

But I think our assumptions are actually reasonable assumptions. We took down our discount rate, probably everybody did this year, right? So we had 5% discount rate in the past, we now have a 4.2% rate. You would normally think that would lead to significantly higher pension expense in the current year, but in addition to our contributions, we had a double digit teens return in our pension trust.

And so, you net that all together, you have a basically flat, slightly in fact down, pension expense in '13 over '12. And our rate of return assumption, by the way, is 8%, which it has -- this is the second year it's been 8%. So, we think a nice picture relative to our pension trust, we really do look at this to insure that we have long term, a well funded pension trust and we think we're in good shape there.

Just coming back very quickly to the earnings numbers, and as we usually give you, just some general sensitivities, as you think about '14 and '15, you wouldn't be surprised, I think, by any of these numbers. Remember, as we think about 2014 and 2015, '15 is less hedged than '14, as you know, and so, you'd have a bigger impact based on natural gas price changes, so they're impacts to power prices for '14 and then bigger again for '15, because of being more open.

Changes in spark spreads, similar in both years. Keep in mind that, that intermediate portion, right where the combined cycles are, is not hedged in '14 or '15. So, you'd see that same kind of impact. And of course, dark spread impacts, lower than they have been before just given the changing dynamics of coal and gas as Shahid talked about that and then capacity factor for nuclear.

On the utility, I think you recognize these and the math here is relatively straightforward, right. The incremental investment, think about the portion that's debt and the portion that's equity and multiplied by our ROE. Changes in sales, you can see also a relatively modest O&M, everything's a penny, but if you run off the math, you'll see that all of clears in pretty straightforward math.

So, of course, as we've talked about before, the more volatile are the things that are in the less hedged, as we look at the power prices and the gas prices, but you'd expect us -- you expect to see us, as we go through the year, continue to do that ratable hedging, which, obviously, would bring down the volatility in those out years on the first line as a go through the year on a regular basis.

And then lastly, how it all comes together. Putting that all together and looking at what we've been able to do on the dividend, I think you can see in something that I know many of you look at and track, is the proportion of the dividend that is able to be financed by utility earnings. Keep in mind, with our utility growth program, right, the utility is keeping a lot of its earnings for its reinvestment in growth.

But in terms of stability and dividend support, if you looked at the portion that could be financed by the utility, you can see, as we come into this year, with the dividend based on the increase we just recently announced to $1.44 indicated per share, that the utility earnings in its whole range is about -- is in the 80s in terms of being able to actually support that dividend. So, as the utility earnings are growing, they have an opportunity to support that greater amount of dividend.

But again, as I said, both businesses have significant cash from operations, which gives us great confidence in that dividend. And our opportunity to grow it, as we've always said, is based on utility earnings and cash generation opportunity at power, the former, I think, we've talked about in terms of earnings growth expectations. The latter, we don't forecast, but I think as you can see from the bar charts, there's still significant cash flow generation at power, and power's capital needs continue to be very modest.

So, summarizing all of that up. In terms of our operating earnings guidance, $2.25 to $2.50, same as last year with a greater regulated mix. Double digit operating earnings growth opportunity in '13 and continuing through '15, based on our approved programs. And then, continued focus by power on operational excellence, all the

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things that Bill and Shahid spoke to you about, our significant market expertise and continued financial strength, we don't do anything to compromise power's financial strength with our investment program. So, we have all of that opportunity without the need for issuing equity.

And then, of course, our very strong commitment to returning cash to shareholder continues to be fundamental to our investment and our financial picture.

So with that, I thank you for your time, and I'll take a seat here and invite Ralph up to join, and we'll be happy to take your questions.

QUESTION AND ANSWER

Unidentified Audience Member

There we go. Thank you. Perhaps going back to your discussion there on O&M growth, just to kind of touch on it for a second. On the power side, if you could just provide a bit more of an elaboration as to what's happening there? And specifically, I think you alluded to earlier, some potential alleviation with contract renegotiation on the peaker side, could we actually see that come down at all?

Caroline Dorsa - ***PSEG Inc. - CFO***

Contract negotiation -- I'm sorry --

Unidentified Audience Member

You mentioned, I believe, in a prior presentation about renegotiating peakers.

Unidentified Company Representative

The services agreement.

Unidentified Audience Member

Right, services agreement. Is that a meaningful mover in any sense, just overall, what are the key drivers there?

Caroline Dorsa - ***PSEG Inc. - CFO***

Yes. So -- think I have --.

Unidentified Company Representative

Yes, we're both live.

Caroline Dorsa - ***PSEG Inc. - CFO***

We're both live, okay.

Unidentified Audience Member

We can hear you.

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Caroline Dorsa - ***PSEG Inc. - CFO***

So, the -- if you look at the numbers relative to power, a bigger driver in power on the fossil side than the nuclear side, although there's growth there. And I think Bill may have mentioned earlier, outage work as we continue to have the gas plants running more, those are things that become a bit of a driver there.

But when you look at that over that period, with the things that Bill has under way, 2.9% we're pretty comfortable with. It's kind of similar to last year's guidance for the overall company. See renegotiated union contracts are already baked and embedded in that guidance. So, it's already factored in because they happened before the business planning cycle for last year.

Unidentified Audience Member

All right, great. And then, sort of a second question, going back to the utility cash flows you've talked about. First, looks like not material pension contributions on a go forward basis. What kind of -- relative to your expense, what kind of cash flow line items should we be looking for there in terms of a benefit, I would imagine, relative to the line item, what's baked into your O&M for pension expense?

Caroline Dorsa - ***PSEG Inc. - CFO***

For pension expense?

Unidentified Audience Member

Right, relative to your contribution.

Caroline Dorsa - ***PSEG Inc. - CFO***

Right. So, if you think about our pension expense for this year, it was about $110 million. So, you're looking at something relatively similar. So, slightly lower, but relatively similar to last year in terms of how it fits within the two businesses, the utility, if you looked at the FAS 87, the utility picks up more than half, but the utility capitalizes a good portion. So, when you look at the net amount that hits the O&M on pension, it's actually pretty similar half and half between utility and power, net to the O&M, not gross to FAS 87, but net to the O&M.

Unidentified Audience Member

And then, how much should we be focusing on the reversal of some of the bonus depreciation benefits in the outer years? I'm thinking '15 or something. What kind of an impact does that have?

Caroline Dorsa - ***PSEG Inc. - CFO***

Yes. So, it's a very modest. As I said, the net effects this year are very modest, but still positive. Starts become sort of neutral and slightly negative as you go out in the further years. But nothing dramatic. So, if you think about wrapping these three years together, you can kind of think of '13, '14, '15 as a little bit sort of close to neutral, relative to net bonus and reversal, relative to what makers would have been.

So, you get a big piece when you do that. You do the upfront and then it kind of trails out all the time. So, we're neither dependent or really penalized, right, for bonus depreciation over the period. Which means that the cash flow generation you see in the businesses, you should think of them as more fundamentally driven in that three year period than driven by something bumpy.

Unidentified Audience Member

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Right. And maybe last, more strategic. Just in terms of timing of these approvals, it looks like there's a lot out there waiting to be approved. What months -- what are the key data points here that we should be focused on?

Unidentified Company Representative

So the energy efficiency -- I'm sorry, the solar filings that at the BPU, we've agreed with the BPU to extend the approval of the decision date to May 1st. The clock should have run out on that, but given what Sandy did, it was only fair for both parties to extend the date, because we probably weren't as prompt as we should have been in some of the responses to the discovery questions.

On the energy strong, there is no timetable. At the risk of getting into the weeds, the solar filing is done under what we call the RGGI bill, the energy strong are not done under any particular enabling legislation that gives the BPU a date certain. Having said that, the whole theme around Governor Christie's administration this year, as Ralph earlier said, has been to rebuild.

So, we've been asking for an accelerated hearing schedule and the ability to announce something on the 4th of July, on Memorial Day, for its symbolic purposes but we really -- I can't be more specific than that, other than everybody want to get this type of stuff done underway as soon as possible.

Unidentified Audience Member

Okay. Those are the two (inaudible).

Kathleen Lally ***- PSEG Inc. - VP - IR***

You have a question?

Unidentified Audience Member

Hi, thanks for the time today. A couple of things. Strategically, maybe on power, it looks like your plan is showing the application of some of the free cash to help support the infrastructure. But can you talk about what your thoughts are on given that there are quite a bit of power assets possibly out here for sale. How do you think about that in terms of using that free cash or that balance sheet strength for power?

And longer term, how should we think about the mix between regulated and non-regulated as your longer term strategy is going forward. It looks like you're projecting to be more regulated, and if that's the trend, what's sort of a good range in terms of what you folks are thinking?

Unidentified Company Representative

Well, there's no specific number, but clearly, one of the things we've tried to signal today is that the very healthy balance sheet we have is being directed to the utility. So, Caroline gave you the 12% CAGR from now until '15. We've talked about that 10-year plan, that is above and beyond the CapEx, which matches depreciation at the utility so you will continue to see growth and rate base beyond even in the five year numbers. We've not articulated a specific number.

Power is looking at two opportunities for growth, organic and acquisitive. And we have not had success on the acquisitive aspects of it. People have a different point of view than we do about what assets are worth. We've had tremendous success, albeit much smaller scale, on the organic growth. Bill talked about those Kearny peakers, one year ahead of schedule, on time, one part of that project was on time, another part was a year ahead of schedule, both of them able to meet the load this past summer.

The Hope Creek uprate, on budget, on schedule. The Peach Bottom uprate, right now, looking like on budget and on schedule. We're constantly looking at opportunities to expand the output from our existing units. We do look at whether or not to build a new unit. Bill gave you the right answer when asked that question directly before. So, in general, we appear to have more luck when we do things organically and in our disciplined fashion.

But in terms of a magic number, there isn't one, but for the foreseeable future, if you define five years as long term, which I think is just as fair as any, clearly the emphasis is on the regulated side.

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Unidentified Audience Member

Caroline, just on the power credit metrics slide where you showed the FFO to debt, there's an average for '13 to '15, and it looks like the average is sort of north of 40%. Can you -- how far above the floor do you stay in any given year, given the sort of hedge roll off profile?

Caroline Dorsa - ***PSEG Inc. - CFO***

Right, sure. So, you're right, it's in the 40s, right, but both views in the 40s level, approved and approved plus. Pretty steady, [Jonathan]. There aren't any bumps in the road here where you have to say, gee, this average is not representative of year on year and therefore, there could be challenges if something happens. It's actually staying well above. Since 35% is the 40%, actually have a lot of room there and we're pretty comfortable all the way through.

Unidentified Audience Member

So it's not like it declines below that average of any --.

Caroline Dorsa - ***PSEG Inc. - CFO***

No, we don't fall below that average and come back up, no.

Unidentified Audience Member

Okay, thank you.

Unidentified Audience Member

Just a little bit wrapping up the way I understood, I just want to get my math right. So, it's double digit growth without the -- with the approved projects at the utility. So, that could be like $0.22 to $0.24, '13 to '15, if I do it. And then, you're saying $1.6 billion of extra -- if all the things get approved, and based on your sensitivity slide, that's equal to about $0.16.

If I do my math correct from the sensitive -- so, that could be like $0.40 and then if you get that LIPA contract, you pick up another couple of cents from that, and then, I guess, I have my generation down, but I still see that the Company is overall, if we get everything approved, in the process of increasing earnings from where we are currently from the midpoint. Am I missing something?

Unidentified Company Representative

So, Ashar, you did this to us last year. You're very good at trying to get us to do multiple years earnings growth. And we practiced this, so don't get nervous, Caroline.

Caroline Dorsa - ***PSEG Inc. - CFO***

I'm good.

Unidentified Company Representative

What I will tell you is that the main theme of today is that 2013 is between $2.25 and $2.50 a share, and stop worrying about the opportunity for investment in the utility after 24 months post the one year refresh. That's the main message today.

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That we have to achieve a new standard of service level on behalf of our customers and there's a lot of work to do and there appears to be some tremendous empathy for doing that work, both among the customers and the policymakers and there are the financial tools to get it done. So, we're not going to get it to $0.30 or $0.40, but stop worrying about the end of time happening 24 months from now. I did better than last year, I think, Caroline.

Caroline Dorsa - ***PSEG Inc. - CFO***

No, that's good.

Unidentified Company Representative

(Inaudible)

Kathleen Lally - ***PSEG Inc. - VP - IR***

Michael?

Unidentified Audience Member

Ralph, from an environmental standpoint, your company's extremely well positioned. I mean, I think, we all recognize that. How do you think through, and this is more thinking about the industry, not just PSEG, how do you think through the next five or seven years or so, in terms of things like 316B, things like coal ash, even on the outer edge carbon about which one of those likely happen, do they happen, are there some that like maybe 316B that could be significantly watered down and others that could have a bigger impact than people think? Just curious, your views on timelines, outcomes and likely -- I guess, expectations versus likely reality?

Unidentified Company Representative

Sure. So, no pun intended on watering down 316B, I hope, but just looking at the EPA public schedule and then kind of giving a little bit of, if history is a teacher, what might happen to that. The first of those three would be 316B, I think, it's a July timeframe decision that we would expect to get from EPA.

And I think the reality is given the magnitude of the impact of 316B and what it would for variety, not just of nuclear plants, but many fossil plants, we've seen some very constructive conversations and results coming out of the EPA. And given what -- who most people expect to be the one or two candidates likely to lead EPA, being internal candidates, I would expect that continuity would be the operative word there.

So, I would expect while there will be some expectations for improved performance in terms of the ones through cooling and its effects on the ambient environment, nonetheless, there'll be a rational decision making processing at EPA.

I'm a little less able to speak about coal combustion residuals, only because our shop is so clean in that regard, and we're so well taken care of. I haven't focused on that as much but that can keeps getting kicked down the road, so I put that in the number two position, behind 316B.

And in terms of carbon, notwithstanding the agency, and I think it's going to be all at the agency, I don't see any legislative activity, notwithstanding the agency's earnest desires to do something, would simply take you back to the clean air economics of 1990 and how clear they were with respect to traditional pollutants and how it's taken two decades to get anywhere.

And notwithstanding the Supreme Court's decision on endangerment fining as it pertains to carbon, I think even those of us who were proponents of doing something, have to admit that the Clean Air Act is not as precise and as clear in that regard. So, the likelihood of the agency being able to implement, as opposed to propose, regulations that then has an effect, a meaningful effect on the power markets is one that I would not expect to happen over the near term.

Unidentified Audience Member

Just a quick clarification on slide 127, in the appendix. There's the nuclear fuel anticipated cost. Is this intended to be where the cost is hedged at? I'm not sure if I'm just seeing the colors right or wrong. Just want to make sure I understand that.

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Unidentified Company Representative

The colors don't match.

Caroline Dorsa - ***PSEG Inc. - CFO***

Yes. The colors aren't quite --.

Unidentified Company Representative

They're one and the same there, [Brian]. There's no -- that is what's contracted. We posted --.

Caroline Dorsa - ***PSEG Inc. - CFO***

That's right -- sorry about that.

Unidentified Company Representative

Either the bars should be what the legend is or the legend should be what the bar is. Thanks.

Unidentified Audience Member

I just have one quick clarification. I think you said that power debt, under the approved scenario, would be going down, but under the expanded scenario will be going up. Am I correct to assume that you're leading on the power balance sheet in that case, so sort of divvying it up to the parent to invest in the regulated utility? And if so, what is the total [debt] amount that you plan to raise at power?

Caroline Dorsa - ***PSEG Inc. - CFO***

Yes, sure. So, we didn't -- I didn't, obviously, give out that number, because what I'm trying to signal is direction here, because we propose programs, right? We've propose what we think should be spent, but they're not approved yet, so we don't get into specific forecasting.

Actually, the way I think it's appropriate to think about it, [John], is in the current, approved program scenario, over the forecast horizon, you start to see the utility with its cash from operations be able to contribute some dividend in the incremental investment approach, you'd see the utility be keeping pretty much all of its cash.

So, less the case, actually, that the utility needs net investment, because remember those -- those programs are contemporaneous return and more that the utility would be keeping all the cash flow. So, it's not a leaning on power's balance sheet going in, it's more that instead of power's debt going slightly down, it goes slightly up, significant cash generator supporting the shareholder dividend, utility just keeps and reinvests. So, nice picture clears without really looking at what you might otherwise consider subsidy.

Unidentified Audience Member

Okay, and then just on the rate base math again. So, we're at $9 billion now. I think the total approved programs, maintenance and growth, about $4.3 billion CapEx? So, of the $2.2 billion of growth, under the approved scenario, how much is deferred taxes and quit having an impact on the rate base number? If you can give a number, that would be great for both of those.

Caroline Dorsa - ***PSEG Inc. - CFO***

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Yes, I can't give the number from memory, I'm sorry.

Unidentified Audience Member

Okay.

Caroline Dorsa *- PSEG Inc. - CFO*

But I think if you can go back, you can go back and look at our 10K and you can pull out, right, the amount of deferred taxes that's there right now, right? So, it's a multibillion dollar number, right? So, you think about deferred taxes, is growing faster than the net -- than the plant additions, because there's a little bit of a bonus for this year and then there's the normal makers, which would normally pull down that growth.

But I can't give you the deferred tax forecast as we go out. But that's what's affecting the rate base piece and that's why I wanted to signal it, because otherwise, you'd take the capital, you subtract the depreciation, you'd say, I should get a higher number, but don't forget the deferred taxes.

Unidentified Audience Member

Okay, thank you.

Caroline Dorsa *- PSEG Inc. - CFO*

Sure.

Unidentified Audience Member

Thank you, just a quick question on credit metrics slide. Does the FFO here, do you add back the nuclear fuel amortization to this number? In other words, net income plus nuclear fuel [amort] or -- because I know there's -- the rating agencies treat that a little bit differently, so just wondering which one you're showing us.

Caroline Dorsa *- PSEG Inc. - CFO*

Right. So, we treat the nuclear fuel as capital.

Unidentified Audience Member

Okay, got you. Thank you.

Ralph Izzo *- PSEG - President, CEO*

Okay, so thank you for being here today. Just a couple of closing comments to just to acknowledge some folks. Obviously, there are many, many components to the kind of success that we've been able to realize, and that I expected us to realize going forward.

One, needs to have fair regulation and fair regulators, and I think we have that, in New Jersey, at our Board of Public Utilities. You need to have open minded and accessible policy makers, and we clearly have that in the Christie administration. It's been a tremendous advantage to have enlightened union leadership and we have that at PSEG, and I'm not sure that is as ubiquitous as perhaps some of the other items I've mentioned.

I never can tell you enough good things about our dedicated and talented employees. But there's probably one area where I don't spend enough time congratulating folks and that's in the leadership team that you saw here today. Actually, LaRossa's first name is not Ralph, I asked him to change it so I can get credit for many of the things he does, and I enjoy that tremendously.

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And enough good things may have been said about him today, I don't know that it's ever possible to say those things. I will tell you, in the next 12 months, my exclusive focus with Ralph is not on energy strong, it's on making sure that everybody knows that we are not responsible for keeping the lights on the Super Bowl. We have the 26 KV lines that go to that switchyard and then the sports and exposition authority is responsible for the operations and maintenance for that switchyard. I would sleep a lot better, if I knew Ralph was in charge of that.

I can't say enough good things about Randy. What he has done to derisk the holdings portfolio is just phenomenal, and at the same time, to grow the solar business, obviously, with the enormous leadership of Diana Drysdale. And then, when he's not standing on one foot and balancing a rotating dish with his right hand, he's running our communications team and our strategy group.

About a year or so ago, Kathleen and Caroline took me down to meet a former large shareholder who shall go nameless. And he looked me in the eye and said, okay, I liked your company in the past, I'm interested in getting back in, if you promise me that you will never ever again invest in communication satellites. I didn't know what the heck he was talking about. We came back to the office and we checked and we had invested in communication satellites. I assured him, we would not be investing in communication satellite, but Randy let's me sleep at night by derisking that portfolio. I have no doubt that 10 years from now, some CEO will be sitting here and saying -- and she will say, I can't believe what Izzo did, but it won't be communications satellites. That you can count on.

Bill Levis. Let me just tell you a little bit about the nuclear industry if you're not aware of it. There are no perennial losers in the nuclear industry. There are very few perennial winners in the nuclear industry. If I were to ask you to seize upon one line that Bill mentioned, it was eight years of above 90% capacity factors in our nuclear plants. What the nuclear industry has lacked to its history has been consistency. And what Bill and Tom Joyce and the team have brought there since 2004 has been phenomenal outstanding performance, consistently improving performance.

About a month or so ago, we presented our five year plan to the board of directors and, as they should, they challenged me on the fact that earning guidance was going to be the same as it was the prior five years. And they said to me, are you sure there's enough stretch in that plan? And I responded with two words. I responded with Bill Levis. The man doesn't know the meaning of anything less than stretch whether it's at nuclear or at fossil or at ER&T.

Shahid, I sleep at night like a baby. No guessing, no betting, he talks about his point of view. I use different words about our point of view. First of all, that point of view is in the dynamic hedging program. And it's founded on our deep, deep knowledge about the transmission system and the gas system in the PJM region, and how we can take advantage of temporary, short term dislocations that do occur, in any highly efficient markets, such as ours. They still occur, and that's what Shahid brings to that table.

Caroline, I finally realized, her initials are CD, but she changed her name, too. Her original name was Capital Discipline. And then, she took the initials and adopted Caroline Dorsa, and you would just love to see the change in discussion that's taken place over the last three years at our offices. Three years ago, people would come to us with projects and Caroline in a professional and understated way would say, the NPV is negative, you're not saving shareholder value, no.

And then they would do a bunch of arm weighing and talk about strategic value and how this is critical, absolutely critical for the future of the Company. She would patiently listen and say, but no, there's no shareholder value being created, I don't think we should do this. I don't have those conversations anymore. Nobody even comes to me with those projects anymore because of the capital discipline she's brought to the business.

Caroline has an army of documents here, I have an army of people here, but day in and day out, I believe I'm confident that your questions are answered without that army of people behind her, by Kathleen Lally and Carlotta. And, I can't say enough about them in terms of pulling together this presentation together today and answering your questions day in day out.

There are far too many people to name throughout the Company, some of them are here today, some of them are not. But, I will tell you that we are quite, quite optimistic about our future.

We thank you for following us. We hope you share that confidence to the extent that you do. I thank you. That is a bright future and we invite you to join us in that future as we march forward together. Have a great day and I think there may be some food outside still left. See you next year.

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THOMSON REUTERS

2013 Presentation to Analysts

MARCH 1, 2013

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

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Forward Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units, delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers,
- increase in competition in energy supply markets as well as competition for certain rate-based transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and changes in technology and customer usage patterns.

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

SI-SSA-0015-12254

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-12255

2013 Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
PSE&G	Ralph LaRossa
PSEG Energy Holdings	Randall Mehrberg
Q&A Session	
Break	
PSEG Power	William Levis
Power ER&T	Shahid Malik
Q&A Session	
Financial Review & Outlook	Caroline Dorsa
Summary	Ralph Izzo
Q&A Session	
Conference Conclusion	

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PSEG INTRODUCTION & OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

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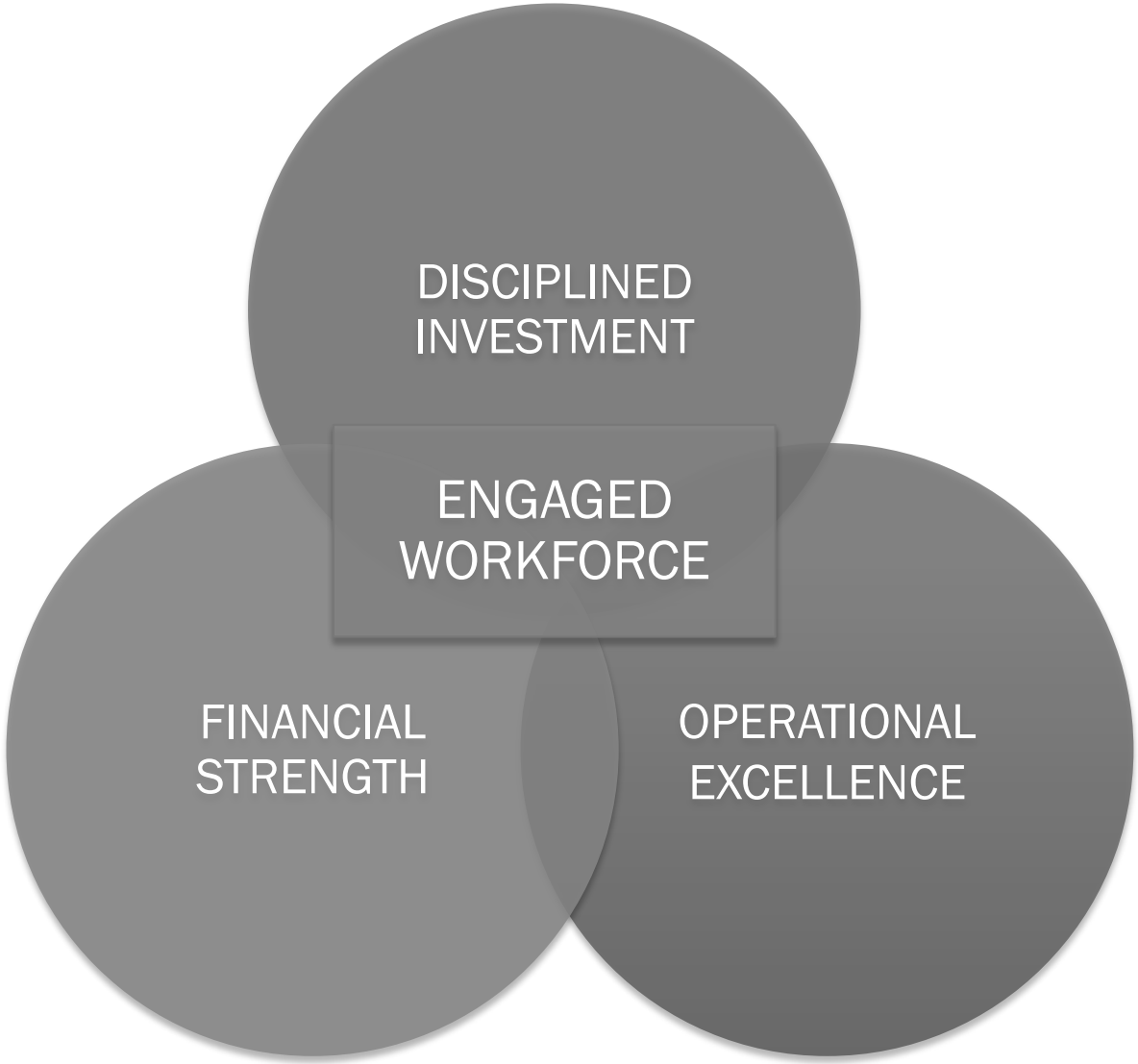
PSEG Strategy

Leveraging the strength of PSEG's balance sheet to invest primarily in our stable, regulated business in ways that meet customer needs and state goals as we protect the upside of the merchant business and provide growth for our shareholders



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PSEG met 2012's challenges

with our strong platform of assets

PSEG

PSE&G	PSEG Power LLC	PSEG Energy Holdings*
Electric & Gas Delivery and Transmission	**Regional Wholesale Energy**	**Renewable Investments**
PSE&G positioned to meet NJ's energy policy and economic growth objectives with an investment program exceeding $10 billion through 2017	PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible	PSEG Energy Holdings positioned to pursue attractive renewable generation and develop new business opportunities
Assets $19.2B **Operating Earnings $528M**	**Assets $11.0B** **Operating Earnings $644M**	**Assets $1.5B** **Operating Earnings $64M**

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2012.
ENERGY HOLDINGS INCLUDES PARENT.
SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNING.

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PSEG – 2012 Highlights

2012 Earnings in-line with guidance

- Achieved operating earnings of $2.44 per share, at the high end of guidance range of $2.25-$2.50, including storm-related costs at PSE&G
- PSE&G represented 43% of consolidated operating earnings with growth in transmission

Operational excellence

- Record output from CCGTs, continued strong production from Nuclear, and Power's control of O&M supported results
- PSE&G recognized for reliability: National ReliabilityOne Excellence Award, Mid-Atlantic Reliability Award, and Award for Outstanding Response to a Major Outage Event; as well as EEI's Emergency Response Award
- Restored service to 2.1 million customers in a two-week period of time in the aftermath of Superstorm Sandy and the Nor'easter that followed
- Extension of major labor contracts

PSEG disciplined capital investment

- Key regulatory approvals received for major transmission projects
- BPU decisions pending on Solar4All Extension and Solar Loan III
- Power added 400 MW of new peakers in time to respond to summer demand
- Holdings added 40 MW of new solar capacity

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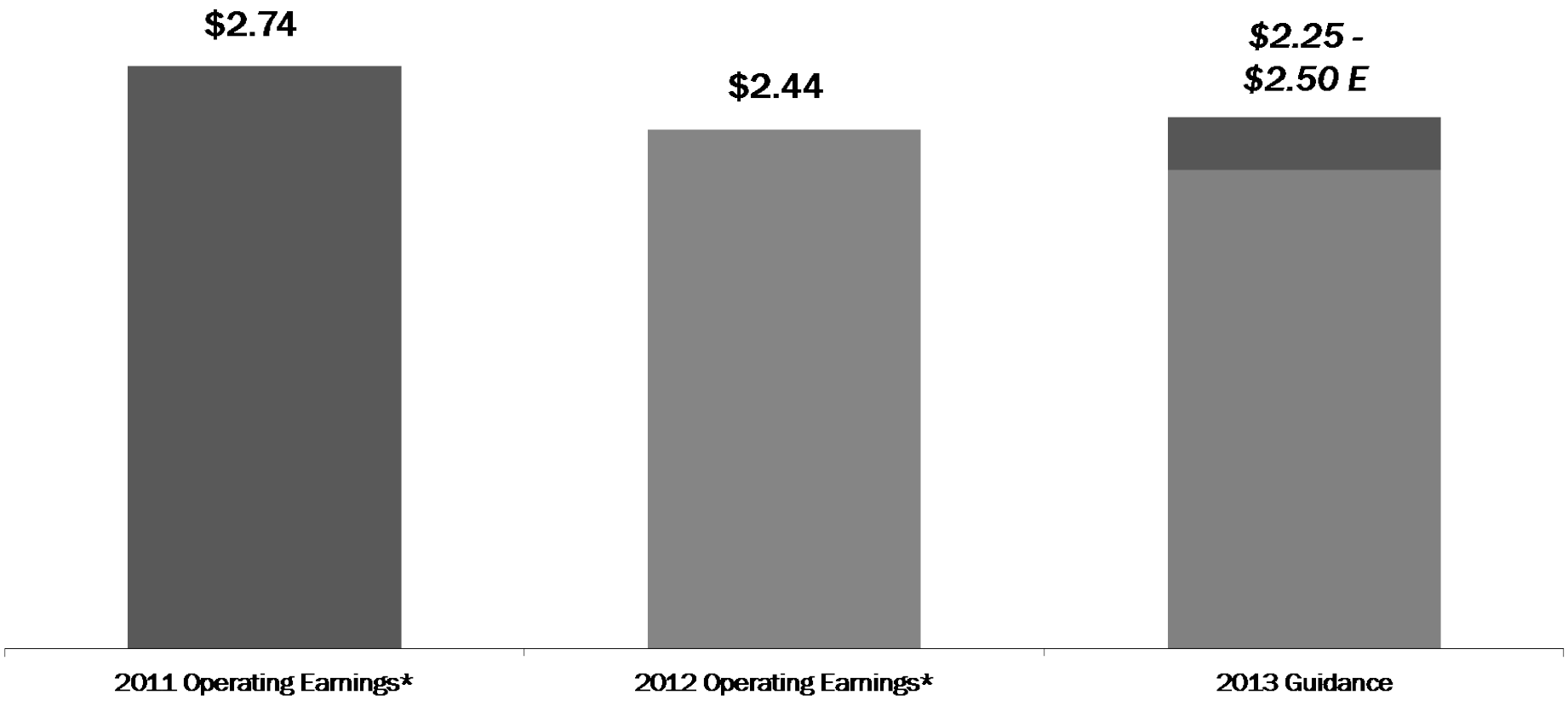
2013 Operating Earnings Guidance



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PSEG

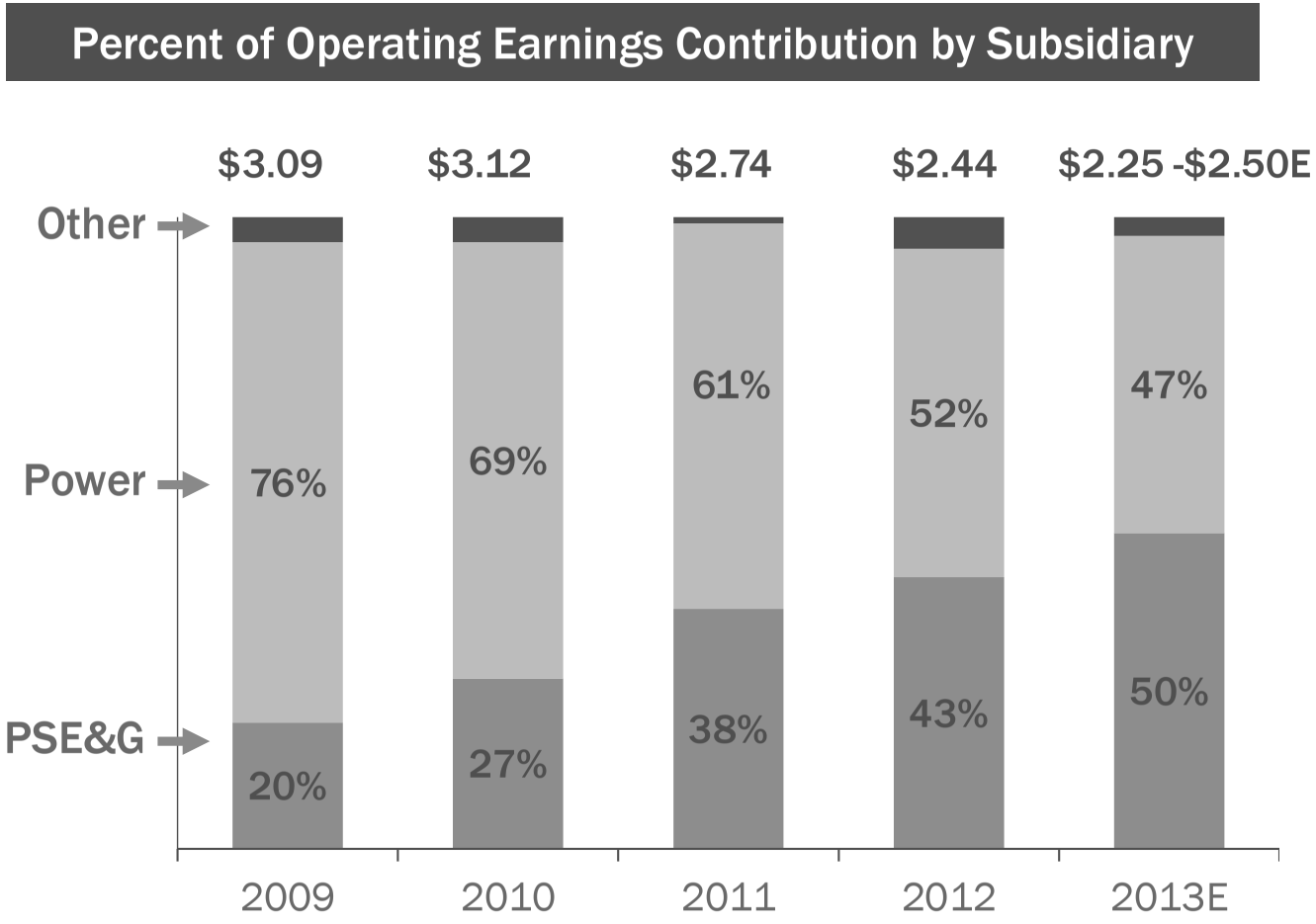
* SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

2013 Operating Earnings*

Investment in the regulated business has changed the earnings mix

Our 2009-2013 investment focus has brought us to a 50/50 mix for 2013

PSE&G's 2013-2017 Energy Strong Program and ongoing transmission investments will support continued growth in PSE&G's earnings



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PSEG

*SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS; ALL PERIODS REFLECT TEXAS IN DISCONTINUED OPERATIONS. E=ESTIMATE.

PSEG Focus

Operational excellence and disciplined investment helped offset the earnings impact of lower energy prices

PSEG Focus

($ millions, except as noted)

2008		2012
$2.91	Operating Earnings Per Share	$2.44
$69.85	PJM West RTC ($/MWh)	$33.88
• 2.4% (planned[1]) • $866 • $0 • $0 • 1.6% • 29.3TWh • $0	• O&M Growth per year • Transmission Rate Base • Utility Cap Stimulus Spending • Utility Solar & EE Cap Exp • EFORd Rate CCGT • Nuclear Generation • Holdings Solar Investment	• 0.8% (actual[2]) • $2,500 • $955 • $888 • 1.7% • 29.8TWh • $240

SEE PAGE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS. (1) PLANNED COMPOUND ANNUAL GROWTH RATE 2008-2012.(2) ACTUAL COMPOUND ANNUAL GROWTH RATE 2008-2012.

SI-SSA-0015-12263

SuperStorm Sandy met by an exceptional response

The storm affected PSE&G and Power

2.1 million **PSE&G** customer restorations (2X Hurricane Irene and 3X the October '11 Snowstorm) ● 96 Electric Substations Damaged (39% of the total) ● 14 Switching Stations Affected (33% of total) ● 51 of 154 Transmission Lines Interrupted (33% of total) ● 2,427 Utility Poles Replaced or Repaired ● 48,000 Trees Removed or Trimmed ● ~4,200 mutual aid or contract workers brought in to assist restoration efforts

PSEG Power's assets were stress tested by SuperStorm Sandy, but when the load returned in the days following, Power's assets were available

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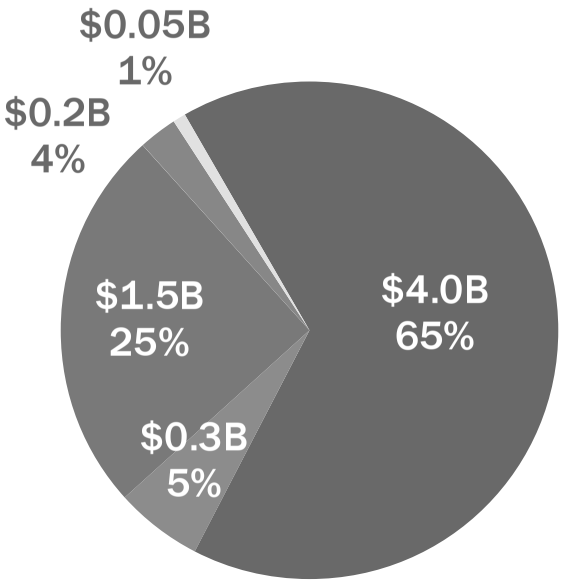
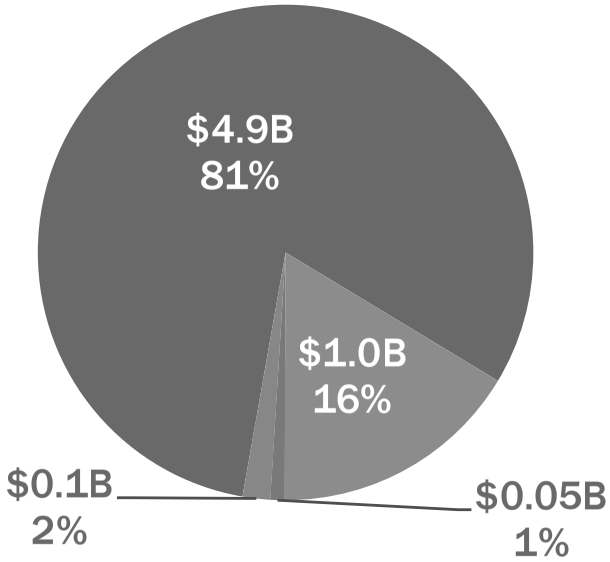
PSEG Capital Spending focused on growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
Growth / Environmental / Maintenance



PSE&G Growth
Power Growth
Maintenance
Environmental
Holdings Growth

PSEG 2013-2015E Capital Spending*
$6.1 Billion
by Subsidiary



PSE&G
Power
Holdings
Parent SC

E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.
*THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU.

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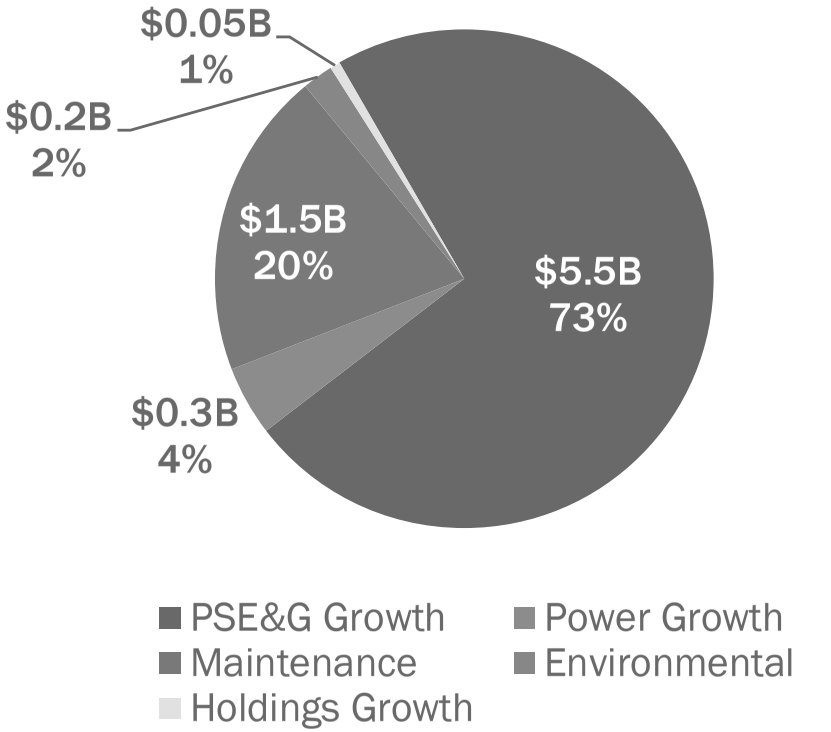
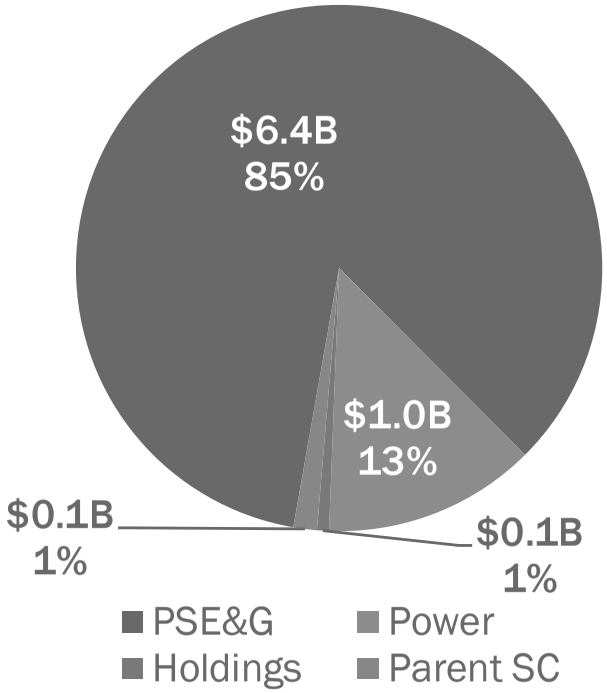
What's Next: PSEG's Capital Spending expansion opportunity directed toward growth in regulated business with ~ 25% growth in planned spending

Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
Growth / Environmental / Maintenance



Potential
PSEG 2013-2015E Capital Spending*
$7.6 Billion
by Subsidiary



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E = ESTIMATE; CAPITAL EXCLUDES IDC AND AFUDC.

PSE&G's Energy Strong Capital Program addresses new reality

- New $3.9 Billion Infrastructure Program filed with the NJBPU to strengthen PSE&G's electric and gas system focusing on hardening and resiliency
- Plan to invest an additional $1.5 Billion in Transmission grid over the ten-year period
- PSE&G's Infrastructure proposal includes:
  - Protecting 40 utility installations from severe storms (**$1.7 Billion**)
  - Making the electric grid smarter and easier to repair (**$454 Million**)
  - Adding backup distribution lines and system redundancies (**$415 Million**)
  - Undergrounding 20 miles of overhead distribution lines (**$60 Million**)
  - Modernizing the gas distribution system (**$1.1 Billion**)
- Better protection for homes and businesses during severe weather and improved day to day system reliability
- Proposed filing creates ~5,800 jobs and stimulates economic activity for New Jersey businesses

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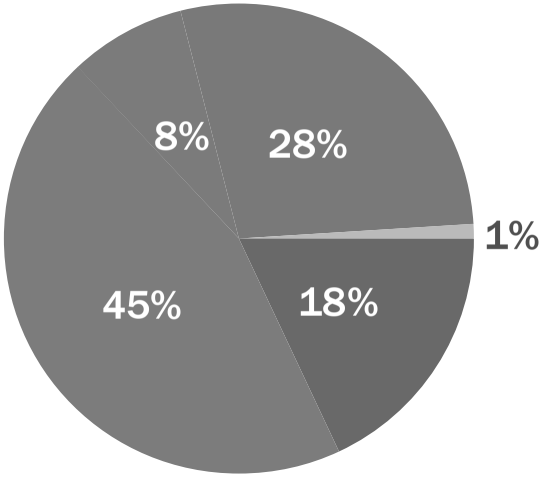
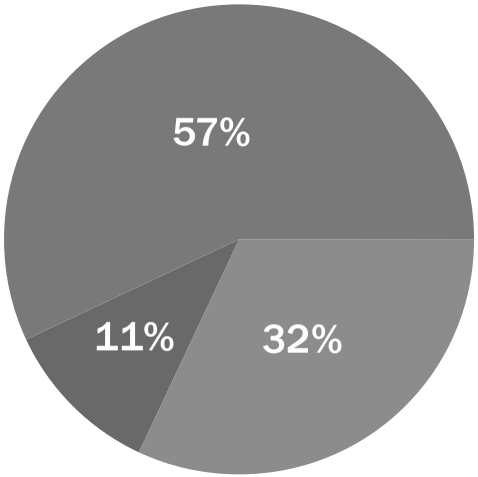
PSEG Power value advantaged by asset diversity, fuel flexibility and location

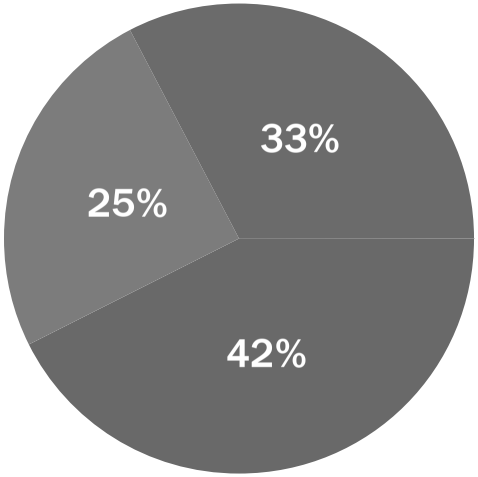
Fuel Diversity*
Total MW: 13,226



Energy Produced*
Total GWh: 52,511



Energy Market Served*
Total MW: 13,226



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

- Intermediate
- Peaking
- Baseload

*2012
**INCLUDES NJ UNITS THAT FUEL SWITCH TO GAS.

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Where we're going

PSEG Focus

($ millions, except as noted)

2008	2012		2015E
• 2.4% (planned[1])	• 0.8% (actual[2])	• O&M Growth per year	• 2.2% (forecast[3])
• $6,800	• $9,000	• PSE&G Rate Base	• $12,600
• $866	• $2,500	Transmission	• $5,000[4]
• $5,900	• $5,900	E&G Distribution	• $6,900[5]
• $0	• $600	EMP	• $700[5]
• 1.6%	• 1.7%	• EFORd Rate - CCGT	• 1.4%
• 29.3TWh	• 29.8TWh	• Nuclear Generation	• 30.4TWh
• $0	• $240	• Holdings Solar Investment	• $290
• $0	• $0	• LIPA Earnings	• $12-$15

(1) Planned compound annual growth rate 2008-2012.
(2) Actual compound annual growth rate 2008-2012.
(3) Two-year compound annual growth rate from 2013.
(4) Includes additional Transmission hardening.
(5) Includes proposed filings: EE4A, SL3, S4Ae, and ES programs.

E = ESTIMATE.

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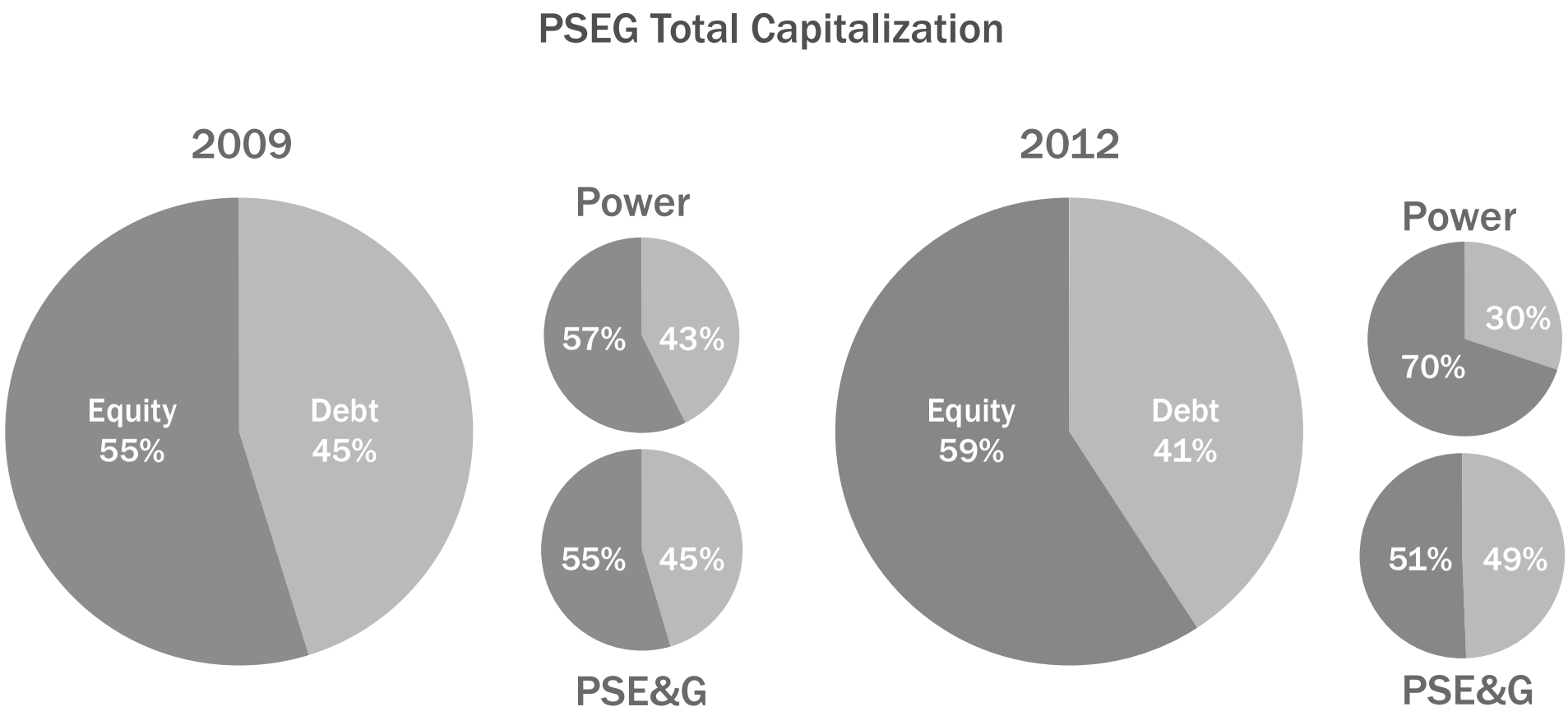
Balance Sheet Strengthened

PSEG has reduced risk



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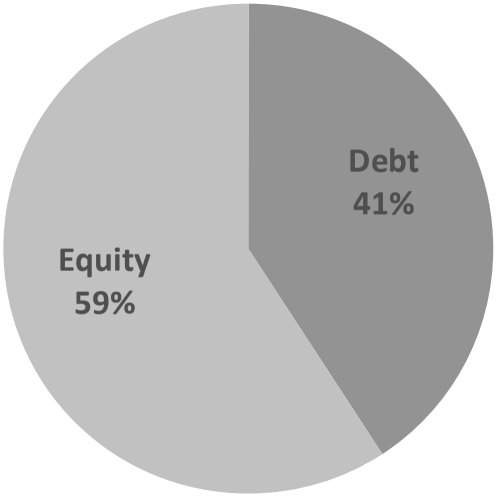
Using PSEG's balance sheet strength

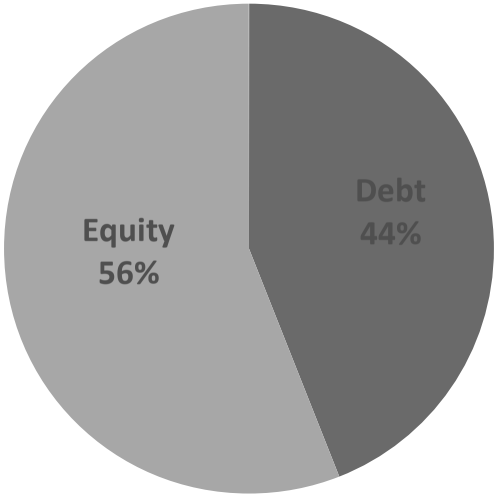
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



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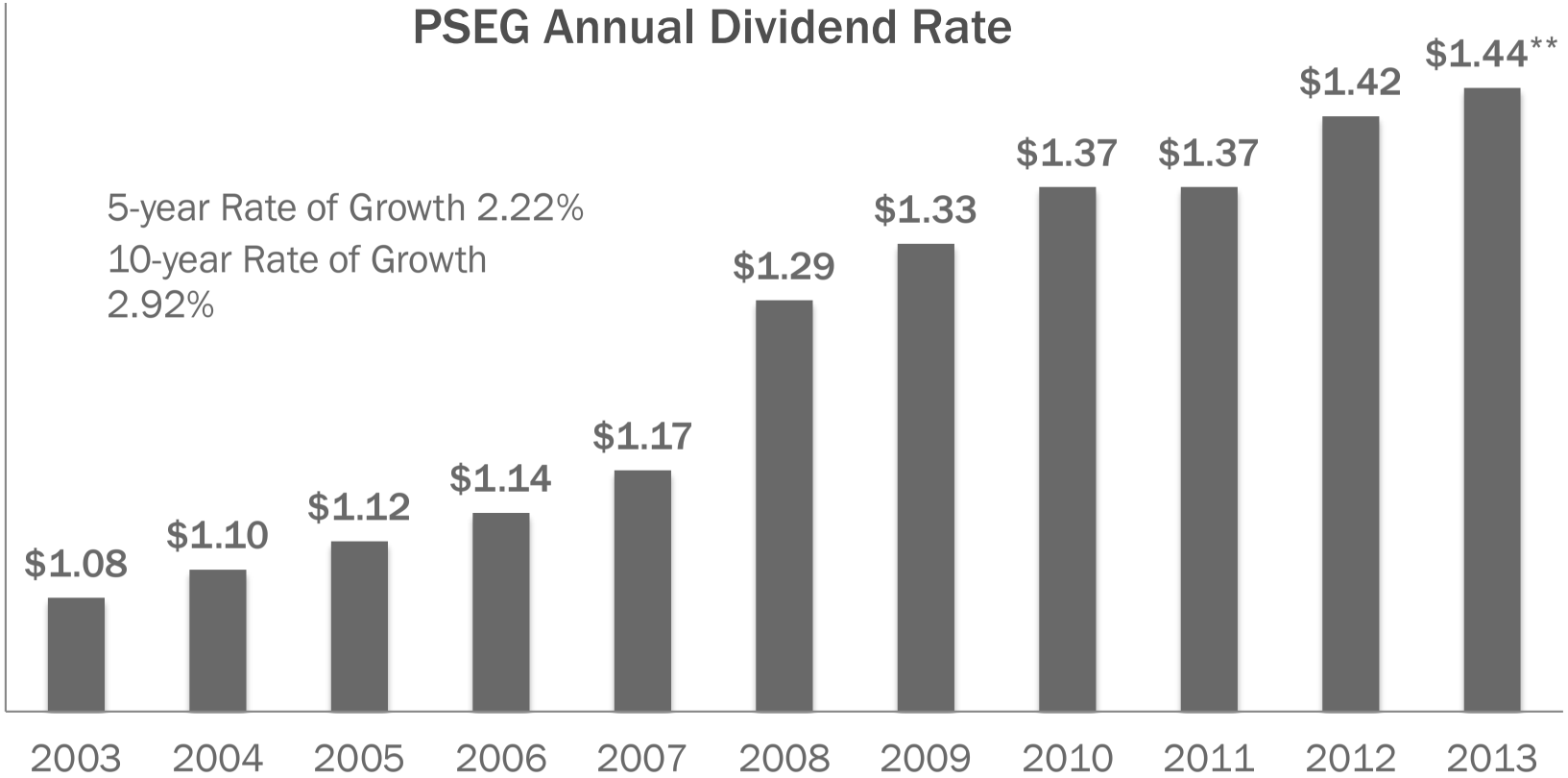
PSEG

* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

PSEG Annual Dividend

A long history of growth and returning cash to shareholders



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payout Ratio	62%	70%	63%	66%	43%	44%	43%	44%	50%	58%	61%*

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PSEG

*2013 PAYOUT RATIO REFLECTS THE MIDPOINT OF 2013 OPERATING EARNINGS GUIDANCE.
**INDICATED ANNUAL RATE.

Value Proposition

PSEG is positioned to expand its investment in PSE&G projects that provide reasonable, risk adjusted returns, in ways that meet customer needs and state goals, given strong cash flow of Power and growing cash contribution from PSE&G.

PSEG will maintain a strong financial profile that provides the opportunity to achieve our growth objectives and maintains our track record of returning cash to shareholders.

SI-SSA-0015-12273

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF
OPERATING OFFICER

PSEG

We make things work for you.

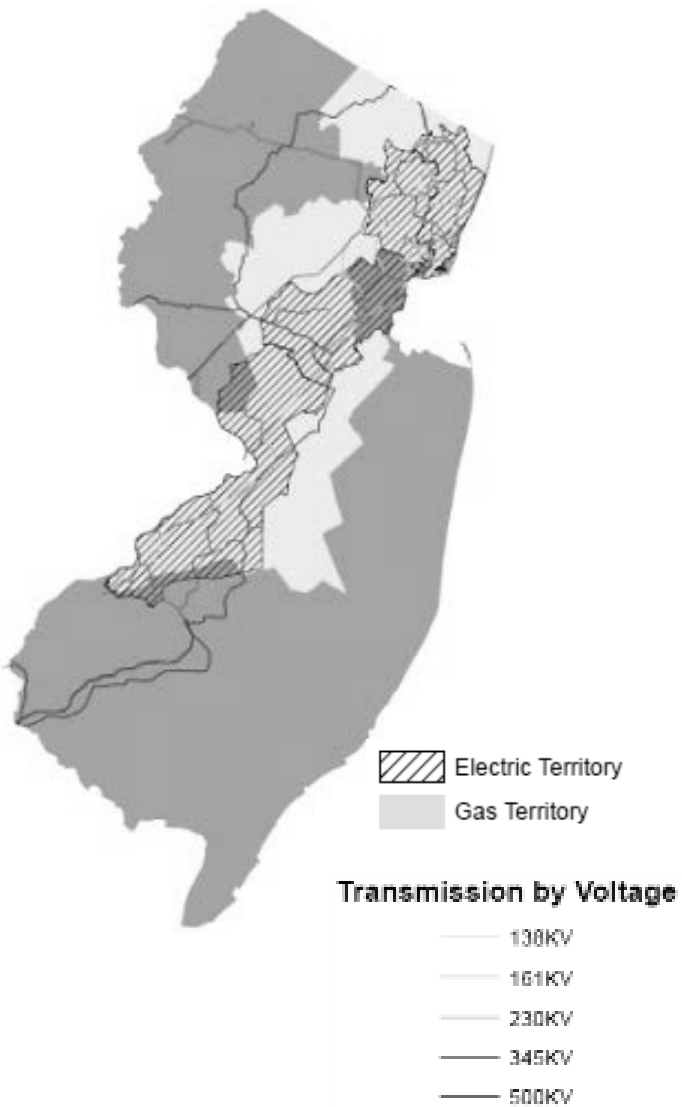
SI-SSA-0015-12274

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-12275

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2008 – 2012)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,641 GWh	3,397 M Therms
Projected Annual Load Growth (2013 – 2015)	0.7%*	0.2%*
Historical Annual Peak Load Growth Transmission (2008 – 2012)	0.4%**	
Projected Annual Load Growth Transmission (2013 – 2015)	1.4%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE***	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2012	Total Program Plan
Solar Loan	67 MW	81 MW
Solar 4 All	74 MW	80 MW
Energy Efficiency Annual Electric savings	160 GWh	200 GWh
Energy Efficiency Annual Gas savings	5M Therms	7M Therms

SI-SSA-0015-12276

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** TRANSMISSION LOAD GROWTH CAGR UTILIZES 2007 AS BASE YEAR.
*** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

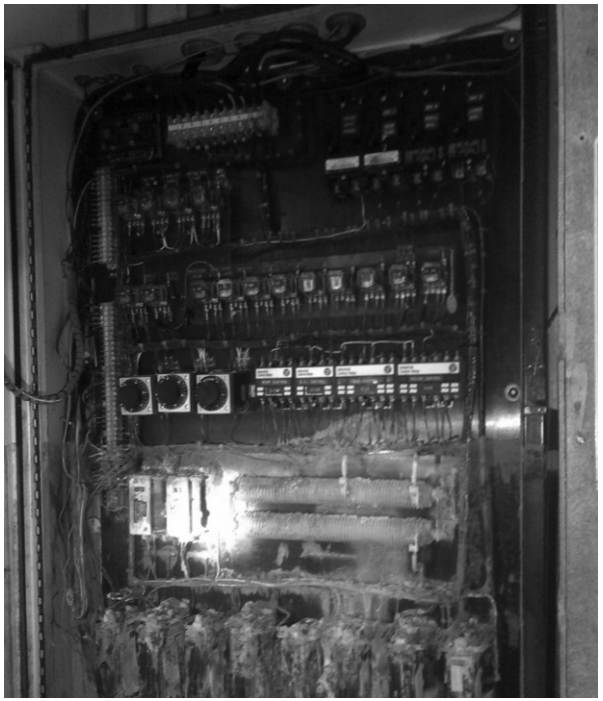
National reliability award winner

and recognized for emergency response during Hurricane Irene

EEI Emergency Response Awards Recovery Award

SI-SSA-0015-12277

During SuperStorm Sandy strong winds, heavy rainfall and storm surges caused significant damage to our infrastructure



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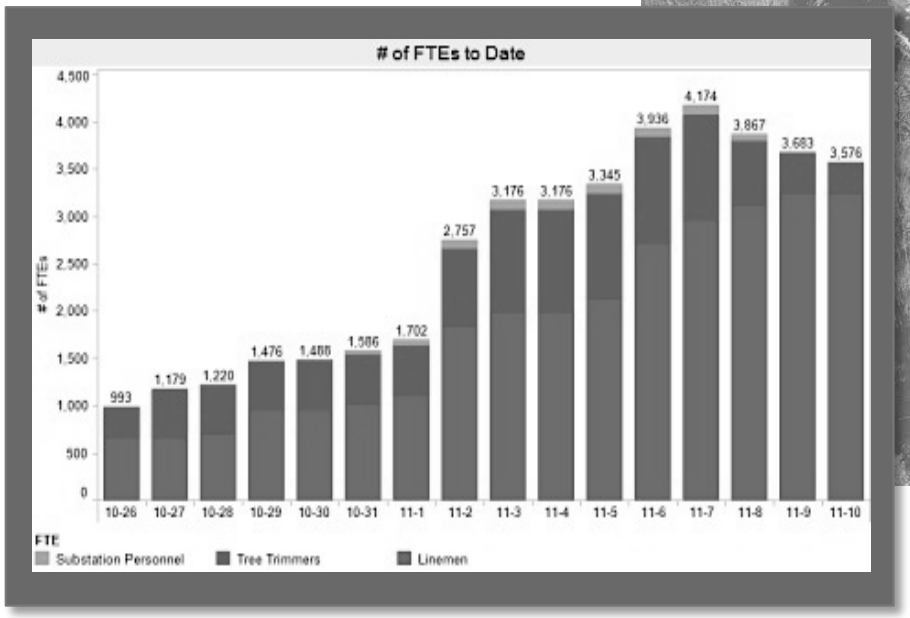
PSE&G brought in more than 4,000

contractors and mutual aid workers at the height of restoration efforts



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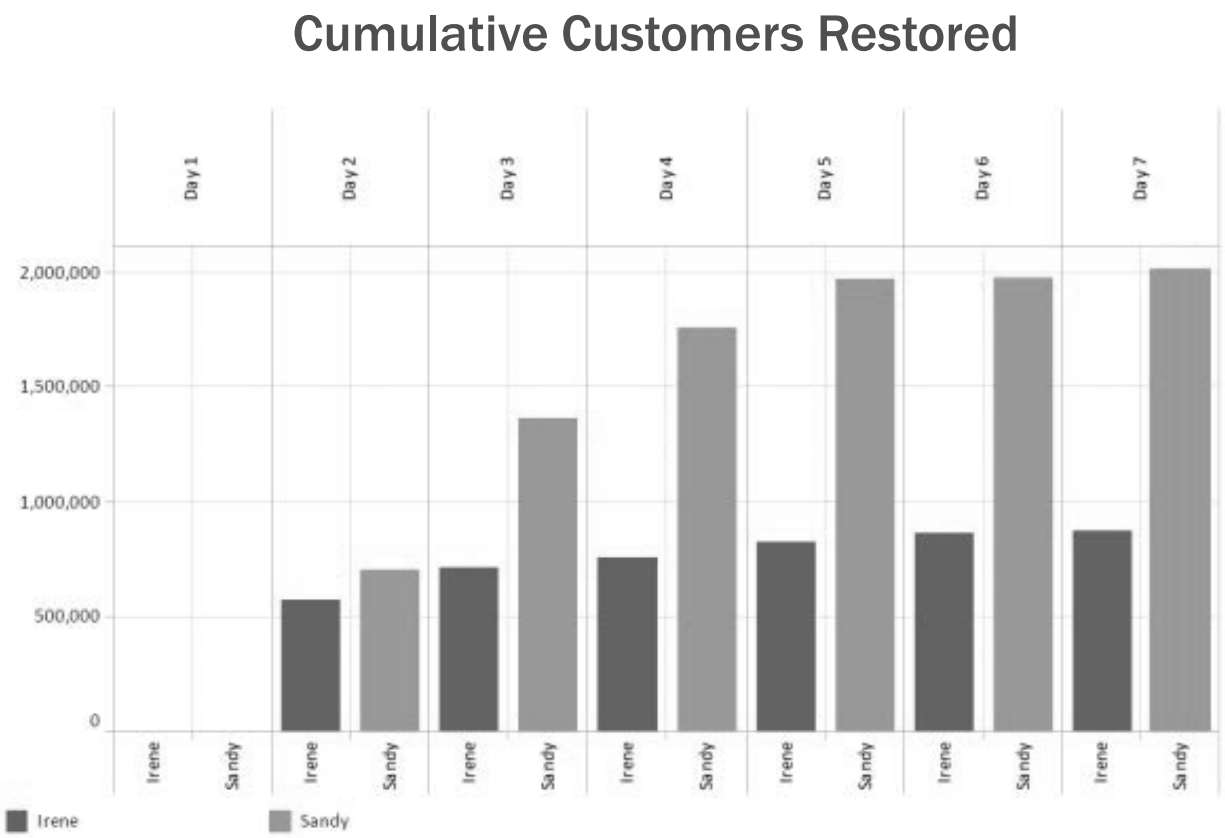
PSE&G's response to customer outages during recent major events

Restoration response incorporated lessons learned from Hurricane Irene



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PSE&G's operating earnings grew ~10%*

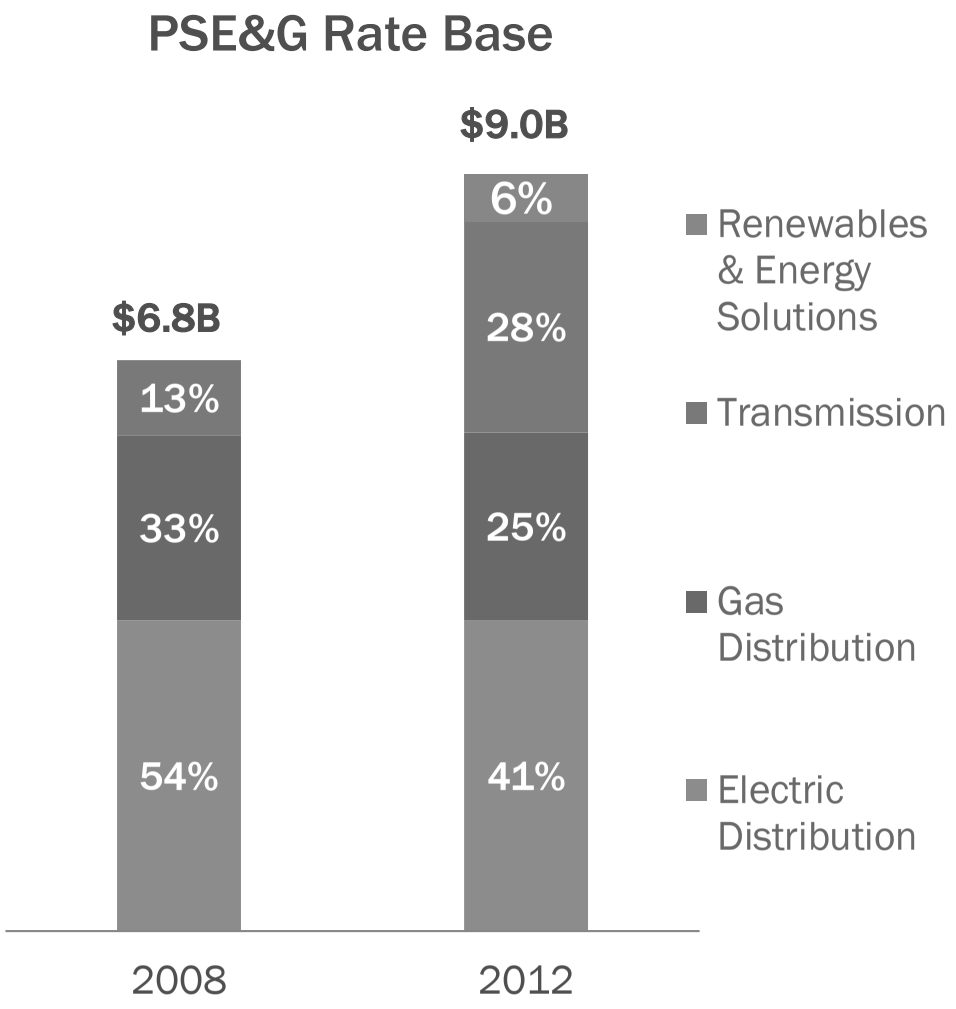
with increased investment, cost control and supportive rate mechanisms

SI-SSA-0015-12281

PSEG

* COMPOUND ANNUAL GROWTH RATE
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

PSE&G's rate base has grown ~7% annualized with a focus on meeting the State's goals and customers' needs



Growth in rate base is driven by investments with favorable recovery mechanisms

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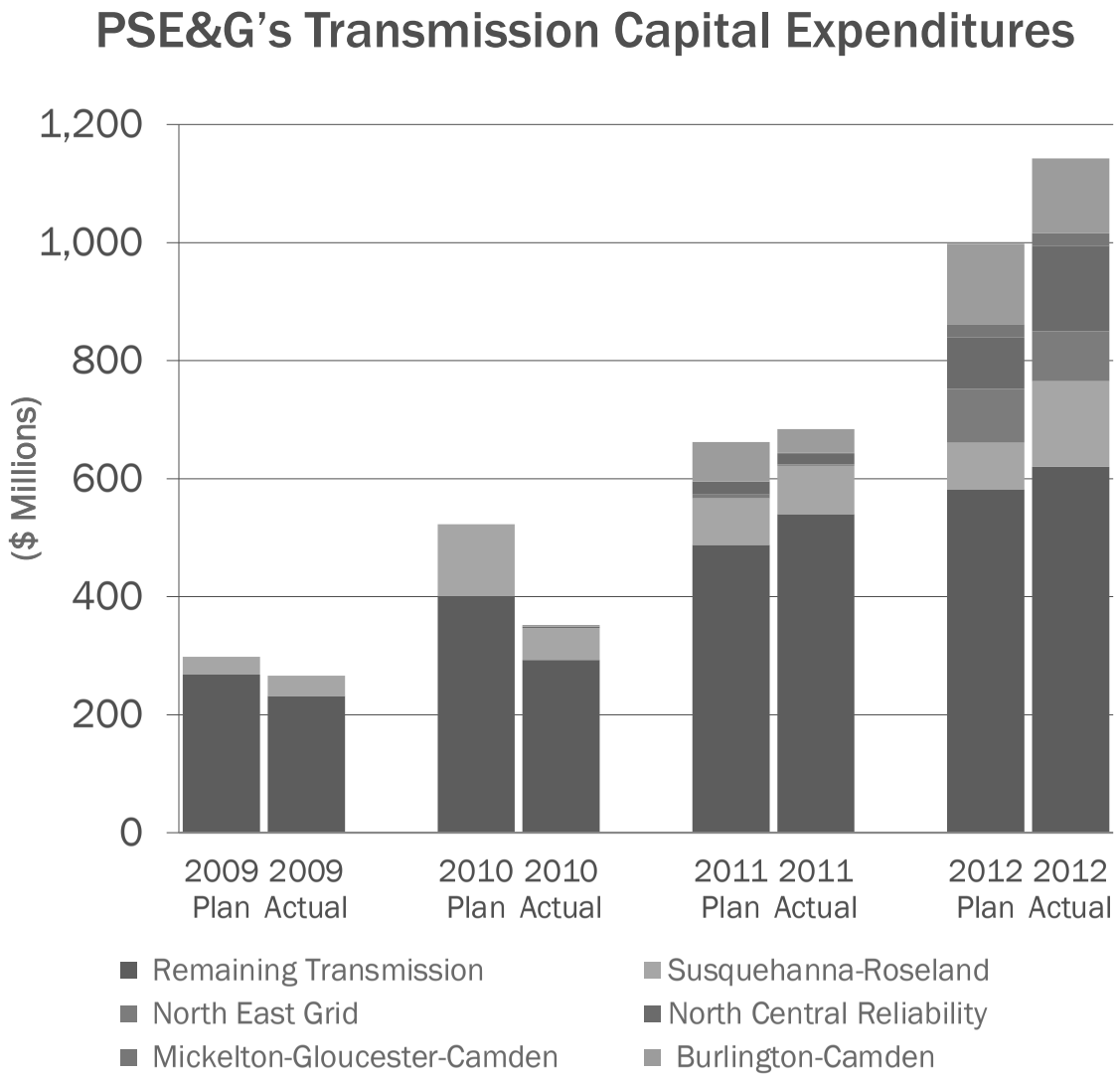
Overall, Transmission has delivered on planned spending



Represents ~28% of rate base in 2012

SI-SSA-0015-12283

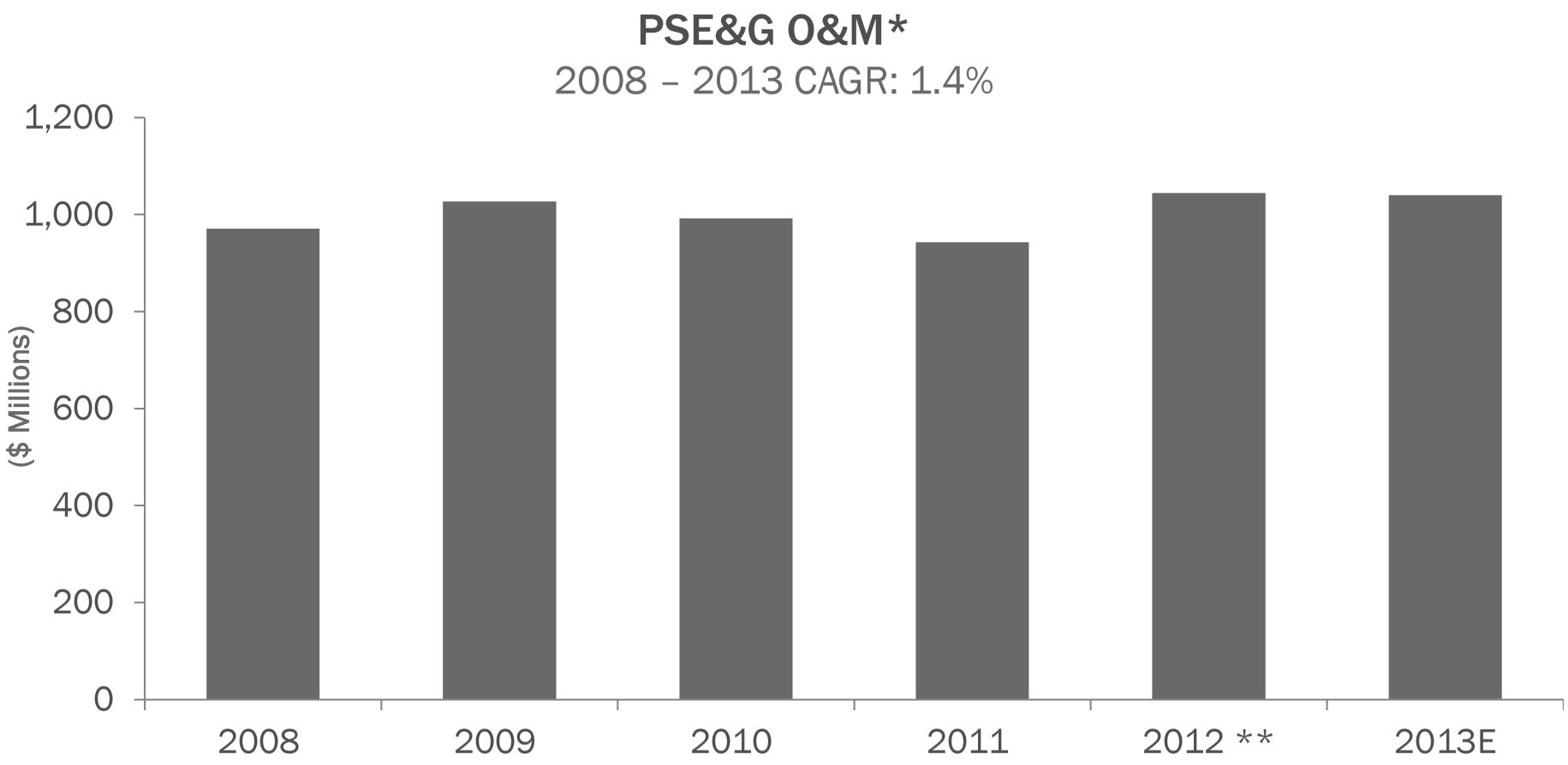
Providing solutions for New Jersey's energy and economic development goals

($ Millions)	Approval Date	Forecast Amount*	Spending Thru 2012	Remaining Spending
Renewables				
Solar Loan I & II	April 2008/ November 2009	$243	$209	34
Solar 4 All	July 2009	456	437	19
Energy Efficiency				
Carbon Abatement	December 2008	45	45	-
Energy Efficiency Economic Stimulus	July 2009	161	156	5
Demand Response	July 2009	35	27	8
Energy Efficiency Economic Stimulus Extension	July 2011	95	14	81
Distribution				
NJ Capital Infrastructure Program 1 (CIP 1)	April 2009	702	702	-
NJ Capital Infrastructure Program 2 (CIP 2)	July 2011	273	253	20
	Total	**$2,010**	**$1,843**	**$167**

* THIS FORECAST DOES NOT REFLECT THE IMPACT OF NEW PROPOSALS RECENTLY FILED WITH THE NJBPU

SI-SSA-0015-12284

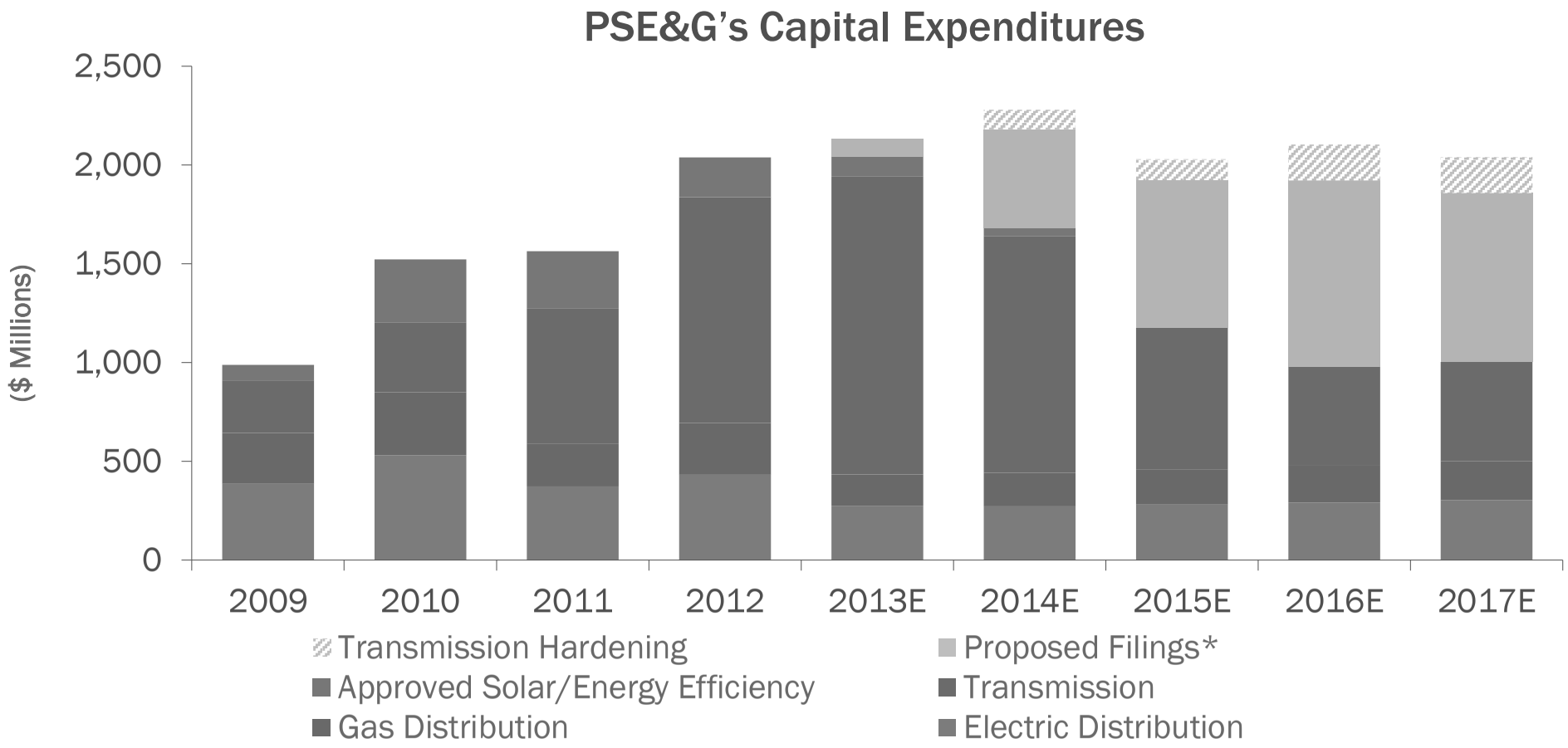
Focus on controlling O&M allows us to earn our authorized return



SI-SSA-0015-12285

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY IN 2012 E = ESTIMATE

PSE&G's capital program will continue to be focused on delivering energy solutions to meet New Jersey's public policy



SI-SSA-0015-12286

PSEG

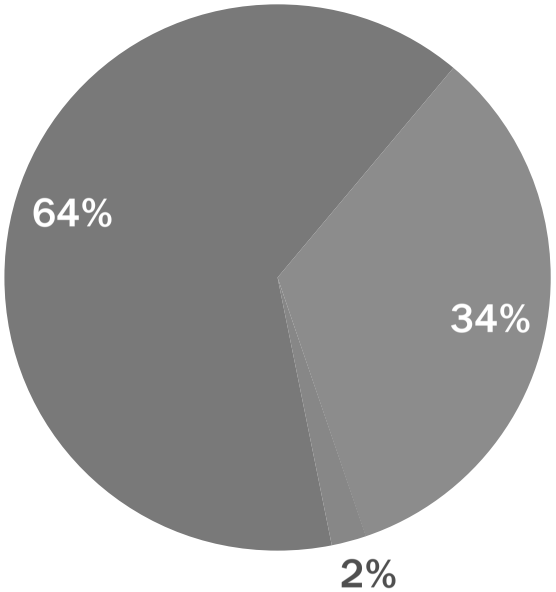
* PROPOSED FILINGS INCLUDE EE4A, SL3, S4AE, AND ENERGY STRONG (ES) E = ESTIMATE

2013-2017 proposed investment plan

would grow our current capital plan by up to 50%

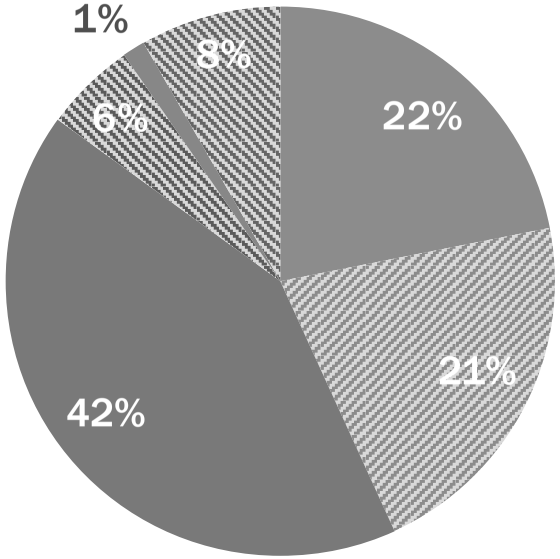
2013-2017E Capital Expenditures

Existing Plan
$6.9 Billion



- Distribution
- Transmission
- Approved Solar/Energy Efficiency

Existing Plan and Proposed Filings
$10.6 Billion



- Distribution ES Filing *
- Transmission Hardening*
- Solar/Energy Efficiency Filings

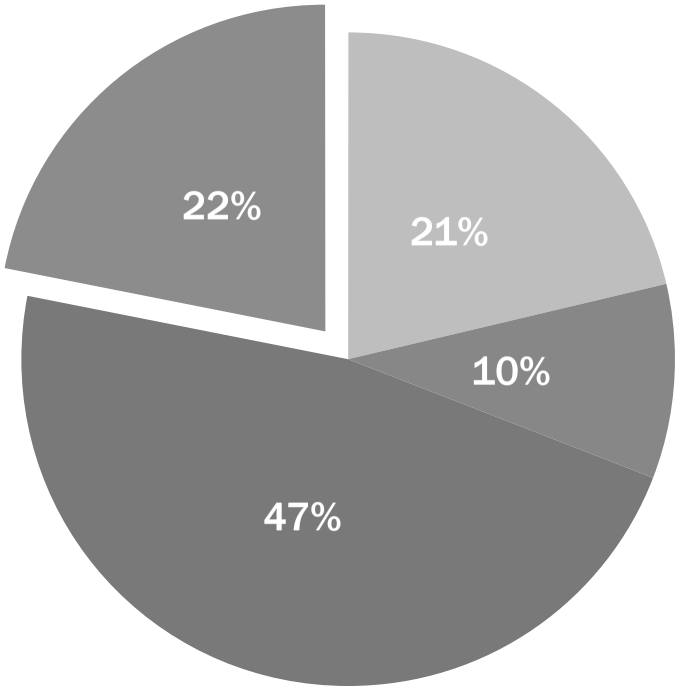
* Distribution ES and Transmission Hardening extend 10 years

SI-SSA-0015-12287

PSE&G's proposed investments would be recovered through contemporaneous recovery mechanisms

2013-2017E Capital Spending by Recovery Method

$10.6 Billion



Contemporaneous Recovery Mechanisms

- Energy Strong Filing (ES)
- Solar/Energy Efficiency Clauses
- FERC Formula Rates

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-12288

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Total Estimated Project Costs	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$895	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington – Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton – Gloucester-Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-12289

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2012	2013-2015E	Expected In-service Date
$790M	$324M	$466M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-12290

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION. E = ESTIMATE

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting twelve existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$895M	$88M	$807M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Engineering, licensing, and outside plant underground construction in progress

SI-SSA-0015-12291

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$390M	$163M	$227M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-12292

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2012	2013-2014E	Expected In-service Date
$399M	$169M	$230M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-12293

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2012	2013-2015E	Expected In-service Date
$435M	$24M	$411M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-12294

State policy imperatives have been redefined by SuperStorm Sandy

Storm report issued by NJBPU focusing on:

- Preparedness Efforts
- Communications
- Restoration and Response
- Post Event Analysis
- Underlying Infrastructure Issues

Storm Deferral Filings:

- On December 19, 2012 the Board granted a PSE&G request for general authority to defer storm restoration costs, thereby making such costs potentially recoverable in future rate filings
- On February 20, 2013, at its open public meeting, the Board voted that the recovery of all such storm restoration costs would be reviewed in a generic (multi-utility) proceeding

SI-SSA-0015-12295

We have also responded with a plan focused on infrastructure hardening and resiliency

- PSE&G filed a petition on February 20, 2013, with the NJBPU seeking approval for the Energy Strong Program (ES) which will harden electric and gas distribution infrastructure and increase the resiliency of the electric distribution system
- The filing complements the NJBPU's recently issued order requiring all Electric Distribution Companies to take specific actions to improve preparedness and response to major storms
- ES program represents a potential investment of approximately $3.9 billion over the next 10 years. PSE&G has asked for initial funding approval of $2.6 billion during the first five years
- Additional Transmission investment of approximately $1.5 billion would be included in future FERC Formula Rate filings

SI-SSA-0015-12296

PSE&G is continuing to provide solutions to assist New Jersey in achieving its EMP goals

Solar 4 All extension (S4Ae)*

- Filed July 2012
- Investment up to $690 million and 136 MW
- The program will assist the state in developing solar for underserved market segments by installing solar systems on landfills, brownfields and other underutilized land

Solar Loan III (SL3)*

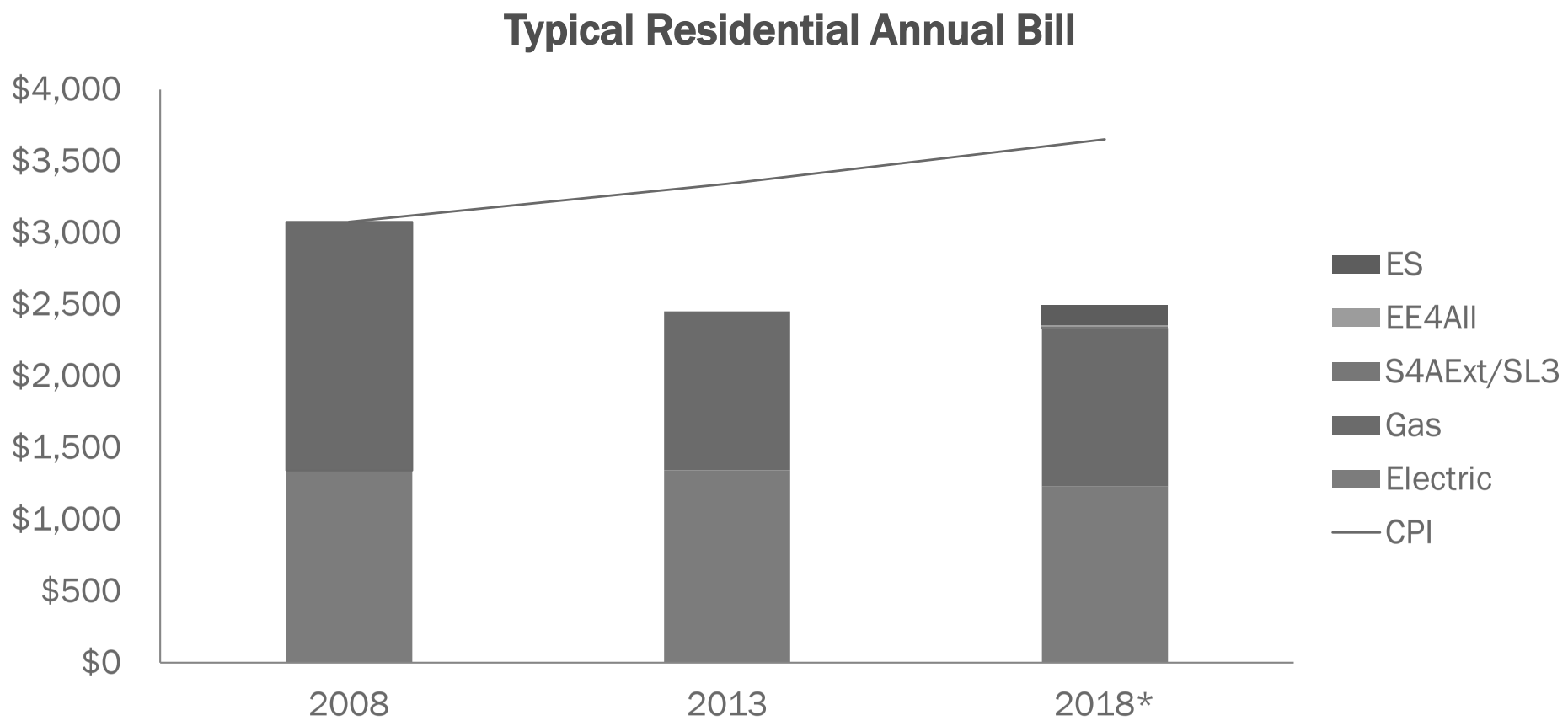
- Filed July 2012
- Investment up to $193 million and 97 MW
- The program will assist the state in meeting its solar policy objective by providing loans to solar developers and generation owners focused on residential, small non-residential and large non-residential customers

Energy Efficiency 4 All (EE4A)

- Investment up to $470 million
- The program will target four residential and three commercial and industrial segments
- To be filed

SI-SSA-0015-12297

Lower commodity costs and expiration of certain transition charges are expected to fully offset the impact to customer bills

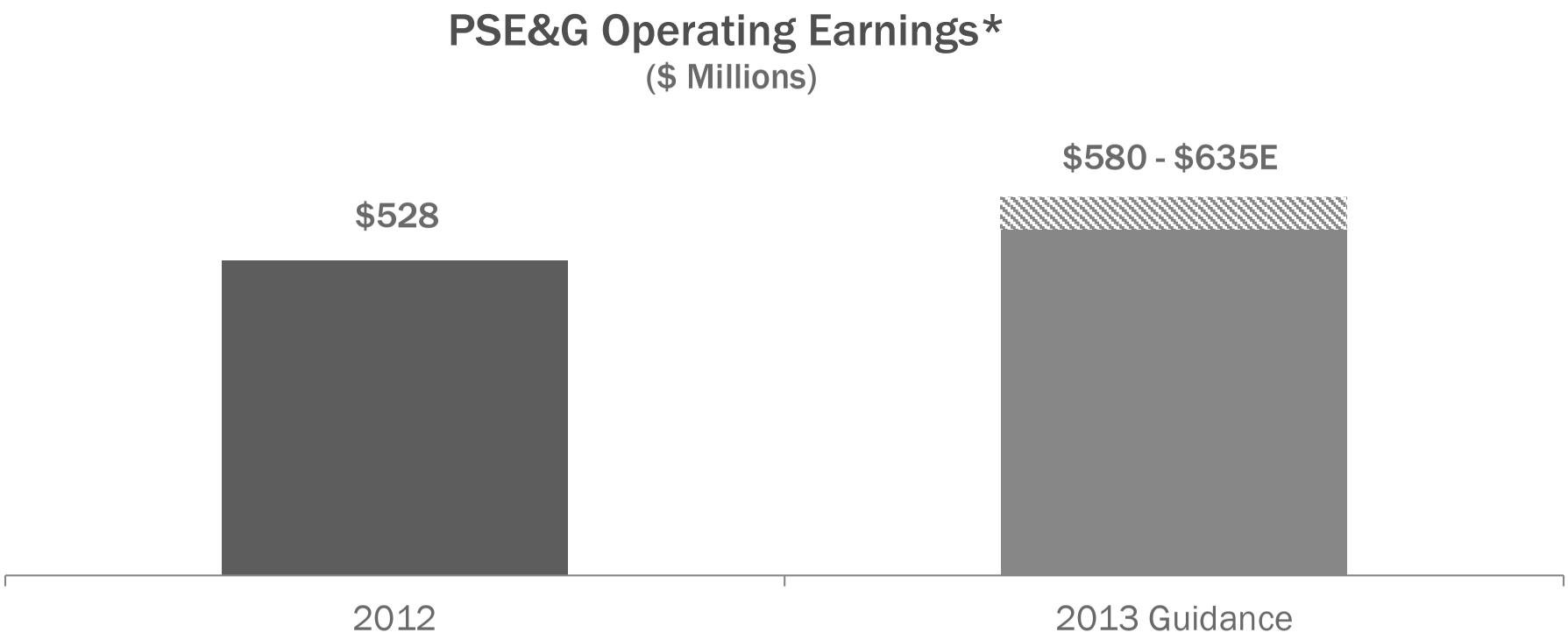


*2018 BGS/BGSS RATES AS WELL AS SBC AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2013 RATES. RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2018. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN 2018 BASED UPON LATEST ESTIMATE. THE 2018 BILL IMPACTS OF ES, EE4ALL, AND S4AEXT/SL3 IMPACTS ARE BASED UPON CURRENT ESTIMATES.

SI-SSA-0015-12298

PSE&G's 2013 operating earnings

is benefiting from transmission growth and cost containment initiatives



SI-SSA-0015-12299

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E= ESTIMATE

Long Island Power Authority

SI-SSA-0015-12300

PSEG

LIPA T&D management contract

In December 2011, the Long Island Power Authority (LIPA) selected PSEG to manage its electric transmission and distribution system for 10 years starting in 2014

- Reasons for selecting PSEG included:
- Proven technical capabilities and track record of top quartile customer service and reliability
  - Commitment to cost control and investment optimization
  - Corporate culture of transparency and data-driven decision making
  - Transition activities on-track – successfully achieving all milestones through February 2013

- Evaluating impact of SuperStorm Sandy and recent LIPA management changes on the overall schedule and transition

Successful management of the LIPA transmission and distribution system may lead to additional growth opportunities

SI-SSA-0015-12301

PSEG ENERGY HOLDINGS

Randall Mehrberg

EXECUTIVE VICE PRESIDENT
STRATEGY AND DEVELOPMENT

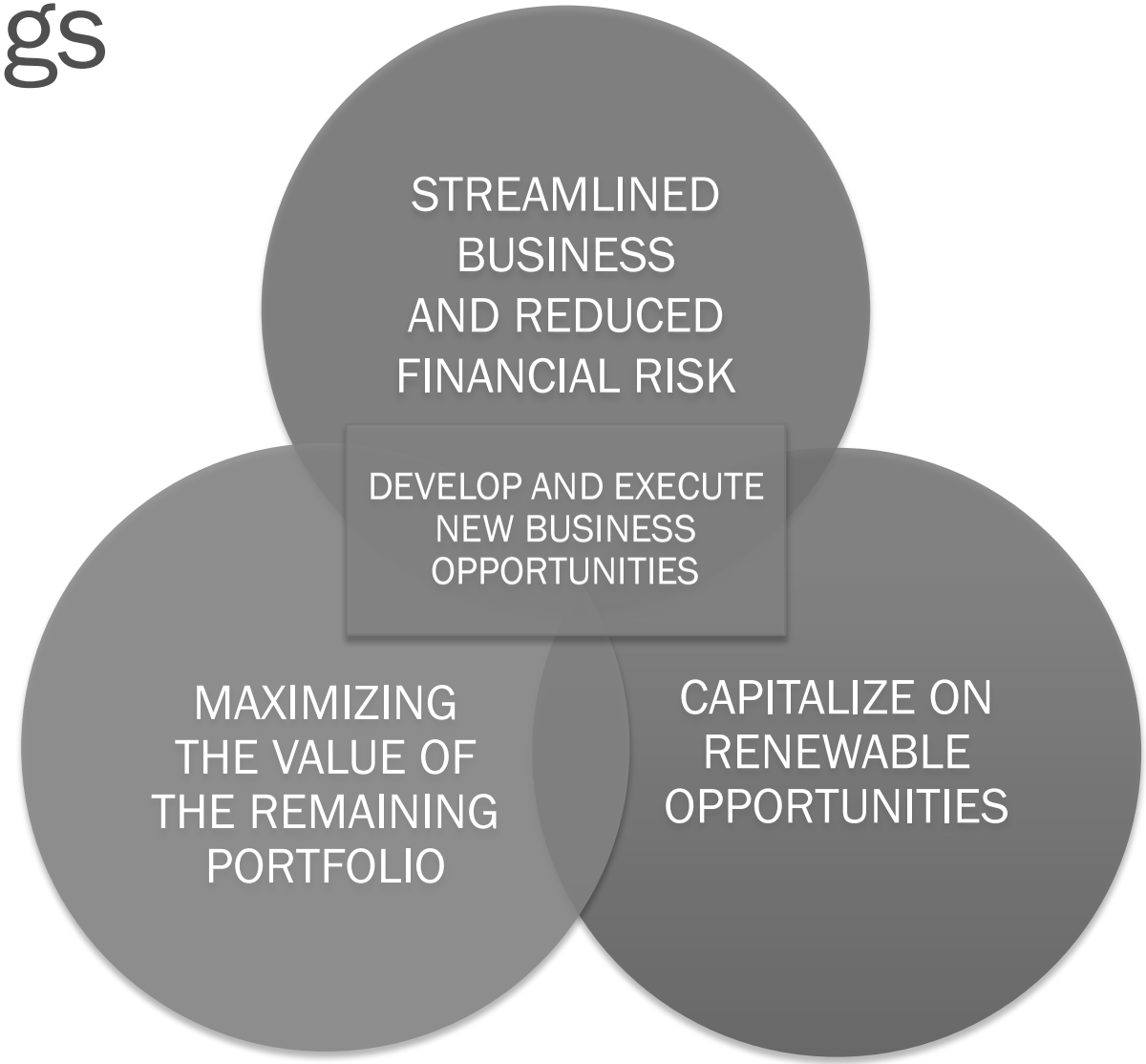
PRESIDENT PSEG
ENERGY HOLDINGS

PSEG
We make things work for you.

SI-SSA-0015-12302

PSEG Energy Holdings strategy

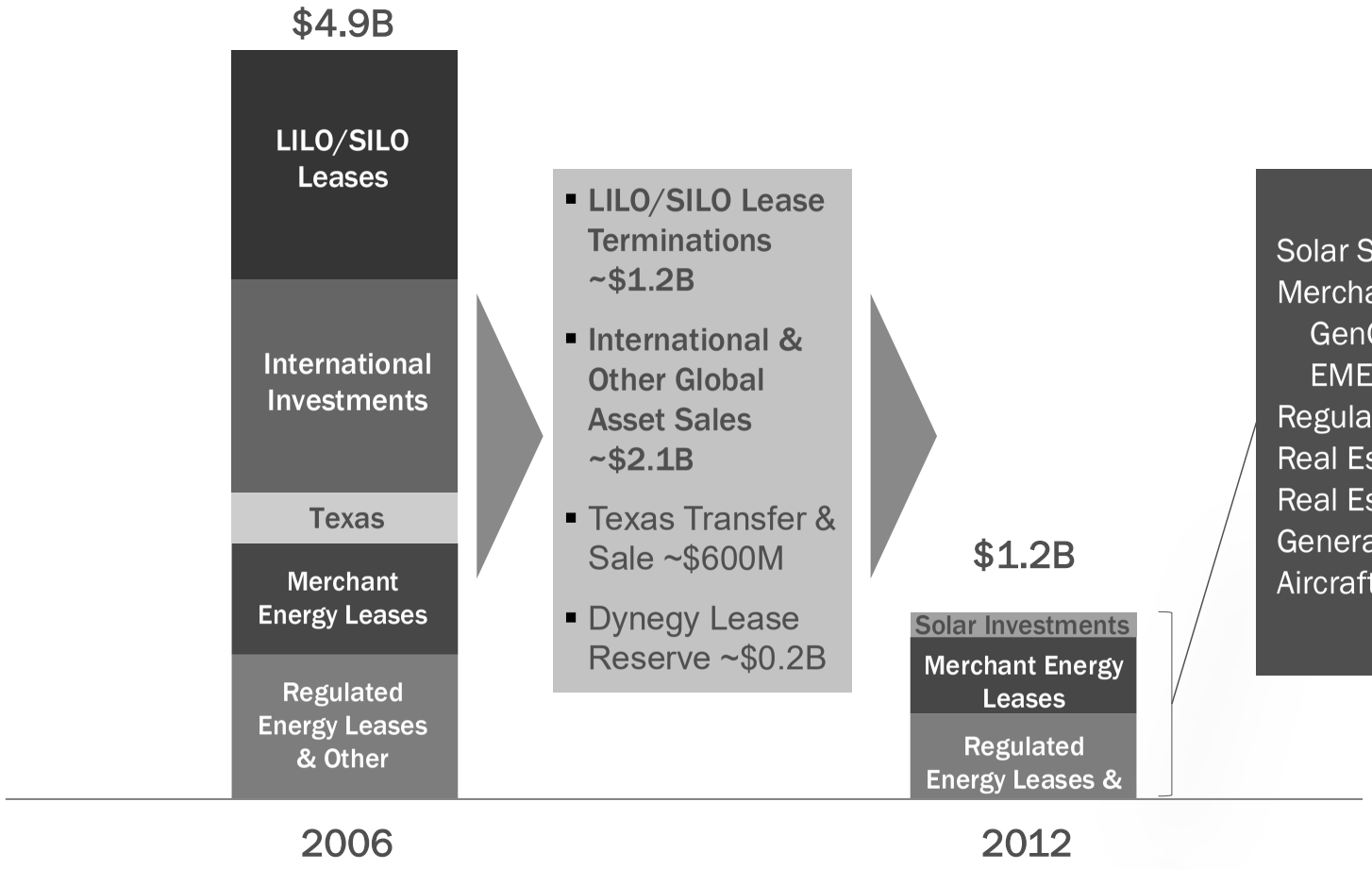
Holdings' priorities are to manage lease risks, sell remaining non-core assets and grow the renewables portfolio



SI-SSA-0015-12303

PSEG Energy Holdings has monetized the majority of its legacy assets, eliminated all Holdings debt, and returned cash to PSEG

Holdings Investment Portfolio



	$M
Solar Source	$ 159
Merchant Energy Leases	
GenOn (REMA)/NRG	$ 341
EME (Midwest Gen)	$ 218
Regulated Energy Leases	$ 202
Real Estate Leveraged Leases	$ 80
Real Estate Operating Leases	$ 100
Generation Legacy Assets	$ 96
Aircraft Leases and Other	$ 24
	$1,220

NOTE: 2006 AND 2012 DATA REFLECT BOOK VALUES OF ASSETS, EXCLUDING DEFERRED TAXES. TRANSACTIONS REFLECT TRANSFER VALUE IN THE CASE OF TEXAS, MARKET VALUES FOR ASSET DISPOSITIONS OR, IN THE CASE OF DYNEGY, BOOK VALUE RESERVE TAKEN IN 2011..

SI-SSA-0015-12304

PSEG Energy Holdings

- Legacy Generation Assets
- Merchant Energy Leveraged Leases
- Regulated Energy Leveraged Leases
- Real Estate Leveraged and Operating Leases

→ Reducing Risk and Monetizing Legacy Assets

- PSEG Solar Source
- PSEG Long Island

→ Growth in unregulated renewables

→ Growth by leveraging knowledge

SI-SSA-0015-12305

PSEG Solar Source has completed 69 MW and has an additional 19 MW under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $75 million
20 year PPA with SRP

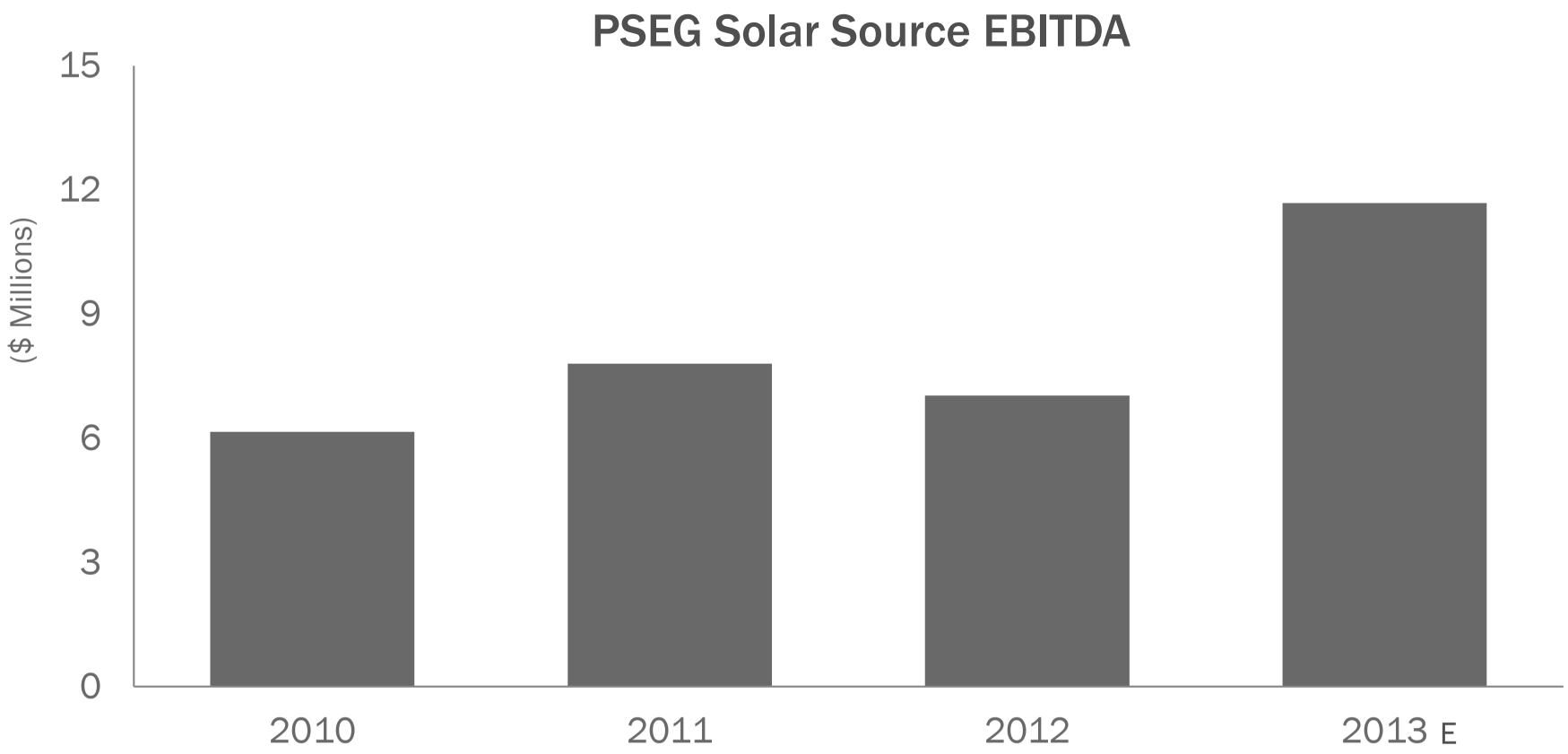
Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

Badger I
Arizona (19 MW)
Expected COD late 2013
Polycrystalline - single axis tracker
Investment $51 million
30 year PPA with APS

SI-SSA-0015-12306

PSEG Energy Holdings

These projects will produce steady results for PSEG

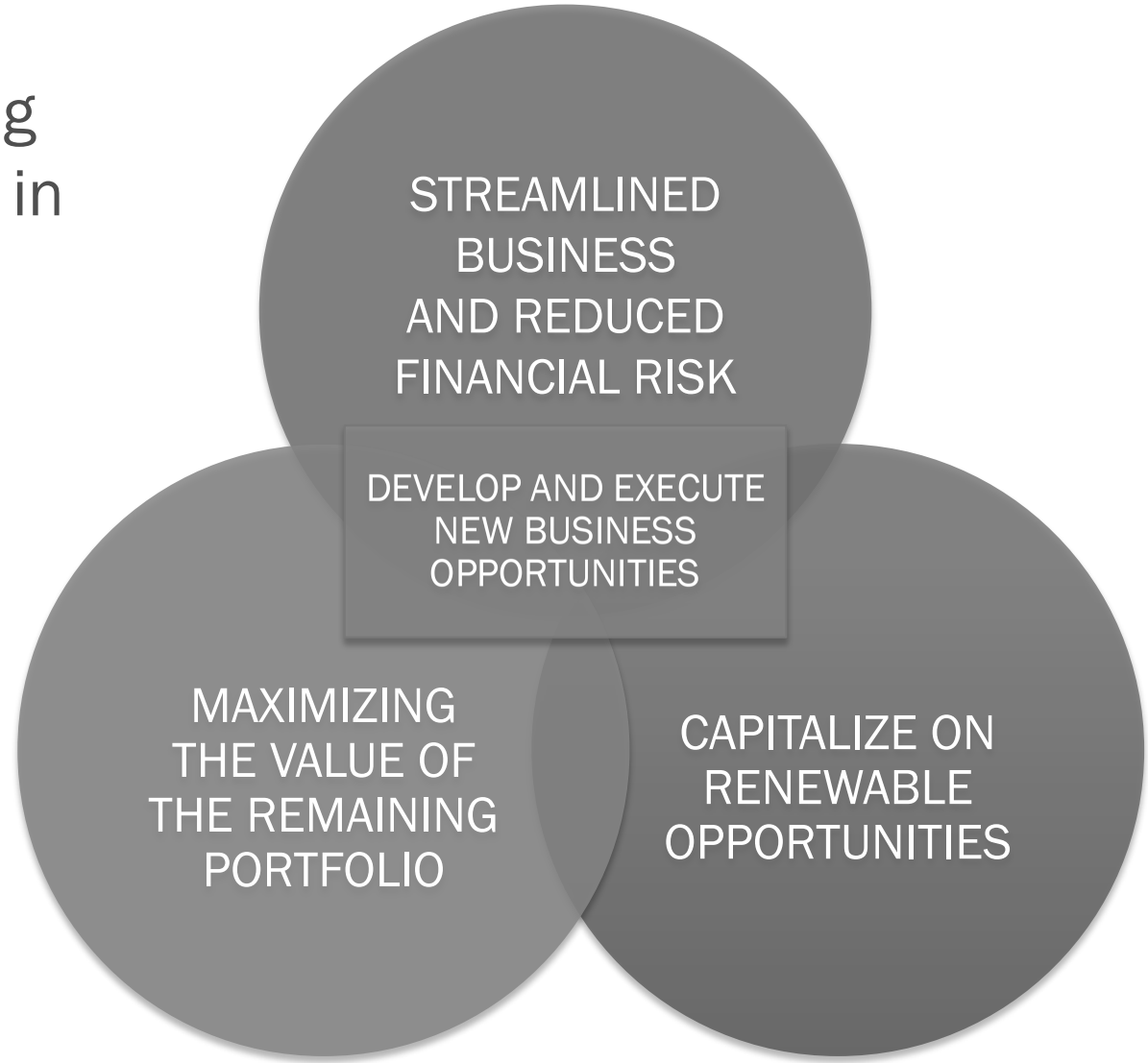


SI-SSA-0015-12307

PSEG Energy Holdings

Simplifying the business and creating growth opportunities in renewables

Operational Excellence
Financial Strength
Disciplined Investment



SI-SSA-0015-12308

PSEG POWER

William Levis

PRESIDENT & CHIEF OPERATING OFFICER, PSEG POWER

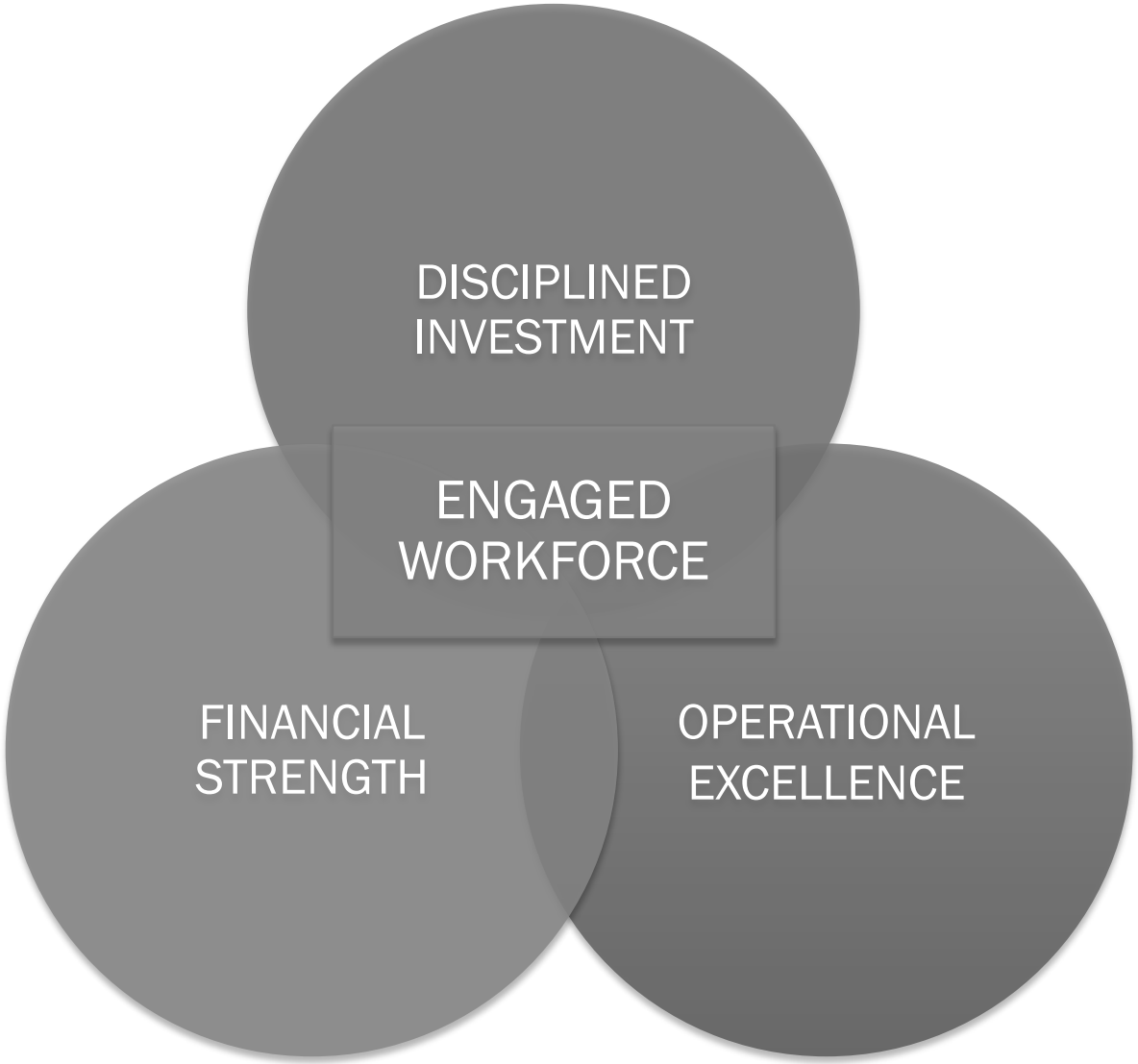
SI-SSA-0015-12309

PSEG

We make things work for you.

PSEG Power strategy

Focused on safety performance, unit reliability, competitive cost structure with control of maintenance costs, achieving operational excellence, and supporting market rules to maintain a level playing field



SI-SSA-0015-12310

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus

Fleet Diversity/Efficiency Focus

- Fleet diversity across the dispatch curve and fuel types provides flexibility
- Nuclear units continue to achieve strong operational results and are well positioned for the future
- Peach Bottom steam path retrofit completed
- Fossil fleet is suited for market dynamics
- CCGT achieved record output in 2012
- Installed 400 MW new peaking capacity in 2012

Financial/Economic Focus

- O&M cost control programs have delivered
- Sites offering competitive advantage suited for expansion

Regulatory Focus

- Strong regulatory performance
- Industry leadership in the changing regulatory environment

SI-SSA-0015-12311

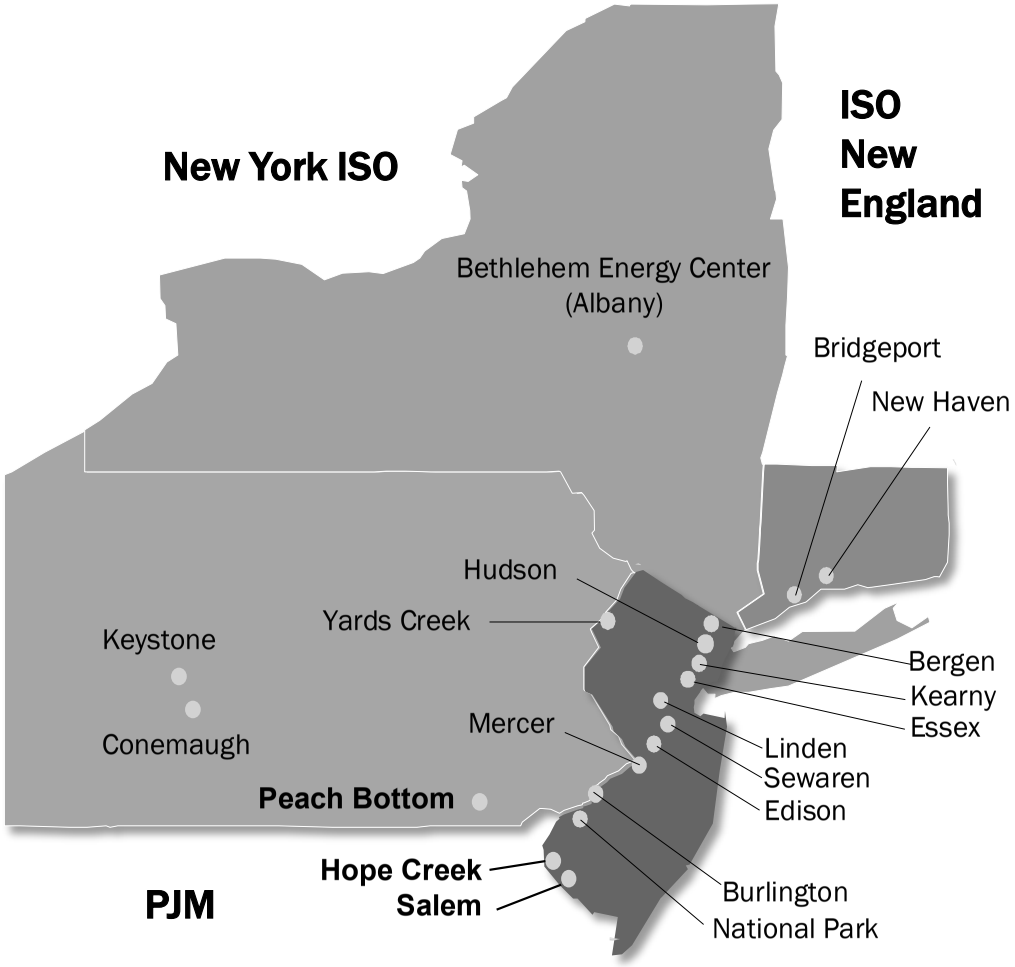
PSEG Power delivered in 2012

Storm and weather challenges	Market challenges	Value delivered
• SuperStorm Sandy impacted our generating sites • Warm winter put pressure on demand and pricing for both electricity and gas • Hot summer weather created challenging operating environment	• Unit outages and transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by weather and economy	• Cost control • Lower dispatch and fuel cost • Captured value through coal/gas switching, unit flexibility • Improved unit availability • Coal & oil sales optimized inventory • Expedited return from storm outages, restored margin opportunities • Optimized unit dispatch across fleet during storm recovery

SI-SSA-0015-12312

PSEG Power has generating assets in three competitive markets

- Low cost portfolio
- Fuel flexibility
- Assets near loads
- Poised to benefit in real time markets
- Fleet will maintain diversity and efficiency in 2016 after HEDD
- Most sites suitable for expansion



SI-SSA-0015-12313

PSEG Power Nuclear fleet is a critical element of success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,174 MW
• Owned Capacity: 1,174 MW
• License Expiration: 2046
• Next Refueling
  • Fall 2013
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%, Exelon – 43%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,326 MW
	• Owned Capacity: 1,335 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Spring 2013
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,245 MW
		• Owned Capacity: 1,123 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2013

SI-SSA-0015-12314

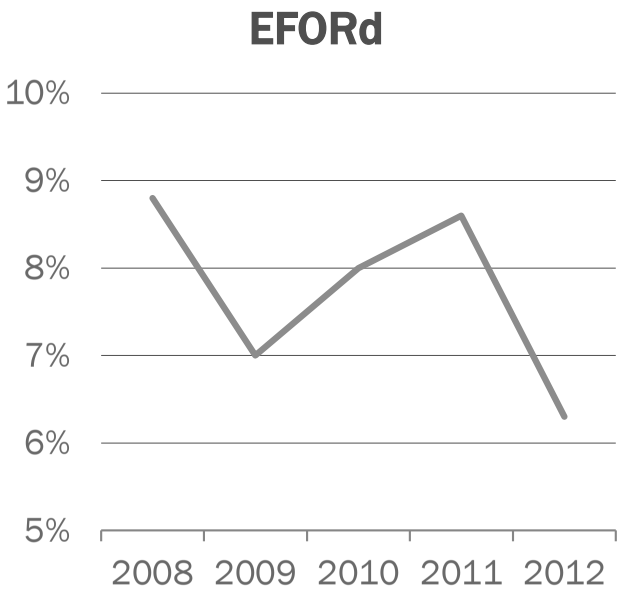
PSEG Power Nuclear is core to the fleet and has competitive advantages

- Continued strong nuclear operations – eight consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent and attractive training program
- Developing Fukushima action plan in response to NRC staff review
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

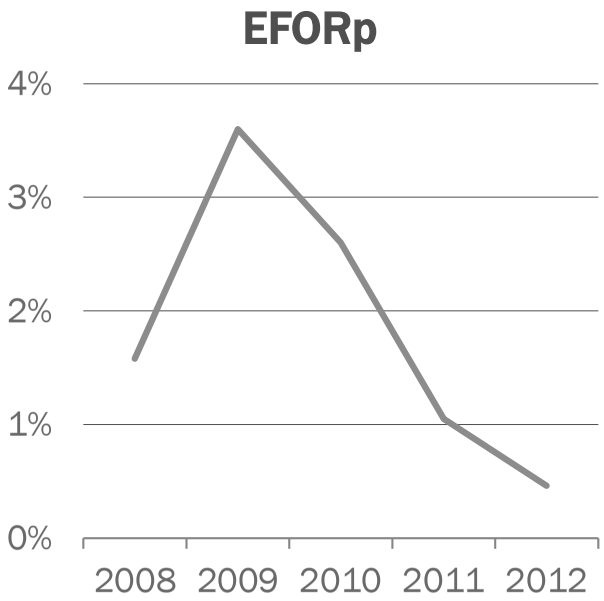
SI-SSA-0015-12315

PSEG Power's Fossil Fleet availability has shown steady improvement

EFORd improvement resulted in over 200 MW of additional capacity available

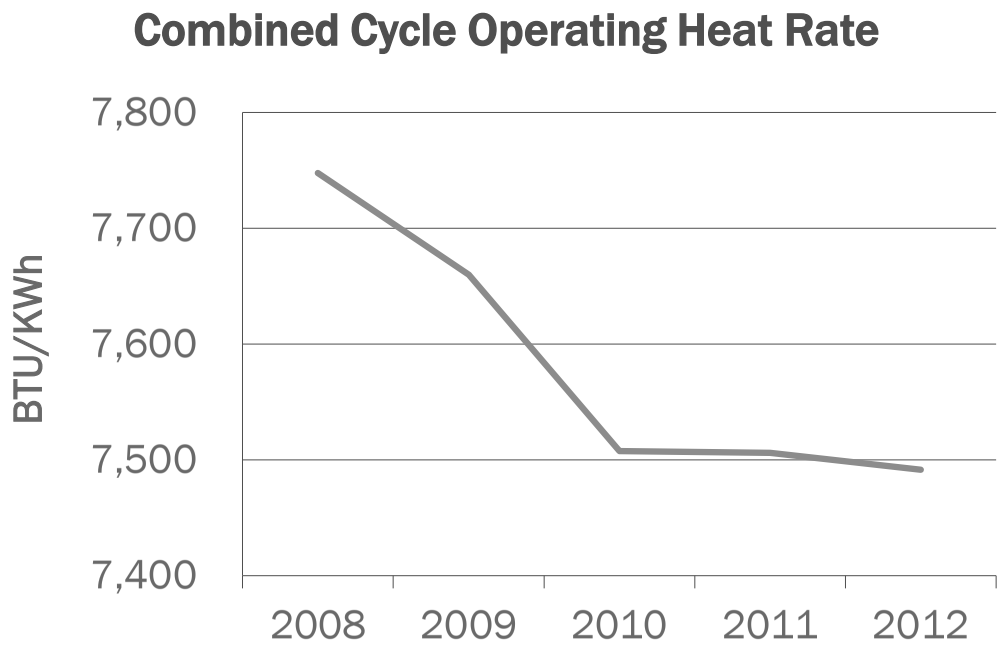


EFORp improvement and availability at peak demand times has resulted in performance payments in each of the last four years



SI-SSA-0015-12316

PSEG Power improvements achieved in combined cycle fleet efficiency

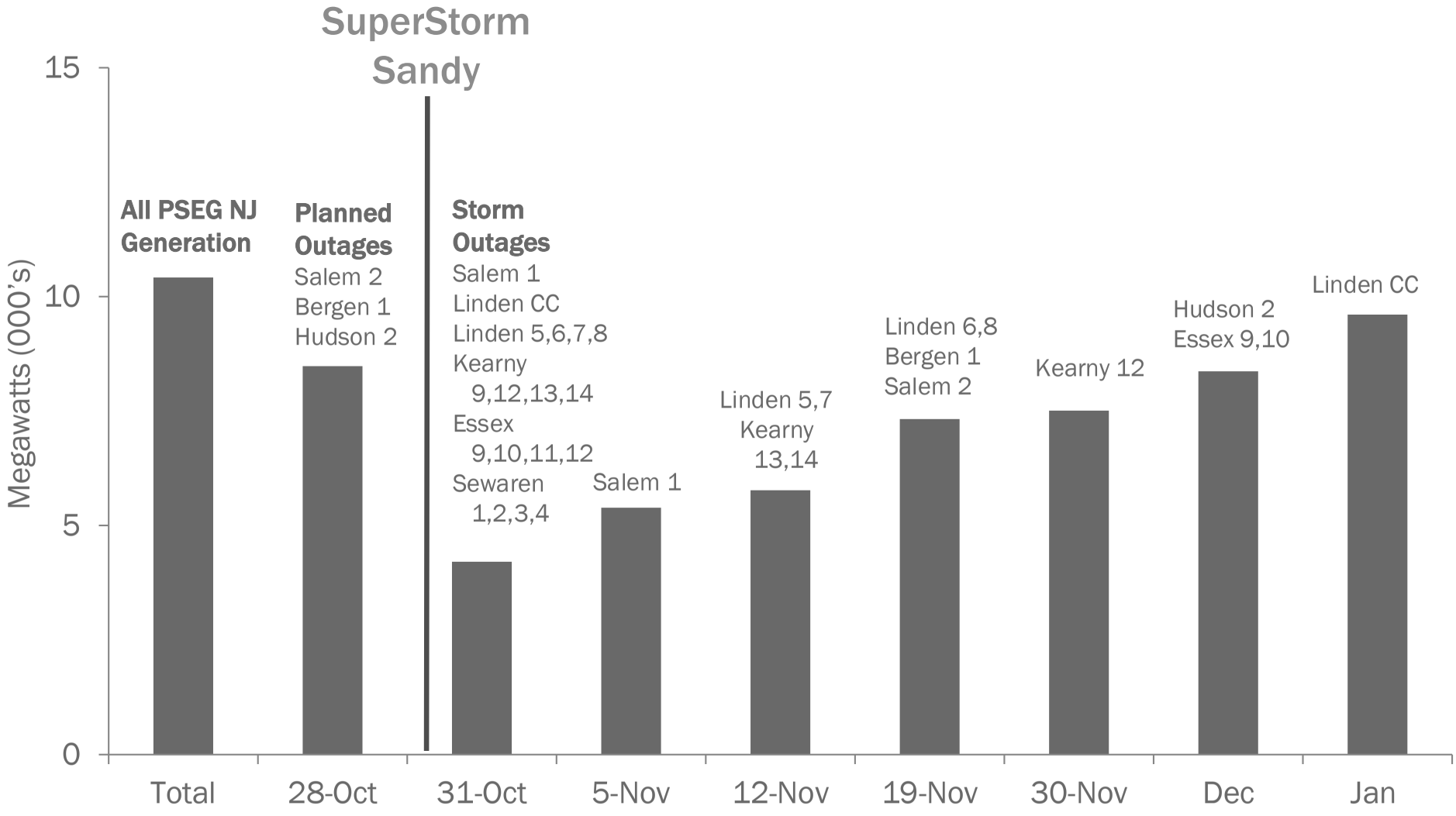


Actions Taken to Create Value	
• Heat rate improvement program • Operational Excellence Model	• Training programs • Unit testing initiative • Outage work to restore efficiency

SI-SSA-0015-12317

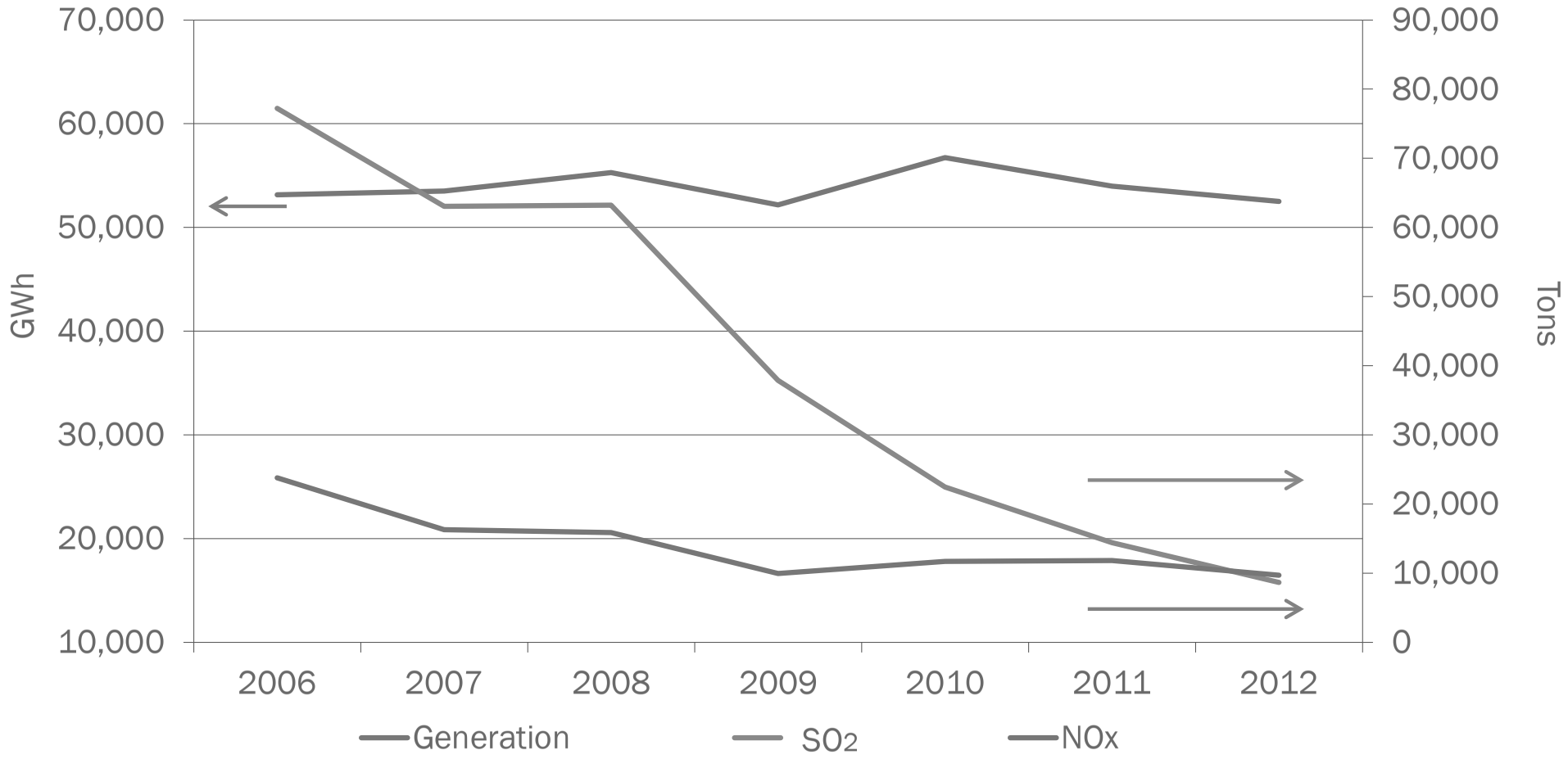
SuperStorm Sandy affected the fleet;

when the load returned, Power was ready



SI-SSA-0015-12318

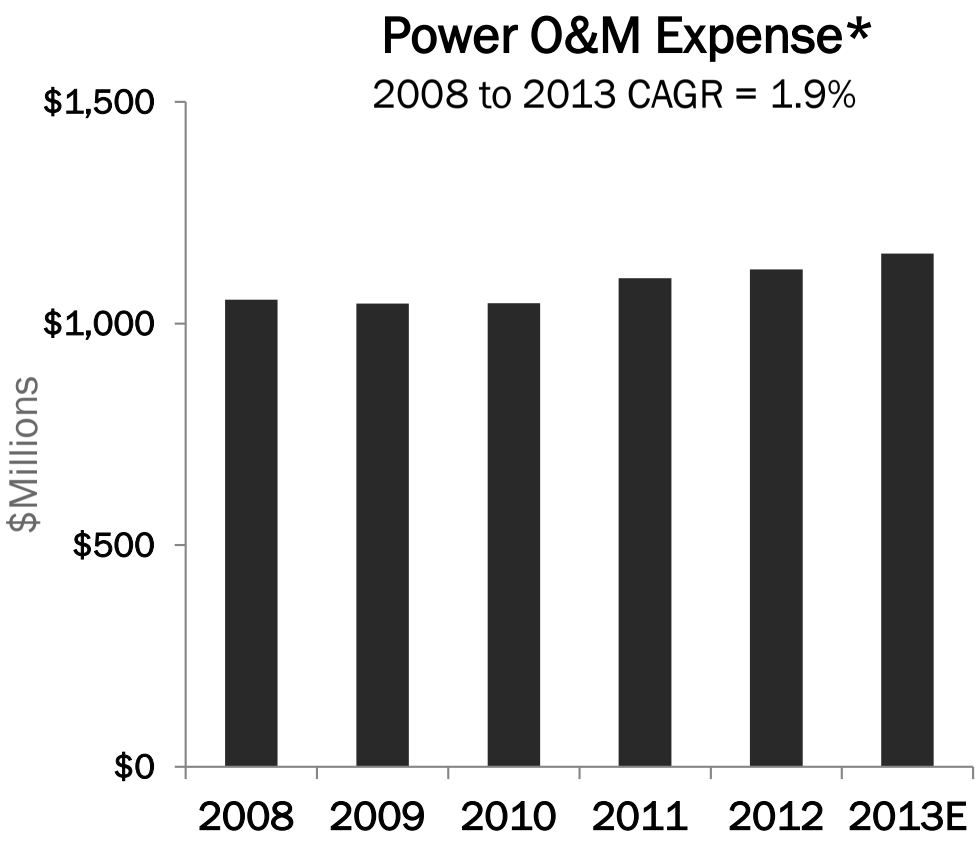
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- Power is well positioned for HAPS

SI-SSA-0015-12319

PSEG Power's focus on costs has resulted in moderate increase in O&M for six years



Cost control actions taken:	
• Coal assessment • CCGT material condition assessment • Contract renegotiation	• Material management • Nuclear maintenance productivity study • Nuclear outage efficiency initiative

SI-SSA-0015-12320

* INCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
E = ESTIMATE.

PSEG Power is well positioned for growth in the fleet when market conditions dictate

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Interconnection • Gas Pipeline Access • Sites/Space • Emissions

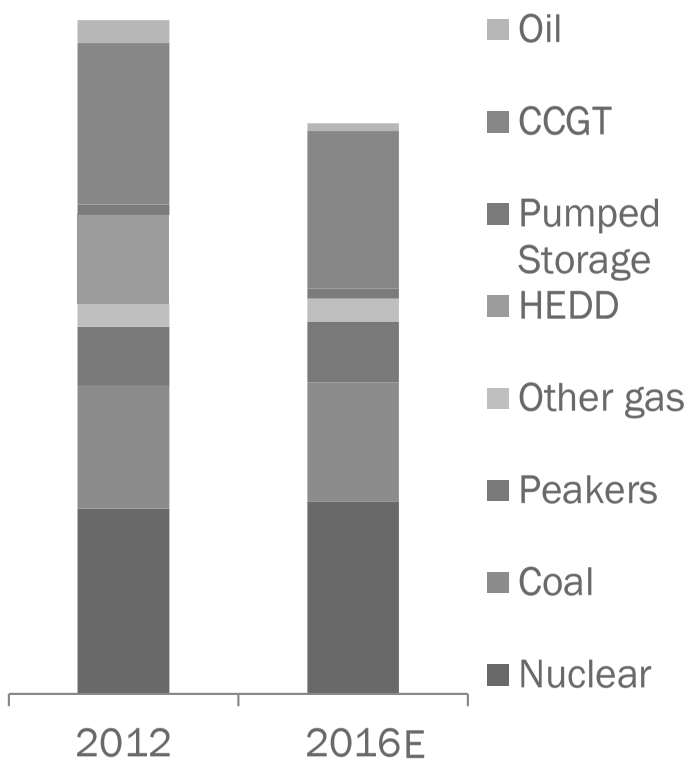
SI-SSA-0015-12321

PSEG Power will maintain diversity and efficiency after a realignment of the fleet in 2016

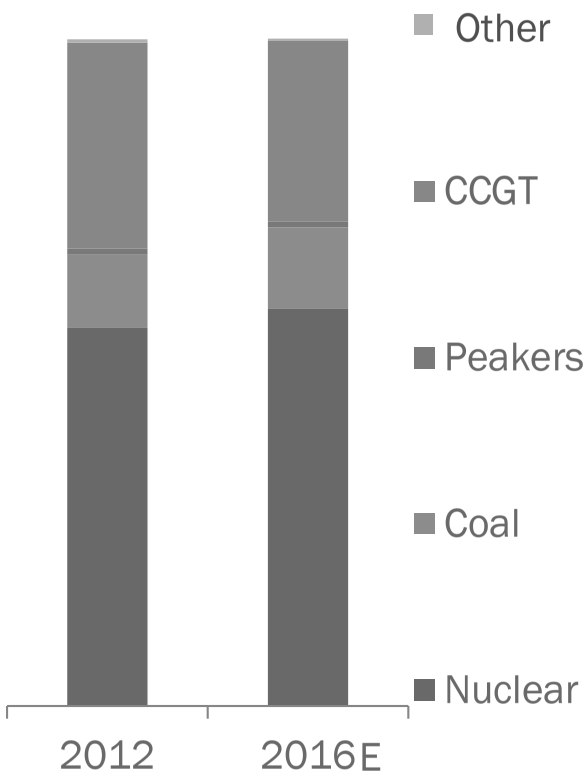
Objective
2012 → 2016E

- Maintain fuel diversity
- Maintain load serving capability
- Improve fleet heat rate by 6%
- Maintain low cost structure
- Environmental improvement

Fuel Diversity
13,226 MW 11,200 MW



Energy Produced
52.5 TWh 52-54 TWh



E=ESTIMATE

SI-SSA-0015-12322

PSEG Power is an established leader

within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Counsel
- Executive Committee Nuclear Power Counsel

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

PJM/NY/NE ISO

- Various Committees

SI-SSA-0015-12323

PSEG Power has added value with focus on operational excellence

2008		2012
3,622	Nuclear capacity (MW)	3,632
92%	Nuclear equivalent availability	93%
29.3	Nuclear generation (TWhrs)	29.8
55	Total generation (TWhrs)	53
3,157	CCGT capacity (MW)	3,176
12.1	CCGT generation (TWhrs)	16.2
8.9%	Fossil EFORd	6.3%*
87%	Fossil equivalent availability	90%
63	SO_2 (Ktons)	9
16	NO_x (Ktons)	10

SI-SSA-0015-12324

* EXCLUDES SANDY IMPACT.

PSEG POWER ER&T

Shahid Malik

PRESIDENT

ENERGY RESOURCES AND TRADE

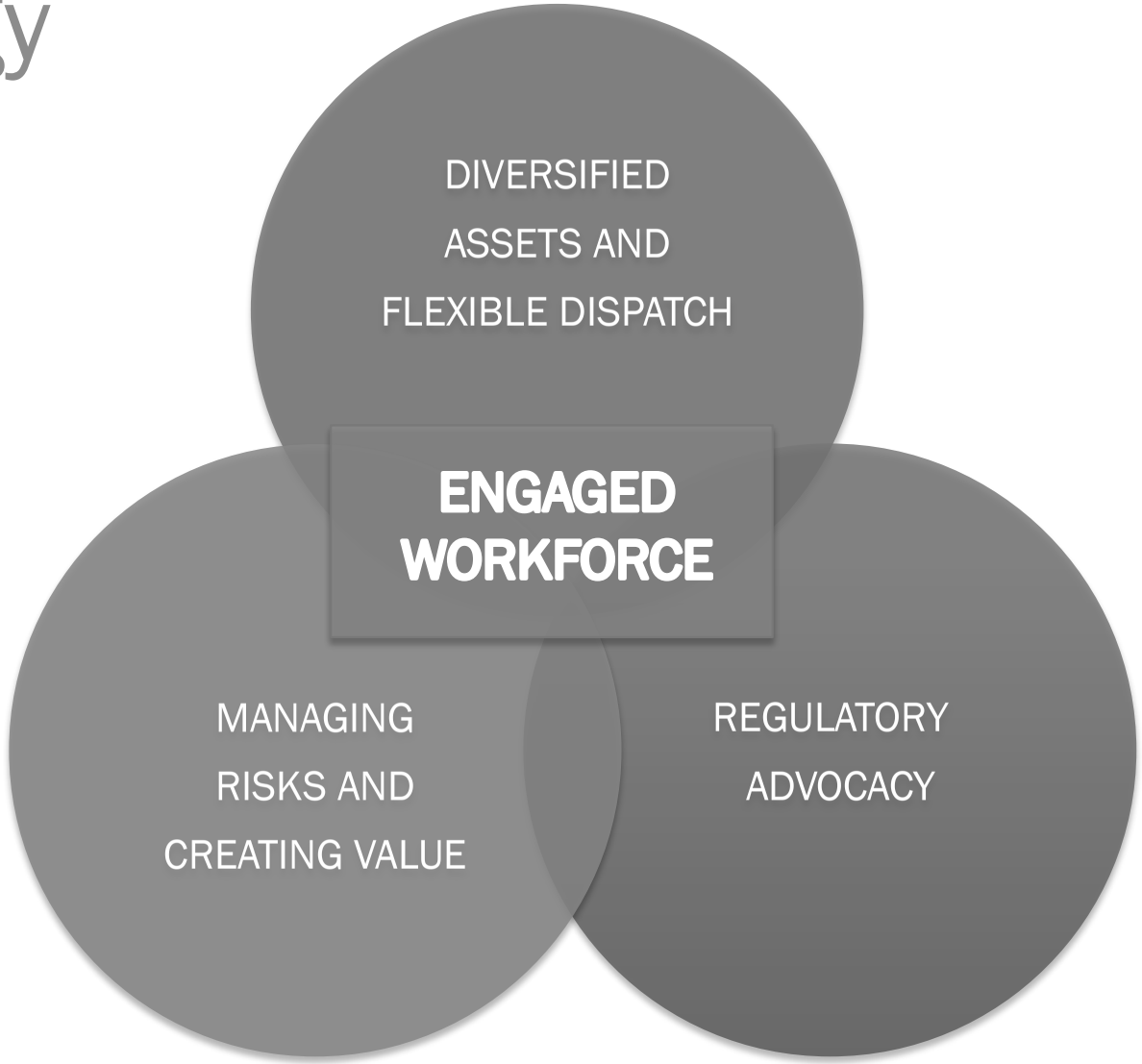
PSEG

We make things work for you.

SI-SSA-0015-12325

PSEG Power
ER&T strategy

Focused on optimizing the value of its asset portfolio and providing outstanding service to our customers, while prudently managing risk



SI-SSA-0015-12326

Agenda

Diversified Assets & Flexible Dispatch

Managing Risks & Creating Value

Regulatory Advocacy

SI-SSA-0015-12327

PSEG wholesale market strategy

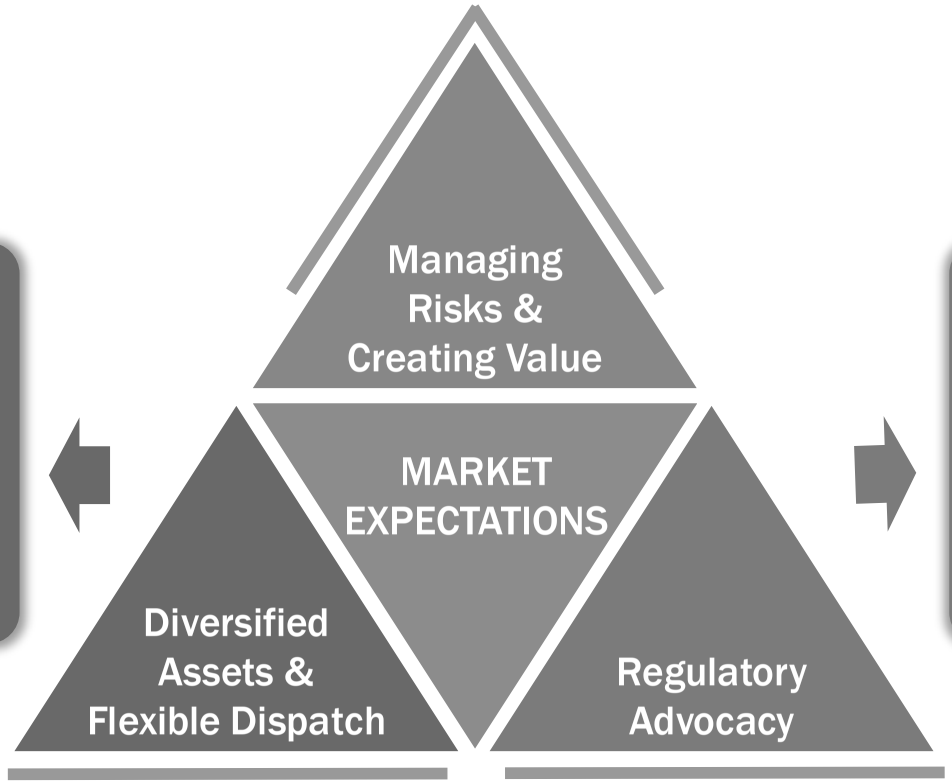
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-12328

Diversified assets and flexible dispatch

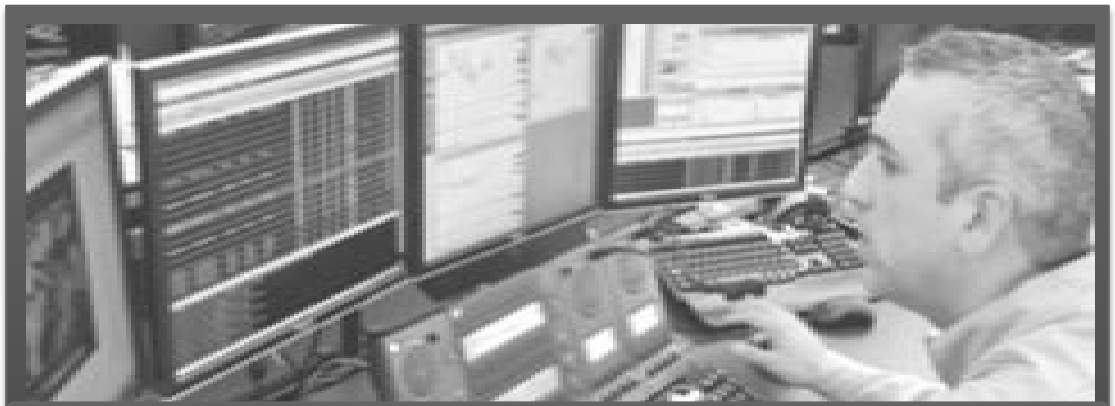
High performing, baseload nuclear assets	3,632 MW
Fuel advantaged, baseload coal plants in PA	776 MW
Flexible combined cycle fleet	3,176 MW
Well leveraged intermediate & peaking assets	5,642 MW

Integrated trading and dispatch capability around fleet

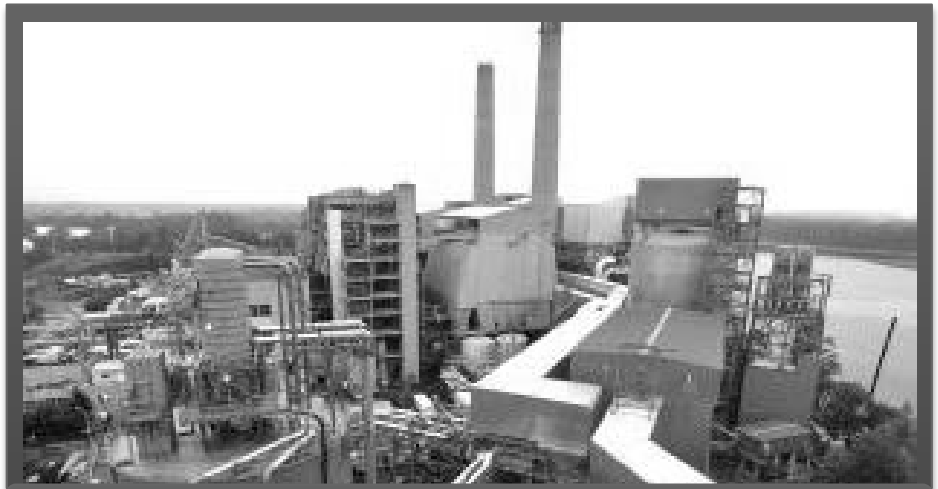
SI-SSA-0015-12329

Fleet capacity has been advanced by:

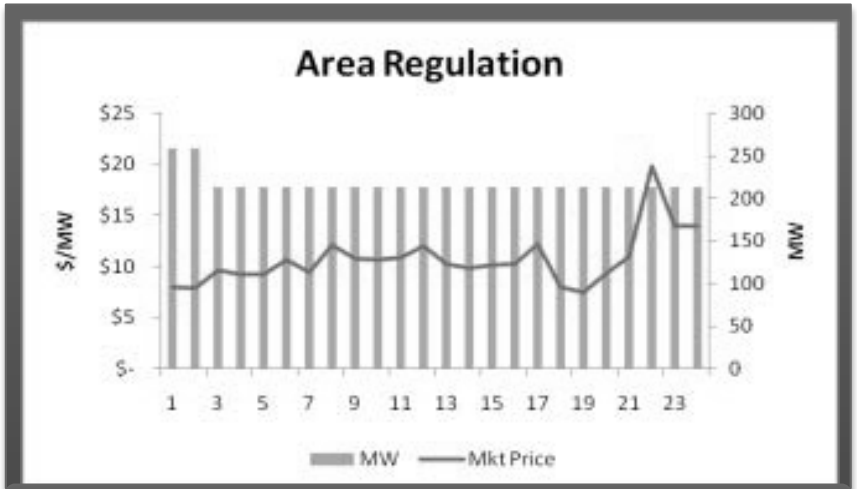
Improved Heat Rate capability



Trading acumen to execute fuel switching opportunities



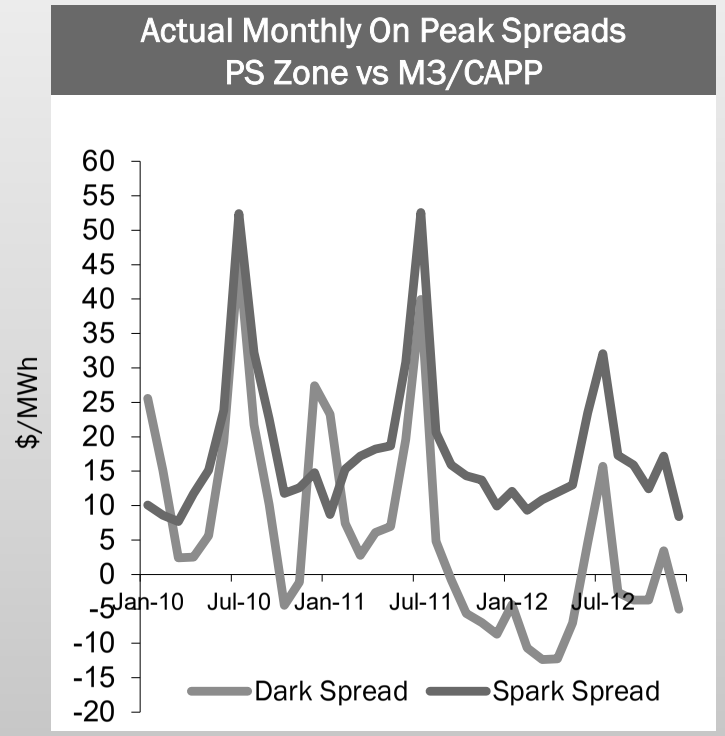
Reduced O&M and increased start-up success

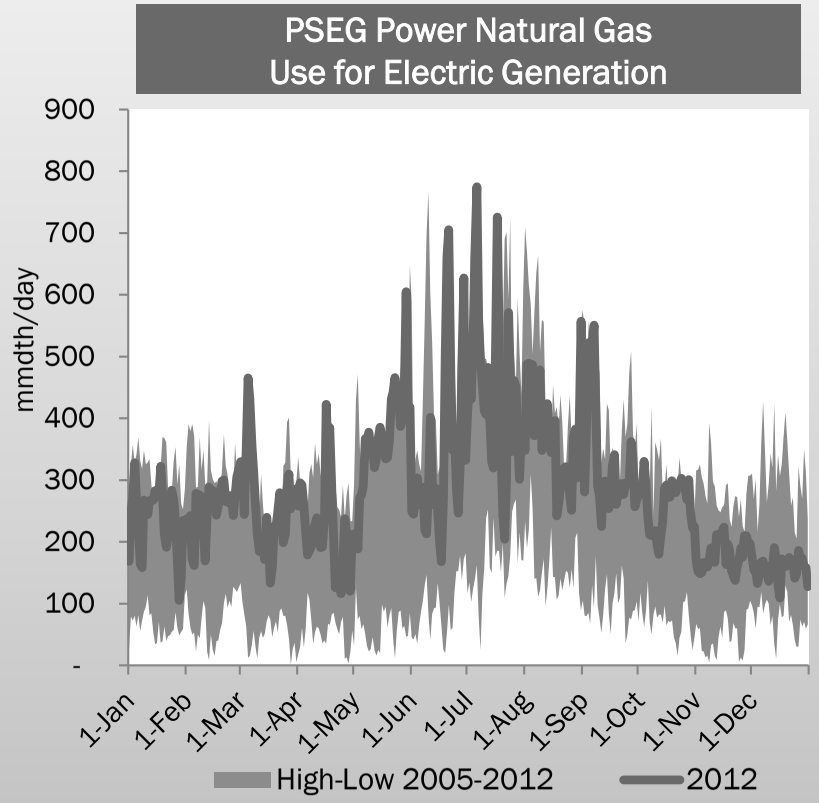


Capturing new products opportunity with minimal investment

SI-SSA-0015-12330

Spark spread replaces dark spread as major value driver





- Spark spread has risen above dark spread in PJM markets
- Power's gas units operating at record throughput
- Gas operation provides much more operational flexibility
- Enhances the ability of trading organization to capture volatility

SI-SSA-0015-12331

Agenda

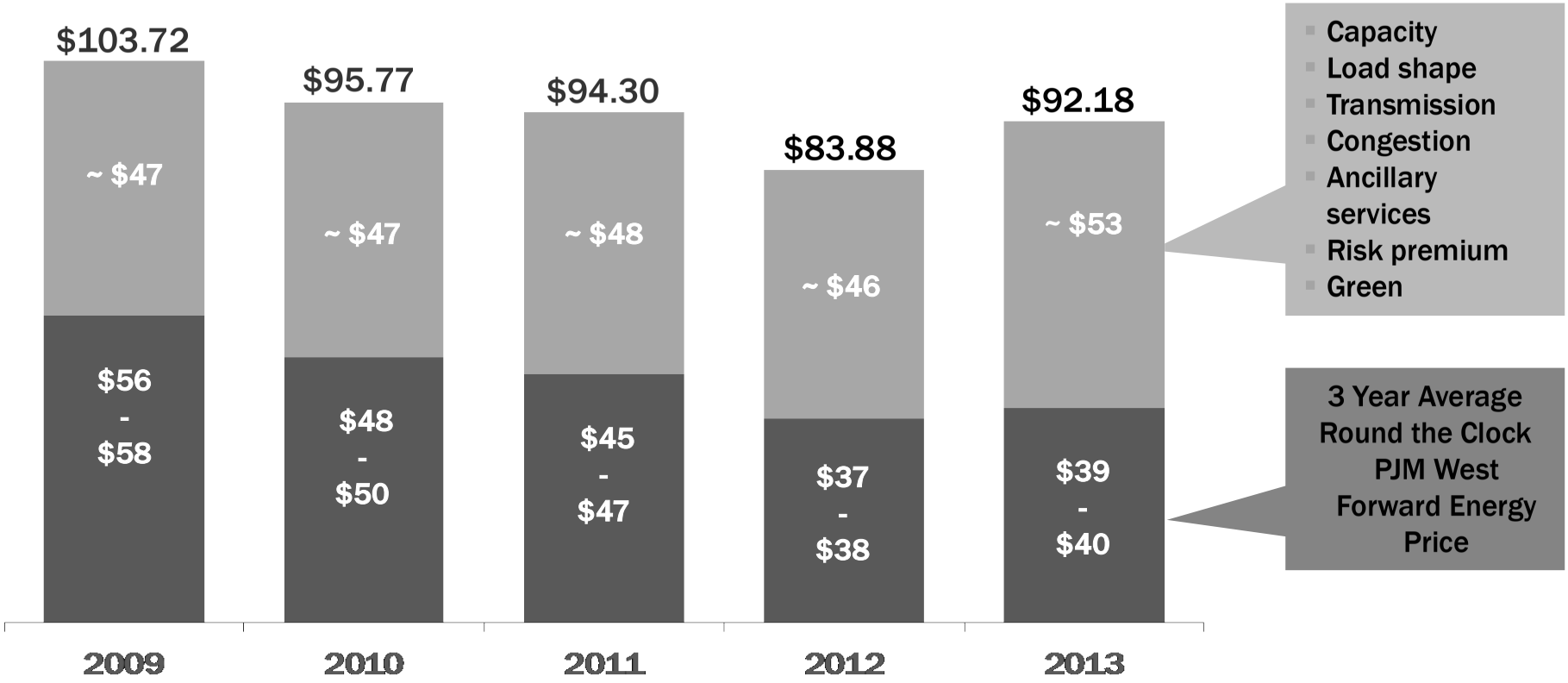
Diversified Assets & Flexible Dispatch

Managing Risks & Creating Value

Regulatory Advocacy

SI-SSA-0015-12332

2013 BGS Auction Results for PSE&G Zone

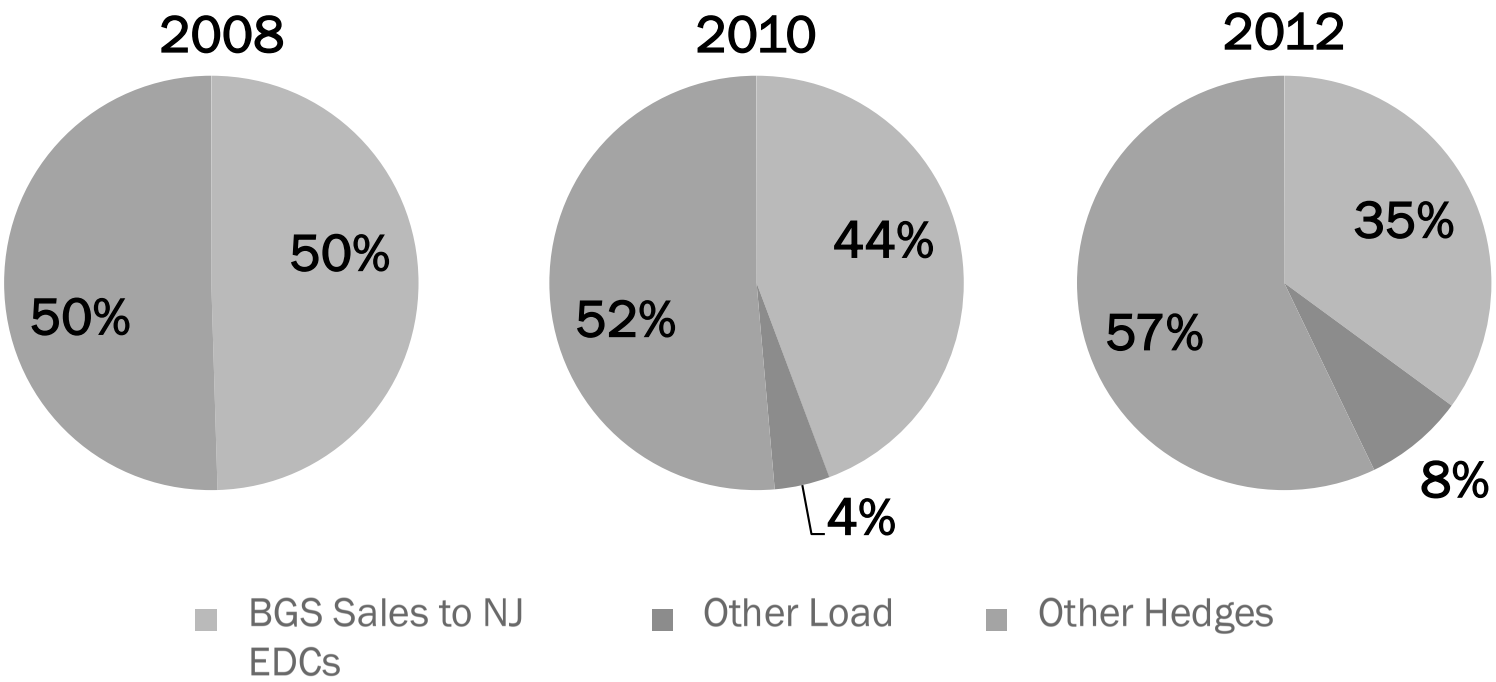


BGS sales account for about a third of our forward portfolio of hedges

SI-SSA-0015-12333

BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2011-2013 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2013.

Our hedging mix has changed with the market but still captures the fleet's locational advantage



- 3 Year forward BGS sales comprise smaller percentage of Power's hedges
- Other full requirement load deals help capture additional locational and load shape premium

SI-SSA-0015-12334

NOTE: PERCENTAGES REPRESENT HEDGED VOLUMES IN PLACE AFTER BGS AUCTION.

Hedging strategy designed to protect gross margin and leverage the portfolio

Ratable Hedging on Baseload:

- 3 year ratable hedge tactics
- 3 year PJM hedge of capacity (not included in table)
- Load following sales (such as BGS) have strong correlation to our units for hedging basis and load shaping premium

Dynamic Hedging on Intermediate Coal, Combined Cycle and Peaking:

- Position fleet to take advantage of market volatility
- Gas and load-following fleet left open until prompt year to capture volatility
- Use all trading products to capture option value of assets and benefit from market dislocations

		2013	2014	2015
Baseload (Nuclear and Baseload Coal)	Volume TWh	35	35	35
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$49	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	$49	$51
TOTAL	Volume TWh	53-55	53-55	52-54
	% Hedged	75-80%	50-60%	25-30%
	Price $/MWh	$50	$49	$51

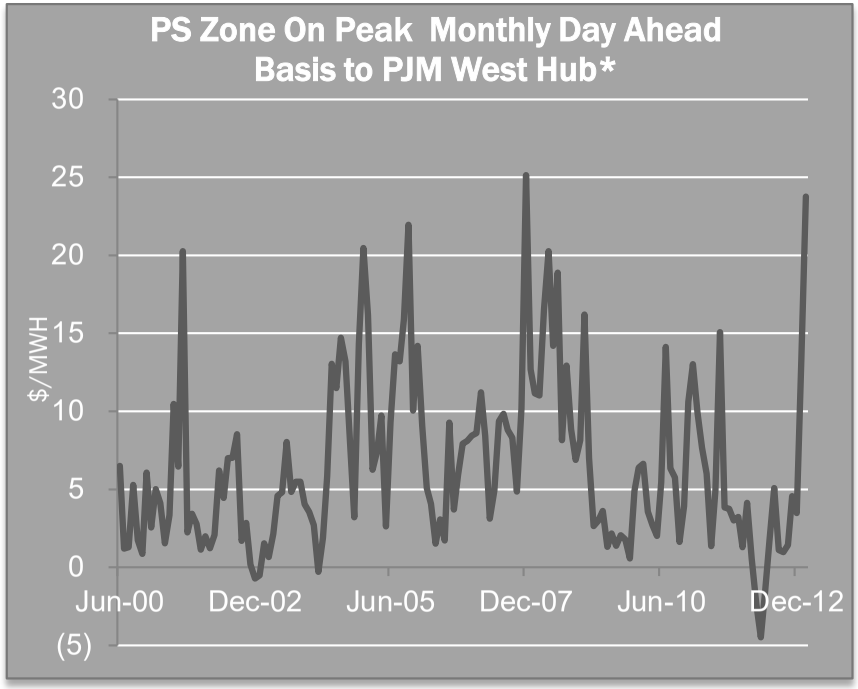
SI-SSA-0015-12335

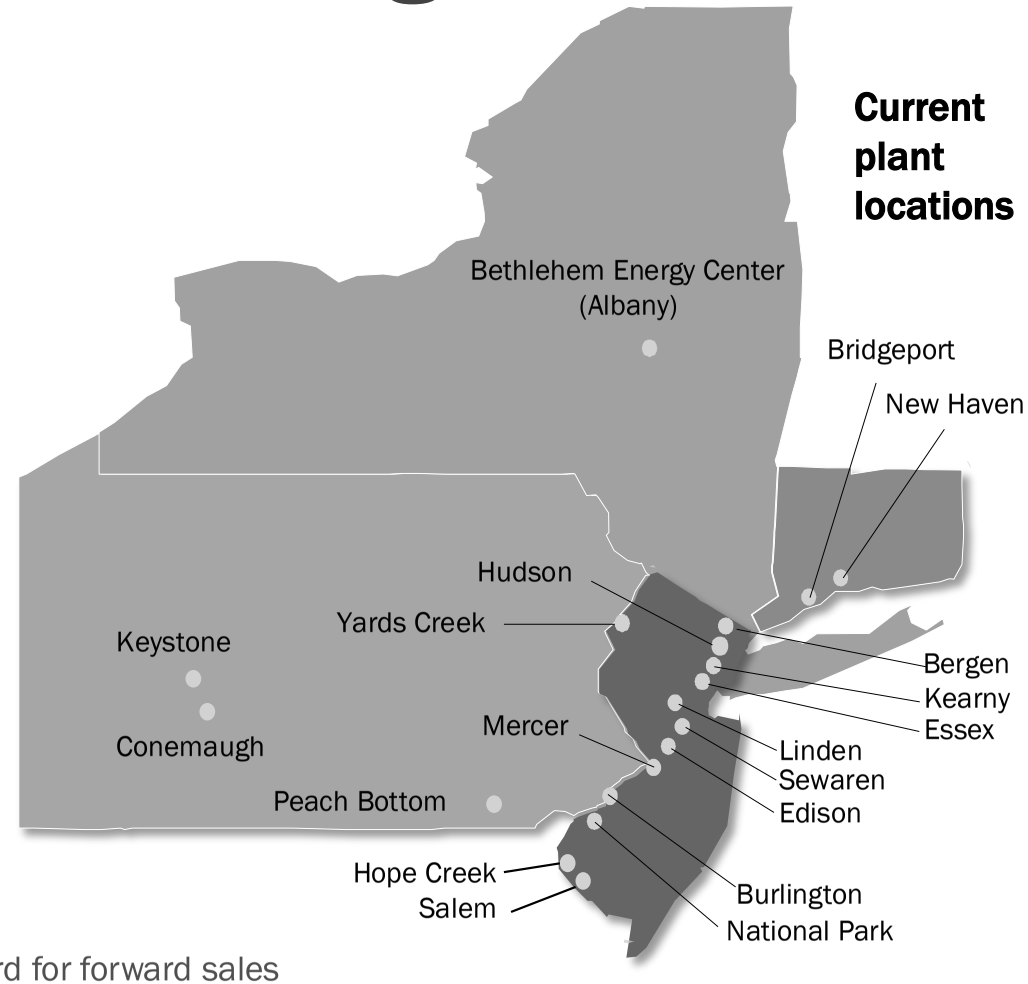
PSEG

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2013. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG's locational advantage

and electric basis





- Basis (PS Zone to PJM West) will continue to trend downward for forward sales
- Volatility will remain significant in the prompt periods (especially summer/winter)
- Power maintains sufficient length to participate in upside volatility as well as a valuable 250MW transmission position into NYC
- Basis will continue to have a positive impact on PSEG Power profitability

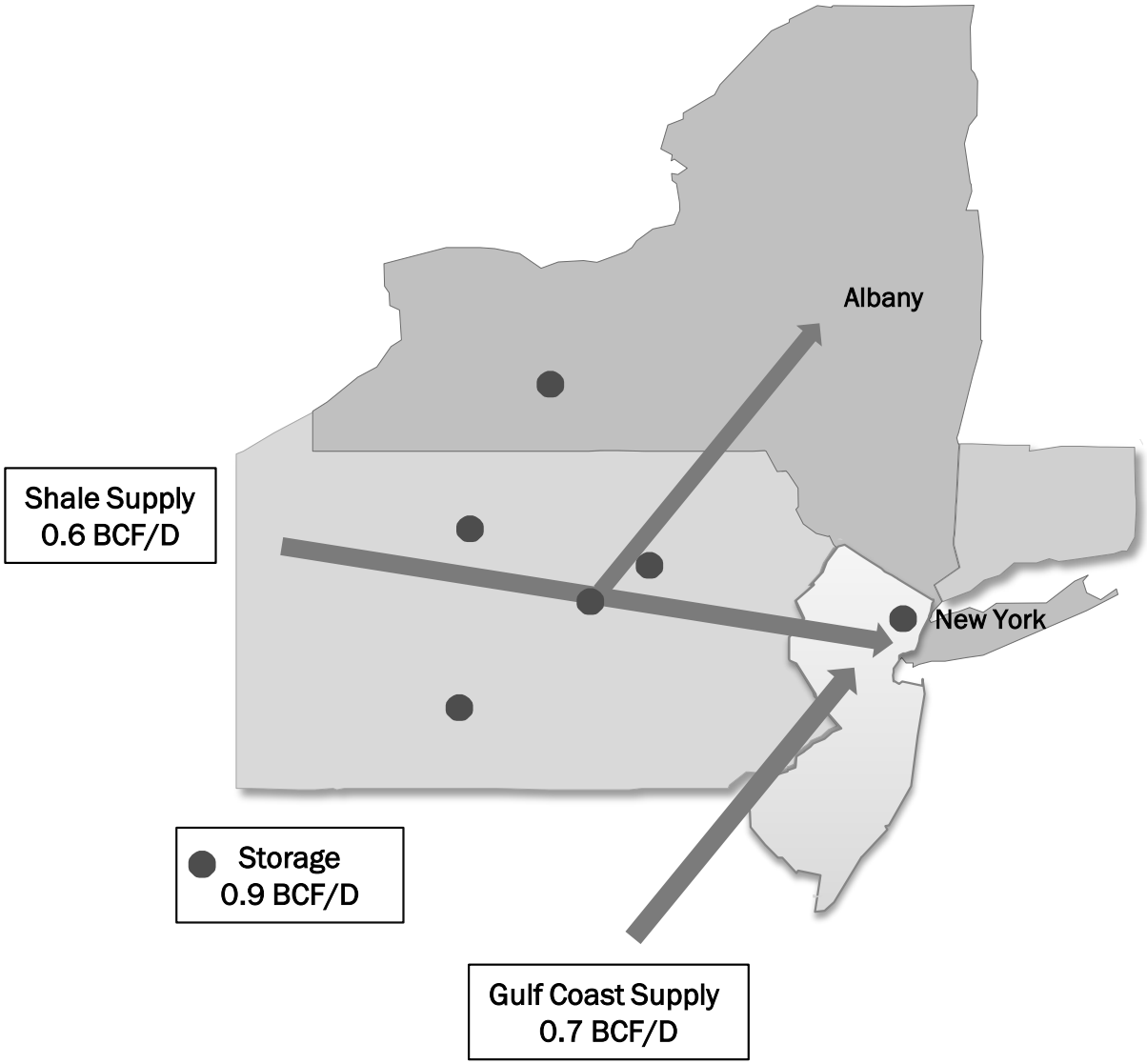
SI-SSA-0015-12336

*AS OF FEBRUARY 14, 2013.

PSEG's locational advantage

and gas basis

- Lower cost supplies of shale gas have been beneficial to both PSE&G customers and PSEG Power
- Over 50% of our available pipeline capacity can access market area supplies of shale gas
- Power's generating units sit in close proximity to the Marcellus fairway
- Power buys approximately 350BCF/year of gas
- We have been able to arbitrage gas values from South to North and East to West using our storage and pipeline capacity



SI-SSA-0015-12337

PJM's capacity market continues to recognize locational value of our fleet

$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016
Power's Average Prices	$153	$244	$162	$167
Rest of Pool Prices	$16	$28	$126	$136
Power's Capacity (MW)	10,400	10,600	10,300	9,000

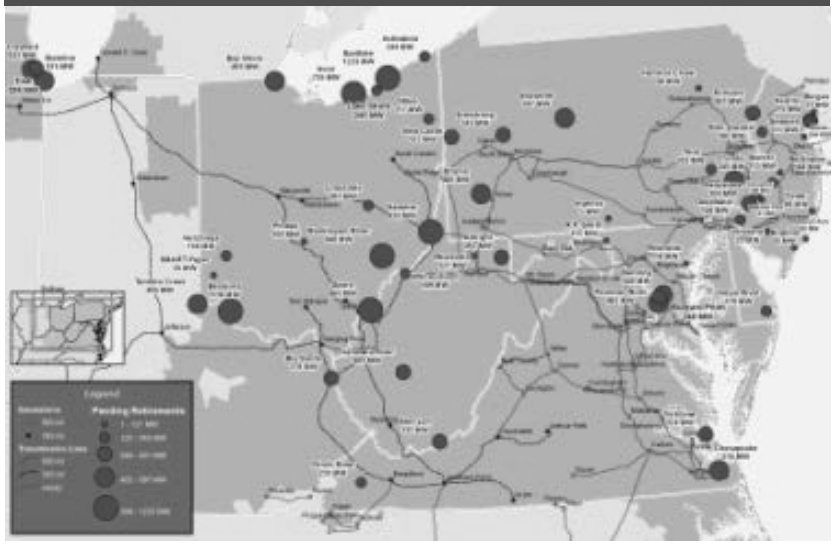
2016/2017 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-12338

Reserve margins in PJM declining with retirements

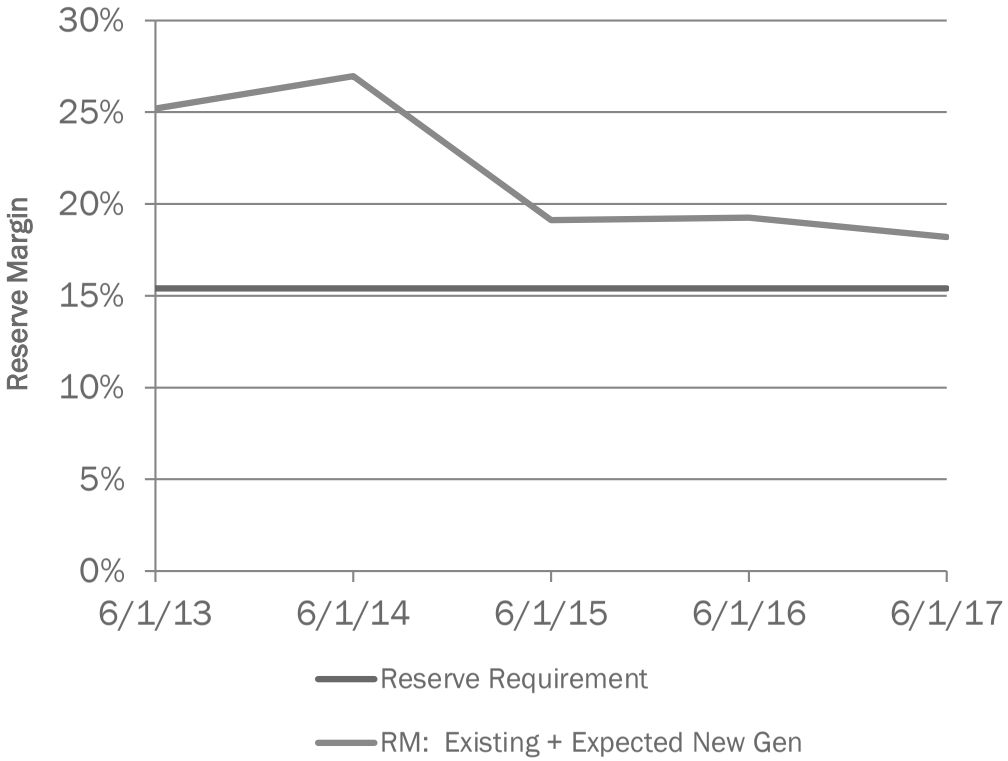
Generation Deactivation Notifications



Source: PJM TEAC, 1/10/2013

- PJM Pending Deactivation Requests of 12,634 MW as of January 22, 2013
- Approximately 4,000 MW of additional owner announced retirements in PJM through next auction

Forecast Reserve Margin (PJM January 2013)



- PJM forecasts a declining Reserve Margin through 2017

SI-SSA-0015-12339

Agenda

Diversified Assets & Flexible Dispatch

Managing Risks & Creating Value

Regulatory Advocacy

SI-SSA-0015-12340

Regulatory Advocacy

	ISSUE /POLICY	HOW ADDRESSED?
PJM	MOPR	Sufficiency/Exceptions before FERC and courts
	DEMAND RESPONSE RULES	Performance/eligibility/compensation issues before courts, FERC, and PJM stakeholder process
	ANCILLARY/ENERGY	Regulation/Black-start modifications under consideration in PJM stakeholder process before FERC
NYISO	CAPACITY	Jurisdictional dispute at FERC over retirement decisions; Impact of PSC approved Reliability Must Run arrangement on markets
NEPOOL	FCM	Market design issues pending at Court of Appeals, FERC and ISO-NE stakeholder process
FEDERAL	Gas/Electric Coordination	Participation in ISO/FERC/Industry forums

Current Issues

- PJM RPM rules for Capacity Markets
- PJM Energy/Ancillary Services Market
- New England Capacity Markets
- New York Energy Markets
- Trade Associations and ISO/RTO activities

Recent Rulings

- FERC approval of Cost of New Entry (CONE)
- PJM Area Regulation rules
- EPA RICE/NESHAPS rules
- FERC ruling imposing DR must offer requirement in ISO-NE

SI-SSA-0015-12341

PSEG wholesale market strategy

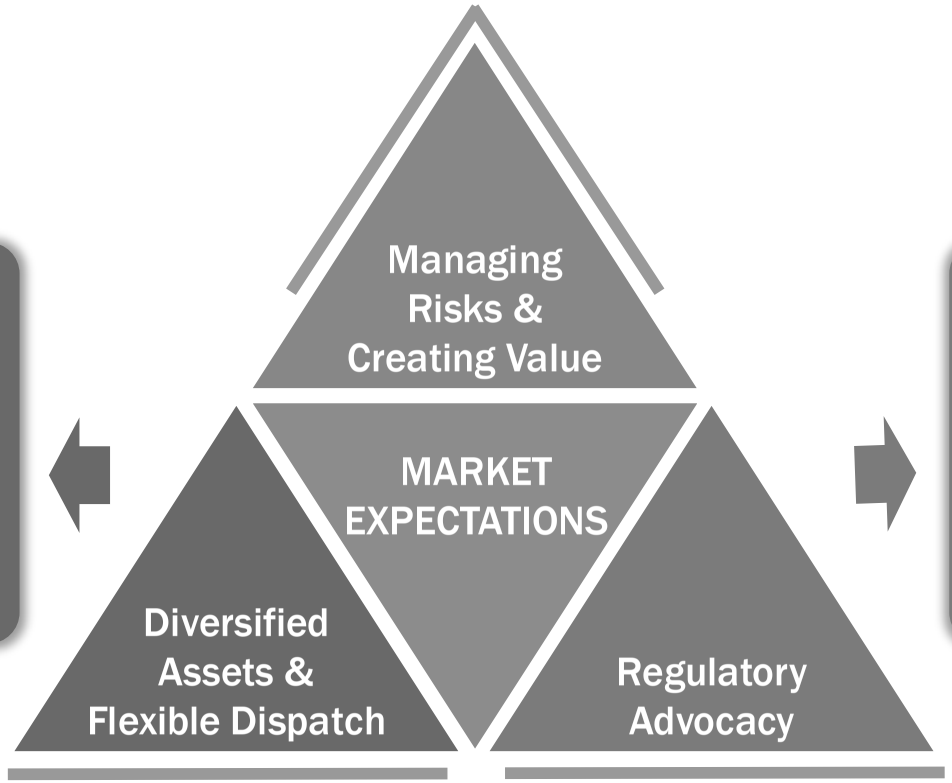
built on a strong asset portfolio

Managing Risks & Creating Value

Consistent hedging strategy • Full load requirements • Capacity sales • Monetize optionality

Diversified Assets & Flexible Dispatch

Strong operational performance
Fuel switching
Ancillary services



Regulatory Advocacy

Supports competitive markets
Seeks a level playing field
Provides insight
Creates opportunity

SI-SSA-0015-12342

PSEG FINANCIAL REVIEW & OUTLOOK

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-12343

Strong financial position to support our business initiatives

Financial Position

- ✓ Achieved Earnings Guidance
- ✓ Stable Dividend and Opportunity for Growth
- ✓ Strong Balance Sheet
- ✓ Regulated Growth Opportunity without Equity Issuance
- ✓ Solid Credit Ratings
- ✓ O&M Controlled
- ✓ Well Funded Pension

SI-SSA-0015-12344

2013 guidance in same range as 2012

PSEG Operating Earnings	
$ Millions (except EPS)	**2013E**
PSEG Power	$535 - $600
PSE&G	$580 - $635
PSEG Energy Holdings/Parent	$25 - $35
Operating Earnings*	$1,140 - $1,270
2013 Earnings Guidance	**$2.25 - $2.50**

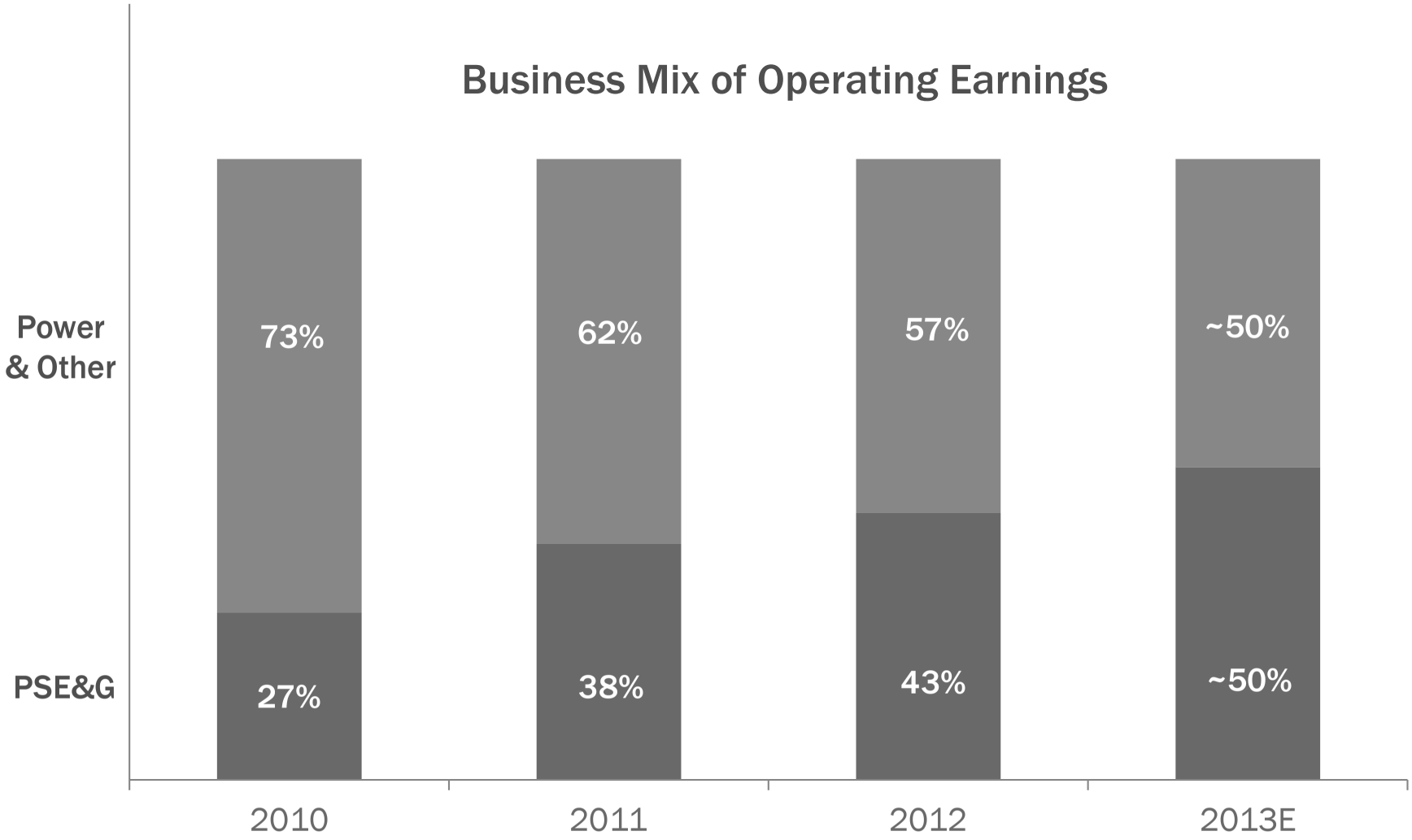
SI-SSA-0015-12345

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

PSE&G is expected to represent 50%

of 2013 operating earnings

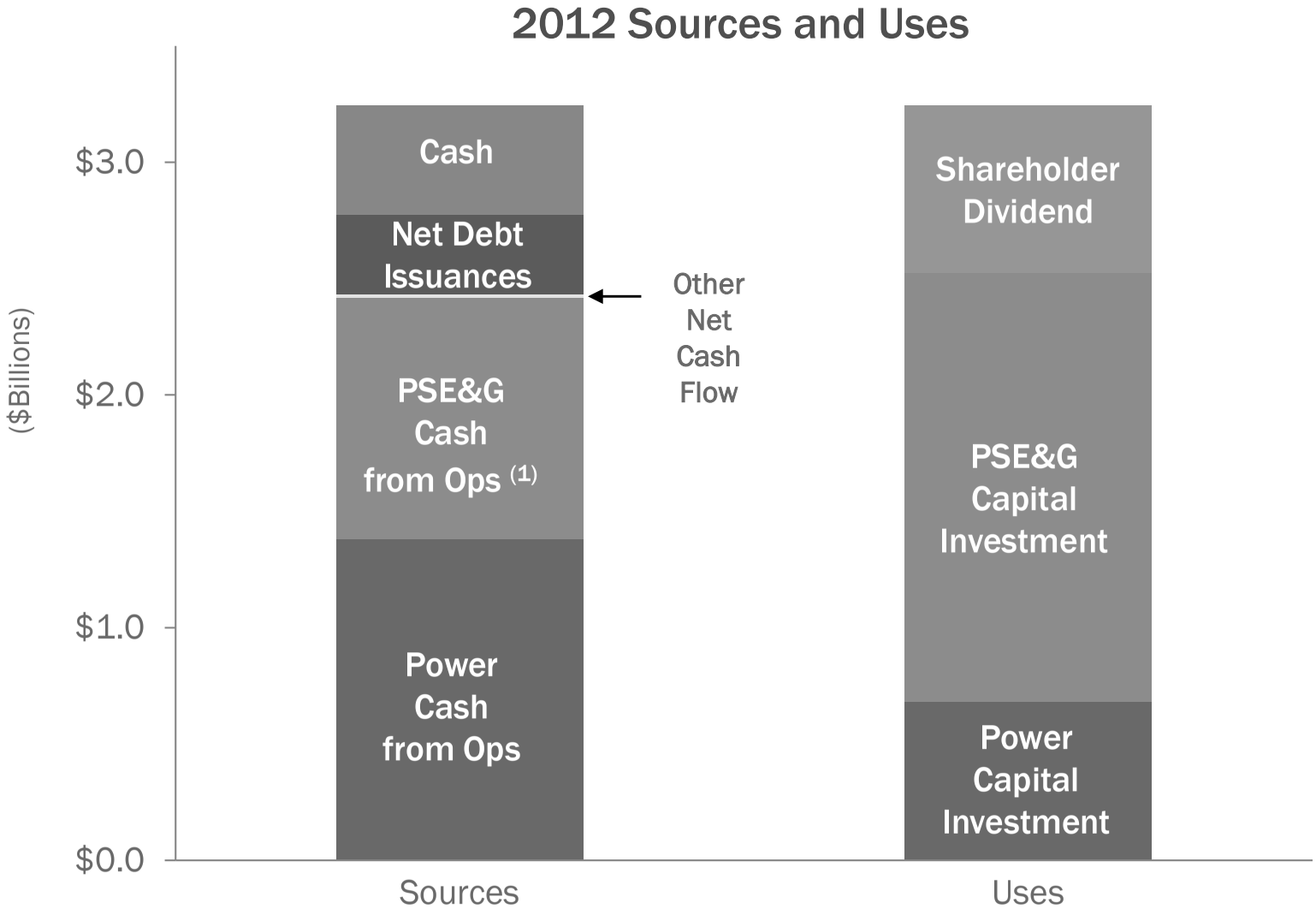


SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

E = ESTIMATE

SI-SSA-0015-12346

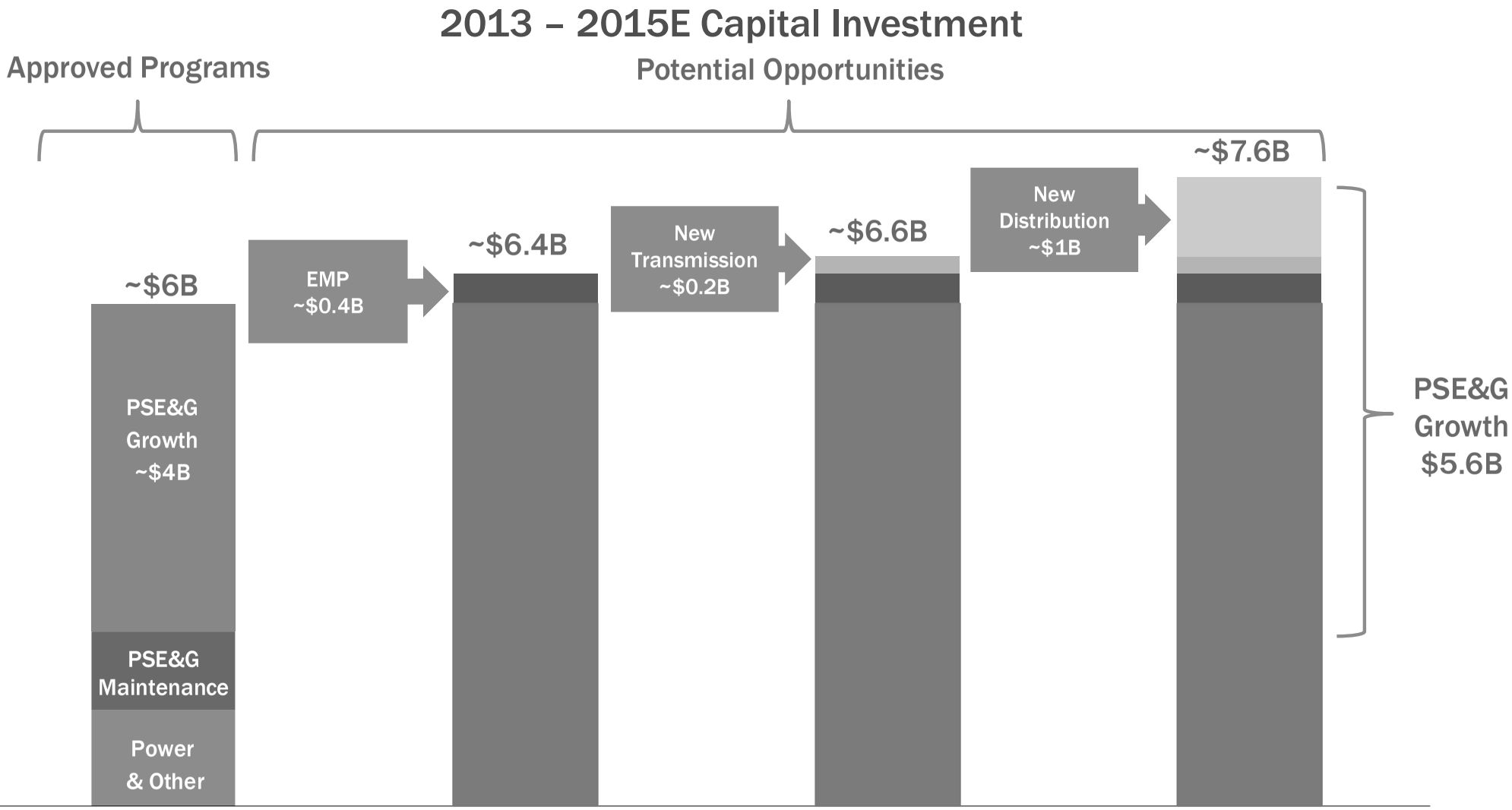
In 2012, PSE&G executed its capital program, Power generated significant free cash flow and PSEG increased its shareholder dividend



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$216 MILLION.

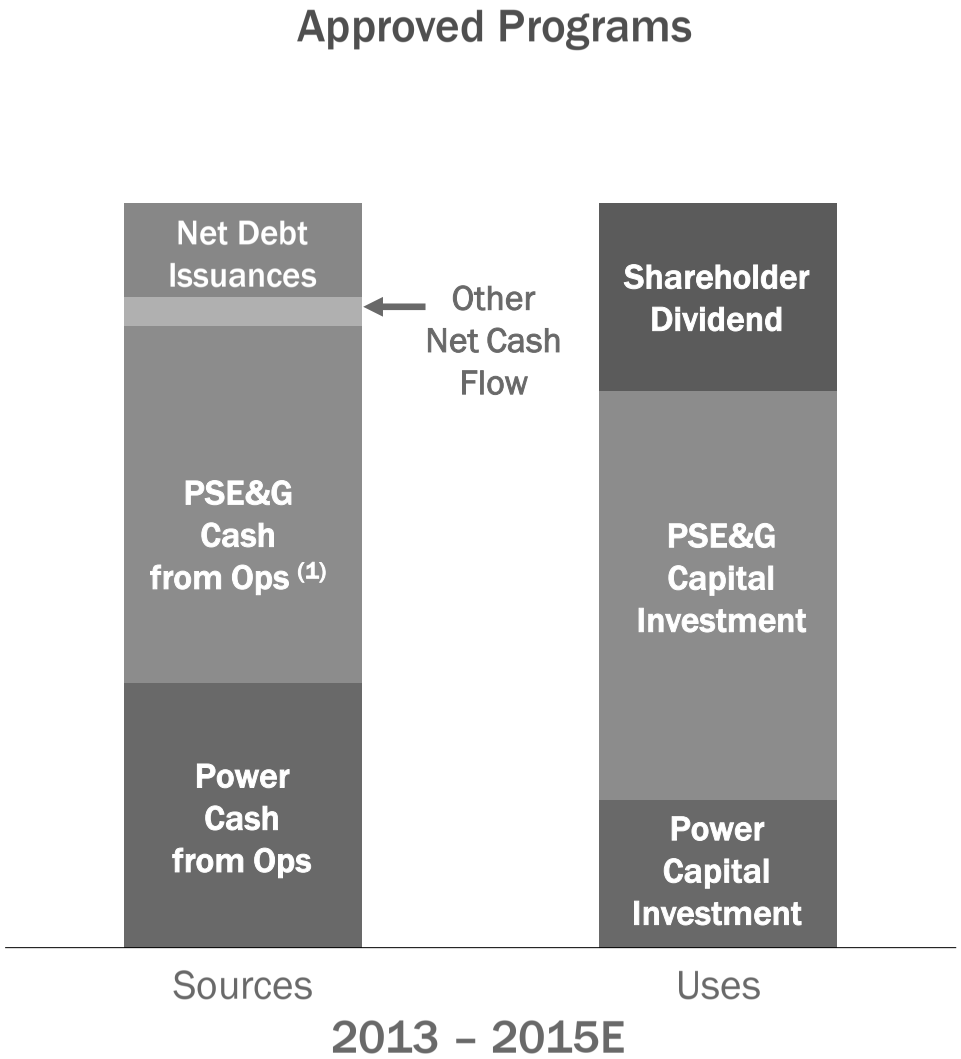
SI-SSA-0015-12347

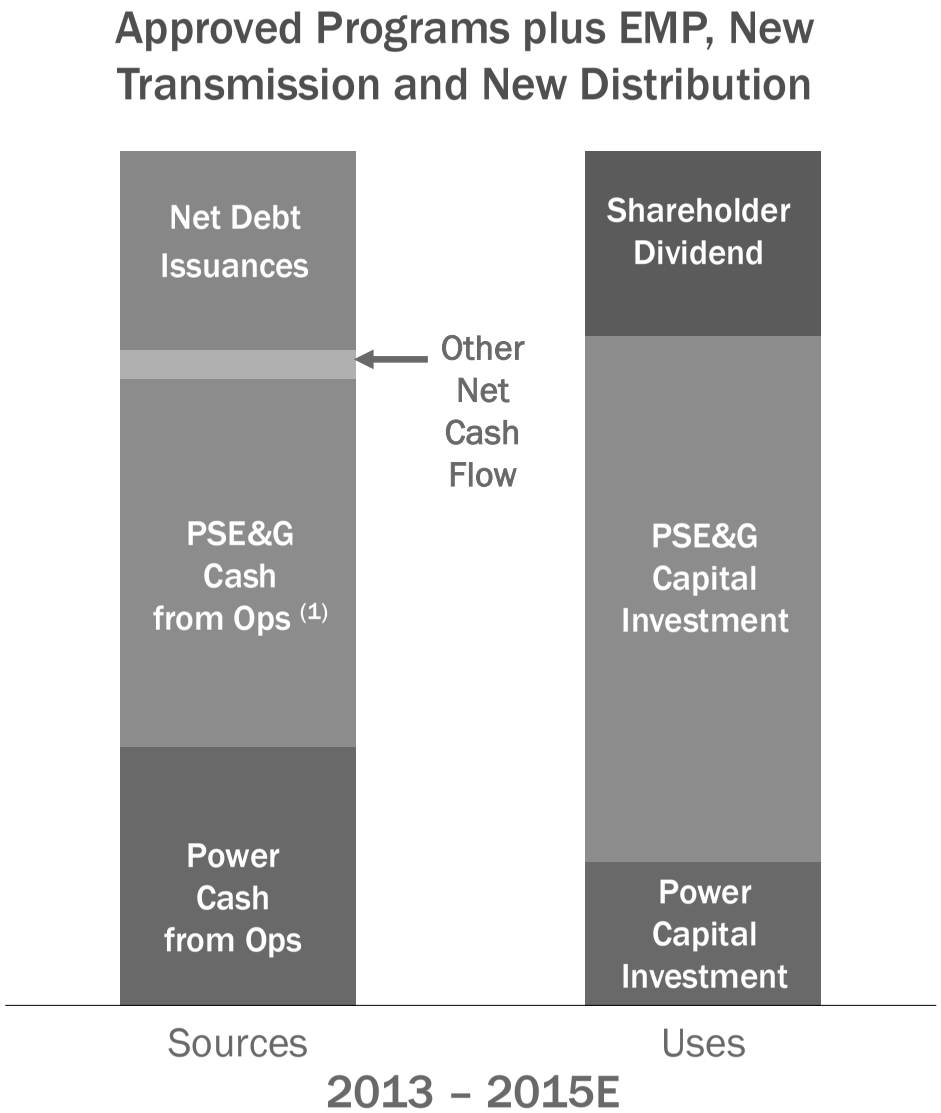
Our capital investment options can result in as much as $5.6B of utility growth investment through 2015



SI-SSA-0015-12348

All scenarios can be financed without new equity





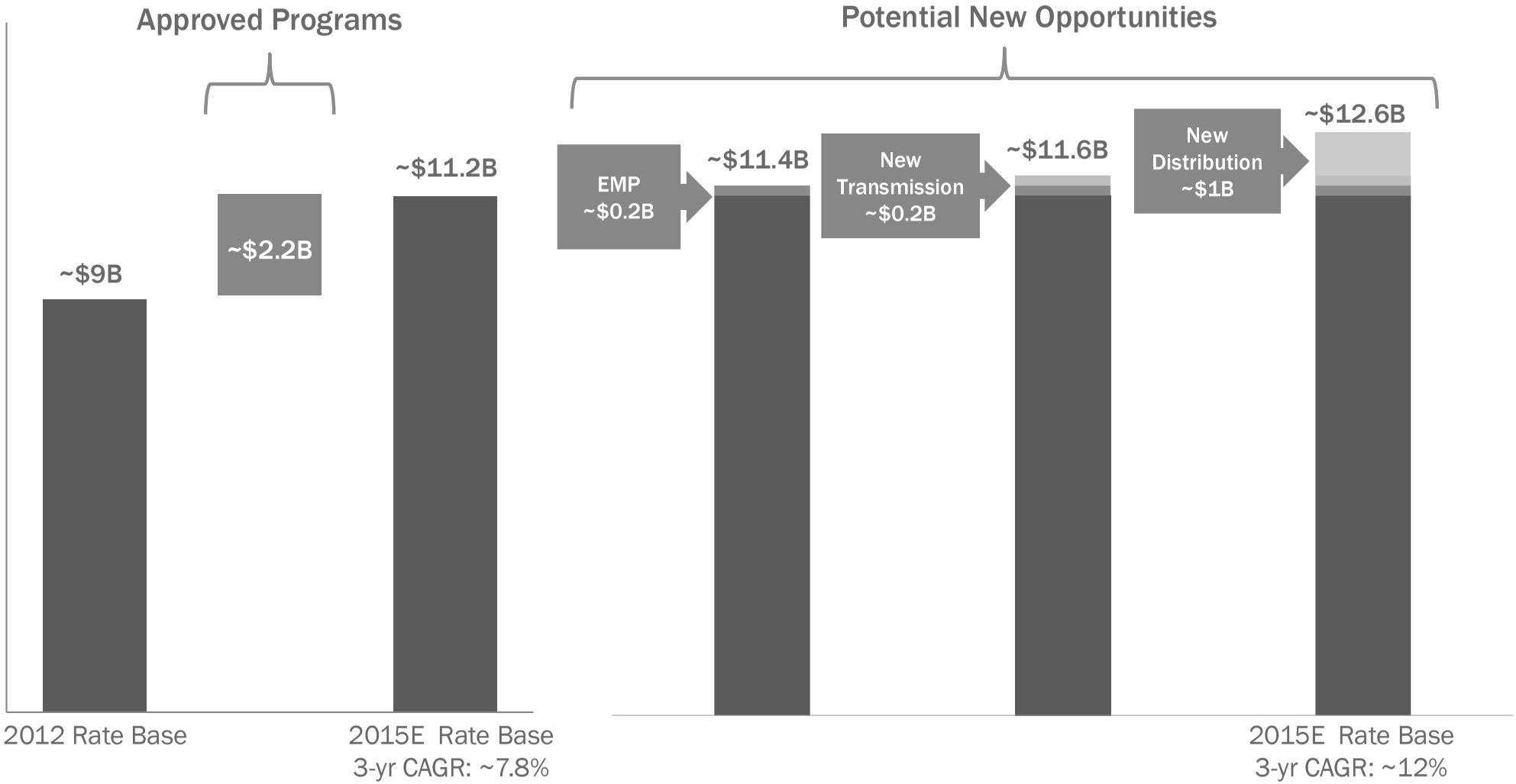
(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$725M FROM 2013-2015

E = ESTIMATE

SI-SSA-0015-12349

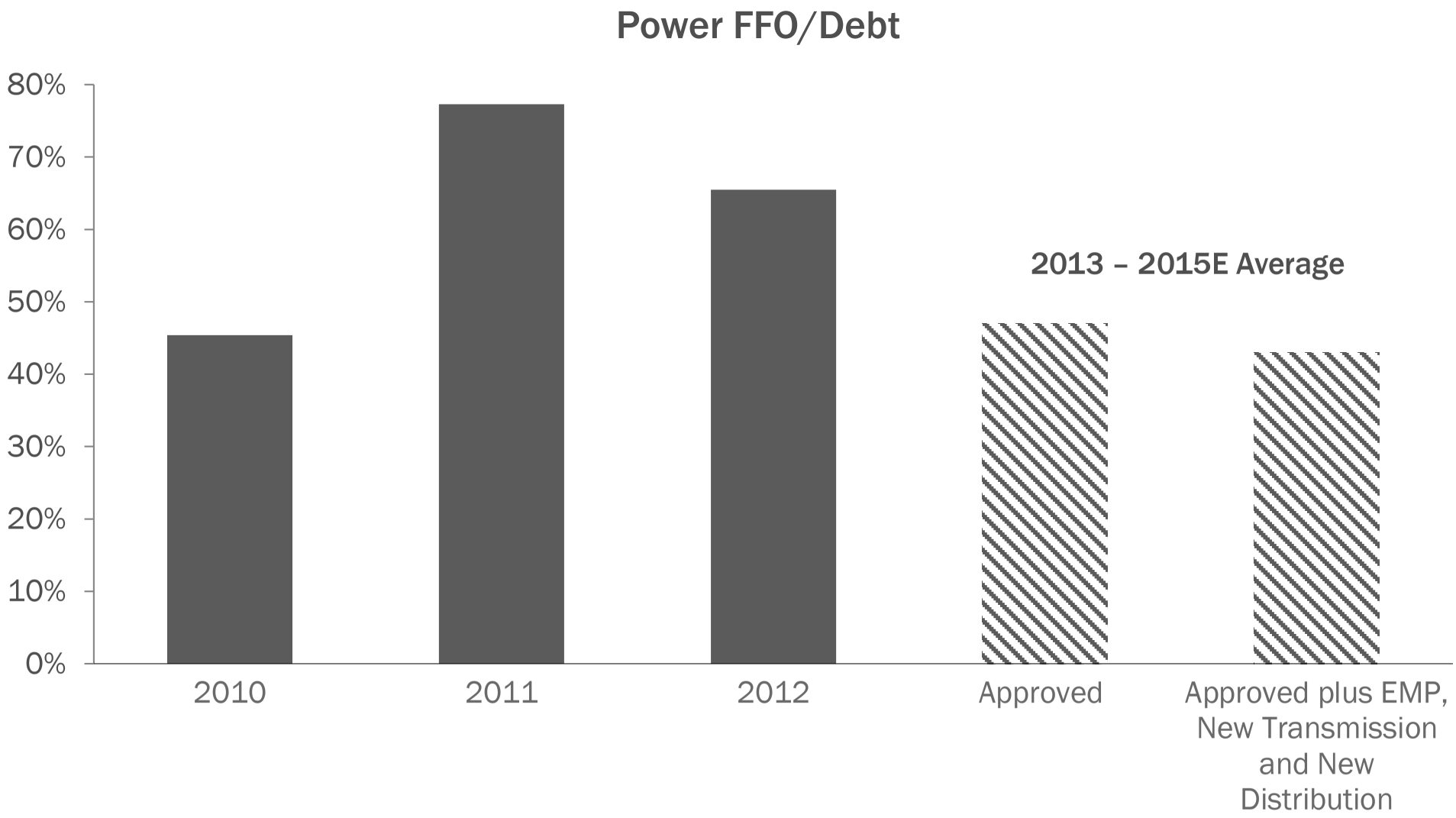
PSE&G's capital spending drives regulated earnings growth with a potential future rate base of up to ~$12.6B

2013 – 2015E Rate Base Growth



SI-SSA-0015-12350

Power's credit metrics are expected to remain strong



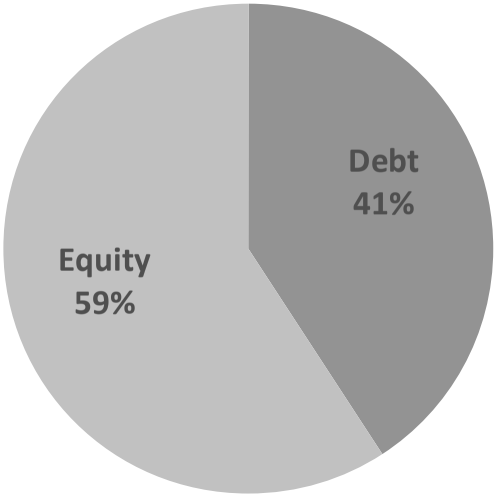
SI-SSA-0015-12351

Using PSEG's balance sheet strength

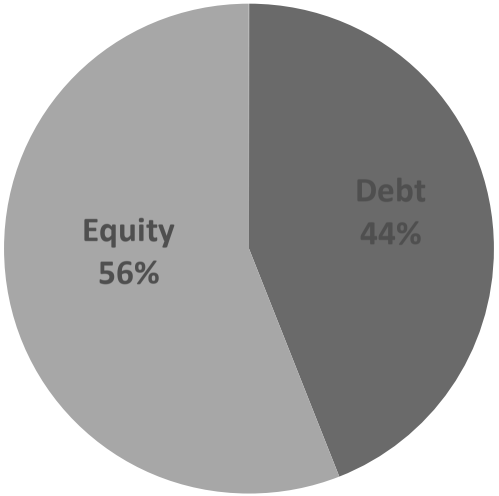
to finance growth in the regulated enterprise without equity issuance

PSEG Total Capitalization

2012



2015E*



* E = ESTIMATE; INCLUDES THE FOLLOWING PROPOSED FILINGS: EE4A, SL3, S4AE, ENERGY STRONG (ES) AND TRANSMISSION HARDENING.

SI-SSA-0015-12352

Our investment programs are affordable, helped by the expiration of known charges by 2017, which lower the average residential customer bill by ~ 8.7% based on today's current bill

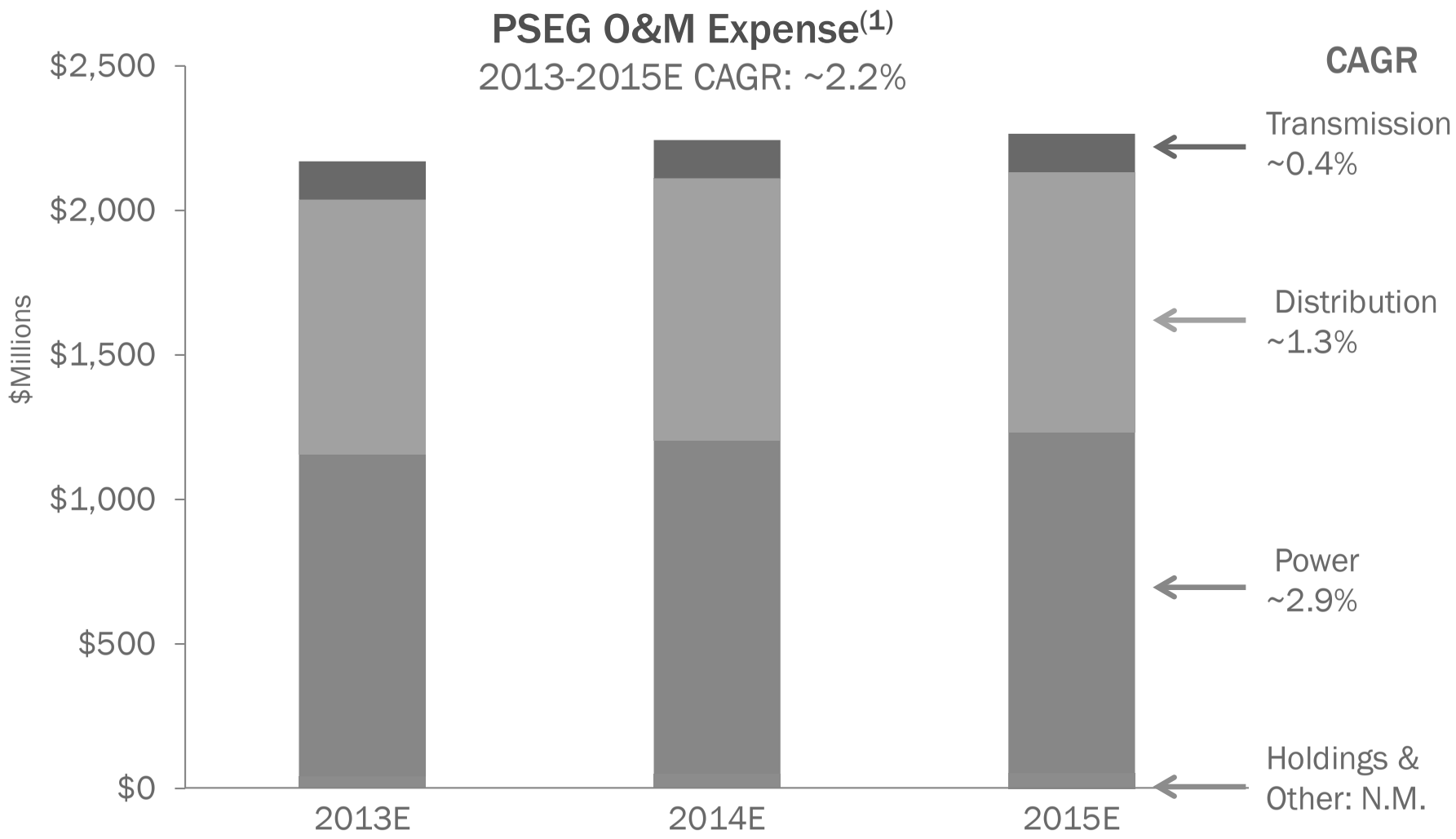
PSE&G Securitization & NUG Impacts ($Millions)					
PSE&G Securitization Impacts	2013	2014	2015	2016	2017
Revenues	439	445	386	0	0
Interest Expense	(46)	(30)	(11)	0	0
Amortization	(253)	(273)	(233)	0	0
Deferred Tax & Other	(140)	(142)	(142)	0	0
P&L Impact (GAAP view)	0	0	0	0	0
PSE&G Non–Utility Generation	2013	2014	2015	2016	2017
Revenues*	157	167	141	49	0
Expenses	(157)	(167)	(141)	(49)	0
P&L Impact (GAAP view)	0	0	0	0	0

*NUG revenues reflect Feb 1, 2013 rates

Typical Current Average Residential Customer Bill Impact	Securitization	~6.6%	Non-Utility Generation	~2.1%

SI-SSA-0015-12353

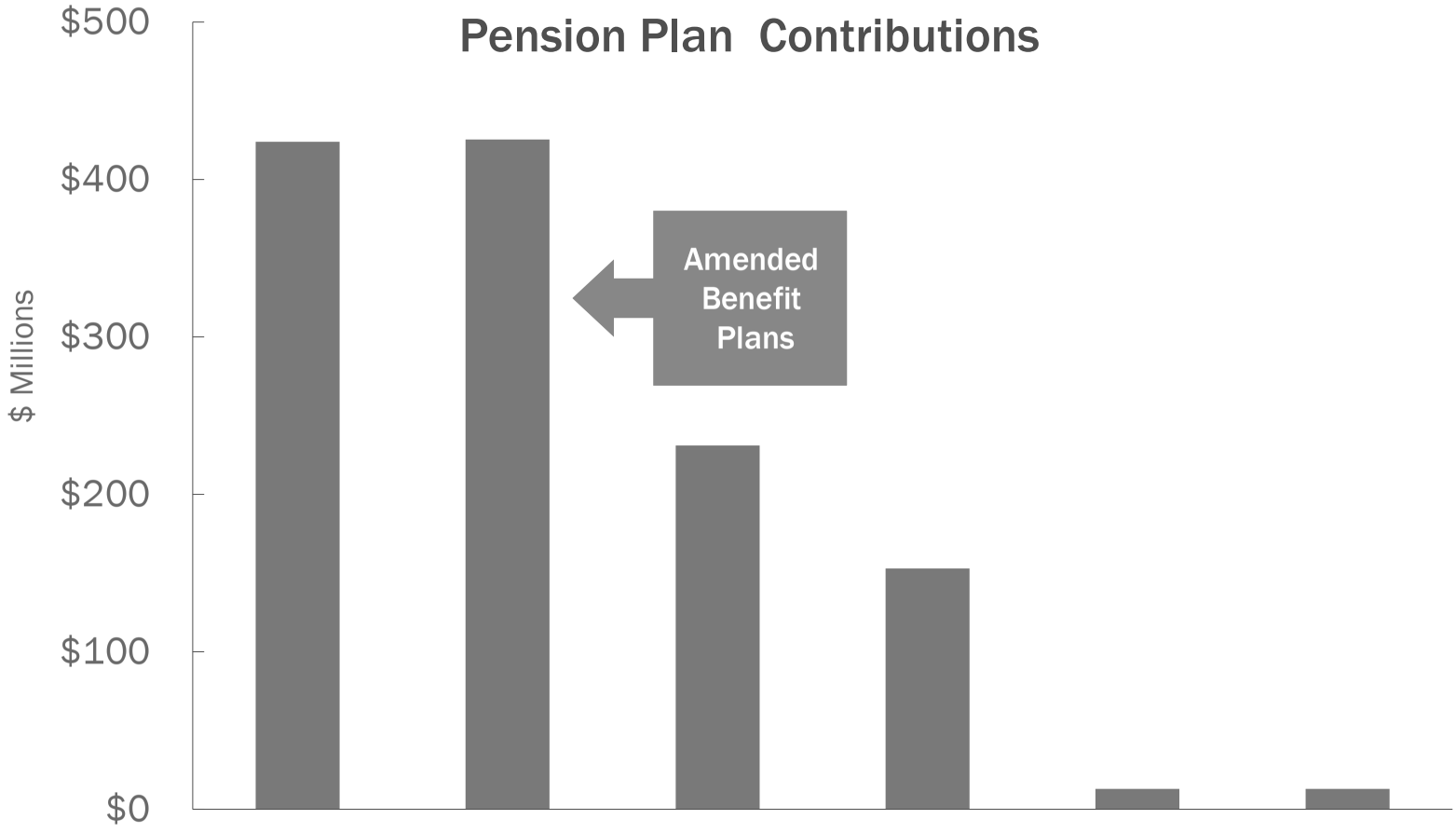
Modest O&M growth with Power increases from CCGT maintenance cycles, due to high utilization rates



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS NM = NOT MATERIAL. E = ESTIMATE.

SI-SSA-0015-12354

Pension contributions expected to decline with well funded plan



	2010	2011	2012	2013E	2014E	2015E
Funded Ratio	82%	84%	83%	>85%	>90%	>90%

SI-SSA-0015-12355

PSEG's long-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

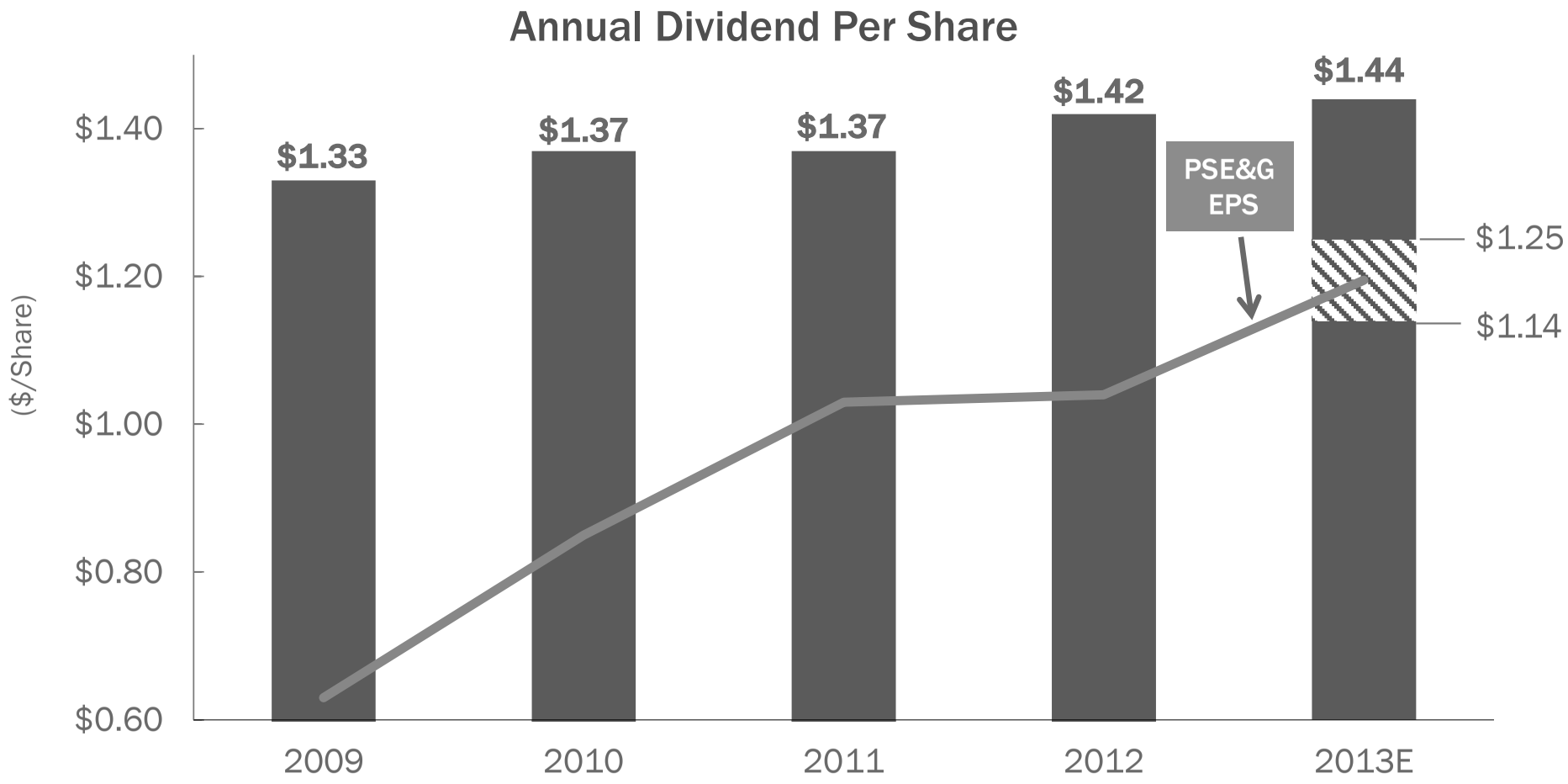
PSEG Power LLC	2014E	2015E
Each $1/mcf Change in Natural Gas	$0.03 - $0.06	$0.10 - $0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $2/MWh Change in Dark Spread	$0.01	$0.01
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G		
Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

SI-SSA-0015-12356

Opportunity for modest and sustainable

dividend increases consistent with stable regulated growth and cash generation outlook at PSEG Power



SI-SSA-0015-12357

Summary

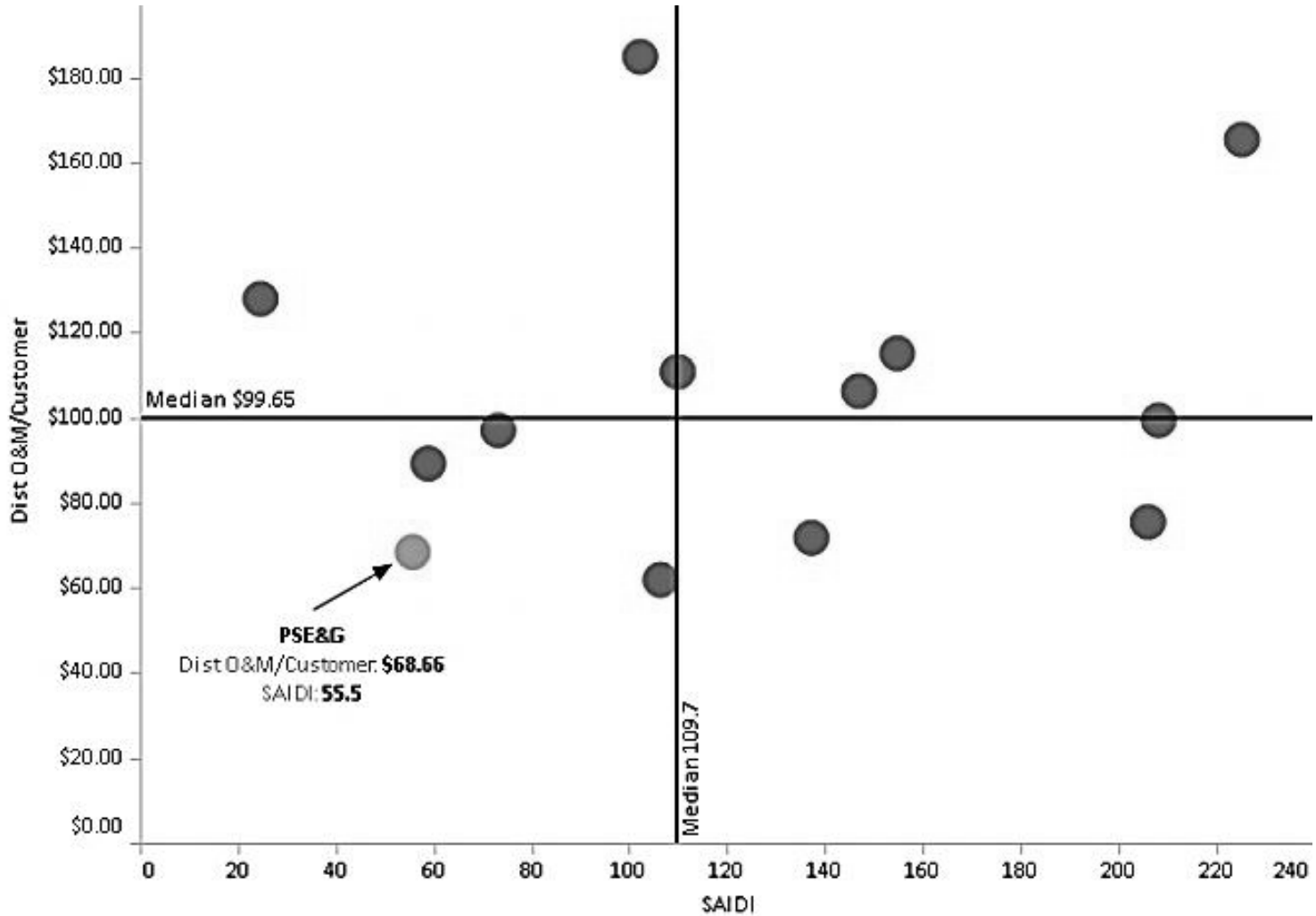
- Operating Earnings Guidance for 2013 of $2.25 - $2.50 per share with earnings mix shifting to 50% regulated
- Double digit operating earnings growth at PSE&G starting in 2013, and continuing through 2015 driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength reduces risk in low price environment
- Strong Balance Sheet and Cash Flow support full capital program without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for further growth

SI-SSA-0015-12358

PSE&G
Appendix

SI-SSA-0015-12359

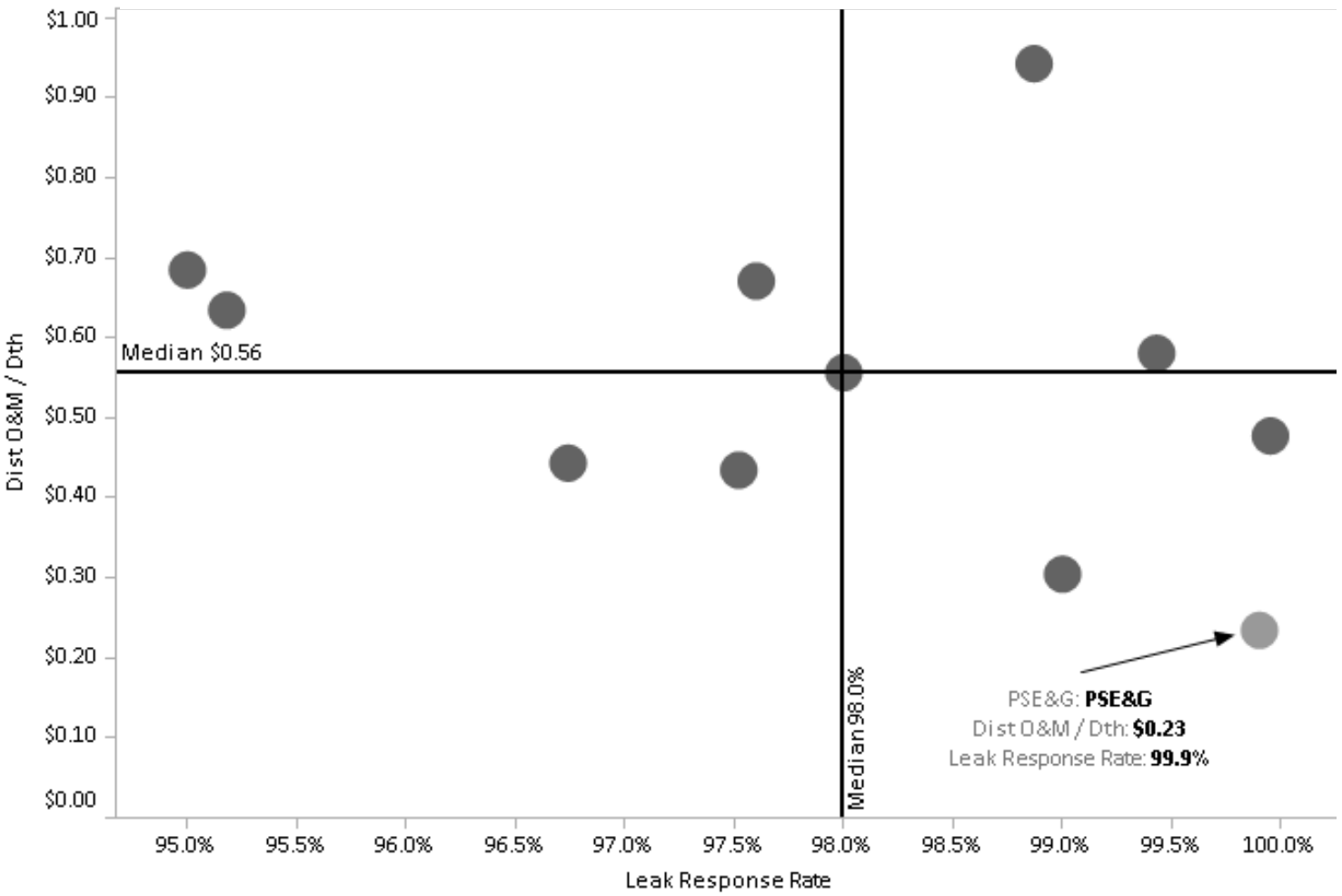
PSE&G provides high reliability at below average cost which creates superior value to customers



SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-12361

Formula rates for transmission make the process more predictable with contemporaneous returns

	Transmission (Federal)	Distribution Base Rate Case (State)
Current ROE	• 11.68% base • 12.93% with incentives on Susquehanna-Roseland • 11.93% with incentives on Northeast Grid	• 10.3%
Volatility of Returns	• Low – prospective recovery with annual true-ups for over/under recovery	• Higher – performance impacted positively/negatively by cost management, weather, customer demands, etc.
Process	• Formula – The rate template and specific elements like ROE are predetermined with annual updates and true ups	• Litigated case with each element (depreciation, ROE, O&M levels, Rate Base) scrutinized and settled
Intervenors	• State consumer advocates usually participate	• State consumer advocates • Large customers • Other parties affected by the case, e.g. Solar Developers
Test Year	• PSE&G has fully **forecasted** test year for both Capital and O&M	• **Historical** test year with pro-forma adjustments for known and measurable items, e.g. wage escalation
Time to resolve	• Annual Formula updates are filed in October with January 1 effective date	• Typically settled within 12-15 months

SI-SSA-0015-12362

New Jersey Board of Public Utilities (BPU)

- The Board of Public Utilities consists of five commissioners appointed by the Governor. These appointees are confirmed by the NJ Senate for six-year, staggered terms. The Governor appoints one of the five to serve as Commission President. Currently, the commissioners are:
  - Robert M. Hanna, Commission President
  - Jeanne M. Fox
  - Joseph L. Fiordaliso
  - Mary-Anna Holden
- Stefanie Brand, Director of the Division of Rate Counsel

SI-SSA-0015-12363

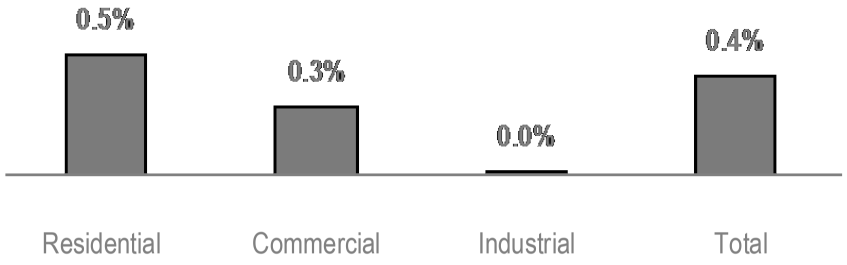
Slow economic recovery in NJ is constraining growth in all market sectors

Modest residential growth limited by housing market inactivity and the slow economic recovery

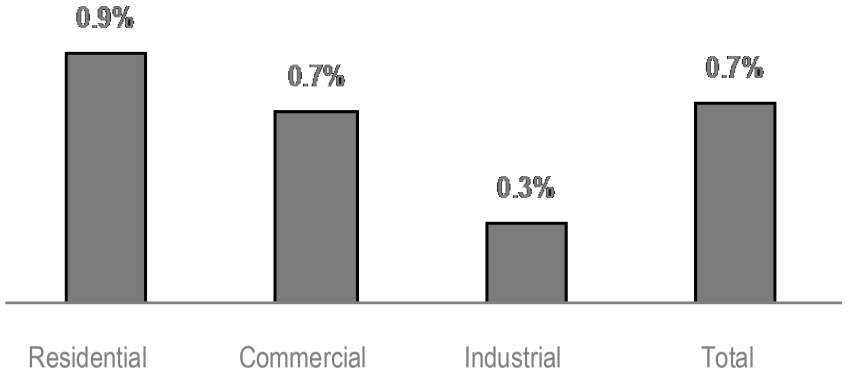
Consumer spending is trending with the slow economic recovery and impacting growth in the commercial sector

Industrial sales growth continues to be constrained by slow economic recovery

2013 - 2015 Projected Sales
Growth – Gas*



2013 - 2015 Projected
Sales Growth – Electric*



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* WEATHER NORMALIZED ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD

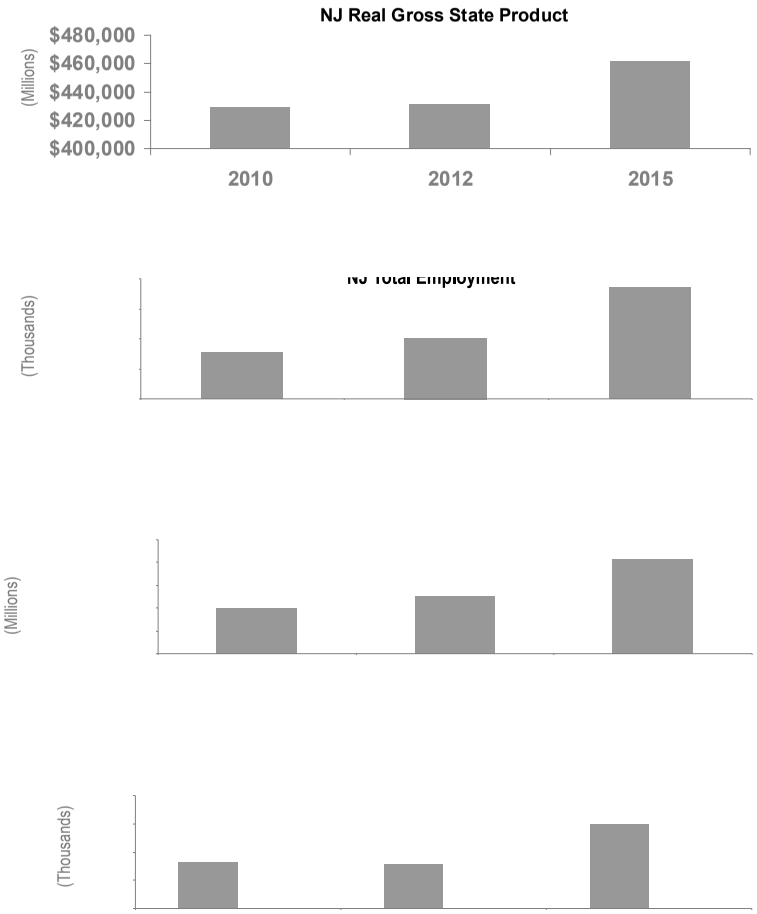
Key economic indicators forecast renewed growth over the 2012 to 2015 timeframe

The New Jersey economy increased by 0.3% annually from 2010 to 2012 and is anticipated to grow 2.3% per year from 2012 to 2015

New Jersey total non-farm employment increased by 0.6% annually from 2010 to 2012 and is expected to grow 1.4% per year from 2012 to 2015

Real personal income in New Jersey increased by 1.4% annually from 2010 to 2012 and is expected to increase 2.5% per year from 2012 to 2015

Single family housing starts declined by 2.6% annually from 2010 to 2012 and are expected to increase ~24% per year from 2012 to 2015



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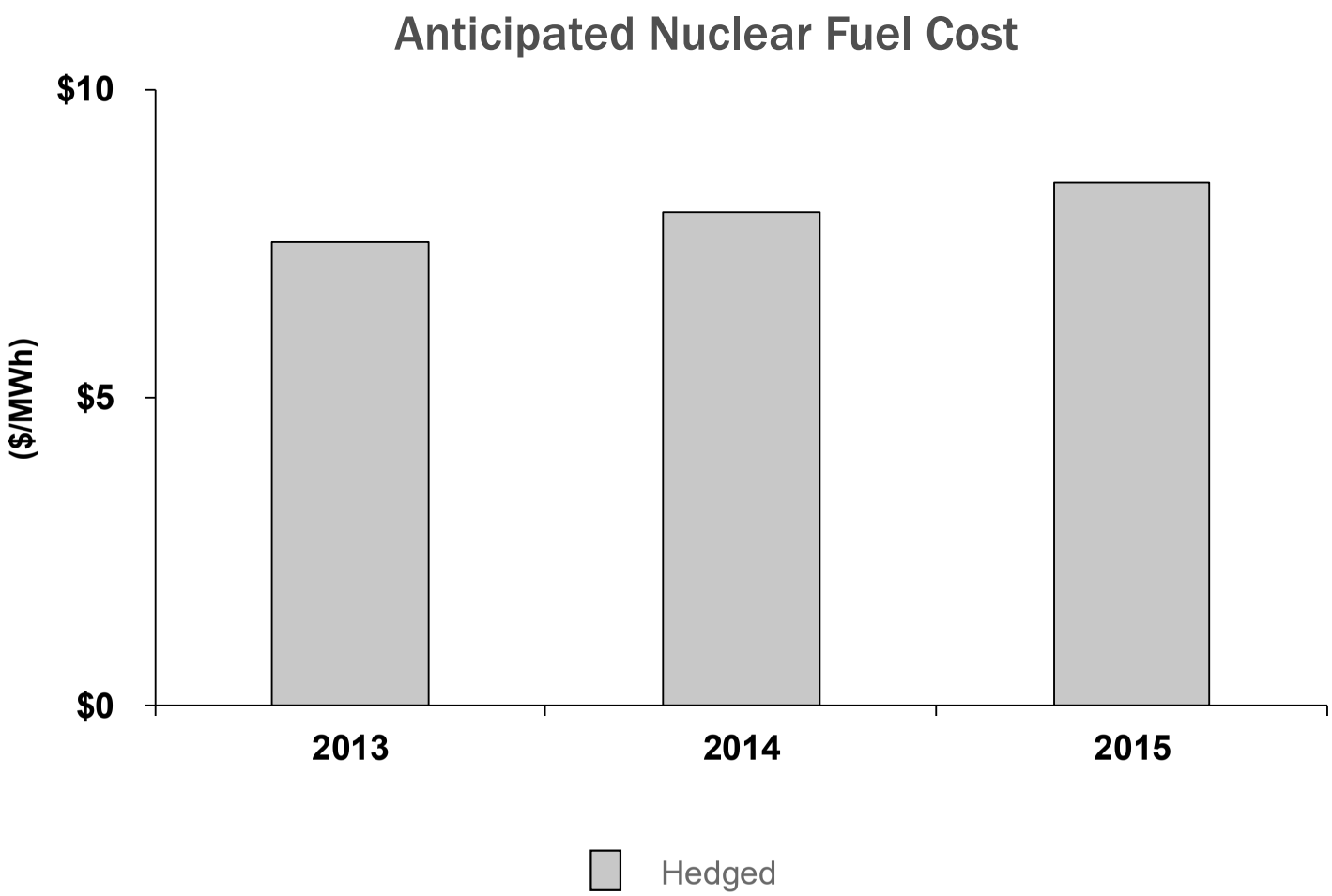
PSEG Power Appendix

SI-SSA-0015-12366

Nuclear fuel needs have been hedged through 2015



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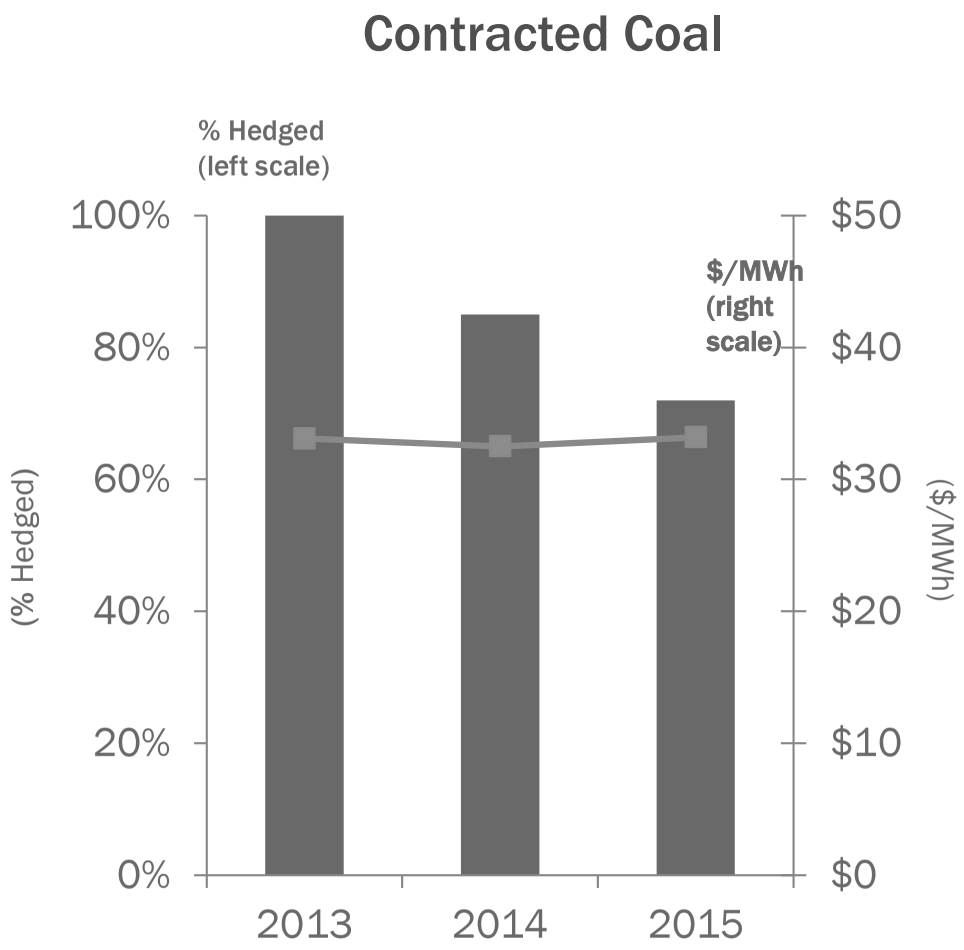
Power's coal hedging reflects 2013 supply matched with 2013 sales…



Station	Coal Type	Pricing ($/MWh) *	Comments
Bridgeport Harbor	Adaro	Mid $50's	Higher price, lower BTU, enviro coal
Hudson	CAPP	High $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAAP	Mid $20's	Prices steady

SI-SSA-0015-12368

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2013-2014	$	250
2014-2015	$	170
2015-2016	$	166
Three Year Average ($/MW-day)	$	195

Capacity Price per BGS Tranche		
Three Year Average ($/MW-day)	$	195
MW per Tranch (varies by EDC)	$	108
Days per Year	$	365
Capacity Cost per Tranche	$	7,712,637

MWh per Tranche		
Energy MW per Tranche (varies by EDC)		108
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		350,000
Capacity Cost per MWh	$	22

SI-SSA-0015-12369

PSEG Energy Holdings Appendix

SI-SSA-0015-12370

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/12 ($millions)
Solar Source	Five Operating Solar Facilities : NJ, DE, OH, FL, AZ – 69 MW	**$159**
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	**$341**
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	**$218**
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	**$202**
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Center	**$ 80**
Real Estate Operating Leases	Office Towers, Shopping Centers - 29 properties	**$100**
Generation Legacy Assets	Kalaeloa (HI) 209 MW CC Oil, GWF (in wind down stage)	**$ 96**
Aircraft Leases and Other	Delta Airlines aircraft; Land & Receivables	**$ 24**
	Total Holdings Investments	**$1,220**

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PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. LEASE REJECTION OR ACCEPTANCE DECISION IS PENDING.

PSEG Financial Appendix

SI-SSA-0015-12372

Delivered on 2012 earnings guidance

PSEG Operating Earnings	
$ Millions (except EPS)	**2012**
PSEG Power	$644
PSE&G	$528
PSEG Energy Holdings/Parent	$64
Operating Earnings*	$1,236
Earnings per Share	**$2.44**
2012 Earnings Guidance	**$2.25 - $2.50**

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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

PSEG 2013 Operating Earnings

Guidance - By Subsidiary

$ millions (except EPS)	2013E	2012A
PSE&G	$580 – $635	$528
PSEG Power	$535 – $600	$644
PSEG Energy Holdings/Enterprise	$25 – $35	$64
Operating Earnings*	$1,140 – $1,270	$ 1,236
Earnings per Share	**$ 2.25 – $ 2.50**	**$2.44**

SI-SSA-0015-12374

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS TO RECONCILE TO OPERATING EARNINGS.

Strong Balance Sheet supports our full capital program without the need for equity

$Billions	Capitalization		
Subsidiary Debt [1]	2010	2011	2012
PSE&G	4.28	4.27	5.06
PSEG Power	3.45	2.75	2.34
Parent & Other	0.08	0.04	0.04
Total PSEG Debt	7.81	7.06	7.44
Subsidiary Equity			
PSE&G	4.42	4.65	5.17
PSEG Power	5.03	5.44	5.44
Parent & Other	0.18	0.18	0.17
Total PSEG Equity	9.63	10.27	10.78
PSE&G Debt to Cap	49%	48%	49%
Power Debt to Cap	41%	34%	30%
PSEG Debt to Cap	45%	41%	41%

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PSEG

DEBT INCLUDES SHORT TERM DEBT (INCLUDING COMMERCIAL PAPER) AND EXCLUDES NON-RECOURSE AND SECURITIZATION DEBT

PSEG Liquidity as of December 31, 2012

Company	Facility	Date	Facility	Usage ($Millions)	Liquidity
PSE&G	5-year Credit Facility	Apr-16	$600	$276	$324
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	1,600	65	1,535
	5-Year Credit Facility (Power)	Apr-16	1,000	0	1,000
	5-Year Bilateral (Power)	Sep-15	100	100	0
	5-year Credit Facility (PSEG)	Mar-17	500	4	496
	5-year Credit Facility (PSEG)	Apr-16	500	0	500
		Total	$4,300	$445	$3,855
				PSEG Money Pool ST Investment	$222
				PSE&G ST Investment	$65
				Total Liquidity Available	**$4,142**
				Total Parent / Power Liquidity	**$3,753**

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

Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	For the Year Ended December 31, 2012	2011	2010	2009	2008
Earnings Impact ($ Millions)					
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 52	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	34	-	-	(13)
Total Pro-forma adjustments	**$ 39**	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)					
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	(0.02)	0.21	-	(0.02)	0.03
Lease TransactionActivity (Energy Holdings)	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.07**	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

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EDITED TRANSCRIPT

PEG - Q1 2014 Public Service Enterprise Group Inc Earnings Conference Call

EVENT DATE/TIME: MAY 01, 2014 / 02:00PM GMT

OVERVIEW:
PEG reported 1Q14 operating EPS of $1.01. Expects 2014 operating EPS to be $2.55-2.75.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP IR*
Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*
Caroline Dorsa *Public Service Enterprise Group Inc - EVP and CFO*
Unidentified Participant

CONFERENCE CALL PARTICIPANTS

Jonathan Arnold *Deutsche Bank - Analyst*
Kit Konolige *BGC Partners - Analyst*
Dan Eggers *Credit Suisse - Analyst*
Travis Miller *Morningstar - Analyst*
Paul Fremont *Jefferies & Company - Analyst*
Paul Patterson *Glenrock Associates - Analyst*
Michael Lapides *Goldman Sachs - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Allie, and I'm your event operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group first quarter 2014 earnings conference call and webcast.

(Operator Instructions)

As a reminder this conference is being recorded today, May 1, 2014 and will be available for telephone replay beginning at 1 PM Eastern time today until 11.30 PM Eastern time on May 8, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc - VP IR***

Thank you, Allie. I appreciate that. Good morning, everyone. I apologize for the slight delay in our call this morning. I appreciate your patience with us. There are a lot of earnings call this morning. We do appreciate your participation in our earnings call.

And as you are aware we released first quarter 2014 earnings statements earlier this morning. The release and the attachments are posted on our website at www.PSEG.com under the investor section. We also posted a series of slides that detail operating results by company for the quarter.

The 10-Q for the period ended March 31, 2014 is expected to be filed shortly. I'm not going to read the full disclaimer statement or the comments we have made on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties.

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And, although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimate changes, unless, of course, we are required to do so. Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or our other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Thank you, Kathleen, and thank you, everyone, for joining us today. Earlier this morning we reported operating earnings for the first quarter of 2014 of $1.01 per share. That's a 19% increase over the first quarter of 2013's operating earnings of $0.85 per share. I am extremely pleased with the PSEG's results. We delivered on many fronts during quarter.

For anyone on this call listening who resides on the East Coast, I don't need to tell you how cold it was the winter. You experienced the polar vortex, and we experienced it as well. The record low temperatures challenged our employees, our equipment and our markets. Our readiness was tested at a critical time, and the effort that PSEG's employees put into secure the availability of our equipment and maintain the reliability of the system was evident and appreciated by customers.

The extreme cold weather caused stress around the system, from freezing coal handling equipment at some facilities and playing havoc with other equipment which resulted in forced outages at some of our coal, gas and peaking units. And there was a need to respond to the stress weather placed on our electric and gas distribution system with additional repair work.

Despite these challenges the strength of Power's fleet was demonstrated in the first quarter through its dispatch flexibility and diverse fuel mix. Our dual fuel coal units were able to run on gas, and, when necessary, our peaking units with dual fuel capability ran on fuel oil when gas wasn't available. And our nuclear fleet continues to perform at high levels, operating at 100% capacity factor.

Even though some of our gas generation was curtailed, we were able to get sufficient gas to operate our units at critical times. Our coal and peaking stations responded to the improvement in market economics, and, given the responsiveness of our employees, the impact of outages was limited, and the fleet was available to meet the strong demand. The extremes in weather created substantial volatility in the market.

PSEG Power's diverse fuel mix and dispatch flexibility allowed Power to capture margin on its net long position as it responded to the increase in demand. The strong interaction between our station managers and commercial teams resulted in the adjustment of scheduled outage work and assured the supply of energy in support of customer needs. We were also able to pull forward major work at our Linden units to upgrade with advanced gas path technology in advance of the summer season.

Our access to low-cost gas supplies continued to yield benefits for our customers. During the months of February and March PSE&G's customers received bill credit amounting to $115 million. That's an important savings at any time of year. Our operating earnings in the quarter also reflect the benefit of an increase in the capital invested in our stable regulated business.

This increased investment continues to drive earnings growth and improvement in reliability at PSE&G as it transforms the profile of our Company. PSE&G capital program remains on schedule. In 2014 PSE&G is expected to invest $2.2 billion electric and gas infrastructure upgrades to its transmission and distribution facilities to maintain reliability as part of a five-year $10 billion capital program.

We reached a milestone as part of our capital program that we are quite proud of. The first segment of the Susquehanna Roseland 500kV transmission line went into service during the month of April. We expect to complete construction of SR towers and the lines heading west to the Delaware water gap this summer.

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Our section of the line, an investment of approximately $790 million will eventually connect with PPL's portion, and Susquehanna Roseland is expected be fully operational in 2015 when PPL completes construction on the western portion of the line. This will be a major achievement. SR's 2015 operational date will be 12 years after the August 2003 blackout and almost a decade after PGM identified the critical system needs required to upgrade aging infrastructure and relieve overloaded power lines.

PSE&G energized the Burlington-Camden 230kV line this week, ahead of schedule, and it is on schedule to energize the North Central reliability transmission line this summer. These projects represent a total investment of approximately $790 million and are designed to improve power quality and system reliability. All three lines are part of PSE&G's ongoing transmission program, representing $6.8 billion of the $10 billion capital program I mentioned a moment ago and providing double-digit growth in PSE&G operating earnings through 2016.

As PSE&G's investment in transmission is expected to drive its earnings growth, it is also expected to further diversify PSE&G's asset base as transmission grows to represent more than 45% of PSE&G's rate base over the next three years. Transmission lines and switching stations are the backbone of our electric grid ensuring that we can transport power where it's needed safely and reliably. This will assume greater importance as we begin to experience growth, although still modest, in weather normalized electric demand.

The polar vortex exposed the critical need to maintain and improve on the resiliency of our infrastructure, the need to replace aging equipment and maintain the level of service demanded by our customers. And it highlighted the every day truth that not investing in the system can have a real cost.

We expect the Federal Energy Regulatory Commission to rule on out PJM's proposed changes for a demand response prior to the upcoming RPM auction is I switch over to Power now.

We are supportive of PJM's proposals and believe the rule changes would be a good step in recognizing the need for a more level playing field among suppliers. As we look ahead, Power has also invested in necessary retrofits to it's fossil units to meet existing environmental requirements.

Earlier this week the US Supreme Court issued a ruling upholding the Environmental Protection Agency's cross state air pollution rule, or CSAPR, as we often refer to it. As you may recall this was vacated by the DC Circuit Court of Appeal. We are studying the ruling and await word from the EPA in its intention in regard to implementing CSAPR. With its implementation we would see reductions in NOX emissions in addition to the SO2 reductions achieved through the implementation of the Mercury and Air Toxic rule, commonly referred to as MATS.

The Supreme Court ruling validates the investments we made to satisfy environmental requirements and supports expectations for the retirement of plants that don't meet EPA requirements.

As I mentioned earlier, the first quarter represented a significant challenge. Through it we demonstrated the strength of our assets and the talent of our employees. Their focus on the mission of providing safe, reliable energy allowed us to meet the needs of our customers and shareholders. The first quarter was very strong financially and operationally.

Now we are maintaining our operating earnings guidance for 2014 of $2.55 to $2.75 per share, given the importance of normal weather to third-quarter earnings expectations for both the utility and for Power. We have a proven strategy, and we continue to reap benefits from our robust business mix. Our strong financial position will allow us to meet our goals without the need to dilute shareholders through the issuance of equity.

And our employees provide me with the confidence in our ability to achieve our long-term goals. With that, I'll turn the call over to Caroline who will discuss our financials in greater detail.

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

Thank you, Ralph. Good morning, everyone. As Ralph said, PSEG reported operating earnings for the first quarter of 2014 of $1.01 per share, versus operating earnings of $0.85 per share in last year's first quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide 4. As you can see in slide 8, PSEG Power provided the largest contribution to earnings.

For the quarter Power reported operating earnings of $0.58 per share compared with $0.50 per share last year. PSE&G reported operating earnings of $0.42 per share compared with $0.35 per share last year. And PSEG Enterprise other, or the parent, contributed operating earnings of $0.01 per share compared with breakeven operating earnings during the first quarter of 2013. We provided you with a waterfall charts on slide 9 to take you through the net changes in quarter-over- quarter operating earnings by major business, and I'll now review each company in more detail.

First let's turn to PSE&G. As shown on slide 11, PSE&G reported operating earnings for the first quarter of 2014 of $0.42 per share, compared to with $0.35 per share for the first quarter 2013. PSE&G's earnings for the first quarter reflect the benefit of an increase in revenue associated with its expanded capital investment program, an improvement in demand and a reduction in pension expense.

Slide 12 provides a reconciliation of the items that influenced PSE&G's quarter-over-quarter earnings. FERC authorized PSE&G's request for an annual increase in transmission revenue under the Company's formula rate filing. The increase in revenue which was effective on January 1 of this year, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.03 per share. Demand for electricity and gas in the quarter was influenced by weather which was significantly colder than both normal whether and the weather of a year ago.

The impact of the colder than normal weather on electric demand added $0.01 per share to quarter-over-quarter earnings. The impact of weather on gas demands, as you would expect, was recaptured in the weather normalization clause and didn't impact earnings comparisons. Apart from the weather, an improvement in the weather normalized gas demand and volumes added $0.02 per share to quarter-over-quarter earnings.

Gas deliveries continue to benefit from sustained low commodity prices and slowly recovering economic conditions. On a weather normalized basis, gas deliveries are estimated to have increased by about 3.4% in the quarter. Earnings also improved by $0.01 per share due to a reduction in the effective tax rate on all other items.

And the reduction in PSE&G's pension expense was fully offset by some higher operating and maintenance expense associated with weather-related repair costs resulting in a flat O&M comparison quarter-over-quarter. Economic conditions in the service area led by the housing market are exhibiting slow but steady signs of improvement. On a weather normalized basis electric sales are estimate to have improved by 1.3% in the quarter led by a 2.9% growth in sales to commercial customers.

But this level of growth may be greater than the underlying improvement in economic conditions given Sandy related adjustments to billings in the year ago quarter. And you'll recall we mentioned last year that Sandy impacted normal billing patterns during that quarter and immediately after. Weather normalized electric sales to residential customers are estimated to have increased by a more modest 0.6% in the first quarter.

Turning to investments, despite the extreme cold weather experienced in the quarter, PSE&G has been able to maintain its schedule for capital spending and remains on target to invest up to $2.2 billion on electric and gas infrastructure upgrades during 2014 to maintain reliability. As Ralph mentioned, a portion of the Susquehanna Roseland transmission line was energized from the new Hopatcong switching station to Roseland earlier this year, and the North Central reliability and Burlington-Camden 230kV lines are on schedule to be in service to meet this summer's peak electricity demand.

PSE&G is earning its authorized ROE for the 12 months ended March 31, 2014. We are maintaining our forecast for double-digit growth and PSE&G's operating earnings for 2014 to $705 million to $745 million as well as expectations for double-digit earnings growth through 2016.

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Now let's move to Power. As shown on slide 15, PSEG Power of reported operating earnings for the first quarter of $0.58 per share compared with $0.50 per share a year ago.

The earnings release and slide 16 provide you with detailed analysis of the impact on Power's operating earnings quarter-over-quarter from changes in revenue and costs. Power's first quarter results, which are $0.08 per share higher than last year, benefited from an increase in revenue. Higher capacity prices, an improvement in economic dispatch of Power's fleet and an increase in output more than offset the impact of higher costs associated with the need to meet the increased demand as well as the need to undertake planned outages and the costs associated with completing the capacity upgrade work at Linden.

Now let's turn to Power's operations. Power's output increased approximately 3% in the quarter from the year ago levels. And Power's assets were well-positioned to take advantage of market movements in the quarter given Power's hedging strategy, dispatch flexibility and diverse fuel mix. The base load nuclear fleet operated at an average capacity factor of 100% in the quarter, as Ralph mentioned.

And it produced 55% of Power's total generation in the quarter or 8 terawatt hours. Production from the combined cycle fleet declined 8% to 3.4 terawatt hours in the quarter of 23% of total generation. Output at the Bethlehem, New York facility was hurt by a declining gas availability, and Linden's availability was affected by a decision to extend and outage to complete the AGP capacity upgrade work actually ahead of schedule.

An improvement in dark spreads reported an increase in output from the coal stations, particularly from the Connecticut-based Bridgeport Harbor station. Production from the coal fleet increased 15%, to 2.6 terawatt hours or 18% of total generation. The cold weather and increased demand supported the economic dispatch of the steam and peaking units which provided 4% of the fleet's output in the quarter. Slide 17 provides more detail on the generation in the quarter.

The combination of higher capacity prices and an increase in market prices on Power's unhedged position more than offset the impact of lower average prices on hedges and the need to meet the demand under the fixed price full requirements PGS contracts. For the quarter, Power's gross margins as shown on slide 19 expanded to $50 per megawatt hour from $47.50 per megawatt hour last year.

Lastly, impacting electric gross margins Power's identified that it incorrectly calculated certain components of its cost based bids for certain generating units in the PJM energy market with resulting over-collection of revenues related to its fossil fleet. Power has self reported the issue to FERC, PJM and the PJM independent market monitor on this issue. The issue is still under review, and we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time.

The Company recognized a liability in the quarter related to this matter, but this impact is included in our calculation of gross margin which continues to show quarter-over-quarter improvement to the $50 per megawatt hour level that I just mentioned. Turning to the gas side, the contribution from Power's firm gas transportation contracts improved quarter-over-quarter earnings by $0.05 per share.

The contribution to earnings is from Power's traditional gas supply business, and it reflects the positive impact on earnings from higher volumes and the ability to price gas sold to commercial and industrial customers at market. Looking forward, Power has increased its forecast generation output for 2014 to 56 to 58 terawatt hours from the prior estimate of 53 to 55 terawatt hours. The revised forecast reflects the increase in output during the first quarter and an expected improvement in the economic dispatch of the fleet.

As always, our forecast is based on normal weather conditions for the remainder of the year. Approximately 70% to 75% of anticipated production for the April to December period is hedged at an average price of $49 per megawatt hour. Power has also increased its forecast of economic generation in 2015 and 2016 to 54 to 56 terawatt hours from 53 to 55 terawatt hours in each year. For 2015 power has hedged between 50% and 55% of its forecast generation at an average price of $51 per megawatt hour.

For 2016 Power has hedged 25% to 30% of its forecast generation at an average price of $51 per megawatt hour. The hedge data, as we show on slide 20, for 2014 and 2015, continue to assume BGS volumes will represent about 11 terawatt hours in 2014 and about 10 terawatt hours in 2015. We continue to forecast full-year operating earnings for Power of $550 million to $610 million. Results for the remainder of the year will be influenced by a decline in the average price received on our PJM capacity to $166 per megawatt day on June 1 of this year from the historically high level we're currently enjoying of $242 per megawatt day as well as a decline in the average price of our energy hedges.

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O&M is expected to compare favorably given a reduction in pension expense and the absence of major outage related work that occurred in the second half of last year for comparison purposes. Now let me briefly discuss the operating results from enterprise and other. For the first quarter PSEG Enterprise other, or the parent, reported operating earnings of $0.01 per share which compares with essentially breakeven operating results during the first quarter of 2013.

Results reflected a steady contribution to earnings from the lease portfolio and a contribution from PSEG Long Island. We continue to forecast full-year operating earnings for 2014 from PSEG Enterprise other of $35 million to $40 million. I want to point out that in April PSE&G Power amended their credit agreements ending in 2017 which is effectively extends the expiration dates from March of 2017 to now, April 2019.

Total credit capacity as of March 31, 2014 was $4.3 billion. PSEG has credit facilities amounting to $1 billion. Power's credit facilities total $2.7 billion. In addition, PSEG maintains a five-year credit facility amounting to $600 million. A significant portion of our $4.3 billion of credit capacity expires post 2018. $2 billion matures in 2018 and $2.1 billion matures in 2019 with this recent extension.

As we have said many times we can finance our capital program without the need for the issuance of equity given the strength of Power's cash flow and our already strong balance sheet with debt at the end of March 31 of this year representing 41% of our consolidated capital. And we ended the quarter with about $655 million in cash. We continue to forecast operating earnings for the full year of $2.55 to $2.75 per share.

With that, that concludes my comments, and I will now turn the call back over to the operator and open the line for your questions. Allie?

QUESTION AND ANSWER

Operator

We will now begin the question and answer session for members of the financial community. (Operator Instructions)

Jonathan Arnold, Deutsche Bank

Jonathan Arnold - ***Deutsche Bank - Analyst***

Just on this reserve, Caroline, you talked about in the quarter, for the cost based bidding, et cetera, could you clarify, was that just a first quarter item, or did you reserve against something that relates to a longer period of history? How long if that's the case?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

Sure. Thanks, Jonathan. We booked a liability in this quarter based on errors that we identified and they are in certain bid adders such as emissions, and we have fixed all of the errors that we have identified in the bid adder arena that resulted in any over collection. So right now we are assessing all other aspects of our model, any other identified and quantified errors will be fixed. We can't comment any further at this point, other than to remind you that we have self-reported, and what we booked as a liability is reflected still in those numbers that I gave you that result in gross margin per megawatt hour increasing for quarter-over-quarter to $50 per megawatt hour.

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Jonathan Arnold - ***Deutsche Bank - Analyst***

You give us any sort of insight as to what you're -- whether this is -- there's some kind historical liability booked against the first quarter?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

As it relates to errors we've identified historically, that's exactly right. But since we're in the self-report and the appropriate regulatory process we can't give more detail about this time. When the process is complete, we'll give the full information, but we can't do that quite yet.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. So it's safe to say there's some element of this unquantified reserve, it doesn't just relate to re-jiggering how you presented first quarter? There is some past stuff in there, too?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

It relates to the past, correct.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. All right. When do you think we might have a better sense of how much that affected the quarter?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

We are in this self-report process, discussions with PJM and the market monitor and the self-report we just made to FERC. We want to see that regulatory process, of course, through to completion and can't really predict what that timeframe would be. But when we get to that end of that timeframe we will disclose it is as appropriate, the final results.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. And then I think as you've been on the phone it looks like and 8-K has it with information about an energy strong settlement?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, Jonathan, let me talk about that. I wanted to dispel one rumor and confirm one rumor. The one rumor I want to dispel is that we moved the call up an hour, and I couldn't get here on time so we started five minutes late. That's not accurate. (laughter) But we did have some tremendous progress last night in our discussions with all of the interveners and particularly board staff. And this morning we were just trying to dot our Is and cross our Ts and have signatures on the settlement agreement. And then of course to comply with FD we needed to make sure that information was released.

The earnings release went out ahead of the dotting of Is and crossing of Ts, and we now have done that. I am pleased to say that we have a settlement agreement with the staff. W e expect many of the other interveners to join, but we don't have their signature yet, and

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I'm okay with that. The staff is who we always want to make sure we have the agreement with. It's a $1.22 billion program, about $820 million is electric and $400 million of that is gas. The allowed ROE is 9.75%.

$1 billion of that will be recovered through accelerated recovery mechanisms. $200 million of that will be done in 2017 time frame when we will then file a rate case in November of 2017 with a three month historic nine-month look ahead profile. So, that will be seven years plus from our last base rate case. We would expect the BPU to approve this. They have not as yet.

The schedule for approving it will be announced shortly. That will be a partial function of how many other parties sign-on. Although, as I said, I do expect most of the participants to sign-on. I know that they're not on the phone right now, but I just have to thank the 100 plus municipalities and counties who supported us, the unions who supported us, the hospitals who supported us, the other parties who are engaged in the dialogue for 15 months and our regulatory team.

They just did a great job, and we're just pleased to get this thing going right now. I would view this as an important start to hardening the system. There's nothing in the settlement that says we can do the full $3.96. I don't mean to suggest that, but there's nothing that says we can't. I just view this as an important start, and we will be measured by our success and effectiveness in hardening the system, as we should be. But I'm glad that we can get underway.

Jonathan Arnold ***- Deutsche Bank - Analyst***

Thank you, Ralph. I guess, given that it's my question, can I just ask one clarifier on this?

Ralph Izzo ***- Public Service Enterprise Group Inc - Chairman, President & CEO***

Sure.

Jonathan Arnold ***- Deutsche Bank - Analyst***

The -- when you said the $1 billion will be under accelerated recovery and then the balance, $200 million will be -- so the billion is sort of 2015 in 2014 through 2016, is that correct?

Ralph Izzo ***- Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, it's unfortunately not quite so simple, Jonathan. Some of this stuff will get done in two years, some will take three and some will take five. The five-year has to do with the substations that were underwater in Irene and in Sandy. And all of those, even those that go out to five years will be under the accelerated recovery mechanism. So there's $200 million of the program is going to be done just leading up to the rate case, what we agreed is we would just make that part of the prudency review since there's really not a lot of time lag between the prudency review and the capital program. Because none of this stuff gets recovery until it goes into service, so we thought that that would be okay, that there would be no lag on that $200 million.

Jonathan Arnold ***- Deutsche Bank - Analyst***

The rate case will be filed within nine months of 2016, three months of 2017, for one 2017 rate?

Ralph Izzo ***- Public Service Enterprise Group Inc - Chairman, President & CEO***

No. The other way around. When it goes in November 2017 it would be three-month actuals and nine months of forecast.

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Jonathan Arnold - ***Deutsche Bank - Analyst***

So it will go in November of 2017? Okay. I got it. Three months.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good. Because if I have to repeat it, I might not say it the same way twice. It's three-months of actuals and nine months forward. That's been our practice.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Great. Thank you. I'll move along.

Operator

Kit Konolige, BGC Financial

Kit Konolige - ***BGC Partners - Analyst***

Thank you. Good morning. Just to follow a little on the energy strong, can you quantify how much that -- this deal would be worth say in terms of EPS?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Kit, we've pretty much given you the fairly consistent rule of thumb, that at our cap structure with these kind of returns it is about a penny for every $100 million of investment.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

That's right.

Kit Konolige - ***BGC Partners - Analyst***

Right. When would, under this settlement when would the investment start to be made, and how would the rate base ramp-up as a result of this?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

You should not expect a big impact in 2014. I don't have in front of me the exact capital program calendar, but most of it will be felt in 2015, 2016, 2017 and 2018. You may recall, Kit, as we talked about in March, we forecast double-digit earnings growth but also double digit rate base growth even without energy strong, as we talked about. (multiple speakers) is that to reinforce the strength of the rate base growth as double-digit and the earnings, but as Ralph said, not a material item at all for 2014.

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Kit Konolige - ***BGC Partners - Analyst***

Right. Okay. And one other area to go back to, Ralph, your comment on the auction -- it sounds like -- did I understand you correctly to say you view the demand resources rule change is kind of the key change in the auction?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We do view it as a key change, right? Because the import issue is more of a Western PJM issue than it is for us. Whether it's the limited dr resources or trying to address some of the arbitrage opportunities available between the base residual auction and the incremental auctions. We think all of these are positive for creating more of a level playing field in the market. I've been running around trying to find the settlement documents -- I'm just looking around at my colleagues to make sure FERC hasn't acted on this yet. It's supposed to happen soon, but we don't have a decision yet.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

No. That's right. Not yet.

Kit Konolige - ***BGC Partners - Analyst***

Okay. And so can you give us any insight into what we should expect from the auction? Should we expect the PSEG zones to separate again, and can you give us what you're thinking about where RTO settles?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes. You know, we would never do that, we just -- it's obviously a competitive auction process. To forecast out predictions would not be a good idea, and we've never done that in the past. I will tell you though that we will know by May 23, the bids go in on the 12th and from the 12th to the 16th and then PJM takes a week to assess them. And so three weeks and two days from today we will all have the answer.

Kit Konolige - ***BGC Partners - Analyst***

Okay.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I don't want to lead you to think that we don't analyze this. We just don't publicize what we think.

Kit Konolige - ***BGC Partners - Analyst***

Right, right. At least you confirmed that will know by May 23, right? (laughter) Thank you.

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Operator

Dan Eggers, Credit Suisse

Dan Eggers - ***Credit Suisse - Analyst***

Can you just -- with the settlement, can you just walk through, I don't have them side-by-side yet, I apologize, but walk through what were the big changes kind of from the maybe the $2.6 billion over the five years you had projected or requested and what you guys settled today as far as where dollars weren't spent and how you think about the opportunity to spend those later?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes. So the most important part we viewed of the settlement was the electric substations. All of that is covered and from the point of view of what was affected by Irene and Sandy. But there were a bunch of other areas that we thought would be beneficial. For example, we had the undergrounding of I think 30 miles of circuits, of overhead circuits, and that was knocked out.

We had some improvements to SCADA system, data analysis, data acquisition and analysis system that would help us restore those customers who were interrupted more promptly. That was knocked out. On the gas side we had I think 500 miles of cast-iron that was affected or is in now FEMA more at risk areas, and that 500 was cut back to 250. We then had some movement of backyard services to the front of the home. Once again, a backyard service getting knocked out is that much more difficult to restore. That was knocked out.

We had some improvements in construction standards for some of our distribution systems. That was knocked out. The heart, I just listed a whole bunch of stuff that was knocked not. I don't give the wrong impression. The heart of the program was the substations, and that was fully funded. But we will go back. I think people are going to see that this has a benefit.

We wouldn't have proposed it if we didn't think so. And as we do the work and as we see the system perform, we will go back and talk with staff and talk to the other parties. I really do take their reaction to this not as a no on the other stuff but as a not yet. And just show me that it is money well spent. I think that's perfectly legitimate and fair on their part, and we will step up to that.

Dan Eggers - ***Credit Suisse - Analyst***

Do you have a ballpark maybe of by year how that money is going to get spent over the next?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We will release further details -- I don't off the top of my head right now. I just want to make sure the team has a chance to get the schedules all put together, and then we can release that.

Dan Eggers - ***Credit Suisse - Analyst***

Okay.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

But as Caroline said, in our March conference we didn't bake into our growth projections for the utility energy strong so this $1.2 billion over the next two to five years -- it's really more like four, will be incremental to that, and we will give you the specifics there

Dan Eggers - ***Credit Suisse - Analyst***

I guess just one other questions I'll just kind have been out in the market is kind of views on remaining an integrated company with the distribution business on the regulated side and the competitive generation business. Can you remind us how you guys think about combined company and what would be required and maybe how you reevaluate that strategy?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Dan, we talk about that often. There's arguments on both sides of the equation. By and large, we don't think we're hampered from doing things on either side of the Company by virtue of having the other company as part of the family. We kind of like the stable earnings growth of utility providing a really strong foundation for the dividend and its future growth.

We like the fact that Power is generating a healthy amount of cash that can feed the equity needs of the utility. There are very obvious operational dis-synergies to separating. Again, you never say never, because we are always asking the question, but we obviously like the model right now. And I just keep reminding myself that every once in a while somebody says, gee, you have such a great utility, if only that was standalone and separate from that struggling power company. Five years ago we used to have the same conversation only the roles were totally reversed.

It's not -- we don't put our head in the sand and not ask that question. We do talk about it regularly from the point of view of strategic clarity and being able to give a very specific messages to our shareholders. Right now the cash from Power and the equity needs of the utility are really nice financial complements, and the operational benefits of moving people from one organization to the other with complementary skill sets has been a big plus for us as well.

Dan Eggers - ***Credit Suisse - Analyst***

Great. Thank you, guys.

Operator

Travis Miller, Morningstar, Inc.

Travis Miller - ***Morningstar - Analyst***

Sorry, I'm back on the capacity auction real quick. I was wondering if you could characterize how much demand response you would either expect or you have seen in the past show up and thus potential impact on you guys specifically or your zone specifically?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Travis, the ability to forecast the DR is not an inconsequential part of getting the price right. We really wouldn't want to put that number out. The historic DR I would rather have you -- I don't mean to make you do extra work, but check the PJM website for that

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rather than me quoting it. The numbers that I recall are high single-digit percentages like 8% or so, but it's better to check PJM website.

But the [CTEL and CTO] numbers and the transfer capability and the known assets and the known demand numbers are all out there for PJM. So really a large part of the auction turns on what you expect for DR. I will say this, that most DR does happen in the higher industrial zones and in the part of PJM that we operate we don't have a large industrial load so there's typically at lower DR component where we are.

Travis Miller *- Morningstar - Analyst*

Okay. Fair enough. Thanks. And secondly I was wondering if you could characterize the hedging environments as you saw from February to where we are today end March.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

I'll start that one and fill in -- to be sure with some of the banks and the financial players leaving the markets we have seen a little bit -- we have seen less liquidity in the out years. I don't want to qualify it as less. Also given some of the infrastructure challenges of moving low-cost gas out of the Marcellus to other regions combined with some fairly extreme weather conditions have really introduced a tremendous amount of volatility in the market. We have benefited greatly with our naturally long position. We have what I would just call corridors. They are upper and lower limits in terms of how much we want to hedge.

We play within those corridors in terms of if we think the market is over-sold, or maybe there's some potential for upside. So we will lean one way or another, that's why we give you ranges of our hedge position. Suffice to say we've been pleased by the way in which we've managed our books given the increase in power prices of late. And we've seen a little modest increase coming from the CSAPR rule, how sustainable that will be we don't out guess the market, but we do capitalize on the opportunities when they come up. Caroline, please go ahead and answer -- I'm sure you have --

---

Caroline Dorsa *- Public Service Enterprise Group Inc - EVP and CFO*

Sure just a few other points then looking at some of the numbers that you saw in our slide deck and comparing them perhaps to what you saw when we were at the March 7 meeting, we did continue to layer on hedges consistent with that layering and strategy that Ralph mentioned within the corridors. Keep in mind that the numbers that you have now in today's slide deck reflect an increase in the expected terawatt hour generation from our fleet based on the economics in the market.

That's a good thing obviously for us. What its impact would be is that as we continue to layer on hedges you wouldn't see the ranges move up quite as much of the hedge percentage because the denominator is moving up. That's great from our perspective. Also, if you look at the hedge percentage for the remainder of this year, it looks a little lower than the hedge percentage we gave you for the full year earlier this year.

That's normally what you see because when the first quarter rolls off, you've got a greater representation from the summer period, and the summer period is where we have the [mid meridan] peaking which we would never be hedging fully because of the weather. You normally see that percentage looking like it's going down and then it kind of goes back up after you get through the summer.

So we continue to layer on our hedges, it kind of looks the same as the progression last year. If you roll the tape back, the only other thing going on there is that increased generation expectations which is great from our perspective. It changes a little bit how to think about the numbers, but it's all because of that denominator effect which we' very pleased with.

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Travis Miller - ***Morningstar - Analyst***

Right. Thanks so much for all the detail.

Operator

[Paul Dimardo], UBS

Unidentified Participant

I think pretty much all of my questions have been answered, but one question on Linden and that acceleration and the other cost acceleration. Do see that having an impact on the remainder of the year if some of the costs have been accelerated?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

In terms of O&M do you mean or in terms of generation?

Unidentified Participant

Like in terms of outages and O&M type of expenses that you have moved forward.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

Oh, sure. We moved them forward, because we had a Linden outage that was ongoing. We took the opportunity to extend it a little bit, so that we could add the AGP, the up rate, so now we have 63 extra megawatts at Linden which will be available for us for the summer. That increment was about $0.02 for the quarter, but that would have happened later on as we continue to do Linden.

We're still forecasting to have the O&M be lower at Power on the full-year basis than prior year. That's what we told you earlier this year, and that hasn't changed. Again, some of this is timing but a good timing to get the AGP done sooner. Remember both businesses continue to benefit from pension expense, and that's baked into the numbers. So a little bit of timing difference -- good thing for us from the generation side.

Still going to see that O&M reduction in our current forecast, actually in both businesses on a year-over-year basis.

Unidentified Participant

Okay, great. I'm sorry if I missed it, but did you say as potential timeline on when we would get our next update potential review from the BPU on the energy strong settlement?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Depending upon the expense which the settlement is universal, if all the parties agree then it's conceivable that the board would act on it in the May time frame. If all the parties are not on board, and there's reason to believe that we have a good shot at getting all the

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parties, but I don't know that for a fact. Then it's more likely that the board will schedule an opportunity for comment on the settlement, and you're looking more of a June decision.

Unidentified Participant

Okay, great. Thank you.

Operator

Anthony Crowdell, Jefferies

Paul Fremont *- Jefferies & Company - Analyst*

Actually it is Paul Fremont. What I'm struggling with a little bit is when I compare the uplift in commodity margin that you guys realized, which is roughly, I guess, in PJM $50 million on close to 14.5 million megawatt hours, and I compare that to Calpine, which I think had only 3.5 million megawatt hours in their north region but had an uplift of like $125 million, what is it that you would point to as the biggest differences between their profit opportunity versus your profit opportunity when both companies were sort of in a similar hedge position going into the quarter?

Caroline Dorsa *- Public Service Enterprise Group Inc - EVP and CFO*

Thanks, Paul. We don't know their situation, so I certainly can't comment on that. Obviously t you saw as we provided the data in the waterfall, part of what you have to keep in mind for us is not just the data on the incremental generation which we said was 3% higher, but you've got to take into account the impact of the hedges, right? The hedges that we have including the full requirements BGS. So when BGS gas stronger demand because of the winter weather, and it was a strong winter this winter, that BGS is a fixed price.

So that reduces some opportunities for us in taking advantage of the market, because we have that cost to serve. So we were about 75% hedged, about 25% open to the market for the quarter. Not too dissimilar to where we've been before, but obviously the BGS prices relative to the market prices are lower now, because of the where the market moved in the first quarter.

Paul Fremont *- Jefferies & Company - Analyst*

So, I think, does that lead you to maybe reconsider whether the BGS is the best hedging vehicle for the Company?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

No. No. Not really. If you think about the reliance on Power's cash generation, BGS has nicely protected us in the down market. Yes, it does create an opportunity cost on the up markets, but it provides a nice stable platform. If you remember the strength of a BGS is that it is full requirements, and it's -- we are uniquely capable of serving full requirements because of the breadth of our technologies. The breadth meaning base load, load following and peaking which allows us to incorporated a load factor premium and a risk mitigation premium. No, I don't think you'll see us moving away. That's why we have the 10 to 11 terawatt hours of BGS all factored into future years.

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Paul Fremont - ***Jefferies & Company - Analyst***

Thank you very much.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - ***Glenrock Associates - Analyst***

Just -- I wanted to fall back on this energy cost bid issue. Are you guys not disclosing the liability in the quarter? Did I get that correct?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

Were not disclosing the specifics of the liability in the quarter because, as I mentioned, we are in the regulatory process. We did the self report. We are in discussions with PJM and the market monitor and self report to FERC. Wed rather let that regulatory process go on and complete. So, as I mentioned to you, we did book something this quarter, but it's all rolled into that gross margin per megawatt hour that increased, and we will give more details when we finish the process.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. Then you also said it was historical in nature. Could you give us a little bit of the flavor just roughly speaking over what time frame this was?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

No, I won't go into that right now. Same thing, we want to handle the regulatory process as appropriate. But it is historical in nature. It's things we identified looking at historical things, for example, as I mentioned, such bid adders like emissions. Those things have been fixed, and those are the kinds of errors we've been reporting.

Paul Patterson - ***Glenrock Associates - Analyst***

Did it have an impact on market prices during that period of time?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP and CFO***

That's not something we can comment on. As I said, will go to the regulatory process, complete all of that, and then we will give additional information.

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Paul Patterson - ***Glenrock Associates - Analyst***

Okay. But this is something that you guys discovered, and it didn't involve the market monitor or anybody else. You guys are self reporting that, correct?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We self reported. That's correct. We discovered it, and we self reported it to all of agencies,

Paul Patterson - ***Glenrock Associates - Analyst***

Okay, and then just finally there was some commentary about the replacement capacity case, I think the arbitrage and you guys have some insight as to what the outcome is going to be, is that correct? What were you talking about?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

No. No. We like others, have been curious about whether or not DR actually is physically delivered or whether there's an arbitrage between the base residual auction and the incremental auction. And PJM has basically adjusted some modifications to the way in which that incremental auction can take place and the physical delivery of germane response that we think will benefit the market. We have no insights other than the full public dialogue on the subject.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. All of other questions have been asked and answers. Thanks so much.

Operator

Michael Lapides, Goldman Sachs

Michael Lapides - ***Goldman Sachs - Analyst***

Two questions. One, Caroline, when I look at O&M in the quarter, at both Power and E&G, up year-over-year at both places, up a good bit at E&G relative to first quarter 2013 but even a little bit at Power. Can you just walk us through the puts and takes and what of that, if any, would be recurring when we start thinking about 2015?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Sure. Not really forecasting 2015 specifically, but if you look the O&M for the quarter and you see a nice break out I think on page 9 of our deck. We've put the O&M in two pieces for you which I think is kind of helpful. The lower pension expense for PSE&G is valued at about $0.02 per share on a favorable basis. Right? And then there's distribution O&M of about $0.02 a share unfavorable.

The way to think about that is we told you that pension expense for the whole company would be about $0.15 per share favorable, a little bit more than half of the PSE&G so you see more like $0.08 for the year and for the quarter. The $0.02 on distribution O&M that

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was unfavorable year-over-year is primarily driven by some incremental repair that occurred in the winter. Can't really forecast that, right? We always forecast normal weather. Sometimes we have storms in the winter, and sometimes we have storms in the summer.

Together that leads to a flat O&M on an operating earnings basis, the way we typically report it. Keep in mind, if you're looking at the GAAP statements you wouldn't see the impact I'm showing on the waterfall because the O&M in the GAAP statement includes the O&M for clauses. We always take that out from a management perspective. But if you're looking at GAAP going to see O&M the relates to the contemporaneous return clauses we have, for example, like solar and a number of other things.

We've always excluded that, because that's recovered within the ROEs that we get when we get those clauses. That's why we focus on the operating earnings waterfall that we show you on 9, because that is really what to think about in terms of what flows down to the bottom line without recovery. That's the utility piece. You should expect to see pension continue to benefit quarter-over-quarter.

And then the rest of the O&M really depends on the rest of our ongoing control and whether there are any storms in the summer season, but you can't be sure about that. In terms of Power, if I go to over to the other side, Power, we also break out pension, it's about $0.01 for the quarter. Remember, I said Power would be little less than half, so Power gets on a rounded basis about $0.01 of benefit for the quarter. And then it has about $0.05 on a quarter-over-quarter impact for this quarter, and I mentioned the Linden outage, which was planned but then extended. And the extension was an impact of about an extra $0.02 this quarter for the AGP.

That's a good thing, because that gives us more generation. When I do year-over-year comparison most of what you're seeing in the O&M negative is the impact of outages and outage extensions. For Power going forward there's no Hope Creek outage in 2014, so that will be a favorable impact relative to prior year, because remember when we of outages at Hope Creek we get 100% versus outages at Salem where we only get a portion.

And also there was a BEC outage remember I talked about last quarter for the end of the year. There won't be a BEC outage in the later part of this year. Roll that all together and where does it all take is? We had some storms in the utility we had to spend and couldn't anticipate. We have extended outage for the AGP and Power that was a little negative.

You've got the positive pension rolling through just the way you should expect to see it for this quarter. And when you put all of that together and you look at the rest of the year on an operating earnings basis, setting aside utility clauses that get recovered, that's why we're still comfortable forecasting a decrease in the aggregate for each of our businesses year-over-year.

Michael Lapides *- Goldman Sachs - Analyst*

Got it. And then, Ralph, just on energy strong settlement, I want to make sure I follow the high level details -- $1.22 billion -- the bulk of the CapEx is really 2015 through 2017. There will be a tiny bit at the end of 2014 and a tiny bit that trickles after 2017. And ROE that's 30 to 40 basis points lower, 30-ish basis points lower than the last authorized level. About 80%, 85% of it recovered via contemporaneous clause, and the rest of it will be trued up in a rate case. Is that basically the high level gist of the settlement? Anything I'm leaving out?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

No. I think you got it, Michael.

Michael Lapides *- Goldman Sachs - Analyst*

Got it. Congrats on the settlement.

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SI-SSA-0015-12396

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thank you.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP IR***

I know there's another call that's about to begin. I don't want to interfere with -- so I'll turn the call back over to Ralph for any closing comments. I'm available as well as Carlotta for any calls people have.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thanks, Kathleen. So just a summary looking back at the quarter and then looking ahead, from my perspective Power just continues to handle anything that comes its way. Power managed the polar vortex almost flawlessly. While that's going on, we ran 100% nuclear capacity factor, and we managed to get our advanced gas path technology accelerated into the quarter at Linden to make sure it's ready for the summer. And then looking ahead please make note of the increase in our expectations for Power's output in the subsequent years.

In the utility, once again, on track for double-digit earnings growth. Capital program is on budget. You heard us mention a couple of transmission project that are ahead of schedule. And of course, the good news that we've reached settlement on a $1.22 billion dollar energy strong program. And last but not least, the weather normalized demand for gas continues to grow, and we're now beginning to see growth in electric demand.

That's refreshing. Thank you for joining us. I hope to see all of you at some point in the near future on the road as we make our visits. Thanks, everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for participating.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

May 1, 2014

PSEG ANNOUNCES 2014 FIRST QUARTER RESULTS

$0.76 PER SHARE OF NET INCOME

$1.01 PER SHARE OF OPERATING EARNINGS

Company Maintains 2014 Operating Earnings Guidance of $2.55 - $2.75 Per Share

Public Service Enterprise Group (PSEG) reported today Net Income for the first quarter of 2014 of $386 million, or $0.76 per share as compared to Net Income of $320 million, or $0.63 per share, in the first quarter of 2013. Operating Earnings for the first quarter of 2014 were $515 million, or $1.01 per share, compared to Operating Earnings for the first quarter of 2013 of $433 million, or $0.85 per share.

"I'm extremely pleased with PSEG's results for the first quarter" said Ralph Izzo, chairman, president and chief executive officer. He went on to say "our strong earnings demonstrated the ability of our business model to perform for our customers and shareholders. The diversity of PSEG Power's fuel mix and dispatch flexibility supported the needs of customers and allowed Power to capture margin during the extreme weather conditions experienced this winter. Power is enhancing its position in the market through economic investments in capacity uprates; and, the increased capital investment in our stable, regulated business continues to drive earnings growth and improvement in reliability at PSE&G as it also transforms the profile of our company. This year, operating earnings from PSE&G are expected to represent over 50% of forecast operating earnings as we expand our investment in critical infrastructure projects."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the first quarter. See Attachment 10 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
First Quarter Comparative Results
2014 and 2013

	Income ($millions)		Diluted Earnings Per Share	
	2014	**2013**	**2014**	**2013**
Operating Earnings	$515	$433	$1.01	$0.85
Reconciling Items	(129)	(113)	(0.25)	(0.22)
Net Income	**$386**	**$320**	**$0.76**	**$0.63**
		Avg. Shares	**508M**	**507M**

“Our employees’ commitment to our strategic focus -- operational excellence, financial strength and disciplined investment – provided our customers with safe, reliable power during the extreme weather conditions experienced in the first quarter, and allowed us to achieve our financial goals. PSE&G remains on course to achieve double-digit growth in earnings, as the flexibility of our merchant generation business continues to provide earnings and cash flow to finance our investment program. We had strong results in the first quarter. We are maintaining our forecast of operating earnings for the full year of $2.55 - $2.75 per share given the importance of normal weather to our third quarter and full year results.”

The following table outlines expectations for operating earnings in 2014 by subsidiary:

2014 Operating Earnings Guidance
($ millions, except EPS)

	2014E
PSE&G	$705 - $745
PSEG Power	$550 - $610
PSEG Enterprise/Other	$35 - $40
PSEG Operating Earnings	$1,290 - $1,395
Earnings Per Share	$2.55 - $2.75

Operating Earnings Review by Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSE&G

PSE&G reported operating earnings of $214 million ($0.42 per share) for the first quarter of 2014 compared with operating earnings of $179 million ($0.35 per share) for the first quarter of 2013.

PSE&G’s earnings for the first quarter reflect the benefit of an increase in revenue associated with an expansion of its capital investment program, an improvement in demand and a reduction in pension expense.

The Federal Energy Regulatory Commission (FERC) approved an annual increase in transmission revenue of $171 million under the company’s formula rate filing. The increase in revenue was effective on January 1, 2014. PSE&G’s expanded investment in transmission added $0.03 per share to earnings in the quarter. The winter weather, which was significantly colder than normal and colder than a year ago, influenced electric and gas demand. The impact of the colder than normal weather on electric demand added $0.01 per share to quarter-over-quarter earnings. In addition, electric weather-normalized sales experienced a slight improvement in demand as weather normalized gas deliveries continue to grow. The impact of weather on gas demand was recaptured in the weather normalization clause and didn’t impact earnings comparisons. However, the weather-normalized improvement in gas demand and volume added $0.02 per share to quarter-over-quarter earnings. Earnings also improved

by $0.01 per share in the quarter due to a reduction in the effective tax rate and other items. A decline in PSE&G's pension expense was fully offset by an increase in operating and maintenance expense associated with weather-related repair costs.

Economic conditions in the service area are exhibiting slow but steady signs of improvement led by the housing market. On a weather-normalized basis, electric sales are estimated to have improved by 1.3% in the quarter. The improvement in electric sales was led by 2.9% growth in sales to commercial customers which may be greater than the underlying economic conditions would indicate given Sandy related adjustments to billings in the year-ago quarter. Weather normalized electric sales to residential customers are estimated to have increased by a more modest 0.6% in the first quarter. Gas deliveries continue to benefit from sustained low commodity prices and slowly recovering economic conditions. On a weather-normalized basis, gas deliveries are estimated to have increased by 3.4% in the quarter.

PSE&G's capital program remains on schedule. PSE&G is expected to invest $2.2 billion in electric and gas infrastructure upgrades to its transmission and distribution facilities during 2014 to maintain reliability. A portion of the 500-kV Susquehanna – Roseland line was energized from the new Hopatcong switching station to Roseland earlier this year. The line is expected to be fully in-service to meet the summer peak electricity demand next year. The 230-kV North Central Reliability line and the 230-kV Burlington-Camden line are expected to be placed into service this summer.

The forecast of PSE&G's operating earnings for 2014 remains unchanged at $705 million - $745 million. Operating earnings will be influenced by an increase in transmission revenue, an increase in the level of capital invested in solar and a reduction in pension related expenses.

PSEG Power

PSEG Power reported operating earnings of $293 million ($0.58 per share) for the first quarter of 2014 compared with operating earnings of $254 million ($0.50 per share) for the first quarter of 2013.

PSEG Power's operating earnings in the first quarter benefited from higher capacity revenues, dispatch flexibility and the diverse fuel mix of the fleet. When combined with a strategy to maintain a net long position this allowed the fleet to benefit from an improvement in market prices and reduced the risk associated with higher costs to serve the increase in demand. Power's firm gas transmission contracts also benefited from higher pricing and demand.

An increase in average PJM capacity prices to $242/MW-day from $153/MW-day improved quarter-over-quarter earnings by $0.11 per share. The improvement in capacity revenues more than offset lower realized prices on energy hedges which reduced quarterly earnings comparisons by $0.05 per share. Pricing on Power's net long position was favorably influenced by the extreme cold weather conditions experienced in the quarter. Higher market prices, and an increase in output in response to an improvement in demand more than offset the cost associated with the need to meet increased demands under the full-requirements BGS contract resulting in a net improvement of $0.02 per share to Power's quarter-over-quarter earnings. Higher prices and send-out under the BGSS contract in response to the extreme cold weather added $0.05 per share to quarter-over-quarter earnings.

Operation and maintenance expense was higher than last year. Outage related work at the fossil stations and acceleration into the first quarter of advanced gas path improvements at the Linden generation station more than offset a reduction in pension expense and reduced quarter-over-quarter earnings comparisons by $0.04 per share. Other miscellaneous items reduced earnings by $0.01 per share.

Power has discovered that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor on this issue. This issue is still under review, and we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time. The company recognized a liability in the quarter related to this matter.

The extreme market conditions experienced during the first quarter improved economic dispatch and highlighted the benefits of the fleet's dispatch flexibility and diverse fuel mix. The nuclear fleet operated at an average capacity factor of 100% producing 8TWh of output, 55% of generation, in line with year-ago levels. Production from the combined cycle gas fleet (CCGT) was affected by lower gas availability at the Bethlehem, NY facility, and a decision to extend an outage at the Linden plant to complete the capacity uprate work. The CCGTs accounted for 23% of the fleet's output in the quarter, or 3.4 TWh of generation. Output from the coal stations as well as the steam and peaking units increased in response to an improvement in demand, providing 3.1 TWh, or, 22% of generation.

Power has increased its forecast of output for the full year to 56 – 58 TWh from 53 – 55 TWh. The revised forecast reflects the increase in output during the first quarter and an improvement in the economic dispatch of the fleet and assumes only normal weather for the remainder of the year. Approximately 70% - 75% of anticipated production for the period April – December 2014 is hedged at an average price of $49 per MWh. Power has also increased its forecast of economic generation in 2015 and 2016 to 54 – 56 TWh from 53 – 55 TWh. For 2015, Power has hedged 50% - 55% of its forecast generation at an average price of $51 per MWh; for 2016, Power has hedged 25% - 30% of its forecast generation at an average price of $51 per MWh. The hedge data for 2014 and 2015 continues to assume BGS volumes represent 11 TWh in 2014 and 10 TWh in 2015.

Power's operating earnings for 2014 are forecast at $550 - $610 million. Results for the remainder of the year will be influenced by a decline in the average price received on our PJM capacity to $166/MW-day on June 1, 2014 from the historically high level of $242/MW-day and a decline in the average price of energy hedges. O&M is expected to compare favorably given a reduction in pension expense and the absence of major outage-related work.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $8 million ($0.01 per share) for the first quarter of 2014 compared with breakeven operating results during the first quarter of 2013. Results reflect a steady contribution to earnings from the lease portfolio, and the start-up of PSEG-Long Island's 12-year contract to operate the distribution and transmission assets of the Long Island Power Authority.

The forecast of PSEG Enterprise/Other full year operating earnings for 2014 is unchanged at $35 million - $40 million.

Credit Facilities

In April 2014, PSEG and Power amended their respective 5- year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019. PSEG has credit facilities amounting to $1.0 billion; Power's credit facilities total $2.7 billion. Of these amounts, PSEG's $500 million and Power's $1.6 billion facilities will now mature in 2019. PSE&G maintains a 5-year credit facility amounting to $600 million which expires in March 2018. Total credit capacity was $4.3 billion as of March 31, 2014.

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency,
  net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended March 31,	
	2014	***2013***
Earnings Results ($ Millions)		
PSEG Power	$ 293	$ 254
PSE&G	214	179
PSEG Enterprise/Other	8	-
Operating Earnings	**$ 515**	**$ 433**
Reconciling Items [(a)]	(129)	(113)
Net Income	**$ 386**	**$ 320**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**
Per Share Results (Diluted)		
PSEG Power	$ 0.58	$ 0.50
PSE&G	0.42	0.35
PSEG Enterprise/Other	0.01	-
Operating Earnings	**$ 1.01**	**$ 0.85**
Reconciling Items [(a)]	(0.25)	(0.22)
Net Income	**$ 0.76**	**$ 0.63**

(a) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended March 31, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 3,223	$ (622)	$ 1,700	$ 2,145
OPERATING EXPENSES				
Energy Costs	1,356	(733)	1,044	1,045
Operation and Maintenance	856	92	302	462
Depreciation and Amortization	306	7	72	227
Total Operating Expenses	2,518	(634)	1,418	1,734
OPERATING INCOME	705	12	282	411
Income from Equity Method Investments	4	-	4	-
Other Income and (Deductions)	36	(1)	23	14
Other Than Temporary Impairments	(2)	-	(2)	-
Interest Expense	(97)	3	(32)	(68)
INCOME BEFORE INCOME TAXES	646	14	275	357
Income Tax Benefit (Expense)	(260)	(6)	(111)	(143)
NET INCOME	**$ 386**	**$ 8**	**$ 164**	**$ 214**
OPERATING EARNINGS	$ 515	$ 8	$ 293	$ 214
Reconciling Items Excluded from Net Income [b]	(129)	-	(129)	-
NET INCOME	**$ 386**	**$ 8**	**$ 164**	**$ 214**

Three Months Ended March 31, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 2,786	$ (660)	$ 1,451	$ 1,995
OPERATING EXPENSES				
Energy Costs	1,155	(672)	860	967
Operation and Maintenance	710	-	283	427
Depreciation and Amortization	290	9	66	215
Taxes Other Than Income Taxes	21	-	-	21
Total Operating Expenses	2,176	(663)	1,209	1,630
OPERATING INCOME	610	3	242	365
Income from Equity Method Investments	2	(1)	3	-
Other Income and (Deductions)	32	1	19	12
Other Than Temporary Impairments	(2)	-	(2)	-
Interest Expense	(102)	1	(30)	(73)
INCOME BEFORE INCOME TAXES	540	4	232	304
Income Tax Benefit (Expense)	(220)	(4)	(91)	(125)
NET INCOME	**$ 320**	**$ -**	**$ 141**	**$ 179**
OPERATING EARNINGS	$ 433	$ -	$ 254	$ 179
Reconciling Items Excluded from Net Income [b]	(113)	-	(113)	-
NET INCOME	**$ 320**	**$ -**	**$ 141**	**$ 179**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	March 31, 2014	December 31, 2013
DEBT		
Long-Term Debt	$ 8,130	$ 8,131
Securitization Debt	442	496
Project Level, Non-Recourse Debt	16	16
Total Debt	8,588	8,643
STOCKHOLDERS' EQUITY		
Common Stock	4,856	4,861
Treasury Stock	(626)	(615)
Retained Earnings	7,656	7,457
Accumulated Other Comprehensive Loss	(87)	(95)
Total Common Stockholders' Equity	11,799	11,608
Noncontrolling Interests - Equity Investments	1	1
Total Equity	11,800	11,609
Total Capitalization	$ 20,388	$ 20,252

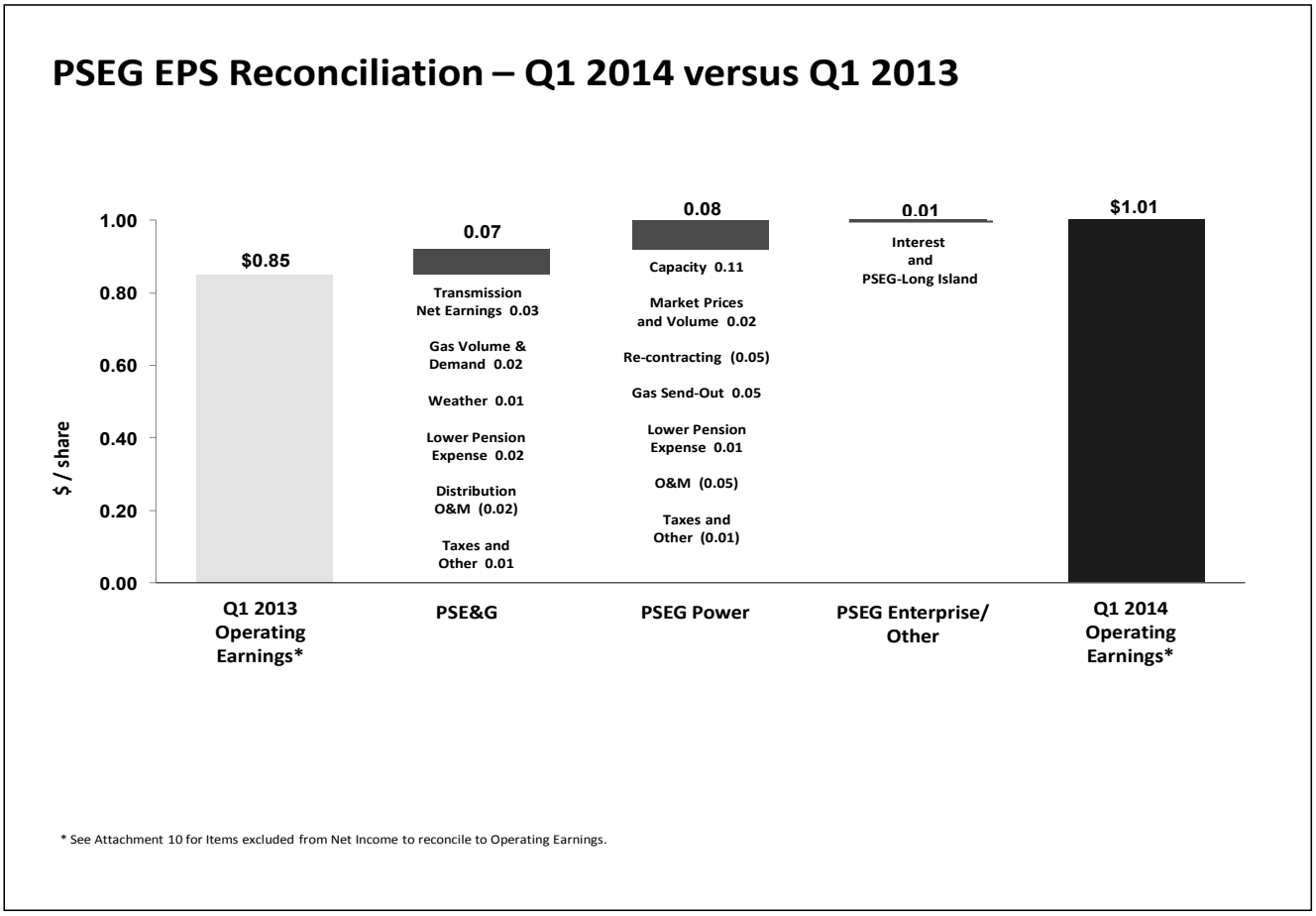
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 386	$ 320
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	730	557
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,116	877
NET CASH USED IN INVESTING ACTIVITIES	(629)	(733)
NET CASH USED IN FINANCING ACTIVITIES	(325)	(103)
Net Change in Cash and Cash Equivalents	162	41
Cash and Cash Equivalents at Beginning of Period	493	379
Cash and Cash Equivalents at End of Period	$ 655	$ 420

Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2014 vs. March 31, 2013
(Unaudited)



* See Attachment 10 for Items excluded from Net Income to reconcile to Operating Earnings.

Attachment 6

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2014	2013
Nuclear - NJ	5,527	5,588
Nuclear - PA	2,522	2,549
Total Nuclear	**8,049**	**8,137**
Fossil - Coal/Natural Gas - NJ**	532	479
Fossil - Coal - PA	1,381	1,419
Fossil - Coal - CT	628	309
Total Coal	**2,541**	**2,207**
Fossil - Oil & Natural Gas - NJ	3,168	2,888
Fossil - Oil & Natural Gas - NY	567	878
Fossil - Oil & Natural Gas - CT	240	47
Total Oil & Natural Gas	**3,975**	**3,813**
	14,565	**14,157**

	% Generation by Fuel Type Three Months Ended March 31,	
	2014	2013
Nuclear - NJ	38%	39%
Nuclear - PA	17%	18%
Total Nuclear	**55%**	**57%**
Fossil - Coal/Natural Gas - NJ**	4%	4%
Fossil - Coal - PA	9%	10%
Fossil - Coal - CT	4%	2%
Total Coal	**17%**	**16%**
Fossil - Oil & Natural Gas - NJ	22%	21%
Fossil - Oil & Natural Gas - NY	4%	6%
Fossil - Oil & Natural Gas - CT	2%	0%
Total Oil & Natural Gas	**28%**	**27%**
	100%	**100%**

* Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months ended March 31, 2014 and 2013. Also includes natural gas fuel switching intervals.

Attachment 7

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2014

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2013
Residential	3,311	5.8%
Commercial & Industrial	6,876	2.6%
Street Lighting	91	-0.3%
Interdepartmental	3	11.6%
Total	10,281	3.6%
Revenue (in millions)		
Residential	$ 511	8.8%
Commercial & Industrial	486	11.4%
Street Lighting	18	-2.5%
Other Operating Revenues*	125	19.1%
Total	$ 1,140	10.7%

Weather Data	Three Months Ended	Change vs. 2013
THI Hours - Actual	0	0.0%
THI Hours - Normal	29	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2014

Gas Sold and Transported

Sales (millions therms)*		Three Months Ended	Change vs. 2013
Firm Sales			
Residential Sales		828	18.3%
Commercial & Industrial		517	17.4%
Total Firm Sales		**1,345**	**17.9%**
Non-Firm Sales			
Commercial & Industrial		551	134.8%
Total Non-Firm Sales		**551**	
Total Sales		**1,896**	**37.8%**
Revenue ($ millions)			
Residential Sales - Firm	$	265	-14.8%
Commercial & Industrial - Firm Sales		174	46.9%
Non-Firm Sales		15	15.4%
Other Operating Revenues**		44	5.2%
Total	**$**	**498**	**2.8%**
Gas Transported	$	507	5.4%

Weather Data	Three Months Ended	Change vs. 2013
Degree Days - Actual	2,968	16.4%
Degree Days - Normal	2,511	

*CSG rate included in non-firm sales

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Weighted Average Common Shares Outstanding (000's)		
Basic	506,077	505,942
Diluted	507,831	507,220
Stock Price at End of Period	$ 38.14	$ 34.34
Dividends Paid per Share of Common Stock	$ 0.37	$ 0.36
Dividend Payout Ratio*	54.0%	59.0%
Dividend Yield	3.9%	4.2%
Price/Earnings Ratio*	13.9	14.1
Rate of Return on Average Common Equity*	12.3%	11.5%
Book Value per Common Share	$ 23.32	$ 21.64
Market Price as a Percent of Book Value	164%	159%
Total Shareholder Return	20.3%	13.5%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	Year Ended December 31, 2013	Year Ended December 31, 2012
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2014

May 1, 2014

SI-SSA-0015-12413

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-12414

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2014 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12416

Q1 Earnings Summary

Quarter ended March 31

$ millions (except EPS)	2014	2013
Operating Earnings	$ 515	$ 433
Reconciling Items, Net of Tax	(129)	(113)
Net Income	$ 386	$ 320
EPS from Operating Earnings*	$ 1.01	$ 0.85

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

SI-SSA-0015-12417

PSEG – Q1 2014 Highlights

- **Strong Earnings**
  - ✓ Operating earnings of $1.01 vs. $0.85 per share in Q1 2013
  - ✓ Power benefited from higher market pricing, market volatility and increased output
  - ✓ Increased contribution to earnings from PSE&G's investment in transmission

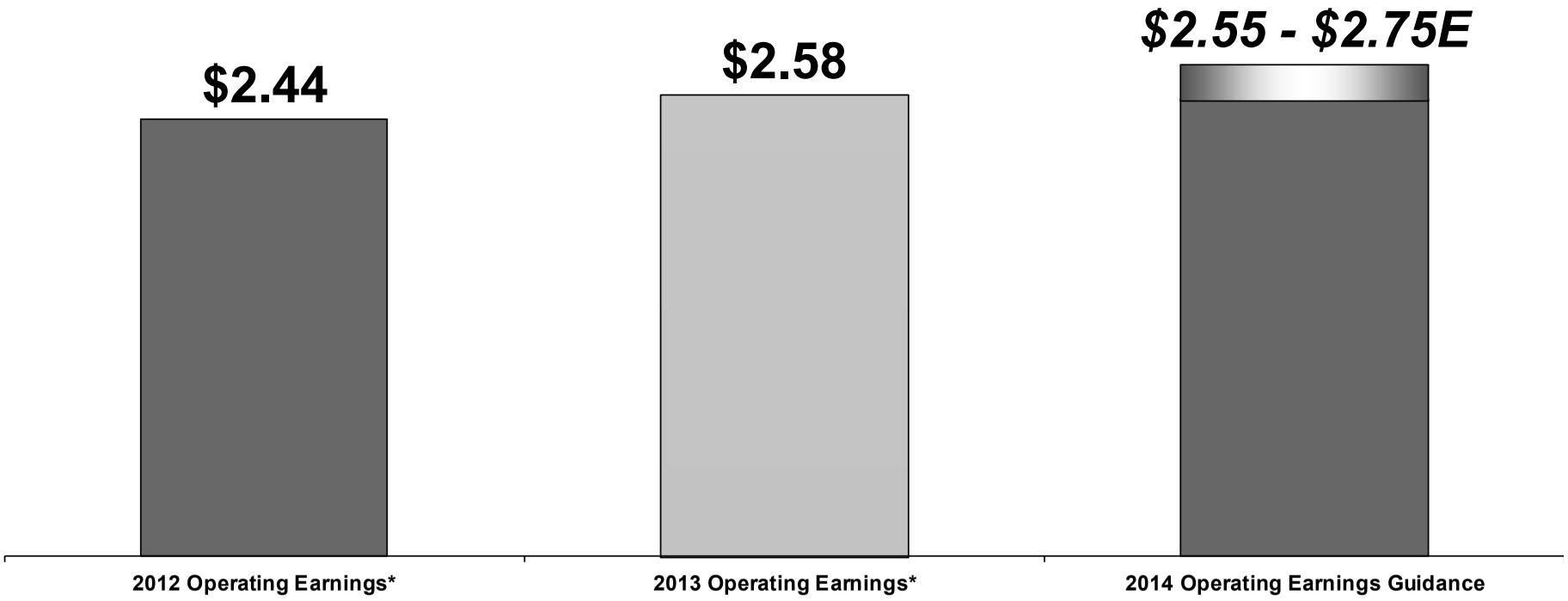
- **Operational Excellence**
  - ✓ PSEG Power output up 3% in quarter; nuclear capacity factor at 100%
  - ✓ Diversity and location of Power's fleet provided flexibility to participate in market
  - ✓ O&M on track to meet full-year expectations

- **PSEG Disciplined Capital Investment**
  - ✓ BPU decision pending on Energy Strong infrastructure proposal
  - ✓ PSE&G brought 230kV Burlington-Camden line in-service ahead of schedule; energized a portion of 500 kV Susquehanna-Roseland transmission line; and on schedule to place 230 kV North Central Reliability line in-service this summer
  - ✓ PSEG Power adding 63 MW at Linden CCGT station with completion of AGP uprate
  - ✓ Increased common dividend to indicative annual rate of $1.48 per share

SI-SSA-0015-12418

PSEG – Maintaining 2014 Guidance

2014 guidance reflects increased level of investment, pension savings and assumes normal weather and unit operations for rest of year



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

PSEG
2014 Q1 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12420

Q1 Operating Earnings by Subsidiary

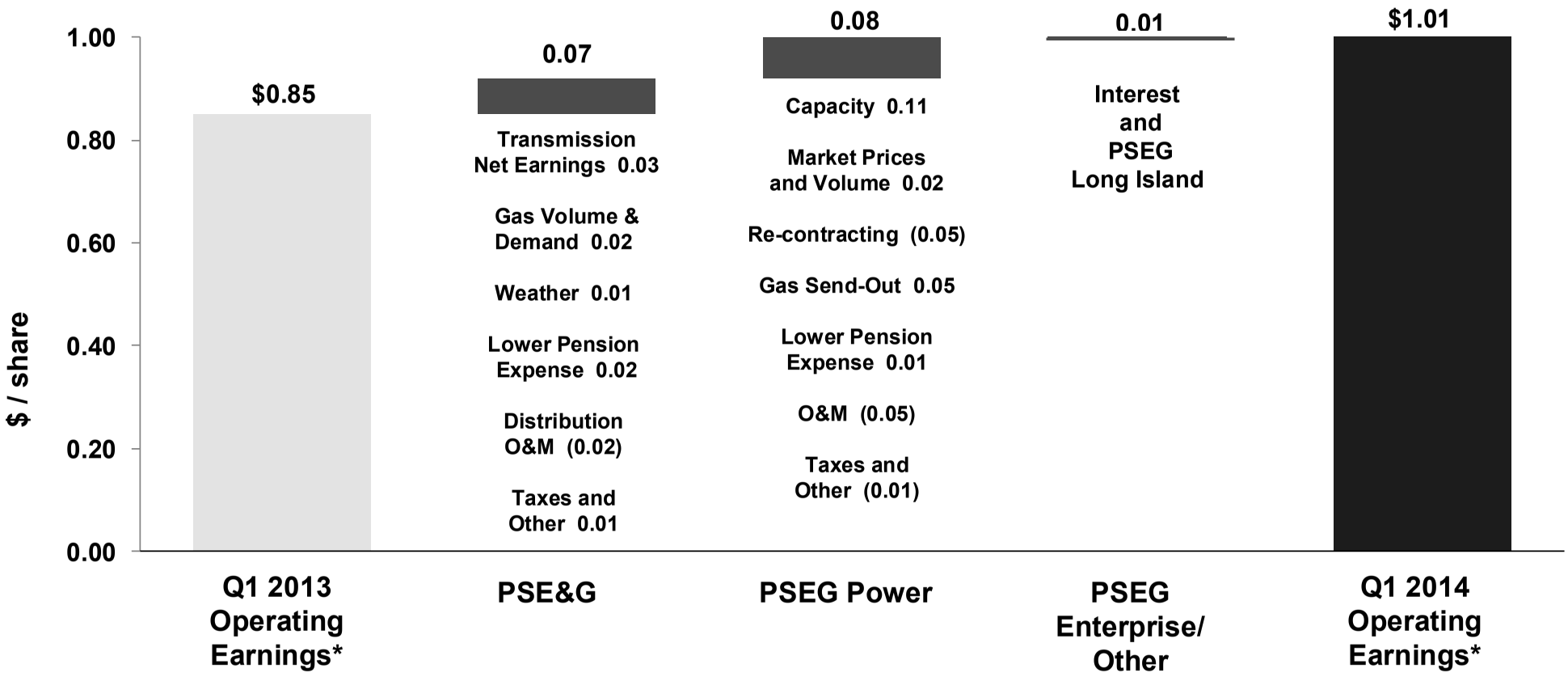
Quarter ended March 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSEG Power	$ 293	$ 254	$ 0.58	$ 0.50
PSE&G	214	179	0.42	0.35
PSEG Enterprise/Other	8	-	0.01	-
Operating Earnings*	$ 515	$ 433	$ 1.01	$ 0.85

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

SI-SSA-0015-12421

PSEG EPS Reconciliation – Q1 2014 versus Q1 2013



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

SI-SSA-0015-12422

PSE&G
2014 Q1 Review

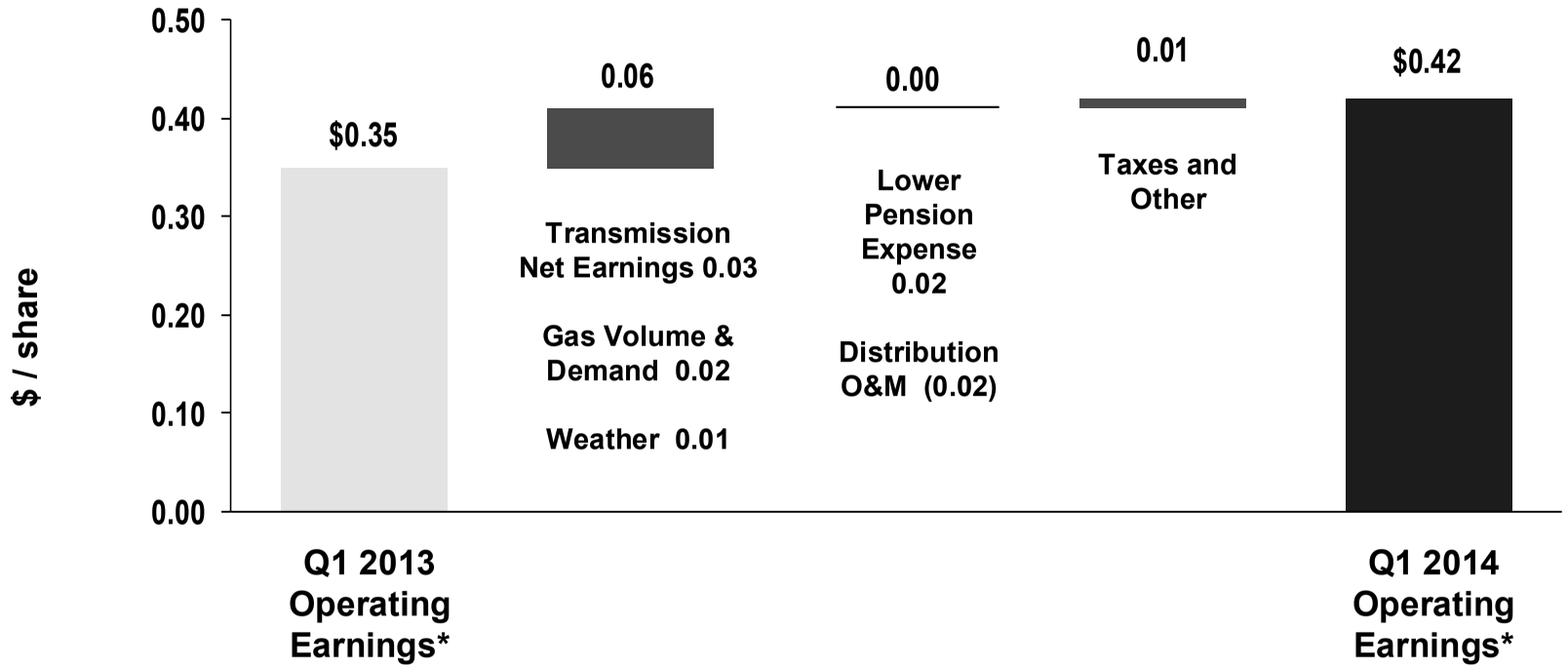
SI-SSA-0015-12423

PSE&G – Q1 EPS Summary

$ millions (except EPS)	Q1 2014	Q1 2013	Variance
Operating Revenues	$ 2,145	$ 1,995	$ 150
Operating Expenses			
Energy Costs	1,045	967	78
Operation & Maintenance	462	427	35
Depreciation & Amortization	227	215	12
Taxes Other than Income Taxes	-	21	(21)
Total Operating Expenses	1,734	1,630	104
Operating Earnings/Net Income	$ 214	$ 179	$ 35
EPS from Operating Earnings/Net Income	$ 0.42	$ 0.35	$ 0.07

SI-SSA-0015-12424

PSE&G EPS Reconciliation – Q1 2014 versus Q1 2013



* Operating Earnings is equal to Net Income .

SI-SSA-0015-12425

PSE&G – Q1 2014 Operating Highlights

Operations

- ✓ Q1 weather was significantly colder than Q1 2013: Heating degree days were 16% above Q1 2013 and 18% above normal
- ✓ Slowly improving economy providing some support to weather normalized electric sales: Overall improvement of 1.3%, with the residential sector up a more modest 0.6%
- ✓ Gas deliveries, up 3.4% for the quarter, continue to benefit from decline in supply costs

Regulatory and Market Environment

- ✓ PSE&G continuing pursuit of Energy Strong infrastructure proposal with the NJBPU to invest $2.6 billion over initial five years of a 10-year plan addressing E&G system hardening and resiliency
- ✓ Construction of major transmission lines progressing on schedule: A portion of S-R energized in NJ – full line expected in service for summer 2015 peak demand

Financial

- ✓ PSE&G plans to invest over $2.2 billion in its T&D system in 2014
- ✓ PSE&G 2014-2018 Capital Spending program increased 40% to $10 billion, with further opportunity from Energy Strong
- ✓ PSE&G earned its authorized return in the quarter

PSEG Power
2014 Q1 Review

SI-SSA-0015-12427

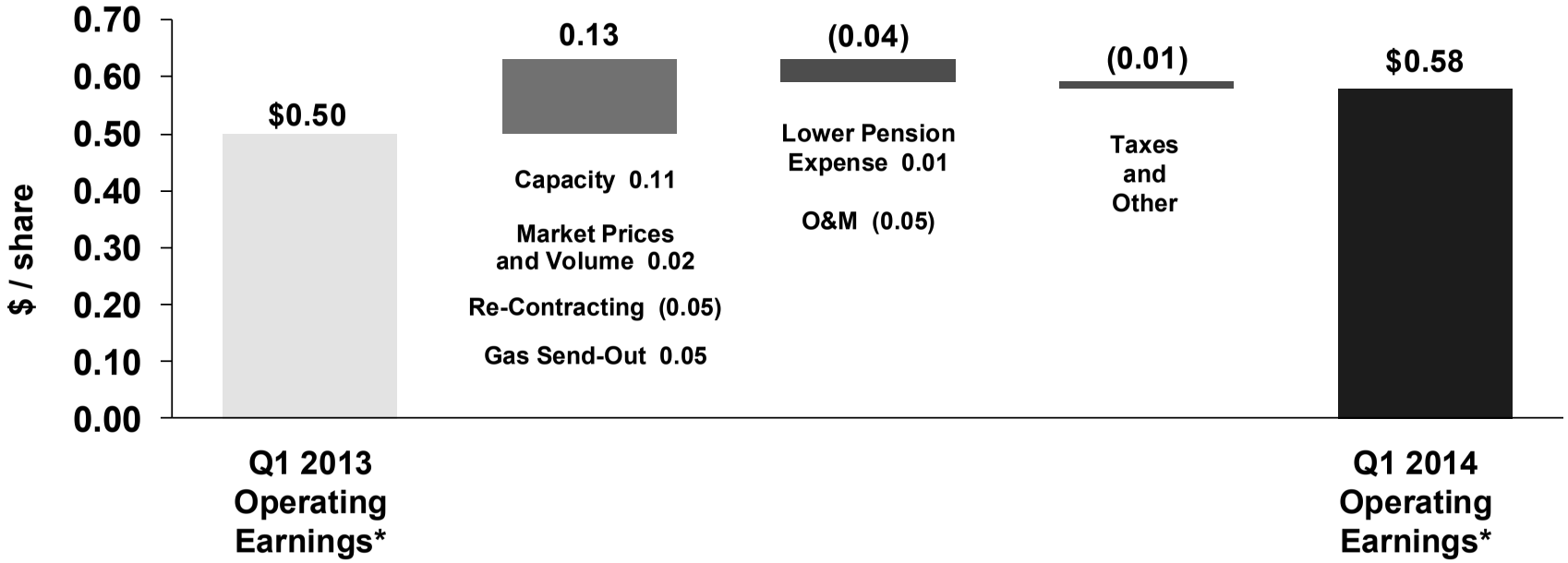
PSEG Power – Q1 EPS Summary

$ millions (except EPS)	Q1 2014	Q1 2013	Variance
Operating Revenues	$ 1,700	$ 1,451	$ 249
Operating Earnings	$ 293	$ 254	$ 39
Reconciling Items, Net of Tax**	(129)	(113)	(16)
Net Income	$ 164	$ 141	$ 23
EPS from Operating Earnings*	$ 0.58	$ 0.50	$ 0.08

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-12428

PSEG Power EPS Reconciliation – Q1 2014 versus Q1 2013



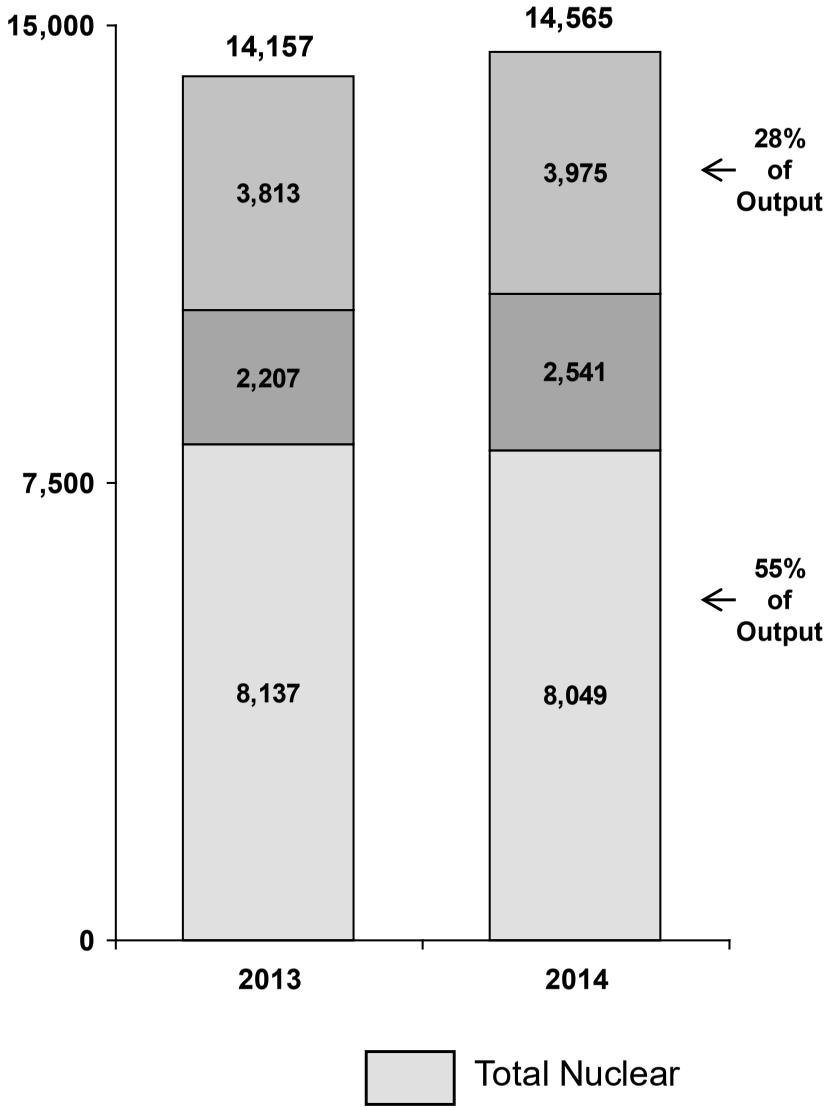
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12429

PSEG Power – Generation Measures

Generation by Fuel (GWh)**

Quarter ended March 31



Fleet Capacity Factors (%)

Quarter ended March 31

	2013	2014
Combined Cycle		
PJM and NY	52%	49%
Coal*		
NJ (Coal/Gas)	19%	21%
PA	85%	83%
CT	36%	73%
Nuclear	101%	100%

* Includes figures for Pumped Storage. Also includes natural gas fuel switching intervals. ** Excludes Solar and Kalaeloa

SI-SSA-0015-12430

PSEG Power – Fuel Costs

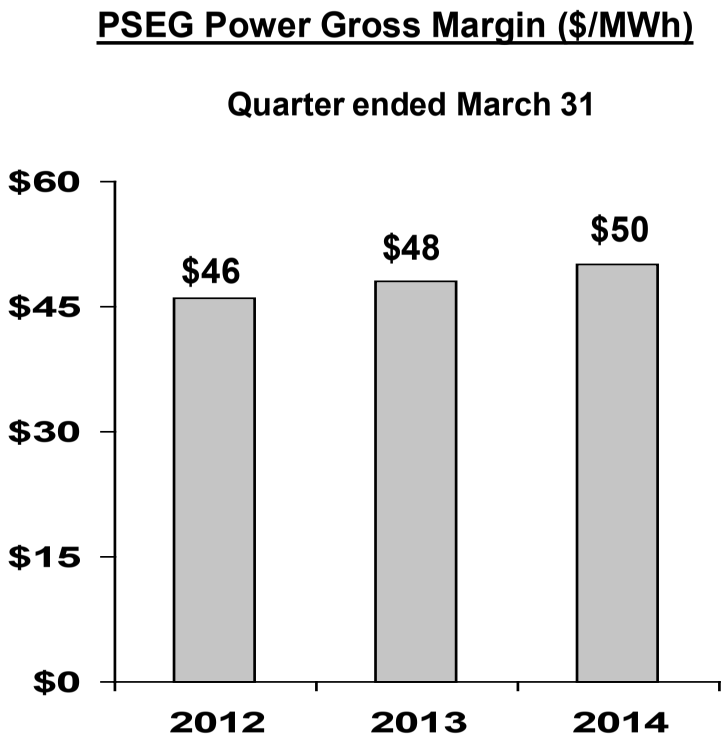
PSEG Power – Fuel Costs

	Quarter ended March 31	
($ millions)	2013	2014
Coal	$66	$87
Oil & Gas	178	365
Total Fossil	244	452
Nuclear	58	62
Total Fuel Cost	$302	$514
Total Generation (GWh)	14,157	14,565
$ / MWh	21.33	35.29

SI-SSA-0015-12431

PSEG Power – Gross Margin Performance

- ✓ Weather driven volatility pushed natural gas and power prices to multi-year highs, offsetting decline in average hedge prices
- ✓ Q1 spot prices higher across PJM, ISO-NE, and NYISO
- ✓ Capacity prices higher year-over-year through May 2014; then resets to $166/MW-day
- ✓ Fuel flexibility and Power's market position essential to serving BGS volumetric load



Q1 2014 Regional Performance		
Region	**Gross Margin ($M)**	**2014 Performance**
PJM	$689	Higher market pricing and higher volumes offset lower priced hedges. Higher capacity pricing versus a year ago.
New England	$38	Higher volume and higher pricing.
New York	$6	Higher pricing.

SI-SSA-0015-12432

Hedging Update…

Contracted Energy*

		Apr-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	35	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$51	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18	21	19
	% Hedged	30-35%	0%	0%
	Price $/MWh	$49	$51	$51
Total	Volume TWh	42-44	54-56	54-56
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$49	$51	$51

* Hedge percentages and prices as of March 31, 2014. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-12433

PSEG Power – Q1 2014 Operating Highlights

Operations

- ✓ Q1 output up 3% under extreme weather conditions; nuclear capacity factor at 100%
- ✓ Advance gas path uprates (~63MW) accelerated at Linden for May in-service date
- ✓ Output of NJ coal units was 69% coal, 31% gas fueled

Regulatory and Market Environment

- ✓ Improved spot power prices from 2nd coldest winter since 1970; higher natural gas prices persisted for the quarter
- ✓ Increased generation forecast to 56-58 TWh from 53-55 TWh, with 70%-75% of remaining 2014 production hedged at an average price of $49/MWh

Financial

- ✓ Power recognized a liability in the quarter related to its discovery that it incorrectly calculated certain components of its cost-based bids for certain generating units in the PJM energy market, with resulting over-collection of revenues related to its fossil fleet. Power has notified FERC, PJM and the PJM Independent Market Monitor of this issue, which is still under review; we are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time
- ✓ Power's total debt as a percentage of capital at March 31 was 31%

SI-SSA-0015-12434

PSEG

PSEG Financial Highlights

- **Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings

- **Executing existing 5-year, $6.8 billion transmission capital spending program on budget and on schedule**

- **PSE&G continuing to pursue Energy Strong infrastructure proposal with the NJBPU to invest $2.6 billion over initial five years of a 10-year plan addressing E&G system hardening and resiliency**

- **Financial position remains strong**
  - ✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capital was 41% at March 31, 2014

- **Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth**
  - ✓ Increased common dividend to indicative annual rate of $1.48 per share in Q1 2014

SI-SSA-0015-12436

PSEG 2014 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	2014E	2013	2012
PSE&G	$705 – $745	$612	$528
PSEG Power	$550 – $610	$710	$663
PSEG Enterprise/Other	$35 – $40	$(13)	$45
Operating Earnings*	$1,290 – $1,395	$1,309	$1,236
Earnings per Share	**$2.55 – $2.75**	**$2.58**	**$2.44**

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

SI-SSA-0015-12437

PSEG Liquidity as of March 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$67	$1,533
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$188	$4,112
				PSEG Money Pool ST Investment	$434
				PSE&G ST Investment	$132
				Total Liquidity Available	**$4,678**
				Total Parent / Power Liquidity	**$3,959**

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

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

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

In April 2014, Power and PSEG amended their respective 5-Year credit agreements ending in 2017, extending the expiration dates from March 2017 to April 2019.

SI-SSA-0015-12438

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2014	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 515**	**$ 433**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	9	9	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(132)	(105)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(6)	(17)	(32)	(39)
Net Income	**$ 386**	**$ 320**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)				
Operating Earnings	**$ 1.01**	**$ 0.85**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.26)	(0.21)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.76**	**$ 0.63**	**$ 2.45**	**$ 2.51**

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

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

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EDITED TRANSCRIPT

PEG - Q2 2014 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: JULY 30, 2014 / 03:00PM GMT

OVERVIEW:
Co. reported 1H14 operating EPS of $1.50, 2Q14 operating EPS of $0.49 and expects 2014 operating EPS to be at upper-end of $2.55-2.75.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Kit Konolige *BGC Partners - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Dan Eggers *Credit Suisse - Analyst*

Travis Miller *Morningstar - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

Paul Fremont *Jefferies & Company - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Kayla and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's second quarter 2014 earnings conference call and webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community.

(Operator Instructions)

As a reminder, this conference is being recorded today, July 30, 2014, and will be available for telephone replay beginning at 1:00 p.m. Eastern Standard Time today until 11:30 p.m. Eastern Standard Time on August 8, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc - VP of IR***

Thank you, Kayla. Good morning, everyone. Thank you for participating in PSEG's earnings call this morning. As you are aware, we released our second quarter 2014 earnings statements earlier today and, as mentioned, the release and attachments are posted on our website at www.PSEG.com under the investors section. We also posted a series of slides that detail operating results by company for the quarter.

Our 10-Q for the period ended June 30, 2014, is expected to be filed shortly. I don't go through and read the entire disclaimer statement or the comments we have on the difference between operating earnings and GAAP results but, as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update those statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless we, of course, are required to do so.

Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause those results to differ from Management's projections, forecasts, and expectations as well as for a reconciliation of operating earnings to GAAP results. I am now going to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thank you, Kathleen, and thank you, everyone, for joining us today. Earlier this morning we reported operating earnings for the second quarter of 2014 of $0.49 per share, and that's to be compared with $0.48 per share earned in 2013's second quarter. The results for the quarter bring operating earnings for the first half of 2014 to $1.50 per share compared with operating earnings of $1.33 per share earned in 2013's first half.

Slides 4 and 5 contain the detail on the results for the quarter and the first half. Several results for the quarter are noteworthy. We continue to see benefits to earnings from the increased deployment of capital into our regulated company. Now, that's primarily in the form of transmission infrastructure, and we're completing major projects on time and on budget. From our perspective, we're delivering on the promise both for earnings growth and improvement in reliability associated with this multi-billion dollar investment program.

We've been able to supplement that growth with the continued focus on controlling O&M costs and supportive rate mechanisms have allowed us to earn the authorized return on our regulated Company's investment program. The improvement in earnings from our regulated company, PSE&G, offset the impact of mixed operating conditions during the quarter on Power's results. The costs related to the extended outages at the sale of two nuclear facilities and the gas-fired Linden combined cycle station masked the underlying strength of Power's operations.

The downtime at Linden during the quarter was longer than planned and associated with extensive work being done to test and complete the installation of equipment which has led to a 63-megawatt increase in the station's capacity. During a recent re-fueling outage at Salem, we discovered the need to make repairs to Salem 2's four reactor coolant pumps. The re-fueling outage was extended by approximately 60 days to complete the necessary repairs and the unit was returned to service on July 14.

The decision to keep a unit out of service is not made easily. However, only by taking the steps necessary in the short term in support of operational excellence will a key asset such as Salem be available on a reliable basis to provide substantial value for years to come.

I'm pleased to report that both Linden and Salem 2 have been operating essentially flawlessly since they returned to service. Keeping a focus on operational excellence is the primary means of assuring our customers and regulators that we operate our assets in a safe and reliable manner.

We have begun the work recently approved by the New Jersey Board of Public Utilities to protect and strengthen PSE&G's electric and gas distribution systems against severe weather conditions. The $1.22 billion Energy Strong investment program represents an initial phase of work designed to upgrade and improve the resilience of our system, and we intend to work with our regulators and other parties to consider additional measures at a later date.

This is an opportune time to pursue these investments. Major surcharges on customers' electric bills are scheduled to expire over the next two years and the bills for PSE&G's gas customers continue to benefit from the capable management of the Company's gas supply, storage, and transportation contracts.

In fact, PSE&G has filed for a further 9% reduction in the gas rate paid by residential customers. The reduction, which would be effective in time for this year's heating season, will be the latest in a series of reductions which have lowered the customers' gas bills by 44% in the past five years. The availability of low-cost gas from the Marcellus basin and the lack of infrastructure to move the gas to market has been a source of volatility in the power markets. Power's combined cycle assets in PJM enjoy an economic advantage given access to low-cost supplies in the Marcellus, particularly during the summer period.

As a practice we don't, as you well know, forecast results for PSEG Power beyond the current year and outside of what is implied by market prices, but we will make note of some consistent improvement in demand that is showing up here in our region. The results of PJM's recent capacity auction point to an improving market environment with the retirement of older inefficient generating capacity as environmental rules take effect. Power's assets in PJM will also once again receive a price that continues to reflect our asset's value given their location relative to load. So, for the next four years Power's assets will receive a price for capacity of approximately $166 per megawatt day.

The Power markets have gained greater clarity on another key environmental priority. We are pleased that the Environmental Protection Agency has issued its ruling on cooling water, commonly referred to as Section 316B. The agency's ruling substantially addresses many of our concerns and we are working with the appropriate state environmental agencies on permitting of our affected units.

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On another environmental matter, the EPA also released its proposed rules concerning a reduction in CO2 from existing generating units. We are supportive of the administration's efforts to enforce the Clean Air Act. Power has made the necessary investments to meet existing air quality environmental requirements. And although we expect it may take some time to implement final rules regarding carbon, given the complexity of the proposal, Power's fleet should benefit given the generation profile that is almost 60% carbon free.

Before I conclude, I want to bring you up to date on matters relating to Power's trading arm, Energy Resources and Trade, which we commonly refer to as ER&T. As you recall, we indicated with our release of first-quarter results that Power informed FERC, PJM, and the independent market monitor of PJM that it found errors in some components of its cost-based bids for its New Jersey fossil generation units. We began an internal investigation and have since notified FERC, PJM, and the IMM that we identified and corrected additional errors.

We are working with the appropriate parties but cannot provide you with a timetable as to when this issue will be resolved or whether or not we will be required to recognize another charge against Power's earnings. We take pride in our performance and candidly we did not live up to our own standards of applying sufficient rigor in this area, but I can assure you that we corrected all identified errors and we are instituting new processes and controls to reduce the likelihood of a recurrence of the situation. This issue does not change the strong underlying operating performance of Power's fleet of assets that continue to provide solid earnings and good cash flow given the fleet's favorable location close to load, its dispatch flexibility, and fuel diversity.

Despite Power's strengths, we have nonetheless changed the profile of our earnings over the past several years. Our investment program focused on improving reliability and expanding the transmission system has yielded the anticipated outcomes. PSE&G remains on course to achieve double-digit growth in operating earnings during 2014 as its contribution to earnings is expected to exceed 50% of our forecast for the year. The Energy Strong related capital investment provides further support for our forecast of double-digit growth in PSE&G's rate base and earnings over the next several years.

Given the strength of Power's operations in the first half of the year and the growth of PSE&G, we feel comfortable saying we expect operating earnings for the full year to be at the upper end of our range of guidance of $2.55 to $2.75 per share, assuming normal weather and operations. The growth in our capital program doesn't diminish the strength of our financial position and our balance sheet. We remain well positioned to deploy that balance sheet strength to meet shareholder objectives for long-term growth. And, with that, I'll turn the call over to Caroline who will discuss our financials in greater detail.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, Ralph, and thank you, everyone, for joining us this morning. As Ralph said, PSEG reported operating earnings for the second quarter of 2014 of $0.49 per share versus operating earnings of $0.48 per share in last year's second quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide 4. We've also provided you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business and a similar chart on slide 12 that provides you with the changes in operating earnings by each business on a year-to-date basis.

So, I'll now review each company in more detail starting with PSE&G. PSE&G reported operating earnings for the second quarter of 2014 of $0.30 per share compared to $0.24 per share for the second quarter of 2013, and results for the quarter are shown on slide 14. PSE&G's operating earnings continue to benefit from an increase in revenue associated with an expansion of its capital program and tight control of its operating costs. PSE&G's results for the quarter were also aided by a reduction in financing costs as weather normalized sales growth which remains consistent in the slowly improving economy.

A FERC approved increase in PSE&G's transmission revenue under the Company's formula rate was effective on January 1, 2014. The increase supported a quarter-over-quarter improvement in the net earnings contribution from transmission of $0.03 per share. Weather conditions during the quarter were unfavorable relative to normal and in comparison to conditions experienced in the year-ago quarter, and these conditions reduced quarterly earnings comparisons by $0.01 per share and offset the favorable impact on earnings from continued growth in demand for gas.

PSE&G's focus on controlling the growth in operating expenses, including a decrease in pension expense, led to an improvement in quarter-over-quarter earnings of $0.02 per share. And although the level of debt on PSE&G's balance sheet has grown consistent with the expansion of its capital program, the actual overall cost of debt has declined as a result of the refinancing of higher cost debt and a decline in interest rates. This reduction in financing cost improved earnings comparisons quarter-over-quarter by $0.01 per share.

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The service area continues to experience a slow improvement in underlying economic conditions. Sales data for the first half of the year, which in general is more reflective of trends than quarterly data, indicate weather normalized demand for gas grew by 4.4% as a decline in prices and an improvement in the economy continue to support demand. Weather normalized electric sales increased by 1.6% during the first half.

Demand from residential customers grew in line with customer growth of about 0.5% as demand from the commercial and industrial sectors improved by 2.1% and 1.7% respectively over the six-month period. The New Jersey Board of Public Utilities, or BPU, approved PSE&G's Energy Strong settlement during May. The agreement calls for PSE&G to invest $1.22 billion over the next three to five years to improve the resiliency of its electric and gas grid. The addition of Energy Strong brings PSE&G's five-year capital program to approximately $11.3 billion versus our prior forecast of $10.1 billion in spending over the 2014 to 2018 time period, and will provide further support for our double-digit earnings growth in PSE&G's rate base, as we've mentioned before.

PSE&G's operating earnings increased 22% during the first half of the year and supports maintenance of our forecast for a growth in operating earnings for 2014 to $705 million to $745 million. Results for the remainder of the year will continue to reflect an increase in transmission revenue and a reduction in operating and maintenance costs, including pension expense.

Let's now turn to Power. PSE&G Power reported operating earnings of $0.17 per share for the second quarter of 2014 compared with operating earnings of $0.24 per share for the second quarter of 2013. The decline in Power's results for the quarter is the result of the impact on production and O&M expenses associated with the extended outage at the Salem 2 nuclear facility and the maintenance outage at the Linden gas-fired combined cycle facility during which we also upgraded the equipment to increase that station's capacity.

Power's quarterly earnings comparisons continue to benefit from a net increase in capacity revenue. Power received capacity prices of $242 per megawatt day during the first two months of the quarter versus $153 per megawatt day in the year-ago period before capacity prices reset to $166 per megawatt day effective June 1 of this year. This net increase in capacity prices improved quarter-over-quarter earnings by $0.04 per share. The capacity price benefit plus benefits from lower cost gas offset a decline in average hedge prices and the negative impact from relatively lower market prices in the east resulting from transmission and generation outages outside of our region.

Incremental production at the coal-fired and peaking stations partly offset the lower production due to the outages at Salem 2 and the completion of the capacity upgrade work at Linden. The net reduction in output, however, reduced earnings quarter-over-quarter by $0.03 per share. Operation and maintenance expense, or O&M expense, was higher than the year-ago quarter. Again, the costs associated with the outage and upgrade work at Linden and the repair at Salem more than offset the benefit from lower pension expense and, altogether, reduced quarter-over-quarter earnings by $0.04 per share. An increase in depreciation expense was offset by a reduction in the tax rate and other miscellaneous items.

Output from Power's fleet was 5% lower in the second quarter compared to year-ago levels. Power determined in mid May, at the conclusion of Salem 2's normal refueling outage, that it was necessary to extend the outage to inspect and repair the reactor's coolant pumps. The unit was returned to service on July 14. The extended outage reduced the nuclear fleet's output in the quarter by 9% to 6.5 terawatt hours, 54% of our generation, and lowered the nuclear fleet's average capacity factor in the quarter to 80.5%.

Production from the gas-fired combined cycle fleet declined 11% in the quarter to 3.6 terawatt hours, 30% of production -- 30% of our production as Linden was out of service early in the quarter to complete maintenance and the work associated with the 63-megawatt increase in the unit's capacity which is now in place. Production from the coal-fired and peaking units increased 27% to 1.9 terawatt hours, or 16% of generation, with improved market economics. Power was able to meet its hedged obligations from its own generation despite the decline in output given the fleet's net long position and the availability of the coal-fired units.

Power has reduced the upper end of its forecasted output for the full year to 56 to 57 terawatt hours from the previous 56 to 58 terawatt hours to take into account the results for the second quarter. Our forecast, which represents an increase in output for the year of 4% to 6%, continues to assume normal operations and weather. Approximately 70% to 75% of generation for the second half of the year is hedged at $50 per megawatt hour. Power has slightly increased its forecast of economic generation for 2015 and 2016 to 55 to 57 terawatt hours per year from the previous 54 to 56 terawatt hours to take into account normal operations and our estimates of economic dispatch.

Power's taken advantage of the strength in market prices earlier this year to hedge the gas-fired combined cycle fleet into the third quarter and also increase the percent of generation hedged in 2015 and 2016 to the upper end of the normal limits that we would normally see at this time. That's in order to take advantage of some opportunities we saw to lock in heat rate and spark spread. Liquidity has improved somewhat into 2016, but generally speaking we can think of liquidity as poorer the further you get beyond 2015.

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Power's combined cycle fleet also benefits in the summer months from its access to low-cost Marcellus gas. Economics are particularly compelling as gas prices have declined more than Power prices, which has allowed Power to do that heat rate lock-in. For 2015, Power has hedged 65% to 70% of its forecast generation at an average price of $50 per megawatt hour. For 2016, Power has hedged approximately 30% to 35% of its generation at an average price of $51 per megawatt hour. Hedged data for 2015 reflects a change in our forecast of the BGS volumes.

As a result of the extreme volatility in market prices for energy experienced earlier in the year, we have seen some return of customers to the BGS contract, but not a lot. So, our forecast for 2015 now assumes BGS volumes represent 11 terawatt hours of demand, more in line with the forecast volumes for 2014 than our prior forecast which had assumed BGS volumes of 10 terawatt hours as we move into 2015.

As Ralph mentioned, we are working with FERC, PJM, and the independent market monitor, or IMM, to determine the impact of identified errors in our bidding processes. We recorded a charged operating earnings of $25 million or $0.03 per share in the first quarter based on the information available at that time. Upon discovery of the errors, we initiated an investigation and identified additional errors in our bids and further determined that the quantity of energy that Power offered into the day-ahead energy market for its fossil peaking units differed from the amounts for which Power was compensated in the capacity market for those units.

Based on information currently available to us, we've generally not seen an impact on our real-time operations for these units. We informed the FERC, PJM, and the IMM of these additional issues and we have corrected these errors. We have not recorded an additional charge to income in the second quarter over the amount we reserved earlier this year. PSEG doesn't have access to PJM's proprietary data to determine if the differences in quantity had any impact and, if so, the level of that impact.

However, FERC has the authority to investigate the matter which could result in FERC seeking disgorgement of any over collected amounts, civil penalties, and non-financial remedies. The forecast range of Power's operating earnings for 2014 remains unchanged at $550 million to $610 million with full-year operating earnings expected to be at the upper end of the range assuming normal weather and normal unit operations. Our forecast includes all of the issues we just discussed, including the $0.03 per share charge in the first quarter related to the items I just discussed.

Results for the remainder of the year will be influenced by a reset in the average price received on PJM capacity to $166 per megawatt day which started in June from the $242 per megawatt day we've seen previously as well as a decline in the average price of energy hedges. O&M expense is expected to compare favorably in the second half of the year given a reduction in pension expense and the absence of major outage-related work in the year-ago period. For the full year, however, Power's O&M is expected to be flat against 2013's experience given the increased cost associated with the extended outages.

Let me now turn brief briefly to PSEG Enterprise and other. Operating earnings for PSEG Energy Holdings/Enterprise in the second quarter of 2014 were $7 million or rounded about $0.02 per share versus operating earnings of $2 million or basically breakeven results during the second quarter of 2013. The results for 2014 reflect the inclusion of earnings from PSEG Long Island's operating contract and the absence of some charges in the year-ago quarter.

PSEG Long Island filed its first utility 2.0 proposal on July 1 of this year. The proposal calls for investing $200 million in energy efficiency, demand response programs, distributed generation, and related programs over a four-year period beginning in 2015, and we expect a response to our proposal by year end. We continue to forecast full-year operating earnings for PSEG Enterprise and other of $35 million to $40 million.

Just a brief note on financing. During the quarter, PSE&G issued a total of $500 million of medium term notes consisting of $250 million of five-year notes at 1.8% and 30-year notes of 4%. These funds will be used to meet PSE&G's capital requirements. PSE&G's capital budget is currently 15% to 20% greater than what we told you in the spring and is now expected to approximate $11.3 billion over the five-year period from 2014 to 2018 which brings our plans for our consolidated PSEG capital spending to $13 billion over that same period.

We ended the quarter with debt representing 42% of consolidated capital. The improvement in PSE&G's earnings and cash flow as well as our continued strong earnings in cash generated by Power support our financing requirements without the need to issue equity. And as I think we've demonstrated with the growth in PSE&G's capital program, we continue to seek opportunities to deploy our investment capacity to drive growth.

We continue to forecast operating earnings for the full year of $2.55 to $2.75 per share, but we do anticipate the results for the full year to be at the upper end of our range, assuming normal weather and normal unit operations. And, with that, we're ready for your questions. So, Kayla, I'll turn it back to you.

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Operator

(Operator Instructions)

Your first question is from Kit Konolige with BGC. Please proceed with your question.

Kit Konolige *- BGC Partners - Analyst*

Good morning.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning, Kit.

Kit Konolige *- BGC Partners - Analyst*

Caroline, you just mentioned that the Company continues to see opportunities to redeploy cash flow to drive growth. Can you -- certainly, transmission investments are one major area there. Maybe you can outline for us -- are there other areas that you see -- and Energy Strong I guess I should say as well. So those strike me as the two big buckets. What else should we be looking for? And are there other arenas that you're considering that may not be front and center now, but could be an afterburner effect later on?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Sorry to disappoint you, but Ralph will answer that instead of Caroline. Yes, so, we only talk about things that are fully baked. But because this question comes up so often, I will just give you a couple of examples.

We have been in conversation with the BPU staff about a modest, by our definition modest, $100-million energy efficiency program. Ralph LaRossa is the incoming Chair of the American Gas Association. He was in DC yesterday, where he heard nothing but concern expressed by the Obama administration and many other attendees on methane emissions -- fugitive methane emissions from gas pipes.

BPU has consistently supported a gas cast iron main infrastructure replacement program, and you will probably see that as the first thing in Energy Strong that we go in for an increase on. We had our first public hearing on Long Island over Utility 2.0, a $200-million program we put in. And I would say that if there was one message that came from that meeting, it was that we were being too timid and it needed to be bigger.

Now, that's only one of several hearings that we'll have on the subject. We'll get a chance to refresh that proposal in October.

So, the RTEP I believe came out just this past month, if I'm not mistaken. It usually comes out in June. I shouldn't say whether or not it did come out in June this year. And we'll be looking at the PJM open window on some of the problems identified in there, and I don't want to give a number there because I just heard from Ralph only a day ago on that, and that number moves around depending on the engineering analysis.

So, I just mentioned a few things that all start at nine figures. And, as Caroline mentioned, I think our five-year capital program increased by 50% from last year to this year, and it's now up by 23% between March and July. So, I don't want to guarantee that that's what will happen on the next quarterly call, but we don't seem to be running out of infrastructure needs in this region.

Kit Konolige *- BGC Partners - Analyst*

Excellent. And just to focus on one item of infrastructure, can you give us the outlook for the artificial island project with the reconsideration now, and how we mark our score cards to see this going forward?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Well, I was hoping that you would have the answer for that.

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Kit Konolige - ***BGC Partners - Analyst***

Yes, sure.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

This is witnessing the making of sausage, the making of law, the making of everything else. In defense of PJM, and they don't need me to defend them, this is a brand new tariff in response to a brand new regulation and a first-time major process. So, we're seeing growing pains. I would be less than 100% candid if I didn't express disappointment at the Board's action last week.

Having said that, what the Board said is they are inviting the finalists -- and we are one of the four finalists, down from whatever the original number was, which was a number I think at least double that, and they want some more information. And I don't even know the exact nature of the additional information they want. I do know that we're going to do $2.2 billion of transmission this year, on top of $1.6 billion of transmission last year. We've got a great team, and we will be able to answer any one of their questions and outshine the competition. So, I think it's just growing pains of a brand new tariff and a brand new program that PJM is experiencing right now.

Kit Konolige - ***BGC Partners - Analyst***

Great. Okay. Thanks a lot.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Next question.

Operator

The next question is from Julien Dumoulin-Smith with UBS. Please proceed with your question.

Julien Dumoulin-Smith - ***UBS - Analyst***

Hi. Good morning.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Hi, Julien.

Julien Dumoulin-Smith - ***UBS - Analyst***

So, perhaps going back to the Energy Strong side of the equation, just following up there, obviously there is a number of things that didn't ultimately get put into that package. Is there a potential to go back and pick up some of those last items, and kind of reflect that in your CapEx here at some point?

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So, the answer to that, Julien, is yes. I think, if I could steer you in certain directions, it's more likely that we'll go in first on the gas side, because that work is expected to be complete in a 2- to 3-year time frame, and just the fact that, not withstanding that that will be our fourth request for gas infrastructure improvement, these things take many months to get approved. So, we wouldn't wait until we were running out of work -- I'm sorry, running out of approval, because there's no chance that we will run out of work.

On the substation work, that really is scheduled to go five years, and candidly, we are not convinced that given the amount of transmission work that we have, and the 29 switching and substations that we plan to work on, that we want to put the system much more in a configuration that is as tenuous as it would be with all of that electrical work going on.

Some of the stuff that went away was making the distribution system smarter. That one is a little tougher to predict. So, a little bit of a long-winded answer, but the short answer is: There is no doubt that before the 3- to 5-year period is up we will be back in, and my prediction today would be that we would be back in on the gas pipe replacement, first and foremost.

Julien Dumoulin-Smith - ***UBS - Analyst***

Got you. Any sense of magnitude there, or is it still too early here -- ?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We've tended to talk about $250 million to $300 million a year, is about the size of the program that we can reasonably manage. If there were emergency issues, which we do not have, you'd somehow find a way to do more than that. But right now the emergent issue that seems to be coming up is the order-of-magnitude increase in greenhouse gas effect that comes from fugitive methane emissions, and the desire in the policy circles -- fairly prominent policy circles -- to do more about that.

Julien Dumoulin-Smith - ***UBS - Analyst***

Excellent. And then, going back to the Artificial Island side of the equation, just to be clear, is this really about capital costs and who can deliver the cheapest project, and is that where this is headed? I mean, it's tough to tell obviously; or is this about terms, conditions, ultimately indicating that you can partner with, or someone else can get involved in your territory?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

No, I think it's more the former, but simply answering the question that way oversimplifies it, right? These are complicated engineering solutions to a sophisticated set of infrastructure -- assets in the infrastructure.

So, it would be a mistake for anyone to assume that just because a project is less expensive than another, that it is preferred from a consumer point of view. That's the equivalent of saying: Gee, I could buy that car for $10,000 and that car for $100,000; I should buy the $10,000 care. And then you'd fail to recognize but you needed that $100,000 crane because you're in the construction business, and the $10,000 smart car isn't going to quite help you be able to move equipment around. I'm sure I don't have the right brands and dollar amounts there, but you know my point, that these are not commodity services. These are sophisticated engineering services.

The terms and conditions issues that you allude to, I think it's fairly well understood that some people come in after the process and said: We'll guarantee a price. Well, a prudent buyer would say: Well, let me understand that guarantee. Is it bumper to tailpipe? Is it just the drive train, which doesn't fall apart, but for 200,000 miles, and now you've extended the warranty from 50,000 to 75,000 miles?

So, there are some terms and conditions elements. There are some pricing elements. And I think that's why the PJM Board simply said: Gee, we're getting a little bit more noise in the system than we'd like to under first time in a project. And I don't mean to speak for the PJM Board; I don't have

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that ability -- but let's just ask more questions. They did not come out and say: You picked the wrong project, by any stretch of the imagination. They just want more information on those issues that you implied would be front and center.

Julien Dumoulin-Smith *- UBS - Analyst*

All right. Excellent. Thank you.

Kathleen Lally *- Public Service Enterprise Group Inc - VP of IR*

Next question.

Operator

The next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

Paul Patterson *- Glenrock Associates - Analyst*

Good morning.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning, Paul.

Paul Patterson *- Glenrock Associates - Analyst*

There was some discussion surrounding the Pepco acquisition; and of course, you guys are located in New Jersey and I am sure you guys are aware of the press reports. I'm just wondering, philosophically, if you look at the potential amount of leverage that might be used in that transaction, and what you're seeing with respect to the discussion -- the CTA in New Jersey -- is there any change or thoughts that you guys might have in terms of leverage over the long term at Public Service?

Caroline Dorsa *- Public Service Enterprise Group Inc - EVP & CFO*

Sure, Paul, it's Caroline. Thanks for your question. So, yes, we obviously saw what Exelon said in terms of how they were financing that acquisition. So, a part of that, I guess I'd characterize as not really surprising. We look at our own balance sheet, and we obviously are always in discussions with the rating agencies, given the fact that we don't have any parent leverage, right? We have the occasional commercial paper, but our long-term debt is at our operating companies.

We talk about investment capacity. We tend to talk to you about Power, and Power's debt-to-cap profile -- where that stands at the end of a period, and what its investment capacity is. But we've always recognized that we do have incremental investment capacity at the parent that we could deploy, and in conversations with the rating agencies, the deployment for that to regulated, right. Investments is something that works very well.

The way I look at that is, given where Power's performance has been, and, as I think we note where the Company ended the quarter, and Power, of course, ended the quarter at debt to cap at 32%, there is a significant amount of capacity at Power, but there also is that parent-related investment capacity. So, when we talk about things internally in terms of opportunities, some of the things that Ralph was mentioning earlier, we look at that from the perspective of having a balance sheet that has a lot of room, not just the room for Power, but also the room for parent if it's oriented toward regulated.

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So, maybe that was the first largest announcement of use of that kind of capacity that we've seen, but we recognize that we have it as well, and of course, continuing to run our businesses appropriately and keeping the right capital structure at PSE&G, et cetera, and then seeking out regulated opportunities. So, I look at that as just reinforcing the fact that we have ample room.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. And then, with respect to this PJM independent market monitor stuff, I wasn't completely clear exactly what you guys indicated happened. It suggested that there were some additional pricing areas in the cost-based bids that were identified with the quantity of energy that Power offered into the energy market that differed from the amount that Power was compensated in the capacity market for those units. I'm just trying to get an idea -- what does that actually mean, for somebody that is a little bit less sophisticated on what actually happened, I guess?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes. So, you got it right. In terms of -- in the first quarter, we talked about the cost-based bids. And then the incremental information that we identified during this quarter was other errors, but also this capacity issue. And so, let me just try to say it again.

So, we had -- we offer, of course, our units into the day-ahead energy market. We offer an amount of megawatts into the day-ahead energy market. And what we have seen is, at times, we did not offer the capacity into the day-ahead energy market that was equivalent to the amount of capacity that we have -- we were getting paid for from the capacity auction results.

So, as I said, generally speaking, what I'm talking about is offering into the day-ahead market that differential, not, generally speaking, impact on the real-time operation of the unit. So, it's about the bidding in the day-ahead, generally speaking, more than it is about the operation in the real-time. So, it's a differential.

And, as I said, we're in the process of investigating that, doing the analysis, and working with the IMM and PJM, and we've informed FERC. This day-ahead, this issue about the capacity difference, you may recall I mentioned in my remarks it's about our peakers. So, not about all of our units, but our fossil peaking units in the day-ahead market.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. I got you. And then, finally, the methane emissions issue, and the policy objective and the opportunity, you mentioned that I think that this might start with nine figures. Could you give us a little bit more of a flavor of the total opportunity that might be involved in that? I noticed this other stuff that was coming out yesterday from the DOE, and I was thinking about this. Just any more you can share with us about what that could possibly mean, these methane leaks, plugging them up and the benefit there?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We have, I think I'm being told, 4,000 miles of cast iron main pipe that needs to be replaced. I don't know the amount of bare steel pipes that we have that needs to be replaced. And typically speaking, Energy Strong had how much for how many miles?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

$350 million.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

250 miles. Yes, so, it's about $1.4 million per mile, Paul. So, you could take that 4,000 miles and multiply by $1.4 million. You get a really rough ballpark. Yes, it was $350 million in Energy Strong to replace 250 miles.

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Paul Patterson - ***Glenrock Associates - Analyst***

But for the methane escape issue, isn't that a climate issue that's separate from Energy Strong? I thought there was an additional amount.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, that's correct, Paul. So, I was connecting two disparate thoughts. So, we've been on a longstanding program to replace our cast iron main because it is the oldest part of our gas distribution system. It's the leakiest part of our gas distribution system.

It doesn't have any safety consequences from the point of view of high pressure. It's a low-pressure, low-utilization system. But just from the point of view of good operational practices, you don't want leaky pipes.

What's been added to the calculation of why it's important to do it, is concern over the greenhouse gas effect associated with methane being, I think, I read estimates of 30 to 35 times more impactful per pound of CO2. So, that's just an added impetus for a program that's been under way for many years now to replace the cast iron main.

Paul Patterson - ***Glenrock Associates - Analyst***

So, you don't have a dollar number?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, so, if you wanted to replace all 4,000 miles, you can multiply that --

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. I got you. Thanks so much.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Thank you. Next question.

Operator

The next question is from Dan Eggers with Credit Suisse. Please proceed with your question.

Dan Eggers - ***Credit Suisse - Analyst***

Good morning, guys. Can you maybe give us an update or is there a way to quantify how much benefit you guys saw in the second quarter because of the advantaged gas supply contracts at Power? And how should we think about maybe the benefit in the third quarter this year versus last year, seeing how wide based this is today?

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes. Sure, Dan. Thanks for the question. So, not much impact in the second quarter. So, about $0.01 -- even that's rounded into the numbers I gave you relative to overall pricing impacts offsetting capacity upsides. That's not surprising to us. Remember we talked about last year in the second quarter was when we actually first saw this differential come into play, and actually it had a similar impact in last year's second quarter, again, rounding to about $0.01.

You may remember it was the third quarter that we actually talked more about it because, with the summer season, we had a nice warm summer last year, you had that supply-demand imbalance. More supply trying to get on to the pipe, right. And so the differential widened out, and we got about $0.03-a-share benefit in the third quarter.

So, of course, this is a season where we haven't had as warm of weather as we would normally have at the end of the second quarter. It's cooler than normal, and cooler than last year. You're not seeing a lot of that benefit. Not surprising we wouldn't see as much.

So, differential for [LIDE] is ranging, and looking a little bit ahead, $0.50 to $1 right now, just given supply-demand issues as people refill storage. That's not surprising. We saw -- depending on those supply-demand conditions, you can see that basis really move around.

So, we still think -- obviously, we're well positioned, and whenever we can capture that advantage, we will take it, and you'll see it come through our numbers. Can't really forecast obviously the rest of this quarter. We will have to see what the summer turns out to be. It was cool at my house this morning, I don't know about yours, but we'll see how that goes.

But we still have that evergreen opportunity on the pipeline with those contracts that Power has. Residential customer, of course, gets the first claim. That's why you don't hear us talk about it in the winter, right, because the residential customer is using it for heating. But in the summer, where there is obviously not as much heating demand, we can get that benefit.

So, I still think it's something you should look to us to try to capture whenever we can. We will report on how we do at the end of the summer in the third quarter, but, as I said, not surprising that 2Q is about the same as last year's 2Q, and again, a reminder that that advantage Power has is an evergreen advantage. Overall, you may remember last year we said about 25% of the gas that we use for our generation on a net basis -- net 25% across the year is LIDE source, but it's peaky. It's peaky in that summer period; it's much less so in the winter.

Dan Eggers - ***Credit Suisse - Analyst***

Thank you for that. And, yes, it was cold in the city this morning, too.

That brings me to my next question. The guidance pointed to the top end of the range. How is that reflecting the absence of July weather so far?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So, Dan, whenever we give information, it's up to the minute. So, we obviously have taken into account July, and we've looked at a 10- to 14-day forecast, and all of that is factored in.

By the way, I just saw yesterday that it is being called the polar vortex again. So, evidently, in July, that's 74 degrees versus negative 17.

Yes, the recent weather and the near-term forecast is included in the upper end of the guidance. Thanks for asking that because, beyond that range, we would assume normal weather.

Dan Eggers - ***Credit Suisse - Analyst***

Okay. And then I guess just a last question, Caroline. How should we think about tax rate for this year, given the fact the rate came in lower in the second quarter, and what are the expectations for next year?

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes, so, I think in terms of tax rate, you should pretty much think of our tax rate as relatively steady for the businesses. Sometimes we have small adjustments in the tax rate.

Just a little bit of benefit in Power for the tax rate this year. We close out audits. Obviously, sometimes that affects things. Production deduction -- you calculate that as you look at the overall amount of generation that you source from market versus what you produce. Those kinds of things I think of as noise. So, I would say think of your tax rate as basically consistent for Power and for the utility on a year-on-year basis.

The only thing that might bounce your tax rate a little bit on a core source business in Power and solar source goes into -- as the unit comes into service, you'd see that little bit of boost -- benefit, if you will, right, a little bit of benefit for the portion of the ITC that you see kind of run through the [P&Ls] as a permanent difference. Other than that, I think you should expect it to be pretty smooth.

Dan Eggers - ***Credit Suisse - Analyst***

Okay. Thank you very much.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. Next question.

Operator

The next question is from Travis Miller with Morningstar. Please proceed with your question.

Travis Miller - ***Morningstar - Analyst***

Morning. Thanks.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good morning, Travis.

Travis Miller - ***Morningstar - Analyst***

Wondering about the outage at Salem. Was there anything in the work that you did there that perhaps, I guess for lack of a better term, pulled-ahead work, or work that you would have done or had to do in a year or two years that you were able to do at this point? Is there anything in that --?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Nothing that would meaningfully change the duration of the next refueling outage, Travis. Believe me, that topic was front and center often, as we waited for the coolant pumps to come back from the refurbishment of the vendors. But by no means will we skip an outage, nor should you think of any material shortening of the next refueling outages, which will be 18 months from now.

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Travis Miller - ***Morningstar - Analyst***

Okay. Different topic: Now that you have certainty on the Energy Strong investment needs, what are your thoughts around equity needs and use of balance sheet right now and use of retained earnings, financing that?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So we consistently and remain firm in our belief that we do not have any need for outside equity for the fairly robust capital program we have. Caroline, you may want to add to that.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes, Travis, as I mentioned just earlier, we closed the quarter with the debt to cap for the Company at 42%, and for Power at 32%. We also talked about the fact that we know if we had more regulated investments to do, we even have parent debt capacity. So, there is a lot of room on the balance sheet. Not to say that we haven't used it, right?

We've consistently identified things, as Ralph has mentioned, to put balance sheet to work. But when I look at this, and then I look at the things that we were just talking about earlier, whether it's more on the gas side that we might be able to do next round of something following Energy Strong, more transmission and the open window, potential for artificial island if it comes our way, potential for more things that we might identify on an infrastructure basis. And those kinds of things that we identify, and they do add up, but none of them add up to suggest that the balance sheet we have can't support that and more.

And, of course, for things like transmission, as you know, under our formula rates, it's real-time, we're not lagging, and so cash comes back as well. So, I look at this and say: We have our conversations and talk about opportunities. We have a balance sheet that can support that, and nothing gets close to equity issuance.

Travis Miller - ***Morningstar - Analyst***

Great. Thanks a lot.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. Thank you. Next question.

Operator

And the next question is from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Good morning, guys.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good morning, Jon.

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Jonathan Arnold - ***Deutsche Bank - Analyst***

I just wanted to understand a little better the thought process behind the charge related to the cost-base bidding issue. So, in the first quarter you identified the initial issue -- you took a charge, you didn't tell us how much it was. And then this quarter you are telling us how much that charge was. You've identified the issue might be broader to it, but you haven't added to the charge.

So, should we read into that that you feel that you took an adequate reserve, or you just have no way of estimating it? If that was case initially, why did you come up with $25 million? Any context you can give there, Ralph?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. I'll answer that, Jonathan. So, thanks for asking the questions. We should be clear here.

So, as you recall, we said we took a charge in the first quarter. We didn't identify what it was. So, obviously that was a source of a lot of conversation. So, we thought it was appropriate to tell you what we took in the first quarter, which was the $25 million, the $0.03 a share. It was all embedded into Power's operating earnings for the first quarter.

The standard on which we rely here in determining that charge is the accounting standard for contingency. You may be familiar with it, but, if not, let me be a little bit descriptive. The accounting guidelines for the time for which we took the charge in the first quarter essentially worked this way. You take a look at what a potential issue might be, if you need to take a charge or a reserve. And if you identify a particular number that you think is the most likely number, then you book that.

If you don't know a most likely number but you have a range of potential outcomes, all of which, given the level of uncertainty, you can't really ascribe differential probabilities to, then you book the low end of that range. And that's what we did in the first quarter. That's what the $25 million represented when we took the charge in the first quarter.

As I mentioned during the remarks and also in an earlier question, we've identified some additional errors, as well as this quantity matter that I was just describing before as well. And so, as we looked at the second quarter, we didn't have any basis on which to revise that number or change that number, and we determined that we would leave that number where it is. So that -- what I'm saying here is: You should not interpret that to say that is the best number, when we took the number. The charge in the first quarter, we were taking the low end of the range. And at this point, we don't have any sufficient additional information to change the value right now because we're in the process, as I mentioned, and that process could result in a change in the value.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. Thank you, Caroline. One other follow-up on that. (multiple speakers) Is there any aspect of this which is ongoing affecting your earnings power at Power? Some of these changes in practice and systems you talked about -- are they -- are we going to notice any of that?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

No. So, the guidance that we gave you, and the upper end of the range guidance, we're really talking about Power's operational earnings power. And Power's operational earnings power is unchanged in how we bid the units and how the units run and the capacity of having more megawatts. So, we don't see this as changing the ability of Power to continue to garner the value it garners from its location. So, I would say no to that.

This is something we need to work through, and we will update you as we go. And there may be more to say in subsequent quarters because we are just in the process now, but it doesn't change the fundamentals of how you should think about Power operating in the market.

Jonathan Arnold - ***Deutsche Bank - Analyst***

This is more a retroactive thing that either penalties or disgorgement or whatever that may occur, but the go forward is not really affected?

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

You're correct. This is something that may result in incremental charges. It may result in penalties, but we just don't know enough right now to give you any guidance in that regard.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. Do you have an update on when you think you might have some clarity on that? I apologize if you already said that.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

No, that's okay, Jonathan. No, we actually don't. As I mentioned, or as we mentioned earlier and Ralph mentioned as well, we did inform FERC. We've been in discussions with PJM and the independent market monitors. So, there are many parties into this conversation, appropriately. So, we can't really give an estimate of the time frame at this point. We're continuing to obviously work with all those parties.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Thank you.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

You're welcome. Next question.

Operator

The next question is from Paul Fremont with Jefferies. Please proceed with your question.

Paul Fremont - ***Jefferies & Company - Analyst***

Thank you very much. Really, two things. One, could I get a reaction to the staff recommendation on the consolidated tax adjustment, and what that might mean for Public Service Enterprise -- for Public Service Electric and Gas?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. So, the CTA, as recommended, of course, which is not final, right, it's just recommended, takes a view of taking a five-year look back from the date of filing. Also takes a view of separating out transmission from distribution, and then 75% to the Company, 25% for the benefit of the customer.

So, we think that is a very good outcome, and we think if that were to be the final rule, we think that would be fine from a PSE&G perspective, and would continue we think to appropriately reflect how to think about taxes and, therefore, appropriately encourage incremental investments. If that were the outcome, which, as I said, is not the final outcome, that would be a good outcome from our perspective.

Paul Fremont - ***Jefferies & Company - Analyst***

Are you able to quantify the potential rate base impact if that recommendation were adopted?

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

It would be deminimis. It would not be material.

Paul Fremont - ***Jefferies & Company - Analyst***

Okay. Then the second question I have is: You guys mentioned the 316B final rules at EPA. Where do you currently stand with the Salem water discharge permit?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So, I believe our sale and water discharge permit expired some years ago, and it's been held in advance. Had some very preliminary meetings with the DEP staff, not only on Salem, but some of our fossil units that now can have their permits refreshed, given the promulgation of the rule. I am pretty sure that the 316B rule, as proposed by EPA, named traveling restructuring as the best technology available for impingement. Entrainment is more of a site-specific determination. So, we'll -- the ink wasn't dry when we called up DEP and said let's talk about these permits.

Paul Fremont - ***Jefferies & Company - Analyst***

So, you're essentially ruling that's consistent with the EPA standards then, at the state level?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

That's right, Paul. That's right.

Paul Fremont - ***Jefferies & Company - Analyst***

Okay.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

I think we're going to move to closing comments right now, given the fact we're at the noon hour. So, I'm going to turn it back over to Ralph for closing comments before concluding.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thanks, Kathleen. So, just to recap, we obviously had some help from the weather and the markets earlier in the year. Mostly weather early in the year, and a little more help from the markets early in the spring, which we were able to capitalize on in some of our hedging activity, as Caroline described for you. We're not getting any help from the weather lately, and we didn't do ourselves a favor with some of our operational challenges in the spring.

But when I add up all those challenges, whether it's weather or operational, I am pleased to guide you to the upper end of the range, even having put all of that into the stew, and I'm even more happy about the fact that all of those challenges are in the rearview mirror and that the plants are running well now. As Caroline's dialogue with Jonathan alluded to, even the bidding issues at our trading group we've corrected -- the errors that we were aware of have been corrected, and that's in the rearview mirror.

The balance sheet remains strong. The investment program is on track. We don't need new equity. We can do all of that and still support growth in the dividend.

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So with that, I'd just say thank you for joining us on the call. We'll see you in various venues in the fall, and then I'm sure at EEI late in the fall. And that will be it from here. Thank you, all.

Kathleen Lally *- Public Service Enterprise Group Inc - VP of IR*

Thank you, operator. With that, we're going to conclude today's call.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect, and thank you for participating.

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THOMSON REUTERS

PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager – Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2014 SECOND QUARTER RESULTS

Net Income of $0.42 Per Share; Operating Earnings of $0.49 Per Share

Operating Earnings Expected to be at Upper End of Full Year Guidance of $2.55 - $2.75 Per Share

July 30, 2014 (Newark, NJ) (NYSE- PEG) Public Service Enterprise Group (PSEG) reported today Second Quarter 2014 Net Income of $212 million or $0.42 per share as compared to Net Income of $333 million or $0.66 per share reported for the Second Quarter of 2013. Operating Earnings for the Second Quarter of 2014 were $245 million or $0.49 per share compared to the Second Quarter of 2013 Operating Earnings of $243 million or $0.48 per share.

"Our results in the second quarter reflect the benefit of our diversified business model, the growth in our regulated utility company capital program and our long-term focus on operating in a safe, reliable manner as we meet the needs of our customers and shareholders," said Ralph Izzo, chairman, president and chief executive officer. "The primary driver of growth – increased investment in transmission in our utility, PSE&G – remained strong in the second quarter offsetting the impact from mixed operating conditions. We are delivering on the growth potential of our multi-billion dollar capital program while at the same time our favorable natural gas supply position continues to yield benefits for customers and shareholders. PSE&G remains on course to provide greater than 50% of our forecast operating earnings for the year as Power is well positioned to generate solid earnings and free cash flow. Based on our performance thus far in the year, and assuming normal weather and operations over the remainder of the year, we expect operating earnings for the full year to be at the upper end of our guidance of $2.55 - $2.75 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of returns/(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings for the second quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

Izzo continued, "The recent approval of PSE&G's $1.22 billion Energy Strong program is expected to further support PSE&G's double-digit growth in rate base. We have confidence in our ability to deliver on the promise for growth offered by our 5-year, $11.3 billion dollar capital program. Even so, we continue to enjoy a strong balance sheet that positions the company well for long-term growth."

PSEG CONSOLIDATED EARNINGS (unaudited)
Second Quarter Comparative Results
2014 and 2013

	Income ($millions)		Diluted Earnings Per Share	
	2014	**2013**	**2014**	**2013**
Operating Earnings	$245	$243	$0.49	$0.48
Reconciling Items	(33)	90	(0.07)	0.18
Net Income	$212	$333	$0.42	$0.66
		Avg. Shares	**508M**	**507M**

Operating Earnings guidance by company for the full year is as follows:

Operating Earnings
($ millions, except EPS)

	2014E
PSE&G	$705 - $745
PSEG Power	$550 - $610
PSEG Enterprise/Other	$35 - $40
Total	$1,290 - $1,395
Earnings Per Share	$2.55 - $2.75

We anticipate results for the full year, assuming normal weather and operations over the remainder of the year, to be at the upper end of the company guidance range, driven by year-to-date performance and expectations for Power.

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $151 million ($0.30 per share) for the second quarter of 2014 compared with operating earnings of $121 million ($0.24 per share) for the second quarter of 2013.

PSE&G's operating results have been influenced by an increase in revenue associated with an expansion in its capital program and a decline in operating and financial costs.

PSE&G's second quarter results reflect the contribution to earnings from higher transmission revenues associated with an increase in capital investment. A Federal Energy Regulatory Commission (FERC) approved increase in PSE&G's transmission revenue under the company's formula rate, effective on January 1, 2014, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.03 per share.

Sales and margin from increased demand for gas improved quarter-over-quarter earnings comparisons by $0.01 per share. This improvement in earnings, however, was offset by weather conditions during the second quarter which were unfavorable relative to normal and in comparison to conditions experienced in the year-ago quarter. A focus on controlling the growth in operating expenses, including a decline in pension expense, led to an improvement in quarter-over-quarter earnings of $0.02 per share. Although the level of debt on the balance sheet has increased with an expansion in the capital program, the overall cost of financing has declined as the result of re-financing activity and a decline in interest rates. The reduction in financing costs improved earnings comparisons quarter-over-quarter by $0.01 per share.

Economic conditions in the service area continue to exhibit signs of slow improvement. During the quarter, weather normalized electric sales grew by 1.9%. The favorable quarter-over-quarter sales comparisons, however, were heavily influenced by weakness in the industrial sector in the year ago quarter. Weather-normalized growth in residential electric sales of 0.5% during the quarter is consistent with customer growth. And growth in weather-normalized electric sales to the commercial sector of 1.3% is more reflective of the local economy. On a weather-normalized basis, sales of gas in the first half improved by 4.4% which reflects a fundamental improvement in market conditions given declining prices and economic conditions.

The NJ Board of Public Utilities (BPU) approved the capital expenditure of $1.22 billion under the settlement of PSE&G's Energy Strong Proposal most of which will be spent over a 3-year period. The spending on Energy Strong brings PSE&G's five-year capital program to approximately $11.3 billion versus its previous forecast of $10.1 billion in capital spending over the 2014 – 2018 time period.

PSE&G, as part of its Annual BGSS filing with the BPU, requested a 9% reduction in annual gas rates for residential customers effective October 1, 2014. The reduction reflects the continued benefits associated with the company's long-term supply arrangements, and would be the latest in a series of reductions in gas rates which have lowered customer bills 44% in the past five years.

The forecast of PSE&G's operating earnings for 2014 remains $705 - $745 million. Results for the remainder of the year will continue to reflect an increase in transmission revenue and a reduction in operating and maintenance costs including pension expense.

PSEG Power

PSEG Power reported operating earnings of $87 million ($0.17 per share) for the second quarter of 2014 compared with operating earnings of $120 million ($0.24 per share) for the second quarter of 2013.

Power's operating results for the second quarter reflect primarily the impact on production and O&M expenses associated with an extended outage at the Salem 2 nuclear facility and the installation of

equipment at the Linden gas-fired combined cycle facility to increase the unit's capacity. The fleet's net long position allowed Power to meet its hedged obligations from its own generation.

Earnings in the quarter benefited from higher capacity revenue. Power received capacity prices of $242/MW-day during the first two months of the quarter versus $153/MW-day in the year-ago period before capacity prices reset to $166/MW-day effective June 1, 2014. The $0.04 per share increase in capacity revenue was offset by a decline in average hedge prices. Power's access to low-cost gas under its firm transportation contracts supported off-system sales of gas and reduced the cost of gas for its fleet. These benefits offset the negative impact from lower market prices in the east resulting from transmission and generation outages outside the region. The extended outage at Salem 2 and the outage to complete the capacity uprate work at the gas-fired Linden station were partially offset by incremental production at the coal-fired and peaking units and combined to lower quarter-over-quarter earnings by $0.03 per share.

Operation and maintenance expense (O&M) was higher than the level experienced in the year ago quarter. The completion of initiatives that increased the capacity at the Linden generating station and the cost of the repair work at Salem 2 more than offset the benefit from lower pension expense and reduced quarter-over-quarter earnings by $0.04 per share. An increase in depreciation was offset by a reduction in the tax rate and other miscellaneous items.

Output from Power's fleet was 5% lower in the second quarter compared to year-ago levels. Power determined in mid-May it was necessary to extend Salem 2's refueling outage to inspect and repair the reactor's coolant pumps. The unit returned to service on July 14, 2014. The extended outage reduced the nuclear fleet's output in the quarter by 9% to 6.5 TWh, 54% of generation, and lowered the nuclear fleet's average capacity factor in the quarter to 80.5%. Production from the gas-fired combined cycle fleet declined 11% in the quarter to 3.6 TWh, 30% of production, as work related to an expansion of capacity at Linden kept the unit out of service early in the quarter. The retrofit work at Linden is expected to increase the unit's capacity by approximately 63 MW. Production from the coal-fired and peaking units increased 27% to 1.9 TWh, 16% of generation, with improved market economics.

Power has reduced the upper end of its forecast of output for the full year to 56 – 57 TWh from 56 – 58 TWh to take into account the results for the second quarter. The forecast, which represents an increase of 4% - 6% in output for the year, continues to reflect normal operations and weather. Approximately 70% - 75% of generation for the second half of the year is hedged at an average price of $50 per MWh. Power has slightly increased its forecast of economic generation for 2015 and 2016 to 55 – 57 TWh per year from 54 – 56 TWh. For 2015, Power has hedged 65% - 70% of its forecast generation at an average price of $50 per MWh; for 2016, Power has hedged approximately 30% - 35% of its generation at an average price of $51 per MWh. Power increased the percent of generation hedged in 2015 and 2016 to the upper end of limits it would normally take at this time to take advantage of market strength in the quarter. The hedge data for 2015 also assumes BGS volumes represent 11 TWh of demand – more in line with forecast volumes for 2014 – than the prior forecast which assumed BGS volumes of 10 TWh.

The forecast range of Power's operating earnings for 2014 remains unchanged at $550 - $610 million with full year operating earnings expected to be at the upper end of the range. Results for the remainder of the year will be influenced by a reset in the average price received on PJM capacity to $166/MW-day from $242/MW-day and a decline in the average price of energy hedges. O&M expense is expected to compare favorably in the second half of the year given a reduction in pension expense and the absence of major outage-related work.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $7 million ($0.02 per share) for the second quarter of 2014 versus operating earnings of $2 million ($0.00 per share) during the second quarter of 2013. The results reflect the inclusion of earnings from PSEG-Long Island's operating contract and the absence of charges in the year-ago quarter.

PSEG-Long Island, on July 1, 2014, filed its Utility 2.0 proposal which calls for investing $200 million in energy efficiency, demand resources, distributed generation and related programs over a 4-year period beginning in 2015. A decision on the proposal is expected in December 2014.

The forecast of PSEG Enterprise/Other full year operating earnings for 2014 is unchanged at $35 - $40 million.

Other Items

PSEG Power notified the FERC, PJM and the PJM Independent Market Monitor (IMM) in the first quarter that it found certain errors in the cost-based component of its bids for its fossil generation units. In the first quarter, Power recorded a charge to income of $25 million based on the information available at that time. Upon discovery of the errors, PSEG commenced an investigation and has since notified the FERC, PJM and the IMM that additional pricing errors in the cost-based bids were identified and it was further determined that the quantity of energy that Power offered into the energy market for its fossil peaking units differed from the amounts for which Power was compensated in the capacity market for those units. PSEG informed the FERC, PJM and the IMM of these additional issues, and has corrected these errors. PSEG does not have access to PJM's proprietary data to determine if the differences in quantity had any impact, and if so the level of that impact. FERC has the authority to investigate the matter, which could result in FERC seeking disgorgement of any over-collected amounts, civil penalties and non-financial remedies. Power has corrected processes to ensure that the pricing errors identified in the calculations of the bids and differences in quantities offered into the energy market from those in the capacity market have been corrected. Power is also in the process of implementing procedures to help mitigate the risk of similar issues occurring in the future. It is not possible at this time to reasonably estimate the ultimate impact or predict any resulting penalties, other costs associated with this matter, or the applicability of mitigating factors.

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FORWARD-LOOKING STATEMENT

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,

- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry, any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2014	***2013***	***2014***	***2013***
Earnings Results ($ Millions)				
PSE&G	$ 151	$ 121	$ 365	$ 300
PSEG Power	87	120	380	374
PSEG Enterprise/Other	7	2	15	2
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**
Reconciling Items [(a)]	(33)	90	(162)	(23)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Results (Diluted)				
PSE&G	$ 0.30	$ 0.24	$ 0.72	$ 0.59
PSEG Power	0.17	0.24	0.75	0.74
PSEG Enterprise/Other	0.02	-	0.03	-
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**
Reconciling Items [(a)]	(0.07)	0.18	(0.32)	(0.04)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended June 30, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 2,249	$ (172)	$ 986	$ 1,435
OPERATING EXPENSES				
Energy Costs	789	(296)	520	565
Operation and Maintenance	800	111	327	362
Depreciation and Amortization	295	6	72	217
Total Operating Expenses	1,884	(179)	919	1,144
OPERATING INCOME	365	7	67	291
Income from Equity Method Investments	3	-	3	-
Other Income and (Deductions)	52	2	37	13
Other Than Temporary Impairments	(2)	-	(2)	-
Interest Expense	(94)	2	(29)	(67)
INCOME BEFORE INCOME TAXES	324	11	76	237
Income Tax Benefit (Expense)	(112)	(4)	(22)	(86)
NET INCOME	**$ 212**	**$ 7**	**$ 54**	**$ 151**
OPERATING EARNINGS	$ 245	$ 7	$ 87	$ 151
Reconciling Items Excluded from Net Income [b]	(33)	-	(33)	-
NET INCOME	**$ 212**	**$ 7**	**$ 54**	**$ 151**

Three Months Ended June 30, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 2,310	$ (306)	$ 1,193	$ 1,423
OPERATING EXPENSES				
Energy Costs	755	(320)	495	580
Operation and Maintenance	646	(3)	280	369
Depreciation and Amortization	283	9	67	207
Taxes Other Than Income Taxes	14	-	-	14
Total Operating Expenses	1,698	(314)	842	1,170
OPERATING INCOME	612	8	351	253
Income from Equity Method Investments	3	(2)	5	-
Other Income and (Deductions)	39	-	25	14
Other Than Temporary Impairments	(2)	-	(2)	-
Interest Expense	(101)	3	(29)	(75)
INCOME BEFORE INCOME TAXES	551	9	350	192
Income Tax Benefit (Expense)	(218)	(7)	(140)	(71)
NET INCOME	**$ 333**	**$ 2**	**$ 210**	**$ 121**
OPERATING EARNINGS	$ 243	$ 2	$ 120	$ 121
Reconciling Items Excluded from Net Income [b]	90	-	90	-
NET INCOME	**$ 333**	**$ 2**	**$ 210**	**$ 121**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Six Months Ended June 30, 2014

	PSEG	PSEG Enterprise/ Other [(a)]	PSEG Power	PSE&G
OPERATING REVENUES	$ 5,472	$ (794)	$ 2,686	$ 3,580
OPERATING EXPENSES				
Energy Costs	2,145	(1,029)	1,564	1,610
Operation and Maintenance	1,656	203	629	824
Depreciation and Amortization	601	13	144	444
Total Operating Expenses	4,402	(813)	2,337	2,878
OPERATING INCOME	1,070	19	349	702
Income from Equity Method Investments	7	-	7	-
Other Income and (Deductions)	88	1	60	27
Other Than Temporary Impairments	(4)	-	(4)	-
Interest Expense	(191)	5	(61)	(135)
INCOME BEFORE INCOME TAXES	970	25	351	594
Income Tax Benefit (Expense)	(372)	(10)	(133)	(229)
NET INCOME	**$ 598**	**$ 15**	**$ 218**	**$ 365**
OPERATING EARNINGS	$ 760	$ 15	$ 380	$ 365
Reconciling Items Excluded from Net Income [(b)]	(162)	-	(162)	-
NET INCOME	**$ 598**	**$ 15**	**$ 218**	**$ 365**

Six Months Ended June 30, 2013

	PSEG	PSEG Enterprise/ Other (a)	PSEG Power	PSE&G
OPERATING REVENUES	$ 5,096	$ (966)	$ 2,644	$ 3,418
OPERATING EXPENSES				
Energy Costs	1,910	(992)	1,355	1,547
Operation and Maintenance	1,356	(3)	563	796
Depreciation and Amortization	573	18	133	422
Taxes Other Than Income Taxes	35	-	-	35
Total Operating Expenses	3,874	(977)	2,051	2,800
OPERATING INCOME	1,222	11	593	618
Income from Equity Method Investments	5	(3)	8	-
Other Income and (Deductions)	71	1	44	26
Other Than Temporary Impairments	(4)	-	(4)	-
Interest Expense	(203)	4	(59)	(148)
INCOME BEFORE INCOME TAXES	1,091	13	582	496
Income Tax Benefit (Expense)	(438)	(11)	(231)	(196)
NET INCOME	**$ 653**	**$ 2**	**$ 351**	**$ 300**
OPERATING EARNINGS	$ 676	$ 2	$ 374	$ 300
Reconciling Items Excluded from Net Income [(b)]	(23)	-	(23)	-
NET INCOME	**$ 653**	**$ 2**	**$ 351**	**$ 300**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	June 30, 2014	December 31, 2013
DEBT		
Long-Term Debt	$ 8,626	$ 8,131
Securitization Debt	385	496
Project Level, Non-Recourse Debt	16	16
Total Debt	9,027	8,643
STOCKHOLDERS' EQUITY		
Common Stock	4,865	4,861
Treasury Stock	(630)	(615)
Retained Earnings	7,681	7,457
Accumulated Other Comprehensive Loss	(73)	(95)
Total Common Stockholders' Equity	11,843	11,608
Noncontrolling Interests - Equity Investments	1	1
Total Equity	11,844	11,609
Total Capitalization	$ 20,871	$ 20,252

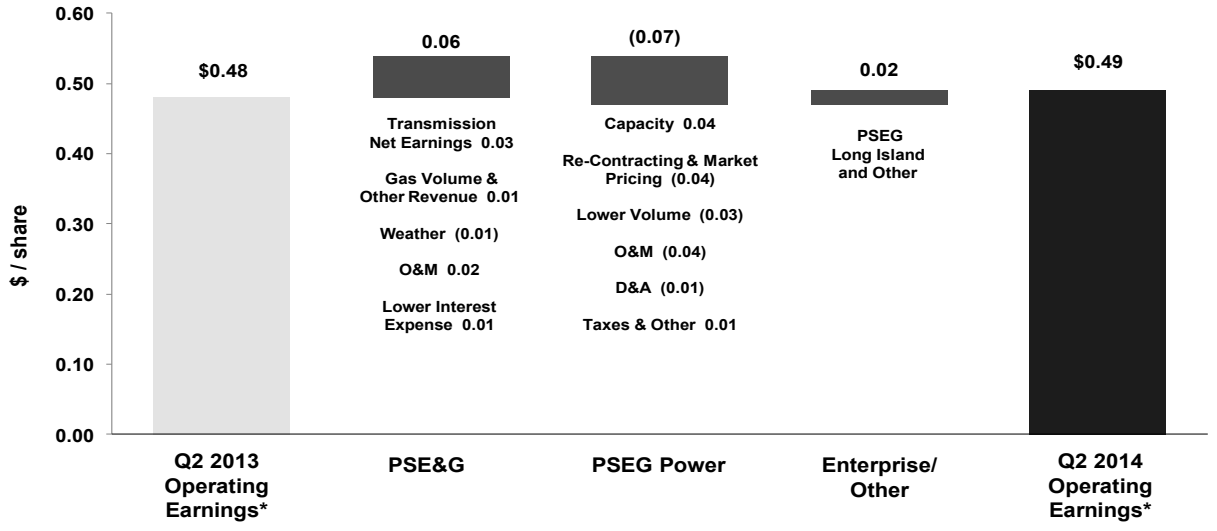
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 598	$ 653
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	850	690
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,448	1,343
NET CASH USED IN INVESTING ACTIVITIES	(1,282)	(1,379)
NET CASH USED IN FINANCING ACTIVITIES	(89)	(179)
Net Change in Cash and Cash Equivalents	77	(215)
Cash and Cash Equivalents at Beginning of Period	493	379
Cash and Cash Equivalents at End of Period	$ 570	$ 164

Attachment 6

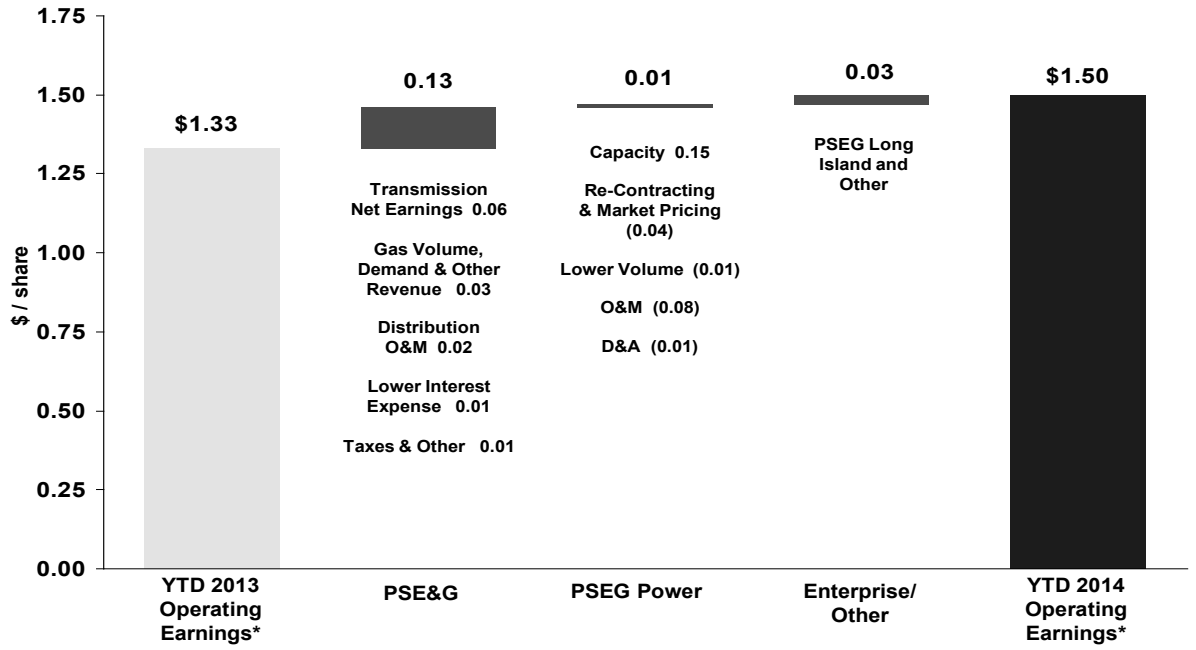
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2014 vs. June 30, 2013
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to compute Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2014 vs. June 30, 2013
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to compute Operating Earnings.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Nuclear - NJ	4,013	4,638	9,540	10,227
Nuclear - PA	2,525	2,509	5,048	5,057
Total Nuclear	**6,538**	**7,147**	**14,588**	**15,284**
Fossil - Coal/Natural Gas - NJ**	345	187	878	666
Fossil - Coal - PA	1,344	1,175	2,724	2,593
Fossil - Coal - CT	35	22	664	331
Total Coal	**1,724**	**1,384**	**4,266**	**3,590**
Fossil - Oil & Natural Gas - NJ	2,483	3,000	5,652	5,889
Fossil - Oil & Natural Gas - NY	1,308	1,190	1,874	2,068
Fossil - Oil & Natural Gas - CT	(3)	(3)	238	44
Total Oil & Natural Gas	**3,788**	**4,187**	**7,764**	**8,001**
	12,050	**12,718**	**26,618**	**26,875**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2014	**2013**	**2014**	**2013**
Nuclear - NJ	33%	36%	36%	38%
Nuclear - PA	21%	20%	19%	19%
Total Nuclear	**54%**	**56%**	**55%**	**57%**
Fossil - Coal/Natural Gas - NJ**	3%	1%	3%	2%
Fossil - Coal - PA	11%	10%	10%	10%
Fossil - Coal - CT	1%	0%	3%	1%
Total Coal	**15%**	**11%**	**16%**	**13%**
Fossil - Oil & Natural Gas - NJ	20%	24%	21%	22%
Fossil - Oil & Natural Gas - NY	11%	9%	7%	8%
Fossil - Oil & Natural Gas - CT	0%	0%	1%	0%
Total Oil & Natural Gas	**31%**	**33%**	**29%**	**30%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months and six ended June 30, 2014 and 2013. Also includes natural gas fuel switching intervals.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2014

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2013	Six Months Ended	Change vs. 2013
Residential	2,887	-6.2%	6,198	-0.1%
Commercial & Industrial	6,669	1.4%	13,545	2.0%
Street Lighting	70	4.1%	161	1.5%
Interdepartmental	2	4.1%	5	8.2%
Total	9,628	-1.0%	19,909	1.3%
Revenue (in millions)				
Residential	$ 450	-6.1%	$ 961	1.2%
Commercial & Industrial	519	1.8%	1,004	6.2%
Street Lighting	17	1.2%	34	-0.8%
Other Operating Revenues*	123	15.4%	248	17.2%
Total	$ 1,109	-0.3%	$ 2,247	5.0%

Weather Data	Three Months Ended	Change vs. 2013	Six Months Ended	Change vs. 2013
THI Hours - Actual	3,434	-26.2%	3,434	-26.2%
THI Hours - Normal	4,018		4,047	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2014

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2013	Six Months Ended	Change vs. 2013
Firm Sales				
Residential Sales	198	6.8%	1,026	15.9%
Commercial & Industrial	156	6.5%	673	14.7%
Total Firm Sales	**354**	**6.7%**	**1,699**	15.4%
Non-Firm Sales				
Commercial & Industrial	566	90.3%	1,117	109.9%
Total Non-Firm Sales	**566**		**1,117**	
Total Sales	**920**	**46.2%**	**2,816**	**40.5%**
Revenue ($ millions)				
Residential Sales - Firm	$ 95	12.3%	$ 360	-9.0%
Commercial & Industrial - Firm Sales	41	12.2%	215	38.7%
Non-Firm Sales	9	7.1%	25	12.1%
Other Operating Revenues**	43	3.7%	87	4.5%
Total	**$ 188**	**9.9%**	**$ 687**	**4.7%**
Gas Transported	$ 138	-0.8%	$ 646	4.0%

Weather Data	Three Months Ended	Change vs. 2013	Six Months Ended	Change vs. 2013
Degree Days - Actual	482	-7.0%	3,450	12.4%
Degree Days - Normal	495		3,006	

*CSG rate included in non-firm sales

**Primarily Appliance Service.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Weighted Average Common Shares Outstanding (000's)				
Basic	505,875	505,900	505,976	505,921
Diluted	508,056	507,381	507,949	507,301
Stock Price at End of Period			$ 40.79	$ 32.66
Dividends Paid per Share of Common Stock	$ 0.37	$ 0.36	$ 0.74	$ 0.72
Dividend Payout Ratio*			53.8%	57.8%
Dividend Yield			3.6%	4.4%
Price/Earnings Ratio*			14.8	13.1
Rate of Return on Average Common Equity*			12.1%	11.7%
Book Value per Common Share			$ 23.41	$ 21.94
Market Price as a Percent of Book Value			174%	149%
Total Shareholder Return	8.0%	-3.8%	29.9%	9.1%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	
	2014	2013	2014	2013	2013	2012
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	$ 245	$ 243	$ 760	$ 676	$ 1,309	$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	$ 212	$ 333	$ 598	$ 653	$ 1,243	$ 1,275
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	507
Per Share Impact (Diluted)						
Operating Earnings	$ 0.49	$ 0.48	$ 1.50	$ 1.33	$ 2.58	$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	$ 0.42	$ 0.66	$ 1.18	$ 1.29	$ 2.45	$ 2.51

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

Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2014

July 30, 2014

SI-SSA-0015-12477

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-12478

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2014 Q2 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12480

Q2 Earnings Summary

Quarter ended June 30

$ millions (except EPS)	2014	2013
Operating Earnings	$ 245	$ 243
Reconciling Items, Net of Tax	(33)	90
Net Income	$ 212	$ 333
EPS from Operating Earnings*	$ 0.49	$ 0.48

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

SI-SSA-0015-12481

First Half 2014 Earnings Summary

Six months ended June 30

$ millions (except EPS)	2014	2013
Operating Earnings	$ 760	$ 676
Reconciling Items, Net of Tax	(162)	(23)
Net Income	$ 598	$ 653
EPS from Operating Earnings*	$ 1.50	$ 1.33

SI-SSA-0015-12482

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

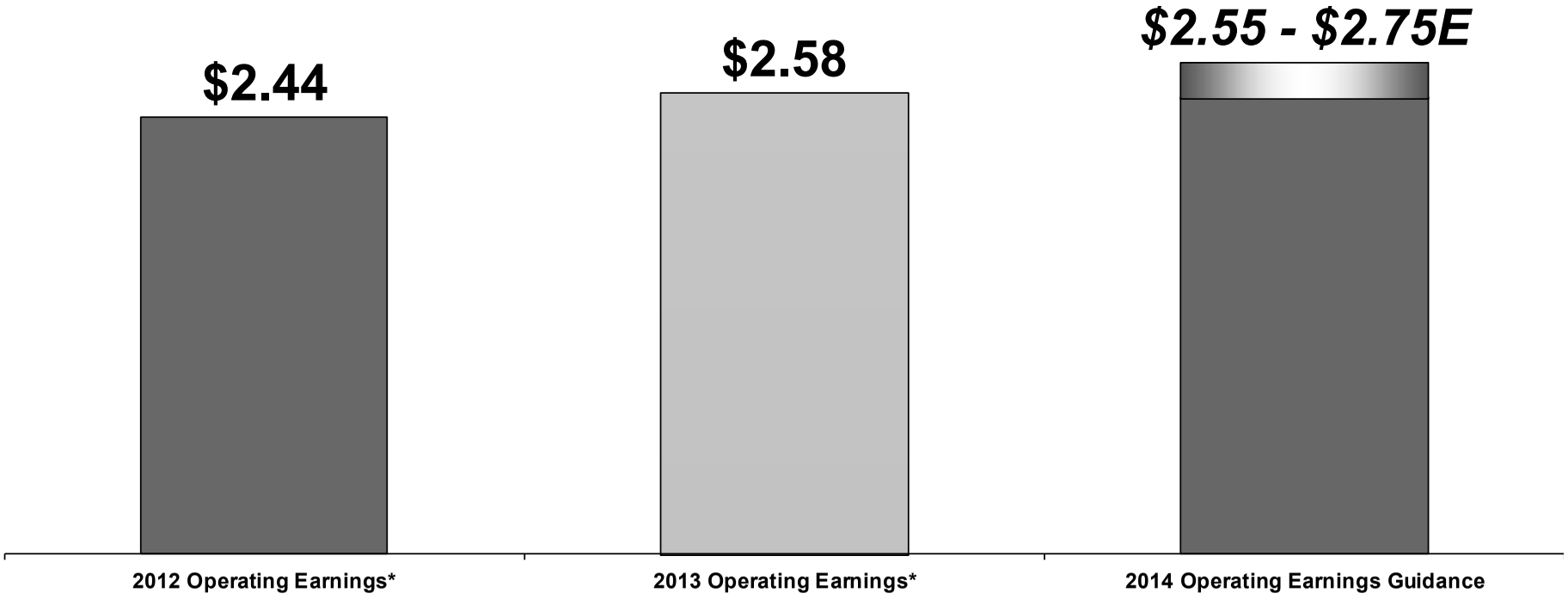
PSEG – Q2 2014 Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.49 vs. $0.48 per share in Q2 2013
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Expect 2014 Operating Earnings to be at the upper end of the $2.55 to $2.75 per share guidance range – assuming normal weather and plant operations for the balance of the year
- **Operating Review**
  - ✓ PSEG Power output down 5% vs. Q2 2013 from Linden and Salem 2 outages, partially offset by improvement in coal generation
  - ✓ PSE&G placed the 230 kV North Central Reliability transmission project in service
  - ✓ Power's fleet fully restored from storm outages
- **PSEG Disciplined Capital Investment**
  - ✓ BPU approved $1.22 billion investment in PSE&G's Energy Strong infrastructure program
  - ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- **Market Developments**
  - ✓ Recent EPA actions on 316(b) and GHGs

SI-SSA-0015-12483

PSEG – 2014 Earnings Guidance at the Upper End of Range

2014 guidance reflects increased level of investment,
pension savings and assumes normal weather and unit operations for rest of year



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

SI-SSA-0015-12484

PSEG
2014 Q2 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12485

Q2 Operating Earnings by Subsidiary

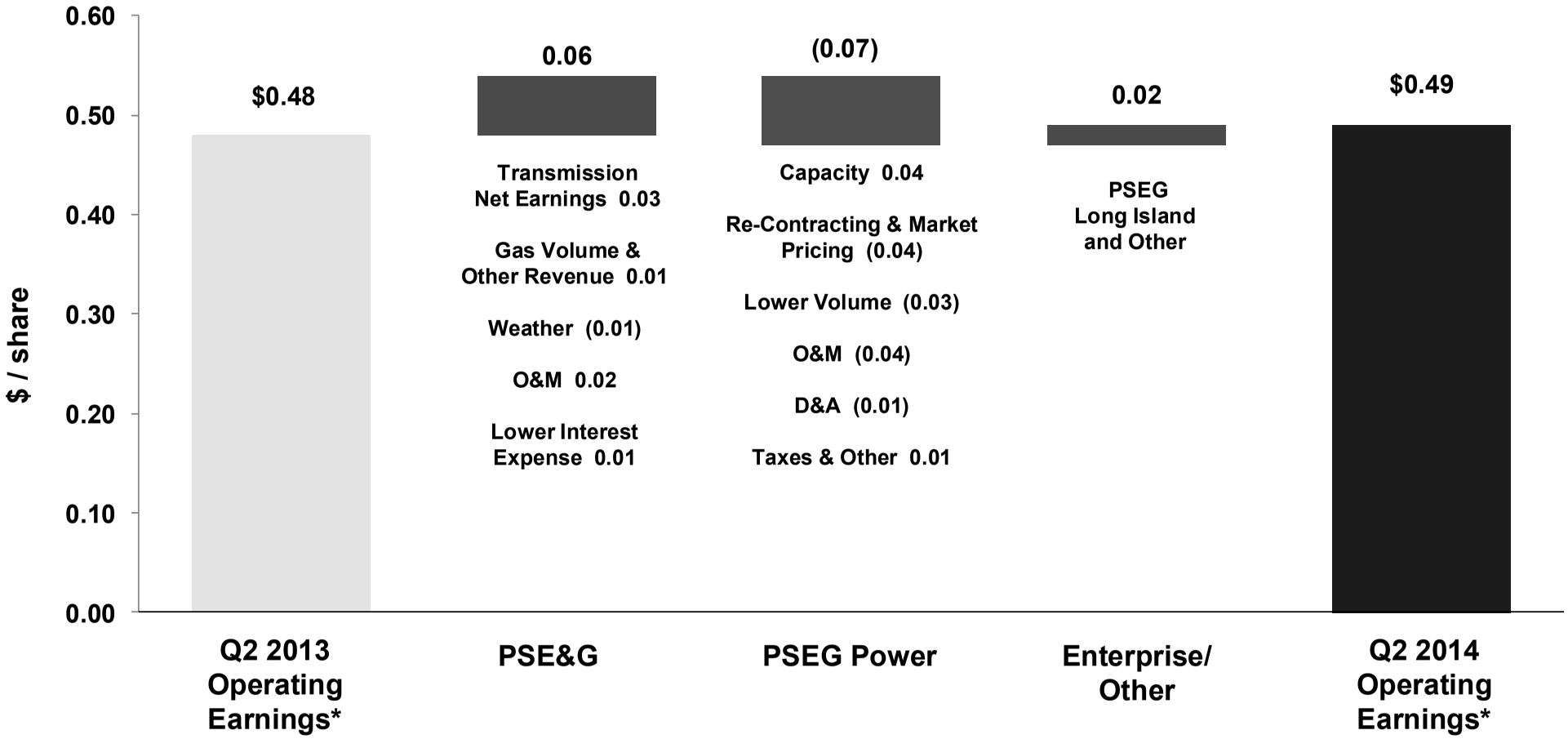
Quarter ended June 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 151	$ 121	$ 0.30	$ 0.24
PSEG Power	87	120	0.17	0.24
PSEG Enterprise/Other	7	2	0.02	-
Operating Earnings*	$ 245	$ 243	$ 0.49	$ 0.48

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

SI-SSA-0015-12486

PSEG EPS Reconciliation – Q2 2014 versus Q2 2013



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

SI-SSA-0015-12487

First Half Operating Earnings by Subsidiary

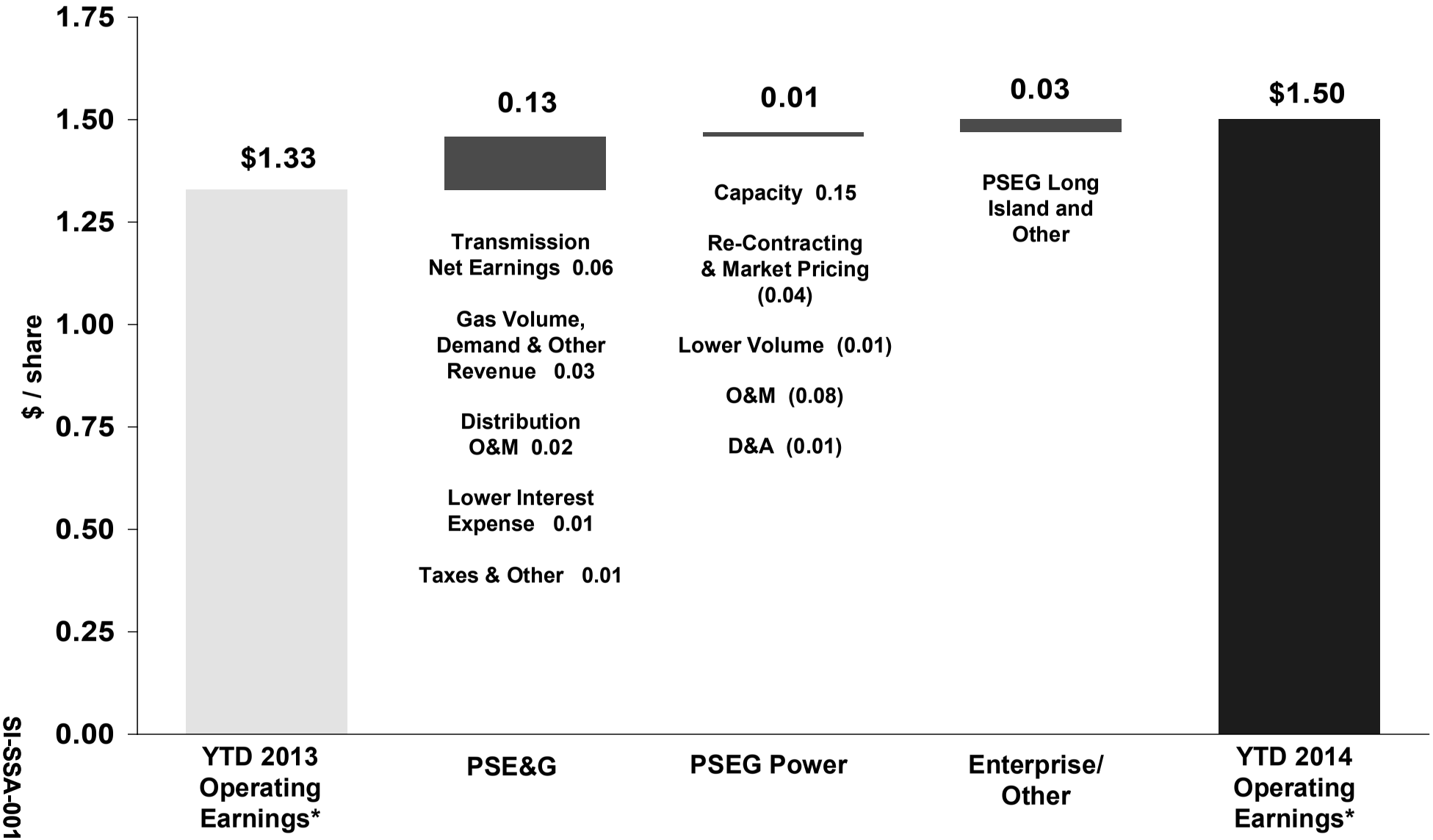
Six months ended June 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 365	$ 300	$ 0.72	$ 0.59
PSEG Power	380	374	0.75	0.74
PSEG Enterprise/Other	15	2	0.03	-
Operating Earnings*	$ 760	$ 676	$ 1.50	$ 1.33

SI-SSA-0015-12488

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

PSEG EPS Reconciliation – First Half 2014 versus First Half 2013



SI-SSA-0015-12489

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

PSE&G
2014 Q2 Review

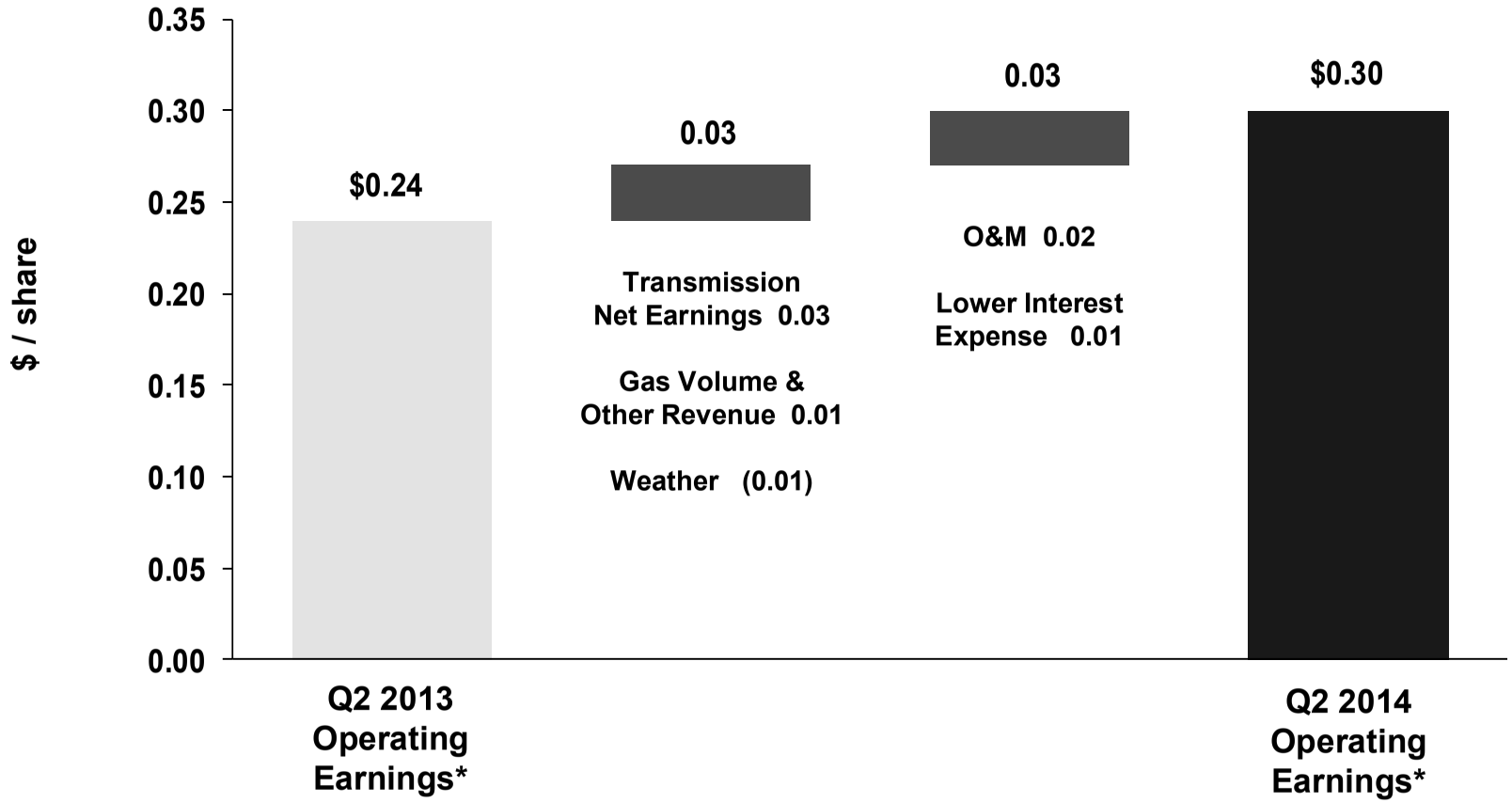
SI-SSA-0015-12490

PSE&G – Q2 EPS Summary

$ millions (except EPS)	Q2 2014	Q2 2013	Variance
Operating Revenues	$ 1,435	$ 1,423	$ 12
Operating Expenses			
Energy Costs	565	580	(15)
Operation & Maintenance	362	369	(7)
Depreciation & Amortization	217	207	10
Taxes Other than Income Taxes	-	14	(14)
Total Operating Expenses	1,144	1,170	(26)
Operating Earnings/Net Income	$ 151	$ 121	$ 30
EPS from Operating Earnings/Net Income	$ 0.30	$ 0.24	$ 0.06

SI-SSA-0015-12491

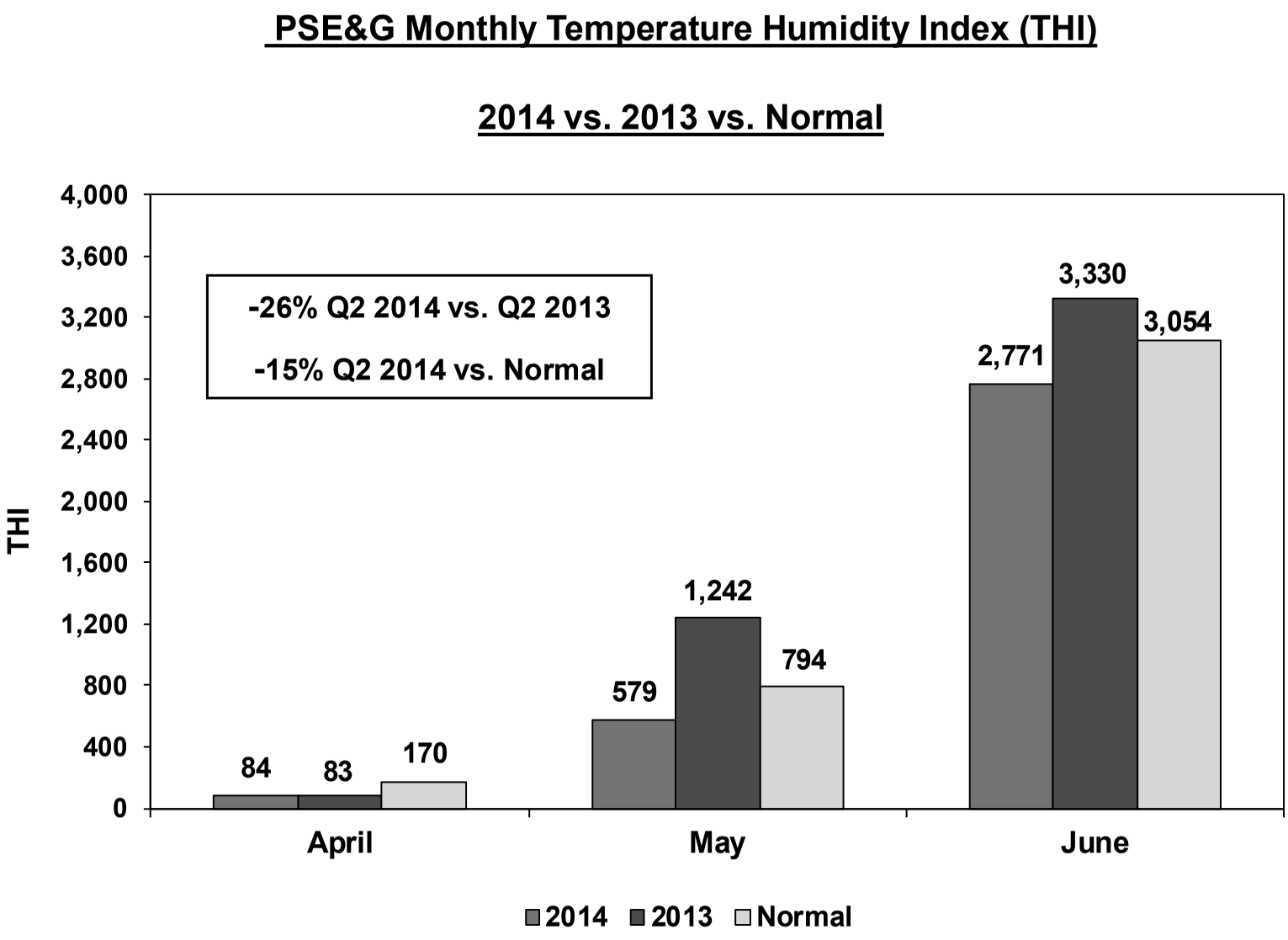
PSE&G EPS Reconciliation – Q2 2014 versus Q2 2013



* Operating Earnings is equal to Net Income.

SI-SSA-0015-12492

PSE&G – Monthly Summer Weather Data



SI-SSA-0015-12493

PSE&G – Q2 2014 Operating Highlights

Operations

- ✓ Q2 2014 weather was milder than Q2 2013: Heating degree days were 3% below normal, and cooling load was 15% below normal
- ✓ Economy slowly improving, weather normalized electric sales up 1.6% YTD; residential demand up 0.5% and commercial sector up 1.3% in Q2
- ✓ Gas deliveries (weather normal), up 7.5% in Q2 and up 4.4% for the YTD, continue to benefit from decline in supply costs

Regulatory and Market Environment

- ✓ PSE&G received final NJBPU approval to invest $1.22 billion in the Energy Strong program
- ✓ PJM deferred a final decision on its recommended solution, to be built by PSE&G, for the Artificial Island project via FERC 1000 competitive bidding process
- ✓ Construction of major transmission lines progressing on schedule and on budget
- ✓ PSE&G residential gas customers to benefit from a proposed rate reduction this October, estimated to save the average customer $100 per year

Financial

- ✓ PSE&G plans to invest over $2.2 billion in its T&D system in 2014
- ✓ PSE&G's 2014-2018 Capital Spending increased to $11.3 billion with recently approved Energy Strong
- ✓ PSE&G earned its authorized return in the quarter
- ✓ PSE&G issued $250 million, 1.8% secured medium-term notes due June 2019 and $250 million, 4% secured medium-term notes due June 2044
- ✓ S&P revised PSE&G's credit rating outlook from Stable to Positive

SI-SSA-0015-12494

PSEG Power
2014 Q2 Review

SI-SSA-0015-12495

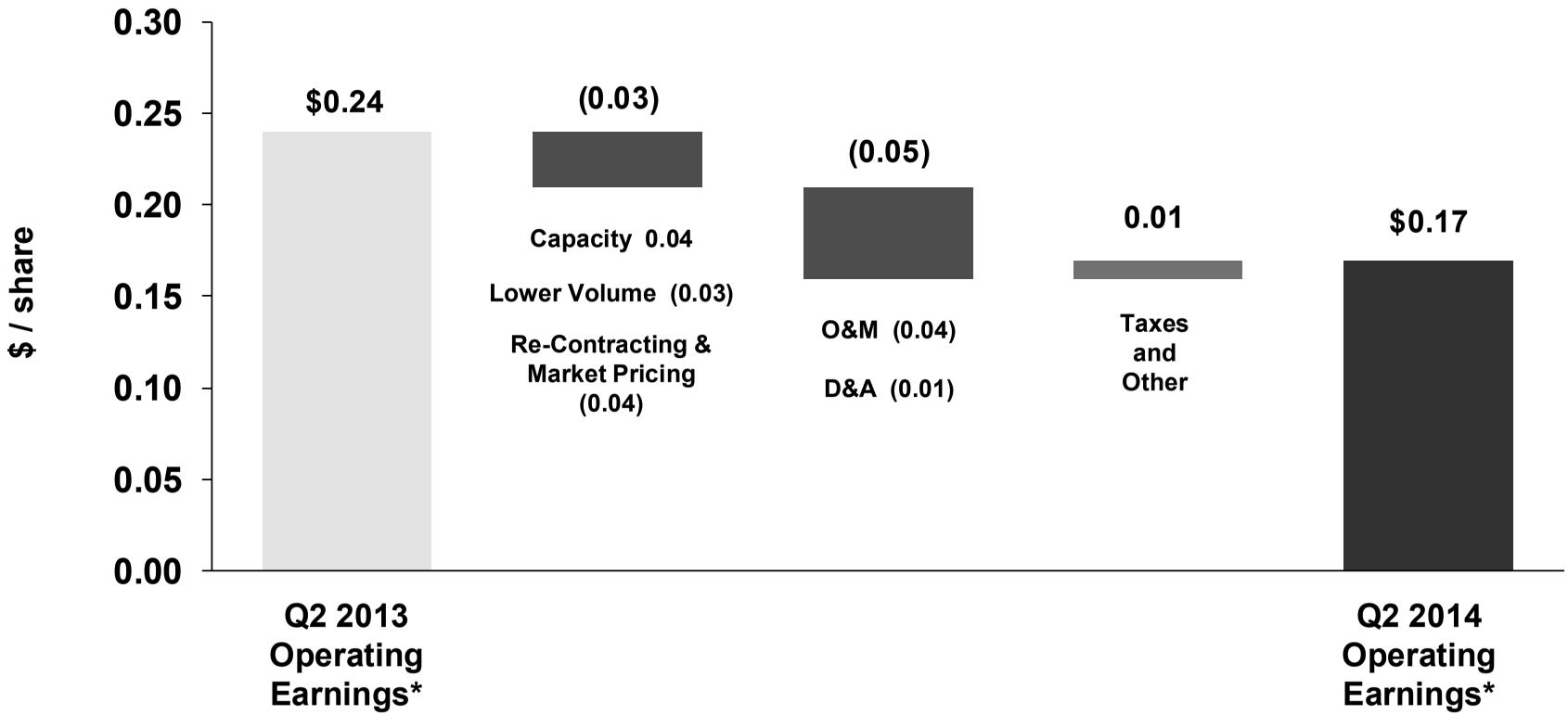
PSEG Power – Q2 EPS Summary

$ millions (except EPS)	Q2 2014	Q2 2013	Variance
Operating Revenues	$ 986	$ 1,193	$ (207)
Operating Earnings	87	120	(33)
Reconciling Items, Net of Tax**	(33)	90	(123)
Net Income	$ 54	$ 210	$ (156)
EPS from Operating Earnings*	$ 0.17	$ 0.24	$ (0.07)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-12496

PSEG Power EPS Reconciliation – Q2 2014 versus Q2 2013



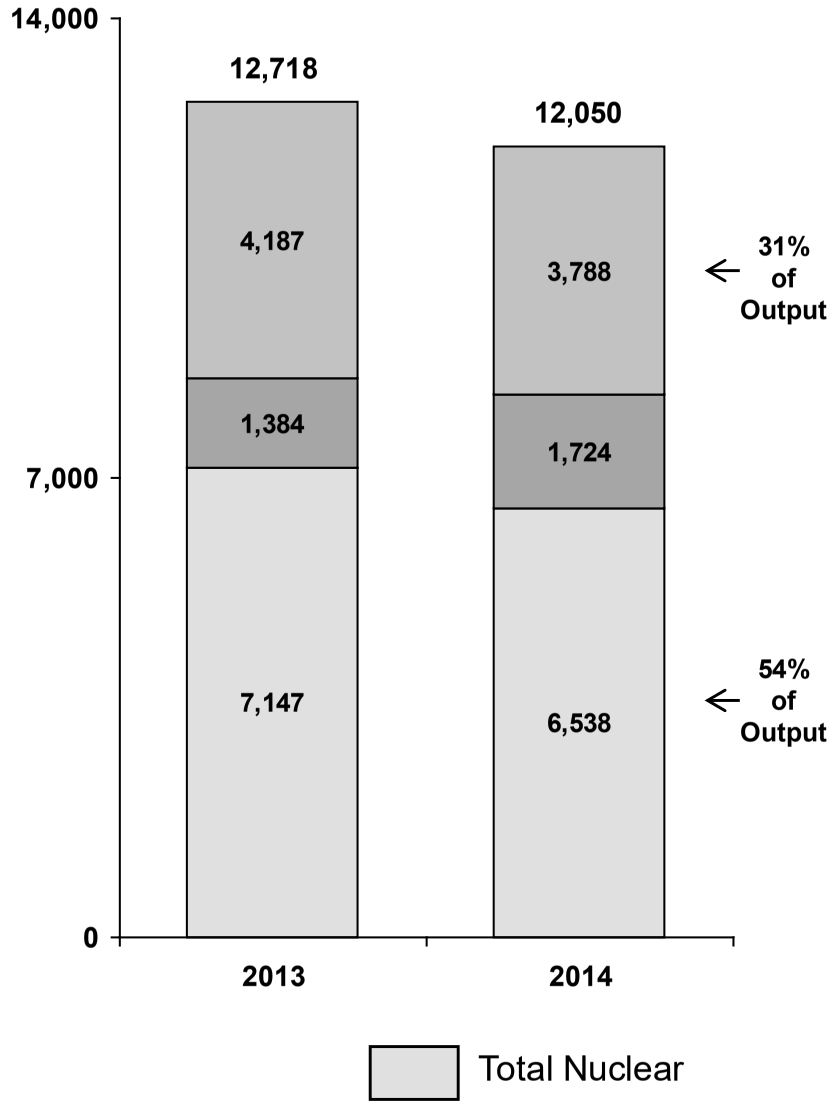
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12497

PSEG Power – Q2 2014 Generation Measures

Generation by Fuel (GWh)**

Quarter ended June 30



Fleet Capacity Factors (%)

Quarter ended June 30

	2013	2014
Combined Cycle		
PJM and NY	57%	49%
Coal*		
NJ (Coal/Gas)	8%	14%
PA	70%	80%
CT	3%	4%
Nuclear	88%	81%

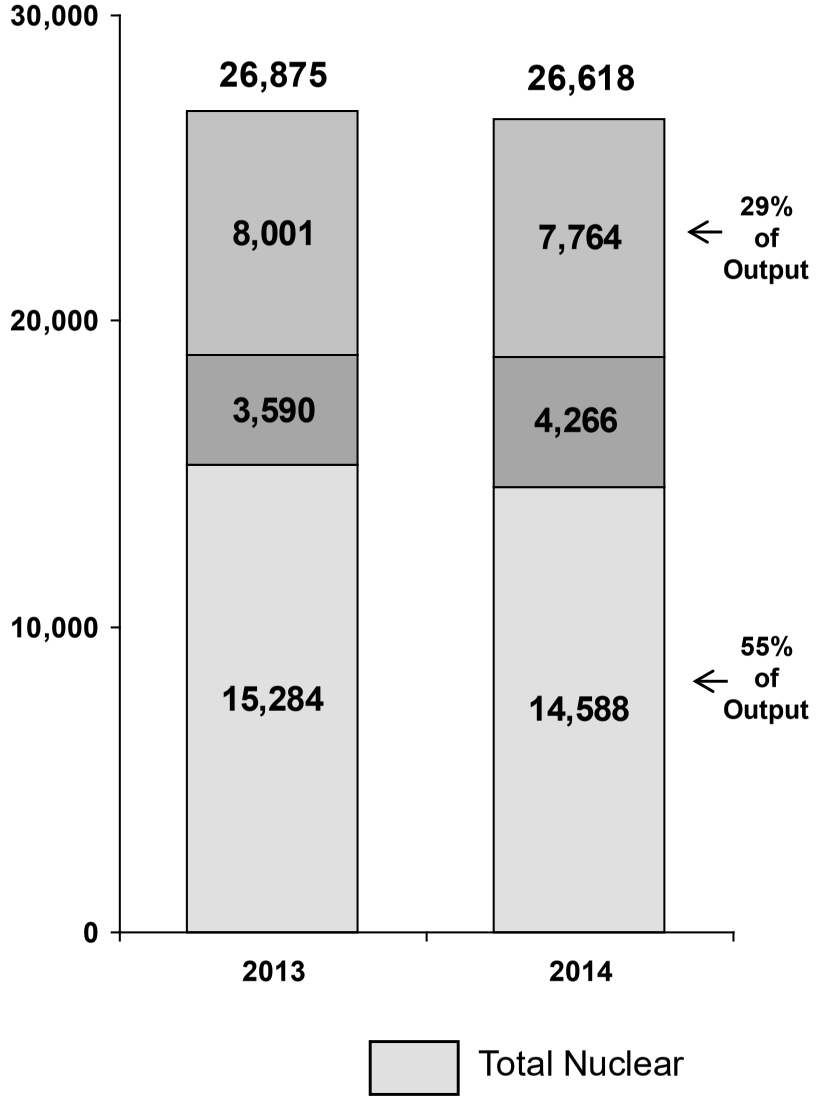
* Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals. ** Excludes Solar and Kalaeloa.

SI-SSA-0015-12498

PSEG Power – YTD 2014 Generation Measures

Generation by Fuel (GWh)**

Six Months ended June 30



Fleet Capacity Factors (%)

Six Months ended June 30

	2013	2014
Combined Cycle		
PJM and NY	55%	48%
Coal*		
NJ (Coal/Gas)	13%	17%
PA	78%	81%
CT	19%	38%
Nuclear	94%	90%

* Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals. ** Excludes Solar and Kalaeloa.

SI-SSA-0015-12499

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

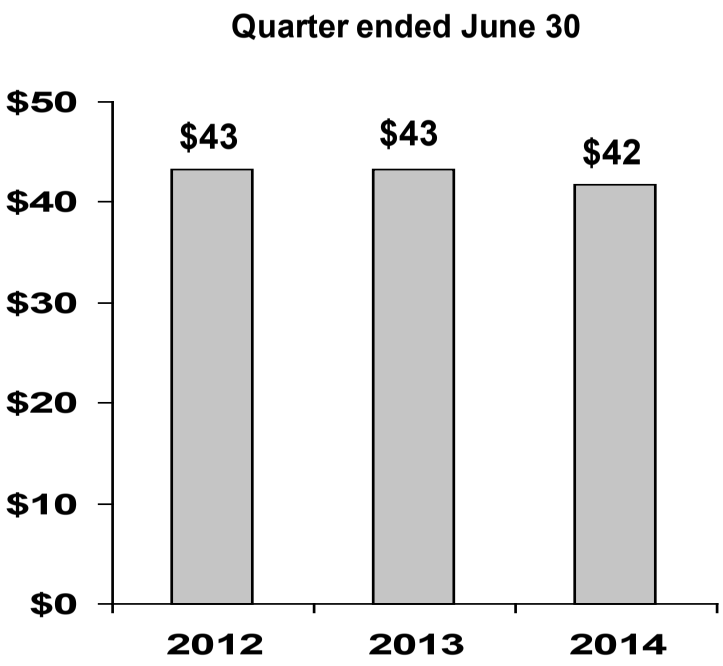
	Quarter ended June 30	
($ millions)	2013	2014
Coal	$30	$40
Oil & Gas	160	119
Total Fossil	190	159
Nuclear	52	47
Total Fuel Cost	$242	$206
Total Generation (GWh)	12,718	12,050
$ / MWh	19.03	17.10

	YTD June 30	
($ millions)	2013	2014
Coal	$96	$127
Oil & Gas	338	484
Total Fossil	434	611
Nuclear	110	109
Total Fuel Cost	$544	$720
Total Generation (GWh)	26,875	26,618
$ / MWh	20.24	27.05

PSEG Power – Gross Margin Performance

- ✓ Weather-driven volatility pushed natural gas and power prices to multi-year highs; Q2 spot prices in PJM peaked in April
- ✓ Decline in average hedge prices
- ✓ Capacity prices reset on June 1 to ~$166/MW-day and remain stable for the next three capacity years
- ✓ Fuel flexibility and access to lower cost Marcellus gas continue to benefit margin

PSEG Power Gross Margin ($/MWh)



Q2 2014 Regional Performance		
Region	**Gross Margin ($M)**	**2014 Performance**
PJM	$468	Higher capacity pricing for most of the quarter offset lower hedge prices. Output hurt by outages at Linden and Salem 2.
New England	$18	Higher volume offset lower priced hedges.
New York	$18	Higher volume offset lower pricing.

Hedging Update…

Contracted Energy*

		Jul-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	100%	45-50%
	Price $/MWh	$50	$50	$51
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	13	21	19
	% Hedged	35-40%	5-10%	0%
	Price $/MWh	$50	$50	$51
Total	Volume TWh	30	55-57	55-57
	% Hedged	70-75%	65-70%	30-35%
	Price $/MWh	$50	$50	$51

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

SI-SSA-0015-12502

PSEG Power – Q2 2014 Operating Highlights

Operations

- ✓ Q2 output down 5% due to Linden and Salem 2 outages
- ✓ Advance gas path uprates (~63MW) completed at Linden
- ✓ Output of NJ coal units was 10% coal, 90% gas fueled in Q2; 45% coal, 55% gas for the YTD

Regulatory and Market Environment

- ✓ Capacity pricing for the 2014/2015 capacity year reset to $166 MW/day on June 1
- ✓ Access to Marcellus gas benefited off-system sales and reduced the fleet's cost of gas
- ✓ FERC and PJM reviewing implications of circuit court ruling on use of DR in capacity auctions

Financial

- ✓ Power recorded a charge of $25 million in Q1 2014 related to potential liability associated with the discovery of bidding errors in the PJM energy market. Power identified additional errors in Q2 2014, as well as differences between the quantity of energy offered into the market and the amount for which it was compensated in the capacity market. Power has corrected these errors. The matter remains under review with the FERC, PJM and its Independent Market Monitor. We are unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time.
- ✓ Power's total debt as a percentage of capital at June 30 was 32%
- ✓ S&P revised PSEG Power's credit rating outlook from Stable to Positive

SI-SSA-0015-12503

PSEG

PSEG Financial Highlights

- **Maintaining 2014 operating earnings guidance of $2.55 - $2.75 per share, expecting results at upper end of the range**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G expected to grow at double-digit rate in 2014 and provide over 50% of operating earnings
- **PSE&G expanded capital program of $11.3 billion over 2014-2018 is expected to further support double digit rate base growth**
- **PSEG capital program now projected at $13.1 billion over the 2014-2018 period**
- **PSE&G has begun construction of Energy Strong infrastructure projects and continues to build out its Transmission plan on-time and on-budget**
- **Financial position remains strong**
  - ✓ Positive cash from Power and increasing cash flow from PSE&G supports sustainable dividend growth and funds capital spending program without the need to issue equity
  - ✓ PSEG's debt as a percentage of capital was 42% at June 30
  - ✓ Standard & Poor's revised the credit rating outlooks of PSEG, PSE&G and PSEG Power from Stable to Positive in May
- **Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable dividend growth**

SI-SSA-0015-12505

PSEG 2014 Operating Earnings Guidance - By Subsidiary

$ millions (except EPS)	2014E	2013	2012
PSE&G	$705 – $745	$612	$528
PSEG Power	$550 – $610	$710	$663
PSEG Enterprise/Other	$35 – $40	$(13)	$45
Operating Earnings*	$1,290 – $1,395	$1,309	$1,236
Earnings per Share	**$2.55 – $2.75**	**$2.58**	**$2.44**

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

SI-SSA-0015-12506

PSEG Liquidity as of June 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$13	$587
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$114	$1,486
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$235	$4,065
				PSEG Money Pool ST Investment	$278
				PSE&G ST Investment	$224
				Total Liquidity Available	**$4,567**
				Total Parent / Power Liquidity	**$3,756**

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

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

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

SI-SSA-0015-12507

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*	*2013*	*2012*
Earnings Impact ($ Millions)	(Unaudited)					
Operating Earnings	**$ 245**	**$ 243**	**$ 760**	**$ 676**	**$ 1,309**	**$ 1,236**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	14	8	23	17	40	52
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(42)	80	(174)	(25)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(5)	2	(11)	(15)	(32)	(39)
Net Income	**$ 212**	**$ 333**	**$ 598**	**$ 653**	**$ 1,243**	**$ 1,275**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**	**508**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 0.49**	**$ 0.48**	**$ 1.50**	**$ 1.33**	**$ 2.58**	**$ 2.44**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.02	0.02	0.04	0.04	0.08	0.10
Gain (Loss) on MTM[a] (PSEG Power)	(0.08)	0.16	(0.34)	(0.05)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	-	(0.02)	(0.03)	(0.07)	(0.08)
Net Income	**$ 0.42**	**$ 0.66**	**$ 1.18**	**$ 1.29**	**$ 2.45**	**$ 2.51**

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

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

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EDITED TRANSCRIPT

PEG - Q3 2014 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 30, 2014 / 03:00PM GMT

OVERVIEW:
PEG reported 3Q14 operating EPS of $0.77. Expects full-year 2014 operating EPS to be $2.60-2.75.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Kit Konolige *BGC Partners - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Neil Mitra Tudor Pickering - *Analyst*

Dan Eggers *Credit Suisse - Analyst*

Paul Fremont *Jefferies & Company - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Bob Patterson *Glenrock Associates - Analyst*

PRESENTATION

Operator

As a reminder, this conference is being recorded today, October 30th, 2014 and will be available for telephone replay beginning at 2:00 PM Eastern today until 11:30 PM Eastern on November 6th, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc - VP of IR***

Thank you, Brent.

Good morning. Thank you all for participating in PSEG's earnings call this morning.

As you are aware, we released our third-quarter 2014 earnings statements earlier this morning. The release and attachments, as mentioned, are posted on our website, www.pseg.com under the Investor section. We have also posted a series of slides that detail the operating results by company for the quarter. Our 10-Q for the period ended September 30, 2014, is expected to be filed shortly.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risk and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless we of course are required to do so.

Our results also contains adjusted non-GAAP operating earnings. Please refer to today's 8K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts, and expectations and for a reconciliation of operating earnings to GAAP results.

I am now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks there will be time for your questions. And I'm not going to limit you. (laughter)

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Nice try, Kathleen. Thank you.

And thank you, everyone, for joining us today. Earlier this morning, we reported operating earnings for the third quarter of 2014 of $0.77 per share, compared with operating earnings of $0.76 per share in 2013's third quarter. The results for the third quarter bring PSEG's operating earnings for the nine months ended September to $2.27 per share, which is a 9% increase over the $2.09 per share earned during the first nine months of last year. I will refer you to slides 4 and 5, as they contain the detail for the results in the third quarter and for the nine months.

PSEG earnings continue to benefit from the expansion of our regulated utility capital program. Our results also benefited from the focus placed on controlling the growth in operating expenses, which offset the impact of less favorable weather conditions on demand for electricity. Our major transmission projects are being completed on time and on budget. We completed construction of the $390 million North Central reliability line and placed the $400 million Burlington-Camden line into service, as well. These two 230 kilovolt lines will improve the system's power quality and voltage stability.

Construction on the New Jersey portion of the Susquehanna-Roseland line was also completed in the quarter. The work to connect the western portion of this major 500 kilovolt project in Pennsylvania with New Jersey is underway. And it is planned to go into service around mid-2015.

We are in the midst of engineering, permitting, and siting work on our remaining large projects as we also work on the upgrade and conversion of lower-voltage lines. These projects are all part of our planned $6.8 billion capital investment in transmission, which provides for the double-digit growth in PSE&G's earnings in 2014, as well as the anticipated double-digit growth in rate base and earnings through 2016.

We hope to add the proposed 500 kilovolt line and artificial island to our stable of transmission projects. We supplemented our original proposal to meet the stability issues at artificial island and expect to have a decision during PJM in the first quarter next year.

We have also accelerated the replacement of the PSE&G's cast iron gas pipe system. Approximately $350 million of the $1.22 billion energy strong investment program, approved by the BPU earlier this year, is dedicated to this ongoing effort. This is an opportune time to pursue these investments. Major surcharges on customer's electric bills are scheduled to expire over the next two years. And the bills for PSE&G's gas customers continue to benefit from the capable management of the Company's natural gas storage and transportation contracts.

The BPU approved, on a provisional basis, a 9% reduction in the gas rate paid by residential customers. The reduction, which was effective on October 1, just a few weeks ago, is the latest in a series of reductions which have lowered customers' gas bills by 44% over the past five years. PSE&G has since indicated that to intends to implement an additional bill credit over the months of November, December, and January, that will return approximately $160 million to residential gas customers.

The earnings growth enjoyed by PSE&G in the quarter offset the impact on earnings from the well-known reset in power’s capacity revenues. Lower operating costs help to offset the impact of mild weather on energy pricing and earnings.

We are in the midst of major change in the electricity markets. An unprecedented amount of capacity is expected to retire over the next two years in response to environmental requirements and market economics. In addition, the availability of low-cost gas in the Marcellus and Utica Basins and the lag in the development of infrastructure to move the gas to market has, and is expected to continue to be, a source of volatility in gas and electricity prices. The new dynamic implies that winter is as important to the power market as the summer, as demand in the winter season can heavily influence forward prices.

Power is well-situated. Its fleet of base load, intermediate, and peaking generating assets benefits from access to low-cost gas in the summer and from price volatility in the winter. The changing dynamic in the market creates a need to review maintenance practices to assure availability of our units during critical peak conditions. The changing market dynamic appears to be recognized by PJM. The changes proposed by PJM to the reliability pricing model, RPM, as we often refer to it, are designed to incent operations-related investments as much as they're meant to encourage new investments in light of the events from the winter of 2014 and known retirements of capacity over the next two to three years.

PJM's proposals, which provide for a change in the demand curve, as well as its capacity performance proposal, could provide greater visibility to much needed market-driven price formation. Outside PJM, the potential to receive a seven-year contract for new capacity that clears the market in

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New England, under its revised capacity construct, has encouraged us to consider bidding a new 450 megawatt gas fired combined cycle unit into next year's auction. The new unit, which would be located at our existing Bridgeport Harbor site, would represent a $600 million investment. I do want to emphasize, however, that we would only proceed with this project if it clears in the Forward Capacity Auction.

The potential investment in Bridgeport Harbor would represent the latest of several opportunities for PSEG. Over the past quarter, Power's announced it plans to invest $100 million to $120 million for an equity interest in the Penn East pipeline. This 105-mile pipeline would bring gas from Pennsylvania into New Jersey, and provide PSEG and its customers with increased access to low-cost natural gas supply.

Similarly, PSEG Long Island has updated its utility 2.0 proposal. The revised proposal, to spend up to $345 million, meets the customers' desire for increased investment in energy efficiency, demand resources, and distributed generation. It also limits the impact on customer bills, as the increased investment would be financed by LIPA, the Long Island Power Authority. The inclusion of a performance incentive mechanism in the proposal, provides PSEG Long Island the opportunity to earn an increased return. If preferred, the proposal also reaffirms PSEG Long Island's original approach to fund new rate base-like investments.

So PSEG Long Island could benefit from the utility 2.0 investments through either the use of its own capital or proving out the effectiveness of the program and earning under the performance mechanism. PSE&G is also awaiting the BPU's response to its request to invest approximately $100 million in programs that would extend existing energy efficiency offerings here in New Jersey.

Together, if my math is right, these programs represent an investment opportunity of over $1.2 billion and extend the growth associated with our existing $13 billion capital program. These investments also provide our customers with access to low-cost gas and cost-effective technologies that reduce emissions, as they also improve system reliability.

Based on the strength of our results for the quarter and year to date, we are raising the low end of our full-year operating earnings guidance to $2.60 from $2.55 per share. And as we indicated last quarter, we remain on track to achieve results at the upper end of our revised operating guidance of $2.60 to $2.75 per share.

Our investments are meeting our expectations. Our costs are under control. And we remain well-positioned to deploy our balance sheet to meet shareholder objectives for long-term growth.

I will now turn the call over to Caroline to review our operating results in greater detail.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, Ralph, and good morning.

I will review our quarterly operating earnings, as well as the outlook full-year results, by each subsidiary company. As Ralph said, PSEG reported operating earnings of the third quarter of 2014 of $0.77 per share versus $0.76 per share in last year's third quarter. And for the nine months ending September 30th, we reported operating earnings of $2.27 per share versus $2.09 per share last year.

Slides 4 and 5 provide a reconciliation of operating earnings to income from continuing operations and net income for the quarter and year to date. We've also provide you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business. And a similar chart on slide 12 that provides you with those changes in operating earnings by business on a year-to-date basis.

So now I will review each Company in more detail, starting with PSE&G. As shown on slide 14, PSE&G reported operating earnings for the third quarter of $0.39 per share, compared with $0.33 per share a year ago. PSE&G's earnings in the third quarter continue to benefit from an increase in revenue associated with its expanded capital program, particularly in transmission, and a decline in operating costs.

An approved increase in PSE&G's transmission revenue under its formula rate effective at the start of the year, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.04 per share. Bringing the total transmission-related earnings increase to $0.10 per share on a year-to-date basis. And the roll-in of our second Capital Infrastructure Program, or CIP2, into our rates this past July improved earnings comparisons from distribution during the quarter by $0.01 per share. A decline in operating expenses, particularly pension expense, led to an improvement in earnings of $0.02 per share.

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PSE&G's revenue was affected by weather conditions during the third quarter, which was very mild relative to normal, as well as relative to conditions in the year-ago quarter. On average, weather in the third quarter was 14% cooler than normal and 18% cooler than 2013's third quarter. The impact on demand from the mild weather reduced quarter-over-quarter earnings by $0.02 per share.

PSE&G earnings continue to benefit from a decline in financing costs, which more than offset an increase on the level of debt on balance sheet associated with higher levels of capital spending. The reduction in interest expense and a lower tax rate more than offset an increase in depreciation expense and netted to an increase in quarter-over-quarter earnings of $0.01 per share in the distribution business.

Economic conditions in New Jersey, as evidenced by employment in the service territory, continue to show signs of improvement. Adjusting for the weather, electric sales in the quarter grew by 0.04%. And the improvement was led by an increase in demand from the residential sector and reflects some growth in the number of customers. So on a year-to-date basis, weather normalized electric sales grew by 1.1%. Weather normalized gas sales, while less impactful to results in the third quarter, advanced 1.9% in the quarter and 4% for the nine months ended in September.

Of course, demand for gas continues to benefit from a decline in commodity prices and economic conditions. Customers will see a further decline in the commodity portion of their bills during the upcoming year. The BPU approved on a provisional basis an annual reduction of 9% in residential customer gas rates that went into effect on October 1st of this year. And given the continued availability of low-cost gas under the Company's long-term supply arrangements, PSE&G has since informed the BPU that it would be implementing an additional three-month bill credit of 31%, which would return approximately $160 million to customers over the months of November, December, and January of 2015.

On the transmission front, PSE&G has filed for an update to its formula rate for transmission at the FERC. The update, which provides for a return on PSE&G's forecasted increase in its capital investment in transmission, would increase 2015's annual transmission revenues by an estimated $182 million at the start of the new year. You'll recall that in 2014, we added $171 million to our revenues, which has resulted in year-to-date growth in earnings of $0.10 per share. Something to keep in mind proportionately, as you do your modeling for our filings for 2015.

The BPU also found that all but $400,000 of PSE&G's $366 million of storm costs are prudent and recoverable in a future base rate proceeding. The total spend breaks down as approximately $126 million of major storm capital expenditures and incremental O&M of approximately $240 million.

PSE&G is also awaiting a decision from the BPU on its request to invest approximately $100 million, plus administrative costs, on programs that would extend existing energy efficiency offerings in the residential, multifamily, hospital, and self-install markets. This program is not expected to have a major impact on customer rates, and we expect a decision during the first half of next year.

PSE&G is meeting its capital and operating benchmarks and earning its authorized return. For the year, we've made a slight modification to our forecast of PSE&G's operating earnings. The low end of the range has been increased to $710 million, bringing the range for operating earnings guidance to $710 million to $745 million, from the prior $705 million to $745 million. Results for the remainder of the year will continue to reflect an increase in transmission and distribution revenue, and a reduction in operating and maintenance expense including, importantly, pension costs.

With that, let's now turn to Power. Power reported operating earnings for the third quarter of 2014 of $0.34 per share, compared with $0.43 per share for the third quarter of 2013. Power's results reflect the full-quarter impact of the scheduled reset in the average price received on PJM capacity, as well as lower market prices for energy. PJM capacity prices are reset to an average level of $166 per megawatt day on June 1, 2014, from $242 per megawatt day in the prior capacity year.

Recall that we now enter a period where Power's PJM fleet, based on the results of past auctions, is expected to experience stable capacity prices in the range of $165 to $166 per megawatt day through May 31st of 2018. Declining capacity revenues reduced Power's quarter-over-quarter earnings by $0.09 per share. Mild weather conditions relative to a year ago and lower gas prices resulted in a return to a more average spark spread for our region than those we experienced during the hot summer last year. And that reduced quarter-over-quarter earnings by $0.03 per share. A decline in Power's average hedge price for energy and lower market prices combined to further reduce quarter-over-quarter earnings by $0.04 per share.

Powers O&M expense was lower in the quarter relative to the level experienced in the year-ago quarter. The absence of major maintenance expense at the Bethlehem New York facility in 2014 compared to the year-ago quarter and lower nuclear outage-related costs, even with the impact of Salem's extended outage in the quarter, combined with lower pension expense to improve Power's quarter-over-quarter earnings by $0.06 per share. A reduction in the tax rate and other miscellaneous items more than offset an increase in depreciation in interest expense to improve quarter-over-quarter earnings by $0.01 per share.

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The availability of the Bethlehem New York gas-fired combined cycle facility in 2014 led to a 4% improvement in the generating fleet's output in the third quarter. As production from the gas-fired combined cycle fleet increased 16% in the quarter to 5 terawatt hours, or about 34% of output. Output of the nuclear fleet improved slightly from year ago levels. During the quarter, the fleet operated at a capacity factor of 92% and produced 7.6 terawatt hours, or about 52% of output. Production from the coal-fired and peaking units declined 8% during the quarter to 2.1 terawatt hours, about 14% of output, due to planned outages, as well as lower weather related demand.

Generation volumes in PJM, overall, were flat relative to year-ago level. Power expects output for the full year to be a approximately 53 to 55 terawatt hours. The forecast represents a slight increase in output on a year-over-year basis, but is lower than our prior forecast for 2014 given year-to-date performance including the mild summer.

Keep in mind, we have scheduled fourth-quarter outages at the Salem 1 and Peach Bottom 2 nuclear facilities. Salem 1 began a normal refueling outage earlier this month, and Peach Bottom is undergoing work associated with its planned uprate during a refueling outage.

Approximately 80% to 85% of generation in the fourth quarter is hedged at an average price of $49 per megawatt hour. The average price per energy hedges in the full year is approximately $48 per megawatt hour versus the average hedge price for energy in 2013 of about $50 per megawatt hour.

Power is maintaining its forecast of economic generation for both 2015 and 2016, at 55 to 57 terawatt hours per year. This represents an increase in output from 2014's forecast. For 2015, Power has maintained its average hedge position at 65% to 70% of forecast generation, at an average price of $50 per megawatt hour. You will recall that Power had increased its hedge activity earlier in the year in response to higher market prices. The current level of hedges is consistent with past practice and continues to assume BGS volumes represent about 11 terawatt hours of demand, in line with the 2014 forecast for BGS volumes.

In 2016, Power has increased its average hedge position to approximately 35% to 40% of its generation, from 30% to 35%. Hedges in 2016 have been transacted at an average price overall of $49 per megawatt hour, compared with our prior update, which indicated average hedge prices for 2016 of $51 per megawatt hour. The decline in the average hedge price for 2016 reflects an increase in non-BGS-related hedges, all done at market prices since our last update. And you will recall, you've seen this pattern from us in prior periods. As we increase the proportion of non-BGS hedges in the third year out, the weighted average math of putting in hedges at market prices, relative to the representation of BGS in that total -- and remember BGS goes in at a full requirements price, less capacity -- normally brings down the weighted average hedge price as we move through the year.

For example, in 2016, last quarter BGS represented about 30% of the total amount that was hedged in our disclosures last quarter; and now it's closer to 25%. One thing to note is that the prices that the new hedges were put on, the market prices for the new hedges, are actually slightly higher than the energy component of BGS that cleared in February of 2014. So again, our normal pattern as we layer in market hedges post the clearing of BGS in February.

We've narrowed our range for Power's 2014 operating earnings guidance to $575 million to $610 million, from the prior $550 million to $610 million, with full-year operating results expected to be at the upper end of the range. Results for the remainder of the year are expected to be influenced by the reset in the average price received on PJM capacity that we just talked about, and a decline in the average price of energy.

Power's O&M expense for the fourth quarter is expected to compare favorably with year-ago levels, given a reduction in pension expense and the absence of major outage-related work. We anticipate O&M for the full year will be flat versus 2013's level of expense. And this estimate, as always, assumes normal weather and normal operations.

As we notified you earlier this year, Power discovered errors in its cost-based bids for its New Jersey fossil generating units in the PJM energy market, as well as additional pricing errors and differences between the quantity of energy that Power offered into the energy market and the amounts in which Power was compensated in the capacity market. We have since been verbally notified by FERC staff that they have initiated a preliminary non-public staff investigation into matters discovered by Power.

The investigation could result in the FERC seeking disgorgement of any over-collected amounts, civil penalties and non-financial remedies. Power has implemented procedures and continues to develop processes to mitigate the risk of similar issues occurring in the future. And as is usual in matters of this nature, FERC investigation may take an extended period of time to resolve. We have not, by the way, changed the reserve we took in the first quarter, which still stands at $25 million.

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Let me now turn briefly to the Enterprise and all other. PSEG Enterprise Other reported operating earnings of $22 million, or $0.04 per share, in the third quarter of 2014, versus an operating loss of $4 million, or $0.01 per share, during the third quarter of 2013. The results reflect the inclusion of earnings from the operating contract for PSEG Long Island, as well as a reduction in tax expense. The conclusion of an Internal Revenue Service audit for the tax years 2007 through 2010 resulted in a $121 million cash refund and a reduction in tax expense. The reduction in taxes improved quarter-over-quarter earnings comparisons by $0.02 per share from the closure of the audit.

In October, PSEG Long Island updated its original utility 2.0 proposal, which called for PSEG Long Island to invest up to $200 million over four years in programs that would expand energy efficiency, demand resources, and distributed generation on Long Island. The updated proposal calls for an increase in the size of the program to $345 million. As currently proposed, PSEG could fund all or some of the increased program in compensation for the part that is funded by LIPA could be performance-based. We anticipate a decision on the utility 2.0 proposal by year end.

On the financing side, we ended the quarter with cash on hand of $703 million. The growth in PSE&G's earnings and cash flow and the cash generated by Power continue to support our financing requirements without the need to issue equity. Debt represented 41.6% of our consolidated capital structure and 31.6% of Power's capitalization at the end of September.

As Ralph mentioned earlier, we have narrowed the range of our 2014 operating earnings guidance to $2.60 to $2.75 per share, and continue to expect earnings to fall at the upper end of that range. PSE&G remains on course to achieve double-digit growth in operating earnings during 2014, as a contribution to earnings is expected to exceed 50% of our forecasted earnings for the year. PSEG Power is expected to report earnings at the upper end of the forecast range for the year.

That concludes my remarks. And at this point, we are now ready for your questions. And I will turn it back over to Brent.

QUESTION AND ANSWER

Operator

Ladies and gentlemen, we will now begin the question and answer session for members of the financial community.

(Operator Instructions)

Kit Konolige with BGC.

Kit Konolige *- BGC Partners - Analyst*

Good morning, guys.

Caroline Dorsa *- Public Service Enterprise Group Inc - EVP & CFO*

Good morning.

Kit Konolige *- BGC Partners - Analyst*

A couple of related areas. First of all, can you give us a sense of what kind of response you've seen in New Jersey so far to -- as far as, working with the commission and the authorities in general on 111D?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Sure, Kit. We've had lots of communication, staff to staff, with New Jersey DEP. I think it's pretty safe to assume that one of the areas we've be focusing on is the amount of credit, or, candidly, the lack of credit given for nuclear output and the feeling that the cleaner states, in our case, are being somewhat penalized.

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The second area that I'd put as sort of lower priority, is the opportunity to perhaps expand the purview of 111D to touch upon things that are electric related, but not specific to power plants in New Jersey. Our leading cause of CO2 emissions is transportation, so the possibility of extending 111D to electric transport and the possibility of expanding 111D to include methane leakage, fugitive emission of pipes that feed combined cycle units. But I'd put those two issues, electric transportation and methane leakage, as a distant second to the concern for the credit not given to nuclear.

Kit Konolige *- BGC Partners - Analyst*

What -- Ralph, do you have any sense of our A- if there's been any responsiveness at the state level to crediting nuclear and B- what kind of form would you like that to see and can we reasonably expect it to see -- to appear as?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

I'd say that it's not much of an exaggeration to say that we are in lock step with the state on their perspectives on 111D. As you know, we have a very clean fleet. Nuclear is typically 55%, 57% of our yearly output (inaudible) 2%. But as to the details of how that would manifest itself, I'm not sure I want to get into that on this call. We can certainly talk more about this, hopefully, in Dallas, if you're at EEI.

But there's no space that I'm aware of, I'd hate to be absolutely definitive and say that there isn't any at all between us and the state's position. But I've been briefed on this a couple of times already and I think we're in lock step with the state, in terms of the issue.

Kit Konolige *- BGC Partners - Analyst*

Let me ask about one particular area. You used to be in RGGI and now you're not. So is that something you'd like to see reinstated?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

No, it's isn't. Because as we've said many times, we thought RGGI was a good idea to serve as a template for national emissions trading program. It doesn't seem wise for the state to diminish its economic competitiveness with respect to near by states in joining RGGI.

Kit Konolige *- BGC Partners - Analyst*

One other separate area.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Go ahead, Kit.

Kit Konolige *- BGC Partners - Analyst*

Last one. DR -- how do you expect that to play out? Obviously there are legal issues pending. And then one way or another presumably PJM and FERC have to figure things out and possibly states as well.

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

So on DR, I know just what you and everyone else on the call knows about it. The court decisions were very comprehensive. Very deterministic, dispositive on the issue. I'm guessing, I'm inferring, that the recent stay is just out of a healthy degree of respect for FERC and the desire of the judicial branch to allow the executive branch to weigh its options. And not all a reflection that the courts decided what they previously ruled upon was any kind of backpedaling whatsoever. So I think DR is likely to come out of energy and capacity markets in the future.

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Now, PJM has gone on record saying that they're going to adjust for that. That they are going to look for ways to allow DR to affect the demand curve. But I've got to believe that once that very transparent, efficient market whereby DR providers are paid a revenue stream, goes away, that that's going to, candidly, diminish the amount of DR that's available.

And remember RPM stands for reliability pricing model. That's PJM's number one responsibility, reliability. If they don't control the asset, I don't how much they're going to be able to count on it. Add that to the removal of the 2.5% hold-back and I think all that weighs very positively for people with iron in the ground and generation assets that are there when needed.

Kit Konolige *- BGC Partners - Analyst*

Great. Thanks.

Operator

Ashar Khan with Visium.

Ashar Khan *- Visium Asset Management - Analyst*

Good morning and congratulations. Can you just talk a little bit about the plant in Connecticut, if it gets into the auction? When it comes online? And also on the Power's investment in the pipe, when that comes into line as to when those would be helpful to earnings? Remind us what the dates are on those things?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Sure, Ashar. So the auction is in February, I believe, and it is a three year forward. So it comes into service in 2018. I'm not sure what month exactly, but early or first half of 2018.

Penn East, we've been publicizing a target date of November of 2017. We have also been emphasizing that is a greenfield project. You can take those two emphases -- what's the plural of emphasis? (Laughter) And infer your own start up date for Penn East. It's a greenfield project and it will not be online before November of 2017. It wouldn't surprise me if it slips into 2018.

Ashar Khan *- Visium Asset Management - Analyst*

Okay. And, Ralph, is there any other transmission or any other projects can you just talk about or anything, which might be on the drawing board which is not in the CapEx plan?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

So I listed about $1.2 billion worth of projects that are not in the CapEx plan. And they range from Bridgeport Harbour to Penn East. And I mentioned artificial island, which is about $250 million, in our resubmittal. I'm looking with a quizzical look at Kathleen and Caroline to see if we have publicly announced what we've put in the open window for PJM.

Kathleen Lally *- Public Service Enterprise Group Inc - VP of IR*

No.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

We have not So there are other things we are working on right now. Nothing that is staggering or tilts the balance sheet. But we are always looking at ways to improve the system. And we will definitely have an update for you on that in a not very distant future, actually.

Ashar Khan - ***Visium Asset Management - Analyst***

Okay. Thank you, sir.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Thank you. Next question.

Operator

Julien Dumoulin-Smith with UBS.

Julien Dumoulin-Smith - ***UBS - Analyst***

First off, good morning. Perhaps a follow-up on the last question. I was curious, how are you thinking about the power strategy overall? I would just be curious the extent to which you are reinvesting potentially meaningful dollars in New England?

Are there other markets? More broadly, are there other asset types? Again, you've done a few solar projects. Are we thinking about a scaling up of spend in this business at all, just as the way to deploy dollars and your access balance sheet?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Julien, good morning. We like the integrated model. We love the regulated utility business. We love the power generation business. We look at every project, whether it's a solar farm in California. We just closed on one recently. Or bidding a combined cycle unit in New England or building more transmission on a discounted cash flow basis with different hurdle rates. And make sure they're NPV positive. That there's near-term visibility to accretion.

The balance sheet gives us room to do both, in both businesses. There's no shortage of us trolling around looking for these opportunities. There is a long list of those we walked away from because others had a different point of view of what the future held. But, no, you shouldn't interpret the Bridgeport Harbor project as any shift in our affection for the regulated utility or anything of that nature.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Absolutely. And I think when we look at this kind of opportunities, as Ralph said, we are disciplined in looking at the NPV, using the right hurdle rates. I think the thing that makes us interested in considering Bridgeport, is you think about the capacity construct there and what they've put in place, giving a seven-year incentive. Which really helps us think through how to make that work for a new investment. So those kind of constructs that truly can confer something, really can encourage new investment, we think are very good

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Julien Dumoulin-Smith - *UBS - Analyst*

Excellent. And then turning to the BGS auction. Can we talk briefly about the ability to pass through capacity -- transitional capacity increases as a result of the capacity performance scheme? And any ability, from a regulatory perspective, to have shift the BGS contracts that will allow that?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

So that has not been decided formally at this point, Julien. I would point out that, as Caroline mentioned a moment ago, we've received -- we put in for a transmission formula rate adjustment of north of $180 million and the BPU has made it a policy that transmission increases are passed through. I believe there was a similar ruling on SREC issues a couple of years ago.

In general, I think the BPU has recognized that if they want to continue to have a fully competitive active BGS market, that things that are outside of the control of the BGS suppliers have to be adjusted on an as-grow basis. But they have not opined specifically on an incremental capacity auction change that could come out of the PJM's most recent concern asset performance.

Julien Dumoulin-Smith - *UBS - Analyst*

But presumably that would be something you would be seeking?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Absolutely. Absolutely.

Julien Dumoulin-Smith - *UBS - Analyst*

And then lastly, just a quick one, energy efficiency and just the broad -- call it -- LIPA plan. Can you talk about the incentive in terms of EPS, perhaps a bit more explicit range? Just to give us some kind of sense of what of this could ultimately drive?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Yes. So those details have been yet to be worked out. But it would be safe to assume that they would be in the same vicinity as a what a regulated return would achieve, if the investment had delivered upon the promised operational performance. Right?

So don't think of this as having an effective ROE of 20% to 30%. And don't think of it as something that would be south of 10%. It's just, okay, if we think this light bulb is to do X and it does X, then alright that seemed to have been a prudent investment. But there's a slight increase in risk that's taken as a result in that kind of mechanism.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

And just keep in mind as you are thinking about the modeling for Long Island, I know you know this, but just to reinforce, right, we have $0.03 per share this year, rising to $0.07 to $0.08 per share by 2016. And that does not include any potential uplift that we might get from these new proposals that we're making. So that's the base contract that's currently in force, something here would be additional.

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Julien Dumoulin-Smith - ***UBS - Analyst***

And a clarification there. Presumably you would achieve these targets over time such that you would not necessarily immediately hit the first year of the $345 million, the regulated return? Or is that --

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes. The numbers we gave earlier, Julien, our original program of $200 million and the expanded program of $345 million -- both of those were four year programs. So you would not see all that programmatic emphasis or capital deployment take place in the first year. It would be over four years.

Julien Dumoulin-Smith - ***UBS - Analyst***

Right. Okay. Thank you.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Next question.

Operator

Neil Mitra with Tudor Pickering.

Neil Mitra – ***Tudor Pickering - Analyst***

Hi. Good morning. I had a question about the Penn East pipeline and the off take agreements. How does that benefit you? Is at the utility with lower gas prices for PSE&G? Or is it kind of lower gas prices to fuel your combined cycle plants?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good morning, Neil. It's the same exact sequencing of uses as we have today. It's either 125,000 or 150,000 bcf a day. 125,000 bcf a day. So the priority customer would be the utility -- regulated distribution gas customer, they'd get first dibs at that. Second, would be off system sales. And then lastly would be power as used for burning in its plants.

What tends to happen under those three-tier prioritization, is that power really it doesn't get to make a lot of use of that additional low-cost gas in the winter months. A little bit more, but not a lot, in the spring as we start to refill for storage reasons. But gets to use a whole bunch of it in the summer when storage is completed and there's no heating demand.

Right now Power is using -- about 25% of the gas to power burns is from the (inaudible) region. It could go up from there.

Neil Mitra – ***Tudor Pickering - Analyst***

Got it. Great, thank you. And then secondly, with the CCGT expansion in New England, could you just generally give your thoughts on the New England market? It's obviously gone very quickly from an oversupply to an under supply. And just wanted to get your thoughts on capacity and energy -- looking at that project.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So I think there's two things that are important in the New England market. Number one, is what you just mentioned, that it went to an under supply condition as assets announce and carry through on their retirement. But number two, is really what Caroline pointed out, which is the risk-reward profile has shifted to be a little bit saner when you're making an investment and you want to recover your long-run marginal cost, not just your short-run marginal cost. So the seven year capacity payment is extremely helpful there.

I think the big question is the one that you hinted at, in New England, and that's around energy markets. Given the lack of infrastructure for natural gas into the region you're going to find people looking at assets that are near existing infrastructure and have a dual fuel capability.

And I'm pleased to say that we have both of those in our Bridgeport Harbor site. We have both access to gas and we will build it for dual fuel.

Lastly, on the capacity market, in addition to the seven year construct, the change on the slope on demand curve allowing for return of sort of missing money that has plagued that region.

Neil Mitra – ***Tudor Pickering - Analyst***

Okay, great. Perfect. Thank you.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Thank you, next question.

Operator

Dan Eggers with Credit Suisse.

Dan Eggers - ***Credit Suisse - Analyst***

Good morning, guys. Caroline, I hate to bring up of a numbers questions on the call but when I look at the fourth quarter guidance for Power, kind of filling in with the range what you guys have full year guidance at, basically it means you guys will earn somewhere between, I think $0.05 and $0.12 or $0.13. Which is down quite a bit from prior years.

Can you kind of walk me through what are the big drivers that's going to lead to that much of a decline? And then how we should think about that kind of for next year from a baseline perspective?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Of course. Thanks for the question, Dan. We took up the bottom end of the range, right, but we've also said that we expect to be at the high end of the range. The one thing I think you should always keep in mind as you do the quarter-over-quarter comparisons, which you saw this quarter first time as a full quarter -- last quarter it was just a month -- is capacity. Capacity on a quarter-over-quarter basis, just like you saw this quarter is a $0.09 impact.

So you have to start there. That's significant dollars. But of course, we knew that, right? We took that into our account in our guidance all through the year. That's the number one thing that I would suggest that you consider.

Of course, going the other direction, as you we expect favorability in the O&M, as I mentioned, so that's going to little bit in a positive direction. And then the normal unit operations. Keep in mind that we have Salem 1 and Peach Bottom outages, which I mentioned during my remarks. That Peach

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Bottom outage is a good one for us because it's the EPU going into one of the units that will give us more megawatts for the future. So but those things obviously have an impact in the expected generation.

If you think about the pushes and pulls you've got Salem 1, you've got Peach Bottom in the recent and near-term before the winter period, of course. You've got capacity at $0.09 going the negative direction -- fully anticipated. You've got O&M going the positive direction, so full-year, we're guiding to about flat. You can pretty easily do the math.

We were worse in O&M in the first two orders, better in this quarter and anticipate better in the fourth quarter. And then of course, is just the normal operations and whatever the weather is at the beginning of the winter. So all in, we still expect to be at the upper end of the range. We peeled the bottom, but we really haven't changed our thinking which is with normal operations, you'd see us be at the upper end which is what drives the Company to the upper end.

Dan Eggers - ***Credit Suisse - Analyst***

Okay. So the $0.23 or whatever it is, you take out the $0.09 of capacity revenues, which would get you to kind of $0.14, which is above the implied range right now. So there's just some other maintenance issues that will bring you down from the high end. Is that the right way to think about it? (inaudible - multiple speakers)

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

That's right. Think about the outages I just mentioned, but still consider us -- we're talking about the high end of the range.

Dan Eggers - ***Credit Suisse - Analyst***

Okay. And then, can we talk a little bit on the gas basis side note, 25% of gas generation came from Leidy. How does the benefit of the basis arbitrage look full-year or year-to-date, 2014 versus 2013?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes, sure. Year-to-date, not as strong as 2013. So let's wind back and remember what happened in 2013. We saw the Leidy differential really appear in 2013 at the end of the second quarter. And that Leidy differential became pretty wide as we got into the summer of 2013. Remember, we talked about differentials being as much as $2. And then, of course, there was that warm weather and the warm weather is what drove and kept that differential from the Leidy price to the actual market price for the energy.

This summer was quite different with the cooler weather right on a Leidy basis, depending on where you compared to last year or normal, 13% to 18% lower in terms of weather. It only makes sense if you cite THI.

What we actually have is lighted gas costs are still lower, the problem was for the summer with the lower demand and the cooler weather, the differential of Leidy to thinking about where energy is priced in our market -- looking at Z-6 or M3 that brought those prices down. So what happened was the differential really collapsed.
Leidy was still cheaper than Henry Hub, but the differential moved together. As opposed to last summer which moved much more widely apart, because of the low demand for the power.

Now keep in mind as we think about Leidy going forward, think about Leidy for us, we had that access it's about 25% of Power's overall gas use, as Ralph just mentioned. And I think what we're still expecting to see -- and you can see it if you look at monthly data going forward -- is a choppiness to the pattern of how to think about basis.

Just like we've seen, actually now for the last two winters, the months make a difference. And so as we come into 2015, we still expect to see benefit from having Leidy. It's really just about how that basis differential moves relative from power prices.

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So the winter periods and strong summer periods, we would still expect to see some basis differential in our favor. This was just a tough summer because the low demand led to the lower power prices. Not because Leidy prices came up, because power prices came down.

Last year, you may recall we had $0.03 from the Leidy benefit in the third quarter. And that's the $0.03 negative year-over-year I'm citing in this year's third quarter, that I attribute to weather. It's really the Sparks Spread going back to a normal level going versus that expanded spark we had, given the differential last summer

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Dan Eggers - ***Credit Suisse - Analyst***

Thank you for that. I appreciate it

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. Next question

Operator

Paul Fremont with Jefferies.

Paul Fremont - ***Jefferies & Company - Analyst***

Thank you very much. I guess my first question is at a proposed cost of about $600 million it works out to about 1330 per KW. How confident are you in your ability to build to that level? And I know that others in the region have experienced problems building in the Northeast.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes. Good morning, Paul. I think you are obviously quoting round numbers. The team is running through details right now, filing permit applications. Just think of that as one significant figure and not three significant figures in terms of the accuracy.

I think the bigger challenges people had in terms of building has been access to gas. That's been the number one concern. That one we have well in hand. We don't want to give you an exact amount on our what kind of bids we're getting from folks in terms of engines. It would just be too easy to back calculate what we might bid in an auction and that wouldn't help anyone.

Paul Fremont - ***Jefferies & Company - Analyst***

And then, Caroline, just a follow-up on the last question. You, I think provided the quarter contribution as been zero this quarter, versus $0.03 in the third quarter last year. What would be the year-to-date numbers on WTI?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Year-to-date numbers in terms of the gas benefit -- we had about a $0.03 benefit in the first quarter. Remember it was a strong winter. So it's about neutral on a year-to-date basis. At zero.

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Paul Fremont - ***Jefferies & Company - Analyst***

And last year, year-to-date?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Last year when the WTI differential really started to spread it was end of the second quarter. So there really wasn't a sort of first quarter last year for effect. So last year at this time, it was about $0.03 and for the full year it was $0.05. But that included the fourth quarter. So we haven't got to the fourth quarter yet. So $0.05 full-year, $0.03 to this point last year. And this year it is about neutral.

Paul Fremont - ***Jefferies & Company - Analyst***

Great. Based on the modified CTA formula that was adopted by the NJ BPU, what type of adjustment should we assume for the PSE&G rate base, if you were to use that methodology?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Yes. We are very pleased, obviously, with the decision. We think that reflects the right balance from the perspective of the Company and the ratepayers. Thinking about our rate filing, which would be made by November 2017 and then the five year look-back period -- the impact for us is de minimis.

So really not something you should really be thinking too much about as we think about our rate case numbers going forward. Because by that period, if you take a five year look-back, you do the adjustment, you do the 75/25 -- it's truly de minimis.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

And you back out transmission.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

And you back out transmission, as well. Right.

Paul Fremont - ***Jefferies & Company - Analyst***

Great. Thank you, very much

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure. Next question.

Operator

Paul Patterson with Glenrock Associates.

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Paul Patterson - ***Glenrock Associates - Analyst***

Hi. Can you hear me?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, Paul.

Paul Patterson - ***Glenrock Associates - Analyst***

You have sort of in a unique position in New York. And I was just wondering with the stuff going on there, with the reg. sort of really transformative potential for change in regulation -- what you guys see as potentially happening to energy and power prices in the state?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

New York State?

Paul Patterson - ***Glenrock Associates - Analyst***

Well, you guys have (inaudible - multiple speakers) --

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

We don't have it fully. (laughter)

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

That's a very complicated question, right?

Paul Patterson - ***Glenrock Associates - Analyst***

I apologize then. Just sort of directionally, maybe?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I think that a lot of the distributed resources that are being advocated are going to put upward pressure on prices for customers. There are other reasons for doing things like rooftop solar and offshore wind as being advocated just off of Long Island. And those are capturing some of the environmental benefits that are not baked in. Having said that there are some other parts of the program, specifically energy efficiency, which while they will also serve to increase rates, they will bring overall bills down.

So I think a lot depends upon how aggressive people want to be in making inroads to capturing the benefits associated with these programs. We're big advocates of this, both on Long Island and New Jersey, but we never tell people that doing this stuff is going to lower their rates. You're getting a benefit and you're having to pay for it.

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There are some things that we can do in terms of making sure that some of the reinforcements that would have to be made in a distribution system are foregone or delayed as a result of, perhaps, some peak shaving or some broader demand response programs that we can target.

There are some parts on Long Island -- I think it from the South Fork, that is been a significant growth in peak demand that would otherwise command a need for some infrastructure that we'll be able to delay.

But it really is a much more complicated question then simply gee, will doing this lower everyone's bills and lower everyone's rate. The answer really depends on what this is and how aggressive one wants to be on the sort of green agenda.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. Fair enough. And then just -- as you know, RPM has been controversial in the past and New Jersey has been sometimes apprehensive about it. And I'm just wondering we've added several changes with the BPU and we've had the potential for several changes happening with DR and capacity performance and everything else.

How would you describe the political situation or the general regulatory environment vis-a-vis these issues now as it was in comparison to maybe when the MOPR and LCAPP issue was going on?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good questions, Paul. We've had a bit of a change at the BPU, with all due respect to the commissioners who have gone off. We have two new commissioners to our quite astute about both energy policy, in the form of President Mroz and terms of the technology -- strengths, weakness, limitations, in the form of and former assemblyman, Chivakula. He's an [electrical] engineer by training and he has 20 years at Bell Labs. This is a very intelligent man who understands the complexity of capital intensive infrastructure. And Rick is a well known entity in policy circles in New Jersey. And has actually worked in the energy sphere in the past. So I think those are two strong additions to balance the BPU.

The world is very different now from what it was in LCAPP. In the LCAPP days you had strong basis differentials West to East. You had a coal dominated West and a gas dominated East. And people always scratching their heads saying we don't understand why we pay so much in New Jersey. Sadly, last month the basis was the other way. It was lower in West than it was in the East. Gas has kind of change that whole dynamic. I think as a result you'll see people realizing that the market is working. It's doing what it is supposed to do. And prices are going up for everybody, I believe, in this new RPM market as the missing money appropriately gets restored.

No one likes to pay high prices for energy. There are no if and or buts around that. No one likes to see the lights go out either and we came dangerously close in 2014 and a similar winter in 2015 and it probably would go out. I think PJM is doing the right thing in trying to address that. And New Jersey knows that PJM is doing a better job than just of any place in the country in making sure those lights stay on

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Bob Patterson - ***Glenrock Associates - Analyst***

Great. Thanks a lot

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Operator, that's all the time we have for questions. I'll turn it over to Ralph for just some closing comments. And see you at EEI.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thanks, Kathleen. I just want to reinforce three messages or comments made by Caroline and me earlier. First of all, the utility growth story is very much intact. Not only is it doing what we said it would do this year, but our filing at FERC is very much exactly on where we said we would be for 2015.

Secondly, hopefully, you are as impressed by Power's diverse asset base as we are, in terms of not only its strong performance in current markets, whatever gas prices are doing, whatever coal prices are doing, but also how strong a performer it is and how well-positioned it is, even as we look forward to the ever-changing environmental rules and market design parameters.

We have dual fuel capability, we have units that are strong in high capacity factors, all of them will have a great position in the CP market, if the risk-reward profile in the details as we go forward is done sensibly. And I have every reason to believe that PJM will do that sensibly. Growth story intact at the utility. Power's diverse asset base once again demonstrating its strength.

And last, but by no means least, the balance sheet remains as strong as ever. So as Kathleen, said we look forward to seeing you in the days ahead and hopefully for most of us that means at EEI in Dallas. Thank you for your time today

Operator

Ladies and gentlemen, that does conclude your conference call today. You may disconnect. Thank you for participating.

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THOMSON REUTERS

PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2014 THIRD QUARTER RESULTS

$0.87 PER SHARE NET INCOME

Operating Earnings of $0.77 Per Share

Operating Earnings Guidance Narrowed to $2.60 - $2.75 Per Share

Full Year Operating Earnings Expected to be at Upper End of Range

October 30, 2014 (Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) today reported third quarter 2014 Net Income of $444 million or $0.87 per share as compared to Net Income of $390 million or $0.77 per share for the third quarter of 2013. Operating earnings for the third quarter of 2014 were $393 million or $0.77 per share compared to the third quarter of 2013 operating earnings of $385 million or $0.76 per share.

"PSEG performed well in the third quarter despite the impact on demand for electricity due to less favorable weather conditions", said Ralph Izzo, chairman, president and chief executive officer. "Our earnings continue to benefit from the expansion of our regulated utility capital programs as we execute on our business objectives to deliver safe, reliable energy to our customers and meet the needs of our shareholders even while we lowered customer gas rates another 9% on October 1. The strength of our results allows us to raise the low end of our full year operating earnings guidance. We remain on track to achieve results at the upper end of our revised operating earnings guidance of $2.60 - $2.75 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of gains/(losses) associated with Nuclear Decommissioning Trust (NDT), certain Mark-to-Market (MTM) accounting and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the third quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)

Third Quarter Comparative Results
2014 and 2013

	Income ($ millions)		Diluted Earnings Per Share	
	2014	**2013**	**2014**	**2013**
Operating Earnings	$393	$385	$0.77	$0.76
Reconciling Items	51	5	0.10	0.01
Net Income	$444	$390	$0.87	$0.77
Average Shares			**507.4M**	**507.7M**

Ralph Izzo went on to say "PSEG's earnings demonstrate the benefits of our diversified business model. Our strong financial position has supported double-digit growth in our regulated company's earnings. We continue to pursue investment opportunities across our business platform. Recently announced plans for PSEG Power to participate as an equity investor in the Penn East Pipeline; PSE&G's filing to expand Energy Efficiency programs in New Jersey; the potential expansion of our Utility 2.0 investment program on Long Island; and, Power's consideration of construction and permitting for a potential new generation unit at the Bridgeport Harbor Station will enhance our growth. These investments will also provide our customers with access to low-cost gas and cost effective technologies that reduce emissions as they also improve system reliability."

Our revised Operating Earnings guidance by company for the full year is as follows:

Operating Earnings
($ millions, except EPS)

	2014E	2013A
PSE&G	$710 - $745	$612
PSEG Power	$575 - $610	$710
PSEG Enterprise/Other	$35-$40	$(13)
Total	$1,320 - $1,395	$1,309
Earnings Per Share	$2.60 - $2.75	$2.58

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $200 million ($0.39 per share) for the third quarter of 2014 compared with operating earnings of $168 million ($0.33 per share) for the third quarter of 2013.

PSE&G's earnings reflect the impact of an increase in revenue associated with an expanded capital program and a decline in operating costs including pension expense.

PSE&G's third quarter results reflect the contribution to earnings from higher transmission revenues associated with an increase in capital investment. An approved increase in PSE&G's transmission revenue under its formula rate, effective on January 1, 2014, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.04 per share.

Revenue from recognition of increased levels of capital investment under PSE&G's Capital Infrastructure II investment program improved earnings comparisons by $0.01 per share. A decline in operating expenses – particularly pension expense – led to an improvement in quarter-over-quarter earnings of $0.02 per share. Weather conditions in the third quarter were cooler than normal and unfavorable relative to the year-ago quarter. The weather-related impact on sales reduced quarter-over-quarter earnings by $0.02 per share. PSE&G continues to benefit

from a decline in financing costs which more than offsets an increase in the level of debt on its balance sheet associated with higher levels of capital spending. The reduction in interest expense and a lower tax rate more than offset an increase in depreciation expense and improved quarter-over-quarter earnings comparisons by $0.01 per share.

Economic conditions, as evidenced by employment in the service area, continue to show signs of improvement. During the quarter, weather-normalized electric sales -- led by an improvement in demand from the residential sector – grew by 0.4%. On a year-to-date basis, weather-normalized electric sales grew by 1.1%. Weather-normalized sales of gas, while less impactful to results during the third quarter, advanced 1.9% in the quarter and 4.0% for the nine months ended September. Demand for gas continues to benefit from a decline in commodity prices and economic conditions.

The NJ Board of Public Utilities (BPU) approved, on a provisional basis, a reduction in gas rates effective on October 1, 2014. The reduction would reduce customer rates by 9%, or approximately $112 million on an annual basis. Given the continued availability of low-cost gas under the company's long-term supply arrangements, PSE&G subsequently filed at the BPU a self-implementing three-month bill credit which would return approximately $160 million to residential customers over the last two months of 2014 and during January 2015.

In August 2014, PSE&G filed an Energy Efficiency Economic Extension II Program for approval from the BPU. The filing requests approval to invest $96 million (plus administrative costs) in programs that would extend existing energy efficiency offerings in the residential multi-family, self-install and hospital markets. A decision is expected in early 2015.

PSE&G filed an update of its Formula Rate for transmission at the Federal Energy Regulatory Commission. The update, which reflects an increase in the level of PSE&G's capital investment in the transmission system, would increase 2015's annual transmission revenues by an estimated $182 million effective on January 1, 2015.

The forecast of PSE&G's operating earnings for 2014 has been modified slightly to $710 - $745 million from the prior forecast of $705 - $745 million. Results for the remainder of the year will continue to reflect an increase in transmission and distribution revenue and a reduction in operating and maintenance expense including pension costs.

PSEG Power

PSEG Power reported operating earnings of $171 million ($0.34 per share) for the third quarter of 2014 compared with operating earnings of $221 million ($0.43 per share) for the third quarter of 2013.

Power's results for the third quarter reflect the impact of the scheduled reset in the average price received on PJM capacity and lower market prices for energy.

Earnings in the quarter were affected by a decline in capacity prices. PJM capacity prices were reset to an average level of $166/MW-day on June 1, 2014 from $242/MW-day. The decline in capacity revenues reduced quarter-over-quarter earnings by $0.09 per share. A decline in spark spreads due to lower gas prices and mild weather conditions compared to last year reduced quarter-over-quarter earnings by $0.03 per share. A decline in Power's average hedged price for energy and lower market prices combined to further reduce quarter-over-quarter earnings by $0.04 per share.

Operation and maintenance expense (O&M) was lower than the level experienced in the year-ago quarter. The absence of major maintenance expense at the Bethlehem NY facility in 2014 compared to the year-ago quarter and a decline in nuclear outage related costs combined with lower pension expense to improve quarter-over-quarter earnings by $0.06 per share. A reduction in the tax rate and other miscellaneous items more than offset an increase in depreciation and interest expense to improve quarter-over-quarter earnings by $0.01 per share.

Output from Power's fleet improved 4% in the third quarter compared to year-ago levels. The improvement reflects the availability of the Bethlehem NY combined cycle facility which was undergoing major maintenance in the year-ago period. Output from the nuclear fleet increased slightly from year ago levels to 7.6 TWh (52% of generation) as the fleet operated at a capacity factor of 92% in the third quarter. On a year-to-date basis, the nuclear fleet operated at a 91% capacity factor. Production from the gas-fired combined cycle fleet increased 16% in the quarter to 5 TWh given the availability of Bethlehem. Production from the coal-fired and peaking units declined 8% relative to year-ago levels as the result of planned outages at the Keystone/Conemaugh coal-fired station and lower weather-related demand.

Power expects output for the full year to approximate 53 – 55 TWh. The forecast, which represents a slight increase in output for the year, takes into account year-to-date performance and the scheduled fourth quarter outages at the Salem 1 and Peach Bottom 2 nuclear facilities. Approximately 80% - 85% of generation in the fourth quarter is hedged at an average price of $49 per MWh. Power is maintaining its forecast of economic generation for 2015 and 2016 at 55 – 57 TWh per year. For 2015, Power has maintained its average hedge position at 65% - 70% of forecast generation at an average price of $50 per MWh; for 2016, Power has hedged approximately 35% - 40% of its generation at an average price of $49 per MWh. The hedge data for 2015 continues to assume BGS volumes represent 11 TWh of demand – in line with the 2014 forecast of volumes.

PSEG Power plans to invest $100 - $120 million for an equity interest in the to-be constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey. The targeted in-service date is November 2017.

PSEG Power is considering construction of and proceeding with permitting for a new, highly efficient combined-cycle power plant at its existing Bridgeport Harbor Station site based on the strength of the ISO NE capacity market. The proposed project would add approximately 450 megawatts (MWs) of gas-fired generating capacity in Connecticut's southwestern region to support electric system reliability. A final decision on this investment will be made in early 2015.

PSEG Power has been verbally notified by the FERC staff that they have initiated a preliminary, non-public staff investigation into the matters surrounding the errors discovered by Power in its cost-based bids for its New Jersey fossil generating units in the PJM energy market as well as additional pricing errors and differences between the quantity of energy that Power offered into the energy market and the amounts for which Power was compensated in the capacity market. The investigation could result in the FERC seeking disgorgement of any over-collected amounts, civil penalties and non-financial remedies. Power has implemented and remains in the process of implementing additional measures to mitigate the risk of similar issues occurring in the future. It is not possible at this time to reasonably estimate the ultimate impact or predict any resulting penalties, other costs or the applicability of mitigating factors.

The forecast range of Power's operating earnings for 2014 has been narrowed to $575 - $610 million from $550 - $610 million with full year operating results expected to be at the upper end

of the range. Results for the remainder of the year will continue to be influenced by the reset in the average price received on PJM capacity and a decline in the average price of energy. O&M expense for the fourth quarter is expected to compare favorably with year-ago levels given a reduction in pension expense and the absence of major outage-related work. The estimate assumes normal operations and weather.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $22 million ($0.04 per share) for the third quarter of 2014 versus an operating loss of $4 million, or a loss of less than $0.01 per share during the third quarter of 2013. The results reflect the inclusion of earnings from PSEG-Long Island's (PSEG-LI) operating contract and a reduction in tax expense. The conclusion of an Internal Revenue Service audit for the tax years 2007 – 2010 resulted in a cash refund and a reduction in tax expense. The reduction in taxes improved quarter-over-quarter earnings comparisons by $0.02 per share.

PSEG-LI, on October 6, 2014, filed an update of its Utility 2.0 proposal. The revised proposal calls for an increase in the size of the program to $345 million, reaffirms PSEG-LI's original proposal to fund programs that would expand investment in energy efficiency, demand resources and distributed generation and offered an alternate economic structure to support the expanded program which includes a performance incentive mechanism rather than utilizing PSEG LI's capital. A decision is expected by year-end.

The forecast of PSEG Enterprise/Other full year operating earnings for 2014 remains unchanged at $35 - $40 million.

FORWARD-LOOKING STATEMENT

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,

- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2014	***2013***	***2014***	***2013***
Earnings Results ($ Millions)				
PSE&G	$ 200	$ 168	$ 565	$ 468
PSEG Power	171	221	551	595
PSEG Enterprise/Other	22	(4)	37	(2)
Operating Earnings	**$ 393**	**$ 385**	**$ 1,153**	**$ 1,061**
Reconciling Items [(a)]	51	5	(111)	(18)
Net Income	**$ 444**	**$ 390**	**$ 1,042**	**$ 1,043**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**508**	**507**	**507**
Per Share Results (Diluted)				
PSE&G	$ 0.39	$ 0.33	$ 1.11	$ 0.92
PSEG Power	0.34	0.43	1.09	1.17
PSEG Enterprise/Other	0.04	-	0.07	-
Operating Earnings	**$ 0.77**	**$ 0.76**	**$ 2.27**	**$ 2.09**
Reconciling Items [(a)]	0.10	0.01	(0.22)	(0.03)
Net Income	**$ 0.87**	**$ 0.77**	**$ 2.05**	**$ 2.06**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended September 30, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 2,641	$ (152)	$ 1,138	$ 1,655
OPERATING EXPENSES				
Energy Costs	863	(277)	472	668
Operation and Maintenance	714	106	242	366
Depreciation and Amortization	318	9	71	238
Total Operating Expenses	1,895	(162)	785	1,272
OPERATING INCOME	746	10	353	383
Income from Equity Method Investments	3	(1)	4	-
Other Income and (Deductions)	66	2	50	14
Other Than Temporary Impairments	(10)	-	(10)	-
Interest Expense	(100)	2	(31)	(71)
INCOME BEFORE INCOME TAXES	705	13	366	326
Income Tax Benefit (Expense)	(261)	9	(144)	(126)
NET INCOME	**$ 444**	**$ 22**	**$ 222**	**$ 200**
OPERATING EARNINGS	$ 393	$ 22	$ 171	$ 200
Reconciling Items Excluded from Net Income [b]	51	-	51	-
NET INCOME	**$ 444**	**$ 22**	**$ 222**	**$ 200**

Three Months Ended September 30, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 2,554	$ (286)	$ 1,174	$ 1,666
OPERATING EXPENSES				
Energy Costs	801	(290)	430	661
Operation and Maintenance	713	-	305	408
Depreciation and Amortization	313	8	69	236
Taxes Other Than Income Taxes	15	-	-	15
Total Operating Expenses	1,842	(282)	804	1,320
OPERATING INCOME	712	(4)	370	346
Income from Equity Method Investments	4	-	4	-
Other Income and (Deductions)	47	1	34	12
Other Than Temporary Impairments	(3)	-	(3)	-
Interest Expense	(100)	1	(26)	(75)
INCOME BEFORE INCOME TAXES	660	(2)	379	283
Income Tax Benefit (Expense)	(270)	(2)	(153)	(115)
NET INCOME	**$ 390**	**$ (4)**	**$ 226**	**$ 168**
OPERATING EARNINGS	$ 385	$ (4)	$ 221	$ 168
Reconciling Items Excluded from Net Income [b]	5	-	5	-
NET INCOME	**$ 390**	**$ (4)**	**$ 226**	**$ 168**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Nine Months Ended September 30, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSEG Power	PSE&G
OPERATING REVENUES	$ 8,113	$ (946)	$ 3,824	$ 5,235
OPERATING EXPENSES				
Energy Costs	3,008	(1,306)	2,036	2,278
Operation and Maintenance	2,370	309	871	1,190
Depreciation and Amortization	919	22	215	682
Total Operating Expenses	6,297	(975)	3,122	4,150
OPERATING INCOME	1,816	29	702	1,085
Income from Equity Method Investments	10	(1)	11	-
Other Income and (Deductions)	154	3	110	41
Other Than Temporary Impairments	(14)	-	(14)	-
Interest Expense	(291)	7	(92)	(206)
INCOME BEFORE INCOME TAXES	1,675	38	717	920
Income Tax Benefit (Expense)	(633)	(1)	(277)	(355)
NET INCOME	**$ 1,042**	**$ 37**	**$ 440**	**$ 565**
OPERATING EARNINGS	$ 1,153	$ 37	$ 551	$ 565
Reconciling Items Excluded from Net Income [b]	(111)	-	(111)	-
NET INCOME	**$ 1,042**	**$ 37**	**$ 440**	**$ 565**

Nine Months Ended September 30, 2013

	PSEG	PSEG Enterprise/ Other (a)	PSEG Power	PSE&G
OPERATING REVENUES	$ 7,650	$ (1,252)	$ 3,818	$ 5,084
OPERATING EXPENSES				
Energy Costs	2,711	(1,282)	1,785	2,208
Operation and Maintenance	2,069	(3)	868	1,204
Depreciation and Amortization	886	26	202	658
Taxes Other Than Income Taxes	50	-	-	50
Total Operating Expenses	5,716	(1,259)	2,855	4,120
OPERATING INCOME	1,934	7	963	964
Income from Equity Method Investments	9	(3)	12	-
Other Income and (Deductions)	118	2	78	38
Other Than Temporary Impairments	(7)	-	(7)	-
Interest Expense	(303)	5	(85)	(223)
INCOME BEFORE INCOME TAXES	1,751	11	961	779
Income Tax Benefit (Expense)	(708)	(13)	(384)	(311)
NET INCOME	**$ 1,043**	**$ (2)**	**$ 577**	**$ 468**
OPERATING EARNINGS	$ 1,061	$ (2)	$ 595	$ 468
Reconciling Items Excluded from Net Income [b]	(18)	-	(18)	-
NET INCOME	**$ 1,043**	**$ (2)**	**$ 577**	**$ 468**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	September 30, 2014	December 31, 2013
DEBT		
Long-Term Debt	$ 8,621	$ 8,131
Securitization Debt	326	496
Project Level, Non-Recourse Debt	16	16
Total Debt	8,963	8,643
STOCKHOLDERS' EQUITY		
Common Stock	4,873	4,861
Treasury Stock	(629)	(615)
Retained Earnings	7,938	7,457
Accumulated Other Comprehensive Loss	(99)	(95)
Total Common Stockholders' Equity	12,083	11,608
Noncontrolling Interests - Equity Investments	1	1
Total Equity	12,084	11,609
Total Capitalization	$ 21,047	$ 20,252

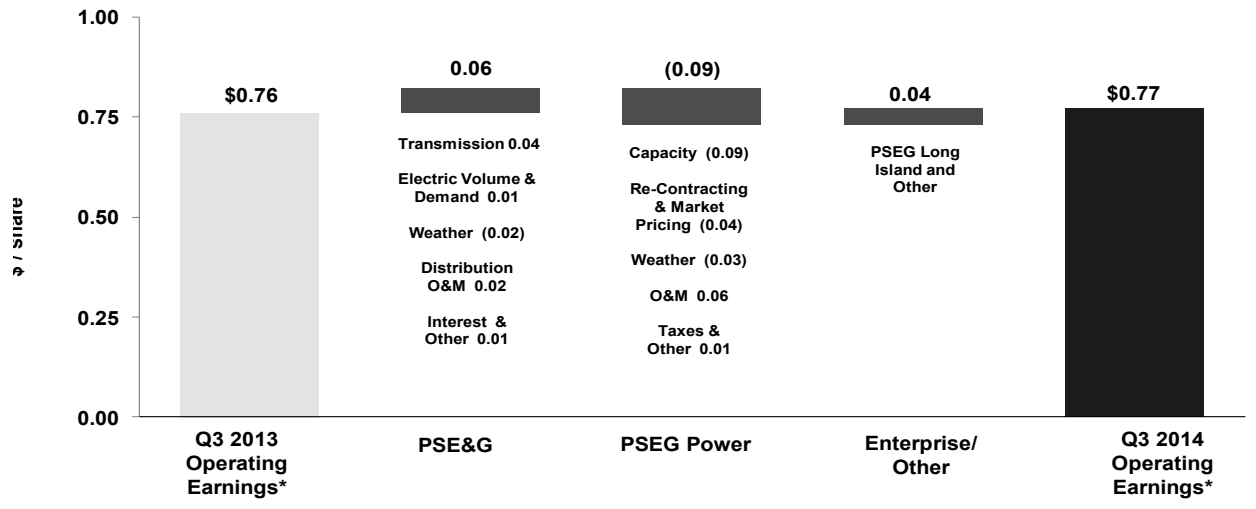
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,042	$ 1,043
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,494	1,392
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,536	2,435
NET CASH USED IN INVESTING ACTIVITIES	(1,988)	(2,088)
NET CASH USED IN FINANCING ACTIVITIES	(338)	(278)
Net Change in Cash and Cash Equivalents	210	69
Cash and Cash Equivalents at Beginning of Period	493	379
Cash and Cash Equivalents at End of Period	$ 703	$ 448

Attachment 6

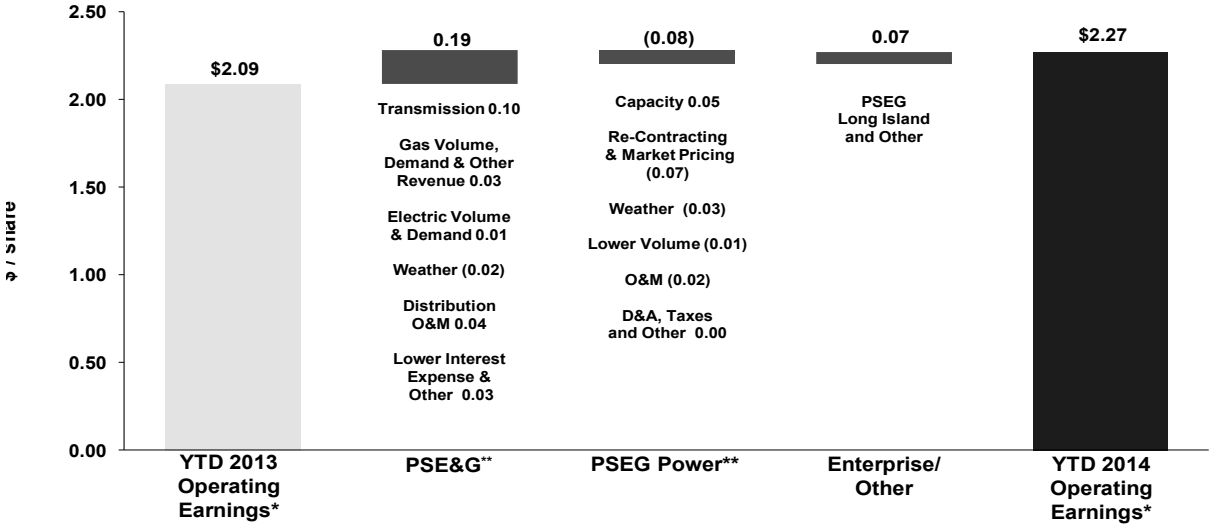
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2014 vs. September 30, 2013
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2014 vs. September 30, 2013
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended September 30,		GWhr Breakdown Nine Months Ended September 30,	
	2014	2013	2014	2013
Nuclear - NJ	5,113	5,408	14,653	15,635
Nuclear - PA	2,452	2,090	7,499	7,148
Total Nuclear	**7,565**	**7,498**	**22,152**	**22,783**
Fossil - Coal/Natural Gas - NJ**	563	420	1,441	1,086
Fossil - Coal - PA	1,221	1,413	3,945	4,006
Fossil - Coal - CT	47	103	710	434
Total Coal	**1,831**	**1,936**	**6,096**	**5,526**
Fossil - Oil & Natural Gas - NJ	3,767	3,691	9,419	9,579
Fossil - Oil & Natural Gas - NY	1,523	952	3,398	3,020
Fossil - Oil & Natural Gas - CT	4	34	241	78
Total Oil & Natural Gas	**5,294**	**4,677**	**13,058**	**12,677**
	14,690	**14,111**	**41,306**	**40,986**

	% Generation by Fuel Type Three Months Ended September 30,		% Generation by Fuel Type Nine Months Ended September 30,	
	2014	2013	2014	2013
Nuclear - NJ	35%	38%	35%	38%
Nuclear - PA	16%	15%	18%	17%
Total Nuclear	**51%**	**53%**	**53%**	**55%**
Fossil - Coal/Natural Gas - NJ**	4%	3%	3%	3%
Fossil - Coal - PA	9%	10%	10%	10%
Fossil - Coal - CT	0%	1%	2%	1%
Total Coal	**13%**	**14%**	**15%**	**14%**
Fossil - Oil & Natural Gas - NJ	26%	26%	23%	24%
Fossil - Oil & Natural Gas - NY	10%	7%	8%	7%
Fossil - Oil & Natural Gas - CT	0%	0%	1%	0%
Total Oil & Natural Gas	**36%**	**33%**	**32%**	**31%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months and nine ended September 30, 2014 and 2013. Also includes natural gas fuel switching intervals.

Attachment 9

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2014

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2013	Nine Months Ended	Change vs. 2013
Residential	4,078	-5.6%	10,276	-2.4%
Commercial & Industrial	7,380	-2.9%	20,925	0.2%
Street Lighting	71	-2.7%	232	0.2%
Interdepartmental	2	-5.8%	7	3.3%
Total	11,531	-3.9%	31,440	-0.6%
Revenue (in millions)				
Residential	$ 659	-2.8%	$ 1,620	-0.4%
Commercial & Industrial	629	-3.1%	1,633	2.4%
Street Lighting	17	-1.4%	51	-1.0%
Other Operating Revenues*	135	24.2%	384	19.6%
Total	$ 1,440	-0.9%	$ 3,688	2.6%

Weather Data	Three Months Ended	Change vs. 2013	Nine Months Ended	Change vs. 2013
THI Hours - Actual	10,086	-18.4%	13,520	-20.5%
THI Hours - Normal	11,725		15,772	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2014

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2013	Nine Months Ended	Change vs. 2013
Firm Sales				
Residential Sales	102	3.5%	1,128	14.6%
Commercial & Industrial	98	0.2%	771	12.6%
Total Firm Sales	**200**	**1.9%**	**1,899**	**13.8%**
Non-Firm Sales				
Commercial & Industrial	712	110.5%	1,829	110.1%
Total Non-Firm Sales	**712**		**1,829**	
Total Sales	**912**	**70.6%**	**3,728**	**46.8%**
Revenue ($ millions)				
Residential Sales - Firm	$ 48	6.7%	$ 408	-7.5%
Commercial & Industrial - Firm Sales	20	10.4%	235	35.8%
Non-Firm Sales	7	-14.7%	32	4.6%
Other Operating Revenues**	41	0.0%	128	3.0%
Total	**$ 116**	**3.2%**	**$ 803**	**4.2%**
Gas Transported	$ 99	-2.3%	$ 744	3.1%

Weather Data	Three Months Ended	Change vs. 2013	Nine Months Ended	Change vs. 2013
Degree Days - Actual	21	-56.1%	3,471	11.4%
Degree Days - Normal	29		3,035	

*CSG rate included in non-firm sales

**Primarily Appliance Service.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Weighted Average Common Shares Outstanding (000's)				
Basic	505,862	505,858	505,937	505,900
Diluted	507,422	507,694	507,402	507,433
Stock Price at End of Period			$ 37.24	$ 32.93
Dividends Paid per Share of Common Stock	$ 0.37	$ 0.36	$ 1.11	$ 1.08
Dividend Payout Ratio*			53.6%	57.6%
Dividend Yield			4.0%	4.4%
Price/Earnings Ratio*			13.5	13.2
Rate of Return on Average Common Equity*			12.0%	11.6%
Book Value per Common Share			$ 23.89	$ 22.41
Market Price as a Percent of Book Value			156%	147%
Total Shareholder Return	-7.8%	2.0%	19.8%	11.2%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

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

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

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2014

October 30, 2014

SI-SSA-0015-12546

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, capacity market design, transmission planning and cost allocation rules, including how transmission projects are planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-12547

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2014 Q3 Review

Ralph Izzo
Chairman, President and Chief Executive Officer

SI-SSA-0015-12549

Q3 Earnings Summary

Quarter ended September 30

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

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

SI-SSA-0015-12550

Year to Date Earnings Summary

Nine months ended September 30

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

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

SI-SSA-0015-12551

PSEG – Q3 2014 Highlights

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

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

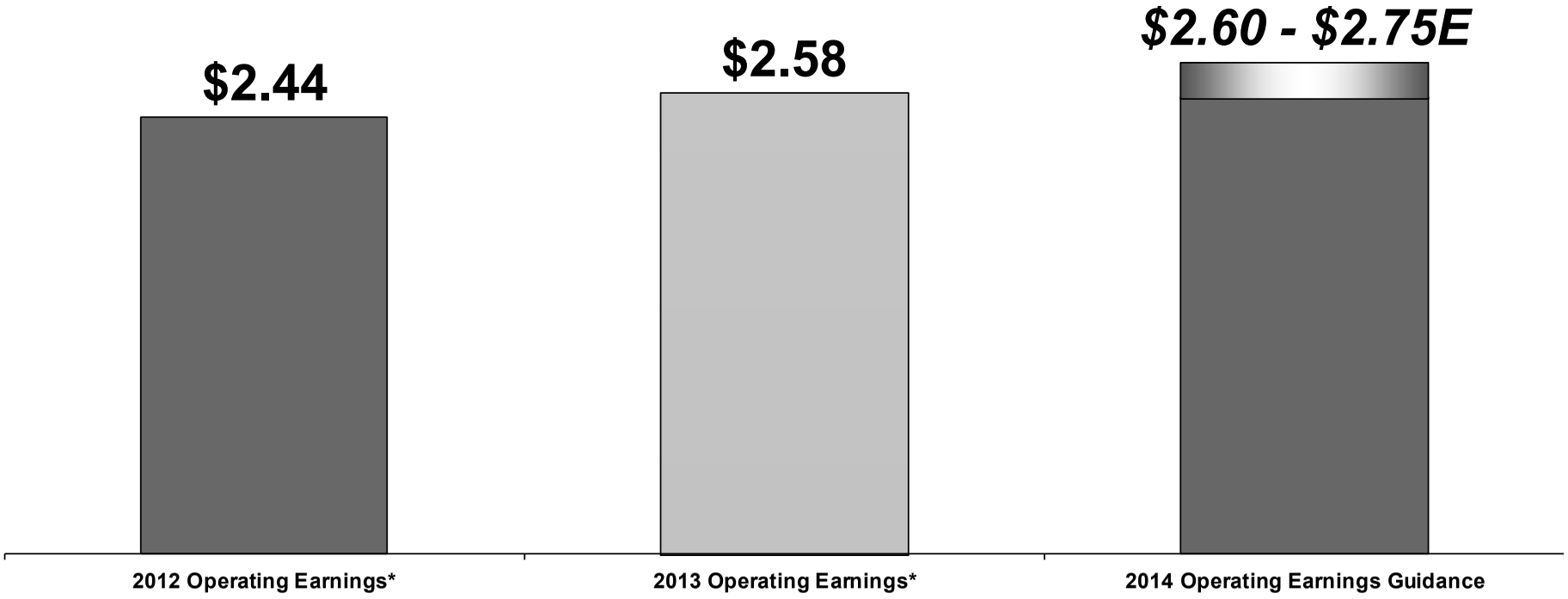
- **Executing on our on our capital program**
  - ✓ Transmission program of $6.8 billion continues on schedule and on budget
  - ✓ Energy Strong investment underway – gas mains replacement prioritized
  - ✓ Power announced a new $100-$120 million investment in the PennEast Pipeline project

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

SI-SSA-0015-12552

PSEG – 2014 Another Year of Growth

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



SI-SSA-0015-12553

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

PSEG
2014 Q3 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12554

Q3 Operating Earnings by Subsidiary

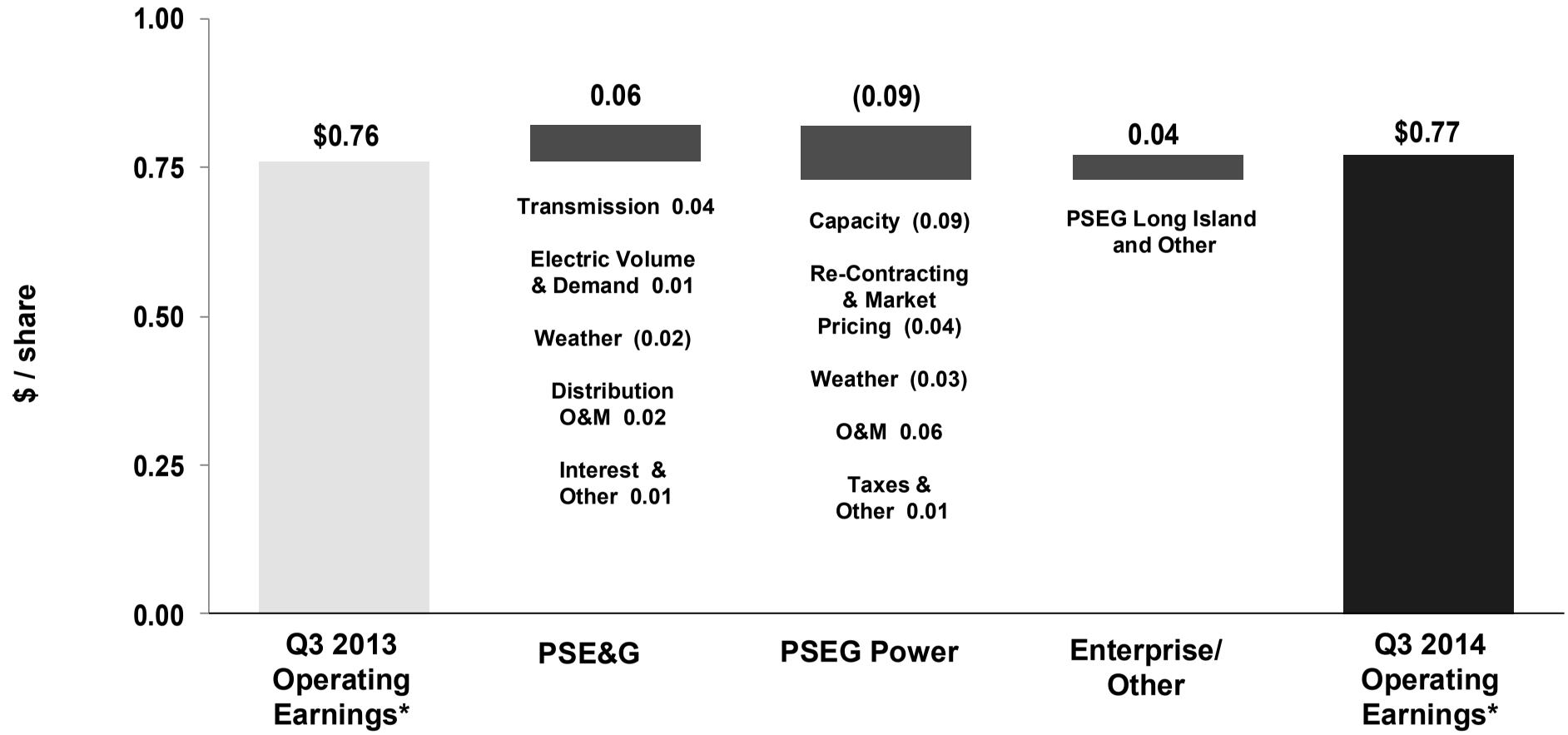
Quarter ended September 30

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

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

SI-SSA-0015-12555

PSEG EPS Reconciliation – Q3 2014 versus Q3 2013



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

SI-SSA-0015-12556

Year to Date Operating Earnings by Subsidiary

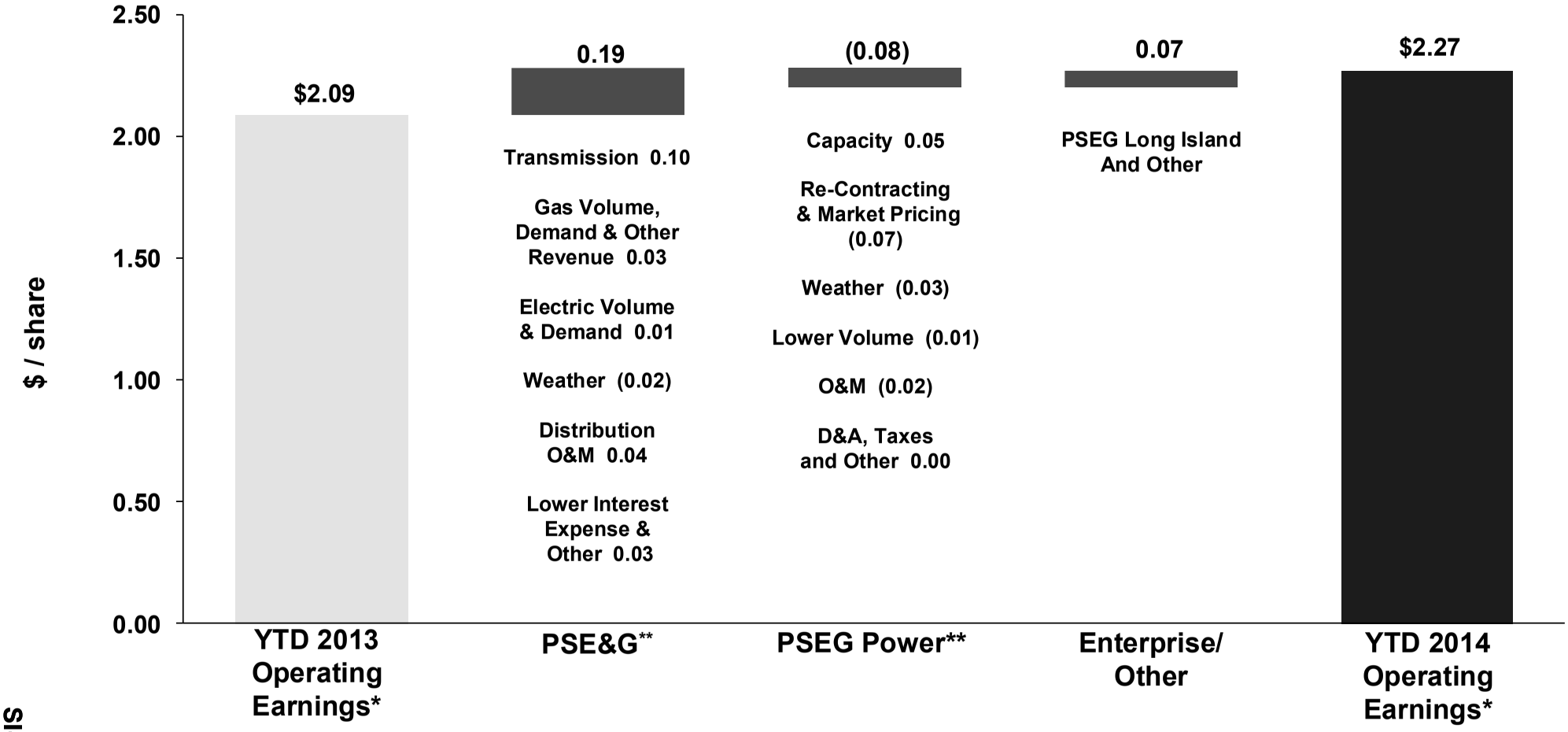
Nine months ended September 30

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

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

SI-SSA-0015-12557

PSEG EPS Reconciliation – YTD 2014 versus YTD 2013



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

SI-SSA-0015-12558

PSE&G
2014 Q3 Review

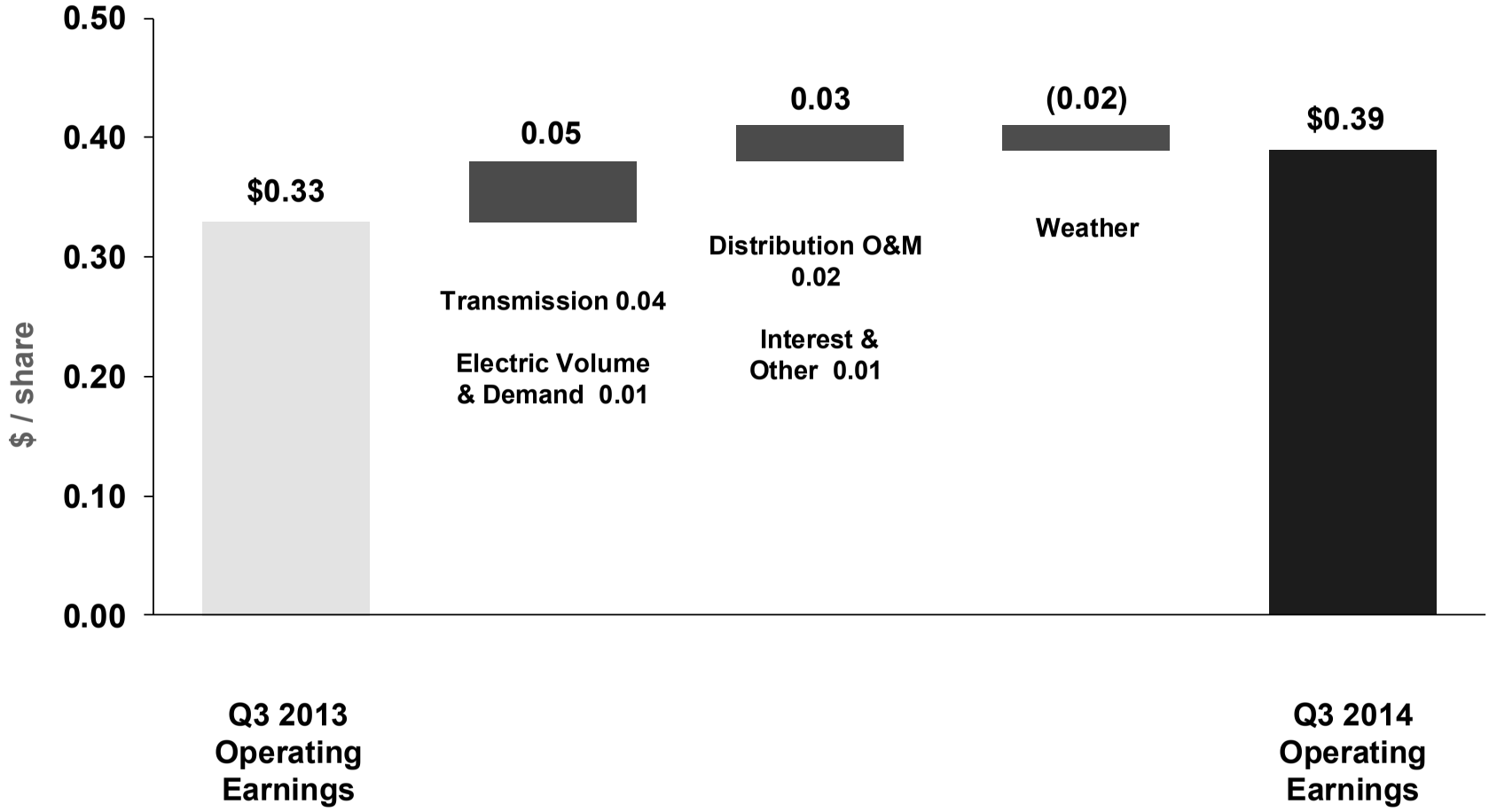
SI-SSA-0015-12559

PSE&G – Q3 Earnings Summary

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

SI-SSA-0015-12560

PSE&G EPS Reconciliation – Q3 2014 versus Q3 2013



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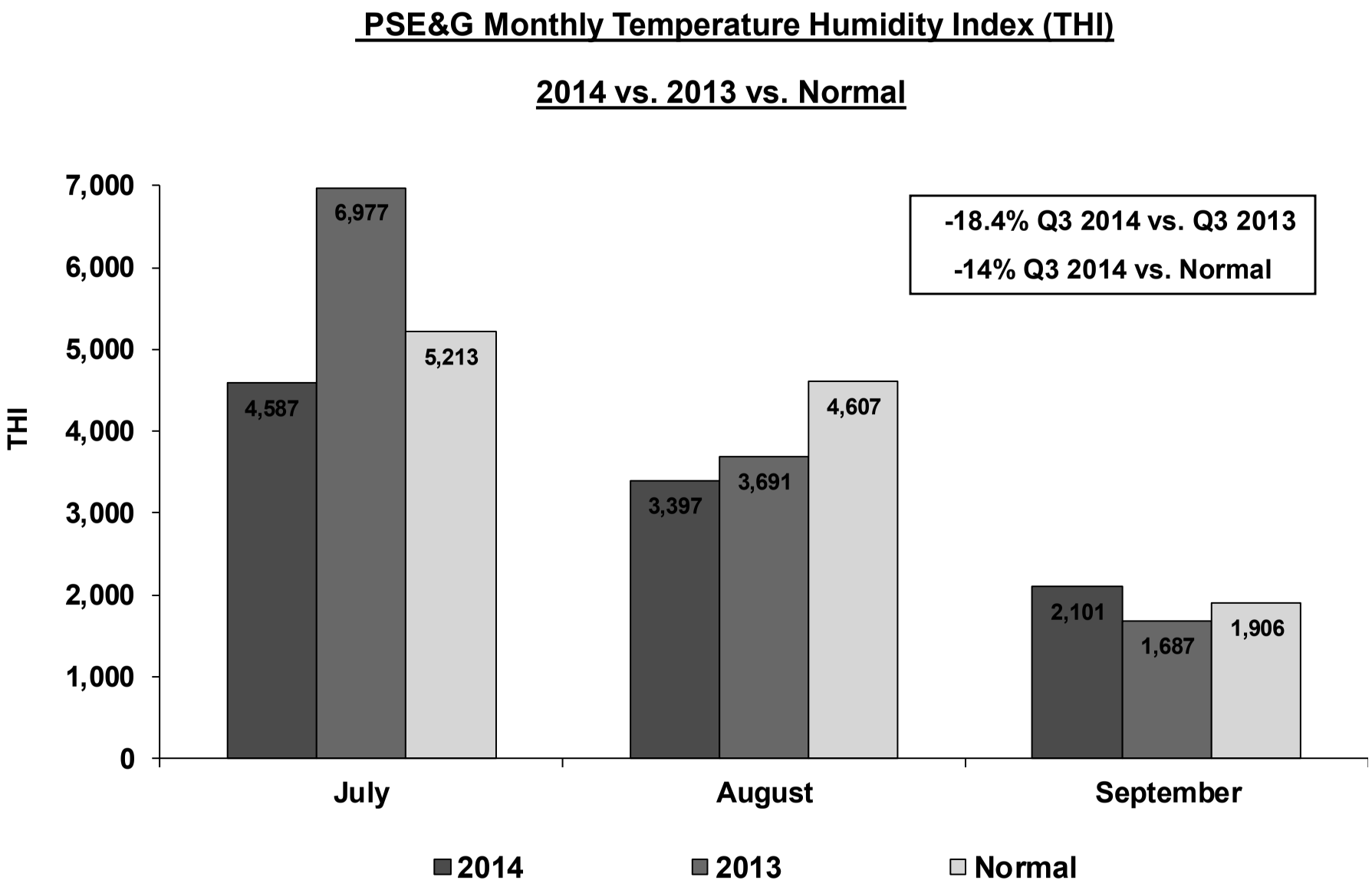
PSE&G – Monthly Summer Weather Data



SI-SSA-0015-12562

PSE&G – Q3 Operating Highlights

Operations

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

Regulatory and Market Environment

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

Financial

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

SI-SSA-0015-12563

PSEG Power
2014 Q3 Review

SI-SSA-0015-12564

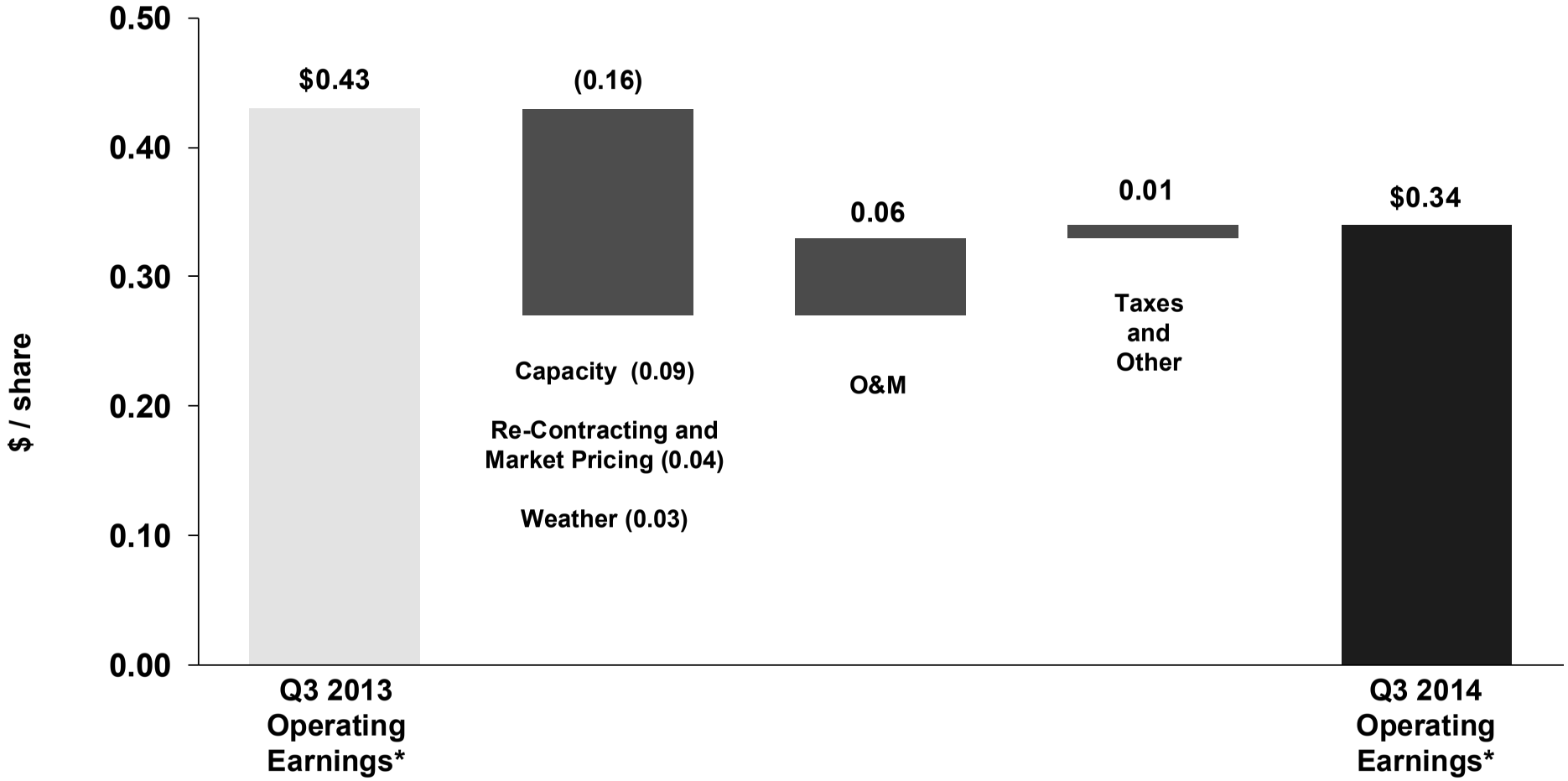
PSEG Power – Q3 Earnings Summary

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

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-12565

PSEG Power EPS Reconciliation – Q3 2014 versus Q3 2013



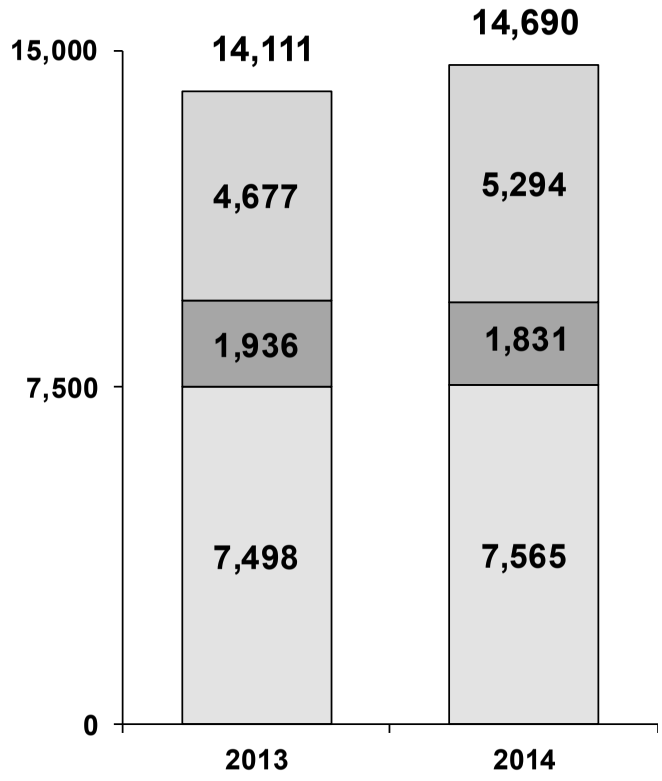
* See Slide A for Items excluded from Income from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12566

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended September 30



PSEG Power – Capacity Factors (%)

Quarter ended September 30

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

Total Nuclear Total Coal* Oil & Natural Gas

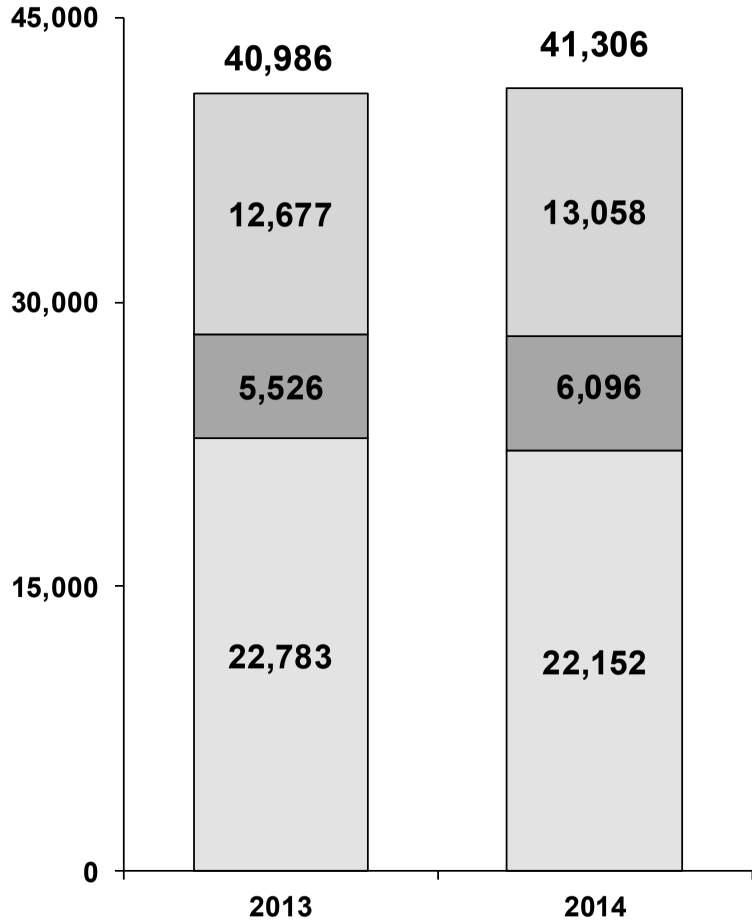
* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-12567

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Nine Months ended September 30



PSEG Power – Capacity Factors (%)

Nine Months ended September 30

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

Total Nuclear Total Coal* Oil & Natural Gas

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

SI-SSA-0015-12568

PSEG Power – Fuel Costs

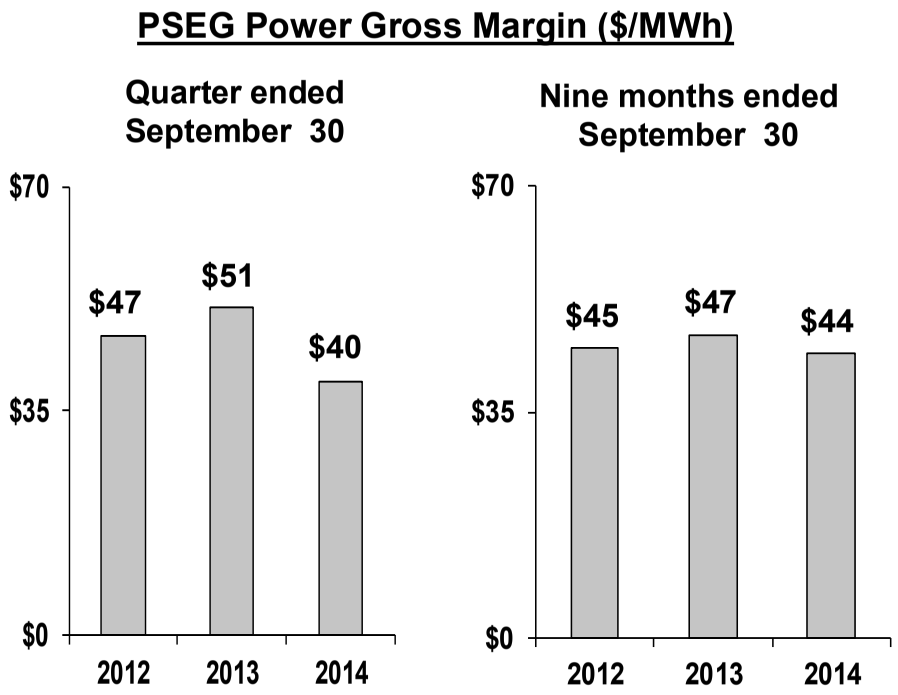
PSEG Power – Fuel Costs

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

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

PSEG Power – Gross Margin Performance

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

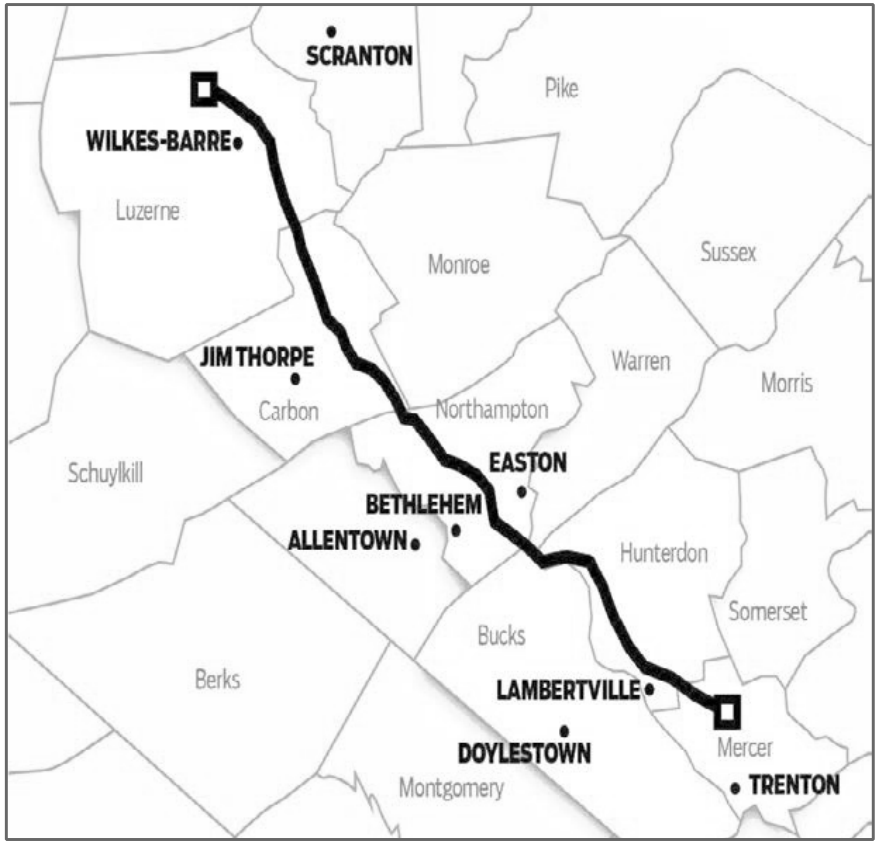


Regional Performance		
Region	**Q3 2014 Gross Margin ($M)**	**2014 Performance**
PJM	**$537**	Decline in capacity prices and hedged energy prices
New England	**$20**	Lower volume
New York	**$24**	Increased volume

SI-SSA-0015-12570

PSEG Power expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



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

SI-SSA-0015-12571

Hedging Update…

Contracted Energy*

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

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

SI-SSA-0015-12572

PSEG Power – Q3 2014 Operating Highlights

Operations

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

Regulatory and Market Environment

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

Financial

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

SI-SSA-0015-12573

PSEG

PSEG Financial Highlights

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

SI-SSA-0015-12575

PSEG 2014 Operating Earnings Guidance - By Subsidiary

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

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

SI-SSA-0015-12576

PSEG Liquidity as of September 30, 2014

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

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

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

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

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

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

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

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

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EDITED TRANSCRIPT

PEG - Q4 2014 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 20, 2015 / 04:00PM GMT

OVERVIEW:
Co. reported full-year 2014 operating EPS of $2.76 and 4Q14 operating EPS of $0.49. Expects full-year 2015 operating EPS to be $2.75-2.95.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group - VP of IR*

Ralph Izzo *Public Service Enterprise Group - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Julien Dumoulin-Smith *UBS - Analyst*

Dan Eggers *Credit Suisse - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Stephen Byrd *Morgan Stanley - Analyst*

Travis Miller *Morningstar - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brandy and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's fourth-quarter earnings conference call and webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, February 20, 2015, and will be available for telephone replay beginning at 1 PM Eastern Time today until 11:30 PM Eastern Time on February 27, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group - VP of IR***

Thank you, Brandy. Good morning, everyone. Thank you for participating in our call today. As you are aware, we released our fourth-quarter and full-year 2014 earnings results earlier this morning. The release and attachments, as mentioned, are posted on our website www.pseg.com under the Investor section. We have also posted a series of slides that detail operating results by Company for the quarter.

Our 10-K for the period ended December 31, 2014, is expected to be filed shortly. I don't typically read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you read those comments contained in our slides and on our website. The disclaimer regards forward-looking statements, detailing the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein and although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimates change unless, of course, we are required to do so by applicable securities laws.

We also provide commentary with regard to the difference between operating earnings and net income reported in accordance with Generally Accepted accounting principles in the United States. We believe, PSEG believes, that the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends.

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I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Ralph?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Thanks, Kathleen, and thanks everyone for joining us today. This morning we reported operating earnings for the full year 2014. I'm pleased to report -- actually, I'm more than pleased to report that 2014 was a year in which we continued to make progress on our plans to deliver for our customers and shareholders.

Operating earnings for the fourth quarter were $0.49 per share, which equaled the $0.49 per share earned in 2013's fourth quarter, bringing results for the full year to $2.76 per share, or 7% greater than in 2013's operating earnings of $2.58 per share, and it was above our guidance of $2.60 to $2.75 per share.

Our results are benefiting from disciplined capital allocation. PSE&G, our utility, achieved double-digit growth and earnings, adding to our track record of five years of 18% compound annual growth.

As a result of an expanded capital program, earnings from our regulated Company grew to represent 52% of our consolidated operating earnings as PSE&G's investment in transmission has grown to represent 39% of its $11.4 billion rate base. PSEG Power's successful management of its operations, including its gas supply arrangements, supported earnings in excess of guidance for the full year and delivered substantial savings to PSE&G's customers.

In addition to being a successful year for delivering on earnings, we achieved success in many areas that will provide a lasting foundation for customer satisfaction and shareholder value. By way of a reminder, we received approval to invest $1.2 billion in Energy Strong, a program that will improve the resiliency of our electric and gas distribution systems.

We have begun work on replacing and modernizing 250 miles of gas pipe and have begun the engineering and scheduling associated with upgrading and enhancing our electric sub stations. The investments under the Energy Strong program, as you will recall, will take place over a period of three to five years.

We're also executing well on our transmission investment program. We completed construction of two 230-kilovolt transmission lines during the year, as well as the New Jersey portion of the 500 KV Susquehanna-Roseland line.

We expect the full Susquehanna-Roseland line to go into service this year when the Pennsylvania portion of S-R is completed. The investment in transmission will support the reliable service our customers have come to expect and provide an important boost to New Jersey's economy as it also adds to PSE&G's growth.

PSE&G once again was named the Mid Atlantic region's most reliable electric utility. This is the 13th consecutive year that PSE&G's capabilities have been recognized.

In addition to that, for the first time in its history, PSE&G received JD Power's award for highest customer satisfaction for both electric and gas business service among large utilities in the region. This recognition, while important in itself, we think recognizes that PSE&G always kept the needs of its customers upper most as we pursue our major growth initiatives.

But 2014 was not just a year of PSE&G accomplishment. PSEG Power's combined cycle fleet produced at record levels, as Power's fossil fleet achieved a safety performance in the top 10% of the industry.

We successfully grew PSEG solar sources portfolio. In 2014, we added projects in three states that expanded solar sources portfolio to 123 megawatts of clean, renewable energy.

We had a successful first year of operating the electric system of the Long Island Power Authority. I'm particularly pleased with the efforts of our PSEG Long Island team, where we are rewarded with a major improvement in customer satisfaction scores. But let me be clear, this is only the beginning of a multi-year journey for us on Long Island.

Our core strategy, focused on operational excellence, financial strength, and disciplined investments, is anticipated to yield a third year of growth in operating earnings over the coming year. For 2015, we are initiating operating earnings guidance of $2.75 to $2.95 per share. PSE&G's expanded investment in transmission is expected to support continued growth in operating earnings in 2015 as PSE&G's results for the full year are expected to represent more than 50% of consolidated earnings.

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PSEG Power is expected to report operating earnings in line with its strong 2014 results. The investments made by PSEG Power are expected to enhance the competitiveness of its environmentally well positioned fleet. Capacity up rates at our gas-fired combined cycle fleet and in our nuclear units will increase the fleet's output as Power's investment in the PennEast pipeline enhances its already strong access to low-cost gas from the Marcellus region.

PSEG Power's fleet has the characteristics envisioned by PJM's proposed standards for capacity performance. Its diversity and dispatch and fuel mix, as well as the alternate fuel capability, mitigates operating risk. Power's investment program will be focused on improving its reliability during periods of stress on the system.

We also look to expand the fleet when its financially attractive. We were disappointed that our bid to construct a new 475-megawatt combined cycle plant at our Bridgeport Harbor site in Connecticut didn't clear the New England ISOs recent capacity auction; however, we haven't abandoned this work and will invest when the markets support its development.

The strategy we implemented has yielded growth. We have a robust pipeline of investment opportunities that will support further expansion of our capital program over the next five years.

The program is expected to yield double-digit growth in PSE&G's rate base as we maintain the operating strength of Power's generating assets. We will update you on our capital spending plans on March 2.

Our financial position remains strong. An acknowledgment of our success and the strength of our platform going forward was the recent decision by our Board of Directors to meaningfully increase the common dividend by 5.4% to the indicative annual level of $1.56 per share.

We see the potential for consistent and sustainable growth in the dividend given our business mix. Our continued positive cash flow from our generation business and our strong financial position all support this dividend philosophy.

We've made significant strides in meeting our objectives for growth as we also satisfy customer requirements and we're not done. Of course none of this would be possible without the contribution made by PSEG's dedicated employees to our continued success.

I look forward to discussing our investment outlook in greater detail with you at our March 2 annual financial conference. I will now turn the call over to Carolyn for more details on our results and will be available to answer your questions after her remarks.

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported operating earnings for the fourth quarter of $0.49 per share, equal to operating earnings of $0.49 per share in last year's fourth quarter. Our earnings for the fourth quarter brought operating earnings for the full year to $2.76 per share, versus operating earnings for 2013 of $2.58 per share or, 7% growth.

On slide 4 we have provided you with a reconciliation of operating earnings to net income for the quarter. As you can see on slide 10, PSE&G provided the largest contribution to earnings for the quarter.

PSE&G reported operating earnings of $0.32 per share, compared to $0.29 per share last year. For the quarter, Power reported operating earnings of $0.18 per share, compared with $0.23 per share last year. Enterprise/other reported a small loss in operating earnings for the fourth quarter of $0.01 per share versus the operating loss of $0.03 per share reported in the fourth quarter of 2013.

We've provided you with water fall charts on slides 11 and 13 to take you through the net changes in quarter-over-quarter and year-over-year operating earnings by major business, so now, I will review each company in a bit more detail, starting with PSE&G. As I mentioned, PSE&G reported operating earnings for the fourth quarter of 2014 of $0.32 per share, compared with $0.29 per share for the fourth quarter of 2013, as we show on slide 15. PSE&G's full-year 2014 operating earnings were $725 million, or $1.43 per share, compared with operating earnings of $612 million, or $1.21 per share, for 2013, for growth of 18%.

PSE&G's earnings in the fourth quarter benefited from lower operating expenses, including pension, and a return on its expanded capital infrastructure program which more than offset the impact of mild weather on sales. PSE&G's investment in transmission infrastructure increased its quarter-over-quarter earnings by $0.02 per share. The earnings improvement related to the investment in transmission in the fourth quarter was less than the earnings increases you've seen during each of the first three quarters of the year and this reflects a reduction in PSE&G's rate base at year-end associated with the deferred tax impacts of the expansion of bonus depreciation.

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PSE&G's tight control of its operating expenses, including lower pension expense, resulted in a quarter-over-quarter increase in earnings of $0.04 per share. The continued improvement in weather-normalized gas volume and demand, which improved quarter-over-quarter earnings by $0.01 per share, was offset by a similar decline in electric volume and demand. And although you wouldn't think it on a day like today, weather was actually mild relative to normal and relative to the prior year and that reduced earnings comparisons by about $0.01 per share.

Earnings comparisons were also affected by the absence of $0.02 per share and a tax related change which benefited earnings in the prior year. Economic conditions continued to exhibit signs of an improvement in the service area, which is good news. On a weather-normalized basis gas basis, gas deliveries are estimated to have increased 1% in the quarter and 3.1% for the year.

Demand continues to benefit from a decline in the cost of gas, which is passed on to our residential customers, and an improvement in economic growth. PSE&G announced earlier this month it would extend through March of 2015 the credits against gas bills that it had already provided its residential customers for the months of November, December and January. A typical residential customer with these credits would experience savings on their total bill over the five months of approximately 31%, or $210.

Electric sales on a weather-normalized basis are estimated to have declined 2.3% in the fourth quarter. The decline in the quarter reflects a number of winter storms at the end of 2013 that increased residential consumption that year as well as decreases in demand this quarter from some large industrial customers.

By the way, weather normalization is generally good for temperature but unfortunately, there's not really a good way to adjust for storms. Overall, there was a 0.3% increase in weather-normalized electric demand for the year, which we think is indicative of improving economic conditions, partially offset by continued customer conservation.

PSE&G implemented an increase in transmission revenue of $182 million, effective of January 1 of this year. The increase in revenue under PSE&G's transmission formula rate will provide PSE&G with recovery of, and a return on, its forecast of transmission-related capital expenditures through the year. PSE&G's investment in transmission grew to $4.5 billion at the end of 2014, or 39% of the Company's consolidated rate base of $11.4 billion, and transmission is forecast to be well over 40% of rate base as we go forward.

Let me just mention the impact of bonus depreciation. Expansion of bonus depreciation has the effect of reducing PSE&G's transmission-related rate base with an increase in deferred taxes. We estimate PSE&G's transmission-related rate base was reduced by approximately $150 million to $200 million from prior forecast levels and this is reflected in PSE&G's year-end rate base of $11.4 billion.

The impact of this change on 2015 revenues is not reflected in the formula rate increase that I just went through, as that filing took place prior to the enactment of the extension of bonus depreciation, but our guidance for PSE&G reflects the impact on revenue associated with the expansion of bonus depreciation and we estimate that impact to be approximately $21 million. As you know, this is really a timing related issue. We get the benefit of an increase in cash over the short term and see a decrease in the deferred tax balance over the long term.

PSE&G's operating earnings for 2015 are forecasted to grow to $735 million to $775 million. Our forecast for 2015 reflects the continued growth in PSE&G's transmission-related rate base and the expansion of PSE&G's investment in distribution through the Energy Strong program.

Earnings for the full year will also be affected by a forecast increase in pension expense that will affect O&M and I'll go into a little more detail on that shortly. We expect PSE&G's rate of earnings growth to improve beyond 2015 as the impact of bonus depreciation will annualize and pension expense is expected to be lower under long term return and interest rate assumptions.

PSE&G invested approximately $2.2 billion in 2014 on capital projects that improve the system's resilience and maintain its reliability. We currently forecast an increase in PSE&G's average capital spending for the next three years to about $2.4 billion per year.

PSE&G's investment in transmission will represent more than 50% of this new spending. We will be providing you with an updated forecast of PSE&G's capital expenditures by year for the five-year period ending 2019 at our annual financial conference on March 2 of this year and I can tell you that spending plan remains robust.

Now let's turn to PSEG Power. As shown on slide 19, Power reported operating earnings for the fourth quarter, as I mentioned, of $0.18 per share, compared with $0.23 per share a year ago. The results for the quarter brought Power's full-year operating earnings to $642 million, or $1.27 per share, compared to 2013's operating earnings of $710 million, or $1.40 per share.

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The earnings release, as well as slides 11 and 13, provide you with detailed analysis of the impact on Power's operating earnings quarter over quarter and year over year from changes in revenue and costs. We've also provided you with more detail on generation in the quarter and for the year on slides 21 and 22.

Power's operating earnings for the fourth quarter were influenced by the known decline in capacity revenues that we've discussed in prior calls. Monetization of Power's gas supply position and a reduction in operating and maintenance expense helped mitigate the effects of lower market prices for energy.

As you recall, the average price for our PJM capacity declined to $166 per megawatt day from $244 per megawatt day on June 1 of 2014. The decline in price reduced Power's quarter-over-quarter earnings by $0.09 per share.

A decline in the average hedge price for energy that Power realized during the quarter relative to year-ago levels and lower market prices on Power's open position were more than offset by Power's ability to monetize its gas supply position. These items together lead to an improvement in quarter-over-quarter earnings of $0.01 per share.

A decline in Power's O&M expenditures during the quarter improved quarter-over-quarter earnings by $0.05 per share. The decline in expense for the quarter was greater than what we have been forecasting at the end of the third quarter. Power's management of maintenance outages at fossil stations, coupled with the absence of outage-related expenditures in the prior year, resulted in a better-than-forecast reduction in L&M expense for the forth quarter and lead overall to lower O&M expense in 2014 versus the full year of 2013.

Now let's turn to the operations. Power's output increased 3.1% in the quarter from year-ago levels. For the year, output increased 1.3% to 54.2 terawatt hours. The fleet's flexibility and response to volatile market conditions was demonstrated in the quarter and through out the year.

The level of production achieved by the fleet in 2014 represented the third-highest level of output in the fleets history as a merchant generator. The nuclear fleet produced 29.1 terawatt hours, or 54% of generation, operating at an average capacity factor of 89.3%.

Hope Creek experienced its second-best year, operating at a 97.9% annual capacity factor, which helped to offset the impact of the extended refueling outage at Salem 2 earlier in 2014. The market is clearly rewarding efficient combined cycle gas units and Power's combined cycle fleet set a generation record during the year.

The fleet produced 16.5 terawatt hours, or 30% of our generation, during the year, with record levels of output from the Bergen Station and Linden Unit 1. The coal fleet produced 7.4 terawatt hours, or 14% of generation, and the peaking fleets responsiveness to market conditions, particularly the abnormally cold weather experienced at the start of 2014, lead to full-year production of 1.2 terawatt hours.

Power's gas fired combined cycle fleet continues to benefit from its access to lower price gas supplies in the Marcellus Basin. For the year, gas from the Marcellus Utica region supplied approximately 60% of the PJM assets fuel requirements. This represents a larger percentage of the fleet's gas supply than was available in the past.

Power's ability to step up its acquisition of gas from the Western Marcellus and Utica Basin, in addition to the use of backhaul arrangements on existing pipe in the Eastern Marcellus, improved its access to this low-cost resource. This supply supports higher spark spreads than implied by market pricing and allowed Power to enjoy fuel cost savings similar to the levels it enjoyed in 2013, despite the decline in energy prices.

Overall, Power's gross margin per megawatt hour in the fourth quarter was $37.40, versus $45.90 last year, which was driven by the capacity price reset. For the year, gross margin amounted to $42.41 per megawatt hour versus $47.10 per megawatt hour last year and slide 24 provides detail on Power's gross margin for the quarter and the year.

Power's forecasting a further improvement in output in 2015 to 55 to 57 terawatt hours. The increase is primarily the result of investments we have made to expand the capacity of our nuclear and combined cycle fleet.

Following the completion of the basic generation service option in New Jersey earlier this month, Power has hedged 100% of its base load generation in 2015 and has hedged approximately 75% to 80% of anticipated total production for 2015 at an average price of $52 per megawatt hour, which compares favorably to the average hedge prices in 2014 of $48 per megawatt hour. Power has hedged approximately 50% to 55% of its forecast generation in 2016 estimated at 55 to 57 terawatt hours, also at an average price of $52 per megawatt hour.

And for 2017, power has hedged 25% to 30% of forecast production of 55 to 57 terawatt hours at an average price of $52 per megawatt hour. The hedge data for 2015 and 2016 assumes BGS volumes represent approximately 11.5 terawatt hours of deliveries, about comparable to the 11.5 we delivered in 2014 under BGS.

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Based on our current hedge position for 2015, each $2 change in spark spreads would impact earnings by only $0.04 per share. This modest impact on earnings is the result of a higher percentage of output from our intermediate and peaking fleet that is hedged at this time, about 40% to 45% than we had hedged a year ago, when it was really about 35% to 40% of forecasted output of the intermediate and peaking fleet.

For 2016, a $1 change in natural gas pricing would impact earnings by $0.06 per share. Just for your reference, if we were fully open, the $1 change in natural gas pricing would impact earnings by about $0.24 per share.

The BGS option for PSE&G customers for the three-year period beginning June 1 of 2015 and ending on May 31 of 2018, was priced at $99.54 per megawatt hour. This contract for one-third of the load will replace the contract for $83.88 per megawatt hour, which expires on May 31 of this year.

This latest auction is based on an average price for energy at the PJM West hub of about $37 to $38 per megawatt hour, which is similar to the base price for energy seen in the last two auctions. The BGS auction continues to represent a key means for Power to hedge bases associated with base-load output.

Power's hedging strategy is consistent with what you've seen in the past. Power maintains open positions on a portion of its intermediate and load-following assets and this allows Power to capture any benefits associated with weather-related demand in the summer months and contain the risks associated with fuller requirements contracts like BGS.

Power took advantage of market strength earlier in 2014 to hedge its output. And, given favorable pricing, Power's also committed to serve a larger percentage of load under the BGS contract in this latest auction, which of course will have its proportional impact across the upcoming three years.

Power's operating earnings for 2015 are forecast at $620 million to $680 million. We're very pleased that our anticipated results are essentially in line with 2014's operating results. Comparative results for the full year will be affected by a decline in capacity revenues, which will essentially be fully offset by an increase in the average price received on energy hedges and a modest increase in O&M.

Turning to enterprise and other, PSEG enterprise/other reported an operating earnings loss for the forth quarter of $4 million, or about $0.01 per share, which compares to a loss in operating earnings of $11 million, or $0.03 per share, for the fourth quarter of 2013.

The results of the fourth quarter brought full-year 2014 operating earnings to $33 million, or $0.06 per share, compared with 2013's operating loss of $13 million, or $0.03 per share. The difference in operating results quarter over quarter reflects primarily the absence of tax payments and other items which contributed $0.03 per share relative to the fourth quarter of 2013.

For 2015, operating earnings are forecasted to fall within the range of $40 million to $45 million and results will be influenced by the contractual payments associated with the operation of PSEG Long Island, income on the lease portfolio, including the benefit from the renegotiation and extension of our lease on the Grand Gulf nuclear generating facility.

Let me now just add a word about pension expense. Last year, as you recall, we saw total pension income of about $0.02 per share as the success of our investment strategy created that pension income. In 2015, our funding level remains greater than 90%, but a lower discount rate and changes to mortality tables offset the continued strong return generated on the trust, resulting in net pension expense of slightly less than $0.07 per share, which is split about evenly between PSE&G and Power. Keep in mind, these are non-cash charges and we anticipate a move back to pension income over the next two to three year period, given our solid funding and our long-term investment strategy.

These impacts that I just mentioned are embedded in our financial plan and our guidance for growth at PSE&G and consistent performance in 2015 at Power. We still see a low-single-digit growth in O&M across the Company over the three year horizon and we'll talk more about that in greater detail on March 2.

Lastly, just a word on our financial position. We're in great shape to finance our capital program. At the end of 2014, we had $402 million of cash on hand and debt represented about 42% of our consolidated capital position, with debt at Power approximating 31% of its capital base and no parent debt.

We'll be updating you on our capital program at our annual financial conference, but the message is the same. We can finance our robust long-term capital program and pursue a very healthy amount of growth opportunities without the need to issue equity, as we also provide our shareholders with a meaningful increase in the growth of the common dividend on a sustainable basis.

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We're pleased to be guiding to another year of anticipated growth in earnings for 2015 of $2.75 to $2.95 per share. Our forecast continues to reflect the benefits from PSE&G's expanded capital program and the dynamics of Power's fleet and access to low-cost gas supplies. As you know, the common dividend was recently increased 5.4% to the indicative annual level of $1.56 per share and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward.

With that, Brandy, I'll turn it back to you and we're now ready for your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

Your first question comes from the line of Julien Dumoulin-Smith with UBS.

Julien Dumoulin-Smith *- UBS - Analyst*

Hi. Good morning.

Ralph Izzo *- Public Service Enterprise Group - Chairman, President & CEO*

Good morning, Julien.

Julien Dumoulin-Smith *- UBS - Analyst*

So first quick question, following the Bridgeport -- or back of clearing that asset, what's your thought about building at Power at present? Are we going to look towards clearing potentially new assets in different markets or what's your overall thought about capital deployment at this point in time in Power?

Ralph Izzo *- Public Service Enterprise Group - Chairman, President & CEO*

Julien, our thinking on this hasn't changed. Our power markets that we're interested in are PJM, New York and New England. We look for asset acquisitions. We look for opportunities to re-power sites. We look for opportunities to expand or increase the output of our plants.

As you all know, we've been much more successful on the latter and not as successful on the former -- Peach Bottom uprate, advanced gas path improvements, a couple peakers here and there, have not been able to see the same price justification as others on asset acquisitions and a similar thing happened in New England. In general, we like the New England market from the point of view of new build because of seven year contract. That's a bigger hurdle to overcome in PJM because of the one-year price.

On the regulated utility side, we'll give you more detail on March 2 but there's still very much a robust capital program we'll be showing you for the five years, not just in terms of transmission, which has been our number one, but as we've talked about in the past, opportunities to accelerate the replacement of our cast iron main system in the gas business as well as some of the components of the energy master plan that relates to energy efficiency and renewables. You may recall its only been 10 months or so, so I'm not suggesting we're done by any means, but Energy Strong was a much bigger program than what was ultimately approved so there will be more of that, but it's a little bit longer term than in the next coming months.

There's no shortage of opportunities to deploy the capital. We are disappointed with Bridgeport I'm not going to deny that, but we've got things we can do.

Julien Dumoulin-Smith *- UBS - Analyst*

Great. And then perhaps moving onwards, what about the bidding inquiry? Any updates there? Can you elaborate by chance where we stand?

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

No, we aren't giving any more detail on that than we have already, Julien. We don't have any new information to update our financials and we are actively involved with FERC. We meet with them on a regular basis in terms of their questions and giving them feedback, but right now we would rather make sure that FERC has all of the information before talking much more about that on an earnings call.

Julien Dumoulin-Smith - ***UBS - Analyst***

Great. And then if you will, just I noticed PJM East just generally or specifically public service zone saw a negative basis versus PJM West on a spot basis in the back half of the year. Could you talk about what dynamics you saw day-to-day in the markets that would drive that and what your expectations are for forward basis, East versus West? And hedging that specifically?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Julien, as we've said, the Power markets, at least for the foreseeable future, have been turned 180 degrees. The winter is where most of the volatility and earnings potential for Power is coming from and that hasn't changed since we started talking about that now almost two seasons ago. So when you look at basis for the year, that's a little bit of a misleading view of the world. it's a combination of moderate basis in the summer, a very strong basis in the winter and weak basis, in fact, negative basis in the shoulder periods but the flexibility of our fleet and the way in which we hedge it takes all that into account.

Over the longer term, I think what you're going to see is the market dynamic driven by significant infrastructure build of gas [pipes] from the Marcellus region to the Southeast and significant replacement of aging power plants that aren't able to meet environmental standards in the Southeast, with highly efficient natural gas combined cycles. We don't run the business saying we're smarter than the market, but to the extent the markets view doesn't extend to three- to that five-year time frame, we still have lots of reasons to feel pretty confident in the location and quality of our asset base.

Julien Dumoulin-Smith - ***UBS - Analyst***

Great, thank you all very much.

Operator

Your next question comes from the line of Dan Eggers with Credit Suisse.

Dan Eggers - ***Credit Suisse - Analyst***

Hey, good morning, guys. Just kind of on the Power side, or the outlook for Power, can you walk through or remind us all the hedging strategies you guys are using? Obviously you had a nice price up lift and you hedge percentages going from 100% hedged to 100% hedged, so can you remind us how you got that upside?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Oh, sure Dan. It's Caroline. Sure, thanks. I cited the base load and the total, and keep in mind, that intermediate and peaking, right? So if you looked at what we told you on the third quarter call, we were still 100% hedged at the base load but the difference has really occurred as we've added hedges in that intermediate and peaking, which was 5% to10% for 2015 on the last call and it's now 40% to 45%. Of course, a piece of that would be BGS, but if you do the math on that you'd see that's a little less than half of the total on an estimated basis.

Really, what's going on, Dan, and if you look at the curves, just look at the forward price curves, you can see this. There were opportunities where the prices moved up during the last quarter before they came down right at the very end and spark spreads have been pretty robust, so we took advantage of those opportunities to layer on incremental hedges and by having that incremental flexibility and putting on a little bit more and capturing those pricing in sparks for opportunities, that's what's really increased the numbers.

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Now, if you're asking about the change in the price of base load, you know that we actually give one consistent price across, so even though base load was 100% the average price of the entirety of the book, we put that across all the hedges, but we give you the granularity of where we're hedged between base load and intermediate in peeking. We like the impact that we had in the fourth quarter by adding on hedges. You know that BGS, of course, being full requirements also has some pass through costs, but even if you strip that out, you find that the hedges are really higher than they were from our last report.

Dan Eggers - ***Credit Suisse - Analyst***

Okay. Thank you for that answer. On the outlook for the utility this year, if you look at the bridge or think about a mental bridge from 2014 to 2015, maybe not as much of an increase year on year as we would have previously modeled. Can I think of it as basically there's going to be a drag of $0.035 or $0.04 because of pension year on year, maybe $0.05 because you had some gains in 2014, and then you could just step down from what you would have expected at transmission because of the bonus depreciation. Is that right way to think about the step year to year in simple terms?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

That's exactly right Dan. You're exactly on the right math, because when you look at those key things which, of course, if you think about interest rate, actuarial tables and bonus depreciation really aren't in our control, but you've got your finger on the right things that take the utility growth rate perhaps lower than the expectation, but a nice growth rate nonetheless, because the things that we do control, the things we're doing to put capital to work obviously continue. As I said, when you think about going out beyond 2015, you'd see the annualization, right, of bonus depreciation in terms of a base versus a subsequent year effect and then pension, obviously, we think being more of a one-time and then going back to normal. You're exactly right in how you're thinking about it.

Dan Eggers - ***Credit Suisse - Analyst***

Last question. You talked about $2.4 billion of utility CapEx. Is that just for 2015 or are you guys thinking that's going to be the new repeated number kind of for the five-year plan?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

We haven't given the five-year number but the three-year number, and you'll see this in our 10-K, then, when we file it, the three-year number averages about $2.4 billion per year in total for PSE&G, so I'm talking 2015, 2016 and 2017. When you do that, and you look at that, keep in mind that, as I said, transmission will be more than half of that, so you're going to see transmission really, really carrying the weight of that growth. We're really pleased to see that on average for the next three years and then we'll talk more about the five years on March 2.

Dan Eggers - ***Credit Suisse - Analyst***

Great, thank you guys.

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Sure.

Operator

Your next question comes from the line of Ashar Khan with Visium.

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Ashar Khan - ***Visium Asset Management - Analyst***

Good morning and congratulations.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Thank you, Ashar. (Multiple speakers)

Ashar Khan - ***Visium Asset Management - Analyst***

You know what? I've been kind of attacking this, I guess, Ralph, it's, year after year it's the best integrated company, and I hope you start getting the discernable premium this year as we go forward. But I wanted to go over a point that Caroline raised is that because of the oil pension and that and the hefty CapEx that you've mentioned, if I heard correctly, Caroline, you expect the utility to then go back to somewhat closer to a 9% or 10% growth rate going forward. If I do my math correctly, based on the CapEx and everything for the next couple of years, is that a fair thing which you will refer to a little bit in your remarks, because the growth got a little bit dampened this year from 2014 to 2015, from the pension and other things, but it should regrow at a faster rate coming out of the blocks, 2015 going forward, based on the CapEx and things which you have indicated. Am I on the right track?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Yes, Ashar, you are on the right track. I won't validate a particular number that you cited there, but yes. Think about one-time effects, right? When you have a year-on-year effect of something like bonus depreciation, which you remember was passed at the very, very end of 2014, that has its one-year effect and then it becomes part of the base.

Pension, same thing, right? Lower interest rate and that mortality table which, as you probably know, is a once in a ten-year effect.

Those things come in so we would expect utility growth to be higher as we go into -- on a 2015 2016 basis than on a 2014 2015 for exactly the reasons you cite, overlaid on the back drop of what I just mentioned, which is a continued robust investment program averaging a little bit more on an annual basis than we actually spent last year. The fundamentals are there to provide the driver for that opportunity and we've got these sort of one-year effects from the two items. That's the right way to think about it.

Ashar Khan - ***Visium Asset Management - Analyst***

And then, if I can just, then, if I'm thinking through it on an investment proposition, so if now you totaled the earnings with the life of contract and all that make up like 55% of the earnings. Say this is my number, if you're growing at around 9% or 10% on the utility that would imply a consolidated growth rate of about 5% or so. And with the dividend now growing at 5%, I mean, I think we have a value proposition which is equal to any utility or even better than the rest of the group.

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

We certainly think we have a good value proposition, don't forget about that. Thank you for mentioning the dividend as well.

Obviously, we don't give guidance beyond the current year, as you know, because of Power, although I think we're pretty pleased with what we've been able to deliver and the guidance we're giving for Power for this year. Frankly, going forward, expect us to do the same things we've been doing with Power for the past few years and I think relatively successfully layering in hedging, taking advantage of opportunities when we see them and continuing to just take advantage of a well-positioned fleet. We do think we have a good value proposition.

I just mentioned, and I think you were just doing the math separately. As you know, PSEG Long Island and our operating arrangement on Long Island is not part of PSE&G's results. It's part of enterprise but you may have just been adding that back in your calculation.

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Ashar Khan - ***Visium Asset Management - Analyst***

Okay, and if I can just end up, Ralph, we're happy on the dividend, but do you have a pay-out goal in mind for the consolidated entity earnings or on the utility earnings? I just wanted to get a sense. If the Board has a pay out or no.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

No, we don't, Ashar. You may recall a few years ago, maybe about five or so, we did have a number and we found it too limiting. The dividend is something that we discuss all the time with the Board, but we have a very robust conversation. We talk about where the earning's coming from, what is the cash being generated, where are we in the power price cycle, what are the cash needs of the business, what are our competitors doing, competitors for capital, that is.

It's a very fulsome discussion and not one that lends itself to simply saying X percent is the pay out ratio. We do try to guide you qualitatively, recognizing that the dividend decisions are the purview of the Board on a quarterly basis but the number we put forth this time, we believe, is consistent with that view that we can provide a sustainable growth in the dividend.

Ashar Khan - ***Visium Asset Management - Analyst***

Thank you so much. Cracking results.

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates.

Paul Patterson - ***Glenrock Associates - Analyst***

Good morning, guys.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Good morning, Paul.

Paul Patterson - ***Glenrock Associates - Analyst***

Just really quick, I'm sorry if I missed it, the gas monetization in Q4, could you quantify that and is there any sort of outlook of what the opportunity might be for stuff like that going forward?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Yes, so I didn't quantify that specifically, Paul, in terms of a number on the quarter. What I did mention was that the gas monetization benefit was essentially similar to what we saw in 2013.

You may recall on 2013, so now I'm talking about this sliding basis, differential base in our supply. 2013 it was about $0.05 and in 2014 it was just about the same level. In terms of thinking about it going forward, obviously we don't control that differential but two things good to keep in mind.

If you look at forward curves, you still see that differential and so that's valuable and we model everything on the forward curve, including thinking about that differential. But what, of course, you can always think about for us that does sustain is that access, right?

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We have the access this year, given what the team has been able to accomplish in terms of providing even more access to lining up Marcellus and Utica gas. We've been able to step up that percentage to a total of about 60%. So when you have the differential, and we've got this long term access that's going to stay with us, can't say exactly what percentage every year, but long term significant access, when that differential is there, you'd expect us to get it.

Paul Patterson *- Glenrock Associates - Analyst*

Okay. And then the polar vortex? It looks like we have some similar conditions out there to what we saw on January 7 of last year and the performance of plant seems to be better.

I'm wondering whether or not you think that might impact the capacity performance proceedings going on right now at FERC? Just in general, what do you guys see or what are you hearing out of FERC or anywhere else with respect to how that process is going in your expectations?

Ralph Izzo *- Public Service Enterprise Group - Chairman, President & CEO*

Paul, you're right. Temperatures have been averaging about 16 degrees below average the last few days and plants are operating better. I think, I know for us and I suspect for others, there were some operational changes we were able to make to reduce the amount of forced outages. Just in light of the forecast, we moved our coal piles around a little bit more so we made sure we didn't have them freezing up.

What hasn't changed for us, and I suspect for others, are the amount, is the amount of capital investment that's being made in the older units, which basically never run until you get six days averaging 16 degrees below zero. I think FERC is very cognizant of that. There's only so much you can get out of improved performance by doing some operational prep work and eventually the frictional forces of these temperatures overcome whatever you might do in terms of preparation and those capital improvements are needed.

I think FERC will be supportive. I don't want to predict any outcome. I don't want to guarantee an outcome but suffice to say that there's really two issues that are involved in making sure a power plant runs. It's what you physically have put into the asset and what you do to ready it.

In terms of physical preparation, it's not leaving coal piles exposed, putting buildings around them so that they are protected from the elements. That's a capital investment and you aren't going to do that unless you know that you're going get paid in the capacity market because those typically, in our case at least, aren't units that capture energy market. We're still cautiously optimistic about what FERC will do and we are very confident that whatever FERC does, we do have the type of fleet that will benefit from it.

Paul Patterson *- Glenrock Associates - Analyst*

Okay, great. I appreciate it.

Caroline Dorsa *- Public Service Enterprise Group - EVP & CFO*

Thank you.

Operator

Your next question comes from the line of Stephen Byrd with Morgan Stanley.

Stephen Byrd *- Morgan Stanley - Analyst*

Good morning.

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Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Good morning.

Stephen Byrd - ***Morgan Stanley - Analyst***

Wanted to start on the utility. For 2014 and, I guess, going into 2015, what was the earned ROE of the utility in 2014, and what's the assumption going into 2015 that defines the guidance?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

We earned our allowed return, Stephen. Just, you may recall we have an 11.68% return at transmission and a blend of 10.3% at the utility for the most -- at the distribution level, a blend of 10.3% and some of the more recent programs are at 9.75%.

Stephen Byrd - ***Morgan Stanley - Analyst***

Okay so the actual results in 2015 were right at your earned level or were they in excess of the earned level?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

They were right at the earned level.

Stephen Byrd - ***Morgan Stanley - Analyst***

Okay, and--

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

We were investing heavily in the utility to make sure that's the case.

Stephen Byrd - ***Morgan Stanley - Analyst***

Understood. What's the timing for the likely filing of the rate case?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

November of 17.

Stephen Byrd - ***Morgan Stanley - Analyst***

Is when you would file?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Is when we would file for a test year. That is three months historic and nine years prospective. Typically, we may seek to push it out even further.

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Stephen Byrd - *Morgan Stanley - Analyst*

Okay, and then looking over in terms of gas infrastructure, major theme we've seen is more investment in pipelines and we saw your investment there at the Power side. Do you see other potential need for gas infrastructure that looks interesting for you in your service territories as you look at the growth of gas infrastructure?

Ralph Izzo - *Public Service Enterprise Group - Chairman, President & CEO*

No, not in service territory. It seems to me that most of the gas pipeline build that is being proposed nowadays for a variety of reasons is go from Marcellus and Utica to the Southeast and to the South. That's a much longer conversation that we can have, but there's some very good economic fundamental reasons why that's taking place. I think we're ready for the next question, operator.

Operator

Your next question comes from the line from Travis Miller from Morningstar.

Travis Miller - *Morningstar - Analyst*

Good morning, thank you.

Ralph Izzo - *Public Service Enterprise Group - Chairman, President & CEO*

Hi Travis.

Travis Miller - *Morningstar - Analyst*

Hi. Wonder if you could talk a little bit more about the incremental investments you've discussed here over the last few months about Energy Strong. What outstands, what filings might we see in the next three to six months, opportunities and incremental stuff that's not been approved for Energy Strong?

Ralph Izzo - *Public Service Enterprise Group - Chairman, President & CEO*

Sure, Travis. The pure Energy Strong filing, if you will, had multiple components to it. There were a series of sub stations, for example, that were a center piece of, I think, there 29 of them that have to be upgraded and there what we are is we are in the engineering and design phase of that work, so that work is probably going to be the longest-dated one and when we do file for additional help in that area, that's likely to not be off for at least another year.

Another big part of Energy Strong, though, was the $350 million program to replace some of the cast iron main system. I think we've done over 200 miles of that already.

That is one that is scheduled to pretty much wind down by the end of 2015. We'll talk more in detail about that on March 2, but that is a filing that we will be making in very, very short order to continue that program.

That's important for a whole host of reasons, not the least of which is number one, you don't want to keep mobilizing and then demobilizing the workforce to do that and as I said that's winding down at the end of the year. But probably equally, if not more important, is the fact we've been able to continued to be able to pass these gas credits on to our customers so this is the time to make the investment in the infrastructure while the supply part of the bill is actually coming down, because it's something that the customer can afford to do right now. We're always mindful of the burden that we're putting on the customers.

There are some other parts of Energy Strong that are smaller in magnitude, but those being the two biggest ones. Some of the other things we talked about in terms of potential investments we're still waiting to hear on are the utility 2.0 program out on Long Island. Candidly, we thought that would be resolved by now but that looks like it's going to go out a couple more quarters into this year.

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We had thought we were the winner of the FERC 1,000 project at Artificial Island. As you know, PJM is reconsidering that and I don't know exactly when the decision would be forthcoming there. We thought it would be Q1, but Q1 is now half way gone and that decision isn't done.

The PennEast pipeline investment we've made is still under way. The energy efficiency filing that we've made is still having very constructed dialogue with the staff on that. There are things in all manor, all different stages, from disappointment, in terms of Bridgeport Harbor, optimism in terms of energy efficiency and a whole bunch of stuff in between.

Travis Miller - ***Morningstar - Analyst***

How much of all those programs that either haven't been approved or are in the development process are included in that $2.4 billion?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Zero.

Travis Miller - ***Morningstar - Analyst***

Okay so that's upside. Okay. Thank you very much.

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Thanks, Travis.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Well, good morning, guys.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Morning, John.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Quick question on what you've said about the dividend, Ralph. You've been very clear you wanted to be, to grow consistently and sustainable. Does that mean we should anticipate similar percentage growth going forward to what you've just done or similar share growth? How consistent are we talking?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Let's just put it this way, Jonathan. About four years ago, I think it was about then, we put a big increase into the dividend. I think it was about an $0.08 or $0.10 increase in the dividend. $0.12, thanks for that.

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We went out of our way to tell people that was a significant resetting of the dividend and not to be expected as an ongoing change in the dividend and we haven't used those words this time. I really don't want to be tied to a specific number, either from a cents-per-share or a percentage point of view, except to say that we think this dividend increases is supportable and sustainable.

Jonathan Arnold - ***Deutsche Bank - Analyst***

You think you're growing roughly in line with how you expect the utility earnings to grow this year, is that kind of the policy?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Yes. And again, that's a fair question, Jonathan. I did say earlier that we look to see where the earnings in the Company are coming from, because quite candidly, Power is more cyclical and the utilities are more steady. But, it's not [0.9] utility plus [0.1] Power or [1.1] utility plus [0.2] Power.

Clearly the fact that the utility will be well over 50% this year for the second year in a row -- it depends how you define well over. It'll be over 50% for the second year in a row. It gives us more confidence in the size of the increase and the sustainability of the increase.

But we absolutely know how important it is to the shareholders. We hear about it all the time.

Jonathan Arnold - ***Deutsche Bank - Analyst***

And then on the credit metrics, I think we mentioned that Power's FFO-to-debt was 69% at the end of the year. Is there anything about you're forecasting flattish earnings for 2015 in Power at the middle of the range. Is there any reason why FFO-to-debt wouldn't be similar in 2015 as in 2014?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

No. Good question, Jonathan. If you look at, you're right, where we landed the year, Power is going to continue to be in very good shape so I think the way to think about it is FFO-to-debt will continue to be well in excess of our floor of 30%, just continuing to provide a lot of investment capacity of Power for the things that Ralph has just been talking about. And of course, as you know, we don't have any parent debt and so that provides us even more opportunity for regulated investments.

So yes, I continue to see Power very robust, and what I like about it is it allows us to have that conversation of where else we can make incremental investments because there's just a lot of room there and that's a nice way to start the conversation about extra capital investment, not talking about issuing equity.

Jonathan Arnold - ***Deutsche Bank - Analyst***

And that [16] is going to step down very significantly. It seems like mathematically there's no way you can be sub 50% of the [14-16] average, which is, I think, what your slide showed. Am I on -- could those numbers be up by that much higher? Is that -- are we on the right track there?

Caroline Dorsa - ***Public Service Enterprise Group - EVP & CFO***

Yes, so I won't do the specific numbers on the call, and we'll talk more about the long-term view of things on March 2, but I think the right take away is that balance sheet is in terrific shape and we look for, as Ralph said, lots of ways to deploy it. The numbers are in really, really good shape.

Jonathan Arnold - ***Deutsche Bank - Analyst***

And did you come close on Bridgeport Harbor, or was it --

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

(Laughter) Nice try, Jonathan. We're not going to reveal close or not close because as soon as I give you a qualitative answer, you'll try to narrow it further.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Thank you.

Kathleen Lally - ***Public Service Enterprise Group - VP of IR***

Operator, Ralph is going to have closing remarks and then we'll complete the call, thank you.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Thanks, Kathleen. Something just a little bit out of character. As many of you know -- as all of you know, there's probably no bigger fan of our employees than yours truly here. There is one that I just want to make special mention of, that many of you probably have never met before, but after 40 years of service to the industry and 10 years with us, 8 years as our Chief Nuclear Officer, we did announce the retirement of Tom Joyce.

Tom is just a quintessential professional. Not only did he just create tremendous value for our customers and shareholders, but he did what's expected of every strong leader and that is he leaves behind an incredibly solid team and groomed a talented successor. I just can't thank Tom enough and I thanked him yesterday in front of employees, so I want to make sure I thank him today in front of our investors.

As to the rest of my comments, it's simply this. For those in the Northeast, I hope you stay warm. Hang in there. Our plants are running, our gas pressures on the system are good, if not only even Northeast but you're in our service territory, and I hope to see all of you a week from Monday at our Annual Financial Conference. I hope you're as pleased as we are with our results and the outlook for 2015 looks even stronger. See you soon. Thank you.

Kathleen Lally - ***Public Service Enterprise Group - VP of IR***

Thank you, operator.

Operator

Ladies and gentlemen that does conclude your conference call for today. You may now disconnect and thank you for your participation.

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For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2014 RESULTS

$2.99 NET INCOME PER SHARE

Operating Earnings of $2.76 Per Share Exceeds Guidance of $2.60 - $2.75 Per Share

Company Provides 2015 Guidance of $2.75 - $2.95 Per Share

(February 20, 2015 – Newark, NJ) Public Service Enterprise Group (PSEG) reported today 2014 Net Income of $1,518 million or $2.99 per share as compared to Net Income of $1,243 million, or $2.45 per share for 2013. Operating Earnings for the year 2014 were $1,400 million or $2.76 per share compared to 2013 Operating Earnings of $1,309 million or $2.58 per share.

PSEG also reported Net Income for the fourth quarter of 2014 of $476 million, or $0.94 per share. This compares to fourth quarter 2013 Net Income of $200 million, or $0.39 per share. Operating Earnings for the fourth quarter of 2014 were $247 million, or $0.49 per share compared to fourth quarter 2013 Operating Earnings of $248 million, or $0.49 per share.

"We are delighted with our results. Our strategy has transformed our business mix and resulted in continued growth in earnings. PSEG reported operating earnings for 2014 above the upper end of guidance," said Ralph Izzo, chairman, president and chief executive officer. "Our financial performance is a direct result from disciplined capital allocation. We are seeing the benefits of an expanded capital program contributing to double-digit earnings growth from our regulated company, PSE&G, which has grown to represent 52% of 2014's operating earnings while Power's successful management of its gas supply arrangements supported better than anticipated earnings. Our utility customers have benefited from improvements in reliability and our ability to pass along savings in gas costs. Our Board's recent decision to meaningfully increase the common dividend by 5.4% to the indicative annual level of $1.56 per share is an expression of confidence in our outlook, the continued growth of our utility and an acknowledgment of our strong financial position."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of gains/(losses) associated with Nuclear Decommissioning Trust (NDT) investments and Mark-To-Market (MTM) accounting as well as other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the full year and fourth quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
Full-Year Comparative Results
2014 and 2013

	Income ($ millions)		Diluted Earnings Per Share	
	2014	**2013**	**2014**	**2013**
Operating Earnings	$1,400	$1,309	$2.76	$2.58
Reconciling Items	118	(66)	0.23	(0.13)
Net Income	**$1,518**	**$1,243**	**$2.99**	**$2.45**
		Avg. Shares	**508M**	**508M**

PSEG CONSOLIDATED EARNINGS (unaudited)
Fourth Quarter Comparative Results
2014 and 2013

	Income ($ millions)		Diluted Earnings Per Share	
	2014	**2013**	**2014**	**2013**
Operating Earnings	$247	$248	$0.49	$0.49
Reconciling Items	229	(48)	0.45	(0.10)
Net Income	**$476**	**$200**	**$0.94**	**$0.39**
		Avg. Shares	**508M**	**508M**

"Our core strategy – focused on operational excellence, financial strength and disciplined investment – is expected to yield a third year of growth in operating earnings over the coming year." Izzo continued, "For 2015, we are initiating Operating Earnings guidance of $2.75 - $2.95 per share. The hard work and dedication of the men and women of PSEG have been a major factor in our success and provide me with confidence in our ability to achieve our goals."

The following table outlines PSEG's 2014 operating earnings by subsidiary and expectations for 2015.

2015 Guidance and 2014 Operating Earnings
($ millions, except EPS)

	2015E	**2014A**
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/ Other	$40 - $45	$33
Operating Earnings	$1,395 - $1,500	$1,400
Earnings Per Share	$2.75 - $2.95	$2.76

E = Estimate

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 6 and 7 for detail regarding the quarter-over-quarter and year-over-year earnings reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $160 million ($0.32 per share) for the fourth quarter bringing full year operating earnings to $725 million ($1.43 per share). On a comparative basis, PSE&G reported operating earnings of $144 million ($0.29 per share) and $612 million ($1.21 per share) for the fourth quarter and full year 2013, respectively.

PSE&G's earnings in the fourth quarter benefited from a reduction in operating expenses and a return on its expanded infrastructure capital program which more than offset the impact of mild weather on sales. PSE&G's successful management of its investment program allowed it to earn its authorized return for the full year as it maintained its focus on satisfying the needs of customers.

PSE&G's investment in transmission infrastructure increased quarter-over-quarter earnings by $0.02 per share. The transmission earnings improvement in the fourth quarter was less than the increase experienced during the first three quarters of the year, and reflects the impact on rate base from an expansion of bonus depreciation at the end of the year. Tight control of operating expenses and lower pension costs together resulted in a quarter-over-quarter increase in earnings of $0.04 per share. A continued improvement in gas volume and demand – which improved quarter-over-quarter earnings by $0.01 per share – was offset by a similar decline in electric volume and demand. Weather, which was mild relative to conditions experienced in the prior year, reduced earnings comparisons by $0.01 per share. Earnings were reduced by $0.02 per share due to the absence of a tax-related change which benefited earnings in the prior year's fourth quarter.

Economic conditions continue to exhibit signs of improvement in the service area. On a weather-normalized basis, gas deliveries are estimated to have increased 1% in the quarter and 3.1% for the year. Demand continues to benefit not only from the improvement in the economy and but also from lower commodity prices. On a weather-normalized basis, electric sales are estimated to have declined by 2.3% in the fourth quarter and increased by 0.3% for the year. The decline in the quarter is impacted by a number of winter storms at the end of 2013 that increased residential consumption, and decreases in demand this quarter from large customers. The increase for the year is indicative of improving economic conditions partially offset by continued customer conservation.

PSE&G announced that it would provide its residential gas customers with a credit against their bill for the months of February and March. The credit is an extension of the bill credits PSE&G provided its residential customers for gas usage in November, December and January. With these credits, a typical residential customer would experience savings on their bill over the five months of approximately $210, or about 31%.

An increase in revenue of $182 million under PSE&G's transmission formula rate went into effect on January 1, 2015. The increase in revenue will provide PSE&G with recovery of and a return on its forecast of transmission related capital expenditures through the year. Each year, transmission revenues are adjusted to reflect an update of data that was estimated in the formula rate filing. The adjustment for 2015 will include the impact of the extension of bonus

depreciation, which was enacted after the formula rate filing was made, and is estimated to reduce our 2015 revenue increase as filed by approximately $21 million. PSE&G's investment in transmission grew to $4.5 billion at the end of 2014 to represent 39% of the company's consolidated rate base of $11.4 billion.

PSE&G's operating earnings for 2015 are forecast at $735 million - $775 million. Operating earnings will be influenced by an increase in transmission revenues and construction activity associated with the Energy Strong capital program approved in 2014.

PSEG Power

PSEG Power reported operating earnings of $91 million ($0.18 per share) for the fourth quarter of 2014, bringing full year operating earnings to $642 million ($1.27 per share). On a comparative basis, PSEG Power reported operating earnings of $115 million ($0.23 per share) and $710 million ($1.40 per share) for the fourth quarter and full year 2013, respectively.

PSEG Power's operating earnings in the fourth quarter were influenced by the known decline in capacity revenues, lower market prices for energy offset by the monetization of its gas supply position and a reduction in operation and maintenance expense.

A decline in average PJM capacity prices to $166/MW-day from $244/MW-day on June 1, 2014 reduced Power's quarter-over-quarter earnings by $0.09 per share. A decline in the average price received on energy hedges and lower market prices were more than offset by strong margins on gas sales to increase Power's quarter-over-quarter earnings comparisons by $0.01 per share. Operation and maintenance (O&M) expenditures were lower than levels experienced in the year-ago period, which was heavily influenced by outage related work. A decline in O&M improved quarter-over-quarter earnings comparisons by $0.05 per share. Higher levels of depreciation and interest expense along with miscellaneous items combined to reduce quarterly earnings comparisons by $0.02 per share.

Power's output increased 3.1% in the quarter from year-ago levels. For the year, output increased 1.3% to 54.2 TWh. The fleet's flexibility in response to volatile markets was demonstrated in the quarter and throughout the year as 2014's output represented the third highest level in the fleet's history as a merchant producer. The nuclear fleet produced 29.1 TWh (54% of total generation) operating at an average capacity factor during the year of 89.3%. Hope Creek experienced its second best year operating at a 97.9% capacity factor which partially offset the impact of an extended refueling outage at Salem 2. The market is rewarding efficient combined cycle gas units. The gas-fired combined cycle fleet (CCGTs) set a generation record during the year. The fleet produced 16.5 TWh (30% of total generation) during the year with record levels of output from the Bergen Station and Linden 1. The coal fleet produced 7.4 TWh (14% of total generation). The peaking fleet's responsiveness during the abnormally cold weather experienced early in the year led to full year production of 1.2 TWh (2% of total generation).

Power is forecasting an improvement in output for 2015 to 55 – 57 TWh. The improvement – largely at nuclear -- takes into consideration the Peach Bottom uprate and a forecast increase in output at the Salem station. Following completion of the Basic Generation Service auction in New Jersey in early February 2015, Power enters the year with 100% of its baseload generation hedged. Approximately 75% - 80% of anticipated annual production is hedged at an average price of $52 per MWh which compares with average hedge prices in 2014 of $48 per MWh. Power has hedged approximately 50% -- 55% of its forecast generation in 2016 of 55 – 57 TWh

at an average price of $52 per MWh. For 2017, Power has hedged 25% -- 30% of forecast production of 55 – 57 TWh at an average price of $52 per MWh. Power assumes BGS volumes will represent approximately 11.5 TWh in each of 2015 and 2016 – consistent with 2014's deliveries under the BGS contract.

Power's operating earnings for 2015 are forecast at $620 - $680 million. Results for the full year will be affected by a decline in capacity revenues, an increase in the average price received on energy hedges, Power's role as agent for LIPA's generation portfolio, and a modest increase in operation and maintenance expense.

PSEG Enterprise/Other

PSEG Enterprise/Other reported a loss in operating earnings for the fourth quarter of $4 million ($0.01 per share) compared to an operating earnings loss of $11 million ($0.03 per share) for the fourth quarter of 2013. The results for the fourth quarter brought the full year 2014 for PSEG Enterprise/Other to $33 million ($0.06 per share) versus Operating Earnings loss in 2013 of $13 million ($0.03 per share).

The difference in operating results quarter-over-quarter primarily reflects the absence of tax payments and other items in the fourth quarter of 2013. For the year, the operating contract for PSEG Long Island contributed $0.02 per share to earnings, in line with expectations.

For 2015, operating earnings for PSEG Enterprise/Other are forecast to be $40 - $45 million. Results will be influenced by contractual payments associated with the operation of PSEG Long Island, and income on the lease portfolio including the renegotiation and extension of the lease on the Grand Gulf nuclear generating facility.

Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,

- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended December 31,		*Year-Ended December 31,*	
	2014	***2013***	***2014***	***2013***
Earnings Results ($ Millions)				
PSE&G	$ 160	$ 144	$ 725	$ 612
PSEG Power	91	115	642	710
PSEG Enterprise/Other	(4)	(11)	33	(13)
Operating Earnings	**$ 247**	**$ 248**	**$ 1,400**	**$ 1,309**
Reconciling Items [(a)]	229	(48)	118	(66)
Net Income	**$ 476**	**$ 200**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
Per Share Results (Diluted)				
PSE&G	$ 0.32	$ 0.29	$ 1.43	$ 1.21
PSEG Power	0.18	0.23	1.27	1.40
PSEG Enterprise/Other	(0.01)	(0.03)	0.06	(0.03)
Operating Earnings	**$ 0.49**	**$ 0.49**	**$ 2.76**	**$ 2.58**
Reconciling Items [(a)]	0.45	(0.10)	0.23	(0.13)
Net Income	**$ 0.94**	**$ 0.39**	**$ 2.99**	**$ 2.45**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended December 31, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,773	$ (368)	$ 1,531	$ 1,610
OPERATING EXPENSES				
Energy Costs	878	(464)	631	711
Operation and Maintenance	780	97	368	315
Depreciation and Amortization	308	7	224	77
Total Operating Expenses	1,966	(360)	1,223	1,103
OPERATING INCOME	807	(8)	308	507
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	75	(2)	17	60
Other Than Temporary Impairments	(6)	-	-	(6)
Interest Expense	(98)	3	(71)	(30)
INCOME BEFORE INCOME TAXES	781	(7)	254	534
Income Tax Benefit (Expense)	(305)	3	(94)	(214)
NET INCOME	**$ 476**	**$ (4)**	**$ 160**	**$ 320**
OPERATING EARNINGS	$ 247	$ (4)	$ 160	$ 91
Reconciling Items Excluded from Net Income [b]	229	-	-	229
NET INCOME	**$ 476**	**$ (4)**	**$ 160**	**$ 320**

Three Months Ended December 31, 2013

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,318	$ (498)	$ 1,571	$ 1,245
OPERATING EXPENSES				
Energy Costs	825	(519)	633	711
Operation and Maintenance	818	27	435	356
Depreciation and Amortization	292	7	214	71
Taxes Other Than Income Taxes	18	-	18	-
Total Operating Expenses	1,953	(485)	1,300	1,138
OPERATING INCOME	365	(13)	271	107
Income from Equity Method Investments	2	(2)	-	4
Other Income and (Deductions)	41	1	13	27
Other Than Temporary Impairments	(5)	-	-	(5)
Interest Expense	(99)	2	(70)	(31)
INCOME BEFORE INCOME TAXES	304	(12)	214	102
Income Tax Benefit (Expense)	(104)	1	(70)	(35)
NET INCOME	**$ 200**	**$ (11)**	**$ 144**	**$ 67**
OPERATING EARNINGS	$ 248	$ (11)	$ 144	$ 115
Reconciling Items Excluded from Net Income [b]	(48)	-	-	(48)
NET INCOME	**$ 200**	**$ (11)**	**$ 144**	**$ 67**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Year-Ended December 31, 2014

	PSEG	PSEG Enterprise/ Other [(a)]	PSE&G	PSEG Power
OPERATING REVENUES	$ 10,886	$ (1,314)	$ 6,766	$ 5,434
OPERATING EXPENSES				
Energy Costs	3,886	(1,770)	2,909	2,747
Operation and Maintenance	3,150	406	1,558	1,186
Depreciation and Amortization	1,227	29	906	292
Total Operating Expenses	8,263	(1,335)	5,373	4,225
OPERATING INCOME	2,623	21	1,393	1,209
Income from Equity Method Investments	13	(1)	-	14
Other Income and (Deductions)	229	1	58	170
Other Than Temporary Impairments	(20)	-	-	(20)
Interest Expense	(389)	10	(277)	(122)
INCOME BEFORE INCOME TAXES	2,456	31	1,174	1,251
Income Tax Benefit (Expense)	(938)	2	(449)	(491)
NET INCOME	**$ 1,518**	**$ 33**	**$ 725**	**$ 760**
OPERATING EARNINGS	$ 1,400	$ 33	$ 725	$ 642
Reconciling Items Excluded from Net Income [(b)]	118	-	-	118
NET INCOME	**$ 1,518**	**$ 33**	**$ 725**	**$ 760**

Year-Ended December 31, 2013

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 9,968	$ (1,750)	$ 6,655	$ 5,063
OPERATING EXPENSES				
Energy Costs	3,536	(1,801)	2,841	2,496
Operation and Maintenance	2,887	24	1,639	1,224
Depreciation and Amortization	1,178	33	872	273
Taxes Other Than Income Taxes	68	-	68	-
Total Operating Expenses	7,669	(1,744)	5,420	3,993
OPERATING INCOME	2,299	(6)	1,235	1,070
Income from Equity Method Investments	11	(5)	-	16
Other Income and (Deductions)	159	3	51	105
Other Than Temporary Impairments	(12)	-	-	(12)
Interest Expense	(402)	7	(293)	(116)
INCOME BEFORE INCOME TAXES	2,055	(1)	993	1,063
Income Tax Benefit (Expense)	(812)	(12)	(381)	(419)
NET INCOME	**$ 1,243**	**$ (13)**	**$ 612**	**$ 644**
OPERATING EARNINGS	$ 1,309	$ (13)	$ 612	$ 710
Reconciling Items Excluded from Net Income [(b)]	(66)	-	-	(66)
NET INCOME	**$ 1,243**	**$ (13)**	**$ 612**	**$ 644**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	December 31, 2014	December 31, 2013
DEBT		
Long-Term Debt	$ 8,869	$ 8,131
Securitization Debt	259	496
Project Level, Non-Recourse Debt	16	16
Total Debt	9,144	8,643
STOCKHOLDERS' EQUITY		
Common Stock	4,876	4,861
Treasury Stock	(635)	(615)
Retained Earnings	8,227	7,457
Accumulated Other Comprehensive Loss	(283)	(95)
Total Common Stockholders' Equity	12,185	11,608
Noncontrolling Interests - Equity Investments	1	1
Total Equity	12,186	11,609
Total Capitalization	$ 21,330	$ 20,252

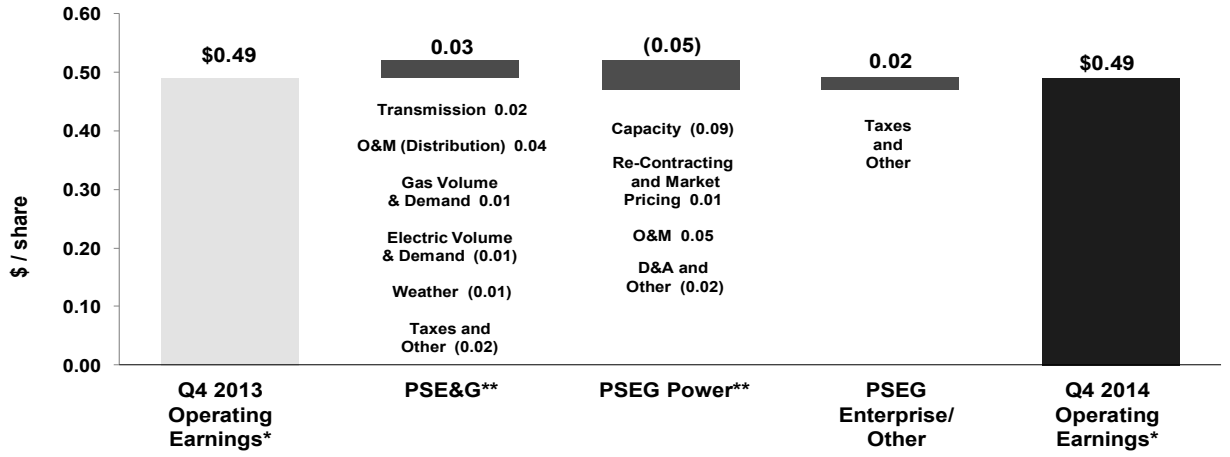
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Year-Ended December 31, 2014	Year-Ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,518	$ 1,243
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,642	1,915
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,160	3,158
NET CASH USED IN INVESTING ACTIVITIES	(2,892)	(2,801)
NET CASH USED IN FINANCING ACTIVITIES	(359)	(243)
Net Change in Cash and Cash Equivalents	(91)	114
Cash and Cash Equivalents at Beginning of Period	493	379
Cash and Cash Equivalents at End of Period	$ 402	$ 493

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
December 31, 2014 vs. December 31, 2013
(Unaudited)

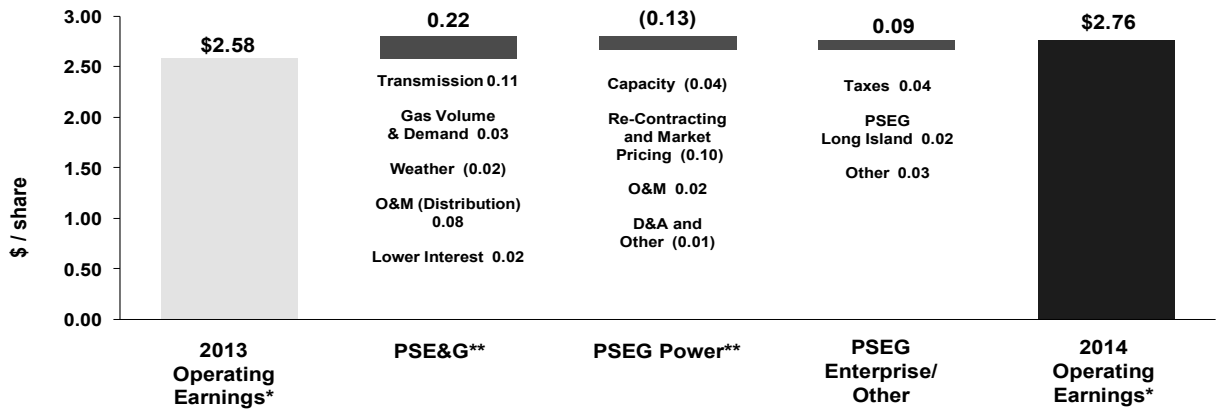


* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.

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

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
December 31, 2014 vs. December 31, 2013
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended December 31,		GWhr Breakdown Year-End December 31,	
	2014	2013	2014	2013
Nuclear - NJ	5,069	4,463	19,722	20,098
Nuclear - PA	1,887	2,249	9,386	9,397
Total Nuclear	**6,956**	**6,712**	**29,108**	**29,495**
Fossil - Coal/Natural Gas - NJ**	(19)	55	1,421	1,141
Fossil - Coal - PA	1,163	1,485	5,108	5,491
Fossil - Coal - CT	122	257	832	691
Total Coal	**1,266**	**1,797**	**7,361**	**7,323**
Fossil - Oil & Natural Gas - NJ	3,503	2,999	12,922	12,579
Fossil - Oil & Natural Gas - NY	1,129	932	4,527	3,952
Fossil - Oil & Natural Gas - CT	5	31	244	109
Total Oil & Natural Gas	**4,637**	**3,962**	**17,693**	**16,640**
	12,859	**12,471**	**54,162**	**53,458**

	% Generation by Fuel Type Three Months Ended December 31,		% Generation by Fuel Type Year-End December 31,	
	2014	2013	2014	2013
Nuclear - NJ	39%	36%	37%	38%
Nuclear - PA	15%	18%	17%	17%
Total Nuclear	**54%**	**54%**	**54%**	**55%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	3%	2%
Fossil - Coal - PA	9%	12%	9%	11%
Fossil - Coal - CT	1%	2%	2%	1%
Total Coal	**10%**	**14%**	**14%**	**14%**
Fossil - Oil & Natural Gas - NJ	27%	24%	24%	24%
Fossil - Oil & Natural Gas - NY	9%	8%	8%	7%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**36%**	**32%**	**32%**	**31%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months and twelve months ended December 31, 2014 and 2013. Also includes natural gas fuel switching intervals.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2014

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2013	Year Ended	Change vs. 2013
Residential	2,804	-5.3%	13,081	-3.0%
Commercial & Industrial	6,404	-2.6%	27,329	-0.5%
Street Lighting	95	-3.3%	327	-0.9%
Interdepartmental	2	-0.1%	10	2.5%
Total	9,305	-3.5%	40,747	-1.3%
Revenue (in millions)				
Residential	$ 435	-4.2%	$ 2,055	-1.3%
Commercial & Industrial	419	-4.1%	2,052	1.0%
Street Lighting	18	-3.3%	69	-1.6%
Other Operating Revenues*	125	18.9%	508	19.5%
Total	$ 996	-1.7%	$ 4,684	1.7%

Weather Data	Three Months Ended	Change vs. 2013	Year Ended	Change vs. 2013
THI Hours - Actual	245	-57.6%	13,764	-21.7%
THI Hours - Normal	301		16,073	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2014

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2013	Year Ended	Change vs. 2013
Firm Sales				
Residential Sales	444	-2.8%	1,573	9.1%
Commercial & Industrial	284	-0.9%	1,055	8.6%
Total Firm Sales	**728**	**-2.1%**	**2,628**	**8.9%**
Non-Firm Sales				
Commercial & Industrial	639	20.6%	2,467	76.3%
Total Non-Firm Sales	**639**		**2,467**	
Total Sales	**1,367**	**7.3%**	**5,095**	**33.6%**
Revenue ($ millions)				
Residential Sales - Firm	$ 83	-12.9%	$ 491	-8.4%
Commercial & Industrial - Firm Sales	81	9.7%	314	28.1%
Non-Firm Sales	8	-19.8%	41	-3.2%
Other Operating Revenues**	44	-3.0%	172	1.4%
Total	**$ 216**	**-3.9%**	**$ 1,018**	**2.5%**
Gas Transported	$ 319	-4.0%	$ 1,064	0.9%

Weather Data	Three Months Ended	Change vs. 2013	Year Ended	Change vs. 2013
Degree Days - Actual	1,607	-4.2%	5,078	5.9%
Degree Days - Normal	1,617		4,653	

*CSG rate included in non-firm sales

**Primarily Appliance Service.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Year Ended December 31, 2014	Year Ended December 31, 2013
Weighted Average Common Shares Outstanding (millions)				
Basic	506	506	506	506
Diluted	508	508	508	508
Stock Price at End of Period			$ 41.41	$ 32.04
Dividends Paid per Share of Common Stock	$ 0.37	$ 0.36	$ 1.48	$ 1.44
Dividend Payout Ratio*			53.6%	55.8%
Dividend Yield			3.6%	4.5%
Price/Earnings Ratio*			15.0	12.4
Rate of Return on Average Common Equity*			11.8%	11.8%
Book Value per Common Share			$ 24.09	$ 22.95
Market Price as a Percent of Book Value			172%	140%
Total Shareholder Return	12.2%	-1.6%	34.4%	9.4%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Year Ended December 31, 2014	Year Ended December 31, 2013
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	$ 247	$ 248	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	28	11	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	204	(52)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	(3)	(7)	(16)	(32)
Net Income	$ 476	$ 200	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
Per Share Impact (Diluted)				
Operating Earnings	$ 0.49	$ 0.49	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.02	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.40	(0.11)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	(0.03)	(0.07)
Net Income	$ 0.94	$ 0.39	$ 2.99	$ 2.45

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

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Year-end 2015

February 19, 2016

SI-SSA-0015-12616

Forward-Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1A. Risk Factors, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), Item 8. Financial Statements and Supplementary Data—Note 12. Commitments and Contingent Liabilities, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12617

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2015 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12619

Q4 Earnings Summary – Strong Operating Results

Quarter ended December 31

$ millions (except EPS)	2015	2014
Operating Earnings	$ 255	$ 247
Reconciling Items, Net of Tax	54	229
Net Income	$ 309	$ 476
EPS from Operating Earnings*	$ 0.50	$ 0.49

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

SI-SSA-0015-12620

Full-year Earnings Summary – 5.4% Increase in Operating Earnings

Twelve Months ended December 31

$ millions (except EPS)	2015	2014
Operating Earnings	$ 1,476	$ 1,400
Reconciling Items, Net of Tax	203	118
Net Income	$ 1,679	$ 1,518
EPS from Operating Earnings*	$ 2.91	$ 2.76

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

SI-SSA-0015-12621

PSEG 2015 – A Year of Successful Deployment of Capital and Strong Operating Performance

- **Strong 2015 financial performance – at upper half of guidance**
  - ✓ Operating earnings of $2.91 per share, up 5.4%, the 3rd consecutive year of growth
  - ✓ PSE&G achieved 9% growth in earnings, at the upper end of guidance
  - ✓ PSEG Power's operating earnings in line with guidance

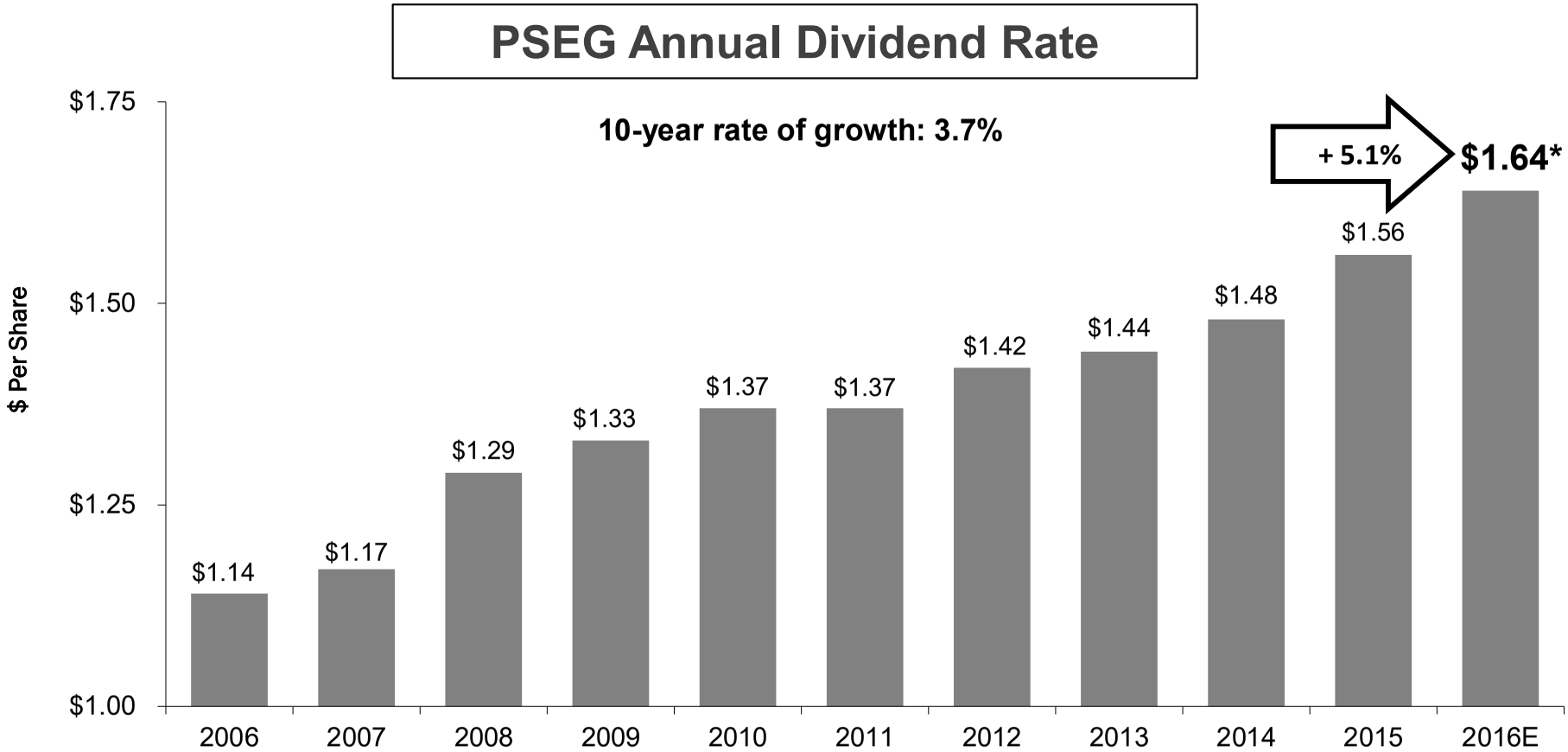
- **Continued operational excellence**
  - ✓ Power generation up 2% for the year led by record CCGT production and solid nuclear performance
  - ✓ PSE&G recognized for the 14th consecutive year as the Mid-Atlantic region's most reliable electric utility; named Electric Light & Power's Utility of the Year for 2015

- **Disciplined capital investment – producing results**
  - ✓ PSEG capital program invested $3.6 billion in 2015 at PSE&G (75%) and Power (25%)
  - ✓ PSEG Power announced $2.0 billion of investment in new, gas fired generation and continuing capacity expansion work at fossil units
  - ✓ PSE&G's GSMP ($905 million over 3 years) approved for gas infrastructure replacement
  - ✓ Energy Strong investments continue ($556 million spent through 2015 of the original $1.22 billion program)
  - ✓ Energy Efficiency II Extension approved (~$95 million)

SI-SSA-0015-12622

PSEG Annual Dividend – Increased 5.1% to $1.64 per share

Continuing an improved rate of growth in the dividend, building on a 109-year history of returning cash to the shareholder



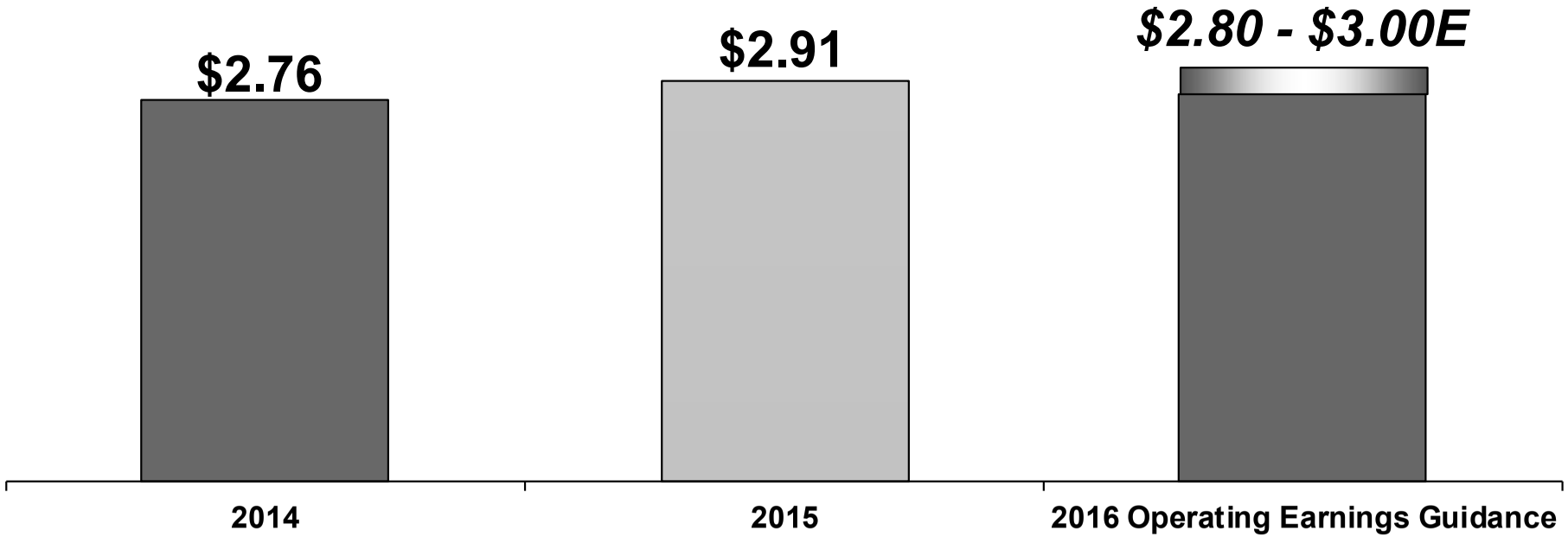
Payout Ratio	66%	43%	44%	43%	44%	50%	58%	56%	54%	54%	57%**

*INDICATED ANNUAL 2016 PSEG COMMON DIVIDEND RATE PER SHARE.
**2016 PAYOUT RATIO REFLECTS THE INDICATED ANNUAL DIVIDEND RATE DIVIDED BY THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE.

SI-SSA-0015-12623

PSEG 2016 Earnings Guidance

Growth in regulated operations offsetting commodity market weakness in 2016



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

SI-SSA-0015-12624

PSEG
2015 Q4 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-12625

Q4 Operating Earnings by Subsidiary

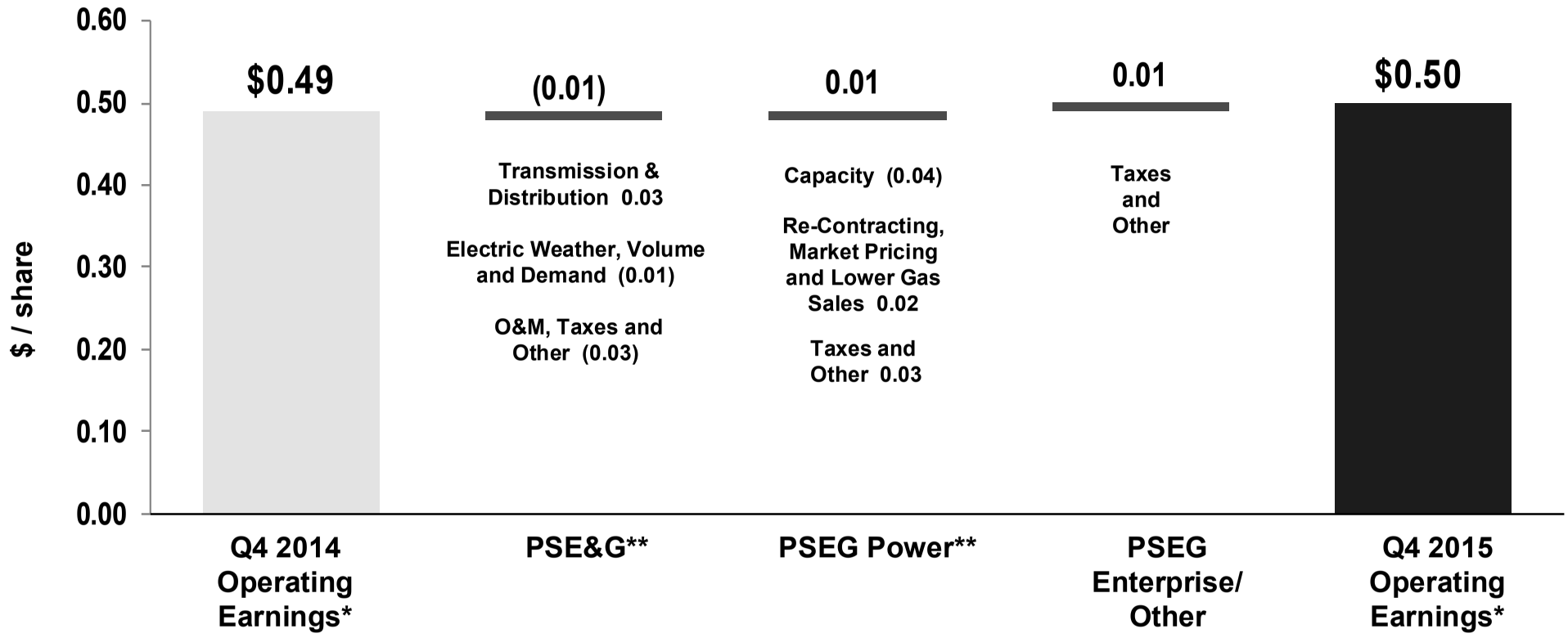
Quarter ended December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 156	$ 160	$ 0.31	$ 0.32
PSEG Power	95	91	0.19	0.18
PSEG Enterprise/Other	4	(4)	-	(0.01)
Operating Earnings*	$ 255	$ 247	$ 0.50	$ 0.49

SI-SSA-0015-12626

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

PSEG EPS Reconciliation – Q4 2015 versus Q4 2014



SI-SSA-0015-12627

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Strong Full-year Operating Earnings Achieved – Up 5.4%

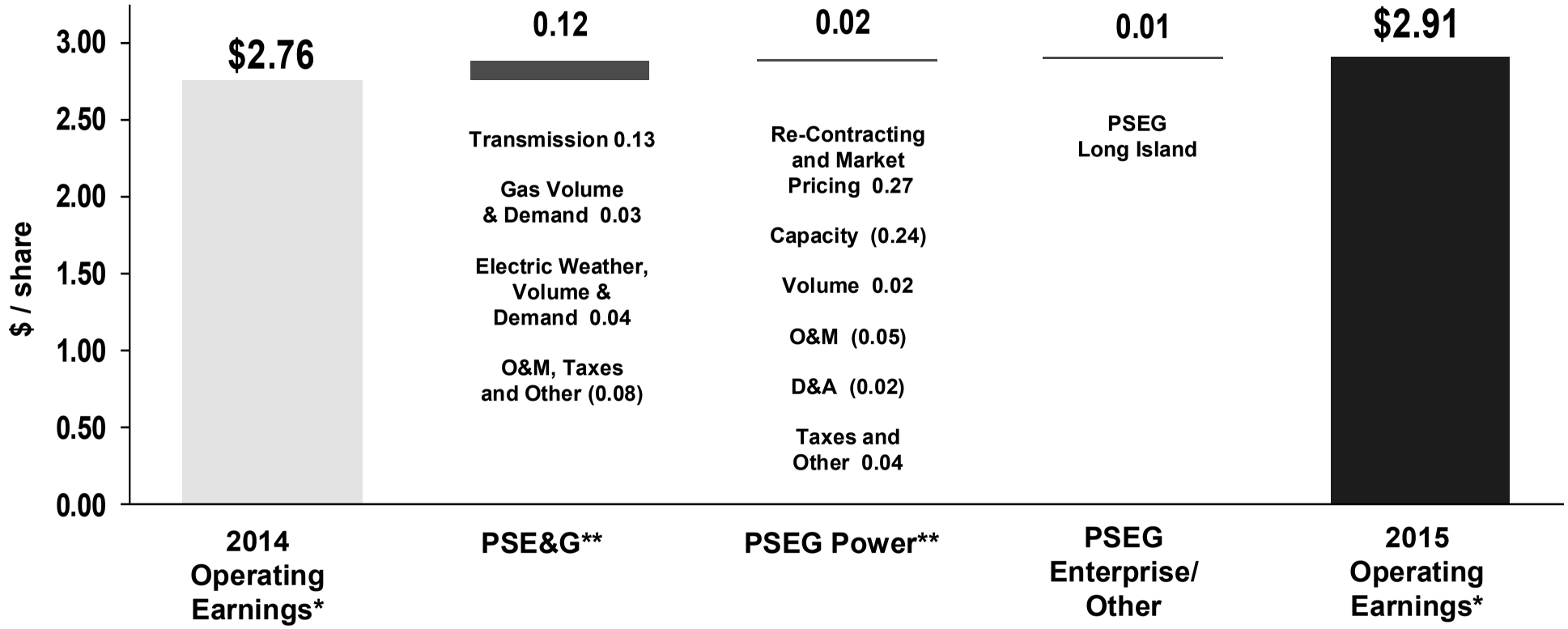
Twelve Months ended
December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 787	$ 725	$ 1.55	$ 1.43
PSEG Power	653	642	1.29	1.27
PSEG Enterprise/Other	36	33	0.07	0.06
Operating Earnings*	$ 1,476	$ 1,400	$ 2.91	$ 2.76

SI-SSA-0015-12628

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

PSEG EPS Reconciliation – Full-year 2015 versus Full-year 2014



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

SI-SSA-0015-12629

PSE&G
2015 Q4 Review

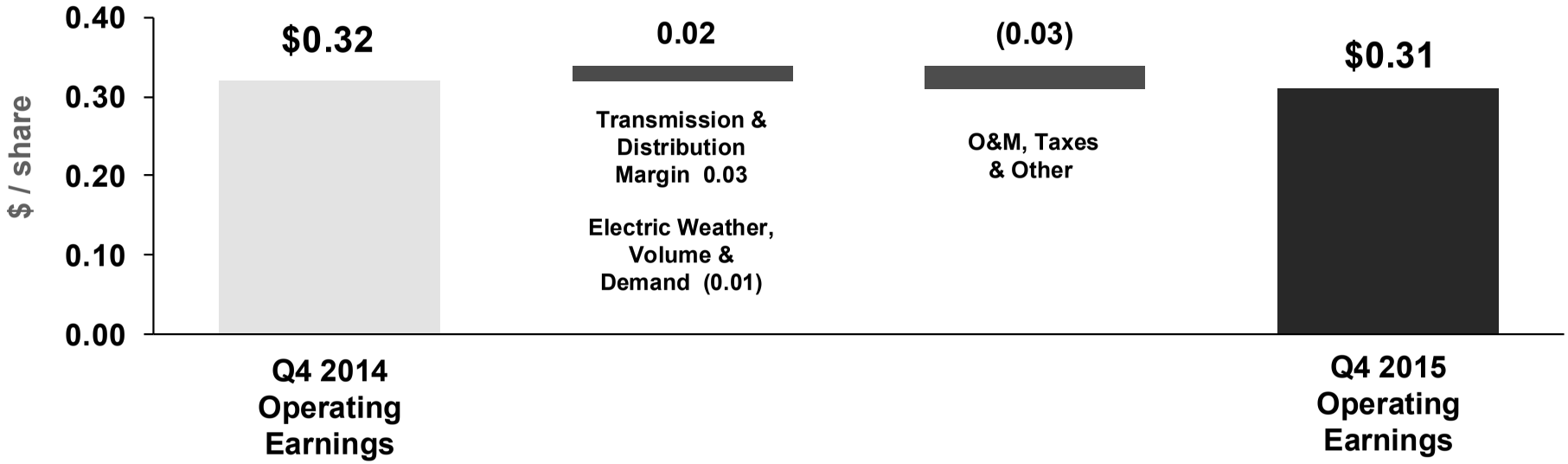
SI-SSA-0015-12630

PSE&G – Q4 Earnings Summary

$ millions (except EPS)	Q4 2015	Q4 2014	Variance
Operating Revenues	$ 1,402	$ 1,531	$ (129)
Operating Expenses			
Energy Costs	546	631	(85)
Operation & Maintenance	389	368	21
Depreciation & Amortization	180	224	(44)
Total Operating Expenses	1,115	1,223	(108)
Operating Earnings / Net Income	$ 156	$ 160	$ (4)
EPS from Operating Earnings	$ 0.31	$ 0.32	$ (0.01)

SI-SSA-0015-12631

PSE&G EPS Reconciliation – Q4 2015 versus Q4 2014



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

SI-SSA-0015-12632

PSE&G – Q4 Operating Highlights

Operations

- ✓ Q4 weather dominated by warmest December on record; average December temperature of 47.8°F resulted in heating degree days that were 31% below Q4 2014 and normal
- ✓ Low natural gas prices continue to benefit weather normalized gas sales, up 2.1% for Q4 and up 2.2% for full-year 2015
- ✓ Electric sales rose 0.8% in Q4 and 0.5% for the year on a weather adjusted basis, reflecting improved economic conditions in the quarter

Regulatory and Market Environment

- ✓ FERC formula rate revenue increase of $146 million effective January 1, 2016; update for bonus depreciation adjustment would lower revenue by $27 million
- ✓ PSE&G will credit residential gas customers with ~$155 million in BGSS bill credits this winter
- ✓ PSE&G recognized for the 14th year as the Mid-Atlantic region's most reliable electric utility; named Electric Light & Power's Utility of the year for 2015

Financial

- ✓ PSE&G earned its authorized return in 2015
- ✓ PSE&G's 2016 operating earnings guidance range is $875 - $925 million, a 14% increase over 2015 operating earnings of $787 million
- ✓ Investment in transmission increased to 43% of rate base at year-end 2015, as rate base expanded by 14% to $13.4 billion

PSEG Power
2015 Q4 Review

SI-SSA-0015-12634

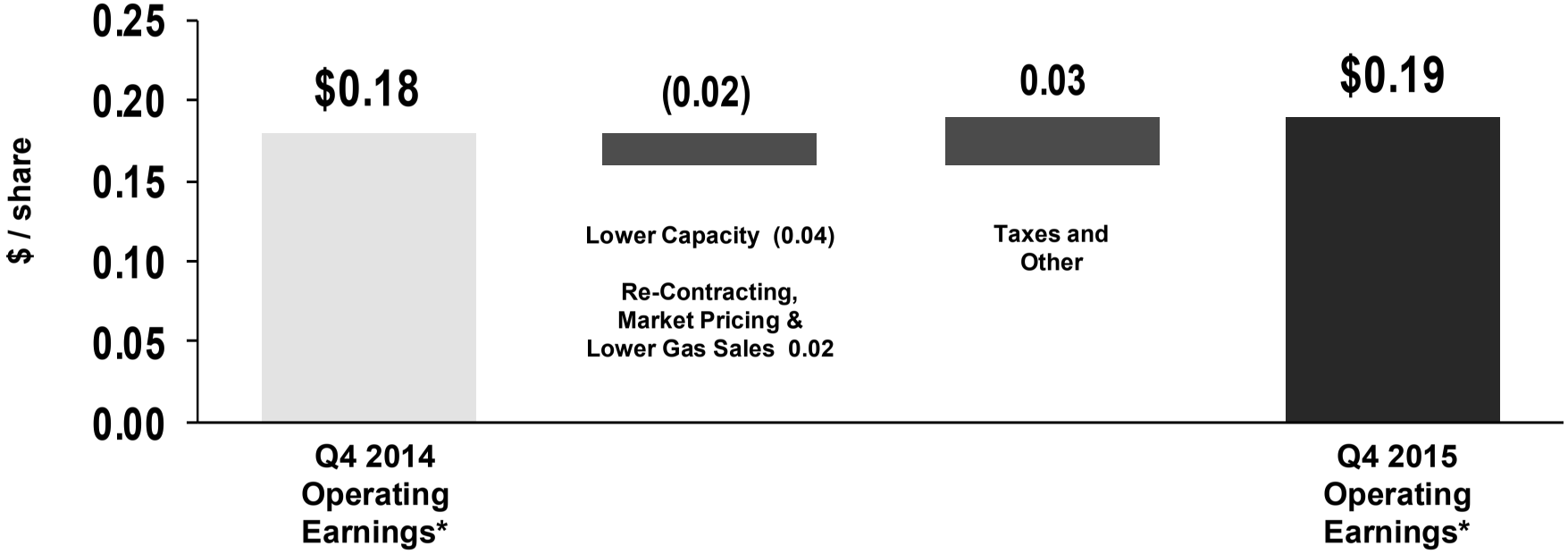
PSEG Power – Q4 EPS Summary

$ millions (except EPS)	Q4 2015	Q4 2014	Variance
Operating Revenues	$ 1,082	$ 1,610	$ (528)
Operating Earnings	95	91	4
Pro Forma Adjustments, Net of Tax**	54	229	(175)
Net Income	$ 149	$ 320	$ (171)
EPS from Operating Earnings*	$ 0.19	$ 0.18	$ 0.01

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-12635

PSEG Power EPS Reconciliation – Q4 2015 versus Q4 2014



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

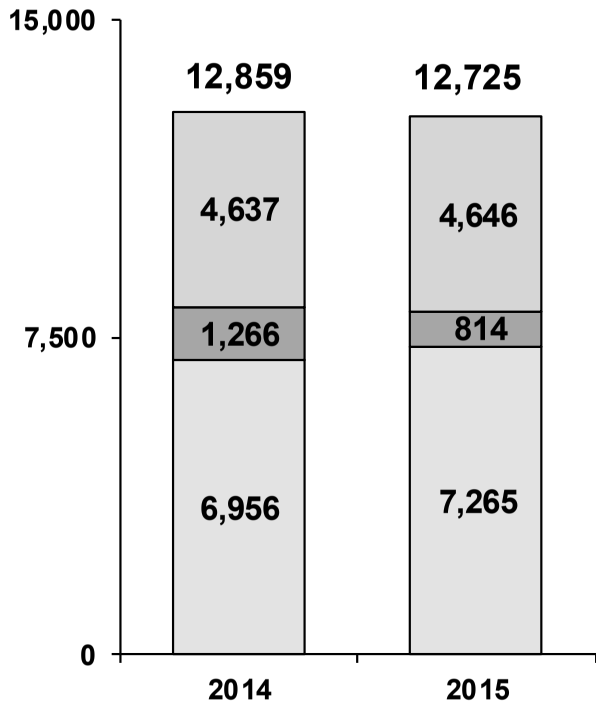
Results may not add to totals due to rounding.

SI-SSA-0015-12636

PSEG Power – Q4 Generation Measures – Volume %

PSEG Power – Generation (GWh)

Quarter ended December 31



PSEG Power – Capacity Factors (%)

Quarter ended December 31

	2014	2015
Combined Cycle		
PJM and NY	59.9%	64.2%
Coal*		
NJ (Coal/Gas)	0.7%	0.2%
PA	68.4%	48.6%
CT	13.8%	0.2%
Nuclear	84.5%	85.4%

Total Nuclear Total Coal* Oil & Natural Gas

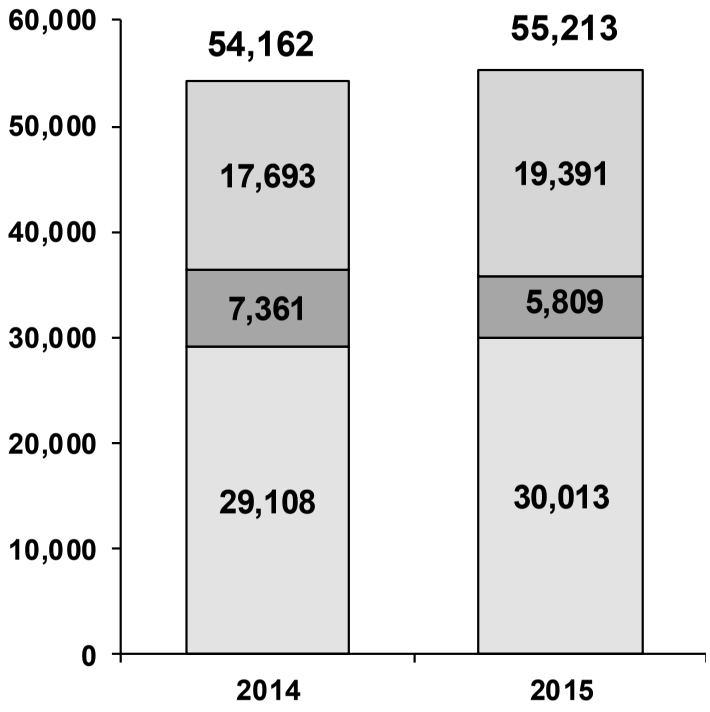
* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-12637

PSEG Power – Full-Year Generation Measures – Volume %

PSEG Power – Generation (GWh)

Twelve months ended December 31



PSEG Power – Capacity Factors (%)

Twelve months ended December 31

	2014	2015
Combined Cycle		
PJM and NY	56.0%	65.8%
Coal*		
NJ (Coal/Gas)	14.0%	5.6%
PA	75.7%	69.3%
CT	23.7%	17.9%
Nuclear	89.3%	90.4%

Total Nuclear Total Coal* Oil & Natural Gas

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

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PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

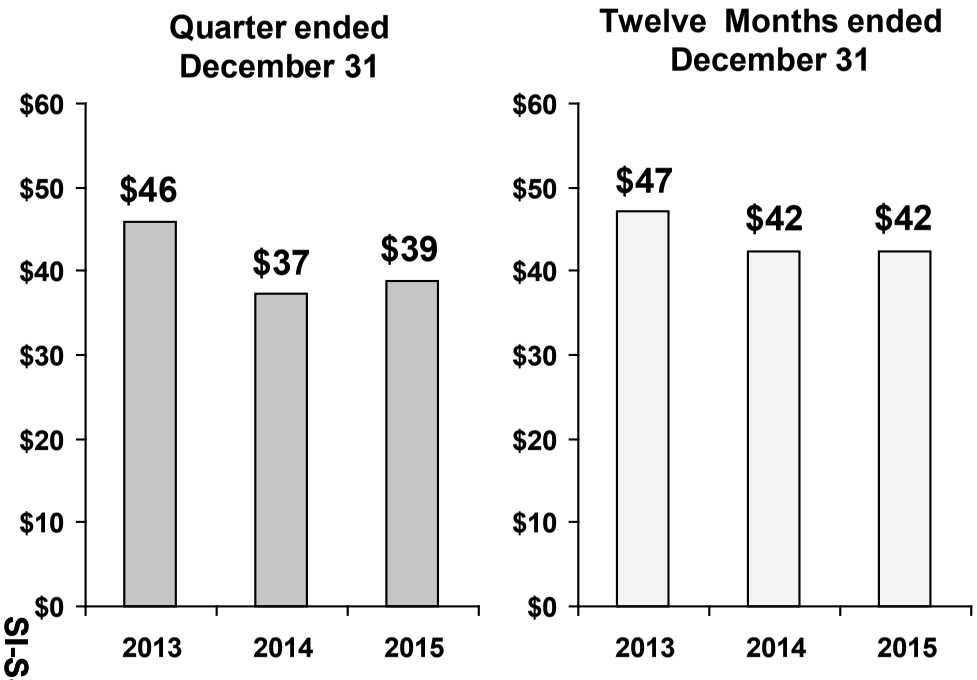
	Quarter ended December 31	
($ millions)	2014	2015
Coal	39	23
Oil & Gas	134	62
Total Fossil	173	85
Nuclear	49	51
Total Fuel Cost	222	136
Total Generation (GWh)	12,859	12,725
$ / MWh	17.23	10.73

	Twelve months ended December 31	
($ millions)	2014	2015
Coal	208	163
Oil & Gas	758	485
Total Fossil	966	648
Nuclear	210	213
Total Fuel Cost	1,176	861
Total Generation (GWh)	54,162	55,213
$ / MWh	21.72	15.59

PSEG Power – Q4 2015 Gross Margin Performance

- ✓ Favorable hedges offset declines in wholesale market prices
- ✓ Capacity revenues affected by HEDD retirements in second half 2015
- ✓ Market prices influenced by record mild weather
- ✓ Access to Marcellus gas continues to provide fuel cost savings

PSEG Power Gross Margin ($/MWh)



Regional Performance		
Region	**Q4 Gross Margin ($M)**	**Q4 2015 Performance**
PJM	$449	Favorable hedges offset declines in capacity revenues post HEDD retirements, lower market pricing and lower generation output
New England	$26	Lower generation and lower market pricing
New York	$19	Higher market demand

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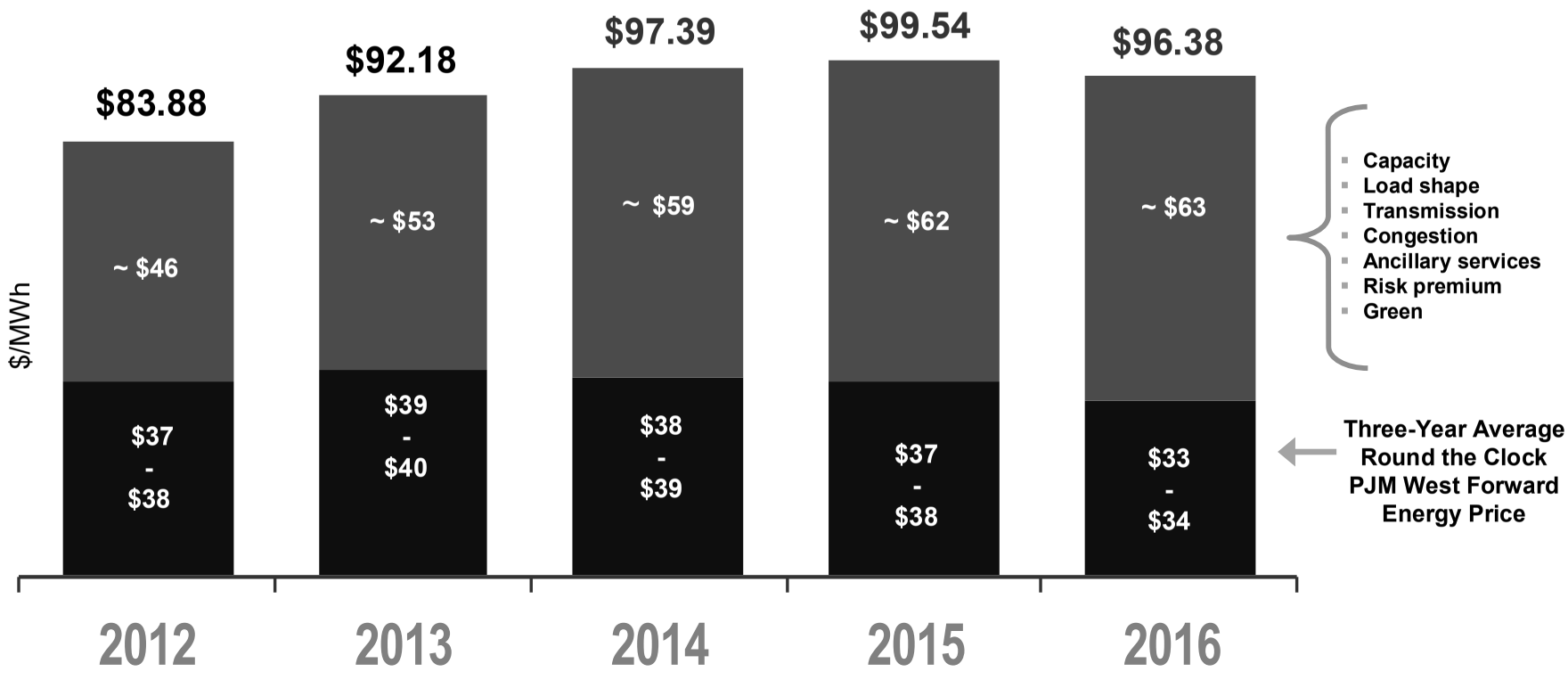
Market Perspective – 2016 BGS Auction Results

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



… Latest auction results reflect a decline in energy prices, and increase in cost of transmission, capacity and renewables

Note: BGS prices are quoted in $/MWh and reflect PSE&G Zone; results from the 2014-2016 auctions will be the new blended prices beginning June 1, 2016.

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Hedging Update…

Contracted Energy*

		2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	70-75%	25-30%
	Price $/MWh	$51	$50	$54
Intermediate, Combined Cycle, Peaking	Volume TWh	19	19	24
	% Hedged	15-20%	0%	0%
	Price $/MWh	$51	-	-
Total	Volume TWh	54-56	54-56	59-61
	% Hedged	70-75%	45-55%	15-20%
	Price $/MWh	$51	$50	$54

* HEDGE PERCENTAGES AND PRICES AS OF DECEMBER 31, 2015, UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-12642

PSEG Power – Q4 2015 Operating Highlights

Operations

- ✓ Q4 output down 1% over Q4 2014; full-year 2015 generation up 2% to 55.2 TWh on nuclear and CCGT production gains
- ✓ Nuclear fleet capacity factor of 90.4% for 2015; nuclear output of 30 TWh was 3rd best run
- ✓ New CCGT all-time production total of 18.4 TWh for 2015, up 11% over 2014's record output of 16.5 TWh on record performance at Linden 1&2 and Bethlehem Energy Center

Regulatory and Market Environment

- ✓ 2016 BGS auction priced at $96.38/MWh vs. $99.54/MWh in 2015
- ✓ 2016 expected generation output 54-56 TWh; BGS load projected at 11-12 TWhs
- ✓ Power cleared a new 485 MW CCGT unit at its existing Bridgeport Harbor site; Construction of the ~$550 million unit expected to begin 2017 for target completion in 2019
- ✓ Construction has commenced at Keys and Sewaren 7 for targeted 2018 in-service

Financial

- ✓ Power's total debt as a percentage of capitalization at year-end was 27%
- ✓ Power's FFO/Debt at December 31 remains strong
- ✓ Power's 2016 operating earnings guidance range is $490 - $540 million; adjusted EBITDA guidance for 2016 is $1.32 billion to $1.40 billion

SI-SSA-0015-12643

PSEG

PSEG Financial Highlights

- **Introducing 2016 operating earnings guidance of $2.80 - $3.00 per share**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G earnings forecast to grow 14% to comprise >60% of 2016's operating earnings
- **PSEG capital spending forecast of $11.5 billion over 2016-2018 up 21% over the 2013-2015 period, to be invested in PSE&G (72%) and Power (27%)**
- **PSE&G infrastructure investment in reliability/resiliency/replacement continues**
- **PSEG Power making $2.0 billion investment in new generation in PJM and New England, improves fleet efficiency and geographic diversification**
- **Increased 2016 common dividend by 5.1% to $1.64 per share**
- **Financial position remains strong:**
  - ✓ Bonus depreciation extension will add $1.7 billion to cash over the 2016-2019 period
  - ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 43% at December 31

SI-SSA-0015-12645

PSEG 2016 Operating Earnings Guidance - By Subsidiary

Segment Earnings Guidance and Prior Results

$ millions (except EPS)	2016E	2015	2014
PSE&G	$875 - $925	$787	$725
PSEG Power	$490 - $540	$653	$642
PSEG Enterprise/Other	$60 - $60	$36	$33
Operating Earnings*	$1,425 - $1,525	$1,476	$1,400
Earnings per Share	**$2.80 - $3.00E**	**$2.91**	**$2.76**

PSEG Power Adjusted EBITDA*

$ millions (except EPS)	2016E	2015	2014
PSEG Power	$1,320 - $1,400	$1,563	$1,584

*See Slides A and B for Items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA. E = Estimate.

SI-SSA-0015-12646

PSEG Power's Adjusted EBITDA – Q4 2015, Full-Year 2015 and Full-Year 2016 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended December 31,		Full Year		Full-Year 2016 Guidance	
($ in millions)	2015	2014	2015	2014	Low	High
Operating Earnings**	$95	$91	$653	$642	$490	$540
Add:						
Fossil Major Maintenance, pre-tax	17	27	128	144	80	80
Depreciation & Amortization, pre-tax	73	74	301	291	340	340
Interest Expense, pre-tax	27	29	120	120	80	80
Income Taxes	23	50	361	387	330	360
Adjusted EBITDA	$235	$271	$1,563	$1,584	$1,320E	$1,400E

* SEE SLIDE B FOR A RECONCILIATION OF ADJUSTED EBITDA TO OPERATING EARNINGS AND NET INCOME. E = ESTIMATE.
** SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS; INCLUDES THE FINANCIAL IMPACT FROM MARK-TO-MARKET POSITIONS WITH FORWARD DELIVERY MONTHS.

SI-SSA-0015-12647

PSEG Liquidity as of December 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$167	$433
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$161	$1,439
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$3	$997
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$211	$289
	Total Money Pool		$3,600	$385	$3,215
	Total		$4,200	$552	$3,648

PSEG Money Pool ST Investment	$166
PSE&G ST Investment	$160
Total Liquidity Available	**$3,974**
Total Money Pool Liquidity Available	**$3,381**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended December 31,*		*Year-Ended December 31,*		*Year-Ended December 31,*
	2015	*2014*	*2015*	*2014*	*2013*
	($ Millions, Unaudited)				
Operating Earnings	**$ 255**	**$ 247**	**$ 1,476**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	19	28	8	68	40
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	35	204	93	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(3)	102	(16)	(32)
Net Income	**$ 309**	**$ 476**	**$ 1,679**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)				
Operating Earnings	**$ 0.50**	**$ 0.49**	**$ 2.91**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.03	0.05	0.01	0.13	0.08
Gain (Loss) on MTM[(a)] (PSEG Power)	0.07	0.40	0.18	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	0.20	(0.03)	(0.07)
Net Income	**$ 0.60**	**$ 0.94**	**$ 3.30**	**$ 2.99**	**$ 2.45**

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

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

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	*Three Months Ended December 31,*		*Year-Ended December 31,*	
	2015	*2014*	*2015*	*2014*
	($ Millions, Unaudited)			
Adjusted EBITDA	**$ 235**	**$ 271**	**$ 1,563**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(17)	(27)	(128)	(144)
Depreciation and Amortization, pre-tax [b]	(73)	(74)	(301)	(291)
Interest Expense, pre-tax [b]	(27)	(29)	(120)	(120)
Income Taxes [b]	(23)	(50)	(361)	(387)
Operating Earnings	**$ 95**	**$ 91**	**$ 653**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	38	53	24	138
Gain (Loss) on MTM, pre-tax [a]	59	344	157	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	(164)	(150)	(104)
Net Income	**$ 149**	**$ 320**	**$ 856**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

SI-SSA-0015-12650

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Year-end 2014

February 20, 2015

SI-SSA-0015-12651

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-12652

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2014 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12654

Q4 Earnings Summary

Quarter ended December 31

$ millions (except EPS)	2014	2013
Operating Earnings	$ 247	$ 248
Reconciling Items, Net of Tax	229	(48)
Net Income	$ 476	$ 200
EPS from Operating Earnings*	$ 0.49	$ 0.49

*See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12655

Full-year Earnings Summary – EPS exceeded guidance

Twelve Months ended December 31

$ millions (except EPS)	2014	2013
Operating Earnings	$ 1,400	$ 1,309
Reconciling Items, Net of Tax	118	(66)
Net Income	$ 1,518	$ 1,243
EPS from Operating Earnings*	$ 2.76	$ 2.58

*See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12656

PSEG – 2014 Highlights

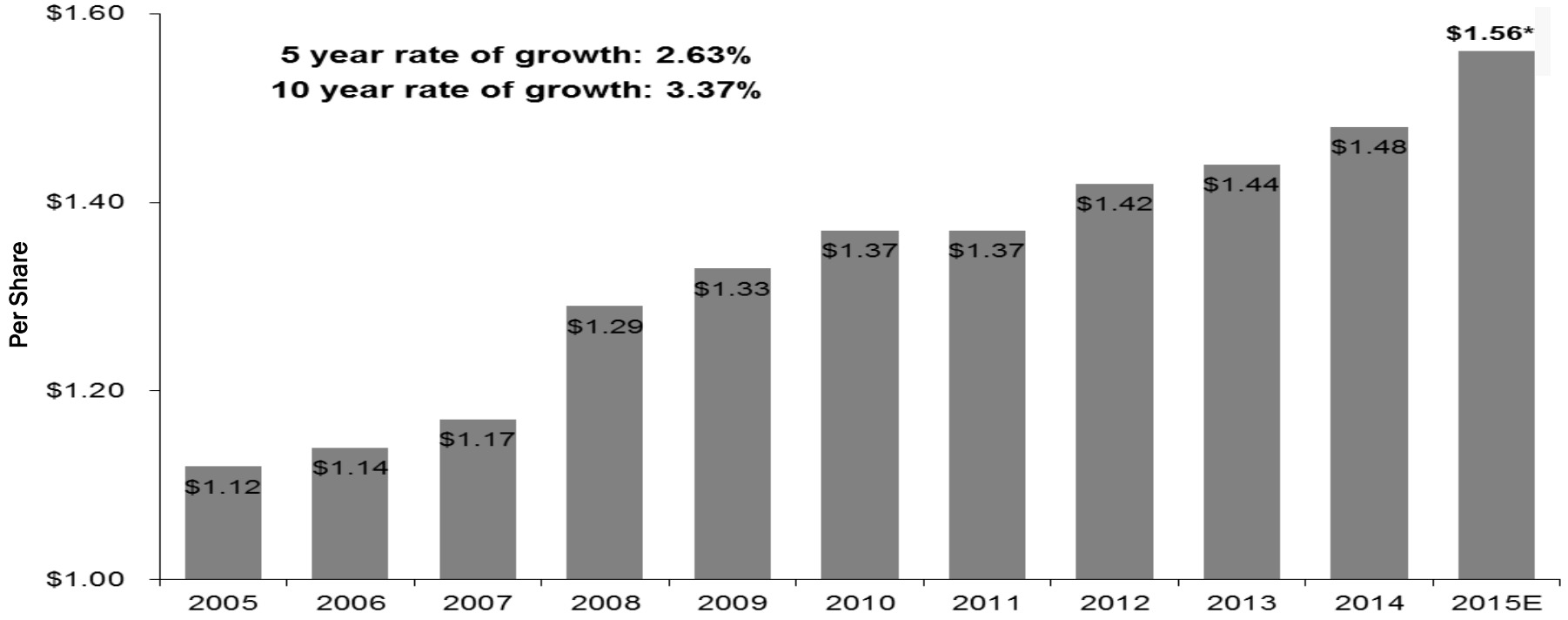
- **Strong 2014 financial performance – exceeded upper end of guidance**
  - ✓ Achieved operating earnings of $2.76 per share, up 7% compared to $2.58 per share in 2013
  - ✓ PSE&G achieved double-digit growth in earnings, adding to 5 years of 18% compound annual growth
  - ✓ PSEG Power's operating earnings exceeded the high end of guidance
- **Continued operational excellence**
  - ✓ PSE&G's control of O&M supported results
  - ✓ Power generation up 1.3% for the year led by record CCGT production and strong Hope Creek performance
  - ✓ PSE&G recognized for the 13th consecutive year as the Mid-Atlantic region's most reliable electric utility
- **Disciplined capital investment – producing results**
  - ✓ Transmission projects in construction – on schedule and on budget
  - ✓ Energy Strong investments underway – gas mains replacement prioritized
  - ✓ Power announced a new $100-$120 million investment in the PennEast Pipeline
  - ✓ Filed Energy Efficiency II extension with NJBPU ($100 million)

SI-SSA-0015-12657

PSEG Annual Dividend – Increased 5.4%

An improved rate of growth in the dividend, building on a long history of returning cash to the shareholder

PSEG Annual Dividend Rate

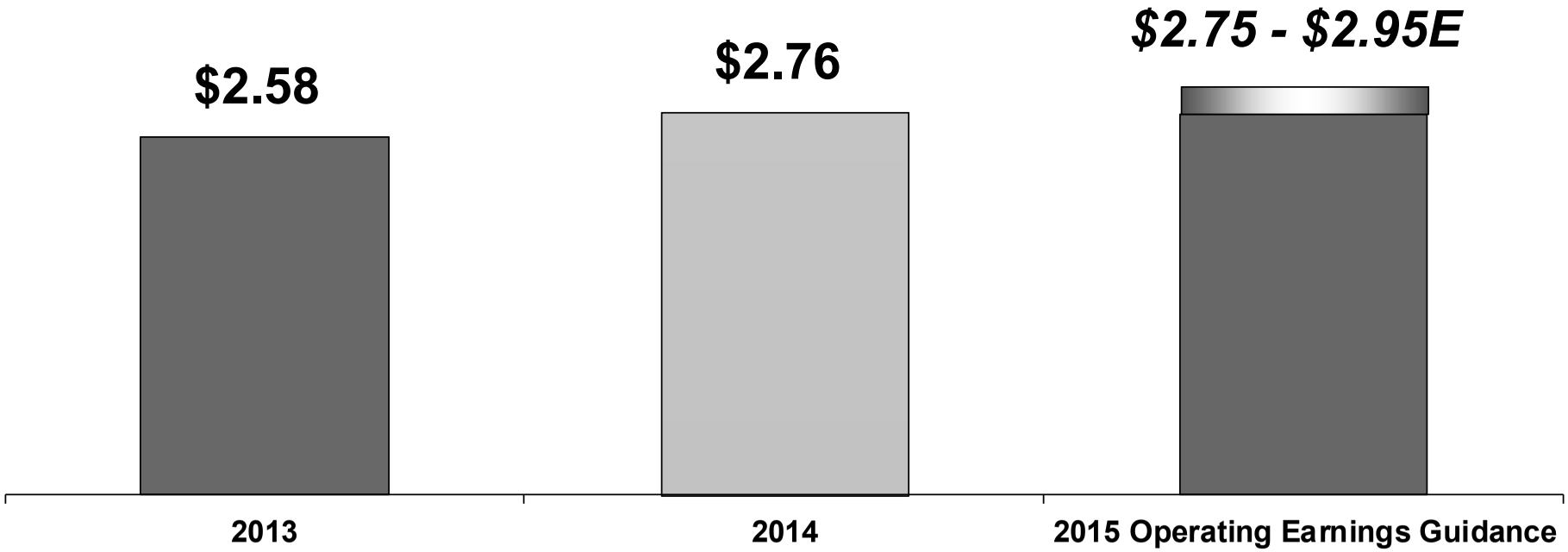


Payout Ratio	63%	66%	43%	44%	43%	44%	50%	58%	56%	54%	55%**

*INDICATED ANNUAL PSEG COMMON DIVIDEND RATE PER SHARE.
**2015 PAYOUT RATIO REFLECTS THE INDICATED ANNUAL DIVIDEND RATE DIVIDED BY THE MIDPOINT OF 2015 OPERATING EARNINGS GUIDANCE OF $2.75-2.95 PER SHARE.

PSEG 2015 Earnings Guidance – Anticipates Another Year of Growth

2015 guidance reflects continued increased level of investment, and assumes normal weather and unit operations



* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

SI-SSA-0015-12659

PSEG
2014 Q4 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12660

Q4 Operating Earnings by Subsidiary

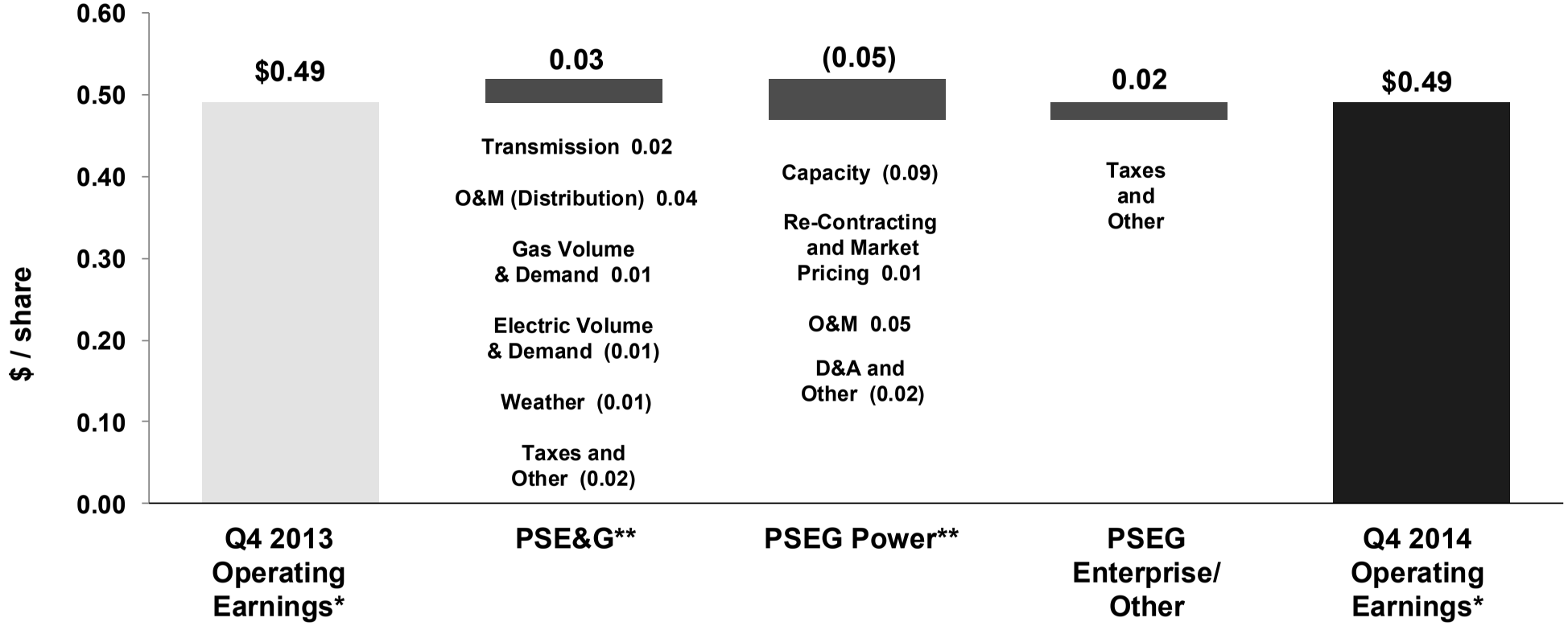
Quarter ended December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 160	$ 144	$ 0.32	$ 0.29
PSEG Power	91	115	0.18	0.23
PSEG Enterprise/Other	(4)	(11)	(0.01)	(0.03)
Operating Earnings*	$ 247	$ 248	$ 0.49	$ 0.49

SI-SSA-0015-12661

* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Q4 2014 versus Q4 2013



SI-SSA-0015-12662

* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Strong Full-year Operating Earnings Delivered – Up 7%

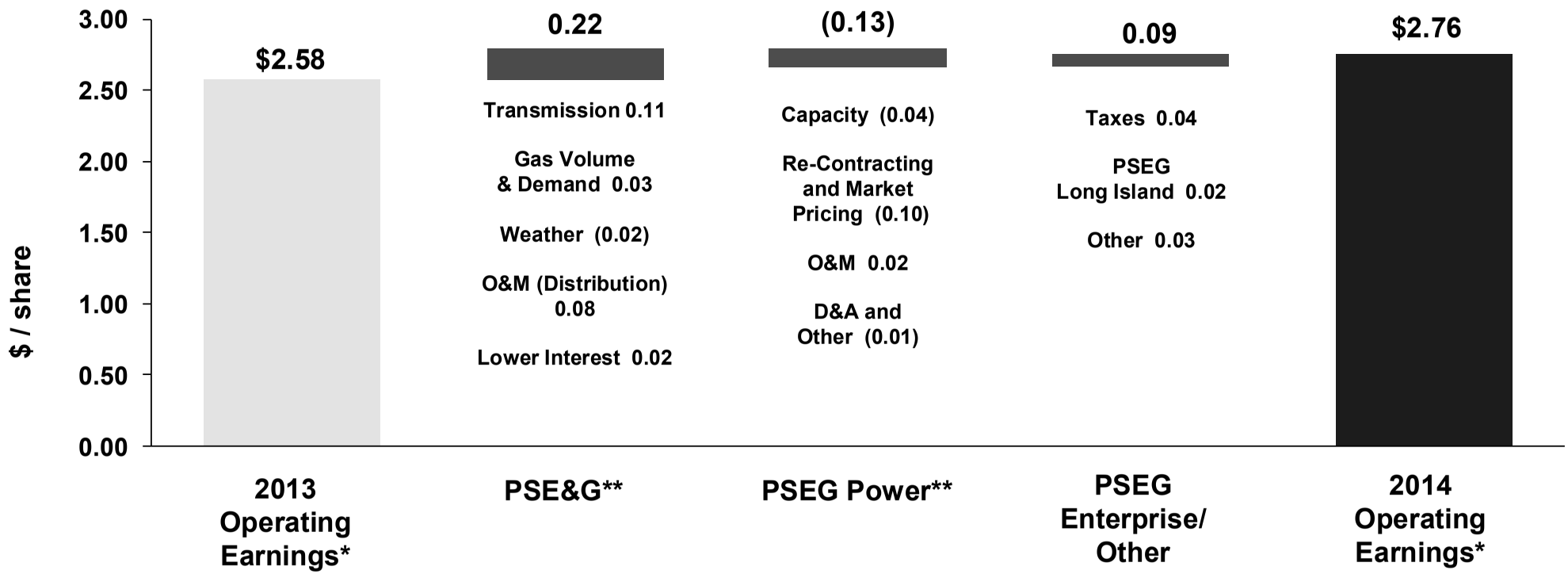
Twelve Months ended
December 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-12663

•See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2014 versus Full-year 2013



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* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

PSE&G
2014 Q4 Review

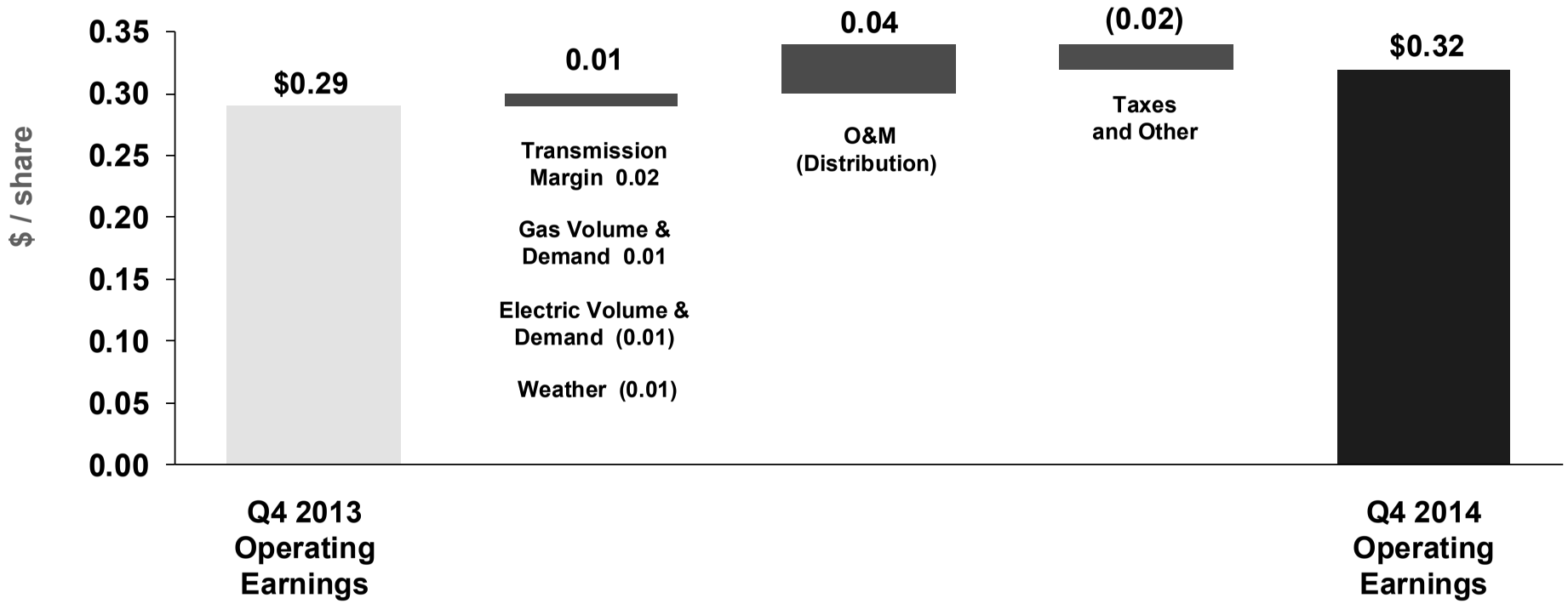
SI-SSA-0015-12665

PSE&G – Q4 Earnings Summary

$ millions (except EPS)	Q4 2014	Q4 2013	Variance
Operating Revenues	$ 1,531	$ 1,571	$ (40)
Operating Expenses			
Energy Costs	631	633	(2)
Operation & Maintenance	368	435	(67)
Depreciation & Amortization	224	214	10
Taxes Other than Income Taxes	-	18	(18)
Total Operating Expenses	1,223	1,300	(77)
Operating Earnings / Net Income	$ 160	$ 144	$ 16
EPS from Operating Earnings	$ 0.32	$ 0.29	$ 0.03

SI-SSA-0015-12666

PSE&G EPS Reconciliation – Q4 2014 versus Q4 2013



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

SI-SSA-0015-12667

PSE&G – Q4 Operating Highlights

Operations

- ✓ Q4 weather was warmer than both Q4 2013 and normal: Heating degree days were 4.2% lower than Q4 '13 and 0.7% lower than normal
- ✓ Gas sales were up 1% for Q4 and up 3.1% for the year on a weather normalized basis
- ✓ Electric sales were down 2.3% in Q4 but up 0.3% for the year on a weather adjusted basis

Regulatory and Market Environment

- ✓ Construction of major transmission lines continues on schedule and on budget
- ✓ FERC approved formula rate revenue increase of $182 million, effective January 1, 2015
- ✓ Energy Efficiency extension filing pending at NJBPU
- ✓ PSE&G extended BGSS gas rate credits through March 2015; this winter's total PSE&G bill credit is ~$210, or a 31% savings for the average gas customer (Nov 2014-Mar 2015)
- ✓ PSE&G recognized for the 13th year as the Mid-Atlantic region's most reliable electric utility
- ✓ PSE&G ranks "Highest in Customer Satisfaction with Large Business Electric Service and Business Natural Gas Service in the East" according to a 2015 J.D. Power study

Financial

- ✓ PSE&G earned its authorized return in 2014

SI-SSA-0015-12668

PSEG Power
2014 Q4 Review

SI-SSA-0015-12669

PSEG Power – Q4 EPS Summary

$ millions (except EPS)	Q4 2014	Q4 2013	Variance
Operating Revenues	$ 1,610	$ 1,245	$ 365
Operating Earnings	91	115	(24)
Pro Forma Adjustments, Net of Tax**	229	(48)	277
Net Income	$ 320	$ 67	$ 253
EPS from Operating Earnings*	$ 0.18	$ 0.23	$ (0.05)

* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

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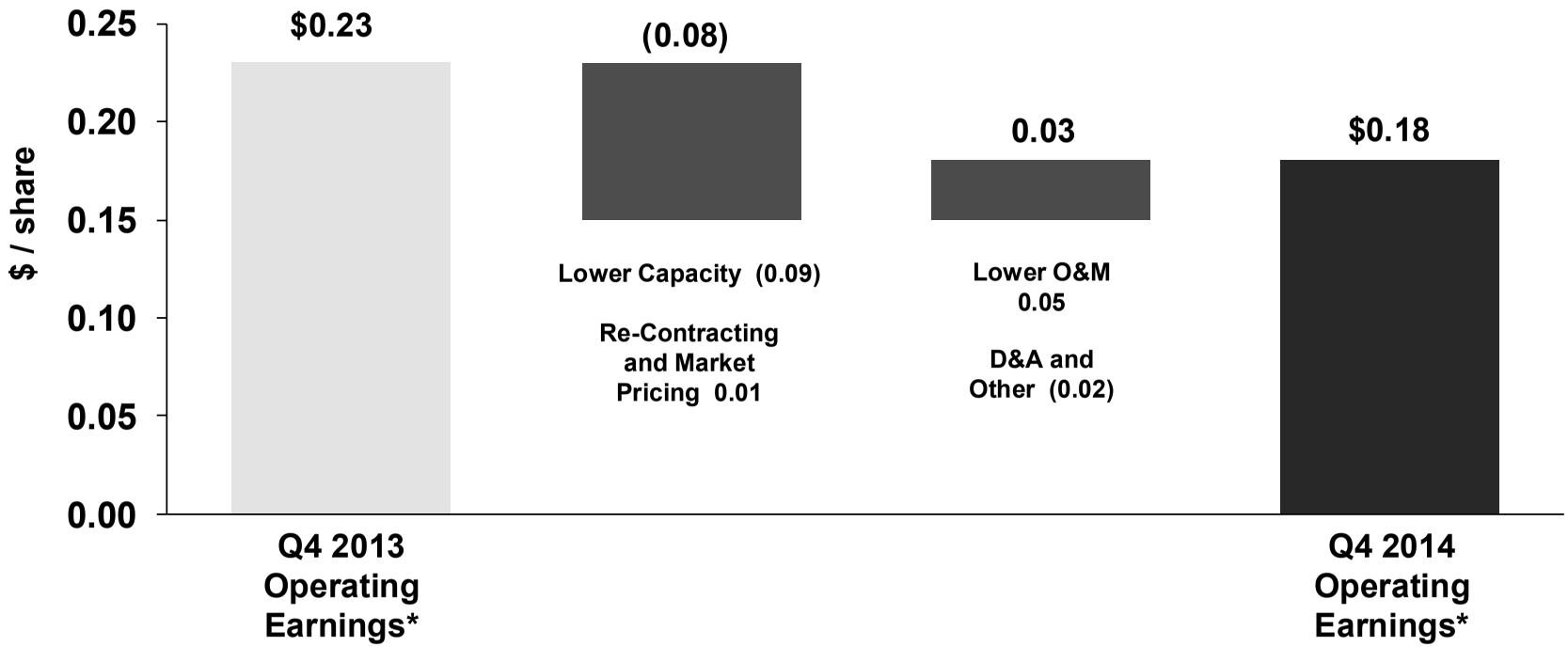
PSEG Power EPS Reconciliation – Q4 2014 versus Q4 2013



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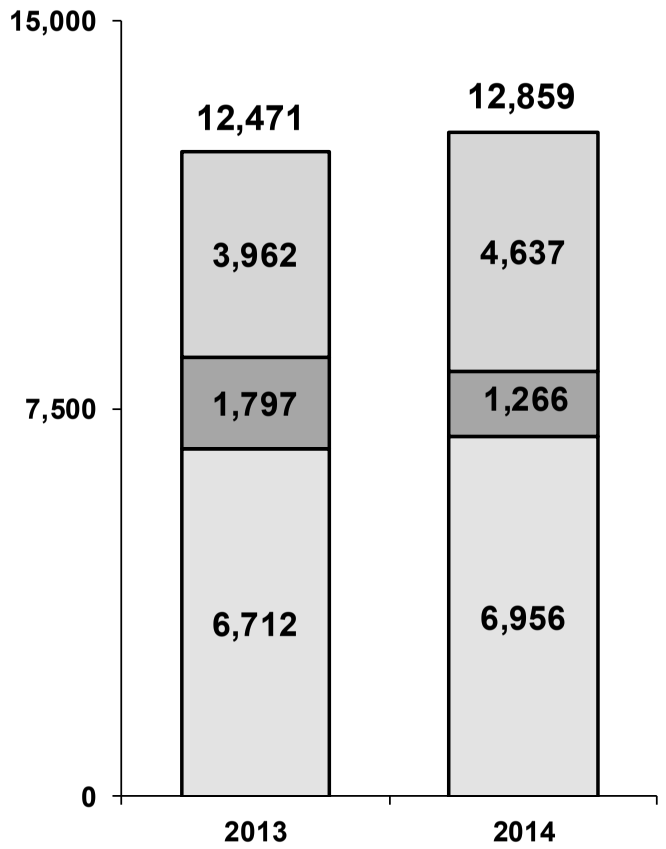
*See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG Power – Q4 Generation Measures – Volume %

PSEG Power – Generation (GWh)

Quarter ended December 31



PSEG Power – Capacity Factors (%)

Quarter ended December 31

	2013	2014
Combined Cycle		
PJM and NY	53.1%	59.9%
Coal*		
NJ (Coal/Gas)	3.2%	0.7%
PA	87.3%	68.4%
CT	29.1%	13.8%
Nuclear	81.7%	84.5%

Total Nuclear Total Coal* Oil & Natural Gas

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

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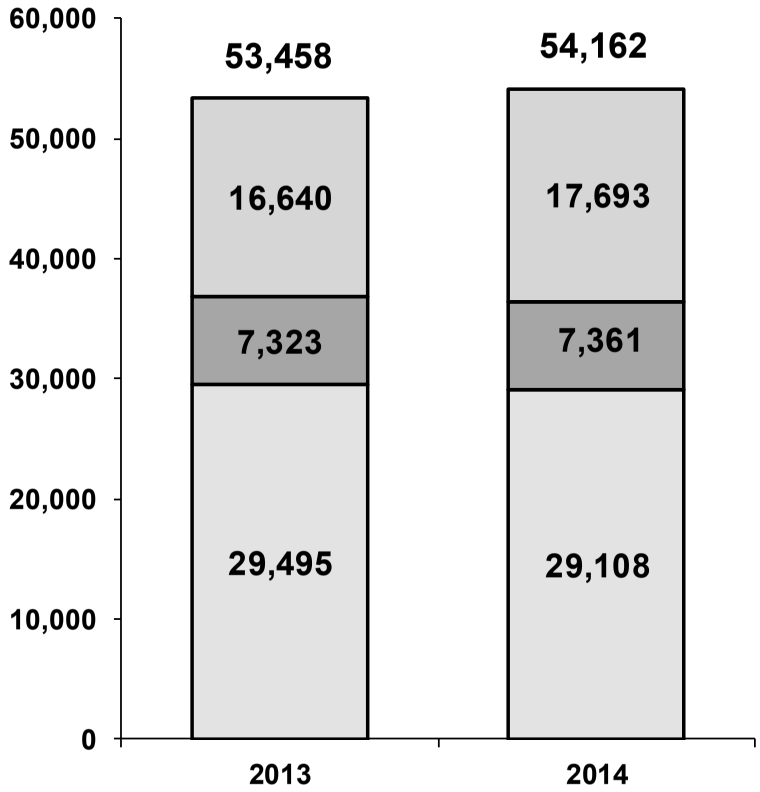
PSEG Power – Full-Year Generation Measures – Volume %

PSEG Power – Generation (GWh)

Twelve months ended December 31



PSEG Power – Capacity Factors (%)

Twelve months ended December 31

	2013	2014
Combined Cycle		
PJM and NY	56.0%	56.0%
Coal*		
NJ (Coal/Gas)	11.3%	14.0%
PA	81.4%	75.7%
CT	19.7%	23.7%
Nuclear	90.3%	89.3%

Total Nuclear Total Coal* Oil & Natural Gas

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

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PSEG Power – Fuel Costs

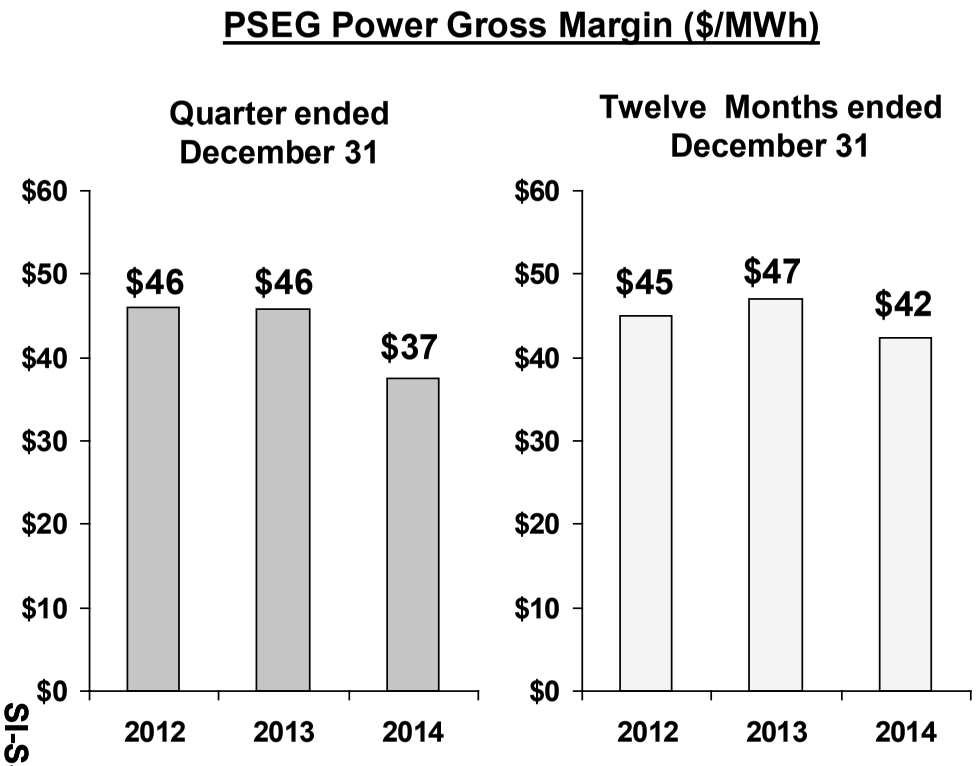
PSEG Power – Fuel Costs

	Quarter ended December 31	
($ millions)	2013	2014
Coal	47.3	38.8
Oil & Gas	134.9	134.2
Total Fossil	182.2	173.0
Nuclear	53.6	48.5
Total Fuel Cost	235.8	221.5
Total Generation (GWh)	12,471	12,859
$ / MWh	18.91	17.23

	Twelve months ended December 31	
($ millions)	2013	2014
Coal	188.7	208.5
Oil & Gas	618.8	757.7
Total Fossil	807.5	966.2
Nuclear	220.2	210.4
Total Fuel Cost	1,027.7	1,176.6
Total Generation (GWh)	53,458	54,162
$ / MWh	19.22	21.72

PSEG Power – Q4 2014 Gross Margin Performance

- ✓ Lower capacity pricing in second half of 2014
- ✓ Lower quarter-over-quarter market prices influenced by warmer than normal weather
- ✓ Access to Marcellus gas continues to provide fuel cost savings



Regional Performance		
Region	**Q4 Gross Margin ($M)**	**Q4 2014 Performance**
PJM	$452	Lower capacity prices, lower market pricing and higher generation output
New England	$14	Lower generation and lower market pricing
New York	$14	Higher generation and lower market pricing

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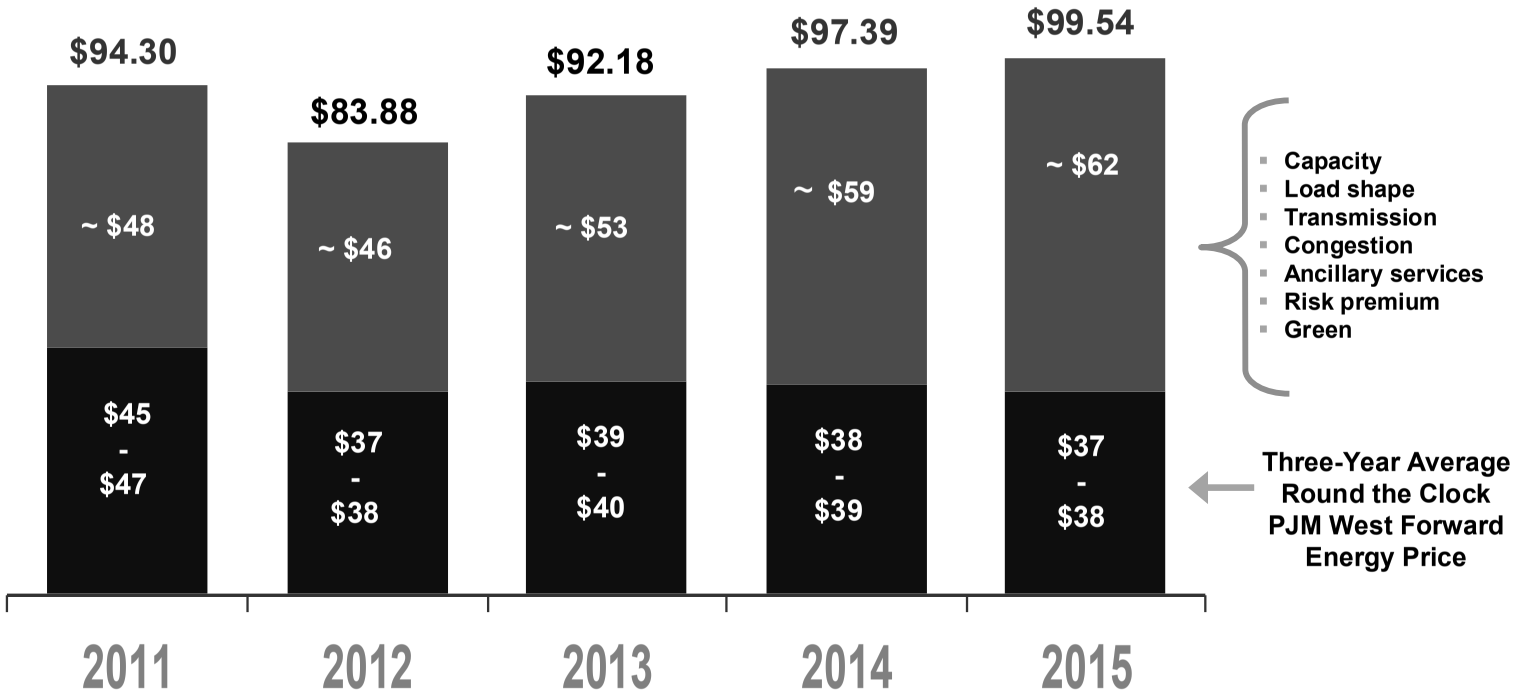
Market Perspective – 2015 BGS Auction Results

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



… reflects a 2.2% increase over the prior year driven primarily by transmission and green costs

Note: BGS prices reflect PSE&G Zone; results from the 2013-2015 auctions will be the new blended prices beginning June 1, 2015.

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Hedging Update…

Contracted Energy*

		2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$52	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	21	19	19
	% Hedged	40-45%	0%	0%
	Price $/MWh	$52	$52	$52
Total	Volume TWh	55-57	55-57	55-57
	% Hedged	75-80%	50-55%	25-30%
	Price $/MWh	$52	$52	$52

* Hedge percentages and prices as of February 12, 2015. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

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PSEG Power – Q4 2014 Operating Highlights

Operations

- ✓ Q4 output up 3.1% over Q4 2013; YTD generation up 1.3% to 54.2 TWh
- ✓ Nuclear capacity factor of 84.5% for Q4, completed refuelings at Salem 1 and Peach Bottom 2
- ✓ For 2014, nuclear capacity factor was 89.3%; Hope Creek at 100% capacity factor in Q4 and 97.9% for the year – the 2nd best run in its history
- ✓ CCGT fleet set an all-time production record of 16.5 TWh in 2014; Bergen 1 & 2 and Linden 1 also set generation records for the year

Regulatory and Market Environment

- ✓ 2015 BGS auction priced higher at $99.54/MWh vs. $97.39/MWh in 2014 and $92.18 in 2013 – for the PSE&G contract
- ✓ 2015 anticipated base load output hedged at an average price of $52/MWh vs. 2014 average hedge price of $48/MWh
- ✓ 2015 BGS load projected at 11 TWhs
- ✓ Power markets adjusting to heightened volatility, winter peak demand, less liquidity
- ✓ PJM's Capacity Performance Proposal filed at the FERC; decision expected April 2015

Financial

- ✓ Power's total debt as a percentage of capitalization at year-end was 31%
- ✓ Power's FFO/Debt was 59% at December 31

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PSEG

PSEG Financial Highlights

- **Introducing 2015 operating earnings guidance of $2.75 - $2.95 per share**
  - ✓ Focused on maintaining operating efficiency and customer reliability
  - ✓ PSE&G expected to contribute over 50% of 2015 operating earnings
- **Energy Strong Infrastructure Spend**
  - ✓ BPU authorized $1.22 billion for system resiliency improvements over 2014-2017
  - ✓ Gas mains replacement prioritized in 2014; ~$350 million capital spend expected to be completed in 2015
- **Executing existing transmission capital spending program on schedule and pursuing new RTEP, FERC 1000, and 345 kV projects**
- **Financial position remains strong:**
  - ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 42% at December 31
- **Increased common dividend 5.4% to indicative annual rate of $1.56 per share**
  - ✓ Increasing regulated earnings mix supports growing dividend

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PSEG 2015 Operating Earnings Guidance - By Subsidiary

Anticipates Another Year of Growth

$ millions (except EPS)	2015E	2014	2013
PSE&G	$735 - $775	$725	$612
PSEG Power	$620 - $680	$642	$710
PSEG Enterprise/Other	$40 - $45	$33	$(13)
Operating Earnings*	$1,395 - $1,500	$1,400	$1,309
Earnings per Share	**$2.75 - $2.95E**	**$2.76**	**$2.58**

* See Slide 32 for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

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PSEG Liquidity as of December 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$97	$1,503
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$219	$4,081
				PSEG Money Pool ST Investment	$71
				PSE&G ST Investment	$294
				Total Liquidity Available	**$4,446**
				Total Parent / Power Liquidity	**$3,566**

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

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

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

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Items Excluded from Net income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2014	*2013*	*2014*	*2013*
Earnings Impact ($ Millions)	(Unaudited)			
Operating Earnings	**$ 247**	**$ 248**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	28	11	68	40
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	204	(52)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	(3)	(7)	(16)	(32)
Net Income	**$ 476**	**$ 200**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
Per Share Impact (Diluted)				
Operating Earnings	**$ 0.49**	**$ 0.49**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.05	0.02	0.13	0.08
Gain (Loss) on MTM[(a)] (PSEG Power)	0.40	(0.11)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	(0.03)	(0.07)
Net Income	**$ 0.94**	**$ 0.39**	**$ 2.99**	**$ 2.45**

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

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

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc Analyst Meeting

EVENT DATE/TIME: MARCH 07, 2014 / 01:00PM GMT

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group - VP of IR*

Ralph Izzo *Public Service Enterprise Group- President and CEO*

Ralph LaRossa *Public Service Electric and Gas - President and COO*

Bill Levis *PSEG - President & COO, PSEG Power*

Shahid Malik *PSEG - President PSEG Energy Resources & Trade*

Caroline Dorsa *Public Service Enterprise Group Inc. - EVP, CFO*

Kim Hanemann *Public Service Electric and Gas - VP, Delivery Projects and Construction*

CONFERENCE CALL PARTICIPANTS

Michael Lapides *Goldman Sachs - Analyst*

John Cohen *ISI - Analyst*

Kit Konolige *BGC Partners, Inc. - Analyst*

Julien Dumoulin-Smith *UBS Investment Bank - Analyst*

PRESENTATION

Kathleen Lally ***- Public Service Electric and Gas - VP of IR***

I'm going to ask you to start to take your seats. We're about to begin. And now there'll be people coming in. That's great. Thank you. Good morning. I know there'll be more people coming in as we start. But we have a very full agenda today. And I want to -- I don't want to be the person who gets us started late.

Good morning, I'm Kathleen Lally, Vice President of Investor Relations for Public Service. And believe it or not, this is the eight annual IR presentation I've put on for PS. And I'm very happy you're here in the room or on the webcast.

Ralph Izzo, Chairman, President and CEO will provide you with some opening remarks and overview of public service enterprise and strategy.

Ralph will take questions at the end of the day. So following him this morning will be Ralph LaRossa, President, Chief Operating Officer of Public Service Electric and Gas. And his colleague Kim Hanemann Vice President of Transmission for PS. And prior to Kim updating you on the transmission investment program that she has underway, we have a short video that we're going to show you which highlights the work that she and her team do for Public Service.

When Kim concludes, there will be a Q&A that she and Ralph will have with regard to the utility's, operations and capital programs. And following that Q&A, we'll have a break, a short 15-minute break.

After the break, I know you all want to hear from Bill Levis and Shahid Malik who will update you on PSEG Power's operations, and where we stand. And together, after Shahid concludes his comments, we will have a Q&A on the power sector of the morning.

Following that Q&A, Caroline will give you an update. Caroline Dorsa. Executive Vice President and Chief Financial Officer will give you an update of the financial picture for the company.

After which, Ralph will summarize the morning's events, and Caroline and Ralph Izzo will be available for Q&A as well every other member of the Public Service team here today.

We hope to conclude at noon or a little bit after noon. And again, welcome this morning. And with that, I'll turn it over to Ralph Izzo.

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Ralph Izzo - ***Public Service Electric and Gas - President and CEO***

Thank you, Kathleen, and good morning all. Thanks for being here at this bright and early hour. We have lots of things to talk about today. And all of it I think I would categorize as being excellent moves.

We have a strong story to tell you both on the power side of the business, as well as the utility side of the business, but let me take it one step at a time if I might.

It's my personal belief that a robust strategy can be demonstrated to be as such if one sticks with it, and it delivers successful outcomes over an extended period of time. That while tactics may change, strategic decisions once set, ought to be strong enough where one stays the course and realizes the results that you anticipate once you set that course.

And that's been the case for us. Our strategy begins with a very, very basic premise. That at the core of our business is operational excellence. That if we deliver safe, reliable, clean, economic energy to our customers, that we will generate strong cash flows by doing that. And we can take those cash flows and invest them in a disciplined manner in assets and services that are desired by our customers.

So you've seen us for the past five years do just that. We have had strong operational results that I'll go into in a moment, and I will mention that those strong operational results are not without their challenges and their hiccups, as we've obviously experienced in Ewing Township, New Jersey this past week with a very tragic situation resulting from a gas leak and subsequent ignition.

In addition to growing utility, we focused on getting the most of our generation assets and what have been a challenging set of wholesale power markets.

And throughout that timeframe, while growing utility and getting the most out of our generation assets, we've been, I believe an excellent steward to the balance sheet that allow us to continue to support and sustain the growth in the dividend which I know is important to so many of our shareholders.

So we simplify the business. This is a fundamentally different view of PSEG than one we've shared in years past. And we now take a look at our regulated earnings from PSEG where we spent $10 billion and capital over the past five years and you'll see that we are growing that capital program as Ralph will point out to you, by almost 30%, 40%, if I'm not mistaken over the next five years.

40% higher than what we predicted in this meeting just a year ago. And all of those investments are directed at reliability, or the energy master plan, the public policy of the state of New Jersey.

And that's going to produce double digit rate base growth and double digit earnings growth through 2016 for the utility. So the utility growth story is one that is built upon a foundation of reliability and energy services and our customers' needs with a balance sheet that supports it without the need for additional equity.

On the competitive generation side, Shahid and Bill will tell you about the incremental growth that we're proposing there, and the way in which our diverse set of assets has allowed us to do better than simplistic expectations based upon the forward price curve would have you believe. And we'll give you a little bit more detail on that.

So let's talk a little bit about this notion of operating with excellence to produce financial strength that leads to the opportunity to invest in a disciplined manner. Last year, Power, once again, set a record at our Linden combined cycle units and our Salem 2 unit.

Ninth year in a row of over 90% capacity factor for our nuclear plants. PSE&G for the 12th consecutive year, the most reliable utility in the mid Atlantic region, and I think since we put these slides together, was named number two by JD Power for customer satisfaction for electric utilities in the eastern part of United States.

PSEG Long Island went live on January 1, and I think January 2nd we had our first snow storm if I'm not mistaken, we've had four since then. And the team has done an outstanding job managing through one of the most difficult winters in years and continues to this day to get great reviews from most decision makers and customers out on Long Island.

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And you're going to hear, I think a very positive story today, at least one that we're quite proud of in terms of our continued O&M cost control. We're not a company that every three years reintroduces our latest program to bring down cost in the business. This is something we pay attention to, day in and day out. And Caroline will have a great story to tell you about how our control -- how our management of our pension assets is contributing to that right now.

So continued strong cash flows in power, something we've talked about for years on end, outstanding cash flow, both cash from operations, and free cash flow, powers main CapEx is behind it, the discretionary CapEx that we are using power right now is opportunistic on combined cycle expansions, and nuclear expansions that we think are value creating for our shareholders.

And then the increasing part of the story is the cash generation at the utility primarily because of the constructive regulatory environment at FERC in recognition of the need to enhance the bulk power system.

Our pension, what a difference a few years make. It's now more than fully funded, and instead of being a cost on the income statement, is actually a modest income generator on the income statement.

We increased our dividend by 2.8% and we reiterate our dividend guidance to you which is that the condition of the balance sheet and our expectation for future earnings are such that we believe we can sustain modest growth, have an opportunity for modest growth in that dividend going forward.

The investment decisions we're making, once again, transmission is the largest component of our program.

You'll hear from Kim Hanemann later on how she successfully deployed $1.7 billion in transmission capital last year and how that spend -- we expect to see continue out into the next five year period.

We'll talk a little bit about energy strong, we do not have resolution of that as of today, we'll give you a little bit more detail in my slides and then Ralph will go into further detail on that. But in the past year, we received a $400 million program approval from the BPU on solar and both have solar loan and solar extension programs. And then Bill will walk you through some of the up rates at nuclear and our advance gas investments at our combined cycle units.

So this is a nice slide for me to be able to present here. The first derivate has a positive sign in front of it which I think makes us all smile a bit. Thank you for those of you who are shareholder and for those of you who are thinking of being shareholders.

Our earnings guidance, we reiterate is $2.55 to $2.75. As Caroline and I mentioned on the call, this assumes a normal weather year throughout the year and we're comfortable with this $2.55 to $2.75 as the range looking ahead for the next nine months.

I do want to focus your attention on the metamorphosis that's taken place in our business over the last five years. Before that, I, having just boasted about the positive sign on the earnings for the past three years, I will not allow ourselves to ignore the fact that despite the last three years of earnings growth, those earnings have started with the number two and there were years in the not too distant past for those earnings started with the number three.

Having said that, look at the change that's taken place in the mix of earnings in this company. And the quality of earnings in this company where the utility represented 20% of the earnings just five years ago and now represents at the midpoint of the guidance, would represent over half of the earnings this year.

It comforts me to know that Bill Levis will not tolerate that however in every year, he's -- I'm going to make sure that power is still representing more than 50% of the earnings of this company. And Bill actually delivered on that promise last year. So a little friendly spirited competition inside the family is always something that I welcome because it is a friendly competition.

But the utilities investment in transmission has driven that shift in what the character of PSEG is. But equally important to me, and one that I think goes a little bit unnoticed in these meetings, is the way in which the character PSEG has changed. You will see that not only have we seen 18% compound annual growth rate in PSEG, that's well understood I think by many of you in the room, but the component of PSEG that's represented by FERC regulations, is over 35% and going to north of 40% as we look at the rate base in years to come. So the regulatory diversity that we see within

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PSEG has been substantial as well. I think that transmission is representing about 60% or 70%. Ralph will have the numbers of our capital deployment in the next few years.

So let's go to that. If I look at how PSEG deployed capital in the past five years, you see we had $11.3 billion in capital. The utility represented 75% of that, and of that 75%, transmission was less than 50%./ And if you can just keep those three numbers in your head, as I shift to the next five years, the 11.3 billion goes up by "only 5%."

But instead of the utility being 75%, it is now 90% and instead of transmission being less than 50%, you could see, to 70% of our investment. And then there's a continued investment in maintenance capital in the distribution business, slightly less investment in solar going forward, but nonetheless, a sizable one.

And some growth investments in power as well as maintenance capital in power, but the main story here is a $10 billion capital program in the utility. And Ralph will give you more detail on where that is being spent as we go forward.

And this capital deployment is not one of hits and starts. It's one of continuous steady growth. We've seen 23% annual compound growth in the utility over the past five years. And even if you were to just take a three-year average, you could see that steadiness in the growth of that capital deployment from a $600 million average capital deployment, to a $1.7 billion to $1.8 billion capital deployment on the three year average basis and last year, of course being our highest level of capital deployment, being $2.2 billion with 1.7 of that 2.2 billion coming in transmission with FERC formula rate treatment.

Now as for Energy Strong -- I cannot deny the fact that when I think back to the success we had, reaching an agreement on the solar program, and I think about the urgency behind Energy Strong, I can only use the word, disappointed, that we don't have resolution of that.

Having said that, I am hopeful that we will get resolution of Energy Strong. If we don't get a settlement on that, I am hopeful that the BPU will recognize what 100 towns have recognized, what every labor union in the state of New Jersey has recognized, what the New Jersey Chamber of Commerce has recognized, what the New Jersey hospital association has recognized. I was down with the EEI meeting over the past few days, I cannot tell you how many different sectors of policy makers congratulated us on our foresight for our willingness, our desire, our eagerness to make New Jersey resilient to these kind of storms in the future, and yet, we stand here today with no distribution enhancements having been made over the past 16 months since Sandy took effect.

So the arguments are so compelling. To harden the 29 sub stations that were affected by Irene and Sandy -- we're not using a crystal ball here, we're using history as a teacher to say these facilities were affected by the storm and needs to be strengthened. These gas metering and regulating stations were affected by the storm, these overhead lines were critical assets that need to be hardened. So this $2.6 billion program is an essential thing for the state of New Jersey for our customers. And perhaps it's just the fact that Ralph LaRossa and I were the ones who still have vivid memories of a whole range of customer problems that occurred during Sandy from the senior citizens who couldn't stay in their homes without electricity, to the distraught parents who didn't know what to do with autistic children who they had in their home, or didn't have electricity for days and how to manage through that.

Ralph got a call from a heart surgeon who wanted to know whether or not he can count on doing two transplants during the course of the day on back up generation. We had calls from the Secretary of Energy and the President of the United States wondering when gasoline would be flowing again in the United States.

And yes, we did have stay at home parents saying, if you don't get my life back on in the next day or so, my teenagers are going to come live you. So we did have the gamut of those experiences. But the heart wrenching, the gut wrenching ones stay with us. And it's mind boggling. We've come from a company that says we want to be energy strong, to a state that says, it wants to be stronger then the storm, to some counterparties and this is not the BPU staff. I must give the BPU staff credit for being quite reasonable in the discussions.

But some of the counterparties who are saying, "Storm? What storm?" And it's just a -- short term memory is very frustrating to have to contend with. But notwithstanding that, we still have a process underway, and we're hopeful that that process will bear settlement, but if it doesn't, then we have confidence that the testimony we put forth will be recognized, as it has been recognized in discussions by the staff and ultimately by the commissioners.

So with that though, it's not just about the utility because even with the Energy Strong discussions going on, as I said, we have a great story to tell in terms of the other capital programs that Ralph will share with you.

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In power, never has the diversity of our asset base proven itself more valuable. When you look at us from a fuel point of view, we look mostly like a natural gas company. When you look at us from energy produced point of view, we look mostly like a nuclear company. And when you look at us from the point of view of picking load following -- or base load, we look like all of the above.

And it's because of that diversity of assets, and actually within any one part of that pie, our coal units sometimes look like gas units, and our gas units sometimes look like oil units. That Bill and Shahid had been able to do the following. So this is a slightly different view of PSEG Power, and a completely different slide that we want to share with you. And let me spend just a moment with this slide.

If you look on January 1, 2011, at what we had hedged, and what the forward price curve said we should have been able to do for the rest of 2011, it would have said that we should have been able to have a power gross margin of about $50.50 a megawatt hour. But instead, because of the flexibility of our assets and our ability to run them well, we produce $52 per megawatt hour.

And 2012, when there was no winter, that $45 became, I think $45.50. But in 2013, when we had some very challenging and volatile energy markets, the 43.50 got turned into $47.

So our naturally long position and the diversity and flexibility of our assets, puts us in a position where we don't stand -- over the 12 months, and we do dynamically hedge the book, separating the part from the base load hedging that we do to produce results that are better than what the market anticipated. And we didn't just chose these years because they were years where the orange bar was better than the blue bar. We just simply didn't want to drive people crazy to go back in time to the invention of the light bulb, or shall I say, the beginning of deregulation.

So as we look forward to '14 and beyond, we're really going to do more of what we've done in the past five years, but a little bit more of it in play instead of investing $8.4 billion in PSE&G, we're going to invest $10 billion in PSE&G, we're going to continue those strong credit rating, thus improve credit ratings, and we're going to be able to use that strong balance sheet and that utility growth and earnings to offer up consistent and sustainable growth in that dividend.

We no longer have to monetize and de-risk the holdings portfolio, that's already been done, but we have some impressive investment capacity to deploy, and the opportunities that even go beyond what Ralph is going to show you, and Bill is going to talk about without any need for new equity.

So a bigger capital program at the utility, continued modest opportunities in power to expend profitably, sustainable growth in the dividend, and no new equity needed with a great, great degree of confidence.

So looking back and looking forward, how did we do all this? Well, yes, there's no question about it, our earnings did drop by about 15% over the last five years while the PJM-West price dropped by 60%. So a 15% decline in earnings, versus, 60% decline in energy prices, how did we do that? Well we said we can't afford to grow O&M at 2.4%, we grew it at 1.5%. We grew the rate base by almost $4 billion. We got another 200 million -- megawatt hours -- I did get the unit right, out of our nuclear plants.

Despite having reduced O&M far below what we expected to spend, we were able to preserve the equivalent availability of our combined cycle units. And we grew dividend from $1.29 to $1.44. Now I know the temptation is enormous for you to ask us to fill in that earnings box for '16, but we don't do that, we only guide to the current year. Sorry to be stubborn about that, but we're not looking at a 60% reduction in wholesale power prices going forward the next few years. In fact, that forward price curve is predicting flat prices.

And not only are we seeing flat prices in the forward price curve, but our forecast for O&M growth, that is correct, those parenthesis are not a typo, it's negative 0.5% O&M compound annual growth over the next three years.

And an additional $3.3 billion in utility rate based the lion share of that occurring in the transmission business and an additional 0.9 terawatt hours in nuclear generation, and a slight growth in combined cycle equivalent availability even while holding that O&M growth to a negative number. And by '16, we expect to have the $0.07 of PSEG Long Island fully baked into our numbers so that dividend growth should be both consistent and sustainable over that three-year period.

Let's take a look over the past 10 years. 3% compound annual growth over that time frame despite what happened in energy markets and this year's 2.8%, 2.7% is just continuing that and with a very, very healthy payout ratio being slightly over half of the earnings of the company at the new point of this year's guidance.

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So, our highlighted points I hope you'll take away throughout this morning, is that we are going to not only continue, but we are going to expand the investment in PSE&G, that is primarily driven out of a constructive regulatory environment at FERC.

One which recognizes the importance of; number one, reliability of the bulk power transmission system, and number two, the need to make that transmission system even more robust than it is today for a variety of public policy reasons.

We have a very constructive situation at PJM and at FERC that allows us to be able to talk about some of the transmission investments that we will, a little later in the day. That is supported by a continued robust cash flow from PSEG Power with minimal capital requirements there at Power that yields attractive free cash flow that can provide the equity needs of the utility. That, coupled with PSEG's own strong cash flows allow us to meet these customer needs for enhanced reliability and state goals for solar and energy master plan targets. So that strong financial profile continues out into the future.

What you'll hear from Kim Hanemann and Ralph and Bill is that, this is not a promise for a change. This is a promise to expand upon a track record that we've demonstrated, both operationally, and financially in terms of returning cash to shareholders in the form of improved earnings and the utility and as well as in form of growing the dividend.

So with that, I will stop and turn it over to Ralph, and promise to come back later on to answer any questions you might have. Ralph?

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

Good morning, everybody. Before I start, I do want to recognize what Ralph said in the beginning, and that was the incident that happened in Ewing -- certainly a tragedy for the customers there. But something we will look at very hard, do a complete investigation and when we're completed, make sure that our processes and procedures are such that we don't see that type of incident again. We'll work real hard to make sure that that takes place. So again, our thoughts and prayers go out to the folks who were impacted there.

To tell you a little bit about what we're going to do here today, I'm going to give you a quick update on the company, a little bit of background, give you a very high level review of our financial performance over the last five years, looking back.

Again, to point out what Ralph said earlier which is the trust the performance that we've had, and trust what we're telling you about where we're going in the future. That future is all about capital investments. I'll both review the historical and talk a little bit about where we see that growing in the near term.

Quick update on Energy Strong, but I think Ralph did a great job of summarizing where we are. So some of my comments will be a little more limited on that.

And then Kim is going to give you a great in depth review of our transmission growth that's taken place. And again, the take away that we hope you'll leave here with today is that this is a company who has executed on its capital plans, no brand new announcements that we're starting new businesses, doing different things, but we're executing upon what we've got in front of us, and we've gained a tremendous amount of experience both from a regulatory standpoint and from a construction standpoint that we think we can continue to leverage as we go forward.

So again, our strategy, as Ralph has teed up in the earlier slides is very consistent. We focus on operational excellence, that operational excellence allows us to have a strong balance sheet, a strong income statement as you see, and strong earnings as we go forward.

And then taking that strong financial position and reinvesting back in the system and specifically around areas that public policy drives us to. So when you look at everything that we've done, go back to the 2003 blackout, we followed the policy of FERC to invest in transmission, we had Sandy that we've come up and we try at this end of the spectrum where we're tried to make the investments associated to be strong, and in the middle, we really focused on the policy in the state of New Jersey to develop renewables and energy efficiency programs.

So you put that whole piece together, and you see a little bit about how we've grown utility over the past five years.

This is a chart that you've seen many times in these presentations. I'm going to point out a few things that I think are very important. One, at the top line, we talked about where our growth is coming from, and a lot of companies will grow by continuing to grow their customer base. We're at about

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0.6% on our customer base growth across both our gas and electric system, so not a lot happening on that front. New Jersey as you all know, is a very dense state, not a lot of opportunities to grow the population there.

And then if you look at the actual sales of our product, specifically on electric side, what we delivered, and you go back 2009, that number was about 41.9 or 41,900 gigawatt hours. So on an actual basis, on a throughput, that's been basically flat to down.

So the growth that we've gotten in our company and that come by additional products through the pipes or through the wires, it's been by layering in these additional programs that have returned us on a contemporaneous basis, the earnings that you see.

The other thing I'd point out is at the bottom of the screen, really the renewables and energy efficiency and the way we've executed on that program, we do as Ralph mentioned, have an opportunity to continue to make some investments on the solar front so put that together with our transmission and our truck -- we put together our transmission story and again take away the execution that we've been able to achieve.

The basis for all these is our reliability and 12 years in a row I think that was a pretty strong and consistent story, 12 years of recognized reliability and the award that you see there for our storm response is driven by our response during Sandy. It was given to us by PA Consulting. Ralph also mentioned that we've kind of changed our focus and we're beginning to focus a little bit more not just away from reliability but in addition to reliability focused on the customers side and we're really striving to improve our JD Power scores and we did come in second into the -- for this year in the business sector on the electric side of our business.

But we continue to look to grow that, it's certainly focus for us in New Jersey and as I'll mention later on Dave Daly's doing a great job of bringing that focus to the customers of Long Island.

So with that strong operational excellence comes that financial strength that we talked about and it's shown here in the slide regarding our earnings growth that we've seen in the utility. Again, the growth has not come through the throughput, it's come from the additional programs that we've layered on and executed upon.

The challenge if you look back as many of the utilities in the country to be able to execute this way, we've gone as you can see here from $0.63 of share to $1.21 over five year period. The double digit growth we project that will continue to go on and you'll see that in the upcoming slide for next year.

We didn't just rolled the topline, we mentioned and Ralph mentioned the O&M control that we have in the company and I do want to recognize that Ralph and Caroline and her team for the great work that they've done on the pension. We -- or the within the enterprise, the utility has the greatest burden from a pension standpoint and we've managed through some big ups and downs in the markets and interest rates over these five or six years here and been able to keep that O&M flat.

In addition to the work that was done on the pension side, the operating team has done a fantastic job of holding their end of the bargain up by going through not their day to day activities but within a year are number of storms whether it be Sandy, Irene, the different snow storms that hit us and the other challenges that we've seen even this year with our system and the cold weather that we've had and the snaps that we've had to manage our own end flats throughout that same period. So topline growth and a good job from everybody on the expense side to manage that.

So the topline growth can be seen here and it's all about the rate base. If we go back to 2009, we had about $1 billion in our rate base on the transmission side of the business and that has grown to just over 3.7 billion.

And as we sit here in 2013 we layered in that solar energy efficiency that we talked about, again, focused on meeting the RPS standards in the state of New Jersey and the energy efficiency goals of the state and again, trying to align ourselves with public policy.

A little more detail on that you can see here where that's been --came from over that timeline and I found a transmission side, and I'll touch on that in a second but this is really within the state of New Jersey, the renewables portfolio of $700 million investment that has been executed on, those are the separate programs that existed in the state and that we've completed.

At the bottom there's 2013, there is an opportunity as you see in our slides going forward for about $300 million of CapEx in those programs on the solar front.

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Energy efficiency, we're almost done with those programs, we expect to continue to have conversations about where we might go with this state and the policy makers on energy efficiency. We continue to believe that's the best solution for customers and we are able to deploy about $300 million over the same timeline on the energy efficiency front. And we do not forget about the distribution assets, there was a big push for us to continue to expand on the distribution side and we put about $1 billion for work through the -- specifically with the prior administration as we have some challenges coming out of 2008 with job growth and we were able to step up and put some money for work on the distribution system.

So as Ralph mentioned, the plan that we have is to continue to grow, a 40% increase in our CapEx plans, again driven from transmission. And let me just try to vey simply explain why we think that's going to continue not just in the near term and what we're telling you here but why there'll be continuous opportunities.

And if you could drive in the New York metropolitan area or any of the--you could drive in a congested area, know that when road disruption is done and as highways expand from two lanes to three, everybody's happy where the congestion point was before.

But somebody is really unhappy where it goes from three back down to two. And the transmission system is no more complicated than that. When we've started to build the transmission system out and the Susquehanna-Roseland line came into New Jersey, it started to create opportunities for electrons to flow and that congestion points just move.

So the regional transmission expansion plan that PJM has is all about continuing to widen the lanes from two to three. So whether you're on a highway or you're on a wire, that opportunity exist as you start to expand your system and we've continued to see that taking place in New Jersey and specifically in the footprint that we have at PSE&G.

So you saw and Kim will give you a little more detail about the 345 line that we're going to be building out in Northeast New Jersey, the incremental CapEx is about $1 billion associated with that program so you start to see that layered in here that may or may not if we continue to see the low growth on the transmission system that may or may not continue to create congestion points that need to be expanded as we go forward. It's very simple but just think about as every day when you drive on your highways it's the same thing on the transmission system.

So no point to look at that same information that I just walked you through on the total CapEx, this is on an annual basis and the flat line that's here is where we told you last year. So these were the plans not the proposed but the plans and approved programs that we had in place, it was indicated by the black line and now what we've done is we've layered in that additional CapEx that we just talked about and you can see here the years that we expect to make those investments.

If we're successful in having the -- in the conversations we're having about energy strong we layered that on top. So this is potential with energy strong in addition to what we've seen there. So I want to make that very clear, the capital program grew without the energy strong program by 40%.

Again, we believe this is the right investment to make, we think it's aligned with policy and this is the plan that we currently have in place to make that investment.

Well a couple of things I'll point for you here, you can look at the way it's layered in; there's a lot of engineering work that needs to be done in the upfront stages whenever you're rebuilding substations so you see that a lot of that -- some of that is back and loaded in addition to that there's a lot of outages on our transmission system that we required associated with the transmission works so you can have full with transmission assets out of service and your substations out of service at the same time to coordinate those outages, we need to layer that work in on the backside of this program as well.

So all together, from an operational standpoint, we're going to be able to execute on programs that are about the same size as we've executed in 2013 and that we've proven that we've been able to accomplish and in addition to that we'll be able to manage the system from an operational standpoint so we keep the reliability and the redundancy in the system that's required.

So, I think Ralph really touched on the energy strong and the reasons for doing it quite a bit but I will address to just a minute and again, thank the operational guys for keeping the lights on during the Super Bowl this year. That was quite a nerve-wracking day as much fun as it was, it was a little nerve-racking but in just threw in the analogy because what we did in preparation for that Super Bowl is what we're talking about doing as part of energy strong. It's all about building in redundancy and resiliency into the grid whether you're preparing for a storm, whether you're preparing for a cyber-issue, whether you're preparing for a physical attack, this is all about building resiliency and redundancy into the grid, and that's what this program is all about and Ralph told you that in number of different ways and using number of different examples but whether we're preparing for the next Sandy or preparing for next bad actor that comes into the grid, whether it's cyber or physical or any other things that you might be reading about

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in the newspapers, this type of a program is going to continue to reinforce our system in a way that brings that operational excellence that we care about so much and our customers care about so much, to the consumers in New Jersey.

So back to what we know, of the growth that we have in the $10 billion of capital that we have in the program, it's very straightforward. We have about 70% of it that's going to be done on the transmission side; 68% to be exact, all of that is covered under our formula rates, the 3% or about the $300 million that we're looking at on the renewables front is covered under contemporaneous return and the remaining distribution rate base is just about aligned with our depreciation expenses and continues -- if we consider a company that's managing a low growth to no growth situation and managing its expenses, its CapEx to meet depreciation and managing its O&M will put together a program that continues to allow us to achieve our allowed ROEs in the State of New Jersey. Very simple math.

We can't forget and we show this slide every time that we have discussions about our capital program, what does this mean for the customers, what does this mean for the folks like my parents who are fixed income, who are living in the State of New Jersey, retired. The bottom line is that their bills will remain flat to down all through this expansion program that we've got on the capital side, taking advantage of the lower commodity costs that we've had.

Never happy when [Bill] has more challenges in front of him from a commodity standpoint. But there's no guy that I wouldn't -- that I -- there's probably nobody else I'd be okay with losing to than Bill if we're going to have a little friendly competition about the earnings. So customers can afford this. The investments that we're making are prudent and needed for the customer as we go forward to continue reliability. It's a good overarching story that we have.

So I'm going to sit down for a minute and Kim's going to talk to you about all the fun things that we've been doing on the transmission front. Again, take a look at this from the standpoint of the experience that we've gained both on the regulatory front, on the permitting and on the construction front. It's a pretty impressive story and then I'll come back up on again and try to wrap it up and show you what it means for us and talk a little bit about what we've achieved at Long Island.

(video playing)

Kim Hanemann *- Public Service Electric and Gas - VP, Delivery Projects and Construction*

Good morning. Okay, starting off, this just takes a little bit of look at our history. Back in 2009, Ralph talked about transmission being about 15% of our rate base. We were doing about $270 million a year. We've grown up for this past year. It's now 36% of our rate base and we did $1.7 billion in capital projects last year.

Early years, 2009, 2010 was our ramping up years. We were hiring our engineering, we were permitting. And in 2013, all five major projects were in construction and we're well along with execution now.

You've seen this slide before. This shows the five major projects in service dates. Our first group of them will go into service this year and then the remaining three will be going into service next year. I'll now give you a little bit more detail on each one of them.

Susquehanna-Roseland, we saw it in the film a lot. $790 million projects in service date of, June of '15 for the Western end, June of '14 for the Eastern end. This project from a construction point of view is our most challenging. We went through wetlands, highlands, residential areas, Picatinny Arsenal, the National Park.

Our team, with this project, learned how to navigate the process with the environmental impact studies. We implemented very complex environmental mitigation plans and a very robust environmental compliance program during construction.

During construction on the Western end, I think I employed every snake monitor on tri-state area. I think I had 18 snake monitors because apparently, our foundations are great snake hibernacula and they den in over the winter there.

So this project actually also involved two GIS gas switchgear substations that allows us to construct the station on a much smaller footprint. Our Hopatcong station was just energized last week. Our Roseland station will be energized next month. And this project is well positioned to come in ahead of schedule.

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Northeast Grid, this is a $907 million project with the June of '15 in service date. This project involved intense municipal permitting. We had to go and get approval from 15 municipalities to construct this project. That's all been completed. This is a big construction year for this project as well and we're well positioned for next June of '15 with this project.

North Central Reliability Project, this is a $390 million project with a June of '14 in service date. We are actually essentially complete with the construction and commissioning now. We're now into demolition of the old assets and we've switched towards punch list items.

One of the things you might notice in some of the pictures is the uniqueness of the structure designs. Our structures don't look the same. Our challenge in New Jersey is our projects are actually designed to fit the right of way we have. So you see some different construction designs here for these towers so they meet all code requirements regarding audible noise, electric field stuff. That's where you'll see some uniquely different designs as well.

So this was our first large project in construction. We developed a very good construction outreach to the public. We also have used all of our lessons learned from the first one through to the rest of our large projects.

Burlington-Camden, $399 million project with June of '14 in-service date. Once again, this project was probably our most complicated regarding construction sequencing and outage planning. We required over 200 planned outages in order to construct this project. And our commissioning plan has over 600 unique steps too, so very complex. One of the things with projects like we have is we have to keep the lights on for the rest of our system as we construct these new assets and place them in service.

Mickleton-Gloucester-Camden, $435 million June of '15 in-service date. This project involves intense permitting with the railroad, half of the overhead structure, the five miles of the overhead is actually built as on the railroad right of ways as overbuild so structures will actually -- the circuits will surely be going over the railroad.

Everything all years ramping up on this one, but we're navigating our process well. We have about 16 miles of underground, a lot of high water cable in this whole area, so we had to develop some pretty complex dewatering techniques in order to install that pipe cable in these high water cable areas.

So this is my sixth child, newly announced, newly born in December PJM approved this project, $1.2 billion project with June of '18 in-service date. The project involves 30 miles of underground, 30 miles of double circuit overhead. This project addresses high fault current in the northern part of the state and also improves transfer capabilities in the northern part of the state.

We'll construct this project in three sections -- a northern section between Marion and Bergen. That will be probably in by '16, probably staged in-service; a southern section down between Linden and Bayway; and a central section that involves all of the underground with the Newark Bay river crossing. This project as Ralph mentioned is $1 billion additional into our five-year capital plan.

This is same chart Ralph showed, but this is just showing the transmission portfolio. So black line is what we told you about last year. The blue bars are updated forecasts from 2014 to 2018. There's a $2 billion increase over the last year's plan to 2013 to 2017 for this one. It's made up of the 345kV or 69kV program, the other PJM approved projects or transmission and life cycle which is really asset-based replacement.

And really the foundation for our success is our people, our processes and the environment. I have a diverse, well-rounded team. I have engineers, geologists, biologists, financial people. Our culture is clear. My team knows their mission is on time, on scope, on budget execution of these projects. We've had a very successful recruitment, retention and development strategy working with our HR team. We have a very strong relationship with our unions and our suppliers both internal and external trade unions to execute this portfolio.

When you look at our processes, we're a cradle to grave project execution organization. We start with permitting, design, construction commissioning. So we have all the capabilities within our organization to do that.

We've been able to grow this quickly because our processes are improvable, scalable and executable. So we've learned from one and we grow it to apply it to the next project, the next model. And very much about best practice and lesson learned sharing. If we learned something on one project, we want to make sure the rest of the projects in our portfolio benefit from that.

We have improvements driven biometrics. As Ralph has often told us, what gets measured, gets paid attention to. So my team, we measure a lot in projects. We have key project milestones that everyone knows about, and it's really shared with all of our key business partners as well. And when

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you look at the environment, when I look at linear transmission projects, environment and environmental regulations and ability to navigate that process has the greatest impact on your schedule and your [plots] on your project.

So we have a very collaborative relationship with our regulators. We know it's important to the DEP, to Fish and Wildlife. We have employed some as you've seen some innovative construction and design techniques to avoid and minimize environmental impacts with the helicopter fuel cell designs, micropile designs, all those things, to minimize the impact.

And we also have a very robust environmental compliance program. So you get a permit from a regulatory agency, it has a lot of conditions that you have to abide by when you execute. And you need to make sure whether it's soil erosion control, that kind of thing, sediment control, you need to make sure you do that. And if I go to a regulator for my next permit, I better well be doing what I said I was going to do on my last project. So we have a very robust environmental compliance program for that. So I think our team is very well positioned to do more the same wherever it is.

And I turn it back to you, Ralph, right?

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Thanks, Kim. While we're preparing for this, we were trying to decide how much I would talk and Kim. And I think when we got to the word -- what did you say? We realized I could not pronounce it, so we decided that Kim would definitely be the one to deliver that message.

All joking aside, Kim and our team has done a fantastic job. And I think that the history that we have here is going to make dividends for us down the road. And what it really turns into from a learning standpoint is that we believe that we can continue to execute very well on the regional transmission expansion plan that PJM provides to us and that has been assigned to us -- the 345kV line being the next major challenge that we have in front of us.

But I figured also it opens up opportunities for us to as these open windows that the RTOs, the Regional Transmission Authorities are putting in place and they allow us to bid on project in different locations both at PJM; we are a member of MISO, so that would be an opportunity for us to become a qualified transmission developer in the MISO region to develop and execute on some of these projects there; the experience that we've gained with the regulators and folks in New York to give the opportunity to expand in New York region as well.

And then there's other opportunities as the FERC order 1000 or the entire FERC process grows on the transmission side for us to position to take advantage of those opportunities that present themselves.

So with the experience of Kim's team being able to work in highly congested areas and environmentally sensitive areas and areas that have been tough to permit, we think we have a really unique skillset that we'll be able to leverage as we go forward.

Well, those are our future. Opportunities I think we have in front of us this year is continued growth to execute on our known capital plans to execute on our earnings or O&M expense plan that we have in front of us and to achieve the earnings that Ralph has talked about in that continued 10% growth with the new utility space at PSE&G.

So I'm going to switch over for a second, and for those of you who are living in Long Island or vacationing in Long Island, this will be the most important part of the day for you. In the back of the room is Dave Daly who is leading our organization. Dave will give you his cellphone number and any information that you need. On a customer standpoint, Dave has done a great job and I'll talk a little bit about where we are and where we're going on Long Island on the next slide.

But just to reiterate what we've said in the past, we have a contract in place now for 12 years that can be expanded by eight which is very straightforward. We're being paid a management fee. There's no capital at risk. There's no other items that are at risk to be able to execute and manage the program and manage the system on Long Island for LIPA who will remain the owner of the assets.

We've gone through that process and over the last 12 months or so, worked with the State of New York, the regulators there including the DPS to put a program in place that gives us additional scope and responsibility, allows us to use our brand on Long Island. We've agreed to a rate freeze on the distribution side of the business for three years. There's additional ups and down that have taken place from a commodity standpoint at Long Island. And we'll hear and see more about that in the future. But we're helping them to manage and think through that a little bit differently.

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And then there's an opportunity for us to invest behind the meter. That's what Utility 2.0 is all about. The State of New York is going down a path where they're looking for other opportunities for the utilities as a whole for the entire industry to invest behind the meter. And we're going to be afforded that same opportunity on Long Island with the customer basis there.

What does that mean? It could mean smart meters. It could mean combined heat and power. It could mean energy efficiency solutions for hospitals, energy efficiency solutions for universities, but that provides us for another potential growth platform in the Long Island region.

How we've done so far? Well, we've had a successful transition. We set our sight pretty straightforward. We wanted to make sure that we were able to pay people. They were all paid after we got -- after we took over in the first couple weeks. We want to make sure the bills went out and came back. That was accomplished. And finally we wanted to make sure that we got off to the right foot on an operational stand point.

And again, Ralph alluded to this, we did -- prepared for our storm, and we saw something come up on January 2, if you recall that was a warnings of a blizzard, it turned out to not be as much of an operational challenge but it really gave us the ability to tests our processes and procedures and really show to the community both the political community and the customer community that we were able to communicate and get out in front of -- and provide them with some experiences that they had not experienced in the recent past. So we think we're off to the right start in Long Island, and we continue to look for opportunities for us to grow that business in the -- in that geographic area.

So with that, I think we're going to just open it up for any questions that you might have. And then we'll take a break.

QUESTION AND ANSWER

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

Yes. Can you get the mics around?

Unidentified Audience Member

Just a quick -- just two quick questions. One is on the O&M growth of minus 0.5%, does that include pension, [just what are] the pension assumptions and inflation assumptions in that and how you can achieve that?

Unidentified Company Representative

Okay. So on the pension front, Caroline is going to touch on that a little bit more, and she gets up in some detail but that does include the pension as we look forward (inaudible).

Unidentified Audience Member

Without pension what would it be?

Unidentified Company Representative

I wouldn't know that off [the top of my head], I don't think we have that, yes.

Unidentified Audience Member

And inflation, what assumption is in for inflation? Is that --

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Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Well, we have -- just from a labor stand point which is the major component, we our contract [pulls] for anything, from 2% to 2.5% increases for our union employees, and that's what's built in for the bulk of our labor, and then we just have our normal CPI that we look at.

Unidentified Audience Member

What are you doing to achieve it I guess? How are you getting cost down with [labor cost increasing]?

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Kim alluded to the fact that [we have to] make sure that we measure, and measure, and measure and pay attention. So we look at all of our processes, we continue to look for opportunities for us to improve on them. And as a result we're able to take cost out of the business.

Unidentified Audience Member

Okay. Then just on transmission, setting aside reliability and redundancy and security, just focusing on the transfer capability, could you tell us what this actually does operationally in terms of cost either for customers or just market impact? I mean, I just -- I just sort of wondering there's a lot of investment, what does that mean bottom line in terms of savings or whatever that transfer capability increase is?

And then just in terms of FERC Order 1000, are you concerned about competition from private equity guys or guys with a more leverage model competing either of any of your projects or in terms of your opportunities that you're looking outside? How do you think about that issue.

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Sure, sure.

Unidentified Audience Member

Okay.

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

So two things, just from a pause stand point, what the auction process that PJM has is what you see from an impact. So I won't -- I won't estimate what that might be or what potentially will happen associated with transmission. But the process that PJM goes through the capacity auctions, the other process they have, that clearly will give you the signal for what the price impacts are for any of the transmissions being built across PJM, not just specifically within our footprint. So that -- everything other than that would be just as estimate on my part, and I'm -- it's not my area of expertise.

As far as the potential for competition, the rules in PGM are pretty specific regarding [write our first refusal] for those that have the [right of ways]. And again, if you look at our footprint and what's known within our PSE&G footprint that there really isn't an opportunity for a lot of competition based upon the way the rules are written today.

It may happen but based upon what we know and what we see, there's not a tremendous opportunity for folks to come in over the top on us. There is though again, these projects that we've shown to you is all about what's been assigned to us already. So we've already been awarded these contracts. There's no projections in here about what we think might happen. This is just what we've actually been assigned and what we expect to construct.

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The opportunity for us to expand outside of that, these are all just potential upsize for us, we're going to continue to look at where that is. And we think we have a unique skill set. We think that skill set brings with it some opportunities. We think the regulators and the folks that [want these] things out for bid will look at us and say, that's a company that you can trust, that executes on what it says, and we expect that to give us some advantages that others might not have.

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

I'll just address that pension question. I will go into it in more detail in my section later in the day. But the growth rates that you saw for O&M, the negative numbers, do include pension and you'll see that in guidance from Bill as well as Ralph's guidance. So they are embedded in our total guidance and in our subsidiary guidance.

As you know from looking at our [deck] and as you listen to our call, we had a significant change from expense to modest very small amount income. So if you didn't have that sort of a swing, you wouldn't have the kind of numbers you have here. What you have would be a small change in the upper direction. But what I can tell you is that number in terms of what that growth could be is less than what you saw last year in terms of a CAGR. And that reflects the fact as Ralph said, that there's operational focus on cost all across the business.

So while we're happy for our pension and it's real, what I can tell you is the fundamentals of the business had even less growth than what we had shown last year when we gave you the O&M CAGR.

Oh, we've always had pensions, and all of our numbers have always included pension, all the time.

Unidentified Company Representative

Great. Ralph, over here.

Unidentified Company Representative

Yes.

Unidentified Audience Member

Good morning. Quick follow up on CapEx here, could you discuss a little bit more about what the change versus the prior forecast was, the $3 billion change? It seems like $2 billion came from transmission as a $1 billion in other, could you talk perhaps about chunky projects within that outside of the Bergen line you also discuss?

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Well, yes, I mean, it will begin into a lot more detail, and I can talk to you about any of the different breakers that are being upgraded at the different stations. There's a number of different things. If you look at the PGM [art top] plan, it outlines those in an individual basis. So there's different assets that are being upgraded on a regular basis within that process.

Unidentified Audience Member

Anything outside of the Bergen line in your mind that is particularly to be following here?

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

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No, I think it's just -- it's just more of the same. When PJM looks at where there's constraints and where there's opportunities from a reliability stand point, they're looking for all of the companies within its footprint to put that capital to work.

Unidentified Audience Member

And I'd be curious, could you comment a little bit more on the life opportunity just as it relates to Utility 2.0 and some of the other investments? Is that included perhaps also in your CapEx?

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

There's absolutely nothing included in here except for what's known on the transmission side. So that's -- the potential on the Utility 2.0 is for us to make investments and like I said, energy efficiency and all the behind the meter solutions that the policy makers in New York may want to have.

Unidentified Audience Member

Do you have any sense of scale as to when you find out in any kind of --

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Unidentified Company Representative

I think you'll be hearing from the PSC as a whole for New York that they will be starting some proceedings and I think that we'll maybe a little bit in front of it because we're not regulated by the PSC, but they provide oversight. So they may want to try some things with us as we move forward.

Unidentified Audience Member

Thank you.

Michael Lapides *- Goldman Sachs - Analyst*

Hey, Ralph. Michael Lapides of Goldman Sachs. I want to ask are there earning streams or major revenue streams at the utility that aren't necessarily driven by rate base? And the only reason why I ask that question because I'm looking at the rate base guidance that both you and Ralph have shown on the slide so far. That $13.7 billion of rate base come 2016 timeframe. I mean, if I just do kind of -- I don't know, back of the envelop math and assume 50-50 cap structure and kind of a weighted average blended or we have 11%, I get around $750 million of net income from rate base. But given your guidance for 2014, I am struggling to see where the double digit potential earnings growth come from, unless there are other earning sources outside that is driven by rate base.

Ralph Izzo *- Public Service Electric and Gas - President and CEO*

The only other revenue that we have is our appliance service business which is not substantial I think from the analysis that you just did on the back of the envelop to move that needle. I don't know if I exactly followed where you were going with that. But I think we talked about our earnings growth for next year. And I think that's pretty clear where that's coming from.

Unidentified Audience Member

Ralph, maybe just to follow up on Michael's question. From an earned ROE perspective what are your expectations, I guess more importantly at the distribution utility to sustain that level of EPS growth?

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Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

So our allowed ROE if you -- again, if you go back to 2009 and when we came out [less every case] 2009, 2010, I think it's really important to realize that that throughput was exactly or about the same as it was today, our [ROE] was about what it was today. And we've been -- we've been investing at the distribution level at depreciation level.

So if you take those three pieces together, we're around our allowed ROE. That's the way we set the business up. That's why we continue to look at it. So if you just do the back of the envelop math based upon that, [that's] the capital that we have in the distribution system.

Unidentified Audience Member

And I guess one other question you're showing you're kind of flat bills on many year basis even with the huge amount of CapEx, can you just walk through some of the offsets as to what's mitigating the rate increase? I know energy is part of that, what else is going --

Ralph Izzo - ***Public Service Electric and Gas - President and CEO***

The other thing is that we have a lot of old clauses that are coming off the bill. There was some NUG contracts that were existing that are out there that are going to be rolling off the bill, some of the subsidize generation that existed in the past years that really had a large impact on the customer's bill, really drove the price up, that's going to be coming off as we go forward. I think that's the major piece that you see rolling off when you look and the securitization is rolling off the bill as well from the past.

Unidentified Audience Member

Two questions, one is you have mentioned right that there's some credits which start to go off. Am I right those credit is just automatically get off the -- if they don't approve energy strong, the prices will automatically start going down for the customers, is that correct? You don't have to go in -- there's no room created like extra room and all that.

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

Oh, no, they go down, right? Those are clauses that are just passed through. So there's no earnings that we would keep if that goes away. But the impact from energy strongly is miniscule as it related to where the prices were in 2008.

Unidentified Audience Member

Okay. And second, based on your transmission CapEx that you provided, I know that you give us 36% of rate basis of 13%. But what kind of rate base percentage does it get to in '16 or '17, is it above 50% or something like that?

Ralph LaRosssa - ***Public Service Electric and Gas - President and COO***

Yes. So [Kathleen] just has it at the top of her head. Just slightly in excess of 40.

Unidentified Audience Member

In excess of 40. Okay.

Ralph LaRossa - ***Public Service Electric and Gas - President and COO***

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Just above it.

Unidentified Audience Member

Okay. Thank you.

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

Okay. If there's no more questions I -- one more? Okay.

Unidentified Audience Member

[I needed one]. I was just kind of curious if you could comment on some of the articles that have been showing up in the journal about substation vulnerability, any particular -- what are you guys doing in terms of hardening this critical asset within your infrastructure?

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

So again, some of the articles that have seen in the paper -- you're referring to what happen in the West? So what we're doing [with] overarching everything that is -- and we talked about whether [the interest rate is in and building] redundancy and resiliency into the system. There's nothing more that you can do to improve the reliability for the customer and then to make sure that they've got all the paths for those electronics to flow through. So that's our number one focus.

From a plan security stand point, we've been in the forefront for a number of years in New Jersey on that. We have our Security Department as Mike Paszynsky and our cyber security group that's lead through our IT Department have been doing a fantastic job of being out front, whether it's in our State's Homeland and Security programs or involvement with the local authorities. So we continuously monitor that, continuously update, whether it would be cameras or a higher fences or more guards or something different. We learn a lot from Bill's organization, who does a lot at the nuclear front. So we leverage all those best practices and bring them to the table. But overarching everything, you have to bring more resiliency, redundancy into the grid.

Ralph Izzo, ***Public Service Enterprise Group – President and CEO***

As we were hearing so many people ask, what are you doing as the result of what's going on in the west. [John McCovoy] and I were sitting there, we were just -- we were just keep shaking our heads as if people just woke up in April of '13 to the possibility of physical risks to their assets. I mean, [is our memory -- our memory is that] short? Can I take it back about 13 years ago to something that happen not too far from here, we've invested over [quarter of a billion dollars] in the Security Command Center.

We have cameras and diagnostic equipment. At some point though, Civil Defense becomes the responsibility of government. And it's just irresponsible -- we've been on a critical infrastructure, [was the] majority for 13 years [in some of our] assets. We're not going to give that information to [Rebecca Smith, but she's just insane].

So John, [I send it to Senator Murkowski] it was like -- she was hearing things for the first time. And oh, we had a problem in the East Coast [and we have to defend] our infrastructure. So my team is far too shy. We have done everything and then some that a private entity should do and at some point Civil Defense is the responsibility of the government.

Ralph Izzo *- Public Service Electric and Gas - President and CEO*

That was good. That was good.

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John Cohen *- ISI - Analyst*

Hi, thanks. It's [John Cohen from ISI]. Just -- if you were to think that we are an environment of flat demand growth for awhile and that we're at an inflection point for distributed generation. It would seem to me that high voltage transmission is the asset type that has the potential to become the most useless in the future. So we're investing -- you've invested $4.5 billion in transmission and other 6.8 to come, these are 100-year assets. I mean, if you thought that demand wasn't growing and there's going to be a ton of new combining power solar, some of those become redundant potentially within the next 10 years. And is FERC thinking about this? Is PJM thinking about it?

Ralph LaRossa *- Public Service Electric and Gas - President and COO*

Well, I think we should all be thinking about it. But the way I think about it is that, distributed generation is a single point of failure. And if you want a reliable system, you want redundancy. And if folks chose to put distributed gen in as a redundant source, that's a choice that they're making. But -- unless we're going to put two or three distributed generators at our home, you still -- I would think we've learned one lesson over the last 10 years is that people demand redundancy and resiliency in the delivery of electricity.

So I do believe that distributed generation will have a place to play. It will have opportunities for people that want to pay for that extra layer of redundancy. It may give us opportunities to better utilize the resources such as combined heat and power where it make sense. But if we're going to build out the environmental solutions that we're talking about whether it would be wind and solar and other things, transmission system is even more important to have as a backbone to the entire grid. And I could go into a long conversation about why that's needed but to just go back to my highway example, you just need to make sure that you don't have those choke points. And if the choke point from my house is the generators sitting on the side of it, that becomes a problem.

Anything else? Okay. Then we're going to take a 15-minute break? Great. Thanks.

(Break)

PRESENTATION

Kathleen Lally *- Public Service Electric and Gas - VP of IR*

Just like to call your attention. We were going to resume the presentations. If you can take your seats.

Kathleen Lally *- Public Service Electric and Gas - VP of IR*

Bill has a naval whistle. He's getting ready. So please take your seats. Oh, great. Thank you. We are -- we're going to resume with presentation of PSEG Power by Bill Levis, President of PSEG Power and he will be followed by Shahid Malik who will -- who is President of ER&T within Power. And I know this is a part of the day that you're all looking forward to. And it's as important as the utilities growth profile is in terms of its capital spending. What power has able to do with its assets is also critically important to PSEG.

With that, I'll turn it over to Bill.

Bill Levis *- PSEG - President & COO, PSEG Power*

Well, thanks, Kathleen, good morning everybody. I'm actually glad to see most folks came back from the break because I get -- after reading here all the pieces from many of you here in this room, I'm thinking I'm [in a dying] business. And I'm just here to tell you that I'm a live and well, that I survived this same sort of death of the business in the '90s and came out stronger and better. And the fact that there are so many folks that don't like our business now, I think it's the ideal time to be in favor. And I think is I'm typically contrary on how I do things anyway.

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So I'm going to talk a bit about the Power organization supplemented by Shahid our energy resources and trading organization and how it is we've create value above the normal hedge prices for the price curve.

So you saw this slide from Ralph, and if you were here last year, you saw it in this presentation last year too. And I think you should take comfort in that because we do. This is our business and it helps significantly when we explain to our employees and get them align on where we're going and how we get there that things look the same.

It also helps bringing in new employees because we can sell whether this we're doing. And we can get the right mix of new employees because we're not selling them something that maybe different than what -- how they view our company.

So it is important that we are predictable, and predictable in the strategy is an important piece of that too. And as Ralph, talked about it, it's all about excellence. And in simple terms we make electricity. And to the extent that we can do it safety, reliably, more cost competitively in environmentally responsible fashion, we win. And it's all about winning that our mix competition work.

So these are the items I'm going to touch on the agenda today. And when I'm done, I hope you have a better understanding of how does that we do create value from the different revenue streams that we have and why I think we're actually pretty well positioned for the future, whatever that may bring.

So how is it we create value? And if you look at the headline there, it talks about responding to changing markets and regulations. It does not say predicting, it does not say how [are you predicting our view]? But to understanding what's ahead of you and what could be ahead of you in playing the hand that you're dealt. And essentially by being able to think ahead proactively play defense I call it, we can be ready for whatever comes our way. Whether it's hot weather, whether it's cold weather, whether there's transmission outages and the like in the organization knows how to respond to all those sets of conditions so we can make money when prices are high, we can make money when prices are low. So even when gas prices are high and gas prices are low with different strategies to go for each scenario.

So at the end of the day, it all begins with safety for our business. Ralph, talked about being a nuclear company. We recognize our responsibilities in that area. And it's a focus area each and every day.

Safety also helps us to establish the behaviors we want in the organization for just doing the right thing. And it's doing the right thing that has let this company be 100 plus years old.

And we measure safety and industrial safety performance. And actually I'm proud to report Salem's safety performance last year, the first time in its history. And it's I think no coincidence that they had their best operational performance with that. So we understand how these two items go hand in hand. And it sets the foundation for who we are and what we do.

We take that safety and environmental focus, and by the way, environmental, I'm a big believer that your waste stream is a big measure of efficiency. So in fact better environmental performance, more cost efficient operation because your waste stream is less and you're more efficient in using the resources that you have. And we've had demonstrated that in a number of areas in our company where focus on this has actually improved our cost competitiveness.

And then we use the diversity that we have with different plant types, different fuel types to respond to the [hand that we're dealt] and be able to respond to the conditions in the market place. And in particular you see two notes developments in the Linden combined cycle plants that set a generation record last year. That was despite having a failure of one of its units that we didn't have for five weeks in the year because we had a compressor failure there. And then Salem 2 having a record generation year for 2013.

Under the financial header we talk enough a lot by getting the most out of our existing fleet. Initially that simple strategy was, increased output, extend the life. And we've done that through our generating assets, especially the ones that we're going to rely on well into the future.

We take advantage of their location also in the ancillary area which has been an area we're paying more and more attention to as things like removable generation start penetrating the market place and there's a demand for more ancillary type services. So it's also an advantage area of a number of our units.

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And then you can see that's on the revenue side and in on the cost side have done a number of things to maintain O&M growth to 1.6% over that 2009 and 2014 time period. And I would tell you, when we talk in our organization we don't talk about cost control, we talk about efficiency because you can control cost and do stupid things. And we are here for the long haul to make sure that doesn't happen. And that's why can show what the commercial availability [were combined] cycles [location] now because we're going to make the right investments to make sure they're available to service well into the future.

And at some point the sites that we have are available for expansion. And we're actually taken steps today to make sure we're ready for when that occurs. And the regulatory side, we have a strong regulatory performance. You've see it in the performance indicators we have with our nuclear plants. You see it in the environmental performance with our [fossil] plants.

That is important for a number of reasons I outlined but it also gives us a seat at the table when there's the opportunity to talk about rules in the future. And although we talk about being a non-regulated entity, I have more friends and help than you can imagine. All those rules have the potential to be expensive and getting them right is critical. So we're planning in all those avenues to make sure that the rules are right and it get the desired outcomes that we're looking for.

So this is starting to look like more the same. It's intended to be that way. And in fact when I talk to our people at the beginning of the year (inaudible) what's the strategy for the year? And it's more of the same better. And then I have to get a little inspiration and motivation around that because it doesn't inspire people all the time but if -- but our people do understand that. And I actually follow that up with the caveat that I have than objective to run a boring business which sets people back a little bit. But then we define boring as predictable, reliable, there 24/7, no surprises, being able to manage our future [and not that we didn't have] to react to it, and people understand what that means. And if you do it well, you also get an occasional weekend and a night off too which is also helpful.

So we maximize the value, as Ralph talked about operational excellence. It's pure and simple. If you're the best of what you do, you're going to make it. And that's our focus each and every day. We call it an operational excellence model. We have it in our nuclear plants. We have it in our fossil plants. And it's underway actually at our trading organization to make sure [there's process] rigor and discipline and those key things that make a difference in our business.

So that predictability is important. So we want to get predictable results. At the same time we also want to build a culture of continuous improvement. So if you look at how are our incentive structure is, essentially we have to beat the best and get better to get full credit, to get paid. And that's the culture we want to continue to instill in the organization. So -- although we may be boring, we're going to be talking good at it at the same time and better than -- better than everybody else.

And what does that results in our workforce being a little more involved and engaged, our workforce understanding the business. So when they see, well, a coal plant hasn't run as much, what can we do to help? And we talk about there's an opportunity to use resources at various places in the company because there's more work here now. Our workforce volunteers to participate in that. And they've been very helpful in improving quality and reducing cost for many of those maintenance activities that we have.

In the financial order, what does that mean? It means we meet our commitments. Meeting our commitments is important. It's all about credibility. And in fact last year, we not only meet that, we exceeded the expectations that were set.

And then going forward, maintaining competitive market is critical. It's an important underpinning and foundation of how it is that we make money and getting the market rules rate is important. And I think we made some progress this last year in some key areas Shahid will talk more about them. But more importantly I think this cold weather has got people's attention.

We had some pretty tight days here in the January time period. And I think it's causing self reflection on many folks [parts but] did we get this planning right? And in my opinion, we were worried so much about the summer time that we forgot that the winter time was actually the more critical time period. And the winter time shows the need in value of diverse fuel types. And if you think about from a customer stand point, in the summer time if you lose power, you're uncomfortable. And winter time if you lose power, a lot more serious things can occur.

So I think this has the attention of the right people. I'm seeing more dialogue (inaudible) actually encouraged by what I see happening. But remember room is not built in a day and this market won't be fixed in a day either and different markets had different challenges that Shahid will talk about.

On a discipline investment side, we're able to seize an opportunity last year in advance gas path. We saw an opportunity to upgrade our combined cycles. I'll show a side about the particulars of that in a minute. The important point on this one is though, this was a project that we approved in

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August of last year. And when we saw the Linden failure of an air compressor, we took the opportunity then to move that power upgrade forward for that Linden facility.

So we were able to respond rapidly to what was a bad situation and make it better so all -- our both Linden one and two that's will be available with this upgrade by the summer time. In fact one of the Linden units is finishing currently and it will be really available here at the end of March.

We're going to continue to seek new opportunity in target markets. We are also part of the [Life] project. We're in a transition year in particular. Shahid's organizations are going to be responsible for unit dispatch and fuel procurement. So we are underway with our transition and we take over that service in January of next year.

And then there's this note here about early site permit. And you would ask why would you think about new nuclear? Well, like I said, I don't predict the future. But fortunately in the '90s when there was some tough times in the nuclear business, some people thought about this question then and actually put in place the process that's being used today for those plants that are being built in South Carolina and Georgia.

There's another important thing that's happening as a result of this. And that is as we're going through the post-Fukushima type things, we've come up with a new model essentially to predict the flooding impacts. This model actually is -- will show that there is a fair amount of conservatives than the old method. And so, to get this through and approved, [we'll essentially] I think we need to do on our existing sites (inaudible).

So it's a proving ground for some models, some new methodologies, we're being able to look at the regulatory issues and having a seat at the table is an important piece going forward I believe.

You see we did complete 18 or 19 Megawatt of solar last year. That 4 Megawatt are shown under construction, actually went commercial yesterday. And there's a robust pipeline of solar projects being developed and actually we have exclusivity agreements with a number of folks to bring more of those into the fold.

So 2013 did have us challenges last year, and they presented themselves first of all, we were still recovering from Super Storm Sandy if you recall. And we had a number of units not back in service at the beginning of last year. And we [that cold] if you remember in the middle of January and we had about six weeks or so of pretty extreme weather. It's interesting that how folks [were they get -- sometimes] they get cold in the North.

And so, with [Ralph's] point about history, we do a short memories in many years and especially in the [winter] last year. I think folks got cut short when they got cold. We also saw -- Ralph talked about their transmission [bills] going on. That creates other interesting opportunities and challenges because it creates congestion at different places. And also creates different basis challenges depending on what work is going on, not only transmission wise but unit wise. And we saw a fair amount of volatility there last year in that area.

So we saw lower gas prices but pressure on dark spreads and [we didn't see lowest] recovery. And despite those various challenges, you [saw winners that] we came up. And how did we do that? We put together a pretty aggressive and optimize schedule for unit recovery and sometimes you get lucky.

So we knew how important Linden was to us. We basically took that Linden and put it together twice, had it available for service January 12, it got [cold] January 14. I guess that I didn't predict the weather. But obviously you know that sooner is better than later relative to a unit like that that's very profitable.

And we went through a process right after Hudson returned first on gas and later on coal. And [apparently] went through that to get these units back in a timely but still in a financially responsible fashion. And I think the most important part of that work is they were available when needed. And the quality of the work were shown because they're higher viability throughout the year.

We took advantage actually of low cost gas, and Shahid will talk a little bit more about that. So we're actually some of our shorter periods became more profitable for us than they did before because of good [spark spreads], good expansion as a result to that. We were able to switch between coal and gas and Hudson play last year just because of what the low price of gas was, which helped us capture value. We also optimize inventory on coal with one of our coal contracts allows us to sell coal. And then also look at inventory -- inventory levels and got those in the right threshold and then -- and got some earnings opportunity that were made sense. But the real point at the bottom which is important is the flexibility we have to be able to respond to what happens in a real time.

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So what does that mean? That meant at the beginning of the year where we thought we'd be 535 to 600. We upgraded that in the third quarter to 630 to 685 and ended up at 710. And you can see the transfer of solar source to that, that's worth about $15 million. So at the end of the year we still exceeded that guidance.

Now, how do we do that? There's some notes at the bottom there and Shahid will talk some more about these but volatility is important. And being able to predict it is impossible. But responding to it is important. And we -- being able to do that [in the winter when it] was cold and in the extreme heat in the summer was important. And also that shows up basis volatility at times and having [load serving] contracts in addition hedges or the block hedges are important in dealing with that.

Lower gas cost meant better run time for our combined cycles, fuel flexibility means we switch them when we can. But I want to highlight how important what I call dialogue conversation in understanding the market is here.

So one of the areas we had been working on extensively is essentially teamwork between our Fossil organization and our ER&T organization. So that our ER&T folks understand fossil plant operations to some extent, limitations and opportunities and likewise the folks in the Fossil organization understand the job that they're ER&T organization is doing every day. And I'll just give you two examples of how that plays out.

Every day we make a decision do we run our units through the night or not. And if you were to quick economic calculation, it's a pretty simple decision to make with the pricing power, with the price of gas (inaudible) decision but it's actually a little more complicated than that because every time you cycle (inaudible) you incur some additional maintenance cost at some point. So what did that worth?

But more important than that is the conversation happens as what do we think the peak is going to look like in the morning. And if we come off, what's the slight risk that we don't come back and we miss that potentially valuable time period in the morning? And it's managing that volatility on a day to day basis that those decisions are made.

So we actually have a score card metric that look at our ability to make that decision every day. Do we make the right decision or make the wrong decision? And there are numerous decisions like that that get made every day.

Last fall our folks saw an opportunity to capture some value in New England because folks saw the price of power increasing there and wanted to capture some of that. So discussion with the Fossil organization (inaudible) if we're going to go this (inaudible) discuss as how much do you lock in but then we have to be able to deliver on that. And so, we pulled an outage forward in our station in New England to -- from [schedule mid spring] to the fall to make sure that would run reliably during this winter time period were essentially we grab some of the value that we saw last fall. That's the dynamic hedging program that Ralph talked about before that we use with our [mid merit] plans. And so, that pulling that outage forward making those improvements has allowed for that unit to run at 70% capacity factor so far this year.

Just to remind of where we are, first bullet is we are [near loads]. Why is that important? Because I read this discussion about when our locational advantages gone away, it's never going away. The question is what's it going to be worth? Because as Ralph talked about highways, this is the most energy intensive area [the country] where we live. And at some point there's going to be congestion. It's just a matter of when that is. Whether that's an issue on the system or extreme heat or cold, but at some point, there's going to be that congestion which is volatility which is opportunity.

The other point I would make is after HEDD, High Electric Demand Day, are some of these units do get retired? I'm going to show you a slide next that basically shows you how we're poised for that. And in fact that we maintain fuel diversity and actually improved efficiency post this time period.

So looking forward it is important for us to maintain fuel diversity and you don't need to see the various color mixes (inaudible) but other than notice the mix and see them all there. And being able to do load serving along with block hedge is important. And doing an environmental responsible fashion and you see upgrades from [pitch pot and the AGP] and the like.

Kalaeloa is an interesting story. By the way it's a 208 Megawatt combined cycle unit in the island of Oahu. The only combined cycle unit there. And it is an interesting test case to see the impact of renewables on the grid and what the value of ancillary services might be. And that's going to play out for us in the next couple of years as we renegotiate our power purchase agreement with the utility there.

So the other item that I want to point out here, as you see actually the capacity goes down but generation goes up. And that generation goes up will be cleaner and more efficient.

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SI-SSA-0015-12706

So a reminder again about this asset based that we had and where it is and Shahid will show a similar slide, my message to you is this is -- I look at base load generation, is it pays the bills for us? It does allow for a steady stream of cash, allows us to -- with good operations, allows us to hedge this 100% of base load that we talked about. We are picking units that do provide a hedge for operational purposes, but more importantly take the opportunity for real time pricing. And then we have our mid merit units in the middle that we dynamically hedge and look for opportunities for intraday, intra-month and intra-year. The other item to point out is the 60% of our fleet has fuel flexibility that we can switch between oil, gas, coal gas and the like.

So you see this whole purple dot there on the right. That's our [C-warn] station. And C-warn is an interesting example, if I were up here last year, I would have told you I didn't think I've see that dot on the map this year. It was one of the site's most heavily impacted by Hurricane Sandy. It was our oldest plant. And it was not clear to me that we will make things best when we need to restore that plant.

[Now, this plant] got a pretty proud history. And they've a little chalk board in the cafeteria where they write number of successes starts. And all four units are [call for Sandy] and the number on the board at that time was 247 consecutive start where they've been called and then it came online when expected.

And so, we have meet with the folks [on the site], laid out the challenges for the people. And we left and then the plant manager rallied its folks and he wrote the number 248 on the board. And it was about what do we going to do folks to get to 248? And our folks figured it out. To be able to addressed what needed to be fixed and get that unit back. And so that it run during that extreme heat conditions of the summer last year.

So when you want to know what makes up that difference between that $100 million, it's those kinds of examples and I have a ton of them that are $2 million formally and $6 million examples, where our people deliver on those sorts of things every day.

So nuclear is a foundation of our success. And as I said, it's a foundation of how we hedge. And just a couple of reminders, Hope Creek is a boiling water reactor, licensed until 2046, Salem -- and that's 100% owned and operated by us. Salem pressurized water reactor 57% owned by us. And you can see the Peach Bottom facility. But what is really important on this slide, EPU for Hope Creek is done.

Steam generator replacement for Salem is done. Reactor head replacement for Salem is done. Our spent fuel storage facility where it will give us a 60 years of fuel storage is done. And with that essentially, a lot of the capital spend that we talk about is behind us. In addition we've settled with DEO so we get recovery for the program that we have.

So it is all about managing our business day to day because those large expenditures are behind us. The other note as you see, [Peach Bottom unit two] fall outage is when EPU will be put in for that unit and available in January of '15 and then the next fall for unit three.

So you saw our strong nuclear operations helps us in many, many ways. It's a significant earnings contributor. And I'll show you slide where we stand from a cost perspective. But the other thing that these units have gone for them, they're going to be around for a number of years. And that allows us to continue to attract top quality staff to her organization.

And if -- I mentioned I think last year that we were replacing a third of our people every five years. That's actually accelerated. If you look over the last three years, we've replaced one-third of our plant staff. And like everything else, we got new people, come new ideas, new challenges and new opportunities to do things and I think we're benefiting from the new generation coming. And this idea of how you can use technology is an important piece of that.

Fukushima action plan has been submitted. We actually start on implementing that in our fall [sale outage]. You've heard of the phrase, it’s not an acronym, It just stands for the approach on how this is being done. If we were successful as an industry, we won't need any more regulators after that because I think we've copied everything that can go wrong and we have a different way to deal with it at this point. And that's actually our push going forward as we should be done. And [flex] will give us that opportunity I believe.

A reminder again in the Peach Bottom upgrade, and just to note on the bottom [about these various huge] organization and how they impact our business. The institute of nuclear power operations, it has excellence, it's underpinning. And so, a lot of work going on with INPO right now to make sure excellence and efficiency sit in the same sentence in looking at our industry and how we do certain things and how can we work efficiently to do them.

NEIs, our Nuclear Energy Institute the group that works with members of Congress and the NRC, a lot of focus there to make sure that the regulations that we have are safety focused. And not causing unduly burdens and other unattended consequences that weren't meant to happen.

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Electric Power Research Institute to make sure the research is focused in the right areas. So you will start hearing about life beyond 60 hear pretty soon because number of these nuclear plants I believe will be able to operate beyond 60 years. The USA Alliances and alliance of single unit operators that they can share best practices and also technical expertise to help so technically challenged problems. It's the opportunity there for single unit operator to be able to get the benefits of being a fleet and we're active in all of those.

So we talked about locational advantage and how that helps us from the revenue side and this is where we stand on the cost side and [this looks at all in] cost that is fuel capital and O&M. And you can see where we stand relative to the others, essentially 30% -- greater than 30%, better than [the] average, top quartile in this particular area. The other item of notice the units that were challenged economically, and that's just on there in that far left 50 number you see. So a single unit average is about $50 all in cost.

Fossil organization continue to show improvement last year. The items of note here combine cycle, continued strong output, improved output from coal last year as the market required it. I put up [E4P] that is a measure how well did our units do during peak times at peak period. And to the extent that you did better than the -- submitted in the capacity market and there's folks who didn't, there's a pool of money here that's provided among the winners I call it and we've won five years in a row now. On the peaking side, you see the start success. Just to give an idea, over 3,300 successful starts last year, that means we're starting a peaking nearly about 10 times a day.

So significant investment and attention in a combined cycle units, they are becoming the workforce for us. So we have done a fair amount of work with some outside help to make sure that all the efficiency items are appropriately identified, categorized, prioritized and we're working through those. In addition to that, training our people on them. So we've see plant simulators with computers to help us in that area. And outage work is focused on the -- this heat rate improvements that you see.

Those improvements that you see, that's worth about $17 million. And that two goal line that's worth about another $5 million. And the second gas line at [BEC] we want to get a little more fuel flexibility up there [too] so that gas line is actually complete, being commissioned currently, so we'll have two sources of gas that we expect to provide some advantages in the shorter periods.

So a little more about advance gas path and what it is. That's Linden 1, Linden 2, BEC and Bergen 2. It can -- the total investments of about $190 million, $120 million of that which is capital. And you can see the specific numbers for each of the unit. And as I said, in those Linden megawatt of 63 will be available here this summer. And there's two things for us, it improves heat rate, you see a 1.2% improvement. It also extends the maintenance life.

So these starts and stops that I talked about all the time, we get a 25% extension in plant life before this to be replaced. And it's a significant help for us into the future.

With all that, this is our slide that shows you can increase and improve generation and reduce emissions at the same time. And by focusing on both many part of this are benefited and we think it's one of the unique features of our fleet here. And so, you can see how generation is actually gone up through the years, emissions have gone down significantly. Mercury is not on here but it would show greater than 80% reduction also.

And a simple example of how you can respond to changing conditions, half a dozen years ago, we used to do many environmental tests. And since all the units were in the money all the time, it almost didn't matter when you did them or how long it took you to do them. But when the market change, this started becoming a significant impact on us from a cost [if we happen to run these units] off cost to do environmental testing.

So if you think about where were doing, we're running these units to see how much they [would polute in the case] they were called to run. So we worked significantly with our regulator and others and looked at the testing we were doing, how could we do it better, how can we do it different, and what testing really needed to be done. We reduced to the amount of testing we had [to by] 80%.

And the remaining testing we've figured out how to do with technology for the most part and that was using this continuous emission monitoring system. And if you get these things to work right and get them to certified, you can use them in [lou] of people having to climb up stacks and putting in proves and those sorts of things. So the clear case to me where the environment benefited and our cost to reduce (inaudible) were $5 million to $7 million a year for us depending on what market conditions are.

So this a picture of our capital expenditures and I think you can see it clearly that the numbers are done and they're done for the reason I describe before, we have most the environmental projects [and we have the] big nuclear projects are behind us. You see a pretty steady maintenance capital

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SI-SSA-0015-12708

about $200 million a year. And in the year 2014, the big numbers there for the growth there your pitch bottom [upper AGP], and even [black star]. So when we lost our [ATDD] units, one other things that the grid also lost was black star capability because 18 of units provided that service.

So as a result of that (inaudible) had to go out through a procurement and an RFP and we were able to bid and win on that and converting four of our units to black star units. So that's about $16 million of investment for us this year to have that available for next year. The [common FCR] substantially complete this year with some small payments next year. The other regulatory items you see going forward are essentially Fukushima.

So this is our O&M picture in the Power organization. And like I said, it is focused on efficiency has been I would say, retentless but continuing in our organization. And we've done a number of assessments at our Fossil plants. We've taken those same team of people to our nuclear plants. We have productivity studies, outage efficiency initiatives and the like. And numerous work with the supplier organization to work with suppliers and get different prices and actually to leverage spend across the enterprise.

And we're doing a much better job and all that is helping us to adequately control cost. And if you think about the number of people that we're hiring essentially the folks that were coming in are really under also a different benefit package (inaudible) folks that are retiring for the most part.

And from the growth perspective and -- we talk about good locations, they're good locations, they will be good locations in the future. And we're getting ready for that, ready for that means that [designs on the Shale for picking] units design on the Shale for combined cycle units. I've talked a little about what we're doing for nuclear but we even have a pilot program going on at our [Bone Kent] facility where we're having essentially the slight decommissioned at no cost to us because vendor thinks that it can make them money up on the salvage area. So we're going to see who that goes. And if that's successful we'll take that to some other sites.

On the solar front, we currently on 88 Megawatt of operating solar facilities. One under construction that is actually complete now. And if you look at this [pride seven] projects, they're in six different states. And we now are partner with several different developers and [EEPC] folks. And continue to pursue a pipeline of what we call high quality projects. And we have our definition of what that looks like. And the note that it does provides some post -- good strong EBITDA, post construction period.

So this is an -- I think an important slide when we talk about shaping the rules in the future. So if you operate your plants well, you have credibility with the regulator, then you get to have a seat at the table to determine how the rules are established in the future. And we do that in a number of different places. [Nearly the other items] I point out here.

So Chair of emergency preparedness working group, why is that important? Because that's an [extra on] regulation that's coming. Security working group, why is that important? The biggest increase in cost that we see (inaudible) from security. So as a result of our [CNO's] engagement and involvement in this, we were able to bring down a couple of NRC commissioners to come look at first hand some of the impact of regulation on operations. And frankly it was eye opening to them and that shows what was envisioned at the time to what actually occurred.

And so, we've had -- as a result of that good discussion and dialogue about security and the -- and this simple thing like [force on force drill] that we just went through is modified as a result of this meeting. So these involvements in this committees are useful and it help us.

On the market side, we're very involved in New England. In fact as we talk about the capacity market design there where one of our members is in the key organization that's going to help [us on] that particular area. [Why is that important at 316B]? That's have an impact on our facilities [over our] key player in that organization. And the USA Alliance I talked about already.

But at the end of the day, what separates us I think, and it's about people. And we all have the same machines, we all work in the same market place. And it's a matter of how you leverage your operation and knowledge in machines operations, knowledge of the market place, bringing those together and [there's people] to do that in the end.

So we've had significant work with our HR organization, it provides some tremendous support in the management development, organization of development area. And it's about making our place a fun place to work, albeit boring but it's still fun because we provide opportunities for folks to make a difference.

And if you look at what it is that our folks do every day, the number of decisions that they have to make, they're not locked behind the desk, it actually is pretty exciting work because they're solving problems every day. And it's about how we enable our people and challenge them to get the most out of them that the most rewarding as I watch this developed.

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It also means that the training and development, succession plan, development plans are very, very active. But the other benefit [this is our people] then become spokes persons for us I the community. And there's no better advocate for what we do than our employees.

So [as I] mentioned, license renewal is done for our nuclear plants, we did that with zero contentions. Remember where we are? And not too many folks can say that. And we were able to do that because we had strong community support because our employees have been valuable members of the community for a long period of time. They're in position to influence and they carry our message for us, and you can ask anything more than that.

And I mentioned the shared resources business. This is a voluntary effort. And we're going to have 120 people from our Fossil plant (inaudible) support a nuclear outage here next month, on a volunteer basis because folks recognizing importance of nuclear operations, how we need to do better in outage cost. And they recognize that everybody can play a role in that.

So with that, I'm going to turn things over to Shahid. He's going to talk about a little more about how we maximize the value in the market place and we'll be available for questions.

Shahid Malik ***- PSEG - President PSEG Energy Resources & Trade***

Thank you, and good morning. He's right that it has been fun and I had more fun in the last three months than I've had for my whole career. This is very, very exciting as you know. And I'm going to talk a little bit about that. But what I'd like to do today was firstly thank you for coming and extend my warm welcome to you as well.

If you recall a year ago, Bill and I talked about I believe that PSEG Power, location, our commercial skills and the breath of our portfolio would allow us to differentiate ourselves from our competition. Well, we believe that this has actually occurred. And frankly we're thrilled as we read reports, that many of you recognized that we are different from others and that we have a very strong platform. And our focus is actually on improvement. Bill talks about continually improvement and our focus is on sustaining that advantage over the long-term.

And so, what I'd like to do is I'd like to describe the actions that we're talking to maximize that portfolio of value and also to position ourselves for the future in the areas of asset management, commercialization of the fleet, and also operational excellence which is very important to us.

So let me start out then by reminding you of the mission. We have three major goals. Firstly, to optimize our assets for our customers and our shareholders. Secondly, to prudently manage risks.

Thirdly, to directly engage with the regulatory agencies in order to protect our assets and also to ensure that we have a robust competitive market in the markets that we're operating in, and if we execute properly, as I believe we have been really maintained that competitive advantage, and that's an advantage that's allowed us to protect the value of the business through this down cycle and also to grow it when attractive opportunities come along.

So, I'm going to spend the next 20 to 30 minutes just outlining how we've dealt with the events of the past year and more importantly how we're positioning ourselves for the future and the talk into three sections starting with the review of the energy markets that we operate in and what the trends appear to be. I would like to describe how our location, our plant type and our commercial activities give us that competitive advantage that we believe. And finally I'd like to outline why we believe we that we have a long term sustainable advantage in this merchant generation space.

As Ralph mentioned earlier on, we don't predict prices but it does appear to look at these three charts starting with the top left chart, that Natural Gas prices have stabilized between the $3.50 to $5.50 of range. It looks like the economics of gas production, the increased demand for gas for heating and for cooling, the increased demand for gas of general industry and you've -- there's always reports in the newspaper that our industry particularly the chemical industry coming back in the United States and also the increased demand for power generation will start to soak up some of the excess supply coming from the shale fuels.

In the short term, as you know, gas stocks are a five-year low and we see up in price pressure from restocking. In fact as we read in the Wall Street Journal this morning and talking about winter's toll in gas inventories and how it may last, they conclude with the [up shot] is that rebuilding storage to summer will be a slog even if temperatures are normal.

So I think we've seen some up of the pressure in the short term at least and in the long term we see that LNG exports will completely chip away that gas production even if that production rises with new discoveries such as the Utica Field.

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And while the overall price may increase, there will still be regional disparities and if you have access to shale gas as we do then you can get a price advantage against your competition.

Similarly, the power market in the top right chart appears to have stabilize and in some regions such as New England power prices have moved that much faster than their fuel imports. Of course some of this has -- have been driven by recent extreme weather conditions but it does appear to be enough reason for power prices to continue a cyclical increase in New England and also in the rest of the Northeast.

Now, we don't plan for higher prices, we plan for the market that's given to us. As Bill mentioned earlier on, so what we have to do is make sure that many environment we're able to take advantage of the difference between our fuel and the power and also manage the volatility and the risk associated with it.

Now these power prices, the immediate drivers here as have been previously alluded to be appear to be high fuel prices. There are clearly an increase in the amount of power plant retirements as they reach the end of their lives and also commonly held view frankly that power prices and power markets have been overstocked.

High power prices are hugely beneficial as you know for a base load nuclear fleet but we're not relying on them. And if you look at that bottom left hand chart which indicates the spark spread at PJM; the spark spread indicates the difference in price between the price of power and the price of natural gas, that has also started to stabilize and they start falling which is good news for all gas line and power plants.

And as I'll discuss later PSEG enjoys a higher spark spread due to our access to Marcellus gas in the level indicated on this chart; and for us all of it is very encouraging and may it really be an inflection point in the merchant sector.

Turning to the generation front, this chart on the left from PJM shows a cumulative amount of generation, the activation notices, that total just over 14 gigawatts of capacity shutting down by 2017, really driven by environmental rules but also we believe the reality is poor cash flow. We and others predict that the final number will actually be well over 20 gigawatts driven more by economics of negative cash flow for coal plants and also most likely for the negative cash flow that we'll see from some single five nuclear power plants as well.

This right hand chart, an information comes from PJM again, predicts that reserve margins will fall to 18% within three years. This reserve margins as you can see from the shaded area are met in large part by demand response and by renewables. And this is a major concern frankly since demand response can be helpful in reducing load with the supplies tight but can't increase electricity supply nor the ancillary services that are needed to bolster the grid in times of need.

And the industry and I believe some of the regulatory agencies are increasing it's taken the view that DR should be treated more as an energy product and not as a capacity product. Similarly renewables are a hostage to the weather and grid operators have to estimate how reliable they actually will be in the event of a need in the system.

And UBS, a front that UBS recently hosted the Brattle group in December to new Brattle's comprehensive analysis of PJM retirements. Now with the report -- very good report and the impact of the various coal shutdowns and market prices.

Brattle's conclusion was that on peak power prices could rise by at least $3 to $4 per megawatt hour from these levels and could rise as much as $9 to $11 per megawatt hour under certain circumstances by 2020. And by the way, I really must commend all of you at Wall Street analysis and analyst teams the various conferences you host that could [detain a lot] in your analysis, the insight of these informative opinions are really a major source of information and also adds to our strength because from time to time management reads these stuff and they call me up and say they well, are they right? And I wouldn't tell you what I can say but suffice to say that you all did a great job keeping us on our toes and thank you for the hard work. If you could upgrade us again, that will be appreciated even more but thank you anyway.

Let me move on the regulatory front and this is really very important for us and we believe that we're making headway on several key market design issues that have been transversely affecting the generation sector. I'd like to highlight four areas.

First, the threat of subsidized generation has been resoundingly defeated in federal court. Although the verdict is under appeal, we believe that this removes a major overhang in our IPP sector.

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Secondly, the poor state of the generation market has forced PJM to reexamine and improve their market design so that they can start sending the correct market price signals. And they're looking hard, very hard now at energy price formation and how they should scale back to their suppression of price signals which really has led to a dire lack of investment over the years particularly I might say in New England.

So that's an important area that's being looked at very carefully by all the ISO service and of course we have to sit in the table trying to make sure that those correct inputs are given.

Thirdly and very importantly for us, PJM and the New England ISO are also trying to improve their capacity markets in each of their regions. The capacity market, the auction in New England last month which is going from bust to boom inside two years reflect frankly the desperate state of that markets design which only now at least we're improving.

And our friends at Morgan Stanley issued a research note on January asking has New England market become the new Texas. Quite encouraging. So in addition to that -- both ISOs and recognizing that the power grid that really relies on demand response for a major cut of their reserve margin cannot really be robust power grid.

So, tightening the standards for what qualifies to the capacity market, a strict measurement verification, the requirements in New England for demand response to [bid in the day] ahead energy markets and PJM's goal to prevent demand response from gaining the incremental capacity options are expected we believe to have an impact on future capacity values.

And as you may have followed in the press like last week, FERC did approve several of these measures as requested by PJM and we believe that this does bode well for the integrity of the capacity market and there are additional rule makings that are also being examined by -- so like at this time that we believe will support not just the PJM market but also the New England market.

And fourth, gas to electric coordination is improving but still need detention as the event of these past weeks are clearly borne out. And in the interest of all stakeholders to better manage this inter-player and we're really pleased that Ralph LaRossa who's Chairman of the American Gas Association this year has played an active role on behalf of the industry to help make that happen.

At the same time I'd like to acknowledge PSEGs regulatory teams who are actively involved in every issue and helping us as Bill mentioned to have a seat at the table when all these decisions are being made.

So let me move on now and talk about what we believe is our competitive advantage that we have in the merchant generation space. Let me start then with our power assets, they bring us great diversity both geographic, fuel type and economic dispatch-wise.

So this is the dispatch step for our PJM power plants where the bulk of our operations are and it shows the breadth of our operation up and down the cost curve. On the left axis, you can see the relative cost for megawatt hour of running these plants and the more efficient plants are those that are on the bottom left hand side of the chart.

These plants typically base load nuclear and are base load coal plants which includes our Pennsylvania generation and as you saw earlier on nuclear fleet performs very well and last year had over 90% capacity factor. [Alignment] there is that all the time really helps us in the commercial arm, give us great confidence to sell against them.

Similarly, our share of two coal plants in Western PA that burn local Appalachian coal, so we have price advantage on Western PJM because of this. And the shale translations are very well run and Conemaugh is being upgraded with an SCR this year and that means that by next year both our plants, the Keystone and Conemaugh will have full environmental controls.

In the middle as we move over, we have an intermediate fleet, 3200 megawatts worth of combined cycles plus the oil field coal plants. The green circles reflect our combined cycles and these have been moving down over the years as we gain access to Marcellus gas and as we improve the operating characteristics of these units.

I still mentioned over the next three years we will operate these units plus the units in New York with advanced gas path operates which will improve the heat rates, increase our output and also allows us to capture additional ancillaries of this revenue.

These operate -- these upgrades and the location on the grid for our combined cycle I believe will continue to make them the units to beat in PJM, nobody else is going to be able to beat them, I don't believe.

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Now on the right hand column of the high heat rate units, this includes our peakers that typically don't run very often but are incredibly valuable in volatile markets. These total nearly 5,000 megawatts of deal fuel, oil or gas generation that can really take advantage of the gas and power volatility which as you know has been exceptionally strong last summer and also these past winter.

And of course in the trading desk, we are really acutely aware of what changes in commodity prices do to the relative economics of these power plants and so we have these wide bed of options and that gives us a significant advantage in choosing which plant to dispatch depending on the market conditions of fuel at that location and in order to meet the goods requirement.

So the result, we are aggressive in managing the dispatch of our plants and we're willing to switch fuels until we start quicker than even before to maximize our revenues. So whether it's switching to more economic fuel of psyching the units at night we're doing our own self scheduling in order to get a place in the dispatch and we're very actively managing the fleet to the benefit of our bottom line.

Another competitive advantage that we have is our very strong natural gas tradition in the Northeast and I talked about this before. PSEG has one of the largest gas transportation, gas storage and gas procurement operations in the country.

Last year, we've bought over 140 BFC of gas through our power generation as well as over 200 BCF for our New Jersey residential customers. Now the lower cost supplies for us have come from the Tennessee 300 line in the Northeastern part of Pennsylvania and the trans (inaudible) line in Central PA. And we also by the way have significant Texas Eastern capacity in Southwestern PA which is where a lot of the new gas element on Marcellus shale is taking place.

And this winter, we've seen incredible volatility in the gas price due to a number of factors but principally due to extreme weather conditions in the Northeast and very strong New England markets as well. Despite this we've maintained gas supply to all our customers for heating and we've been able to buy additional gas for our power plants to sell into these very high electric prices and to capture significant value.

And again in 2013, which is very important for us, we're very proud that the service that we provide for our residential utility customers in New Jersey allows them to have the lowest consumer gas price in the state. As well as four5 consecutive months of gas bill credits from last December to this March and as a customer of PSEG I'm hoping to get that gas credit increasing Ralph.

So you can see that our storage assets, pipeline contracts and also on the people dimension are experienced traders and marketers and also by being short in a long gas market gives us tremendous location advantage and when you add that to our strong electrical portfolio in PJM, we believe that we have an unmatched position in the New Atlantic in the Northeast.

As previously mentioned, instead of being 100% dependent now on gas from Canada and from the Gulf Coast, we are in a very fortunate position of being able to buy our gas locally from Pennsylvania or from wherever is the cheapest source. And this chart shows you the spread last year between Marcellus gas and in this case the alternative for us Henry Hub.

If we could clearly, we would buy all of our gas from the Marcellus which prices are best represented by the orange line and decidedly we can't buy everything from the Marcellus but over 25% of our gas generation does indeed come from this area where discounts in the past year to Henry Hub which is represented by orange line of having quite large depending on the season.

At some points in a year, we've been able to buy gas well below the market since we are a buyer of last resort for many of these producers and marketers which allows our customers to get an expensive gas --- inexpensive gas. And also in the summer time, when heating demand is low allows our generation to use this discounted gas and to provide us with the largest stock spread in the stock spread margin that PJM would indicate.

Now, as I previously mentioned we're located in the premium power market next to the largest load pocket in America and when we talk about the locational value of our assets, we reflected some of that value as being the positive metric basis that's inherent in our position.

Basis reflect the premium that our asset receive relative to the PJM West price and most of our competitors receive. And basis is impacted by a variety of factors principally by the absolute level of prices, by the amount of load in the region, by the way in which the units are dispatched according to the relative fuel economics on that day and crucially by the amount of electric and gas transmission into the region.

And each of these elements as you know has changed over the last few years and we expect changes in the future as PSE&G, our utility, and others build both electric and gas transmission into the eastern PJM region.

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As a result, we expect forward basis will continue to be pressured but will remain positive. However very important is to note basis we believe will remain very volatile in prompt periods driven by factors such as weather and operational outages.

And if you look at these three charts I have up here, the top left chart shows the future annualized basis. It looks pretty mild in fact averaging between $3 to $6 per megawatt hour. Our BGS sales, our sales -- default sales in New Jersey and much of our base load forward hedging receives these values.

But the top right and the bottom right chart really show you what's happening in the day ahead in the real time market which is when we sell of the rest of our fleet. Basis prices have regularly spiked over $50 per megawatt hour. In fact yesterday morning, according to the official 7 o'clock, and there was a $50 spread -- $55 spread between PJM and PS North in favor of PS.

And as you can see, if these prices spike all the time, we have to be in position with our units and with our commercial skills to take advantage of that and so if we time it right which we really can do and then in this period of time which can measure several thousand megawatts is able to receive some of these high prices.

This volatility, it's hugely impactful to our business and a considerable source of income that most of the -- others can't replicate and this represents in effect the auction value of having a gas fleet and if you could monetize the auction value, then that's very helpful to our position.

Now on the next two slides, you have to bear with me, we have some funky charts here. On the next two slides we wanted to demonstrate the flexibility of the portfolio and how we're able to leverage the assets when market conditions permit.

As I think you read January 7 was a record cold day in the Northeast, PJMs record, our gas customers have a record and we're the largest gas send out for -- in PSEG's history for our residential customers. In fact the whole week was freezing and they had prices as you can see from this chart in blue had cleared at a $58 premium [MCF] for gas and then the $300 per megawatt hour range for power.

As the day commenced, power started to spiked. Our prices started to spike for both gas and then power due to that really cold weather that we were having and we saw extreme huge demand from the marketplace but also there are operational problems as a result of this cold weather.

In fact on the gas side in the Marcellus, some wells had froze off. In addition, one of the major pipelines into the region [Tetco] had compression problems which cut deliveries in fact they even cut deliveries to us unfortunately.

And for the oil gas curtailments as well as operational issues at the Marcellus and some of the customer demand we saw record amounts throughout the state.

And on electric side, there were multiple operational issues throughout the industry and frankly as some of the older equipment finally gave out under the stress of yet another harsh winter day. And PJM estimated that up to 40,000 megawatts or roughly 20% of its fleet was not available during this period because of the intense weather conditions and the operational problems.

Even at our New Jersey coal plants, we have difficulty with frozen coal and we are forced to burn expensive natural gas or to switch to oil. Fortunately, we were able to secure enough gas for our residential and our commercial customers plus we were able to buy some incremental gas because of the great relationships that we have with the pipelines and producers and also because of the fact that we have a bunch of storage in the ground as well that we can pull when we need to.

Now, at PJMs request, we brought on all of our generation, everything was running that was available and for which we had fuel. We even switched our peakers to all oil and it was the cheaper fuel and so that our combined cycles could run more on gas to increase their peak firing output.

And during their time, the diversity of our fleet and the different types of fuel that we could use was a huge beneficial factor in our operation not just this day but also in fact through the winter.

So in the first chart, you can see here the price of day ahead power in blue and the real time price in red and the price in red as you can see is several times higher. In fact, reaching over $1800 per megawatt hour.

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In the second chart, you can see what the average daily basis was. It was over $50 to $60 per megawatt hour each of that constraints -- east of the Conemaugh basis. That $50 to $60 average masks however the inter-hour volatility that was going on which was significantly higher than the $50 to $60 basis we're seeing for that day.

So, if you think about the third chart -- in the third chart you can see how generations was stacked and the output coming from nuclear in blue, from coal in purple and combined cycle gas in yellow. This black dotted line that we have there that represents the hedges that we put on in the periods before delivery date and that we design to cover or projected load against our generation.

Of course, as we turned on more and more by unit due to our fuel flexibility we're starting to produce a large surplus of electric that we could sell into the marketplace, that's the orange and gray area. That surplus is something like 2,000 to 3,000 megawatts per hour during that period.

Now, while this was an extreme day for us, this volatility is becoming more and more common especially during stressed periods of time back in the winter and the summer and although we're very pleased to say that we had no service interruptions, gas oil power to residential customers have to kept the lights on and kept our customers warm, it was a pretty stressful period and the fact of the matter is we're going to see more and more of those as the weather continues to have extreme events during the year.

But the takeaway from me to you on this one is that you can see how crucial fuel diversity and flexibility in the fleet is. If you have a suite of power plants along the dispatch stack together with the diversified fuel mix, that will allow you to position your fleet and you can gain significant value from the volatility that we saw.

This next chart really shows a similar story, I'm not going to go through it but the important points to note here is that we know we have not just the winter peak but we also have a summer peak as well and increasingly we appear to be seeing more operational problems and more stress in the system during the winter when there's huge demand for heating load as well as for electric generation.

So I'd now like to move on and show you why we believe PSEG Power has a sustainable advantage at least through the next two years.

So the time forward that liquidity is much diminished due to the exit of the banks from the power markets, this BGS construct provides a very useful forward sales record for much of our generation and this is also -- the BGS auction is the auction whereby the utility in New jersey buy electricity to supply the default customers and it blends prices every three year period.

And this is proven to be very advantageous actually, the customers in the state added three significant reviews to the volatility of their electric bills. From the sellers perspective as well, we also like this construct because the load obligation is very well correlated to our units output, it's a good liquidity event and it also provides us an opportunity to hedge some of our forward basis exposure. And last month we were a successful participant in the auction again as the chart shows prices did move up a little bit about $5 in the PSEG zone due primarily though to higher transmission and renewable costs. We did also collect a higher risk premium that reflected volatility as seen on the wholesale markets.

One of the questions that we get quite regularly is what's the possibility of lots of load as we see more municipal aggregation around the country and also in New Jersey, and I will tell you that certainly for this year, we don't expect much switching to take place given the very narrow differential between BGS and retailers prices in fact head room continues to shrink for third party retailers and we expect that trend to continue as retailers that remain grade price's to cover their risk, that suffered from huge volatility this year and as you can probably guess they are raising their prices so that they don't take the consequences that they're facing in the first period of this year.

For PSEG, BGS sales now account for about a quarter of our hedges going forward. This is not a bad thing for us so the relative value to us frankly of BGS has dropped over the years. We continue to supplement the BGS sales with shorter duration for requirement contract in other markets particularly the adjacent markets and the Philadelphia and Eastern PJM regions and those markets as you can imagine are very well correlated as well to out power plant.

So there's frankly a little risk but also in fact the privilege could quite a bit more profitable in the recent months than the BGS auctions. So we're very happy with our diversified sales effort. And we're also happy with our participation in BGS this last month and we look forward to serving the utilities with their electric needs for the rest of the year.

So another leg of our hedging of course is the energy markets that we're selling to. Last year, I mentioned that we had adopted a more consistent monthly hedge program whereby at any one point in time we try and sell about two-thirds of our base load plants output for the next three years in

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numbers that's about two-thirds or 4400 megawatts for three years and this table only reflects that energy hedges, I'll talk about capacity hedges in a little bit.

But of course the capacity market allows us to hedge up to three years forward and this hedging locks in predictable future cash flow while leaving the remains of our fleet open to capture some of our short term volatility I just talked about.

And as I mentioned previously we focused on capturing value so we'll hedge just for the sale of hedging, we will not hedge at loss and we'll fine tune our hedging depending on the relative economics of our fleet. In addition, we give our trading teams considerable flexibility in the timing of the sales and the instruments that they can use in order to maximize hedging margin.

And as Ralph mentioned earlier, we do have a dynamic hedging activity while we position our fleet to take advantage of that market volatility but also to manage our closed hedge positions for operational reasons.

So we actually manage these positions and by doing that we do create significant amount of value on monetizing the auction value of the fleet.

Turning now to capacity markets, a major sustainable advantage that we believe we have is the revenue that we receive from these capacity markets which as you can tell from our location is quite a bit higher than in the past -- of the PJM's last year.

And of course, capacity markets are prevalent in all the three markets that we operate in,; in PJM , in New York and in New England; and they continue to evolve and the revenue that we receive allows us to continue investing in our plants and we also regularly examine why we should build new generation in each of these chosen markets.

And in PJM, we just received as you know, the parameters for the upcoming auction, the 2017-2018 auction which will take place in May. We believe that for the [RTO], this was constructive compared to last time around in particular important of being capped and importantly demand response will be held to a higher performance standard than in previous years.

As you know, PJM is becoming much more selective in how demand response is called and we believe that PJM is going to stop the harsh undermining of that capacity market construct. And we believe this will have a significant impact on the margin but much of the operating reserve in fact is held in the form of demand response.

And finally for us, as you know, the bulk of our generation is located in the congested PSEG and eastern MAAC zones which will continue to be premium markets for the foreseeable future due to the huge load pocket of New York city right next door.

And lastly, as I previously stated, a lot of our long term sustainable advantage is to do our location and operational excellence. Overall it's that we're very fortunate to have a very strong gas trading group that can take advantage of the massive Marcellus and Utica shale fields.

And this chart shows you what the forecast for natural gas looks like for the gas that we purchase for our power plants. Recall that about a quarter of our power generation gas needs are met by Marcellus gas. And this chart clearly shows you the Forward Strip that gives us a sustained fuel price advantage for the foreseeable future.

The Forward Strip, the Leidy Gas projects the discount against henry Hub, against TETM3 and against 26 which are our alternative gas procurement areas.

Although, you can't see it in its annualized press chart, another factor you should be aware of though is that the discounts with Marcellus gas, that discount is actually at its highest in summertime, right at the very time that our power plants demand and it's throughput that it's highest.

So we're getting biggest discounts at the time when we need the power the most and need the gas the most. So we believe then that this is a pretty important factor and that the Marcellus will continue to provide us significant discounts especially in the summer, in shoulder months to PSEG.

A lot of the scenario of course is passed on to our residential customers and that's why they're seeing this terrifically low prices compared to other parts of the country. But the remainder is captured in two areas for PSEG Power, firstly, our gas trading activity and the dynamic hedging that we referred to as well as in the procurement of discounted gas for our New Jersey and New York power plants.

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So in summary then, we believe that PSEG Power has one of the best stories in the merchant generation space. We've weathered this downturn in the sector as well as anybody and we're very encouraged by the constructive signals from the marketplaces, prices seem to stabilize plus we're seeing a very encouraging push from the ISOs to improve that market design. We have a clean fleet, we have outstanding operations and we have a locational advantage that's unmatched in the marketplace.

And we believe that this gives us not just the competitive advantage over others but also a sustainable advantage for the long term.

So thank you very much for your attention, I'd like to take your questions now and I think Kathleen's got the mike. Thank you very much.

Bill Levis *- PSEG - President & COO, PSEG Power*

Let's start on the back.

QUESTION AND ANSWER

Kit Konolige *- BGC Partners, Inc. - Analyst*

Hi, it's' Kit Konolige from BGC. I think if I heard it correctly you mentioned that the -- you're encouraged by the RTOs -- the outlook in RTOs as a result of the rules changes for the parameters and looking forward to the auction. Should we expect that -- those encouraging signs to show up in higher prices that -- for the RTO or -- and or the PS and PSEG zones?

Bill Levis *- PSEG - President & COO, PSEG Power*

This is a trick question or ...

Kit Konolige *- BGC Partners, Inc. - Analyst*

I'm pretty sober.

Bill Levis *- PSEG - President & COO, PSEG Power*

I think it's important that when we say encouraged, we still have a long term view and I don't expect instant results tomorrow and this thing to be fixed tomorrow. If we think about the market, they have not been around that long really.

The important part to me is that constructive dialogue is happening, some recognition of the limitations of some of those products are being seen and now it's a matter of giving the right value of those going forward.

So, I'm not sure, I'm not going to predict what this capacity market is going to produce just like you but remember we're here for the long term and in fact we're having a constructive dialogue and we feel good about it at this point at least to really think the important issues are starting to get talked about at this point.

Kit Konolige *- BGC Partners, Inc. - Analyst*

Let met follow that with the real longer term question which is regarding fuel diversity, is there anything in the [Hopper], at the ISO level that say -- or at FERC that would address what sounds like a kind of developing significant issue that the demand for gas, for heating and for electricity at the

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same time in the winter could be raising questions about whether you want to have all the incremental power plants in the country being gas buyer in the future.

Bill Levis *- PSEG - President & COO, PSEG Power*

There's nothing may: I'm not aware of anything in the Hopper per se, certainly, what happened this past winter is let's say a number of us were paid to have oil on site to be able to deal with gas shortages, whether PJM will continue that act remains to be seen.

But I would say there's discussion of ideas, nothing has come up an annual vote or any (inaudible), I don't know, Shahid.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

That's right. There's nothing in the Hopper but I think the industry has to recognize that the gas pipeline system was really designed for the LDC, for heating demand and now with certain, if you add all these electric gas plants what does that mean for constraints particularly in cold weather periods?

So I'm sure the recognition is that -- I know that the recognition at FERC and at the various RTO level is trying to figure out if this can be short term event or this can be a long term. I think if you're increasing this that we'd have to be better prepared for -- with diverse fuel for the future and potentially something like what's happening in New England in terms of paying generator to have found oil on hand, might be something that other RTOs contemplate.

But there's nothing that's begin definitively defined at this point.

Bill Levis *- PSEG - President & COO, PSEG Power*

I will tell you one particular concept we are pushing as a -- this financial service area and in particular the value of reactive power to the grid is more and more incremental power -- incremental type resources coming that's going to be more and more important. We don't think that's perfectly valued in the marketplace at this time and it's something could benefit base load generation.

Kit Konolige *- BGC Partners, Inc. - Analyst*

Thanks. Can you quantify the MCF volume that was available for Marcellus gas historically for 2013?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

We procured 140 BCF of gas but of the full generation but the oil that was from Marcellus, I don't have the exact number at hand, I don't k now if Kathleen does but it's something we can get you afterwards.

Kit Konolige *- BGC Partners, Inc. - Analyst*

Right, but I guess I'm more interested in the portion of that procurement that would have been available just for the merchant operation.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

Of the 140 BCF? Well, essentially all of it is merchant. So that 140 BCF goes to our fleet, a piece of that came from the Marcellus, a piece of that and the majority of it came from other sources. The 200BCF that I also talked about is pure gas that we purchased for our utility customers.

Bill Levis *- PSEG - President & COO, PSEG Power*

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So if you saw that 0.6BCF per day, essentially during the times of the winter and most of that will go to utility because they get first take on the gas. We will get more and more of that during the shoulder periods where heating low turn is great. So it's a variable number not as much in the winter as it is on the shorter time.

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

Just a clarification, Will, we also act -- when we talk about roughly a quarter of our fleet gets benefit from Marcellus gas it varies during the year. So in the winter periods, we don't get a lot of that Marcellus gas, we're able to obtain a lot more of it in the shoulder months and in the summer.

Unidentified Audience Member

Good morning, so just to follow up on that I think I heard you said in the prepared remarks that you'd have some Marcellus gas available during the crux period in January and February. Did I get that right?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

You did.

Unidentified Audience Member

And can you quantify that in any fashion?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

Caroline will kill me, so I better not.

Unidentified Audience Member

I know you'll pass on that. And then I also I want to ask on the BGS, could you -- as you disaggregate the pieces, can you give us a flavor of what -- on your numbers the delta and the premium was between this year and last year?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

So we got to try and break down on what we were able to file the BGS for. I think what -- I think the key message from this current auction is that finally power prices in the wholesale market are reflected now in the BGS price going forward, that's number one.

Number two, there was an increase in the transmission and the renewables as a result of all the increased flowed out that we're seeing in the state and as a result of increased RPS standards and the third being obviously is that there was an increase in volatility and therefore an increase in the riskiness of this particular sale.

And that we and others were able to find a higher value in that sale price to that and extract to that a margin further.

Unidentified Audience Member

Given of the $6 of -- we have left, there was a couple of it or $3 kind of premium?

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Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

That's competitive and I'd rather not talk about that, if you don't mind?

Unidentified Audience Member

Okay, no problem.

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

Thank you.

Unidentified Audience Member

And then just finally, given that -- this --you've obviously had a historical position that you're not keen on the retail business but if you see a bunch of some of the more -- that we could come back as just drop out and pricing improve, is that something that could change as you look forward?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

Never say never but probably not. Retail business is very different from the wholesale business and I think we've said before that we look at retail if it helps us defensively, other points in offensively; so maybe, in our fleet, close to our state to help our power plants.

But generally, success in retail relies on a couple of factors and I used to run a retail business, I know that. One of them is scale, and to really be effective in this business where margin is very, very narrow, you have to have really low cost per megawatt hour and you can only do that if you have a wide scale and regional scale.

Secondly is our diversity which that scale gives you and thirdly, you need to have a first class system because you're dealing with hundreds of thousands (inaudible) the customers and to build that infrastructure is hugely expensive.

So generally unless you already have a position or able to buy a company for a real cheap price, it isn't something that really fits with the tactic that we're going on.

Bill Levis - ***PSEG - President & COO, PSEG Power***

It is -- my boss reminds me the business you make pennies in and you lose dollars on and unless something stops and we changes that form, I'm not sure I'll take this office to [park.]

Unidentified Audience Member

Question, from a power -- take power perspective, how do you think about -- how will the transmission that PSE&G is adding around your plants and the system of it next year for your -- maybe impact the commercial aspects of your business, even more power that you're getting to the region, does it affect in [stores] all that -- just some sense to that?

Bill Levis - ***PSEG - President & COO, PSEG Power***

I think if you look at the PJM planning parameters, you get a pretty fair idea what folks think will be able to come in to the areas, there's also that transmission built. And certainly we talked about in the office, sometimes we eat each other's lunch or cut each other's throat in this business but I

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think it's important at least from my perspective to hear the more reliable that power source is, the more places it goes, the better off that we are because that means folks in the end will use more electricity.

And as electricity becomes more important to people's life, it happens to be the product that we make. So I think there's a long term benefit in that, there can be some short term pain but what I felt was we really have a level playing field competitively, I'll have my plants compete with anybody else's [specific] place in the country.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

So what's interesting on that couple of things. Firstly, think about gas transmission, all the extra gas transmission that's coming to the marketplace since November in 1.2 BCF. Everybody's expectation was that gas prices and the gas basins would collapse and that fact we've seen higher gas prices that we've ever seen in history.

And so it's interesting that transmission by itself whether gas or electric, doesn't overcome the other constraints that there are and the increased demand that can happen because of the weather. That's why although that forward basis for power has been falling over the years, we should think about the volatility of that set, we're not an hour revenue comes from, we believe that will continue to remain particularly when market's distressed.

Unidentified Audience Member

Maybe - can I just follow up because maybe I'll -- (inaudible) so in theory your region has the premium price, other regions are lower except maybe -- New York is higher, there -- it's not simple to have more cheaper power you can get into the region with the premium price?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

No it really isn't. There's a whole lot more to this than just that, frankly.

Michael Lapides *- Goldman Sachs - Analyst*

Hey guys, Michael Lapides from Goldman. Can you talk about what you're seeing, PJM-wide but especially in MAAC and eastern MAAC and even in New Jersey, in terms of new gas fired generation development being done by some of your peers or your competitors. Just kind of touch on maybe what do you think is already clear in prior auctions and what amounts kind of -- when you look at PJM and stuff that's in oasis, what you think is likely coming in this upcoming auction or the next few years beyond that?

Bill Levis *- PSEG - President & COO, PSEG Power*

I think what we'll talk about is what's already cleared and what will clear in this upcoming auction, we're no sure. We know what the variables could look like but I'm not going to share what I think will happen and not happen there as we develop our own strategy for how we're going to bid in the upcoming auction.

But in past auctions, I think for everything's worth with the Hess plant cleared in New Jersey and it is being built, the CPV plant has cleared, not sure if whether that's in construction at this point and the Calpine plants and plants in Delaware are also cleared, we didn't expect those to make the marketplace.

Julien Dumoulin-Smith *- UBS Investment Bank - Analyst*

Julien here with UBS. Just wondering to follow up a little bit on these questions. First, could you perhaps quantify a little bit within the context of the guidance just what that gas uplift is today that you guys does on the power side that you're able to capture? I know it's a tough question but does that...

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Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

You mean, for last year?

Julien Dumoulin-Smith - ***UBS Investment Bank - Analyst***

Or rather what you're thinking for this year if you can...

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

So I think we can arrange a four to eight sets and I believe the number is still consistent by Caroline, that's what we're giving as the range? That's what we expect the gas uplift to be when we put our forecasting for this year.

Julien Dumoulin-Smith - ***UBS Investment Bank - Analyst***

And -- sorry to just speak, to clarify that, does that include the uplift from the last couple -- thus far in the first quarter?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

What we say is that the...

Bill Levis - ***PSEG - President & COO, PSEG Power***

We will talk about it at the end of the first quarter.

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

There's 12 months in a year, we've gone through two months. We would hope to see some additional volatility later in the year to match up with the forecast that we have but if somewhere as the past and the next winter will pass then we'll see what that brings us in terms of cyclical earnings.

Bill Levis - ***PSEG - President & COO, PSEG Power***

Yes, and that uplift actually has two pieces to it because we also -- that gas causes impact about it, we're negotiating a new gas contract with the past year. So there's some that I would say certain and there's other that -- to be determined.

Julien Dumoulin-Smith - ***UBS Investment Bank - Analyst***

And then perhaps a more structural question, as you're thinking about the gas constraint that we've seen thus far, how do you think about it prospectively here in the context of new gas pipeline itself over the next few years? To what extent is this structural or is this just a function of the extreme weather and what extent are you going to see new pipeline or are you ready to see new pipeline when do you see these kind of peter out?

Shahid Malik - ***PSEG - President PSEG Energy Resources & Trade***

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I think there are few types (Audio Gap) and clearly whether it's something a big part about -- clearly problems with retirements that are more than anticipated when that hasn't helped, you're seeing quite a few operation problems as well as they're trying to get to the end of that working lines and frankly, as an industry, we'll have to invest as much as we should probably over the years.

Bill Levis *- PSEG - President & COO, PSEG Power*

And I think of them and then somebody's going to build a gas pipeline is going to have the same challenge we talked about in capacity markets, you're going to build an extra capacity and it's -- so who's going to pay for it on the developer and want some certainly in it before I go ahead and start building.

Unidentified Audience Member

I guess looking at the 2013 number and you have $100 million of better performance in the year than you would have expected because of the gas issues and fleet diversity. How much of that $100 million you guys saw in '13 do you think is repeatable and already embedded in expectations and are you seeing trends right now in the industries where you've gotten better running the assets and diversity that could give you prospectively more opportunity going forward than you've seen so far?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

So we did bank in, we did see a significant benefit in 2013 from our gas operation whether it was trading or uplift for our power plants that we base in a considerable amount for this year in that forecast. We will have our earnings for the first quarter in three weeks' time like as Caroline would say then exactly what that was.

Bill Levis *- PSEG - President & COO, PSEG Power*

Yes, so I tried to -- I'd say alluded to what we thought was sustainable going forward and then you can make estimates on what you think that might be.

Unidentified Audience Member

And try to guess you have given the factors as if the draw in gas this year with the coal [battiness] or stuff, does that affect how seeing -- you're able to take advantage of the firm transportation or shifting from gas to power in the spring this year because maybe more like access to going the stores before you can start putting the plants or you think it will be seasonally about the same as last year?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

Well, our first goal is to meet requirements with the utility customer. We have a relationship with our utility, an honest relationship where we send supply in gas to them. We operate under the framework of an agreement we did with the state regulatory body, the BPU and so everything we do from the [get go] is to make sure that our customers get the lowest price.

So if there is additional storage capability or pipeline capability over and above what we previously agreed as our modus operandi for getting gas to the customers and storing gas for the winter then our generation plants will benefit.

But directionally you are right that particularly as we get to the summer and the spring shoulder period, we should start seeing more benefit from Marcellus than we would do in the winter.

Unidentified Audience Member

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And I just have one last question just, it was interesting to show the comparison of the cash cost for your nuclear assets versus the industry. Can you -- we've seen a lot of inflation of the last five or 10 years in nuclear for that -- you've talked all about it being security driven. What are your expectations from nuclear inflation going forward as you've kind of gotten through all these security dollars being spent?

Bill Levis *- PSEG - President & COO, PSEG Power*

I think Caroline will show you what we're expecting for spend going forward and see what it sit that we expect but this is a real rally inquire for the business at this point and nuclear operators understand that we got to turn this around in order to stay in business. So I think that mandate is clear and there's fair amount of work going in the industry to just -- to do that.

And like I said, we've been here before. We went through this in the 90s, we're - many folk predicted our demise and we came out stronger and better and I'm expecting the same here too because we provide an important service to the grid that's needed in our energy and security as a nation.

Unidentified Audience Member

I just want to follow up on that risk premium issue, I mean, a lot your competitors are sort of like wishing or at least hoping for a substantial increase in risk premium because of the polar vortex impact so to speak. We have the BGS option and although you weren't willing to quantify it specifically as per [Jonathan's] question, you look at ACE and [JCP&L], it doesn't look like there really was much have won and I'm wondering in terms of an uplift like we're now going to be paying a higher premium because of the risk factors. Do you see that changing? I mean, it doesn't sound like you guys are -- you don't have any valued guidance as my understanding but do you see any of that changing or how do you account for that? I'm just wondering.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

Do we see that risk in the volatility changing?

Unidentified Audience Member

Well do you see it changing in terms of the forward price, right? In other words, I mean, we didn't see that with the BGS auction it appears or at least not very much and I'm just wondering if are you thinking that might change now or do you -- what accounts for that or what's your thought -- if you could just elaborate a little further on that.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

Yes, so first if we take JCP&L and the other territories, they won't experience it in the same kind of volatility as in the Northern part of the state. Number one, so you you'd expect the risk premium to be lower anyway.

Secondly, the reason why that prices didn't go up the transmission increase was not as high for those markets as they were for the PS.

The second part of your question with respect to do we expect this volatility to reflect -- to be reflected in higher forward prices. We've been a little surprised over the years about how prices haven't moved up faster than they have done and while we don't predict prices, we are in the belief that it probably have been over-solved relative to what they should have been.

We think that the market is a seeing a lot of upper pressure in the short term but I think they spoke some skepticism out there as it how much this will translate into '15 and '16 and beyond. We have seen some increases in price but they haven't been significant and I think time will tell if somebody's retirements in this market reform changes, where some of the environmental rules really do stop putting upward pressure on these prices. And If I have to place my bet, I would say, that there's a high tendency for prices to move up than to go down.

Unidentified Audience Member

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Okay, but you're certain the polar vortex, again, one of your competitors has issues associated with the expense associated with the services that PJM may be billing. I'm wondering if you could elaborate a little bit on what the impact might be on you guys with respect to that issue so this may call -- because of all there's strange stuff and now that sort of socialized.

And then also on demand response, given how generation performed during the polar vortex, like coal and stuff a lot of them wasn't very good. Demand response was actually -- to think that it was there, I mean to a certain degree from a reliability perspective, are you guys thinking at all about getting involved in that business or how do you see that product either with your portfolio or impacting your portfolio going forward?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

Yes so with respect to demand response, we have no intention at this time to enter into demand response market. And in terms of its performance during that period of time it was cold and the rules for the -- are that it can be called on a voluntary basis, and it did perform but very small amount to the 3000megawatts on this very, very cold day particularly that January seventh day that I talked about.

And your first question with respect to uplift which is essentially the difference between the cost of your fuel input versus the price you received for your power and if you're called out of merit by PJM so, we as-- all the generators have seen some benefit from uplift both in this period of time and in prior periods of time. I will tell you that there-- the problem with that is figuring out what your fuel cost was and if we could have bought fuel at $4 throughout this period of time of course it will be terrific but clearly we couldn't and didn't. So for us and for others there will be some elements of uplift but it will not be a hugely factor.

Unidentified Audience Member

But your point on this uplift, this is not a new issue in PJM, it manifested itself a little bit more during this period of time but some of those things are drivers out of merit dispatcher or -- are units that run because it provide reactive power or units that run because they provide reactive power or units that run because they provide black start and it's about getting those services properly priced in the marketplace so we don't have to have out of merit dispatcher so we can have the market provide the right signal for all these services that are provided at the grid.

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

That's correct. But the (inaudible) half of course looking at that right now is in PJM to figure out how the dispatch model can be amended such that these units that are called out of merit don't just get enough of the payment that's on this [arbitry] that -- so that they know what the true cost and the true price opportunity is for them. If they're included in the dispatch model then it will be much better for everyone that uplift will go away. That's PJMs call. Did that help?

Unidentified Audience Member

Thank you. Just coming back to your guidance on the PS zone energy price basis, because of your hedging or plant location, how much of your sales, the end of capturing that basis in?

Shahid Malik *- PSEG - President PSEG Energy Resources & Trade*

So all of our sales capture some or all of that basis. As I mentioned, if you consider out BGS in our hedging, captures that $3 to $6 from -- then going in our basis because it's forward and it captures our forward [core].

The rest of it from 4400 megawatts up to 10,000 megawatts can capture some role of the remaining volatility that we see out there. I can't be precise because it depends on the marketplace and the time and how much generation is available, how much fuel have been available to capture that generation as well. But it's above that $3 to $6 range and we expect it to continue to be volatile going forward.

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Unidentified Audience Member

Thanks.

Unidentified Audience Member

Hi, after the polar vortex and kind of going through that stress, have you kind of looked back in your hedging strategy and said, hey, we're doing this the right way or does it make you say, maybe we should make adjustments to it to -- we left too much money on the table possibly or how does that sort of looking back there does that mean any changes or you can say, hey we're doing it right?

Shahid Malik ***- PSEG - President PSEG Energy Resources & Trade***

Well we did look at it, in fact we looked at it before the polar vortex and we looked at it after the polar vortex especially as all about --as this is all the volatility in our risk limits and I will tell you that we wish we hadn't hedged anything in (inaudible) looking back. It would have been great to be completely open but -- which counter on a business like that. You could or have some predictability in forward earnings.

I think one of the key messages that we present is that our fleet has to be ready all the time to take advantage of the opportunity and the first line (inaudible) guys do a great job of that.

And secondly, we're using options a lot more aggressively than we have been in the past because that allows you to limit your downsize instead of hedging out $50 and eating it or maybe doing much more on the options side of gas and power.

And the third thing is having a diverse hedging platforms. So we're not just hedging in PJM we're hedging more in other parts of the region as well, the Northeast as well. So yes, it's evolving but I would say that we're not expecting a radical change, we'll continue to have a radical hedging strategy. We're doing our traders to have some flexibility within that so that when they see situations like the polar vortex, they're able to go back and unwind some of those hedges for financial operational reasons. And we saw some of that in the last period of time.

Unidentified Participant

Getting the hook.

PRESENTATION

Kathleen Lally ***- Public Service Electric and Gas - VP of IR***

Yes, I'm sorry. We're going to move on to Caroline which is the financials presentation. Thank you.

Caroline Dorsa ***- Public Service Enterprise Group Inc. - EVP, CFO***

All right, good morning everyone. I did have the chance to chat with you a little bit about the financial profile following my colleagues' conversations about the business. One of things that I think about every time I'm in these kinds of meetings and thinking about my own remarks is how easy it is for me to get up here and talk to you about our financial profile. When I have operating colleagues who make my job as easy as possible who are always optimizing the cash flow of their businesses and that allows me to optimize the cash flow as you roll it all up. So all of their efforts really do make my job very easy.

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Let me talk to you a little about where our financial position is then I'll do a little bit of a recap of some of the things that were important in 2013 that I want to point and then talk about our forward-looking positions because I really like the forward-looking position that we have. We have a great balance sheet and lots of opportunity for new investment.

And as Ralph said at the beginning none of that strings are metrics and none of that requires us to issue equity, still with a nice position to be able to look at new opportunities in terms of how much would I do, not can I afford to do it.

So 2013's financial positions and I'll talk a little bit about this. As you know we did exceed our upwardly revised guidance, pension is fully funded now, and the strong balance sheet also came along with credit rating upgrades which we're very pleased to see.

2014 and beyond, continuing a positive earnings trend as Ralph mentioned earlier, O&M growth which I will talk about, the ability to look to new investments, growth in the PSE&G investments with contemporaneous return, and I'll show you some rate base growth numbers as well, the balanced hedge profile, the continued strong cash from operations in both businesses over the long term period, and the ability to increase the dividend and have that opportunity for sustained and continuous growth in the dividend again in the context of the financial strength that we have.

So just a quick recap on the numbers. As you can see and as you know, we exceeded both the initial and the upwardly revised guidance. If you remember the guidance we gave for each of the businesses when we created the upwardly revised guidance, we actually beat that in both of the businesses.

And as you know and as Bill showed you in his slide we also beat that at Power even if you adjusted for the fact that we moved Kalaeloa and Solar over to Power at the end of the year. So the fundamentals beat the guidance for all the reasons that Bill and Shahid just talked about. And as you know from what Ralph and Kim talked about, so much money put to work at the utility enabled us to really deliver really strong performance there as well.

So I want to break it down just a little bit for you in terms of 2013. I do it because I want to just point out the dynamics of the business that you can see from our '13 results because they really do create the framework that I hope you'll consider as you think about the dynamics of each of our business's financial profile going forward into '14, '15 and '16.

So here is a look at Powe’rs 2013 cash flows. You can see the cash from operations at about $1.3 billion. The capital investment, in here I followed the 10k view so this is capex from nuclear fuel because that's the way it shows on the cash flow statement which is industry's standard practice, leading to free cash flow of $700 million.

We issued net new debt at Power of $200 million this year. The important thing I point out there is Power's debt levels are still below the levels that we had in 2011. So on our net based it's over a long term period of time, Power's leverage has been really well managed to be low. Again, it gives us lots of opportunities going forward.

So with the free cash flow of the net debt issuance, [able to] dividend to the parent and still have incremental cash on hand which you know we pull at the parent as well. So a nice picture, ending with net cash generation because of that very strong cash from operations and that limited need for capital expenditures.

If you look over at the utility, same sort of picture. In terms of the construct, obviously very different in terms of how we're deploying the cash. We think about it by looking at all the cash flows that come from the businesses and then where is the best place to deploy, and we've been focused very much on deploying it in growth. We have more growth opportunity at the utility than we have at Power, but we are funding growth opportunities at Power as Bill spoke to.

So PSE&G, cash from operations adjusted already for securitization. Significant. And so what I like about this slide as we talked last year about PSE&G and Power both being very strong cash from operations generators versus what it was a few years ago when you didn't see as much from the utility. And now you see it right here on the slide for 2013.

So $1.4 billion of cash from operations generated incremental net debt issue you would expect that with the utility capital program of over $2 billion. Small capital contribution from the parent, think of this as just what I just said, we generate cash in both businesses and we put that cash to work in the place that generates the best return. So we make the contribution into the utility, maintains its capital structure, and then make over $2 billion in capital investments.

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So all of that clears, still leads us with the kind of investment capacity we're happy to look at going forward. So invested over $2 billion using $1.4 billion of internally generated cash.

So putting the two pieces together, this is really just rolling everything up the way we've typically showed it to you for 2013 sources and uses. There you see the two businesses and their cash generation, the net debt issuances between Power and the utility, and then you see that the utility is where most of that capital investment is going, and after Power's capital investment, you still have plenty of room there, shareholder dividend covered.

Of course something I know you know about us already, because we say it all the time, no equity issuance in that picture, and plenty of investment capacity to go. So 2013's picture, not too different from 2012's picture in terms of strength of our business. What's different is that continued strong and a little bit higher investment for PSE&G.

So let's now turn to the picture going forward, because obviously this meeting really is about how we look going forward more than anything.

Here's picture of the growth spend and the total spend, our capital investment for the '14 through '16 period. You can see total capital investment '14 through '16 for approved programs only, 7.4 billion. And then importantly if you deconstruct that just a little bit the way we like to show it, over 70% of that is growth related investment.

The biggest piece is the utility, as you can see there, between Solar and new business and transmission growth, you've got a significant amount of dollars going into utility growth, and then you've got the Power growth that relates to the AGP and the spend on the Peach Bottom uprate with total growth investment over that period, 5.4 billion out of our 7.4 billion. So we're really pleased to have those opportunities and the ability to fund them.

Of course we continue to invest, maintain our plans, both in the utility and in Power. And so we take a pause there on the 7.4 billion and then add what the potential could be if Energy Strong happens. So we have a great program over 7 billion to put to work most of it in growth, and if there's Energy Strong, this is at the filed position, so if there's Energy Strong, it could be a higher level of more growth investments.

But where we stand right now, we have plenty to do and a very significant proportion of that is growth related.

So what does it mean for how to think about rate base? We've done this math before to just do the pieces between where we landed 2013's rate base, how we see the rate base going forward. Again I'll give you '13 base to '16 and then show you at filed position what Energy Strong could add.

So a couple of bars here that are worth taking a moment to take a look at. So we ended 2013 at a rate base of 10.4 billion, 6.6 billion of that distribution, and 3.8 billion transmission distribution includes Solar by the way, just to reconcile to the slide you saw from Ralph.

Remember last year, we ended the year at a $9 billion rate base. So a very significant growth in the rate base and a year-over-year basis, and as Kim mentioned, we ended the year with transmission at 36% of that total rate base.

As we rolled forward and we look at what that will mean for rate base in 2016, you can see the Solar and new business as to rate base as well as the transmission growth. So remember rate base growth, capital expenditure is not the same so for transmission we're showing what goes in to rate base because it's either growth in rate base projects or it is projects going into service. So those two numbers should be different as we're doing a working progress on the rate base in transmission.

So what that gives you is a growth rate on approved programs of double digit, 10% growth in rate base and then obviously the opportunity for more if there's Energy Strong, it just puts you a little higher in the double digit world.

By the time we get to 2016, we're looking at a rate base of 13.7 billion, just based on approved programs, if you do the math, you'll find the CAGR on transmission it's just about 20%. And you'll find that transmission as a percentage of that rate base is a little bit more than 45%.

So as we continue as Ralph talked about remaking the company as we have the mix between Power and utility, we're also balancing that rate base between transmission and distribution by the very significant growth that we have in the transmission rate base. And the opportunity to do more if there's Energy Strong even gives us a bigger rate base and it would be a growth base approach.

There was one question earlier about how do I think about the rate base growth that I'm seeing if I look at ending rate bases relative to earnings and square with utility growth, let me just remind you of two things. Under our formula rates, we show you here ending rate base, 2013 and ending in

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2016. Under formula rates remember your earnings expectations come from average rate base so you have to take a look at average rate bases when you're doing earnings growth relative to rate base growth.

The other thing to keep in mind is we do book equity AFUDC on transmission spend before it goes into rate base, and so that's another line you have to consider when you're looking at utility earnings as you're going forward and modeling from rate base. So keep those two things in mind as you're doing your modeling and I'll think you'll find everything that we're saying is completely consistent with the forecast that we're giving you.

So a nice picture for rate base growth and of course this picture supports the double digit earnings growth that we've talked about from a 2013 base out through 2016 as well as year-over-year as you know from our guidance, '13 to '14. Again, all based on approved programs that we know and transmission hardening of course being in this base now as we talked about last year and how we folded into the base and as I think we mentioned on the fourth quarter call, the transmission hardening spending that we are doing in 2014 was part of our formula rate filing with FERC and is part of that $171 million in approved incremental revenue for transmission that's baked into this year's guidance.

Okay. So let's go back and look at the sources and uses that we always look at for the '14 to '16 period wrapping all of that together. You look at the left side as we've done before, I think we did a similar sort of look last year. Look at approved programs, so all the things I just mentioned on the last slide, and then on the right, look at with Energy Strong at the file position.

So for approved programs, you see the cash from operations both businesses continue to be strong but you do see PSE&G generating more cash from operations than Power exactly as we expected as we talk about last year and as you would expect completely consistent with the incremental capital investment we're putting to work at PSE&G in either contemporaneous or formula rate like rate making mechanisms.

But Power still continues to be a strong cash from operations generator for all the reasons about this sustained local advantage that we see and our ability to run the assets very efficiently and control the O&M.

So PSE&G would issue net debt as you would expect us to do consistent with keeping our regulatory capital structure, and so both businesses generating cash and then we put the money to work very significantly at PSE&G the capital investment that I mentioned, Powers capital investment, shareholders dividend. And what you see is based on just looking at approved programs put Powers net debt as "use of cash" what does that mean? That means Power even becomes slightly less levered than we end at 2013.

So all of this clears based on a cash generation that we have and continues to keep Power in a very lean position.

If we had Energy Strong, just giving you the example at the file position, then you would see Power's debt growth slightly still well within our metrics and not a problem at all. You would see incremental capital investment of course at PSE&G, Powers wouldn't change and you'd see the cash from operations go up as well because of the contemporaneous nature assumed here for the Energy Strong investments.

Other cash flow, as you see there, a little bit of short term debt, nothing significant as well as the cash on hand that we ended at 2013 risk, still clears obviously shareholder dividend and absolutely no need to issue equity could handle all of Energy Strong at the filed position.

So a nice position to be in, both businesses significantly contributing and we don't see that changing going forward. So what does that mean relative to metrics and we talk about metrics for Power on a regular basis with you all. Our key credit metric as you know that we focus on is Power's FFO to debt, Funds From Operations to debt, we're very pleased to show this chart.

It's a great place to be so let me set the frame. In prior years we've talked to you about our trough metric, floor metric of 35% FFO to debt. But as we see the business evolve and the utility becoming a bigger and bigger part of the business, we know that that gives us the opportunity to really look at within our credit spectrum, a metric of 30% FFO to debt. It goes right along with a larger amount of regulated business in our mix.

Notice of course that it doesn't mean we get anywhere close to it based on the approved program so this is not about changing the level because we need to, it's about really being realistic about what kind of trough level we could have if we wanted to make even more investments in things like Energy Strong or other transmission investments.

The changing mix of our business gives us that room. We're still going to manage the company in the same way in terms of not putting any of those metrics risk. And you can see as we ended 2012 and ended 2013, we've got FFO to debt metrics that are well, well in advance of that number.

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Over the '14 to '16 period, let's just call out taking a look at the box in the right, we estimate based on our modeling from approved programs, cash from ops or funds from ops, whichever metric that you use, they'll each average about 1.1 billion in the years 2014 through 2016 just for Power. And that's supported by so many of the things that Bill and Shahid talked about. The capacity revenues, our hedging approach, our O&M control, we see that continuing out through the planning horizon which is why you see us put up here the average of the metrics being close to 50% in FFO to debt in that three-year period.

And this is not about one year being a spike and one year being a trough, this is about consistency of investment capacity. What that really means when we look at this chart is that we have room to do even more. So everything that's baked in, the 40% increase in the utility programs, the transmission work that Kim is taking on, the new 345 line, things that we've identified that add to those numbers, we still have room to do more, whether that more is Energy Strong, whether that more is more transmission, whether that more is something else, we have a lot of balance sheet flexibility to put to work and we're pretty excited about the change to do that.

So great opportunities to deploy cash. So one place that we're not deploying cash this year, and I'm really happy to say that you are all -- we've already talked about a little bit, is pension. Now we've deployed a lot of cash into the pension trust over the last few years as you know. We have made significant contributions since the market downturn in 2008. And that has really paid off for us.

So last year when we were here we talked about a funded ratio of about 83%. We talked pension expense having come down from prior years because we had put over $1 billion into the trust. We have a long term asset allocation. We actually haven't changed that allocation in many, many years and you know it because we disclosed it in our 10k. We have an asset allocation that's about 70% equities, 30% fixed income.

We stay with that strategically because we think that makes sense for a long term active population with remaining average service lives of nine or so years on a weighted average basis. And that really has paid off for us in the last few years and particularly in 2013.

So our pension trust had a return of about 20% in 2013 and when you net that against benefit payments, that enabled us to end the year with a fully or more than fully funded pension at 106%.

We're very happy to have that kind of result. We're sticking with that kind of investment allocation over the long term. Our assumptions for rate of return are 8%, that's a reasonable long term assumption but it's really terrific to have a 20% single year return. And I'll just remind you of something that usually comes up every time we talk about pension returns and how to think about the market returns, we are one of the companies and I was told by our actuaries it's about a third of the companies and industries that have active pension plans.

We don't move the ending asset balance for purposes of determining the starting asset balance to apply the 8% return on when you calculate pension expense.

So what does that mean? That means when there's a significant market upturn in which we participate, we get the entirety of that asset value as our starting asset value for pension expense. And so when the markets do well, you'll see our pension expense do better, then you'll see companies [too] smooth, and of course goes the other way and you've seen that when we had the market downturn but we obviously benefit from that in this picture right now with the kind of market returns we have last year.

So for expense, as we've talked about before, we had a $110 million of pension expense net of utility capitalization. So if you look at our foot note in the 10k you'll see the gross number, this is the number that hits the P&L. It's a little bit more than 50-50 to the utility but close so more like a 55-45 in terms of utility versus Power.

But as we look now into 2014, because of the impact of two factors, both the discount rate coming up from 4.2 last year to 5.0 this year which it did for most companies and people do their discount rates usually to the corporate market, really flowed out over how you pay your pension benefits over the long term period, your actuaries model.

We got a benefit there of about 40 million from the net change and the discount rate, plus the single biggest benefit of course is the investment return. And then the other is really about the things that you amortize for plan design changes or [actuary] gains or losses outside of carter.

So when you put all of that together, although we had seen pension expense coming down over the past few years from about 160 million which is where we were in 2009, what we now have is the opportunity, and we will have this in 2014 and it's baked in our guidance, pension income. So the swing that I mentioned on the earnings call for those of you who heard of 125 million is the change going from 110 million in expense to 15 million in income this year.

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And just rolling forward normal assumptions of discount rates of the forward curves, so just like Shahid used it to forward curves for his market I used the forward-curve here on a long term rate of return that we used of 8% consistent with our long term asset allocation, right now we see pension income continuing through our planning horizon and that's what's baked in to our numbers, that's baked into all the O&M numbers that you saw.

And I already had a couple of questions about how to think about volatility if interest rates move, different from the forward-curve or rates of return move. First thing to keep in mind is none of that changes this year's pension expense, right. As you all know this year's pension expense is established based on the results of the end of 2013 and the discount rates at the end of 2013.

So this year's pension expense doesn't move. But if you look that the kind of the two factors that most people look after changes in pension expense, if there's a 1% difference in the rate of return relative to the long term expectation, that impact is less than a penny of share on a net basis for us after capitalization. And if there's about 25-basis point move in the discount rate relative to expectations, that's about a [penny a share].

But again over the long term, we see nice profile for pension. And as I started the slide, the most important thing to keep in mind as well as when we look at that FFO in that investment capacity, none of it has to go here because of the nice funded position that we already have.

So the ongoing cost control really does bear out. And as I mentioned earlier, it is a combination of pension so that one-time swing that you see but the persistence of pension income in our plan so the swing is one-time, the persistence of income goes across the period, gives us this very nice picture of a reduction in O&M on a CAGR basis. And importantly, as I mentioned earlier, this reduction we still are seeing cost control matter in the businesses of course, it can't just be pension, it's the ongoing cost control that Bill and Ralph and Shahid and Kim do every day that helps us have this picture.

You can see that reduction carries across all of our businesses, transmission distribution, Power, the other down there and that's a slight increase down there, that is in large part driven by the expense for PSEG Long Island but that is covered in the [$0.03 of] share that we've talked about that we'll be making for PSEG Long Island and you know that transmission expenses are covered in the formula rate as well.

So a nice picture of O&M control over a long term period with the transmission cost being recovered in the formula rates and the small amount down below covered in the PSEG Long Island and both businesses benefitting from expense control and the impact of pension on that as well.

So bring that all together in terms of how to think about 2014, this is our operating earnings guidance, exactly the same as we gave it to you on the earnings call a month ago, you can see regulated earnings depending on the low or the high end so we just gave you the boundary points, 53% to 55% of total earnings.

And as Bill and Ralph and Ralph mentioned, the challenge if Power does better, it's less that's great. So we'll end up with a bigger picture. But nice I think opportunities and both of our businesses to deliver, we're really happy to give you this operating earnings guidance range and you can see the ranges for each of the businesses, this assumes the pension number that I mentioned because it doesn't change for 2014, it does assume normal weather and normal unit operations, not made any modifications or anything related to anything for quarters, and we'll obviously talk about the first quarter when we have those results when we talked to later on in April.

And so all of that of course comes together for one other very important thing for our shareholders and that's the dividend. We're very pleased to have announced the 2.8% increase in the dividend in 2014 over 2013, consistent with our long term 10-year dividend increase CAGR of about 3%, so we see this dividend increase is consistent with that, and we absolutely see the opportunity for consistent and sustainable dividend growth back to the sources and uses in slide there's obviously clear room to do that without putting any pressure whatsoever on our metrics.

Two other points to note on this slide that I know sometimes we'd like to look at, PSE&G's earnings per share relative to the dividend per share, what I show here in the 139 to 147 is PSE&G's earnings guidance range converted to EPS, and you can see from the indicative annual rate of $1.48 of this year's dividend where PSE&G's earnings contribution would be, and you can see it's almost right on top of the dividend level.

Again, we still take all the cash from all the businesses and allocate it so we're doing reinvestments in PSE&G, that's for sure. But the regulated utility business, it's such a significant contributor to the dividend strength that we just pointed out so you can see it there as well.

And then at the bottom another metric obviously that's important to look after dividend is payout ratio. And as you can see from our payout ratio of 2014 just using the mid-point of the guidance based on the indicative dividend rate, it still keeps our payout ratio in a nice position, again, speaking to the sustainability of the dividend story and the opportunity for future dividend growth.

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So lastly I just want to spend a moment on the longer term outlook and sensitivities. So we usually have given you this page, it looks similar in prior years, [there's] just a slight modification this year to really try to address some of the -- in the context some of the kinds of questions that you were asking Bill and Shahid for '15 and '16, so of course from '14 we gave you the guidance for both of our businesses.

For '15 and '16 we've typically given you sensitivities. We updated the sensitivities for Power, be a bit more consistent with what we see as about an estimate of standard deviation of the key metrics that we show here, so whatever you put in for your forward curve estimates relative to our hedge position, keep in mind we're about 45% to 55% hedged in 2015 and 20% to 30% hedged in 2016.

So if you look at the 53 to 55 kilowatt hours that we estimate for each year, you look at the hedge percentages that we have, and then apply our estimate of standard deviation, this is the way we d it. You take the forward-curve, you look at the standard deviations as we're citing them here. You can see the EPS ranges for Power based on the application of those estimates of volatility against the open position.

Each one is independent so there's not a correlation, we've done each one independently. And so about a standard deviation of about $0.75 changes per mcf in natural gases having about the impact of $0.04 to $0.07 in 2015, $0.12 to $0.15 in 2016 because we are more open, same sort of thing for changes in Spark Spreads and Dark Spreads, again independent, so one is independent of the gas price change, so the gas price change doesn't assume changes in Spark Spreads and -- Spark Spread, one is independent as well.

Nuclear capacity factor as we typically provide. And then down below just straightforward utility math on how to think about changes of incremental investment, changes in sales, and changes in O&M and ROE, pretty straightforward calculations there as well. So just to give you some sense of how to think about the volatilities going forward the way we see them against the open positions and the hedge positions that we have.

So finally, just to sum up, guidance of $2.58, guidance of $2.40 to $2.55 exceeded by our results of $2.58 in 2013, double digit earnings growth is our guidance for PSE&G both this year over 2013 as well as the CAGR of 2013 through 2016 driven by the transmission investments and driven solely by approved programs not assuming anything for Energy Strong.

Power will continue to have the operational excellence, focused their market expertise and the financial strength coming into this year and the ability to see the continuation of strong cash flow generation gives us the balance sheet to support the programs that we want to support and the opportunity to look at new programs that were identified here today which we're excited about having the potential to look at without needing to issue equity, and the ability to have the robust dividend that we have and the opportunity for future and sustained dividend growth.

So with that, thank you very much and I'll invite Ralph to come back up and join me. And we'll be happy to take your questions if you have any.

QUESTION AND ANSWER

Unidentified Audience Member

Thanks. First is a point of clarification on the ending rate base number, does that include [quip] on which you're earning a contemporaneous return or are those numbers completely exclusive of CWIP?

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP, CFO*

Okay. Thanks, Paul. So for those projects where the CWIP is -- we have CWIP in rate base, those five major projects that Kim talked about, those projects are in the rate base. For other projects we're making the investments but those are not yet in service, they're not in the rate base.

Unidentified Audience Member

Okay. And then second question, when I look at your O&M slide, I mean it looks like each of the pieces, the O&M saving is greater than 0.5%, yet for the company as a whole it's 0.5%. So I don't quite understand why it wouldn't be more like somewhere between 0.7% and 0.9% saving.

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Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Right. So just a little bit of rounding going on there, but specifically to your point that other at the bottom is actually growing a bit and that's the piece that's picking up PSEG Long Island expenses which are growing between '13 and '14, and so that actually is a positive growth but it's such a small number but it does just [affect the] round. So that's why you see it.

But as I said, those PSEG Long Island expenses are covered in the $0.03 of share that we make.

Unidentified Audience Member

And also just looking at the bars and again it's hard -- it looks like the bulk of the savings that you're looking at for the CAGR achieved really in '14 and then you're sort of flattish from '14 through '16, is that a good way to think about it?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Yes. So the impact of the one-time benefit right of pension, you see that swing, happens between '13 and '14 but when you get out to the end of '16, you still have O&M lower than '13's number. So that's obviously why it looks the way it does, you got one-time coming down, it comes up a little bit, you still end up in a spot that's lower in '16 and it ended in '13.

Unidentified Audience Member

Thank you.

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Sure.

Unidentified Audience Member

Good morning. Caroline, on the slide with the FFO metrics, is the 50% number you're sharing that reasonably consistent through time or does it move in one way or the other between the three as you're capturing there?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Right. So it's not identical in any of the periods but you're not seeing anything getting anywhere near either the 30 or last year's 35. You are still high. I'm not going to give you the specific numbers but you're still very high with lots of room in every year including 2016.

Unidentified Audience Member

And last year you showed at how it would look if Energy Strong was in that for example, and you just do that math for us roughly.

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Well so what we're showing here is Energy Strong filed position so I can't really speculate on what that would be. What I can tell you is we have plenty of room to have Energy Strong without putting a strain on the credit metrics so I'm not worried about it.

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Unidentified Audience Member

But that slide showing the 50%, that excludes Energy Strong I think or --

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP, CFO*

That's correct. That's approved only. Right.

Unidentified Audience Member

Okay.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP, CFO*

That's approved programs only, but there is so much room that I'm not worried about whatever outcome might be. The ability to have that within the metrics for Energy Strong if we get it, no problem.

Unidentified Audience Member

So my math suggests that that implies somewhere between $1.4 billion and a $1.5 billion of balance sheet capacity in excess of the flow. And so if that's roughly right and we look at the utility dividend is going to be -- the dividend is going to be covered by utility earnings already in 2014, how should we think about your view around dividend growth beyond 2014? Is it likely to going to grow closer to where the utility is growing? Similar to what we have now does it depend on Energy Strong? Some color around that.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP, CFO*

So I'm passing the microphone now.

Ralph Izzo *- Public Service Electric and Gas - President and CEO*

So, [Jonathan], last year when we set up here, we talked about a $7 billion capital program with the utility and this year we talked about a $10 billion capital program with utility. In addition this year we're talking about opportunities not only in New Jersey and at FERC, and at [MISO] and maybe even New York State. So you should think about us aggressively looking for opportunities to deploy that balance sheet in a robust fashion.

And if we can't find those opportunities, but I think we've demonstrated we can. We will look at ways to return that capital to the shareholder, we absolutely will.

Caroline Dorsa *- Public Service Enterprise Group Inc. - EVP, CFO*

Question?

Unidentified Audience Member

Caroline, could you maybe give us a sense of where you see the weighted average ROEs for all your transmission projects roughly now in terms of the whole business?

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Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Sure. So transmission as you know under our formula rates, right earns 11.68 and we have Susquehanna-Roseland that earns 12.9. We have one other project that earns 11.9, I'm not going to remember the right one, Kim will remember. Sorry?

Kim

[Northeast].

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Northeast grid, that's right. 11.9. And then the others are in the 11.68. So it's just a matter of -- if you're thinking about whether you're doing -- I don't know if you're doing capital expenditures going forward or you're doing rate base, it's just a matter of when you're [sliding] in, right, Susquehanna-Roseland, as Kim said, a portion of it will be energized this year and the remaining portion next year.

If you look at our slides we give you the spend to date and we give you the estimated total. And so northeast grid and Susquehanna-Roseland will be the ones to look for averaging in, and the rest you should look at 11.68 for transmission.

Unidentified Audience Member

And then maybe looking at the PSE&G side, the allowed ROE is 10.3. Should we assume that's what you can earn or because of the pension and some of the other things that you're doing? Is it possible over this period you can earn better than that?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

So assume we are in the authorized return and keep in mind it's 10.3 on the base, you manage the capital investments to earn that, and of course the Solar recently was 10.0.

Ralph Izzo - ***Public Service Electric and Gas - President and CEO***

This is Steve. I think one of the risks that we want to make sure people done succumb to is if you think about the utility today and where it was five years ago there's been this actually it was 18% CAGR in its earnings.

And one has been asked, how did that happen? And Ralph, I believe I pointed this out, I stepped out of the room for a few minutes we spoke, it really happened in three ways. First well if you think about the last time we had a rate case, our load since then is a tiny bit down, we call it flat. Our O&M is a tiny bit or we'll call it flat. So that business is pretty much been frozen in time at that 10.3% allowed return. So that's step one.

Step two then is we deployed capital. And we deployed it in two ways. We deployed maintenance capital to match the depreciation so we kept that business frozen in time. And then we deployed capital in a bunch of ways on the distribution system that had contemporaneous returns. And they have these arcane titles like [SIP 1 and SIP 2]s that not for state implementation plan, it was a soft-C that's good for capital infrastructure plan.

So we spent a couple billion dollars doing that with contemporaneous returns at 10.3%. And we did a bunch of things at the state level in the renewable in energy efficiency space that also had a 10.3% return although the most recent Solar filing had a 10% return.

So we added a bunch to the rate base of the distribution level was given contemporaneous return at 10.3. So it stayed at 10.3 business at the distribution level.

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But then we took transmission which was I think 20% of rate base and now we've driven it to almost 45% of rate base with this 11.68% plus return. So the utility growth has been strong, we're very proud of it, all of it has gone to ease the things that were part of state policy or that were needed for reliability but always at the allowed returns. I just think that that's an important realization to hold on to.

Unidentified Audience Member

Hi. A couple of various areas. What should we expect about the timing of the next rate case of PSE&G?

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

(Inaudible) it depends on a lot of factors. I think in the fourth quarter call we said that our whether normalized load growth was up by 2% something, but recognizing we're comparing to a period in time where 90% of our customers didn't have electricity for a few days, i.e., Sandy.

And on an annualized basis we were down 1.5%. So notwithstanding the heroics of Ralph's O&M control when we have a negative load growth of 1.5%, you cannot swim against those river currents forever.

Secondly, a lot depends on any new business that we have to put into the rate base which makes up some of the differential that [Julian] asking about it before in terms of how the pie has changed from last year to this year.

So it really does depend upon our ability to offset O&M versus load growth. And that is the heart of the issue around why we cannot do an Energy Strong or other type programs and spend the money and then go in later on for rate case. The old regulatory lag was partially moderated by load growth. We're just not seeing that.

I think anywhere in the industry and particularly in this part of the country. So the answer is we will have to go in for rate case. At some point it's been five years since we have our last one but I don't know when, it a lot depends upon what happens with load.

Unidentified Audience Member

And it sounded -- Ralph, was I hearing you correctly that your tone had changed a little bit about, you used to say expected a settlement in Energy Strong and maybe less so now?

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

Yes. I think you did hear my tone changed. If you had said to me last February that we would be here in March without a settlement, I would have given you ridiculous odds and taken that wager. Having said that, the compelling argument behind the need for I think is the strong if not stronger than ever, and the support [forward] has grown over time, so I do the whole lot of confidence in the staff and then the commission, but I've been disappointed in some of the counterparties in the settlement discussions and some of the -- really unreasonable positions they have taken.

Unidentified Audience Member

And on capital investment outlook, clearly the utility and especially the transmission program are getting the bulk of that and it looks like the capital spend at Power continues to scale down. Is there any prospect that you're looking at either further incremental investments on the existing assets in Power or looking at new assets at Power?

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

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So we are always looking at incremental investments at Power whether it's additional peak or expanding the combined cycling as expanding [nuclear units] using existing sites where market conditions indicate, a bigger investment than what we have. We always look at asset acquisitions. We've always been able to avoid the winner's curse.

However as Bill said, we really want to bore you. We want you to never be surprised by what we do, and we want you to be able to account on things that we say, we've done in the past and we predict we'll do in the future. So you should not expect to see a significant or any departure from the kind of organic growth of the utility leading the way for us into the future.

Unidentified Audience Member

All right. Final questions. Speaking of winner's curse, did you look at the PGW acquisition and what do you think of that as a business proposition?

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

So I adore my team, they are a fabulous management team but we did look at that a few years ago. And somebody brought it back then more recently and then someone I think uttered the word, and it wasn't in my presence but somehow I got wind of it and, no, we didn't look at the [PGW].

Unidentified Company Representative

(Inaudible -- microphone inaccessible) 30 companies.

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

Well, and we did not make 31 -- and I -- let me just leave it at that be the challenges associated with PGW. It would make my -- [inasmuch] towards retail look like enthusiasm for that. So, no, we didn't look at that.

Unidentified Audience Member

With the pension working out so well for you, have you guys thought about annuitizing that at all or locking it in? And maybe just like the part on the Power segment which is going to have more volatile earnings as opposed rates or it seems like there might be reasons to do that. Any thoughts on there?

Caroline Dorsa ***- Public Service Enterprise Group Inc. - EVP, CFO***

Yes. And -- no. Well we think that the long term asset allocation that we have serves us well. We did make changes to the pension plan a number of years ago in that. Then just more recently a few years ago, to moderate the benefits and we have a cash balance plan, but we do still have by having a cash balance plan. We do still have a defined benefit plan.

So we have decided not to take any pure immunization strategies because they now obviously you have to take down your assumed rate of return to be something very much lower if you take down and put bonds -- the biggest contributor to your pension trust. But we like the long term asset allocation. We think it served us well and we think that's exactly what we'll stay with.

Unidentified Audience Member

Hey guys. Just want to follow-up on [J's] question about rate cases, but more about a specific issue that's impacted the other New Jersey electric utilities. Can you talk about your views about this consolidated tax adjustment docket that's under way in New Jersey? It doesn't seem like it's going anywhere but it's a very big issue in the Jersey Central Power and Light rate case. It was a driver back in the Atlantic City electric rate case a couple of years ago.

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Can you talk a little bit about what is it, what's going on, has this just get dealt with, and what is it just means from a regulatory policy for you guys?

Ralph Izzo - ***Public Service Electric and Gas - President and CEO***

So Caroline can give you more specifics around how it's less and less of an issue for us as we move further away from the [leases] that we have in various other PSE&G holdings resources type of investments. But to be quite candid with you, [Mike], we don't know anymore about it than we do at this point in time. I know on a percentage basis it's bigger for one utility in the State of New Jersey than this for us.

And on an absolute dollar basis it certainly is bigger for another utility than it is for us and you know who those utilities are.

Having said that, I think the last three rate cases that I've been associated with, we paid through the [nose] for consolidated taxes, the same consolidated taxes over and over again, because when you do the black box settlements you don't put it away once and for all.

So we'd like to see it resolved even though a rational point of view we'd say that it's become less of an issue for us. It conceivably has not disappeared because of prior decisions being more black box than putting it to bed once and for all.

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

So just to put everybody on the same page in terms of what are we talking about, when we talk about consolidated taxes pretty straightforward theory, and the theory is if you are part of a consolidated group and to the extent that the consolidated group has losses that allow it to reduce its effective tax rate, that the utility should share in that because the utility contributes income to the consolidated group.

What's missing from that picture is that the utility the way we and probably everybody else run it but certainly re-run it, the utility doesn't put the capital at risk in those investments. So by talking about combining the outcomes, you're really talking about sharing one of the outcomes that compensates for the risk taking to a party that didn't take the risk. And that's why we don't think the issue makes sense and that's why I think, I don't know if it's 49 other states or 48 other states don't have it, because it really isn't the way to think about what's really going on in an entity that's taking a shareholder risk to potentially have return and might have losses. We of course never take those risks in the utility and that's why don't think it's a reasonable kind of an adjustment to make.

Unidentified Audience Member

Thank you. Quick one here. As it relates to the CFO you described just now on the Power side, you lowered it from 35 to 30. I've been very curious a little bit more on the thought process there and then also just as you think about the long term leverage at that some subsidiary -- is 30% the right number or is it just for this period of time?

Caroline Dorsa - ***Public Service Enterprise Group Inc. - EVP, CFO***

Yes, so thanks, Julian. So I think it is the right number. And the reason that we think it is the right number is given the profile of how the business has changed, and now I'm talking about PSE&G Inc. As PSE&G has become much more heavily the utility, so the regulated and the certainty and the reliability of the regulated part of our business moving up as Ralph shoed on his opening slide to being potentially more than half of the business this year given our guidance that the 30% FFO to debt metric does makes sense for Power because of the strength of the rest of the business.

As I said, that doesn't mean that -- to be very clear, we don't need to take it down to that level to afford the things we're talking about doing as you can see with approved programs, only those metrics are still very, very high.

But we know that given the mix of our business and how much it's changed, both in Ralph's slide from the beginning, it's very, very significant change in the mix of our business. It gives us the flexibility to consider investments, and right now those investments are in the regulated business. We've consider investments down to that trough level, you've never seen us run the business down to the trough levels we've set before.

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We really set them -- it's not a target, it's a floor. And I think you've seen us be able to stay well above that and continue to have financial flexibility. But given the mix of the business, it is the right way to think about the floor.

Unidentified Audience Member

Got you. And then putting forward if you think about the rate base CAGR you talked about, through '16 if you will, but you provided also capex for a couple of years thereafter, how do you think about that rate base CAGR attacking on those extra couple of years? Is it still in that 10% ballpark? It looks like there's a '17 uptake there.

Caroline Dorsa ***- Public Service Enterprise Group Inc. - EVP, CFO***

Yes. So we gave you the 10% range based on approved programs or the rate base CAGR. Two things, so we gave you that five-year projection to give you a sense of how much we have to do, obviously as the rate base itself becomes bigger, adding similar amounts of capital expenditures wouldn't give you the same growth rate, but I caution about going far-out and saying, well then there must be something different going on in the growth rate.

Because as we've shown last year versus this year, when we rolled forward that five-year program, we've added more things to the base so I gave you the three-year because I think the three-year is more how you should think about the near term planning and then we'll roll forward the next five years, next year.

So based on facts, in fact your CAGR, but out years, there's another our [temper] too between now and when those things would come to pass.

Ralph Izzo ***- Public Service Electric and Gas - President and CEO***

So Julian, around that -- we're not willing to give too much precision there in a distant future but I think what I would ask you to focus on as Ralph LaRossa's slide that had last year's capex for five years , and this year's slide which shows the bars, the five years, and to Caroline's point, the opportunities continue to arise primarily the result of the deregulated market where transmission planning is no longer the purview of a handful of engineers doing integrated planning from [Power plant] to meter.

And PJM in taking its responsibility seriously to meet the reliability of the system and not being able to forecast and predict the amount of [coaler] time that had been taking place, so the HEDD that are going out or the new units that are being built in places that are close to Marcellus but not close to load and all the complexity goes with that, continues to afford us opportunities to invest.

So we're showing you the approved programs, the approved projects for five years. But I don't want to say that's the end of it, but by the (inaudible) I don't want to promise that there is more, I'm just pointing throughout [your effort] every year coming back and saying there's more work to be done.

Bill Levis ***- PSEG - President & COO, PSEG Power***

Okay. Well it looks like [we've done] a lot of rates. (Inaudible) doesn't have to keep retractions on. Just giving the microphone to Kathleen.

So I'm going to repeat a couple of things that you heard this morning and then thank you for being with us. The utility is running quite well. And not withstanding its outstanding operations, we're reminded everyday of the risks and challenges in running a combined electric and gas business so I don't want to look past what occurred and [knowing] just this past week.

We are earning our allowed returns in every facet of the business in transmission and energy master plan areas and core distribution. And we have the opportunity for additional investment, in New Jersey through FERC and PJM, in MISO, through FERC Order 1,000 and in New York State, although obviously those investments were not been made as PSE&G.

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Just 12 months ago we told you about a $7 billion capital program that today has become a $10 billion capital program. And those are all approved with 70% of that coming from transmission in FERC which gives rise to the double digit rate base growth and earnings growth that Caroline and I were just describing over the next three years.

Power too is running well. Bill walked you through the asset performance. And I hope that you recognized this recurring theme that this flexibility of the fleet allows us to make money in so many ways, off of our low cost base load generation, it allows us to make money off of our fuel arbitrage opportunities through our [location] advantages, through our ability to manage risk in volatility, and our continuing successful efforts like growing the dividend.

So having said all of that, we then take a look at the balance sheet, we take a look at earnings trajectories that we do look beyond this year even though we'd only guide until this year. We look not only in what that number looks like to us, but we consider where its coming from.

So we're telling you that we can support this robust investment program, we have the opportunity for consistent and sustainable in the dividend. We don't need new equity and as Caroline clearly pointed out, we have the capacity to far more and within Ralph's blue bars, with Bill's orange growth component or any other part of the cartoons that we showed today, so thank you for being with us.

If you are a customer, thank you for being a customer. If you're an investor, thank you for being an investor. And if you're interested, thank you for interest. Have a great day, folks.

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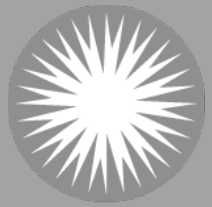
2014 PSEG Investor Conference

MARCH 7, 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-12741

Forward-Looking Statement

Certain of the matters discussed in this communication about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com.

These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and risks,
- any deterioration in our credit quality or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient coverage or recover proceeds of insurance with respect to such events,
- cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition from certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements, and
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies and changes in customer behaviors, including energy efficiency, net metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Income from Continuing Operations/Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Income from Continuing Operations/Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. Slide A at the end of this presentation includes a list of items excluded from Income from Continuing Operations/Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

SI-SSA-0015-12743

2014 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
PSE&G	Ralph LaRossa
PSE&G Transmission	Kim Hanemann
PSEG Long Island	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Power ER&T	Shahid Malik
Q&A Session	
Financial Review & Outlook	Caroline Dorsa
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-12744

PSEG INTRODUCTION & OVERVIEW

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

SI-SSA-0015-12745

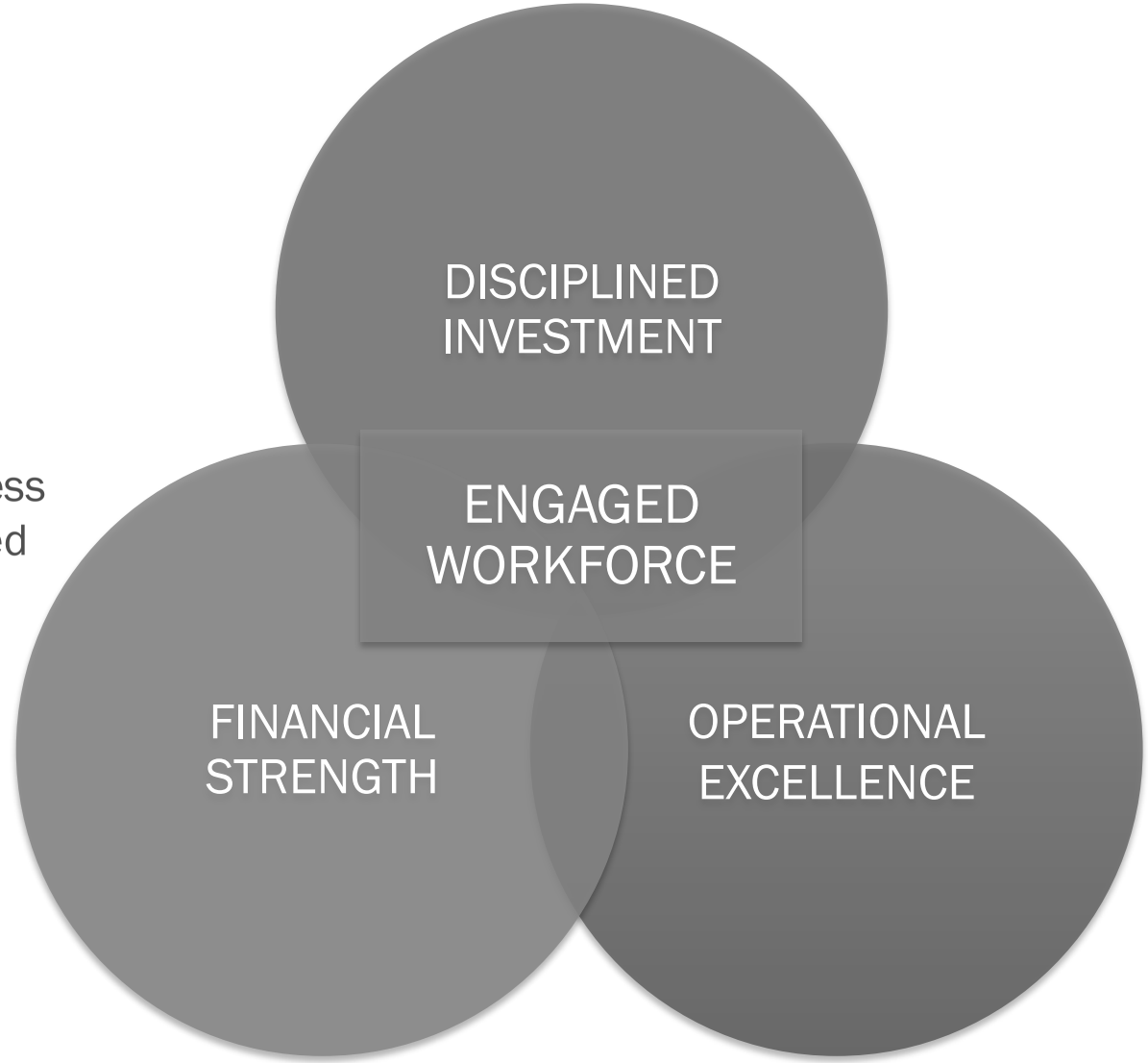
PSEG's Strategy – delivering results

Our businesses' focus on cost-effective, reliable operations yields strong cash flow

We are funding growth-oriented investments aligned with customer needs and state energy policies

We are enhancing the competitiveness of our environmentally well-positioned generation business

The results of our financial strategy support a credit profile capable of meeting our corporate objectives and providing sustained dividend growth for our shareholders



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Two complementary businesses

Strong asset platform, performing well and positioned for the future

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Positioned to meet customers' needs as we respond to state and federal energy policy and economic growth objectives **Value Proposition:** A $10 billion infrastructure program - focused on transmission – that produces double-digit rate base growth through 2016	**Strategy:** Fuel diverse fleet is geographically and environmentally well positioned, with investments to enhance competitiveness **Value Proposition:** Provides substantial free cash flow in current environment and poised for price recovery
2013 — Assets $20B Operating Earnings $612M	2013 — Assets $12B Operating Earnings $710M

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ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2013.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT, PSEG LONG ISLAND AND ENERGY HOLDINGS ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Delivering on commitments and pursuing opportunities for growth

Operational Excellence	• Power: Record 2013 output at Linden CCGT and Salem 2; nuclear capacity factor greater than 90% for 9th straight year • PSE&G: Mid-Atlantic Reliability Award (12th consecutive year) • PSEG Long Island: Went "live" on January 1, 2014 • PSEG: Cost-control benefits continue
Financial Strength	• Strong cash flows supported credit rating increases • Pension more than fully funded • Dividend increased
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong program under discussion ✓ Solar 4 All Extension and Solar Loan III programs • Power: Investments to enhance the fleet's competitiveness – 130 MW Nuclear uprate, 150 MW CCGT uprate and efficiency improvement

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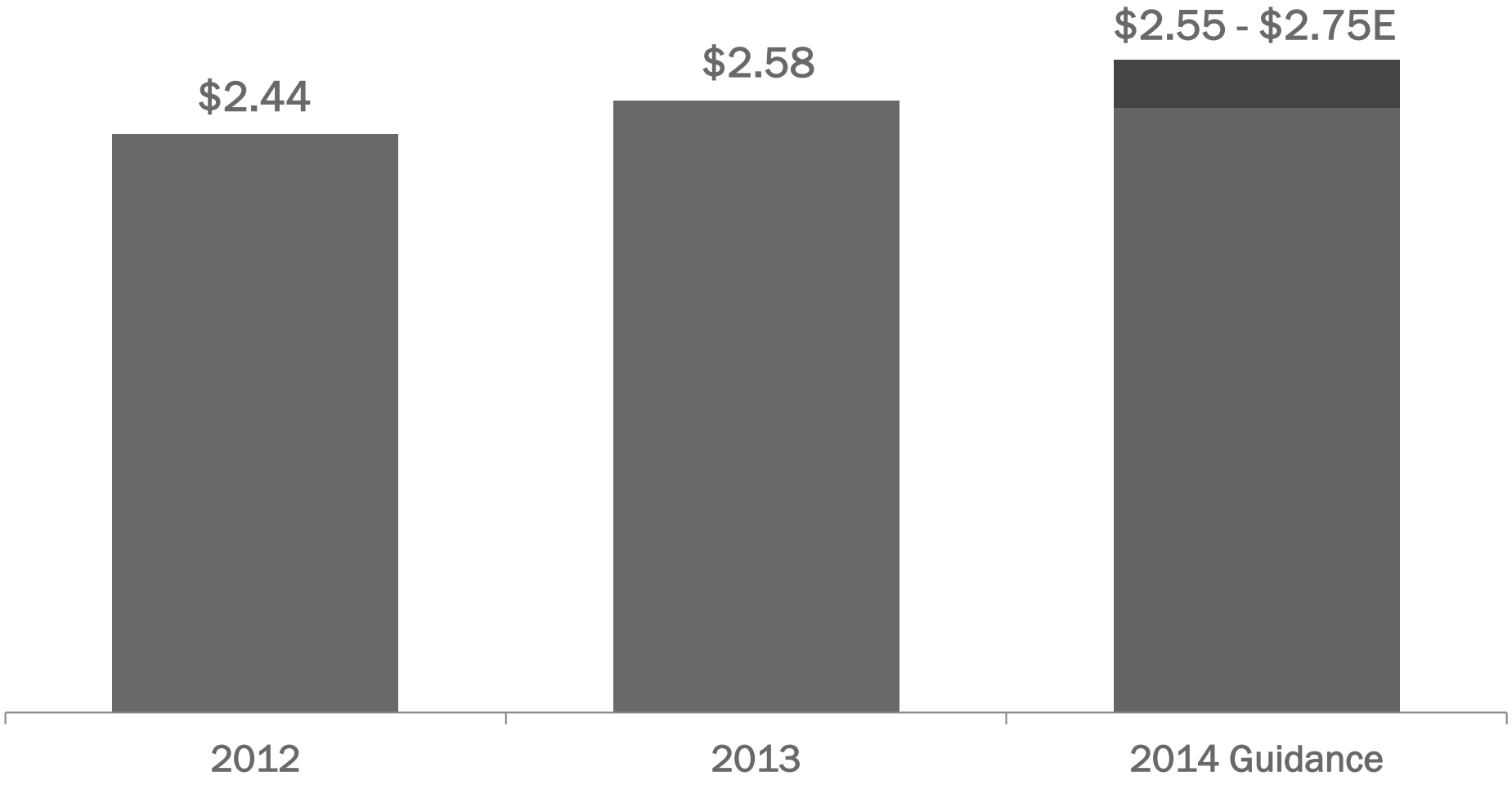
Operating Earnings Guidance

Building on the successful implementation of our strategy



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PSEG

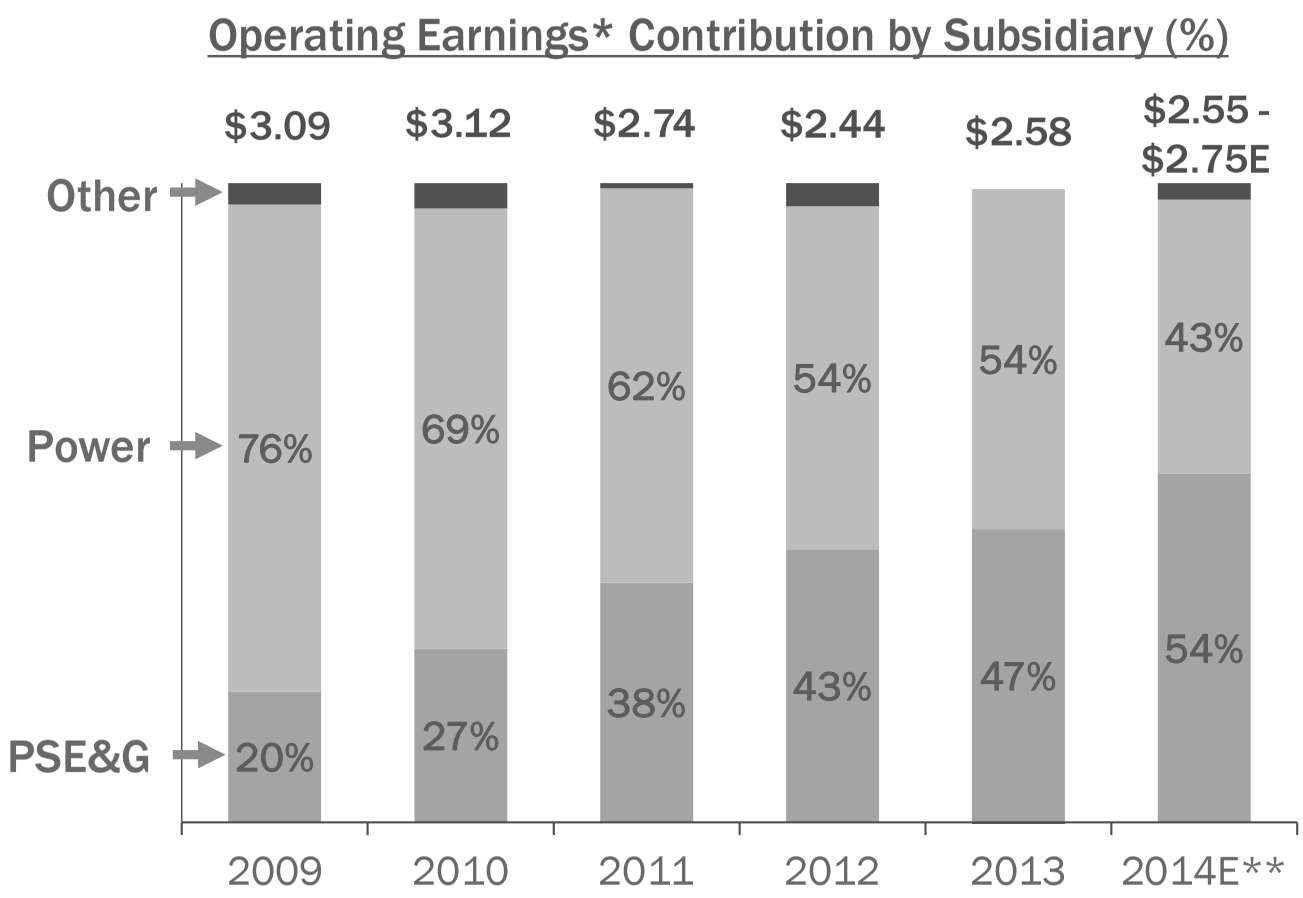
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

Operating Earnings Mix

Long term investment program has driven increased earnings contribution from stable, regulated business

Power's diverse fuel mix and dispatch flexibility continues to generate earnings and free cash flow

PSE&G's investment in transmission has diversified its asset base and, coupled with other investments and cost controls, supported compound annual earnings growth of ~18% over 2009 – 2013



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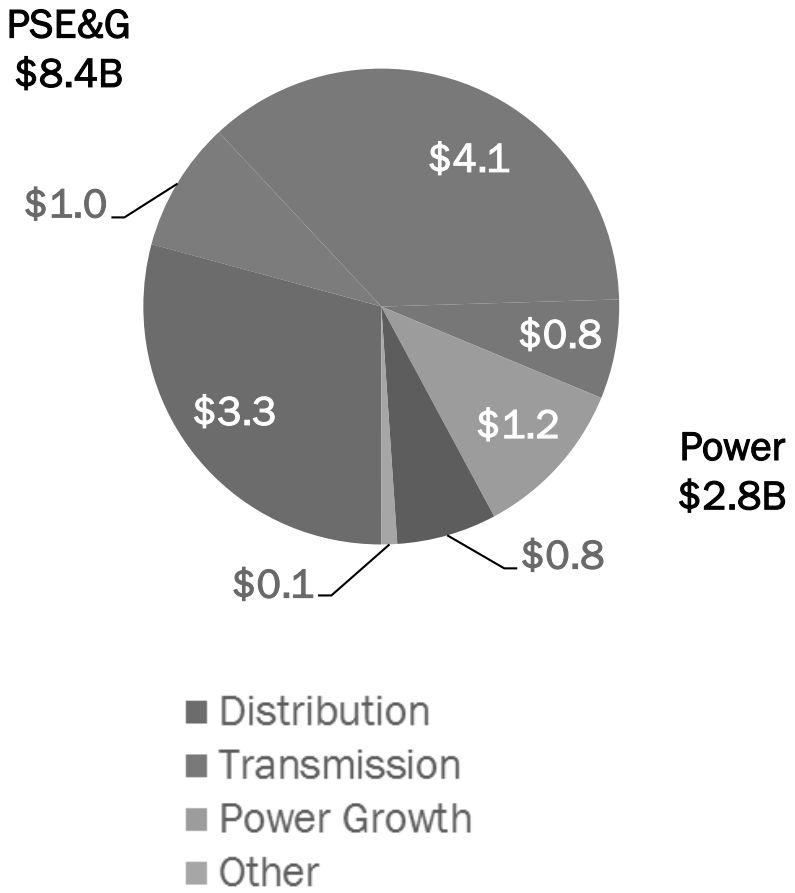
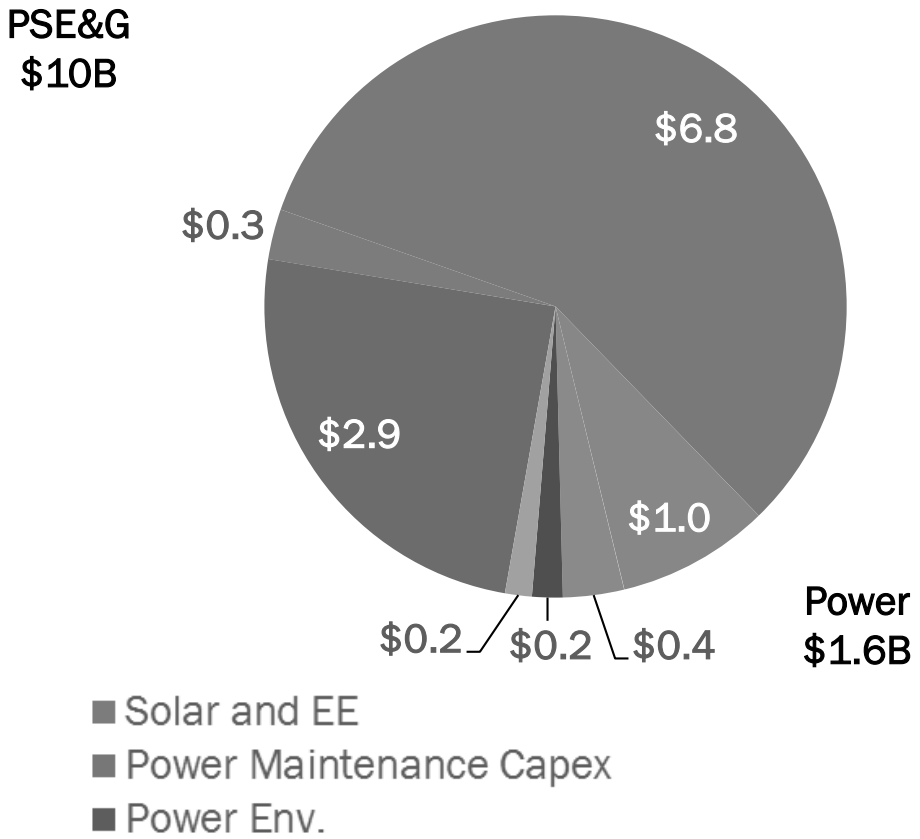
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS; DISCONTINUED OPERATIONS REFLECT TEXAS. E=ESTIMATE ** 2014 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

Maintaining a robust capital program focused on growth

PSEG 2009 - 2013 Capital Spending $11.3 Billion	PSEG 2014 - 2018E Capital Spending $11.8 Billion





NOTE: POWER 2009–2013 ACTUALS ARE RESTATED TO INCLUDE SOLAR CAPITAL SPEND. POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. E=ESTIMATE

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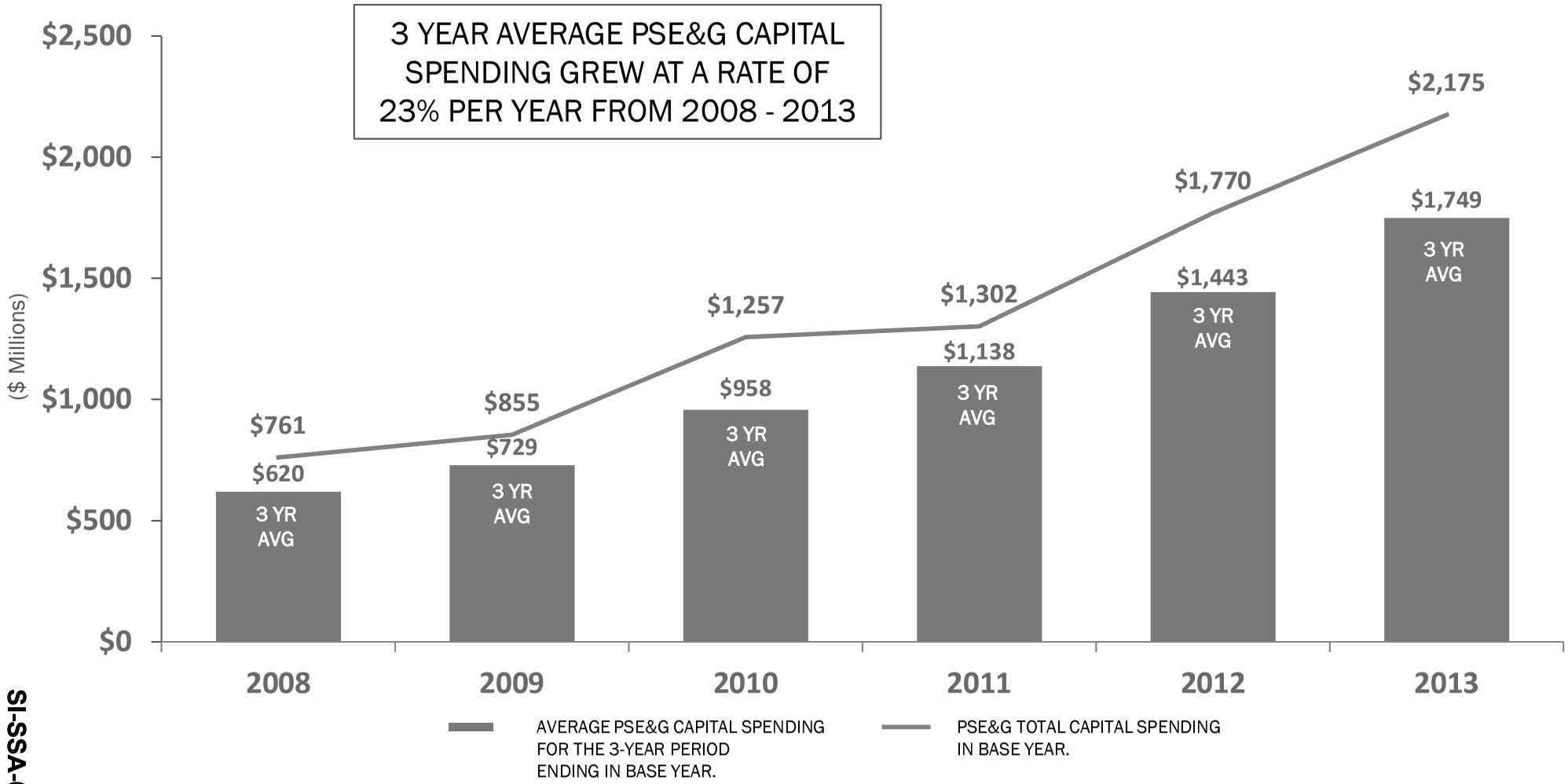
PSEG's business profile has been transformed through significant growth in utility capital spending



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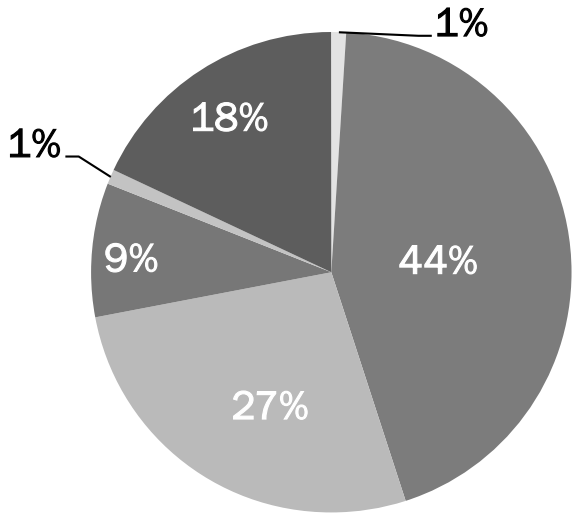
Energy Strong Proposal recognizes need to strengthen and harden the distribution system

- Energy Strong is:
  - ✓ A $2.6 Billion investment program over 5 years as the first phase of a 10-year, $3.9 Billion infrastructure program
  - ✓ Proposal is based on contemporaneous recovery of investment, subject to NJ Board of Public Utilities (BPU) review
- Energy Strong proposal would harden 29 electric substations, modernize the gas distribution system, make the grid smarter, and improve the system's ability to communicate with customers
- Over 100 New Jersey municipalities support Energy Strong
- Proposed Energy Strong program would create approximately 5,800 jobs and stimulate NJ's economy

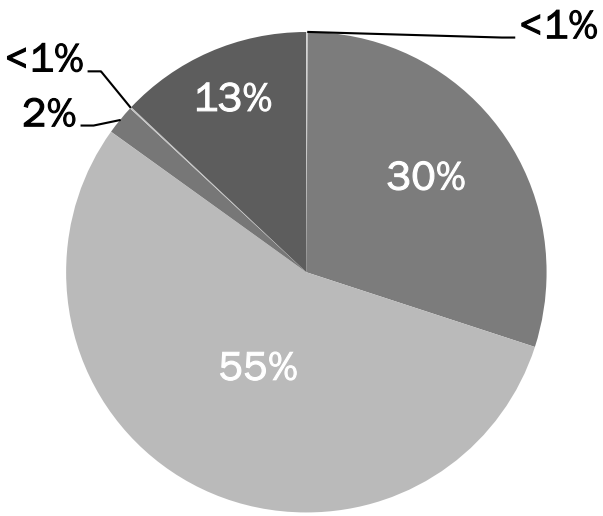
SI-SSA-0015-12753

PSEG Power – Value-advantaged through asset diversity, fuel flexibility, location and installed environmental controls

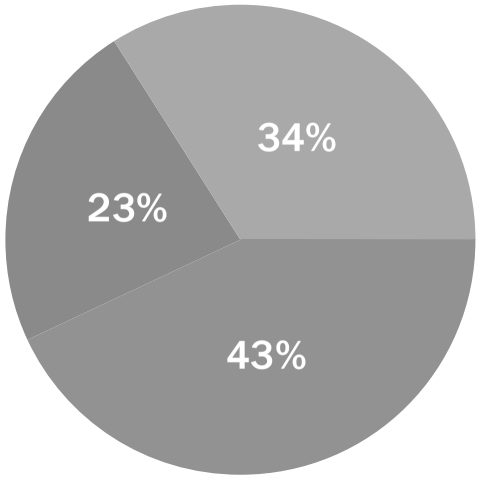
Fuel Diversity
Total MW: 13,450



Energy Produced
Total GWh: 54,264



Energy Market Served
Total MW: 13,450



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal*
- Solar

- Load Following
- Peaking
- Base load

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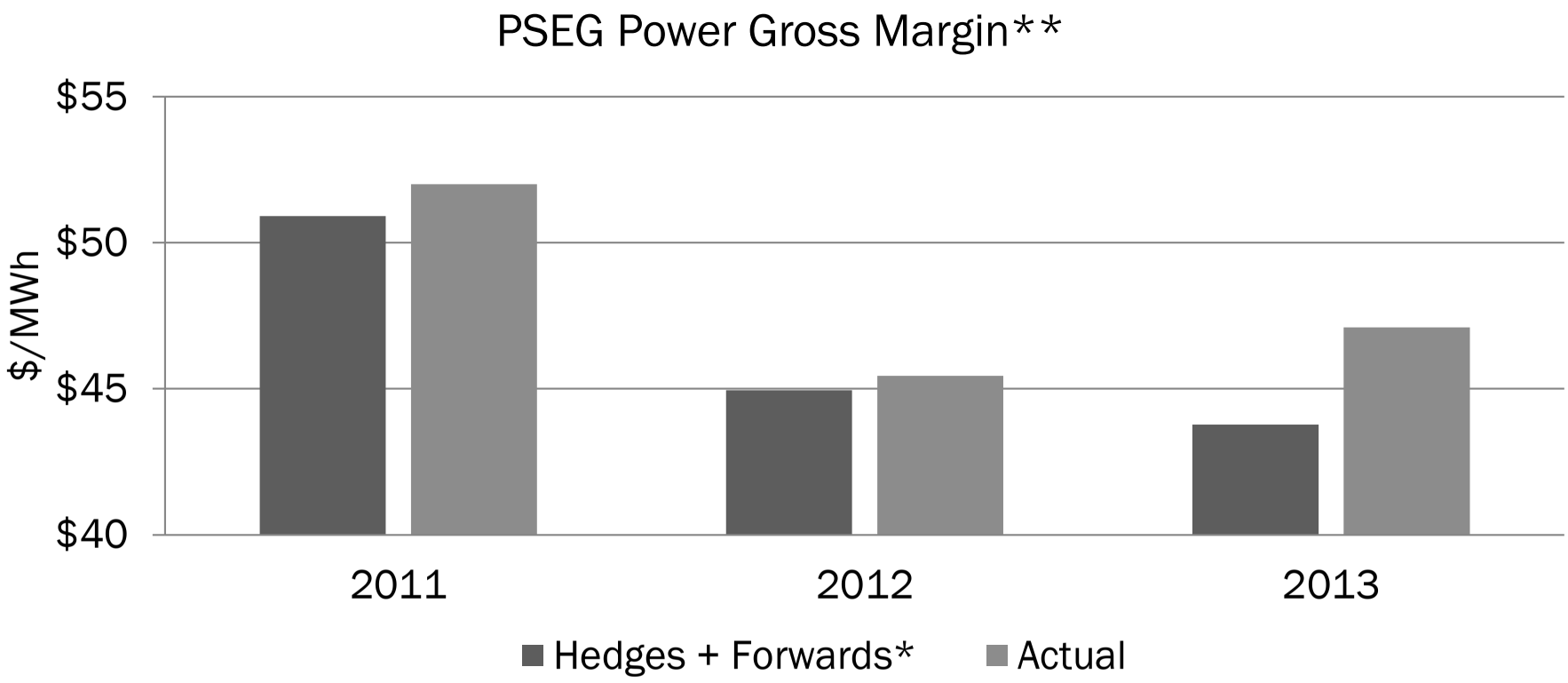
PSEG Power – Our diverse fleet and flexible portfolio allow us to capture opportunities arising from market volatility



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*AT THE BEGINNING OF EACH YEAR. **EXCLUDES BGSS.

Balance Sheet Strength

2009 – 2013: Reduced risk profile and transformed business mix

- Invested $8.4 billion in PSE&G
- Improved credit ratings
- Monetized and de-risked Holdings' portfolio

2014 – Forward: Strong cash flows and increasingly regulated business mix fully support:

- PSE&G's $10B approved investment program through 2018
- Consistent and sustainable dividend growth
- Additional investment capacity to deploy in opportunities beyond those in the current capital plan
- No need to issue equity

SI-SSA-0015-12756

Where we're going … actions taken to focus on more predictable growth

PSEG Focus

($ Millions except as noted)

2008	2013		2016E
$2.91	$2.58	Operating Earnings Per Share	
$70	$38	PJM West RTC ($/MWh)	$38 [6]
• 2.4% (planned[1])	• 1.5% (actual[2])	• O&M Growth per year	• (0.7%) (forecast[3])
• $6,800	• $10,400	• PSE&G Rate Base	• $13,700
• $866	• $3,800	• Transmission	• $6,500
• $5,900	• $6,000	• E&G Distribution	• $6,600[4]
• $0	• $600	• EE and Solar	• $600[4]
• 29.3TWh	• 29.5TWh	• Nuclear Generation	• 31.4TWh
• 90%	• 89%	• CC Equivalent Availability	• 91%
• $0	• $0	• PSEG LI Earnings	• $0.07[5]
$1.29	$1.44	Common Dividend Per Share	Opportunity for consistent, sustainable growth

(1) Planned compound annual growth rate 2008-2013.
(2) Actual compound annual growth rate 2008-2013.
(3) Planned compound annual growth rate 2013-2016.
(4) Includes approved solar programs.
(5) Includes management fee for T&D operations under expanded OSA and fuel and energy procurement contract.
(6) Forward market as of 2/26/2014.

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

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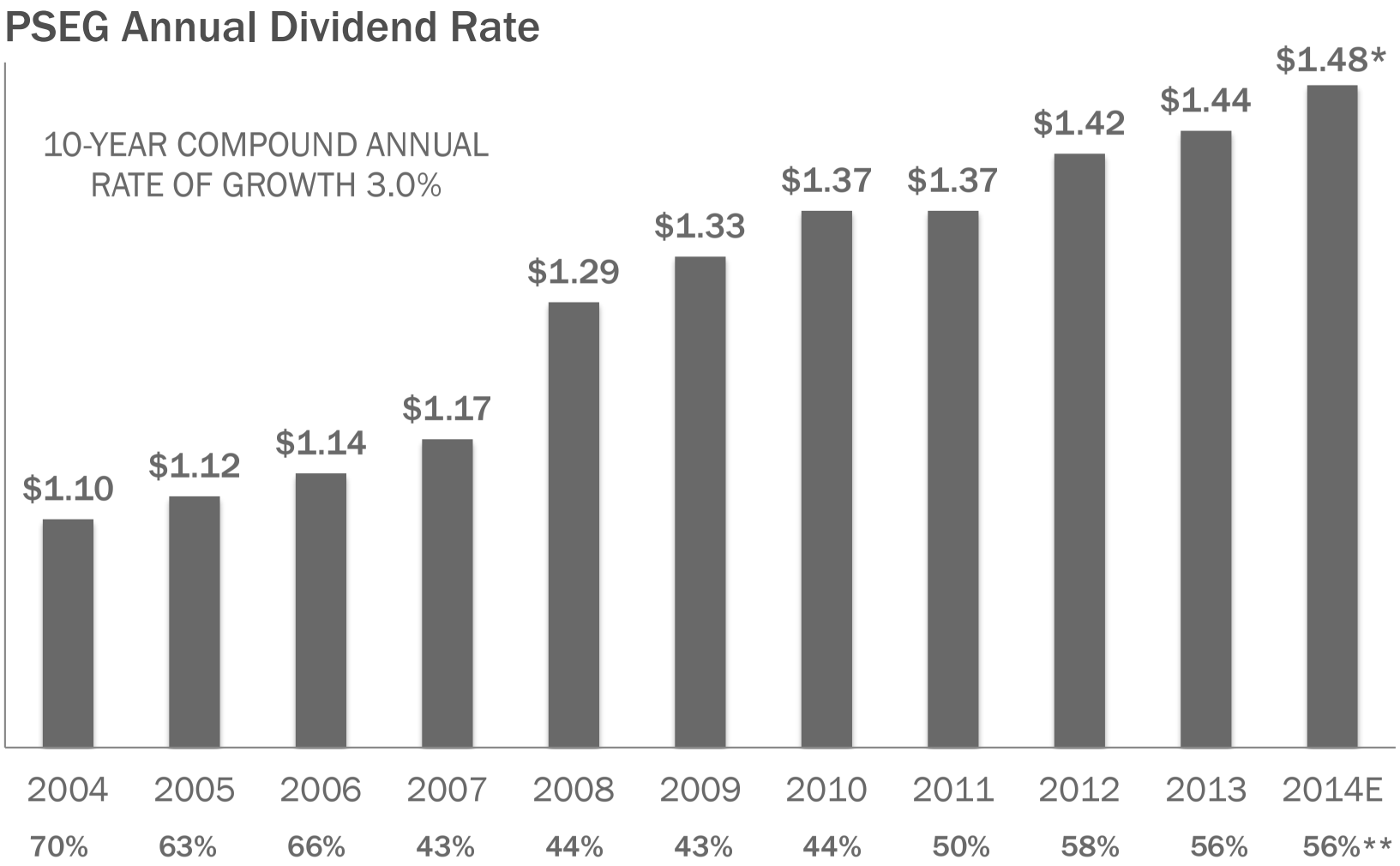
PSEG Annual Dividend – A long history of growth and returning cash to shareholders with a financial position that provides opportunity for consistent and sustained growth



*INDICATED ANNUAL RATE.
**2014 PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

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Value Proposition

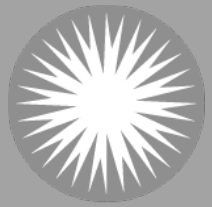
PSEG is positioned to **expand its investment in PSE&G** projects that provide reasonable, risk-adjusted returns, in ways that meet customer needs and state goals, given **strong cash flow of Power** and growing cash contribution from PSE&G.

PSEG will maintain a **strong financial profile** that provides the opportunity to achieve our growth objectives and maintains our **track record** of **returning cash to shareholders**.

SI-SSA-0015-12759

2014 PSE&G Business Review & Outlook

MARCH 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-12760

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

SI-SSA-0015-12761

Agenda

- Company Overview
- Financial Performance
- Capital Investment
- Energy Strong
- In-depth Transmission Review

SI-SSA-0015-12762

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

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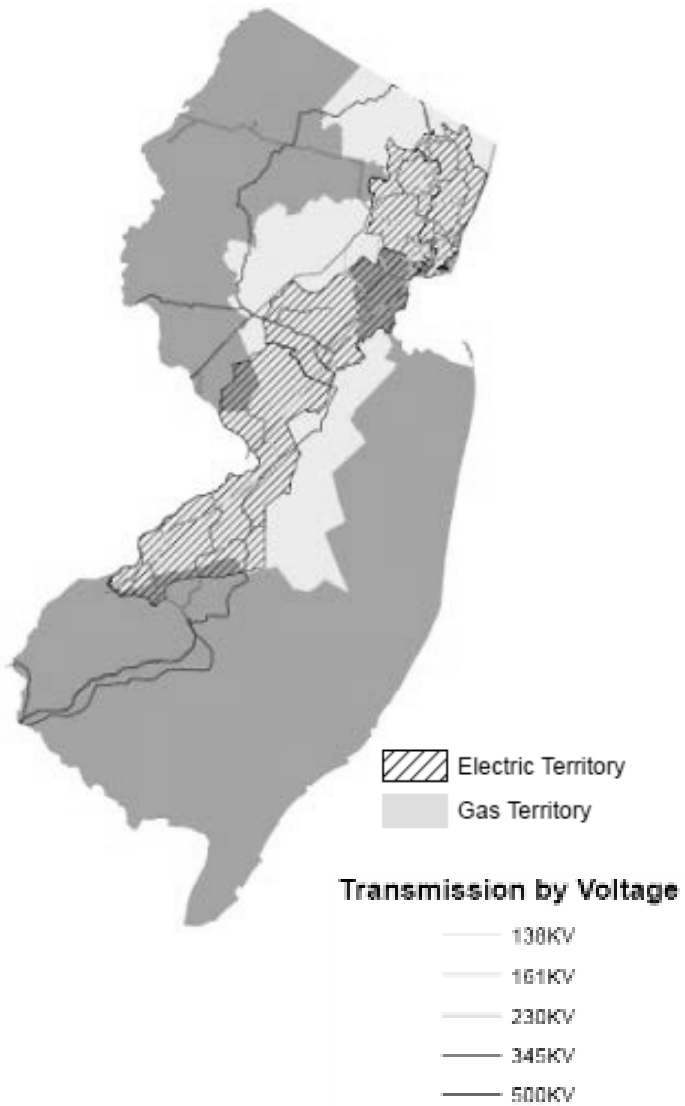
PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2009 – 2013)	2.2 Million 0.6%	1.8 Million 0.6%
Electric Sales and Gas Sold and Transported	41,286 GWh	3,813M Therms
Projected Annual Load Growth (2014 – 2016)	0.6%*	0.5%*
Projected Annual Load Growth Transmission (2014 – 2016)	1.1%	
Sales Mix		
Residential	33%	60%
Commercial	57%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return	11.68% ROE**	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2013	Total Program Plan
Solar Loan Capacity	79 MW	178.5 MW
Solar 4 All Capacity	79 MW	125 MW
Energy Efficiency Annual Electric savings	182 GWh	204 GWh
Energy Efficiency Annual Gas savings	5M Therms	6M Therms

SI-SSA-0015-12764

PSEG

* WEATHER NORMALIZED - ESTIMATED ANNUAL GROWTH PER YEAR OVER FORECAST PERIOD.
** SPECIFIC PROJECTS APPROVED FOR INCENTIVE RATE TREATMENT WITH ADDITIONAL ROE.

12 time Mid-Atlantic ReliabilityOne award winner

and Outstanding Response to a Major Event

SI-SSA-0015-12765

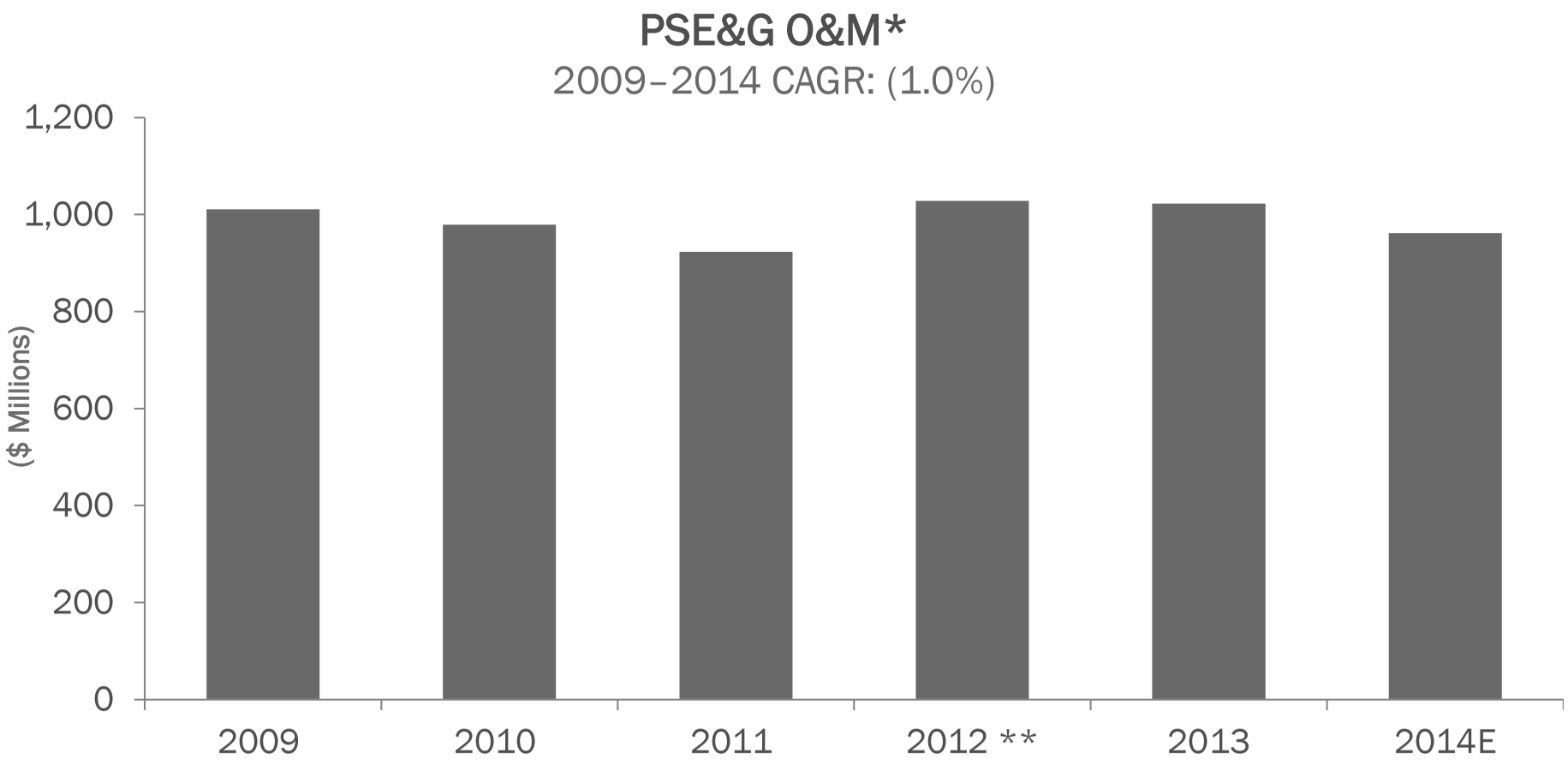
PSE&G's operating earnings grew ~18%

over the 5-year period with increased investment, cost control and supportive rate mechanisms

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-12766

Focus on controlling O&M and lower pension costs support decline in expenses

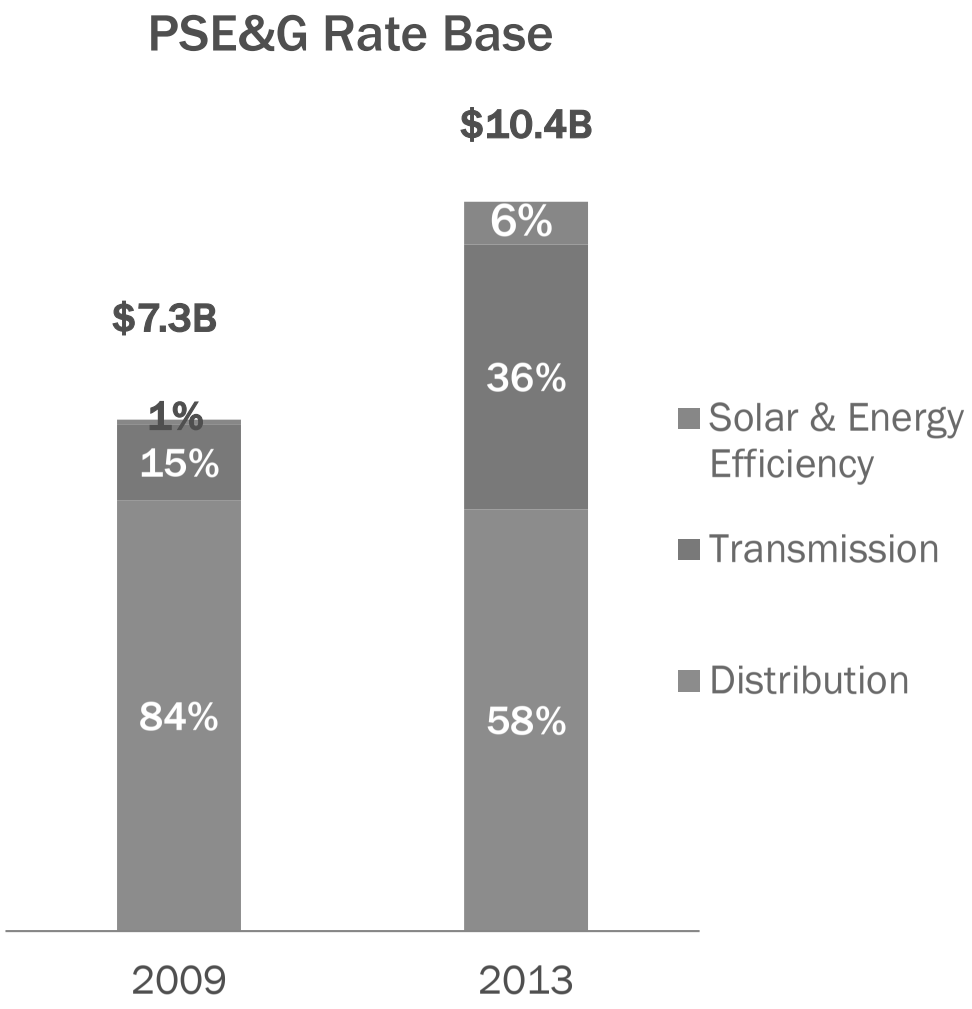


SI-SSA-0015-12767

PSEG

* EXCLUDES REGULATORY CLAUSES ** INCLUDES $40M IMPACT FROM SUPERSTORM SANDY. E = ESTIMATE

PSE&G's rate base has grown ~9% annualized with investment focused on meeting customers' requirements



Growth in rate base is driven by investments with constructive recovery mechanisms

SI-SSA-0015-12768

Successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES – creative solutions to install solar generation: $0.7B

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY – assisting customers with controlling energy usage: $0.3B

- Carbon Abatement – 2008
- Energy Efficiency – 2009
- Demand Response – 2009
- Energy Efficiency Ext – 2011

DISTRIBUTION – improving the electric and gas delivery infrastructure: $1.0B

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – Pending

Invested ~$2.0B through 2013; plan to invest additional ~$0.3B through 2018 in approved programs

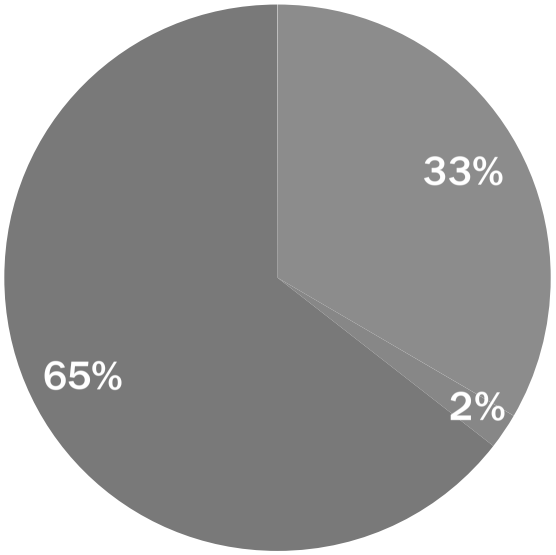
SI-SSA-0015-12769

NOTE: SPENDING THROUGH 2013 UNLESS INDICATED OTHERWISE

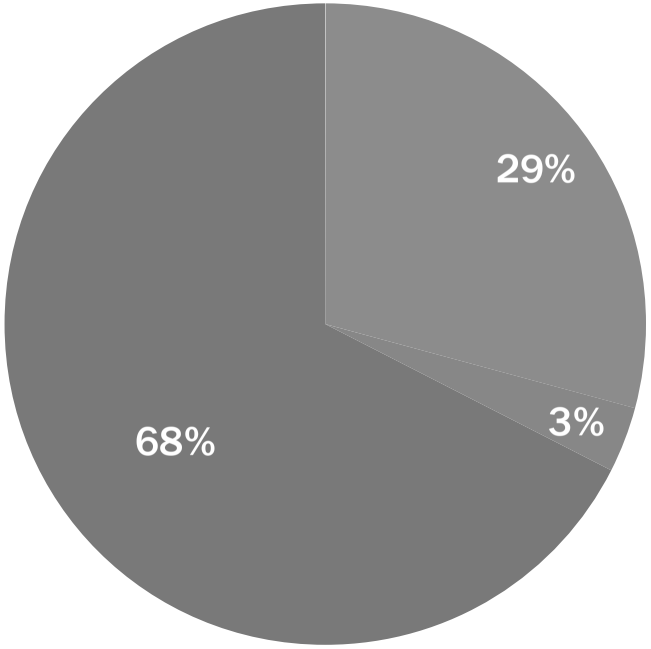
A 40% increase to $10 billion, in our 5-year investment program, with further opportunity from Energy Strong

PSE&G's Capital Expenditures

2013-2017E
$7.0 Billion



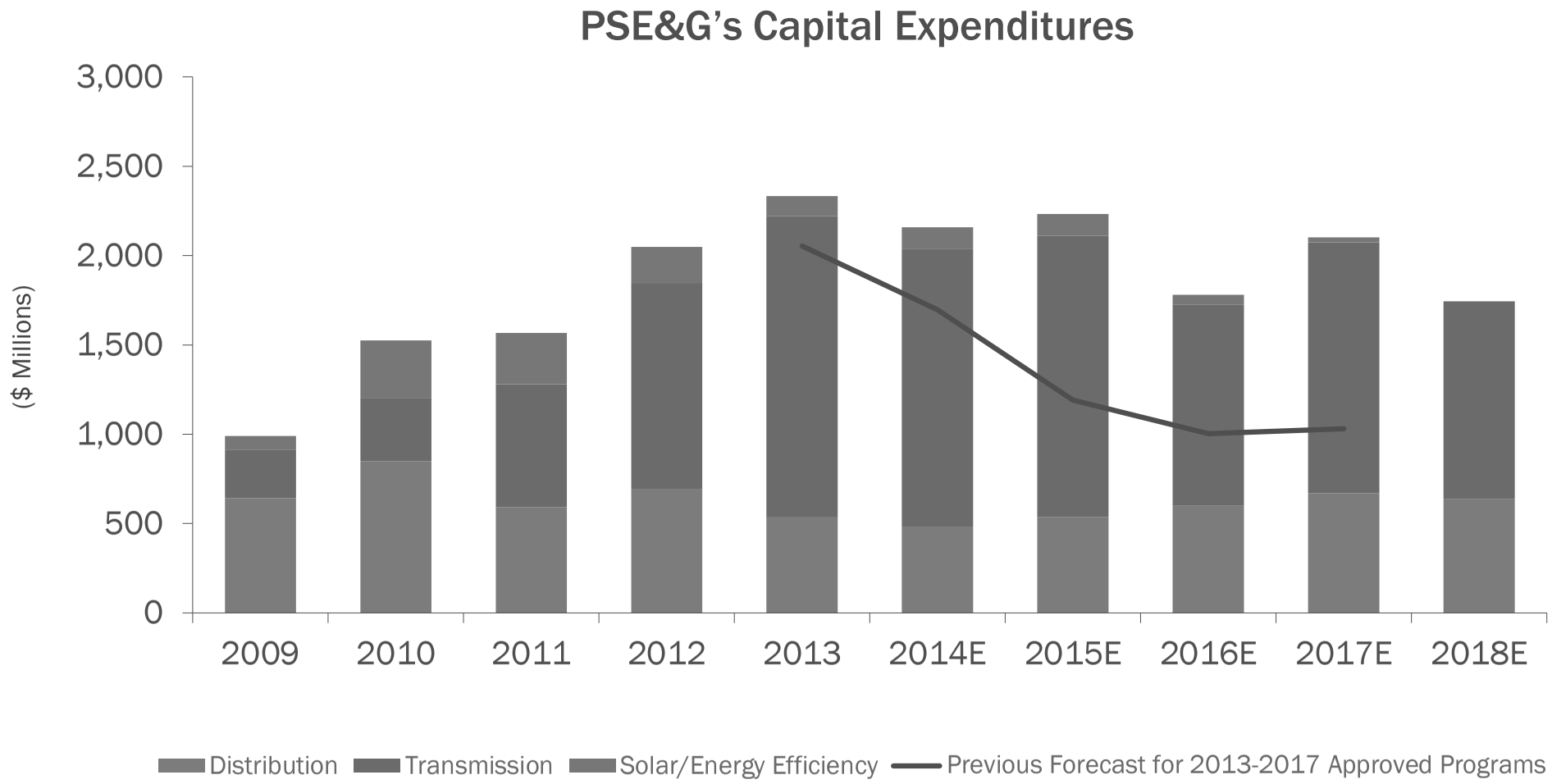
2014-2018E
$10.0 Billion



■ Distribution ■ Solar/Energy Efficiency ■ Transmission

SI-SSA-0015-12770

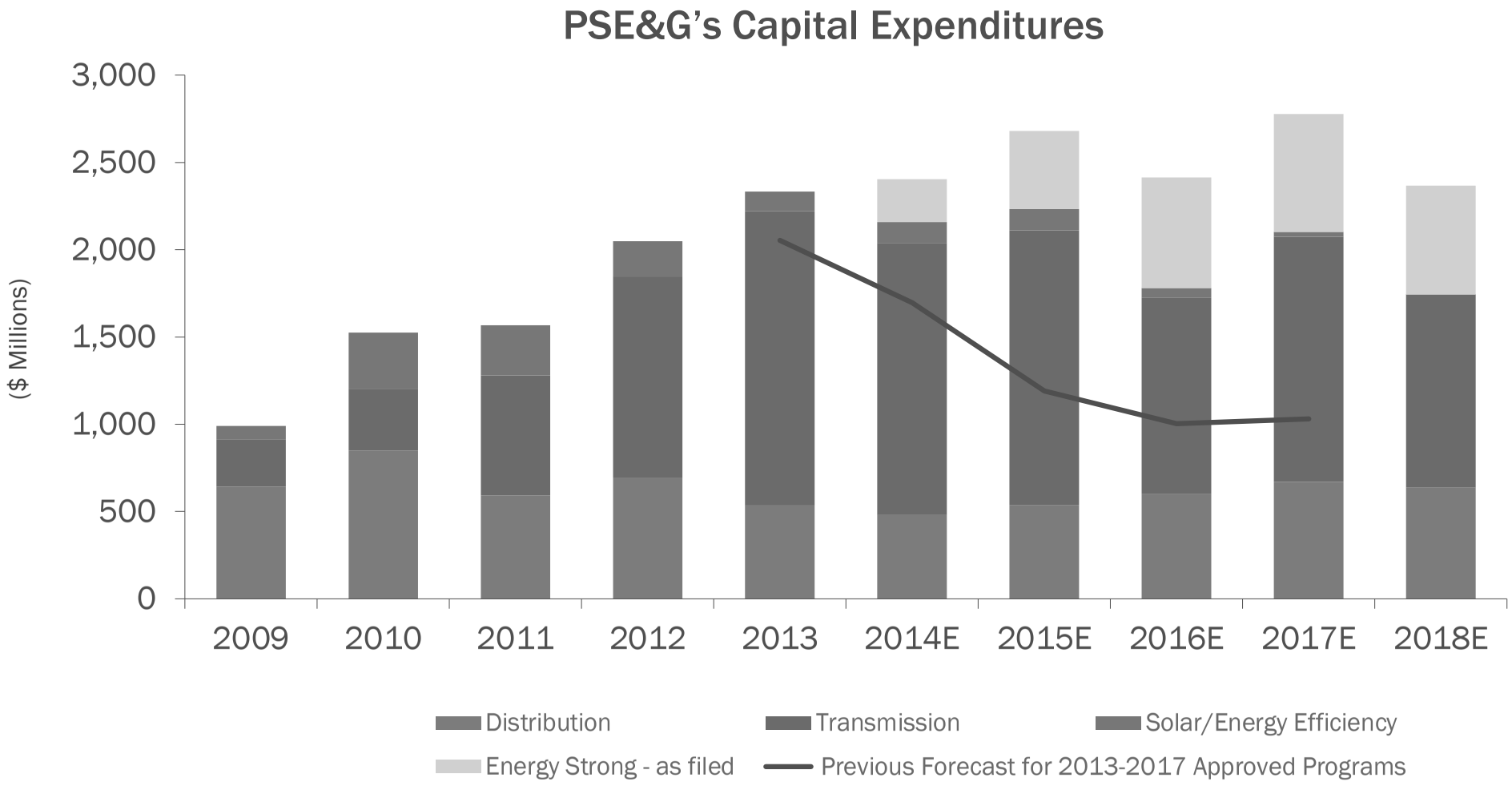
PSE&G's capital program has been expanded and continues to focus on delivering energy solutions



E = ESTIMATE

SI-SSA-0015-12771

PSE&G's capital program could expand further with the addition of Energy Strong



E = ESTIMATE

SI-SSA-0015-12772

Energy Strong filing for resiliency and hardening to support customers' needs in the wake of Superstorm Sandy

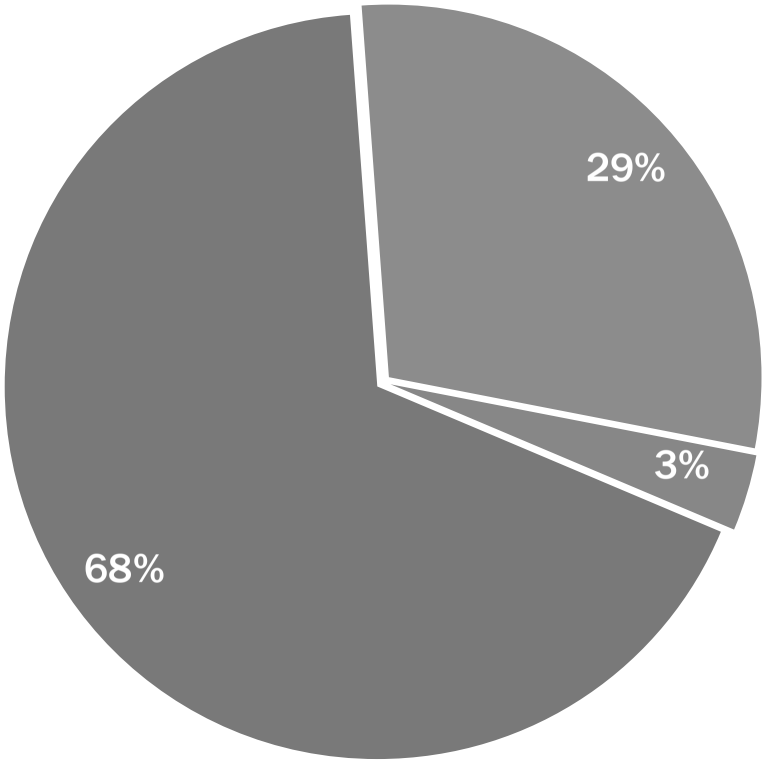
- Filed 5-year $2.6 billion capital program with NJ Board of Public Utilities (BPU) in February 2013
- Program addresses system resiliency and hardening by:
  - Protecting distribution substations from severe storms
  - Making the electric grid smarter and easier to repair
  - Adding backup distribution lines and system redundancies
  - Moving overhead distribution lines underground
  - Modernizing the gas distribution system
- Currently in confidential negotiations with Staff of BPU and major intervenors; hearings conclude March 7, 2014
- Anticipate a final order following either settlement or litigated decision by the end of April 2014

SI-SSA-0015-12773

Over 70% of PSE&G's $10 billion investment program will be recovered through contemporaneous mechanisms

2014-2018E PSE&G Capital Spending by Recovery Method

$10.0 Billion



Clause Recovery Mechanisms

- Solar/Energy Efficiency

FERC Formula Rates

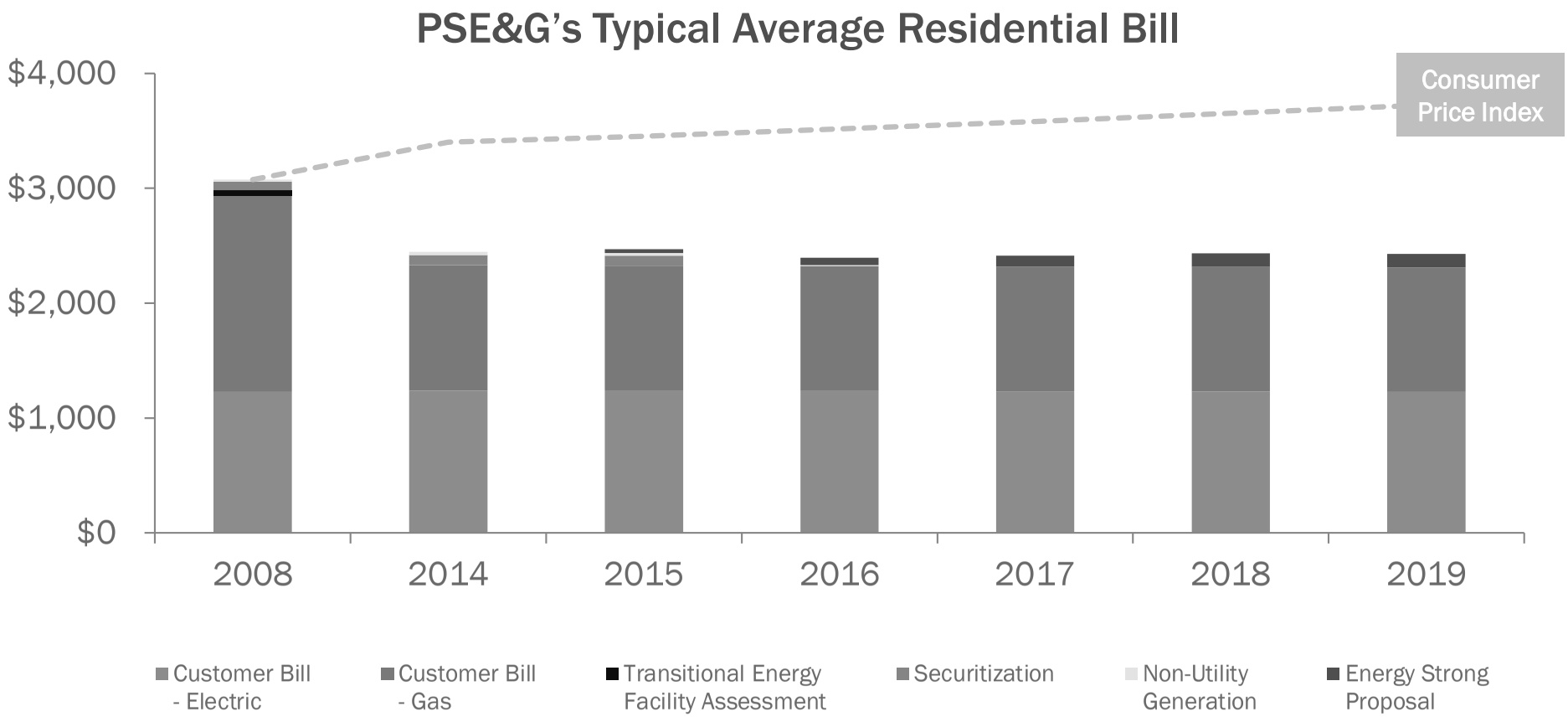
- Transmission

Traditional Recovery Mechanisms

- Distribution Base Rates

SI-SSA-0015-12774

The Energy Strong impact to customer bills is expected to be fully offset



OUT-YEAR BGS/BGSS, SBC, AND DISTRIBUTION RATES HELD CONSTANT AT CURRENT 2014 RATES.
RATES RELATED TO ELECTRIC RESTRUCTURING: SECURITIZATION (STC), NON-UTILITY GENERATION CHARGE (NGC), & TRANSITIONAL ENERGY FACILITIES ASSESSMENT (TEFA), ARE REDUCED TO ZERO BY 2017. THE RGGI RECOVERY CHARGE (RRC), SOLAR PILOT RECOVERY CHARGE (SPRC), AND CAPITAL ECONOMIC STIMULUS INFRASTRUCTURE INVESTMENT PROGRAM EXTENSION (CIP II) BILL IMPACTS ARE INCLUDED IN THEIR RESPECTIVE GAS AND ELECTRIC BARS AND FORECASTED IN OUT-YEARS BASED UPON LATEST ESTIMATE. ENERGY STRONG BILL IMPACTS ARE BASED UPON CURRENT FORECAST.

SI-SSA-0015-12775

IN-DEPTH TRANSMISSION REVIEW

Kim Hanemann

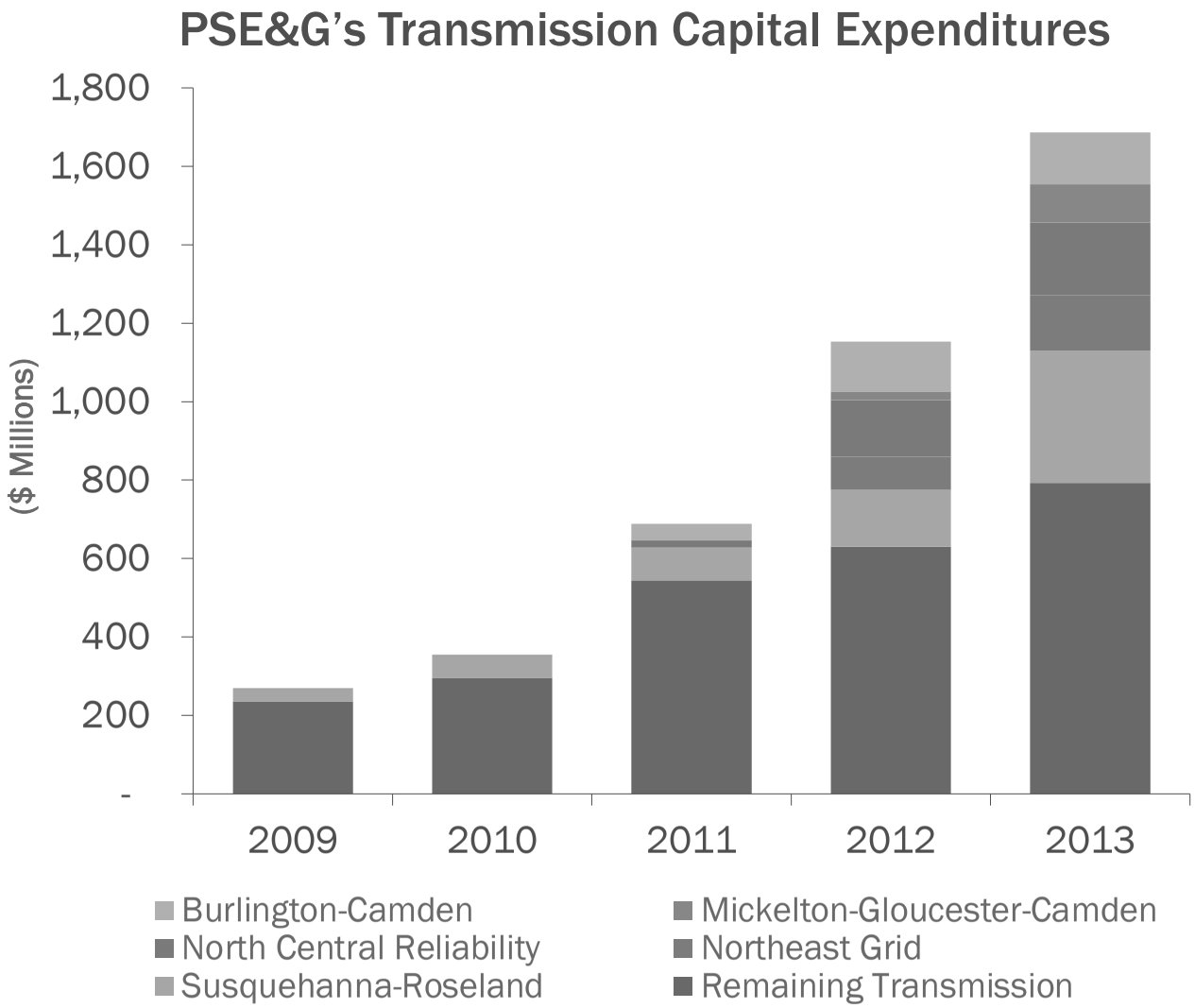
VICE-PRESIDENT DELIVERY PROJECTS AND CONSTRUCTION

PSEG

We make things work for you.

SI-SSA-0015-12776

Transmission has delivered, and has grown to represent ~36% of rate base



Transmission represented ~36% of rate base at YE 2013 up from ~15% at YE 2009

SI-SSA-0015-12777

PSE&G's existing major transmission

investment program remains on schedule and on budget

Major Transmission Projects

	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Project Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 / June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June 2015
North Central Reliability	11.68%	✓	✓	$390	June 2014
Burlington–Camden 230kV	11.68%	✓	✓	$399	June 2014
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-12778

Susquehanna-Roseland consists of constructing 150 miles of 500kV circuit (46 miles in NJ) with two new 500kV GIS switching stations at Roseland and Hopatcong

Project Estimate Up To*	Through Year-end 2013	Expected In-service Date
$790M	$661M	June 2014 / June 2015

- PJM RTEP project b0489
- ROE of 12.93% (including 1.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves reliability and reduces congestion

Project Status: Major permitting & siting complete, outside plant construction in progress, inside plant construction is complete and commissioning is in progress

SI-SSA-0015-12779

PSEG

*PROJECT IS SHARED WITH PPL. PROJECT ESTIMATE REPRESENTS PSE&G'S CONSTRUCTION RESPONSIBILITY FOR THE NJ PORTION.

Northeast Grid Reliability consists of upgrading approximately 50 overhead circuit miles of 138kV transmission line to 230kV, constructing ~18 miles of new underground 230kV lines, and converting/upgrading 12 existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$907M	$228M	June 2015

- PJM RTEP project b1304
- ROE of 11.93% (including 0.25% incentive)
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment
- Project estimate has increased ~$12M associated with hardening related scope changes as a result of Superstorm Sandy

Customer Benefit: Improves reliability and increases transfer capability

Project Status: Nearing completion of engineering/design and licensing/permitting phase. Outside and inside plant construction are in progress

SI-SSA-0015-12780

North Central Reliability consists of upgrading 55 circuit miles of 138kV transmission line to 230kV, and converting six existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$390M	$349M	June 2014

- PJM RTEP project b1154
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Improves power quality and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction is essentially complete, commissioning is in progress

SI-SSA-0015-12781

Burlington-Camden 230kV consists of upgrading 37 circuit miles (30 miles of overhead and 7 miles of underground) of 138kV transmission line to 230kV, converting the existing stations to 230kV operation

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$399M	$301M	June 2014

- PJM RTEP project b1156
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses voltage reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside plant construction is complete, and inside plant construction and commissioning is in progress

SI-SSA-0015-12782

Mickleton-Gloucester-Camden 230kV

consists of upgrading 10 circuit miles of overhead transmission, installing ~16 circuit miles of new 230kV underground, 10 circuit miles of new 230kV overhead, and modifications/upgrades at five existing stations

Project Estimate Up To	Through Year-end 2013	Expected In-service Date
$435M	$122M	June 2015

- PJM RTEP project b1398
- ROE of 11.68%
- 100% CWIP in rate base during development
- 100% recovery of prudently incurred costs due to abandonment

Customer Benefit: Addresses thermal reliability and increases transfer capability

Project Status: Major permitting & siting complete, outside and inside plant construction in progress

SI-SSA-0015-12783

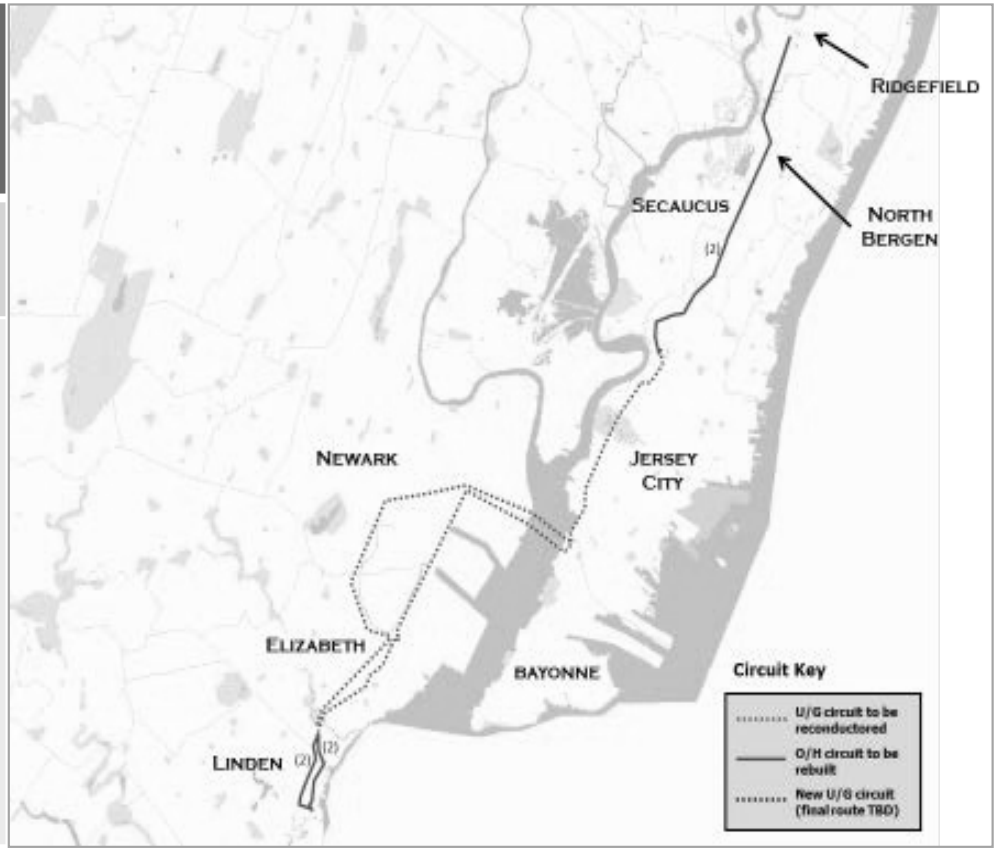
Bergen-Linden Corridor is a recently approved project which will provide a double-circuit 345kV line to maintain reliability

Project Estimate Up To	Through Year-end 2013	Expected Completion Date
$1,200M	-	June 2018

- PJM RTEP project b2436
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

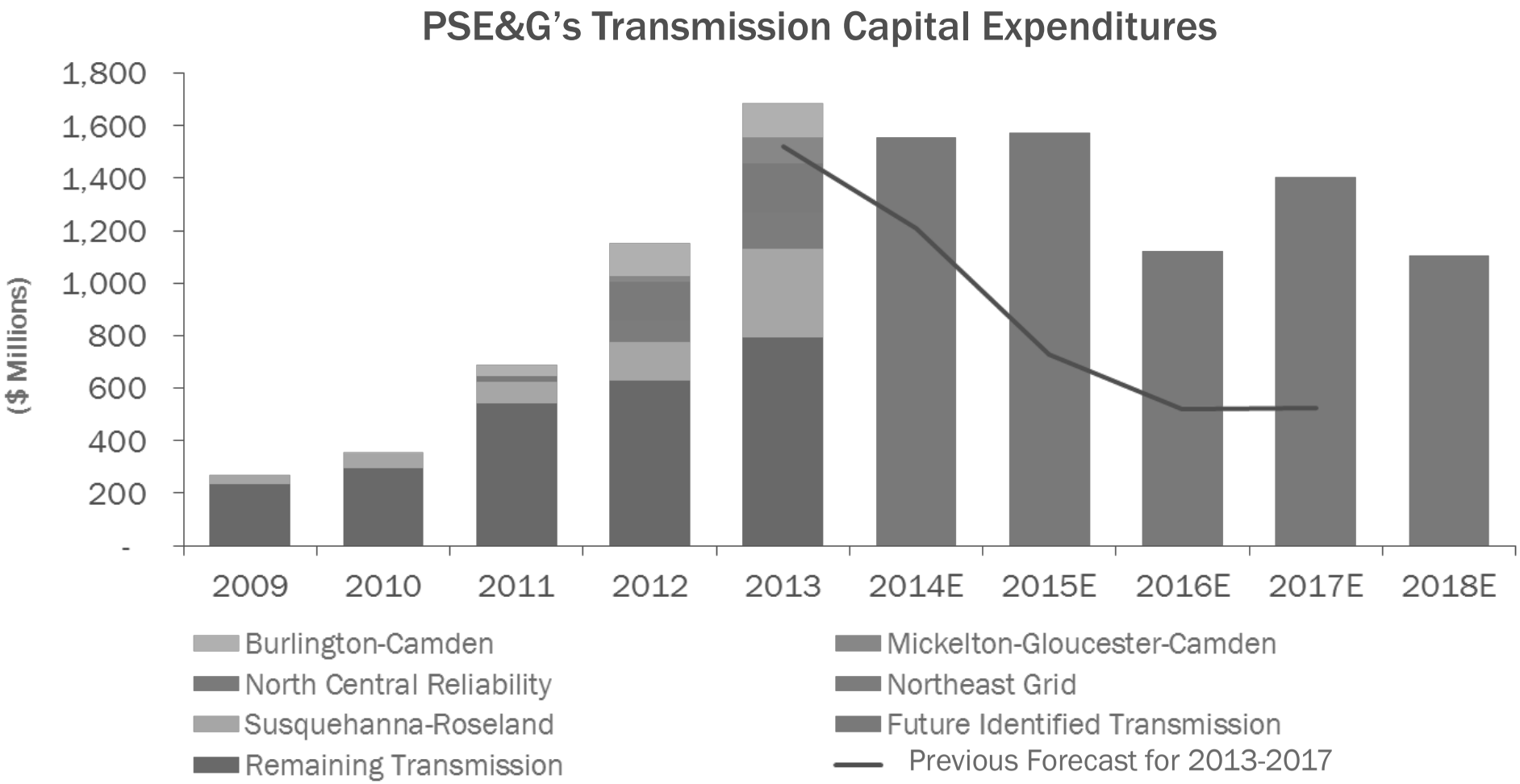
Project Status: Engineering



SI-SSA-0015-12784

Planned transmission spend of $6.8 billion

is driven by PJM reliability projects, 69kV conversions and life-cycle replacement projects



E= ESTIMATE

SI-SSA-0015-12785

PSE&G's processes and culture are the foundation for project execution success

People

- Diverse, well-rounded team
- Culture with a focus for on-time, on-scope and on-budget execution
- Successful recruitment, development and retention strategies
- Strong unions and supplier relationships

Process

- Cradle to grave project execution organization
- Processes designed to be scalable, repeatable and improvable
- Emphasis on best practices and lessons learned sharing
- Improvements driven by performance metric management

Environment

- Collaborative relationship with regulatory agencies
- Innovative design and construction practices to minimize environmental impacts
- Robust environmental compliance system

SI-SSA-0015-12786

PSE&G's demonstrated ability to successfully execute large projects leaves us well positioned to pursue new opportunities

- Future RTEP as identified by PJM
- Near-term participation in RTO competitive open planning windows
  - PJM
  - MISO
  - NYISO
- Anticipate participating in future competitive solicitations under FERC 1000

SI-SSA-0015-12787

PSE&G's 2014 operating earnings

to benefit from increased investment in transmission and on-going cost control

SI-SSA-0015-12788

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

E=ESTIMATE

PSEG LONG ISLAND

Ralph LaRossa

CHAIRMAN OF THE BOARD
PSEG LONG ISLAND

SI-SSA-0015-12789

PSEG

We make things work for you.

PSEG was selected to operate Long Island Power Authority's (LIPA) electric transmission and distribution system for 12 years starting in 2014

- Pursuant to the Operating Services Agreement (OSA), all expenses and capital costs to operate the system are pre-funded by LIPA and passed through to their customers
- Compensation consists of a fixed fee and an incentive fee
  - Fixed compensation fee for 2014 with scheduled increases in 2015 and 2016
  - Starting in 2015 PSEG Energy Resources and Trading (ER&T) begins managing fuel/energy contracts
  - PSEG Long Island expected to contribute $0.03 to operating earnings in 2014 increasing to $0.07 per share in 2016 including contribution at ER&T
- Potential for an 8-year extension of the OSA

SI-SSA-0015-12790

PSEG Long Island commenced operations

on January 1, 2014

Key elements of Operating Services Agreement

Increased PSEG scope and control	Use of PSEG brand as PSEG Long Island	3-Year rate freeze (2013-2015)
Performance metrics	NY Department of Public Service oversight	Potential for "Utility 2.0" investment

Early performance

Successful transition to PSEG Long Island	Stakeholder communication	Winter storm response

SI-SSA-0015-12791

2014 PSEG POWER & ER&T Business Review & Outlook

MARCH 2014

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-12792

PSEG POWER

William Levis

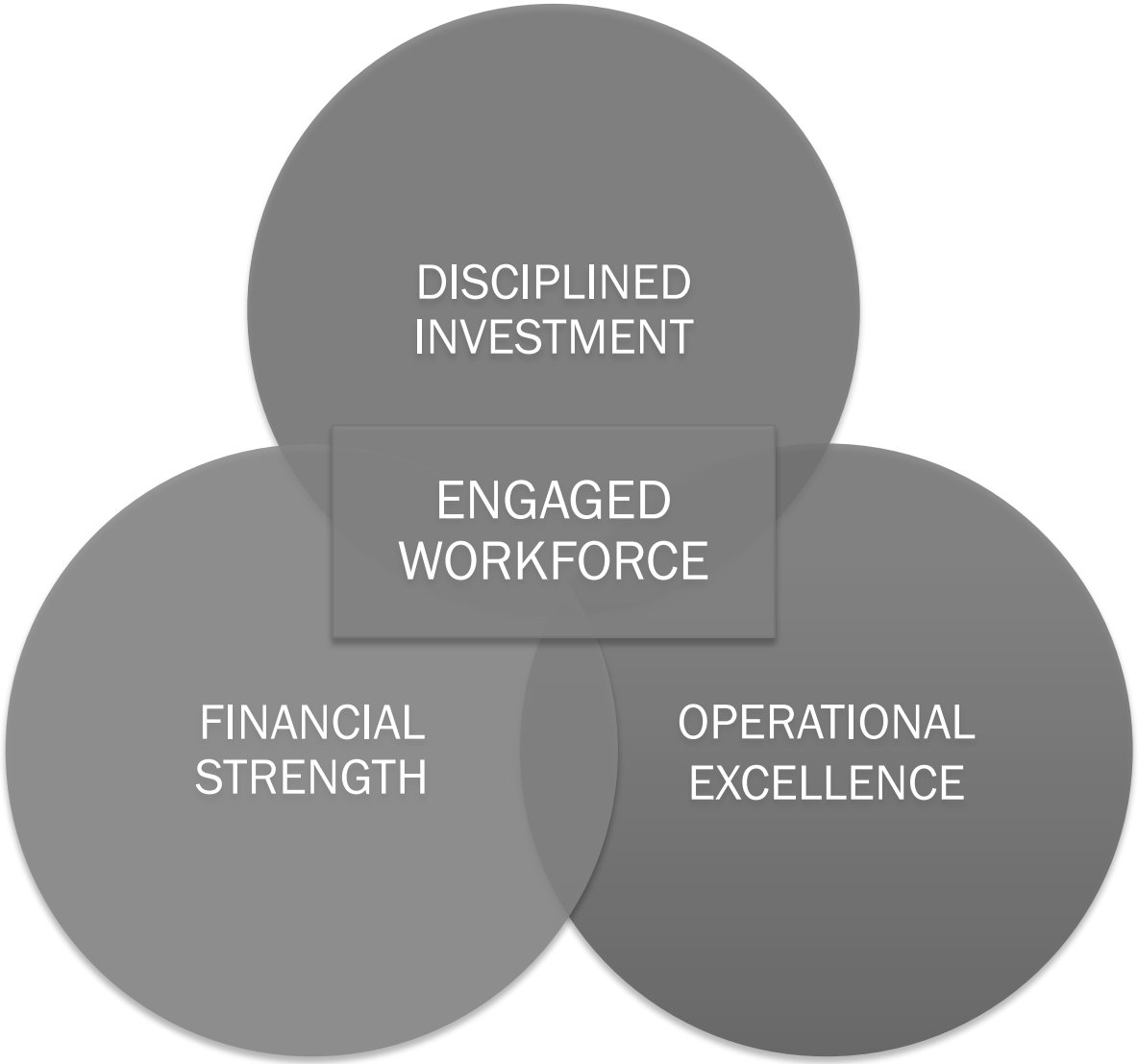
PRESIDENT AND CHIEF
OPERATING OFFICER
PSEG POWER

PSEG
We make things work for you.

SI-SSA-0015-12793

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-12794

Agenda

- Delivering Value
- Fleet Advantage, Location, Flexibility and Fuel Diversity
- Nuclear Operation
- Fossil Operation
- Financial Performance
- Expansion Opportunities
- Regulatory
- Engaged Workforce

SI-SSA-0015-12795

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units continue to achieve strong operational results, operating at over 90% capacity factors for the 9th consecutive year • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing conditions • Linden CCGT and Salem 2 nuclear unit achieved record output in 2013	• "Getting the most out of existing fleet" • Locational advantage • O&M control programs have delivered a CAGR of 1.6% between 2009 and 2014 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-12796

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2013 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch • Completed 19 MW solar project, 4 MW project under construction, established robust pipeline • Nuclear ESP is expected in 2015

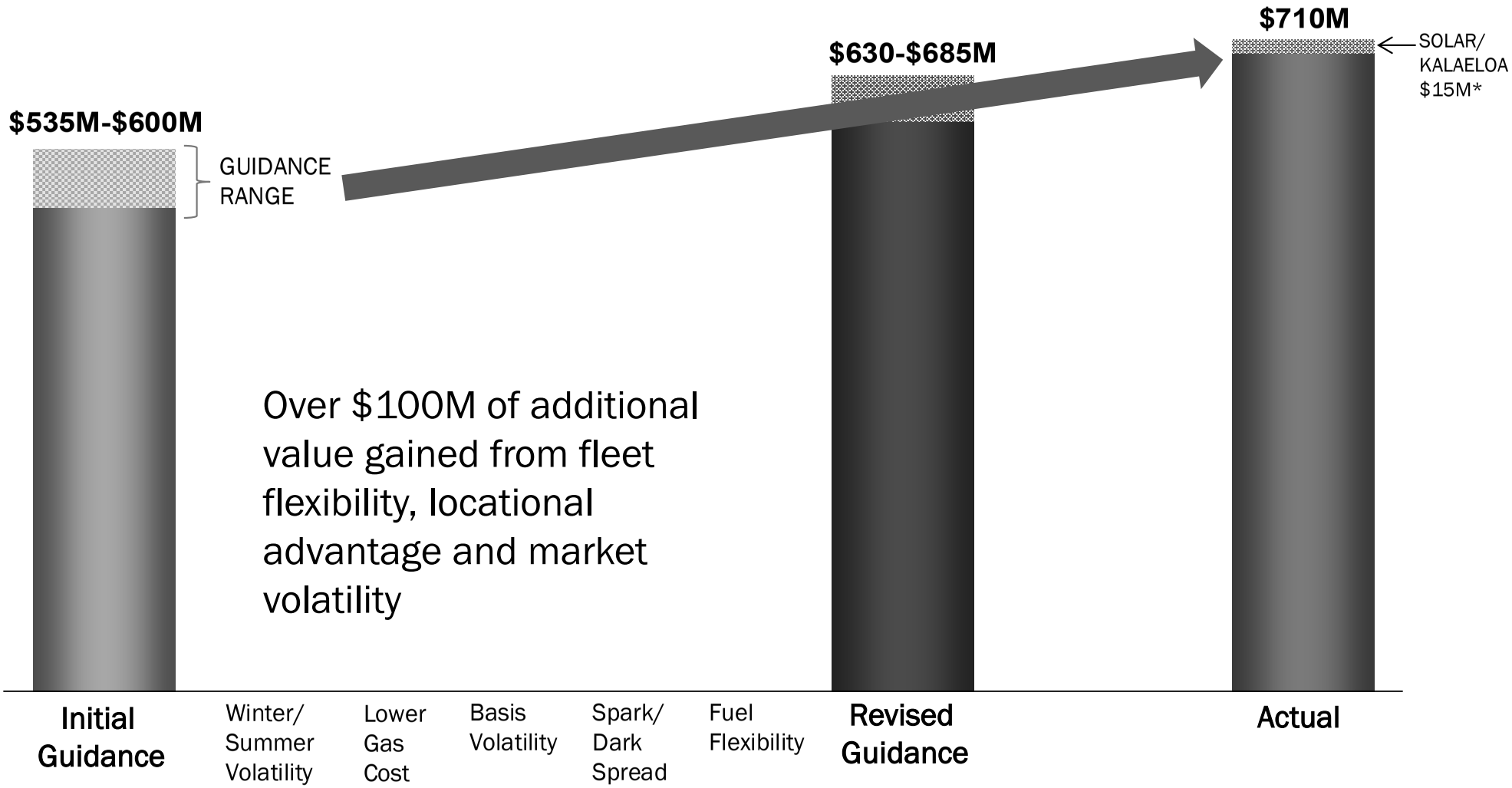
SI-SSA-0015-12797

PSEG Power met 2013 challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• SuperStorm Sandy impacted our generating sites • Cold and hot weather extremes created challenging operating environment, but also presented opportunities		• Unit outages and planned transmission outages resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Optimized unit dispatch across fleet during storm recovery • Expedited return from storm outages, restored margin opportunities • High availability when needed • Achieved fuel cost savings • Captured value through coal/gas switching, unit flexibility • Coal & oil sales optimized inventory • Flexibility of portfolio captured real-time basis opportunities

SI-SSA-0015-12798

PSEG Power exceeded 2013's earnings guidance



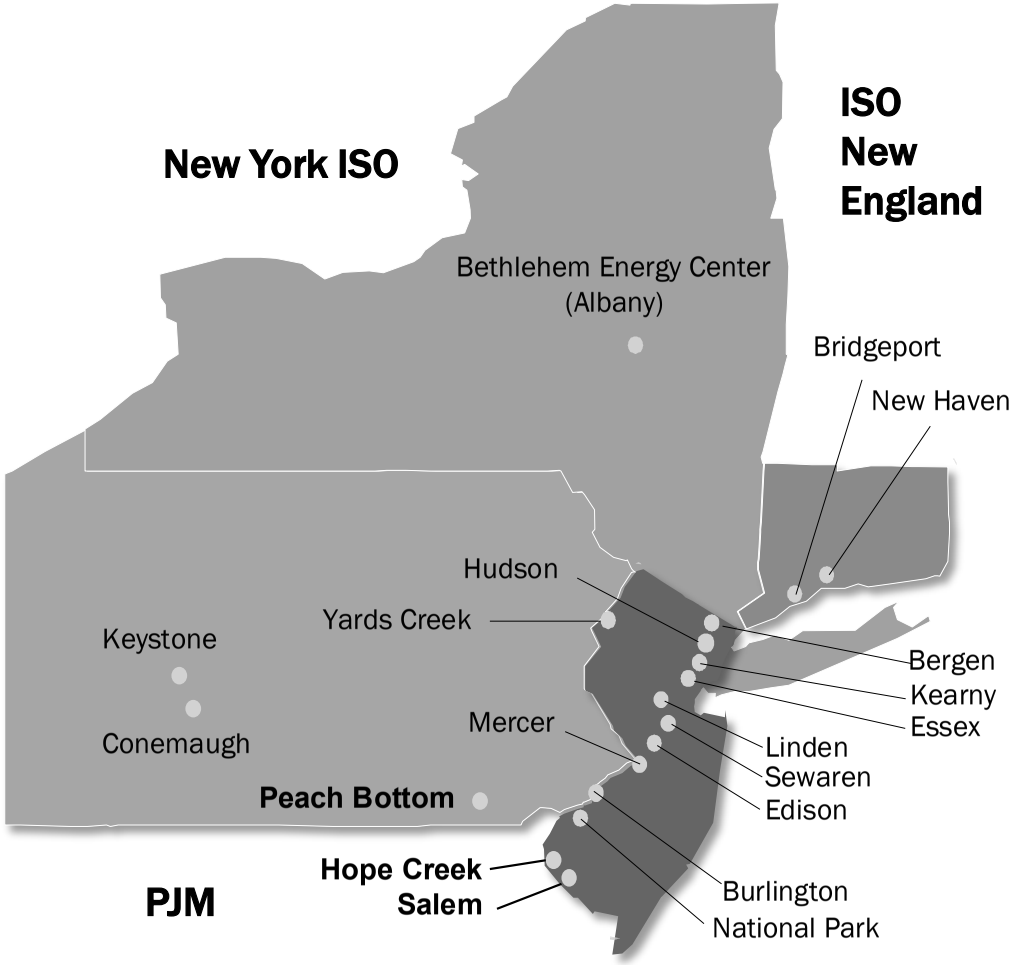
OPERATING EARNINGS FOR PSEG POWER IN 2013; SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. *ASSETS TRANSFERRED TO POWER AT YEAR-END 2013.

SI-SSA-0015-12799

PSEG Power has generating assets

in three competitive markets

- Assets near loads
- Low cost portfolio
- Fuel flexibility with gas cost advantage
- Poised to benefit from volatility in real-time markets
- Fleet will maintain diversity and efficiency after HEDD
- Most sites suitable for expansion



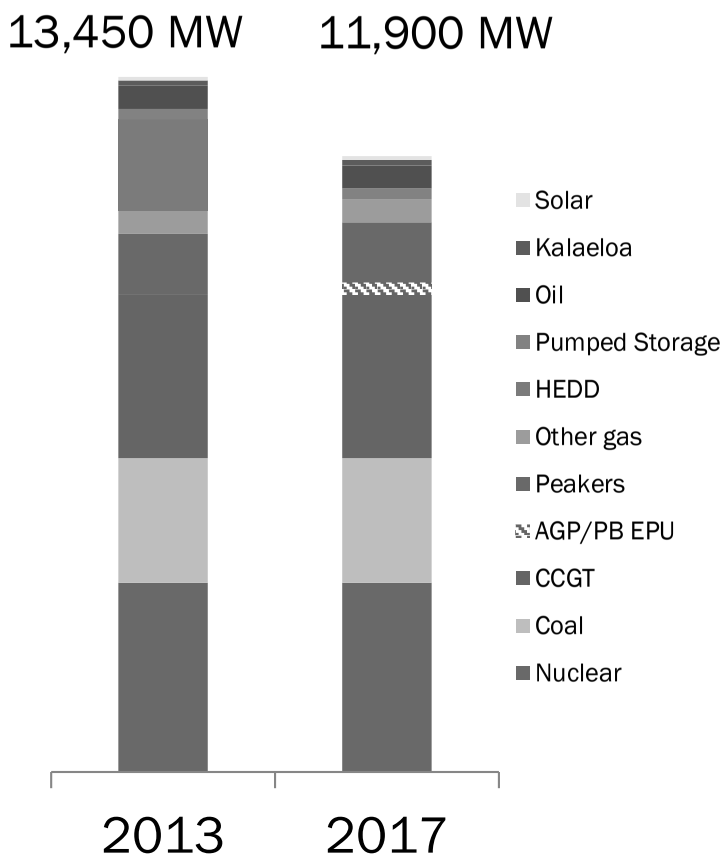
SI-SSA-0015-12800

PSEG Power will maintain diversity and efficiency after a realignment of the fleet due to HEDD

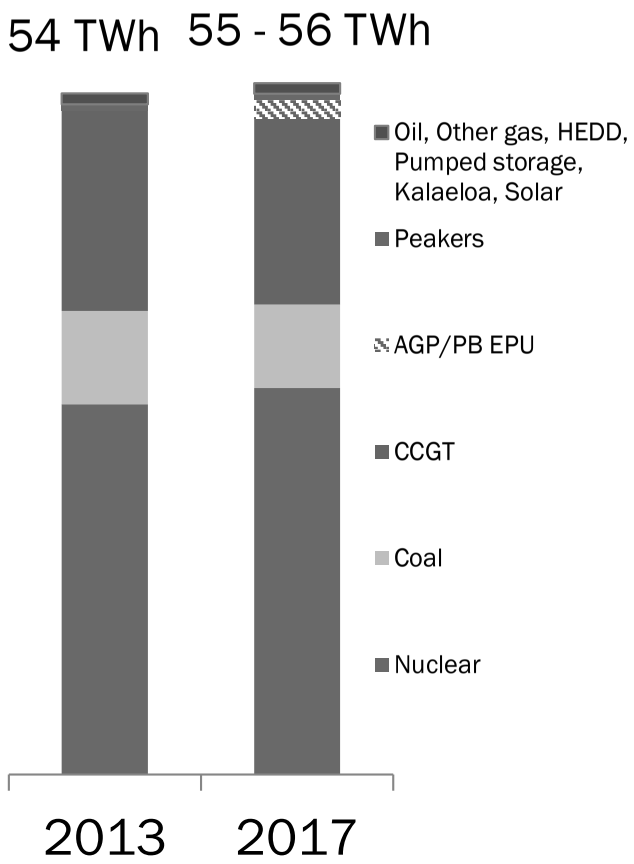
Objective 2013 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Environmental improvement
- Peach Bottom (PB) uprate
- Advanced Gas Path (AGP)
- Kalaeloa and Solar transfer adds ~200MW of capacity

Fuel Diversity



Energy Produced



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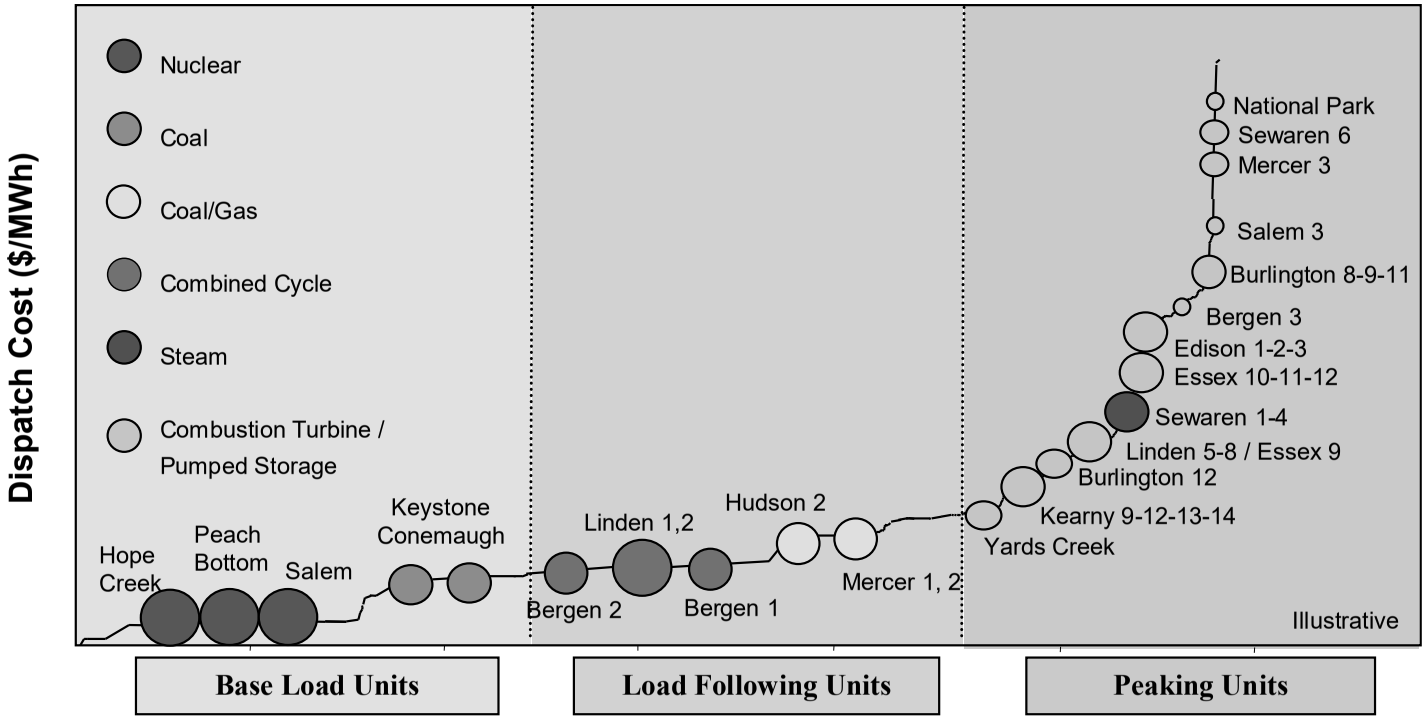
Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel flexibility for >60% of fleet

SI-SSA-0015-12802

PSEG Power Nuclear is a critical element of our success

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3

• Operated by PSEG Nuclear
• PSEG Ownership: 100%
• Technology: Boiling Water Reactor
• Total Capacity: 1,178 MW
• Owned Capacity: 1,178 MW
• License Expiration: 2046
• Next Refueling
  • Spring 2015
	• Operated by PSEG Nuclear
	• PSEG Ownership: 57%
	• Technology: Pressurized Water Reactor
	• Total Capacity: 2,365 MW
	• Owned Capacity: 1,358 MW
	• License Expiration: 2036 and 2040
	• Next Refueling
	  • Unit 1 -- Fall 2014
	  • Unit 2 – Spring 2014
		• Operated by Exelon
		• PSEG Ownership: 50%
		• Technology: Boiling Water Reactor
		• Total Capacity: 2,251 MW
		• Owned Capacity: 1,125 MW
		• License Expiration: 2033 and 2034
		• Next Refueling
		  • Unit 2 – Fall 2014
		  • Unit 3 – Fall 2015
		• Uprate: 130 MW in 2015/2016

SI-SSA-0015-12803

PSEG Power Nuclear is core to the fleet and has competitive advantages

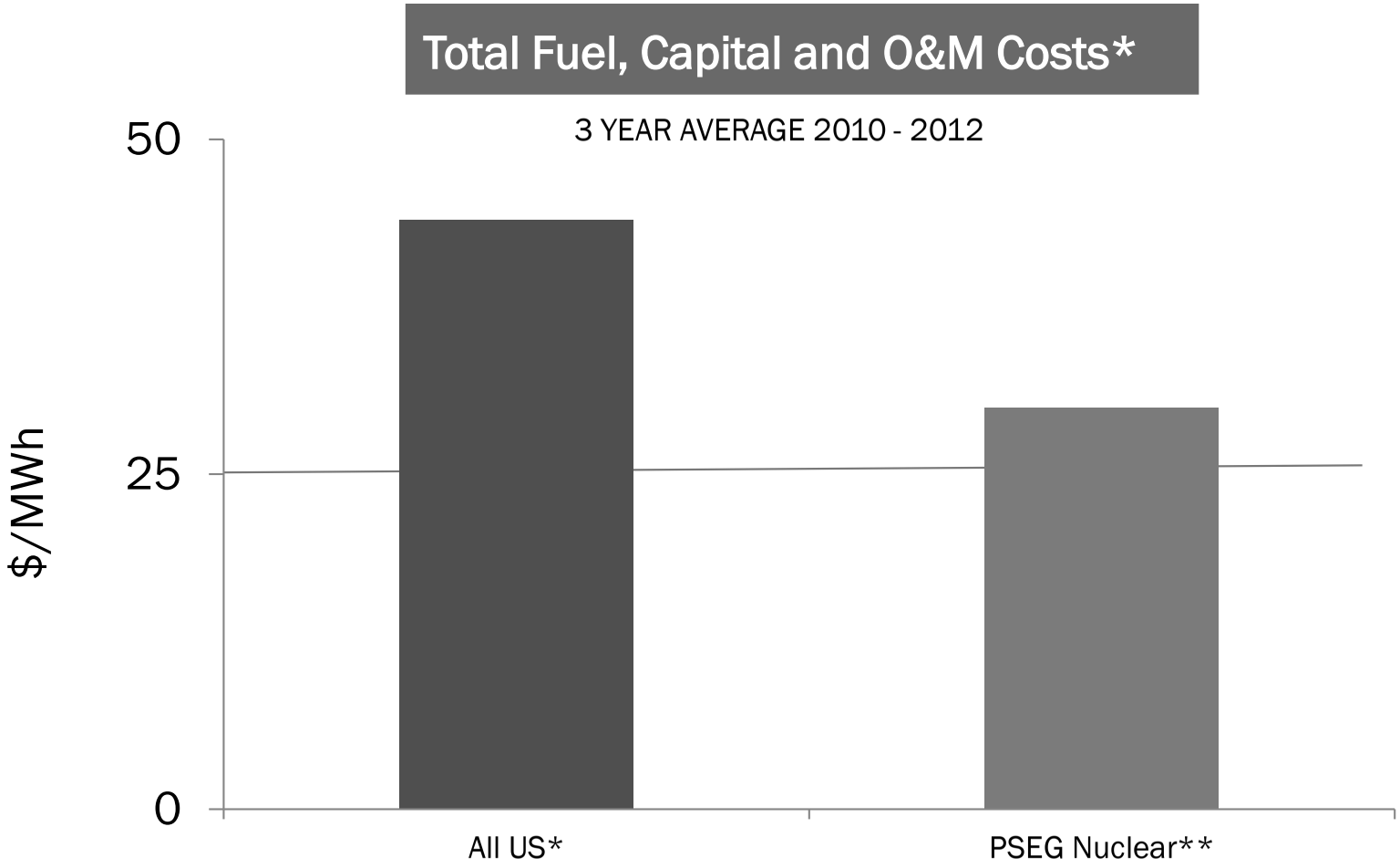
- Continued strong nuclear operations: nine consecutive years of >90% capacity factor
- Significant earnings contributor
- Top quartile of cost performance/MWh
- One third new staff, recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - ✓ FLEX* plan submitted with implementation starting with Fall outage
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-12804

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure

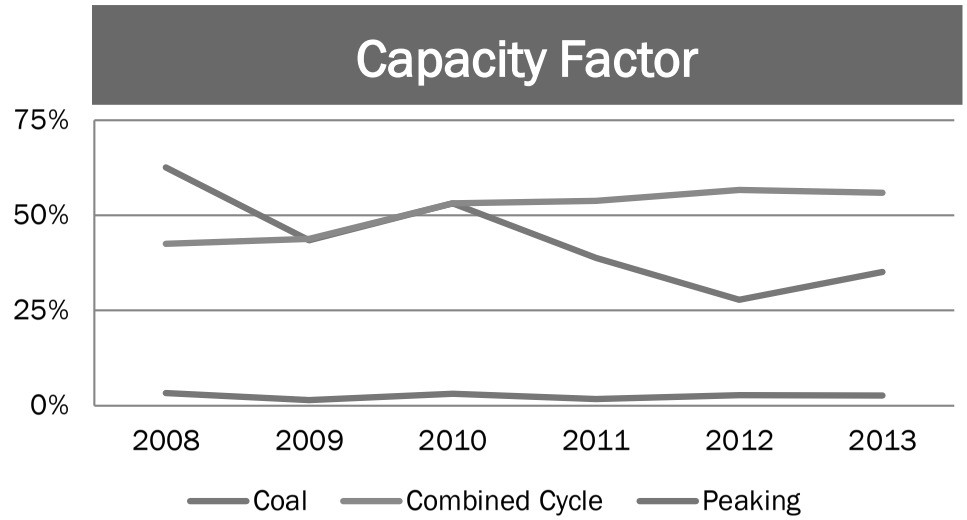


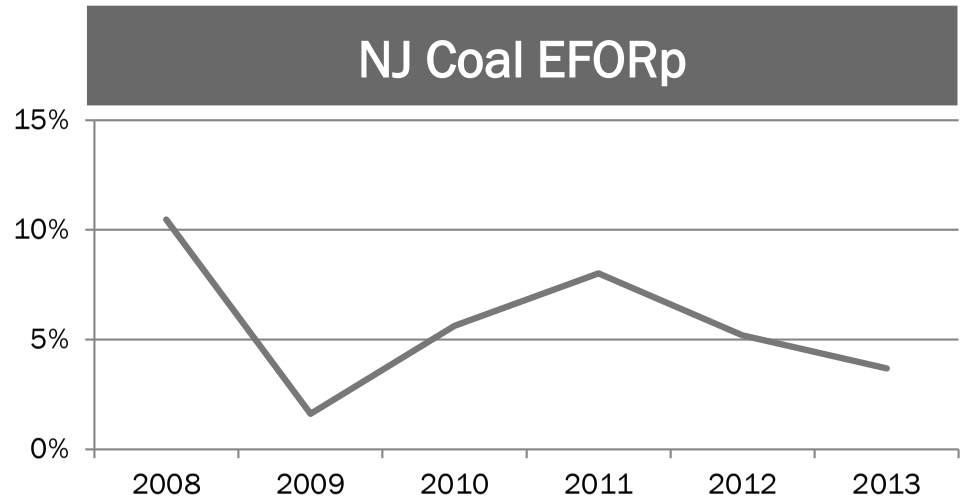
*SOURCE: ELECTRIC UTILITY COST GROUP
** SOURCE: PSEG NUCLEAR

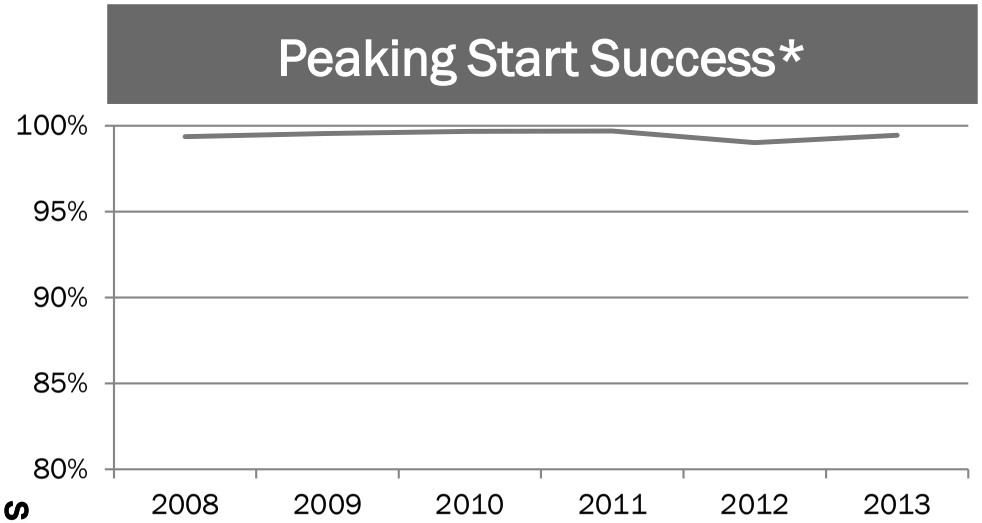
SI-SSA-0015-12805

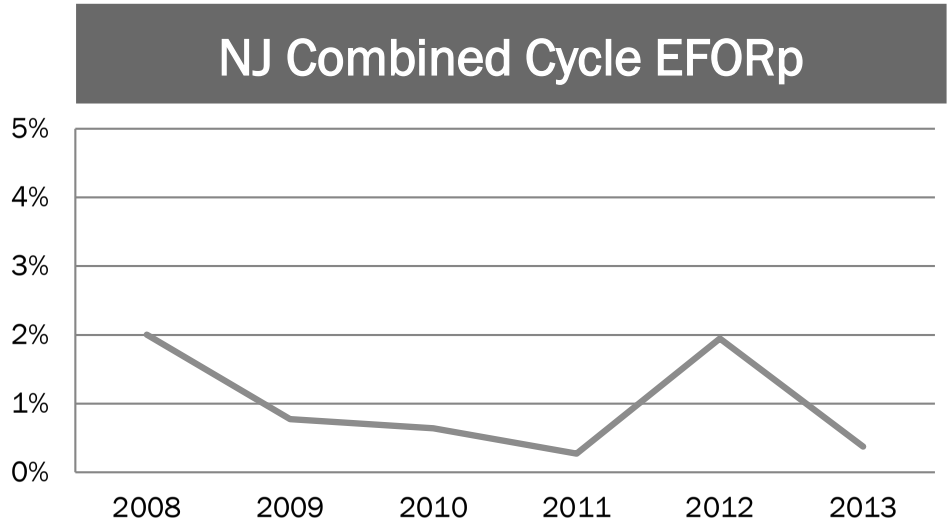
PSEG Power's Fossil Fleet Performance

has shown improvement









- Fossil Capacity Factor rebounded with market
- Peaking Units maintain high start success

- Coal EFORp improving
- CC EFORp less than 1% in 2013
- Consistent recipient of EFORp payments

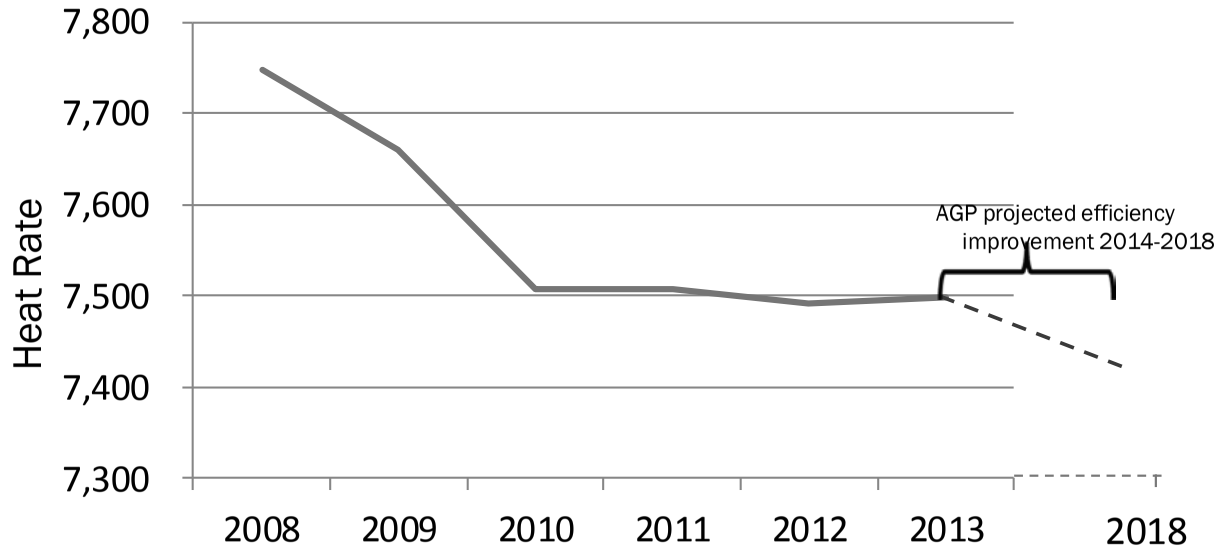
SI-SSA-0015-12806

PSEG

*LM6000 AND 7EA UNITS

PSEG Power improvements achieved in combined cycle fleet efficiency

Combined Cycle Operating Heat Rate



Actions Taken to Create Value

- Operational Excellence Model
- Training programs
- Unit testing initiative
- Outage work to restore efficiency
- Second gas line at BEC

- Heat rate improvement 2008-2013 translates to meaningful fuel savings at current market prices

- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional fuel savings

SI-SSA-0015-12807

Investing to expand CCGT capacity and improve efficiency

PSEG Power - CCGT Uprate Project

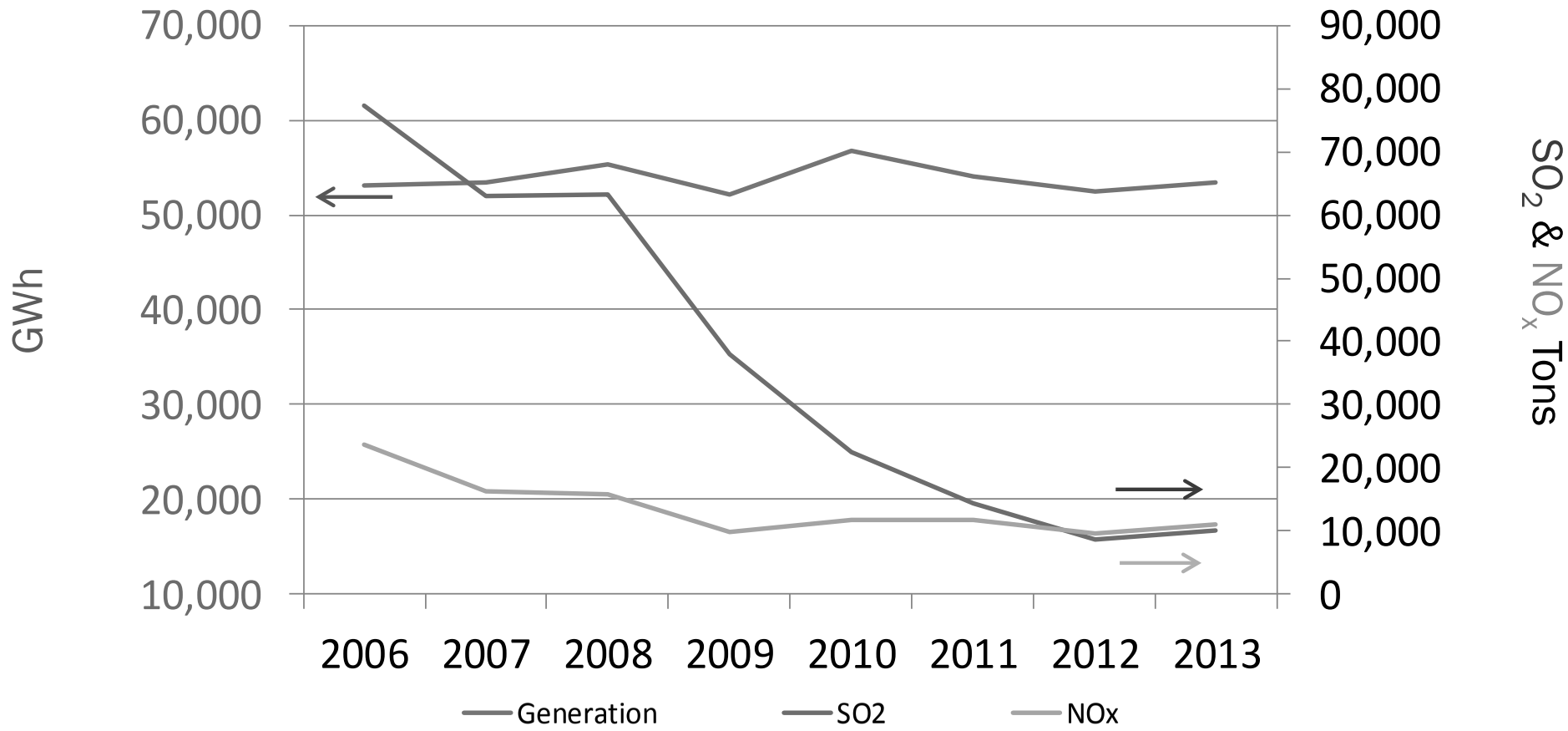
- Expand Power's CCGT fleet, one of the largest gas-fired portfolios in PJM, with incremental base and peaking MWs
- Retrofit Bergen, Linden and BEC with Advanced Gas Path (AGP) components at cost of ~$120M over 2014 - 2018

AGP Project Benefits

- ✓ CCGT capacity uprates of ~150 MW:
  - Linden (63 MW – 2014)
  - Bergen (31MW – 2015)
  - BEC (58 MW – 2017-18)
- ✓ Increases Efficiency - Combined Cycle (CC) heat rate improvement ~ 1.2%
- ✓ Upgrades technology and extends maintenance outage cycles

SI-SSA-0015-12808

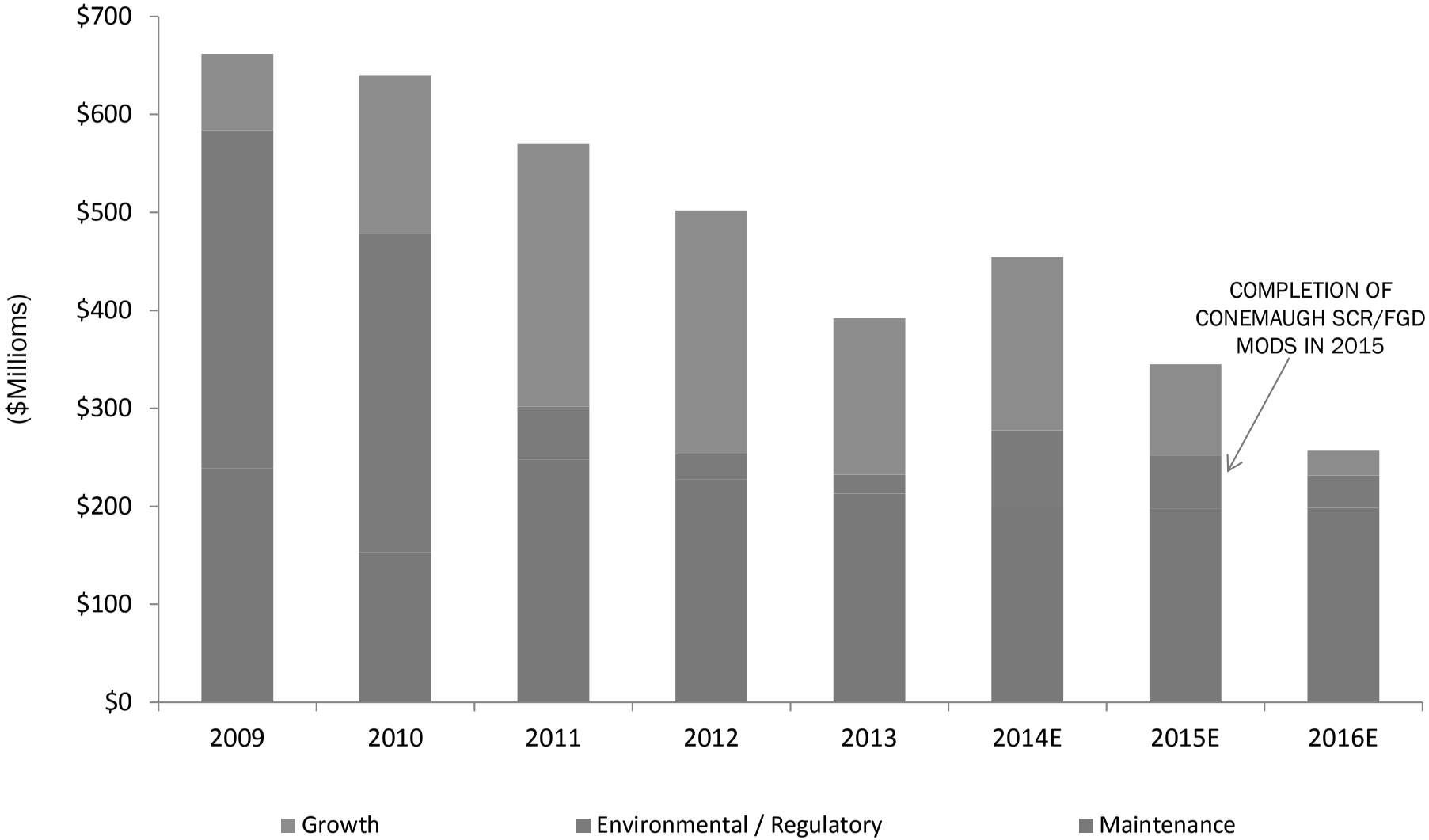
PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- Cost control through testing coordination program

SI-SSA-0015-12809

PSEG Power's capital expenditures for environmental requirements are essentially complete*



SI-SSA-0015-12810

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE

PSEG Power's focus on costs

has resulted in

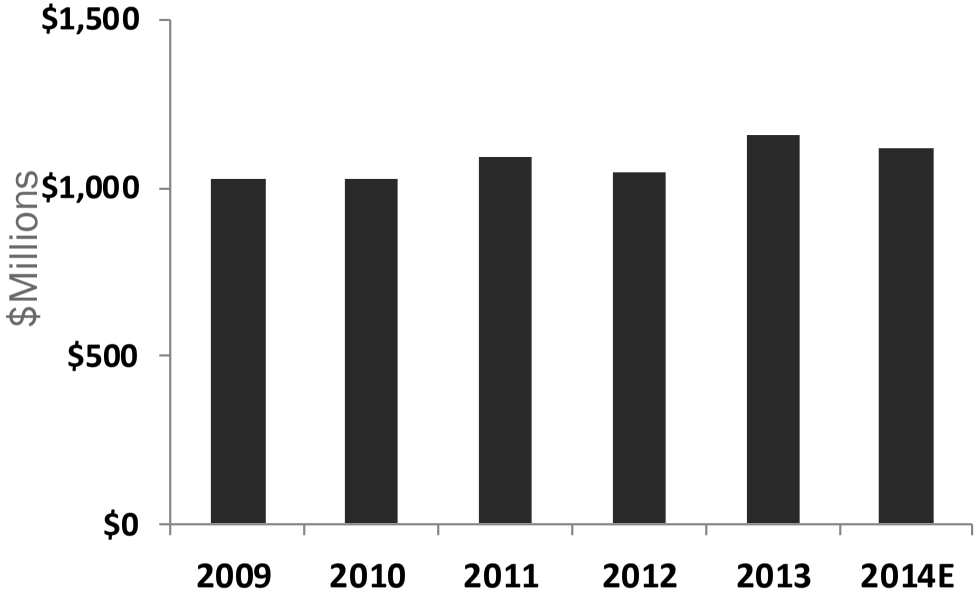
moderate increase

in O&M for

six years

Power O&M Expense*

2009 to 2014 CAGR = 1.6%



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Contract renegotiations	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

SI-SSA-0015-12811

PSEG

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS
E=ESTIMATE

PSEG Power is well-positioned for growth when market conditions warrant

Available locations		Our sites possess infrastructure advantages
• Bergen • Burlington • Essex • Edison • Kearny	• Hudson • Linden • Sewaren • Bridgeport Harbor	• Electric Transmission Interconnections • Access to Gas Pipelines • Space • Emissions

SI-SSA-0015-12812

PSEG Solar Source owns 88 MW of operating solar facilities and has one project under construction

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis tracker
Investment $79 million
20 year PPA with SRP

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $45 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $49 million
20 year PPA with DEMEC

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis tracker
Investment $50 million
30 year PPA with APS

Shasta
California (4 MW)
Expected COD March 2014
Polycrystalline - single axis tracker
Investment $13 million est.
20 year PPA with PG&E

- Continue to seek high quality projects with creditworthy off-takers.
- Solar portfolio delivers strong EBITDA post-construction period.

SI-SSA-0015-12813

PSEG Power is an established leader
within the industry

INPO

- Board of Directors
- National Nuclear Accrediting Board

NEI

- Chair Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Chair Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

USA Alliance

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Chair of NEPOOL Participants Committee
- Member of various Committees at PJM
- Vice-Chair of the Supplier Sector of the NEPOOL
- Chair of the NEPOOL Budget & Finance Subcommittee from 2008 through 2013
- Seat on the ISO-NE Board of Directors Joint Nominating Committee
- Founding member of NEPGA (New England Power Generators Association) – trade association, position on Board of Directors

SI-SSA-0015-12814

Developing People to drive operational excellence and to optimize the workforce

- Succession planning and development planning
- Training & development of employees
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)

SI-SSA-0015-12815

PSEG POWER ER&T

Shahid Malik

PRESIDENT, PSEG ENERGY RESOURCES & TRADE

PSEG

We make things work for you.

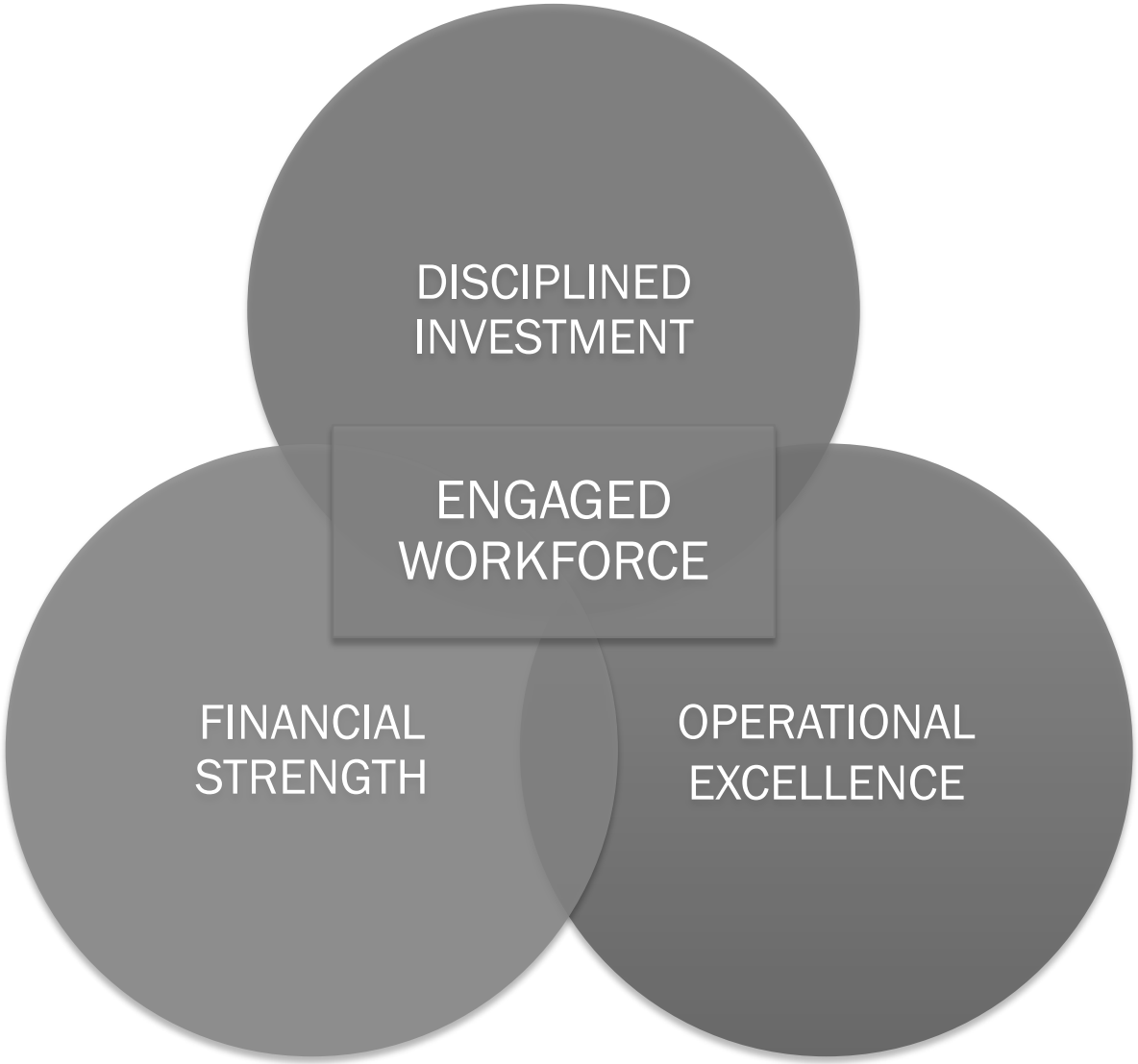
SI-SSA-0015-12816

Portfolio Management Strategy

Optimize value of assets

Manage risk vs. reward

Directly engage with regulatory agencies



SI-SSA-0015-12817

Agenda

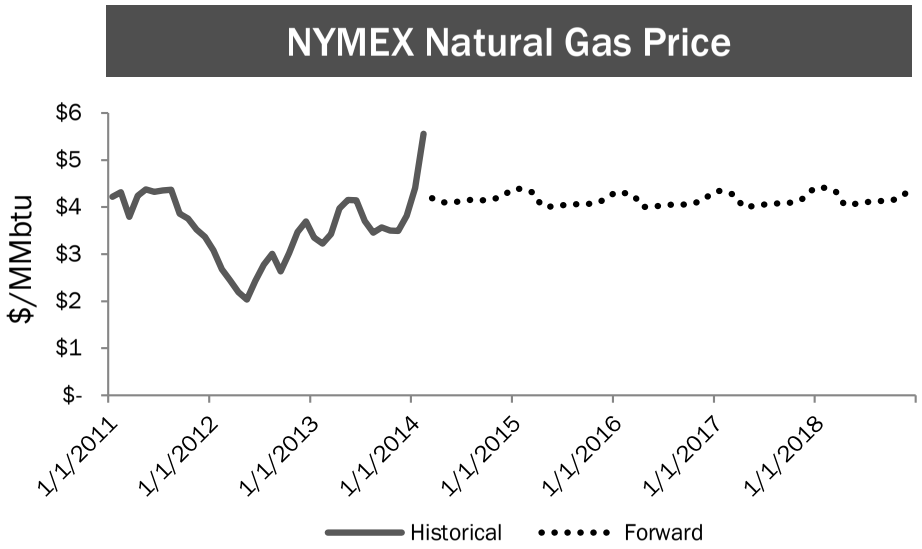
Market Review

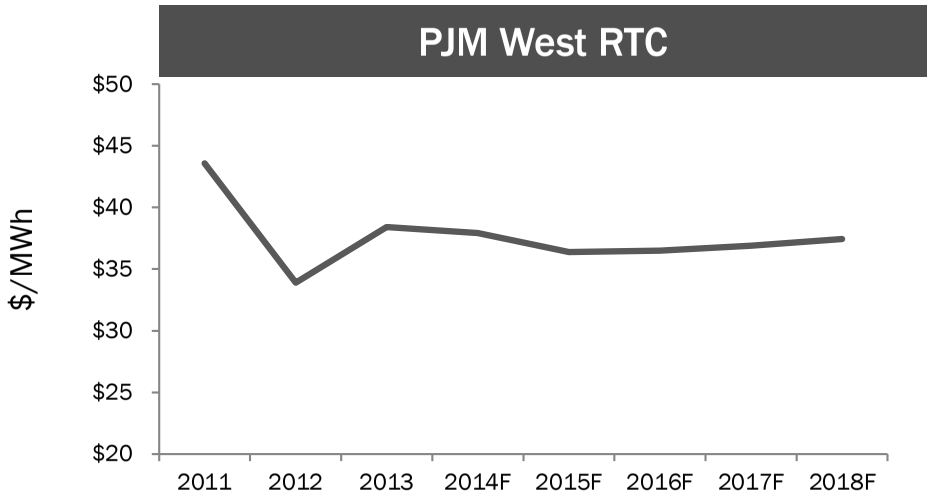
PSEG's Competitive Advantage

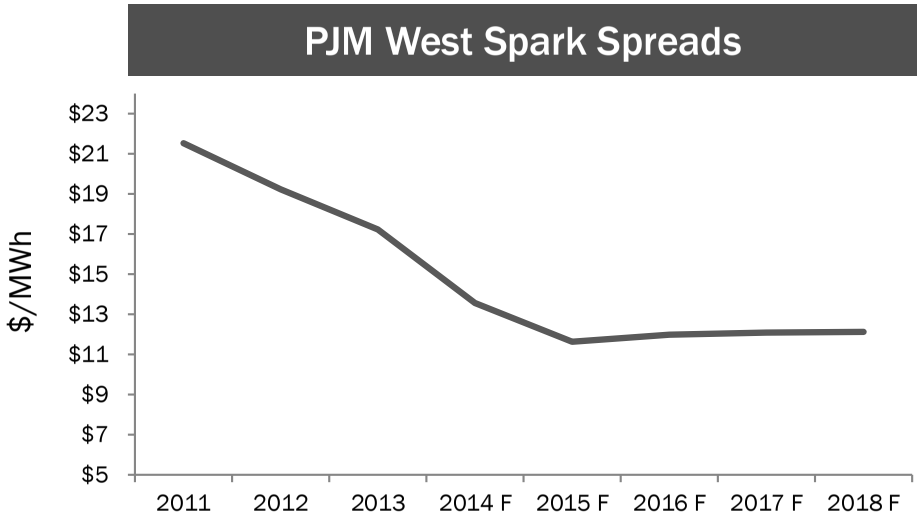
PSEG's Sustainable Advantage

SI-SSA-0015-12818

Market Review: Prices have stabilized







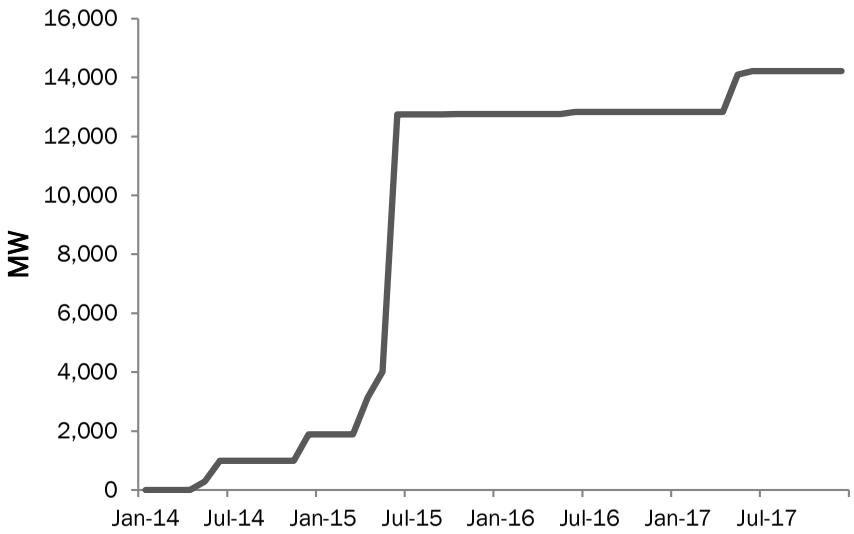
- Energy and gas prices appear to have stabilized
- Environmental restrictions may tighten market
- Insufficient gas infrastructure continues to place upward pressure on fuel prices during seasonal peaks

SI-SSA-0015-12819

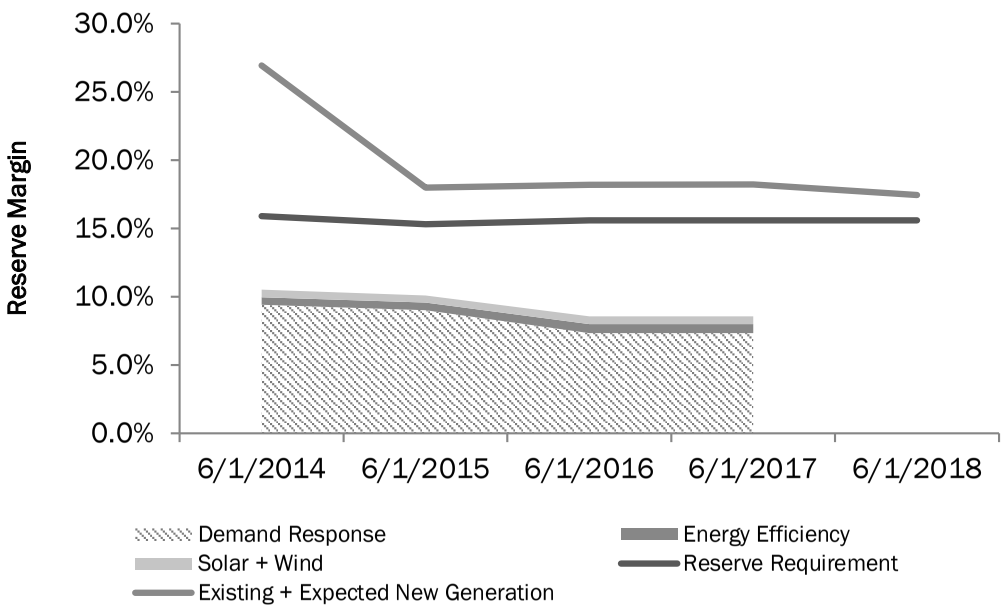
F=FORWARDS AS OF 12/31/2013

Market Review: New generation in PJM not keeping pace with coal retirements

Cumulative Generation Retirements*



Forecast Reserve Margin (PJM January 2014)



- PJM forecasts a declining Reserve Margin through 2018, which may improve forward prices
- Brattle estimates energy prices could rise at least $3-4/MWh from today's prices

SI-SSA-0015-12820

PSEG

*PJM AS OF FEBRUARY 20, 2014
SOURCE OF CHART DATA: PJM

Market Review: Regulatory framework showing signs of improvement

	ISSUE / POLICY	REGULATORY GAINS
PJM	SUBSIDIZED GENERATION (NJ and MD)	• Comprehensively defeated in federal court (appeals currently pending)
	DEMAND RESPONSE RULES	• PJM and ISO-NE enacted stricter rules of eligibility and deployment
	ENERGY PRICE FORMATION	• Concerted drive to improve price formation for generation and ancillary services • Waiver of price caps during extreme market conditions
NYISO	TRANSMISSION	• Significant progress made to relieve bottling of upstate generation
ISO-NE	CAPACITY	• Improvement in price formation to better reflect tight supply conditions • Implementation of sloping demand curve in Forward Capacity Auction (FCA) 9
	ENERGY	• Demand response required to participate in Day Ahead markets
FEDERAL	GAS to ELECTRIC	• Better coordination between pipelines and ISO's will promote efficiency
	ENVIRONMENTAL REGULATIONS	• HEDD, HAPS/MACT may lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-12821

PSEG Power: Enjoys real and competitive advantages in the merchant generation space

Market Review

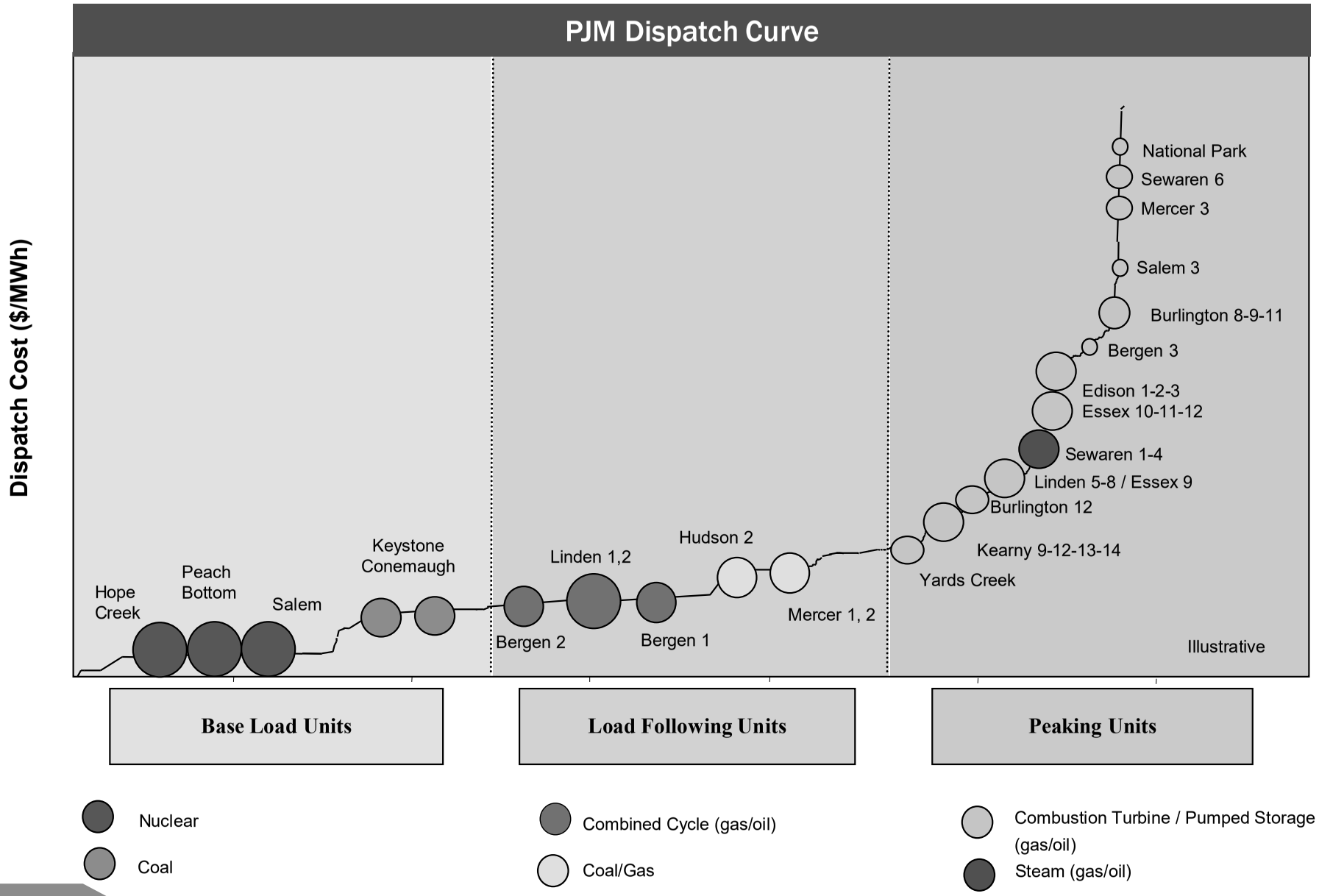
PSEG's Competitive Advantage

- Fuel Flexibility
- Heat Rate Diversity
- Access to Marcellus Shale Gas
- Trading & Asset Flexibility
- Volatile Power Basis to PJM-West
- Location

PSEG's Sustainable Advantage

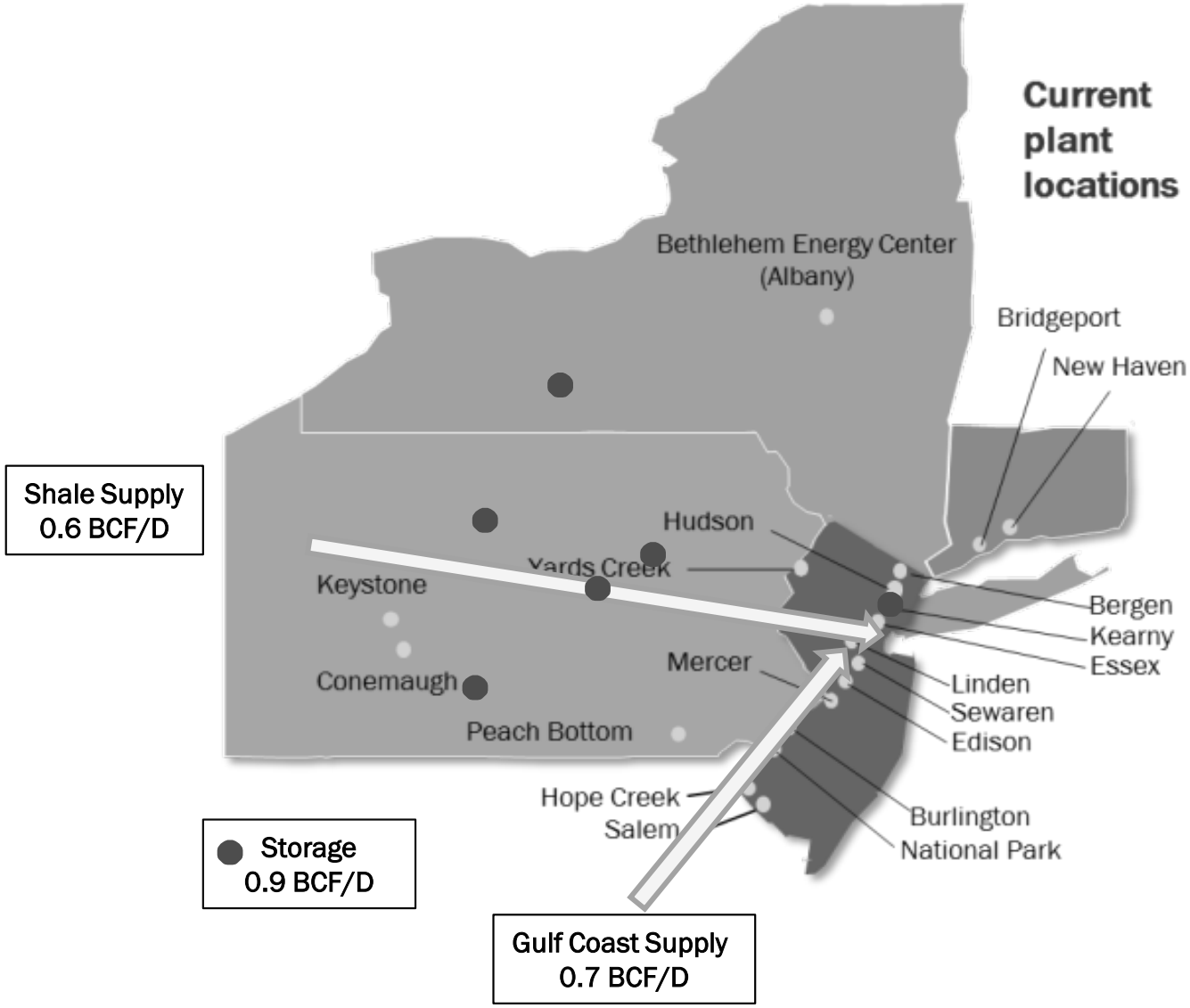
SI-SSA-0015-12822

Competitive Advantage: Heat Rate Diversity & Flexible Dispatch



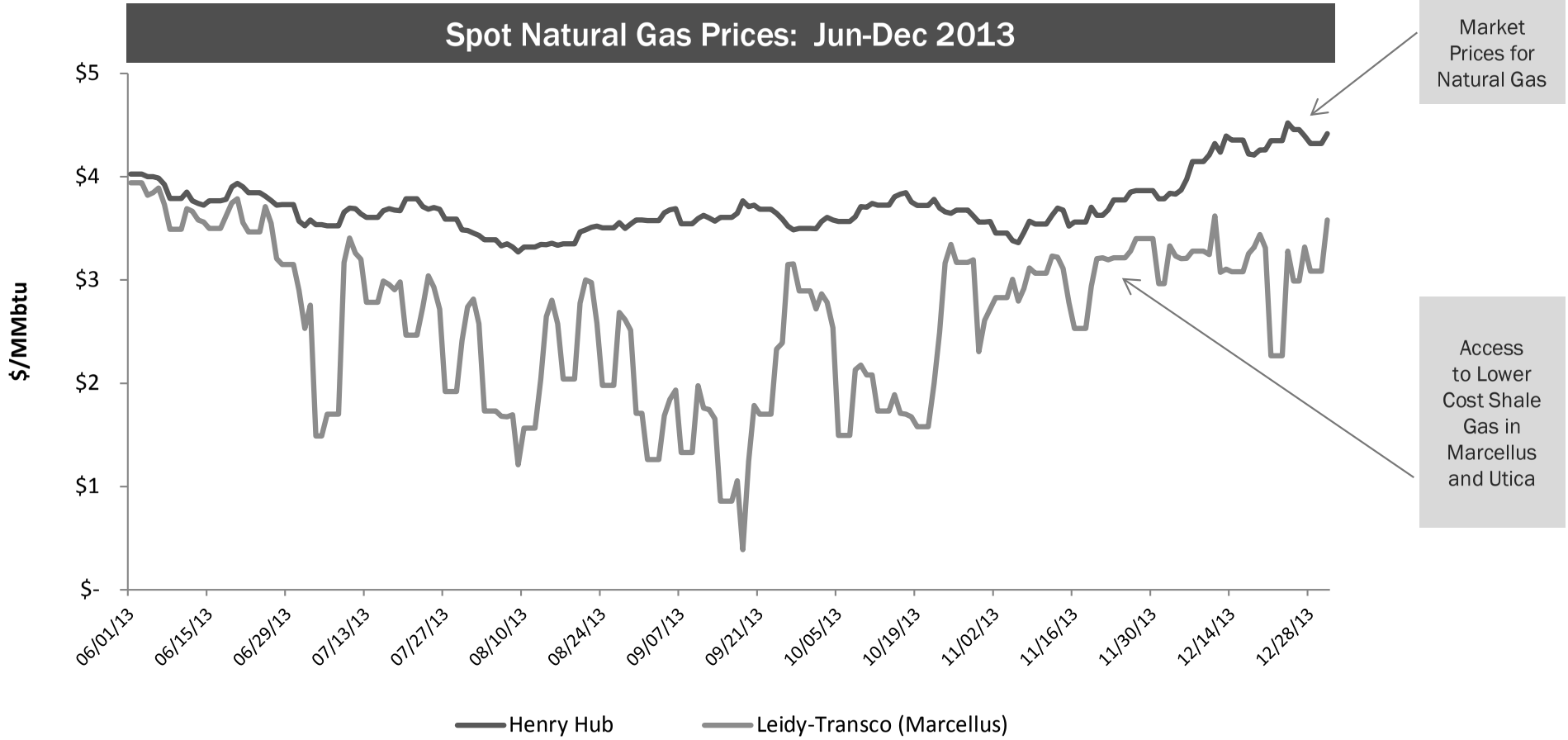
SI-SSA-0015-12823

Competitive Advantage: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas



SI-SSA-0015-12824

Competitive Advantage: ~25% of Power's gas for generation comes from Marcellus

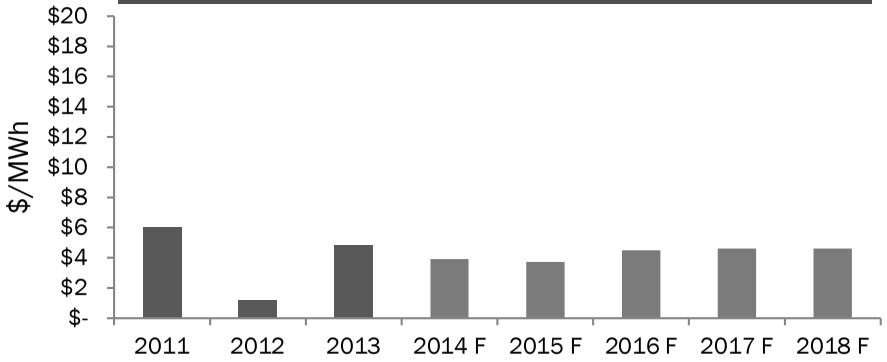


- Our combined cycle and peaking assets have been able to take advantage of locational gas price volatility driven by production and logistical constraints
- Lower cost shale supply provides additional savings during periods of lower residential gas demand

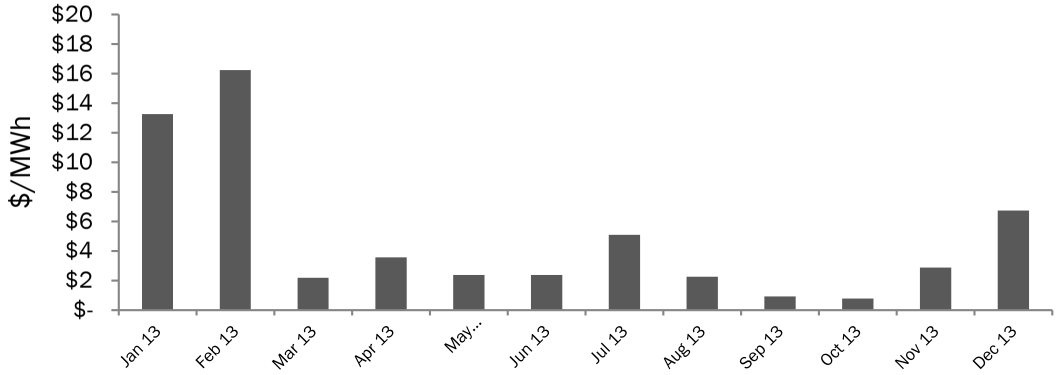
SI-SSA-0015-12825

Competitive Advantage: Locational advantage from short term basis volatility

PS Zone Annual Basis to PJM-W

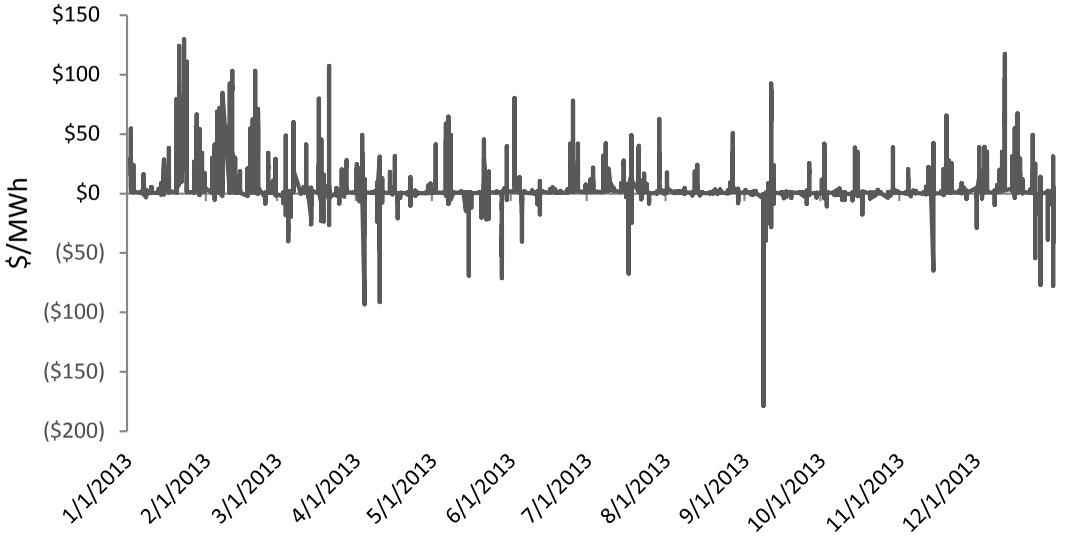


PS Zone Day Ahead On Peak Monthly Basis to PJM-W



- Annual basis benefits baseload units
- Intermediate units flexible to seasonal opportunities
- Combined Cycle and Peaking units positioned to optimize daily and hourly volatility

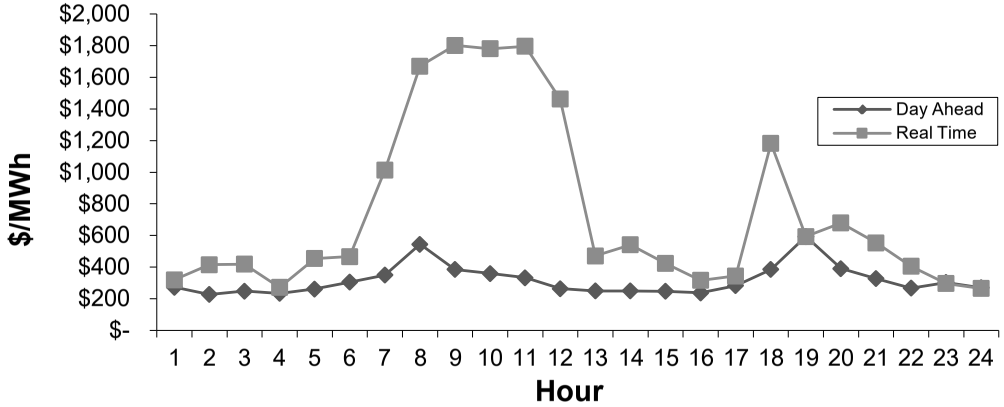
PS Zone Real Time On Peak Hourly Basis to PJM-W



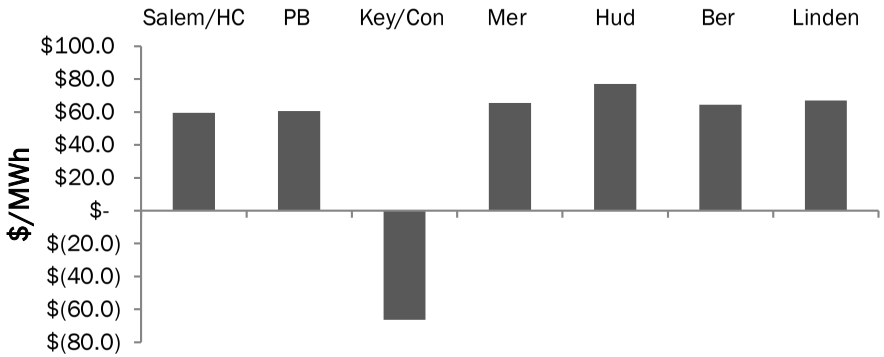
ANNUAL FORWARD BASIS TO PJM-WEST AS OF 12/31/2013.

Competitive Advantage: Trading & Asset Flexibility

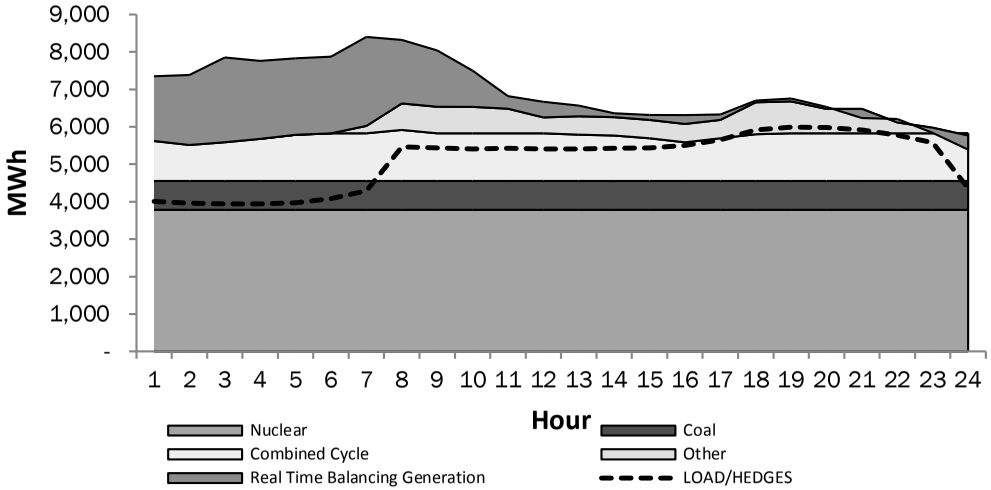
PSEG Zone LMP's on January 7, 2014



On Peak Basis to PJM-W on January 7, 2014



Hourly Generation and Load on January 7, 2014

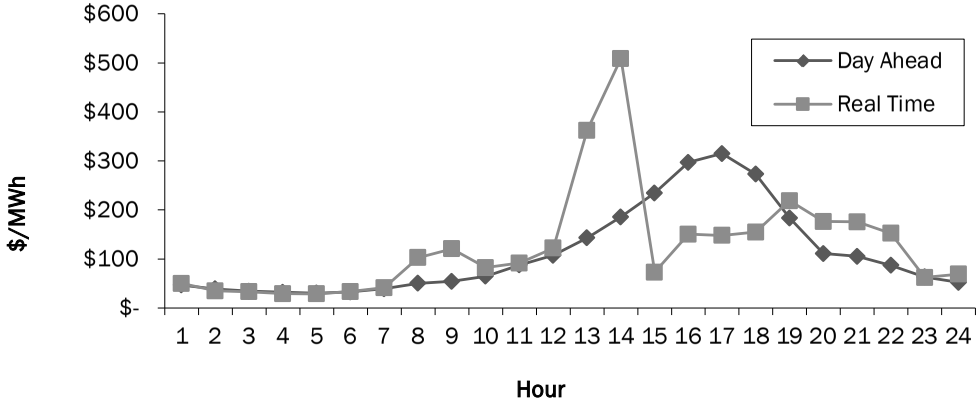


- High gas market at $58/MMbtu setting power prices in PS zone on 1/7/14
- Higher basis to generation
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional steam and peaking generation available above day ahead commitment to gain value from real time market
- Fuel flexibility with coal/gas/oil optionality among available units

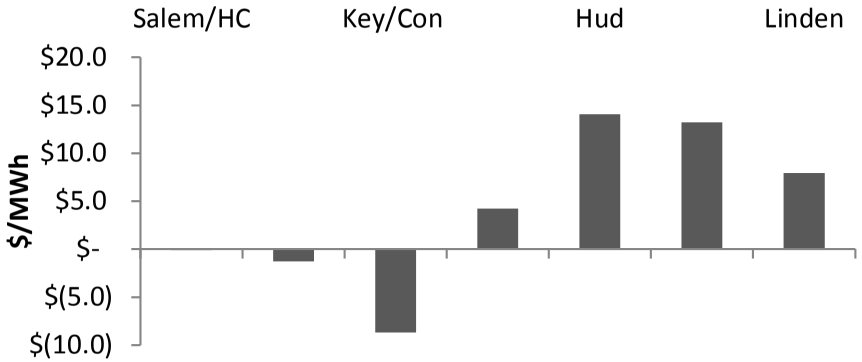
SI-SSA-0015-12827

Competitive Advantage: Trading & Asset Flexibility

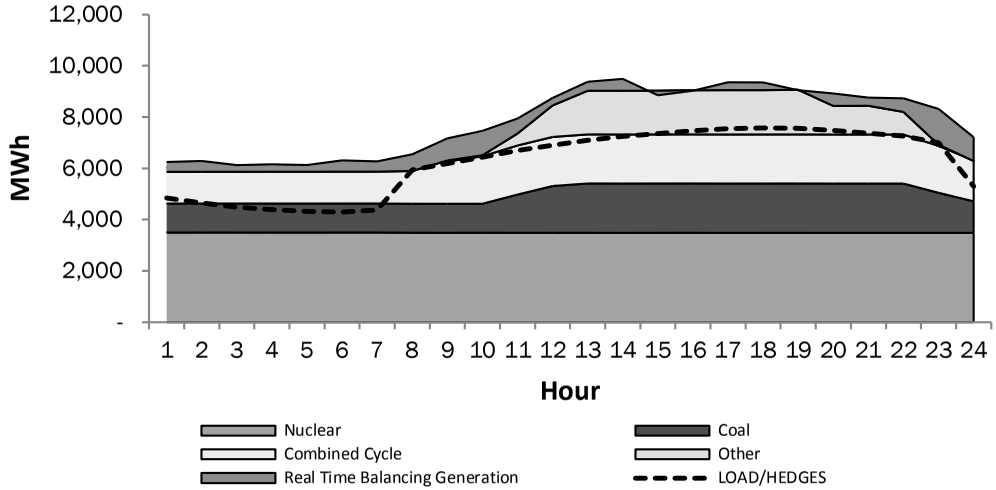
PSEG Zone LMP's on July 18, 2013



On Peak Basis to PJM-W on July 18, 2013



Hourly Generation and Load on July 18, 2013



- High demand in constrained northern NJ
- Base load and load following generation sufficient to cover load and hedge obligations
- Additional generation available above obligations to gain value from real time market spikes
- Gas advantage in procuring low cost shale supply to capture savings

SI-SSA-0015-12828

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

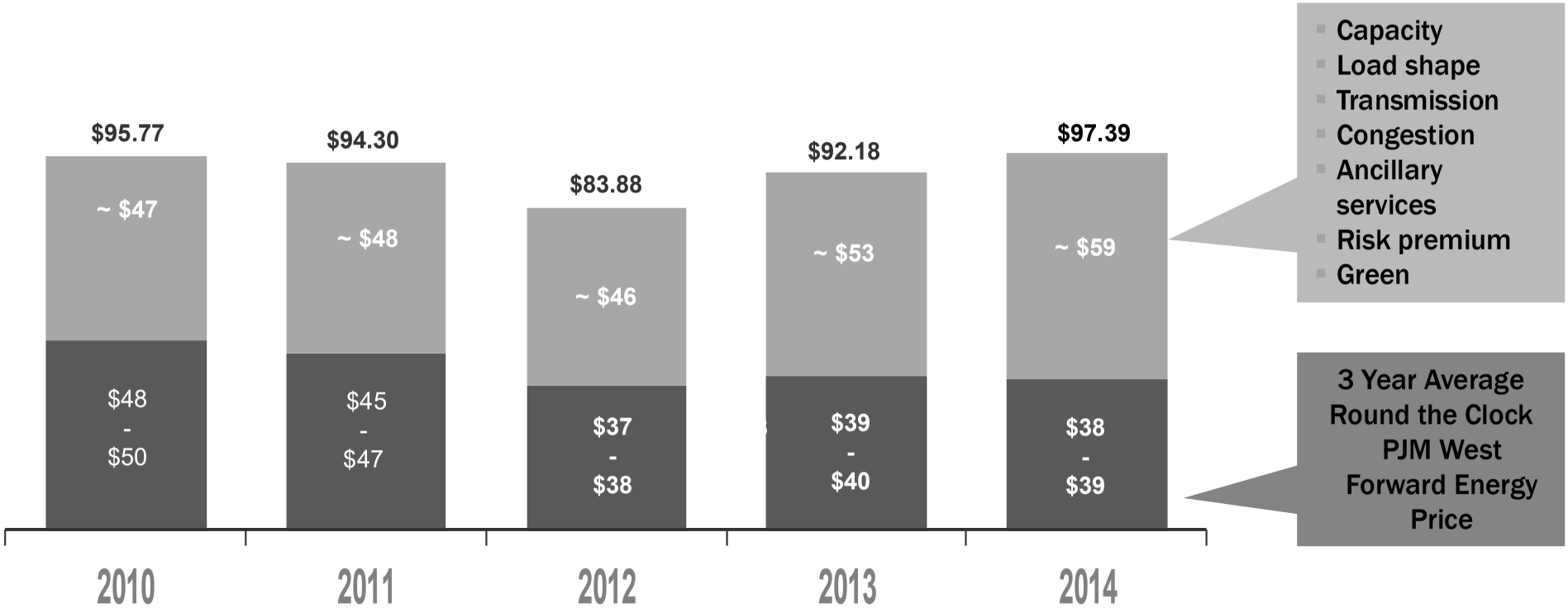
PSEG's Competitive Advantage

PSEG's Sustainable Advantage

- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in one of the most concentrated load pockets in the US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-12829

Sustainable Advantage: BGS Auction provides excellent opportunity to forward hedge our generation



BGS sales account for about a quarter of our forward portfolio of hedges

SI-SSA-0015-12830

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2012-2014 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2014.

Sustainable Advantage: Hedging strategy designed to protect gross margin while leveraging the portfolio

		2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	35	35
	% Hedged	100%	75-80%	30-35%
	Price $/MWh	$48	$51	$53
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	20	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$48	$51	$53
Total	Volume TWh	53-55	53-55	53-55
	% Hedged	75-80%	45-55%	20-30%
	Price $/MWh	$48	$51	$53

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 11, 2014. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-12831

Sustainable Advantage: PJM's capacity market is expected to continue to recognize locational value

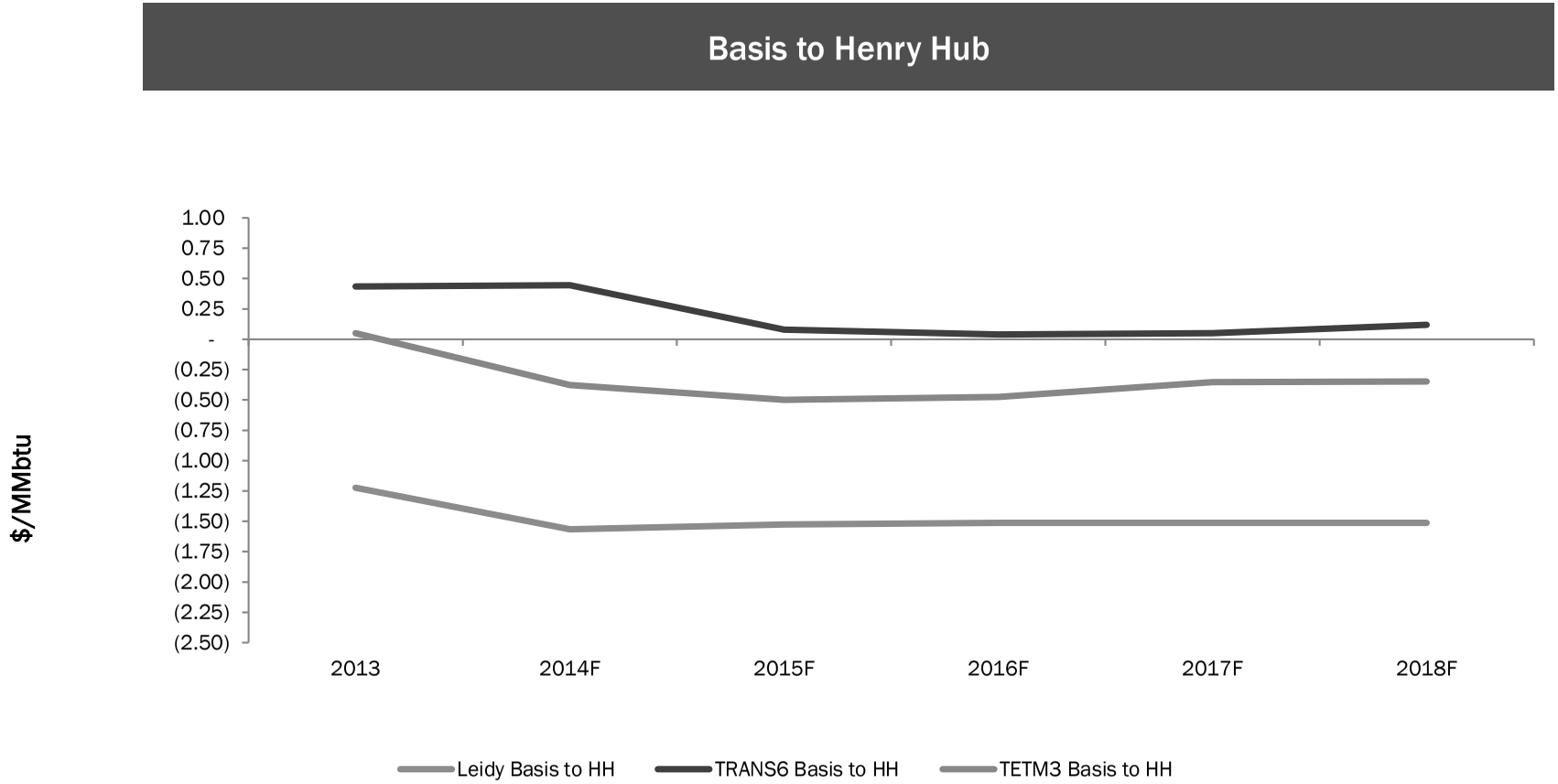
$/MW-day	2012 / 2013	2013 / 2014	2014 / 2015	2015 / 2016	**2016 / 2017**
Power's Average Prices	$153	$244	$162	$167	**$166**
Rest of Pool Prices	$16	$28	$126	$136	**$59**
Power's Capacity (MW)	10,400	10,600	10,300	9,000	8,600

2017/2018 RPM Auction Influenced By:

- Updated Demand Curve
- Environmental Retirements
- Minimum Offer Price Rule
- Updated Transfer Capabilities
- New Build/Cost of New Entry
- Demand Response

SI-SSA-0015-12832

Sustainable Advantage: Fuel advantage continues throughout the curve



Forward curve shows that Marcellus shale supply averages over $1.50/MMbtu discount year-round through 2018

SI-SSA-0015-12833

2013 AVERAGE 6/1/13-12/31/13; F= FORWARDS AS OF 12/31/13. LEIDY BASIS FROM ICE/BROKER QUOTES

PSEG Power: Enjoys real and sustainable advantages in the merchant generation space

Market Review

- Gas, Power, Spark Spreads
- Regulatory construct

PSEG's Competitive Advantage

- Fuel flexibility
- Heat Rate diversity
- Access to Marcellus Shale gas
- Asset flexibility

PSEG's Sustainable Advantage

- Positive cash-flow hedging into the long-term
- Robust capacity market pricing in most concentrated load pocket in US
- Long-term access to discounted Marcellus gas

SI-SSA-0015-12834

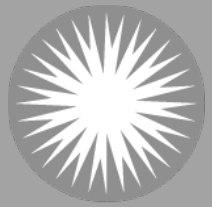
PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets concentrated in PJM market
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Low environmental capital requirements
- Capacity uprates to enhance value of nuclear and combined cycle stations
- Consistent hedging strategy recognizes asset flexibility
- Continue to meet commitments and to provide free cash flow

SI-SSA-0015-12835

2014 Financial Review & Outlook

MARCH 2014



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-12836

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-12837

Strong financial position to support our business initiatives

2013 Financial Position

- ✓ Exceeded upwardly revised 2013 earnings guidance
- ✓ Pension fully funded
- ✓ Strong balance sheet and upgraded credit ratings

2014 and Beyond

- ✓ Continued positive earnings trend in 2014
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investments without equity issuance
- ✓ Growth in PSE&G investments with contemporaneous returns
- ✓ Diversified Power assets with a balanced hedge profile
- ✓ Growth in PSE&G Cash from Operations, with continued significant Cash from Operations/FFO at Power
- ✓ Increased Dividend by $0.04 to indicative annual rate of $1.48 for 2014
- ✓ Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-12838

Exceeded upwardly revised guidance

in both businesses

PSEG Operating Earnings		
$ Millions (except EPS)	**2012**	**2013**
PSE&G	$528	$612
PSEG Power	$663	$710
Other	$45	($13)
Operating Earnings	$1,236	$1,309
*Operating EPS**	**$2.44**	**$2.58**

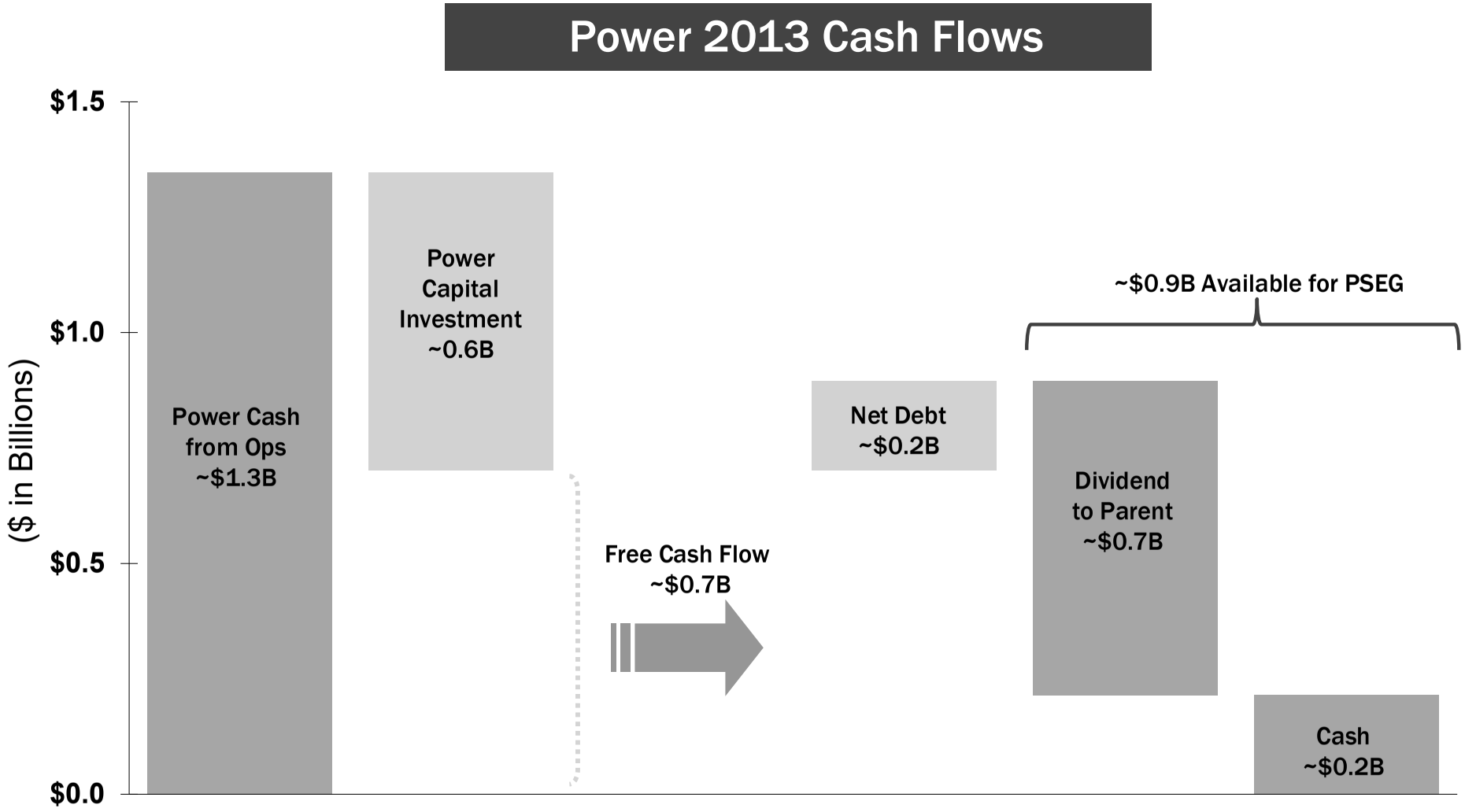
Upwardly Revised Earnings Guidance (Nov 2013)	**$2.40 - $2.55**
Earnings Guidance (Feb 2013)	**$2.25 - $2.50**

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER.

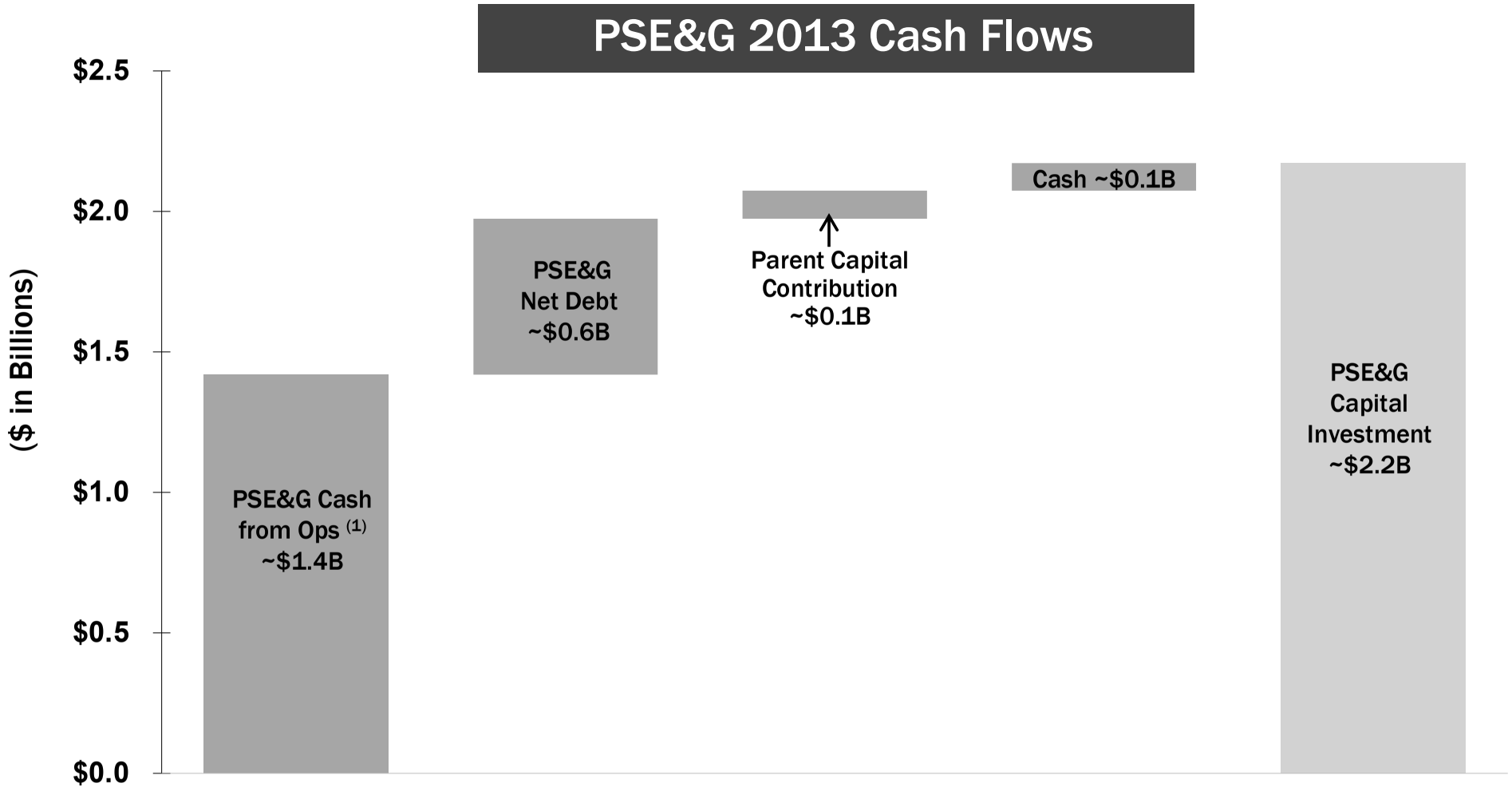
SI-SSA-0015-12839

In 2013, Power had significant free cash flow



SI-SSA-0015-12840

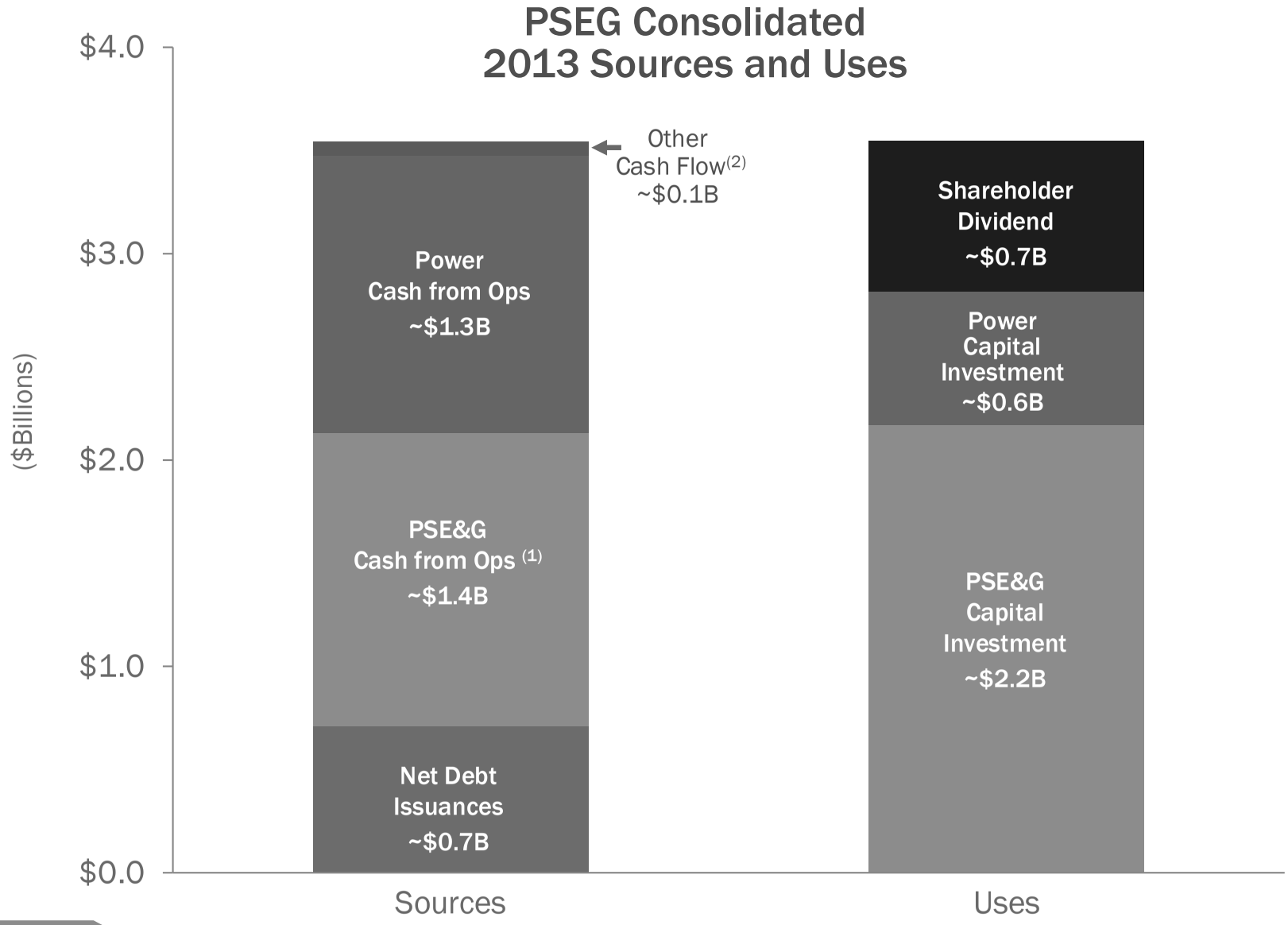
In 2013, PSE&G invested over $2B, using $1.4B of internally generated cash flow and debt, while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.

SI-SSA-0015-12841

In 2013, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

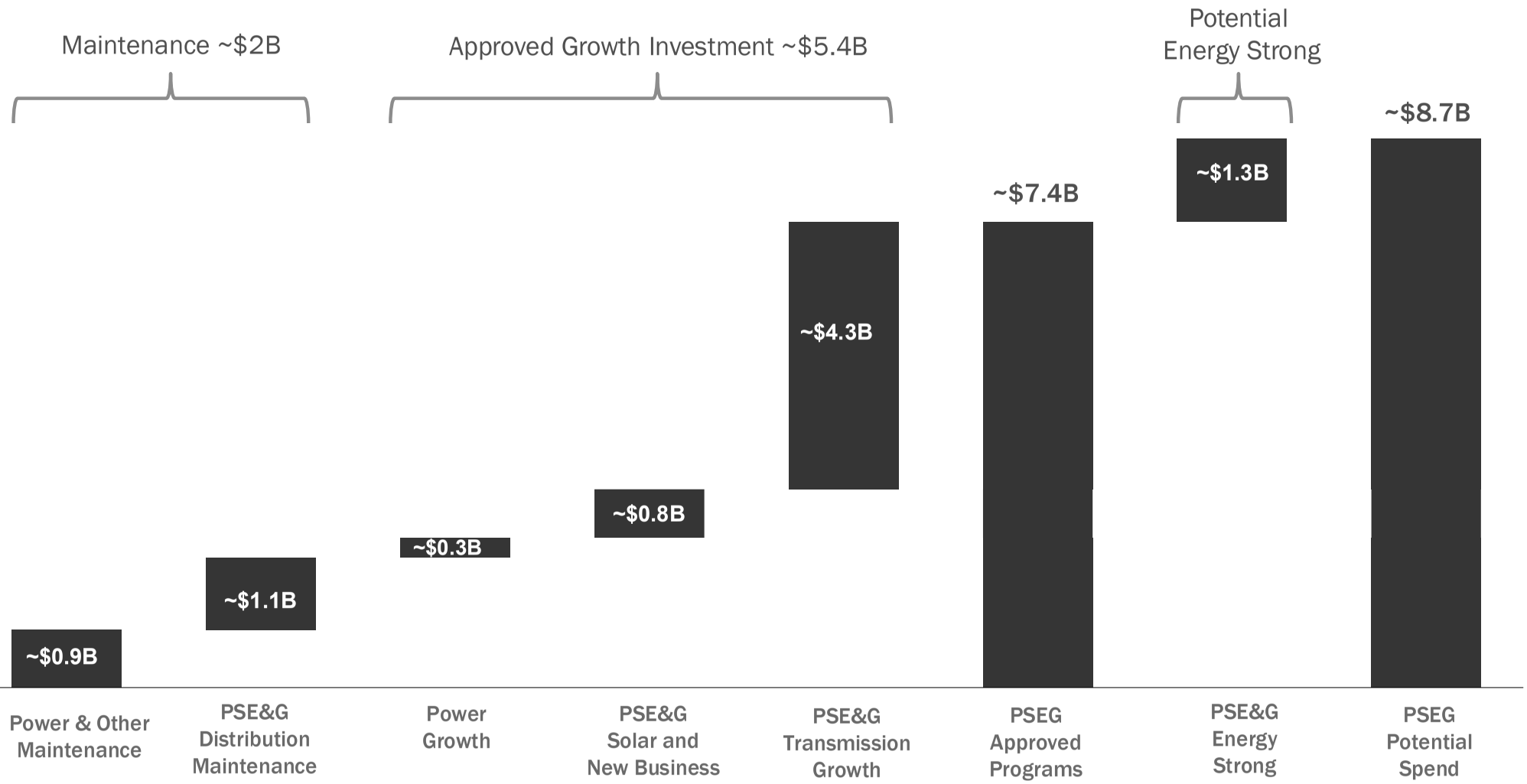


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$220 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND PARENT CASH.

SI-SSA-0015-12842

PSEG growth spend of ~$5.4B represents ~72% of total investment with Energy Strong potentially enhancing the profile

PSEG 2014 – 2016E Capital Investment

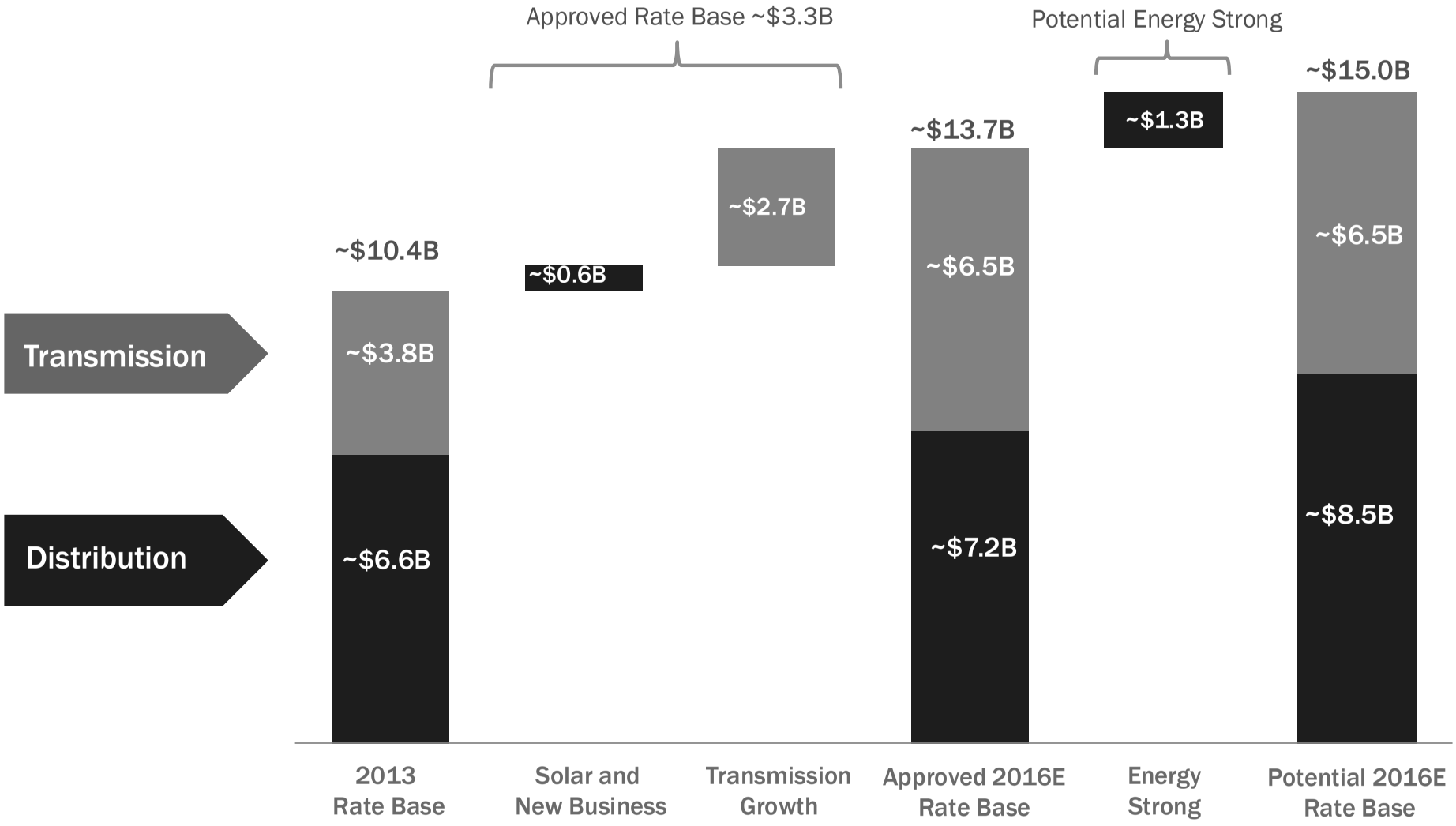


E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC.

SI-SSA-0015-12843

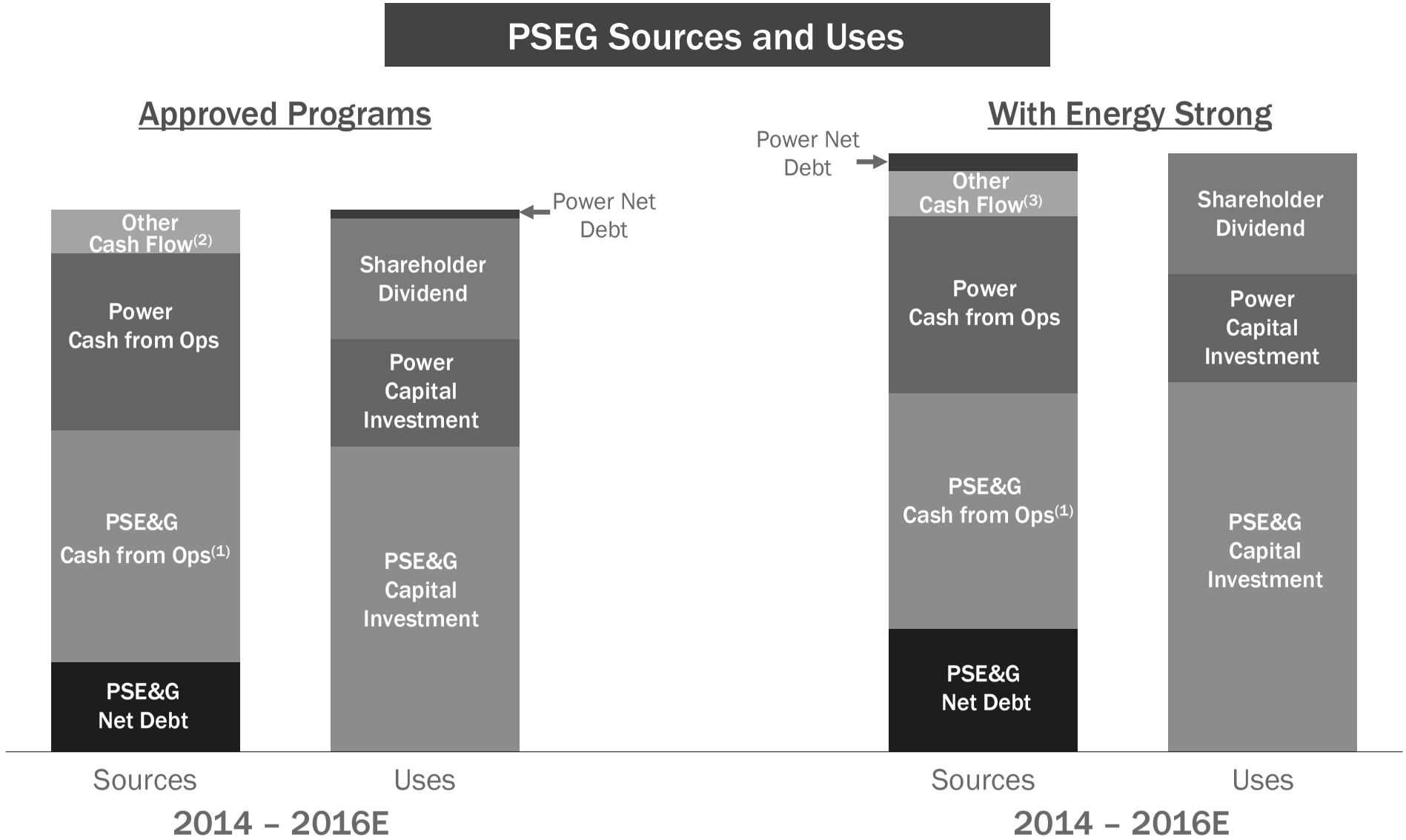
PSE&G's Capital Program drives double-digit growth in rate base and earnings over the 2013 to 2016 period

2013 – 2016E Rate Base CAGR in approved Growth of ~10%



SI-SSA-0015-12844

PSE&G's Cash from Operations and Power's Free Cash Flow support growth investments without the need for new equity

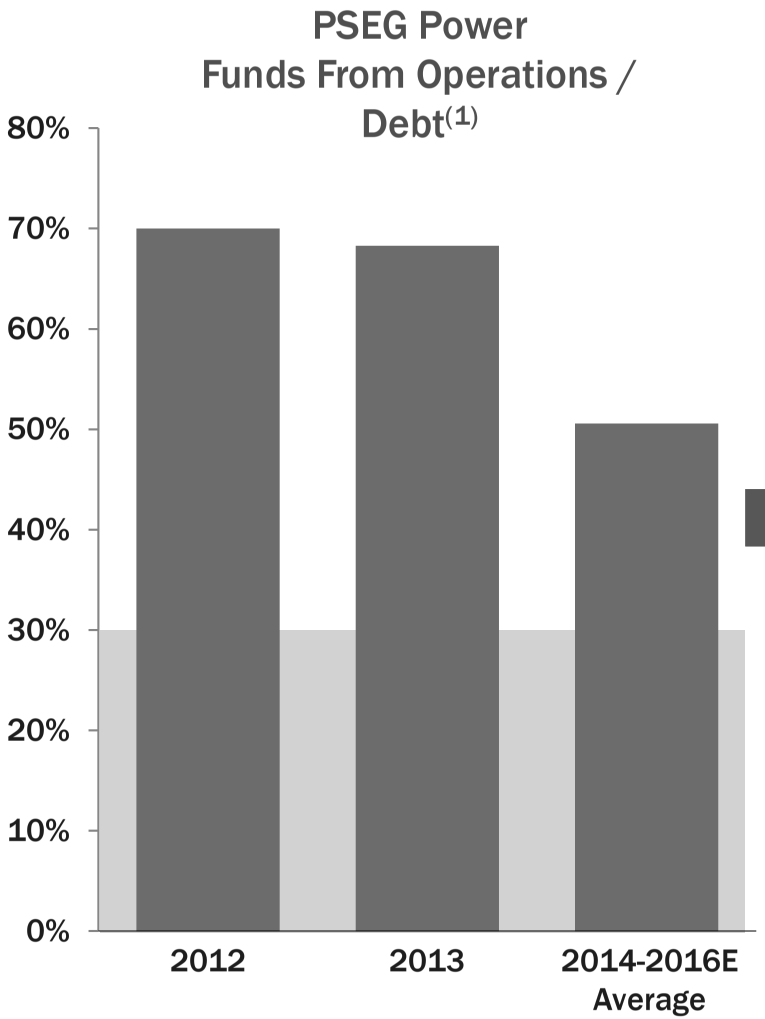


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$500M FROM 2014-2016
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, CASH, AND SHORT TERM DEBT

E = ESTIMATE

SI-SSA-0015-12845

Power's key credit metric supports incremental investment opportunities

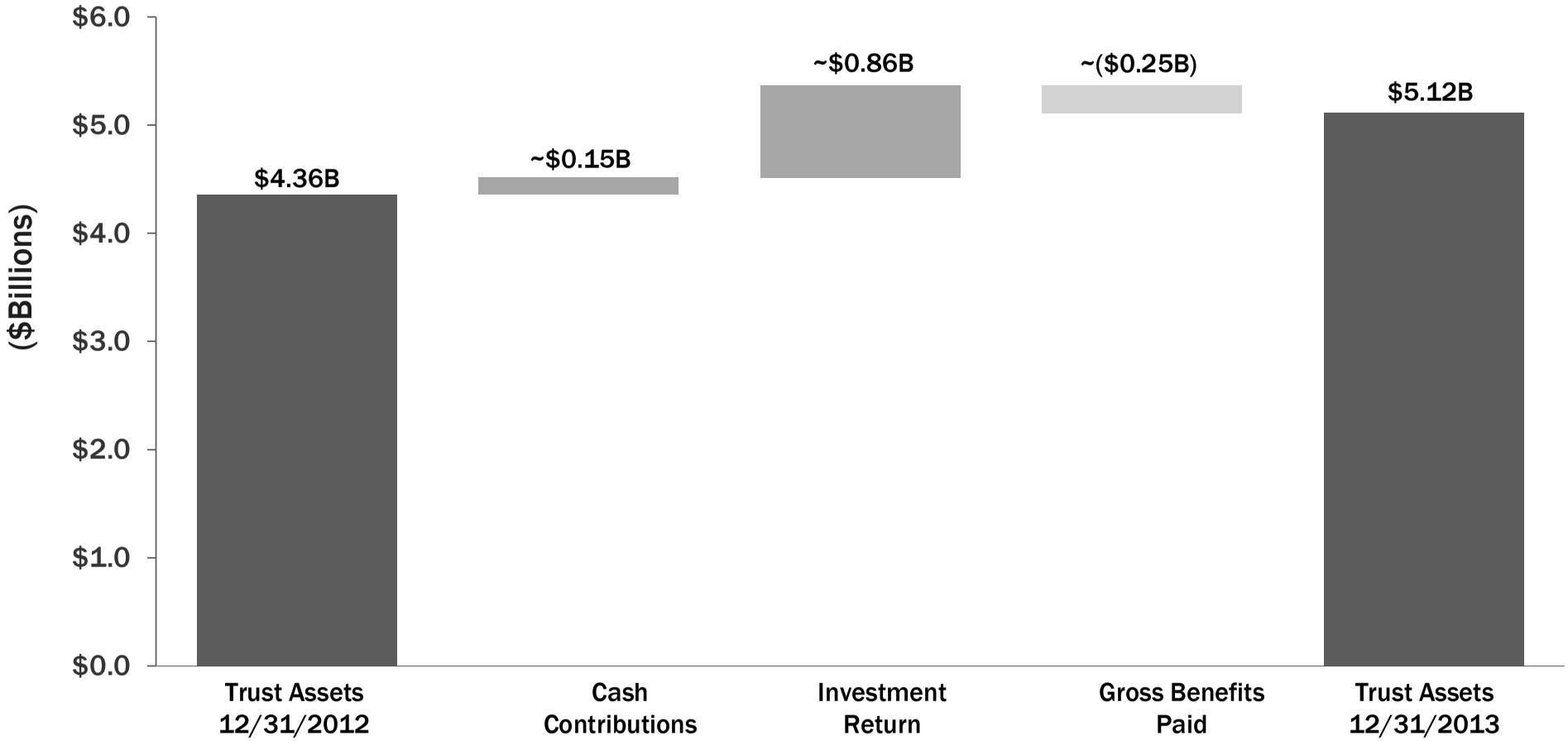


- Increased contribution to earnings from the more stable regulated business allows us to reset Power's FFO/Debt threshold from 35% to 30%, providing additional financial flexibility
- Power's annual Cash From Operations and Funds From Operations each average ~$1.1B over the 2014 to 2016 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

(1) ESTIMATE BASED ON APPROVED PROGRAMS

SI-SSA-0015-12846

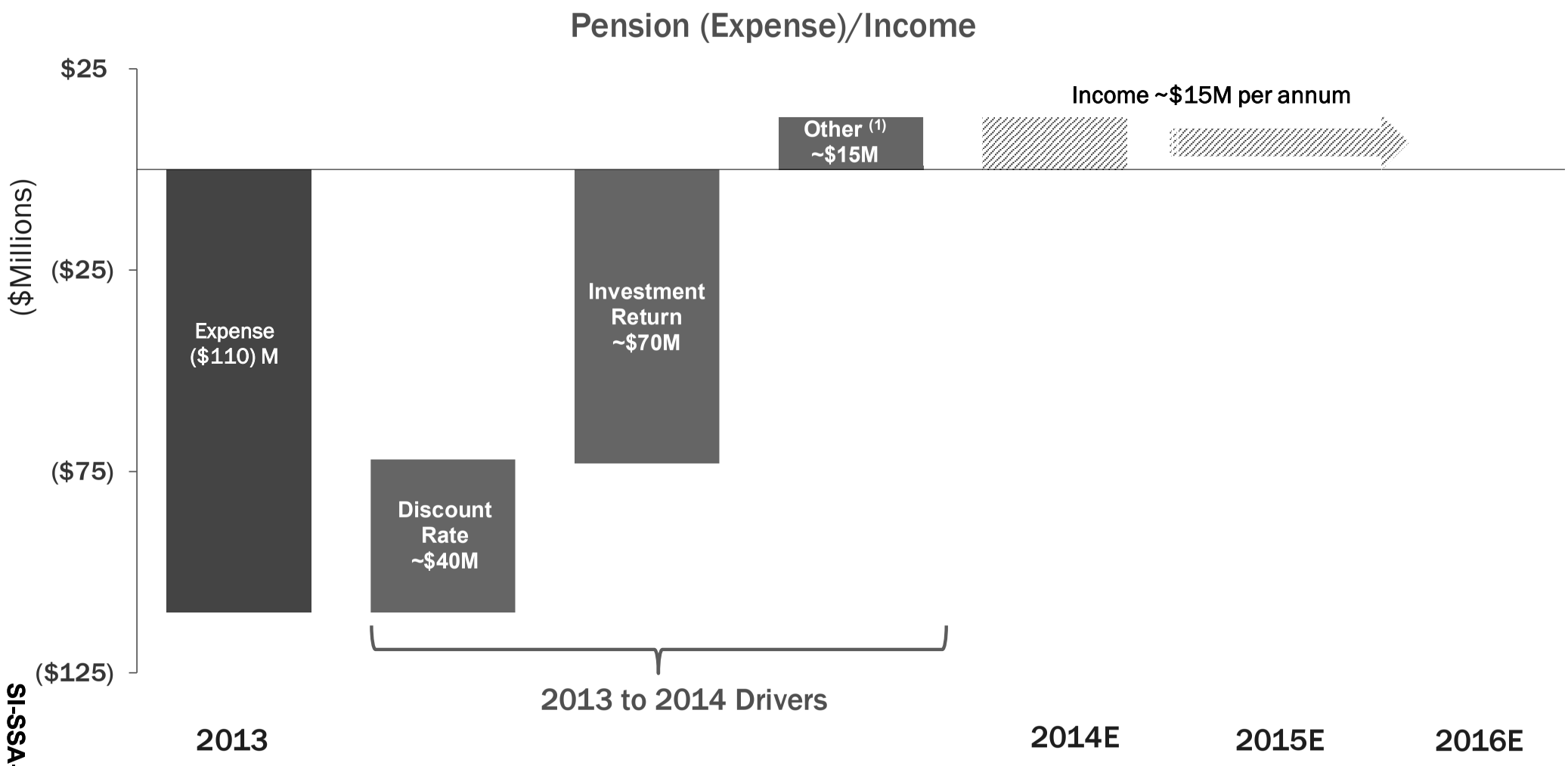
Pension: Our Long Term Asset allocation strategy resulted in a ~17% increase in pension assets during 2013



PBO Funded Ratio	83%			Fully Funded Pension →	106%

SI-SSA-0015-12847

Our Pension Management is expected to result in pension income in 2014 and over the planning horizon



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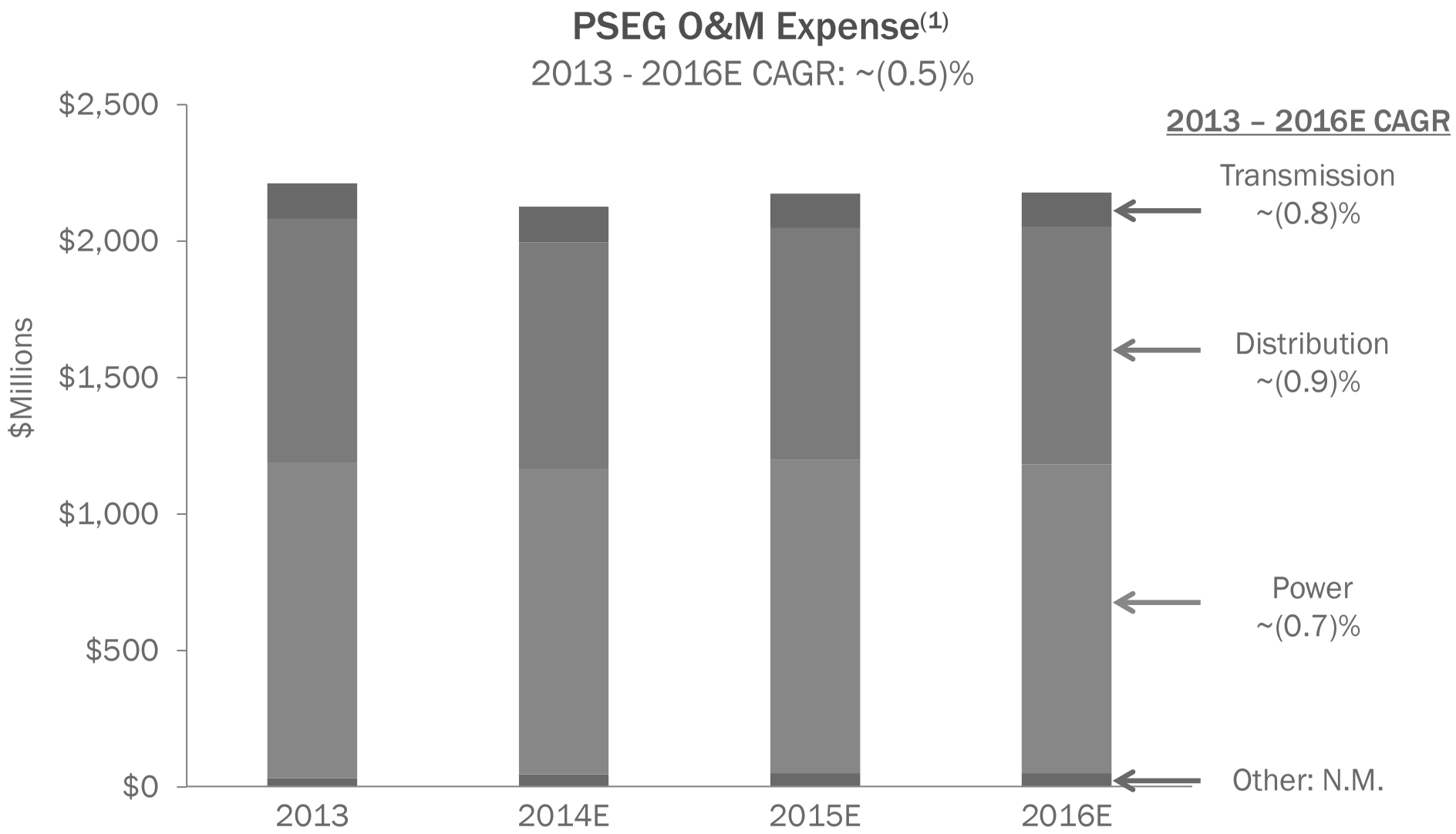
PSEG

(1) OTHER REFLECTS UPDATES TO THE POPULATION OF OUR EMPLOYEES AND RETIREES
E=ESTIMATE

Ongoing cost control efforts, including pension, expected to reduce O&M over the forecast period



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-12849

Improving Operating Earnings

and increased contribution from PSE&G

PSEG Operating Earnings			
$ Millions (except EPS)	**2012**	**2013**	**2014E**
PSE&G	$528	$612	$705 - $745
PSEG Power	$663	$710	$550 - $610
Other	$45	($13)	$35 - $40
Operating Earnings*	$1,236	$1,309	$1,290 - $1,395
*Operating EPS**	**$2.44**	**$2.58**	**$2.55 - $2.75**

Regulated % of Earnings	**43%**	**47%**	**53% - 55%**

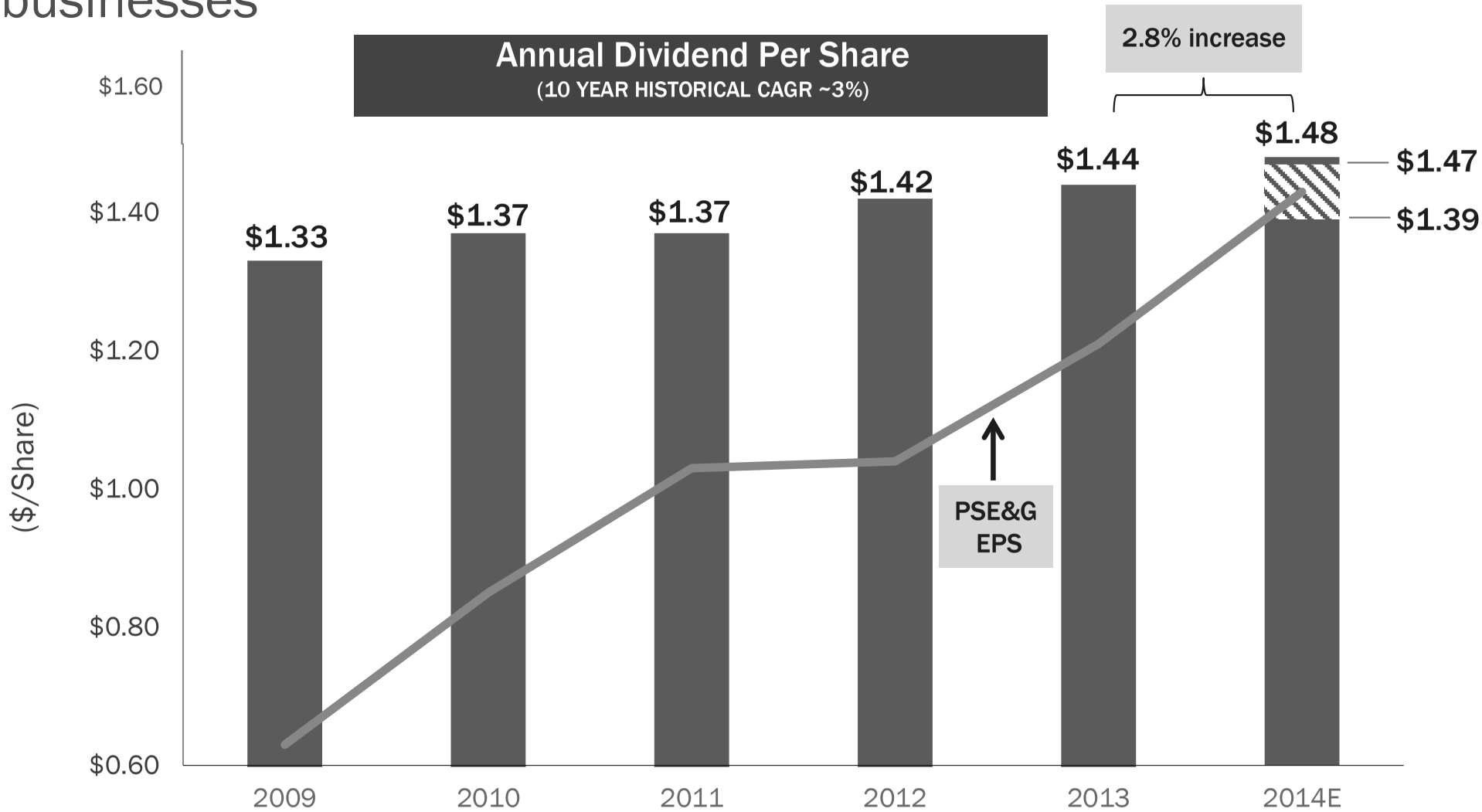
SI-SSA-0015-12850

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
NOTE: 2012 OPERATING EARNINGS RE-STATED FOR TRANSFER OF ASSETS FROM PSEG HOLDINGS TO PSEG POWER. E=ESTIMATE.

Opportunity for consistent and sustainable

dividend growth supported by strong cash flow from both businesses



Payout Ratio	43%	44%	50%	58%	56%	56%(1)

(1) THE 2014 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2014 OPERATING EARNINGS GUIDANCE OF $2.55-$2.75E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE

SI-SSA-0015-12851

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

PSEG Power LLC

Sensitivities derived from typical annual market variability*	Segment EPS Drivers 2015E	2016E
Each $0.75/mcf Change in Natural Gas	$0.04 - $0.07	$0.12 - $0.15
Each $2/MWh Change in Spark Spread	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01
Each 1% Change in Sales		
Electric	$0.01	$0.01
Gas	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01
Each 10 bp Change in ROE	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions

SI-SSA-0015-12852

PSEG Summary

- Our 2013 earnings of $2.58 exceeded our upwardly revised operating earnings guidance of $2.40 - $2.55 per share
- Double digit earnings growth at PSE&G on one and three year basis from 2013 to 2016, driven by transmission investments and approved programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-12853

PSEG EXECUTIVE PROFILES

SI-SSA-0015-12854

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations, PSE&G vice president – appliance service, PSEG vice president - corporate planning, and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University. He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received Honorary Degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas A. Edison State College (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), and Rutgers University (Doctor of Humane Letters).

Mr. Izzo serves as chair of the New Jersey Chamber of Commerce, and on the Rutgers University Board of Governors, the board of directors for The Williams Companies, the New Jersey Utilities Association, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI), the National Center on Addiction and Substance Abuse at Columbia University (CASA), and The Center for Energy Workforce Development. He is also a member of the Columbia University School of Engineering Board of Visitors and the Princeton University Adlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT.

SI-SSA-0015-12855

J. A. Bouknight, Jr. (Lon)

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL, PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG SERVICES CORPORATION, EXECUTIVE VICE PRESIDENT AND PSEG POWER

J.A. Bouknight, Jr. ("Lon") was named executive vice president and general counsel in January, 2010. He had been Executive Vice President – Law since November 2009. In his current position, he has general supervisory responsibilities for the law department, office of the corporate secretary, business assurance and resilience, and Federal public affairs and sustainability.

Mr. Bouknight was a partner in the Washington law office of Steptoe & Johnson, where he served as a member of the regulatory and industry affairs department and as former chairman of the firm. His practice focused on the electric power and natural gas industries and on antitrust and competition issues in both regulated and unregulated industries.

From 2005 to 2008, Mr. Bouknight served as executive vice president and general counsel of Edison International, a major electric company based in California.

A graduate of Wofford College and Duke University School of Law, Mr. Bouknight has authored a number of articles and lectured extensively on energy industry and competition topics.

SI-SSA-0015-12856

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Caroline Dorsa was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) in April 2009. She is also the executive vice president and chief financial officer of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

Ms. Dorsa is responsible for all financial functions, including Internal Audit Services and Investor Relations. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Ms. Dorsa also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to her financial responsibilities, Ms. Dorsa leads the Information Technology and Procurement organizations. She is a member of PSEG's Executive Officer Group.

In her role as chief financial officer, she has overseen the execution of the Company's financial strategy, which has involved a significant deleveraging of the balance sheet and enhancement of the company's financial strength. The company is in the midst of a major capital investment program focused on deploying more than $6 billion over three years to ensure the reliability and efficiency of the energy generation and distribution system in New Jersey. PSEG has an uninterrupted record of paying dividends to shareholders for 105 years.

Ms. Dorsa had been a member of the PSEG Board of Directors for six years, and a member of PSEG's Audit, Corporate Governance and Finance Committees before joining the company's management. Her previous management position had been with Merck & Co., where she was senior vice president – global human health, strategy and integration. Prior to this, Ms. Dorsa served as senior vice president and chief financial officer at Avaya, Inc. Earlier in her career, she held a range of financial positions at Merck, including serving as vice president and treasurer of the company for over 12 years. She was also the Secretary of the Finance Committee of Merck's Board of Directors.

Before joining Merck, Ms. Dorsa worked for Mayor Edward Koch of the City of New York promoting economic development in midtown Manhattan.

Ms. Dorsa is a member of the Junior Achievement of New Jersey State Board of Directors. She is a member of the Board of Directors and the financial expert for the Finance and Audit Committee of Biogen Idec (NASDAQ: BIIB), a biopharmaceutical company located in Cambridge, MA. Ms. Dorsa is also a member of the Board of Directors and Chairman of the Audit Committee of Joule, a privately financed solar fuels company based in Bedford, MA.

Ms. Dorsa holds a B.A. from Colgate University and an M.B.A from Columbia Business School.

SI-SSA-0015-12857

Thomas P. Joyce

PRESIDENT AND CHIEF NUCLEAR OFFICER
PSEG NUCLEAR

Thomas P. Joyce was named president and chief nuclear officer of PSEG Nuclear (Nuclear), in October 2008. He had been senior vice president – operations of Salem/Hope Creek for Nuclear, since June 2007. Mr. Joyce was also vice president – Salem, since January 2007, and previously assumed the role of PSEG Nuclear's site vice president as part of the Nuclear Operating Services Agreement between PSEG and Exelon Corporation in 2005.

PSEG Nuclear's Salem and Hope Creek Generating stations comprise the second largest commercial nuclear power facility in the United States. Together the units provide enough electricity for three million homes. Together the plants also provide 49 percent of New Jersey's electricity.

Mr. Joyce has more than 38 years of experience in commercial nuclear power operations. Under his leadership as president and chief nuclear officer, Salem and Hope Creek combined to set a new site generation record in 2009. In 2011, the stations also received approval from the Nuclear Regulatory Commission (NRC) to extend their operating licenses an additional 20 years. Reinforcing the company's strong ties to the local community, the license renewal approvals did not encounter any formal legal contentions like many other plants across the country.

While leading Salem, the station completed two successful reactor vessel head replacement outages. Salem Unit 1 completed its outage capturing the world record for shortest head replacement outage.

Prior to coming to PSEG Mr. Joyce was site vice president at Exelon Nuclear's Braidwood Station. During his tenure the station achieved overall performance improvements and retained their excellent INPO rating. The plant completed a refueling in 15 days, 14 hours – setting a record for outage efficiency among U.S. pressurized water reactors. Before serving at Braidwood he held leadership positions at Exelon's Byron, Dresden, and Zion Stations, and in the corporate offices of both Exelon Corporation and Exelon Nuclear.

Mr. Joyce holds a Bachelor of Science degree in nuclear engineering from the University of Missouri at Rolla, and a Master of Business Administration degree from the Keller Graduate School of Management. While at Byron, he earned his senior reactor operators (SRO) license.

A recognized leader in the nuclear industry, Mr. Joyce currently serves as chairman of the Utilities Service Alliance (USA). The organization is comprised of eight of America's leading electric utilities operating 14 nuclear reactors located at 10 stations. Its two major objectives are to improve individual plant and fleet performance and to reduce operating and maintenance costs. Mr. Joyce also chairs the Nuclear Energy Institute's (NEI) Emergency Preparedness Working Group and the EPRI Nuclear Power Council.

SI-SSA-0015-12858

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G), in October 2006. Prior to this position he was vice president - electric delivery for PSE&G. In addition to his responsibilities with PSE&G, he also oversees the communications and state governmental affairs organizations.

On January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998 he received Gas Industry Magazine's Outstanding Manager of the Year Award. PSE&G is New Jersey's largest electric and gas utility.

Mr. LaRossa is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development. He serves on the board of directors for the American Gas Association (AGA), New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC), Partnership for a Drug-Free NJ, Choose New Jersey, and Bergen County's United Way. He also serves on the board of trustees for Montclair State University and the Newark Alliance.

SI-SSA-0015-12859

Shahid Malik

PRESIDENT

PSEG ENERGY RESOURCES & TRADE

Shahid Malik was elected President of PSEG Energy Resources & Trade (ER&T) in December, 2011. PSEG operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase and sale of all energy commodities.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of growing the global energy practice, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's unregulated retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the Company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies including Entergy Corporation, Reliant Energy and BP Oil Company. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum.

SI-SSA-0015-12860

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER
PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is a member of the board of trustees of the College of Saint Elizabeth, Rutgers Business School and she is first vice chair of the Children's Specialized Hospital board and chair of the board's HR committee. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-12861

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, merchant power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 13,450 MWs represent a diverse fuel mix which includes 44 percent natural gas, 27 percent nuclear, 18 percent coal, 9 percent oil, 1 percent solar, and 1 percent pumped storage.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. During his years at Exelon, Mr. Levis oversaw significant improvements, setting records for total annual megawatt production and establishing efficiency records for refueling outages. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility. During this time, the station was removed from the NRC Watch List and set new records in the areas of safety, production, and cost.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis serves as a member of Pennsylvania Congressman James Gerlach's Service Academies Selection Committee. He is also a member of Nuclear Energy Institute's (NEI) Board of Directors, and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. He is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and its Operations Committee, and is a member of the CEO Council for Growth based in Philadelphia.

SI-SSA-0015-12862

Richard P. Lopriore

PRESIDENT

PSEG FOSSIL

Richard P. Lopriore was elected president of PSEG Fossil in May 2007. He versees operations for 13 generation facilities spanning four states. He is also responsible for the oversight of two service groups: Laboratory & Testing Services, and Maintenance & Repair Services. Additionally, he is responsible for Construction, Capital Projects and Engineering.

The PSEG Fossil fleet is comprised of natural gas, coal and oil-fired electric generating units that contribute about 9,700 megawatts of electricity to PSEG Power's generation portfolio. This includes an ownership interest of 1,000 megawatts in three jointly-owned facilities.

Under Lopriore's leadership, nine LM6000 peaking units were constructed. Fossil also outfitted its two New Jersey coal plants with about $1.5 billion in new pollution control equipment resulting in substantial reductions in emissions. These plants are among the cleanest, most responsible coal stations in the country.

Mr. Lopriore instituted an in-depth Operational Excellence Model (OEM), one of the first programs in the nation to drive standardization across a Fossil fleet. The program resulted in consistent improvement in operating results, reliability and fleet performance and the achievement of all-time generation records. He also revamped PSEG Fossil's training program. Two industry-first, award-winning mobile training trailers were developed to take training directly to the work sites reducing costs and increasing productivity.

Mr. Lopriore has been a valuable part of the electric generation industry for more than 40 years. Prior to joining PSEG Fossil, he had been senior vice president - mid-Atlantic operations for Exelon Nuclear, responsible for oversight of the Limerick, Peach Bottom, Oyster Creek and Three Mile Island stations. During his tenure, Three Mile Island achieved INPO 1 status (2007).

From 1997-1999, Mr. Lopriore was an Executive Advisor for Ontario Hydro Nuclear Power Plant's recovery and performance improvement program.

Mr. Lopriore joined Exelon as plant manager of Byron Stations in 1999 and was promoted to site vice president in 2001. In 2003 he became corporate vice president - operations support at Exelon's nuclear headquarters, responsible for both the Midwest and mid-Atlantic regions. He then became vice president - operations, Midwest boiling water reactors in 2004 responsible for the Dresden, LaSalle County, Quad Cities and Clinton nuclear plants.

Prior to Exelon, Mr. Lopriore held several key management positions at the Brunswick Nuclear Plant in North Carolina, including plant manager. At Vermont Yankee, he achieved an operational SRO certification for Boiling Water Reactors.

Mr. Lopriore received his Bachelor of Science degree from Southern Vermont College and is a member of the American Nuclear Society.
He also served in the National Guard.

SI-SSA-0015-12863

Kim C. Hanemann

VICE PRESIDENT – DELIVERY PROJECTS AND CONSTRUCTION

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Kim C. Hanemann is vice president-delivery projects and construction, for PSE&G, where she is responsible for ensuring the on-time, on-scope and on-budget execution of all large utility construction projects, which includes overseeing project management, project controls, and licensing and permitting. Her organization also includes a mobile construction workforce.

Ms. Hanemann joined PSE&G as an engineer in 1986. She has held numerous leadership positions in both electric and gas field operations as well as in utility support operations. She was named a director in 2007, overseeing three different groups (Transmission Engineering and Construction, Utility Operations Support, and Delivery Projects and Construction) before her promotion to vice president in 2010.

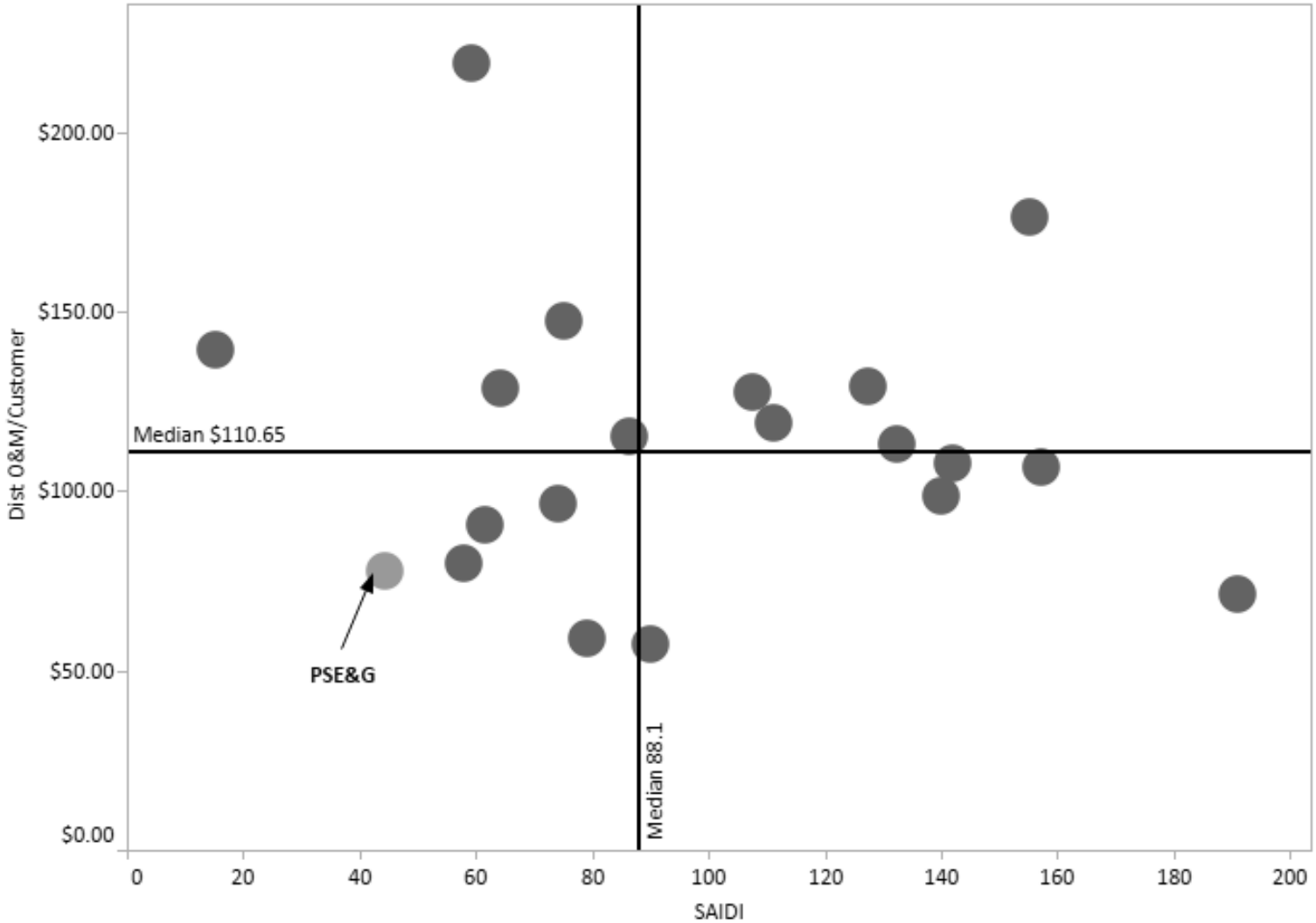
Ms. Hanemann holds a Bachelor of Science degree in mechanical engineering from Lehigh University and an MBA from the Rutgers Graduate School of Management.

SI-SSA-0015-12864

PSE&G APPENDIX

SI-SSA-0015-12865

PSE&G provides high reliability at below average cost which creates superior value to customers



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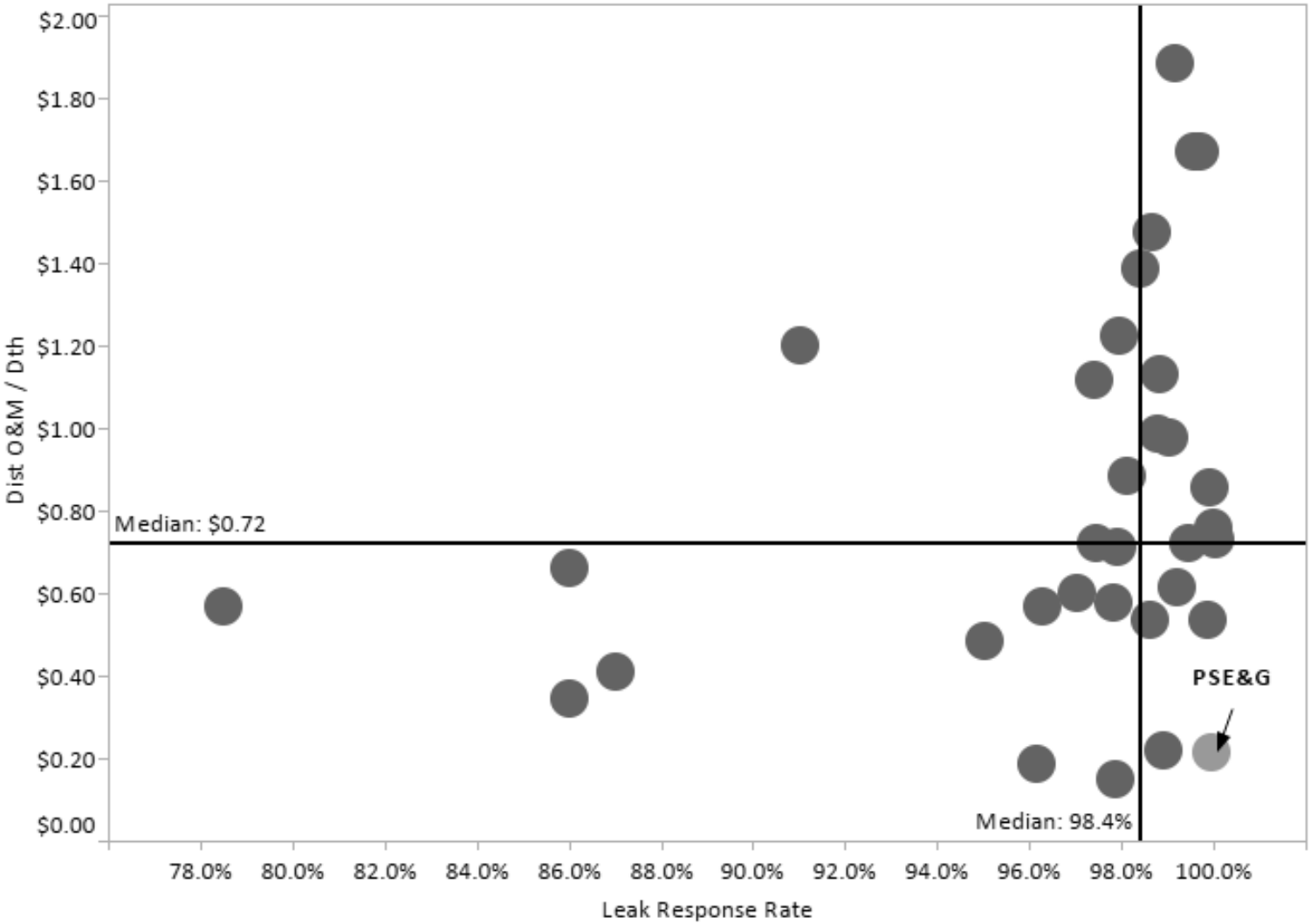
PSEG

SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED.

PSE&G prioritizes public safety

while maintaining value to customers

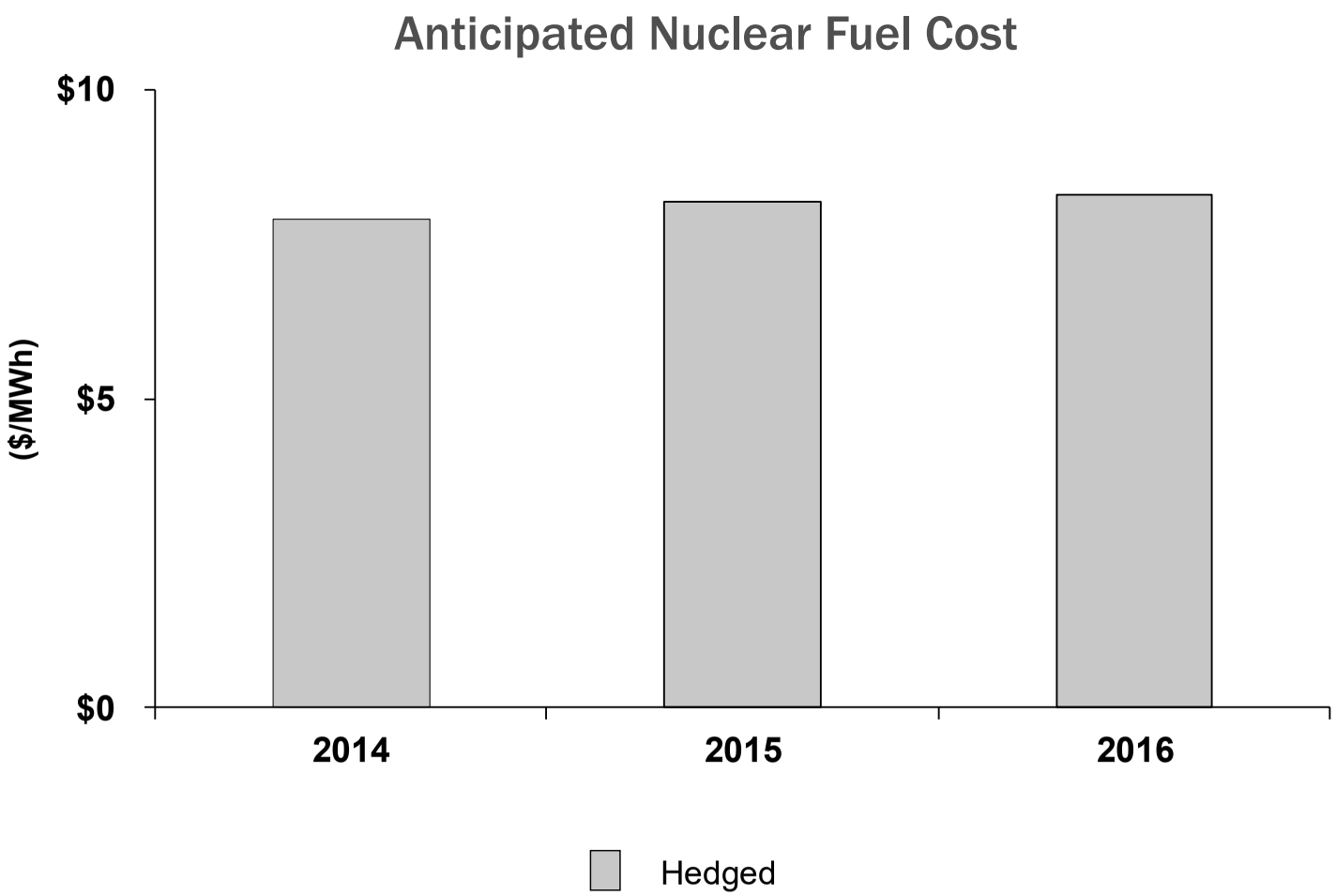


SI-SSA-0015-12867

PSEG POWER AND ER&T APPENDIX

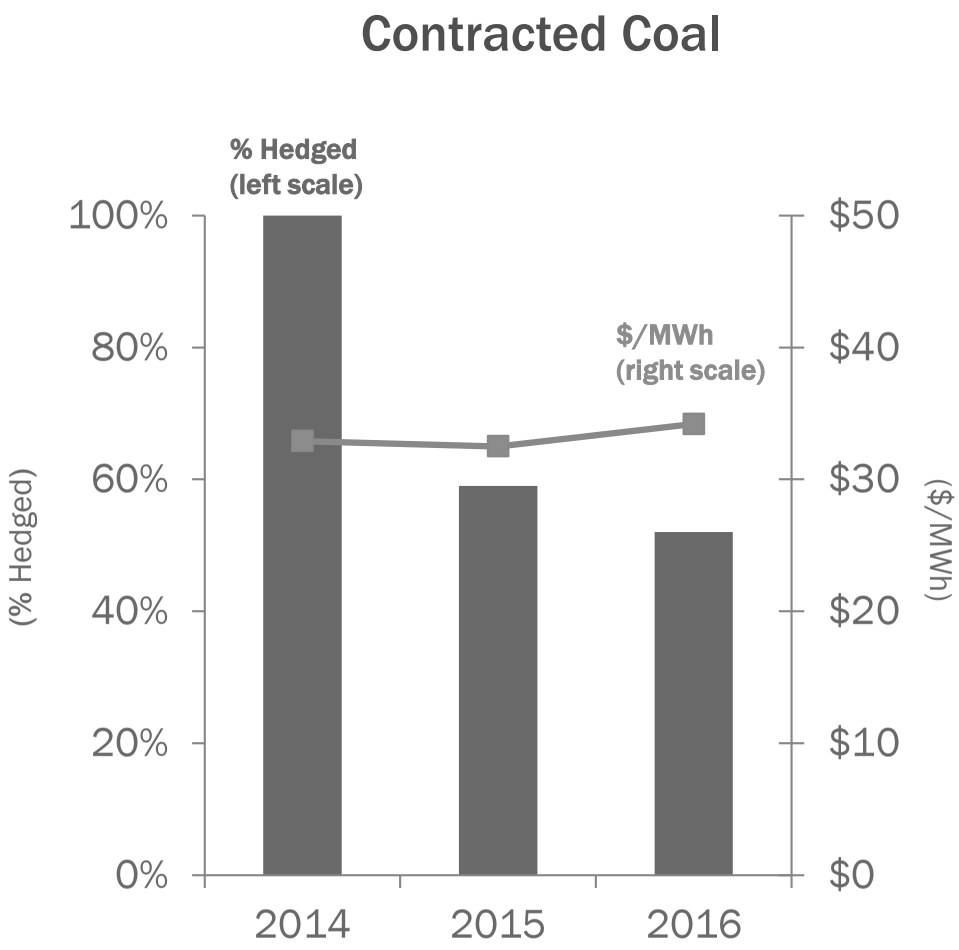
SI-SSA-0015-12868

Nuclear fuel needs have been hedged through 2016



SI-SSA-0015-12869

Power's coal hedging reflects 2014 supply matched with 2014 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Flexibility after BET in 2010
Mercer	Metallurgical CAPP/NAPP	Low $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION.

SI-SSA-0015-12870

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone	
2014-2015	$172
2015-2016	$166
2016-2017	$178
Three Year Average ($/MW-day)	**$172**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$172
MW per Tranche (varies by EDC)	109
Days per Year	365
Capacity Cost per Tranche	**$ 6,841,016**

MWh per Tranche	
Energy MW per Tranche (varies by EDC)	109
Hours per Year	8,768
Load Factor (varies by EDC)	~37%
MWh per Tranche, approx.	350,090
Capacity Cost per MWh	$20

SI-SSA-0015-12871

PSEG FINANCIAL APPENDIX

SI-SSA-0015-12872

Our balance sheet remains strong

December 31, 2013

$ Billions	PSEG	PSE&G	Power
Cash Investments	$0.4	$0.0	N/A[2]
Short Term Debt	$0.1	$0.1	N/A[2]
Long Term Debt[3]	8.1	5.6	2.5
Common Equity	11.6	5.9	5.9
Total Capitalization	**$19.8**	**$11.5**	**$8.4**
Total Debt / Capitalization	41%	49%	30%

PSE&G Regulated Equity Ratio[1] 51%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$95 MILLION AND EXCLUDES SHORT-TERM DEBT
(2) N/A BECAUSE POWER INVESTS AND BORROWS SHORT-TERM THROUGH INTERCOMPANY ARRANGEMENT WITH PSEG PARENT
(3) DOES NOT INCLUDE SECURITIZATION DEBT OF $496MILLION.

SI-SSA-0015-12873

PSEG Liquidity as of December 31, 2013

Company	Facility	Expiration Date	Total Facility	Usage ($Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$73	$527
PSEG / Power	5-Year Credit Facility (Power)	Mar-17	$1,600	$70	$1,530
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Mar-17	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300		$4,049
				PSEG Money Pool ST Investment	$439
				PSE&G ST Investment	$0
				Total Liquidity Available	**$4,488**
				Total Parent / Power Liquidity	**$3,961**

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

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

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

SI-SSA-0015-12874

PSEG Energy Holdings

Investment Portfolio

	Equipment	Investment Balance * at 12/31/13 ($millions)
Merchant Energy Leases GenOn (REMA)	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$343
Edison Mission Energy (EME)**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$191
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	$ 73
Real Estate Operating Leases	Office Towers, Shopping Centers - 30 properties	$70
Generation Legacy Assets	GWF (in wind down stage), Bridgewater, GSOE	$ 5
Other	Land & Receivables	$ 7
	Total Holdings Investments	**$907**

*BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME AND ITS SUBSIDIARIES FILED CHAPTER 11 BANKRUPTCY ON 12/17/2012. ON 10/18/2013, NRG ENERGY ANNOUNCED AN ACQUISITION OF EME ASSETS THAT WOULD CURE ALL MONETARY DEFAULTS AT CLOSING AND PRESERVE HOLDINGS' ENTIRE EQUITY VALUE.

SI-SSA-0015-12875

Strong, full year 2013 operating earnings delivered

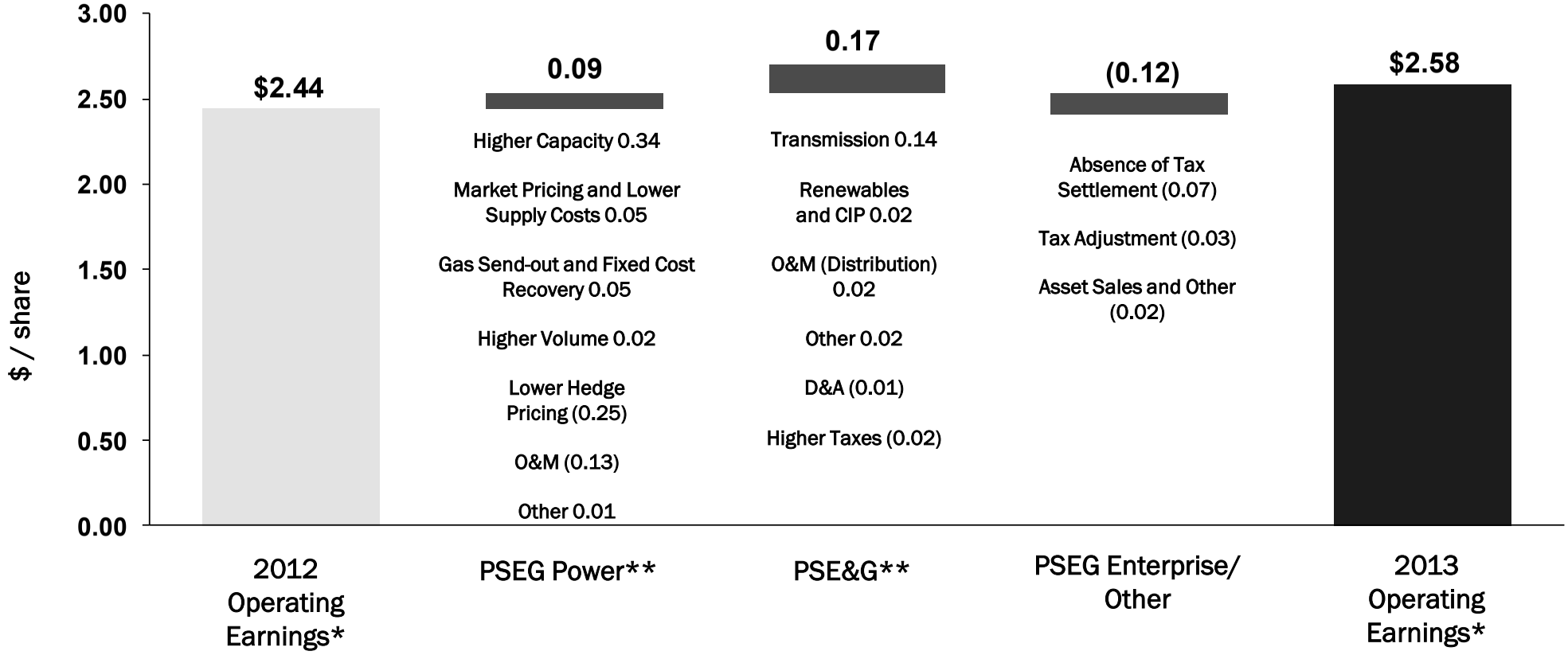
	Twelve Months ended December 31			
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	2013	2012	2013	2012
PSEG Power	$ 710	$ 663	$ 1.40	$ 1.31
PSE&G	612	528	1.21	1.04
PSEG Enterprise/Other	(13)	45	(0.03)	0.09
Operating Earnings*	$ 1,309	$ 1,236	$ 2.58	$ 2.44

SI-SSA-0015-12876

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG EPS Reconciliation– Full Year 2013 versus Full Year 2012



SI-SSA-0015-12877

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
** PRIOR QUARTER RESULTS FOR RECONCILING ITEMS MAY NOT ADD TO YEAR-TO-DATE (YTD) TOTALS DUE TO ROUNDING.

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

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2013	2012	2011	2010	2009	2008
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**	**$ 1,478**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	40	52	50	46	9	(71)
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(74)	(10)	107	(1)	(11)	14
Lease Transaction Activity (Energy Holdings)	-	36	(173)	-	29	(490)
Storm O&M (PSEG Power)	(32)	(39)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	34	-	-	(13)
Income from Continuing Operations	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**	**$ 918**
Discontinued Operations	-	-	96	7	(2)	270
Net Income	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**	**$ 1,188**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**	**$ 2.91**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.08	0.10	0.10	0.09	0.02	(0.14)
Gain (Loss) on MTM[a] (PSEG Power)	(0.14)	(0.02)	0.21	-	(0.02)	0.03
Lease Transaction Activity (Energy Holdings)	-	0.07	(0.34)	-	0.05	(0.96)
Storm O&M (PSEG Power)	(0.07)	(0.08)	-	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	-	-	0.06	-	-	(0.03)
Income from Continuing Operations	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**	**$ 1.81**
Discontinued Operations	-	-	0.19	0.01	-	0.53
Net Income	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**	**$ 2.34**

[a] Includes the financial impact from positions with forward delivery months.

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EDITED TRANSCRIPT

PEG - Q1 2015 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: MAY 01, 2015 / 03:00PM GMT

OVERVIEW:
Co. reported 1Q15 operating EPS of $1.04. Expects 2015 operating EPS to be $2.75-2.95.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Dan Eggers *Credit Suisse - Analyst*

Michael Weinstein *UBS - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Travis Miller *Morningstar - Analyst*

Shahr Pourreza *Guggenheim Partners - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

PRESENTATION

Operator

Ladies and Gentlemen, thank you for standing by. My name is Angela and I am your event operator today. I would like to welcome everyone to today's conference: Public Service Enterprise Group's first quarter 2015 earnings Conference Call and Webcast.

(Operator Instructions)

As a reminder, this Conference Call is being recorded today, Friday, May 1, 2015, and will be available for telephone replay beginning at 1 o'clock pm Eastern today, until 11.30 p.m. Eastern on May 8, 2015. It will also be available as an audio Webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc - VP of IR***

Thank you, Angela. Good morning. Thank you all for participating in our earnings call this morning.

As you are aware, we released our first quarter 2015 earnings statements earlier today. The release and attachments are posted on our website as mentioned, www.pseg.com, under the investor section. We also posted a series of slides that detail operating results by Company for the quarter. Our 10-Q for the period ended March 31, 2015 is expected to be filed shortly.

I won't go through the full disclaimer statement or the comments we have on a difference between operating earnings and GAAP results, but as you know, the Earnings Release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligations to do so, even if our estimate changes, unless of course we are required to do so.

Our release today also contains adjusted non-GAAP operating earnings, as well as a new non-GAAP disclosure of adjusted EBITDA for PSEG Power. Please refer to today's 8-K or the other filings for a discussion of factors that may cause results to differ from Management's projections, forecasts, and expectations, for a reconciliation of operating earnings and adjusted EBITDA to GAAP results.

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I'd now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thank you, Kathleen, thank you, everyone, for joining us today.

PSEG performed extremely well in the first quarter. Earlier this morning we reported operating earnings for the first quarter of 2015 of $1.04 per share. That's a 3% increase over the first quarter of 2014's operating earnings of $1.01 per share. PSE&G continues to achieve best-in-class growth as we expand investments that are helping meet our customers needs and helping New Jersey achieve important goals.

PSE&G invested $599 million in the first quarter, as part of its planned capital investment for 2015 of $2.6 billion in upgrades to the electric and gas distribution and transmission systems. PSE&G's capital program is on schedule and on budget.

The Susquehanna-Roseland 500 KV transmission line is expected to be fully operational later this month. This will be a major achievement. SR's 2015 operational date is 12 years after the August 2003 blackout, and almost a decade after PJM identified the critical system needs required to upgrade aging infrastructure and relieve overloaded power lines. SR's completion is testament to the cooperative relationship between PSE&G and PPL Energy, and the capabilities shown by PSE&G in navigating the lengthy permitting and licensing process at both the federal and state levels.

PSE&G's investment in transmission represented 39% of its year-end 2014 rate base, and it is forecast to grow to represent in excess of 50% of rate base in five years. The New Jersey Board of Public Utilities recently approved an expansion of PSE&G's successful energy efficiency programs. The investment of $95 million over the next three years will decrease energy costs for participants and lessen the environmental effect of energy supply. At the same time given the structure of the program, PSE&G should be able to fully earn its authorized return of 9.75%.

In addition, the recommendation by PJM staff earlier this year to award PSE&G a share of the work required to upgrade reliability at artificial island would increase spending on transmission anywhere from $100 million to $130 million. The AI investment, artificial island investment, was not included in our capital program as described in our March investor conference, so this is additive to our prior forecast for utility investment opportunities.

We await the BPU's action later this year on PSE&G's request to invest $1.6 billion over the next five years to continue its long term program to modernize its gas systems. PSE&G's gas system modernization program would support the replacement of approximately 160 miles of cast iron and unprotected fuel gas mains per year. The replacement program would reduce the risk of leaks, and it would reduce the release of methane gas.

PSE&G has been replacing and modernizing its gas pipe as part of the energy strong program. Approval of the gas system modernization program would support the extension of this work and continue to provide a direct boost to New Jersey's economy with the creation of more than 500 jobs. We continue to believe that this is the optimal time to move ahead with this work, given the sizeable savings customers continue to realize from low gas prices. Spending on this program would further enhance PSE&G's already strong growth platform.

The first quarter results for power demonstrate the quality of this asset mix. PSE&G's power earnings continue to benefit from strong operations and the capable management of its gas supply. The fleet's dispatch flexibility and diverse fuel mix supported operations during this past Winter.

The gas fired combined cycle gas turbines fleet availability improved quarter-over-quarter, following the conclusion of work at Linden in 2014, to increase its capacity and with the continued focus on operations. This improvement availability aided the fleet's ability to respond to market conditions, and power continues to benefit from the management of its gas storage and transportation agreements, which also provide substantial savings to PSE&G's residential gas customers.

In a related development, a Federal Energy Regulatory Commission has granted PJM's request to delay the RPM capacity auction. The delay provides more time for the FERC to consider PJM's proposed changes to the auction structure. We believe PJMs original net CONE offer cap proposal was just and reasonable, but we support PJMs proposed alternative offer cap, which the FERC agrees would allow for bids up to approximately 85% of net CONE.

The FERC's approval of the proposed changes would recognize the need for increased investment to maintain system reliability. The weather conditions experienced over the past two years exposed the critical need to maintain and improve on the resiliency of our infrastructure. The need to replace aging equipment, and maintain the level of service demanded by our customers.

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On a separate matter, I'm pleased with the outcome of the settlement we reached with our insurers over claims related to superstorm Sandy losses. Its been more than two years since the storm affected our operations, but in the end we have been fully compensated for the insurable spending we made on Sandy related repairs.

Our business model is working the way it should. Operational excellence produces the financial strength that allows us to invest in a disciplined way for growth. Our balance sheet is strong. The financial capability supports our current plans to invest $13 billion through 2019, and it is sufficient to support an expansion of this investment program without the need to issue equity.

PSE&G's investment program is expected to yield double digit growth in rate base through 2019, as the earnings contribution from our regular to business exceeds 50% of our consolidated earnings. PSEG Power's investment program is expected to enhance fleets efficiency and reliability as we continue to look for opportunities to expand power's fleet. The successful implementation of our investment plans will provide PSEG with a strong foundation to deliver customer satisfaction and shareholder value.

Based on the strong start to the current year, both operationally and financially, 2015 would represent the third year of growth in PSEG's operating earnings, but given that it is still early in 2015, we are maintaining our forecast of operating earnings for the full year, of $2.75 per share to $2.95 per share. We have a proven strategy, and a key contributor to our success is the dedication of our employees to meeting the needs of customers in a safe, reliable manner. Their skills and talents are what will propel us to achieve our long term goals.

With that I'll turn the call over to Caroline, who will discuss our financials in greater detail.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, Ralph, and good morning, everyone.

As Ralph said, PSEG reported operating earnings for the first quarter of $1.04 per share, versus operating earnings of $1.01 per share in last year's first quarter. We've provided you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on Slide 4.

As you can see on Slide 8, PSEG Power provided the largest contribution to earnings. For the quarter, Power reported operating earnings of $0.55 per share, compared with $0.58 per share last year. In addition, Power reported adjusted EBITDA of $626 million, compared to $651 million last year.

PSE&G reported operating earnings of $0.47 per share, compared with $0.42 per share last year. PSEG Enterprise Other, or the parent, contributed operating earnings of $0.02 per share, compared with $0.01 per share for the first quarter of 2014. The water fall chart on Slide 9 takes you through the net changes in quarter-over-quarter operating earnings by major business, and I'll now review each company in a bit more detail.

Let's turn to PSE&G. As shown on Slide 11, PSE&G reported operating earnings for the first quarter of 2015, or $0.47 per share, compared with $0.42 per share last year. PSE&G's earnings for the first quarter reflect the benefits of the increase in revenue associated with the expansion of its capital program, an increase in demand for gas, and the recovery of insurable storm costs from the settlement of Sandy related insurance claims.

PSE&G's expanded investment in transmission added $0.03 per share to earnings for the quarter. PSE&G is expected to invest $1.6 billion on transmission in 2015 and under PSE&G's formula rate, an increase in transmission revenue of $182 million was effective at the start of the year. This increase in revenue provides for recovery of known costs and appropriate returns associated with PSE&G's expanded transmission investments.

The winter weather was significantly colder than normal, and colder than a year ago. Of course, the gas weather normalization clause negates the impact of weather on earnings from PSE&G's gas distribution business, however, growth in customer demand for gas normalized for weather added $0.01 per share to earnings. Quarter-over-quarter earnings comparisons also benefited from a decline in operation and maintenance expense of $0.01 per share.

Decline in O&M reflects the distribution portion of PSE&G's share of the Sandy related insurance settlement, and a decline in storm related repair costs from the higher levels experienced in 2014s first quarter. Together, these more than offset the impact on O&M from an increase in pension expense.

Economic indicators in the service area are modestly better than a year ago. Employment and housing indicators show signs of slow but steady improvement. Electric demand has also shown modest improvement, and I stress the word modest in characterizing demand growth. On a weather normalized basis, Electric sales are estimated to have improved by 0.2% in the quarter and the improvement was lead by a 0.6% growth from the commercial and industrial sector which offset a decline in demand from residential customers.

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Gas deliveries, on the other hand, continue to benefit from sustained low commodity prices, and signals of a recovery in the economy. Weather normalized gas deliveries in the quarter grew by 0.4%, based on a 1% improvement from the residential sector.

PSE&G extended bill credits that it had provided for residential gas usage for the prior five months through April. The April Bill credit cut the average bill for the typical residential customer by 32%.

PSE&G received approval from the New Jersey BPU in April 2015 to increase its investment in energy efficiency. PSE&G will invest an additional $95 million over a three year period, at an authorized return on equity of 9.75%. The approval will allow PSE&G to expand its energy efficiency initiatives under several popular programs, and the structure under the agreement for revenue and cost recovery should allow PSE&G to fully earn its authorized return.

We're maintaining our forecast with PSE&G's operating earnings for 2015 of $735 million to $775 million. PSE&Gs earnings for the full year will be driven by the recovery of cost associated with higher levels of capital spending.

Let's now move to PSEG Power. As shown on Slide 15, PSEG Power reported operating earnings for the first quarter of $0.55 per share, and adjusted EBITDA of $626 million, compared with $0.58 per share and adjusted EBITDA of $651 million for the first quarter of 2014. Adjusted EBITDA excludes the same items as our operating earnings measure as well as income tax expense, interest expense, depreciation and amortization, and major maintenance at Power's fossil generation facilities.

PSEG Power's strong operating results in the first quarter reflect an improvement in availability of its gas fired combined cycle fleet, higher prices on its hedged energy output, and the monetization of its gas supply. Together, these helped offset the impact on earnings from a decline in capacity revenue and lower wholesale market prices for energy.

An increase in the average price received on energy hedges, coupled with an increase in the percent of energy hedged in the first quarter relative to a year ago fully offset the impact of lower wholesale market prices on earnings. The expected decline in average PJM capacity prices to $168 per megawatt day from $242 per megawatt day last year reduced power's quarter-over-quarter earnings by $0.09 per share.

Higher gas send out to commercial and industrial customers and strong margins on sales to the off system market in a response to the extreme weather conditions experienced throughout the quarter added $0.04 per share to quarter-over-quarter earnings. The absence of a charge in the prior year improved earnings comparison by $0.03 per share, and lastly, earnings comparisons were reduced by $0.01 per share due to an increase in O&M expense. The changes in adjusted EBITDA are directly parallel to changes in earnings per share on a quarter-over-quarter basis. The Earnings Release on Slide 16 provide you with detailed analysis on the impact on Power's operating earnings quarter-over-quarter from changes in revenue and cost.

Let me now just take a moment to mention our inclusion of adjusted EBITDA as both new disclosure and new guidance. We know that many of you track one or both operating earnings and EBITDA for Power, and we thought that by giving you our EBITDA on the same basis as operating earnings and adjusted for fossil major maintenance expenses, this would give you a better window into Power's cash flow generation potential and value over the long term.

We took out major maintenance at our fossil plants as this is a periodic cost versus the ongoing run rate. As I mentioned, the changes in operating earnings align with the changes in adjusted EBITDA. In other words the reduction in EPS of $0.03 per share associated with lower wholesale energy market prices and slightly higher O&M equates directly to the $25 million reduction in adjusted EBITDA from $651 million in 2014's first quarter to $626 million in this quarter. So, plan to talk about adjusted EBITDA every quarter as we go forward, to insure we provide you with a consistent view as many of you use this for modeling purposes.

Now let's turn for a few minutes to Power's operations. Essentially this is a tale of two winters. As you remember the past winter was one of the coldest on record and actually colder than 2014s winter, but this past winter was also characterized by improved availability of gas supply and fewer days of extreme weather than the year ago period, which resulted in dramatically lower wholesale energy prices than a year ago, when the market reflected scarcity pricing for a much longer period of time.

The decline in wholesale energy prices in the first quarter of 2015 from the first quarter of 2014 affected the financial performance of Power's assets that were open to the market. An increase in the average price received on energy hedges of about $4 per megawatt hour on approximately 76% of generation hedged helped secure power's margins during the first quarter.

The net impact of the higher hedge price was offset somewhat by the need to meet increased demand under load following contracts at fixed prices, the net impact on profitability of power's load following contracts, however is not as severe as in the year ago period, for the reasons I just mentioned. Once again, power's ability to monetize its gas supply position offset these market -- energy market impacts, resulting in only a slight decline in adjusted EBITDA for the quarter, as I mentioned, to $626 million from last years $651 million.

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The flexibility and fuel diversity of Power's fleet supported strong operations in the cold weather conditions experienced in the first quarter. Output of 14.5 Terawatt hours was in line with year ago levels. The nuclear fleet operated at an average capacity factor of 95%, producing 7.8 Terawatt hours of output, or 54% of generation, and this is just a slight decline from year ago levels.

Production from the combined cycle fleet increased to 3.9 Terawatt hours, or 27% of generation, and this represents a 16% increase in output versus 2014's first quarter. An improvement in the availability at Linden following work to increase the station's capacity and the availability of the Bethlehem, New York facility with an increase in gas supply, lead to higher production from the combined cycle fleet.

The combined cycle fleet's operation was also aided by its use of oil as back up supply to maintain operations during important critical periods. The coal stations performed in line with prior period, producing about 2.5 Terawatt hours of energy or about 17% of generation. Finally, output from the peeking fleet declined in response to fewer days of extreme weather.

Power's maintaining its forecast of output for 2015 of between 55 and 57 Terawatt hours, a 1-5% increase over 2014's output of 54.2 Terawatt hours. Approximately 70% to 75% of anticipated production for the April to December period of this year is hedged at an average price of $52 per megawatt hour. For 2016, power has hedged between 50 and 55% of its forecast production of 55-57 Terawatt hours, at an average price of $51 per megawatt hour, and for 2017, power has hedged 25-30% of its forecast generation of 55 to 57 Terawatt hours, at an average price of $52 per MegaWatt hour. The hedge data 2015 and 2016 continues to assume volumes hedged under BGS represent approximately 11-12 Terawatt hours for each year.

We continue to forecast operating earnings for Power in 2015 of $620 million to $680 million. The forecast of operating earnings represents a forecast of adjusted EBITDA of $1.545 billion to $1.645 billion for the full year, which compares to the $1.584 billion of adjusted EBITDA in 2014.

Results for the remainder of the year will be heavily influenced by an increase in the average price of hedged energy and the expected decline in year-over-year capacity revenue. I want to remind you that the average price power schemes for its PJM capacity is expected to remain at $168 per megawatt day for the capacity year, which begins on June 1 of 2015.

At the same time, the number of Megawatts of capacity for which power receives revenue in PJM is expected to decline by 1800 Megawatts, and this reflects primarily the retirement of the HEDD units, which we've talked about before. Slide 17 provides more detail on generation in the quarter, as Slide 21 provides detail on power's hedge position.

Now let me briefly address the operating results from Enterprise Other. For the first quarter, PSEG Enterprise Other reported operating earnings of $0.02 per share, compared with operating earnings of $0.01 per share last year. The difference in operating income is primarily the result of favorable interest in other income, the contribution to income from PSEG Long Island, and the lease portfolio was steady quarter-over-quarter. We continue to forecast full year operating earnings for 2015 from PSEG Enterprise Other of $40 million to $45 million.

Finally just a word on the settlement of the Sandy insurance claims. As Ralph mentioned earlier, we're very pleased that we were able to reach a settlement of claims with our insurers for coverage of superstorm Sandy related losses. The settlement provides for total recovery of $264 million, an amount that fully compensates PSEG for insurable spending on Sandy-related repairs.

PSEG received $50 million of this amount over the 2012-2013 period, which you probably remember our talking about. Over the remaining $214 million, PSEG recognized $159 million pretax in the first quarters result under a partial settlement reached with insurers, and we will recognize an additional $54 million pretax in the Second Quarter.

Power's share of the settlement proceeds are not included in operating earnings or adjusted EBITDA in the first quarter. As you'll recall, those expenses when incurred, were not included in power's operating earnings at the time. This settlement fully closes out the claim related to Sandy.

PSEG closed the quarter with $1 billion dollars of cash on its balance sheet, with debt at the end of March 31 of 2015 representing 41.5% of consolidated capital. The level of cash on the balance sheet is high relative to normal conditions, and this reflects the cash impact of bonus depreciation on taxes and includes the receipt of Sandy related insurance proceeds, all both occurring of course at a time during the year when seasonal influences on demand have a favorable impact on cash balances.

We remain in a position to finance our current capital program without the need for the issuance of equity, and we look forward to seeking additional growth investments. We continue to forecast operating earnings for the full year of $2.75 to $2.95 per share.

So, that concludes my comments, and I'll now turn the call back over to Angela, our operator, to open up the line for questions.

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Operator

(Operator Instructions)

Your first question comes from Dan Eggers with Credit Suisse.

Dan Eggers *- Credit Suisse - Analyst*

Good morning. Ralph, I was wondering if could you share your thoughts on the artificial island outcome? It went back and fourth quite a bit. You got part of the project, but not all of what was originally awarded. How is that effecting your thoughts about future investment in transmission outside of the standard footprint opportunity?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Thanks, Dan. Good morning.

You know, we have a complaint pending with FERC on the way in which PJM followed the process, and I have met with the FERC commission telling them that we're a little bit concerned with both the unevenness with which FERC Order 1000 is being implemented nationwide, and the fits and starts with which it's being implemented specifically within PJM, and we specifically filed that before PJM's staff recommission came out, because we didn't want it to be viewed as a case of either potentially sour grapes if we didn't win, or beating of our chest if we did win.

So I think the best face you could put on this is that it's a nascent program that's undergoing some growing pains. I have some broader concerns about it, that the success with any market is in the fact that you have multiple buyers and multiple sellers, and you have visibility to pricing and their needs of customers. And this thing has not had any of those characteristics associated with it, and it's hard for me to imagine that it will be the case when it gets applied nationally.

Having said that, we're going to proceed with the complaint. So, it doesn't change our enthusiasm for transmission investment, and the importance of that as it pertains to customer reliability, but the FERC Order 1000 component transmission investment I think still has significant work to be done.

Dan Eggers *- Credit Suisse - Analyst*

Thanks, and one other question. With CP hopefully advancing at this point, how are you guys looking at maybe generation related investment opportunities, and is there something you could do prospectively with repowering some of the old HEDD sites, if you're getting paid more for reliability than you have in the past?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

Yes, Dan. That's definitely on the table.

The FT4 engines, as you know, had problems with high energy delivery date NOx requirements, and with some SCR improvements, we believe that those would be economically viable, and our plan would be, depending upon FERC's decision, if we think the auction could achieve the kind of prices that would justify those improvements, we would go ahead and make those improvements.

Dan Eggers *- Credit Suisse - Analyst*

Do they seem more viable than maybe Bridgeport did earlier this year, because of lower capital dollars and maybe a little better visibility?

Ralph Izzo *- Public Service Enterprise Group Inc - Chairman, President & CEO*

The only thing they have in common is they are both Power Plants. As you know Bridgeport, is a combination of spark spread and capacity markets, and HEDD upgrade for SCR, sorry for the alphabet soup, is 99.9% about capacity payments.

They are highly inefficient units, and we would only use them for reliability. You wouldn't expect any energy margin from them, so I could better answer that question once FERC decides on the rules, but at this point in time I'd just say they are not directly comparable.

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Dan Eggers - *Credit Suisse - Analyst*

Got it. Thank you guys.

Operator

The next question comes from Michael Weinstein with UBS.

Michael Weinstein - *UBS - Analyst*

Hi guys.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Good morning.

Michael Weinstein - *UBS - Analyst*

Real quick question, about wondering if you could talk about the possibility of getting a [low carbon] portfolio standard in New Jersey, and how that might impact CapEx?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Yes, thanks, Michael. So I don't see a separate and independent low carbon portfolio standard in New Jersey in the near term.

I believe, if I'm not mistaken, the state's official response and comments to the EPA 111d proposal was questioning actually the legality of the EPA's ability to implement the program. So, looking at sort of the progress we've made on the RPS in this state, I believe New Jersey is intent to proceed along those lines, as opposed to doing something more comprehensive in the form of using an energy efficiency standard or a carbon standard.

As you know we have consistently, and still feel this way, believed that a nationwide carbon program is required, and that states going alone creates all sorts of economic distortions. That doesn't change our view, however, that there is a need for the carbon standard nationwide.

Michael Weinstein - *UBS - Analyst*

And have you guys specifically mentioned what you're going to do with proceeds from Sandy insurance recoveries?

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

This is Caroline. Good morning, Michael. So, no we haven't specifically earmarked them for things. Of course, money that I mentioned we're getting reimbursed on a lot of money that was spent for Sandy recovery, so this fully compensates us.

That money is in large part already spent, so the dollars that come in here really just support the strength of the balance sheet that we have, and reinvestment that we're making in new things at the utility, and potentially an opportunity to Power. So, just gives you more strength to pursue more growth opportunities, and I'm very pleased to have the settlement behind us.

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Michael Weinstein - *UBS - Analyst*

Thank you very much.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Sure.

Operator

Your next question comes from Paul Patterson with Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

Good morning.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

Just a few quick things. I notice that the deficiency letter, that the response that PJM made to it was they didn't seem to have a problem with stop loss limits on the penalties removed, and I think you guys and maybe Exelon -- I'm not sure, and tell me if I'm wrong, are not opposed to that, whereas some generators are, and I'm just wondering if you could give us a feel as to what you think might happen if those limits are removed?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Well if the limits are removed -- in general, Paul, I think that the greater the potential for reward, which comes along with greater risk, the better it is for us.

We have a high performing fleet, and what's important is both halves of that sentence. A, the first half being that they're high performing, and second, that it's a fleet. So, the interchange ability of assets that do clear the auction with assets that don't clear the auction, the fuel flexibility, the different technologies we have, all gives us greater and greater confidence about the ability of the assets to perform.

So to the extent that penalties become tougher, or limits get removed, one would only expect that the reward would be commensurate with that risk, and we would perform well in that environment.

Paul Patterson - *Glenrock Associates - Analyst*

Right, no I can see that. I guess I'm wondering if you have any sense as to quantifiably, or just obviously approximates or just general idea about how much that might impact?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

No, we don't try. Even when the rules are clear, we don't predict the outcome of the auction.

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Paul Patterson - *Glenrock Associates - Analyst*

(Laughter).

I think that actually settles the second question that I had, then, and that's it, I guess. Thanks so much.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Thanks.

Operator

Your next question comes from Travis Miller with Morningstar.

Travis Miller - *Morningstar - Analyst*

Good morning, thank you.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Good morning.

Travis Miller - *Morningstar - Analyst*

Looking at the Slide 19, want to make sure I clearly understand this. The power fuel costs, look at that oil and gas line.

So generation in the quarter was up, and yet saw a substantial reduction there in that fuel cost. Wonder if you could just go through that, and how sustainable that is? If it's vortex related, or something else?

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Yes so you're exactly right, Travis. You think about where gas prices were last year, and where gas prices are this year, they are lower, and so you see that come right through that line. Of course oil prices are lower too, but gas is the predominant fuel here, and you're seeing that directly come into that line.

Remember I also mentioned that the prices for wholesale energy were lower, and that goes along with it, right? So get lower gas prices and lower power prices preserves in spark spread for us, and that what also commented on the value that our hedges provided this year on a year-over-year basis because of that reduction, but that is directly related to the observable market price for gas versus last year.

Travis Miller - *Morningstar - Analyst*

Is any of that gas monetization benefit in that number, in terms of reducing the fuel costs?

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

No, no, this is just the pure fuel cost, in cost of goods sold.

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Travis Miller - ***Morningstar - Analyst***

Okay, and is it sustainable? Do you think you'd see trends like this over the next couple quarters?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

So that's really gas price forecast question right? So we really just use what's in the forward curve when we think about gas prices going forward.

The important thing to keep in mind, though, is we've got the base loaded is hedged in the current year, so we're really talking about this happening in the combined cycle, and therefore the ability to preserve the spark spread, regardless of how gas moves, protects us to an extent. But other than using the forward curve, it's really hard to predict gas prices.

Travis Miller - ***Morningstar - Analyst***

Thanks so much.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure.

Operator

Your next question comes from Shar Pourreza with Guggenheim Partners.

Shar Pourreza - ***Guggenheim Partners - Analyst***

Good morning.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Good morning.

Shar Pourreza - ***Guggenheim Partners - Analyst***

So if you take your energy strong program, combine it with gas modernization, what is that -- how many miles does that cover, as far as replacement of the cast iron steel pipes, and sort of where do you see that program expanding to?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So I believe it's about 150 miles per year, and it would take us 30 years. So the gas system is closer to 4,100 miles, but it would take us 30 years at that spending rate to replace everything.

Shar Pourreza - ***Guggenheim Partners - Analyst***

Okay, got it. And one reminder, what are your transmission ROE's right now?

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So it varies, Shar. Our base ROE is 11.18%, we get a 50 basis point RTO membership adder for 11.68%. We had, I guess we still have a couple projects that get anywhere from 25 to 125 basis points in addition. However, our last four or five projects we filed for have not received any incremental ROE incentive component.

So long winded answer, but there is no one simple number. It starts at 11.18%, and it goes up to 12.75% or something like that. That being the Susquehanna-Roseland project, being the only one that got that big an adder.

Shar Pourreza - ***Guggenheim Partners - Analyst***

Got it, and if you'd think about it from a weighted average, it's still within the range of reasonableness that you're seeing?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

It comes out to about 11.8%, which is just a fraction of a bip outside of the range.

Shar Pourreza - ***Guggenheim Partners - Analyst***

Perfect thanks so much.

Operator

The next question comes from Jonathan Arnold from Deutsche Bank.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Well good morning, guys.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Good morning John.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Could you, I think you said that the amount of this hurricane Sandy recovery that was left in the operating numbers of the utility was $0.03, roughly, in the first quarter, but there would be some amount in the second quarter, but I don't think you gave us a break down of how much was it power and how much was utility?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Right, so sure John. So the impact to PSE&G's earnings for the first quarter benefited $0.01 to the benefit of O&M from the Sandy recovery that goes to PSE&G. The remaining piece of the settlement that we had -- the remaining about $54 million, we have to go through the allocation process, and we will do that and discuss how that will flow when we do the second quarter results.

So a couple things to remember. On the power side, we don't flow it through operating earnings, that's below the line, which you can see in the reconciliation. We don't do that because power spend was below the line as well, and on the utility side, remember that the recoveries we got, including a portion of the $50 million -- a small portion of that, was for PSE&G in the past, goes primarily to balance sheet, because a lot of the spend for storm recovery that's recoverable under our policies, capital spend and that's on the balance sheet.

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So there's balance sheet and regulatory asset offset, and just $0.01 of impact for the P&L from the first quarter, for Sandy at PSE&G, and we'll do the second quarter piece when we do the second quarter results.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay, but it sounds like it's unlikely to be that material to the year in the context of the guidance?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

I think that's right, in the context of the guidance, correct. So you've seen that we're almost done with the Sandy settlement being booked, with just $54 million to go, and you've got a big piece already booked in the first quarter, and the P&L impact for operating earnings purpose was just $0.01, so proportionately you're thinking of it the right way.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay thank you and just one other topic. We've obviously, it's very -- just recently, we're seeing the change in the dispatch or generation stack with some of the coal plants no longer there. What are you guys seeing in terms of just day-to-day, as you come into this front end of the summer? Are there noticeable changes in operations or the units of the shopping just not really participating already, what are you seeing in the Markets?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

No, I think one of our slides shows you the capacity factors, and we had a slight dip in nuclear capacity that was purely related to an outage at sale on that, it wasn't planned for and otherwise the units would have been at or better than last year in terms of nuclear. Our gas unit's picked up the slack from some of that, as well as some of the lower prices that Travis paid attention to earlier, but the base load coal units (inaudible) our strong winter season.

Gas prices were not below that faithful $1.90 number of 2012 that resulted in some of the dispatch of those, and of course our New Jersey coal units as well as our Connecticut coal units did run a little bit during the winter months, because of the unavailability. The hedging is our peakers, using the demand at the level they would be called upon. So really no change in terms of the number this year. Remaining a kind of fundamental shift in the market that we haven't over the past four or five years.

Jonathan Arnold - ***Deutsche Bank - Analyst***

I was actually a bit more curious about the post mid April date, when (inaudible) into effect. It's obviously not in quarter, whether there's anyone that could just talk about more realtime?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I don't think so. I think if anything the forward price curve would suggest that we'll continue to see robust capacity factors for our combined cycle gas turbine units, and the nuclear units will run flat out, and that's pretty much the same.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Well, thank you very much.

Operator

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SI-SSA-0015-12891

Your next question comes from Michael Lapides with Goldman Sachs.

Michael Lapides - ***Goldman Sachs - Analyst***

Hi guys, congrats on a great start to the year. Two items. One on the regulated side.

Can you just highlight for us what's different in CapEx known for the next few years for today, versus what you talked about at the Analyst day? Several moving parts, just want to make sure we have them all.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Sure, Michael. The one thing that's different -- so what we like to have shown you in the March meeting is what's been approved, so notwithstanding our complaint in front of FERC, the $120 million, Caroline correctly described it as $110 million to $130 million in artificial island was not included in the March investor presentation, as baked in.

Similarly, so that's the only change of things that have been finalized and are now part of the plan. The other piece that's significantly different is that we filed -- have not received approval -- for $1.6 billion over the next five years in this gas system modernization program, and that's not in the utilities capital program that we showed you in March.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. The other question, thinking about your coal plants in New Jersey, so moving over to power. Not running a lot, haven't been for a year or two. Just where are you, if at all, in the process of thinking about whether these plants will remain economic? And if not, kind of how on the edge are they or are they clearly economic? And when you look out for the next three to five, five to seven years, they're a core part of Power's fleet?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Could you just hold on a second Michael? I want to get my controller off the floor. He fell down. (Laughter)

No, you know, obviously those plants have made significant environmental commitments to them, and the capital requirements going forward on those plants from any kind of regulatory point of view is minimal. The real question will be their age and their ability to perform in a CP market, and the rules there just aren't known. So to the extent that the risk reward profile of CP changes our thinking on those plans, then we would have to address that issue, but as of now we're happy to run them on coal in the winter and on gas in the summer, and they do just fine for us.

They are part of an overall fleet, and that fleet has multiple dimensions to it that work well for us. But I'd say that the new factor in the calculus will be what does CP mean?

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Last question. Can you just remind us the amount of the HEDD units in terms of Megawatts, that are going or went off line?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

1500.

Michael Lapides - ***Goldman Sachs - Analyst***

Thank you, Ralph. Much appreciated.

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure.

Operator

There are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So, this is -- we're finishing ahead of schedule. Thank you all for joining us.

I really do hope you view this as kind of a quintessential quarter for us, as opposed to anything special. I grant you, we didn't have anything fancy to tell you about, just steady progress in terms of new investment opportunities at the utility and solid operations all around the Company. In other words, what we like to do: just deliver on our commitments, and then some.

I know that Carolyn and Kathleen, and to a lesser extent I, will be on the road over the next couple of months, and we look forward to seeing you. Until then, just enjoy your Spring. Thank you all.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Thank you.

Operator

Ladies and Gentlemen, that does conclude your conference call for today.

You may disconnect, and thank you for participating.

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For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2015 FIRST QUARTER RESULTS

$1.15 PER SHARE OF NET INCOME

STRONG OPERATIONS YIELD $1.04 PER SHARE OF OPERATING EARNINGS

Settlement Reached on Sandy-Related Insurance Claims

Company Maintains 2015 Operating Earnings Guidance of $2.75 - $2.95 Per Share

(May 1, 2015 – Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) reported today Net Income for the first quarter of 2015 of $586 million, or $1.15 per share as compared to Net Income of $386 million, or $0.76 per share, in the first quarter of 2014. Operating Earnings for the first quarter of 2015 were $529 million, or $1.04 per share, compared to Operating Earnings for the first quarter of 2014 of $515 million, or $1.01 per share.

“PSEG performed extremely well in the first quarter” said Ralph Izzo, chairman, president and chief executive officer. He went on to say “PSE&G is delivering on the promise of its expanded distribution and transmission investment program, while the reliable performance of PSEG Power’s generating assets and its gas market expertise during one of the coldest winters on record helped us deliver value for our customers.”

PSEG believes that the non-GAAP financial measure of “Operating Earnings” provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. The table below provides a reconciliation of PSEG’s Net Income to Operating Earnings (a non-GAAP measure) for the first quarter. See Attachment 10 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
First Quarter Comparative Results
2015 and 2014

	Income ($millions)		Diluted Earnings Per Share	
	2015	**2014**	**2015**	**2014**
Operating Earnings	$529	$515	$1.04	$1.01
Reconciling Items	57	(129)	0.11	(0.25)
Net Income	**$586**	**$386**	**$1.15**	**$0.76**
		Avg. Shares	**508M**	**508M**

"A key contributor to our success is the dedication of our employees to meeting the needs of customers in a safe, reliable manner. The first quarter results represent a strong start to the year – operationally and financially – and positions 2015 as the third consecutive year of growth in PSEG's operating earnings. At this time, we are maintaining our forecast of operating earnings for the full year of $2.75 - $2.95 per share," said Izzo.

The following table outlines expectations for operating earnings in 2015 by subsidiary:

2015 Operating Earnings Guidance
($ millions, except EPS)

	2015E
PSE&G	$735 - $775
PSEG Power	$620 - $680
PSEG Enterprise/Other	$40 - $45
PSEG Operating Earnings	$1,395 - $1,500
Earnings Per Share	$2.75 - $2.95

Operating Earnings Review by Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $242 million ($0.47 per share) for the first quarter of 2015 compared with operating earnings of $214 million ($0.42 per share) for the first quarter of 2014.

SI-SSA-0015-12895

PSE&G's earnings for the first quarter reflect the benefits of the increase in revenue associated with the expansion of its capital program, colder than normal weather and the recovery of storm costs from the settlement of Sandy-related insurance claims.

Returns from PSE&G's expanded investment in transmission added $0.03 per share to earnings in the quarter. The winter weather, which was significantly colder than normal and colder than a year ago, had a favorable impact on gas volume and demand. The impact of weather on gas usage was offset in the weather-normalization clause and did not impact earnings. Growth in customer demand for gas (normalized for weather) added $0.01 per share to earnings. Earnings comparisons also benefited from a quarter-over-quarter decline in operation and maintenance expense of $0.01 per share. PSE&G's share of Sandy-related insurance settlement proceeds as well as a decline in storm-related repair costs from high levels experienced in 2014's first quarter more than offset the impact on O&M from an increase in pension expense.

Economic indicators in the service area are modestly better than a year ago. Employment and housing indicators show signs of slow, but steady improvement. Electric demand has also shown modest improvement. On a weather-normalized basis, electric sales are estimated to have improved by 0.2% in the quarter. The improvement was led by 0.6% growth from the commercial and industrial sector which offset a decline in demand from residential customers. Gas deliveries continue to benefit from sustained low commodity prices and signals of recovery in the economy. Weather-normalized gas deliveries in the quarter grew 0.4% based on a 1% improvement in demand from the residential sector.

PSE&G extended bill credits through April 30, 2015 for its residential gas heating customers. The April bill credit, which cut the average April bill for the typical residential gas customer by about 32%, was an extension of the credits PSE&G provided for residential gas usage for the five months of November 2014 through March 2015.

PSE&G received approval in April 2015 from the NJ Board of Public Utilities (BPU) to increase its investment in energy efficiency. PSE&G will invest an additional $95 million over a three year period at an authorized return on equity of 9.75% on several popular programs that expand energy efficiency initiatives to hospitals, multi-family housing and government and non-profit facilities.

PSE&G's capital program remains on schedule. PSE&G invested $599 million in the first quarter as part of its planned capital investment for 2015 of $2.6 billion in upgrades to the electric and gas distribution and transmission system.

The forecast of PSE&G's operating earnings for 2015 remains unchanged at $735 - $775 million. Operating earnings for the full year will be heavily influenced by the recovery of costs associated with higher levels of capital spending.

PSEG Power

PSEG Power reported operating earnings of $278 million ($0.55 per share) for the first quarter of 2015 and adjusted EBITDA of $626 million compared with operating earnings of

SI-SSA-0015-12896

$293 million ($0.58 per share) for the first quarter of 2014 and adjusted EBITDA of $651 million.

PSEG believes that the non-GAAP financial measure of “Adjusted EBITDA” is useful in evaluating Power’s operating performance because it provides investors with additional information to compare our business performance to other companies and understand performance trends.

Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense at Power’s fossil generation facilities. See Attachment 10 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA.

PSEG Power’s strong operating results in the first quarter reflect an improved availability of its gas-fired combined cycle fleet, higher prices on its hedged energy output, and the monetization of its gas supply which together helped offset the impact on earnings from a decline in capacity revenue and lower wholesale market prices for energy.

An increase in the average price received on energy hedges coupled with an increase in the percent of energy hedged in the first quarter relative to a year ago fully offset the impact of lower market prices on earnings. The expected decrease in average PJM capacity prices to $168/MW-day from $242/MW-day reduced Power’s quarter-over-quarter earnings by $0.09 per share. An increase in total gas send-out to commercial and industrial customers and strong margins on sales to the off-system market in response to the extreme weather conditions experienced throughout the quarter added $0.04 per share to quarter-over-quarter earnings. The absence of a charge in the prior year for the potential over-collection of revenues improved earnings comparisons by $0.03 per share. An increase in O&M expense reduced quarter-over-quarter earnings by $0.01 per share. An increase in costs associated with early site work at Hope Creek in preparation for its second quarter re-fueling outage and in pension expense more than offset a decline in maintenance expense at the fossil stations.

The flexibility and fuel diversity of Power’s fleet supported strong operations in the cold weather conditions experienced during the first quarter. Output of 14.5 TWh was in line with year-ago levels. The nuclear fleet operated at an average capacity factor of 95%, producing 7.8 TWh of output or 54% of generation, a slight decline from year-ago levels. Production from the combined cycle gas fleet (CCGT) increased to 3.9 TWh of generation, 27% of generation, from 3.4 TWh in the first quarter of 2014. An improvement in availability at Linden following work to increase the station’s capacity, and the availability of Bethlehem (NY) in the quarter, led to increased production from the CCGT fleet. The CCGT fleet’s operation was also aided by its successful use of oil as a back-up supply to maintain operations during critical periods. The coal stations performed in line with the prior period producing 2.5 TWh of energy, 17% of generation, as output from the peaking fleet declined in response to fewer days of extreme weather.

Power is maintaining its forecast of output for 2015 of 55 – 57 TWh, a 1% - 5% increase over 2014’s output of 54.2 TWh. Approximately 70 – 75% of anticipated production for the

SI-SSA-0015-12897

April – December period is hedged at an average price of $52 per MWh. For 2016, Power has hedged 50% - 55% of its forecast generation of 55 – 57 TWh at an average price of $51 per MWh; for 2017, Power has hedged 25 – 30% of its forecast generation of 55 – 57 TWh at an average price of $52 per MWh. The hedge data for 2015 and 2016 continues to assume volumes hedged under BGS represent 11 – 12 TWh per year.

Power's operating earnings for 2015 are forecast at $620 - $680 million. The forecast of operating earnings represents adjusted EBITDA for the full year of $1,545 million - $1,645 million. Results for the remainder of the year will be heavily influenced by an increase in the average price of hedged energy and the expected decline in year-over-year capacity revenue.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $9 million ($0.02 per share) for the first quarter of 2015 compared with operating earnings of $8 million ($0.01 per share) operating results for the first quarter of 2014. The difference in operating income is primarily the result of favorable interest and other income.

The forecast of PSEG Enterprise/Other full year operating earnings for 2015 remains $40 million - $45 million.

Sandy Insurance Settlement

PSEG reached a settlement with its insurers of claims for coverage of its Superstorm Sandy-related losses. The settlement provides for recovery of an additional $214 million over the $50 million of proceeds recovered over 2012-2013 for total recovery of $264 million, and the final settlement fully compensates PSEG for spending eligible for insurance recovery on Sandy-related repairs. The results for the first quarter of 2015 reflect the impact of a partial settlement reached with certain insurers for $159 million pre-tax. PSEG Power recorded $133 million in the first quarter for the settlement (but not included in Operating Earnings and Adjusted EBITDA) while PSE&G recorded $26 million. The remaining $54 million of insurance proceeds will be recognized in the second quarter's financial results.

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Forward Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,

SI-SSA-0015-12898

- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12899

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended March 31,	
	2015	***2014***
Earnings Results ($ Millions)		
PSE&G	$ 242	$ 214
PSEG Power	278	293
PSEG Enterprise/Other	9	8
Operating Earnings	**$ 529**	**$ 515**
Reconciling Items [(a)]	57	(129)
Net Income	**$ 586**	**$ 386**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**
Per Share Results (Diluted)		
PSE&G	$ 0.47	$ 0.42
PSEG Power	0.55	0.58
PSEG Enterprise/Other	0.02	0.01
Operating Earnings	**$ 1.04**	**$ 1.01**
Reconciling Items [(a)]	0.11	(0.25)
Net Income	**$ 1.15**	**$ 0.76**

(a) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended March 31, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 3,135	$ (592)	$ 2,002	$ 1,725
OPERATING EXPENSES				
Energy Costs	1,094	(691)	892	893
Operation and Maintenance	663	79	412	172
Depreciation and Amortization	330	7	247	76
Total Operating Expenses	2,087	(605)	1,551	1,141
OPERATING INCOME	1,048	13	451	584
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	36	1	17	18
Other Than Temporary Impairments	(5)	-	-	(5)
Interest Expense	(98)	2	(69)	(31)
INCOME BEFORE INCOME TAXES	984	16	399	569
Income Tax Benefit (Expense)	(398)	(7)	(157)	(234)
NET INCOME	**$ 586**	**$ 9**	**$ 242**	**$ 335**
OPERATING EARNINGS	$ 529	$ 9	$ 242	$ 278
Reconciling Items Excluded from Net Income [b]	57	-	-	57
NET INCOME	**$ 586**	**$ 9**	**$ 242**	**$ 335**

Three Months Ended March 31, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 3,223	$ (622)	$ 2,145	$ 1,700
OPERATING EXPENSES				
Energy Costs	1,356	(733)	1,045	1,044
Operation and Maintenance	856	92	462	302
Depreciation and Amortization	306	7	227	72
Total Operating Expenses	2,518	(634)	1,734	1,418
OPERATING INCOME	705	12	411	282
Income from Equity Method Investments	4	-	-	4
Other Income and (Deductions)	36	(1)	14	23
Other Than Temporary Impairments	(2)	-	-	(2)
Interest Expense	(97)	3	(68)	(32)
INCOME BEFORE INCOME TAXES	646	14	357	275
Income Tax Benefit (Expense)	(260)	(6)	(143)	(111)
NET INCOME	**$ 386**	**$ 8**	**$ 214**	**$ 164**
OPERATING EARNINGS	$ 515	$ 8	$ 214	$ 293
Reconciling Items Excluded from Net Income [b]	(129)	-	-	(129)
NET INCOME	**$ 386**	**$ 8**	**$ 214**	**$ 164**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	March 31, 2015	December 31, 2014
DEBT		
Long-Term Debt	$ 8,867	$ 8,869
Securitization Debt	201	259
Project Level, Non-Recourse Debt	16	16
Total Debt	9,084	9,144
STOCKHOLDERS' EQUITY		
Common Stock	4,873	4,876
Treasury Stock	(662)	(635)
Retained Earnings	8,616	8,227
Accumulated Other Comprehensive Loss	(270)	(283)
Total Common Stockholders' Equity	12,557	12,185
Noncontrolling Interests - Equity Investments	1	1
Total Equity	12,558	12,186
Total Capitalization	$ 21,642	$ 21,330

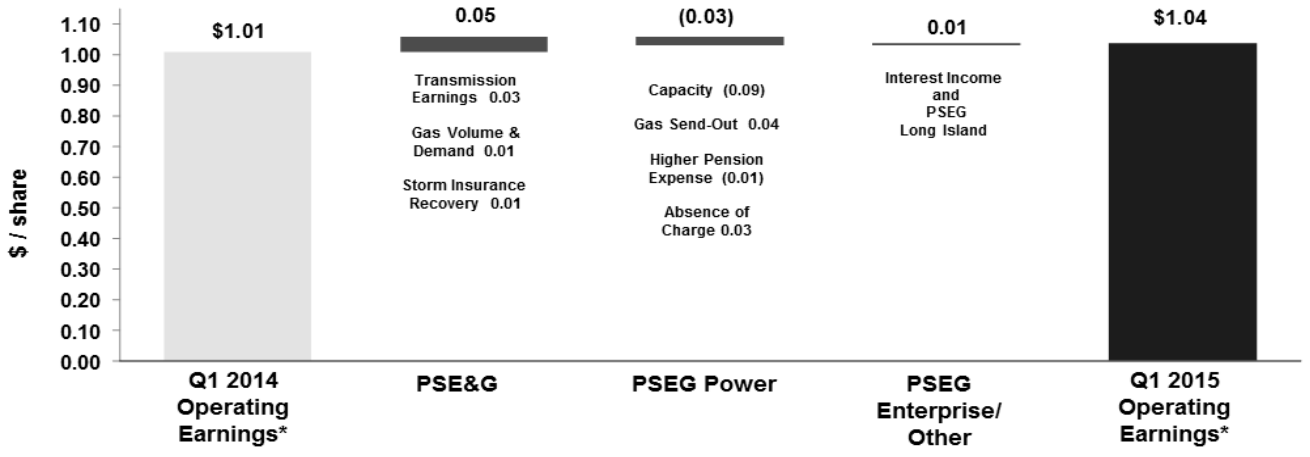
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 586	$ 386
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,093	730
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,679	1,116
NET CASH USED IN INVESTING ACTIVITIES	(779)	(629)
NET CASH USED IN FINANCING ACTIVITIES	(294)	(325)
Net Change in Cash and Cash Equivalents	606	162
Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$ 1,008	$ 655

Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2015 vs. March 31, 2014
(Unaudited)



* See Attachment 10 for Items excluded from Net Income to compute Operating Earnings.

Attachment 6

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2015

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2014
Residential	3,347	1.1%
Commercial & Industrial	6,935	0.9%
Street Lighting	96	5.1%
Interdepartmental	3	-1.4%
Total	10,381	1.0%
Revenue (in millions)		
Residential	$ 515	0.8%
Commercial & Industrial	467	-3.9%
Street Lighting	18	4.7%
Other Operating Revenues*	157	25.4%
Total	$ 1,157	1.6%

Weather Data	Three Months Ended	Change vs. 2014
THI Hours - Actual	0	0.0%
THI Hours - Normal	29	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

Attachment 7

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2015

Gas Sold and Transported

Sales (millions therms)*		Three Months Ended	Change vs. 2014
Firm Sales			
Residential Sales		876	5.7%
Commercial & Industrial		542	5.0%
Total Firm Sales		**1,418**	**5.4%**
Non-Firm Sales			
Commercial & Industrial		452	-17.8%
Total Non-Firm Sales		**452**	
Total Sales		**1,870**	**-1.3%**
Revenue ($ millions)			
Residential Sales - Firm	$	131	-50.6%
Commercial & Industrial - Firm Sales		156	-10.4%
Non-Firm Sales		12	-20.3%
Other Operating Revenues**		44	-0.5%
Total	**$**	**343**	**-31.2%**
Gas Transported	$	502	-1.1%

Weather Data	Three Months Ended	Change vs. 2014
Degree Days - Actual	3,138	5.7%
Degree Days - Normal	2,509	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2015	2014
Nuclear - NJ	5,339	5,527
Nuclear - PA	2,493	2,522
Total Nuclear	**7,832**	**8,049**
Fossil - Coal/Natural Gas - NJ**	423	532
Fossil - Coal - PA	1,516	1,381
Fossil - Coal - CT	590	628
Total Coal	**2,529**	**2,541**
Fossil - Oil & Natural Gas - NJ	3,482	3,168
Fossil - Oil & Natural Gas - NY	603	567
Fossil - Oil & Natural Gas - CT	92	240
Total Oil & Natural Gas	**4,177**	**3,975**
	14,538	**14,565**

	% Generation by Fuel Type Three Months Ended March 31,	
	2015	2014
Nuclear - NJ	37%	38%
Nuclear - PA	17%	17%
Total Nuclear	**54%**	**55%**
Fossil - Coal/Natural Gas - NJ**	3%	4%
Fossil - Coal - PA	10%	9%
Fossil - Coal - CT	4%	4%
Total Coal	**17%**	**17%**
Fossil - Oil & Natural Gas - NJ	24%	22%
Fossil - Oil & Natural Gas - NY	4%	4%
Fossil - Oil & Natural Gas - CT	1%	2%
Total Oil & Natural Gas	**29%**	**28%**
	100%	**100%**

*Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months ended March 31, 2015 and 2014. Also includes natural gas fuel switching intervals.

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Weighted Average Common Shares Outstanding (millions)		
Basic	506	506
Diluted	508	508
Stock Price at End of Period	$ 41.92	$ 38.14
Dividends Paid per Share of Common Stock	$ 0.39	$ 0.37
Dividend Payout Ratio*	55.9%	54.0%
Dividend Yield	3.7%	3.9%
Price/Earnings Ratio*	15.0	13.9
Rate of Return on Average Common Equity*	11.7%	12.3%
Book Value per Common Share	$ 24.83	$ 23.32
Market Price as a Percent of Book Value	169%	164%
Total Shareholder Return	2.2%	20.3%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Year Ended December 31, 2014	Year Ended December 31, 2013
	($ Millions, Unaudited)			
Operating Earnings	$ 529	$ 515	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	75	(6)	(16)	(32)
Net Income	$ 586	$ 386	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 1.04	$ 1.01	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.15	(0.01)	(0.03)	(0.07)
Net Income	$ 1.15	$ 0.76	$ 2.99	$ 2.45

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

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	Year Ended December 31, 2014
	($ Millions, Unaudited)		
Adjusted EBITDA	$ 626	$ 651	$ 1,584
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [b]	(77)	(73)	(291)
Interest Expense, pre-tax [b]	(31)	(31)	(120)
Income Taxes [b]	(191)	(196)	(387)
Operating Earnings	$ 278	$ 293	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [a]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	$ 335	$ 164	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2015

May 1, 2015

SI-SSA-0015-12910

Forward-Looking Statement

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

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- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
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The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-12911

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2015 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12913

Q1 Earnings Summary – PSEG Delivers Strong Operating Results

Quarter ended March 31

$ millions (except EPS)	2015	2014
Operating Earnings	$ 529	$ 515
Reconciling Items, Net of Tax	57	(129)
Net Income	$ 586	$ 386
EPS from Operating Earnings*	$ 1.04	$ 1.01

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

SI-SSA-0015-12914

PSEG – Q1 2015 Highlights

Strong Operating Earnings

- ✓ Operating earnings of $1.04 per share vs. $1.01 per share in Q1 2014
- ✓ Power benefited from higher prices on its hedged output, monetization of its gas supply and improved performance from CCGTs
- ✓ Increased earnings contribution from PSE&G's investment in transmission

Operational Excellence

- ✓ PSEG Power CCGT units improved fleet availability; nuclear capacity factor at 95%
- ✓ Diversity and location of Power's fleet provided flexibility to participate in market
- ✓ PSE&G maintained high system reliability during a record-setting cold winter

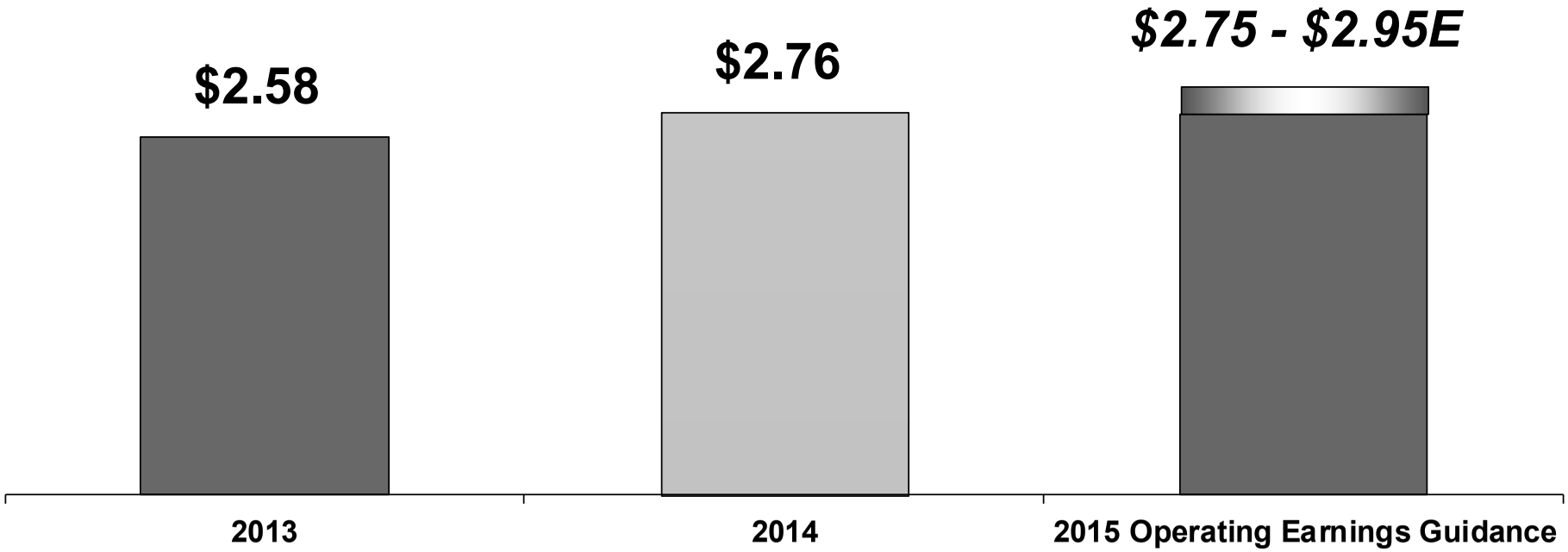
PSEG Disciplined Capital Investment

- ✓ Increased common dividend to indicative annual rate of $1.56 per share
- ✓ BPU approved Energy Efficiency Extension II for additional $95 million investment
- ✓ Transmission projects in construction – on schedule and on budget
- ✓ S-R expected to be fully energized in May (Hopatcong to Susquehanna)
- ✓ Settlement reached on Superstorm Sandy-related insurance claims fully compensates PSEG for repairs covered by our policies

SI-SSA-0015-12915

PSEG – Maintaining 2015 Guidance

2015 guidance reflects continued increased level of investment, and assumes normal weather and unit operations



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

SI-SSA-0015-12916

PSEG
2015 Q1 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12917

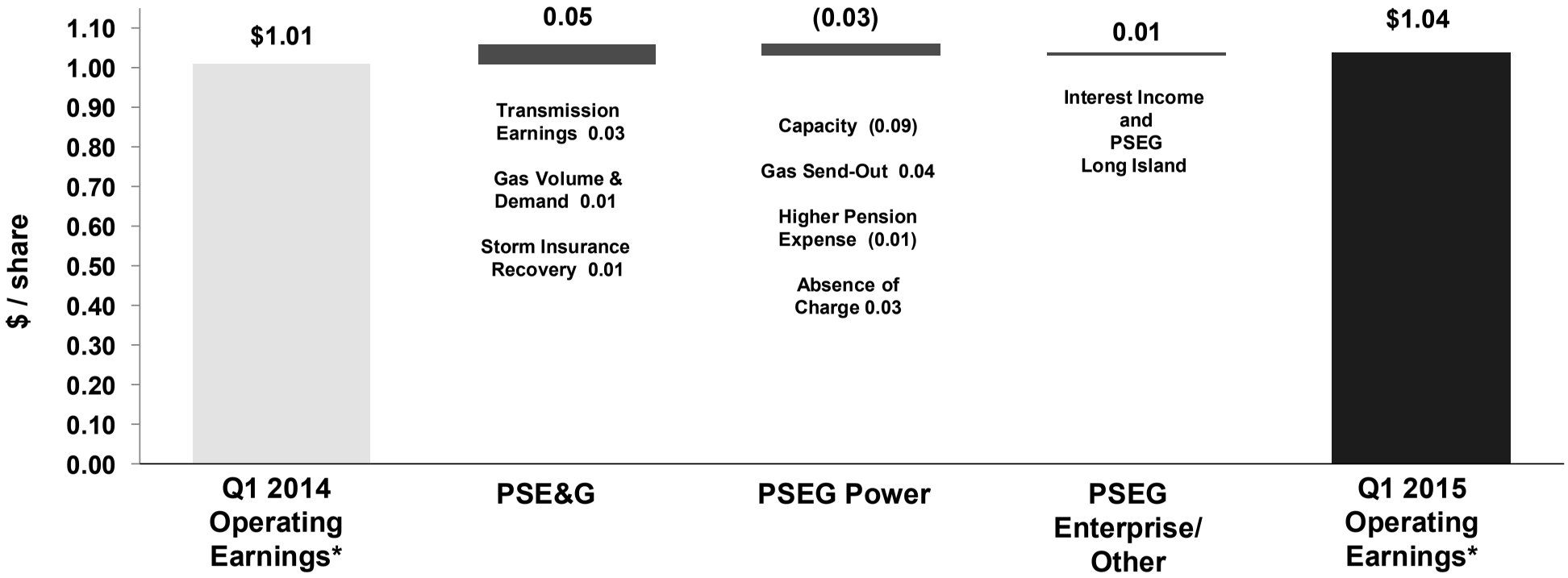
Q1 Operating Earnings by Subsidiary

Quarter ended March 31

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 242	$ 214	$ 0.47	$ 0.42
PSEG Power	278	293	0.55	0.58
PSEG Enterprise/Other	9	8	0.02	0.01
Operating Earnings*	$ 529	$ 515	$ 1.04	$ 1.01

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

PSEG EPS Reconciliation – Q1 2015 versus Q1 2014



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

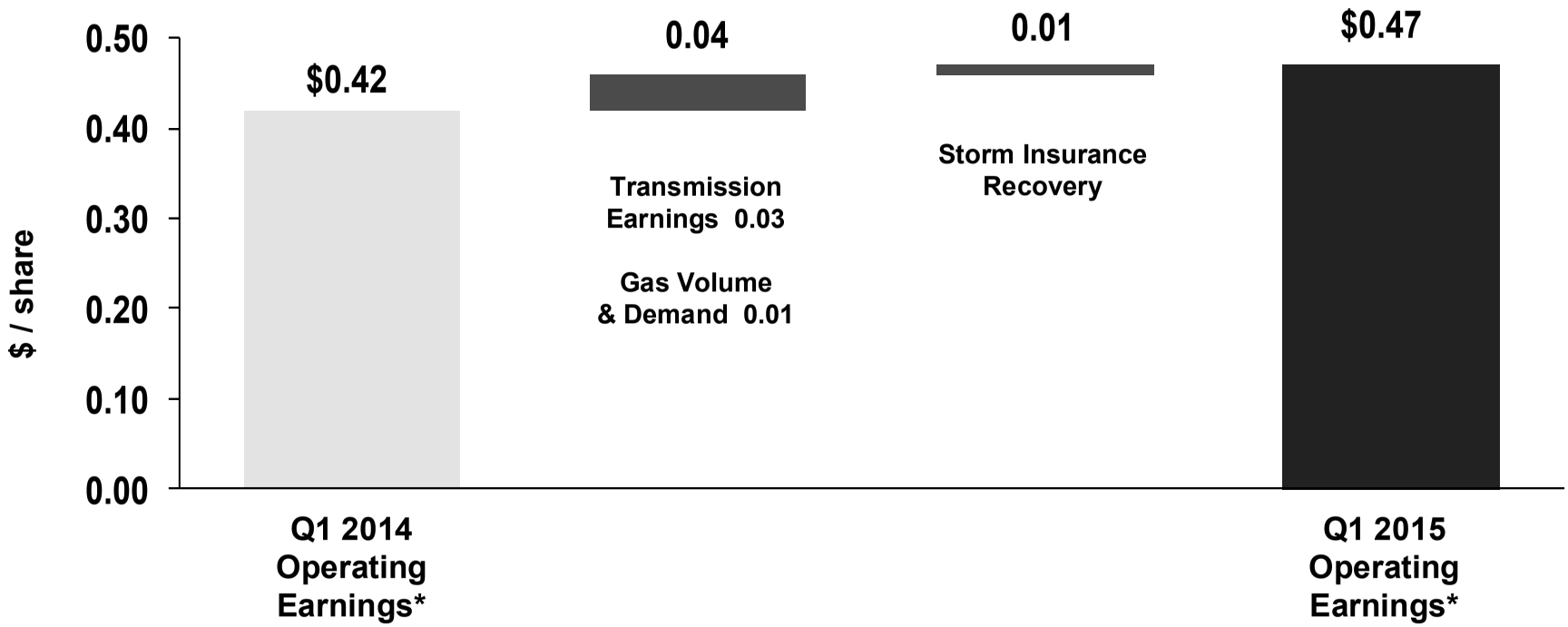
PSE&G
2015 Q1 Review

PSE&G – Q1 EPS Summary

$ millions (except EPS)	Q1 2015	Q1 2014	Variance
Operating Revenues	$ 2,002	$ 2,145	$ (143)
Operating Expenses			
Energy Costs	892	1,045	(153)
Operation & Maintenance	412	462	(50)
Depreciation & Amortization	247	227	20
Total Operating Expenses	1,551	1,734	(183)
Operating Earnings/Net Income	$ 242	$ 214	$ 28
EPS from Operating Earnings/Net Income	$ 0.47	$ 0.42	$ 0.05

SI-SSA-0015-12921

PSE&G EPS Reconciliation – Q1 2015 versus Q1 2014



* Operating Earnings is equal to Net Income.

SI-SSA-0015-12922

PSE&G – Q1 2015 Operating Highlights

Operations

- ✓ Coldest Q1 in over 45 years: Heating degree days were 5.7% above last winter and 25% above normal
- ✓ Weather normalized electric sales: Slight overall improvement of 0.2%, led by the commercial and industrial segment
- ✓ Gas deliveries continue to benefit from low commodity prices and modest economic growth, weather adjusted deliveries grew by 0.4%, led by a 1% advance in the residential segment

Regulatory and Market Environment

- ✓ BPU approved $95 million Energy Efficiency Extension II in April; investment over next 3 years
- ✓ Gas System Modernization Program filed with the BPU in February; first phase proposes to spend $1.6 billion over 5 years to replace aging cast iron and unprotected steel pipes
- ✓ PSE&G extended BGSS gas rate credits through April 2015; this winter's total PSE&G bill credit is ~$236, or a 32% savings for the average gas customer (Nov 2014-April 2015)
- ✓ Susquehanna-Roseland transmission line expected fully in service for Summer 2015

Financial

- ✓ PSE&G invested ~$600 million in T&D upgrades during Q1 as part of its full-year, $2.6 billion investment program
- ✓ PSE&G operating earnings* for full-year 2015 are forecast at $735 million to $775 million

* Operating Earnings is equal to Net Income.

SI-SSA-0015-12923

PSEG Power
2015 Q1 Review

SI-SSA-0015-12924

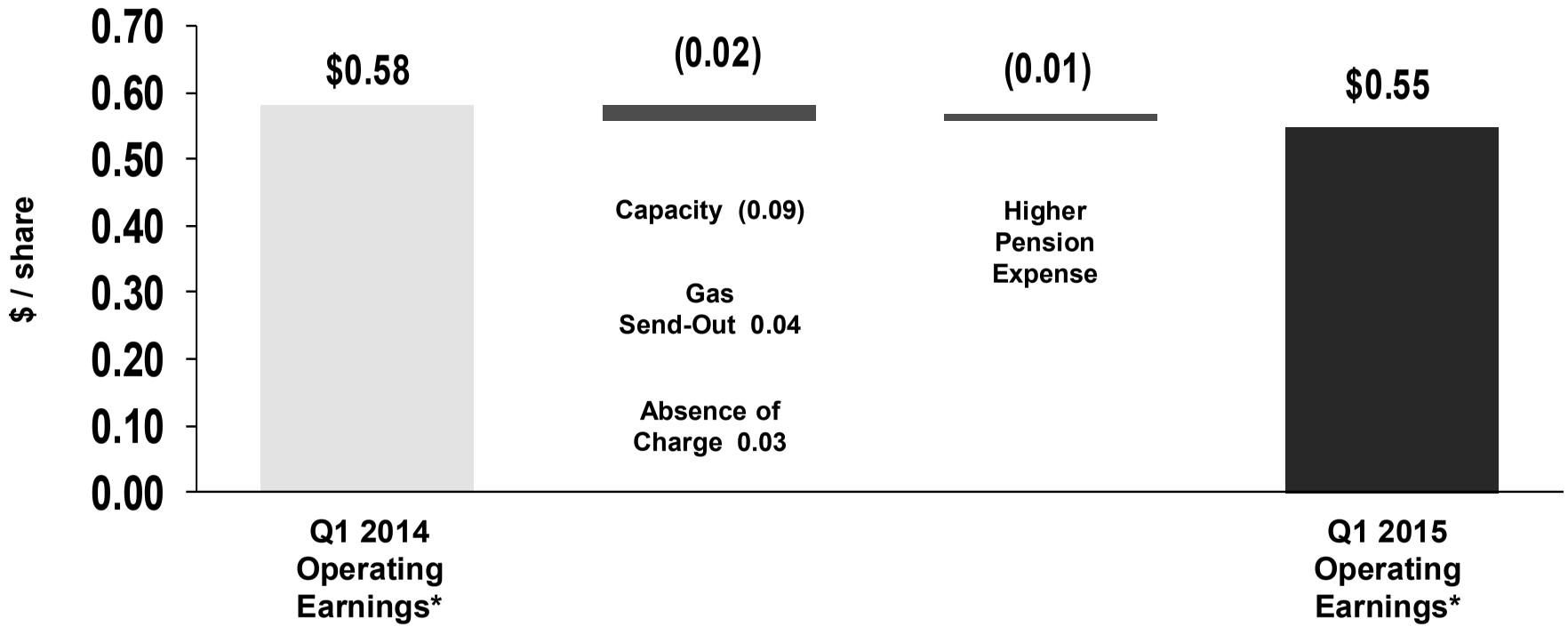
PSEG Power – Q1 Earnings Summary

$ millions (except EPS)	Q1 2015	Q1 2014	Variance
Operating Revenues	$ 1,725	$ 1,700	$ 25
Operating Earnings	$ 278	$ 293	$ (15)
Reconciling Items, Net of Tax*	57	(129)	186
Net Income	$ 335	$ 164	$ 171
EPS from Operating Earnings*	$ 0.55	$ 0.58	$ (0.03)
Adjusted EBITDA**	$ 626	$ 651	$ (25)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-12925

PSEG Power EPS Reconciliation – Q1 2015 versus Q1 2014



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

SI-SSA-0015-12926

PSEG Power's Q1 2015 and Full-Year 2015 Guidance for Adjusted EBITDA

PSEG Power - Adjusted EBITDA*

	Three Months Ended March 31,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$278	$293	$620	$680
Add:				
Fossil Major Maintenance, pre-tax	49	58	115	115
Depreciation & Amortization, pre-tax	77	73	305	305
Interest Expense, pre-tax	31	31	125	125
Income Taxes	191	196	380	420
Adjusted EBITDA	**$626**	**$651**	**$1,545E**	**$1,645E**

* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

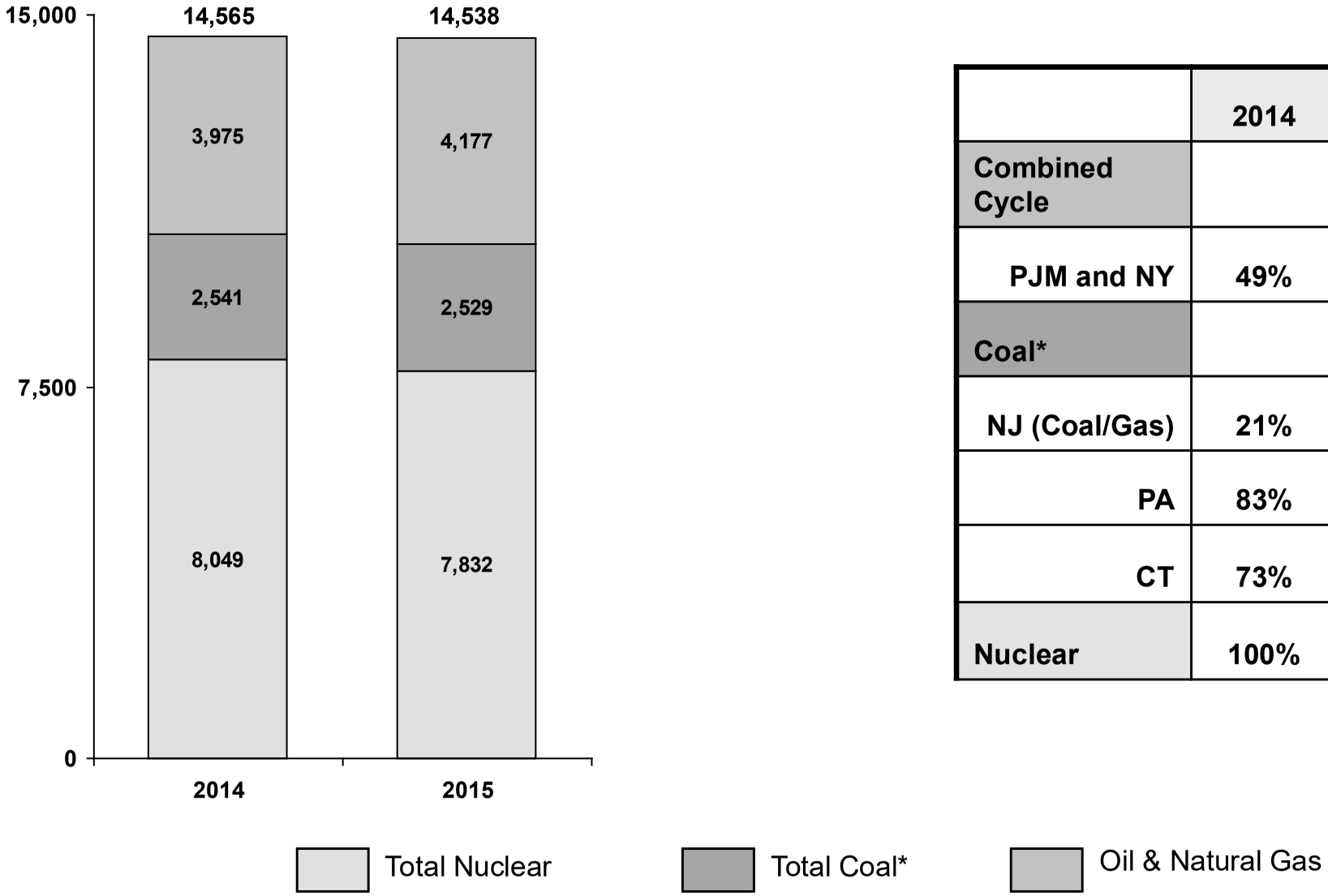
** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-12927

PSEG Power – Generation Measures

Generation by Fuel (GWh)**

Quarter ended March 31



Fleet Capacity Factors (%)

Quarter ended March 31

	2014	2015
Combined Cycle		
PJM and NY	49%	55%
Coal*		
NJ (Coal/Gas)	21%	17%
PA	83%	91%
CT	73%	68%
Nuclear	100%	95%

* Includes figures for Pumped Storage. Also includes natural gas fuel switching intervals. ** Excludes Solar and Kalaeloa

SI-SSA-0015-12928

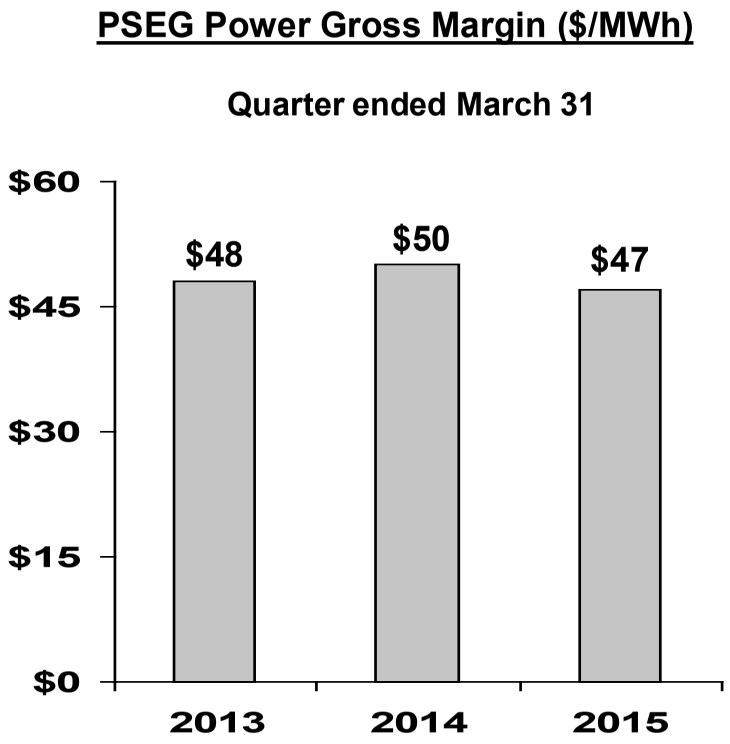
PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

	Quarter ended March 31	
($ millions)	2014	2015
Coal	$87	$82
Oil & Gas	365	247
Total Fossil	452	329
Nuclear	62	55
Total Fuel Cost	$514	$384
Total Generation (GWh)	14,565	14,538
$ / MWh	35.29	26.41

PSEG Power – Gross Margin Performance

- ✓ Hedging profile captured returns amid lower price volatility than in Q1 2014
- ✓ Q1 spot prices significantly lower across PJM, ISO-NE, and NYISO versus year ago
- ✓ Capacity prices were lower year-over-year
- ✓ Access to lower-cost Marcellus gas continues to benefit spark spreads



Q1 2015 Regional Performance		
Region	**Gross Margin ($M)**	**Comment**
PJM	$623	Higher prices on hedged output offset lower wholesale market prices and a decline in capacity revenue
New England	$51	Hedging profile improved margins offsetting lower market prices
New York	$13	Higher volumes with improved fuel availability

SI-SSA-0015-12930

Hedging Update

Contracted Energy*

		Apr-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	37	37
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$51	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	17	20	20
	% Hedged	30-35%	0%	0%
	Price $/MWh	$52	--	--
Total	Volume TWh	41-43	55-57	55-57
	% Hedged	70-75%	50-55%	25-30%
	Price $/MWh	$52	$51	$52

* Hedge percentages and prices as of March 31, 2015. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-12931

PSEG Power – Q1 Operating Highlights

Operations

- ✓ Q1 output flat with Q1 2014 at 14.5 GWh
- ✓ Nuclear fleet's capacity factor at 95%
- ✓ CCGT production up 16% to 3.9 TWh on improved availability at Linden

Regulatory and Market Environment

- ✓ PJM's Capacity Performance (CP) proposal pending at FERC
- ✓ FERC granted PJM request to postpone Reliability Pricing Model (RPM) auction for the 2018/2019 delivery year
- ✓ Base load output in 2015 hedged at an average price of $52/MWh vs. 2014 average hedge price of $48/MWh
- ✓ 2015 BGS load projected at 11-12 TWh
- ✓ Bergen and Peach Bottom 2 capacity uprates scheduled to add 96MW for Summer 2015

Financial

- ✓ Power's total debt as a percentage of capitalization at March 31 was 31%
- ✓ Power's operating earnings* for full-year 2015 are forecast at $620 million to $680 million, and Adjusted EBITDA** at $1.55 billion to $1.65 billion

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-12932

PSEG

PSEG Financial Highlights

Maintaining 2015 operating earnings guidance of $2.75 - $2.95 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ PSE&G expected to contribute over 50% of 2015 operating earnings

Infrastructure Spend

- ✓ PSE&G T&D spend for 2015 expected to be $2.6 billion
- ✓ PSE&G received approval in April 2015 from the NJ Board of Public Utilities (BPU) to invest an additional $95 million over a three-year period on Energy Efficiency programs
- ✓ Utility's Gas System Modernization Program filed with the BPU in February; first phase proposes to spend $1.6 billion over 5 years to replace aging cast iron and unprotected steel pipes
- ✓ Power's AGP and nuclear uprate programs ongoing

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 41% at March 31

Increased common dividend 5.4% to indicative annual rate of $1.56 per share

- ✓ Increasing regulated earnings mix supports dividend growth

SI-SSA-0015-12934

PSEG Sandy-related insurance settlement proceeds

($ millions, pre-tax)	Pre-2015	Q1 2015	Q2 2015E	Total
PSEG Power	$44	$133	TBD	TBD
PSE&G	6	26**	TBD	TBD
PSEG	$50*	$159	~$54***	~$264

* PSE&G received $6 million of insurance settlement proceeds in Q4 2012. Power received $19 million and $25 million of insurance settlement proceeds in Q4 2012 and Q2 2013, respectively.

** PSE&G share of proceeds reduced O&M; Property, Plant and Equipment; and Regulatory Assets.

***The amounts to be recorded by PSEG Power and PSE&G will be determined in second quarter 2015. TBD = To Be Determined.

SI-SSA-0015-12935

PSEG 2015 Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings

$ millions (except EPS)	2015E	2014
PSE&G	$735 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	$1,395 - $1,500	$1,400
Earnings per Share	**$2.75 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**

$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-12936

PSEG Liquidity as of March 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 (A,C)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$178	$1,422
	5-Year Credit Facility (Power)	Mar-18	$1,000 (A,D)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 (A,B)	$0	$500
		Total	$4,300	$200	$4,100

PSEG Money Pool ST Investment	$636
PSE&G ST Investment	$316
Total Liquidity Available	**$5,052**
Total Parent / Power Liquidity	**$4,150**

(A) In April 2015, expiration dates of these facilities were extended to April 2020.

(B) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

(C) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018.

(D) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

SI-SSA-0015-12937

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year Ended December 31,*	
	2015	*2014*	*2014*	*2013*
	($ Millions, Unaudited)			
Operating Earnings	$ 529	$ 515	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	2	9	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	(20)	(132)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	75	(6)	(16)	(32)
Net Income	$ 586	$ 386	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 1.04	$ 1.01	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	(0.04)	(0.26)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.15	(0.01)	(0.03)	(0.07)
Net Income	$ 1.15	$ 0.76	$ 2.99	$ 2.45

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

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

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2015	*2014*	*2014*
	($ Millions, Unaudited)		
Adjusted EBITDA	**$ 626**	**$ 651**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(49)	(58)	(144)
Depreciation and Amortization, pre-tax [b]	(77)	(73)	(291)
Interest Expense, pre-tax [b]	(31)	(31)	(120)
Income Taxes [b]	(191)	(196)	(387)
Operating Earnings	**$ 278**	**$ 293**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	7	19	138
Gain (Loss) on MTM, pre-tax [a]	(34)	(223)	111
Storm O&M, net of insurance recoveries, pre-tax	127	(10)	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	85	(104)
Net Income	**$ 335**	**$ 164**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q2 2015 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: JULY 31, 2015 / 03:00PM GMT

OVERVIEW:
Co. reported 2Q15 operating EPS of $0.57. Expects 2015 operating EPS to be $2.80-2.95.

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SI-SSA-0015-12940

CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*

Caroline Dorsa *Public Service Enterprise Group Inc - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Daniel Eggers *Credit Suisse - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Travis Miller *Morningstar - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brandy, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group second-quarter 2015 earnings conference call and webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Friday July 31, 2015 and will be available for telephone replay beginning at 1pm eastern today, until 11:30pm eastern on August 7, 2015. It will also be available as an audio website on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc - VP of IR***

Thank you, Brandy. Good morning, thank you for participating in our earnings call this morning. As you are all aware, we released second-quarter 2015 earnings statements earlier today. The release and attachments as mentioned are posted on our website at www.pseg.com under the investors section. We also posted a series of slides that detail operating results by company for the quarter, and the first half of the year. Our 10-Q for the period ended June 30, 2015, is expected to be filed shortly. I won't go through the full disclaimer statements or the comments we have on the difference between operating earnings and GAAP results. However, as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligations to do so, even if our estimate changes, unless of course we are required to do so.

Our release contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts, and expectations, and for a reconciliation of operating earnings to GAAP results. I'm now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer, Public Service Enterprise Group; and joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thank you Kathleen, and thank you everyone for joining us today. Earlier this morning we reported operating earnings for the second quarter of 2015, of $0.57 per share, a 16% improvement over the $0.49 per share earned in 2014's second quarter. The results for the quarter bring operating earnings in the first half of 2015 to $1.61 per share, a 7% increase over operating earnings of $1.50 per share earned in 2014's first half. Slides 4 and 5 contain the detail on the results for the quarter and the first half. Our businesses are performing well and meeting the challenges of today's low energy price environment. The results for the quarter and the first half of the year demonstrate the importance of strong operations and providing our customers with safe, reliable, low-cost energy. PSE&G invested $1.3 billion during the first half of the year, as part of its planned capital program for 2015 of $2.6 billion. This included upgrades to the electric and gas distribution and transmission system. PSE&G's focus on improving the resiliency of the grid and increasing operational efficiency has also translated into strong performance in a number of areas of customer satisfaction, including price, billing and payment, corporate citizenship, and field service. PSE&G was recently assigned a share of the transmission upgrade work at Artificial Island. Decision will increase PSE&G's transmission-related capital spending by $100 million to $130 million over the next four years. This project will add to PSE&G's robust pipeline of projects that will drive high single-digit growth in PSE&G's earnings over the three year period ending in 2017.

The New Jersey Board of Public Utilities has begun proceedings related to PSE&G's proposed $1.6 billion gas system modernization program. The investment would provide for a continuation of the work underway to replace 800 miles of cast iron and bare steel pipe over five years to advance reliability and reduce the potential for harmful emissions of methane gas. Approval would also provide a direct boost to New Jersey's economy. We continue to believe that this is the right time to move forward with this work, given the sizeable savings customers continue to realize from low gas prices. PSEG Power's earnings demonstrate the strength of its asset mix. Recent economic investments have increased the capacity of existing nuclear and fossil units, and have improved the fleet's operating efficiencies. The completion of upgrade work at the gas-fired Bergen combined cycle unit yielded an increase in capacity of 31 megawatts. Just as the completion of the first phase of the Peach Bottom upgrade, which achieved 100% output at the new rating in May, providing an additional 65 megawatts for Power's share of this nuclear unit.

In addition, Power recently announced plans to construct and operate a new 755 megawatt combined cycle unit at the Key's Energy center in Maryland at a cost of $825 million to $875 million. The investment is in keeping with Power's overall strategy of investing in efficient capacity in its core markets. All three investments will enhance Power's ability to perform on the PJM's recently approved capacity program. Capacity performance, with its emphasis on performance, is an example of how customer demands for reliability are increasing. The size of PSEG Power's fleet, the diversity of the fleet's fuel mix and its dispatch flexibility, should support performance under the new capacity standards. The real impact of the changes in the RPM capacity should be felt over time, as the market recognizes the need for increased investment to maintain system reliability, particularly in light of anomalous weather patterns.

We are focused on executing our investment strategies and expanding our infrastructure in a disciplined manner. A manner that supports the goals of customers and shareholders alike. PSE&G's investment program is expected to yield double digit growth in rate base through 2019, as the earnings contribution from our regulated business should continue to exceed 50% of our consolidated earnings. PSEG Power's investment program is expected to enhance the fleet's efficiency and reliability, as we continue to look for opportunities to expand that fleet. The potential investment in Artificial Island, actually the recently approved investment in Artificial Island, the announced acquisition of the Keys Energy Center, and the gas system modernization program, if approved, would expand our previously announced capital program for 2015 through 2019, by 15% to 20%, or $2.2 billion.

Based on the strength of our results for the first half of the year and the outlook for the remainder of the year, we are updating our earnings guidance for 2015. We have narrowed our range for guidance to $2.80 to $2.95 per share from its original $2.75 to $2.95 per share. Our financial position remains strong, the growth in capital spending can be financed without the need to issue equity. We intend to utilize our financial strength to pursue investments that enhance operating efficiency, support our market position and seek to improve on the high levels of reliability expected by our customers, as we increase shareholder value. With that, I'll turn the call over to Caroline who will discuss our financials in greater detail.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, Ralph, and thank you everyone for joining us today. As Ralph said, PSEG reported operating earnings for the second quarter of 2015 $0.57 per share, versus operating earnings of $0.49 per share in the last year second quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter, on slide 4. And we've also provided you with a waterfall chart on slide

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10 that takes you through the net changes in quarter over quarter operating earnings by major business, and a similar chart on slide 12, provide you with changes in operating earnings by each business on a year-to-date basis.

Now I'll go review each company in a bit more detail, starting with PSE&G. PSE&G reported operating earnings for the second quarter of 2015 of $0.33 per share, compared with $0.30 per share for 2014's second quarter, a 10% improvement. Results for the quarter are shown on slide 14. PSE&G's operating results for the second quarter continued to benefit from the expansion of the capital program and the impact of warmer than normal weather on demand.

Returns from PSEG's expanded investment in transmission added $0.04 per share to earnings in the quarter. An increase in revenue at the start of the year under its transmission formula rate provides PSE&G the opportunity to continue to earn its allowed return on its transmission investments. Electric demand benefited from the more favorable weather conditions during the quarter. That is, the weather was hotter than normal and warmer than last year. As well as the recovery of costs associated with PSE&G's capital infrastructure programs. Together, these improved earnings comparisons in the quarter by $0.01 per share. Gas deliveries continue to grow in response to sustained low prices. The growth in gas deliveries also increased earnings comparisons by $0.01 per share. The improvement in earnings associated with this growth and revenue was partially offset by an increase in pension expense, as well as higher storm-related expenses. With those increases totaling an impact of $0.02 per share. An increase in taxes and other items reduced quarter-over-quarter earnings by $0.01 per share.

Economic indicators in the service territories such as employment and housing, are showing signs in improvement. Modest growth and electric demand is reflective of the improvement in economic conditions. On a weather normalized basis, electric sales grew by 0.2% for the quarter and about the same year to date. Growth in demand by residential and commercial customers is partially offset by a decline in demand from industrial customers. Weather normalized deliveries of gas grew 2.7% during the first half of the year, in response to sustained low prices, something you'll recall we saw last year as well. PSE&G as part of it's annual BGSS filing with the New Jersey BPU requested a further reduction of $70 million in annual revenues, reflecting its lower cost of gas supply. When placed into effect, the BGSS rate will be reduced to $0.40 per therm from $0.45 per therm, effective October 1 of this year. And including this reduction, the typical residential gas customer has experienced a reduction in his or her bill of $792, or 47% since January of 2009. PSE&G has maintained a steady level of capital expenditures, investing $1.3 billion in the first half of the year as part of its annual planned capital program of $2.6 billion in upgrades to the electric and gas distribution and transmission systems. The capital investment associated with PSE&G's share of recommended upgrades to the transmission system at Artificial Island will increase the investment in transmission by $100 million to $130 million during the 2016 to 2019 timeframe. We are updating our forecast for PSE&G's operating earnings for the year from $735 million to $775 million to $760 million to $775 million, given year-to-date results. Operating earnings for the full year will be influenced by the summer weather, and of course the recovery of costs associated with higher levels of capital spending. Now let's turn to Power.

PSEG Power reported operating earnings of $0.22 per share for the second quarter of 2015, and adjusted EBITDA of $301 million. Compared with operating earnings of $0.17 per share, and adjusted EBITDA of $276 million for the second quarter of 2014. Power's operating results for the second quarter benefited from improved operations at its nuclear and fossil generating facilities, as well as higher prices on its hedged output, and a decline in the cost of its gas supply. The benefit to earnings from the improvement in operations more than offset the impact on earnings from an expected decline in capacity revenue and the lower wholesale market prices for energy. Higher average prices on energy hedges, coupled with a reduction in the cost of supply, more than offset the impact on earnings of lower wholesale market prices for energy. These items combined to increased quarter-over-quarter earnings comparisons by $0.10 per share. In addition, a 10% improvement in the output over the prior year increased quarterly earnings comparisons by $0.02 per share. So this improvement and margin was partially offset by the expected decline in PJM capacity revenues, which reduced Power's quarter-over-quarter earnings by $0.08 per share. The reduction in capacity revenues reflects the impact both of a lower average capacity price and the retirement of capacity that we've talked about before, the capacity that's no longer complaint with environmental regulations.

Higher levels of O&M and depreciation expense were offset by a decline in taxes of $0.03 per share, and other items, to net improve quarter-over-quarter earnings by $0.01 per share. The lower effective tax rate in the quarter of approximately 23% versus last year's 31% was anticipated, and we continue to estimate that the tax rate for the full year will approximate 38%, which is about the same rate as you saw in 2014. The increase in adjusted EBITDA for the quarter is in line with the change in earnings per share that I just went through on a quarter-over-quarter basis. The average price for capacity declined in the quarter to approximately $168 per megawatt day and $217 per megawatt day. In addition, the amount of capacity that cleared the PJM capacity auction for the 2015, 2016 capacity year, which we've discussed over the past few years, was reduced by about 1,800 megawatts to 8,800 megawatts. This reflects the retirement in May of this year, of the HEDD peaking capacity that didn't meet New Jersey's nitrous oxide emission standards. As we move through the second half of 2015, the average price received on PJM capacity will remain stable, relative to the average price received during the second half of 2014, at about $168 per megawatt day. However, you should continue to expect on a year-over-year basis a decline in capacity revenues during the second half of the year, specifically related to that retirement of the capacity under HEDD.

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The fuel diversity and flexibility of Power's fleet was demonstrated once again in the quarter. Our output increased 10% over year ago levels to 13.2 terawatt hours. The nuclear fleet operated at an average capacity factor of 86%, producing 7.1 terawatt hours of output, or about 54% of our generation. And this level of output represents a 9% improvement from year-ago levels. The performance on the nuclear fleet reflects the absence for some major repairs and sale on two in 2014, which led to this year to fewer outage related days in the second quarter.

Production from the combined cycle gas fleet increased 26% this year to 4.6 terawatt hours of generation, or 34% of our total generation as the fleet's capacity factor improved to 61% from 49% in the year-ago quarter. Linden's availability improved versus 2014, as the result of upgrade and maintenance work that was occurring in the year-ago quarter. Dispatch of the combined cycle fleet was also supported by the availability of low-cost gas. Dispatch of the coal fleet however, was hurt by a decline in the price of gas, and lower wholesale energy prices. Output from the coal fleet declined to 1.3 terawatt hours, or 10% of generation during the quarter. Wholesale market energy prices have been affected by a decline in the price of gas, and anomalies in the dispatch of generation associated with the volatility in pricing. Strong production of low-cost gas from Marcellus Basin and the lack of sufficient takeaway capacity, not unexpectedly, has resulted in a lower price for gas. The impact on power prices from the lower cost of gas has been further compounded this summer by repair work on electric transmission lines in the Maryland/DC area, and differentials on load given the warmer than normal weather in southern PJM, versus the more normal demand experienced in the northern part of PJM.

That inability to dispatch energy to meet demands as a result of transmission constraints, hurt the wholesale market price for power in our region. This situation is alleviated during periods of more normal weather-related demand in the areas serviced by PSEG Power. So the dynamics affecting the power markets were not wholly unexpected, given that lack of gas transmission takeaway capacity in the Marcellus Basin, and the work underway to alleviate the constraints on electric transmission to the south of us. Power's cycle fleet continued to benefit from is access to this low-cost gas supply during the second quarter. And since power prices held up and we continue to access lower cost gas, the combined cycle fleet experienced an expansion of spark spreads. And Power's fleet will continue to benefit from low gas prices, and a somewhat open gas position.

As we look to the full year, the improvement and availability of Power's gas-fired and nuclear fleet, combined with incremental operating capacity at the Peach Bottom 2 nuclear plant, and the gas-fired Bergen station, should allow Power's fleet to produce energy at the upper end of our forecasted output for the year of 55 to 57 terawatt hours. This level of output represents a 1% to 5% increase over 2014's output of 54.2 terawatt hours. Approximately 70% to 75% of anticipated production for the second half of the year is hedged at an average price of $53 per megawatt hour. The average price on Power's energy hedges remains the same, approximately $4 per megawatt hour higher that the average price received on energy hedged during the second half of 2014. Both 2016 and 2017, Power's forecast output will remain stable at approximately 55 to 57 terawatt hours. Of this, Power has hedged 55% to 60% of 2016's forecasted generation at an average price of $51 per megawatt hour, and about 30% to 35% of 2017's forecasted level of generation, hedged at an average price of $50 per megawatt hour. As Ralph mentioned, Power has acquired the rights to develop the 755 megawatt gas-fired combined cycle Keys Energy Center in Maryland. And the addition of Keys, which represents an investment of approximately $825 million to $875 million is targeted to enter commercial service in 2018. The plant's location we believe will complement Power's fleet in the core market and add to a fleet capable of meeting PJM's new capacity performance standards.

The forecasted range of Power's operating earnings for 2015, even with lower wholesale energy prices, remains $620 million to $680 million, as guided. And for adjusted EBITDA it remains unchanged as well at $1.545 billion to $1.645 billion. Results for the remainder of the year will be influenced by higher average hedge prices, that decline in capacity revenue that I mentioned, and wholesale energy market prices.

Just a quick note on Enterprise and Other, operating earnings for PSEG Energy Holdings and enterprise in the second quarter of 2015 were $12 million or $0.02 per share versus operating earnings of $7 million or rounded $0.02 per share for the second quarter of 2014. The improvement in operating income for the second quarter reflects higher earnings from PSEG Long Island. Lower O&M expense and higher interest income at the parent. And we continue to forecast full-year operating earns for PSEG, Enterprise / Other, of about $40 million to $45 million. PSEG closed the quarter ended June 30, 2015, with $597 million of cash on it's balance sheet, with debt at the end of the quarter representing 41.9% of consolidated capital. During the quarter, PSE&G issued $350 million of 10-year secured medium term notes at an interest rate of 3%, and $250 million of 30-year secured medium term notes at an interest rate of 4.05%, and we also redeemed $300 million of maturing medium term notes, yielding 2.7%.

As Ralph mentioned, we've updated our forecast operating earnings for the full year to $2.80 to $2.95 per share, given the strong operating results at both businesses in the first half of the year. Estimates of PSEG Power's adjusted EBITDA remain unchanged at $1.545 billion to $1.645 billion.

Finally, just on a personal note, as you know, I announced a week ago my plans to retire from PSEG during the fourth quarter. I've really enjoyed working with all of you, and as I will move on I know that PSEG has an outstanding management team led by Ralph Izzo, with a strong balance sheet and lots of opportunities to deploy in the future, and possesses a really solid foundation for further growth.

With that, we're now ready for your questions, and I'll turn it back to you, Brandy.

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Operator

(Operator Instructions)

Your first question is from Daniel Eggers with Credit Suisse. Please proceed with your question.

Daniel Eggers - *Credit Suisse - Analyst*

Good morning, guys. Can we just talk a little bit about the Keys plant and your thought process on the capital allocation on that front? Given the fact you looked at a variety of other brown-fueled type projects and generation that haven't passed muster from your cost capital perspective?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Yes, Dan, so I think in general we're somewhat cautious about injecting new supply into a market where demand isn't growing much. Most of the investments you've seen us make have been kind of upgrades to existing units, and we've talked a lot about the replacement of existing units. This one is a little bit unique for us in that it's not an existing asset. And this is a new development project. I think what makes this one a good fit for us is its location, it's in southwestern [Maryland] where we've seen some seasonal basis advantages. Number two, I think we're ahead of the market in terms of the future delivery of gas to that region, which will put a 6,400 heat rate unit in a very, very strong competitive position. And number three, this one went beyond the usual forecasting of forward price risk, and included an element of construction risk that we believe ourselves particularly well suited to manage, given the project work we've done both in power and in the utility and how well that has all worked out. So for a combination of reasons we were able to see clear to some value creation here that was different from other opportunities where people outbid us. So I think what you hear me saying is that we remain cautious on injecting copious amounts of new supply in a market that's not growing, but this was a fairly special situation that we thought fit our portfolio very nicely.

Daniel Eggers - *Credit Suisse - Analyst*

And given kind of your history of being pretty conservative on using capital, is your view effectively that the energy value of the assets going to make sense since you don't have a lock on capacity that you would have had if you would have done Bridgeport or something else?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

That's right. We did talk about in the past how we were attracted to the seven year lock on capacity in New England, and this one obviously is more about sparks and energy margins than it is about a one year price on capacity. But it will be clearly a CP eligible unit.

Daniel Eggers - *Credit Suisse - Analyst*

Okay, and I guess Caroline, what, you've talked in the past about how much balance sheet capacity you thought you had to redeploy. How much do you think you have left with the Keys investment? Because there's more merchant, does that lower the amount more meaningfully than just the dollars going into the project?

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

No Dan, so we still have plenty of capacity when I think about, remember the slide we showed in March and we've talked about before, we have capacity in multiple billions of dollars both in Power and in parent, parent mostly for regulated. When I look at where we land at the end of the second quarter, actually similar to what we've talked about before, Power ends with debt to cap of 31%. FFO to debt numbers well above floor level. So we didn't relax our standards here in doing the analysis for Keys, we'll be able finance that on Power's balance sheet. And that doesn't use it up, right? We talk about those balance sheet capacities, remember I've mentioned before that, that's the most conservative way to look at them because we look at them assuming they don't start contributing any FFO back. And when this goes in service it certainly will. So when we looked at Keys, we didn't look at it from the perspective of, if we do Keys we can't do anything else. We looked at it from the perspective of, Keys is a real good project and by no means does it use up all of our balance sheet capacity. So we can still continue to look at new opportunities for Power as well. So I feel really comfortable that it's one balance sheet deployment, but it's not the only one we'll be able to do in either business.

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Daniel Eggers - *Credit Suisse - Analyst*

So this wouldn't preclude the HEDD upgrades or something else?

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

No, not at all. Those are other things that we may be considering.

Daniel Eggers - *Credit Suisse - Analyst*

Caroline we'll have you on the third quarter earnings call, so I won't to say goodbye yet, but thank you, guys.

Caroline Dorsa - *Public Service Enterprise Group Inc - EVP & CFO*

Thanks, Dan. Next question.

Operator

The next question comes from Julien Dumoulin-Smith.

Julien Dumoulin-Smith - *UBS - Analyst*

Hi, good morning.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Hi, Julian.

Julien Dumoulin-Smith - *UBS - Analyst*

So perhaps to follow up on investment opportunities here, I'd be curious, obviously we're moving forward or PJM is moving forward with Artificial Island at this point. I'd be curious to get your perspective on the future of FERC 1,000 or FERC 1,000-like investments in PJM. And specifically within that, your views on the use of cost caps and just other mechanisms to be more clinical competitive. To what extent do you and yourself and others continue to leverage those kinds of negatives to win as we saw with the Artificial Island example and to what extent do you see that as impeding your ability or enhancing your ability to win et cetera?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

So I believe that PJM published announcements that the identification of this project proceded the creation of 1,000. So PJM did not feel obligated to adhere to the strict terms of the task on order 1,000 which is a point that maybe we would beg to differ on. But Julien, there's no way to make this process look pretty. This was a painful process. And -- I'd like to chalk it up to the growing pains associated with order 1,000. My concern, and I've expressed this to FERC and to PJM, is that we may be heading for a ubiquitous dumbing down of the transmission system, as opposed to robust solutions that have advantages over the long-term. The cheapest solution in the short-term may not be the cheapest solution in the long-term. And I don't want to get into a full-fledged debate over how you make comparisons across two projects. I still believe, based on everything, that not only did we have a more robust solution but we had a lower cost solution. So this is going to be challenging. I think efficient markets work when you have

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good information available to both suppliers and buyers, and these are technically detailed, painful reviews, done by a handful of assessors on the basis of a fairly robust set of business. It doesn't lend itself to the transparency you see at the NYMEX on what is happening in the gas markets. So I don't mean to give a speech. But it's showing some real challenges in terms of me having confidence that over the long-term order 1,000 will yield a strong transmission system that won't be constantly second guessed or challenged either in the Courts or over the long-term in the field, as we head towards cost solutions as it comes to the short-term risk cost solutions.

Julien Dumoulin-Smith - ***UBS - Analyst***

Got it. And to complement that last question, PJM's talked about reducing their load forecast this cycle given some adjustment for efficiency in solar, et cetera. I'd be curious, does that impact your, A, your current spending plans, but B, your prospective plans as you're thinking about transmission? Obviously you guys are on both sides of power and the business. How does that change your business at all? If you can elaborate.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, I think that PJM is still reviewing its forecast. And of course load growth is an important consideration in how one designs your delivery system. But don't underestimate the significant role played by the location of load and the location of supply. In having to design the transmission system. I would contend, but I couldn't prove it to you on this call, that the reason why we've have had such a strong need for transmission deployment is the fact that we no longer have an integrated system where utility planners go from generation all the way to the meter. And PJM has had to respond to changes in supply, both in terms of unexpected retirements, and unexpected injection of new supply. And that results in a need for an even more robust transmission system than one that you can plan from generation to user. Now, for Power, we had nearly all of this forecast in our fundamental model already. So when we looked at something like Keys and when we looked at whatever else we might be bidding in RPM, we do scenario analysis that includes diminished demand as well as a more robust growth. One way of saying, it's not a single variable model. It's not just what's being demanded. Where is the load, where is the supply, and what's happening to the infrastructure that connects all involved?

Julien Dumoulin-Smith - ***UBS - Analyst***

Excellent. Well, thank you. Best of luck, Caroline. We'll talk to you soon.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thanks, Julien, next question.

Operator

Your next question is from Travis Miller with Morningstar Inc.

Travis Miller - ***Morningstar - Analyst***

Good morning, thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Hi, Travis.

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Travis Miller - ***Morningstar - Analyst***

Well, just a follow-up on that transmission discussion, when you think about the investments you're making, what's on the table, how close do those investments get us to next generation grid? A grid where you can have distributed generation, smart type of grid, is that what you're talking about there in terms of robustness and where we need to get to relative to our future?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I think that is does get us a long way there. But I think of it more as a building a set of highways so that no matter what happens on one highway you could switch over to another one and not get stuck in a traffic jam. Other people though I think talk about the future grid as being a more flexible grid, so that you don't have to build big highways and you can just direct traffic flows along the back roads intelligently, so that nothing gets clogged. And that's probably not the best analogy. But I think the internet of things is what people speak about in terms of the ability to move power more flexibly. I'm not a big believer in that being an eventual outcome because of the connectivity that you'd need at the last mile, so to speak. I'm more a believer in the types of things that PJM is advocating which is the back haul has to be robust so that people can get on and off, people in the form of power plants can get on and off that back haul system.

Travis Miller - ***Morningstar - Analyst***

Okay.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

It's a central station dispatch model on a robust high-voltage system that I think is ultimately one that will be economically more efficient.

Travis Miller - ***Morningstar - Analyst***

Sure. Okay. And more specifically on Public Service Enterprise Group Inc Power in the quarter, that re-contracting lower cost to serve, how one time type of stuff is that? I'm guessing a lot of that is the spark spread versus the BGS. The re-contracting part, what are you seeing on that part?

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Sure Travis, this is Caroline, so yes remember that when we talk about re-contracting as well as lower cost to serve. We give you that hedging data, so we give you all the details on our hedging data, and as I just said, we've moved up our hedges a little bit and the prices are basically the same as where we are. So the hedges prove to be very valuable on a year-over-year basis. Remember, last year at about this time, we talked about the fact that we'd taken advantage of some better pricing last year to put on some incremental hedges. Now hedging doesn't last forever, but when we see those opportunities we've layered on hedges as some beneficial prices, so re-contracting is kind of what that benefit is about. The lower cost to serve, obviously there's lower cost to serve in terms of the wholesale market prices. But also, as I mentioned in my remarks, $0.02 of that is our leidy gas access. So having that access to leidy gas after the customers at Public Service Enterprise Group Inc have the first call on that access, that contributed $0.02 a share in this quarter. And you remember, that contributed pennies each quarters of the key quarters, in the summer particularly, for each of the last two years.

That benefit is one that we've never said we expect to continue in perpetuity. But if you look at the delta of leidy gas cost, relative to Henry Hub, you still see benefits. And because we have that access, that's what gives us part of our lower cost to serve is that light access. As I mentioned we have higher spark spreads, we've talked about this last year in the summer, as well as starting in 2013 summer. That our spark spread for our access to that low-cost gas tended to be about 30% or more higher than the sparks seen in the overall market. So some of the things are a hedge position, some things are a little more structural, but together we think they give us a nice position with a combined cycle feed obviously, that operates very well.

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Travis Miller - ***Morningstar - Analyst***

Okay, got it, thanks so much. And congratulations on the work that you've done. While you were at Public Service Enterprise Group Inc.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, Travis. Next question.

Operator

Jonathan Arnold with Deutsche Bank.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Yes, good morning, and my congratulations to Caroline. Thank you for all your help.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you.

Jonathan Arnold - ***Deutsche Bank - Analyst***

First could we maybe get an update on the gas main replacement program? If I'm not wrong, the first round of settlement talks happened in July, didn't seem there was a whole lot of opposition in the hearing. Any updated thoughts on when we might see that come to a head?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes Jonathan, thanks for your question. As you know, settlement discretions are confidential so we can't give you a lot of detail. It's encouraging though that we've had them and our hope really is that by year end, or at the very latest early in 2016, we would have this resolved, as you correctly noted it's something that the state recognizes needs to be done. The interventions in the case are not many nor have there been any surprises. And I think lowering the cost of supply from 45 to 40 in October just once again points out the wisdom of doing this now. So, as I've mentioned, as we've done visits with folks I think that the debate and the arm wrestling will be around the length of the program, and the size, but we went out of our way to file conditions that were identical to what was approved. That was approved only 14 months ago.

Our interest rates are exactly where they were then and return expectations are exactly where they were then. So right now, my number one nemesis is summer vacation--. So I think there's a couple more -- for the full, and we still have -- we're well on our way to spending the $250 million for gas that was in energy strong that goes through early 2016. Even if we had an agreement today we wouldn't be able to add a bunch of new work in the next couple of weeks anyway.

Jonathan Arnold - ***Deutsche Bank - Analyst***

And Ralph that might wrap up before these fall dates? Or is that unlike --

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Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

It's possible. I wouldn't want to bet anything that I held near and dear to my heart on that. What we really want to do is make sure we get this done well in advance of running out of the energy strong money, so we don't have to demobilize the contract, the work force, so we don't put our pencils down on the engineering, so that we just have a continuous flow. So if we got it done in the fall, that would certainly assure that, if we get it done by the end of the year we should be able to do that. If it gets done early in 2016, then we create a bunch of inefficiencies that customers end up paying for.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay, great. One other topic, strategically, you've always been of the view that the retail business is not somewhere you want to be. We did notice one of your management power peers who have been of a similar view evolving somewhat in that direction this quarter, citing poor liquidity in the forward curve. I was just wondering whether you're seeing similar challenges in terms of hedging and whether there might be can change of thought on your part?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I don't want to send off shock waves in the third quarter call, I'm not a big fan of retail. But my short answer to your question is a qualified yes, I do think that given challenges in hedging and matching those hedges with asset locations and some of the basis challenges one has, the effectiveness of hedges has to be taken into consideration in terms of whether or not some consideration has to be given to that. So I don't know the details behind what Calpine did, but I can certainly understand why they would think about that, given the diminishing liquidity and the effectiveness of hedges in terms of where the consumption is and where the supply is, and where one hedges as well those two. But again, please don't interpret this to expect any announcement in the next few days that Public Service Enterprise Group Inc wants to get in to the retail business. But it is something we are looking at now.

Jonathan Arnold - ***Deutsche Bank - Analyst***

And you're at least exploring some options on that front?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

That's right. And mostly absolutely from a defensive posture. How do we maximize the effectiveness of our power business as opposed to the retail being in the growth strategy right now.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay, that makes it, thank you.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Next question.

Operator

Your next question is from Michael Lapides with Goldman Sachs.

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Michael Lapides - ***Goldman Sachs - Analyst***

Hey guys, congrats, and Caroline, congrats on your announcement.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you.

Michael Lapides - ***Goldman Sachs - Analyst***

One question on CP, everybody -- most people have been pretty bullish in terms of what the impact of CP would be. From a contrarian standpoint, what's the bear case?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

I have no idea. I'm sorry, Michael, Caroline and I are looking at each other like you take it, no you take it. I guess I'll default to our usual, we don't forecast bullish or bearish prices. The good news is today is July 31 and in 21 days we'll know the outcome. But I don't mean to be flip. I mean the bear case will be massive injection of new supply with an economy growing at 2.3%, demand growing at fractions of that. You'd have to be pretty undisciplined to inject a whole bunch of new supply. But I guess that would be the bear case.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Maybe there's a bear case of just the single asset. It feels like this is a good product from our perspective.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Yes, that would be more of a bear outcome in terms of penalties that you might incur if you didn't perform, right?

Michael Lapides - ***Goldman Sachs - Analyst***

How do you think about -- lots of people talk about the potential higher bid price because lots of assets or portfolios have to have kind of quote unquote embed the risk of having penalties into their bid price. How about the folks like you guys who have really well performing assets? How do you think about what the potential for rewards are if you're on the other side? This is going to be a balancing or settling type market just like New England. How do you think about preparing for what potential rewards could be, where you're not as focused on the penalty side but maybe you're also focused on, hey what's my upside if I'm actually the better performing unit in the market and able to deliver more megawatts than what I cleared?

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So that happens in two ways, Michael, we do think about that a lot. And what it means for us. One is, I did a UCAP of 90% of what my ICAP is, and I get the other 10% out of that particular unit which has successfully cleared the auction. That's candidly an asymmetric risk or reward relationship right, because your downside is the 90% that you're on the hook for. Your upside is the 10% of over performance, but for somebody like us the most significant upside is in the units that don't clear. And their availability to backstop in the event that somebody else underperforms within the LDA.

So, we never clear 100% of our units, and when we look at our nuclear class, they have a very low forced outage rates, our combined cycle is slightly higher, but still quite low and our peaking units are also very well [established] units. So we'll make some incremental investments in some of the units that don't have the same type of operating profile, but I think really for us we have, not only that sort of even better performance than in the

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past, but probably more importantly the fact that we have units that don't clear the auction. Some of them with high forced outage rates but will be great insurance policies going forward.

Michael Lapides - ***Goldman Sachs - Analyst***

Got, it thank you, Ralph and Caroline, much appreciated.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, next question.

Operator

(Operator Instructions)

Your next question is from Ashar Khan with Visium.

Ashar Khan - ***Visium Asset Management - Analyst***

I'm sorry, my questions have been answered, thank you.

Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you, next question.

Operator

There are no other questions at this time, please continue with your presentation or closing remarks.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

Thank you, Brandy. So we tried to do a count, I think this is Caroline's 26th call. I've teamed up with her on 25 I believe there was an August vacation I couldn't change, if I remember correctly. She's going to tire of hearing me say these things, I'm not going to tire of saying these things, and I'm going to do them for every one of the different audiences that we somehow manage to find themselves in front of.

I know you've all met Caroline and been impressed by what she has done for us as a Company. I can only tell you that no matter how high your opinion is of her, you probably only know a fraction of what she's done for us as a Company and what she's done for me as the leader of this Company. Her preparation for these calls is just the tip of the iceberg. Her discipline day in and day out, her knowledge of the business, her knowledge of financial markets, and while all of that is in superstar category, all of that pales in comparison to what a pleasure she is to work with. I can't (inaudible) when we've traveled around, people think that we actually like each other. But we really do like each other And I can remember the earlier days of those visits and those calls she would say Ralph, you focus on the strategic issues, I'll answer the factual questions which was her delightfully professional way of saying, Ralph you'll get it wrong. So Caroline I can't say thank you enough for our shareholders, for our investors, and for me and I know we'll have many opportunities to repeat that in front of employees and customers and various other folks.

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Caroline Dorsa - ***Public Service Enterprise Group Inc - EVP & CFO***

Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc - Chairman, President & CEO***

So thank you. No, thank you for all you've done. With that we'll wrap up the call. Hope for a hot, sticky humid weather for the balance of the summer. And we'll see you I'm sure at various conferences. Thank you all for joining us today.

Kathleen Lally - ***Public Service Enterprise Group Inc - VP of IR***

Thank you, Brandy.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect, and thank you for your participation.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2015 SECOND QUARTER RESULTS

$0.68 PER SHARE OF NET INCOME

STRONG OPERATIONS YIELD OPERATING EARNINGS OF $0.57 PER SHARE

Company Updates Full Year Guidance to $2.80 - $2.95 Per Share

July 31, 2015 (Newark, NJ) (NYSE- PEG) Public Service Enterprise Group (PSEG) reported Second Quarter 2015 Net Income of $345 million or $0.68 per share as compared to Net Income of $212 million or $0.42 per share reported for the Second Quarter of 2014. Operating Earnings for the Second Quarter of 2015 were $289 million or $0.57 per share compared to the Second Quarter of 2014 Operating Earnings of $245 million or $0.49 per share.

"We reported strong results for the second quarter" said Ralph Izzo, chairman, president and chief executive officer. He went on to say, "our businesses performed well. PSE&G's expanded investment program is successfully translating into improvements in customer satisfaction at the same time operational improvements at PSEG Power supported increased output. We are updating our full year guidance to $2.80 - $2.95 per share from $2.75 - $2.95 per share based on the strength of results for both businesses for the first half of the year."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of returns/(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings for the second quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
Second Quarter Comparative Results
2015 and 2014

	Income ($ millions)		Diluted Earnings Per Share	
	2015	**2014**	**2015**	**2014**
Operating Earnings	$289	$245	$0.57	$0.49
Reconciling Items	56	(33)	0.11	(0.07)
Net Income	$345	$212	$0.68	$0.42
		Avg. Shares	508M	508M

“Our success is a testament to the hard work and dedication of our employees” said Ralph Izzo who also stated “our strategy is meeting the challenges of today’s low energy price environment. PSEG Power’s construction of the new 755MW gas-fired Keys Energy Center in Maryland will expand our footprint in our core PJM market and serve as a strong operational and financial fit for our portfolio. We remain confident in our ability to meet the needs of stakeholders as we focus on providing safe and reliable energy in a cost-efficient manner.”

Operating Earnings guidance by company has been adjusted to reflect the update of the forecast for the full year:

Operating Earnings
($ millions, except EPS)

	2015E
PSE&G	$760 - $775
PSEG Power	$620 - $680
PSEG Parent/Other	$40 - $45
Total	$1,420 - $1,500
Earnings Per Share	$2.80 - $2.95

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSE&G

PSE&G reported operating earnings of $167 million ($0.33 per share) for the second quarter of 2015 compared with operating earnings of $151 million ($0.30 per share) for the second quarter of 2014.

PSE&G’s operating results for the second quarter reflect the benefits of an increase in revenue associated with an expansion of its capital program and the impact of warmer than normal temperatures on demand.

Returns from PSE&G’s expanded investment in transmission added $0.04 per share to earnings in the quarter. More favorable weather conditions during the quarter and the recovery of PSE&G’s investment under its distribution-related capital infrastructure programs improved quarter-over-quarter earnings by $0.01 per share. Continued growth in demand for gas increased quarter-over-quarter earnings by $0.01 per share. An increase in pension expense as well as higher storm-related and other expenses reduced quarter-over-quarter earnings comparisons by $0.02 per share. An increase in taxes and other items reduced quarter-over-quarter earnings by $0.01 per share.

Economic indicators in the service area such as employment and housing are showing signs of improvement, reflecting the slowly recovering economy. Modest growth in electric demand is reflective of this improvement in economic conditions. On a weather-normalized basis, total electric sales grew 0.2% for the quarter and year-to-date. Growth in residential and commercial

sales was partially offset by a decline in sales to industrial customers. Gas deliveries on a weather-normalized basis for the first half of 2015 grew 2.7%. Demand for the first six months of the year represents the trend in gas demand in response to sustained low prices.

On June 1, 2015, PSE&G made its Annual BGSS filing with the New Jersey Board of Public Utilities (BPU) requesting a reduction of $70 million in annual BGSS revenues. When effective, the BGSS rate would be reduced from approximately 45 cents per therm to 40 cents per therm effective October 1, 2015. Including this proposed reduction, the typical residential customer has experienced a 47%, or $792, decline in their annual gas bill since January 2009.

PSE&G's capital program remains on schedule. PSE&G invested $1.3 billion in the first half of the year as part of its planned capital investment for 2015 of $2.6 billion in upgrades to the electric and gas distribution and transmission system. PSE&G was recently assigned work at Artificial Island as part of PJM's approved upgrades to the transmission system. This program will increase PSE&G's investment in transmission by $100 - $130 million over 4 years through 2019.

The forecast of PSE&G's operating earnings for 2015 is now $760 - $775 million versus $735 - $775 million. Operating earnings for the full year will be influenced by summer weather and the recovery of costs associated with higher levels of capital spending.

PSEG Power

PSEG Power reported operating earnings of $110 million ($0.22 per share) for the second quarter of 2015 and adjusted EBITDA of $301 million compared with operating earnings of $87 million ($0.17 per share) and adjusted EBITDA of $276 million for the second quarter of 2014.

PSEG believes that the non-GAAP financial measure of "Adjusted EBITDA" is useful in evaluating Power's operating performance because it provides investors with additional information to compare our business performance to other companies and to understand performance trends.

Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense and interest expense, depreciation and amortization and major maintenance at Power's fossil generation facilities. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA.

Power's operating results for the second quarter reflect an improvement in operations at its nuclear and fossil generating facilities, higher prices on its hedged energy output and a decline in the cost of its gas supply which together helped offset the impact on earnings from an expected decline in capacity revenue and lower wholesale market prices for energy.

The lower average price received on PJM capacity as well as the retirement of peaking capacity combined to reduce Power's quarter-over-quarter earnings by $0.08 per share. This decline in revenue was more than offset by higher average prices received on energy hedges as well as a reduction in the cost of supply. These two items combined to increase quarter-over-quarter earnings comparisons by $0.10 per share. A 10% improvement in output over the prior year increased quarterly earnings comparisons by $0.02 per share. Higher levels of O&M and depreciation expense reduced quarterly earnings comparisons by $0.02 per share, as a decline in taxes and other items improved earnings by $0.03 per share.

Output at Power's generation facilities increased 10% in the quarter over year-ago levels to 13.2 TWh. An improvement in operations at Power's nuclear generating plants and the gas-fired CCGTs more than offset the effect of lower wholesale energy prices on the dispatch of the coal-fired generating fleet. The nuclear fleet operated at an average capacity factor of 86%, producing 7.1 TWh of output or 54% of generation, a 9% improvement from year-ago levels. The performance of the nuclear fleet reflects the absence of major repairs at Salem 2 in 2014 which led to 58 fewer outage related days in the second quarter of 2015 compared to 89 days in the year-ago quarter. Production from the combined cycle gas fleet (CCGT) increased 26% to 4.6 TWh of generation, or 34% of total generation. An improvement in the availability of the Linden Station following uprate and maintenance related work in the year ago quarter and improved spark spreads led to the increased level of output from the fleet. Dispatch of the coal fleet was affected by a decline in the price of gas and lower wholesale energy prices. Output during the quarter declined to 1.3 TWh, or 10% of generation, as output from the peaking fleet responded to the market to make-up the balance.

Power's fleet is expected to produce energy at the upper end of its forecast of output for 2015 of 55 – 57 TWh, a 1% - 5% increase over 2014's output of 54.2 TWh. Approximately 70% - 75% of anticipated production for the second half of the year is hedged at an average price of $53 per MWh. For 2016, Power has hedged 55% - 60% of its forecast generation of 55 – 57 TWh at an average price of $51 per MWh; for 2017, Power has hedged 30% - 35% of its forecast generation of 55 – 57 TWh at an average price of $50 per MWh.

PSEG Power announced in the quarter that it has acquired the rights to develop the 755-MW Keys Energy Center. The plant, which represents an investment of $825 - $875 million, is targeted to be completed in 2018. The combined cycle plant will use state-of-the art generating technology, including a full complement of emissions controls and run on clean, efficient natural gas.

The forecast range of Power's operating earnings for 2015 remains $620 - $680 million. The forecast of operating earnings represents adjusted EBITDA for the full year of $1,545 - $1,645 million. Results for the remainder of the year will be heavily influenced by the expected decline in year-over-year capacity revenue, an increase in the average price of hedged energy and lower wholesale energy prices.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $12 million ($0.02 per share) for the second quarter of 2015 versus operating earnings of $7 million ($0.02 per share) during the second quarter of 2014. The improvement in operating income for the second quarter reflects higher PSEG Long Island earnings, lower operating & maintenance expense and higher interest income at Parent.

The forecast of PSEG Enterprise/Other full year operating earnings for 2015 remains $40 million - $45 million.

Financing

PSEG closed the quarter ended June 30, 2015 with $597 million of cash on its balance sheet with debt at the end of the quarter representing 41.9% of consolidated capital. PSE&G, during the quarter, issued $350 million of 10-year secured medium-term notes at 3.00% and $250

million of 30-year secured medium term notes at 4.05% and redeemed $300 million of 2.7% secured medium term notes.

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FORWARD-LOOKING STATEMENT

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2015	***2014***	***2015***	***2014***
Earnings Results ($ Millions)				
PSE&G	$ 167	$ 151	$ 409	$ 365
PSEG Power	110	87	388	380
PSEG Enterprise/Other	12	7	21	15
Operating Earnings	**$ 289**	**$ 245**	**$ 818**	**$ 760**
Reconciling Items [(a)]	56	(33)	113	(162)
Net Income	**$ 345**	**$ 212**	**$ 931**	**$ 598**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
Per Share Results (Diluted)				
PSE&G	$ 0.33	$ 0.30	$ 0.80	$ 0.72
PSEG Power	0.22	0.17	0.77	0.75
PSEG Enterprise/Other	0.02	0.02	0.04	0.03
Operating Earnings	**$ 0.57**	**$ 0.49**	**$ 1.61**	**$ 1.50**
Reconciling Items [(a)]	0.11	(0.07)	0.22	(0.32)
Net Income	**$ 0.68**	**$ 0.42**	**$ 1.83**	**$ 1.18**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended June 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,314	$ (177)	$ 1,466	$ 1,025
OPERATING EXPENSES				
Energy Costs	668	(285)	544	409
Operation and Maintenance	761	80	368	313
Depreciation and Amortization	317	8	234	75
Total Operating Expenses	1,746	(197)	1,146	797
OPERATING INCOME	568	20	320	228
Income from Equity Method Investments	4	(1)	-	5
Other Income and (Deductions)	66	-	18	48
Other Than Temporary Impairments	(10)	-	-	(10)
Interest Expense	(97)	3	(67)	(33)
INCOME BEFORE INCOME TAXES	531	22	271	238
Income Tax Benefit (Expense)	(186)	(10)	(104)	(72)
NET INCOME	**$ 345**	**$ 12**	**$ 167**	**$ 166**
OPERATING EARNINGS	$ 289	$ 12	$ 167	$ 110
Reconciling Items Excluded from Net Income [b]	56	-	-	56
NET INCOME	**$ 345**	**$ 12**	**$ 167**	**$ 166**

Three Months Ended June 30, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,249	$ (172)	$ 1,435	$ 986
OPERATING EXPENSES				
Energy Costs	789	(296)	565	520
Operation and Maintenance	800	111	362	327
Depreciation and Amortization	295	6	217	72
Total Operating Expenses	1,884	(179)	1,144	919
OPERATING INCOME	365	7	291	67
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	52	2	13	37
Other Than Temporary Impairments	(2)	-	-	(2)
Interest Expense	(94)	2	(67)	(29)
INCOME BEFORE INCOME TAXES	324	11	237	76
Income Tax Benefit (Expense)	(112)	(4)	(86)	(22)
NET INCOME	**$ 212**	**$ 7**	**$ 151**	**$ 54**
OPERATING EARNINGS	$ 245	$ 7	$ 151	$ 87
Reconciling Items Excluded from Net Income [b]	(33)	-	-	(33)
NET INCOME	**$ 212**	**$ 7**	**$ 151**	**$ 54**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Six Months Ended June 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 5,449	$ (769)	$ 3,468	$ 2,750
OPERATING EXPENSES				
Energy Costs	1,762	(976)	1,436	1,302
Operation and Maintenance	1,424	159	780	485
Depreciation and Amortization	647	15	481	151
Total Operating Expenses	3,833	(802)	2,697	1,938
OPERATING INCOME	1,616	33	771	812
Income from Equity Method Investments	7	(1)	-	8
Other Income and (Deductions)	102	1	35	66
Other Than Temporary Impairments	(15)	-	-	(15)
Interest Expense	(195)	5	(136)	(64)
INCOME BEFORE INCOME TAXES	1,515	38	670	807
Income Tax Benefit (Expense)	(584)	(17)	(261)	(306)
NET INCOME	**$ 931**	**$ 21**	**$ 409**	**$ 501**
OPERATING EARNINGS	$ 818	$ 21	$ 409	$ 388
Reconciling Items Excluded from Net Income [b]	113	-	-	113
NET INCOME	**$ 931**	**$ 21**	**$ 409**	**$ 501**

Six Months Ended June 30, 2014

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 5,472	$ (794)	$ 3,580	$ 2,686
OPERATING EXPENSES				
Energy Costs	2,145	(1,029)	1,610	1,564
Operation and Maintenance	1,656	203	824	629
Depreciation and Amortization	601	13	444	144
Total Operating Expenses	4,402	(813)	2,878	2,337
OPERATING INCOME	1,070	19	702	349
Income from Equity Method Investments	7	-	-	7
Other Income and (Deductions)	88	1	27	60
Other Than Temporary Impairments	(4)	-	-	(4)
Interest Expense	(191)	5	(135)	(61)
INCOME BEFORE INCOME TAXES	970	25	594	351
Income Tax Benefit (Expense)	(372)	(10)	(229)	(133)
NET INCOME	**$ 598**	**$ 15**	**$ 365**	**$ 218**
OPERATING EARNINGS	$ 760	$ 15	$ 365	$ 380
Reconciling Items Excluded from Net Income [b]	(162)	-	-	(162)
NET INCOME	**$ 598**	**$ 15**	**$ 365**	**$ 218**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	June 30, 2015	December 31, 2014
DEBT		
Long-Term Debt	$ 9,164	$ 8,869
Securitization Debt	134	259
Project Level, Non-Recourse Debt	16	16
Total Debt	9,314	9,144
STOCKHOLDERS' EQUITY		
Common Stock	4,883	4,876
Treasury Stock	(663)	(635)
Retained Earnings	8,764	8,227
Accumulated Other Comprehensive Loss	(277)	(283)
Total Common Stockholders' Equity	12,707	12,185
Noncontrolling Interests - Equity Investments	1	1
Total Equity	12,708	12,186
Total Capitalization	$ 22,022	$ 21,330

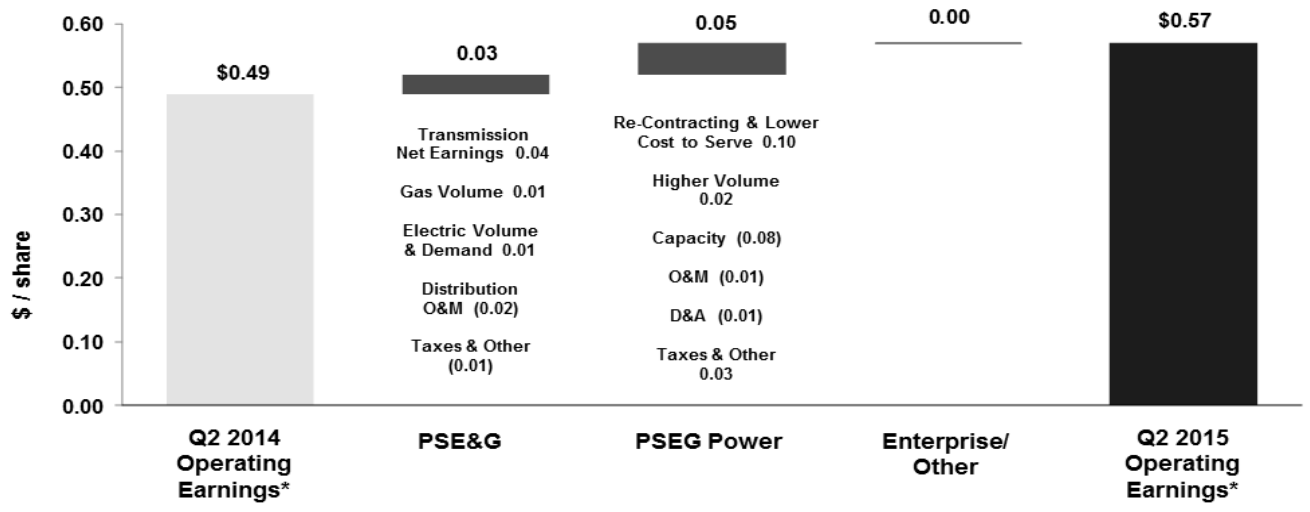
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 931	$ 598
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,303	850
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,234	1,448
NET CASH USED IN INVESTING ACTIVITIES	(1,773)	(1,282)
NET CASH USED IN FINANCING ACTIVITIES	(266)	(89)
Net Change in Cash and Cash Equivalents	195	77
Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$ 597	$ 570

Attachment 6

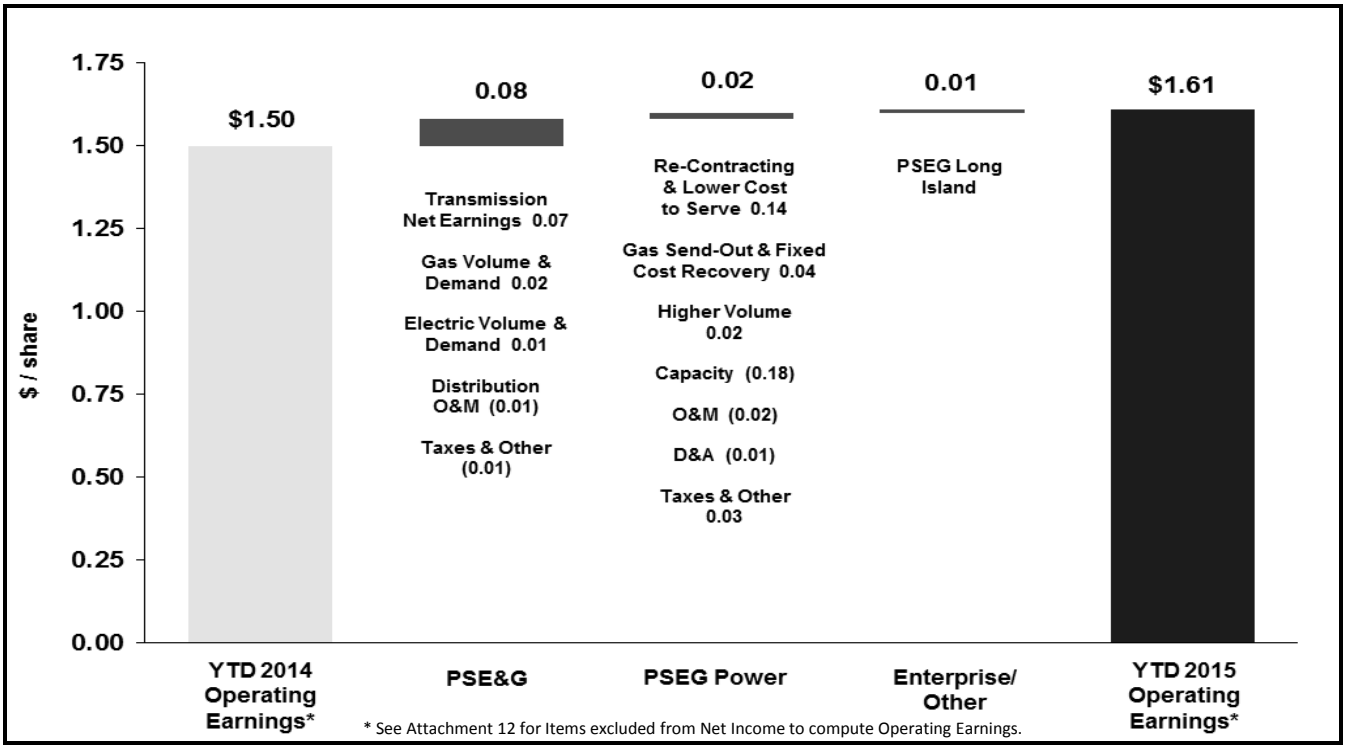
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2015 vs. June 30, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to compute Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2015 vs. June 30, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to compute Operating Earnings.

Attachment 8

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2015

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2014	Six Months Ended	Change vs. 2014
Residential	3,076	6.5%	6,423	3.6%
Commercial & Industrial	6,718	0.7%	13,654	0.8%
Street Lighting	69	-0.6%	165	2.7%
Interdepartmental	2	-2.6%	5	-1.9%
Total	9,865	2.5%	20,247	1.7%
Revenue (in millions)				
Residential	$ 506	12.4%	$ 1,021	6.2%
Commercial & Industrial	528	1.8%	995	-0.9%
Street Lighting	17	1.2%	35	3.0%
Other Operating Revenues*	143	15.9%	300	20.7%
Total	$ 1,194	7.7%	$ 2,351	4.6%

Weather Data	Three Months Ended	Change vs. 2014	Six Months Ended	Change vs. 2014
THI Hours - Actual	4,814	40.2%	4,814	40.2%
THI Hours - Normal	4,044		4,072	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2015

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2014	Six Months Ended	Change vs. 2014
Firm Sales				
Residential Sales	196	-0.8%	1,072	4.5%
Commercial & Industrial	162	3.6%	705	4.6%
Total Firm Sales	**358**	**1.1%**	**1,777**	**4.5%**
Non-Firm Sales				
Commercial & Industrial	472	-16.7%	945	-15.3%
Total Non-Firm Sales	**472**		**945**	
Total Sales	**830**	**-9.8%**	**2,722**	**-3.3%**
Revenue ($ millions)				
Residential Sales - Firm	$ 54	-43.3%	$ 185	-48.7%
Commercial & Industrial - Firm Sales	26	-35.3%	182	-15.1%
Non-Firm Sales	7	-25.8%	19	-22.4%
Other Operating Revenues**	43	-0.3%	87	-0.4%
Total	**$ 130**	**-30.8%**	**$ 473**	**-31.1%**
Gas Transported	$ 142	2.9%	$ 644	-0.2%

Weather Data	Three Months Ended	Change vs. 2014	Six Months Ended	Change vs. 2014
Degree Days - Actual	418	-13.3%	3,556	3.1%
Degree Days - Normal	501		3,010	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 10

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2015	2014	2015	2014
Nuclear - NJ	4,517	4,013	9,856	9,540
Nuclear - PA	2,612	2,525	5,105	5,048
Total Nuclear	**7,129**	**6,538**	**14,961**	**14,588**
Fossil - Coal/Natural Gas - NJ**	45	345	469	878
Fossil - Coal - PA	1,230	1,344	2,746	2,724
Fossil - Coal - CT	(2)	35	588	664
Total Coal	**1,273**	**1,724**	**3,803**	**4,266**
Fossil - Oil & Natural Gas - NJ	3,290	2,483	6,772	5,652
Fossil - Oil & Natural Gas - NY	1,543	1,308	2,145	1,874
Fossil - Oil & Natural Gas - CT	(2)	(3)	90	238
Total Oil & Natural Gas	**4,831**	**3,788**	**9,007**	**7,764**
	13,233	**12,050**	**27,771**	**26,618**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2015	2014	2015	2014
Nuclear - NJ	34%	33%	36%	36%
Nuclear - PA	20%	21%	18%	19%
Total Nuclear	**54%**	**54%**	**54%**	**55%**
Fossil - Coal/Natural Gas - NJ**	0%	3%	2%	3%
Fossil - Coal - PA	9%	11%	10%	10%
Fossil - Coal - CT	0%	1%	2%	3%
Total Coal	**9%**	**15%**	**14%**	**16%**
Fossil - Oil & Natural Gas - NJ	25%	20%	24%	21%
Fossil - Oil & Natural Gas - NY	12%	11%	8%	7%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	1%
Total Oil & Natural Gas	**37%**	**31%**	**32%**	**29%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and six months ended June 30, 2015 and 2014. Generation includes natural gas fuel switching intervals.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Weighted Average Common Shares Outstanding (millions)				
Basic	506	506	506	506
Diluted	508	508	508	508
Stock Price at End of Period			$ 39.28	$ 40.79
Dividends Paid per Share of Common Stock	$ 0.39	$ 0.37	$ 0.78	$ 0.74
Dividend Payout Ratio*			54.4%	53.8%
Dividend Yield			4.0%	3.6%
Price/Earnings Ratio*			13.7	14.8
Rate of Return on Average Common Equity*			11.9%	12.1%
Book Value per Common Share			$ 25.12	$ 23.41
Market Price as a Percent of Book Value			156%	174%
Total Shareholder Return	-5.4%	8.0%	-3.3%	29.9%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Year Ended December 31, 2014	Year Ended December 31, 2013
	($ Millions, Unaudited)					
Operating Earnings	$ 289	$ 245	$ 818	$ 760	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	$ 345	$ 212	$ 931	$ 598	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.57	$ 0.49	$ 1.61	$ 1.50	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	$ 0.68	$ 0.42	$ 1.83	$ 1.18	$ 2.99	$ 2.45

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

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Year Ended December 31, 2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 301	$ 276	$ 927	$ 927	$ 1,584
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	$ 110	$ 87	$ 388	$ 380	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	$ 166	$ 54	$ 501	$ 218	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2015

July 31, 2015

SI-SSA-0015-12971

Forward-Looking Statement

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

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

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

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

SI-SSA-0015-12972

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

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

PSEG
2015 Q2 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-12974

Q2 Earnings Summary

Quarter ended June 30

$ millions (except EPS)	2015	2014
Operating Earnings	$ 289	$ 245
Reconciling Items, Net of Tax	56	(33)
Net Income	$ 345	$ 212
EPS from Operating Earnings*	$ 0.57	$ 0.49

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

SI-SSA-0015-12975

First Half 2015 Earnings Summary

Six months ended June 30

$ millions (except EPS)	2015	2014
Operating Earnings	$ 818	$ 760
Reconciling Items, Net of Tax	113	(162)
Net Income	$ 931	$ 598
EPS from Operating Earnings*	$ 1.61	$ 1.50

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

SI-SSA-0015-12976

PSEG – Q2 2015 Highlights

- **Earnings on Track**
  - ✓ Operating earnings of $0.57 vs. $0.49 per share in Q2 2014, up 16%
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Updating full-year 2015 Operating Earnings guidance to $2.80 - $2.95 per share – assuming normal weather and plant operations for the balance of the year

- **Operating Review**
  - ✓ PSEG Power generating output up by 10% vs. Q2 2014
  - ✓ PSE&G placed the full 500 kV Susquehanna-Roseland line into service in May

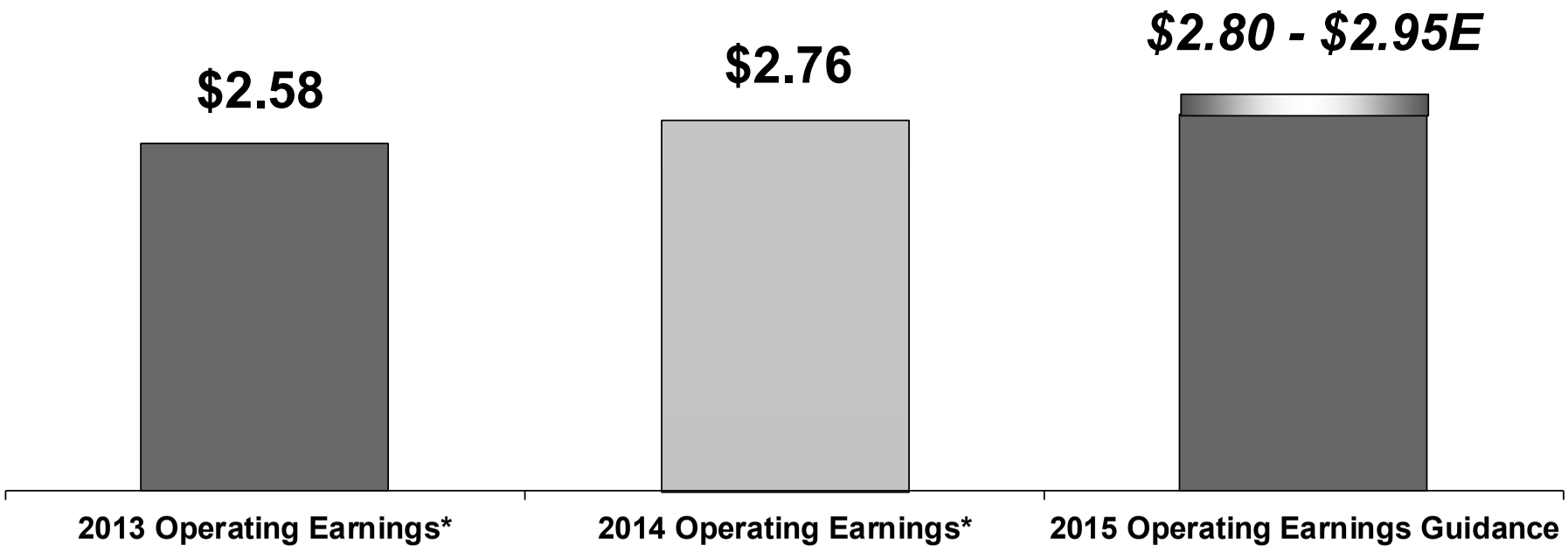
- **PSEG Disciplined Capital Investment**
  - ✓ Gas System Modernization Program Filing – PSE&G's $1.6 billion program over the next 5 years to modernize its gas system; Public hearings completed
  - ✓ Announced the Keys CCGT New Build in Maryland: 755 MW unit targeted for 2018; Estimated cost of $825 to $875 million
  - ✓ Artificial Island – PJM final decision assigns PSE&G a portion of the upgrade project; Program will increase transmission spend by ~$100 - $130 million over next four years

- **Market Developments**
  - ✓ FERC issues order supporting PJM's Capacity Performance product; continuing process of defining parameters for transition auctions to include demand response and energy efficiency

SI-SSA-0015-12977

PSEG – Updating 2015 Operating Earnings Guidance

Full-year 2015 guidance update reflects the strength of results for both businesses for the first half of the year, and assumes normal weather and unit operations



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

SI-SSA-0015-12978

PSEG
2015 Q2 Operating Company Review

Caroline Dorsa
EVP and Chief Financial Officer

SI-SSA-0015-12979

Q2 Operating Earnings by Subsidiary

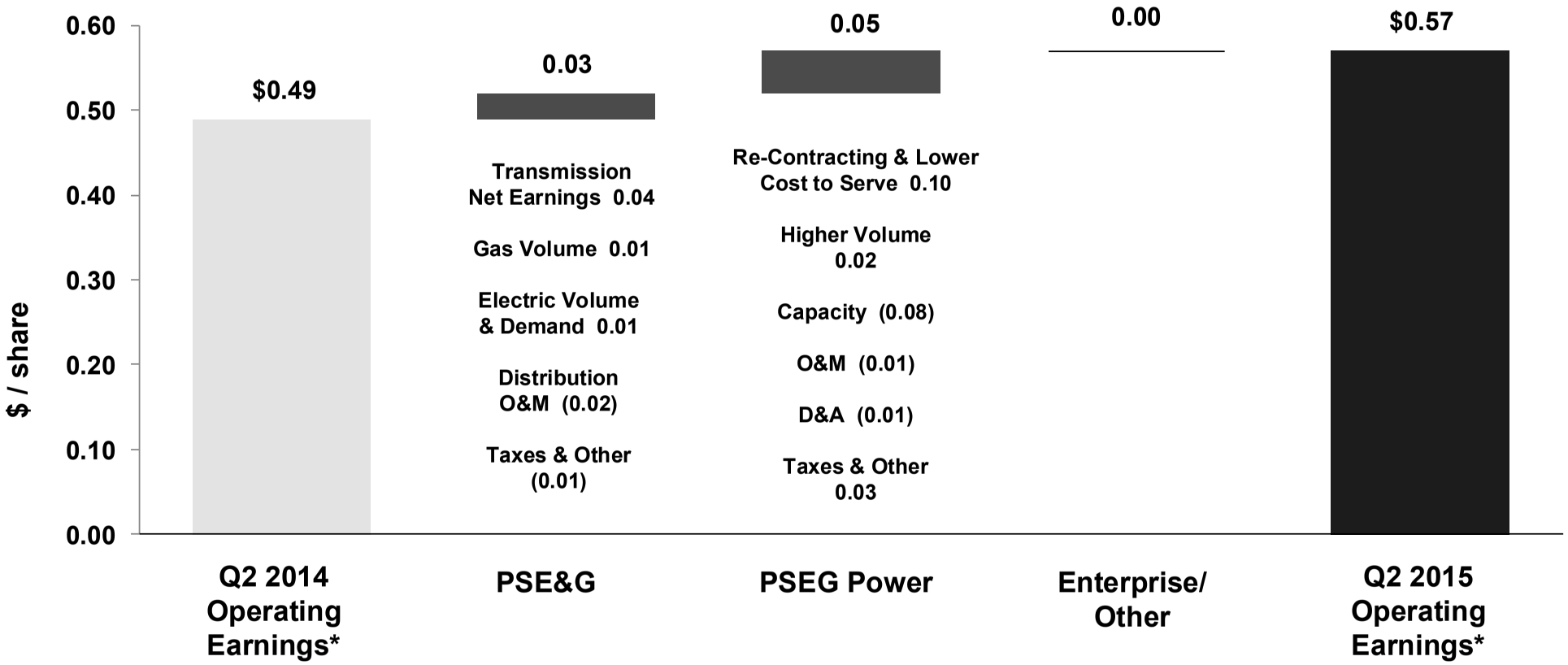
Quarter ended June 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 167	$ 151	$ 0.33	$ 0.30
PSEG Power	110	87	0.22	0.17
PSEG Enterprise/Other	12	7	0.02	0.02
Operating Earnings*	$ 289	$ 245	$ 0.57	$ 0.49

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

SI-SSA-0015-12980

PSEG EPS Reconciliation – Q2 2015 versus Q2 2014



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

SI-SSA-0015-12981

First Half Operating Earnings by Subsidiary

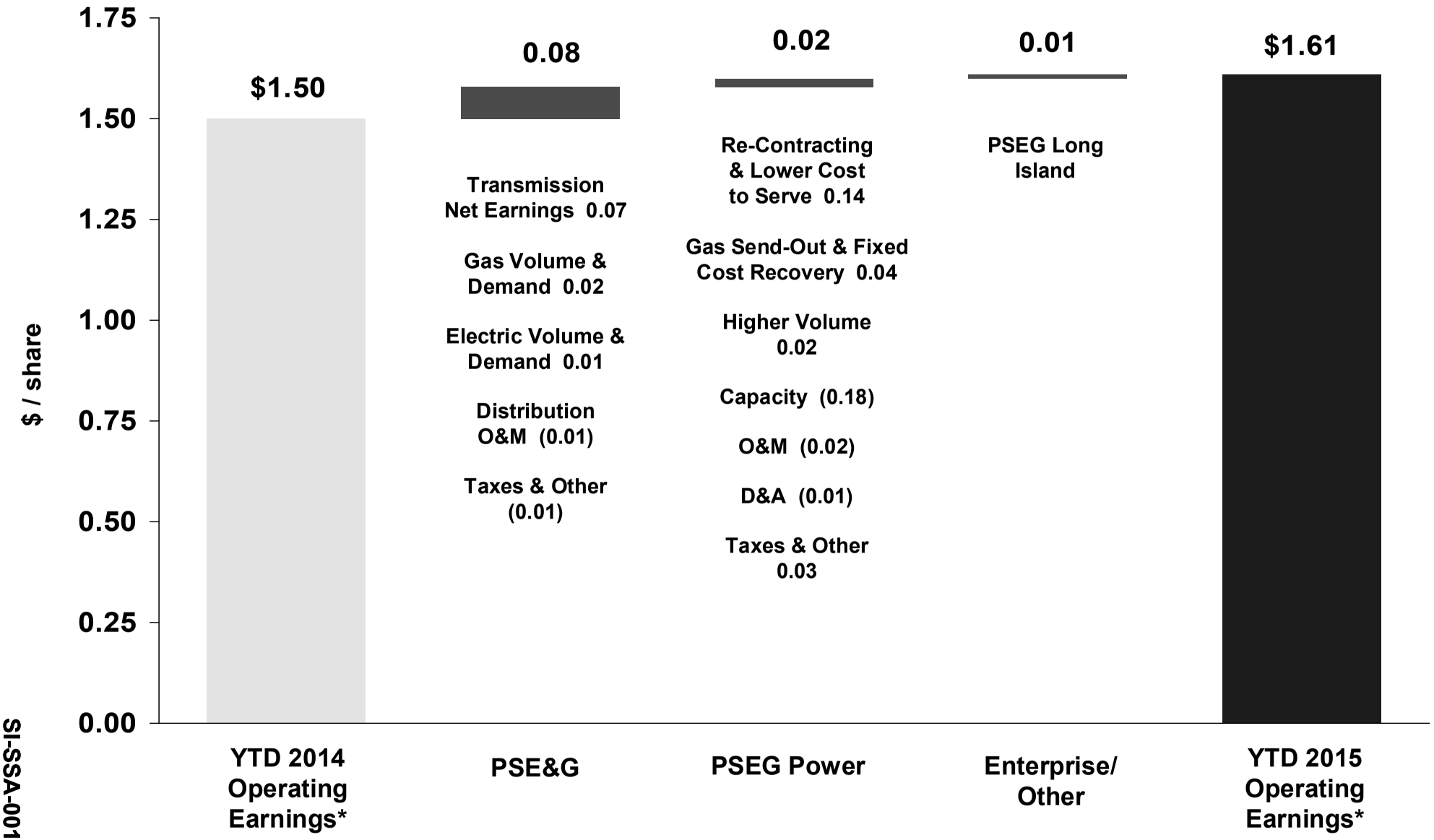
Six months ended June 30

	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 409	$ 365	$ 0.80	$ 0.72
PSEG Power	388	380	0.77	0.75
PSEG Enterprise/Other	21	15	0.04	0.03
Operating Earnings*	$ 818	$ 760	$ 1.61	$ 1.50

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

SI-SSA-0015-12982

PSEG EPS Reconciliation – First Half 2015 versus First Half 2014



SI-SSA-0015-12983

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSE&G
2015 Q2 Review

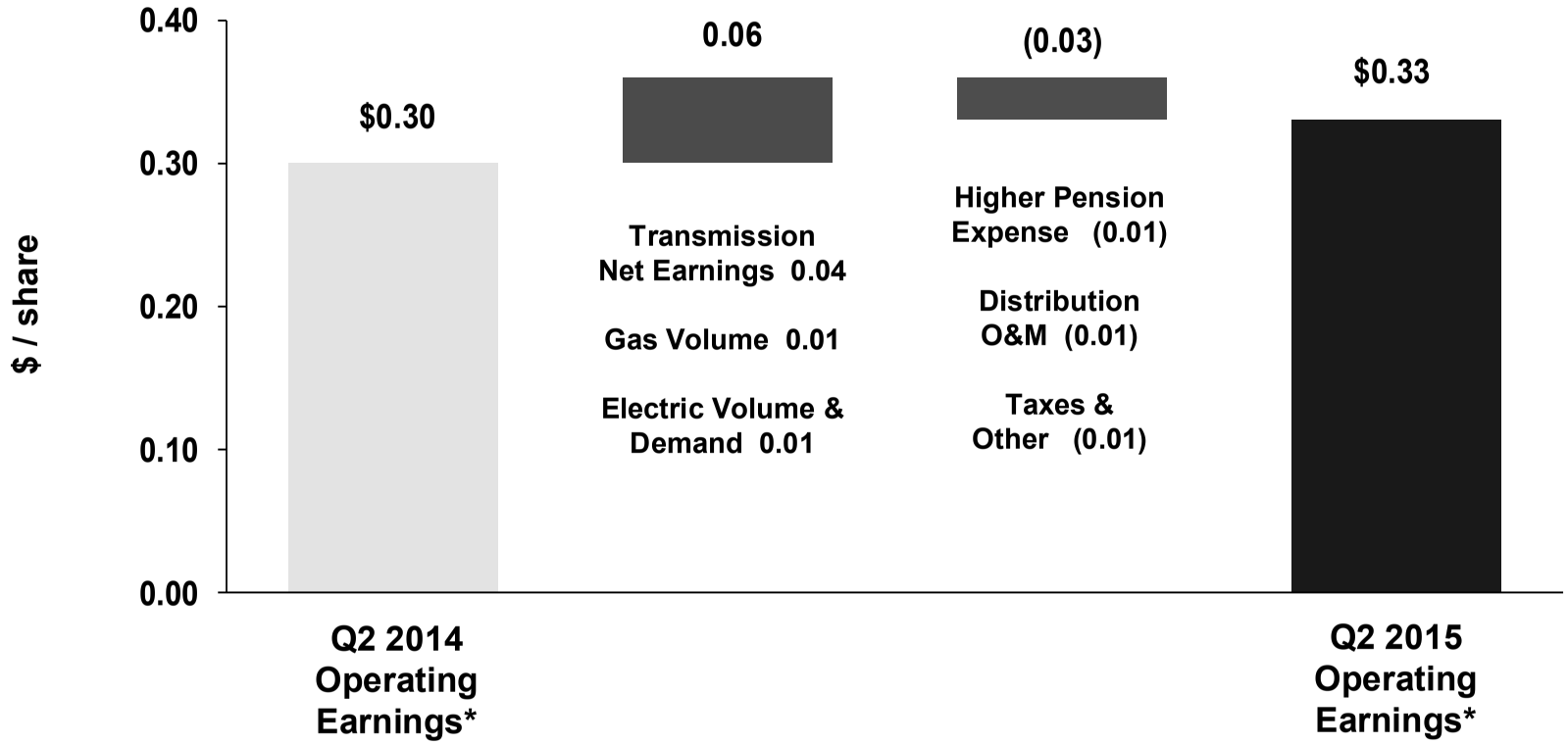
SI-SSA-0015-12984

PSE&G – Q2 EPS Summary

$ millions (except EPS)	Q2 2015	Q2 2014	Variance
Operating Revenues	$ 1,466	$ 1,435	$ 31
Operating Expenses			
Energy Costs	544	565	(21)
Operation & Maintenance	368	362	6
Depreciation & Amortization	234	217	17
Total Operating Expenses	1,146	1,144	2
Operating Earnings/Net Income	$ 167	$ 151	$ 16
EPS from Operating Earnings/Net Income	$ 0.33	$ 0.30	$ 0.03

SI-SSA-0015-12985

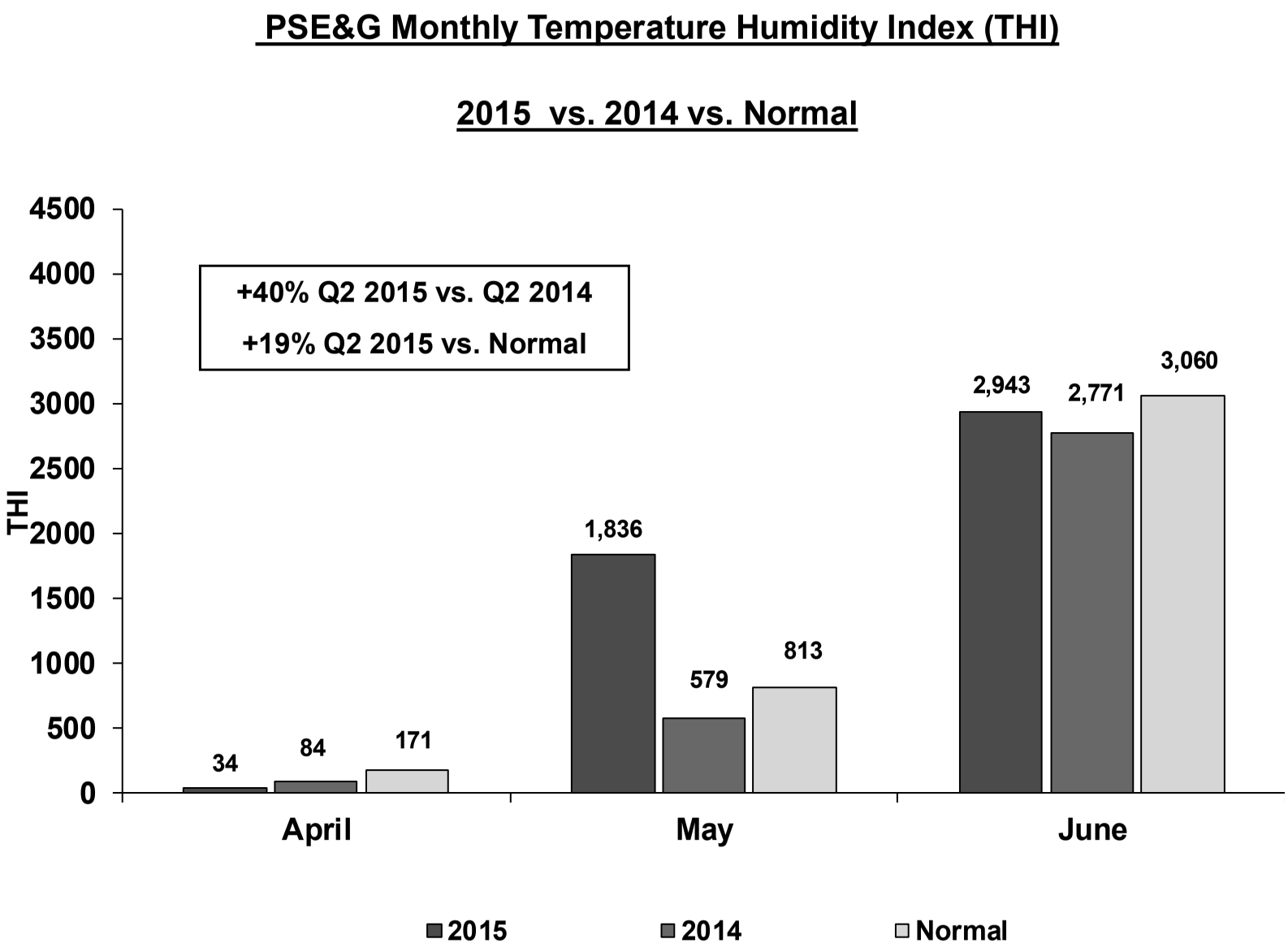
PSE&G EPS Reconciliation – Q2 2015 versus Q2 2014



* Operating Earnings is equal to Net Income.

SI-SSA-0015-12986

PSE&G – Monthly Weather Data



SI-SSA-0015-12987

PSE&G – Q2 2015 Operating Highlights

Operations

- ✓ Q2 2015 weather was warmer than Q2 2014 and warmer than normal
- ✓ Economy slowly improving, weather normalized electric sales up 0.2% in Q2: Residential demand up 0.6% and commercial sector up 0.6% in Q2, offset by industrial sales
- ✓ Gas deliveries (weather normalized) up 2.7% YTD, continue to benefit from decline in supply costs

Regulatory and Market Environment

- ✓ Gas System Modernization Program public hearings concluded
- ✓ PJM final decision on Artificial Island/FERC 1000 project assigned PSE&G ~$100 - $130 million of the overall transmission upgrades
- ✓ PSE&G residential gas customers to benefit from another proposed rate reduction this October 1, estimated to save the average gas customer another $52 per year if approved by the BPU, bringing total gas customer savings of 47% (~$792) since 2009

Financial

- ✓ PSE&G made $1.3 billion of capital expenditures in the YTD period ended June 30
- ✓ Updating PSE&G's forecast of operating earnings for the full year to $760 - $775 million from $735 - $775 million
- ✓ PSE&G issued $350 million, 3.00% secured Medium-Term Notes (MTNs) due May 2025 and $250 million, 4.05% secured MTNs due May 2045

SI-SSA-0015-12988

PSEG Power
2015 Q2 Review

SI-SSA-0015-12989

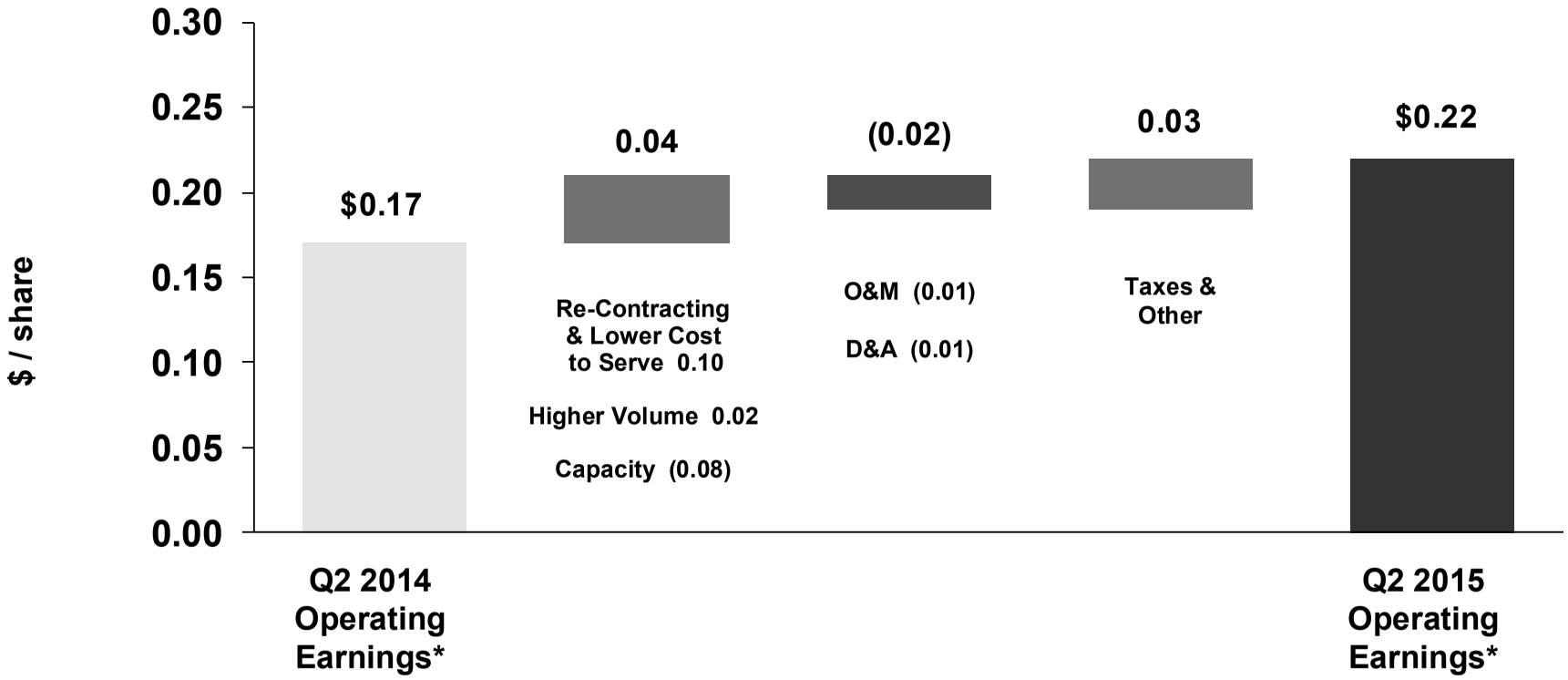
PSEG Power – Q2 EPS Summary

$ millions (except EPS)	Q2 2015	Q2 2014	Variance
Operating Revenues	$ 1,025	$ 986	$ 39
Operating Earnings	110	87	23
Reconciling Items, Net of Tax**	56	(33)	89
Net Income	$ 166	$ 54	$ 112
EPS from Operating Earnings*	$ 0.22	$ 0.17	$ 0.05

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-12990

PSEG Power EPS Reconciliation – Q2 2015 versus Q2 2014



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-12991

PSEG Power's Adjusted EBITDA - Q2 2015, YTD and Full-Year 2015 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$110	$87	$388	$380	$620	$680
Add:						
Fossil Major Maintenance, pre-tax	52	49	101	107	115	115
Depreciation & Amortization, pre-tax	75	73	152	146	305	305
Interest Expense, pre-tax	32	29	63	60	125	125
Income Taxes	32	38	223	234	380	420
Adjusted EBITDA	**$301**	**$276**	**$927**	**$927**	**$1,545E**	**$1,645E**

* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.

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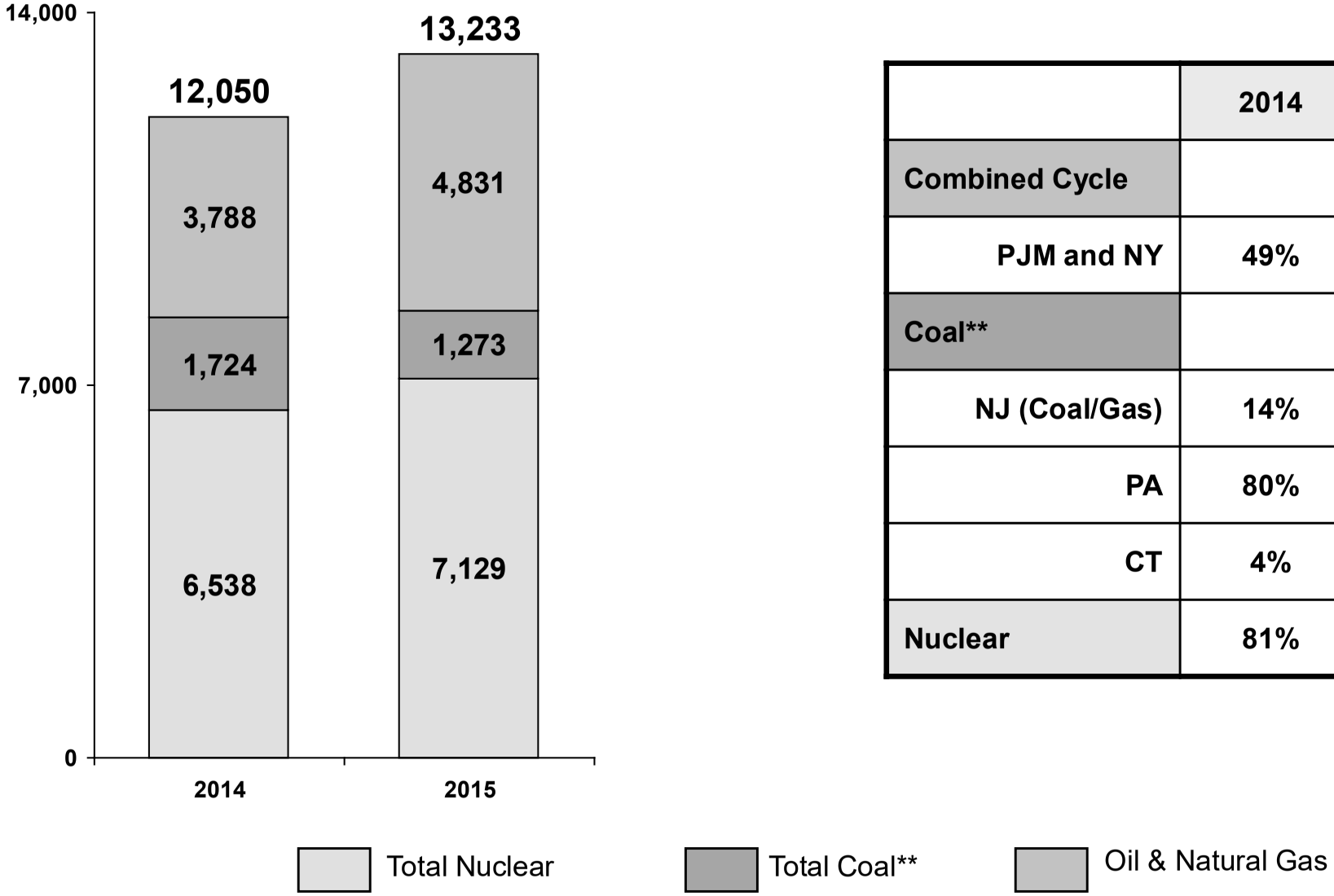
PSEG Power – Q2 2015 Generation Measures

Generation by Fuel (GWh)*

Quarter ended June 30



Fleet Capacity Factors (%)

Quarter ended June 30

	2014	2015
Combined Cycle		
PJM and NY	49%	61%
Coal**		
NJ (Coal/Gas)	14%	3%
PA	80%	73%
CT	4%	0%
Nuclear	81%	86%

* Excludes Solar and Kalaeloa. ** Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals.

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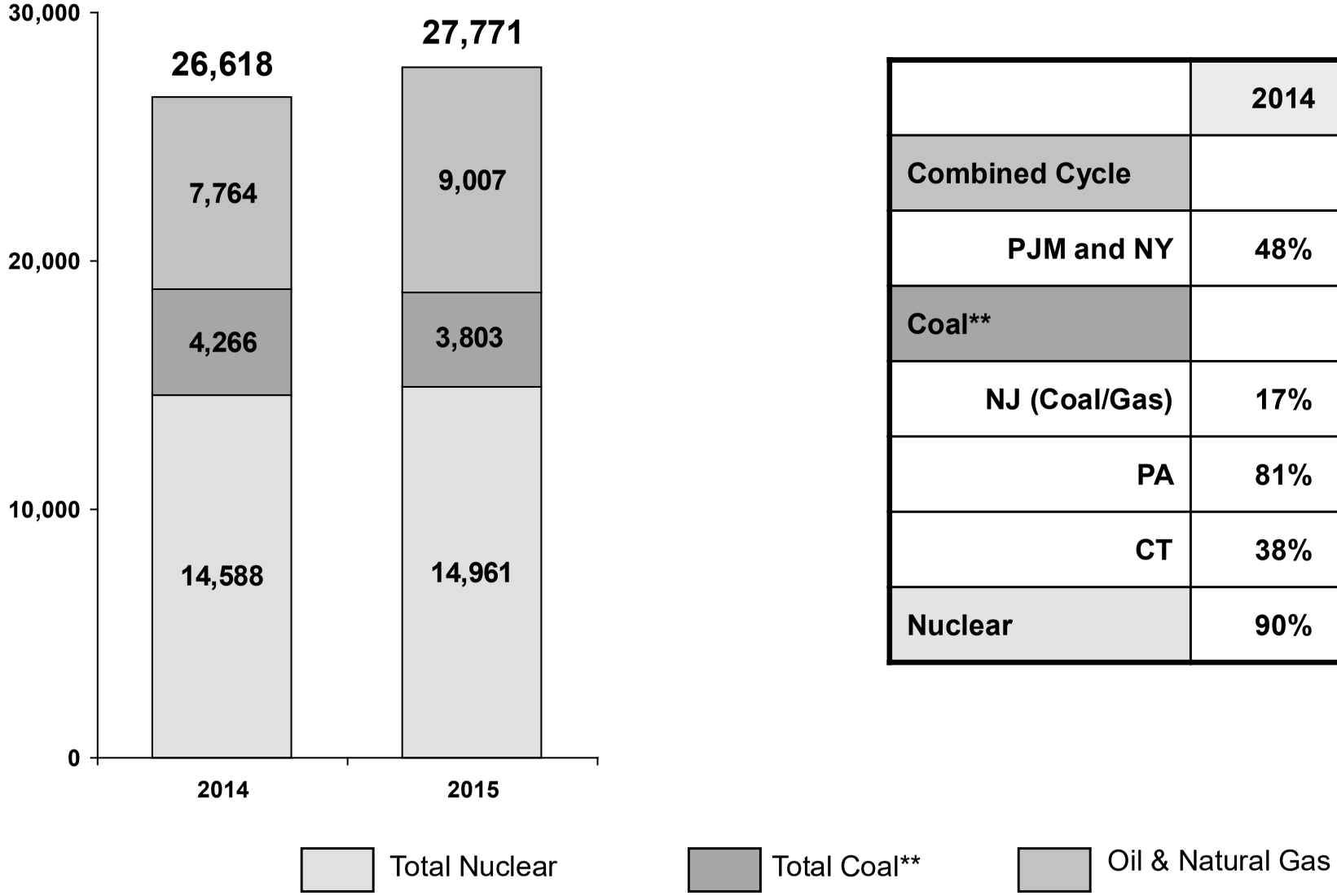
PSEG Power – YTD 2015 Generation Measures

Generation by Fuel (GWh)*

Six Months ended June 30



Fleet Capacity Factors (%)

Six Months ended June 30

	2014	2015
Combined Cycle		
PJM and NY	48%	58%
Coal**		
NJ (Coal/Gas)	17%	9%
PA	81%	82%
CT	38%	34%
Nuclear	90%	91%

* Excludes Solar and Kalaeloa. ** Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals.

SI-SSA-0015-12994

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

	Quarter ended June 30	
($ millions)	2014	2015
Coal	$40	$30
Oil & Gas	119	82
Total Fossil	159	112
Nuclear	47	51
Total Fuel Cost	$206	$163
Total Generation (GWh)	12,050	13,233
$ / MWh	17.10	12.32

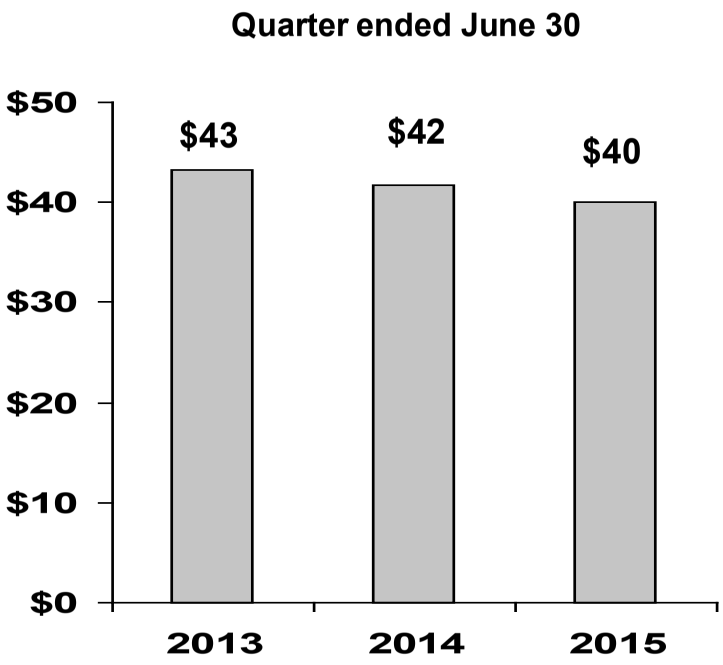
	YTD June 30	
($ millions)	2014	2015
Coal	$127	$112
Oil & Gas	484	329
Total Fossil	611	441
Nuclear	109	106
Total Fuel Cost	$720	$547
Total Generation (GWh)	26,618	27,771
$ / MWh	27.05	19.70

SI-SSA-0015-12995

PSEG Power – Gross Margin Performance

- ✓ Wholesale energy prices affected by over-supply of natural gas and constraints on electric transmission line
- ✓ Increase of $4/MWh in average hedge price
- ✓ Q2 year-over-year capacity prices reset on June 1 to ~$168/MW-day and remain stable for the next two capacity years; HEDD peaking capacity retired in Q2 2015
- ✓ Fuel flexibility and access to lower cost Marcellus gas continue to benefit margin

PSEG Power Gross Margin ($/MWh)



Q2 2015 Regional Performance		
Region	**Gross Margin ($M)**	**2015 Performance**
PJM	$487	Re-contracting, higher hedge prices, higher volumes and lower gas costs offset the decline in capacity pricing and market pricing.
New England	$18	Higher hedge value offset lower volume and lower prices.
New York	$26	Higher volume offset lower prices.

Hedging Update

Contracted Energy*

		Jul-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	18	37	37
	% Hedged	100%	85-90%	50-55%
	Price $/MWh	$53	$51	$50
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	11	19	18
	% Hedged	30-35%	0%	0%
	Price $/MWh	$53	--	--
Total	Volume TWh	25-30	55-57	55-57
	% Hedged	70-75%	55-60%	30-35%
	Price $/MWh	$53	$51	$50

* Hedge percentages and prices as of June 30, 2015. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

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PSEG Power – Q2 2015 Operating Highlights

Operations

- ✓ Q2 output up 10%; average capacity factor achieved by nuclear fleet 86%, CCGTs achieved 61%
- ✓ Uprates completed at Peach Bottom (~65 MW) and Advanced Gas Path (~31MW) at Bergen 2
- ✓ Dispatch of coal units affected by decline in price of gas

Regulatory and Market Environment

- ✓ PSEG Power's average capacity pricing for the 2015/2016 capacity year reset to $168 MW/day on June 1
- ✓ Access to Marcellus gas continues to benefit the fleet's cost of gas
- ✓ FERC approved PJM's revised CP auction parameters for the Base Residual Auction (BRA); Transition auctions delayed to allow participation of DR and EE
- ✓ The 2018/2019 RPM auction on schedule; results due August 21

Financial

- ✓ Acquired the Keys 755 MW gas fired combined cycle generating station in Maryland; construction has begun with completion expected in 2018, at an estimated investment of $825 million to $875 million
- ✓ Power made capital expenditure of $360 million in the YTD period ended June 30
- ✓ Power's total debt as a percentage of capital was 31% at June 30
- ✓ Moody's affirmed PSEG Power's Baa1 senior debt rating and Stable outlook in May
- ✓ S&P affirmed PSEG Power's senior unsecured debt rating of BBB+ and revised the outlook to Stable from Positive in May

SI-SSA-0015-12998

PSEG

PSEG Financial Highlights

Updating full-year 2015 operating earnings guidance to $2.80 - $2.95 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ PSE&G expected to contribute over 50% of 2015 operating earnings

Infrastructure Spend

- ✓ PSE&G T&D spend for 2015 expected to be $2.6 billion
- ✓ Utility's Gas System Modernization Program (GSMP) filed with the BPU in February; Proposal supports spend of $1.6 billion over 5 years to replace aging cast iron and unprotected steel pipes
- ✓ Keys CCGT in Maryland expected on-line in 2018 expands Power's geographic base
- ✓ GSMP, Keys and Artificial Island potentially increase PSEG's existing $13 billion, 2015-2019E capital program by up to $2.2 billion

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 42% at June 30

Increased common dividend 5.4% in February to indicative annual rate of $1.56 per share

- ✓ Increasing regulated earnings mix supports dividend growth

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings

$ millions (except EPS)	2015E	2014
PSE&G	$760 - $775	$725
PSEG Power	$620 - $680	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	$1,420 - $1,500	$1,400
Earnings per Share	**$2.80 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**

$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,645	$1,584

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-13001

PSEG Liquidity as of June 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$198	$1,402
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$0	$100
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
		Total	$4,300	$220	$4,080
				PSEG Money Pool ST Investment	$397
				PSE&G ST Investment	$151
				Total Liquidity Available	**$4,628**
				Total Parent / Power Liquidity	**$3,891**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	$ 289	$ 245	$ 818	$ 760	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	1	14	3	23	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	28	(42)	8	(174)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	27	(5)	102	(11)	(16)	(32)
Net Income	$ 345	$ 212	$ 931	$ 598	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.57	$ 0.49	$ 1.61	$ 1.50	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	-	0.02	-	0.04	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.06	(0.08)	0.02	(0.34)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	0.05	(0.01)	0.20	(0.02)	(0.03)	(0.07)
Net Income	$ 0.68	$ 0.42	$ 1.83	$ 1.18	$ 2.99	$ 2.45

(a) Includes the financial impact from positions with forward delivery months.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconcilation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*
	2015	*2014*	*2015*	*2014*	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	**$ 301**	**$ 276**	**$ 927**	**$ 927**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(52)	(49)	(101)	(107)	(144)
Depreciation and Amortization, pre-tax [b]	(75)	(73)	(152)	(146)	(291)
Interest Expense, pre-tax [b]	(32)	(29)	(63)	(60)	(120)
Income Taxes [b]	(32)	(38)	(223)	(234)	(387)
Operating Earnings	**$ 110**	**$ 87**	**$ 388**	**$ 380**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	3	30	10	49	138
Gain (Loss) on MTM, pre-tax [a]	48	(70)	14	(293)	111
Storm O&M, net of insurance recoveries, pre-tax	45	(9)	172	(19)	(27)
Income Taxes related to Operating Earnings reconciling items	(40)	16	(83)	101	(104)
Net Income	**$ 166**	**$ 54**	**$ 501**	**$ 218**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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EDITED TRANSCRIPT

PEG - Q3 2015 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 30, 2015 / 03:00PM GMT

OVERVIEW:
Co. reported 3Q15 operating EPS of $0.80. Expects 2015 operating EPS to be $2.85-2.95.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Incorporated - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group Incorporated - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Paul Patterson *Glenrock Associates - Analyst*

Travis Miller *Morningstar - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Sophie Karp *Citigroup - Analyst*

Gregg Orrill *Barclays Capital - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Kelly and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group, third-quarter 2015 earnings conference call and webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Friday, October 30, 2015, and will be available for telephone replay beginning at 1 PM Eastern time today until 11:30 p.m. Eastern time on November 6, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Incorporated - VP of IR***

Thank you, Kelly. Good morning. Thank you all for participating in our earnings call this morning. As you are aware, we released third quarter 2015 earnings statements earlier today. As mentioned, the release and attachments are posted on our website at www.PSEG.com, under the investor section. We also posted a series of slides that detail operating results by Company for the quarter. Our 10-Q for the period ended September 30, 2015, is expected to be filed shortly.

As you know, the earnings release and other matters that we discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties and although we may elect to update those forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimate changes, unless of course we are required to do so.

Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause results to differ from management's projections, forecasts, and expectations, and for a reconciliation of operating earnings to GAAP results.

I would you now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and also joining Ralph on the call today is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions and we ask that you limit yourself to one question and one followup to give everyone an opportunity to join us on the call. Thank you.

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Thanks, Kathleen, and thank you everyone for joining us today. Earlier this morning we reported operating earnings for the third quarter of 2015 of $0.80 per share, that's a 4% improvement over the $0.77 earned in 2014's third quarter. The results for the third quarter bring PSEG's operating earnings for the nine months ended September to $2.41 per share, which represents a 6% increase over the $2.27 per share earned during the first nine months of last year.

Slides 4 and 5 contain the detail on the results for the third quarter and for the nine months. We delivered solid earnings in the third quarter and year-to-date, and we made excellent progress on our objectives for growing our business. PSE&G continues to deliver on the earnings promise of its expanded capital program and PSEG Power achieved solid operational and financial results driven by improved performance from its nuclear and combined cycle fleet.

During the quarter, PSE&G reached an agreement with the staff of the New Jersey Board of Public Utilities and the New Jersey Division of Rate Council that provided for PSE&G to invest $905 million over a three-year period beginning next year to replace aging cast iron gas mains. Approval by the BPU later this year will allow PSE&G to continue the work begun under Energy Strong, supporting a clean, safe, and reliable gas system well into the future.

This agreement follows upon BPU's support earlier this year for a $95 million expansion of PSE&G's investment in energy efficiency programs. PSE&G's focus on improving the resiliency of the grid and increasing operational efficiency has translated once again into PSE&G being recognized as the most reliable utility in the Mid-Atlantic region for the 14th consecutive year. PSE&G's responsiveness was also recognized with receipt of the outstanding outage response time award for restoring customers 30% faster than any other large investor-owned utility. This is by no means the end of the infrastructure replacement needs for PSE&G and its customers.

Turning to PSEG Power. It is increasing its investment in clean, efficient gas-fired capacity. Power cleared a new 540-megawatt combined cycle gas plant at the sea Sewaren station as part of PJM's reliability pricing model base residual auction. The new unit represents an investment of about $625 million to $675 million. The development of new capacity at Sewaren is in addition to Power's announced plans to construct and operate a new 755-megawatt combined cycle unit at the Keys Energy Center in Maryland for between $825 million and $875 million. Both units are expected to achieve operational status in 2018.

PSEG Power's $1.5 billion investment will expand its gas-fired combined cycle capacity in its core PJM market to approximately 3800 megawatts as Power's overall gas-fired combined cycle capacity, which includes facilities in Bethlehem, New York, grows to represent 4600 megawatts. PJM's capacity performance initiative under RPM provided the correct incentives for investment. PSEG Power cleared approximately 8,700 megawatts at an average price of $215 per megawatt day. Auction prices reflected the increased risk of nonperformance associated with the auction's new rules. Power adjusted its bidding strategy to reflect this new reality with an emphasis on availability and reliability under capacity performance. And we believe Power's fleet is well positioned to perform given its dispatch flexibility, diverse fuel mix, and anticipated improvement in efficiency.

The new paradigm underlying PJM's capacity market is one sign of a more constructive regulatory environment for wholesale generating assets. The Federal Energy Regulatory Commission's notice of proposed rule making on energy price formation issued in September is further recognition that rule changes may be required to appropriately compensate generation for the true cost of operation.

Our total planned investment program covering PSE&G and Power for the five-year period ending in 2019 has expanded by 20% since the start of the year and now totals $15.6 billion. Our investments in PSE&G are expected to improve the resilience of the grid as we replace aging equipment and meet customer needs for reliability.

Our investment programs are projected to result in annual double-digit growth in PSE&G's rate base for the coming five-year period. Our investment in PSEG Power should enhance our market position with improvements in the fleet's efficiency and reliability. In a word, we are executing well in a dynamic market.

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Based on the strength of our results, we are updating our guidance for 2015's operating earnings. We've narrowed our range for guidance as we've increased the lower end. For 2015, we are now forecasting operating earnings of $2.85 to $2.95 per share, which is different from our prior $2.80 to $2.95 per share.

PSE&G has grown to represent more than half of our operating earnings as Power continues to provide strong free cash flow. We have maintained a disciplined approach to investing as our strong financial position supports growth without the need to issue equity. We intend to utilize our financial strength to meet the high standards for reliability expected by our customers and enhance the returns required by our shareholders.

I'll now turn the call over to Dan to review our operating results in greater detail.

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP & CFO***

Thank you, Ralph, and good morning, everybody. I'll review our quarterly operating earnings as well as the outlook for full-year results by subsidiary company. As Ralph noted, PSEG reported operating earnings for the third quarter of 2015 of $0.80 per share versus $0.77 per share in the third quarter of last year. For the nine months ended September 30, we reported operating earnings of $2.41 per share versus $2.27 per share last year. We provided you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business and a similar chart on slide 12 that provides you with the changes in operating earnings by each business on a year-to-date basis. I'll now review each Company in more detail starting with PSE&G.

As shown on slide 14, the reported operating earnings for the third quarter of $0.44 per share compared with $0.39 per share a year ago. PSE&G's earnings in the third quarter reflect the benefit of warmer than normal weather and an increase in revenue associated with PSE&G's expanded capital program. The improvement in revenue more than offset a moderate increase in operating expenses.

Returns from PSE&G's expanded investment in transmission added $0.03 per share to earnings in the quarter. Weather conditions, which were much warmer than normal and warmer than a year ago, provided PSE&G's earnings $0.02 -- improved PSE&G's earnings by $0.02 per share. Earnings comparisons also improved by $0.01 per share due to an increase in electric demand coupled with revenue recovery and infrastructure related investment programs. And consistent with the first half of the year, PSE&G experienced an increase in pension expense resulting in a reduction in the quarter-over-quarter earnings of $0.01 per share.

Electric sales grew 7% during the third quarter as residential customers responded to temperatures which produced 38% higher temperature humidity index than levels experienced in the year-ago period and 19% higher than normal. On a weather-normalized basis, electric sales advanced 8/10 of a percent in the quarter and 4/10 of a percent for the nine months ended September. Growth for the nine-month period is in line with our long-term expectations for weather normalized electric sales growth.

As Ralph mentioned, PSE&G reached a settlement in principal with the staff of the BPU and the New Jersey Division of Rate Council on the Company's gas system modernization program, or GSMP. The settlement provides for an investment of $905 million over a three-year period beginning in 2016 and under the settlement we would invest $650 million in the program at a 9.75% return on equity with the remaining $255 million investment recovered as part of our next base rate case. And you may recall that we agreed as part of our Energy Strong program to file a base rate case no later than November 1, 2017.

PSE&G with the addition of these investment programs has increased its capital program for the five-year period ending in 2019 to $11.8 billion, and this represents a 10% increase in PSE&G's capital investment plans since the start of the year and should support estimated annual double-digit growth in PSE&G's rate base over this time frame.

PSE&G has also filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission. The update supports PSE&G's ability to earn its authorized return on an expanded capital base and would increase transmission revenues in 2016 by $146 million. Remember, PSE&G's investment in transmission is expected to grow to about 50% of its rate base by the end of 2019 versus approximately 40% at the end of 2014.

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We've increased our forecast of PSE&G's operating earnings for 2015 given strong year-to-date results and are now forecasting operating earnings of $785 million to $805 million versus $760 million to $775 million previously. Now turning to Power.

Power reported operating earnings for the third quarter of 2015 of $0.33 per share and adjusted EBITDA of $401 million, and that's compared with operating earnings of $0.34 per share and adjusted EBITDA of $386 million for the third quarter of 2014. Power's results for the quarter reflect the impact of strong hedging and increase in operation from the gas-fired combined cycle fleet, and an improvement in spark spreads which offset the effect of an expected decline in capacity prices.

Higher average prices on energy hedges coupled with reduction in the cost of supply more than offset the impact on earnings of lower wholesale market prices for energy, and these items combine to increase Power's quarter-over-quarter earnings comparisons by $0.07 per share.

This improvement in margin in the quarter was partially offset by an expected decline in PJM's capacity revenues which reduce Power's quarter-over-quarter earnings by $0.03 per share. The reduction in capacity revenues reflects the retirement of 1800 megawatts of older inefficient peaking capacity that's was no longer compliant with environmental requirements. The average price received on PJM's capacity in the third quarter was in line with year-ago levels at $186 per megawatt day. Increase in O&M expense reduced quarter-over-quarter earnings by $0.03 per share. This increase in operating expenses primarily reflects differences in timing of outages at PSEGs Power's nuclear facilities and is not an indicator of a higher embedded level of expenses. Lastly, the absence of prior year tax benefits reduced quarter-over-quarter earnings by $0.02 per share.

As Ralph mentioned, in August PJM completed the RPM capacity auction for the 2018 / 2019 year. More than 98% of Power's capacity that cleared the auction met the new capacity performance or CP standards. The price Power will receive for capacity is expected to grow to $215 per megawatt day on average for the capacity year beginning June 1, 2018, from the $168 per megawatt day for the current year.

On slide 28, we have detail on the results of the latest capacity auction, including the number of megawatts that cleared the auction as well as the average price Power expects to receive for its capacity. Power cleared a new efficient combined cycle unit at Sewaren and plans to retire a similar amount of older inefficient steam units at that site. With the results of the latest auction, Power should see growth in its capacity revenues through 2018. The generating fleet's operational flexibility continues to be demonstrated during this period of low energy pricing.

Improved performance from the nuclear fleet and increased production in the gas-fired combined cycle fleet offset a decline in production at the coal fired stations. Our nuclear fleet operated at an average capacity factor of 95% for the quarter, producing 7.8 TWh of output, representing 53% of total generation. This also represents a 3% increase in output. Performance of the nuclear facilities benefited from the absence of repair work at Salem 2 in 2014 and showed improvement year-over-year in spite of an early start to the refueling outage at Peach Bottom 3.

Production from the gas fired combined cycle fleet increased 7% to 5.4 TWh for the quarter, representing 36% of total generation. The fleet operated extremely well running at an average capacity factor of 73% during the quarter in response to market demand. Output also benefited from the completion of capacity enhancement work at the Linden and Bergen stations which added 94 megawatts to the two stations over the past year.

Warmer than normal summer weather had a favorable impact on the dispatch of our peaking fleet as dispatch of our coal-fired assets was affected by lower wholesale energy prices. Wholesale market energy prices during the quarter continue to reflect a decline in the price of gas based on an overabundance of gas supply in the region, strong production of gas from the Marcellus Basin coupled with insufficient take-away pipeline capacity has, not unexpectedly, resulted in lower prices for gas. Power's combined cycle fleet benefited from its access to low cost gas supply in the summer and enjoyed strong spark spreads as power prices held up better than the price of gas.

Power's fleet is expected to produce energy at the lower end of its forecasted range of output for 2015 of 55 to 57 TWh, reflecting reduced expectations for output from our coal-fired stations. This was slightly less than our prior forecast and would provide a nominal increase in output year-over-year. Approximately 80% to 85% of anticipated production for the fourth quarter is hedged at an average price of $52 per megawatt hour.

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Moving to 2016, Power has hedged 65% to 70% of its forecasted generation of 55 to 57 TWh at an average price of $51 per megawatt hour. For 2017 Power has hedged 35% to 40% of its forecasted generation of 55 to 57 TWh at an average price of $49 per megawatt hour. The percent of energy hedged in 2016 and 2017 is consistent with but at the lower end of the range for Power's prescribed ratable hedging policy. And the forecast for 2016 and 2017 continues to assume that 11 to 12 TWh of annual output are hedged at BGS prices.

Forecast range for Power's operating earnings for 2015 has been narrowed to $620 million to $650 million from the $620 million to $680 million prior range. This forecast of operating earnings represents adjusted EBITDA for the full year in the range of $1.545 billion to $1.595 billion.

Now, turning to enterprise and other where we reported operating earnings of $11 million or $0.03 per share for the third quarter of 2015 versus operating earnings of $22 million or $0.04 per share in the third quarter of 2014. The decline in operating earnings reflects the absence of prior year tax benefits at Energy Holdings partially offset by lower expenses and higher interest income at the parent. And the forecast for enterprise and other full-year earnings for 2015 remains $40 million to $45 million.

And lastly relating to financing, PEG closed the quarter with $271 million of cash on its balance sheet with debt at the end of the quarter representing 41.5% of consolidated capital. PEG's five-year capital program has increased to $15.6 billion with the announced agreements for PSE&G and Power's plans to develop new capacity. PSE&G's capital program represents 75% of our planned capital expenditures with Power's capital program representing 25%. Given our strong balance sheet and expectations for Power's free cash flow generation, we're able to finance our capital requirements without the need to issue equity.

So as mentioned, we are pleased to update our guidance for 2015's operating earnings to $2.85 to $2.95 per share and results in this range would represent the third year of growth in operating earnings. We are now ready for your questions.

QUESTION AND ANSWER

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community.

(Operator Instructions)

Your first question will come from the line of Paul Patterson with Glenrock Associates.

Paul Patterson - ***Glenrock Associates - Analyst***

Can you hear me?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Yes, Paul.

Paul Patterson - ***Glenrock Associates - Analyst***

Last quarter you were discussing potentially exploring the retail market and I was wondering if you had any update on that or any thoughts given the third quarter and what have you?

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Paul, it's Ralph. We did talk about it and we still are considering different options. Again, to the extent that we think about retail, it's only in the context of the effectiveness of our hedges. This is not an offensive play. This is how do we make sure that assets that we own and operate in places like PS zone and in places like Eastern MAAC and places like Bethlehem, New York, are effectively hedged when the liquid hub is at PJM west.

So it's really just about the effectiveness of hedging and how to make sure that we optimize that. So, one thing we did to make sure we hedge effectively by purchasing the Keys Energy Center. That's not retail. That's a way to get at managing basis differentials and effective hedges. So we are still looking at it, but nothing imminent to announce.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. And then on the re-contracting and low cost of service, again a good quarter for that. Given where you see things heading into 2016, any thoughts about how that -- how things look with respect to that?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

So that was definitely explicitly stated in Dan's point of you view, right. So we don't out-guess the market. We have a very clear set of guidelines that we give our trading organization in terms of how much they can hedge in terms of max and mins, all based upon calculations of VaR and gross margin at risk, and we allow them to use their judgment in terms of how market sentiment might be affecting near-term prices that may be slightly out of whack with respect to fundamentals, and we allow them to lean a little bit heavier in their hedging as they did last year which benefited us because prices did kind of come up pretty strong after last winter. And as Dan pointed out, right now we're a little bit lighter than we would typically be hedged in 2017, but still within our normal range, not taking a strong point of view that the market has this all wrong, but you can infer from that that we think maybe there's a little bit more bearishness in the market than is normally the case.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. Thanks a lot.

Operator

Your next question will come from the line of Travis Miller with Morningstar.

Travis Miller - ***Morningstar - Analyst***

Good morning. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Hi, Travis.

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Travis Miller - ***Morningstar - Analyst***

Real quick one. I want to clarify. Do you guys expect the BPU to decide on that gas replacement program later this year, is that right?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

We're told it's going to be on the November agenda.

Travis Miller - ***Morningstar - Analyst***

November agenda. Okay. Great. And thinking more broadly here, those plants that you retired, what did you see during the summer in terms of how that capacity and ultimately energy at the peak levels was replaced? Were you guys picking up some of that? Were there other areas where you were seeing that replaced?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Our Kearny peaking units did run during the summer. We did have to run our Hudson unit on gas during the summer, but Sewaren, the units that we replaced, did not run during the summer.

Travis Miller - ***Morningstar - Analyst***

Okay. So you're picking up that mostly with your other facilities, is that --?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

That's right. We had some expansion in some of our combined cycle units which ran, our LM6000s ran, but the old steam units that sometimes in the past we had to turn on, we did not have to turn on this year.

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP & CFO***

A little bit of the peaking units were up as well. Coal units is where our volume was down. Our peakers picked up some of that volume.

Travis Miller - ***Morningstar - Analyst***

Okay. More strategically, how do you think now about enterprise and what you can do there when investments might go there, just that segment in general?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Well, we see really two primary operating subsidiaries in power and in utility, Travis. The earnings that you see at enterprise really are borne out of some residual legacy leases on real estate that are very, very small and of course LIPA which is on an exactly as planned trajectory of starting out at $0.03, going to $0.08 by 2017. This year I think it's about $0.03 or $0.04. Next year that will go up

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to $0.06 or $0.07 and then $0.07 or $0.08 two years after as per the contract. There are no plans to put a lot up at the parent level in terms of new businesses.

Travis Miller - ***Morningstar - Analyst***

Okay. Great. Thank you very much.

Operator

Your next question will come from the line of Michael Lapides with Goldman Sachs.

Michael Lapides - ***Goldman Sachs - Analyst***

Hey, Ralph. Thank you guys for taking my question. I want to know if we should see what your investment in Power is for the next couple of years as a bit of a strategy shift or a bit of a view in the market? And the reason why I ask that is if I go back over the prior six or seven, six or eight years a lot of what you've done in Power is actually more of the harvest mode. Meaning, once you finish the environmental CapEx on Hudson and Mercer, a lot of what you had done at Power had either been divesting assets or realizing the significant cash flow, the free cash flow, that the remaining assets the large portfolio created.

We're now seeing a little bit of a shift and now you're becoming much more of an investor in new assets, whether it's building on existing sites or buying development projects. Is that a -- do you think the market has changed type of view or is there some other structural view that you're trying to express in utilizing the cash flow that way versus other potential methodologies, either allocating it to the balance sheet or allocating it even more investment at E&G? Just curious.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

That's a very good question, Michael. We do get that from a lot of our investors so I thank you for giving us a chance to answer it. It is definitely not a strategy shift. We believe that both businesses are quite viable, quite strong, and need to be tended to in terms of their investment and growth opportunities. I think if you look at a short enough period of time, you could create whatever strategy you want to from a short enough period of time, but if I just take you back over the last five years, PSE&G made up about 80% of the capital program versus Power being 20%, and if I look ahead five years based on what I know today, that 80/20 becomes 75/25 and it's no more than that.

So, if you think about Power the last five years, we spent $400 million operating nuclear you units. We spent a couple hundred million dollars on peakers. We spent a couple hundred million dollars on advanced gas path upgrades. So, now we're not doing that. Instead, we're going to take an old steam unit that had 550 megawatts of capacity that there was no way it could survive in a CP future and said, okay, instead of retiring that and leaving nothing there and losing the injection rights, let's build a combined cycle unit because we like the way those numbers look. Instead of upgrading, instead of expanding, we're going to build a natural gas combined cycle unit.

As I mentioned before when I was answering Paul's question, there's some changes going on in basis. We want to know how can we manage that better. We saw a great opportunity handling that in the keys investment. At the same time we announced $1 billion in new utility investments between gas system maintenance modernization and energy efficiency, and as we pointed out that program at $300 million a year run rate has 30 years to go. We only got three years of approval. So what we have is do very strong businesses, both worthy of investment, both which we look at where we can maximize the benefit for our customers and achieve the return expectations of our shareholders.

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So really nothing has changed. Absolutely understandable why people would ask the question. If you just looked at a three-month window, all the sudden you see, wow, Power's investing $1.6 billion and utility's investing $1 billion. I don't think you should look at narrow short windows like that.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. One other question. You talk about rate-based growth at the utilities, meaning double-digit rate base growth. Do you expect earnings growth to match rate base growth over time?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

It will be close but it can't match it. The reason for that is quite simple. I am so proud of our utility folks for controlling costs, but even in the best of years you have labor escalation in our union contracts that are like 2.5%. You just look at management wage growth of 2.5%, 3% and then you look at load growth on a weather-normalized basis of 0.4% on the electric side and I think it's 0.8% on the gas side. So you just do the arithmetic and the O&M expense outstrips the growth in load. So that bit of a drag peels away at some of the contemporaneous returns that you go get from the rate-based growth. That's why these things don't match perfectly.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Thank you, Ralph. Appreciate you taking my questions.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

No problem. You're welcome.

Operator

(Operator Instructions)

You have a question from the line of Sophie Karp with Citigroup.

Sophie Karp - ***Citigroup - Analyst***

Hi, can you hear me?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Yes. Good morning.

Sophie Karp - ***Citigroup - Analyst***

Good morning. Thank you for taking my question. I wanted to ask you about the nuclear economics as we continue to see very low gas environment obviously in the -- if this prevails do you see any meaningful change in the nuclear economics for your assets and does that change your view of their long-term strategy with respect to those assets?

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Sophie, it's an excellent question. Each of our units is over 1,000 megawatts. I think if you look at both fixed and variable O&M, I don't know if we've published the operating cost of them, but it is $37 a megawatt hour both fixed and variable. If you look at nuclear fuel costs it's far, far, far less than that. So given our capacity prices, given our variable O&M costs, our units are absolutely fine. They'd be a lot finer if gas was at $8 and $10 an MMBtu.

As you well know, some of the challenges other units have had is, number one, their size in terms of their ability to spread their fixed cost and, number two, some of the distortions that are created by the production tax credit in particular from wind farms. That's not to minimize the competitive pressures associated with natural gas, but what we're seeing is margin compression and we're nowhere near a point operating at anything but positive margins for those units. I think there will be a period, I don't know how long that will be, of competitive pressure on them, but eventually there's going to be a price on carbon. I don't know if that's going to be under CPP or some other paradigm, and these units will be able to ride through these a little bit more difficult times without any problem and then really benefit from that carbon regimen in the future.

Sophie Karp - ***Citigroup - Analyst***

Thank you. My other question was about transmission investments. Are you looking into any incremental transmission investment opportunities right now maybe through FERC order 1000 or any other transmission investments that are not currently in your plan or have not been contemplated previously?

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP & CFO***

The FERC 1000 process has been around for a while and I guess I would say has been gaining traction for a while. We've been through the most recent and first opportunity here within [MPJ] and with Artificial Island. So, yes, we are definitely involved in them. I think a lot of the areas in the country are still formulating the best way to move into this new regimen, so I would say that the prognosis for large investments in the very near term in that regard are probably less, but I think over time it is still an area where we think we have the skills and expertise that we can bring to it and we think we can be very successful in that arena.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Sophie, it's important to realize it's $12 billion in the utilities prospective five-year capital program of which I think 60% or 70% is transmission. None of that is subject to FERC order 1000 competition. It's all stuff that doesn't meet the criteria for FERC 1000. The exception as Dan just implied is the $120 million of Artificial Island project that we won that's included in that number.

Sophie Karp - ***Citigroup - Analyst***

Thank you.

Operator

Your next question will come from the line of Gregg Orrill with Barclays.

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Gregg Orrill - ***Barclays Capital - Analyst***

Thank you. Ralph, you've talked about having an excess balance sheet capacity of $2 [million] to $3 [million] against your FFO to debt targets.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Right.

Gregg Orrill - ***Barclays Capital - Analyst***

And where does stock buyback stand in the way you're thinking of using that money? Has anything changed about your thinking?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Sure, thanks, Gregg, for the question. So nothing has changed really. We have this sort of three-tiered prioritization on how to use the balance sheet. Number one is reinvesting in the business and we've been public about the fact that we will bid Bridgeport Harbor combined cycle unit in the upcoming forward capacity market in New England in February. I just mentioned a minute ago that the gas system needs $300 million per year and we have a three-year program. If you subtract three from five that means there's two years that are unfunded in the plan right now.

You may recall, Gregg, that we when we originally filed for Energy Strong goodness gracious 2-1/2 years ago we asked for $3.9 million as the first part of a five-year program and we got $1.2 million approved and it was only put into a three-year program, so that's halfway done already. And if you take 1.5 from 5, that means 3-1/2 years of the five-year program is unfunded, so there's $1 billion plus in investment opportunity there. So just looking at those three, Bridgeport Harbor, gas, and Energy Strong, you're looking at anywhere from $2.5 billion to $3 billion of investment opportunity that we've publicly discussed.

Second thing is, look, let's face it, we know the utility's a steady grower but we know Power's in a commodity cyclical business and we know how important dividends are to our investors and we've been promising consistent growth in our dividend, p so we'd like to make sure that balance sheet has a little bit of an ability to absorb some of the ebbs and flows of the commodity markets, so that's a second priority for us.

And then, third -- but not one that we would never do but something that we talk about all the time, if our cost of capital is a little out of whack because the balance sheet is a little too robust and the investment opportunities are kind of far off, then let's think about share repurchase as a way to get that cost of capital back in line. So that really hasn't changed at all in terms of the three-tier prioritization but perhaps a little more color on the details.

Gregg Orrill - ***Barclays Capital - Analyst***

Thank you.

Operator

Mr. Izzo, Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Thank you very much. So, look, I hope your take away is the same as the message we were trying to deliver which is the Company is in great shape. Our fleet of plants, our nuclear units, our combined cycle units are running well. The utility is hitting all of its growth targets as it executes its capital program and the balance sheet remains very healthy. So, we hope that you all come out to meet Dan if you haven't met him just yet. He stepped right in and fabulous job for us, and we'll see you in Florida in two weeks. Thanks, everyone. Have a good day.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for participating.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2015 THIRD QUARTER RESULTS

$0.87 PER SHARE NET INCOME

Operating Earnings of $0.80 Per Share

Company Updates Full Year Guidance to $2.85 - $2.95 Per Share

October 30, 2015 (Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) today reported third quarter 2015 Net Income of $439 million or $0.87 per share as compared to Net Income of $444 million or $0.87 per share for the third quarter of 2014. Operating earnings for the third quarter of 2015 were $403 million or $0.80 per share compared to the third quarter of 2014 operating earnings of $393 million or $0.77 per share.

Ralph Izzo, chairman, president and CEO, said "PSEG reported another good quarter. While the businesses benefited from favorable weather, our results also reflect the benefit from our strategy of increasing investment in infrastructure, a disciplined approach to cost management and the continued availability of low-cost gas supply. Based on our strong results, we are increasing the lower end of our operating earnings guidance yielding a range for the full year of $2.85 - $2.95 per share."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of gains/(losses) associated with Nuclear Decommissioning Trust (NDT), certain Mark-to-Market (MTM) accounting and other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the third quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)

Third Quarter Comparative Results
2015 and 2014

	Income ($ millions)		Diluted Earnings Per Share	
	2015	**2014**	**2015**	**2014**
Operating Earnings	$403	$393	$0.80	$0.77
Reconciling Items	36	51	0.07	0.10
Net Income	$439	$444	$0.87	$0.87
Average Shares			**508M**	**507M**

“Our position of financial strength allows us to make significant investments in our businesses,” Izzo said. “Since the start of the year, our 5-year capital program has been increased by 20% to $15.6 billion. The increase in spending should produce double-digit growth in PSE&G’s rate base through 2019 from 2014 as we also enhance the competitive position of PSEG Power’s generating fleet with the addition of approximately 1300 MWs of new, efficient gas-fired combined cycle capacity. The investment program should assure customers receive clean, reliable delivery of electricity and natural gas as we also position PSEG to continue to deliver value for shareholders over the long-term.”

Our revised Operating Earnings guidance by company for the full year is as follows:

Operating Earnings
($ millions, except EPS)

	2015E	2014A
PSE&G	$785 - $805	$725
PSEG Power	$620 - $650	$642
PSEG Enterprise/Other	$40 - $45	$33
Total	$1,445 - $1,500	$1,400
Earnings Per Share	$2.85 - $2.95	$2.76

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSE&G

PSE&G reported operating earnings of $222 million ($0.44 per share) for the third quarter of 2015 compared with operating earnings of $200 million ($0.39 per share) for the third quarter of 2014.

PSE&G’s earnings reflect the impact of warmer than normal weather, and an increase in revenue associated with an expanded capital program which more than offset a moderate increase in operating expenses.

Returns from PSE&G’s expanded investment in transmission added $0.03 per share to earnings in the quarter. Weather conditions, which were warmer than normal and warmer than the year ago period, improved quarter-over-quarter earnings by $0.02 per share. A slight increase in electric demand coupled with revenue recovery of infrastructure-related investment programs improved quarter-over-quarter earnings by $0.01 per share. An increase in pension expense led to a reduction in quarter-over-quarter earnings by $0.01 per share.

Electric sales grew 7% during the third quarter as residential customers responded to temperatures that were 38% higher than the levels experienced in the year-ago period and 19% higher than

normal. On a weather-normalized basis, electric sales advanced 0.8% in the quarter resulting in weather-normalized electric sales growth of 0.4% for the nine months ended September.

In September 2015, the NJ Board of Public Utilities (BPU) approved PSE&G's filing requesting a reduction of $70 million in annual Basic Gas Supply Service (BGSS) revenues. The change, which was effective on October 1, 2015, reduced the BGSS rate to 40 cents per therm from 45 cents per therm. Including this reduction in gas charges, the typical residential customer has experienced a 47%, or $792, decline in their annual gas bill since January 2009.

PSE&G, in September 2015, reached a settlement in principle with the Staff of the BPU and the NJ Division of Rate Counsel on the company's Gas System Modernization Program (GSMP). The settlement provides for investing $905 million over a three year period beginning in 2016.

PSE&G filed an update of its Formula Rate for transmission at the Federal Energy Regulatory Commission in October 2015. The update, which reflects an increase in the level of PSE&G's investment in transmission, would provide for approximately $146 million in increased annual transmission revenue effective January 1, 2016.

The forecast of PSE&G's operating earnings for 2015 is now $785 - $805 million versus $760 - $775 million. Operating earnings for the full year are benefiting from the recovery of costs associated with higher levels of capital spending. The increase in the forecast is mostly due to warmer than normal weather.

PSEG Power

PSEG Power reported operating earnings of $170 million ($0.33 per share) for the third quarter of 2015 and Adjusted EBITDA of $401 million compared with operating earnings of $171 million ($0.34 per share) and Adjusted EBITDA of $386 million for the third quarter of 2014.

PSEG believes that the non-GAAP financial measure of "Adjusted EBITDA" is useful in evaluating Power's operating performance because it provides investors with additional information to compare our business performance to other companies and to understand performance trends.

Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense and interest expense, depreciation and amortization and major maintenance at Power's fossil generation facilities. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA.

Power's results for the quarter reflect the impact of strong hedging, an increase in operation from the gas-fired combined cycle fleet and an improvement in spark spreads with the availability of low-cost gas supply which offset the anticipated effect of a decline in capacity prices.

Power retired approximately 1800 MWs in the second quarter of older, less efficient peaking capacity that didn't meet NJ's environmental standards. The loss of the revenue on this capacity reduced Power's quarter-over-quarter earnings by $0.03 per share. This decline in earnings was offset by higher average prices received on energy hedges as well as an improvement in spark spreads. These two items combined to increase quarter-over-quarter earnings by $0.07 per share. An increase in O&M expenses reduced quarter-over-quarter earnings by $0.03 per share. The increase in operating expense primarily reflects differences in the timing of outages at PSEG Power's nuclear

facilities, and is not a reflection of a higher embedded level of expense. The absence of prior year tax benefits reduced quarter-over-quarter earnings by $0.02 per share.

Output during the quarter of 14.7 TWh was in line with year-ago levels. The fleet's flexibility continues to be demonstrated as an improvement in output from the nuclear fleet and increased production from the gas-fired combined cycle fleet offset a decline in production from Power's coal-fired stations.

The nuclear fleet operated at an average capacity factor of 95%, producing 7.8 TWh of output or 53% of Power's generation, a 3% increase over year-ago levels. Performance of the nuclear facilities reflects the absence of repair work at Salem 2 in 2014 which was partially offset in the third quarter of 2015 by an early start to the refueling outage at Peach Bottom 3. Production from the gas-fired combined cycle fleet (CCGT) increased 7% to 5.4 TWh, or 36% of total generation, as the CCGT fleet operated at a 73% capacity factor during the quarter in response to improved spark spreads. Output of the CCGT fleet also benefited from the completion of up-rate work which added 94 MWs of efficient capacity at the Linden and Bergen Generating Stations over the past year. Higher summer demand also had a favorable impact on the dispatch of Power's peaking capacity. Dispatch of the coal fleet was affected by a decline in the price of gas and lower wholesale energy prices.

Power's fleet is expected to produce energy at the lower end of its forecast of output for 2015 of 55 – 57 TWh. Approximately 80% - 85% of anticipated production for the fourth quarter is hedged at an average price of $52 per MWh. For 2016, Power has hedged 65% - 70% of its forecast generation of 55 – 57 TWh at an average price of $51 per MWh; for 2017, Power has hedged 35% - 40% of its forecast generation of 55 – 57 TWh at an average price of $49 per MWh. The percent of energy hedged over 2016 – 2017 is consistent with – but, at the lower end of the range for Power's prescribed ratable hedging policy.

PSEG Power cleared a new 540 MW CCGT at Sewaren as part of PJM's Reliability Pricing Model Base Residual Auction. The plant, which represents an investment of $625 - $675 million, is targeted to be completed and supplying energy to New Jersey and the region by the summer of 2018.

The forecast range of Power's operating earnings for 2015 is now $620 - $650 million versus $620 - $680 million. The forecast of operating earnings represents adjusted EBITDA for the full year of $1,545 - $1,595 million. Results for the year have been influenced by the expected decline in year-over-year capacity revenue, an increase in the average price of hedged energy and lower wholesale energy prices.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $11 million ($0.03 per share) for the third quarter of 2015 compared with operating earnings of $22 million ($0.04 per share) for the third quarter of 2014. The decline in operating earnings reflects the absence of prior year tax benefits at PSEG Energy Holdings partially offset by lower operating and maintenance expense and higher interest income at Parent.

The forecast of PSEG Enterprise/Other full year operating earnings for 2015 remains $40 - $45 million.

FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2015	***2014***	***2015***	***2014***
Earnings Results ($ Millions)				
PSE&G	$ 222	$ 200	$ 631	$ 565
PSEG Power	170	171	558	551
PSEG Enterprise/Other	11	22	32	37
Operating Earnings	**$ 403**	**$ 393**	**$ 1,221**	**$ 1,153**
Reconciling Items [(a)]	36	51	149	(111)
Net Income	**$ 439**	**$ 444**	**$ 1,370**	**$ 1,042**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**507**	**508**	**507**
Per Share Results (Diluted)				
PSE&G	$ 0.44	$ 0.39	$ 1.24	$ 1.11
PSEG Power	0.33	0.34	1.10	1.09
PSEG Enterprise/Other	0.03	0.04	0.07	0.07
Operating Earnings	**$ 0.80**	**$ 0.77**	**$ 2.41**	**$ 2.27**
Reconciling Items [(a)]	0.07	0.10	0.29	(0.22)
Net Income	**$ 0.87**	**$ 0.87**	**$ 2.70**	**$ 2.05**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended September 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,688	$ (174)	$ 1,766	$ 1,096
OPERATING EXPENSES				
Energy Costs	815	(292)	740	367
Operation and Maintenance	746	92	391	263
Depreciation and Amortization	313	7	231	75
Total Operating Expenses	1,874	(193)	1,362	705
OPERATING INCOME	814	19	404	391
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	33	-	22	11
Other-Than-Temporary Impairments	(30)	-	-	(30)
Interest Expense	(96)	1	(67)	(30)
INCOME BEFORE INCOME TAXES	724	20	359	345
Income Tax Benefit (Expense)	(285)	(9)	(137)	(139)
NET INCOME	**$ 439**	**$ 11**	**$ 222**	**$ 206**
OPERATING EARNINGS	$ 403	$ 11	$ 222	$ 170
Reconciling Items Excluded from Net Income [b]	36	-	-	36
NET INCOME	**$ 439**	**$ 11**	**$ 222**	**$ 206**

Three Months Ended September 30, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,641	$ (152)	$ 1,655	$ 1,138
OPERATING EXPENSES				
Energy Costs	863	(277)	668	472
Operation and Maintenance	714	106	366	242
Depreciation and Amortization	318	9	238	71
Total Operating Expenses	1,895	(162)	1,272	785
OPERATING INCOME	746	10	383	353
Income from Equity Method Investments	3	(1)	-	4
Other Income and (Deductions)	66	2	14	50
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(100)	2	(71)	(31)
INCOME BEFORE INCOME TAXES	705	13	326	366
Income Tax Benefit (Expense)	(261)	9	(126)	(144)
NET INCOME	**$ 444**	**$ 22**	**$ 200**	**$ 222**
OPERATING EARNINGS	$ 393	$ 22	$ 200	$ 171
Reconciling Items Excluded from Net Income [b]	51	-	-	51
NET INCOME	**$ 444**	**$ 22**	**$ 200**	**$ 222**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Nine Months Ended September 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 8,137	$ (943)	$ 5,234	$ 3,846
OPERATING EXPENSES				
Energy Costs	2,577	(1,268)	2,176	1,669
Operation and Maintenance	2,170	251	1,171	748
Depreciation and Amortization	960	22	712	226
Total Operating Expenses	5,707	(995)	4,059	2,643
OPERATING INCOME	2,430	52	1,175	1,203
Income from Equity Method Investments	10	(1)	-	11
Other Income and (Deductions)	135	1	57	77
Other-Than-Temporary Impairments	(45)	-	-	(45)
Interest Expense	(291)	6	(203)	(94)
INCOME BEFORE INCOME TAXES	2,239	58	1,029	1,152
Income Tax Benefit (Expense)	(869)	(26)	(398)	(445)
NET INCOME	**$ 1,370**	**$ 32**	**$ 631**	**$ 707**
OPERATING EARNINGS	$ 1,221	$ 32	$ 631	$ 558
Reconciling Items Excluded from Net Income [b]	149	-	-	149
NET INCOME	**$ 1,370**	**$ 32**	**$ 631**	**$ 707**

Nine Months Ended September 30, 2014

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 8,113	$ (946)	$ 5,235	$ 3,824
OPERATING EXPENSES				
Energy Costs	3,008	(1,306)	2,278	2,036
Operation and Maintenance	2,370	309	1,190	871
Depreciation and Amortization	919	22	682	215
Total Operating Expenses	6,297	(975)	4,150	3,122
OPERATING INCOME	1,816	29	1,085	702
Income from Equity Method Investments	10	(1)	-	11
Other Income and (Deductions)	154	3	41	110
Other-Than-Temporary Impairments	(14)	-	-	(14)
Interest Expense	(291)	7	(206)	(92)
INCOME BEFORE INCOME TAXES	1,675	38	920	717
Income Tax Benefit (Expense)	(633)	(1)	(355)	(277)
NET INCOME	**$ 1,042**	**$ 37**	**$ 565**	**$ 440**
OPERATING EARNINGS	$ 1,153	$ 37	$ 565	$ 551
Reconciling Items Excluded from Net Income [b]	(111)	-	-	(111)
NET INCOME	**$ 1,042**	**$ 37**	**$ 565**	**$ 440**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	September 30, 2015	December 31, 2014
DEBT		
Long-Term Debt	$ 9,163	$ 8,869
Securitization Debt	68	259
Project Level, Non-Recourse Debt	7	16
Total Debt	9,238	9,144
STOCKHOLDERS' EQUITY		
Common Stock	4,894	4,876
Treasury Stock	(667)	(635)
Retained Earnings	9,005	8,227
Accumulated Other Comprehensive Loss	(299)	(283)
Total Common Stockholders' Equity	12,933	12,185
Noncontrolling Interests - Equity Investments	1	1
Total Equity	12,934	12,186
Total Capitalization	$ 22,172	$ 21,330

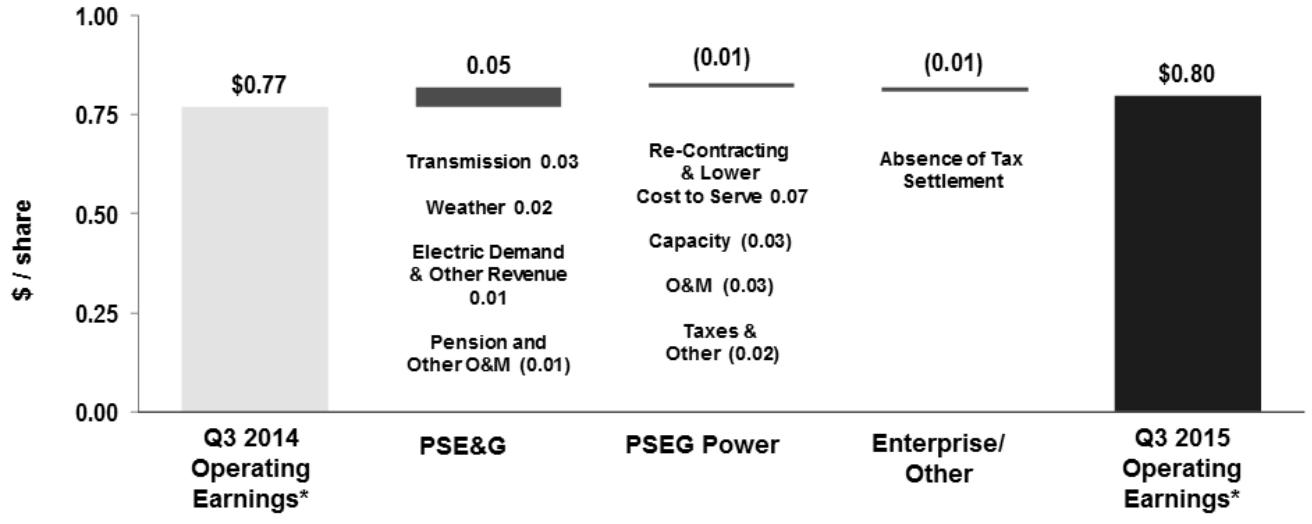
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,370	$ 1,042
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,858	1,494
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,228	2,536
NET CASH USED IN INVESTING ACTIVITIES	(2,841)	(1,988)
NET CASH USED IN FINANCING ACTIVITIES	(518)	(338)
Net Change in Cash and Cash Equivalents	(131)	210
Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$ 271	$ 703

Attachment 6

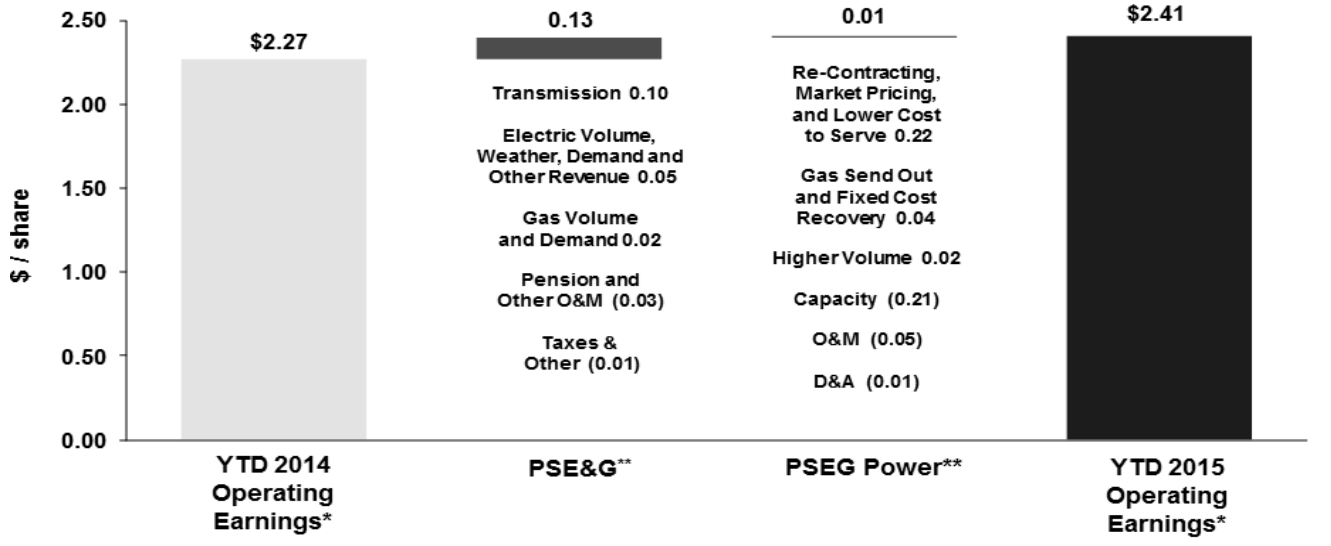
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2015 vs. September 30, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to compute Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2015 vs. September 30, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding

Attachment 8

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2015

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2014	Nine Months Ended	Change vs. 2014
Residential	4,596	12.7%	11,019	7.2%
Commercial & Industrial	7,678	4.0%	21,331	1.9%
Street Lighting	69	-3.3%	234	0.6%
Interdepartmental	3	21.7%	7	0.3%
Total	12,346	7.1%	32,591	3.7%
Revenue ($ millions)				
Residential	$ 757	14.7%	$ 1,777	9.7%
Commercial & Industrial	629	0.1%	1,625	-0.5%
Street Lighting	17	2.4%	52	2.8%
Other Operating Revenues*	158	16.7%	458	19.3%
Total	$ 1,561	8.4%	$ 3,912	6.1%

Weather Data	Three Months Ended	Change vs. 2014	Nine Months Ended	Change vs. 2014
THI Hours - Actual	13,896	37.8%	18,710	38.4%
THI Hours - Normal	11,679		15,752	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2015

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2014	Nine Months Ended	Change vs. 2014
Firm Sales				
Residential Sales	96	-5.8%	1,168	3.6%
Commercial & Industrial	100	2.5%	805	4.4%
Total Firm Sales	**196**	**-1.7%**	**1,973**	**3.9%**
Non-Firm Sales				
Commercial & Industrial	670	-6.0%	1,625	-11.1%
Total Non-Firm Sales	**670**		**1,625**	
Total Sales	**866**	**-5.0%**	**3,598**	**-3.5%**
Revenue ($ millions)				
Residential Sales - Firm	$ 39	-19.1%	$ 224	-45.2%
Commercial & Industrial - Firm Sales	15	-25.8%	197	-16.0%
Non-Firm Sales	9	26.1%	28	-11.6%
Other Operating Revenues**	42	3.6%	129	0.8%
Total	**$ 105**	**-9.4%**	**$ 578**	**-28.0%**
Gas Transported	$ 100	1.3%	$ 744	0.0%

Weather Data	Three Months Ended	Change vs. 2014	Nine Months Ended	Change vs. 2014
Degree Days - Actual	1	-96.1%	3,557	2.5%
Degree Days - Normal	29		3,039	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 10

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended September 30,		GWhr Breakdown Nine Months Ended September 30,	
	2015	2014	2015	2014
Nuclear - NJ	5,393	5,113	15,249	14,653
Nuclear - PA	2,394	2,452	7,499	7,499
Total Nuclear	**7,787**	**7,565**	**22,748**	**22,152**
Fossil - Coal/Natural Gas - NJ**	72	563	542	1,441
Fossil - Coal - PA	1,108	1,221	3,853	3,945
Fossil - Coal - CT	12	47	600	710
Total Coal	**1,192**	**1,831**	**4,995**	**6,096**
Fossil - Oil & Natural Gas - NJ	4,160	3,767	10,932	9,419
Fossil - Oil & Natural Gas - NY	1,547	1,523	3,691	3,398
Fossil - Oil & Natural Gas - CT	32	4	122	241
Total Oil & Natural Gas	**5,739**	**5,294**	**14,745**	**13,058**
	14,718	**14,690**	**42,488**	**41,306**

	% Generation by Fuel Type Three Months Ended September 30,		% Generation by Fuel Type Nine Months Ended September 30,	
	2015	2014	2015	2014
Nuclear - NJ	37%	35%	36%	35%
Nuclear - PA	16%	16%	18%	18%
Total Nuclear	**53%**	**51%**	**54%**	**53%**
Fossil - Coal/Natural Gas - NJ**	0%	4%	1%	3%
Fossil - Coal - PA	8%	9%	9%	10%
Fossil - Coal - CT	0%	0%	1%	2%
Total Coal	**8%**	**13%**	**11%**	**15%**
Fossil - Oil & Natural Gas - NJ	28%	26%	26%	23%
Fossil - Oil & Natural Gas - NY	11%	10%	9%	8%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	1%
Total Oil & Natural Gas	**39%**	**36%**	**35%**	**32%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and nine months ended September 30, 2015 and 2014. Generation includes natural gas fuel switching intervals.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Weighted Average Common Shares Outstanding (millions)				
Basic	505	506	505	506
Diluted	508	507	508	507
Stock Price at End of Period			$ 42.16	$ 37.24
Dividends Paid per Share of Common Stock	$ 0.39	$ 0.37	$ 1.17	$ 1.11
Dividend Payout Ratio*			53.8%	53.6%
Dividend Yield			3.7%	4.0%
Price/Earnings Ratio*			14.5	13.5
Rate of Return on Average Common Equity*			11.8%	12.0%
Book Value per Common Share			$ 25.90	$ 23.89
Market Price as a Percent of Book Value			165%	156%
Total Shareholder Return	8.4%	-7.8%	4.9%	19.8%

*Calculation based on Operating Earnings for the 12 month period ended.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2015	2014	2015	2014	2014	2013
	($ Millions, Unaudited)					
Operating Earnings	$ 403	$ 393	$ 1,221	$ 1,153	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(14)	17	(11)	40	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	50	36	58	(138)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(2)	102	(13)	(16)	(32)
Net Income	$ 439	$ 444	$ 1,370	$ 1,042	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.80	$ 0.77	$ 2.41	$ 2.27	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.02)	0.04	(0.02)	0.08	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.09	0.07	0.11	(0.27)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	0.20	(0.03)	(0.03)	(0.07)
Net Income	$ 0.87	$ 0.87	$ 2.70	$ 2.05	$ 2.99	$ 2.45

(a) Includes the financial impact from positions with forward delivery months.

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2015	2014	2015	2014	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	$ 401	$ 386	$ 1,328	$ 1,313	$ 1,584
Fossil Major Maintenance, pre-tax	(10)	(10)	(111)	(117)	(144)
Depreciation and Amortization, pre-tax [b]	(76)	(71)	(228)	(217)	(291)
Interest Expense, pre-tax [b]	(30)	(31)	(93)	(91)	(120)
Income Taxes [b]	(115)	(103)	(338)	(337)	(387)
Operating Earnings	$ 170	$ 171	$ 558	$ 551	$ 642
Gain (Loss) on NDT Fund Related Activity, pre-tax	(24)	36	(14)	85	138
Gain (Loss) on MTM, pre-tax [a]	84	60	98	(233)	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(23)	(27)
Income Taxes related to Operating Earnings reconciling items	(24)	(41)	(107)	60	(104)
Net Income	$ 206	$ 222	$ 707	$ 440	$ 760

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2015

October 30, 2015

SI-SSA-0015-13035

Forward-Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13036

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

PSEG
2015 Q3 Review

Ralph Izzo
Chairman, President and Chief Executive Officer

Q3 Earnings Summary – Successful Quarter

Quarter ended September 30

$ millions (except EPS)	2015	2014
Operating Earnings	$ 403	$ 393
Reconciling Items, Net of Tax	36	51
Net Income	$ 439	$ 444
EPS from Operating Earnings*	$ 0.80	$ 0.77

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13039

Year to Date Earnings Summary – Strong Growth

Nine months ended September 30

$ millions (except EPS)	2015	2014
Operating Earnings	$1,221	$ 1,153
Reconciling Items, Net of Tax	149	(111)
Net Income	$ 1,370	$ 1,042
EPS from Operating Earnings*	$ 2.41	$ 2.27

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13040

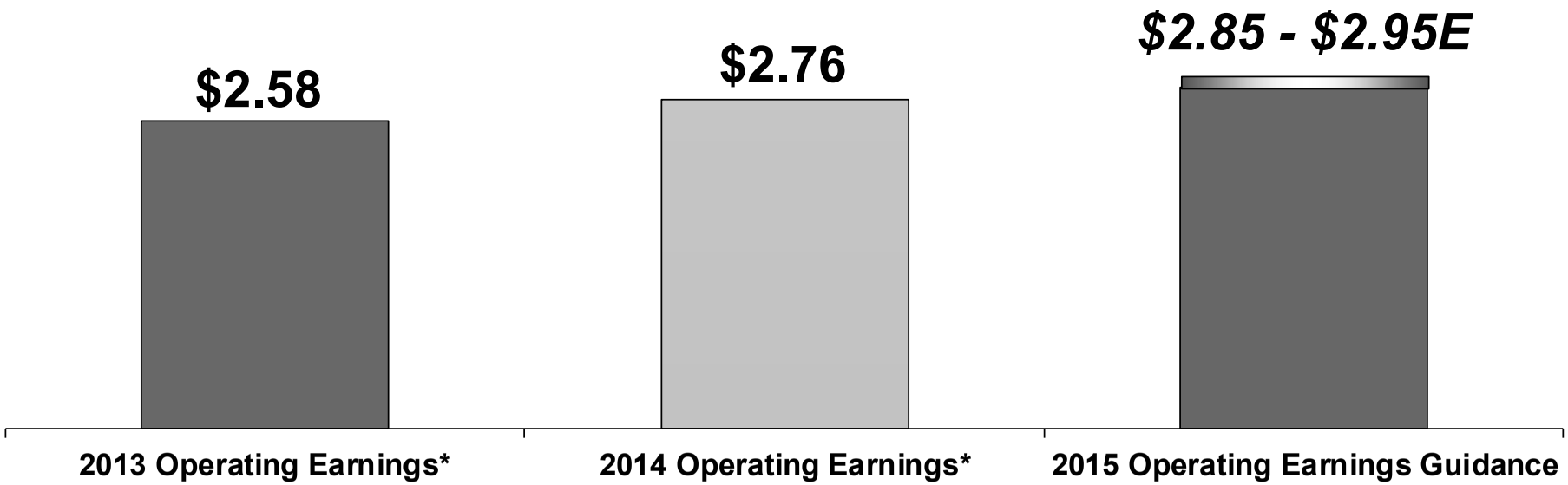
PSEG – Q3 2015 Highlights

- **Operating Earnings of $0.80 vs. $0.77 per share in Q3 2014**
  - ✓ Solid results driven by PSE&G's continuing investment in transmission, weather, and Power's strong hedging and plant operations
  - ✓ Updating full-year operating earnings guidance to $2.85 - $2.95 per share
- **Executing on operational goals**
  - ✓ Continued control of O&M supports full-year expectations
  - ✓ Nuclear operated at a 95% capacity factor; CCGTs operated at 73% capacity factor
- **PSEG's 5-Year Capital Spending program increased 20%**
  - ✓ Agreement reached on GSMP settlement provides for $905 million over 3 years
  - ✓ Power announced $1.5 billion investment in ~1,300 MWs of new CCGT capacity
- **Market developments**
  - ✓ Constructive regulatory environment
    - PJM Capacity Performance
    - FERC NOPR on price formation
  - ✓ Reliability One award recognizes PSE&G as the most reliable electric utility in the Mid-Atlantic Region for the 14th year in a row

SI-SSA-0015-13041

PSEG – Updating Full-Year 2015 Operating Earnings Guidance

Full-year 2015 guidance update reflects the strength of operating results for the first nine months of the year, and assumes normal weather and unit operations



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

SI-SSA-0015-13042

PSEG
2015 Q3 Operating Company Review

Daniel Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13043

Q3 Operating Earnings by Subsidiary

Quarter ended September 30

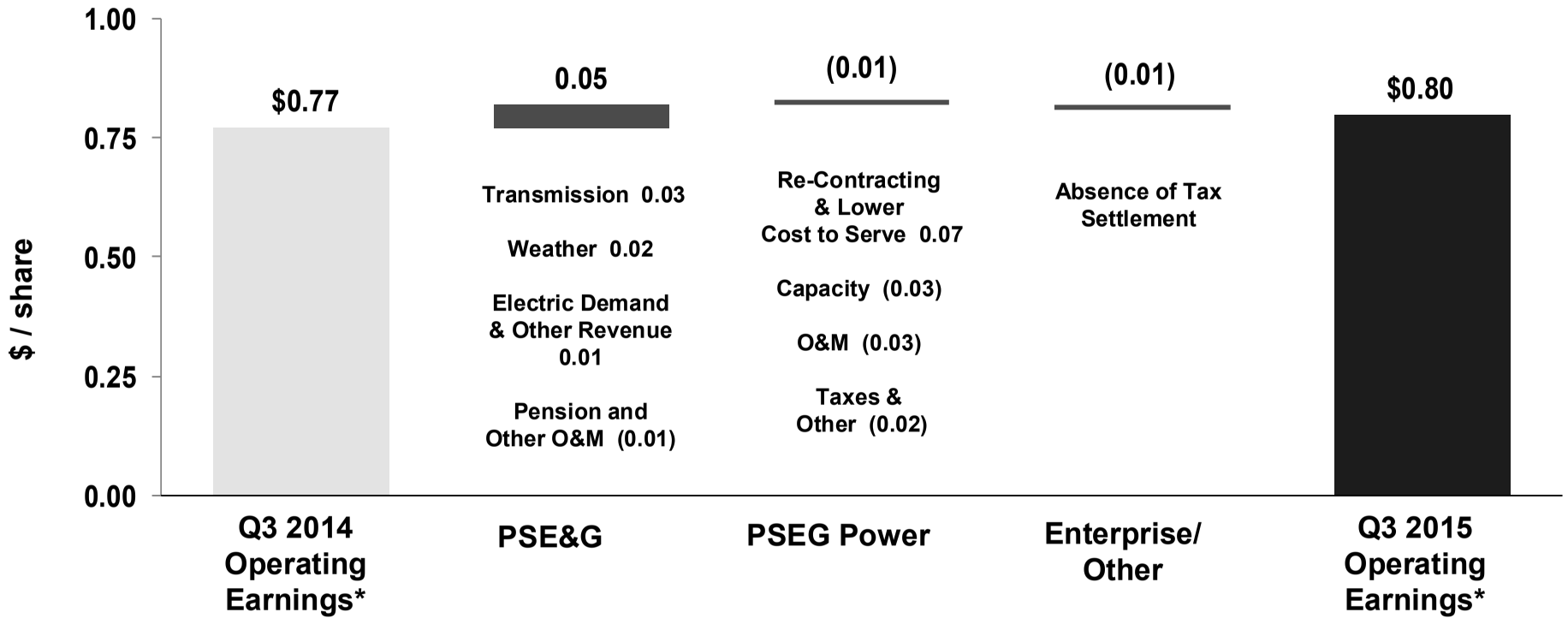
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 222	$ 200	$ 0.44	$ 0.39
PSEG Power	170	171	0.33	0.34
PSEG Enterprise/Other	11	22	0.03	0.04
Operating Earnings*	$ 403	$ 393	$ 0.80	$ 0.77

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13044

PSEG EPS Reconciliation – Q3 2015 versus Q3 2014

Revenue growth supported EPS increase



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13045

Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

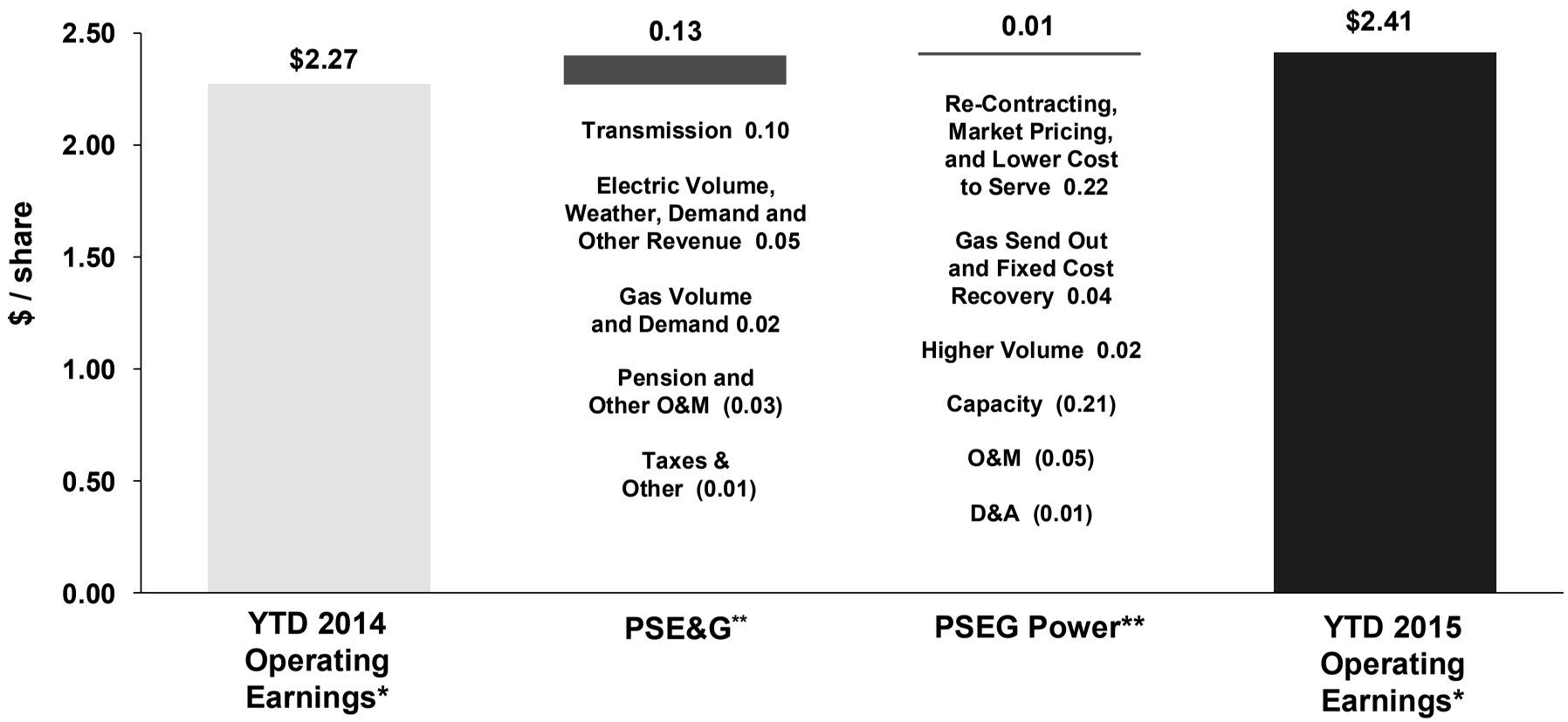
	Operating Earnings		Earnings per Share	
$ millions (except EPS)	**2015**	**2014**	**2015**	**2014**
PSE&G	$ 631	$ 565	$ 1.24	$ 1.11
PSEG Power	558	551	1.10	1.09
PSEG Enterprise/Other	32	37	0.07	0.07
Operating Earnings*	$ 1,221	$ 1,153	$ 2.41	$ 2.27

•See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13046

PSEG EPS Reconciliation – YTD 2015 versus YTD 2014

Revenue growth supported EPS increase



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

SI-SSA-0015-13047

PSE&G
2015 Q3 Review

SI-SSA-0015-13048

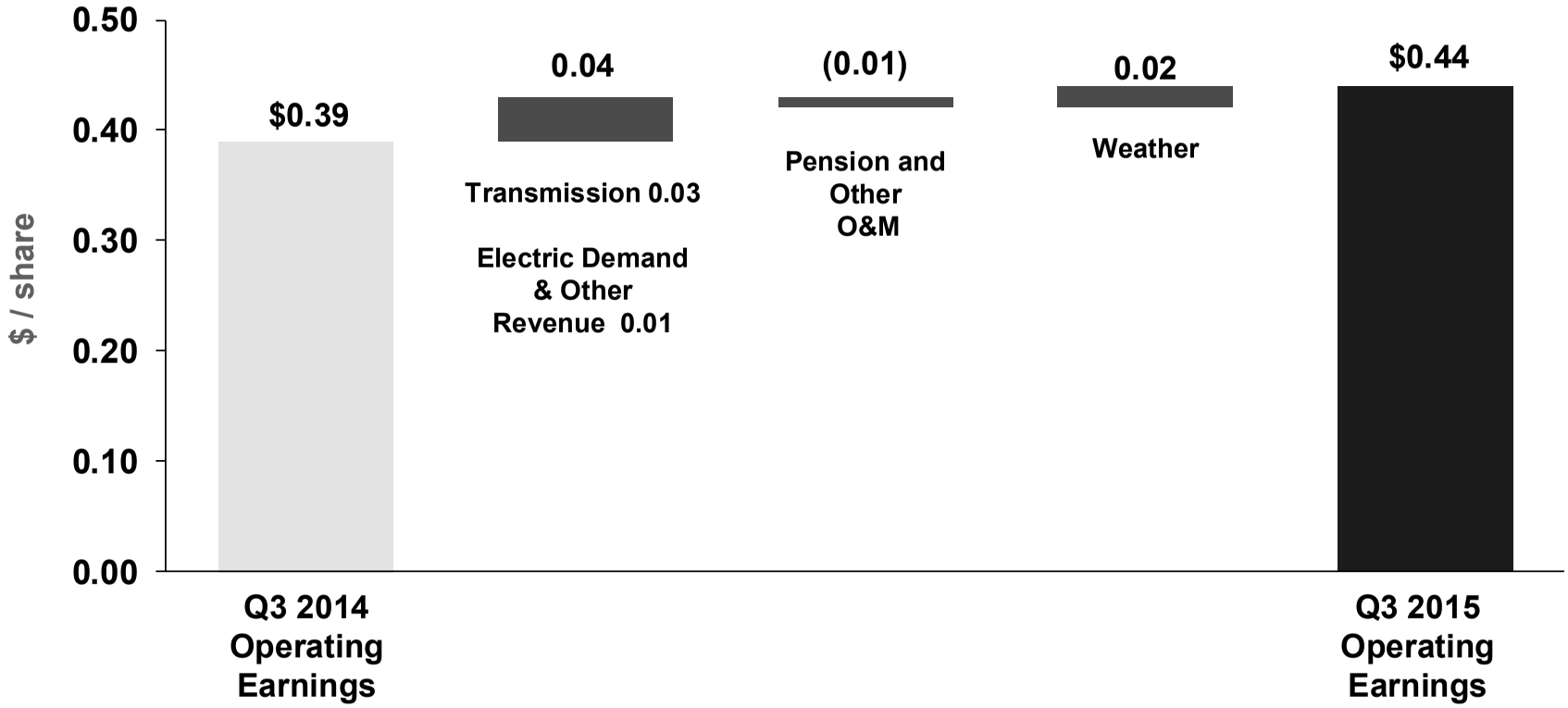
PSE&G – Q3 Earnings Summary

$ millions (except EPS)	Q3 2015	Q3 2014	Variance
Operating Revenues	$ 1,766	$ 1,655	$ 111
Operating Expenses			
Energy Costs	740	668	72
Operation & Maintenance	391	366	25
Depreciation & Amortization	231	238	(7)
Total Operating Expenses	1,362	1,272	90
Operating Earnings / Net Income	$ 222	$ 200	22
EPS from Operating Earnings	$ 0.44	$ 0.39	$ 0.05

SI-SSA-0015-13049

PSE&G EPS Reconciliation – Q3 2015 versus Q3 2014

Continued reliability investments are a driver of growth



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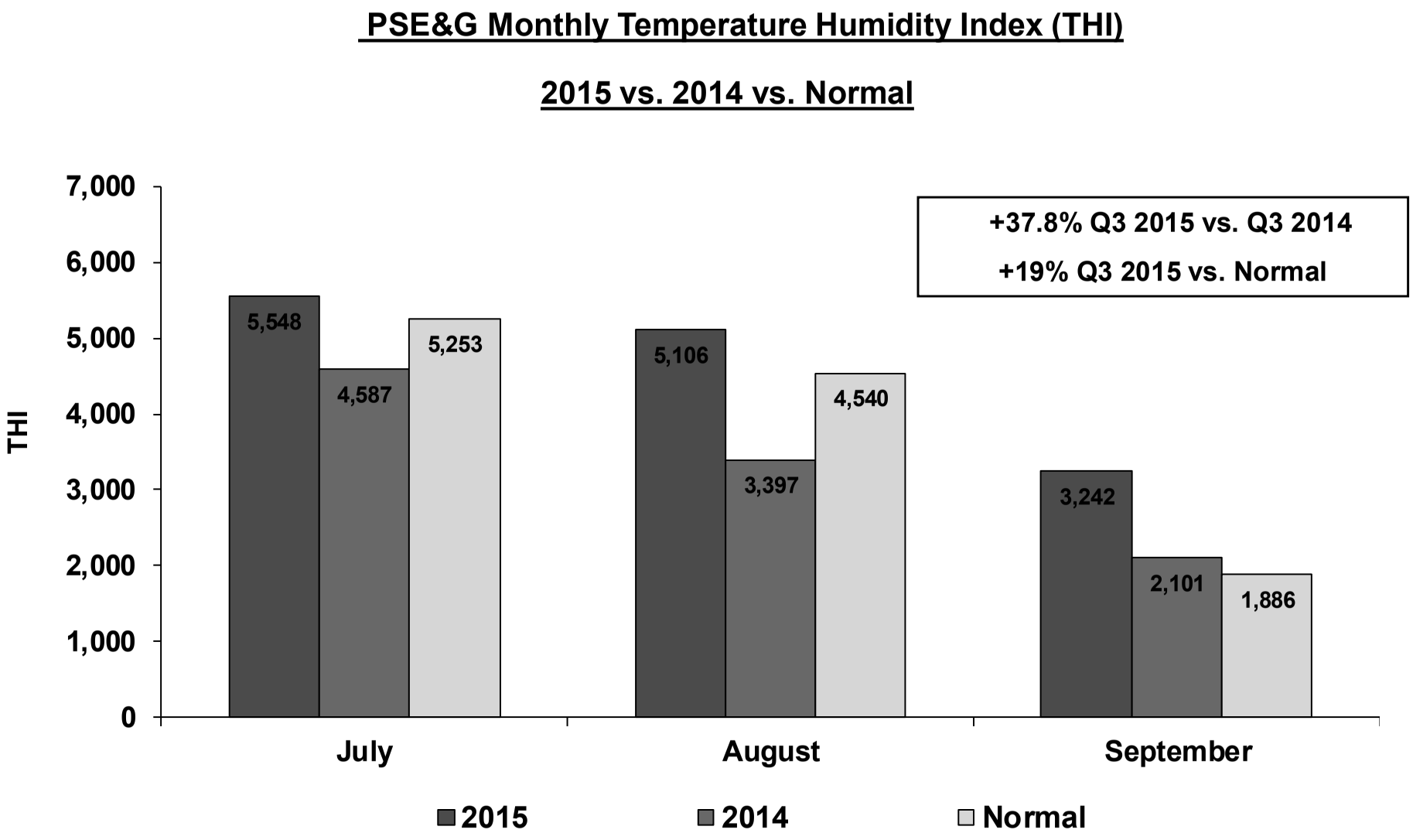
PSE&G – Monthly Summer Weather Data



SI-SSA-0015-13051

PSE&G – Q3 Operating Highlights

Operations

- ✓ Growth in transmission revenues added $0.03 per share over Q3 2014
- ✓ Q3 electric sales up 7% on weather that was 38% warmer than Q3 2014 and 19% warmer than normal; Summer 2015 was PSE&G's 5th warmest on record
- ✓ Weather normalized electric sales advanced 0.8% in Q3 and 0.4% for the YTD period
- ✓ O&M remains under control

Regulatory and Market Environment

- ✓ GSMP settlement reached with BPU Staff and Division of Rate Counsel to invest $905 million over 3 years to replace and modernize PSE&G's gas distribution system starting in 2016
- ✓ Energy Strong investments continuing: Gas mains replacement prioritized
- ✓ 2016 FERC Formula Rate filing submitted for ~$146 million in increased annual transmission revenue
- ✓ PSE&G lowered gas rates by $70 million on October 1; Since January 2009, the average residential gas customer has seen annual gas bills decline by 47%, or $792

Financial

- ✓ Updating PSE&G operating earnings guidance to $785 - $805 million, up from $760 - $775 million on recovery of costs related to higher levels of capital spend, and weather
- ✓ PSE&G earned its authorized return
- ✓ Capital investment of ~$2 billion through September 30, as part of $2.9 billion planned for the full year

SI-SSA-0015-13052

PSEG Power
2015 Q3 Review

SI-SSA-0015-13053

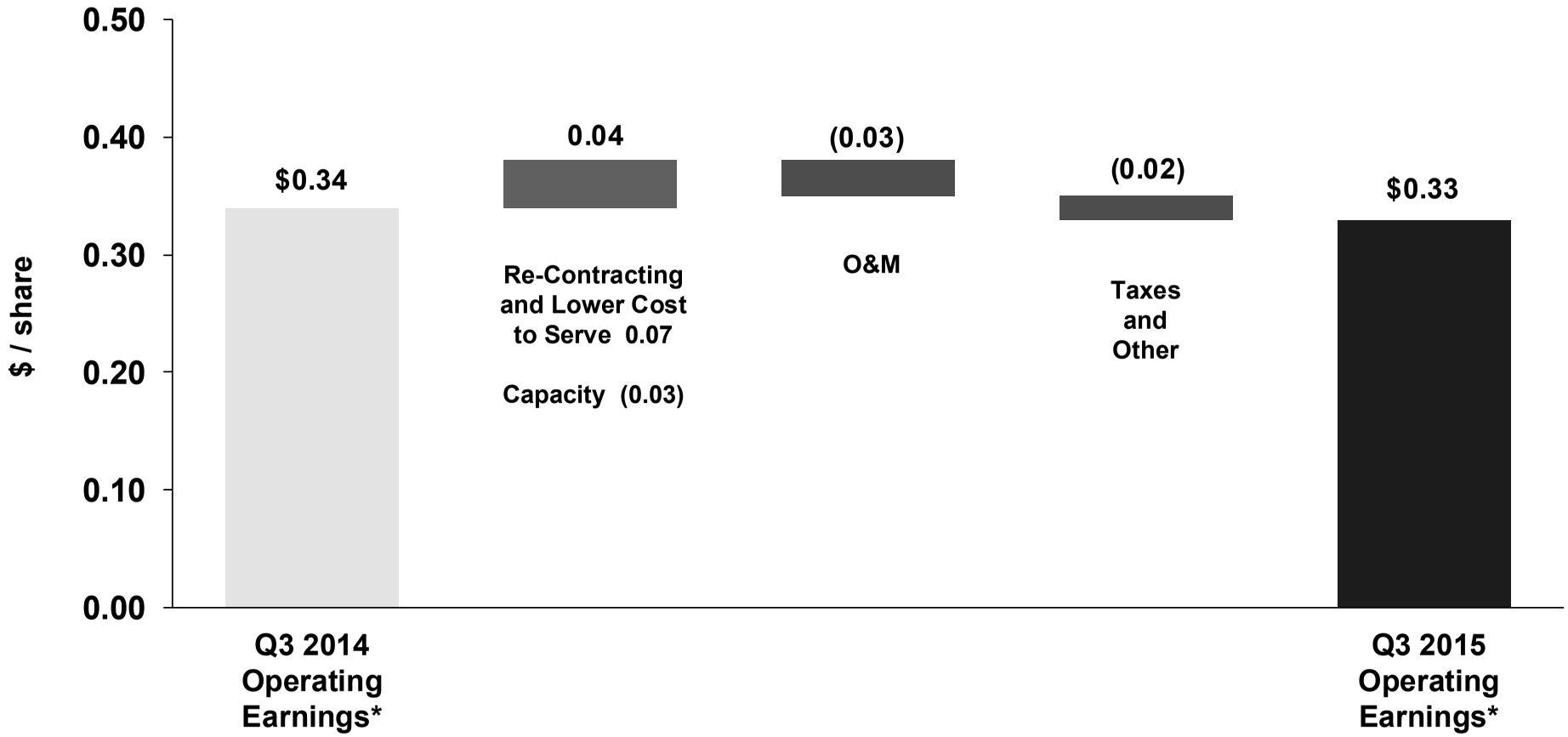
PSEG Power – Q3 Earnings Summary

$ millions (except EPS)	Q3 2015	Q3 2014	Variance
Operating Revenues	$ 1,096	$ 1,138	$ (42)
Operating Earnings	170	171	(1)
Reconciling Items, Net of Tax**	36	51	(15)
Net Income	206	222	(16)
EPS from Operating Earnings*	$ 0.33	$ 0.34	$ (0.01)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.
**Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-13054

PSEG Power EPS Reconciliation – Q3 2015 versus Q3 2014



* See Slide A for Items excluded from Income from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13055

PSEG Power's Adjusted EBITDA – Q3 2015, Year-to-Date and Full-Year 2015 Guidance

PSEG Power – Adjusted EBITDA*

	Three Months Ended September 30,		Nine Months (YTD) Ended September 30,		Full-Year 2015 Guidance	
($ in millions)	**2015**	**2014**	**2015**	**2014**	**Low**	**High**
Operating Earnings**	$170	$171	$558	$551	$620	$650
Add:						
Fossil Major Maintenance, pre-tax	10	10	111	117	115	115
Depreciation & Amortization, pre-tax	76	71	228	217	305	305
Interest Expense, pre-tax	30	31	93	91	125	125
Income Taxes	115	103	338	337	380	400
Adjusted EBITDA	**$401**	**$386**	**$1,328**	**$1,313**	**$1,545E**	**$1,595E**

* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

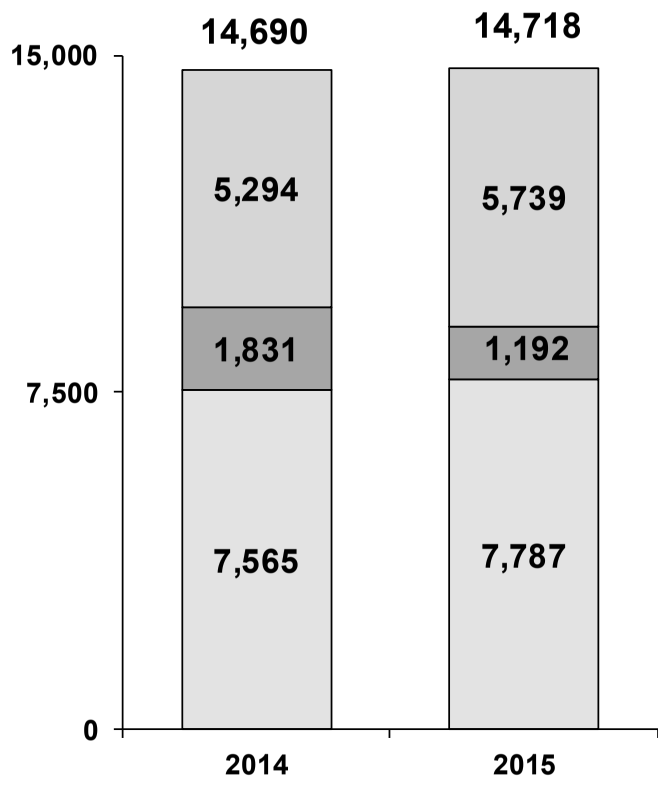
** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.

SI-SSA-0015-13056

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended September 30



Total Nuclear | Total Coal* | Oil & Natural Gas

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

PSEG Power – Capacity Factors (%)

Quarter ended September 30

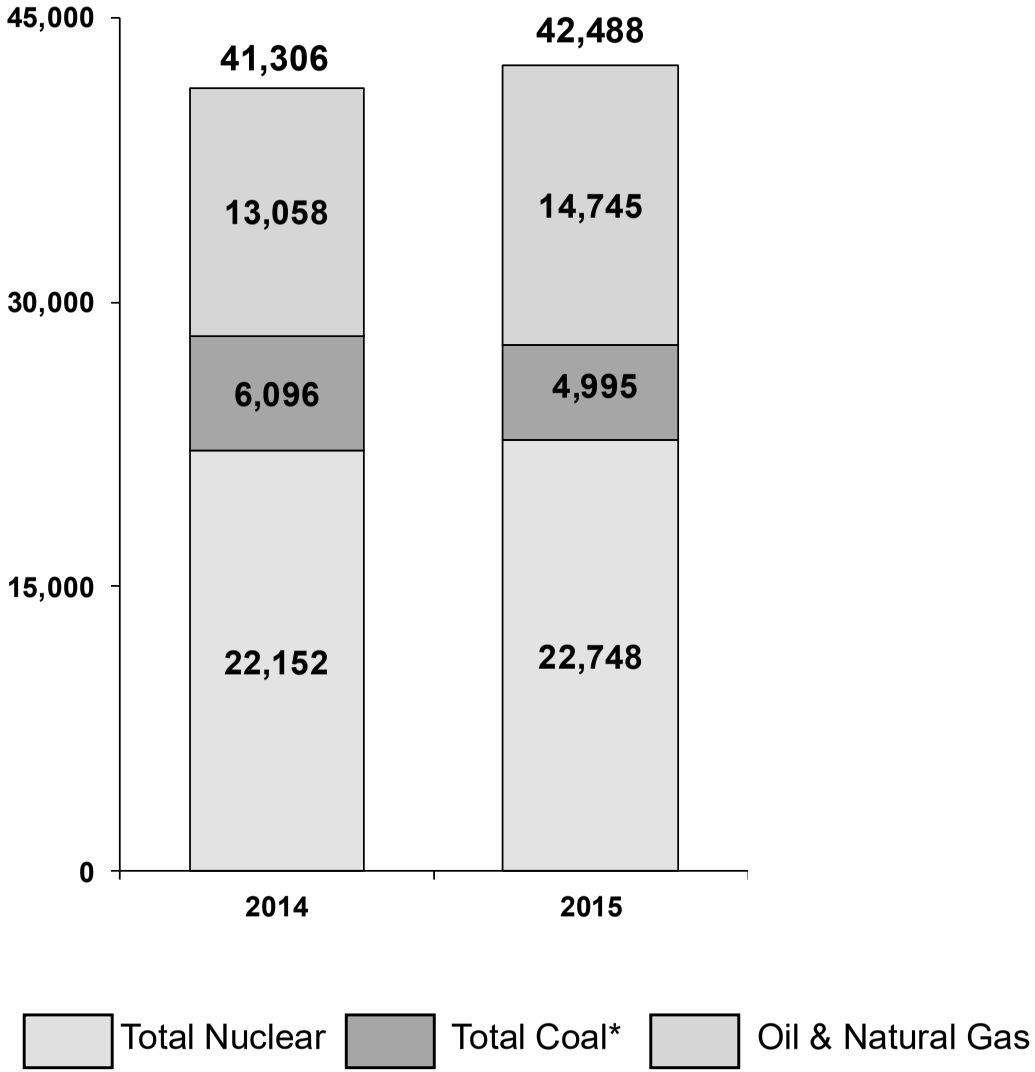
	2014	2015
Combined Cycle		
PJM and NY	67.5%	73.4%
Coal		
NJ (Coal/Gas)	21.5%	3.7%
PA	71.8%	65.1%
CT	5.3%	1.3%
Nuclear	92.0%	95.4%

SI-SSA-0015-13057

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Nine Months ended September 30



PSEG Power – Capacity Factors (%)

Nine Months ended September 30

	2014	2015
Combined Cycle		
PJM and NY	54.7%	64.1%
Coal*		
NJ (Coal/Gas)	18.6%	7.5%
PA	78.1%	76.3%
CT	27.1%	22.9%
Nuclear	90.8%	92.2%

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-13058

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

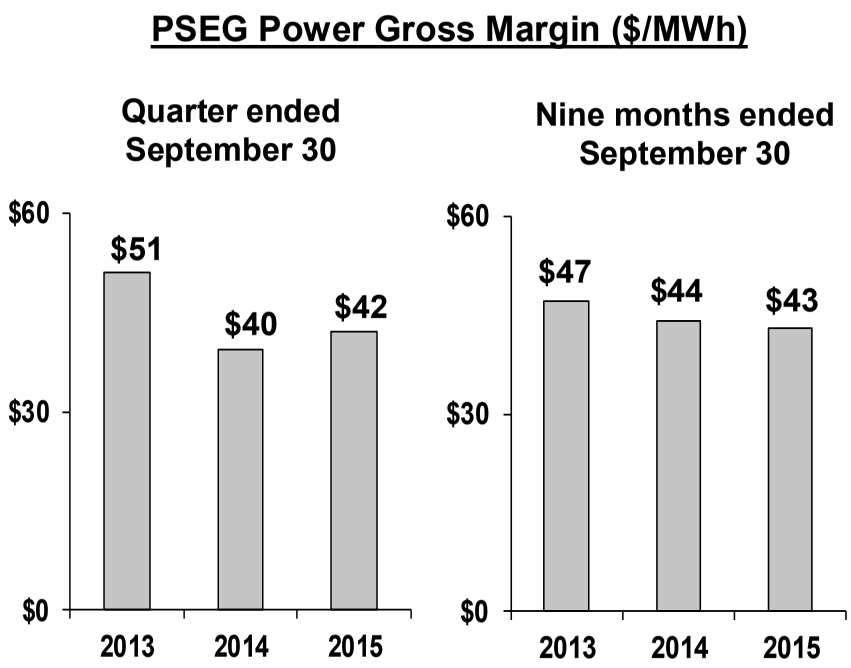
	Quarter ended September 30	
($ millions)	2014	2015
Coal	42	27
Oil & Gas	140	94
Total Fossil	182	121
Nuclear	53	56
Total Fuel Cost	235	177
Total Generation (GWh)	14,690	14,718
$ / MWh	16	12

	Nine months ended September 30	
($ millions)	2014	2015
Coal	170	139
Oil & Gas	623	423
Total Fossil	793	562
Nuclear	162	162
Total Fuel Cost	955	724
Total Generation (GWh)	41,306	42,488
$ / MWh	23	17

SI-SSA-0015-13059

PSEG Power – Gross Margin Performance

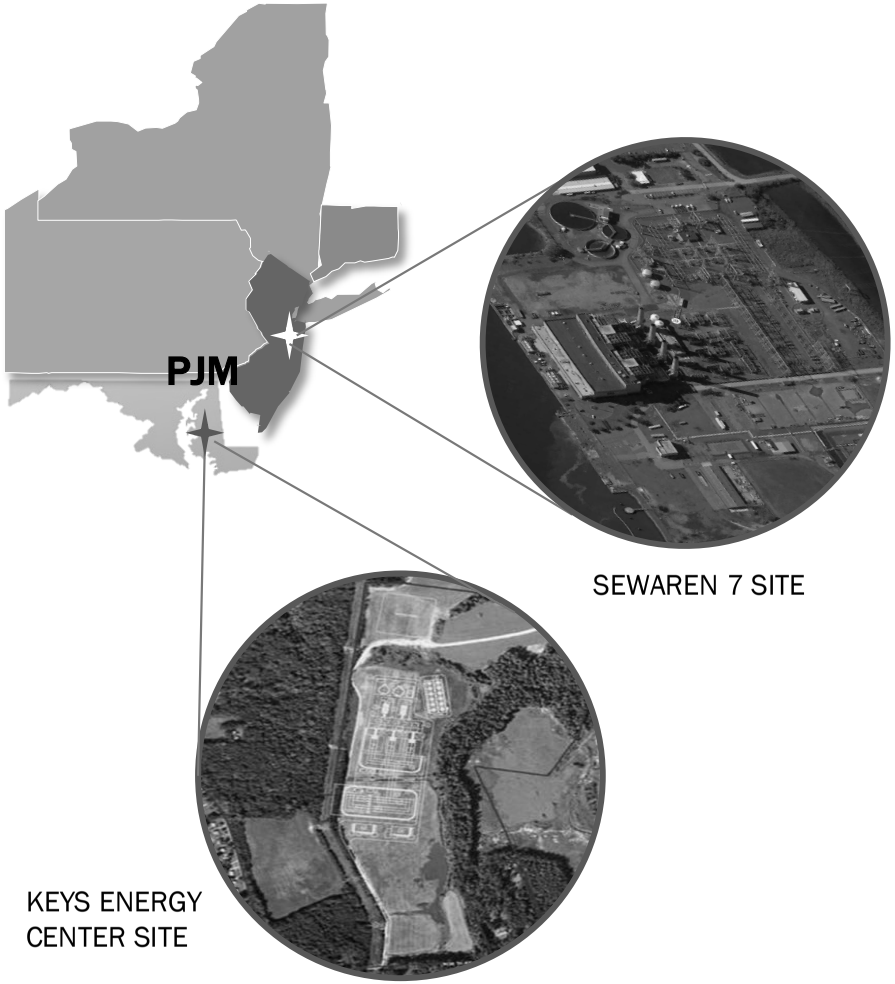
- ✓ Capacity pricing of $168/MW-day similar to Q3 2014 on lower megawatts from HEDD retirements
- ✓ Marcellus production and lack of take away capacity dampened local natural gas and power prices during a warmer-than-normal summer
- ✓ Spark spreads improved



Regional Performance		
Region	**Q3 2015 Gross Margin ($M)**	**2015 Performance**
PJM	**$573**	Re-contracting, higher hedge prices and lower fuel costs offset the decline in capacity payments from lower MWs and lower energy prices
New England	**$17**	Lower volumes and lower prices
New York	**$29**	Higher volume offset lower prices

SI-SSA-0015-13060

Developing 1,300 MW of new, efficient CCGT capacity in PJM



- Construction of 755 MW Keys Energy Center to begin this Fall on a new, natural gas fired power plant in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Power cleared a new 540 MW CCGT unit, Sewaren 7 located in New Jersey (EMAAC*), in the recent 2018/2019 RPM auction; the new unit is expected to cost $625 to $675 million and will replace the older Sewaren units upon completion
- Both Keys and Sewaren 7 are targeted to be in-service in 2018

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-13061

Hedging Update…

Contracted Energy*

		Oct-Dec 2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	9	36	36
	% Hedged	100%	100%	55-60%
	Price $/MWh	$52	$51	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	4	19	19
	% Hedged	35-40%	0%	0%
	Price $/MWh	$52	-	-
Total	Volume TWh	12**	55-57	55-57
	% Hedged	80-85%	65-70%	35-40%
	Price $/MWh	$52	$51	$49

* Hedge percentages and prices as of September 30, 2015. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options. **Volumes reflect rounding.

SI-SSA-0015-13062

PJM Capacity Market Pricing

~98% of Power's PJM fleet that cleared the 2018/2019 RPM auction met the new CP standards

RPM – Auction Results				
Delivery Year	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 / 2019
Power's Average Prices*($/MW-day)	$168	$172	$177	$215
RTO Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($ Millions)				
Calendar Year	2016	2017	2018	Through 5/31/19
Capacity Revenues	$542	$555	$631	$281

2018/2019 RPM Auction Highlights

- Cleared new 540 MW Sewaren 7 CCGT
- CP reflects cost to meet new performance obligation
- EMAAC separated
- CP construct favors portfolio approach

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES RESULTS OF CP TRANSITION AUCTIONS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

SI-SSA-0015-13063

PSEG Power – Q3 Operating Highlights

Operations

- ✓ CCGT capacity factor of 73% in Q3, YTD CCGT capacity factor of 64%
- ✓ Nuclear capacity factor of 95% in Q3, YTD nuclear capacity factor of 92%
- ✓ Salem 2 refueling underway; Peach Bottom 3 refueling and uprate began late September
- ✓ Q3 output flat vs. Q3 2014, YTD output up 3% from higher nuclear and CCGT performance

Regulatory and Market Environment

- ✓ Capacity Performance auction results and FERC NOPRs continue to be supportive of price formation
- ✓ Supreme Court review of Demand Response (DR) and Maryland subsidized generation
- ✓ Power's average hedge price for 2015 is $52/MWh vs. $48/MWh for 2014

Financial

- ✓ Power to construct a new, $625 - $675 million 540 MW CCGT at Sewaren that cleared the 2018/2019 RPM auction
- ✓ Updating Power's full-year 2015 operating earnings guidance to $620 - $650 million, from $620 - $680 million; Adjusted 2015 EBITDA guidance also updated to $1.545 - $1.595 billion
- ✓ Power's total debt as a percentage of capital at September 30 was 30%

SI-SSA-0015-13064

PSEG

PSEG Financial Highlights

- **Updating 2015 operating earnings guidance to $2.85 - $2.95 per share**
  - ✓Focused on maintaining operating efficiency and customer reliability
  - ✓PSE&G's 2015 operating earnings guidance increased to $785 - $805 million versus 2014 operating earnings of $725 million
  - ✓Power's 2015 operating earnings guidance revised to $620 - $650 million, versus 2014 operating earnings of $642 million

- **PSE&G reached a settlement with BPU Staff and Division of Rate Counsel to invest $905 million over 3 years in its Gas System Modernization Program**

- **Financial position remains strong**
  - ✓At September 30: Consolidated PSEG debt stood at 42% of capital; Power debt was 30% of capital

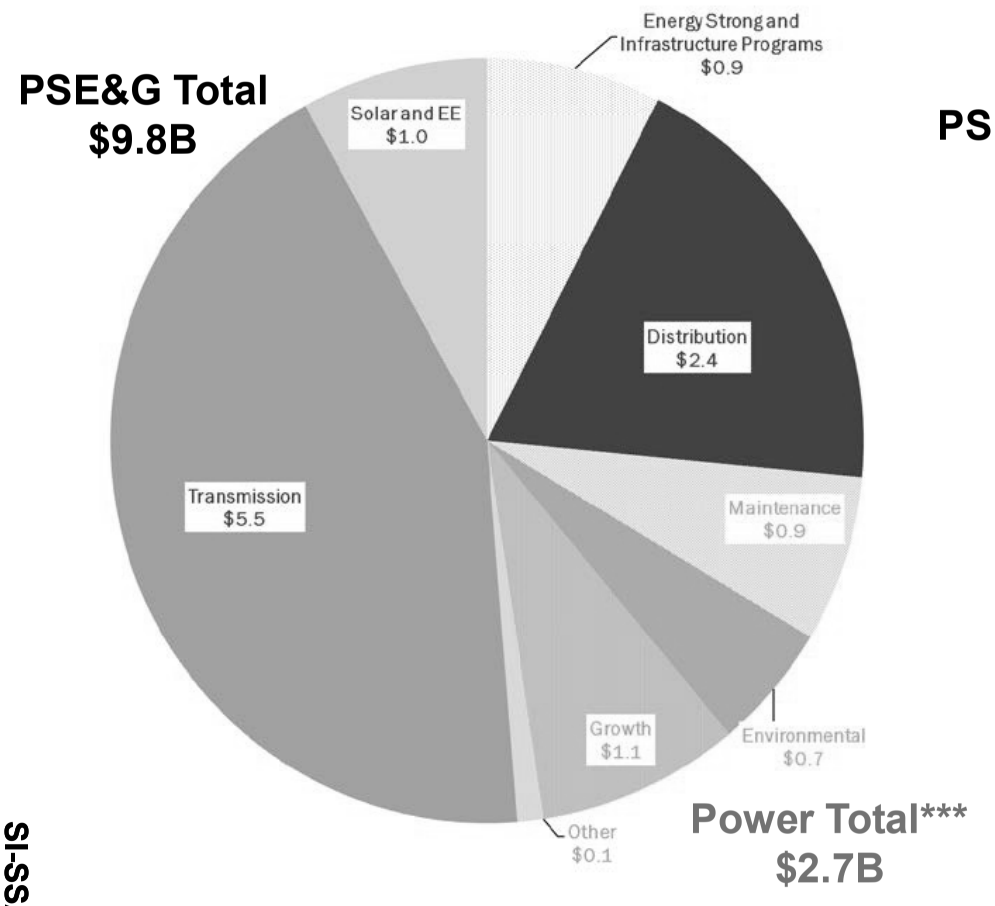
- **Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth**

SI-SSA-0015-13066

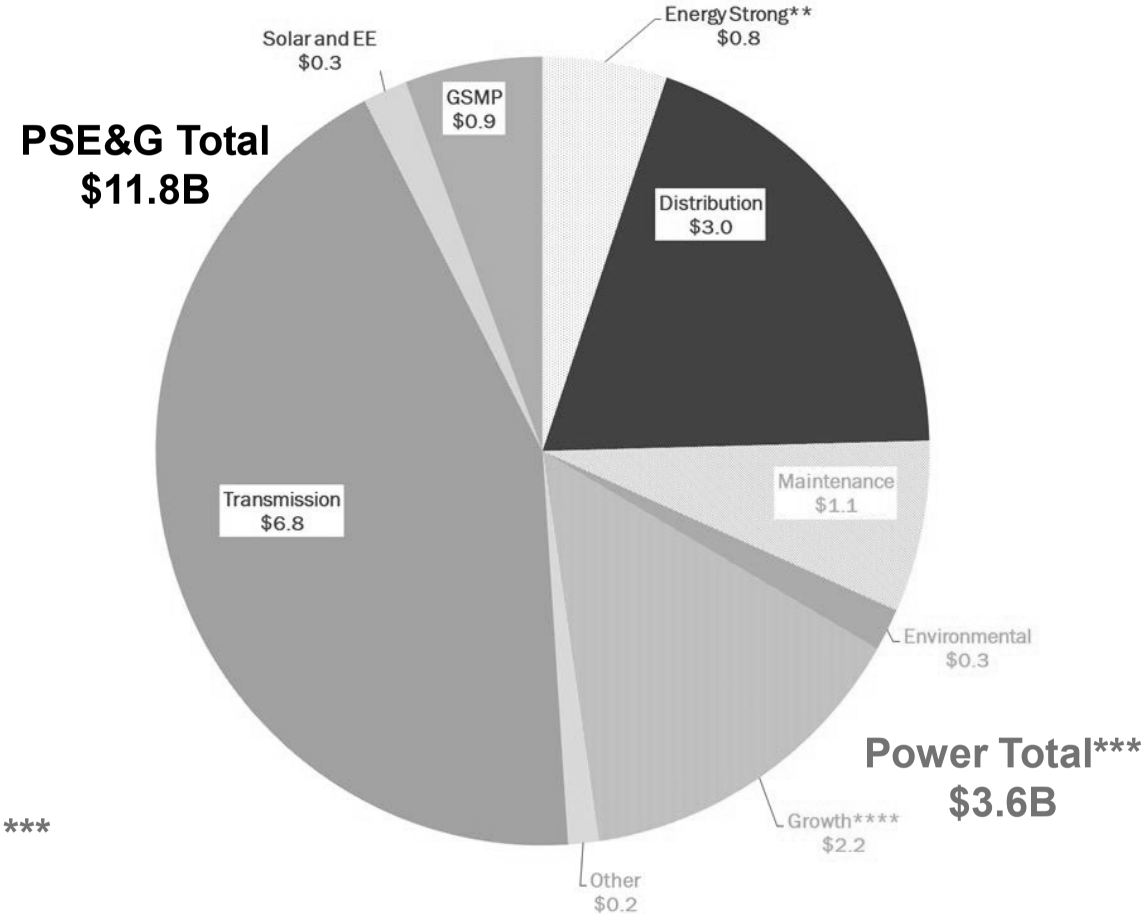
Robust pipeline of investment opportunities

PSEG's Current 5-Year Capital Spending Program
24% Higher than Prior Period

2010 – 2014: $12.6 Billion



2015E - 2019E*: $15.6 Billion



*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF OCTOBER 30, 2015.

SI-SSA-0015-13067

PSEG 2015 Updated Guidance for Operating Income – by Subsidiary and PSEG Power Adjusted EBITDA

Anticipates Another Year of Growth in Operating Earnings

$ millions (except EPS)	2015E	2014
PSE&G	$785 - $805	$725
PSEG Power	$620 - $650	$642
PSEG Enterprise/Other	$40 - $45	$33
Operating Earnings*	$1,445 - $1,500	$1,400
Earnings per Share	**$2.85 - $2.95E**	**$2.76**

PSEG Power Adjusted EBITDA**

$ millions (except EPS)	2015E	2014
PSEG Power	$1,545 - $1,595	$1,584

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-13068

PSEG Liquidity as of September 30, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$34	$566
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$201	$1,399
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$14	$986
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,600	$225	$3,375
	Total		$4,200	$259	$3,941

PSEG Money Pool ST Investment	$227
PSE&G ST Investment	$0
Total Liquidity Available	**$4,168**
Total Money Pool Liquidity Available	**$3,602**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

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Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*	
	2015	*2014*	*2015*	*2014*	*2014*	*2013*
	($ Millions, Unaudited)					
Operating Earnings	$ 403	$ 393	$ 1,221	$ 1,153	$ 1,400	$ 1,309
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(14)	17	(11)	40	68	40
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	50	36	58	(138)	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(2)	102	(13)	(16)	(32)
Net Income	$ 439	$ 444	$ 1,370	$ 1,042	$ 1,518	$ 1,243
Fully Diluted Average Shares Outstanding (in Millions)	508	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	$ 0.80	$ 0.77	$ 2.41	$ 2.27	$ 2.76	$ 2.58
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.02)	0.04	(0.02)	0.08	0.13	0.08
Gain (Loss) on MTM[(a)] (PSEG Power)	0.09	0.07	0.11	(0.27)	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(0.01)	0.20	(0.03)	(0.03)	(0.07)
Net Income	$ 0.87	$ 0.87	$ 2.70	$ 2.05	$ 2.99	$ 2.45

(a) Includes the financial impact from positions with forward delivery months.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year Ended December 31,*
	2015	*2014*	*2015*	*2014*	2014
	($ Millions, Unaudited)				
Adjusted EBITDA	**$ 401**	**$ 386**	**$ 1,328**	**$ 1,313**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(10)	(10)	(111)	(117)	(144)
Depreciation and Amortization, pre-tax [(b)]	(76)	(71)	(228)	(217)	(291)
Interest Expense, pre-tax [(b)]	(30)	(31)	(93)	(91)	(120)
Income Taxes [(b)]	(115)	(103)	(338)	(337)	(387)
Operating Earnings	**$ 170**	**$ 171**	**$ 558**	**$ 551**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	(24)	36	(14)	85	138
Gain (Loss) on MTM, pre-tax [(a)]	84	60	98	(233)	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(23)	(27)
Income Taxes related to Operating Earnings reconciling items	(24)	(41)	(107)	60	(104)
Net Income	**$ 206**	**$ 222**	**$ 707**	**$ 440**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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EDITED TRANSCRIPT

PEG - Q4 2015 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 19, 2016 / 04:00PM GMT

OVERVIEW:
Co. reported 4Q15 operating EPS of $0.50. Expects full-year 2016 operating EPS to be $2.80-3.00.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group - VP of IR*

Ralph Izzo *Public Service Enterprise Group - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Jonathan Arnold *Deutsche Bank - Analyst*

Keith Stanley *Wolfe Research - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Praful Mehta *Citigroup - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Gregg Orrill *Barclays - Analyst*

Travis Miller *Morningstar - Analyst*

Stephen Byrd *Morgan Stanley - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent and I'm your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's fourth quarter 2015 earnings conference call webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Friday, February 19, 2016, and will be available for telephone replay beginning at 2 PM Eastern today until 11:30 Eastern on February 26, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group - VP of IR***

Thank you. Good morning, everyone. Thank you for participating in our earnings call this morning. As you are aware, we released fourth quarter and full-year 2015 earnings results earlier this morning.

The release and attachments as mentioned are posted on our website, www.pseg.com under the investor section. We also posted a series of slides that detail our operating results by Company for the quarter. Our 10-K for the period ended December 31, 2015 is expected to be filed shortly.

I don't go through the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slides and on our website. The disclaimer statement regards forward-looking statements, detailing the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimates change, unless of course required by applicable securities laws.

We also provide commentary with regard to the difference between operating earnings and net income reported in accordance with generally accepted accounting principles in the United States. PSEG believes that the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends.

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I'm now going to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks there will be time for your questions. Given the interest in the call we ask that you limit yourself to one question and one follow-up. Thank you.

Ralph Izzo *- Public Service Enterprise Group - Chairman, President & CEO*

Thank you, Kathleen, and thanks, everyone, for joining us today. This morning we reported operating earnings for the full-year 2015 and I'm pleased to report that it was a year of significant accomplishments.

As you saw this morning, we reported operating earnings for the fourth quarter of $0.50 per share versus $0.49 per share earned in the fourth quarter of 2014 despite the unseasonably mild weather this past December. Results for the full year were $2.91 per share, or 5% greater than 2014's operating earnings of $2.76 per share. This is at the upper half of our guidance of $2.85 to $2.90 per share and it was also higher than the midpoint of our original guidance of $2.85 per share.

Our results reflect the benefits of excellent performance and robust organic growth which offset the impact of low energy prices on earnings. We continue to successfully deploy our strong free cash flow into customer oriented investment programs that have supported growth. 2015's operating earnings represent the third year of growth in earnings.

Let me just mention a few of the year's highlights. PSE&G was named Electric Light and Power's utility of the year and was named the most reliable utility in the mid-Atlantic for the 14th consecutive year. But we're not resting on those laurels.

PSE&G invested approximately $2.7 billion during 2015 on programs to further enhance the system's resilience and its reliability. During the year PSE&G placed in service key backbone transmission lines such as the Susquehanna-Roseland light as well as the Mickleson Gloucester Camden line which is designed to meet the needs of customers today and well into the future.

PSE&G invested over $550 million on programs under its $1.2 billion Energy Strong initiative. These programs are designed to strengthen and protect the electric and gas distribution systems from the impacts of extreme weather.

During the year PSE&G also received approval from the New Jersey Board of Public Utilities to invest an additional $95 million in its award-winning energy efficiency programs and to continue the work begun under Energy Strong replacing aging cast-iron natural gas pipes. The $905 million gas system modernization program represented the 14th multi-year investment program approved by that BPU since PSE&G's last base rate case. And this speaks to the state support of infrastructure investment that meets the needs of customers.

PSE&G's investment program, supportive recovery, revenue recovery mechanisms and tight control of O&M expenses have provided growth in PSE&G's operating earnings of approximately 13% per year for the five-year period ended 2015. During this period PSE&G rate base expanded at a rate of 11% per year and, importantly, we have been able to support this growth as customer bills have declined.

But 2015 was not just a year of PSE&G accomplishments. PSEG Power's strong operating performance supported earnings in line with guidance for the full year despite very difficult market conditions.

The nuclear fleet operated at a capacity factor of greater than 90% for the year and accounted for 54% of the fleet's output. Power's gas-fired combustion turbine fleet set a new record for output. This improves on the prior record established in 2014. The fleet's performance is benefiting from investments that improved its efficiency, increased its capacity and provided greater access to low-cost gas supplies.

The flexibility and diversity of Power's fleet have a lot to provide approximately $500 million a positive free cash flow in 2015 even during soft energy market conditions. Power also plans to invest $2 billion over the next three to four years to add approximately 1800 megawatts of new, efficient, combined cycle gas-fired turbine capacity.

The Keys Energy station which is located in southwestern MAAC will extend Power's footprint in this core PJM market. A new efficient unit at the Sewaren station in New Jersey will replace old, inefficient steam capacity.

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And after clearing the most recent capacity auction in New England, Power will construct a new 485-megawatt combined cycle unit at its existing Bridgeport Harbor Station site, giving us an enviable and growing position in both energy and capacity markets in southwestern Connecticut. The addition of these units will transform Power's Generation mix as its ownership of efficient, reliable gas-fired capacity will grow to exceed 5000 megawatts in 2019.

At that time, the combined cycle gas turbine fleet will surpass the size of Power's ownership in nuclear capacity and secure Power's position as a low-cost generator with modern, flexible, clean fleet that remains capable of meeting the demands for reliability in today's market.

Power also grew its investment in contracted solar energy. In 2015, Power added two projects, representing an investment of approximately $75 million in utilities scale grid connected solar energy. In early this year Power announced it will invest an additional $150 million in three new projects that bring its portfolio of solar projects to 240 megawatts DC of clean renewable energy.

All projects in this portfolio are under long-term contracts with credit worthy customers. So as you can see we continue to explore opportunities to expand and optimize Power's fleet, although I will add that we do not see any new generation build in the foreseeable future -- although you never say never but we don't plan any at this point in time.

Our balance sheet continues to provide us with a competitive advantage to finance our capital program without the need to access the equity markets. We ended 2015 with strong credit metrics and the extension of bonus depreciation through 2019 is expected to provide enterprise with an additional $1.7 billion of cash during this period.

Our investment program calls for a 21% increase in capital spending to $11.5 billion for the three years ended 2018 from capital investment during the three-year period ended 2015. Approximately 72% of that amount, or $8.3 billion will be invested by PSE&G on transmission and distribution infrastructure programs that customers require for reliability.

This level of investment is expected to yield growth in PSE&G's rate base for the three years ended 2018, of 10% per year, even after taking into account the impact of bonus depreciation on rate base. The remaining approximate 27% or $3.2 billion of expected capital investment will be made in Power.

The majority of Power's investments will be devoted to expanding its position in new, efficient, clean, gas-fired generating capacity as I mentioned already. All of which, Key, Sewaren and Bridgeport Harbor are expected to exceed our long-standing and unchanged financial return expectations.

With our strong balance sheet we remain in position to increase our capital investment across the Company. We have a robust pipeline of opportunities and plan on providing you with an update of our five year outlook for capital spending at our annual financial conference on March 11.

In total, the investment programs at PSE&G and Power are focused on meeting customer needs and market requirements with an energy platform that is reliable, efficient, and clean. The strategy we implemented is yielding growth for our shareholders as we have met the needs of our customers.

The continued successful deployment of strong free cash flow into customer oriented regulated investment programs is expected to support 14% growth in the utilities earnings to 60% of Enterprise's 2016 operating earnings as results for the full year are forecast at $2.80 to $3.00 per share. Our guidance for 2016 takes into account the impact on demand from the continuation of unseasonably mild weather conditions in January and early February.

The Board of Directors recent decision to increase the common dividend by 5.1% to the indicative annual levels of $1.64 per share is an expression of our confidence in our outlook, the continued growth of our regulated businesses, and an acknowledgment of our strong financial position. We see the potential for consistent and sustainable growth in the dividend as an important means of returning cash to our shareholders.

Of course none of our success would be possible without the contribution made by PSEG's dedicated workforce. I look forward to discussing our investment outlook in greater detail with you on our March 11 annual financial conference. But for now, turn the call over to Dan for more details on our operating results and we will be available to answer your questions after his remarks.

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

Thank you, Ralph, and good morning, everyone. As Ralph said PSE&G reported operating earnings for the fourth quarter of $0.50 per share versus $0.49 per share for the fourth quarter of 2014. Earnings in the quarter brought operating earnings for the full year to $2.91 per share, or 5.4% greater than 2014's operating earnings of $2.76 per share and at the upper half of our guidance of $2.85 to $2.95 per share.

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And on slide 4 we provide you with a reconciliation of operating earnings to net income for the quarter. We've also provided you with information on slide 10 regarding the contribution to operating by business for the quarter.

And slides 11 and 13 contain waterfall charts that take you through the net changes in quarter-over-quarter and year-over-year changes operating earnings by major business. I'll review each Company in more detail starting with PSE&G.

PSE&G reported operating earnings for the fourth quarter of 2015 of $0.31 per share compared to $0.32 per share for the fourth quarter of 2014, and that's shown on slide 15. PSE&G's full-year 2015 operating earnings were $787 million, or $1.55 per share, compared with operating earnings of $725 million or $1.43 per share for 2014, reflecting growth of 8.6%.

PSE&G's earnings for the fourth quarter benefited from a return on its expanded capital program which partially offset the impact of earnings from unseasonably mild weather conditions and an increase in operating expenses. PSE&G's return on an expanded investment in transmission and distribution programs increased quarter over quarter earnings by $0.03 per share.

Mild weather conditions relative to normal and relative to last year reduced electric sales and lowered earnings comparisons by $0.01 per share. Recovery of gas revenue under the weather normalization clause offset the impact on earnings of the abnormally warm weather on sales of gas, and higher expenses including pension, and other items reduced quarter over quarter earnings comparisons by $0.03 per share.

Economic conditions in the service area continue to improve. On a weather normalized basis, gas deliveries are estimated to have increased 2.1% in the quarter and 2.2% for the year. Demand continues to benefit from an improving economy and also from the impact of lower commodity prices on customers' bills.

Electric sales on a weather normalized basis are estimated to have increased by 0.8% and 0.5% for the fourth quarter and for the year, respectively. The estimated year-over-year growth on electric sales is more representative of our long-term expectations for growth.

PSE&G implemented a $146 million increase in transmission revenue under the Company's transmission formula rates for 2016 on January 1. PSE&G's investment in transmission grew to $5.7 billion at the end of 2015, or 43% of the Company's consolidated rate base of $13.4 billion at year end.

As you know, transmission revenues are adjusted each year to reflect an update of data that was estimated in the transmission formula rate filing. The adjustment for 2016, which we will file in mid-2017, will include the impact of the extension of bonus depreciation which was executed after our transmission formula rate filing.

This adjustment will reduce transmission revenue as filed by about $27 million, but we will accrue that for accounting purposes in anticipation of the reduction of revenue as we report our 2016 results.

We are forecasting growth in PSE&G's operating earnings for 2016 to a range of $875 million to $925 million. And the forecast reflects the benefits of continued growth in PSE&G's rate base and a decline in pension expense.

Turning to Power as shown on slide 19, Power reported operating earnings for the fourth quarter of $0.19 per share compared to $0.18 per share a year ago. The results for the quarter brought Power's full-year operating earnings to $653 million or $1.29 per share compared to 2014's operating earnings of $642 million or $1.27 per share.

Power's adjusted EBITDA for the quarter and the year amounted to $235 million and $1.563 billion respectively which compares to adjusted EBITDA quarter of 2014 of $271 million in adjusted EBITDA for the full year of 2014 of $1.584 billion. The earnings release as well as earnings slide and pages 11 and 13 provide you with a detailed analysis of the impact on Power's operating earnings quarter over quarter and year-over-year from changes in revenue and costs.

And we've also provided more detail on generation for the quarter and for the year on slide 21 and 22. Power's operating earnings in the fourth quarter reflect the impact of strong hedging a tight control and operating expenses which offset an anticipated decline in capacity revenue and the impact of unseasonably warm weather on wholesale energy prices.

A decline in capacity revenue associated with the May 2015 retirement of the high energy demand day or HEDD peaking capacity in PJM reduced quarter-over-quarter earning comparisons by $0.04 per share. An increase in average price received on energy hedges coupled with a decline in fuel costs more than offset the impact on earnings from a reduction in gas sales. These two items together netted to a quarter-over-quarter improvement in our earnings of $0.02 per share.

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Power's O&M expense for the quarter was unchanged relative to year ago levels. An increase in depreciation expense and other miscellaneous items was more than offset by the absence of a charge in the year ago quarter resulting in a net improvement in quarterly earnings comparisons of $0.03 per share.

Turning to Power's operations, Power's output during the quarter was in line with year ago levels. For the year, output increased 2% to 55.2 terawatt hours from a level of production achieved by the fleet in 2015 represented the second highest level of output in fleet's history as a merchant generator. Both were supported by improvements in the fleet's availability and efficiency.

The nuclear fleet operating leverage capacity factor of 90.4 for the year, producing 30 terawatt hours or 54% of total generation. Efficient commodity cycle gas turbine capacity was rewarded in the market with an increase in dispatch levels and Power's CCGT fleet set a generation record during the year as each of the Lyndon Station and Dublin energy centers set individual records.

Output from the combined cycle fleet grew 11% to 18.4 terawatt hours or 33% of total output during the year. Lower market demand for our coal units reduced output from those stations to 5.8 terawatt hours for the year or 11% of output and lastly the fleet's peaking capacity produced just under one terawatt hour or 2% of output for the year.

Power's gas fired combined cycle fleet continues to benefit from its access to lower price gas supplies Marcellus region. And for the year, gas from the Marcellus supplied 75% of the fuel requirements for the PJM gas-fired assets. This supply supports higher spark spreads than implied by market pricing and allowed Power to enjoy fuel cost savings in the fourth quarter similar to the levels it enjoyed in the year ago quarter despite weak energy prices.

For the full year Power enjoyed positive spreads relative to the market, year-over-year realized spark spreads in 2015 or lower than what was realized in 2014 given the decline in energy prices. Overall Power's gross margin improved slightly to $38.83 per megawatt hour in the fourth quarter versus $37.40 per megawatt hour of the year ago quarter.

For the year Power's gross margin amounted to $42.25 per megawatt hour versus $42.41 per megawatt hour last year. On slide 24 provides detail on Power's gross margins for the quarter and for the year.

Power's expecting output for 2016 to remain unchanged at 54 to 56 terawatt hours. Following the completion of the basic generation service or BGS auction in New Jersey earlier this month, Power has 100% of its 2016 base load generation hedged.

Approximately 70% to 75% of Power's anticipated total production is hedged at an average price of $51 per megawatt hour. And Power has hedged approximately 45% to 55% of its forecast generation of 2017 of 54 to 56 terawatt hours at an average price of $50 per megawatt hour.

Looking forward to 2018, Power's forecasting improvement in output 59 to 61 terawatt hours with the commercial startup in mid-2018 of the Keys and Sewaren stations that Ralph mentioned earlier. Approximately 15% to 20% of 2018's output is hedged at an average price of $54 per megawatt hour and Power assumes PGS volumes will continue to represent approximately 11 to 12 terawatt hours of deliveries. And this number is very consistent with 11.5 terawatt hours of deliveries we saw in 2015 under the BGS contract.

Our average hedged position at this point in time represents a slightly smaller percentage of output hedged versus what you saw a year ago. At that time Power was able to take advantage of market prices influenced by the colder than normal weather conditions of last winter. Average hedge prices include the impact of recently concluded BGS auction and the auction for the three-year period beginning June 1, 2016 and in May 31, 2019 was priced at $96.38 per megawatt hour.

This contract for one-third of the load will replace the 2013 contract for $92.18 per megawatt hour, which expires on May 31, 2016. We do remind you from time to time that there are items included in the average hedged price which influence Power's revenue but don't support Power's gross margin.

Our average hedged price for 2016 of $51 per megawatt hour reflects an increase in the cost of transmission and renewables associated with serving our full requirements hedge obligations. And based on our current hedged position for 2016, each $2 change in spark spreads would impact earnings by about $0.04 per share.

Power's operating earnings for 2016 are forecast to the range of $490 million to $540 million. The forecast reflects adjusted EBITDA of $1.320 billion to $1.4 billion. Forecast reflects a year-over-year decline in capacity revenues associated with the May, 2015 retirement of the HEDD peaking capacity.

Operating earnings for the year will also be influenced by the re-contracting of hedges at lower average prices and a decline in gas sales. And, most of the decline in Power's operating earnings forecast for the full-year 2016 is expected to be experienced in the early part of 2016.

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With respect to Enterprise and other, we reported operating earnings in the fourth quarter of $4 million which compares to a loss in operating earnings of $4 million or $0.01 per share for the fourth quarter of 2014, and results for the fourth quarter brought full-year 2015 operating earnings to $36 million or $0.07 per share compared with 2014 operating earnings of $33 million or $0.06 per share. The difference in quarter-over-quarter operating earnings reflects the absence of the prior year tax adjustments as well as other parent related expenses in 2015.

For the year PSE&G Long Island's earnings contribution to $0.02 per share was in line with expectations and looking forward to 2016 operating earnings for PSEG, Enterprise and other are forecast at $60 million.

Next I want to provide an update on our pension. Beginning with 2016 PSE&G has elected to measure service an interest cost for pension and other post retirement benefits by applying the specific spot rates along the yield curve to the plan's liability cash flows rather than the prior use of a single weighted average rate.

We believe the new approach provides a more precise measurement of service and interest costs by aligning the timing of the plan's liability cash flows to the corresponding spot rates in the yield curve. Change does not affect the measurement of the plan obligations. We estimate this change will reduce 2016 pension and OPEB expense by approximately $34 million and $13 million, respectively, net of amounts capitalized, from what would have been without this change.

Of on a year-over-year basis the pension and OPEB expense is expected to decline by $25 million from 2015 level of expense. We ended 2015 with 91% of our pension obligations funded and a minimal need for cash funding of obligations over the next several years.

With respect to our financial condition, it remains strong. We closed 2015 with $394 million of cash on hand and debt representing 43% of our consolidated capital position and debt at Power representing 27% of its capital base. PSEG capital program for the three years ended 2018 is currently expected to approximate $11.5 billion. This represents a 21% increase over the level of capital invested over the prior three-year period, as PSE&G and Power focus on modernizing their infrastructure to meet the needs of today's marketplace.

We have ample capacity to finance our current capital program. In addition, we estimate the change in bonus depreciation is Ralph mentioned will provide an additional $1.7 billion of cash through 2019 with most of this cash received over the three years ending 2018. And of this amount $1.2 billion of the cash will be at PSE&G and $500 million will be at Power.

As mentioned the forecast for double-digit growth in PSE&G's rate base through 2018 does take into account the impact of bonus depreciation on rate base. And we plan to provide an updated five year view of capital spending at the annual conference on March 11.

Regarding earnings for 2016 of $2.80 to $3.00 per share in line with a 2015 operating results as forecast growth that PSE&G onsets the impact of lower energy prices on Power's operating earnings. The Company remains on solid footing and we continue to focus on operational excellence and remain disciplined in our approach to investment strategy and maintain our financial strength.

The common dividend was recently increased 5.1% to the indicative annual level of $1.64 per share and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward. And with that we are ready to answer your questions.

QUESTION AND ANSWER

Operator

Ladies and gentlemen we will now begin the question and answer session for members of the financial community.

(Operator Instructions)

Jonathan Arnold, Deutsche Bank.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Good morning, guys.

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Morning, Jonathan.

Jonathan Arnold - ***Deutsche Bank - Analyst***

A couple of questions on the change in pension accounting methodology, can you just give -- is this designed to bring you more into line with standard practice or something -- can you just give us some perspective around what drove that change?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

I think it will probably increasingly look more like standard practice. In applying an interest rate we had normally done a weighted average rate which is across all of the cash flows, and some recent determination has been made that in looking at the yield curve and the timing of your actual payments and the timing of the interest by virtue of the shape of the yield curve, a more accurate method was to apply the near-term interest rates to the near-term cash flows, and the longer-term interest rates to the longer-term cash flows.

So we've been looking at this for a while and in addition to being a more accurate method, I think you'll start to see this more and more in others.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Your sense is that others are not -- haven't adopted this it yet, but you think it will go that way, is that what you're saying?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Yes, so our intel from talking to our advisors is we're probably somewhere between 30%, 40%, 50% or so of companies are pursuing and a bunch of the others are investigating the same. We've seen some of this from some of the releases that we've seen from others as well.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. And can you give us a sense -- is the change we're seeing in 2016 something that all else equal just persist to 2017, just a change of basis one piece? And secondly, can you pass out the impact to the utility versus Power?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

On the second piece it's about half and half is the general way to think about it. And with a yield curve that rises over time you will see a moderation of the benefit of this method over time, but remaining positive based upon all the current assumptions in place through the balance of the five-year plan period. It remains positive but declines over time.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay, and can I just throw one other topic -- as the Enterprise, the uptick in 2016, is that mostly the Long Island contract?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

That's correct, John.

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Jonathan Arnold - ***Deutsche Bank - Analyst***

We missed the answer. Great, thank you.

Operator

Keith Stanley, Wolfe Research.

Keith Stanley - ***Wolfe Research - Analyst***

Hi, good morning. The $11.5 billion of CapEx over 2016 to 2018, if you take 72% of that at the utility, it seems like utility CapEx for 2016 to 2018 is about maybe I don't know, $750 million higher than what you showed in a chart at EEI. Can you just confirm if I'm reading that right and if so in what areas are you investing more money now over the next three years?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

Keith, the answer is you are correct and we will detail not only that, but the full five years on March 11. But it's the same areas we have been. It's largely transmission related and there's an element of Energy Strong in their as well. But we'll give you the details of that as well as any new initiatives that we plan to pursue in the five-year time horizon on March 11.

Keith Stanley - ***Wolfe Research - Analyst***

Okay. And one other one, what ROE are you assuming at the distribution business at PSE&G in 2016 and what ROE did you earn at distribution last year?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Remember our ROEs are a blend of an allowed base ROE of 10.3 and then a myriad, 14 to be exact, of various programs that we have had approved since then that range from 9.75 to 10.3 but with a couple of them also the beneficiary of investment tax credit in some of the solar programs. So we are earning our allowed return but you have to do some of the parts so to speak of each of those programs.

Keith Stanley - ***Wolfe Research - Analyst***

So netting out some of those programs you earn 10.3 on, call it core distribution last year, and you're just assuming that you're earning precisely your allowed return and that's what you're saying you earned last year?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

So on the core distribution, yes the 10.3, and on Energy Strong we're going to earn 9.75 and on solar we're going to earn 10, and on energy efficiency we're going to earn 9.75 -- so that's what I'm trying to point out. And because of -- to varying degrees contemporaneous nature of the returns we do stick to those -- we do accomplish those objectives.

Keith Stanley - ***Wolfe Research - Analyst***

Okay, thank you.

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Operator

Julien Dumoulin-Smith, UBS.

Julien Dumoulin-Smith *- UBS - Analyst*

Hi, good morning, can you hear me?

Ralph Izzo *- Public Service Enterprise Group - Chairman, President & CEO*

Yes, Julien.

Julien Dumoulin-Smith *- UBS - Analyst*

Excellent. So I want to go back a little bit to the latest BGS auction and ask if you could elaborate a little bit on what exactly drove the year-over-year results? And perhaps at least our perception of a reduction in the risk premium -- can you elaborate on the dynamics that you saw?

Dan Cregg *- Public Service Enterprise Group - EVP & CFO*

Some of the bigger pieces, Julien, are fairly transparent from what you can see from a market perspective. I think we saw a little bit of a decline in the energy prices which is kind of where you start as a baseline for the auction. And then probably the couple other areas where you see the biggest change is against that decline is you've seen a bump on the transmission side and you've seen a bump related to some of the green costs that are involved.

You can track the green costs through the New Jersey SRECs and you can track the transmission. In fact, I think the BPU even sends out some of the transmission costs that ultimately get embedded in. And finally the last big piece which is also fairly transparent is the capacity piece and those auctions take place in advance by virtue of their three-year forward market and the BGS three-year forward market take place in advance of the BGS auction, so those are your biggest movers.

There's other pieces obviously in there, there's ancillary and different components, but those are the biggest pieces that you see related to the changes.

Julien Dumoulin-Smith *- UBS - Analyst*

But just coming back -- clearly some of those big changes move in year-over-year but at least from our calculations it seems as if even adjusting for that there might have been a little bit less of a premium there. I'd just be curious.

Dan Cregg *- Public Service Enterprise Group - EVP & CFO*

We don't really talk necessarily about what kind of a premium you would see in a product but I think you can -- most of those pieces are transparent enough that you can build up and see what the elements of them are and I think on balance you're seeing a bit of a decline on the energy side and you're seeing a bit of a roll up coming out in the other direction related to both transmission [and green].

Julien Dumoulin-Smith *- UBS - Analyst*

Got it. Fair enough. Maybe going back to the last question a little bit more about the utility regulatory, how are you thinking about trackers in a post [rate] case scenario as you think about rolling at least the legacy programs in the base rates, et cetera. Can you kind of talk about perhaps what the subsequent [role] might look like?

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Sure. While we are pleased with the success we've had, Julien, over these past seven or eight years with these programs, we have been talking to staff about in particular the gas program which clearly has a multi-decade run that it would need to do all of the work that the system requires of it. I'm talking about replacing the cast-iron -- that we'd like to break away from this incremental approach and into more of a long-standing approach if for no other reason that it would be beneficial to develop the infrastructure, primarily people, that one needs to sustain these programs.

So right now the way we run the programs is we work with contractors and we bring in the folks that are needed and we enter into this conversation six months before the program expires. But will we need more? I'm not quite sure. Well, we have to wait until (inaudible). When can you find out? I'll get back to you as soon as possible.

And that's not the way we typically run 110 year old Company. We like to have training programs bringing people in as an apprentice, and have them climb the technical ladder and have a nice long career and that's a much more efficient way to use customer rates.

So I think that program in particular could be a template for the type of ongoing things we want to do. A close second to that as you may recall in Energy Strong we had put forth a ten year plan that got approved for three years and some of the cleaner technologies whether it's solar or energy efficiency that will be needed to meet the state's own renewable portfolio standard or what eventually becomes of CPP and whatever reincarnation that takes. I think all lend themselves to more programmatic and long-standing programs that we can anticipate and rationally equip ourselves to execute.

So those conversations are going on with the Board staff now, and to their credit their response is well, you should have confidence. You've come in 14 times, and 14 times we said yes -- and that's true. So the question is how much of an investment risk are you willing to make in equipment and training programs and people when the yes is pretty much assured, but has different forms -- half the program, half the duration, and maybe three quarters of the run rate. It's a very constructive dialogue right now, to be continued.

Julien Dumoulin-Smith - ***UBS - Analyst***

Great. Thank you so much, guys.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Thanks, Julien.

Operator

Praful Mehta, Citigroup.

Praful Mehta - ***Citigroup - Analyst***

Hi, guys.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Morning.

Praful Mehta - ***Citigroup - Analyst***

Morning. My question firstly you guys sit in a very interesting spot where you own all three assets, coal, gas and nuclear, and it's interesting the trends you highlight with gas capacity factors increasing, coal reducing. My question is how are you thinking about asset lives of these three classes of assets given the market conditions you see now? And what does that mean in terms of leverage levels that you're comfortable with for the Power business?

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

One of the things that is equally important to the fuel diversity of our assets is the technology diversity and performance features of our assets.

So obviously gas, we have some combine cycle gas turbines which are looking more and more like base load. But we also have a pretty robust and healthy peaking fleet and similarly in our coal assets we have Keystone/Conemaugh, which are roughly described as baseload and Hudson, Mercer and Bridgeport stations have become more peaking with Hudson and Mercer having the additional flexibility of being able to run on gas.

So it's not just a question of fuel diversity, it's what part in the dispatch queue the asset can play and whether it starts, stops features and in that respect our diversity serves us well. Now you probably picked up that we would anticipate retiring the Bridgeport Harbor coal unit in five years provided that we are successful at securing the permits for the new combined cycle unit at Bridgeport Harbor which we don't anticipate any difficulties in doing so given the community benefits agreement we've achieved with some important stakeholder groups in Bridgeport.

And I'll let Dan finish up on the leverage at Power but once again our base FFO to debt expectations are 30% and we'll give you more details when we see you in March but we were well north of that prior to bonus depreciation and with bonus depreciation that number has gotten even bigger, but Dan do you want to say anything?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

Yes, the only thing I would add is obviously from a credit perspective Power's FFO to debts are well above the 30% threshold that we have with the rating agencies to hold our existing rating. So that's not something that we get concerned about it all, we have an awful lot of financial strength there. But I think as you do look forward, we will see a shift in fleet and maybe that's kind of what your question is getting at.

We've got three new efficient combined cycle plants and if you look backwards I said in some of my remarks that we have some of our HEDD units. Those were older peaking units that were retired for environmental purposes and they're going to be replaced by new efficient combined cycle clean gas units. So the fleet really will take on a different look into the future and will be more efficient and will have a better profile and be more competitive.

Praful Mehta - ***Citigroup - Analyst***

Got you. So as you see that fleet profile changing are you seeing leverage levels kind of match that in terms of increasing given the quality of the new gas fleet that you're kind of bringing on?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

I think we'll see some leverage increase by virtue of the spend that we will have but I think we will remain well above where we need to from a rating agency perspective. The debt capacity at Power is extremely strong and is expected to remain that way.

And bonus depreciation helps on that side, too. On the Power side of the Business we have the benefits of bonus depreciation without the detriments of any rate base reduction.

Praful Mehta - ***Citigroup - Analyst***

Yes, absolutely, got it. And then secondly it's a more philosophical question. As you think about the fate of Power with the consolidated business, is there at any point of view that this business needs to be a stand-alone entity or do you kind of see this more as part of the consolidated business in the next two, three-year timeframe as well?

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

So as I've said before, I do see over time, you're not going to get me to pick a time frame. I see these businesses separating. The strategic flexibility of both would be enhanced by doing that.

Some of the tactical benefits of keeping them together right now, which is the financial synergy, the financial complement that Power provides to the utility. We've talked about Power's new plants but for the past five years and for the next five years it looks like the utility will be out-spending Power almost three to one, and Power is a great source of equity for that with its funds from operations.

Secondly, the complement that Power and utility provide on the customer bill is a huge advantage to us, and the support cost synergies that exist with the two companies are a big advantage to us as well. But as Power grows in New England, as it grows in New York state and other places, it will need to use its own FFO for investment opportunities and that free cash flow that remains to help utility will be decreased.

There will be more customers that it will be serving outside of the utility's territory so that complementary nature will decrease, and as they both grow, the corporate overhead -- vital functions that corporate support groups provide will be a smaller piece of the overall operating budget. So I think over time the tactical benefits of staying together decrease, and the strategic advantages of separating will increase. But we're not there today. So -- yet again, continue.

Praful Mehta - ***Citigroup - Analyst***

That's really helpful, and I know you're not talking timing but I guess the benchmark or at least the milestones as we look for is those three factors in terms of the strategic benefits and that I guess reduces in terms of the fit then the probability or likelihood of some timing of separation increases. Is that a fair assessment?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

So a qualified yes to that. There's no magic date. There are a host of parameters one looks at. What are the market dynamics, what's the composition of the shareholder base?

Are there other triggering events that could accelerate one's point of view of what the tactical benefits are now greatly reduced. So I don't mean to be long-winded on it but you ask a very complicated question albeit wrapped in some shroud of simplicity that the Board of Directors looks at on a regular basis. So I'm just giving you kind of a general point of view on that. But it's fraught with detailed analysis on a pretty regular basis by us.

Praful Mehta - ***Citigroup - Analyst***

Got you. Very helpful, thank you so much.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides - ***Goldman Sachs - Analyst***

Hey, guys, congrats on a good year. A couple of questions and these may be for Dan because some of them are kind of a little bit down in the weeds or in the nitty-gritty.

Can you talk to us about the earnings or EBITDA contribution that maybe Power gets from things like trading or doing some of the optimization as part of the LIPA deal? And can you talk to us about the overall earnings Power you expect to get over time from the broader LIPA O&M services contract?

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Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

So even though Dan can answer that, I want to point out that I try to pay attention to these things.

Michael Lapides - ***Goldman Sachs - Analyst***

Totally understood, Ralph. (laughter)

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

So Power's trading group is about $0.01 a share for LIPA and all in LIPA is going to grow to about $0.07 or $0.08 so I think the share will be probably closer to $0.05, and then stepping up to $0.07 or $0.08 -- $0.05 or $0.06 the share, closer to $0.07 or $0.08 next year. But Dan, go ahead and tell him I'm wrong.

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

Right order of magnitude.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Order of magnitude? (laughter)

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

It will be $0.07 next year across the Enterprise, but there's just a small piece of that call it a $0.01 or so that's at the Power side of the Business where that's coming from.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. And do you get a significant margin from things like ancillary revenues or ancillary services in New England; just trying to think about the components not just within BGS but within your broader margin at Power?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

I don't have an ancillary number in front of me, Michael, I don't know that we kind of provided the breakdown of all the different components of how Power makes money. Far and away the biggest pieces are your capacity margin and your energy margin. There's a host of different elements that we work our way through as we manage a portfolio as a whole.

I mean if you're kind of talking somewhere in the bucket of $0.05 a share or something like that on ancillaries that's probably an order of magnitude number. But we haven't broken out a lot of the pieces beyond the biggest pieces, which I think gets folks most of the way home. If you look at your capacity margins we're very transparent about that map and provide that within the Investor Relations decks that we end up pulling together and the same with respect to the energy side of the Business.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. And finally when we think about the combined cycle fleet at Power I mean you've seen a significant uptick in terms of how much they can run.

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Just curious from a physical standpoint, what do you think the -- I guess I'll use the word maximum output level. How high do think they can physically run from a capacity factor standpoint versus where they've been running for the last 12 to 24 months?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

I don't think that there is a physical limit to what they can do. I mean they're ultimately going to be taken off-line for maintenance just like any other facility would. But there's nothing that stops those plants from running as long as they are called.

There's not a refueling outage like you'd see a nuclear plant where you have to shut the unit down to refuel it, but periodically there is major maintenance that goes on at these facilities where the unit needs to be worked on. But I think we'll have the advantages as well with the new units that we have of having a kind of clean and new unit that won't have that effect for a period of time when it starts up.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Don't forget, Michael, we've also had a couple significant improvement programs on our combined cycles. We've improved the gas path which has actually allowed us to stretch out the major maintenance cycles and modestly improve the heat rates.

And I'll double check the numbers, we'll certainly show them in March, but I think our forced outage rates have dropped even while our capacity factors have gone up, which is always a great sign right it just means that we're taking better care of the machines. So they're running at about 65% to 66% capacity factor now. You never want to promise 100% on any mechanical device but I've not picked up from any of our team that they're worried about us overtaxing these units.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. And then last one, Ralph, just a little curious, your thoughts on the impact if any of the Ohio PPA contracts and what that means for that competitive market dynamics and design in PJM?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Yes, so it depends on how that's structured. Clearly there was a situation in New Jersey under what we call the old cat law where the statute mandated that winners of those contracts bid at zero and clear the auction and that was just an egregious attempt to crush artificially capacity prices in the region.

So we are participating in an industry group in Ohio to make sure that whatever is agreed upon doesn't artificially move the market in a way that disadvantages participants who don't have the protection of these contracts. I'd like to think that Ohio has been a long-standing supporter of competitive markets and whatever gets structured out there gets structured in that way.

But while I'd like to think that we're going to carefully monitor what actually is decided to maximize the chance that that is indeed what happens.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Thanks, Ralph, thanks, Dan. Much appreciated, guys.

Operator

Gregg Orrill, Barclays.

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Gregg Orrill - ***Barclays - Analyst***

Thank you. I was wondering if you could revisit the topic of bonus depreciation? I think you said that $1.3 billion at PSE&G and $1.7 billion overall, was that 2015 to 2018, first of all?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

The $1.7 billion is $1.2 billion to the utility and $500 million to Power, and that runs you out through 2019. That comes through 2018.

Gregg Orrill - ***Barclays - Analyst***

Okay. Part of that at the utility you are going to be accruing into the next case, is that generally the way you're going to deal with the bonus depreciation accounting at the utility?

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

I think the way to think about it, Greg, is to the extent of transmission, the impact of that will come through on a contemporaneous basis so we will -- while bonus was approved after we filed our formula rate for the 2016 year, we know that it is there and will accrue that from accounting perspective and we will do that true up in future filings. But as we go forward you'll see that true up every year with respect to the transmission piece of the bonus.

Similarly, with elements related to Energy Strong, with elements rated to GSMP, all the clause related updates, will take place as we file those contemporaneous and near contemporaneous filings, and then the balance of what's left which really sits with the base amount or PSE&G that will await the next rate case.

Gregg Orrill - ***Barclays - Analyst***

Got it. Thank you.

Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

You got it, Greg.

Operator

Travis Miller, Morningstar.

Travis Miller - ***Morningstar - Analyst***

Hi, thank you. I was wondering if you guys look across your entire CapEx program both Power and PSE&G, what parts of that make you most nervous? And either nervous that you would not meet the budget that you've set out or nervous that you wouldn't meet either the allowed returns or the hurdle rates that you set out for those projects?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

If we're nervous about anything, Travis, we make sure we take action to fix it so that we don't stay nervous, but I know you know that. I guess I'd say the biggest things that we pay attention to are regulatory and environmental mandates that don't add to the return expectations of our shareholders and quite candidly on occasion don't really benefit customers commensurate with the costs that need to be put into it.

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But other than that, as you well know, we show up at a lot of places to make acquisitions and to expand our asset base and invariably lose, so I don't think anyone would ever accuse us of being bullish or undisciplined in how we spend our money. And the good news is that most of that environmental spending is behind us.

So we've talked a lot about today -- we're building three combined cycle units and let's make sure we have the team in place to manage those because they're not all within a city block of each other -- we've got one in Maryland, one in New Jersey, one in Connecticut, and I probably spent an hour and half yesterday with our head of fossil talking about what his needs are and how we can make sure that those are met.

So, I'd say in general, it's mandates that don't produce the customer or shareholder benefit that the regulator thinks they do. Fortunately most of those are behind us and to the extent that if we didn't respond to the expanded construction program in Power, I would be nervous about that, but we are responding. And I guess the proof that I put forth for you on that is we have quadrupled in the past five years that transmission program and we've delivered those projects on schedule and on budget.

Travis Miller - ***Morningstar - Analyst***

Okay, that's great, and Ralph, one more. You mentioned the word retail in the past and I was wondering if you could update if that's still in the lexicon?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Yes. But it remains in the lexicon as a defensive move to help us make sure we can be more effective in managing our basis risk and Keys is going to go a long way to that. It's not a retail play, so there are things we can do other than retail, but we are disciplined and cautious as you know I'm not a big fan of the retail business.

I think everybody falls in love with it in a declining price environment that's typically when you can make a lot of money in retail. It's when prices rise and people are cut short for whatever reason that life isn't quite so pleasant. So we would look at it purely as a small part of our output purely for defensive purposes and managing basis risks and we're still looking at that and working on that.

Travis Miller - ***Morningstar - Analyst***

Great, thanks so much.

Operator

Stephen Byrd, Morgan Stanley.

Stephen Byrd - ***Morgan Stanley - Analyst***

Hi, good morning.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Good morning, Stephen.

Stephen Byrd - ***Morgan Stanley - Analyst***

I wondered if you could lay out what the year end rate base was for transmission and then for the utility overall?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

I don't have that number.

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Dan Cregg - ***Public Service Enterprise Group - EVP & CFO***

I think 13.4 is the number we provided for utility and I think 43% of that was transmission.

Stephen Byrd - ***Morgan Stanley - Analyst***

Got it. Thank you very much. And on solar you've been continuing to grow there; how do you see sort of the overall market opportunity there, ability to achieve further growth in solar?

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Stephen we've seen -- as I think you're aware we have carved out for ourselves kind of a modest sized portfolio, really it's the 250 megawatts-dc I think consist of 14 or 15 projects. These things range in size from like 5 megawatts to 50 megawatts and many more closer to 5 than to 50, and we have very rigid return expectations. They are supported by 25 to 30 year PPAs and they meet those return expectations.

Generally those returns are not available in some of the larger projects and we've developed a couple partners who are really good about bringing us opportunities that they know we can execute on. So, they are willing to work with us.

I do see that continuing to grow. It's mostly driven by state RPSs and I don't think we have baked in a number in terms of what size that will be. So when we talk about our capital program there isn't a dollar of those projects in there, yet if I look back over the past three or four years we're pretty consistently doing anywhere from $100 million to $200 million of those projects.

Stephen Byrd - ***Morgan Stanley - Analyst***

Great. Thank you very much.

Operator

I'm sorry, please go ahead.

Kathleen Lally - ***Public Service Enterprise Group - VP of IR***

I was going to say I think that brings us to the end. I'm going to turn the call back over to Ralph at this time.

Ralph Izzo - ***Public Service Enterprise Group - Chairman, President & CEO***

Thanks, Kathleen. So looking forward to seeing you all hopefully in two weeks. But really, I hope there are three key points you take away from what Dan and I talked about today.

First of all we are generally excited about Power's positioning. We've long had low-cost nuclear and we've had a pretty good highly efficient combined cycle fleet, but in three years we're going to have just an outstanding, highly efficient combined cycle fleet. And all of our assets are going to be well-positioned, and I mean well-positioned in a broader sense of the word.

They'll be near load, they'll be clean, they'll be diverse fleet and we'll continue to look at opportunities to improve upon that fleet, but you really should recognize that we've talked for a long time now about these three new units and I don't foresee any circumstances at present that would suggest any additional new build on the horizon for us.

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The second point is the utility growth continues. We average 13% growth over the last five years and if you just take our 15 results in the midpoint of the utility guidance for 2016, we're going to grow at 14%. And yet utility bills will go down yet again this year because of the expiration of some charges.

The utility will represent [60%] of earnings at the midpoint and it's doing stuff that is very important to customers and we'll just continue marching along that path. So we had a good year is the final point, and I think you'll find that when we get together on March 11 that the next five years look even better. So I look forward to explaining that further when we see you in New York. Thanks, everyone.

Operator

Ladies and gentlemen that does conclude your conference call for today. You may now disconnect, and thank you for participating.

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THOMSON REUTERS

PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2015 RESULTS

$3.30 NET INCOME PER SHARE

Operating Earnings of $2.91 Per Share At Upper Half Of Guidance Of $2.85 - $2.95 Per Share

Company Provides 2016 Guidance of $2.80 - $3.00 Per Share

Common Dividend Increased 5.1%

(February 19, 2016 – Newark, NJ) Public Service Enterprise Group (PSEG) reported today 2015 Net Income of $1,679 million or $3.30 per share as compared to Net Income of $1,518 million, or $2.99 per share for 2014. Operating Earnings for the year 2015 were $1,476 million or $2.91 per share compared to 2014 Operating Earnings of $1,400 million or $2.76 per share.

PSEG also reported Net Income for the fourth quarter of 2015 of $309 million, or $0.60 per share. This compares to fourth quarter 2014 Net Income of $476 million, or $0.94 per share. Operating Earnings for the fourth quarter of 2015 were $255 million, or $0.50 per share compared to fourth quarter 2014 Operating Earnings of $247 million, or $0.49 per share.

“We are very pleased with our strong results in 2015 with operating earnings for the full year at the upper half of our increased guidance” said Ralph Izzo, chairman, president and chief executive officer. “Our results reflect excellent performance and organic growth at the utility. With our strong balance sheet, we are in a position to increase our investment across the company to meet the needs of our customers and shareholders. The Board’s recent decision to increase the common dividend by 5.1% to the indicative annual level of $1.64 per share is an expression of confidence in our outlook, the continued growth of our regulated business and an acknowledgment of our strong financial condition.”

PSEG believes that the non-GAAP financial measure of “Operating Earnings” provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude the impact of gains/(losses) associated with Nuclear Decommissioning Trust (NDT) investments and Mark-To-Market (MTM) accounting as well as other material one-time items. The table below provides a reconciliation of PSEG’s Net Income to Operating Earnings (a non-GAAP measure) for the full year and fourth quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
Full-Year Comparative Results
2015 and 2014

	Income ($ millions)		Diluted Earnings Per Share	
	2015	**2014**	**2015**	**2014**
Operating Earnings	$1,476	$1,400	$2.91	$2.76
Reconciling Items	203	118	0.39	0.23
Net Income	**$1,679**	**$1,518**	**$3.30**	**$2.99**
		Avg. Shares	**508M**	**508M**

PSEG CONSOLIDATED EARNINGS (unaudited)
Fourth Quarter Comparative Results
2015 and 2014

	Income ($ millions)		Diluted Earnings Per Share	
	2015	**2014**	**2015**	**2014**
Operating Earnings	$255	$247	$0.50	$0.49
Reconciling Items	54	229	0.10	0.45
Net Income	**$309**	**$476**	**$0.60**	**$0.94**
		Avg. Shares	**508M**	**508M**

Ralph Izzo went on to say, “Continued successful deployment of strong free cash flow into customer-oriented regulated investment programs is expected to support 14% growth in PSE&G’s earnings which will increase the utility’s earnings to 60% of Enterprise’s 2016 operating earnings. Results for 2016 are forecast at $2.80 - $3.00 per share.”

The following table outlines PSEG’s 2015 operating earnings by subsidiary and expectations for 2016.

2016 Guidance and 2015 Operating Earnings
($ millions, except EPS)

	2016E	**2015A**
PSE&G	$875 - $925	$787
PSEG Power	$490 - $540	$653
PSEG Enterprise/ Other	$60 - $60	$36
Operating Earnings	$1,425 - $1,525	$1,476
Earnings Per Share	$2.80 - $3.00	$2.91

E = Estimate A= Actual

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 6 and 7 for detail regarding the quarter-over-quarter and year-over-year earnings reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $156 million ($0.31 per share) for the fourth quarter bringing full year operating earnings to $787 million ($1.55 per share). On a comparative basis, PSE&G reported operating earnings of $160 million ($0.32 per share) and $725 million ($1.43 per share) for the fourth quarter and full year 2014, respectively.

PSE&G's earnings in the fourth quarter benefited from a return on the continued expansion of its investment in transmission and distribution infrastructure which partially offset the impact on earnings of unseasonably mild weather and an increase in operating expenses. For the full year, PSE&G's management of operations and an expanded capital program allowed it to earn its authorized return on rate base.

PSE&G's return on an expanded investment in transmission and distribution programs increased quarter-over-quarter earnings by $0.03 per share. Mild weather conditions relative to normal, and to last year, reduced electric sales and lowered earnings comparisons by $0.01 per share. Recovery of gas revenue under the weather normalization clause offset the impact of the abnormally warm weather on the earnings effect of lower sales of gas. Higher expenses, including pension, and other items, reduced quarter-over-quarter earnings comparisons by $0.03 per share.

Economic conditions in the service area continue to improve. On a weather-normalized basis, gas deliveries are estimated to have increased 2.1% in the quarter and 2.2% for the year. Demand continues to benefit from an improving economy and also from the impact of lower commodity prices on customers' bills. Electric sales, on a weather-normalized basis, are estimated to have increased by 0.8% and 0.5% for the fourth quarter and the year respectively. The estimated year-over-year growth in electric sales is more indicative of our long-term expectations for growth.

PSE&G implemented a $146 million increase in revenue under the company's transmission formula rate on January 1, 2016. Transmission revenues are adjusted each year to reflect an update of data that was estimated in the transmission formula rate filing. The adjustment for 2016 will include the impact of the extension of bonus depreciation which would reduce our revenue increase as filed by $27 million. PSE&G's investment in transmission grew in 2015 to $5.7 billion at year-end, or 43% of the company's consolidated rate base of $13.4 billion at the end of the year.

PSE&G's operating earnings for 2016 are forecast at $875 million - $925 million.

PSEG Power

PSEG Power reported operating earnings of $95 million ($0.19 per share) for the fourth quarter of 2015 and Adjusted EBITDA of $235 million bringing full year operating

earnings to $653 million ($1.29 per share) and Adjusted EBITDA to $1,563 million. Net Income for the quarter and the full year were $149 million and $856 million respectively. On a comparative basis, PSEG Power reported operating earnings of $91 million ($0.18 per share) and Adjusted EBITDA of $271 million for the fourth quarter of 2014 and operating earnings of $642 million ($1.27 per share) and Adjusted EBITDA of $1,584 million for the full year 2014. Net Income in the fourth quarter of 2014 and the full year 2014 were $320 million and $760 million respectively.

PSEG believes that the non-GAAP financial measure of "Adjusted EBITDA" is useful in evaluating Power's operating performance because it provides investors with additional information to compare our business performance to other companies and to understand performance trends.

Adjusted EBITDA excludes the same items as our Operating Earnings measure, as well as income tax expense and interest expense, depreciation and amortization and major maintenance at Power's fossil generation facilities. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA.

Power's results for the fourth quarter reflect the impact of strong hedging and tight control of operating expenses which offset an anticipated decline in capacity revenue, and the impact of unseasonably warm weather on wholesale energy prices.

A decline in capacity revenues associated with the May 2015 retirement of peaking capacity in PJM reduced quarter-over-quarter earnings comparisons by $0.04 per share. An increase in the average price received on energy hedges coupled with a decline in fuel costs more than offset the impact on earnings of a reduction in gas sales netting to a quarter-over-quarter improvement in earnings of $0.02 per share. Power's O&M expense in the quarter was unchanged relative to year-ago levels. An increase in depreciation expense and miscellaneous items was more than offset by the absence of a charge in the year-ago quarter resulting in a net improvement in quarterly earnings comparisons of $0.03 per share.

Output during the quarter was in-line with year ago levels. For the year, output increased 2% to 55.2 TWh, as improvements in availability and efficiency supported growth. The nuclear fleet operated at an average capacity factor of 90.4% for the year, producing 30 TWh (54% of generation). Efficient combined cycle gas turbine capacity (CCGT) was rewarded in the market with an increase in dispatch levels. Power's CCGT fleet set a generation record during the year as the Linden Station and Bethlehem Energy Center set individual records. Output from the CCGT fleet grew 11% to 18.4 TWh (33% of total output) during the year. Lower market demand for our coal units reduced output from those stations to 5.8 TWh for the year (11% of total output) as the fleet's peaking capacity produced 1.0 TWh (2% of total output).

Power is expecting output for 2016 to remain unchanged at 54 – 56 TWh. Following completion of the Basic Generation Service (BGS) auction in New Jersey in February 2016, Power enters the year with 100% of its 2016 baseload generation hedged. Approximately 70% - 75% of anticipated annual production is hedged at an average

price of $51 per MWh. Power has hedged approximately 45% - 55% of its forecast generation in 2017 of 54 – 56 TWh at an average price of $50 per MWh. For 2018, Power has hedged 15% - 20% of forecast production of 59 – 61 TWh at an average price of $54 per MWh. Power assumes BGS volumes will represent approximately 11 – 12 TWh in each of 2016 and 2017 – consistent with 11.5 TWh of deliveries in 2015 under the BGS contract.

The forecast improvement in output for 2018 reflects the commercial start-up in mid-2018 of 1300 MWs of new gas-fired combined cycle capacity at the Keys and Sewaren stations.

PSEG Power cleared a new 485-MW clean, natural gas-fired combined cycle power plant at its existing Bridgeport Harbor Station site. The unit, which represents an investment of more than $550 million, is targeted to be in operation in June 2019.

Power's operating earnings for 2016 are forecast at $490 million - $540 million. The forecast for operating earnings equates to estimated adjusted EBITDA for 2016 of $1,320 million - $1,400 million.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings for the fourth quarter of 2015 of $4 million compared to an operating earnings loss of $4 million ($0.01 per share) for the fourth quarter of 2014. The results for the fourth quarter brought operating earnings for the full year 2015 for PSEG Enterprise/Other to $36 million ($0.07 per share) versus Operating Earnings in 2014 of $33 million ($0.06 per share).

The difference in operating earnings results quarter-over-quarter primarily reflects the absence of prior year tax adjustments and other items in the fourth quarter of 2014 as well as other Parent related expenses in 2015. For the year, PSEG Long Island contributed $0.02 per share to earnings, in line with expectations.

For 2016, operating earnings for PSEG Enterprise/Other are forecast to be $60 million.

Capital Expenditures

PSEG currently plans to invest approximately $11.5 billion over 2016 – 2018 on capital programs at both PSE&G and PSEG Power. The planned investment program represents a 21% increase over the $9.5 billion invested over the prior three-year period and is expected to be invested in PSE&G (72%) and PSEG Power (27%).

Pension Expense

PSEG, at the end of 2015, changed the approach used to measure service and interest costs for pension and other post-retirement benefits. For 2016, PSEG has elected to measure service and interest costs by applying the specific spot rates along the yield curve to the plans' liability cash flows. This change does not affect the measurement of the plan obligations. PSEG estimates this change will reduce 2016 pension and OPEB

expense by approximately $34 million and $13 million respectively, net of amounts capitalized. On a year-over-year basis, pension expense is expected to decline by $25 million from 2015's level of expense.

Forward Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), Item 8. Financial Statements and Supplementary Data—Note 12. Commitments and Contingent Liabilities, and other factors discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,

- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended December 31,		*Year-Ended December 31,*	
	2015	***2014***	***2015***	***2014***
Earnings Results ($ Millions)				
PSE&G	$ 156	$ 160	$ 787	$ 725
PSEG Power	95	91	653	642
PSEG Enterprise/Other	4	(4)	36	33
Operating Earnings	**$ 255**	**$ 247**	**$ 1,476**	**$ 1,400**
Reconciling Items [(a)]	54	229	203	118
Net Income	**$ 309**	**$ 476**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
Per Share Results (Diluted)				
PSE&G	$ 0.31	$ 0.32	$ 1.55	$ 1.43
PSEG Power	0.19	0.18	1.29	1.27
PSEG Enterprise/Other	-	(0.01)	0.07	0.06
Operating Earnings	**$ 0.50**	**$ 0.49**	**$ 2.91**	**$ 2.76**
Reconciling Items [(a)]	0.10	0.45	0.39	0.23
Net Income	**$ 0.60**	**$ 0.94**	**$ 3.30**	**$ 2.99**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended December 31, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,278	$ (206)	$ 1,402	$ 1,082
OPERATING EXPENSES				
Energy Costs	684	(343)	546	481
Operation and Maintenance	808	110	389	309
Depreciation and Amortization	254	9	180	65
Total Operating Expenses	1,746	(224)	1,115	855
OPERATING INCOME	532	18	287	227
Income from Equity Method Investments	2	(1)	-	3
Other Income and (Deductions)	17	(21)	18	20
Other-Than-Temporary Impairments	(8)	-	-	(8)
Interest Expense	(102)	2	(77)	(27)
INCOME BEFORE INCOME TAXES	441	(2)	228	215
Income Tax Benefit (Expense)	(132)	6	(72)	(66)
NET INCOME	**$ 309**	**$ 4**	**$ 156**	**$ 149**
OPERATING EARNINGS	$ 255	$ 4	$ 156	$ 95
Reconciling Items Excluded from Net Income [b]	54	-	-	54
NET INCOME	**$ 309**	**$ 4**	**$ 156**	**$ 149**

Three Months Ended December 31, 2014

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,773	$ (368)	$ 1,531	$ 1,610
OPERATING EXPENSES				
Energy Costs	878	(464)	631	711
Operation and Maintenance	780	97	368	315
Depreciation and Amortization	308	7	224	77
Total Operating Expenses	1,966	(360)	1,223	1,103
OPERATING INCOME	807	(8)	308	507
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	75	(2)	17	60
Other-Than-Temporary Impairments	(6)	-	-	(6)
Interest Expense	(98)	3	(71)	(30)
INCOME BEFORE INCOME TAXES	781	(7)	254	534
Income Tax Benefit (Expense)	(305)	3	(94)	(214)
NET INCOME	**$ 476**	**$ (4)**	**$ 160**	**$ 320**
OPERATING EARNINGS	$ 247	$ (4)	$ 160	$ 91
Reconciling Items Excluded from Net Income [b]	229	-	-	229
NET INCOME	**$ 476**	**$ (4)**	**$ 160**	**$ 320**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Year-Ended December 31, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 10,415	$ (1,149)	$ 6,636	$ 4,928
OPERATING EXPENSES				
Energy Costs	3,261	(1,611)	2,722	2,150
Operation and Maintenance	2,978	361	1,560	1,057
Depreciation and Amortization	1,214	31	892	291
Total Operating Expenses	7,453	(1,219)	5,174	3,498
OPERATING INCOME	2,962	70	1,462	1,430
Income from Equity Method Investments	12	(2)	-	14
Other Income and (Deductions)	152	(20)	75	97
Other-Than-Temporary Impairments	(53)	-	-	(53)
Interest Expense	(393)	8	(280)	(121)
INCOME BEFORE INCOME TAXES	2,680	56	1,257	1,367
Income Tax Benefit (Expense)	(1,001)	(20)	(470)	(511)
NET INCOME	**$ 1,679**	**$ 36**	**$ 787**	**$ 856**
OPERATING EARNINGS	$ 1,476	$ 36	$ 787	$ 653
Reconciling Items Excluded from Net Income [b]	203	-	-	203
NET INCOME	**$ 1,679**	**$ 36**	**$ 787**	**$ 856**

Year-Ended December 31, 2014

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 10,886	$ (1,314)	$ 6,766	$ 5,434
OPERATING EXPENSES				
Energy Costs	3,886	(1,770)	2,909	2,747
Operation and Maintenance	3,150	406	1,558	1,186
Depreciation and Amortization	1,227	29	906	292
Total Operating Expenses	8,263	(1,335)	5,373	4,225
OPERATING INCOME	2,623	21	1,393	1,209
Income from Equity Method Investments	13	(1)	-	14
Other Income and (Deductions)	229	1	58	170
Other-Than-Temporary Impairments	(20)	-	-	(20)
Interest Expense	(389)	10	(277)	(122)
INCOME BEFORE INCOME TAXES	2,456	31	1,174	1,251
Income Tax Benefit (Expense)	(938)	2	(449)	(491)
NET INCOME	**$ 1,518**	**$ 33**	**$ 725**	**$ 760**
OPERATING EARNINGS	$ 1,400	$ 33	$ 725	$ 642
Reconciling Items Excluded from Net Income [b]	118	-	-	118
NET INCOME	**$ 1,518**	**$ 33**	**$ 725**	**$ 760**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	December 31, 2015	December 31, 2014
DEBT		
Long-Term Debt	$ 9,561	$ 8,823
Securitization Debt	-	259
Project Level, Non-Recourse Debt	7	16
Total Debt	9,568	9,098
STOCKHOLDERS' EQUITY		
Common Stock	4,915	4,876
Treasury Stock	(671)	(635)
Retained Earnings	9,117	8,227
Accumulated Other Comprehensive Loss	(295)	(283)
Total Common Stockholders' Equity	13,066	12,185
Noncontrolling Interests - Equity Investments	1	1
Total Equity	13,067	12,186
Total Capitalization	$ 22,635	$ 21,284

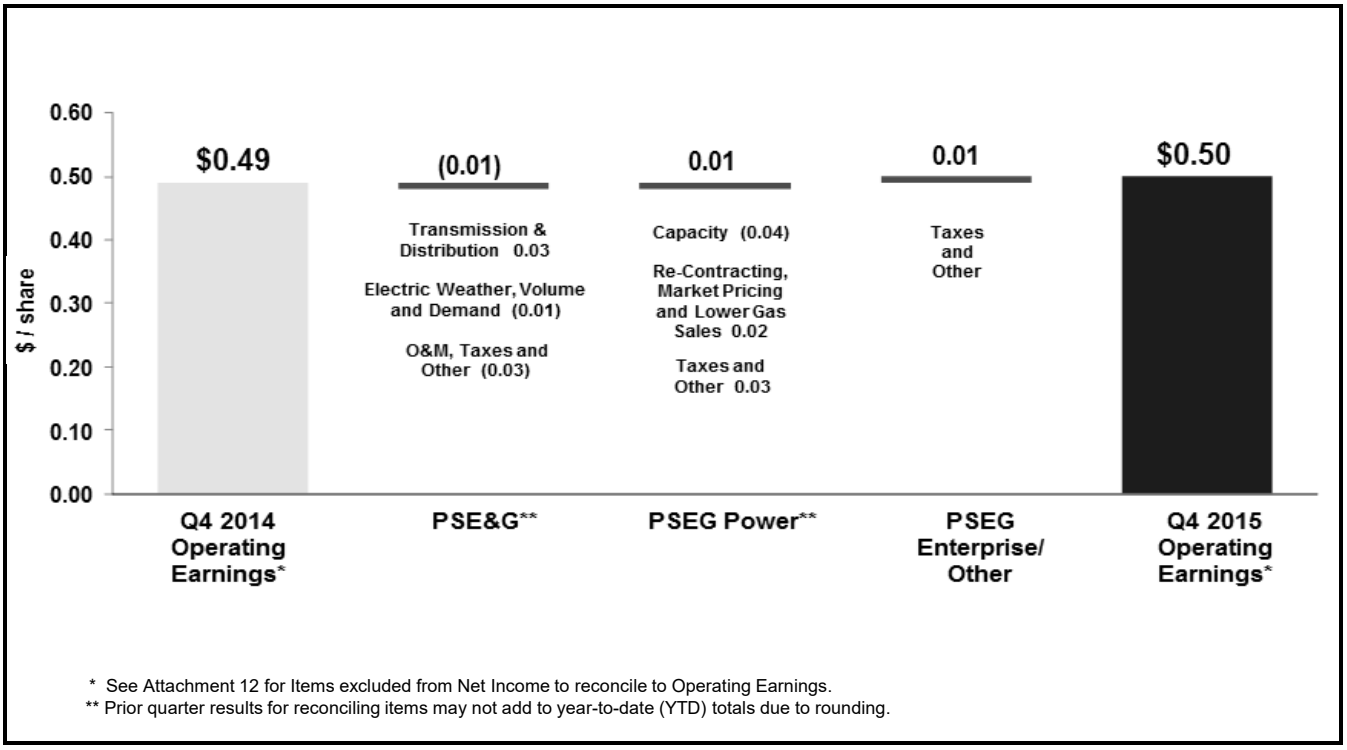
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Year-Ended December 31, 2015	Year-Ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,679	$ 1,518
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	2,240	1,642
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,919	3,160
NET CASH USED IN INVESTING ACTIVITIES	(3,942)	(2,892)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	15	(359)
Net Change in Cash and Cash Equivalents	(8)	(91)
Cash and Cash Equivalents at Beginning of Period	402	493
Cash and Cash Equivalents at End of Period	$ 394	$ 402

Attachment 6

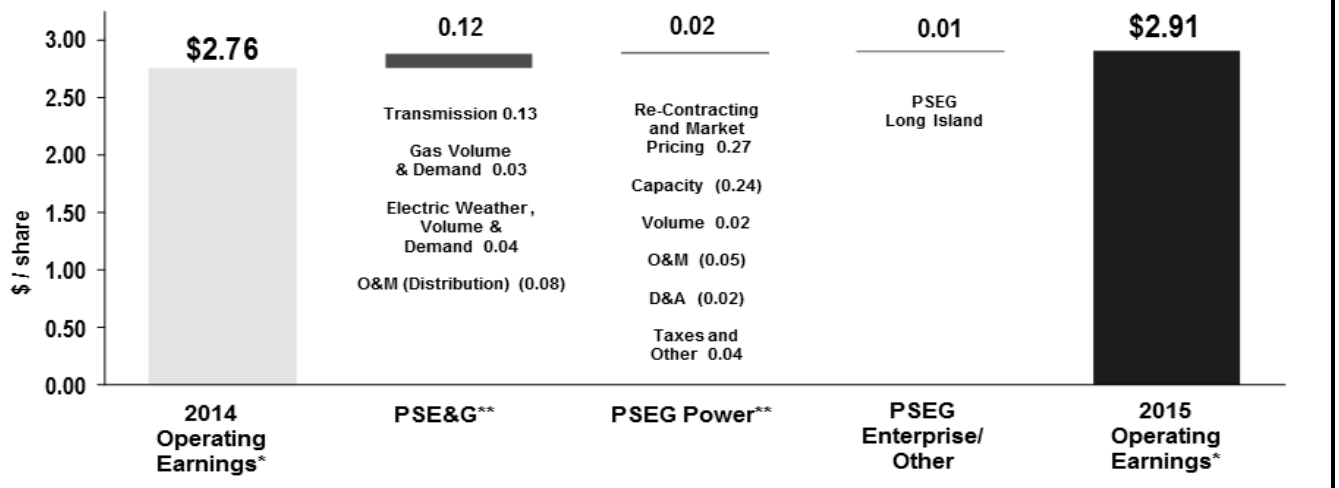
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
December 31, 2015 vs. December 31, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
December 31, 2015 vs. December 31, 2014
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.
** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2015

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2014	Year Ended	Change vs. 2014
Residential	2,656	-5.3%	13,675	4.5%
Commercial & Industrial	6,374	-0.5%	27,706	1.4%
Street Lighting	101	6.2%	334	2.3%
Interdepartmental	2	2.0%	10	0.7%
Total	9,133	-1.9%	41,725	2.4%
Revenue ($ millions)				
Residential	$ 401	-7.8%	$ 2,178	6.0%
Commercial & Industrial	376	-10.1%	2,001	-2.6%
Street Lighting	19	5.1%	71	3.4%
Other Operating Revenues*	135	7.9%	592	16.4%
Total	$ 931	-6.6%	$ 4,842	3.3%

Weather Data	Three Months Ended	Change vs. 2014	Year Ended	Change vs. 2014
THI Hours - Actual	270	10.3%	18,980	37.9%
THI Hours - Normal	322		16,074	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2015

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2014	Year Ended	Change vs. 2014
Firm Sales				
Residential Sales	329	-25.8%	1,497	-4.7%
Commercial & Industrial	221	-22.3%	1,026	-2.8%
Total Firm Sales	**550**	**-24.5%**	**2,523**	**-4.0%**
Non-Firm Sales				
Commercial & Industrial	429	-32.9%	2,054	-16.7%
Total Non-Firm Sales	**429**		**2,054**	
Total Sales	**979**	**-28.4%**	**4,577**	**-10.2%**
Revenue ($ millions)				
Residential Sales - Firm	$ 85	1.9%	$ 308	-37.2%
Commercial & Industrial - Firm Sales	42	-48.1%	239	-24.1%
Non-Firm Sales	5	-35.3%	34	-16.5%
Other Operating Revenues**	45	2.5%	174	1.3%
Total	**$ 177**	**-17.9%**	**$ 755**	**-25.9%**
Gas Transported	$ 294	-7.8%	$ 1,039	-2.3%

Weather Data	Three Months Ended	Change vs. 2014	Year Ended	Change vs. 2014
Degree Days - Actual	1,104	-31.3%	4,661	-8.2%
Degree Days - Normal	1,645		4,684	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 10

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended December 31,		GWhr Breakdown Year-Ended December 31,	
	2015	2014	2015	2014
Nuclear - NJ	4,835	5,069	20,084	19,722
Nuclear - PA	2,430	1,887	9,929	9,386
Total Nuclear	**7,265**	**6,956**	**30,013**	**29,108**
Fossil - Coal/Natural Gas - NJ**	(16)	(19)	526	1,421
Fossil - Coal - PA	828	1,163	4,681	5,108
Fossil - Coal - CT	2	122	602	832
Total Coal	**814**	**1,266**	**5,809**	**7,361**
Fossil - Oil & Natural Gas - NJ	3,184	3,503	14,116	12,922
Fossil - Oil & Natural Gas - NY	1,462	1,129	5,153	4,527
Fossil - Oil & Natural Gas - CT	-	5	122	244
Total Oil & Natural Gas	**4,646**	**4,637**	**19,391**	**17,693**
	12,725	**12,859**	**55,213**	**54,162**

	% Generation by Fuel Type Three Months Ended December 31,		% Generation by Fuel Type Year-Ended December 31,	
	2015	2014	2015	2014
Nuclear - NJ	38%	39%	36%	37%
Nuclear - PA	19%	15%	18%	17%
Total Nuclear	**57%**	**54%**	**54%**	**54%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	1%	3%
Fossil - Coal - PA	7%	9%	9%	9%
Fossil - Coal - CT	0%	1%	1%	2%
Total Coal	**7%**	**10%**	**11%**	**14%**
Fossil - Oil & Natural Gas - NJ	25%	27%	26%	24%
Fossil - Oil & Natural Gas - NY	11%	9%	9%	8%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**36%**	**36%**	**35%**	**32%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months ended and year-ended December 31, 2015 and 2014. Generation includes natural gas fuel switching intervals.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year-Ended December 31, 2015	Year-Ended December 31, 2014
Weighted Average Common Shares Outstanding (millions)				
Basic	505	506	505	506
Diluted	508	508	508	508
Stock Price at End of Period			$ 38.69	$ 41.41
Dividends Paid per Share of Common Stock	$ 0.39	$ 0.37	$ 1.56	$ 1.48
Dividend Payout Ratio*			53.6%	53.6%
Dividend Yield			4.0%	3.6%
Price/Earnings Ratio*			13.3	15.0
Rate of Return on Average Common Equity*			11.6%	11.8%
Book Value per Common Share			$ 25.86	$ 24.09
Market Price as a Percent of Book Value			150%	172%
Total Shareholder Return	-7.3%	12.2%	-2.8%	34.4%

*Calculation based on Operating Earnings for the 12 month period ended.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year-Ended December 31, 2015	Year-Ended December 31, 2014	Year-Ended December 31, 2013
	($ Millions, Unaudited)				
Operating Earnings	**$ 255**	**$ 247**	**$ 1,476**	**$ 1,400**	**$ 1,309**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	19	28	8	68	40
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	35	204	93	66	(74)
Storm O&M, net of insurance recoveries (PSEG Power)	-	(3)	102	(16)	(32)
Net Income	**$ 309**	**$ 476**	**$ 1,679**	**$ 1,518**	**$ 1,243**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)				
Operating Earnings	**$ 0.50**	**$ 0.49**	**$ 2.91**	**$ 2.76**	**$ 2.58**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.03	0.05	0.01	0.13	0.08
Gain (Loss) on MTM[a] (PSEG Power)	0.07	0.40	0.18	0.13	(0.14)
Storm O&M, net of insurance recoveries (PSEG Power)	-	-	0.20	(0.03)	(0.07)
Net Income	**$ 0.60**	**$ 0.94**	**$ 3.30**	**$ 2.99**	**$ 2.45**

(a) Includes the financial impact from positions with forward delivery months.

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Year-Ended December 31, 2015	Year-Ended December 31, 2014
	($ Millions, Unaudited)			
Adjusted EBITDA	**$ 235**	**$ 271**	**$ 1,563**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(17)	(27)	(128)	(144)
Depreciation and Amortization, pre-tax [b]	(73)	(74)	(301)	(291)
Interest Expense, pre-tax [b]	(27)	(29)	(120)	(120)
Income Taxes [b]	(23)	(50)	(361)	(387)
Operating Earnings	**$ 95**	**$ 91**	**$ 653**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	38	53	24	138
Gain (Loss) on MTM, pre-tax [a]	59	344	157	111
Storm O&M, net of insurance recoveries, pre-tax	-	(4)	172	(27)
Income Taxes related to Operating Earnings reconciling items	(43)	(164)	(150)	(104)
Net Income	**$ 149**	**$ 320**	**$ 856**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc Annual Financial Conference

EVENT DATE/TIME: MARCH 02, 2015 / 01:00PM GMT

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Incorporated - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Ralph LaRossa *Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Bill Levis *Public Service Enterprise Group Incorporated - President & COO, PSEG Power*

Shahid Malik *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade*

Caroline Dorsa *Public Service Enterprise Group Incorporated - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Julien Dumoulin-Smith *UBS - Analyst*

Brian Chin *BofA Merrill Lynch - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Greg Gordon *Evercore ISI - Analyst*

PRESENTATION

Kathleen Lally ***- Public Service Enterprise Group Incorporated - VP of IR***

Good morning, everyone. Good morning. I'll give you a few more extra minutes this morning from our 8 AM start time due to the inclement weather. It's good to see that you were all able to make it in despite the weather. We very much appreciate that effort.

I am Kathleen Lally, Vice President of Investor Relations for Public Service Enterprise Group, and welcome you to our annual financial conference. This is our eighth, I believe -- at least since I've been VP of Investor Relations. And we have a full morning for you.

And what we intend to do -- attempt to do every year is provide you with a very thorough review of our overall corporate strategy and then a review by each major business with the senior business leaders here to present and answer your questions. The intent is to be over by noon.

Ralph Izzo, Chairman, President and CEO, will start out the day. Following Ralph will be Ralph LaRossa, President and Chief Operating Officer of Public Service Electric & Gas. And after Ralph LaRossa's presentation there will be time for Q&A of Ralph LaRossa. And following Q&A there will be a short break.

And after that break we will have the power team present to you; that will be Bill Levis, President and Chief Operating Officer for PSEG Power, followed by Shahid Malik, President of Energy Resources and Trade. Following their presentations there will be time for Q&A of Bill and Shahid.

At the conclusion of that Q&A session Caroline Dorsa, Executive Vice President and Chief Financial Officer, will provide you with the overall view of the Company's financial status. And then following Caroline's presentation there will be further time for Q&A of both Ralph Izzo and Caroline and, of course, any other questions that you have at that time of anyone from the firm in the audience. We hope to conclude by noon today.

So with that I'm going to turn the podium over to Ralph Izzo, Chairman, President and CEO.

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President & CEO***

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Good morning, everyone, and thank you, Kathleen. So let's see here -- I should have checked this earlier. Kathleen left me with the forward-looking statements and the GAAP disclaimer which I won't read.

So many of you I am sure are aware that there are all kinds of studies that have been done about an audience's ability to pay attention. So a four hour meeting probably strains credibility in that regard. So I'm going to ask you to hang with me for four facts and that is what you are going to hear about over the next four hours.

Fact number one, the utility story remains intact. We are going to talk about double-digit rate based growth for the next five years. We're going to talk about a capital program that is at least 10% or probably 20% bigger than the previous five years.

Fact number two, power continues to demonstrate its ability to not only make money, but to generate substantial amounts of free cash flow whether you are in a low gas environment, a high gas environment, a summer dominated environment, a winter dominated environment and we believe, and we will explain why that it is particularly well-positioned in the future CP, capacity performance, market.

Fact number three, we've sizably increased the dividend and we believe this is a sustainable rate of dividend growth that we can deliver.

Fact number four, a 10% to 20% bigger capital program, strong performance of power, an increased dividend and our balance sheet today is stronger than it was a year ago with even better credit metrics and the ability to expand all of the numbers I just recited even further.

Okay, the meeting is adjourned (laughter). All kidding aside, there will be a quiz later on to make sure that all those four facts were understood as a result of the presentations that follow.

So, as is often the case we begin by giving credit to our engaged workforce, our employees. Were it not for the 12,000 of them we would not be able to operate the system -- and by system I obviously mean the electric system, the gas system, the power plants -- reliably and safely and cost-effectively. Bill and Ralph and Caroline will all show you our O&M forecast as well as our O&M performance and I'm quite proud of both of them.

That approach to operations produces a financial outcome that yields the kind of dividend growth we've talked about, the dividend track record that we have, as well as the ability to invest in a very, very robust pipeline. And over the past three years we've been able to do that in a way that we have grown our earnings per share and we've been able to actually change the business mix, and we will talk more about that later on as well.

We now have what I believe is a best-in-class utility growth story with ongoing upside from power markets that may or may not be changes in power markets that are predicted perfectly by the forward price curve, but in terms of temporal changes in power markets that we are able to take advantage of because of the diversity of our assets.

A slide you have seen in the past, but the important number here is to look at the rate base growth that is forecasted now for five years. In the past when we have talked about rate based growth and earnings growth we've talked about a three-year horizon and this year we are telling you that our rate base growth is double-digit for five years.

We will still only give rough guidance on the utility earnings for three years just because of the greater uncertainty around load growth and expense changes over a five-year period.

But the $11 billion infrastructure program is, for the next five years, to be compared with a $10 billion infrastructure program in the previous five years. And an announcement that we are making today that you should have summarized in the release that could fairly easily take that $11 billion to $12 billion due to some gas infrastructure replacement work.

On PSEG Power, of the 20 to 25 words there the word is diverse. Five years ago we were talking about the margins in our coal units and our nuclear units. Today we talk about the margins in our gas units and our nuclear units and the strength of our gas contract infrastructure.

Five years ago we would have talked about the importance of the third quarter and summer performance. Today all the focus is on the first quarter and winter performance.

Five years ago we would have wondered whether or not there would be an LCAPP and what MOPR would do. And now we are eagerly awaiting capacity performance and the diversity and strength of our fleet to do well in that kind of a capacity market.

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So there are many ways that I believe we've been delivering on commitments and realizing growth. PSE&G once again, it is almost a routine, 13th year in a row as the number one utility in the Mid-Atlantic region for reliability. Power this year, record output from the combined cycle units and I think a second all-time high out of the Hope Creek unit. Had some challenges at Salem to be sure, we're not hiding from that.

Quite strong performance on PSEG Long Island, earned a full $0.03, demonstrated a very high level of capability in terms of transitioning from one operator to another. And then the cost-cutting benefits that throughout PSEG continued in terms of our O&M growth.

Our earnings performance exceeded guidance. We have strong cash flows yet again; Caroline will show you the numbers in terms of our credit metrics, they are quite strong. And we were able to increase the dividend almost by a factor of -- well, by a factor of 2 in terms of cents per share and almost by a factor of 2 in terms of percentage.

The transmission program, north of $2 billion a year, is on schedule and on budget and continues to demonstrate a need for additional projects, the largest one, one that we announced last year that we can talk further about today is one that goes from the Bergen area through the Linden corridor.

Energy Strong is underway primarily in the engineering phase on the electric side, real work taking place on the gas side in terms of pipe replacement, which is why we have filed for an expansion of that program today because we think the Energy Strong gas component will be complete early in 2016.

An energy efficiency program that I will talk about in some great length later on, but right now I will simply mention that that $100 million program, we have achieved an agreement with the staff in principal, it is being papered this week and we would hope to see that in the BPU agenda in the not too distant future. So very good news to report on energy efficiency.

Power is also busy with its growth program. As you know, we are a 10% owner of the PennEast pipeline, a 1 Bcf a day proposal coming out of the southeastern Marcellus region and our solar source team continues to add 10 and 12 megawatts at a time now with over 120 megawatts DC and close to $300 million on the books.

So the result of those activities has been a slow but steady digging out of the 2012 low point in terms of our earnings and, as you can see here, the business mix shifting decidedly towards the utility as that has continued to grow its earnings by double-digits since 2010.

If I just take a look at the last five years of overall corporate investment and the next five years of corporate investment, at the top line it is not a big difference, $12.6 billion compared to $13 billion.

But once one looks inside the pie what you see is a continuation of the rebalancing of the portfolio that took place over the past five years is expected to continue over the next five years. PSE&G going from $9.8 billion to $10.8 billion, Power going from $2.7 billion to $2 billion over those two respective five-year time frames. So once again, further shifting towards regulated investment as we move forward.

That transformation of the business mix over the last four years was done nonetheless with a strong balance sheet that got ever stronger even in a low power price environment while increasing the dividend. And we have every expectation to be able to continue to do that over the coming five years.

The $16 billion that went towards investments in dividends, one doesn't have to do a lot of rocket science to just take a look at what our current investment portfolio is for the next five years, look at the current dividend, apply some assumptions to the words sustainable growth in that dividend to see that the next five years will be well north of that $16 billion figure -- even while not accounting for the that $1.3 billion in the gas modernization program and the fact that Caroline will show you some statistics that suggest ample, ample -- more than ample dry powder.

So now let's take a look at each subsidiary in turn. So for PSE&G over the past five years using 2009 as a base, 18% compound annual growth year over year in that $10 billion program. And when the bottom -- when the denominator gets bigger the earnings get larger, of course the percentages change, it is just simple arithmetic.

So the 10% to 20% compound -- the 10% to 20% increase in the capital program will not yield an 18% compound growth rate in the earnings of the Company, it is just simple arithmetic. However, the other factor to point out on this slide is the growth in the transmission element of PSE&G now achieving almost 40% and headed towards closer to 50% in the three-year time frame.

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What is significant about that is that, as you know, we are under a FERC formula rate for transmission so there is little to no regulatory lag in the annual true up. In fact, either Caroline or Ralph will show a chart I think or two that has about 70% of our utility capital investment is done with some type of contemporaneous recovery mechanism, either formula rates or BPU -- BPU regulated clause recovery.

So that was the past five years. There is something I want to spend a little time here because it is something that we pay a great, great deal of attention to. That is a bit of an eye chart, but what we are showing here on the left are electric rate -- electric bills and on the right gas bills.

Now this is for a typical residential customer and nothing changes over the timeframe. So we don't assume in 2008 a customer used 1,000 kilowatt hours a month and in 2016 they use 500 kilowatt hours a month. So this is a steady usage pattern of customers on both sides of the page and that will come back to be important in just a moment.

And what you can see is that without suppressing the zero the excursions of the electric bill are very, very modest. The largest reason for that of course has been the decline in electric supply costs while electric delivery costs have gone up. Investment in the infrastructure produces reliability benefits, but they do need to be paid for and I am quite proud of the policymakers and the regulators and New Jersey's willingness to have us make those investments.

This is an aging infrastructure, PSE&G's regulated growth story is not driven by load growth, it is driven by an aging infrastructure that needs to be made more reliable and more resilient. So keeping those electric bills reasonably flat on the left-hand side while growing earnings at 18% was no small feat, it was largely driven by those two counteracting forces and good cost control on the part of Ralph LaRossa and his team.

But what is equally if not more important is that 90% of PSE&G customers are combination electric and gas customers and there I'd ask you to take a look at the right side of this slide. We have lowered gas bills by over 40% in that same timeframe so that the combined bill of the customer is down 23% over that timeframe and that does not account for over $400 in bill credits that have taken place at various points in time over the past four-year period.

So earnings have been growing at 18% per year over the last five years and over an eight-year period bills are down 23%. It doesn't get better than that in terms of customer and shareholder shared benefits.

Now as we look to the future, the $11 billion program is in blue, the $12 billion program has the lighter shaded components built on top. The two lighter shaded components amount to about $1.3 billion of additional spend, $1.1 billion of that being the gas program in the current planning period; so the $1.6 billion is a five-year planning program -- a five-year program. It is about $300 million a year if I am not mistaken.

And then the additional $200 million on top of that piece is Artificial Island. So transmission by 2019 is over 50% of the rate base, as I mentioned a moment ago.

Now through 2017 I believe we will continue to have the customer benefits of low gas prices and we will have the additional customer benefit of removal of certain charges that were put on the bill back around 2000 to facilitate the transition to a deregulated power supply business.

So through 2017 we're going to continue to have this dynamic where we'll be able to significantly -- significantly invest in the delivery part of the infrastructure and have little to any impact on the customer bill. In fact, more than likely possible declines in the customer bill if the current gas environment continues. But I don't want anyone to take that to the bank; certainly minimal impact on the customer bill through 2017.

The issue arises that the need to invest in the infrastructure doesn't end in 2017 and that continues. Our strategy on doing more beyond 2017 is built around that previous slide and the caveat I gave you a moment ago. Throughout this slide what is consistent is volume. What we need to do going forward after 2017 is change the volume.

The importance of the discussions we are having with the BPU staff on energy efficiency is not about the penny per share that results from every $100 million we invest at PSEG. The importance of that conversation is that I believe we've achieved a very sane regulatory outcome with the staff where we argue that we needed to be guaranteed the loss recovery on our distribution business of revenues -- the recovery of lost revenue on our distribution business.

At first the staff's position was not to do that, but I believe we've achieved a meeting of the minds whereby the tariff would be structured that would allow us the opportunity if the program is administered efficiently to earn that lost revenue.

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I won't go any further now because the settlement is still in the final stages and I am sure there are some details that the parties wouldn't want fully disclosed at this point. But that is a substantial breakthrough in terms of philosophy from my point of view. No, it doesn't guarantee us the lost revenue, but it gives us the chance to operate in a way to achieve that lost revenue.

Now why does that matter? It matters for two reasons. Number one, as we invest heavily in that distribution and transmission infrastructure it will allow us to target the most vulnerable customer populations in terms of the bill impacts to make sure that those bill impacts are mitigated through energy efficiency. That will be critically important in continuing the kind of successful track record we have had over the past eight years.

And equally important, the second reason, it opens up a whole new area of rate base for us, an area that benefits the customer, an area that benefits the environment and an area that we believe can bring value to the shareholder.

So the value of the energy efficiency program as a change in perspective is probably more important than the $100 million size of the program. And with successful implementation of that I can assure you, you will see us doing much, much more of that particularly as we look past 2017 and the absence of the tailwinds on the customer bills.

So now let me turn my attention to PSEG Power, and here Power's fleet just continues to perform. In energy markets low natural gas prices, our contract infrastructure has just combined with our combined cycle units, our Bergen, our Linden units to achieve phenomenal results.

The Bergen units achieved records last year; one of the Linden units achieved a record last year. As a result we are expanding those units by close to 160 megawatts through advanced gas path technology enhancements.

Capacity markets, as we take a look at the changes that are anticipated to come out of FERC in the early part of April, at least that have been proposed by PJM, play right into the strength of our nuclear units, our combined cycle units both with very, very low forced outage rates.

And the fact that we have a robust fleet that can always backfill should the current rules be accepted whereby a unit doesn't perform on those rare occasions that the slack can be picked up by other units that perhaps don't clear that market.

If we look at environmental regulations from an air point of view, all of our units are ready for 2015 and beyond. And then would you look at the location, yes, we do not see the $15 and $20 basis differentials consistently of the past. However, we still see positive basis differential but it has changed.

If anyone takes a look at the forward price curve and believes that they can simply garner a $3.00 to $4.00 basis differential every day for the year, that is not the way the system operates. The system is borderline insane in the wintertime.

Shahid Malik and his team and Bill Levis and his team do a fabulous job of capturing $100 basis differentials for a couple of hours in the winter, watching that go away, partially negative in the shoulder months and slightly positive in the summer.

But it is the diversity and strength of this fleet that allows us and our hedging approach and our ability to start assets and stop assets. It allows us to benefit from the dynamic of the market and the volatility inherent in what is now a gas market that becomes tight in winter months due to the heating load demands.

So changes in market rules we believe we will continue to play to power strength. We don't have a one size -- we don't have a single dimension to our fleet, we have the ability to perform well in the capacity market as demand response has greater challenges imposed upon it, as the hold back provision of RPM is removed and as we see increasing emphasis at FERC on energy price formation. And a decreased reliance I believe in the future on simple uplift payments to meet the needs of very narrow load pockets.

Notwithstanding the growth at the utility, Power has taken every opportunity it can to continue to tuck-in a few megawatts here and there and those few megawatts add up to hundreds of megawatts over time, whether it is in the solar side, whether it is peaking units at New Haven and Kearny or whether it is the advanced gas retrofit or whether it is the 300 megawatts at our nuclear units that have taken place over the past five years.

So when you combine that story from the utility and Power what it allows for -- product continuation of over 100 years of paying that dividend and a departure from the prior five years of a 2.5% growth rate to 1 that eclipses 5% this year.

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And the message we are sending you is that, unlike the period of 2010 to 2011 when we had a step change in that dividend to reset, we believe that this dividend growth rate is sustainable given what we know about current power markets and the utility growth program. We do not commit to a specific number; we simply believe that we have the potential here for consistent and sustainable growth in this dividend as shown here.

Okay, so the focus for each business doesn't change from year to year. Our nuclear assets have a 60-year wife expectation and we hope one day to be able to tell you about an 80-year life expectation. It does not make sense with assets like that to come in and change one strategy every three months on a quarterly call or every year at an investor conference.

So the utility is all about a $2.4 billion annual capital program, executing that on schedule, on time and making sure that those investments meet the reliability needs of the customer. Doing that while controlling costs and making sure that we continue a strong and constructive partnership with our regulators, our environmental regulators, our state economic regulators and our federal economic regulators.

And we will continue to look for incremental growth opportunities that are consistent with state policy as espoused in the energy master plan and with services that we believe our customers will value.

At PSEG Power the units have to be available when called upon to run. It is as simple as that. And then our commercial operations need to make sure that they understand which units need to be running when to take advantage of the dynamics in the market. And then of course over the longer term to make sure that we are participating in any growth opportunities and development of market rules.

We will continue executing on Long Island. The $0.03 last year should grow to about $0.07 or $0.08 by 2016 as we take over greater and greater responsibility for managing that system in accordance with the existing contract, nothing new there.

So I'm going to turn this over to Ralph LaRossa in a second, but I'm just going to do one last review before the final exam. Fact number one, the utility growth story remains intact. 10% to 20% increase in capital program in the next five years versus the last five years.

Number two, Power's fuel diversity, its technology diversity, its location, its environmental footprint allows it to be a strong winner in all manner of markets -- summer dominated, winter dominated, low gas, high gas, and now looking to the future, a more robust performance market as it pertains to capacity.

Number three, strong growth in the dividend that we believe we have the opportunity to maintain consistently and sustainably over the future.

And number four, with all of that the balance sheet has never been stronger, the credit metrics have never been stronger and there is room for more. With that, Ralph, you are up.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company***

Thanks, Ralph. So I am going to start off a little bit by borrowing from both Ralph and Bill Levis. Bill has said in the prior years here more of the same. I think you are going to see that from the utility this year, just more of the same -- a little bit more but a lot of the same.

And from Ralph's standpoint, I think what I really wanted to touch on was the fact that we are building on exactly what he said earlier, which is that value proposition. We just want to be a well-run utility focused on operational excellence and that continues to grow based upon aligning ourselves with the public policy.

And you will see that all of our programs that we've executed on, those that we continue to execute on and those we hope to execute on in the future are all aligned with that public policy that we have spoken about in the past.

As Ralph said, it all starts with our employees. We've talked about the circle a number of different times in the prior years here and I will just continue that discussion today. Our employees have executed very well, both in New Jersey and in Long Island. But specifically in New Jersey the team has worked really well over the past several years.

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And as a result of that effort that they have made on a continuous basis they've really been rewarded by customers with some solid recognition which I will touch on a little bit. That solid recognition has turned into an earnings growth story that supported by, again, those public policymakers who allow us to continue to invest.

And as a result of those -- of that good financial outcome we continue to pour back into the system both in traditional and maybe less and less traditional ways.

So you have seen this slide many times in the past, but again, for maybe anybody who doesn't know much about our service territory, just draw a straight line between that George Washington Bridge and the Ben Franklin Bridge, pack in 2.2 million people, about 30 miles on each side of that line and you have our service territory in New Jersey.

It hasn't changed much, load growth has been relatively flat between zero and 1% and that we project to continue in the future. The one load growth that is not mentioned on here but that you have seen in other publications is specifically from PJM. And where they see that our peak load over the next 10 years will be about a 0.6% increase year over year. So you put that altogether and it is between 0.5% and 1% depending upon the different commodity that we are supplying.

We have continued to execute also on our renewables and energy efficiency programs. I think that is really important and we will touch on that a little bit, again aligns with that public policy that is so important in the state of New Jersey.

But let me go back to operational excellence. Our employees -- well, we've been recognized, as Ralph said, for 13 years with the Mid-Atlantic award for most reliable utility.

I think it's days like yesterday that probably make us the most proud. Maybe it didn't seem like a big weather event from an electrical standpoint or from a gas standpoint. But we had seven cast-iron mains break yesterday that we repaired. We had a number of outages throughout our service territory driven by tracking across different assets that we have and we had electrical failures as a result.

And those employees responded on an on-time basis, responded very well, very safely and throughout all of that, if you monitor our Twitter account as we go through, you will see that we had more compliments than we did negative reactions from customers. On a day like yesterday very important for us.

And we try to build on that day in and day out rather than just having the big wins on some of the big events that we have had. And as a result of that, we are very proud to say we've been recognized by J.D. Power in both the electric and gas businesses, the best customer service for large business customers in the East.

So I think we are not 100% positive of this, but we are pretty sure that we are the first utility to win that award at the same time from both the gas and the electric side. We are still double checking a few facts on that. But just a good recognition of the work that we have done.

And while that has been going on on the large customer basis, we have also shown some very big improvements on the residential side of our business and we hope to see the results of the J.D. Power survey that is coming out in the first half of 2015.

That has resulted in that steady and predictable performance that Ralph mentioned earlier. Again, all driven by making investments where it matters from a public policy standpoint. Take us back to 2009 and you followed that growth all the way through and it is that over -- about approximately 18% growth in the earnings of the utility.

Where does that come from? Well, it has really been the investment in our capital programs. A lot of rebuild and some new build that has taken place specifically in the transmission side of our business.

You can see on the left-hand side that is where we were in 2010 to 2014, what we have executed on. And if you look forward what is really important is that is going to continue as we go into the 2015 to 2019 timeframe.

What you see up here does not include any investment in Artificial Island, does not include any investment in the gas modernization that you have in front of you, the press release, this is exactly what is known at this point and what we are planning to execute upon. I will give you a little more detail about those other programs as we go forward in the presentation.

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So let's start off with the transmission and some of the large projects that we have done. Last year Kim Hanemann, who is here with us today, walked you through a lot of the details as to what we have been working on and what we have accomplished. The good news is there is a lot completed, the bad news is that means Kim doesn't need to come up here and go over the details of that in any level of detail.

And really what we are proud to show you is that we have completed two of our major projects, two of the five that we started out with, the North-Central reliability project and our Burlington Camden project in the southern part of the state. Those projects are effectively completed.

We have two programs that -- one that will be completed and two that will be partially complete this year. That is that southern -- the Mickelton Gloucester line and then that Northeast Grid Reliability Project.

On the Susquehanna Roseland line we are ready to go. Most of our work is completed going out through Pennsylvania. We just need to make the connection as soon as PPL finishes their portion of the project through the national park out at -- in the Shawnee area right by the Delaware Water Gap.

We also have a robust group of projects that we are planning to go ahead with for the remainder of the next five years. It goes into two major categories, one is a very large project called Bergen Linden, 345 project, which will be building out our transmission along the eastern portion of our service territory from the north to the south. That project is underway and I will go into a little bit of detail on that. And then we also have our large RTEP program, 69 kV programs and so on which will balance out that portfolio on the transmission side.

I will start with the Bergen Linden corridor. Any of you that may travel through Bergen County and come into New York City through Hoboken, you will see this project ongoing right next to our Hudson generating station, that is our Marion substation. What you see there is a pile installation that we started in the spring time.

I happened to take that train line this past Saturday and the project is well along -- well past that. The transformer is in place. A lot of our temporary transformers are in place and the project is continuing on schedule and on budget. A lot of permitting that is going to be required there, a lot through the Meadowlands area and, again, a lot of it is -- while a little bit complicated is on schedule and plans to meet all of our targets.

Talk a little bit about some of the other details in our transmissions. PJM continues to assign different RTEP projects, regional transmission expansion projects, for us. Those projects are all in our plan and continue on process.

Our 69 kV system upgrades that we have done in coordination with the Board of Public Utilities where we are moving some of our 26 kV projects into the 69 grid, those projects are continuing. Transmission lifecycle projects where we are replacing a number of our different assets, specifically our underground cables which are beyond our useful life and some of our larger transformers, those projects are ongoing.

And then we are going to continue to work on transmission hardening to build the resiliency into the grid. Last year I spoke a little bit about the work that we had ongoing at Sewaren switching station and the efforts that we had in place there.

Sewaren switching station was the area where we were under a lot of water as a result of the SuperStorm Sandy efforts. And it just really epitomized for us the efforts that were needed to raise our substations and switching stations.

That transmission project in Sewaren is completed and is in service right now. And we continue to do that along the entire coast where we were impacted by SuperStorm Sandy and that hardening will continue to progress over the next four or five years.

So in addition to the transmission side of the business we have also done a lot of work in the distribution side, both through the normal process of pipes and wires, but also in the energy efficiency and renewable side.

If you look back over the last -- since 2008 in the timeline that is there, we spent over $2 billion on projects within our distribution footprint, about $700 million in solar on the renewable side, $300 million in energy efficiency programs, about $700 million in our electric distribution infrastructure and about $450 million in our gas distribution infrastructure.

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Those are projects above and beyond our base capital that have all had contemporaneous returns because all of those efforts were aligned with public policy that was important to the state of New Jersey. We also have ongoing right now about another $1 billion worth of investments, again, aligned with that public policy that is so important to the state of New Jersey.

About $185 million ongoing in solar. Ralph mentioned the fact that we have reached the tentative settlement with -- the settlement in principle with the Board of Public Utilities on the energy efficiency which will translate into about another $95 million in addition to about $5 million that we have left in energy efficiency. We have about $500 million left to go on our Energy Strong work and electric delivery and about $300 million in the gas delivery side.

So putting that altogether, quite a bit. And then if you fast forward to where we think we are going to be and the additional work that you have that we discussed a little bit in the press release, about $1.6 billion worth of additional gas distribution work that we see in the next five years going forward.

So let me take a little bit of time and go through each one of those individual programs. First I will touch on the Energy Strong and where we are. It is broken up into about six different categories which you have in front of you and the spend that we have.

What I wanted to really focus on was the right hand side of this page, which is what we have executed on in just the first year. $150 million worth of work that was completed in 2014.

If you recall, the settlement that we reached with the Board of Public Utilities was about halfway through the year. So to get that much work completed in the time frame that we had was quite an effort that was made by a number of folks in our organization.

The biggest amount of money that was spent was on the gas distribution side. And again, if you look at the details there, a lot of that is driven by it is a much simpler, much more easy to execute project than we have had on the electric side.

The electric business, you have to order the equipment, you have to make sure you have all your permits and you have to bring all that equipment in before you start to make the installations. The gas business is basically taking some pipe and making sure that we have folks available to start to install that pipe and make the connections at the customer's homes.

So were able to execute on that very quickly and that is what gives us the confidence that we will be able to execute on the gas modernization program that we have and that we've proposed to the state and filed today.

A little detail about what has been completed in each one of these areas. We have begun work on 16 of the substations that were in the flooded areas, 29 of them are ongoing through engineering work and design. We have worked on a lot of our overhead system, both from a reconfiguration standpoint as well as from different relay protection schemes that we've put in place.

Those projects have been prioritized based upon input that we've received from basically our large customer support group and a lot of our important customers such as hospitals and police stations and municipal buildings as well.

The gas work that I mentioned about 110 miles have been completed, 5,300 services have been repaired. That is not just doing the work in the street but all 5,300 of those services that were completed involved us going into customers' homes, changing out meters and making sure that we upgraded that pressure as we went along the way.

And a little bit of work that's been done on our gas meter and regulating areas, but that work will begin just like the electric system, it takes a little bit of time for us to order the equipment to have it in place. So good progress being made in Energy Strong. It is all on schedule, on budget and great execution work by our team in the fields as we have mentioned in the past.

I will switch over to the Energy Efficiency program. Ralph mentioned that we have reached that agreement in principle. I will say that the agreement comes out with a 9.75% ROE, that is the one area that we've -- I feel pretty confident getting into that level of detail.

The rest of the settlement I wouldn't go into a lot of detail because we are still working out where we are actually going to spend some of those funds and where it is going to be. So whether we put $10 million into the hospital program, $15 million into the hospital program and so on and so forth,

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that is a level of detail that we are working out. And to give you a timeline, I would expect it to be on a BPUs agenda in the next two months or so, not in the upcoming meeting.

The filing that you have in front of you on gas modernization, take a little bit of time to explain to you what the -- sanity between -- about why we filed the way that we did. First of all, our cast-iron and bare steel system in New Jersey is aging.

We currently have about a 100-year replacement program for our facilities. This filing will take us down to a 30-year replacement for our gas infrastructure on an ongoing basis. So we'd be able to complete all of our cast-iron and bare steel in 30 years if we were to adopt a program of this size spending about $300 million a year.

We came up with about $300 million a year because we thought that that was about what we can physically get completed in any given year. Somewhere between $300 million to $500 million is possible depending upon the size of the mains, the exact infrastructure that is being replaced.

But the ability for us to execute on a program of that size is really driven by whether or not we have the workforce. And the certainty in the workforce is going to be driven by the length of the program. So we've put in place a filing that we have a five-year program so that we can get the certainty for our own employees, but also for the contractors that work for us, so that we can execute on the program on a long-term.

The only constraint that we currently have is whether or not there is enough people to operate a machine in New Jersey. Machine operators are at a premium, laborers are at a premium. It sounds a little bit crazy with the job market the way it is, but that is the facts. There's just not a lot of folks that are in that business right now. And the more certainty that we provide to them and to the unions that supply those workers the better it is going to be which is why we put the program in place for five years.

So we think that when you look at from a public policy standpoint, reductions in methane emissions, when you look at an aging infrastructure that needs to be replaced, and when you look at certainty in the workforce, this is completely aligned with everything from a public policy standpoint in New Jersey and, again, executes on what we have done in the past.

The other open item from us from a capital standpoint is additional transmission work. I mentioned earlier in the program that -- the pie charts that I showed you earlier did not include artificial islands as well as the gas infrastructure. The Artificial Island program is about $200 million of additional transmission if we were able to be successful in that bid that we made.

As many of you know, we have put in a filing contesting that process at the FERC, questioning some of the steps that have been taken by PJM. We did that in advance of the decisions being made simply to make sure that the rules are right. It is extremely important for us to make sure that the FERC Order 1000 rules are implemented effectively and in a manner that we can execute on if we choose to bid on other projects.

We have become a qualified transmission developer in the MISO region. We have an application that has been deemed complete in the NYISO region so we can continue to execute potentially in the New York State area. And we obviously have been executing transmission projects in PJM outside our footprint such as Susquehanna Roseland.

PJM has had three open windows so far. The first open window, all of the projects that we had that were identified have been canceled because of generation retirements and other topology changes that have happened in the system.

The second open window, we were awarded to projects that were around $20 million, both of those projects are embedded in the other transmission work that I mentioned to you. But that $20 million of additional transmission is a small amount, but was -- all those projects are on our footprint. All of the other incumbent transmission owners received and were awarded the projects on their footprints.

They have just -- PJM just recently closed another open window, it is a little longer-term window looking at potential projects that are out 15 to 20 years. And we put in bids on all those projects just this past Friday and we will see where that goes.

But again, I think that it's such a long time frame from that open window and with the changes in the topology on the generation I'm not sure exactly when they will be awarding those projects even if they will do that in the next two to three years.

But we have put in all those bids and why it is real important for us to make sure that that process stays consistent and that is why we put the complaint that we did into FERC, not to complain about where we were in the selection process but simply to get those rules right.

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So you put those pieces together and that is what our capital program looks like from 2015 to 2019, you see nice growth there from $9.8 billion to $12.1 billion. That $12.1 billion greater than the $10 billion that you saw in the earlier slide driven by the gas system modernization program as well as the Artificial Island. So if we were able to get those two additional capital expenditures that is what our programs will look like over the upcoming five years.

While we have made these investments on the capital side of our business, we've also controlled our costs on the O&M side. A lot of great work that has been done by Caroline's team and all of the folks that work on our pensions to continue to keep those costs in check. You see the results of that in a lot of the lines and the bar charts that are exemplified on a chart there.

But overall our business has been able to manage those O&M costs to less than 1% growth, actually 0.3% growth over that timeframe from 2009 to 2015. So a really good story there driven by, again, a lot of great work that has been done on our pension programs and our other pension and employee benefit obligations.

Put together the capital and the O&M and you get the earnings that we have had since 2009 in our projection for our 2015 guidance, which is between $735 million and $775 million of earnings for this upcoming year. So a pretty straightforward story driven by continuous investment in our capital programs, focus on operational excellence, and continued execution of those programs that we have identified.

I will switch my hat for just a little bit here and talk about Long Island. Ralph mentioned the good work that has been done. Dave Daly is here who is leading our organization in Long Island. Dave and his team have done an absolutely fantastic job of executing a change out in management, taking over the operating agreement from National Grid.

I think their efforts have been outstanding, the improvements that they've made in their J.D. Power scores have been outstanding, and the feedback that we've received from our single customer, which is truly LIPA in Long Island, has been very positive.

If you were to ask the other 1.1 million customers I think you would also find out that it has been very positive. We have done some things that have been a little bit different. We have trimmed trees that haven't been trimmed in the past. We've upgraded systems that haven't been upgraded in the past.

And all of those efforts have turned out and resulted in better customer satisfaction led by the implementation of our outage management system which, while it hasn't been tested fully yet, has performed very well in the small storms like we had yesterday.

So that is the story for us in the utility -- continued growth in New Jersey, continued execution in Long Island and all driven by some just really great people that are doing a great job day in and day out. So questions. Yes.

QUESTION AND ANSWER

Paul Fremont, Nexus Asset Management

If you were to compare the 2014 to 2018 spend that you outlined last year and sort of overlay for the same time period what the equivalent spend would be over the same period this year, could you give us a comparator in terms of how much that spend has changed with and without sort of your proposed spending on the gas system upgrade?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company***

Is that a one year that you are looking for?

Paul Fremont, Nexus Asset Management

Like a four year.

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Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company***

Yes I think it's -- well, if you really look at the chart that we provided, which is the past four years and the prior four years, I will take you back to -- I guess it is on page 27. That is probably the best indication of where we have been and where we are going without the gas infrastructure. Is there any more detail that you would --?

Paul Fremont, Nexus Asset Management

I was just hoping for sort of the total capital spend that you had elaborated last year over sort of the equivalent four years that overlap versus the spending that you are proposing at today's meeting.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company***

Yes, I mean we could probably give you some different timelines in there. But this is the best way to --.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

(Inaudible) five years to the future five years there is growth in it, as I said before, 10% to 20%.

Dan Eggers, Credit Suisse

So, Ralph, I guess the first question is the gas main replacement cycle going from 100 years to 30 years. Some of those pipes have more life than 30 years probably. And then what do you think is the right ultimate balance of what is the replacement cycle of those assets over time?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company***

So -- yes, it is a great question. We believe the best thing to do for all of our gas pipes is to focus on the small diameter cast-iron and specifically with the higher pressures. We have been able to remove from our system just about all the high-pressure up through 6-inch cast-iron. We have a little bit of 8-inch cast-iron left, but it starts to build on the high pressure after 12-inch size.

The reason for that is really simple, cast iron mains were driven with different wall thicknesses -- as you get to a larger diameter main you have a larger wall thickness that's built in. So we've focused on that, we will continue to focus on the high-pressure.

Then you start to talk about utilization pressure which is less than 1 pound of pressure that is in the individual pipes. I would tell you that we've seen a lot of breaks in the 4-inch and 6-inch low-pressure cast-iron so when you look at our inventory we will focus there.

When you get to the 36-inch low-pressure cast iron like those that pipes that are actually outside of our headquarters building in Newark, those pipes could probably last for quite some time and they will be at the back end of the replacement cycle.

But we will always monitor that. We take a look at our inventory on a regular basis. We plot every single one of our breaks. And then we also look across the system to see if there is a vintage issue or a size issue that is starting to pop up and we are getting to the end of the life of any one of those particular assets.

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Dan Eggers, Credit Suisse

And I guess one other question just on the O&M cost inflation 0.3% for the last I guess six years now. What is the outlook from here? I mean obviously pension has helped some of the things, but if you think about go forward how should that inflation play out?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

So we don't really forecast any of the O&M size. I mean Caroline is going to touch on that a little bit in her deck. But I think our goal is to continue to keep that as flat as possible. It ties right back into the chart that Ralph made at the beginning which talks a lot about the customer bill. So we're going to continue to focus on keeping that as flat as possible. But the core operations, because of the focus on the CapEx, has been relatively flat.

Leslie Rich, JP Morgan

Of the transmission projects that you list on page 29, are those all approved? All this RTEP and 69 kV?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Yes, so, I think the way to think about that is they are approved for those that can be approved. Some of those projects are such as the lifecycle projects are projects that we've identified. There is two categories within our transmission work if you look at an RTEP project, one is the baseline project and one is the supplemental project.

I would say that if you wanted to look at what was, quote, approved, those were all the baseline projects. Some of the supplemental projects you get approval as you go and there is reviews in the annual true up for each one of the formula rate filings that we have made.

So the projects such as the 69 kV, we have gone through the New Jersey Board of Public Utilities. We have said we are going to move this 26 kV line from sub transmission to transmission. They have agreed with that concept, we go execute on it and then it is rolled into the formula rates on an annual basis. Some of the lifecycle ones are reviewed each year as we go through.

Leslie Rich, JP Morgan

And then on the gas infrastructure spending, Energy Strong had a component that was gas infrastructure. So does the new plan that you proposed today -- is on top of that and what is the appetite of New Jersey for a spending program of this magnitude?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

As Ralph mentioned in his upfront, to get the Energy Strong port -- the gas portion of Energy Strong we expect to be completed in the beginning of 2016. The desire of many policymakers in the state is to continue that program so we reduce that 100-year replacement cycle to the 30-year replacement cycle.

I think the question will be the length of the program as we look forward. I think that has been consistent if you looked at a number of the different filings that we have made. What is different about this is really trying to attract the workforce. And I know that the President of BPU is very concerned about the workforce, trying to create some certainty there. So we again have tried to align this program with that.

I think the other thing that you will see in the filing that we have made to make it more of the same, we have filed for a 9.75% ROE, we are not trying to re-create the wheel on the ROE that we have put in place for the filing, we just want to work with the Board to make this a smooth transition of -- actually as a continuation of what we have done during Energy Strong.

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Ashar Khan, Visium Asset Management

I guess you guys have done a great job with the expansion and investment. Does acquisition have a role in PSE&G as you look forward in this five-year cycle? I guess the slide back shows the Company having a $6 billion capacity to acquire stuff. So is that a role as you look around you guys? is acquisition a part of building PSE&G in the next five years?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

I think there is a guy in the room with one more stripe than me that could probably answer that question for you and he will answer it the same way he always does. But I would tell you that we've tried to, again, I think just look at the work that Dave and his team have done out in Long Island and said that we are ready if an opportunity pops up.

Michael Lapides *- Goldman Sachs - Analyst*

Hey, Ralph, Michael Lapides of Goldman Sachs. We have seen in a lot of the other RTOs a wave starting in New England but migrating over to the Midwest ISO and then the Southwest Power Pool of FERC 206 cases challenging authorized ROEs.

Just curious when you meet with customer groups, customer advocates, other interveners or potential interveners whether you think an RTO wide or a specific New Jersey only challenge to the FERC transmission ROEs could come over the next year or so. And how you think about your earnings sensitivity to, I don't know, every 25 or 50 basis points in authorized ROEs on transmission.

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

So Caroline has an actual slide right in her deck that talks right about those increases on a percentage basis, I will let her answer that as she is going. More generically to any ROE challenges, I think it is really conversation about where interest rates are going.

And if you look at the timing of a lot of the complaints that have come in in the past it is more as those interest rates were continuing to drop. We stabilized and a lot of folks would look at the futures and say that interest rates are coming back up so I am not sure whether or not that timing makes sense.

But when we meet with customer groups it is something that is on their mind from a standpoint of just keeping the bills flat and, again, the story that we have if you look at our total bill -- our total bills have stayed flat over the year. So our conversations are mostly around a bill, not around any individual ROE for an asset.

Paul Fremont, Nexus Asset Management

On the call I think you guys had talked about a possible delay in the 2017 rate case filing. When you talk about delay, is that just into later in that year and also --?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Yes. So I will be real careful about that. We absolutely did not say anything about a delay on the call and I went back and read exactly what the boss said a few times. And he did not say anything about a delay, it was just whether or not the timing of the window from which we were going to -- the test year period, when that was actually going to fall on.

So whether it is going to be a 3 and 9, a 2 and 8, a 6 and 6 I don't know but the timeline of the months of what we're going to look at is really what Ralph was referring to, not that there would be a delay. We are very comfortable with having a rate case in 2017 and we also want to be very cognizant of the impacts on the customer bills as we go forward.

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Julien Dumoulin Smith - UBS

Hey, good morning back here. First question, you talk about expanding the energy efficiency in principle. And while I appreciate you can't talk about the details too precisely, can you elaborate just as you broadly think about peak demand load growth? You talked about 0.6%, but kind of extrapolating and taking down and incorporating the elements in the energy efficiency program what do you see that number trending towards?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Yes, so, the number that we have in here takes into account what we think we are going to see on energy efficiency. The PJM number, if you go into the details on their website actually has separate tables about demand response and energy efficiency, so you can see what they think will happen in each one of the different zones.

So I don't necessarily think that a lot of the work that we are doing here is focused on dropping peak demand, it is trying to reduce the overall usage for a customer so their total bill goes down.

Julien Dumoulin Smith - UBS

Got it. And then I suppose throwing a Long Island question your way -- what is your reaction to I suppose REV? At least we got some initial indications last week. What kinds of opportunities does Public Service see both specifically within PS Long Island or some other subsidiaries to take advantage of that?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

So, there is nothing in our plan that talks about any additional CapEx for Long Island or any additional investment or earnings. What is in the plan is just the OSA, the core OSA. There may be some opportunities for pieces around the edges I would say, for lack of a better term, some opportunities to earn for putting programs in place, some additional fees that we might be able to get as part of the REV.

But I think that the policy makers in New York are being very careful to work with the incumbent utilities, staying focused there and then we will see what opportunities result from those conversations.

Julien Dumoulin Smith - UBS

But, to be clear, it seems relatively immaterial in terms of the grand scheme of things --.

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Around the edges.

Julien Dumoulin Smith - UBS

Okay, great. Thank you.

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Steve Fleishman – Wolfe Research

Yes, Ralph, just all the transmission projects that you listed, are those all included in your capital plan and your kind of high-single-digit earnings target, etc.?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Yes, every one of those projects. So the first five that we've been talking about for a number of years, they are in there up to the date that the work is completed obviously and then that large BLC project was also included.

Steve Fleishman – Wolfe Research

How about the ones below that one though?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

They are included in that same -- in that pie chart.

Steve Fleishman – Wolfe Research

And then on the -- and then just to clarify the gas modernization program is not included in that plan --?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Not included in the forecast because obviously that work wouldn't start until 2016. But on that last pie chart we tried to give you an idea about what the total CapEx would be with that in there.

Steve Fleishman – Wolfe Research

Okay, thanks.

Kathleen Lally *- Public Service Enterprise Group Incorporated - VP of IR*

Any other questions? Andy. This will be the last.

Unidentified Audience Member

(Inaudible - microphone inaccessible).

Kathleen Lally *- Public Service Enterprise Group Incorporated - VP of IR*

At this time.

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SI-SSA-0015-13126

Andy Levi – Avon Capital

Hi, good morning. Just two quick questions. Just as far as the state of New Jersey, or maybe even PSE&G, what do you think needs to be done to attract more business to the state and technology businesses, whatever it may be, to try to kind of bring some top line (multiple speakers).

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

I will turn my hat around again.

Andy Levi – Avon Capital

(Multiple speakers) top-line growth? And then the second question just on the actual rate case that you discussed, what is the opportunity like the energy efficiency program to ultimately as it gets closer to possibly settle it before making a full filing?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President & COO, Public Service Electric and Gas Company*

Sure. So let me first talk about economic development in New Jersey. Just -- this is my own opinion, this has nothing to do with -- from a company standpoint. I think we need to focus on a few core industries. And we are having conversations around that.

I do a little work on a volunteer basis with Choose New Jersey, which is part of the economic development work that the Governor has put in place. And I think those -- you will see us focus a little more on the ports, a little more on healthcare and a little more on higher ed in New Jersey as three real pockets of industry growth. But to be determined.

I think the biggest win for us as a company, a win for the state and a win for the Transportation Trust Fund in New Jersey is to focus on the ports. But we could talk off-line about that.

From a rate case standpoint, I think if you look at the track record, other than the JCP&L rate case in New Jersey most cases settle. We will approach that as we get a little bit closer.

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Thanks, Ralph. I just want to give one Paul one clarification -- he's gone. So Paul asked the question of what was the 2015 through 2018 four-year period CapEx overlap. So what we are showing here for 2015 through 2018 is $365 million more than what we showed last year. And if you include Artificial Island and gas it is $1.35 billion more.

And Steve asked the question about the high-single-digit earnings growth. Remember, that is using 2014 as the base year. So it includes the growth to 2015, which we have given here and then 2016 and 2017.

Kathleen Lally *- Public Service Enterprise Group Incorporated - VP of IR*

Any other questions? We do have time. If not we will move to a short break. We'll be back here at about -- just before 9:30. Thank you very much, everyone.

(Break in progress).

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Bill Levis *- Public Service Enterprise Group Incorporated - President & COO, PSEG Power*

Well, good morning and welcome back. As I like to kid with Ralph LaRossa, all this transmission talk is great, but it is not worth much of you don't have an electron to put on it. And that is what we do in our business is we create those electrons that finishes that second half of the puzzle to keep the lights on for folks.

Starting off this slide much like the others and just wanted to let you know this is more than just a slogan, a logo or a cartoon, that we do live this each and every day. I had the experience recently to listen to an all hands meeting at our nuclear plants. And I listened to one of my officers talk about 2014, the year in review, and he went through each piece there of disciplined investment, operational excellence, financial strength, engaged workforce.

So it did my heart well to know that this does penetrate the organization and is a guidepost for how it is that we make decisions each and every day. And for Power, as you see, that strategy translates itself into a simple excellence in operating our units safely, reliably, cost competitively and in an environmentally responsible manner.

And those aren't words we just say. In fact, we get measured on that each and every day and our incentive comp is based on how we do in that area, myself all the way through the rest of the organization.

So how is it that we do create value? And there's a couple of key words there. You heard Ralph talk about diversity. I would add to that flexibility. I often get asked -- what is the most challenging thing in your business? And I respond simply that it is our ability to respond to change and the pace at which we do that.

Which is why we need an engaged workforce because we want the workforce to move with us and not necessarily try to slow us down when change is necessary. And so, we do that in our organization because of the ability of our people and then the assets that we currently have.

So if you start on the left and you see about nuclear units have performed well for 10 consecutive years. Ralph eluded to our extended outage that we had at Salem last year. The criticism for me in that particular case is that we should have been ready to execute that outage sooner, not the actual work itself that was done.

Our folks did some heroic work actually repairing four reactor cooling pumps and 63 days, transporting them at various places across the country and doing that job safely. We should have been prepared for it ahead of time, however. And that we were not.

So we had an 89.3% capacity factor in Nuclear. The interesting item, the Salem unit that was impacted last year, it had its record generation year in 2013. So while that unit was down some other units stepped up as a result of that. Hope Creek had its second best year ever, record generation from three of our combined cycle plants and our combined cycle fleet.

And a little note on there about some peaking plants that I want to talk a little bit more about later that are becoming more and more important in my mind as the grid also changes around us.

So at the end of the day this is about delivering on our commitments, delivering on our priorities in the operational excellence area. We have had some learnings in our trading organization in the last year and we have taken that model to that group with more detailed processes and benchmarking and some other activities that we have done in the rest of the Power organization that makes us better.

In the disciplined investment area we have completed the work at Linden, and, if you recall, we actually moved our schedule around and brought that work forward. You see the word 63 megawatts an awful lot and the only caveat I put that at 63 megawatts is at 94 degrees and certain humidity conditions in the summer.

And if you think a little bit about how gas units work and compressors work, that means in the wintertime they do better than that. But that is essentially the minimum that needs to be put out to satisfy capacity market requirements.

We will finish the work at Bergen Unit 2 this year and at our BEC unit in 2017 and 2018. You heard Ralph also talk about the solar source portfolio increasing and it has been doing that at a steady pace for the last number of years now.

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We did start managing the LIPA contract this year and Shahid's organization -- he will talk a little bit more about that. What that means for us is we gain additional expertise in understanding how to dispatch units into the New York marketplace and also how to get fuel to those units. And in this day and age when we are fighting to get not only gas but oil different places that learning is really invaluable.

And you see this note about nuclear early site permit and many wonder why we would do something like that and it is once again about optionality and flexibility for the future. I am not sure what the new rules of 111-D are going to bring, but certainly if they work out the way I think they should nuclear has got to play an important role in that and there could be an edge to having that early site permit and being ready to go there.

But there has been one other important aspect that has been helpful to us in our business, it gets us a seat at the table with the regulator to talk about rules of the future. And getting those rules in the future can then roll over to rules in the present and we've seen that specifically in some of the Fukushima areas and in particular the flooding analysis where we were early out there and helped shape where the regulations were going in that area.

So every year brings its challenges and certainly 2014 brought them too. If your remember it wasn't too long ago we talked about SuperStorm Sandy and what it did to our assets and it impacted us significantly and we were still recovering from that last year.

The word polar vortex became part of my vocabulary last year and certainly the cold weather brought some challenges to our plants that weren't designed to operate in those kinds of condition, so we learned a number of lessons from that.

In the marketplace transmission build up and the like put more pressure on basis, lower gas cost impacted our prices and obviously load impacted by the economy again. All that being said, we got the units back from the storm, the units were available when they were needed and flexibility we were able to capture in real time.

So what is this year's challenge? I think it is called the Siberian Express now. I am not sure what next year's will be. My point is there's challenges on every front, they go by different names and titles, but for us it is still about operational excellence and having these units available no matter what may come our way.

So the result of all that -- if you looked at where we were last year and said, okay, what should our earnings be? You see the range of $550 million to $610 million, that assumes what I call normal conditions going forward.

And where did we end up? Essentially $60 million over that and that extra value, that extra 10% was gained in those areas that you see where we responded to weather, we responded to basis volatility where it existed, we were able to flexibly switch fuel sources and have access to lower gas cost and the like.

So I will talk a little bit more about that, but if you think about it, that's 10% value that our folks were able to apply over existing market conditions at the time.

So just a reminder of where our assets are and we use this word -- there's a couple of important points in here, one is three competitive markets. So we have the ability to learn from each marketplace its strength and its weaknesses and where we can take those learnings and try to apply them to the other organizations.

And two is we are near load centers. And what does that mean? That means there will always be volatility because you can't predict what it is that will happen, whether a transmission line goes out, a generating unit trips, gas compressor fails in some area, wherever there is load there is the opportunity for volatility.

And we continue to see that and I will show you a slide a little bit more where I will tell you the volatility is getting greater and not lesser as we have been going on here.

We are in good shape for CP going forward and after this high energy demand day rules go into effect which happens this year. Our fleet is actually more efficient, more environmentally friendly and still diverse with respect to fuel types and plant types. And maintain the possibility to expand our sites in all of them.

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In fact we're going through a pilot program now where we are essentially having an old unit demolished at zero cost because the vendor doing it thinks they can make money on the salvage. So we we're going to see if that works and take that going forward to get all our sites ready for future expansion.

So just a reminder of where our plants are on the dispatch curve. So on the left there, which I would say is light blue -- I'm not sure how my wife would describe it. If you've seen the argument on the blue and black and yellow and white gold dress business -- created some conversation at my house anyway.

But our baseload units essentially -- those are the things that allow us to pay the bills. So we generate about 54 terawatts of energy on an annual basis, 34 of those terawatts come from our baseload units. And that is our nuclear units and our share of ownership in Keystone and Conemaugh.

In the middle are mid-merit units, you see that is 18 terawatts of energy. And on the right-hand side the peaking plants, it is about 2 terawatts of energy. And if you had this curve available from last year you would notice that it has been clipped and that clip is essentially the high energy demand day units that will be gone after the middle of this year, so about 1,500 megawatts worth.

So when I talk about the baseload units make our money, the mid-merit units and the peaking units is where we take advantage of volatility in the changing marketplace. Because of the flexibility that they offer they allow us to respond to changing conditions rather rapidly.

And a couple of points you see on the bottom, the dual fuel capability exists at 87% of those units currently. So the ability to swap fuel is real and we do that all the time. And once again, the note about being ready for capacity performance and Shahid will talk a little bit about that when he talks a little bit later.

So this represents our fleet basically pre- and post-HEDD and a couple of points to note, fuel diversity still maintained, you just get that by looking at the various colors that are available in 2014 and 2017. Environmental and heat rate profiles I'll show you in a minute improve and also includes a couple of uprates, that is the Peach Bottom uprate and the advanced gas path uprate.

So at the end you see less capacity available; however, what you see is more energy generated and that energy that is being generated is done cheaper because of better heat rates and more efficient units and also the better environmental profile.

Specifically it looks like this for the improvement and heat rate in the environment. So you can see 7% improvement in fleet heat rate from 10.1 to 9.4 and a 20% improvement in the environmental profile from 0.8 to 0.64 for SOx and NOx emissions. Those numbers go on top of what was already a fleet that was among the cleanest in the industry. And you can see where we were in 2014 and the previous slight just adds onto that continuing improving trend.

So you see the footnote at the bottom about mercury reduction also and there is another important bullet there about efficient testing and improved operational flexibility and just a simple example of how operational excellence can play out in this particular area.

So we have to do a number of tests at our fossil units on an annual basis and a five-year basis. And we were finding we had to do many of those tests off costs because it took so many hours to complete that, meaning that we were actually costing us money to run these units because they weren't economic at the time.

So the organization undertook an initiative to let's understand the basis for the test, understand how we could be more efficient and accomplish them. Let's talk with the regulator about how many we need to do and how often and how could we do them better.

The end result of all that effort was annual tests have been reduced by over 90%, five-year test has been reduced by over 50% and we've been able to automate most of it and by using continuous emission monitoring system rather than having to use people to do that. So in the end the environment is better, we are better off economically and we saved ourselves $7 million a year.

And so there are countless examples like that where we are what I call clawing and itching and grabbing every bit we can, but it is that engaged workforce that really drove this initiative and went across the enterprise to help accomplish this.

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So a reminder again that Nuclear is a critical element of our success, of that 54 terawatts I talked that were generated, 29 of it comes from our nuclear plant. So 54% of our generation comes from our nuclear plant. And we remind ourselves every day we are a Nuclear Company and the entire enterprise is committed to making the nuclear plant successful.

So just the plants that we own and operate, Hope Creek 100% owner and operator. Of Salem, 57% owner and operator, the rest is owned by Exelon. And our Peach Bottom facility we are a 50% owner, but the facility is operated by Exelon.

You can see the license expiration dates go out to 2046, so we expect to be around a long period of time. That is helpful when we want to go hire people because folks want to know that there is a career in this business and 2046 is a long time from now.

Peach Bottom is undergoing an uprate currently, in fact did most of the -- did all of the actually modification work this last year and are currently working through a resolution of some technical questions related to the steam dryer with the regulator now, but are on track for completing that power upgrade in March of this year.

So I talked about this continued strong nuclear operations, I'm not proud of 89.3% but I will tell you we will do better this year. I will show you in a minute where we stand for cost in the business, I talked about the importance of it from an earnings standpoint to help us pay the bills. And it is a great place to actually bring talent into the organization.

It is the only site in the country where you can see a boiling water reactor, a pressurized water reactor and the opportunity for a new plant all in the same place and you don't have to travel or go to different sites to do that.

The Fukushima actions are well underway at this point. The commitment is to complete them in 2016 and we are well on our way to doing that. Most of the items completed in the last Salem outage, Hope Creek will do most of the items in their upcoming spring outage and then the Salem outage we will do the items there.

One item to note is we were -- we volunteered and/or picked to be the pilot plant to demonstrate to the regulator that the current venting strategies are adequate and therefore the need for a dry well vent or even a filtered vent is not necessary. So we are glad to be able to demonstrate that.

There is an item again about the Peach Bottom uprate and the other note that we are active in various industry forms -- INPO, the Institute of Nuclear Power Operations; NEI, The Nuclear Energy Institute; EPRI, Electric Power Research Institute -- all different bodies that influence how the rules are developed, shaped and implemented in our business.

And the USA Alliance which is a group of single unit nuclear operators that work together to try to get the benefits of a fleet so we can understand where we are relative to others, but without I would say the bureaucracy of being a fleet.

Just a note to show where we stand relative to others and cost. Certainly we are not immune to the cost pressures that are in the business. It is something we talk about every day and we want to make sure first and foremost that our folks do the right thing and the safe thing first and I think we have a pretty good track record of doing that.

But we are, as I said, not immune to knowing what those challenges are out there and we have several initiatives I will show you in just a minute that show you what it is we are doing to try to address that. But you see where we are from a cost structure standpoint and pretty well positioned relative to others in the business.

On the Power side in particular, I don't have the 0.3% growth rate that Ralph LaRossa showed, but we've done a pretty good job in Power to keep those costs and you can see 2.6% over that period of time, maintaining that balance of keeping the plants reliable and also saving money where we can.

So we continuously look at the material condition of our fossil units, our combined cycles in particular because of the workhorses they have become, significant work in renegotiating vendor contracts. One item that went under the radar screen last year is we brought our security force in-house.

This was a contracted workforce that we had at our nuclear plants, costs were increasing 8.6% per year in the security area. And we obviously wanted to do something to address that, so we brought them in-house last year.

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And I thought the folks at the nuclear plant did an excellent job supported by HR, IR and the likes, a pretty seamless transition to take that from a contracted workforce to in-house. But it sets us up for future success in helping to maintain cost in that area.

In the nuclear area there's also productivity studies, outage initiatives in place and something also in the materials area as we are seeing different challenges in materials and costs in particular. So we are looking at several things on where else we can buy parts and of our specs writing off. But it is good work in the enterprise going around to address these cost drivers in the Nuclear business.

On the fossil side steady improvement is how I would classify this. So what you see on the top left is fossil generation, you see it going up and it has been going up at 5% per year for a number of years now and it is our prediction that that will continue. You see even it has gone up in all generating sources including coal and we expect that to continue this year.

Just a little note on the peaking part at the bottom. You see the start successes have remained fairly strong. They were just under 5,000 starts of our peaking units last year, which was 1,300 greater than the year before. So we are seeing more and more demand on these type of units. And then the bottom right you see combined cycle generation that had a record generation last year and we expect it will have a record generation this year.

So this is a little bit of history of different things we have done over the years to improve cycle heat rate. So if you looked at 2008 to 2013, by the way, you see that improvement in heat rate, that is about $20 million worth of fuel savings. And if you move forward from 2013 to 2018, AGP and some other things I will talk about in just a minute, that is another $6 million just in fuel savings.

Some of those actions that we have taken to improve them is AGP we've talked about, another gas line at Dominion -- or from Dominion to our BEC plant. That gives us two sources of gas now. So it gives our ER&T organization an opportunity to pick the best source.

Significant work going on with EPRI on the fossil side, in particular looking at the performance of our cooling towers and our HRSGs to improve the heat transfer capability of them. There is also work going on with General Electric and their Big Data initiative. They have some really good life time information on our CTs that we can take advantage of to get trends early so we can fix them before they become problematic.

Unit testing I talked about and we have also got some other things with AGP like auto tuning software and the like that gives our units a little more flexibility in their operations.

Fossil has also done an awful lot in the outage improvement area. We had some lessons learned from our one Linden outage last year, in particular in the contractor oversight area. So the organization took those issues to heart, saw much better performance in the fall and shortened outages and improved costs.

And what we expect to have in place here at the end of this year is a central fleet monitoring headquarters where our engineers will be able to monitor our Fossil plants on a lifetime basis, taking all this data from GE and the like to be able to identify trends early so that we can respond to them quickly.

This is one of the reasons why we can generate some pretty good cash flow out of the business here and our capital needs have declined over time and major items are behind us. There are some small dollars to complete the Conemaugh SCR this year and some small environmental dollars finishing up some Bridgeport Harbor to make sure we are fully compliant with the new MACT rules which we are set up well for.

You see a slight uptick in maintenance dollars, those are mostly at our nuclear plants where Peach Bottom, it is being modernized significantly and our Hope Creek station where we will improve some reliability of some systems and also improve output a little bit as the net generation will improve as a result of that.

And we are not standing still. You don't see $1 billion numbers up here, but there is a number of items that we have done in the last year. I made reference to this BEC gas line; this was something that cost us $8 million, we got paid back in one year.

Linden AGP upgrade I referred to. We were able to compete and win an RFP with Black Start. As a result of HEDD units going away a number of those units were Black Start units, so PJM thought it necessary to go out to the marketplace and procure Black Start capability. We won a couple of those and you can see the level of investment and the revenue source it is that $3 million escalates every year.

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Solar source continues to add about $60 million a year investment to its portfolio. Actually this year we expect a little bit more from that, but the continued focus is to make sure we are dealing with credit worthy off takers and appropriately managing the risk of that.

Peach Bottom EPU I referred to, Bergen upgrades I referred to.

One other little item you see under various, this is just an area where our folks pay attention to what is going on in the grid. There is an opportunity every year based on grid conditions to form what is called these interim service agreements where there is extra megawatts available that we can get from our units to bid in incremental capacity auctions. And for this year that happens to be 69 megawatts worth that we will take advantage of.

And you see also the PennEast pipeline on the bottom that Ralph Izzo referred to before.

So, some other items that are on our plate here that we hope to bring to fruition at one time. A lot of discussion about Bridgeport Harbor and not winning that. We are not giving up on it. We are in this business for the long haul and believe that opportunity will present itself again and when it does we will be ready for that.

There is an opportunity for a small uprate at Hope Creek yet. This has to do with a more accurate measurement of feed water flow that is being pursued.

We are also now evaluating given what is going on with the potential for CP and the additional value we see in the ancillary services and peakers in particular, the opportunity to take some of those old FT4 units and put an SCR on them. That work is underway now and we should come to some conclusion here in the next quarter or so if that is something that makes sense for us.

The Bergen 1 uprate, this is not part of AGP, this is actually a different OEM but they have an AGP like upgrade available that is being reviewed.

Our Sewaren Project which had been on the books for a 2 by 1 combined cycle we will I believe modify to a plant similar to Bridgeport Harbor to take advantage of some economies of scale.

And I mentioned the solar projects where there are literally hundreds of megawatts somewhere in the development cycle at this point. And I say that because here is a picture of our solar portfolio currently, a little over 120 megawatts, 10 projects, nine states. The nine states is important because essentially this geographic diversity gives us opportunities to talk with a number of developers in this area, which is why the pipeline has grown so big here just in the last year.

So we make money in other places besides energy and capacity, by the way. And in fact about 10% of what we make is not in energy capacity and exists in these areas that I show up here.

One piece of that is the gas business you have heard Ralph Izzo refer to and Shahid will talk a little bit more about in a bit, provides several advantages and namely the advantage that customers and the utility was that lowering gas bill that you saw on Ralph Izzo's slide before.

But if there is somebody better in the business than John Scarlata who works for Shahid I would like to meet that person, because this individual's knowledge of the gas system and his capabilities and how he can get fuel different places is unmatched I believe. And this provides us opportunity to sell gas off system to others, commercial/industrial customers and also in the opportunities to our own power plants.

Ancillary services, this is actually an area that I have seen double-digit growth here in the last number of years. And it shouldn't actually be a surprise if you think about what is going on on the grid. And you see it play out in particular in places like Hawaii where there is a lot of renewable penetration, you almost get a hockey stick of changes in load. And those plants that respond quickly to changes and load are at a premium and we are starting to see that being priced in the marketplace now.

So those combined cycles that can respond quickly, those peakers that can respond quickly have been called on more and more to do so and we have seen just an increasing revenue source in that particular area.

And the other area that we make some money is the LIPA fuel and energy management area. Last year was our transition year, so we got paid a transition payment, we had to use a lot of that frankly to get the systems and people in place to support it. And now we are in the opportunity to implement that.

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And the folks have done a great job supporting Dave Daly and his team in getting fuel to those units out of Long Island here during this challenging winter season. If you noticed the Hudson River is frozen. A lot of fuel used to come up that way. So it means they have got to use other sources to get the fuel to those power plants and the folks have done a nice job of doing that thus far.

So this is a busy slide. And you can all do your own analysis of what it means, but we got the question an awful lot about basis going away and your locational advantage going away. And I am just here to say that it is not going away, it is just different. And there is a couple of ways to look at this.

So, if you look at the top you'll just see how you look at weather on average, whether you are cooler or warmer than normal. And what you see is for the -- if you look at 2014 last year we were slightly cooler in the summer and slightly colder in the winter.

The other interesting part if you look in the winter, we forgot when winter was in this area. And in fact if you look we have had above normal warmer temperatures in the winter for the last half-dozen years. And it was just 2014 where we were slightly below normal.

So sometimes it gets cold up here. And I think in 2014 what you really saw was people forgot that it got cold. And -- because we have been used to mild winters for a period of time. And in fact folks got surprised when weather got cold.

Now it has been cold this winter too, but folks weren't as surprised. But that said, the next slide it talks about, okay, hotter or colder, that's an average perspective of things. How many days was it really hot and how many days was it really cold?

And what you see last year is it was really cold for a lot of days. And if you go back to the summer of 2010, it was really hot for a lot of days.

So what was the impact on the marketplace than? What was the impact on gas, what was the impact on the price of power and the basis volatility.

And I will tell you as you look across the page, volatility is getting greater and not lesser. And I think what you have to think about is the other changes that are happening in the marketplace here, too. You've got big units are going away.

Coal plants are retiring. We're relying more and more on renewable sources of generation, relying more and more on DR as a way to meet reserve margins.

And as we do and as those folk -- they're in the can deliver/cannot deliver, we get surprised and you're near a load center you're going to see more volatility. I think that's what you see going on in our business.

And the bottom line just shows when there is more volatility how do we do as a business. And the fact is we do better, and we do better because we have that flexible, diverse, set of assets that can respond quickly to changing conditions and supported by baseload generation that allows us to hedge out when that opportunity exists.

So I'm just here to say the volatility is not going away. It looks different now; Shahid will show you how it looks different, and that difference is not measured in months or days, sometimes it's in hours and minutes. And the ability to be ready when that hour and minute presents itself is really the key at this point.

So we do an awful lot of work to help shape our business. I mentioned these organizations here before. This just represents where it is that we are involved and we are involved at leadership levels and working levels.

Working level is important, too, because those are the folks who actually write the rules. The folks at the higher levels maybe get a chance to veto them but being at that formative stage is important, too.

So a couple of things I would point out here is UWAG. We are really a leader of that. Why is that important?

It was important in 316(b). And it looks like those rules have turned out -- what it is we were expecting and hoping for and I think it bodes well for our business then.

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The other item I would point out is under ISO New England, the Chairman and Vice Chair of the supplier sector of New England Power Pool, this gentleman was instrumental in helping getting those capacity rules changed and you saw the impact on the marketplace as a result there. But in the end it really is about people and we do an awful lot of work in that particular area to make sure our people want to be engaged in part of our organization.

Succession planning and talent development is a key part of that. You saw the recent announcement about our Chief Nuclear Officer retiring. That was not a surprise, something we had been planning for and we've got a person in the wings ready to assume and take that position and I'm confident they'll continue to move that organization forward.

We have an opportunity in power to rotate folks between our organization so the fossil folks get to learn a little about nuclear and nuclear learns a little bit about trading even and trading learns a little bit about fossil. It's been invaluable to help with communication and understanding one's jobs.

We share resources between fossil and nuclear during outages. In fact the folks from the fossil organization look forward to going down to support a nuclear outage every spring and fall and we learn a lot about fossil, how I'll say this is a little quicker sometimes in getting some things done. That helps our nuclear folks to perhaps see the world a little differently because the fossil folks live this competitive environment each and every day.

Diversity inclusion I put on here and Ralph has talked before about what we've done employee engagement efforts and the like. In this past year that initiative changed in title to diversity inclusion which we thought was the next important step of employee engagement but with some fairly specific goals that we were measuring our performance on. In fact 10% of our incentive was based on how we did in this particular area.

But in the end this is about getting each and every employee to feel that valued member of a winning team and having everyone fully participate which is how we get that whole value of that engaged workforce. And I think we're making good progress as an organization in that area.

In the end what does it mean? How much money do we make? And you can see our earnings for 2013, 2014 and where our guidance is in the 2015 area and what we been able to do here for the most part is the hedge price in 2014 was $48, it's $52 in 2015.

Essentially that increase in hedge price has allowed to offset the reduction in capacity volume as a result of our HEDD units going away. And I think I laid out the other opportunities that are available and to talk more about hedging and some other items I'll turn it over to Shahid.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Thank you, Bill. Good morning everyone.

I'd like to add my very warm welcome as well to you and thank you for coming. I'm glad to be here.

Actually I have to admit that I almost didn't make it to this meeting this morning. As Bill knows I've had a toothache for a couple of weeks and my dentist told me I needed a root canal and he actually scheduled it for today at 9 o'clock. And as you can imagine, I had to think really hard about that.

Would it be better to and less painful to have a session with 200 of our favorite friends from Wall Street or to have a root canal? And I have to tell you it wasn't even close, though, and as you can tell I'm here and I'm very glad to be here.

So seriously the let me talk a little bit about what happened in or business this last year. Everyone knows what happened in the industry with respect to the winter. The winter was exceptionally cold and it led to incredible price volatility as you're aware.

Why did that happen? Well gas supplies ran low, power plants struggled to perform in the extreme cold weather. And as a consequence this led to a major push by many regulatory authorities and the ISOs to improve our industries infrastructure and the results of that frankly will be played out over the next five years.

This is not going to happen overnight, at least in PJM. But the ramifications from what happened last winter together with the imminent retirement of a lot of the coal plants that we're seeing in this region plus a major shift in the relative value of energy commodities, especially oil over the last year, is really changing the shape of the industry today. And as Bill mentioned for PSEG the cold weather was hard on some of our assets, it was hard on some of our people, too, but we executed very well amidst all that volatility.

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We are seeing some of the same dynamics playing out this winter, although prices in general are much more muted because I believe the industry is better prepared this time round than maybe they were a year ago. So with a backdrop of all these market and infrastructural changes together with some of these changing regulations that you're seeing I'd like to describe the activities that we're taking to position our Company in the merchant generation space.

So what I'll do is I will split my talk into three sections. First I will kick off with a review of how we handled the events of last year and more importantly, though, I'll talk about emerging commodity trends and what we plan to do about them prospectively.

Also I know that there's a lot of interest in this room about what we're doing to counter the impact of shale gas on the absolute level of power prices in our region as well as to address how we're handling the lower electric basis in PSEG's Zone as well. So I'll talk about those a little bit.

Second I want to describe the commercial attributes of our fleet and how we're positioning the assets to get long-term competitive advantage. And third I'm going to outline some of the tools and levers that we have in our toolkit that continue to make us somewhat unique we believe in this space and frankly give us the confidence to be a lot more bullish about our prospects than we're sometimes given credit for.

So let me get into it and on this slide you can see that the charts reflect natural gas and power prices. The top two charts are for the first quarter of 2014 that reflect wintertime and the bottom two charts are for the third quarter of 2014 reflecting summertime.

Although last winter was the second consecutive year of below-normal temperatures in our region it appears that the generation sector as Bill mentioned had forgotten that it can get cold up here, really cold. As a result in some cases the industry was really not ready to prepared to handle frozen fuel, frozen coal and there were quite a lot of equipment failures as you know last winter.

So as a result of the cold weather in the first quarter of 2014 in the top left chart that blue line that you see there which represents the price of Z6 gas soared in January and it was very high throughout the period with an average price for the quarter of $15.82 per Mcf. Those high Z6 prices directly impacted electric prices in our region as shown in the top right-hand chart with the green line reflecting power prices in the PSEG Zone.

Now the average electric price for the first quarter in our zone, in PSEG's Zone, was $117 per megawatt hour which also incorporated a $27 positive electric basis, that's a basis above PJM's West Hub price. The orange line, by the way, is the Leidy gas price which is a good proxy for Pennsylvania shale gas. And you will note that it was relatively flat and weak throughout this whole period.

As I discussed last year we were able to take advantage of this electric price volatility by optimizing our gas fleet. In addition at this time last year we made the decision to accelerate our ratable hedging program to take advantage of some of this volatility on higher prices. This will prove to be a sizable benefit for us in future years as both Ralph and Bill alluded to earlier on and I'll describe some of that in more detail in a bit.

In the third quarter those bottom two charts you can see that the gas and electric prices and the associated volatility are much less. Those bottom two charts show gas and power prices that were much lower and moved down as mild weather reduced air-conditioning demand.

And note again that shale prices were consistently below Z6 prices. In winter we take advantage of that shale gas price delta for our utility customers and in the summer we take advantage of that discount for our power generation fleet, thereby deriving some of those strong spark spread margins that you've seen in our earnings reports.

Importantly what these two charts inform us of as you well know is that the winter has become a significant driver of earnings for us and together with summer we now have the opportunity to really benefit from a dual peak scenario. If winter is cold we do well, if summer is hot we do well and if both of those two events occur in the same year we will do very well.

And to take advantage of those peaks you need a strong gas and power trading capability. As you know we have one of the largest gas procurement and trading businesses in America and last year we bought over 400 Bcf of gas and our size allows us to leverage prices that benefits our utility customers with low gas prices as well as spread generation fleet.

As I've discussed previously we used to be pretty much 100% dependent on gas coming up from the Gulf Coast or coming down from Canada. Now we're in the fortunate position of being able to source our gas locally from Pennsylvania or from wherever is the cheapest location.

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This pie chart I have on my slide shows you where natural gas generation came from in 2014 and you can see that we bought directly bought over 60% from the Marcellus and from the Utica last year. That green slice there, that represents what we buy on a delivered basis from other producers and other marketers. This amount, about a third of the total actually, I would guess came from multiple sources but I would also guess that a good chunk of it came from the Marcellus or the Utica as well.

So as you can see a good proportion of our fuel now comes from local sources predominantly from the Marcellus shale, an area that is flooding the market and the region with a lot of excess gas. Of course we've been fortunate in having access to this gas but we've had to completely revamp the way in which we do business to take advantage of that access.

Okay, so turning now to current trends for gas prices and spark spreads. That top left chart shows you the price of Z6 gas in blue again for January and February of 2015. These high Z6 gas prices set the power price for most of our assets.

The top right chart shows the forward curve, gas curves for Z6 in blue and Leidy gas in orange. And you can see the seasonality of the gas price and the gas demand as reflected in that wavy, cyclical price.

More importantly, you will note that they show a slow but steady expected rise in the price of gas, both Z6 as well as Leidy gas. And I'll discuss that some more in a while.

The bottom chart shows the PJM West and the PS Zone spark spread in yellow and green respectively. As you know the spark spread is the difference between the price of power and the cost of natural gas. The forward spark spread serves as a good proxy for the profitability of our gas plants especially the 3,000 megawatts of combined cycle that we have in our PJM and New York fleet.

What it doesn't show and what Bill alluded to is how profitable our remaining 3,000 megawatts of peakers can be when we're able to buy some of that cheap Marcellus gas in the summer and sell it into a volatile power market. Furthermore, with oil prices so much lower over the last 12 months we enhance our margin even more by using some of that oil rather than gas when absolute gas prices are very high. In fact oil burning has become quite common now in our fleet in winter with the price having fallen so much.

What's also clear from this chart is that spark spreads are high because those numbers on the left, that's a high dollar per megawatt hour spark spread that we're enjoying. And they are high historically but they do appear to have peaked if you believe these forward curves.

The good news is that even if they are peaked they remain very robust. The corollary to this of course is that we do expect a lot more new gas fired generation to be built probably in Western PJM that will start showing up in 2017 to 2019 time frame.

Another key takeaway from these charts is that Leidy gas will still get a sizable discount to Z6 gas and M3 gas enabling companies like ours to improve our spark spread relative to our competition. So you can see that spark spreads using Marcellus gas which is in green are consistently higher than if you only have access to M3 or Z6 gas as denoted in yellow. So we feel good about what's happening with spark spread and our perspective forward prices for our region.

Now why do the forward curves show rising gas prices? Our research shows that Marcellus gas production is going to continue increasing despite low oil and gas prices. We expect some slowdown in new drilling but existing wells, particularly those that have been hedged for several years out, will continue to produce a lot of gas.

And our producer friends have been telling us that technology gains and lower unit cost of production will allow for continued gas production from the Marcellus even at these existing low oil and gas prices. It will be interesting to see what really happens if gas liquids prices follow the trend of oil prices as well.

So the left-hand chart that I have up here shows rising production through 2018 and this is a chart that we put together but we also put it together with some help of some outside consultants and they've corroborated and verified some of these numbers. On the right-hand chart we and others are seeing old pipelines being reversed and new gas pipelines being built. And these pipelines have been built and reversed in order to transport this excess supply from the Marcellus and Utica into higher priced markets, particularly those higher priced markets south of us.

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This newbuild has already started with the completion of Transco's Virginia southside project that carries gas now into zone 5, that was completed just last December, as well as Transco's Leidy Southeast project that carrying gas to the Mississippi Alabama border. Both projects, just those two, total about 0.8 Bcf a day.

In the southeast we are seeing a re-industrialization and increased industrial demand, therefore gas or chemicals for industry coupled with rising power generation demand as well as exports of LNG should start to soak up some of the excess shale gas that we're seeing in this region and potentially lead to rising prices. Having said that, we do believe that gas prices will still remain relatively low compared to recent history, however. And PSEG's challenge, frankly, is to take advantage of these prices for our gas customers and for our power generation fleet while protecting the absolute level of revenues that we get from converting that gas into electricity.

As you know, the lower the price of gas the lower the price of electricity which directly impacts the revenue for our fleet especially the nuclear units. So forward hedging and management of the basis risk are critical elements of our activity. So until the price of gas rises again we have to protect against absolute price falls and at the same time protect our electric basis.

And we have been. We been aggressively hedging and taking advantage of price spikes to dollar cost average our hedges higher during this time period.

Interestingly enough as you'll see in the slide I'll put up later on the absolute price of power has stopped falling in this region probably reflecting the point where cash costs of many of our competitors in this space are reaching a breakeven point. And any further price reduction will probably reduce output and force even more retirements.

So in short we do not see much more downside to power prices absent the complete collapse of the gas price. In addition we have been aggressively hedging and managing our electric basis risk much more actively than we have in the past.

And talking about basis risk, as you know we sit in a premium power market next to the largest load pocket in America. When we talk about the locational value of our assets we refer to some of that value as being the positive electric basis that's inherent in our location. And as you know basis reflects a premium that our assets receive relative to the PJM West price that many of our competitors receive.

Basis is impacted by several factors. It's impacted by the absolute level of prices, by the amount of load in the region, by the way in which units are dispatched according to relative fuel economics and crucially by the amount of electric and gas transmission capability that's coming into the region. Each of these components has changed and it's no surprise that companies like PSE&G and others have been building both electric and gas transmission into the Eastern PJM region.

As a result we expected and we are seeing forward basis will continue to be pressured but will remain positive in our opinion. As you can see from these charts basis will fall from $6 around the clock in 2014 to about $2 to $3 around the clock in 2016 and beyond according to these forward curves.

Note that that basis has been quite volatile over the years. If you look at 2012 basis was under $1 principally because of some negative basis that the region incurred during the summer months of 2012.

And if you go back in time that basis price has also moved around a fair bit. So it's very important for us that we manage this and we are managing it aggressively.

One thing you should note, though, there are several things that are happening right now that are temporarily we believe depressing PSEG's electric basis that we fully expect to reverse by the 2018 time period. First as I mentioned up to 18 Bcf of this surplus gas will be exported from our region lifting absolute gas and electric prices together with electric basis. Secondly, you may not know this but a lot of the electric price, the PJM West price, about 50% of it, that price is comprised of the LMPs, the locational marginal prices, that are set in the Washington, DC area.

Well the Washington DC area is short of electricity and they are also being caught up with congestion by a particular transmission congestion point in BG&E territory at Bagley Road. Now this line is being upgraded by the utility and will be completed within two years. That will reduce the congestion that we're seeing down there.

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There are about 5,000 megawatts of new gas-fired combined cycle being built in this area that will come on at about the same time, 2017 to 2018 time frame. And we believe that this will drive down electric prices in this region and therefore this region's impact on PJM's West price will diminish.

Now we know that these three events are in the works and will reduce the negative basis pressure that we've been experiencing particularly in the low load months, the shoulder months and sometimes even the summer. In the meantime we've been aggressively hedging our basis using the BGS construct as well as FDRs and ARRs and enjoying seasonal basis volatility in the winter and the summer months when our production is at the highest.

In this chart the green columns reflect actual historic basis and dollars per megawatt hours through 2014 and the red columns reflect the basis price that the forward curves we're predicting at the start of each of those years going out to 2018. And two things strike me when I look at those columns.

First forward curves have generally understated forward electric basis including in my opinion 2015 and second that electric basis will remain positive for us during this three-year period. By the way, electric basis for the first two months of this year are hovering around $14 a megawatt hour around the clock.

Now we do expect that there will be times in the year when electric basis becomes negative especially during the shoulder months while basis will continue to be strong in prompt periods when driven by factors such as operational outages or indeed by extreme weather. That basis volatility as Ralph mentioned earlier is extremely impactful to our business.

For example basis was over $50 over several days in February and gave us a considerable source of income that many of the firms can't replicate. Capturing this volatility through our trading teams helps really reflect the option value of our gas fleet.

Turning now to the regulatory front we are making headway in several key market design issues in each of our three ISOs, in particular price formation, capacity market constructs as well as demand response. And they have all been great areas of focus for us or rather areas of great focus for us and I want to comment briefly on each of those three areas.

First accurate price formation is critically important, much more important in fact than capacity markets. Poor price formation has been a concern not only for generators but also for load interest because they've been incurring hundreds of millions of dollars in uplift payments especially in the PJM region.

We've been very active in the PJM stakeholder process pushing this issue and we are seeing some marginal improvement in efficient dispatch of resources now. We've also been very active at FERC on this issue and these efforts are really important as we think that there is significant potential for additional improvements in this price formation especially in PJM which we think and benefit from some of the rule changes that ISO New England has enacted over the last 24 months.

Secondly capacity markets are also going through a lot of change as you know and New England has tried, impressively I might add, to improve its capacity markets. The capacity auction in New England last month was a relative success we believe as the ISO finally recognized that it was in danger of not meeting its minimum reserve requirements again and really took drastic action to improve the market construct. I'm very pleased to say that we and other companies were directly instrumental in highlighting these issues to the ISO and to the FERC and we're pleased, very pleased that they responded.

And third demand response is also undergoing some pressure as the FERC and the ISOs have recognized that a power grid that relies on DR for up to half of its reserve margin cannot be a robust power grid. So we do support the continuing role for demand resources. And I'm not going to opine on the EPSA versus FERC legal matter.

That will play out in the Supreme Court pretty soon but we do believe that DR should be treated as a demand resource. The proper role for DR is for the customer load reductions to be recognized in the load forecasts that are used to determine the level of needed capacity we believe. Furthermore until that legal matter is settled DR should really not participate in any upcoming capacity auctions.

I know tons of other market changes underway as well as you know but the most impactful one for PJM generators is the capacity performance product that I'll review in this next section. In this section, too, I'd also like to describe the commercial attributes of our fleet and how we're positioning the assets to gain competitive advantage for that long term.

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As you know, the capacity performance proposal creates real-time market performance obligations and incentives for capacity resources. We support the CP proposal as a means to support investments and reliability particularly during times of system stress as we saw in the last two winters. And we are very pleased that PJM is filing a corporate element that really improves the efficiency of capacity markets as well such as allowing bidding up to the net cost of new entry and removal of the 2.5% holdback which in our opinion needlessly suppressed prices over the years.

These elements and others will really help incentivize generators to make needed investments and at the same time to be fairly compensated for providing them the capacity. And we're also pleased that the proposal includes a mechanism for capacity resources to be rewarded for good performance as this provides additional upside for our fleets that are well run such as ours.

As you know the penalty program that PJM is instituting will also include a reward payment for those generators that perform better than their capacity obligation as well. That should allow units like ours that generally run very well an opportunity to gain additional revenue.

Now the CP product that we expect FERC to approve will be on balance beneficial for PSEG. As Bill and I have described, our PJM fleet is characterized by really good high-performing baseload nuclear, baseload coal and very reliable load following combined cycles. In addition we have a very strong portfolio of gas supply contracts as well as oil firing capability at many of our sites.

So PSEG Power is positioned to do really well under this regime from a fuel security as well as an operational performance standpoint. Now although there is substantial risk of high financial penalties for nonperformance we are comfortable with the historical performance of our units. We expect and hope that PJM will enforce their CP requirements rigorously which will benefit well maintained fleets such as ours and hopefully will weed out units that don't perform so well and in some instances are probably artificially depressing the capacity and energy market prices.

So there's no doubt in our mind that we see CP as a win-win for both generators and consumers and we think both groups will benefit over the long term. Better incentives for investors and increased reliability for customers. And these two pie charts I've got up here highlight what we think we are capable of achieving, and even though we don't have a FERC-approved set of rules yet regarding the CP proposal, PJM has asked FERC to give its blessing by April 1.

If you look at these two pie charts you'll see that based on what we know right now about the intended rules we believe that the majority, maybe over 70%-plus of our PJM assets by capacity, will meet CP requirements with minimal extra expense; minimal, by minimal I mean probably just routine capital and maintenance. For the remaining 30% we'll have to carefully consider the requirements for dual fuel as well as reliability targets.

And we'll balance those investment costs against the potential increases in capacity prices versus the potential performance penalties that we might incur during those shortage hours. But of that 30% two-thirds of that, so 20% in total of our fleet megawatts, will probably need some moderate amounts of money to be spent to meet requirements.

Finally for a small proportion of our older units we'll have to decide whether it's worth spending the money on that last 10% or so or just keep them as base capacity at least until the year 2020 when the base capacity product is supposed to go away. So at this time as Ralph mentioned we feel really good about our ability to meet CP standards, both from a fuel capability standpoint as well as an operating performance standpoint.

And between April 1 when FERC is supposed to announce the results of its review of PJM's request and the RPM auction in May we will solidify our capital and O&M plans. And I'm sure that we'll be talking to you a lot more about this later in the year and in a lot more detail as well.

So turning now to the rest of our fleet we manage our Northeast assets as one portfolio and although they are relatively small compared to the PJM portfolio they are profitable and they give us a base from which to grow our business. Actually we believe that these assets are a bit subscale on their own, so the addition of LIPA's 6,000 megawatts of contracted generation to this portfolio has really improved our competitive position and also our potential margin position for our existing fleet. And I'll talk about that shortly.

But in New England we've witnessed a seachange in the market construct driven by firms like ourselves, frankly, who've pushed the ISO to make improvements and at last we're seeing new generation being built as capacity and energy prices move up. As you know, we looked pretty hard ourselves as to whether we should build a new plant on an existing site in Connecticut and we put in a competitive offer last month but did not quite clear the capacity market. We will consider it again for the next auction; as Bill says, this is a long-term market and we're here for a long term.

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Now in New York we just don't see many opportunities for competitive generation. The regulatory construct there has not improved much in the last two years. In fact in some cases the regulatory construct sometimes shows three paces backwards and one pace forward.

So as a result we've embarked really on self-help to help us improve our margins and revenue. First as Bill mentioned we built a lateral gas connector to connect our Albany combined cycle to Marcellus gas supplies. And secondly we won the management rights to LIPA's 6,000 megawatts of contracted assets which I'll describe in this next slide here.

And for little risk we're adding a net penny per share of earnings for managing LIPA's assets. We buy the fuel, predominantly oil and gas. We dispatch the plants, we manage the cables and we also do their hedging for them.

We've spent the last 12 months successfully transitioning this business to our Company and we've executed very well so far. Now our goal is more than doing a good job of just buying the fuel and dispatching the power plants of course. Our primary aim is to drive down electricity costs for PSEG Long Island's 1 million residential and business customers and we believe that we'll be able to achieve that.

In addition this contract increases the size of our commodities business and all the synergies and competitive intelligence that derives from them. So eventually we believe that this return from this activity will be much higher in value to PSEG than the penny a share from the annual management fee that LIPA pays us.

And most importantly we believe that we will reduce the electric costs for Long Island's customers over the long term. I know many of you are in the audience live in Long Island so I'm sure you'll all be cheering at that and probably holding me accountable as well.

So what I'd now like to do in the last section is to just outline some of the tools and levers in our toolbox that we believe continue to make us somewhat unique in this space and give us the confidence to be more bullish about our prospects. So a major locational benefit for PSEG are the capacity markets that are present in each of the three ISOs that we operate in: in PJM, in New York and New England. And these capacity markets are evolving very rapidly as you know.

In New England the construct is much better now for the industry. The PJM market also seems better on the whole, particularly with the impact of the CP product.

And even in New York it appears that FERC is eager to reassert its wholesale jurisdiction over that market although there's no sign yet of New York moving to a longer-term forward capacity construct such as in PJM in New England. And these constructs assure us that receiving payment for being in the market and as those prices rise particularly in New England we will see that in the forward earnings at PSEG Power.

As you know last month we received the parameters for the 2018 / 2019 PJM capacity auction which supposedly reflects the impact of new transmission and generation into our region. In particular PJM expects additional transfer capability into PSEG's zone which will likely have some impact on our zonal capacity prices.

For the RTO as a whole, though, the major driver will be the impact of the CP product: how much new generation will be built and also what happens to demand response. And as many people have observed DR accounts for over half of the total reserve margin in PJM.

And PJM is becoming much more selective now in how DR is caught and we believe that PJM is trying to stop DR from undermining its RPM construct. And any reduction in demand response as a result of any federal court decisions that are on the horizon as well as the higher performance standards that PJM is holding demand response to will be quite impactful to regional capacity prices.

There are other positive enhancements to the RPM construct as well, such as the ability to net CONE as I mentioned before. Plus there's other items that I've listed on my slide there.

Another tool in our toolkit is the BGS. This forward sales construct is available for much of our generation in New Jersey and is very helpful at a time when forward liquidity is lower than in prior years. The annual BGS auction whereby the New Jersey utilities buy electricity to supply their default customers blends prices over a three-year period as you know.

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And this has proven to be very advantageous for New Jersey customers in the state, as it significantly reduced the volatility of prices. In fact if you look at the price at the dark blue line you'll see for that last four years it doesn't seem to want to go down anymore. And the prices have hovered between $37 to $40 over the last four years.

In general from a seller's perspective we also like the BGS construct. Why? Because the load obligation is very well correlated to our units output, it's a good liquidity event, it provides us an opportunity to hedge some of our forward basis risk and it makes us money over and about selling into the forward wholesale power markets.

Last month we were successful participants again in the BGS auction. And as this chart shows prices moved up about $2 in PSEG's zone due primarily to higher transmission and renewable costs. We did also collect a higher risk premium reflecting the volatility seen in the wholesale energy markets.

BGS sales now account for about a fifth of our forward hedges. And we will continue to supplement these BGS sales with other shorter duration full requirements hedges and sales that we have in other markets that are well correlated to our assets.

Headroom continues to be low for third-party retailers and we expect that trend to continue, frankly. However, we are not seeing signs of reverse migration to the electric utilities unlike in the natural gas world where customers are coming back to enjoy PSE&G's low natural gas prices. And finally we were very happy with our increased participation and increased margins from this year's auction and we look forward to serving the utilities with their electric needs this year.

Talking about hedging as previously described we have a consistent monthly hedge program whereby we lock up about two-thirds of our baseload plants output for the next three years. In numbers that's about two-thirds or 4,400 megawatts for three years. And as prices have fallen over the past five years so have the price of our future hedges as they have indeed for all players in this space.

However, as you saw from the previous slide electric prices seem to have reached a floor despite overall week short-term gas prices. Now we focus on capturing value and we focus on protecting gross margin for the long term. And as I said before we will not hedge at a loss and we fine-tune that hedging dependent on the relative economics of our fleet.

In addition we give our trading team considerable flexibility in the timing of the sales and in the instruments that they can use. And to this last point I mentioned earlier on that we've been aggressive in managing our hedges and when prices spiked a couple of times in this last year we sold more fixed-price power, thereby raising our average hedge price by $4 to $52 from this time a year ago. This increase in hedge price has basically counteracted the reduction in capacity revenues that we've been expecting and is helping us to produce higher earnings than we initially thought.

In addition we have a trading activity that we call dynamic hedging. This is where we position our fleet to take advantage of some of that volatility that Bill referred to earlier on as well as managing our closed positions for both operational and financial reasons. In this way we actively manage those closed positions plus our remaining open positions dependent on our view of the short-term marketplace.

This is value that we don't plan for but we see and we create many millions of dollars in value here by monetizing this option value of our fleet and taking advantage of that volatility in both power and also in gas prices. So as you can see we have a very consistent solid risk management practice that locks up roughly two-thirds of our baseload energy margin for three years but in a thoughtful and value seeking way. We also supplement that with short-term trading activities that adjusts those positions based on operational and value conditions.

So in summary, we're very confident that PSEG Power continues to have one of the best stories in the merchant generation space. For the things that we can control we do: we have a clean fleet, we have outstanding operations, a first-class safety record and a gas and power locational advantage in PJM that frankly is still unmatched by anybody else in the market.

For the things that we can't control we try to influence. We're seeing energy and capacity market constructs improving in all three of the markets to varying degrees that we play in and we're encouraged by the opportunities that are being presented there. We will continue to be active players on the regulatory scene to keep pushing for the best possible competitive market outcomes.

And from a market price perspective, yes we may well see continued price erosion in both absolute and relative power prices but we think not. But if prices do fall we have the tools at our disposal to hedge our assets and to capture a premium from the volatility that many others are not able to do.

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So with that I want to thank you for your attention and I will hand the podium over now to Kathleen to moderate your questions. Thank you very much.

QUESTION AND ANSWER

Greg Gordon, Evercore ISI

You've pointed out that power prices haven't fallen that dramatically even though gas prices have fallen. And is that observation more that coal has moved up the stack and gas has moved down the stack, spark spreads are up a lot as you also pointed out, and are you saying that you would expect if we entered into a repeat of what we saw in 2012 where we saw really depressed spot gas prices as we exit this winter that you see some resiliency in power prices because coal is setting the price?

Shahid Malik ***- Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Good question. We are not predicting forward power prices or forward gas prices. We're trying to live with whatever the market gives us.

But what we've observed over the last period of time is that power prices seem to have found some level of floor. And it could be because in fact it almost certainly is because of changes in the dispatch stack. But also I believe there are units out there that just can't operate profitably at much lower power prices and as a result we're seeing a floor being established.

A lot depends on what gas prices actually do. But it appears as though they seem to have reached their bottom and have probably got room to move to the upside rather than continue falling down.

Greg Gordon - Evercore ISI

Great. And then one of the questions I get a lot from investors is there seems to be a consensus that capacity performance product will price higher. The billion dollar question is how much higher.

But there is still a portion of the capacity market that's going to clear under the base product. And is there a scenario where we get a robust capacity performance clearing price but a really low base product clearing price such that the average that you receive isn't that demonstrably higher? Or because of the changes in the DR bidding rules and other aspects could we also see a relatively strong base price?

Shahid Malik ***- Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Again we're not going to predict what we think the capacity price might do for both base and premium. However, I would guess that given what we've seen in some of the changes to the dispatch stack and the retirement of so many units and the additional investment that's going to be have to be made I think we will see an increase, quite a substantial increase in CP prices based on what we're seeing right now.

How that impacts base prices is anyone's guess. A lot depends on what happens to the rules that FERC finally promulgates in conjunction with PJM.

We'll see what happens then. I would be surprised if we see a huge difference in the early years between CP prices and base prices.

Greg Gordon - Evercore ISI

Thank you.

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Jonathan Arnold – Deutsche Bank

Can I just ask about the comments you made about the FT4 units potential retrofitting with SCRs for capacity performance. Do you expect to make that decision ahead of this coming auction? What would the cost be and where do they stand on dual fuel capability?

Bill Levis ***- Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

Those units currently have dual fuel capability and the rest is TBD at this point. So we have to run it through our process here at this point. But it is an option that has some real possibilities we believe at this point.

Jonathan Arnold – Deutsche Bank

But it could be for this year, is that -- should we take --

Bill Levis ***- Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

I'm not sure what you mean by this year.

Jonathan Arnold – Deutsche Bank

As in for the 2018 / 2019 auction.

Bill Levis ***- Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

Yes, it could be offered potentially in that auction.

Jonathan Arnold – Deutsche Bank

Okay. And then just on the comments you made about risk premium Shahid, you had -- there's a $3 delta on that slide and I think you called out $2 is being attributable to transmission and other issues and then that you also saw an increase in risk premium. Is the other $1 the risk premium roughly?

Shahid Malik ***- Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

That's something I can't tell you for competitive reasons. But you can assume some of that is the risk premium, that's correct.

Unidentified Audience Member

Okay, thank you.

Julien Dumoulin-Smith ***- UBS - Analyst***

Hey, good morning. Can you discuss CP in the context of energy markets and just how you think about its impacts in the context of having improved reliability and dispatch?

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And here I'm specifically trying to get at this dynamic between volatile power and gas and specifically CP doesn't seem to hit gas volatility. And so presumably you'd still have some amount of volatility in the power markets but could you elaborate on that a little bit, just what your expectations are of CP on energy markets and also gas volatility?

Bill Levis *- Public Service Enterprise Group Incorporated - President & COO, PSEG Power*

I'll start first. One is I think with the right incentive structure it's a pretty good thing.

The fact is we get paid capacity reserves we should be there when that power is needed. And with the right incentive structure I think it will make sure that those folks who can deliver still participate but the folks will make a decision if they can't deliver they won't. And I think that's good for the market and that's good for prices potentially.

Shahid Malik *- Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade*

I think long-term a couple of things will happen, Julien. One is that the fleet will become more reliable across the industry. That will most likely mean that PJM can have afford a small reserve margin and it probably means that there will be less volatility from units having operational problems.

However, that doesn't discount the probability of volatility from things like being next to a large load pocket such as up here in the Northeast. It doesn't discount the probability of having high volatility because of weather and it doesn't discount the probability of gas pipelines frankly not being able to operate to meet the demands of their LDC customers as well as power generation which will be a lot higher in future years at the very peak moments in the summer and particularly the winter. So I think we'll see continued volatility going forward.

Julien Dumoulin-Smith *- UBS - Analyst*

Can you elaborate just briefly just on the reserve margin side of that? I suppose that's another element lurking in the background it, what are you hearing about that, what is your expectation?

Shahid Malik *- Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade*

We're not hearing anything. I would think actually PJM is trying desperately to try and get this CP product over the finish line because they perceive a real problem from next winter. And as you know FERC last week ruled that they could retain the extra megawatts that they had already bought for this next piece of time but they also ruled that they couldn't buy additional base capacity.

FERC will approve all the things that PJM is looking for. It's hard for us to speculate on what might happen.

We suspect that a good proportion of what PJM is looking for will actually happen and be approved by FERC but we also suspect that FERC will come back and say hey, we want some more information on this and there could be other interveners as well. But going back to your question on reserve margins I think it's fairly -- I haven't spoken directly to PJM about this but if I was in their shoes I would bet that I could afford a lower reserve margin five years hence than I'm paying for for today.

Michael Lapides *- Goldman Sachs - Analyst*

Yes, Michael Lapides of Goldman. I want to make sure I understand something about because a lot of participants are very bullish about the impact of CP and yet when you ask them just generically what you think it costs for a unit that doesn't have dual fuel today to put dual fuel capacity on the numbers aren't staggering.

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Lots of people -- there was a study in New England that said $30 to $50 a kW directionally in that range could be a little higher, could be a little lower depending on the unit. If it's inexpensive to add dual fuel relative to what an environmental retrofit would cost, and if everybody who doesn't have it adds it, what drives the bullishness?

Bill Levis - ***Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

I'm not sure I can speak to what others are driving, their thinking, but every units a little bit different. And adding dual fuel can be a matter of do you have a tank on-site or not have a tank on-site, what's the environmental permits one has to get and how many hours can you run sorts of things. So I think every site in every location will be different relative to the cost that it will take to get the dual fuel capability.

The tougher question is some of the older units that what's the level of investment you want to make in them, can you risk having a tube leak in an old coal plant at the worst time and then what is your what I call backup plan for that? Those will be the tougher investment decisions I think to make going forward.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Yes, so Michael I think firstly we've seen the adding of fuel tanks and fuel capability to some units, not necessarily ours but I've seen estimates ranging from a couple of million dollars to frankly tens of millions of dollars. Bill alluded to permit limits. That's certainly an operational factor that's going to inhibit some people switching to dual fuel.

But also it's not just about dual fuel it's about performance as well as the asset. So it's making sure that the unit is reliable by doing some proactive preventative maintenance and having in place a system whereby you fix things as soon as they come up. And a lot of folks haven't been able to invest in that because frankly the remuneration hasn't been there from the capacity and energy markets.

So I think it's interesting to see what finally happens. Our belief is that there are folks out there that will need to spend a fair bit of money. We're in the fortunate position of not having to do that and we hope that that will give us an advantage compared to some of our competition.

Bill Levis - ***Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

Some of our units for example were initially designed to have dual fuel capability. We just haven't been using it. It's a matter of restoring that.

In other cases it's a matter of putting all the infrastructure in there to be able to do it. And to Shahid's point we've had some interesting learnings relative to ease of being able to switch from one source to another. And we found some equipment challenges in that area that have to be addressed and for some that may be more expensive than others to deal with.

Rob Howard – Surveyor Capital

This winter we've had some pretty cold days and I was wondering compared to last year's polar vortex and all is the difference and why we haven't seen the spikes as dramatic just better preparedness by the industry or maybe there's cheaper oil, the cold wasn't quite as cold or not quite as widespread? Just wondering maybe how much some of these different factors had a play in it and if one or two of these had gone a little bit differently would that have been enough to really spike things up more dramatically than what we had?

Bill Levis - ***Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

I think there are two things driving it. One is I do think folks are better prepared. We are better prepared and a simple thing like having the units available for oil, we did much more extensive testing on oil coming into the winter season this year than we did last year.

So our units were much better and our operators were frankly better prepared to deal with that. But I see that as a key driver here.

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Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Yes, and secondly there's been a change in bidding behavior by some folks that procure the fuel. So last winter we saw folks paying whatever it took to get the fuel then and paying whatever fixed price.

Today they are much more prepared to say I'll buy at the index as opposed to buying at a fixed price. So then the price isn't ratcheted up every single time a transaction is done which is actually healthy for the market. I think it's better that way rather than seeing this very high prices one day and very low prices the next day.

Paul Patterson – Glenrock Associates

I wanted to follow up on Julien's question regarding the impact on the energy market from the CP product. As you know the cost benefit analysis that PJM put out suggested that there be a meaningful decrease in energy prices. Subsequently La Capra, there have been other reports basically indicating that that wasn't accurately done.

I'm just wondering A, where do you guys come down on that and if you do see substantial impact what that impact might be? The second question I have for you is on the PJM independent market monitor's bid cap proposal that would lower the bid cap associated with a complicated mathematical calculation if you see that as having any meaningful impact?

And then just finally on slide 77 you mentioned this impact in Washington, DC of new power plants and transmission impacting PJM West. If you could elaborate a little bit further as to what you see that doing to PJM prices and how much. That's it.

Bill Levis - ***Public Service Enterprise Group Incorporated - President & COO, PSEG Power***

Well I think we'll always stay away from the how much piece. But on your first point on CP and its effect on energy prices Shahid had mentioned during his discussion that actually the most significant issue we see out there that needs to be addressed is that of price formation. If that issue gets addressed I think that will help the energy market significantly.

So that's why we have a lot of work going on in that particular area. The impact of the market monitor statement I think we'll see. And we have our own question relative to what other folks were going to bid at that Safe Harbor provision or not and the Washington, DC business I will let you talk about that Shahid.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Absolutely. So with respect to what's happening in DC, I mean as you know we've had low load growth up here but a lot of load growth in the DC area. And as a result you've seen power trying to get from the low cost region which is frankly our area, PSEG Zone and south all the way down into Washington DC area.

Well it works when there's plenty of bandwidth for the transmission system to take that but when there's work being done as there is right now and when there are forced and unforced outages that take place from time to time it causes congestion in those lines, therefore causing DC prices to rise quite significantly. And they have a disproportionate impact on the PJM West price thereby inverting that natural basis.

So we do see a couple of things happening. One, we're seeing some of this transmission congestion being eased as BG&E and Pepco continue with their transmission work and upgrades. And secondly a whole bunch of new generation that's being prepared and planned for, you just need to look at the proposed investment to see Dominion in particular is building two big new combined cycles down there and there are several other independent power plant producers as well that are building new power plants.

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In total of about 5,000 to 6,000 megawatts of generation. That will have a sizable impact on prices, probably driving prices down, electric prices down and driving gas prices a little bit higher.

Brian Chin - ***BofA Merrill Lynch - Analyst***

I had a question for you on CP, not to beat a dead horse here, one of the other generators, Dynegy, indicated that they had signed a bilateral contract for $170 per megawatt day recently. To what extent do you believe that that's a valid price point to consider for how we think about CP over the next one or two auctions? And then I've got a follow-up question after that.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

Did you say $270 or $370? I didn't quite hear.

Brian Chin - ***BofA Merrill Lynch - Analyst***

$170.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

I know what you said. I was just kidding. I don't know, Brian.

I would be honest with you, you know what prices the capacity market cleared at last year. It was $120 for the RTO which is twice what it was the year before.

This coming year PJM intends to procure 60% to 70% of capacity as this CP capacity. We will engage in forward bilateral, both sales and purchases if we're short and if the number is $170, great.

My suspicion is we probably won't do a lot until the rules are in place but as you know there is a bilateral market both in PJM as well as in New York as well as in New England. And we're active participants in managing our surpluses and deficits around that. $170 for the RTO sounds like a good number, I'll take that to the bank if you think that's right.

Brian Chin - ***BofA Merrill Lynch - Analyst***

And then following up on Paul's question about the Washington, DC transmission line comment, are those upgrades at Bagley, is that incorporated into the CETO; CETL numbers that we see for the next capacity performance auction as well? Does that affect how you think about whether the PJM -- I'm sorry the PSEG zones will continue to be constrained in the future on a regular basis or not?

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources & Trade***

We don't know what inside PJM's blackbox. The utilities themselves have a better idea than we do on the competitive side.

My guess is that PJM has incorporated that or will incorporate that if they haven't already into their forward view of CETO and CETL. So yes I will be very surprised if they weren't aware of it and those transmission upgrades are planned, they are known, they have been approved by PJM. So they are obviously in the works and therefore I would assume that they are accounting for them.

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Andy Levy – Avon Capital

Hi, just back on the HEDD units I think it's what about 1,200 megawatts if I'm not mistaken. How much of that 1,200 megawatts realistically have the opportunity to be upgraded and then be able to bid into the auction? And what would be the cost of that because that's where I see I guess potential upside to maybe our thinking because I think most of us don't have -- have those units shutting, so just the thinking on that?

Bill Levis *- Public Service Enterprise Group Incorporated - President & COO, PSEG Power*

The two particular sites that we're looking at there are Edison and Essex. And essentially 400 megawatts site, 500 megawatts site, the cost we're still working our way through and if the cost makes sense and we think we can make money on it then we'll move forward with it.

Kathleen Lally *- Public Service Enterprise Group Incorporated - VP of IR*

We're going to halt any further questions for power until the end because we're right at the appointed hour for Caroline's presentation on the Company's financial position. Thanks.

PRESENTATION

Caroline Dorsa *- Public Service Enterprise Group Incorporated - EVP & CFO*

All right, good morning everyone. Happy to give you a little bit of a financial overview now as always. And don't worry because I know you're worried about Ralph's quiz at the end but my last slide I think is going to help before he comes up to give you the questions.

Okay, so financial review and outlook. Let me start as I usually do with a little bit of a recap of 2014 since we just released our numbers. And this is a nice opportunity for me to talk to you a little bit about how we see 2014 having rolled out in addition to the call discussion that we had last week.

So 2014 I think was a really good year for us. We ended with strong earnings growth and I'll go through that exceeding our guidance; things as you've heard about all this morning are right on track for PSE&G and the capital program. We continue to have a very strong balance sheet with no parent debt and I'll talk a little more explicitly about debt capacity including the parent this time this year and very solid credit metrics.

So where are we going in 2015 and beyond? Third year of anticipated positive earnings growth in 2015 as we know from the guidance that we talked about last week, continuing to control O&M growth even with a little higher on the pension side and I'll talk about that a little bit more. Balance sheet and cash flow, I think this bullet has been in my slides for a number of years and I'm happy to continue to repeat it. Without the need for equity issuance even with the $1.6 billion program that we just announced this morning, as I will show you that does not use up our investment capacity by any means so we have substantial additional capacity to continue to make those investments across our business both in PSE&G and at Power for the growth opportunities that we can see.

We'll see strong cash flow in both of those businesses as we've seen before and that potential for the accelerated dividend growth that we just announced to sustain as we go forward. So just a brief recap on 2014's earnings: Earnings growth of 7% on the full-year basis, exceeding our guidance.

And basically this was all fundamentally driven. Weather between the two companies was essentially flat so it was really quite fundamentally driven.

18% growth in PSE&G's earnings. Now over 50% of our earnings comes from the regulated business and as you know power's results exceeded our guidance and that's what led to our overall earnings results exceeding our guidance at $2.76 relative to our guidance which topped out at $2.75. So a 7% growth this year, 6% growth in the prior year over year and as you know from our guidance which I'll recap in a few minutes still anticipating growth this year as well.

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So what does that mean in terms of our businesses not just on the earning side but in terms of their cash potential? I'm going to talk about cash flow potential going forward but let's just recap a little bit what our businesses have done. Because one of the things we've talked about many times here and in other forums is that both of our businesses are not just earnings generators, they are positive cash flow generators.

So starting with Power, this is a recap but I thought it was worth just showing the three years prior and then we'll talk about cash from operations for Power going forward. You can see that cash from operations significantly good generation at the Power company. And then cash on a free cash flow basis as we've talked about before ranging from $650 million to $700 million per year.

So our power business generates earnings, it generates cash flow, its capital investment needs are relatively modest. And of course that leaves us opportunity to think about more cash investments for growth. But its required capital investment needs a relatively modest resulting in very significant free cash flow that's available to dividend up to parent, to dividend out to shareholders and to provide more room for incremental investments in the regulated utility.

Of course this significant positive free cash flow also goes along with very significant investment capacity which I'll touch on later. So there's lots of room given what Power's profile is, and how we manage it and what it's been able to deliver to seek more new investment opportunities.

But our other business, PSE&G, has also become a growing contributor to our cash from operations. So if you look back at our financials from 2012 and then up through 2014, you see this number growing from $1 billion to $1.6 billion in cash from operations.

And then of course on the investment side, we've been doing so much in reinvesting that cash to continue to drive the growth in our Company. What's important about this slide and something we've been talking about all throughout the day but I hope this helps boil it down a bit so much of what we been doing in the investments in PSE&G have been with those contemporaneous or formula rate returns.

So what you see is as we put all the money to work on the right side of this graph it's generating cash from operations on the left side of the graph. We have very little that's going to work that isn't in our new investments. Of course they are primarily formula rate or contemporaneous return and that means as we invest our investment capacity we are refilling the pool if you will because those investment start to give us cash back.

That just allows us to talk about an expanded capital program while still talking about incremental opportunity to do more. So it's a nice picture to have both of our businesses be free cash flow cash from operations, positive generators and to have the opportunity to put that money back to work primarily in the regulated utility where it generates even more cash based on its profile but also to seek opportunities to make investments in Power.

So when you combine the story, when you put the picture together, this is our sources and uses for 2014. These are our actual numbers.

You can essentially see them in our 10-K simply adjusted for the securitization cash flows which we always do on the PSE&G side. PSE&G is now the larger generator of cash from operations, something we've talked about trending toward over the past few years.

Again based on the strength of the returns of its capital program. Power's cash from operations as I just mentioned is significant.

And then the PSE&G net debt issuance which I put at the bottom here as the source of cash because I just wanted to show it relative to the investments we're making at PSE&G. And then you can clearly see Power's cash from operations more than handling its cash investment needs leading to significant free cash flow.

Just keep in mind the cash investment that I show here for power if you're reconciling to the 10-K is different from the capital investments because cash for investments also includes nuclear fuel and emissions credits. So that's just a convention of how we show it on the 10-K. So significant cash from operations from both businesses, lots of investment opportunity at PSE&G and still more opportunity going forward.

So let me move from that then and go to the forward look. So on this slide our capital expenditures over the five-year period, if you look at the total program, the $13 billion program for capital expenditures over our five-year period you can see here that as we've talked about earlier, about 70% of our total investment program is really focused on where we're going with growth. And most of that is happening at PSE&G.

So you see the maintenance expenditures for the five-year period for power and PSE&G and then you see the $9.2 billion of growth investments that we have in both businesses. So power growth comprises about $600 million over the period, a little bit more to go on the operate spending, some

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Solar Sources spending, AGP uprate the combined cycle as Bill mentioned and also PennEast we put here, even though it is an equity investment in a JV for this purpose we show it here as well.

On the PSE&G side, two separate buckets that we talked about before, growth investments that are related to Energy Strong, solar, and new business. And then $6.7 billion significant to come investments in transmission over the five-year period resulting in that total of $9.2 billion out of our $13 billion or -- 71% of the investments for growth.

I've added then a reconciliation of the potential investments over this same five-year period that Ralph talked about earlier. So the gas infrastructure program that you have the press release for here as well as Artificial Island, those two together over the five-year period could be as much as an additional $1.3 billion leading to a total of $14.3 billion potential over the five-year period.

Now just to do a quick reconciliation because if you look at the press release it talks about a $1.6 billion program as filed. Keep in mind that's a program whose duration would be in total about five years but would not start today, doesn't start obviously now, so you have to think of it is layering in when we finish the gas infrastructure spending in Energy Strong at some point next year and then continuing a bit beyond 2019.

So it's about $1.1 billion of the $1.3 billion is the infrastructure program over the modeling period and then artificial island of about $200 million. So just to tie those things out for you as you look at the five-year spend going forward.

So continuing robust program, again driven by transmission but with growth opportunities, a little bit of Power, Energy Strong at the utility and of course as I just mentioned we'll come back to more room to do even more hence the new filing as of Friday afternoon. So in terms of what that translates into in rate base for PSE&G I thought it would be good just to step through a little bit of where we are now and where we're going with our rate base growth as we go forward. So we ended 2014 with a rate base of $11.4 billion, transmission is about 39% of that rate base and remember we've been talking about this walking up over the past few years.

It was about 35% last year. So our rate base CAGR from 2014 base always basing for the actual through 2017 is 12%. You can see the pieces of what flows into rate base obviously being driven by transmission resulting in a 2017 estimated rate base of $16 billion, about 48% transmission.

And then as we go all the way out to 2019 consistent with the capital program that I just -- the capital expenditures that I just showed on the prior page without the new programs we just filed and without artificial island you can see that getting to slightly in excess of $18 billion, a 10% CAGR on the rate base growth for that full five-year period. And now you can see that transmission is more than 50% of the rate base, something we've been talking about moving toward given the fact that the spend is so heavily weighted toward transmission.

If we have the new program that we just talked about, and Artificial Island, that would move the rate base up to more than $19 billion. It would still be more than half transmission, slightly less in terms of the percentage obviously because most of what would be rolling in there is the gas program. But an 11% CAGR on the rate base, still driven by transmission, still more than half transmission and that's now over a five-year period.

We haven't really talked about five-year period for rate base before. We've typically talked about three and we thought given the extent of the things that we've been talking about today it would make sense to give you a picture of a five-year rate base.

You know, when we thought about doing a five-year rate base one of the things that occurred to us was to take a look at what that has been over the past few years. So I added this slide to the discussion this year to really give you a bit of a comparison on how to think about what we've been doing in rate base growth over the multiyear period. And I think part of the point we've been emphasizing is the continued strength of what we're doing in the regulated utility.

This is a picture of our five-year CAGRs in rate base going back to 2010 and then just rolling it forward every year. I think the point here is of course obvious. We have had a long track record of five-year results of double-digit CAGR in our rate base.

And if I take you back to 2010, that was a rate base that at that point the first calculation of the CAGR was an $8 billion rate base where transmission was just about 16% of the rate base. If you roll forward to 2014 the starting point is over $11 billion in the rate base with transmission at growing more than 40% over -- a 40% bigger rate base with transmission being about 40% of that total.

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So we have a much bigger rate base that we're talking about, a 40% larger rate base, than we were in 2010 and we're still forecasting double-digit growth in that rate base over the five-year period. So again continuing our track record and that track record continuing for the next five years also is consistent with high single-digit growth in our earnings over the three-year period.

So we haven't given earnings growth forecast for the utility as Ralph mentioned earlier this morning over a five-year period just because things are a little more uncertain on the O&M, etc., but we are giving a three-year guidance for high single-digit growth in the earnings. I've had some questions about how to think about the reconciliation of the double-digit rate base and the high single-digit earnings growth but just a couple of points. Remember we never talked about double-digit earnings growth for more than a three-year period in prior years.

So a couple of things are happening. Keep in mind that bonus depreciation was affected at the end of 2014. That has some annualization effects as you go into 2015, a little more impact in 2015 in the out years than it had in 2014 with a little bit of a pulldown on the earnings.

We're doing a good job I think managing our pension costs over the long term. That's a little more of a near-term, no long-term effect. But we're also watching of course O&M growth as we go forward and of course as Ralph said we haven't had tremendous load growth.

So we never thought that with the base getting bigger it would be double-digit as far as the eye could see. But we're very pleased to have high single-digit growth over the three-year period.

And keep in mind our guidance for 2015 over 2014 at PSE&G and if you look at the growth that's implied in that guidance relative to a high single digit for the three-year period you could obviously do the math and figure out the robustness of the growth that we see beyond 2014 to 2015. So we're very pleased obviously with that story and our ability to sustain that double-digit rate base growth over the five-year period.

So this picture in terms of cash flow goes right all along with that five-year period for rate base growth. And obviously I don't put the numbers in here and I know you'll pull out your rulers and figure it out but I think a couple of points really stand out.

First of all that PSE&G cash from operations just continues to be very, very strong. And that goes right along with the fact of the vast majority of the investments we're making are in contemporaneous or formula rate clause recoveries. Power still continues to generate significant cash from operations and of course PSE&G issues debt consistent with its capital program.

By the way, bonus depreciation does generate about $400 million in cash for us this year. Most of it is at PSE&G. And remember bonus depreciation related to assets put in service in 2014 at 50% or assets put in service in 2015 of a significant magnitude the amount spent in 2014 gets the 50% bonus depreciation.

So the realization of that cash on a real-time basis is really a 2015 event. So PSE&G, significant cash from operations over the period, Power again generating free cash flow as you can see. And if you just look at the planned programs, so here what I mean is excluding the gas filing and Artificial Island, the other thing that you'll see here in terms of the uses of cash is Power net debt.

And that means that Power's net debt is actually going down over the five-year period. Not a lot but a little bit suggesting that we are not using up that investment capacity.

If you flip to the right side where we talk about the potential for the cash flow needs relative to the new programs that I just mentioned you will see that again the investments are higher at PSE&G, the cash from ops is a little bit higher. Power now starts to be slightly issuing net debt but certainly not a lot and not a lot relative to the investment capacity that Power has.

So the picture clears and the bar, the part of the bar that continues to not be here on a year-after-year basis is equity issuance. There's simply so much capacity for us that we don't use it up by making investments. And of course the investments that we're making like the gas filing is a pretty significant investment going forward.

So let's talk a little bit about what that means for the credit metrics. As I said we're not using up all of Power's investment capacity. This picture, similar to one that we've looked at in prior years.

You can see where we landed in terms of FFO to debt at Power. It was well over 60% last year. It's just about -- two years ago, it's just about 60% as we close 2014.

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And the number one message it is the average over that 2015 to 2017 period continues to be well in excess of the floor that we set for ourselves at our credit rating of 30% FFO to debt. I will talk about in just one second on the next slide what that translates to into net new investment capacity but I think you understand our story, very strong and consistent on watching those credit metrics and the room that they give us for more investment.

We also give you some guidance here on how to think about the average cash from ops or funds from ops which tend to be similar. Averaging about $1.4 billion over each of the years 2015 to 2017. So signaling that this high credit metric goes along very high cash from ops generation as you would expect since the debt is relatively stable.

And what that means is really potential for significant new growth opportunities and new investments that we will continue to seek across both businesses. So how much capacity do we have? We've talked a lot during the past year in many different forums about power investment capacity as well as parent investment capacity.

As we know in the current environment given the fact that we have no long-term parent debt and we have not had that for a very long time but we know that parent at capacity is truly there, particularly for investments in the regulated business. If we look at our estimate of the average for funds from ops to debt over the period both for Power and then combined because the utility of course has a different profile consistent with its regulated capital structure you can see then both credit metrics are well in excess of the thresholds or the floors that we would set for them for our current credit rating.

So what that means is we have significant investment capacity both at Power and at Parent. And if you think about how this translates because of the utility's 2 to 1 essentially ratio of using this investment capacity, think of it as the equity portion of investments made at PSE&G, then we have the capital structure which is the debt portion, you can see that this capacity if it were fully used at PSE&G and if it were fully used in PSE&G in ways that did not generate clause recovery and therefore cash coming back, so those are two big ifs, the latter being not the way we've been making investments, you could use this capacity for over $6 billion in regulated investments.

You of course can also use certainly the Power capacity for investments in power. And when we talk about capacity again we just think about using it without cash coming back. But of course all of our investments are done to look at and look for cash generation coming back.

So bottom line to this, plenty of investment capacity here. As I showed you on the previous sources and uses slide the $1.6 billion filing for the gas program, even though it would use about spending of about $1.1 billion, as you could see from that prior slide doesn't get anywhere near using up this investment capacity because of the strength of the cash generation of the clause recovery. So lots of opportunity bottom line to seek investments in both businesses going forward.

Let me turn now for a second to pension and O&M because we've had some conversations about this on the side this morning. So pension obviously an important part of our total O&M picture and one that as you know because we don't smooth year-end asset values has sometimes can be a little more volatile for us in down markets which is not what we had last year.

So coming into this year we have a 93% funded ratio on our PBO assets at $5.3 billion and PBO at $5.7 billion. We had a one-year return on our pension trust of about 9% on a three- and five-year compound annualized basis. You can see our returns are double digit on the pension trust. We take a long-term strategy and that has we think significantly paid off for us.

So we have very minimal contributions that we've been making to the trust over the three-year period, less than $50 million in total in the aggregate over this three-year period. We will have a slight increase then to our pension expense in 2015. Given remember where we were last year we actually had pension income so some negative expense of about $0.02.

This year we will have pension expense slightly less than $0.07 and given just carrying out our investment assumptions likely coming back to pension income by 2017. So what turned that around? Obviously not our investment program which continued to deliver in excess of our forecasts, our assumed rate of return of 8%.

Two things that I know you're aware of because everyone who has a pension trust has been talking about them. One is the discount rate. Everybody was forecasting interest rates higher last year at the beginning of the year and I think when everyone forecast interest rates higher they tend to just turn and go lower.

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So they ended up lower and so the discount rate ended up at 4.2 versus a year ago's discount rate of 5%. And then as you probably are all aware the Society of Actuaries adopted a new mortality table.

The good news is we're all living longer, the bad news is this has a little bit of impact to pension expense. Those are two things of course not in our control.

The thing that is in our control, how we fund the plan and how we invest the plan, continued to pay off for us. But those two things are the primary -- the drivers really of the changes in our pension expense relative to our plan expectations and the discussion we had last year.

In terms of rolling forward in total to what that means for in the aggregate O&M growth we see and we continue to talk about this a low single-digit growth in O&M over the 2014 to 2017 period 1.4% which is we think a very good number relative to the fact that of course labor and fringe overall is about half of our O&M expense. You can see that for the businesses transmission and distribution if you put those together the utility overall is about 2.2%, Power is about 1%.

Transmission is a slightly negative number given some one-time costs that we had in the transmission O&M for 2014 that put it up just a little bit higher than normal and then some allocation factors between transmission and distribution. But overall that 2.2% in the utility about 1% at Power.

I know you will remember that last year these were negative numbers so negative expense growth. But obviously keep in mind that we have coming into this year if you remember last year's picture it was actually quite a bump down in 2014 because of the swing in pension expense from expense to income and then there was a little bit of growth from 2014 on.

We've not taken that pension benefit in 2014 so now we are in the modest growth as we go from 2014 to 2017. But obviously still a kind of expense growth that we're pretty pleased with given the fact that it reflects ongoing cost management all across the Company not just in the fringe line but of course fundamentally driven by what Ralph and Bill do in the businesses every day.

So wrapping that up in terms of what it means for earnings, this is our guidance for 2015 as we talked about during the earnings call. You can see the growth that we still expect to see at PSE&G and then power's guidance relatively consistent with power's performance in 2014 leading to guidance of $2.75 to $2.95 overall giving us the opportunity for continued growth for a third straight year and regulated mix in earnings you can see down below as well. So we're very pleased to have this guidance reflecting what we really feel are the fundamental strength of both of our businesses and continuing our PSE&G investment program.

Of course earnings is one way in which shareholders get paid and the other of course is the dividend. And so this slide which you've seen before in our decks from the earnings discussion last week showing dividend increase, 5.4% as Ralph mentioned earlier growing from 2014 to 2015 you can see our payout ratio and given where our credit stats are and our cash flow, very comfortable place in terms of payout ratio. And then importantly the opportunity for really meaningful and sustainable dividend growth the message that we're trying to send you today obviously and I think supported by the strength of what our businesses expect to deliver and have delivered pretty consistently over the period, not just in earnings but also in cash.

I also give you just a quick recap of some of the sensitivities that we have talked about many times before. Since we don't give you Power guidance other than this year we like to give you some view of how to think about the sensitivity of the power business to some changes and some key factors like gas, spark spread, dark spread and capacity factors, the things that Bill and Shahid have talked about. Let me just point out for you as a reminder to marry this slide with the slide that was in Shahid's deck about our hedging program.

If you look at the natural gas price changes and their impacts on Power bottom line you can see the implications of the hedging position that we currently have. So changes in gas prices not having a dramatic impact on our earnings in 2015 because we are 75% to 80% hedged as you go out to 2016 and 2017, 50% to 55% hedged in 2016, 25% to 30% hedged in 2017. But do keep in mind it's important when you think about the gas price impact on to earnings that in 2017 even though we're 25% to 30% hedged overall, we are 40% to 45% hedged in the baseload and so obviously that has implications relative to the gas price volatility.

You may remember on the call I talked about a $0.24 impact from a dollar change in gas prices if we were totally open but that's not the case even in 2017 because as Shahid talked about we have already layered on some hedges. Then you can see the factors that swing earnings relative to spark and dark spread and capacity factor and then the estimates 2015 and going forward of how to think about implications for incremental investments in the utility, just multiply by the equity ratio and the return, changes in sales, changes in O&M and then changes in ROE applied to that segment of our business.

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Remember transmission getting bigger as we go forward leading to those penny differentials. So a good way to think about volatility for factors as you look to fill in your models on a go-forward basis.

So with that I'll sum up and then will might be happy to take your questions. As I said our guidance exceeded our revised expectations. We continue to anticipate a third year of positive earnings growth and then in terms of what we've been doing in the utility fifth straight year of double-digit five-year growth in rate base and high single-digit earnings growth on a three-year basis.

That's Ralph's point 1, the utility story is intact and continuing. Power's continued focus on operational excellence, market expertise and financial strength, I think as Shahid and Bill told you the power story just continues to deliver.

And then the strong balance sheet and cash flow supporting our capital program and just leaving us continued room to seek out more opportunities. And then the dividend growth consistent with our long history. So those are actually Ralph's four points right there.

So that's something we're pretty proud of and frankly something we look forward to continuing to deliver, seek out more opportunities, continue with our discipline, continuing with operational excellence to allow us to deliver what we've been delivering relatively consistently. So with that, thank you for your time and I know Ralph will come back up and join me at the podium and we'd be happy to take your questions.

QUESTION AND ANSWER

Dan Eggers – Credit Suisse

Well I guess I get the luck of the draw sitting closest to Kathleen to ask a question on slide 101. But when you look at the $6 billion of capital that's available to be reinvested relative to the $1.3 billion of capital sitting out there and that's actually longer than the 2017 time horizon, how are you guys thinking about the balance sheet in that context? And given how it gets less and less efficient given the amount of cash you have available to reinvest, when do you guys start expanding your horizons of what you're willing to do with the capital?

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President & CEO***

So thanks, Dan --

Unidentified Audience Member

Everybody wants to know about this, I guess.

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Our prioritization hasn't changed. Bill talked about a $600 million Bridgeport Harbor plant that we didn't clear the auction. That's something we're not going to give up on.

Ralph talked a little bit about REV which we're not active in in New York State but we have our version of that in utility 2.0 on Long Island. There's still a $345 million program that we put on the table there but we won't hear about that until the end of the year.

We took a $10 billion utility program in the last five years and now it's going to be anywhere from an $11 billion to $12 billion. And you should assume that since we've been doing that every year since we've been coming here for the last seven years that that's not going to drop off a cliff.

We've I think delivered on the dividend growth. So it's reinvest in the business, grow the dividend and it would be nice if we'd stop getting penalized for being able to return cash so quickly but I realize that maybe that's me being a little defensive. So it's really more of the same just more and more of the same.

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Unidentified Audience Member

If I were to jump to slide 64 earlier in the presentation when you guys show the list of PEG Power opportunities for reinvestment, not a lot of those have turned to conversion yet. How do you guys think about the need for visibility to returns and the ability to contract out those future cash flows before you're willing to make some of these investments with either Bridgeport or Sewaren or wherever that capital could go?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Well I want to make sure I interpret that question --

Unidentified Audience Member

So I guess what's going to get you guys over the line to make these investments? Is there a visibility to cash flows that you need that you're not seeing right now or the return threshold is not high enough? And what kind of reforms do we need to see to make you guys more comfortable to spend that money?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

It's more the latter. When we do the modeling of where we think the forward prices are and we start with the market then we bolt-on our fundamental view beyond the three-year horizon that the market ostensibly is liquid although that's becoming a shorter and shorter time frame.

If it doesn't achieve our hurdle rates we don't go forward. So it's really just whether or not -- demand isn't growing very much anywhere in this part of the country. So the supply retirements that were expected to take place by and large have been factored into the market.

So you've got a tiny, tiny growth rate in future demand and I think that's why you see us and others tucking in small expansions to meet that demand growth. And that seems to be the most economically efficient way to do it.

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

We certainly see a lot. So we model a lot, we look at a lot. It's not like there aren't transactions out there but they obviously have to hit the hurdles.

Greg Gordon – Evercore ISI

Very quick follow-up to that question your power team did mention that they consider your portfolio in New York and New England to be subscale. So is there a scenario where you either get rid of that portfolio because it's subscale or you look for opportunities to get to scale?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Yes, and yes. We demonstrated that in Texas. Candidly in Texas the bid and ask spread was quite large in terms of what we were willing to bid and what others were willing to give us for our units.

We've come close on probably three or four occasions so I think we're going to have a little bit more patience, plus just the geographic proximity of New York and New England to our PJM footprint makes us a little more patient.

The answer would be yes we would -- we continue to look for opportunities to get bigger there. But at some point in time you would if that spread between what we that the market was worth and what others thought it was worth got large enough we would sell.

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Paul Patterson – Glenrock Associates

I wanted to first of all ask about how you really see merchant expansion. Clearly you guys are doing some sort of low-hanging fruit minimal investment for upside and what have you and you've looked at some other potential opportunities but in terms of merchant exposure in general, are you guys thinking at all perhaps expanding really substantially in it given how much you guys have now become regulated, just where you feel the mix is or where the sweet spot is in that? That's number one.

And then number two, given the Exelon Pepco merger and given the amount of leverage that they seem to be putting on that deal and the BPU's recent approval of that transaction in New Jersey, what do you guys think about the potential of really using more leverage to turbocharge some potential opportunity out there?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Thanks, Paul. So on the first question, a version of that we typically get is what is your optimal regulated, unregulated ratio that you're seeking to achieve and our answer always is there is none. There is no magic ratio we're seeking to achieve.

Bill and Diana Drysdale constantly come up with new opportunities in the purchase power agreement supported renewable solar world and we'll put money there because that seems to achieve our desired return expectations. It looks like the most, the strongest candidates for achieving our return expectations are capitalizing on existing sites, getting another 150 megawatts out of the combined cycles, tucking in a 200 megawatt peaker. Even Bridgeport Harbor, the one that just we tried to do and just missed on that's an existing site.

It's not an existing unit per se, it's a brand-new unit, but it's on an existing site. So it looks like incremental generation additions seem to be the most competitive alternative (technical difficulty) have the earnings per share of the Company we have those opportunities to do that in the form of share repurchase. That is the number three on the priority list of one, two and three reinvesting in the business number one, dividend growth number two and then share repurchase number three.

We're not big fans of that. It seems that people do that and it's not always clear that the market is inefficiently pricing the stock so that you can capitalize on something. If there is that discontinuity in options one and number two aren't available to us then we would use capital that way. But our Board nor I am a real big fan of what we would call financial engineering.

We just look for a really solid operations and good investment opportunities, good from the point of view that they achieve our hurdle rates and a benefit customers. Caroline, you may want to add something --

Caroline Dorsa *- Public Service Enterprise Group Incorporated - EVP & CFO*

No.

Julien Dumoulin Smith - UBS

Just following up on your comments before about the double-digit utility CAGR on the rate base versus the earnings, can you elaborate a little bit more around the bonus depreciation in the pension expense/income? So just throwing rate back at you I would expect that expense swinging to an income would be a benefit as you roll forward from 2014 through 2017.

You talk about bonus depreciation. Can you elaborate what the bonus depreciation impact is and then also in that context talk about the earned ROE implied? So I suppose you earned your ROE to a large extent last year, I suppose that's what you said the other week.

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Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

Right.

Julien Dumoulin Smith - UBS

It seems as if you're alluding to some amount of compression through that period. Am I hearing you correctly?

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

Sure. So on the bonus depreciation, so the bonus depreciation effect is more in 2015 forward than it was in 2014 because of the implications of the total impact to the formula rate.

So the bonus depreciation impact that we talk about in the 10-K is $21 million for 2015 so it's just shy of $0.03 and that's not the impact that it had in 2014. It was a lower impact in 2014 of about a penny. So it has a little bit of a dampening effect on the growth going forward.

On pension so I tried to distinguish the impact on pension from 2014 to 2015 versus 2014 to 2017 because I did say we would come back to income by 2017, right? The impacts to pension are primarily a 2014 to 2015 effect if you just look absolute. So we have to comparisons we made.

One is to last year when we were talking about pension income just continuing to improve. This year I'm talking about income going back to expense and then coming back around to income by 2017.

So not at the same level as it was last year when we were just forecasting income to continue to grow. But the pension income in 2014 goes to expense and goes back to income by 2017 so it's not a huge driver of the point-to-point.

The point-to-point is just the inflation on the other cost which is still modest on an overall basis obviously for the utility overall at 2.2%, not specifically pension fringe and other costs driven. So bonus depreciation a little dampening on the margin side and then a little bit of O&M cost not primarily related to pension if you're doing point-to-point. And also of course as we've talked about we don't have tremendous load growth as Ralph talked about as well, so that would be a nice boost if we had a little more of that on an ongoing basis.

With that bigger base we've always said it wouldn't be double digit forever. Pretty happy at high single digits and as I mentioned just a few minutes ago if you look at where we are on a 2014 to 2015 basis wherever you want to put us relative to our guidance and you think about high single digit over the three-year period, you can do the backwards math and think about what that means for the years beyond this particular year when pension really does have an impact 2014 to 2015.

In terms of the ROE we're very comfortable with our earned return and very comfortable with our expectations for filing a rate case in 2017 as we agreed under Energy Strong. So I would probably leave it there for the ROE.

Steve Fleishman – Wolfe Research

So sorry to ask the same question again in terms of available capital but when you give the slide with a $4 billion number and then the $6 billion investment number that's versus this minimum threshold of balance sheet. But your Company's generally always had a strong balance sheet and I'm not sure when you say minimum threshold that's really where you'd want to be or not. Maybe you could give a little more sense of when you think about available capital where do you want the Company to be relative to that and just as opposed to a minimum threshold?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

I'll start and then Caroline can pick up. What we've consistently said is we want to be a solid investment grade business. We believe we can be a solid investment grade business and achieve given our business mix now with the utilities that merchant and FFO to debt of 30%.

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So we're not worried about getting down to 31% or 30%. It's not -- we're not putting a band of safety above that and pretending that 30% number is a fabrication and we really want to live at 40%. That's not the case at all.

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

You know, as I said the numbers and the balance sheet capacity are now showing both Power and Parent just to give you a sense of the extent because we know there's been more discussion of parent debt. Keep in mind what that means in terms of investments would be if those investments don't return cash.

So we've had this sort of rich person's problem which we're not really unhappy about which is those utility investments have generated cash flow coming back as we've put the money to work without the lag that you normally would think about in utility investments. You put all the money out then you go for the rate case and figure out what you get back.

So we're very comfortable that that gives us the opportunity to think about over $6 billion if we were to use it all in the utility. We don't mean to imply that the only place we look to use that investment capacity is at the utility per Ralph's earlier comments and what Bill has talked about. We continually search for good assets on the power side that can enhance our portfolio there as well.

The power investment capacity I like to think of as available for either business. The parent investment capacity, generally speaking you would look to us thinking about that more for the regulated side, the equity portion of the regulated side. So Power capacity free for both parent capacity, generally for regulated-oriented investments.

Ashar Khan - ***Visium Asset Management - Analyst***

If I'm looking at this page 103 which shows the O&M slide, I don't know if it's drawn to scale but if I look at it we have taken most of the cost increase over this time period in 2015. And so really the O&M is if one looks at it scale flat from 2015 to 2017, is that what you're projecting that the hits have all been taken in 2015 and we are going forward really it's as you said on earnings it's higher and so on O&M it's flat. Is that the right way to think?

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

Yes, but without giving you specific numbers as I was mentioning it's kind of the inverse of what we had last year. So last year we had a three-year picture of O&M that started with a 2013 base and had a 2014 negative growth because of the significant impact of pension which was without trying to give you too many pension numbers but on a year-on-year basis $0.08 positive between 2013 and 2014.

Now we've got that 2014 to 2015 effect which is significantly driven by what's going on with pension and OPEB because of the discount rate pension and the actuarial as well that does give us that bump. But you're right, then you see a more moderating trend which is how we get the trend of 1.4% over the three-year CAGR. That really, just to reemphasize, that is not about just pension.

That is about ongoing everyday O&M management of both businesses. As Bill mentioned the change in what we're doing with the nuclear security and a lot of other things like that to make sure that pension swings around for some things we can't control; everything else we can control, if we didn't we wouldn't have this picture. So yes you're right and you're trending and it reflects not just what's going on with fringe and pension but what's going on across the Company.

Ashar Khan - ***Visium Asset Management - Analyst***

And if I can have a follow-up question, this was in Power's results slide 49 where you said that I guess last year and this year where the portfolio has this ability to gather nearly 10%, $60 million from the weather basis, fuel, gas costs, spark and dark spreads, ability to perform really well. So can you say that this year should have started off pretty well because we had a very sustained winter and I think we had the added flexibility of low oil

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SI-SSA-0015-13159

prices and a lot of our as we were hearing that a lot of our generation has dual fuel capability of using oil and oil tanked and should have been helped. So all this would suggest what I heard with the volatility and prices and all that that we should have started off the year pretty damn good.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

You never disappoint, Ashar. I was wondering who would ask us to have our first-quarter call today. So we'll fill you in I think it's May 1 on that.

Greg Gordon - ***Barclays***

Yes, thank you. You've had some success at the Enterprises and other level on growing the solar business. Where do you see that going forward with the opportunities?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

So, Greg, the solar businesses in the power results nowadays. So the enterprise and other is largely Long Island and any interest finagling that Caroline is able to do that benefits the whole entity. So the Solar Source numbers are in PSEG Power.

That's from a geography point of view. From a substantive point of view we plan to grow it. As I mentioned Bill Levis and Diana Drysdale have attacked a segment of the market that is the 5 to 25 megawatt which doesn't get the same attention as the 600 megawatt and the rooftop but it's ones that now we're in nine different states and we're developing a pipeline of opportunities that are brought to us by developers.

We don't have a big development team and we basically purchase them and own them and operate them for the long term. So we'd like to do more of that. But they are all minimum 20-year PPAs, some of them are 25-, 30-year PPAs.

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

I'd just add because I had the capital numbers in there I just saw the piece that was Power - growth, you can easily back this out. So about half of what is in there for the $600 million is Solar Source, about half. There's AGP and the rest of the Peach Bottom uprate and PennEast but about half is Solar Source.

Michael Goldenberg - Luminus

Ralph, Caroline, just to follow up on Ashar's question, when you issued 2015 guidance was it based on latest available web information up until the date of the call and incorporated or was that guidance done early in the year? Maybe that's --

---

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

So we issued guidance assuming normal weather for the year.

Caroline Dorsa - ***Public Service Enterprise Group Incorporated - EVP & CFO***

That's right.

Michael Goldenberg - Luminus

So it did not incorporate whatever might have just (multiple speakers) thank you very much.

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Paul Fremont - Nexus

Just a quick question on I guess the gas spending. Last year I guess when you filed Energy Strong there was a lot of opposition, political opposition and intervener opposition in the case to spending incremental amounts.

Are you expecting similar opposition or the same parties to object in this year's proceeding? And if not what would make this spending different than what you had proposed last year? And for 2017, how much -- if you got everything you asked for how much would rate base go up in 2017?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President & CEO*

So there were four critical issues on Energy Strong, Paul. One was allowed ROE, two was recovery mechanism, three was size of the program per year and four was duration of the program.

I think to Ralph's and his team's credit they've said uncle, here's the allowed ROE we've agreed on in the last two sets of discussions we've had. It was 10 months ago that we agreed on a recovery mechanism in Energy Strong so we'll file the same recovery mechanism.

I would hope that 10 months hasn't changed a lot and therefore that's equally acceptable today. But time will tell. So I think Ralph said himself the question will be the size of the program not so much from a run rate per year because whether you turn a 100-year replacement program into a 30-year replacement program to me you're still waiting too long but more in terms of how long we'll be allowed to do that without being asked to come in and refresh the program.

So will that be three years, five years, four years, two years. So my expectation would be that we put in a perfect filing and it should just be agreed to next week but that's probably not reality and there will be some discussion around the duration of the program.

Caroline Dorsa *- Public Service Enterprise Group Incorporated - EVP & CFO*

And then on your question relative to the rate base so think of it this way the numbers that I have here for rate base for the gas program is $1 billion. I quote over the five-year period but it's really 2016, 2017, 2018 and 2019 because we are not assuming that that program starts in 2015.

So it starts somewhere into 2016. So what you really have is four years of rate base growth but the first year is not a full year. So I'd say a little bit less than half of the $1 billion would be in the rate base by the end of 2017.

So that's the right way to think about it because you've got some trailing of the 350 for Energy Strong carrying into 2016, then you start this program partial year, then you have a full year in 2017. So think of it as a little bit less than half.

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President & CEO*

So in the capital deployment conversations we keep having, I mean obviously the gas system given the increased use of natural gas, given the concern over fugitive emissions is an area that's going to garner continued if not growing attention.

Kathleen Lally *- Public Service Enterprise Group Incorporated - VP of IR*

I think that's all the questions, Ralph. So if you wanted to --

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President & CEO***

Yes, so I'm not going to quiz anyone. Obviously we had a little fun with that.

But the four main points that we've tried to bring home are we've taken a $10 billion utility capital program and turned it into what I believe will be a $12 billion program. Right now we're just talking about $11 billion. That's going to give us double-digit rate base growth for five years.

We've done a good job of managing customer bills. We have strong tailwinds on those customer bills out through 2017 with some strong potential for energy efficiency I think once we look out beyond 2017 given the agreement in principle we've reached with the staff recently.

So the utility story is very, very much intact. Power's flexibility just keeps showing up in so many ways. I think we're all looking forward to using that diversity of its assets, the flexibility of the fleet and a new CP-driven RPM auction.

The balance sheet is as strong as it's ever been. There's no need for additional equity, the credit metrics are strong. You see the additional capacity for up to $6 billion in regulated-type investments.

The dividend growth that we just came through with last month is something that we believe is sustainable over the planning horizon. I thank you for being here especially given the challenging weather conditions and as always Kathleen and Carlotta are available for any questions that you have after today and we look forward to seeing you at future conferences. Thank you.

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2015 PSEG Investor Conference

MARCH 2, 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13163

Forward-Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or the price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as for transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13164

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to those slides included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

SI-SSA-0015-13165

2015 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
PSE&G	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Power ER&T	Shahid Malik
Q&A Session	
Financial Review & Outlook	Caroline Dorsa
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-13166

STRATEGY – DELIVERING GROWTH

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-13167

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:

- Transformed business mix
- Robust pipeline of opportunities

Results

- Project 3rd year of EPS growth
- Increased rate of dividend growth
- Best in class utility growth rate
- Stable business mix with upside potential from power markets

SI-SSA-0015-13168

Two complementary businesses

A stable platform, each with growth opportunities

Electric & Gas Delivery and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: An $11 billion infrastructure program – focused on transmission – produces double-digit rate base growth through 2019

2014

Assets $22B
Operating Earnings $725M

Regional Competitive Generation

Strategy: Diverse (fuel and dispatch) fleet geographically and environmentally well positioned, with investments to enhance competitiveness

Value Proposition: Provides substantial free cash flow in current environment and upside from market rule improvements

2014

Assets $12B
Operating Earnings $642M

SI-SSA-0015-13169

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2014.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

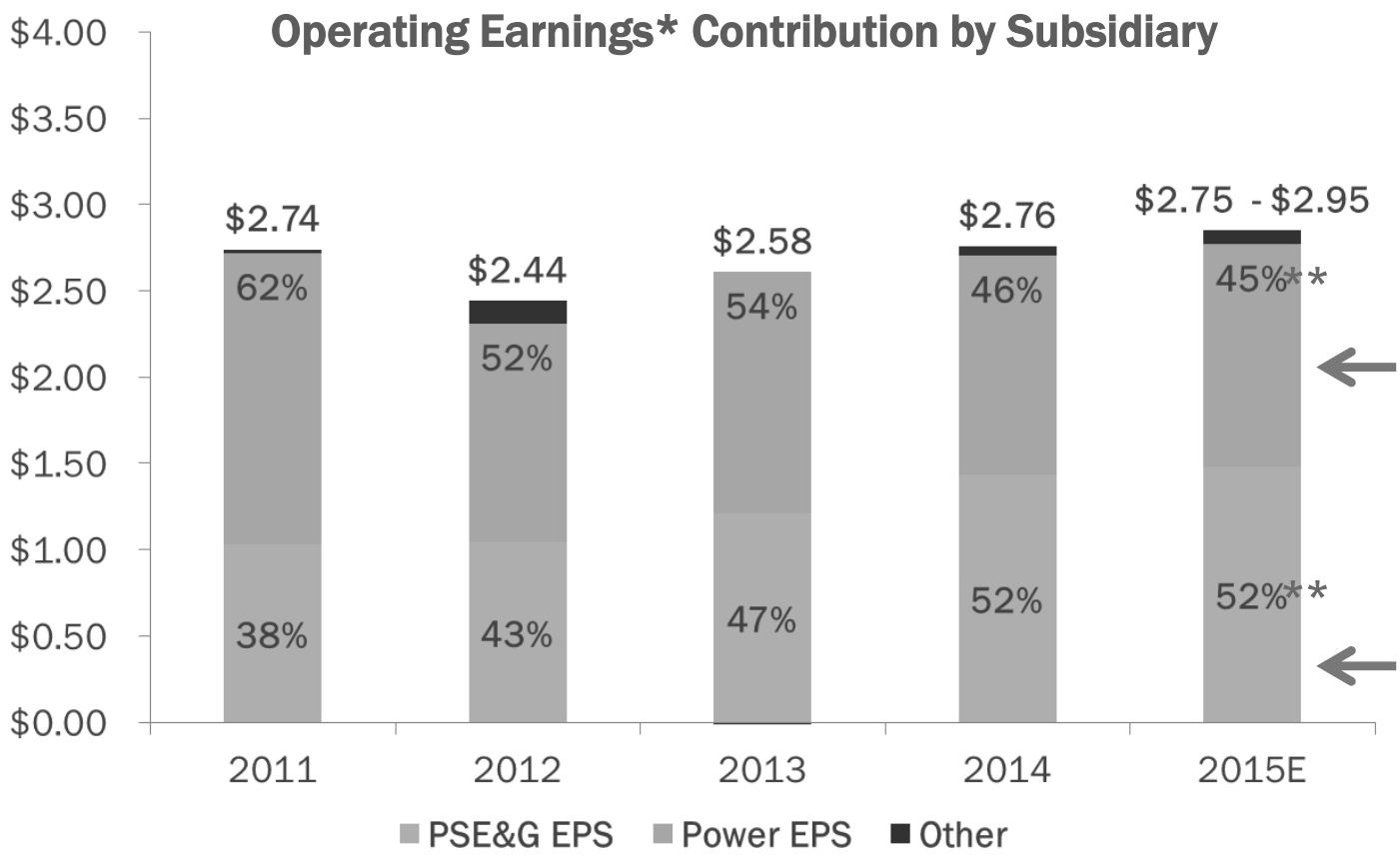
Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: Mid-Atlantic Reliability Award (13th consecutive year), top ranked among eastern electric and gas utilities in business customer satisfaction • PSEG Power: Record output from combined cycle units • PSEG Long Island: Demonstrated management and integration capability through a successful transition in first year • PSEG: Cost-control benefits continue
Financial Strength	• Earnings performance exceeded guidance • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased rate of dividend growth in 2015
Disciplined Investment	• PSE&G ✓ Transmission capital program execution and growth ✓ Energy Strong infrastructure program underway ✓ Energy efficiency program extension ✓ Further growth planned – Gas System Modernization Program • Power: Unit uprates, PennEast Pipeline, Solar Source

SI-SSA-0015-13170

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has driven double digit compound annual earnings growth since 2010

SI-SSA-0015-13171

PSEG

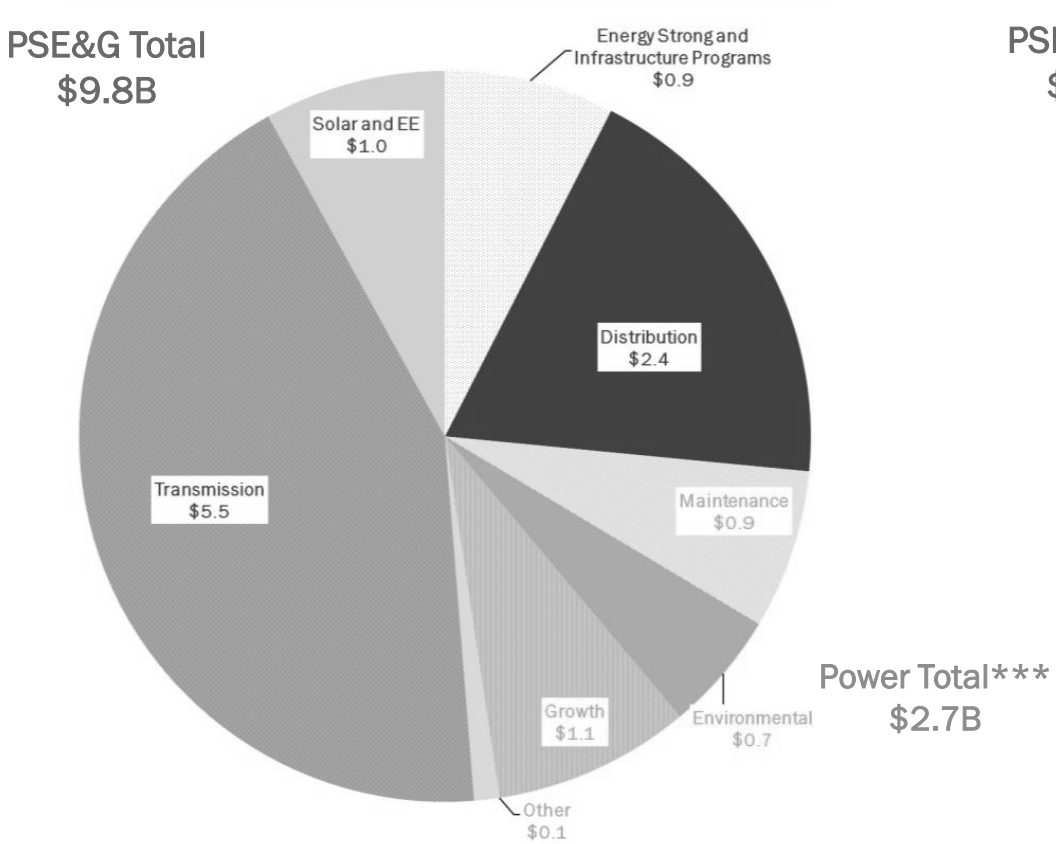
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2015 PERCENTS USE MIDPOINT OF EARNINGS GUIDANCE.

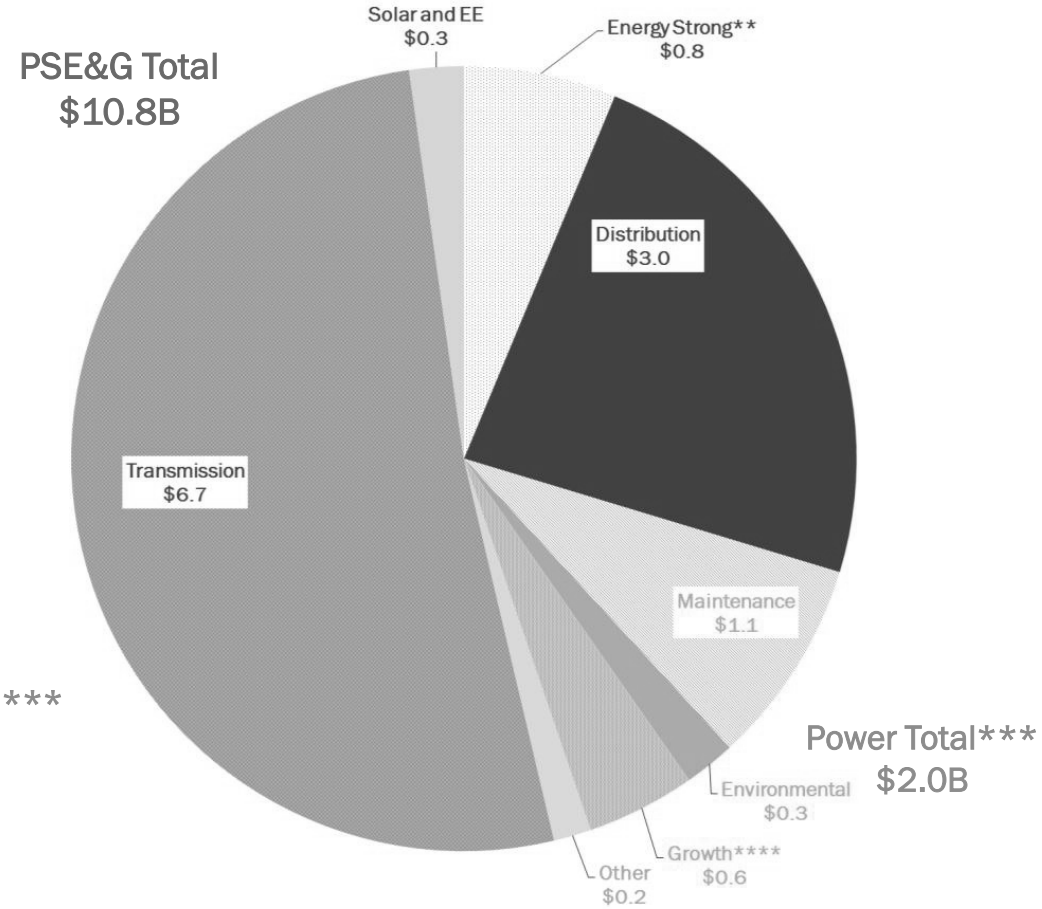
Robust pipeline of investment opportunities

supports growth objectives

PSEG Capital Spending

2010 – 2014: $12.6 Billion | **2015E - 2019E*: $13 Billion**





2015E–2019E:

- $1.3B of capital for Gas System Modernization Program and Artificial Island would be incremental

*INCLUDES ALL PLANNED SPENDING. **ENERGY STRONG EXCLUDES RISK AND CONTINGENCY. ***POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ****INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-13172

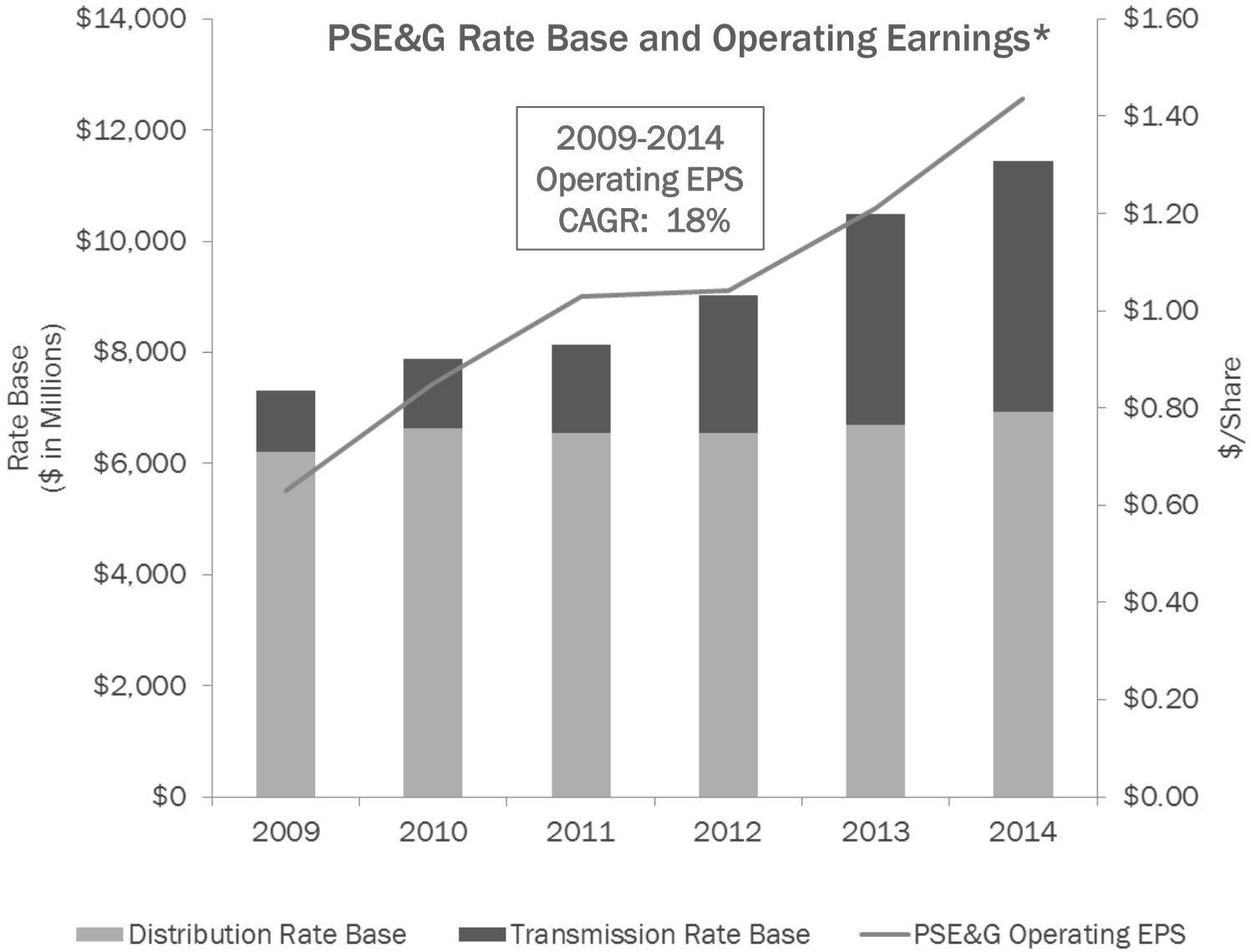
Balance sheet strength supports capital allocation

Timeframe	Actions taken
2010 – 2014: Transformed business mix	• Applied $16 billion towards investments and dividends • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2015 – Forward: Strong financial position supports continued growth	• Increased rate of dividend growth in 2015 • $13 billion investment program through 2019 • Gas System Modernization Program and Artificial Island increase capital program by $1.3 billion through 2019 • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-13173

PSE&G's investment program

Meeting public policy goals and customer needs

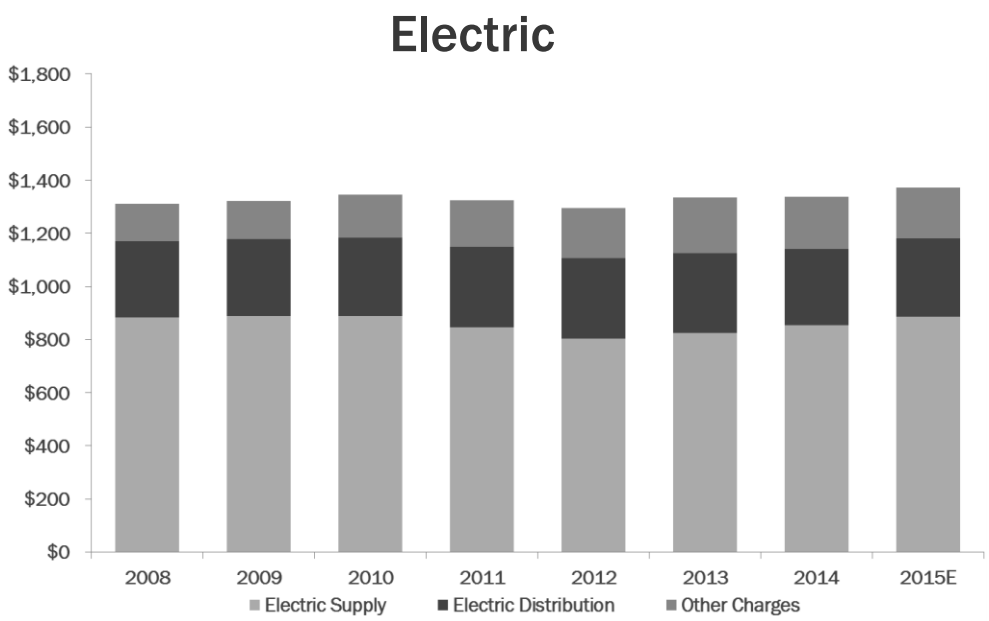


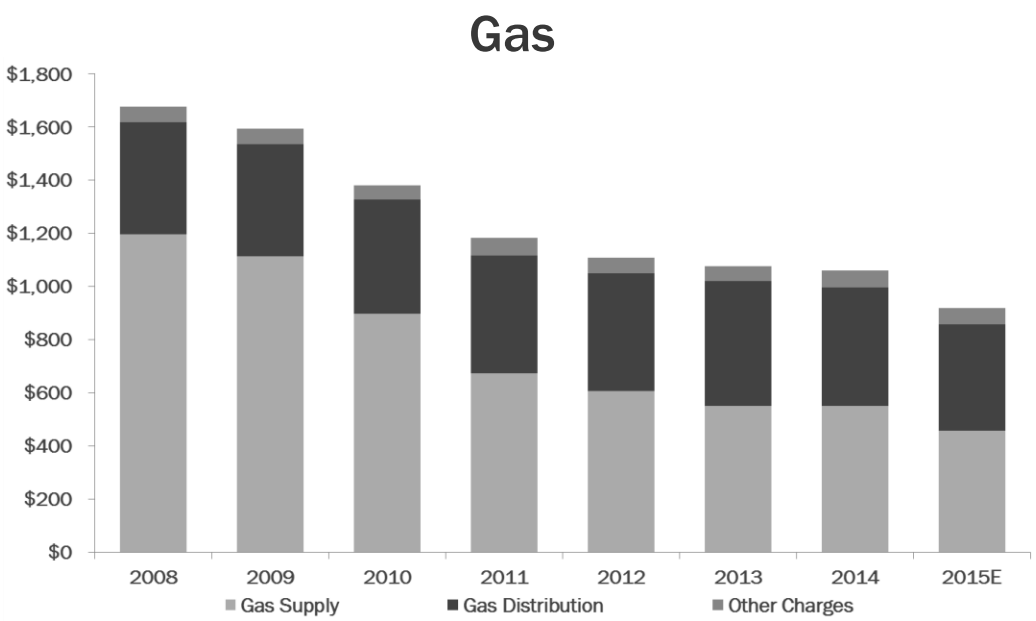
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-13174

Containing customer bills while investing in the system

PSE&G Typical Residential Customer Bills*





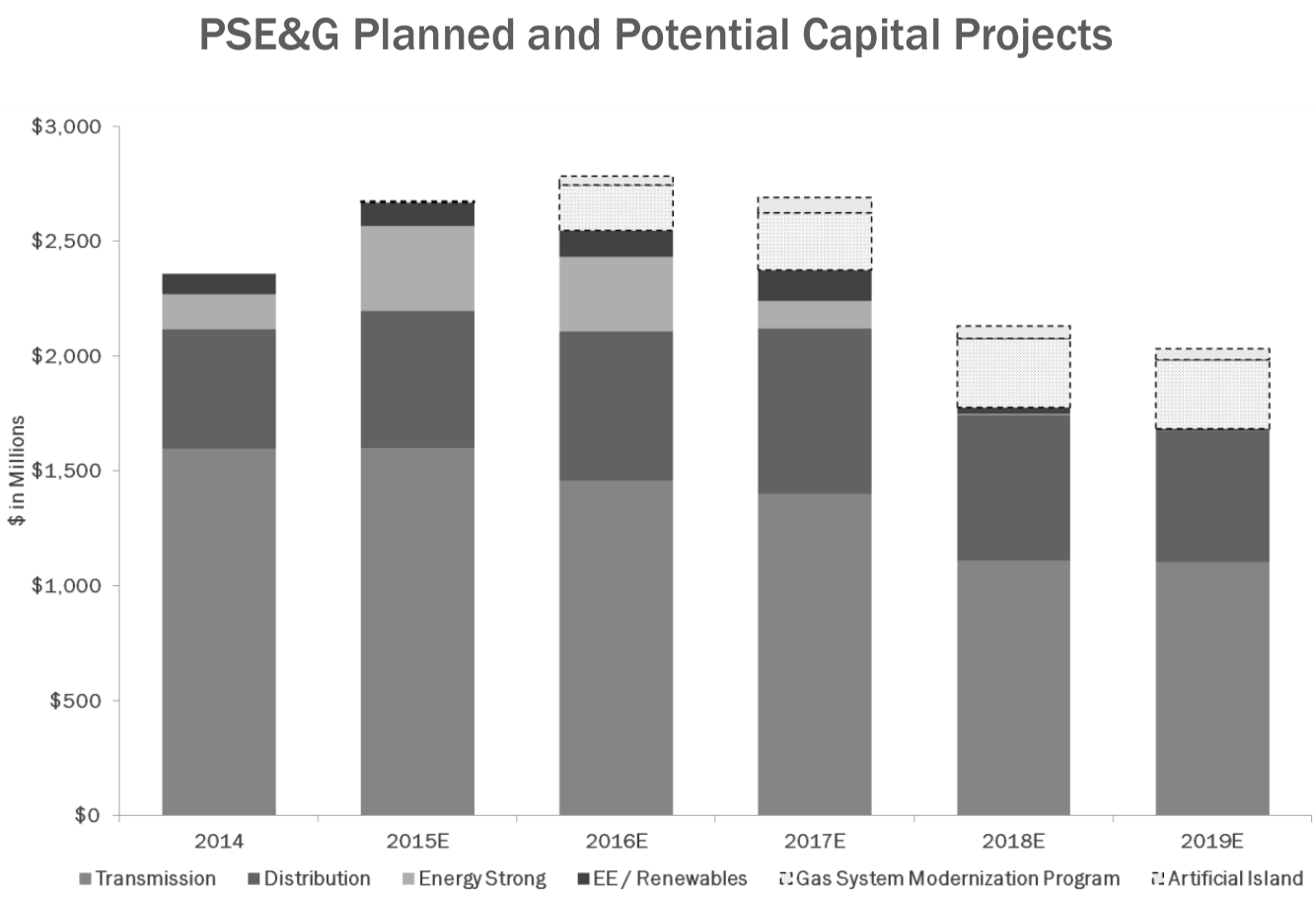
- PSE&G customers' combined electric and gas bills declined 23% over the period.
- Low gas prices drove rate decreases; in addition, gas customers received bill credits of ~$400 in total from 2012 through 2014.

SI-SSA-0015-13175

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's robust capital investment pipeline



- Planned capital spending expected to drive double digit rate base growth and high single digit EPS growth through 2017
- Transmission expected to grow to >50% of rate base in 2019
- Gas System Modernization Program and Artificial Island investments would be incremental
- Seeking to broaden platform to expand energy efficiency and other investments

SI-SSA-0015-13176

Power's fleet has the desired attributes to be successful in today's and tomorrow's market

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
	PSEG Power Capacity (GW) Total 13 GW	3.2	3.6	2.4	3.7	0.1

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve.
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations.

SI-SSA-0015-13177

Power – Growing value by improving market rules and developing investment opportunities

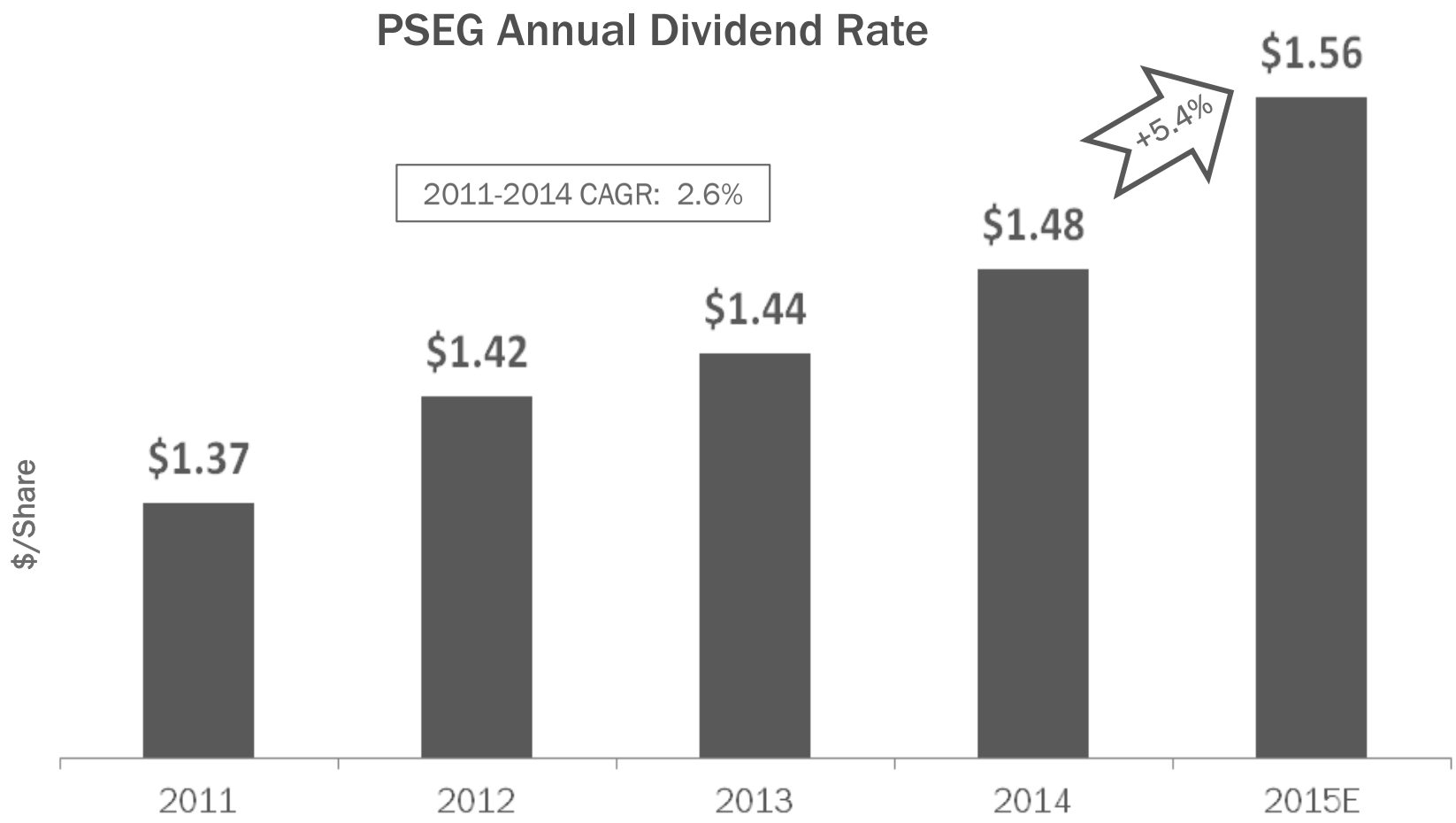
Value Source	Opportunities and Actions Taken
Improving rules will better recognize value of our fleet	• PJM's Capacity market – 2014 limits on demand response and 2015 Capacity Performance proposal • Demand response treatment at U.S. Courts / FERC • Energy price formation at FERC • Increasing air standards through Federal and State regulations
Our footprint provides growth opportunities	• Nuclear and Combined Cycle plant uprates are underway • Brownfield expansions at existing sites ➢ New peakers built at New Haven and Kearny sites ➢ Continue to explore further opportunities • PennEast pipeline - equity investment and gas portfolio enhancement • Solar Source owns ~123 MW*, with significant project pipeline • Continue to seek opportunities to expand the fleet

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MW.

SI-SSA-0015-13178

PSEG Annual Dividend

An increased dividend growth rate with potential for consistent and sustainable growth given our business mix and financial position



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55%*

*2015E PAYOUT RATIO REFLECTS THE MIDPOINT OF OPERATING EARNINGS GUIDANCE. E=ESTIMATE

SI-SSA-0015-13179

Focus areas over business plan horizon

PSE&G

- **Capital program execution** – Transmission, Energy Strong and additional programs
- **Operational excellence and cost control**
- **Regulatory framework**
- **Continue to develop incremental growth opportunities**

PSEG Power

- **Operational excellence and cost control**
- **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets
- **Monitor and shape market rules** - Capacity markets and environmental regulations
- **Develop growth opportunities**

PSEG Long Island

- **Continue execution** – Integration and achievement of performance metrics

SI-SSA-0015-13180

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G - Best in class utility performance and growth profile
- PSEG Power - Well-positioned fleet that generates substantial free cash flow in this market environment with upside for improvements in pricing
- Strong balance sheet - Supports strong credit rating, growth objectives and the potential for sustainable dividend growth

SI-SSA-0015-13181

2015 PSE&G Business Review & Outlook

MARCH 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13182

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF
OPERATING OFFICER

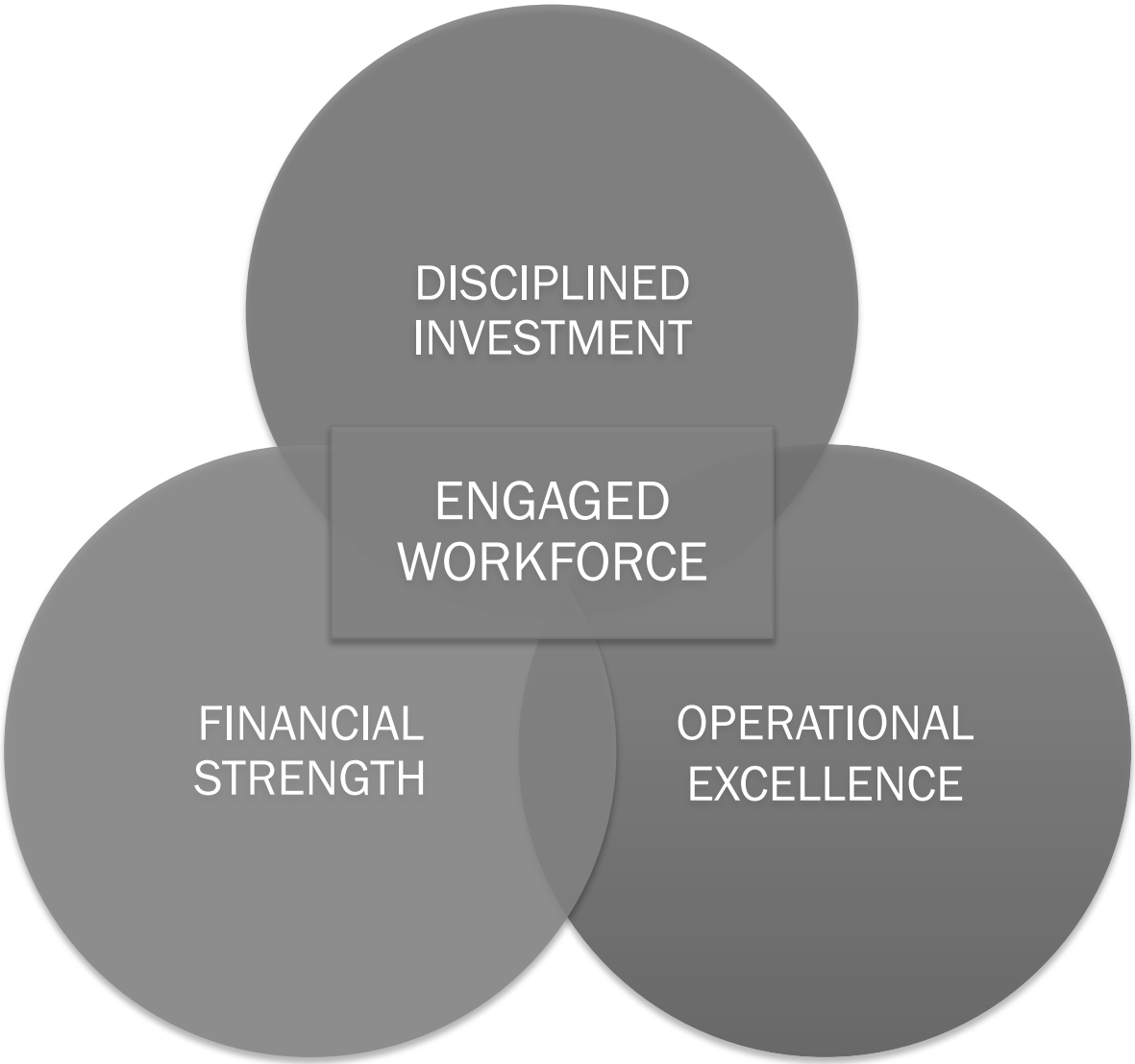
PSEG

We make things work for you.

SI-SSA-0015-13183

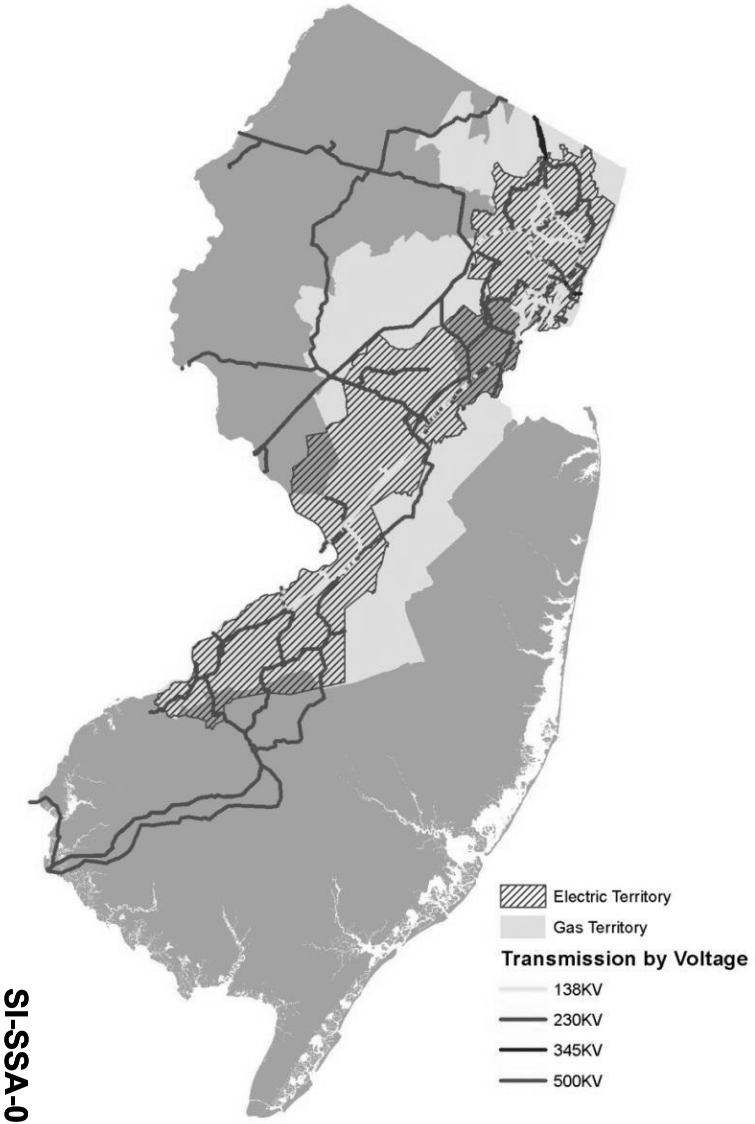
PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns



SI-SSA-0015-13184

PSE&G is the largest electric and gas distribution and transmission utility company in New Jersey



	Electric	Gas
Customers Growth (2010 – 2014)	2.2 Million 0.3%	1.8 Million 0.3%
2014 Electric Sales and Gas Sold and Transported	40,737 GWh	2,628M Therms*
Projected Annual Load Growth (2015 – 2017)**	1.1%	0.5%
Projected Annual Load Growth Transmission (2015 – 2017)	0.9%	
Sales Mix		
Residential	32%	60%
Commercial	58%	36%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables and Energy Efficiency Approved Programs	2009-2014	Total Program Plan
Solar Loan Capacity	83 MW	178.5 MW
Solar 4 All Capacity	100 MW	125 MW
Energy Efficiency Annual Electric savings	206 GWh	214 GWh
Energy Efficiency Annual Gas savings	6.5 M Therms	7 M Therms

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-13185

Mid-Atlantic ReliabilityOne award winner for 13 years in a row

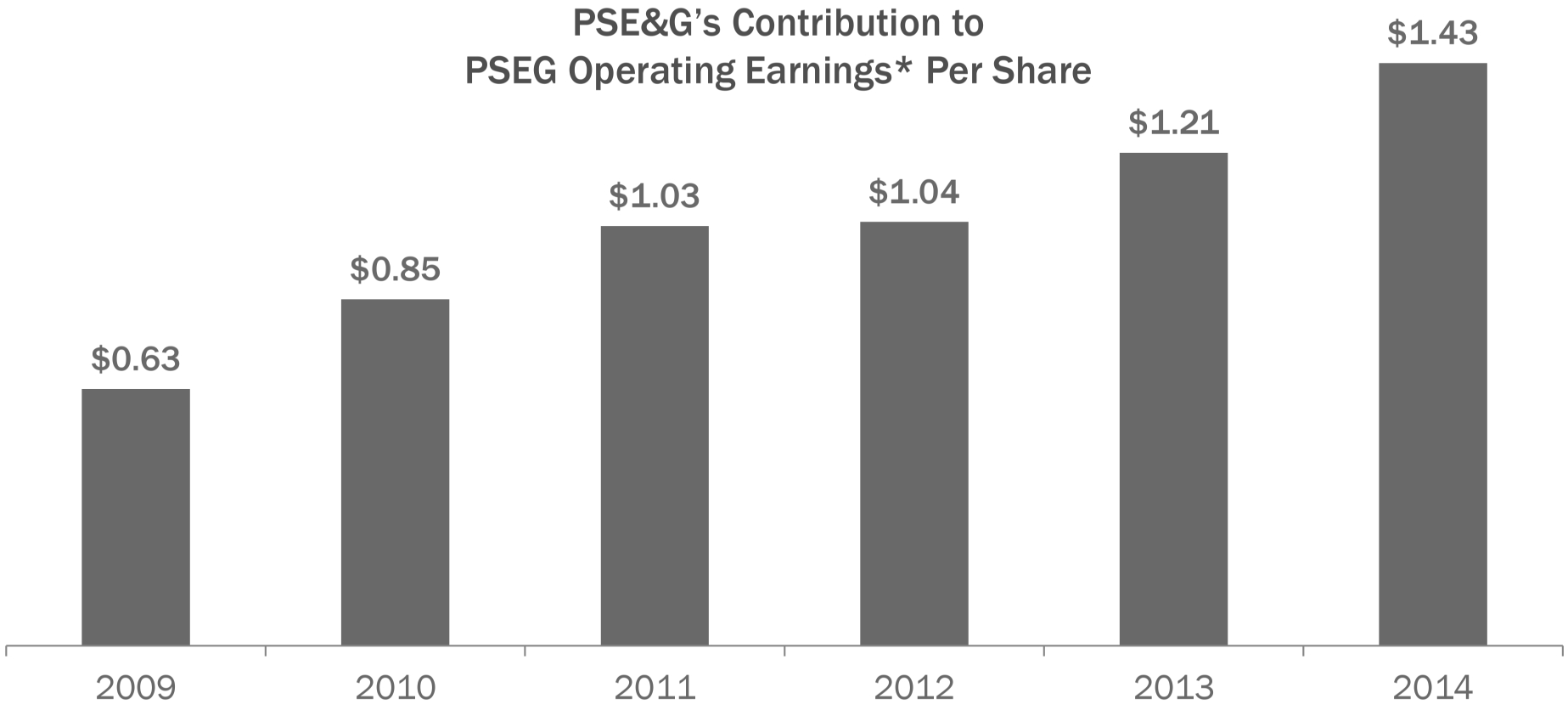
SI-SSA-0015-13186

PSE&G's service and reliability is being recognized by customers

SI-SSA-0015-13187

PSE&G has achieved annual growth in operating earnings of ~18% over the past five years

with implementation of supportive rate mechanisms on our expanded capital program and cost control



SI-SSA-0015-13188

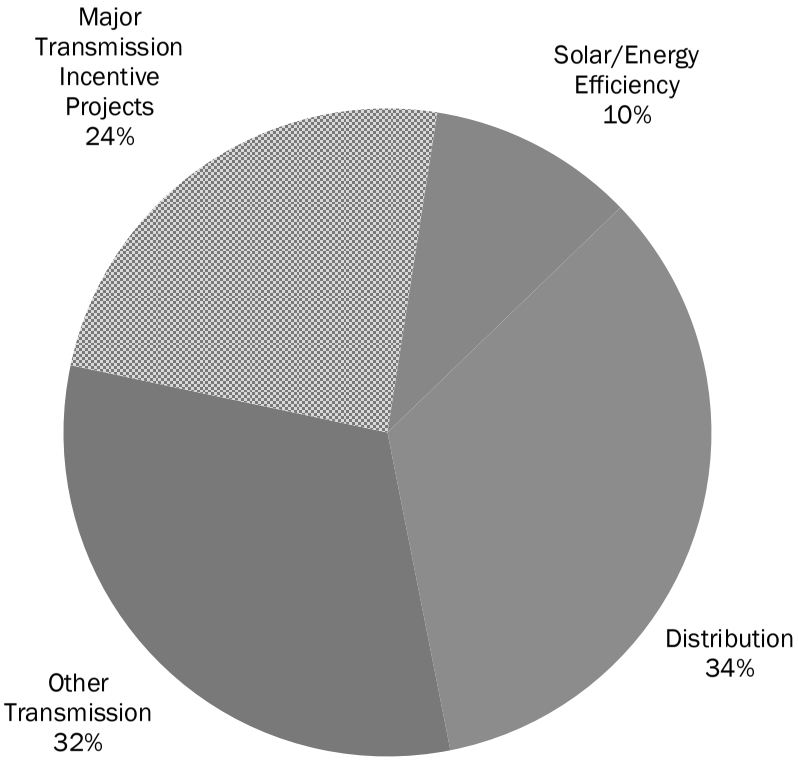
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

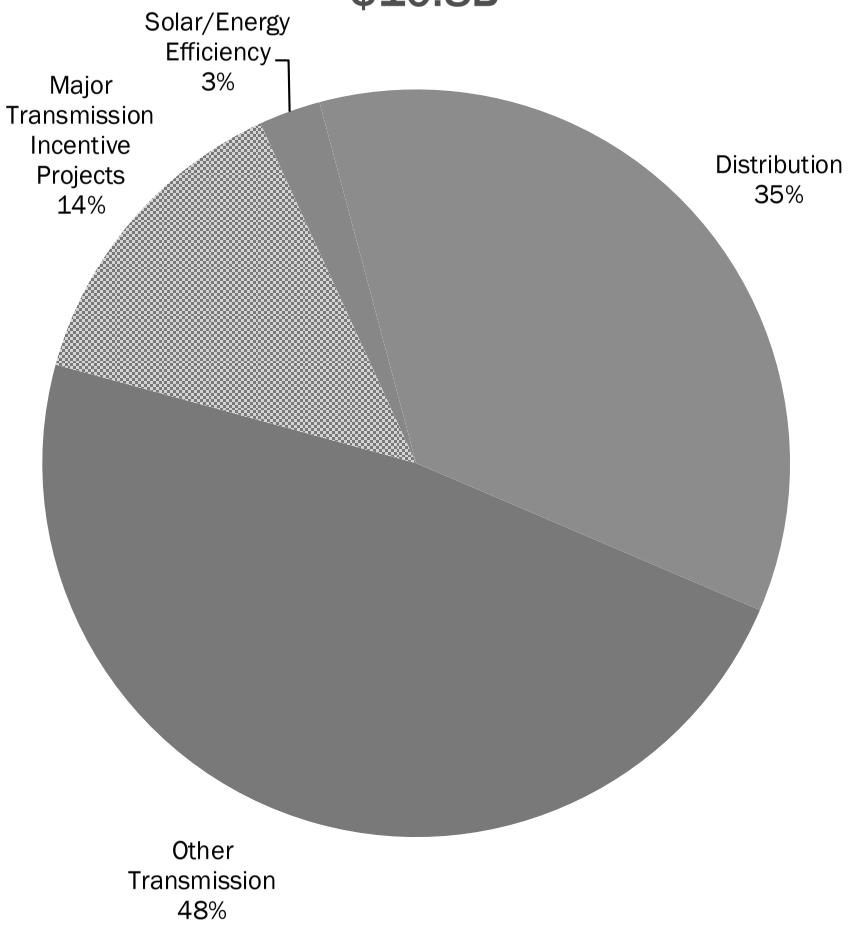
PSE&G plans to invest $10.8B over the next five years

PSE&G's Capital Expenditures*

2010-2014
$9.8B



2015-2019E
$10.8B



*INCLUDES AFUDC. E=ESTIMATE.

SI-SSA-0015-13189

PSE&G's existing major Transmission

projects are being completed on schedule and on budget

Major Transmission Investments

Project Roster	Approved ROE	Inclusion of CWIP in Rate Base	100% Recovery of Costs Due to Abandonment	Estimate Up To ($ Millions)	Expected In-service Date
Susquehanna-Roseland	12.93%	✓	✓	$790	June 2014 -June 2015
Northeast Grid Reliability	11.93%	✓	✓	$907	June-Dec 2015
North Central Reliability	11.68%	✓	✓	$390	Completed
Burlington–Camden 230kV	11.68%	✓	✓	$399	Completed
Mickleton–Gloucester–Camden 230kV	11.68%	✓	✓	$435	June 2015

SI-SSA-0015-13190

A robust pipeline of Transmission

investments focus on reliability improvements and replacement of aging infrastructure

Major Transmission Investments

Project Roster	Approved ROE	Program Description	Estimate Up To ($ Millions)	Expected In-service Date
Bergen—Linden Corridor 345kV	11.68%	PJM baseline project receiving CWIP in rate base treatment	$1,200	June 2018
PJM Regional Transmission Expansion Plan (RTEP) – multiple projects	11.68%	PJM mandated system reliability projects	$1,900	Various
69kV Upgrade – multiple projects	11.68%	Upgrade of 26kV to 69kV	$1,500	Various
Transmission Lifecycle – multiple projects	11.68%	Replacement of aging infrastructure	$1,100	Various
Transmission Hardening– multiple projects	11.68%	Reliability projects focused on system resiliency	$650	Various

*INCREMENTAL INVESTMENT IN HARDENING INCLUDED AS PART OF OTHER PROGRAMS.

SI-SSA-0015-13191

Bergen-Linden Corridor is a project which will provide a double-circuit 345kV line designed to maintain system reliability

Project Estimate Up To	Through Year-end 2014	Expected Completion Date
$1,200M	$40M	June 2018

- PJM RTEP project b2436 and b2437 with phased in-service dates
- 30 miles of underground cable
  - New ~ 23 miles
  - Reconductor (Upgrade of 138 to 345) ~7 miles
- 13 miles of double circuit overhead conductor (replacing double circuit 138 with double circuit 345)
- 11 station upgrades to 345kV

Customer Benefit: Addresses thermal and short-circuit reliability

Project Status: Engineering, Licensing and Construction

Marion Substation Pile Installation

SI-SSA-0015-13192

Major Transmission programs focus on reliability and replacing aging infrastructure

- PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability
- 69kV system upgrades improve system reliability and provide capacity for future growth
- Transmission Lifecycle is an ongoing program to manage transmission asset life to maintain and improve system integrity and reliability
- Transmission Hardening projects focus on increasing system resiliency

SI-SSA-0015-13193

PSE&G has successfully worked with regulators to develop multiple solutions for New Jersey's energy and economic development goals

RENEWABLES
creative solutions to install solar generation

- Solar Loan I – 2008
- Solar Loan II – 2009
- Solar 4 All – 2009
- Solar Loan III – 2013
- Solar 4 All Ext – 2013

ENERGY EFFICIENCY
assisting customers with controlling energy usage

- Carbon Abatement – 2008
- Demand Response – 2009
- Energy Efficiency (EE) – 2009
- EE Extension – 2011
- EE Extension II – 2015

DISTRIBUTION
improving electric and gas delivery infrastructure

- NJ Capital Infrastructure Program 1 (CIP 1) – 2009
- NJ Capital Infrastructure Program 2 (CIP 2) – 2011
- Energy Strong – 2014

To date we have invested over $2B in the above programs

Over $1B ahead in Energy Strong, Energy Efficiency Ext II* and Solar programs

Gas System Modernization Program would increase potential investment by ~$1.6B

SI-SSA-0015-13194

PSEG

* IF APPROVED.

PSE&G is successfully executing on Energy Strong with ~$150M deployed during the latter half of 2014

Program	Approved	Spend thru 2014
Flood Mitigation	$620M	$19M
Electric Contingency Reconfiguration	$100M	$26M
Electric Advanced Technology	$100M	$10M
Gas Utilization Pressure Cast Iron (UPCI)	$350M	$94M
Gas Metering & Regulating (M&R)	$50M	$1M
TOTAL	$1,220M	$150M

SI-SSA-0015-13195

Energy Strong will provide increased reliability and resiliency

- **Electric Flood Mitigation**
  - Engineering and scheduling began on 16 of the 29 total planned substation projects
- **Electric Contingency Reconfiguration**
  - Over 100 projects have been started and 15 projects have been completed to date, including installation of over 900 poles and 70 reclosers
- **Advanced Technology**
  - A total of 60 relays replaced and 3 remote terminal unit (RTU) has been installed
- **Gas Utilization Pressure Cast Iron (UPCI)**
  - Installed ~110 miles of gas main and replaced ~5,300 services
- **Gas Metering & Regulating (M&R)**
  - Design and engineering completed for all of the eight stations scheduled

SI-SSA-0015-13196

Extension of PSE&G's award winning Energy Efficiency program

- Energy Efficiency Extension II seeks to extend the investment and time frame for three previously approved programs already in the marketplace allowing PSE&G to factor in lessons learned and balance policy issues
- $95M of rate base investment
- If approved, would extend existing programs, two of which have sizable waiting lists:
  - Hospitals
  - Multifamily
  - Direct install – government, non-profit, and small business
- Would allow PSE&G to leverage past investments in people, capabilities, systems and processes

SI-SSA-0015-13197

Gas System Modernization Program of ~$1.6B focusing on aging gas mains

- PSE&G's gas distribution system currently operates and maintains over 4,800 miles of cast iron and unprotected steel main, the largest such system in any single state
- The program provides for investment of ~$1.6B focused on replacing cast iron and unprotected steel main over a five-year period, beginning mid-2016
- Program will replace approximately 160 miles of main per year
  - Requested accelerated clause-based recovery similar to the Energy Strong program with a 9.75% ROE
  - This program is the first phase of a long-term replacement strategy
  - 30-year cast iron and unprotected steel replacement program
- Benefits:
  - Methane emission reduction is estimated at 24,500 metric tons of CO_2 equivalent per year*
  - Higher pressure system allows usage of high efficiency appliances by customers

SI-SSA-0015-13198

PSEG

* EPA SUBPART W METHODOLOGY.

PSE&G's demonstrated ability to successfully execute projects on scope, on time, and on budget leaves us well positioned to pursue FERC 1000 opportunities

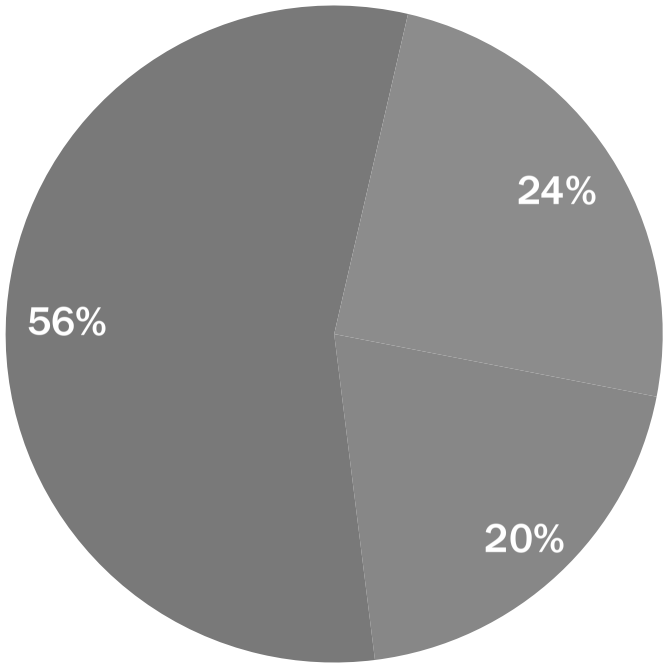
- Artificial Island
  - PSE&G's proposal is one of four finalists
  - The proposal includes building 18 miles of 500kV transmission line running from the Hope Creek Generating Station to the Red Lion substation in Delaware
- PJM 2014 Window #2
  - PJM staff has recommended awarding PSE&G two projects to resolve criteria violations in the Sewaren and Mercer areas

SI-SSA-0015-13199

PSE&G continues to receive contemporaneous/ formula rate recovery on ~75% of its investment program

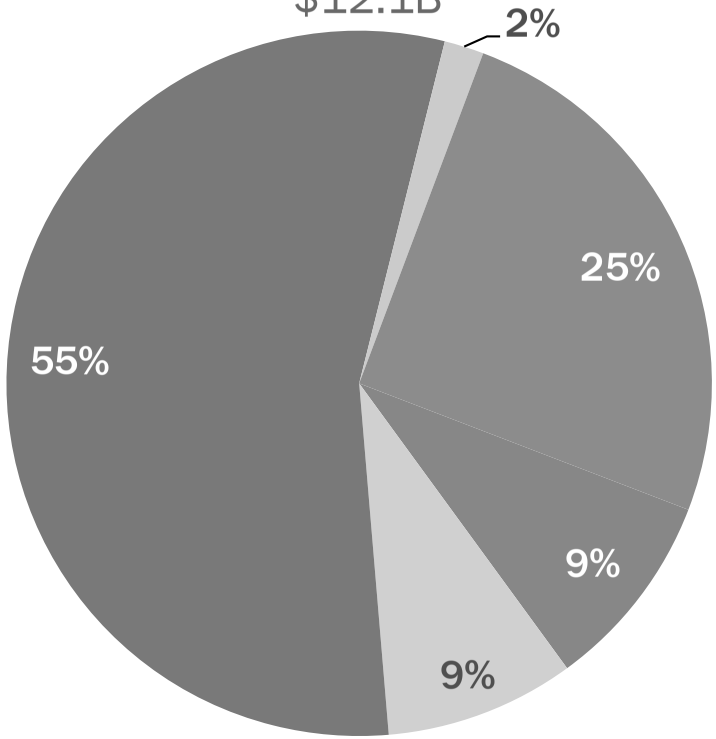
2010-2014 PSE&G Capital Spending by Recovery Method

$9.8B



2015-2019E PSE&G Capital with Potential Upside by Recovery Method

$12.1B



Clause Recovery Mechanisms
- Energy Strong / Infrastructure / Solar / Energy Efficiency
- Gas System Modernization Program

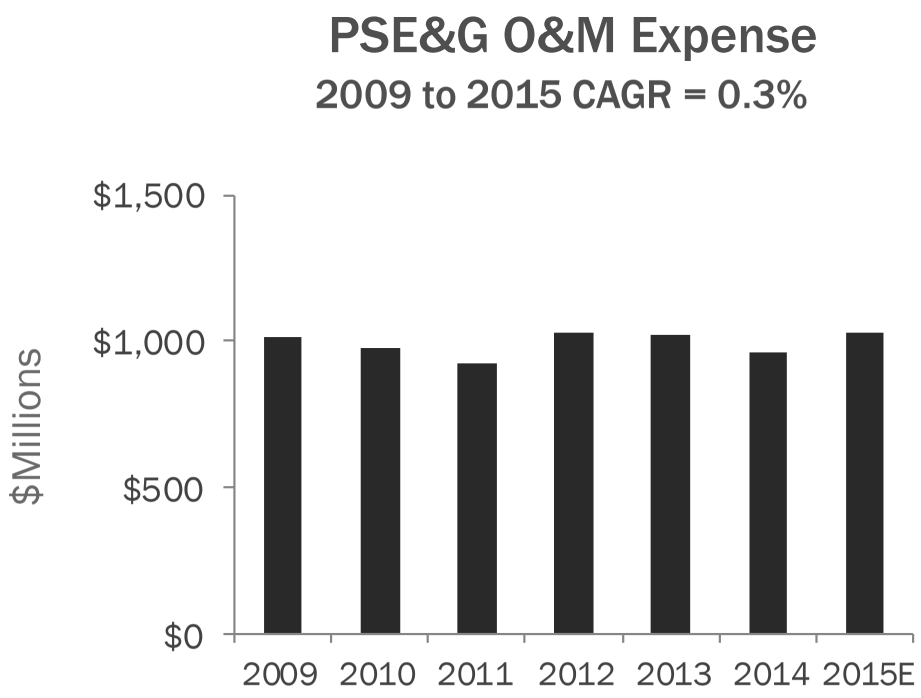
FERC Formula Rates
- Transmission
- Artificial Island

Traditional Recovery Mechanisms
- Distribution Base Rates

SI-SSA-0015-13200

PSE&G has controlled costs

through process improvements and will continue to drive future efficiencies



Cost control actions taken:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducted organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-13201

PSE&G's 2015 operating earnings

expected to benefit from increased investment in Transmission

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E =ESTIMATE. DATA AS OF MARCH 2, 2015.

SI-SSA-0015-13202

PSEG LONG ISLAND

Ralph LaRossa

CHAIRMAN OF THE BOARD
PSEG LONG ISLAND

SI-SSA-0015-13203

PSEG

We make things work for you.

PSEG Long Island is focused on improving customer service and reliability

- Provide best-in-class customer service, including building on our new Call Center Technology platform to better serve our customers
  - According to J.D. Power, in 2014 PSEG Long Island showed the most improvement in overall customer satisfaction of any large electric utility, anywhere in the nation
- Work to maintain industry-leading service reliability
- Improve every aspect of the storm response process
  - Leveraged our new Outage Management System to improve storm logistics and outage coordination
- Contributed $0.02* to PSEG's earnings per share in 2014, as expected

SI-SSA-0015-13204

* EXCLUDES THE ENERGY RESOURCES & TRADE CONTRACT, WHICH WILL BE INCLUDED IN PSEG POWER'S RESULTS.

2015 PSEG Power and ER&T Business Review & Outlook

MARCH 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13205

PSEG POWER

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

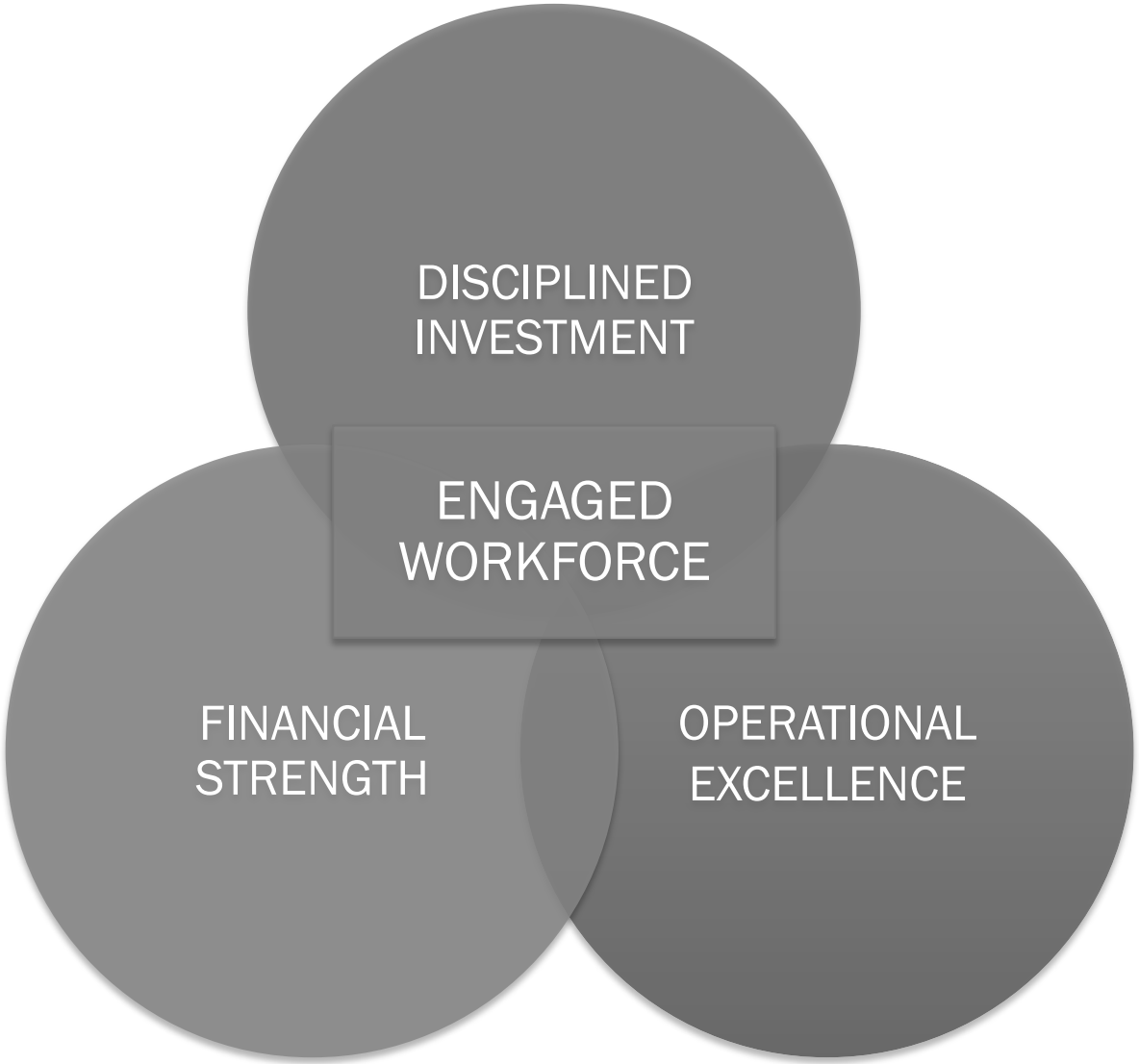
SI-SSA-0015-13206

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-13207

PSEG Power creating value by responding to changing markets and regulations

Safety/Environmental Focus Fleet Diversity/Efficiency Focus	Financial/Economic Focus	Regulatory Focus
• Nuclear units have performed well for ten consecutive years • Hope Creek recorded its second highest output in its history • Fleet diversity across the dispatch curve and fuel types provide flexibility to meet changing market conditions • Bergen 1 & 2 and Linden 1 individually, and the CCGT fleet in total, set generation records in 2014 • Kearny 13 & 14 have shown increasing output in each year since start-up	• Getting the most out of existing fleet • Locational advantage • O&M control programs have delivered a CAGR of 2.6% between 2009 and 2015 • Sites offer competitive advantage for expansion	• Strong regulatory performance • Industry leadership in the changing business environment

SI-SSA-0015-13208

PSEG Power Delivering on priorities

Operational Excellence	• Maximize value of existing generating plants through implementation of the Operational Excellence Model (OEM) • Workforce engagement and development	• OEM implemented and achieving measures • Resource sharing program between Nuclear & Fossil initiated
Financial Strength	• Deliver on Business Plan Commitments • Maintain competitive markets and improve constituent communication on issues important to Power	• Exceeded earnings guidance in 2014 • Ongoing effort in key markets showing success • Successful court outcome against subsidized generation
Disciplined Investment	• Successfully complete the Advanced Gas Path (AGP) uprates • Seek new opportunities in target markets (PJM, ISO-NE, NYISO) • Develop our renewables business (solar) • Maintain new nuclear option by successfully managing the Early Site Permit (ESP) process	• Accelerated schedule for AGP to maximize opportunity • LIPA contract for fuel and generation dispatch began January 1, 2015 • Completed three projects with one underway, bringing Solar Source's portfolio to 123 MW_{DC} • Nuclear ESP is expected in 2016

SI-SSA-0015-13209

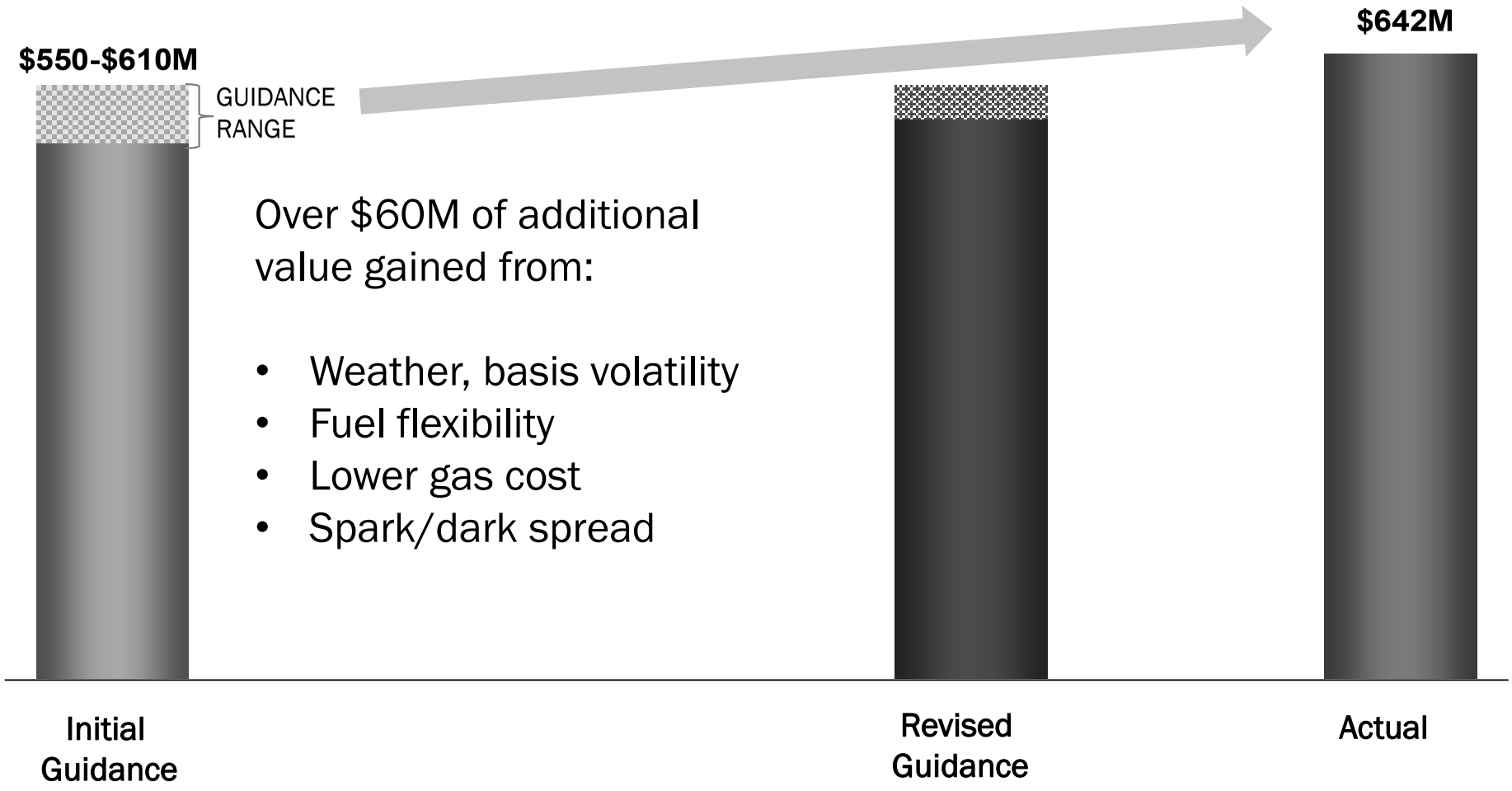
PSEG Power met 2014's challenges

Storm and weather challenges	+	Market challenges	=	Value delivered
• All of the generation sites affected by SuperStorm Sandy were restored to service by mid-2014, with ongoing repairs • Cold weather extremes created a challenging operating environment, but also presented opportunities		• Transmission (outages and build outs) and gas markets resulted in pressure on basis • Lower gas cost impacted dark spread pressuring coal unit dispatch • Load impacted by economy		• Expedited return from storm outages, restored margin opportunities • High availability when needed • Flexibility of portfolio captured real-time basis opportunities • Captured value through coal/gas switching, unit flexibility • Management of gas assets benefited customers and fleet • Achieved fuel cost savings

SI-SSA-0015-13210

PSEG Power exceeded 2014's earnings guidance

2014 PSEG Power Operating Earnings*
($ Millions)



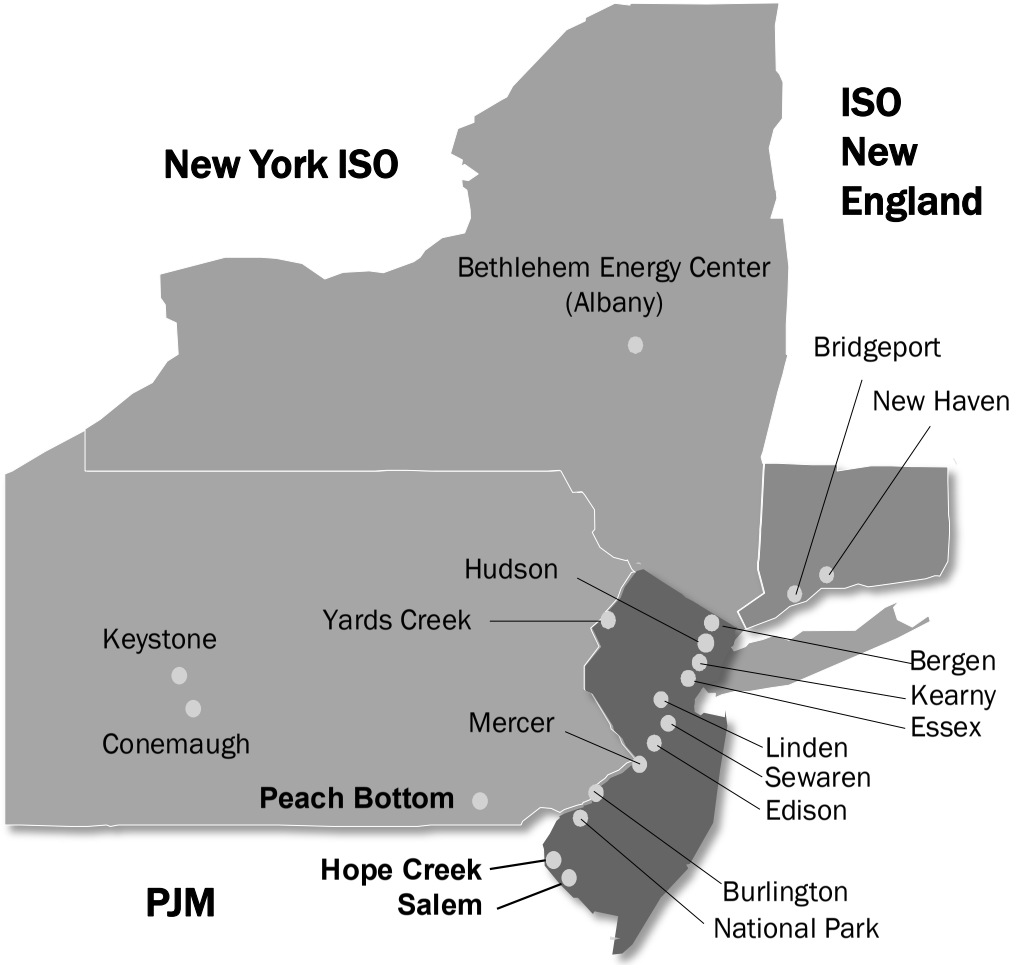
*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

SI-SSA-0015-13211

PSEG Power has generating assets

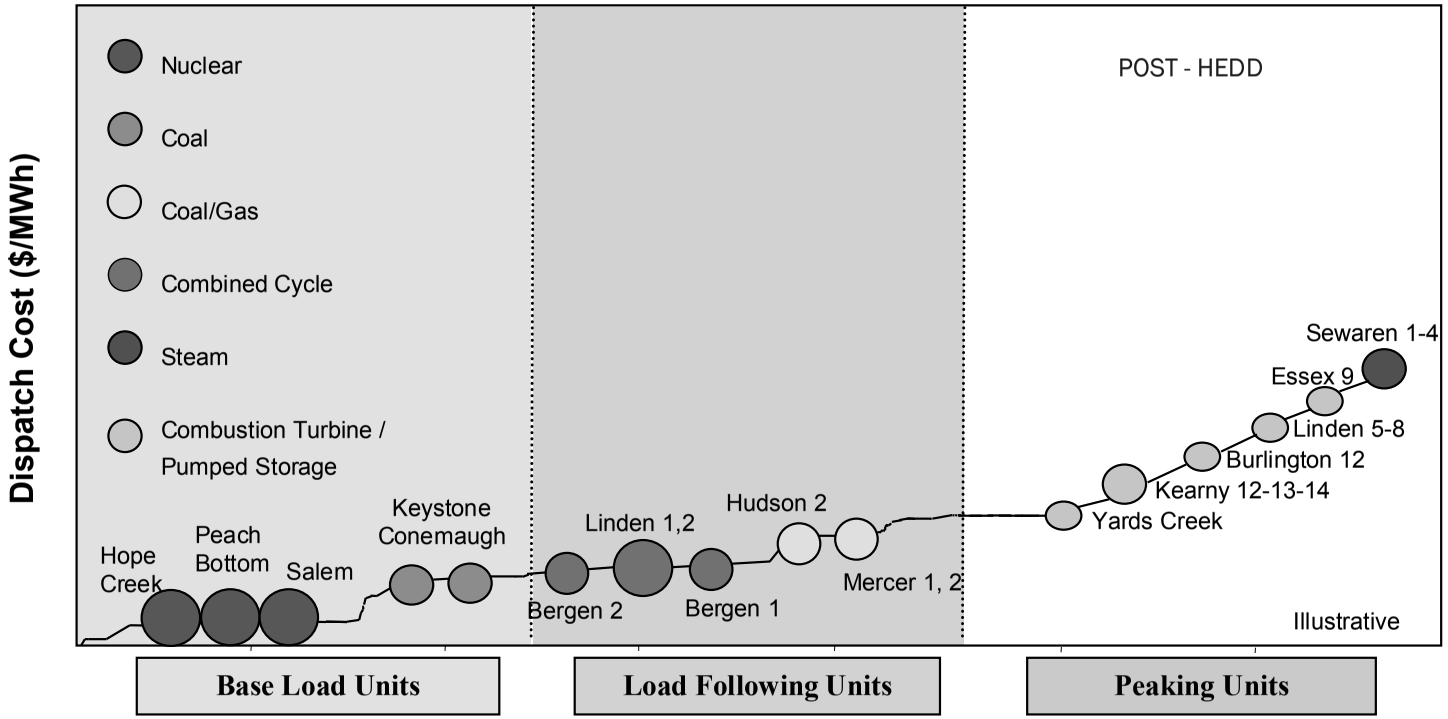
in three competitive markets

- Assets located near load centers
- Low cost portfolio
  - Fuel flexibility with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Readiness for capacity performance (CP) in PJM
- Fleet positioned to maintain diversity and efficiency after HEDD
- Sites suitable for expansion



SI-SSA-0015-13212

Power's PJM assets along the dispatch curve reduce the risk of serving full requirement load contracts and can take advantage of volatile market conditions



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP)

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

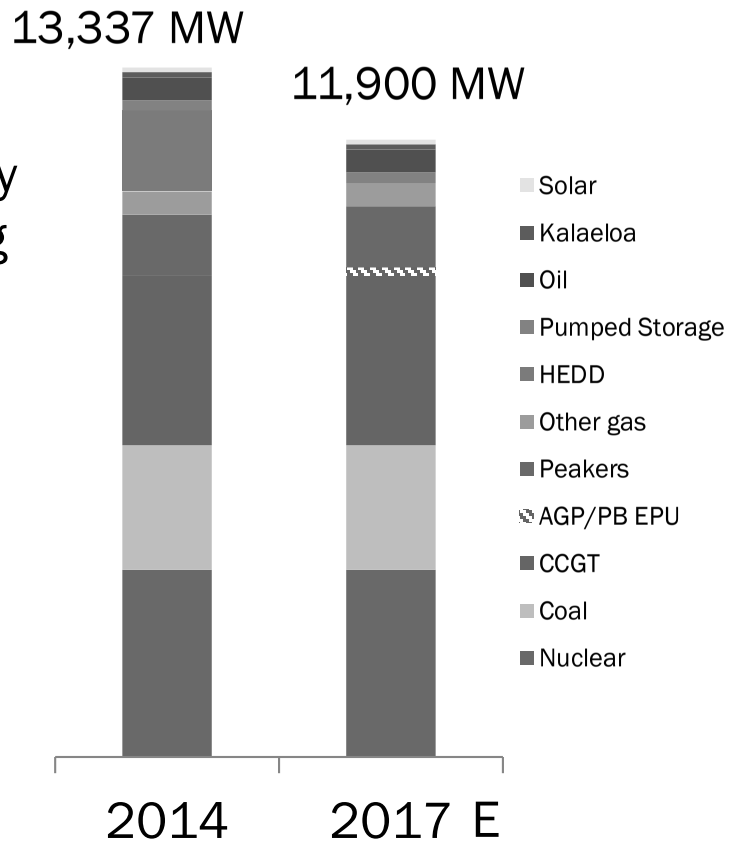
SI-SSA-0015-13213

PSEG Power positioned to maintain diversity and efficiency after a realignment of the fleet following HEDD retirements

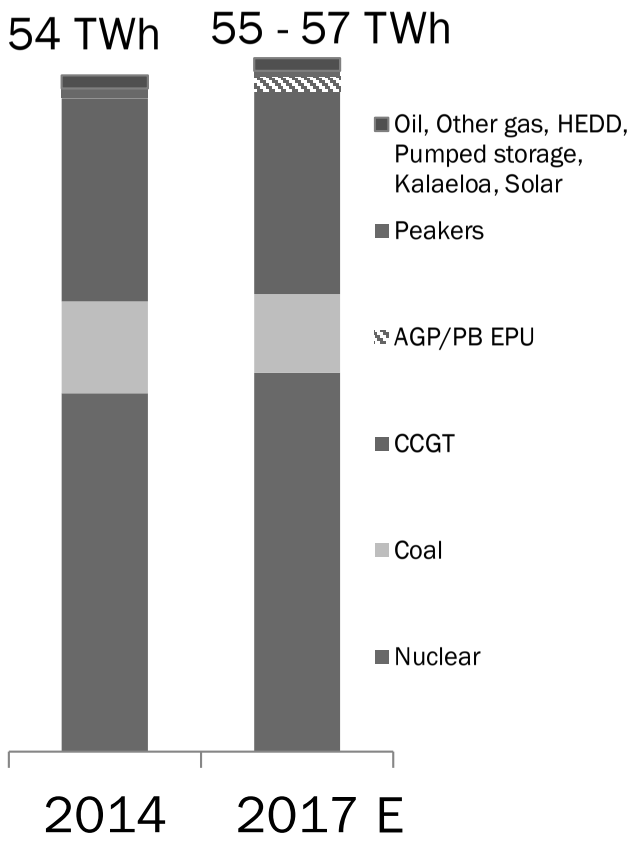
Objective 2015 → 2017

- Maintain fuel diversity
- Maintain load-serving capability
- Maintain low cost structure
- Improve environmental & heat rate profiles
- Complete
  - Peach Bottom (PB) uprate
  - Advanced Gas Path (AGP)

Fuel Diversity



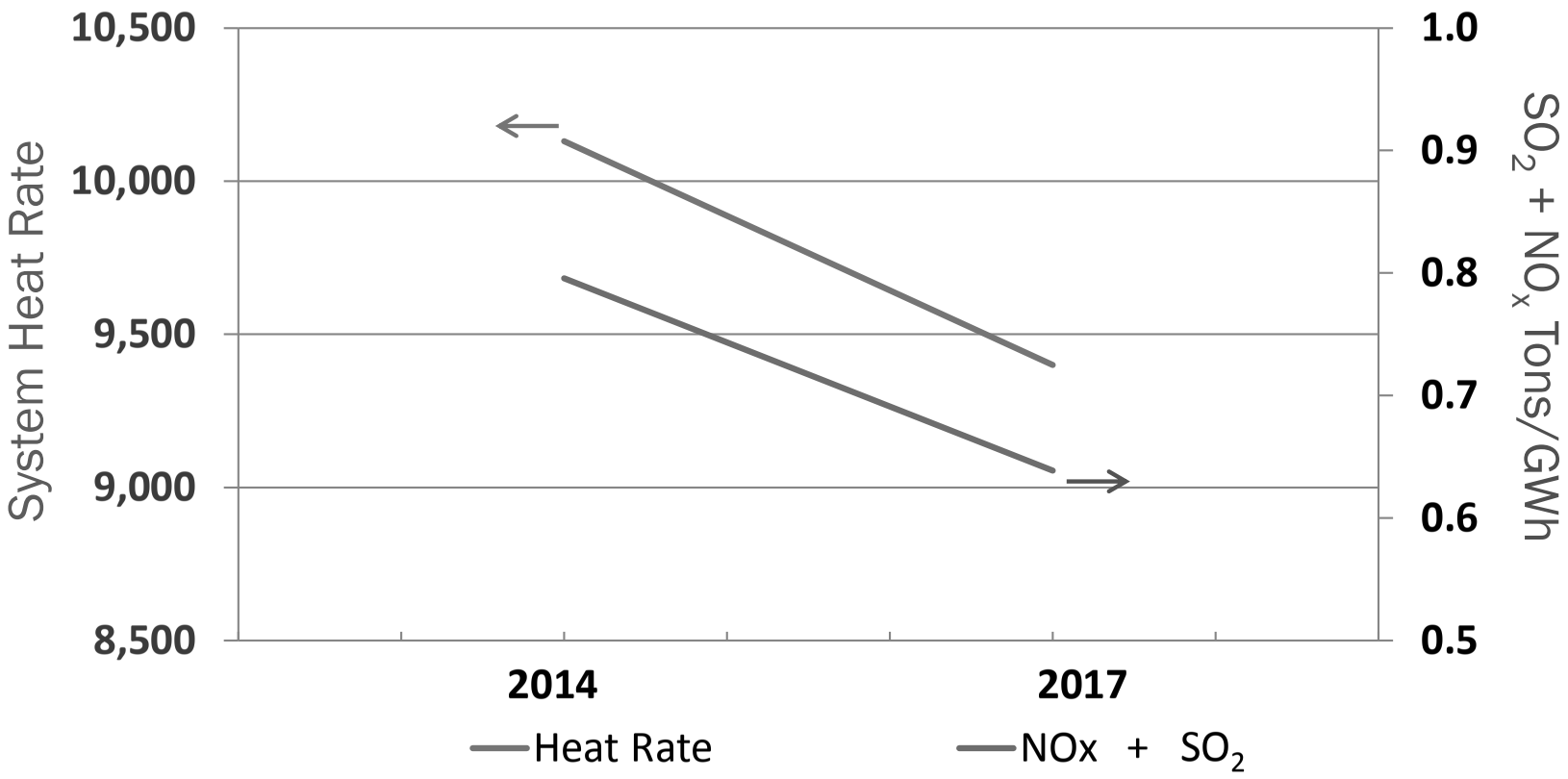
Energy Produced



E=ESTIMATE

SI-SSA-0015-13214

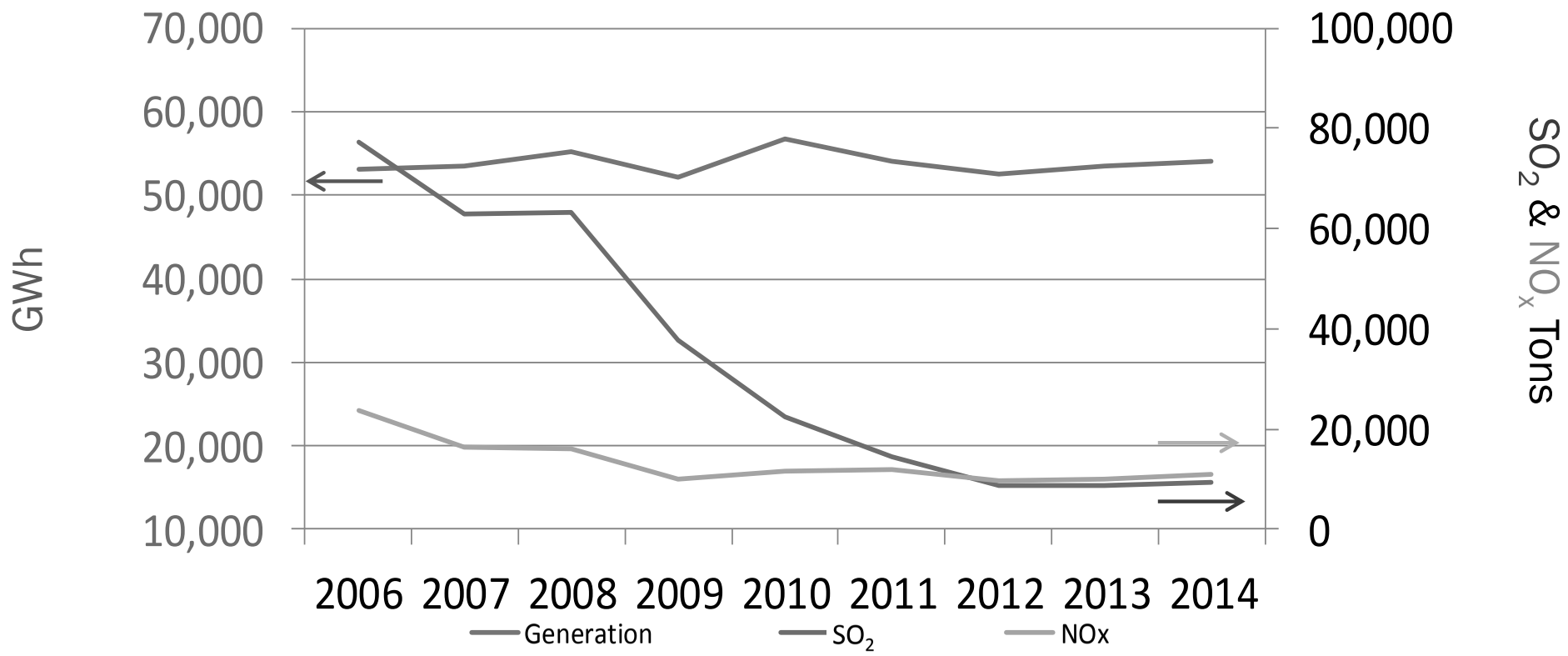
PSEG Power's fleet is expected to see improvement in heat rate and decline in emissions



- AGP (Advanced Gas Path) investments
- Other Efficiency improvements
- HEDD retirements

SI-SSA-0015-13215

PSEG Power's fleet is among the lowest emitting in the industry



- Mercury reduced 80% across the timeframe above
- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing

SI-SSA-0015-13216

PSEG Power Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,178 MW
- Owned Capacity: 1,178 MW
- License Expiration: 2046
- Next Refueling
  - Spring 2015

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,307 MW
- Owned Capacity: 1,324 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 -- Fall 2015

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,242 MW
- Owned Capacity: 1,121 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Spring 2016
  - Unit 3 - Fall 2015
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 - 2016

SI-SSA-0015-13217

PSEG Power Nuclear has competitive advantages

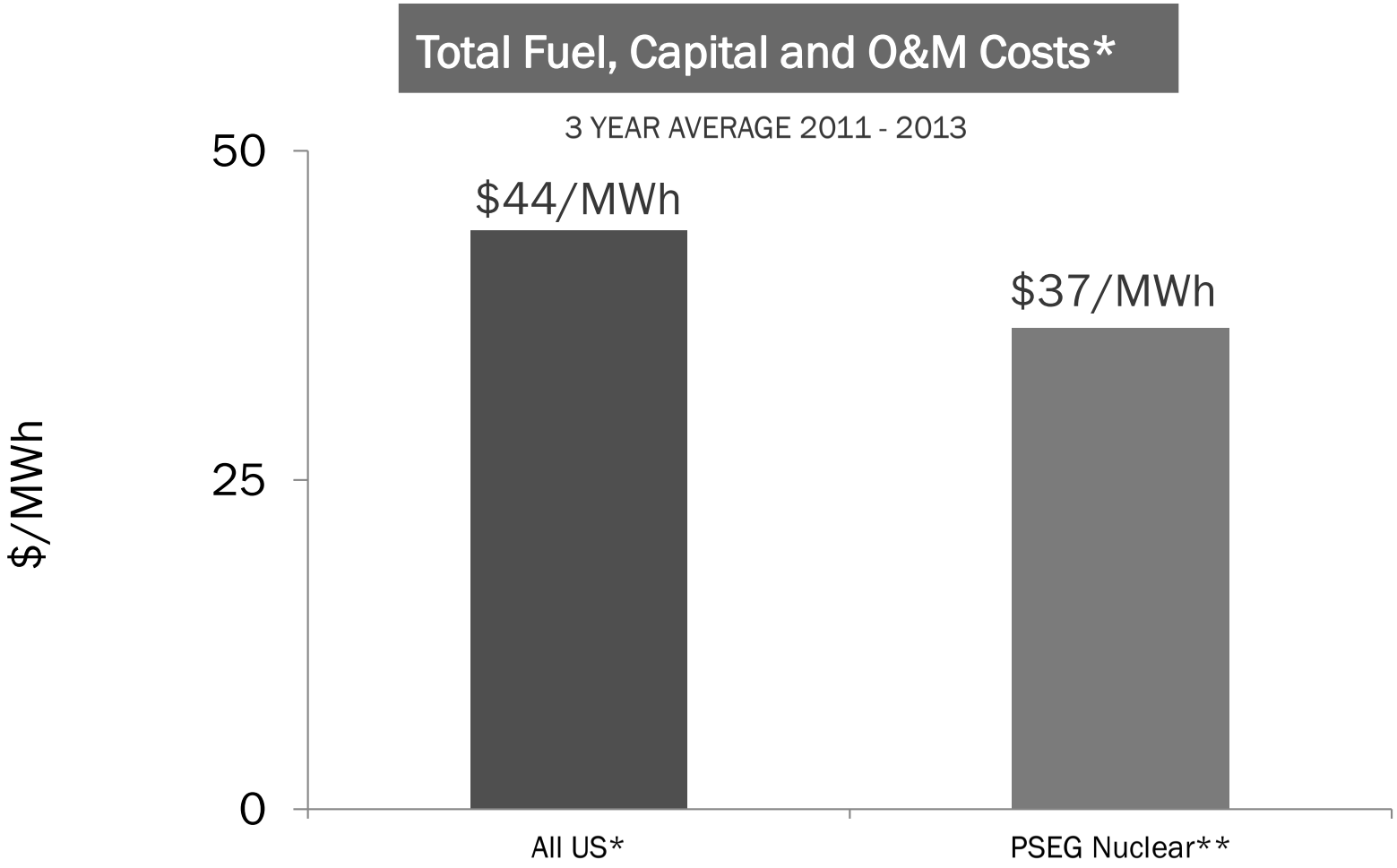
- Continued strong nuclear operations
- Nuclear excellence program
- Top quartile of cost performance/MWh
  - Brought security services in-house
- Significant earnings contributor
- Recruitment of the best new and experienced talent, and attractive training program
- Fukushima action plan in response to NRC staff review
  - FLEX* plan submitted with implementation underway
- Peach Bottom extended power uprate, 130 MW Power's share, scheduled in service 2015/2016
- Active and influential participation at INPO, NEI, EPRI, USA Alliance

*STRATEGY KNOWN AS THE "DIVERSE AND FLEXIBLE MITIGATION CAPABILITY" OR FLEX, ADDRESSES RECOMMENDATIONS OF THE NUCLEAR REGULATORY COMMISSION'S FUKUSHIMA TASK FORCE.

SI-SSA-0015-13218

Power's nuclear fleet is well positioned

with significantly lower-than-average US cost structure



*SOURCE: ELECTRIC UTILITY COST GROUP.
** SOURCE: PSEG NUCLEAR.

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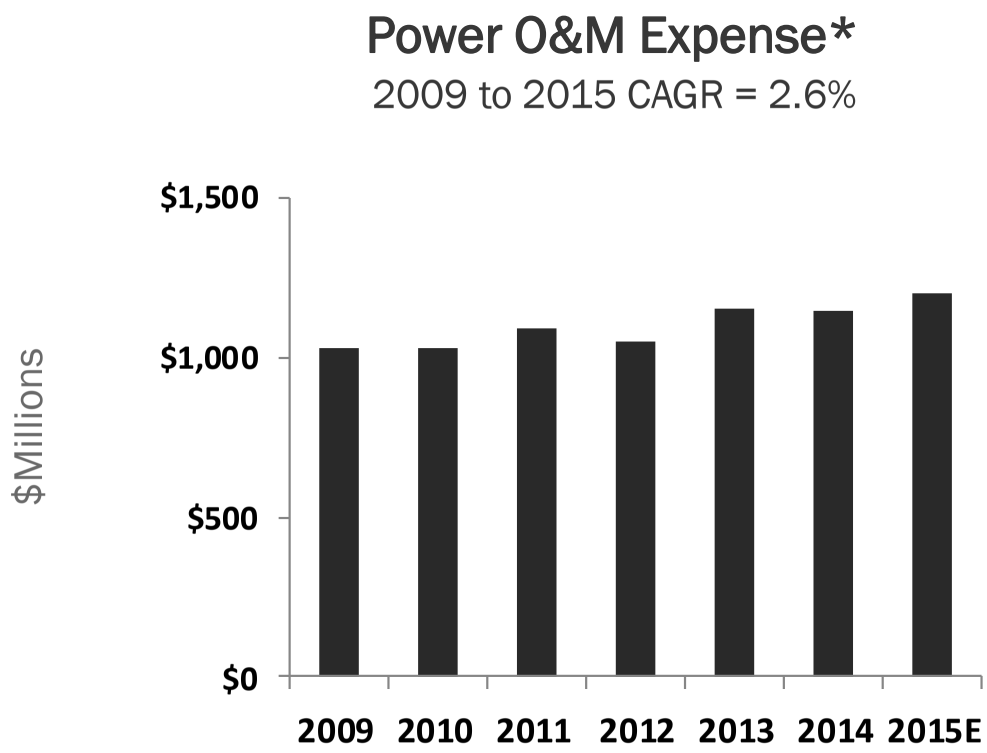
PSEG Power's focus on costs

has resulted in moderate increase in O&M for seven years



Cost control actions taken:	
• Fossil plant assessment • CCGT material condition assessment • Vendor contract renegotiations • Nuclear security services brought in-house to control costs	• Nuclear maintenance productivity study • Nuclear outage efficiency initiative • Materials management

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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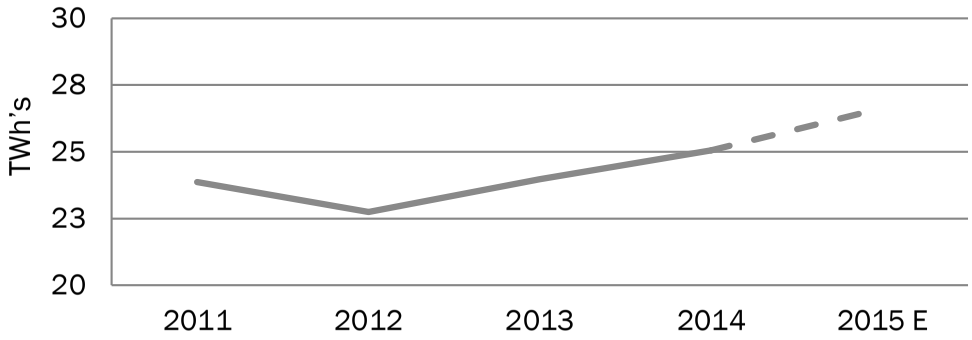
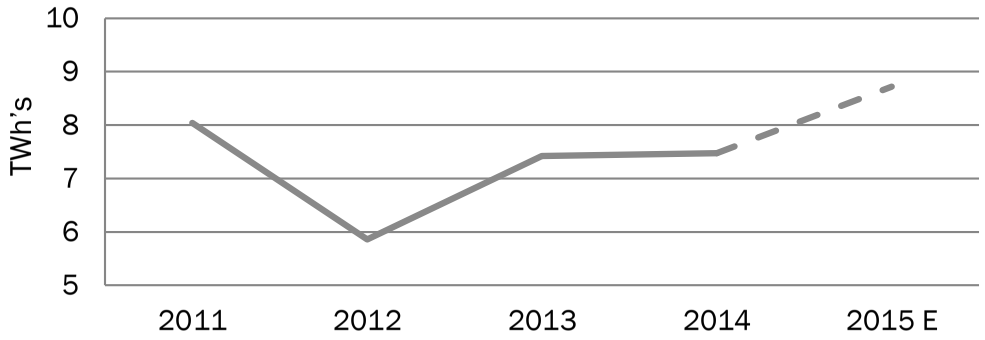
PSEG Power's Fossil Fleet has shown improvement in performance

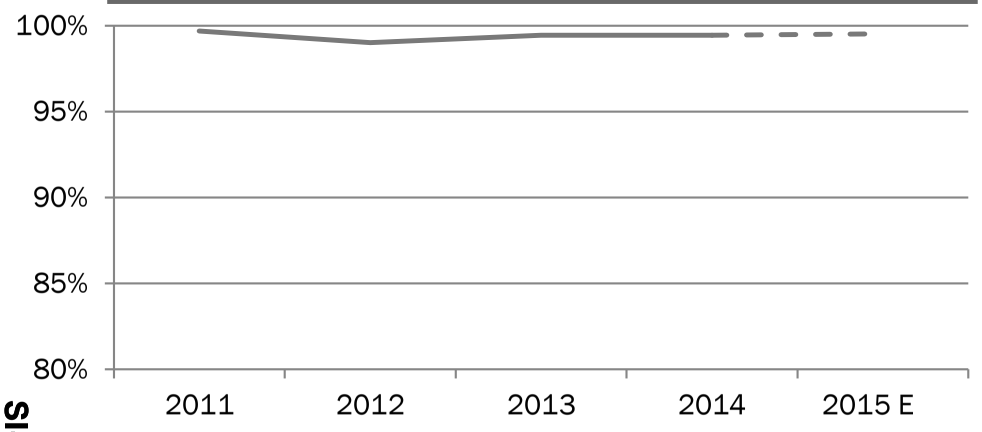
Fossil Generation



Coal Generation

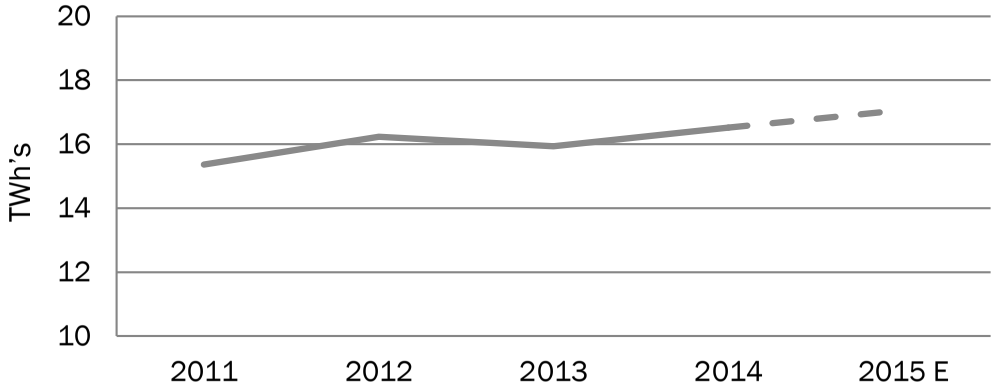


Peaking Start Success*



- Fossil Generation rebounded with market
- Peaking Units maintain high start success
- Record output from Kearny 13 & 14 peakers

Combined Cycle Generation



- Combined Cycle Generation set record
- Bergen AGP uprate project scheduled for 2015

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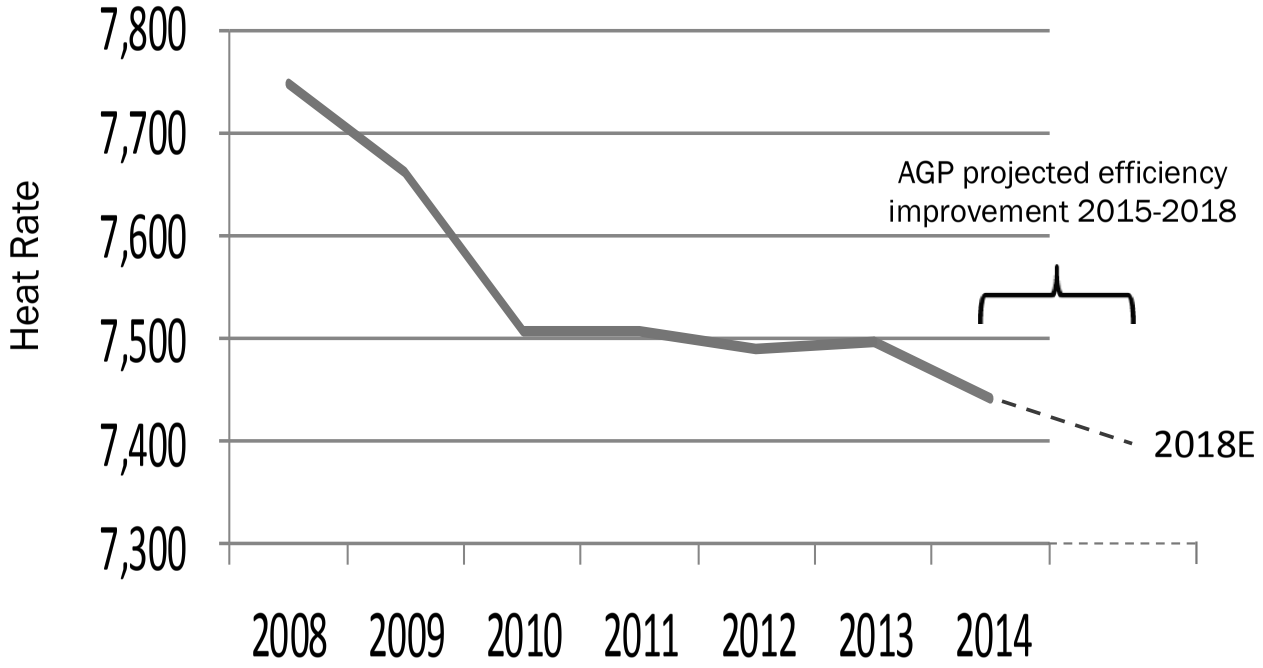
PSEG

*LM6000 AND 7EA UNITS E = ESTIMATE.

PSEG Power initiatives result in

continuing improvement in combined cycle heat rate



E= ESTIMATE.

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PSEG Power CCGT/Fossil initiatives

Actions Taken to Create Value

Capacity
- Advanced Gas Path (AGP) investments 2014 through 2018 to provide additional efficient capacity, heat rate improvements
- New lower cost gas line at BEC with Dominion

Performance
- EPRI efficiency initiatives
- GE initiatives for large data analytic
- Consolidation of unit testing
- Auto tuning software

Maintenance
- Ongoing outage efficiency improvement
- Improvements to reliability
- Central fleet monitoring and diagnostic center

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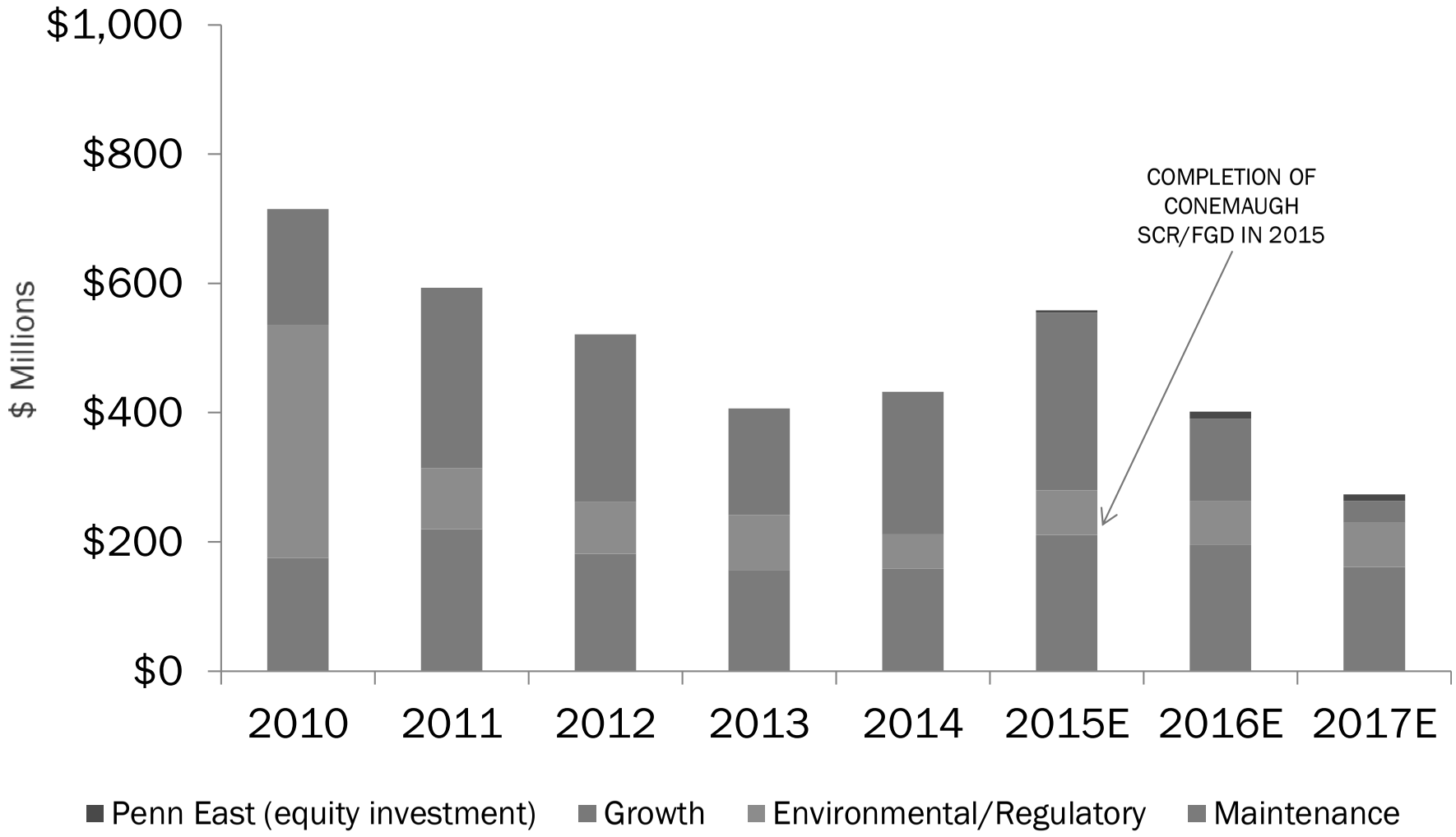
PSEG Power's capital expenditures for environmental requirements are essentially complete*



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PSEG

*BASED ON CURRENTLY KNOWN AND QUANTIFIABLE ENVIRONMENTAL REQUIREMENTS. E=ESTIMATE. DATA AS OF DECEMBER 31, 2014.

PSEG Power's Growth Investments

Site	Project	Cost ($ millions)	Benefits	Status
BEC	Dominion Gas Line	$8	Access to a 2nd, lower cost gas supply: $8-9 million/year increase in margin	Completed
Linden	AGP Upgrade	$69	Increased capacity and improved heat rate: 63 MW capacity increase ~1.2% heat rate improvement	Completed
Linden Kearny	Black Start: Linden 7/8 Kearny 12	$13	New ancillary revenue source: ~ $3 million per year	Linden Completed Kearny Underway
CA / TX / VT	Solar Source Projects	$44	Increased capacity: 21 MW	Completed
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$417	Increased capacity: 130 MW	PB2 March 2015, PB3 in 2016
Bergen / BEC	Future AGP Upgrades: Bergen (2015) BEC (2017-2018)	$98	Increased capacity and improved heat rate: 88 MW capacity increase ~1.2% heat rate improvement	Underway
Various	Interim ISA's*	No cost	Increased capacity: 69 MW	Completed
Eastern PA to Mercer, NJ	PennEast Pipeline	$119	Estimated Earnings in 2019: $13 million	Underway

Total Increased Capacity – 371 MW

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PSEG

* INTERCONNECTION SERVICE AGREEMENTS.

Additional investment opportunities under consideration

Site	Project	Benefits
Bridgeport Harbor	CCGT development	New ISO NE Capacity: 475 MW
Hope Creek	Uprate	Additional PJM Nuclear Capacity: 20 MW
Edison / Essex	SCR retrofit	Continued operation of FT4s Edison: up to ~ 470 MW Essex: up to ~ 330 MW
Bergen	Bergen 1 Uprate (AGP-type uprate)	Additional PJM Capacity: Up to 50 MW
Sewaren	CCGT development	New PJM Capacity: 450 – 625 MW
Various	Additional solar projects under investigation	100's of MW of new solar capacity under evaluation

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PSEG Solar Source owns ~123 MW

of solar facilities* with long term contracted revenues

Hackettstown (Mars)
New Jersey (2 MW)
COD September 2009
Thin film panels – fixed tilt
Investment $13 million
15 year PPA with Mars, Inc.

Queen Creek
Arizona (25 MW)
COD October 2012
Polycrystalline - single axis
Investment $75 million
20 year PPA with SRP

Newman
Texas (13 MW)
COD December 2014
Polycrystalline - single axis
Investment $22 million
30 year PPA with El Paso Elec.

Wyandot
Ohio (12 MW)
COD May 2010
Thin film panels – fixed tilt
Investment $44 million
20 year PPA with AEP

Milford
Delaware (15 MW)
COD December 2012
Polycrystalline - fixed tilt
Investment $47 million
20 year PPA with DEMEC

In Construction – Rockfish
Maryland (13 MW)
COD - June 2015E
Polycrystalline - single axis
20 year PPA with SMECO

JEA
Florida (15 MW)
COD September 2010
Thin film panels – fixed tilt
Investment $59 million
30 year PPA with JEA

Badger I
Arizona (19 MW)
COD November 2013
Polycrystalline - single axis
Investment $48 million
30 year PPA with APS

Shasta A & B
California (4 MW)
COD March 2014
Polycrystalline - single axis
Investment $13 million
20 year PPAs with PG&E

Whitcomb
Vermont (4 MW)
COD October 2014
Polycrystalline - single axis
Investment $10 million
25 year PPA with VT Electric Power Producers, Inc.

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PSEG

*PROJECT SIZE IN MEGAWATTS SHOWN IN DC (DIRECT CURRENT), AC EQUIVALENT IS 96 MEGAWATTS. E=ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio, in addition to energy and capacity

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial customers (C&I)
- Weather and price volatility

Ancillary Services

LIPA Fuel and energy dispatch management

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PSEG Power has delivered on its commitments during volatile market conditions

	2009	2010	2011	2012	2013	2014
Annual Cooling Degree Days % greater/(less) than average	(17%)	35%	26%	13%	7%	(5%)
Annual Heating Degree Days % greater/(less) than average	(1%)	(8%)	(11%)	(17%)	(1%)	5%
# Days over 90 degrees	12	48	29	29	21	12
# Days below 20 degrees	24	14	13	7	13	33
Gas Volatility: Transco Z6	Min $2.50 Max $19.93	Min $3.76 Max $23.43	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00
LMP Volatility: PS Zone	Min $4 Max $156	Min $7 Max $289	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021
Basis Volatility: PJM-W to PS Zone	Min ($22) Max $50	Min ($29) Max $71	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455
Power Earnings	**On Guidance**	**On Guidance**	**High End of Guidance**	**Above Guidance**	**High End of Guidance**	**High End of Guidance**

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PSEG Power is an established leader

within the industry

INPO

- National Nuclear Accrediting Board

NEI

- Communications Advisory Committee
- Board of Directors
- Board of Directors Executive Committee
- Emergency Preparedness Working Group
- Security Working Group
- Fukushima Response Steering Committee
- Joint Information System Task Force
- Nuclear Strategic Issues Advisory Committee Steering Group

EPRI

- Chairman Nuclear Power Council
- Executive Committee Nuclear Power Council

BWR Owners Group

- Vice Chair of the Executive Oversight Committee

Utilities Service Alliance (USA) Fleet

- Chair

EPSA

- Executive committee member

UWAG

- Chair of the Cooling Systems Committee

PJM/NY/ISO-NE

- Member of various Committees at PJM
- Chairman & Vice-Chair of the Supplier Sector of the New England Power Pool (NEPOOL)
- Chair of the PJM Power Providers Board
- Board member & member of the board's Executive Committee of Independent Power Producers of New York (IPPNY)

EEI

- Member of water resources subcommittee

National Coal Council

- Member of Executive Committee

SI-SSA-0015-13230

Developing People to drive operational excellence and to optimize the workforce

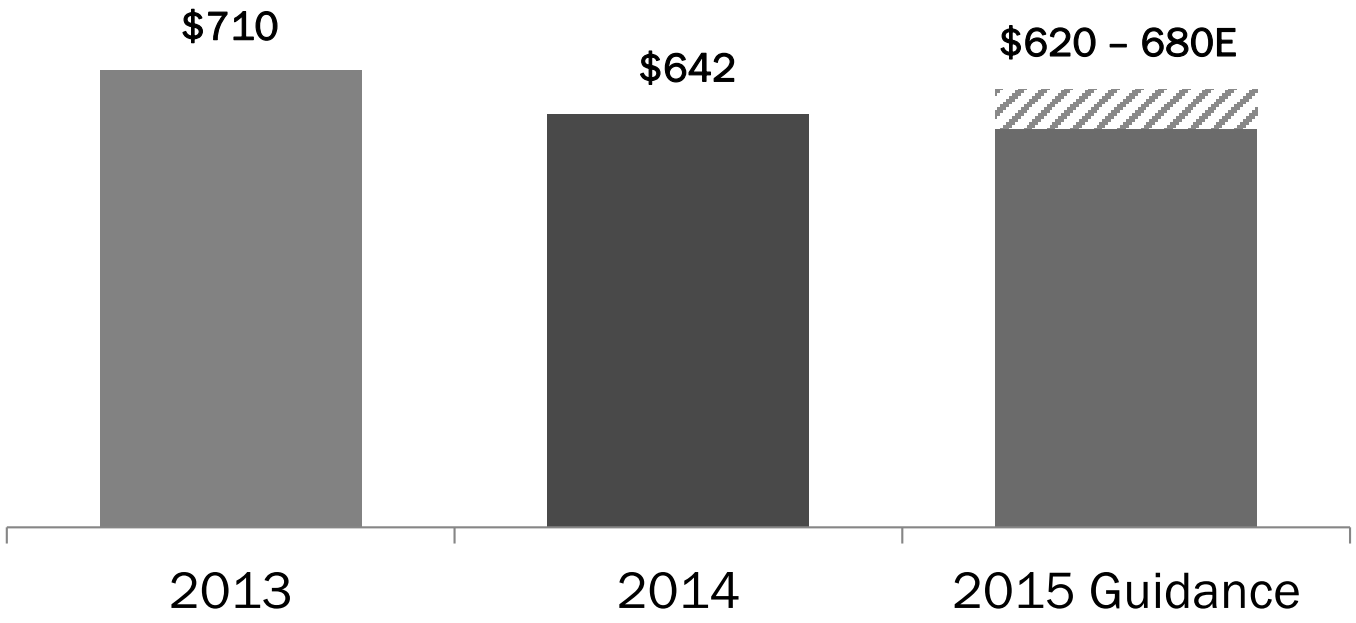
- Succession planning and development planning
  - Recent CNO retirement & succession was part of the plan
- Training & development of employees
- Rotational assignments for key leaders in PSEG Power
- Outreach programs
- Employee engagement
- Shared resources between Fossil and Nuclear (outage support)
- Diversity & inclusion

SI-SSA-0015-13231

Power's 2015 operating earnings

maintain solid performance

Power Operating Earnings*
($ Millions)



2015 Observations

- 75-80% hedged at $52/MWh
- Increase in average hedge price for energy helps mitigate reset in capacity price and volume

SI-SSA-0015-13232

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS.

PSEG POWER
ER&T

Shahid Malik

PRESIDENT

PSEG

We make things work for you.

SI-SSA-0015-13233

Agenda

Market Review

- Gas, Power, Spark Spreads
- Gas and Power Basis

PSEG Power's Portfolio

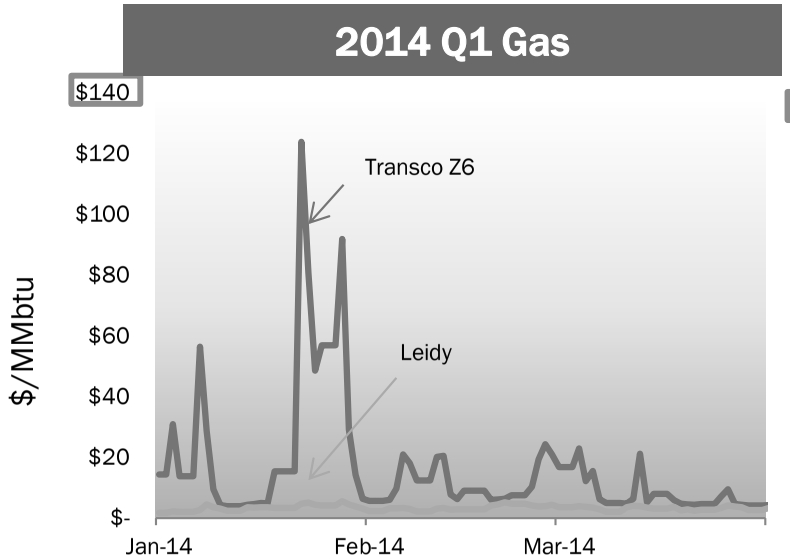
- PJM
- Northeast

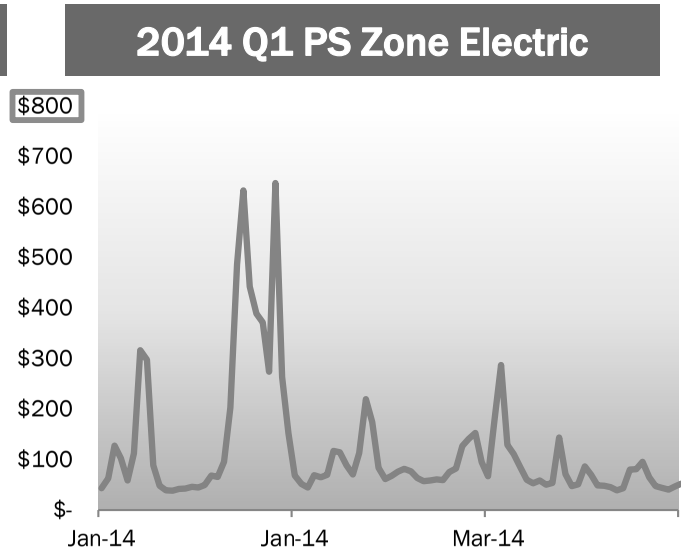
PSEG Power's Locational and Fleet Strengths

- Robust capacity market pricing
- Advantageous medium-term full requirements opportunity in NJ
- Hedging plan mitigates risk while allowing for upside

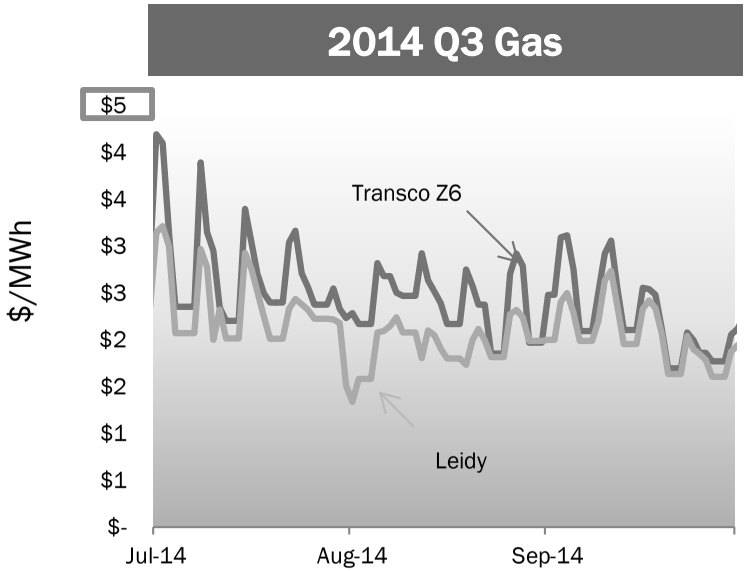
SI-SSA-0015-13234

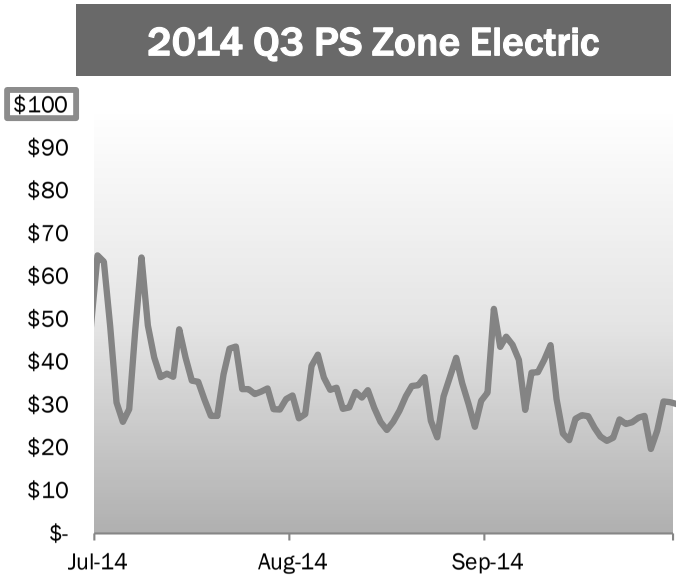
Market Review: 2014 was influenced by extremes in weather highlighting the importance of winter





Q1: Periods of extreme cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand.



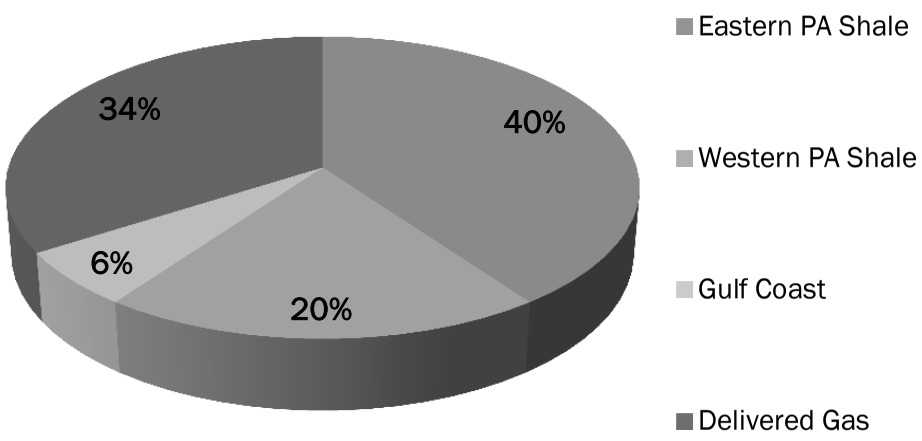


Q3: A cooler than normal summer, combined with increased supply of gas, reduced energy prices and basis.

SI-SSA-0015-13235

Market Review: PSEG's extensive gas asset portfolio gives unparalleled access to Marcellus Shale gas

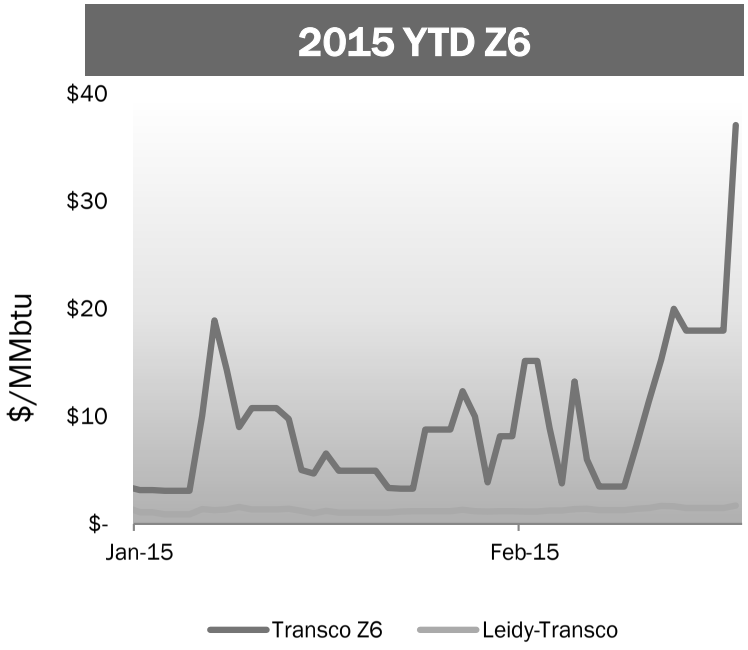
Power's Gas for Generation in 2014

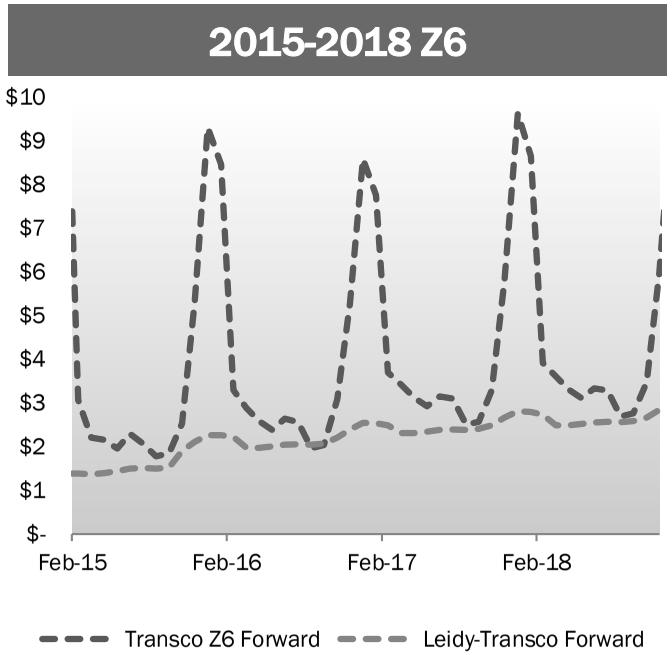


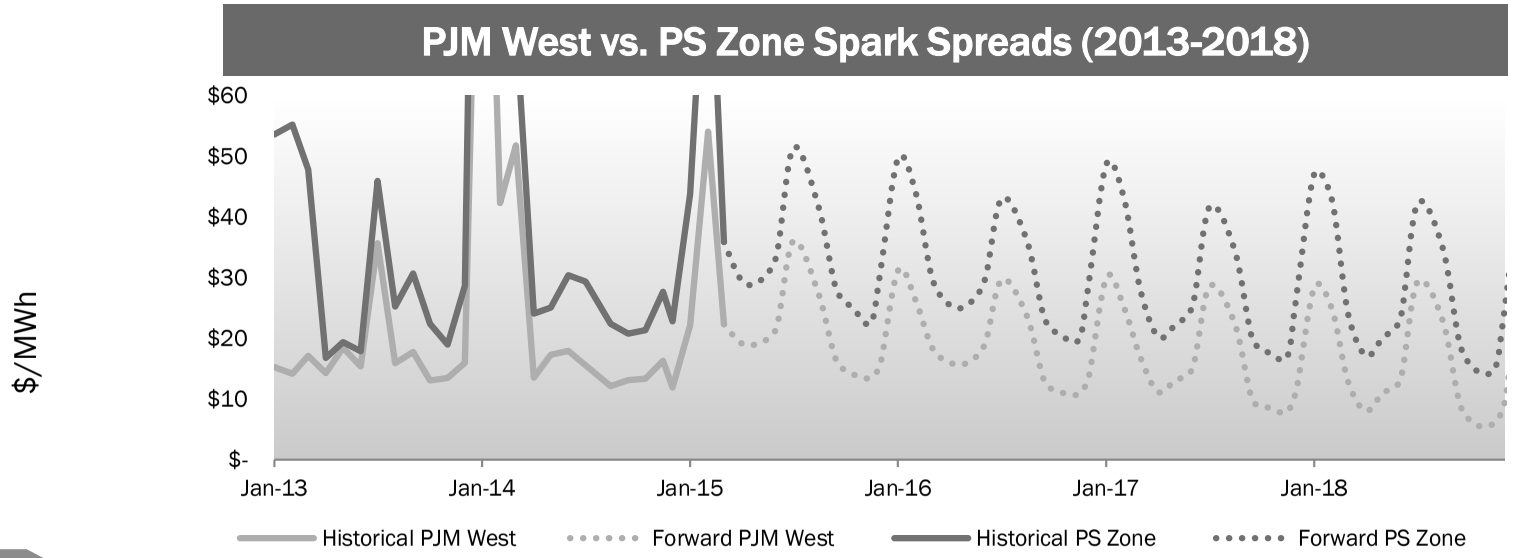
- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- PSEG Power's gas for generation was ~100 BCF in 2014, of which >60% was supplied by Shale gas
- PSEG Power procured over 400 BCF in 2014 with ~75% going to PSE&G's utility gas customers
- When gas is surplus to customer needs, PSEG Power sells surplus to others; margins from such sales benefit PSE&G gas customers and PSEG Power

SI-SSA-0015-13236

Market Review: Winter Z6 gas prices retain seasonal volatility; spark spreads have continued to be robust in PJM





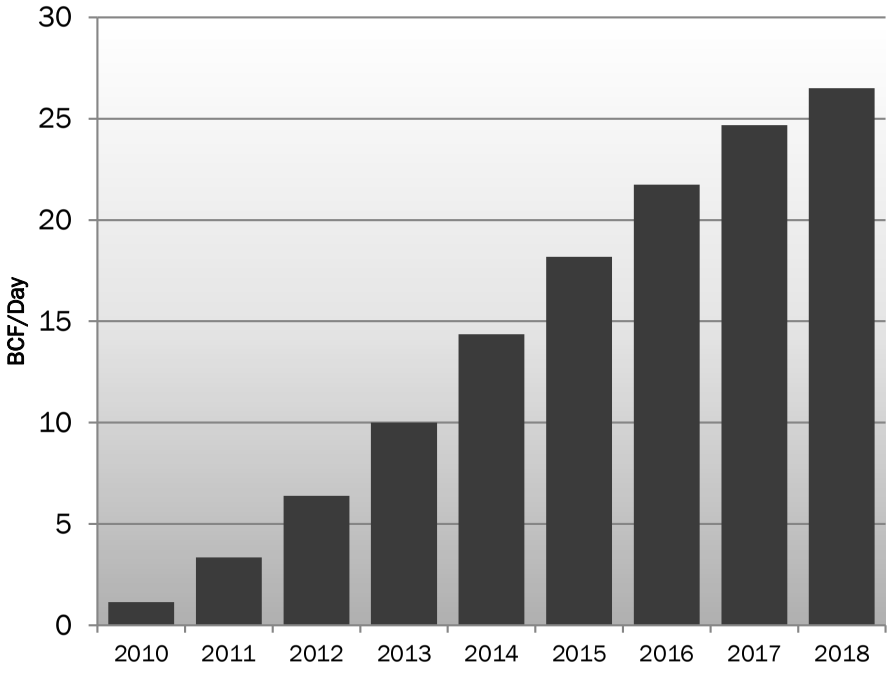


FORWARDS AS OF DECEMBER 31, 2014

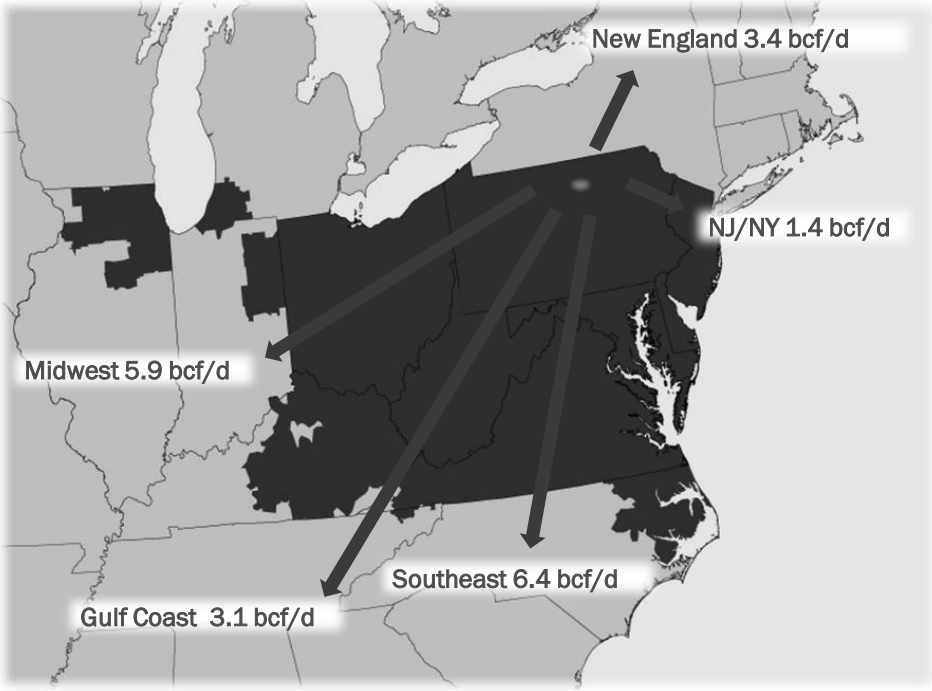
SI-SSA-0015-13237

Market Review: New pipelines will move significant quantities of Marcellus gas out of the region by 2018

Historical and Expected Marcellus Production



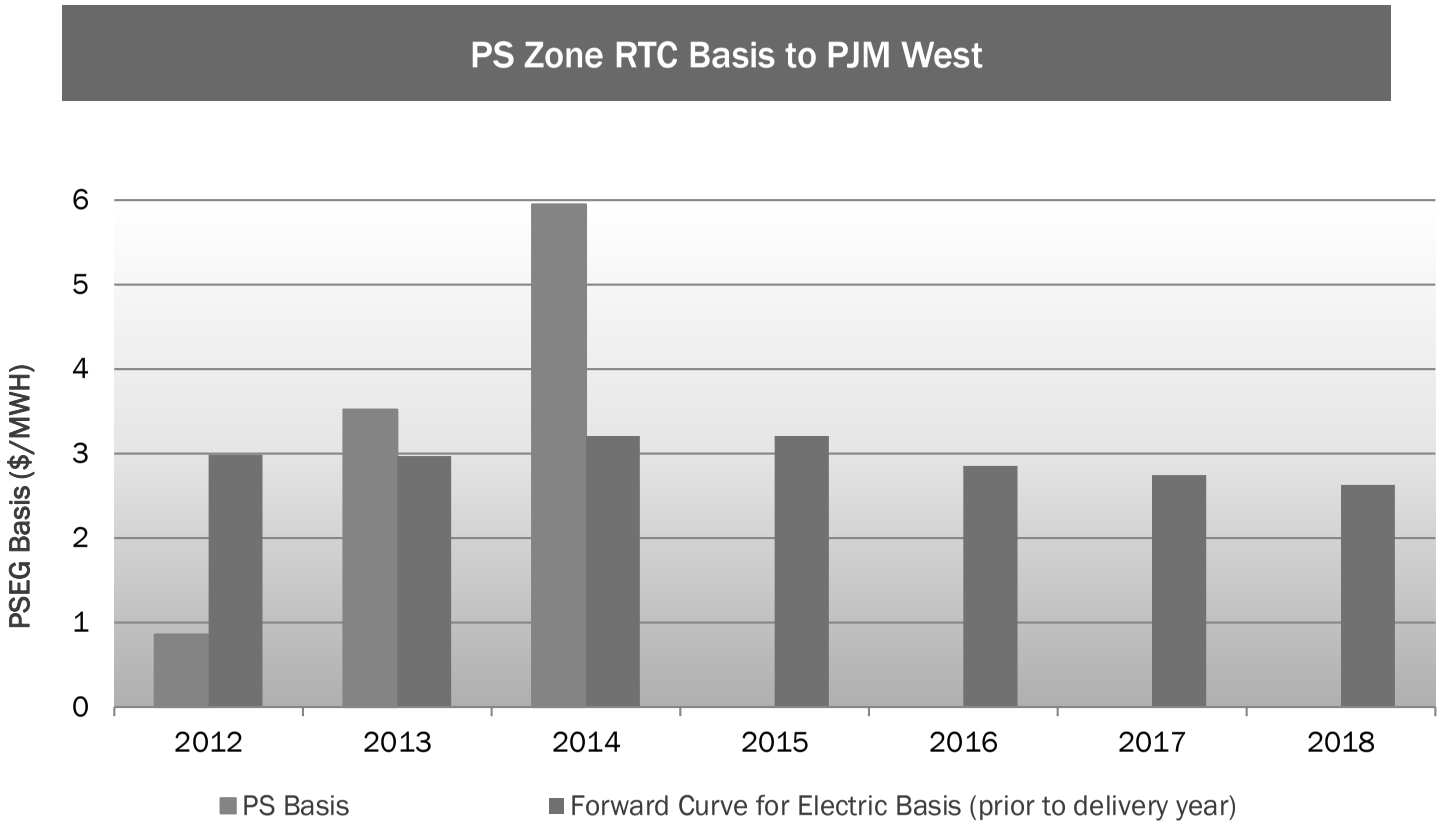
Pipeline capacity grows significantly by 2018



New pipeline investment is expected to increase takeaway capacity from the low cost Marcellus/Utica shale and reduce regional surpluses and increase gas prices by 2018

SI-SSA-0015-13238

Power Basis in Eastern PJM: Expected to be volatile but positive on an annual basis with winter pricing driving value



Electric Basis will remain positive overall and stabilize within 3 years due to:

- Export of ~18 bcf/day of gas which will significantly strengthen regional gas prices
- Easing of transmission constraints in Virginia/Maryland
- Construction of significant new gas-fired generation in VA/MD

ANNUAL FORWARD BASIS TO PJM-WEST AS OF DECEMBER 31, 2014.

SI-SSA-0015-13239

Regulatory Framework: Significant reforms already implemented and new rules being promulgated to improve energy and capacity market designs

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance)
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment
	ENERGY PRICE FORMATION	• PJM and FERC forcing improvements to energy price formation; higher caps
ISO-NE	CAPACITY	• Higher prices in recent auction better reflect tight supply conditions • Implementation of sloping demand curve in FCA 9 • Zonal demand curves expected in FCA 10
	ENERGY	• Demand response required to participate in Day Ahead markets • Implemented hourly offers/real time reoffers • Reserve market prices better reflect scarcity prices • 5 minute interval LMP settlements expected Q1 2016
NYISO	CAPACITY	• New Capacity Zone (LHV) leads to more accurate price signals
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	DEMAND RESPONSE	• EPSA VS. FERC and national implications
	ENVIRONMENTAL REGULATIONS	• HEDD, CPP, HAPS/MACT will lead to tightening of supply in 2015+ timeframe

SI-SSA-0015-13240

Agenda

Market Review

- Gas, Power, Spark Spreads
- Gas and Power Basis

PSEG Power's Portfolio

- PJM
- Northeast

PSEG Power's Locational and Fleet Strengths

- Robust capacity market pricing
- Advantageous medium-term full requirements opportunity in NJ
- Hedging plan mitigates risk while allowing for upside

SI-SSA-0015-13241

PJM Capacity Performance Proposal: aims to increase electric supply reliability

- **Capacity performance (CP)** proposal places emphasis on reliability, given observed outages during times of extreme weather stress and anticipated retirements; Imposition of higher penalty structure and enhanced opportunities for cost recovery to encourage reliability
- **Generator performance/flexibility is key** objective for units with secure fuel supply capable of meeting more stringent operating standards
- **Elimination of 2.5% holdback offsetting weak demand growth**, making all capacity resources annual products in end state, net CONE bidding safe harbor, and the change in the demand curve (VRR) support price formation and improve resource adequacy

December 2014
PJM Filed
Final CP Proposal

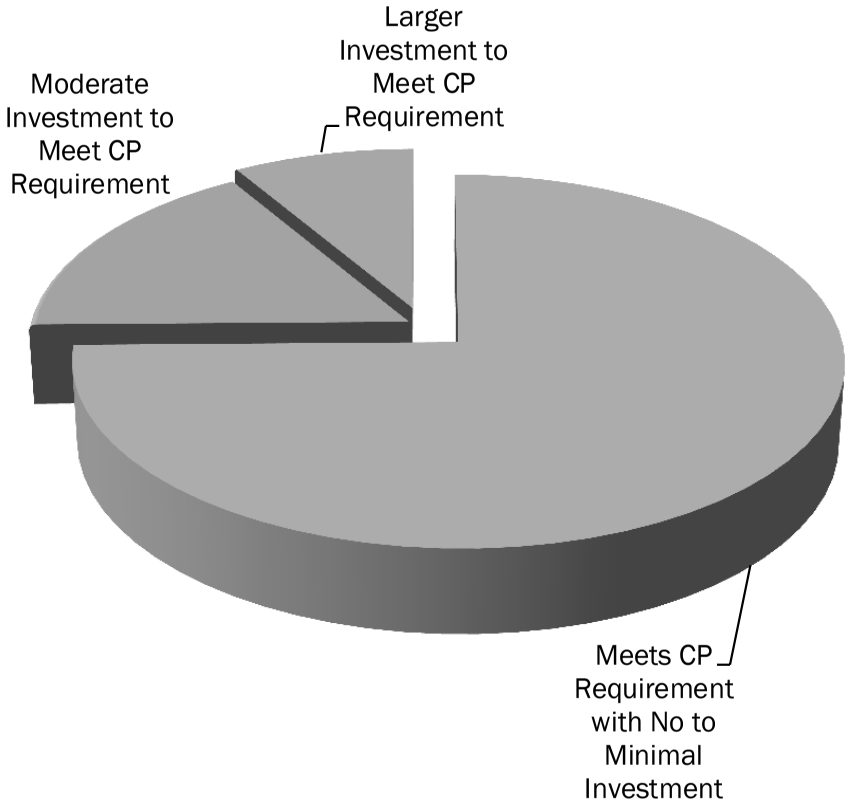
April 2015
Expected FERC Response
to PJM CP Proposal

May 2015
RPM Auction for
2018/2019 Capacity Year

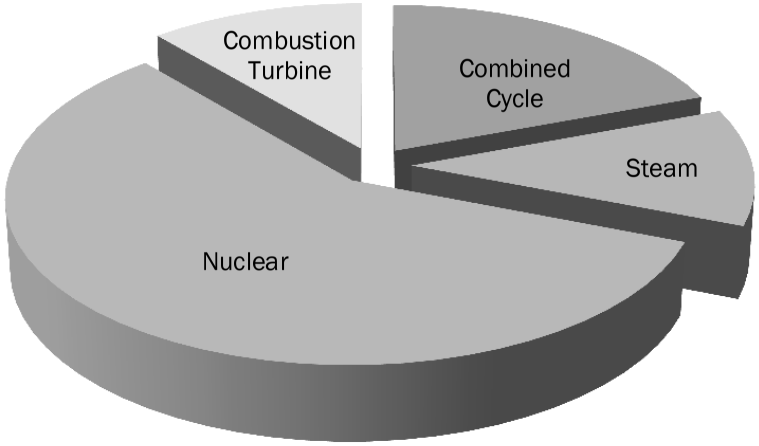
SI-SSA-0015-13242

Capacity Performance: >90% of PSEG's PJM capacity meets the new capacity performance standards with minimal to moderate investment

How does our fleet stack up?*



CP Compliant Assets



* EXCLUDES 205MW OF PUMPED STORAGE

SI-SSA-0015-13243

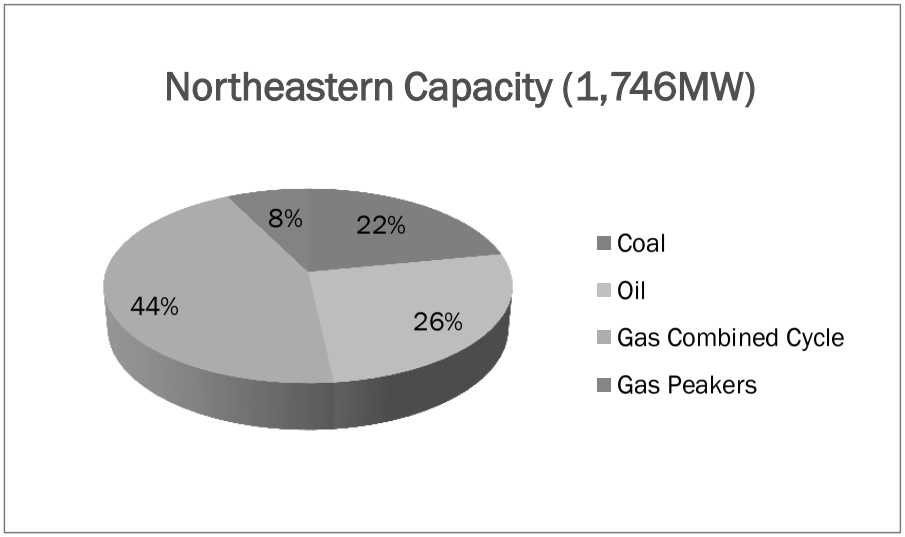
Northeast Portfolio: New York and New England

New England (972MW)

- Small but dynamic market
- Significant improvement in market construct
- High volatility due to extreme (winter) weather conditions
- Significant siting and permitting challenges
- Gas pipeline infrastructure poses supply challenges/opportunity

New York (774MW)

- Single state ISO
- Investment in new lateral to connect to the Dominion pipeline at Bethlehem Energy Center (BEC) allows for access to fuel supply from Marcellus
- Long Island Power Authority Management Contract



SI-SSA-0015-13244

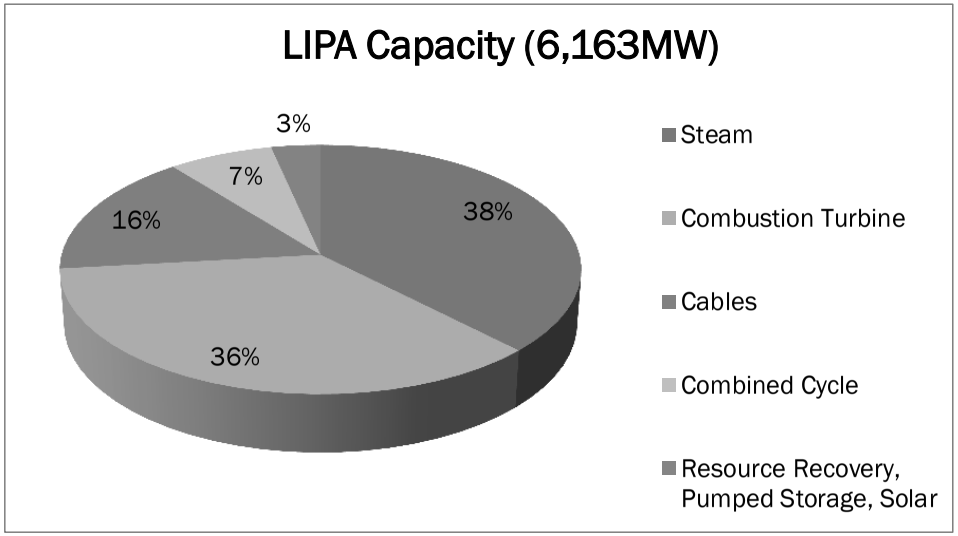
Northeast Portfolio: Expanding our footprint with PSEG Long Island

PSEG Power acting as an agent for LIPA began January 2015

- Performing ISO bidding for LIPA's 6,000MWs of generation/tolls
- Procuring natural gas and oil for the majority of these assets
- Scheduling two DC transmission cables (ISO-NE and PJM) into Long Island
- Entering into financial hedges to reduce LIPA customer's price volatility

This relationship has provided PSEG Power:

- Additional experience in Eastern NY and Connecticut markets
- Bigger natural gas footprint
- Fee-based services contract



SI-SSA-0015-13245

Agenda

Market Review

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- Gas and Power Basis

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- PJM
- Northeast

PSEG Power's Locational and Fleet Strengths

- Robust capacity market pricing
- Advantageous medium-term full requirements opportunity in NJ
- Hedging plan mitigates risk while allowing for upside

SI-SSA-0015-13246

Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

RPM Auction Results					
($/MW-day)	2013 / 2014*	2014 / 2015*	2015 / 2016*	2016 / 2017*	2017 / 2018
Power's Average Prices	$242	$168	$168	$167	**$165**
Rest of Pool Prices	$28	$126	$136	$59	**$120**
Power's Cleared Capacity (MW)	10,900	10,600	8,800	8,700	**8,700**

2018 Onwards RPM Auction Impacted By:

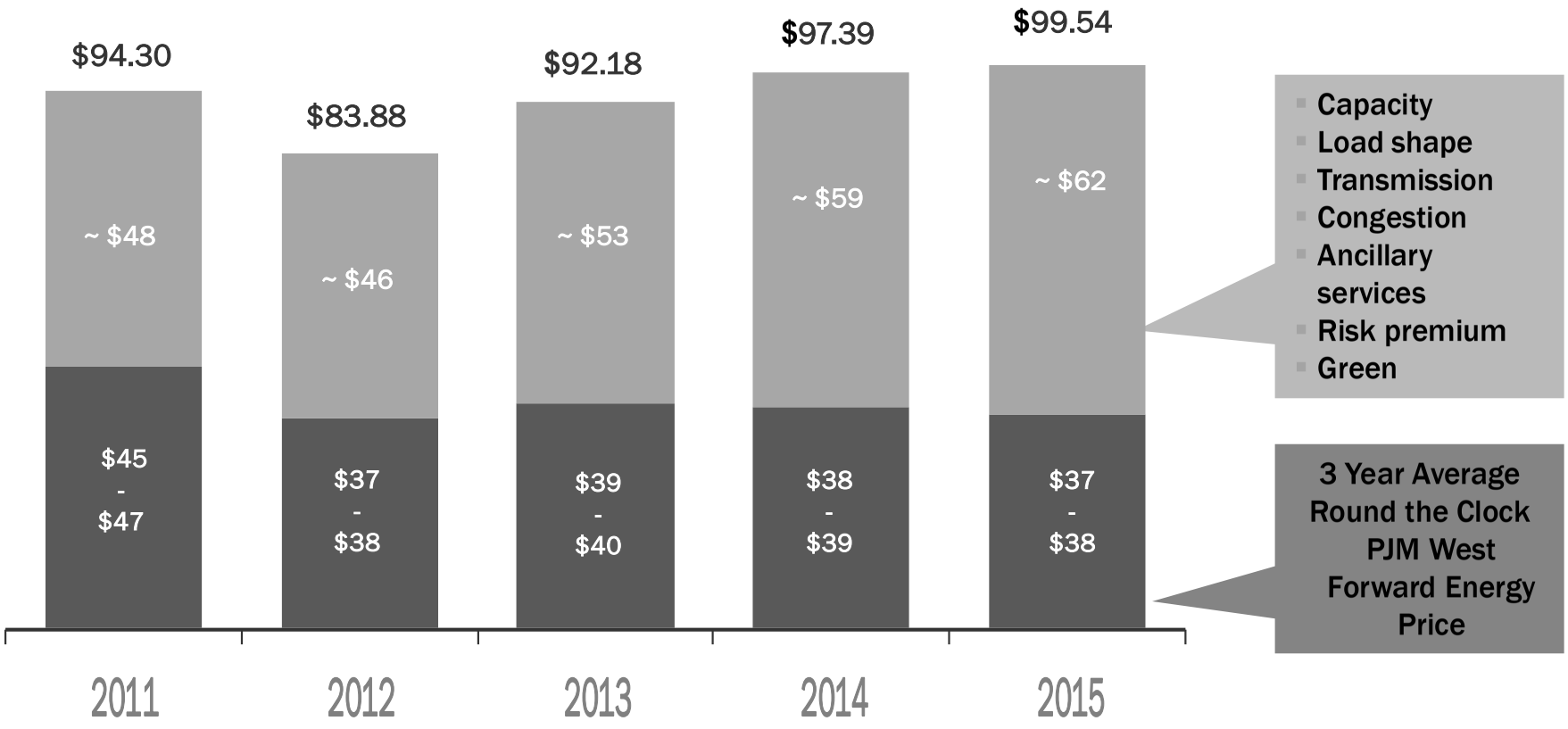
- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirements

SI-SSA-0015-13247

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL RPM AUCTION RESULTS AS OF FEBRUARY 2015. DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Auction Results: BGS Auction provides ability to forward hedge our generation and protect our power basis



BGS sales account for approximately 20% of our forward portfolio of hedges

SI-SSA-0015-13248

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2013-2015 ARE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2015.

Hedging strategy: designed to protect gross margin while leveraging the portfolio

		2015	2016	2017
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$52	$52	$52
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	21	19	19
	% Hedged	40-45%	0%	0%
	Price $/MWh	$52	$52	$52
Total	Volume TWh	55-57	55-57	55-57
	% Hedged	75-80%	50-55%	25-30%
	Price $/MWh	$52	$52	$52

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 2015. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS. EXCLUDES SOLAR AND KALAELOA.

SI-SSA-0015-13249

PSEG Power's Value Proposition

- Well-positioned fleet of merchant generating assets in attractive markets
- Advantaged by low cost structure, fuel diversity and dispatch flexibility
- Value add from strong gas supply capability
- Significant drive by regulatory bodies to improve market constructs
- Low capital requirements to meet enhanced performance standards
- Organic growth opportunities to increase nuclear and combined cycle generation
- Hedging strategy is responsive to changing market dynamics, providing attractive returns and free cash flow

SI-SSA-0015-13250

2015 Financial Review & Outlook

MARCH 2, 2015

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13251

PSEG

Caroline Dorsa

EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-13252

Strong financial position to support our business initiatives

2014 Financial Position

- ✓ Strong 2014 earnings growth
- ✓ Exceeded earnings guidance
- ✓ Executed major PSE&G capital program
- ✓ Strong balance sheet with no long term Parent debt
- ✓ Solid credit metrics

2015 and Beyond

- ✓ Third year of anticipated positive earnings growth in 2015
- ✓ Controlled O&M growth
- ✓ Balance Sheet and Cash Flow support investment program without equity issuance
- ✓ Substantial additional investment capacity
- ✓ Growth in PSE&G investments with contemporaneous/formula rate returns
- ✓ Consistent and strong cash flow from both Power and PSE&G
- ✓ Potential for accelerated and sustainable dividend growth

SI-SSA-0015-13253

Earnings increase of 7% exceeded guidance

PSEG Operating Earnings		
$ Millions (except EPS)	**2013**	**2014**
PSE&G	$612	$725
PSEG Power	$710	$642
Other	($13)	$33
Operating Earnings	$1,309	$1,400
*Operating EPS**	**$2.58**	**$2.76**

Revised Earnings Guidance (Oct 2014)	**$2.60 - $2.75**
Earnings Guidance (Feb 2014)	**$2.55 - $2.75**

Key Takeaways

- **18% increase in PSE&G earnings**
- **52% regulated earnings contribution in 2014**
- **Power's results exceeded guidance**

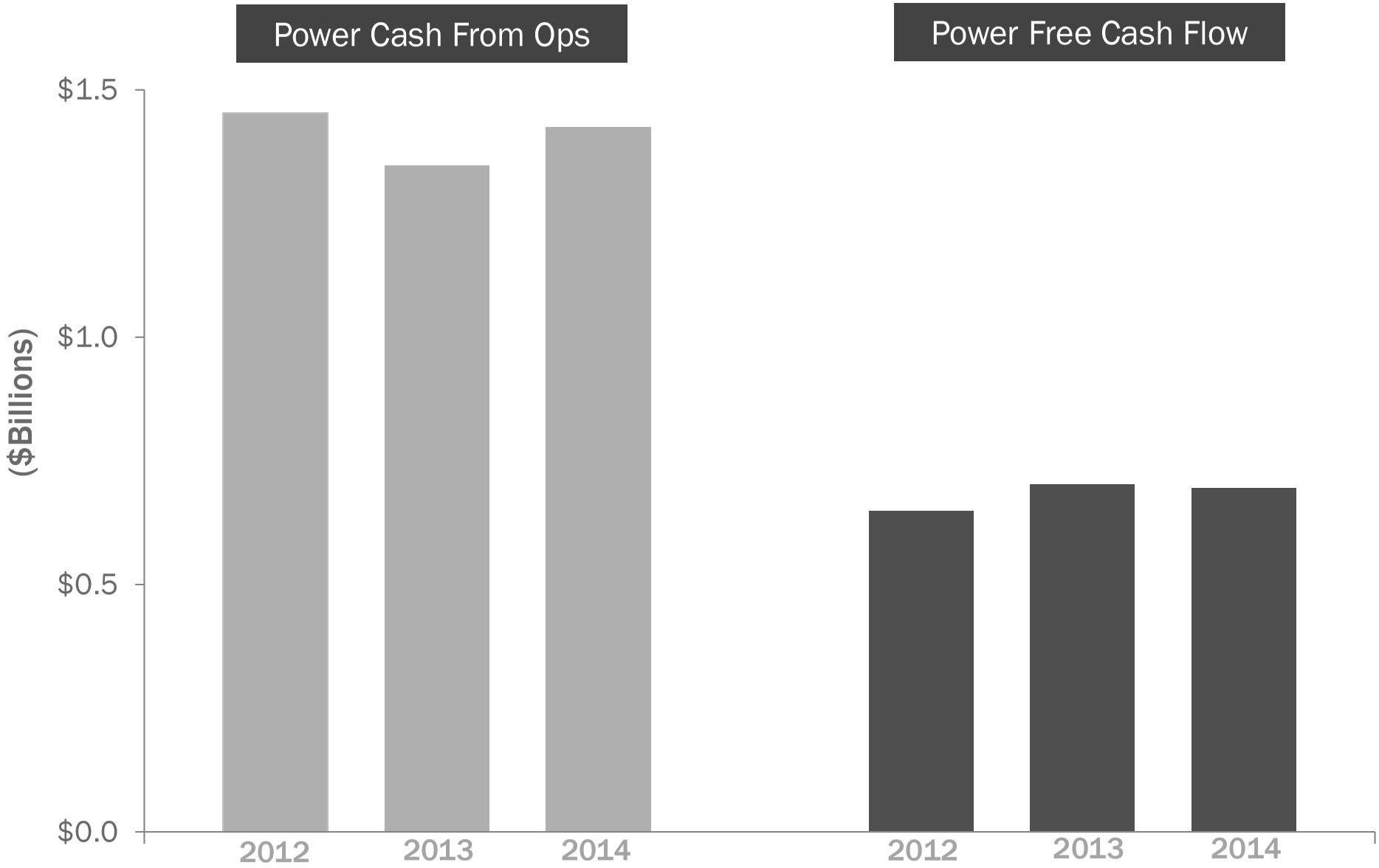
SI-SSA-0015-13254

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Power produced significant and consistent

Free Cash Flow



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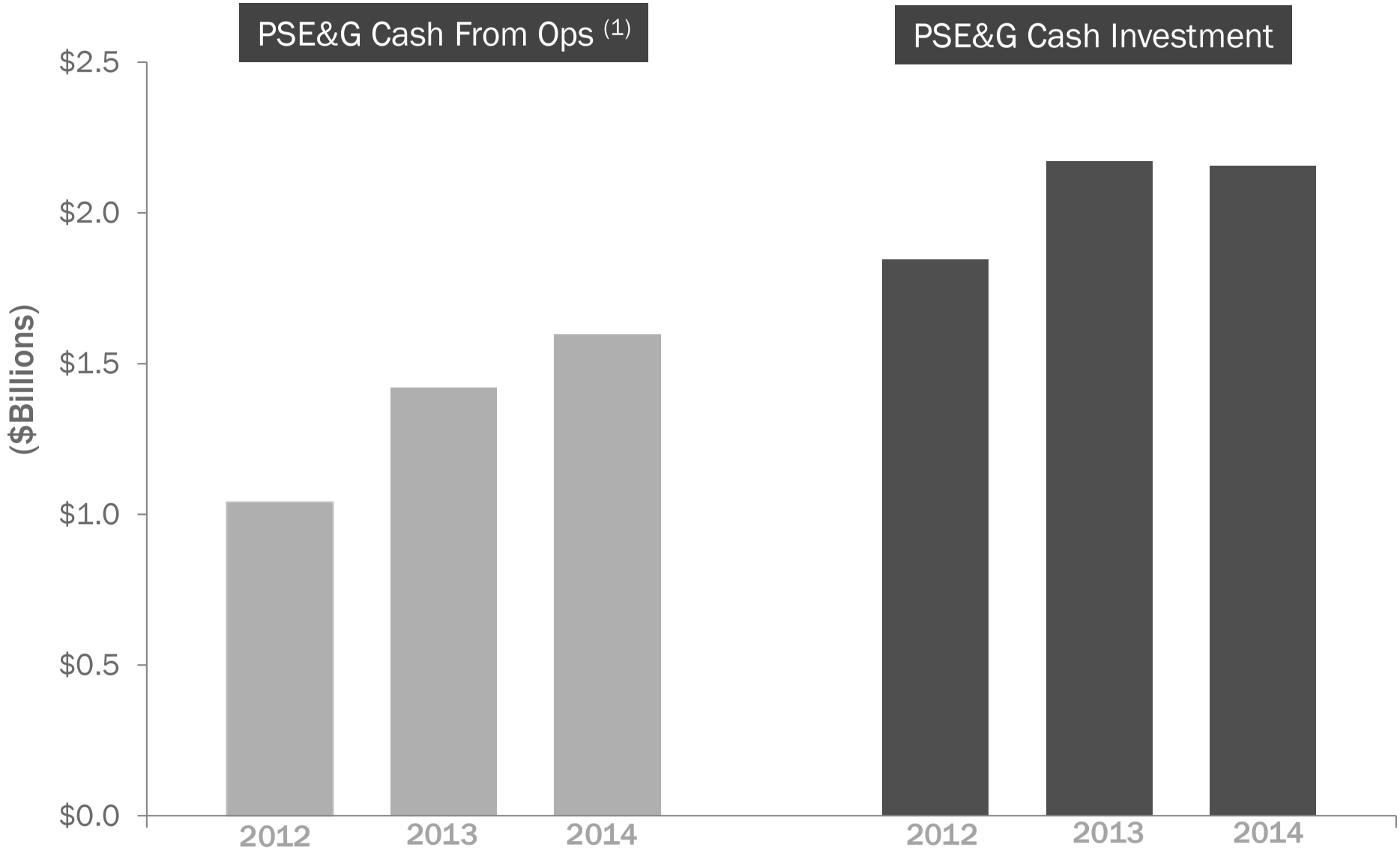
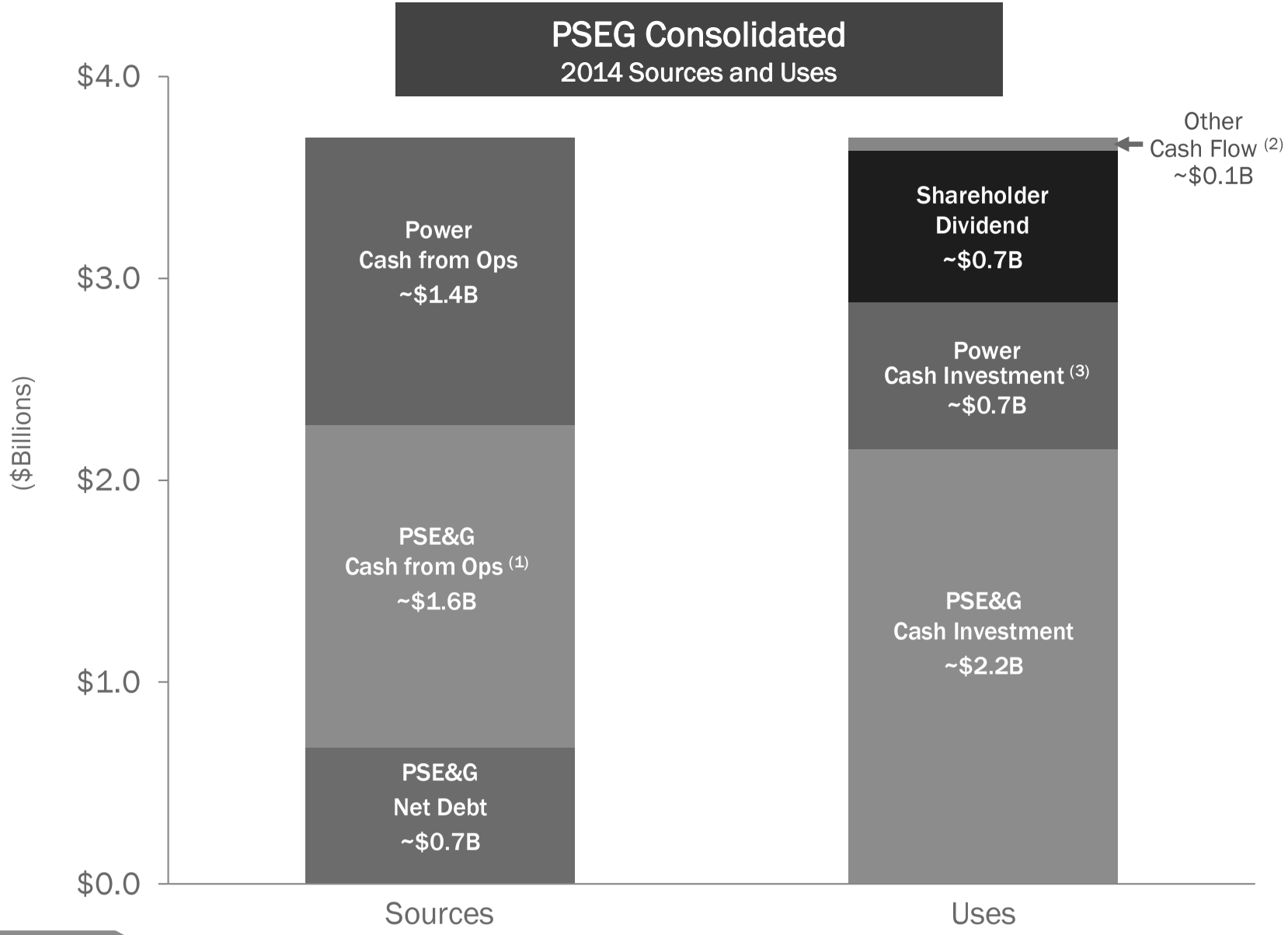
PSE&G delivers increasing cash flow due to investment program



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$215 TO ~$240 MILLION OVER 3 YEAR PERIOD

SI-SSA-0015-13256

In 2014, Power's Free Cash Flow supported PSE&G's capital program and shareholder dividend

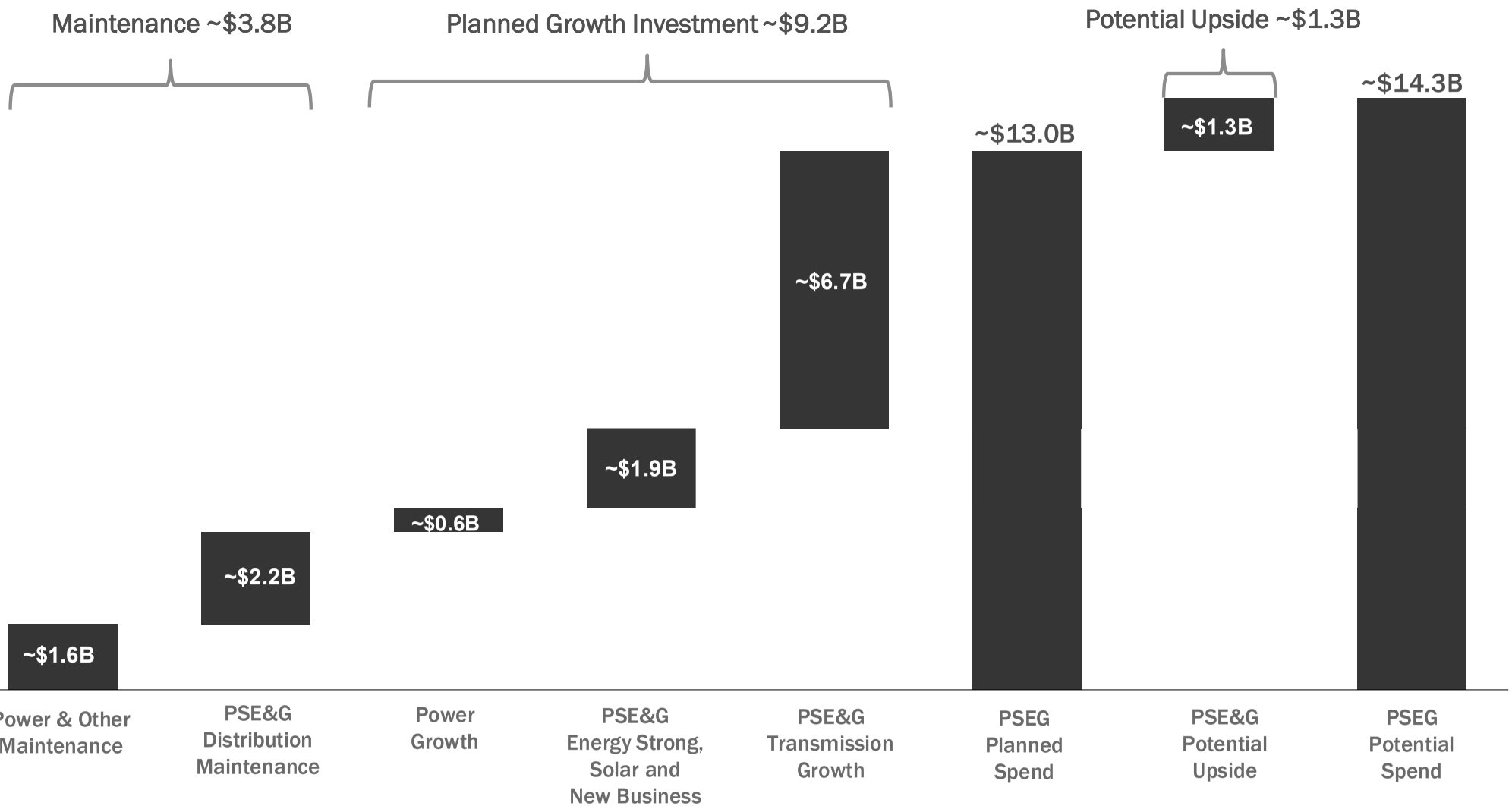


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.
(2) OTHER CASH FLOW INCLUDES HOLDINGS NET CASH FLOW AND INVESTED CASH
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES

SI-SSA-0015-13257

PSEG growth spend represents ~70% of total investment with new PSE&G investment opportunities of over $1B

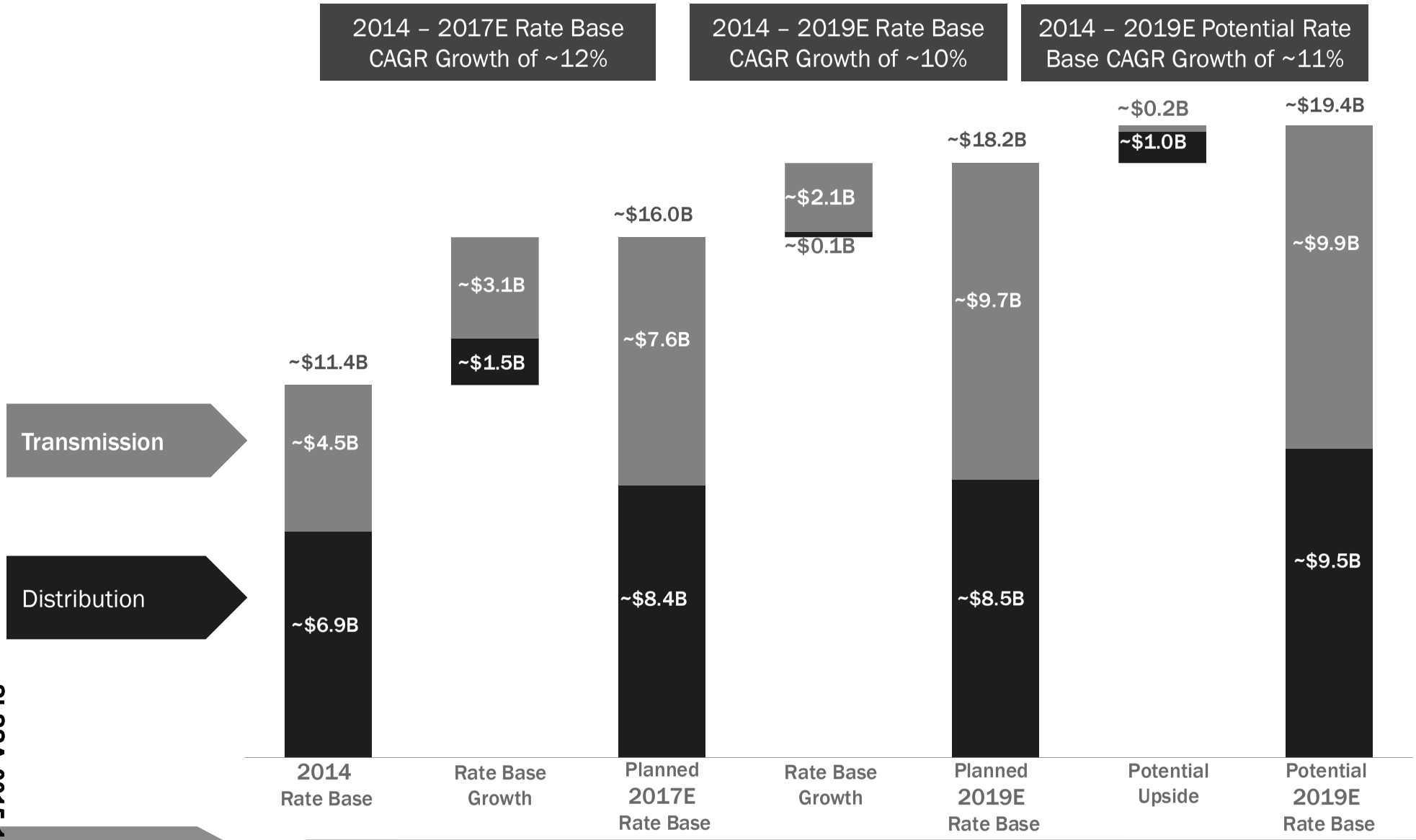
PSEG 2015– 2019E Capital Expenditures[1]



(1) INCLUDES AFUDC AND IDC; PENNEAST PIPELINE EQUITY INVESTMENT OF~$0.1B IS INCLUDED IN POWER GROWTH. E = ESTIMATE.

SI-SSA-0015-13258

PSE&G's Capital Program drives double-digit growth in rate base through 2019



E = ESTIMATE

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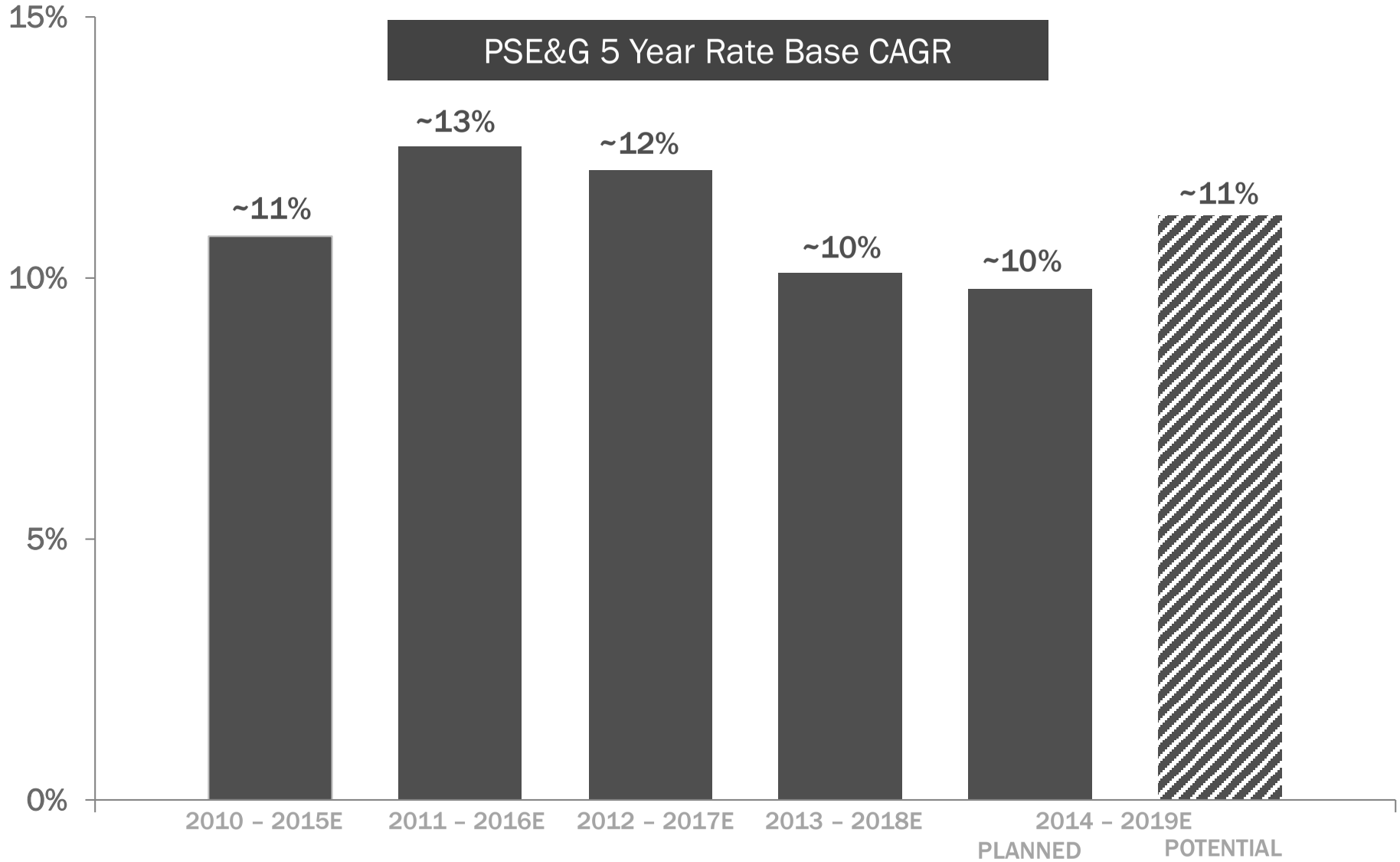
Continuing our track record of 5 year

double digit rate base growth leading to high single-digit growth in earnings through 2017



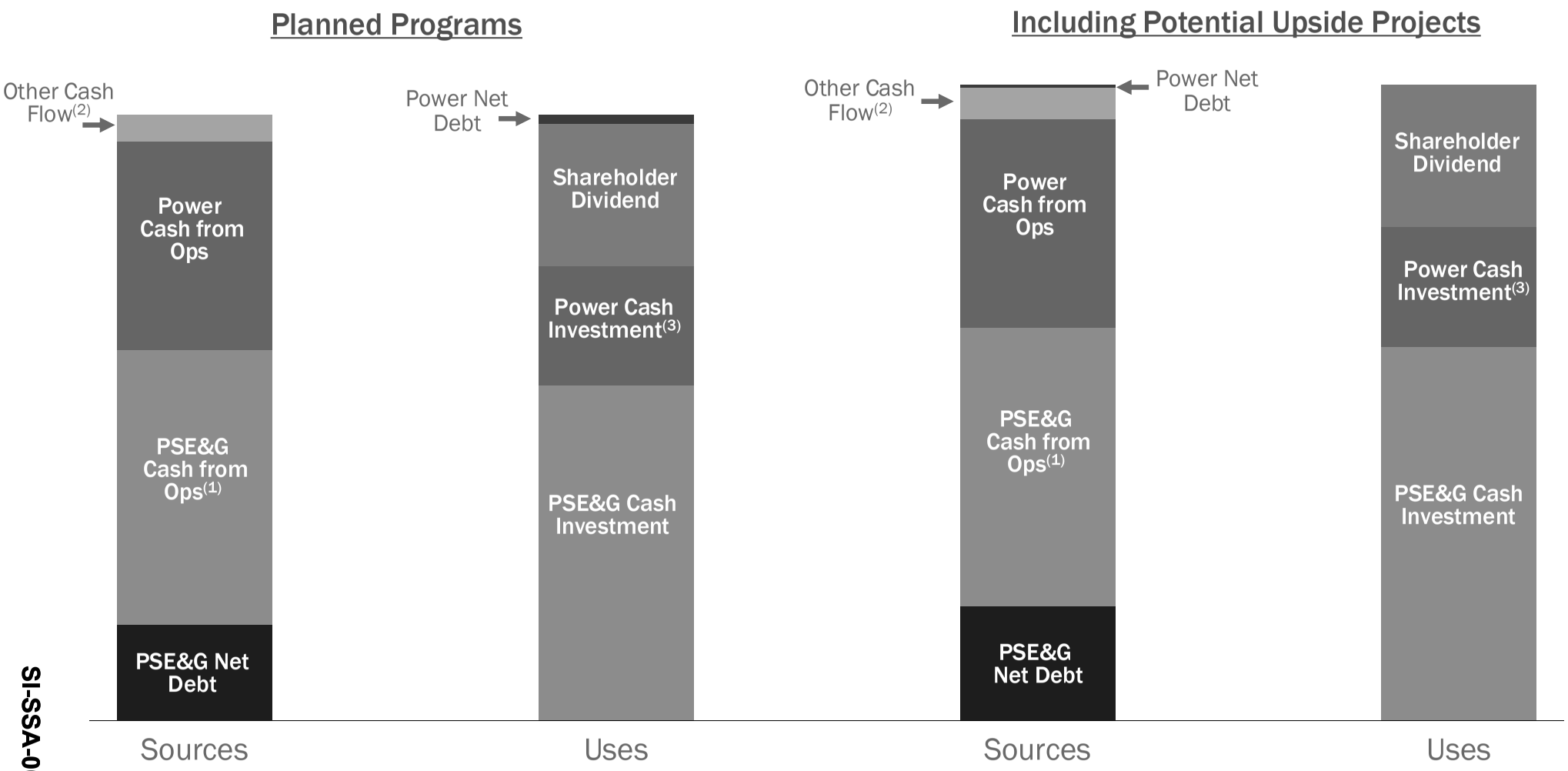
E = ESTIMATE.

SI-SSA-0015-13260

Substantial internal cash generation

supports our planned growth capital program and potential investment opportunities without the need for equity

PSEG 2015 - 2019E Sources and Uses

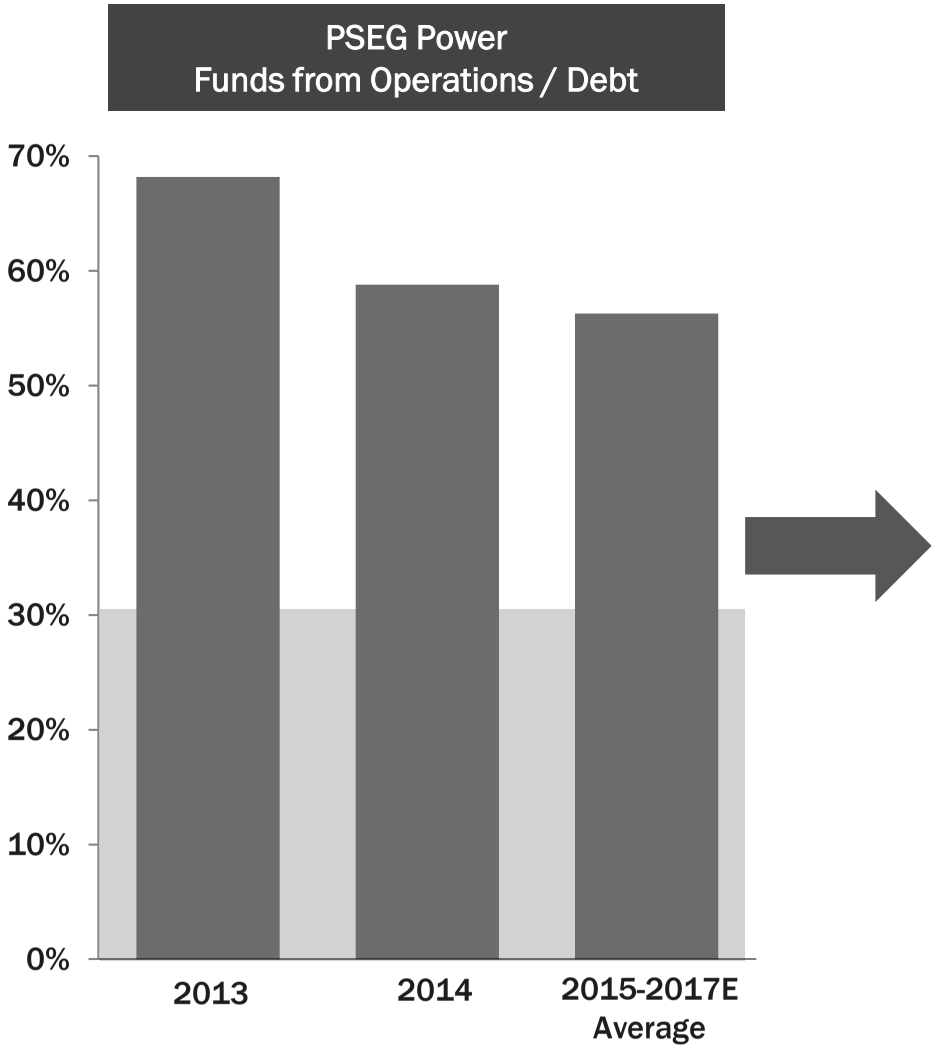


(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$260M FROM 2015-2019
(2) OTHER CASH FLOW INCLUDES PSEG LI, HOLDINGS NET CASH FLOW, INVESTED CASH, AND PARENT SHORT-TERM DEBT
(3) POWER CASH INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES E = ESTIMATES.

SI-SSA-0015-13261

Power's key credit metric remains strong

providing opportunity for incremental investment



- Increased contribution to earnings from the more stable regulated business
- Power's annual Cash From Operations and Funds From Operations each average ~$1.4B over the 2015 to 2017 period supported by:
  - Capacity Revenues
  - Hedged Generation
  - O&M Control
- Financial strength can be used to pursue future growth in both businesses beyond current plans

SI-SSA-0015-13262

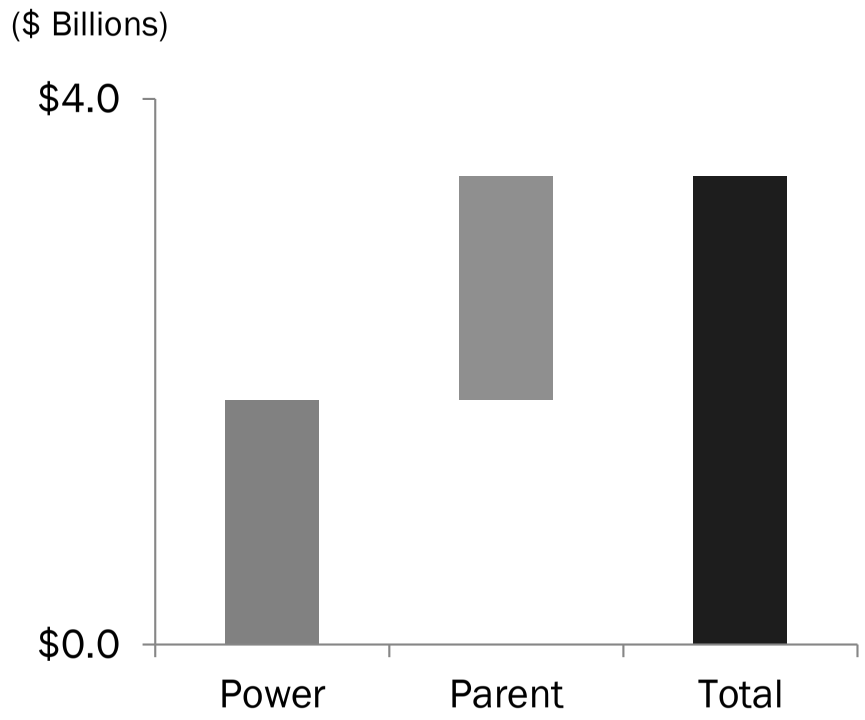
E = ESTIMATE

Substantial Investment Capacity to pursue additional growth without the need for equity

Average Funds from Operations /Debt
2015 - 2017

	Power	PSEG
Estimate	~ 55%	~30%
Minimum Threshold	30%	Low - 20's

Total Incremental Investment Capacity
through 2017

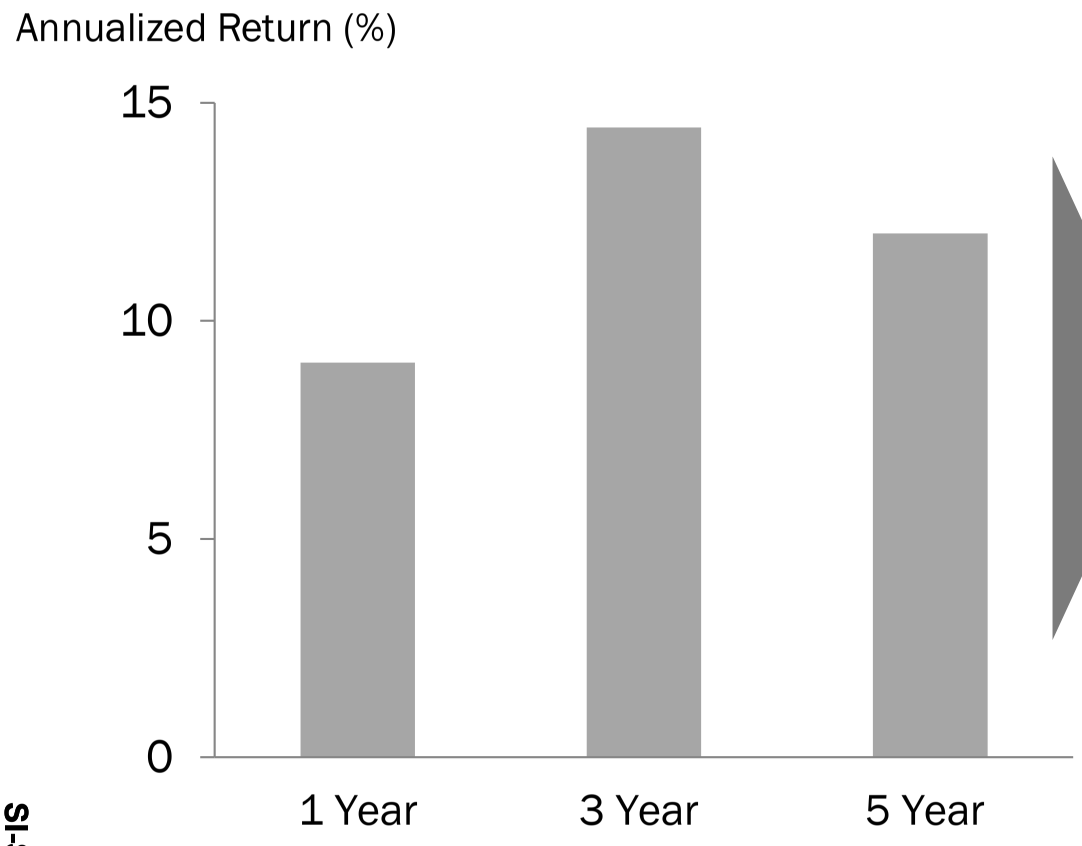


Our incremental investment capacity can support over $6B in regulated investments

SI-SSA-0015-13263

Well Funded Pension due to our long term asset allocation strategy

Pension Fund Returns
for the periods ending December 2014



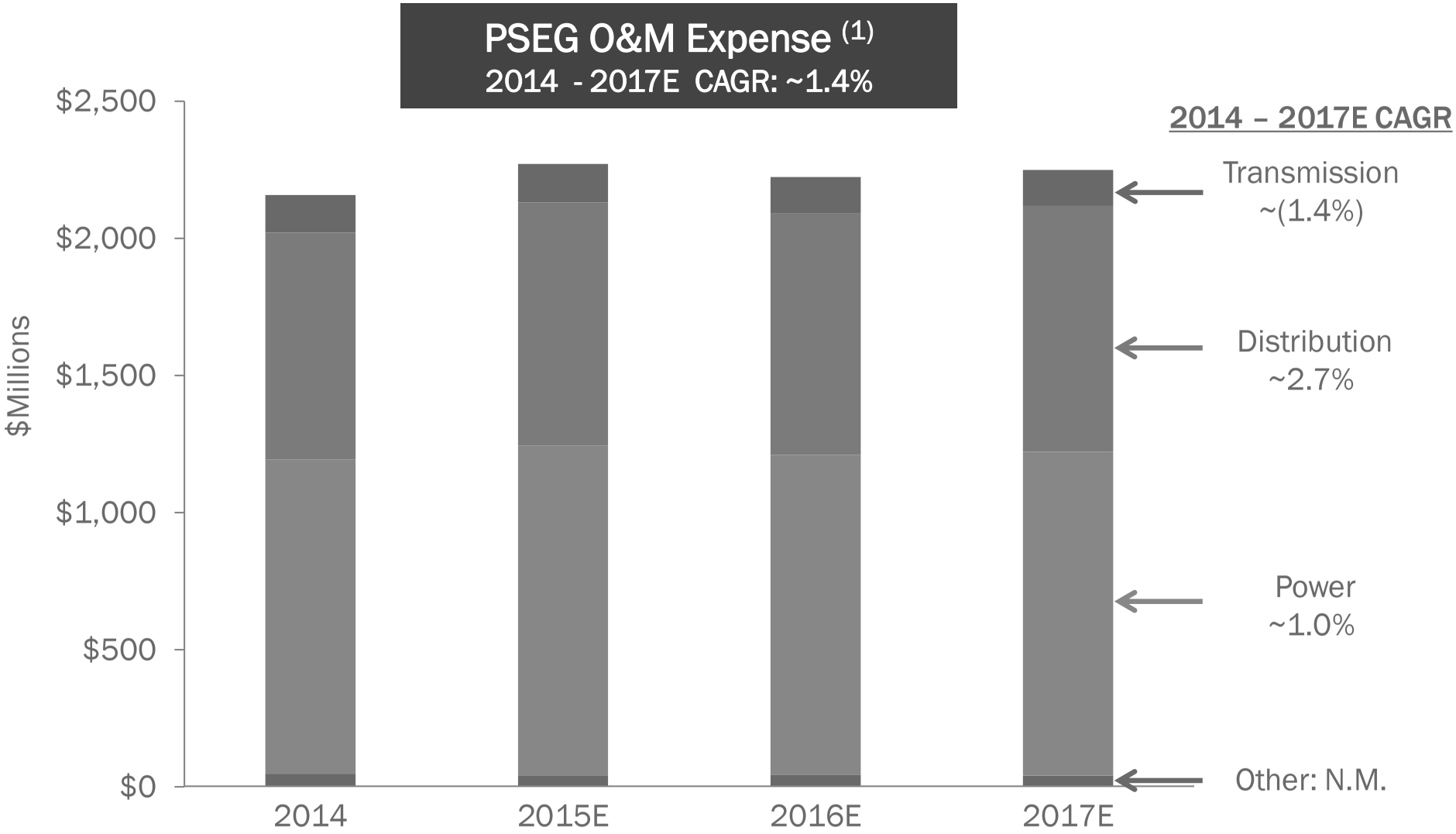
- 2014 Funded Ratio ~93%
- Cumulative pension contributions total less than $50M through 2017 (1)
- Modest pension expense in 2015 with pension income expected by 2017 given fully funded level

Total company pension expense of <$0.07 per share in 2015, expected return to pension income by 2017

SI-SSA-0015-13264

(1) REPRESENTS CONTRIBUTIONS TO QUALIFIED PENSION PLANS.

Controlling O&M growth, with manageable pension impacts and PSE&G continuing to grow its asset base



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND POTENTIAL RELATED INSURANCE PROCEEDS.
N.M.= NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-13265

Increasing PSE&G earnings with stable contribution from Power

PSEG Operating Earnings			
$ Millions (except EPS)	**2013**	**2014**	**2015E**
PSE&G	$612	$725	$735 - $775
PSEG Power	$710	$642	$620 - $680
Enterprise/Other	($13)	$33	$40 - $45
Operating Earnings*	$1,309	$1,400	$1,395 - $1,500
*Operating EPS**	**$2.58**	**$2.76**	**$2.75 - $2.95**

Regulated % of Earnings	**47%**	**52%**	**52% (1)**

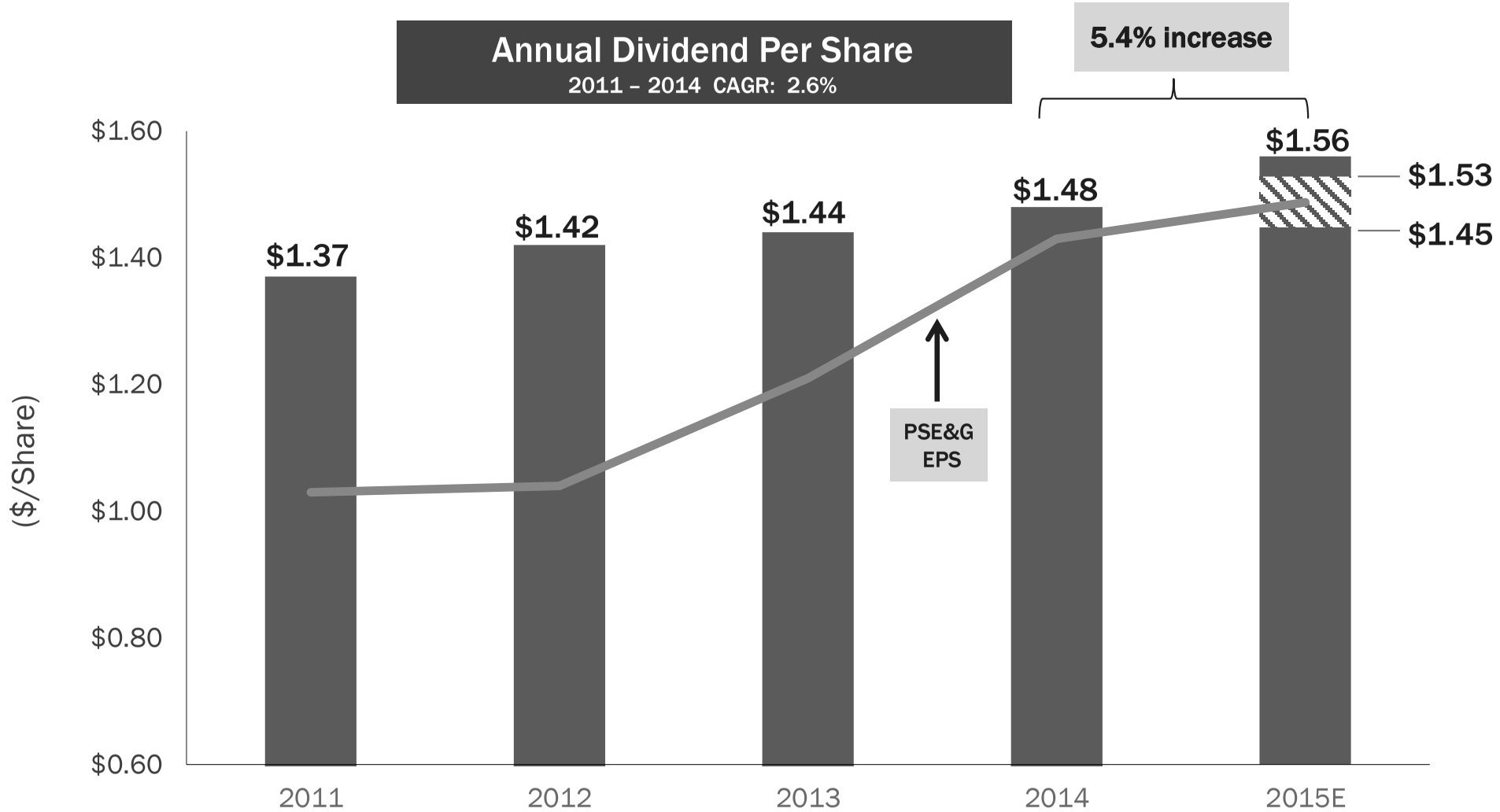
SI-SSA-0015-13266

PSEG

(1) REPRESENTS MID POINT OF GUIDANCE
*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E+ ESTMATE.

Potential for meaningful and sustainable

dividend growth given significant contribution from regulated earnings and Power's strong free cash flow



	2011	2012	2013	2014	2015E
Payout Ratio	50%	58%	56%	54%	55% (1)

SI-SSA-0015-13267

PSEG

(1) THE 2015 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2015 OPERATING EARNINGS GUIDANCE OF $2.75-$2.95E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E= ESTIMATE.

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2015E	2016E	2017E
Each $0.75/mcf Change in Natural Gas	$0.02-$0.04	$0.03-$0.06	$0.10-$0.13
Each $2/MWh Change in Spark Spread	$0.03	$0.04	$0.04
Each $5/MWh Change in Dark Spread	$0.01	$0.04	$0.04
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on 2011 – 2013 historical data and forward curve estimates applied to PSEG Power open positions.

	2015E	2016E	2017E
Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 10 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 10 basis point Change in Transmission ROE	$0.01	$0.01	$0.01

SI-SSA-0015-13268

PSEG Summary

- Our 2014 earnings of $2.76 exceeded our revised operating earnings guidance of $2.60 - $2.75 per share
- Continued third year of anticipated positive earnings trend in 2015 with operating earnings guidance of $2.75 to $2.95 per share
- Continued 5th straight year of expected double digit, 5 year growth in rate base
- Anticipated high single digit earnings growth at PSE&G on three-year basis from 2014 to 2017, driven by transmission investments and planned programs
- Power's continued focus on operational excellence, market expertise and financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support full capital program and new potential opportunities without the need for equity
- Our $0.08 per share dividend increase is consistent with our long history of returning cash to the shareholder through the common dividend, with potential for consistent and sustainable growth

SI-SSA-0015-13269

PSEG EXECUTIVE PROFILES

SI-SSA-0015-13270

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations, PSE&G vice president – appliance service, PSEG vice president - corporate planning, and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University. He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received Honorary Degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas A. Edison State College (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo serves as chair of the New Jersey Chamber of Commerce, and on the board of directors for The Williams Companies, the New Jersey Utilities Association, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI), and The Center for Energy Workforce Development. He is the past Chair of the Rutgers University Board of Governors. He is also a member of the Board of Trustees of Peddie School, Columbia University School of Engineering Board of Visitors and the Princeton University Adlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT.

SI-SSA-0015-13271

Caroline Dorsa

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Caroline Dorsa was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) in April 2009. She is also the executive vice president and chief financial officer of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

Ms. Dorsa is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Ms. Dorsa also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to her financial responsibilities, Ms. Dorsa leads the Information Technology and Procurement organizations. She is a member of PSEG's Executive Officer Group.

In her role as chief financial officer, she has overseen the execution of the Company's financial strategy, which has involved a significant deleveraging of the balance sheet and enhancement of the company's financial strength. The company is in the midst of a major capital investment program focused on deploying more than $6 billion over three years to ensure the reliability and efficiency of the energy generation and distribution system in New Jersey. PSEG has an uninterrupted record of paying dividends to shareholders for 108 years.

Ms. Dorsa had been a member of the PSEG Board of Directors for six years, and a member of PSEG's Audit, Corporate Governance and Finance Committees before joining the company's management. Her previous management position had been with Merck & Co., where she was senior vice president – global human health, strategy and integration. Prior to this, Ms. Dorsa served as senior vice president and chief financial officer at Avaya, Inc. Earlier in her career, she held a range of financial positions at Merck, including serving as vice president and treasurer of the company for over 12 years. She was also the Secretary of the Finance Committee of Merck's Board of Directors.

Before joining Merck, Ms. Dorsa worked for Mayor Edward Koch of the City of New York promoting economic development in midtown Manhattan.

Ms. Dorsa is a member of the Junior Achievement of New Jersey State Board of Directors. She is a member of the Board of Directors and the financial expert for the Finance and Audit Committee of Biogen Idec (NASDAQ: BIIB), a biopharmaceutical company located in Cambridge, MA. Ms. Dorsa is also a member of the Board of Directors and Chairman of the Audit Committee of Joule, a privately financed solar fuels company based in Bedford, MA.

Ms. Dorsa holds a B.A. from Colgate University and an M.B.A from Columbia Business School.

SI-SSA-0015-13272

Tamara L. Linde

EXECUTIVE VICE PRESIDENT
AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linda was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters. She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-13273

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G) in October 2006. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. Prior to this position he was vice president - electric delivery for PSE&G.

In addition, on January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways. PSEG Long Island serves 1.1 million customers.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

Mr. LaRossa is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development. He serves on the board of directors for the American Gas Association (AGA), New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC), Partnership for a Drug-Free NJ, and Bergen County's United Way. Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. He is also the Chairman of Montclair State University and serves on its board of trustees.

SI-SSA-0015-13274

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 13,337 MWs represent a diverse fuel mix which includes 45 percent natural gas, 27 percent nuclear; 18 percent coal, 8 percent oil, 1 percent pumped storage, and 1 percent solar.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis is a member of Nuclear Energy Institute's (NEI) Board of Directors and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. He is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and its Operations Committee and is a member of the CEO Council for Growth based in Philadelphia.

SI-SSA-0015-13275

Shahid Malik

PRESIDENT
PSEG ENERGY RESOURCES & TRADE

Shahid Malik was elected President of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies in the US and Europe. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum as well as the Board of the Electric Power Suppliers Association in Washington DC.

SI-SSA-0015-13276

Derek M. DiRisio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive) and a certified internal auditor. Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He served on the Drew University Board of Trustees and is currently a co-chairman of the Board of Directors of the New Jersey All Stars Project Inc.

SI-SSA-0015-13277

Thomas P. Joyce

PRESIDENT AND CHIEF NUCLEAR OFFICER
PSEG NUCLEAR

Thomas P. Joyce was named president and chief nuclear officer of PSEG Nuclear (Nuclear), in October 2008. Mr. Joyce has announced his retirement from PSEG effective the end of March 2015. He had been senior vice president – operations of Salem/Hope Creek for Nuclear, since June 2007. Mr. Joyce was also vice president – Salem, since January 2007, and previously assumed the role of PSEG Nuclear's site vice president as part of the Nuclear Operating Services Agreement between PSEG and Exelon Corporation in 2005.

PSEG Nuclear's Salem and Hope Creek Generating stations comprise the second largest commercial nuclear power facility in the United States. Together the units provide enough electricity for three million homes. Together the plants also provide 49 percent of New Jersey's electricity.

Mr. Joyce has more than 38 years of experience in commercial nuclear power operations. Under his leadership as president and chief nuclear officer, Salem and Hope Creek combined to set a new site generation record in 2009. In 2011, the stations also received approval from the Nuclear Regulatory Commission (NRC) to extend their operating licenses an additional 20 years. Reinforcing the company's strong ties to the local community, the license renewal approvals did not encounter any formal legal contentions like many other plants across the country.

While leading Salem, the station completed two successful reactor vessel head replacement outages. Salem Unit 1 completed its outage capturing the world record for shortest head replacement outage.

Prior to coming to PSEG Mr. Joyce was site vice president at Exelon Nuclear's Braidwood Station. During his tenure the station achieved overall performance improvements and retained their excellent INPO rating. The plant completed a refueling in 15 days, 14 hours – setting a record for outage efficiency among U.S. pressurized water reactors. Before serving at Braidwood he held leadership positions at Exelon's Byron, Dresden, and Zion Stations, and in the corporate offices of both Exelon Corporation and Exelon Nuclear.

Mr. Joyce holds a Bachelor of Science degree in nuclear engineering from the University of Missouri at Rolla, and a Master of Business Administration degree from the Keller Graduate School of Management. While at Byron, he earned his senior reactor operators (SRO) license.

A recognized leader in the nuclear industry, Mr. Joyce currently serves as chairman of the Utilities Service Alliance (USA). The organization is comprised of eight of America's leading electric utilities operating 14 nuclear reactors located at 10 stations. Its two major objectives are to improve individual plant and fleet performance and to reduce operating and maintenance costs. Mr. Joyce also chairs the Nuclear Energy Institute's (NEI) Emergency Preparedness Working Group and the EPRI Nuclear Power Council.

SI-SSA-0015-13278

Richard P. Lopriore

PRESIDENT
PSEG FOSSIL

Richard P. Lopriore was elected president of PSEG Fossil in May 2007. He oversees operations for 13 generation facilities spanning four states. He is also responsible for the oversight of two service groups: Laboratory & Testing Services, and Maintenance & Repair Services. Additionally, he is responsible for Construction, Capital Projects and Engineering.

The PSEG Fossil fleet is comprised of natural gas, coal and oil-fired electric generating units that contribute about 9,700 megawatts of electricity to PSEG Power's generation portfolio. This includes an ownership interest of 1,000 megawatts in three jointly-owned facilities.

Under Lopriore's leadership, nine LM6000 peaking units were constructed. Fossil also outfitted its two New Jersey coal plants with about $1.5 billion in new pollution control equipment resulting in substantial reductions in emissions. These plants are among the cleanest, most responsible coal stations in the country.

Mr. Lopriore instituted an in-depth Operational Excellence Model (OEM), one of the first programs in the nation to drive standardization across a Fossil fleet. The program resulted in consistent improvement in operating results, reliability and fleet performance and the achievement of all-time generation records. He also revamped PSEG Fossil's training program. Two industry-first, award-winning mobile training trailers were developed to take training directly to the work sites reducing costs and increasing productivity.

Mr. Lopriore has been a valuable part of the electric generation industry for more than 43 years. Prior to joining PSEG Fossil, he had been senior vice president - mid-Atlantic operations for Exelon Nuclear, responsible for oversight of the Limerick, Peach Bottom, Oyster Creek and Three Mile Island stations. During his tenure, Three Mile Island achieved INPO 1 status (2007).

From 1997-1999, Mr. Lopriore was an Executive Advisor for Ontario Hydro Nuclear Power Plant's recovery and performance improvement program.

Mr. Lopriore joined Exelon as plant manager of Byron Stations in 1999 and was promoted to site vice president in 2001. In 2003 he became corporate vice president - operations support at Exelon's nuclear headquarters, responsible for both the Midwest and mid-Atlantic regions. He then became vice president - operations, Midwest boiling water reactors in 2004 responsible for the Dresden, LaSalle County, Quad Cities and Clinton nuclear plants.

Prior to Exelon, Mr. Lopriore held several key management positions at the Brunswick Nuclear Plant in North Carolina, including plant manager. At Vermont Yankee, he achieved an operational SRO certification for Boiling Water Reactors.

Mr. Lopriore received his Bachelor of Science degree from Southern Vermont College and is a member of the American Nuclear Society.
He also served in the National Guard.

SI-SSA-0015-13279

Robert C. Braun

SENIOR VICE PRESIDENT & CHIEF OPERATING OFFICER
PSEG NUCLEAR

Robert C. Braun was elected President and Chief Nuclear Officer to succeed Thomas Joyce, upon Mr. Joyce's retirement at the end of March 2015. Mr. Braun will continue to be responsible for the day-to-day operations of PSEG's Salem and Hope Creek Generating Stations. He will report directly to William Levis, and be a member of PSEG's Executive Officers Group. Mr. Braun was named senior vice president and chief operating officer of PSEG Nuclear, in September 2012. He had been senior vice president – PSEG Nuclear since 2009. Mr. Braun joined PSEG Nuclear in March 2007 as vice president of Operations Support. Mr. Braun has more than 30 years of experience in commercial nuclear power operations.

Previously, Mr. Braun was site vice president of Exelon Corporation's Peach Bottom Atomic Power Station. Prior to his appointment at Peach Bottom, he was vice president – nuclear oversight of Exelon's nuclear group headquarters and previously served as plant manager of the company's Limerick Generating Station, where he held a senior reactor operator license. Mr. Braun began his career at Limerick in 1982.

Mr. Braun has a Bachelor of Mechanical Engineering degree from Villanova University and earned his Senior Reactor Operator (SRO) license while at Exelon.

SI-SSA-0015-13280

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER
PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

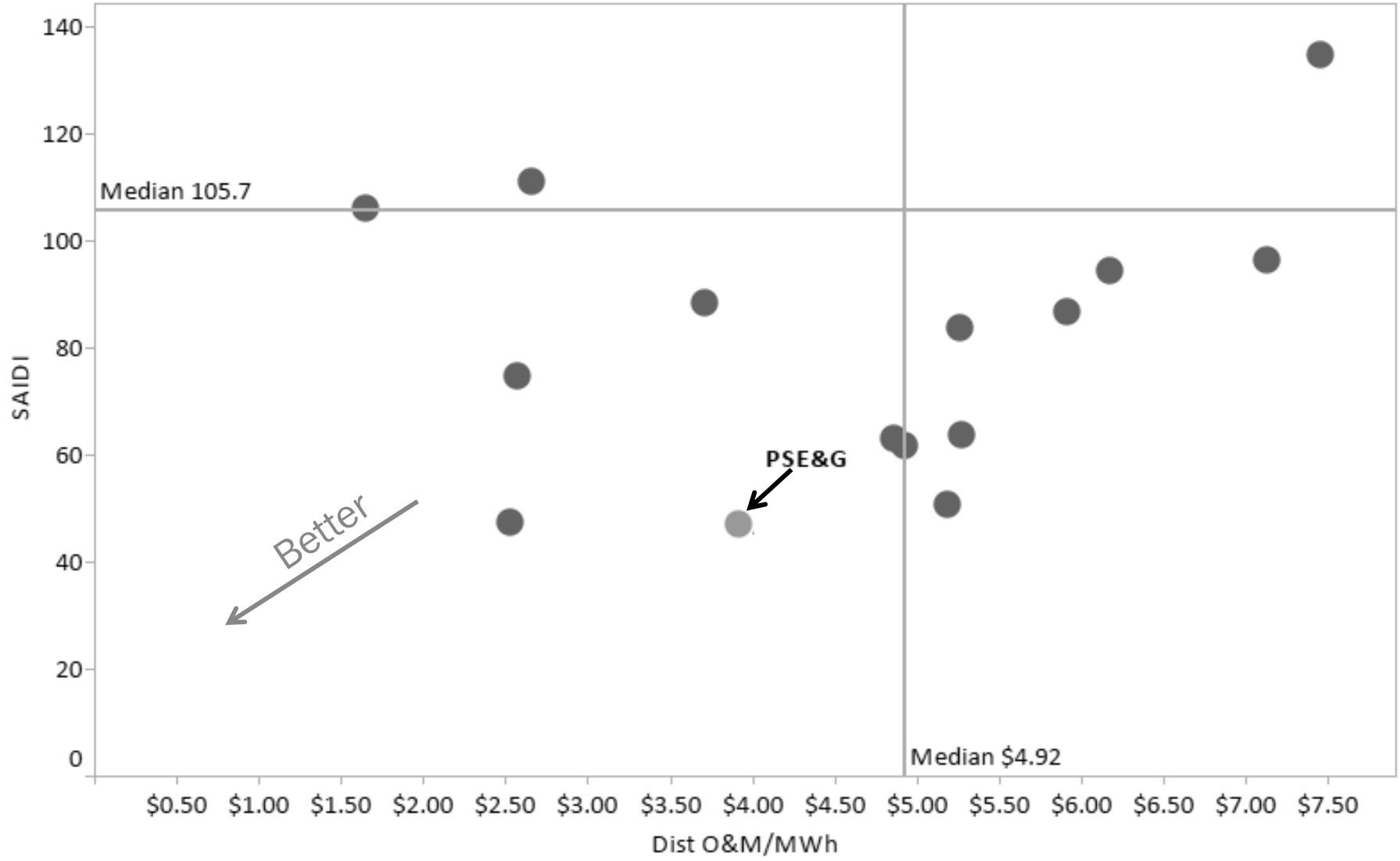
Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is Chair of the Children's Specialized Hospital Board, a member of the Children's Specialized Hospital Foundation Board, RWJ Health Care Corporation Board and Rutgers Business School. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-13281

PSE&G APPENDIX

SI-SSA-0015-13282

PSE&G provides high reliability at below average cost which creates superior value to customers

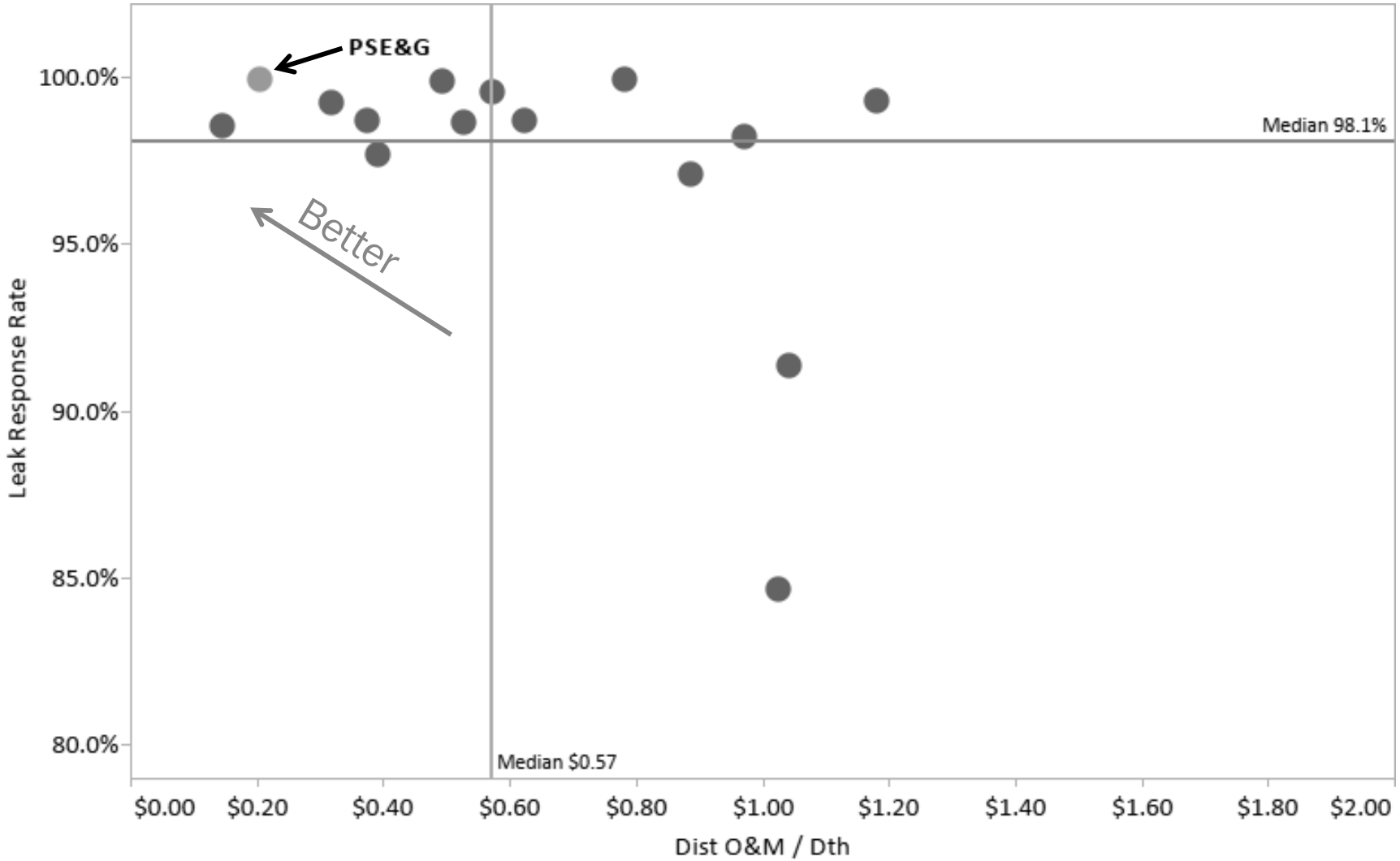


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS. SOURCES: PSE&G PEER PANEL STUDY, FIRST QUARTILE BENCHMARK STUDY AND VARIOUS REGULATORY REPORTS..

SI-SSA-0015-13283

PSE&G prioritizes public safety

while maintaining value to customers



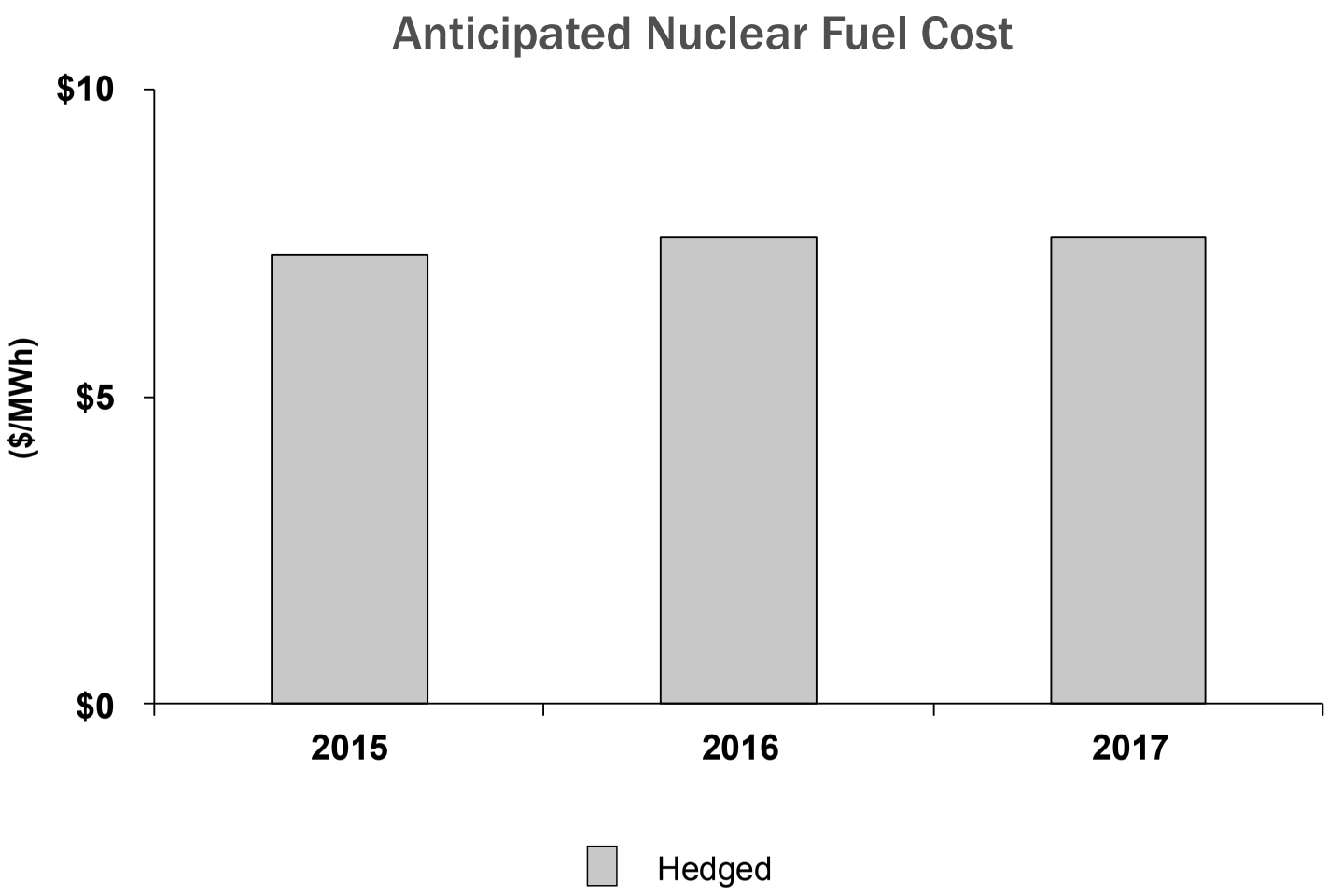
LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR. SOURCES: PSE&G PEER PANEL STUDY AND AGA BENCHMARK STUDY.

SI-SSA-0015-13284

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-13285

Nuclear fuel needs have been hedged through 2017



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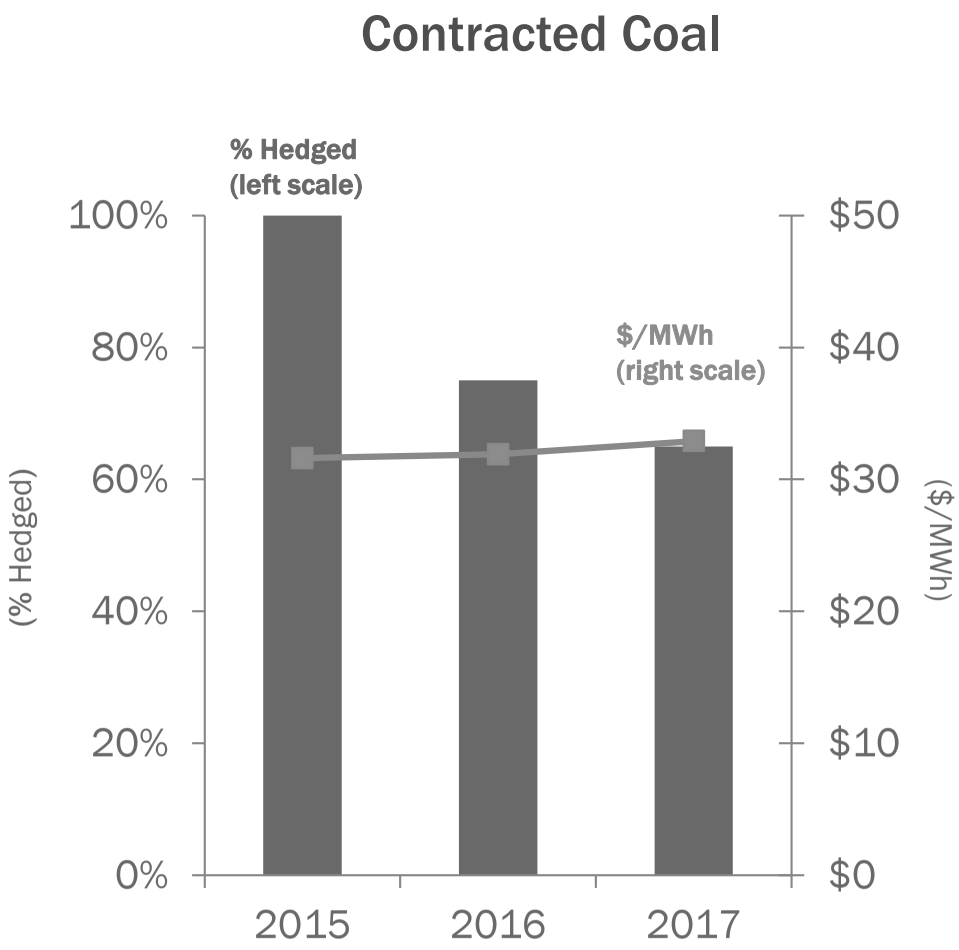
Power's coal hedging reflects 2015 supply matched with 2015 sales



Station	Coal Type	Pricing ($/MWh)*	Comments
Bridgeport Harbor	Adaro	Low $40's	Higher price, lower BTU, enviro coal
Hudson	CAPP	Mid $40's	Coal/Gas Fuel Flexibility
Mercer	Metallurgical CAPP/NAPP	Mid $40's	More limited segment of coal market
Keystone	NAPP	Mid $20's	Prices steady
Conemaugh	NAPP	Mid $20's	Prices steady

*COMMODITY PLUS TRANSPORTATION

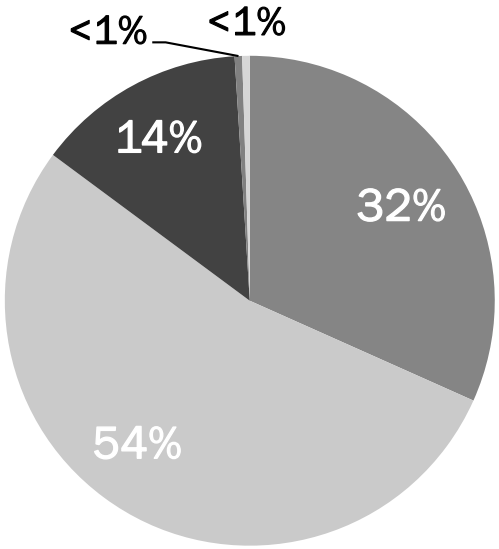
SI-SSA-0015-13287

PSEG Power value advantaged

by asset diversity, fuel flexibility and location

Energy Produced*

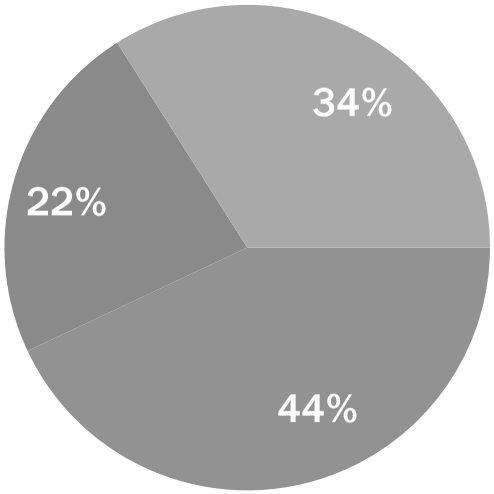
Total GWh: 54,162



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

Energy Market Served*

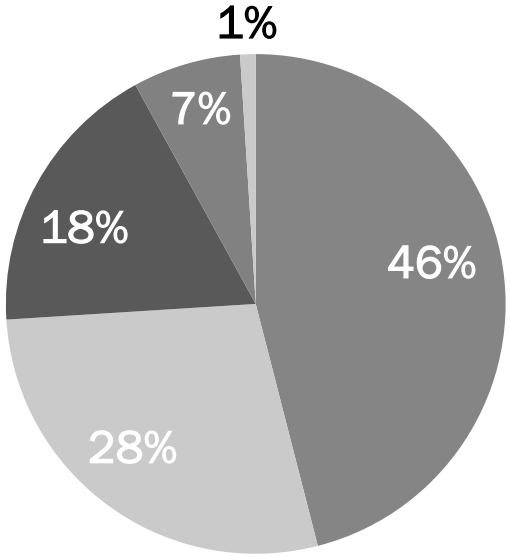
Total MW: 13,146



- Load Following
- Peaking
- Base load

Fuel Diversity*

Total MW: 13,146



- Gas
- Pumped Storage
- Nuclear
- Oil
- Coal**

*2014, EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-13288

The full requirements BGS rate recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2015-2016	$	166
2016-2017	$	177
2017-2018	$	175
Average Capacity Price ($/MW-day)	**$**	**173**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$173
Average MW per Tranche (varies by EDC)	111
Days per Year	365
Average Capacity Cost per Tranche	**$ 7,007,656**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		111
Hours per Year		8,768
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,000
Capacity Cost per MWh	**$**	**20**

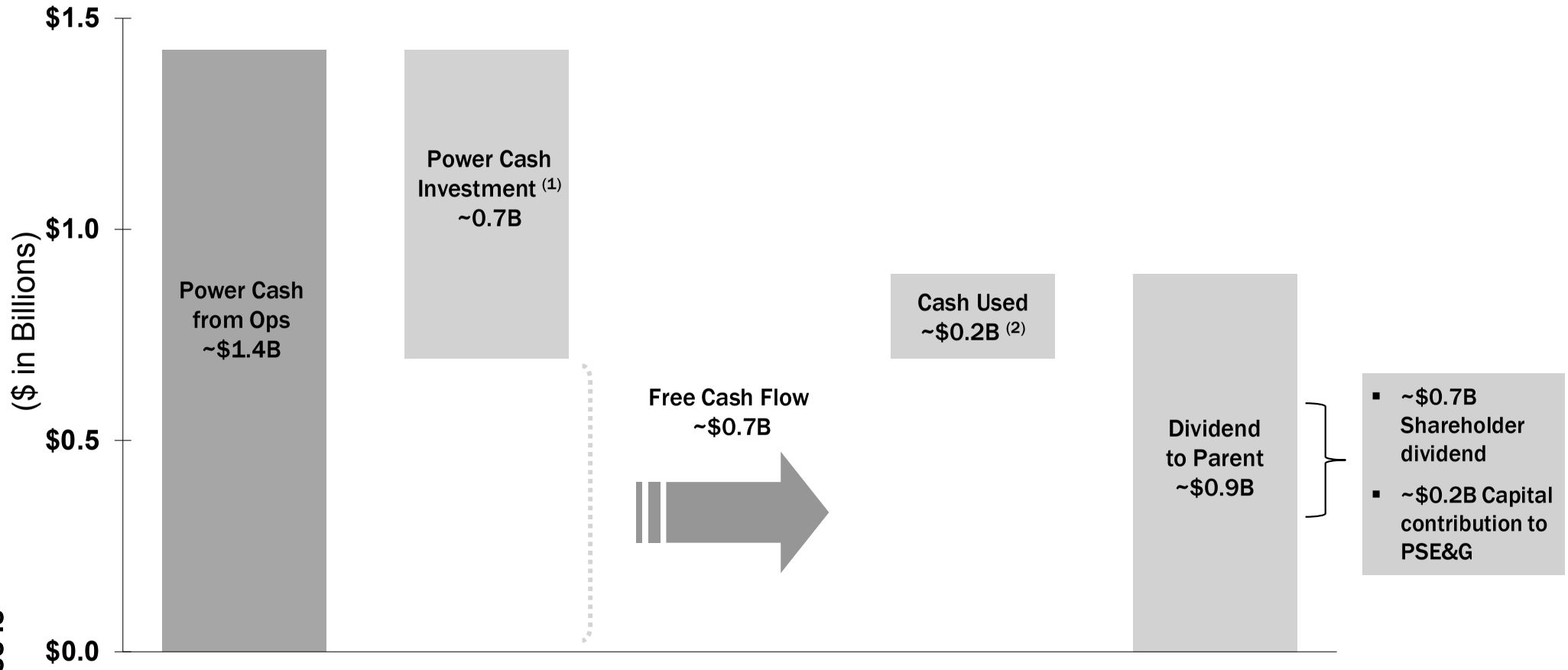
SI-SSA-0015-13289

PSEG FINANCIAL APPENDIX

SI-SSA-0015-13290

In 2014, Power had significant free cash flow

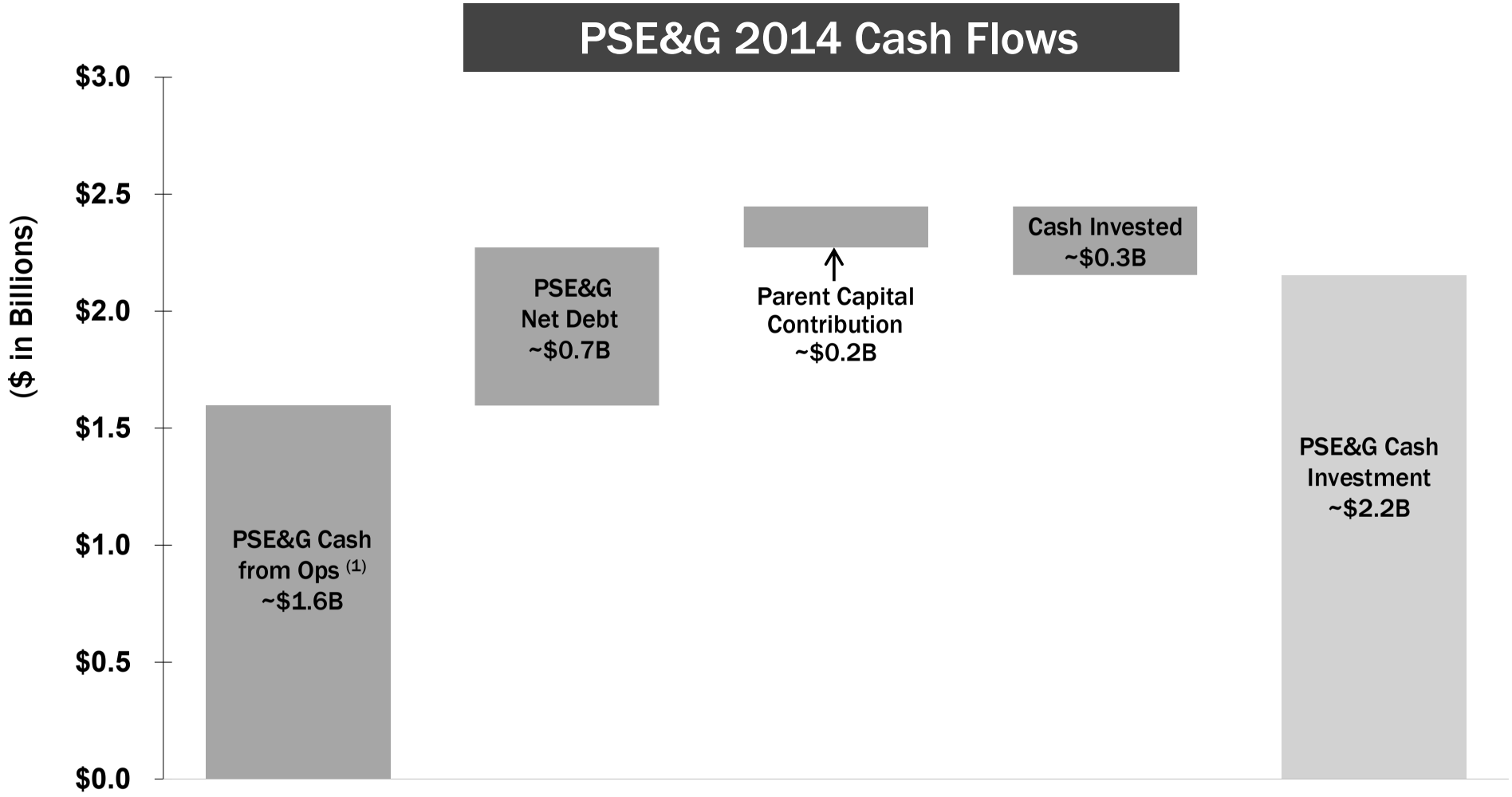
Power 2014 Cash Flows



(1) POWER CAPITAL INVESTMENT INCLUDES NUCLEAR FUEL AND EMISSION PURCHASES
(2) POWER INVESTED CASH BALANCE DECREASED FROM ~$0.8B TO ~$0.6B

SI-SSA-0015-13291

In 2014, PSE&G used $1.6B of internally generated cash flow and debt to invest over $2B while maintaining its capital structure



(1) PSE&G CASH FROM OPERATIONS ADJUSTS FOR SECURITIZATION PRINCIPAL REPAYMENTS OF ~$240 MILLION.

SI-SSA-0015-13292

Our balance sheet remains strong

December 31, 2014

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.4	$0.3	$0.0
Short Term Debt	$0.0	$0.0	N/A
Long Term Debt(1)	8.9	6.3	2.5
Common Equity	12.2	6.8	5.6
Total Capitalization	**$21.1**	**$13.1**	**$8.1**
Total Debt / Capitalization	**42%**	**48%**	**31%**

PSE&G Regulated Equity Ratio(2) 51.4%

SI-SSA-0015-13293

PSEG

(1)INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES SECURITIZATION DEBT OF $259 MILLION AND NON-RECOURSE DEBT OF $16 MILLION.
(2)REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$98 MILLION AND EXCLUDES SHORT-TERM DEBT.

PSEG Liquidity as of December 31, 2014

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Mar-18	$600 [1]	$14	$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$97	$1,503
	5-Year Credit Facility (Power)	Mar-18	$1,000 [2]	$0	$1,000
	5-Year Bilateral (Power)	Sep-15	$100	$100	$0
	5-year Credit Facility (PSEG)	Apr-19	$500	$8	$492
	5-year Credit Facility (PSEG)	Mar-18	$500 [3]	$0	$500
		Total	$4,300	$219	$4,081
				PSEG Money Pool ST Investment	$71
				PSE&G ST Investment	$294
				Total Liquidity Available	**$4,446**
				Total Parent / Power Liquidity	**$3,566**

1 PSE&G Facility to be reduced by $29M on April 15, 2016

2 Power Facility to be reduced by $48M on April 15, 2016

3 PSEG Facility to be reduced by $23M on April 15, 2016

SI-SSA-0015-13294

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 12/31/14 ($Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	354
NRG Energy, Inc./Midwest Gen**	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	146
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	55
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts; E-D (shopping) Centers	62
Real Estate Operating Leases	Office Towers, Shopping Centers - 28 properties	42
Generation Legacy Assets	GWF (in wind down stage), GSOE	2
Other	Land	5
	Total Holdings Investments	**$884**

SI-SSA-0015-13295

PSEG

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS.
**EME WAS ACQUIRED BY NRG ON APRIL 1 2014.

PSEG 2014 operating earnings up 7%

Twelve Months ended December 31

	Operating Earnings		Earnings per Share	
$ Millions (except EPS)	**2014**	**2013**	**2014**	**2013**
PSE&G	$ 725	$ 612	$ 1.43	$ 1.21
PSEG Power	642	710	1.27	1.40
PSEG Enterprise/Other	33	(13)	0.06	(0.03)
Operating Earnings*	$ 1,400	$ 1,309	$ 2.76	$ 2.58

SI-SSA-0015-13296

PSEG

* SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Items Excluded from Income from Continuing Operations/Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2014	2013	2012	2011	2010	2009
Earnings Impact ($ Millions)			(Unaudited)			
Operating Earnings	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**	**$ 1,584**	**$ 1,567**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	68	40	52	50	46	9
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	66	(74)	(10)	107	(1)	(11)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	36	(173)	-	29
Storm O&M (PSEG Power)	(16)	(32)	(39)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(72)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	34	-	-
Income from Continuing Operations	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**	**$ 1,557**	**$ 1,594**
Discontinued Operations	-	-	-	96	7	(2)
Net Income	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**	**$ 1,564**	**$ 1,592**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**507**	**507**	**507**	**507**
Per Share Impact (Diluted)						
Operating Earnings	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**	**$ 3.12**	**$ 3.09**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.13	0.08	0.10	0.10	0.09	0.02
Gain (Loss) on MTM[a] (PSEG Power)	0.13	(0.14)	(0.02)	0.21	-	(0.02)
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	0.07	(0.34)	-	0.05
Storm O&M (PSEG Power)	(0.03)	(0.07)	(0.08)	-	-	-
Market Transition Charge Refund (PSE&G)	-	-	-	-	(0.14)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	0.06	-	-
Income from Continuing Operations	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**	**$ 3.07**	**$ 3.14**
Discontinued Operations	-	-	-	0.19	0.01	-
Net Income	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**	**$ 3.08**	**$ 3.14**

[a] Includes the financial impact from positions with forward delivery months.

SI-SSA-0015-13297

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q1 2016 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: APRIL 29, 2016 / 03:00PM GMT

OVERVIEW:
Co. reported 1Q16 operating EPS of $0.91. Expects 2016 operating EPS to be $2.80-3.00.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc. - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc. - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Neel Mitra *Tudor, Pickering, Holt & Co. Securities - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Michael Weinstein *UBS - Analyst*

Travis Miller *Morningstar - Analyst*

Greg Gordon *Evercore ISI - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

Gregg Orrill *Barclays Capital - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Praful Mehta *Citigroup - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Shahriar Pourreza *Guggenheim Partners - Analyst*

Michael Goldenberg *Luminous - Analyst*

Ben Budish *Jefferies & Co. - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent and I am your event operator today. Welcome everyone to today's conference, Public Service Enterprise Group first quarter 2016 earnings conference call and webcast. At this time all participants are in a listen-only mode.

(Operator Instructions)

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Inc. - VP of IR***

Thank you, Brent. Good morning, everyone. Thank you for participating in PSEG's call this morning.

As you are aware, we released our first quarter 2016 earnings statements earlier today. The release and attachments are posted on our website at www.pseg.com under the investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2016, is expected to be filed shortly. Please read the full disclaimer statement and the comments we have on the difference between operating earnings and GAAP results.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Although we may elect to update forward-looking statements from time to time, we specifically disclaim

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any obligation to do so, even if our estimate changes, unless of course we are required to do so. Our release also contains adjusted non-GAAP operating earnings as well as adjusted EBITDA for PSEG Power.

Please refer to today's 8-K or our other filings for a discussion of the factors that may cause results to differ from management's projections, forecasts, and expectations, and for a reconciliation of operating earnings and adjusted EBITDA to GAAP results. I would now like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group and Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks it will be time for your questions. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thank you, Kathleen. Good morning everyone and thank you for joining us today.

PSEG delivered solid results for the first quarter in the face of rather mild winter temperatures and low prices for natural gas and energy. Earlier this morning, we reported operating earnings for the first quarter of 2016 of $0.91 per share versus operating earnings of $1.04 per share in last year's first quarter. Extreme temperature differences between the first quarter of this year and the first quarter of last year provide the backdrop for this quarter's operating results. The first quarter of 2016 was 10% warmer than normal, and the fifth warmest on record.

The month of March in particular, was extremely mild with heating degree days 25% lower than normal. Weather for the first quarter was also 27% warmer than the first quarter of 2015, but last year was the coldest on record. Our results were strong in the face of this headwind.

PSEG's execution on its expanded capital investment program continues to provide a growing source of earnings. PSEG expected to invest $3 billion in 2016 as part of its five-year, $12 billion capital program. Transmission is the largest part of PSEG's effort, representing 60% of planned spending. PSEG's investment program and a continued focus on controlling costs will help drive our forecasts for double-digit growth in PSEG's 2016 operating earnings.

PSEG's execution of our capital program is expected to yield best in class growth rate in rate base of 8% per year for the five-year period ending 2020. PSEG continues to develop a pipeline of investment opportunities that also meet New Jersey's policy objectives and have customer support. As for PSEG Power, it has been focused on operating in an environment of low gas prices for years. The availability and low price of gas and the need to meet more stringent reliability requirements has added new urgency to the Company's efforts to improve its cost structure and efficiency.

Power's capital program also represents an important response to today's market. Power's $2 billion of investment in three new combined cycle gas turbines will add approximately 1,800 megawatts of clean, reliable, and efficient capacity to its fleet. Construction of the Keys plant in Maryland and the Sewaren unit in New Jersey are on schedule to meet their 2018 operating dates. Bridgeport Harbor is expected to be available for a 2019 commercial operation date.

The addition of this new capacity will transform Power's fleet. Power's baseload nuclear capacity will be complemented by a flexible, low-cost fleet of combined cycle gas units capable of responding to the market. The fleet's carbon footprint is also expected to decline with the addition of the new clean gas-fired capacity as nuclear generation continues to represent approximately 50% of the fleet's output. As I said, we remain focused on operating efficiently and safely.

PSEG Power has made judicious reductions in its nuclear workforce, and is working closely with the industry to identify additional means of reducing its cost structure to assure the availability of this clean nuclear resource well into the future. Our goal is to capture these savings for the year to help offset the impact of low gas prices on earnings. Separately from operations, we were very pleased with some recent actions in defense of competitive markets.

In particular, we were delighted with the US Supreme Court's unanimous decision affirming the fourth circuit's decision in Hughes versus Maryland. Since that decision, the US Supreme Court also dismissed the New Jersey case, allowing to stand a lower court ruling that the so-called LCAPP contracts are unconstitutional. A recent action at FERC is also constructive. I am referring to the orders issued by FERC earlier this week granting the complaints filed by EPSA and others, which called into question some approvals granted by the public utility commission of Ohio.

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A separate complaint brought by a number of generating companies regarding the scope of the minimum offer price rule under RPM is still pending at FERC. While owners of existing assets with out of market contracts will not be directly restricted in the upcoming base residual auction regarding how they can bid the effective units, the lack of certainty regarding FERC approval of such contracts should at least neutralize some, if not all, of the incentives under the contracts to bid without regard to the units' actual cost of operations. We believe that a competitive market is the best approach for ensuring that there is a supply of electric capacity to meet customer demand at the lowest cost.

Our Company-wide efforts are focused on building an infrastructure that improves system reliability, reduces emissions, and supports the needs of customers. Our strategy is working, and it is made possible by the contribution from our dedicated employees who support our efforts in countless ways. Their focus on the mission of providing safe, reliable energy has allowed us to meet the needs of customers and shareholders. We are maintaining operating earnings guidance for the full year, of $2.80 to $3.00 per share.

Our guidance assumes normal weather for the remainder of the year. As we move forward, the weather and market conditions during the third quarter will be important for both PSEG Power and PSE&G. Current market conditions and the complete absence of a winter, require that we maintain our relentless focus on identifying cost efficiencies and maintaining strong operating performance.

With that I'll turn the call over to Dan, who will discuss our financials in greater detail.

Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

Thank you, Ralph. Good morning, everyone.

As Ralph said, PSEG operating earnings for the first quarter of 2016 of $0.91 per share, versus operating earnings of $1.04 per share in last year's first quarter.

On slide 4, we've provided you with a reconciliation of operating earnings to net income for the quarter and we have provided you with information on slide 8 regarding the contribution to operating earnings by business for the quarter. Additionally, slide 9 contains a waterfall chart that takes you through the net changes quarter over quarter, and operating earnings by major business. And on that, I will walk through each company in more detail.

For PSE&G, shown on slide 11, we reported operating earnings for the first quarter 2016 of $0.52 per share, compared with $0.47 per share for the first quarter of 2015. PSE&G's first quarter results reflect the impact of revenue growth associated with an expansion of the capital investment program which more than offset the impact of unfavorable weather conditions on electric and gas demand. Returns on PSE&G's expanded investment in transmission added $0.04 per share to earnings in the quarter, and the first quarter also benefited from the recovery of revenue on PSE&G's distribution investment under its Energy Strong program.

This increase in revenue improved quarter-over-quarter earnings comparisons by a $0.01 a share. As Ralph mentioned, weather in the first quarter was warmer than normal and significantly warmer than conditions experienced last year. The negative impact of the extreme differences in weather on gas demand and revenue quarter over quarter was largely offset by the gas weather normalization clause. A decline in electric sales in revenue, however, as a result of the extreme differences in the weather reduced quarterly earnings comparisons by $0.02 per share.

Lower taxes more than offset an increase in O&M expense due to the absence of insurance recovery of storm costs received in the year-ago quarter. These items together added $0.02 per share to quarter-over-quarter earnings. Economic indicators continued to improve. Employment in New Jersey has increased for 28 consecutive months as the unemployment rate has declined to 4.3%.

And the housing market has also experienced an improvement. However, this improvement in economic growth was outweighed during the quarter by mild weather. The variability and quarterly data for weather normalized electric and gas sales has been high, given the extreme weather conditions, making it difficult to discern a trend in demand when analyzing just the quarterly data. But data for the trailing 12 months indicates weather normalized electric sales were flat for the period ended March of 2016.

In terms of weather normalized gas demand, a 0.3% decline in sales in the first quarter was led by a 1.5% decline in heating demand from the residential sector, which also is influenced by the large weather adjustment quarter over quarter. On a trailing 12-month basis, gas sales increased by

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1.8% year over year. PSE&G's capital program remains on schedule and PSE&G invested approximately $725 million in the first quarter as part of its planned $3 billion capital investment for 2016.

Also as you may recall, PSE&G implemented a $146 million increase in annual transmission revenue under the Company's transmission formula rate filing which took effect this past January. This increase in revenue, adjusted to reflect the impact of bonus depreciation and updates of spending in prior years, will be reflected in PSE&G's earnings through the year. We are maintaining our forecast of PSE&G's operating earnings for 2016 of $875 million to $925 million.

Moving to Power. As shown on slide 18, PSEG Power reported operating earnings for the first quarter of $0.36 per share and adjusted EBITDA of $416 million, compared with $0.55 per share and adjusted EBITDA of $626 million for the first quarter of 2015. Adjusted EBITDA excludes the same items as our operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization, and major maintenance expense at Power's fossil generating facilities.

The earnings release and slide 19 provide you with detailed analysis of the impact on Power's operating earnings quarter over quarter. We have also provided you with more detail on generation for the quarter on slide 21. PSEG Power's first-quarter results were impacted by the extremely mild weather conditions experienced this year in comparison to the year-ago period. A decline in capacity revenue associated with the June 2015 retirement of the HEDD, or High Electric Demand Day peaking units at MPJM, reduced quarter-over-quarter earnings by $0.04 per share.

Lower output due to the mild weather conditions, coupled with lower average prices on energy hedges reduced quarter-over-quarter earnings by $0.09 per share. And a weather-related decline in total gas send out to commercial and industrial customers and lower prices combined to reduce quarter-over-quarter earnings on gas sales by $0.12 per share. Lower O&M expense improved quarter-over-quarter earnings by $0.05 per share, and a reduction in interest expense added $0.01 to earnings per share.

Let's turn to Power's operations. Output from Power's fleet declined 9% in the quarter as a result of the reduced demand and lower wholesale market prices. Output from the coal fleet during the first quarter declined one terawatt hour from 2.5 terawatt hours in the year ago quarter, as low gas prices affected dispatch.

Output from the combined cycles declined 0.2 terawatt hours to 3.7 terawatt hours with the decline in demand. The nuclear fleet, however, experienced a 0.6 terawatt hour improvement in output, to 8.4 terawatt hours for the quarter. The fleet operated at an average capacity factor of 99.7% in the quarter, and the nuclear fleet's performance benefited from an improvement in availability at Salem, as well as an increase in capacity at Peach Bottom.

You may recall the extended power upgrade was completed at Peach Bottom last year, and this work added 130 megawatts to our share of the station's capacity. Power's gas-fired combined cycle fleet has access to low cost gas, which continues to provide it with an advantage relative to market prices. However, the lack of demand and lack of volatility in the market given the mild weather, and an excess supply of gas pressured spark spreads which were significantly lower compared to last year's levels.

Overall, Power's gross margin declined to $43.80 per megawatt hour, from $47.32 in the year-ago quarter. Power's revising its forecasted output for 2016 to 52 to 54 terawatt hours from its prior forecast of 54 to 56 terawatt hours. The updated range for output incorporates the impact of the abnormally warm weather in the first quarter. This range also incorporates an anticipated extension of the Salem 1 refueling outage.

A visual inspection during the current refueling outage of Salem 1, which began on April 14, 2016, revealed damage to a series of bolts located inside the reactor vessel. The need to conduct further testing to repair and replace the bolts is expected to extend the refueling outage. To provide context as a rule of thumb, a delay in Salem's refueling outage of 30 days would reduce generation by approximately half a terawatt hour.

Under this scenario, nuclear fleet's capacity factor for the year would be reduced by about a 1.5% to 91% from the current forecasted capacity factor of 92.5% for the year. And the actual outage duration will be determined after ongoing inspection work is completed. As shown on slide 24, approximately 70% to 75% of anticipated production for the April to December period of 40 terawatt hours is hedged at an average price of $49 per megawatt hour.

Our open position for the remainder of 2016 is more than adequate to cover the potential for decline in output at Salem from our original forecast. For 2017, Power is hedged 50% to 55% of its forecast generation of 54 to 56 terawatt hours at an average price of $49 per megawatt hour. For 2018,

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approximately 20% to 25% for the forecast generation of 59 to 61 terawatt hours is hedged at an average price of $49 per megawatt hour. The forecast increase in generation in 2018 reflects the commercial operations of the Keys and Sewaren combined cycle units.

The hedged data for 2016 continues to assume PSEG's hedges representing 11 to 12 terawatt hours. As we mentioned to you last quarter, there are items included in the average hedge price which influence Power's revenue but don't support Power's gross margins. Our average hedge price for the remainder of 2016 reflects an increase in cost elements such as transmission and renewables associated with serving our full requirement hedge obligations.

The increase year over year and these non-margin revenue items is approximately 1 to 2 megawatt hours. We continue to forecast operating earnings for Power in 2016 of $490 million to $540 million. And the forecast for operating earnings represents adjusted EBITDA of $1.32 billion to $1.4 billion for the full year, which compares to $1.563 billion of adjusted EBITDA in 2015.

Now I'll briefly address as well, Enterprise and other operating results. For the first quarter we reported operating earnings of $0.03 per share compared with operating earnings of $0.02 per share last year in the first quarter. The increase in operating earnings quarter over quarter reflects contractual payments associated with the operation of PSEG Long Island, and certain tax items at PSEG Energy Holdings.

We continue to forecast full year operating earnings for 2016 from PSEG Enterprise and other of $60 million. Finally, with respect to financings and other, PSEG closed the quarter with $592 million of cash on the balance sheet with debt at the end of March representing 44% of our consolidated capital. During the quarter PSE&G issued $850 million of securities consisting of $300 million of five-year notes at 1.9%, and $550 million of 30-year notes at 3.8%, while redeeming $171 million of long-term debt.

We remain in a position to finance our current capital program without the need for the issuance of equity. We continue to forecast operating earnings for the full year of $2.80 to $3.00 per share.

That concludes my comments and I will now turn the call back over to the operator for your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

Your first question from Neel Mitra with Tudor Pickering.

Neel Mitra *- Tudor, Pickering, Holt & Co. Securities - Analyst*

Good morning.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO*

Good morning, Neil.

Neel Mitra *- Tudor, Pickering, Holt & Co. Securities - Analyst*

I just had a quick question on the lower generation in the first quarter from the milder weather? Is that actually a net negative, or a positive? Because you could not run your fleet and then procure the power at a lower cost to fulfill the financial hedges?

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Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

So the hedges are supplied at a lower cost, even though we have locked in the price. So that's good news. As you know, we are naturally long.

So whenever demand is down, that creates a drag for power. There is a more modest drag on the utility. It has a weather normalization on the gas business, but no such thing on the electric business. So reduced demand due to mild weather would create slight drag there.

Neel Mitra - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

So the open position on Power is hurt because it's not running as much? Is that the way to look at it?

Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

Yes.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

That's right. Lower dispatch prices, you have lower -- less amount of run time.

Neel Mitra - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Okay. And second question. I know you have a small stake in the PennEast pipeline, can you remind us when you have that going into service? And then, there has been recent reports on a possible delay, what your thoughts are on that?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Yes. So we have a 10% position. We are now forecasting late 2018.

Neel Mitra - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

And what were you forecasting earlier?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Late 2017.

Neel Mitra - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Okay. Great. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

You're welcome, Neel.

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Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates. Please go ahead.

Paul Patterson - ***Glenrock Associates - Analyst***

Good morning.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Good morning, Paul.

Paul Patterson - ***Glenrock Associates - Analyst***

On the Salem plant, and I apologize, I heard you talk about it, but I just want to make sure I understood it. How long is the extended outage that you guys are now expecting?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

So we don't know yet, Paul. The outage started, I think it was April 14, and that would have been a fairly standard refueling outage. We normally don't give dates on that for obvious reasons due to market sensitivity.

We are in the middle right now of doing some testing to see how many of the bolts are damaged. So until we finish that, we won't know exactly how long the outage is. But I should point out, even when we know, we typically don't announce that to the marketplace.

Paul Patterson - ***Glenrock Associates - Analyst***

Okay. You are still looking at how many bolts, or what percentage of bolts have problems?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

That's right.

Paul Patterson - ***Glenrock Associates - Analyst***

And is there any bleed through to any other units, do you think or any other sort of sense about this?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Clearly, Salem 2, we did inspect Salem 2 in 2015. This is an industry problem. It's been around, I think, since 1998. This is not something that is unique to us or unheard of before.

But Salem 2 passed visual inspection in 2015. And Salem 1 was scheduled to have the more intrusive inspection in 2019, but we're a couple years ahead of schedule there. I'll just remind you, Salem 2 is six years younger than Salem 1, to the extent this is a degradation over time, that should have an influence.

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Paul Patterson - *Glenrock Associates - Analyst*

Okay. Thank you so much.

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

No problem.

Operator

Your next question comes from the line of Michael Weinstein with UBS. Please go ahead.

Michael Weinstein - *UBS - Analyst*

Hi, Ralph. How you doing?

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

Good.

Michael Weinstein - *UBS - Analyst*

Recently we saw Con Ed enter agreements to purchase gas storage and pipeline assets in Pennsylvania and New York. We have also seen other large utilities making large acquisitions of gas assets and utilities. Given the PennEast interest you have already, what is your view of the current market for gas-related acquisitions? And what's your own interest in expanding further?

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

I would say our interest in expanding further is low to zero. In terms of our position in PennEast, quite candidly, every gas LDC in New Jersey has a position in that, and we just thought that it was important to help participate in bringing those consumer benefits to our gas customers. As you know, PSE&G has almost two million gas customers.

It's a really different business, Michael. I serve on a board of a company that's involved in the pipeline business, I think we are good at the knitting that we do and I would like to stick to that. I am not second-guessing others. Please don't misinterpret. They have their own unique reasons for moving in that direction. Typically, the corporate structure is different, they're mostly MLPs, they have a fairly different financial proposition and they are not without their challenges nowadays, as well.

So that may be great time to buy in. There is a raft of siting challenges associated with this. We are experiencing that in PennEast. There was a major pipeline, I'm sure you're aware of, in New York state that recently had an unpleasant surprise.

Its a very challenging business with fairly different DNA than what we have in our Company. And I like the DNA and the match that our Company has with the operations that we're responsible for.

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Michael Weinstein - *UBS - Analyst*

Does the current PEs in the gas utility space on the LDC space, does that also put you off in terms of future opportunities?

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

That's a different subject, but the short answer to that is yes. I mean, I understand that debt is fairly inexpensive, Dan hopefully impressed you with the numbers he reported for our utility. You could make acquisitions accretive at very, very attractive premiums to the target.

But the question we always ask ourselves is, just because money is relatively inexpensive, what are the alternate uses for that? Simply paying a very, very rich premium and still having accretion may not be your best choice. And we've been very clear. Our priorities are, number one, organic growth, and number two, supporting the dividend. And then number three would be share repurchase.

As I have said to many people, paying a 20 plus PE to someone seems to me to be a bad idea when I know a great company that is trading at a 14 or 15 PE, that has the ticker symbol of PEG. Again, I hopefully -- this is second-guessing and critical of other's decisions, but those are the ones I'm comfortable for us.

Michael Weinstein - *UBS - Analyst*

One last question. In terms of the partnership with Vectren for competitive transmission and MISO, do you see any other opportunities to partner with other local utilities for similar types of partnerships?

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

I can't disclose any that we haven't publicly disclosed. But that is an approach that we are eager to pursue. I think that there is a lot of value to be had by combining forces with someone who understands the local transmission grid and system, with our expertise now having put over $2 billion to work on an annual basis for a good number of years in terms of cost and schedule management on transmission construction.

I am very proud of our team and the work that they have done. But we don't know the system everywhere the country. To the extent that we can combine our project management skills and our construction management know-how with people's systems knowledge, that's a win-win for everyone.

Operator

Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

Travis Miller - *Morningstar - Analyst*

Hi, thank you.

Ralph Izzo - *Public Service Enterprise Group Inc. - Chairman, President & CEO*

Hi, Travis.

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Travis Miller - ***Morningstar - Analyst***

Wanted to think a little more about this $0.12 on the lower gas sendout and fixed cost recovery business. How much is that just pure volume and how much is there something else there, either margin contractions there or some other factor there that might not be directly weather-related?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

I ask Dan if he knows the split between the two. My short answer is it's a combination of both.

Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

That's right. Travis, the best way to try to think about where we are from the $0.12 impact that we saw this quarter, is if you were look at each of the last couple of quarters, you would have seen last year and the year before there was a $0.05 and a $0.04 benefit that we picked up additively over the last two quarters. So it's very much the absence of a winter which has impact both on pricing and on volumes.

I think the volumes were down about a third, and when you have that impact, as well as a margin compression, we really also didn't see much volatility which doesn't help in that market. They were all contributions to the delta you saw for this quarter.

Travis Miller - ***Morningstar - Analyst***

Great. That's helpful. And then, Ralph, without too much of a dissertation here --(Laughter) You guys have put a lot of eggs in the transmission basket certainly previously, and for the next three to five years. What are your thoughts on storage and how that might disrupt the transmission plans or alternatively offer you guys investment opportunities that wouldn't be in transmission, but could be in storage?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Sure. I am still sort of smarting from your suggestion that I am a bit long-winded, Travis. (Laughter)

Travis Miller - ***Morningstar - Analyst***

I am interested in the dissertation, just not this morning.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

It deserved a comment. Yes. As luck would have it, I literally just came from a presentation two weeks ago by a director of Long's Berkeley Labs on storage, and his claim -- don't ask me his name because I don't remember. He is probably easy to look up. Is that we're at least a factor of two away from grid connected storage that makes economic sense.

And what he has found is that translates into anywhere from a 10 to 20-year timeframe. Of course when you are talking about material signs, research events, it's difficult to put up with precision. We are agnostic, Travis, about what hardware one puts in place to serve customers.

I don't care if it's copper wire, superconducting ceramic wire, lead acid batteries, lithium batteries, flow batteries, I am running out of technologies. I'm blathering and I am starting to tread on dissertation timeframes. But, we would be more than happy to pursue things that have economic merit that provides the reliability our customers are demanding.

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Travis Miller - ***Morningstar - Analyst***

Good Cliff's Notes version.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thanks.

Travis Miller - ***Morningstar - Analyst***

Thank you very much.

Operator

Your next question comes from the line of Greg Gordon with Evercore ISI. Please go ahead.

Greg Gordon - ***Evercore ISI - Analyst***

Thanks. You know, my questions have been asked and answered. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thanks, Greg.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank. Please go ahead.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Same here. Thank you, though.

Operator

Your next question comes from the line of Gregg Orrill with Barclays. Please go ahead.

Gregg Orrill - ***Barclays Capital - Analyst***

Yes. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Hi, Gregg.

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Gregg Orrill - ***Barclays Capital - Analyst***

Just around the hedges at Power. You know, you increased some of the hedges over the last quarter. Just wondering where you stand with -- where you would normally be at this point, how you were thinking about that?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

So, Gregg, as you know, we try not to outguess the forward market. We do, however, we've said in the past, there is a tendency in the market to take a data point from 48 hours ago and a data point from 24 hours ago and extrapolate it for the next three years. And sometimes that emotional response is not as well informed by fundamentals as we'd like.

But we always stay within certain guidelines. We allow our team to drift up a little bit if we think the market is being a bit bullish, and we allow them to drift down if we think the market is being overly bearish. You'll recall, in April of 2014 it was the former. We said we could go ahead and hedge a little bit towards the up side, since the market was being somewhat bullish.

And it's pretty safe to conclude that right now we are drifting towards the bottom of our guideposts, just given the anomalously warm winter we had and the bearishness that's crept into the market. Having said that, that bearishness is not totally unjustified given where gas storage levels are.

Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

The other thing to think about, too, Gregg, is that for the BGS auction, to the extent that's a contribution across our hedge horizon, that auction usually takes place every year in February. So you see a little bit of a pickup in that regard in the first quarter's change.

Gregg Orrill - ***Barclays Capital - Analyst***

Fair point. Okay. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thank you.

Operator

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

Michael Lapides - ***Goldman Sachs - Analyst***

Hi, Ralph. Thanks for taking my question. Congrats to a good start on the year.

Can you, on the Salem issue, can you talk a little bit about other plants over the years that have seen similar issues in weather? Any of those turned into any more major related items, or is having issues with kind of baffle bolts a very standard, very common occurrence? I have to be very honest, as a non-nuclear engineer, the word baffle bolts is a little baffling to me.(Laughter)

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Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

Thanks, Michael, for the question, I'm glad you asked it. To my knowledge, D.C. Cook had an issue in 2010, Indian Point had an issue starting a month or so ago. There have been a handful, I think six or eight European plants.

These are not -- to my knowledge, these are not life-threatening issues. They are literally 800 bolts typically that secure these metal plates, we call them baffles, to the reactor vessel. And they are under pressure. There is a pressure gradient because of the high temperature steam that flows through the holes in these baffles.

You get a mechanical stress, in our case, I think we have 832 bolts. It's typical of pressurized water reactors. That's why I mentioned earlier, to Paul's question, that we would have to look at Salem 2 again at its next refueling outage, although it passed a visual inspection in 2015.

It would not be an issue for Hope Creek because that's a boiling water reactor. I don't want to suggest anything other than we have to complete the inspection. But none of the prior instance has this been an issue that has threatened the plants going forward -- integrity or anything of that nature.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. And coming to the regulated side, the E&G, you know, as you guys do most years at your Analyst Day, you lay out a CapEx forecast that obviously shows in year three through five somewhat of a decline from years one through two.

Can you talk about the things, your goals in 2016 in terms of actually -- I don't want to call it backfilling, but the types of projects that you could see showing up in the 2018 to 2020 timeframe that might keep CapEx at a more similar level to 2016 and 2017 or even at a higher level? What are the types of projects? What do you have do from the regulatory construct process to get those approved?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Sure. There are a whole host of them, Michael. There is ongoing renewable portfolio standard commitments that could result in some additional solar work. There are a couple of special projects that we haven't named publicly on the distribution system that involve major customers that would benefit the entire customer base, that we will be pursuing.

There is always new and additional work that comes out of the PJM RTEP; that's the kind of thing you'll see us looking at and potentially announcing in 2016. However, the major backfill in the out years of the plan won't be announced in 2016 because they are pretty new, and that will be a continuation of our gas system modernization plan and a continuation of Energy Strong. The reason we won't announce those in 2016 is because we are only a year and a half into Energy Strong, and we're only six months into GSMP; and those were both three year programs, give or take a few months, on some unique aspects of them.

So you're right to say that we have historically backfilled the years four and five. I think there is a very high probability we will do the same this time. But I think that in terms of the goals for 2016, it will be more, some significant distribution projects that we have and potentially some solar work that -- to keep the state on its RPS targets, you will see us pursuing in the near term.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Thank you, Ralph. Much appreciated.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

You're welcome.

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Operator

Your next question comes from the line of Praful Mehta with CitiGroup.

Praful Mehta - ***Citigroup - Analyst***

Thank you. Hi, guys.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Hi.

Praful Mehta - ***Citigroup - Analyst***

So quickly on the storage point. I know it was an interesting debate and you have made a bunch of relevant points. That was really thoughtful. I am trying to understand. You are mentioning storage more from a transmission perspective. Taking back the storage more from a generation perspective, if you didn't have the standard 20-year window horizon as you talked about, how would you think of the implications for your gas fleet and just generally for the markets in general? If you did think storage was coming whenever, 10 years, 20 years down the road, how do you see the implications for the power generations for your fleet and just generally in the US?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

I think there are three uses for storage. Right? One is to the extent that one has some localized distribution reinforcement that can be more economically achieved through storage rather than substation enhancement. Second, would be your classic arbitrage between peak and off-peak power, which has become less of an economic driver nowadays, just given the abundance of natural gas.

Third, could be sort of a similarity to that, which is to offset the intermittency associated with renewables. But in terms of using batteries as peakers, I think that if you just have to take a look again at the dollars per KW. My goodness, gas engines just keep getting more and more efficient and storage seems to be losing in that race to keep up with them.

I think there are multiple applications. I didn't mean to suggest that we only would consider one. What I was trying to point out is, whether the application is the supply side, or whether it's a customer reliability side or whether it's providing peaking services, other ancillary services -- we don't have a religious fervor around one technology or another. We look at them all the time.

Praful Mehta - ***Citigroup - Analyst***

Fair enough. That's really helpful. And then secondly, from an M&A perspective, there is a number of generation assets clearing the market and potentially more coming, and you have talked about at some point, the separation as well.

So how do you figure all that in? Are you looking to get to the critical mark, is there an opportunity here to acquire some assets and get to a critical mark where you think you can, at some point separate? How are you thinking about that opportunity right now?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Yes. No. I mean, that's pretty much what we have told the world, right, that we see three very tangible, tactical reasons for remaining integrated. It's the financial synergies between Power's cash generation and Utility's cash needs. It's the customer build synergies between the customer the power serves and the customers that PSE&G serves.

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Power's prices go down, PSE&G's distribution rates go up, quite candidly. Last, but not least, is the benefits of scale associated with the corporate support functions. And as Power continues to pursue growth opportunities outside PGM East, the first two issues become less important, right? You have more customers that are not PSE&G customers that we will be serving in New England and in your state.

You have more need for Power's funds from operations going to Power as opposed to going over to the Utility. And as both companies get bigger, then corporate support synergies become less on a percentage basis. And the reason why I say outside of PGM East, is because we are pretty much preempted from making any acquisitions within PGM East.

Given the slow growth and demand, we are not big fans of Greenfield Development PJM East. You've quickly run into an oversupply situation. Having said all of that, we have demonstrated that we're pretty bad at acquiring assets.

By that I mean, we seem to have a more conservative view of where the market is going and are consistently outbid. Keys being the one expectation to that, which I believe, was largely because of our confidence in our ability to manage construction risks, that perhaps some of the others did not possess and some of the portfolio benefit it brought to us in performance of PJM West. We look all the time at generation assets.

We have an -- I was about to say anti-coal bias. That sounds very political and I didn't mean it that way. But just given the direction of the environmental regulation, you won't see us taking a look at any coal expansions in terms of new assets.

We do look in our target markets, which would be the rest of PGM, New England, and New York state. We just have to get it the right price. And we are going to remain disciplined in what that means for us.

Praful Mehta - ***Citigroup - Analyst***

Got you. That's really helpful. Thank you so much.

Operator

Your next question comes from the line of Asher Kahn with Visium Asset Management. Please go ahead.

Ashar Khan - ***Visium Asset Management - Analyst***

Good morning. And good results. Can I just ask you one thing which Entergy mentioned -- why their outage has lasting a little bit longer is that they didn't have the equipment on site. I didn't know what that meant exactly. But I wanted to ask you, Ralph, do you have the stuff on site to replace so that won't cause a longer outage?

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Hi. So the equipment is not routinely on site. But we are in the process right now of securing that equipment while we do the ultrasonic testing. This is a highly -- my tongue got tied -- highly irradiated area inside the reactor vessel. But we are in conversations with at least two vendors who claim to be able to help us do the work and we are confident we will be able to bring them on site. I mean, as I said, there is at least ten other reactors that had this issue in the past.

Ashar Khan - ***Visium Asset Management - Analyst***

I understand. I was just trying to understand -- they were saying their delay was caused by equipment not being on site.

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Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Yes. I think there is a robotic device that needs to go in and change out the bolts and replace those that are -- that failed the ultrasonic testing. It's not something you can send a person into the vessel.

Ashar Khan - ***Visium Asset Management - Analyst***

Okay.

Dan Cregg - ***Public Service Enterprise Group Inc. - EVP & CFO***

From a critical path perspective, too, the inspections that are ongoing now need to take place first. We have some time off the critical path to be able to secure that kind of equipment.

Ashar Khan - ***Visium Asset Management - Analyst***

Okay. I appreciate it. Thank you.

Operator

Your next question comes from the line of Shahriar Pourreza, Guggenheim Partners.

Shahriar Pourreza - ***Guggenheim Partners - Analyst***

Questions were answered. Thank you.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thanks.

Operator

Your next question comes from the line of Michael Goldenberg with Luminous. Please go ahead.

Michael Goldenberg - ***Luminous - Analyst***

Good morning.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Hi, Michael.

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Michael Goldenberg *- Luminous - Analyst*

Hi. I wanted to ask a question about your 2018 hedging. It wasn't clear, if I look at previous quarters, it seems you hedged very little, about 5% of the output. But if I do the math, I get about a $30 or $31 incremental hedging price. Not understanding if that's the price, or I'm doing something wrong there?

Dan Cregg *- Public Service Enterprise Group Inc. - EVP & CFO*

And your comparison is what, Michael?

Michael Goldenberg *- Luminous - Analyst*

Versus Q4. Sorry. Q4, you were a certain percentage of $54 and now a certain percentage of $49. I am trying to do the simple math, I get incremental hedging down at $31.

Dan Cregg *- Public Service Enterprise Group Inc. - EVP & CFO*

We'd have to go through the individual math. Maybe we can follow up with you on that. But you have a range of output where you are within a high or low band.

So it's going to vary. I know that some of that 2018 output is going to come from BGS, who tends to have a higher price, and then we run a lower price environment as well. So it's going to be some mix of that.

Michael Goldenberg *- Luminous - Analyst*

Got it. Thank you.

Operator

(Operator Instructions)

Your next question comes from the line of Ben Budish with Jefferies. Please go ahead.

Ben Budish *- Jefferies & Co. - Analyst*

Hi, everybody. Good morning.

Ralph Izzo *- Public Service Enterprise Group Inc. - Chairman, President & CEO*

Hi, Ben.

Ben Budish *- Jefferies & Co. - Analyst*

I wonder if I'm reading into your comments, that you made at the beginning of the call, too much about the importance of Q3. It seems like you are guiding us to the low end of the range, and I am curious if a strong Q3 might get us back to the midpoint, or maybe we are looking at sort of below the bottom end and a strong Q3 gets us back within? Is there any more color you can give on that?

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Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Ben, the range is the range. Historically, what we do is after Q1 we don't modify our numbers or push people up or down and live with the range. After Q2 we may move a nickel one way or the other, if we think there's a definitive bias one way or another.

In terms of verbally guiding. And then typically after Q3, if there's a need we tighten the range one way or the other. With so we're $2.80 to $3.00. It was a tough winter.

And we have got a lot of focus on our operations and our cost efficiencies and the range always assumes that the rest of the year is normal weather. We never assume that the weather is going to suddenly do something different than what the weather service predicts as a normal year.

Ben Budish - ***Jefferies & Co. - Analyst***

Okay. Great. Thank you.

Operator

Mr. Izzo and Mr. Cregg, there are no further questions at this time. Please continue with your presentation or any closing remarks.

Ralph Izzo - ***Public Service Enterprise Group Inc. - Chairman, President & CEO***

Thank you, Brent. So thank you, everyone for being on the call. And the main message I hope you took away is my favorite message, which is steady as she goes.

We have a utility capital program that's proceeding as planned. Power construction programs which we combine cycle units is on schedule and on budget. Operations are strong through the enterprise and the balance sheet is as solid as ever.

Kathleen and Dan have some travels in the next couple of weeks. The three of us have some travels in the next couple of months. Hope we get to see most, if not all, of you during those travels. Thanks a lot and we will talk soon.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect. Thank you for participating.

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For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2016 FIRST QUARTER RESULTS

$0.93 PER SHARE OF NET INCOME

Operating Earnings of $0.91 Per Share

Company Maintains 2016 Guidance of $2.80 - $3.00 Per Share

(April 29, 2016 – Newark, NJ) Public Service Enterprise Group (PSEG) reported today Net Income for the first quarter of 2016 of $471 million, or $0.93 per share as compared to Net Income of $586 million, or $1.15 per share, in the first quarter of 2015. Operating Earnings for the first quarter of 2016 were $463 million, or $0.91 per share, compared to Operating Earnings for the first quarter of 2015 of $529 million, or $1.04 per share.

"We delivered solid operations this quarter executing on our five-year $16 billion capital program," said Ralph Izzo, chairman, president and chief executive officer. "We experienced extremes in weather conditions in the first quarter of 2016 compared to the first quarter of 2015 which hurt demand and margins. However, continued growth in investment and strong operations helped us withstand these short-term challenges as we focus on growing a reliable, efficient, clean energy infrastructure platform capable of meeting customer requirements."

PSEG believes that the non-GAAP financial measure of "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. Operating Earnings exclude gains/(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting as well as other material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings (a non-GAAP measure) for the first quarter. See Attachment 10 for a complete list of items excluded from Net Income in the determination of Operating Earnings.

PSEG CONSOLIDATED EARNINGS (unaudited)
First Quarter Comparative Results
2016 and 2015

	Income ($ millions)		Diluted Earnings Per Share	
	2016	**2015**	**2016**	**2015**
Operating Earnings	$463	$529	$0.91	$1.04
Reconciling Items	8	57	0.02	0.11
Net Income	**$471**	**$586**	**$0.93**	**$1.15**
		Avg. Shares	**508M**	**508M**

Ralph Izzo went on to say, "We are maintaining operating earnings guidance for the full year of $2.80 - $3.00 per share. Our guidance assumes normal weather for the remainder of the year. As we move forward, the weather and market conditions, especially during the third quarter, will be important for both PSEG Power and PSE&G. Current market conditions and the absence of a winter require that we maintain our relentless focus on identifying efficiencies and maintaining strong operating performance."

The following table outlines expectations for operating earnings in 2016 by subsidiary:

2016 Operating Earnings Guidance
($ millions, except EPS)

	2016 Estimate
PSE&G	$875 - $925
PSEG Power	$490 - $540
PSEG Enterprise/Other	$60 - $60
Operating Earnings	$1,425 - $1,525
Earnings Per Share	$2.80 - $3.00

Operating Earnings Review by Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported operating earnings of $262 million ($0.52 per share) for the first quarter of 2016 compared with operating earnings of $242 million ($0.47 per share) for the first quarter of 2015.

PSE&G's first quarter results reflect the impact of revenue growth associated with an expansion of its capital investment program which more than offset the effect of unfavorable weather comparisons on electric and gas demand.

Returns from PSE&G's expanded investment in transmission added $0.04 per share to earnings in the quarter. First quarter also benefited from recovery on PSE&G's investment in distribution under the Energy Strong program which improved quarter-over-quarter earnings comparisons by $0.01 per share.

Weather was warmer than normal during the first quarter of 2016 and significantly warmer than conditions experienced last year. The negative impact of the extreme differences in weather on gas demand and revenue quarter-over-quarter was largely offset by the gas weather-normalization clause. A decline in electric sales and revenue as a result of the extreme differences in weather reduced quarter-over-quarter earnings comparisons by $0.02 per share. An increase in O&M expense due to the absence of insurance recovery of storm costs received in the year-ago quarter was more than offset by lower taxes which together added $0.02 per share to quarter-over-quarter earnings.

Economic indicators continue to improve. Employment in New Jersey has increased for 28 consecutive months as the housing market has also experienced an improvement. However, weather-normalized electric sales are estimated to have declined 1.8% in the first quarter. Weather-normalized electric sales for the trailing twelve month period were flat for the period ended March 2016. In terms of weather-normalized gas demand, a 0.3% decline in sales for the first quarter was led by a 1.5% decline in heating demand from the residential sector, influenced by the large weather adjustment quarter over quarter. On a trailing 12 month basis, gas sales increased by 1.8%.

PSE&G's capital program remains on schedule. PSE&G invested approximately $725 million in the first quarter as part of its planned capital investment for 2016 of $3.0 billion in upgrades to the electric and gas distribution and transmission system.

The forecast of PSE&G's operating earnings for 2016 remains unchanged at $875 - $925 million.

PSEG Power

PSEG Power reported operating earnings of $184 million ($0.36 per share) for the first quarter of 2016 and adjusted EBITDA of $416 million compared with operating earnings of $278 million ($0.55 per share) for the first quarter of 2015 and adjusted EBITDA of $626 million. Net Income for the first quarter of 2016 was $192 million versus $335 million for the first quarter of 2015.

PSEG believes that the non-GAAP financial measure of "Adjusted EBITDA" is useful in evaluating Power's operating performance because it provides investors with additional

information to compare our business performance to other companies and understand performance trends.

Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense at Power's fossil generation facilities. See Attachment 10 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA.

PSEG Power's first quarter results were impacted by extremely mild weather conditions in comparison to the year-ago period. Significantly lower weather-related demand hurt sales comparisons and wholesale market prices for energy during the first quarter. Power's results, in addition, reflect the impact of the known decline in capacity revenues and average prices on energy hedges. The decline in revenue was greater than a decline in quarter-over-quarter operating expenses.

A decline in capacity revenue associated with the retirement of peaking capacity in June 2015 reduced quarter-over-quarter earnings by $0.04 per share. A decline in output due to milder weather coupled with lower average prices on energy hedges reduced quarter-over-quarter earnings by $0.09 per share. A weather-related decline in total gas send-out to commercial and industrial customers and lower prices in the marketplace and a lack of volatility combined to reduce quarter-over-quarter earnings on gas sales by $0.12 per share. Lower O&M expense improved quarter-over-quarter earnings by $0.05 per share and a reduction in interest expense added $0.01 per share to earnings.

Output from Power's fleet declined 9% in the quarter as a result of reduced demand and lower wholesale market energy prices. Output from the coal fleet during the first quarter declined to 1 TWh from 2.5 TWh in the year-ago quarter. Output from the combined cycle fleet declined 0.2 TWh to 3.7 TWh. The nuclear fleet, however, experienced an improvement in output of 0.6 TWh to 8.4 TWh operating at an average capacity factor of 99.7% in the quarter. The nuclear fleet's performance benefited from an improvement in availability at Salem as well as an increase in capacity at Peach Bottom associated with completion of the extended power uprate work.

Power is reducing its forecast of output for 2016 to 52 – 54 TWh from its prior forecast of 54 – 56 TWh. The revised range incorporates the impact on output of the abnormally warm weather in the first quarter. The range also incorporates an anticipated extension of the Salem 1 refueling outage, which began on April 14, to inspect, repair and replace damaged baffle bolts within the reactor vessel, subject to the results of an ongoing inspection. Approximately 70% - 75% of anticipated production for the April – December period of 40 TWh is hedged at an average price of $49 per MWh. For 2017, Power has hedged 50% - 55% of its forecast generation of 54 – 56 TWh at an average price of $49 per MWh. For 2018, approximately 20% - 25% of forecast generation of 59 – 61 TWh is hedged at an average price of $49 per MWh. The hedge data for 2016 continues to assume BGS hedges represent 11 – 12 TWh.

Power's operating earnings for 2016 are forecast at $490 - $540 million. The forecast of operating earnings and adjusted EBITDA for the full year of $1,320 million - $1,400 million remains unchanged.

PSEG Enterprise/Other

PSEG Enterprise/Other reported operating earnings of $17 million ($0.03 per share) for the first quarter of 2016 compared with operating earnings of $9 million ($0.02 per share) for the first quarter of 2015. The increase in operating earnings quarter-over-quarter reflects contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings.

The forecast of PSEG Enterprise/Other full year operating earnings for 2016 remains unchanged at $60 million.

#########

Forward Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,

- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Operating Earnings and Per Share Results by Subsidiary
(Unaudited)

	Three Months Ended March 31,	
	2016	***2015***
Earnings Results ($ Millions)		
PSE&G	$ 262	$ 242
PSEG Power	184	278
PSEG Enterprise/Other	17	9
Operating Earnings	**$ 463**	**$ 529**
Reconciling Items [(a)]	8	57
Net Income	**$ 471**	**$ 586**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**
Per Share Results (Diluted)		
PSE&G	$ 0.52	$ 0.47
PSEG Power	0.36	0.55
PSEG Enterprise/Other	0.03	0.02
Operating Earnings	**$ 0.91**	**$ 1.04**
Reconciling Items [(a)]	0.02	0.11
Net Income	**$ 0.93**	**$ 1.15**

(a) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended March 31, 2016

	PSEG	PSEG Enterprise/ Other [(a)]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,616	$ (409)	$ 1,712	$ 1,313
OPERATING EXPENSES				
Energy Costs	836	(531)	729	638
Operation and Maintenance	729	94	382	253
Depreciation and Amortization	224	6	139	79
Total Operating Expenses	1,789	(431)	1,250	970
OPERATING INCOME	827	22	462	343
Income from Equity Method Investments	2	-	-	2
Other Income and (Deductions)	27	-	19	8
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(92)	(2)	(68)	(22)
INCOME BEFORE INCOME TAXES	754	20	413	321
Income Tax Benefit (Expense)	(283)	(3)	(151)	(129)
NET INCOME	**$ 471**	**$ 17**	**$ 262**	**$ 192**
OPERATING EARNINGS	$ 463	$ 17	$ 262	$ 184
Reconciling Items Excluded from Net Income [(b)]	8	-	-	8
NET INCOME	**$ 471**	**$ 17**	**$ 262**	**$ 192**

Three Months Ended March 31, 2015

	PSEG	PSEG Enterprise/ Other [(a)]	PSE&G	PSEG Power
OPERATING REVENUES	$ 3,135	$ (592)	$ 2,002	$ 1,725
OPERATING EXPENSES				
Energy Costs	1,094	(691)	892	893
Operation and Maintenance	663	79	412	172
Depreciation and Amortization	330	7	247	76
Total Operating Expenses	2,087	(605)	1,551	1,141
OPERATING INCOME	1,048	13	451	584
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	36	1	17	18
Other-Than-Temporary Impairments	(5)	-	-	(5)
Interest Expense	(98)	2	(69)	(31)
INCOME BEFORE INCOME TAXES	984	16	399	569
Income Tax Benefit (Expense)	(398)	(7)	(157)	(234)
NET INCOME	**$ 586**	**$ 9**	**$ 242**	**$ 335**
OPERATING EARNINGS	$ 529	$ 9	$ 242	$ 278
Reconciling Items Excluded from Net Income [(b)]	57	-	-	57
NET INCOME	**$ 586**	**$ 9**	**$ 242**	**$ 335**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 10 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	March 31, 2016	December 31, 2015
DEBT		
Long-Term Debt*	$ 10,231	$ 9,561
Project Level, Non-Recourse Debt	7	7
Total Debt	10,238	9,568
STOCKHOLDERS' EQUITY		
Common Stock	4,908	4,915
Treasury Stock	(702)	(671)
Retained Earnings	9,381	9,117
Accumulated Other Comprehensive Loss	(269)	(295)
Total Common Stockholders' Equity	13,318	13,066
Noncontrolling Interests - Equity Investments	1	1
Total Equity	13,319	13,067
Total Capitalization	$ 23,557	$ 22,635

*Includes current portion of Long-Term Debt

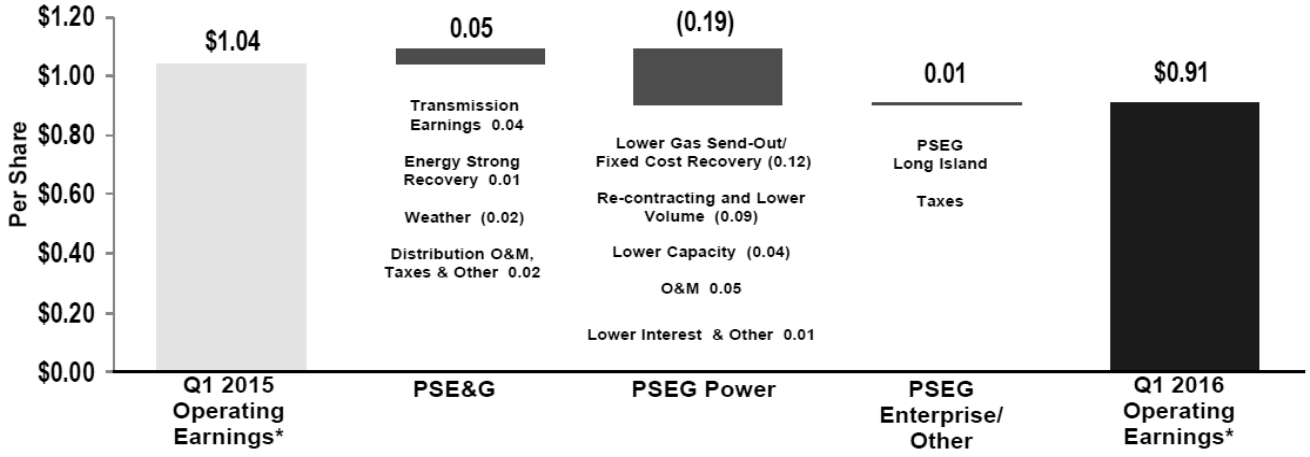
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 471	$ 586
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	743	1,093
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,214	1,679
NET CASH USED IN INVESTING ACTIVITIES	(1,081)	(779)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	65	(294)
Net Change in Cash and Cash Equivalents	198	606
Cash and Cash Equivalents at Beginning of Period	394	402
Cash and Cash Equivalents at End of Period	$ 592	$ 1,008

Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2016 vs. March 31, 2015
(Unaudited)



* See Attachment 10 for Items excluded from Net Income to reconcile to Operating Earnings.

Attachment 6

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2016

Electric Sales and Revenues

Sales (Millions kWh)	Three Months Ended	Change vs. 2015
Residential	3,001	-10.4%
Commercial & Industrial	6,636	-4.3%
Street Lighting	92	-3.8%
Interdepartmental	3	-9.3%
Total	9,732	-6.3%
Revenue ($ Millions)		
Residential	$ 454	-11.9%
Commercial & Industrial	357	-23.5%
Street Lighting	17	-7.4%
Other Operating Revenues*	166	5.6%
Total	$ 994	-14.2%

Weather Data	Three Months Ended	Change vs. 2015
THI Hours - Actual	69	0.0%
THI Hours - Normal	29	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2016

Gas Sold and Transported

Sales (Millions therms)*		Three Months Ended	Change vs. 2015
Firm Sales			
Residential Sales		655	-25.2%
Commercial & Industrial		426	-21.4%
Total Firm Sales		**1,081**	**-23.7%**
Non-Firm Sales			
Commercial & Industrial		414	-8.4%
Total Non-Firm Sales		**414**	
Total Sales		**1,495**	**-20.0%**
Revenue ($ Millions)			
Residential Sales - Firm	$	123	-5.8%
Commercial & Industrial - Firm Sales		86	-44.7%
Non-Firm Sales		9	-29.6%
Other Operating Revenues**		43	-1.2%
Total	**$**	**261**	**-23.8%**
Gas Transported	$	457	-9.0%

Weather Data	Three Months Ended	Change vs. 2015
Degree Days - Actual	2,282	-27.3%
Degree Days - Normal	2,531	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 8

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2016	2015
Nuclear - NJ	5,531	5,339
Nuclear - PA	2,888	2,493
Total Nuclear	**8,419**	**7,832**
Fossil - Coal/Natural Gas - NJ**	(19)	423
Fossil - Coal - PA	991	1,516
Fossil - Coal - CT	56	590
Total Coal	**1,028**	**2,529**
Fossil - Oil & Natural Gas - NJ	2,695	3,482
Fossil - Oil & Natural Gas - NY	1,063	603
Fossil - Oil & Natural Gas - CT	(4)	92
Total Oil & Natural Gas	**3,754**	**4,177**
	13,201	**14,538**

	% Generation by Fuel Type Three Months Ended March 31,	
	2016	2015
Nuclear - NJ	42%	37%
Nuclear - PA	22%	17%
Total Nuclear	**64%**	**54%**
Fossil - Coal/Natural Gas - NJ**	0%	3%
Fossil - Coal - PA	8%	10%
Fossil - Coal - CT	0%	4%
Total Coal	**8%**	**17%**
Fossil - Oil & Natural Gas - NJ	20%	24%
Fossil - Oil & Natural Gas - NY	8%	4%
Fossil - Oil & Natural Gas - CT	0%	1%
Total Oil & Natural Gas	**28%**	**29%**
	100%	**100%**

*Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months ended March 31, 2016 and 2015. Generation includes natural gas fuel switching intervals.

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Weighted Average Common Shares Outstanding (Millions)		
Basic	505	506
Diluted	508	508
Stock Price at End of Period	$ 47.14	$ 41.92
Dividends Paid per Share of Common Stock	$ 0.41	$ 0.39
Dividend Payout Ratio*	59.0%	55.9%
Dividend Yield	3.5%	3.7%
Price/Earnings Ratio*	17.0	15.0
Rate of Return on Average Common Equity*	10.9%	11.7%
Book Value per Common Share	$ 26.38	$ 24.83
Market Price as a Percent of Book Value	179%	169%
Total Shareholder Return	21.6%	2.2%

*Calculation based on Operating Earnings for the 12 month period ended.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Year-Ended December 31, 2015	Year-Ended December 31, 2014
	($ Millions, Unaudited)			
Operating Earnings	**$ 463**	**$ 529**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	**$ 471**	**$ 586**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	**$ 0.91**	**$ 1.04**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[a] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	**$ 0.93**	**$ 1.15**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Year-Ended December 31, 2015	Year-Ended December 31, 2014
	($ Millions, Unaudited)			
Adjusted EBITDA	**$ 416**	**$ 626**	**$ 1,563**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(7)	(49)	(128)	(144)
Depreciation and Amortization, pre-tax [b]	(80)	(77)	(301)	(291)
Interest Expense, pre-tax [b] [c]	(22)	(31)	(120)	(120)
Income Taxes [b]	(123)	(191)	(361)	(387)
Operating Earnings	**$ 184**	**$ 278**	**$ 653**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	(8)	7	24	138
Gain (Loss) on MTM, pre-tax [a]	22	(34)	157	111
Storm O&M, net of insurance recoveries, pre-tax	-	127	172	(27)
Income Taxes related to Operating Earnings reconciling items	(6)	(43)	(150)	(104)
Net Income	**$ 192**	**$ 335**	**$ 856**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.
(c) Net of capitalized interest.

Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2016

April 29, 2016

SI-SSA-0015-13334

Forward-Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13335

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

PSEG
2016 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13337

Q1 Earnings Summary – Solid Operating Performance, Results Impacted by Extreme Weather Comparisons

Quarter ended March 31

$ Millions (except EPS)	2016	2015
Operating Earnings*	$ 463	$ 529
Reconciling Items, Net of Tax	8	57
Net Income	$ 471	$ 586
EPS from Operating Earnings*	$ 0.91	$ 1.04

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13338

PSEG – Q1 2016 Highlights

Solid Operating Earnings – Maintaining Guidance for 2016

- ✓ Operating Earnings* of $0.91 per share vs. $1.04 per share in Q1 2015
- ✓ Power results impacted by extremes in weather comparisons and low prices
- ✓ PSE&G's expanded investment in transmission and distribution drives improvement in earnings

Operational Excellence

- ✓ PSEG Power operations performed well in Q1: Nuclear output up 7.5% on improvement in fleet capacity factor to 99.7%
- ✓ CCGT units improved fleet availability

PSEG Disciplined Capital Investment

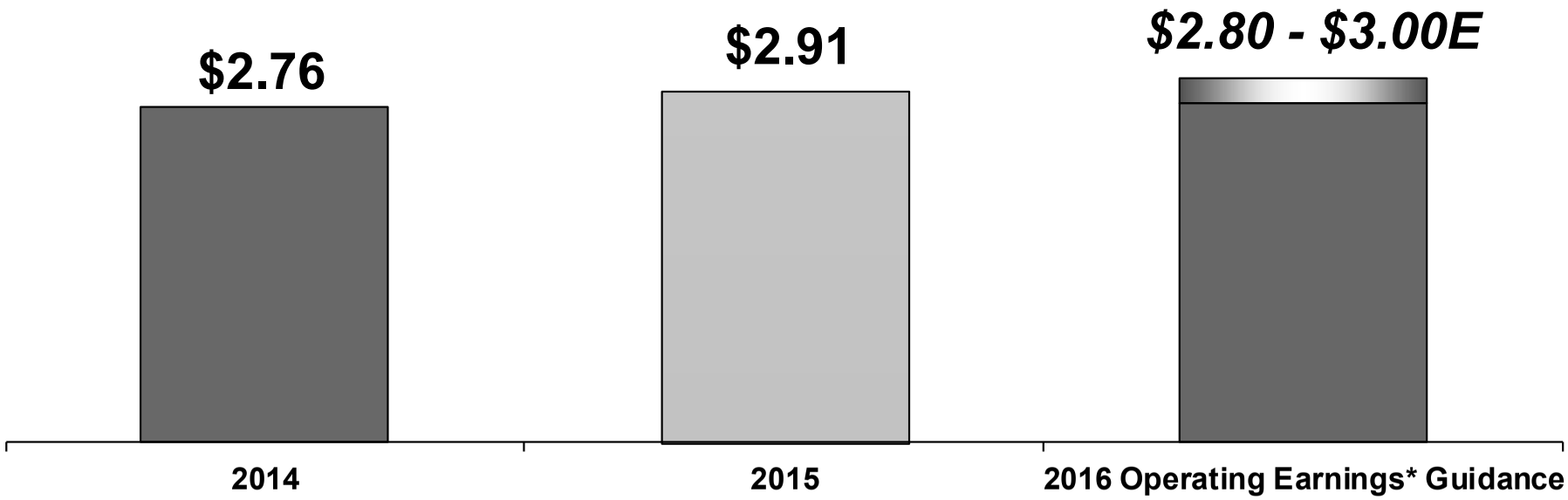
- ✓ Increased common dividend 5.1% to indicative annual rate of $1.64 per share
- ✓ Executing on our $16 billion capital program with ~75% directed toward PSE&G infrastructure investments in reliability/resiliency/replacement programs
- ✓ Construction commenced on Keys and Sewaren CCGTs for targeted commercial operation in 2018
- ✓ Power pursuing permits on new 485 MW CCGT plant at Bridgeport Harbor site

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13339

Maintaining 2016 Earnings Guidance

Guidance assumes normal weather and unit operations



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

PSEG
2016 Q1 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13341

Q1 Operating Earnings by Subsidiary

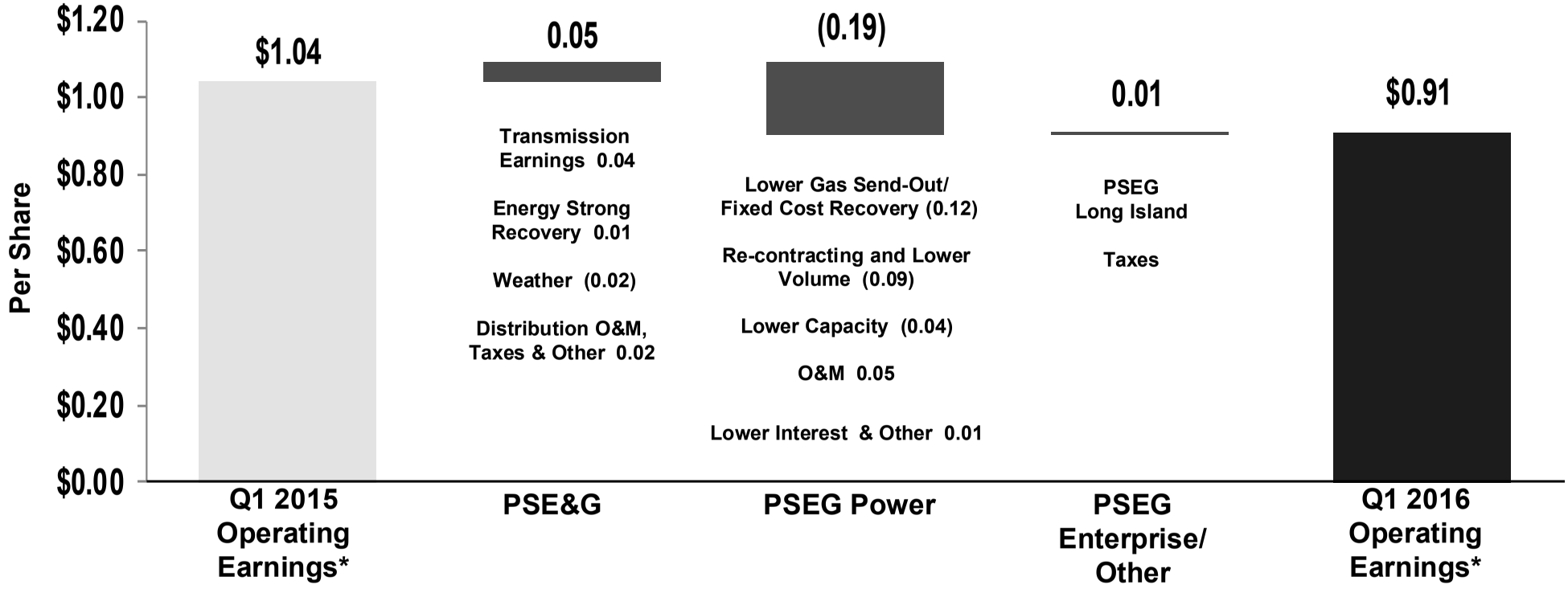
Quarter ended March 31

$ Millions (except EPS)	Operating Earnings		Earnings per Share	
	2016	**2015**	**2016**	**2015**
PSE&G	$ 262	$ 242	$ 0.52	$ 0.47
PSEG Power	184	278	0.36	0.55
PSEG Enterprise/Other	17	9	0.03	0.02
Operating Earnings*	$ 463	$ 529	$ 0.91	$ 1.04

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13342

PSEG EPS Reconciliation – Q1 2016 versus Q1 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13343

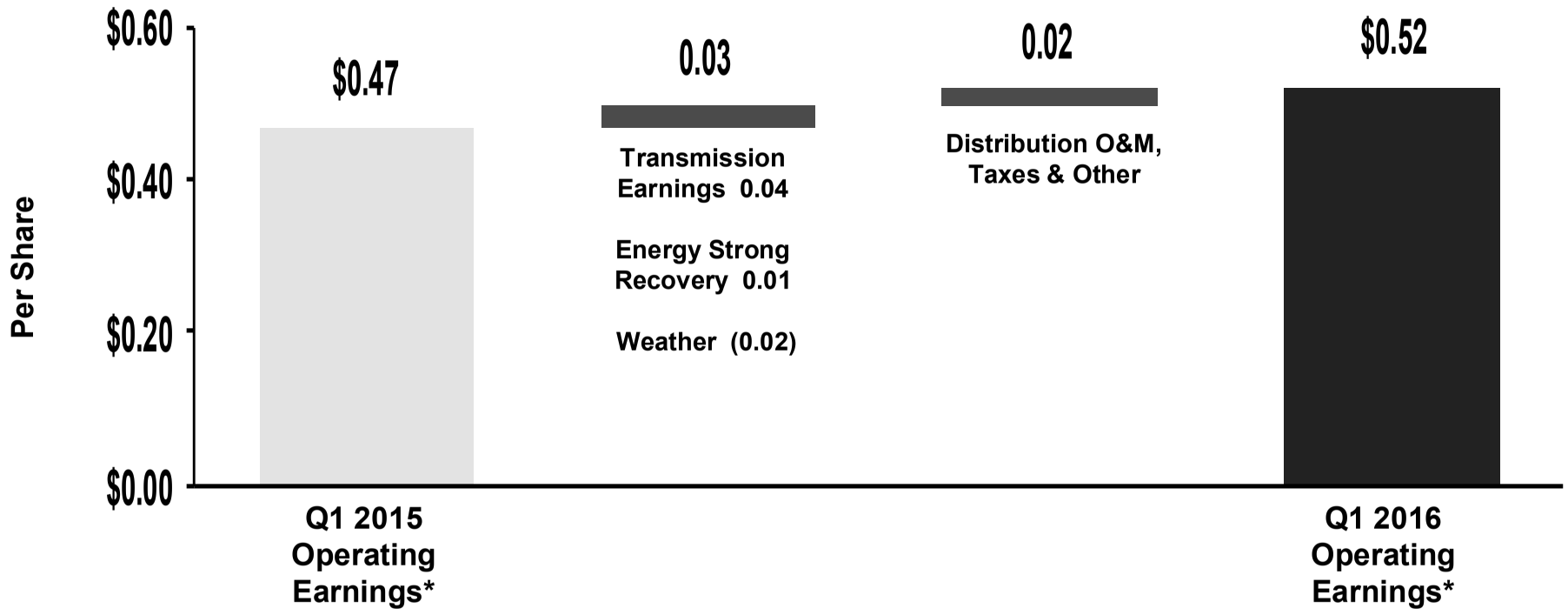
PSE&G
2016 Q1 Review

PSE&G – Q1 EPS Summary

$ Millions (except EPS)	Q1 2016	Q1 2015	Variance
Operating Revenues	$ 1,712	$ 2,002	$ (290)
Operating Expenses			
Energy Costs	729	892	(163)
Operation & Maintenance	382	412	(30)
Depreciation & Amortization	139	247	(108)
Total Operating Expenses	1,250	1,551	(301)
Operating Earnings/Net Income	$ 262	$ 242	20
EPS from Operating Earnings/Net Income	$ 0.52	$ 0.47	$ 0.05

SI-SSA-0015-13345

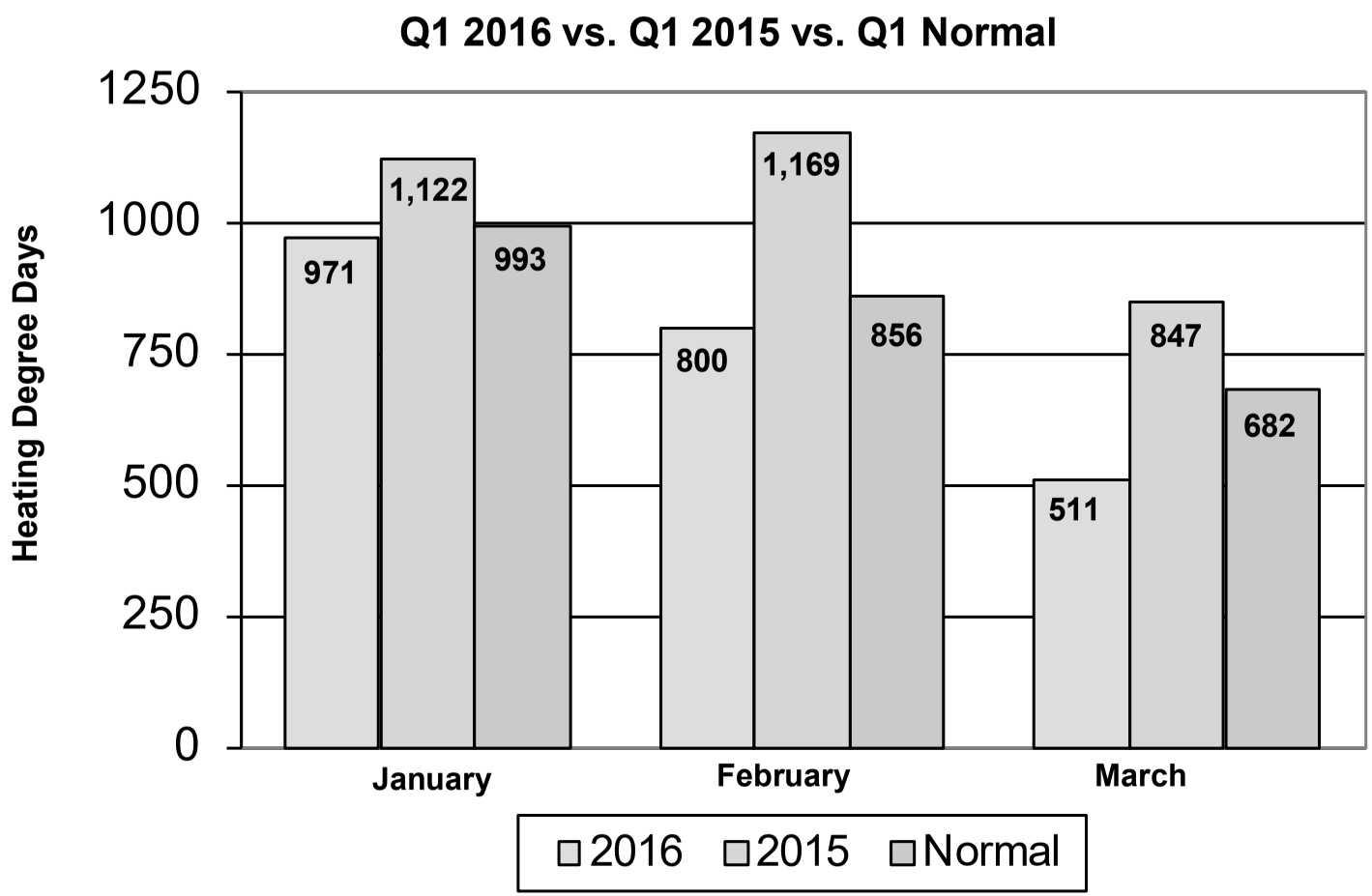
PSE&G EPS Reconciliation – Q1 2016 versus Q1 2015



* Operating Earnings is equal to Net Income.

SI-SSA-0015-13346

PSE&G – Monthly Heating Degree Days

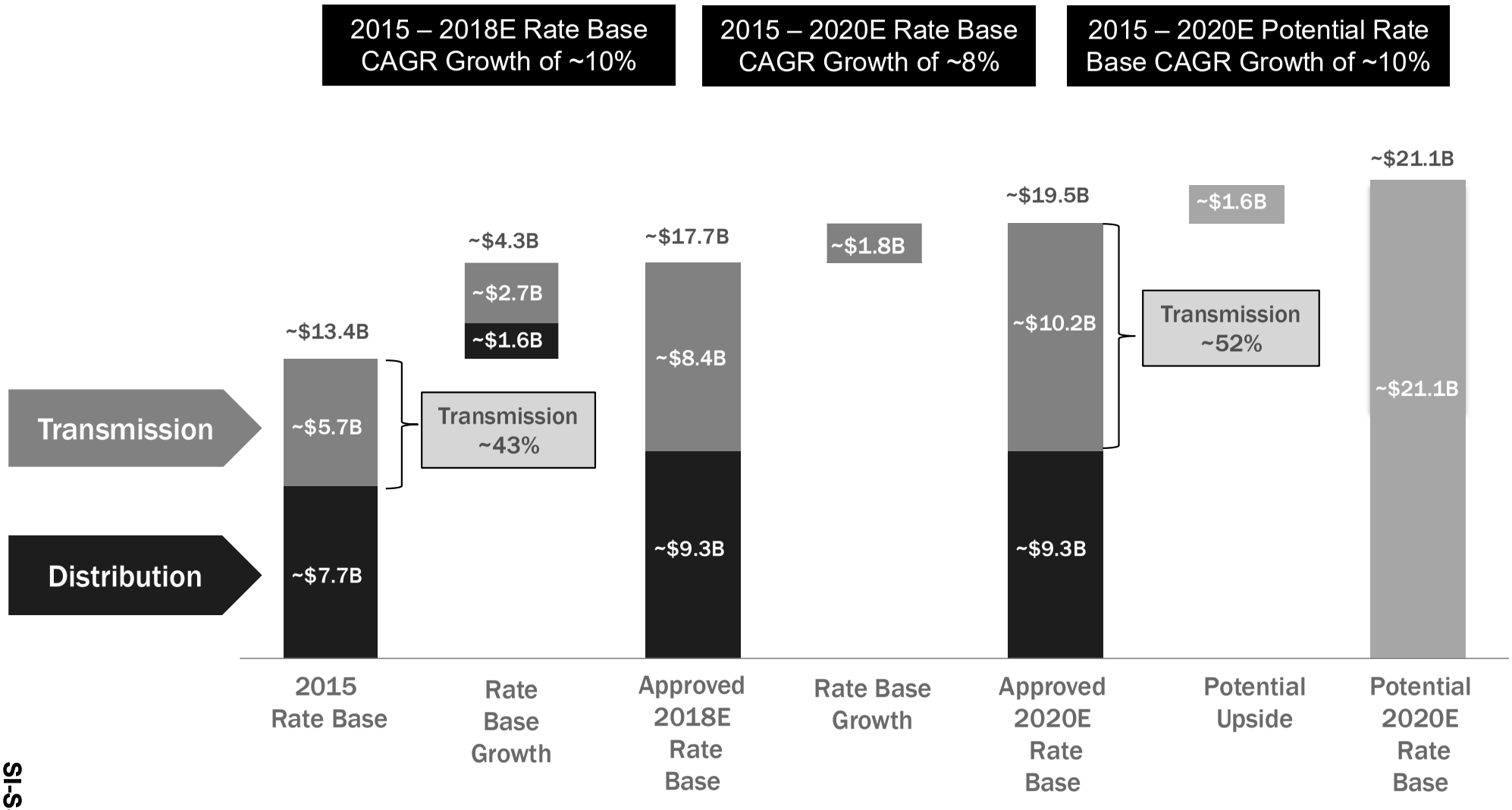


Q1 2016 Winter weather, as defined by heating degree days, was ~27% warmer than Q1 2015 (the coldest winter in 45 years) and ~10% warmer than normal

Source: New Jersey State Climatologist.

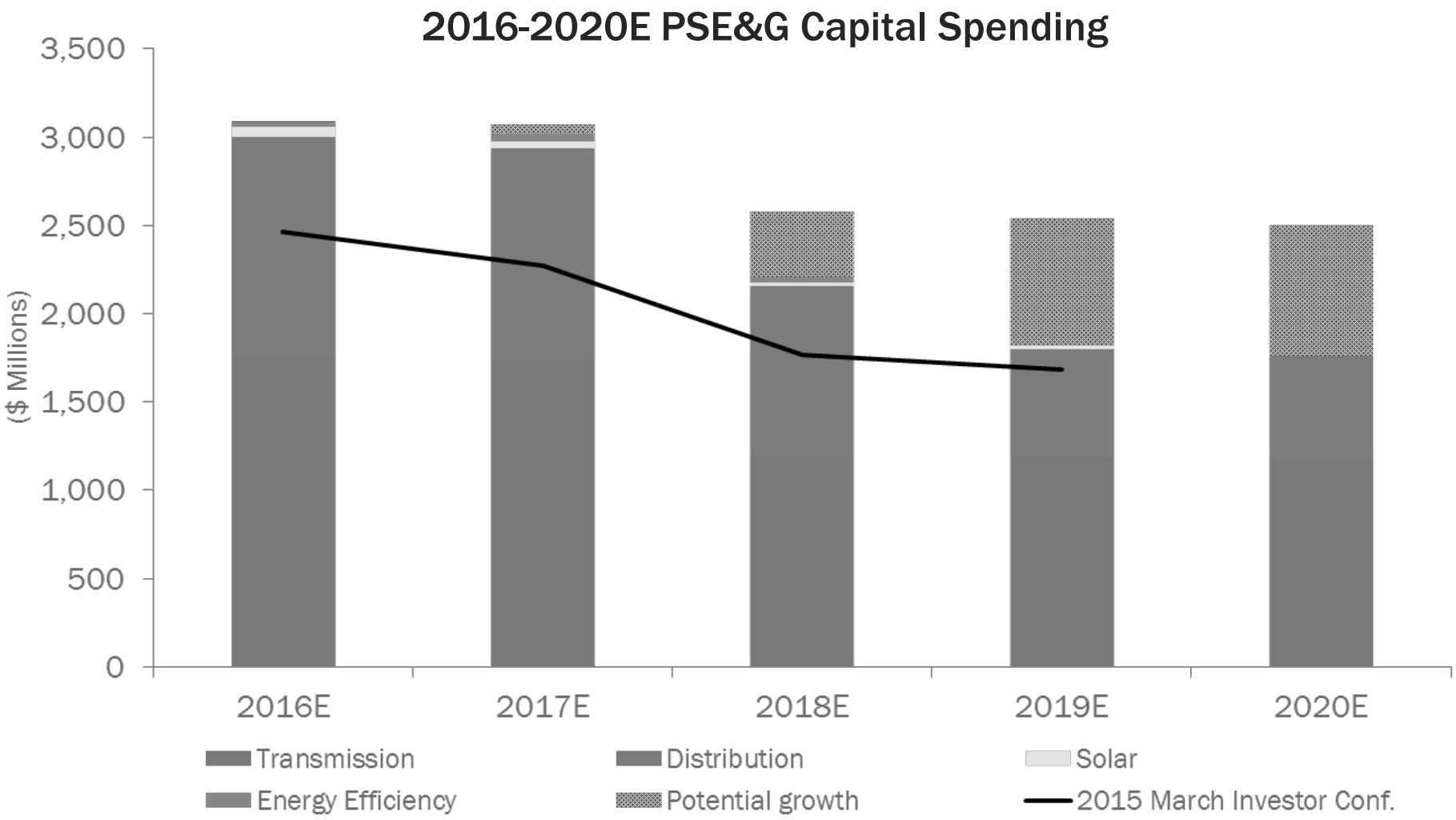
SI-SSA-0015-13347

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



SI-SSA-0015-13348

Continued identification of investment opportunities focused on improving reliability for our customers



E = Estimate. Data as of March 2016.

SI-SSA-0015-13349

PSE&G – Q1 2016 Operating Highlights

Operations

- ✓ Q1 2016 was the 5th warmest in our records vs. Q1 2015 – the coldest winter in 45 years
- ✓ Heating degree days were 27% below Q1 2015 and 10% below normal
- ✓ Weather normalized electric sales were lower by 1.8% for Q1 but flat on a trailing 12 month basis
- ✓ Weather normalized gas sales were lower by 0.3% for the quarter, led by a 1.5% decline in heating demand from residential segment (influenced by large weather adjustment quarter over quarter); For the trailing 12 months, gas sales have increased by 1.8%
- ✓ O&M remains well controlled

Regulatory and Market Environment

- ✓ Implemented annual increase in transmission revenue of $146 million in January 2016
- ✓ Energy Strong programs continue on-schedule
- ✓ GSMP investment program beginning

Financial

- ✓ PSE&G invested ~$725 million during Q1 as part of its full-year, $3 billion investment program to upgrade the electric and gas transmission and distribution system
- ✓ PSE&G issued $850 million of Medium Term Notes consisting of $300 million of 5-year notes at 1.9% and $550 million of 30 year notes at 3.8%, and retired $171 million of 6.75% long-term debt at maturity
- ✓ PSE&G Operating Earnings* forecast for full-year 2016 is unchanged at $875 million to $925 million

* Operating Earnings is equal to Net Income.

SI-SSA-0015-13350

PSEG Power
2016 Q1 Review

SI-SSA-0015-13351

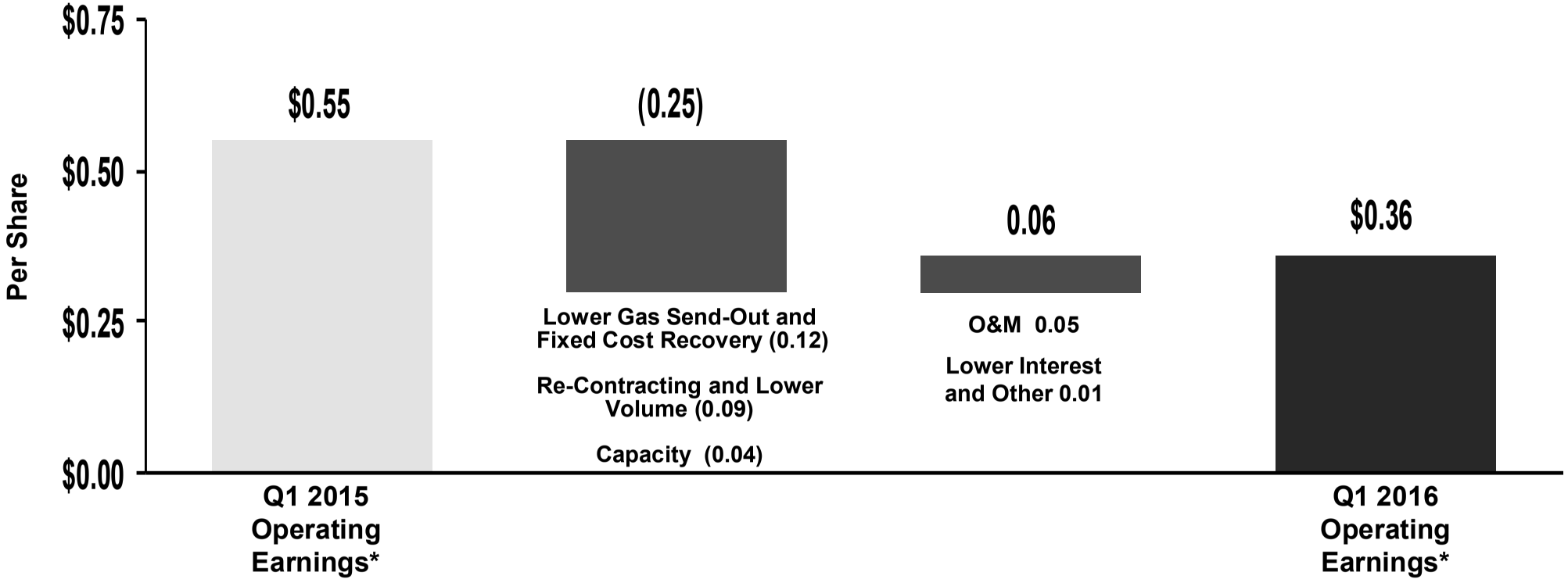
PSEG Power – Q1 Earnings Summary

$ Millions (except EPS)	Q1 2016	Q1 2015	Variance
Operating Revenues	$ 1,313	$ 1,725	$ (412)
Operating Earnings*	$ 184	$ 278	$ (94)
Reconciling Items, Net of Tax*	8	57	(49)
Net Income	$ 192	$ 335	$ (143)
EPS from Operating Earnings*	$ 0.36	$ 0.55	$ (0.19)
Adjusted EBITDA**	$ 416	$ 626	$ (210)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
** See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.

SI-SSA-0015-13352

PSEG Power EPS Reconciliation – Q1 2016 versus Q1 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13353

PSEG Power's Q1 2016 and Full-Year 2016 Guidance for Adjusted EBITDA

PSEG Power - Adjusted EBITDA*

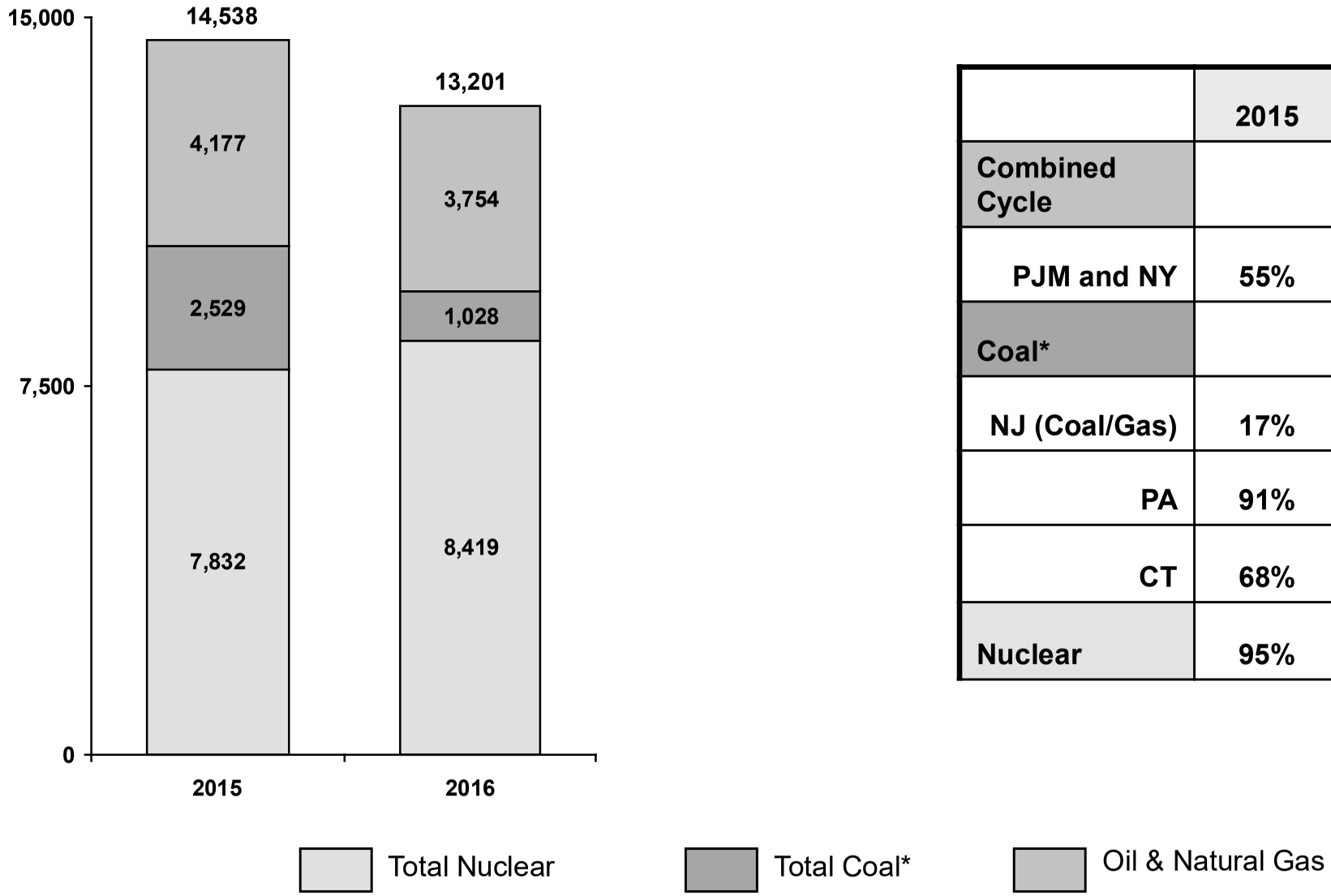
	Three Months Ended March 31,		Full-Year 2016 Guidance	
($ Millions)	**2016**	**2015**	**Low**	**High**
Operating Earnings**	$184	$278	$490	$540
Add:				
Fossil Major Maintenance, pre-tax	7	49	80	80
Depreciation & Amortization, pre-tax	80	77	340	340
Interest Expense, pre-tax***	22	31	80	80
Income Taxes	123	191	330	360
Adjusted EBITDA*	**$416**	**$626**	**$1,320E**	**$1,400E**

* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.
** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
*** Net of capitalized interest.

PSEG Power – Generation Measures

Generation by Fuel (GWh)**

Quarter ended March 31



Fleet Capacity Factors (%)

Quarter ended March 31

	2015	2016
Combined Cycle		
PJM and NY	55%	52%
Coal*		
NJ (Coal/Gas)	17%	0.4%
PA	91%	59%
CT	68%	7%
Nuclear	95%	99.7%

* Includes figures for Pumped Storage. Also includes natural gas fuel switching intervals. ** Excludes Solar and Kalaeloa

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PSEG Power – Fuel Costs

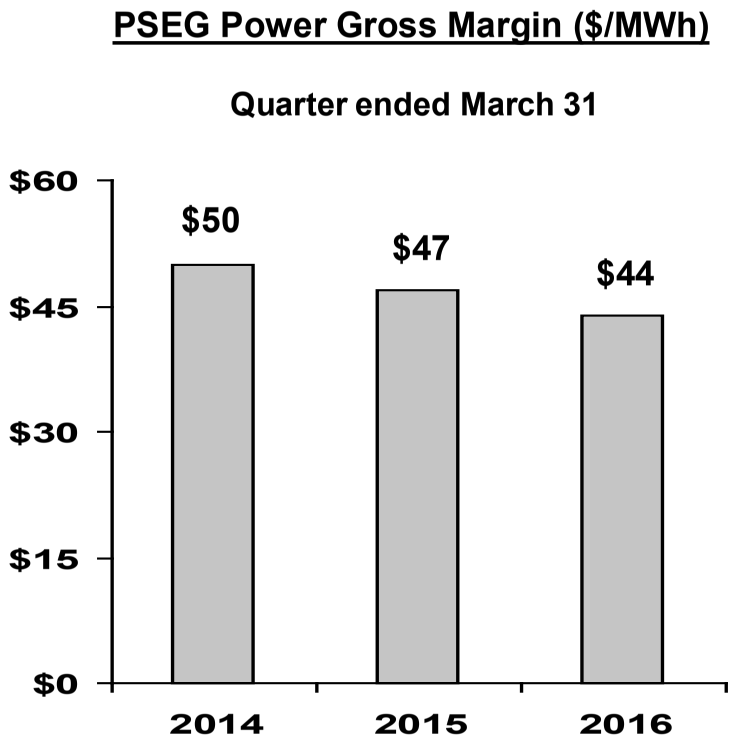
PSEG Power – Fuel Costs

	Quarter ended March 31	
($ Millions)	2015	2016
Coal	$82	$27
Oil & Gas	247	66
Total Fossil	329	93
Nuclear	55	58
Total Fuel Cost	$384	$151
Total Generation (GWh)	14,538	13,201
$ / MWh	26.41	11.44

SI-SSA-0015-13356

PSEG Power – Gross Margin Performance

- ✓ Q1 spot prices significantly lower across PJM, ISO-NE, and NYISO versus year ago, driven by abnormally warm weather and related lack of demand
- ✓ Capacity revenue affected by HEDD retirements in Q2 2015
- ✓ Access to lower-cost Marcellus gas continues to benefit spark spreads relative to market



Q1 2016 Regional Performance		
Region	**Gross Margin ($M)**	**Comment**
PJM	$515	Lower prices on hedged output combined with lower wholesale market prices and a decline in capacity revenue from HEDD retirements
New England	$51	Hedging profile improved margins offsetting lower market prices
New York	$12	Higher volumes with improved fuel availability

SI-SSA-0015-13357

Hedging Update

Contracted Energy*

		Apr-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	26	36	36
	% Hedged	100%	75-80%	35-40%
	Price $/MWh	$49	$49	$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	14	19	24
	% Hedged	25-30%	0%	0%
	Price $/MWh	$49	--	--
Total	Volume TWh	39-41	54-56	59-61
	% Hedged	70-75%	50-55%	20-25%
	Price $/MWh	$49	$49	$49

* Hedge percentages and prices as of March 31, 2016. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-13358

PSEG Power – Q1 Operating Highlights

Operations

- ✓ Q1 output down 9.2% to 13.2 GWh on warm winter weather and lower demand vs Q1 2015
- ✓ Strong nuclear performance: GWh production up 7.5% resulting in a fleet capacity factor of 99.7%
- ✓ CCGT availability remains strong; production down 5% on lower demand

Regulatory and Market Environment

- ✓ U.S. Supreme Court unanimously upheld lower court ruling against Maryland subsidized generation law and subsequently dismissed the New Jersey LCAPP case
- ✓ Base load output in 2016 hedged at an average price of $49/MWh vs 2015 average hedge price of $52/MWh
- ✓ 2016 BGS load projection remains at 11-12 TWh

Financial

- ✓ Power's total debt as a percentage of capitalization at March 31 was 27%
- ✓ Power's 2016 Operating Earnings* guidance range is $490 million to $540 million; Adjusted EBITDA** guidance for 2016 is $1.32 billion to $1.40 billion

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; Includes the financial impact from Mark-to-Market positions with forward delivery months.
**See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income.

PSEG

PSEG Financial Highlights

Maintaining 2016 Operating Earnings* guidance of $2.80 - $3.00 per share

- ✓ Focused on maintaining operating efficiency and customer reliability
- ✓ Salem Q2 refueling outage extended to replace and repair baffle bolts in reactor vessel
- ✓ PSE&G expected to contribute over 60% of 2016 Operating Earnings*

Infrastructure spend

- ✓ PSE&G T&D spend for 2016 expected to be $3 billion
- ✓ Power has begun construction of its CCGT units in Maryland and New Jersey

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G support dividend growth and fund capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 44% at March 31

Increased common dividend 5.1% to indicative annual rate of $1.64 per share

- ✓ Increasing regulated earnings mix supports opportunity for dividend growth

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13361

PSEG 2016 Operating Earnings Guidance - By Subsidiary

Segment Earnings Guidance and Prior Results

$ Millions (except EPS)	2016E	2015
PSE&G	$875 - $925	$787
PSEG Power	$490 - $540	$653
PSEG Enterprise/Other	$60 - $60	$36
Operating Earnings*	$1,425 - $1,525	$1,476
Earnings per Share	**$2.80 - $3.00E**	**$2.91**

PSEG Power Adjusted EBITDA**

$ Millions	2016E	2015
PSEG Power	$1,320 - $1,400	$1,563

*/**See Slide A for Items excluded from Net Income to reconcile to Operating Earnings and Slide B for Items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA. See Slide 20 for a reconciliation of Operating Earnings and Adjusted EBITDA for 2016E. E = Estimate.

SI-SSA-0015-13362

PSEG Liquidity as of March 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$629 (A)	$14	$615
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$202	$1,398
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$9	$991
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$524 (C)	$12	$512
	Total Money Pool		$3,624	$233	$3,391
	Total		$4,253	$247	$4,006

(A) PSE&G facility will be reduced by $29 million in April 2016, and $14 million in March 2018; facility was increased by $29 million in March 2016 in anticipation of the April expiration.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018; facility was increased by $24 million in March 2016 in anticipation of the April expiration.

PSEG Money Pool ST Investment	$0
PSE&G ST Investment	$521
Total Liquidity Available	**$4,527**

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Consolidated Operating Earnings Reconciliation

Reconciling Items, net of tax	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Operating Earnings	$ 463	$ 529	$ 1,476	$ 1,400
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	(5)	2	8	68
Gain (Loss) on Mark-to-Market (MTM)[(a)] (PSEG Power)	13	(20)	93	66
Storm O&M, net of insurance recoveries (PSEG Power)	-	75	102	(16)
Net Income	$ 471	$ 586	$ 1,679	$ 1,518
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 0.91	$ 1.04	$ 2.91	$ 2.76
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	(0.01)	-	0.01	0.13
Gain (Loss) on MTM[(a)] (PSEG Power)	0.03	(0.04)	0.18	0.13
Storm O&M, net of insurance recoveries (PSEG Power)	-	0.15	0.20	(0.03)
Net Income	$ 0.93	$ 1.15	$ 3.30	$ 2.99

(a) Includes the financial impact from positions with forward delivery months.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year-Ended December 31,*	
	2016	*2015*	*2015*	*2014*
	($ Millions, Unaudited)			
Adjusted EBITDA	**$ 416**	**$ 626**	**$ 1,563**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(7)	(49)	(128)	(144)
Depreciation and Amortization, pre-tax [b]	(80)	(77)	(301)	(291)
Interest Expense, pre-tax [b][c]	(22)	(31)	(120)	(120)
Income Taxes [b]	(123)	(191)	(361)	(387)
Operating Earnings	**$ 184**	**$ 278**	**$ 653**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	(8)	7	24	138
Gain (Loss) on MTM, pre-tax [a]	22	(34)	157	111
Storm O&M, net of insurance recoveries, pre-tax	-	127	172	(27)
Income Taxes related to Operating Earnings reconciling items	(6)	(43)	(150)	(104)
Net Income	**$ 192**	**$ 335**	**$ 856**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.
(c) Net of capitalized interest.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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EDITED TRANSCRIPT

PEG - Q2 2016 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: JULY 29, 2016 / 03:00PM GMT

OVERVIEW:
Co. reported 2Q16 net EPS of $0.37. Expects full-year 2016 operating EPS to be $2.80-$3.00.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Incorporated - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President and CEO*

Dan Cregg *Public Service Enterprise Group Incorporated - EVP and CFO*

CONFERENCE CALL PARTICIPANTS

Travis Miller *Morningstar - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Praful Mehta *Citigroup - Analyst*

Brian Chin *BofA Merrill Lynch - Analyst*

Shahriar Pourreza *Guggenheim Partners - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Jonathan Arnold *Deutsche Bank - Analyst*

Anthony Crowdell *Jefferies LLC - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's second-quarter 2016 earnings conference call and webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Friday, July 29, 2016, and will be available for telephone replay beginning at 2:00 PM today until 11:30 PM Eastern on August 5, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally ***- Public Service Enterprise Group Incorporated - VP of IR***

Thank you, Brent. Good morning. Thank you all for participating in PSEG's call this morning. As you are aware, we released our second-quarter 2016 earnings statements earlier today.

The release and attachments are posted on our website, at www.PSEG.com, under the investor section. We also posted a series of slides that detail operating results by Company for the quarter. Our 10-Q for the period ended June 30, 2016, is expected to be filed shortly.

I won't read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates, that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless of course we are required to do so.

Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations, and for a reconciliation of operating earnings to GAAP results.

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I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, it will be time for your questions.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Thank you, Kathleen. And thank you everyone, for joining us today. PSEG's results for the second quarter were characterized by a tough environment for Power markets, but also with continued growth associated with PSE&G's expanded capital program. Earlier this morning, we reported net income for the quarter of $0.37 per share. Operating earnings for the second quarter of 2016 were $0.57 per share. Operating earnings were in line with the $0.57 per share earned in 2015's second quarter.

The results for the quarter bring operating earnings for the first half of 2016 to $1.48 per share, which compares with operating earnings of $1.61 per share earned in 2015's first half. Slides 4 and 5 contain the detail on the results for the quarter and the first half.

PSE&G's execution on its expanded capital investment program continues to provide a growing source of earnings. And Power's prudent management of reductions in O&M minimized the impact of the extended outage at Salem on earnings. PSE&G is on track to invest $3 billion in 2016, as part of its five-year $12 billion capital program. PSE&G's ability to earn its authorized return on investment continues to drive our forecast for double-digit growth in PSE&G's 2016 earnings.

We continue to look for opportunities to grow in a manner that meets customer demand for reliable, efficient and clean energy, and provides it a risk-adjusted return demanded by shareholders. In the past quarter, we have identified more than $500 million of additional investment opportunities at our regulated utility company, PSE&G.

During the past quarter PSE&G requested an extension from the New Jersey Board of Public Utilities of its existing landfill brownfield solar program. The program would add 100 megawatts of grid-connected solar facilities over a five-year period, at a cost of approximately of $240 million. The program would also create 575 direct jobs in New Jersey during the construction period, and allow all customers to share in the benefits of solar. We hope to see a decision on this request during the fourth quarter of this year.

In addition, PSE&G has increased its estimate of distribution capital expenditures over 2016 through 2018 by $300 million, to address what is commonly referred to as new business requests, and to replace certain aging equipment and infrastructure. As I mentioned, these programs together would represent an increase of more than $500 million over PSE&G's current plans to invest $12 billion over the five-year period ended 2020.

PSE&G's robust investment program will ensure that it remains one of the most reliable utilities in the nation, as was demonstrated during periods of intense heat and thunderstorm activity experienced over the past two weeks. The investment program would also improve on PSE&G's growth in rate base, currently forecasted at 8% per year for the five-year period ending 2020.

Now, Power's capital program is also an important response in the needs of today's market, which requires that we operate greater levels of reliability and efficiency. The planned replacement of older generating capacity at the Sewaren and Bridgeport stations, and new capacity at Keys amounts to 1,800 megawatts of new, clean and efficient gas-fired capacity over the next three years.

This will transform Power's fleet, and enhance its competitive position. We will see an increase in capacity. We will see an increase in reliability. We will see an increase in efficiency, and we will see a reduction in carbon emissions.

Although Power has focused on the construction of the new combined cycle units, Power has also committed to improving the efficiency of existing capacity and ensuring its long-term availability. This can be seen through completion of a small uprate at its peaking stations, which added 14 megawatts to capacity. Power also plans to increase the efficiency and capacity of the Bethlehem Energy Center through advanced gas path upgrades of the turbine over 2017 and 2018.

When completed, this work is expected to add 58 megawatts to BEC's capacity. And the recent issuance of a final renewal permit for the Salem station that meets the requirements of Section 316(b) of the Clean Water Act helps to assure the long-term availability of this zero carbon generating resource. Finally, Power has made targeted reductions in its workforce, and continues to identify additional means of reducing its cost structure, to assure the availability and dispatch of the fleet in the current low price environment.

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The Power market over the short term continues to be characterized by an oversupply of gas. The market however has shown signs of improvement, as gas prices have responded to a decline in production. The improvement in the supply picture, and the development of more outlets for supply has also led to an improvement in forward basis. As we have indicated in the past, we continue to expect basis to be seasonal. That is positive in the winter, and neutral to negative in the summer, until more takeaway capacity goes into operation.

In May, 2016, PJM announced the results of the RPM auction for the 2019 to 2020 delivery year. Power cleared approximately 8,900 megawatts of its generating capacity, at an average price of about $116 per megawatt day. The average price received by Power, while lower than prior auctions, continues to represent a premium to the average price per capacity in the RTO.

Prices in the most recent auction reflect PJM's downwardly revised demand forecast. Changes in the emergency transfer limits due to transmission expansion, and the effects of both new generation and uncleared generation from the prior year's auction. However the results for the RPM auction were in line with our expectations.

Nearly all of Power's cleared capacity in the latest auction complies with PJM's capacity performance requirements, and the fleet is expected to be in a position to meet PJM's requirement that 100% of capacity for the 2020 to 2021 delivery year must meet those CP requirements. On the regulatory front, FERC has approved two of the five recommended steps to improve energy price formation. Further efforts to address transparency and the scheduling of capacity could lead to an improved alignment of prices with costs.

The year has presented challenges. Looking forward to the second half of the year, we're maintaining operating earnings guidance for 2016 of $2.80 to $3 per share, but it will be difficult to reach the upper end of the guidance even with the improvement in the power markets, expectations for warm summer weather, restoration of normal operations at Salem, and ongoing cost control and management of O&M.

Our highly-skilled workforce has met the market's challenges through the right sizing of resources, and by identifying investments that meet customer needs. Our dedication to customer service, our strong balance sheet, and our ability to invest in the future of the Company are expected to drive long-term value creation. With that, I'll turn the call over to Dan, who will discuss our financials in greater detail, and then I will be available for your questions.

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

Thank you, Ralph, and thank you everyone for joining us today. As Ralph said, PSEG reported operating earnings for the second quarter of 2016 of $0.57 per share, the same as operating earnings of $0.57 per share in last year's second quarter.

A reconciliation of operating earnings to net income for the quarter can be found on slide 4. We've also provided you with a waterfall chart on slide 10 that takes you through the net changes in the quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 provides you with the changes in operating earnings by business on a year-to-date basis.

I'll now review each Company in a little bit more detail, starting with PSE&G. PSE&G reported net income for the second quarter of 2016 of $0.35 per share, compared with $0.33 per share for the second quarter of 2015, for a 6% improvement in earnings. And results for the quarter are shown on slide 14.

PSE&G's operating results for the second quarter reflect the impact of revenue growth associated with an expansion of the Company's capital investment program. Returns on PSE&G's expanded investment in transmission added $0.03 per share to earnings for the quarter. An increase in depreciation and O&M expense of $0.02 per share was partially offset by a decline in taxes and other items. The higher level of depreciation is related to the growth in capital spending, and higher levels of O&M reflect increased spending on vegetation management.

The New Jersey economy continues to show steady growth, and employment levels have shown improvement from a year ago. The variability in quarterly data for weather-normalized electric and gas sales has been high, given extreme weather comparisons. Weather-normalized electric sales reflect growth in residential and commercial customers, which was offset by the continuing decline in the industrial sector and increased energy efficiency measures. So on a trailing 12-month basis, weather-normalized electric sales were essentially flat.

PSE&G's capital program remains on schedule. PSE&G invested approximately $1.4 billion during the first half of the year, as part of its planned 2016 capital program of $3 billion. And as Ralph mentioned, PSE&G has identified investment opportunities, which if approved, will include

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PSE&G five-year capital program by approximately $500 million to $12.5 billion, and you should expect the majority of this increase in spending will occur between 2016 and 2018. And once again, all of this growth will be funded without the need to issue new equity.

As you may recall, PSE&G implemented $146 million increase in annual transmission revenue under the Company's transmission formula rate filing, which took effect this past January. This increase in revenue, adjusted to reflect the impact of bonus depreciation and updates of spending in prior years, will be reflected in PSE&G's earnings throughout the year. But I will also remind you that the quarter-to-quarter earnings comparisons associated with PSE&G's investment in transmission are not expected to be even during the second half of the year. The recognition of bonus depreciation for 2015 and some other expenses at the end of the year reduce PSE&G's fourth-quarter 2015 earnings by about $0.04 per share.

The contributions to earnings from the Energy Strong capital program will also be more evident during the second half of the year, given growth in the Energy Strong related spending, and the shape of the rate structure which places more emphasis on demand charges during the third quarter. We are increasing our forecast of PSE&G's operating earnings for 2016 to $900 million to $935 million from $875 million to $925 million. And the change incorporates cost control efforts and a strong start to summer weather.

Now, let's turn to Power. PSE&G Power reported a net loss of the quarter of $11 million or $0.02 per share, compared with net income of $166 million or $0.33 per share for the year-ago quarter. Operating earnings were $0.18 per share for the second quarter of 2016, and adjusted EBITDA was $272 million, as compared with operating earnings of $0.22 per share and adjusted EBITDA of $301 million for the second quarter of 2015. And our adjusted EBITDA excludes the same items as operating earnings, as well as income tax expense, interest expense, depreciation and amortization, and major maintenance at Power's fossil generating facilities.

The earnings release and slide 20 provide you with detailed analysis of Power's operating earnings quarter over quarter. We've also provided you with more detail on generation for the quarter and the first half of the year on slides 22 and 23. Power's operating results for the second quarter reflect the impact of the known decline in PJM capacity revenues and average prices on energy hedges, in addition to the effect of an extended refueling outage at Salem 1.

Declining capacity revenue associated with the June 2015 retirement of feeding capacity in PJM, reduced quarter-over-quarter income by $0.02 per share, and capacity revenue during the second half of 2016 should approximate the revenues received during the last six months of 2015. Earnings comparisons in the quarter were also impacted by the decline in the average price received on energy hedges, as well as lower market prices and gas volumes, which together reduced Power's quarter-over-quarter income by $0.03 per share. And a decline in output reduced income by $0.01 per share.

A reduction in O&M expense improved Power's quarter-over-quarter income by $0.07 per share. This improvement reflects the absence in 2016 of costs incurred during the second quarter of 2015 for the refueling outage at the Oak Creek nuclear plant, which is 100% owned by Power, and major maintenance work at our combined cycle units.

And the quarterly comparisons also benefited from targeted reductions in O&M at Power's nuclear and fossil stations, as well as from changes in the management of work schedules associated with the Salem 1 refueling outage, which minimized the overall cost of the outage. As we mentioned during the first-quarter earnings call, the Salem 1 refueling outage, which began on April 14, would be extended to repair degraded baffle bolts.

The bolt replacement has been completed, and the unit is in the process of returning to service. During the quarter, an increase in depreciation expense was offset by a decline in interest expense, however an absence in 2016 of tax credits received in the year-ago quarter and other tax items contributed to a reduction in quarter-over-quarter income of $0.05 per share.

Turning to Power's operations, output at Power's generating facilities declined 6% in the quarter, as a result of lower wholesale market prices and reduced demand. Output from the gas-fired combined cycle fleet declined slightly to 4.4 terawatt hours from 4.6 terawatt hours, given milder weather conditions relative to the year-ago quarter. Low gas prices impacted the dispatch of Power's coal-fired fleet, and during the quarter the output from the coal fleet declined to 0.9 terawatt hours from 1.3 terawatt hours. Output from the nuclear fleet was largely unchanged in the quarter, with7 terawatt hours in this quarter versus 7.1 terawatt hours in the year ago quarter. The impact of the extended outage at Salem was largely offset by an increase in output at Peach Bottom, and completion of the extended power upgrade at Peach Bottom added 130 megawatts in the aggregate to Power's interest in this station.

Salem 2 was out of service for three days at the end of the quarter, and remains out of service. The unplanned outage at Salem 2 is a result of an electrical fault in the reactor's non-nuclear balance of plant. And the extension of the outage in Salem 1 into July, and the unplanned outage at Salem

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2 will have a continuing effect on performance in the third quarter. Power's gross margin in the second quarter declined to $38.54 per megawatt hour, from $40.15 per megawatt hour.

Power's margin in the quarter experienced only a modest benefit from the gas-fired combined cycle fleet's access to low-cost gas. A lack of demand and low volatility in the market, given an excess supply of gas, pressured spark spreads. The Power markets over the last month have seen prices move to higher levels, given the impact on the gas supply from hotter than normal weather, and declines in production.

An improvement in load and prices will help margins on baseload units, as an increase in regional gas prices would also support margins at the gas-fired combined cycle fleet. For the year, Power is revising its forecast of output to 50 to 52 terawatt hours from the prior forecast of 52 to 54 terawatt hours. And the updated forecast incorporates the results for the first half of the year, and takes into account the extension of the outage at both units at Salem.

As shown on slide 26, approximately 75% to 80% of anticipated production for the second half of 2016 of 25 to 26 terawatt hours, is hedged at an average price of $50 per megawatt hour. For 2017, Power has hedged 55% to 60% of its forecast generation of 53 to 55 terawatt hours, at an average price of $48 a megawatt hour. And for 2018, Power has hedged approximately 25% to 30% of forecast generation of 58 to 60 terawatt hours at an average price of $46 per megawatt hour.

The forecasted increase in output for 2018 reflects the commercial start-up of a new gas-fired combined cycle capacity at the Keys and Sewaren stations. The percentage of energy hedged for 2017 and 2018 is slightly greater than what we communicated to you earlier this year, and in line with our practice. We've adjusted our forecast to Power's full-year 2016 operating earnings to $460 million $525 million from $490 million to $540 million, to incorporate the results of the first half of the year. The revised forecast represents an adjusted EBITDA of $1.27 billion to $1.375 billion.

Now I will turn to PSEG Enterprise and other. The net income for PSEG Energy Holdings and Enterprise in the second quarter of 2016 was $19 million, or $0.04 per share, versus net income of $12 million and $0.02 per share for the second quarter of 2015. The increase in quarter-over-quarter income reflects contractual payments associated with the operation of PSEG Long Island, and certain tax items at PSEG Energy Holdings. We've raised our forecast for the full year of operations to $65 million.

Our financial position remains strong. PSEG closed the quarter ended June 30, 2016 with $648 million of cash on its balance sheet, with debt at the end of the quarter representing 45% of consolidated capital. And during the quarter, Power issued $700 million of 3% five-year senior notes due in the year 2021.

We do not foresee the need to issue equity to finance our expanded capital program. And as Ralph mentioned, we are maintaining our forecast of operating earnings for the full year of $2.80 to $3 per share. And with that, we will be happy to take any questions.

QUESTION AND ANSWER

Operator

(Operator Instructions)

Jonathan Arnold, Deutsche Bank.

(Operator Instructions)

Travis Miller, Morningstar.

Travis Miller - ***Morningstar - Analyst***

As we look ahead more generally to 2019, 2020 when you guys have your new plant online, and PJM in your region and the other plants that are proposed, what are your thoughts on spark spreads? Obviously, we've seen what's happened in the capacity markets. But what are your thoughts on what happens to spark spreads?

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Travis, by that point we will have three plants up. We'll have one in Connecticut, New Jersey and one in Maryland, and it really will depend upon the infrastructure that is being built in each of those locations. As you know, all of those sites do have gas on the property, but we are seeing an increased importance in regional spark spreads.

Right now in our region we are seeing spark spreads given our access to gas of about $20. Down at Pepco it's pretty close to that, the forwards they are saying it could be as high as $23. We certainly made these investment decisions under the expectation that the combination of either locked in or anticipated capacity prices plus those spark spreads would allow us to recover our cost of capital and then some. As you know, our history is we don't usually pick numbers that are different than what the market is telling us, and right now the local spark spreads, defined region by region, is in the $20 range.

Travis Miller - ***Morningstar - Analyst***

Okay so pretty flat curve that you think?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

I think so. The dynamic will be modified as the infrastructure gets built, but it'll be good now for a good six months or so.

Travis Miller - ***Morningstar - Analyst***

Great, and then you have been benefiting for quite a while on that Marcellus gas basis at Power. When does that cycle off in terms of incremental growth? When does it stop being a net benefit I suppose, relative to the previous years?

Ralph Izzo - ***Public Service Enterprise Group Incorporated – Chairman, President & CEO***

So therein lies the value of a diversified fleet. One would expect that as infrastructure gets built from the region to mostly southeastern markets, that you'll see an increase or decrease in price in other parts of the country which don't have that access, and an increase in price here, which will diminish our regional spark spread advantage. But that should also then help our nuclear plant. So it's been an ongoing source of pride for us, that diversity of technology and fuel allows us to deliver some consistency in terms of the margins that we are able to capture. And of course, one cannot ignore the seasonal variation that will persist, even once the infrastructure gets built.

Travis Miller - ***Morningstar - Analyst***

Sure. Okay, thanks, I appreciate the thoughts.

Operator

Julien Dumoulin-Smith, UBS.

Julien Dumoulin-Smith - ***UBS - Analyst***

So I wanted to ask a bigger picture strategic question about the fate of nuclear in New Jersey, if you can think through that with us. What is your current positioning on the need for support and the price for carbon in New Jersey specifically? Perhaps not just with respect to RGGI, but looking at parallels from New York, how are you positioned in this state?

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Julien, thanks for asking the question, because I want to make sure that there is clarity of understanding around that. There's a lot going on in the nation around nuclear. I don't know the latest numbers, I think 10 to 15 plants are rumored to be at risk of retiring, half a dozen have retired.

Our dilemma is that as active industry participants, frustrated by an absence of carbon value given to nuclear plants, and seeing what is happening around us, is we are trying to engage policymakers in a conversation that nuclear is not getting the credit it deserves. Our challenge is our plants are quite healthy economically, so notwithstanding the importance of carbon, I think the motivation in other markets are some of the near-term economic consequences of shutting those plants, given their lack of profitability. So we don't have that situation.

We're glad we don't have that situation, but it does impair our ability to have the same level of interest and participation in the discussion. So we've been talking about fuel diversity, we've been talking about 90%-plus capacity factors and what it would mean should long-term forces require the replacement of that, whatever those long term forces might be. But it is a difficult conversation to have, given how many pressing problems are staring policymakers in the face right this minute.

So on the one hand, I don't want to go on ad nauseum. We feel strongly that nuclear is not getting the credit, IE, price it deserves, but we cannot and we do not make the claim that our plants are at any kind of economic risk in the near-term, the way others are.

Julien Dumoulin-Smith - ***UBS - Analyst***

Perhaps to expand on that, no specific efforts in New Jersey and/or thoughts on nascent efforts at PJM to perhaps more appropriately price in diversity?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

No, we are having early conversations in both forums about what's that more accurate representation of the value could look like, and we are informing people who don't study this stuff as much as we do about what is being proposed in New York State, and what has been discussed in Connecticut, and what didn't happen in Vermont and Massachusetts and Wisconsin, and what that led to, and what doesn't appear to be happening in Illinois.

So we're not just walking around saying, boy, I wish the world was different. We are talking to people who care about these things about what the consequences have been in places where nothing took place, and what would happen, what's being proposed in other places.

At PJM, I think there is much more of a focus on reliability, associated with such large quantities of baseload power that don't have the seasonal challenges of access to gas and backup fuels. But I think that historically PJM of course has not viewed itself, nor should it, as an implementer of environmental policy. So the conversation can be broader at the state level than the state process at PJM.

Julien Dumoulin-Smith - ***UBS - Analyst***

Got it, and then completely separate question, just in terms of Power. Are you still thinking about expanding the footprint of Power? Obviously you have been through the different diversification efforts. Where you think you are with respect to having an adequate scale in that business, and/or desirability of further investments? I will leave it there.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

So I think Power has some -- has stated his desire to expand in New England, New York and PJM. We think that those are the most efficient markets, given the combination of energy and capacity value in all three of them. We have also said that we do not anticipate any new build, we felt we had three very unique situations, but in the flat demand world, with pretty much an oversupply condition arguably in all three locations, but certainly in two of them, injecting new supply does not appear to be a winning proposition.

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From the point of view of Power's scale, in terms of its reach, I'd like to see it have a little bit more of a robust portfolio outside of PJM than it currently has, but it certainly would be one of the largest, if not the largest independent Power producer on its own, if that's where you're headed with that question. Power doesn't have a lot of megawatts, but it's financial strength and its profitability, I think, are quite unique, and something that we are very proud of. And we work hard to preserve that when making operating and investment decisions.

So the way we would intend in the near-term to grow Power is the way we've been trying to, which is through selective acquisitions of existing supply. As you know, we've not been successful in doing that. The one project we landed was the Keys project, and there probably because our perception of construction risk management was different than others, so I hope that answers your question.

Julien Dumoulin-Smith *- UBS - Analyst*

Absolutely. Thank you very much.

Operator

Praful Mehta, Citigroup.

Praful Mehta *- Citigroup - Analyst*

Just following up on that question on the future of Power, there looks to be clearly some Texas generation that will be in the market soon. Is there an interest in partnering up with Texas, or is Texas not a market that you look to enter?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President and CEO*

No you may recall, it was just a few years ago that we exited Texas, and it's not a market that we would want to reenter at this time.

Praful Mehta *- Citigroup - Analyst*

Fair enough. All right, and secondly in terms of capacity prices, I know you mentioned in your prepared remarks that you weren't surprised by the current capacity trend. I wanted to get a sense for how you are looking at long-term capacity prices in PJM, and also, what was driving or what is minimum threshold that you looked at when you were making your investment decisions, that instead of a particular price that you thought capacity prices need to stay at to hit your IRR?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President and CEO*

So in terms of longer-term, as you know, we don't forecast prices. What we think will be different about next year's auction than this year's are a couple of factors. Number one is the requirement that 100% of the assets be CP compliant. Number two, we will have a market effect due to a recent announcement, an April announcement by Con Edison, that a wheel that they were party to, they will no longer make use of. That wheel had the effect of the net transfer into our region of about 400 megawatts, which will now no longer be the case.

Also, we don't anticipate the step change in PJM's demand forecast, as that took place prior to the last auction. We have been the primary builder of major transmission, and while we still have a very, very robust transmission program, most of those projects are not involved in significant transfer capability, they are more at the 69 to 230 KV level within the zone.

The second answer of your questions, what do we look at? So we do have an internal rate of return expectation that is obviously well above our utility return expectations, and we look at the combination of energy margin and capacity margin, when making that decision. Suffice to say, obviously the fact that we're going ahead and building the prices that we realized last year in the auction and this year in Connecticut were sufficient

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for us to go ahead. So there's no one magic number in terms of capacity that says go ahead and build, it's the combination of capacity and energy together over the long-term that we look at.

Praful Mehta - ***Citigroup - Analyst***

Fair enough. Thanks so much.

Operator

(Operator Instructions)

Brian Chin, Bank of America.

Brian Chin - ***BofA Merrill Lynch - Analyst***

We've seen a number of your peers announce greater investment in utility scale renewables, while I appreciate your earlier comment that you're not looking to expand in Power, I was wondering if you can comment on renewable outlook in the Northeast, given just how quickly renewable costs has been declining, and how improvements in technology have changed the landscape from the last couple years?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Sure, Brian first of all, we don't have any peers. That's number one. Sorry, just a personal point of view.

Number two in terms of renewables, we've been active on two fronts. On the unregulated side, we have about 300 megawatts that are in 12 or 14 states, I've lost track. And we specifically embarked on a crawl-walk-run strategy, I'd say right now we are jogging, and those projects have done well. Everyone has met there pro formas, in fact most of them have slightly exceeded their pro formas.

Most of our solar investment however has been concentrated on PSE&G, and that has been a blend of rooftop funded solar, where we don't own the assets but we have regulatory assets that support the rooftop, and grid connected. As you know in New Jersey, grid connected is measured in single-digit megawatts as opposed to double or triple digit megawatts.

Notwithstanding the impressive price improvements of these installations, they still are substantially above conventional technology power prices. So our estimates right now are that in New Jersey, people pay anywhere from $4 to $6 a month for solar energy, and that's typical residential homeowner, obviously the average homeowner means that there is a bunch of people pay more, a bunch of people pay less. And all of our customer survey information suggests that is at or above the level that people are comfortable paying.

So our pursuit of solar in PSE&G is really driven by the RPS and the desire to achieve those policy mandated targets at as low a price as possible, and doing things 3 and 4 megawatts at a time on landfills is a lot less expensive than during 2 or 3 kilowatt hours at a time on rooftops. But one has to be careful, even 3 and 5 megawatts at a time as to what the bill impact is.

So we're long-standing fans of solar, we're not apologists for it. But we do have to balance the bill and tax, and so we pursue those opportunities in state in accordance with the RPS, and in other states accordance with those utilities need to meet their RPS and secure those investments through power purchase agreements.

Brian Chin - ***BofA Merrill Lynch - Analyst***

Got it. Thank you very much. That's all I've got.

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Operator

Shahriar Pourreza, Guggenheim.

Shahriar Pourreza - ***Guggenheim Partners - Analyst***

Most of my questions were answered, but just curious, Ralph, you've, historically on the Power side, you have talked about still having potentially, and let me know if I'm putting words in your mouth, of an interest in the US nuclear business given your diversified fleet at PEG Power, but one of the curtailments of that business has been the mechanisms or lack of mechanisms or the constructs haven't been appropriate. But now that you are looking at some of what's happening in your surrounding states, that environment could be potentially improving. So when you look at Power, you look at its balance sheet and you look at selective acquisitions to increase scale, what you're seeing around you, does it open up the doors of maybe looking at nuclear?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

No, Shar, let me make sure I interpreted the question correctly. In terms of new nuclear power the economics just aren't there. Every indication of the availability of natural gas and the duration of that availability, and the likely price range that we would see would suggest that new nuclear in an emerging Company would not be an economically wise thing to do.

Shahriar Pourreza - ***Guggenheim Partners - Analyst***

No, I think what I am relating to is pre-existing nuclear assets that could potentially have contracted cash flows for the next few years.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

If you had contracted cash flows, and they met the hurdle rate, then we certainly think that nuclear has a long-term future. But as we were saying just a few minutes ago with Julien and Praful, others seem to, invariably when we show up to buy an existing asset, they add a couple dollars to the forward price curve and we don't tend to win. In terms of purchasing existing assets, so much is driven by the winner's curse and your view of where forward prices are going, and our more disciplined approach is saying that we are not smarter than the market. So I would think the practicality of that would be somewhat limiting.

Shahriar Pourreza - ***Guggenheim Partners - Analyst***

Got it. Thanks.

Operator

Michael Lapides, Goldman Sachs.

Michael Lapides - ***Goldman Sachs - Analyst***

Question on the regulated site on E&G and it's actually a handful of questions. First of all, the $300 million increase in distribution CapEx, can you talk a little bit about how you get cost recovery on that, and whether, if it is not being tracked, does that increase the potential for regulatory lag at E&G over the next couple of years?

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Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

So, Michael, thanks for the question. So two things. Number one part of that $300 is what is called new business, so there is revenue that comes with new business, but equally if not more importantly, as you know, we have to go in for a rate case in November of 2017. So we are doing some things that need to be done, and we are timing them as such as they will fit into the right base for the test year. So they will be covered by the rate case, with minimal if any regulatory lag at all.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Another thing, how are you thinking about the ability to manage O&M at E&G over the next really what's in 2016 guidance, but also how you're thinking about it over the next one to two years, maybe 2017, 2018 both core O&M and then when you think about what's happened with interest rates, discount rates, and what it means for the pension component of your O&M at E&G?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

So I will let Dan talk about pension, but we don't look at O&M on, oh, it's time to check out O&M perspective. We look at it every day, so we just extended contracts with six out of our eight unions, not all of them are utility, but our three largest utility unions were included in that six out of eight. And those were all reasonable escalation, they were wage increases of 3% per year, but benefit trade-offs that reduce the overall O&M growth. So we've kept the utility O&M growth to a little over CPI, I think it's been 2%-ish thereabouts, I don't remember exactly CPI, but I know what our O&M growth rate has been, it's been just a little bit over 2%.

And we just pay attention to that everyday. We're not believers in getting inefficient before a rate case and then taking costs out of the business right after it. That first of all is not a great way to build confidence with regulators, and it's not a good way to manage the operation. In terms of pension, lower interest rates are not going to be great for the PBO, but strong market performance, which we've seen, will be. But Dan, you may want to add some more color to that?

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

I think that's exactly right, and it's a little bit of a wait-and-see. I think a lot of the -- on the PBO site exactly what Ralph referenced, the discount rate is going to be determined really when we get to the end of the year. That's uncertain until we get there, and returns have been doing pretty well. So I think keeping an eye on those things as we move toward year-end, we will track where we go on the pension. And in the interim just try to manage overall O&M spend, whether it is storms, whether it's any requirements we have for inspections or veg management, and trying to manage it as a whole, which I think we've done successfully in the past and we would intend to do in the future is how we will go forward.

Michael Lapides - ***Goldman Sachs - Analyst***

Dan, have you ever talked about what the sensitivity is to every 25 basis points change in the interest rate? For pension O& M, sorry.

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

Oh, yes, ultimately it's just going to have an impact both on what the obligation turns out to be, and the component of what your returns are. And we do look at that internally to try to see where it goes, but fact of the matter is, at the end of the day, the discount rate is going to be the discount rate. So it's something we need to manage having come at us, because we can't control that as a rate itself.

Michael Lapides - ***Goldman Sachs - Analyst***

Got it. Thanks, I will follow up off-line. Much appreciated.

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Operator

Jonathan Arnold, Deutsche Bank.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Sorry, I was off-line when you called before. Ralph, you have mentioned some level of interest in the retail business, as a way a path to market I believe. Can you update us on your thoughts there? And obviously a large book that one would imagine would have some geographic interest to you just transacted, with someone else. Was that a bigger type of portfolio than you might be interested in, or any perspective? That would be great.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Sure, Jonathan, first it's good to hear you, I was a little concerned when you disappeared on us before. We remain interested in retail for defensive purposes, managing basis risk, and not as a significant growth opportunity by any stretch of the imagination. We have looked at some boutique shops including the transaction you just referenced right now. I suspect that we are going to run into the same issues in looking at those types of potential tuck in acquisitions as we do with power plants that our disciplined, some would say conservative approach to pricing these things will result in us perhaps not being able to roll up what we need to roll up from an acquisitive point of view.

So we're starting to turn our attention to just building some capability in-house, because again, our ambitions here are modest, they are defensive and it's conceivable that an organic approach could be quite a bit more profitable from the point of view of return expectations. Sorry, Jonathan I seem to have left a deafening silence.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Sorry, I had the mute button on again. What stage would you describe that internal look at? Have you started to put a team together?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

We have hired some folks and we have started looking around at the systems that we would need that are a little different than the systems we have now. We are preparing to file the necessary documents one needs to be certified or licensed, I forget the exact terminology, to engage in this business. It would be a separate and different function than our current wholesale trading arm.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay so it's actually something you're beginning to move on, but starting small.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Correct.

Jonathan Arnold - ***Deutsche Bank - Analyst***

Okay. Thank you very much.

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Operator

(Operator Instructions)

Anthony Crowdell, Jefferies.

Anthony Crowdell - ***Jefferies LLC - Analyst***

I just had a quick question on the hedge volumes, slide 26. I look at that 2018 hedge volumes, it doesn't look like there was a big change in the percentage hedge from the first-quarter announcement, but the price change went from $54 to $46. Can you provide any clarity on that?

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

Anthony, I think we were up, the midpoint of those range went up about 5% from the first quarter until now. There's a piece, so it's not a huge move, a piece of it is, as well, that earlier in our overall hedging trajectory more of the volume is PGS oriented. If you think about what that price is, it includes some other non-pure energy items, and as we step further through our hedging, we end up with a little bit more of a block pure energy trades, which tends to have a more moderating effect on the price itself.

Anthony Crowdell - ***Jefferies LLC - Analyst***

Okay. Great. So you're saying earlier in the year when you hedged, I guess the first hedges, you put on are more BGS oriented hedges, and as you move throughout the year and layer on more hedges, that's more of just an energy market?

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

If you think about when the BGS auction happens in February of 2015, you will have that stub then going into 2018. And then 2016 will have the same effect on 2018, so there's -- just that accounts for a higher percentage of the volume earlier on, and as we step into some of the energy hedges, that number tends to go down a little bit by virtue of the nature of the hedge that we are putting on.

Anthony Crowdell - ***Jefferies LLC - Analyst***

It's like the wedding of Cana, I guess, the better wine first. Thanks for your help.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Good one. Thanks, Anthony. That's great.

Operator

(Operator Instructions)

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

Brent, that was probably a great note to end on, if there are no further questions.

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Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

Nobody wants to follow that comment.

Operator

Mr. Izzo and Mr. Cregg, there no further questions at this time. Please continue with your presentation.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President and CEO***

I am told by Kathleen that many of you folks had a very busy morning with some other calls, so I mean I always am grateful for your participation, but a special thank you, today given how much was going on prior to us. So, in keeping with prior practices, let me just summarize what I hope were the key takeaways for you.

The utility growth driven by customer needs and policy maker priorities is really continuing unabated, rather than showing up a year after each investor meeting and telling you about what we have found, we are trying to do a better job of keeping you apprised of things as we look at them, so you heard about a little over $500 million of new stuff that we will be doing, $300 million which we are definitely going to do, and a couple hundred million of which we're waiting for BPU feedback on.

Power remains quite focused on markets and managing its cost, its performance and its investment decisions, which are real disciplined and hear what the market is telling us. Some challenging price environment, some great O&M control. And then third and final take away is that this balance sheet remains strong, there is change in our dividend policy. We continue to have the belief that the opportunity for sustained growth in that dividend continues, and that these expanding investment needs at the utility and opportunities at the utility can be met without any new equity.

I think we are on a little hiatus for a couple of weeks, and we will be back on the road in September, and certainly see all of you early in November at EEI. Thanks very much for joining us. Have a great rest of summer, folks.

Operator

Ladies and gentlemen that does conclude your conference call for today. You may now disconnect. Thank you for participating.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2016 SECOND QUARTER RESULTS

$0.37 Per Share of Net Income

Operating Earnings of $0.57 Per Share

PSE&G Identifies $500 Million of Additional Capital Opportunities

July 29, 2016 (Newark, NJ) (NYSE- PEG) Public Service Enterprise Group (PSEG) reported second quarter 2016 Net Income of $187 million or $0.37 per share as compared to Net Income of $345 million or $0.68 per share reported for the second quarter of 2015. Operating Earnings for both the second quarter of 2016 and 2015 were $289 million or $0.57 per share.

Ralph Izzo, chairman, president and chief executive officer said "PSEG's second quarter earnings benefited from its expanded investment program and an alignment of costs with current power market dynamics. We remain focused on investments that meet customers' demand for reliable, efficient, and clean energy as well as drive long-term value creation."

Management uses Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Operating Earnings exclude the impact of returns(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The table below provides a reconciliation of PSEG's Net Income to Operating Earnings for the second quarter. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Operating Earnings. The presentation of Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED EARNINGS (unaudited)
Second Quarter Comparative Results
2016 and 2015

	Income ($ millions)		Diluted Earnings Per Share	
	2016	**2015**	**2016**	**2015**
Operating Earnings	$289	$289	$0.57	$0.57
Reconciling Items*	(102)	56	(0.20)	0.11
Net Income	$187	$345	$0.37	$0.68
		Avg. Shares	508M	508M

*See Attachment 12.

Ralph Izzo went on to say, “We are maintaining our Operating Earnings guidance for 2016 of $2.80 - $3.00 per share. However, reaching the upper end of guidance will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M for the remainder of the year. We remain focused on meeting the needs of our customers and maximizing shareholder value by delivering on the promise of our investment program.”

Operating Earnings guidance by company has been adjusted to reflect results for the first half of the year as guidance for the full year remains unchanged:

Operating Earnings Guidance
($ millions, except EPS)

	2016E
PSE&G	$900 - $935
PSEG Power	$460 - $525
PSEG Enterprise/Other	$65 - $65
Total	$1,425 - $1,525
Earnings Per Share	$2.80 - $3.00

Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 6 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses. Due to the forward looking nature of Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

PSE&G

PSE&G reported Net Income of $179 million ($0.35 per share) for the second quarter of 2016 compared with Net Income of $167 million ($0.33 per share) for the second quarter of 2015.

PSE&G’s results for the second quarter reflect the impact of revenue growth associated with an expansion of its capital investment program.

The New Jersey economy continues to show steady growth with employment improving from a year-ago. Weather-normalized electric sales for the 12 months ended June 30, 2016 were slightly lower by (0.2%) compared to the prior period as growth in the number of customers was offset by a continued decline in usage per customer due to increased energy efficiency measures and a decrease in the Industrial sector.

Returns on PSE&G’s expanded investment in transmission added $0.03 per share to earnings in the quarter. An increase in depreciation and O&M ($0.02 per share) was partially offset by a decline in taxes and other items of $0.01 per share.

PSE&G's capital program remains on schedule. PSE&G invested approximately $1.4 billion in the first half of the year as part of its planned capital investment for 2016 of $3.0 billion in upgrades to the electric and gas distribution and transmission system.

PSE&G, in May 2016, filed a petition with the New Jersey Board of Public Utilities (BPU) requesting an extension of its existing landfill/brownfield solar program to construct 100-MW of grid-connected solar facilities. The program represents a capital investment of up to $240 million over a 5-year period. Parties to the proceeding have agreed to a procedural schedule under which we could see a decision by the BPU during the fourth quarter of the year. PSE&G has also increased its estimate of Distribution capital expenditures over 2016 – 2018 by $300 million to address new business requests and replace certain aging equipment and infrastructure. The expansion of capital spending under these programs could represent an increase of over $500 million in PSE&G's planned $12 billion capital spending program over the 5-year period ended 2020.

Finally, as part of its annual BGSS filing with the BPU, PSE&G has proposed a reduction in its basic gas supply rate to 34 cents per therm from 40 cents per therm. If approved, the rate reduction would be effective on October 1, 2016.

The forecast of PSE&G's Operating Earnings for 2016 has been adjusted upward to $900 - $935 million from $875 - $925 million.

PSEG Power

PSEG Power reported a Net Loss of $11 million ($0.02 per share) for the second quarter of 2016 and adjusted EBITDA of $272 million compared with Net Income of $166 million ($0.33 per share) and adjusted EBITDA of $301 million for the second quarter of 2015. Operating Earnings for the second quarter of 2016 were $91 million ($0.18 per share) versus $110 million ($0.22 per share) for the second quarter of 2015.

Management uses Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, regarding Power's financial performance as compared to previous financial results. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance at Power's fossil generation facilities. See Attachment 12 for a complete list of items excluded from Net Income in the determination of Adjusted EBITDA. The presentation of Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP.

Power's operating results for the second quarter reflect the impact of the known decline in PJM capacity revenues and average prices on energy hedges in addition to the margin effect of an extended refueling outage at Salem 1.

A decline in capacity revenue associated with the June 2015 retirement of peaking capacity in PJM reduced quarter-over-quarter income by $0.02 per share. A decline in the average price on energy hedges as well as lower market prices and gas volumes combined to reduce quarter-over-quarter income by $0.03 per share. A decline in output during the quarter was primarily associated with fossil units due to weak weather-related demand and pricing which reduced income by $0.01 per share. A reduction in O&M expense improved Power's quarter-over-quarter income by $0.07 per share. An increase in depreciation expense was offset by a decline in interest expense. However, an absence in

2016 of tax credits received in the year-ago quarter and other tax items contributed to a reduction in quarter-over-quarter income of $0.05 per share.

Output at Power's generation facilities declined 6% in the quarter. The average capacity factor for the nuclear fleet was 83% in the quarter versus an average capacity factor of 86% in the year-ago quarter as output from the nuclear fleet declined to 7.0 TWh from 7.1 TWh. An extended refueling outage at Salem 1 to repair degraded baffle bolts was the primary cause for the decline in the nuclear fleet's operations. The impact of the outage at Salem was largely offset by an increase in output at Peach Bottom associated with completion of an extended power uprate capital program on both units which added 130 MWs of capacity to Power's interest. The extension of the Salem 1 outage into July and an unplanned outage at Salem 2 will have a continuing effect on third quarter performance. Output from the gas-fired combined cycle fleet declined slightly to 4.4 TWh from 4.6 TWh given mild weather conditions relative to the year-ago quarter. Low gas prices reduced the dispatch of Power's coal-fired fleet during the quarter with output declining to 0.9 TWh from 1.3 TWh.

Power is reducing its forecast of output for 2016 to 50 – 52 TWh from its prior forecast of 52 – 54 TWh. The revised range incorporates the impact of the extended outage at Salem 1 as well as the impact of an unplanned outage at Salem 2. Approximately 75% - 80% of anticipated production for the second half of 2016 of 25 – 26 TWh is hedged at an average price of $50 MWh. For 2017, Power has hedged 55% - 60% of its forecast generation of 53 – 55 TWh at an average price of $48 per MWh. For 2018, approximately 25% - 30% of forecast generation of 58 – 60 TWh is hedged at an average price of $46 per MWh. The hedge data for 2016 continues to assume BGS hedges represent 11 – 12 TWh of output.

The forecast range of Power's Operating Earnings for 2016 has been lowered to $460 million - $525 million from $490 - $540 million. The forecast of Operating Earnings represents Adjusted EBITDA for the full year of $1,270 - $1,375 million.

PSEG is unable to reconcile forecasted Adjusted EBITDA to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains(losses), for future periods due to market volatility.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income of $19 million ($0.04 per share) for the second quarter of 2016 versus Net Income of $12 million ($0.02 per share) during the second quarter of 2015. The increase in quarter-over-quarter income reflects contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings. The forecast of PSEG Enterprise/Other Operating Earnings for 2016 has been increased to $65 million from $60 million.

Financing

PSEG closed the quarter ended June 30, 2016 with $648 million of cash on its balance sheet with debt at the end of the quarter representing approximately 45% of consolidated capital. PSEG Power, during the quarter, issued $700 million of 3.0% Senior Notes due June 2021.

######

FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Results by Subsidiary
(Unaudited)

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2016	***2015***	***2016***	***2015***
Results ($ Millions)				
PSE&G	$ 179	$ 167	$ 441	$ 409
PSEG Power [(a)]	91	110	275	388
PSEG Enterprise/Other	19	12	36	21
Operating Earnings [(a)]	**$ 289**	**$ 289**	**$ 752**	**$ 818**
Reconciling Items	(102)	56	(94)	113
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**
Per Share Results (Diluted)				
PSE&G	$ 0.35	$ 0.33	$ 0.87	$ 0.80
PSEG Power [(a)]	0.18	0.22	0.54	0.77
PSEG Enterprise/Other	0.04	0.02	0.07	0.04
Operating Earnings [(a)]	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**
Reconciling Items	(0.20)	0.11	(0.18)	0.22
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**

(a) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Three Months Ended June 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 1,905	$ (159)	$ 1,350	$ 714
OPERATING EXPENSES				
Energy Costs	624	(286)	529	381
Operation and Maintenance	710	93	352	265
Depreciation and Amortization	224	8	136	80
Total Operating Expenses	1,558	(185)	1,017	726
OPERATING INCOME (LOSS)	347	26	333	(12)
Income from Equity Method Investments	4	-	-	4
Other Income and (Deductions)	34	-	18	16
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(97)	(3)	(74)	(20)
INCOME (LOSS) BEFORE INCOME TAXES	278	23	277	(22)
Income Tax Benefit (Expense)	(91)	(4)	(98)	11
NET INCOME (LOSS)	**$ 187**	**$ 19**	**$ 179**	**$ (11)**
OPERATING EARNINGS	$ 289	$ 19	$ 179	$ 91
Reconciling Items Excluded from Net Income (Loss) [b]	(102)	-	-	(102)
NET INCOME (LOSS)	**$ 187**	**$ 19**	**$ 179**	**$ (11)**

Three Months Ended June 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,314	$ (177)	$ 1,466	$ 1,025
OPERATING EXPENSES				
Energy Costs	668	(285)	544	409
Operation and Maintenance	761	80	368	313
Depreciation and Amortization	317	8	234	75
Total Operating Expenses	1,746	(197)	1,146	797
OPERATING INCOME	568	20	320	228
Income from Equity Method Investments	4	(1)	-	5
Other Income and (Deductions)	66	-	18	48
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(97)	3	(67)	(33)
INCOME BEFORE INCOME TAXES	531	22	271	238
Income Tax Benefit (Expense)	(186)	(10)	(104)	(72)
NET INCOME	**$ 345**	**$ 12**	**$ 167**	**$ 166**
OPERATING EARNINGS	$ 289	$ 12	$ 167	$ 110
Reconciling Items Excluded from Net Income [b]	56	-	-	56
NET INCOME	**$ 345**	**$ 12**	**$ 167**	**$ 166**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ Millions)

Six Months Ended June 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 4,521	$ (568)	$ 3,062	$ 2,027
OPERATING EXPENSES				
Energy Costs	1,460	(817)	1,258	1,019
Operation and Maintenance	1,439	187	734	518
Depreciation and Amortization	448	14	275	159
Total Operating Expenses	3,347	(616)	2,267	1,696
OPERATING INCOME	1,174	48	795	331
Income from Equity Method Investments	6	-	-	6
Other Income and (Deductions)	61	-	37	24
Other-Than-Temporary Impairments	(20)	-	-	(20)
Interest Expense	(189)	(5)	(142)	(42)
INCOME BEFORE INCOME TAXES	1,032	43	690	299
Income Tax Benefit (Expense)	(374)	(7)	(249)	(118)
NET INCOME	**$ 658**	**$ 36**	**$ 441**	**$ 181**
OPERATING EARNINGS	$ 752	$ 36	$ 441	$ 275
Reconciling Items Excluded from Net Income [b]	(94)	-	-	(94)
NET INCOME	**$ 658**	**$ 36**	**$ 441**	**$ 181**

Six Months Ended June 30, 2015

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 5,449	$ (769)	$ 3,468	$ 2,750
OPERATING EXPENSES				
Energy Costs	1,762	(976)	1,436	1,302
Operation and Maintenance	1,424	159	780	485
Depreciation and Amortization	647	15	481	151
Total Operating Expenses	3,833	(802)	2,697	1,938
OPERATING INCOME	1,616	33	771	812
Income from Equity Method Investments	7	(1)	-	8
Other Income and (Deductions)	102	1	35	66
Other-Than-Temporary Impairments	(15)	-	-	(15)
Interest Expense	(195)	5	(136)	(64)
INCOME BEFORE INCOME TAXES	1,515	38	670	807
Income Tax Benefit (Expense)	(584)	(17)	(261)	(306)
NET INCOME	**$ 931**	**$ 21**	**$ 409**	**$ 501**
OPERATING EARNINGS	$ 818	$ 21	$ 409	$ 388
Reconciling Items Excluded from Net Income [b]	113	-	-	113
NET INCOME	**$ 931**	**$ 21**	**$ 409**	**$ 501**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 12 for details of items excluded from Net Income to compute Operating Earnings.

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ Millions)

	June 30, 2016	December 31, 2015
DEBT		
Long-Term Debt*	$ 10,928	$ 9,561
Project Level, Non-Recourse Debt	7	7
Total Debt	10,935	9,568
STOCKHOLDERS' EQUITY		
Common Stock	4,919	4,915
Treasury Stock	(709)	(671)
Retained Earnings	9,360	9,117
Accumulated Other Comprehensive Loss	(252)	(295)
Total Common Stockholders' Equity	13,318	13,066
Noncontrolling Interests - Equity Investments	1	1
Total Equity	13,319	13,067
Total Capitalization	$ 24,254	$ 22,635

*Includes current portion of Long-Term Debt

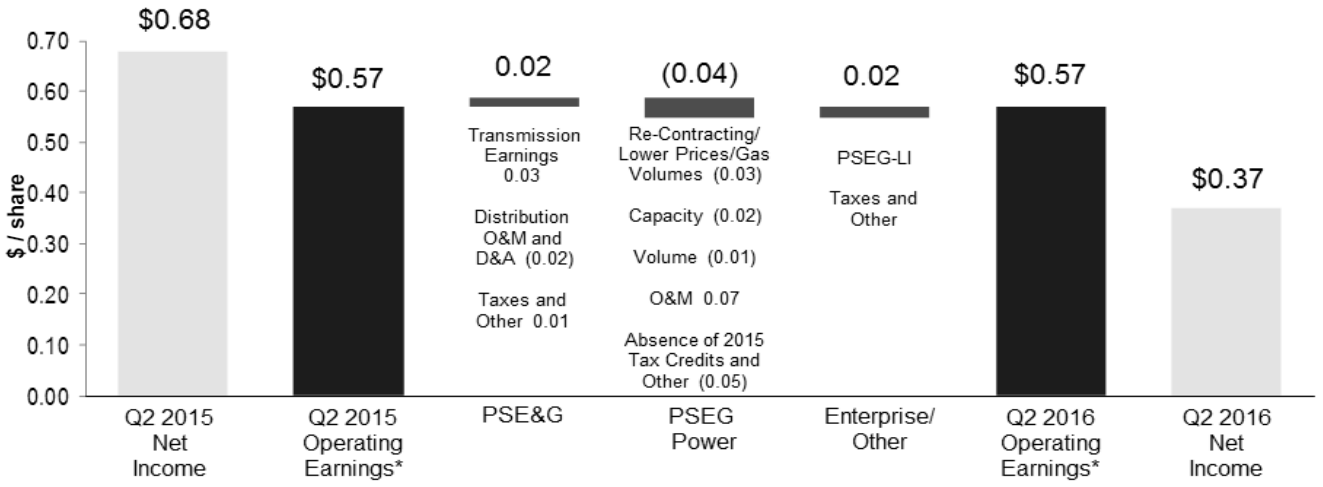
Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ Millions)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 658	$ 931
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,064	1,303
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,722	2,234
NET CASH USED IN INVESTING ACTIVITIES	(2,004)	(1,773)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	536	(266)
Net Change in Cash and Cash Equivalents	254	195
Cash and Cash Equivalents at Beginning of Period	394	402
Cash and Cash Equivalents at End of Period	$ 648	$ 597

Attachment 6

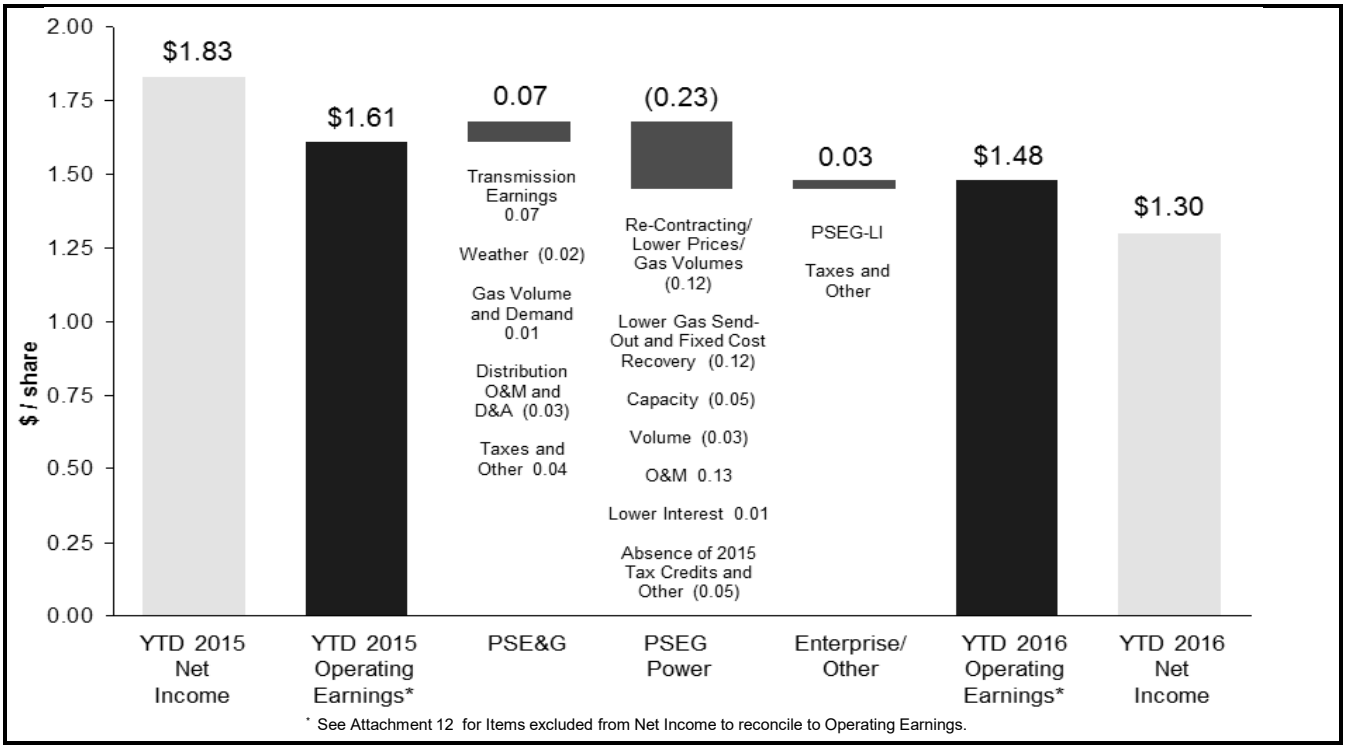
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2016 vs. June 30, 2015
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2016 vs. June 30, 2015
(Unaudited)



* See Attachment 12 for Items excluded from Net Income to reconcile to Operating Earnings.

Attachment 8

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2016

Electric Sales and Revenues

Sales (Millions kWh)	Three Months Ended	Change vs. 2015	Six Months Ended	Change vs. 2015
Residential	2,994	-2.7%	5,995	-6.7%
Commercial & Industrial	6,591	-1.9%	13,227	-3.7%
Street Lighting	75	8.3%	167	1.3%
Interdepartmental	2	2.3%	5	-4.2%
Total	9,662	-2.1%	19,394	-4.2%
Revenue ($ Millions)				
Residential	$ 458	-9.6%	$ 910	-10.8%
Commercial & Industrial	419	-20.7%	776	-22.0%
Street Lighting	17	1.3%	34	-3.2%
Other Operating Revenues*	171	19.4%	337	12.2%
Total	$ 1,065	-10.9%	$ 2,057	-12.5%

Weather Data	Three Months Ended	Change vs. 2015	Six Months Ended	Change vs. 2015
THI Hours - Actual	3,789	-21.3%	3,858	-19.9%
THI Hours - Normal	3,969		3,998	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2016

Gas Sold and Transported

Sales (Millions therms)*	Three Months Ended	Change vs. 2015	Six Months Ended	Change vs. 2015
Firm Sales				
Residential Sales	210	7.1%	865	-19.3%
Commercial & Industrial	162	0.2%	589	-16.4%
Total Firm Sales	**372**	**4.0%**	**1,454**	**-18.2%**
Non-Firm Sales				
Commercial & Industrial	472	0.1%	886	-6.3%
Total Non-Firm Sales	**472**		**886**	
Total Sales	**844**	**1.7%**	**2,340**	**-14.0%**
Revenue ($ Millions)				
Residential Sales - Firm	$ 74	37.5%	$ 197	6.8%
Commercial & Industrial - Firm Sales	26	-0.4%	113	-38.3%
Non-Firm Sales	4	-45.2%	13	-33.8%
Other Operating Revenues**	43	0.9%	87	0.1%
Total	**$ 147**	**13.2%**	**$ 410**	**-13.5%**
Gas Transported	$ 138	-2.7%	$ 595	-7.6%

Weather Data	Three Months Ended	Change vs. 2015	Six Months Ended	Change vs. 2015
Degree Days - Actual	540	29.1%	2,821	-20.7%
Degree Days - Normal	505		3,036	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 10

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Nuclear - NJ	4,196	4,517	9,727	9,856
Nuclear - PA	2,787	2,612	5,675	5,105
Total Nuclear	**6,983**	**7,129**	**15,402**	**14,961**
Fossil - Coal/Natural Gas - NJ**	(40)	45	(59)	469
Fossil - Coal - PA	958	1,230	1,948	2,746
Fossil - Coal - CT	(6)	(2)	50	588
Total Coal	**912**	**1,273**	**1,939**	**3,803**
Fossil - Oil & Natural Gas - NJ	3,161	3,290	5,855	6,772
Fossil - Oil & Natural Gas - NY	1,394	1,543	2,458	2,145
Fossil - Oil & Natural Gas - CT	(4)	(2)	(8)	90
Total Oil & Natural Gas	**4,551**	**4,831**	**8,305**	**9,007**
	12,446	**13,233**	**25,646**	**27,771**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Nuclear - NJ	34%	34%	38%	36%
Nuclear - PA	22%	20%	22%	18%
Total Nuclear	**56%**	**54%**	**60%**	**54%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	0%	2%
Fossil - Coal - PA	8%	9%	8%	10%
Fossil - Coal - CT	0%	0%	0%	2%
Total Coal	**8%**	**9%**	**8%**	**14%**
Fossil - Oil & Natural Gas - NJ	25%	25%	23%	24%
Fossil - Oil & Natural Gas - NY	11%	12%	9%	8%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**36%**	**37%**	**32%**	**32%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and six months ended June 30, 2016 and 2015. Generation includes natural gas fuel switching intervals.

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted Average Common Shares Outstanding (Millions)				
Basic	505	506	505	506
Diluted	508	508	508	508
Stock Price at End of Period			$ 46.61	$ 39.28
Dividends Paid per Share of Common Stock	$ 0.41	$ 0.39	$ 0.82	$ 0.78
Dividend Yield			3.5%	4.0%
Book Value per Common Share			$ 26.38	$ 25.12
Market Price as a Percent of Book Value			177%	156%
Total Shareholder Return	-0.2%	-5.4%	22.7%	-3.3%

Attachment 12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
	($ Millions, Unaudited)			
Operating Earnings	$ 289	$ 289	$ 752	$ 818
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)
Net Income	$ 187	$ 345	$ 658	$ 931
Fully Diluted Average Shares Outstanding (in Millions)	508	508	508	508
	($ Per Share Impact - Diluted, Unaudited)			
Operating Earnings	$ 0.57	$ 0.57	$ 1.48	$ 1.61
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)
Net Income	$ 0.37	$ 0.68	$ 1.30	$ 1.83

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
	($ Millions, Unaudited)			
Adjusted EBITDA	$ 272	$ 301	$ 688	$ 927
Fossil Major Maintenance, pre-tax	(22)	(52)	(29)	(101)
Depreciation and Amortization, pre-tax [a]	(81)	(75)	(161)	(152)
Interest Expense, pre-tax [a] [b]	(20)	(32)	(42)	(63)
Income Taxes [a]	(58)	(32)	(181)	(223)
Operating Earnings	$ 91	$ 110	$ 275	$ 388
Gain (Loss) on NDT Fund Related Activity, pre-tax	-	3	(8)	10
Gain (Loss) on MTM, pre-tax [c]	(171)	48	(149)	14
Storm O&M, net of insurance recoveries, pre-tax	-	45	-	172
Income Taxes related to Operating Earnings reconciling items[d]	69	(40)	63	(83)
Net Income (Loss)	$ (11)	$ 166	$ 181	$ 501

(a) Excludes amounts related to Operating Earnings reconciling items.
(b) Net of capitalized interest.
(c) Includes the financial impact from positions with forward delivery months.
(d) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

PSEG Power's Full-Year 2016 Guidance for Adjusted EBITDA	Full-Year 2016 Guidance Low	Full-Year 2016 Guidance High
	($ Millions)	
Adjusted EBITDA, estimate	$ 1,270	$ 1,375
Fossil Major Maintenance, pre-tax	(80)	(80)
Depreciation and Amortization, pre-tax	(340)	(340)
Interest Expense, pre-tax	(80)	(80)
Income Taxes	(310)	(350)
Operating Earnings, estimate	$ 460	$ 525

Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2016

July 29, 2016

SI-SSA-0015-13398

Forward-Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13399

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings and Adjusted EBITDA in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

SI-SSA-0015-13400

PSEG
2016 Q2 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13401

Q2 Earnings Summary

Quarter ended June 30

$ millions (except EPS)	2016	2015
Operating Earnings*	$ 289	$ 289
Reconciling Items	(102)	56
Net Income	$ 187	$ 345
EPS from Net Income	$ 0.37	$ 0.68
EPS from Operating Earnings*	$ 0.57	$ 0.57

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13402

First Half Earnings Summary

Six months ended June 30

$ millions (except EPS)	2016	2015
Operating Earnings*	$ 752	$ 818
Reconciling Items	(94)	113
Net Income	$ 658	$ 931
EPS from Net Income	$ 1.30	$ 1.83
EPS from Operating Earnings*	$ 1.48	$ 1.61

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13403

PSEG – Q2 2016 Highlights

- **Solid Results**
  - ✓ Net Income of $0.37 vs. $0.68 per share in Q2 2015
  - ✓ Operating Earnings of $0.57 vs. $0.57 per share in Q2 2015*
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share

- **Operating Review**
  - ✓ PSEG Power generating output declined by 6% vs. Q2 2015 – reflecting mild weather, low gas prices and impact of extended outage at Salem nuclear facility

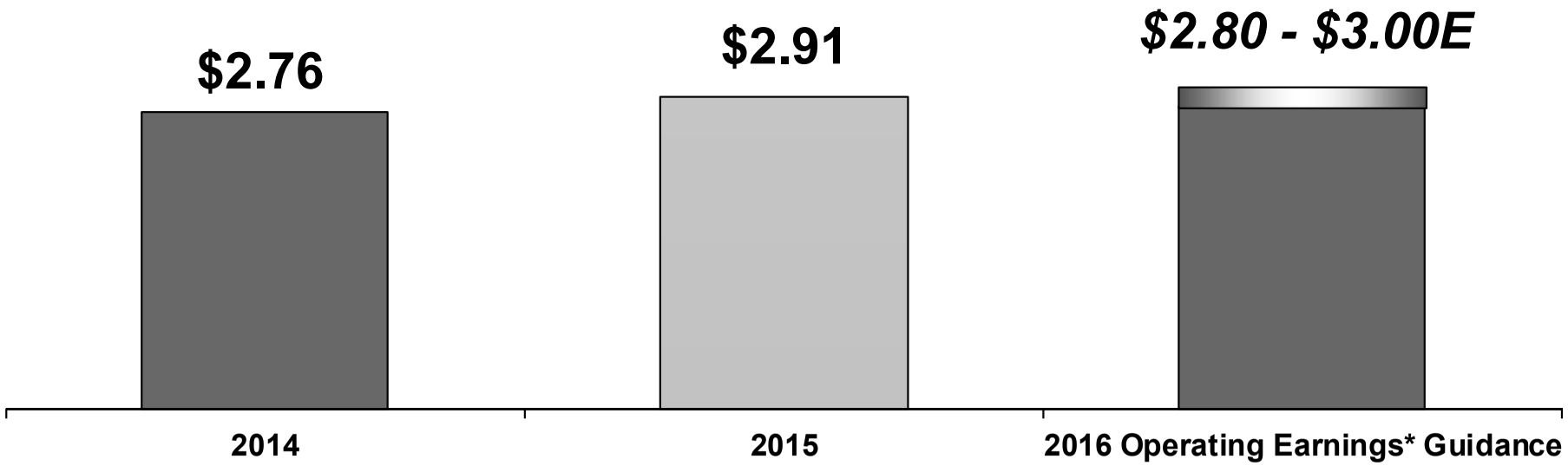
- **PSEG Disciplined Capital Investment**
  - ✓ PSE&G identifies more than $500 million of additional capital opportunities through 2020
  - ✓ Solar 4 All Extension II filing made with NJBPU in May with decision expected in Q4
  - ✓ Power's construction of Keys and Sewaren CCGTs on schedule and on budget

- **Market Developments**
  - ✓ RPM auction results for 2019/2020 reflected PJM's downward revisions to the demand forecast and the effects of both new generation and uncleared generation from the prior year's auction

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13404

Maintaining 2016 Operating Earnings Guidance



Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

PSEG
2016 Q2 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13406

Q2 Operating Results by Subsidiary

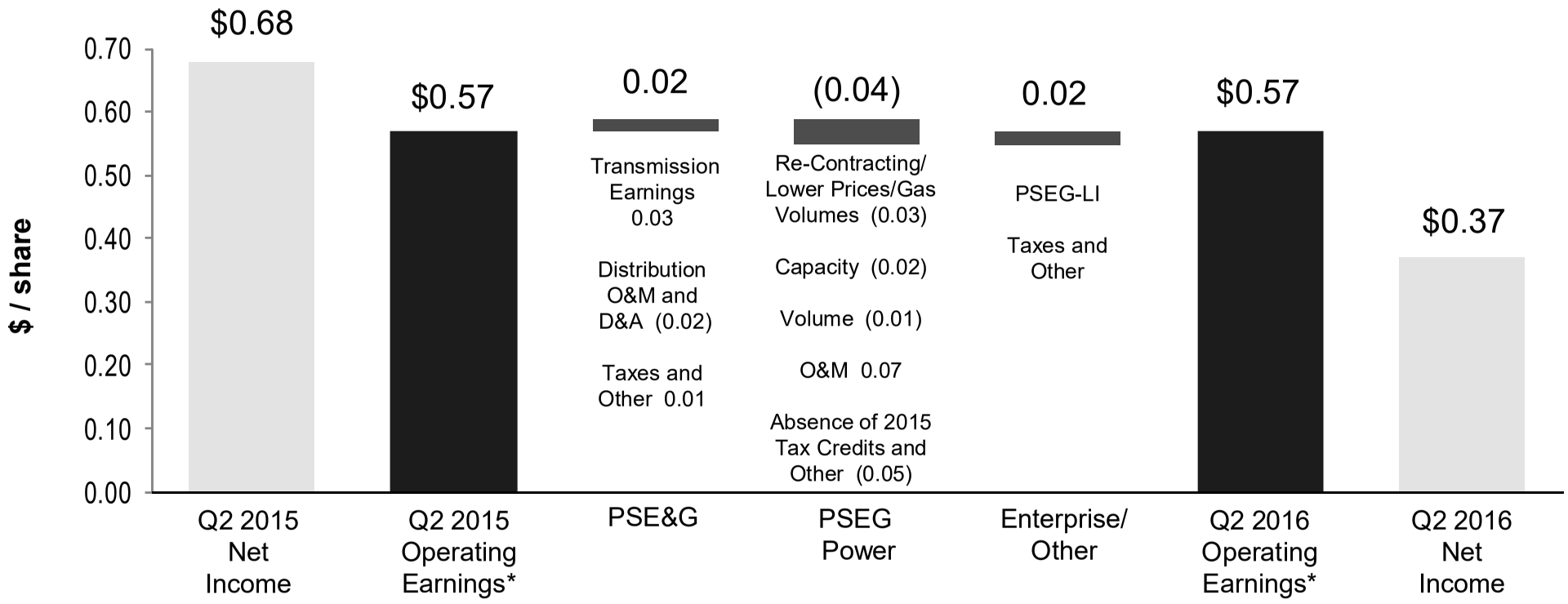
Quarter ended June 30

	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 179	$ 167	$ 0.35	$ 0.33
PSEG Power*	91	110	0.18	0.22
PSEG Enterprise/Other	19	12	0.04	0.02
Operating Earnings*	$ 289	$ 289	$ 0.57	$ 0.57
Reconciling Items	(102)	56	(0.20)	0.11
Net Income	$ 187	$ 345	$ 0.37	$ 0.68

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13407

PSEG EPS Reconciliation – Q2 2016 versus Q2 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13408

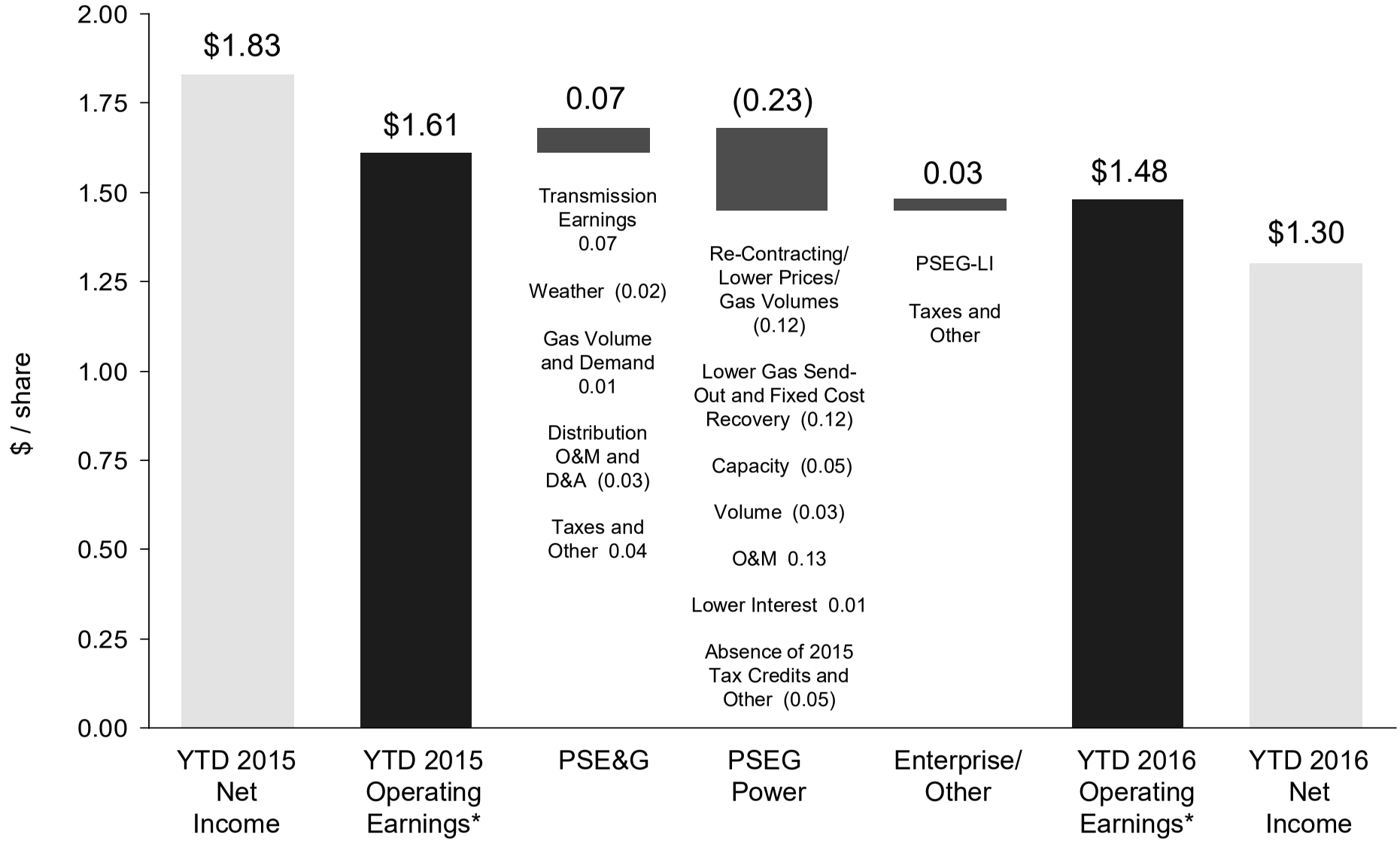
First Half Operating Results by Subsidiary

Six months ended June 30

	Operating Results		Earnings per Share	
$ millions (except EPS)	**2016**	**2015**	**2016**	**2015**
PSE&G	$ 441	$ 409	$ 0.87	$ 0.80
PSEG Power*	275	388	0.54	0.77
PSEG Enterprise/Other	36	21	0.07	0.04
Operating Earnings*	$ 752	$ 818	$ 1.48	$ 1.61
Reconciling Items	(94)	113	(0.18)	0.22
Net Income	$ 658	$ 931	$ 1.30	$ 1.83

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – First Half 2016 versus First Half 2015



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* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSE&G
2016 Q2 Review

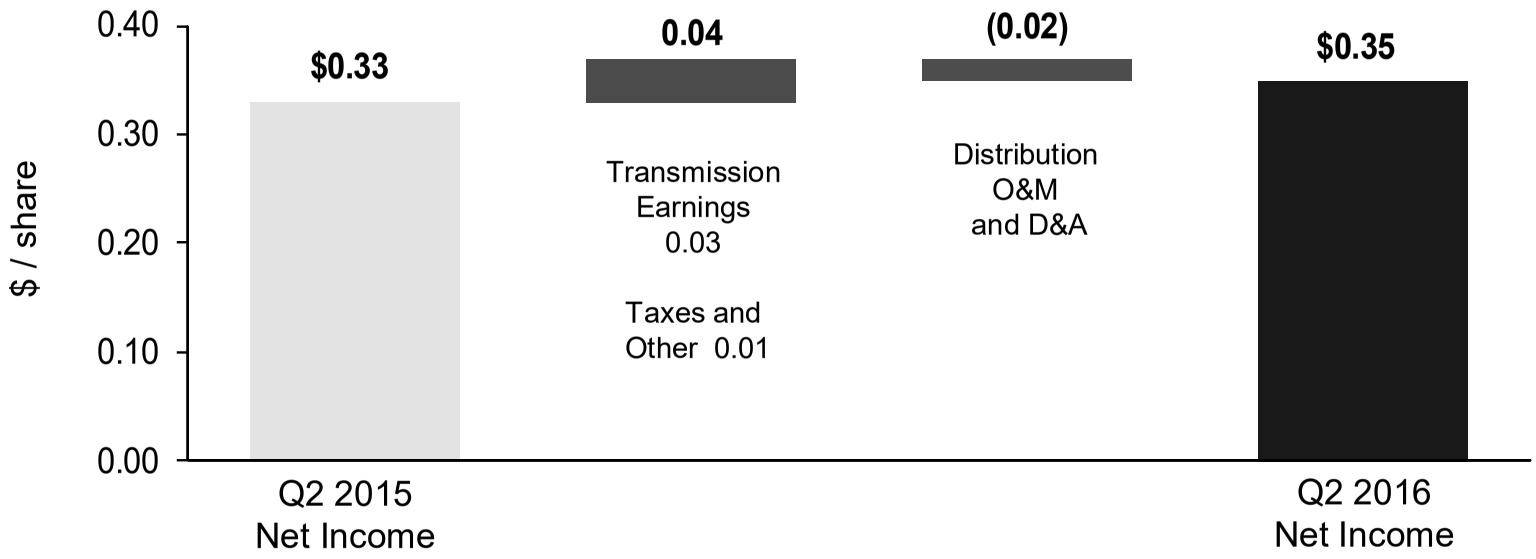
SI-SSA-0015-13411

PSE&G – Q2 Earnings Summary

$ millions (except EPS)	Q2 2016	Q2 2015	Variance
Operating Revenues	$ 1,350	$ 1,466	$ (116)
Operating Expenses			
Energy Costs	529	544	(15)
Operation & Maintenance	352	368	(16)
Depreciation & Amortization	136	234	(98)
Total Operating Expenses	1,017	1,146	(129)
Net Income	$ 179	$ 167	$ 12
EPS from Net Income	$ 0.35	$ 0.33	$ 0.02

SI-SSA-0015-13412

PSE&G EPS Reconciliation – Q2 2016 versus Q2 2015



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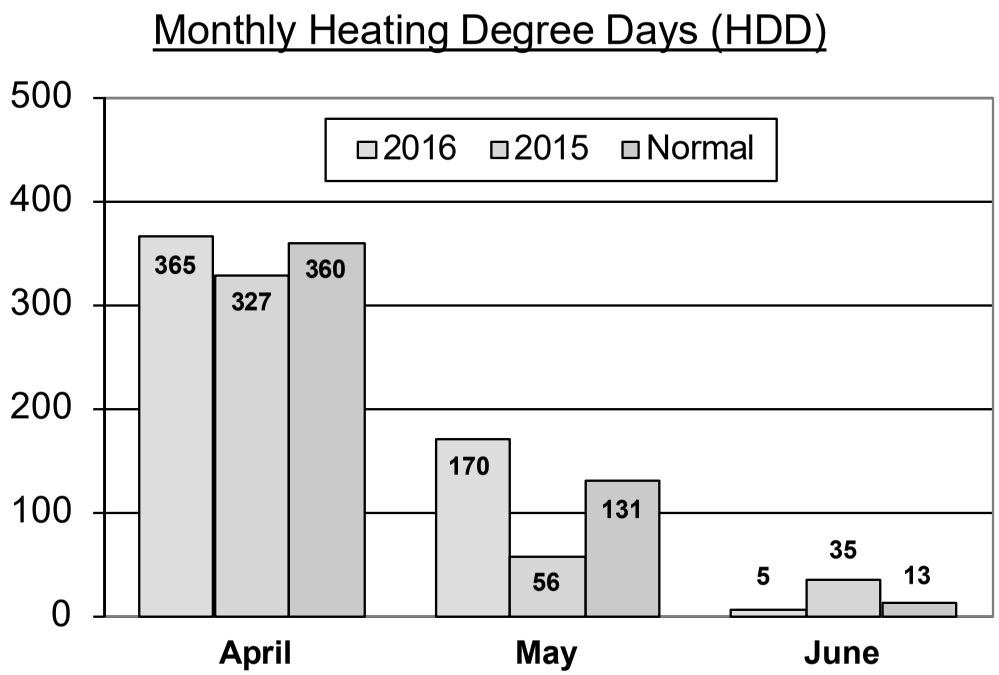
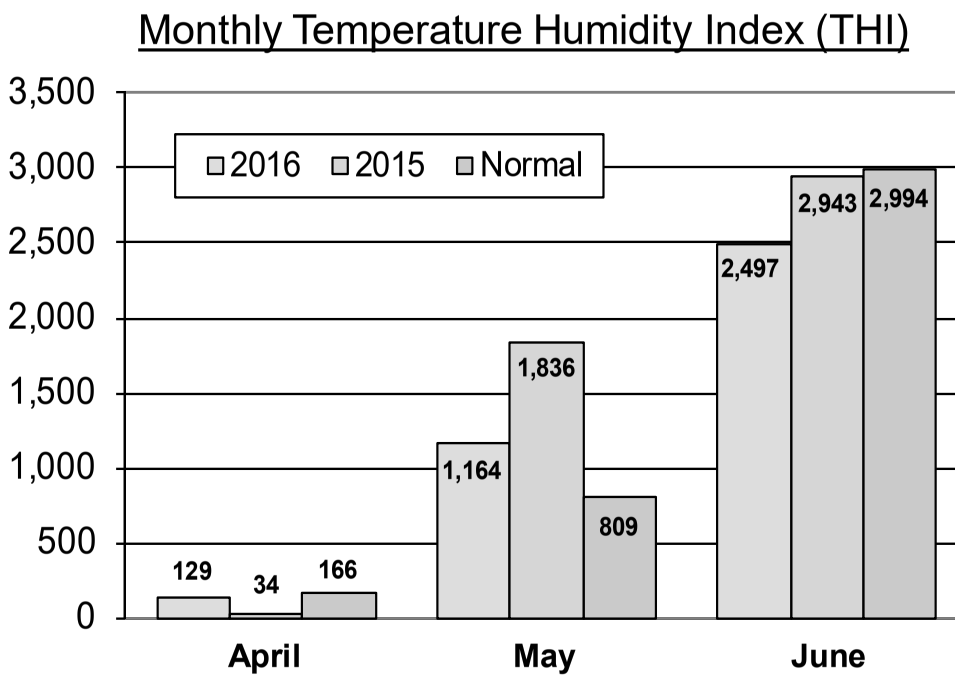
PSE&G – Q2 2016 Weather Data

PSE&G Monthly Weather Summary
2016 vs. 2015 vs. Normal





Q2 2016 heating degree days were ~29% higher than Q2 2015 and ~7% higher than normal

Q2 2016 temperature-humidity index was ~21% lower than Q2 2015 and ~5% lower than normal

SI-SSA-0015-13414

PSE&G – Q2 2016 Operating Highlights

Operations

- ✓ Q2 2016 weather was milder than Q2 2015
- ✓ NJ economy continues to show improvement; but residential and commercial customer growth was offset by greater use of energy efficiency measures and lower industrial activity
- ✓ On a trailing 12-month basis, weather normalized electric sales for both residential and commercial customers were essentially flat, and industrial sales were lower by 2%

Regulatory and Market Environment

- ✓ Solar 4 All Extension II filing has been deemed complete by the BPU for an expected Q4 2016 decision
- ✓ PSE&G residential gas customers to benefit from proposed rate reduction of 7.4% on October 1, estimated savings for the average gas customer of $64 per year if approved by the BPU

Financial

- ✓ PSE&G made $1.4 billion of capital expenditures in the YTD period ended June 30 as part of its full year capital spending projected to be at least $3 billion
- ✓ PSE&G has identified ~$500 million of additional capital opportunities, including the Solar 4 All Extension II filing, to invest in its distribution business beyond the current $12 billion plan in the 2016-2020 period
- ✓ PSE&G's forecast of Net Income and Operating Earnings has been increased to $900 - $935 million from $875 - $925 million*

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13415

PSEG Power
2016 Q2 Review

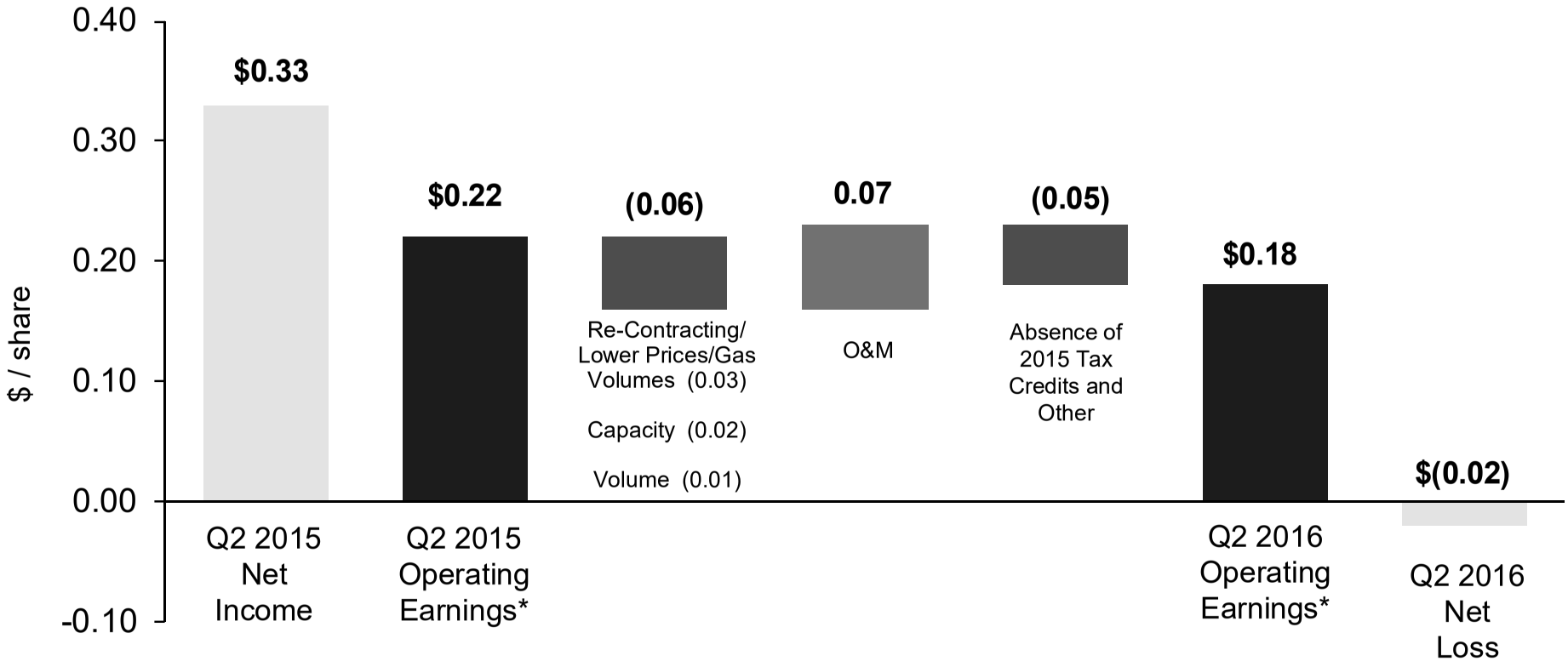
SI-SSA-0015-13416

PSEG Power – Q2 Earnings Summary

$ millions (except EPS)	Q2 2016	Q2 2015	Variance
Operating Revenues	$ 714	$ 1,025	$ (311)
Operating Earnings*	91	110	(19)
Reconciling Items	(102)	56	(158)
Net Income (Loss)	$ (11)	$ 166	$ (177)
EPS from Net Income (Loss)	$ (0.02)	$ 0.33	$ (0.35)
EPS from Operating Earnings*	$ 0.18	$ 0.22	$ (0.04)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG Power EPS Reconciliation – Q2 2016 versus Q2 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13418

PSEG Power's Adjusted EBITDA - Q2 2016, YTD and Full-Year 2016 Guidance

PSEG Power - Adjusted EBITDA*

	Three Months Ended June 30,		Six Months (YTD) Ended June 30,		Full-Year 2016 Guidance	
($ millions)	**2016**	**2015**	**2016**	**2015**	**Low**	**High**
Operating Earnings**	$91	$110	$275	$388	$460	$525
Add:						
Fossil Major Maintenance, pre-tax	22	52	29	101	80	80
Depreciation & Amortization, pre-tax	81	75	161	152	340	340
Interest Expense, pre-tax	20	32	42	63	80	80
Income Taxes	58	32	181	223	310	350
Adjusted EBITDA	**$272**	**$301**	**$688**	**$927**	**$1,270E**	**$1,375E**

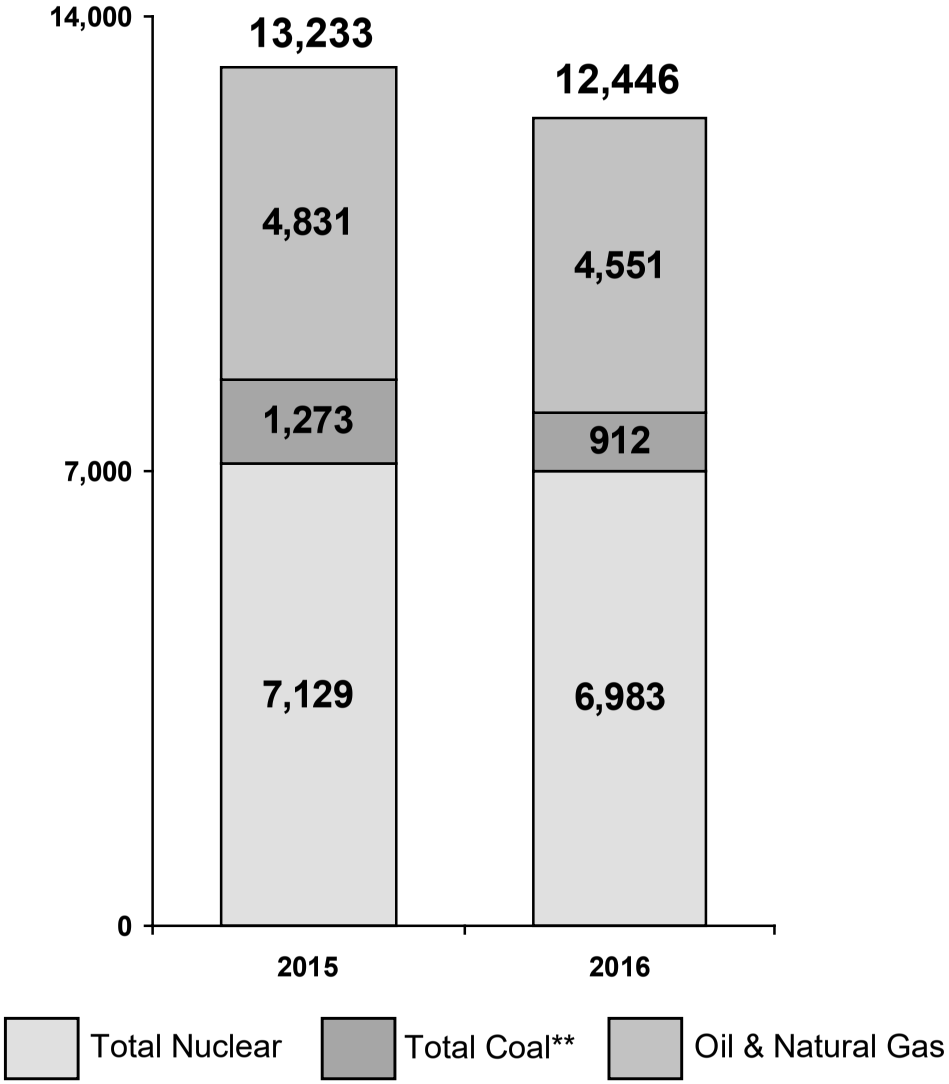
* See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income. E = Estimate.
** See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13419

PSEG Power – Q2 2016 Generation Measures

Generation by Fuel (GWh)*

Quarter ended June 30



Fleet Capacity Factors (%)

Quarter ended June 30

	2015	2016
Combined Cycle		
PJM and NY	64%	62%
Coal**		
NJ (Coal/Gas)	3%	0%
PA	73%	57%
CT	0%	0%
Nuclear	86%	83%

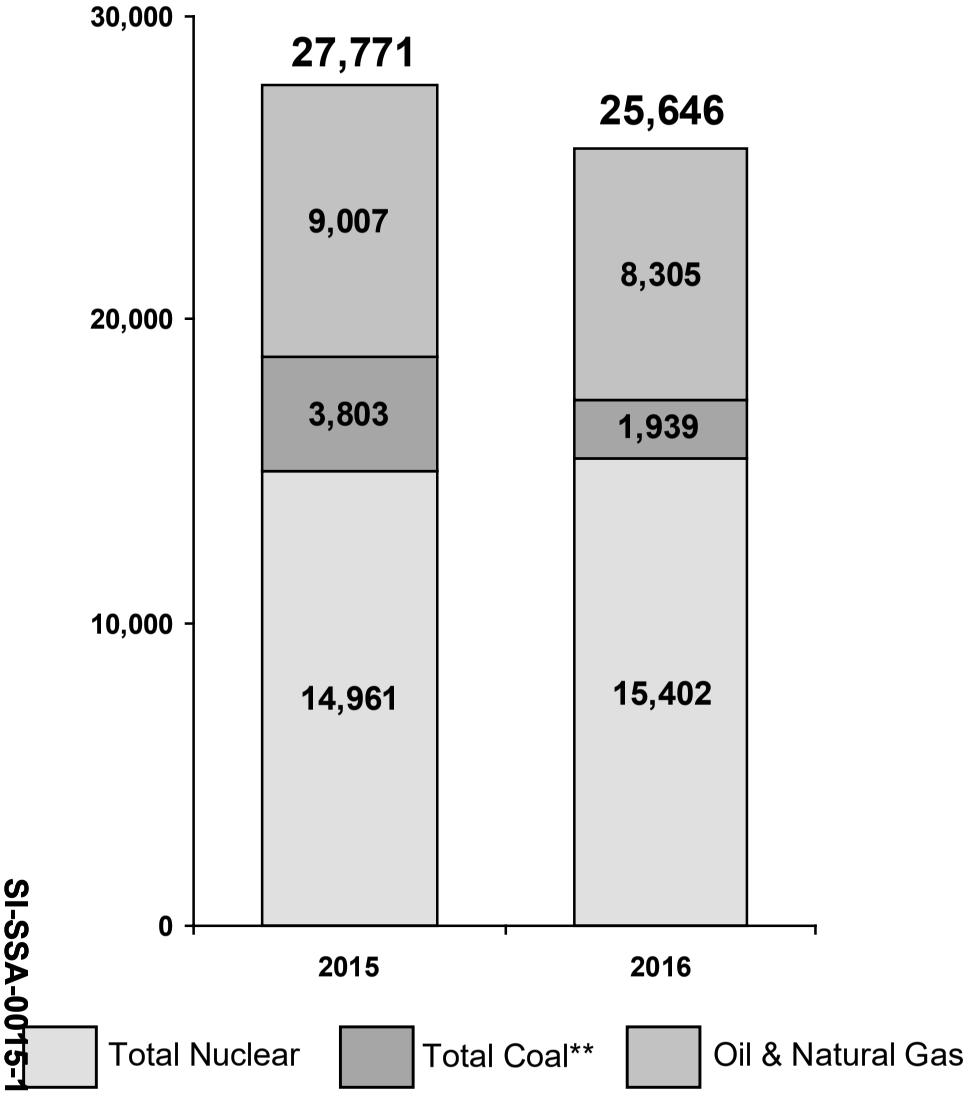
SI-SSA-0015-13420

* Excludes Solar and Kalaeloa. ** Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals.

PSEG Power – YTD 2016 Generation Measures

Generation by Fuel (GWh)*

Six Months ended June 30



Fleet Capacity Factors (%)

Six Months ended June 30

	2015	2016
Combined Cycle		
PJM and NY	59%	57%
Coal**		
NJ (Coal/Gas)	9%	0%
PA	82%	58%
CT	34%	3%
Nuclear	91%	91%

* Excludes Solar and Kalaeloa. ** Includes figures for Pumped Storage; also includes Natural Gas fuel switching intervals.

SI-SSA-0015-13421

PSEG Power – Q2 and YTD Fuel Costs

PSEG Power – Fuel Costs

	Quarter ended June 30	
($ millions)	2015	2016
Coal	$30	$22
Oil & Gas	82	64
Total Fossil	112	86
Nuclear	51	48
Total Fuel Cost	$163	$134
Total Generation (GWh)	13,233	12,446
$ / MWh	12.32	10.77

	YTD June 30	
($ millions)	2015	2016
Coal	$112	$49
Oil & Gas	329	131
Total Fossil	441	180
Nuclear	106	105
Total Fuel Cost	$547	$285
Total Generation (GWh)	27,771	25,646
$ / MWh	19.70	11.11

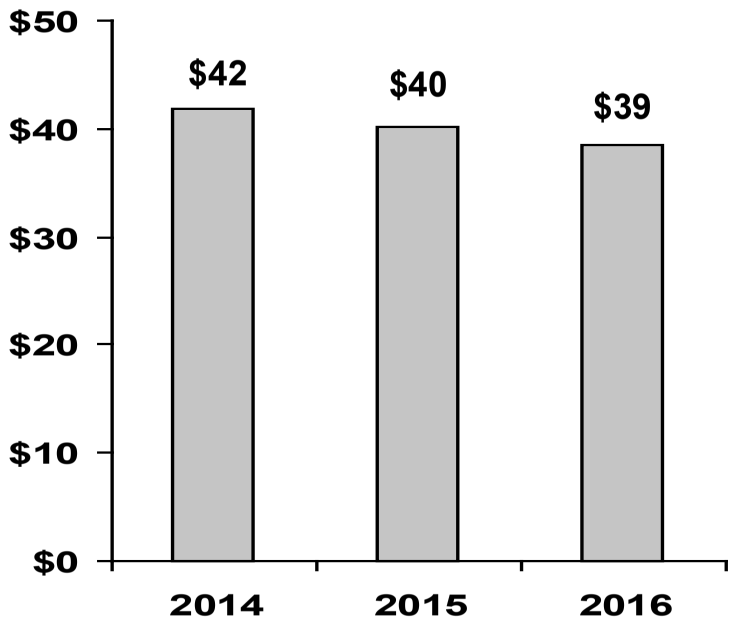
SI-SSA-0015-13422

PSEG Power – Gross Margin Performance

- ✓ Wholesale energy prices affected by over-supply of natural gas
- ✓ Extended refueling outage at Salem 1 to replace degraded baffle bolts
- ✓ Decrease in average hedge price of $2 MWh vs. Q2 2015
- ✓ Q2 year-over-year capacity revenues reflect HEDD peaking capacity retirements in May 2015

PSEG Power Gross Margin* ($/MWh)

Quarter ended June 30



Q2 2016 Regional Performance		
Region	**Gross Margin ($M)**	**Q2 2016 Performance**
PJM	$442	Lower market prices and lower volumes exacerbated by mild Q2 weather.
New England	$18	Slightly higher hedge value offset by lower volume and lower prices.
New York	$20	Lower volume and lower prices versus Q2 2015.

SI-SSA-0015-13423

Hedging Update

Contracted Energy*

		Jul-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	36	36
	% Hedged	100%	80-85%	40-45%
	Price $/MWh	$50	$48	$46
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	8	18	23
	% Hedged	30-35%	0%	0%
	Price $/MWh	$50	--	--
Total	Volume TWh	25-26	53-55	58-60
	% Hedged	75-80%	55-60%	25-30%
	Price $/MWh	$50	$48	$46

* Hedge percentages and prices as of June 30, 2016. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

SI-SSA-0015-13424

PSEG Power – Q2 2016 Operating Highlights

Operations

- ✓ Q2 output down 6%; average nuclear capacity factor for the fleet was 83% vs. 86% in Q2 2015, as nuclear output declined by 2% to ~7 TWh, primarily reflecting the extended refueling outage at Salem 1 to replace degraded baffle bolts and an unplanned outage at Salem 2 – partly offset by increased output at Peach Bottom related to 130 MWs of recent EPU uprates
- ✓ CCGT availability remains strong; production down 4% on mild Q2 weather and lower demand
- ✓ Dispatch of coal units affected by decline in price of gas; fuel cost per MWh fell by 13% vs. Q2 2015

Regulatory and Market Environment

- ✓ PSEG Power's average capacity pricing for the 2016/2017 capacity year reset to $172 MW/day on June 1
- ✓ The 2019/2020 RPM auction results reflected PJM's downward revisions to the demand forecast and the effects of both new generation and uncleared generation from the prior year's auction
- ✓ Power cleared ~8,900 MW of capacity at an average price of $116 MW/day in the 2019/2020 RPM auction

Financial

- ✓ Power's total debt as a percentage of capital was 32% at June 30
- ✓ Power issued $700 million of 3.00% Senior Notes due 2021
- ✓ Power's forecast of Operating Earnings is revised to $460 - $525 million from $490 - $540 million; Adjusted EBITDA is lowered to $1,270 - $1,375 million from $1,320 - $1,400 million*

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings; See Slide B for a reconciliation of Adjusted EBITDA to Operating Earnings and Net Income.

SI-SSA-0015-13425

PSEG

PSEG Financial Highlights

Maintaining full-year 2016 Operating Earnings guidance of $2.80 - $3.00 per share*

- ✓ Reaching the upper end of our guidance range in 2016 will be difficult even with improvements seen in the power markets, expectations for warm summer weather, normal operations and management of O&M
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending on T&D for 2016 expected to top $3 billion
- ✓ PSE&G's Gas System Modernization Program (GSMP) and Energy Strong continue
- ✓ Keys and Sewaren CCGTs construction is on schedule and on budget
- ✓ PSE&G has identified more than $500 million of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at June 30

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

SI-SSA-0015-13427

PSEG 2016 Operating Earnings Guidance - By Subsidiary

Segment Earnings Guidance and Prior Results

$ Millions (except EPS)	2016E	2015
PSE&G	$900 - $935	$787
PSEG Power*	$460 - $525	$653
PSEG Enterprise/Other	$65 - $65	$36
Operating Earnings*	$1,425 - $1,525	$1,476
Earnings per Share	**$2.80 - $3.00E**	**$2.91**

PSEG Power Adjusted EBITDA*

$ Millions	2016E	2015
PSEG Power	$1,270 - $1,375	$1,563

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings and Slide B for Items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA. See Slide 21 for a reconciliation of Operating Earnings and Adjusted EBITDA for 2016E. E = Estimate.

SI-SSA-0015-13428

PSEG Liquidity as of June 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$189	$1,411
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$13	$940
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$0	$500
	Total Money Pool		$3,553	$212	$3,341
	Total		$4,153	$226	$3,927
			PSEG Money Pool ST Investment		$445
			PSE&G ST Investment		$125
			Total Liquidity Available		**$4,497**
			Total Money Pool Liquidity Available		**$3,786**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

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Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ Millions, Unaudited)					
Operating Earnings	**$ 289**	**$ 289**	**$ 752**	**$ 818**	**$ 1,476**	**$ 1,400**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	-	3	(8)	10	24	138
Gain (Loss) on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(171)	48	(149)	14	157	111
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	45	-	172	172	(27)
Income Taxes related to Operating Earnings reconciling items[b]	69	(40)	63	(83)	(150)	(104)
Net Income	**$ 187**	**$ 345**	**$ 658**	**$ 931**	**$ 1,679**	**$ 1,518**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Operating Earnings	**$ 0.57**	**$ 0.57**	**$ 1.48**	**$ 1.61**	**$ 2.91**	**$ 2.76**
Gain (Loss) on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.01	(0.01)	0.02	0.05	0.27
Gain (Loss) on MTM, pre-tax[a] (PSEG Power)	(0.34)	0.09	(0.29)	0.02	0.31	0.22
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	0.09	-	0.34	0.34	(0.05)
Income Taxes related to Operating Earnings reconciling items[b]	0.14	(0.08)	0.12	(0.16)	(0.31)	(0.21)
Net Income	**$ 0.37**	**$ 0.68**	**$ 1.30**	**$ 1.83**	**$ 3.30**	**$ 2.99**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*
	2016	*2015*	*2016*	*2015*	*2015*
	($ Millions, Unaudited)				
Adjusted EBITDA	**$ 272**	**$ 301**	**$ 688**	**$ 927**	**$ 1,563**
Fossil Major Maintenance, pre-tax	(22)	(52)	(29)	(101)	(128)
Depreciation and Amortization, pre-tax [(a)]	(81)	(75)	(161)	(152)	(301)
Interest Expense, pre-tax [(a) (b)]	(20)	(32)	(42)	(63)	(120)
Income Taxes [(a)]	(58)	(32)	(181)	(223)	(361)
Operating Earnings	**$ 91**	**$ 110**	**$ 275**	**$ 388**	**$ 653**
Gain (Loss) on NDT Fund Related Activity, pre-tax	-	3	(8)	10	24
Gain (Loss) on MTM, pre-tax [(c)]	(171)	48	(149)	14	157
Storm O&M, net of insurance recoveries, pre-tax	-	45	-	172	172
Income Taxes related to Operating Earnings reconciling items[(d)]	69	(40)	63	(83)	(150)
Net Income (Loss)	**$ (11)**	**$ 166**	**$ 181**	**$ 501**	**$ 856**

(a) Excludes amounts related to Operating Earnings reconciling items.
(b) Net of capitalized interest.
(c) Includes the financial impact from positions with forward delivery months.
(d) Income tax effect calculated at 40.85% statutory rate, plus 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q3 2016 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 31, 2016 / 3:00PM GMT

OVERVIEW:

Co. reported 3Q16 net EPS of $0.64 and YTD net EPS of $1.94.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Incorporated - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group Incorporated - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Neel Mitra *Tudor, Pickering, Holt & Co. Securities - Analyst*

Travis Miller *Morningstar - Analyst*

Angie Storozynski *Macquarie Research Equities - Analyst*

Praful Mehta *Citigroup - Analyst*

Gregg Orrill *Barclays Capital - Analyst*

Mitchell Moss *Lord Abbett - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Ginger, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's third-quarter 2016 earnings conference call and webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Monday, October 31, 2016, and will be available for telephone replay beginning at 2:00 PM Eastern time today until 11:30 PM Eastern time on November 7, 2016. It will also be available as an audio Webcast on PSEG's corporate website at www.PSEG.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally - *Public Service Enterprise Group Incorporated - VP of IR*

Thank you, Ginger. Good morning. Thank you for participating in PSEG's call this morning. As you are aware, we released third-quarter 2016 earnings statements earlier this morning.

The release and attachments, as mentioned, are posted on our website at www.PSEG.com, under the investors section. We also posted a series of slides that detail operating results by Company for the quarter. Our 10-Q for the period ended September 30, 2016 is expected to be filed later today.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update those forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes, unless required to do so. Our release also contains non-GAAP operating earnings. Please refer to today's 8-K or our other investor filings for a discussion of factors that may cause results to differ from management's projections, forecasts, and expectations, and for a reconciliation of non-GAAP operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group; and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Thank you, Kathleen, and thank you everyone for joining us today. PSEG reported strong results for the third quarter. Earlier this morning, we reported net income for the quarter of $0.64 per share, versus $0.87 per share last year.

Non-GAAP operating earnings for the third quarter of 2016 were $0.88 per share, compared with non-GAAP operating earnings for the third quarter of 2015 of $0.80 per share. For the nine months, we reported net income of $1.94 per share versus $2.70 per share. The non-GAAP operating earnings for the nine months ended September 30th, 2016 are $2.36 per share, which compares with non-GAAP operating earnings of $2.41 per share earned during the nine months ended September 30, 2015.

Slides 4 and 5 contain the details on the results for the quarter and the nine months. We remain committed to our core operating philosophy of operational excellence, investing in a disciplined manner, and maintaining a strong financial position to support the growth expected by our shareholders. PSE&G continues to earn its return on an expanded capital investment program. PSEG Power continues to manage through very difficult energy markets, and we continue to take strong actions to optimize both businesses in this environment.

PSEG Power has decided to retire the Hudson and Mercer coal-fired generation stations in 2017. This is sooner than we would have forecasted just a few short years ago, but became inevitable in the face of changes in the energy market, which were amply demonstrated this summer. While we experienced very warm weather conditions, the abundance of low-cost gas supply, which is a benefit for our customers, kept energy prices low, and is expected to keep power prices lower for longer.

Careful analysis indicated it would be uneconomic to invest the capital necessary to assure the units would comply with PJM's new capacity performance reliability standards. Although the units have been dispatched infrequently, we expect the retirement of Hudson and Mercer to result in a further reduction in the fleet's emissions profile. These retirements continue the evolution of PSEG Power's fleet into a portfolio of reliable, low-cost flexible assets, capable of competing in today's market.

To be clear, retirement will also aid Power's future cash flow and return profile. The addition of 1,800 megawatts of new gas-fired capacity at Keys, Sewaren, and Bridgeport Harbor over 2018 through 2019, will further the transformation of the fleet. From a supply/demand standpoint, I want to remind you that the capacity at Sewaren and Bridgeport Harbor will replace older steam and coal fired capacity that we will retire. The new capacity will improve the fleet's efficiency, and lower its cost structure.

The new units remain on time and on budget. These new units remain profitable, even with the recent declines in market pricing, and continue to meet our hurdles for returns, which of course, are in excess of our return expectations that we place on new utility investments.

By the end of this decade, our nuclear and gas-fired generation facilities will provide more than 90% of our electric output. Our nuclear fleet represents our cleanest energy resource for the foreseeable future, and our gas-fired combined cycle fleet represents an efficient flexible resource. We remain committed to operating the fleet in a safe, reliable manner, and assuring their availability over the long term.

Power continues to focus on running the business efficiently, and has made targeted reductions in its workforce, and continues to identify measures to improve availability and margins in today's market. New investment opportunities for Power do not involve the construction of additional new capacity, but we continue to look for opportunities to diversify the fleet.

PSE&G also continues to identify new opportunities for growth. PSE&G is on track to invest $3 billion in 2016, as part of its five-year $12 billion capital program.

In addition, PSE&G has recently reached a settlement with key parties that provides for an extension of its existing innovative landfill and brownfield solar programs, subject to BPU approval. The settlement allows PSE&G to expand its investment in solar by approximately $80 million, to construct 33 megawatts of grid-connected solar facilities over three years. We believe PSE&G's involvement in grid-connected solar extends the benefit of solar to all of its customers, at a lower cost. We anticipate a decision from the New Jersey Board of Public Utilities by year end.

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PSE&G is also requesting approval from the BPU to partner with New Jersey Transit in the development of a new $270 million substation, that both would utilize and would enhance the reliability and resilience of facilities damaged by Super Storm Sandy. The new substation would enter service by the end of 2020.

For me, it's hard to believe, but it's been four years since Super Storm Sandy struck. It touched all of our customers, and to date, we've invested more than $900 million under electric and gas programs approved by the BPU, to improve our system's resilience through raising substations, building redundancy, replacing gas pipe, and even trimming trees. The collaboration with New Jersey Transit on construction of a new substation represents a continuation of this type of work.

The agreement to increase our investment in solar, our announced $300 million increase in base capital spend, and PSE&G's anticipated collaboration with New Jersey Transit represent a greater than $600 million increase in PSE&G's capital program. PSE&G's ability to earn its authorized return on investment continues to drive our forecast for double-digit growth in PSE&G's 2016 earnings.

Based on our forecast for the year, PSE&G is expected to represent more than 60% of 2016's consolidated non-GAAP operating earnings. Its investment program continues to drive annual growth in rate base of 8% through the end of the decade, with the potential for up to 10%, with additional programs that we have planned.

We have met significant challenges to our forecasts presented by the lack of winter weather and low energy pricing. Even so, consistent with our comments on the second-quarter earnings call in mid-summer, we're making a slight adjustment to the upper end of our full-year guidance. We are now guiding toward 2016 non-GAAP operating earnings of $2.80 to $2.95 per share, which represents a small reduction from our prior forecast of non-GAAP operating earnings of $2.80 to $3 per share.

We are confident that the investment we're making, along with the focus on operational excellence and a strong balance sheet, will drive long-term success. With that, I'll turn the call over to Dan, who will discuss our financials in greater detail.

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

Great. Thank you Ralph, and thank you everybody, for joining us on the call this morning. As Ralph mentioned, PSEG reported net income for the third quarter of 2016 of $0.64 per share, versus net income of $0.87 per share in last year's third quarter. Non-GAAP operating earnings for the third quarter of 2016 were $0.88 per share, versus non-GAAP operating earnings of $0.80 per share in last year's third quarter, and a reconciliation of non-GAAP operating earnings to net income for the quarter and year-to-date can be found on slides 4 and 5. We've also provided you with a waterfall chart on slide 9 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business, and a similar chart on slide 10 provides with you the changes to non-GAAP operating earnings by each business on a year-to-date basis.

And I'll now review each Company in more detail, starting with PSE&G. PSE&G reported net income of $0.50 per share for the third quarter of 2016, compared with $0.44 per share for the third quarter of 2015, for a 14% improvement. Results for the quarter are shown on slide 12.

The improvement in PSE&G's net income for the third quarter reflects growth from its expanded investment in electric and gas transmission and distribution facilities. Returns on PSE&G's expanded investment in transmission added $0.03 per share to net income in the quarter, and incremental revenue associated with PSE&G's Energy Strong Infrastructure Program added $0.02 per share to net income in the quarter.

Third-quarter net income comparisons also benefited by an increase in electric demand associated with weather conditions, which were approximately 30% warmer than normal, and 9% warmer than conditions experienced in the third quarter of 2015. The increase in demand associated with the warmer than normal weather added $0.01 per share to third-quarter net income. An increase in depreciation and O&M and other expense was offset by a decline in taxes and other items.

Retail electric sales increased 3.6% in the quarter, reflecting the much warmer summer weather that occurred in 2016. And on a weather normalized basis, total sales were slightly positive versus the third quarter of 2015, with higher sales to residential and industrial customers offset by a decline in sales to commercial customers. As Ralph mentioned, PSE&G's capital program, led by an investment in transmission, is on schedule.

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PSE&G is expected to invest $1.7 billion in transmission during 2016 as part of a five-year $7.0 billion investment program to upgrade and expand the transmission network. PSE&G's investment in transmission is expected to grow to represent approximately 45% of year-end 2016's rate base. PSE&G recently filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission, and the update, which reflects an increase in the level of PSE&G's investment in transmission would provide for a $121 million increase in annual transmission revenues, effective January 1 of 2017, subject to FERC approval. We are maintaining our forecast for PSE&G's non-GAAP operating earnings for 2016 of $900 million to $935 million.

Now, let's turn to Power. PSEG Power reported net income of $139 million or $0.27 per share for the third quarter of 2016, compared with net income of $206 million or $0.40 per share for the year-ago quarter. Our non-GAAP operating earnings were $0.34 per share for the third quarter of 2016, compared to non-GAAP operating earnings for the third quarter of 2015 of $0.33 per share, and non-GAAP adjusted EBITDA for the third quarter of 2016 was $397 million versus non-GAAP adjusted EBITDA for 2015 of $401 million.

Non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization, and major maintenance at Power's fossil-generating facilities. And the earnings release on page 18 provides you with detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter, and for nine months of the year, on slide 19 and slide 20.

Power's net income in the third quarter includes one time pretax charges amounting to $114 million pretax, $67 million after tax, or $0.13 per share, related to the early retirement of the Hudson and Mercer generating stations. These one time charges, which are excluded from Power's non-GAAP operating earnings, mainly relate to the write-down of excess coal inventory, and materials and supplies, as well as some other smaller items.

Power's non-GAAP operating earnings for the third quarter reflect a decline in the average price on energy hedges, which was partially offset by lower cost to serve loads, which combined to reduce quarter-over-quarter operating earnings by $0.02 per share. A decline in output during the quarter reduced operating earnings by $0.01 per share, and a reduction in O&M expense improved results by $0.03 per share. Increase in depreciation expense associated with Power's capital program was more than offset by a decline in interest expense and other items, which combined to improve quarter-over-quarter net income by $0.01 per share.

As I mentioned, Power's third-quarter results benefited from a reduction in O&M expense, which added $0.03 per share to net income quarter-over-quarter. Year to date, a reduction in Power's O&M expense has improved net income comparisons by $0.15 per share. Management's proactive response to lower energy pricing has been a major contributor to the decline in O&M, and the timing of outages and major maintenance-related work has also influenced comparisons.

For example, in 2015, the refueling outage at Hope Creek occurred in the spring, and this year Hope Creek's refueling outage is currently under way in the fourth quarter. O&M expense in 2015 was also elevated due to major maintenance-related work at some of the fossil stations.

Although we expect O&M expense in 2016 to decline year over year, we should anticipate an increase in O&M for the fourth-quarter, given the costs associated with the refueling of our 100% owned Hope Creek Nuclear Station. Over the long term, you can expect constant diligence in controlling the growth of O&M.

Now, let's turn to Power's operations. Output at Power's generating facilities declined 4% in the quarter, and the nuclear fleet operated at an average capacity factor of 80% in the third quarter, versus an average capacity factor of 95% in the year-ago quarter, as output declined 12% to 6.9 terawatt hours from 7.8 terawatt hours.

The decline in output reflects the impact of extended outages at the two Salem units, and as we mentioned in our second-quarter earnings call, output in the third quarter would be impacted by the extension of the refueling outage at Salem 1 through July, to complete repair work on the unit's baffle bolts, and repair work at Salem 2 to repair an electrical fault. Both units have since returned to service, and are operating at full capacity.

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Output from Power's gas-fired combined cycle fleet declined slightly to 5.2 terawatt hours from 5.4 terawatt hours last year. The warmer than normal weather conditions spurred an increase in demand for Power's coal-fired generating stations and peaking fleet, which together experienced an increase in output during the quarter to 2 terawatt hours from 1.6 terawatt hours.

Power markets in the third quarter benefited from hotter than normal weather, which had a favorable influence on the market, and Power was less hedged going into the quarter than a year ago, allowing the fleet to capture some upside in pricing. That said, a decline in Power's gross margin in the quarter to $41.74 per megawatt hour from $42.07 per megawatt hour reflects the impact of lower average prices on energy hedges.

As we have indicated, we continue to expect basis to be seasonal. That is, positive in the winter, assuming normal weather, and neutral to negative at other times of the year, until more gas pipeline take-away capacity goes into operation. Power continues to forecast output for 2016 of 50 to 52 terawatt hours.

The forecast takes into account the extended outage at Salem, as well as refueling outage at Hope Creek, which is currently under way. Power has reduced its forecast of generation output for 2017 and 2018 by approximately 3% to 4%. The revised forecast recognizes the impact of low gas prices on the potential dispatch of the Keystone and Conemaugh coal-fired generating station, with also some impact coming from the he retirement of Hudson and Mercer's coal-fired generating stations in mid-2017.

Approximately 75% to 80% of anticipated production in the fourth quarter of 2016 of 11 to 12 terawatt hours is hedged at an average price of $48 per megawatt hour. The average price for energy hedges for the full year approximates $50 per megawatt hour, and for 2017, Power has hedged 65% to 70% of its revised forecast of 51 to 53 terawatt hours of output at an average price of $47 per megawatt hour, and for 2018 Power has hedged approximately 25% to 30% of its revised forecast of 56 to 58 terawatt hours of output, at an average price of $45 per megawatt hour. The hedge data continues to assume BGS hedges will cover 11 to 12 terawatt hours of output.

The forecast of Power's non-GAAP operating earnings for 2016 has been revised to $460 million to $500 million, and the forecast represents non-GAAP adjusted EBITDA for the full year of $1.270 billion to $1.335 billion. I'd also like to point out that the retirement of Hudson and Mercer will continue to have an impact on Power's net income in the fourth quarter. In addition to the one-time charges recognized in the third quarter, Power expects to recognize incremental depreciation and amortization during the remainder of 2016, of $568 million pretax, and in 2017, Power expects to recognize incremental depreciation and amortization of $946 million pretax, due to the shortening of the expected economic useful lives of Hudson and Mercer.

Until the units are retired, we will continue to record normal O&M and depreciation in our non-GAAP operating earnings. On an annual basis these expenses amount to an estimated $60 million and $50 million pretax respectively. You should also see a reduction in Power's planned capital spending beyond 2017 of approximately $200 million, to reflect the elimination of previously-planned capital improvements at Hudson and Mercer.

Now, I'll turn to PSEG enterprise and other, where we reported a net loss of $0.13 per share for the third quarter of 2016, compared to net income of $0.03 per share for the third quarter of 2015. Our non-GAAP operating earnings for the third quarter of 2016 were $0.04 per share, compared to non-GAAP operating earnings of $0.03 per share for the third quarter of 2015.

During the third quarter of 2016, Energy Holdings completed its review of estimated residual values embedded in the NRG REMA leveraged leases. As a result of current and expected future market conditions, an impairment of $86 million after tax, related to the residual value of these leases, was recorded in net income. The increase in non-GAAP operating earnings quarter-over-quarter results reflect certain tax items at PSEG Energy Holdings, and contractual payments associated with the operation of PSEG Long Island.

The forecast of PSEG enterprise and other full year 2016 non-GAAP operating earnings remains $65 million. PSEG also closed the quarter ended September 30, 2016 with $450 million of cash on its balance sheet, with debt at the end of the quarter representing approximately 45% of consolidated capital. PSEG Power had debt at the end of the quarter representing 28% of capital.

As Ralph mentioned, we've adjusted our forecast for non-GAAP operating earnings for the full year to $2.80 to $2.95 per share, from $2.80 to $3 per share. And with that, we are ready for your questions.

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SI-SSA-0015-13437

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question is from Neel Mitra from Tudor, Pickering. Please go ahead with your question.

Neel Mitra - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Just based off of some of your peers' commentary, could you comment if you're seeing any cost inflation at your nuclear plants, or any upward pressure on pricing, which you're having to contain?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Yes, Neel. So we have been commenting and participating in industry efforts to reverse the trend of some of the escalations in both O&M and capital, being by the considerations emanating from the NRC. So we're part of an effort delivering the nuclear promise, to take the average industry cost structure of $35 a megawatt hour down to $30 a megawatt hour. We haven't released our specific cost structure, but suffice to say that we operate slightly below the industry average. Yes, there are cost pressures, but there's an active industry effort that we are front and center, and participating to both control that escalation and reverse it.

Neel Mitra - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Got it. And then just moving to the Keys Center, some of your recent commentary is based off of the fact that you like the location in Southwest Mac within PJM. Could you comment on why that's a good location, compared to some other locations in PJM for a new build?

Ralph Izzo- *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Sure. It's a couple reasons. First of all, it's closer to the -- it is part of the PJM west hub, where we do all of our hedging. So it does lend some balance to the portfolio, which is primarily PJM east, for where most of our assets are located.

It is a load pocket that is experiencing some modest degree of growth. There have been years where it looked like it was going to be about 4%. And it's been consistently the strongest pricing region from an energy market point of view in PJM the past few years.

Neel Mitra - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Okay. Perfect. Thank you.

Operator

Your next question is from Travis Miller from Morningstar. Please proceed with your question.

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SI-SSA-0015-13438

Client Id: 77

Travis Miller - *Morningstar - Analyst*

At a high level, I know you like to have a strong balance sheet. Where you are right now with the growth projects that you have over the next two to three years, especially on the power side, how do you see that leverage changing? And to the extent that it stays in this range, what's the opportunity to add leverage, perhaps at the parent co, or some other place on the balance sheet?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

The numbers, I'll let Dan fill in, remained on average above 40% for the next three years, given current market expectations. Our floor at Power is an FFO to debt of 30%, and as it's been the case in the past, Travis, our top priority is reinvesting in the business. That predominantly means reinvesting in regulated utility assets, although we continue to look for opportunities to acquire assets in Power that fill out our portfolios in competitive markets that we're interested in, that being New York, New England and PJM.

But number one, use of the balance sheet is reinvesting in the business. Number two is, given the cyclicality of the merchant generation business, to provide support for the dividend in some of those ups and downs, so that we can provide a consistent growth rate in that dividend. And last would be, to repurchase shares, if we were not seeing those growth opportunities, primarily in utility, or had earnings that just dwarfed the growth in the dividend. But Dan, I don't know if you want to add some color to some of those specifics.

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

What I would say, Travis, is we have had a lot of success in finding opportunities to deploy capital, and we even referenced today an excess of $600 million at the utility. So Ralph references reinvesting the capital in the businesses as opportunity number one, and that's what we have been able to do, and having a strong cash flow coming from the Power side of the business, and the ability to provide financing there at the parent is enabling of that growth that we have, throughout the business.

Travis Miller - *Morningstar - Analyst*

Okay. On those generation projects, would you expect to have a higher percentage share of debt or leverage there, such that your entire balance sheet, certainly in a small way, given the relative size, would move toward more leverage? The question there simply is, is there going to be extra leverage at those projects as you go you through the construction phase?

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

Yes, I mean, I think if you take a look at what we're investing into the business on the Power side of the business, and you take a look at what our cash flow is coming from the business, it pretty well supports the ability to build that, A, without any equity at the parent, but without growing that leverage capacity, that leverage utilization at Power.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

To Dan's point, Travis, both Power and the utility can support the capital program without any equity issuance, in any of the forecasts that we're able to come up with.

Travis Miller - *Morningstar - Analyst*

Okay. Great. Thanks a lot.

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SI-SSA-0015-13439

Client Id: 77

Operator

The next question is from Angie Storozynski from Macquarie. Please proceed with your question.

Angie Storozynski - *Macquarie Research Equities - Analyst*

So first on the Power side, can you comment on what you're seeing on the Power basis, not the gas basis, but the power basis, for your combined cycle gas plants? It seems like the outputs from your New York and New Jersey units have come down slightly year-over-year despite this hot summer. And we are hearing from other power producers, gas fired producers in PJM, that they're seeing some expansion in the negative power basis, due to some congestion on transmission lines, as well as the gas are running now, often 24/7. Is this a phenomenon that you're actually seeing at your unit?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Yes, Angie, that is correct. As you know, the basis differentials are very seasonal in nature. They tend to be somewhat strongly negative in the shoulder, -- in the off seasons, the spring and fall, less negative in the summer, and they turn positive in the winter.

It's driven by two factors. You've identified both of them. One is gas basis differentials and transmission congestion. I forget the name of the transmission asset down in the BG&E area that is undergoing some renewal. It's Bagley.

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

Bagley Graceton.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Bagley Graceton, which according to PJM is scheduled for completion sometime next spring. That's all public information. You should check the PJM Oasis board for confirmation of that, in case I have the date wrong.

And then obviously from a gas point of view, there's a much healthier degree of infrastructure that's bringing gas from the Marcellus to the New York, New Jersey region, than there is going to the PJM west region, which is a bit of a misnomer. It's actually south of here. Until the infrastructure corrects that arbitrage opportunity, you'll continue to see gas-based generation being less expensive to operate up here than it is down there.

But we remain confident that over time the market does correct any anomalies that exist, and arbitrage opportunities that exist, and there's no shortage of projects that are either in permitting or in construction to move gas to the south. As I said, there is a specific transmission project underway to correct the congestion that we're seeing in the BG&E area.

Angie Storozynski - *Macquarie Research Equities - Analyst*

Great. On the utility side, in your prepared remarks, you mentioned the double-digit growth rate, and then you mentioned something about 8%. Can you actually just remind me of your comments, was it about the rate base growth, or was it about the longevity of the current double-digit earnings growth?

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Client Id: 77

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

So as you know, we don't forecast earnings growth, and what we've been forecasting is that for the next five years, the utility capital program, approved programs, would support an 8% rate base growth, and for programs that are fairly straightforward extensions of existing programs, that 8% becomes 10%. But they've not been approved by the BPU yet.

Of course, as you know, rate base growth is a good indicator of earnings growth, but then one has to add load growth, and subtract O&M growth, and those are the two parts that are tougher to predict. We do a good job of controlling O&M, but I would not want to promise that we will be able to control O&M at a level of zero, which is about where the load has been growing. It's like 0.1%, 0.2%. So suffice to say, that the earnings growth would probably be a net subtraction from that rate-based growth, but we don't give an exact number of what that is.

Angie Storozynski - *Macquarie Research Equities - Analyst*

Thank you.

Operator

Your next question is from Praful Mehta from Citigroup. Please proceed with your question.

Praful Mehta - *Citigroup - Analyst*

First question was on the separation, the generation separation side, the PEG power side. I know we talked about this before, but given how IPPs are trading today, they really seem to struggle, and was wondering if that market context, does it make sense to think about PEG Power being separated, or do you now reconsider and think more keeping PEG Power as part of the whole PSEG family?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

I really don't have a lot new to say about this subject. If we made -- if and when we were to make such a decision, it would not be a market timing decision. It would have to do with the strength of the strategic arguments in favor of separation dwarfing the tactical benefits that we continue to believe dominate the picture today, in terms of staying together.

So sure, you wouldn't try and do something in the middle of economic instability or major macroeconomic disruptions, but we're not market timers. The real question is, do we still have the financial synergies between the businesses, do we still have the build synergy between the business, do we still long-term investors who see the attractiveness of both? Those strategic flexibility questions that we've talked about before.

Praful Mehta - *Citigroup - Analyst*

Fair enough. Thank you. And then going ahead with the nuclear discussion that we were having earlier, there is obviously discussion in New York to support nuclear through this ZEC program. Do you see other states looking to implement something like this, or do you see that as a possibility in New Jersey or Pennsylvania, in terms of support from nuclear or carbon free generation?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

I do. I think that a lot of states are realizing that these are long-lived assets, these being nuclear plants, that provide enormous benefits both from a carbon point of view, from a fuel diversity point of view, from a reliability point of view, and most of our markets are fairly short-term in nature. Even three-year capacity prices don't capture the full benefit of what I expect to be a fairly extensive debate on how carbon is to be priced in the

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future. So every state may not come up with its own remedy, and regrettably the right remedy would be a national remedy, but we don't seem to have a lot of traction in that regard right now. I do see most of the action focused on a state-by-state level.

Praful Mehta - *Citigroup - Analyst*

Appreciate it. Thank you.

Operator

(Operator Instructions)

Your next question is from Gregg Orrill from Barclays. Please proceed with your question.

Gregg Orrill - *Barclays Capital - Analyst*

First, are you able to provide what your transmission rate base is for year-end 2016 and 2017? And then, what are your thoughts around acquiring nuclear and/or coal assets?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

I'm going to do a little. People scurry around to find the rate base number. I do know that by 2018, it's 50% of the rate base, but I don't know what it is. Dan has the magic numbers, or are you going to fake it too?

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

I think what we've done historically is we have put out numbers for particular years, and then given some ranges in between those years. I think you're heading towards about $7 billion as you approach 2016, and then with the overall growth in capital, you'd see continued increases there. But we'll provide our normal set of numbers within our next update.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

I knew you were going to make it up, Dan. Gregg, your second question, our interest in acquiring coal. We are believers in nuclear, but at the right price, of course, we would be interested. But we're not -- we have no interest in adding coal to our fleet, nor would you see us be a large fleet acquirer. I do think that in general, we've signaled to our investors that our primary investment's in regulated utility, and that's where we continue to put our emphasis.

Gregg Orrill - *Barclays Capital - Analyst*

Thank you.

Operator

Your next question is from Mitchell Moss from Lord Abbett. Please proceed with your question.

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Mitchell Moss - *Lord Abbett - Analyst*

Just a couple of questions. First, just to follow up on Angie's question regarding the combined cycle, how they're running with -- due to transmission gas supply issues. Do you see some of these issues being resolved by 2017, in terms of just gas take-away and transmission, or do you see it longer-term, a 2018 and beyond issue?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Mitchell, of course we're operating with the same crystal ball you are, which without being too critical of your crystal ball, ours is pretty cloudy. Having said that it's more of a 2018 to 2019 time frame that we think these projects will have take-away capacity impact.

Mitchell Moss - *Lord Abbett - Analyst*

And regarding the REMA leases that you mentioned you took a charge on, have you been involved in any of the negotiations that NRG has mentioned, with bond holders, or with leaseholders as part of any restructuring discussions?

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

No, we haven't, Mitchell. I mean, we are obviously aware as you are, of where the current situations are, and certainly ready for discussions when the time is right, but not as yet.

Mitchell Moss - *Lord Abbett - Analyst*

Do you have a view on whether or not the REMA lease could be broken or restructured in a bankruptcy? Or is it bankruptcy-proof?

Dan Cregg - *Public Service Enterprise Group Incorporated - EVP & CFO*

I think we're going to let that play out and let time tell what's going to happen. I think it's a fairly complicated situation, and we'll let time become our best estimate. We've got some disclosures within our 10-Q, to give you a little bit of sense as to some thoughts on it. I think where it ends is ahead of us yet.

Mitchell Moss - *Lord Abbett - Analyst*

Thanks so much.

Operator

(Operator Instructions)

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Thanks, Ginger, we can give back 15 minutes to folks if there are no further questions.

Operator

There are no further questions. Presenters, please, for any closing remarks.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, President & CEO*

Just to summarize, hopefully what you heard is that our power capital program remains on budget and on schedule, and based on current prices, is still expected to create some strong value for us. The utility continues to identify new customer-driven investment opportunities, that fuel its growth. Lastly, there's no question we have a relentless focus on cost control. It's part of everyday life at PSEG.

With that, I'll just wish everyone a Happy Halloween. We look forward to seeing you next week in Phoenix, and thanks for joining us this morning. Take care, everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. Thank you for participating. You may now disconnect.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2016 THIRD QUARTER RESULTS

$0.64 Per Share of Net Income

Non-GAAP Operating Earnings of $0.88 Per Share

PSE&G Settlement Supports Expanded Investment in Solar

Full Year 2016 Non-GAAP Operating Earnings Guidance Adjusted to $2.80 - $2.95 Per Share

October 31, 2016 (Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) reported third quarter 2016 Net Income of $327 million or $0.64 per share as compared to Net Income of $439 million or $0.87 per share reported for the third quarter of 2015. Non-GAAP Operating Earnings for the third quarter of 2016 were $444 million or $0.88 per share as compared to non-GAAP Operating Earnings for the third quarter of 2015 of $403 million or $0.80 per share.

Ralph Izzo, chairman, president and chief executive officer said “PSEG’s performance for the third quarter continues to demonstrate the benefits from our expanded investment program. A focus on controlling costs supported results as demand was aided by the warmer than normal weather experienced this past summer. Net Income was also impacted by our decision to retire the Hudson and Mercer coal-fired generating stations in 2017. Retirement of these units continues the evolution of PSEG Power’s assets into a portfolio of reliable, low-cost, flexible assets capable of competing in today’s energy market. This decision will allow us to meet market conditions and aids PSEG Power’s future cash flow and return profile.”

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG’s financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The table below provides a reconciliation of PSEG’s Net Income to non-GAAP Operating Earnings for the third quarter. See Attachment 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED RESULTS (unaudited)
Third Quarter Comparative Results
2016 and 2015

	Income ($ millions)		Diluted Earnings Per Share	
	2016	**2015**	**2016**	**2015**
Net Income	$327	$439	$0.64	$0.87
Reconciling Items*	117	(36)	0.24	(0.07)
Non-GAAP Operating Earnings	**$444**	**$403**	**$0.88**	**$0.80**
		Avg. Shares	**508M**	**508M**

*See Attachment 11

Ralph Izzo went on to say, "We are making a slight adjustment to the upper end of our guidance. Strong third quarter results weren't sufficient to offset the lack of a winter, and we are adjusting our guidance for 2016's non-GAAP Operating Earnings to $2.80 - $2.95 per share from $2.80 - $3.00 per share."

Non-GAAP Operating Earnings guidance by company for the full year is as follows:

2016 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	2016 Estimate
PSE&G	$900 - $935
PSEG Power	$460 - $500
PSEG Enterprise/Other	$65 - $65
Non-GAAP Operating Earnings	$1,425 - $1,500
Non-GAAP EPS	$2.80 - $2.95

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $255 million ($0.50 per share) for the third quarter of 2016 compared with Net Income of $222 million ($0.44 per share) for the third quarter of 2015.

The improvement in Net Income for the third quarter reflects growth from expanded investment in electric and gas transmission and distribution facilities.

Returns on PSE&G's expanded investment in transmission added $0.03 per share to Net Income in the quarter. Incremental revenue associated with PSE&G's Energy Strong investment infrastructure program added $0.02 per share to Net Income in the quarter. Third quarter Net Income comparisons also benefited by an increase in electric demand associated with weather conditions which were approximately 30% warmer than normal and 9% warmer than conditions experienced during the 2015 third quarter. The increase in demand associated with the warmer than normal weather added $0.01 per share to third quarter Net Income. An increase in depreciation and O&M and other items was offset by a decline in taxes and other items.

Electric demand in the third quarter was influenced by weather which was hotter than normal, and warmer than the weather conditions experienced in the year-ago period. Weather normalized sales for the third quarter – led by an increase in the residential sector – are estimated to have increased 0.1% for the quarter.

PSE&G's capital program remains on schedule. PSE&G invested approximately $2.1 billion through September 30 as part of its planned capital investment for 2016 of $3.0 billion in upgrades to the electric and gas distribution and transmission system.

PSE&G has reached a settlement with key parties providing for an extension of its existing landfill/brownfield solar program. The settlement provides for an investment of approximately $80 million to construct 33MWs of grid-connected solar facilities over three years. The settlement is subject to review/approval by the NJ Board of Public Utilities (BPU). PSE&G is also requesting approval from the BPU to partner with NJ Transit in the development of a new $270 million substation that both would utilize, and would enhance the reliability and resilience of facilities damaged by Superstorm Sandy. It is estimated that the new substation would enter service by the end of 2020.

PSE&G filed an update of its Formula Rate for transmission at the Federal Energy Regulatory Commission in October 2016. The update, which reflects an increase in the level of PSE&G's investment in transmission, would provide for a $121 million increase in annual transmission revenues effective January 1, 2017.

The forecast of PSE&G's Net Income for 2016 remains at $900 - $935 million.

PSEG Power

PSEG Power reported Net Income of $139 million ($0.27 per share) for the third quarter of 2016 and non-GAAP Adjusted EBITDA of $397 million compared with Net Income of $206 million ($0.40 per share) and non-GAAP Adjusted EBITDA of $401 million for the third quarter of 2015. Non-GAAP Operating Earnings for the third quarter of 2016 was $170 million ($0.34 per share) compared with non-GAAP Operating Earnings for the third quarter of 2015 of $170 million ($0.33 per share).

Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense, depreciation and amortization and major maintenance at Power's fossil generation facilities, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure, whether assets were constructed or acquired and accounting methods. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense. See Attachment 12 for a complete list of items excluded from Net Income in the determination of non-GAAP Adjusted EBITDA. The presentation of non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP.

Power's Net Income in the third quarter includes one-time charges amounting to $67 million ($0.13 per share) related to the early retirement of the Hudson and Mercer generation stations. Power's operating results for the third quarter reflect the impact of the known decline in average prices on energy hedges and a decline in operating costs.

A decline in the average price on energy hedges partially offset by a lower cost to serve load combined to reduce quarter-over-quarter Net Income by $0.02 per share. A decline in output during the quarter reduced Net Income by $0.01 per share. A reduction in O&M expense improved Net Income comparisons by $0.03 per share. An increase in depreciation associated with Power's capital program was more than offset by a decline in interest expense and other items which combined to improve quarter-over-quarter Net Income by $0.01 per share.

Output at Power's generation facilities declined 4% in the quarter. The average capacity factor for the nuclear fleet was 80% in the third quarter versus an average capacity factor of 95% in the year-ago quarter, as output from the nuclear fleet declined 12% to 6.9 TWh from 7.8 TWh. An extension of the Salem 1 refueling outage through the month of July to repair degraded baffle bolts and an unplanned outage at Salem 2 due to transformer issues were the primary causes for the reduction in nuclear output in the third quarter. Output from the gas-fired combined cycle fleet declined slightly to 5.2 TWh from 5.4 TWh. The warmer than normal weather conditions spurred an increase in demand for Power's coal-fired generating stations and peaking fleet, which together experienced an increase in output during the quarter to 2.0 TWh from 1.6 TWh.

Power is maintaining its forecast of output for 2016 of 50 – 52 TWh. The forecast for output in 2017 and 2018 has been reduced by approximately 3 – 4%. The revised forecast takes into account the impact of low gas prices on the dispatch of the Keystone/Conemaugh coal-fired generation stations, and the retirement of the Hudson and Mercer coal-fired generation stations in mid-2017. Approximately 75% – 80% of anticipated production in the fourth

quarter of 2016 of 11 – 12 TWh is hedged at an average price of $48 per MWh. For 2017, Power has hedged 65% – 70% of its revised forecast of 51 – 53 TWh of output at an average price of $47 per MWh. For 2018, Power has hedged approximately 25% – 30% of its revised forecast of 56 – 58 TWh of output at an average price of $45 per MWh. The hedge data continues to assume BGS hedges will cover 11 – 12 TWh of output.

The forecast of Power's non-GAAP Operating Earnings for 2016 is now $460 – $500 million. The forecast represents non-GAAP Adjusted EBITDA for the full year of $1,270 – $1,335 million.

PSEG Enterprise/Other

PSEG Enterprise/Other reported a Net Loss of $67 million ($0.13 per share) for the third quarter of 2016 compared to Net Income of $11 million ($0.03 per share) for the third quarter of 2015.

Non-GAAP Operating Earnings for the third quarter of 2016 were $19 million ($0.04 per share) compared with non-GAAP Operating Earnings of $11 million ($0.03 per share) during the third quarter of 2015.

During the third quarter of 2016, Energy Holdings completed its review of estimated residual values embedded in the NRG REMA, LLC leveraged leases. As a result of current and expected future market conditions, an impairment of $86 million, after-tax, related to the residual value of these leases was recorded in Net Income. The increase in non-GAAP Operating Earnings quarter-over-quarter reflects certain tax items at PSEG Energy Holdings and contractual payments associated with the operation of PSEG Long Island.

The forecast of PSEG Enterprise/Other full year non-GAAP Operating Earnings remains $65 million.

Financing

PSEG closed the quarter ended September 30, 2016 with $450 million of cash on its balance sheet with debt at the end of the quarter representing approximately 45% of consolidated capital. PSEG Power had debt at the end of the quarter representing 28% of capital.

Forward-Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our

Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover insurance proceeds with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- economic recessions,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The “Email Alerts” link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions)

Three Months Ended September 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,450	$ (309)	$ 1,684	$ 1,075
OPERATING EXPENSES				
Energy Costs	866	(317)	721	462
Operation and Maintenance	776	111	376	289
Depreciation and Amortization	231	8	137	86
Total Operating Expenses	1,873	(198)	1,234	837
OPERATING INCOME (LOSS)	577	(111)	450	238
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	39	1	21	17
Other-Than-Temporary Impairments	(5)	-	-	(5)
Interest Expense	(99)	(3)	(72)	(24)
INCOME (LOSS) BEFORE INCOME TAXES	515	(113)	399	229
Income Tax Benefit (Expense)	(188)	46	(144)	(90)
NET INCOME (LOSS)	**$ 327**	**$ (67)**	**$ 255**	**$ 139**
Reconciling Items Excluded from Net Income (Loss) [b]	117	86	-	31
OPERATING EARNINGS (non-GAAP)	**$ 444**	**$ 19**	**$ 255**	**$ 170**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.64**	**$ (0.13)**	**$ 0.50**	**$ 0.27**
Reconciling Items Excluded from Net Income (Loss) [b]	0.24	0.17	-	0.07
OPERATING EARNINGS (non-GAAP)	**$ 0.88**	**$ 0.04**	**$ 0.50**	**$ 0.34**

Three Months Ended September 30, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,688	$ (174)	$ 1,766	$ 1,096
OPERATING EXPENSES				
Energy Costs	815	(292)	740	367
Operation and Maintenance	746	92	391	263
Depreciation and Amortization	313	7	231	75
Total Operating Expenses	1,874	(193)	1,362	705
OPERATING INCOME	814	19	404	391
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	33	-	22	11
Other-Than-Temporary Impairments	(30)	-	-	(30)
Interest Expense	(96)	1	(67)	(30)
INCOME BEFORE INCOME TAXES	724	20	359	345
Income Tax Benefit (Expense)	(285)	(9)	(137)	(139)
NET INCOME	**$ 439**	**$ 11**	**$ 222**	**$ 206**
Reconciling Items Excluded from Net Income [b]	(36)	-	-	(36)
OPERATING EARNINGS (non-GAAP)	**$ 403**	**$ 11**	**$ 222**	**$ 170**
Earnings Per Share				
NET INCOME	**$ 0.87**	**$ 0.03**	**$ 0.44**	**$ 0.40**
Reconciling Items Excluded from Net Income [b]	(0.07)	-	-	(0.07)
OPERATING EARNINGS (non-GAAP)	**$ 0.80**	**$ 0.03**	**$ 0.44**	**$ 0.33**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 11 and 12 for details of items excluded from Net Income to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions)

Nine Months Ended September 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 6,971	$ (877)	$ 4,746	$ 3,102
OPERATING EXPENSES				
Energy Costs	2,326	(1,134)	1,979	1,481
Operation and Maintenance	2,215	298	1,110	807
Depreciation and Amortization	679	22	412	245
Total Operating Expenses	5,220	(814)	3,501	2,533
OPERATING INCOME	1,751	(63)	1,245	569
Income from Equity Method Investments	9	-	-	9
Other Income and (Deductions)	100	1	58	41
Other-Than-Temporary Impairments	(25)	-	-	(25)
Interest Expense	(288)	(8)	(214)	(66)
INCOME BEFORE INCOME TAXES	1,547	(70)	1,089	528
Income Tax Benefit (Expense)	(562)	39	(393)	(208)
NET INCOME (LOSS)	**$ 985**	**$ (31)**	**$ 696**	**$ 320**
Reconciling Items Excluded from Net Income (Loss) [b]	211	86	-	125
OPERATING EARNINGS (non-GAAP)	**$ 1,196**	**$ 55**	**$ 696**	**$ 445**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.94**	**$ (0.06)**	**$ 1.37**	**$ 0.63**
Reconciling Items Excluded from Net Income (Loss) [b]	0.42	0.17	-	0.25
OPERATING EARNINGS (non-GAAP)	**$ 2.36**	**$ 0.11**	**$ 1.37**	**$ 0.88**

Nine Months Ended September 30, 2015

	PSEG	PSEG Enterprise/ Other (a)	PSE&G	PSEG Power
OPERATING REVENUES	$ 8,137	$ (943)	$ 5,234	$ 3,846
OPERATING EXPENSES				
Energy Costs	2,577	(1,268)	2,176	1,669
Operation and Maintenance	2,170	251	1,171	748
Depreciation and Amortization	960	22	712	226
Total Operating Expenses	5,707	(995)	4,059	2,643
OPERATING INCOME	2,430	52	1,175	1,203
Income from Equity Method Investments	10	(1)	-	11
Other Income and (Deductions)	135	1	57	77
Other-Than-Temporary Impairments	(45)	-	-	(45)
Interest Expense	(291)	6	(203)	(94)
INCOME BEFORE INCOME TAXES	2,239	58	1,029	1,152
Income Tax Benefit (Expense)	(869)	(26)	(398)	(445)
NET INCOME	**$ 1,370**	**$ 32**	**$ 631**	**$ 707**
Reconciling Items Excluded from Net Income [b]	(149)	-	-	(149)
OPERATING EARNINGS (non-GAAP)	**$ 1,221**	**$ 32**	**$ 631**	**$ 558**
Earnings Per Share				
NET INCOME	**$ 2.70**	**$ 0.07**	**$ 1.24**	**$ 1.39**
Reconciling Items Excluded from Net Income [b]	(0.29)	-	-	(0.29)
OPERATING EARNINGS (non-GAAP)	**$ 2.41**	**$ 0.07**	**$ 1.24**	**$ 1.10**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachment 11 and 12 for details of items excluded from Net Income to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	September 30, 2016	December 31, 2015
DEBT		
Long-Term Debt*	$ 10,697	$ 9,561
Project Level, Non-Recourse Debt	-	7
Total Debt	10,697	9,568
STOCKHOLDERS' EQUITY		
Common Stock	4,928	4,915
Treasury Stock	(714)	(671)
Retained Earnings	9,480	9,117
Accumulated Other Comprehensive Loss	(218)	(295)
Total Common Stockholders' Equity	13,476	13,066
Noncontrolling Interests - Equity Investments	-	1
Total Equity	13,476	13,067
Total Capitalization	$ 24,173	$ 22,635

*Includes current portion of Long-Term Debt

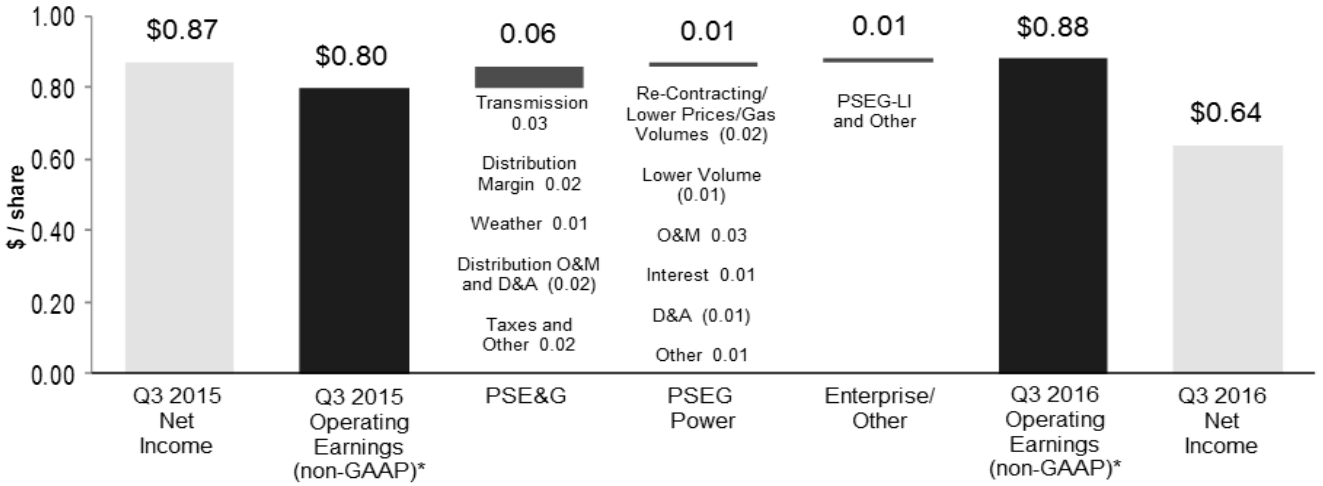
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 985	$ 1,370
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,776	1,858
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,761	3,228
NET CASH USED IN INVESTING ACTIVITIES	(3,054)	(2,841)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	349	(518)
Net Change in Cash and Cash Equivalents	56	(131)
Cash and Cash Equivalents at Beginning of Period	394	402
Cash and Cash Equivalents at End of Period	$ 450	$ 271

Attachment 5

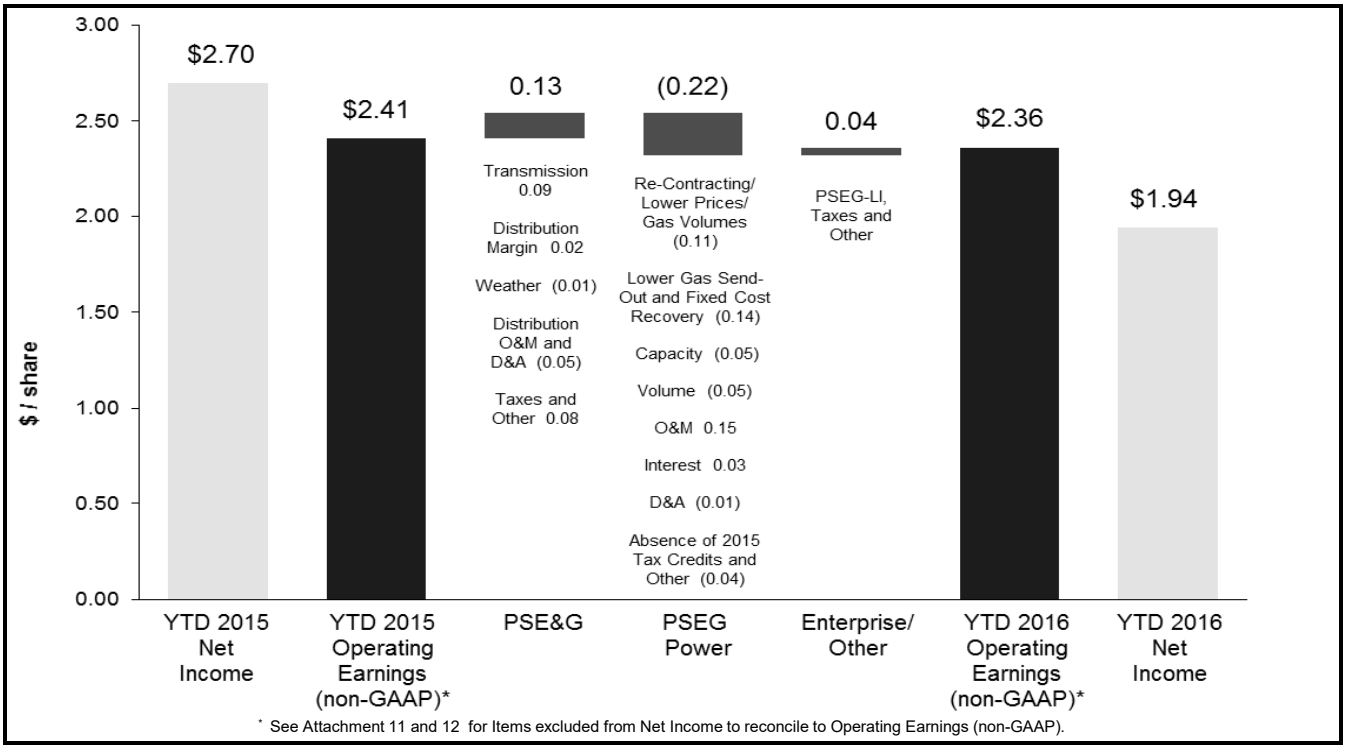
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2016 vs. September 30, 2015
(Unaudited)



* See Attachment 11 and 12 for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2016 vs. September 30, 2015
(Unaudited)



* See Attachment 11 and 12 for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

Attachment 7

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2016

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2015	Nine Months Ended	Change vs. 2015
Residential	4,924	7.2%	10,919	-0.9%
Commercial & Industrial	7,795	1.5%	21,022	-1.5%
Street Lighting	70	1.3%	237	1.3%
Interdepartmental	3	4.8%	7	-1.2%
Total	12,792	3.6%	32,185	-1.3%
Revenue ($ millions)				
Residential	$ 771	2.0%	$ 1,682	-5.4%
Commercial & Industrial	543	-13.8%	1,319	-18.8%
Street Lighting	16	-5.8%	50	-4.1%
Other Operating Revenues*	166	5.1%	503	9.9%
Total	$ 1,496	-4.2%	$ 3,554	-9.2%

Weather Data	Three Months Ended	Change vs. 2015	Nine Months Ended	Change vs. 2015
THI Hours - Actual	15,140	9.0%	18,998	1.5%
THI Hours - Normal	11,602		15,599	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2016

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2015	Nine Months Ended	Change vs. 2015
Firm Sales				
Residential Sales	88	-8.4%	953	-18.4%
Commercial & Industrial	94	-6.5%	682	-15.2%
Total Firm Sales	**182**	**-7.5%**	**1,635**	**-17.1%**
Non-Firm Sales				
Commercial & Industrial	679	1.5%	1,566	-3.7%
Total Non-Firm Sales	**679**		**1,566**	
Total Sales	**861**	**-0.5%**	**3,201**	**-11.0%**
Revenue ($ millions)				
Residential Sales - Firm	$ 31	-20.1%	$ 228	2.1%
Commercial & Industrial - Firm Sales	15	4.2%	128	-35.2%
Non-Firm Sales	6	-37.1%	19	-34.7%
Other Operating Revenues**	43	2.0%	130	0.6%
Total	**$ 95**	**-9.3%**	**$ 505**	**-12.8%**
Gas Transported	$ 93	-6.8%	$ 687	-7.5%

Weather Data	Three Months Ended	Change vs. 2015	Nine Months Ended	Change vs. 2015
Degree Days - Actual	17	NA	2,838	-20.2%
Degree Days - Normal	30		3,065	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 9

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended September 30,		GWhr Breakdown Nine Months Ended September 30,	
	2016	2015	2016	2015
Nuclear - NJ	4,151	5,393	13,878	15,249
Nuclear - PA	2,712	2,394	8,387	7,499
Total Nuclear	**6,863**	**7,787**	**22,265**	**22,748**
Fossil - Coal/Natural Gas - NJ**	257	72	198	542
Fossil - Coal - PA	1,190	1,108	3,138	3,853
Fossil - Coal - CT	46	12	96	600
Total Coal	**1,493**	**1,192**	**3,432**	**4,995**
Fossil - Oil & Natural Gas - NJ	4,234	4,160	10,089	10,932
Fossil - Oil & Natural Gas - NY	1,482	1,547	3,940	3,691
Fossil - Oil & Natural Gas - CT	38	32	30	122
Total Oil & Natural Gas	**5,754**	**5,739**	**14,059**	**14,745**
	14,110	**14,718**	**39,756**	**42,488**

	% Generation by Fuel Type Three Months Ended September 30,		% Generation by Fuel Type Nine Months Ended September 30,	
	2016	2015	2016	2015
Nuclear - NJ	29%	37%	35%	36%
Nuclear - PA	19%	16%	21%	18%
Total Nuclear	**48%**	**53%**	**56%**	**54%**
Fossil - Coal/Natural Gas - NJ**	2%	0%	1%	1%
Fossil - Coal - PA	9%	8%	8%	9%
Fossil - Coal - CT	0%	0%	0%	1%
Total Coal	**11%**	**8%**	**9%**	**11%**
Fossil - Oil & Natural Gas - NJ	30%	28%	25%	26%
Fossil - Oil & Natural Gas - NY	11%	11%	10%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**41%**	**39%**	**35%**	**35%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and nine months ended September 30, 2016 and 2015. Generation includes natural gas fuel switching intervals.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted Average Common Shares Outstanding (millions)				
Basic	505	505	505	505
Diluted	508	508	508	508
Stock Price at End of Period			$ 41.87	$ 42.16
Dividends Paid per Share of Common Stock	$ 0.41	$ 0.39	$ 1.23	$ 1.17
Dividend Yield			3.9%	3.7%
Book Value per Common Share			$ 26.69	$ 25.90
Market Price as a Percent of Book Value			157%	165%
Total Shareholder Return	-9.3%	8.4%	11.3%	4.9%

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended September 30,*		*Nine Months Ended September 30,*	
	2016	*2015*	*2016*	*2015*
	($ millions, Unaudited)			
Net Income	**$ 327**	**$ 439**	**$ 985**	**$ 1,370**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(4)	24	4	14
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(58)	(84)	91	(98)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	114	-	114	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	137	-	137	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(72)	24	(135)	107
Operating Earnings (non-GAAP)	**$ 444**	**$ 403**	**$ 1,196**	**$ 1,221**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	**$ 0.64**	**$ 0.87**	**$ 1.94**	**$ 2.70**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.05	0.01	0.03
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.11)	(0.17)	0.18	(0.19)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.22	-	0.22	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.27	-	0.27	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.14)	0.05	(0.26)	0.21
Operating Earnings (non-GAAP)	**$ 0.88**	**$ 0.80**	**$ 2.36**	**$ 2.41**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate of 37% and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ 139**	**$ 206**	**$ 320**	**$ 707**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(4)	24	4	14
(Gain) Loss on MTM, pre-tax [a]	(58)	(84)	91	(98)
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax	114	-	114	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(21)	24	(84)	107
Operating Earnings (non-GAAP)	**$ 170**	**$ 170**	**$ 445**	**$ 558**
Fossil Major Maintenance, pre-tax	10	10	39	111
Depreciation and Amortization, pre-tax [c]	83	76	244	228
Interest Expense, pre-tax [c] [d]	23	30	65	93
Income Taxes [c]	111	115	292	338
Adjusted EBITDA (non-GAAP)	**$ 397**	**$ 401**	**$ 1,085**	**$ 1,328**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate of 37% and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.

(d) Net of capitalized interest.

PSEG Power Adjusted EBITDA (non-GAAP) Guidance - 2016 Adjustments	*Full-Year 2016*
	($ millions, unaudited)
Fossil Major Maintenance, pre-tax, estimate	~ $80
Depreciation and Amortization, pre-tax, estimate	~ 340
Interest Expense, pre-tax, estimate	~ 80
Income Taxes, estimate	$310 to $335

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ (67)**	**$ 11**	**$ (31)**	**$ 32**
Lease Related Activity, pre-tax	137	-	137	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(51)	-	(51)	-
Operating Earnings (non-GAAP)	**$ 19**	**$ 11**	**$ 55**	**$ 32**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate of 37%.

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2016

October 31, 2016

SI-SSA-0015-13463

Forward-Looking Statements

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews, disallowances and changes in authorized returns,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation, storage and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover insurance proceeds with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- economic recessions,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13464

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense, depreciation and amortization and major maintenance expense at Power's fossil generation facilities, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure, whether assets were constructed or acquired and accounting methods. Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the investor tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-13465

PSEG
2016 Q3 Review

Ralph Izzo
Chairman, President and Chief Executive Officer

SI-SSA-0015-13466

Q3 Results Summary – Strong quarterly results

Quarter ended September 30

$ millions (except EPS)	2016	2015
Net Income	$ 327	$ 439
Reconciling Items	117	(36)
Operating Earnings (non-GAAP)*	$ 444	$ 403
EPS from Net Income	$ 0.64	$ 0.87
EPS from Operating Earnings (non-GAAP)*	$ 0.88	$ 0.80

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13467

Year to Date Results

Nine months ended September 30

$ millions (except EPS)	2016	2015
Net Income	$ 985	$ 1,370
Reconciling Items	211	(149)
Operating Earnings (non-GAAP)*	$ 1,196	$ 1,221
EPS from Net Income	$ 1.94	$ 2.70
EPS from Operating Earnings (non-GAAP)*	$ 2.36	$ 2.41

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG – Q3 2016 Highlights

- **Operating Results in Q3**
  - ✓ Net Income of $0.64 vs. $0.87 per share in Q3 2015
  - ✓ Operating Earnings (non-GAAP) of $0.88 vs. $0.80 per share in Q3 2015*
  - ✓ Increased earnings contribution from PSE&G's investment in Transmission
  - ✓ Updating 2016 Operating Earnings (non-GAAP) guidance to $2.80 - $2.95 per share

- **Operating Review**
  - ✓ PSEG Power generation met demand of the hottest summer weather in our 37 years of data
  - ✓ Returned Salem units in late July following refueling and baffle bolt repairs at Unit 1 and transformer issues at Unit 2
  - ✓ PSE&G maintained high system reliability throughout extreme summer conditions

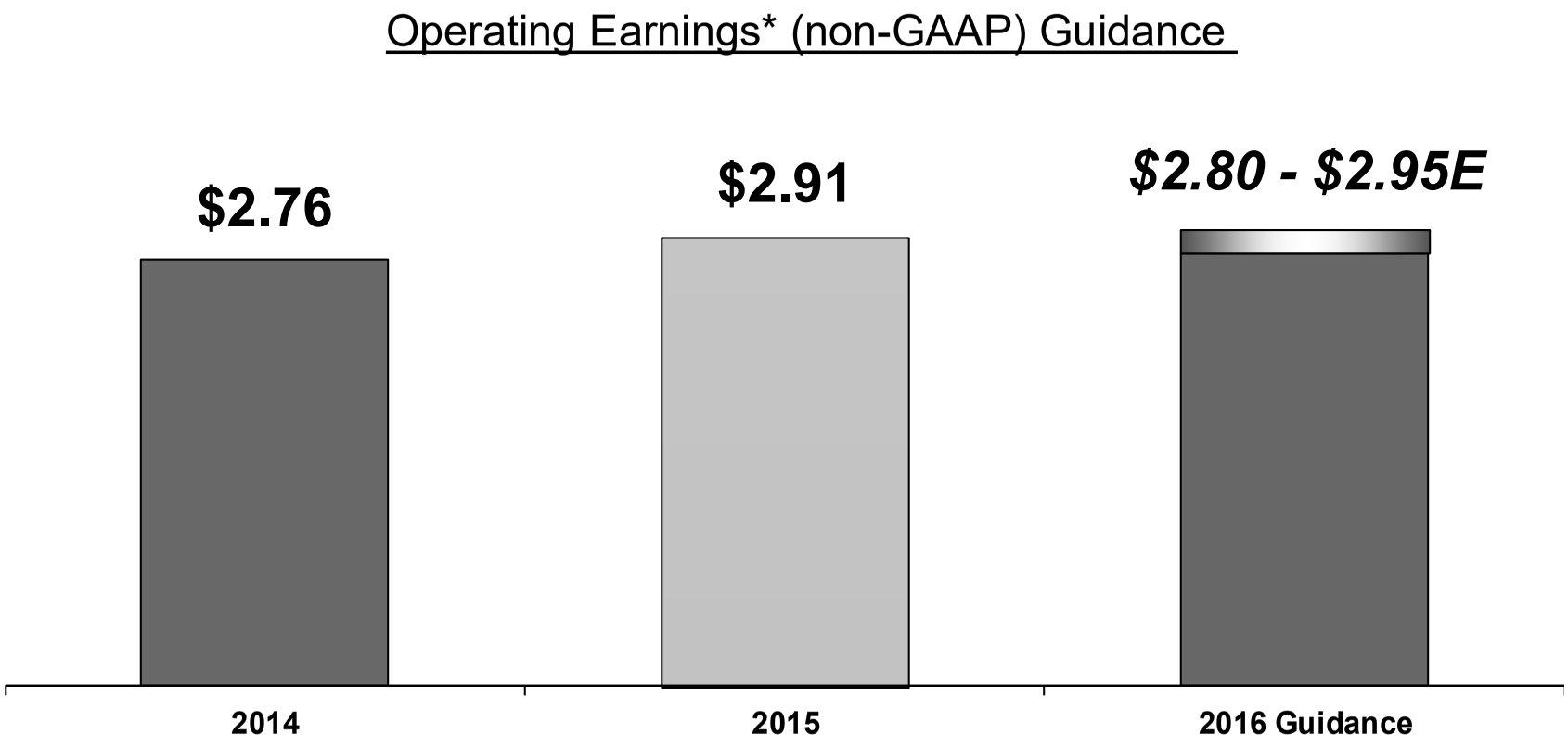
- **PSEG Disciplined Capital Investment**
  - ✓ PSE&G identified >$600 million year to date of additional capital opportunities through 2020
  - ✓ Recent Solar 4 All Extension II settlement to invest $80 million over 3 years
  - ✓ Power's construction of Keys/Sewaren/Bridgeport Harbor CCGTs continue on schedule and on budget

- **Market developments**
  - ✓ PSEG Power announced retirement of the Hudson and Mercer generating stations (totaling ~1,250 MW) planned for mid-2017 expected to improve its cash flow and return profile
  - ✓ Energy Holdings recorded an impairment of $86 million (after-tax) related to the NRG REMA, LLC leveraged leases residual value

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13469

PSEG Updating 2016 Full-Year Guidance



Strong third quarter results were not sufficient to offset the lack of a winter

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP). E = Estimate.

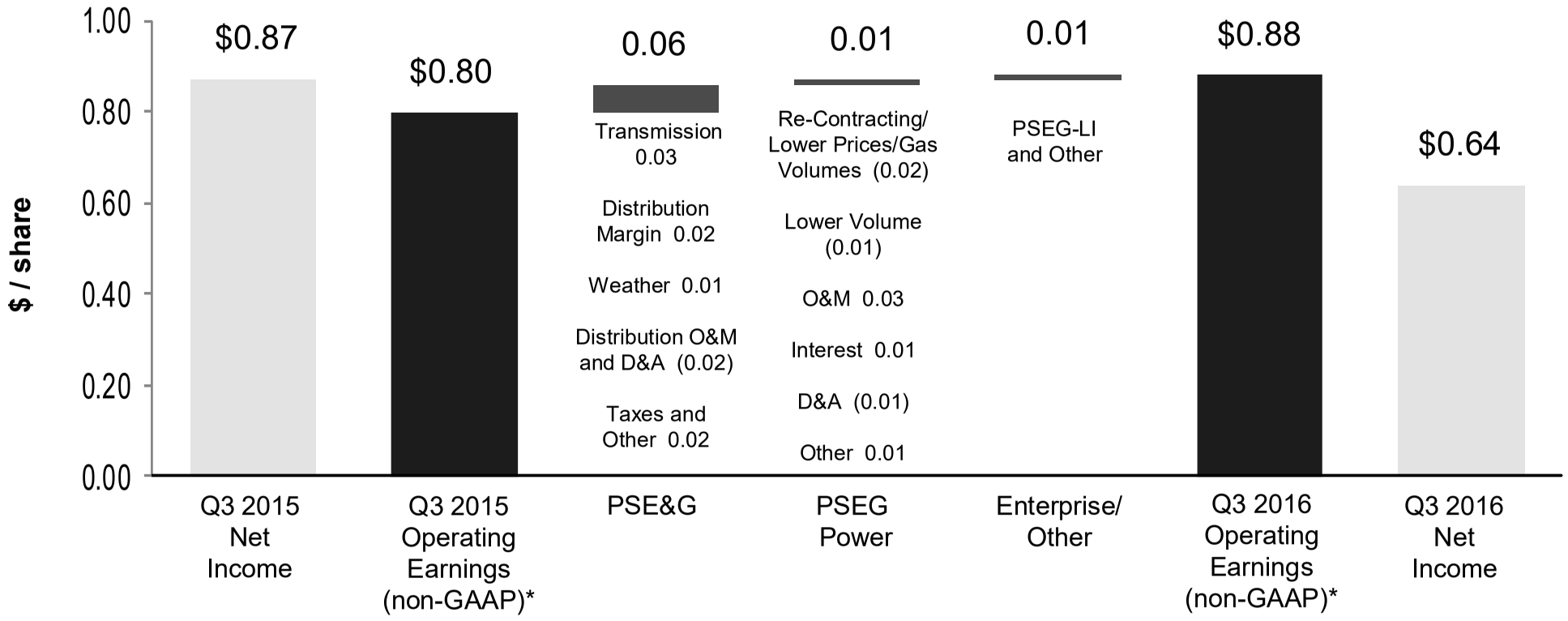
SI-SSA-0015-13470

PSEG
2016 Q3 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13471

PSEG EPS Reconciliation – Q3 2016 versus Q3 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

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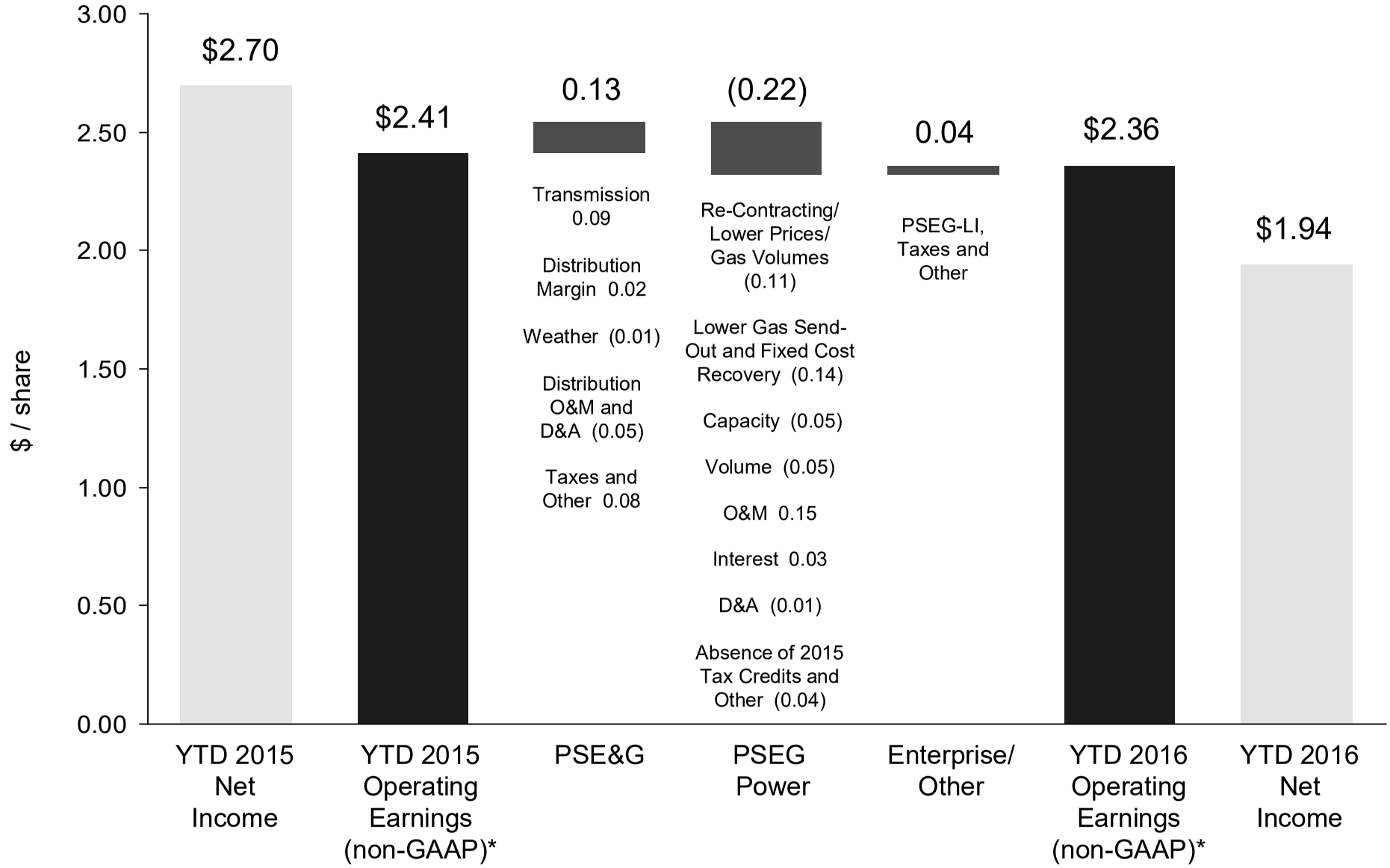
PSEG EPS Reconciliation – YTD 2016 versus YTD 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13473

PSE&G
2016 Q3 Review

SI-SSA-0015-13474

PSE&G – Q3 Summary of Results

$ millions (except EPS)	Q3 2016	Q3 2015	Variance
Operating Revenues	$ 1,684	$ 1,766	$ (82)
Operating Expenses			
Energy Costs	721	740	(19)
Operation & Maintenance	376	391	(15)
Depreciation & Amortization	137	231	(94)
Total Operating Expenses	1,234	1,362	(128)
Net Income	$ 255	$ 222	$ 33
EPS from Net Income	$ 0.50	$ 0.44	$ 0.06

PSEG Operating Earnings (non-GAAP) do not include any adjustments related to PSE&G's operations.

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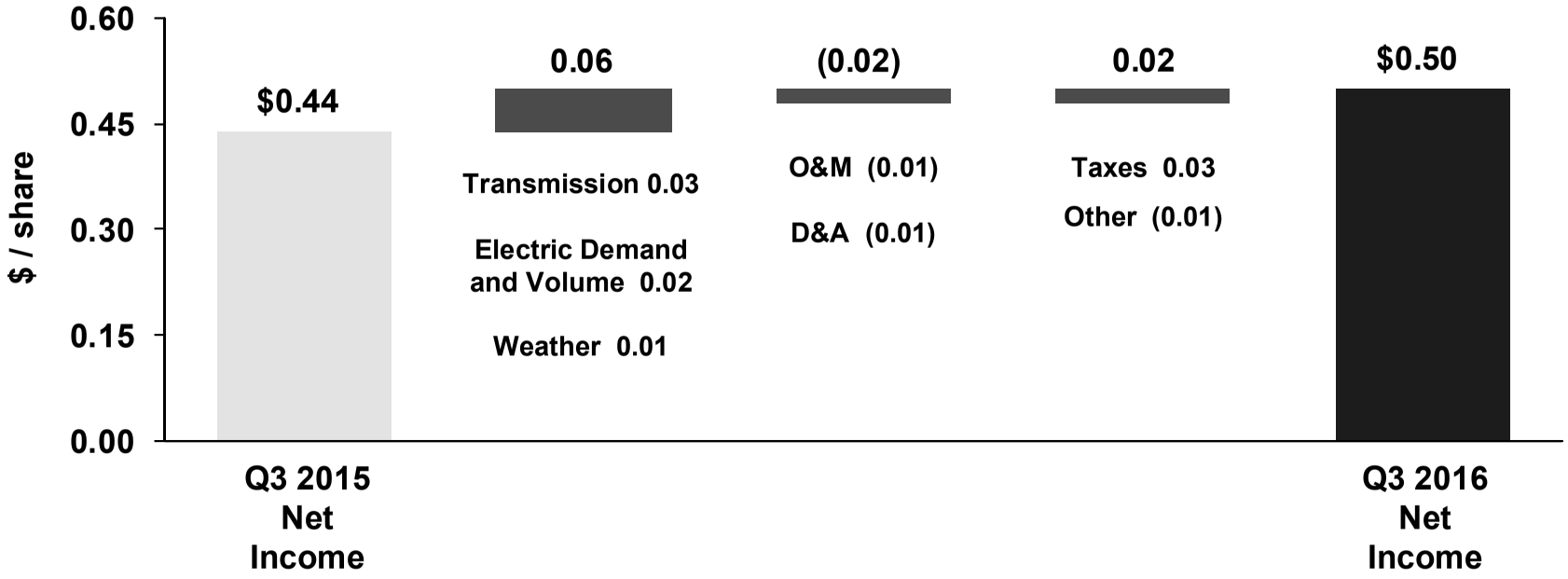
PSE&G EPS Reconciliation – Q3 2016 versus Q3 2015

Continued investment in system reliability is a driver of growth



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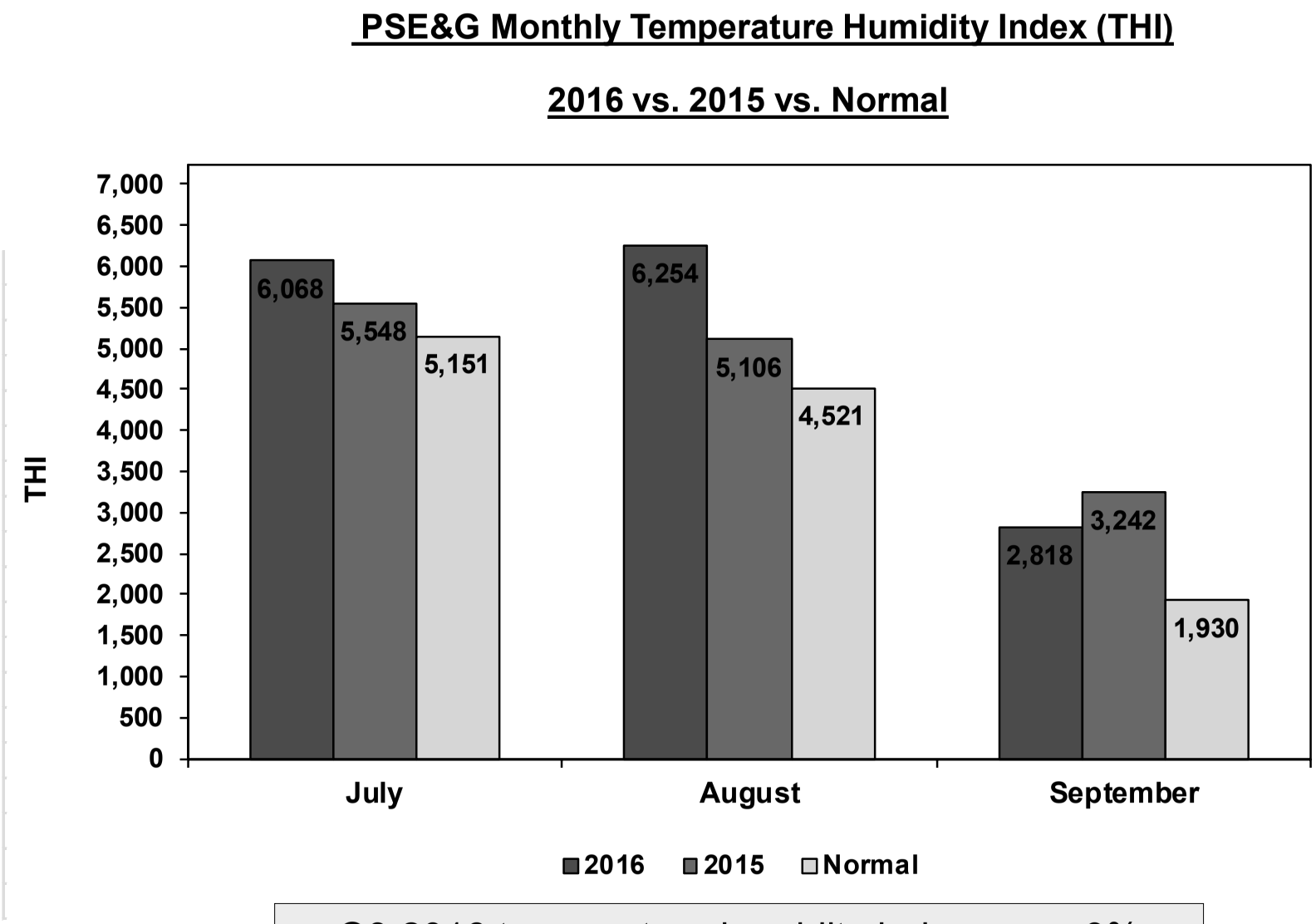
PSE&G – Monthly Summer Weather Data



Q3 2016 temperature-humidity index was ~9% higher than Q3 2015 and ~30% higher than normal

SI-SSA-0015-13477

PSE&G – Q3 Operating Highlights

Operations

- ✓ Growth in transmission revenues added $0.03 per share over Q3 2015
- ✓ Q3 2016 electric sales up ~4% on weather that was 9% warmer than Q3 2015 and 30% warmer than normal; Q3 was the hottest in the last 37 years of weather data
- ✓ Weather normalized electric sales advanced 0.1% in Q3 and were down (0.8%) for the YTD period
- ✓ O&M remains under control

Regulatory and Market Environment

- ✓ Solar 4 All Extension II settlement reached with BPU Staff and Division of Rate Counsel to invest $80 million over 3 years to develop 33 MWs of grid-connected, landfill and brownfield solar
- ✓ Proposal filed with the BPU for NJ Transit investment partnership to develop a new $270 million substation
- ✓ FERC Formula Rate filing submitted for ~$121 million in increased annual transmission revenue for new rates effective January 2017
- ✓ PSE&G lowered residential gas rates for the 7th straight year on 10/1; since 2009, average residential heating bills have declined by 51%

Financial

- ✓ PSE&G made ~$2.1 billion of capital expenditures in the YTD period ended September 30, as part of its planned spend of ~$3 billion for the full year
- ✓ Maintaining PSE&G's forecast of 2016 full-year Net Income at $900 - $935 million

SI-SSA-0015-13478

PSEG Power
2016 Q3 Review

SI-SSA-0015-13479

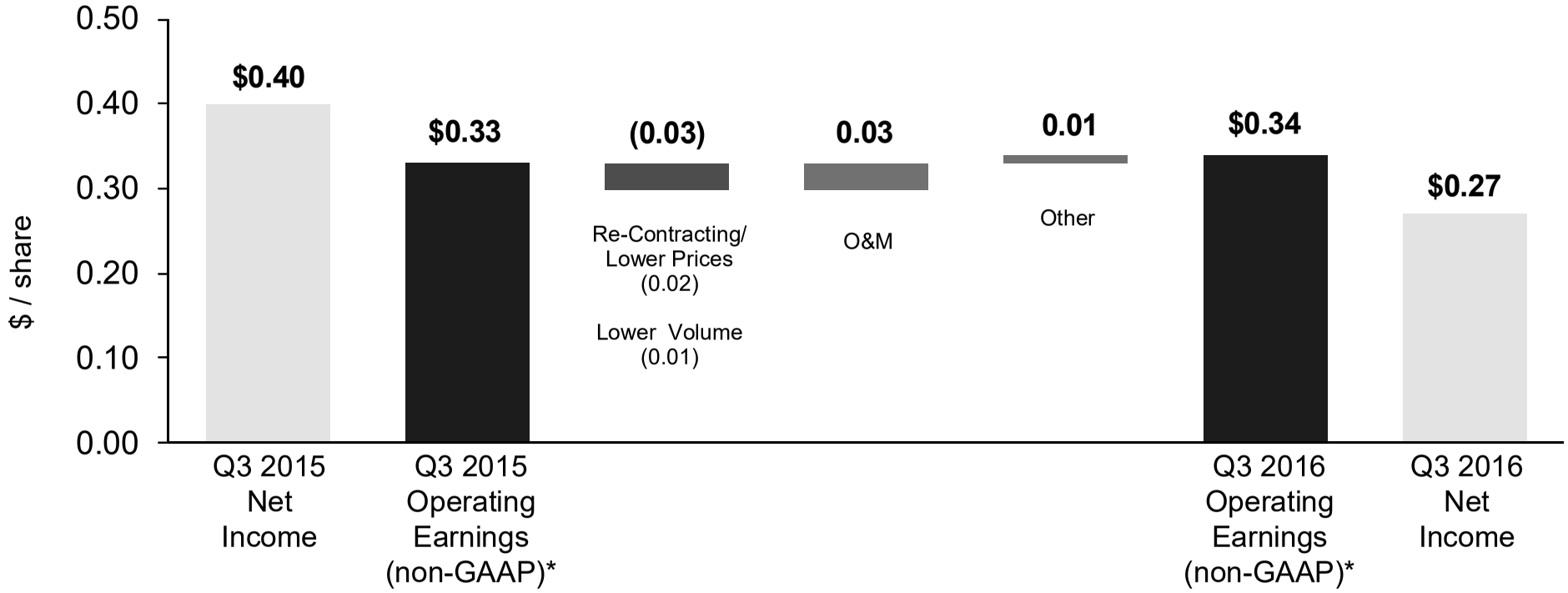
PSEG Power – Q3 Summary of Results

$ millions (except EPS)	Q3 2016	Q3 2015	Variance
Operating Revenues	$ 1,075	$ 1,096	$ (21)
Net Income	139	206	(67)
Reconciling Items	31	(36)	67
Operating Earnings (non-GAAP)*	$ 170	$ 170	$ -
EPS from Net Income	$ 0.27	$ 0.40	$ (0.13)
EPS from Operating Earnings (non-GAAP)*	$ 0.34	$ 0.33	$ 0.01

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13480

PSEG Power EPS Reconciliation – Q3 2016 versus Q3 2015



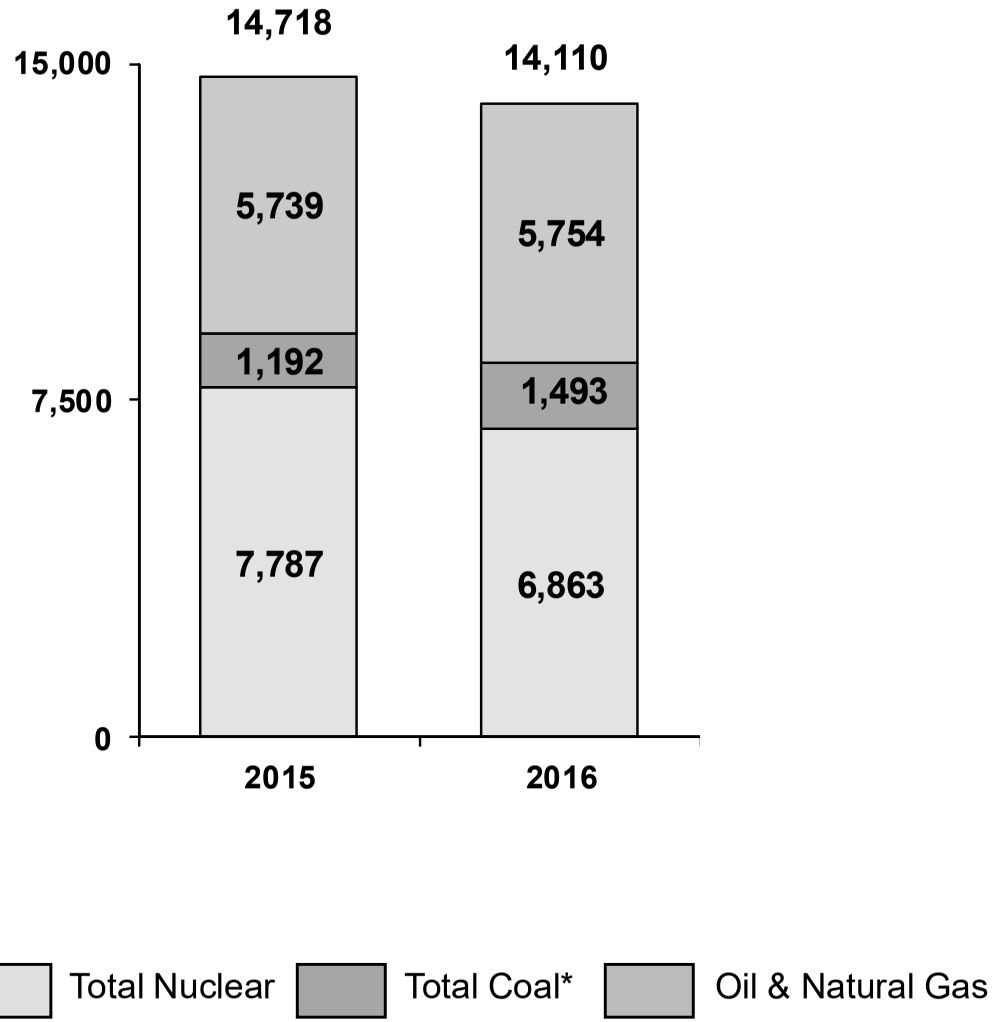
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13481

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended September 30



* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

PSEG Power – Capacity Factors (%)

Quarter ended September 30

	2015	2016
Combined Cycle		
PJM and NY	76.2%	73.6%
Coal		
NJ (Coal/Gas)	3.7%	11.1%
PA	65.1%	69.8%
CT	1.3%	5.4%
Nuclear	95.4%	80.2%

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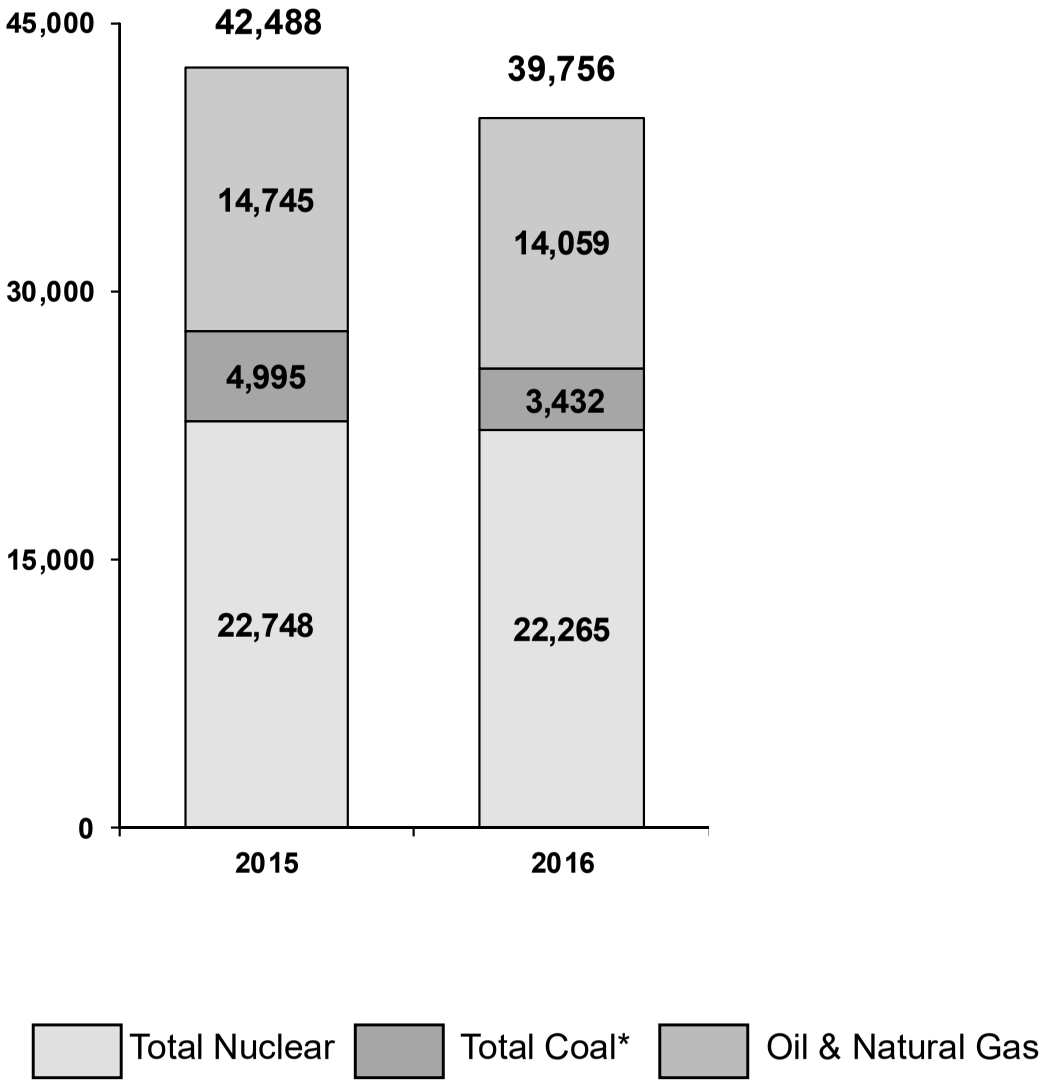
PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Nine Months ended September 30



PSEG Power – Capacity Factors (%)

Nine Months ended September 30

	2015	2016
Combined Cycle		
PJM and NY	64.6%	62.5%
Coal*		
NJ (Coal/Gas)	7.5%	3.4%
PA	76.3%	61.9%
CT	23.8%	3.8%
Nuclear	92.2%	87.5%

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-13483

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

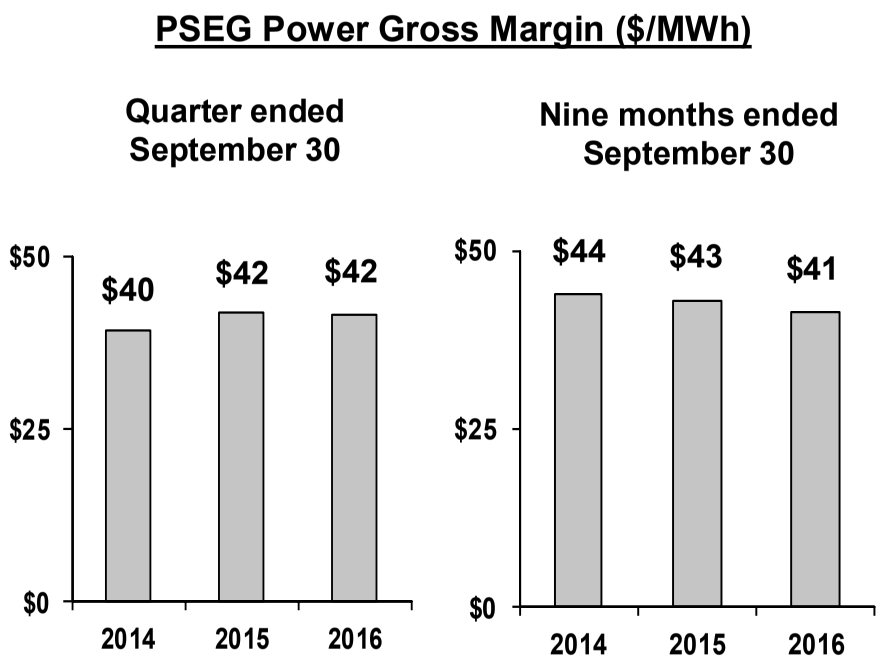
	Quarter ended September 30	
($ millions)	2015	2016
Coal	27	29
Oil & Gas	94	83
Total Fossil	121	112
Nuclear	56	49
Total Fuel Cost	177	161
Total Generation (GWh)	14,718	14,110
$ / MWh	12	11

	Nine months ended September 30	
($ millions)	2015	2016
Coal	139	78
Oil & Gas	423	215
Total Fossil	562	293
Nuclear	162	154
Total Fuel Cost	724	447
Total Generation (GWh)	42,488	39,756
$ / MWh	17	11

SI-SSA-0015-13484

PSEG Power – Gross Margin Performance

- ✓ Capacity pricing and MWs were comparable year-over-year
- ✓ Lack of pipeline take away capacity kept pressure on local natural gas and power prices during a summer that exceeded last year's hot weather



Regional Performance		
Region	**Q3 2016 Gross Margin ($M)**	**2016 Performance**
PJM	**$551**	Lower hedge prices partially offset by lower costs to serve
New England	**$13**	Higher prices supported increased volume
New York	**$25**	Lower volumes offset higher prices

SI-SSA-0015-13485

Hedging Update…

Contracted Energy*

		Oct-Dec 2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	34
	% Hedged	100%	100%	45-50%
	Price $/MWh	$48	$47	$45
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	4	17	22
	% Hedged	25-30%	0-5%	0%
	Price $/MWh	$48	$47	-
Total	Volume TWh	11-12	51-53	56-58
	% Hedged	75-80%	65-70%	25-30%
	Price $/MWh	$48	$47	$45

* Hedge percentages and prices as of September 30, 2016. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options. **Volumes reflect rounding.

SI-SSA-0015-13486

PSEG Power – Q3 Operating Highlights

Operations

- ✓ Q3 output was down 4% vs. Q3 2015, YTD output down 6% from extended nuclear outages at Salem 1 and 2
- ✓ CCGT capacity factor of 74% in Q3, YTD CCGT capacity factor of 63%
- ✓ Nuclear capacity factor of 80% in Q3, YTD nuclear capacity factor of 88%

Regulatory and Market Environment

- ✓ Early retirement of the Hudson and Mercer generating stations totaling ~1,250 MWs in June 2017 resulted in one-time charges in 3Q of $67 million (after-tax) covering impairments and closing costs; remaining capital cost will be depreciated from Q4 2016 through first-half 2017

Financial

- ✓ Updating PSEG Power's full-year 2016 Operating Earnings (non-GAAP) guidance to $460 - $500 million from $460 - $525 million; and full-year 2016 Adjusted EBITDA (non-GAAP) guidance to $1.270 - $1.335 billion from $1.270 - $1.375 billion
- ✓ Power's total debt as a percentage of capital at September 30 was 28%

SI-SSA-0015-13487

PSEG

PSEG Financial Highlights

Updating full-year 2016 Operating Earnings (non-GAAP) guidance to $2.80 - $2.95 from $2.80 - $3.00 per share

- ✓ Strong third quarter results were not sufficient to offset the lack of a winter
- ✓ Focused on meeting customer needs for clean, reliable, efficient delivery of energy

Infrastructure Spend

- ✓ PSE&G capital spending for 2016 expected to top $3 billion
- ✓ Keys, Sewaren and Bridgeport Harbor CCGT construction is on schedule and on budget
- ✓ PSE&G has identified more than $600 million year to date of additional infrastructure spend over the current capital spending plan of $12 billion in the 2016-2020 period

Financial position remains strong

- ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
- ✓ Debt as a percentage of capitalization was 45% at September 30
- ✓ Announced retirement of Hudson and Mercer generating stations (totaling ~1,250 MW) planned for mid-2017 expected to improve Power's cash flow and return profile

SI-SSA-0015-13489

APPENDIX

PSEG 2016 Operating Earnings Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2016E	2015
PSE&G (Net Income)	$900 - $935	$787
PSEG Power*	$460 - $500	$653
PSEG Enterprise/Other*	$65 - $65	$36
Operating Earnings (non-GAAP)*	$1,425 - $1,500	$1,476
Operating EPS (non-GAAP)*	**$2.80 - $2.95E**	**$2.91**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2016E	2015
PSEG Power	$1,270 - $1,335	$1,563

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-13491

PSEG Liquidity as of September 30, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$194	$1,406
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$11	$942
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$255	$245
	Total Money Pool		$3,553	$470	$3,083
	Total		$4,153	$484	$3,669
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$357
			Total Liquidity Available		**$4,026**

(A) PSE&G facility will be reduced by $14 million in March 2018.

(B) Power facility will be reduced by $24 million in March 2018.

(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-13492

Items Excluded from Net Income to Reconcile to Operating Earnings (Non-GAAP)

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended September 30,*		*Nine Months Ended September 30,*		*Year-Ended December 31,*	
	2016	*2015*	*2016*	*2015*	*2015*	*2014*
	($ millions, Unaudited)					
Net Income	**$ 327**	**$ 439**	**$ 985**	**$ 1,370**	**$ 1,679**	**$ 1,518**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(4)	24	4	14	(24)	(138)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(58)	(84)	91	(98)	(157)	(111)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)	(172)	27
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	114	-	114	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	137	-	137	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(72)	24	(135)	107	150	104
Operating Earnings (non-GAAP)	**$ 444**	**$ 403**	**$ 1,196**	**$ 1,221**	**$ 1,476**	**$ 1,400**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)					
Net Income	**$ 0.64**	**$ 0.87**	**$ 1.94**	**$ 2.70**	**$ 3.30**	**$ 2.99**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	-	0.05	0.01	0.03	(0.05)	(0.27)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.11)	(0.17)	0.18	(0.19)	(0.31)	(0.22)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)	(0.34)	0.05
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.22	-	0.22	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.27	-	0.27	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.14)	0.05	(0.26)	0.21	0.31	0.21
Operating Earnings (non-GAAP)	**$ 0.88**	**$ 0.80**	**$ 2.36**	**$ 2.41**	**$ 2.91**	**$ 2.76**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate of 37% and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

SI-SSA-0015-13493

Items Excluded from Net Income to Reconcile to Adjusted EBITDA (non-GAAP) and Operating Earnings (non-GAAP)

PSEG Power Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2016	2015	2016	2015	2015
	($ millions, Unaudited)				
Net Income (Loss)	**$ 139**	**$ 206**	**$ 320**	**$ 707**	**$ 856**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(4)	24	4	14	(24)
(Gain) Loss on MTM, pre-tax [a]	(58)	(84)	91	(98)	(157)
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)	(172)
Hudson/Mercer Early Retirement, pre-tax	114	-	114	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(21)	24	(84)	107	150
Operating Earnings (non-GAAP)	**$ 170**	**$ 170**	**$ 445**	**$ 558**	**$ 653**
Fossil Major Maintenance, pre-tax	10	10	39	111	128
Depreciation and Amortization, pre-tax [c]	83	76	244	228	301
Interest Expense, pre-tax [c] [d]	23	30	65	93	120
Income Taxes [c]	111	115	292	338	361
Adjusted EBITDA (non-GAAP)	**$ 397**	**$ 401**	**$ 1,085**	**$ 1,328**	**$ 1,563**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate of 37% and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ (67)**	**$ 11**	**$ (31)**	**$ 32**
Lease Related Activity, pre-tax	137	-	137	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(51)	-	(51)	-
Operating Earnings (non-GAAP)	**$ 19**	**$ 11**	**$ 55**	**$ 32**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate of 37%.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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EDITED TRANSCRIPT

PEG - Q4 2016 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 24, 2017 / 4:00PM GMT

OVERVIEW:

Co. reported 4Q16 non-GAAP operating EPS of $0.54. Expects 2017 non-GAAP operating EPS to be $2.80-3.00.

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Inc - VP of IR*

Ralph Izzo *Public Service Enterprise Group Inc - Chairman, President & CEO*

Dan Cregg *Public Service Enterprise Group Inc - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Greg Gordon *Evercore ISI - Analyst*

Julien Dumoulin-Smith *UBS - Analyst*

Travis Miller *Morningstar - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Praful Mehta *Citigroup - Analyst*

Anthony Crowdell *Jefferies LLC - Analyst*

Angie Storozynski *Macquarie Research Equities - Analyst*

Ashar Khan *Visium Asset Management - Analyst*

Andy Levi *Avon Capital Advisors - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I'm your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group fourth-quarter 2016 earnings conference call with webcast.

(Operator Instructions)

As a reminder, this conference is being recorded today, Friday, February 24, 2017 and will be available for telephone replay beginning at 2:00 p.m. Eastern today until 11:30 p.m. Eastern on March 3, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.PSEG.com. I'd now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally - *Public Service Enterprise Group Inc - VP of IR*

Thank you, Brent. Good morning, everyone. Thank you for participating in our earnings call today.

As you are aware, we released our fourth-quarter and full-year 2016 earnings results earlier this morning. The release and attachments are posted on our website, www.pseg.com, under the investor section.

We also posted a series of slides that detail operating results by Company for the quarter. Our 10K for the period ended December 31, 2016 is expected to be filed early next week.

Not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slides and on our website. The disclaimer statement regarding forward-looking statements details a number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein. And

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although we may elect to update those forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimates change, unless required by applicable securities laws.

We also provide commentary with regard to the difference between operating earnings and adjusted EBITDA and net income reported in accordance with Generally Accepted Accounting Principles in the United States. PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provide a consistent and comparable measures of performance to help shareholders understand our operating and financial trends.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

(Caller Instructions)

Thank you.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Thank you Kathleen, and thanks everyone for joining us today. This morning we reported non-GAAP operating earnings for the full year 2016, and as you saw we reported that the non-GAAP operating earnings for the fourth quarter were $0.54 per share versus non-GAAP operating earnings of $0.50 per share earned in the fourth quarter of 2015. Our GAAP results for the full year of $1.75 per share reflect the impact of our decision last year to retire the Hudson and Mercer coal-fired generating units in June of this year.

The non-GAAP operating earnings for the full year of $2.90 per share were closely aligned with 2015's non-GAAP operating earnings of $2.91 per share, and they were solidly within our revised guidance of $2.80 to $2.95 per share, as well as within our original guidance. Our results reflect the benefits of growth through organic investment and control of O&M expense. This helped offset the impact on earnings from low energy prices and record mild temperatures experienced during the first quarter of the year.

Actions we have taken to transition our business mix in response to changing market conditions have supported PSE&G's earnings and will continue to have a positive impact. For 2017 we're forecasting our non-GAAP operating earnings of $2.80 to $3 per share.

Now let me just describe a few highlights from 2016. First off, PSE&G was named by the ReliabilityOne organization as the most reliable utility in the Mid-Atlantic region for the 15th consecutive year.

The utility invested $2.8 billion during 2016 to upgrade and expand its transmission and distribution system. As part of this work to enhance the system's resiliency and its reliability, PSE&G placed into service the 345 KV Northeast grid transmission line.

The utility upgraded 177 miles of gas pipe in more than 80 towns under its three-year $905 million gas system modernization program. As part of this work, PSE&G collaborated with the Environmental Defense Fund to help detect methane emissions. This collaborative effort helped determine which gas pipes to replace first, and that led to a greater reduction in emissions at less cost.

In addition, upgrades to PSE&G's electric distribution system continue under the $1.2 billion energy strong infrastructure program. The utility also received approval during the year to extend its Solar For All program.

The decision by the New Jersey Board of Public Utilities allows PSE&G to build an additional 33 megawatts, that's DC, of solar farms on landfills and brownfield sites in the Utility's service territory. Solar For All with this latest approval grows to represent a 150-megawatt program, that's also DC.

PSE&G's investment program, its supportive revenue recovery mechanisms and tight control of O&M provided for growth of 12.9% in its net income from 2015 to 2016, increasing its contribution to 60% of consolidated non-GAAP operating Earnings. This continues PSE&G's track record of 16% compound annual growth in earnings since 2009.

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We also made strides in 2016 at PSEG Power. Despite the continuation of difficult power markets, PSEG Power reported non-GAAP operating earnings for the full year within original guidance and in excess of our revised guidance. Management's ability to control expenses in response to market and operating conditions helped offset the impact on earnings of lower volume and pricing, and speaks to the capability of our management team.

Power invested $1.3 billion in capital in 2016. Construction of 1,800 megawatts of new, efficient combined cycle gas-fired turbine capacity within the PJM and New England markets at a total cost of $2 billion remains on time and on budget. Also during the year Power invested approximately $300 million and nearly doubled the size of its portfolio of solar projects to 400 megawatts DC.

During the year Power announced it would be retiring the Hudson and Mercer coal-fired generating stations on June 1, 2017, given the outlook for energy prices and the cost of operating these older stations. Retirement of these facilities will improve the outlook for Power's cash flow and income going forward.

The addition of the new gas-fired capacity and the retirement of Hudson and Mercer will transform Power's generation mix. Coal-fired generation is expected to represent 7% of our fuel mix in 2017, as energy produced from natural gas represents 30% and nuclear fuel generation provides 63% of our energy output. An improvement in the fleet's economic efficiency with the decline in the average heat rate will also benefit the dispatch of Power's assets.

We continue to focus on safe, efficient operation of our base load nuclear fleet. Power's management team has implemented cost reduction measures in coordination with industry groups to help assure these assets operate in a safe and reliable manner.

Controlling costs is vital in the current energy price environment, but even with stringent measures these units face continued challenges. A key element of PSEG's strategy has been to maintain a strong financial position that supports our investment goals.

Our balance sheet continues to provide us with a competitive advantage. We ended 2016 with strong credit metrics, which allow us to pursue investment opportunities for growth.

For 2017 we intend to invest $4.7 billion to enhance the efficiency and reliability of our businesses at PSE&G and at Power. This represents a record amount for PSEG to invest in any one year.

We continue to have the ability to use our financial strength to improve returns. This includes an increase in our capital program, primarily at our regulated utility. Our investment program at PSE&G for the three years ending 2019 will provide for 9% annual growth in rate base.

We plan on providing you with an update of our five-year outlook for capital spending at our annual financial conference on March 6 when we will use our time together to describe what is known and what else may be possible. I truly believe the investment program is exciting for shareholders and customers as it is focused on meeting their needs with a platform that provides reliable, efficient, clean energy at an attractive return.

The strategy we implement over the recent past has transitioned our business mix, as it provided annual growth in earnings. Over the past four years we have achieved annual growth in earnings at PSEG of 4.4%, albeit inclusive of a flat 2016.

We want to outperform our recent past and to do so we must remain focused on our principles of operational excellence, financial strength and disciplined investment. Of course meeting our objectives would not be possible without the significant contribution made by PSEG's dedicated workforce.

The continued successful deployment of free cash flow into regulated investment programs that meet customer needs is expected to support 8.5% growth in our utility Company's net income, at the midpoint of our 2017 guidance. This, then, would represent 66% of Enterprise's forecasted 2017 non-GAAP operating Earnings of $2.80 to $3 per share.

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The Board of Directors' recent decision to increase the common dividend by nearly 5%, or $0.08 per share, on an annual basis to the indicative annual level of $1.72 per share is an expression of confidence in our outlook and an acknowledgment of our strong financial condition. We do see the potential for consistent and sustainable growth in the dividend as an important means of returning cash to our shareholders. I will now turn the call over to Dan for more details on our operating results, and will be available for your questions after his remarks.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Thank you Ralph, and good morning everyone. As Ralph said, PSEG reported non-GAAP operating earnings for the fourth quarter of $0.54 per share versus $0.50 per share for the fourth quarter of 2015. Our earnings in the quarter brought non-GAAP operating earnings for the full year to $2.90 per share, in line with 2015's non-GAAP operating earnings of $2.91 per share and at the upper end of our revised non-GAAP operating earnings guidance for 2016 of $2.80 to $2.95 per share.

On slide 4 we've provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter. We've provided you with information on slide 10 regarding the contribution to non-GAAP operating earnings by business for the quarter.

Slides 11 and 13 contain waterfall charts that take you through the quarter-over-quarter and year-over-year changes in non-GAAP operating earnings by major business. I'll review each Company in more detail, starting with PSE&G.

PSE&G reported net income for the fourth quarter of 2016 of $0.38 per share and that's compared with $0.31 per share for the fourth quarter of 2015, as shown on slide 15. PSE&G's full-year 2016 net income was $889 million, or $1.75 per share, compared with net income of $787 million, or $1.55 per share in 2015 for year-over-year growth of 12.9%.

PSE&G's net income in the fourth quarter continued to benefit from return on its expanded investment in transmission and distribution infrastructure. Net income for the quarter improved by $0.06 per share based on growth in PSE&G's investment in transmission and the absence of an adjustment for bonus depreciation in the year-ago quarter.

More normal weather conditions relative to unseasonably mild weather in the quarter a year ago improved net income by $0.01 per share. A decline in O&M of $0.03 per share and other expenses was offset by an increase in depreciation and taxes.

At the start of 2017, PSE&G implemented $121 million increase in revenue under the Company's transmission formula rate. Transmission revenues are adjusted each year to reflect an update of the Company's investment program. PSE&G's investment in transmission has grown to represent 44%, or $6.7 billion, of the Company's consolidated rate base of $15.2 billion at the end of 2016.

Economic conditions in the service territory are stable. During the quarter weather normalized electric sales were flat compared to the year-ago period, as an increase in demand from the commercial sector offset a decline in sales to residential and industrial customers.

For the year, continued decline in the industrial sector and increases in efficiency offset the positive impact on sales from growth in residential customers. The experience in 2016 is representative of our long-term forecast for electric sales of under 0.5% per year.

Weather normalized firm gas sales declined slightly during the fourth quarter compared to the year-ago quarter and declined 1.9% for the full year. We believe the decline in weather normalized gas sales for the year is due to the extreme weather conditions experienced over the past two years, driving some imprecision in the weather adjustments, and over the long term we forecast annual growth of 0.5% to 1% in firm gas sales.

PSE&G invested $2.8 billion on its transmission and distribution system in 2016, and is forecast to invest an additional $3.4 billion in 2017. We are forecasting growth in PSE&G's net income for 2017 to a range of $945 million to $985 million, and at the midpoint of that range the forecast represents 8.5% growth in net income for the year.

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Now let's turn to Power. As shown on slide 20 PSEG Power reported non-GAAP operating earnings of $0.13 per share compared with non-GAAP operating earnings of $0.19 per share a year ago. The results for the quarter brought Power's full-year non-GAAP Operating Earnings to $514 million, or $1.01 per share, compared to 2015's non-GAAP operating earnings of $653 million, or $1.29 per share.

Power's adjusted EBITDA for the quarter and the year amounted to $155 million and $1.201 billion respectively. This compares with adjusted EBITDA for the fourth quarter of 2015 of $218 million and adjusted EBITDA for the full year of 2015 of $1.435 billion. As of this reporting, the calculation of Power's adjusted EBITDA no longer excludes costs associated with major maintenance activities at Power's fossil generating stations.

The earnings release, as well as the earnings slides on pages 11 and 13, provide you with a detailed analysis of Power's operating earnings quarter over quarter and year over year from changes in revenue and cost. We've also provided you more detail on generation for the quarter and for the year on slides 22 and 23.

PSEG Power's net income for the fourth quarter reflects the impact of incremental depreciation and some other expenses of $555 million that's associated with the decision to retire the Hudson and Mercer coal-fired generating units effective June 1, 2017. The Company's fourth-quarter results also reflect the impact of a decline in energy prices on output and margins.

The decline in the average price received on energy hedges reduced Power's quarter-over-quarter net income by $0.05 per share. Improvements in all system gas sales partially offset the impact of reduced output, resulting in a net reduction of $0.01 per share in quarterly net income comparisons.

During the quarter an increase in O&M expense of $0.03 per share associated with the planned refueling outage of Power's 100% owned Hope Creek nuclear station was offset by a decline in taxes and other items. For the full year lower O&M improved Power's net income by $0.13 per share.

Let's turn to Power's operations, and the output from Power's generating facility was 7.6% lower in the fourth quarter compared to year-ago levels. Quarterly comparisons were affected by the planned refueling outage at Hope Creek, by major maintenance on the Bergen 1 gas-fired combined cycle gas turbine unit during the quarter and by market conditions. For the year, output was 6.7% lower than the amount of energy produced in the prior year.

The nuclear fleet operated at an average capacity factor for the year of 86.9%, producing 29.6 terawatt hours of energy representing 57% of Power's total energy output for 2016. If you recall, the refueling outage at Salem 1 in the spring was extended to replace baffle bolts in the reactor, and Salem 2 was removed from service during a portion of the third quarter to repair a main power transformer. The Salem units each operated at capacity factors in excess of 98% in the fourth quarter.

Power's gas-fired combine cycle fleet operated at an average capacity factor of 57% for the year, producing 16.4 terawatt hours of energy representing 32% of Power's 2016 energy output. The coal-fired fleet, primarily Keystone and Conemaugh, generated 4.8 terawatt hours of energy during the year, producing 9% of Power's 2016 energy output, with the remaining output produced from our peaking assets.

Operation of our gas-fired combine cycle fleet for the year has been affected by the timing of outages and market conditions. Although a compression in market spark spreads could continue to influence output from the combined cycle fleet in the upcoming year, we don't forecast a deterioration in the spark spread earned by the fleet, given the availability and pricing of shale gas.

We've seen an improvement in forward zonal market prices over the quarter, particularly for 2018 and 2019 pricing. The improvement stems from an increase in pipeline capacity moving gas from the Marcellus Basin, as well as transmission repair work which has supported movement of electricity. Over the long term, however, the market prices do remain backward dated.

Overall, Power's gross margin declined slightly to $37 a megawatt hour in the fourth quarter versus $38.83 per megawatt hour in the year-ago quarter. For the year, Power's gross margin was $40.40 per megawatt hour versus $42.25 per megawatt hour last year. Slide 25 provides detail on Power's gross margins for both the quarter and for the year.

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Power's forecasting output for 2017 of 49 to 51 terawatt hours, a slight reduction from the 51.5 terawatt hours of energy produced in 2016. Following completion of the BGS auction in New Jersey earlier this month, Power enters the year with 100% of its 2017 base load generation hedged and approximately 80% to 85% of anticipated annual production hedged at an average price of $46 a megawatt hour.

The percent of output hedged is higher than what we have typically hedged this time of the year, and the difference is the result of a slightly lower generation forecast for the year. For 2018, we forecast annual production of 55 terawatt hours.

Approximately 50% to 55% of 2018's forecast generation is hedged at an average price of $43 a megawatt hour. And for 2019, Power has hedged 15% to 20% of forecasted production of 60 terawatt hours at an average price of $43 per megawatt hour.

Power assumes BGS volumes will continue to represent approximately 11 terawatt hours in 2017, which is consistent with 2016's deliveries of 11.1 terawatt hours under the BGS contract. The forecast increase in output in 2018 and 2019 reflect the commercial start-up in mid-2018 of 1,300 megawatts of new gas fired combine cycle facility at Keys in Maryland and at Sea Warren in New Jersey, and the mid-2019 commercial start-up of the 485-megawatt gas-fired unit at Bridgeport Harbor in Connecticut.

Moving to retail, Power has received approval to operate as a third-party supplier of retail electric energy in both New Jersey and in Pennsylvania. The forecast for 2017 doesn't assume meaningful contribution from retail sales, but Power's team will begin its marketing efforts.

Power's non-GAAP operating earnings for 2017 are forecast at $435 million to $510 million. The forecast represents non-GAAP adjusted EBITDA for the full year of 2017 of $1.080 billion to $1.210 billion.

Moving to Enterprise and Other. Enterprise and Other reported net income for the fourth quarter of $11 million, or $0.02 per share, which compares to net income of $4 million for the fourth quarter of 2015. For the full year, Enterprise and Other reported a net loss of $20 million, or $0.04 per share, compared to net income in 2015 of $36 million, or $0.07 per share.

Net income in the fourth quarter and the full year 2016 include a pretax charges of $10 million and $147 million respectively related to impairment of leverage lease residual values and an estimated loss as a result of liquidity issues currently facing NRG REMA. Non-GAAP operating earnings for Enterprise and Other in the fourth quarter were $17 million, or $0.03 per share, compared to $4 million in the year-ago quarter. The results for the fourth quarter brought full year 2016 non-GAAP operating earnings from Enterprise and Other to $72 million, or $0.14 per share, compared to $36 million, or $0.07 per share in 2015.

Excluding the issues related to the leases, the improvement in non-GAAP operating earnings reflects the absence of certain corporate expenditures as well as contractual payments associated with the operation of PSEG Long Island and certain tax items. For 2017, non-GAAP operating earnings for Enterprise and Other are forecasted at $35 million.

I'd now like to spend a moment on the subject of tax reform and as you all know, it's very early in the process. But that said, we have evaluated the impact on PSEG of key changes to the tax code that are being discussed that you have no doubt familiarize yourself with over the past quarter. Slide 31 provides an overview of these key issues.

Overall we believe PSEG is well positioned and would benefit from a decline in the federal tax rate due to Power's contribution to earnings and our strong balance sheet. We anticipate any reduction in federal taxes at PSE&G would be passed through to our utility customers, and we also anticipate that customer rates would decrease as excess deferred income taxes are returned to customers.

The payback period, as you know, is unknown at this point. But our strong balance sheet puts us in a position to comfortably manage that return of cash to customers.

You should also expect that our November 2017 distribution base rate filing at PSE&G would reflect any changes in federal taxes that would be known at that time. The proposed changes in federal taxes are expected to improve PSEG's and Power's after-tax earnings and cash flow, and we estimate that given our low debt levels the impact of deductibility of interest expense would be moderate to us versus our peers, as would potential

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loss of deductibility of our relatively low property taxes paid by Power. We do bear the risk of a border adjustment tax on our nuclear fuel, but on balance we believe we are well positioned for the elements of tax reform that are currently being discussed.

Next I'd like to provide a brief update on our pension. Pension and OPEB expense in 2017 is expected to be $22 million lower than our 2016 level of expense. Contributing to that reduction was a merger of our three qualified defined benefit pension plans and the assets of those plans into a single plan.

As a result, total pretax net periodic benefit costs are expected to decrease by $48 million in 2017 from what they would have been, but for the merger of the plans. This is due to a change in the amortization period for gains and losses for the merged plan resulting in a lower amortization expense than that of the individual plans. Returns on our pension fund in 2016 exceeded our targets, and at year end the pension plan was well funded with no anticipated funding required over our five-year planning horizon.

With respect to financing, as Ralph mentioned our financial condition remained strong. We closed 2016 with $423 million of cash on hand and debt representing 47% of our consolidated capital position.

Debt at Power represents approximately 29% of its capital base. At year end Power's debt position was just over 2.1 times the midpoint of our forecast for Power's non-GAAP adjusted EBITDA for 2017.

During the fourth quarter PSEG issued $700 million of three- and five-year Senior Notes at favorable interest rates. We plan to provide you with an updated five-year view of capital spending at our annual financial conference on March 6.

We are guiding to non-GAAP operating earnings for 2017 of $2.80 to $3 per share, in line with our 2016 operating results, as forecast growth at PSE&G offsets lower energy prices on Power's income. The common dividend was recently increased 4.9% to the indicative annual level of $1.72 per share, which represents the 13th increase in the last 14 years and builds on a 3.9% average annual growth in the dividend over the last 10 years. And with that, we're ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Greg Gordon with Evercore. Please go ahead.

Greg Gordon - *Evercore ISI - Analyst*

Hey, good morning. Thank you.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning, Greg.

Greg Gordon - *Evercore ISI - Analyst*

Please correct me if I'm wrong, but I just was looking at the guidance that you last gave on a segment basis on the Q3 call versus the actual results. And it looks like PSE&G net income came in slightly below the low end of the higher articulated guidance range, but PSE&G Power had a phenomenal

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year, at least relative to what you thought at the end of the third quarter. Can you compare your last articulated segment guidance against the year-end results and explain where things were consistent with or inconsistent with where you thought you were going to end up the year?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

I'll give that to Dan, Greg. Good morning. I think basically we had a pretty cold December and great O&M control and then a tax issue with the utility, but Dan, you want to -- ?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

That's exactly it, Greg. There was a tax issue that's not a ongoing issue, it was a one-time tax item at the utility that brought them just below. And Power just did a great job of controlling costs as we went through the balance of the year.

Greg Gordon - *Evercore ISI - Analyst*

Okay, great. When we think about the guidance for 2017 then, whatever that -- and I can go over it with Kathleen offline, whatever tax issue you had is normalized in terms of expectations?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

That's exactly right, Greg.

Greg Gordon - *Evercore ISI - Analyst*

Okay, fantastic. When you talk about the -- sorry to focus on the tax stuff because who knows three months from now, we may wind up not having any tax bill at all (laughter). But one of your other competitors that's a large nuclear generator did point out that they thought that there was a significant exposure on border tax on uranium costs since we now unfortunately import the majority of our uranium.

Is that theoretically true? But in the longer term if that were the case, are there domestic sources of uranium that would be quickly brought online to mitigate that?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Greg, as we think about it, we spend about $200 million a year on nuclear fuel and a little more than half of that is sourced outside the US. We share that issue, obviously not to a major extent from the standpoint of the overall impact on Enterprise.

But if you think about a border tax trying to encourage domestic production, I don't know that there's any way it would get you all the way there from the ability to source what the industry needs domestically. That said, that doesn't mean that you wouldn't necessarily have it as part of tax reform. So we're aware of the issue, watching the issue, and that would be an area where it would have an impact on us.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

And Greg, just at the risk of getting into too much detail, remember when we say nuclear fuel that's our complicated noun to use because there's a whole bunch of processing that goes along with it. So when I say half of it is outside, it doesn't mean that from uranium cake to fuel rod we do half of that in the country and half of it outside the country.

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All parts of it are touched outside the country. So, if this is an attempt to bring this product into the nation, we don't know how that's going to be doable.

Greg Gordon - *Evercore ISI - Analyst*

Okay. Thank you guys, take care.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Thanks.

Operator

Your next question comes from the line of Julian Dumoulin-Smith with UBS. Please go ahead.

Julien Dumoulin-Smith - *UBS - Analyst*

Hey, good morning guys.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Hi, Julian.

Julien Dumoulin-Smith - *UBS - Analyst*

Just to finalize that question, just to make sure I heard you right on the nuclear fuel piece. You should assume the vast majority of the fuel CapEx is subject to the border adjustability tax?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Since the laws aren't written it's going to be tough to say, but there's different components going from uranium to enrichment to fabrication along the way. And those steps are more external than internal to the US. However they would make the determination to apply any kind of a border tax that isn't written as yet, we would apply that against the components of how that comes together.

We're grasping a little bit at trying to define a number around something that doesn't exist. But if we think about it, a little more than half of the aggregate cost seems like it might qualify to be non-domestically sourced.

Julien Dumoulin-Smith - *UBS - Analyst*

Right, got it. Then vis-a-vis your cash taxes, can you remind us exactly where you stand today and what your effective and cash tax rates would be as you look at the forecasted future?

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Client Id: 77

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Future would not include any tax reform, I presume. As we think about overall tax profile, we are a taxpayer and get a little close to not being one into this year, depending on where the results go, and then move back into a tax paying position.

Julien Dumoulin-Smith - *UBS - Analyst*

Got it, all right. Then turning to the CapEx bucket, your GSMP program, do you have plans to increase that going into the rate case? Can you remind us of the potential upside there as you see it in terms of the next filing?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Sure, Julian. (Technical difficulties). At the $300 million a year run rate adjusted for inflation going forward, we think that's a 30-year program. So that means we have 27 more years after this first tranche of GSMP. You remember we were operating at a $300 million a year run rate and we have gained confidence that we can push that number up higher. I'd rather leave the details of that discussion for March 6, but it will be -- we certainly have the capabilities to do more than $300 million a year, which would of course shorten the 27 years proportionately.

Julien Dumoulin-Smith - *UBS - Analyst*

Got it. Thank you very much.

Operator

Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

Travis Miller - *Morningstar - Analyst*

Good morning, thank you.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Hi, Travis.

Travis Miller - *Morningstar - Analyst*

I was wondering if you could update us, Ralph, on your thoughts about the retail business? The speed at which you would like to ramp that up, the extent to which you might ramp that up relative to the generation output?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Our philosophy hasn't changed. Remember this is primarily a defensive move on our part. We did make clear that we were looking at possibly trying to find a couple tuck-in niche acquisitions, but we have not.

We've opted to pursue this organically, building the capability in house. We still are targeting between 5 and 10 terawatt hours at its maturity. We have received licenses to market in Eastern Pennsylvania and in New Jersey.

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Client Id: 77

We have a head of the operation onboard that we've hired and a couple support folks, and are talking to people about some of the back-office fundamentals that we don't want to build on our own. Don't forget, we still have BGS, which is 11 terawatt hours of our 50 terawatt hours, round numbers, that is essentially a retail product.

What we're looking to do here is to basically claw back some of the BGS that over years had gone away either by some combination of migration or changing of thresholds for the BGS customer. We think that it will help us capture some lost margin and improve our management of basis differentials. I think from the point of view of organic growth I'm pleased with the approach. It makes it harder, but it does make it more profitable if done this way.

Travis Miller - *Morningstar - Analyst*

Got it, thanks. Then within that retail business, would you think about doing anything unique like energy services or C&I energy management, anything like that or are we just talking plain retail?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

No, this is plain retail capturing better margin for our hardware that exists.

Travis Miller - *Morningstar - Analyst*

Got it. Okay. Thanks so much.

Operator

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

Michael Lapides - *Goldman Sachs - Analyst*

Hi, guys. Congrats on a good 2016. I want to come back to the utility and the commentary about CapEx. I think if I read the release correctly, you said $10.2 billion of total CapEx for the entire Company over the next three years and 77% of that is the utility. That's kind of roughly $7.8 billion of utility CapEx.

But then, and I may have misheard this, I thought you said that 2017's CapEx at the utility is $3.4 billion. That would leave $4.5 billion for 2018 and 2019, which implies $2.2 billion a year roughly. That's a pretty big step down in PSE&G's CapEx.

A, I want to make sure I heard that correctly. B, could you walk us through whether that's the number you're likely to lay out at the Analyst Day, or at the Analyst day are you going to update that number? What are things that are not included that could wind up in there when we think about the next couple of years?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Okay, Michael. Well, first of all, good morning. Thanks for the nice words. Yes, you heard the numbers correctly. This is our age-old problem that you now have grown accustomed to where the out years have in the past grown beyond what we predict them to be in the current time frame. What we will do at the Analyst Day is try to explain to you what's been approved, what's about to be filed, what we have confidence in in terms of being a mere extension of existing programs, and we're actually going to expand a little bit at the Analyst Day to give you a little bit more insights

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Client Id: 77

into what I'd call our opportunity set, our drawing board, things which we were always working on but we normally don't bake into our bar chart showing five-year growth.

At the risk of doing the preview with details on the News at 11 you are once again going to see a five-year set of numbers that are higher than what we thought they were going to be last year at this time. That just seems to be the natural trend. I wish I would always get it right in terms of the prediction, but the out years are always less certain. So yes, you heard it correctly.

Michael Lapides - *Goldman Sachs - Analyst*

Right. It just seems in this -- and I want to make sure I understand. The CapEx you're likely to layout at the Analyst Day will differ from the $10.2 billion total number that you put in today's release, or will those two, for just the next three years, be the same number and you'll give a lot more detail about drivers and what could change it?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

In terms of three years what we'll show you is stuff that we didn't include and why we didn't include it. Then we'll explain the five-year view for you.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. The only reason I ask is that when I go back over the last decade, it's really years three through five where you show a cliff in the slide deck at the Analyst Day, and then as we got closer to year three and year four those numbers would come up. The only thing that differs from the detail this time is now it's FY2, meaning it's the 2018 number where you kind of assume a $2.2 billion if you just assumed 2018 and 2019 were the combined equal amount of what's left over. I'm just wondering, are we reaching a point where CapEx at PSE&G is starting to moderate?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

So I think that your observations are accurate, that the turnover generally occurred in years -- the flattening occurred in year three and the turnover in four and five. The other observation I'd offer, though, is that this year is a record-breaking year for PSE&G CapEx.

I think it's a combination of GSMP and Energy Strong in tandem and Solar For All in tandem with still some major transmission work going on in the Bergen Linden Corridor that's feeding a record-breaking year so that year four and year five is coming up a little bit earlier this time. But that won't change the 9% growth in rate base, which is off of a higher base and a larger capital program than we've had in the prior years and the prospects for even more to come.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. And one thing, in thinking about rate base calcs, what is the bonus D&A impact on rate base over the next couple of years?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

It's in the numbers that we're providing. I don't have a separate breakout of what the implications of that were. We can get you a little bit of color on those numbers, but we've broken out with the total cash flow aspect is, and then that will ripple through based upon timing.

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Client Id: 77

Michael Lapides - *Goldman Sachs - Analyst*

Got it, thanks. I can follow up with Kathleen. Much appreciated, Ralph, Dan. Much obliged.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Thank you, Michael.

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates. Please go ahead.

Paul Patterson - *Glenrock Associates - Analyst*

Good morning.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

Really quickly. The leases, they were, as I understand, last quarter they were all being paid. Is that still the case?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Everything is still current on them, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

And what is the earnings impact associated with these leases for 2017? Is it anything significant?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Not a significant contribution to the ongoing earnings, no.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. That's my only question. Everything else has been asked. Thanks.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Thanks. Paul.

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Client Id: 77

Operator

Your next question comes from the line of Praful Mehta with Citigroup. Please go ahead.

Praful Mehta - *Citigroup - Analyst*

Hi. Thanks so much.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Good morning.

Praful Mehta - *Citigroup - Analyst*

My first question was on the O&M operation. You said the Q4 Power costs were low and were run efficiently. Wanted to understand, is that a one-time thing? What drove that, and can that be replicated going forward or is that already reflected in your guidance?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Yes. So our O&M forecast for 2017 is clearly included within the guidance for 2017, and we continue to manage as efficiently as we can within the facilities that we have. I guess the items that I would think about as you move through time, and Ralph referenced maybe some of the operational aspects as opposed to cost specific, but you will see Hudson and Mercer coming off from the standpoint of those units retiring.

And you will see as time moves on with some new units coming on in the retail operation coming together, you will see some costs come back on for more productive purposes. But we have operated the Power business at an extremely efficient O&M trajectory, and if you look over the last five years or so, our O&M is basically debt flat.

Praful Mehta - *Citigroup - Analyst*

Gotcha, and that's helpful. Any perspective on PJM capacity prices? How do you see all the supply that could impact the upcoming auction option, any view on that at all?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Yes, we never forecast what that is going to be, largely because we don't know what that's going to be. I think what we are paying careful attention to, and I suspect everyone on the call is as well, is this first of a kind footnote by PJM that they may have to revisit some of the reliability parameters in PS Zone and the PS North in particular. That's something we all expect to see updated prior to May.

I know that we have lodged some questions with PJM about some of the reliability assumptions made. These seem to emanate from the change in the wheeling circumstances associated with the New York ISO. So no, we don't forecast, we don't predict to the outside world.

We obviously do a lot of analysis inside about what we think may happen. But right now I believe the parameters unfortunately are in a bit of flux and they need to be fixed sooner rather than later.

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Praful Mehta - *Citigroup - Analyst*

Gotcha. Finally quickly on the tax reform side, you said with the reduction of corporate tax rate, obviously the excess deferred tax liability, whatever you revalue, you'll have to refund back to customers. Can you give us a sense of what that size is and what you expect in terms of time frame if you had to refund that?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

The second question is the harder one to answer because it is not determined yet where that's necessarily going to come from. That could be legislated as part of what ultimately may come out or be left to the regulatory agencies to make that determination. So we don't know.

If you look back to 1986 there was something called the average rate adjustment method which was painfully complex and pushed the excess back on a unit by unit or a class by class as the timing differences changed. It was very structured and very complex, and pushed them back over a long period of time. As it stands right now we don't know what that method is going to be because nothing is in place as yet, but that's just look back to history.

If you take a look, you can see just by going through the overall tax footnotes and looking at the aggregate deferred taxes that we have and grossing up a 35 and pulling down it, whatever rate you think the rate's going to go to. You'd have to determine whether you had a 15%, a 20% rate or something else based upon what gets legislated, but if you're in that range you're probably approaching about $2 billion of excess deferreds, just by doing that math off the footnote of the 10K.

Praful Mehta - *Citigroup - Analyst*

Gotcha. Thanks so much, guys.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

You're welcome.

Operator

Your next question comes from the line of Anthony Crowdell with Jefferies. Please go ahead.

Anthony Crowdell - *Jefferies LLC - Analyst*

Good morning. I just have hopefully one quick question. The midpoint of the utility guide, $945 million to $985 million, what's the assumption on earned ROE?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

That's not changing this year for any reasons that we could think of, Anthony. We're looking at each other right now say, does somebody knows something that we don't.

The rate case filing for base distribution will go in in November. My guess is those rates will be effective sometime either late in 2018 or January 1, 2019.

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Our FERC formula rate has already gone through for January 1. Our clauses are all baked in already at varying degrees from 9.75% to 10%, so there's no allowed ROE impact this year that I can think of.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Ultimately it becomes the sum product of all those different rates and programs.

Anthony Crowdell - *Jefferies LLC - Analyst*

I guess, have you provided what that sum product is that you're assuming for 2017 or no?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

No.

Anthony Crowdell - *Jefferies LLC - Analyst*

Okay, thank you.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

You're welcome.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie. Please go ahead.

Angie Storozynski - *Macquarie Research Equities - Analyst*

Thank you. Just a quick question on the Enterprise and Other. Can you help me with modeling of the future earnings [power] of the segment?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Yes far and away the biggest component there is PSEG Long Island, and that's about a $0.07 to $0.08 benefit in the aggregate. Beyond that there's a little bit of corporate expenses and a little bit of interest, but mainly if you think about that as just being PSEG Long Island you'd be pretty close.

Angie Storozynski - *Macquarie Research Equities - Analyst*

So why was there a step-down between -- why is there a step-down between 2016 and 2019 -- 2017, I'm sorry.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Yes, we had a tax benefit that came through this year which is a one-time item which would not be replicated on a go forward basis.

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Angie Storozynski - *Macquarie Research Equities - Analyst*

Okay. Then for Long Island, should I just keep it flat? Is there any growth embedded in the contract?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Yes, there's growth basically on a CPI oriented growth. There's no step change that you should expect from that business.

Angie Storozynski - *Macquarie Research Equities - Analyst*

Okay, thank you.

Operator

Your next question comes from the line of Ashar Khan with Visium. Please go ahead.

Ashar Khan - *Visium Asset Management - Analyst*

My questions have been answered. Thank you so much.

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Hi, Ashar.

Operator

Your next question comes from the line of Andy Levi with Avon Capital Advisors.

Andy Levi - *Avon Capital Advisors - Analyst*

Hey, guys. How you doing?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Hi, Andy.

Andy Levi - *Avon Capital Advisors - Analyst*

Just two quick questions. Just on 2019 on your hedges, the $43 on the base load seems like a very attractive price relative to what shows up on various different -- like Bloomberg for example. Just wondering the time frame when you hedged that and how you were able to get a $43 price, which is very attractive.

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Client Id: 77

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

Nothing new there, Andy. What we have always done and continue to do is as we try to capture items like a full requirements contract like BGS, we strip out the capacity component of it and it leaves you with some of the actual non-energy elements that remain in there. As you look that far out, that's a bigger proportion of what the hedged amount is, so that's what it gets you to.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

But it's consistent with what we've done whenever we give you our hedge [profile].

Andy Levi - *Avon Capital Advisors - Analyst*

That, just make sure I understand it because I'm not that smart at times. So that percent that you show there, that's mainly from BGS? Is that what you're saying?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

About half of it is BGS.

Andy Levi - *Avon Capital Advisors - Analyst*

Half of it is's BGS, got it. Second question is, and I don't know if you disclosed this already, but what is the PSE&G, the utility's, CapEx for 2017?

Dan Cregg - *Public Service Enterprise Group Inc - EVP & CFO*

That was the $3.4 billion.

Andy Levi - *Avon Capital Advisors - Analyst*

$3.4 billion, okay. I did hear that correctly, okay. Then I guess I can discuss the rest with Kathleen afterwards. Thank you very much.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

She's not going to tell you how we hedge so smartly. She's not going to give away those trade secrets to you.

Andy Levi - *Avon Capital Advisors - Analyst*

Okay thanks.

Operator

(Operator Instructions)

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

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Michael Lapides - *Goldman Sachs - Analyst*

Hey, guys. Real quick follow-up on the balance sheet. You've talked previously about how much balance sheet capacity, or excess balance sheet capacity you maintain. Can you give an update on that?

And if CapEx does start to moderate at the utility some, and we know that once the gas plants come online at Power we'll start seeing CapEx moderate, and probably early, mid next year there as well. How you think about utilizing that balance sheet?

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

So thanks for the follow-up question, Michael, and your arithmetic was right before. I just want to be cautious about the use of moderation for the utility capital program as a general characterization because it's anything but. We'll talk in greater detail about that, and we'll also give you some specifics on residual investment capacity, and there is a healthy amount of residual investment capacity that we'll expand about.

That is the primary reason why we plan to do something a little bit new on the following Monday and talk about the opportunity set, albeit with a heavy dose of qualifying that opportunity set as, this is the stuff that's on the drawing board that oftentimes never gets to a filing, and even after filing oftentimes gets trimmed, right? But we just want to show you the reason why we like having that investment capacity because we're always thinking of things that are important to customers that we can do for them.

Michael Lapides - *Goldman Sachs - Analyst*

Got it. Thank you, Ralph. Much appreciated.

Operator

Mr. Izzo and Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo - *Public Service Enterprise Group Inc - Chairman, President & CEO*

Great, thanks, Brent. Thanks everyone for being on the call. We hope the results for 2016 and the outlook for 2017 help you understand that our strategy is successfully meeting the challenges of the market today.

We will be in New York on March 6 at the Stock Exchange and hope you'll join us for our annual review of our business, both the three- and five-year look going forward. Presumably your takeaways, at least what we tried to communicate to you, is that our balance sheet remains strong.

As we just discussed with Michael and with the rest of you, our capacity for growth exists beyond the 9% rate base that we've talked about and the completion of the projects at Power that are going to add 1,800 megawatts of efficient combined cycle. We will give you a little bit more information on the range of utility opportunities and what our ongoing efforts will be to position Power's portfolio for maximum returns.

In the meantime, as much as it pains me to say, please enjoy this wonderful weather. Hopefully we'll see you bundled up in Manhattan in about seven days. Take care everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. Thank you for your participation. You may now disconnect.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2016 RESULTS

NET INCOME OF $1.75 PER SHARE

Non-GAAP Operating Earnings of $2.90 Per Share

Common Dividend Increased 4.9%

Non-GAAP 2017 Operating Earnings Guidance $2.80 - $3.00 Per Share

(February 24, 2017 – Newark, NJ) Public Service Enterprise Group (PSEG) reported 2016 Net Income of $887 million, or $1.75 per share as compared to Net Income of $1,679 million, or $3.30 per share for 2015. Non-GAAP Operating Earnings for the year 2016 were $1,475 million or $2.90 per share compared to 2015 non-GAAP Operating Earnings of $1,476 million or $2.91 per share. Net Income for 2016 was largely impacted by expenses associated with the early retirement of coal-gas units at the Hudson and Mercer generating stations and reserves for a leveraged lease impairment. Net Income for 2015 includes insurance proceeds for the recovery of storm costs.

PSEG also reported a Net Loss for the fourth quarter of 2016 of $98 million, or $0.19 per share. This compares to fourth quarter 2015 Net Income of $309 million, or $0.60 per share. Non-GAAP Operating Earnings for the fourth quarter of 2016 were $279 million, or $0.54 per share compared to fourth quarter 2015 non-GAAP Operating Earnings of $255 million, or $0.50 per share. Net Loss in the fourth quarter reflects the impact of incremental depreciation expense and other expenses of $555 million pre-tax associated with the early retirement of the Hudson and Mercer coal/gas-fired generating stations.

“We delivered strong results in 2016 with full year non-GAAP Operating Earnings solidly within the range of our guidance” said Ralph Izzo, chairman, president and chief executive officer. “Continued growth at our regulated utility and a disciplined approach to expenses across Enterprise supported results. The Board’s recent decision to increase the common dividend by 4.9% to the indicative annual level of $1.72 per share represents confidence in our firm’s investment strategy and an acknowledgment of our strong financial condition.”

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG’s financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the previously noted Hudson and Mercer retirements and lease impairment.

The tables below provide a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the full year and fourth quarter. See Attachment 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED RESULTS (unaudited)
Full-Year Comparative Results
2016 and 2015

	Income ($ millions)		Diluted Earnings Per Share	
	2016	**2015**	**2016**	**2015**
Net Income	$ 887	$1,679	$1.75	$3.30
Reconciling Items*	588	(203)	1.15	(0.39)
Non-GAAP Operating Earnings	**$1,475**	**$1,476**	**$2.90**	**$2.91**
		Avg. Shares	**508M**	**508M**

*See Attachment 11

PSEG CONSOLIDATED RESULTS (unaudited)
Fourth Quarter Comparative Results
2016 and 2015

	Income/(Loss) ($ millions)		Diluted Earnings Per Share	
	2016	**2015**	**2016**	**2015**
Net Income/(Loss)	$(98)	$309	$(0.19)	$0.60
Reconciling Items*	377	(54)	0.73	(0.10)
Non-GAAP Operating Earnings	**$279**	**$255**	**$0.54**	**$0.50**
		Avg. Shares	**508M**	**508M**

*See Attachment 11

Ralph Izzo went on to say, "We continue to pursue opportunities to enhance earnings and reduce financial risk. Actions to transition our business mix in response to changing market conditions have supported earnings. For 2017, we forecast non-GAAP Operating Earnings of $2.80 - $3.00 per share. Based on the growth in our regulated utility's investment program, PSE&G's Net Income is forecast to grow 8.5% at the mid-point of 2017's guidance to represent 66% of our forecast non-GAAP Operating Earnings. Our investment program, coupled with the impact from retirement of Hudson and Mercer (which is excluded from our non-GAAP Operating Earnings) is expected to improve the resiliency of our infrastructure and the economic efficiency of our generating fleet. Our ultimate goal is to provide an attractive earnings and dividend profile as we also deliver value to the customer. Our balance sheet remains strong, and we are well positioned to meet our goals."

The following table outlines PSEG's 2016 non-GAAP Operating Earnings by subsidiary and expectations for 2017.

2017 Non-GAAP Operating Earnings Guidance and
2016 Non-GAAP Operating Earnings
($ millions, except EPS)

	2017E	2016A
PSE&G	$945 - $985	$889
PSEG Power	$435 - $510	$514
PSEG Enterprise/ Other	$35 - $35	$72
Non-GAAP Operating Earnings	$1,415 - $1,530	$1,475
Non-GAAP EPS	$2.80 - $3.00	$2.90

E = Estimate A= Actual

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 5 and 6 for detail regarding the quarter-over-quarter and year-over-year reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $193 million ($0.38 per share) for the fourth quarter bringing full year Net Income to $889 million ($1.75 per share). On a comparative basis, PSE&G reported Net Income of $156 million ($0.31 per share) and $787 million ($1.55 per share) for the fourth quarter and full year 2015, respectively.

PSE&G's Net Income in the fourth quarter continued to benefit from a return on its expanded investment in transmission and distribution infrastructure.

Growth in PSE&G's investment in transmission, and the absence of an adjustment to Net Income for bonus depreciation in the year-ago quarter improved quarter-over-quarter Net Income comparisons by $0.06 per share. More normal weather conditions relative to unseasonably mild weather in the year-ago quarter improved Net Income by $0.01 per share. A decline in O&M of $0.03 per share and other expenses was offset by an increase in depreciation expense and taxes.

PSE&G implemented a $121 million increase in revenue under the company's transmission formula rate on January 1, 2017. Transmission revenues are adjusted each year to reflect an update of the company's investment program. PSE&G's investment in

transmission grew to $6.7 billion of rate base at the end of 2016, or 44% of the company's consolidated rate base of $15.2 billion at the end of the year.

Electric sales, on a weather-normalized basis, were flat in the fourth quarter compared to the year-ago period as an increase in demand from the commercial sector offset a decline in sales to residential and industrial customers. For the year, the continued degradation of the industrial sector and increases in efficiency offset the impact of residential customer growth on sales. Weather-normalized firm gas sales declined slightly during the fourth quarter compared to the year-ago quarter and declined 1.9% for the full year.

PSE&G invested $2.8 billion during 2016 to upgrade and expand its transmission and distribution system. PSE&G upgraded 177 miles of gas pipes in more than 80 towns as it continues work under its three-year $905 million Gas System Modernization Program. Upgrades to the electric distribution system continue under the $1.2 billion Energy Strong infrastructure program.

For the 15th year in a row, PSE&G's work to protect and strengthen the system yielded recognition as the most reliable electric utility in the Mid-Atlantic.

PSE&G's Net Income for 2017 is forecasted at $945 million - $985 million.

PSEG Power

PSEG Power reported a Net Loss of $302 million ($0.59 per share) in the fourth quarter of 2016 versus Net Income of $149 million ($0.29 per share) for the fourth quarter of 2015. For the full year 2016, PSEG Power reported Net Income of $18 million ($0.04 per share) versus Net Income for the full year 2015 of $856 million ($1.68 per share).

PSEG Power reported non-GAAP Operating Earnings of $69 million ($0.13 per share) for the fourth quarter of 2016 and non-GAAP Adjusted EBITDA of $155 million bringing full year non-GAAP Operating Earnings to $514 million ($1.01 per share) and non-GAAP Adjusted EBITDA to $1,201 million. On a comparative basis, PSEG Power reported non-GAAP Operating Earnings of $95 million ($0.19 per share) and non-GAAP Adjusted EBITDA of $218 million for the fourth quarter of 2015 and non-GAAP Operating Earnings of $653 million ($1.29 per share) and non-GAAP Adjusted EBITDA of $1,435 million for the full year 2015.

Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed

or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. See Attachment 12 for a complete list of items excluded from Net Income in the determination of non-GAAP Adjusted EBITDA. The presentation of non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Power's Net Loss for the fourth quarter reflects the impact of incremental depreciation and other expenses of $555 million pre-tax associated with the decision to retire the Hudson and Mercer coal/gas-fired generating stations on June 1, 2017. The company's fourth quarter results also reflect the impact of a decline in energy prices on output and margins.

A decline in the average price received on energy hedges reduced Power's quarter-over-quarter non-GAAP Operating Earnings by $0.05 per share. A reduction in output was partially offset by an improvement in off-system gas sales resulting in a net reduction of $0.01 per share in quarterly Net Income(Loss) comparisons. An increase in O&M expense of $0.03 per share associated with the cost of a planned refueling at Power's 100% owned Hope Creek nuclear station was offset by a decline in taxes and other items.

Output from Power's generating facilities was 7.6% lower in the fourth quarter compared to year-ago levels. Quarterly comparisons were affected by the refueling outage at Hope Creek, major maintenance on the gas-fired CCGTs during the shoulder period in the market and lower demand. For the year, output was 6.7% lower. The nuclear fleet operated at an average capacity factor of 86.9% producing 29.6 TWh of energy (57% of total energy output for 2016). Power's gas-fired CCGT fleet operated at an average capacity factor of 57.2% for the year producing 16.4 TWh of energy (32% of 2016's total energy output). The coal-fired fleet (primarily Keystone and Conemaugh) generated 4.8 TWh of energy during the year (9% of 2016's total energy output) with the remaining output produced from Power's peaking generating assets.

Power is forecasting output for 2017 of 49 - 51 TWh – a slight change from 51.5 TWh of energy produced in 2016. Following completion of the Basic Generation Service (BGS) auction in New Jersey in February 2017, Power enters the year with 100% of its 2017 baseload generation hedged. Approximately 80% - 85% of anticipated annual production is hedged at an average price of $46 per MWh. Power has hedged approximately 50 - 55% of its forecast generation in 2018 of 55 TWh at an average price of $43 per MWh. For 2019, Power has hedged 15 - 20% of forecast production of 60 TWh at an average price of $43 per MWh. Power assumes BGS volumes will represent approximately 11TWh in 2017 – consistent with 2016 deliveries of 11.1TWh under the BGS contract.

The forecast increase in output for 2018 and 2019 reflects the commercial start-up in mid-2018 of 1,300 MWs of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 MW gas-fired combined cycle power plant at Bridgeport Harbor, Connecticut.

Power's non-GAAP Operating Earnings for 2017 are forecast at $435 - $510 million. The forecast represents non-GAAP Adjusted EBITDA for the full year 2017 of $1,080 – $1,210 million.

Due to the forward looking nature of non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income for the fourth quarter of 2016 of $11 million ($0.02 per share) compared to Net Income of $4 million for the fourth quarter of 2015. For the full year, PSEG Enterprise/Other reported a Net Loss of $20 million, ($0.04 per share) compared to Net Income in 2015 of $36 million ($0.07 per share). Net Income for the fourth quarter and full year 2016 include pre-tax charges of $10 million and $147 million, respectively related to an impairment of leveraged lease residual values and an estimated loss as a result of liquidity issues currently facing NRG REMA.

Non-GAAP Operating Earnings for PSEG Enterprise/Other in the fourth quarter 2016 were $17 million ($0.03 per share) compared to $4 million in the year-ago quarter. The results for the fourth quarter brought PSEG Enterprise/Other non-GAAP Operating Earnings for the full year to $72 million ($0.14 per share) versus $36 million ($0.07 per share) in 2015.

The increase in non-GAAP Operating Earnings quarter-over-quarter reflects the absence of certain corporate expenditures as well as certain tax items at PSEG Energy Holdings and contractual payments associated with the operation of PSEG Long Island.

For 2017, non-GAAP Operating Earnings for PSEG Enterprise/Other are forecast to be $35 million.

Capital Expenditures

PSEG currently plans to invest approximately $10.2 billion over 2017 – 2019 primarily in PSE&G (77%) and PSEG Power (23%).

Pension Expense

PSEG, at the end of 2016, merged its three qualified defined benefit pension plans and the pension plans' assets into one plan. As a result, total net periodic benefit costs are

expected to decrease by approximately $48 million (net of amounts capitalized) in 2017 from what they would have been without the merger of the plans, and total periodic benefit expense in 2017 is also expected to be $22 million lower than 2016's level of expense. This is due to a change in the amortization period for gains and losses for the merged plan which resulted in lower amortization than that of the individual plans.

FORWARD-LOOKING STATEMENTS

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;

- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The “Email Alerts” link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended December 31, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,090	$ (306)	$ 1,475	$ 921
OPERATING EXPENSES				
Energy Costs	675	(418)	588	505
Operation and Maintenance	793	92	365	336
Depreciation and Amortization	797	8	153	636
Total Operating Expenses	2,265	(318)	1,106	1,477
OPERATING INCOME (LOSS)	(175)	12	369	(556)
Income from Equity Method Investments	2	-	-	2
Other Income and (Deductions)	24	(1)	21	4
Other-Than-Temporary Impairments	(3)	-	-	(3)
Interest Expense	(97)	(4)	(75)	(18)
INCOME (LOSS) BEFORE INCOME TAXES	(249)	7	315	(571)
Income Tax Benefit (Expense)	151	4	(122)	269
NET INCOME (LOSS)	**$ (98)**	**$ 11**	**$ 193**	**$ (302)**
Reconciling Items Excluded from Net Income (Loss) [b]	377	6	-	371
OPERATING EARNINGS (non-GAAP)	**$ 279**	**$ 17**	**$ 193**	**$ 69**
Earnings Per Share				
NET INCOME (LOSS)	**$ (0.19)**	**$ 0.02**	**$ 0.38**	**$ (0.59)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.73	0.01	-	0.72
OPERATING EARNINGS (non-GAAP)	**$ 0.54**	**$ 0.03**	**$ 0.38**	**$ 0.13**

Three Months Ended December 31, 2015

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,278	$ (206)	$ 1,402	$ 1,082
OPERATING EXPENSES				
Energy Costs	684	(343)	546	481
Operation and Maintenance	808	110	389	309
Depreciation and Amortization	254	9	180	65
Total Operating Expenses	1,746	(224)	1,115	855
OPERATING INCOME	532	18	287	227
Income from Equity Method Investments	2	(1)	-	3
Other Income and (Deductions)	17	(21)	18	20
Other-Than-Temporary Impairments	(8)	-	-	(8)
Interest Expense	(102)	2	(77)	(27)
INCOME (LOSS) BEFORE INCOME TAXES	441	(2)	228	215
Income Tax Benefit (Expense)	(132)	6	(72)	(66)
NET INCOME	**$ 309**	**$ 4**	**$ 156**	**$ 149**
Reconciling Items Excluded from Net Income (b)	(54)	-	-	(54)
OPERATING EARNINGS (non-GAAP)	**$ 255**	**$ 4**	**$ 156**	**$ 95**
Earnings Per Share				
NET INCOME	**$ 0.60**	**$ -**	**$ 0.31**	**$ 0.29**
Reconciling Items Excluded from Net Income (b)	(0.10)	-	-	(0.10)
OPERATING EARNINGS (non-GAAP)	**$ 0.50**	**$ -**	**$ 0.31**	**$ 0.19**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

	Year Ended December 31, 2016			
	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 9,061	$ (1,183)	$ 6,221	$ 4,023
OPERATING EXPENSES				
Energy Costs	3,001	(1,552)	2,567	1,986
Operation and Maintenance	3,008	390	1,475	1,143
Depreciation and Amortization	1,476	30	565	881
Total Operating Expenses	7,485	(1,132)	4,607	4,010
OPERATING INCOME (LOSS)	1,576	(51)	1,614	13
Income from Equity Method Investments	11	-	-	11
Other Income and (Deductions)	124	-	79	45
Other-Than-Temporary Impairments	(28)	-	-	(28)
Interest Expense	(385)	(12)	(289)	(84)
INCOME (LOSS) BEFORE INCOME TAXES	1,298	(63)	1,404	(43)
Income Tax Benefit (Expense)	(411)	43	(515)	61
NET INCOME (LOSS)	**$ 887**	**$ (20)**	**$ 889**	**$ 18**
Reconciling Items Excluded from Net Income (Loss) [b]	588	92	-	496
OPERATING EARNINGS (non-GAAP)	**$ 1,475**	**$ 72**	**$ 889**	**$ 514**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.75**	**$ (0.04)**	**$ 1.75**	**$ 0.04**
Reconciling Items Excluded from Net Income (Loss) [b]	1.15	0.18	-	0.97
OPERATING EARNINGS (non-GAAP)	**$ 2.90**	**$ 0.14**	**$ 1.75**	**$ 1.01**

	Year Ended December 31, 2015			
	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 10,415	$ (1,149)	$ 6,636	$ 4,928
OPERATING EXPENSES				
Energy Costs	3,261	(1,611)	2,722	2,150
Operation and Maintenance	2,978	361	1,560	1,057
Depreciation and Amortization	1,214	31	892	291
Total Operating Expenses	7,453	(1,219)	5,174	3,498
OPERATING INCOME	2,962	70	1,462	1,430
Income from Equity Method Investments	12	(2)	-	14
Other Income and (Deductions)	152	(20)	75	97
Other-Than-Temporary Impairments	(53)	-	-	(53)
Interest Expense	(393)	8	(280)	(121)
INCOME BEFORE INCOME TAXES	2,680	56	1,257	1,367
Income Tax Benefit (Expense)	(1,001)	(20)	(470)	(511)
NET INCOME	**$ 1,679**	**$ 36**	**$ 787**	**$ 856**
Reconciling Items Excluded from Net Income [b]	(203)	-	-	(203)
OPERATING EARNINGS (non-GAAP)	**$ 1,476**	**$ 36**	**$ 787**	**$ 653**
Earnings Per Share				
NET INCOME	**$ 3.30**	**$ 0.07**	**$ 1.55**	**$ 1.68**
Reconciling Items Excluded from Net Income [b]	(0.39)	-	-	(0.39)
OPERATING EARNINGS (non-GAAP)	**$ 2.91**	**$ 0.07**	**$ 1.55**	**$ 1.29**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	December 31, 2016	December 31, 2015
DEBT		
Commercial Paper and Loans	$ 388	$ 364
Long-Term Debt*	11,395	9,561
Project Level, Non-Recourse Debt	-	7
Total Debt	11,783	9,932
STOCKHOLDERS' EQUITY		
Common Stock	4,936	4,915
Treasury Stock	(717)	(671)
Retained Earnings	9,174	9,117
Accumulated Other Comprehensive Loss	(263)	(295)
Total Common Stockholders' Equity	13,130	13,066
Noncontrolling Interests	-	1
Total Equity	13,130	13,067
Total Capitalization	$ 24,913	$ 22,999

*Includes current portion of Long-Term Debt

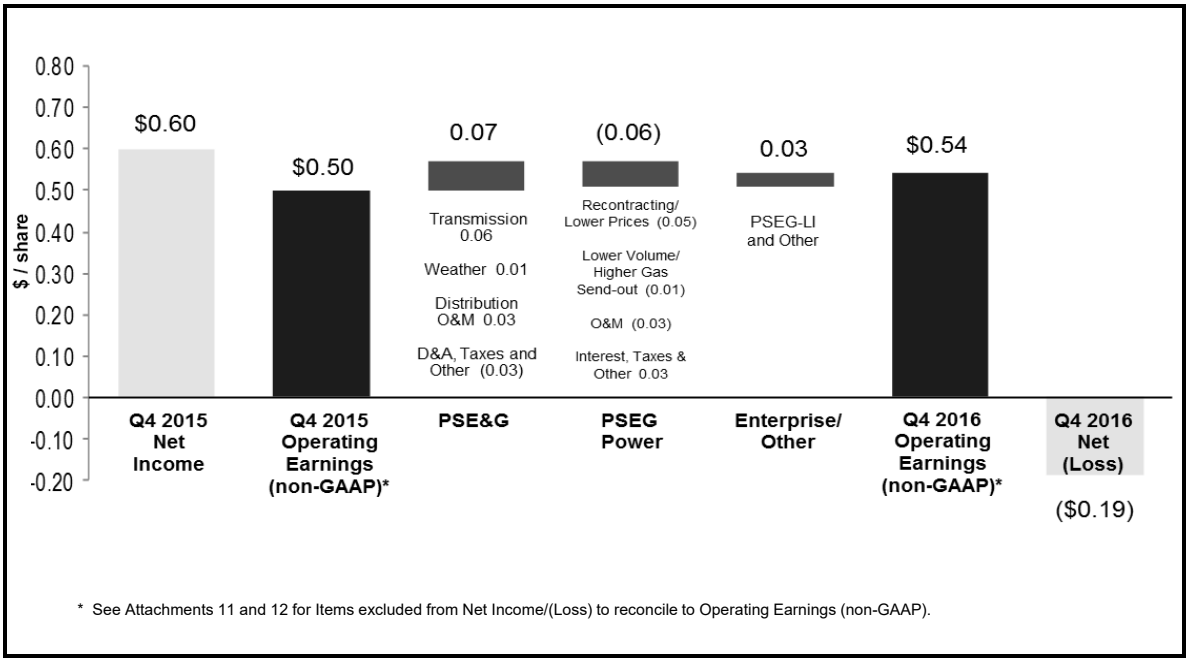
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Year Ended December 31, 2016	Year Ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 887	$ 1,679
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	2,424	2,240
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,311	3,919
NET CASH USED IN INVESTING ACTIVITIES	(4,248)	(3,942)
NET CASH PROVIDED BY FINANCING ACTIVITIES	966	15
Net Change in Cash and Cash Equivalents	29	(8)
Cash and Cash Equivalents at Beginning of Period	394	402
Cash and Cash Equivalents at End of Period	$ 423	$ 394

Attachment 5

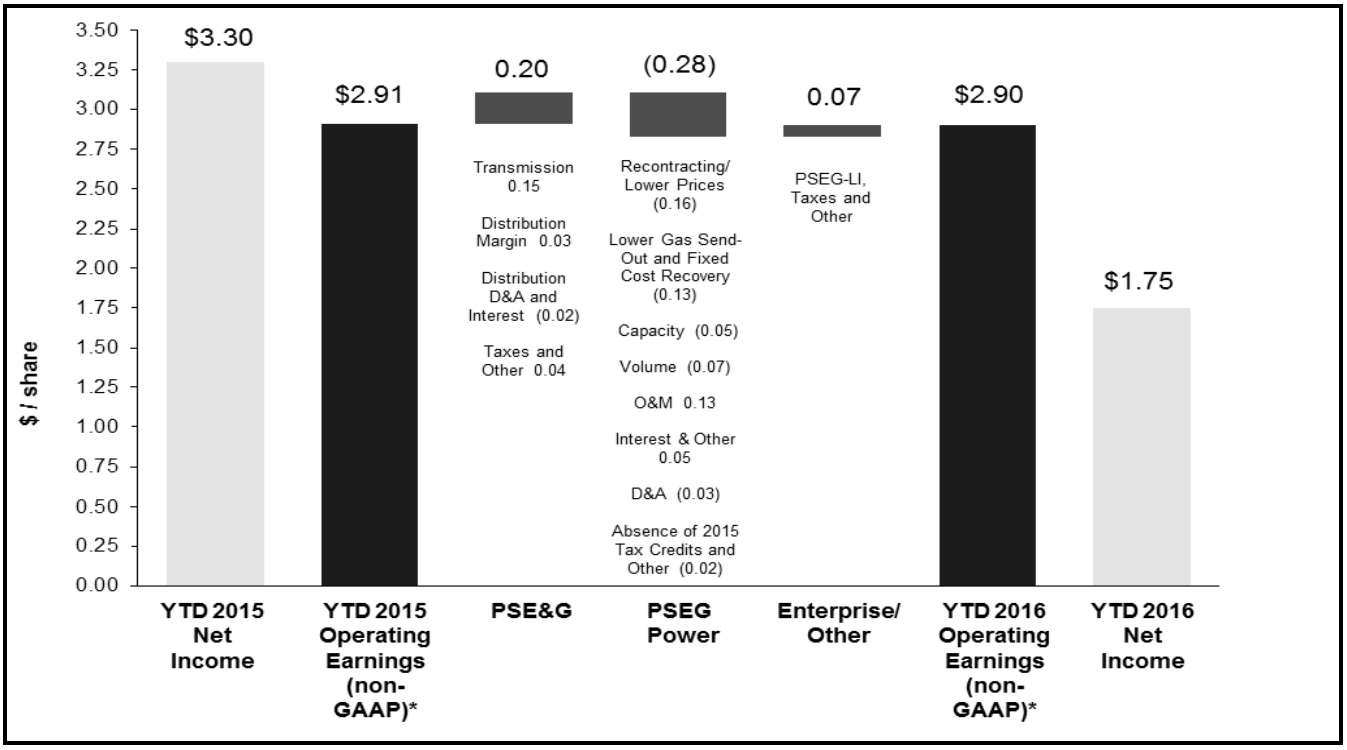
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
December 31, 2016 vs. December 31, 2015
(Unaudited)



* See Attachments 11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
December 31, 2016 vs. December 31, 2015
(Unaudited)



* See Attachment s11 and 12 for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2016

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2015	Year Ended	Change vs. 2015
Residential	2,786	4.9%	13,706	0.2%
Commercial & Industrial	6,517	2.2%	27,538	-0.6%
Street Lighting	99	-1.9%	336	0.4%
Interdepartmental	2	0.5%	10	-0.8%
Total	9,404	3.0%	41,590	-0.3%
Revenue ($ millions)				
Residential	$ 384	-4.3%	$ 2,065	-5.2%
Commercial & Industrial	328	-12.9%	1,647	-17.7%
Street Lighting	17	-6.3%	68	-4.7%
Other Operating Revenues*	177	31.4%	680	14.8%
Total	$ 906	-2.6%	$ 4,460	-7.9%

Weather Data	Three Months Ended	Change vs. 2015	Year Ended	Change vs. 2015
THI Hours - Actual	455	NM	19,453	2.5%
THI Hours - Normal	330		15,929	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2016

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2015	Year Ended	Change vs. 2015
Firm Sales				
Residential Sales	441	33.9%	1,394	-6.9%
Commercial & Industrial	283	28.2%	966	-5.8%
Total Firm Sales	**724**	**31.6%**	**2,360**	**-6.5%**
Non-Firm Sales				
Commercial & Industrial	322	-24.9%	1,888	-8.1%
Total Non-Firm Sales	**322**		**1,888**	
Total Sales	**1,046**	**6.9%**	**4,248**	**-7.2%**
Revenue ($ millions)				
Residential Sales - Firm	$ 135	59.1%	$ 362	17.5%
Commercial & Industrial - Firm Sales	66	59.8%	194	-18.7%
Non-Firm Sales	8	52.4%	27	-20.7%
Other Operating Revenues**	44	-2.9%	174	-0.3%
Total	**$ 253**	**43.2%**	**$ 757**	**-0.3%**
Gas Transported	$ 316	7.2%	$ 1,004	-3.3%

Weather Data	Three Months Ended	Change vs. 2015	Year Ended	Change vs. 2015
Degree Days - Actual	1,527	38.3%	4,365	-6.4%
Degree Days - Normal	1,604		4,670	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 9

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended December 31,		GWhr Breakdown Year Ended December 31,	
	2016	2015	2016	2015
Nuclear - NJ	4,737	4,835	18,615	20,084
Nuclear - PA	2,551	2,430	10,938	9,929
Total Nuclear	**7,288**	**7,265**	**29,553**	**30,013**
Fossil - Coal/Natural Gas - NJ**	(10)	(16)	188	526
Fossil - Coal - PA	1,268	828	4,406	4,681
Fossil - Coal - CT	85	2	182	602
Total Coal	**1,343**	**814**	**4,776**	**5,809**
Fossil - Oil & Natural Gas - NJ	1,866	3,184	11,955	14,116
Fossil - Oil & Natural Gas - NY	1,263	1,462	5,202	5,153
Fossil - Oil & Natural Gas - CT	(5)	-	24	122
Total Oil & Natural Gas	**3,124**	**4,646**	**17,181**	**19,391**
	11,755	**12,725**	**51,510**	**55,213**

	% Generation by Fuel Type Three Months Ended December 31,		% Generation by Fuel Type Year Ended December 31,	
	2016	2015	2016	2015
Nuclear - NJ	40%	38%	36%	36%
Nuclear - PA	22%	19%	21%	18%
Total Nuclear	**62%**	**57%**	**57%**	**54%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	0%	1%
Fossil - Coal - PA	11%	7%	9%	9%
Fossil - Coal - CT	1%	0%	0%	1%
Total Coal	**12%**	**7%**	**9%**	**11%**
Fossil - Oil & Natural Gas - NJ	16%	25%	24%	26%
Fossil - Oil & Natural Gas - NY	10%	11%	10%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**26%**	**36%**	**34%**	**35%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months and year ended December 31, 2016 and 2015. Generation includes natural gas fuel switching intervals.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Weighted Average Common Shares Outstanding (millions)				
Basic	505	505	505	505
Diluted	508	508	508	508
Stock Price at End of Period			$ 43.88	$ 38.69
Dividends Paid per Share of Common Stock	$ 0.41	$ 0.39	$ 1.64	$ 1.56
Dividend Yield			3.7%	4.0%
Book Value per Common Share			$ 26.01	$ 25.86
Market Price as a Percent of Book Value			169%	150%
Total Shareholder Return	5.8%	-7.3%	17.8%	-2.8%

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2016	*2015*	*2016*	*2015*
	($ millions, Unaudited)			
Net Income (Loss)	**$ (98)**	**$ 309**	**$ 887**	**$ 1,679**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(9)	(38)	(5)	(24)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	77	(59)	168	(157)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	555	-	669	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	10	-	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(256)	43	(391)	150
Operating Earnings (non-GAAP)	**$ 279**	**$ 255**	**$ 1,475**	**$ 1,476**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	**$ (0.19)**	**$ 0.60**	**$ 1.75**	**$ 3.30**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.02)	(0.08)	(0.01)	(0.05)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.15	(0.12)	0.33	(0.31)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.02	-	0.29	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.52)	0.10	(0.78)	0.31
Operating Earnings (non-GAAP)	**$ 0.54**	**$ 0.50**	**$ 2.90**	**$ 2.91**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ (302)**	**$ 149**	**$ 18**	**$ 856**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(9)	(38)	(5)	(24)
(Gain) Loss on MTM, pre-tax [a]	77	(59)	168	(157)
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax	555	-	669	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(252)	43	(336)	150
Operating Earnings (non-GAAP)	**$ 69**	**$ 95**	**$ 514**	**$ 653**
Depreciation and Amortization, pre-tax [c]	85	73	329	301
Interest Expense, pre-tax [c] [d]	18	27	83	120
Income Taxes [c]	(17)	23	275	361
Adjusted EBITDA (non-GAAP)	**$ 155**	**$ 218**	**$ 1,201**	**$ 1,435**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

Supplemental Information	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ millions, Unaudited)			
Fossil Major Maintenance, pre-tax	$ 31	$ 17	$ 70	$ 128

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ 11**	**$ 4**	**$ (20)**	**$ 36**
Lease Related Activity, pre-tax	10	-	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(4)	-	(55)	-
Operating Earnings (non-GAAP)	**$ 17**	**$ 4**	**$ 72**	**$ 36**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Year-End 2016

February 24, 2017

SI-SSA-0015-13536

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13537

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of Operating Earnings and Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, Operating Earnings and Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of Operating Earnings and Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-13538

PSEG
2016 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13539

Q4 Results Summary – Solid quarterly results

Quarter ended December 31

$ millions (except EPS)	2016	2015
Net Income/(Loss)	$ (98)	$ 309
Reconciling Items	377	(54)
Operating Earnings (non-GAAP)*	$ 279	$ 255
EPS from Net Income/(Loss)	$ (0.19)	$ 0.60
EPS from Operating Earnings (non-GAAP)*	$ 0.54	$ 0.50

* See Slide A for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13540

Full-Year Results Summary – At upper end of revised guidance

Twelve Months ended December 31

$ millions (except EPS)	2016	2015
Net Income	$ 887	$ 1,679
Reconciling Items	588	(203)
Operating Earnings (non-GAAP)*	$ 1,475	$ 1,476
EPS from Net Income	$ 1.75	$ 3.30
EPS from Operating Earnings (non-GAAP)*	$ 2.90	$ 2.91

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13541

PSEG 2016 – Another Year of Successful Capital Deployment

- **Solid 2016 financial performance**
  - ✓ Net Loss of $(0.19) vs. Net Income of $0.60 per share in Q4 2015; Full-year Net Income of $1.75 vs. $3.30 per share in 2015; Decision to retire Hudson-Mercer units resulted in $555 million of incremental D&A in Q4
  - ✓ Non-GAAP Operating Earnings* results of $0.54 vs. $0.50 per share in Q4 2015; Full-year non-GAAP Operating Earnings* of $2.90 vs. $2.91 per share in 2015
  - ✓ PSE&G achieved 13% growth in Net Income over 2015 on increased investment in transmission and distribution
  - ✓ PSEG Power results exceeded revised guidance with stringent control of O&M

- **Operational excellence**
  - ✓ PSE&G recognized for the 15th consecutive year as the Mid-Atlantic region's most reliable electric utility
  - ✓ Nuclear performance stabilized following extended outages at Salem

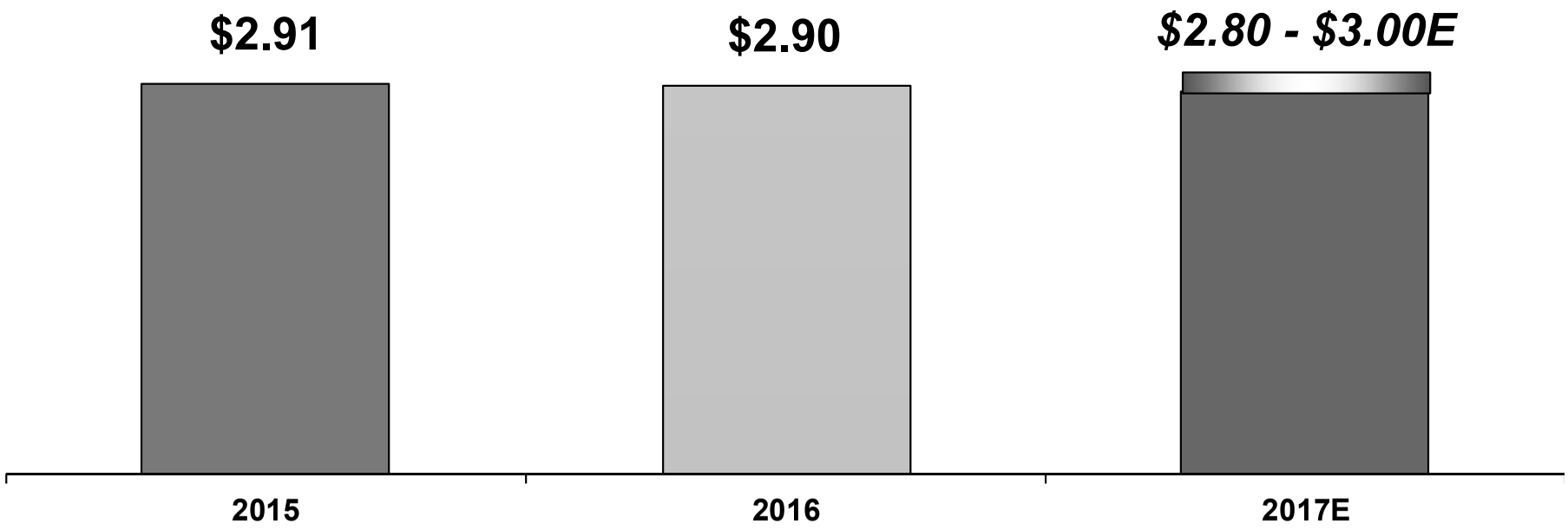
- **Disciplined capital investment – producing results**
  - ✓ PSEG invested $4.2 billion in 2016: $2.8 billion at PSE&G and $1.3 billion at Power
  - ✓ PSE&G's $905 million GSMP and $1.2 billion Energy Strong infrastructure investments continue
  - ✓ Solar 4 All programs total 158 MW_{DC} with latest extension to provide $80 million for development of 33 MW_{DC} of grid-connected, landfill/brownfield solar over next 3 years

* See Slide A for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

PSEG Initiating 2017 Full-Year Guidance

Growth in utility infrastructure investments continue to drive a higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance

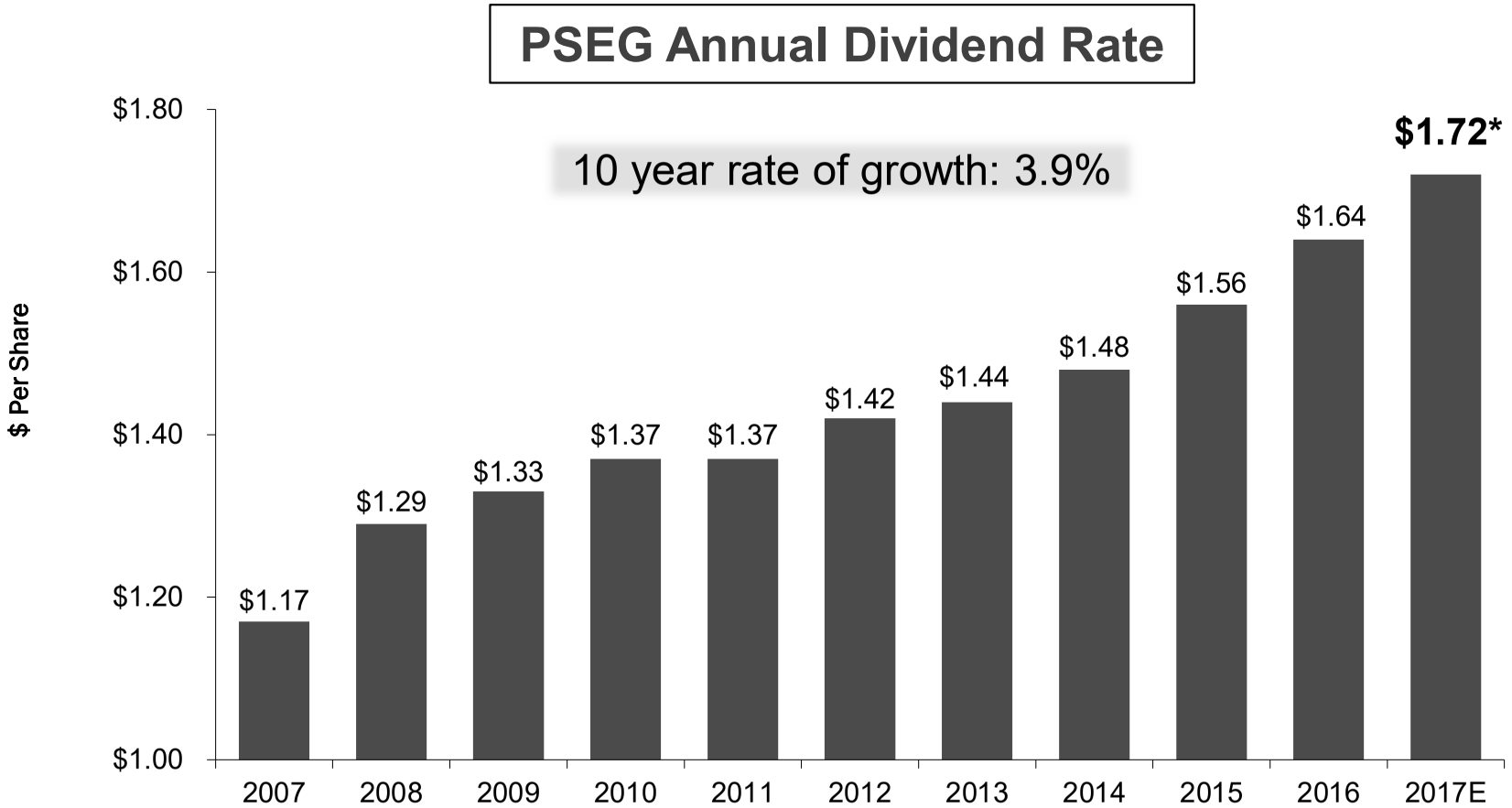


* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP). E = Estimate.

SI-SSA-0015-13543

PSEG Annual Dividend – Increased 4.9% to $1.72 per share

Continuing an improved rate of growth in the dividend, building on a 110-year history of returning cash to the shareholder



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E
Payout Ratio	**43%**	**44%**	**43%**	**44%**	**50%**	**58%**	**56%**	**54%**	**54%**	**57%**	**59%****

*INDICATIVE ANNUAL 2017 PSEG COMMON DIVIDEND RATE PER SHARE.
**2017 PAYOUT RATIO REFLECTS THE INDICATIVE ANNUAL DIVIDEND RATE DIVIDED BY THE MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE.

SI-SSA-0015-13544

PSEG
2016 Q4 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13545

Q4 Results by Subsidiary

Quarter ended December 31

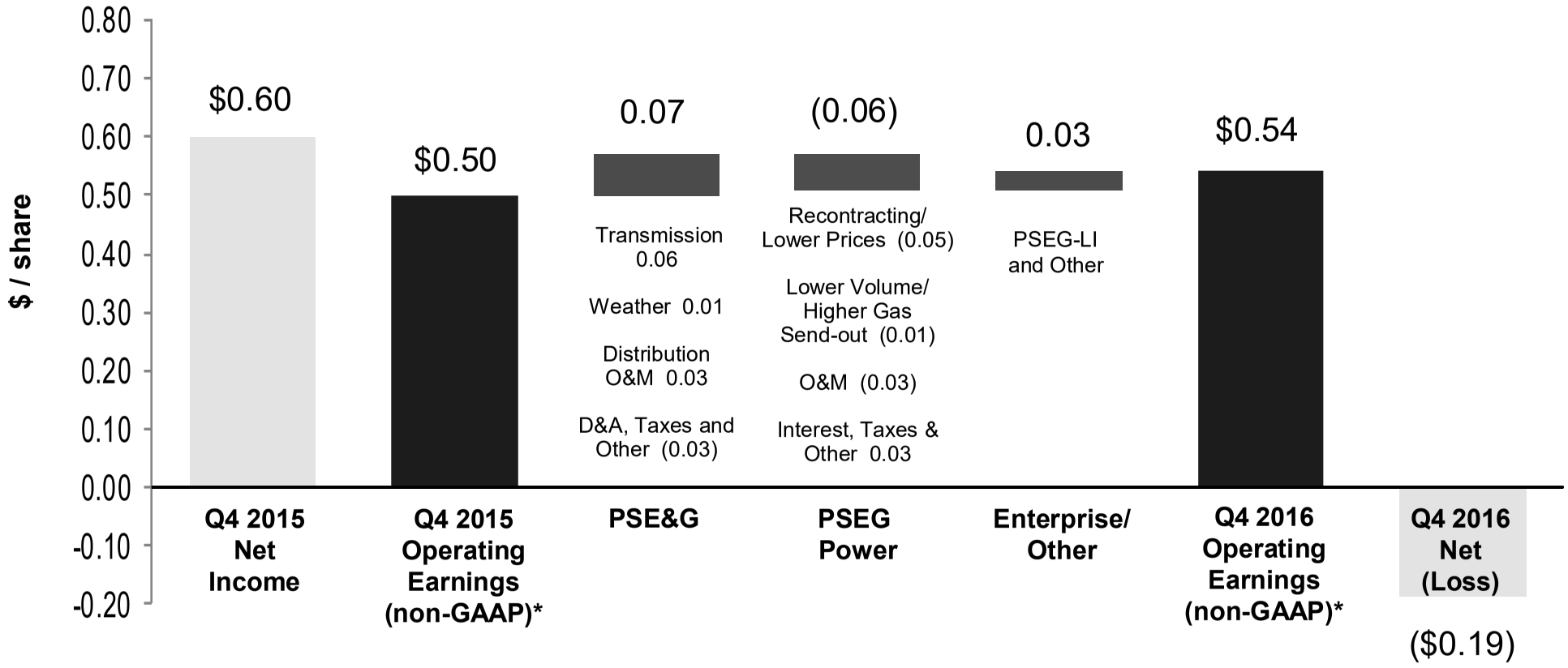
	Results		Per Share	
$ millions (except Per Share amounts)	**2016**	**2015**	**2016**	**2015**
PSE&G (Net Income)	$ 193	$ 156	$ 0.38	$ 0.31
PSEG Power (Net Income/(Loss))	$ (302)	$ 149	$ (0.59)	$ 0.29
PSEG Power (non-GAAP Operating Earnings)*	$ 69	$ 95	$ 0.13	$ 0.19
PSEG Enterprise/Other (Net Income)	$ 11	$ 4	$ 0.02	$ -
PSEG Enterprise/Other (non-GAAP Op. Earnings)*	$ 17	$ 4	$ 0.03	$ -

*See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-13546

PSEG EPS Reconciliation – Q4 2016 versus Q4 2015

Returns on expanded investment and cost control support results



* See Slide A for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13547

Year-to-Date Results by Subsidiary

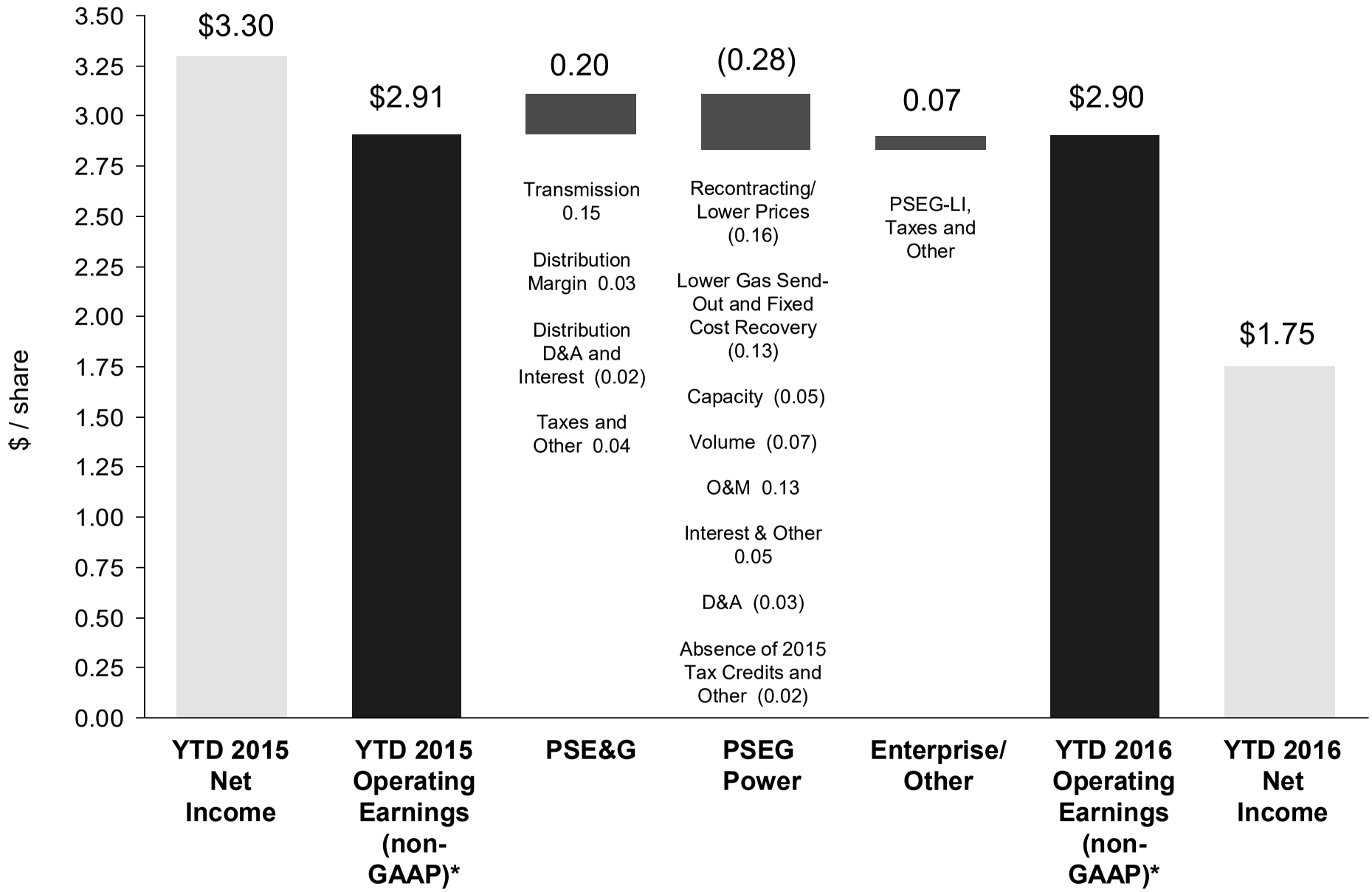
Twelve Months ended December 31

	Results		Per Share	
$ millions (except Per Share amounts)	**2016**	**2015**	**2016**	**2015**
PSE&G (Net Income)	$ 889	$ 787	$ 1.75	$ 1.55
PSEG Power (Net Income)	$ 18	$ 856	$ 0.04	$ 1.68
PSEG Power (non-GAAP Operating Earnings)*	$ 514	$ 653	$ 1.01	$ 1.29
PSEG Enterprise/Other (Net Income/(Loss))	$ (20)	$ 36	$ (0.04)	$ 0.07
PSEG Enterprise/Other (non-GAAP Op. Earnings)*	$ 72	$ 36	$ 0.14	$ 0.07

*See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power and PSEG Enterprise/Other.

SI-SSA-0015-13548

PSEG EPS Reconciliation – YTD 2016 versus YTD 2015



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13549

PSE&G
2016 Q4 Review

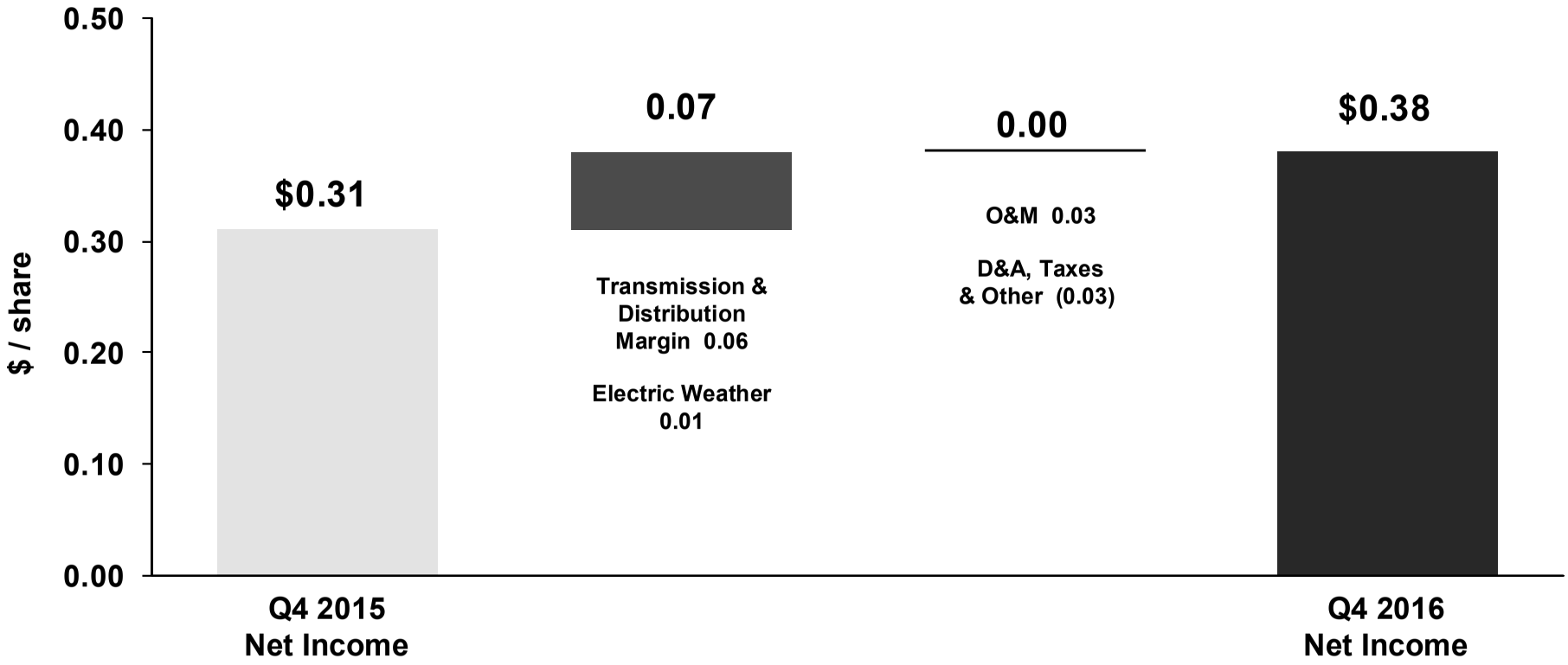
SI-SSA-0015-13550

PSE&G – Q4 Summary of Results

$ millions (except EPS)	Q4 2016	Q4 2015	Variance
Operating Revenues	$ 1,475	$ 1,402	$ 73
Operating Expenses			
Energy Costs	588	546	42
Operation & Maintenance	365	389	(24)
Depreciation & Amortization	153	180	(27)
Total Operating Expenses	1,106	1,115	(9)
Net Income	$ 193	$ 156	$ 37
EPS from Net Income	$ 0.38	$ 0.31	$ 0.07

SI-SSA-0015-13551

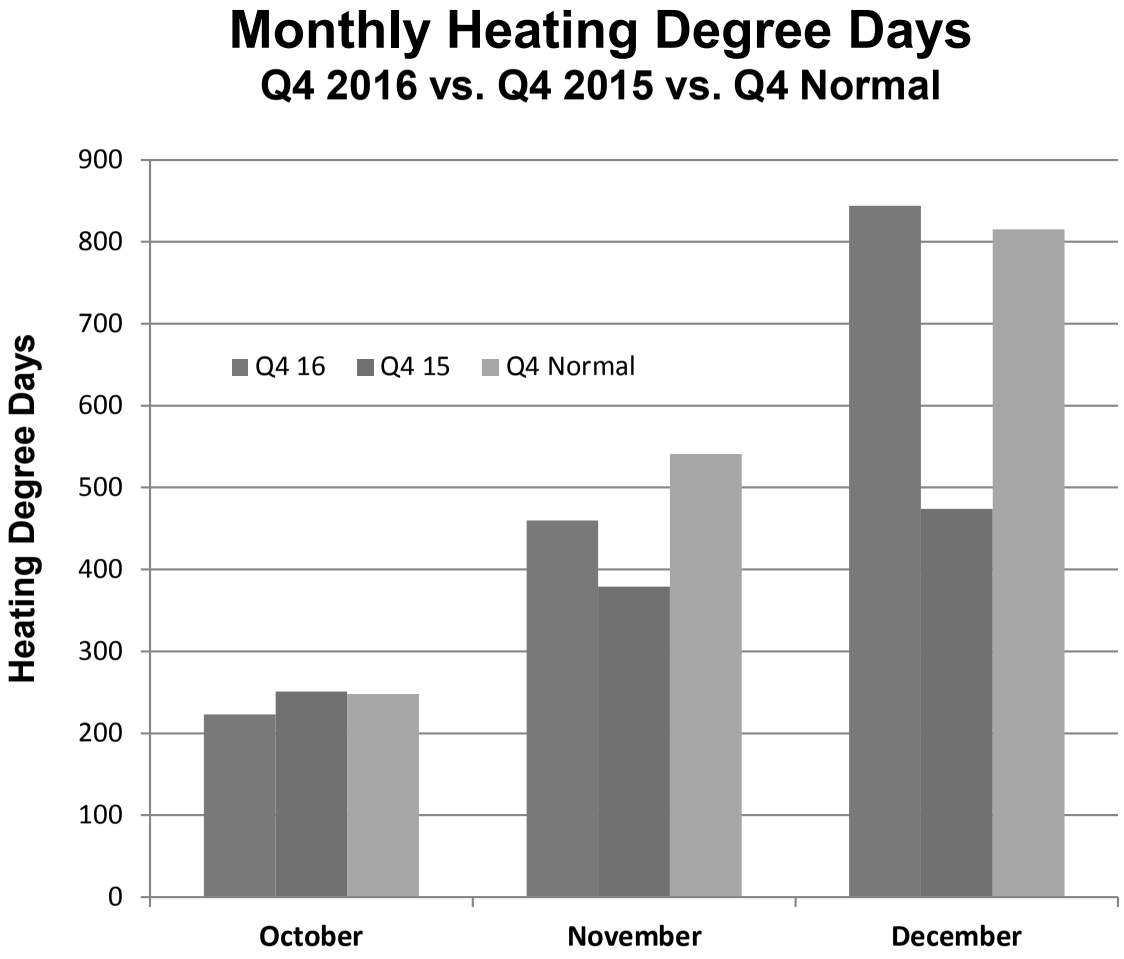
PSE&G EPS Reconciliation – Q4 2016 versus Q4 2015



Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

SI-SSA-0015-13552

PSE&G – Monthly Heating Degree Days



Q4 2016 winter weather, as defined by heating degree days, was ~38% colder than Q4 2015 (the warmest Q4 in our records) and ~5% warmer than normal

SI-SSA-0015-13553

PSE&G – Q4 Operating Highlights

Operations

- ✓ Electric sales were flat both for the quarter and for the full year on a weather normalized basis; Weather adjusted gas sales declined slightly in Q4 and declined by 1.9% for the full year
- ✓ PSE&G recognized for the 15th year as the Mid-Atlantic region's most reliable electric utility

Regulatory and Market Environment

- ✓ FERC formula rate revenue increase of $121 million effective January 1, 2017
- ✓ PSE&G will file its distribution base rate case with the NJBPU no later than November 1, 2017
- ✓ PSE&G residential gas customers receiving BGSS bill credits totaling ~$47 million during Winter 2016-17; Since 2009, average annual residential gas bills have declined by 53% – or $892 – due to supply rate reductions

Financial

- ✓ PSE&G's 2017 Net Income guidance range is $945 - $985 million, an 8.5% increase to the mid-point over 2016 Net Income of $889 million
- ✓ PSE&G invested $2.8 billion in 2016 capital expenditures to upgrade and expand T&D
- ✓ Investment in transmission grew to 44% of rate base at year-end 2016, as consolidated rate base increased by 12% to $15.2 billion

SI-SSA-0015-13554

PSEG Power
2016 Q4 Review

SI-SSA-0015-13555

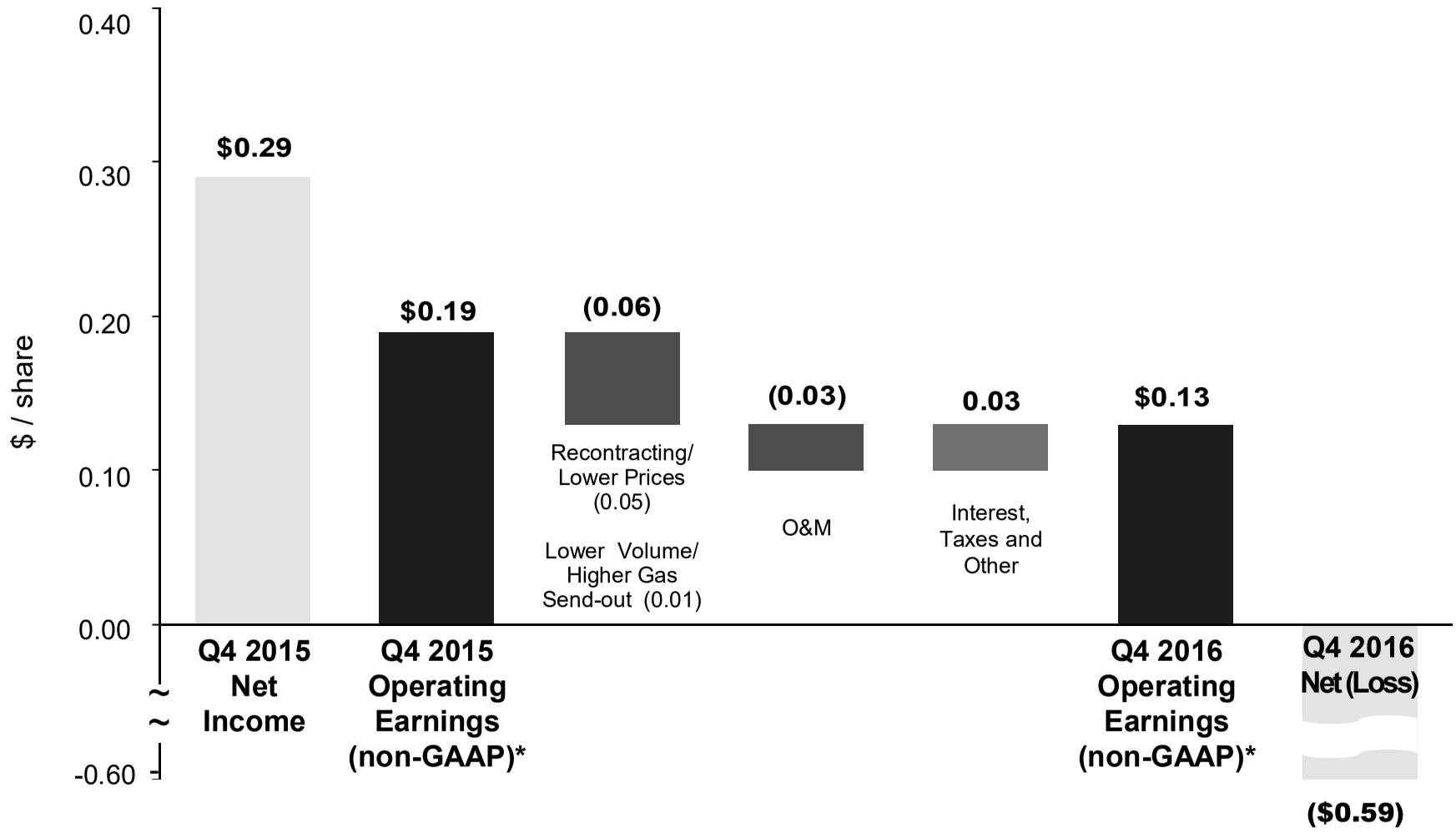
PSEG Power – Q4 Summary of Results

$ millions (except EPS)	Q4 2016	Q4 2015	Variance
Operating Revenues	$ 921	$ 1,082	$ (161)
Net Income/(Loss)	(302)	149	(451)
Reconciling Items	371	(54)	425
Operating Earnings (non-GAAP)*	$ 69	$ 95	$ (26)
EPS from Net Income/(Loss)	$ (0.59)	$ 0.29	$ (0.88)
EPS from Operating Earnings (non-GAAP)*	$ 0.13	$ 0.19	$ (0.06)

*See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

SI-SSA-0015-13556

PSEG Power EPS Reconciliation – Q4 2016 versus Q4 2015



* See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

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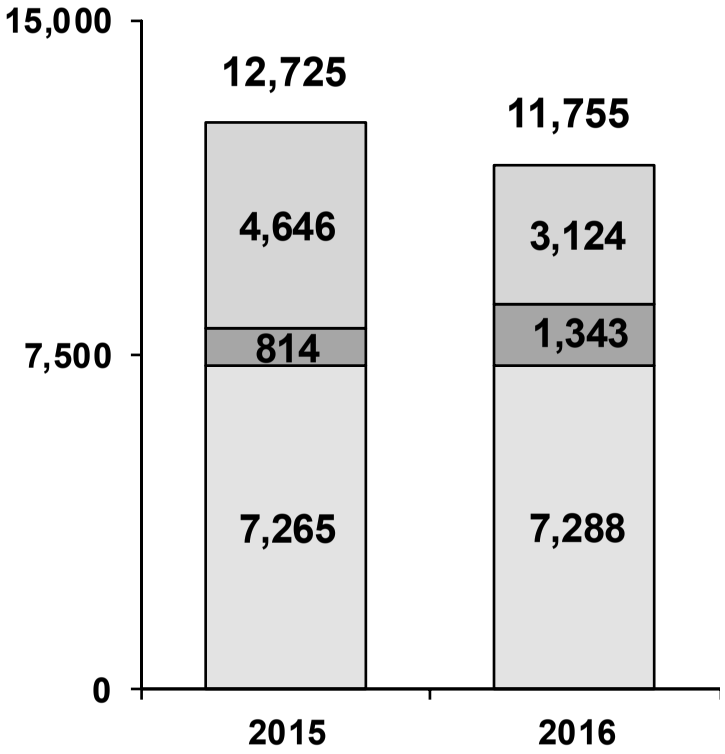
PSEG Power – Q4 Generation Measures – Volume %

PSEG Power – Generation (GWh)

Quarter ended December 31



PSEG Power – Capacity Factors (%)

Quarter ended December 31

	2015	2016
Combined Cycle		
PJM and NY	62.9%	41.5%
Coal*		
NJ (Coal/Gas)	0.2%	0.8%
PA	48.6%	74.5%
CT	0.2%	10.1%
Nuclear	85.4%	85.3%

Total Nuclear Total Coal* Oil & Natural Gas

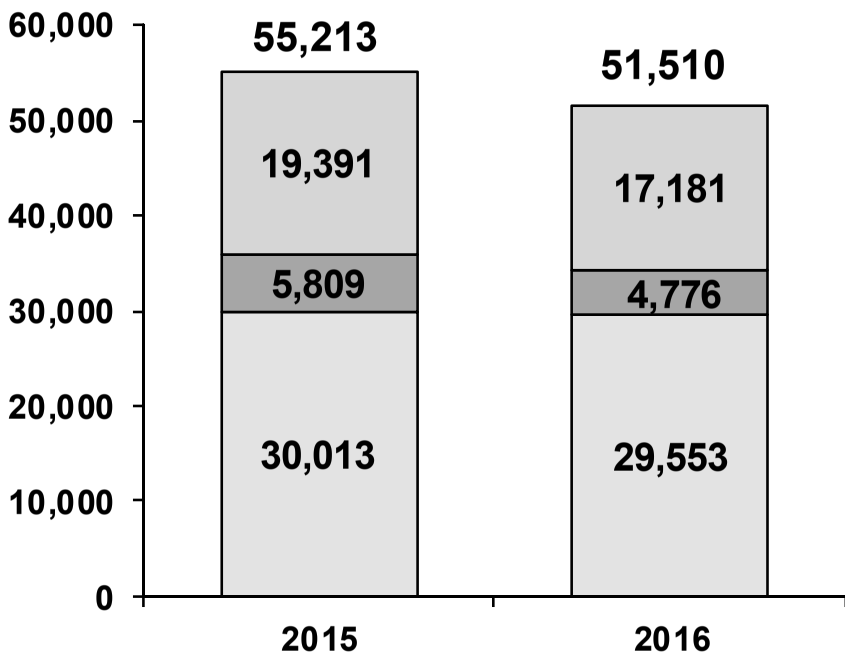
SI-SSA-0015-13558

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

PSEG Power – Full-Year Generation Measures – Volume %

PSEG Power – Generation (GWh)

Twelve months ended December 31



PSEG Power – Capacity Factors (%)

Twelve months ended December 31

	2015	2016
Combined Cycle		
PJM and NY	64.2%	57.2%
Coal*		
NJ (Coal/Gas)	5.6%	2.8%
PA	69.3%	65.1%
CT	17.9%	5.4%
Nuclear	90.4%	86.9%

Total Nuclear Total Coal* Oil & Natural Gas

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

SI-SSA-0015-13559

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

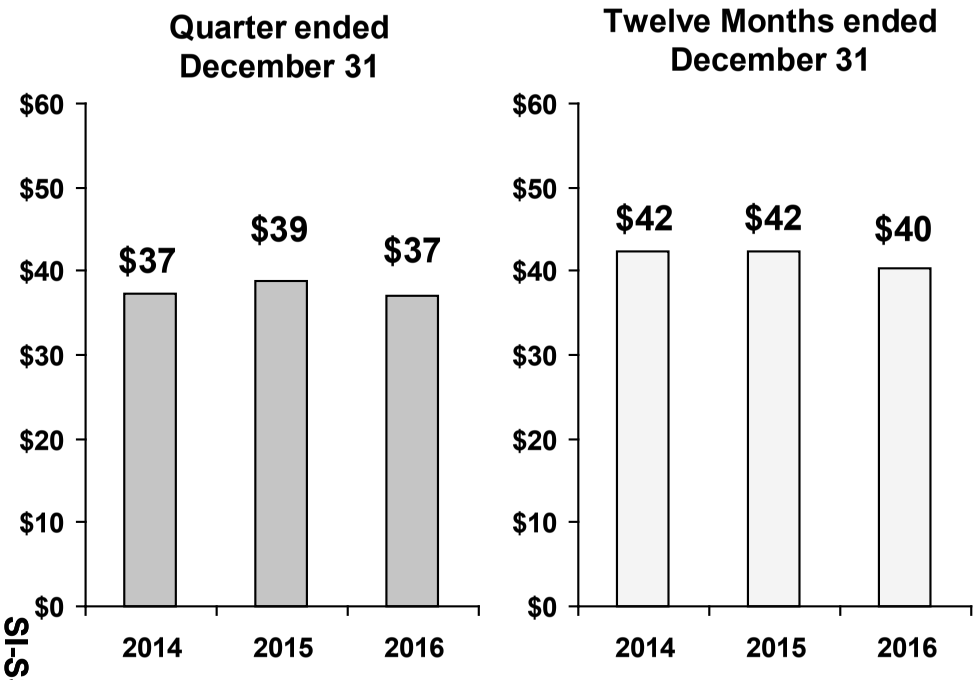
	Quarter ended December 31	
($ millions)	2015	2016
Coal	23	31
Oil & Gas	62	58
Total Fossil	85	89
Nuclear	51	49
Total Fuel Cost	136	138
Total Generation (GWh)	12,725	11,755
$ / MWh	10.69	11.74

	Twelve months ended December 31	
($ millions)	2015	2016
Coal	163	109
Oil & Gas	485	272
Total Fossil	648	381
Nuclear	213	203
Total Fuel Cost	861	584
Total Generation (GWh)	55,213	51,510
$ / MWh	15.59	11.34

PSEG Power – Gross Margin Performance

- ✓ Lower generation and lower hedge prices offset higher market prices
- ✓ Capacity revenues were flat vs. prior year
- ✓ Spark spreads compressed in the quarter

PSEG Power Gross Margin ($/MWh)



Regional Performance		
Region	**Q4 Gross Margin ($M)**	**Q4 2016 Performance**
PJM	$407	Recontracting at lower prices and lower volumes offset higher market prices
New England	$15	Higher generation offset by lower hedges
New York	$13	Lower generation offset higher prices

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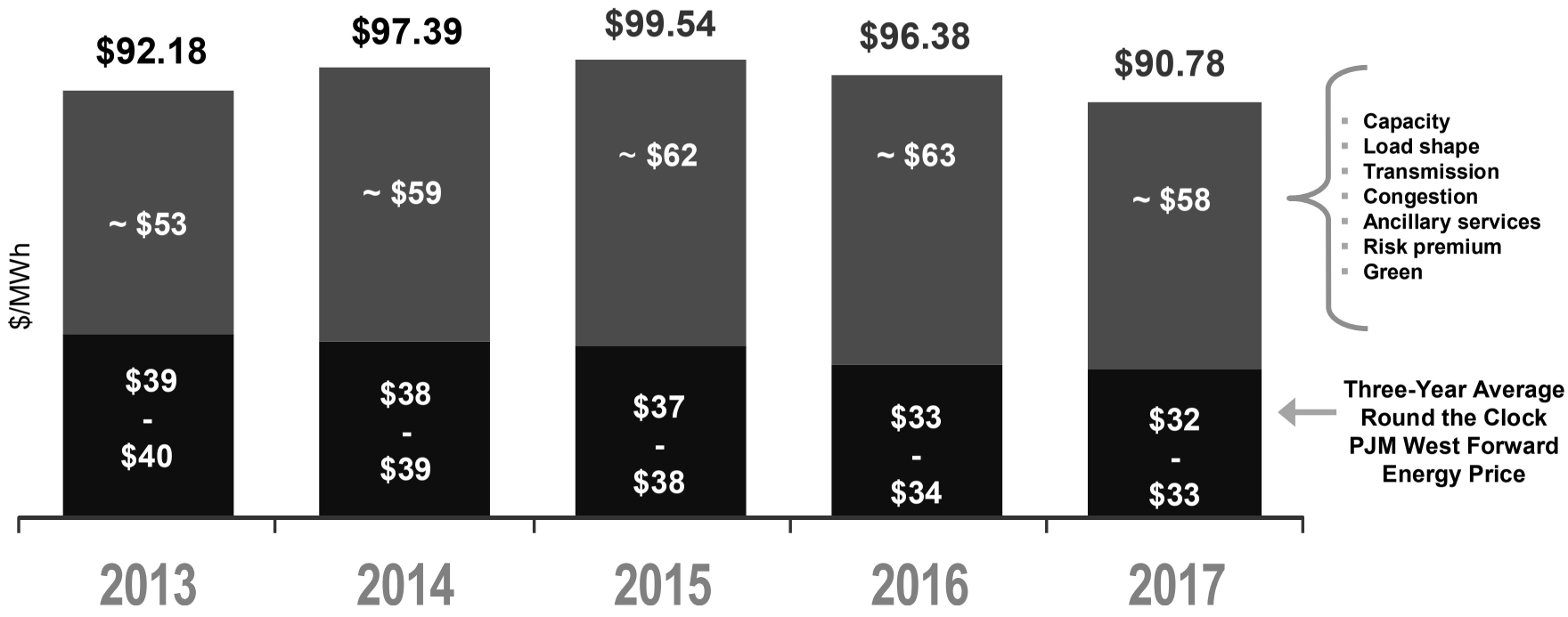
Market Perspective – 2017 BGS Auction Results

Full Requirements Component

Capacity Markets/RPM
Growing Renewable Energy/Transmission
Component for Market Risk



Latest auction results reflect mix of lower prices for energy and capacity and higher transmission costs

Note: BGS prices are quoted in $/MWh and reflect PSE&G Zone; results from the 2015-2017 auctions will be the new blended prices beginning June 1, 2017.

SI-SSA-0015-13562

Hedging Update…

Contracted Energy*

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	$ -	$ -
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-13563

PSEG Power – Q4 Operating Highlights

Operations

- ✓ Q4 output down 7.6% versus Q4 2015 due to Hope Creek refueling and planned CCGT major maintenance; Full-year generation was 6.7% lower
- ✓ Annual capacity factor for the nuclear fleet of 86.9% produced 29.6 TWh of energy; CCGT fleet had a capacity factor of 57.2%, producing 16.4 TWh of energy
- ✓ Hope Creek refueling outage completed in 27 days during Q4 2016

Regulatory and Market Environment

- ✓ 2017 BGS auction priced at $90.78/MWh vs. $96.38/MWh in 2016 for PSE&G
- ✓ 2017 expected generation output 49-51 TWh; BGS load projected at 11 TWhs
- ✓ Power nearing commencement of construction at Bridgeport Harbor site; target completion in 2019
- ✓ Construction on schedule and on budget at Keys and Sewaren 7 for targeted 2018 in-service

Financial

- ✓ Power's total debt as a percentage of capitalization at year-end was 29%
- ✓ Power's FFO/Debt at December 31 remains strong
- ✓ Power's 2017 non-GAAP Operating Earnings guidance range is $435 - $510 million; Non-GAAP Adjusted EBITDA guidance for 2017 is $1,080 to $1,210 million

SI-SSA-0015-13564

PSEG

PSEG Financial Highlights

- **Introducing 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share**
  - ✓PSE&G earnings forecast to grow 8.5% to comprise 66% of PSEG's 2017 non-GAAP Operating Earnings
  - ✓ Focused on maintaining operating efficiency and customer reliability
- **PSEG capital spending forecast of $10.2 billion over 2017-2019 to be invested in PSE&G (77%) and Power (23%)**
- **PSE&G infrastructure investment in reliability/resiliency/replacement continues with ongoing GSMP and Energy Strong investments**
- **PSEG Power's $2 billion investment in new generation in PJM and New England, will improve fleet efficiency and geographic diversity**
- **Increased 2017 indicative common dividend by 4.9% to $1.72 per share**
- **Financial position remains strong:**
  - ✓Continuing to pursue opportunities to enhance Operating Earnings and reduce financial risk
  - ✓Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓Debt as a percentage of capitalization was 47% at December 31, 2016

2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-13567

PSEG 2017 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2017E	2016	2015
PSE&G (Net Income)	$945 - $985	$889	$787
PSEG Power	$435 - $510	$514	$653
PSEG Enterprise/Other	$35 - $35	$72	$36
Operating Earnings (non-GAAP)*	$1,415 - $1,530	$1,475	$1,476
Operating EPS (non-GAAP)*	**$2.80 - $3.00E**	**$2.90**	**$2.91**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2017E	2016	2015
PSEG Power	$1,080 - $1,210	$1,201	$1,435

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-13568

PSEG Liquidity as of December 31, 2016

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$14	$586
PSEG Money Pool					
Power / PSEG	5-Year Credit Facility (Power)	Mar-19	$1,600	$195	$1,405
	5-Year Credit Facility (Power)	Apr-20	$953 (B)	$3	$950
	5-year Credit Facility (PSEG)	Mar-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$388	$112
	Total Money Pool		$3,553	$596	$2,957
	Total		$4,153	$610	$3,543
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$365
			Total Liquidity Available		**$3,908**

(A) PSE&G facility will be reduced by $14 million in March 2018.
(B) Power facility will be reduced by $24 million in March 2018.
(C) PSEG facility will be reduced by $12 million in March 2018.

SI-SSA-0015-13569

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended December 31,*		*Year Ended December 31,*	
	2016	*2015*	*2016*	*2015*
	($ millions, Unaudited)			
Net Income (Loss)	**$ (98)**	**$ 309**	**$ 887**	**$ 1,679**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(9)	(38)	(5)	(24)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	77	(59)	168	(157)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	555	-	669	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	10	-	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(256)	43	(391)	150
Operating Earnings (non-GAAP)	**$ 279**	**$ 255**	**$ 1,475**	**$ 1,476**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	**$ (0.19)**	**$ 0.60**	**$ 1.75**	**$ 3.30**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.02)	(0.08)	(0.01)	(0.05)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.15	(0.12)	0.33	(0.31)
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	-	(0.34)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.02	-	0.29	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.52)	0.10	(0.78)	0.31
Operating Earnings (non-GAAP)	**$ 0.54**	**$ 0.50**	**$ 2.90**	**$ 2.91**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Reconciliations

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ (302)**	**$ 149**	**$ 18**	**$ 856**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(9)	(38)	(5)	(24)
(Gain) Loss on MTM, pre-tax [a]	77	(59)	168	(157)
Storm O&M, net of insurance recoveries, pre-tax	-	-	-	(172)
Hudson/Mercer Early Retirement, pre-tax	555	-	669	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(252)	43	(336)	150
Operating Earnings (non-GAAP)	**$ 69**	**$ 95**	**$ 514**	**$ 653**
Depreciation and Amortization, pre-tax [c]	85	73	329	301
Interest Expense, pre-tax [c] [d]	18	27	83	120
Income Taxes [c]	(17)	23	275	361
Adjusted EBITDA (non-GAAP)	**$ 155**	**$ 218**	**$ 1,201**	**$ 1,435**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.

(d) Net of capitalized interest.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ millions, Unaudited)			
Net Income (Loss)	**$ 11**	**$ 4**	**$ (20)**	**$ 36**
Lease Related Activity, pre-tax	10	-	147	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(4)	-	(55)	-
Operating Earnings (non-GAAP)	**$ 17**	**$ 4**	**$ 72**	**$ 36**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

B

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Public Service Enterprise Group Inc Financial Conference

EVENT DATE/TIME: MARCH 11, 2016 / 01:00PM GMT

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CORPORATE PARTICIPANTS

Kathleen Lally *Public Service Enterprise Group Incorporated - VP, IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, President, and CEO*

Ralph LaRossa *Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company*

Dan Cregg *Public Service Enterprise Group Incorporated - EVP and CFO*

Bill Levis *Public Service Enterprise Group Incorporated - President and COO, PSEG Power*

Shahid Malik *Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade*

CONFERENCE CALL PARTICIPANTS

Julien Dumoulin-Smith *UBS - Analyst*

Shahriar Pourreza *Guggenheim Partners - Analyst*

Greg Gordon *Evercore ISI - Analyst*

Michael Lapides *Goldman Sachs - Analyst*

Steve Fleishman *Wolfe Research - Analyst*

Insoo Kim *RBC Capital Markets - Analyst*

Stacy Nemeroff *Bloomberg Intelligence - Analyst*

PRESENTATION

Kathleen Lally ***- Public Service Enterprise Group Incorporated - VP, IR***

Good morning, everyone. Appreciate you all being here today, either in person here at the New York Palace Hotel or on the webcast. I am Kathleen Lally, Vice President of Investor Relations for Public Service Enterprise Group. And this is our 10th annual financial conference.

We are going to do our standard presentation, so to speak, in terms of order and hope to conclude today's material and meeting by noon. We're going to kick off with Ralph Izzo, Chairman, President, and CEO, who will provide an overview of the Company's results and strategy. Ralph will be followed by Ralph LaRossa, President and Chief Operating Officer of Public Service Electric and Gas. And following Ralph LaRossa's presentation there'll be time for Q&A, after which we will have a short break.

Following the break, Bill Levis, President and Chief Operating Officer of PSEG Power, will provide you with an overview of Power's operations as well as its investments profile. And Bill will also be joined by Shahid Malik, President of Energy Resources and Trade. Following Shahid's presentation, both Bill and Shahid will be available for Q&A.

And then after the conclusion of that Q&A session, Dan Cregg will present the financial picture for the Company. Dan is our Executive Vice President and Chief Financial Officer. And following Dan's presentation, he and Ralph Izzo will be available for Q&A. And we hope to wrap up by noon today. With that, I'm going to turn the podium over to Ralph Izzo.

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

Thank you, Kathleen. We blew right by our forward-looking statement and our GAAP disclaimer, and I simply refer you back to those when you get a chance to read through them.

So by the end of this morning, hopefully you'll walk away from our presentations recognizing that PSEG, in fact, is growing. It's continued its growth path of a very high-quality, low-risk energy infrastructure company.

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And that high quality is measured in a variety of ways. It's measured through our operational performance. It's measured in our financial performance. And the infrastructure company designations that you'll see -- we've expanded some of our investment options. Still at the core, still the vast majority of those investments are in our core utility, but we have some interesting things underway in PSEG Power as we moved away from our more traditional uprates to a couple of brand-new combined cycle units in some geographically dispersed locations.

So our operating philosophy remains the same. It's worked well for us; we see no reason to change it at this point in time. At a very high level, it all begins with our employees: setting clear expectations for them, making sure they have the resources to be successful. Success we define as safe, reliable, affordable service; increasingly, one that has minimal environmental impact.

If we do that and we do that well, it produces outstanding financial results -- reflected through the relationship we have with our regulators, reflected through the position we have in the marketplace. That financial strength then gets parlayed into an ability to invest. And hopefully we've demonstrated that ability to invest with a great degree of discipline.

And we define discipline as putting money to work in those areas that benefit our customers and those areas that we have a credible claim to be able to operate with excellence. The results have been three consecutive years of earnings growth; continued growth of the dividend two years in a row of slightly over 5%; what we believe to be best-in-class utility growth; and now, more recently -- and we'll talk in greater detail -- the addition of three combined-cycle units in strategic locations.

Two strong businesses: we speak a lot about the utility, but equally strong and equally important is PSEG Power. You'll see in a moment that we are increasing the size of the utility capital program to $12 billion predicted over the next five years. That will result in high single-digit rate based growth for PSE&G. As you know, we don't forecast earnings out for that period of time. Even though rate-based growth is a key ingredient to that, there are other considerations that one must factor into the earnings equation following the rate-based growth.

In PSEG Power, we still have this -- enormous funds from operation being generated there, even in the current market environment. And the benefits that provides in terms of providing -- meeting the equity needs of PSE&G are something that will continue throughout this five-year period. And Dan will speak more about that later on.

As I take a look at some of the accomplishments we've realized in these three areas, the awards, the accolades for PSE&G continue to roll in. I'm almost embarrassed to list them and to read them -- almost is the key word there. So we list them, but I won't read them. (laughter)

And the financial strength of the Company remains, in terms of being at the upper end of our earnings guidance the last year; having the cash flows to support some very, very healthy credit metrics; and, once again, increasing the dividend by a little over 5% last year. And I think we are one of three companies that have paid a dividend every year for over a century at this point in time.

As we look at the capital program that we have undertaken, you'll see some renewed emphasis in the utility on modernizing the gas system. However, the rest of the infrastructure investment program in the utility should be quite familiar to everyone who has followed us. And Power's program continues to have some modest uprates at its nuclear and fossil facilities, but more importantly is the expansion in the combined-cycle fleet that we will realize in Maryland, New Jersey, and in Connecticut.

I won't read all of the prior year's results here. It is, I hope you will agree, an impressive list. But if I may just direct your attention to 2015. $1 billion in new approvals from the BPU on very important infrastructure programs that will benefit our customers. I congratulate the Board and the staff for realizing in this low gas price, low interest rate environment, now is the time to pay attention to modernizing the gas infrastructure system.

We have the largest cast-iron main program of any utility in the nation. Even at the current ambitious investment rate of $300 million a year, it will take 30 years to replace all that cast-iron main. And we did receive a $922 million approval from the BPU just a few months ago. That was also complemented by yet another energy efficiency program, a $95 million energy efficiency program, which builds upon the highly recognized and successful programs that we had underway previous to this, largely in the hospital sector and in the multifamily dwelling sector.

Power had a great year. We secured, either through acquisition or through bidding in auctions, the rights to build three combined-cycle gas turbine units. Bill Levis will tell you more about that. And our very small but slowly growing unregulated competitive solar business -- all with 25-or-so-year PPAs is now approaching the 300 megawatt DC size, with 17 facilities in 12 different states.

So if we take a look at the capital program, because I think that really is where most of our attention should be directed today, we are seeing over a 10% increase as we look ahead five years compared to the investments we have made in the prior five years. The growth will be both at the utility and at Power. As you can see from the pie

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chart here, the primary change in the utility will be some focus on GSMP, which stands for gas system modernization program -- that's the $900 million I referred to just a moment ago.

And you could see Power's growth piece of the pie, the orange segment, has expanded slightly as well. The prior growth was primarily in nuclear uprates, whereas this growth will be largely dominated by the three combined-cycle units that I keep referring to.

If we take a look at what we did over the past five years, we really did transform the business to one where we strengthened the balance sheet; we shifted towards investments in the utility, given the constraints that existed in the wholesale power markets. And as we look forward to the next five years, you'll see much of the same. We'll continue the growth of the dividend. We have a 10% expansion of the capital program that is three-quarters utility, one-quarter power.

The investments in the utility are not gold-plated. They are critically important to what our customers say that they need and what our regulators say that they want to see, be that in energy efficiency, or gas pipe replacement, or transmission investment. And then, of course, some continued investment in Power to not only make the current assets more efficient in the form of advanced gas-path retrofits, but in terms of taking advantage of new and more efficient engines that we can deploy in the three locations I keep referring to. And what you'll see as Dan comes up to present is the same story as we've been fortunate to be able to describe to you in the past: that there is more than plenty capacity remaining on the balance sheet to go beyond the investment opportunities that are contained in the $16 billion program.

So if we take a look at the utility and where it has come from, the stacked bar is the rate base. The light blue is the traditional distribution business -- gas and electric. The dark blue is transmission. As you are all aware, most of our growth in rate base has come from transmission. This has been an important policy objective of the federal government as well as PJM in terms of meeting the reliability needs of customers and decongesting the system.

And you can see with the orange line, PSE&G's operating earnings per share have gone along with that rate-based growth, largely due to the fact that Ralph LaRossa and his team have done a fabulous job of controlling expenses at the utility. If we take a look at what this has meant to customers, it's pretty obvious that whenever you invest in the infrastructure, you're going to give a higher level of service quality. But the trade-off tends to be higher bills.

Here you can see quite the opposite. What we have done in partnership with the regulators -- and I think very wisely so, in partnership with regulators -- is we've taken advantage of the decline in that little green part of the electric bill, which is basically additional charges that were put on the bill coming out of deregulation and various other policy objectives, everything from PURPA and NUG contracts to some tax reform efforts in New Jersey. But by and large it had to do it with stranded asset cost recovery and deregulation.

And as those charges have come off, and as we have seen gas prices come down, we've been able to maintain a fairly steady electric bill for customers. But being a combination electric and gas utility, on the right side of this slide, what you see is what's happened to the gas bill of customers. And when you add these two together over the course of a year, customers' bills have gone down by 28% over this eight-year period, even while we have grown the utility earnings, depending upon the time frame you look at it, anywhere from 11% to 18% per year over this same eight-year period. I've taken different five-year increments in quoting you the 11% to 18%.

So, to be sure, we are very clear with customers, with regulators, and with anyone who is interested in the story that rates would have gone down further had it not been for these infrastructure investments. But one would not make infrastructure investments in a rising price environment to the extent that we have. And these are necessary infrastructure investments. So good news: lower bills for customers, higher service quality, and a system that's ready for decades to come.

As we take a look at Power, here the economic drivers tend to be energy margins, capacity margins; what's happening in environmental regulation; and where are your assets located. And to be sure, energy margins have been compressed, in particular quark spreads. Spark spreads -- we tend to enjoy a very attractive regional spark spread due to our pipeline capacity contracts that we have and that we are able to make use of after fully meeting the needs of PSE&G customers.

Capacity markets we think we are exceptionally well positioned for. The capacity performance rules that we'll put into place have only told half the story in my opinion so far. The half of the story they told so far is what price gets paid at what location. The story that they haven't told so far is what are the risks undertaken by people who operate plants in this regime? And I believe those risks will be greatest for single or few unit operators. We have a fleet, so the risks for us will be less.

Similarly, if you have a fleet of diverse assets, I believe that the risks will be less -- even more so. And that is the case for us. So a diverse set of units and a fleet will position us well for the second half of capacity markets, and that is what is the risk and opportunity associated with capacity performance.

Environmental regulations -- as you've known for many years, our environmental improvements are behind us in terms of capital needs and in terms of location. We continue to enjoy attractive pricing in terms of capacity markets; less so in terms of energy markets of late, just given the proximity to gas markets and the lack of infrastructure to take that gas away from our region, which is nearest to the Marcellus and to markets that can use that gas, particularly the Southeast and southern part of the Midwest.

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Okay. So what does this all mean for operating earnings? As we've looked over the past four years and into this year, you see we have grown earnings each of those years. And we have grown the utility's share of those earnings each of those four years. If you just take the midpoint of this year's guidance, we expect the utility to be 61% of those earnings; Power, 35%; and basically, the parent piece includes Long Island, which is the modest contribution, right on schedule, as we predicted.

If you take a look at the dividend, I'll just remind you that the utility will at the midpoint produce 61% of the earnings, and at the midpoint, our payout ratio will be 57%. So the utility will completely cover the dividend. That's why we continue to issue the very qualitative dividend policy that we have, which is that we believe looking out over the next five years, given where the current forward price curve is, given where the investment profile of the business is, given the earnings mix of the Company, that we have the potential for a consistent and sustainable growth in that dividend. And hopefully you saw that consistency just this past February.

So what is each business paying attention to? It begins with operations in both PSE&G and in Power. In PSE&G, it's operations that meets the customers' needs. In Power's case it's operations that meets the markets' needs.

The utility has a significant capital program that it will continue to pursue with diligence. And it's done a fabulous job of delivering its projects on schedule and on budget. And we'll continue to talk to regulators about the most effective way to deploy this capital, both in terms of the infrastructure itself that we want to invest in and the way in which that gets approved and planned for.

We've had a great partnership with the BPU over the past seven years. I think we've had 14 programs approved. And that is a wonderful thing. There's no question about it. And one can't say anything but thank you to the regulatory community for recognizing the importance of these programs. However, the ability to do things 18 months at a time is far less efficient than the ability to plan for something that, for example, has a 30-year horizon to it. Just the ability to train employees, the ability to invest in equipment changes drastically when one has a longer-term horizon for making investments.

At Power, now they, too, have a large capital program that they need to pay attention to. So Bill and his team meet regularly. I meet with Bill regularly to talk about -- okay, where are we on Keys, and Bridgeport, and Sewaren? And so far all the news has been good in that regard.

And we never, ever take for granted maximizing the value of our existing asset base, in particular our nuclear plants and remaining peaking units and combined cycles in Power. All the while, we are eager to see what comes out of FERC's price formation activities and various other market rule discussions that are underway in terms of operational transparency, in terms of setting prices in the marketplace for various uplift purposes, and meeting reliability needs that may or may not be consistent with what prices we're seeing from purely locational marginal pricing outcomes.

And at Long Island, we -- in just two years we've hit, I think, 18 or 19 of the 21 performance factors that we are obligated to achieve. Both years that we've operated there we've earned the bonus payments -- the modest bonus payments that come with the contract. And I expect us to close the gap between being outstanding and being perfect over the next couple of years. No pressure, Ralph. (laughter)

So this is my last slide. I'll leave you with this in terms of our value proposition: I love that second word in that first bullet, and that's the way I want to think of our Company. And hopefully you come out of here today just saying, okay, steady as she goes. Because I think as we go is a pretty good story.

And the stability that we produce, whether it's 100 years of dividends, or a solid earnings growth at the utility, or accolades of 14 years in a row of being the most reliable, or 10 out of the last 11 years of nuclear capacity factors over 90% -- that's what I want our shareholders and our investors to think of us as. And that's the way I want our customers to think of us. And that's the way I want our employees to think of us.

Ralph will come up and talk a lot more about the utility. He has a slide that I absolutely love. It's one of my favorite slides in the deck. I'll ask you to pay attention to it as he shows it to you. It keeps showing you, year after year, how wrong we are about what we will need to do over the next five years. We come here every March and tell you we're going to do X, and then we come back the next March, and it's 1.2X or 1.3X or 1.1X -- where I'm talking about the size of the capital program.

There's no shortage of infrastructure needs that the system screams at us to do. And our team is great at identifying those that have the maximum benefit for customers. And every year we'll show you this slide: here is our five-year program; here's what we said it was last year; and it's bigger.

At Power, pay careful attention to when Bill shows you what is happening to our fleet heat rate, which is the critical measure of fuel efficiency in the fleet and what these investments mean for that. Also pay attention to the one of pie charts he'll show you that shows how the fleet has been repositioned now in terms of these three combined-cycle units, and what they mean for energy margins and capacity payments as well as the geographic diversity it's introduced.

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Also as Shahid comes up, I'd ask you to pay careful attention to what he'll have to say about some of the financial stress in E&P markets, and what that may mean for some of the smaller producers in particular, and what that could portend for commodity prices going forward, once we build out some of the pipes that are all underway in the region now but have been a little bit slower to come to fruition than we expected. And then when Dan comes to speak, of course, the credit stats, the strength of the balance sheet, and the additional investment capacity above and beyond this over 10% growth that we've already baked into the numbers.

I'll be back later on to answer any questions you might have. But with that, I think I turn it over to Ralph. And don't be offended, Ralph; I'm going to go get some coffee and some breakfast. I haven't had any, all right? (laughter)

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Thanks, Ralph. So, Ralph, before you walk out, I think that's the 10th year you've passed it off to me, and every one of those 10 years we try to figure out how to push the button. So it's green, right? We'll get that right.

I don't know if we're doing something right or something wrong, but 10 years is a good run. So we'll stick with that.

I'm going to try to leave you with a couple of things today, if it's okay. One, I believe that PSE&G has built a very strong platform. And hopefully you take away today from this conversation just that -- that we have a very strong platform that we've been able to put together.

Second, I think the story will tell you that we've delivered on our promises. We've done that throughout the five years -- the prior five years and, again, I think if you look back even beyond that to the last 10 years, you'll see that every time we've come here, we've talked about it; and Ralph alluded to the fact that we've delivered on and above our capital expenditure forecasts and, just as importantly, our O&M forecasts.

And third and finally, I think you'll take away that we are really positioned well for growth in the new utility environment. I think the areas that we've been focused on have led us to that path. And I think no matter which way the utility industry goes in the future, this Company is going to be strong for years to come because of the work that's been done over the past 10 years.

So with that, just point you to this slide, and we talk about it every year. Just give you a little bit of an idea about the geographic boundaries that we have. But I think what's most important here is that not only are we the largest electric and gas distribution company in New Jersey, but we've also transformed ourselves into a company that is the largest investor in solar energy.

And even our HVAC business, for those of you that live in New Jersey, is the largest in New Jersey. And that's where we run around, and fix appliances, and take care of your house heaters and water heaters. So it's a very broad platform that we've put together. It's one that doesn't have a lot of throughput growth. As you can see by the numbers there, we've been averaging around 1% a year, if you go back over the prior number of years.

In fact, on a weather-normalized basis, our electric growth was exactly 1.1% last year. So we've been pretty flat in our growth on a throughput basis, but the age of our asset basis provides us with opportunities to grow. And that's where a lot of our activities on the capital side have been focused.

On the bottom part of the page, though, I think that's the area where I was just mentioning -- I think we're really well-positioned for the future. We have established ourselves since 2008 as an entity who continued to provide universal access to cleaner alternative energy solutions for customers. And Ralph talked a little bit about the work that we've done in the multifamily dwellings, the hospital programs.

But I think -- looking back, I think our work on solar has really proved to be one of the biggest changes that we've brought to the industry, where we've been able to put our solar farms on landfills. And I'll talk a little bit more about that as we go forward.

So that platform is not just one based upon our assets and our geographic region, but it's also based on our strategy. And I will tell you that it's all about making sure that we balance our reliability, customer rates, and public policy. Put those three pieces together and we think it's driven a very good outcome for us, all of it based upon the work done by our engaged workforce. Those folks continue to focus on achieving operational excellence. And I will show you this slide in a little bit; maybe I'll pause a second longer, then Ralph can talk about the awards that we've received.

But with those customers being focused on the reliability efforts that we have and the need for resiliency, we've been able to deploy that capital that I just mentioned. And we'll talk about even further as we go ahead. That work that we've done has proven to give us the financial strength that we've brought as a Company. And it's all been based upon the fact that we've delivered on -- that we've had a disciplined investment strategy.

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The fact that we've been able to work with our FERC regulators on the transmission side, and as Ralph mentioned a number of times, the BPU and their efforts in working with us to make sure that the spend that we have above and beyond our depreciation levels is recovered through some clause mechanism has really provided us with that ability to have that strong balance sheet and continue to bring the benefit to customers that we can.

So I'll tell you -- look through the last five years and the storyline a little bit. It's one that really started, I'd say to you, back in 2010, when we came out of the last base rate case. Not only did we come out of the base rate case, but we also came out of the change in the administration. We moved from a Democratic administration to a Republican administration under Governor Christie; we settled the rate case; and then we took a pause and looked at the policy that the new Governor and new administration had put in place and tried to align our capital programs with those policies.

Not only did we do that, as you can see in 2011, but we continued to deliver on the reliability results and through some of the awards that we have received. And the whole bottom of the page, if you look out -- I won't keep repeating them -- but those are the types of accolades that the organization has received.

Not only did we focus on those policies, but we responded to some pretty dramatic weather events. Whether it be Hurricane Irene back in 2011, or Superstorm Sandy in 2012, we continued to deliver the results to the customers as they expected and then focused on the infrastructure that was required to build back the system in such a way to provide it as much resiliency as possible. And, again, you see that throughout the deck -- throughout the timeline you see here as we continued to put those assets into place and build out the infrastructure.

So this base track record that we've built, again, focused on operational excellence, having a strong balance sheet with good earnings stream, and maintaining that disciplined investment. Ralph mentioned the 14 programs with the BPU. I believe we started out trying to resolve problems associated with the need for some more blue-collar jobs in this state under the Corzine administration. And we've continued all the way to the point now where we've got a $900 million program that's been approved on our gas system modernization.

Those have been on an incremental basis. But I think the more that we've delivered on those promises and on those programs, the more that the Board has believed that we can continue to do that and will look to work with us to figure ways that we can have longer extended programs, so we're not in there every other week.

Let me just talk a little bit about the operational excellence, and all the awards are there. But I will say -- I'd point to the third bullet there, where we were honored by the Electric Light & Power Magazine as the Utility of the Year in 2015.

And what I really liked about this award -- and we all know about J.D. Power, and we know about the reliability efforts; this one also recognized us for the infrastructure that we've made -- how it was focused on resiliency; the sustainability efforts that we've had; and the fact that we've been able to do it in such a way that we continued to deliver financial strength. It's the one award that we have that pulled together all the different aspects that we have talked about in that platform that we mentioned earlier. So it's meant a lot to us in the organization.

And then take that, and you look at what we've done over the last few years on our earnings growth. Just the past four years, we've had 11% earnings growth. And I will take you back to 2009, which is not on this chart, but we were earning about $0.63 a share in 2009, just before we achieved that settlement on the rate case in 2010 and we started to work with the new administration and some of the programs that they had identified. So it's a long track record that you should feel very confident we'll be able to continue as we move forward.

We've not only delivered on the earnings piece, but we've delivered on achieving our allowed ROEs. And this chart really talks to that quite a bit. And I'll focus on the left-hand side, which is really three buckets of spend that we have. The first one on the left is our transmission spend, where over the last five years we've put to work about 62% of our capital on efforts to rebuild the infrastructure on the transmission side, but in a way that we were able to get a contemporaneous-type return through formula rates that were allowed by the FERC.

On the right-hand side is really where our distribution spend has been, 23% of which has been based upon just meeting our base spend associated with our depreciation levels within the utility. So we align our base spend on the distribution side directly with the depreciation levels that we have. And the other 15% is where we've worked together with the Board of Public Utilities to achieve a contemporaneous return mechanism, put that in place so that we can invest above and beyond those depreciation levels. It's a nice story, a nice balance that we've put together. And it touches every one of the aspects of our system.

So that was around $11.2 billion. As we start to transition to the right-hand side, and we talk a little bit about where we're going in 2016 through 2020, you see basically the same type of story in our plan. We continue to focus on investing in our transmission system. I'll walk you through a little bit of that; keeping our base spend aligned with depreciation levels -- obviously, as you continue to invest in your base rates, that depreciation level goes up. So you'll see there where we grow from the 23% to

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the 28%. That's just because we have additional money that's baked in to our depreciation levels. And then we expect to continue to work with the Board of Public Utilities for more contemporaneous return clauses.

The areas that we'll be focused on really do not change. But within some of these they will, and I'll talk to you about each one of those as we go forward. But it's the same that we've had in the past: our transmission system, our electric distribution system, our gas distribution system, and those new areas of solar and energy efficiency.

So this is the slide that Ralph talked about that's -- this is the one you said was a favorite, right? Well, it's my favorite too. Only because it's yours, not because it's mine. I like the awards better, but you didn't want me to talk about that, so.

Let me just tell you what's important about this. I mentioned that we have an opportunity to grow in each one of the areas that we have. And if you look at our 2016 to 2020 spend, which is here -- it's $11.9 billion that was on the prior two slides back, growing from the $11.2 billion. So you could just look at that and say, all right, there's continued growth. But what's really important about this slide is looking at what we told you last year when we were here, and that's the black line. And I'll just talk to you a little bit about those four years.

So what we came here and told you was that between 2016 and 2019, we expected to spend about $8 billion on capital programs. So just look at the four-year piece, because we've shifted one year since we were here a year ago. Take that same time frame and look at what we are now saying that we're going to deliver on the capital side, and it's just about $10 billion.

And it's really comprised of three major areas. One is, as Ralph mentioned, the GSMP settlement that we have with the Board of Public Utilities. There's been some change in our timing of some of our Energy Strong spend. But a lot of it has to do with transmission and some work that we continue to identify on the transmission side. And just yesterday at the TEAC meeting that we had at PJM, the PJM Board identified the fact and has agreed with us -- and if you remember back to our Artificial Island Project that we had put forth and we were competing with LLS Power on. LLS Power's project was selected. We were arguing from it for a long time that that project was going to be a little more expensive, so on and so forth.

Well, yesterday the PJM TEAC Committee agreed with our estimates. And as a result of that, our investment in the Artificial Island program has grown from $120 million to $270 million because of the additional work that's required associated with that project. Now, simple things, but things that are very important to us from a reliability and resiliency standpoint: foundations in the estimate were forgotten. Some of the relay work that was required was forgotten.

So we have worked with PJM. We've gone through that over the last 12 months. And as a result of that, you can look on the PJM website and see that in the TEAC deck that was put out, they've identified the fact that we now need to spend $270 million on that project. So those are the types of things, as we continue to look forward, we have ability for us to fill in, quote, the back end of the plan.

And I think that we not only have the Artificial Island program, but if you look at transmission as a whole -- and I'll dive into each one of the different areas here -- there's opportunities for us. We are finishing up the big five that we talked about, the last one really being our Bergen/Linden project. So we are just about completed with that. We'll have that project completed within this five-year time frame. But the ongoing need for RTEP programs -- that will continue, as we see, going into the future. And there will be additional need even in the five years of the plan.

Additional lifecycle replacements will come up, unplanned-for failures that take place on our system at different times, whether be a transformer that fails or a cable that needs to be replaced on a transmission system. That's not built into our plan as we currently give you. We don't build in an ongoing need for replacements.

Our 69 kV program we continue to upgrade our subtransmission. That's unique to our business, because not many companies in our field have a subtransmission system. We continue to upgrade our subtransmission to transmission. It was the cause of a number of the failures that we had within our grid. And everyone has recognized the need for us to do that, and we're going to continue that program as we go forward.

But we are also -- we have talked a few times these conferences about the opportunities of FERC Order 1000. And yesterday, you may have picked up on it, but Vectren announced that they will be bidding on the first MISO Order 1000 project. And as you could imagine, that project, being one that originates in Vectren's substation in Indiana and crossing the Ohio River into Kentucky, was one that a lot of people were knocking on the door with Vectren to try to partner on.

In their press release yesterday, they identified the fact that they've selected us as the partner. So they noticed our ability to construct, our ability to deliver on our promises, and our project management skills that have been built down in Kim Hanemann's organization within our utility is one that's transferable.

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And so it's a small project; it's only about a $30 million project. But I think what's really important is that within the industry, folks have now realized that the skill set that we've built up is transferable and something that we can look forward to expanding outside of our current footprint.

So we thank Vectren for that, for having the confidence in us. The bid will go in in July. The decision on who is selected by MISO for that project won't be announced until December of this year. But it's something we're looking forward to, and again, a good partner -- home state utility in Indiana. I told Ralph that while I was happy about the fact that that it was our first opportunity, I was really happy because my daughter is in school in Indiana. It had nothing to do with why we looked at the project. (laughter)

Let me change from transmission and move a little bit to electric distribution. I think the story here is that there is more to do, and there always will be more to do. Our -- whether it's us or any other company in the industry, none of us really have a plan to proactively replace wood poles. None of us have a plan to proactively replace wires. None of us have a plan to proactively replace the switches that are up on some of those poles.

So what we have put together, and what we have started to do here in the Energy Strong program, is ways for us to work together with the Board of Public Utility and the regulator to do some upgrades as we go along and modernize the entire grid. In the 2016 to 2020 base plan that we've identified, we basically -- that $560 million that you see there ends about halfway through the plan. Just using round numbers, it's about halfway through.

So we think that there's an ability to work with the Board to continue to upgrade some of that electric distribution. This is not in our base plan. These are opportunities for us in the future.

Why do we think that? Pick up the Energy Master Plan that was published in December by the Board. It clearly has identified a completely new section in the Energy Master Plan, which is all about reliability and resiliency in the electric distribution infrastructure as a result of the storms and the need to continue to harden and build resiliency into our grid. For the Board to have identified it and to build in a new section, is clear that this type of work is completely aligned with the policy of the state of New Jersey and its regulators.

So we plan to continue to have conversations about how we can expand that program, and we'll be back in having those conversations. We won't be having them in the next day or two; we won't be having them in the next month or so. But we will be having it in such a time frame that we can continue the program as we get to about halfway through that 2016 to 2020 time frame.

I'll switch to gas distribution. Ralph mentioned it before -- this is probably the most straightforward story that exists, not only in our infrastructure, but in the industry: 4,800 miles of cast-iron and unprotected steel mains. This is an area that clearly we can continue to upgrade our system.

Clearly, it's the right time to do that based upon the commodity prices that we see on the gas side of the business and one that we think is, again, completely aligned with the policy in the state of New Jersey and why we think we have the ability to continue it. In this case, the $905 million ends three years into that 2016 to 2020 time frame. So, again, need for us to go back in and have conversations about it; not something that we will do tomorrow, but something that we will do as we go forward.

And the solar front, I mentioned to you that we have pretty much changed the game within -- I almost would say in the industry, with the ability for us to work with the regulator to develop community solar projects that are in rate base, community solar projects that provide clean energy to all of our customers, not just to those that have it on their rooftops. We put these systems on these old landfill sites, some brownfield sites, and then provide all of the benefits, whether it be the energy itself, or the SRECs, or any tax credits and bonus depreciation back to customers in New Jersey, providing that to all of our customers, again, not just those that have the panels on their homes.

Again, if you look at the 2016 to 2020 base plan that's here, the tail end of that, we have about $20 million that is starting about $60 million this year, and then tailing off about $20 million halfway through the plan, and then going to zero on the back-end that's built in here. We again believe this is the right time for us to start those conversations with the Board about what we can do going forward and where there's more landfills.

We've identified about 13 to 15 additional sites within the state of New Jersey which would give us about another $200 million to $300 million of CapEx opportunities, if we were focused on delivering on those landfills and brownfields that have been identified. So good place for us, again, to have those conversations, completely aligned with the Energy Master Plan, again, that was put down in December of 2015, which calls on the EDCs to continue their solar programs. Completely outlined and, again, available for you to look at and cross-reference on their website.

Let's flip it over to the energy efficiency front. Same story. Look at the 2016 to 2020 plan. About halfway through that $95 million is used up, and we are in the process of having conversations about where we should be looking to build out additional abilities for us on the energy efficiency front. A little bit of a change in policy; if you look at the Energy Master Plan, there is a focus on governmental -- government buildings that they want to continue. The opportunity for us exists there.

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A focus on education for customers, opportunities like Opower in some of those other areas where they have abilities to update customers on their usage, and thermostats, and smart thermostats, and different things that we can do for our residential customers. But a big change here is where the Board is really focused on compressed natural gas and electric vehicles. So they've called that out in their updated Energy Master Plan, and that's an area where we think obviously the utilities in the state should play a part.

In fact, South Jersey Gas and New Jersey Natural Gas have installed some compressed natural gas stations in their service territory within rate base. They've been able to do that because the quality of their gas is a little bit different than ours. We are about to change that through some contracts that we have with some of the refineries in northern New Jersey. As we clean up that gas, we'll be able to move forward with some those projects and bring them to the Board for their consideration. So another area with a little bit of a tweak from where we've been in the past.

So you put that all together, and just what I laid out there gives you the opportunity to take that $11.9 billion and potentially grow that another $2 billion. Again, not baked into the plan, but if you -- you know, we hope to be back here, show you another chart that Ralph likes that has a black line below the future. And it's based upon our focus in those areas.

I have talked through a bunch of these. The one area that I haven't, that I just wanted to point out -- which I think is really a good story, not only for us but for the state of New Jersey -- is large customer needs. There's four specific areas that are going to drive some investment. Micro-grid activity that the Board has, again, identified in the Energy Master Plan that they want to pursue; one large project that New Jersey Transit -- that they see a need for building resiliency into the New Jersey Transit grid. We'll have an opportunity to partner with them on that.

Hoboken is another area that's been talked about in the past. We have an opportunity to partner with the city of Hoboken as they build out their infrastructure and focus on rebuilding their micro -- or building their micro-grid that area.

The Camden waterfront: the Camden waterfront is exploding from an economic development standpoint. If you take a ride down there, even if you're going into Philadelphia, take a look to the left. It's really a good news story, again, for the state of New Jersey, but also for us, because we have some underutilized assets down in that end of the state that we will be able to rebuild and revitalize.

And then another story that hopefully will make all of your lives better as you travel around: Newark Airport is going to expand Terminal A. You might have heard some conversation about that. That project in and of itself will deliver an additional 40 megawatts of load for us -- Terminal A at Newark Airport. So hopefully you'll all use it, and maybe we'll make it up to 50 megawatts. We'll see what happens.

But again, all good news stories for us on the capital front. And different than what we've -- not different, but a little bit of an expansion on what we've done in the past.

The capital piece is not the entire story. We also have to continue to look at our cost control on the O&M front. I think what -- the takeaway on this slide is the top right corner. It's the track history we've had: about a 2.5% increase since 2011. We've managed our O&M costs. There was a bump in 2012 and 2013, really driven by some pension expenses that existed at that point. But also that was Superstorm Sandy and the cleanup from Superstorm Sandy as we were, obviously, not able to expect or manage a storm of that magnitude that came through.

The backend of the plan -- you see another little bump. That's really driven by two major regulatory initiatives that the state has taken on. One is inside meter set inspections required on our gas distribution system, and the second is enhanced tree trimming, both of which we totally support from a resiliency standpoint and from a reliability standpoint. But those two programs are driving the additional O&M that you see in the back-end of the plant. Again, our inside plant meter inspections and the tree trimming activities that are enhanced and came out as part of new rules after Superstorm Sandy was -- the lessons learned with Superstorm Sandy was completed.

So we're going to move into starting to put the whole piece together here. We've -- Ralph -- we talked a little bit about all the CapEx. What you see here now is what our rate base looks like. Dan will talk a lot about bonus depreciation when he comes up. But the takeaway here is that the impacts of bonus depreciation have been built into the projections you see here of 8% rate base growth in our current plan.

If you layer in the additional projects that I talked about and some of the opportunities that exist for us, we could potentially grow it from 8% to 10%. But that bonus depreciation impact that was announced last year is built into the numbers that you see here. And Dan will talk a little more about how that impacts both sides of the business moving forward. Clearly, it identifies the ability for us to continue to grow and how -- why we think that the guidance range that was announced a little while back is totally achievable.

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I know Ralph talked about this slide, but it's worth repeating. We have done all of this at a time when commodity prices are down and our customers have not been impacted by it. It is a wonderful opportunity that's been agreed to by both -- whether it's our transmission regulators or our distribution regulators, now is the time to make some of these investments. Storms are greater; prices are down. Let's get out there and fix the infrastructure as much is possible. And you can see from this that the opportunity exists for us.

I think, you know, you look at our J.D. Power results and some of the feedback that we get from our customers -- they understand the need for this infrastructure. And they also appreciate that we have done as much as we can to keep prices down, a lot of it driven by the good work that's been completed on supplying us that low commodity fuel.

I won't reiterate what's been talked about in the past, but I hopefully will give you the confidence that we -- the talk that I just walked through here will give you the confidence to believe that we can deliver on the guidance range that we've talked about. It's a very achievable plan and one that we think we have a great opportunity to execute on.

But that's where we are. What we also have to think about in the utility business is where we are going. Ralph talked about delivering dividends for 100 years. We're proud of that, but we are also proud about how we are setting up this Company for the future.

We are a strong pipes and wires company, focused on enhancing reliability and resiliency. We've delivered cleaner energy than ever before. Our focus and efforts on the solar front have proven that out. We've started to provide customers with access to innovative new technologies, whether it be energy efficiency, smart grid that we've built out, distribution automation that we are working on on the electric distribution side. We've started that process and have worked with the regulator to do that -- all of which was done at a time where affordable energy existed. And we've continued to capitalize on that.

So that's the story in New Jersey. I'm going to switch to Long Island and I'm going to do one slide. And that one slide is this. The team on Long Island, led by Dave Daly, has done an exceptional job. We have walked into an environment that was a tough environment, and they have delivered on every aspect of the plan that they had.

They've brought back the earnings through the enterprise, about $0.03 in 2015. Not a big impact, but they've brought that back as promised. And more importantly, they've delivered to the customers in Long Island, who sorely needed it, an improvement in the reliability and the overall operation of the system out on Long Island.

I don't know how many of you are customers out there, and hopefully you can back it up, but I think the team has done -- hey, we got a thumbs up, so. I'll take that. I'll give it to Dave when I get back. But I think they've done a much better job and have communicated a lot better during the recent storm activities that we've had.

Point at the bottom: through the contract that $0.03 grows to $0.07 this year. And again, we fully expect to achieve some additional small incremental improvements above that, based upon the -- some of the incentive contracts that we have in place.

So that's the story in the utility space. Again, I think a proven track record, a good platform to build on and hopefully you can see that there's opportunities that exist in the future.

Questions? Kathleen, I think up here.

QUESTION AND ANSWER

Unidentified Audience Member

Hi. You have said that you're receiving contemporaneous recovery on 70% of your investments. Can you give us some examples of the other 30%, where you're not achieving contemporaneous recovery? What types of returns? How are you getting paid back on that? And why would you go forward and make investments where you're not getting contemporaneous recovery?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Well, we would make investments up through our depreciation levels, because that's built into our base rates. So our base rates cover us to make those capital investments up to that level. And the investments that we are making there are the core investments.

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We are replacing some cast-iron mains; we are upgrading some of our electric infrastructure. But most of the time that depreciation level does nothing more than cover repairs due to something that broke, whether it be a switch or a pipe that broke in the ground. So that's where we make that investment. That's core to our business.

The contemporaneous returns is where we go above and beyond that. And in that core piece, we delivered a safe and reliable service that we are required to deliver.

Unidentified Audience Member

Just going to page 36. I was just trying to -- over here you have given us the rate base and the net income growth. Could you just help us -- because EPS at the utility is increasing at a pretty hefty pace between 2015 and 2016. I wanted to see what is the correspondent -- I'm trying to eye it through the thing, but you gave the numbers here, but I can't do it exactly. What is the correspondent increase in rate base between 2015 and 2016 that matches that growth?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company*

I don't have that right in front of me. Danny, do you have that rate base piece?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company*

Okay, so Dan will have a little bit more detail in his slide on the rate base growth. But the bulk -- the story to take away there is the transmission investment that we're making is a large bulk of it. The work that we are doing on the Energy Strong front, as we put that into our base rates, is another large part of that; and as we start the investment on the gas program. Because as we go through these contemporary clauses, that gets rolled right into our base rates. Right? So then it --.

Hello, Julien.

Julien Dumoulin-Smith *- UBS - Analyst*

Just following up on the bonus depreciation impact in the numbers, the 8% shown: can you talk about the decrement there from bonus depreciation? How much of an -- what would it have been had it not been for bonus depreciation?

And then, perhaps, just talk about -- is there any kind of reset with the rate case impact? Just if you think about recovery of storm costs, perhaps not previously recovered, et cetera? Just in that net income versus rate base CAGR?

Ralph LaRossa *- Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company*

So I can't quote for you what we would have been. I'll try to get you that number offline. You know the bonus depreciation, right? So you know what our new CapEx is. So we can do the math, and we'll get you that.

I do not expect a reset during the rate case proceedings. I think if you look at what we have and what we have on the O&M activities, it's pretty clear that time is about right for us to go in; it's okay. I think the question will be where we are on the ROEs. We currently have an allowed ROE of 10.3%. The history in New Jersey has been about 9.75%. Some of our additional spend has been at the 9.75% level. We're going to be monitoring some of the rate cases that are pending at the Board, and then we'll have a little better idea.

Julien Dumoulin-Smith *- UBS - Analyst*

Or perhaps just to clarify, if you will: is there any step-up or discrepancy between the rate base and net income CAGR as a function of that rate case -- just of unrecovered spend that you might be just all of a sudden getting in that 30% chunk that is not contemporaneous returns?

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Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

No, because we've been spending that depreciation level for everything else. There's little bit of storm activity that's in there, but that's not really going to be on the on the CapEx side. No.

Julien Dumoulin-Smith - ***UBS - Analyst***

Okay. All right, great. Thank you.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Shahriar?

Shahriar Pourreza - ***Guggenheim Partners - Analyst***

Hey, Ralph. The incremental $2 billion spend above your base plan through 2020 -- how should we think about that? More back-end loaded?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Well, as you know, it's all potential, right? And so we don't -- we'd just like to give you an idea now, because again, we've overperformed over the past few years, so we wanted to give you the idea about what's out there. I would say that as I walked you through each one of those categories, the spend that we have in the base plan ends about halfway through. So it would be on that tail end of the five-year plan.

Unidentified Audience Member

Just FYI, service has been really good. So you guys are doing a good job.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Yes, we know. (laughter)

Unidentified Audience Member

As far as the rate picture going forward, I know that there's some transition charges, right, that are dropping off. So maybe we can kind of talk about that, and how the CapEx kind of affects rates? And then I guess fuel costs obviously have come down, too, and power prices and things like that. So just as a -- you know, what is the rate picture?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Right. So high level, a lot of the transition charges will drop off by the end of this year. In fact, I believe we've stopped recovery on most of those already.

There will be a few more of the NUG contracts that will roll off, but it's not going to be a big incremental change. The fuel side is clearly on the gas side of the business, but we do have the benefit of having a lot of our combined customers. So they are seeing the total bill at the end of the day, and they get the benefit of that.

And then what was the last? There was a third.

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Unidentified Audience Member

(inaudible - microphone inaccessible)

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

So I think what we have tried to project out for you is -- you know, we don't see -- we know what we have to do to keep that light. And I think our numbers are -- I don't want to quote it, because I don't really want to get into what we potentially could do during the back end of the rate case. But if our commodity stays where it is, there's continuous headroom in the bill, especially if you look back to 2008, what exists there.

Can you guys fill out J.D. Power scores for us while you're here? (laughter) Dave could use that. Anybody from Long Island that wants to give us a complement, we'll take it so. Here, Greg.

Greg Gordon - ***Evercore ISI - Analyst***

Thank you. So over the last bunch of years, you have spent $7 billion on transmission. And I'm just wondering over the -- I know the reliability of the system has gone up dramatically over that time. But over that period, has there -- can you refresh our memory as to what basis differentials for power have been inside your zone, and what capacity prices have been inside your zone; and what benefit, if any, customers have seen because of this?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

I think I'm going to leave that to the smart guys on the Power side of the business talk about. But there is -- you obviously see where the interconnections are and what's gone on in different places. There is always a change that could exist based upon -- you know, one of the biggest issues that's out there right now is what's going to happen with the wheel, the content wheel, going forward.

So I think there's so many variables in there that I couldn't say that any one wire that we put up, or any transformer that we were involved in upgrading had direct impact on that. And I'll leave that to this team talk about going forward.

Greg Gordon - ***Evercore ISI - Analyst***

Okay, I'll follow up. Thanks.

Michael Lapides - ***Goldman Sachs - Analyst***

Michael Lapides of Goldman. Transmission authorized ROEs -- we've seen in the Midwest ISO, we've seen in ISO New England specific challenges that have played out over the last two years, 2.5 years in terms of authorized ROEs for transmission. Just curious for your views on whether you expect that for PJM-wide, which is a little more difficult, or specific utility targeting?

I mean, one of your peers in the state had a little bit of that a year or so ago. Just kind of curious about how you think about that process; what intervenors or industrials have said, because they been some of the ones who have pushed it in the other ISOs.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Look, we always keep an eye out and monitor what's going on on the FERC front. But there's nothing that has happened in the near term that I could tell you that would trigger me to think differently about where those ROEs are. But I do know that every policymaker that I talked to continues to think that the program that we have on the transmission front makes sense, and are needed for resiliency and reliability in our area. And I have not heard anybody who's looking to disincent us from making those investments.

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Unidentified Audience Member

Can you comment a little bit on, given the new CapEx numbers, to what extent in general customer rates may rise over the next few years?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Yes, I think that was the same question here. I'll get that for you; I don't remember off the top of my head, but we have a little bit of an idea about what -- if all the commodity stayed flat, where we would be. But a whole bunch of that depends upon when we go in for our rate case and how that's treated.

Steve Fleishman - ***Wolfe Research - Analyst***

A couple questions. First, just on the rate case that you're supposed to file, is there any way that, as part of looking at these other programs, to get automatic recovery mechanisms? And I know, like, the water utilities have like a DISC mechanism. Is there any way -- first of all, is that the kind of thing you want, like a DISC-type thing with the water? And secondly, is there any opportunities, if you're able to get that, that you could somehow avoid filing this rate case then?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Well, the rate case was a requirement as part of the -- we stipulated that as part of the Energy Strong settlement, right? So we are prepared and we plan to have the rate case. And it's okay.

I think that the opportunity exists for us to have conversations in there about the capital expansion, but we certainly would like to do that in advance of the rate case. Just thinking about -- we're filing at the end of 2017, have discussions in 2018; next thing you know it's 2019, and you have a -- you know, it's -- those processes tend to take longer than any of us would like.

We want to have some certainty in these programs. So we need to work together with the policymakers to figure out the best way to do that. DISC is a solution. There's a solution in Pennsylvania; there's a solution that was put on the table in Illinois. There's a -- you can go around the country and see the different opportunities that are out there. Because of our long-term need for the infrastructure upgrades that I talked about before, it's just a matter of sitting down with policymakers and figuring out what they feel most comfortable about.

I think the time is right, again, as we mentioned. And we're going to -- you know, regulatory reform is something that we've had conversations about.

Steve Fleishman - ***Wolfe Research - Analyst***

And then just -- I guess this may be irrelevant, but just with the Governor kind of all over the country doing other things, I mean, how does that play into kind of policy stuff, like, trying to deal with -- or is it -- are the key people there every day? Or it's not relevant?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

No, our regulator -- the President of BPU is there every day. I haven't seen him on the campaign trail. (laughter) So Rick is there. So the staff is there, and they've been doing -- you know, they have been doing -- and the Governor is there. I mean, I won't get into all of that, but he's certainly keeping an eye on things.

Insoo Kim - ***RBC Capital Markets - Analyst***

Hey, Ralph?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

One more.

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Insoo Kim - ***RBC Capital Markets - Analyst***

It's Insoo Kim, RBC. Could you talk about your low annual load growth forecast? I know it has come down since last year's analyst day, and just -- it's interesting.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Yes, I guess that was on slide -- the second slide in on page 20, we talk a little bit about the load growth.

Insoo Kim - ***RBC Capital Markets - Analyst***

And do you see the trajectory just continuing to decrease over time? Or is it --?

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

It's been relatively flat if you look at the prior -- with the prior presentations that we've made, somewhere between zero and 1% load growth. A little more was on the transmission side before. Now we're down to about a 0.7% on what we see on the peak load. Again, if you look back over the prior years, that's about what we've seen historically, I'd say the last three to five years, from an actual standpoint.

Insoo Kim - ***RBC Capital Markets - Analyst***

It seems like on the electric -- I guess not -- the non-transmission side on the electric, last year's presentation had -- the 2015 through 2017 was more on the 1% side, and now it's --.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Yes, it was closer to the 1%, right? But we had a big bump last year. Last year we were up about 2% on that, 1.1% on a weather-normalized basis, but about 2%. So we saw a little more load growth last year than we had expected. And so with that kind of an increase now, we are working off a little bit of a higher base. So the percentage of growth going out into the fifth year is little bit less.

Kathleen Lally - ***Public Service Enterprise Group Incorporated - VP, IR***

I think with that, Ralph, we're going to take a 15-minute break and resume with the presenters on the Power side of the equation. Thank you.

Ralph LaRossa - ***Public Service Enterprise Group Incorporated - President and COO, Public Service Electric and Gas Company***

Thank you.

(break)

Kathleen Lally - ***Public Service Enterprise Group Incorporated - VP, IR***

Okay, we are going to resume. Bill Levis, President and Chief Operating Officer of PSEG Power is going to provide you a complete overview of his Company. And he will, again, be followed by Shahid Malik, President of Energy Resources and Trade. I'll turn it over to Bill.

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Bill Levis - ***Public Service Enterprise Group Incorporated - President and COO, PSEG Power***

Well, thanks, Kathleen. Good morning, everybody. So I have the fun task, A, of first getting everybody back from break; and second of all, to get people excited about a business where power is currently trading for $13.10 in the Northern zone. So we'll see how it is I do as we go through the slides today, but that said -- and maybe it's because I'm a contrarian by nature -- I actually feel pretty good about our business, the things that are going on, and the opportunities that lie ahead for us.

All right. There we go. So I put this slide up, and some of you in the audience might look at this and say: there's that slide again. Ralph Izzo put it up; Ralph LaRossa put it up. But in fact, it is up here because it is one of the basics on how we talk about our strategy in the Company. And it is important in our Company to get alignment across the organization to talk about what it is that we are all about. So when we talk about excellence, it's not just a word, but in fact it's a measure that we put in place that describes or measures how will we do in this area. And it's actually fairly simple.

Top-quartile in key areas, and you do better than you did last year. So top quartile -- make sure we're aware of where our competition is. And doing better than last year ensures that we are continuously improving what it is that we do. And as Ralph pointed out, and Power is certainly a subset of that, operational excellence leads to financial strength, which then gives us the opportunities to make some of the investments in our business that we're going to talk about today.

So we also have a timeline in our business. And you can read the tagline up top about focusing our portfolio with reliable, efficient, and cleaner infrastructure. But if I were to take you back 20 years, I would tell you that the same things applied then.

And in fact, what we did as a company 20 years ago is when we started our Bergen 1 unit, and rebuilding and repowering that unit. We started in the discussion and then built Bergen 2. And then we started with Linden 1, Linden 2, and our Bethlehem Energy Center plant. And it is those plants that today are the workhorses of our fleet and have benefited us tremendously in the environment that we are in today. So in many respects, we are reinventing where we were 20 years ago with a continued mandate -- that knowing that the more efficient you are, the more environmentally friendly you are, the more cost effective you are ensures that you get the opportunity stay in the business.

So if I then reset to 2011 and look at some of the key items there, you see nuclear license extension and uprates. So in fact the licenses for our nuclear plants were extended by 20 years, so for a total of 60 years currently. And we did steam generator replacement at Salem 2 and power uprate at Hope Creek, which resulted in over 180 megawatts of generation added to our fleet.

In 2012 we added 400 megawatts of new peaker capacity. Now we recognize that the peakers we had were older and inefficient, and we know their lifetime was either going to be 2015 or 2017. So we set out early to have replacements for them. And we did it in such a way that we used one technology -- so a design once, build many concept, which allowed us to do all of these projects on time and on budget. In the case of Kearny 14, actually brought it in under budget and a year early. And three of those units also built in New Haven under a rate base return up there.

Bullets underneath that that Ralph LaRossa also mentioned was the Superstorm Sandy. Sometimes you get a curveball along the way, and you know, your plans get disrupted a bit. Certainly they did for us in this case. Five of our fossil plants were underwater and out of commission -- and, through some heroic work of our folks, got all those plants back.

And, in fact, one of our key plants that were impacted was our Linden station. And if you go to the next year, in 2013, the top bullet you see there is record annual output from our Linden combined-cycle plants. So it's just a testament to the work and our ability to respond and face adverse conditions. And it really shows the strength of the team.

The other note that I'd point out in 2013 is this bottom one about Bethlehem Energy Center and the second gas line added. What we noted there is there was some competition in the area that was starting to impact the runtime of that unit. So it made us look a little harder to see what it is we can do to help ourselves in that situation. And I noted that there was another gas line in the area that we could hook up to. We took that opportunity and since then have been able to arbitrage that opportunity to where Bethlehem Energy Center was one of the plants that actually had record output last year.

Look to 2014: once again you continue that theme of record output from our combined-cycle fleet. Given what was going on in the marketplace there, we took the opportunity then to start upgrading those plants with the latest technology. That's the advanced gas path that Ralph referred to previously. And then essentially, in an eight-month period of time, went from idea to completion of that in our Linden 1 and Linden 2 units, which was 63 megawatts additionally.

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Underneath that is -- we started then to also provide dispatch services for Long Island. A terrific opportunity for us; adds some numbers to the bottom line and, just as importantly, allows us to expand our skill base with our people, so that they're more knowledgeable of the various fuel types and how to get them where they need to be when they need to be there.

And if we look at 2015, once again, a record combined-cycle output. And in fact, if you look at our units for last year, record output at BEC; record output at Linden 1; record output at Linden 2; record output at Kearny 13; record output in Kearny 14. So just a terrific year from a production standpoint from our units. And in addition to that, a number of exciting growth opportunities that I'll talk about that are mentioned there. More to follow later.

Also finished the AGP uprate on Bergen unit 2, so that's an additional 30 megawatts that is available. We didn't retire our high-energy demand day units, but a little over 1,700 megawatts was retired in the June time period. And this little note at the bottom: our solar business continues to sneak up on us. And we are up to 277 megawatts, and I have a slide that will talk about that in a little bit.

So when we talk about our advantages, we talk an awful lot about the diversity of them: diversity of fuel types, diversity of unit types, and locational advantage. And the left slide just shows the diversity from a fuel perspective. And you can see right now, even before we build the new units, still mostly gas from a capacity standpoint, followed by nuclear and then coal.

And if you look in the middle section there, you can see the diversity in unit types. And that is our baseload, load following, and peaking plants. And what we have seen in the marketplace is the more flexibility and optionality you have in the ability to serve in either one, which is essentially what our combined cycles are able to do, the more opportunities that you have.

And then, if you look on the right-hand side, where our energy is actually produced, that output that you see from 2015 represents a 2% increase over where we were in 2014. And still, over half of what we generate comes from our nuclear plants, a reliable economic baseload source of energy -- and then a bigger portion coming from gas and a lesser portion coming from coal. And even if you look at -- that coal contribution is primarily our investments in Keystone and Conemaugh. And our coal plants, when they run, mostly run on gas.

So this slide is a little different than what you've seen in the past. So a couple of things I'd point out as we talk about our capital investment program: one, on the bottom, is we continue to invest in existing units to make sure that the safety and reliability is not challenged. And so that represents about $200 million a year in continued investment in our facilities.

That orange represents essentially regulatory/environmental requirements. As you can see, that's a fairly small sliver compared to everything else. And so we are in fairly good shape there. The fundamental driver there is 316(b), the Clean Water rule. And during this past year, we got the favorable ruling, actually, about -- relative to our permit for our Salem station, where cooling towers are not required. Once-through cooling is still acceptable, with some minor modifications the need to be made on our service water structure, very similar to how our circulating water structure operates today.

That light blue represents the investment in primarily combined-cycle plants. And we'll talk about in a bit -- you do see a dark blue there, so we're also investing in gas infrastructure. That's the PennEast Pipeline due to come in service at 2018 time period.

So, illustratively, this shows the dispatch stack for our units. So a couple of things I'd like to point out -- and a couple of differences, if you were to look at the presentation from last year: one is if you look on the right-hand side that used to extend up with the retirement of our HEDD units. Those units are now gone.

And two, a subtle change, but if you look at the baseload plants, and you'll see Keys and Sewaren in baseload -- and that is because we expect those combined-cycle plants to run much like baseload plants; so where they are located, the benefits they'll have with heat rate, and the like. So we expect them to operate at capacity factors that actually exceed Keystone and Conemaugh, and they're not too far from our nuclear plants.

The other items to point out here is we are in fairly good shape. We are at capacity performance; minimal investment required to meet that. We have dual-fuel capability at 87% of our load following and peaking units. And our peaking units are there to take advantage where there are spikes and volatility in the marketplace.

So I sometimes -- when I show this picture, I like to look at it with respect to how the Eastern part of the United States looks from space. Because if you look at that corridor between Boston and Richmond, what you'll see is it is the most energy-intensive area in the world. And so our units fit right in there.

So when we say we are located near load centers, that's what that means. That being near load centers helps with the potential for volatility; the flexibility in our units allows us to take advantage of that volatility. And that's how we can maximize the opportunities in the marketplace for our units.

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If you also notice where those units are located, it's almost on top of Marcellus Shale. So our proximity to low priced gas and the knowledge of our personnel in this area allows us to get a good portion of our gas from Marcellus, which gives us other economic advantages versus our competitors. And a reminder, again, that we are in good shape for capacity performance standards, mostly because these are dual-fuel capable units.

So a little bit about the investments that we are making. And why are you making them if the price of power is $13.10 today? And, frankly, we do it because it makes good economic sense. So when I go to my boss and say, I want to go spend some money, he doesn't automatically open the checkbook and say, sure, Bill! Whatever it is you want. We also have a Chief Financial Officer that ensures that there's certain economic thresholds that we have to meet. So if I am to compete with the utility, frankly, I have to show a risk-adjusted return that's greater than the utility. And for all of these investments we are able to do that.

So the Keys Center -- pretty exciting for us for a couple of reasons. One is where it is located. And it is actually located where load is growing at a pretty good rate. It is in an area where coal is currently on the margin. Gas infrastructure is just currently being built, and it will be one of the early gas plants in that area for -- so for some period of time, as coal sets a marginal price, we'll have the opportunity, if we are a very efficient gas plant, to take advantage of that.

It also helps mitigate some of our basis risks that we have. And Shahid will talk some more of that. So pretty excited about that; have wanted to get into this area for some period of time, so when that opportunity came up, we were excited that we were able to complete that deal.

In the case of Sewaren, in many respects this is the continuation of what I talked about before, where we have four units currently on that site almost 70 years old. So I would say we got a fair amount of use out of those units over the years. But it is time, frankly, for a more efficient unit to take that place.

So then I'll talk about Bridgeport a little bit, because the two do work in tandem somewhat. So we were disappointed last year when we did not clear the auction in New England. And so it made us look a little harder about, okay, what it is -- what are the things that we need to do to become more competitive? So by looking at these two plants in tandem, and as I talked about before with the peaker strategy -- you know, design once, build many -- we are able to gain a fair amount of synergies by doing these plants in parallel, both from making them as identical as we could, so design it once. Two, from a procurement standpoint, being able to buy two instead of one allows you other different opportunities.

So that allowed us, then, to put in a competitive price that met our investment threshold for Bridgeport Harbor. And although I read in many places folks were disappointed how prices turned out in New England, we were not. Prices ended up where we thought they were going to be. We knew it was going to be competitive, and our investment meets that risk-adjusted return. And that was before bonus depreciation. So bonus depreciation is a little sweetener there for us. And we have the opportunity now to build these things in series and lots of learnings that we'll be able to apply to make that -- ensure that we build these things on time and on schedule.

So you see in-service dates, 2018 for Sewaren 7 and Keys; and Bridgeport Harbor in 2019. Construction work has started at our Keys facility. In fact, foundation work is underway at this time. I expect that work to start in Sewaren within the next month. And in the case of Bridgeport Harbor, permitting work is in progress currently.

So I did want to talk a minute about this bottom bullet here where it says: expanding civic stewardship roles in programs in neighboring communities -- because I will tell you, I think this is a differentiator for us versus our competitors. So I mentioned before power uprates and license renewal for our nuclear plants. We were able to extend the license from our plants and, in fact, got that license renewal right on the heels of Fukushima with no contentions and terrific public support -- because the folks at the nuclear plant are parts of the community. And we recognize the role we have to be members of the community and take those responsibilities fairly seriously.

It is that same sense that allowed in the case of our Sewaren plant, where we had the public hearing for our air permit -- which can be quite contentious -- that nobody showed up for this week. That's a good thing, actually, in our business. So, unfortunately, success for us -- is staying off the radar screen. So no news is good news, typically, for us. So this was a no news is good news for us. That allows us actually to start construction early in the case of Sewaren.

In the case of Bridgeport, New England is also is a fun place to be building things. But our relationship with the community there allowed us to enter into a community benefits agreement with the mayor and the local constituency that we'll get full support to get the air permit, and then -- in exchange for some modest investments in the community.

It is those same things that are driving what we're doing in the Keys area. So our plant manager, Andy Caplinger; our construction Vice President, Kevin Cellars; and our fossil President, Rich Lopriore, have been in people's living rooms, the schools, and as far as the state capitol -- just to explain to people who we are, what we do, and our commitment to the community in the long term. And it has allowed us to essentially have all those permits in place for that unit and get the full support of the community.

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So as you watch what's going on in our society now -- and recognizing all politics are local, and it is hard to build anything, because -- you know, various reasons people can get in the way -- we have got some pretty clear sailing on all these projects because of the relationships we've been able to establish in the community. So it is one of those things that, I think, helps separate us from the competition and allow us to be able to build these projects on time and on budget.

So when we are done with that, what you will see is a little different mix here. So on the left you'll see a 13% increase in the amount of capacity that's available. You'll see more gas on a percentage basis. If you look in the middle, recognizing we put some of those plants now in the baseload category, you'll see more baseload than you did before.

But a reminder that those combined-cycle plants can easily move back between load following and base and be able to serve the market in several different areas. And on the right, what you see is an 18% increase in production, up to 65 terawatt of energy produced on an annual basis, with just under 50% now coming from our nuclear plants.

So how do you ensure that, in fact, you'll be able to be the plant that gets selected by the marketplace? It is all about efficiency, and it hasn't been an effort that was started just yesterday, but one that we recognized a long time ago and then working to improve. So what you see here is just where our essentially system heat rate was in 2014, before we started our investments in the advanced gas path. And you see where we'll end up in 2020, with the new units online. That's a 14% improvement in heat rate.

And if you want to do some math, there's a bullet at the bottom that talks about how much savings that is in fuel, with a certain assumption on gas price. But more importantly, the better heat rate you have, you move further to the left in the dispatch stack, and more likely to be called in the marketplace to produce the power that you make.

With improved efficiency also comes a reduction in emissions. And so what you see here is our continued story in reducing emissions from our power plants. So I went back to 2010 to 2016 -- we, up to that point, had a 70% reduction in SO2; almost a 40% reduction in NOx; and we are continuing that forward so that you will see another 20% reduction in both of those by the year 2020, all at a time when we are increasing generation.

And when the -- you will say, but wait a minute, carbon is not on that side. Thank you. It's on this slide. And I'm not a predictor of the future, and I don't know when there will be a price on carbon. But there will be a price on carbon, and we want to be in a position to take full advantage of that when that occurs. So what you see here is that from 2011 to 2016, we essentially reduced our carbon footprint from 1,400 pounds per megawatt. And you can see, we're going to -- from 1,400 to a little over 1,200, and we're going to take that a little over 1,200 to a little over 1,000.

And if you think about the fleet perspective, about 94% of our power comes from either zero-emitting carbon or from new combined-cycle plants or combined-cycle plants that already meet the EPA threshold. So compliance costs for us will be minimal and presents, I think, tremendous upside when carbon finally gets priced into the marketplace.

At our foundation still is nuclear in the critical element of our success. When I describe it, I said, nuclear helps us pay the bills. It's foundational to how we are able to establish our hedging program that Shahid will talk about before. And just a couple of small changes from what you may have seen, if you looked at this last year.

On the Hope Creek side, there's another uprate available. 18 megawatts that we plan to have in the spring of 2018. This is essentially a feedwater flow uncertainty measurement that's been available to a wide number of plants. And a number of plants have used that, and we don't expect many challenges in being able to implement that.

On the Salem side, what I'd point out is for Salem unit 1, we actually go past 40 years of operation this year. So when I talked about license renewals, fairly timely, so that we continue to operate that plant for another 20 years.

That said, you were probably aware that the first nuclear plant has applied or has announced its intentions to apply for renewing its license, or taking it from 60 years to 80 years. That's the Surry plant. There have been some regulatory guidance provided in that area. There are no technical showstoppers from what is that I can see. So we will be following that closely, obviously. And if and when prudent, we'll be pursuing a similar course of action.

In the case of Peach Bottom, I'd just point your attention to the bottom, where the uprates that we have been talking about here for a number of years are done on both units. And we are realizing that 130 megawatts of additional capacity currently. So this does represent a summary of the various growth investments that are going on.

So a couple that I will just point out that I haven't talked about previously is our Bethlehem Energy Center. We still have the advanced gas path upgrade to do there. That one is, frankly, a matter of getting the interconnect in place to be able to do that. And the timing of that works out to the 2017 and 2018 time period.

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There is an uprate we will do on our LM 6000s. You see a Kearny 13 and 14; 14.5 megawatts in the spring. A reminder of the PennEast investment that's underway; and this little note again at the bottom about our various solar projects, where we plan to invest almost $250 million over the next two years to support that business.

So this is a bit of what our solar business looks like. We've been in this business now since 2009. And since that period of time, Diana Drysdale, who has headed up that business, and her team have developed, I think, a real niche in the marketplace. So we have put over $0.5 billion to work in this area and a number of plants, anywhere from 2 to 60 megawatts in size -- utility-scale projects. You see them in 12 different states, all done with PPAs, credit-worthy counterparties, lump-sum, full-wrap EPCs. And once again, these investments -- we have investment hurdles for them, and they meet it. And the team has done a nice job you be able to continue to look for opportunities all throughout the country here.

So we will do some additional work in that area to expand the fleet. And now the folks are at work to try to figure out, much like we do with our other power assets, how you maximize the existing ones to look for ways to increase the output, improve reliability, and then look for other revenue sources. And that work is underway in that area.

In addition to that, there is other ways we make money in our business. You'll here Shahid talk a little bit about our gas business, and you heard Ralph refer to it before. So we are a provider of gas to the utility and meet their customer requirements. So we have contracts that help support that, both in capacity and in storage. And when there are off-system sales available after we meet customer needs, we are able to share in those sales with the utility and ourselves. So it provides us an opportunity to, obviously, make some money; but just as importantly, it gives us a deep understanding of the gas business in our service territory.

There are also other ancillary services. Black start reactive power area regulation: area regulation is one of those areas from our combined-cycle plants, where we essentially did some modification to them so they would have the right response time to be able to meet the requirements in PJM. The LIPA fuel and energy dispatch we referred to before. We're also an equity interest in a combined-cycle plant in Hawaii. And a New Haven peaker, as I mentioned, actually in a rate base contract with ISO New England. All told, you add these numbers up, that's $300 million of gross margin for our business that we continue to look for opportunities to expand also.

At the time we are doing this, obviously, we've got to make sure we do this to maintain our costs. And we've done, I believe, a fairly good job of doing that over the years. You can see the 2011 to 2016 picture there, and how we've been able to control costs under 1% a year for that. And it's a result, I would say, of an intense focus throughout the enterprise and of some specific initiatives in the power area. You can see some of those listed in the blue.

Some other items I will tell you about: as the marketplace has changed, and as some plants run more and some plants run less, because, I would say, the working relationship we have with our union, it's allowed us flexibility to move people to where the work is. And so if there's an outage in New York, we are able to move some of our people to New York to help with that outage. Likewise at nuclear to be able to displace contractors with some of our own people.

Given that we are able to do that, we essentially took over the outage-related work on our gas turbine fleet. So our people are performing the work now. That's allowed us to develop expertise in there but, more importantly, also reduce our costs. And we continually benchmark how we're doing outage-wise versus others. And our folks are doing a nice job there.

Our next step in the fossil area is actually an M&D center, a maintenance and diagnostics center, that we put in place. A couple of utilities have done this. But essentially this gives you live-time monitoring of critical and key systems, and early warning of a potential issue. So you're able to schedule repairs and do it in a much more timely fashion. And it also ensures you're doing the right repairs. And if you think about how maintenance is involved in our business, from preventative IU, just at a time-based, you know, some predictive. You would do it when your oil got to some level, or thermography showed you something -- to the point now where any minor trend that you can detect and take early action on, it allows us to be much smarter about how we're spending our maintenance dollars in the future. And I think in many respects it's the future.

So our combined cycles are up and running now. We'll have the rest of the fossil fleet by the first quarter and actually start with a pilot in our nuclear fleete in the first half of the year.

So it's also an exciting opportunity as we bring young people into the organization, because I will tell you, life can be on a computer then. And these folks are pretty well-versed in being able to use it, go up and down and across, and see what's going on in the plants. And it's really helped energize some of the younger folks in our organization. They finally see us putting to use some of the tools that they have been using for their whole lives.

There's also an important initiative going on in nuclear. We've taken some steps, where you see -- moved security in-house; we had a small reduction in force at the end of the year. But on a larger basis, there's an industry effort underway about delivering the nuclear promise. We are actively engaged and involved in that. And I will tell you, it's going to bear some real benefits for the business.

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And if you just reflect a little bit on our business, and I started rolling back the clock in the 1990s. And if you remember the 1990s, the death of the nuclear industry was predicted then, too. And the nuclear industry took some pretty strong actions then to essentially, I would say, codify processes, so that we got consistency in how it is that we did business. And we were able to share those lessons with the industry, and the whole industry got better. And by better I mean they got safer, more reliable, and with that became more economic.

It's been 20 years since we refreshed those processes. And quite frankly, some of those tools that I referred to before -- computers and the like -- we don't take advantage of technology near to the extent we could or should. So this is an opportunity for the industry to go do that.

And I'll tell you, there's some terrific work going on in that area to do just that. There's been what's called 10 Efficiency bulletins that have come out. These are small steps, but there's some bigger steps underway that I think will continue to improve safety, reliability, and ultimately the cost structure of the business.

So this is a busy slide. It's meant to be for little bit, because when I mentioned prices were at $13.10, this just represents -- you know, it's interesting; you talk about averages -- so we can always look at the curves and see what the curves tell us, whether it's capacity, energy or the weather. And since these things are built on averages, there's always a plus, and there's a minus. And then even sometimes within the numbers, they don't always tell the whole truth.

So this just looks over the last five years and says there's been a wide range of conditions that have existed in those years. There have been hot summers and no summers. There have been cold winters and no winters. There's been high volatility and little volatility. But what I'll call your attention to is that bottom line that you see there: in those wide range of conditions, we met or exceeded our commitments to the Corporation. And we're able to do that once again because of the flexibility and advantages we have with the fleet that we own; the people that we have, their expertise; and the ability to respond to changing conditions.

So I would certainly prefer power prices be higher than what they are. But I know in the law of averages, that will change, too. So the winter that wasn't means what will happen is people will forget winter happens in the wintertime, and we'll be in a position when winter happens that we'll be able to take advantage of it next time that is.

What you see on the next slide, then, is essentially impacts of two items on our earnings going forward. One is the capacity that I referred to is not there now -- about 1,800 megawatts' worth; and the fact that winter hasn't appeared here yet from when we provided this guidance here in the middle of February.

So I'm going to close with -- we deliver on our commitments, deliver on our priorities. And I think it's a good time to be in this business. And if you looked at the accomplishments we had in 2015, they were formidable: generation up 2%; our nuclear capacity, third-best year ever; record production at essentially most of our gas plants; and, at the same time, our trading organization successfully implemented the contract at LIPA and learned quite a bit in the process.

We met our commitments on earnings, held costs in line, and continued to help influence the marketplaces of markets that are of concern to us. Completed the Peach Bottom EPU, Bergen AGP, and added a fair amount of megawatts to our solar business, and repositioning ourselves for the future -- so that, whatever the future brings for us, I believe we are in fairly good shape to meet those challenges ahead.

Again, anybody encouraged about $13 prices or not? (laughter) Didn't think so. With that, I'll turn things over to Shahid. And then will take questions following his presentation.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Thank you, Bill. Good morning, everyone. I'd like to add my warm welcome, and thank you for joining us today. It's great to be here again in New York City -- and even better when I think that this time last year, it was 26 degrees Fahrenheit colder. So it's certainly much better today.

As Bill described, PSEG Power had a solid performance in 2015; but as you are well aware, the merchant industry continues to face some challenges. And there are several reasons for this, but the principal ones, of course, are that the commodity prices are relatively low; and we are seeing reduced demand for electricity as a result of energy efficiency and also as a result principally of low load, because of the mild winter we've been experiencing recently. So these same issues, actually, which extend for a bit of time -- probably going back to last summer -- have also impacted PSEG Power's margins, specifically at our nuclear plants.

At the same time, though, these low gas prices are having the effect of helping our natural gas-fired plants, giving us stronger spark spreads and stronger profitability. And when you marry that with the increased run rates we've been seeing at the combined cycles, we're seeing good performance from an output as well as a profitability standpoint from our gas fleet.

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Of course, to neutralize some of the impacts of these low gas and power prices, we've aggressively hedged a large portion of our energy and capacity revenue, giving us at least a three-year window of solid hedge values which will get us through this period of low commodity prices. As Bill mentioned, our overall earnings are expected to be lower in 2016, consistent with lower energy prices and also consistent with hedges that have fallen in price over the last three years.

But we do expect healthier prices and margins in future years, coinciding, actually, with the buildout of our three new combined cycles. So with that backdrop, I'd like to describe the actions that we are taking to position the fleet going forward. And I'm going to split my talk into three sections.

First, I'll kick off with a short review of how last year shaped up, and how we positioned ourselves and handled it. More importantly, I'll talk about the future and what we're going to do this year and forward and, of course, regulatory trends, because this is a very regulated market, as you know.

Second, I'll talk a little bit about the commercial and technological attributes of our fleet and how we are positioning them for the long term, because that's really what this business is about for PSEG Power -- the long term. And third, I'm going to outline some of the strengths that continue to make us somewhat unique in this space and, I think, distinguish us from the rest of the merchant generation industry. I know that all of our competitors say that they are unique, but when you look at the complete package that you had outlined this morning -- and that you'll hear from me and from Dan -- I'm very confident that our story is as good as, if not better, than anybody else out there in the merchant space.

So let's start off by going backwards and looking at 2015. On this slide, the top two charts show natural gas and the power prices in the Northeast during the first quarter of 2015 that reflect winter. And the bottom two charts are the same commodities, gas and power, for the remaining nine months of last year.

In the first quarter of 2015, you'll remember, it was very cold. And in the top left-hand chart you can see that the blue line, which represents the price of Transco's Zone 6 gas, was relatively strong until mid-February and then rose sharply and stayed high until the middle of March. That reflected an average Zone 6 price of around $8.75 per Mcf for that whole quarter.

The orange line, by the way, is an important line for you to look at, because that was the Leidy gas price, which is a good proxy for Pennsylvania shale gas. And you'll note that it was relatively flat and much cheaper than Zone 6 gas throughout this time period. And most of the gas that we bought during this timeframe and, indeed, today is that low-cost shale gas coming from the Marcellus.

As you know, electric prices in our region are correlated with Zone 6 gas, as shown in the top right-hand chart. And that green line reflects electric prices in the PSE&G zone. The average electric price in that quarter for the PSE&G zone was about $64 per megawatt hour, which also included a $12 per megawatt hour positive basis above the West Hub prices.

So as you can imagine, our first quarter of 2015 margins were very strong as power prices rose. And once again we made a decision at that time to accelerate our hedging program to take advantage of higher prices and higher margins. This will prove to be a benefit for us in 2016 as well as in future years, as I'll describe later.

The bottom two charts reflect the last nine months of last year. And clearly, gas and electric prices and any of the associated volatility around those commodities were much less than in the first quarter, and less than in prior summers, too. And of course, as you know, this is due to mild weather; low load; and the continued, I would say, overproduction of shale gas, which drove gas and electricity prices on aggregate lower. As a result we did have a tougher balance of year than we were hoping for.

As you know, this winter, starting from November to February -- I read a report the on the NOAA Webpage the other day saying that this was a record warm winter for the United States this year. As you know, this winter, excluding just a few days in February, has been very mild, with the December to February period averaging around 6 degrees above normal, with reduced heating demand -- therefore driving down those gas and electric prices. As a result, clearly we're not seeing the same revenue that we would normally expect, especially from the nuclear plants, this winter; although our gas plants continued to perform well, and our energy sales and our hedging has protected us somewhat, as I'll describe later.

So when Bill talked about that $13 price that we saw today, that is a price that is therefore for unhedged fuel, unhedged power. Fortunately, we've already hedged a lot of our power for delivery today at much higher prices.

So looking at future trends for gas and electric and also spark spreads, the top left chart shows the price of Zone 6 gas in blue for future years; and, again, the orange line reflects Leidy price. And that blue line reflects the seasonality of gas demand as reflected in the cyclical price that you see there. But more importantly, it shows a slow but steady expected rise in the price of gas, both Zone 6 as well as Leidy gas.

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The market is in contango. And actually, in an exquisite piece of timing, our friends at Morgan Stanley last week produced a fairly detailed research report entitled Natural Gas: Time To Get Bullish. And I'm just going to quote from the leading paragraph for you: we are more constructive than the curve, they say. An imminent supply slowdown and ample demand should return the market to balance by year-end 2016 at prices above the strip. But we see 2017 prices [about] $3, well above the current price curve. End of quote.

We agree. And actually, I have seen some other analyst reports from other of our colleagues out there that say the same thing. And we think that gas and power prices have been oversold, especially as we get into the fall and winter of this year.

Now, that top right chart shows the forward price for power at PJM West. And it shows the same seasonality as gas in winters, with some additional seasonality in the summer. Over the entire period, you can tell it's relatively flat, although we do expect prices to move in line with natural gas if prices for natural gas do move up as we think.

And that bottom chart is a very important chart for us. It shows the spark spreads at PJM West in the Public Service Zone in both black and green, respectively. The forward spark spread, while gently sloping downwards, serves as a good proxy for the profitability of our gas fleet, as you might imagine -- especially the 5,000 megawatts of combined cycles that we'll have by the beginning of 2019, plus the 1,200 megawatts of peakers that we have in New Jersey. We expect these forward spark spreads in PJM and New England to remain robust.

And a final point I'd like to make is that although the PS premium to PJM has diminished with the pressure from local shale gas -- and, of course, with additional generation and transmission into our Zone -- we've still been able to extract an annualized premium for our output over that in PJM West. In the near term, that locational premium we enjoyed has shrunk; but we believe that premium will return in the long-term, as gas from the Marcellus gets moved out of the area and this transmission bottlenecks south of our region get resolved.

So the key takeaways from these charts is that the absolute power price, while falling further than I think anybody -- including us -- anticipated, does seem to have found a floor, and that forward gas prices do seem to be moving up. Importantly for us, the spark spread continues to be strong and we expect will remain high enough to make substantial profits from our gas fleet.

Shale gas production, of course, in the Northeast has dramatically changed the dynamics of the energy industry. And it's changing the competitive landscape and putting a lot of pressure on some of our weaker competitors. As Ralph mentioned, PSEG benefits, because we sit right next to the Marcellus field. And we have one of the largest gas procurement and trading activities in America.

Last year, as this chart shows you, we bought over 420 Bcf of gas, with most of it coming locally. Not only is the gas price cheaper now, but also so are the transportation costs. And we need less storage as well. So our all-in fuel costs are dramatically lower than they were just three or four years ago.

The bar chart that I have up here shows how purchases from the Marcellus that are shown in orange have grown over the last five years. In 2010, we used to be 100% dependent on Gulf Coast gas and gas from Canada. Today, over three-quarters of our gas is shale gas bought at a substantial discount to that Gulf Coast gas. Now, this is a higher percentage than what we would normally expect, frankly. And it was, as I mentioned earlier, due to an unexpected and probably exceptional oversupply and overproduction of Marcellus gas in the summer of 2015. Going forward, I think we'd feel that our typical shale purchases for our utility and also for our power fleet would probably more like around two-thirds coming from the shale region.

That pie chart shows you where our natural gas came from. And you can see from the orange and blue slices that three-quarters did indeed come from Pennsylvania and Ohio; and the green slice represents what we buy on a delivered basis from producers and other marketers. And that amount, which is about 1/5 of our total, came from multiple sources. But I'm pretty sure that a good chunk of it came from the Marcellus, too. Only 4% of our gas is coming now from the Gulf Coast. So as you can see, we have continued to buy cheap shale gas and have maintained a cost advantage over our competitors, who don't have the infrastructure to match our access to Marcellus.

Now, our producer friends tell us that technology gains and lower costs will keep gas production high. However, there's a common consensus as well that production growth is going to decline sharply. Our friends expect increasing bankruptcies as lenders eventually bite the bullet and pull the plug on what we now believe are substantial bad loans to this E&P sector. And I was reading a report last month from Deloitte Consulting that estimated that up to a third of US E&P companies would probably go bankrupt this year and stop producing.

Now, as a result of all this, and as a result of the lower gas prices, we are finally seeing some production discipline from the E&P sector. Although we touched nearly 19 Bcf a day of gas production in 2015, in the month of January we saw Marcellus production at 17.4 Bcf a day. And this year we've seen Leidy gas prices rising somewhat from their lows, and gas is not as distressed as often as it was last year.

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We do expect this trend to continue and will alleviate some of the pressure that we've been seeing on Zone 6 gas and M3 gas -- and consequently, on the derivative, which is electric prices in the region. Having said all that, we do expect overall 2016 gas prices to remain low, especially in the summer period, but start recovering rapidly as we approach the winter.

And as you know, as Bill referred to, we continue to increase our access to Marcellus gas. And PSEG Power is investing $120 million for a 10% stake in the PennEast Pipeline, which goes from Pennsylvania Marcellus fields into Lambertville, New Jersey, which we expect to come online in the 2017/2018 time frame.

In this chart we see new pipelines being built to transport excess supply into high-priced markets, particularly in the South and the Southeast, where demand for natural gas is booming. In fact, demand for gas is booming everywhere. We see it across our reach here, and we see it across the United States.

And the map shows you the new export pipelines that are anticipated through 2018 -- and this is updated from when I showed it last year. Approximately 6 Bcf has in fact been built and put into service over the last two years, with another 4 Bcf expected in 2016 and another 17 Bcf in the pipeline through 2018. As a result, we expect significant exports from the Marcellus and a firming up of prices in the region.

Although we think that gas prices do have more upside than downside, on a historical basis we probably believe as well that gas prices will still remain relatively low compared to history. But as you know, our business plan and our business model is based on the current forward curves and fundamental analysis, and not on projections in hope of future prices.

So as a result of that, we have to help ourselves, and we have to improve our competitive position despite low commodity prices. And we need to improve our position on the sales side, on the manufacturing side, as well as on the regulatory side. And on the regulatory side, our market structures do continue to improve, although with two steps forward and one step back.

First, there have been significant improvements to the capacity market construct in PJM, as you know, as well as in New England. And the higher payments for increased reliability standards that both FERC and the ISOs are demanding really well match the capability of our fleet with our high-performing nuclear and combined cycles in our region. Secondly, accurate price formation and accurate energy price formation is critically important.

We found it's much more important than getting the capacity market rules right, because poor price formation is a concern not only for generators, but also for load if they see the wrong price signals. And we are seeing a concerted push from FERC to improve electric price formation with various directives and various requests for information to the ISOs. And they are responding, and we are pleased to see that -- PJM as well as New England.

On demand response: the Supreme Court's decision to allow FERC to continue regulating demand response is irritating, I must admit; but it will have a small impact, I believe, on Northeastern electric markets, since DR does have a hard time meeting the increased reliability standards in PJM and New England. We are seeing DR playing a smaller role in regional capacity markets. And in 2020/2021, for that capacity auction, which is next year, the whole of PJM goes to the higher-capacity performance standards. And we believe that DR will have a hard time meeting those standards.

Turning to Ohio, you know, we are troubled -- as you might imagine -- by the moves to effectively subsidize coal plants by the utilities there, and hope that the PUC will not agree to those subsidies. Nevertheless, it is a distraction for the industry and reminiscent of the LCAAP fight in Maryland, which is currently before the Supreme Court.

And lastly, on the environmental side at the bottom, the clean power plant for carbon emissions is up in the air -- literally up in the air -- and has been kicked back to a lower court, as you know, by the Supreme Court. However, even if the EPA ultimately prevails, the CPP wouldn't have gone into effect for quite some time. So we never expected these new regulations to have any short-term impact.

But what we're seeing, though, instead, is that existing rules like MATS, coupled with low gas prices and low power prices, continue to push out these deregulated coal plants from business as well as the deregulated oil plants. And we see these retirements continuing, albeit at a smaller pace than before, because a lot of their retirements already happened in the year 2014 and 2015. But we still see some going forward.

So generally, we view the regulatory framework and landscape as neutral to positive overall. And we do our best to advocate for the competitive markets. And we've been pleased, actually, with some of the outcomes in the critical areas, especially of energy and capacity market reforms. But the major takeaway for us is that in any of these markets, no matter what the regulatory construct is, we have to compete effectively, as Bill said. You need the lowest cost, and you need the best technology.

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And as you know, the technology of choice for electricity generation has moved decisively to natural gas. Embedded in the chart on the left-hand side, you'll see that our 2018 spark spreads in these markets are quite high historically; but more importantly, the forward curves indicate that the market expects them to remain robust into the future. As a company we've recognized this. And we've been adding peakers; upgrading our gas units; and as Bill mentioned, we are building three new combined cycles.

Now we are building new, but we've also tried to buy existing gas plants in our chosen markets. Frankly, though, we're just not willing to pay some of the prices that these 10- and 20-year-old assets went for, and decided that for us it was much more important to be selective about our locations; to leverage our existing infrastructure, wherever possible; and to take advantage of new growth opportunities. So ultimately we chose to build new, efficient units in advantaged locations, so that we can be first in the dispatch stack.

I won't repeat what Bill said as to why we believe we are advantaged now by building in these locations, but we do believe that each of them have merits of their own: the Bridgeport, Keys, and Sewaren. I'll talk a bit more about Bridgeport in a second. And here now, on the right-hand side, can see that the list of our existing and proposed gas cycles nicely complement our baseload nuclear fleet and also our peakers. So our aim, as you can tell, is to regenerate our fleet so that we have the most efficient heat rates in quality locations. Because at the end of the day this is a commodity market, and we recognize that. And we know that we have to aim to be the low cost producer.

On one of Bill's slides, he had up there that our fuel savings from all these efficiency improvements will save us about $65 million to $70 million in fuel expense.

And by way of example, the difference between a 7,300 heat rate unit, like our Linden unit, and a 6,500 heat rate unit, like our new Sewaren unit, at $3.00 gas is about [$2.50] advantage per megawatt hour. That's quite a competitive advantage that you get if you're able to produce at a much more efficient rate than a lot of the existing units. And as you know, the heat rates of most of the combined cycles and the coal plants, of course, in PJM and also New England, is well north of 9,000. So hopefully we'll have efficient units in good locations that will be first to be dispatched.

So turning now to the rest of our fleet, as I mentioned before, we manage our Northeast assets as one portfolio. And though they are relatively small, they are profitable; and they do provide us a base to grow our business. In New York state we have our plant at Albany called the BEC, which is very profitable. We have plans to increase output and improve its heat rate with the uprates that Bill talked about.

But in New York State as a whole, we don't really see many growth opportunities for competitive generation. We do see, though, some retirements of steam plants in the West and FitzPatrick Nuclear in the north, and who knows about Indian Point? And we believe that those should capacity prices, meaning that we should see more revenue from our plant in the future. But unfortunately, the regulatory construct in New York hasn't improved much in the past three years. So we're focused on sales help to improve our margins with efficiency uprates and the new gas pipeline connection that Bill talked about.

And last year we took over the management of LIPA's, Long Island Power Authority's, 6,000 megawatts of contracted generation assets. For little risk, our group is adding $0.01 to $0.02 per share of earnings. We buy the fuel; we dispatch the plants; we manage the cables. And we also do the hedging for them.

And we've been doing this for over a year now. And we've learned a lot; we've helped get those power prices lower, we believe, in Long Island. And we've executed very well so far. And LIPA appears to be very satisfied with our performance to date.

In New England over the last three years we've witnessed -- as another New Englander, Bernie Sanders, would say -- we've witnessed a huge change in the market construct, driven by companies like PSEG, who have really pushed the ISO and FERC to make improvements. The market rules for energy and capacity in New England are now among the best in the nation after having been, frankly, for quite some period of time, one of the most difficult regions to do business in.

It's still not a cakewalk from an environmental standpoint, from a permitting standpoint, nor from a fuel procurement standpoint. But we believe that the long-standing good relationships we have with the communities that we serve and that Bill talked about. Plus, our knowledge of the New England markets will help us as we grow our business up here.

Would we like to build a new power plant at last year's capacity price? Yes, of course. But even this year, building a new power plant at Bridgeport to complement our existing oil plant, and existing coal plant, and existing gas peakers at New Haven was, frankly, an easy decision for us. Not only is it a good financial decision, but having a larger portfolio up there actually reduces our penalty risk from New England's version of the capacity performance standard. As Bill mentioned, we'll receive significant guaranteed revenues from the seven-year capacity lock, equivalent to about $40 million per year.

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Second, that forward spark spread looks compelling. Third, we get to close down potentially an old coal plant that doesn't run very much but has become a lightning rod for some of the environmentalists as the last remaining coal plant in Connecticut. And finally, we believe it will be very profitable: construction costs have been driven lower by the synergies that Bill talked about between this plant and Sewaren, and bonus depreciation will make it even more profitable.

And it's also important for you to know that we've already started monetizing this asset by forward-selling both capacity and energy. As we have indicated, this plant will cost us between $525 million to $575 million to build. And we've already sold enough guaranteed capacity to the ISO and to others to cover over half of this cost, or about $325 million to date. So we are thrilled with this investment, which we view as relatively low risk and with strong upside potential.

Talking about capacity markets, a major locational benefit for PSEG, of course, are the capacity markets in each of the three ISOs that we operate in: PJM, New York, and New England. In PJM in New England, the construct is much better for the industry and is being reflected now in our future years' earnings. In New York, unfortunately, there is no sign of the state moving to a long-term capacity construct such as in PJM or New England. Plus, New York continues to interfere somewhat in the market structure by selectively picking winners and losers.

But the capacity constructs that we are in assure us that we will receive a payment for being in the marketplace that does allow us to invest in our assets. And as you can see, in PJM, our capacity revenues have been very consistent over the years and actually growing in the last couple of years as well.

Now, last month PJM did publish their parameters for the upcoming 2019/2020 RPM auction, which reflects new methodologies for estimating load as well as updating it for transmission upgrades as well as new generation in the region. With lower load requirements, improved transmission penetration, and higher supply, the market does expect prices to be lower for this upcoming auction than last.

And for the RTO as a whole, we do continue to see coal and oil retirement through 2018 and the already-committed plants that are coming online, mostly in Western and Southern PJM, coming online up to about 2018/2019 time frame. After 2019 we actually see very minimal newbuild, for most IPPs are finding it very hard to get financing for new projects, which will really help supply get back in line with demand in that time period, just when our combined cycles will be hitting the market.

So in the lower box, the capacity prices that I'm showing here for New England also most likely peaked in last year's auction but are still very healthy, with the latest auction clearing at $7.03 a kW month, or about $230 a megawatt day. And to put things into context, that $230 a day is very equivalent to what we're getting in Eastern PJM for the bulk of our PJM assets. So we were not surprised at all by this year's auction results and have internally forecasted to clear between $7 and $8 a kW month. And one last point I'd make on this slide is that over the next three years, we will receive over $2 billion in guaranteed revenues from these capacity sales, giving us some good clarity on our future years' earnings.

Turning to energy sales, we've been actively growing our wholesale origination business and selling more full requirement electric deals to customers. The annual BGS auction is one of our larger full requirement sales during the year, which accounts for about 12 gigawatt hours a year. BGS is a forward sales construct in New Jersey. And despite being very challenging from an operational standpoint, it's a very useful outlook for us at a time when forward-market liquidity is lower than in previous years. So we like the BGS construct.

And BGS sales accounted for about 1/5 of our forward hedges. Last month we participated again in the BGS auction. And as you can see from this chart, prices did move down about $3 in the PSE&G Zone, primarily due to lower energy costs. The auction results, though, were in line with our expectations of sales volumes, although margins were a little bit lower than we might have expected.

Of course, we continue to supplement our BGS sales with similar full requirement sales in other markets that are well correlated to our assets. And these sales have been very profitable for us over the last two years, and we intend to do more.

We've also been exploring the retail C&I electric business to see if it makes sense for us to have an additional outlet for our generation. And we do see this potentially as a small-scale defensive tactic for us, if we should decide to move forward. At this time we've not reached a definitive conclusion on whether, when, or how to enter the market. So all I would say this time is: watch this space.

And moving onto hedging, as you can imagine, forward hedging -- particularly in this price environment -- plays a crucial role in managing our earnings. And we have a consistent hedge program whereby we lock up about two-thirds of our baseload plants' output for the next three years. In numbers, that's about two-thirds of 4,000 megawatts for three years.

And as prices have fallen over the last few years, so indeed have the prices of our forward hedges, as they have in fact for all players in our industry. And as a result, we do expect our earnings in 2016 to be lower than in 2015, consistent with those lower price hedges that we've been seeing over the past four years. Now, we've been

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cautiously hedging in this low price environment, holding back somewhat when prices appear to be below fundamental values while taking advantage of price spikes to sell more.

And as I mentioned earlier, the absolute price of power does seem to have stopped falling. And we don't see much, if any, further downside -- unless the price of gas completely collapses, which we believe is, frankly, very unlikely. And the increasing prices and margins will benefit unhedged sales, as we're leveraged very favorably, of course, to upside volatility. In addition, we been aggressively managing our electric basis risk, using all the products that we have available to us, including FTR and basis trading.

So we have a very solid risk management practice at PSEG, which we supplement with short-term trading tactics that will adjust those hedge positions to try and maximize better operational requirements and also for value considerations. So hedging will be -- will continue to be a consistent and powerful contributor to us over the next period of time.

On the electric generation side, Bill spoke about the performance and the reliability of our fleet. And these two pie charts show the makeup of our output and their contribution to our earnings. The first pie chart reflects the total output in 2015 of our generation, with over half in green coming from a nuclear fleet that performs to an average 90% capacity factor. And gas-fired generation, which is the brown slice, is the next-highest contributor, which accounts for about a third or around 18 gigawatt hours a year, with coal and oil making up the balance.

By 2019, we do expect our nuclear and gas output to rise to about 62 to 65 gigawatt hours, which is about a 15% to 20% increase, as a result of our additional investment in gas-fired plants. Although nuclear is still the most profitable megawatt, our gas fleet has become increasingly profitable, and we expect it to provide a much larger share as a proportion of our output and our future earnings.

And the second pie chart shows the contribution to earnings of the components of each of our forward hedges for the next three years. And you can see from the chart that a sizable portion of our earnings are already locked up in the form of capacity revenues and energy hedges. In fact, for the next three years -- for 2016 to 2018 time period -- about 60% of our earnings are already locked up.

We still have operational and execution risk, of course, around that number. But we have a clear line of sight on significant amount of revenues going forward for the next three years. And any uptick in prices or volatility will help that bottom line further, as any unsold generation will benefit if prices rise.

So despite the low price energy environment that you're hearing about, we're, we are very confident that PSEG Power has a strong future in the merchant generation space, both now and in the future. Our location, our geography in the Northeastern markets -- which is very close to load centers -- still gives us premium pricing for our power at the same time it's giving us preferential access to the fuel from the world-class Marcellus field. The three new combined cycles that we're building will significantly increase our fleet's efficiency and will take advantage of the robust spark spreads and capacity markets that we are seeing out there.

Thirdly, the higher operating standards that FERC and the ISOs demand are very well suited, in fact, for the capabilities of our existing fleet. And they'll only get better as we add new megawatts to them. So we don't anticipate spending much capital over the next few years to meet these higher standards. And lastly, geographically we are delighted to be growing in the Pepco region, which is a very attractive and growing part of the world that we've been watching for some time.

Finally, our hedging and short-term trading activities that protected our earnings. And the improved capacity market construct, as you can see, really helps us in that endeavor as well.

So we believe that we're controlling the things that we can control at Power. We have a clean fleet that we are modernizing. We have excellent operations, a first-class safety record, a gas and power locational advantage in PJM that's frankly unmatched by anybody in our industry, together with a strong balance sheet to grow the business and help us through this low commodity price period. So thank you very much for your attention; we're ready now to take your questions. Thank you.

QUESTION AND ANSWER

Unidentified Audience Member

Shahid, hi. Thank you very much for the excellent presentation. You postulated that you think that gas prices are undervalued. Would you care to place a number where you think fair price of natural gas is?

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Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

I think my boss and his boss would kill me if I did that. But what I would tell you is that all the signs that we are seeing are that gas will continue to be relatively low compared to history. But we have seen cycles of gas prices over the last 10 years hovering between $1.50 to $10. Clearly, like the oil business, it is a cyclical business. We do expect it to be higher. But, we plan our business based on the forecast. The forecast for next year shows Henry Hub price of $2.58. That is what we plan our business around. Does that help?

Unidentified Participant

Excellent. Thank you.

Unidentified Audience Member

Shahid, based on the analysis that came out of PJM, which compared when we go to 100% CP, which will be the next talk next year in May for the year 2020, it showed nearly for the PEG fleet that upside could be like $0.50 per share if one did the math from their sensitivity analysis. Do you believe in that uplift, as they kind of highlighted, going from the 80% to 100% for the zones that which we are in, as something which is a big upside for the power fleet as we go into next year's auction?

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Well, actually, if you believe in that, I would like you go and buy some shares because I think that would be terrific.

Look, we have done our estimation as to what we think will happen to the capacity prices as a result of the various changes that are going on. Frankly, that seems a little high to us, and probably one that I would have a hard time sharing how we get there. Do I think that companies like ours that have clean slates and a lot of nuclear plants can be successful in those markets and get premium prices? I do believe that.

Having said all that, though, it is pretty clear that what we are seeing in the PJM market is more generation that is of better quality and better reliability. You are seeing increased transmission that has been upgraded and improved, because you have folks like Ralph LaRossa's team. And as a result of that, you are seeing a stronger backbone, a stronger grid. My suspicion is that you will continue to see volatility and you will continue to see some premium prices in various locations. I fully expect PSEG will continue to be a premium location. I can't speculate whether it will be $0.50 a share or not, but hopefully it will be something.

Don't you want to add to that?

Unidentified Company Representative

The CP is just a new construct here, and I think we are going to have to give that some time to play out just to see what that is going to look like the long term. I have talked to several folks who were absolutely delighted when they saw the pricing for that.

But, when asked the second question, is what about the additional risk you have assumed, they did not quite have a good answer for that. So it is going to be a market in the long term where I think you have to have scale to be able to do well. And we will see how the market shakes out with some of the smaller players there.

So, I would not predict what is going to happen in a year, but, like everything we do, we take the longer term and we think we are pretty well-positioned for what might happen there.

Unidentified Audience Member

Just following up a little bit on the comments on power markets and basis, just East/West, we have seen obviously a deterioration East relative to West. What are your thoughts just prospectively, particularly given future gas pipelines that have yet to come into service? Do you expect to see continued downward relative pressure East versus West? I will leave that first.

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Unidentified Company Representative

Let me answer that one first, Julian. Thank you for the question. The basis issues that we've been seeing -- actually we've been predicting for some time, principally because we have seen our Company, PSE&G, improve the transmission backbone and made it easier for a generation to come into our space. Plus, we have seen new generation, new gasified generation, being built in the region.

The third dynamic, which we did not anticipate quite as much, was the impact of absolute low gas prices from the Marcellus. And as you know, the Eastern part of MAAC, Eastern part of PJM has become -- the marginal unit is now the gas unit. As a result of those low gas prices, you are seeing Eastern MAAC power prices generally low.

We do believe that as more pipelines are built and more gas that gets taken out of the region, likely prices will increase, which actually is a blessing but also a curse in some respects because, as Leslie Rich pointed out this morning, it is likely gas prices go up, and doesn't that reduce your spark spread. And I said, yes, but it certainly helps my nuclear fleet.

But then, going back to your question, the third piece that we see going out there is that this lower transmission work that is taking place right now in the southern part of PJM as we get into the Baltimore and Dominion zones. And that will alleviate some of the congestion that we are seeing, which will hopefully allow for more flows from north to south, which will reduce the pressure on that basis. Right now, basis is flat to slightly negative at various times of the year, and it is flat to very positive in other times of the year. Because of our hedging, we have been able to take advantage of those positive premiums over the years. And over the next three years, we have positive basis built into our hedges. Does that help?

Unidentified Audience Member

Yes, absolutely. And perhaps to run with that a step further, as you think about gas price sensitivity, you kind of preempted the next question a bit. But how do you think about the evolution of the power business and sensitivity, given the puts and takes of an enlarging combined cycle fleet of pro forma in 2018 and 2019? I know you guys provided sensitivities about $0.12 to $0.16 as a range, but I would be curious how that is evolving.

Unidentified Company Representative

We do have, as you mentioned, a slide in the back which talks about how we view gas price sensitivity to our overall earnings. It is a tough question because, as I said earlier on, what we are trying to do in our business is really gasify our fleet as well as have a strong nuclear fleet. So, if absolute price -- if absolute power prices rise, we do well. If absolute power prices rise, and nuclear fleet as well, gas spark spread might diminish. Then we have some balance in that portfolio.

My belief is that we are going to see more efficient, more reliable generation stack both in PJM as well as in New England, as well as in New York. And over time, you will continue to see some compression in this spark spread. But the fundamental analysis that we've been doing shows it is going to stay fairly robust. And if it stays robust, it is great for our gas business. And also, we don't believe that the power prices done at these levels are sustainable. We just don't see that many plants can survive at these power prices for a long time. So, we do expect some uplift in power prices, too.

And eventually, there will be a price on carbon. As you know, the nuclear fleet that's out there is struggling in many parts of the country. That has to be saved in one way or another. And we believe that is happening. And if you take New York as an example, New York State, they have come up with this pretty neat idea about zero emissions. They are being selective how they might want to use that, but I think that is a path for the future for the nuclear industry.

Unidentified Audience Member

Bill, you had a slide where you talked about other sorts of gross margin. Gas asset optimization was one of them. It was in a bucket of, I think you said, $300 million of gross margin. What are you making there, and what is the outlook?

Bill Levis ***- Public Service Enterprise Group Incorporated - President and COO, PSEG Power***

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If you kind of do a general breakdown of that slide, I would say about two-thirds of that is coming from the gas business itself. And then, the rest of that one-third from the ancillaries is about 50% of that one-third. And then it is equally spread across the other areas.

I think the ancillary service area will become one of more value in the future as renewables continue to penetrate the marketplace. The other items that are needed to keep the grid viable, reactive power and the like, and to be able to respond quickly to load changes, I think those services become more valuable in the future. And then the solar business is also a piece of that that will continue to grow. And you saw the numbers on that.

Michael Lapides - ***Goldman Sachs - Analyst***

Michael Lapides, Goldman. Two questions, one probably more for Shahid, one more for Bill. First of all, can you talk a little bit about where you think the market is, especially in PJM, in terms of the coal plant retirement cycle? Meaning, with prices where they are, do you think there is a whole other wave coming that is less environmentally driven and more strictly price driven. Talk about the market itself and even some of your own units, like [Hudson, Mercer, Key Con], et cetera.

And then Bill, can you touch on what is kind of the outlook over time for the ability to manage nuclear-related O&M costs, and, directionally, what kind of the puts and takes or kind of upside/downside drivers there would be?

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Let me try and answer the first piece of it with respect to retirements and coal retirements, and I would say two things. One, we saw about 10 gigawatts of coal and oil retirements in 2015. Going forward, there are not that many deregulated coal plants that will face economic stress. There are probably 2 to 3 gigawatts coming up in 2016.

And then going forward, we expect that number to increase on the regulated side, because here's what's happening on the regulated side. If you take out the whole issue around what's happening in Ohio with the various utilities and their requests for PPOs there, if you look at Dominion, for example, Dominion has realized that it makes a whole lot more sense to be burning gas rather than coal for two reasons. One, it's better for their environment down there, and, secondly, it's a whole lot cheaper for their rate payers. So, I think we are continuing to see pressure on the regulated businesses to remove some of that call fleet and replace it and re-gasify it.

On the deregulated side, you are seeing folks like NRG actively moving to try and add gas to their coal plants. So I think you will see the coal element diminishing, and you will see more and more pressure on the coal prices and, frankly, the coal producers. So I do think that coal is going to be facing some hurdles for a long time.

For our own fleet, we have a coal plant at Bridgeport. We have already indicated that in 2021, provided we get all the permits for our new plant, we will retire that plant as well. And Mercer and Hudson run infrequently. But given their location in the PJM grid, they are very valuable capacity resources for PJM. Plus, they have the ability to burn natural gas as well.

Frankly, we don't see that they will have a very large capacity factor going forward. They will run minimally. That's okay. They serve a purpose for the grid right now.

So, to answer your question in a shorter way, I think we see continued pressure on coal, including our own, going forward.

Bill Levis - ***Public Service Enterprise Group Incorporated - President and COO, PSEG Power***

I would just add just one comment relative to our Hudson and Mercer plants. We manage our units as a portfolio. And so Hudson and Mercer provide additional value to us, in that one is a -- I call it a $50 option, basically hedging against perhaps operational risk that we might have. And, perhaps more importantly, looking forward to capacity performance. And as it plays out, is a backstop to us.

Now, that said, we have to do all that we can to manage the cost there so that those units remain viable, too, which is why the ability to move our people around from site to site and then support other units has been important and a big factor in us being able to keep those plants viable moving forward.

Relative to the nuclear O&M question, I am actually encouraged by what I see going on in our business now. And if you think about what has happened in our business that have been drivers of cost, if you go back to 9/11 and security requirements that came about as a result of that, and as we were coming to the tail end of that, the Fukushima accident occurred, and then a whole series of other requirements are now put in place.

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So, essentially for the last decade plus, we have essentially as an industry responded to those and put in additional measures and systems and the like to be able to deal with those issues. And there hasn't been a concerted effort, then, to think about what is the most efficient way to go do that because there are timelines associated with that.

Now, what's going on in the business, we are having the opportunity to go reset and say, okay, is the security strategy that we put in place in fact the best one? And we filed, for example, just some interesting technology tools with the computers and the ability to simulate different things now, that we can use that device live-time and come up with more effective strategies with actually less cost. And we have begun to implement those. And I think we will see the same things in Fukushima and the like.

So for example, now that we have the additional systems in for Fukushima, we should be able to more easily change things going forward in our business because there is less risk going forward than more. So, that, and the processes that we have put in place just need to be modernized with the use of technology.

And I said the industry is starting to move on this. I have seen some encouraging items in this area. There is nothing like knowing out there that your future depends on being able to do this to get a little motivation into everybody.

So, I am encouraged by what I see, Michael. And so directionally, we have already seen nuclear industry costs moving down the last two years as an industry.

Unidentified Audience Member

My question kind of surrounds your point of view, I guess, in the sense of being able to take advantage of that point of view on the fuel side. So, can you give us some type of idea, let's say, as far as your gas supply, the ability to lock that in for a prolonged period of time at a certain cost and what the cost of that is?

And then also, basically, how hedged are you on your gas supply? And also, then moving on to nuclear, what you are seeing as far as your nuclear fuel costs, how long the duration of those contracts are, and when they may be falling off, and whether the costs are going up or down?

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

On the gas side, buying long-term gas is akin to buying gas in the ground. So, we can do that. We can go out and buy gas and approach Southwest or a Cabot and say, we would like a whole bunch of gas that we would like to take ownership of. And they won't sell to us at the prices that we are seeing today because they see the same dynamic as we do.

So, the challenge for us is when -- is how much long-term gas we want to buy and how much short-term. I can't give you an idea as to how much we would buy short and long because that is kind of competitive. But for our utility, we do have a series of short-term and long-term contracts, both on storage, transportation, as well as on commodity that cover the utilities requirements to make sure that they -- our utility customers get the best deal that they can for the space.

And, for our power generation business, frankly, we get the leftovers. So, anything that a utility doesn't need in terms of storage, transportation or the commodity, we get that.

So, it's a little bit harder for us to go out and take a long-term play on natural gas for our power plants. We do some of it financially as opposed to physically. It doesn't necessarily get you the same price or the same value as that Marcellus gas. But directionally, it gives you the same uplift.

Bill Levis - ***Public Service Enterprise Group Incorporated - President and COO, PSEG Power***

On the nuclear side, our fuel costs are about $7. They have been at that level for a number of years now. And then we have a series of contracts to go out six, eight years that look at the various aspects of the whole nuclear fuel procurement cycle. That said, we look at what's going on in the world, and we think whether it is the China new-build and the like and the Japanese restart of plants, the potential for rising uranium prices is there.

With that in mind, we actually put in a process handled by our fuel personnel and ER&T where we actually go out and hedge nuclear fuel currently, the uranium and the commodity piece. So keep a close eye on that to make sure we are getting the best value going forward.

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Stacy Nemeroff - ***Bloomberg Intelligence - Analyst***

Stacy Nemeroff, Bloomberg Intelligence. I have a couple of questions related to the outlook for the competitive generation industry. It hasn't existed for that long. Is it really sustainable over the long term? What do you see as the structure of the industry in the next 10 to 15 years? And, related, the Company management has discussed the long-term separation of power from the utilities who would be potential buyers.

Bill Levis - ***Public Service Enterprise Group Incorporated - President and COO, PSEG Power***

Will the competitive market survive is a great question. I don't know the answer to it, but what we try to do is make sure we are ready for any and all outcomes that may occur. So, if you think about even some of the -- what I call other sources that we make money, we actually own a regulated asset in New England. Not because that's what I wanted to do, but frankly that was what was available at the time. If we wanted to be in the business, that is the sort of rules that we needed to play by.

We will continue to advocate for and push for competitive markets. I am a big believer they have benefited customers. There's all sorts of data out there that demonstrates that. A simple example, if you look at nuclear plants, for example: a decided difference between those in a merchant world and those in a regulated world relative to their cost structure.

And if you even think about what happened in New England this past time, look what competition did to the price of combined cycle plants. They made us work harder to be able to win that auction and made some other folks do the same thing. I would guarantee, if that were in a regulated rate structure, that would not have happened.

So I think customers benefit from that. Now, whether the nation goes that way, I don't know. But, if the world turns left, we will be ready to turn left with it and be able to take advantage of whatever set of rules come our way. Relative to it has been the Company or not, that is a question for my boss.

So I imagine he is going to get to answer some questions and there will probably be a few around that, and I imagine he will address it at that point.

Unidentified Participant

To follow up on a bunch of things you have said in answer to other questions, like Leslie's question from earlier, you said that you think the Morgan Stanley call on gas is -- you agree with that call. I hope it is right, too, because we are aligned on a bunch of stock picks there. But that would also move your spark spread tighter.

When I look at the sensitivities that you give in the back of your book, that is in Dan's section, you basically imply your net long power. So if your spark spreads decline, you still make more money from the expansion of the power revenue on your base load fleet. Is that a fair summary of your position?

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Yes.

Unidentified Participant

Okay.

Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Particularly on the nuclear fleet.

Unidentified Participant

Right. So then why not hedge your spark spread? Because you are open. And I think you answered the question partially earlier, with another question, too, in that it is difficult to get deep into the market. So, would you express that on your trading desk if you thought that gas was going higher and spark spreads [were going higher]? Or would you express that in your hedging, or would you not express that because you just want a dollar cost average into the market?

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Shahid Malik - ***Public Service Enterprise Group Incorporated - President, PSEG Energy Resources and Trade***

Typically, what we have tried to do is hedge our base load up to three years out. And we have been a little shy of locking in the spark spreads for our gas fleet for a couple of reasons. One, because they have moved around a lot. But more importantly, because we wanted to keep some open for the upside volatility, and also as protection in case some of our fixed-price assets like the nuclear fleet had operating problems.

As our spark spread position grows, we have in fact taken out some future spark spread hedges, and we will probably likely do more. Because although they are very robust, as you know, this market goes up and down. So we will probably take out some more of that. As to where we would do it, we would do it in the hedging portfolio in the group that I manage.

Kathleen Lally - ***Public Service Enterprise Group Incorporated - VP, IR***

I know there might be some additional questions for the power management, but if you can hold them until the end, I would like to introduce Dan Cregg, Executive Vice President and Chief Financial Officer, who will provide you with a complete picture of the Company's financials. Thank you.

PRESENTATION

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

Good morning, everybody. I'm going to wrap things up today and try to tie together some of the financial aspects of a lot of the things that you have already heard. I guess I would say if you can take away anything from the presentation here today, you will take away the fact that we have a very, very strong financial Company. I think we had a good pipeline of investment opportunities that we have talked about, with some more potential beyond that. And all of that helps create an ability to provide the dividend that we have and provide some potential for growth of that dividend on an ongoing basis.

If I take a look here on the first slide, starting with 2015, we began the year with earnings guidance of $2.75 and $2.95. As time went on, that range closed towards the higher end. And I am pleased to say that we delivered on that promise, with $2.91 of earnings for 2015.

An increasing percentage of those earnings were from the regulated side of the business. We also identified new opportunities to deploy capital. You have seen some of that here today, with some more to go. $3.9 billion in capital in 2015 deployed on both sides of the business, and businesses generating very strong cash flow on both sides.

That cash flow will enable some incremental opportunities to invest. And as Ralph pointed out right at the outset of our meeting, an increase of 5.1% of the dividend, $0.08 year over year, to $1.64 in 2016 as an annual indicative rate. So, strong results in 2015.

Just very quickly on this slide, to look at a couple quick points, the growth year over year that we have seen from an earnings perspective -- 5.7%, 7.0%, and last year 5.4% -- continued increase in the growth of earnings.

And number two, we did what we said we would do. So if you take a look at it vis-a-vis our guidance that we put out, we have either exceeded or been on the higher end of our earnings guidance in each of those years.

The closer look at the breakdown of the earnings that we have seen over the past couple of years goes back to what I said about the earnings mix. On the top line, you see the utility growth; steady growth throughout the past four years. And as you look into the 2016 guidance, [875 to 925], continued growth at the regulated utility, largely a function of the nature of our mechanisms. So, the contemporaneous mechanism that we have in our formula rate for transmission, as well as what we see from a near-contemporaneous basis on the clauses on the distribution side of the business, helps support that. Power, a very strong and sustained earnings in a tough market. And as we have worked our way through those markets, we have maintained strong earnings over the past few years.

Just at the very bottom, if you take a look, you can see the percentage of regulatory earnings as we have gone through those years. So, starting in 2012, 43% of our earnings coming from the regulated side of the business, moving to 2015 at 53%. And as we moved into the 2016, using the midpoints of those ranges by Company, you see a 61% contribution from the regulated side of the business.

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Looking forward into 2016, our earnings guidance has been issued for 2016. We did that on our fourth-quarter earnings call just a couple weeks ago. $2.80 to $3 per share. And we also have outlined here a substantial opportunity to grow the business. The cash flow remains strong, as I mentioned earlier, further enhanced by bonus depreciation. We've gotten some questions on that. I will touch a little bit more about the details on that as we go forward. And then, looking to dividend increases in the future, all of that is very, very supportive for that as we look ahead.

A little bit more about the $16 billion capital program we talked about today. This is a slide very similar to what we have shown in the past, and it tries to break it apart and give some of the pieces that we see over time.

On the far left-hand side, we show the maintenance capital that is embedded within our business. And Ralph LeRossa talked a little bit about some of the -- just the baseline capital that we are going to do from the maintenance standpoint on the utility side of the business. There is some incremental capital that goes into there, if you remember, on the Energy Strong program. That is a $1.2 billion program. Some of that will work its way into the next rate case.

If you look at the growth investment of $12 billion in the center of this slide, the biggest change that you will see year over year on power, last year that was showing as about $600 million. The power growth in this slide is $2.4 billion, largely attributable to those three combined cycle units that we have talked to you about.

And then PSE&G's distribution growth, $2.6 billion, a little bit of an uplift, largely the energy -- the GSMP pipeline program that Ralph talked about, and continued large growth on the transmission side of the business.

Ralph also talked a little bit about the potential upside on the capital that we have in our plan of the $2 billion. Distribution is about $1.5 billion of that. And the two biggest pieces that he talked about is GSMP and Energy Strong. A continuation of the work that needs to be done for the resiliency of the system is what we see and can identify, but is not an our plans, but is likely to take place in the outer years of our plan. And I will talk about that in a couple of minutes.

The other thing I would say is that potential upside that we have and the pieces that are there do not include anything from the transmission side of the business. So as we move forward and see any transmission opportunities that could come to bear, they are not in that potential upside number. That is not in our plan.

A quick look, maybe a different look, at how the capital plan compares. On the left-hand side, we see the $13 billion plan that we presented to you last year on the right-hand side of $16 billion plan in our current program.

Growth on both sides are helping that. The growth is about 2 to 1 on the power side given the new build that we do have and, on the utility side, continues to be largely driven by transmission, which is contemporaneous, and our clauses, which are on the near-contemporaneous -- treated in the near-contemporaneous mechanism.

But maybe a pause just a second on the bullet on the bottom. You can see that there is a $4 billion increase if you look at the common years of 2016 to 2019, as opposed to a $3 billion shift as we go across the 2015 to 2019, and 2016 to 2020. Obviously the difference there is 2015 and 2020. So as 2015 comes off and 2020 comes on, that delta is about $1 billion. Again, that is largely a function of the way that we plan our business. And we plan what we know.

What we put in our plan is identified investments, known investments. We know more about 2015 then we do about 2020. So, as time goes on, and we identify those investments in build those investments, we have been able to increase from the bars and the lines that both Ralphs talked about earlier today as we move forward. I will touch on that a little bit more in a future slide, but that has been our trend. That has been our track record and I would expect that to continue going forward.

Touch briefly on rate base, kind of seeing how this all works through on the utility side of things. This slide builds the rate base from our current level. You can see $13.4 billion today. To where we find ourselves at the end of the 2020 planning period. Starting on the left-hand side, you can see the split between transmission and distribution currently, about 43% transmission. That is on a 2015 basis. And as time goes on, and we move into the 2018 timeframe, you see distribution growth as well as transmission growth in that rate base. And it results in about a 10% compounded annual growth rate in that rate base to the $17.7 billion number.

Then, we step forward to 2020, continued investments in that rate base grows to $19.5 billion. A little bit less visibility as to exactly what work will be done in those out years, so you can see that growth rate tails off a little bit as it stands now, as we see right now. But, transmission also grows to over half of the aggregate rate base. And then, we talk about the incremental potential capital spend that we just talked about, which could get rate base to about $21 billion at that same 2020 timeframe.

One thing I also would say about this is to put too fine a point on these numbers probably doesn't make sense. This is a rate base number that we get to at the end of every year. Timing of spend will move as we go across the years. I know that you are trying to get to some of the numbers very precisely. Spending later in the year is not going to have as much of an earnings hit -- earnings benefit, I should say, in that year compared to the next year, where that rate base will be there for the full year.

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So, sometimes when you are trying to get to them very fine point on some of these numbers and applying the math to get to an earnings number, some of that is going to come into play. I think in 2015, we had a little bit of incremental spend late in the year, as mild as the fall was, that lifted some of our spend, that lifted some of our rate base.

But if you think about it, that rate base was not in our rate base for the entire year. It will be in our rate base for an entire year in 2016.

So you're always going to have some of those movements as you go through some of these numbers. And I think just to put too fine a point on it, to make the math work perfectly, you're never going to get there. And rate base itself is never going to get exactly to earnings because there is other components as well. So, you will see some of those movements.

I guess the bottom line of all this: good line of sight into continued growth for the utility, for investments that we are making to improve the resiliency and the reliability of the system.

So, a quick pit stop to talk about bonus depreciation. On the earnings call, I believe we said that there was $1.7 billion of cash that we would anticipate to bring into the Company through bonus depreciation. That comes from both sides of the business. So you see the split here; it is about 70% utility and it is about 30% power.

It gives us cash flow, but on the utility side, it reduces rate base. And the numbers that Ralph showed earlier, was inclusive of that reduction in rate base. The numbers I just showed you was inclusive of that reduction in rate base. So that is all accounted for in there.

I think we had a question earlier about when does it come to bear. So, when does this reduction in rate base happen? I would say if you have listen to how we have characterized the mechanisms for us to get our revenue, it matches that. To the extent that our revenue is contemporaneous, the impact of the rate base reduction for bonus depreciation will also be contemporaneous.

And even on the transmission side, it may not happen immediately from a cash perspective, as we will file our formula rate. That rate will be set, and we won't get back the cash until two years later, just is how the mechanism works. But if we know that is going to happen, we will accrue that in the current year. So you can think about the accounting impact of that as being contemporaneous for us from a transmission standpoint, and near-contemporaneous to the extent of some of the clauses that we have. So, as we file those clauses, we know that we are going to have the bonus depreciation impact. They go in and they go through that way.

So, yes, rate base reductions to some degree. I would also say I think a question was asked about how that trajectory would line up. On the utility side, $1.2 billion, we think about it as being 2016, 2017, 2018. But really, what the extension did is it started with 2015 being extended, even though it was extended in very, very late December. So some of that 2015 cash flow came to us in 2016. But really, that is a reduction of 2015 rate base. That's how we think about it, and that is how we have incorporated it in our numbers.

So if you think about that number as being fairly ratable across 2015, 2016, 2017 and 2018's rate base, that is pretty close to how that number rolls through.

I guess the good news is we do have visibility to that cash flow, and we won't be coming to the end of the year every December wondering whether or not bonus depreciation is going to be extended. I think we've got some visibility as to what that is going to look like.

And then on the power side, that cash benefit just comes to us as a straight cash benefit. Bill did mention a very small regulatory asset -- a regulated rate base type asset at power that is very, very small and has nothing to do with those numbers.

So, that cash flow ultimately from bonus works its way into our sources and uses. It is big enough for us to have laid out within the 2016 to 2018 timeframe that we show here. Bonus depreciation is included in that light-blue segment that you see. It covers most, but not all, of that because we are showing 2016 to 2018 here. There is a piece that comes through in 2019. In the overall scheme of things, not the biggest part of that number.

Below bonus depreciation on the source -- staying on the sources side, cash from ops both from PSE&G and power, as I mentioned earlier, very strong cash generators on both sides of the business. Power, through its -- those three years, a very big construction cycle that it will be going through, layering in that CapEx is still free cash flow positive. So, very strong cash generation on both sides of the Company make up that bottom blue section under sources.

On top of that, we have the net issuances of debt at both PSE&G and power. PSE&G, easiest way to think about that is our regulatory cap structure is 51.2% equity, 48.8% debt. So as we move forward with PSE&G, that is exactly how that Company is capitalized. And to the extent that the debt is issued to match that, that is the number that you see within the sources side.

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Also, we do have a modest amount of debt at the parent. Last November, we had a $500 million term loan that was completed under very attractive conditions. That funding basically looks to the cash flows of both sides of our business. So it is structurally subordinated being at the parent, but the diversity of cash flows and the strength of cash flows from both power and the utility help to support what was a good economic choice for financing for us at the end of last year. We will continue to look at what the best options are to finance the business.

On the right-hand side, we talked a little bit earlier about the maintenance investment and the growth investments. You see the first three years of the five-year numbers I showed you earlier. On the right-hand side, under uses, continue to find investments and ways to invest in the business. And then, last but by no means least, shareholder dividend at the bottom in dark blue, enormously important component of our value proposition to our shareholders.

So, in the next slide, we move into our credit stacks. On the left-hand side of this page, we provide a little bit of data around our FFO to debt, again, staying with the 2016 to 2018 timeframe. We are showing our minimum FFO to debt across those years, and they are well above what we would call our minimum threshold.

So, on the power side, our minimum threshold of 30% FFO to debt, we're currently -- or our minimum threshold and our minimum FFO to debt is in the mid-40s. So, excess debt capacity at power. We do a similar exercise at PSE&G, although it is a little bit more complicated because we have got to put the two businesses together. And, based upon the business mix, we will come to what that minimum threshold is.

So you see there, we have characterized it as high teens. You've got an 18%, 19% minimum threshold there. Given that we are in the low 20%s, also excess debt capacity at the parent level.

On the right-hand side, we show you basically what that means not from a percentage standpoint but from a dollar standpoint. So, a little less than $3 billion of incremental debt capacity, fairly evenly split between what shows up at power by virtue of the math that I just talked about, and which shows up at the parent by virtue of the math I just talked about.

And there is two ways to think about that, how it would translate into an investment for the Company. One, we could take that amount, we can inject it into PSE&G in keeping with the cap structure that I talked about, fairly evenly match it with debt, and a little under $3 billion would turn into $5.5 billion to $6 billion of investment capacity.

Alternatively, we could take the power piece of that, keep that investment at power and it would be the investment because we don't have any incremental equity that would be applied. And you could take that $6 billion number down to about $4.5 billion number. $4.5 billion. So, depending upon how it's deployed, you could get a different number. But in either case, very significant investment capacity that remains, inclusive of everything that is in our five-year capital fund.

And we have included a slide here using 2015 as an example of how we put our forecast together, how the capital that we are talking to you about ends up getting pulled together. The projects that we talk about today are real, known, approved, quantifiable projects. As time moves on, we continue to identify things. But basically, we plan what we know.

If you look here, I reference $3.9 billion of capital spending in 2015. If you go back in time and look at what the number would have looked at from a 2012 standpoint, we had clear line of sight on $1.5 billion of capital to be spent in 2015. As we moved into 2013, $900 million of incremental 2015 capital was identified, and we layered that into our forecast. The same effect happens in 2014 and we move into 2015.

PRESENTATION

Dan Cregg - ***Public Service Enterprise Group Incorporated - EVP and CFO***

So this is one year's example of how we get from the line that Ralph showed on his chart from last year's conference to the bars that was behind that line on Ralph's chart, as we move through time, identify investments and find other ways to deploy capital.

So this is one year, one example, but as we move through time, we see incremental investments over time, and this just gives you a sense as to how that ends up coming together. 2015 was probably a little on the larger side of increases as we move through time, but certainly indicative of the process.

So step over for a second and talk about pension and OPEB obligations. All in all, we are in very good shape here. We mentioned on the earnings call a couple of weeks back that we made a change to one of the calculations within our pension expense calculation. Our previous method applied a single levelized average rate in determining our expense calculation for interest and service costs. The revised method doesn't levelized that rate, but it uses a spot rate across the yield curve. And as

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you can imagine, a lower rate in the near term being applied to the near-term cash flows, rolled out over time across the shape of a yield curve, will end up giving a lower expense number for your interest expense and for your service costs.

So this is a treatment that we looked a lot at the tail end of last year. It has been reviewed by the SEC and the big accounting firms. We believe it is a more accurate method, and, frankly, I think we have a tough time from an accounting perspective going back to the old method because this is a more accurate method.

But during periods with a rising yield curve, we will end up with a lower overall expense. And we see that as we go from 2015 to 2016. The delta between the old method and the new method on a pretax basis covering both OPEB and pension is about $47 million pretax. Net net, if you look at the total expense 2015 versus 2016, it is about a $25 million decline year over year. And as we go through time, that benefit to the bottom line will decline over time, which actually makes sense if you think about the shape of a normal yield curve. So that benefit will roll off but will remain a benefit throughout the five-year horizon of our business plan, given the facts as we see them right now. And of course, everything will change based upon interest rates and so on and so forth.

More broad, that change, by the way, does not do anything to the PBO. The PBO remains exactly where it is, and we remain 91% funded against that PBO. So, very modest contributions on a go-forward basis to fund the pension.

More broadly against O&M, I won't spend too much time here. I think Ralph talked a lot about it. Bill talked a lot about it. And Ralph and Bill talked about a lot it back at the shop, too. A lot of attention paid to O&M. It is an important part of what we do on a day-to-day basis. We have not put forth any special programs. This is really in our DNA to watch our cost control, keep an eye on things and manage the business on a day-to-day basis.

One thing I would point out, this slide looks backwards and it looks from 2011 out through 2016. The header looks forward and says that if I took a snapshot of my 2015 O&M and I look outward in my plan out to 2018, in the aggregate our O&M is about flat. We do get a little bit of a help from pension, but even absent that help, we would still be less than 1% overall, 1% growth in O&M on a year-over-year basis. So, good work and not by accident. It is from a lot of attention that we pay to it.

That brings us to the dividend. We show the last five years here and our indicative rate for 2016. We are very, very pleased to announce an $0.08 increase. The other thing, Ralph touched on it but you can see it visually here, we have also overlaid on this slide the green line is PSE&G's stand-alone earnings. So this is the picture matching the words that Ralph said that our dividend in the aggregate, given our indicative rate for 2016, can be covered completely by PSE&G's earnings.

We have also said in the past and we continue to look at the dividend through a whole host of different elements. There is no formula per se that we use to come to the dividend. But we do take some comfort from the fact that we have an increasing contribution from the regulated side of the business. And we also feel good about having the opportunity to once again state that we do see the opportunity for meaningful and sustainable growth in that dividend as we go forward.

Finally, a quick look at sensitivities. And we have talked a little bit about some of those. On the power side, it does reflect the hedges that are in place, and you can see that most clearly in the first line, given the overall change in natural gas prices.

As you move through time, you can see that your sparks and darks do not move too much. So you can also see, based upon Shahid's slide and how hedged we are in that area of the business, that is a more open position.

Maybe just one thing, quickly, on the E&G slide: these are the same elements that we have shown you in the past. On the very bottom of the page, for the transmission and distribution ROEs, sensitivity that we did here, we bumped up. Historically, we showed you 10 bps; we are showing 20 bps. Historically, we have showed you that is $0.01; that is still $0.01. But showing 20 bps, you can see that as we move into the tail end of the plan, you will see that start to come up. So transmission being a little bigger part of our rate base. A delta on ROE would have a little bigger impact. That gets to $0.02 earlier. And as we move through 2019 and 2020, you would expect to see distribution turn exactly the same way.

So in summary, strong 2015 earnings at the top end of our guidance. 2016 guidance set. Rate base continues to grow at the utility. We continue to transform the power fleet and really make it infinitely more efficient. Really, really strong investment capacity for the Company. A lot of growth in the plan and opportunity to grow beyond that with the balance sheet that we have. And, of course, the opportunity for dividend growth.

So with that, I will ask Ralph to come up and join me, and we will take some questions.

QUESTION AND ANSWER

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Unidentified Audience Member

Hey, Ralph. There is this fixation on the idea that you are going to split up the Company. You get the question at every conference, on every quarterly earnings call. So I guess I will get it out of the way at the analyst day.

The over-under that -- when I talk to investors is basically that the bet is five years over or under. At what point does the business become non-synergistic? Because right now, they are clearly synergistic, that the cash flows that power is generating fund the very robust capital spend at the utility. At the same time, you are trying to grow power. That makes people little nervous, but you are zigging when people zag, which is probably better than paying 2.5 times book for another utility.

So can you talk about, in your mind, what the key things are that you sort of review in a normal course to decide, are we getting closer to the point where that is realistic, not realistic? And give us some odds on the over-under (multiple speakers).

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President, and CEO*

I'm sure I am being kind to myself because as I think back over my entire life, there are two things I wish I had not said. Fortunately, neither of them were to my wife. But, one of them was when I allowed myself to be coerced into putting a timeframe on my notion of long-term -- and the second one I won't mention in mixed company, either.

But, Greg, you hit upon some of the things that we think about all the time. So first of all, let me say that what I am about to tell you is no different than the way I viewed this six months ago or a year ago. I don't remember how I viewed it two years ago. But over that time frame, the six- to 12-month time frame, nothing has changed.

There are some very good tactical reasons for keeping the two businesses together today. You hit upon one of the most important ones: the cash generated at power that the utility benefits from without the need to issue equity.

The second is something that Ralph and I showed in terms of the customer build. The overwhelming majority of power's customers are PSE&G people. Not directly. It is through BGS; it is through the wholesale power market. But that lower power price environment is what enables us to invest heavily on the delivery infrastructure.

And the third and probably the least important of the reasons is just the fact that we are a $22 billion market cap Company. I am not sure what the sum of the parts would yield; let's call it 14 and 8, 15 and 7, something like that. Two reasonably sized companies, but all of a sudden you're spending $20 million, $30 million more in corporate support, and that is a dis-synergy that nobody really values. So, very good tactical reasons for staying together.

As I look to the future longer-term, you see that power is a great business. I mean, it is not making VCRs. It is not making black-and-white TVs. It is producing electricity. And it is producing, as Bill Levis said, where satellite pictures show you the most illuminated part of the planet.

So it is going to grow. I don't believe that a strategy for a good business is to hide it behind a rock that is getting bigger and bigger called a utility. So where will power grow? More likely, outside of Eastern PJM. And why is that? Because HHI and various other measures that one would use would really limit power's ability to acquire assets in Eastern PJM. And I am not a big fan of building assets when demand is flat. There is some unique circumstances around Sewaren that we have discussed publicly that made sense to us to go ahead and build them.

So power is going to grow; it is going to grow either by expanding sites like Bridgeport or acquiring assets like Keys. That means a couple of things. That means, number one, power's capital requirements are going to increase. Less cash flow to feed over to the utility. Number two, it is going to be serving customers that don't have a PSE&G bill. Number three, as it grows and the utility grows, that $22 billion market cap company hopefully becomes a $30 billion and $40 billion market cap company. And, therefore, the dysynergies become less important.

Long-winded way of saying all three of the major tactical reasons for staying together become less critical as that movement occurs. And then you start thinking about the strategic reasons. I never want to foreclose any options at that our Board of Directors have or that we have. But we have given you a 10-year time frame where the utility to power investment is kind of like 3 to 1. I think you have a legitimate claim to a really nasty curveball. Suddenly we were to reverse that ratio. And that goes to the strategic flexibility of the two businesses going forward. It might be some strategic flexibility that you would want to exercise in a growing power business that if you are somewhat constrained from doing today.

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So I won't give you an over-and-under on the time frame, but that is the logic. And then there could, of course, be disruptive things that occur either in power market designs and strategic alternatives that occur sooner than that that would change that time frame. But that is the logic. That is the logic we have applied also.

I'm going to make Kathleen cringe here. I kind of enjoy pretending to be a physicist once in a while. When I think about how Einstein was trying to explain to people that as you approach the speed of light time stands still, on the one hand, we operate a business that Bill Levis was describing where we are trying to run our nuclear plants for 80 years. On the other hand, every time I have a conversation, whether it is on a daily basis or a weekly basis, people are asking us, what are we going to do about splitting the Company. I try to explain, you don't understand; we move deliberately, slowly, with stability and thoughtfully. And it has served us well, and I would like to continue doing that for the foreseeable future.

Unidentified Audience Member

Perhaps a follow-up on -- well, there is some logic to this. To follow up on Greg's question a bit, can we talk about the dividend and the dividend growth and, specifically, the payout ratio under the context of a future -- again -- a potential five-year, whatever you want to call it, spin? How do you think about the stand-alone structure? Presumably, it would be a spin. There is no cash proceeds from the sale. How do you think about a 90%-ish payout against the utility today and what that might be in the future and how that drives your dividend growth today?

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

Right. Again, we talk about these things and we have a bunch of options. I think Julian and Dan, I welcome your complementing what I -- with an E not with an I -- what I am about to say -- in the word complement.

So I suspect that you would not spin power at its current cap structure. So there is a fair amount of leverage that one could put on the business without going crazy because the business risk profile would change, and the credit markets and the agencies would react appropriately to that. And we are conservative Company, and I think that conservatism has served us well. And I would envision certainly that initial foray out into independence would carry that kind of conservatism.

But you would have some cash. You could save that as a war chest for the utility to diminish its equity needs in the future if it continued its capital program. You can use that to buy back stock and reduce the amount of dividend that one would have to issue overall. Or one could simply use that as a bit of a cushion to continue the dividend growth that one has at the utility. Albeit, if this were to happen at some period in the future, I'm not going to pick the years -- the utility growth exceeds the dividend growth right now. So on a stand-alone basis, you wouldn't want a 93% dividend payout ratio, which is what, right now, the ratio looks like in terms of our dividend to utility.

But if you did this in [10] years and was multiplying the utility growth rate minus the dividend growth rate -- and right now that looks like a number like 5, because of the delta, then you could get that 93% down to a more manageable number for the utility.

So I think there is a lot of different options is the short answer to that question.

Unidentified Audience Member

And perhaps just to follow up on a couple of specifics there, if you can yet. One would be, what do you see as an ideal payout ratio for regulated utility, if you want to go there? Not diversified. And then, separately, what is an appropriate leverage metric or range of metrics as you see for a power business?

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

On the former, it is really largely contingent upon where the credit markets are and what peers are doing. I don't know that you get any credit at the utility if you have a 30% payout ratio and your peers are at 60% and you are yielding some number appreciably different from theirs. So we look at that all the time. We look at what our earnings multiple is, what our yield is and what our payout ratio is. And that is why we don't give a quantitative dividend guidance.

This is not a good sign, but I forgot your second question already.

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Unidentified Audience Member

Power leverage.

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

Oh, power leverage. Yes; my guess is that the business risk profile would change since the power would be sub-investment grade. I would want it to be as strong a sub-investment grade as possible. I don't know -- BB-plus. If you want to keep the relevant ratio of EBITDA to debt of 2 rather than 7. And just keep it a Company with a very solid amount of dry powder.

I don't think it would be an income stock, if that's where you were going. Clearly, what you would allow your investors to do at that point in time is decide where do they want to be. And if they wanted to sell the commodity cyclical growth stock and buy more of the utility to preserve their dividend, then they could do that.

Unidentified Audience Member

Right. And said differently, the threshold for power on a stand-alone basis would not be the same 30% minimum threshold you have today.

Unidentified Company Representative

I think that that would be determined as we go down that road. The other thing just to think about when you're talking about the aggregated amount of the dividend, you are comparing a dividend that is supporting the entire Company, and you are asking about a dividend that on a go-forward basis would be going to a company much, much smaller than that. So from a payout ratio, if you look at it against the utility backdrop, but it is going to a different market cap. So the yield comes into play as well.

Unidentified Audience Member

Unfortunately, a little bit more mundane question, but on the pensions, just trying to understand. I just have a couple of questions around that. First, I guess just maybe a little bit more thinking on changing the methodology, why you did that. I think Entergy did something similar. And I don't know if the rest of the industry is going to go in the same direction.

And then, on top of that, what was the discount rate that was marked, and when did you mark that? What is the timeframe? And then, I have a follow-up after that.

Unidentified Company Representative

On the change, we've -- as I said, we spent the better half of the -- certainly the last quarter of last year and a portion of the quarter before that taking a look at it. And kind of a rough poll, about half of our like companies that are eligible have adopted, too.

There are some -- so one thing I described before is it is a more accurate method. It doesn't force you to make that adoption, but it has been deemed to be a more accurate method. If you have a bond-matching methodology, without getting too technical into the pension, no such determination has been made. So I think it is a subset of companies that are eligible for it to be determined a more accurate method. And among those, we have seen a fair number of them change. Some are maybe awaiting regulatory treatment. We thought that it is a more accurate method. It is a better method. We were going to go forward and make that change. I don't recall the discount rate exactly. It is in the K. We can look it up rather than try to guess at it now.

Unidentified Audience Member

And then, just a follow-up. I understand the benefit of 2016 versus the 2015 expense. And if I remember correctly, the old method that you used was weighted heavily towards the equity market. And so this seems to be more weighted towards the bond market. I don't know if that is accurate. But just (multiple speakers) question because that may be completely inaccurate.

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But I guess my question really is, what was -- if you kept the old method, what the delta would have been relative to what it is. So not just what it is in 2015, but what it would have been in 2016.

Unidentified Company Representative

Right. As I had given both of those numbers, the $25 million is just a pure year-over-year expense delta. And $47 million is current-year, old-versus-new-method delta on a pretax basis. That's right. And what you were referencing before, I think, was how do you think about your investment mix in the fund. And it is [70%] equity, [30%] fixed. And that remains -- that is not changing by virtue of what we are doing here.

Unidentified Audience Member

I guess two questions on the power strategy. First is just on, at a high level, I don't know if this is for Ralph or even Shahid. But just to the degree that you are able to add new capacity at a good return at full placement cost, a bunch of other people are also doing it -- at least, there is a big backlog of these new projects coming in.

I am struggling with the idea of how is that going to indicate that we are going to see better markets in the future. It just seems like by definition almost it is just directed to be worse. We are going to get a lot of new, efficient plans being built, earning good returns, as proposed, at least, into a market. Usually a market gets better when people stop adding new supply and don't earn good returns on new supplies. So how are you -- since you don't have to do this, and you can kind of move your capital, how do you get comfortable with that in your market view?

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

Sure. Each of the investments we made have different foundational reasons why we moved in that direction. What they share in common is the same financial analysis and the same risk-adjusted return expectations that we have for them.

So as Bill and Shahid mentioned, in the case of Keys, it was a rare opportunity to make an acquisition and not lose out on the winner's curse. Primarily because we apparently have greater confidence and, I would think, even ability to manage the construction risks that scared some other people away from the project. The market dynamics for us really were to the point that Bill mentioned in terms of the low growth in that area and basis risk management challenges that we have experienced, not having anything in Western PJM, which is where -- I guess it is in Southwestern Mac.

In the case of Sewaren, a fairly different story. There, we were retiring megawatt for megawatt from point of view of capacity markets and not harming ourselves there, capturing the benefits of the regional spark spreads that we had. We knew that the old Sewaren unit could not bid into the capacity market. It just really -- it served us well for 60 years, but the duct tape wasn't doing the job that it needed to do for capacity markets. And we knew that somebody else would build, given pricing and PS zone and capacity markets and where regional sparks spreads were.

So we had injection rights. We didn't want to lose those. And we said, all right, if the numbers work, let's go forward.

As we move up to Bridgeport, a similar story there. We have a coal plant that had become a peaker; ran basically in January as a result of gas constraints in winter in that region. We like the seven-year lock. We would rather be a seven-year lock whether it is new or old build. That is a different policy discussion we can have. But we said, okay, if we can get the right price and we do have dual fuel capability at that site, then we will build something. It is a bit more modest in size, a little under 500 megawatts. And it works.

I think, in general, Steve, I would agree with your thesis that new build is not something that would be part of our preferred approach. I tried to make a point of that on the last quarter call. People shouldn't interpret these new plants as a trend or a pattern. I tried to embed that in my answer to Greg's question in terms of where supply and demand are.

But the reality is that there is supply being removed from the market, whether it is HEDD units or coal units. And right now, the benefit of building new is that you are building a 6,100- to 6,500-heat-rate plant with a 30-year life, with manufacturers themselves telling you that, hey, in the next 10 years maybe those heat rates are going to improve by 5% or 10%, but you are not going to see the step function change that you have seen in the prior 10 years. So we think these are really solid assets for the foreseeable future.

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What that will mean for capacity markets, I think, is that -- I am not going to predict capacity prices. But they have been baked into capacity markets; they have been the result of capacity markets. And what they mean for energy margins is you are going to see some periods of time where you're going to get $12 prices because of $2 gas and 6,000 heat rates; that is what the number comes out to be.

But that won't be the lion's share of the time. And we have a fleet that can now benefit from the point of view of 50% -- over 50% of it being base load, operating at -- $12 per megawatt hour fuel cost to get the benefit of the $30 to $40 days that there will be in that market.

So, in general, I would say not a big fan of building new supply per the reasons you implied. However, these were three special situations that made sense for us.

Unidentified Audience Member

And just one follow-up question on the thought process in terms of the mix of the Company. The Company has done well to consistently produce better results. Utility has grown a lot, and increasingly the multiple has reflected the more of a utility-like stream. As you think about growing power more again, how did you think about that aspect of it in terms of -- a lot of the other peer companies are kind of increasingly exiting or shrinking this business. You are now kind of growing it again. And I know the utility will grow still and maybe faster, but just in terms of the overall valuation of the Company, how did you think about that?

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

Yes. So I don't want to second-guess or be critical what others are thinking. I am sure a lot goes into it; a lot more than what I am aware of. But I just -- two things that I have said time and time again, and I will repeat them today. One, we don't have a magic ratio of regulated to unregulated. If we get some improvement in gas prices, either because of discipline in terms of the extraction business or because of environmental constraints put on the process or seismological constraints put on the process or we get a price on carbon, all of that will be uplift to our power business without CapEx. And that would be a great thing. And if I come back here next year and say that the utility is 40% of our earnings because power has grown for these reasons, I hope nobody in this room would be grumpy about that.

Number two, it is something I said a moment ago, I don't believe a sensible strategy is to say, let's grow the utility so nobody notices power. Power is a darn good business. It has got great assets in great locations with minimal environmental impact. We have got a team that operates them beautifully, flawlessly. And we are going to seize those opportunities where it makes sense to seize them.

If I ever thought for a second that we just have to grow the utility so as to hide power, then we would spend spin power. But that would be crazy. That is not the reason for spinning power. I don't want to suggest if and when we ever do spin power, it is because we thought that it was something we couldn't hide anymore. I always worry about people taking absurdities and interpreting them as reality.

But it just doesn't make any sense to me to get more regulated so that nobody notices this great business that we have called PSEG Power. We are getting more regulated because the customer bill allows us to get more regulated.

Do you have a question, Kathleen, or are pointing to the --? (Laughter) I was starting to worry.

Unidentified Audience Member

Ralph, a question on the regulated business. And I am just using the numbers you guys put out in the slides, and this may be for you or for Dan. You gave guidance for 2016 rate base of about $15 billion. And the midpoint of your expected earnings guidance for E&G is about $900 million. Just kind of simple rate base math would imply like a 12% to 13% earned ROE. Can you -- just using the data you have put out there, can you just talk about what is driving that and how you view that versus a normal operating environment for E&G?

And then, after you address that, I will have one follow-up on it.

(technical difficulty)

Ralph Izzo - ***Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

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SI-SSA-0015-13614

So we are keeping a capital base that is consistent with our regulated rate structure. And as we also talked about before, we are a little bit of a hamster on a wheel on a wheel as we try to control O&M. And Ralph has done a great job of that, but still in the last five years it has been at 2%, 2.5%. And over the last five years I think we have seen low destruction overall even though we are expecting out of there to be a .4% growth rate going forward, which is why it wasn't too painful.

To a base rate case submission no later than November of 2017. There are differences between book ROEs and regulatory ROEs, and that may be some of what you are seeing in that regard, Michael. But I will let Dan fill in the rest.

Dan Cregg *- Public Service Enterprise Group Incorporated - EVP and CFO*

The only other thing that I would add is that there is a host of things, obviously, that goes into earnings and where they land. And rate base is certainly one of them and is certainly not an insignificant one. And I said what I said before for exactly that reason. You put too fine a point on exactly what that rate base number is and you try to draw a line and do your math, the lumpiness of it, some of the different elements that come into play, when it comes in, how much you earn on it one year versus another, is going to make that go askew. And our intention here is to try to give an understanding as to how the business is going to grow longer-term, what it is going to look like longer-term, as opposed to trying to put too fine a point on a particular year.

So maybe a lot of moving parts go into it. So I will leave you with that.

Also, the other thing that people maybe have to think about differently as we go forward into this new regime is that bonus depreciation has a pretty sizable impact, but it is not done when the cash comes in the door. So it starts to unwind the other way as time moves on. It will impact -- if you have gotten that much money now, you're going to have some less money later on because you are not getting more money. You are getting the same money sooner. So some of those disruptive forces within the numbers come into play, too.

Unidentified Audience Member

Ralph, a follow-up. How are you and the Board thinking about M&A in the sector in general? And when you talk to the Board, what are some of the things that you are saying are kind of the pros for potentially utility sector M&A and especially PSEG's position for that? And then, what are some of the drawbacks?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President, and CEO*

We were approached by quite a few folks in the banking industry; smart people, friends, professional friends, people who I respect. And they told us that we really were missing the boat and that train had left the station -- whatever analogy you want to use. Look at all this action to consolidate. Small-cap companies and the premiums were getting frosty. And I said, look, I get it. I don't want to be left at the station. You find somebody to give us a 40% premium and then we will talk to them tomorrow.

Again, I am sure there is a lot of thinking that goes into these transactions. I have a tough time getting my head around the multiples that people are paying, and we are just not going to do that.

So from the point of view of just using inexpensive debt to get earnings accretion begs the next question: what else could you have done with that inexpensive debt. Maybe you could have been more accretive and actually trade some value.

So I would say that that strategy doesn't make sense to us. Again, there is probably some stuff I am missing, just like people want to understand Sewaren and Keys and Bridgeport. And we had to do some explaining that maybe it wasn't obvious at first blush.

If you look at MOEs, in the integrated space, there are not too many E's out there. So that would solve the premium problem, but you would have to find an appropriate candidate. It is a small space. It is not impossible, but it is small. And then you look at the pure-play IPPs, and, again, I would think that would be a pretty vicious curveball to throw our investors, given the investment profile that we have had and we expect to continue to have.

So you never say never and things could happen. Conversations take place all the time. But certainly in terms of the bulk of the activity of late, which has been acquisition of small- to mid-cap utilities, we have run numbers and it is hard for me to understand.

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Unidentified Audience Member

Question on if I -- earlier, you guys said that you think power maybe has reached a floor -- power price has may be reached a floor. Quoted some Morgan Stanley report; gas prices going up. But at the same time, the utility has benefited from the low commodity price, the ability to spend a lot higher CapEx. And you haven't seen the customer bills.

Should we say a lot more pushback from regulated, particularly your regulators? If you start seeing this upward trend in power price, the ability to get CapEx approval and some of the transmission spend you had and all the other regulated spend, should that be tapering off as you move out if power starts moving?

And the second question, really out of the blue, any comments on the Supreme Court, like when you get a decision on LCAPP?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President, and CEO*

Yes. First of all, let me expand on what Shahid mentioned. Because I don't want to give people the mistaken impression that we manage the business based upon any one particular bank's point of view of what is going to happen in commodity markets. We read all your reports. We make sure we digest them and we understand them. And when there is alignment with what we think might be happening, we test to make sure that is not just serendipity. And when there is misalignment, we try to understand that. And at the end of the day, we manage the business based upon the forward price curve and the disciplined hedging approach.

Other than that, Shahid and Bill know if they want to take a point of view that is outside of the guideposts that we give them, and they believe the market has it wrong, my first question is, explain to me why the market has it wrong. Because anything other than a rational answer to that is guesswork and gambling, and we don't gamble.

So I don't know if power prices are headed up. The forward price curve is in contango. If I remember, I looked at it, I think it was just yesterday, it basically says that there is a pretty bearish look for the rest of 2016. A nice step up in 2017, and that is where prices stay until 2018 and 2019. I think that is more a function of the fact that markets are illiquid out in that time frame. And people are really pulling in their time frames in terms of how far out they're willing to bet.

So you have as much visibility to that forward price curve as we do. We give you our hedge profile, and that is a fairly disciplined approach that we take. We do tell you when we have drifted a little bit below or a little bit above. Typically that is in response to what we think is the short-term nature of the market. And we have seen two great examples of that short-term response on the part of the market. We saw one coming out of the polar vortex, where everyone thought prices were going to be high forever. We drifted up in terms of our guideposts when that happened. And we saw a little bit of last year when people thought that the fact that we were running our air-conditioning units in December, where it meant that global warming was going to scorch the planet; we would never have a winter again. And we drifted down in terms of our hedge profile there.

So -- but always within very clear boundaries of what we allow the trading function to do.

Unidentified Audience Member

Just a little bit -- I know you don't provide forward earnings for either part of the business, but on the utility side we have a rate base growth by which we can get some sense of growth on the EPS side. But am I correct, what you provided us were the building blocks today? And if I heard a little bit of the commentary from the power side also, that it seems like 2016 and 2017 are the kind of the tough years. In 2018, we should get higher EBITDA from the new plants that come online. And then you have already won the CP auction that helps the earnings on the power side.

So it is like a lull and then an upward spike, based on, of course, (inaudible) has to stand there based on power projects coming online and capacity auctions that are there. Would that be a safe summarization of the power's outlook?

Ralph Izzo *- Public Service Enterprise Group Incorporated - Chairman, President, and CEO*

I would say the safe summarization is that we have given you building blocks, but there are some blank spaces that we don't have any better visibility than anyone else that you need to fill in. So you are completely correct on the utility. We have got rate base growth. Ralph has told you what his expectations are for O&M growth. There are some perturbations in there in terms of what might pensions use to make that easier or harder to achieve, where interest rates are going. That might move 10, 25 basis points in terms of expected ROE coming out of a rate case probably for rates effective in 2019.

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But not a whole big error bar to figure out in utility. Maybe a couple billion dollars more in programs; that will be Andy's question -- in terms of the back end of the five-year plan in terms of additional CapEx.

On the power side, yes, we know what capacity payments are going to be for the next three years. We have given you the hedge profile. You have got to fill in what do you think the spark spread is going to be over that time frame. We have told you what we think the terawatt hours are going to be in terms of production. Yes, that uptick is largely due to the new combined cycle units. All three of them have cleared auctions, so you know at least what they are going to get for half a year, that half a year being the second half of calendar year 2018.

In the case of Bridgeport, you know what it is going to get for seven years, which is kind of nice, in the case of Sewaren and Keys. We will find out more in about a month and a half, I guess, when PJM does their auction.

So those are the unknowns. What will future capacity payments be for the fleet, absent Bridgeport, and what will sparks spreads look like? But you know what the hedge profile looks like, you know how we hedge and you just need to fill that in.

Unidentified Company Representative

Last question.

Unidentified Audience Member

Just switching gears here, if I can. You guys have an equity investment in the PennEast pipeline. What are your thoughts about further gas transmission for the midstream assets? You see a couple of utilities -- DTE and [Exterra], Dominion, and now Con Ed just got an equity investment in the pipeline. Any thoughts about further investment in that part of the business?

Ralph Izzo ***- Public Service Enterprise Group Incorporated - Chairman, President, and CEO***

I don't think you should expect to see us making large investments in that business. I happen to serve on the board of a midstream company. It is a very different business than the one we operate. Our reason for participation in Penn East, quite candidly, is that we would have been the only New Jersey gas utility not to have a position in that. And we just thought that that would be not a very good place to be, given others' desire to bring -- and our desire to bring lower-cost gas to our retail customers in the space. Otherwise, it would not have been a priority investment decision for us; not for any reason but we had other ways to deploy the capital.

So you should not expect to see us go heavily into the midstream business. And, again, I don't want to speak for others why they think it is a business that is consistent with their core set of competencies and skills.

So I think that Kathleen signaled that was the last question. I want to thank you for spending time with us. I hadn't realized until Ralph mentioned it, it is the 10th year that a good part of this team has been doing this together. And the key takeaway I hope you get from this is steady as she goes. Stable, consistent growth in the utility of a fairly attractive magnitude. A very, very healthy power business supported by healthy financial ratios with a bright future in terms of repositioning of that fleet. And we take quite seriously the stewardship: the stewardship for our customers; the stewardship of our employees; and the stewardship of our shareholders.

So thank you very much for your time.

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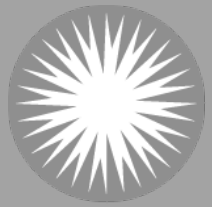
2016 PSEG Investor Conference

NEW YORK – MARCH 11, 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13619

Forward-Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words “anticipate,” “intend,” “estimate,” “believe,” “expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- adverse changes in the demand for or ongoing low pricing of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulations, including market structures and transmission planning,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators, including prudency reviews and disallowances,
- any deterioration in our credit quality or the credit quality of our counterparties,
- changes in federal and state environmental regulations and enforcement that could increase our costs or limit our operations,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations or increase the cost of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to manage our energy obligations, available supply and risks,
- delays or unforeseen cost escalations in our construction and development activities, or the inability to recover the carrying amount of our assets,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- increases in competition in energy supply markets as well as for transmission projects,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies,
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- any inability to achieve, or continue to sustain, our expected levels of operating performance,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- an extended economic recession,
- an inability to realize anticipated tax benefits or retain tax credits,
- challenges associated with recruitment and/or retention of a qualified workforce, and
- changes in the credit quality and the ability of lessees to meet their obligations under our domestic leveraged leases.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.
The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13620

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Operating Earnings exclude gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends.

PSEG is presenting Adjusted EBITDA because it provides investors with additional information to compare our business performance to other companies and understand performance trends. Adjusted EBITDA excludes the same items as our Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense costs at Power's fossil generation facilities. This information is not intended to be viewed as an alternative to GAAP information. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to Operating Earnings and Adjusted EBITDA with a reference to that slide included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at http://investor.pseg.com/

SI-SSA-0015-13621

2016 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
PSE&G	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Power ER&T	Shahid Malik
Q&A Session	
Financial Review & Outlook	Dan Cregg
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-13622

STRATEGY – GROWING HIGH-QUALITY, LOW-RISK ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

PSEG

We make things work for you.

SI-SSA-0015-13623

PSEG's Strategy

Investment program delivering results

Operational Excellence: Maintaining reliability and improving performance as we control costs in low price environment

Financial Strength: Strong financial position supports investment program and dividend growth

Disciplined Investment:
- Balanced business mix
- Robust pipeline of opportunities

Results:
- 3rd year of EPS growth
- Continued dividend growth
- Best in class utility growth rate
- Addition of efficient CCGT capacity enhances market position

SI-SSA-0015-13624

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A ~$12 billion infrastructure program producing high single digit rate base growth through 2020	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow in current environment and upside from market rule improvements
2015 **Assets $24B** **Operating Earnings $787M**	2015 **Assets $12B** **Operating Earnings $653M**

SI-SSA-0015-13625

ASSETS AND OPERATING EARNINGS ARE FOR THE YEAR ENDED 12/31/2015.
PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO PARENT AND PSEG LONG ISLAND ACTIVITY.
SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: ReliabilityOne Mid-Atlantic Region's Most Reliable Electric Utility (14th consecutive year), Electric Light & Power's 2015 Utility of the Year, ReliabilityOne Outstanding Outage Response Time and Outstanding Customer Engagement • PSEG Power: Record output from combined cycle units • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Cost-control benefits continue
Financial Strength	• Operating earnings for 2015 of $2.91 per share at upper end of guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in 2015
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2016-2020) with increased investment in Transmission, Energy Strong, Gas System Modernization Program, and Electric and Gas distribution • Power capital program focusing on growth investments including Keys, Sewaren and Bridgeport Harbor, Nuclear and Fossil uprates, PennEast Pipeline, and Solar Source

SI-SSA-0015-13626

SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS.

Focus on building a reliable, efficient, clean energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Expanded investment programs focused on infrastructure upgrades, energy efficiency, and major transmission projects*
- Sale of Texas generating assets
- Nuclear license extensions and uprates

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity**

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 Nuclear Unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Project (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation
- Solar Source portfolio reaches 277 MW_{DC}***

← Cost Control →

SI-SSA-0015-13627

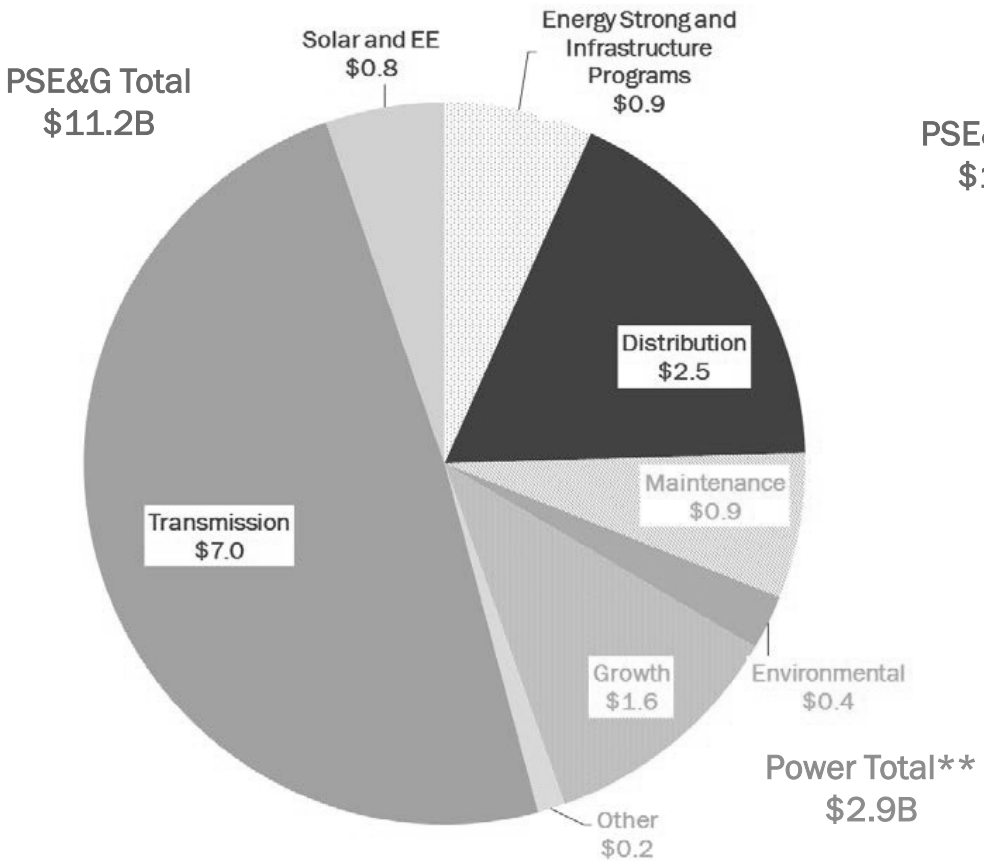
PSEG

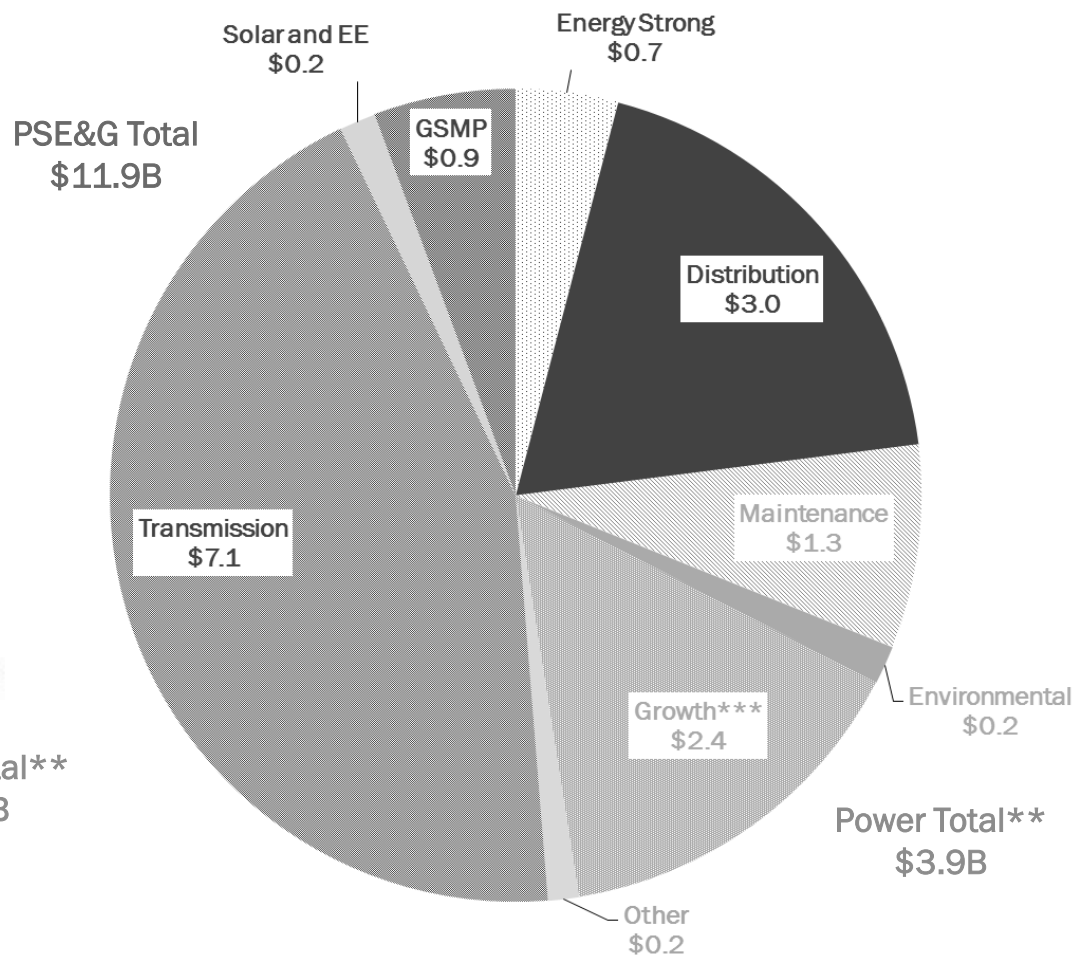
* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER.
** KEARNY AND NEW HAVEN. *** AS OF MARCH 2016.

Growth in capital spending aligned with customer needs

PSEG Capital Spending

2011 – 2015: ~$14.3 Billion | **2016E – 2020E*: ~$16.0 Billion**





*INCLUDES ALL PLANNED SPENDING. **POWER CAPITAL SPENDING EXCLUDES NUCLEAR FUEL. ***INCLUDES PENNEAST PIPELINE EQUITY INVESTMENT OF $0.1B. E=ESTIMATE.

SI-SSA-0015-13628

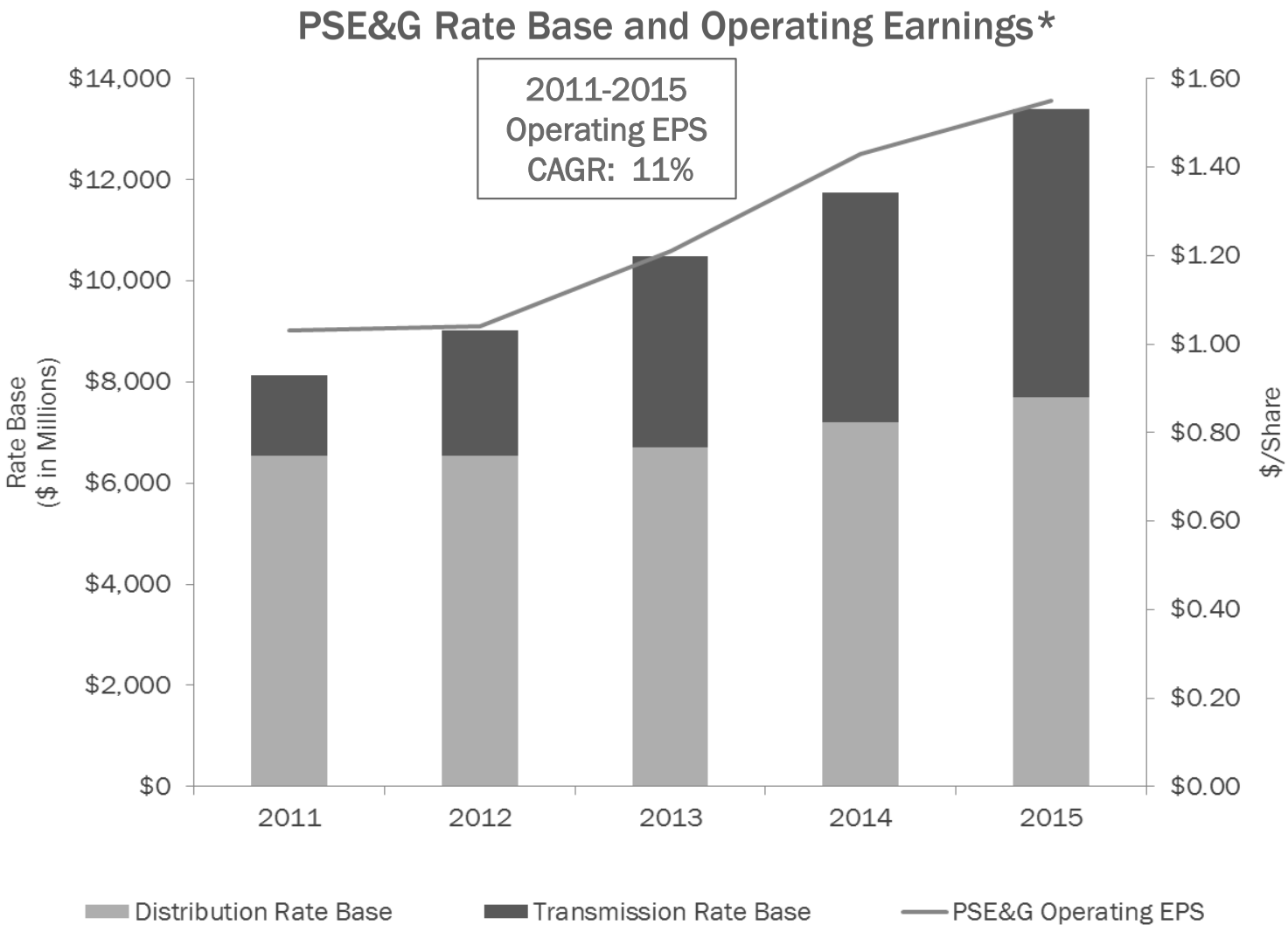
Building an efficient, clean, reliable energy platform

Timeframe	Actions taken
2011 – 2015: Transformed business mix	• Applied ~$14.3 billion towards investments • Improved credit ratings • Monetized Energy Holdings' portfolio • Strong balance sheet sustained during period of low power prices, while increasing the dividend
2016 – Forward: Strong financial position supports continued growth	• Continued dividend growth in 2016 • ~$16 billion investment program through 2020 • Utility investments focused on improving reliability and replacing aging infrastructure • Continued investment in reliable and efficient energy infrastructure at Power • Financial capability supports further expansion of the current capital plan

SI-SSA-0015-13629

PSE&G's investment program

Meeting public policy goals and customer needs



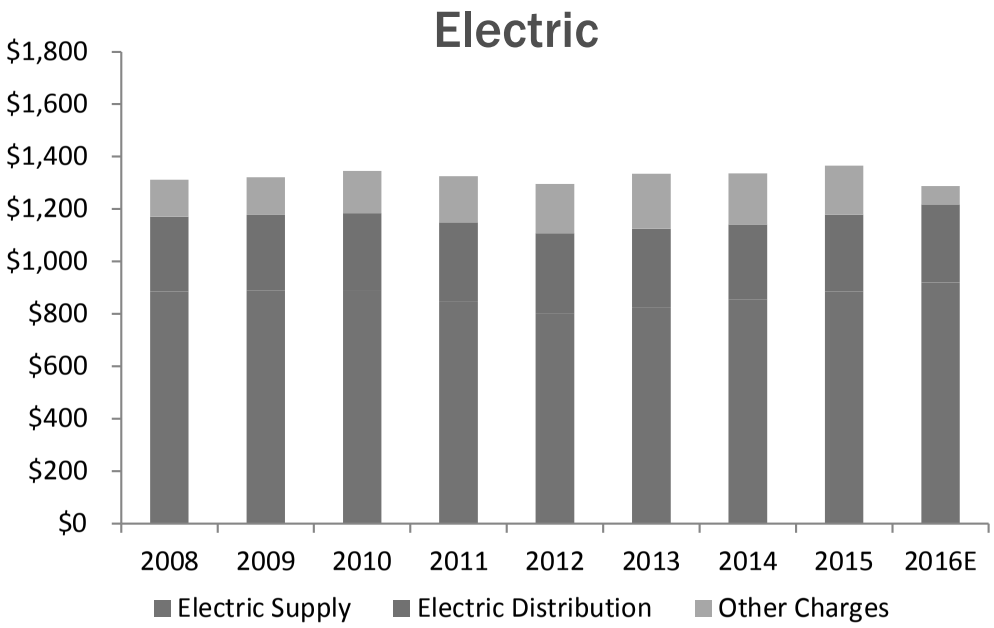
SI-SSA-0015-13630

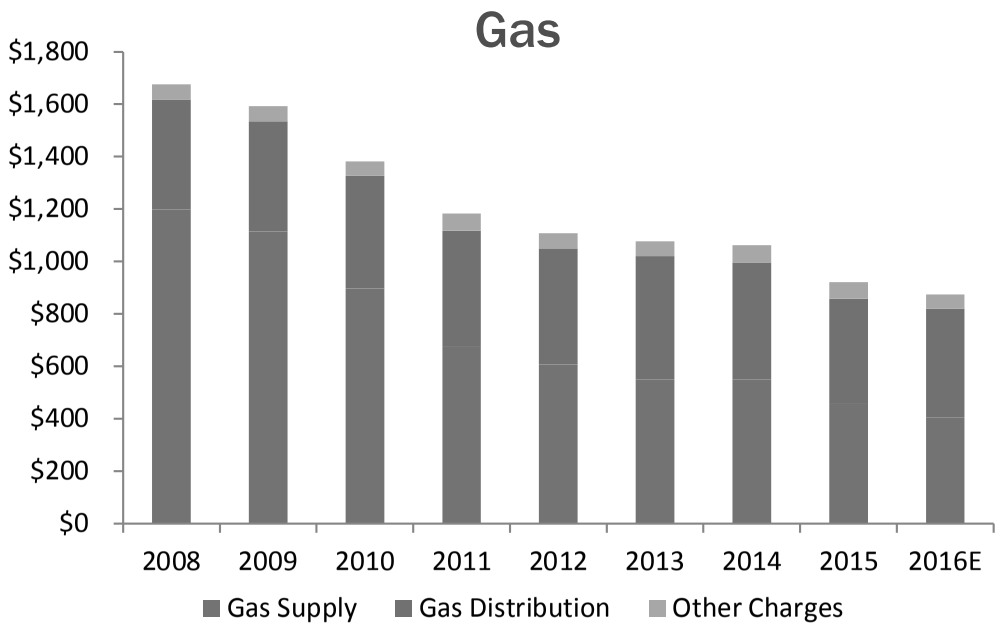
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/
NET INCOME TO RECONCILE TO OPERATING EARNINGS. DISTRIBUTION RATE BASE INCLUDES SOLAR AND ENERGY EFFICIENCY

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

SI-SSA-0015-13631

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

Transforming Power's fleet to maintain strong market position

Economic Drivers	Outlook	Combined Cycle	Nuclear	Scrubbed Coal	Peakers	Renewable
Energy Margins	• Low natural gas and energy prices • Robust portfolio of gas pipeline contracts	✓	✓	✓	n/a	n/a
Capacity Markets	• Tightened rules proposed for capacity performance	✓	✓	✓	✓	n/a
Environmental Regulations	• Tighter air emissions standards	✓	✓	✓	✓	✓
Location	• Assets in well-designed markets, premium regions • Opportunities on brownfield sites	✓	✓	✓	✓	n/a
2016 - PSEG Power Total Capacity 11.9 GW		3.3	3.7	2.4	2.3	0.2
2019 - PSEG Power Total Capacity 13.5 GW *		5.3	3.8	2.4	1.8	0.2

- **Largest nuclear site** in the eastern U.S. and ownership in **large, fully scrubbed coal facilities** at Keystone and Conemaugh provide **economies of scale** that enhance energy margins in current low market, and provide for upside potential if prices improve
- **Dual fuel peakers** meet reliability criteria in capacity markets and provide option value in energy market. Opportunity exists to repower peakers that do not meet NJ HEDD environmental regulations
- **Combined cycle units Keys and Sewaren expected to be operational in 2018, and Bridgeport 5 expected to be operational in 2019,** will enhance emissions performance and have a combined average heat rate of approximately 6,600

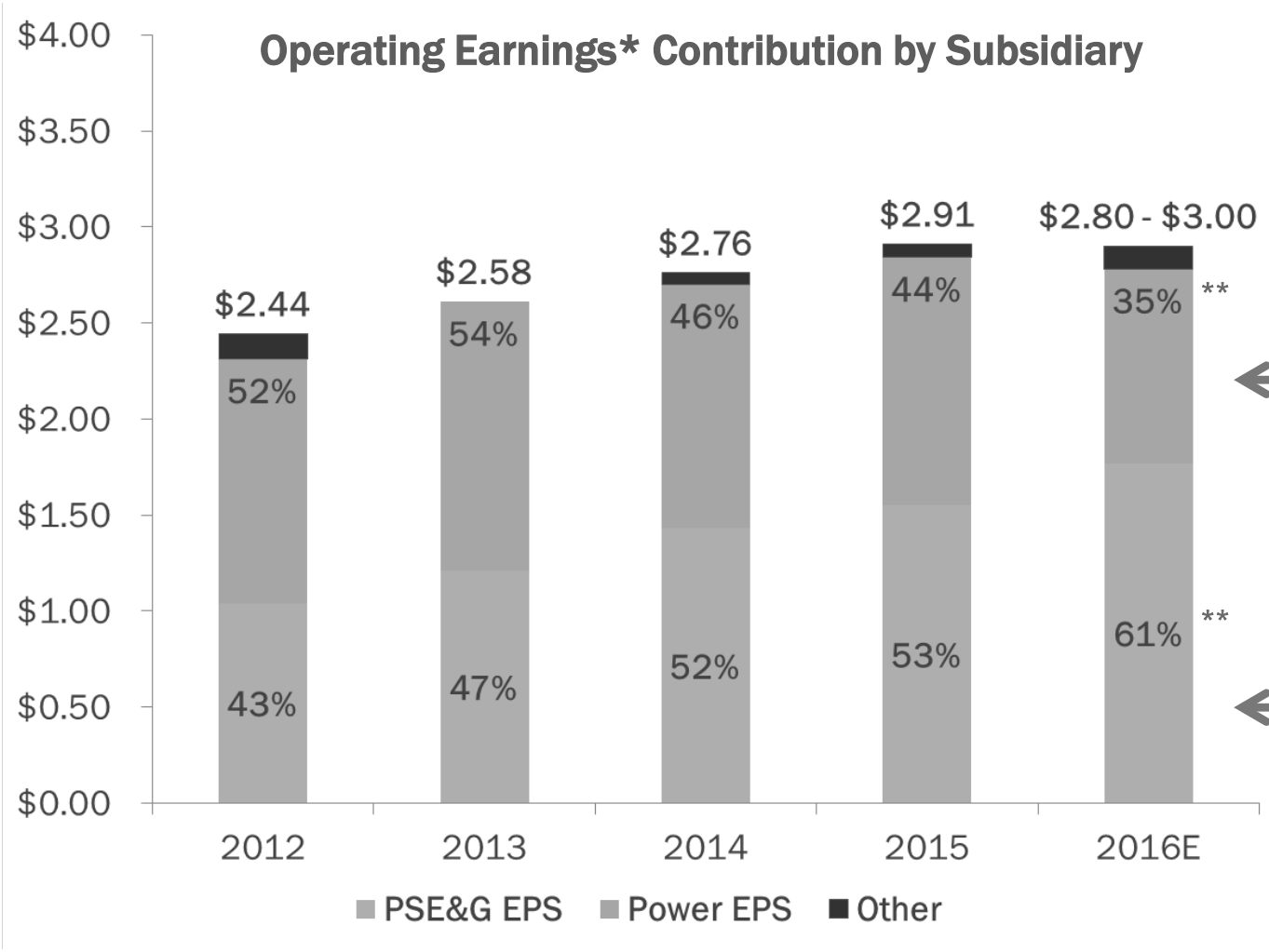
SI-SSA-0015-13632

PSEG

*AS OF FEBRUARY 2016 APPROXIMATELY 1.8 GW OF CCGT GENERATION UNDER DEVELOPMENT – KEYS, SEWAREN 7 AND BRIDGEPORT HARBOR 5 , WHICH ARE TARGETED TO GO INTO SERVICE IN 2018/2019 ALONG WITH RETIREMENT OF OLDER SEWAREN UNITS.

Operating Earnings

Disciplined investment program and focus on operational excellence have supported growth



Power's diverse fuel mix and dispatch flexibility continue to generate strong earnings and free cash flow in low price environment

PSE&G's investment program has resulted in an increased contribution to PSEG's earnings

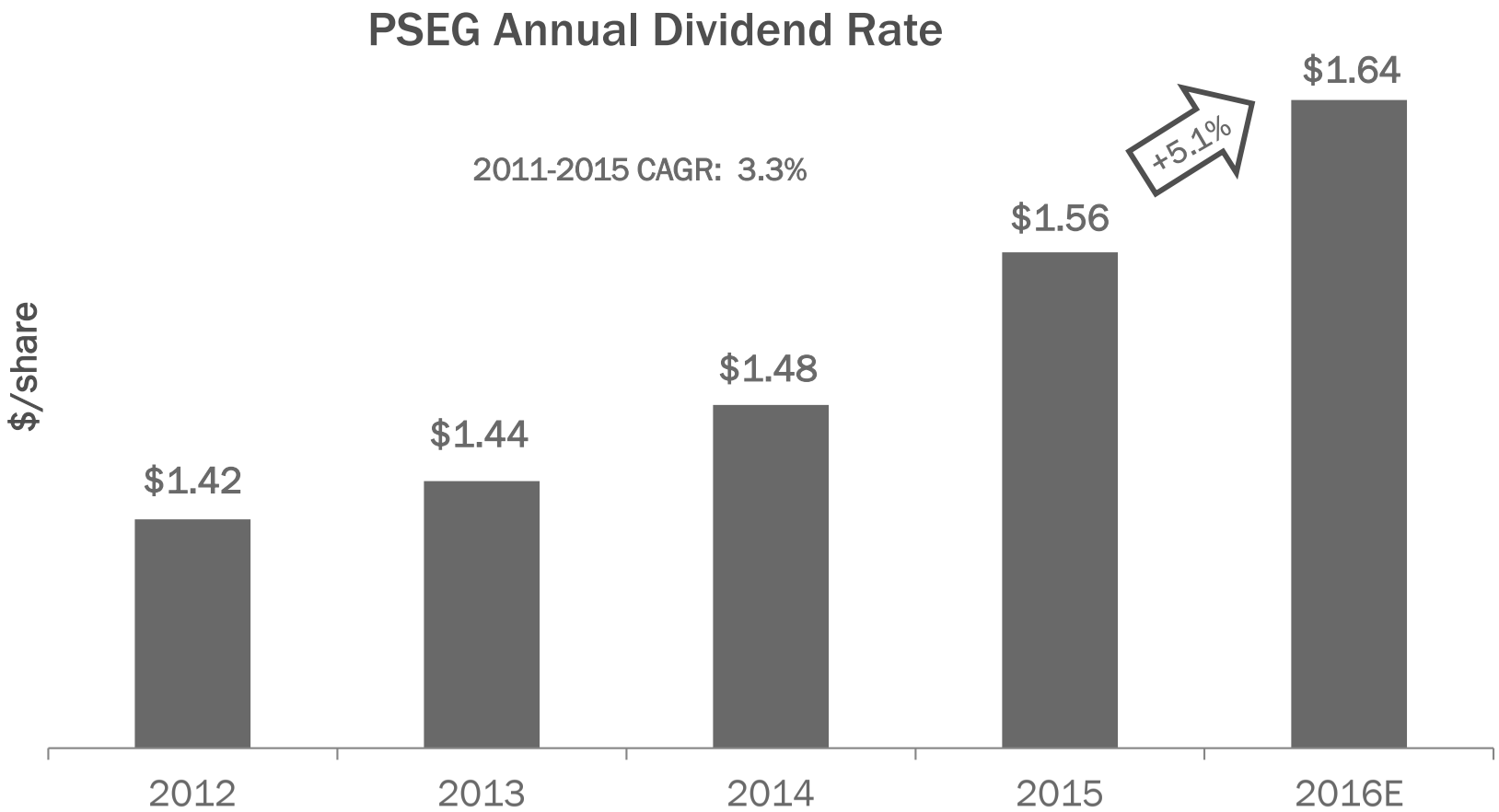
SI-SSA-0015-13633

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/ NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE
** 2016 PERCENTS USE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE.

PSEG Annual Dividend

An increased dividend with potential for **consistent** and **sustainable** growth given our business mix and financial position



	2012	2013	2014	2015	2016E
Payout Ratio	58%	56%	54%	54%	57%*

*2016E PAYOUT RATIO REFLECTS THE MIDPOINT OF 2016 OPERATING EARNINGS GUIDANCE. E = ESTIMATE

SI-SSA-0015-13634

Focus areas over the business plan horizon

PSE&G
• **Operational excellence and cost control** • **Capital program execution** – Transmission, Energy Strong and GSMP program • **Regulatory framework** – Advocate for regulatory framework that provides support for long-term infrastructure programs • **Continue to develop incremental growth opportunities**

PSEG Power
• **Operational excellence and cost control** • **Timely and on budget construction of new growth opportunities** – Keys Energy Center, Sewaren 7 and Bridgeport Harbor • **Strong performance at Nuclear and Fossil** to maximize fleet value in dynamic markets • **Advocacy of constructive market rules** - Capacity markets and environmental regulations

PSEG Long Island
• **Continue execution** – Achievement of performance metrics

SI-SSA-0015-13635

PSEG's Value Proposition

- A stable platform with predictable earnings and a robust investment pipeline
- PSE&G – Best in class utility performance and growth profile
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Strong balance sheet – Supports stable credit rating, growth objectives and the potential for consistent and sustainable dividend growth

SI-SSA-0015-13636

PSE&G

Ralph LaRossa

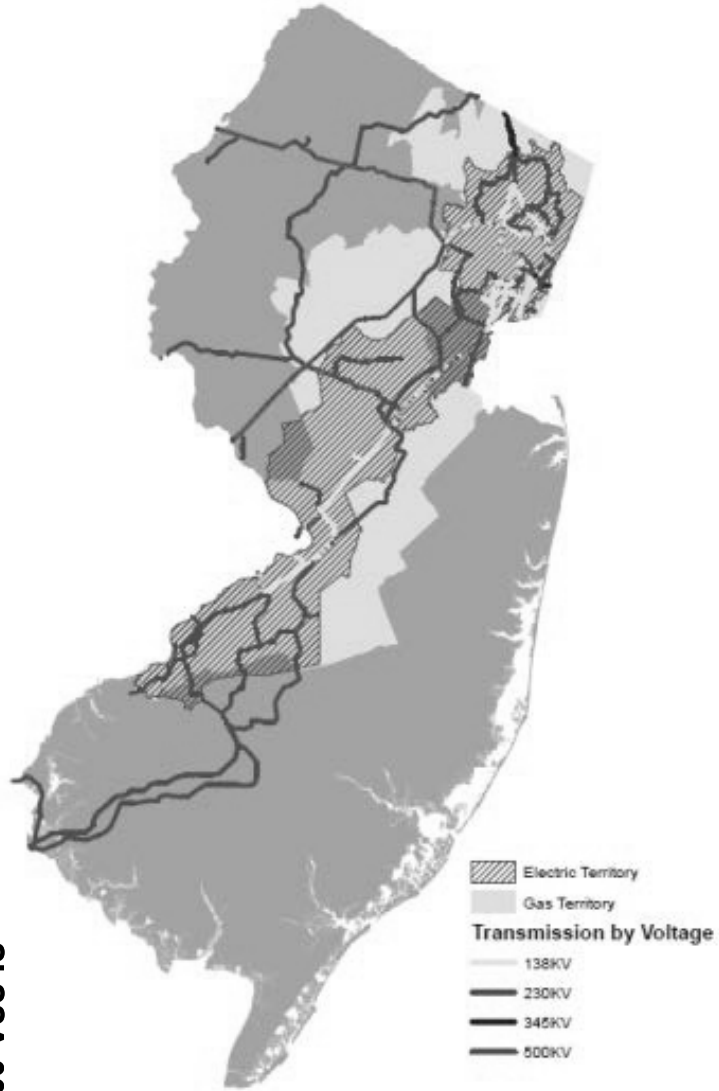
PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

SI-SSA-0015-13637

PSE&G is the largest electric and gas distribution and transmission utility, the largest investor in renewable and energy efficiency, and the largest HVAC and service contract provider in New Jersey



	Electric	Gas
Customers Growth (2011 – 2015)	2.2 Million 0.4%	1.8 Million 0.4%
2015 Electric Sales and Gas Sold and Transported	41,715 GWh	2,523M Therms*
Projected Annual Load Growth (2016 – 2018)**	0.2%	0.3%
PJM Projected Annual Load Growth Transmission (2016 – 2018) **	0.7%	
Sales Mix		
Residential	33%	59%
Commercial	57%	37%
Industrial	10%	4%

	Transmission	Electric	Gas
Approved Rate of Return***	11.68% ROE	10.3% ROE	10.3% ROE

Renewables & Energy Efficiency Approved Programs	Inception to date	Total Program Plan	Total Investment thru Dec 2015
Solar Loan Capacity	86 MW	178.5 MW	$252M
Solar 4 All Capacity	114 MW	125 MW	$566M
EE Annual Electric savings	214 GWh	~250 GWh	$337M
EE Annual Gas savings	~7 M Therms	~10 M Therms	

* GAS FIRM ONLY SALES.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.
*** SOME PROJECTS APPROVED FOR SPECIFIC ROE.

SI-SSA-0015-13638

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-13639

PSE&G's focus on meeting customer reliability and policy objectives are key to our investment strategy

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- NJ Capital Infrastructure Program 2
- Energy Efficiency extension
- Major Transmission capital projects*
- Hurricane Irene/ October Snowstorm
- Mid-Atlantic ReliabilityOne Award

2012
- Hurricane Sandy storm response (2.1M customers restored)
- Transmission: Final federal approval for Susquehanna-Roseland (S-R) project
- National ReliabilityOne Excellence Award
- Mid-Atlantic ReliabilityOne Award
- EEI's Emergency Response Award

2013
- Solar Loan III
- Solar 4 All Extension
- Energy Strong program filed
- Mid-Atlantic ReliabilityOne Award
- Award for Outstanding Response to a Major Event

2014
- Energy Strong approved
- Transmission: North Central Reliability and Burlington-Camden projects placed in-service
- Bergen-Linden Corridor Upgrade project investment started
- Mid-Atlantic ReliabilityOne Award

2015
- Gas System Modernization Project (GSMP)
- Energy Efficiency Extension II
- Transmission: S-R and Mickleton-Gloucester projects placed in-service
- Mid-Atlantic ReliabilityOne Award
- Recognized for customer satisfaction by J.D. Power for both large electric and gas business service in the East

← Cost Control →

* INVESTMENT CONTINUED FOR SUSQUEHANNA-ROSELAND, BURLINGTON-CAMDEN, NORTH CENTRAL RELIABILITY, AND STARTED FOR NORTHEAST GRID AND MICKLETON-GLOUCESTER

SI-SSA-0015-13640

Building on our track record

Operational Excellence

- Strong reliability record, with plans for further improvement
- Cost control efforts

Financial Strength

- Meeting or exceeding earnings targets
- Maintain solid investment grade credit ratings

Disciplined Investment

- 14 investment programs approved over past seven years
  - ✓ Infrastructure focused
  - ✓ Policy alignment – across administrations – Solar, EE and other
- Win-Win: Job creation, environment benefits, low commodity prices, low interest costs, labor availability, federal tax benefits

SI-SSA-0015-13641

Operational Excellence

Reliability and Customer Service

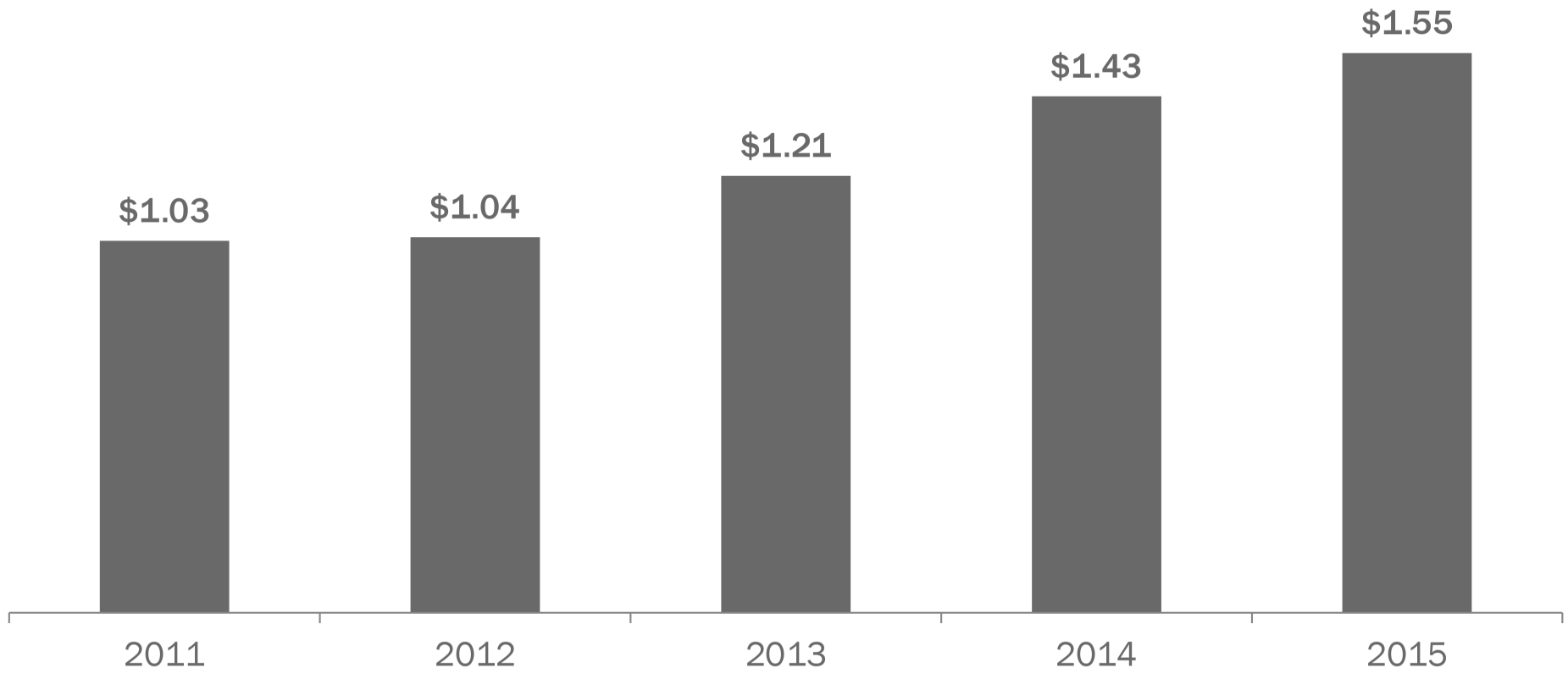
- Named most reliable electric utility in the Mid-Atlantic region for 14th consecutive year
- Recognized by PA Consulting with the Outstanding Customer Engagement and Outstanding Outage Response Time awards
- Named 2015 Utility of the Year by Electric Light & Power Magazine
- Received Star of Energy Efficiency Award

SI-SSA-0015-13642

Achieved ~11% annual earnings growth

over the past four years through implementation of supportive rate mechanisms on our expanded capital program and cost control

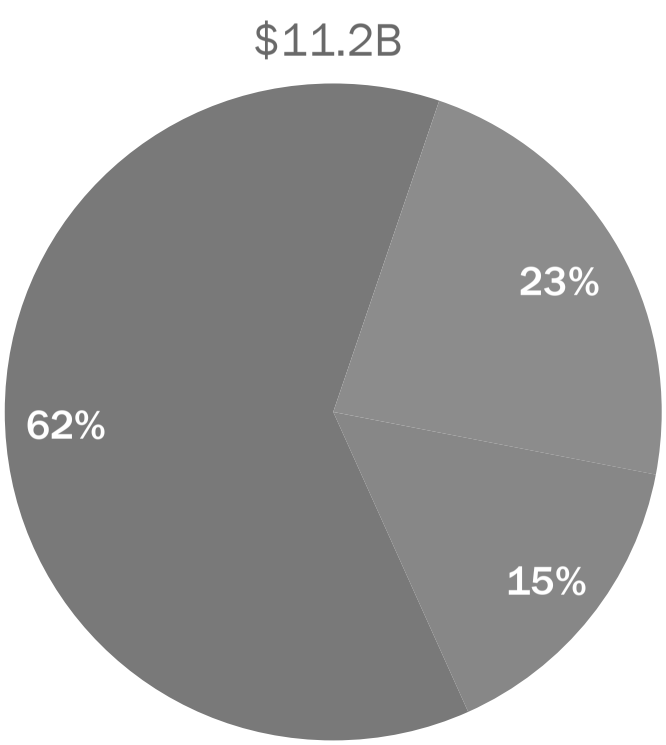
PSE&G Operating Earnings Per Share



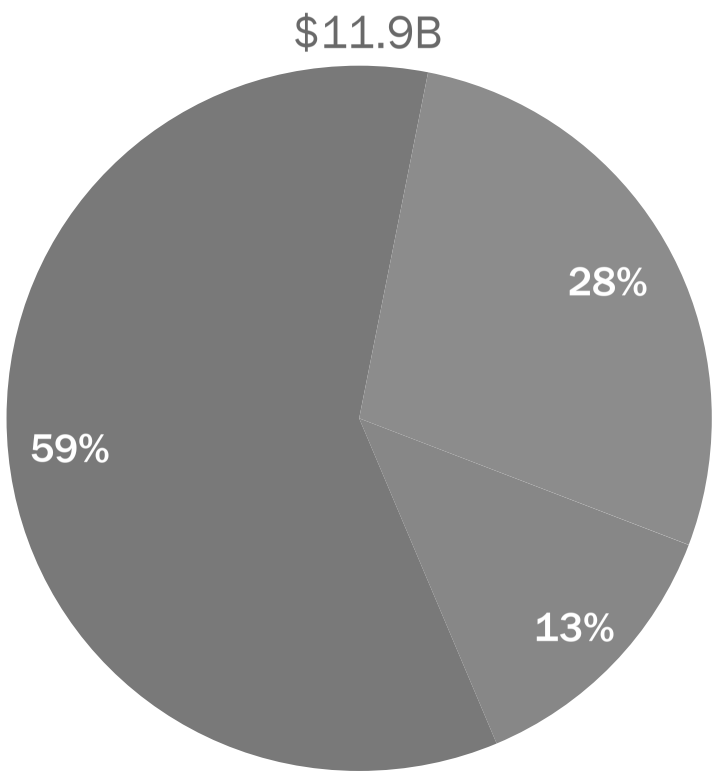
SI-SSA-0015-13643

Receive contemporaneous recovery on over 70% of our investments

2011-2015 PSE&G Capital Spending by Recovery Method



2016-2020E PSE&G Capital Spending by Recovery Method



FERC Formula Rates
- Transmission

Traditional Recovery Mechanisms
- Distribution Base Rates

Clause Recovery Mechanisms
- Infrastructure/ Solar/Energy Efficiency

PSEG DEFINES CONTEMPORANEOUS RECOVERY TO MEAN EITHER A FORWARD LOOKING FORMULA RATE OR A RATE THAT PROVIDES FOR CLAUSE BASED RECOVERY IN A DEFINED PERIOD PRIOR TO A BASE RATE CASE. E = ESTIMATE. INCLUDES AFUDC

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Increasing investment across our portfolio

- **Transmission**
  - Large portfolio of projects to meet ongoing reliability and life-cycle requirements
- **Electric Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Electric System Modernization Program (ESMP)
- **Gas Distribution**
  - Base spending
  - Infrastructure investment programs with clause recovery
    - Energy Strong (ES) and related programs
    - Gas System Modernization Program (GSMP)
- **Solar and Energy Efficiency**

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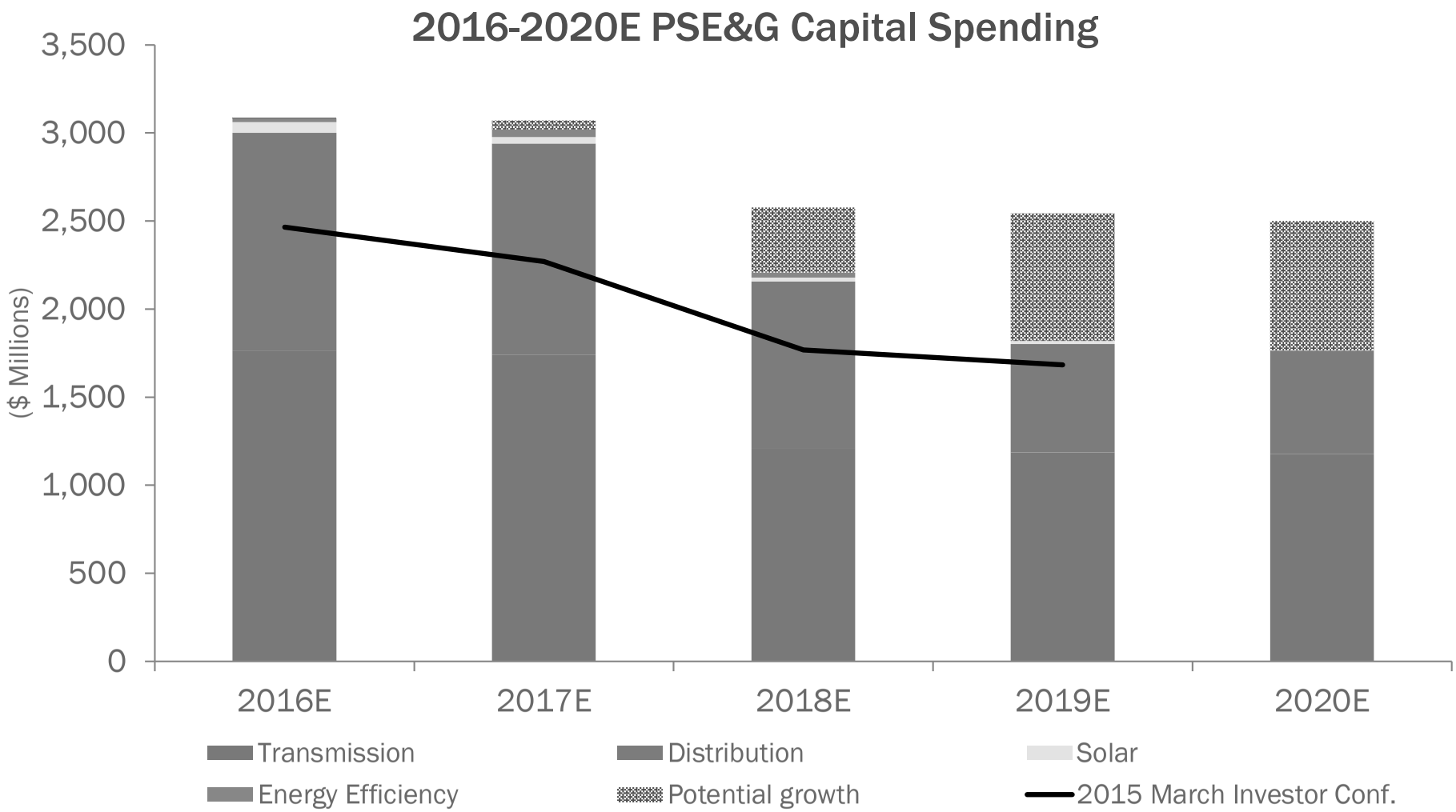
Continued identification of investment opportunities focused on improving reliability for our customers



SI-SSA-0015-13646

Transmission investment – Focused on replacing aging infrastructure and improving reliability

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Major Incentive RTEP projects	• Bergen Linden Corridor project • Hardening • RTEP System Reinforcements • Lifecycle Replacements • 69kV Upgrades	• FERC 1000 / competitive growth opportunities
Investment	~$7.0B	~$7.1B	TBD
ROE / Recovery mechanism	11.68%-12.93% Formula Rates	11.68%* Formula Rates	11.68%* Formula Rates

*CURRENTLY APPROVED ROE.

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Electric Distribution – Infrastructure investment focused on reliability and resiliency

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• Energy Strong	• Electric System Modernization Program (ESMP) • Life cycle replacements
Investment*	~$525M	~$560M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

SI-SSA-0015-13648

Gas Distribution – Investment program focused on modernizing and upgrading 4,800 miles of cast iron and unprotected steel main

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Capital Infrastructure Program (CIP) 1 • CIP 2	• GSMP	• GSMP extension
Investment*	~$425M	ES = $82M GSMP = $905M	~$300M/year
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	GSMP: 9.75% ROE, $215M/year via clause, $85M/year via next rate case	TBD Clause recovery

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PSEG

*INVESTMENT SHOWN IS FOR CLAUSE PROGRAMS WHICH ARE INCREMENTAL TO BASE INVESTMENT

Solar – Investment supports New Jersey policy objectives which have evolved with focus on utility-scale landfill solar

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Solar Loan I, II & III • Solar 4 All (S4A) • S4A Extension	• Solar Loan III • S4A Extension	• Further extension of S4A, focused on landfills (20 sites, ~150 MW identified)
Investment	~$545M	~$140M	Potential $200-$300M multi-year program filing
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-13650

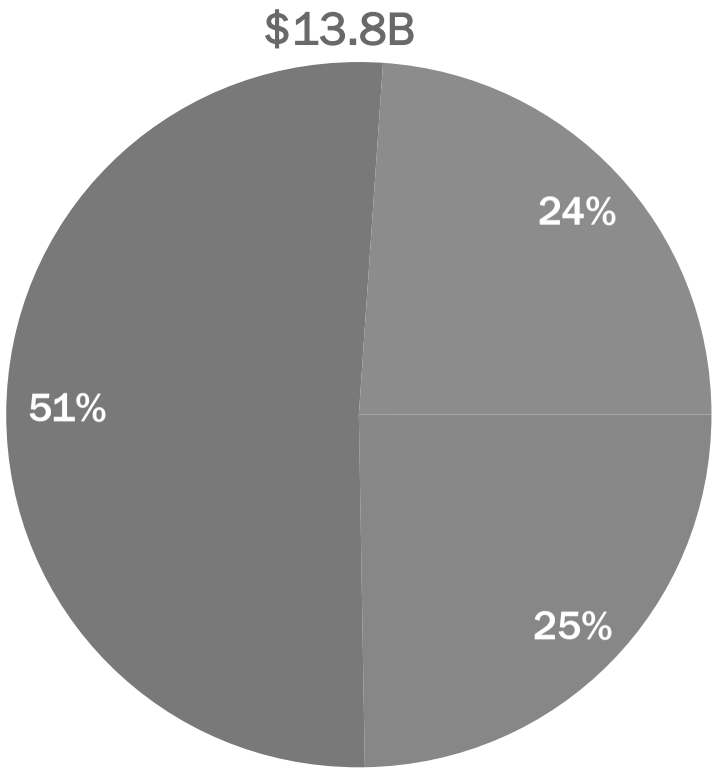
Energy Efficiency – Helping customers manage their energy costs and achieving New Jersey's Energy Master Plan goals

	2011 – 2015	2016 – 2020 (base)	Incremental to base – Emergent and ongoing
Program	• Carbon Abatement • Demand Response • Energy Efficiency (EE) • EE Extension I & II	• EE Extension II	• Extension of EE
Investment	~$215M	~$95M	TBD
ROE / Recovery mechanism	9.75% - 10.3% Clause recovery	9.75% Clause recovery	TBD Clause recovery

SI-SSA-0015-13651

Develop investment opportunities with near-contemporaneous recovery mechanisms

2016-2020E PSE&G Capital with Potential Upside by Recovery Method



Potential to increase current five year, $11.9B investment plan with ~$2B of incremental investments:

- ESMP
- GSMP extension
- Continuation of Solar and EE programs
- Large customer needs

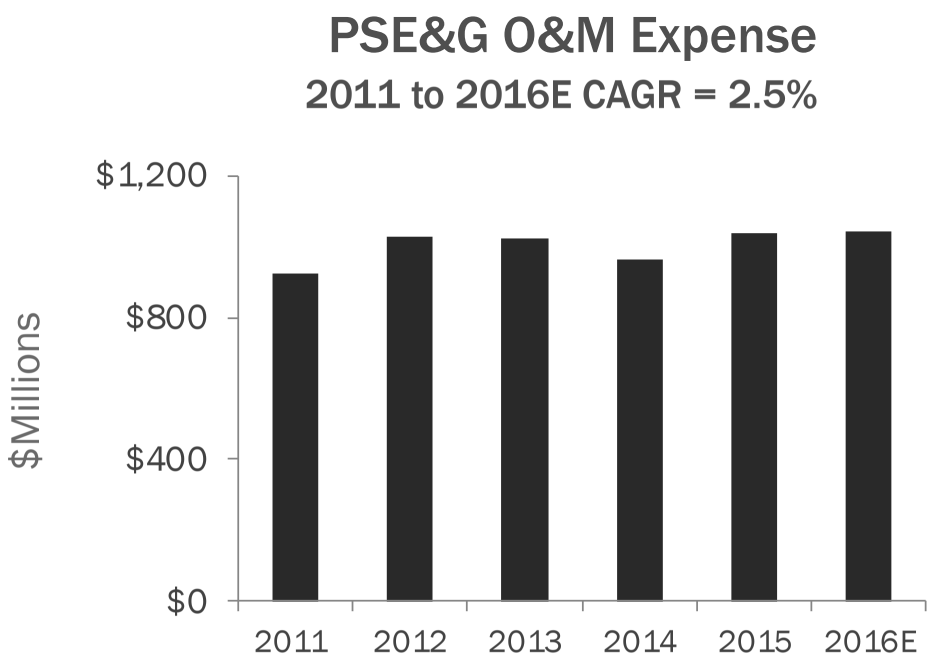
FERC 1000 and competitive growth opportunities

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-13652

Demonstrated ability to control O&M and plan to drive future efficiencies



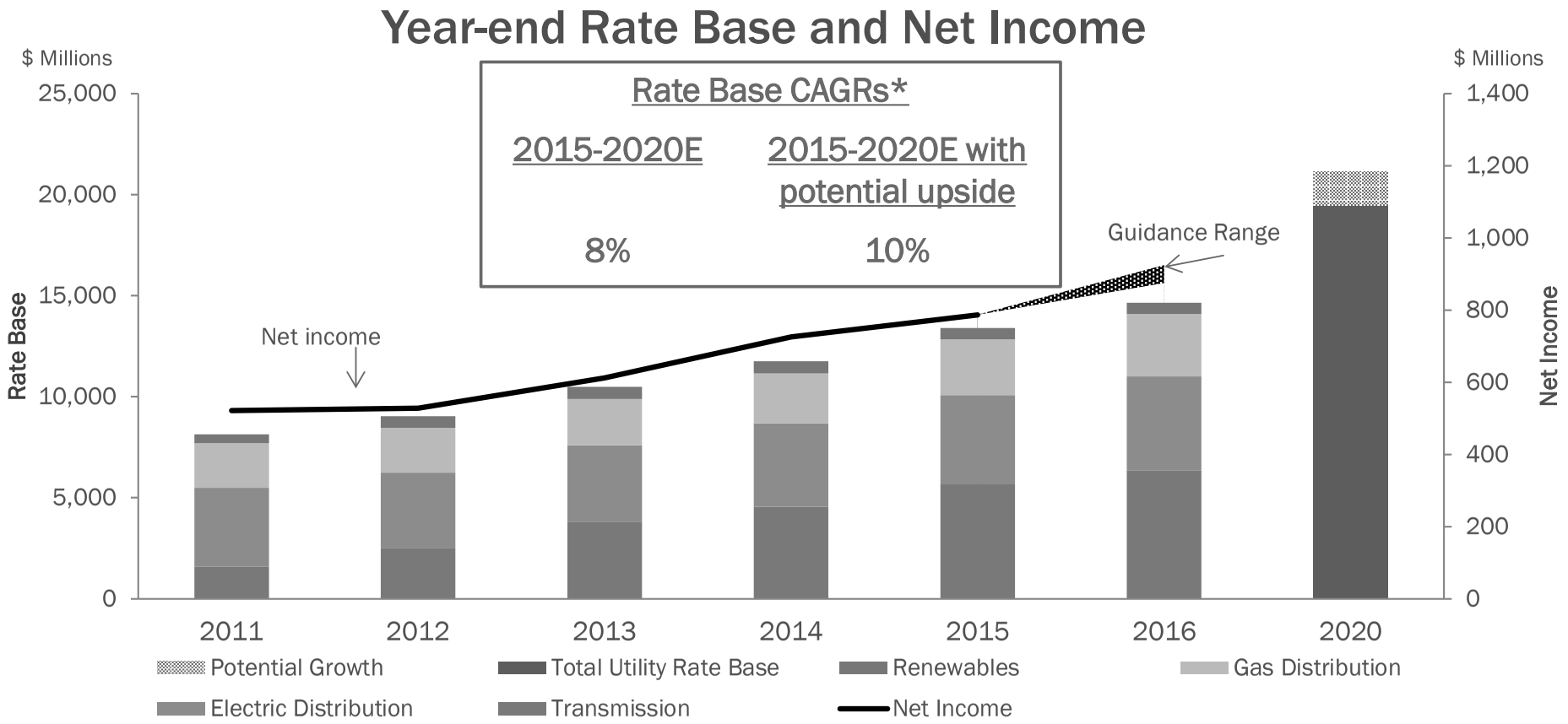
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Conducting organizational reviews resulting in streamlining of processes through restructuring
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E=ESTIMATE

SI-SSA-0015-13653

Investment program combined with cost control drives growth in earnings



Bonus depreciation

- Lowered rate base and growth rate but growth still remains strong
- Investments are less expensive for customers, providing an opportunity for incremental cost-effective system improvements

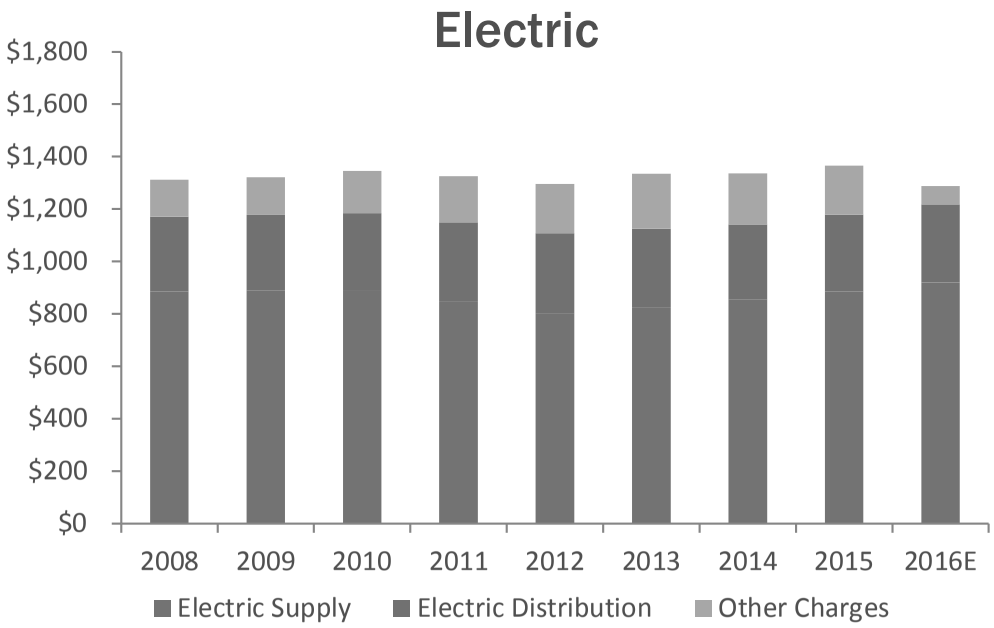
SI-SSA-0015-13654

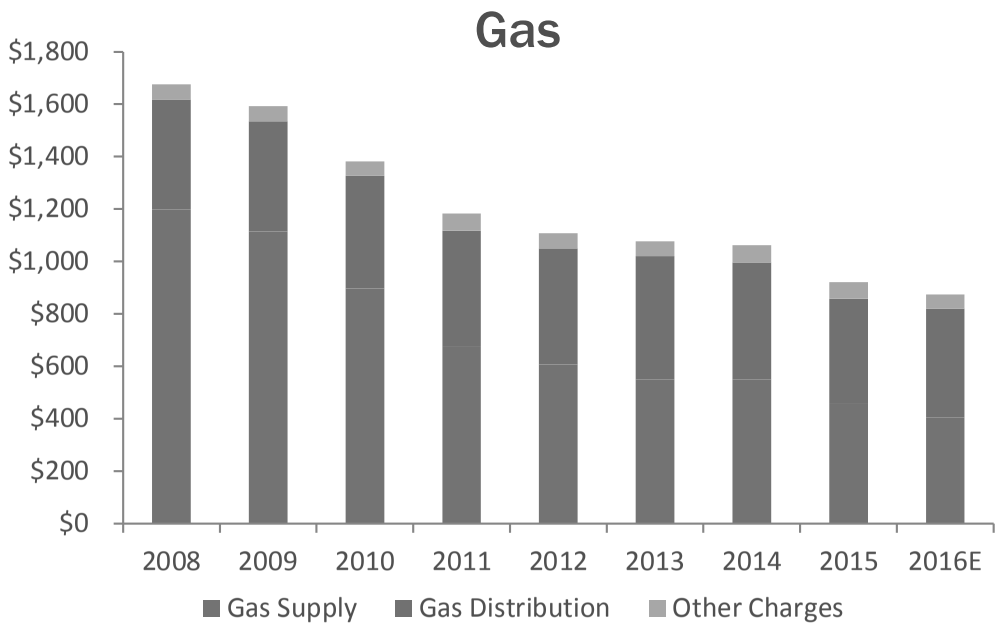
PSEG

* INCLUDES IMPACTS OF BONUS DEPRECIATION. E = ESTIMATE.

Managing the total costs to customers while investing in the system

PSE&G Typical Residential Customer Bills*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases

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PSEG

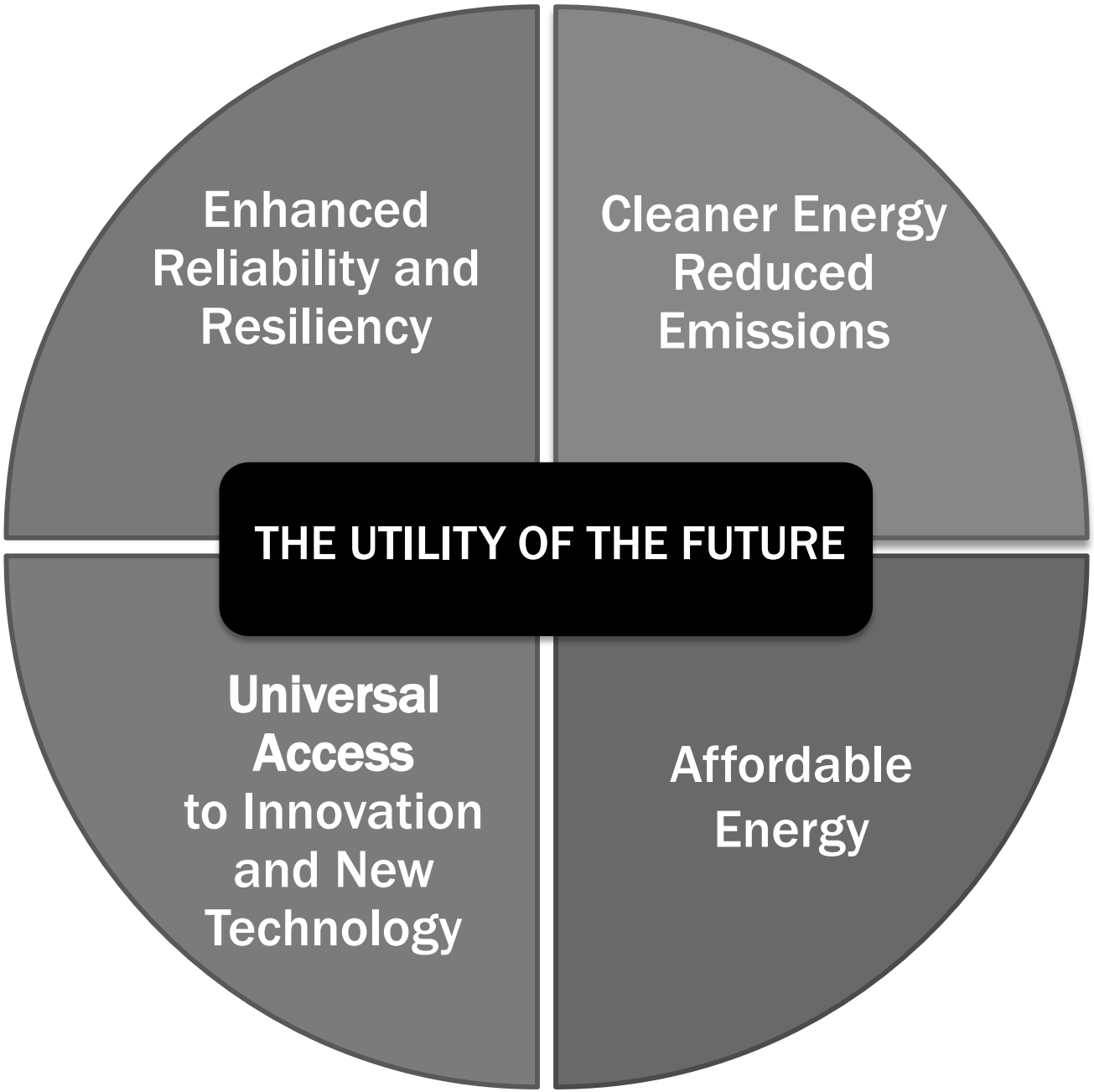
*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

PSE&G's 2016 operating earnings

to benefit from investment programs and cost control

E =ESTIMATE.

SI-SSA-0015-13656



SI-SSA-0015-13657

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-13658

PSEG Long Island - Focused on improving

customer service and reliability while managing costs

- Earned $0.03* per share in 2015 as expected
  - Realized 18/21 metrics in 2014 and 2015
    - Customer service
    - Reliability
    - Economic
    - Green
    - Safety

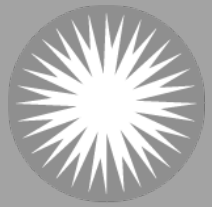
- A contracted increase in revenues expected to bring contribution to earnings to $0.07* per share

SI-SSA-0015-13659

* INCLUDES IMPACT OF ENERGY RESOURCES & TRADE CONTRACT.

2016 PSEG Power and ER&T Business Review & Outlook

MARCH 2016



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-13660

PSEG POWER

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

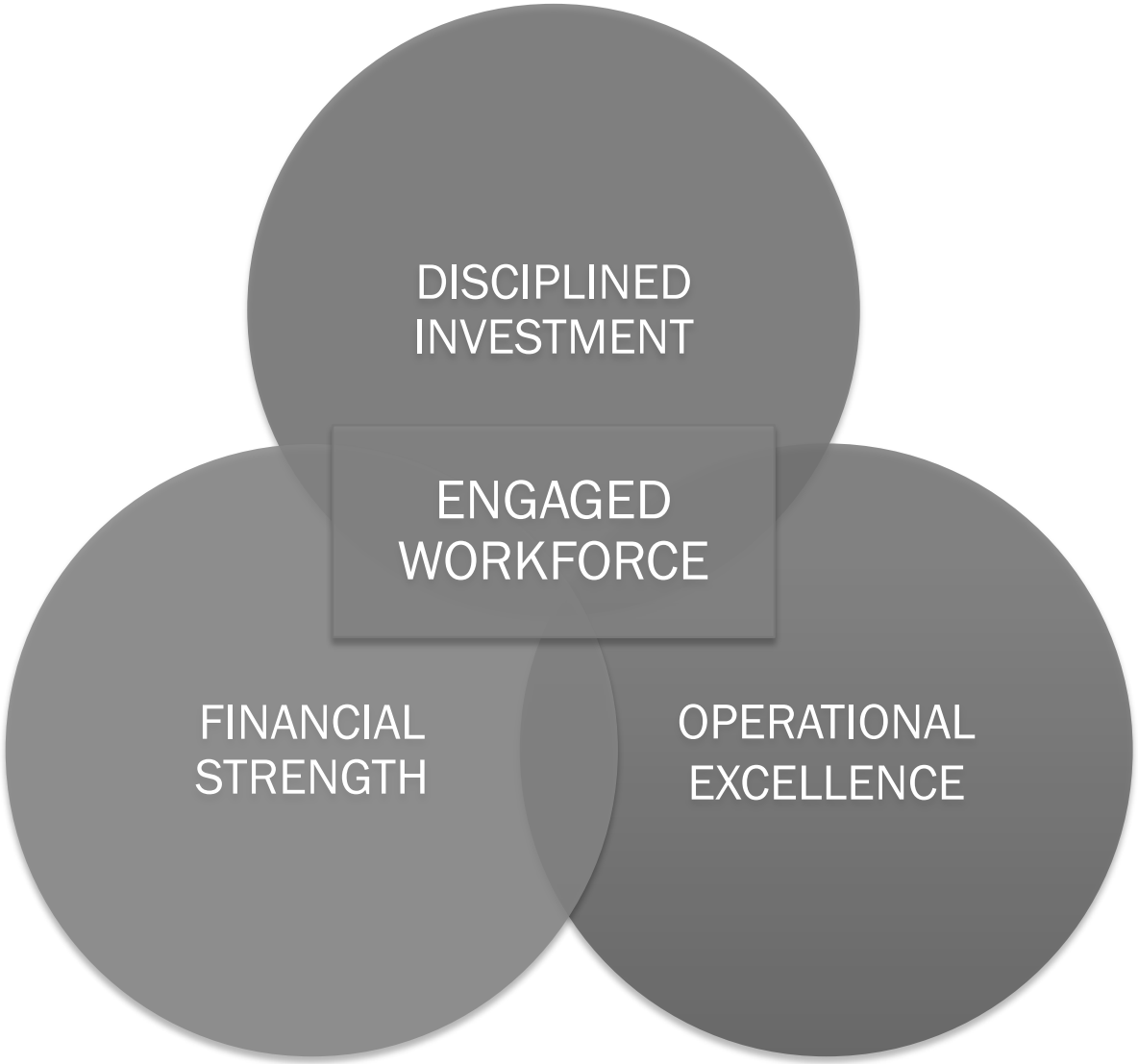
SI-SSA-0015-13661

PSEG

We make things work for you.

PSEG Power strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally, responsible manner



SI-SSA-0015-13662

Focus on transforming Power's portfolio with reliable, efficient, and cleaner energy infrastructure

2011	2012	2013	2014	2015

Selected Accomplishments

2011
- Hope Creek set annual output record
- Nuclear license extensions and uprates achieved

2012
- Peach Bottom 3 set annual output record
- Additional 400 MW of new peaker capacity at Kearny and New Haven
- Superstorm Sandy recovery initiated

2013
- Record annual output from Linden CCGT and Salem 2 Nuclear Unit
- 90% + nuclear capacity factor for 9th straight year
- Bethlehem Energy Center, 2nd gas pipeline connection added

2014
- Record annual output from Bergen CCGT
- PennEast pipeline investment
- CCGT Advanced Gas Path (AGP) uprate investment completed at Linden 1 & 2, 63 MW
- Established PSEG Long Island fuel management operations for 2015 start-up

2015
- Record CCGT fleet annual output
- Continued growth in fleet with 1,300 MW new CCGT's announced
  - Keys
  - Sewaren 7
- Prepared successful bid for 485 MW Bridgeport Harbor 5
- Projects Completed:
  - Peach Bottom EPU, 130 MW
  - Bergen 2 AGP uprate, 31 MW
- HEDD retirement
- Solar portfolio reaches 277 MW_{DC} as of March 2016

Cost Control

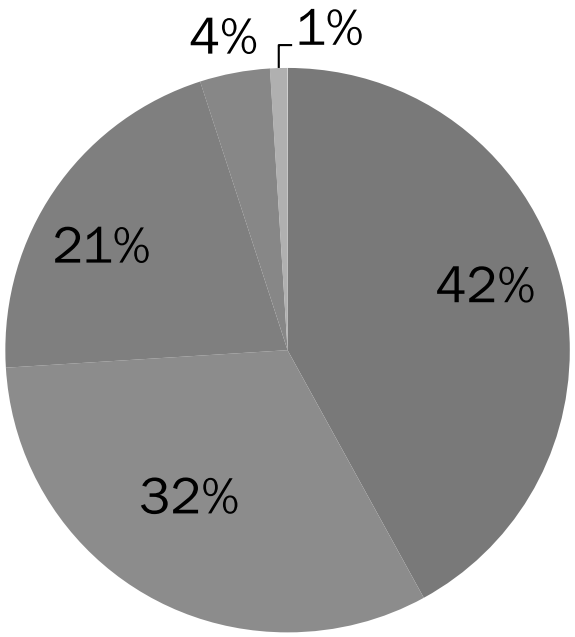
SI-SSA-0015-13663

PSEG Power's value is advantaged

by asset diversity, fuel flexibility and location

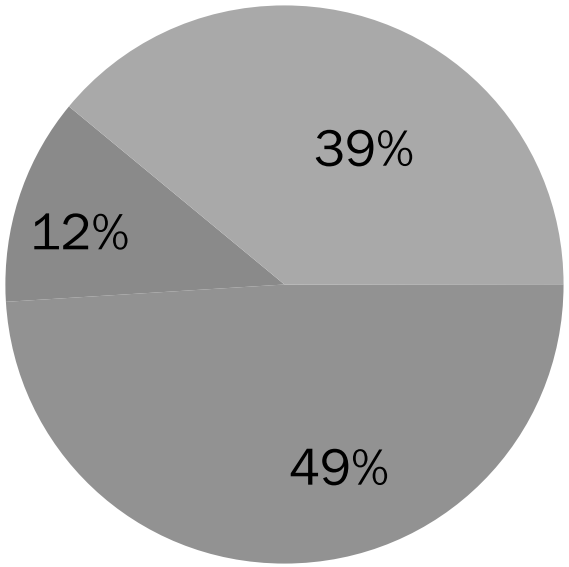
2015 Actual

Fuel Diversity*
Total MW: 11,678



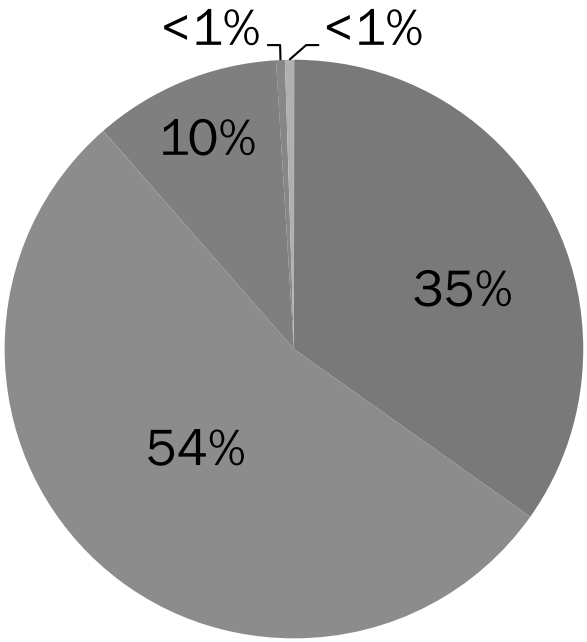
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*
Total MW: 11,678



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*
Total GWh: 55,213

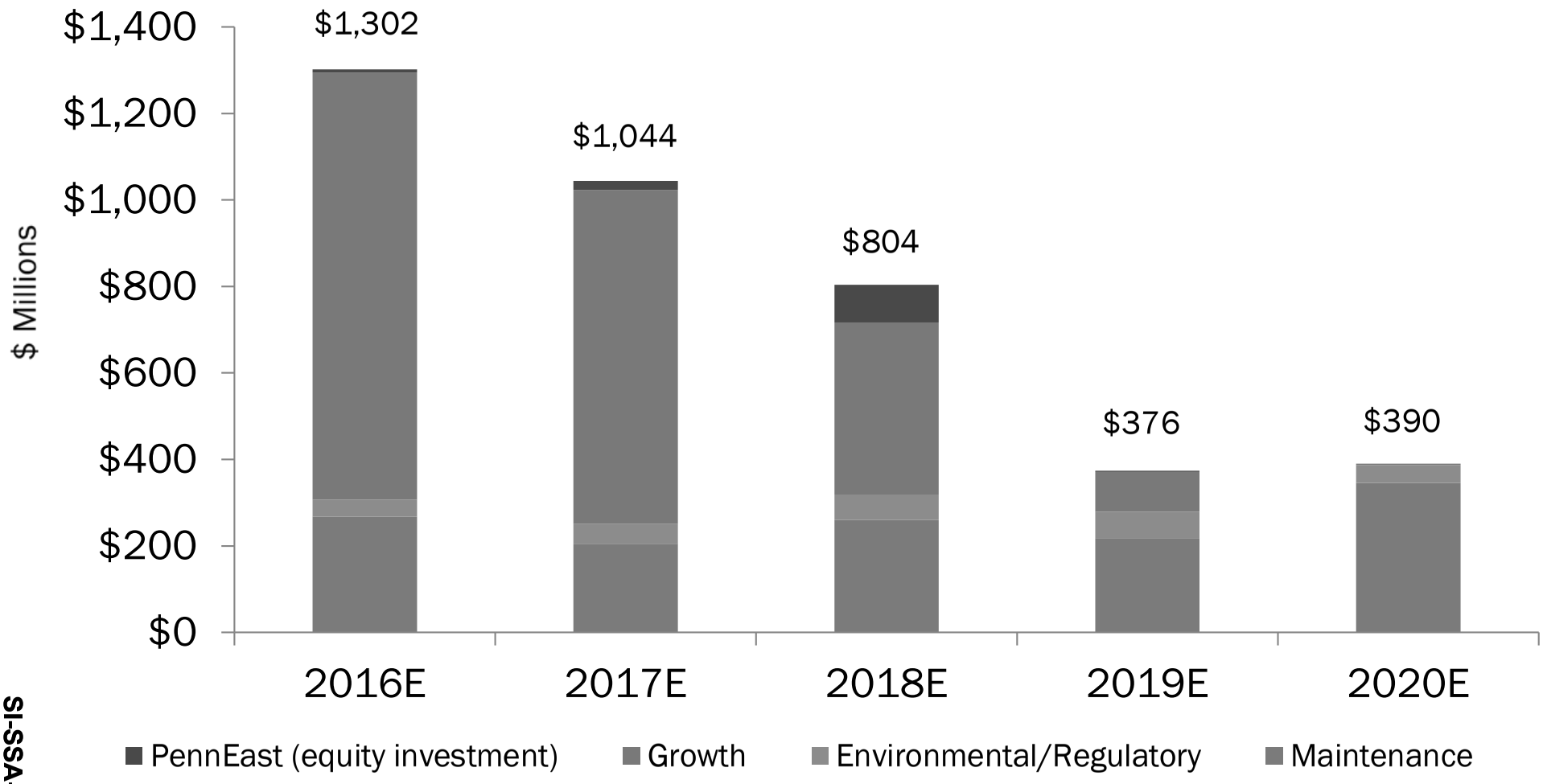


- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

* EXCLUDES SOLAR AND KALAELOA.
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

SI-SSA-0015-13664

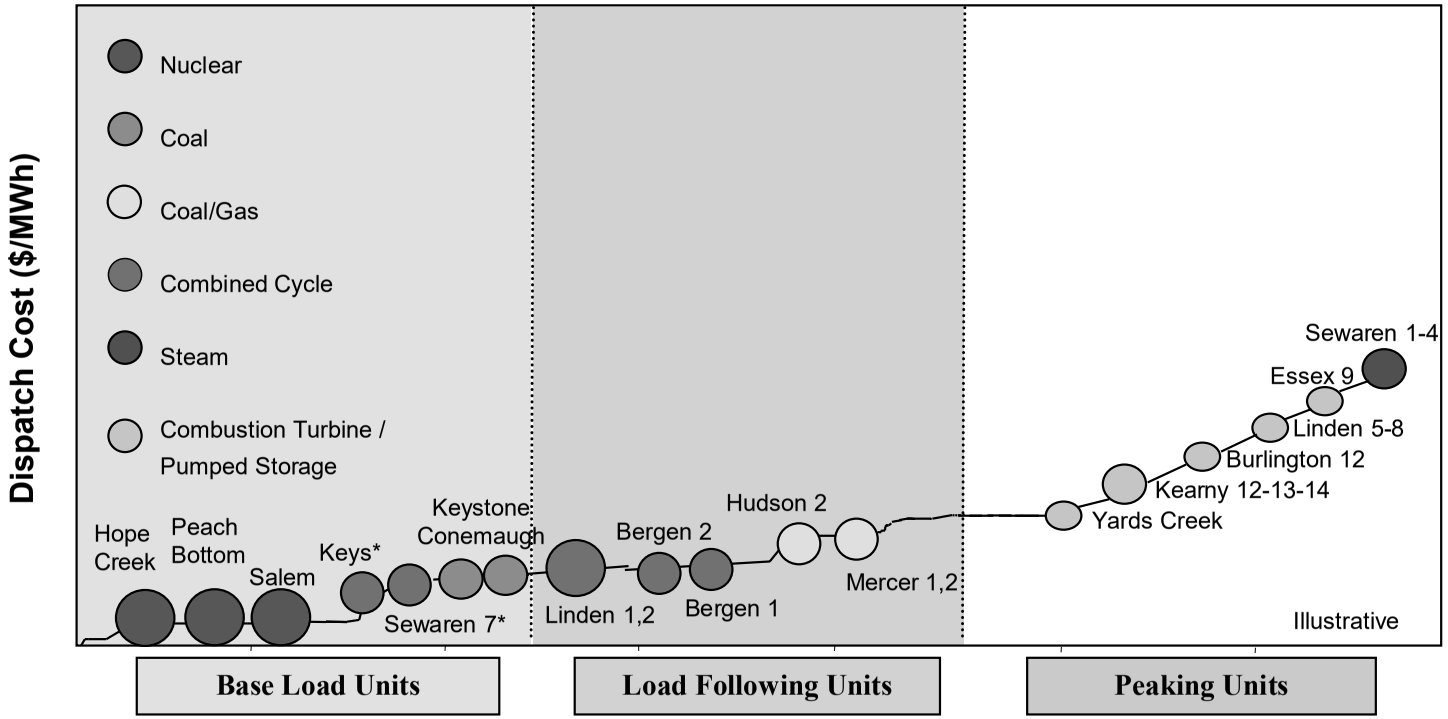
Power investing $2 billion of capital in new capacity



E=ESTIMATE. DATA AS OF MARCH 2016

SI-SSA-0015-13665

Power's PJM assets are becoming more efficient



	Base Load Units	Load Following Units	Peaking Units
Energy Revenue	X	X	X
Capacity Revenue	X	X	X
Ancillary Revenue		X	X
Dual Fuel		X	X

- Base Load ensures cash flow certainty
- Load Following provides ability to serve load shape
- Readiness for Capacity Performance (CP), successful in CP auction

- Peaking takes advantage of real-time prices and reduces operational risk
- Dual fuel capability at 87% of load following and peaking units

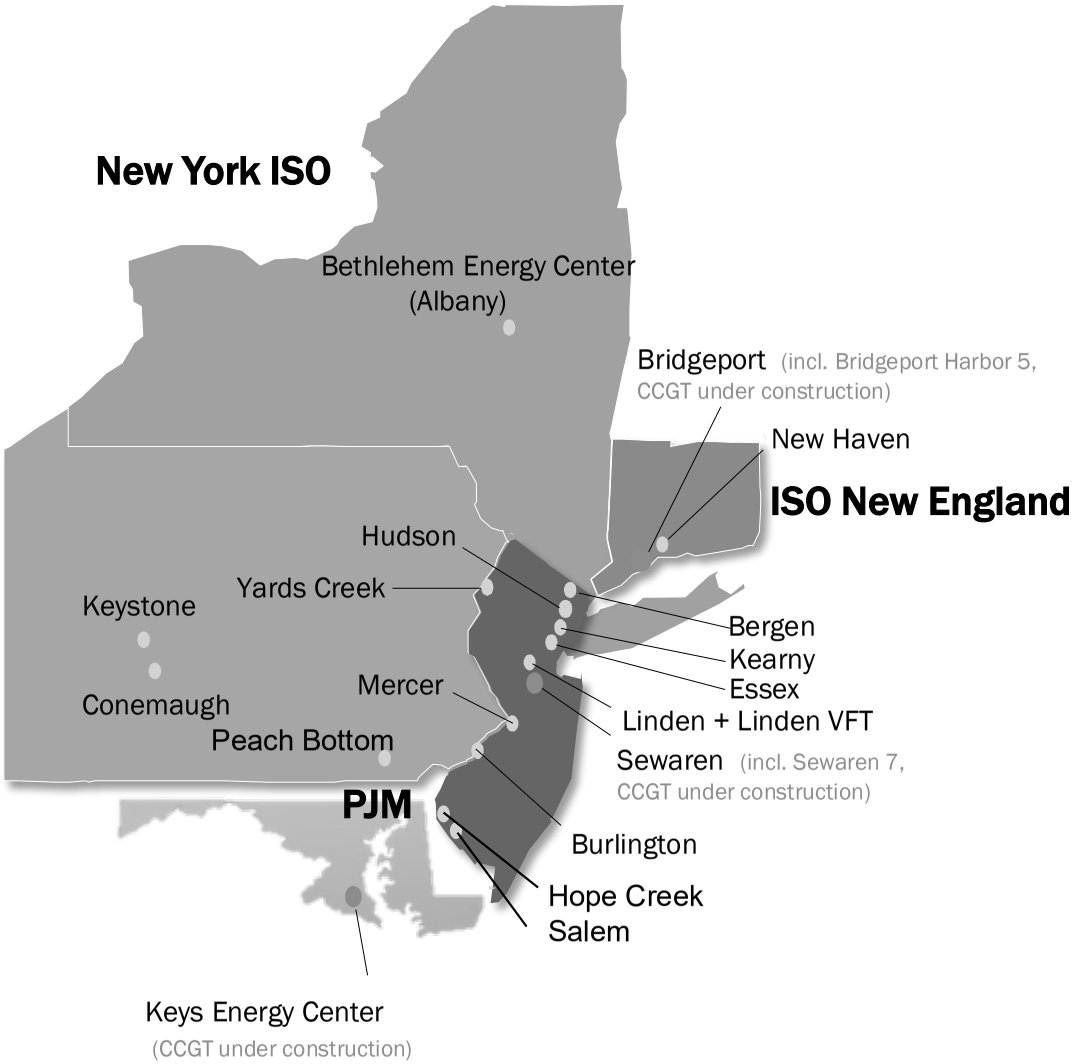
SI-SSA-0015-13666

PSEG

* KEYS & SEWAREN 7 TO BE ADDED TO DISPATCH IN 2018E AND SEWAREN 1-4 WILL RETIRE.

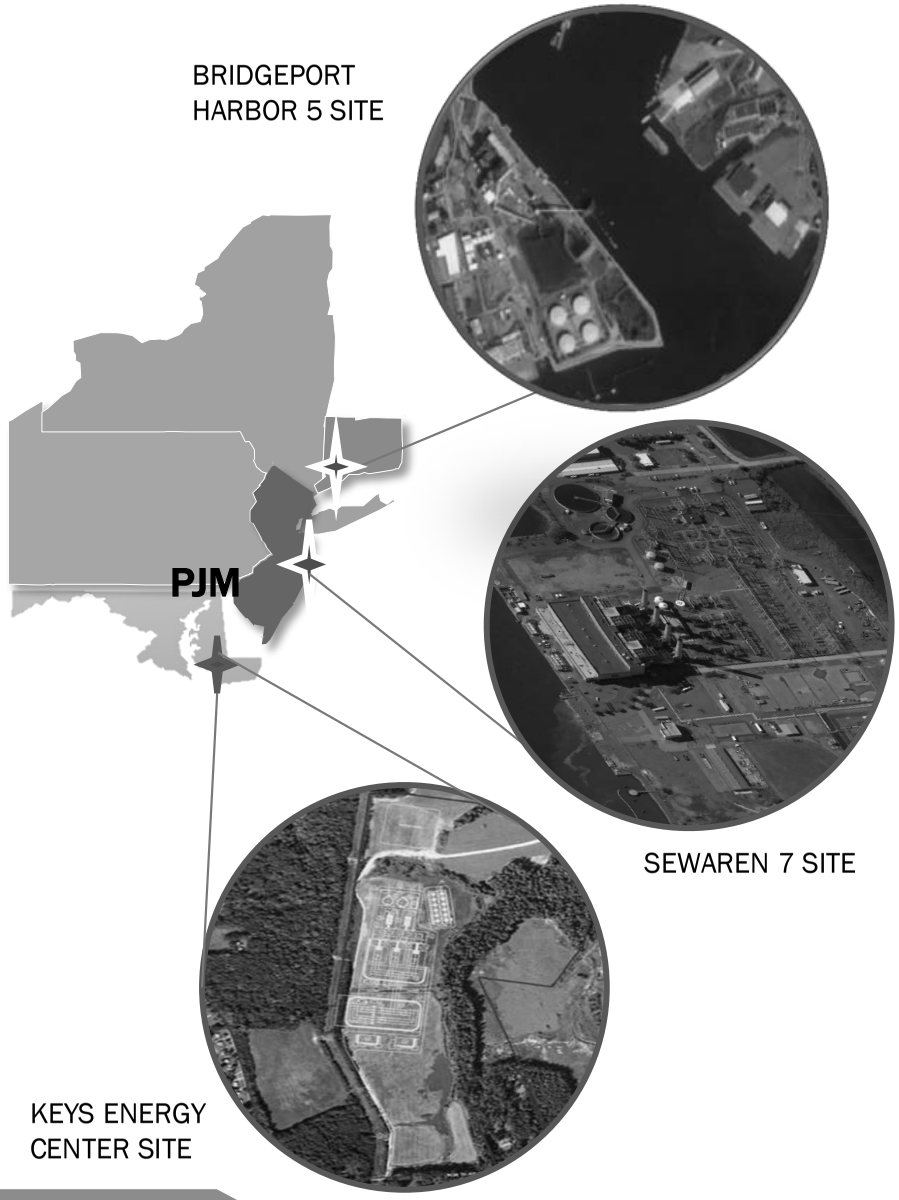
PSEG Power has generating assets in three competitive markets

- Assets located near load
- Low cost portfolio with gas cost advantage
- Positioned to benefit from volatility in real-time markets
- Fleet meets new capacity performance standards
- 1,800 MW of new CCGT capacity under construction in PJM and ISO-NE



SI-SSA-0015-13667

PSEG Power developing 1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



- Constructing the 755 MW CCGT Keys Energy Center in Maryland (SWMAAC*) at an estimated cost of $825 to $875 million
- Constructing a new 540 MW CCGT unit, Sewaren in New Jersey (EMAAC*) at a cost of $625 to $675 million which will replace older Sewaren units
- Constructing a new 485 MW CCGT unit, Bridgeport Harbor 5 (ISO NE), at a cost of $525 to $575 million
- Both Keys and Sewaren 7 are targeted to be in-service in 2018 and Bridgeport Harbor 5 in 2019
- Expanding civic stewardship roles and programs in neighboring communities

*SWMAAC = SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
LOCATIONAL DELIVERABILITY AREA WITHIN PJM.

SI-SSA-0015-13668

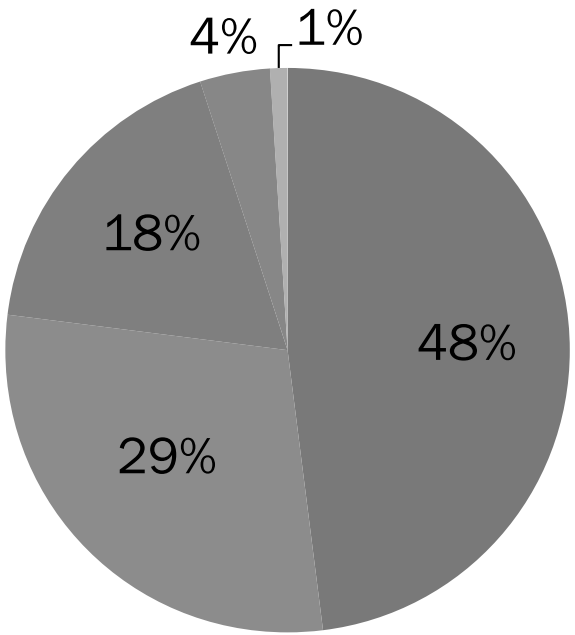
PSEG Power's fleet transformed

with focus on new investment and improvement in efficiency

2020E Projected

Fuel Diversity*

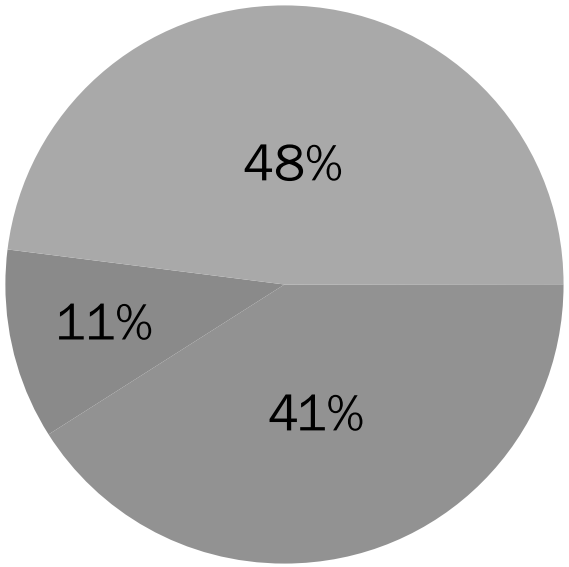
Total MW: 13,100



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

Energy Market Served*

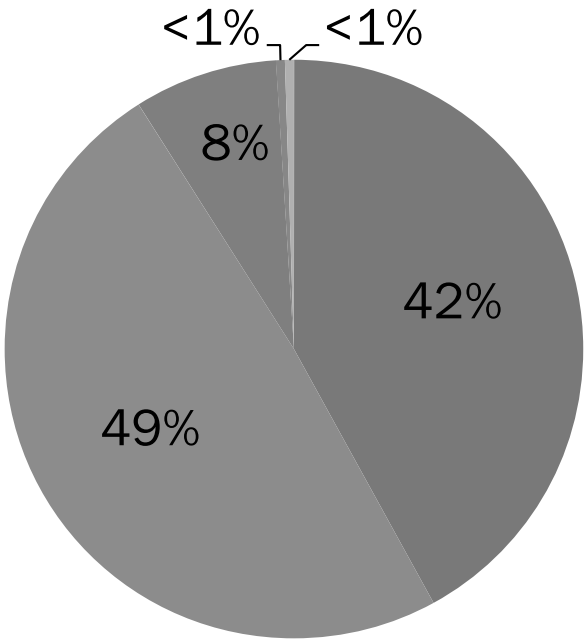
Total MW: 13,100



- Load Following, 87% dual fuel
- Peaking
- Baseload

Energy Produced*

Total GWh: 65,000



- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

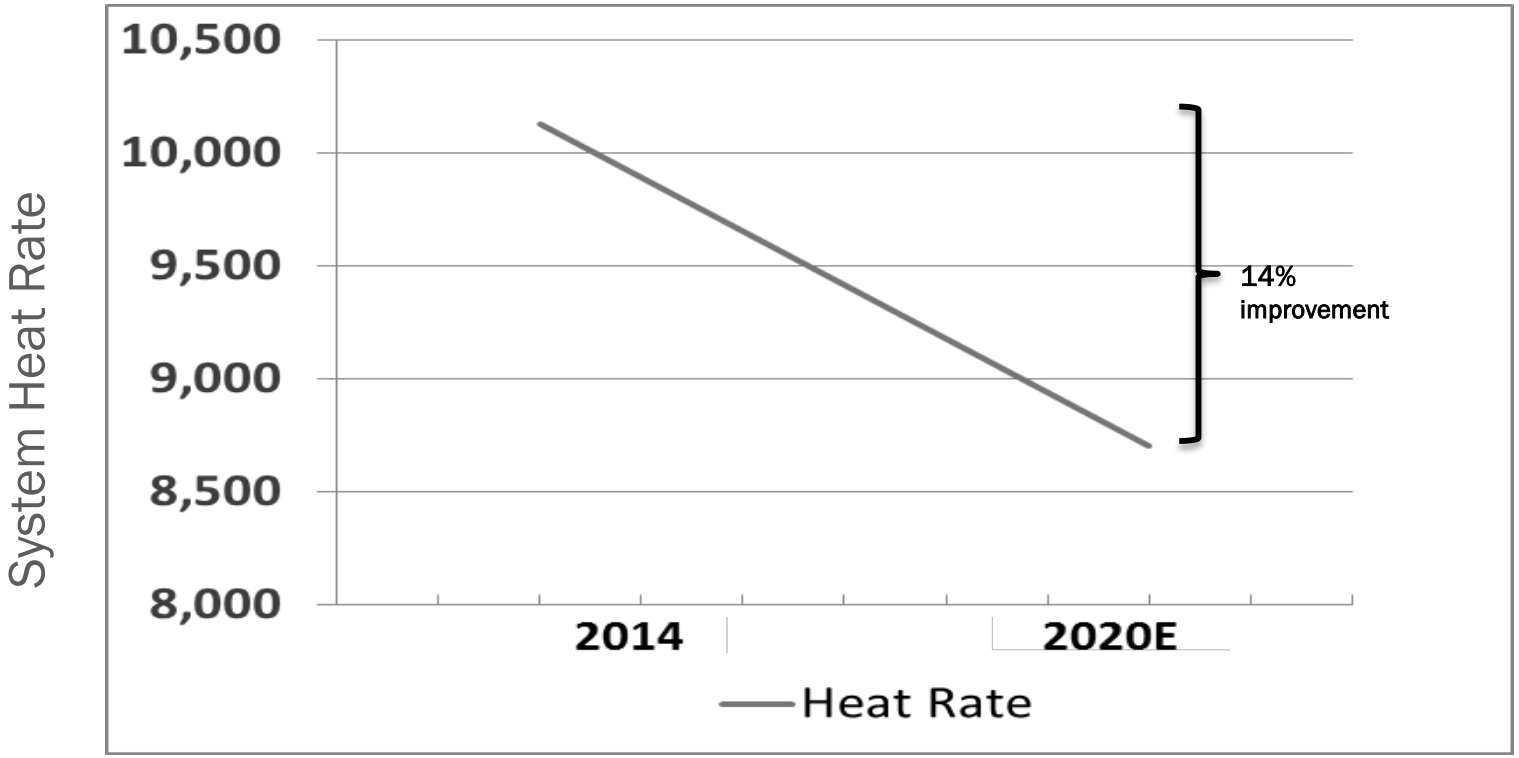
SI-SSA-0015-13669

PSEG

*EXCLUDES SOLAR AND KALAELOA E = ESTIMATE

**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

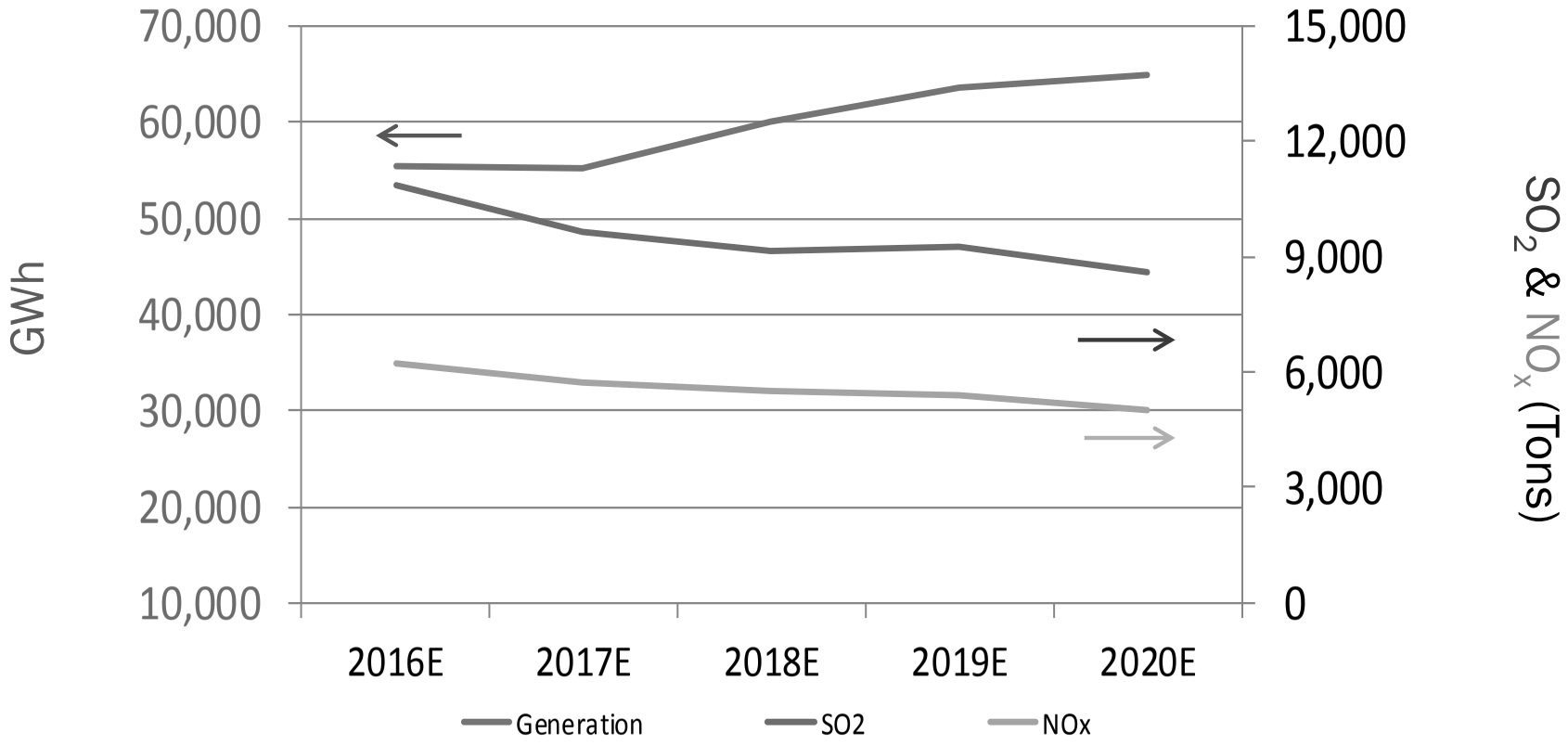
PSEG Power's fossil fleet expected to see improvements in efficiency



- AGP (Advanced Gas Path) investments
- CCGT material condition assessment
- Unit testing and testing coordination initiatives
- HEDD retirements
- Keys/Sewaren Combined Cycle Development (2018)
- Bridgeport Harbor 5 Combined Cycle Development (2019)
- Heat Rate Improvement converts to potential savings of $60-$65M in fuel expense (assuming $3/MB gas price)

SI-SSA-0015-13670

PSEG Power's fossil fleet among the lowest emitting in the industry

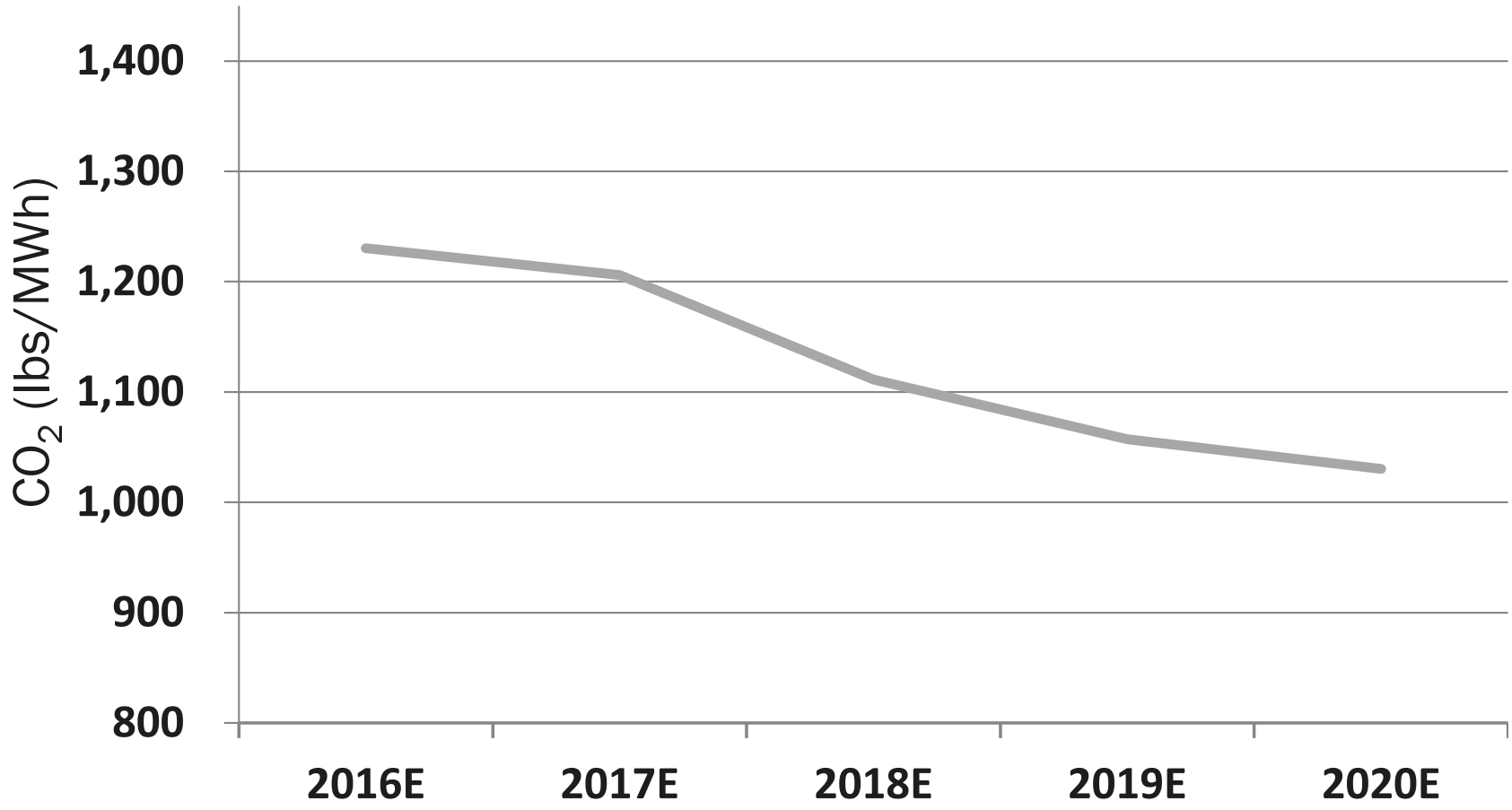


- More efficient testing and improved operational flexibility through utilization of Continuous Emission Monitoring System testing
- With the addition of new units, emissions continue to improve

SI-SSA-0015-13671

E = ESTIMATE

PSEG Power's fossil fleet expected to reduce its carbon footprint



- Carbon emission rates projected to steadily approach EPA national pollution standards for New and Reconstructed Natural Gas Combined Cycle (1,000 lbs CO_2/MWh-gross)

SI-SSA-0015-13672

E = ESTIMATE

Nuclear is a critical element of our success

Hope Creek

- Operated by PSEG Nuclear
- PSEG Ownership: 100%
- Technology: Boiling Water Reactor
- Total Capacity: 1,176 MW
- Owned Capacity: 1,176 MW
- License Expiration: 2046
- Next Refueling
  - Fall 2016
- Uprate 18MW Spring 2018

Salem Units 1 and 2

- Operated by PSEG Nuclear
- PSEG Ownership: 57%
- Technology: Pressurized Water Reactor
- Total Capacity: 2,294 MW
- Owned Capacity: 1,317 MW
- License Expiration: 2036 and 2040
- Next Refueling
  - Unit 1 – Spring 2016
  - Unit 2 – Spring 2017

Peach Bottom Units 2 and 3

- Operated by Exelon
- PSEG Ownership: 50%
- Technology: Boiling Water Reactor
- Total Capacity: 2,502 MW
- Owned Capacity: 1,251 MW
- License Expiration: 2033 and 2034
- Next Refueling
  - Unit 2 - Fall 2016
  - Unit 3 - Fall 2017
- Uprate: 130 MW (PS Share)
  - Unit 2 - March 2015
  - Unit 3 – December 2015

SI-SSA-0015-13673

PSEG Power's Growth Investments

Site	Project	Estimate ($ Millions)	Benefits	Status
Peach Bottom	Peach Bottom EPU (2014 – 2015)	$403	Increased capacity: 130 MW	PB2 & PB3 completed in 2015
Linden/ Bergen/ BEC	Advanced Gas Path Uprates (AGP): Linden -- 63 MW Bergen -- 31 MW BEC – 58 MW	$120	Increased capacity and improved heat rate: ~152 MW capacity increase ~1.2% heat rate improvement	Completed: Linden (2014) Bergen (2015) Planned: BEC 2017/2018E
Kearny 13 & 14	LM6000 Engine Throttle Push	--	Increased capacity: 14.5 MW	2016E
Maryland	Keys, 755 MW CCGT	$825 - $875	Geographic diversity within PJM; highly efficient gas fired unit in SWMAAC	2018E
Sewaren	Sewaren Unit 7, 540 MW CCGT	$625 - $675	Improved efficiency and reliability; replaces Sewaren 1-4 steam units	2018E
Bridgeport, CT	Bridgeport Harbor 5, 485 MW CCGT	$525 - $575	Highly efficient gas fired unit in ISO-NE	2019E
Eastern PA to Mercer, NJ	PennEast Pipeline	$123	Estimated Earnings in 2019: $13 million	Underway
Various	6 Solar Projects	$241	2016/2017E increase renewable capacity by 136 MW_{DC}/105 MW_{AC}	2016/2017E

Total New Capacity – 2,200 MW

E = ESTIMATE.

SI-SSA-0015-13674

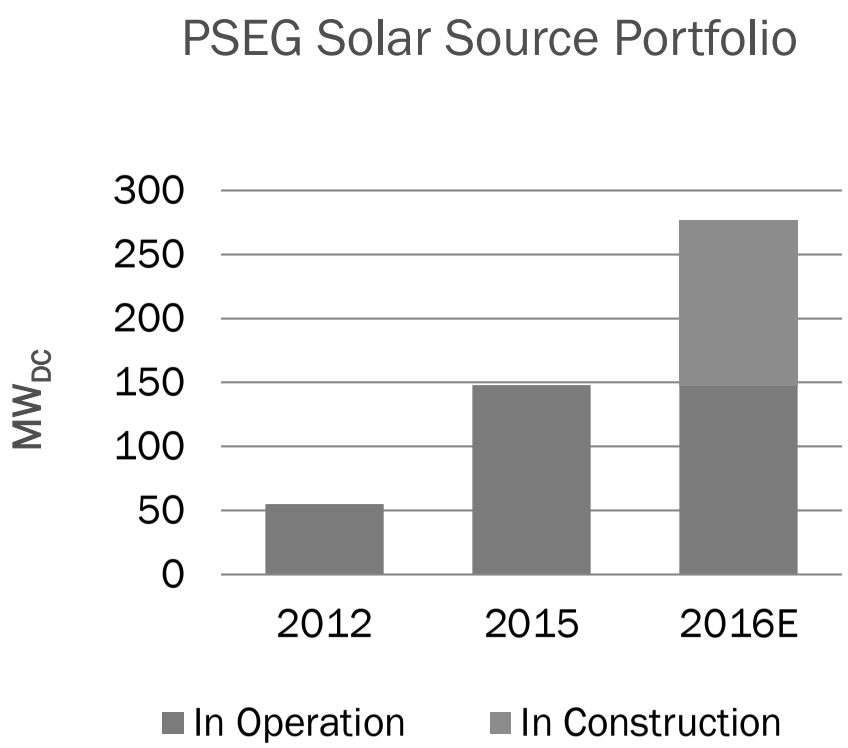
A position in renewable energy – Power's Solar Source

Solar Source portfolio

- Utility scale solar projects in 12 states in operation or under construction
- Long-term PPA's with creditworthy counterparties
- Lump sum, full wrap EPC* agreements

Asset Optimization

- Maintain high equipment availability
- Minimize operating expenses
- Seek additional revenue streams



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* EPC = ENGINEERING PROCUREMENT & CONSTRUCTION. E = ESTIMATE.

PSEG Power has other attractive sources of revenues to round out a robust portfolio

Gas Asset Optimization

- Large wholesale provider to PSE&G and others
  - Storage capacity of approximately 75 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA fuel and energy dispatch management – Began management of 10-year contract in 2015

Kalaeloa, HI – 50% equity interest in a 208 MW combined cycle oil

New Haven Peakers – 129 MW, rate based contract with ISO-NE

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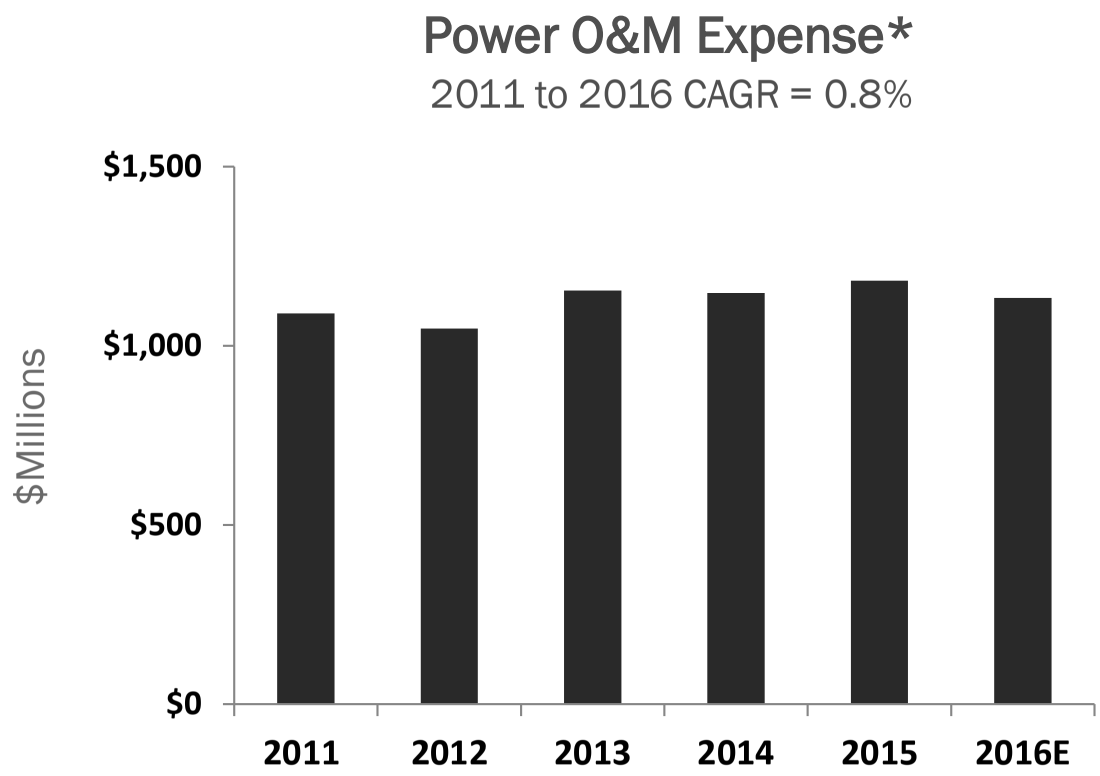
PSEG Power has demonstrated ability to control O&M



Cost control actions taken:

- Fossil plant assessment
- CCGT material condition assessment
- Vendor contract renegotiations
- Nuclear security services brought in-house to control costs
- Nuclear maintenance productivity study
- Nuclear outage efficiency initiative
- Materials management
- Nuclear excellence initiative
- Nuclear staff – Right sizing

*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS. E=ESTIMATE

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During volatile market conditions, Power has delivered on earnings

	2011	2012	2013	2014	2015
Cooling Degree Days % to average, Higher/(Lower)	26%	13%	7%	(5%)	25%
Heating Degree Days % to average, Higher/(Lower)	(11%)	(17%)	(1%)	5%	(4%)
# Days over 90 degrees	29	29	21	12	27
# Days below 20 degrees	13	7	13	33	41
Gas Volatility (Transco Z6)	Min $3.38 Max $18.93	Min $2.40 Max $12.43	Min $3.10 Max $39.43	Min $1.39 Max $115.00	Min $0.90 Max $40.00
LMP Volatility (PS Zone Day Ahead)	Min $15 Max $417	Min $5 Max $370	Min $10 Max $335	Min $5 Max $1,021	Min $1 Max $439
Basis Volatility (PS Zone Day Ahead vs. PJM Western Hub)	Min ($40) Max $116	Min ($49) Max $97	Min ($28) Max $79	Min ($131) Max $455	Min ($40) Max $128
Power Earnings Actual vs. Guidance	High End	Above Guidance	High End	High End	Met Guidance

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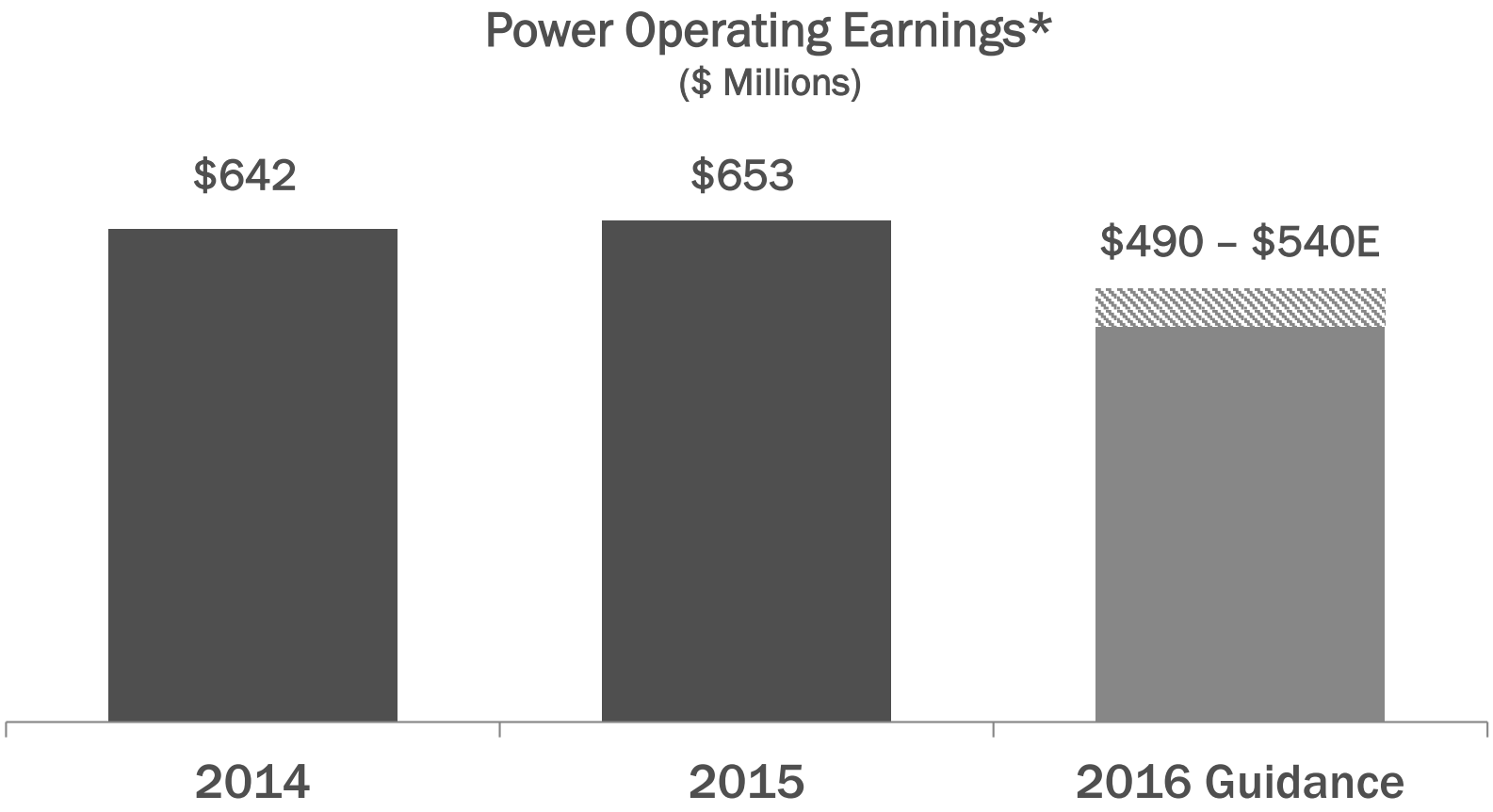
Power's 2016 operating earnings

incorporates impact from abnormally warm weather and retirement of capacity



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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS. E = ESTIMATE.

PSEG Power – Delivering on priorities

Operational Excellence

- Fuel and technology-diverse fleet produced 55 TWh, 2% higher than 2014
- Nuclear capacity factor exceeded 90%; output of 30 TWh, close to 30.3 TWh is third best ever, record set in 2009
- Production records set at BEC, Linden and the CCGT fleet in total; Kearny 13 & 14 CTs
- Successful implementation of LIPA contract for fuel / generation dispatch.

Financial Strength

- Achieved earnings guidance in 2015
- Cost control programs held O&M to a 0.8% CAGR between 2011 and 2016
- Successful ongoing effort to influence outcomes in key markets showing success, e.g., price formation

Disciplined Investment

- Completed Peach Bottom EPU and AGP at Bergen 2; AGP planned for BEC in 2017/2018
- Repositioning the fleet with three new CCGTs:
  - Keys (2018)
  - Sewaren 7 (2018)
  - Bridgeport Harbor 5 (2019)
- Solar Source's portfolio is 277 MW_{DC}

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PSEG POWER
ER&T

Shahid Malik

PRESIDENT
ENERGY RESOURCES & TRADE

PSEG
We make things work for you.

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Agenda

Market Review

- Commodity markets: Gas, Power and Spark Spreads
- Marcellus gas review and PSEG Power's natural gas position
- Regulatory framework

PSEG Power's Portfolio

- Technology, locational and fleet strengths
- PJM portfolio
- Northeast portfolio

PSEG Power Marketing and Hedging Tactics

- Robust hedging strategy and execution (energy and capacity) leads to significant guaranteed revenue for next three years

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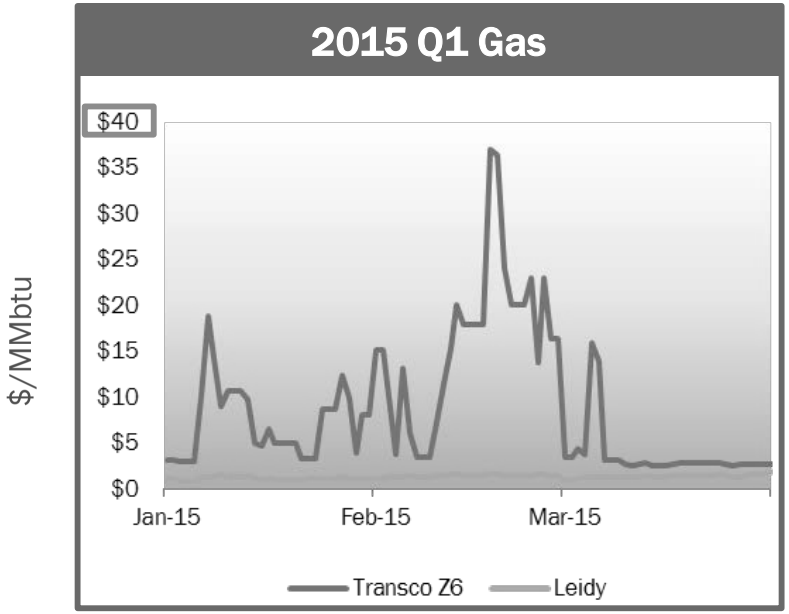
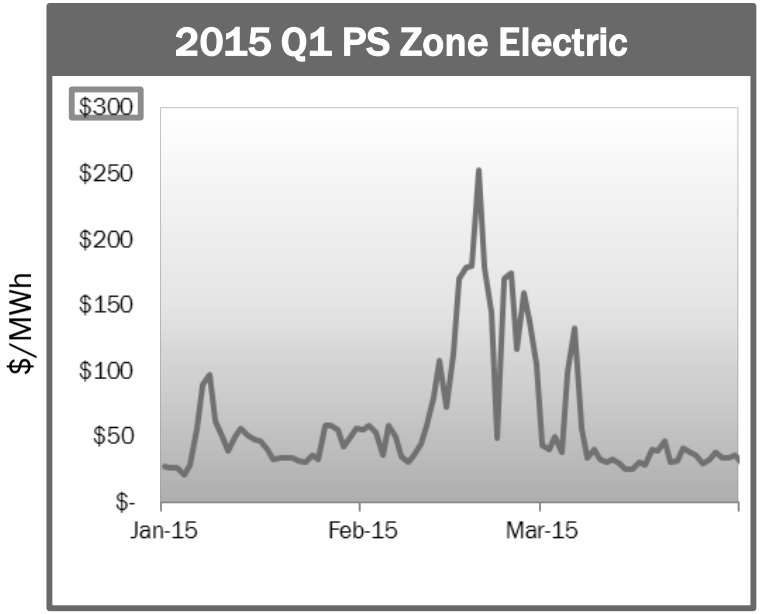
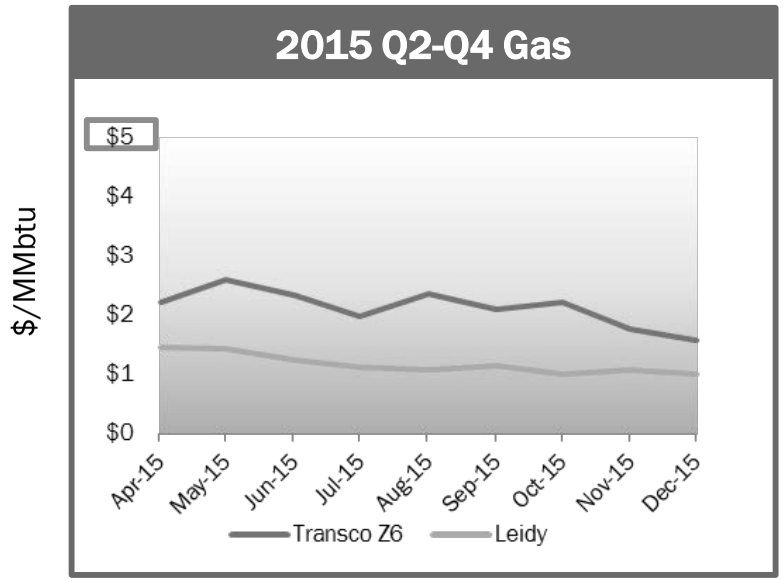
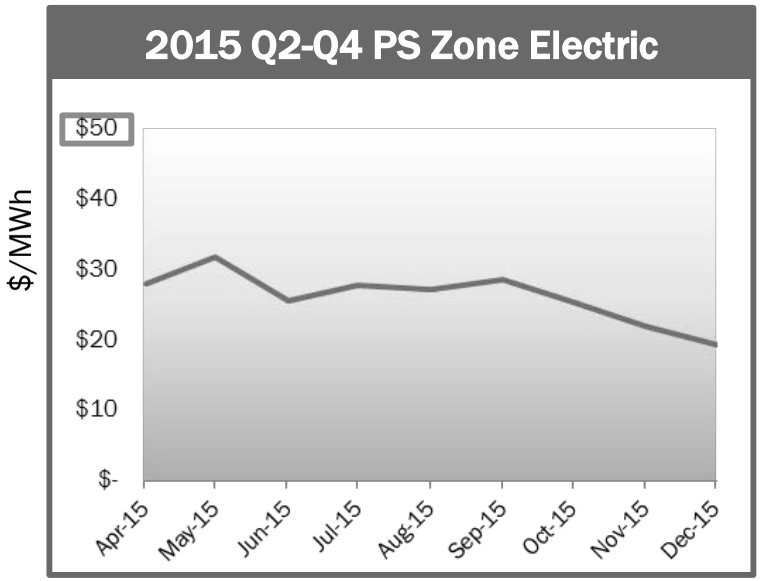
Market Review: Markets in 2015 were affected by abnormal weather conditions





Q1: Periods of extremely cold temperatures resulted in high gas prices, significant basis differentials, and higher energy demand





Q2-Q4: A normal summer and mild December, combined with increased supply of gas, reduced energy prices and basis

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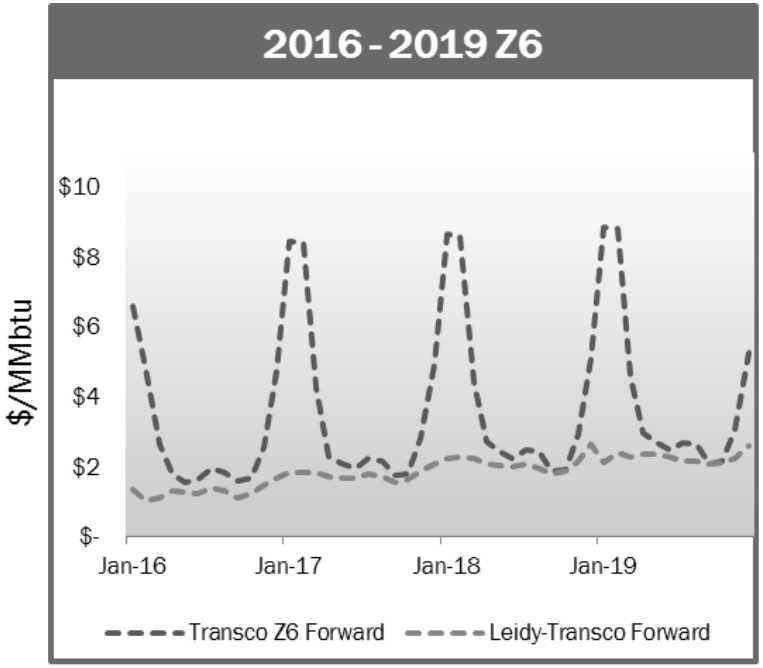
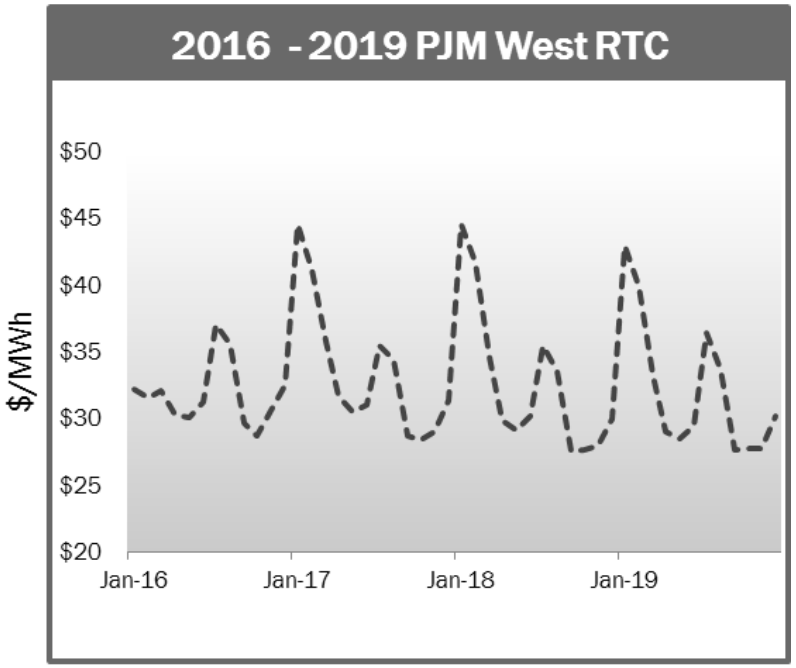
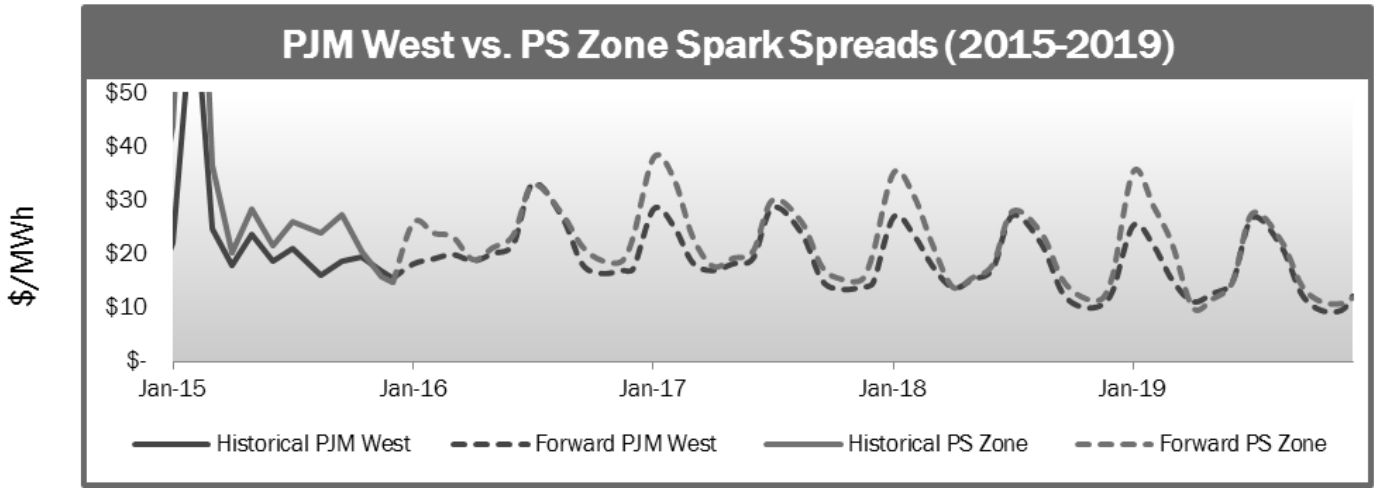
Market Review: Q1 2016 impacted by weather but forward gas and electric prices retain seasonal volatility







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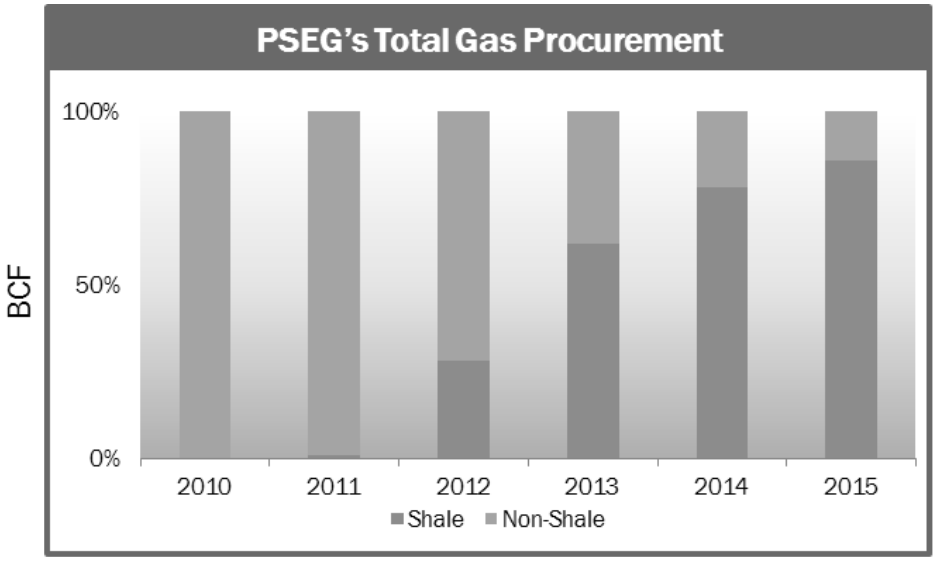
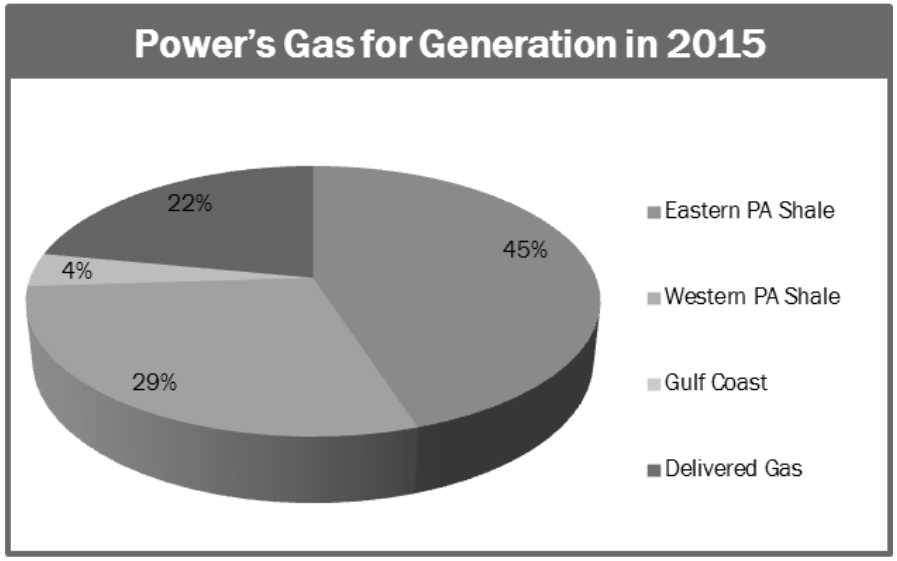
Market Review: PSEG's extensive gas asset portfolio provides unparalleled access to Marcellus Shale gas



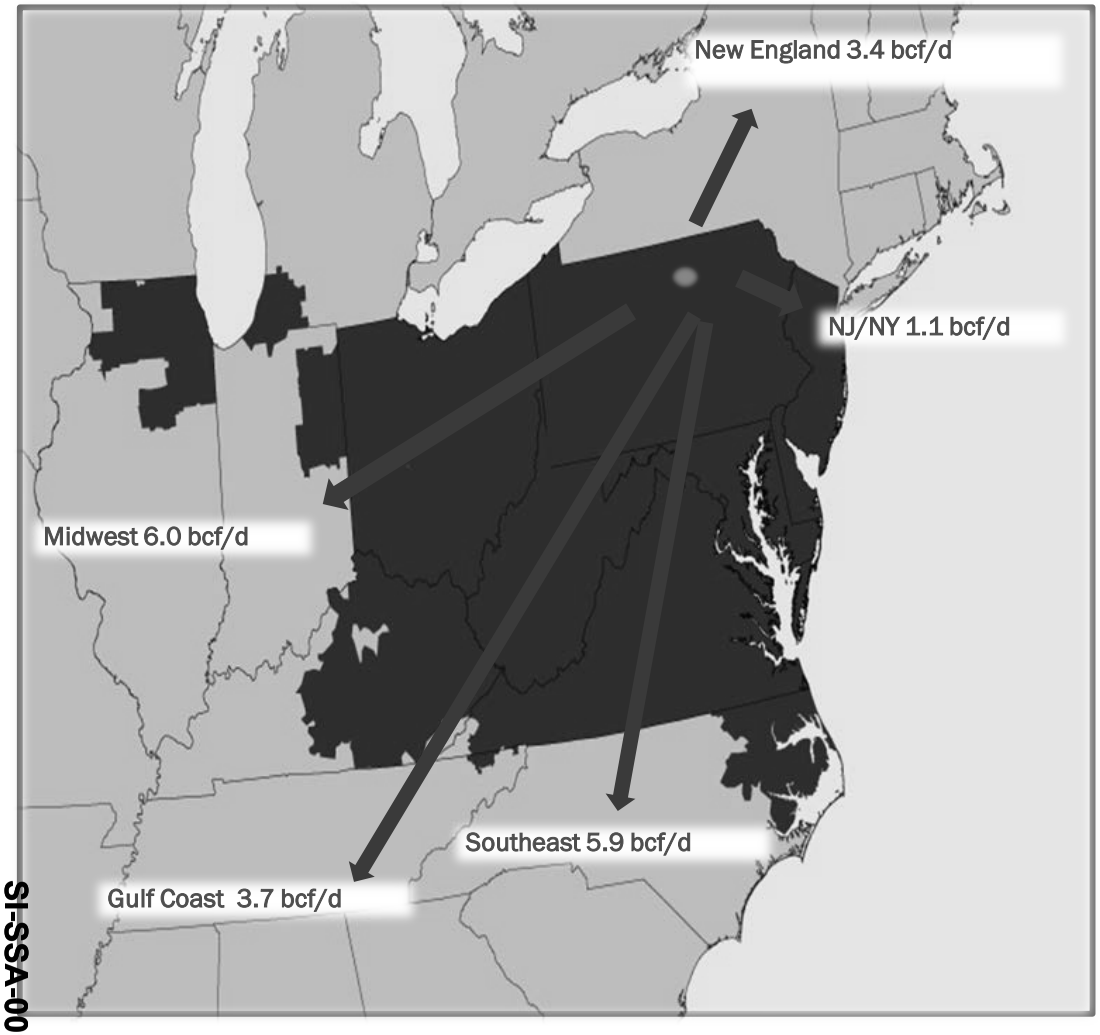


- PSEG Power maintains a robust portfolio of pipeline and storage assets in the Mid-Atlantic
- Marcellus Shale gas production reached 18.8 BCF/day in 2015
- PSEG Power procured over 423 BCF in 2015 with approximately 50% going to PSE&G's utility gas customers
- PSEG Power's gas for generation was 150 BCF in 2015, of which >75% was supplied by Northeast Shale gas
- Severe financial stress among the natural gas producer industry is expected to reduce production growth until gas prices rebalance to higher levels
- Investment in the PennEast pipeline expected to provide more access to Marcellus for PSEG

SI-SSA-0015-13685

Market Review: Completion of new pipeline infrastructure expected to move significant quantities of Marcellus gas out of the region by 2018

Pipeline capacity grows significantly by 2018



- Significant amount of new pipelines have already been built and more are in the advanced planning and development stage through 2018
- Gas production and pipeline takeaway capacity estimated to reach equilibrium in 2018 timeframe based on new pipeline development

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Regulatory Framework: New capacity and energy market designs in PSEG's core markets (PJM and New England) will better reward reliable generation units

	ISSUE /POLICY	OUTCOME
PJM	CAPACITY	• Higher payments for enhanced reliability (Capacity Performance) and lower energy revenues have raised absolute and relative value of capacity
	ENERGY PRICE FORMATION	• FERC is driving ISO's to improve their pricing constructs and rules – NOPRs addressing critical RTO issues
	DEMAND RESPONSE RULES	• Stricter rules for eligibility and deployment; focus returns to wholesale reliability/comparability after SCOTUS ruling
	STATE INTERVENTION	• LCAPP: Awaiting Supreme Court decision • Ohio PPA: Challenged at the local level by the IPP industry, PJM and FERC
ISO-NE	CAPACITY	• Continued tightness in capacity markets • Zonal demand curves ordered for FCA 11 (2021) • Nuclear and coal units under pressure; closure of Pilgrim nuclear plant
	ENERGY	• Proposed gas pipelines are receiving regulatory approvals slowly • 5 minute interval LMP settlements and fast start pricing expected Q2 2017
NYISO	CAPACITY	• Retirement of Fitzpatrick and Ginna and Western steam plants tighten market, but NYPSC directed to develop a clean energy standard that recognizes the value of nuclear
	ENERGY	• Improvement in price formation during reserve shortage conditions
FEDERAL	ENVIRONMENTAL REGULATIONS	• CPP rules stayed by SCOTUS • Some states will still prepare implementation plans for 2020+ timeframe

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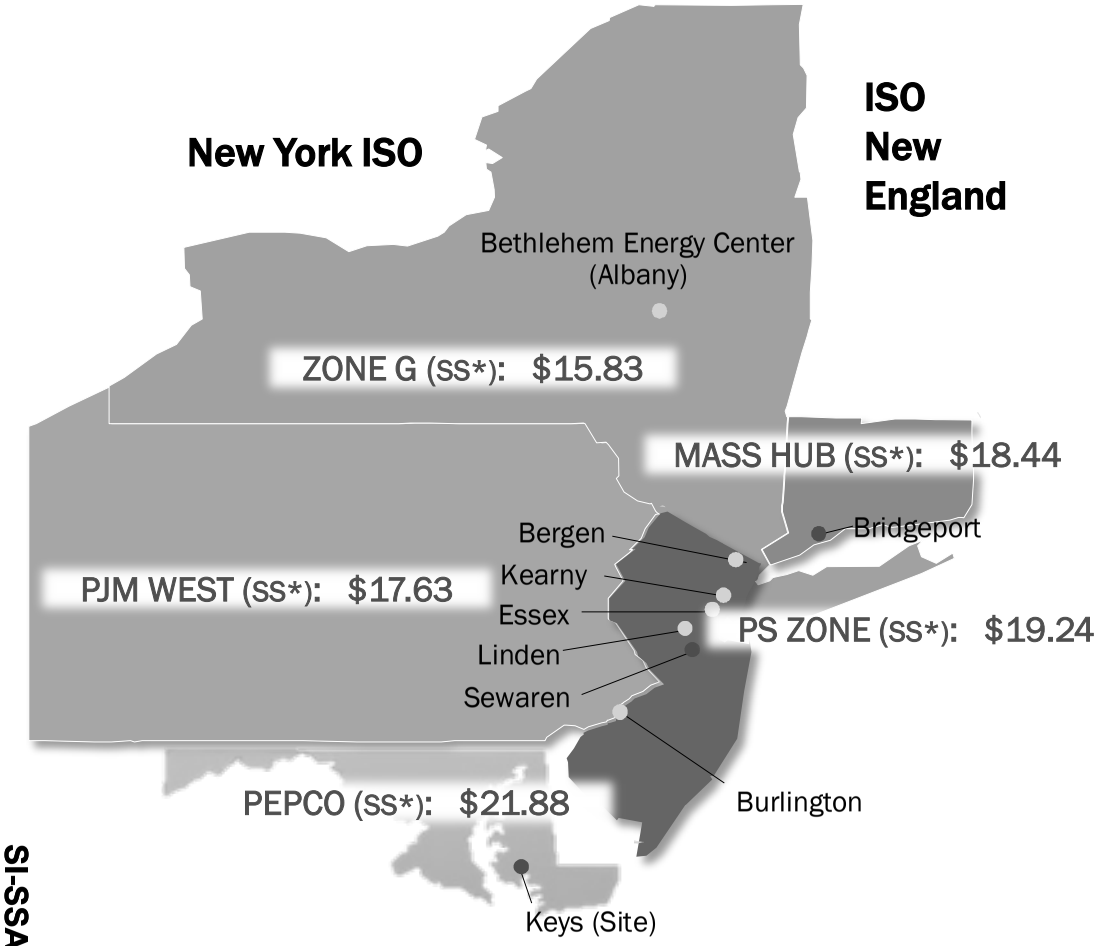
PSEG Power's Portfolio: Our fleet is well positioned in key markets

Right Location

with robust spark spreads



Right Technology

Plant	Heat Rate	Capacity
BERGEN 1	8.3	638
BERGEN 2	7.3	591
LINDEN 1	7.3	621
LINDEN 2	7.3	621
BEC	7.3	757
KEYS NEW	6.9	755
BRIDGEPORT HARBOR NEW	6.5	485
SEWAREN NEW	6.5	540
TOTAL COMBINED CYCLE	**7.2**	**5,008**

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*ON PEAK SPARK SPREADS FOR CALENDAR YEAR 2018 CALCULATED WITH 7.5 HEAT RATE USING FOLLOWING GAS SOURCES: PJM WEST = HH, PEPCO = TRANSCO Z6 NON-NY, MASS HUB AND ZONE G = ALGONQUIN, PS ZONE = LEIDY. FORWARDS AS OF JANUARY 18, 2016. CAPACITY IN MEGAWATTS

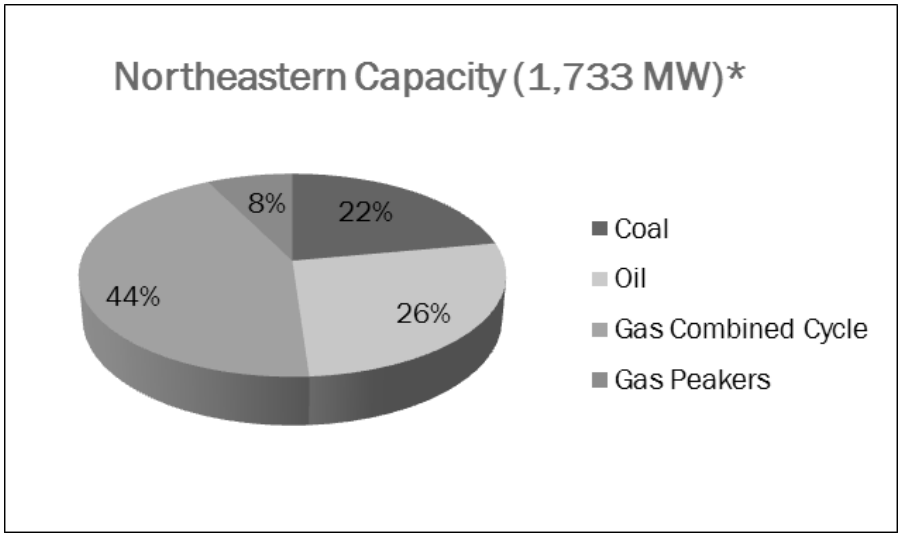
PSEG Power's Portfolio: New York and New England

New York (757 MW)

- Single state ISO
- Multiple gas supplies to BEC gives fuel flexibility and access to Marcellus
- Long Island Power Authority Management Contract

New England (976 MW plus 485 MW new build)

- Small but dynamic market
- Significant improvement in market construct
- Ongoing potential for volatility in extreme (winter) weather conditions
- PSEG Bridgeport Coal plant retirement in 2021
- Gas pipeline infrastructure poses supply challenges/opportunity



+INCLUDES 485 MW NEW BUILD
*SUMMER INSTALLED GENERATING CAPACITY AS OF DECEMBER 31,2015

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Capacity Market Pricing: PJM's capacity market is transitioning to recognize operating performance as well as locational value

PJM's RPM Auction Results				
($/MW-day)	2015 / 2016*	2016 / 2017*+	2017 / 2018+	2018 /2019
Power's Average Prices	$168	$172	$177	$215
Rest of Pool Prices	$136	$59	$120	$165/$150 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650
PJM Capacity Revenues ($M)	$537	$546	$562	$679

2019 Onwards RPM Auction Impacted By:

- Capacity Performance
- Convex Demand Curve
- Change in Net CONE
- Change in PJM Parameters
- Demand response rules
- Elimination of 2.5% Holdback
- Reduction in Load Forecast
- Environmental Retirement

ISO New England's FCA Auction Results				
($/MW-day)	2015 / 2016	2016 / 2017	2017 / 2018	2018 / 2019
Power's Average Prices	$113	$104	$232	$315
Power's Cleared Capacity (MW)	773	777	848	831
NEPOOL Capacity Revenues ($M)	$32	$29	$72	$96

2019/2020 FCA auction cleared at $231/MW-day resulting in $112M in capacity revenues for 1,333 MW

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS.
DELIVERY YEAR RUNS FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.
+ INCLUDES CP TRANSITION AUCTION RESULTS FOR '16/'17 AND '17/'18 AS OF SEPTEMBER 10, 2015.

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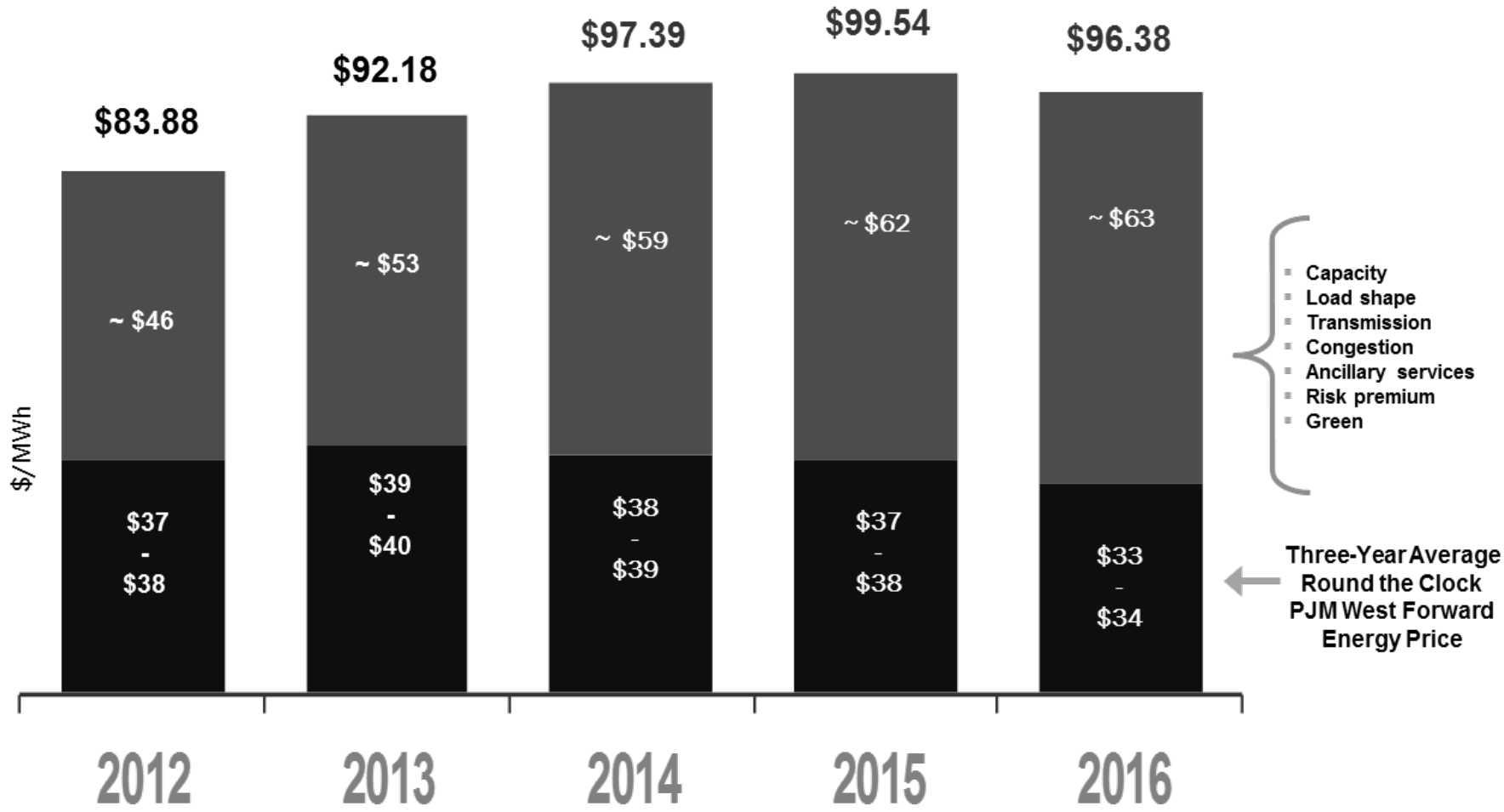
Hedging Strategy: 2016 BGS Auction Results



Latest auction reflects a decline in energy prices and increase in cost of transmission, capacity and renewables

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NOTE: BGS PRICES ARE QUOTED IN $/MWH AND REFLECT PSE&G ZONE; RESULTS FROM THE 2014-2016 AUCTIONS WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2016.

Hedging Strategy: Designed to protect gross margin while leveraging the portfolio

		2016	2017	2018
Base Load (Nuclear and Base Load Coal)	Volume TWh	36	36	36
	% Hedged	100%	70-75%	25-30%
	Price $/MWh	$51	$50	$54
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	19	19	24
	% Hedged	15-20%	0%	0%
	Price $/MWh	$51	-	-
Total	Volume TWh	54-56	54-56	59-61
	% Hedged	70-75%	45-55%	15-20%
	Price $/MWh	$51	$50	$54

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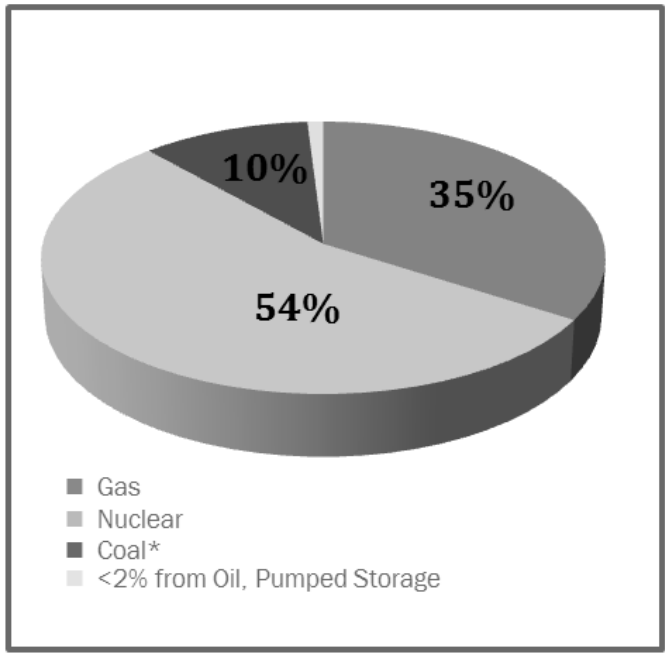
PSEG

HEDGE PERCENTAGES AND PRICES AS OF DECEMBER 31, 2015. UPDATED WITH 2016 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power's revenue stream is secured with approximately 60% of the portfolio hedged for next 3 years

Energy Produced in 2015

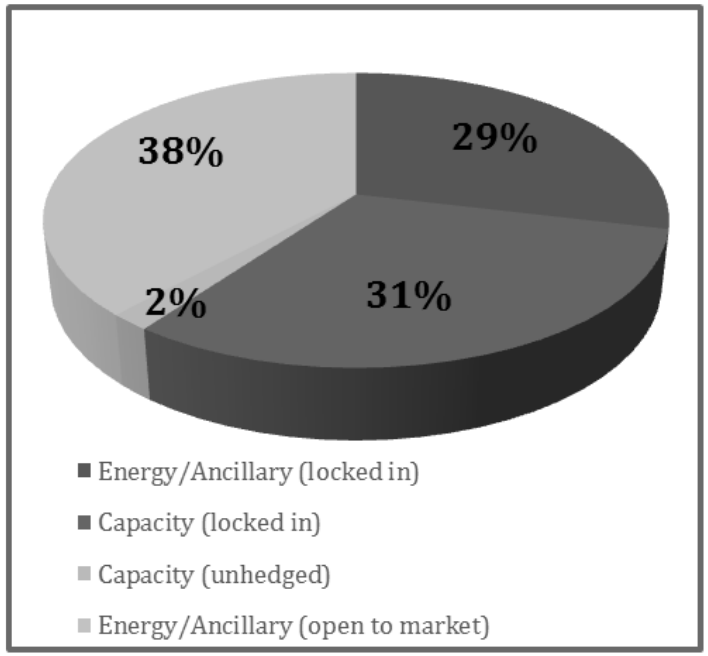
55,213 GWh



*INCLUDES NJ UNITS THAT CAN FUEL SWITCH TO GAS.

Average 3 Year Forward Revenue (%)

2016E-2018E



. E = ESTIMATE.

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PSEG Power's Value Proposition

Low cost fleet	Advantaged locations	Investing to grow

- Well-positioned fleet of merchant generating assets in attractive markets
- Portfolio transformed with addition of 1,800 MWs of new efficient CCGT
- Low capital requirements to meet capacity performance standards
- Growth in fast-growing DC area
- Hedging strategy has capably protected value of assets in declining price environment providing attractive returns and free cash flow

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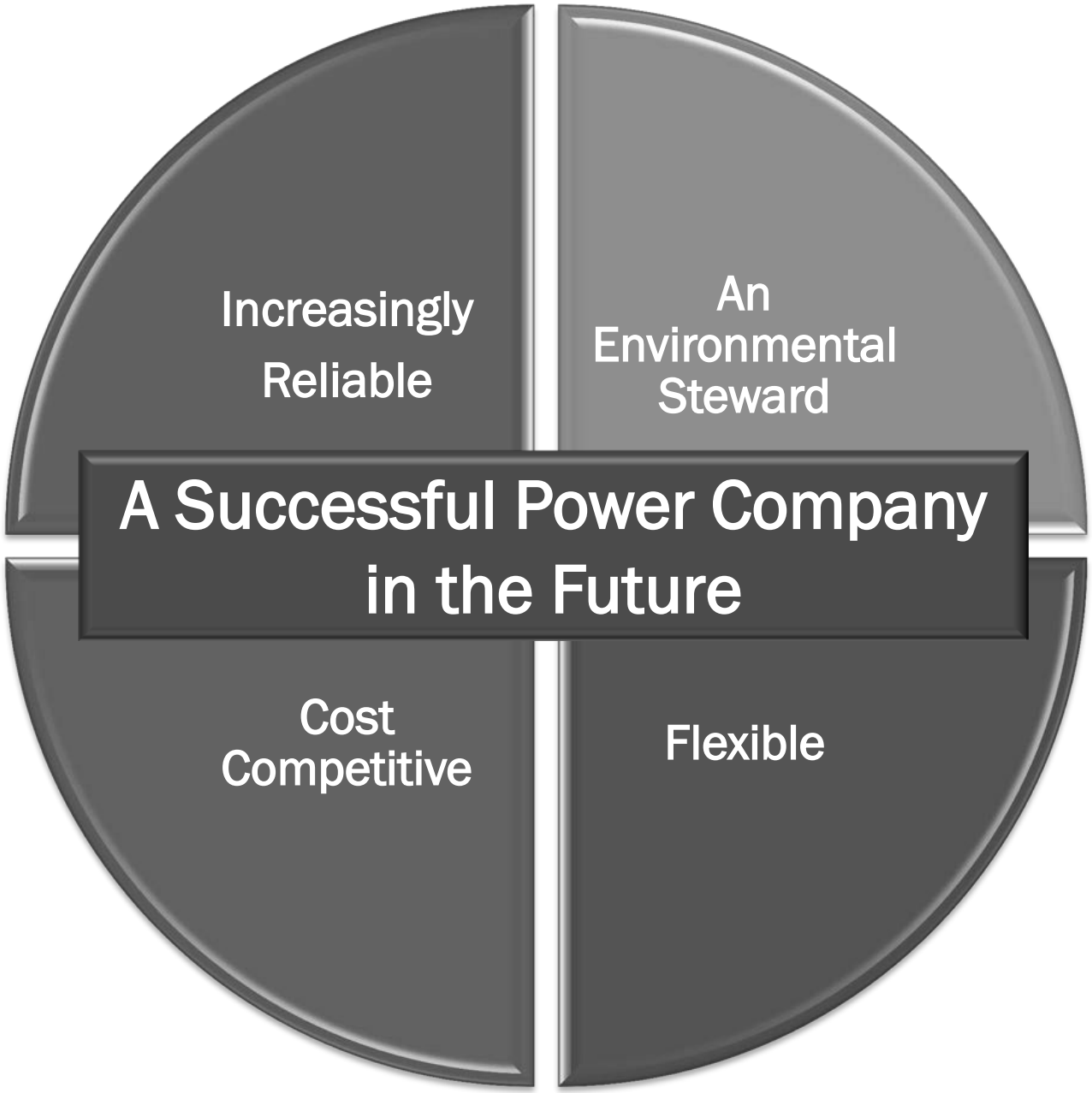

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PSEG FINANCIAL REVIEW & OUTLOOK

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

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Strong financial position demonstrated by 2015 results

	2015 Financial Position
Earnings	✓ Delivered strong 2015 earnings ✓ Increased regulated earnings mix
Investment	✓ Executed major PSE&G capital program ✓ Added new Power growth investments
Cash Flow and Credit Metrics	✓ Produced growing PSE&G cash from operations ✓ Generated significant Power free cash flow ✓ Maintained strong credit metrics
Dividends	✓ Provided a 5% or $0.08 per share dividend increase

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2015 earnings increased 5.4% to upper end of guidance highlighting our consistent delivery of results

PSEG Operating Earnings				
$ Millions (except EPS)	2012	2013	2014	2015
Initial Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95
*Operating EPS**	$2.44	$2.58	$2.76	$2.91
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance
% YOY Increase		5.7%	7.0%	5.4%

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PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.

A higher regulated earnings mix due to growth in PSE&G earnings with a significant contribution from Power

PSEG Operating Earnings					
$ Millions (except EPS)	2012	2013	2014	2015	2016E Guidance
PSE&G	$528	$612	$725	$787	$875 - $925
PSEG Power	$663	$710	$642	$653	$490 - $540
Enterprise/Other	$45	($13)	$33	$36	$60
Operating Earnings*	$1,236	$1,309	$1,400	$1,476	$1,425 - $1,525
*Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.80 - $3.00E

% YOY Increase – PSE&G		15.9%	18.5%	8.6%	14.4%[1]
% Regulated Earnings	43%	47%	52%	53%	61%[1]

SI-SSA-0015-13699

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS.
1 - BASED ON MIDPOINT OF EARNINGS GUIDANCE. E= ESTIMATE

Strong financial position to support our business initiatives in 2016 and beyond

	2016 and Beyond
Earnings	✓ Continuing strong earnings trend in 2016 with guidance of $2.80 to $3.00
Investment	✓ Deploying significant capital at PSE&G for projects with contemporaneous returns ✓ Pursuing Power projects that satisfy risk adjusted return targets
Cash Flow and Credit Metrics	✓ Continuing strong internal cash flow aided by bonus depreciation ✓ Funding investment program without equity issuance
Dividends	✓ Providing $0.08 per share dividend increase in 2016 with opportunity for consistent and sustainable growth

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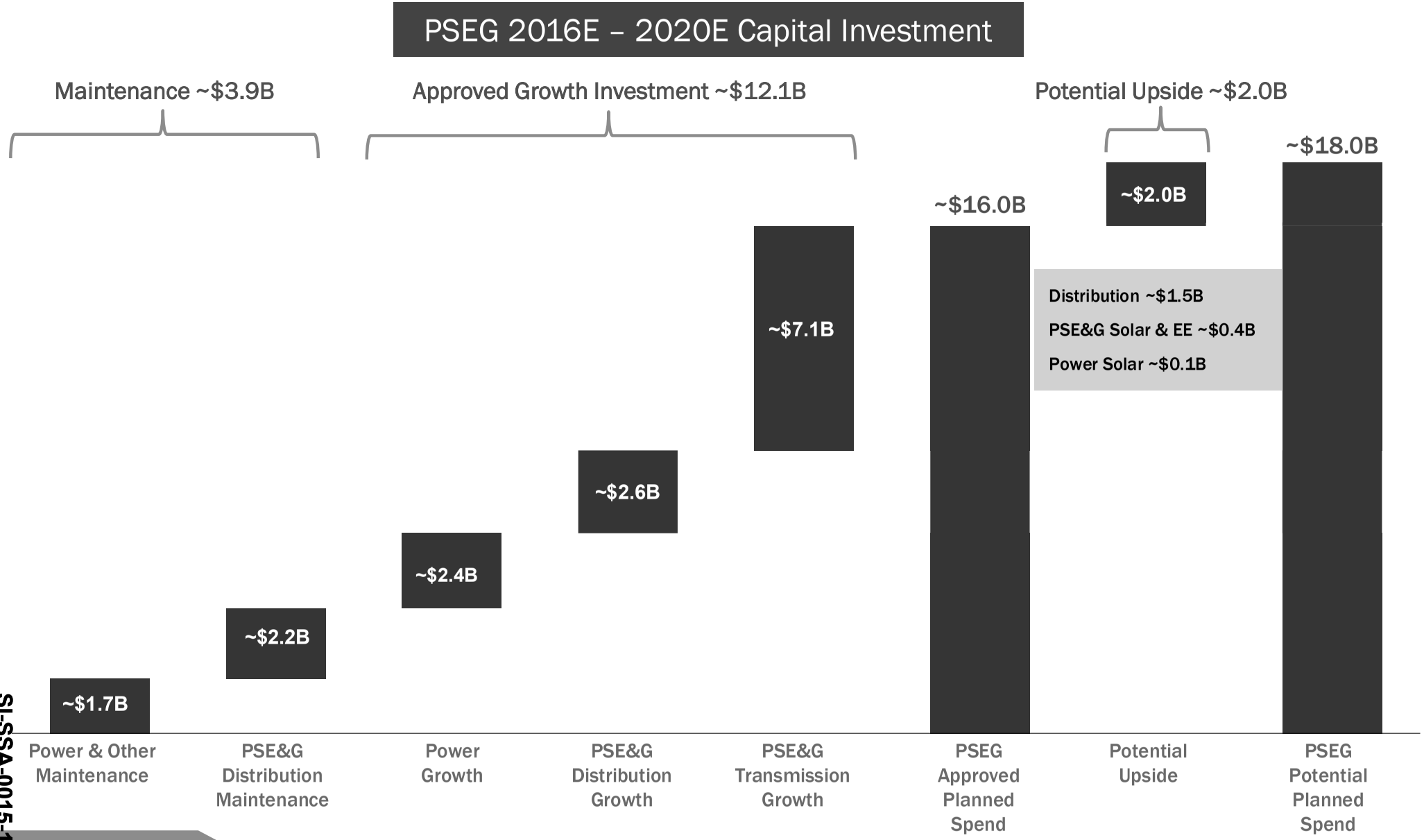
Growth spend represents ~75% of total investment with new investment opportunities of ~$2.0B



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

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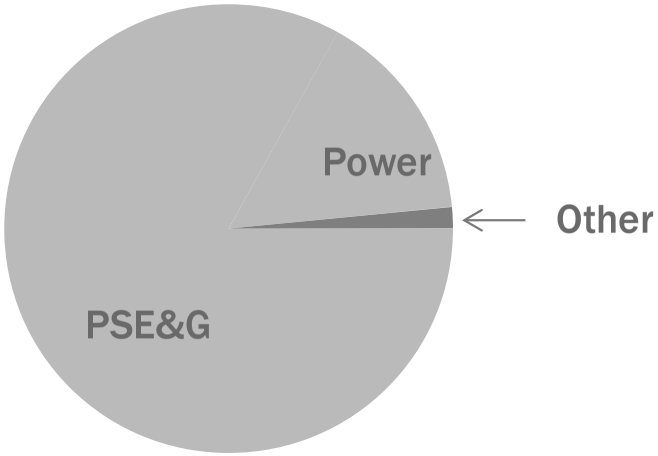
We increased our Capital Program by $3B

since last year

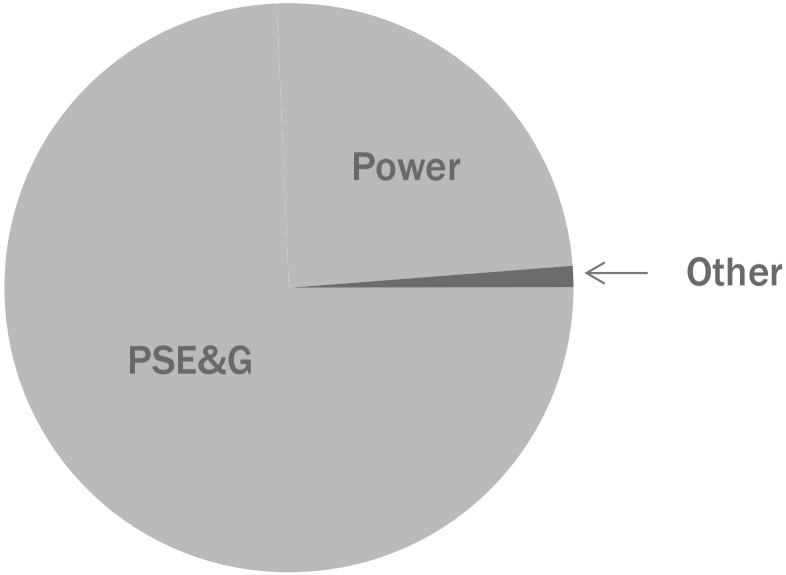
PSEG 5-Year Capital Spending Forecast

2015E – 2019E ~$13.0B



Increased Capital Program by $3B

2016E – 2020E ~$16.0B



- During the common 4-year forecast period of 2016 to 2019, our capital spend forecast increased by $4.1B

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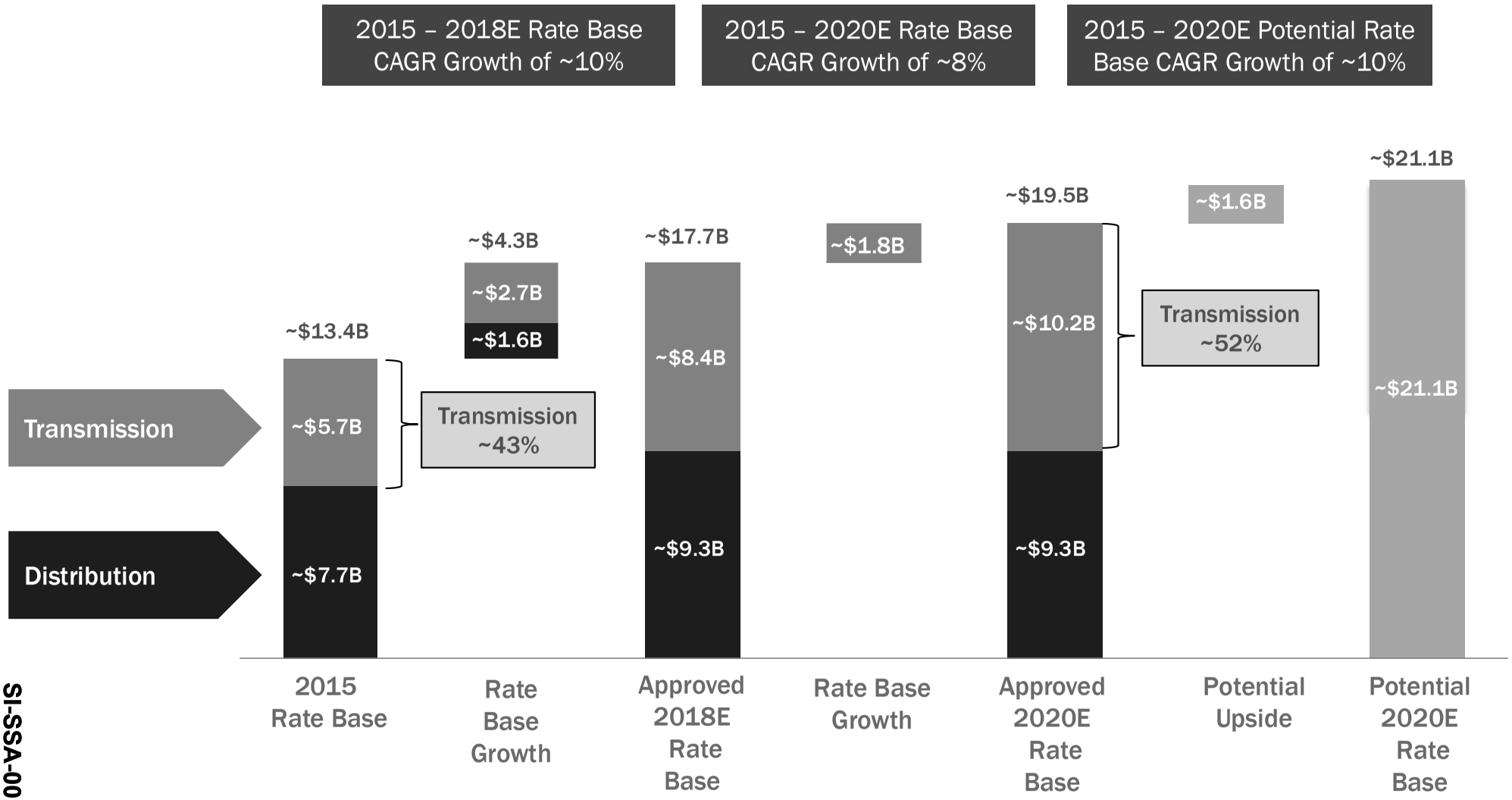
E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

PSE&G's spending drives high single-digit growth in rate base through 2020 with known investments



E = ESTIMATE.

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Bonus Depreciation adds $1.7B cash

through 2019

- PSE&G cash benefit of $1.2B
  - Identified additional growth opportunities to offset rate base decrease
- Power cash benefit of $0.5B
  - Power's strong financial profile allows monetization of tax benefits to more efficiently invest in new generation

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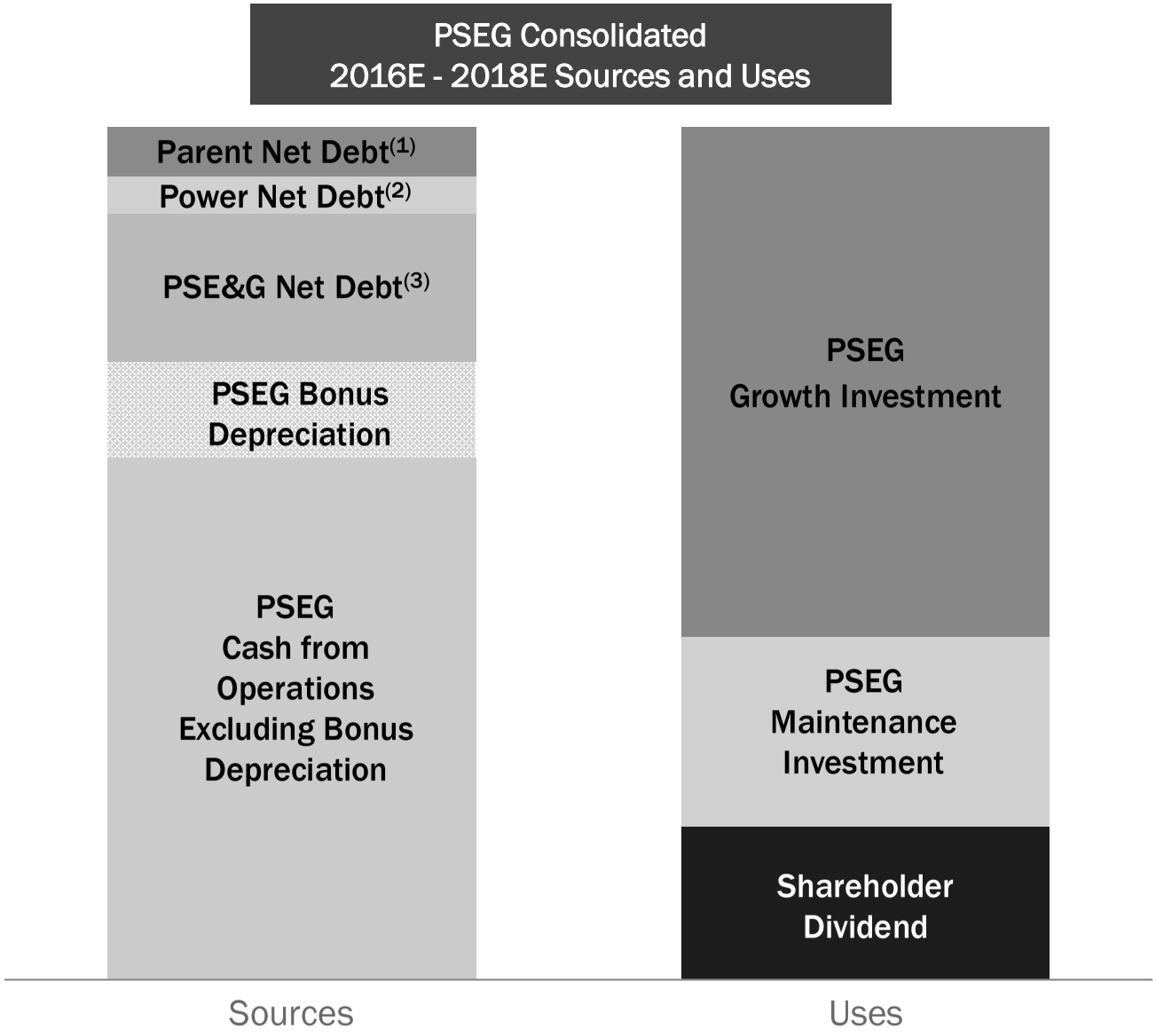
Utilizing our Strong Balance Sheet

and Cash Flow to support current capital program and new potential opportunities without the need for equity



1) INCLUDES FINANCING COST, TREASURY SHARES, AND SHORT TERM DEBT POSITION
2) INCLUDES FINANCING COST
3) INCLUDES FINANCING COST AND SHORT TERM INVESTMENTS E = ESTIMATE

SI-SSA-0015-13705

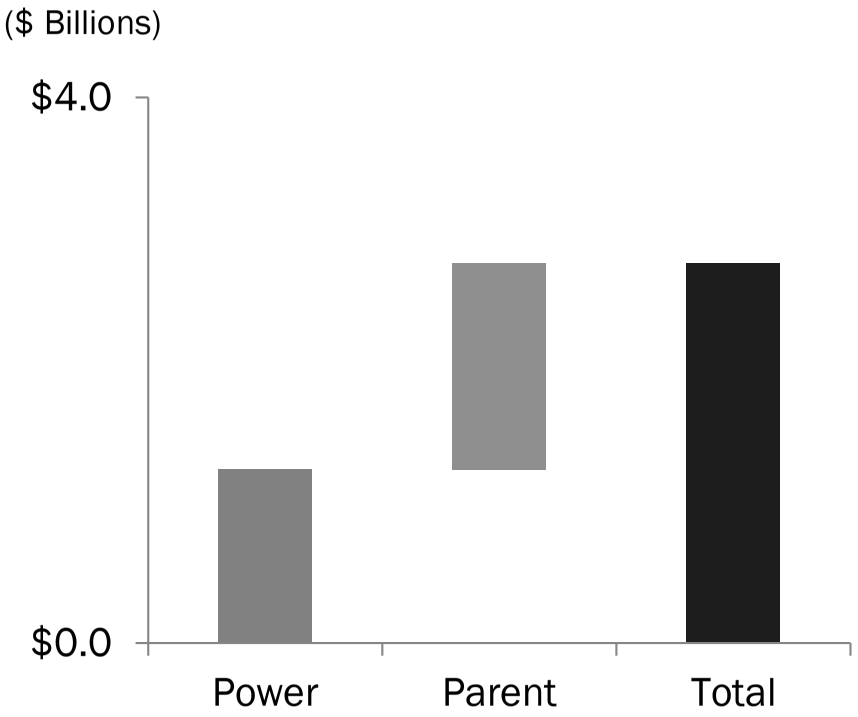
PSEG's credit metrics remain strong

providing substantial investment capacity to pursue additional growth opportunities

Minimum Funds From Operations / Debt
2016E – 2018E

	Power	PSEG
Estimate	Mid – 40's	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity
through 2018E

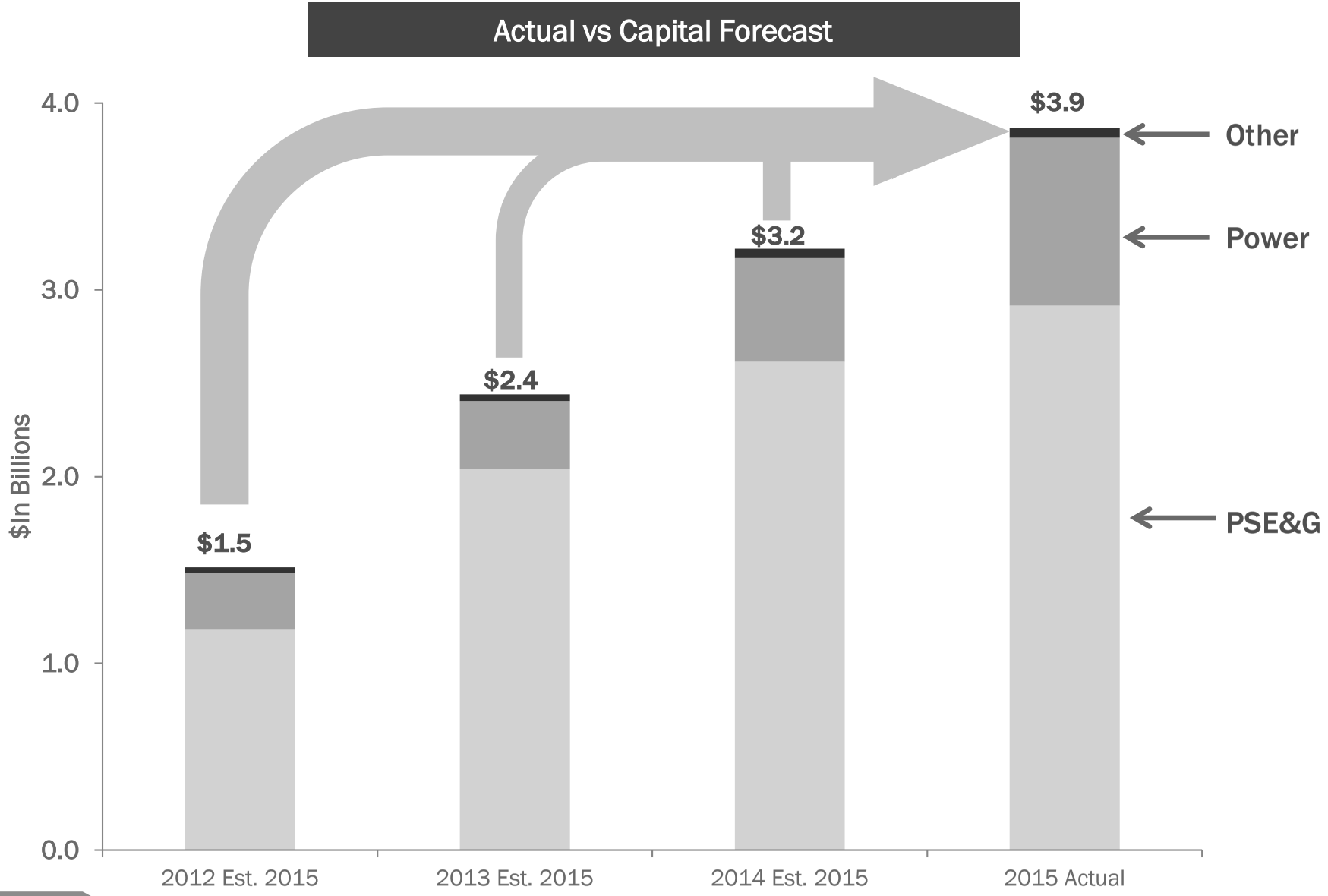


- We have flexibility between Power and Parent for utilization of our Investment Capacity

E = ESTIMATE.

SI-SSA-0015-13706

We have consistently identified investment opportunities beyond our approved forecasted expenditures



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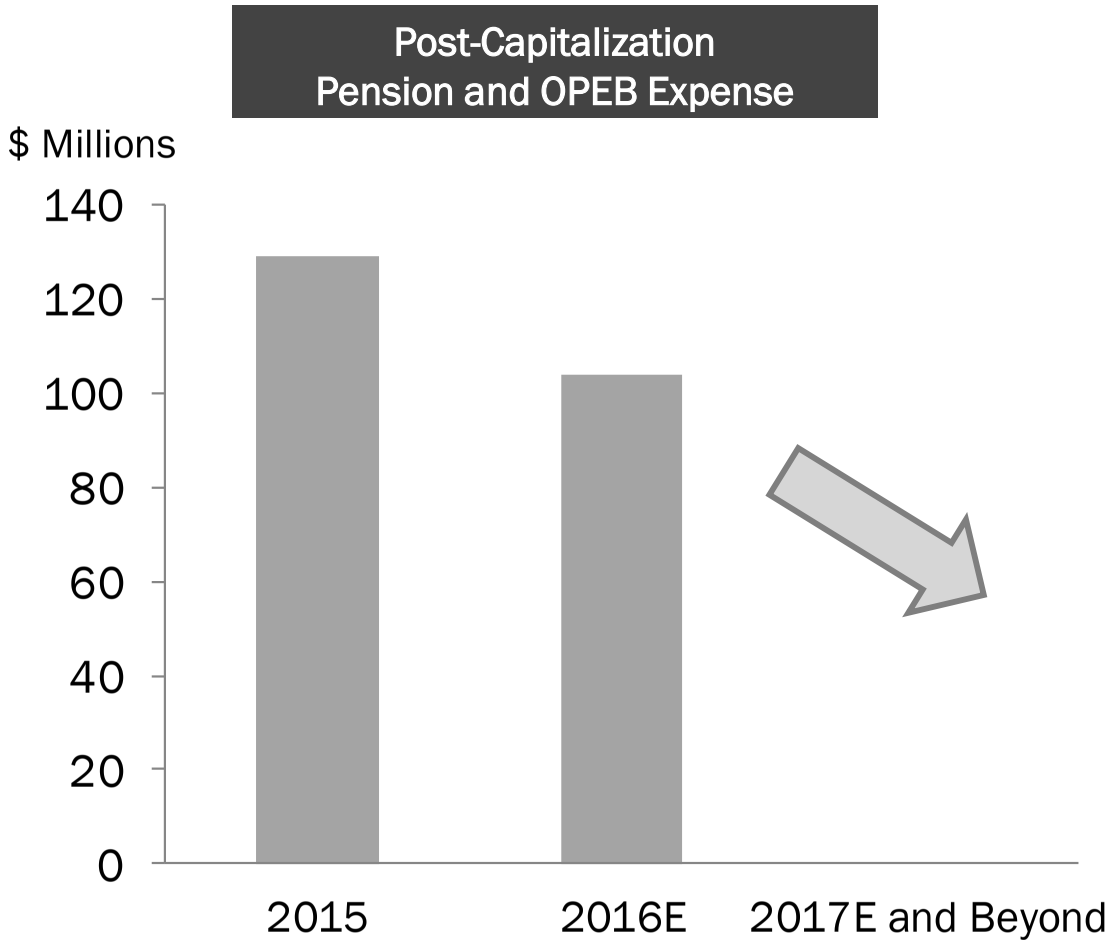
Manageable Pension and OPEB Expense

with a reduction of $25 million in 2016

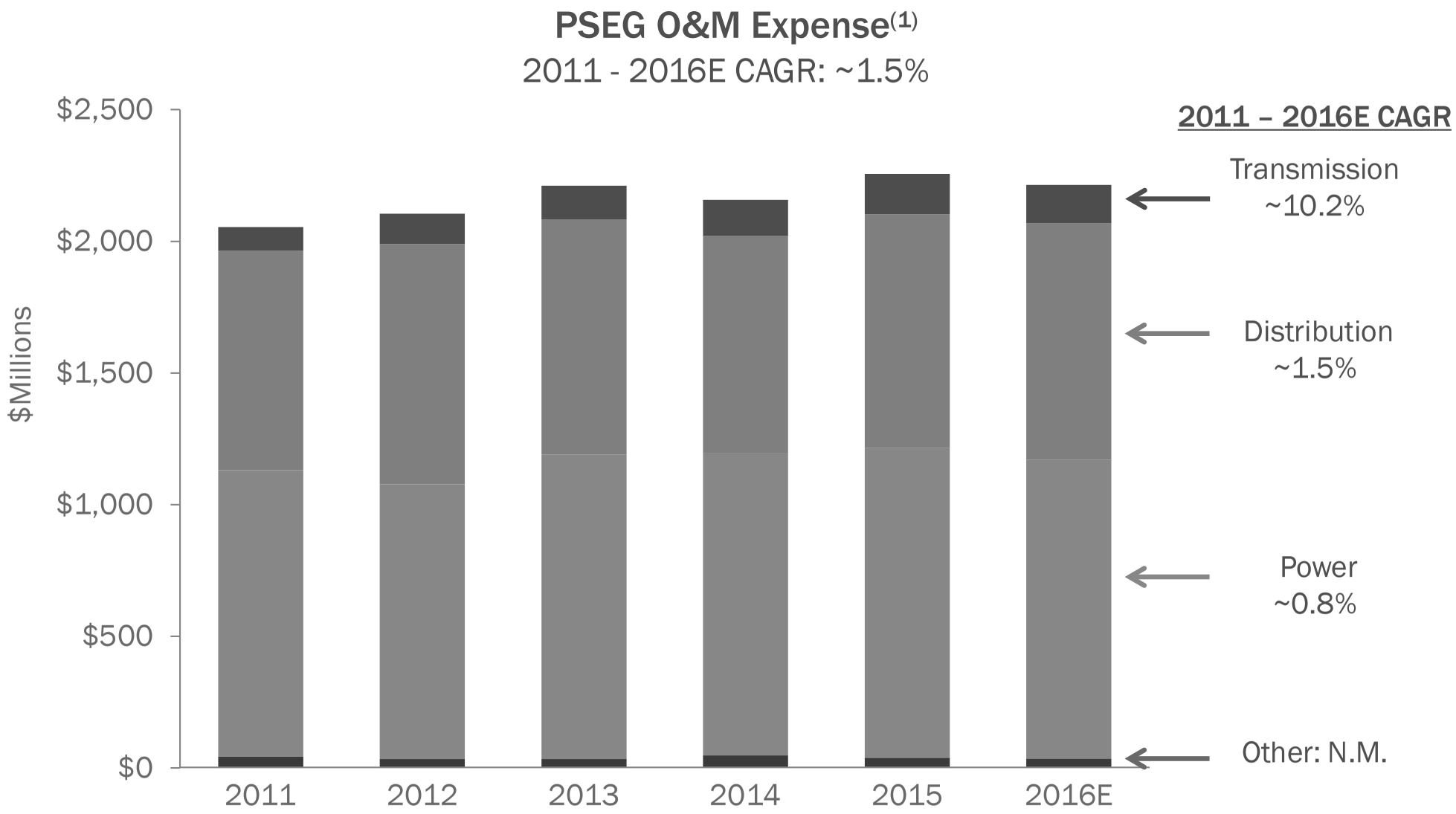


- Adopted the Yield curve (Spot rate) methodology for calculating 2016 pension expense
  - reduces Pension expense by $34 million
  - reduces OPEB expense by $13 million
- Historical 3-year and 5-year annualized Pension returns each exceeded 9%
- 2015 Pension funded ratio ~91%
- Annual Pension contributions ~$30M

SI-SSA-0015-13708

E = ESTIMATE.

PSEG has demonstrated ability to control O&M, with plans to keep O&M flat through 2018

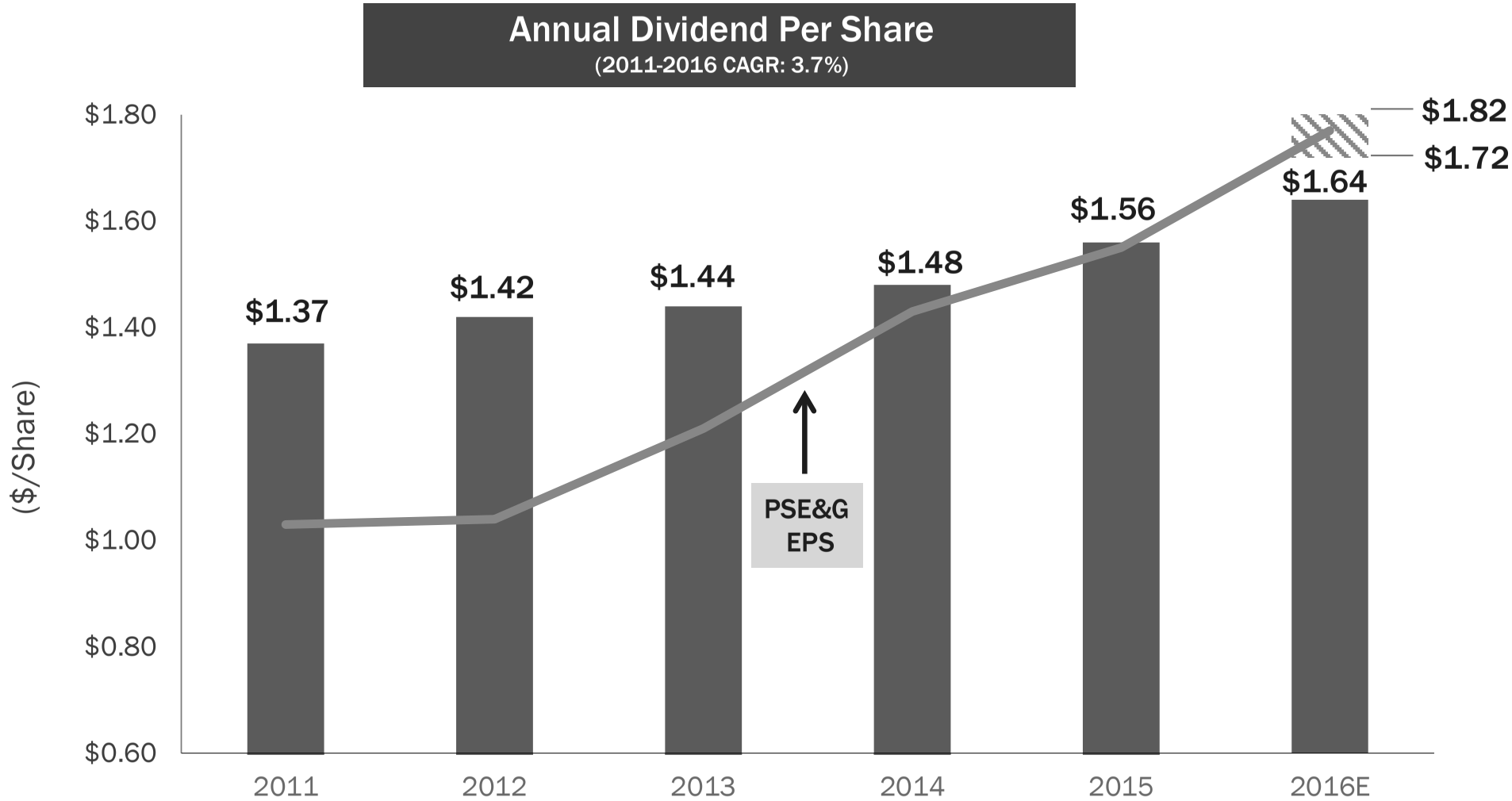


(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND RELATED INSURANCE PROCEEDS
NM = NOT MATERIAL E = ESTIMATE.

SI-SSA-0015-13709

Opportunity for meaningful and sustainable

dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile



Payout Ratio	50%	58%	56%	54%	54%	57% (1)

SI-SSA-0015-13710

PSEG

(1) THE 2016 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2016 OPERATING EARNINGS GUIDANCE OF $2.80-$3.00E PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

PSEG's longer-term outlook is influenced by Power's hedge position and increased investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability*	2016E	2017E	2018E
Each $0.75/mcf Change in Natural Gas	$0.00-$0.02	$0.05-$0.08	$0.12-$0.16
Each $2/MWh Change in Spark Spread	$0.04	$0.04	$0.05
Each $5/MWh Change in Dark Spread	$0.01	$0.03	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

* Estimated annual variability approximating one standard deviation based on historical data and forward curve estimates applied to PSEG Power open positions.

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.01	$0.01	$0.01
Each 20 basis point Change in Transmission ROE	$0.01	$0.01	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2015 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-13711

PSEG Summary

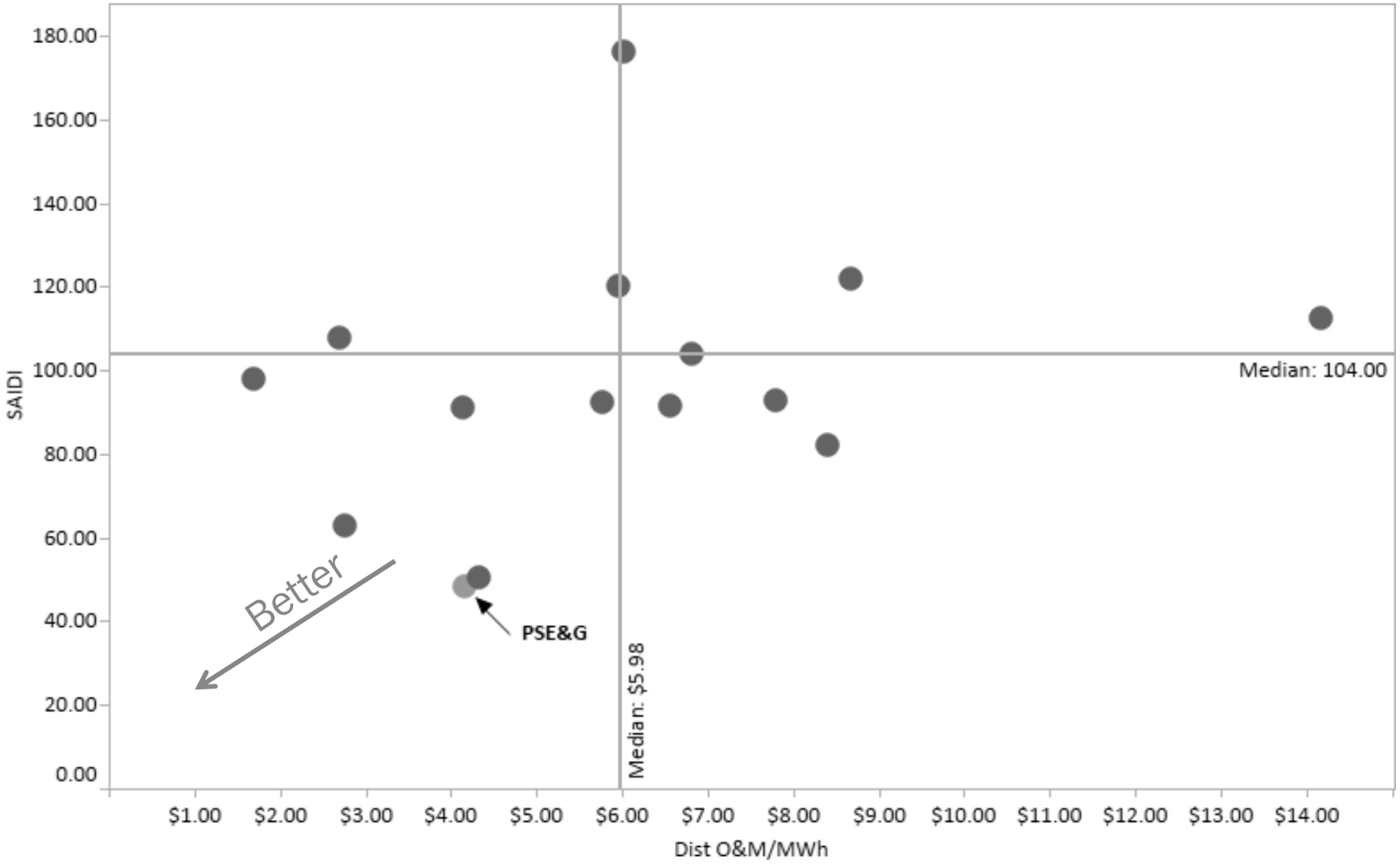
- 2015 earnings of $2.91 were at the upper end of our upwardly revised operating earnings guidance of $2.85 - $2.95 per share
- Forecast growth at PSE&G supports our 2016 guidance of $2.80 to $3.00 per share
- Forecast high single-digit rate base growth at PSE&G on five year basis from 2015 to 2020, driven by investment in transmission and approved programs
- Power's investment program and continued focus on operational excellence with financial strength delivers value in current price environment
- Strong Balance Sheet and Cash Flow support current capital program and investment in new opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2016 is consistent with our long history of returning cash to the shareholder through the common dividend, with opportunity for consistent and sustainable growth

SI-SSA-0015-13712

PSE&G APPENDIX

SI-SSA-0015-13713

PSE&G provides high reliability at below average cost which creates superior value for customers

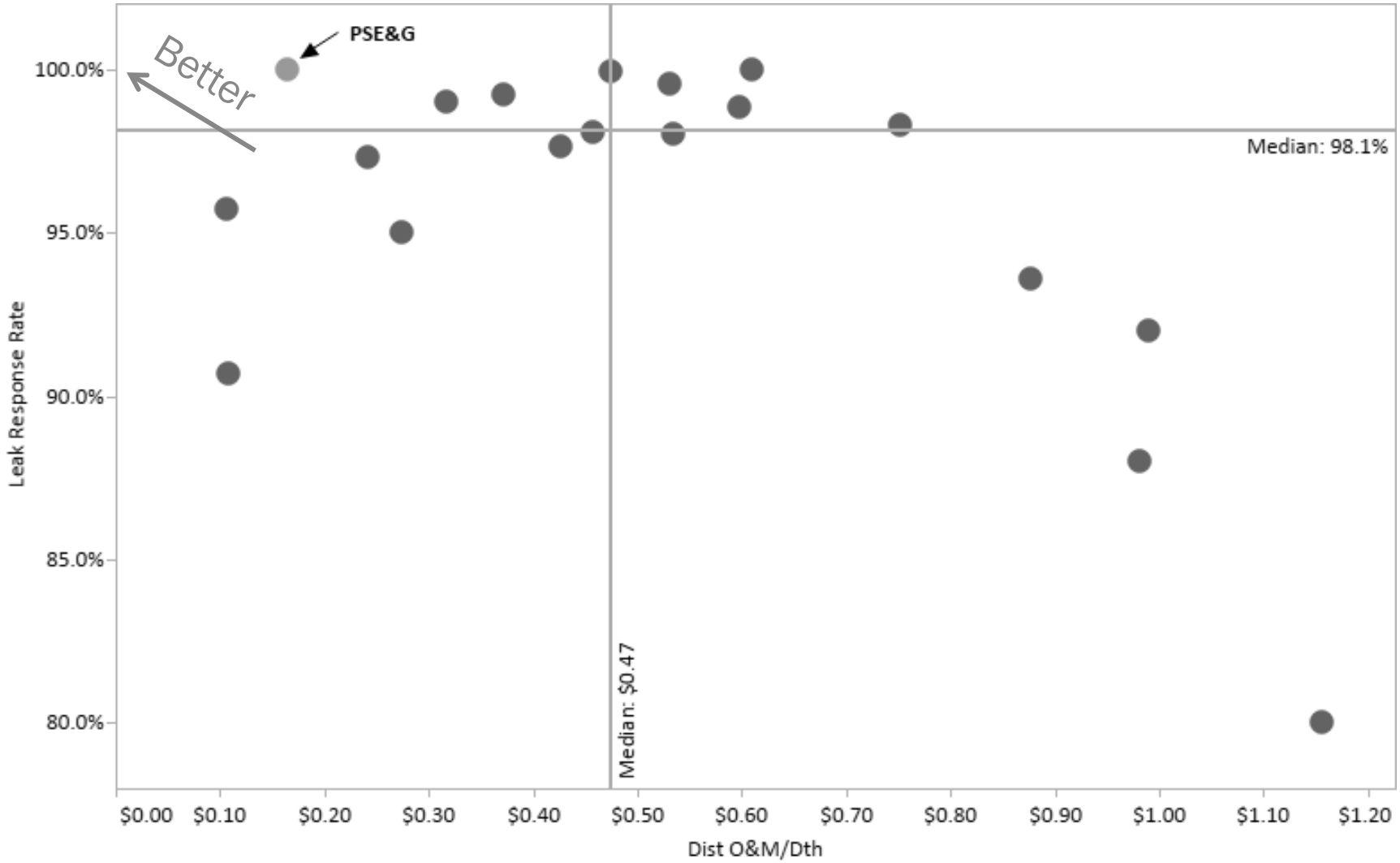


SAIDI = SYSTEM AVERAGE INTERRUPTION DURATION INDEX, A MEASURE OF AVERAGE OUTAGE DURATION FOR ALL CUSTOMERS SERVED, EXCLUDING MAJOR EVENTS.

SI-SSA-0015-13714

PSE&G prioritizes public safety

while maintaining value for customers



LEAK RESPONSE RATE = PERCENTAGE OF UTILITY RESPONSES TO REPORTED LEAKS WITHIN ONE HOUR.

SI-SSA-0015-13715

PSEG POWER AND ER&T APPENDIX

SI-SSA-0015-13716

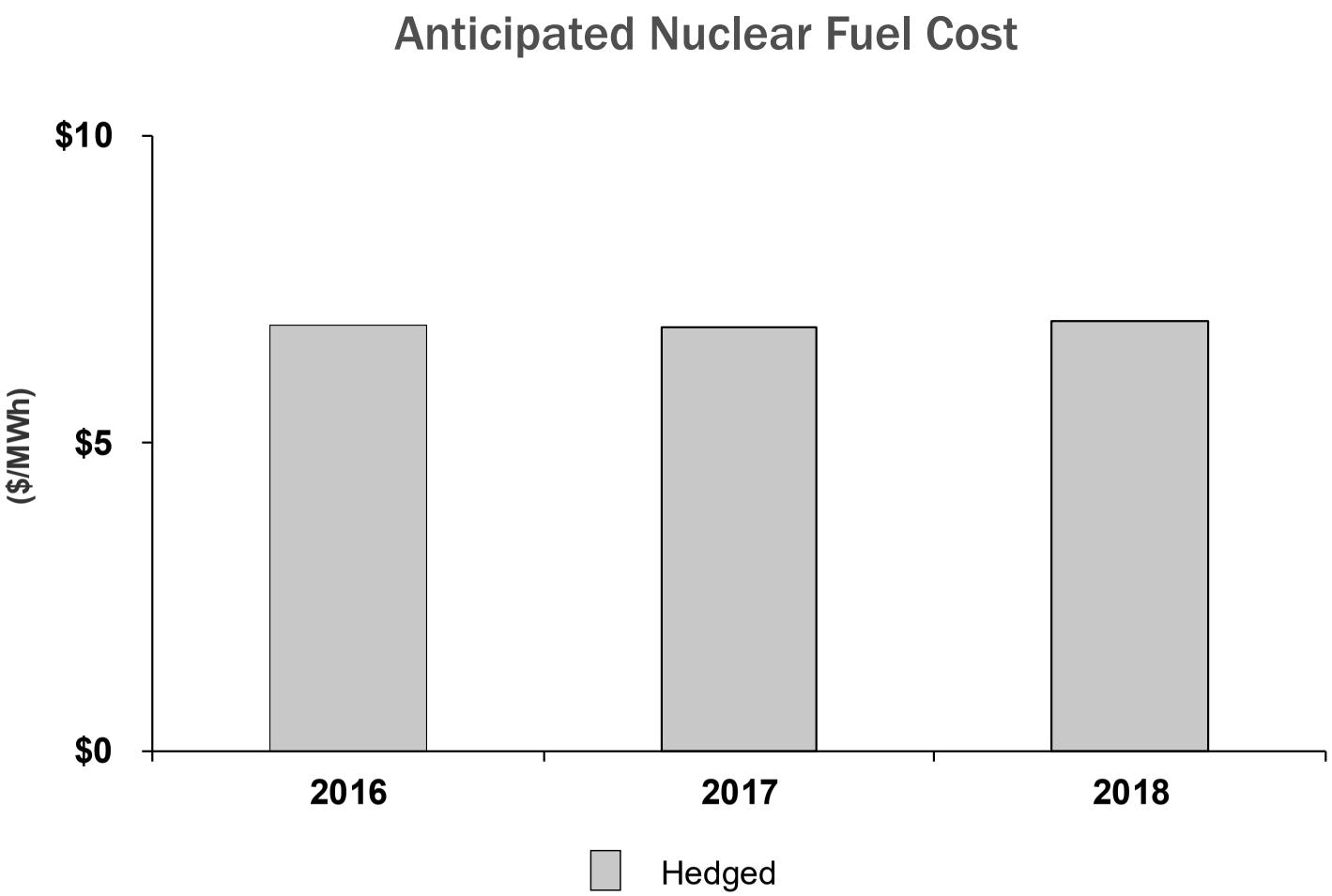
PSEG Power's fleet transformation-

clean natural gas & increasingly more fuel-efficient

Unit	Technology	Capacity	Operating Heat Rate	In Service
Bergen 1CC	Siemens	638	8.3	6/1995
Bergen 2CC	GE FA	591	7.3	6/2002
BEC	GE FA	757	7.3	7/2005
Linden 1CC	GE FA	621	7.3	4/2006
Linden 2CC	GE FA	621	7.3	4/2006
Keys Energy Center	Siemens	755	6.9	4/2018
Sewaren 7	GE HA	540	6.5	6/2018
Bridgeport Harbor 5	GE HA	485	6.5	6/2019
Combined Cycle		5,008	7.2	
Essex 9	GE EA	81	11.8	7/1990
Linden 7	GE EA	84	11.8	6/1995
Linden 8	GE EA	80	11.8	6/1995
Linden 5	GE EA	86	11.8	6/2000
Linden 6	GE EA	86	11.8	6/2000
Burlington 12	LM 6000	168	9.6	6/2000
Kearny 12	LM 6000	175	9.6	8/2001
Kearny 13	LM 6000	187	9.6	6/2012
Kearny 14	LM 6000	94	9.6	6/2012
New Haven 2	LM 6000	43	9.6	6/2012
New Haven 3	LM 6000	43	9.6	6/2012
New Haven 4	LM 6000	43	9.6	6/2012
Peaking		1,170	10.4	
Total		6,178	7.8	

SI-SSA-0015-13717

Nuclear fuel needs have been hedged through 2018



SI-SSA-0015-13718

The full requirements BGS rate

recognizes the forward PJM capacity market price

Capacity Price per RPM Auction for PSEG Zone		
2016-2017	$	219
2017-2018	$	206
2018-2019	$	216
Average Capacity Price ($/MW-day)	**$**	**213**

Capacity Price per BGS Tranche	
Three Year Average ($/MW-day)	$213
Average MW per Tranche (varies by EDC)	109
Days per Year	365
Average Capacity Cost per Tranche	**$ 8,455,372**

MWh per Tranche		
Average MW per Tranche (varies by EDC)		109
Hours per Year		8,760
Load Factor (varies by EDC)		~37%
MWh per Tranche, approx.		355,857
Capacity Cost per MWh	**$**	**24**

SI-SSA-0015-13719

PSEG FINANCIAL APPENDIX

SI-SSA-0015-13720

Our balance sheet remains strong

December 31, 2015

$ Billions	PSEG	PSE&G	Power
Cash and Cash Equivalents	$0.4	$0.2	$0.0
Short Term Debt	$0.4	$0.2	N/A
Long Term Debt[2]	9.6	6.8	2.2
Common Equity	13.1	7.6	6.0
Total Capitalization	**$23.1**	**$14.6**	**$8.2**
Total Debt / Capitalization	**43%**	**48%**	**27%**

PSE&G Regulated Equity Ratio[1] 52.3%

(1) REGULATED EQUITY RATIO INCLUDES CUSTOMER DEPOSITS OF ~$96 MILLION AND EXCLUDES SHORT-TERM DEBT.
(2) INCLUDES L-T DEBT DUE WITHIN 1 YEAR; EXCLUDES NON-RECOURSE DEBT OF $7 MILLION.

SI-SSA-0015-13721

PSEG Liquidity as of December 31, 2015

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($Millions)	
PSE&G	5-year Credit Facility	Apr-20	$600 (A)	$167	$433
PSEG Money Pool					
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	$1,600	$161	$1,439
	5-Year Credit Facility (Power)	Apr-20	$1,000 (B)	$3	$997
	5-year Credit Facility (PSEG)	Apr-19	$500	$10	$490
	5-year Credit Facility (PSEG)	Apr-20	$500 (C)	$211	$289
	Total Money Pool		$3,600	$385	$3,215
	Total		$4,200	$552	$3,648
				PSEG Money Pool ST Investment	$166
				PSE&G ST Investment	$160
				Total Liquidity Available	**$3,974**
				Total Money Pool Liquidity Available	**$3,381**

(A) PSE&G facility will be reduced by $29 million in April 2016,and $14 million in March 2018.

(B) Power facility will be reduced by $48 million in April 2016, and $24 million in March 2018.

(C) PSEG facility will be reduced by $23 million in April 2016, and $12 million in March 2018.

SI-SSA-0015-13722

PSEG Energy Holdings
Investment Portfolio

	Equipment	Investment Balance* at 12/31/2015 ($ Millions)
Merchant Energy Leases NRG REMA	Keystone, Conemaugh & Shawville (PA) 3 coal-fired plants (1,162 equity MW)	$ 355
NRG Energy, Inc. / Midwest Gen	Powerton & Joliet Generating Stations (IL) 2 coal-fired generating facilities (1,640 equity MW)	$ 218
Regulated Energy Leases Merrill Creek	Reservoir in NJ (PECO, MetEd, Delmarva Power & Light)	$ 154
Grand Gulf	Nuclear station in Mississippi (175 equity MW)	$ 14
Real Estate Leveraged Leases	GM Renaissance Center; Wal-Marts	$ 57
Real Estate Operating Leases	Office Towers, Shopping Centers - 26 properties	$ 33
Other	Land	$ 5
	Total Holdings Investments	**$836**

SI-SSA-0015-13723

* BOOK BALANCE EXCLUDING DEFERRED TAX ACCOUNTS

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-13724

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations, PSE&G vice president – appliance service, PSEG vice president - corporate planning, and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magneto hydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University. He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received Honorary Degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo serves as nominating committee chairman of the New Jersey Chamber of Commerce, and is on the board of directors for The Williams Companies, the New Jersey Utilities Association, the Edison Electric Institute (EEI), and the Nuclear Energy Institute (NEI). He is also a member of the Board of Trustees of Peddie School, Columbia University School of Engineering Board of Visitors and the Princeton University Adlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former Chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

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SI-SSA-0015-13725

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-13726

Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde currently serves on the Board of the PSEG Foundation as well as the Community Foundation of New Jersey. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-13727

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G) in October 2006. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. Prior to this position he was vice president - electric delivery for PSE&G.

In addition, on January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways. PSEG Long Island serves 1.1 million customers.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is the Chairman of the American Gas Association (AGA) and currently serves on the board of directors. Mr. LaRossa is also Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for the New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC) and Montclair State University, for which he is immediate past chair of the university.

SI-SSA-0015-13728

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 11,898 MWs represent a diverse fuel mix which includes 41 percent natural gas, 32 percent nuclear; 20 percent coal, 5 percent oil, 1 percent pumped storage, and 1 percent solar.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis is a member of the Executive Committee of Nuclear Energy Institute's (NEI) Board of Directors, the Nuclear Electric Insurance Limited (NEIL) Board of Directors, and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. Mr. Levis is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and is a member of the CEO Council for Growth based in Philadelphia.

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SI-SSA-0015-13729

Shahid Malik

PRESIDENT
PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed President of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for Business Development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies in the US and Europe. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum as well as the Board of the Electric Power Suppliers Association in Washington DC.

SI-SSA-0015-13730

Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis. Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, the Board of the Military Park Partnership and is currently a co-chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.

SI-SSA-0015-13731

Richard P. Lopriore

PRESIDENT

PSEG FOSSIL

Richard P. Lopriore was elected president of PSEG Fossil in May 2007. He oversees operations for 13 generation facilities spanning four states. He is also responsible for the oversight of two service groups: Laboratory & Testing Services, and Maintenance & Repair Services, as well as Construction, Capital Projects and Engineering.

The PSEG Fossil fleet is comprised of natural gas, coal and oil-fired electric generating units that contribute about 7,900 megawatts of electricity to PSEG Power's generation portfolio. This includes an ownership interest of 1,000 megawatts in three jointly-owned facilities.

Under Mr. Lopriore's leadership, nine LM6000 peaking units were constructed. Fossil also outfitted its two New Jersey coal plants with about $1.5 billion in new pollution control equipment resulting in substantial reductions in emissions. These plants are among the cleanest, most responsible coal stations in the country. In June, 2015, Fossil announced the acquisition of the 775-MW combined-cycle Keys Energy Center in Prince George's County, Maryland, which is expected to be online in 2018. In August, 2015, Fossil announced the construction of a 540-MW, dual-fuel combined-cycle power plant in Woodbridge, New Jersey, to be completed by the summer of 2018.

Mr. Lopriore instituted an in-depth Operational Excellence Model (OEM), one of the first programs in the nation to drive standardization across a Fossil fleet. The program resulted in consistent improvement in operating results, reliability and fleet performance and the achievement of all-time generation records. He also revamped PSEG Fossil's training program. Two industry-first, award-winning mobile training trailers were developed to take training directly to the work sites reducing costs and increasing productivity.

Mr. Lopriore has been a valuable part of the electric generation industry for more than 43 years. Prior to joining PSEG Fossil, he had been senior vice president – mid-Atlantic operations for Exelon Nuclear, responsible for oversight of the Limerick, Peach Bottom, Oyster Creek and Three Mile Island stations. During his tenure, Three Mile Island achieved INPO 1 status (2007).

Mr. Lopriore joined Exelon as plant manager of Byron Stations in 1999 and was promoted to site vice president in 2001. In 2003 he became corporate vice president - operations support at Exelon's nuclear headquarters, responsible for both the Midwest and mid-Atlantic regions. He then became vice president - operations, Midwest boiling water reactors in 2004 responsible for the Dresden, LaSalle County, Quad Cities and Clinton nuclear plants.

Prior to Exelon, Mr. Lopriore held several key management positions at the Brunswick Nuclear Plant in North Carolina, including plant manager. At Vermont Yankee, he achieved an operational SRO certification for Boiling Water Reactors.

Mr. Lopriore received his Bachelor of Science degree from Southern Vermont College and is a member of the American Nuclear Society. He also served in the National Guard.

SI-SSA-0015-13732

Peter P. Sena III

PRESIDENT

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016.

Mr. Sena will join PSEG in late March 2016 as president of PSEG Nuclear. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

SI-SSA-0015-13733

Robert C. Braun

CHIEF NUCLEAR OFFICER

PSEG NUCLEAR

Robert C. Braun was elected president & chief nuclear officer, PSEG Nuclear and assumed the position on April 1, 2015. He currently serves as chief nuclear officer.

Mr. Braun had previously served as the senior vice president and chief operating officer of PSEG Nuclear, a position he had held since September 2012. Prior to that, he had been senior vice president – PSEG Nuclear since 2009. Mr. Braun joined PSEG Nuclear in March 2007 as vice president of Operations Support. Mr. Braun has more than 30 years of experience in commercial nuclear power operations.

Previously, Mr. Braun was site vice president of Exelon Corporation's Peach Bottom Atomic Power Station. Prior to his appointment at Peach Bottom, he was vice president – nuclear oversight of Exelon's nuclear group headquarters and previously served as plant manager of the company's Limerick Generating Station, where he held a senior reactor operator license. Mr. Braun began his career at Limerick in 1982.

Mr. Braun has a Bachelor of Mechanical Engineering degree from Villanova University and earned his Senior Reactor Operator (SRO) license while at Exelon.

SI-SSA-0015-13734

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is Chair of the Children's Specialized Hospital Board, a member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-13735

Items Excluded from Income from Continuing Operations/Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	For the Year Ended December 31, 2015	2014	2013	2012	2011
Earnings Impact ($ Millions)			(Unaudited)		
Operating Earnings	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**	**$ 1,389**
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	8	68	40	52	50
Gain (Loss) on Mark-to-Market (MTM)[a] (PSEG Power)	93	66	(74)	(10)	107
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	36	(173)
Storm O&M (PSEG Power)	102	(16)	(32)	(39)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	34
Income from Continuing Operations	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,407**
Discontinued Operations	-	-	-	-	96
Net Income	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**	**$ 1,503**
Fully Diluted Average Shares Outstanding (in Millions)	**508**	**508**	**508**	**507**	**507**
Per Share Impact (Diluted)					
Operating Earnings	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**	**$ 2.74**
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.01	0.13	0.08	0.10	0.10
Gain (Loss) on MTM[a] (PSEG Power)	0.18	0.13	(0.14)	(0.02)	0.21
Lease Transaction Activity (PSEG Enterprise/Other)	-	-	-	0.07	(0.34)
Storm O&M (PSEG Power)	0.20	(0.03)	(0.07)	(0.08)	-
Gain (Loss) on Asset Sales and Impairments (PSEG Enterprise/Other)	-	-	-	-	0.06
Income from Continuing Operations	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.77**
Discontinued Operations	-	-	-	-	0.19
Net Income	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**	**$ 2.96**

[a]Includes the financial impact from positions with forward delivery months.

Items Excluded from Net Income to Reconcile to Operating Earnings and Adjusted EBITDA

PSEG Power Adjusted EBITDA Reconciliation

Reconciling Items	Year-Ended December 31, 2015	Year-Ended December 31, 2014
	($ Millions, Unaudited)	
Adjusted EBITDA	**$ 1,563**	**$ 1,584**
Fossil Major Maintenance, pre-tax	(128)	(144)
Depreciation and Amortization, pre-tax [b]	(301)	(291)
Interest Expense, pre-tax [b]	(120)	(120)
Income Taxes [b]	(361)	(387)
Operating Earnings	**$ 653**	**$ 642**
Gain (Loss) on NDT Fund Related Activity, pre-tax	24	138
Gain (Loss) on MTM, pre-tax [a]	157	111
Storm O&M, net of insurance recoveries, pre-tax	172	(27)
Income Taxes related to Operating Earnings reconciling items	(150)	(104)
Net Income	**$ 856**	**$ 760**

(a) Includes the financial impact from positions with forward delivery months.
(b) Excludes amounts related to Operating Earnings reconciling items.

Please see Slide 3 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

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EDITED TRANSCRIPT

PEG - Q1 2017 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: APRIL 28, 2017 / 3:00PM GMT

OVERVIEW:

Co. reported 1Q17 GAAP EPS of $0.22. Expects 2017 non-GAAP operating EPS to be $2.80-3.00.

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CORPORATE PARTICIPANTS

Daniel J. Cregg *Public Service Enterprise Group Incorporated - CFO and EVP*

Kathleen A. Lally *PSEG Services Corporation - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

CONFERENCE CALL PARTICIPANTS

Angieszka Anna Storozynski *Macquarie Research - Head of US Utilities and Alternative Energy*

Antoine Aurimond *UBS - Analyst*

Christopher Turnure*JP Morgan Chase & Co, Research Division - Analyst*

Gregory Harmon Gordon*Evercore ISI, Research Division - Senior MD, Head of Power and Utilities Research and Fundamental Research Analyst*

Jonathan Philip Arnold*Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Paul Patterson*Glenrock Associates LLC - Analyst*

Praful Mehta*Citigroup Inc, Research Division - Director*

Steven I. Fleishman*Wolfe Research, LLC - MD and Senior Utilities Analyst*

Tseng-Kuo Yu*Goldman Sachs Group Inc., Research Division - Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Dennis, and I will be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group First Quarter 2017 Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded today, Friday, April 28, 2017. This will be available for telephone replay beginning at 2:00 p.m. Eastern Time today until 11:30 p.m. Eastern Time on May 5, 2017.

It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

Thank you, Dennis. Good morning, everyone. Thank you for participating in PSEG's call this morning.

As you are aware, we released our first quarter 2017 earnings statements earlier today. The release and attachments are posted on our website, www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter.

Our 10-Q for the period ended March 31, 2017 is expected to be filed shortly. The disclaimer statement regarding forward-looking statements details the number of risks and uncertainties that could cause actual results to differ materially for -- from forward-looking statements made therein. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even in light of new information or future events unless required by applicable securities laws.

We also provide you with commentary with regard to the difference between non-GAAP operating earnings and non-GAAP adjusted EBITDA and net income reported in accordance with Generally Accepted Accounting Principles in the United States.

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I am not going to read the full disclaimer statement or the comments we have on the difference between non-GAAP operating earnings and GAAP results, but I do ask that you read those comments contained in our slides and on our website. PSEG believes that the non-GAAP financial measures providing information on operating earnings and adjusted EBITDA offers a consistent and comparable measure of performance to help shareholders understand operating and financial trends.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. Thank you.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Kathleen, and thank you, everyone, for joining us today. As you saw earlier this morning, we reported non-GAAP operating earnings for the first quarter of 2017 of $0.92 per share versus non-GAAP operating earnings of $0.91 per share in last year's first quarter.

Our GAAP results for the first quarter of $0.22 per share reflect the decisions we made last year to retire the Hudson and Mercer coal fired generating units, which will happen in June of this year. Results also reflect an increase in the reserve for the impairment of our leverage lease investment in the Keystone-Conemaugh generating stations.

Non-GAAP operating earnings for the first quarter benefited from the ongoing successful execution of our investment program. Growth in the regulated utility business and effective cost management offset the impact on power's earnings of a continued decline in energy prices. Our regulated utility business is expected to grow 8.5% in 2017 to represent 2/3 of our full year 2017 non-GAAP operating earnings of $2.80 to $3 per share.

We're off to a good start for the year by maintaining our usual focus on operational excellence, disciplined investment and financial strength. We've also increased our attention on achieving a few key policy objectives. First among these is getting recognition for the value of our nuclear-generating assets. As you know, nuclear generation is facing challenges that are real and serious. We've initiated discussions with key stakeholders at the federal and regional levels and here in New Jersey to improve awareness of the importance of nuclear power. Nuclear is a clean energy resource that provides nearly 97% of the energy that is free of air emissions and is generated in New Jersey. Nuclear supports resiliency of the electric grid by adding to a diverse fuel mix and avoiding the potential reliability problem of putting all of our eggs in one fuel basket. And nuclear provides significant benefits to the regional economy.

We've been working on many fronts to secure the long-term viability of our nuclear generation assets. We have reduced staffing and cut expenses at our nuclear facilities. We've also advocated for change in wholesale market price formation that more accurately recognizes the value that these and other generation resources bring to the customer.

The common sense reality is that these plants are valuable for a variety of reasons. Nuclear-generating facilities have unique characteristics that enhance the resiliency of the system and support public policy objectives that are not recognized or priced in current markets.

While we commend the efforts that FERC is taking on price formation, time is running out for our wholesale market solution. We believe progress in recognizing the value that nuclear brings to the environment, the resiliency of the grid and the economy of the region has been and will take place at the state level.

Enhancing the resiliency of the power system has become an important issue for our company. Super Storm Sandy was the wake-up call that affected our thinking about what is important to our 2.2 million electric customers and 1.8 million gas customers.

PSE&G's $12.3 billion base capital investment program over the next 5 years is focused on ensuring continued reliability and on anticipating, preparing for and recovering from high impact low-frequency events.

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PSE&G's investment program includes $6 billion dedicated towards transmission system improvements. $3 billion of electric distribution investment is focused on life cycle investments to ensure continued top quartile reliability performance and even better customer service.

Another $3 billion is focused on modernizing and upgrading cast iron and unprotected steel gas mains. And lastly, $250 million is directed to investments in solar and energy efficiency programs that support New Jersey energy policy objectives.

PSE&G's base capital program provides the opportunity for annual growth and rate base of 9% for 2019 and annual growth in rate base of 7% for the 5 years ending 2021.

The expansion and/or extension of existing capital programs could lift PSE&G's 5-year capital program by up to $1.5 billion and raise the growth in rate base from 7% to 9% per year over the 5-year period.

At the beginning of March 2017, PSE&G filed for approval to extend its investments in energy efficiency. This request represents a capital investment of $74 million, and you should expect to see PSE&G request an extension of its existing program to replace gas mains and to modernize its electric distribution system later this year.

PSEG's power construction of 1,800 megawatts of new efficient combined cycle gas-fired cycle capacity within PJM and New England markets is under way to total cost of $2 billion. Earlier this month, the Connecticut Department of Energy and Environmental Protection issued the last set of regulatory permits necessary to begin construction of Bridgeport Harbor 5.

The Keys Energy Center in Maryland and in Sewaren station in New Jersey are scheduled to begin operation in mid-2018. The Bridgeport facility is scheduled to begin operation a year later in mid-2019.

The retirement of Hudson and Mercer and the commercial operation of the new gas-fired combined cycle gas turbine capacity repositions power's portfolio more toward efficient, cleaner assets. Our company-wide investment program is focused on building an infrastructure that improves system reliability. We will update you throughout the year on our efforts to preserve the value of nuclear energy for New Jersey and to secure approval for regulatory mechanisms that provide customers clean, affordable, resilient energy supply.

As mentioned, we are maintaining our non-GAAP operating earnings guidance for the full year of $2.80 to $3 per share. With the support of our dedicated 13,000-plus employees, we expect to be able to successfully deliver on the promise of our investment program that should provide growth for our shareholders and a sustainable energy future for our customers.

With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Thank you, Ralph, and good morning, everyone. Thanks for joining us this morning. As Ralph said, PSEG reported non-GAAP operating earnings for the first quarter of 2017 of $0.92 per share versus non-GAAP operating earnings of $0.91 per share in the last year's first quarter.

On Slide 4, we've provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter. We've also provided you with information on Slide 8 regarding the contribution to non-GAAP operating earnings by business for the quarter. And in addition, Slide 9 contains a waterfall chart that takes you through the net changes quarter-over-quarter in non-GAAP operating earnings by major business.

I'll now review each company in more detail starting with PSE&G. PSE&G, as shown on Slide 11, reported net income for the first quarter of 2017 of $0.59 per share compared with $0.52 per share for the first quarter of 2016. PSE&G's first quarter results reflect the ongoing successful execution of its growth initiatives and control of operating expenses. Growth in PSE&G's investment in transmission improves quarter-over-quarter net income comparisons by $0.03 per share.

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Revenue recovery of investments made to replace gas distribution mains under the Energy Strong and Gas System Modernization Programs improved quarter-over-quarter net income comparisons by $0.02 per share, and a reduction in O&M expense also improved quarter-over-quarter net income comparisons by $0.02 per share.

PSE&G implemented a $121 million increase in transmission revenue under the company's FERC-approved formula rate on January 1 of 2017.

Our transmission revenues are adjusted each year to reflect an update of the company's investment program. PSE&G's investment in transmission is expected to grow to represent approximately $7.6 billion of rate base at the end of 2017 or 45% of the company's year end 2017 consolidated rate base.

Gas distribution revenue increased by $16 million, for the completion of gas main replacement work approved under Energy Strong and GSMP.

Under Energy Strong, electric rates are adjusted 2x during the year in March and September and gas rates are adjusted each year in September. And under the Gas System Modernization Program, gas rates are adjusted each year in January to reflect the investment made during the prior year. Annual revenues in 2017, under both of these programs, are forecasted to increase by approximately $55 million.

Actual and weather-normalized electric sales increased about 1.5% in the first quarter compared to the year ago period. The increase is due to a spike in industrial use from one customer that use PSE&G service in 2017, while the dedicated generation plant that normally serves the customer was in an outage. So the improvement in sales to this customer did not lead to an improvement in margin, and actual -- and weather-normalized from gas sales increased about 3% on the quarter and a high volatility of the weather experienced over the last few winters challenges the weather normalization calculations. But over the trailing 12-month period, we view weather-normalized electric and gas sales as essentially flat.

As Ralph mentioned, PSE&G filed with the New Jersey Board of Public Utilities on March of 2017 for approval to increase its investment in existing and new energy efficiency programs. The programs, if approved, would represent a capital investment of $74 million. As part of the petition, PSE&G is also seeking recovery of additional administrative and other costs, including costs associated with the enhancement of the information technology system. The petition has been deemed complete, which starts a 180-day clock to complete a decision on the filing, and this is expected during the third quarter.

PSE&G invested $752 million in capital expenses during the first quarter of 2017 and is on track to invest $3.4 billion in 2017 on transmission and distribution infrastructure. And we are maintaining our forecast of PSE&G's net income for 2017 of $945 million to $985 million.

Moving to Power. PSEG Power reported non-GAAP operating earnings for the first quarter of $0.30 per share and adjusted non-GAAP EBITDA of $359 million. This compares to non-GAAP operating earnings of $0.36 per share and non-GAAP adjusted EBITDA of $409 million for the first quarter of 2016. Non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure as well as income tax expense, interest expense, depreciation and amortization expense.

The earnings release and Slide 17 provide you with detailed analysis of the items having an impact on power's non-GAAP operating earnings, relative to net income quarter-over-quarter. And we have also provided you with more detail on generation for the quarter on Slide 18.

PSEG power's net loss for the quarter reflects the impact of incremental depreciation and other expenses of $564 million, pretax, associated with the decision to retire the Hudson and Mercer coal-fired generating stations on June 1 of this year. Power's results in the second quarter will also be impacted by incremental depreciation expense associated with the early retirement of these units. A decline in the average price received on energy hedges reduced power's quarter-over-quarter non-GAAP operating earnings by $0.09 per share. The non-GAAP quarterly operating earnings comparisons are also lower by $0.01 per share due to a decline in generation output and by $0.01 per share increase in the reserve related to a FERC investigation of power's cost base bids that began in 2014.

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The impact on non-GAAP operating earnings from these 2 items was offset by a $0.02 per share improvement in off system gas sales. A reduction in O&M, as a result of cost control efforts at the nuclear stations, improved non-GAAP quarter-over-quarter operating earnings comparisons by $0.03 per share.

Power's O&M for the remainder of 2017, particularly the second half of the year, is expected to compare favorably against 2016, given a reduction in pension expense, a decline in major maintenance expense at fossil, the absence of a refueling outage at Power's 100% owned Hope Creek Nuclear Station and of course, the June 1 retirement of Hudson and Mercer as I previously mentioned.

Now let's turn to power's operations. Output from power's generating stations declined 2.8% in the first quarter from year ago levels. Quarterly comparisons were affected by 1 fewer day of operation this year versus last year due to leap year and also reflect the adverse impact on energy pricing and volatility from above-normal temperatures during the first 2 months of the year.

The nuclear fleet operated at an average capacity factor of 100% in the quarter, producing 8.4 terawatt hours of energy. Power's combined cycle fleet experienced a decline in its average capacity factor during the quarter to 41.8% from 51.7%. For the quarter, the combined cycle fleet produced 3 terawatt hours of energy as the coal-fired fleet produced 1.4 terawatt hours of energy.

During the first 2 months of the year, the power markets were characterized by warmer-than-normal weather, reducing overall demand and lowering price volatility. The impact on realized energy pricing from the decline in our average price on energy hedges was notable in the first quarter of '17 versus 2016. As previously disclosed, our average hedge price on energy for 2017 is expected to decline from $51 per megawatt hour in 2016 to $46 per megawatt hour in 2017. The impact on realized energy prices in the first quarter of '17 reflected a larger decline than the average for the year, contributing to the $0.09 per share impact from recontracting I mentioned earlier.

This quarter-over-quarter decline was related to higher seasonal pricing on contracted basis in the eastern PJM region realized in the first quarter of 2016.

For the remainder of 2017, we anticipate a more modest decline year-over-year in energy pricing than what we experienced in the first quarter and a lower decline than what we are forecasting for the full year.

Although power's access to low-cost shale gas continued to provide a benefit to its margins relative to the market, power did experience a compression in spark spreads during the quarter, which had an impact on output from the gas-fired combined cycle fleet. The market has sustained higher prices since the end of February. The improvement can be attributed to higher gas prices and a reduction in congestion with the completion of some transmission work in the area.

Based on the milder weather to date, power's forecasting output for 2017 of 49 to 50 terawatt hours, and the forecast is modified slightly from our prior forecast of output for the year of 49 to 51 terawatt hours. The change in output is primarily the result of a mild winter and the impacts on output on a combined cycle fleet. The nuclear fleet's full year forecasted capacity factor is unchanged at 92%.

Salem 2 is currently in a refueling outage that is forecast seem to be longer than normal, given the decision to proactively address any needs related to the unit's baffle bolts. Approximately 90% of production for the remainder of 2017 is hedged at an average price of $46 per megawatt hour.

Power has hedged approximately 55% to 60% of its forecast production for 2018 of 52 to 54 terawatt hours at an average price of $41 per megawatt hour. And for 2019, power has hedged 20% to 25% of its forecasted production of 58 to 60 terawatt hours at an average price of $42 per megawatt hour.

Power continues to assume BGS volumes will represent approximately 11 terawatt hours in 2017, which is consistent with 2016 volumes. Power's average hedge prices don't include any anticipated future benefit from its retail and marketing efforts. We continue to forecast non-GAAP operating earnings for power in 2017 of $435 million to $510 million. And the forecast of non-GAAP operating earnings represent -- represents an adjusted EBITDA of $1,080,000,000 to $1,210,000,000 for the full year.

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Now I'll briefly address the operating results from Enterprise and Other. For the first quarter, Enterprise and Other reported a net loss of 15 million or $0.03 per share for the first quarter of 2017 compared to net income of 17 million or $0.03 per share for the first quarter of 2016.

The net loss for the first quarter of 2017 reflects the impact of a pretax charge of $55 million associated with the continuing liquidity issues facing NRG REMA. The charge reflects our current assessment of the ongoing matter.

Non-GAAP operating earnings for the first quarter of 2017 of $17 million or $0.03 per share were unchanged quarter-over-quarter from the first quarter of 2016 and reflect contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings. And we continue to forecast full year 2017 non-GAAP operating earnings from Enterprise and Other of $35 million.

With respect to financings, PSE&G closed the quarter with $193 million of cash on the balance sheet. And with debt at the end of March of 2017, representing 47% of our consolidated capital.

Debt at PSEG Power represented 30% of its capital at the end of the quarter. In March 2017, PSEG Power and PSE&G extended the expiration dates on $4 billion of credit facilities to March of 2022. At the end of March, total available credit capacity was $3.6 billion. We remain in a position to finance our 5-year-based capital program of $15 billion without the need for the issuance of equity, and we remain in a position to finance an expansion of our investment program also without the need to issue equity.

Power's cash flow is forecasted to improve following the completion in 2018 and 2019 of construction of the 3 new combined cycle units with the decline in annual capital spending at Power to $200 million a year from 2017's capital budget of $1.2 billion.

PSE&G's internal generation of cash is expected to remain strong throughout the forecast period. We continue to forecast non-GAAP operating earnings for the full year at $2.80 to $3 per share.

That concludes our prepared remarks. And now I'll turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question is from the line of Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold- *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

I was curious about the REMA item. When I look back to the Analyst Day, I think you'd said that -- you were talking about guidance. You'd highlighted this as a write down, what you described as the residual value. So is it safe to assume that you have no further exposure?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Jonathan, I think we're in a good place right now. The best information that we have is what we have booked to, really based upon what we know about the liquidity issues at REMA, the issues surrounding the facilities themselves. And basically, the alternative outcomes and -- through our discussions with them. So we think based upon what we know right now, to the best of our information we've recorded to where we think things will be when all's said and done.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Can you share sort of how much still on the books?

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. Between Keystone and Conemaugh, there's about $55 million of total investment that remains on the books.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So you've written off basically half of what was there?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's correct, yes.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay, great. And then just on the penny charge you took for the FERC investigation, not much happened on that recently. And can you just clarify what's going on with that, given the situation at FERC at the moment? And what led to that charge?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. So as you know, this has been an issue that's been around for a while since 2014. It is -- when it began and there was the $25 million charge that was taken in 2014. We are moving forward with it. There's still a fair bit of uncertainty that remains. But based upon where we are right now within the investigation and discussions, the lower end of the range of our exposure, as we've seen it, has raised to $35 million from that $25 million number that we have, and that was the driver behind the reserve that we know.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So you were still booking the low end and that's up $10 million

---

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's exactly right.

Operator

Your next question is from the line of Julien Dumoulin-Smith with UBS.

Antoine Aurimond - *UBS - Analyst*

This is Antoine Aurimond on for Julian. First, after this quarter, how do you see -- assess your margins trending for the full year? And more generally, how do you see gas basis in PJM evolving in light of the recent pipeline delays?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Your first question was on BGS or BGSS?

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Client Id: 77

Antoine Aurimond - *UBS - Analyst*

BGSS, the margins for the full year?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. So frankly, as we look at that product in particular, most of what we'll see throughout the year takes place in the first 3 months of the year. So I would say that the BGSS component of our business really is -- will have minimal impact until we get into December. So not a whole lot of variability that we would anticipate until we can adjust it to the fourth quarter there. We have seen some delay in pipelines. I agree on that front, but we have seen some movement within the basis as well. I think that, over time, as we continue to see more takeaway capacity built, we will see some levelization of gas prices over time.

Antoine Aurimond - *UBS - Analyst*

Okay, got it. And lastly, with regards to the ConEd wheel, given that ConEd has been dropped out and that NYPA could possibly follow, do you see any risk of the transmission cost allocated to your utilities customers?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So that's a subject of ongoing dispute at FERC. I think the bottom line for us is that there's no question about recovery of investments that we make. But you're right, Antoine, there will be some healthy debate over who pays that. But at the end of the day, we are getting paid.

Operator

Your next question is from the line of Greg Gordon with Evercore ISI.

Gregory Harmon Gordon - *Evercore ISI, Research Division - Senior MD, Head of Power and Utilities Research and Fundamental Research Analyst*

One in the weeds question and one higher level question. The -- it looks like you have slightly lower, not just slightly lower from output for this year, but also slightly lower projected output in the subsequent years. It doesn't look like it would impact margin much, but I'm just wondering if, is that a function of sort of your dispatch model just being updated for current forwards?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, that's all it is, Greg. And I'd say the most solid impact is what we've seen year-to-date on winter. So the lower end of that range stayed the same, we just took the top end down by 1 terawatt-hour.

Gregory Harmon Gordon - *Evercore ISI, Research Division - Senior MD, Head of Power and Utilities Research and Fundamental Research Analyst*

Okay. Great. And then I know that you obviously have state-level activity with regard to what you believe to be the right infrastructure agenda for your customers. But at the same time, you've got this federal move with Rick Perry at DOE, opening up a process. And my understanding is that FERC may consider a stakeholder process that ultimately develops into, potentially a 205 proceeding to amend their tariffs to deal with the proliferation of subsidies. Can you comment on all those, on whether you believe that -- and how you think those tensions ultimately get resolved and whether or not that's accurate?

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Client Id: 77

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So Greg, yes. We're following the DOE study through EEI, which is paying very careful attention to what the future prospects are for baseload generation, primarily in organized markets, but in general, around the country. And the discussions we've had at every level, right, so we've been talking to people at federal levels and talking to people at PJM, we've been talking with people at state, is that regional and national solutions are preferred. But given the time that's required for naming of FERC commissioners, getting your arms around the value of fuel diversity, getting your arms around the value of the environmental impacts of NOx, SO2, carbon, et cetera, that states should be in the lead on those attributes that they value and then those programs should go away as regional and federal programs takeover. So it's not a question of holding off on everything until we get clarity from DOE by any means.

Gregory Harmon Gordon - *Evercore ISI, Research Division - Senior MD, Head of Power and Utilities Research and Fundamental Research Analyst*

Okay. Do you think it's plausible that there could be a stakeholder process that ultimately results in a request for a tariff change at FERC for the PJM auction in 2018?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, I think It's possible. Sure. We all know what time frames are at PJM and at FERC. But yes, it is possible.

Operator

Your next question is from the line of Praful Mehta with Citigroup.

Praful Mehta - *Citigroup Inc, Research Division - Director*

Just following up on the nuclear discussion. I wanted to understand what kind of timeframe do you have in your mind around getting some resolution on this if there is no support or no exact or any other form of nuclear support? How long are you willing to wait before you take a decision on the nuclear assets?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Well, we haven't picked -- we haven't drawn a line in the sand. I mean, our units are hedged. And as we've said publicly, they are -- because of those hedges generating positive cash flow. However, as one looks at the forward price curve, as those hedges roll off, that cash flow becomes more and more challenged. And in fact, if you believe the forward price curve out for years, those cash flows turned negative. One then has to ask, "Well, what do you think will happen to the price curve beyond that?" So rather than draw a line in the sand, what we've said is we ought to work collectively with people to make sure that the attributes of nuclear are being compensated in the market and that to the extent that those attributes are not being compensated, states should look at providing a needs test for nuclear plants to say, “Okay. If they are in fact not profitable and are at high risk of going away and we will regret losing those attributes, then we ought to make sure that they don't go way." So I think what we've tried to go out of our way to say is the day we announce the date, we are in a mode that is a place that nobody ought to want to be because these assets are too valuable to the state of New Jersey for us to announce a date. So we're doing all we can to avoid having to do that.

Praful Mehta - *Citigroup Inc, Research Division - Director*

Fair enough. And second, just a detailed question. On the hedges, it looks like the percentage hedge obviously came down -- comes down over time, but the price also is down, which you would expect from the forward curve, it's down from $46 to $42. I guess the question is you, generally, when you're hedging in the forward market, are hedging better periods of time, peak periods or peak hours, what do we take away from the hedge

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SI-SSA-0015-13747

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price? Does that mean that the average is actually even lower than that? Or, I guess, just trying to get a sense for what the $42 really means in terms of forward achievable prices for 24/7?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, maybe 2 ways think to think about that, Praful. One is I don't know that I would say that we are necessarily hedging the highest prices earlier and then moving down the scale. There's on peak and off peak hedges that could put on without a particular pattern necessarily. So I would diffuse you of your first thought that it's definitely the higher prices. That said, as we look to the outer years of our disclosed hedge prices and into 2019, given that we've had some BGS auctions that have rolled through, some of that 2019 volume is based upon BGS and we decomposed the BGS price and pull out the capacity components. But there are some other non-energy components that are in there that give a little bit of a lift to that price. So maybe not so much the fact that it's the higher price or the on peak prices that have been hedged, but more so that some of the BGS volume that rolls into '19 shows that price to be what it is. But that's the makeup of it.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

I just don't know if you are willing to give us the sense what would be the potential construct of that support for nuclear plants in New Jersey. It's my understanding that it wouldn't resemble the one from New York or Illinois. Would it be more like what we're seeing in Connecticut or something completely unrelated?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Angie, I would say right now we are in what I would call an education phase. And the only thing that we know for a fact in New Jersey is that if New Jersey were to agree to the importance of nuclear from an environmental point of view, from a regional economy point of view, from fuel resiliency point of view, is that it would require legislation. And I just have a lot of confidence that New Jersey will give it serious thought. I mean, the issues are pretty clear here. If those assets are not earning their cost of capital over the long term or if they turn cash flow negative, we'll retire them. That will be a very painful decision, given the impact it has on New Jersey. But unfortunately, it's a very clear decision for us from a shareholder point of view. So now the other question is how do policymakers feel about the increased emissions of NOx, SO2, CO2, single fuel dependency. And this is not -- and I thank you for your question. This is not a slam against natural gas. This is not a projection that natural gas won't be abundant for decades to come. It's not a slam against renewables. This is the case for the value of fuel diversity. The value of not putting all your eggs in one basket. The value of something that does not have air emissions. The value of something that has candidly really good jobs. And obviously, the laws of economics, supply and demand. You cannot remove 40% of the supply without having an increase in prices in New Jersey. And that's something New Jersey consumers should not like. So once the plants become “uneconomic”, they still have enormous value to New Jersey. So that's what we're doing right now. We're just educating people about that. To us, right now, they are still positive cash flow generators.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

So just following this line of thinking, so they -- basically, the plants become free cash flow negative come 2020?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Well, if the forward price curve is realized, the answer is yes.

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Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

Okay. And so...

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

And we do not try to outguess the forward price curve. As you know, we run this company in accordance with the hedging program that feathers in the forward price curve. Now we're working hard to lower our cost at nuclear, to try to fight against that stream, that current.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

Okay. But in light of that, right, and you said that it's still at the discussion phase in New Jersey. We're going into a capacity auction, which will cover the summer of 2020 and beyond. You'll have a set of assets that, based on observable curves, is free cash flow negative. So what do you do? What do you do going into this auction?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Of course, we discuss that all the time, and you know us well enough, Angie, that we're not going to disclose that. You're really asking how we're going to put the units in RPM and we just never talk about things like that. It's worth trying though.

Operator

Your next question is from the line of Daniel Yu with Goldman Sachs.

Tseng-Kuo Yu - *Goldman Sachs Group Inc., Research Division - Research Analyst*

Two parts in my question on Power and market fundamentals. First, are there major supply changes in New Jersey that we should keep in mind in addition to the retirement of Hudson and Mercer and elimination of the ConEd wheel? And second, in your view, what are the impacts of the supply changes on the energy and capacity markets?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

No. I mean, I think the one that we would point to is we have our Sewaren plant that's coming in, but maybe I would say you have the RPM auction that has happened for the past couple of years. You can see what has come forth from the standpoint of new capacity there. And in the last auction, there was nothing that was in EMAAC, but that's your best indication as to what's going to happen in the near term, near term being 3 years out coming out of the capacity auction-given indication. As you'll be able to see, what supply and demand has committed to the market 3 years out. And then the other thing that we look at that we talked about briefly before is just overall supply of gas and pipeline capacity in the region.

Operator

Your next question is from the line of Chris Turnure with JPMorgan.

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Christopher Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

I know that you had a couple of specific things that you wanted to see changed or things that you thought where, I guess, unjust or unreasonable in regards to the PJM parameters in the transmission capacity in the Eastern region. Given the changes that were announced a couple of weeks back, did they fully reflect those changes or partially reflect those changes? Or can you give us some color there?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, Chris, partially only. We're still confused and our technical people have a different point of view than what was published by PJM, in particular on the CETL/CETO parameters as it pertains to the PS Zone, and in particular, PS North. So we are going to follow the appropriate communication channels to PJM, and I'm sure that they will post our communications with them on Oasis or whatever other mechanisms they choose. So it was better the second time around, but we still either need to be educated or PJM needs to make some further changes.

Christopher Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

And when you say that, are you referring to changes for future auctions or something that could impact this year?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

I think -- yes, I think it's more than likely for future auctions, Chris. I've lost track of time. I think it says April 28 and the auction starts in 2.5 weeks. So I think we're talking about future auctions.

Christopher Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And then I know you don't have that much capacity up there, but the ISO New England proposal from, I think, last week was pretty interesting. Do you have any preliminary thoughts on what the impact of that might be over time and the next steps that would be required to get that in place there?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So as you know, the most important thing we have up in ISO New England is the construction of a new combined cycle gas turbine unit, which has a 7-year lock on prices. So that's how -- we're kind of -- we're good to go for the foreseeable future, so the changes that you're referring to are not of a big consequence to us.

Operator

(Operator Instructions) Your next question is from the line of Paul Patterson with Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

A few quick ones. First of all, on the DOE examination, et cetera, just in general, are you hearing anything about perhaps something more dramatic coming out of Washington to deal with nuclear or coal plant retirements -- baseload retirements outside of the sort of normal stakeholder process sort of approach? Anything that would lead you to think that there'd be something outside of the stakeholder approach that we've been seeing for so many years now? Have you heard anything perhaps more dramatically happening more quickly to address some of the more imminent closures that might be happening?

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Paul, we haven't -- I mean, the reality is less congressional stab at tax reform has some phasing out of both the production and investment tax credit. I suppose Congress could revisit that and try to further accelerate those phase outs. The real issue is what happens in organized markets to price the attributes of fuel diversity and/or environmental attributes. And I think that's less about doing away with something and creating something, and that, as the earlier question pointed out, really lends itself more to a stakeholder process or a discussion that would play itself out over the coming months, if not years, which is why we would say that state action is likely going to front run any federal consensus on these issues. But to be blunt, Paul, we're reading the same stuff you are and just getting feedback through EEI on what this all means.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Great. And then I apologize if you -- I was interrupted just briefly during the call. There was this infrastructure straw proposal at the New Jersey BPU and another one of payments of a [disc] kind of service setup. And I was wondering if you guys -- if you've already talked about it, I apologize, but if you haven't and I was wondering if you could elaborate a little bit more about what you see happening potentially there and how it could impact you?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure. Yes. So no, we haven't discussed it. I describe it as a step in the right direction on an issue that we and the board staff and others have been talking about now for well over a year. You may remember, we have filed 15 tracker/clause programs over the past 10 years and had all 15 approved, not exactly as we had filed them, but with modifications. And it's become abundantly clear to us and to board staff that many of these programs that we've initiated have many, many years ahead of them. I mean, we have an aging infrastructure that needs replacement. And to constantly go back in because of an 18-month program's expiration is just suboptimal in terms of how much work you can do efficiently. So things like training programs for long-term employees, permanent hires versus contractors are things that we don't do now because we don't know whether our capital program is going to end in 18 or 36 months. So what the board has come out is that, all right, we'll give things kind of a standard recovery mechanism and a 5-year life, but in exchange, you have to come in for a rate case every 5 years. And given the absence of load growth, that seems to be a very, very reasonable thing to do. Now the devil's in the details, and based upon the straw man that was put out, there's a couple of significant improvements that we think need to be made. I'm sure that there'd be -- maybe some other folks who have a different point of view, but we think it's a good step in terms of realizing that long-term ongoing infrastructure replacement should not be done in 18-month increments, and giving us 5 years of clarity will help us hire the people, train the people, invest in the equipment that can help us replace miles of pipe at more efficiently and reinforce circuits more efficiently and do things that customers are expecting from us. So to be continued but certainly, a constructive first step.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

And Paul, this will all be a public process. So as it progresses over time, you will be able to see the discussions that are going out and how it is going.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Any sense on the timing? I mean, (inaudible) seems kind of -- I don't know, I mean, the consolidated tax seems to take forever. Do you have any idea when this might be resolved?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Not resolved. Next week is the beginning of the process. I believe there's -- you may see some more discussion around it next week that would give more of an indication. But I think as far as when it would end is we don't know right now.

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SI-SSA-0015-13751

Client Id: 77

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

I'm going to hope that it's done this year, but we don't have a control over that schedule.

Operator

(Operator Instructions) Your next question is from the line of Steve Fleishman with Wolfe Research.

Steven I. Fleishman - *Wolfe Research, LLC - MD and Senior Utilities Analyst*

I'm sorry, it's been answered. Thank you.

Operator

And at this time, there are no further questions. Please continue with any closing or prepared remarks.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure. So thank you all again for joining us. As is often the case, we greatly appreciate it. As is always the case, we greatly appreciate you spending your time with us. So hopefully, the main messages you heard is that the utility investment program is on track. We're doing things that are valuable to customers and hopefully, provide a fair, risk-adjusted return to our investors. We certainly view them as being such. We -- Dan briefly mentioned, but it's worth repeating that the power construction program is on schedule and on budget, so looks okay there. We continue to realize the benefits of careful cost control in the utility, in PSEG Power and that commitment is a daily one and you can rest assured that, that will continue out into the future. And lastly, we're engaged in some policy discussions that we believe can be helpful to our customers and our shareholders whether it's energy efficiency, recognizing the value of nuclear or putting in place predictable long-term infrastructure programs, all of which will help us run our system more efficiently and in a way that's safe, reliable and affordable for all involved. I'm sure Kathleen and Dan and I will see you at various venues in weeks and months ahead, and we look forward to chatting with you at that time. Thank you.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect, and thank you for participating.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2017 FIRST QUARTER RESULTS

$0.22 PER SHARE OF NET INCOME

Non-GAAP Operating Earnings of $0.92 Per Share

Re-Affirms Non-GAAP Operating Earnings Guidance $2.80 - $3.00 Per Share

(April 28, 2017 – Newark, NJ) Public Service Enterprise Group (NYSE: PEG) reported today Net Income for the first quarter of 2017 of $114 million, or $0.22 per share as compared to Net Income of $471 million, or $0.93 per share, in the first quarter of 2016. Non-GAAP Operating Earnings for the first quarter of 2017 were $466 million, or $0.92 per share, compared to non-GAAP Operating Earnings for the first quarter of 2016 of $463 million, or $0.91 per share. Net Income for the first quarter of 2017 was affected by accelerated depreciation associated with the early retirement of the Hudson and Mercer coal-gas generating stations and a reserve for the impairment of our leveraged leases.

Ralph Izzo, chairman, president and chief executive officer, commented that “we are off to a good start for the year. Our investment program and control of O&M continue to contribute to the growth in results of our regulated utility business and helps offset the impact of a decline in energy prices on earnings at PSEG Power. Our regulated utility business is expected to grow to represent 66% of non-GAAP Operating Earnings for the full year.”

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG’s financial performance to previous results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the previously noted Hudson and Mercer retirements and lease impairment.

The tables below provide a reconciliation of PSEG’s Net Income to non-GAAP Operating Earnings for the first quarter. See Attachment 9 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED RESULTS (unaudited)
First Quarter Comparative Results
2017 and 2016

	Income ($ millions)		Diluted Earnings Per Share	
	2017	**2016**	**2017**	**2016**
Net Income	$114	$471	$0.22	$0.93
Reconciling Items*	352	(8)	0.70	(0.02)
Non-GAAP Operating Earnings	**$466**	**$463**	**$0.92**	**$0.91**
		Avg. Shares	**508M**	**508M**

*See Attachment 9

Ralph Izzo went on to say, "We are re-affirming our non-GAAP Operating Earnings guidance for 2017 of $2.80 - $3.00 per share. By delivering on our strategic investment program, we are building an energy company that meets the needs of our shareholders and provides a sustainable energy future for our customers."

The following table outlines PSEG's expectations for non-GAAP Operating Earnings by subsidiary for 2017.

2017 Non-GAAP Operating Earnings Guidance
($millions, except EPS)

	2017E
PSE&G	$945 - $985
PSEG Power	$435 - $510
PSEG Enterprise/ Other	$35 - $35
Non-GAAP Operating Earnings	$1,415 - $1,530
Non-GAAP EPS	$2.80 - $3.00

E = Estimate

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 4 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $299 million ($0.59 per share) for the first quarter of 2017 compared with Net Income of $262 million ($0.52 per share) for the first quarter of 2016.

PSE&G's first quarter results reflect the on-going successful execution of its growth initiatives and control of operating expenses.

Growth in PSE&G's investment in transmission improved quarter-over-quarter Net Income comparisons by $0.03 per share. Revenue recovery of investments made to enhance system resiliency under the Energy Strong and Gas System Modernization Programs improved quarter-over-quarter Net Income comparisons by $0.02 per share. A reduction in O&M expense improved quarter-over-quarter Net Income comparisons by $0.02 per share.

PSE&G implemented a $121 million increase in transmission revenue under the company's FERC-approved formula rate on January 1, 2017. Transmission revenues are adjusted each year to reflect an update of the company's investment program. PSE&G's investment in transmission is expected to grow to represent approximately $7.6 billion of rate base at the end of 2017, or 45% of the company's year-end 2017 consolidated rate base. Gas distribution revenue increased by $16 million with the completion of gas main replacement work approved under the Energy Strong and GSMP investment programs.

Actual and weather-normalized electric sales were approximately 1.5% higher than a year ago due to an increase in sales to a large industrial customer whose contracted generation supply was off-line during most of the quarter. Residential sales comparisons were flat, and sales to the commercial sector increased 0.8%. Actual and weather-normalized firm gas sales increased 3.0% in the first quarter. The increase is higher than our forecasted rate of growth, and may be attributable in part to imprecision in weather normalization calculations during extreme weather conditions. The increase is in line with growth trends experienced prior to 2016.

PSE&G filed with the NJ Board of Public Utilities (BPU) in March 2017 for the extension of existing Energy Efficiency programs and the addition of new programs. The programs, if approved, would represent a capital investment of approximately $74 million. As part of the petition, PSE&G is also seeking recovery of additional administrative and information technology system enhancement costs. The petition has been deemed complete, and a decision is pending.

PSE&G invested $752 million of capital expenditures during the first quarter of 2017 and is on-track for its full-year capital investment program of $3.4 billion in its transmission and distribution infrastructure.

The forecast of PSE&G's Net Income for 2017 remains unchanged at $945 - $985 million.

PSEG Power

PSEG Power reported a Net Loss of $170 million ($0.34 per share) for the first quarter of 2017 compared with Net Income of $192 million ($0.38 per share) for the first quarter of 2016. PSEG Power's non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA for the first quarter of 2017 were $150 million ($0.30 per share) and $359 million respectively compared to non-GAAP Operating Earnings of $184 million ($0.36 per share) and non-GAAP Adjusted EBITDA of $409 million for the first quarter of 2016.

Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. See Attachment 10 for a complete list of items excluded from Net Income/(Loss) in the determination of non-GAAP Adjusted EBITDA. The presentation of non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income/(Loss), which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG Power's Net Loss for the first quarter reflects the impact of incremental depreciation and other expenses of $564 million, pre-tax, associated with the decision to retire the Hudson and Mercer coal-fired generating stations on June 1, 2017.

A decline in the average price received on energy hedges reduced Power's quarter-over-quarter non-GAAP Operating Earnings by $0.09 per share. Non-GAAP quarterly Operating Earnings comparisons were also reduced by $0.01 per share as a result of a decline in output and by a $0.01 per share increase in the reserve related to a FERC investigation of Power's cost-based bids begun in 2014. These two items were offset by a $0.02 per share quarter-over-quarter improvement in non-GAAP Operating Earnings on off-system gas sales. A reduction in O&M as a result of cost control at the nuclear stations improved quarter-over-quarter non-GAAP Operating Earnings comparisons by $0.03 per share.

Output from Power's generating facilities was 2.8% lower in the first quarter compared to year-ago levels. Quarterly comparisons were affected by one fewer day of operation in

2017 relative to the year-ago period (due to leap year), and the adverse impact of above normal temperatures during the first two months of the year on energy demand, pricing and volatility. The nuclear fleet operated at an average capacity factor of 100% producing 8.4 TWh of energy. Power's gas-fired CCGT fleet experienced a decline in its average capacity factor during the quarter to 41.8% from 51.7%. For the quarter, the CCGT fleet produced 3.0 TWh of energy and the coal-fired fleet produced 1.4 TWh of energy.

Based on the mild winter, Power is forecasting output for 2017 of 49 – 50 TWh – modified from its prior forecast of output for the year of 49 – 51 TWh. Approximately 90% of production for the remainder of the year is hedged at an average price of $46 per MWh. Power has hedged approximately 55% - 60% of its forecast production for 2018 of 52 – 54 TWh at an average price of $41 per MWh. For 2019, Power has hedged 20% - 25% of its forecast production of 58 – 60 TWh at an average price of $42 per MWh. Power continues to assume BGS volumes will represent approximately 11 TWh in 2017 – consistent with 2016 deliveries.

The forecast increase in output for both 2018 and 2019 reflects the commercial start-up in mid-2018 of 1,300 MWs of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 MW gas-fired combined cycle power plant at Bridgeport Harbor, Connecticut.

The forecast of Power's non-GAAP Operating Earnings for 2017 and non-GAAP Adjusted EBITDA remain unchanged at $435 - $510 million and $1,080 million - $1,210 million respectively.

Due to the forward looking nature of non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

PSEG Enterprise/Other

PSEG Enterprise/Other reported a Net Loss of $15 million ($0.03 per share) for the first quarter of 2017 compared to Net Income of $17 million ($0.03 per share) for the first quarter of 2016. Non-GAAP Operating Earnings for the first quarter of 2017 were $17 million ($0.03 per share) compared to $17 million ($0.03 per share) for the first quarter of 2016. The Net Loss for the first quarter of 2017 reflects the impact of a pre-tax charge of $55 million associated with continuing liquidity issues facing NRG REMA, LLC. Non-GAAP Operating Earnings were unchanged quarter-over-quarter and reflect contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings.

The forecast of PSEG Enterprise/Other full year non-GAAP Operating Earnings for 2017 remains unchanged at $35 million.

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized,

will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The “Email Alerts” link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended March 31, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,592	$ (504)	$ 1,812	$ 1,284
OPERATING EXPENSES				
Energy Costs	874	(586)	753	707
Operation and Maintenance	712	115	367	230
Depreciation and Amortization	828	7	171	650
Total Operating Expenses	2,414	(464)	1,291	1,587
OPERATING INCOME (LOSS)	178	(40)	521	(303)
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	61	6	24	31
Other-Than-Temporary Impairments	(1)	-	-	(1)
Interest Expense	(98)	(7)	(75)	(16)
INCOME (LOSS) BEFORE INCOME TAXES	143	(41)	470	(286)
Income Tax Benefit (Expense)	(29)	26	(171)	116
NET INCOME (LOSS)	**$ 114**	**$ (15)**	**$ 299**	**$ (170)**
Reconciling Items Excluded from Net Income (Loss) [b]	352	32	-	320
OPERATING EARNINGS (non-GAAP)	**$ 466**	**$ 17**	**$ 299**	**$ 150**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.22**	**$ (0.03)**	**$ 0.59**	**$ (0.34)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.70	0.06	-	0.64
OPERATING EARNINGS (non-GAAP)	**$ 0.92**	**$ 0.03**	**$ 0.59**	**$ 0.30**

Three Months Ended March 31, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,616	$ (409)	$ 1,712	$ 1,313
OPERATING EXPENSES				
Energy Costs	836	(531)	729	638
Operation and Maintenance	729	94	382	253
Depreciation and Amortization	224	6	139	79
Total Operating Expenses	1,789	(431)	1,250	970
OPERATING INCOME	827	22	462	343
Income from Equity Method Investments	2	-	-	2
Other Income and (Deductions)	27	-	19	8
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(92)	(2)	(68)	(22)
INCOME BEFORE INCOME TAXES	754	20	413	321
Income Tax Benefit (Expense)	(283)	(3)	(151)	(129)
NET INCOME	**$ 471**	**$ 17**	**$ 262**	**$ 192**
Reconciling Items Excluded from Net Income (b)	(8)	-	-	(8)
OPERATING EARNINGS (non-GAAP)	**$ 463**	**$ 17**	**$ 262**	**$ 184**
Earnings Per Share				
NET INCOME	**$ 0.93**	**$ 0.03**	**$ 0.52**	**$ 0.38**
Reconciling Items Excluded from Net Income (b)	(0.02)	-	-	(0.02)
OPERATING EARNINGS (non-GAAP)	**$ 0.91**	**$ 0.03**	**$ 0.52**	**$ 0.36**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 9 and 10 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	March 31, 2017	December 31, 2016
DEBT		
Commercial Paper and Loans	$ 315	$ 388
Long-Term Debt*	11,398	11,395
Total Debt	11,713	11,783
STOCKHOLDERS' EQUITY		
Common Stock	4,920	4,936
Treasury Stock	(743)	(717)
Retained Earnings	9,070	9,174
Accumulated Other Comprehensive Loss	(242)	(263)
Total Stockholders' Equity	13,005	13,130
Total Capitalization	$ 24,718	$ 24,913

*Includes current portion of Long-Term Debt

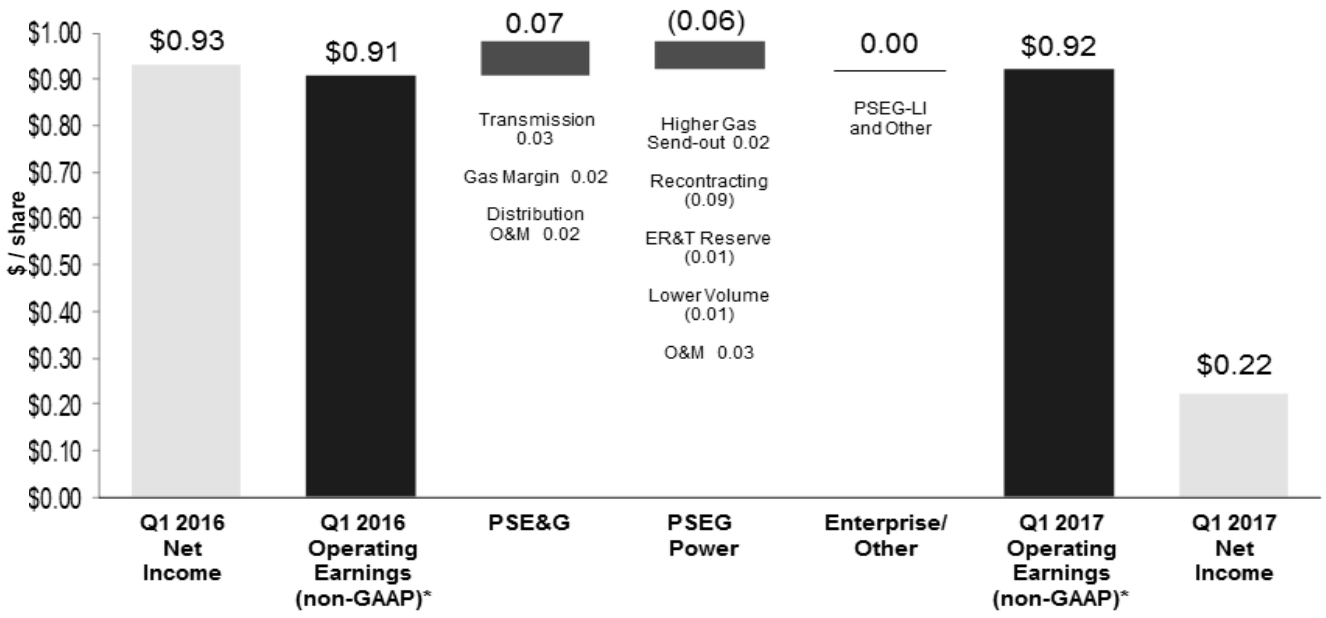
Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 114	$ 471
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,082	743
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,196	1,214
NET CASH USED IN INVESTING ACTIVITIES	(1,079)	(1,081)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(347)	65
Net Change in Cash and Cash Equivalents	(230)	198
Cash and Cash Equivalents at Beginning of Period	423	394
Cash and Cash Equivalents at End of Period	$ 193	$ 592

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2017 vs. March 31, 2016
(Unaudited)



* See Attachments 9 and 10 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

Attachment 5

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2017

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs 2016
Residential	2,998	-0.1%
Commercial & Industrial	6,793	2.4%
Street Lighting	96	4.6%
Interdepartmental	2	-1.0%
Total	9,889	1.6%
Revenue ($ millions)		
Residential	$ 434	-4.2%
Commercial & Industrial	359	0.6%
Street Lighting	18	3.6%
Other Operating Revenues*	181	9.2%
Total	$ 992	-0.1%

Weather Data	Three Months Ended	Change vs. 2016
THI Hours - Actual	15	0.0%
THI Hours - Normal	29	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

Attachment 6

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
March 31, 2017

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2016
Firm Sales		
Residential Sales	668	1.9%
Commercial & Industrial	445	4.4%
Total Firm Sales	**1,113**	**2.9%**
Non-Firm Sales		
Commercial & Industrial	331	-20.1%
Total Non-Firm Sales	**331**	
Total Sales	**1,444**	**-3.5%**
Revenue ($ millions)		
Residential Sales - Firm	$ 155	25.9%
Commercial & Industrial - Firm Sales	130	50.3%
Non-Firm Sales	11	26.2%
Other Operating Revenues**	42	-2.7%
Total	**$ 338**	**29.3%**
Gas Transported	$ 482	5.5%

Weather Data	Three Months Ended	Change vs. 2016
Degree Days - Actual	2,299	0.8%
Degree Days - Normal	2,547	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 7

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2017	2016
Nuclear - NJ	5,514	5,531
Nuclear - PA	2,842	2,888
Total Nuclear	**8,356**	**8,419**
Fossil - Coal/Natural Gas - NJ**	(43)	(19)
Fossil - Coal - PA	1,395	991
Fossil - Coal - CT	80	56
Total Coal	**1,432**	**1,028**
Fossil - Oil & Natural Gas - NJ	2,102	2,695
Fossil - Oil & Natural Gas - NY	950	1,063
Fossil - Oil & Natural Gas - CT	(6)	(4)
Total Oil & Natural Gas	**3,046**	**3,754**
	12,834	**13,201**

	% Generation by Fuel Type Three Months Ended March 31,	
	2017	2016
Nuclear - NJ	43%	42%
Nuclear - PA	22%	22%
Total Nuclear	**65%**	**64%**
Fossil - Coal/Natural Gas - NJ**	0%	0%
Fossil - Coal - PA	11%	8%
Fossil - Coal - CT	1%	0%
Total Coal	**12%**	**8%**
Fossil - Oil & Natural Gas - NJ	16%	20%
Fossil - Oil & Natural Gas - NY	7%	8%
Fossil - Oil & Natural Gas - CT	0%	0%
Total Oil & Natural Gas	**23%**	**28%**
	100%	**100%**

*Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months March 31, 2017 and 2016. Generation includes natural gas fuel switching intervals.

Attachment 8

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Weighted Average Common Shares Outstanding (millions)		
Basic	505	505
Diluted	508	508
Stock Price at End of Period	$ 44.35	$ 47.14
Dividends Paid per Share of Common Stock	$ 0.43	$ 0.41
Dividend Yield	3.9%	3.5%
Book Value per Common Share	$ 25.78	$ 26.38
Market Price as a Percent of Book Value	172%	179%
Total Shareholder Return	2.1%	21.6%

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*	
	2017	*2016*
	($ millions, Unaudited)	
Net Income	**$ 114**	**$ 471**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6
Operating Earnings (non-GAAP)	**$ 466**	**$ 463**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)	
Net Income	**$ 0.22**	**$ 0.93**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01
Operating Earnings (non-GAAP)	**$ 0.92**	**$ 0.91**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	($ millions, Unaudited)	
Net Income (Loss)	**$ (170)**	**$ 192**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(17)	8
(Gain) Loss on MTM, pre-tax [(a)]	(10)	(22)
Hudson/Mercer Early Retirement, pre-tax	564	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(b)]	(217)	6
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**
Depreciation and Amortization, pre-tax [(c)]	92	80
Interest Expense, pre-tax [(c) (d)]	16	22
Income Taxes [(c)]	101	123
Adjusted EBITDA (non-GAAP)	**$ 359**	**$ 409**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	($ millions, Unaudited)	
Net Income (Loss)	**$ (15)**	**$ 17**
Lease Related Activity, pre-tax	55	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(a)]	(23)	-
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group

PSEG Earnings Conference Call

1st Quarter 2017

April 28, 2017

SI-SSA-0015-13770

Forward-Looking Statements

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- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13771

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

SI-SSA-0015-13772

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

PSEG
2017 Q1 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13773

PSEG Q1 Results Summary – Solid Results

Quarter ended March 31

$ millions (except EPS)	2017	2016
Net Income	$ 114	$ 471
Reconciling Items	352	(8)
Operating Earnings (non-GAAP)*	$ 466	$ 463
EPS from Net Income	$ 0.22	$ 0.93
EPS from Operating Earnings (non-GAAP)*	$ 0.92	$ 0.91

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13774

PSEG Q1 2017 – Achieved Solid Financial Results

- **First Quarter Highlights**
  - ✓ Net Income of $0.22 vs. Net Income of $0.93 per share in Q1 2016
  - ✓ Non-GAAP Operating Earnings* of $0.92 vs. $0.91 per share in Q1 2016
  - ✓ Net Income reflects decision to retire Hudson-Mercer in June 2017 and REMA lease reserve
  - ✓ PSE&G achieved 13% growth in Q1 Net Income over Q1 2016, supported by increased investment in transmission and distribution
  - ✓ PSEG Power results aided by continued cost containment

- **Operational Excellence**
  - ✓ Nuclear fleet performance achieved 100% capacity factor for Q1

- **Disciplined Capital Investment – Producing Results**
  - ✓ PSEG expected to invest ~$4.7 billion in 2017, consisting primarily of $3.4 billion at PSE&G and $1.2 billion at PSEG Power
  - ✓ Regulatory/Legislative Focus: NJ Needs Nuclear advocacy efforts; Energy Efficiency extension and expansion filing in March
  - ✓ Major capital initiatives on track: Bridgeport Harbor 5 received all needed permits to begin construction phase

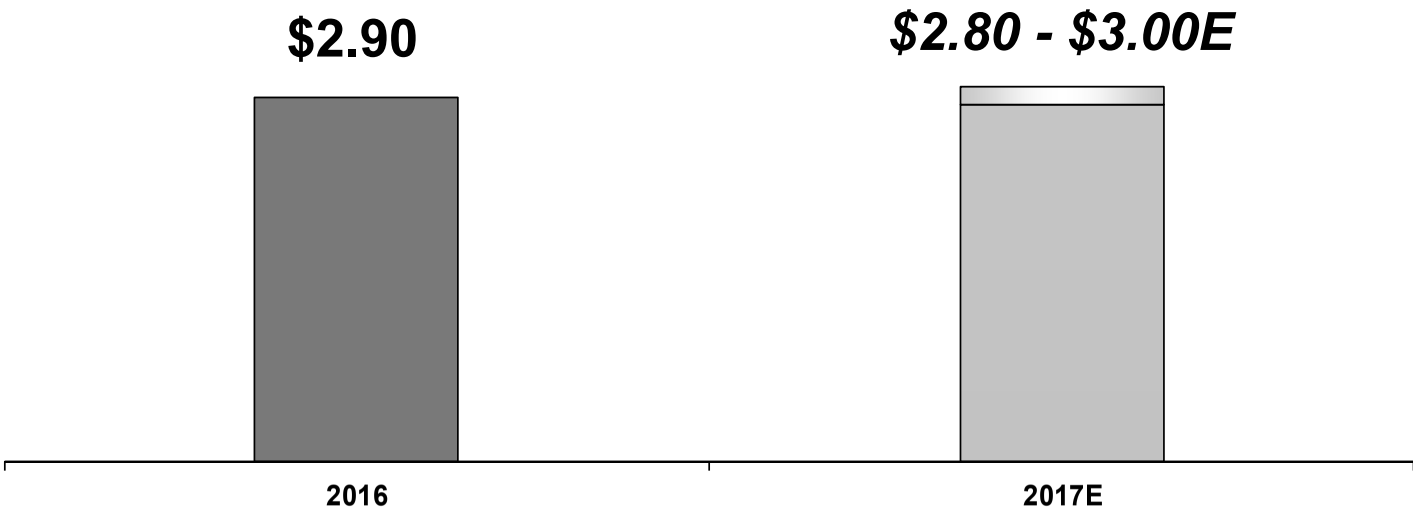
* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13775

PSEG Reaffirming 2017 Full-Year Guidance

Growth in utility infrastructure investment continues to drive a higher regulated earnings contribution in 2017

Non-GAAP Operating Earnings* and 2017 Guidance



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP). E = Estimate.

PSEG
2017 Q1 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13777

PSEG – Q1 Results by Subsidiary

PSEG Q1 EPS Summary – Quarter ended March 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ (0.34)	$ 0.38	$ (0.72)
PSEG Enterprise/Other	$ (0.03)	$ 0.03	$ (0.06)
Total PSEG	$ 0.22	$ 0.93	$ (0.71)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 0.59	$ 0.52	$ 0.07
PSEG Power	$ 0.30	$ 0.36	$ (0.06)
PSEG Enterprise/Other	$ 0.03	$ 0.03	$ -
Total PSEG	$ 0.92	$ 0.91	$ 0.01

*See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power and PSEG Enterprise/Other.

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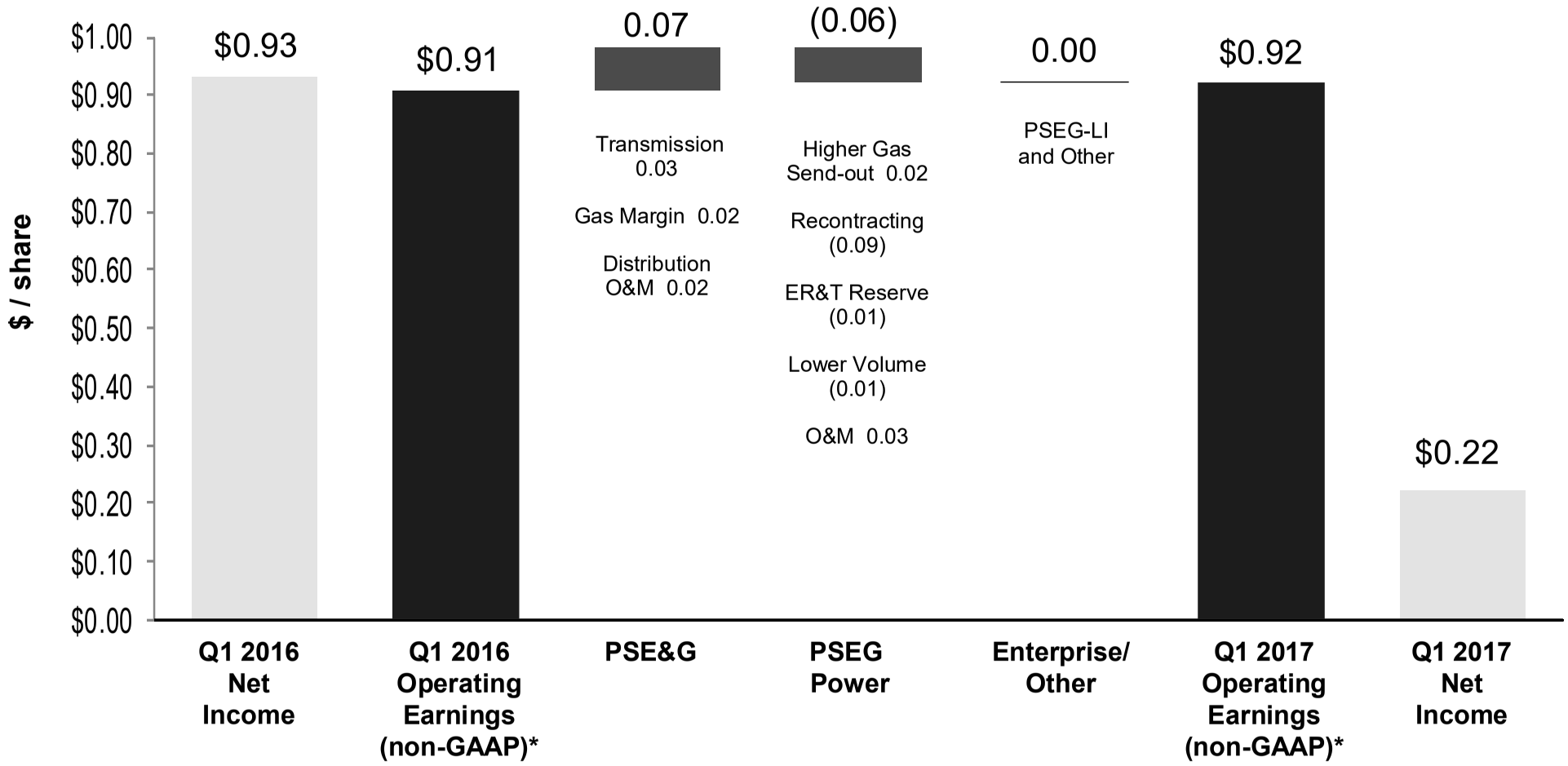
PSEG EPS Reconciliation – Q1 2017 versus Q1 2016

Utility investment and cost control drove Q1 results



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13779

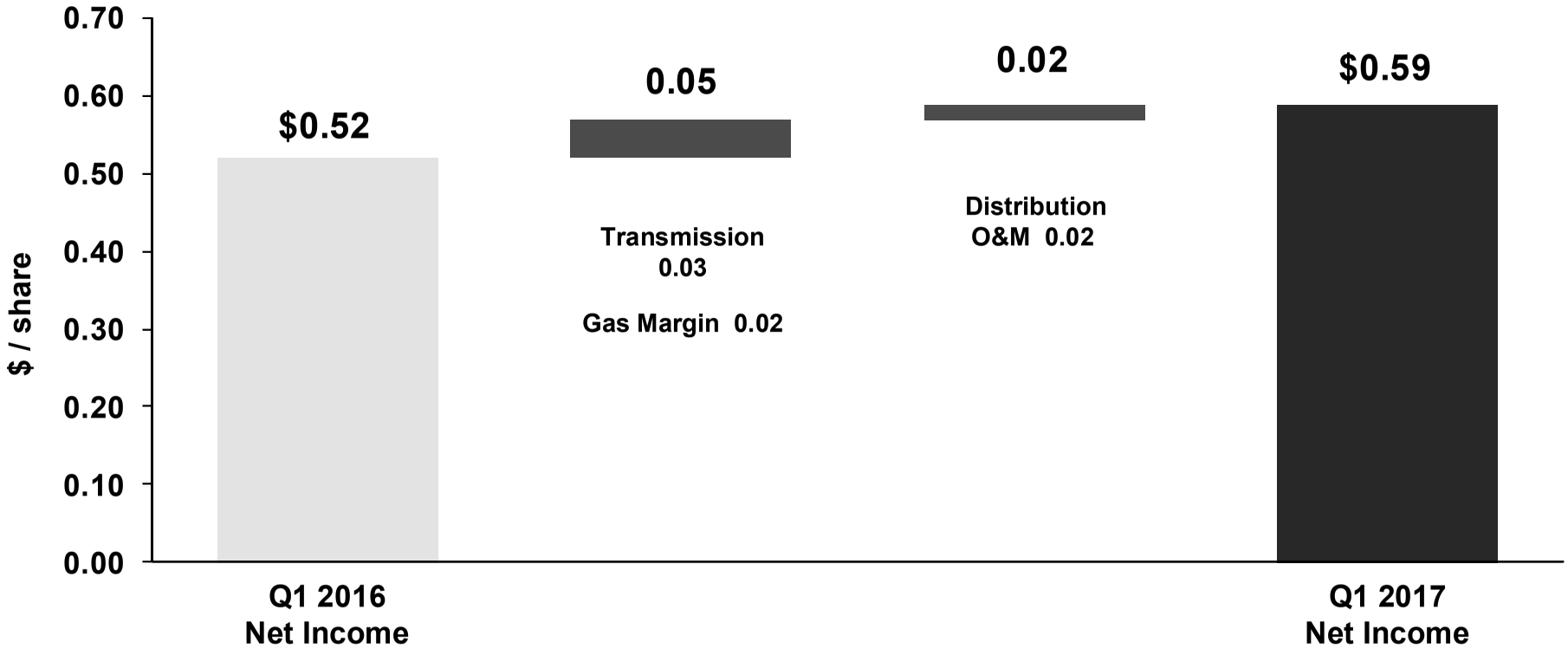
PSE&G
2017 Q1 Review

PSE&G – Q1 Summary of Results

$ millions (except EPS)	Q1 2017	Q1 2016	Variance
Operating Revenues	$ 1,812	$ 1,712	$ 100
Operating Expenses			
Energy Costs	753	729	24
Operation & Maintenance	367	382	(15)
Depreciation & Amortization	171	139	32
Total Operating Expenses	1,291	1,250	41
Net Income	$ 299	$ 262	$ 37
EPS from Net Income	$ 0.59	$ 0.52	$ 0.07

SI-SSA-0015-13781

PSE&G EPS Reconciliation – Q1 2017 versus Q1 2016



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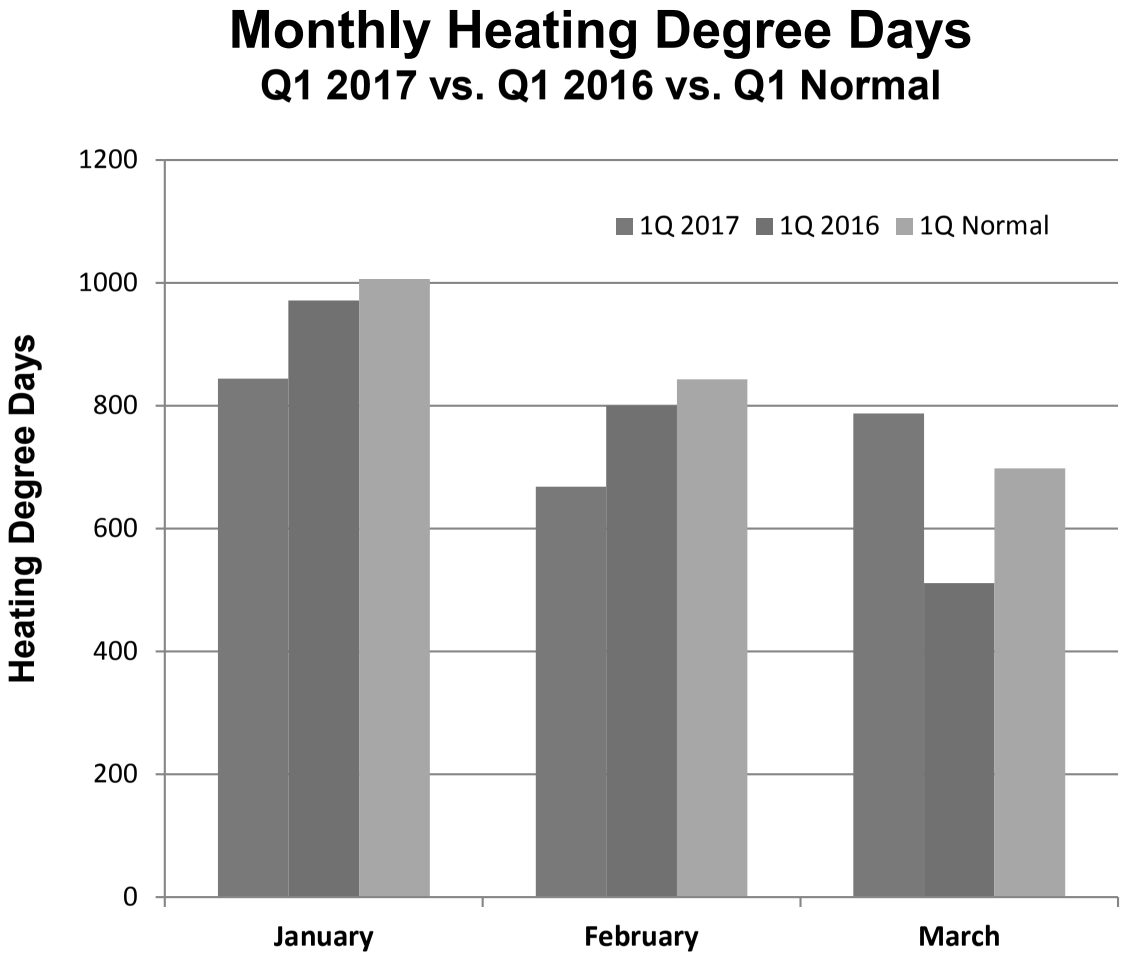
PSE&G – Monthly Heating Degree Days



1Q 2017 winter weather, as defined by heating degree days, was ~10% warmer than normal; a colder than normal March offset a mild January and the warmest February on record to make 1Q 2017 weather about the same as experienced in 1Q 2016.

PSE&G – Q1 Operating Highlights

Operations

- ✓ Residential electric sales were flat on an actual and weather-normalized basis; industrial and commercial electric sales increased by 2.5% due to a one time event and is not indicative of ongoing C&I demand growth
- ✓ Total firm gas sales rose by 3% on a weather-normalized basis, due to variability versus normal
- ✓ Winter weather was warmer than normal in Q1 due to a warm January and the warmest February on record, offset by colder than normal March weather

Regulatory and Market Environment

- ✓ FERC formula rate revenue increase of $121 million implemented on January 1
- ✓ In March, PSE&G filed an extension and expansion of its award-winning Energy Efficiency programs; the total filing proposes a ~$74 million investment in EE; the filing has been deemed complete and a decision is expected from the NJBPU in Q3 2017
- ✓ PSE&G will file its distribution base rate case with the NJBPU no later than November 1, 2017

Financial

- ✓ PSE&G invested $752 million in capital expenditures in Q1 to upgrade and expand T&D infrastructure and reliability as part of its planned $3.4 billion full-year capital program
- ✓ PSE&G's Q1 2017 earnings increased by $0.07 or ~13% to $0.59 per share
- ✓ PSE&G's 2017 Net Income guidance range remains unchanged at $945 - $985 million

SI-SSA-0015-13784

PSEG Power
2017 Q1 Review

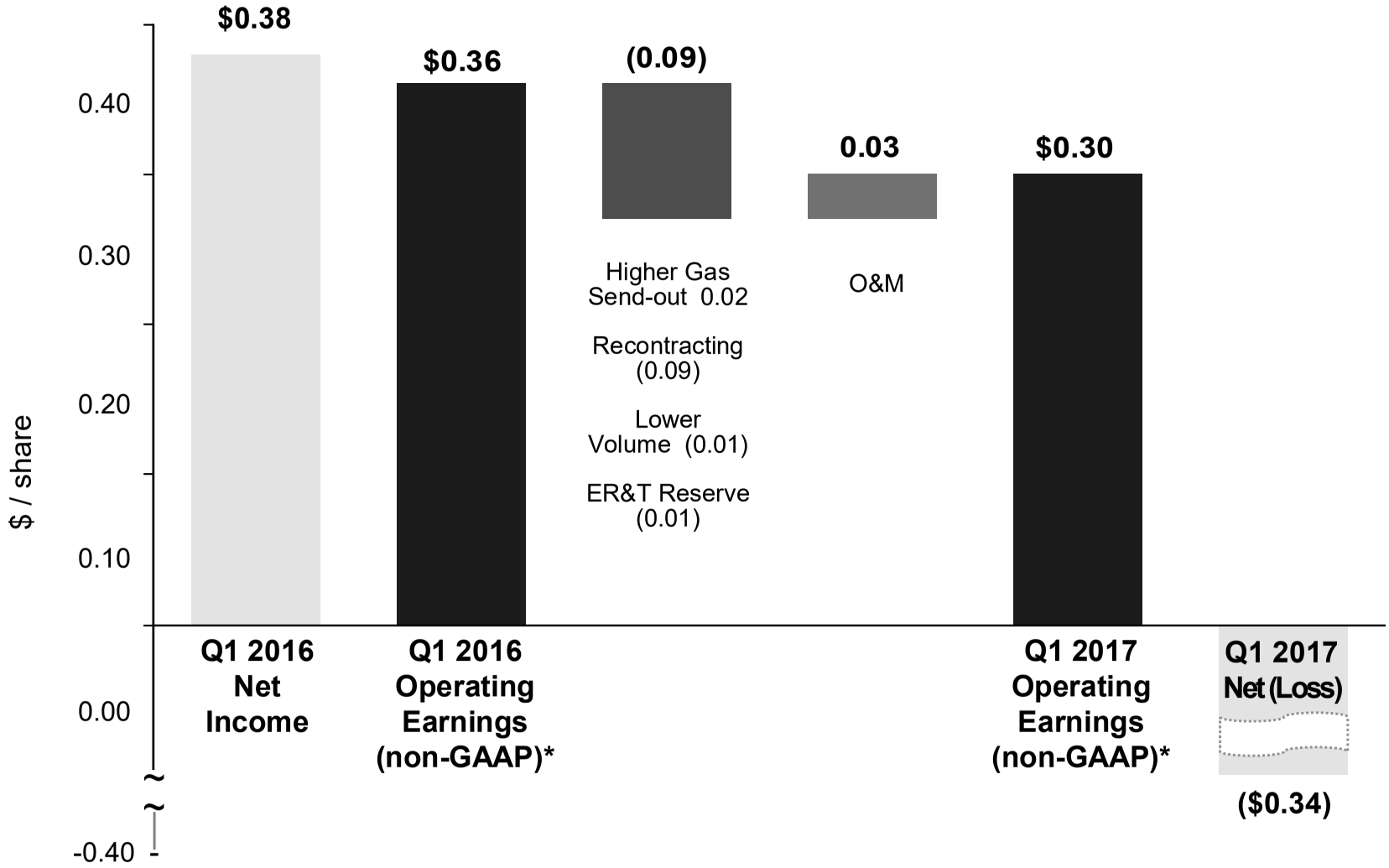
SI-SSA-0015-13785

PSEG Power – Q1 Summary of Results

$ millions (except EPS)	Q1 2017	Q1 2016	Variance
Operating Revenues	$1,284	$ 1,313	$ (29)
Net Income/(Loss)	(170)	192	(362)
Reconciling Items	320	(8)	328
Operating Earnings (non-GAAP)*	$ 150	$ 184	$ (34)
EPS from Net Income/(Loss)	$ (0.34)	$ 0.38	$ (0.72)
EPS from Operating Earnings (non-GAAP)*	$ 0.30	$ 0.36	$ (0.06)
Adjusted EBITDA (non-GAAP)*	$ 359	$ 409	$ (50)

*See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) for PSEG Power.

PSEG Power EPS Reconciliation – Q1 2017 versus Q1 2016

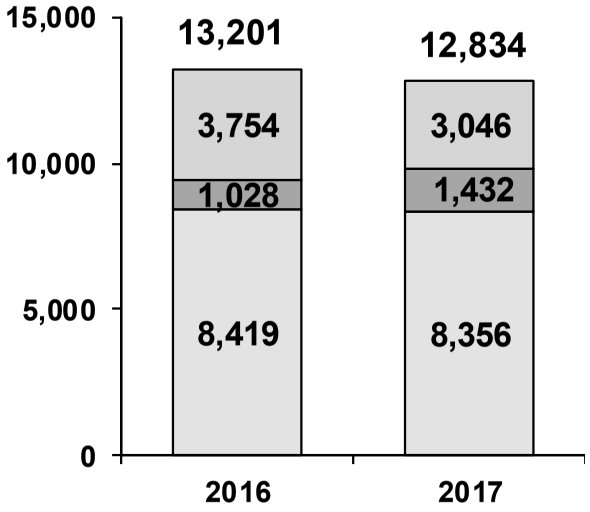


* See Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

SI-SSA-0015-13787

PSEG Power – Q1 Generation Measures

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended March 31	
	2016	2017
Combined Cycle		
PJM and NY	51.7%	41.8%
Coal**		
NJ (Coal/Gas)	0.4%	0.0%
PA	58.9%	83.5%
CT	6.7%	9.6%
Nuclear	99.7%	100%

PSEG Power – Fuel Costs

	Quarter ended March 31	
($ millions)	2016	2017
Gas	$ 66	$ 78
Coal	$ 27	$ 35
Total Fossil	$ 93	$ 113
Nuclear	58	54
Total Fuel Cost	$ 151	$ 167
Total Generation (GWh)	13,201	12,834
$ / MWh	11.44	13.01

Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

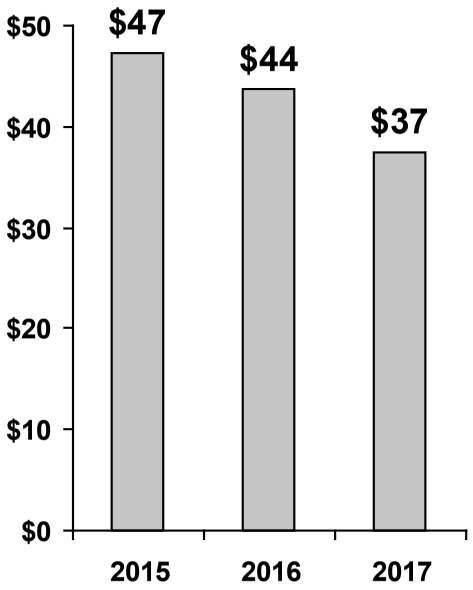
SI-SSA-0015-13788

PSEG Power – Gross Margin Performance

- ✓ Lower hedge prices and decline in generation (1 fewer day of operation)
- ✓ Capacity revenues were flat vs. Q1 2016
- ✓ Regional spark spread compressed in the quarter

PSEG Power Gross Margin ($/MWh)

Quarter ended March 31



Regional Performance		
Region	**Q1 Gross Margin ($M)**	**Q1 2017 Performance**
PJM	$440	Recontracting at lower prices and lower volumes
New England	$32	Higher generation offset by lower hedges
New York	$8	Higher prices offset by lower generation

Hedging Update…

Contracted Energy*

		Apr-Dec 2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	25	34	34
	% Hedged	100%	90-95%	35-40%
	Price $/MWh	$46	$41	$42
Intermediate, Combined Cycle, Peaking	Volume TWh	10	19	26
	% Hedged	65-70%	0%	0%
	Price $/MWh	$46	$ -	$ -
Total	Volume TWh	35-37	52-54	58-60
	% Hedged	85-90%	55-60%	20-25%
	Price $/MWh	$46	$41	$42

* HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2017. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power – Q1 Operating Highlights

Operations

- ✓ Q1 output down 2.8% as low energy prices and mild weather impacted economic dispatch
- ✓ Nuclear fleet achieved average capacity factor of 100%, producing 8.4 TWhs of energy
- ✓ CCGT fleet had a capacity factor of 42% versus 52% in Q1 2016 as high availability remained strong at >90% and produced 3 TWh of energy; Coal fleet produced 1.4 TWh of energy

Regulatory and Market Environment

- ✓ 2017 expected generation output 49-50 TWh; BGS load projected at 11 TWhs
- ✓ Power has begun construction at Bridgeport Harbor 5, obtained all needed permits in early April; target completion remains mid-2019
- ✓ Construction on schedule and on budget at Keys and Sewaren 7 for targeted 2018 in-service

Financial

- ✓ Power's total debt as a percentage of capitalization at March 31 was 30%
- ✓ Power's 2017 non-GAAP Operating Earnings guidance range remains unchanged at $435 - $510 million; non-GAAP Adjusted EBITDA guidance for 2017 remains unchanged at $1,080 to $1,210 million

SI-SSA-0015-13791

PSEG

PSEG Financial Highlights

- **Reiterating 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share**
  - ✓ PSE&G earnings forecast to grow 8.5% to comprise 66% of PSEG's 2017 non-GAAP Operating Earnings
  - ✓ Focused on maintaining operating efficiency and customer reliability
- **PSEG's 5-Year capital spending forecast of $15 billion over 2017-2021 to be invested in PSE&G (82%) and Power (18%)**
- **PSE&G infrastructure investment in reliability/resiliency/replacement remains on track**
- **PSEG Power's $2 billion investment in new generation, in PJM and New England, will improve fleet efficiency and geographic diversity**
- **Increased 2017 indicative common dividend by 4.9% to $1.72 per share**
- **Financial position remains strong:**
  - ✓ Positive cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 47% at March 31

SI-SSA-0015-13793

PSEG 2017 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2017E	2016
PSE&G (Net Income)	$945 - $985	$889
PSEG Power	$435 - $510	$514
PSEG Enterprise/Other	$35 - $35	$72
Operating Earnings (non-GAAP)*	$1,415 - $1,530	$1,475
Operating EPS (non-GAAP)*	**$2.80 - $3.00E**	**$2.90**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2017E	2016
PSEG Power	$1,080 - $1,210	$1,201

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-13794

PSEG Liquidity as of March 31, 2017

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$14	$586
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$332	$1,168
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$98	$1,802
	3-year LC Facilities (Power)	Mar-20	$200	$137	$63
	Total Money Pool		$3,600	$567	$3,033
	Total		$4,200	$581	$3,619
				PSEG Money Pool ST Investment	$0
				PSE&G ST Investment	$125
				Total Liquidity Available	**$3,744**

SI-SSA-0015-13795

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2017	*2016*	*2016*
	($ millions, Unaudited)		
Net Income	**$ 114**	**$ 471**	**$ 887**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(17)	8	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	(10)	(22)	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	564	-	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	55	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(240)	6	(391)
Operating Earnings (non-GAAP)	**$ 466**	**$ 463**	**$ 1,475**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	**$ 0.22**	**$ 0.93**	**$ 1.75**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.03)	0.02	(0.01)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	(0.02)	(0.05)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.10	-	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.11	-	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.46)	0.01	(0.78)
Operating Earnings (non-GAAP)	**$ 0.92**	**$ 0.91**	**$ 2.90**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year Ended December 31,*
	2017	*2016*	*2016*
	($ millions, Unaudited)		
Net Income (Loss)	**$ (170)**	**$ 192**	**$ 18**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(17)	8	(5)
(Gain) Loss on MTM, pre-tax [(a)]	(10)	(22)	168
Hudson/Mercer Early Retirement, pre-tax	564	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(b)]	(217)	6	(336)
Operating Earnings (non-GAAP)	**$ 150**	**$ 184**	**$ 514**
Depreciation and Amortization, pre-tax [(c)]	92	80	329
Interest Expense, pre-tax [(c) (d)]	16	22	83
Income Taxes [(c)]	101	123	275
Adjusted EBITDA (non-GAAP)	**$ 359**	**$ 409**	**$ 1,201**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended March 31,*		*Year-Ended December 31,*
	2017	*2016*	*2016*
	($ millions, Unaudited)		
Net Income (Loss)	**$ (15)**	**$ 17**	**$ (20)**
Lease Related Activity, pre-tax	55	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[(a)]	(23)	-	(55)
Operating Earnings (non-GAAP)	**$ 17**	**$ 17**	**$ 72**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

B

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income.

Client Id: 77

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q2 2017 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: JULY 28, 2017 / 3:00PM GMT

OVERVIEW:

Co. reported 2Q17 net EPS of $0.22. Expects 2017 non-GAAP operating EPS to be $2.80-3.00.

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THOMSON REUTERS

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Client Id: 77

CORPORATE PARTICIPANTS

Daniel J. Cregg *Public Service Enterprise Group Incorporated - CFO and EVP*

Kathleen A. Lally *PSEG Services Corporation - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

CONFERENCE CALL PARTICIPANTS

Daniel Frederick Ford *Barclays PLC, Research Division - MD and Head of United States Utilities Equity Research*

Jonathan Philip Arnold *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Michael Jay Lapides *Goldman Sachs Group Inc., Research Division - VP*

Neel Mitra *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director, Utilities and Power Research*

Paul Patterson *Glenrock Associates LLC - Analyst*

Praful Mehta *Citigroup Inc, Research Division - Director*

Steven Isaac Fleishman *Wolfe Research, LLC - MD & Senior Utilities Analyst*

Travis Miller *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Jamie, and I am your event operator today. I would like to welcome everyone to today's conference. Public Service Enterprise Group Second Quarter 2017 Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded, Friday, July 28, 2017, and will be available for telephone replay beginning at 1:00 p.m. Eastern Time today until 11:30 p.m. Eastern on Friday, August 4, 2017.

It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the call -- conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

Thank you, Jamie. Good morning. Thank you, everyone, for participating in our earnings call this morning. As mentioned, PSEG released earnings statements for the second quarter 2017 earlier today. And you will find the release and attachments on our website, www.pseg.com, under the Investors section.

We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended June 30, 2017, is expected to be filed shortly.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimate changes, unless required to do so.

We also provide commentary with regard to the difference between non-GAAP operating earnings and non-GAAP adjusted EBITDA and net income reported in accordance with Generally Accepted Accounting Principles in the United States.

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We won't go through the full disclaimer statements or the comments we have on the difference between non-GAAP financial measures, but I do ask that you read those comments contained in our slides and on our website.

PSEG believes that the non-GAAP financial measures providing information on operating earnings and adjusted EBITDA offers a consistent and comparable measure of performance to help shareholders understand operating and financial results.

Now I'd like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. Thank you.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Kathleen, and thank you, everyone, for joining us today. PSEG delivered solid results for the second quarter, and has had a good first half, putting us on a solid path to meeting our full year objectives.

Earlier this morning, we reported net income for the quarter of $0.22 per share. PSEG's non-GAAP operating earnings for the second quarter of 2017 increased 9% against the prior year comparable quarter, reflecting strong performance at both PSE&G and PSEG Power. The results for the quarter bring non-GAAP operating earnings for the first half of 2017 to $1.54 per share, which is a 4% increase over non-GAAP operating earnings of $1.48 per share earned in 2016's first half.

Slides 5 and 6 contain the detail on the results for the quarter and the first half. At PSE&G, earnings increased $0.06 per share from the prior year comparable quarter. Continued infrastructure investment was the primary driver of this growth. PSE&G's focus remains on providing customers with what they want in terms of enhanced reliability, resiliency and green energy, while keeping bills affordable.

PSE&G continues to make progress in its 2017 plan to invest approximately $3.4 billion in transmission and distribution upgrades. The investment will allow PSE&G to meet its commitment to provide customers with high quality service.

Yesterday, PSE&G filed for continuation and acceleration of its Gas System Modernization Program. PSE&G is proposing to invest $540 million per year over a 5-year period beginning in 2019. The program would allow PSE&G to shorten to within 20 years the replacement of its aging cast-iron and unprotected steel mains and associated services. The filing is consistent with the draft regulations that the BPU issued in June regarding infrastructure investment programs. We applaud the BPU's efforts in this regards.

While PSE&G has received approval from the BPU for several multi-year investment programs in recent years, they have generally been 2 to 3 years in duration, limiting the opportunity to plan as efficiently as we could with longer term programs. The BPUs infrastructure investment proposal would address this, encouraging needed infrastructure investment through timely recovery of investments and providing increased predictability by expansion of the investment time horizon to 5 years. The longer timeframe provides for better planning with contractors, vendors, municipalities where the work takes place, our own workforce and, of course, helps to promote economic growth in the state of New Jersey.
PSE&G has made progress advancing its investment initiatives. Earlier this week, PSE&G reached an agreement in principle with the BPU staff and the Rate Counsel, which provides for $69 million extension of its investment in energy efficiency equipment for hospitals, multi-family housing and other sectors. The agreement represents more than 90% of PSE&G's original request and will bring PSE&G's cumulative investment in energy efficiency to approximately $400 million. We believe an investment in energy efficiency programs is a cost-effective tool to lower air emissions and control the growth and customer bills.

The work PSE&G has done in promoting solar energy in New Jersey was recently acknowledged by the Smart Electric Power Alliance, also referred to as SEPA, which named PSE&G the 2017 Investor Owned Utility of the Year. The award honors PSE&G for its ongoing commitment to increasing the amount of solar power in New Jersey and specifically for its work to build solar farms on landfills and brownfield sites in the state.

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PSE&G, as you know, will be filing a distribution base rate case with the New Jersey BPU no later than November 1 of this year. The timing of this filing was agreed to in the settlement of the Energy Strong program. The case will provide PSE&G with the opportunity to reset assumptions on sales and O&M growth as well as provide the opportunity to recover investments not recognized in various clauses since our last base rate proceeding, which was settled in 2010.

It will also give us the opportunity to recover prior approved storm costs. PSE&G, as part of the filing, will request approval for a decoupling of distribution revenue from sales volume to support larger scale energy efficiency investments. We believe strongly that this latter action will incentivize continued investment in energy efficiency and help lower participating customer bills.

We expect PSE&G's initiatives to provide value for the customer and our shareholders. For the 5-year period ending 2021, PSE&G's successful execution of its investment program is expected to result in compound annual growth and rate base of 7% to 9%.

At PSEG Power, non-GAAP operating earnings increased by 6% to $0.19 per share as ongoing programs to reduce operating expenses supported earnings. PSEG Power retired its Hudson and Mercer coal-fired generating stations on June 1 and made good progress on construction activities related to its 3 new natural gas combined cycle generation stations.

The new stations will add 1,800 megawatts of efficient capacity over 2018 and '19, and represents a reconfiguration of Power's merchant generation fleet that will improve its competitiveness in the market. We've seen some improvement in energy pricing in the PS zone relative to the PJM West Hub, a higher gas price with the opening up of more outlets for gas supply and the completion of work on transmission lines has relieved congestion and improved energy prices in the East.

Power's primary market at PJM has also experienced an improvement in capacity prices. In May of this year, PJM announced the results of the RPM capacity auction for the 2020 and 2021 delivery year. Power cleared approximately 7,800 megawatts of its generating capacity at an average price of $174 per megawatt day. The average price received by Power was higher than prior auctions and continues to represent a premium to the price for capacity in the RTO.

However, the number of megawatts, which cleared the auction declined from the amount we have cleared in the past. Our results reflect the higher price resulting from the increased risk in the market associated with PJM's move to 100% capacity performance requirements and the absence of available capacity to meet emergency situations following the retirement of Hudson and Mercer. The results of the latest auction provides stability in Power's capacity revenue through calendar year 2020.

The energy markets, on the other hand, continue to be impacted by flat demand and excess capacity, which has hurt the return on our base load resources as the average price in energy hedges declined. Power continues to advocate for policies at the federal level that would correct flaws in the wholesale market design that suppressed prices and provide adequate recognition of the value that fuel diversity brings to a competitive wholesale market.

We believe that state action is also critical and can be done in a way that both maintains the integrity of the wholesale market and serves as a bridge until a regional or federal solution is in place. A strong legal foundation for state action appears to have been set with recent district court rulings upholding the legislative and regulatory actions in Illinois and New York.

We continue to educate stakeholders at the state level about the need to preserve the diversity and resiliency of our electric generating mix. Successful execution of PSEG's key policy and regulatory initiatives would ensure the company's ability to provide customers with the service, reliability and resiliency they want and need at an affordable price in today's technologically advanced society.

Our non-GAAP operating earnings for the first half of 2017 are solidly within our outlook for the full year. So we are maintaining our guidance for 2017's non-GAAP operating earnings of $2.80 to $3 per share. We expect the growth prospects of PSE&G, the reconfiguration of our merchant generating fleet and successful execution of our policy initiatives will allow PSEG to extend its track record of delivering value for our customers and growth for our shareholders, while we maintain a strong balance sheet and credit metrics.

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With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Thank you, Ralph, and thanks, everybody, for joining us today. As Ralph said, PSEG reported non-GAAP operating earnings for the second quarter of 2017 of $0.62 per share versus non-GAAP operating earnings of $0.57 per share in last year's second quarter. And a reconciliation of non-GAAP operating earnings to net income for the quarter can be found on Slide 4.

We've also provided you with a waterfall chart on Slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business. And a similar chart on Slide 13, which provides you the changes in non-GAAP operating earnings on a year-to-date basis.

I'll now review each company in more detail starting with PSE&G. PSE&G reported net income for the second quarter of 2017 of $0.41 per share compared with $0.35 per share for the second quarter of 2016. And results for the quarter are shown on Slide 15.

PSE&G's operating results for the second quarter reflect the benefits of revenue growth associated with its expanded investment and the continued control of growth and operating expenses. Growth in PSE&G's investment in transmission improved second quarter net income comparisons by $0.04 per share. And revenue recovery from investments made to enhance system resiliency under the energy's strong and Gas System Modernization Program's, GSMP, drove improved margin and second quarter net income comparisons by $0.02 per share. And an increase in depreciation expenses offset by a reduction in O&M and other expenses.

Recall that transmission revenues are adjusted each year to reflect an update of the company's investment program. PSE&G's investment in transmission is expected to grow to represent approximately $7.6 billion of rate base at the end of 2017, which will be 45% of the company's year-end consolidated rate base.

Under Energy Strong, electric rates are adjusted 2 times during the year in March and September and gas rates are adjusted each year in September. Under the Gas System Modernization Program, gas rates are adjusted each year in January to reflect the investment made during the prior year. The combined annual revenue increase in 2017 from these programs is forecasted to be approximately $56 million.

Economic conditions in New Jersey continue to show steady growth, particularly in the level of employment. On a trailing 12-month basis, weather-normalized electric sales were flat year-over-year, due to the impact of increased efficiency in solar net metering, which offset customer growth. Gas sales on the same basis were slightly higher with growth in demand from the commercial sector.

PSE&G has had significant advances on a number of fronts. As mentioned by Ralph, the company filed earlier this week for an extension of the Gas System Modernization Program. This program, which calls for an average investment of $540 million per year, would accelerate the pace of replacement of aging cast-iron and unprotected steel mains to 250 miles per year from the current GSMP pace of 170 miles per year.

In addition, PSE&G reached an agreement in principle with BPU staff and rate council, which provides for a $69 million increase in the company's investment in energy efficiency equipment for hospitals and multi-family housing as well as for new residential energy efficiency offerings for smart thermostats and data analytics. The agreement calls for a 9.75% allowed ROE and is subject to review by the BPU in the near future.

PSE&G continues to advance its 5-year $12.3 billion program in transmission and distribution and continues to identify incremental investments. We expect to see growth in rate base through 2021 of 7% to 9% per year. Assumed within that $12.3 billion capital program is the extension of our existing GSMP program at the current rate of $300 million per year. Our filing yesterday reflecting investment of $540 million per year would increase our forecast capital program by investments made in excess of that $300 million per year amount. These important service quality-related initiatives builds confidence in PSE&G's ability to expand its growth through its 5-year capital cycle.

Based on results for the first half of the year, the forecast of PSE&G's net income for 2017 remains unchanged at $945 million to $985 million.

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Now let's turn to power. PSEG Power reported a net loss for the quarter of $97 million or $0.19 per share compared with a net loss of $11 million or $0.02 per share for the year ago quarter. Non-GAAP operating earnings was $0.19 per share and non-GAAP adjusted EBITDA was $261 million in the quarter compared with non-GAAP operating earnings of $0.18 per share and non-GAAP adjusted EBITDA of $250 million for the second quarter of 2016.

Non-GAAP adjusted EBITDA excludes the same items as our nonstop operating earnings measure as well as income tax expense, interest expense and depreciation and amortization. The earnings release on Slide 20 provide you with a detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter.

We've also provided you with more details on generation for the quarter and the first half of the year on Slides 21 and 22. Power's non-GAAP operating results for the second quarter of 2017 reflect the benefit of ongoing programs to reduce operating expenses and an increase in output, which offset a decline in average energy hedge prices.

PSEG Power's net loss for the second quarter reflects the impact of incremental depreciation and other expenses of $387 million pretax associated with the June 1, 2017, retirement of the Hudson and Mercer coal-fired generating stations. This incremental depreciation expense associated with the retirement of these units is now complete and will not continue into the second half of the year.

An increase in capacity prices in both PJM and New England on June 1 for the 2017-2018 energy year improved quarter-over-quarter non-GAAP operating earnings by $0.01 per share. Growth in output improved second quarter non-GAAP operating earnings comparisons by $0.01 per share.

A reduction in O&M associated with fewer nuclear and fossil unit outage-related days in the quarter, and the June 1 retirement of the Hudson and Mercer coal stations improved non-GAAP operating earnings by $0.02 per share. A decline in the average price received on energy hedges reduced non-GAAP operating earnings by $0.03 per share. And an increase in depreciation expense was offset by a decline in interest expense.

Power's O&M for the remainder of 2017 is expected to compare favorably against 2016, and this reflects the absence of a refueling outage at Power's 100% owned Hope Creek Nuclear Station, a decline in major maintenance expense of the fossil stations and, of course, the retirement of Hudson and Mercer coal-fired generating stations.

Now let's turn to Power's operations. Output of Power's generating facilities increased 4% in the second quarter. The improvement reflects a 30-day reduction in nuclear refueling outage days in 2017 relative to the year-ago quarter, which improved the nuclear fleet's capacity factor to 89.6% from 82.7%.

And you may recall Salem 1 underwent an extended refueling outage in 2016 to inspect and replace that unit's baffle bolts. The outage lasted through the month of July, and the work requiring -- the work required during Salem 2's recent refueling outage to inspect and replace baffle bolts was less extensive and has been completed. And no further work associated with this issue at Salem is currently contemplated.

An increase in the price of gas improved the economic competitiveness of our base load coal fleet during the quarter. And during the quarter, that fleet saw an improvement in its capacity factor to 32.6% from 18.4%. Conversely, the gas-fired CCGT fleet operated at an average capacity factor of 55.3% versus 62.3% last year.

As we indicated earlier this year, we experienced a more modest decline in our hedged energy pricing in the second quarter than in the first quarter, as weather-related risk has not been priced into the market to the same extent as was experienced in prior years.

Gas prices have improved year-over-year, but we have not seen a similar improvement in Power prices, which has led to a compression in Western hub spark spreads. In the PS zone, spark spreads have held up relative to what we experienced a year ago with an improvement in basis.

Power continues to forecast output of 49 to 50 terawatt hours for 2017, and approximately 90% of production for the remainder of the year is hedged at an average price of $46 per megawatt hour. Power has hedged approximately 65% to 70% of 2018's forecast production of 52 to 54 terawatt hours at an average price of $41 per megawatt hour.

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And for 2019, Power has hedged 25% to 30% of forecast production of 58 to 60 terawatt hours at an average price of $41 per megawatt hour. Power continues to assume deliveries in 2017 under the basic generation service, or BGS contract, will represent approximately 11 terawatt hours of hedged volume.

The forecast increase in output in both '18 and '19 reflects the commercial start-up in mid-'18 of 1,300 megawatts of gas-fired combined cycle capacity at the Keys Energy Center in Maryland and the Sewaren facility in New Jersey and the mid-2019 commercial start-up of the 485-megawatt gas-fired combined cycle generation unit in Bridgeport Harbor, Connecticut.

Our forecast of Power's full year 2017 non-GAAP operating earnings remains unchanged at $435 million to $510 million, and the forecast represents non-GAAP adjusted EBITDA of $1,080,000,000 to $1,210,000,000.

Now turning to PSEG Enterprise and other. We reported a net loss of $2 million for the second quarter of 2017 versus net income of $19 million or $0.04 per share for the second quarter of 2016. Non-GAAP operating earnings for the second quarter of 2017 were $11 million or $0.02 per share compared to $19 million or $0.04 per share for the second quarter of 2016. The net loss for the second quarter includes a pretax charge of $22 million related to ongoing liquidity challenges facing energy arena and deterioration of market conditions affecting the residual value of the leverage leased portfolio. The decrease in non-GAAP operating earnings quarter-over-quarter reflects the absence of certain tax-related items at PSEG Energy Holdings and higher parent interest expense.

Lastly, discussing our financial position, our financial position remains strong. Moody's recent upgrade of PSEG's senior unsecured rating to Baa1 stable from Baa2 positive a test to the strength of the balance sheet and the changing composition of earnings with PSE&G forecast represent 2/3 of 2017's non-GAAP operating earnings.

PSEG closed the quarter ended June 30, 2017, with $430 million of cash on its balance sheet with debt representing 49% of consolidated capital. PSEG Power's debt at the end of the quarter represented 31% of its capitalization providing a debt-to-EBITDA ratio of 2.1x at the midpoint of 2017's powered non-GAAP adjusted EBITDA forecasts.

As Ralph mentioned, we are maintaining our forecast of operating earnings for the full year at $2.80 to $3 per share.

And Jamie, we are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question is with Neel Mitra with Tudor, Pickering.

Neel Mitra - *Tudor, Pickering, Holt & Co. Securities, Inc., Research Division - Director, Utilities and Power Research*

I was wondering if you could comment on the dispute against the Transmission ROE, I believe the 11.68% base level. And then basically, how was it redacted, how that process went? And if you anticipate any complaints in the future, or how we should kind of interpret that?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Neel, I mean, 3 New Jersey towns did file and then they withdrew a couple of weeks later. We're not at liberty to disclose anything other than that, as you know. Large customers always can challenge a lot of ROEs, but at this point, those are the only attempts we've had.

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Operator

The next question is from Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

The -- Ralph, I missed a little bit of this. I think you made some generic comments about support for nuclear-friendly market reforms and legislation. I'm curious whether you could just give us an insight into what you believe the prospects might be for moving something like that in New Jersey this fall. And also, what you're -- from your perspective, what is the most effective format for something like that to take?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, I don't want to predict any kind of timing stuff, Jonathan. But I did comment that the court decisions, when they came out of Illinois and New York, the federal districts relative -- relevant to the states. Yes, I've solidified the fact that the states have the ability to act in these matters, and that's good news. We have been maintaining, this is both a local and national issue, and it's good to see that it's getting national attention. But the problem, according to the forward price curve, is at New Jersey's doorstep, there's no denying it. So we've continued an education campaign, and I'm pleased that actually in those conversations, we've received just about, not exactly, but just about universal support for the continued operation of those plants. But we're going to work at all levels, primarily at the state, but also at PJM and at FERC to do what we can to just make sure those plants are continuing their operation, that they don't prematurely retire, and they do so with economics that are satisfactory to customers and shareholders. So we don't have specific solutions. We just -- really, right now, are in a kind of education mode. And we're pleased with the kind of feedback we're getting.

Operator

The next question is from the line of Praful Mehta with Citigroup.

Praful Mehta - *Citigroup Inc, Research Division - Director*

So I wanted to follow up little bit on the strategic direction, I guess. And we've talked about this before, but with ZEC and design discussion happening in New Jersey, obviously, something around the nuclear support, how do you think about strategic direction affect power. And also given what IPPs are going through in terms of number of them either merging or going private, how do you see the long-term vision of this business? Do you still see separation as a possibility? Or now you're thinking of it more as an integrated platform?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So , Praful, if you -- I think the best way to look at strategic direction is to look at how we're allocating our investment dollars. And if you look back over the past 10 years, you probably see a 75%, 25% split utility PSEG Power. And if you look ahead 5 years, that's ratio has changed a little bit, now it's 82% PSE&G at the Utility and 18% at Power. So the strength of the company and its growth is clearly at PSE&G, but we are not making VCRs or buggy whips, right? We're producing electricity and power, and people still need that. So we're constantly optimizing that portfolio. We retired 4,000 megawatts of uncompetitive assets. We're now building 1,800 megawatts of competitive assets, and we're warning people about 3,500 megawatts that are at some parallel that actually is a greater parallel to the customer and policymakers than it is to our shareholders, that being nuclear. If there is a strategic opportunity to do something different, we'll entertain it. But right now, we are quite happy with the cash being generated by Power and the Utility's ability to deploy it very, very productively, which gives us a extremely healthy balance sheet, one that the rating agencies are looking more favorably upon, and robust growth of the utility without any need for additional equity and solid support for a dividend that continuously grow at 4% a year. So we're in a good place.

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Operator

The next question is from Paul Patterson with Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

On the new rules at the BPU that they've filed with the New Jersey -- or they're going to file with the New Jersey register, I was wondering if you could just -- is there any flavor you can give us in terms of what that means quantitatively in terms of earnings or where your CapEx prospects or what have you?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

So Paul, I don't think of it necessarily as an increase or a decrease in earnings prospects. I think of it as greater predictability of those earnings. So, for example, we talk about GSMP and the extension we're filing, that we filed yesterday. And the reality is that our filing followed those proposed new rules, so that makes life a little bit simpler in terms of discussion. But think about this for a second. GSMP 2 is a bit of a misnomer. We could just have easily have called it GSMP 4 or 5, because it's prior incarnation, it was called Capital Infrastructure Program and then it was called Capital Infrastructure Program 2. And then it was the gas improvement within Energy Strong. And so we've had great dialogue with the board staff, and consistent recognition of the need to replace this aging infrastructure. But it's been going on in 18-month increments and more recently, in 36-month increments. And from an operational point-of-view, it just makes life difficult. And I think the board realized it. Okay, we've got 100 years. And we got down to 30 years and then hopefully, get down to 20 years of this pipe that needs to be replaced. Why are we doing this in such small increments? So as you can see, we filed for a 9.75% on the GSMP program. It's similar to what -- it's exactly the same as what we've been getting in other programs. The mechanism is what's anticipating in the rule, in the proposed rule. So it's not a question of how much or how much more, how much less the earnings will be, but just greater predictability, greater clarity, longer duration.

Operator

The next question is from Michael Lapides with Goldman Sachs.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

An easy one. Just trying to think about PSE&G's capital spending over the next 3 to 4 years, 3 to 5 years, and a little bit what's changed since your March Analyst Conference. If I go back and look at, like, that Slide 13, I think, or one of the other CapEx slides, how should we think about how different the CapEx level is today going forward, for the next few years versus what you discussed 3 or 4, or 4 or 5 months ago?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Michael, this is Dan. I don't think about it as being very dramatically different. I think that one of the things that we sought to address and as we talked about at 7% to 9% rate base growth and identifying things that weren't necessarily in the base plan. But we're on our radar screen to layer into the back end of the plan because of the nature of how we put forth our capital plan based upon what we know. I think what you've seen is very, very consistent with that. As we moved from a 7% rate base CAGR over 5 years and targeted a 9% rate base CAGR, one of the things we identified to be able to fill that gap was energy efficiency. And we talked today about $69 million being approved for energy efficiency. Another is GSMP and embedded within our base plan was $300 million a year on GSMP, which is the consistent run rate, but we thought that we could expand that. And we talked about maybe another $100 million or more that we could put into that plan to be able to get us from 7% to 9%. And what you saw us file is very consistent with that. So I don't think that I would describe the capital plan as being very different. I think I would describe it as executing on the upsides that we saw within it and being able to achieve the higher end of that range. And we will continue to look for opportunities to do exactly that same thing.

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Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Okay. But if I go back and look at the Analyst Day deck, and I think it was actually Slide 15, that's maybe the most appropriate one or so. It kind of showed a role-off or rolldown of CapEx from close to $3.5 billion at E&G this year, going to $2.5 billion or even less in '18 and beyond. Do you still think you're at that $2.5 billion level in '18 and beyond? Or do you think the run rate might look a little bit more something closer to the 2017 level?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Well, I think I would say that directionally, it's not inconsistent with how we have talked about it in the past. And as we step forward into these years, we have been able to find appropriate investments for -- that the system needs to have done. And as we stepped through time, that number has tended to grow. So 2017 is a high year for us with respect to capital. But I do think what we represented then through some historical data and how the years have progressed through time, and what we anticipated on a go-forward basis was an opportunity to grow that capital program. And I think that's what we conveyed then. And I think we still believe that now.

Operator

(Operator Instructions) The next question is from Steven Fleishman with Wolfe Research.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

The -- you talked about the different avenues that you're watching with -- for your nuclear generation state, but also PJM and FERC. Could you focus a little bit on the PJM, FERC and DOE side and just kind of how much progress do you think is occurring there? And really, can they do enough, I guess?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So I think if you look at DOE first, it's just good that from a policy point-of-view, DOE recognizes a challenge with base load generation and fuel diversity. As you know, Steve, they don't have day-to-day regulatory authority, they have some emergency powers and various things of that sort. But most of the attention, I think, needs at the -- at our -- from our point-of-view to be at FERC and PJM. And there, we've been talking about price formation for quite some time. The recent PJM proposals on how to deal with inflexible units is potentially quite helpful to the market, overall, in terms of the missing money issue associated with the fixed cost component of energy that's -- that is not recovered as clearly the market design is to drive towards short-run variable cost. I think that could benefit all Power generators from a point-of-view of more accurate pricing. This bifurcated capacity marker or different approaches to the capacity market could also be helpful in terms of mitigated units. At the end of the day, there are some policy objectives that states and others have sought to pursue typically environmental, but it may be resiliency policy objectives that unless they're explicitly targeted by FERC and PJM, states will continue to reserve that right to go forward. So I guess what I'm saying is that, we're encouraged by the reception at DOE and the administration at the importance of these reliability, national security, fuel diversity issues. It's going to be up to FERC to translate that into a price. And there was a recognition that price formation has not delivered on the workshops of 2 years ago all the benefits it can. What is missing in everything I just described at the national levels of price on carbonate. We don't anticipate that being made explicit in the near term, and that's probably going to be the domain that states will continue to probably add incremental value in terms of the environmental benefit. So to me at least, Steve, as I've said, we're not shy from retiring plants. Hopefully, we've proved that. But in the case of nuclear, that's a state, local and national disaster in the making. And we're just working double time everywhere we can to point that out to people that this is something that they don't want to let happen and then say 5 years or 10 years from now, "Oops, what were we thinking."

Operator

(Operator Instructions) Your next question is from Jonathan Arnold with Deutsche Bank.

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SI-SSA-0015-13807

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Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

At the Analyst Day, in addition to the incremental items you've added, you had the expansion of ESMP or a continuation. Is that still something you see as possible? What should we be thinking around timing there, size wise? Anything you can give us on that?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. Sure, Jonathan. So that one was more of a fourth quarter event of this year. It will be after the rate case is filed. The rate case won't be over by then. You should think of that in terms of balance of Energy Strong. If you remember, back to Energy Strong, we asked for close to $3 billion. And because we have never done anything like that before, the board staff suggested that we just do the most critical components first and see how it goes. The board then actually hired a third party consultant to oversee our work, and that's gone a very, very well. So I would say it could be an additional $200 million to $300 million per year nominally in terms of electric system modernization that we would be filing in Q4. Well, probably in Q1 of next year, file our large, much, much larger energy efficiency program. So there's no shortage of things that need to be done to continue the aging infrastructure replacement for further enhancement of the grid and now it's by the energy-efficient to help those participating customers control their bill.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Would that be a 5-year-type program, Ralph, or $200 million to $300 million...

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

You should expect in all of these cases, we will comply with the infrastructure program rule -- proposed rule. Stumbling on my words there. So yes, it would be a 5-year for the current proposal.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. So you would -- we may see more about that in 4Q.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, you will.

Daniel Frederick Ford - *Barclays PLC, Research Division - MD and Head of United States Utilities Equity Research*

May I just ask one other thing, while I'm on?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure.

Jonathan Philip Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

You're up 4% in the first half. Your guidance is still midpoint. It's kind of a flat year. Are there other specific drivers in the second half that you can point us to that would sort of tamper things back down.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

There's 2 things going on. Number one is that I think with only 1 year being the exception that we changed our numbers after Q2, it's also 72 degrees in New Jersey today on July 28. So the third quarter, while not a big pricing event for Power, is still a big volume event for Power. And Dan is waving at me. He may want to add to that.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think just -- the last year, there was a little bit of tax help that we saw towards the end of the year that we may not end up seeing for this year. So that and just some of the pricing in what we'll see over the summer. And we talk a little bit within the prepared remarks about how hedged prices are coming down. So I would point to that and some tax help we got at the end of last year.

Operator

The next question is from Travis Miller with Morningstar.

Travis Miller - *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

I was wondering if we look out a few years, and if you get the nuclear support that you're thinking about wherever that comes from, what would you think about uprates and investments in uprates at your existing plant?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So Travis, good morning. We are actually looking at a very modest uprate at -- Hope Creek. Yes.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

I'm pretty sure it's Hope Creek.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

And it's mostly -- I don't mean to diminish this, a paper exercise, it's the way in which one can measure, monitor and calculate operational risk associated with different operating parameters. So the risk of stating the obvious, you're not going to see any major equipment investments at the same time that I'm talking about the forward price curve coming down and putting tremendous economic pressure on the plants. But to the extent that we have the same staffing levels and the same overhead cost and we can squeeze out a couple more megawatts by doing better probabilistic risk assessment, we're going to do that. We do have a couple of uprates going on in our fossil plants that we've announced in the past, at both our Bergen and our Bethlehem plants, and those are more -- a bit more meaningful in terms of their size. But at the nuclear plants right now, Salem and Hope Creek, We're just looking at Hope Creek, and it's about 18 megawatts, I think, is the exact number.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, that's right. And so the incremental benefit that you would get versus the incremental cost is very favorable, given the fact that you have the base plant running as Ralph mentioned.

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Travis Miller - *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

Sure. Okay. Good uprates and promises to expand nuclear power, could that you think considerably be part of some kind of negotiation at state legislative level?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So from the point-of-view that, as we just tried to suggest that getting a few more megawatt hours without increasing the cost is helpful. Let me be 1,000% clear, we are working our tails off to make sure we don't need any help from anybody, right? I mean, we -- the most important thing is to control what we can control and make sure we run those plants as well as we can, as at lower cost structures as we can so they're -- so that even with the flaws in the market, they can still win. And if that means pay for uprates, then we'll do that. If it means more staff optimization, we'll do that. And so that's job #1, 2 and 3. I -- the comment I made before about near universal desires to see those plants operate is accurate. Obviously, our competitors don't want to see those plants operate, and that's a very rational position on their part. But I don't think that we get the same universal reaction to new nuclear or building additional plants, and not that we would even consider that in the current gas price environment. So I think to the extent that getting more out of the plants is something that helps make them more competitive, the answer is yes. But no one has talked to us about, well build another plant and we'll let you keep these running. I mean that's not part of anybody's calculus right now.

Operator

Mr. Izzo, Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Jamie. So thanks, everyone, for joining us. And hope you -- we genuinely hope you're as pleased as we are with the results we've had year-to-date. And also, hope you are as encouraged as we are with the growth prospects that we have anchored by the Utility with programs, such as GSMP. As Dan said, it was just a few months ago, we thought that was probably going to be a $300 million year program and maybe winding down in '19. And now we have some good hopes that it could be a $500 million-plus program and have 5 years of life after '19. So as always, Kathleen and Carlotta and the rest of the team are available to you for follow-up.

And with that, I'll just wish a very happy and pleasant rest of the summer. And we'll see you, I'm sure, at various different venues. Thanks, everyone. Take care.

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PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager – Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2017 SECOND QUARTER RESULTS

NET INCOME OF $0.22 Per Share

Non-GAAP Operating Earnings of $0.62 Per Share

Re-Affirms 2017 Non-GAAP Operating Earnings Guidance of $2.80 - $3.00 Per Share

July 28, 2017 (Newark, NJ) (NYSE:PEG) Public Service Enterprise Group (PSEG) reported second quarter 2017 Net Income of $109 million or $0.22 per share as compared to Net Income of $187 million or $0.37 per share reported for the second quarter of 2016. Non-GAAP Operating Earnings for the second quarter of 2017 were $316 million or $0.62 per share as compared to Non-GAAP Operating Earnings for the second quarter of 2016 of $289 million or $0.57 per share. Net Income for the second quarter of 2017 was affected by accelerated depreciation associated with the June 1, 2017 retirement of the Hudson and Mercer coal/gas generating stations.

Ralph Izzo, Chairman, President and Chief Executive Officer said "PSEG's second quarter earnings demonstrate the benefits of our utility investment program and adherence to operating efficiently. We remain committed to providing customers with affordable and resilient energy in a manner that also provides investors with strong, sustainable returns on capital. That commitment includes improving New Jersey's aging infrastructure, as evidenced by our filing yesterday of a 5-year $2.7 billion extension of our Gas System Modernization Program."

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the previously noted Hudson and Mercer retirements.

The table below provides a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the second quarter. See Attachment 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED EARNINGS (unaudited)
Second Quarter Comparative Results
2017 and 2016

	Income ($ millions)		Diluted Earnings Per Share	
	2017	**2016**	**2017**	**2016**
Net Income	$109	$187	$0.22	$0.37
Reconciling Items*	207	102	0.40	0.20
Non-GAAP Operating Earnings	$316	$289	$0.62	$0.57
		Avg. Shares	507M	508M

*See Attachment 11

GUIDANCE

Ralph Izzo went on to say, "We generated strong financial results in the first half of the year, and we are maintaining our non-GAAP Operating Earnings guidance for 2017 of $2.80 - $3.00 per share."

Non-GAAP Operating Earnings guidance by company for the full year remains unchanged:

2017 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	2017E
PSE&G	$945 - $985
PSEG Power	$435 - $510
PSEG Enterprise/Other	$35 - $35
Non-GAAP Operating Earnings	$1,415 - $1,530
Non-GAAP EPS	$2.80 - $3.00

E: Estimate

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 5 and 6 for detail regarding earnings reconciliations for 2017's second quarter and year-to-date for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $208 million ($0.41 per share) for the second quarter of 2017 compared with Net Income of $179 million ($0.35 per share) for the second quarter of 2016.

PSE&G's results for the second quarter reflect the benefits of its expanded investment program and regulatory mechanisms providing for recovery of costs and continued control of growth in operating expenses.

Growth in PSE&G's investment in transmission improved second quarter Net Income comparisons by $0.04 per share. Investments made to enhance system resiliency under the Energy Strong and Gas System Modernization Program (GSMP) drove improved margin and second quarter Net Income comparisons by $0.02 per share. An increase in depreciation expense was offset by a reduction in O&M and other expenses.

Economic conditions in New Jersey continue to show steady improvement, particularly in the level of employment. The impact on electric revenue in the quarter from weather was favorable given warmer than normal conditions which conversely reduced gas sales early in the quarter. On a weather-normalized basis, electric and gas sales declined modestly. On a trailing twelve month basis, weather-normalized electric sales increased 0.1% year-over-year. Gas sales, on the same basis, increased 0.4% with growth in demand from the commercial sector.

PSE&G has had significant advances on a number of fronts. The company filed for an extension of the Gas System Modernization Program. PSE&G is proposing to invest up to $540 million per year for five years beginning in 2019. This program would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated services. The filing is consistent with the draft regulations that the NJ Board of Public Utilities (BPU) issued in June 2017 regarding infrastructure investment programs.

PSE&G reached an agreement in principle with BPU Staff and Rate Counsel related to its proposed extension of its investment in Energy Efficiency. PSE&G would invest $69 million (more than 90% of its original request) in energy efficiency equipment for hospitals, multi-family housing and other sectors as well as provide for new residential energy efficiency offerings for smart thermostats and data analytics. This agreement is subject to review by the BPU.

PSE&G continues to progress towards its 2017 plan to invest $3.4 billion in transmission and distribution infrastructure upgrades.

The forecast of PSE&G's Net Income for 2017 remains unchanged at $945 - $985 million.

PSEG Power

PSEG Power reported a Net Loss of $97 million ($0.19 per share) for the second quarter of 2017 and non-GAAP Adjusted EBITDA of $261 million compared with a Net Loss of $11 million ($0.02 per share) and non-GAAP Adjusted EBITDA of $250 million for the second quarter of 2016. Non-GAAP Operating Earnings for the second quarter of 2017 were $97 million ($0.19 per share) versus $91 million ($0.18 per share) for the second quarter of 2016.

PSEG Power's Net Loss for the second quarter of 2017 reflects the impact of incremental depreciation and other expenses of $387 million, pre-tax, associated with the retirement of the Hudson and Mercer coal-fired generating stations on June 1, 2017.

Power's operating results for the second quarter reflect on-going programs to reduce operating expenses and an increase in output which offset a decline in average hedge prices.

Non-GAAP Operating Earnings in the quarter increased $0.01 per share as the result of a June 1, 2017 increase in capacity prices. Growth in output also improved second quarter non-GAAP Operating Earnings comparisons by $0.01 per share. Lower average prices on energy hedges reduced Power's non-GAAP Operating Earnings in the second quarter by $0.03 per share. A reduction in O&M associated with fewer nuclear and fossil outage related days and the June 1 retirement of Hudson and Mercer improved non-GAAP Operating Earnings by $0.02 per share. A higher level of depreciation was offset by a decline in interest expense.

Output from Power's generating stations increased 4% in the second quarter. The improvement reflects a decline in nuclear refueling outage days to 46 from 76 outage related days in the year-ago quarter. The nuclear fleet's capacity factor improved to 89.6% in the quarter from 82.7% producing 7.6 TWh of energy. Power's gas-fired CCGT fleet operated at an average capacity factor of 55.3% versus 62.3% producing 4.0 TWh of energy. An increase in the price of gas improved the competitive performance of the coal fleet. During the quarter, the coal fleet operated at an average capacity factor of 32.6% versus 18.4% producing 1.4 TWh of energy.

Power continues to forecast output for 2017 of 49 – 50 TWh. Approximately 90% of production for the remainder of the year is hedged at an average price of $46 per MWh. Power has hedged approximately 65% - 70% of its forecast production for 2018 of 52 – 54 TWh at an average price of $41 per MWh. For 2019, Power has hedged 25% - 30% of its forecast production of 58 – 60 TWh at an average price of $41 per MWh. Power continues to assume Basic Generation Service (BGS) volumes will represent approximately 11 TWh of deliveries in 2017.

The forecast increase in output in both 2018 and 2019 reflects the commercial start-up in mid-2018 of 1,300 MWs of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 MW gas-fired combined cycle generation unit in Bridgeport Harbor, Connecticut.

Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. See Attachment 12 for a complete list of items excluded from Net Income/(Loss) in the determination of non-GAAP Adjusted EBITDA. The presentation of non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income/(Loss), which is an indicator of financial performance in accordance with GAAP. In addition, non-GAAP Adjusted EBITDA

as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains(losses), for future periods due to market volatility.

The forecast range of Power's 2017 non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA are unchanged at $435 million - $510 million and $1,080 - $1,210 million, respectively.

PSEG Enterprise/Other

PSEG Enterprise/Other reported a Net Loss of $2 million for the second quarter of 2017 versus Net Income of $19 million ($0.04 per share) during the second quarter of 2016. Non-GAAP Operating Earnings for the second quarter of 2017 were $11 million ($0.02 per share) compared to $19 million ($0.04 per share) for the second quarter of 2016.

The Net Loss for the second quarter of 2017 includes a pre-tax charge of $22 million related to on-going liquidity challenges facing NRG REMA, LLC (REMA) and deterioration in market conditions affecting the residual value of the leveraged lease portfolio. The decrease in non-GAAP Operating Earnings quarter-over-quarter reflects the absence of certain tax items recorded in 2016 at PSEG Energy Holdings and higher Parent interest expense.

The forecast of PSEG Enterprise/Other non-GAAP Operating Earnings for 2017 remains unchanged at $35 million.

Financing

PSEG closed the quarter ended June 30, 2017 with $430 million of cash on its balance sheet with debt at the end of the quarter representing approximately 49% of consolidated capital.

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About PSEG:

Public Service Enterprise Group (NYSE: PEG) is a publicly traded diversified energy company with annual revenues of $9.1 billion. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

Public Service Electric and Gas Company (PSE&G) is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

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FORWARD-LOOKING STATEMENT

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended June 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,133	$ (164)	$ 1,368	$ 929
OPERATING EXPENSES				
Energy Costs	588	(281)	472	397
Operation and Maintenance	708	103	351	254
Depreciation and Amortization	641	10	166	465
Total Operating Expenses	1,937	(168)	989	1,116
OPERATING INCOME (LOSS)	196	4	379	(187)
Income from Equity Method Investments	5	-	-	5
Other Income and (Deductions)	61	1	21	39
Other-Than-Temporary Impairments	(3)	-	-	(3)
Interest Expense	(91)	(9)	(69)	(13)
INCOME (LOSS) BEFORE INCOME TAXES	168	(4)	331	(159)
Income Tax Benefit (Expense)	(59)	2	(123)	62
NET INCOME (LOSS)	**$ 109**	**$ (2)**	**$ 208**	**$ (97)**
Reconciling Items Excluded from Net Income (Loss) [b]	207	13	-	194
OPERATING EARNINGS (non-GAAP)	**$ 316**	**$ 11**	**$ 208**	**$ 97**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.22**	**$ -**	**$ 0.41**	**$ (0.19)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.40	0.02	-	0.38
OPERATING EARNINGS (non-GAAP)	**$ 0.62**	**$ 0.02**	**$ 0.41**	**$ 0.19**

Three Months Ended June 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 1,905	$ (159)	$ 1,350	$ 714
OPERATING EXPENSES				
Energy Costs	624	(286)	529	381
Operation and Maintenance	710	93	352	265
Depreciation and Amortization	224	8	136	80
Total Operating Expenses	1,558	(185)	1,017	726
OPERATING INCOME (LOSS)	347	26	333	(12)
Income from Equity Method Investments	4	-	-	4
Other Income and (Deductions)	34	-	18	16
Other-Than-Temporary Impairments	(10)	-	-	(10)
Interest Expense	(97)	(3)	(74)	(20)
INCOME (LOSS) BEFORE INCOME TAXES	278	23	277	(22)
Income Tax Benefit (Expense)	(91)	(4)	(98)	11
NET INCOME (LOSS)	**$ 187**	**$ 19**	**$ 179**	**$ (11)**
Reconciling Items Excluded from Net Income (Loss) [b]	102	-	-	102
OPERATING EARNINGS (non-GAAP)	**$ 289**	**$ 19**	**$ 179**	**$ 91**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.37**	**$ 0.04**	**$ 0.35**	**$ (0.02)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.20	-	-	0.20
OPERATING EARNINGS (non-GAAP)	**$ 0.57**	**$ 0.04**	**$ 0.35**	**$ 0.18**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Six Months Ended June 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 4,725	$ (668)	$ 3,180	$ 2,213
OPERATING EXPENSES				
Energy Costs	1,462	(867)	1,225	1,104
Operation and Maintenance	1,420	218	718	484
Depreciation and Amortization	1,469	17	337	1,115
Total Operating Expenses	4,351	(632)	2,280	2,703
OPERATING INCOME (LOSS)	374	(36)	900	(490)
Income from Equity Method Investments	8	-	-	8
Other Income and (Deductions)	122	7	45	70
Other-Than-Temporary Impairments	(4)	-	-	(4)
Interest Expense	(189)	(16)	(144)	(29)
INCOME (LOSS) BEFORE INCOME TAXES	311	(45)	801	(445)
Income Tax Benefit (Expense)	(88)	28	(294)	178
NET INCOME (LOSS)	**$ 223**	**$ (17)**	**$ 507**	**$ (267)**
Reconciling Items Excluded from Net Income (Loss) [b]	559	45	-	514
OPERATING EARNINGS (non-GAAP)	**$ 782**	**$ 28**	**$ 507**	**$ 247**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.44**	**$ (0.03)**	**$ 1.00**	**$ (0.53)**
Reconciling Items Excluded from Net Income (Loss) [b]	1.10	0.08	-	1.02
OPERATING EARNINGS (non-GAAP)	**$ 1.54**	**$ 0.05**	**$ 1.00**	**$ 0.49**

Six Months Ended June 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 4,521	$ (568)	$ 3,062	$ 2,027
OPERATING EXPENSES				
Energy Costs	1,460	(817)	1,258	1,019
Operation and Maintenance	1,439	187	734	518
Depreciation and Amortization	448	14	275	159
Total Operating Expenses	3,347	(616)	2,267	1,696
OPERATING INCOME	1,174	48	795	331
Income from Equity Method Investments	6	-	-	6
Other Income and (Deductions)	61	-	37	24
Other-Than-Temporary Impairments	(20)	-	-	(20)
Interest Expense	(189)	(5)	(142)	(42)
INCOME BEFORE INCOME TAXES	1,032	43	690	299
Income Tax Benefit (Expense)	(374)	(7)	(249)	(118)
NET INCOME	**$ 658**	**$ 36**	**$ 441**	**$ 181**
Reconciling Items Excluded from Net Income [b]	94	-	-	94
OPERATING EARNINGS (non-GAAP)	**$ 752**	**$ 36**	**$ 441**	**$ 275**
Earnings Per Share				
NET INCOME	**$ 1.30**	**$ 0.07**	**$ 0.87**	**$ 0.36**
Reconciling Items Excluded from Net Income [b]	0.18	-	-	0.18
OPERATING EARNINGS (non-GAAP)	**$ 1.48**	**$ 0.07**	**$ 0.87**	**$ 0.54**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	June 30, 2017	December 31, 2016
DEBT		
Commercial Paper and Loans	$ -	$ 388
Long-Term Debt*	12,521	11,395
Total Debt	12,521	11,783
STOCKHOLDERS' EQUITY		
Common Stock	4,929	4,936
Treasury Stock	(747)	(717)
Retained Earnings	8,962	9,174
Accumulated Other Comprehensive Loss	(226)	(263)
Total Stockholders' Equity	12,918	13,130
Total Capitalization	$ 25,439	$ 24,913

*Includes current portion of Long-Term Debt

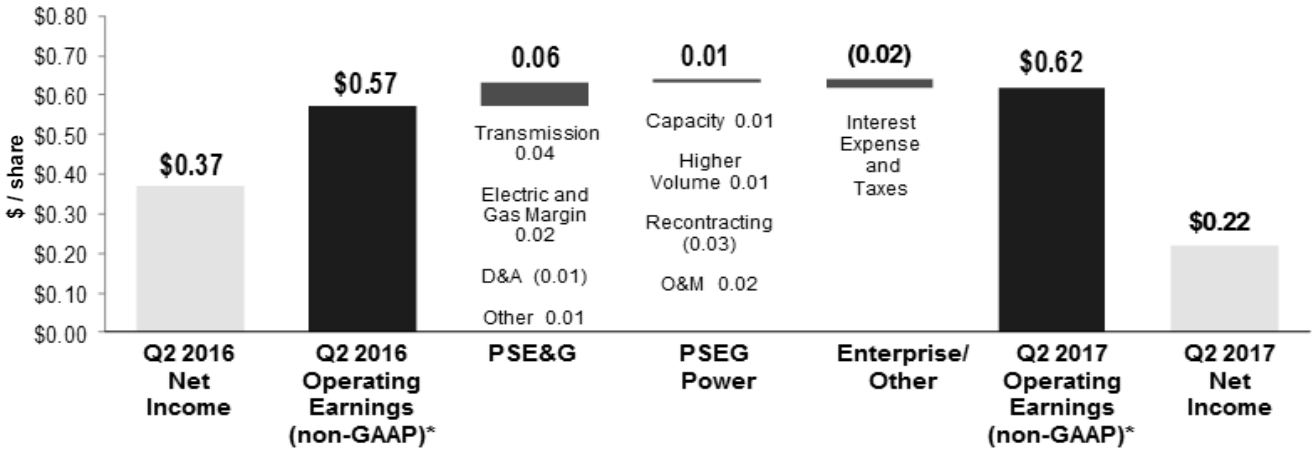
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 223	$ 658
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,533	1,064
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,756	1,722
NET CASH USED IN INVESTING ACTIVITIES	(1,989)	(2,004)
NET CASH PROVIDED BY FINANCING ACTIVITIES	240	536
Net Change in Cash and Cash Equivalents	7	254
Cash and Cash Equivalents at Beginning of Period	423	394
Cash and Cash Equivalents at End of Period	$ 430	$ 648

Attachment 5

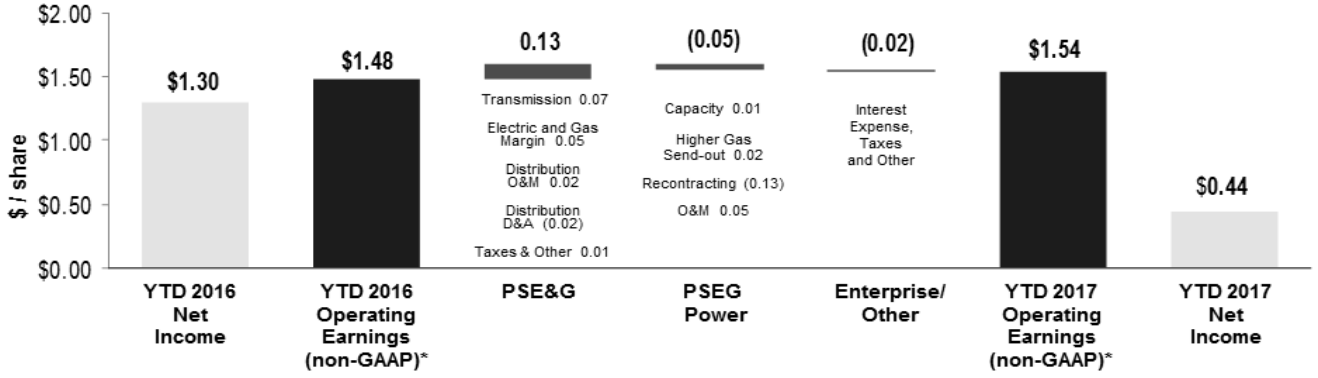
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2017 vs. June 30, 2016
(Unaudited)



* See Attachments 11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2017 vs. June 30, 2016
(Unaudited)



* See Attachments11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2017

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2016	Six Months Ended	Change vs. 2016
Residential	2,977	-0.6%	5,974	-0.3%
Commercial & Industrial	6,536	-0.8%	13,328	0.8%
Street Lighting	68	-9.2%	165	-1.6%
Interdepartmental	2	-2.3%	5	-1.6%
Total	9,583	-0.8%	19,472	0.4%
Revenue ($ millions)				
Residential	$ 449	-1.7%	$ 884	-3.0%
Commercial & Industrial	427	1.9%	786	1.3%
Street Lighting	16	-5.6%	34	-1.0%
Other Operating Revenues*	198	15.7%	378	12.4%
Total	$ 1,090	2.4%	$ 2,082	1.2%

Weather Data	Three Months Ended	Change vs. 2016	Six Months Ended	Change vs. 2016
THI Hours - Actual	4,369	15.3%	4,384	13.6%
THI Hours - Normal	4,062		4,091	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
June 30, 2017

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2016	Six Months Ended	Change vs. 2016
Firm Sales				
Residential Sales	186	-11.5%	854	-1.3%
Commercial & Industrial	150	-7.7%	595	1.0%
Total Firm Sales	**336**	**-9.8%**	**1,449**	**-0.4%**
Non-Firm Sales				
Commercial & Industrial	356	-24.5%	687	-22.4%
Total Non-Firm Sales	**356**		**687**	
Total Sales	**692**	**-18.1%**	**2,136**	**-8.7%**
Revenue ($ millions)				
Residential Sales - Firm	$ 56	-25.3%	$ 211	6.7%
Commercial & Industrial - Firm Sales	32	22.3%	162	43.7%
Non-Firm Sales	4	10.4%	15	18.7%
Other Operating Revenues**	45	2.9%	87	0.1%
Total	**$ 137**	**-7.5%**	**$ 475**	15.9%
Gas Transported	$ 141	2.5%	$ 623	4.8%

Weather Data	Three Months Ended	Change vs. 2016	Six Months Ended	Change vs. 2016
Degree Days - Actual	472	-12.5%	2,771	-1.8%
Degree Days - Normal	501		3,048	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 9

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	4,800	4,196	10,314	9,727
Nuclear - PA	2,766	2,787	5,607	5,675
Total Nuclear	**7,566**	**6,983**	**15,921**	**15,402**
Fossil - Coal/Natural Gas - NJ**	(15)	(40)	(56)	(59)
Fossil - Coal - PA	1,368	958	2,763	1,948
Fossil - Coal - CT	7	(6)	87	50
Total Coal	**1,360**	**912**	**2,794**	**1,939**
Fossil - Oil & Natural Gas - NJ	2,526	3,161	4,628	5,855
Fossil - Oil & Natural Gas - NY	1,495	1,394	2,445	2,458
Fossil - Oil & Natural Gas - CT	4	(4)	(2)	(8)
Total Oil & Natural Gas	**4,025**	**4,551**	**7,071**	**8,305**
	12,951	**12,446**	**25,786**	**25,646**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	37%	34%	40%	38%
Nuclear - PA	21%	22%	22%	22%
Total Nuclear	**58%**	**56%**	**62%**	**60%**
Fossil - Coal/Natural Gas - NJ**	0%	0%	0%	0%
Fossil - Coal - PA	11%	8%	11%	8%
Fossil - Coal - CT	0%	0%	0%	0%
Total Coal	**11%**	**8%**	**11%**	**8%**
Fossil - Oil & Natural Gas - NJ	19%	25%	18%	23%
Fossil - Oil & Natural Gas - NY	12%	11%	9%	9%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**31%**	**36%**	**27%**	**32%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and six months June 30, 2017 and 2016. Generation includes natural gas fuel switching intervals.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Weighted Average Common Shares Outstanding (millions)				
Basic	505	505	505	505
Diluted	507	508	507	508
Stock Price at End of Period			$ 43.01	$ 46.61
Dividends Paid per Share of Common Stock	$ 0.43	$ 0.41	$ 0.86	$ 0.82
Dividend Yield			4.0%	3.5%
Book Value per Common Share			$ 25.60	$ 26.38
Market Price as a Percent of Book Value			168%	177%
Total Shareholder Return	-2.1%	-0.2%	-0.1%	22.7%

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*	
	2017	*2016*	*2017*	*2016*
	($ millions, Unaudited)			
Net Income	**$ 109**	**$ 187**	**$ 223**	**$ 658**
(Gain) Loss on Nuclear Decommissioning Trust (NDT)				
Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	(36)	171	(46)	149
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(136)	(69)	(376)	(63)
Operating Earnings (non-GAAP)	**$ 316**	**$ 289**	**$ 782**	**$ 752**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	**$ 0.22**	**$ 0.37**	**$ 0.44**	**$ 1.30**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.28)	(0.14)	(0.74)	(0.12)
Operating Earnings (non-GAAP)	**$ 0.62**	**$ 0.57**	**$ 1.54**	**$ 1.48**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ (97)**	**$ (11)**	**$ (267)**	**$ 181**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8
(Gain) Loss on MTM, pre-tax [a]	(36)	171	(46)	149
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(127)	(69)	(344)	(63)
Operating Earnings (non-GAAP)	**$ 97**	**$ 91**	**$ 247**	**$ 275**
Depreciation and Amortization, pre-tax [c]	87	81	179	161
Interest Expense, pre-tax [c] [d]	12	20	28	42
Income Taxes [c]	65	58	166	181
Adjusted EBITDA (non-GAAP)	**$ 261**	**$ 250**	**$ 620**	**$ 659**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ (2)**	**$ 19**	**$ (17)**	**$ 36**
Lease Related Activity, pre-tax	22	-	77	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	(9)	-	(32)	-
Operating Earnings (non-GAAP)	**$ 11**	**$ 19**	**$ 28**	**$ 36**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group

PSEG Earnings Conference Call

2nd Quarter 2017

July 28, 2017

SI-SSA-0015-13830

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13831

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

SI-SSA-0015-13832

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

PSEG
2017 Q2 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13833

PSEG Q2 2017 – Solid financial results at both businesses

- **Second Quarter Highlights**
  - ✓ Net Income of $0.22 vs. Net Income of $0.37 per share in Q2 2016, reflecting Hudson & Mercer retirements
  - ✓ Non-GAAP Operating Earnings* of $0.62 vs. $0.57 per share in Q2 2016
  - ✓ PSE&G achieved 17% growth in Q2 earnings per share over Q2 2016 – supported by increased investment in transmission and distribution, and cost containment
  - ✓ PSEG Power results aided by continued cost control
- **Operational Excellence**
  - ✓ Nuclear fleet achieved a capacity factor of 89.6% for Q2 and 94.8% for the first-half of 2017
  - ✓ PSE&G named Smart Electric Power Alliance's (SEPA) 2017 Investor Owned Utility of the Year, recognizing PSE&G's Solar 4 All program and its leadership in landfill and brownfield solar development
- **Disciplined Capital Investment – Producing Results**
  - ✓ PSEG to invest ~$4.7 billion in 2017, consisting of ~$3.4 billion at PSE&G and ~$1.2 billion at PSEG Power
  - ✓ Regulatory & Policy Focus: New Jersey Board of Public Utilities (BPU) actions support infrastructure investment; Energy Efficiency agreement in principle reached; $2.7 billion, 5-year Gas System Modernization Program (GSMP) extension and expansion filing
  - ✓ Hudson and Mercer coal/gas generating stations retired on June 1

* See Slides A and B for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13834

PSEG Q2 Summary – GAAP EPS decline reflects Hudson & Mercer retirements

Quarter ended June 30

$ millions (except EPS)	2017	2016	Change
Net Income	$ 109	$ 187	$ (78)
Reconciling Items	207	102	105
Operating Earnings (non-GAAP)*	$ 316	$ 289	$ 27
EPS from Net Income	$ 0.22	$ 0.37	$ (0.15)
EPS from Operating Earnings (non-GAAP)*	$ 0.62	$ 0.57	$ 0.05

Non-GAAP EPS results up 9%

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13835

PSEG First Half Summary – GAAP EPS decline reflects Hudson & Mercer June 1 retirements

Six Months ended June 30

$ millions (except EPS)	2017	2016	Change
Net Income	$ 223	$ 658	$ (435)
Reconciling Items	559	94	465
Operating Earnings (non-GAAP)*	$ 782	$ 752	$ 30
EPS from Net Income	$ 0.44	$ 1.30	$ (0.86)
EPS from Operating Earnings (non-GAAP)*	$ 1.54	$ 1.48	$ 0.06

Non-GAAP EPS results up 4%

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13836

PSE&G – BPU Proposal to Incentivize Investment

Infrastructure Investment Program (IIP)

The BPU on June 30 proposed changes in regulation that would:

- Encourage and support accelerated utility investment
- Support system safety, reliability, resiliency and sustained economic growth in NJ
- Support accelerated recovery on qualifying investments, and
- Allow utility companies the option to seek approval for investment programs extending up to five years (with a base rate case within five years)

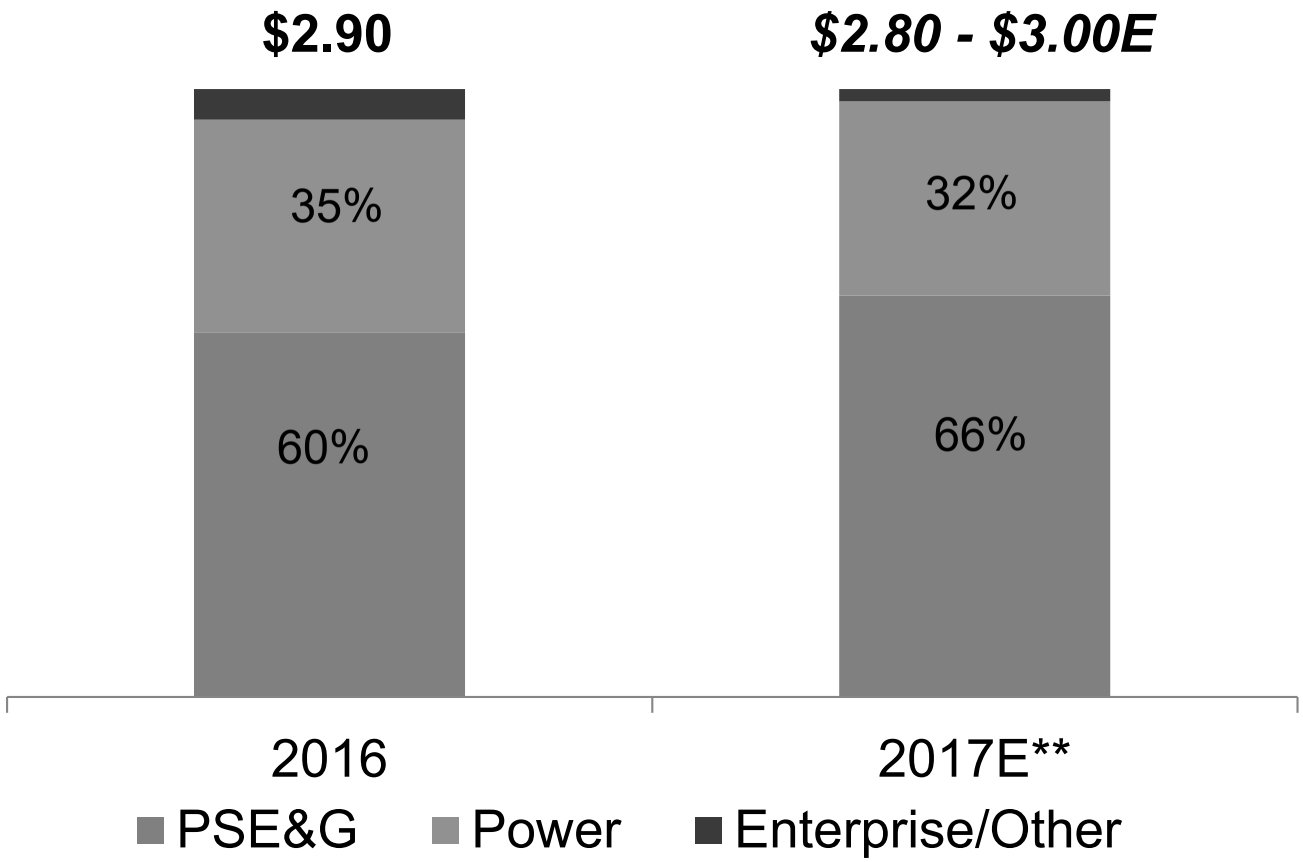
The BPU is receiving comments on the proposal, and a final order is anticipated by year-end

SI-SSA-0015-13837

PSEG - Maintaining 2017 Non-GAAP Earnings Guidance

Growth in utility infrastructure investment drives increased growth in regulated earnings contribution

Non-GAAP Operating Earnings*
Contribution by Subsidiary and 2017 Guidance



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share. E = Estimate.

SI-SSA-0015-13838

PSEG
2017 Q2 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13839

PSEG – Q2 Results by Subsidiary

PSEG Q2 EPS Summary – Quarter ended June 30

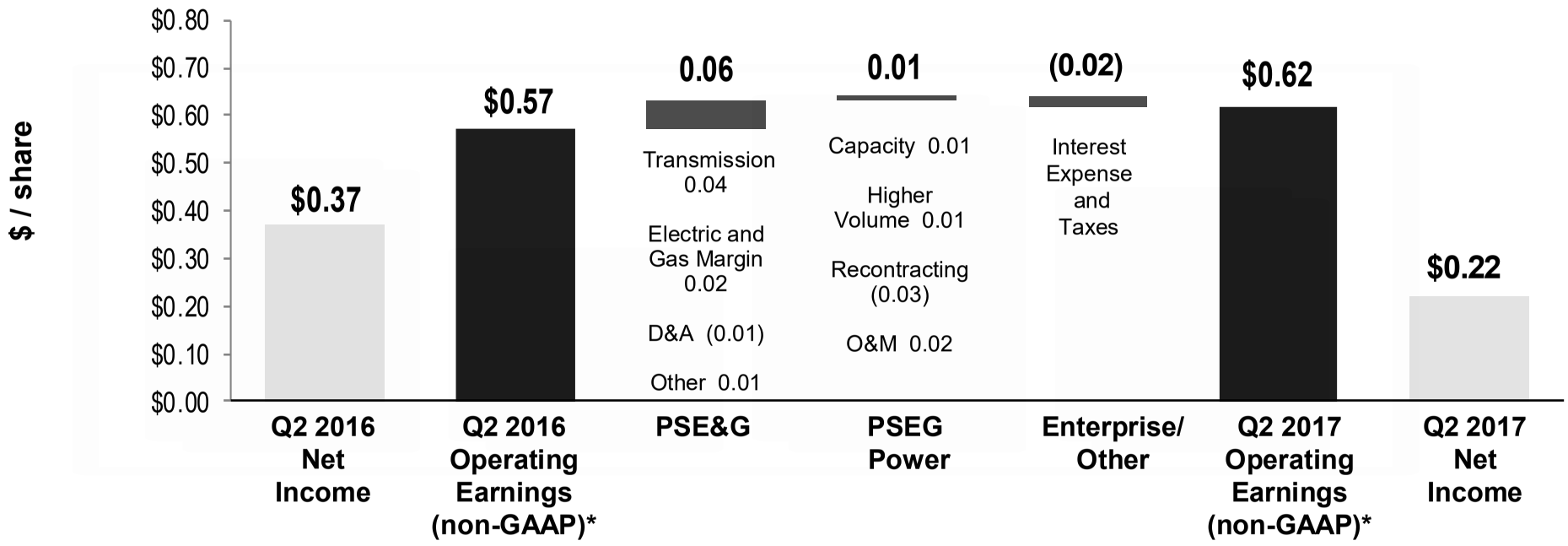
GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 0.41	$ 0.35	$ 0.06
PSEG Power	$ (0.19)	$ (0.02)	$ (0.17)
PSEG Enterprise/Other	$ 0.00	$ 0.04	$ (0.04)
Total PSEG	$ 0.22	$ 0.37	$ (0.15)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 0.41	$ 0.35	$ 0.06
PSEG Power	$ 0.19	$ 0.18	$ 0.01
PSEG Enterprise/Other	$ 0.02	$ 0.04	$ (0.02)
Total PSEG*	$ 0.62	$ 0.57	$ 0.05

*See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other.

PSEG EPS Reconciliation – Q2 2017 versus Q2 2016

Utility investment and cost control drove Q2 results



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13841

PSEG – First Half Results by Subsidiary

PSEG First Half EPS Summary – Six months ended June 30

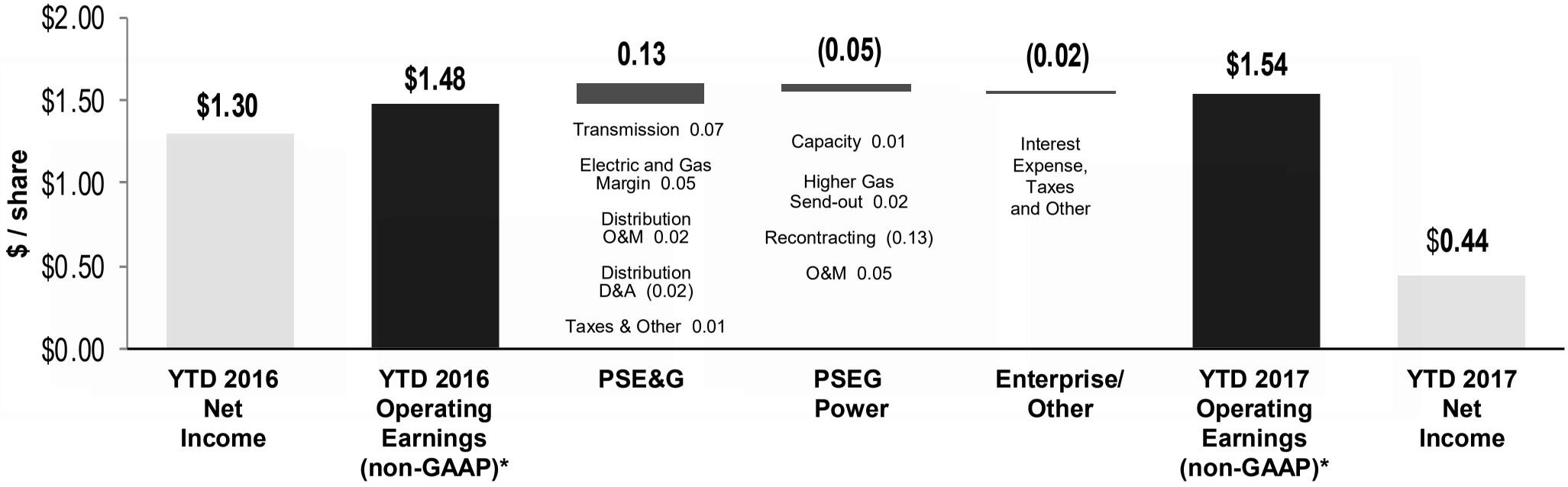
GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ (0.53)	$ 0.36	$ (0.89)
PSEG Enterprise/Other	$ (0.03)	$ 0.07	$ (0.10)
Total PSEG	$ 0.44	$ 1.30	$ (0.86)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.00	$ 0.87	$ 0.13
PSEG Power	$ 0.49	$ 0.54	$ (0.05)
PSEG Enterprise/Other	$ 0.05	$ 0.07	$ (0.02)
Total PSEG*	$ 1.54	$ 1.48	$ 0.06

*See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other.

PSEG EPS Reconciliation – First Half 2017 versus First Half 2016

Utility investment and cost control drove year-to-date growth



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

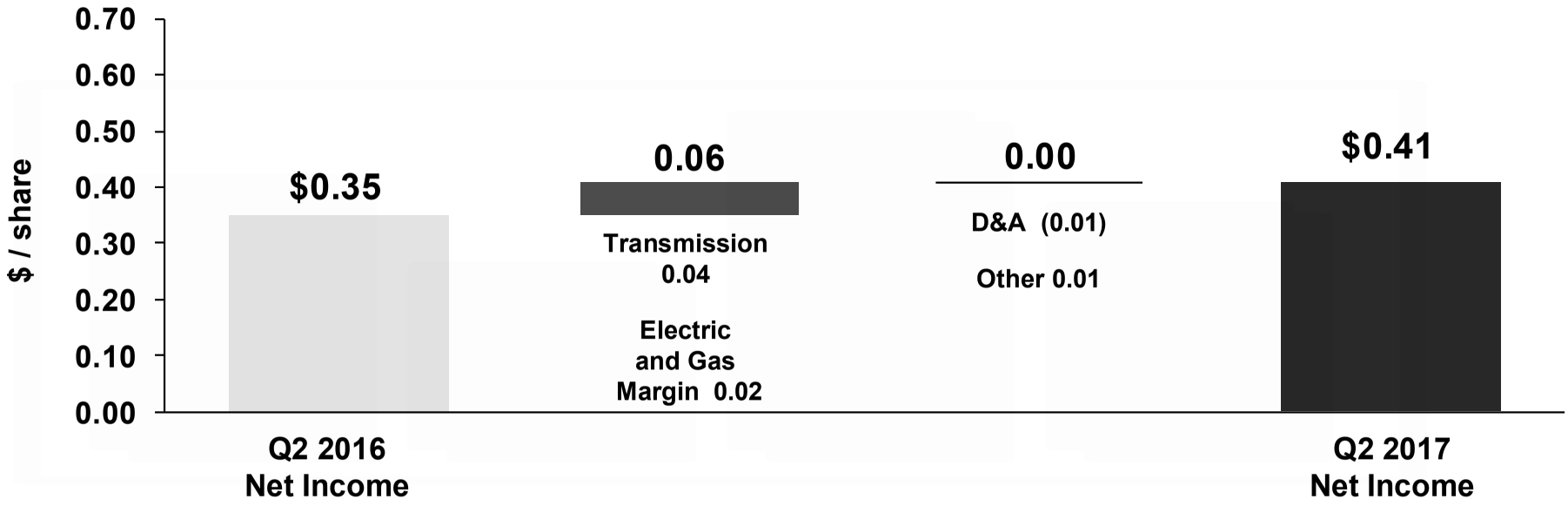
SI-SSA-0015-13843

PSE&G
2017 Q2 Review

SI-SSA-0015-13844

PSE&G EPS Reconciliation – Q2 2017 versus Q2 2016

Earnings per share rose by 17% vs. Q2 2016,
reflecting infrastructure investment

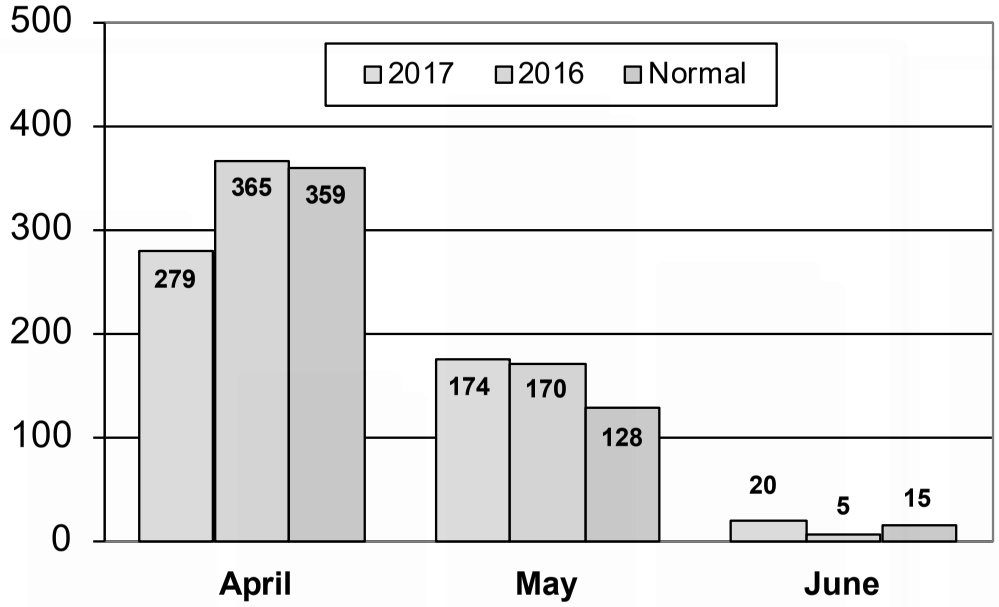


SI-SSA-0015-13845

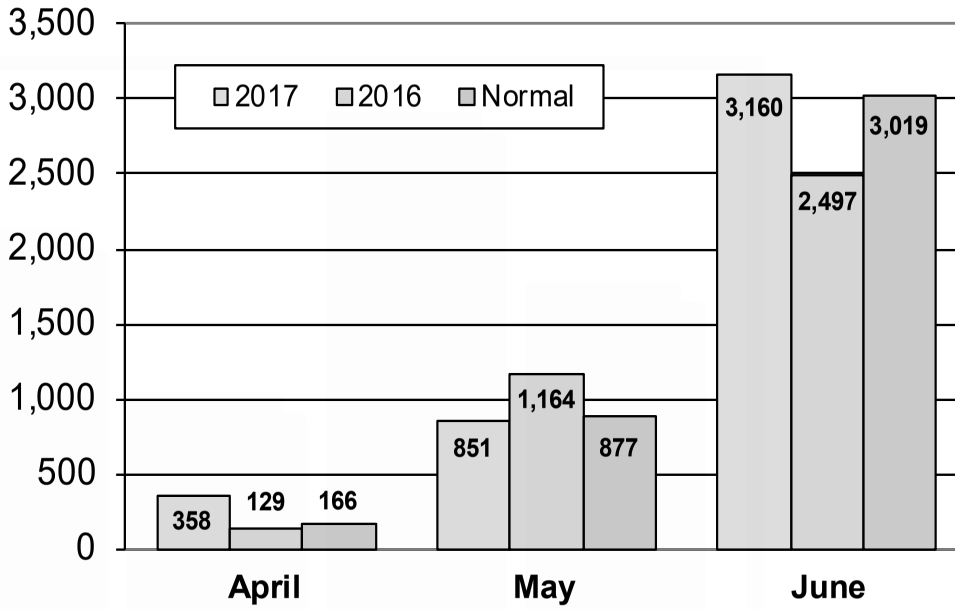
PSE&G – Q2 2017 weather had minor impact on EPS

PSE&G Monthly Weather Summary
2017 vs. 2016 vs. Normal

Monthly Heating Degree Days (HDD)



Monthly Temperature Humidity Index (THI)



Q2 2017 heating degree days were ~12% lower than Q2 2016 and ~6% lower than normal

Q2 2017 temperature-humidity index was ~15% higher than Q2 2016 and ~8% higher than normal

SI-SSA-0015-13846

PSE&G – Regulatory Agreement/Filing Support Long-term Objectives

PSE&G's recent filing to extend its Gas System Modernization Program (GSMP) and an agreement reached on its proposed Energy Efficiency investment program reinforce PSE&G's commitment to provide clean, reliable energy for its customers

Gas System Modernization Program II

In July, PSE&G filed for a 5-year extension of the GSMP which would accelerate the pace of replacement of its aging cast iron and unprotected steel mains and associated service. PSE&G is proposing to invest approximately $540 million per year, or up to $2.7 billion, over the 5-year program beginning in 2019. The filing is consistent with the draft regulations that the BPU issued in June regarding Infrastructure Investment Programs.

Energy Efficiency

In July, PSE&G reached an agreement in principle with BPU Staff and Rate Counsel related to its proposed request to extend its investment in Energy Efficiency. Under the agreement, PSE&G would invest $69 million in energy efficiency equipment for hospitals, multi-family housing and other sectors and a residential energy efficiency offering for smart thermostats and data analytics. The agreement represents more than 90% of PSE&G's request.

SI-SSA-0015-13847

PSE&G – Q2 Operating Highlights

Operations

- ✓ Total electric sales were flat on a weather normalized basis for the trailing 12 months ended June 30
- ✓ Total firm gas sales were slightly higher at 0.4% for the trailing 12 months ended June 30 due to increased commercial sales
- ✓ The first half of 2017 was the 3rd mildest in New Jersey state records with HDD ~9% below normal and ~2% lower than first-half 2016
- ✓ SEPA named PSE&G its 2017 Investor Owned Utility of the Year, recognizing its leadership in utility-scale solar development on landfill and brownfield sites

Regulatory and Market Environment

- ✓ Filed for a 5-year extension and expansion of our Gas System Modernization Program
- ✓ Agreement in principle reached on PSE&G's Energy Efficiency filing provides a ~$69 million investment
- ✓ PSE&G set to file its distribution base rate case with the BPU no later than November 1, 2017

Financial

- ✓ PSE&G's Q2 2017 earnings increased by $0.06 or 17% to $0.41 per share
- ✓ PSE&G is on-track to meet its 2017 plan to invest approximately ~$3.4 billion to upgrade and expand Transmission & Distribution infrastructure
- ✓ PSE&G's 2017 Net Income guidance range remains unchanged at $945 - $985 million

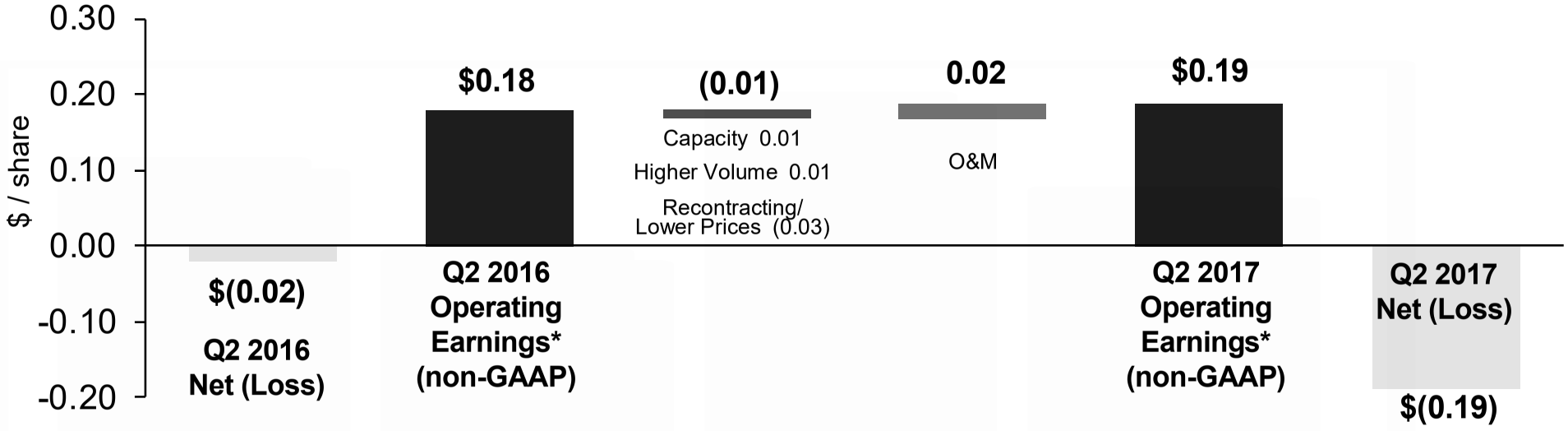
SI-SSA-0015-13848

PSEG Power
2017 Q2 Review

SI-SSA-0015-13849

PSEG Power EPS Reconciliation – Q2 2017 versus Q2 2016

Fewer outage-related days and cost control offset lower prices

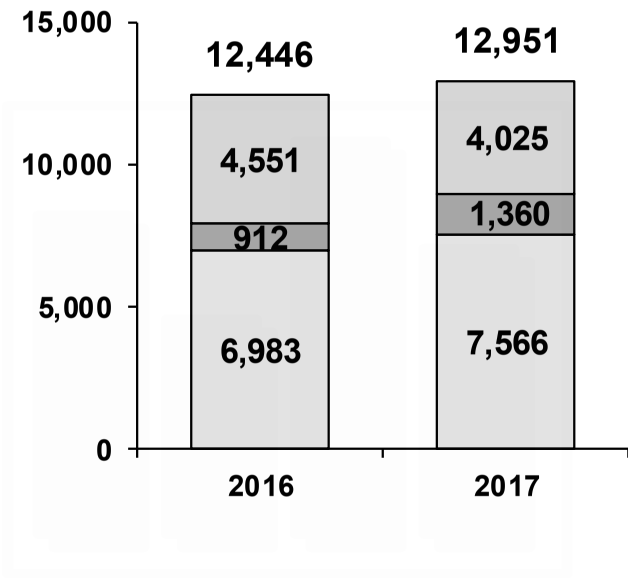


* See Slide B for Items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings for PSEG Power.

SI-SSA-0015-13850

PSEG Power – Q2 Generation increases 4%

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended June 30	
	2016	2017
Combined Cycle		
PJM and NY	62.3%	55.3%
Coal**		
PA	57.0%	81.3%
CT	0.0%	0.9%
Nuclear	82.7%	89.6%

PSEG Power – Fuel Costs

	Quarter ended June 30	
($ millions)	2016	2017
Gas	$ 64	$ 83
Coal	$ 22	$ 31
Total Fossil	$ 86	$ 114
Nuclear	$ 48	$ 47
Total Fuel Cost	$ 134	$ 161
Total Generation (GWh)	12,446	12,951
$ / MWh	10.77	12.43

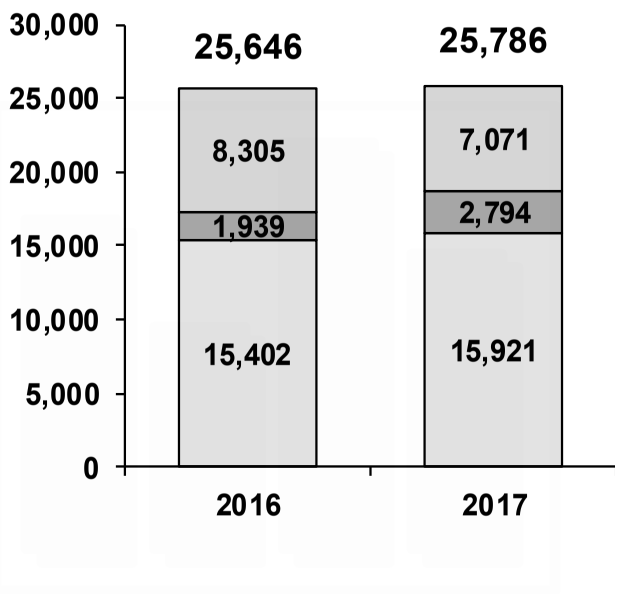
Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-13851

PSEG Power – First Half Generation in-line with year-ago

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Six months ended June 30	
	2016	2017
Combined Cycle		
PJM and NY	57.0%	48.5%
Coal**		
PA	57.9%	82.5%
CT	3.0%	5.2%
Nuclear	91.2%	94.8%

PSEG Power – Fuel Costs

	Six months ended June 30	
($ millions)	2016	2017
Gas	$ 131	$ 162
Coal	$ 49	$ 65
Total Fossil	$ 180	$ 227
Nuclear	$ 105	$ 101
Total Fuel Cost	$ 285	$ 328
Total Generation (GWh)	25,646	25,786
$ / MWh	11.11	12.72

Total Nuclear Total Coal** Natural Gas

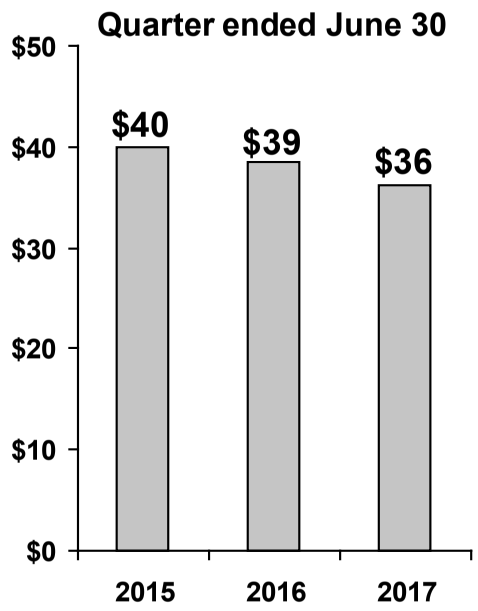
* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-13852

PSEG Power – Gross Margin Performance

- ✓ PS Zone pricing improved over Q2 2016
- ✓ Baffle bolt replacement outages completed at both Salem units
- ✓ Capacity revenues were up slightly vs. Q2 2016 reflecting step-up in New England capacity pricing to $232 MW/day
- ✓ Regional spark spreads compressed in the quarter
- ✓ Q2 2017 had 46 nuclear refueling outage days vs. 76 outage days in Q2 2016

PSEG Power Gross Margin ($/MWh)



Regional Performance		
Region	**Q2 Gross Margin ($M)**	**Q2 2017 Performance**
PJM	$431	Higher generation offset by recontracting at lower prices
New England	$19	Higher generation and prices
New York	$17	Higher generation and market prices offset by lower hedges

Hedging Update…

Contracted Energy*

		Jul-Dec 2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	17	34	34
	% Hedged	100%	100%	40-45%
	Price $/MWh	$46	$41	$41
Intermediate, Combined Cycle, Peaking	Volume TWh	7	18	23
	% Hedged	60-65%	0%	0%
	Price $/MWh	$46	$ -	$ -
Total	Volume TWh	20-25	52-54	58-60
	% Hedged	85-90%	65-70%	25-30%
	Price $/MWh	$46	$41	$41

* HEDGE PERCENTAGES AND PRICES AS OF JUNE 30, 2017. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-13854

PSEG Power – Q2 Operating Highlights

Operations

- ✓ Q2 output up 4% with shorter Salem 2 refueling outage versus the extended Salem 1 outage in Q2 2016; baffle bolt inspection and replacement addressed at Salem 2 this Spring
- ✓ Nuclear fleet achieved average capacity factor of 89.6% in Q2, producing 7.6 TWh of energy
- ✓ CCGT fleet capacity factor was 55.3% versus 62.3% in Q2 2016, CCGT availability remained strong at ~90% and produced 4.0 TWh of energy; Coal capacity factor up in PA on higher market demand, coal fleet produced 1.4 TWh of energy

Regulatory and Market Environment

- ✓ The 2020/2021 RPM auction (with 100% Capacity Performance requirement) resulted in a higher average price of $174 MW/day for 7,800 MW that cleared the auction
- ✓ 2017 expected generation output on track for 49-50 TWh; BGS load projected at 11 TWh
- ✓ Recent court actions in New York and Illinois affirm state initiatives supporting Zero Emissions Credits
- ✓ Construction on schedule and on budget at Keys and Sewaren 7 for targeted 2018 in-service; Bridgeport Harbor 5 progressing on schedule for targeted 2019 operations

Financial

- ✓ Power's total debt as a percentage of capitalization at June 30 was 31%
- ✓ Power's 2017 non-GAAP Operating Earnings guidance range remains unchanged at $435 - $510 million; non-GAAP Adjusted EBITDA guidance for 2017 remains unchanged at $1,080 to $1,210 million

SI-SSA-0015-13855

PSEG

PSEG Financial Highlights

- Reiterating 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share
  - ✓ PSE&G earnings forecast to grow 8.5% to comprise 66% of PSEG's 2017 non-GAAP Operating Earnings
- PSEG's 5-Year capital spending forecast of $15 billion over 2017 – 2021 to be invested in PSE&G (82%) and Power (18%)
- PSE&G successfully executing regulatory/policy initiatives supporting its 5-year, 7 - 9% annual growth in rate base
- PSEG Power's $2 billion investment in new generation, located in PJM and New England, will improve fleet efficiency and geographic diversity
- Moody's upgraded PSEG's senior unsecured credit rating to Baa1, the rating outlook is Stable; subsidiary company ratings were affirmed
- Increased 2017 indicative common dividend by 4.9% to $1.72 per share
- Financial position remains strong:
  - ✓ Cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 49% at June 30

SI-SSA-0015-13857

PSEG 2017 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2017E	2016
PSE&G (Net Income)	$945 - $985	$889
PSEG Power	$435 - $510	$514
PSEG Enterprise/Other	$35 - $35	$72
Operating Earnings (non-GAAP)*	$1,415 - $1,530	$1,475
Operating EPS (non-GAAP)*	**$2.80 - $3.00E**	**$2.90**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2017E	2016
PSEG Power	$1,080 - $1,210	$1,201

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-13858

PSEG Liquidity as of June 30, 2017

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$15	$585
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$13	$1,487
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$50	$1,850
	3-year LC Facilities (Power)	Mar-20	$200	$140	$60
	Total Money Pool		$3,600	$203	$3,397
	Total		$4,200	$218	$3,982
				PSEG Money Pool ST Investment	$198
				PSE&G ST Investment	$169
				Total Liquidity Available	**$4,349**
				Total Money Pool Liquidity Available	**$3,397**

SI-SSA-0015-13859

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Year-Ended December 31, 2016
	($ millions, Unaudited)				
Net Income	$ 109	$ 187	$ 223	$ 658	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(30)	-	(47)	8	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	387	-	951	-	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(136)	(69)	(376)	(63)	(391)
Operating Earnings (non-GAAP)	$ 316	$ 289	$ 782	$ 752	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.22	$ 0.37	$ 0.44	$ 1.30	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.06)	-	(0.09)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	(0.07)	0.34	(0.09)	0.29	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.77	-	1.87	-	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.04	-	0.15	-	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.28)	(0.14)	(0.74)	(0.12)	(0.78)
Operating Earnings (non-GAAP)	$ 0.62	$ 0.57	$ 1.54	$ 1.48	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

SI-SSA-0015-13860

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ (97)	$ (11)	$ (267)	$ 181	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(30)	-	(47)	8	(5)
(Gain) Loss on MTM, pre-tax [(a)]	(36)	171	(46)	149	168
Hudson/Mercer Early Retirement, pre-tax	387	-	951	-	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(b)]	(127)	(69)	(344)	(63)	(336)
Operating Earnings (non-GAAP)	$ 97	$ 91	$ 247	$ 275	$ 514
Depreciation and Amortization, pre-tax [(c)]	87	81	179	161	329
Interest Expense, pre-tax [(c) (d)]	12	20	28	42	83
Income Taxes [(c)]	65	58	166	181	275
Adjusted EBITDA (non-GAAP)	$ 261	$ 250	$ 620	$ 659	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	*Three Months Ended June 30,*		*Six Months Ended June 30,*		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ (2)	$ 19	$ (17)	$ 36	$ (20)
Lease Related Activity, pre-tax	22	-	77	-	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(a)]	(9)	-	(32)	-	(55)
Operating Earnings (non-GAAP)	$ 11	$ 19	$ 28	$ 36	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

B

PSEG **Investor News** **NYSE: PEG**

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2017 THIRD QUARTER RESULTS

Net Income of $0.78 Per Share

Non-GAAP Operating Earnings of $0.82 Per Share

Re-Affirms 2017 Non-GAAP Operating Earnings Guidance of $2.80 - $3.00 Per Share

October 31, 2017 (Newark, NJ) (NYSE – PEG) Public Service Enterprise Group (PSEG) reported third quarter 2017 Net Income of $395 million or $0.78 per share as compared to Net Income of $327 million or $0.64 per share reported for the third quarter of 2016. Non-GAAP Operating Earnings for the third quarter of 2017 were $417 million or $0.82 per share as compared to non-GAAP Operating Earnings for the third quarter of 2016 of $444 million or $0.88 per share.

“We experienced solid results for the quarter, executing well on major initiatives,” said Ralph Izzo, Chairman, President and Chief Executive Officer, “delivering reliable, efficient service, as we continue to upgrade our transmission system, replace cast-iron pipe and construct three new clean gas-fired combined cycle generating stations.”

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG’s financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns(losses) associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items.

The table below provides a reconciliation of PSEG’s Net Income to non-GAAP Operating Earnings for the third quarter. See Attachment 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings. The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

PSEG CONSOLIDATED RESULTS (unaudited)
Third Quarter Comparative Results
2017 and 2016

	Income ($ millions)		Diluted Earnings Per Share	
	2017	**2016**	**2017**	**2016**
Net Income	$395	$327	$0.78	$0.64
Reconciling Items*	22	117	0.04	0.24
Non-GAAP Operating Earnings	**$417**	**$444**	**$0.82**	**$0.88**
		Avg. Shares	**507M**	**508M**

*See Attachment 11

Ralph Izzo went on to say, "Despite the impact of abnormally cool weather on third quarter sales and earnings, we remain within our non-GAAP Operating Earnings guidance for the full year of $2.80 - $3.00 per share."

Non-GAAP Operating Earnings guidance by company for the full year remains unchanged:

2017 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	2017 Estimate
PSE&G	$945 - $985
PSEG Power	$435 - $510
PSEG Enterprise/Other	$35 - $35
Non-GAAP Operating Earnings	$1,415 - $1,530
Non-GAAP EPS	$2.80 - $3.00

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 5 for detail regarding the quarter-over-quarter reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $246 million ($0.49 per share) for the third quarter of 2017 compared with Net Income of $255 million ($0.50 per share) for the third quarter of 2016.

Net Income growth in the third quarter associated with PSE&G's expanded investment in electric and gas transmission and distribution facilities was offset by the impact on sales of weather conditions which were substantially cooler than experienced in the year-ago quarter and cooler than normal.

Returns on PSE&G's expanded investment in transmission added $0.04 per share to Net Income in the quarter. Incremental revenue associated with recovery of PSE&G's Energy Strong investment infrastructure program of $0.02 per share was offset by a decline in electric demand-related revenues and weather-normalized electric sales. Net Income comparisons were also impacted by a decline in electric sales associated with weather conditions which were approximately 27% cooler than conditions experienced during the 2016 third quarter and 5% cooler than normal. The decline in electric sales reduced third quarter Net Income comparisons by $0.03 per share. An increase in depreciation expense of $0.01 per share associated with PSE&G's expanded capital base was offset by a decline in operating and maintenance expense. An absence of tax credits available in the year-ago third quarter and other items reduced Net Income comparisons by $0.02 per share.

Electric sales, as a result of cooler summer weather, declined 8.3% in the quarter. The decline was led by an approximate 13.9% decline in sales to residential customers and accompanied a decline in sales to commercial and industrial customers of 4.8% and 4.2%, respectively. On a trailing twelve-month basis, weather-normalized electric sales decreased by 0.1% year-over-year. Gas sales, on the same basis, increased 1.5% led by the commercial sector.

Electric sales comparisons for the quarter reflect warmer than normal weather experienced in the second half of September. The warm weather in the second half of September had a more modest impact on margins, as those sales are accrued at the lower non-summer billing rates.

PSE&G filed an update of its Formula Rate for transmission at the Federal Energy Regulatory Commission (FERC) in October 2017. The update, which reflects an increase in the level of PSE&G's investment in transmission and a true-up of prior year results, provides for a $212 million increase in annual transmission revenues effective January 1, 2018. The increase is due to planned capital improvements with a focus on improvements to system reliability.

PSE&G, following discussions with the staff of the NJ Board of Public Utilities (BPU) and Rate Counsel, and as approved by the BPU at its October 20, 2017 meeting, agreed to delay the filing of its base distribution rate case by one month to no later than December 1, 2017. The filing will be based upon three months of actual data and nine months of forecasted data with the test year ending June 2018 remaining unchanged.

PSE&G invested approximately $2.1 billion for the nine months ended September 30 in electric and gas transmission and distribution capital projects designed to provide more reliable, safe and resilient service to its 2.2 million customers. For the year, PSE&G currently expects to invest $3.1 billion of capital in its infrastructure. This is lower than the plan of $3.4 billion due to a delay in timing on certain projects and better than anticipated efficiencies.

The forecast of PSE&G's Net Income for 2017 remains unchanged at $945 - $985 million.

PSEG Power

PSEG Power reported Net Income of $136 million ($0.27 per share) for the third quarter of 2017 and non-GAAP Adjusted EBITDA of $356 million compared with Net Income of $139 million ($0.27 per share) and non-GAAP Adjusted EBITDA of $387 million for the third quarter of 2016. Non-GAAP Operating Earnings for the third quarter of 2017 were $158 million ($0.31 per share) compared with non-GAAP Operating Earnings for the third quarter of 2016 of $170 million ($0.34 per share).

Power's Net Income in the third quarter was impacted by a decline in energy prices and the effect of cooler than normal weather on demand and output, which offset a decline in operating and maintenance expense.

Non-GAAP Operating Earnings in the quarter increased $0.01 per share as the result of higher capacity prices in New England and PJM. Lower average prices on energy hedges and a decline in market prices combined to reduce non-GAAP Operating Earnings comparisons by $0.05 per share. A 6% decline in output associated with the impact of cooler than normal weather conditions on demand reduced non-GAAP Operating Earnings comparisons by $0.02 per share. A reduction in O&M expense associated with the June 1, 2017 retirement of the Hudson and Mercer coal stations and a decline in nuclear plant related costs improved non-GAAP Operating Earnings comparisons by $0.02 per share. A decline in depreciation expense associated with the retirement of Hudson and Mercer combined with a decline in interest expense and taxes to improve non-GAAP Operating Earnings comparisons by $0.01 per share.

Cooler than normal weather limited peak demand requirements and utilization of the gas-fired combined cycle and peaking fleets. The nuclear fleet's output increased 20% quarter-over-quarter to 8.2 TWh as the fleet's capacity factor improved to 96% from 80%. The improvement in performance reflects the absence of lengthy repair-related work at the Salem Station (including repair and replacement of baffle bolts) in the year-ago quarter and strong performance at Hope Creek in the current quarter. Power's gas-fired combined cycle fleet experienced a 29% decline in output to 3.7 TWh. An increase in the price of gas improved the competitive position of the base-load coal fleet as a decline in market demand sharply reduced utilization of the peaking fleet.

Power continues to forecast output for 2017 of 49 – 50 TWh. Approximately 86% of production for the remainder of the year of 11 TWh is hedged at an average price of $45 per MWh. Power has hedged approximately 70% - 75% of 2018's forecast output of 52 – 54 TWh at an average price of $41 per MWh. For 2019, Power has hedged 30% - 35% of forecast output of 58 – 60 TWh at an average price of $39 per MWh. The forecast of output for 2018 and 2019 remains unchanged from prior estimates.

The forecast increase in output in both 2018 and 2019 reflects the commercial start-up in mid-2018 of 1,300 MWs of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 MW gas-fired combined cycle generating unit in Bridgeport Harbor, Connecticut.

Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure, whether assets were constructed or acquired and accounting methods. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. See Attachment 12 for a complete list of items excluded from Net Income in the determination of non-GAAP Adjusted EBITDA. The presentation of non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

The forecast range of Power's 2017 non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA remain unchanged at $435 – $510 million and $1,080 – $1,210 million, respectively.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income of $13 million ($0.02 per share) for the third quarter of 2017 compared to a Net Loss of $67 million ($0.13 per share) for the third quarter of 2016.

Non-GAAP Operating Earnings for the third quarter of 2017 were $13 million ($0.02 per share) compared with non-GAAP Operating Earnings of $19 million ($0.04 per share) during the third quarter of 2016.

The decrease in non-GAAP Operating Earnings year-over-year reflects the absence of certain tax items at PSEG Energy Holdings and Parent recognized in the third quarter of 2016 as well as higher interest expense at the Parent.

The forecast of PSEG Enterprise/Other full year non-GAAP Operating Earnings remains at $35 million.

Financing

PSEG closed the quarter ended September 30, 2017 with $278 million of cash on its balance sheet with debt at the end of the quarter representing approximately 49% of consolidated capital. PSEG Power had debt at the end of the quarter representing 31% of capital.

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About PSEG:
Public Service Enterprise Group (NYSE: PEG) is a publicly traded diversified energy company with annual revenues of $9.1 billion. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

Forward-Looking Statement

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;

- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

***Visit PSEG at**: www.pseg.com; PSEG blog, Energize!; PSEG My Alerts!*

TO FOLLOW AND CONNECT WITH PSEG VIA SOCIAL MEDIA, CLICK ON THE LINKS BELOW:

PSEG Social Media Channels: PSEG on Facebook; PSEG on Twitter; PSEG on LinkedIn; PSEG on YouTube

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended September 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,263	$ (119)	$ 1,509	$ 873
OPERATING EXPENSES				
Energy Costs	638	(254)	535	357
Operation and Maintenance	680	107	346	227
Depreciation and Amortization	252	7	169	76
Total Operating Expenses	1,570	(140)	1,050	660
OPERATING INCOME	693	21	459	213
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	56	(1)	22	35
Other-Than-Temporary Impairments	(5)	-	-	(5)
Interest Expense	(100)	(9)	(79)	(12)
INCOME BEFORE INCOME TAXES	647	11	402	234
Income Tax Benefit (Expense)	(252)	2	(156)	(98)
NET INCOME	**$ 395**	**$ 13**	**$ 246**	**$ 136**
Reconciling Items Excluded from Net Income [b]	22	-	-	22
OPERATING EARNINGS (non-GAAP)	**$ 417**	**$ 13**	**$ 246**	**$ 158**
Earnings Per Share				
NET INCOME	**$ 0.78**	**$ 0.02**	**$ 0.49**	**$ 0.27**
Reconciling Items Excluded from Net Income [b]	0.04	-	-	0.04
OPERATING EARNINGS (non-GAAP)	**$ 0.82**	**$ 0.02**	**$ 0.49**	**$ 0.31**

Three Months Ended September 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,450	$ (309)	$ 1,684	$ 1,075
OPERATING EXPENSES				
Energy Costs	866	(317)	721	462
Operation and Maintenance	776	111	376	289
Depreciation and Amortization	231	8	137	86
Total Operating Expenses	1,873	(198)	1,234	837
OPERATING INCOME (LOSS)	577	(111)	450	238
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	39	1	21	17
Other-Than-Temporary Impairments	(5)	-	-	(5)
Interest Expense	(99)	(3)	(72)	(24)
INCOME (LOSS) BEFORE INCOME TAXES	515	(113)	399	229
Income Tax Benefit (Expense)	(188)	46	(144)	(90)
NET INCOME (LOSS)	**$ 327**	**$ (67)**	**$ 255**	**$ 139**
Reconciling Items Excluded from Net Income (Loss) [b]	117	86	-	31
OPERATING EARNINGS (non-GAAP)	**$ 444**	**$ 19**	**$ 255**	**$ 170**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.64**	**$ (0.13)**	**$ 0.50**	**$ 0.27**
Reconciling Items Excluded from Net Income (Loss) [b]	0.24	0.17	-	0.07
OPERATING EARNINGS (non-GAAP)	**$ 0.88**	**$ 0.04**	**$ 0.50**	**$ 0.34**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Nine Months Ended September 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 6,988	$ (787)	$ 4,689	$ 3,086
OPERATING EXPENSES				
Energy Costs	2,100	(1,121)	1,760	1,461
Operation and Maintenance	2,100	325	1,064	711
Depreciation and Amortization	1,721	24	506	1,191
Total Operating Expenses	5,921	(772)	3,330	3,363
OPERATING INCOME (LOSS)	1,067	(15)	1,359	(277)
Income from Equity Method Investments	11	-	-	11
Other Income and (Deductions)	178	6	67	105
Other-Than-Temporary Impairments	(9)	-	-	(9)
Interest Expense	(289)	(25)	(223)	(41)
INCOME (LOSS) BEFORE INCOME TAXES	958	(34)	1,203	(211)
Income Tax Benefit (Expense)	(340)	30	(450)	80
NET INCOME (LOSS)	**$ 618**	**$ (4)**	**$ 753**	**$ (131)**
Reconciling Items Excluded from Net Income (Loss) [b]	581	45	-	536
OPERATING EARNINGS (non-GAAP)	**$ 1,199**	**$ 41**	**$ 753**	**$ 405**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.22**	**$ (0.01)**	**$ 1.49**	**$ (0.26)**
Reconciling Items Excluded from Net Income (Loss) [b]	1.14	0.08	-	1.06
OPERATING EARNINGS (non-GAAP)	**$ 2.36**	**$ 0.07**	**$ 1.49**	**$ 0.80**

Nine Months Ended September 30, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 6,971	$ (877)	$ 4,746	$ 3,102
OPERATING EXPENSES				
Energy Costs	2,326	(1,134)	1,979	1,481
Operation and Maintenance	2,215	298	1,110	807
Depreciation and Amortization	679	22	412	245
Total Operating Expenses	5,220	(814)	3,501	2,533
OPERATING INCOME (LOSS)	1,751	(63)	1,245	569
Income from Equity Method Investments	9	-	-	9
Other Income and (Deductions)	100	1	58	41
Other-Than-Temporary Impairments	(25)	-	-	(25)
Interest Expense	(288)	(8)	(214)	(66)
INCOME (LOSS) BEFORE INCOME TAXES	1,547	(70)	1,089	528
Income Tax Benefit (Expense)	(562)	39	(393)	(208)
NET INCOME (LOSS)	**$ 985**	**$ (31)**	**$ 696**	**$ 320**
Reconciling Items Excluded from Net Income (Loss) [b]	211	86	-	125
OPERATING EARNINGS (non-GAAP)	**$ 1,196**	**$ 55**	**$ 696**	**$ 445**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.94**	**$ (0.06)**	**$ 1.37**	**$ 0.63**
Reconciling Items Excluded from Net Income (Loss) [b]	0.42	0.17	-	0.25
OPERATING EARNINGS (non-GAAP)	**$ 2.36**	**$ 0.11**	**$ 1.37**	**$ 0.88**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	September 30, 2017	December 31, 2016
DEBT		
Commercial Paper and Loans	$ 202	$ 388
Long-Term Debt*	12,524	11,395
Total Debt	12,726	11,783
STOCKHOLDERS' EQUITY		
Common Stock	4,938	4,936
Treasury Stock	(750)	(717)
Retained Earnings	9,140	9,174
Accumulated Other Comprehensive Loss	(204)	(263)
Total Stockholders' Equity	13,124	13,130
Total Capitalization	$ 25,850	$ 24,913

*Includes current portion of Long-Term Debt

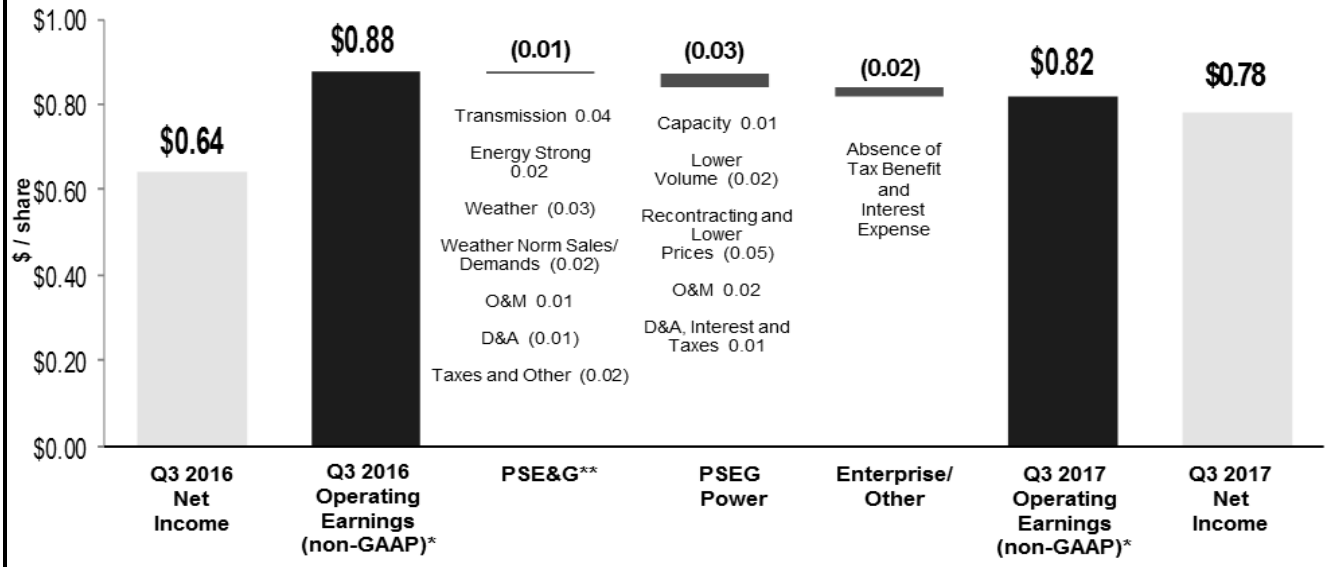
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 618	$ 985
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	2,116	1,776
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,734	2,761
NET CASH USED IN INVESTING ACTIVITIES	(3,104)	(3,054)
NET CASH PROVIDED BY FINANCING ACTIVITIES	225	349
Net Change in Cash and Cash Equivalents	(145)	56
Cash and Cash Equivalents at Beginning of Period	423	394
Cash and Cash Equivalents at End of Period	$ 278	$ 450

Attachment 5

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2017 vs. September 30, 2016
(Unaudited)

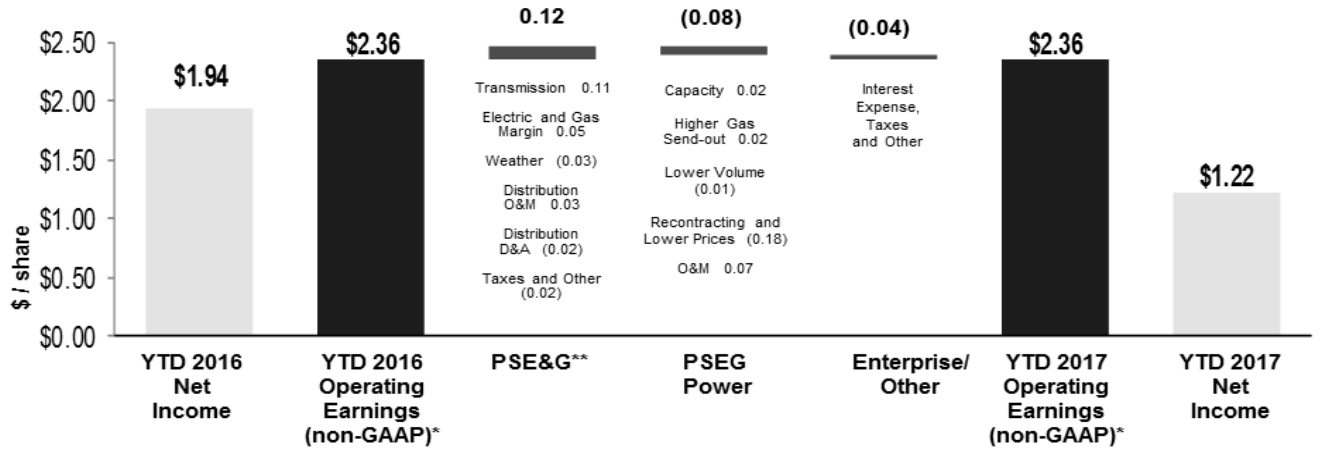


* See Attachments 11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

** Prior quarter results may not add to year-to-date totals due to rounding.

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2017 vs. September 30, 2016
(Unaudited)



* See Attachments11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

** Prior quarter results may not add to year-to-date totals due to rounding.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2017

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2016	Nine Months Ended	Change vs. 2016
Residential	4,239	-13.9%	10,213	-6.5%
Commercial & Industrial	7,428	-4.7%	20,756	-1.3%
Street Lighting	66	-4.8%	231	-2.5%
Interdepartmental	2	-9.5%	7	-4.4%
Total	11,735	-8.3%	31,207	-3.0%
Revenue ($ millions)				
Residential	$ 628	-18.6%	$ 1,512	-10.1%
Commercial & Industrial	507	-6.7%	1,293	-2.0%
Street Lighting	16	-3.5%	49	-1.8%
Other Operating Revenues*	183	10.8%	562	11.8%
Total	$ 1,334	-10.8%	$ 3,416	-3.9%

Weather Data	Three Months Ended	Change vs. 2016	Nine Months Ended	Change vs. 2016
THI Hours - Actual	11,100	-26.7%	15,484	-18.5%
THI Hours - Normal	11,720		15,811	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
September 30, 2017

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2016	Nine Months Ended	Change vs. 2016
Firm Sales				
Residential Sales	90	2.6%	944	-1.0%
Commercial & Industrial	99	5.7%	694	1.8%
Total Firm Sales	**189**	**4.2%**	**1,638**	**0.2%**
Non-Firm Sales				
Commercial & Industrial	292	-57.1%	979	-37.5%
Total Non-Firm Sales	**292**		**979**	
Total Sales	**481**	**-44.2%**	**2,617**	**-18.2%**
Revenue ($ millions)				
Residential Sales - Firm	$ 26	-13.0%	$ 237	4.1%
Commercial & Industrial - Firm Sales	18	16.4%	180	40.5%
Non-Firm Sales	5	-21.9%	20	6.0%
Other Operating Revenues**	42	-1.7%	129	-0.5%
Total	**$ 91**	**-3.7%**	**$ 566**	12.2%
Gas Transported	$ 84	-10.8%	$ 707	2.7%

Weather Data	Three Months Ended	Change vs. 2016	Nine Months Ended	Change vs. 2016
Degree Days - Actual	17	1.5%	2,788	-1.8%
Degree Days - Normal	28		3,076	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 9

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended September 30,		GWhr Breakdown Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	5,500	4,151	15,814	13,878
Nuclear - PA	2,709	2,712	8,316	8,387
Total Nuclear	**8,209**	**6,863**	**24,130**	**22,265**
Fossil - Coal**	**1,242**	**1,493**	**4,036**	**3,432**
Fossil - Oil & Natural Gas - NJ	2,262	4,234	6,889	10,089
Fossil - Oil & Natural Gas - NY	1,582	1,482	4,027	3,940
Fossil - Oil & Natural Gas - CT	9	38	8	30
Total Oil & Natural Gas	**3,853**	**5,754**	**10,924**	**14,059**
	13,304	**14,110**	**39,090**	**39,756**

	% Generation by Fuel Type Three Months Ended September 30,		% Generation by Fuel Type Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	41%	29%	41%	35%
Nuclear - PA	21%	19%	21%	21%
Total Nuclear	**62%**	**48%**	**62%**	**56%**
Fossil - Coal**	**9%**	**11%**	**10%**	**9%**
Fossil - Oil & Natural Gas - NJ	17%	30%	18%	25%
Fossil - Oil & Natural Gas - NY	12%	11%	10%	10%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**29%**	**41%**	**28%**	**35%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa

**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three and nine months ended September 30, 2017 and 2016, respectively.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Weighted Average Common Shares Outstanding (millions)				
Basic	505	505	505	505
Diluted	507	508	507	508
Stock Price at End of Period			$ 46.25	$ 41.87
Dividends Paid per Share of Common Stock	$ 0.43	$ 0.41	$ 1.29	$ 1.23
Dividend Yield			3.7%	3.9%
Book Value per Common Share			$ 26.01	$ 26.69
Market Price as a Percent of Book Value			178%	157%
Total Shareholder Return	8.5%	-9.3%	8.5%	11.3%

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income	**$ 395**	**$ 327**	**$ 618**	**$ 985**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)
Operating Earnings (non-GAAP)	**$ 417**	**$ 444**	**$ 1,199**	**$ 1,196**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	**$ 0.78**	**$ 0.64**	**$ 1.22**	**$ 1.94**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)
Operating Earnings (non-GAAP)	**$ 0.82**	**$ 0.88**	**$ 2.36**	**$ 2.36**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ 136**	**$ 139**	**$ (131)**	**$ 320**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4
(Gain) Loss on MTM, pre-tax [(a)]	46	(58)	-	91
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(b)]	(11)	(21)	(355)	(84)
Operating Earnings (non-GAAP)	**$ 158**	**$ 170**	**$ 405**	**$ 445**
Depreciation and Amortization, pre-tax [(c)]	77	83	256	244
Interest Expense, pre-tax [(c) (d)]	12	23	40	65
Income Taxes [(c)]	109	111	275	292
Adjusted EBITDA (non-GAAP)	**$ 356**	**$ 387**	**$ 976**	**$ 1,046**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ 13**	**$ (67)**	**$ (4)**	**$ (31)**
Lease Related Activity, pre-tax	-	137	77	137
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [(a)]	-	(51)	(32)	(51)
Operating Earnings (non-GAAP)	**$ 13**	**$ 19**	**$ 41**	**$ 55**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

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EDITED TRANSCRIPT

PEG - Q3 2017 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: OCTOBER 31, 2017 / 3:00PM GMT

OVERVIEW:

Co. reported 3Q17 net income per share of $0.78. Expects 2017 non-GAAP operating EPS to be $2.80-3.00.

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CORPORATE PARTICIPANTS

Daniel J. Cregg *Public Service Enterprise Group Incorporated - CFO and EVP*

Kathleen A. Lally *PSEG Services Corporation - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

CONFERENCE CALL PARTICIPANTS

Ashar Khan

Christopher James Turnure *JP Morgan Chase & Co, Research Division - Analyst*

Jonathan P. Arnold *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Julien Patrick Dumoulin-Smith *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities, & Alternative Energy Equity Research*

Kevin John Prior *Evercore ISI, Research Division - Associate*

Michael Jay Lapides *Goldman Sachs Group Inc., Research Division - VP*

Paul Patterson *Glenrock Associates LLC - Analyst*

Praful Mehta *Citigroup Inc, Research Division - Director*

Travis Miller *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Shelby and I'll be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2017 Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded Tuesday, October 31, 2017, and will be available for telephone replay beginning at 1:00 p.m. Eastern Time today until 11:30 p.m. Eastern Time, November 7, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

Thank you, Shelby. Good morning. Thank you for participating in PSEG's call this morning. As you are aware, we released our third quarter 2017 earnings statements earlier today. The release and attachments, as mentioned, are posted on our website at www.pseg.com under the Investors section.

We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended September 30, 2017, is expected to be filed today.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so unless required to do so.

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Our release also contains certain non-GAAP operating information. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of our non-GAAP operating information to our GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group; and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Kathleen, and thank you, everyone, for joining us today. PSEG reported results for the third quarter having executed well on major operational and policy initiatives. Despite the impact of abnormally cool weather on sales and earnings, we remain within our non-GAAP operating earnings guidance for the full year of $2.80 to $3 per share.

Earlier this morning, we reported net income for the quarter of $0.78 per share, non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share compared with net income of $0.64 per share and non-GAAP operating earnings for the third quarter of 2016 of $0.88 per share.

For the 9-month period, non-GAAP operating earnings were $2.36 per share, which is the same as non-GAAP operating earnings for 2016's first 9 months. Slides 5 and 6 contain the detail on the results for the quarter and the 9 months. At PSE&G, earnings per share declined $0.01 per share from the prior year comparable quarter. The results for the third quarter were affected by cooler than normal weather, which reduced demand for electricity from air conditioning. The weather comparisons to last year are stark. For instance, the measure of average temperature and humidity was 27% below the year-ago quarter and the number of hours at temperature equal to or greater than 90 degrees was 69% below the year-ago quarter.

PSE&G's expanded investment in transmission and distribution continue to benefit customers and had a favorable impact on PSE&G's earnings. PSE&G's rate base is forecasted to grow 12% in 2017, reaching $17 billion. The forecast is based on a continuation of PSE&G's investment program to upgrade its transmission and distribution infrastructure. The upgrades will entail full-year capital expenditures of approximately $3.1 billion. This figure is slightly less than our original budget of $3.4 billion and it's the result of some projects being moved to 2018 and improved efficiency related to the cost of other projects.

Based on further development of our various investment programs, we are increasingly comfortable with PSE&G's ability to achieve growth in rate base at the upper end of our forecast of 7% to 9% per year for the 5-year period ending in 2021. Our updated forecast assumes a reasonable reception by the New Jersey Board of Public Utilities to PSE&G's proposal to invest $540 million per year over 5 years to accelerate the pace of replacement of aging cast iron and unprotected steel mains and their associated services. Approval would support expansion and extension of the work currently being performed under the Gas System Modernization Program. This filing was made in July, and we expect the BPU to take action during the first half of 2018.

We also intend to request a multiyear extension of Energy Strong in the near term. PSE&G is in the final stages of work previously approved as part of Energy Strong to strengthen and harden infrastructure damaged during Hurricane Irene and Super Storm Sandy. The extension will address the remaining electric substations that need to be raised or protected in addition to other much needed work that enhances the resiliency of our system and reduces the risk of outages. That request, similar to GSMP 2, will be consistent with the BPU's draft regulation supporting multiyear capital investments under its Infrastructure Investment Program. If the draft regulations are approved, as we expect, before year-end, utilities will be able to proceed with 5-year investment programs that will allow more certainty in staffing and planning of work.

Now I want to bring you up-to-date on PSE&G's Distribution Base Rate Proceeding. As you may be aware, following discussions with BPU staff and Rate Counsel and as approved by the BPU at its October 20 meeting, the deadline for filing our distribution rate case was deferred from November 1 to no later than December 1 of this year. The change in the filing date is simply an administrative procedural matter. We will now be providing the BPU with 3 months of actual data and 9 months of forecast data for the same test year that will end on June 30, 2018.

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The review of PSE&G's distribution rates, which is expected to result in a modest change in revenue, is primarily driven by the need to recover investments made outside of clause mechanisms since the last rate case to recover storm costs and to allow PSE&G to reset assumptions for growth in sales and O&M. As part of the filing, PSE&G will also be seeking approval to decouple electric and gas distribution revenue from sales volumes and demand, which would support larger scale energy efficiency investments.

We believe that with the right regulatory policies, the state's utilities can provide the energy infrastructure that meets customer requirements and creates a stronger and more efficient New Jersey.

Now let me turn to PSEG Power. At PSEG Power, non-GAAP operating earnings declined by 9% to $0.31 per share from the prior year comparable quarter. A lower average price on energy hedges was partially offset by Power's continued efforts to lower its costs and Power's favorable gas supply position. PSEG Power also made progress on construction activities related to its 3 new natural gas combined-cycle generation stations. The new stations will add 1,800 megawatts of efficient capacity over 2018 and 2019 and represent a reconfiguration of Power's merchant fleet that will improve its efficiency and competitive position in the market.

The design of the wholesale energy market and whether current policies provide adequate recognition of the cost for generation to be available is getting the attention it needs. The Department of Energy issued a notice of proposed rulemaking at the end of September regarding the need to properly value baseload generation with robust on-site fuel characteristics. We hope their interest in this important issue will jump-start efforts by the Federal Energy Regulatory Commission to implement improvements in the market. It is encouraging to see that FERC has acted quickly. To meet the DOE's 60-day requirement for a response, FERC requested comments on the DOE NOPR to be filed by October 23, with reply comments due on November 7. A response by the FERC to the DOE NOPR is anticipated by December 11 of this year.

PSEG filed comments in support of DOE's initiative to immediately address the erosion occurring and the resiliency of our electric grid due to the risk of premature retirements of baseload generation and the subsequent trend towards greatly reduced fuel diversity. We believe that the DOE NOPR is necessary to address the challenges facing distressed yet valuable resources such as nuclear in the absence of a market solution that recognizes the attributes of fuel diversity and resilience. We recommend that measures adopted in response to the DOE NOPR should be viewed as interim until effective mechanisms can be developed that recognize these attributes in the market.

The current market design distorts efficient outcomes due to the disharmony between price signals, public policies and generation dispatch. Implementing the DOE measure as an interim step would stabilize the earnings for qualified units until a comprehensive market-based solution can be integrated into RTO and ISO market designs. It is worth mentioning that a significant amount of generation that competes in the PJM market already falls under cost of service regulation. We believe that DOE NOPR also provides the necessary impetus to push for further action by FERC to address long-standing price formation reforms that would avoid some of the continued distortions of competitive market results that disadvantage baseload resources.

The PJM energy price formation proposal should be evaluated as part of the comprehensive solution to the challenges facing baseload units. As part of our response, we have requested that FERC promptly finalize the fast-start pricing reforms and direct PJM through the commission's Federal Power Act Section 206 authority to submit its energy price formation proposal, especially as it pertains to inflexible units. Getting energy prices right is critical to ensuring that the correct signals are sent to incent efficient investment as well as market exit.

PSEG Power is making every effort to preserve its nuclear asset base, working in concert with the industry to identify means of improving operating efficiency without sacrificing safety. PSEG Power is on track in 2017 to reduce the all-in cost per megawatt hour of its nuclear operations by 10% from the average cost experienced during the prior 3 years. But energy prices, influenced by the availability of natural gas, have declined by a greater degree during this time frame.

State action also remains critical to prevent the loss of these units. We believe state action can be done in a way that both maintains the integrity of the wholesale market and serves as a bridge until a regional or federal solution is in place. A strong legal foundation has been established for state action to preserve generating assets critical to meeting a state's emission-related goals and to maintain the benefits to the state's economy that comes with the safe, reliable operation of nuclear power.

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Successful execution of PSEG's key policy and regulatory initiatives would assure the company's ability to provide customers with the service, reliability and resiliency that they have come to expect that is also affordable. Successful execution of our key policy and regulatory initiatives would also provide our shareholders with greater assurance of PSEG's ability to meet our objectives for returns and growth.

With that, I'll turn the call over to Dan to discuss our financials in greater detail.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Thank you, Ralph, and thanks, everyone, for joining us today. As Ralph said, PSEG reported net income for the third quarter of 2017 of $0.78 per share versus net income of $0.64 per share in last year's third quarter.

Non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share versus non-GAAP operating earnings of $0.88 per share in last year's third quarter. The reconciliation of non-GAAP operating earnings to net income for the quarter and 9 months can be found on Slides 5 and 6. We've also provided you with a waterfall chart on Slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on Slide 13 provides you with the changes in non-GAAP operating earnings by major business on a year-to-date basis. I'll now review each company in more detail.

Starting with PSE&G. PSE&G reported net income of $0.49 per share for the third quarter of 2017 compared with $0.50 per share for the third quarter of 2016. Results for the quarter are shown on Slide 15. Net income growth in the third quarter associated with PSE&G's expanded investment in transmission and electric and gas distribution facilities was offset by the impact on sales of weather conditions which were substantially cooler than experienced in the year-ago quarter and cooler than normal. Returns on PSE&G's expanded investment in transmission added $0.04 per share to net income in the quarter.

Incremental revenue associated with the recovery of PSE&G's Energy Strong investment infrastructure program, which added $0.02 per share to net income, was offset by a decline in weather-normalized electric sales and in electric demand-related revenues. Demand-related revenues were impacted by the significantly lower peak temperature hours, which, as Ralph mentioned, were 69% lower than the year-ago quarter and 47% below normal. Net income comparisons were also hurt by weather conditions, which were approximately 27% cooler than conditions experienced during 2016 in the third quarter and 5% cooler than normal.

Electric sales, as a result of the cooler summer weather, declined 8.3% in the quarter. The decline was led by an approximate 14% decline in sales to residential customers. On a trailing 12-month basis, weather-normalized electric sales were flat year-over-year and gas sales on a similar basis increased 1.5%, led by the commercial sector.

The decline in electric residential sales reduced third quarter net income comparisons by $0.03 per share. An increase in depreciation expense of $0.01 per share associated with PSE&G's expanded capital base was offset by a decline in O&M expense. An absence of tax credits available in the year-ago quarter and other items reduced net income comparisons in the third quarter by $0.02 per share.

PSE&G's 5-year capital investment plan includes approximately $6 billion to upgrade and expand transmission-related facilities and investment. PSE&G filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission in October of 2017 and the update, which reflects an increase in the level of PSE&G's investment in transmission and a true-up of prior year results, provides for a $212 million increase in annual transmission revenues effective January 1, 2018.

PSE&G, under Energy Strong and the clause mechanism therein, adjusts electric rates 2 times per year, in March and September, and gas rates are adjusted each year in September. Under the clause mechanism for the Gas System Modernization Program, PSE&G adjusts gas rates in January of each year to reflect the investment made during the prior year. The combined annual revenue increase for the full year in 2017 for these 2 programs is forecasted to be approximately $56 million. As Ralph mentioned, PSE&G has agreed to delay the filing of its distribution rate case by 1 month to no later than December 1, 2017. This filing, as you recall, was agreed to as part of the Energy Strong settlement and provides the opportunity for PSE&G to recover capital investments made outside of existing clause mechanisms and update for other factors such as storm costs and changes in sales growth in O&M. The distribution base rate filing will be based on a test year ending June 2018 and a 10.3% return on equity and provide

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for a mid-single-digit increase in revenues, still leaving overall rates below the level coming out of our last distribution base rate case in 2010. The 1-month delay in the filing hasn't changed any of the economics associated with the request as the test year is unchanged, but allows 1 incremental month of actual results to be included in the filing.

PSE&G invested approximately $2.1 billion for the 9 months ended September 30 and electric and gas distribution and transmission capital projects designed to provide more reliable, safe and resilient service to its 2.2 million customers. For the year, PSE&G currently expects to invest $3.1 billion on upgrading its infrastructure, and this is slightly lower than the $3.4 billion we originally forecast for 2017. A delay in timing on some projects and greater cost-related efficiencies on others are the primary reasons for the decline in the forecasted spending for the full year. As Ralph mentioned, as a result of identifying incremental investments, we now expect PSE&G's investment program for the 5 years ended 2021 will provide growth in rate base off 2016 year-end amounts at the upper end of our 7% to 9% per year growth rate. This is driven by incremental investments in our GSMP 2 filing relative to what is reflected in our base capital plan and a planned expansion of our Energy Strong filing. These important initiatives build confidence in PSE&G's ability to extend its growth beyond the end of this decade. For 2017, we are maintaining our forecast of PSE&G's net income at $945 million to $985 million.

Now let's turn to Power. PSEG Power reported net income of $136 million or $0.27 per share for the third quarter of 2017 compared with net income of $139 million or $0.27 per share for the year-ago quarter. Non-GAAP operating earnings were $0.31 per share for the third quarter of 2017 compared to non-GAAP operating earnings for the third quarter of 2016 of $0.34 per share. Non-GAAP adjusted EBITDA for the third quarter of 2017 was $356 million versus non-GAAP operating EBITDA for 2016 of $387 million. Our non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure as well as income tax expense, interest expense and depreciation and amortization.

The earnings release and Slide 19 provide you with detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. And we've also provided you with more detail on generation for the quarter and the first 9 months of the year on Slide 20 and 21.

Power's net income in the third quarter was impacted by a decline in average energy hedge prices and the effect of cooler-than-normal weather on demand and output, which offset a decline in operating and maintenance expense.

During the quarter, non-GAAP operating earnings comparisons increased $0.01 per share as a result of higher capacity prices in New England and PJM. This increase in capacity prices occurred on June 1, 2017, and will run through May 31, 2018.

Lower average prices on energy hedges and a decline in market prices combined to reduce non-GAAP operating earnings comparisons by $0.05 per share, a 6% decline in output associated with the impact of cooler-than-normal weather on demand, reduced non-GAAP operating earnings comparisons by an additional $0.02 per share. Power's focus on improving operational efficiencies helped mitigate the impact of the decline in energy prices. The June 1, 2017 retirement of the Hudson and Mercer coal stations and a decline in nuclear plant-related O&M improved non-GAAP operating earnings by $0.02 per share and a decline in depreciation expense associated with the retirement of Hudson and Mercer, combined with a decline in interest expense and taxes, improved non-GAAP operating earnings comparisons by $0.01 per share.

Now let's turn to Power's operations. Output of Power's generating stations declined 6% in the quarter. The nuclear fleet's output increased 20% in the third quarter to 8.2 terawatt hours as the fleet's capacity factor improved to 96% from 80%. The quarter-over-quarter improvement was due to strong performance at Hope Creek, which operated at an average capacity factor of 98.4%; and the absence of an extended refueling outage and repairs at the Salem station in the year-ago quarter, which addressed the repair; and replacement of baffle bolts at Salem 1 and repair of a transformer at Salem 2. The nuclear fleet's performance for the third quarter brought the capacity factor for the 9 months ended September 30 to 95%.

As mentioned, cooler-than-normal weather limited energy pricing, peak demand requirements and utilization of the gas-fired combined-cycle and peaking fleet. Power's combined-cycle fleet experienced a 29% decline in output to 3.7 terawatt hours, while an increase in the price of gas improved the competitive position of the base load coal fleet.

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As we indicated earlier this year, average hedge prices during the second, third and fourth quarters of the year were expected to decline by less than what we experienced in the first quarter and by less than the average decline of $5 per megawatt hour we anticipated for the full year. This reflects the absence of weather-related risk premium during the winter months that was experienced in prior years.

Gas prices improved in the third quarter, but since Power prices didn't move in conjunction with gas, spark spreads declined relative to year-ago levels. Power's realized spark spreads held up better than the market, declining $1 per megawatt hour quarter-over-quarter given its beneficial gas supply position. And Power's beneficial gas supply position also held gross margins in the quarter to a decline of $1.50 per megawatt hour to $40 per megawatt hour. Power continues to forecast output for 2017 of 49 to 50 terawatt hours, approximately 86% of production for the remainder of the year of approximately 11 terawatt hours. It's hedged at an average price for $45 per megawatt hour. Power has hedged approximately 70% to 75% of 2018's forecast output of 52 to 54 terawatt hours at an average price of $41 per megawatt hour. And for 2019, Power has hedged 30% to 35% forecast output of 58 to 60 terawatt hours at an average price of $39 per megawatt hour.

The average price for energy hedge in 2019 is $2 per megawatt hour lower than our prior forecast and the reduction reflects a decline in market prices. The forecast of output for 2018 and 2019 remains unchanged from prior estimates. The forecasted increase in output in both 2018 and '19 reflects the commercial start-up in mid-'18 of 1,300 megawatts of new gas-fired combined-cycle capacity at the Keys Energy Center in Maryland and at Sewaren in New Jersey. And the forecast increase is also supported by the commercial start-up in mid-2019 of the 485-megawatt gas-fired combined-cycle facility in Bridgeport Harbor, Connecticut.

Our forecast of Power's full year 2017 non-GAAP operating earnings remains unchanged at $435 million to $510 million. The forecast represents non-GAAP adjusted EBITDA of $1,080,000,000 to $1,210,000,000.

Now let me turn briefly to PSEG Enterprise and Other, which reported net income of $0.02 per share for the third quarter of 2017 compared with a net loss of $0.13 per share for the third quarter of 2016. Results for the third quarter of 2016 were impacted by the impairment of the REMA leases. Non-GAAP operating earnings for the third quarter of 2017 were $0.02 per share compared with non-GAAP operating earnings of $0.04 per share for the third quarter of 2016.

The decrease in non-GAAP operating earnings quarter-over-quarter reflects the absence of certain tax items recognized in the third quarter of 2016 as well as higher interest expense at the parent. And the forecast for Enterprise and Other for the full year of 2017 non-GAAP operating earnings remains unchanged at $35 million.

PSEG also closed the quarter ended September of 2017 with $287 million of cash on its balance sheet and with debt at the end of the quarter representing approximately 49% of consolidated capital. PSEG Power had debt at the end of the quarter representing 31% of capital. And as Ralph mentioned, we are maintaining our guidance for 2017 non-GAAP operating earnings of $2.80 to $3 per share.

And Shelby, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Julien Smith from Bank of America Merrill Lynch.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities, & Alternative Energy Equity Research*

So perhaps just to kick it off a little bit here on the New Jersey and some of the background of the politics there. I'd be curious, one, do you think there's potential for reform in New Jersey just given what's already going on at the FERC level? And then secondly, in that same vein of thinking, how do you think about the potential for a more comprehensive review of energy in New Jersey next year. You see there's some considerations with

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SI-SSA-0015-13887

Client Id: 77

respect to solar in addition to the nuclear issues that you've addressed, as well as just your ongoing utility spend and the extension and expansion of those programs. So to the extent to which that legislation might be a fix for all, I'd be curious how that might be shaping up.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure, Julian. Yes. I do think that depending on what happens at the federal level, there remains the opportunity for New Jersey to recognize certain attributes that perhaps are not explicitly identified at the federal level. To the extent that the federal level does recognize the same attributes then you would not have redundant programs. So an example of that might be, you could have price formation improvements at the federal level just to make the market more efficient, sort of along the lines of what PJM has talked about with inflexible units. And that doesn't do anything explicitly for fuel diversity or resiliency, and therefore, New Jersey could have an overlay on top of that. Similarly, fuel diversity versus carbon would be mutually exclusive. But if both jurisdictions recognize carbon, then you would not have 2 programs overlapping each other. Those are just the types of examples I would think about in terms of state and federal programs being complementary versus redundant. To your second question, whenever you have a change in administration, and as you implied, Governor Christie is term-limited now, he is finishing his second term, there's a desire on the part of the new incoming administration to establish themselves in various ways. It could be environmental, it could be the economy, it could be education and both candidates have talked about their desire to look at things a little bit differently when it comes to energy policy discussions about RGGI and green energy targets. And we absolutely -- as we've done for 110 years, we absolutely will work with the incoming administration to understand their policy objectives and the implications, both positive and negative, of whatever wants to be done because, as we know, things cost money to do, but if the benefits outweigh the costs, then we're eager to help them pursue it. So yes, we will work closely with whoever the new governor is to help them formulate and execute their energy policy. Lastly, I think you're correct in your, if I could say, implicit remark that an ongoing investment in the infrastructure is something that, no matter who comes into office, we'll probably would be supportive of. And I do think that's correct. There's a widespread recognition on the part of regulators and policymakers that we have an aging infrastructure that's not perfectly suited for the growing dependency that people have on electricity nowadays. And the improvements we're making, we'll certainly continue to propose them and I think we'll be well received.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities, & Alternative Energy Equity Research*

Excellent. Just a follow-up, again, congratulations on moving higher within your range here at the top end on the rate base side. Can you talk about reconciling that against earnings and some of the key factors that might be relevant in the current rate case and/or through the current period just in an attempt to reconcile the rate base trajectory against kind of hitting the upper end of that earnings? Perhaps, items might include like an authorized equity ratio or other deferred items in the context of this case that we should be paying attention to once it's filed?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. So our last base rate case was in 2010 and we've done a very good job of controlling O&M expense, but circumstances have conspired against us by having a complete absence of load growth over that time, so even a very good job of controlling O&M expense loses out to no load growth. We've also, as you know, had some of our clauses anticipate this rate case. So we had some unrecovered CapEx and then we had some modest investment levels above depreciation that served to build the rate case to levels that were not commensurate with what was in the 2010 rate case. That's a really long-winded way of saying we need some rate relief, but we've managed our overall portfolio well enough that we are describing this as a kind of a middle single-digit type of rate increase, which will be far below the compounding of CPI over the last 7 years that one might otherwise have expected. So I think it'll be something that is easily explained. Now the 7% to 9% CAGR in rate base is more a prospective conversation. My last 3 minutes was really looking in the rearview mirror, but now as I look out the windshield, now basically, we have, as you know, in our 7% number, programs that were wholly approved, then the 7% to 9% number anticipated some fairly high degree of confidence in some program extensions and I think what you're hearing in our voices today is that, that confidence has grown as we've been able to put our engineers to work and understand some of the parts of the system, both gas and electric, that needs strengthening. So as you think ahead to earnings, and, as you know, we don't forecast earnings beyond the current year, the 3 levers you have in the regulated utility are earnings grow with load. I think, Kathleen, again, we're seeing 0.4%, 0.5%. Is that forecasted?

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Client Id: 77

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Within the last 12, that's about right.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

And then you subtract from that O&M. We've been pretty good at controlling that. And you add to that the clauses that we expect to get recovery of. So it's 2 additions and 1 subtraction and you'll get pretty close to what the utility should look like in the coming 5 years.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities, & Alternative Energy Equity Research*

Got it. So let me just make sure what I'm hearing you say is, it shouldn't be all that different notwithstanding any kind of uncertainties with respect to the rate case?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, I think, that's correct within the limitation of -- as you know, we don't smooth for pensions, so some massive change in pension funding, which we don't expect. We're 92% funded right now. But the equity ratio could be adjusted in the case to -- we're probably going to ask for a skosh more. Is that a word? A bit more than we used to have in the past. And so yes, the case could set a new base from which that upper end of the 7% the 9% can grow.

Operator

Your next question comes from Praful Mehta of Citigroup.

Praful Mehta - *Citigroup Inc, Research Division - Director*

So I got the point on the ZECs and the DOE being mutually exclusive. Just wanted to understand, given, Ralph, your initial comments on the DOE initiative, how do you see it playing out? Like do you see it as a dollar per megawatt? Dollar per megawatt hour? Do you see -- how do you see that actually playing out? And do you see that how much, in terms of benefit, do you expect for your facilities?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, so Praful, so of course, boy, I wish I could answer that definitively. But let me answer it in the way which we proposed that it be played out, which may or may not have any bearing with what actually happens. In our comments to FERC we basically said, first of all, bringing PJM in under Section 206 to do what PJM says needs to be done is a no-brainer. So the inflexible unit treatment, the fast-start reforms, that is long overdue and needs to be done. And that is the easy part. Others have estimated that could be anywhere from $2 to $4 per megawatt hour. Secondly, as it specifically pertains to the DOE recommendation put forth in a NOPR, we have pointed out that there is a substantial portion of PJM that is competitively positioned in the market, but yet receives cost of service rates from their state regulators. And on an interim basis, that can be replicated at the federal level through a version of RMR type, reliability must-run type contracts for the units that are at risk of premature retirement. And that would be an interim solution until one comes up with a market-based solution that values the diversity associated with these different fuel types. We have proposed one method that relates to tranching of the capacity markets. Others have proposed methods that relate to scarcity pricing in energy markets for different fuels, but that permanent solution will involve a longer discussion with affected stakeholders. So really, it's 3 steps. It's, "Hey, there's plenty of evidence already that fast start and inflexible unit price formation needs to be fixed now and can happen now. An interim solution for at risk premature retirement using a cost to service methodology can be put in place very easily and then the

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Client Id: 77

longer-term market-based solution, there are known solutions and options that people can pursue, but a more fulsome discussion would not be inappropriate in that regard."

Praful Mehta - *Citigroup Inc, Research Division - Director*

Got you. That's very helpful color, Ralph. And secondly, in terms of long-term views, I know you've talked about, long term, the generation business probably not being a part of the consolidated business over the long term. Now given what's happening with the IPP space and either companies going public or shrinking, given the mergers, how do you see that playing out? Do you see -- has that changed in any way? Do you now see PEG Power being more part of the business going forward? Or has that -- the view on separation still hold at this point?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

No, the view still holds, but I think it's pretty obvious to us, at least, that, right now, in the short term, with all of the conversations taking place at FERC, at DOE, at the state, with new entrants being formed and anticipating the Vistra-Dynegy combination, with old entrants exiting in terms of public markets, anticipating the Calpine going private. I think it's a -- this is a good time to just sort of wait and let something settle out a bit, right? So we're in great shape. Power is a cash generator and earnings producer. In about 15 months, Power will be a healthy free cash flow generator. The utility has an insatiable appetite for that cash. So we're not in any hurry during this period of tremendous change. All healthy, all very healthy given the dialogues taking place at FERC and given the dialogue taking place at the state to let it kind of play out while we enjoy the benefits of the 2 companies being together. That doesn't change the fact that we continually assess our strategic flexibility going forward on whether these 2 businesses belong together or not. And I stand by my prior belief that I think, over the long term, they do diverge.

Praful Mehta - *Citigroup Inc, Research Division - Director*

Got you. And just to be clear, that time of change is what, a 2, 3-year period, while all of this kind of settles down? Do you see...

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

I did make that mistake about 3 or 4 years ago. And I may not be the smartest person in the world but I do learn from those mistakes. I'm not going to give you a time frame. Nice try, though, Praful. Kathleen started like choking me. So my voice broke a little bit, that's the reason.

Operator

Your next question comes from Greg Gordon of Evercore ISI.

Kevin John Prior - *Evercore ISI, Research Division - Associate*

It's Kevin here. I just wanted to see if you could quantify the uplift in PJM price reform as it's currently being contemplated.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So Kevin, what we quoted is what other sources have talked about. If you just take Dan's comments about 55 terawatt hours, every dollar's worth $55 million pretax. So if it's $2 to $4, I've just thrown 3 if statements in there, so please be aware of that, you come up with the impact on us. Dan, did you want to add some color to that?

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Client Id: 77

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

I think that's right. I think there's been an awful lot of people that have put out some numbers on it and they have actually coalesced around that range pretty tightly. So we'll see, as these different initiatives get done, what it ends up looking like. But I think that seems to be a reasonable place a lot of the pundits are at and we think it's a pretty reasonable as well, Kevin.

Kevin John Prior - *Evercore ISI, Research Division - Associate*

Okay. So now, how would that impact your hedging? Would it -- would you like hedge less or stop hedging '19 if you start to see progress? Or how would you think about that?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So we have constantly disciplined ourselves to staying within a certain range in terms of how much we hedge. We have various parameters, gross margin at risk, standard VAR calculations. We do allow our ER&T folks, our trading organization, to float high and low in that range depending upon what's going on. To the extent that the whole market anticipates price formation, you should start seeing that in the forward price curve and therefore our hedging approach would stay the same. We do challenge ourselves, if we think the market is missing something to make darn sure that we can figure out why the market would be missing it before we would push one boundary or another. But in general, we'll run the place the way we always have, which is to not assume we're smarter than the market and to just stay within those limits. But again, those limits are a range and we do let our folks have some flexibility within that range.

Operator

(Operator Instructions) Your next question comes from Christopher Turnure of JPMorgan.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

I wanted to get maybe a little bit more detail on the rate case, the test year and, in particular, kind of the true-up and what's included in that. I guess that would kind be a third quarter event after the test year ends on June 30, but I'm just trying to get a sense as to how next year will shape up there and what the rate case will ultimately include in terms of timing coming out of the gate.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. So, Chris, so we had originally planned to file November 1 per the agreement we made back in May of 2014 coming out of Energy Strong. There was widespread recognition that, that would be a 2 and 10 and there was preference for 3 months of actuals and 9 months of forecast as opposed to 2 months of actuals and 10 months of forecast. And that was the primary driver behind the 1-month delay, if you will. So there's no -- nothing mystical or profound going on there. So the test year still ends in June of '18. As I mentioned before, we're expecting a mid-single-digit requested increase that will still keep rates below where they were in 2010 when we had our last base rate case. And remember, we have $250 million of GSMP stipulated rate base that was not covered by GSMP. We have about $100 million of Energy Strong, above the $1 billion that was in the clause. We have storm recovery costs, that's, I think, $200-something million that was deemed prudent but hasn't been returned to us yet. We have some new business that added to the CapEx. And candidly, we had some additional capital that was above depreciation levels that we've accumulated over the course of the years. So we would anticipate rates going into effect October-November of next year and I don't want to front run the filing. We owe it to the board's staff to let them be the first ones to read the details. But Dan, if you want to add any color?

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Client Id: 77

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Just one thing, Chris. It sounded like your question was implying there would be a rate case and then there would be a true-up afterwards. And the way that we described the rate case is, basically, it is a trueing up of a host of the things that Ralph's just talked about. So we will come out of the rate case with the rates that are set within that case. And historically, we've seen a settlement in these cases in the state and that may well be where it ends up going, but we'll see. We would look for rates next fall. Usually these have taken about a year, and we would hope to anticipate that we could get rates maybe in like the October range. But it's a little different than our transmission formula rate, which is filed, those rates going into effect for the following year and then there is a separate true-up that happens the year after that. So just, for clarity's sake, there's no true-up after the rate case. The rate case itself will true up our distribution rates and we would anticipate the new rates would be in effect, say, October of next year.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

And just for -- I think most of you know this, but our rate base is roughly half transmission, half distribution right now. So tiny bit more distribution.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. That was all very helpful context and everything, but that's kind of what I was driving at there, towards the end, Dan, just that the distribution rate case itself, would have a 9-month forecasted test year, but that, itself, would never be trued up during the rate case process.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. So the 9 months, it will be a 12-year -- 12-month test year and it will start with 3 months of actuals and 9 months of forecasts. And then, as we step through, we'll update those as we go forward.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. So you would have some update? On O&M or something during the process?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. Yes.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. Got you. And then just on the request for decoupling. Can you help put that into context for me, just kind of understanding your motivation for that and maybe how you think it may or may not be perceived by interveners?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, Chris. So we've had a series of energy efficiency filings approved over the past 7 or so years. I think the total amount is about $400 million, the most recent one was $69 million this past summer. And we have basically worked around this issue of fixed cost recovery with the stakeholders in these processes. And it's kept us from doing something in a much grander scale and we've simply decided that with the prospect of a new administration coming in and ongoing indication that there are market imperfections that keep customers from investing in energy efficiency, despite the compelling economics of that, that we would like to do this in a much, much more significant way, but we're not going to do it and suffer fixed cost losses, the absence of recovery of fixed costs. So given the tariff-free design involved with decoupling, we thought, well, since

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Client Id: 77

we're going in for a rate case, now is a good time to raise the issue. And that's the motivation. The motivation really is not so much of this rate case, but the rate case is an opportunity to pave the way for significant energy efficiency proposals early next year.

Operator

Your next question comes from Travis Miller of Morningstar, Inc.

Travis Miller - *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

I was wondering if we could boil down all of these power market tissues into 2 buckets, the price formation bucket and the fuel diversity bucket. How do you think about, in the next 2 to 3 years, perhaps even more, of capital investment based on what happens in either of those 2 buckets? So what happens to capital investment depending on the outcome of price formation? What happens to capital investment based on an outcome in fuel diversity?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

I can tell you what it means for us, Travis. We're not deploying additional capital into the power generation business. We have 1,800 megawatts of 6,000 to 6,500 heat rate power plants coming online and we're quite happy with that. At the risk of speaking for others, which is always going to be wrong, you know that PJM, in particular, and many other markets are in an oversupply situation and there's been a reasonable demonstration of capital discipline in the most recent auctions that have taken place. So I think that the supply/demand imbalance that exists is a separate issue that will continue to impart that capital discipline and the price formation issue is just the recognition that if you want a market to be efficient, then price should determine who runs and who doesn't and you can't keep having uplift payments and side bar out of market payments guiding the dispatch of the system, which is what PJM has going on right now. I mean, price is not the sole determinant of how the system is dispatched. Then that's not a market, so that needs to be fixed. So 2 separate issues, I guess, is what I'm saying.

Travis Miller - *Morningstar Inc., Research Division - Director of Utilities Research and Strategist*

Okay. And could I read into that, that you don't think there would much capital investment in general across, certainly, the PJM region however this turns out?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

I think you could, without question, read into it that that's our point of view. Again, I don't want to speak for others, but I know what our capital plans are, and it's to finish these 3 projects and generate some healthy free cash flow for the utility.

Operator

Your next question comes from Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So just to follow up on Travis' question, what we often see with these market reforms is that others seem to deploy capital and I'm just wondering, when you see this $2 to $4 price increase in -- with price formation or potentially seeing that, how long term do you think that would be? Or is the proposal -- it's hard for me to really completely get my arms around it, is it such that you would still see locational marginal pricing being set by inflexible units even with new entry showing up in the gas-fired area, if you follow me? I mean, how should we think about sort of the sustainability

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Client Id: 77

of something like price formation given what we've seen, quite frankly, with the capacity markets and other "market reforms" to change the price, if you follow me?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure, Paul. That's fair. I think that one has to realize that there are -- there's cyclicality in these markets that have different periodicity associated with them, right? There's cyclicality in fuel prices, there's cyclicality in boom-bust cycles associated with oversupply and undersupply. There's cyclicality in oversupply and undersupply as determined by power plants being built, as determined by pipelines being built. So to simply say that price formation will drive prices up $3, picking the midpoint in the range that Dan and I have talked about, which we don't attest to but simply quote from others, and then automatically concluding that that's going to lead to people running their numbers and assuming that, that number stays there and, after, they'll build plants, could be a bit risky, right? I mean, what does it mean for the timing of pipelines that may change the basis differential of gas in Western PJM versus Eastern PJM? What does it mean for future carbon constraints that may or may not be part of a subsequent administration in Washington? I think all of us want to go -- some people on this call may want to go see their children in their Halloween parades, otherwise I'd list 1,000 other factors that should be going into people's thought process before making those kind of investment decisions.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Look, no matter how you slice it, having a market that is working better by virtue of some of the changes that need to be made is going to get you to a better answer.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then, with respect to the DOE proposal, I know this is kind of -- sort of moonshot question, I guess, maybe. But how much assets should we think about as being potentially -- if it were to be enacted for you guys, how should we think about what the potential impact might be there? How many units -- just how do we sort of quantify that? If that were to -- I know it's kind of a hard question, maybe, to answer, but, I mean, how would you suggest we think about it?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

I think, Paul, the way I would break it down is based upon how they have the DOE describe the eligibility so, and one of the main ones is having 90 days of fuel on site. And if you think about what that means, that means our nuclear facilities, certainly. And it means our small interest in Keystone and Conemaugh.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So all those units would theoretically be able to get a rate-of-return rate base or what you're getting at the utility kind of thing?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

We'll see how where the -- ultimately where the NOPR goes with it. But certainly, from an eligibility standpoint, those are the units that would come to mind.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And I guess, we don't have -- do we have like a -- what the asset -- what the rate base number would be, kind of, if you follow me, associate with that? Do you follow what I'm saying? I mean...

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Client Id: 77

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, I mean, but there's a little bit of data related to some of the nuclear facilities in the Q, but it's not on an asset-by-asset basis from a book value perspective.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Well, I'll follow up afterwards. I mean, I just was wondering -- I was just curious if you had some sort of idea there, but I don't want to hold it up.

Operator

(Operator Instructions) Your next question comes from Michael Lapides of Goldman Sachs.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Easy question. On your 2017 CapEx guidance, the reduction of $300 million, can you give a little more detail about what's moving and does that get put back into a future year's CapEx? And if so, how far out into the future?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, Michael. So it's always a bit of a split. I think we had referenced there were a couple things that were going on related to the total. Some is, frankly, just doing some work more efficiently, and I think there is a -- the majority of that is on Energy Strong. You heard Ralph talk a little bit earlier about $1 billion going through the clause and about $100 million that will await the rate case, and you'll remember it's about a $1.2 billion program. So frankly, some of that work was done more efficiently and I think that's a great outcome and it's great for customers and we're pleased to be able to do it that way. And we've had a little bit of the same on transmission, not a whole lot. And then, the balance really is timing and the timing is not anything that's going to move dollars out 3, 4, 5 years. It's a just living '17 out into '18. So in the aggregate, if you think of it, maybe about half and half, half being just efficiencies that we've brought to the process and about half being some capital that will move into next year.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

So when you think about efficiencies, if I did half and half, do you think CapEx over the cycle by about $150 million and pushing out $150 million into next year kind of ballpark?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. If you think about the $3.1 billion versus $3.4 billion that we talked about, that's about right. Yes.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

That trend towards the upper end of the rate base growth through 2021 includes all of that [thinking].

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Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then one other. Just thinking about transmission rate base growth and transmission capital needs and kind of how you're thinking about whether there's any lumpiness in some of what PJM is trying to plan around, given what's happened with the ConEd wheel. How are you thinking about just whether there are any lumpy or larger scale projects coming down the pike with transmission? Or is it all going to be just lots and lots and lots of kind of small and midsized ones?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, it's more the latter than the former. I think if you had gone back 3 or 4 years, you would have found more bigger, lumpier projects. A fair bit of what we are spending now is on 69 kV upgrades of 26 kV systems. And that actually moves capital from the distribution area into transmission as it goes up in voltage and those are smaller. Now a lot of them are still sizable projects, but smaller than, for instance, a Susquehanna-Roseland type of project that we talked about in the past. So there are more smaller projects as opposed to fewer larger projects that we've seen in the past that will move us forward. And in fact, as we think about our 2018 revenue number that we talked about, even within our prepared remarks, some of what you see there, it's a step up from what we have seen in some prior years. Even if you look back to last year, there's a pretty sizable step-up in the amount. Some of that is incremental capital year-over-year in both the return on that capital and the depreciation, the return of that capital will contribute to some of that increase. But you may recall last year, part of the number that we had from a revenue increase was inclusive of a true-up and that true-up was related to bonus depreciation. So a couple years back, the bonus depreciation extension took place. I don't think it was December 31, but it was awfully close to that and it was certainly after we had filed our October formula rate filing. So the impact of bonus depreciation in 2015, getting it approved, moved into 2016 after we had set our rates and a true-up in 2017 included the reduction in rate base for those excess deferred taxes for bonus depreciation. So on a year-over-year basis, you'll see a jump and a lot of that had to do with the fact that 2017 had a true-up reducing revenues for transmission related to that late enactment of bonus depreciation back in 2015.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. Much appreciated. Maybe one last one. O&M at the utility has been very strong, meaning you've reduced O&M this year. How much of that is just one-off stuff related to maybe storms in 2016. And how much of that is kind of active O&M management?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

It's the latter. It's active O&M management and we've kept O&M to a very manageable rate over, frankly, the last number of years and would look to continue to do so going forward.

Operator

Your next question comes from Jonathan Arnold of Deutsche Bank.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Just one on the hedging data. You mentioned that you'd had a $2 downtick in the average price to $39 for 2019 and the hedge amount only ticked up by 5%. Can you just remind us, does that include an estimate of the pricing on the open position? Or is that just the average price on the hedge piece?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

It's the latter, Jonathan.

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Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. So then, I guess, following from that, then. Between -- over the last 4 quarters, it's ticked down from $43 to $39 and the hedging has gone from [15 to 30], how do we kind of reconcile that math?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Well, I think if you take a look at what the '19 -- 2019 forwards look like over that period, you've been in a $29, $30 rate. And what you're doing is you're pulling down from a BGS price in those out years, which is exclusive of the capacity components, but inclusive of the others. So it's not an unusual trend that we start in the out year of our 3-year cycle with BGS and then we layer on flat-block hedges as well as some other load deals in those flat-block hedges tend to come in at lower prices, in part, because the curve has come down but also because they're energy-only hedges.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. So it's sort of those 2 things going on there. And then, but also the curve has sort of traded off in the quarter and then recovered a couple of dollars since. Is it fair to say these were sort of down in the heart of the third quarter or can you give us any sense there?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. During the quarter, since our last update.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. And then one other thing. Just on enterprises. Your guidance for '17, the $35 million number, is that still sort of the right ballpark going forward?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. Yes, that's right.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

I'm sorry. If you have 1 more question, otherwise, I know we've gone over our allotted hour's time, but I don't want to cut anybody off with a significant question, so we'll allow one more question.

Operator

Okay. Your final question comes from Ashar Khan of Verition.

Ashar Khan

Can I just ask you -- Ralph, can you just talk a little bit about the legislation, if -- when we should kind of expect it or what should we expect in the last 2 months starting tomorrow, I guess, November starts works in? And then, I just had one more question from Cregg, was that, could you remind us how much of the transmission increase went into effect on January 1 of this year? You said you were going to request something like $212 million, right, January 1, 2018. Could you remind us what that amount was for January 1, 2017?

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So sure. We are just in a series of conversations with people right now. We're just making sure they understand what our nuclear plants mean to New Jersey. And yes, it is true that if New Jersey were to build a safety net so as to guarantee or assure the continued operation of those plants, it would have required legislation. But anything more than that would be premature to discuss, right? So there's just a lot of conversations that we're having with folks to say, if those plants weren't here, here's what happens. So and then we have 2017, Dan?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. 2017 was $121 million, and that was down off of the last couple of years, which was $146 million and $182 million. And so it's moved around a fair bit and a lot of that is the bonus depreciation item that I talked about earlier.

Ashar Khan

So from $121 million, we are now going to like $212 million, right? Am I correct?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's right.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So just to summarize what, hopefully, you heard from me and Dan this morning, our Power plant construction is on budget and on schedule, 3 power plants that we hope to have online in June of next year and the subsequent June. We have a very healthy dialogue that we are active participants and going on underway on wholesale power market design and reform taking place at FERC, at DOE and at the state level. For the utility, we're now pointing toward the upper end of rate base growth, that's 7% to 9% range. We're now thinking we'll be able to hit that upper end of the range between now and 2021. We have a very busy, but a constructive regulatory agenda coming up for PSE&G. We have GSMP in play. We have a rate case, we'll have Energy Strong 2 in the near term and, longer term, some energy efficiency. And we're happy to go over all of that and then some with you at EEI next week. I know we have a full set of meetings set up and if you're not on the meeting schedule, I'm sure you can corner one of us in the hallway. They wouldn't let me say it at the beginning of the script, but I wish everybody a happy Halloween now. And have a great holiday and a safe day. Thank you. We'll see you all next week.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect, and thank you for participating.

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SI-SSA-0015-13899

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2017

October 31, 2017

SI-SSA-0015-13900

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

SI-SSA-0015-13902

PSEG
2017 Q3 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13903

PSEG Q3 2017 – Solid results; executing well on major initiatives

Third Quarter Highlights

- ✓ Net Income of $0.78 vs. Net Income of $0.64 per share in Q3 2016
- ✓ Non-GAAP Operating Earnings* of $0.82 vs. $0.88 per share in Q3 2016
- ✓ PSE&G results benefitted from increased investment in electric and gas transmission and distribution
- ✓ PSEG Power results aided by continued cost control and improved nuclear performance
- ✓ Unseasonably mild weather weighed on results of both businesses

Operational Excellence

- ✓ Nuclear fleet achieved a capacity factor of ~96% for Q3 and ~95% for the year-to-date 2017 period

Disciplined Capital Investment

- ✓ PSE&G investing ~$3.1 billion to upgrade transmission, replace cast-iron pipe and improve the resilience of electric distribution system in 2017 and PSEG Power investing ~$1.2 billion constructing three new, highly efficient gas-fired CCGTs

Regulatory & Policy Focus

- ✓ FERC seeking response to Department of Energy (DOE) proposed rulemaking to preserve the viability of fuel-secure, base load resources; Reply comments due November 7, 2017
- ✓ Per Board of Public Utilities (BPU) agreement, PSE&G will delay filing its Distribution Base Rate Case to no later than December 1, 2017; decision by BPU on Infrastructure Investment Proposal expected by year-end

* See Slides A and B for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13904

PSEG Q3 Summary

Quarter ended September 30

$ millions (except EPS)	2017	2016	Change
Net Income	$ 395	$ 327	$ 68
Reconciling Items	22	117	(95)
Operating Earnings (non-GAAP)*	$ 417	$ 444	$ (27)
EPS from Net Income	$ 0.78	$ 0.64	$ 0.14
EPS from Operating Earnings (non-GAAP)*	$ 0.82	$ 0.88	$ (0.06)

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG Year-to-Date Summary

Nine Months ended September 30

$ millions (except EPS)	2017	2016	Change
Net Income	$ 618	$ 985	$ (367)
Reconciling Items	581	211	(370)
Operating Earnings (non-GAAP)*	$ 1,199	$ 1,196	$ 3
EPS from Net Income	$ 1.22	$ 1.94	$ (0.72)
EPS from Operating Earnings (non-GAAP)*	$ 2.36	$ 2.36	$ -

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13906

PSEG - Executing on Regulatory and Policy Initiatives

NJ Distribution Base Rate Proceeding

- Agreed to delay rate review filing by one month to no later than December 1, 2017

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP2)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- A final BPU decision on the Infrastructure Investment Program (IIP) providing for 5-year investment programs expected by year-end
- PSE&G preparing a multi-year extension filing for Energy Strong in coming months
- PSE&G developing a large, multi-year EE investment program to bring benefits to a broader group of customers

Preserve the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

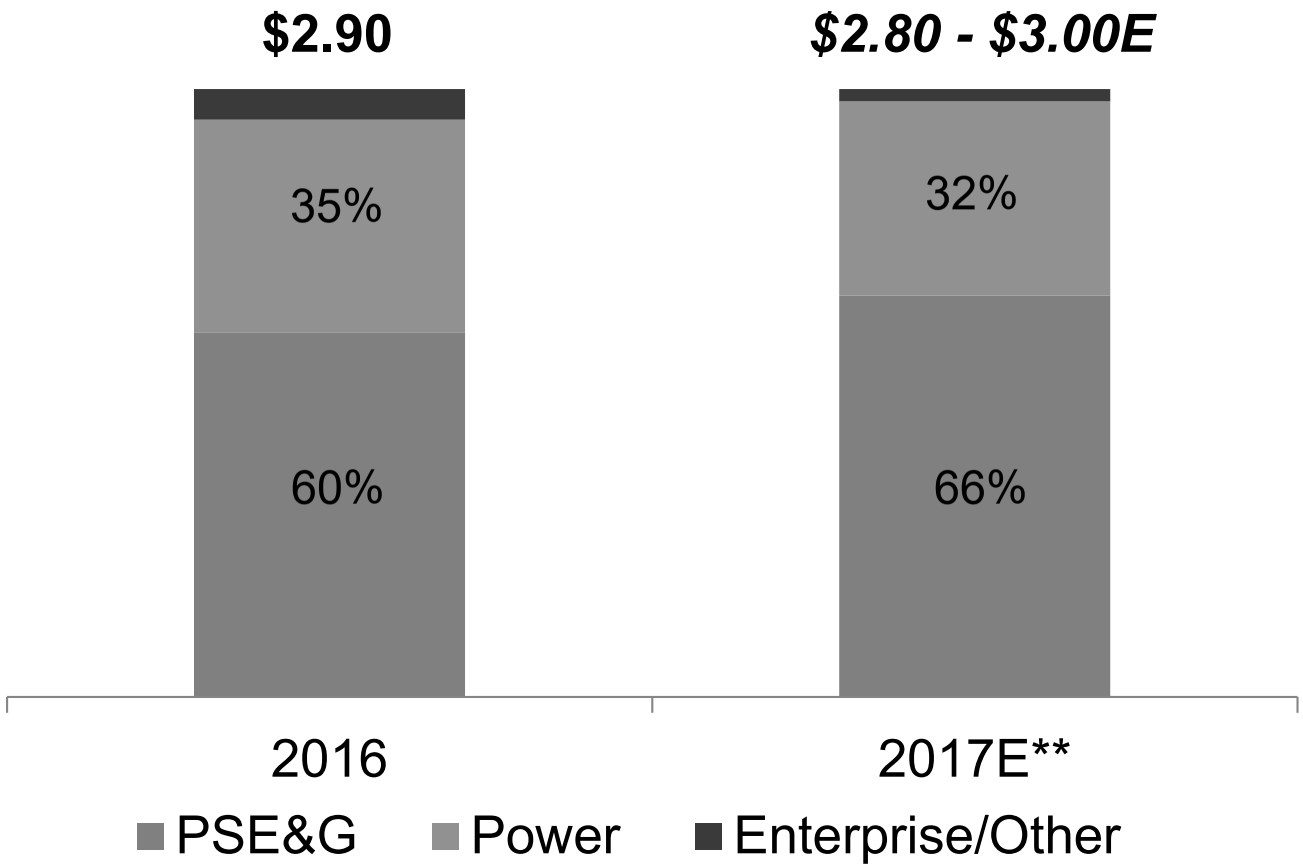
- FERC/PJM considering DOE Notice of Proposed Rulemaking (NOPR) issues of Price Formation and fuel-secure resource preservation

SI-SSA-0015-13907

PSEG - Maintaining 2017 Non-GAAP Earnings Guidance

Growth in utility infrastructure investment drives increased growth in regulated earnings contribution

Non-GAAP Operating Earnings*
Contribution by Subsidiary and 2017 Guidance



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share. E = Estimate.

SI-SSA-0015-13908

PSEG
2017 Q3 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13909

PSEG – Q3 Results by Subsidiary

PSEG Q3 EPS Summary – Quarter ended September 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 0.49	$ 0.50	$ (0.01)
PSEG Power	$ 0.27	$ 0.27	$ -
PSEG Enterprise/Other	$ 0.02	$(0.13)	$ 0.15
Total PSEG	$ 0.78	$ 0.64	$ 0.14

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 0.49	$ 0.50	$ (0.01)
PSEG Power	$ 0.31	$ 0.34	$ (0.03)
PSEG Enterprise/Other	$ 0.02	$ 0.04	$ (0.02)
Total PSEG*	$ 0.82	$ 0.88	$ (0.06)

*See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other.

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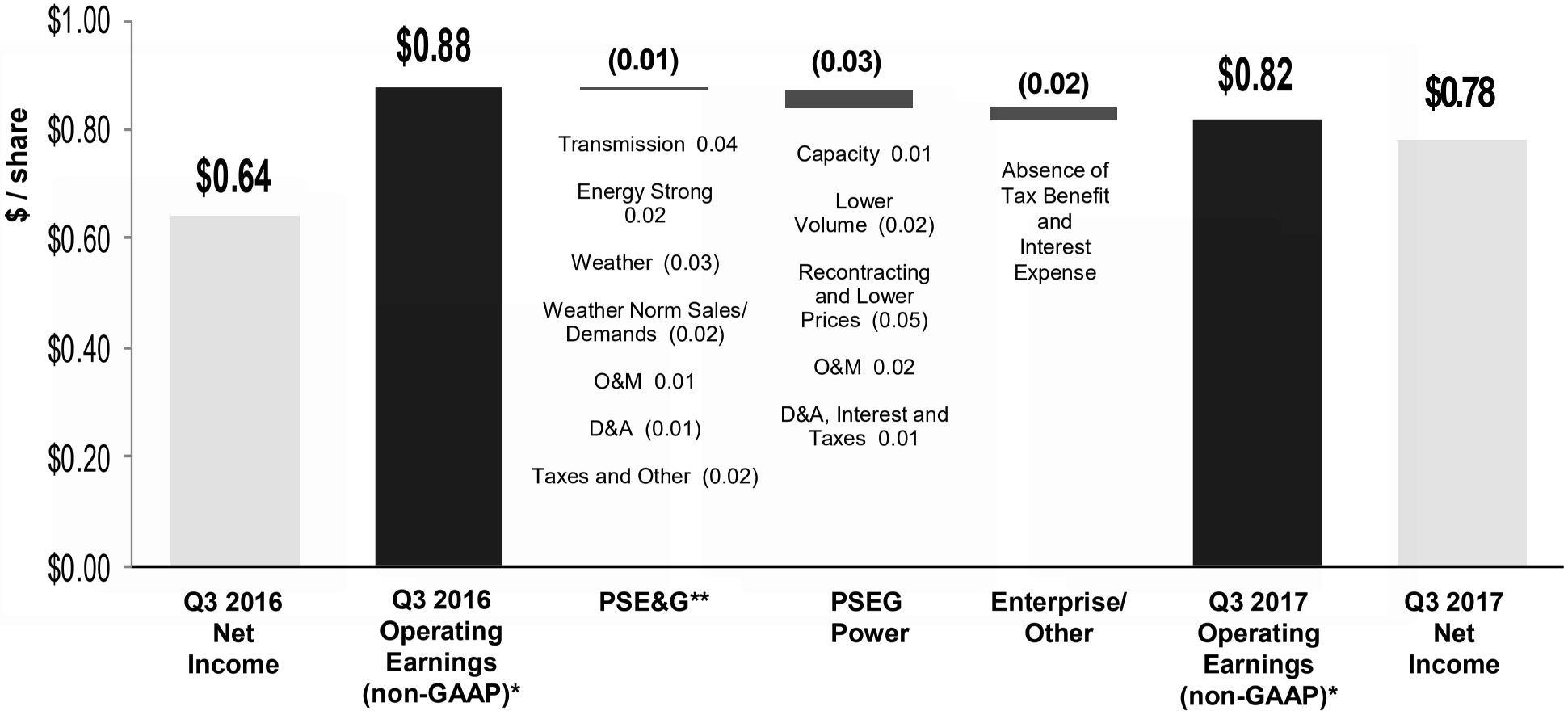
PSEG EPS Reconciliation – Q3 2017 versus Q3 2016

Utility investment, cost control and mild weather drive Q3 results



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Prior quarter results may not add to year-to-date totals due to rounding.

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PSEG – Year-to-Date Results by Subsidiary

PSEG YTD EPS Summary – Nine months ended September 30

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ (0.26)	$ 0.63	$ (0.89)
PSEG Enterprise/Other	$ (0.01)	$ (0.06)	$ 0.05
Total PSEG	$ 1.22	$ 1.94	$ (0.72)

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.49	$ 1.37	$ 0.12
PSEG Power	$ 0.80	$ 0.88	$ (0.08)
PSEG Enterprise/Other	$ 0.07	$ 0.11	$ (0.04)
Total PSEG*	$ 2.36	$ 2.36	$ -

*See Slides A and B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSEG Power and PSEG Enterprise/Other.

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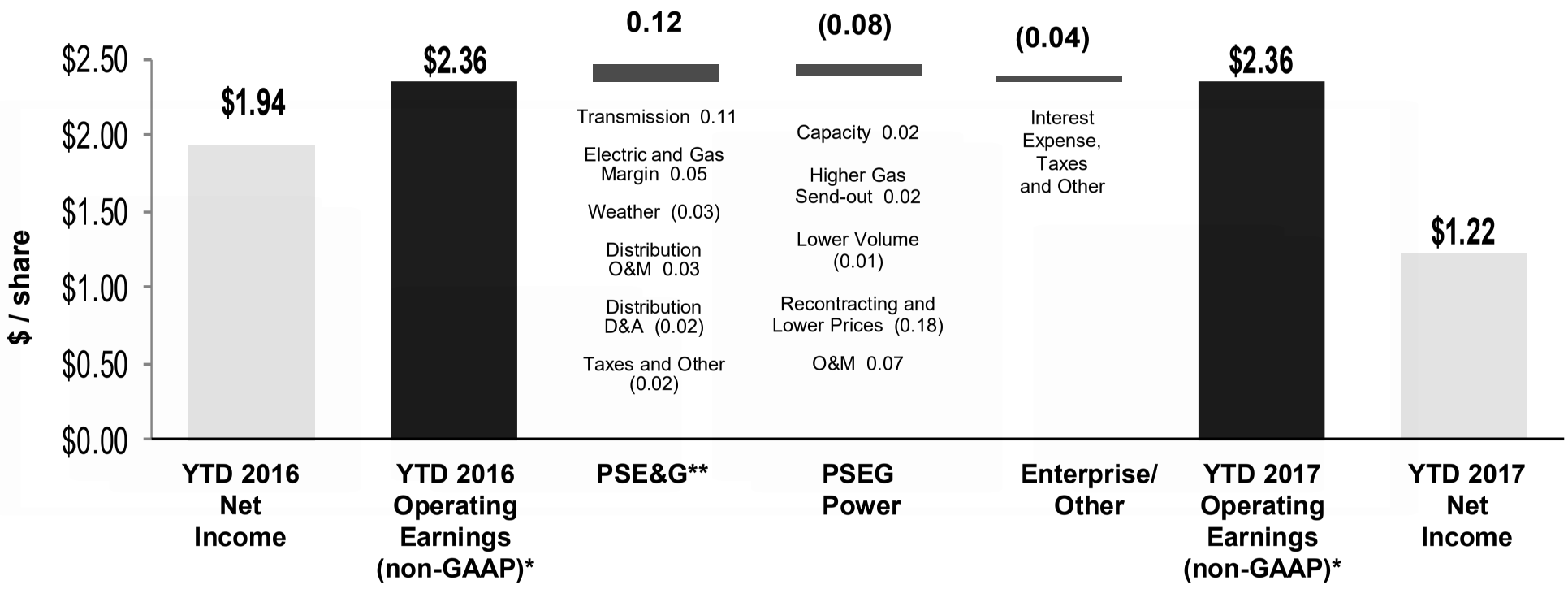
PSEG EPS Reconciliation – YTD 2017 versus YTD 2016

Utility investment and cost control drive year-to-date results



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).Year-to-date columns
**Prior quarter results may not add to year-to-date totals due to rounding.

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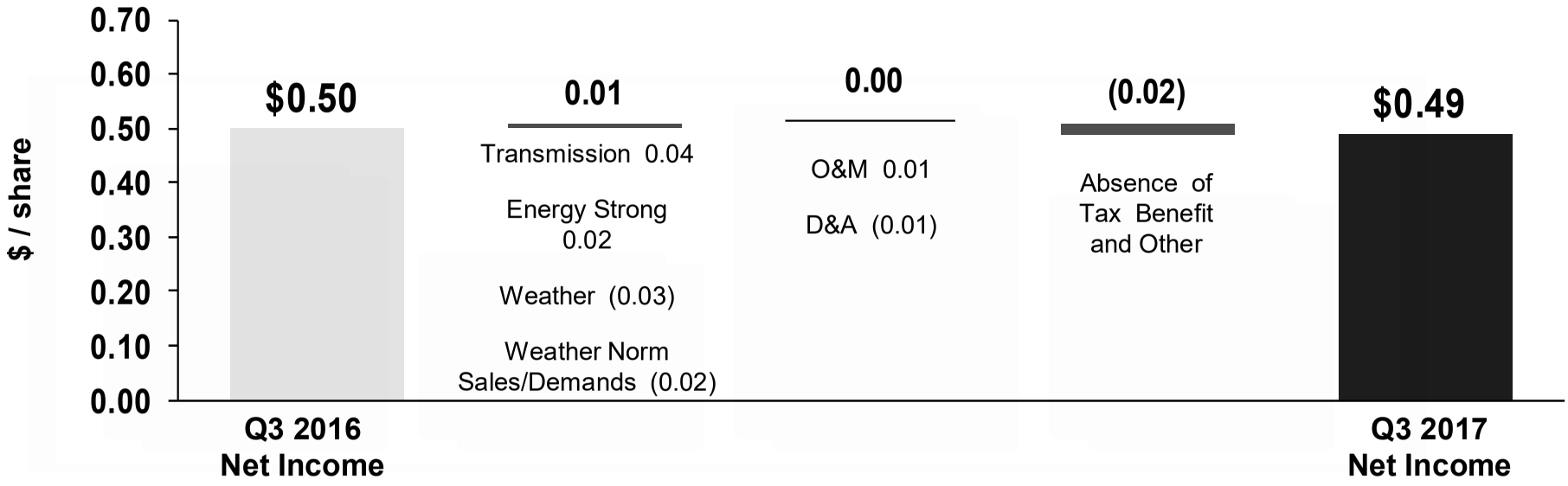
PSE&G
2017 Q3 Review

PSE&G EPS Reconciliation – Q3 2017 versus Q3 2016

Continued investment and cost containment contributed to margin, offset by mild weather



Prior quarter results may not add to year-to-date totals due to rounding.

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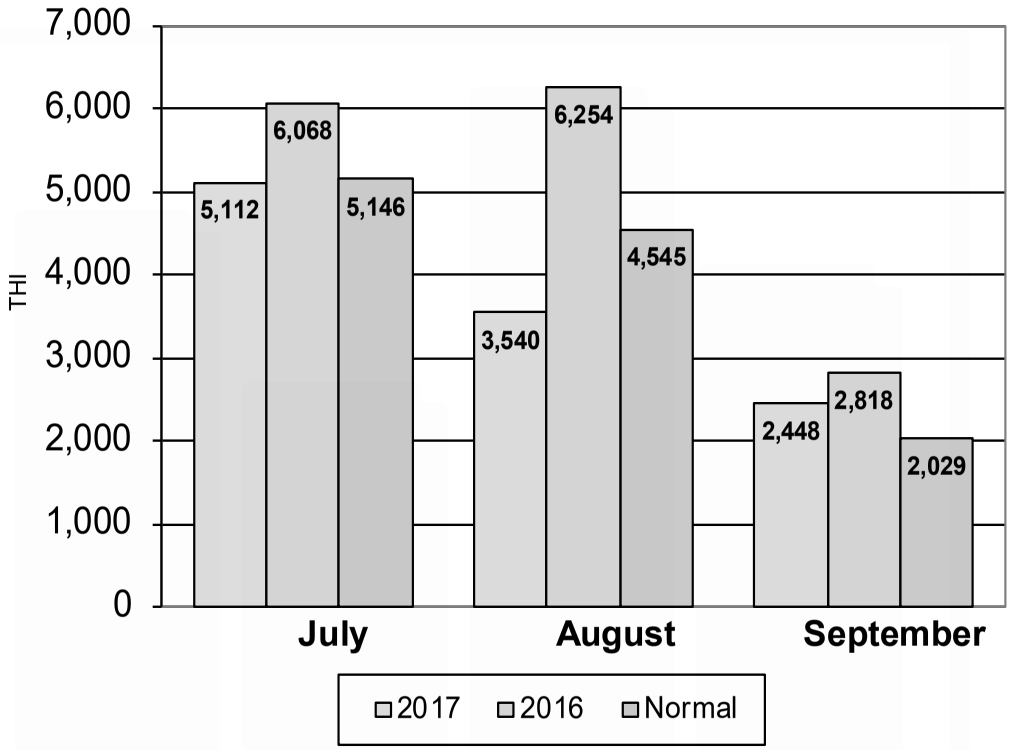
Q3 2017 weather significantly cooler than Q3 2016 and normal

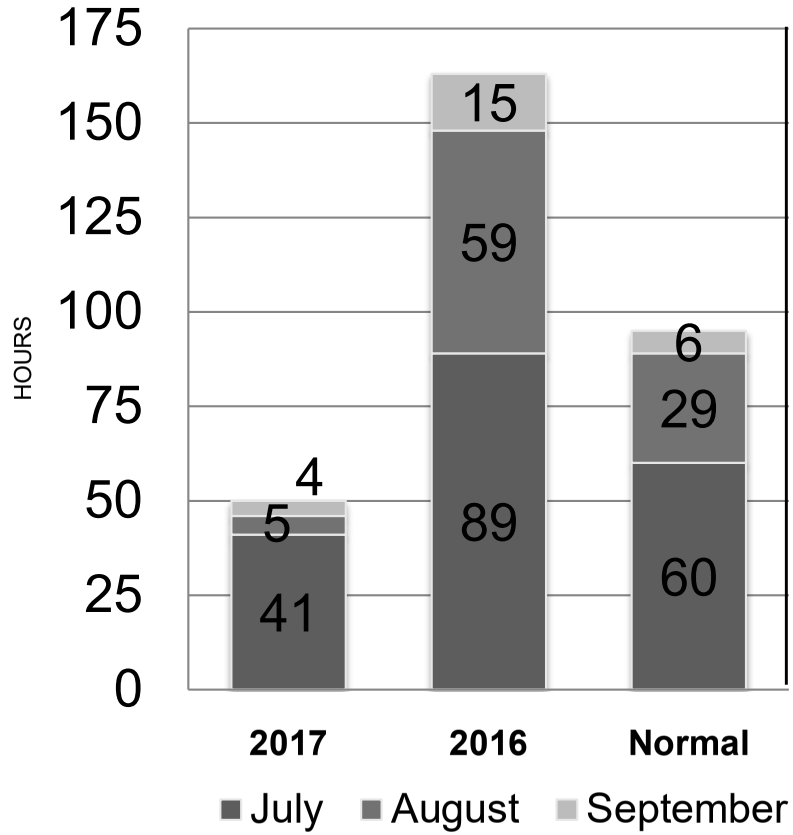
PSE&G Monthly Weather Summary
2017 vs. 2016 vs. Normal

Monthly Temperature Humidity Index (THI)



Q3 2017 temperature-humidity index was ~27% lower than Q3 2016 and ~5% lower than normal

Total Hours at 90°F or Higher



Q3 2017 total hours at or above 90°F were 69% lower than Q3 2016 and 47% lower than normal

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PSE&G – Q3 Highlights

Operations

- ✓ On a weather normalized basis, total electric sales were down slightly (0.6%) for the quarter and flat for the trailing 12 months ended September 30
- ✓ Q3 2017 weather was ~27% cooler than Q3 2016 and ~5% cooler than normal based on the Temperature-Humidity Index; hot weather in late September (billed at lower winter rates) was not enough to offset the mild August

Regulatory and Market Environment

- ✓ PSE&G agreed to delay filing its distribution base rate case by one month to no later than December 1; Filing will now be based on three months actual and nine months forecasted data
- ✓ BPU decision on Infrastructure Investment Program (IIP) proposal expected by year-end
- ✓ Filed for 2018 FERC Formula Rate increase of $212 million to be effective January 1, 2018, reflects increase in transmission investment and a true-up of prior-year results
- ✓ Anticipate filing a multi-year, Energy Strong extension and expansion program (ES2) by year-end

Financial

- ✓ PSE&G expects to invest approximately $3.1 billion of capital on its infrastructure in 2017, lower than the plan of $3.4 billion due to a delay in timing on certain projects and better than anticipated efficiencies
- ✓ PSE&G's 2017 Net Income guidance range remains unchanged at $945 - $985 million

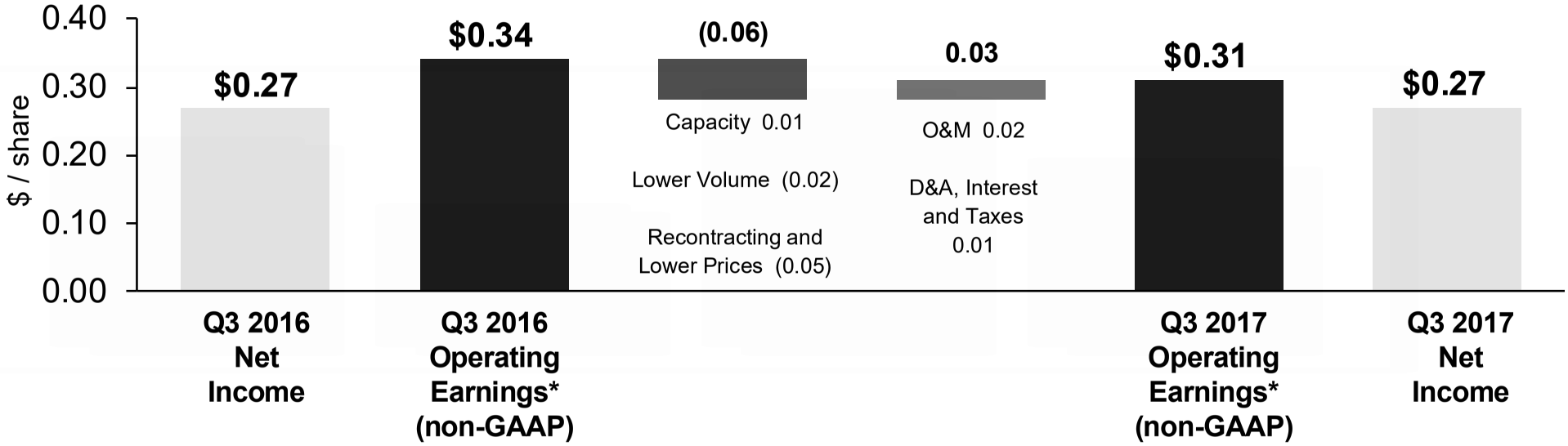
SI-SSA-0015-13917

PSEG Power
2017 Q3 Review

SI-SSA-0015-13918

PSEG Power EPS Reconciliation – Q3 2017 versus Q3 2016

Fewer outage-related days and cost control offset lower prices

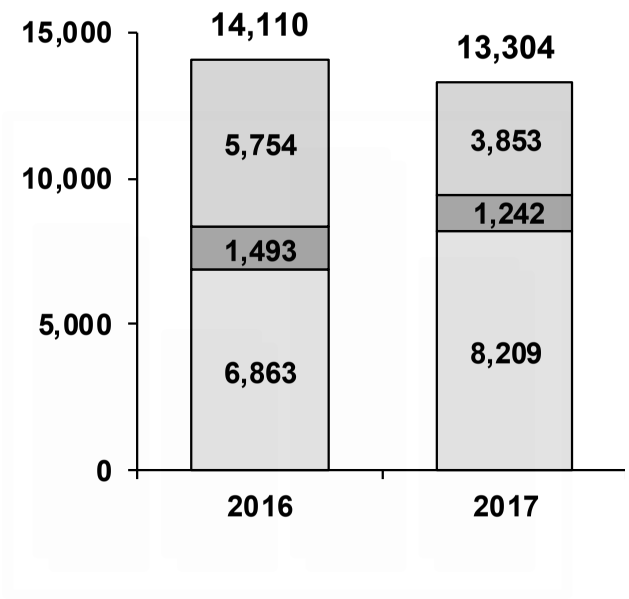


* See Slide B for Items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings for PSEG Power.

SI-SSA-0015-13919

PSEG Power – Q3 Generation down 6% in response to mild weather

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended September 30	
	2016	2017
Combined Cycle		
PJM and NY	73.6%	51.0%
Coal**		
PA	69.8%	73.9%
CT	5.4%	1.3%
Nuclear	80.2%	96.1%

PSEG Power – Fuel Costs

	Quarter ended September 30	
($ millions)	2016	2017
Gas	$ 83	$ 63
Coal	$ 29	$ 27
Total Fossil	$ 112	$ 90
Nuclear	$ 49	$ 51
Total Fuel Cost	$ 161	$ 141
Total Generation (GWh)	14,110	13,304
$ / MWh	11.41	10.60

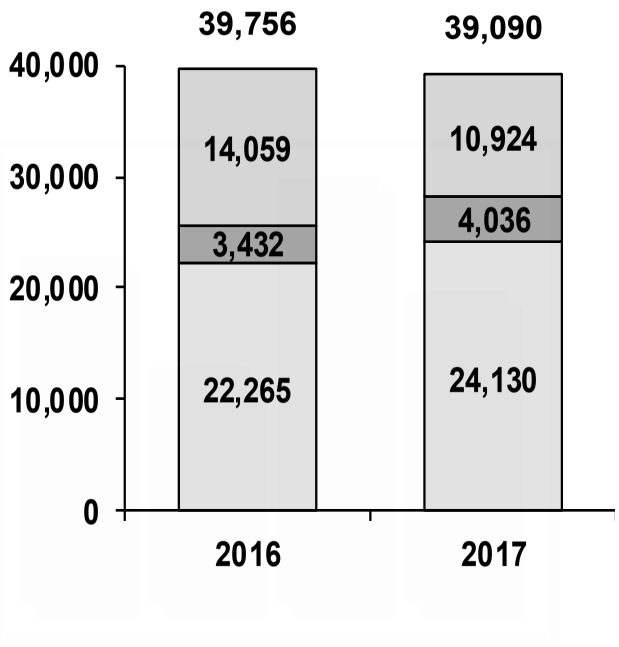
Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-13920

PSEG Power – YTD Generation down 2% in response to mild weather

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Nine months ended September 30	
	2016	2017
Combined Cycle		
PJM and NY	62.5%	49.3%
Coal**		
PA	61.9%	79.6%
CT	3.8%	3.8%
Nuclear	87.5%	95.2%

PSEG Power – Fuel Costs

	Nine months ended September 30	
($ millions)	2016	2017
Gas	$ 215	$ 224
Coal	$ 78	$ 92
Total Fossil	$ 293	$ 316
Nuclear	$ 154	$ 153
Total Fuel Cost	$ 447	$ 469
Total Generation (GWh)	39,756	39,090
$ / MWh	11.24	12.00

Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

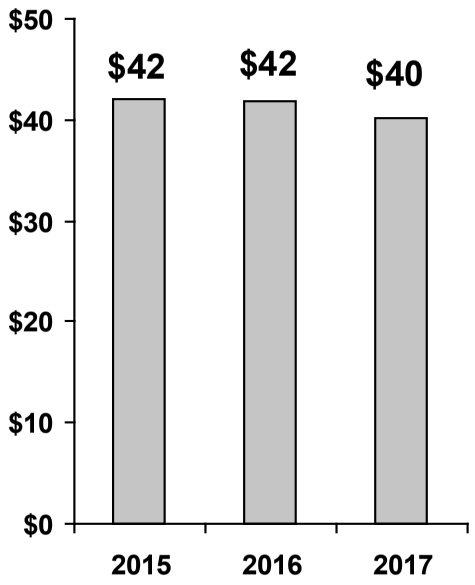
SI-SSA-0015-13921

PSEG Power – Gross Margin Performance

- ✓ Mild Summer weather tempered demand, energy prices and generation output
- ✓ PS Zone basis improved over Q3 2016, despite lower pricing
- ✓ Capacity revenues up slightly vs. Q3 2016 reflecting a step-up in New England capacity pricing to $232 MW/day
- ✓ Regional spark spreads compressed in the quarter

PSEG Power Gross Margin ($/MWh)

Quarter ended September 30



Regional Performance		
Region	**Q3 Gross Margin ($M)**	**Q3 2017 Performance**
PJM	$486	Lower prices and lower generation influenced by mild Summer weather
New England	$24	Higher capacity revenues offset lower generation and lower market prices
New York	$25	Higher generation was offset by decline in average hedge price and market prices

SI-SSA-0015-13922

Hedging Update – Forecast of output unchanged

Contracted Energy*

		Oct-Dec 2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	35	35
	% Hedged	100%	100%	50-55%
	Price $/MWh	$45	$41	$39
Intermediate, Combined Cycle, Peaking	Volume TWh	3	18	25
	% Hedged	50-55%	10-15%	0%
	Price $/MWh	$45	$41	$ -
Total	Volume TWh	10-12	52-54	58-60
	% Hedged	85-90%	70-75%	30-35%
	Price $/MWh	$45	$41	$39

* HEDGE PERCENTAGES AND PRICES AS OF SEPTEMBER 30, 2017. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-13923

PSEG Power – Q3 Highlights

Operations

- ✓ Q3 output down 6% reflecting mild weather and lower energy prices
- ✓ Nuclear fleet achieved average capacity factor of 96.1% in Q3, producing 8.2 TWh of energy
- ✓ CCGT fleet capacity factor was 51.0% versus 73.6% in Q3 2016, reflecting lower demand; CCGT availability remained strong at ~97% and produced 3.7 TWh of energy
- ✓ Coal capacity factor up 4% in PA on higher market demand, coal fleet produced 1.2 TWh of energy

Regulatory and Market Environment

- ✓ Department of Energy support of fuel secure, base load generation directs the Federal Energy Regulatory Commission to address price formation issues in a timely and constructive manner
- ✓ Court actions in New York and Illinois affirm state initiatives in support of baseload nuclear generation
- ✓ 2017 expected generation output on track for 49-50 TWh; BGS load projected at 11 TWh
- ✓ Construction on schedule and on budget at Keys and Sewaren 7 for targeted 2018 in-service; Bridgeport Harbor 5 progressing on schedule and on budget for targeted 2019 operations

Financial

- ✓ Power's total debt as a percentage of capitalization at September 30 was 31%
- ✓ Power's 2017 non-GAAP Operating Earnings guidance range remains unchanged at $435 - $510 million; non-GAAP Adjusted EBITDA guidance for 2017 remains unchanged at $1,080 to $1,210 million

SI-SSA-0015-13924

PSEG

PSEG Financial Highlights

- Reiterating 2017 non-GAAP Operating Earnings guidance of $2.80 - $3.00 per share
  - ✓ PSE&G earnings forecast to grow 8.5% to comprise 66% of PSEG's 2017 non-GAAP Operating Earnings
- PSEG's 5-Year capital spending forecast of $15 billion over 2017 – 2021 to be invested in PSE&G (82%) and Power (18%)
- PSE&G successfully executing regulatory/policy initiatives: Additional capital spend outlined since the March Investor Conference (GSMP2, upcoming filings for Energy Strong and Energy Efficiency) provides greater support for achieving the high end of its five-year, 7 - 9% annual growth in rate base over the 2017-2021 period
- PSEG Power's $2 billion investment in new generation, located in PJM and New England, will improve fleet efficiency and geographic diversity
- Increased 2017 indicative common dividend by 4.9% to $1.72 per share
- Financial position remains strong:
  - ✓ Cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓ Debt as a percentage of capitalization was 49% at September 30

SI-SSA-0015-13926

PSEG 2017 Guidance - By Subsidiary - Unchanged

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2017E	2016
PSE&G (Net Income)	$945 - $985	$889
PSEG Power	$435 - $510	$514
PSEG Enterprise/Other	$35 - $35	$72
Operating Earnings (non-GAAP)*	$1,415 - $1,530	$1,475
Operating EPS (non-GAAP)*	**$2.80 - $3.00E**	**$2.90**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2017E	2016
PSEG Power	$1,080 - $1,210	$1,201

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-13927

PSEG Liquidity as of September 30, 2017

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$15	$585
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$215	$1,285
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$70	$1,830
	3-year LC Facilities (Power)	Mar-20	$200	$112	$88
	Total Money Pool		$3,600	$397	$3,203
	Total		$4,200	$412	$3,788
			PSEG Money Pool ST Investment		$0
			PSE&G ST Investment		$220
			Total Liquidity Available		**$4,008**

SI-SSA-0015-13928

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income	$ 395	$ 327	$ 618	$ 985	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(22)	(4)	(69)	4	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	9	114	960	114	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(72)	(387)	(135)	(391)
Operating Earnings (non-GAAP)	$ 417	$ 444	$ 1,199	$ 1,196	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508
	($ Per Share Impact - Diluted, Unaudited)				
Net Income	$ 0.78	$ 0.64	$ 1.22	$ 1.94	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.05)	-	(0.14)	0.01	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.09	(0.11)	-	0.18	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.02	0.22	1.89	0.22	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.27	0.15	0.27	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(0.02)	(0.14)	(0.76)	(0.26)	(0.78)
Operating Earnings (non-GAAP)	$ 0.82	$ 0.88	$ 2.36	$ 2.36	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 136	$ 139	$ (131)	$ 320	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(22)	(4)	(69)	4	(5)
(Gain) Loss on MTM, pre-tax [a]	46	(58)	-	91	168
Hudson/Mercer Early Retirement, pre-tax	9	114	960	114	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [b]	(11)	(21)	(355)	(84)	(336)
Operating Earnings (non-GAAP)	$ 158	$ 170	$ 405	$ 445	$ 514
Depreciation and Amortization, pre-tax [c]	77	83	256	244	329
Interest Expense, pre-tax [c] [d]	12	23	40	65	83
Income Taxes [c]	109	111	275	292	275
Adjusted EBITDA (non-GAAP)	$ 356	$ 387	$ 976	$ 1,046	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,		*Year-Ended December 31,*
	2017	*2016*	*2017*	*2016*	*2016*
	($ millions, Unaudited)				
Net Income (Loss)	$ 13	$ (67)	$ (4)	$ (31)	$ (20)
Lease Related Activity, pre-tax	-	137	77	137	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items [a]	-	(51)	(32)	(51)	(55)
Operating Earnings (non-GAAP)	$ 13	$ 19	$ 41	$ 55	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

B

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THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

PEG - Q4 2017 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2018 / 4:00PM GMT

OVERVIEW:

Co. reported 2017 GAAP EPS of $3.10 and 4Q17 non-GAAP operating EPS of $0.57. Expects 2018 consolidated non-GAAP operating EPS to be $3.00-3.20.

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CORPORATE PARTICIPANTS

Daniel J. Cregg *Public Service Enterprise Group Incorporated - CFO and EVP*

Kathleen A. Lally *PSEG Services Corporation - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

CONFERENCE CALL PARTICIPANTS

Angieszka Anna Storozynski *Macquarie Research - Head of US Utilities and Alternative Energy*

Ashar Khan

Christopher James Turnure *JP Morgan Chase & Co, Research Division - Analyst*

Gregory Harmon Gordon *Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst*

Jonathan P. Arnold *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Josephine Moore *BofA Merrill Lynch, Research Division - Associate*

Michael Jay Lapides *Goldman Sachs Group Inc., Research Division - VP*

Paul Basch Michael Fremont *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Praful Mehta *Citigroup Inc, Research Division - Director*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Shelby, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Fourth Quarter 2017 and Year-End Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded today, February 23, 2018, and will be available for telephone replay beginning at 2:00 p.m. Eastern Time today until 11:30 p.m. Eastern Time on Friday, March 2, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

Thank you, Shelby. Good morning, everyone. Thank you for participating in our earnings call. As you are aware, we released our fourth quarter and full year 2017 earnings results earlier today. The release and attachments, as mentioned, are posted on our website at www.pseg.com under the Investor section.

We also posted a series of slides that detail operating results by company for the quarter and year. Our 10-K for the period ended December 31, 2017 is expected to be filed early next week.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slides and on our website.

The disclaimer statement regarding forward-looking statements details the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein.

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And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimates change, unless required by applicable securities laws. We also provide commentary with regard to the difference between operating earnings and adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in the United States.

PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provide a consistent and comparable measure of performance to help shareholders understand operating and financial trends, but should not be considered an alternative to our corresponding GAAP measure net income.

I'm now going to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. (Operator Instructions) Thank you.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Kathleen, and thanks, everyone, for joining us today. This morning, we reported non-GAAP operating earnings for the fourth quarter of 2017 of $0.57 per share versus non-GAAP operating earnings of $0.54 per share earned in the fourth quarter of 2016.

Non-GAAP operating earnings for the full year of $2.93 per share versus 2016's non-GAAP operating earnings of $2.90 per share were above the midpoint of our guidance range, which was $2.80 to $3 per share.

Our GAAP results for the full year of $3.10 per share include one-time noncash benefits associated with the revaluation of deferred tax liabilities at Enterprise and PSEG Power associated with the reduction in the federal tax rate and expenses associated with our decision to retire the Hudson and Mercer coal-fired generating stations in June of '17.

Details on the results for the quarter and the full year can be found on Slides 5 and 6.

Successful execution of our capital program at PSE&G and increased output, coupled with strong cost control at PSEG Power, offset earnings weakness experienced earlier in the year from abnormal weather conditions.

Non-GAAP operating earnings from our regulated utility business grew 8.6% in 2017 as PSE&G's investment program expanded rate base by 12.5% to $17 billion at the end of the year.

The utility's earnings have grown at an annual rate of approximately 13% over the past 5 years, which is in line with its growth in rate base over this time frame.

While the growth in earnings occurred with PSE&G maintaining cost discipline and successfully implementing infrastructure programs that upgraded its electric and gas systems to make them both more reliable and resilient.

Importantly, PSE&G has achieved these results as customer bills have declined. This past January, the utility filed its first distribution base rate case since 2010. The filing, which was required by the 2014 Energy Strong settlement, calls for a 1% increase in revenue as it incorporates a reduction in revenue associated with the decline in the federal tax rate.

Also in January, PSE&G updated its 2018 annual transmission formula rate with the Federal Energy Regulatory Commission. The update, reflecting a lower federal corporate tax rate, reduced the transmission revenue requirement by $148 million.

The timing of the reduction in the federal tax rate and the base rate filing places us in a position to pass along tax savings to our customers and keep rates low, allowing us to continue to improve our aging infrastructure.

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As important, PSE&G's achievements allowed us to maintain our best-in-class reliability. For the 16th year in a row, PSE&G worked to protect and strengthen the system, yielded recognition as the most reliable electric utility in the Mid-Atlantic region.

Also during the year, the New Jersey Board of Public Utilities approved PSE&G's plan to expand its investment in energy efficiency by $69 million. PSE&G also filed with the BPU plans to extend its innovative Gas System Modernization Program. The extension, otherwise known as GSMP II, would accelerate the pace of replacement of aging cast iron and unprotected steel. The program would entail replacing 250 miles of pipe per year over 5 years at a total cost of $2.7 billion. We hope to have a decision on this program in the second quarter.

The GSMP II filing is modeled on the process outlined in the Infrastructure Investment Program -- and as I'll refer to that in the future, I'll just say IIP -- which was approved by the BPU in January. The board's approval of IIP provides for our rate recovery mechanism that encourages and supports the continued safety, reliability and resiliency of utility infrastructure, which is essential for economic growth in New Jersey.

In the coming months, you should expect PSE&G to seek approval, once again, under the IIP process, to extend this Energy Strong-related programs. We also expect to make a filing to broaden our investment in energy efficiency. An expansion of energy efficiency is one of the best means of achieving the state's clean energy goals and simultaneously limiting growth in the customer bill.

Now let me turn my attention to PSEG Power. Power's non-GAAP operating earnings for the full year of $505 million or $1 per share were at the upper end of our guidance range. Cost discipline across the fleet and strong operations from Power's nuclear generating assets supported the better-than-forecast results.

Power's nuclear fleet operated at a 93.9% capacity factor for the year, generating record electric output of 31.8 terawatt hours. PSEG Power has also made progress on construction activities related to its 3 new natural gas combined-cycle generation stations. Two plants, the Keys and Sewaren stations, are expected to be operational during the second quarter of this year. And Bridgeport Harbor 5 is expected to achieve commercial operation during the second quarter of 2019.

Together, these units represent 1,800 megawatts of efficient, clean, gas-fired capacity that will improve Power's competitive position. The cold weather experienced early in 2018 reinforced the importance of Power's diverse fleet and, of course, making sure the assets were available when needed to meet demand. The nuclear plants ran at full power, providing baseload capacity for everyday demand as the shortage of natural gas required some of Power's stations to operate on oil.

Power's management team has continued to drive efficient operations at its fossil stations, which include the early retirement of the Hudson and Mercer coal-fired stations as well as at nuclear. Controlling cost is vital, but we face continued challenges in maintaining operations, particularly at our nuclear plants, as the average price for Power's energy hedges is expected to decline by $5 per megawatt hour in 2018 from $45 per megawatt hour in 2017 with even further erosion foreseen in '19.

On the policy front, as you know, we have been focusing on raising awareness of the financial condition of our nuclear generating assets and communicating to the State of New Jersey the detrimental impact closure would have on the state's cost of electricity, its air quality and overall economy. The loss of the approximately 32 terawatt hours of clean electric energy produced by Power's nuclear generation in 2017 would represent a severe setback to the state's ability to meet its clean energy goals and result in crushing economic impact due to resulting increases in electricity prices and major job losses. We remain involved in discussions with key stakeholders here in New Jersey and with those in charge of the wholesale energy market at FERC and PJM to secure the long-term viability of our nuclear generation assets.

A bill, as proposed in the New Jersey Legislature, would value the attributes of nuclear and create a safety net for our at-risk nuclear capacity. The bill also addresses the state's path toward a clean energy future. We're pleased that the legislature is giving this issue the careful attention it deserves and hope for timely resolution. But the risk of closure remains without a change in the financial condition of nuclear.

To that end, Power recorded a $276 million increase in its asset retirement obligation liabilities at the end of 2017 to take into account a higher assumed probability of early retirement of its nuclear units.

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Our financial condition is strong given the focus we have placed on maintaining a healthy balance sheet that supports our investment goals. Our balance sheet continues to provide us with a competitive advantage as we adapt to recently enacted changes in the federal tax code.

We ended 2017 with strong credit metrics, which support continued growth in our regulated investment program without the need to issue equity. And this position is unchanged with tax reform. Our capital program for the 5-year period ending in 2022 has expanded to $13 - $15 billion from the $13 billion level outlined a year ago. And it remains focused on investments that improve the reliability and efficiency of our operations, which also advance the state's plans to a clean energy future.

The utility's investment program of roughly $11.5 billion to $13.2 billion, which accounts for 90% of the total PSEG program, addresses customers' desires for reliable, efficient and clean energy and provides for a continuation of our projected 7% to 9% compound annual growth rate for rate base off a higher 2017 base. Also, given the impacts of tax reform, we feel comfortable achieving the midpoint of that range.

PSEG Power's major capital program will be complete in 2019 following the commercial operation of Bridgeport Harbor 5. The startup of that 485-megawatt gas-fired combined-cycle unit will represent the conclusion of Power's $2 billion capital investment in 3 new gas-fired combined-cycle stations, including the previously mentioned Keys Energy Center and Sewaren, which, as I said, are scheduled to start up by the middle of this year. Power's focus will be on efficient operations, improving the returns on generating assets and resolving the fate of its nuclear units.

PSEG's strategy implemented a decade ago has transitioned our business mix to one that is more reliant on regulated earnings. PSE&G, our regulated company, has grown to represent 2/3 of consolidated non-GAAP operating earnings. PSEG Power, focused on improving its operational efficiency and maintaining a strong balance sheet, continues to provide strong cash flow in support of our investment program.

The growth in our investment program and the disciplined approach to O&M have overcome a decline in energy prices over the past 5 years and produced annual growth in consolidated non-GAAP operating earnings of approximately 4% during that time.

Despite the challenges we continue to face in the wholesale markets, especially at our nuclear units, the continued successful investment in regulated programs that provide reliability and quality service to our customers and the benefits of a reduction in the federal tax rate are expected to support continued growth in earnings.

For 2018, we are forecasting consolidated non-GAAP operating earnings of $3 to $3.20 per share, which at the midpoint represents 6% growth in earnings over 2017.

The Board of Directors' recent decision to increase the company's common dividend 4.7% to the indicative annual rate of $1.80 per share is an acknowledgment and expression of confidence in our strategy and outlook. It needs to be said that our success is the result of the outstanding effort of our dedicated workforce, and we are positioned to continue to execute on our strategy to provide long-term value to our shareholders as we meet the needs of our customers and the communities we serve.

I'll now turn the call over to Dan for more details on our operating results and will be available for your questions after his remarks.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Great. Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported non-GAAP operating earnings for the fourth quarter of $0.57 per share versus $0.54 per share for the fourth quarter of 2016.

Our earnings in the quarter brought non-GAAP operating earnings for the full year to $2.93 per share, a 1% increase over 2016's non-GAAP operating earnings of $2.90 per share and at the upper end of our non-GAAP operating earnings guidance for 2017 of $2.80 to $3 per share.

And on Slide 5, we have provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter.

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We've provided you with information on Slide 11 regarding the contribution to non-GAAP operating earnings by business for the quarter. Slides 12 and 14 contain waterfall charts that take you through the quarter-over-quarter and year-over-year net changes in non-GAAP operating earnings by major business. I will review each company in more detail starting with PSE&G.

PSE&G reported net income for the fourth quarter of 2017 of $0.43 per share compared with $0.38 per share for the fourth quarter of 2016. PSE&G's full year 2017 net income was $973 million or $1.92 per share compared with net income of $889 million or $1.75 per share in 2016.

Non-GAAP operating earnings for the full year were $963 million or $1.90 per share, an 8.5% increase over 2016 non-GAAP operating earnings of $1.75 per share.

As shown on Slide 16, PSE&G's net income in the fourth quarter continue to benefit from a return on its expanded investment in transmission and distribution infrastructure, which more than offset an increase in O&M.

Growth in PSE&G's investment in transmission improved quarter-over-quarter net income comparisons by $0.03 per share. Recovery of investment made in gas distribution under PSE&G's Energy Strong and Gas System Modernization Programs increased quarter-over-quarter net income by $0.01 per share.

Colder-than-normal weather, as compared to more normal weather conditions in the year-ago quarter improved net income by $0.01 per share. An increase in O&M expenses associated with preventative and corrective maintenance reduced quarter-over-quarter net income by $0.02 per share.

Electric sales, on a weather-normalized basis, modestly declined 0.4% for the year as energy efficiency and solar net metering offset growth in a number of customers. Weather-normalized gas sales for the year increased 1.2%, led by growth from commercial and industrial customers.

PSE&G's distribution rate base filing provides it with an opportunity to reflect current estimates of electric and gas sales growth and proposes improvements in its rate design, including de-coupling and higher monthly fixed charges offset by lower volumetric rates to minimize the impact of sales variability. This aligns our interest with achieving greater energy efficiency results.

Details of the base rate filing are outlined on Slide 18. The filing is based on a test year ending June 30, 2018, with some adjustments for the following months, including a rate base of $9.6 billion as of December 31, 2018. And as Ralph mentioned, PSE&G filed for a 1% increase in revenue or $95 million. In keeping with maintenance of PSE&G's credit metrics, the request is based on a cap structure consisting of 54% common equity and reflects a 10.3% return on equity.

PSE&G's filing took into account approximately $130 million reduction in its annual revenue requirement as a result of the federal corporate income tax rate reduction from 35% to 21%. And in addition, provides for a one-time credit for estimated excess income tax collected from January 1, 2018 to the time rates go into effect.

PSE&G is also proposing to increase the amount of tax credits flowed back to customers in subsequent years. This would result in rate decreases, which would have the effect of offsetting the impact on the customer bill associated with investments, such as the GSMP II capital program.

Pursuant to a recent BPU order, we expect to make a filing to lower our rates sooner by April 1 to account for the lower federal tax rate, and we'll update our rate case filing accordingly. A decision on the base rate filing is anticipated in the fourth quarter.

PSE&G has separately updated its transmission formula rate filing for 2018 to incorporate the lower federal tax rate. The update reduced its annual revenue requirement by $148 million from the original filing which called for an increase in revenue of $212 million. This adjustment has no impact on earnings expectations.

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PSE&G's investment of $3.1 billion in its transmission and distribution infrastructure in 2017 provided for approximately 13% growth in rate base to $17 billion. Of this amount, PSE&G's investment in transmission has grown to represent 46% or $7.8 billion of the company's consolidated rate base at the end of 2017.

Supported by the ongoing transmission and distribution investment program, we are forecasting continued growth in PSE&G's net income to a range of $1 billion to $1,030,000,000 in 2018.

Now let's turn to Power. As shown on Slide 21, PSEG Power reported non-GAAP operating earnings of $0.20 per share compared with non-GAAP operating earnings of $0.13 per share a year ago.

The results for the quarter brought Power's full year non-GAAP operating earnings to $505 million or $1 per share compared to 2016's non-GAAP operating earnings of $514 million or $1.01 per share. Power's adjusted EBITDA for the quarter and the year amounted to $196 million and $1,172,000,000, respectively, and this compares with adjusted EBITDA for the fourth quarter of 2016 of $155 million and adjusted EBITDA for the full year 2016 of $1,201,000,000.

We provided you with more detail on generation for the quarter and for the year on Slides 22 and 23. The earnings release as well as the earnings slides on pages 12 and 14 provide you with detailed analysis of Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and cost.

Power's earnings benefited from an increase in capacity prices in New England and PJM, which improved quarterly net income comparisons by $0.02 per share. A 2% increase in output improved net income comparisons by $0.01 per share, as colder-than-normal weather resulted in higher gas send-out, which increased net income by $0.01 per share.

A decline in the average price received on energy hedges of $4 per megawatt hour was partially offset by an increase in market prices on unhedged output, which combined to reduce quarterly net income by $0.01 per share.

A decline in O&M expense improved net income comparisons by $0.03 per share. A decline in depreciation expense associated with the retirement of Hudson and Mercer as well as the decline in interest and taxes combined to improve fourth quarter net income comparisons by $0.01 per share.

Gross margins in the fourth quarter increased to $38 per megawatt hour from $37 per megawatt hour and power prices held up vis-à-vis gas prices in response to the colder-than-normal weather. For the year, gross margins declined to $38 per megawatt hour from $40 per megawatt hour given a decline in average hedge prices for energy.

Now let's turn to Power's operations. Output from Power's generating facilities decreased 2% in the fourth quarter and quarterly comparisons were influenced by the timing of nuclear plant refueling outages and increased demand in response to colder-than-normal weather during the month of December. Based on results for the fourth quarter, output for the year of 51 terawatt hours was stronger than the forecast we provided you at the end of the third quarter, which called for full year output of 49 to 50 terawatt hours.

The nuclear fleet operated at an average capacity factor of 89.9% in the fourth quarter. And the fleet's performance in the quarter resulted in a full year capacity factor of 93.9%, producing record electric output for the year of 31.8 terawatt hours.

The fleet's output was aided by strong performance from Power's 100%-owned Hope Creek nuclear plant, which operated at 100% capacity factor for the year. And based on our normal 18-month refueling cycle, Hope Creek is scheduled for refueling this spring, in the spring of 2018.

Power's gas-fired combined-cycle fleet operated at an average capacity factor of approximately 40% for the quarter and approximately 47% for the year, producing 13.6 terawatt hours of electric energy for the year.

Output from the coal fleet declined slightly as the quarter -- during the quarter as the result of outage work at Keystone. But for the year, output from the coal fleet increased 12% as the fleet's competitiveness benefited from an increase in gas prices.

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For 2018, with the addition of Keys and Sewaren combined-cycle units, Power is forecasting an increase in output to 55 to 57 terawatt hours. Following completion of the recent basic generation or BGS auction in New Jersey, approximately 80% to 85% of production for the year is hedged at an average price of $40 per megawatt hour.

Power is forecasting a further increase in output for 2019 to 59 to 61 terawatt hours with the full year of Keys and Sewaren in operation and a partial year from the new combined-cycle unit at Bridgeport Harbor.

And for 2020, Power is forecasting output of 63 to 65 terawatt hours. Approximately 55% to 60% of 2019's expected output has been hedged at an average price of $38 per megawatt hour, and approximately 25% to 30% of 2020's expected output has been hedged at an average price also of $38 per megawatt hour.

An update of Power's hedge position is provided on Slide 26. As you can see, Power has hedged its baseload nuclear and coal output for 2018 and is mostly hedged in 2019. The gas-fired combined-cycle assets remain more open to the market during those years and will be available to take advantage of spark spread opportunities that have improved based upon recent fluctuations in commodity prices.

The outlook for 2018 and 2019 has improved since our last update based on an increase in sparks in the region and power prices have not declined to the same degree as gas.

Power's non-GAAP operating earnings for 2018 are forecast at $485 million to $560 million. And the forecast represents non-GAAP adjusted EBITDA for the full year of 2018 of $1.075 billion to $1,180,000,000.

PSEG Enterprise and Other reported net income for the fourth quarter of 2017 of $126 million or $0.25 per share compared to net income of $11 million or $0.02 per share for the fourth quarter of 2016.

For the full year, PSEG Enterprise and Other reported net income of $122 million or $0.24 per share, which compares to a net loss in 2016 of $20 million or $0.04 per share. And the results for 2017 include a one-time, non-cash earnings benefit of $147 million related to the reduction in the federal corporate tax rate, resulting in a decrease in Energy Holdings' deferred tax liabilities, partially offset by an after-tax charge taken earlier in the year related to on-going challenges facing NRG REMA.

For the fourth quarter of 2017, PSEG Enterprise and Other reported a non-GAAP operating loss of $21 million or $0.04 per share compared to non-GAAP operating earnings of $17 million or $0.03 per share in the year-ago quarter. The results for the fourth quarter brought PSEG Enterprise and Other non-GAAP operating earnings for the full year to $20 million or $0.03 per share versus $72 million or $0.14 per share in 2016.

The decline in non-GAAP operating earnings in the fourth quarter reflects the impact of a $15 million after-tax contribution to the PSEG Foundation as well as certain tax items at the parent and PSEG Energy Holdings and the absence of certain tax items in the fourth quarter of 2016 at PSEG Energy Holdings.

For 2018, non-GAAP operating earnings for PSEG Enterprise and Other, which are driven by PSEG Long Island, and partially offset by parent interest expense, are forecast at $35 million.

I want to spend just a moment on the subject of tax reform. PSEG is a net beneficiary under the Tax Cuts and Jobs Act of 2017 and our financial flexibility remains strong. PSE&G, as mentioned, will be returning 100% of the benefit from the decline in the federal tax rate to its customers. And the recently filed distribution base rate request reflects a $130 million annual reduction in revenue associated with the lower federal tax rate. And as mentioned, we amended our 2018 transmission formula rate to incorporate the decline in revenue of $148 million associated with the lower federal tax rate.

Net income from PSEG Power and Enterprise is expected to benefit from the decline in the federal tax rate. And our estimate of 2018's non-GAAP operating earnings reflects an improvement in earnings of approximately $0.16 per share.

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PSE&G's cash flow will be negatively impacted by the elimination of bonus depreciation and lower tax rates for ongoing tax depreciation.

PSEG Power's cash flow, on the other hand, is expected to benefit from its ability to expense 100% of its capital expenditures. PSEG Power's cash flow in 2018 will also benefit from the reduction in the federal tax rate as well as the decline in capital spending in 2018 of about$400 million with the mid-2018 completion of construction of both Keys and at Sewaren.

Given our strong balance sheet and low debt balance, we estimate that interest expense at PSEG Power and Enterprise will remain fully deductible for tax purposes.

The reduction in the federal tax rate under the Tax Act also reduced the deferred tax liability of PSEG Power and Enterprise, which was originally recorded based upon the higher 35% rate.

At PSEG Power and Energy Holdings, we recorded onetime, non-cash earnings benefits in the fourth quarter of 2017 of $588 million and $147 million, respectively, resulting from this reduction in deferred tax liabilities.

PSE&G has excess deferred taxes of approximately $2.1 billion as of December 31, 2017, and has recorded the impact of these excess deferred taxes as a regulatory liability. Approximately 70% of PSE&G's excess deferred taxes are deemed protected under the IRS normalization rules, which requires the protected deferred taxes be returned to customers over the remaining life of the assets that generated the taxes in the first place. Given the long-lived nature of utility assets, it will take many, many years for all of these protected taxes to be returned to customers.

The remaining 30% or about $600 million, some of which were included in our distribution base rate filing, will be returned to customers over a time frame that will be determined in discussions with the BPU and with FERC. Of course, as you know, the loss of bonus depreciation and the reduction of PSE&G's deferred tax balance serves to increase its rate base. We estimate that these 2 items combined will increase the annual growth in PSE&G's rate base by approximately 1% through 2022.

The net result of the change in federal tax law on PSEG's consolidated cash flow and credit metrics is manageable given our business mix and the strength of our balance sheet. We do not anticipate the need to issue equity to finance our capital program. And we continue to have excess balance sheet capacity to finance further growth.

As Ralph mentioned, our financial condition remains strong. We closed 2017 with $313 million of cash on hand and debt representing 49.6% of our consolidated capital position, and debt at Power approximating 29% of its capital base.

At year-end, Power's debt position was just over 2.1x the midpoint of our forecasted 2018 adjusted EBITDA. We are guiding to a non-GAAP operating earnings at PSEG for 2018 of $3 to $3.20 per share, which is a 6% increase over 2017. And the common dividend was recently increased 4.7% to the indicative annual level of $1.80 per share. This represents a 58% payout of earnings at the midpoint of our 2018 guidance and builds on the 3.4% annual rate of growth in the dividend over the last 10 years.

Shelby, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from Julien Smith of Bank of America Merrill Lynch.

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Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

It's Josephine here. I just was wondering, could you provide a little bit commentary on your outlook of the ongoing PJM price formation reform discussion as well as the potential for comprehensive energy legislation in New Jersey?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure, Josephine. So as you know, there's a due date of -- I believe it's sometime in the first week of March, where each RTO is supposed to get back to FERC on -- with respect to the FERC decision to close the DOE NOPR and to ask the question about fuel diversity and resiliency of the grid. There have been very public conversations and statements by PJM that they believe, in particular, their inflexible unit challenges are things that need to be corrected in the market. These showed up in abundance during -- the cold spell.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

Cold snap.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Where Andy testified in front of the Senate Energy and Natural Resources Committee that there had to be $4 million to $5 million in daily uplift payments. So without having control over the pen, I fully expect PJM management to submit comments to FERC as they have some improvements to make in their current tariff if price is, in fact, going to be the way in which the market is reliably dispatched because there continues to be out-of-market payments that are relied upon to achieve that. Switching gears on you and moving over to New Jersey, we've had some very good conversations. We had a good day yesterday with a comprehensive energy bill, which included our nuclear concerns reported out of the Senate Budget Committee and the Assembly Telecommunications and Utilities Committee getting further reference in the assembly through its budget committee, its Appropriations Committee, if you will. And I think the encouraging news there is that everyone who has testified, and we've now have 4 hearings on this, I think. With the exception of our competitors, have said they don't want to see those plants closed. And our competitors obviously want to see those plants closed because that means higher prices. I just have a high degree of confidence that New Jersey policymakers understand the value of those plants and will do the right thing. But of course, one cannot guarantee any outcome.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

Great. And then just one follow-up here. You talked about a roughly $80 million benefit from tax reform at the -- at Power, but increased guidance by only $50 million. Are there any headwinds that limit the ability to fully recognize that tax reform benefit?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think if you think about the overall impact year-over-year, we referenced the $0.16 related to tax reform. But of course, there's other impacts as you step from year-to-year. We'll see changes in capacity prices, which will help, but we also have a reduction in the average price that we sold our power. So that's a headwind that we have been fighting, and as you mentioned.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

That's a $5 million reduction -- $5 reduction? Okay.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Per megawatt hour. So you think about that across the fleet and then you compare that to an uplift in capacity and a benefit from tax reform. Those are your biggest pieces.

Operator

Your next question comes from Angie Storozynski of Macquarie Capital.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

So I understand that you have a pending rate case for your utility, but your guidance for '18 seems to imply a relatively low pickup in earnings power of the utility versus what we have seen in the past. Is this just because you are waiting for your rates to be trued up in the rate case?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, Angie, if you think about the timing of the rate case, we are essentially saying that we would expect to see rates at the end of the year. I think we referenced fourth quarter in our prepared remarks. So I think a big part of it is just related to the rate increase on the distribution side being --coming at the end of the rate case, which is towards the end of the year.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

But how about your previous expectations that there would be a rate base growth of around -- I forget -- 8% or 9% and a commensurate increase in earnings. Is that -- does this still hold? I mean, granted that we're still waiting for the outcome of the rate case.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think -- if you think about the 2 sides of the business, Angie, on transmission, that's going to move along by virtue of the formula rate, which is always the norm, but when we take a look at the distribution side of the business, I wouldn't expect to see anything different. We have a 6% increase to the midpoint of the range and with a rate case following on later in the year. And as we move into '19, I think that would bridge the gap for you.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

Great. On the Power side, so it seems like you've marginally reduced your expectations of volumes for the BGS auction. There's been also some news or press coverage of your interest in the retail business. How should we think about it, how you're trying to shape up the merchant power earnings given the weakness in the forward curves?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. So I think, Angie, we've been pretty consistent that retail business is a defensive play. It's primarily targeted at improving the negativity and basis differentials that we've experienced. We're looking at it as a nice supplement, if you will, to diminution of the BGS load contract that we have seen occur over the years. What did change probably about a year or so ago was our recognition that we would not find an acquisition opportunity to just kind of step into a New Jersey-focused, PJM-centric opportunity. So we're building it organically. And that is -- that's going fine, but when you do something organically, it's a little bit more gradual than just stepping into it. So no change in strategy there at all.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

And Angie, as we step from year to year, we will have a BGS auction roll off, right. So the state goes out to auction 1/3 of the load each year. So over 3 years, they auction everything. And so as we step from year to year to year, there could be some modest differences within volumes of the number of tranches that we would have as we go from auction to auction to auction.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Angie, I just want to supplement something that Dan mentioned before. So the rate base growth, we're still saying 7% to 9% and comfortable with the midpoint. But remember, we had a fair amount of capital that was deployed coming at the back end of GSMP I and Energy Strong that is part of the rate case proceeding we're in now. So the 12% growth in rate base that you saw last year, by necessity, as Dan correctly pointed out, is awaiting rate relief at the end of the year. And when you get it at the end of the year, you just -- and now Dan and I are repeating ourselves, it doesn't give you the full 12 months of impact. So I think we're okay there.

Operator

Your next question comes from Praful Mehta of Citi Investment.

Praful Mehta - *Citigroup Inc, Research Division - Director*

So just, firstly, wanted to just clarify, in terms of tax reform, what is exactly built into the forecast? I know on the power side, it sounds like you've incorporated the lower taxes. On the utility side, it didn't sound like it was. So I just wanted to clarify specifically what is currently built in, in tax reform and what is more left in terms of regulatory outcomes that you're waiting to see?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Praful, I think if you think about the utility side of the ledger, it's much more a cash story, especially right away. So it's about the pass back of taxes because, frankly, you're not going to end up paying taxes. So if you think about what we did, we proactively, in January, went to FERC knowing that there was going to be a rate change. And we knew we were going to pay less tax in 2018. So we proactively went to FERC to get that money back in customers' hands. Revenues come down, taxes come down, ends up being a wash. There will be some modest benefit as we step through time because if you have less deferred taxes on your books and you pass that back to customers, so your rate base will grow as you step through time with that reduction in deferred taxes. But that will grow over time and does not have really much of a P&L impact as you look at 2018, in particular, for the utility.

Praful Mehta - *Citigroup Inc, Research Division - Director*

I got you. Yes, I was, again, more focused on the cash impact specifically like, for example, the DTL refund. Is that currently incorporated within the forecast or no?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, yes. And further to the prepared remarks as well, Praful, if you think about -- some of those are protected deferred taxes. That's the lion's share of our deferred taxes. And that will get passed back over what's called the average rate assumption method. That's over the remaining life of the asset. And I think it's a true statement to say that we are still passing back some deferred taxes from the 1986 Tax Act when it happened because we got such long-lived property. So that will go on for a period of time as those different lives end up turning. But yes, we've incorporated what we know and estimates of what we don't know into our numbers.

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Praful Mehta - *Citigroup Inc, Research Division - Director*

Got you. Perfect. And then secondly, in terms of the New Jersey bill, it's helpful. And yes, the conversations clearly were productive from what we heard yesterday. How do you see that playing out from here in terms of timing? And when does it reach the governor's desk and all of that? How do you see that playing out from here?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

My high degree of confidence in the ultimate outcome is matched by my uncertainty over timing. So what I can tell you is the bill is posted for one day in the state Senate. The assembly doesn't have a voting session. I don't think at present scheduling until the end of March. So we're a 115-year-old company, Praful. Salem is 40 years old. Hope Creek is 30 years old. I'm not going to sweat a couple of weeks one direction or another, but I feel pretty good about the nature of the conversation and the clearly earnest desire on the part of all stakeholders to preserve those plants, but timing is not something I can predict.

Operator

Your next question comes from Jonathan Arnold of Deutsche Bank.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

My question has to do on tax reform and your comments that I think you said, obviously, that you're not planning any equity, but you said you also still have excess balance sheet capacity. And I know you don't normally update that until the Analyst Day. But if I recall, at EEI, you gave us a slide which showed something like a $1.8 billion reduction or roughly halving of what it had been without tax reform. So my -- I guess my question is, is that still a good number? Or as you further refine your inputs and outputs, is that at least somewhere else?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

No. I think you're still very much in that range, Jonathan. I think that what we tried to do at that point is highlight that a number that we have provided was based in large part on FFO to debt and there was a lot of FFO that came from bonus depreciation. So by either the passage of time or by tax reform -- because at EEI, we had not had tax reform at that point in time. Unless bonus was extended, the FFO was going to come down. And so that was kind of a temporal aspect. And what we tried to do, to your good memory, was to give some indication that, that was going to come down. So the order of magnitude numbers was about $3 billion at that point, and we were highlighting that about $1.8 billion or so would go away with bonus depreciation. So that's still in the right ballpark, and I think the right way to think about it. And when I referenced before the strength of the balance sheet and the ability to fund further investments, it's still that order of magnitude.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

And so that was, if I remember, the math was like a $300 million FFO divided by your 18% target effectively is how you got there.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes.

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Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So presumably that means -- as you've put all this together, you see FFO degradation roughly in that $300 million range still?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. As you step out into -- I think our numbers were targeted around a 2020 or so time frame, right. So you kind of come off of those bonus years, but that's -- you're thinking about it exactly right, Jon.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. Great. And then just on the guidance for Holdings is -- and the increase in '18 over '17, is that all tax-reform related or is this -- and I guess an uptick in the Long Island contract or is there anything else driving that?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

No. It's not a lot. I mean, if you have a little bit lower taxes, you'll have a little bit higher income, and $35 million is kind of a normal range. Last year, we had some tax issues coming through, and we had made a contribution to the foundation. So I think you can look at '18 as being a more normal year.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So it's more that '17 was a little skewed low and '18 is more normal?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's exactly right.

Operator

Your next question comes from Greg Gordon of Evercore ISI.

Gregory Harmon Gordon - *Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst*

A lot of my questions have been answered, and this one you may not be able to answer, but I'll try. In terms of your observation from the outside looking in at how PJM gets to the answer on implementing their price reform initiatives, it appears that there's a bit of a cart/horse issue here in that one path is to wait for the FERC to potentially order a 206 proceeding and say that their rates are unjust and unreasonable. So my first question is, are we on a path in the current FERC docket where you believe at the end of the initial filings and the responses that the FERC could look at the evidence that PJM files to show that their rates are not appropriate? Can they actually get to a place at the end of this proceeding where they could legally say, yes, you've proven your rates are unjust and unreasonable and allow them to go ahead and change the rate? Or are we realistically on a path here where they have to make a decision on whether they're going to go through the stakeholder process and then it's whether they go through a truncated process with a board vote or a more elongated process with a stakeholder vote, knowing -- understanding that the former was what they used when they did capacity performance. It's a long question, but hopefully you get the gist.

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Client Id: 77

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, we get the gist. But you were right at the start. Greg, I'm sorry, there's no way to predict that. I would point out to you though that there's multiple things going on at FERC that matter, right, from PJM. There's the capacity market reform. There's fast-start pricing. There's price formation. So there's multiple issues. There's multiple degrees of freedom. Is it a 205? Is it a 206? Is it a truncated process? Is it not? So it's just -- I think we're all visiting with the commissioners and telling them how important it is. And I think we're all seeing the same comments out of PJM. So I don't know what else to say at this point about it.

Operator

Your next question comes from Christopher Turnure of JPMorgan Securities.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

The only question that I have left is on the New Jersey nuclear support. You've answered a couple of questions on it already, of course. But I'm wondering if there's a couple of potential hurdles to getting across the finish line this session that you're concerned about. It seems like the governor could potentially further his environmental kind of effort and the emission-free power effort long term through this. And there's some other stakeholders that seem to have come in line here, but what might we be missing that could scuttle the entire operation?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Chris, so it's always nice to have quarterly calls where we're trying to explain the past, but now you guys are really pushing us to predict the future. It is so hard. I mean, the good news is, the governor has publicly stated on numerous occasions that those plants have to continue to operate as a bridge to a long-term renewables future. And as I said before, everyone who has testified, other than our competitors, have begun their testimony by saying, "We don't want these plants to close, but" and then they each have a but that they put in there. So are there hurdles? Yes, there are. But I stay grounded on the support, the articulated support of consumer groups, environmental groups and the governor and the legislature itself. And we have made progress in terms of the schedule and in terms of going through the committee process. So we'll just keep making sure people know what it means if they go away. And then, of course, at the risk of stating the obvious, all of our shareholders know that we will do what is right by our fiduciary responsibility in terms of those plants, regardless of New Jersey's actions.

Operator

Your next question comes from Michael Lapides of Goldman Sachs & Co.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

On PSE&G, I just want to make sure I understand the puts and takes in rates or revenue requirements that are happening this year. So on a year-over-year basis, is what you're saying is that transmission is actually down year-over-year and that's just all tax-related?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

From a pure revenue perspective, but completely neutral from an earnings perspective.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then the distribution revenue reduction for tax is going to happen in April of this year?

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Correct.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Okay. And that's not a full year number, that's an annualized number? So it's as if it were April this year through March of next year?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, yes, right, right.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Okay. And the rate increase won't happen for -- well, let me rephrase that. Anything tied to rate change is tied -- from the rate case won't happen until the end of the year?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's right. Yes.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Are there any other -- what about like tracker or GSMP I or even GSMP II-related revenue changes, are you still getting those in 2018? Or does that get -- or does -- do the things we've talked about kind of supersede that or incorporate that?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

The only thing that ends up superseding that, Michael, is when the rate case is done. And they kind of -- so they roll in as we work our way forward. They'll be done, I think, by the time we get to the rate case and sort of kind of wrap up at about the same time. But until then, we'll have roll ins as we always have.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Hold on, I want to make sure I follow this. So in 2018, you'll have the transmission revenue decline, obviously, offset by tax. You'll have the distribution revenue decline offset by tax. And then whatever you'll have in the rate case, none of the other trackers or anything will flow in, in '18, but they'll kick back in, in '19?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. So you'll have our continuing roll ins as they are from the standpoint of Energy Strong and GSMP. And then we'll have the rate case as it comes in at the end of the year. So I don't think it's any different than the norm. The only thing different than the norm, the way to think about it, really, is the 2 tax return -- tax rate -- the return of the taxes at both the distribution and the transmission side, which has no P&L impact, revenues go down and taxes go down.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Also, I think our solar and energy efficiency filings are not part of rate case proceedings. They'll continue to have their trackers.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Right.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then finally, what tax rate are you assuming at both E&G and Power this year, like what's in guidance?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

It's the statutory move to 21% and then we'll have some modest moves like we normally do. So for instance, the update to taxes has eliminated a production deduction, a manufacturing deduction that Power would take to the tune of a couple of pennies. But other than that, it's still modest adjustments off of the statutory rate.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. Okay. And no significant state tax level added on top of that?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. I mean, we do have, what is it, 9% in New Jersey?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

True, but no different and other than the fact that the federal benefit you get from states is going to change by virtue of the federal tax rate change.

Operator

(Operator Instructions) Your next question comes from Paul Fremont of Mizuho.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Does your GRC filing and the rate base numbers that are in there, does that reflect the rate base numbers after tax reform or would there be a further adjustment that we need to make?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

The -- so what we have filed within the rate case assume that we did have the tax rate -- the tax changes come through. We had also, within our base rate case filing, had a pass back of some deferred taxes within that rate case. And we will continue to do so as we make our prospective filings. Now what may end up happening in our prospective filings is some of the pass back of deferred taxes that were embedded within the filing may get swapped out compared to some of the excess taxes that we will ultimately pass back to customers. So part of the -- I guess I would say the --

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as we step through the next steps of this rate case, we will have overlaid on top of it the BPU order to provide back the tax rate change, which was in our base rate case. So we will adjust the base rate case in our next filing to adjust for the fact that a separate filing will be made by virtue of the BPU order outside of the rate case.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Okay. And then can you at all discuss what the retail contribution was in 2017?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

We don't break that out, Paul. It would have been very, very modest at this point.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

And I mean, can you give us maybe a metric, like how many megawatt hours did you sell?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

It was so small, I don't have the number. I just don't have that number. I don't think -- we've not broken that out. We were really -- what I can tell you is how many people we were hiring to get going, but not in megawatts we sold.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

So when would be sort of the first year that you would expect any type of material contribution out of that business?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Depends on your definition of material, really. I mean, we don't break out a lot of the sub numbers in Power. We don't do power plant by power plant. We don't give you gas versus electric. So I don't think you should expect us to break out something that is purely an organically grown defensive mechanism -- obviously, changes in revenue recognition portrayals in the SEC documents that may be a little bit more illuminating but...

Operator

And your final question comes from Ashar Khan of Verition Fund Management.

Ashar Khan

Can I just ask one question? Is that -- you kind of referred to it that the utility growth is a little bit muted this year, but then can we expect -- what the inference I got from your comments is that we make it up in '19 because of the back-end loaded nature of the rate case. That's my one question. And the second question I had was that you mentioned the 7% to 9% growth rate in the utility rate base. And that's the same number you mentioned at your Analyst Day, but now you also mention that you have an additional $1 billion of rate base because of the tax reform. Is that $1 billion rate base included in that 7% to 9% or no? Just a clarification on those 2 issues.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think the way to think about it is that we jump off as we do every year from a higher base by virtue of the prior year's investment in rate base. So as rate base steps up, the ability to grow at the same rate kind of presupposes a incremental increase to rate base from a pure dollar amount. And if you take a look at the incremental rate base by virtue of the lower deferred taxes, and if you take a look at the bump up in the starting point year-over-year, it's a bit of an offset. So I think that's the -- if you think about us going from 7% to 9% on a lower base to 7% to 9% on a higher base, basically, it's tougher to do, but some of the deferred tax impacts of tax reform provides that offset and leave us at comparably the same place.

Ashar Khan

Okay. And what base are you using? Can you just mention?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

End of '17.

Ashar Khan

End of '17. Do you...

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Right.

Ashar Khan

Okay. And then on the utility earning question?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

I think it's essentially what we referenced before. If we have incremental spend that Ralph referenced from both GSMP and Energy Strong and that was going to roll into the rate case, and we have rates that come in towards the end of the year, you would anticipate seeing maybe a little bit of a modest shave off of rate of growth. What comes in 2019, we'll end up giving you the details on it this time next year from the standpoint of total '19 earnings guidance.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So I guess that was our last question. Thank you, all. Dan and Kathleen will be on the road, hopefully, seeing many of you next week. Three of us will be on the road a couple of weeks after that. Maybe we'll see many of you then. One thing that's a little different this year, you may have noticed that we moved our analyst and investor conference to June. Please read nothing into that other than bad scheduling on my part that required some coordination of family calendars and business calendars. But nonetheless, I think we have some good things to talk to you about. And we'll know a lot more then about the New Jersey nuclear situation. We'll know a lot more about RPM, comments will be in the FERC from PJM and other folks. And so I think we have a lot of opportunities ahead of us in the next few months. With that, thank you for participating in the call, and we look forward to seeing you soon. Take care.

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Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect, and thank you for participating.

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SI-SSA-0015-13950

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2017 RESULTS

NET INCOME OF $3.10 PER SHARE

Non-GAAP Operating Earnings of $2.93 Per Share

Common Dividend Increased 4.7%

Non-GAAP 2018 Operating Earnings Guidance $3.00 - $3.20 Per Share

(February 23, 2018 – Newark, NJ) Public Service Enterprise Group (PSEG) reported 2017 Net Income of $1,574 million, or $3.10 per share, as compared to Net Income of $887 million, or $1.75 per share, for 2016. Non-GAAP Operating Earnings for the year 2017 were $1,488 million, or $2.93 per share, compared to $1,475 million, or $2.90 per share for 2016. Compared to 2016, Net Income for 2017 benefited from a revaluation of deferred tax liabilities associated with a reduction in the Federal corporate tax rate, lower reserves for leveraged lease impairments, and gains on Nuclear Decommissioning Trust (NDT) offset by higher expenses associated with the retirement of the Hudson and Mercer generating stations.

PSEG also reported Net Income for the fourth quarter of 2017 of $956 million, or $1.88 per share. This compares to a Net Loss of $98 million, or $0.19 per share, for the 2016 fourth quarter. Non-GAAP Operating Earnings for the fourth quarter of 2017 were $289 million, or $0.57 per share, compared to fourth quarter 2016 non-GAAP Operating Earnings of $279 million, or $0.54 per share. Net Income for the fourth quarter of 2017 reflects a revaluation of deferred tax liabilities associated with a reduction in the Federal corporate tax rate and NDT and Mark-to-Market activity. The Net Loss in the fourth quarter of 2016 reflects incremental depreciation expense and other expenses associated with the early retirement of the Hudson and Mercer generating stations in addition to NDT and Mark-to-Market activity.

“We ended 2017 on a strong note with operating earnings for the year above the mid-point of our guidance” said Ralph Izzo, Chairman, President and Chief Executive Officer. “Successful execution of PSE&G’s capital program and strong operations at PSEG Power contributed to our full year results. The successes of 2017 were the result of the outstanding effort of our dedicated workforce, and position us well as we seek to continue to execute on our strategy to provide long-term value to our shareholders by meeting the needs of our customers and the communities we serve. The recent action by the Board of Directors to increase the common dividend by 4.7% to the indicative annual rate of $1.80 per share is recognition of our financial strength and commitment to growth.”

The tables below provide a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the full year and fourth quarter. See Attachment 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings.

PSEG CONSOLIDATED RESULTS (unaudited)
Full-Year Comparative Results
2017 and 2016

	Income ($ millions)		Diluted Earnings Per Share	
	2017	**2016**	**2017**	**2016**
Net Income	$1,574	$ 887	$3.10	$1.75
Reconciling Items*	(86)	588	(0.17)	1.15
Non-GAAP Operating Earnings	**$1,488**	**$1,475**	**$2.93**	**$2.90**
		Avg. Shares	**507M**	**508M**

See Attachment 11

PSEG CONSOLIDATED RESULTS (unaudited)
Fourth Quarter Comparative Results
2017 and 2016

	Income/(Loss) ($ millions)		Diluted Earnings Per Share	
	2017	**2016**	**2017**	**2016**
Net Income/(Loss)	$956	$ (98)	$1.88	$(0.19)
Reconciling Items*	(667)	377	(1.31)	0.73
Non-GAAP Operating Earnings	**$289**	**$279**	**$0.57**	**$0.54**
		Avg. Shares	**508M**	**508M**

See Attachment 11

Ralph Izzo went on to say, "We enter 2018 from a position of financial strength aided by a strong balance sheet, continued execution of our strategic growth objectives and tax reform. For 2018, we forecast 6% growth in non-GAAP Operating Earnings at the mid-point of our guidance of $3.00 - $3.20 per share. This is possible, despite the challenges we continue to face in wholesale power markets especially at our nuclear plants, due to continued growth at PSE&G and a $0.16 per share benefit to the bottom line of our unregulated businesses from a reduction in the federal tax rate."

The following table outlines PSEG's 2017 non-GAAP Operating Earnings by subsidiary and expectations for 2018.

2018 Non-GAAP Operating Earnings Guidance and
2017 Non-GAAP Operating Earnings
($ millions, except EPS)

	2018E	2017A
PSE&G	$1,000 - $1,030	$963
PSEG Power	$485 - $560	$505
PSEG Enterprise/Other	$35 - $35	$20
Non-GAAP Operating Earnings	$1,520 - $1,625	$1,488
Non-GAAP EPS	$3.00 - $3.20	$2.93

E = Estimate A= Actual

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 5 and 6 for detail regarding the quarter-over-quarter and year-over-year reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $220 million ($0.43 per share) for the fourth quarter bringing full year Net Income to $973 million ($1.92 per share). Non-GAAP Operating Earnings for the fourth quarter of 2017 were $210 million ($0.41 per share) bringing non-GAAP Operating Earnings for the full year to $963 million ($1.90 per share). On a comparative basis, PSE&G reported Net Income of $193 million ($0.38 per share) and $889 million ($1.75 per share) for the fourth quarter and full year 2016, respectively.

PSE&G's Net Income in the fourth quarter reflects continued growth in earnings on its increased level of investment in Transmission and Distribution infrastructure.

Growth in PSE&G's investment in transmission improved quarter-over-quarter Net Income comparisons by $0.03 per share. Recovery of investment in gas distribution made under PSE&G's Energy Strong and Gas System Modernization Programs increased quarter-over-quarter Net Income by $0.01 per share. Colder than normal weather as compared to more normal weather conditions in the year-ago quarter improved Net Income by $0.01 per share. An increase in O&M expenses associated with preventative and corrective maintenance reduced quarter over quarter Net Income by $0.02 per share.

Electric sales, on a weather-normalized basis, declined 0.9% in the fourth quarter compared to the year-ago quarter as a decline in Residential and Industrial sales more than offset growth in Commercial sales. For the year, weather-normalized electric sales declined 0.4%. Weather-normalized gas sales for the quarter declined 1.0% as a reduction in sales to Residential customers was partially offset by growth in sales to Commercial and Industrial customers. For the year, growth in weather-normalized gas sales of 1.2% was led by growth from Commercial and Industrial customers.

PSE&G, in January 2018, filed a distribution base rate case as required by the NJ Board of Public Utilities (BPU) as a condition of approval in 2014 of its Energy Strong Program. The filing reflected an approximate one percent increase in revenues ($95 million) primarily to recover investments made to strengthen electric and gas distribution systems. In its filing, PSE&G requested that these rates take into account an approximate $130 million reduction in the revenue requirement as a result of the federal corporate income tax rate reduction from 35% to 21% provided in the Tax Cuts and Jobs Act (the Tax Act), a one-time credit for estimated excess income taxes collected between January 1, 2018 and the time the rates go into effect, and the flow back to customers of certain additional tax benefits. The filing will be updated to incorporate the full impact of the Tax Act including the potential impacts of a recent BPU order requiring utilities to reflect the reduction in the federal tax rate in bills effective April 1, 2018. PSE&G anticipates the new base rates will take effect in the fourth quarter of 2018.

In January 2018, PSE&G filed a revised 2018 Annual Transmission Formula Rate with the Federal Energy Regulatory Commission (FERC) reducing the 2018 transmission annual revenue requirement by $148 million to reflect the lower federal corporate income tax rate. Combined, the lower federal tax requirement reduces PSE&G's annual distribution and transmission revenue requirement by approximately $275 million.

PSE&G's $3.1 billion investment in 2017 to upgrade and expand its transmission and distribution system led to a 12.5% increase in rate base to $17 billion at year-end.

For the 16th year in a row, PSE&G's work to protect and strengthen the system yielded recognition as the most reliable electric utility in the Mid-Atlantic region.

PSE&G's Net Income for 2018 is forecasted at $1,000 million - $1,030 million.

PSEG Power

PSEG Power reported Net Income of $610 million ($1.20 per share) in the fourth quarter of 2017 versus a Net Loss of $302 million ($0.59 per share) for the fourth quarter of 2016. For the full year 2017, PSEG Power reported Net Income of $479 million ($0.94 per share) versus Net Income for the full year 2016 of $18 million ($0.04 per share).

PSEG Power reported non-GAAP Operating Earnings of $100 million ($0.20 per share) for the fourth quarter of 2017 and non-GAAP Adjusted EBITDA of $196 million bringing full year non-

GAAP Operating Earnings to $505 million ($1.00 per share) and non-GAAP Adjusted EBITDA to $1,172 million. On a comparative basis, PSEG Power reported non-GAAP Operating Earnings of $69 million ($0.13 per share) and non-GAAP Adjusted EBITDA of $155 million for the fourth quarter of 2016 and non-GAAP Operating Earnings of $514 million ($1.01 per share) and non-GAAP Adjusted EBITDA of $1,201 million for the full year 2016.

Power's fourth quarter Net Income includes a one-time, non-cash benefit of $588 million associated with a revaluation of deferred tax liabilities stemming from the reduction in the federal income tax rate to 21%. The company's fourth quarter results also reflect an improvement in margins.

An increase in capacity prices in New England and PJM improved quarterly Net Income comparisons by $0.02 per share. A 2% increase in generation output improved Net Income comparisons by $0.01 per share as higher gas send-out due to colder than normal weather improved quarterly Net Income comparisons by $0.01 per share. A decline in the average price received on energy hedges was partially offset by an increase in market prices on unhedged output resulting in a decline in quarter-over-quarter Net Income of $0.01 per share. A decline in O&M expense improved Net Income comparisons by $0.03 per share. A decline in depreciation, interest and taxes combined to improve fourth quarter Net Income comparisons by $0.01 per share.

Output from Power's generating facilities in the fourth quarter was 2% greater than output in the year-ago quarter. Quarterly comparisons were influenced by the timing of nuclear plant refueling outages and increased demand in response to colder than normal weather. For the year, based on results for the fourth quarter, output of 51 TWh was stronger than our forecast provided at the end of the third quarter, which called for full year output of 49 – 50 TWh. The nuclear fleet operated at an average capacity factor of 89.9% in the quarter, resulting in a full year capacity factor of 93.9%, and producing record electric output for the year of 31.8 TWh. Power's gas-fired CCGT fleet operated at an average capacity factor of ~40% in the quarter resulting in a full-year capacity factor of ~47% producing 13.6 TWh of electric energy for the year. For the quarter, output from the coal fleet declined slightly as the result of outage work at the Keystone station. For the full year, output from the coal fleet increased 12% to 5.3 TWh as an increase in gas prices improved its competitiveness.

Power is forecasting an improvement in output for 2018 to 55- 57 TWh. Following completion of the recent Basic Generation Service (BGS) auction in NJ, approximately 80% - 85% of production for the year is hedged at an average price of $40 per MWh. For 2019, Power has hedged 55% - 60% of forecast production of 59 – 61 TWh at an average price of $38 per MWh. Power is forecasting a further increase in output for 2020 to 63 – 65 TWh. Approximately 25% - 30% of Power's output in 2020 is hedged at an average price of $38 per MWh. The forecast of output for 2018 and 2019 has improved since our last forecast with an increase in spark spreads. The forecast for 2018 – 2020 includes generation associated with the mid-2018 commercial start-up of 1300 MWs of new, gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019

commercial operation of the 485 MW gas-fired combined cycle generating unit in Bridgeport Harbor, Connecticut.

For 2018, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA at PSEG Power are forecast to be $485 million - $560 million and $1,075 million - $1,180 million, respectively.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income for the fourth quarter of 2017 of $126 million ($0.25 per share) compared to Net Income of $11 million ($0.02 per share) for the fourth quarter of 2016. For the full year, PSEG Enterprise/Other reported Net Income of $122 million, ($0.24 per share) compared to a Net Loss in 2016 of $20 million ($0.04 per share). The results for 2017 include a one-time, non-cash earnings benefit of $147 million related to the reduction in the federal corporate income tax rate and a decrease in Energy Holdings' deferred tax liabilities partially offset by an after-tax charge taken earlier in the year related to on-going challenges facing NRG REMA, LLC. The results for 2016 reflect after-tax charges for lease-related impairments.

PSEG Enterprise/Other reported a non-GAAP operating loss in the fourth quarter 2017 of $21 million ($0.04 per share) compared to non-GAAP Operating Earnings of $17 million ($0.03 per share) in the year-ago quarter. The results for the fourth quarter brought PSEG Enterprise/Other non-GAAP Operating Earnings for the full year to $20 million ($0.03 per share) versus $72 million ($0.14 per share) in 2016.

The decline in non-GAAP Operating Earnings year-over-year reflects the impact of a $15 million after-tax contribution to the PSEG Foundation as well as certain tax items at the Parent and PSEG Energy Holdings in fourth quarter of 2017 and the absence of certain tax items that occurred in the fourth quarter of 2016 at Energy Holdings.

For 2018, non-GAAP Operating Earnings for PSEG Enterprise/Other are forecast to be $35 million.

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About PSEG:

Public Service Enterprise Group (NYSE:PEG) is a publicly traded diversified energy company with annual revenue of $9.1 billion. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

Non-GAAP Financial Measures

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

Management believes the presentation of non-GAAP Adjusted EBITDA for Power is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization.

See Attachment 12 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- an inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

***Visit PSEG at**: www.pseg.com*; PSEG blog, Energize!; PSEG My Alerts!

TO FOLLOW AND CONNECT WITH PSEG VIA SOCIAL MEDIA, CLICK ON THE LINKS BELOW:

PSEG Social Media Channels: PSEG on Facebook; PSEG on Twitter; PSEG on LinkedIn; PSEG on YouTube; https://www.youtube.com/user/PSEGvideo

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended December 31, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,096	$ (293)	$ 1,545	$ 844
OPERATING EXPENSES				
Energy Costs	700	(425)	603	522
Operation and Maintenance	769	72	370	327
Depreciation and Amortization	265	9	179	77
Total Operating Expenses	1,734	(344)	1,152	926
OPERATING INCOME	362	51	393	(82)
Income from Equity Method Investments	3	-	-	3
Other Income and (Deductions)	50	(22)	20	52
Other-Than-Temporary Impairments	(3)	-	-	(3)
Interest Expense	(102)	(13)	(80)	(9)
INCOME/(LOSS) BEFORE INCOME TAXES	310	16	333	(39)
Income Tax Benefit (Expense)	646	110	(113)	649
NET INCOME	**$ 956**	**$ 126**	**$ 220**	**$ 610**
Reconciling Items Excluded from Net Income [b]	(667)	(147)	(10)	(510)
OPERATING EARNINGS (non-GAAP)	**$ 289**	**$ (21)**	**$ 210**	**$ 100**
Earnings Per Share				
NET INCOME	**$ 1.88**	**$ 0.25**	**$ 0.43**	**$ 1.20**
Reconciling Items Excluded from Net Income [b]	(1.31)	(0.29)	(0.02)	(1.00)
OPERATING EARNINGS (non-GAAP)	**$ 0.57**	**$ (0.04)**	**$ 0.41**	**$ 0.20**

Three Months Ended December 31, 2016

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,090	$ (306)	$ 1,475	$ 921
OPERATING EXPENSES				
Energy Costs	675	(418)	588	505
Operation and Maintenance	793	92	365	336
Depreciation and Amortization	797	8	153	636
Total Operating Expenses	2,265	(318)	1,106	1,477
OPERATING INCOME (LOSS)	(175)	12	369	(556)
Income from Equity Method Investments	2	-	-	2
Other Income and (Deductions)	24	(1)	21	4
Other-Than-Temporary Impairments	(3)	-	-	(3)
Interest Expense	(97)	(4)	(75)	(18)
INCOME (LOSS) BEFORE INCOME TAXES	(249)	7	315	(571)
Income Tax Benefit (Expense)	151	4	(122)	269
NET INCOME (LOSS)	**$ (98)**	**$ 11**	**$ 193**	**$ (302)**
Reconciling Items Excluded from Net Income (Loss) [b]	377	6	-	371
OPERATING EARNINGS (non-GAAP)	**$ 279**	**$ 17**	**$ 193**	**$ 69**
Earnings Per Share				
NET INCOME (LOSS)	**$ (0.19)**	**$ 0.02**	**$ 0.38**	**$ (0.59)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.73	0.01	-	0.72
OPERATING EARNINGS (non-GAAP)	**$ 0.54**	**$ 0.03**	**$ 0.38**	**$ 0.13**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

	Year Ended December 31, 2017			
	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 9,084	$ (1,080)	$ 6,234	$ 3,930
OPERATING EXPENSES				
Energy Costs	2,800	(1,546)	2,363	1,983
Operation and Maintenance	2,869	397	1,434	1,038
Depreciation and Amortization	1,986	33	685	1,268
Total Operating Expenses	7,655	(1,116)	4,482	4,289
OPERATING INCOME (LOSS)	1,429	36	1,752	(359)
Income from Equity Method Investments	14	-	-	14
Other Income and (Deductions)	228	(16)	87	157
Other-Than-Temporary Impairments	(12)	-	-	(12)
Interest Expense	(391)	(38)	(303)	(50)
INCOME (LOSS) BEFORE INCOME TAXES	1,268	(18)	1,536	(250)
Income Tax Benefit (Expense)	306	140	(563)	729
NET INCOME	**$ 1,574**	**$ 122**	**$ 973**	**$ 479**
Reconciling Items Excluded from Net Income [b]	(86)	(102)	(10)	26
OPERATING EARNINGS (non-GAAP)	**$ 1,488**	**$ 20**	**$ 963**	**$ 505**
Earnings Per Share				
NET INCOME	**$ 3.10**	**$ 0.24**	**$ 1.92**	**$ 0.94**
Reconciling Items Excluded from Net Income [b]	(0.17)	(0.21)	(0.02)	0.06
OPERATING EARNINGS (non-GAAP)	**$ 2.93**	**$ 0.03**	**$ 1.90**	**$ 1.00**

	Year Ended December 31, 2016			
	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 9,061	$ (1,183)	$ 6,221	$ 4,023
OPERATING EXPENSES				
Energy Costs	3,001	(1,552)	2,567	1,986
Operation and Maintenance	3,008	390	1,475	1,143
Depreciation and Amortization	1,476	30	565	881
Total Operating Expenses	7,485	(1,132)	4,607	4,010
OPERATING INCOME (LOSS)	1,576	(51)	1,614	13
Income from Equity Method Investments	11	-	-	11
Other Income and (Deductions)	124	-	79	45
Other-Than-Temporary Impairments	(28)	-	-	(28)
Interest Expense	(385)	(12)	(289)	(84)
INCOME (LOSS) BEFORE INCOME TAXES	1,298	(63)	1,404	(43)
Income Tax Benefit (Expense)	(411)	43	(515)	61
NET INCOME (LOSS)	**$ 887**	**$ (20)**	**$ 889**	**$ 18**
Reconciling Items Excluded from Net Income (Loss) [b]	588	92	-	496
OPERATING EARNINGS (non-GAAP)	**$ 1,475**	**$ 72**	**$ 889**	**$ 514**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.75**	**$ (0.04)**	**$ 1.75**	**$ 0.04**
Reconciling Items Excluded from Net Income (Loss) [b]	1.15	0.18	-	0.97
OPERATING EARNINGS (non-GAAP)	**$ 2.90**	**$ 0.14**	**$ 1.75**	**$ 1.01**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 11 and 12 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	December 31, 2017	December 31, 2016
DEBT		
Commercial Paper and Loans	$ 542	$ 388
Long-Term Debt*	13,068	11,395
Total Debt	13,610	11,783
STOCKHOLDERS' EQUITY		
Common Stock	4,961	4,936
Treasury Stock	(763)	(717)
Retained Earnings	9,878	9,174
Accumulated Other Comprehensive Loss	(229)	(263)
Total Stockholders' Equity	13,847	13,130
Total Capitalization	$ 27,457	$ 24,913

*Includes current portion of Long-Term Debt

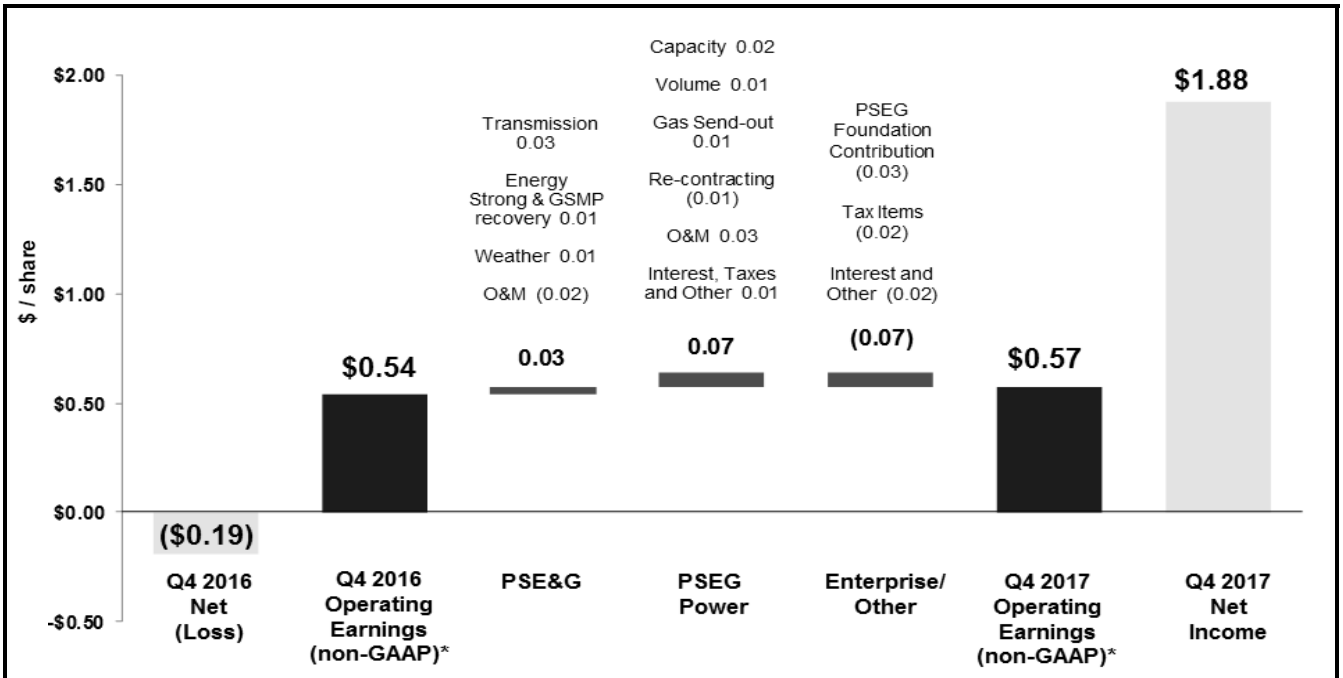
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Year Ended December 31, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,574	$ 887
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,687	2,424
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,261	3,311
NET CASH USED IN INVESTING ACTIVITIES	(4,256)	(4,248)
NET CASH PROVIDED BY FINANCING ACTIVITIES	885	966
Net Change in Cash and Cash Equivalents	(110)	29
Cash and Cash Equivalents at Beginning of Period	423	394
Cash and Cash Equivalents at End of Period	$ 313	$ 423

Attachment 5

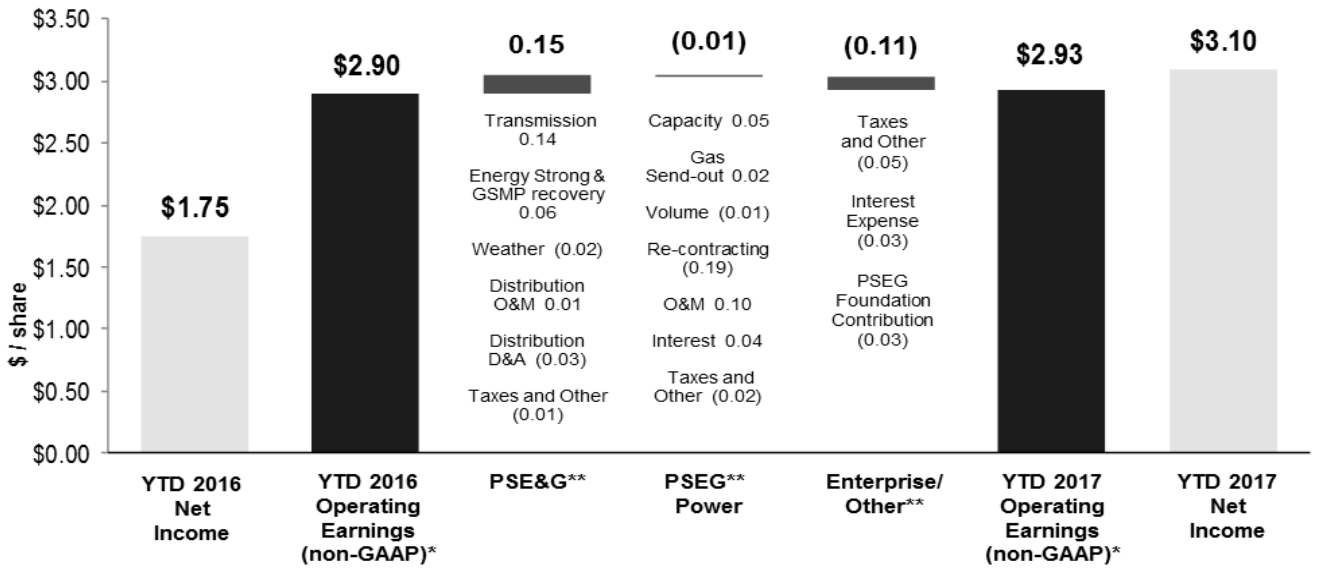
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
December 31, 2017 vs. December 31, 2016
(Unaudited)



* See Attachments 11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
December 31, 2017 vs. December 31, 2016
(Unaudited)



* See Attachments 11 and 12 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).

** Prior quarter results may not add to year-to-date totals due to rounding.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2017

Electric Sales and Revenues

Sales (millions kWh)	Three Months Ended	Change vs. 2016	Year Ended	Change vs. 2016
Residential	2,856	2.5%	13,069	-4.6%
Commercial & Industrial	6,588	1.1%	27,344	-0.7%
Street Lighting	96	-2.7%	327	-2.6%
Interdepartmental	2	-2.0%	9	-3.9%
Total	9,542	1.5%	40,749	-2.0%
Revenue ($ millions)				
Residential	$ 398	3.9%	$ 1,910	-7.5%
Commercial & Industrial	338	3.0%	1,631	-1.0%
Street Lighting	19	6.6%	68	0.4%
Other Operating Revenues*	193	8.6%	755	11.0%
Total	$ 948	4.5%	$ 4,364	-2.2%

Weather Data	Three Months Ended	Change vs. 2016	Year Ended	Change vs. 2016
THI Hours - Actual	1,159	154.8%	16,644	-14.4%
THI Hours - Normal	316		16,126	

*Primarily sales of Non-Utility Generator energy to PJM and Transmission related revenues.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales and Revenues
(Unaudited)
December 31, 2017

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2016	Year Ended	Change vs. 2016
Firm Sales				
Residential Sales	463	5.0%	1,407	0.9%
Commercial & Industrial	296	4.4%	990	2.6%
Total Firm Sales	**759**	**4.8%**	**2,397**	**1.6%**
Non-Firm Sales				
Commercial & Industrial	191	-40.8%	1,170	-38.0%
Total Non-Firm Sales	**191**		**1,170**	
Total Sales	**950**	**-9.2%**	**3,567**	**-16.0%**
Revenue ($ millions)				
Residential Sales - Firm	$ 154	14.7%	$ 391	8.0%
Commercial & Industrial - Firm Sales	70	6.7%	250	29.0%
Non-Firm Sales	5	-34.3%	25	-6.4%
Other Operating Revenues**	46	4.7%	175	0.8%
Total	**$ 275**	**9.2%**	**$ 841**	11.2%
Gas Transported	$ 322	1.8%	$ 1,029	2.4%

Weather Data	Three Months Ended	Change vs. 2016	Year Ended	Change vs. 2016
Degree Days - Actual	1,596	4.5%	4,385	0.4%
Degree Days - Normal	1,594		4,670	

*CSG rate included in non-firm sales **Primarily Appliance Service.

Attachment 9

PSEG POWER LLC
Generation Measures*
(Unaudited)

	GWhr Breakdown Three Months Ended December 31,		GWhr Breakdown Year Ended December 31,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	5,130	4,737	20,944	18,615
Nuclear - PA	2,545	2,551	10,861	10,938
Total Nuclear	**7,675**	**7,288**	**31,805**	**29,553**
Fossil - Coal**	**1,301**	**1,343**	**5,337**	**4,776**
Fossil - Oil & Natural Gas - NJ	1,736	1,866	8,625	11,955
Fossil - Oil & Natural Gas - NY	1,277	1,263	5,304	5,202
Fossil - Oil & Natural Gas - CT	10	(5)	18	24
Total Oil & Natural Gas	**3,023**	**3,124**	**13,947**	**17,181**
	11,999	**11,755**	**51,089**	**51,510**

	% Generation by Fuel Type Three Months Ended December 31,		% Generation by Fuel Type Year Ended December 31,	
	2017	**2016**	**2017**	**2016**
Nuclear - NJ	43%	40%	41%	36%
Nuclear - PA	21%	22%	21%	21%
Total Nuclear	**64%**	**62%**	**62%**	**57%**
Fossil - Coal**	**11%**	**12%**	**11%**	**9%**
Fossil - Oil & Natural Gas - NJ	14%	16%	17%	24%
Fossil - Oil & Natural Gas - NY	11%	10%	10%	10%
Fossil - Oil & Natural Gas - CT	0%	0%	0%	0%
Total Oil & Natural Gas	**25%**	**26%**	**27%**	**34%**
	100%	**100%**	**100%**	**100%**

*Excludes Solar and Kalaeloa
**Includes Pumped Storage. Pumped Storage accounted for <1% of total generation for the three months and year ended December 31, 2017 and 2016, respectively.

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
Weighted Average Common Shares Outstanding (millions)				
Basic	505	505	505	505
Diluted	508	508	507	508
Stock Price at End of Period			$ 51.50	$ 43.88
Dividends Paid per Share of Common Stock	$ 0.43	$ 0.41	$ 1.72	$ 1.64
Dividend Yield			3.3%	3.7%
Book Value per Common Share			$ 27.45	$ 26.01
Market Price as a Percent of Book Value			188%	169%
Total Shareholder Return	12.3%	5.8%	21.8%	17.8%

Attachment 11

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ 956**	**$ (98)**	**$ 1,574**	**$ 887**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(64)	(9)	(133)	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	15	555	975	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(40)	(256)	(427)	(391)
Tax Reform	(745)	-	(745)	-
Operating Earnings (non-GAAP)	**$ 289**	**$ 279**	**$ 1,488**	**$ 1,475**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**507**	**508**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	**$ 1.88**	**$ (0.19)**	**$ 3.10**	**$ 1.75**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.12)	(0.02)	(0.26)	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.33	0.15	0.33	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.03	1.10	1.92	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.02	0.15	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(0.08)	(0.52)	(0.84)	(0.78)
Tax Reform	(1.47)	-	(1.47)	-
Operating Earnings (non-GAAP)	**$ 0.57**	**$ 0.54**	**$ 2.93**	**$ 2.90**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income	**$ 220**	**$ 193**	**$ 973**	**$ 889**
Tax Reform	(10)	-	(10)	-
Operating Earnings (non-GAAP)	**$ 210**	**$ 193**	**$ 963**	**$ 889**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**507**	**508**

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ 610**	**$ (302)**	**$ 479**	**$ 18**
(Gain) Loss on NDT Fund Related Activity, pre-tax	(64)	(9)	(133)	(5)
(Gain) Loss on MTM, pre-tax [(a)]	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax	15	555	975	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(b)]	(40)	(252)	(395)	(336)
Tax Reform	(588)	-	(588)	-
Operating Earnings (non-GAAP)	**$ 100**	**$ 69**	**$ 505**	**$ 514**
Depreciation and Amortization, pre-tax [(c)]	77	85	333	329
Interest Expense, pre-tax [(c) (d)]	8	18	48	83
Income Taxes [(c)]	11	(17)	286	275
Adjusted EBITDA (non-GAAP)	**$ 196**	**$ 155**	**$ 1,172**	**$ 1,201**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**507**	**508**

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

PSEG Enterprise/Other Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	**$ 126**	**$ 11**	**$ 122**	**$ (20)**
Lease Related Activity, pre-tax	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	(4)	(32)	(55)
Tax Reform	(147)	-	(147)	-
Operating Earnings (non-GAAP)	**$ (21)**	**$ 17**	**$ 20**	**$ 72**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**507**	**508**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group

PSEG Earnings Conference Call

4th Quarter & Full Year 2017

February 23, 2018

SI-SSA-0015-13972

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-13973

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

SI-SSA-0015-13974

PSEG
2017 Q4 and Full Year Review

Ralph Izzo

Chairman, President and Chief Executive Officer

SI-SSA-0015-13975

PSEG – Exceeded mid-point of guidance in 2017, well positioned for 2018

- **Highlights**
  - ✓ Net Income of $1.88 vs. Net Loss of $(0.19) per share in Q4 2016; Net Income of $3.10 in 2017 vs. $1.75 per share in 2016 – Tax reform and early retirement of Hudson & Mercer influenced results
  - ✓ Non-GAAP Operating Earnings* results of $0.57 vs. $0.54 per share in Q4 2016; Full-year, non-GAAP Operating Earnings* of $2.93 vs. $2.90 per share in 2016 and 2017 guidance of $2.80 to $3.00 per share
  - ✓ PSE&G non-GAAP results up 8.6%, benefiting from increased investment in electric and gas T&D
  - ✓ PSEG Power results were at the top end of 2017 guidance, aided by cost control and improved nuclear performance

- **Operational Excellence**
  - ✓ Nuclear fleet capacity factor improved to 94%; Hope Creek attained 100% capacity factor & record output
  - ✓ PSE&G named most reliable Utility in the Mid-Atlantic region for the 16th year in a row

- **Disciplined Capital Investment**
  - ✓ PSE&G's investment program to upgrade transmission, replace cast-iron pipe and improve the resilience of electric distribution system totaled $3.1 billion in 2017; PSEG Power invested ~$1 billion constructing three new, highly efficient gas-fired CCGTs; Keys and Sewaren expected to be in-service mid-2018

- **Regulatory & Policy Focus**
  - ✓ Filed PSE&G NJ distribution base rate review seeking a modest 1% increase in revenue
  - ✓ PSE&G to return expected benefits of ~$275 million to customers related to lower tax rates plus returning excess deferred taxes
  - ✓ PSEG Power continues to work with key stakeholders in New Jersey on legislation supporting continued operation of nuclear capacity as part of a broader bill that aligns with the state's energy policy goals

* See Slides A, B and C for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13976

PSEG Q4 Results Summary – Solid quarterly results

Quarter ended December 31

$ millions (except EPS)	2017	2016	Change
Net Income/(Loss)	$ 956	$ (98)	$ 1,054
Reconciling Items	(667)	377	(1,044)
Operating Earnings (non-GAAP)*	$ 289	$ 279	$ 10
EPS from Net Income/(Loss)	$ 1.88	$ (0.19)	$ 2.07
EPS from Operating Earnings (non-GAAP)*	$ 0.57	$ 0.54	$ 0.03

*See Slide A for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

Full Year Results – Exceeded midpoint of guidance

Twelve Months ended December 31

$ millions (except EPS)	2017	2016	Change
Net Income	$ 1,574	$ 887	$ 687
Reconciling Items	(86)	588	(674)
Operating Earnings (non-GAAP)*	$ 1,488	$ 1,475	$ 13
EPS from Net Income	$ 3.10	$ 1.75	$ 1.35
EPS from Operating Earnings (non-GAAP)*	$ 2.93	$ 2.90	$ 0.03

*See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).

PSEG 2017 - Executing on Regulatory and Policy Initiatives

NJ Distribution Base Rate Proceeding

- Filed NJ base rate review January 12, 2018

Long-Term Infrastructure Investment Platform

- In July, PSE&G filed for a 5-year, $2.7 billion extension of the Gas System Modernization Program (GSMP II)
- In October, the BPU approved $69 million of PSE&G's request to extend its investment in Energy Efficiency (EE)
- In December, the BPU finalized its rule on the Infrastructure Investment Program (IIP) providing for 5-year investment programs
- PSE&G preparing a multi-year filing for the extension of Energy Strong
- PSE&G developing a large, multi-year EE investment program to bring benefits to a broader group of customers

Preserving the Value of Nuclear Supply

- Advocating for legislative strategy to recognize the value of nuclear energy under terms and conditions that provide proper incentives for long-term operation

Ensuring Federal Regulatory and Policy Framework

- PJM continuing reform of Price Formation on several issues
- FERC focus on electric system resiliency ongoing through continuing dialogue with RTOs

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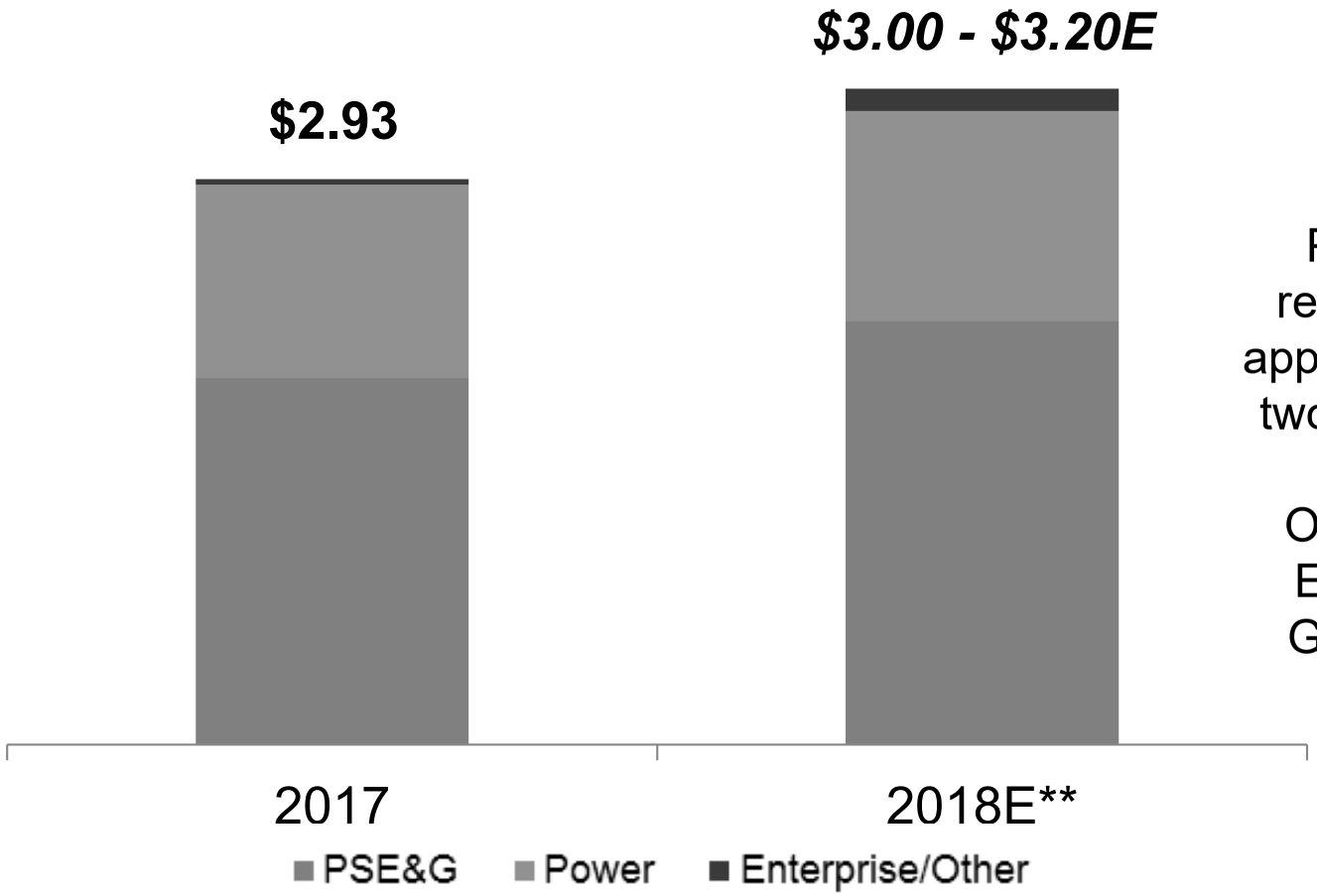
PSEG – 2018 Non-GAAP Earnings Guidance +6% over 2017

Tax reform and growth in utility infrastructure investment drives increase in earnings

Non-GAAP Operating Earnings* Contribution by Subsidiary
2017 Actual and 2018 Guidance



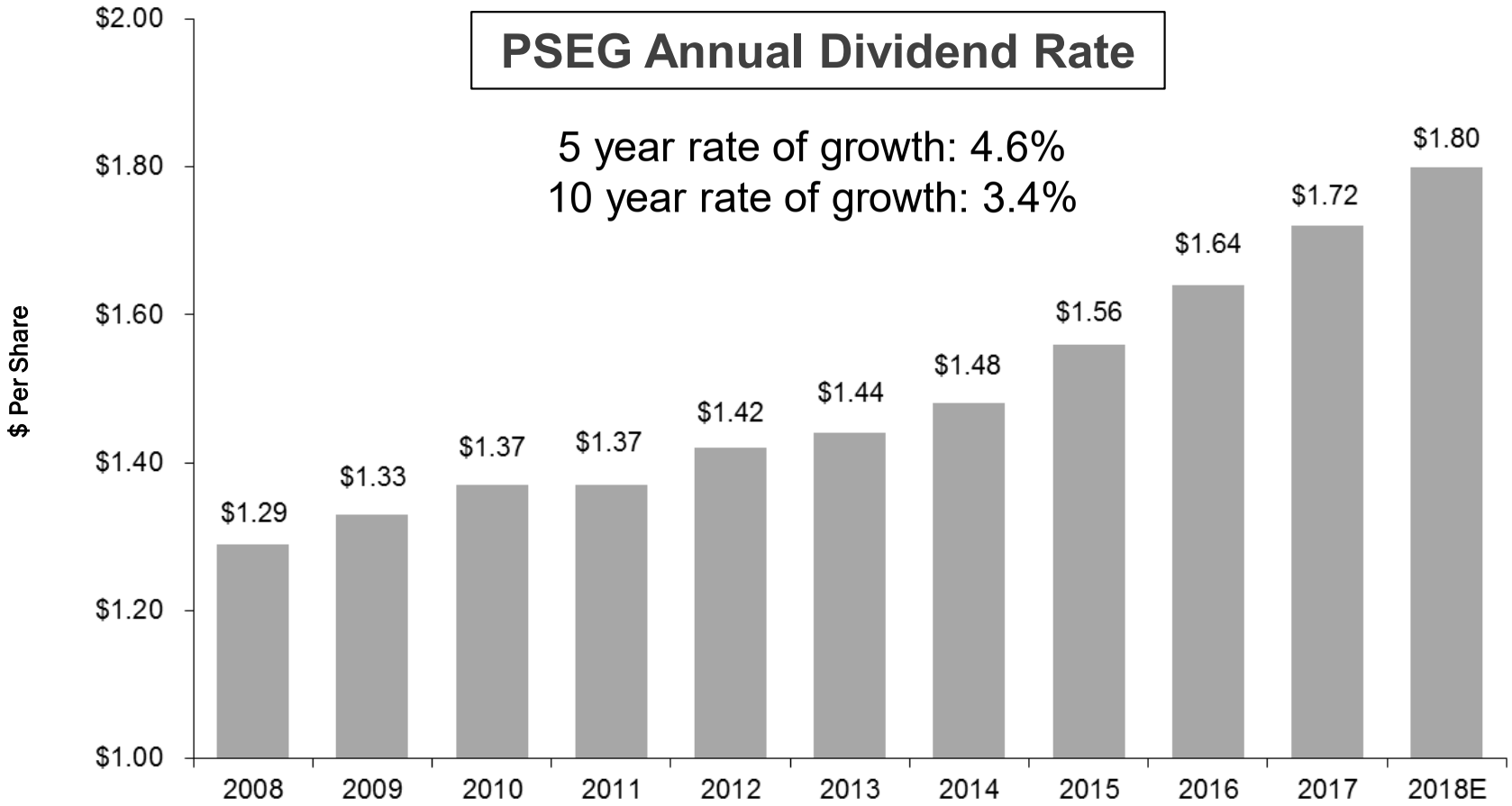
PSE&G represents approximately two-thirds of 2018 Operating Earnings Guidance

* See Slides A, B and C for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).
** Based on the mid-point of 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share. E = Estimate.

SI-SSA-0015-13980

PSEG Annual Dividend – Increased 4.7% to $1.80 per share

Building on a 111-year history of returning cash to our shareholders



Payout Ratio	44%	43%	44%	50%	58%	56%	54%	54%	57%	59%	58%**

*INDICATIVE ANNUAL 2018 PSEG COMMON DIVIDEND RATE PER SHARE. E=ESTIMATE.
**2018E PAYOUT RATIO REFLECTS THE INDICATIVE ANNUAL DIVIDEND RATE DIVIDED BY THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 - $3.20 PER SHARE.

SI-SSA-0015-13981

PSEG
2017 Q4 Operating Company Review

Dan Cregg
EVP and Chief Financial Officer

SI-SSA-0015-13982

PSEG – Q4 Results by Subsidiary

PSEG Q4 EPS Summary – Quarter ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 0.43	$ 0.38	$ 0.05
PSEG Power	$ 1.20	$ (0.59)	$ 1.79
PSEG Enterprise/Other	$ 0.25	$ 0.02	$ 0.23
Total PSEG	$ 1.88	$ (0.19)	$ 2.07

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 0.41	$ 0.38	$ 0.03
PSEG Power	$ 0.20	$ 0.13	$ 0.07
PSEG Enterprise/Other	$ (0.04)	$ 0.03	$ (0.07)
Total PSEG*	$ 0.57	$ 0.54	$ 0.03

*See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

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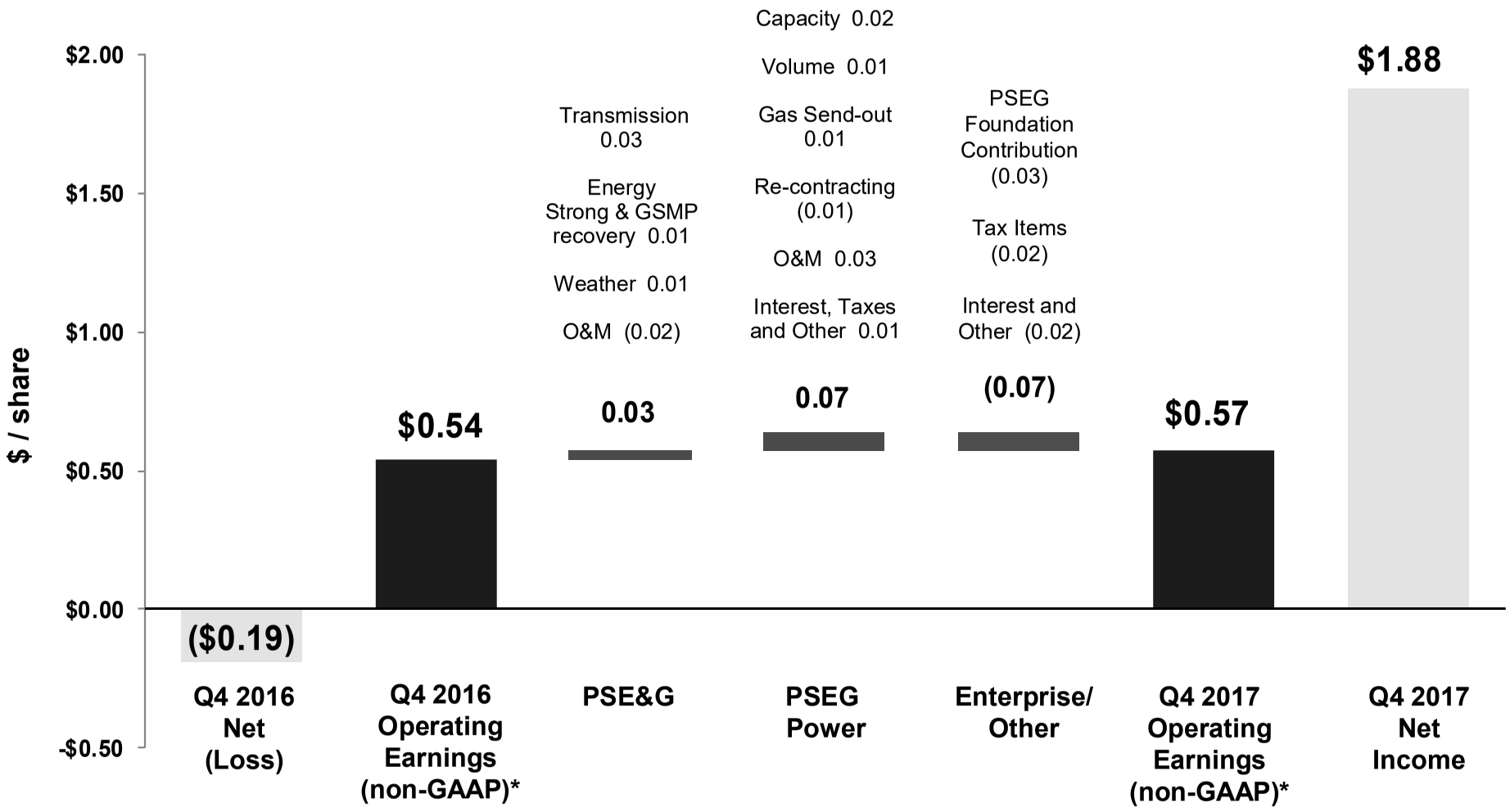
PSEG EPS Reconciliation – Q4 2017 versus Q4 2016

Ongoing utility investment, cost control at Power and strong operations contributed to Q4 results



* See Slide A for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP).

SI-SSA-0015-13984

PSEG – Year-to-Date Results by Subsidiary

PSEG YTD EPS Summary – Twelve Months ended December 31

GAAP Net Income/(Loss)	2017	2016	Change
PSE&G	$ 1.92	$ 1.75	$ 0.17
PSEG Power	$ 0.94	$ 0.04	$ 0.90
PSEG Enterprise/Other	$ 0.24	$ (0.04)	$ 0.28
Total PSEG	$ 3.10	$ 1.75	$ 1.35

Non-GAAP Operating Earnings*	2017	2016	Change
PSE&G	$ 1.90	$ 1.75	$ 0.15
PSEG Power	$ 1.00	$ 1.01	$ (0.01)
PSEG Enterprise/Other	$ 0.03	$ 0.14	$ (0.11)
Total PSEG*	$ 2.93	$ 2.90	$ 0.03

*See Slides A, B and C for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG, PSE&G, PSEG Power and PSEG Enterprise/Other.

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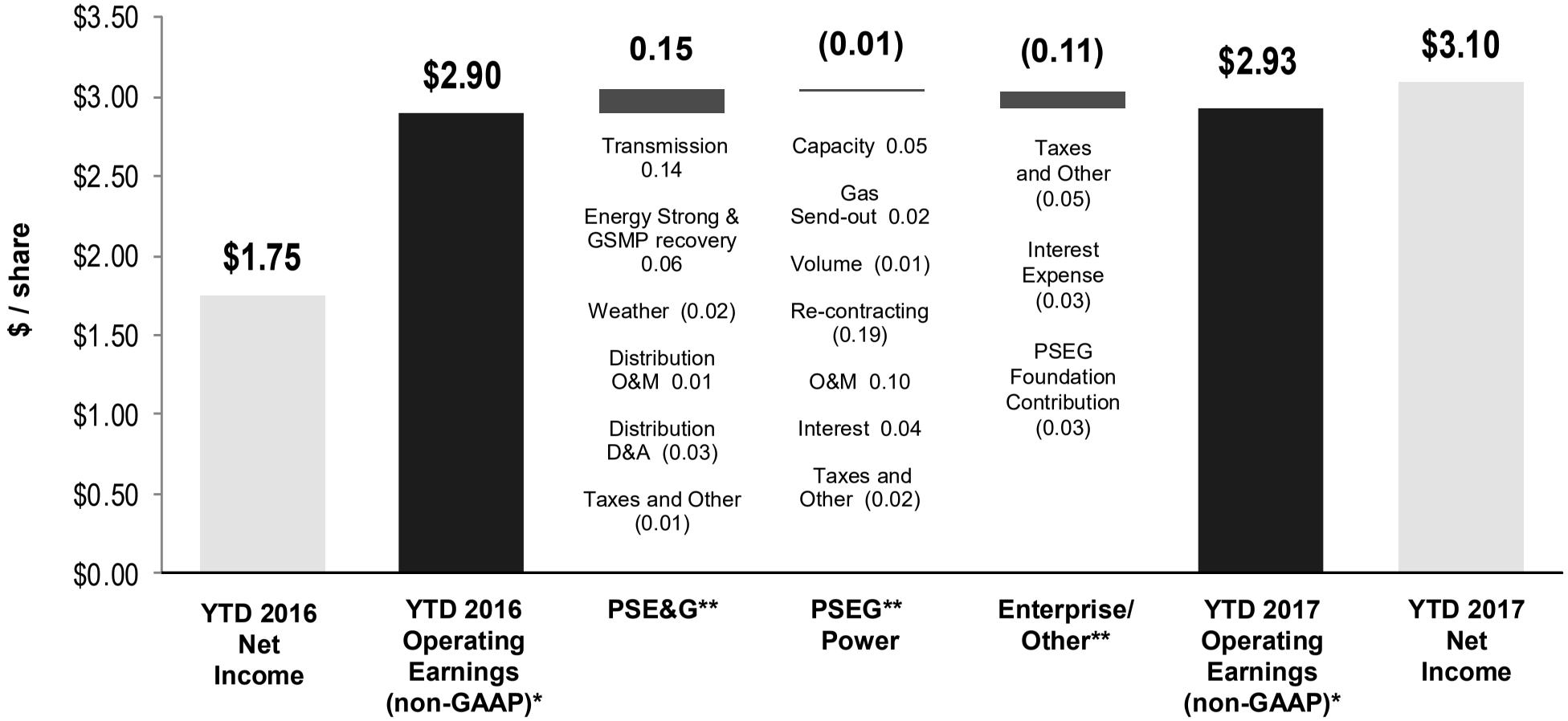
PSEG EPS Reconciliation – YTD 2017 versus YTD 2016

Utility investment and cost control drove full year 2017 results



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).Year-to-date columns
**Prior quarter results may not add to year-to-date totals due to rounding.

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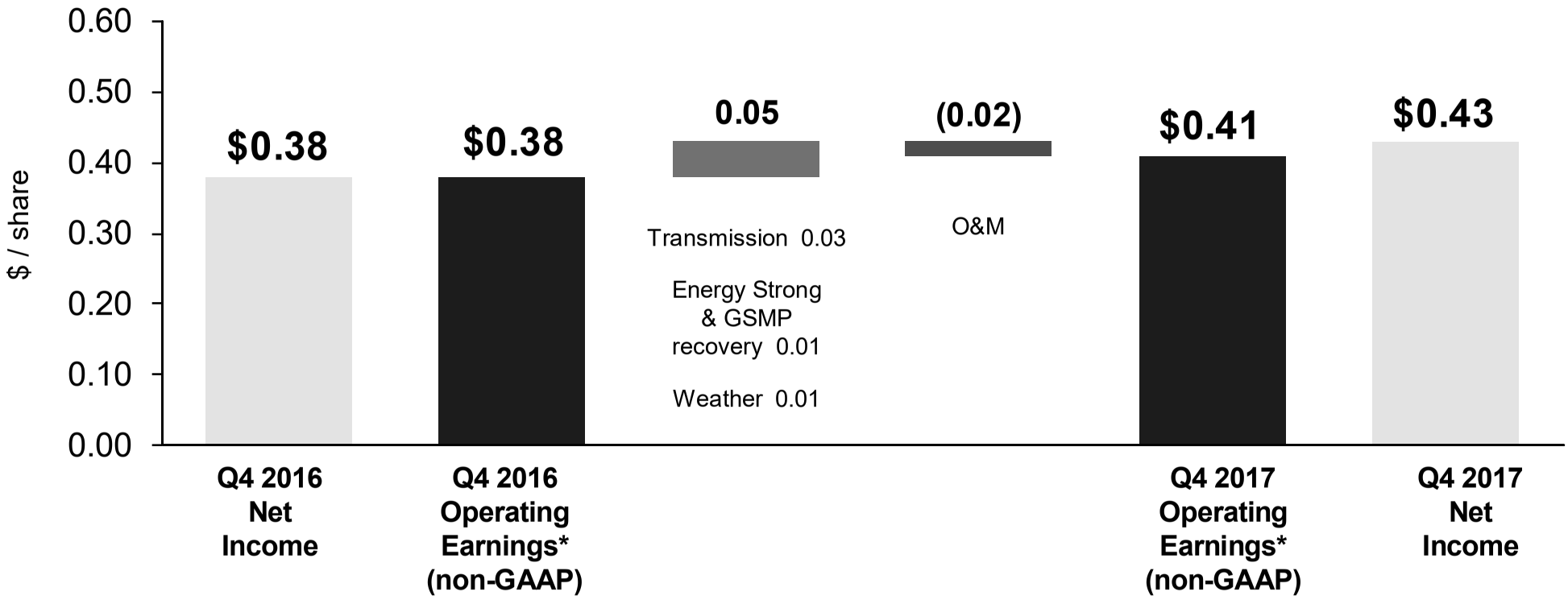
PSE&G
2017 Q4 Review

PSE&G EPS Reconciliation – Q4 2017 versus Q4 2016

Continued investment in reliability and resiliency offset higher O&M



* See Slide B for Items excluded from Net Income to reconcile to non-GAAP Operating Earnings for PSE&G.

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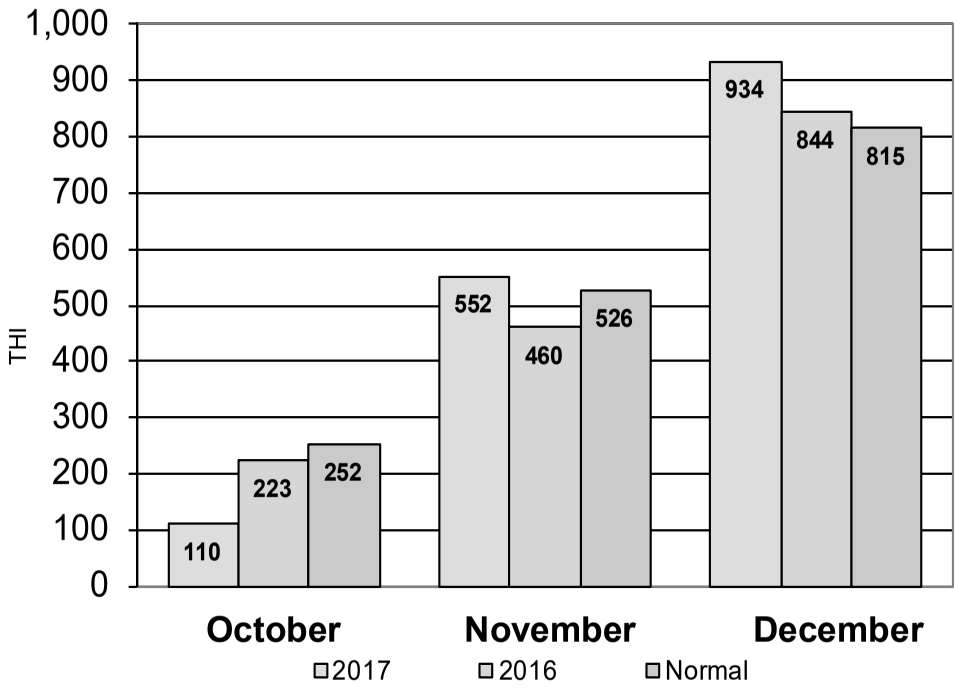
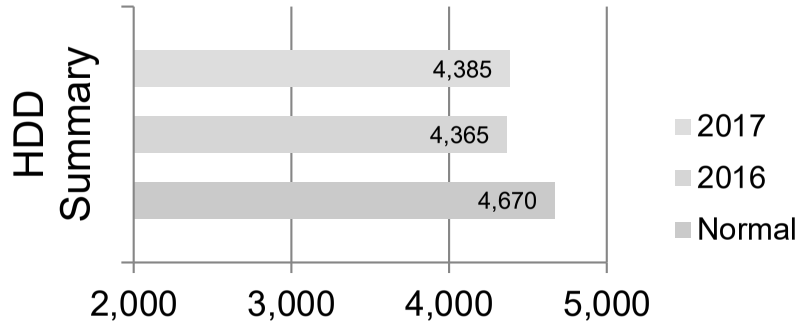
PSE&G – Q4 & Full Year Weather Summary

Monthly Heating Degree Days (HDD)
Q4 2017 vs. Q4 2016 vs. Q4 Normal



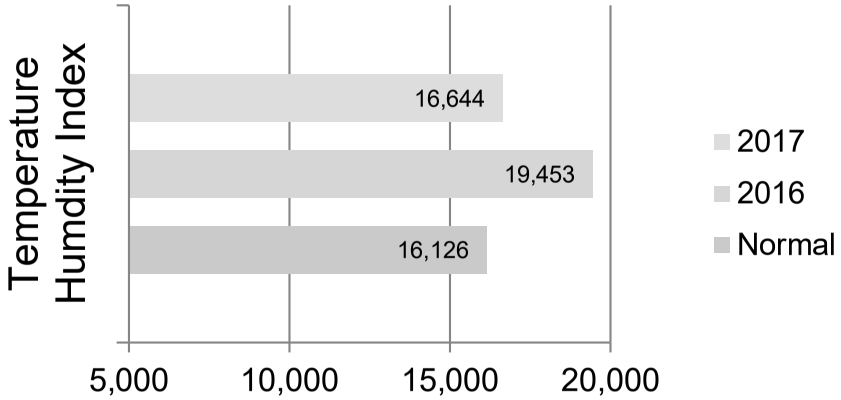
Q4 2017 winter weather, as defined by heating degree days, was ~5% colder than Q4 2016 and on par with a Normal Q4

Winter Weather Summary (HHD)
FY 2017 vs. FY 2016 vs. FY Normal



FY 2017 Winter weather was similar to 2016 and ~6% warmer than Normal.

Summer Weather Summary (THI)
FY 2017 vs. FY 2016 vs. FY Normal



FY 2017 Summer weather was ~14% cooler than 2016 and 3% warmer than Normal

SI-SSA-0015-13989

PSE&G 2018 Distribution Rate Case Filing Summary

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.6B ($5.6B E; $4B G) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~1% relative to overall revenue
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Pending updates:**
  - **Taxes** - BPU order to lower rates effective April 1 will accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - **9x3 update** to be filed in May

Overall bill for the typical PSE&G residential customer, even after consideration of the ~1% request, would remain >15% lower than bills after last base rate case

SI-SSA-0015-13990

PSE&G – Q4 Highlights

Operations

- ✓ PSE&G named "Most Reliable Utility" in the Mid-Atlantic region by ReliabilityOne for 16th year in a row
- ✓ On a weather normalized basis, total electric sales were down (0.4%) for the year, as declines in Residential and Industrial sales more than offset growth in the Commercial segment
- ✓ Gas sales, adjusted for weather, were up 1.2%, led by the Commercial and Industrial segments

Regulatory and Market Environment

- ✓ PSE&G filed its distribution base rate case in mid-January
- ✓ BPU finalized rules related to the Infrastructure Investment Program (IIP) in December
- ✓ 2018 FERC transmission formula rates placed into effect January 1 were adjusted lower by $148 million to reflect benefits of tax reform; PSE&G anticipates returning $130 million to distribution customers resulting in a total of ~$275 million to be returned to customers related to tax reform
- ✓ Residential gas customers receiving BGSS bill credits totaling ~$100 million during Winter 2017-18
- ✓ Anticipate filing an Energy Strong extension and a sizable Clean Energy program during 2018

Financial

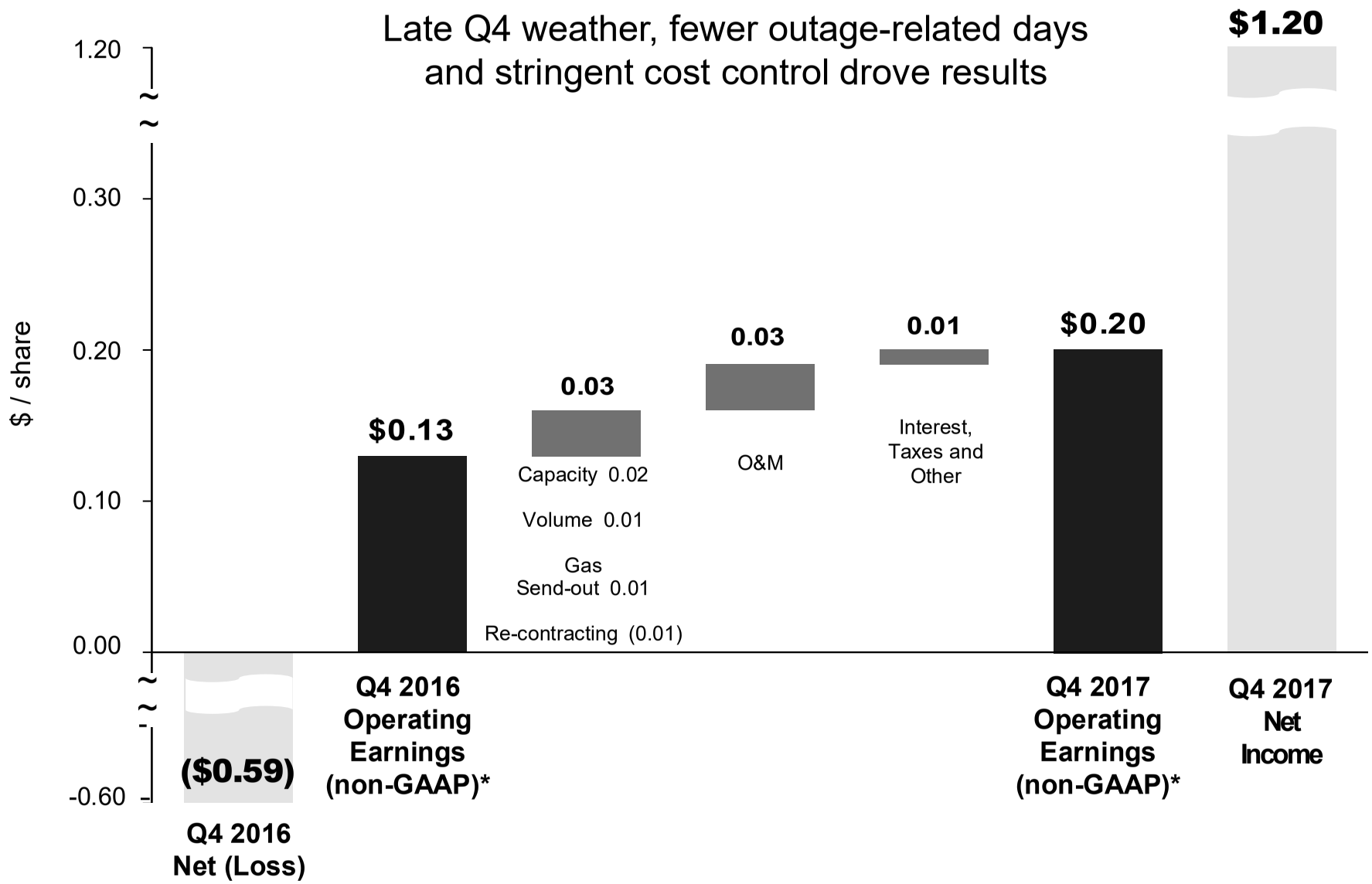
- ✓ PSE&G 2018 non-GAAP Operating Earnings guidance range is $1,000 - $1,030 million, a 5% increase over 2017 results of $963 million
- ✓ PSE&G invested $3.1 billion in 2017 capital expenditures to upgrade, expand and enhance the reliability and resiliency of the electric and gas T&D system
- ✓ Consolidated rate base grew by 12.5% to $17 billion

SI-SSA-0015-13991

PSEG Power
2017 Q4 Review

SI-SSA-0015-13992

PSEG Power EPS Reconciliation – Q4 2017 versus Q4 2016



* See Slide B for Items excluded from Net Income (Loss) to reconcile to Operating Earnings (non-GAAP) for PSEG Power.

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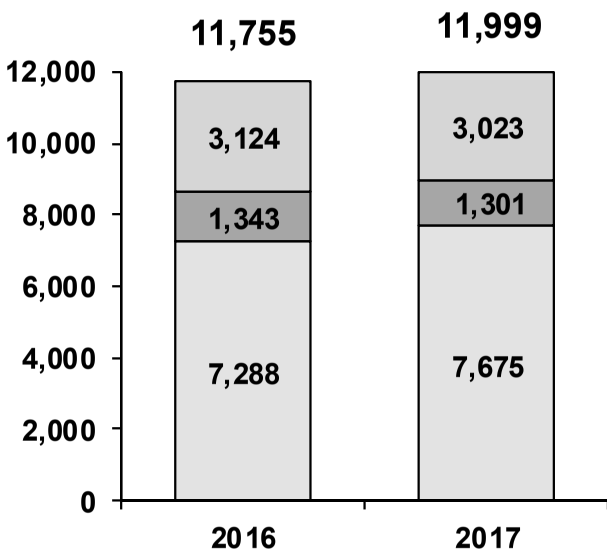
PSEG Power – Q4 Generation up 2% on improved nuclear output

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Quarter ended December 31,	
	2016	2017
Combined Cycle		
PJM and NY	41.5%	39.6%
Coal**		
PA	74.5%	71.3%
CT	10.1%	12.2%
Nuclear	85.3%	89.9%

PSEG Power – Fuel Costs

	Quarter ended December 31,	
($ millions)	2016	2017
Gas	$ 58	$ 75
Coal	31	31
Total Fossil	89	106
Nuclear	49	47
Total Fuel Cost	$ 138	$ 153
Total Generation (GWh)	11,755	11,999
$ / MWh	11.74	12.75

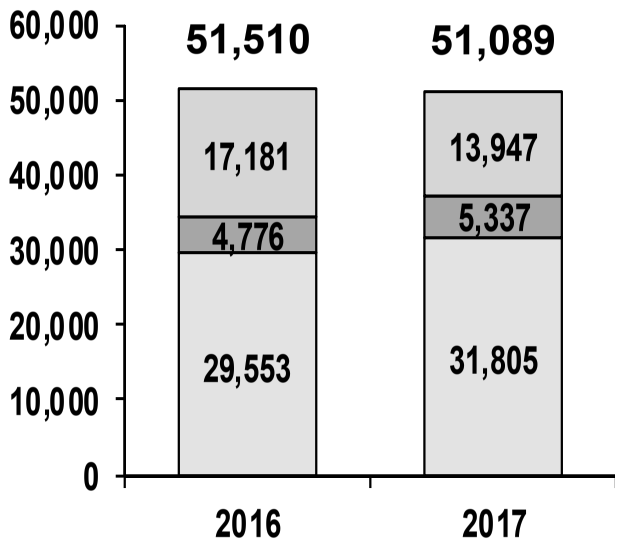
Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-13994

PSEG Power – YTD Generation down ~1% on mild Q1/Q3 weather

PSEG Power – Generation (GWh)*



PSEG Power – Capacity Factors (%)

	Twelve months ended December 31,	
	2016	2017
Combined Cycle		
PJM and NY	57.2%	46.9%
Coal**		
PA	65.1%	77.5%
CT	5.4%	6.0%
Nuclear	86.9%	93.9%

PSEG Power – Fuel Costs

	Twelve months ended December 31,	
($ millions)	2016	2017
Gas	$ 272	$ 300
Coal	109	123
Total Fossil	381	423
Nuclear	203	200
Total Fuel Cost	$ 584	$ 623
Total Generation (GWh)	51,510	51,089
$ / MWh	11.34	12.19

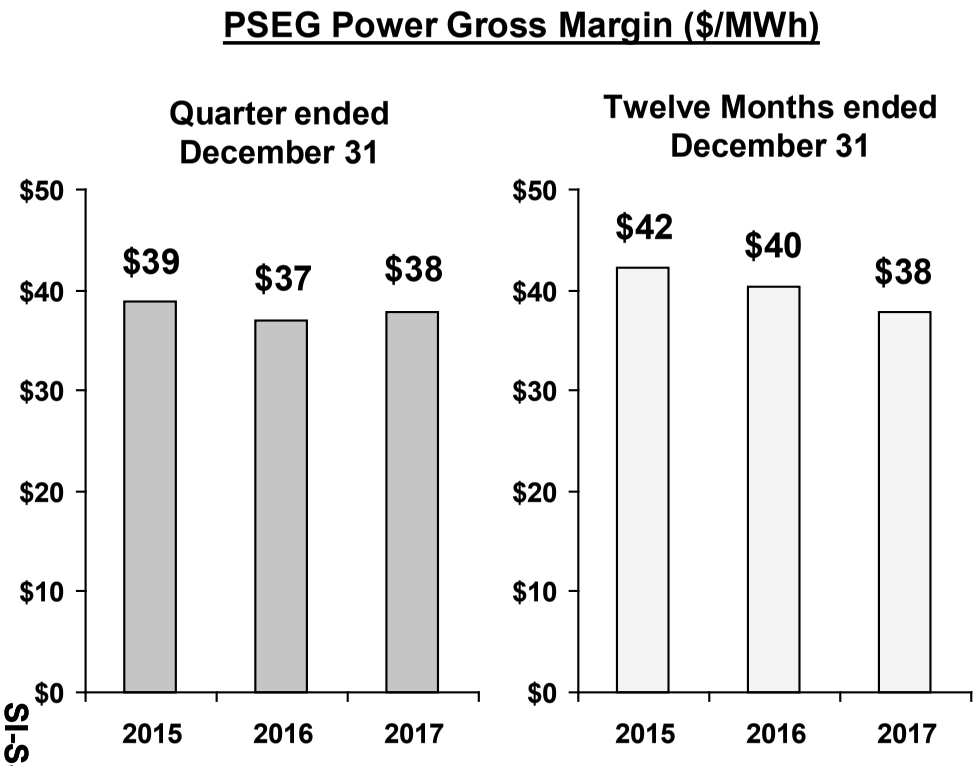
Total Nuclear Total Coal** Natural Gas

* Excludes solar and Kalaeloa. ** Includes figures for Pumped Storage.

SI-SSA-0015-13995

PSEG Power – Gross Margin Performance

- ✓ Market prices improved across PJM, NE and NY
- ✓ Capacity revenues step up June 2017 through May 2018



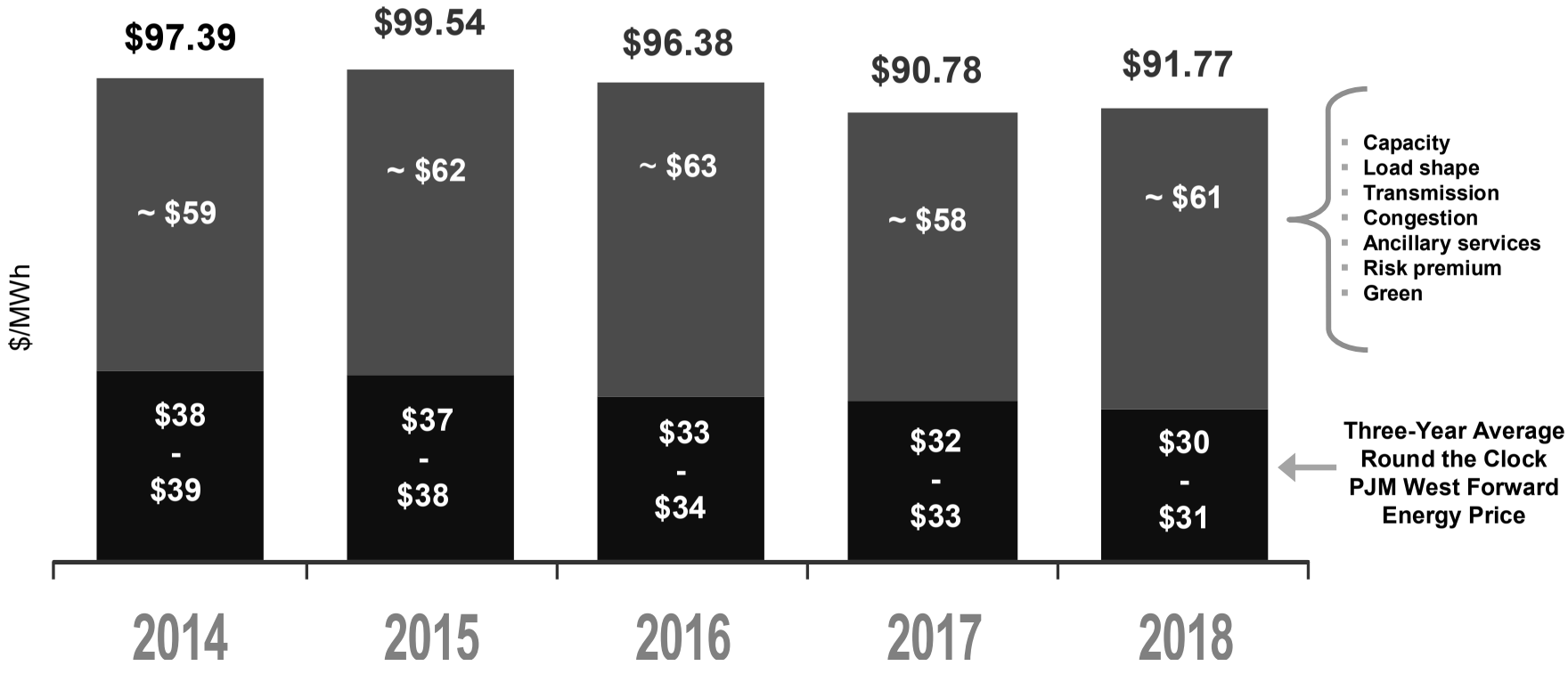
Regional Performance		
Region	**Q4 Gross Margin ($M)**	**Q4 2017 Performance**
PJM	$414	Higher market prices and generation output
New England	$27	Higher prices
New York	$13	Higher prices

SI-SSA-0015-13996

NJ Basic Generation Service (BGS) 2018 Auction Results

Increase in Full Requirements Component Due to:

Growing Renewable Energy/Transmission
Component for Market Risk
Offset by Decline in Energy and Capacity Prices



The BGS auction is a critical component of Power's annual hedging strategy, accounting for ~ 10 TWh

Note: BGS prices are quoted in $/MWh and reflect PSE&G Zone; results from the 2016-2018 auctions will be the new blended prices beginning June 1, 2018.

SI-SSA-0015-13997

Hedging Update – Reflects recent BGS auction

Contracted Energy*

		2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	35	34	35
	% Hedged	100%	95-100%	50-55%
	Price $/MWh	$40	$38	$38
Intermediate, Combined Cycle, Peaking	Volume TWh	20-22	25-27	28-30
	% Hedged	50-60%	10-15%	0%
	Price $/MWh	$40	$38	-
Total	Volume TWh	55-57	59-61	63-65
	% Hedged	80-85%	55-60%	25-30%
	Price $/MWh	$40	$38	$38

* HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 7, 2018 AND REFLECT REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

PSEG Power – Q4 Highlights

Operations

- ✓ Q4 output up 2% on higher nuclear production and higher energy prices; full-year 2017 generation of 51 TWh exceeded projected output of 49-50 TWh
- ✓ Nuclear fleet's average capacity factor was ~90% in Q4, producing 7.7 TWh of energy; Full-year 2017 capacity factor was ~94%, producing an all-time peak output of 31.8 TWh; Hope Creek achieved a 100% capacity factor for 2017
- ✓ CCGT fleet capacity factor was ~47% for the year, reflecting lower NJ market demand
- ✓ Coal production was up 12% for the full year, as competitiveness improved with higher gas prices

Regulatory and Market Environment

- ✓ NJ Legislature continues to evaluate supportive action to preserve nuclear's economic viability
- ✓ PJM price formation reform discussions continue on multiple issues
- ✓ BGS load for 2018 projected at 10 TWh; Recent BGS auction set a $91.77/MWh price for the PS Zone
- ✓ Keys Energy Center and Sewaren 7 targeted for mid-2018 in-service; Bridgeport Harbor 5 targeted for mid-2019 in-service

Financial

- ✓ Power invested $1,040 million in 2017 on construction projects at Keys, Sewaren 7 & Bridgeport Harbor 5
- ✓ Power's total debt as a percentage of capitalization at December 31 was 29%
- ✓ Power increased its ARO liability by $276 million to reflect increased risk of nuclear plant closure
- ✓ Power's 2018 non-GAAP Operating Earnings guidance range is $485 - $560 million; non-GAAP Adjusted EBITDA guidance for 2018 is $1,075 to $1,180 million

PSEG

Tax Cuts and Jobs Act: PSEG well positioned

Positive non-utility contribution to earnings, strong balance sheet maintained and lower customer bills mitigate the impact of T&D investment

Federal Tax Reform	PSE&G	PSEG Power	Enterprise/Other
Reduction of Corporate Tax Rate to 21%	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period Estimated excess deferred tax balance of $2.1 Billion at YE 2017	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $588 Million	After-tax earnings and cash flow increase One-time, non-cash earnings benefit from reduction in deferred tax liability reflected in 2017 GAAP results: $147 Million
Expensing of Capital Expenditures	Bonus depreciation eliminated post 2017 Rate base growth increases by ~1%/year through 2022 relative to prior tax rules	100% expensing -- cash flow increases	
Interest Disallowance Rule 30% Limitation Based on Tax – EBITDA	Not applicable	Well positioned given low debt balance	Well positioned given low debt balance

Our estimates and analysis are preliminary. The SEC has provided companies one year to finalize 2017 accounting requirements. Further adjustments in 2018 may be required.

SI-SSA-0015-14001

Initiating PSEG 2018 Guidance - By Subsidiary

Segment Operating Earnings Guidance and Prior Results (non-GAAP, except as noted)*

$ millions (except EPS)	2018E	2017
PSE&G	$1,000 - $1,030	$963
PSEG Power	$485 - $560	$505
PSEG Enterprise/Other	$35 - $35	$20
Operating Earnings (non-GAAP)*	$1,520 - $1,625	$1,488
Operating EPS (non-GAAP)*	**$3.00 - $3.20E**	**$2.93**

PSEG Power Adjusted EBITDA (non-GAAP)*

$ millions	2018E	2017
PSEG Power	$1,075 - $1,180	$1,172

* See Slides A and C for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP) and Slide B for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP). E = Estimate.

SI-SSA-0015-14002

PSEG Financial Highlights

- Initiating 2018 non-GAAP Operating Earnings guidance of $3.00 - $3.20 per share
- PSE&G's return of tax benefits reduces the customer bill
- PSEG's 5-Year capital spending forecast of $13 - $15 billion over the 2018 – 2022 period mainly directed at PSE&G capital program
- PSE&G capital spend forecast of $11.5 - $13.2 billion (GSMP II, Transmission, upcoming filings for Energy Strong and Clean Energy, as well as benefits from tax reform) supports its five-year, 7 - 9% annual growth in rate base over 2018 - 2022
- PSEG Power's capital program, including completion of new generation, will improve fleet efficiency and geographic diversity
- Increased 2018 indicative common dividend by 4.7% to $1.80 per share
- Financial position remains strong:
  - ✓PSEG is a net beneficiary from the Tax Act
  - ✓Cash from Power and increasing cash flow from operations at PSE&G supports dividend growth and funds capital spending program without the need to issue equity
  - ✓Debt as a percentage of capitalization was 50% at December 31

PSEG Liquidity as of December 31, 2017

Company	Facility	Expiration Date	Total Facility	Usage	Available Liquidity
				($ Millions)	
PSE&G	5-year Credit Facility	Mar-22	$600	$15	$585
PSEG Money Pool					
PSEG / Power	5-year Credit Facilities (PSEG)	Mar-22	$1,500	$556	$944
	5-Year Credit Facilities (Power)	Mar-22	$1,900	$39	$1,861
	3-year LC Facilities (Power)	Mar-20	$200	$112	$88
	Total Money Pool		$3,600	$707	$2,893
	Total		$4,200	$722	$3,478
				PSEG Money Pool ST Investment	$0
				PSE&G ST Investment	$223
				Total Liquidity Available	**$3,701**

SI-SSA-0015-14004

Reconciliation of Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 956	$ (98)	$ 1,574	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(64)	(9)	(133)	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	15	555	975	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(40)	(256)	(427)	(391)
Tax Reform	(745)	-	(745)	-
Operating Earnings (non-GAAP)	$ 289	$ 279	$ 1,488	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	$ 1.88	$ (0.19)	$ 3.10	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.12)	(0.02)	(0.26)	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.33	0.15	0.33	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.03	1.10	1.92	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.02	0.15	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(0.08)	(0.52)	(0.84)	(0.78)
Tax Reform	(1.47)	-	(1.47)	-
Operating Earnings (non-GAAP)	$ 0.57	$ 0.54	$ 2.93	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.

A

Reconciliation of Non-GAAP Operating Earnings and Non-GAAP Adjusted EBITDA

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income	$ 220	$ 193	$ 973	$ 889
Tax Reform	(10)	-	(10)	-
Operating Earnings (non-GAAP)	$ 210	$ 193	$ 963	$ 889
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 610	$ (302)	$ 479	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(64)	(9)	(133)	(5)
(Gain) Loss on MTM, pre-tax [a]	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax	15	555	975	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(40)	(252)	(395)	(336)
Tax Reform	(588)	-	(588)	-
Operating Earnings (non-GAAP)	$ 100	$ 69	$ 505	$ 514
Depreciation and Amortization, pre-tax [c]	77	85	333	329
Interest Expense, pre-tax [c] [d]	8	18	48	83
Income Taxes [c]	11	(17)	286	275
Adjusted EBITDA (non-GAAP)	$ 196	$ 155	$ 1,172	$ 1,201
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

B

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

Reconciliation of Non-GAAP Operating Earnings

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 126	$ 11	$ 122	$ (20)
Lease Related Activity, pre-tax	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	-	(4)	(32)	(55)
Tax Reform	(147)	-	(147)	-
Operating Earnings (non-GAAP)	$ (21)	$ 17	$ 20	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Please see Slide 2 for an explanation of PSEG's use of Operating Earnings and Adjusted EBITDA as non-GAAP financial measures and how they differ from Net Income/(Loss).

C

PSEG Annual Financial Conference
March 6, 2017
Transcript

C: Kathleen Lally; PSEG; VP of IR
C: Ralph Izzo; PSEG; Chairman, President, CEO
C: Tamara Linde; PSEG; Executive VP, General Counsel
C: Ralph LaRossa; PSE&G; President & Chief Operating Officer for PSE&G
C: Bill Levis; PSEG; President & Chief Operating Officer of PSEG Power
C: Dan Cregg; PSEG; EVP, CFO
C: Shahid Malik; PSEG; President of Energy Resources & Trade

P: Andy Levi; Avon Capital; Analyst
P: Julien Dumoulin-Smith; UBS Securities LLC; Analyst
P: Stacy Nemoroff; Bloomberg Intelligence; Analyst
P: Jonathan Arnold; Deutsche Bank; Analyst
P: Praful Mehta; Citigroup; Analyst
P: Michael Lapides; Goldman Sachs; Analyst
P: Greg Orrill; Barclays; Analyst
P: Paul Patterson; Glenrock Associates; Analyst
P: Mike Weinstein; Credit Suisse; Analyst
P: Chris Turner; JPMorgan; Analyst
P: Leslie Rich; JPMorgan Asset Management; Analyst

presentation
Kathleen Lally - Good morning. It's nice of you all to be here with us at the New York Stock Exchange on this very cold winter morning.

I'm Kathleen Lally, Vice President of Investor Relations for Public Service Enterprise Group, and I welcome you here with us at the Stock Exchange, or listening to us via webcast. We have, as normal, a very full morning prepared for you.

We intend to start with Ralph Izzo, Chairman, President, and Chief Executive Officer of The Company, who will provide the review of The Company strategy. Ralph would be followed by Tamara Linde, Executive Vice President and General Counsel, who will review our regulatory and policy initiatives that we'll focus on for the next 12-plus months.

And then Tammy will be followed by Ralph LaRossa, President and Chief Operating Officer for Public Service Electric and Gas. Following Ralph LaRossa's presentation, there will be time for you to question he and Tammy on the utility-related matters, both capital and regulatory issues.

After that Q&A, we'll take a short break; and then following the break, Bill Levis, President and Chief Operating Officer of PSEG Power, will present to you the power company where it stands today. There will be Q&A following Bill's presentation. He will be accompanied by Shahid Malik, President of Energy Resources and Trade.

Following that Q&A, Dan Cregg will conclude the conference with a very full review of The Company's financial position and outlook. Following Dan's presentation, there'll be ample time for Q&A with him and Ralph Izzo, and of course, any other subjects that may come to mind throughout the day.

With that, I'm going to turn it over to Ralph Izzo.

Ralph Izzo - Thanks, Kathleen. Thanks everyone for joining us today. If you haven't had a chance, the Stock Exchange has done a wonderful job of putting out some memorabilia and interesting documents from our 100-plus year history, so I encourage you to have a look at that.

Our forward looking statement is as usual; we will be making some projections for you today, about three or five and in some cases on longer daily projections. We will be sharing with you both GAAP numbers as well as some non-GAAP operating earning numbers and few other statistics that we think are quite representative of The Company's future financial prospects.

Kathleen already went through the agenda for you. It is flexible. We're here to answer your questions and to provide you with as much info as we can and feel appropriate.

So the Company's strategy has not changed. For those of you who have been with us before are familiar with these slides. It all begins with PSEG, with operational excellence. It's the foundation of everything we do, without which, we don't think anything else will follow.

Based upon that operational excellence, whether it's at our nuclear plants, our call centers or our accounting department, we pride ourselves on the opportunity to build a financially strong company and we view as good stewards of that financial strength in the way in which we go ahead and invest.

The results hopefully speak for themselves, 10 years of double-digit growth rate at the utility, 15% for the last five years, compound annual growth; a complete shift in power-generating fleet that we'll talk a little bit more about; 13 or at least 14 years growing the common dividend, each year for over 100 years and still in possession of strong credit metrics and the ability to fund the growth of the business without the need for new equity.

Some of the highlights that we'll be sharing with you today, the utility capital program continues to grow. We'll talk about a $12 billion to $14 billion capital program today. And we'll also talk about progress that power is having in terms of its construction

program, which should come to an end in the middle of 2018 and power will then resume its very, very strong free cash flow position and support from the equity needs of the utility.

You'll see that the CapEx ratio between the utility and power is now 5 to 1. Typically, it'd be more of the 3 or 4 to 1 ratio and the five-year program as we look ahead shows a heavy skewing towards the regulated entity and important investments that we're making to serve the needs of customers.

I know you don't want us to dwell on the past, but if you'll just indulge me for a moment, we worked pretty hard so I'd like to give the team credit for some of the outcomes they have achieved.

I won't read every one of these items. But if you look back over the past five years, we've had some enormous successes from major construction programs in our transmission department; projects delivered on budget, on time with the cooperation of the community. The timing of that is perfect. You can even see some of the construction.

Actually, is that picture behind me – no, I'm looking at the screen behind me that's showing a major installation. You'll see a helicopter of our Susquehanna Roseland across Central New Jersey. It's really great that I can see it and you can't. I'm not quite sure why we're doing that, but that's fine.

Then you'll see a range of improvements of power from primarily upgrades to more recent announcements of brand new construction, repowering of existing sites and one greenfield site in the Keys area, and, of course, the never-ending day-to-day victories that results in customer satisfaction scores improving, both in Long Island and in New Jersey.

So rather than dwell too long on the past, let's talk a little bit about the present and the future in terms of those parameters that I laid out in the first slide. We continue to get the accolades for our reliability measures. We're watching PSEG Long Island move up in J.D. Power from the customer SAT scores.

Our operations on our Fossil fleet which have become so critically important just given the gas prices are better than they have ever been before. Hopefully, you will agree that we tell you what we're going to do and then we do it and probably the best example of that is the 10 consecutive years of either realizing within guidance or beating our initial guidance.

The cash flows remain strong on both companies. The credit metrics are robust. We just hit another 4.9% growth on the dividend. You'll see that we'll talk about the utility rate base growth as a baseline that we expect to be 7%, more likely to be closer to 9%, for the next five years and then beyond. We'll talk some more about that.

There's some potential to do even more just given the strength of the balance sheet and some dry powder that remains.

So here on the left side, we are showing you our GAAP earnings; and on the right, our non-GAAP operating earnings.

The difference between the two, in four out of the five years is simply mark-to-market accounting as well as our Nuclear Decommissioning Trust, the fifth year is the one year with us in additional item in the GAAP that is not in the non-GAAP and that's the removal in the non-GAAP of the expenses associated with the early retirement of our two New Jersey coal and gas -- or duel fueled coal and gas, plants that we referred to as Hudson and Mercer.

There's also a component of a writedown for the residual value of the lease that we own with REMA, a subsidiary of GenOn, a subsidiary of NRG.

In general, we do not like to remove items from our GAAP earnings when we put out operating earnings and we've had a pretty consistent track record of only removing the NVP and the mark-to-market accounting. But this time we thought it was not indicative of the future earnings prospects of The Company to keep the Hudson and Mercer retirement and accelerated depreciation in there.

If I then compare our non-GAAP operating earnings to the dividend growth, you'll see that we are -- this is not formulaic. So, the little tilde, the scribbly line in front of the four is intended to demonstrate that we're looking at lockstep that if earnings grow at 4.2%, then the dividend would grow at 4.2%. They are roughly in balance in terms of how these two are moving and we continue to maintain that we have the opportunity for consistent and sustainable growth in that dividend. We're quite confident of that.

While the top line for the Company is showing this 4-percentage growth for the past five years, what's probably equally, if not more important, to the way in which we view the financial stability of the Company is what's going on below the parent.

Here you could see that over the past five years, we've experienced quite a shift between the utility's contribution and power's contribution. In fact, if we were to take this slide back to 2008, I think that ratio would be more like 75/25. If you just do the arithmetic, take 43% of $2.44 and 66% of $2.90, just using the mid-point, you'll see the 15% CAGR that I referred to a moment ago in terms of PSE&G.

And throughout this period, power is just a tremendous cash generator and as I have said, meets the utility equity needs over that period of time.

So a lot of this is familiar stuff to you, I am going to slow down now a bit as we talk about the utility capital program. Ralph will give you far more detail in terms of what we will be doing and where we will be doing it, and Dan will put it all together from a financial point of view.

But I want to spend some time with you talking about it from the point of view of how long can this go on? What is it that we will help everyone in this room feel that the one and only gating function to the needs of the utility are respect for the customer bill. That we are not in a situation where our growth is driven by customer -- new customer demands and new customer growth patterns.

They are driven by new customer needs and those needs are for a level of reliability and resiliency that we haven't seen before. Those needs are reflected in an ageing infrastructure that has really done a great job for 100 years, but can't continue to do that job as we look out the next 10 or 15 years and they are driven by public policy decisions that we choose to be supportive of to help people.

The slide that you see here is one that we have shown, I got to believe, for 10 or 11 years. I'm glanced at Kathleen and that's probably right. I know we've been showing it for quite a bit of time. We started out with the slide here thinking that folks would appreciate seeing the line.

The line reflects what we thought the capital program would be, last year when we were standing in front of you, and how we thought it was going to grow in the five-year period from last year which therefore gives you the four years shown here.

Invariably, we would come back the next year and show you the five-year projection using this stacked bar, and the bars would exceed the line which meant the capital program was growing. I think folks recognize that it is a little tough to predict the future and that future is even tougher when it's five years out versus when it is five months out.

But consistently, we would get the question, the drop-off that you see, will that continue? Is it all going away? That question would usually surface around transmission because it was in the area of new and rapid growth.

So this year, once again, we have baseline spending that exceeds what we saw it would have last year. Baseline spending is stuff that's already approved or we have very, very strong feedback from the Board of Public Utilities that a program has a long way to go and can be extended at its current rate, I don't have approval for it yet, but a high degree of confidence.

So then we try to explain that the reason why we have these drop-off -- so this is the slide we introduced, I think, two years ago, so we're showing it three years in a row we're showing we look out five years, we don't get it right. But what tends to happen is that needs don't go away. We recognize additional needs as we get closer to the five years -- to that five-year point.

So here we are showing you in 2013, we thought the capital program for the utility would be about $1 billion. Now we didn't really think it's going to be $1 billion, but that's what we knew at that time.

Then in 2014 we thought it's going to be about $2 billion. In 2015, I don't know, Ralph LaRossa must be on vacation for a while. We thought it's going to be $2.1 billion. Then in 2017, we thought -- I don't know -- we've got some things that we need to do. It's $2.6 billion. It turned out this year, it's going to be closer to $3.4 billion, Okay, so a tripling of the capital program from the first time we mentioned it to you.

So what we realized needs to be done today, the important thing that needs to be done to meet those customer needs and the public policy needs that we talked about before, so nobody is replacing meters that work just fine. These are investments that are critical for customer satisfaction and reliability.

Now I don't want to suggest that every time we show you a number, that three years from now it's going to triple, but the trend is a very consistent with one in which they increase.

So that's the slide that we have been showing for a couple of years. Then last year, because people kept saying, "Well, is that what you think is likely to happen for the next three years or four years? Is there room for anything else?" So we started showing you things that were in progress, that we have a high degree of confidence in.

As you may recall, last year we talked about 8% to 10% rate base growth. Now, we obviously have a larger base, so we're talking this year about a 7% to 9% rate base growth. Here what we showed last year, what we're repeating now are those programs that we believe have a very high probability of being approved by the Board of Public Utilities as we introduce them.

Why do we believe that? Because they are either extensions of existing programs or expansions of existing programs. What's the difference between extension and expansion? Extension just means doing more of the same, but doing it for longer periods of time. Expansion is doing more of the same, but do 30% more of it.

So a good example of that is on the prior slide, I showed our Gas System Modernization Program, assuming it will continue at $330 million a year run rate. The team has done a fabulous job of managing the work. We now believe we can increase that number. Ralph will talk more about what that increase looks like.

So if you put these grey crosshatch components on the last three bars, because more than likely we would file for some of these late in 2017. It takes six to 12 months for the BPU to work on it because they have other things that they need to work on besides PSEG, and then by the time we get the engineering work done and the construction crew is underway, we figured it will have more of an effect in 2019 and beyond. Then we can achieve this 9% CAGR and we feel once again quite confident that that is an achievable number.

So that's the slide you've seen two years in a row in terms of what do we know and that do we have a high degree of confidence. So in trying to feed your insatiable appetite for never-ending predictions of the future, what we're adding this year is stuff that is not

baseline, not high degree of confidence, but it's on the drawing board. Ralph will go into details to what are some of these items. I'll mention a few of them right now and again later on.

But because we've had to spend so much time doing things like making sure the transmission system can handle a new merchant generation paradigm in PJM, because we've had to spend so much time improving our low-lying areas given the demographics of our service area are an old style, quite candidly industrial geography, we have been more involved in infrastructure replacement.

And the rest of the country has done other things like AMI, modernizing transportation for compressed natural gas, electric vehicles. We haven't participated in that part of kind of Utility of the Future, so we are now beginning to turn our attention to some of those investment opportunities, and that in combination with as you know what is a 30-year run time for our gas system modernization, what we'll cut back 30 years once we are able to engage the regulators to realize that we can do more than that level of work during the year.

That leads us to believe that over the next years, we have the opportunity to continue that growth rate in the utility. A negating function that I mentioned before is the customer bill and we continue, at times, to surprise even ourselves, last October, 7% reduction in the supply portion of the customer bill.

This January and February, we took a $15 a month bill credit. I'm not a 100% sure of that number, I think that was about it. This June, about 2.7% decrease in the customers' electric bill because of BGS results. So you could see over the past few years, I guess that's right around 2009, we lowered customer bills 28%.

Now they are combination customers and we're taking the advantages of the low gas prices and the reduction in the gas bill to primarily fund the construction program in the electric side. But nonetheless, we think that that is something that makes enormous sense to do. Fortunately, our regulators are enlightened to a point where they realize that in a low-interest rate environment with declining bills, if you don't start replacing an aging infrastructure now, you never will.

We have another charge expiring from the bill in April of this year. It's a modest charge. It's a leftover from once again I think is a peripheral charge or a tax charge from when we deregulated, we did at the BGS rate, resulting in a reduction in electric bills in June and we do have these credits that will continue to flow to the customers on the gas bills.

So, we still have additional headroom that we're creating and can allow us to support the construction program and base growth I alluded to a moment ago.

Let's take a minute now to turn our attention to power. It's a different story here, right? So power is probably solidly midway through its construction program. Bill will talk about that. It pretty much winds down in the middle of next year, and once that is

finished, we are going to see a very different supply stack and output that comes from PSEG Power.

At the bottom of this chart, what we're showing here is power today. The left side is power from a nameplate capacity point of view, and the right side is power from the point of view of energy produced and it shouldn't come as any surprise, that power produces a disproportionately large amount of output from its nuclear plants compared to its coal plants or its oil-fired plants. So, you'll see the 32% nuclear from a nameplate point of view grows to 57% nuclear from an energy point of view.

But look at what happens to power as we go from 2016 to 2021 and this is based on current forwards. We've been built on our fundamental model beyond the three-year period where our forwards are not as visible. We don't say the market has got it all along. We simply say we can't outguess the market.

Based upon the efficiency of the commodity cycle units we would be building, you'll see about 15% to 18% growth in the number of megawatts being produced and you'll see a shift from the nuclear output to natural gas. It's not because the nuclear plants which are on 90% capacity factors are expected to cycle, but it's just because we have more combined-cycle gas turbines in the fleet at that point, with an average heat rate of I think, about 7,100 Btu per kWh just for the combined cycles.

Now we had some conversations with the press a week or so on nuclear that has created a little bit of interest in the subject. There's probably nothing more important to me in my presentation today in terms of making sure that we get the facts clear and straight about our nuclear plants.

First of all, at the national level, I doubt that I need to remind yourselves plants have closed, some for economic reasons just in the face of operating conditions, others were combination of capital investment reasons that's in the face of economic conditions that makes sense to go forward, and different responses have occurred in policy circles.

There are a couple of cases in Illinois and New York, the states intervened and said, "No, these plants are too important for a variety of reasons." In the states, there were no interventions, whether that was Vermont, Massachusetts, Wisconsin and other places.

PJM is in the process of a study they called Grid 2020. I believe it's due to be completed late this month, if not early next month for at least the draft. They are looking at some things that are important for those of us who take very seriously the obligation to keep the lights on, but that the market may not recognize things like fuel diversity and reliability of operations and service, not from a point of view of a single power plant, but from the point of view of the system.

Can fuel be supplied in winter in the face of a significant event on the pipeline?

Now in New Jersey, some of the challenges that others have experienced, we do not have to face so we don't have a sustainable wind resource, and the negative dispatch price that occurs sometimes as a result of the production tax credit. We don't have space for huge solar installations. Our solar utility, grid-connected projects are 5 and 7 megawatts, not 200 and 300 megawatts.

We do have Renewable Portfolio Standards and there are subsidy exchanges that virtually guarantees the capital recovery of solar, which does result in solar of being able to bid and be a pure price taker on energy markets. And we do have our number one threat which is the proximity to Marcellus gas.

As we look at our current nuclear plants, even with the benefit of hedges in place, those plants are not earning what we believe to be their cost of capital. They are cash flow positive. So we are not trying to be alarmers, but we will not operate those plants over the long term if they are not earning their cost of capital.

I've told people many times that is a very painful thing to say because I believe the nation should care about nuclear plants and we care about nuclear plants. And equally important, we care about the 1,600 employees and their families down there. While it's a painful thing to say, it's not a difficult thing to say. The numbers are what the numbers are. We understand our responsibility to earn our cost of capital and we will, plain and simple.

As those hedges roll off and we give you our hedge profile. Yes, we do blend nuclear with Keystone and Conemaugh but you can pretty easily back the numbers out. If we have to replace those hedges with what the current forward price predicts, those plants will go cash flow negative. That is a much more serious situation.

We are simply having a discussion with regulators and policymakers at the federal level at PJM and in the state just to tell them that we will not allow ourselves to operate plants from those conditions. So that may not happen; hopefully it doesn't happen.

Bill Levis is leading the national effort to deliver on a nuclear promise to reduce our cost. I have no idea what RPM is going to do in two months that can help the situation, so there are things that can and will change over time to make the situation better or worse.

The only message I want to leave you today is we are not saber-rattling. We are not bluffing. We are not trying to be alarmers. Just believe me when I say that we fully respect the need to be good stewards of your capital. As much as we think these assets are critically important to the nation and to our company, if they are not economically wise to continue to operate, we won't operate them. And right now, the forward price says they should not be operated past the three-year period.

As we look to growth in utility and in power this year, if you look at the midpoint of our non-GAAP operating earnings, utility is two-thirds of the entity and power is one-third. Power is about 32%, Long Island contributes about 1% -- about 2% of the earnings.

You can see on the next five years, we have this $14 billion growth program at the utility which would give us a 9% rate base growth rate. And power's total capital program is $2.6 billion which would yield 18% growth in the number of gigawatt hours that it produces.

You could see the ratio of the utility growth to power growth is now closer to 5 to 1 than the historic 3 to 1 that we've operated over the past five years.

If I look at the utility back in time, that 13% rate base growth that we saw in the past five years is mostly driven by transmission expansion and our energy strong program which was all about storm hardening. You may recall that in Energy Strong, we only were granted one-third of the dollars we believe we needed to simply take care of the damage that had occurred in Hurricane Irene and Super Storm Sandy.

So we weren't even saying, "Gee, let's apply those lessons to the broader infrastructure." We know for a fact we have some low-lying assets here and they need to get our attention and we only received one-third of what we thought we needed to fix that.

In the near term, we'll continue primarily on an aging infrastructure set of investments. But as we look through longer term, there are some lessons we learned from what's going on in other places in the country.

In fact, what is anticipated and is clearly articulated in New Jersey's own Energy Master Plan and in terms of technologies and installations of those technologies, that the marketplace simply is not going to bring to bear. We believe we can make a very strong and credible arguments that the utility has an important role to play on that.

So the awards kept rolling in. I'm going to read every one of these in detail to you so that -- we couldn't fit them all in the page. I asked people to make it a collage. They said, "No, then you can't read it." So I said I'll just stall on this page for a few minutes and let folks realize that we're quite proud of the recognition we receive from others.

So the stability of the platform remains. There is this robust pipeline in terms of the utility growth in particular, we've looked at the power investments that we proposed to make -- and are making. They still look like very smart investments to us based upon the current forward price curve and our fundamental model going forward. That's a function both of the location of the assets and the hardware that already existed on the sites.

I think we have delivered what we promised from the point of view of customer satisfaction and the outcomes from these utility investments.

Power, as I mentioned before, is going from something that was largely nuclear driven to one that now has a significant component coming from a highly efficient combined-cycle suite, where there's tremendous decrease in the amount of power coming from coal with

the retirement of Hudson and Mercer this year, the retirement of Bridgeport Harbor in 2021. We will simply be a partial owner of the Keystone and Conemaugh facilities.

We're going to continue to focus on the sustainability of these returns, strong returns that exceed the cost of capital and a balance sheet that allows us the flexibility to do more of the same or some different things if policy makes us -- gives us the opportunity to do so, supporting the dividend on sustainable basis and not needing any additional equity.

So given the fact that we have some interesting regulatory issues in front of us, in particular, one thing I did not mention but I'm sure you want to know more about it is our base rate case that we have known about for three years now, that we all have to file in November of this year.

We're doing something a little bit different. Rather than stand up here and have several speakers to tell you about the fact that we don't outguess the forward price curve and the market is what the market is. We're going to have Tammy Linde, our general counsel, come up and speak to you a bit about what is happening in the regulatory world both in New Jersey and at FERC and how it pertains to our rate case, some of our infrastructure plans in nuclear considerations. And then I'll be back later on with Dan to answer any questions you might have.

Tamara Linde - Good morning. It's a pleasure to be here this morning. Ralph and Kathleen both invited me to join the discussion today and provide an update on some of our key regulatory and policy matters, and also to share my perspective on where we're heading on some of those matters.

Let me turn to the agenda, as you can see, I'm planning on covering quite a variety of topics. I will, as Ralph indicated, focus on where we are as far as planning for our 2017 base distribution rate case. I'll also talk to you about regulatory reform and the opportunity that brings and has brought to us to invest in our distribution system on the electric and gas side as well as Utility of the Future-type program.

I will talk about where we are on the early stage of the process of having policymakers and regulators understand the importance of nuclear plants and valuing their attributes appropriately. Then I'll also focus on the broader wholesale market and some key initiatives that are underway at FERC and at PJM.

Let me start first with the New Jersey regulatory environment. PSE&G has a long history of good regulatory relationship with the New Jersey of Public Utilities. I have personally worked with the board for most of my 26 years at The Company and the relationship has been and continues to be very strong, and that has translated into very good, reasonable and fair outcomes in rate proceedings.

As you can see here, we highlighted the multi-year rate programs that we've received approval from the New Jersey Board of Public Utilities starting at about the 2008 timeframe, and it has actually been 15 multi-year rate approvals that we have worked

closely with the state, identifying the types of investments and programs that align with state policy goals that are good for our customers.

These programs have received approvals in advance of the investment and have provided for near contemporaneous recovery of these investments. These have covered a variety of important state policy matters, including investment in our electric and gas distribution system as well as programs to help the environment renewables and help customers use energy more efficiently on the Energy Efficiency side.

From a PSE&G perspective, these programs have allowed investments that help our customers, helps us provide good service to our customers. This has allowed Ralph LaRossa and his team to accelerate replacement of older cast iron and bare steel pipes that are throughout our service territory.

It has also allowed us to invest in what we referred as Utility of the Future-type investments, community solar investments, where we have installed, for example, solar, everything from pole tops along our distribution -- in our distribution system to large landfill and ground-fill sites in our service territory; as well as building resiliency into our grid and preparing the system for future storms and preparing our customers to use their energy wisely.

The programs I think are of note because each one of these is almost like a mini rate case, each one involves preparing a proposal with the state and working through whether that type of investment is appropriate, whether the state has an interest in it and agreeing to the terms and conditions that will govern that particular set of investments in that program.

It also involves going back to the BPU periodically after those investments have been made and reviewing the spend and reviewing how we have implemented those programs to allow the recovery of the terms that were agreed to. All of these programs were done outside of a traditional base rate proceeding.

I also want to note that during this timeframe, PSE&G did have a base rate proceeding that was filed in 2009 and settled in 2010, and that was separate and apart from these programs.

Let me turn to our next distribution base rate case. As Ralph indicated, we will be filing our next distribution base rate case with the New Jersey Board of Public Utilities no later than November 1st of this year. That is the result of a commitment we made as part of the settlement of Energy Strong, one of the programs that I referred to on the last slide.

It has been eight years since we filed our last base rate case. But as you noted, we've been -- in the last slide, we have been with BPU working on a variety of rate matters for that entire eight-year period so our team is ready. We have the relationships. We have the skills. I believe that we are well positioned to prepare a rate case and present one that supports all of the terms that are required for PSE&G.

Preparation of that case is well underway. We have -- I've been working on the case for some time period and we have not finalized all of the terms and conditions that we plan to provide and ask the BPU for approval for, but we are well underway in deciding exactly what that case would look like

What will that case look like? Well, I think it's most important to say that a base rate case is very much about updating the data. It is generally a historic-looking-type case, looking at what has already happened since the last rate case and updating a variety of information, everything from the low growth that was predicted in the last rate case, where we are today as far as sales of our product and that goes into creating the volumetric charge, where are we as far as O&M spending since the last base rate case.

It also covers a variety of other topics including in-base rates, the investment in our distribution system that has been made since the last rate case and that's not already been recovered somewhere else. So, for example, the traditional spend that we make on a day-to-day basis that Ralph referred to, since our last base rate case, that spend has been accumulating to and will be included in this case.

This does not include the type of spending that we have, for example, on transmission. This does not include the spending that we have been making on clause recovery mechanism on solar or Energy Efficiency or other things that are already in our base rate case.

We do also plan to attain recovery of the cost that we have incurred for storms, storm damage as well as responding to storms. As you most likely know, the BPU has a mechanism to allow utilities to defer cost incurred during major storms and then to obtain recovery of those storm costs in a future rate case.

We also see opportunity to update and change our rate design, update or capital structure, update our depreciation schedules. Also, we are considering other options, including pursuing to de-coupling that would be incorporated into our rate design to allow our rates to adopt to changes in load going forward.

All of these efforts in our rate case is focused on ensuring that our rates reflect the cost that it takes to serve our customers and it aligns with cost allocation principles.

As far as timing, we anticipate that the rate case outcome will result in new rate going into effect in the end of 2018 or the beginning of 2019. I do anticipate that we our planning will support a modest increase on our base distribution rate.

Let me turn to this rate schedule. This provides a picture of the timeline and activities in a traditional New Jersey distribution rate proceedings. As you note, the rate filing starts and then there is a lot of activities back and forth as far as the regulators and other parties trying to understand our request.

This schedule provides for what a fully-litigated case in the New Jersey regulatory environment would look like, starting, for example, in November of this year and ending at the end of 2018 or the beginning of 2019. It is our experience that many New Jersey rate cases settle. We don't go into a rate case anticipating that it will settle. We plan our rate cases assuming that it will go through the entire length of the case and we just think that's good planning.

We make a decision on whether to settle based upon the facts and the circumstances that we have at that time during the case. I should also note that even if we take the course that is described in this schedule, this takes us all the way to the end of a fully-litigated case. There's always opportunity to settle all the way up until the very end of the case and we will take those into consideration and settle if appropriate or proceed to a fully-litigated outcome if appropriate in our customers and in our best interest.

At the same time, we are preparing for our base distribution case, we are also working on filings to be submitted to the Board of Public Utilities on future investment programs. For examples, this past Friday, we submitted to the BPU a request to extend our Energy Efficiency Program.

There will be other filings that I would anticipate over the 2017 calendar year and during the rate case potentially that will seek approval of additional utility investment programs, much like the multi-year investment program that I referred on the earlier slide.

This theme of those multi-year programs approved, one would certainly be reasonable in concluding that the process has been working well and have continued to allow us to make the investment that helps our customers and help us meet our customer needs. But we do think that there's opportunity for improvement.

Many of these programs have had very limited timeframes. The 15 programs, for the most part, have a limited duration of about three years. There's some exception to that where the BPU allowed us to go beyond the three years. But for the most part, these programs have allowed -- provided for pre-approval as investments to be made over a three-year period with review and tune-up of those investment costs.

But we do believe that through regulatory reform that it would be possible, certainly in our customers' best interest, to allow for longer term approval of investments.

We are in discussions with other key stakeholders and State of New Jersey about lengthening out that time period, that they are comfortable approving those investment programs. That would apply to a variety of investment program types, whether it be replacement of gas pipes or building resiliency into the electric system, or whether it's for programs like community solar or a host of other programs that Ralph LaRossa and his team believe would be helpful to customers and that would fit within the state energy policy.

The important part about these programs is also that they don't need to be part of a base rate proceeding. Here in New Jersey, we have seen that there is a willingness and an ability to work with the regulators and the stakeholders to get approval of the types of programs that are needed and are in customers' best interest. But with that, we understand that there has to be checks and balances. We have worked very successfully with some state and stakeholders -- a variety of stakeholders to ensure that we provide that comfort in the programs to have checks and balances.

What I mean by checks and balances are variety of tools that can be used to provide comfort and demonstrate that we are investing consistent with the program that we have had approved. For example, Energy Strong had agreement to have an independent monitor work with PSE&G and provide visibility into our planning and implementation of the Energy Strong Program.

It was an idea that was introduced in settlement and we welcomed it. It has worked very well to ensure that the regulators and the consumer advocates has an opportunity to see first-hand what we are doing to implement these programs.

There are also a variety of other opportunities to demonstrate that we're meeting our commitment in the forward-looking approvals. They can be reporting. It can various uptake filings. We are comfortable that we can provide the certainty and visibility that once we get these programs approved, that we are implementing them consistent with the state's objectives and consistent with the terms and conditions that we agreed to.

Let me turn to nuclear. We are in the very early stages of discussions with both federal and state regulators and policymakers on the value that nuclear provides. We do believe that preserving existing nuclear plants that are well manned is important to both the nation and to the state because they have become such an integral part of a reliable, clean and resilient energy system.

If you look at the value in New Jersey alone, our nuclear plants in New Jersey contribute about 40% of the energy supply currently relied upon in the State of New Jersey. There's an additional nuclear plant that also operates and that is scheduled to retire, and this is not included in that 40% number.

Preservation of these nuclear plants is something that is not only consistent with the Energy Master Plan which has identified nuclear as critical to New Jersey's clean and reliable energy supply, but it is also very consistent with the objectives of regional and federal policies of maintaining a diverse, reliable and clean energy supply.

We don't believe that preserving nuclear plants through programs, whether state or federal levels, are inconsistent with competitive wholesale markets. In fact, we anticipate that the competitive wholesale markets should ultimately change to value these attributes, the environmental attributes, the fuel diversity attributes, the reliability of attributes of nuclear power. But currently they are not designed to support those attributes.

As a result, there is a gap that is occurring and nuclear plants, as we see, are at risk for not achieving their financial needs.

There is an opportunity to work with both federal and state policymakers to ensure that these attributes are valued. While it's too early to anticipate where the solution for our nuclear plants will come from, I do believe that it is more likely that state outcomes and state legislative and policy matters, programs are more likely to be -- the solutions we will see in the near term.

The initial reaction that we have received from stakeholders that we have had discussions with regarding our nuclear plant has been widespread support for retaining the nuclear plants. In fact, I haven't spoken with anyone who has told us that they want to see the nuclear plant shut down.

The challenge is where do we find the solution. Does it come from the federal markets? Does it come from the state markets? Our conclusion is that in the near term, it's most likely to come from a state initiative.

We are watching closely what is going on in other states. As Ralph indicated, some states have decided to allow their at-risk nuclear plants to shut down, and that was a decision made by those states based upon the factors that existed and they considered.

Other states such as Illinois and New York had taken very strong steps to preserve the nuclear plants in those states and surrounding areas. We are watching also very closely what's happening in some states such as Connecticut, in Ohio and a few others as they start down the path of making the decision whether to take actions.

We are working in parallel with PJM and the wholesale market participants as well as FERC and talking to them about the challenge. There is a long-term path that could be achieved at the wholesale level where these attributes are valued.

As Ralph has indicated, PJM has started to look at through its Grid 2020 Program and conducting a study on the long-term planning needs of the reliability of the system, whether there are some actions it should take.

But in the near term, state regulatory and legislative actions, valuing nuclear plants is something that we are watching closely and we anticipate having more discussion in the State of New Jersey.

If New Jersey does decide to act, it will be required to adopt legislation. The legal framework that exists in New Jersey would not promote a regulatory solution to nuclear support. It would require legislation and it would require that legislation to be implemented by state agency, most likely the Board of Public Utilities.

So it's important that as we start this early dialogue, that we work with all of the key stakeholders, ensure that they understand the challenge, that we understand how they

want to go about if they choose to preserving the nuclear plants through state legislative action.

Let me turn to the broader wholesale market. PSEG is actively involved in working with stakeholders, in RTOs, in ISOs as well as FERC to ensure that we have well-run and well-designed wholesale market.

The FERC is just taking strong action to drive ISOs and RTOs to continue to improve their market design.

On the energy side, we are very encouraged to see FERC issues on rulemaking to look further into improving energy price formation.

As an owner of generation in eastern PJM, we see that price formation continues to need improvement. We don't always see the units that are called to operate and to run when needed. We don't always see them setting price. They are paid, but they are often paid outside of the wholesale market price, not sending a clear market signal through energy prices when these units are called up.

We're very pleased and encouraged, as I said, that FERC has now directed the region to ask -- to take a look at this situation and to dig in further to see what improvements can be made. We'll be participating in those proceedings and continuing to put pressure in the regulatory environment towards improved and transparent energy price formation.

On the capacity side, as you know, this coming October will be the very first that it does not have a base product, but that is purely a capacity performance model. We think that's a big step in the right direction.

Those capacity performance rules were designed -- and it took quite a bit of time to get in place, but they were designed to better value the reliability expectations that exist for generators that are being relied upon by customers and the system to be there when needed. That is a very positive step.

While the wholesale energy markets, from my perspective, are generally working as designed and providing good value to our customers, there are still a lot that can be done to make them better.

If I were to identify the three areas where improvements could be made, in the short term, it would be price formation. This is one of those very detailed technical areas that requires FERC to really dig in, to see how the operators of the RTOs, the ISOs are calling on units and making sure that when they call on units they are really allowed to set the price; and providing visibility to generators and customers on what type of actions and what types of circumstances trigger certain units to be called out there; and when those actions might replicate themselves.

The second category I would say is a little bit longer term and that is trying to work to change the drivers of wholesale market. So they are not just about providing reliability at the lowest cost, but ultimately they also incorporate environmental attributes, fuel diversity attributes and resiliency.

I don't want to suggest those are easy changes or that they will be smooth stakeholder discussions, but it is important. I think the nuclear experience, the fact that we're seeing nuclear plants become at-risk nuclear plants when they have a long future until their license is still remaining, when they are still well-run and providing reliability -- supporting reliability of the grid every day, that is a red flag to market operators and to FERC that longer term, we really do need the market to value and to plan for those diversity of supply, both environmental attributes are becoming more and more important to consumers and to our state policymakers.

Lastly, something that's consistent about middle category, not tremendously long term, not really short term, but we do need to see changes to the market design that allow for improved and have smooth integration of state and federal action.

There is not a bright line in many of the scenarios that we're seeing today between where the federal government role begins and where the state government policy initiatives end; and so we're seeing a lot of state interaction in taking steps by themselves to pursue their policy goals. Some of those state actions are purely legitimate and I would say that support of nuclear plants, in my opinion, falls into that category.

There are other state actions that we've seen that I would say are not legitimate state actions and are intended more to interfere with the market. So it's important that FERC evaluates where is that line and what action do they want to take.

FERC has scheduled a technical conference that was just announced this past Friday that will hopefully start to look into that question about where is this line and what type of integration should we see between state policy and well-functioning wholesale markets. That will be something to anticipate having a lot more involvement at the federal and state levels over the next 12 months.

In summary, I think it's important to remember that all of our regulatory actions are focused on what can we do to provide quality service to our customers, and that involves a variety of different tasks. That involves a variety of different assets. But our customers want reliable, clean and resilient power, and they don't want to know what happened to get that.

But we have to constantly plan and Ralph and his team, and Bill and his team are constantly looking at not just what are we doing today, but are we doing down the road. That also has to be affordable and we want just -- Ralph has just said we watch very closely what is happening with our customer bill to ensure that we can provide these objectives and do it in a way that's affordable to customers.

For now, it means we're focusing on getting ready for our rate case for 2017. It means we're focused on having regulatory reform that improves the already good environment in New Jersey and allows for extensions of programs and longer-term pre-approvals.

It also means that we have to tackle this nuclear challenge and work with policymakers to try to come to a solution that is good, not only for the nuclear plants, but for the grid and for customers.

Lastly, we have to continue to work to improve our wholesale competitive markets, to ensure that they continue to operate, to provide our customers with reliable and affordable power when they need it.

Thank you.

Tamara Linde - I would introduce Ralph LaRossa who doesn't need much of an introduction. You all know who he is.

Ralph LaRossa - Good morning, everybody. Still awake out there? I'm going to go over a few things today, just to kind of put a finer point on some of the comments that Tammy and Ralph made, and I really hope that you take three things away from today's presentation.

One, I would say that we have a team that has delivered over multiple administrations in the state of New Jersey, Republican and Democratic, multiple admissions at the federal level, again, Republican and Democratic.

And we've done so over a timeframe where we've challenged quite a bit with some real severe weather events that have -- that have put us to the test. So, I think we just take that as a background on what we've delivered.

And hopefully, we'll give you a little more insight into what we believe as a true growth plan from the capital side. And I really think that's being driven by, one, the increased reliance on our T&D system that's taking place time and time again.

The fact that we have aging infrastructure, which is something we're blessed with, we didn't create, but there is a real need to go back and replace that infrastructure, and I'll give you some facts and figures about that.

And then the overall changing role of the utilities, that Ralph referenced a little bit in, we're going to get -- continue to get closer and closer to the customer and provide products that we may not have in the past. So, that's the second item.

And then finally, a little bit about what Tammy said just now which is that the time is right for all of these investments. They're right because they're aligned where the policymakers or estimates were and they're also right because of the headroom that we have and the bill has been created through the commodity cost. So, those are the three

big takeaways and I'll try to walk you through that over the next -- a little bit of time here.

So, I'll start out with the old slide which is really just to give everybody a reminder, I do this every year, about our service territory, and I tell you to take a straight line between the George Washington Bridge and the Ben Franklin Bridge, go 30 miles on each side and we pack in all those customers.

The thing that I haven't said in the past, which was kind of interesting, Scott Jennings and I were just sitting in the back and looking at some of the documents. If you go outside during one of the breaks, on the right-hand side of the table, you'll see the 1924 map, which is exactly the same as the map that you see up here of our service territory.

But it's been a service territory that has provided us with great opportunities in the state of New Jersey, and you really see those in the top core things that we have listed there, we are the largest electric and gas distribution utility, we've got a robust transmission system.

It's giving us the ability to invest in things that we had never dreamt about back in 1924, which were renewables and energy efficiency. And we've also built that in applying service business which is really second to none not only in the state, but if you compare it to the utilities across the country.

I will tell you to stop and look at the top right-hand picture because not only does that show you the service territory but the other takeaway there is the transmission system. And I really haven't pointed this out in the past but the blue is the 500,000 vault lines, the 500,000 volt lines, the red being the 230,000 volt lines and the yellow being the 138.

Basically, back in the 20s and 30s, it was all 138 and lower voltages. And we've continued to upgrade and make those highways from two-lane highways to five-lane highways. And so, what you see there that I wanted to point out is really some continued opportunity for us to re-enforce that transmission system.

I'll talk a little bit about a line that's been approved just recently by PJM, which goes from Edison -- I'm sorry, from -- yes, Edison to Metuchen to Trenton and then down to Burlington, which basically takes that yellow line that you see coming down to the middle part of the state and upgrades that to 230,000 volts.

You'll also know we're doing quite a bit up in the far -- the Northeast corner of the state, which is our BLC line, we're also making a lot of upgrades to that part of the system. But what's not on here is the potential impact that we think is going to happen because of all the changes that are happening to the topology of that transmission system.

You've heard Ralph and Tammy and everyone talked about what's happening in nuclear. Well, the biggest things that's happening to our system that we know from a nuclear standpoint is the closure -- the announced closure of the Indian Point.

How is that going to affect us? How is that going to affect that Northeast corner of the state where there still are a number of 138,000 volt lines? Not only how is the closure of the Indian Point going to affect the transmission system but what's going to happen as the wheel to Con Ed, wheel has been referenced quite a bit, rolls off this April, and what re-enforcements will be required to support the city of New York as a result?

All of those are two to be determined and are not in our plans if you look forward to them. How is that -- how is that generation going to be backfilled, will it be through more natural gas that's coming from the West which will need more import capabilities or will it be offshore wind that will be off of Long Island that we're going to continue to build out at very expensive prices?

Each one of those things will come back with a different solution for us from the transmission system, so take a look at that and understand why we think there is a lot of upside in that -- in that part of the -- of our business.

And then on the bottom right, we've talked about it quite a bit over the last 10 years how we morphed the utility, but look at the difference in the regulation that we now have, with the amount of our rate base is going to be regulated by the federal government versus the state of New Jersey.

That's been a change that's happened over time but it also reduces quite a bit as a risk from a single regulatory standpoint, so two good pieces to take away from the chart that I haven't spoken about in the past.

So, our strategy really remains the same as it has in the past. We were out there trying to develop programs that are supported by the great employees that we have and all the pictures that are rolling in the back of the room here today.

We've aligned those skills of the employees that we have with the policies of the state, and as a result of that, we've been able to put these programs in place that we've spoken about, whether it'd be our gas system replacement program, the transmission build that we've had or some of the energy efficiency or renewables that we've done that we never dreamt of doing in the past.

So, put those two pieces together and now, I'm going to try to transition into what we've done and why we should believe in our team to some -- to a big degree. Let's go over -- let's go over in operational excellence.

From my standpoint, this is all about keeping the lights on and the houses warm for our customers, and you need to do that not just on the blue sky day but be able to do that during storms.

And again, I think our history has proven itself out from an operational standpoint but I'll go into some metrics here that could give you a little more confidence in our ability to achieve the good results that are required by our regulators.

I think from a financial standpoint, the results speak for themselves. Our net income over the last five years has gone from $521 million to $889 million. It's been a nice growth plan and we've talked about that quite a bit.

And at the same time, we've grown our rate base from just over $8 billion to just over $15 billion. So, again, a good and nice program that we had in place that's continued to show that growth.

And taking all of that, and Tammy has the timeline up there, but we had five programs approved back in 2008, 2009, and then just about every year since then we've worked with the board to continue to put those programs in place to allow us to recover the capital that we put in work above and beyond our depreciation expenses that are built into our base rate. So, working together, we've come up with those programs and been able to make those disciplined investments that we've spoken about so many times.

So, we'll dive in to our operational metrics just a bit here and I'm going to start with safety. This obviously has its benefits for just the reasons that it has there which is to make -- ensure our employees go home safely and sound as the way as they came in.

But I'd tell you, the other thing you should take away from slides like this from a safety standpoint is this is your good indication of how we engage your employee base is. You cannot have an engaged employee base if they're not working safely.

This is the first thing, if they're not taking care of themselves and they're not returning and watching each other on the job site, than you'll never be able to have a work force that's pulling in the same direction to deliver the results that you're asking them to do from a company standpoint.

So, we've looked at this on a regular basis, and you can see there that we've been in the top quartile for many years but really last year for the first time we've done it to the top decile from a safety standpoint, so something we've very, very proud of.

I'd say no metric in and of itself, means more to our customers than SAIDI numbers. And for those of you that are not familiar with SAIDI, it's basically a multiplication of SAIFI and CAIDI. And for those of you that don't know what SAIFI and CAIDI means, that's all about SAIFI means how many times has the lights gone out and CAIDI means after they gone out, how long does is take to get them back on.

And our metrics there again have produced excellent results over the -- over the long term and we've been in the top quartile, so another really good story that we have from an operational standpoint.

So, you put some of those other pieces together and what is our -- what is it -- what our customers think about us? And these are J.D. Power results, and the J.D. Power results for the utility not only have improved on an absolute basis but they've also improved from the standpoint of how we stack up against the other utilities that are in that panel.

And so, you can see that growth that we've had there obviously increasing their scores or better, and we've been in the top quartile for most of the metrics. The one area that we have a challenge in is our -- is our gas business metric.

And while we actually won that award in 2014 for being number one in the J.D. Power results, we've trailed off in the last few years and it's all been driven by a perception from our gas business customers that prices aren't cheap enough when we look at the data that's been there.

A little bit of that is access to the Marcellus Shale. We haven't -- we've stated New Jersey hasn't been able to really build out the pipelines the way we might have wanted to, so there is an expectation from those business customers which are smaller.

Our industrial load continues to go down a little bit on the -- on the gas side. But their expectation is that they have access to that really, really cheap natural gas that they see in Marcellus Shale just across the border in Pennsylvania. So, it's a little bit of the challenge that we have there and we'll continue to advocate for access to that low-cost commodity.

So, keeping the metrics going, making sure from an operational standpoint we're delivering, and then I'd say, keeping your cost down for your customers is something that's also very important, something we have a very good track record of doing.

Again, going back to 2012 here, you see we've kept our compound annual growth rate under 1%. And it's really driven by three different areas on our -- on our operations team. One is we continue to look for process improvement for Six Sigma efforts, and you've heard that from a number of different folks.

We streamlined our organization and continue to morph that based upon where the workload is. So, as an example, when our FEMA work ticked up on Long Island, we are able to shift some of the people that work on our projects out to support that effort, our gas distribution system that our management team has been changed quite a bit as a result of our gas system modernization program. So, that continues to change in ways that we can move people around and maximize our value.

The one piece of the puzzle that I have to give a little shout out to Dan here and his team that's done a fantastic job of managing the pension and the interest expenses and that's also buried in these numbers here and really has enabled us to keep those costs down, so thanks to Dan and his team for that.

I'm going to go back and I'm going to take the chance here if I dont shut this off, but I do want to point out one thing on the O&M side before we do move on, and I'll tie this in a little bit on the rate case conversation.

You see those costs have been flat, but they started to creep up a little bit in '17, and that's a direct reflection on three different regulatory changes that have taken place in New Jersey.

One, there's a push on cyber, and again, rightfully so, we're starting to look at cyber efforts and more down at the distribution level. That's increased some of the O&M cost for us.

Second, there has been a real push on meter inspections that have taken place and so, we're out inspecting our gas meters in the way that we have been in the past which have increased some of our costs.

And third and most importantly is the tree trimming changes that have taken place from regulations on tree trimming. In fact, when we look at numbers, when we look at 1'7 and out to '18, those numbers are going to have to increase even more dramatically to keep up with the full year program that the state would like us to have from a trimming standpoint.

So, more to come on expenses associated with trees and O&M, but that is part of the driver that you see when it's -- when we talk about why does it make sense in a rate case and some of the challenge -- some of the questions that you may have from an expense standpoint there.

So, just to summarize what we've done and why you should believe in us as a team. This is probably the number -- the two numbers that mean the most to you from an investment standpoint.

We've been able to deliver that rate-based growth and we've been able to deliver that net income. And I would challenge when you look at most utilities across the country that have a story where you deliver the operational excellence that we've had at the same time that we've been able to grow the business the way that we have, and just a lot of thanks to the team that we have in place.

So let me transition now from what we have done in the past to what we are planning to do in the future. And we've got two numbers for you here in two separate charts. One is our base capital plans where we're referring it to, which is a $12.3 billion plan and then a $13.8 billion plan, what we think is reasonable, and I'll go through the differences between each one of those.

First on the left-hand side, those are programs that either have been approved by the board of public utilities or transmission projects that have been approved by PJM or in

the queue to be approved by PJM, replacement of transformers, those types of things at the PJM level, RTEP programs as well.

And then on the -- on the distribution side, all the programs that Tammy mentioned and how they roll out both from a base capital expenditure and from a clause recovery capability, and again, GSMP is probably our best example on that.

The one thing that we have included on the left-hand side in your base capital is an extension of the GSMP program into 19 -- 18, 19 and 20. That program is scheduled to end. If you recall back, it was a three-year program.

We have gotten nothing but positive feedback from the board of public utilities not only since we started the program but when we actually proposed the program that they expected us to come back in, and we do expect later this year to make a filing to continue that program and I'll dive in to a little more detail about that in a few slides.

On the right-hand side, there's really three things that we -- that we're expecting that we could be able to move on. First, not only do we expect to continue the GSMP program but we think we can increase the spend associated with that program on an annual basis.

And we've done that and I'll show you a little bit about that in some of our slides, but we've actually been able to install more piece of main on a regular basis than was previously thought. And again, I think that tells a good story and we've gotten good feedback not only from the regulator but from our customers on that.

Second, we have -- we think, as Ralph mentioned that there's more to do on the electric front, on the Energy Strong type of investments, some more of replacements of our substations and our switching stations in some of the low lying areas but also re-enforcement of resiliency that's needed for the last mile from a T&D standpoint.

And finally, the one that probably we bring the most attention to internal to -- in the building but also so we try to convince regulators about is the movement into energy efficiency and renewables, and again, I'll give you a little more detail on that. So, that's what makes the difference between the left-hand side and the right-hand side about what we expect from a capital standpoint.

So, let me dive into the program just a little bit. Transmission, I think most of the last four or five years I've gotten up here and talked about transmission and given you four or five different slides on a transmission.

The fact that we have one slide on it is not because it's any less important to us but in fact, because it's become more of a normal process for us to go in and have these efforts to go on on the transmission side.

There's no less focus on it from our standpoint. We still have $6 billion of investment coming. And they come in three buckets on our transmission side. First, the large

projects that we have. There are two of them that we have ongoing right now, the BLC line, the Bergen-Linden Corridor, which again, we've talked about quite a bit in prior years.

That's -=- that involved us bringing lines into the North and the Essex load pocket area, coming down from the Northern part of New Jersey. And what we've just accomplished which is kind of the neat little thing and I was trying to convince Kathleen to put some pictures in here but we decided that we'd bore everybody to death.

We actually drilled the line and completed last week two of them underneath the Newark Bay. And so, we're starting that process and really being successful. And Kim Hanemann and her team, Kim is responsible for those helicopters flying, powers and then everything else, really have done a fantastic job and just a "no, never mind" at this point. But from our standpoint, it's a lot more than a "no, never mind" for the work that they complete on a regular basis.

So, that's some of our big project. Then the other large project that we have is that one line and I mentioned going from Edison to Metuchen and then down into the Trenton and Burlington areas, which again, is going to upgrade that 138,000 volt corridor that we have. So, those are two approved launched projects.

In addition to that, we have other RTEP projects, which you will find on the PJM website all the details, the number of those projects and what they are. They are everything from breaker replacements to new capacitor banks that are required.

And then we have our ongoing sub-transmission or transmission system upgrades which accounts for about $1 billion to $2 billion of the number here, and that's where we're taking our system that was 26,000 volts and upgrading to 69,000 volts.

So, for those of you that live in New Jersey, those are the big poles that you see everywhere. Especially in Bergen County, if you go Route 17, you'll see that that's just a good example of what's -- what we're -- what we have on an ongoing basis.

I'm going to move ahead a little bit here to the electric distribution side and some of the opportunities that we continue to have here. This to me is really going to -- is really twofold. And one is this slide which really talks about the core infrastructure.

So, we need to do more with some of the stations that I mentioned that are in the low lying areas, the resiliency, the efforts that we have from an Energy Strong standpoint. But I'd point out to you the aging infrastructure section there.

65 substations that are 60 years of age or older, 30 substations that are older than 80 years, those are assets that need to be replaced on a regular basis. Now is the time to do that, we've talked about the commodity prices and so on and so forth. It is not just because they're old, it's because technology is also passing them by. And I'll show you examples of that on the next slide.

And so, we've got to focus on those substations and those switcher stations, but take it out from the substation and the switcher stations and start to get closer to the homes. For those of you that may be down and may have been down in Florida recently and you've seen all the work that Florida Power & Light has done to build out the resiliency of the their last mile of their infrastructure, there are concrete holes everywhere along their right of ways, along their streets and concrete poles are there, much more reliant than the wood poles that we have.

There are some tradeoffs that require from the traveling public but those are types of things that we're going to be taking a look at to see what we should be doing and have in conversations with our regulators to say, "Hey, are these programs that we should be moving forward with? How do we get that last mile into the customers' home more reliant and more resilient than it ever has been before," because they demand it from us and you see that in all of the conversations that take place over storms.

I happened to be down in Florida during the last hurricane that came through and I think FPL had like 20 customers out and they were having a big press conference about it in the middle of the hurricane.

It was amazing though because they really didn't get hit and it really was due to the fact that they had all of this work that they did ahead of the storms to be prepared for future -- for future efforts. So, kudos for them and hopefully we can copy and see what we can do to upgrade our infrastructure in that same manner.

While you do all of that, you also have to go ahead as Ralph mentioned and upgrade the technology and move forward a little bit from this standpoint, and that's really, to give you a little bit more detail here than we have in the past, it comes in a couple of different ways.

One is you upgrade the way the T&D system speaks to itself. So, you upgrade your relays, you upgrade your different SCADA system so that you can operate the transmission and distribution system.

We have started a lot of that associated with our Energy Strong work. We've got our new SCADA system at the distribution level, that's in the process of being installed and actually is rolled out.

We're continuing to work out some of the -- some of the chinks out of that system. But that allows us to put the lights back on much faster than we would have in the past because we have remote access in just about all of our system now as a result of these upgrades.

So a station breaker trips, we go in and operate that station breaker remotely where in the past, we would have to send someone out for the station to close in the breakers. So, some big upgrades that are happening there.

Not only do you do it there but you have to start to move to the customer. And there was a -- there was pretty robust conversation going on in New Jersey right now about AMI, what do we want to do with automatic metering, do we want to deploy that everywhere, how is it deployed.

I think there was a case that was in front of the Board of Public Utilities and they're still going through whether or not that's going to move forward, but it's something that we're going to tee up again as part of this next rate case because we think from a customer experience standpoint, we can't bring all the value that we know customers are demanding unless we have that ability to touch that customer and be able to communicate to the customer directly.

So, all opportunities are out there. You could go test -- test the meter and actually control a thermostat, and in fact, in our E.E. filing that we just made, we've also proposed that as another way for us to help the customer and to try to actually communicate to see whether or not their lights are on and if they are on, what kind of usage they have and so on.

So, we're thinking about all different ways that we can touch the customer and that's part of this technology upgrade that we're going to have and, again, all conversations that we need to have with our regulator to see how they want to move forward with it.

Now, from my favorite slide, the most boring but my favorite, it's just the replacement of our old cast iron gas system. Just last year, we replaced over 200 miles of the cast iron that we have in the system.

We have the largest cast iron system in the country, no doubt about it, and there is a need to replace it. And in fact, just last -- two weeks ago, a 16-inch, 60-pound pressure gas main [letgo] -- about two blocks from my house and it was quite the event and got everyone up and it just reminded me once again the importance of what we're trying to do to make these -- to make these upgrades. These pipes have served us well, but it's time to replace them.

And again, I think if you talk to our regulator and our policymakers, everyone would say the same thing, it's time to get ahead of this curve and make the replacement. It's an efficient way to do it because we're -- it's programmatic and so we're [hiring] our contractors, and they have a full set of plans to work for years ahead, but it still is only a three-year program, and I'll talk a little more about why we think a longer program makes sense in a few slides.

From a customer standpoint, we were concerned that how many miles could we actually do. We've not only disrupt the traffic flows in towns when we go in to do this work, but we also have to get into every single customer's home to change out the meter, to upgrade the service and to relight all the appliances.

How is that going to go? We have had fantastic results and the team has done a great job of really keeping down, if you look at our complaints, you wouldn't even know that we're ahead of a new program in place. So, great work that's going on. And again, I think it's all important because it proves to the regulator that we can do the work and we can do more of the work that we have out there. So, again, kudos to our team.

The last piece of this which was rather unique was we also worked from an environmental standpoint with the EDF. And the reason we did that was because while you can -- there is a lot of 4-inch cast iron maintenance that's in the system and certain pressures and so you want to upgrade all the 4-inch cast iron and it's all 50 feet away from a building, there's also then a different way to prioritize that work based upon methane leaks and maybe a little different impact on the environment.

So, we work with EDF, they've mapped the system for us, and by doing that, again, we've got more buy-in from a bigger audience than we ever had in the past. Now, the environmental community is using us as an example around the country as to how I guess main replacement program like this should be done. So, again, not the funniest and the sexiest type of project that you might have but it's really, really effective, and again, the team has done a fantastic job.

So, solar and energy efficiency, I'll steal a line from Ralph. This is the most mind-boggling thing to us as you look forward as to why we really haven't been able to do more of this. It just makes sense.

We are the only entity that can provide universal access to these services to all customers. We, being the utility, not just PSE&G but any one of the utilities in the country. If you want to provide universal access to energy efficiency solutions and to renewables, the utilities are the only way that you can do that.

And we talked in the past about the difference in the income of households, who has access to solar and who does it well to same-store from an energy efficiency standpoint because you're going to go in and buy a cheaper light bulb if you can versus a more expensive one, so, how do you provide that universal access that you use the utilities for.

By us doing it, we've proven time and time again, it's the lowest cost. Probably half from a renewable standpoint to put a solar panel on a landfill than it is to put it on top of someone's home.

So, again, from a consumer standpoint and from a society standpoint, we're the right solution for that. And at the end of the day, we are the best channel for the customers because we have access to every one of the customers.

So, I'll talk a little more about it but this is one of the areas that probably frustrates us the most then we're going to continue to take incremental approaches like we did with the $76 million program that we proposed on Friday.

In that one, we're just going to continue what we've done in the past, focus on our hospitals and some of our municipal buildings as well as low income folks and then a little bit more in the thermostat area and some education for customers that we haven't done in the past, again, to show to the regulator that we can add value in this area in a way that most others can.

So, think about the different ways that we've talked and the different places that we've got to invest in. We think the $13.8 billion program is very reasonable although we were only really in our plans talking about the 12.3.

What's the difference in the 1.5? About another 300 million or a 100 million a year on gas main replacements. We think again, that makes sense because of the history and the results that we've achieved.

On the electric distribution side, an expansion of the Energy Strong Program, a continuation of it, again, not built into our base plan but about $800 million that we think makes sense there and then about another $350 million or so on additional energy efficiency renewables to provide that universal access to customers that they so dearly need. So, that's the story from that standpoint to us.

Look pass that initial five-year plan and what is out there that could be done. And we're going to tee up many of these issues in our -- in the timing of the rate case. How we do that, Tammy and her team will come up with the best way to have those conversations with the regulator.

But I want to take you to the right-hand side and really look at the utility of the future and tick down those pieces. From an electric infrastructure standpoint, lifecycle programs, we do not, I talked about those concrete poles, we do not proactively replace any wood poles in the state of New Jersey today.

There is no proactive replacement program. So, what can we do working with the regulators to put a program in place to replace that infrastructure, that's just one example. You could take that to the wires, you could take that to the substations that I talked about that were 80 years old. What are we going to do to have those lifecycle programs put in place?

From a customer standpoint, what do we want to do from an automation, how far do we want to automate the system? I talked a little bit about AMI at the bottom when we get into the energy efficiency side, but what other controls that we want to put in place for some of our industrial and commercial customers, how much access do we want to have for them, how do we want to automate some of our networks that we have and some of our inner cities, there are other opportunities that we have to automate that distribution system.

And then one of the big items that's out there that's really not clear is the recharging stations. Where is that going to be? Is that going to be an asset that's going to be put in

place in rate base by utilities or are we going to continue to see Tesla put out their stations and [Harry] put out his stations and [Larry] put out his station and then the customer is not going to know what he's plugging into.

So, how do we provide, again, universal access, get back to that same message from the utility standpoint and we believe again that it makes sense for us to be involved in that and to get out there from an electric vehicle charging station standpoint.

I'm not even sure how Tesla gives away free electricity right now. I don't know if they are a retail provider. I'll let our lawyers figure that out, but right now, they got that built in somehow and they're giving away electricity, but they're not a retail provider. That will get played out over time and we we'll see how that is once they start charging for it or somebody realizes it's built into their cars already, right, Tammy? So, let's see where that goes.

On the gas infrastructure side, GSMP, I've talked about that a number of times. I wouldn't repeat that. But CNG, compressed natural gas opportunities that we have in the state. New Jersey is perfectly positioned from a port standpoint to become a major transportation provider.

We just raised the Bayonne Bridge. The reason we raised the Bayonne Bridge was we said we could get big tanker trucks, tanks, tanker ships to come underneath. Once they -- those tankers come in, they have to offload. Once they offload, they need to have a way to get out to the -- to the general public some perfect fleet operation opportunity for us.

How do we get the CNG people out there? It could not only be just for the bug trucks but absolutely for the tubs and the other equipment to work around the port and for us to put those types of CNG charging locations in.

We have not done anything really from a CNG standpoint over the years and it's for one simple reason. We had a contract to take our refinery gas from some of the refineries along the New Jersey Turnpike.

That contract expires this year, so we're going to have the ability to start to propose some of the CNG stations because we take refinery gas, it's a different quality gas than most of the engines can take.

So, the Cummings and all those other ones that have the natural gas engines wouldn't allow you to mix that type of fuel, and now, we have that opportunity. So, we're going to move ahead with that, and again, have those conversations as we get into the rate case AMI.

Distributing energy resources, well, we've seen what we've done from a Solar 4 All standpoint. That's going on for many years, and again, the cheapest way to deploy solar in the state of New Jersey that we found so far.

We’re starting to have conversations with the microgrids. We’re working with Hoboken, we’re working with New Jersey Transit right now on two microgrid projects. Those are ongoing conversations.

The state has started a stakeholder process on microgrid to see where they want to go from a policy standpoint, again, we’re going to tee that up universal access to microgrids. We can't be picking winners and losers who has access to the microgrids or how we’re going to provide that service to customers on a regular basis, universal access, same messaging in.

Batteries, what are we going to be doing from a battery standpoint? We’ve actually started to -- some trials with batteries on some of our Solar 4 All sites specifically at some of our schools. So, we’re testing that technology, we’re going to be coming back to proposing some of that, where can we use batteries to offset maybe some T&D investments. Our system doesn’t really lend itself very well for that but there might be specific pockets and specific customers and see some value and we’re going to be pursuing the batteries as well.

And then there’s the holy grail, the fuel cells which are out there, and again, I put that on here more for the long term. There’s really nothing in the near term that we see that’s going to make sense. But that clean gas that we have now, we do not have a refinery gas to provide some additional opportunities for us there.

Energy efficiency, we just continued to bang the drum. This is what you want us to do. And if you really don’t want us to provide retails to all of our customers, we should be doing it for the customers that have provided benefit from -- to all of the -- all of the folks in the state of New Jersey, and that’s really the hospitals, the municipalities, the state universities, and again, some of the low income folks that we have.

We’re going to play around with this a little bit and see where we can go, but I would expect that, again, as we get into the rate case, you’re going to see some large proposals that we’re going to make to move this -- to move these programs forward.

So, that’s the long term, that’s where we see the go, and that should take you well beyond the five years. And again, if you look at those programs and you look at our track history, you could see that we think we’re going to be spending and deploying about the same amount of capital year-over-year in the future.

And that backend to that dip that Ralph talked about and showed you there, you should have some confidence that we’re going to continue to fill that up as a result of what we’ve talked about here.

All right. And that just basically summarizes that, what I just spoke to and some of the -- some of the ability that we have.

Just again, takeaway the fact, we have more dependent on our system than we have been ever in the past, more resiliency and reliability required. We have all the assets that need to be replaced and we're -- and we're moving into a new age for the utilities as far as our interaction with customers.

Okay. Let me talk a little bit about the base rate case and a little finer touch on what Tammy mentioned. We really see this as a moderate increase that we're going to be proposing, very moderate increase when we look at it going forward.

But why is it something that you should have a concern is going to have a negative impact on us? One, the sales have been flat. We showed you that in the past, we really have not outstripped our sales over the last -- outstripped 1% on our sales over the years so that's been flat.

While we've held O&M flat, we have these three major regulatory requirements that are starting to drive up cost from an O&M standpoint and we're starting to roll that in, so you -- and you're starting to see that in our numbers. As we're doing that, that is clearly happening.

And finally, as Tammy mentioned, there are a lot of the capital programs that we had, have additional capital requirements that were not being recovered as part of the contemporaneous return that were required as base expenditures.

And as those are in there, that also drives some of the requirements for base rate increases. So, I think if you'd step back and look at it with those -- with that lens on, you clearly see that there's a need for a rate case but a moderate one that we -- that we project going forward.

One last thing and again, to put a little finer point on some -- Tammy mentioned there are some additional roll-ins that we have and the biggest one being the roll-in that you read about this are costs associated with Sandy.

Not long ago, I will just remind everybody that there was a proceeding that took place where the costs associated with Sandy were found to be prudent.

So, remember, we're just going to be talking about the timing of how we get that money back. I think there were some food that was disallowed in the -- in the preceding but that was it, so we'll have that going forward.

So why does regulatory reform makes sense? And we've talked a little bit about these programs and the fact that we've been very successful with it, all are true. But I'm going to draw an analogy for you.

The state of New Jersey just made a decision to provide certainty for customers, the contractors that work on these assets and the people that use the assets by implementing the TTF, the Transportation Trust Fund.

That is a -- that was something that was decided and pushed for by the users of the roadways because they wanted to have certainty in good roadways as they went forward, so there was advocates for that. The policymakers agreed and they decided to put it for a vote and the customers wanted certainty for long-term projects.

So, if you've used the parallel from our TTF experience that we've just had in the state, this makes a ton of sense. Our customers want it, our policymakers want it and certainly the users of our system want it on a regular basis to know that this system is going to be there for them when then they call on it from a T&D standpoint.

So, we're going to continue to have those conversations. It's good to have three-year programs. It's better to have five-year programs. It's even better as we have just seen for there to be an infinite program based upon certain amount of dollars that are going to be invested above and beyond that are being covered by the customer right now, and that's what the state in New Jersey has done and that's what we're proposing. So, just draw that same parallel and see why it makes sense.

In addition to that, we've got job creation in all the -- in all the points that we put on the slide here. But we feel pretty confident that it's the right time and there's going to be a very, very little impact on the customer bill, and I'll show you that here.

Next, which is why I think no matter how you cut it, Ralph showed the bigger -- the longer term impact on bills, but from our standpoint, if you look at what's going on from a typical residential customer, there is tremendous headroom in the bill.

So, why wouldn't you have some of these long-term programs, why wouldn't you have some of these long-term capital, it's going to be laid out to come back in. I think if we took it out, it would take us 10 to 20 years for us to roll in and all of the programs and actually even get [caught] back up to where we would have been in 2009 from a price standpoint.

And you're not only just looking at it from an absolute standpoint, but one of the things that we're very concerned about is not just, "Hey, are we getting $10," and we used to get $10 in the past, no, we've got to also look at the amount of disposable income that our customers have because that's also part of it because if they have other burdens that they -- that they might have that they're trying to pay for, they'll also be upset about paying the utility bill and how that impacts them.

So, we even take a look at the percentage of disposable income that we might have and we look at that on an ongoing basis and again, try to take them into account as we lay these programs out. So, there's a need for this infrastructure, there's a desire for the customers to have certainty about their bills and there's headroom in the bill. Just it's a perfect storm for us to continue to move ahead with the programs that we've developed.

I think you've seen this before in some of the conversations about the range that we have, so we continue to produce the ongoing positive results from a net income standpoint and, again, it's all based on the story, the positive story that we have that I just walked you through.

So let me take two seconds to talk about something that we're really proud of which is the work that we've done on Long Island. While it is not a large impact as Ralph showed you on the pie chart to our -- to our total EPS, the team has delivered everything and more than we expected.

Dave Daly and his group out there have done a fantastic job of operating the system. Hopefully, some of you that might be customers out there have seen the difference in the way -- in the way we're providing information to customers, the way we're keeping the lights on. I'll show you a couple of metrics on it in a second.

But they've really done a fantastic job, and as a result, they've received over 95% in their incentive payment that was built into our contract in each of the years that we're out there. So, a good testament to the operating experience that Dave and his team have brought and the way they've been able to deploy it.

In addition to that, Shahid and his team have done a fantastic job of trying to keep the cost down for customers from a commodity standpoint, the input to the -- to the tolling generation that exist out on the line.

So, they've done a really nice job and that they've, as a result, been able to have a $20 million contract that's in place. So, it's two pieces of the puzzle, it's Dave and his team, Shahid and his team, and they've really done a nice job of delivering the results. So, a good story all around.

Just looking at the metrics, again, customers, from an employee standpoint, the employees are much more engaged than they were in the past. Customers think more of us from a J.D. Power standpoint, and for some reason on this slide, we didn't multiply SAIFI and CAIDI together, so you cont have the SAIDI number but we have a little bit of a difference in some of the results.

The lights have gone out a little bit more in Long Island but they've been planned to go out because that's all associated with SAIFI initiatives that we've had in place to try to reduce some of the exposure that our -- that our employees have while they're working on some of the live lines, and as a result, if you multiply the SAIFI and the CAIDI together, we still have some positive results out there, which is why Dave has been able to get his incentive compensation returns.

So, with that, I went red on our timer but not by much, only by a few minutes. So I'm going to have Tammy come back up and we'll answer a few questions.

Tamara Linde - Feels like we're going to have a TED talk now.

Ralph LaRossa - Yes.

Tamara Linde - Andy?

Andy Levi - Hey, Ralph, it's Andy Levi at Avon Capital. What's the average cost of substation do you think?

Ralph LaRossa - They're so different and they're -- I don't even try to venture the guess. I mean there is -- some of them are what we call Class A which are they're only servicing 10,000 customers as others, they are servicing 100,000 customers.

As an example, one of the big other transmission projects that's in the queue if you look at some of the TEAC proceedings. And that project in and of itself for one substation is going to be over $100 million. There are others that we're going to do where we'll be upgrading well over $50,000. So, I mean in the $5 million and not even will be close so.

Andy Levi - Okay. But how big do you think you the opportunity is on the substations?

Ralph LaRossa - Well, again, we haven't -- we haven't portrayed any specific number for any one of these substation replacements but if you take the Energy Strong numbers that we've had and understand that we only did 1/3 of what we proposed, I think you can figure out what the -- what the potential CapEx is in some of those areas.

Andy Levi - Okay. And then for the concrete poles, is there any way to kind of quantify the concrete poles?

Ralph LaRossa - I'm just -- I was -- I happened to be in Florida a little more than I like less, a few months, and so I'm taking a look at a few of the concrete poles and that's again a replacement program that would be ongoing, and it just would be one of the opportunities that we have in there.

Andy Levi - There's no way to figure out what the cost is for --

Ralph LaRossa - We wouldn't want to get --

Andy Levi -- how many poles or -- Okay. And then the last question is on, on the $1.5 billion increase in the CapEx, is most of that contemporaneous?

Ralph LaRossa - We would only do it if it was contemporaneous, right? So, we -- just as Ralph mentioned from a power standpoint, we're not going to put capital at work at less than our cost of capital. And the regulators understand that, we had those conversations.

While we are blessed with older systems, the problem that we have is that our depreciation expense in our base rate is very low. So, the only way to do it and still

achieve your allowed ROE, which is what the regulatory compact is, is to put these clause mechanisms in place.

Julien Dumoulin-Smith - Hey, guys, back here, Julien Dumoulin-Smith from UBS. Maybe just to follow on Andy's question just a little bit more to be specific. On the gas main replacement program, what is reflected in the current program versus that $300 million I think we talked about a week or so in the call just kind of apples to apples.

And then also, I think you are alluding to the potential to ramp that up further, so just kind of give us a sense of where we put it at now and then what the potential there?

Ralph LaRossa - Yes. I can't believe -- I don't know if you've got those numbers with Tammy. I want to say that we had 800 in our original -- in our original program.

(Off-Mic)

Julien Dumoulin-Smith - 905 in the original program?

(Off-Mic)

Julien Dumoulin-Smith - -- over 18, 19 and 20 --

(Off-Mic)

Ralph LaRossa - Julien, I have the numbers right there. So, let's just go back with the specifics on those. But it's -- there is -- it continued the 900 programs, so basically calling another 300 million a year but we -- through 21.

Unidentified Audience Member^ Through 21.

Ralph LaRossa - Through 21. And then we're going to -- then we would -- what we're proposing is to increase that to 400 based upon the fact that we've been able to deliver that level and we've been able to do it safely and meeting customer's needs.

Julien Dumoulin-Smith - And then subsequently, same kind of direction CapEx-related, you alluded to AMI here. What's the timing of making that filing specifically? Is it in tandem with the rate case? And obviously, it doesn't seem to be reflected in the case of all.

And then, two, maybe to use Andy's framework, how do you think about the potential cost of an AMI program for a mater, any kind of initial metrics to think about what deployment would look like full year across here?

Ralph LaRossa - So, it'd be premature to say but I think if we just multiply the numbers of meters we have, we'd probably in the -- in the $1 billion or above top roll out a true AMI program.

But again, there's different levels of that dependent upon what meter you buy and how you put the mesh network out, different ways that you're going to -- that you would approach that. But we are not sure yet, we're going to have conversations with the regulator in advance. We're going to see how we want to do that but we want to roll that into one case. Do we want to have multiple cases?

I think -- I think right now based upon what we've seen done, they've separated those types of requests from the base rate preceding. They did that in the Orange and Rockland case and we would expect that same type of thing to happen when we have our conversations.

Tamara Linde - I think the only thing I'll add on the AMI is it is that pre-discussion with the regulators that's important. We're not -- we don't have any plan to go in and install AMI and then come back and look for a recovery.

So, what you've seen is just a history, a successful history of going ahead with investments that are needed to meet our obligations, but where we're doing something on an accelerated basis or whether we're doing something that is not required to meet our obligations but we think is good for the customers, we meet with the policymakers and then only go ahead if they agree that it's something we should do.

Julien Dumoulin-Smith - Right. So, perhaps just to clarify, this would be subsequent to the rate case contemplated, so therefore i.e. 2019 onwards that you'd be making the filing or it could be?

Tamara Linde - No. We haven't decided yet and that's something that we're currently looking at whether that would be part of the rate case or whether it would be filed separate from the rate case.

Julien Dumoulin-Smith - But at the same time, Okay.

Tamara Linde - At the same time, or within a month or so. Those details really depend on a variety of factors and we just haven't gotten to the point where we have finalized the timing of that.

Julien Dumoulin-Smith - But CapEx could start at 98.

Ralph LaRossa - And Julien, I would say, it's not just AMI, right. I talked about a number of other things that we should be doing to upgrade our SCADA systems and our relays, so there's multiple things that we could be doing on a technology front.

Stacy Nemoroff - Hi, this is Stacy Nemoroff from Bloomberg Intelligence. I have a couple of questions about basically these growth opportunities that you've mentioned. One is related to the AMI and the automation.

I would think PSEG is actually from a profit earnings perspective more exposed that a regulated utility to potential cyber attack. And as you automate and increase access to the system, you're exposed -- you're exposing more entry points. So, what is -- how are you working on this, how are you considering it, do you have analog back up plans for the system?

And then also, you mentioned helping to potentially help New York deal with potential supply constraints related to the closure of Indian Point. But how would that work in terms of -- from a regulatory perspective between PJM and New York ISO?

And then finally, is PSE&G uniquely positioned to capture synergies from acquisitions of other New Jersey electric or gas utilities?

Ralph LaRossa - So, the last one is easy, that's -- we usually don't comment on that. So, that's the easiest one to kick.

I'll go back to the cyber security. I think the question that is post quite a bit is AMI provide another entry point. And I think that a lot of it has to do with how those systems were designed, right? So, you can have one-way communication, two-way communication.

And I apologize for those of you that have heard this story before but when we had the Super Bowl here a few years back, we weren't completely manual for that exact reason. So, we had those backup plans to be manual and analog and different ways to operate the system.

The easiest way to eliminate the treat is to disconnect from the Internet and we did that during the Super Bowl where we took all of the stations that fed that area and just disconnect it from the SCADA systems and put individuals out there.

I've said in a number of different places we know the exact number of the cost number that it would be that if I.T. cost get to a certain point, it's a lot cheaper to then go back and put those blue power work within those stations. And so, we've -- we know what it is and if the prices go up, we'll go back that way because there's always that fallback plan.

The other thing that we're blessed with is the compact service territory. If there was an incident, the ability to -- for us to deploy our folks quickly is much better than it is for other utilities. And again, I think you can go back to the 2003 blackout and that was part of the reason that we're able to restore the customers before many of the other utilities because we had folks that we're able to go out there quickly and start to bring the system back remotely rather than -- it depends on the Verizon system which was a challenge I'd say. So, that -- those were all the pieces.

As far as the New York PJM interconnection, that --

(Off-Mic)

Ralph LaRossa -- made identification made through those regional transmission expansion plan in New Jersey and a similar plan that the NYISO has. So, PJM and NYISO will continue to look at that, a lot of it will be driven by what the parameters are and criteria that each one of them had built into their -- into their planning criteria, and we'll see how it plays out.

Right now, what we do know is that Indian Point is closing. We do know there are multiple proposals as to how to backfill for that. I don't know which one will be selected. And each one of those proposals could have a different impact on our -- on our grid up in the Northeast part of the state.

Jonathan Arnold - Ralph, Jonathan Arnold from Deutsche Bank. Just wanted to return to the spending numbers just to make sure I've got this 100% clear. So, this 300 million of extension of the GSMP of the current rate included in the base plan? It wasn't previously in the base plan, is that correct?

Ralph LaRossa - Yes. And then if you move to the right-hand side --

Jonathan Arnold - Yes.

Ralph LaRossa -- there is an additional 300 that we think make sense.

Jonathan Arnold - Which is they've got 19, 20, 21 of the 100 million a year higher rate

Ralph LaRossa - Right.

Jonathan Arnold - So, that is -- that 300 is part of the 1.5 billion of upside over the base.

Ralph LaRossa - Correct.

Jonathan Arnold - So, could you then sort of break down how the rest of the -- well, how does the rest of that, I guess the 1.2 billion split between the electric distribution hardening and then the E.E. and solar?

Ralph LaRossa - Yes, I think I mentioned it already, but just to repeat, it's a little over 800 million on electric, so that's again, a continuation of the E.S. -- the Energy Strong type of work. And then a little over 300 million that we think makes sense on energy efficiency and renewables.

Jonathan Arnold - Great. And then -- and just to be clear, in the transmission base, some of these new RTEP plans that were just announced like a few days ago, are those in the base?

Ralph LaRossa - Those are -- those are in our numbers.

Jonathan Arnold - And then Artificial Island, I think the result they need came out on Friday. Is that an upside or is that --

Ralph LaRossa - It's about $100 million haircut as it's currently proposed.

Jonathan Arnold - Right.

Ralph LaRossa - But there are other things that may not be -- that may be required that are not in the current project scope. So, to get into the weeds a little bit, there was an SVC that was designed in the original program that they have now pulled out but will be required down the road. So, I would expect that there will be another project that we'd come back in to backfill for that and find the solution either with the SVC or with some other transmission solution there.

Jonathan Arnold - Okay. And then, so -- and then all the other things like AMI, but basically about utility of the future, the green box, that's all sort of part of that 2026 rate base that's outside of the base and upside.

Ralph LaRossa - Correct.

Jonathan Arnold - Okay, great, thank you.

Praful Mehta - Hey, Ralph, this is Praful from Citi. Coming back to retail customer rates and all of this CapEx plan with low growth, I wanted to just understand how you're kind of matching the two, right? Low growth looks like it's pretty low this year, going forward as well. I'm assuming your plans would be for low growth to be relatively flat.

With that and with this current CapEx and with the incremented CapEx plan, where do you see rates going and then what do you see customer votes going?

Ralph LaRossa - So, two things, on the low growth, I think we had a 0.5% and seven tenths of a percent on the -- on the gas, and so half on electric, seven tenths of a percent on the gas, so it is low and it's going to -- there is no increase in sight really when you -- when you look in the out years.

But if you -- the last slide that we had, I think we had 2%, is what we expect the annual impact if we got all the programs that we have identified. So, if you layered in 2% into the headroom that exist in the bill, it's going to take us out well pass 10 years before we even get back to where we were in 2009.

Praful Mehta - Okay. So, this 2% is rate or is it bill, just to be clear?

Ralph LaRossa - That's the bill impact.

Praful Mehta - Got you. So, you --

Ralph LaRossa - For more rates.

Praful Mehta - No, got you, but then are you assuming some reduction in usage or are you holding customer usage there?

Ralph LaRossa - Everything was flat.

Praful Mehta - Flat, got you. Thank you.

Anthony Crowdell of Jefferies - Hey, Ralph. The question I guess for Tammy maybe on the -- I guess from the context of the ZEC. Just what -- when would -- do you plan to address this with the New Jersey legislature? How is the session play out this year? I'm not sure when they meet. But I think it's a governor election year. Is that getting the way of them doing stuff, maybe just a little more color on process in New Jersey.

Tamara Linde - Certainly. So, we are in early discussions with all key stakeholders both in New Jersey and at the federal level and exploring on a parallel track like can be done on both runs. And as I indicated, I do think it's more likely that if there is an action taken that it will be state-driven.

As far as timing, I don't want to predict when something will happen. I think it's just fair to say that we are involved in active discussions at this point with all key stakeholders and we don't want to wait until we have a situation where we're saying we're shutting the plant. We think it's appropriate and useful to have these discussions at this stage and explore what options people have and appetite to take on.

Unidentified Audience Member - And just logistically though, when does the legislature meet this year?

Tamara Linde - Sure. So, the -- there is a legislative session that goes into this summer and then there is a lame duck legislative section. As you noted, there is a gubernatorial election in New Jersey in 2017, so there are two periods this year where a legislation could be introduced, and, of course, beyond that.

But there are two this year, one, that goes up through the primary and then after the primary and after when there is a lame duck between the November election and through the end of the year.

Unidentified Audience Member - And then one other question I guess from the rate case, is just, should we -- the one other piece in rate case is obviously what kind of returns are you earning. So, should we assume going in with this additional spend and sales growth and the lack of sales growth and the like that you're under earning your allowed return right now on the jurisdictional piece that's related to the base rates or no?

Tamara Linde - That's a good -- it's fair to say that when we -- when we make this filing, we'll be asking for a moderate rate increase and that we are constantly focused on earning our allowed return. So, it's a balance every day looking at what the investment needs are, what the spending is and managing all of that, so we are close to earning our allowed return as possible, and we do anticipate filing for a moderate rate increase.

Michael Lapides - Hey, Ralph, Michael Lapides of Goldman here. We've seen throughout the country or starting to see more in PJM FERC Section 206 related filings, related the transmission ROEs. Just curious on how you're looking at the potential risk of this for your transmission business.

Ralph LaRossa - I'm going to tee it up for Tammy because Tammy's a little bit closer to some of those than I am. But I think at a high-level you would say that there's enough need as you seen in our plans for ongoing transmission that the regulators at the FERC really are not trying to dis-incent that investment at this point. So, you know, the whole reason that we got to where we are is because there was the desire by the regulators to incent investment.

And as long as we have continued to do that and continued to keep the rates and total bill for the customer down, we have not seen a challenge to our rates, Tammy, from a regulatory.

Tamara Linde - And as you know we have a base ROE at the transmission level of 11.68. And there's a lot of activity still at FERC and in the course looking at when transmission rates are still within that zone of reasonableness, but not at the median or the average of the proxy group. So we're watching those cases closely.

As Ralph said, we don't have any complaint pending. Your rates are good and your ROE is good until the complaint is filed at the FERC and a refund effective date is established. So the ROE that we're earning right now and until that happens, if it were to happen, remains in place. So we don't have any reason to believe anyone is concerned with our ROE at this time. I certainly would expect that at one of our annual customer meetings on transmission, if there was some activity, they would alert us to that.

But it certainly could happen. A complaint could happen, and we would be looking to demonstrate that our ROE is still within the zone of reasonableness.

Michael Lapides - And then one follow-up, totally unrelated.

Ralph, when you think out to that 2025, 2026 rate base opportunity, where does offshore wind fit into this given New Jersey along with a handful of other East Coast states, so probably some of the more viable states when it comes to the potential for offshore wind in the U.S.

Ralph LaRossa - Well, I certainly hope from a customer standpoint it doesn't factor in much at a $160 a megawatt hour, which is what we saw as the information that's out

there right now in the press from the recent Long Island PPAs that were put in place. That's a pretty high number, so I don't have anything in the plan that accounts for that. Obviously, if that took place, you'd have a pretty dramatic impact not only on the customer build from a commodity standpoint, but you'd have a lot from a transmission standpoint because that is just to deliver to the land, and then you have to figure out how you're getting all those electrons in old places.

So our plan is not based upon that, it's based upon the commodity prices staying about what we expect and not being impacted by a much higher price associated with offshore wind.

Kathleen Lally - We have a time for one more question, and then we're going to go into a break.

Greg Orrill - Yes, thank you. Greg Orrill at Barclays. Is there a case on transmission CapEx that you could share with us? I guess, you didn't flex that?

Ralph LaRossa - Yes, we don't really have anything in there to quote an upside or what I was trying to allude to is that there's a lot of things changing, which will impact the transmission system. So again whether it's driven by some other changes that might be happening because of additional generation is being placed in Pennsylvania on top of the Marcellus shale or other things that are going on. That's going to continue to take place, and we really think the wheel is going to have a big impact on the northeast portion of our transmission system. But I don't want to speculate on any of that because I'll let the RTEP process play up.

Kathleen Lally - We're going to have a 10, 15-min break, and we'll be back for Bill Levis to talk about PSEG Power. Thank you.

(BREAK)

presentation

Bill Levis - Well, good morning everybody. Appreciate you coming back for what I think is the most exciting part of the program. I can say that because my boss isn't here right now. But we'll start much like you see the other presentations with our strategy in Power, which frankly is no different than the strategy you heard Ralph Izzo described for the corporation and Ralph LaRossafor the Utility and at the excellence and operating our units safely, reliably in a cost-effective fashion all driven by an engaged workforce.

I do want to take the chance today to let the audience know there's two key members of the Power leadership team here today. Shahid Malik is here. He's president of the Energy Resources & Trading organization. He will join me afterwards for the Q&A session.

And also here today is Pete Sena, president and the chief nuclear officer of our nuclear operations. Pete has been with us for about a year now and doing just a great job of

improving operational performance and mindful of the competitive environment we are in and having the right balance on both of those.

So if you can read the headline here, we're transforming the portfolio to be newer, more efficient and flexible. Flexible is key because it's a matter being able to take what the market dictates.

And if you look over the last decade, what we have done simply is we knew we had good sites. Locations were good, and so it was about making the most of those assets that we had at those sites. And making the most of those assets meant operating them more reliably, increasing the output where we could and extend the life. And extend the life could be with that existing technology or a change in technology.

And so what you see over that span of time is how there were some very modest investments that would do that, something as simple as 2013, adding a second gas pipeline or Bethlehem Energy Center, modest investment. However, what that resulted in is BEC allowing to have a record generation year this past year. And with Indian Point going away, that site becomes more valuable in the future.

Other modest investments are simple things such as adding BlackStart capability and area regulation to our peaking fleet, recognizing that those services will be more valuable in the future given renewable penetration and the like.

And on investments such as peakers in 2012, some of which were done in the competitive environment and others which were done on the rate base, so we took what the market would give us in those cases. And that works its way up to operating our combined-cycle units to make that more efficient to the large project investments in the three combined cycles that we'll talk about a little later today.

Also when the market says it's time to retire plans, we have done that. In 2011, we retired Hudson 1. In 2014, we retired Bridgeport Harbor 2. In 2015, we retired our HEDD units and in 2016 announced the closure of Hudson and Mercer that we plan to retire in 2017. So we'll take what we can get from the market and when that's done, then we're done and we'll move on to the next opportunity.

So our generating assets, as you know, are in three competitive markets and what I like to call the most energy-intensive part of the world. That is that from Boston to Richmond. And so near load pockets, which helps us quite a bit and, in fact, the new combined-cycle we're building now gives us access to a low pocket we didn't have access for in the southwestern access, the D.C. PEPCO area and designed to benefit from volatility when it comes.

We haven't seen much of that with warm weather, but when the winter comes and it does come occasionally and we'll see that again. We also have additional generation assets in solar area. I'll talk a little bit more about that later and a combined-cycle plant at Kalaoloa in Hawaii, an interesting case where this only combined-cycle in the island has

become more and more valuable as its optionality has more value in the marketplace with renewable penetration there.

So we used the word "diversity" and you've heard the fuel diversity piece and, you know, Ralph had a similar picture up before. The other thing I would comment on diversity is different plant types. That plant types are base load, mid-merit and peaking plants, although as the market is telling us those are morphing somewhat, where our mid-merit plants which were typically combined-cycle sometimes operate more like base load plants. In our peaking plants, we're outfitting them so they can operate more like mid-merit plants so, in fact, some of our peaking plants and capacity factors last year in the 20% range.

So the fossil fleet continues to perform well in a challenging environment. So what you see on the left there is availability factor, and that's just when the plants are available, not in any type of outage.

I mentioned before generation record we've set at BEC. We had also set one at Bergen 2, a plant that we had actually installed and operate in the previous year, so that was helpful to us.

Our combined-cycle EFORd rate, that is when you're supposed to be in the market and you're out for forced outage purposes, the lowest in the last five years. And our EFORp, that's the forced outage rate during peak periods, 0.17% last year. So the units are available when they are needed the most. That is more and more important as ISOs place more reliance on reliability moving forward.

You see our start success rate, peaking 99.7%. Our peaking plants were called on to run 4,650 times last year and net that call 99.7% of the time. And even our steam and coal units, which are older units, met about 93% of the time.

So nuclear is vital to New Jersey. As you heard Tammy talk about before, it provides 40% of the state's energy consumption, so critical to the state and to us. So a couple of things I would point out here -- about 3,700 megawatts total capacity that we own and/or operate. And all five of the stations that we have an ownership share have had their licenses renewed.

We refuel our units every spring and every fall. And the Peach Bottom units get refueled one unit each fall.

I will point out for the scheduled 2017 outages that we will be dealing with the Baffle Bolt issue on Salem in the spring of 2017, so we're expecting a similar sort of repair effort that we did on Unit 1 last year, and on Unit 1 in the fall are expected to just to be able to inspect and not to find any additional repairs that we need to do. We're in much better shape obviously for the -- knowing that those repairs are coming in the spring than we were last year when we found the issue when the outage was already underway.

So nuclear has not been standing still in the short-term recognizing the economic challenges that are out there and moving to become more efficient. And if you look at our controllable direct cost from the 2012 period through 2017, you see we've actually reduced cost almost 1.5%.

I would point out 2015 as you see an increase in O&M, that was only about our security force in-house, an important step for us because security has been growing at the fastest rate of any of our expenses in this category. So it was important to bring them in-house so that we can improve their performance and put in place many efficiencies that we thought we could. And, in fact, that process has started and it's as simple as being able to use technology for how we employ our security force.

It was not uncommon that essentially when you determine the security force aging is a three-dimensional chess board, and that's how you would play against your opponent in figuring out what the best strategy was. Obviously, day and age of technology, and computers and simulation and the like, we've been able to take advantage of that and start putting in place efficiencies in our security force and actually reduce the number as well and improving the performance.

We also see the material in cost reductions that have occurred over this period of time. And on the right-hand side, you can what there has been spent from a capital perspective. I would tell you that the 2014, '15 number is driven primarily by the Fukushima efforts that are behind those currently and '16 and '17 by the Baffle Bolt issue I previously discovered or talked about. Going forward, capital needs of the plant are about $100 million a year.

And I call this an umbrella that we have to operate on to help improve the cost structure of the nuclear plants as to delivering the nuclear promise initiative, taking industry-wide.

And what's helpful in this regard is it's an opportunity to learn from one another, leverage from one another and move the industry collectively together to make changes in our power plants along with the appropriate oversight of groups like INPO and our insurers to make sure that everything is still in the best interest of safety.

Not much different, quite frankly, than our industry did in the 90's when we had some economic challenges facing us and we are pulled together to putting in place efficiencies in our processes and the like. And essentially what's happened since that period of time, there was 9/11, some excitement about new nuclear plants and then Fukushima that, frankly, stalled those efforts. So this is going back and really examine what those best practices are, the efficiencies that we can put in place, and then quite frankly using technology that has been absent freely from a lot of what we've done for this point.

So I've also found that it has served as a security or as an opportunity to share best practices and security because there really was not a forum for that before. INPO, which serves as a board for sharing best practices does not have security under its umbrella, so

this opportunity has allowed the various operators to talk about what are the best practices there and start to employ those.

So you can see 46 efficiency bulletins issued to date from an industry perspective, you would hear $600 million of savings advertised. We have implemented 21 of them so far at our station. And in the last year, we reduced headcount by 185 people and in the corresponding reduction in O&M moving forward.

The important part is as we -- as we move out these inefficiencies, we are actually improving safety and its focus on it. And what's fundamental to this and the key learnings with 90's was really understanding why we do what we do and then engaging the workforce to make sure we're doing it in the most efficient fashion possible moving forward.

We would also tell you we have the support of the regulator here, too, as they're under similar mandates from Congress to improve their efficiency. And so I would say it's collaborative on that part, but the folks understand what we're doing and why we're needing to do it.

Despite those efforts in the improvements, as you heard Ralph say before, we're not currently earning our cost of capital in nuclear. So significantly, more needs to be done not only in the cost front but also on the market policy side that Tammy talked about earlier.

So from a Power perspective, we've been able to control our O&M also as much as to the nuclear. And you can see from 2012 to 2017, actually minus 0.3% for O&M growth. And there have been a number of activities that have allowed for this. It was -- some of it was as simple as let's take over the maintenance of our combined-cycle plants, a service that we had contracted out. We took that work in-house.

We then expanded it and we talked to our unions so that our union members from New Jersey could travel to other states and provide maintenance to the other plants that we own outside of the state. We've put in place maintenance in our monitoring and diagnostic center for our combined-cycle plants. So one of the reasons we're able to improve EFORp and the like is we are more closely monitoring key parameters at our operating plants.

This past year, we also put that in place for our nuclear plants, so now we have more [lifetime] monitoring of critical systems and components in our nuclear facilities. These items have saves us numerous plant trips and the like.

And those O&M savings aren't limited to just the [faults] of the nuclear folks, but in the energy resources and training operation, we've been able to take some technology improvements and process improvements and take three systems and replace that with just one, so that improves our cost accounting and bidding practices, and also allows us to be more efficient so that when we can take on with the Long Island work, we don't have

to add or let many more people to there because we have significant process improvement going on at the same time.

Likewise, we're getting help from our service company in the I.T. area, H.R. and the like. And as I heard Ralph talk about the finance coaches helping us with the pension and benefits and the like, so a significant effort. Enterprise-wise, it didn't just start last years and we are doing a good job controlling our expenses here. And you can see in 2017, this assumes that the staffing of the Keys facility, the staffing of the Sewaren facility and staffing of our retail operation.

So we are developing 1,800 megawatts of new efficient combined-cycle capacity, and you see the three states -- Maryland, New Jersey and Connecticut. In the case of Connecticut and New Jersey, it's replacing existing generation. In the case of Maryland, it is going to a new location that gets us closer to a load pocket and help us manage our bases with existing generation.

So a little bit on the Keys site. So if you look at the picture in the bottom right, you can see that construction is well under way there. This is a greenfield site, actually nice to work on in a lot of space and the like, a two by one natural gas plant, 755 megawatts.

So a construction is actually going well for us that one good thing about good weather is people can work in it. It doesn't do much for the other part of the business, but it helps this part quite a bit.

And you can see from a major milestone standpoint, essentially the engineering is complete. Major procurement is complete and all contracts are in place to be able to support the start-up in mid 2018. And so we are staffing the facility now.

And the interesting part about this and may be unique for our company relative to others is we're already a valuable member of the community in that area so our plant manager has knocked on doors, met many neighbors. We're funding a scholarship program for, you know, local folks to be able to work at the plant and that's all working well for us, so we're not seeing permit delays and the like, good cooperation from the people in that area and expect to be a viable member of that community for years to come. We have about 600 people working onsite currently on this project.

Sewaren 7, this is going to replace four of our older units. When I mean older units, about 65 years old in Sewaren area. In a load pocket in New Jersey, engineering is nearly complete here. Major procurements are done here, well out of the [ground]. And you can see the picture there and major components have been set in place. Construction is about 29% complete.

What you don't see here is we're actually doing construction of some of these pieces offsite in New York to help with the schedule and cost, so our HRSGs and air-cooled condensers were actually being built in New York, and we'll take them down the Hudson River to the site when they are needed here. We find that helpful because this site is not

quite as big as the Keys facility and it aided in construction. So we have about 400 plus workers on this plant site and another 100 in New York, putting those major components together for us. And then we put this unit and service in mid-2018, the other four units from Sewaren will retire.

And our last combined-cycle is the Bridgeport 5 plant, very, very similar to the Sewaren plant, in fact, is the contracts we're letting are essentially the same people that are building Sewaren for us. And we will also be doing offsite build of those major components in New York for this plant.

February 28th, we had the last hearing in pursuit of our air permit, non-adjudicatory so that means that essentially the [E.P.] in that area just needs to answer the questions that were provided by the public, which we don't see as an issue at all, and do expect to get the permit by April, and then we'll begin construction.

This has also have been a terrific example of how public outreach and being a member of the community was helpful because the people that were testifying for us for the most part were the local agencies and public officials and the like as they recognize the importance of this plant to the area and our contribution to their community.

So you saw this slide before, and I think you'll see it one more time so in case you don't see all the important facts on here, but our fleet has been transformed with an improvement in efficiency. And efficiency is important and vital as dispatch curves become flatter and flatter. Those that win are the ones that are more efficient and every bit of efficiency helps there.

So you can see the comparison from where we were in 2016 to where we expect to be in 2021. And from a generation standpoint what we actually plan to produce, so we're just about the same capacity, we expect to produce 18% more energy moving forward with the mix being fundamentally nuclear and gas and the coal contribution going down. And then 2021, that's the year where we'll retire Bridgeport Harbor 3, the last coal plan that we will operate, which will leave us just an ownership share in the Keystone and our Conemaugh facilities in the coal area going forward.

So here are the statistics of what this transformation looks like from an operational perspective. So combined-cycle heat rate, 3.5% improvement. O&M on a cents per KW, 10% improvement. Emissions that meet the requirements of the Clean Power Plant, in its current state and whatever might look like in the future, and in the bottom right, what you see is the average age of the fossil fleet.

So we tremendously improved the efficiency and lowered the average age of the fleets, which sets us up very well for the future for whatever that competitive environment may look like.

This is the capital picture as a result of that, and you can see obviously the large spend last year and this year in building these combined-cycle units and some spend in '18 as

we complete the Bridgeport Harbor facility. But in the end, we have $200 million run rate in power in the previous slideshow, 100 of that, and in nuclear operations, so 100 for remainder of fossil and trading and the like moving forward. Obviously, that enhances the cash flow and then provides cash for various investment opportunities in the whole enterprise.

So if I shift a little bit to the market area, we've talked about our location and access to Marcellus Shale and both a benefit and a curse for us -- curse for the lower price of electricity and impact on nuclear plants, but a blessing for the corporation and Power's combined-cycle plant. So you can see in 2010 we essentially [got] none of our gas from the Marcellus Shale to where just last year we got 90% of our gas needs from the Marcellus Shale area.

We have one of the largest procurement and trading gas operations in the country and you can see how much we produced or how much we procured last year of a 400 Bcf. Half of that goes to the utility customers and that reduction in price over the years has helped provide a lot of that headroom for the construction efforts that Ralph and his team talked about before.

So we got about 100 Bcf of that 400 for our own generation, and you can see 80% of that comes from Marcellus so that does give us some price advantage from our gas supply for our combined-cycle plants. And the remainder of that is a combination of our system sales and C&I customer use.

On the right-hand side, you can see what we've been talking about for some time, but which is finally starting to come to fruition. And we don't expect the Marcellus Shale to back off in production at all, but we do expect it to start going other places to kind of equalize the supply and demand mismatch that we have seen.

And so what you see just depicted here is a number of pipelines that are going out of the Marcellus Shale area to other areas where there's a higher priced gas. In all total, by 2018, that's about 20 Bcf a day. And this is where there are either certificates or construction actually happening, and about half of that we expect to occur by the end of 2017.

So what does that mean for prices going forward? So what you see on the left then is essentially the basis converging them between Henry Hub and Leidy prices, a trend that we think will continue into the future. And the result and increase in that has resulted in the change in the electric power prices and an improvement in the basis between P.S. and the Western Hub for PJM.

As you know, we don't leave our generation open and we would do a fair amount of hedging, and one of those big areas we hedge is through BGS. You can see it's about 11 terawatt hours or 20% of our expected generation. This past year we saw a reduction in price. Once again it's more headroom for the customers. As you heard Ralph described

before, the primary areas where the price drop was in capacity and the green charges with some uptick in the transmission charges slight decrease you can see in the energy prices.

We like this product for a number of different reasons, one of the full services requirement that suites the fleet that we have. It's good for liquidity and it matches our generation to load strategies so we can protect our base with this product. That said, if you were here, you know, probably five, six years ago, that was about 20 terawatt hours of generation. So as that load has been lost to others, we expect to get that back to the formation of our retail organization.

We do have licenses now in Pennsylvania and New Jersey for this operation. You can see in years three and five what we're expected to gain back, and we will be in a position actually the second quarter to be able to start our first sale for PSEG Energy Solutions, LLC.

We also hedge in other areas. Typically, we have two-thirds of our generation hedged over a three-year period, you know, 100% of our base load coming into a year and then two-thirds, one-third as we move forward. So what you see on this slide here is total volume for 2017. We have 80 % to 85% of that hedged at a hedge price of $46 a megawatt hour. We will be filling in 2018 and '19 as the year goes on to maintain these ratios. We do have a ratable hedge program. That said, we opportunistically do this and look for periods of volatility where we can lock in prices into the future.

Capacity market is also a good source of revenue for us, so couple of things I would point out here. Obviously, the high watermark that is 2018 and '19 or the capacity performance really hit the marketplace for the first time also incented some new generation, including our own Sewaren 7 plant. But fundamentally, we clear about 9,000 megawatts in each of the capacity auctions.

In the middle I've listed some of the parameters that will impact the upcoming auction. I'm not going to predict the price other than tell you some of those things help us and some of those things hurt us. And there's some big discussions, general things like the ConEd wheel, how that might impact this going forward is important.

The bottom of the slide shows the New England capacity market and just a reminder that for our Bridgeport Harbor 5, the auction price, which is locked in for seven years is the $231 per megawatt-day that you see in years '19 and '20.

So our solar business is essentially doubled in the last year, 17 plants, 13 states, and expect by the end of 2017 to have four more plants in operation. Our next steps there are not all that different in how I described our other operations, and that is how do we get the most out of these assets moving forward. So we are exploring several opportunities of things like doing our own maintenance on these plants like we do our own maintenance on our combined cycles or, you know, looking at the opportunities to pair them up with batteries and the like.

And so obviously it's a business that's growing at a good clip and we'll pursue this where we can. And when we have essentially power purchase agreements with credit-worthy counterparties, that will still be the mode that we operate under so that this contract of energy will provide during our earning stream for years to come.

So there are other sources that we make money. And I mentioned our gas supply business, this is BGSS where we saw wholesale provider to PSEG. You can see the contracts that we have for storage capacity and firm transportation. Essentially, we provide the PSEG customers first, usually our power plant second and off-system sales third. And for off-system sales we share a portion of that profitability with the utility, actually a large portion of that 75/25.

There are other ancillary services that our units provide -- black start, reactive power, area regulation; manage the LIPA fuel contract that you heard before. And I mentioned the Kalaeola investment. All told, these normally add up to about $250 million a year, in summer very plus or minus depending on winter, which has been the big impact. BGSS is important, but these other also provide a steady revenue stream for us for our business.

So going forward, you can see that we are in $514 million in operating earnings last year, and the guidance for 2017 is $435 million to $510 million, coming from the sources that I described on the previous stages.

So our value proposition is as simple as we have good assets in good locations that are highly efficient and are able to take advantage of whatever the market can give us. We have demonstrated this for the very beginning since our company was founded and recognize that we have a tough environment that we operate in. But with this kind of advantages we have, I think, we are well-positioned for the future and face whatever competition to bring us here.

I've mentioned the hedging program we do to protect it and the fact of the capital needs going forward also set us up pretty well for the future with the major investments really behind us at this point.

And with that, I'd like to brings Shahid up and we welcome to take any questions you might have.

Q&A

Praful Mehta - Hi, guys. I'm Praful Mehta from Citigroup. My question was on O&M and O&M expansion. Cutting cost seems to be a theme that many IPPs are going through right now and it sounds like on the generation side you're talking about that as well. But on slide 70 where you talk about O&M expense going down by adding 0.3%, I wanted to understand on a dollar per megawatt-hour or dollar per megawatt basis, how should we think about that? And also as you change your generation profile over time to becoming more natural gas generation at least with the new plants coming online, how do you expect that profile to move?

Bill Levis - When the combined-cycles go in place, there are actually improvement there for two reasons, one is there is increased generation and frankly fewer people needed to operate the plants.

So our Hudson and Mercer facilities employ about 200 people. Our Sewaren 1 through 4 plants employ about 50 people. The Sewaren 7 plant will employ 26 people as well the Keys facility and the Bridgeport Harbor. So those expenses will go down as those plants come into service.

I'd have to think about the math there, the power number. Since we kilowatt hour, I got to figure out my nuclear megawatt-hours and my fossil ones to get those numbers. But you saw the fossil side where there's a 10% reduction in O&M cost on a per kilowatt hour basis. We are a megawatt-hour basis going forward.

Praful Mehta - Got you. That's helpful. I didn't see that on slide 76 that shows the reduction.

Just another quick question follow-up on the CapEx side, on the maintenance CapEx. Run rate maintenance CapEx 2020, 2021, it's about $200 million. This is even after the new plants have come online, so the maintenance CapEx of the new plants is minimal effectively. Is that how I should think about that?

Bill Levis - Yes.

Praful Mehta - Thank you.

Paul Patterson - Paul Patterson, Glenrock Associates. On the nuclear side, you've mentioned in a couple of other people about the cost of capital. I was wondering could you tell us what the cost of capital is for the nuclear plants roughly speaking and how much of a subsidy you guys are perhaps projecting?

Also one of the slides in a previous presentation said that it would lower prices over the long-term or have a lower impact on prices, so I'm wondering whether or not that would be a one-for-one or how we should think about the level of subsidy that you guys are looking at to get your cost of capital and what that impact might be.

Bill Levis - You know, cost of capital is not a number that we would publish. It's something we use as our investment hurdle. But as Tammy described, if you saw the numbers that are being talked about in New York, in Illinois and the like, I think those numbers would be very helpful if we're able to achieve that same level in New Jersey.

Paul Patterson - Oh, Okay, so if you look at -- in that neighborhood. So the other thing is that what we saw in New York and Illinois was basically they waged the fight at the last moment. It does make sense obviously what you guys are saying to have these discussions and to obviously not wait until the last moment. But just seeing how politics sometimes unfolds, it seems that that seems to be something that happens.

When should we think about when the situation would begin to get critical for the new plants?

Bill Levis - We haven't set a timeframe, but we said time and time again as the current pathway is not sustainable so the challenge for Tammy and her team is let's create a crisis without creating a crisis…

Paul Patterson - Okay.

Bill Levis - …so that we can address sooner rather than later because there's a lot of good reasons to do that. One thing we forget is we 1,600 people working there, and I want their heads, minds and hearts working on making sure that plant runs well every day and not worry about that they're going to work tomorrow and not…

Paul Patterson - Okay. And then just plainly, the NEI has projected or made goals -- aspirational or not -- very substantial reductions in cost in operating nuclear plants. Could you address what you think of those goals and how they might apply to PEG?

Bill Levis - Yes, so the number you're referring to is a $3 billion reduction in total operating cost over three years. I would tell you I believe that they are achievable, and that was breaking down the cost into three buckets. That's the O&M cost, fuel cost and capital cost.

And as we meet monthly on this, in fact, our next meeting is on Monday to go where we are from a progress standpoint. Every day we find more opportunities here to save cost. That said, the 30%, I don't know if it's enough or not going forward. But if nothing else, it is a start. And I like to use the words "improve efficiency" instead of "reduce cost" because it helps send the right message to people is by improving efficiency, it will improve safety at the same time.

So one of the big initiatives, for example, this spring is we would -- we hire contractors for an outage, and there's a series of tests and exams and qualifications you have to undergo before you can get a badge. That was taking anywhere from three to five days. Well, the three to five days we're paying for are not getting productive work. That's millions of dollars.

So one of the initiatives here is, Okay, let's get these folks badged in 15 minutes, so they come to our sites and they get the work, millions of dollars of savings with just getting people to work sooner. There are a number of initiatives like that.

The security area, we found a number of different opportunities so that 185 number you saw, about one-third of that is a reduction and security force numbers that we've been able to achieve. And I think we're just seeing the starts of that. So it is important that we do this. Is it going to be enough? That still remains to be seen.

Jonathan Arnold - Jonathan Arnold, Deutsche Bank. In the slides on CapEx, it looks like versus the EEI deck, the $100 million for [Penn East] might not be there anymore. Can you speak about what the status of the project is and if I'm right about that?

Bill Levis - We can't add anything more than you read in the public on [Penn East].

Unidentified Audience Member - Hey, guys. Does potential policy moves in New Jersey impact, how you're going to hedge the nuclear fleet?

Bill Levis - As far -- the potential what?

Unidentified Audience Member - Policy moves as far as nuclear legislation, does it impact how you're going to hedge that fleet post 2019?

Bill Levis - Not currently, no. I mean, it will depend how things [shook out] there, but we're going to continue the hedge program as we have laid it out thus far.

Julien Dumoulin-Smith - It's Julien Dumoulin-Smith, UBS again. Just to follow-up in some of the conversation on nuclear, just to be very clear about it, it looks like the CapEx requirements to the nuclear business are kind of declining over time actually so I just wanted to be very clear about this. Given it may not meet necessarily your cost of capital hurdles, is there a point in time in which you'll need to see that CapEx step-up and make kind of a decision around investments? Is there some kind of generator investment or something like that out in the early 2020's that you are thinking about in making this decision, you know, yay or nay, for instance?

Bill Levis - Actually, there are not any big items out there. Most of those items are behind us, main power transformers, digital feed, voltage regulators if all investments have been made in the last half dozen year or so.

Steam generators replacement, if we recall, was done 2008, '09, so it's not like the steam generators waiting onsite that we're trying to make a decision on. So the capital needs in that $100 million is inclusive what we believe that we'll need in [10 years].

Julien Dumoulin-Smith - And then a further follow-up on the retail side, obviously you just talked about Pennsylvania, New Jersey. Why go the organic route versus the acquisitive route? One. And then secondly, how meaningful of a scaling are we talking about and how meaningful to overall margin composition? And maybe this is…

Bill Levis - I'll give Shahid a chance here.

Julien Dumoulin-Smith - Okay.

Shahid Malik - Yes. So thank you, Julien, for that question. A couple of things. Firstly, it's a defense play for us as opposed to an offensive. So in the grand scheme of things,

scale isn't really what we're looking in full. Typically, the retail companies make a lot of money when they scale up and nationwide. That's not the game we have here.

So, what is important to try and get, you know, good sales in our - in our footprint to these costs, we do expect that the integrated model that we have from generation and the customer will be satisfactory and raise our overall hedges and it would be in a different way of hedging. You know, as Bill showed on his slide, it's complimentary to our existing BGS.

Your second question was about why we're building organically rather than buying. We've looked at buying, and frankly, some of the prices that we've seen and some of the companies that have been available and books that have been available might have been wrong placed, wrong type of customer, wrong type of business for the business which all are built.

So, the way I'm thinking about it is, look, let's go ahead and get started. We will build out a good platform, bring in the systems and folks that we need, have a base. We believe that we can grow that organically ourselves, like we see some nice tuck-in acquisitions as we've talked about publicly. We'll look seriously at them and they'll be able to help increase our penetration in our chosen markets. So, it's not a one or the other. It's one for now and maybe we'll do some additional book tucking in as well.

Unidentified Audience Member - Just a quick clarification on that. It's predominantly C&I effort rather than a mass market?

Shahid Malik - That's correct. It's all C&I.

Unidentified Audience Member - It's all C&I.

Shahid Malik - At the time for now. Yes. And we'll be looking at gas as well.

Unidentified Audience Member - Great. Thank you.

Mike Weinstein - Hi. Mike Weinstein from Credit Suisse. Just a followup on Julien's question. What kind of retail margins do you expect to make on that, I mean, as part of that green bucket.

Shahid Malik - Yes. Great question. That's what my boss keeps asking me as well. Look, the - I think if you look at - and we haven't started selling yet. Plan is to start selling in the second quarter. If you look at what the competition is doing and the numbers that they're reporting. It's anywhere from $2 to $6 is the kind of price range depending on the size of the customer and the risk you take on.

Clearly, the larger the customer, the smaller that margin is, the smaller the customer, the higher that margin is. And as you increase and move into the residential space as plenty

of companies are, those risks for higher but margins are higher too. That's not a place we intend to go right now.

Mike Weinstein - And just to clarify, on the residential side, the rules - for BGS rules today prohibit you from participating in that market or no?

Shahid Malik - No. No, it's personal preference. We've decided for what we think are good reasons for now, change the residential space and start off from the C&I.

Unidentified Audience Member - Steve.

Shahid Malik - Hi, Steve.

Unidentified Audience Member - How are you doing? Just, could you maybe touch on the ConEd Wheel issue for this upcoming auction and just explain what it is, what - will it definitely get updated for the prior to the auction and potential impact on your key zones?

Shahid Malik - Yes. So, I'll talk publicly what's available publicly as opposed to some of the internal discussions that we've been having and you should recognize that PSEG's two entities as the regulated Utility which will have a lot of information that I'm not privy to and then there's a competitive business which we look at and which I managed to so I can talk quite a lot about the latter, not so much the former.

But generally, the ConEd Wheel was a mechanism whereby ConEd was able to bring Power into effectively PJM and then out again to supply the city through different Transmission lines. It's been in the business for many years and last year, ConEd gave notice that they would terminate that agreement for a variety of reasons. Principally related to cost. They felt that they had more cost-effective ways of getting the Power to their customers.

So, PJM and New York ISO and the two utilities, ConEd and PSE&G have engaged in discussions about what are the impacts and the implications of that Wheel. As we've come through the process, ConEd and the New York ISO have had one set of perspectives and we've had PSE&G and PJM have had [another set] of perspectives and they've been ongoing dialogue and that's still continuing between now, between those four entities.

And you probably saw that PJM announced its parameters for this upcoming auction last month. And in those parameters, they said that they expected some additional information to be forthcoming about what the impact of that wheel going away would mean to the import capability or one of the ways they describe it is the [CETO-CTEL] ratio which effectively is a way of defining the ability of a recent import and to export.

In the parameters that they put forward, there was some impact from this ConEd wheel going away. We, in PSEG and on the competitive side, we certainly think that there is

still some more impact to come. I'm not privy to what the Utility is saying, we're doing about it, but we do know that there's actually discussions going on.

And Tammy or Ralph, if you want to comment on that, that's pretty much what - what we're able to share right now.

Kathleen Lally - I'm going to ask that we hold off on any other questions until the end of the morning, after Dan's presentation. Thank you.

presentation
Dan Cregg - All right. Good morning, everybody. I'll close things out today. I'll pull together an overall financial picture for the company and kind of tie together a lot of the things that you've heard this morning and put them all in one place financially. And I think you'll walk away with an understanding that we're well positioned for the continued investments that we've talked about. It will enhance the quality service that we have that our customers deserve and kind of expected at this point and be able to grow business results and provide an opportunity to grow the dividend that we talked an awful lot about with you all.

If I take a look at the first slide, slide 90. So, looking back at 2016, we reported operating earnings with $2.90. It's midpoint of our original guidance, the upper end of our revised guidance and a lot of great work done as we went through the year especially towards the end of the year to get to get to that point. Once again, we increased our regulated contributions to those earnings in 2016 to 60%.

We successfully executed our investment program 2016. It was the highest investment, capital investment that we had made as a company. Over $4 billion in infrastructure to benefit our customers both on the Transmission side and on distribution and in generation. And continue to generate significant cash flow and that's on both sides of the business and I'll show you some sources and uses later in both sides of the business, very strong cash generators which will help fund some of the future opportunities that we have without the need to issue any equity.

And then lastly, the dividend in 2016. We grew the dividend by $0.08, so just over 5%. And earlier this year, with our announcement of another $0.08, we're just under 5% as to what we're doing in 2017, bringing the dividend from a $1.64 to a $1.72 indicative rate.

So, on this next slide, we show a story basically of delivering our commitments. This shows back five years. Ralph Izzo talked a bit earlier about a 10-year story and if the earnings guidance that we provided at the beginning of the year and essentially how we have delivered on that guidance and we've consistently met or exceeded that guidance operating the business well, managing it efficiently, identifying and executing on our investment plans. And frankly, we've done so through some fairly turbulent times.

And 2016, really no exception there if you think about the winter that we had and extremely mild weather. It was the fifth mildest winter on record in New Jersey. We

saw a fairly challenging market environment as well and some unusual events at Salem that we worked our way through, I think, extremely efficiently and we identify the challenges in front of us and ways to overcome them and ultimately found ways to work more efficiently and O&M Power was a big part of how we got through this past yearend and we are very pleased to say that we were able to deliver on our commitments again.

And, so you saw the left side of this slide earlier today when Ralph showed it. It's basically the earnings breakdown by business and the continuing shift in business between PSE&G and Power and it's very consistent with the investment message that we talked about. Ralph showed the - Ralph LaRossa showed our overall service area at the Utility. And, really, the growth we have had is from growth in infrastructure and the increases that you see at the Utility, really, are aided by a contemporaneous recovery mechanism through our formula rate and the cost mechanisms that we have on the distribution side of the business as well.

We get the improvements that we have had in resiliency and the good results that we showed and the five-year 11% CAGR from operating earnings that Ralph LaRossa mentioned earlier today. And as we move from '16 into '17, Utility was showing 8.5% increase to the midpoint of that guidance range that Ralph laid out.

And you also see throughout this period, really, considerable earnings, contributions from Power which contributed $514 million last year in the midst of those challenging market conditions that I've talked about.

So, the aggregate makeup that you can see, the percentages, inside the bar is 43% in 2012 growing to 66% in 2017, all that part of our earnings guidance of $2.80 to $3 in 2017.

From the Utility side, the driving behind those increase in contributions comes from the growth in rate base. And this is a slide that we have shown you in the past, very similar layout, provides a build through time of our rate base from our current levels, $15.2 billion at the end of '16 and it rolls through to where we see ourselves at the end of our 2021 five-year business planning period.

So, if you - if you start by looking at 2016, the split of distribution and Transmission, we're currently about 44% Transmission. So, when Tammy or Ralph LaRossa talked a little bit about our upcoming rate case, really, that's applying to roughly half of the business as the Transmission part of the business, obviously, has a different regulatory regime.

Moving through 2019, the first three years that we talked about where we have a 9% CAGR in our rate base growth both on the Transmission and distribution sides of the business to aggregate as to $19.6 billion in total rate base and Transmission will grow from 44% to 47% of that total rate base. And then extending out to 2021, continued investment brings us to $21.6 billion estimated rate base at that point in time.

And with a little bit less visibility, we've talked a little bit about that and I'll show some numbers as well as to how we grow that overtime. You see a moderate decline so we have the 7% CAGR as you start in 2016 and run through the 2021 time period.

And then we've also captured the additional potential capital spend that both Ralph talked about a little bit earlier, that could bring us up to $22.9 billion. That would have restored us over the five-year period to a 9% per year rate base growth. And again, as we've talked about, that would expand the GSMP program another $100 million a year and also add on the ESM period, the extension of the Energy Strong programs, that's in th e works, but again, not part of our baseline plan.

And then beyond that, we talked a little bit about some of the things that are on the drawing board, a little further out and that's what I referenced on the far right side of the slide, the Utility of the future spend that we've been thinking about. And the way we think about that is the ability to continue to be within that kind of a rate of growth to 7% and 9% out for the foreseeable future for the next five years or so.

So, bottom line, a lot of line of sight into continued growth to enhance reliability and resiliency of the system and the ability to pay for it.

On the Power side of the business, really, it's all about operational excellence and you heard Bill talk a lot about that. It's for being ready when the market calls, it's for delivering when a market calls and putting in place a hedging program to solidify some of those results.

So, we show on the left side of the slide is our energy produced in 2016, a little over 51 terawatt hours. Mostly from nuclear and combined cycle and that will grow overtime, closing to about 60 terawatt hours by the time we get out to 2019.

And then below that on the capacity side, having over 90% of our capacity in PJM and New York - New England, rather, where there is a three-year forward capacity market, it helps solidify the overall margin that we can count on on those periods as well. So, you take those two - the three-year hedging program and the three-year full year capacity market and net-net, if you look at where we are from the gross margin perspective over the next three years is about 55% to 60% of that grows margin that has been secured through those two mechanisms.

So, provides a fairly solid financial base and very strong cash flow coming out of the Power business with good line of sight as to what that amounts are.

And then the rate base growth at the Utility and the improved efficiency at Power really are all supported by the capital program that we have and this is a built, kind of like the rate-base slide that we show but it's capital in the aggregate across enterprise for the $15 billion capital program that we have.

It starts with our baseline capital for the five years and then shows some incremental opportunities as you move from left to right. So, we start with some maintenance capital and if you take a look over the five-year period, Power runs at a moderate run-rate of capital. Bill gave an indication to that number about $200 million a year, basically, just taking care of the existing fleets such as it is.

And then at the Utility, $2.9 billion over those same five years of maintenance capital. Really, the way to think about that is it's spending basically at depreciation levels. So, your rate base is moving along, your rate base goes year-to-year and depreciates to the extent that you're restoring that rate base up to its original balance. You have maintenance capital but you're not actually growing the aggregate rate base. You're just keeping it to where it was.

Following in the center of the page, beyond that, there's $10.9 billion of identified growth capital and the lion share of that as we've been talking about, those come from the Utility, it's about three quarters of the utilities, overall spending during the five-year period and it consist of transmission, about two-thirds of the total but also on the distribution side, some new business spending. So, when we have either somebody new coming into the territory or, frankly, somebody moving within the territory, there's spend to connect them. And that all goes into a new business component which is incremental to the depreciation spend. As is the completing of the Energy Strong program and the extension out of the gas system modernization program.

At Power spending, on the growth base, it's really is Keys, Sewaren and Bridgeport. And beyond that, it drops off and I'll show you another slide on that which gives you an indication as to what that means for availability of free cash flow.

So, total PSE&G is about 82% of total capital spend and 86% of the growth capital and we've identified and are pursuing an extra 1.5 billion of investment at the Utility. Again, really, what that amounts to is the ESMP expansion of Energy Strong, $250 million to $300 million a year that aggregates to $800 million that we talked about.

GSMP for 2019, 2020, 2021, more of it. So, you could bring yourself from $300 million up to $400 million. And then extension of energy efficiency programs and a little bit of renewables that could get you another $400 million.

So, the expansions and extensions, the expansions and extensions Utility of the future that we've talked about, really, that’s indicative by the nature of the system and the nature of our planning process. The age of our system is such that it's got a pretty healthy appetite for capital. We plan what we know and then we identify things overtime and Ralph walked you through, I think, a really good example just looking at 2017.

And what I do here, as we stepped through time, I also just gave that little bit of an example as to what the last three years have looked like from a period three years earlier than the end of that year. So, starting on the left side using 2014 as an example, we have

planned in 2011 that our 2014 spend was going to be $2.1 billion and what we got to the end of 2014, we had spent $2.8 billion.

So, that's based upon the types of things that we've been talking about to, quote-unquote, fill in the back of our capital plan as investments could identify through time. Same in the middle of the page. If you look at 2015, capital $3.9 billion, three years earlier in 2012, we had anticipated that would be a $1.5 billion. So, as we stepped through time, that was the magnitude of the growth.

And then just year, if you look at what 2013's forecast of 2016 was going to be - it was $2 billion and when we finish the year, we were in excess of $4 billion. So, again, it's just an example of how we have planned for what we know, how we have identified investments to make during the intermittent periods between the original forecast and we stepped through time, to a higher balance. And then this really just shows you components of two slides, you had seen earlier in the day.

It's the capital plan and Power on the left and the Utility on the right. But as we look at these, we look at maybe two slightly different situations. And what I mean by that is a Power, if you'd take a look at where we are, the three new combined cycle facilities, really dominates that picture. It's all of the orange section of those bars and it rolls through 2019 where we would complete Bridgeport Harbor.

And beyond that, the growth capital that we see at Power in 2020 and 2021, really are negligible. So, the beneficiary of the reduction of all that capital is free cash flow at enterprise. On the right-hand side, let's take a look at the Utility, $3.4 billion of spend is anticipated in 2017 which together with Power spend will, once again, be the highest amount of capital that we have spend.

And then you see a decline with the reduction in our known projects. But, again, if history is any indication, in that five-year period, we will find opportunities to build that backup either from the shaded area that you see on top for the program extensions and expansions that we've talked about on the last slide or the utilities of the future items such as AMI and some of the other things that we talked about earlier.

So, certainly, opportunity to grow the business and I would say that we would tend to have a higher confidence in the left side of this page, that that's what's it going to look like when all said and done than we would on the right side. So, most of that growth that we showed from '11 to '14, 2011 to 2014, and over to both in the slide that I just showed and in what Ralph showed earlier in 2017 is growth related to the Utility part of the business.

And what that ends up looking like from sources and uses perspective is shown here. We show the five-year sources and uses. Maybe start bottom left. You can see in the green section, you have powers cash from us which has been strong overtime, remain strong. And then the bottom right, you can see Power's overall five-year capital program. So, the

maintenance investment is back on top. You see the growth investment. So, a lot of free cash flow as the growth program declines that will become available to enterprise.

If I go back to the left-hand side and higher up, you can see the utilities cash from ops which, in its own right, is extremely strong and frankly continues to grow as we invest in the business. We've talked about a contemporaneous return mechanism at the transmission and the clause mechanisms on the distribution side. So, that growth investment that you see on the right side has a feedback moved over in to the utilities cash from ops on the left-hand side.

So, again, Utility is where we talked a lot about Power's cash flow generation but the Utility, on its own right, a very strong generator of cash from ops that uses within its own business as well.

And the remainder of what you see here, change in debt at the Utility. We try to keep a regulated cap structure at the Utility a little over 51% equity. So, to the extent that we're investing there, we match those investments and keep that regulated cap structure in place. And at a very modest parent that is removed through the five years. And then on the upper right-hand side, the very important dividend payment.

So, again, the $15 billion capital program worked its way through here and all funded without any incremental equity.

And then the sources and users flows into our credit stats and we show a slide related to that here that gets us to the standpoint of what we have from an investment capacity. We're showing you from 2017 to 2019 based upon the fact that we have FFO here and we have more known results, as I've talked about at Power especially related for the next few years. And across the board, if you take a look at Power, our credit position remains extremely strong. Our average FFO to debt is well above what we consider a minimum threshold of 30% and we keep that threshold based upon what our investment grade rating is.

And it stays fairly steady across those years at a 40% FFO to debt amount. And then if the parent, the threshold minimum, really, is dependent upon the mix of the business but we call it in here, the minimum threshold of high teens, we think about that as 18%, 19% or so.

So, the minimum threshold is shown on the bottom left and then above that, you have the estimate of where we think we're going to be over the next three years. And the excess of where we think we're going to be versus what we have as a minimum threshold really becomes our excess investment capacity and you can see that on the right-hand side of the page. So, it aggregates to around $3 billion and more likely than not, based upon what we have told you about today and the way the direction of the business has gone, more of that would go to the Utility than not.

So, stepping back and thinking about that Utility cap structure and thing about a roughly 50/50, it's a little bit more equity within the regulated cap structure. The funds available here that would go into the Utility would go in as equity and then that would be matched with Utility debt. So, if there's $3 billion here and every dollar of it were to be used at the Utility and it we're to be matched with that at the Utility, that would imply $6 billion available investment capacity at enterprise to be used at the Utility without any incremental equity, to the extent that Power used its own investment capacity on a - on an asset acquisition and basically the remaining two or so billion dollars that you see. If the parent would move over, and it would be matched with debt to get to about $4 billion.

So, considerable drive pattern to be used for the investment opportunities that we talked about earlier today.

I'll shift over briefly related to pension and OPEB and we are in very good shape here. Pension is very well-funded. We ended the year with a funded ratio of about 90% and if you think about what we have done and how we have managed the pension funds over the last five years, our returns have exceeded 10%. So, the upshot of that is that the asset side of the equation is well funded, no cash contributions are needed from - as we look forward into our five-year planning horizon.

And we mentioned on the earnings call a couple weeks back that we had done a merger of our pension plan. So, we had a couple of different plans, somewhere our more senior associates and some where some of it, more recent associates to the company. We merged those plans together into a one plan for simplicity of administration. The benefits are unchanged for any of the participants that are in the plan but by pulling those three plans together, it did streamline the administration.

But it had another effect as well and when you aggregated all the plans together, we have an unamortized gain or loss balance that gets amortized over the remaining service life of the employees. And we had a shift between the average service life in some of the plans versus other and the unamortized balance in one plan versus the other. And when you pull them together, you essentially extended, the active service life remaining which extended the amortization period.

So, our unamortized losses will be amortized over a longer period of time which does provide a benefit to about $48 million this year and that amount is not a one-year event. It will continue through time but we'll start to moderate somewhat because whatever wasn't amortized this year will need to be amortized into the future.

So, benefits into the future from that as well, net-net as we look at this year versus last year, about a $22 million decline in pension and OPEB.

And that pension falls in to our O&M. O&M control is a hugely important part of what we do on a day-to-day basis. You've heard Bill talk about it, you've heard Ralph talk about it. It's not a program, it's really a mindset in how we run the business.

One brief stop in, if you take a look at what we show on the page here on transmission, it shows a 5.6% increase. Really, in addition to some tree trimming that Ralph talked about there as well, some of that is part of the nature of the work that we're doing at transmission and by sometimes removing the old equipment that goes to O&M as opposed to capital and with so much capital going on, that does have a bigger impact on the O&M. It is, by no means, a sign of inefficiency. It's just the nature of the work and it does get recovered through the formula rate.

So, you see a higher percentage there than in some of the areas which should not be alarming. But, really, just what you see here from 2012 being flat all the way through the 2019, I think is a credit to the discipline of the employees that we have and how much importance we put on managing the business sufficiently.

And then, a quick walk through on tax reform, a lot of talk had been had about tax reform and Washington is extremely early within this process, details are really not known but concepts are and I think the concepts are big enough that its drawing the attention that it's gotten.

We do feel like we're well-positioned. I think we feel like we're well-positioned given the contribution that we get to the business from Power as well as strength of balance sheet.

Utility side of the business, we kind of layer out here are some of the key elements that are involved in the discussions thus far. Stepping quickly through the Utility, the reduction and the tax rate, obviously, would pass through to customer and we would also have access to deferred taxes. So, depending upon what they bring the rate to, our existing balance of deferred taxes would no longer be needed in the magnitude that it's there and that would go back to ratepayers over some as unknown today, some period of time. If you think about our balance sheet strength, if you feel like we have a very comfortable ability to pass those back and the access deferred, if you assume a 20% rate, you're on the order of $2 billion. So, we will wait to see what comes of that from the standpoint of timeframe to pass back.

Expensing a capital would reduce customer bills and one way to think about the effects, it would look a lot like the existing 50% bonus depreciation, right? So, if you had 50% of 35%, instead of 100% at 20%, you'd have a number that look pretty much the same although it would be on a more permanent basis.

And then we do have a rate case that we will be going in for on November 1st, we don’t know what we'll know by that time but to the extent that we do know what's going on, these factors, including interest deductibility and the impact on the bills, to the extent that we know something at that point would be layered in to that rate case.

At Power rate reductions, we would retain them. There's no regulatory agency to go back to that helps our after tax earnings in cash flow and that same excess deferred balance

that we talked about would be retained, it would be a one-time noncash benefit to Power, again, at a 20% rate around $700 million or so, noncash. It would become cash as we step through time and those timing differences will roll back to the benefit of the company.

With such low levels of debt, the interest expense impact will be moderate to us versus our peer, both at Power and the parent company. And we also paid fairly low property taxes in New Jersey for those residents of New Jersey, that's a little different for what we see individually and what we see on the Power side of the business. I think, if you think about it from an overall standpoint compared to peers, it's on the lower end. So, to the extent that that's in play, I think, on a relative basis, we're pretty well [served].

And then we are at risk of a Border Adjustment Tax on nuclear fuels about a $200 million a year spend. It's a fairly complicated way that the nuclear fuel comes to us from uranium and conversion enrichment fabrication, so some of that is to be determined as to how it would be implemented.

I think on the earnings call, we said a little more than half would be foreign-based. If I put a finer point on that number, it's probably closer to three-quarter of the aggregate amount in nuclear fuel. But again, a lot to be determined as to how that would be calculated.

And, frankly, another thing that I haven't heard discussion about and it probably will come down the road is transition rules, so how these major changes to the tax code, where they land on them, is going to be important but how they get transition then, I then, I think is going to be equally important and is equally unknown right now.

So, a lot of uncertainty, but I think for some of the macro concepts that we see here, I think we're in pretty good stead.

And then we'll take a look at the dividend here and, you know, we've said that for a long time and we've acted on it for a long time that the opportunity for meaningful and sustained growth in the dividend is here for the company and we have delivered upon that. You see a 3.9% increase in the dividend on a CAGR from 2011 through 2017 and, I mean, we take this commitment to our shareholders, really, as important as reliability in services we do on an everyday basis. We understand the importance of the dividend to our shareholders.

In fact, we were here on Friday afternoon recognizing 110 years of consecutive years of paying a dividend by the company. We are honored with the ability to ring the closing bell on the exchange. The stock exchange was great. The event was extremely well run. We thank the exchange for that. And with just, again, last month, we were pleased to bump up another 5%, another $0.08 on the dividend.

So, as we do go forward, we take a look and what this graph shows you is it compares out dividend at enterprise to the earnings of PSE&G and shows that we can cover the

enterprise dividend with the earnings at PSE&G. That's not a formula, that's not how it is determined. We so all those factors but we do take some comfort from the fact that that part of the business is able to cover the dividend and it gives us a good ability to say that we have the opportunity for meaningful, sustainable growth in the dividend going forward.

And then lastly, just a couple of quick looks at earnings sensitivities and Power on top and the Utility on the Utility on the bottom, you see some of the numbers increase as you step through time that's purely a function of our hedging program.

So, baseload generation, really hedged in 2017, not much of an impact of the change in gas prices, could be some market nuances but we're hedged in 2017 and then as you step through time, wed be more open and more subject to moves in gas prices.

Sparks as well. A little bit of volume locked up in 2017 and then as you step through time, you can see a bigger impact both from more the Sparks being open and having more facilities online as we step into 2018 and 2019. And then moderate impacts on dark spreads and nuclear capacity factor.

Maybe on the PSE&G side, again, similar to what we have shown in the past with one exception. If you take a look at the bottom two rows which shows any kind of a delta in the distribution or transmission ROE numbers, those numbers are a little bit bigger. They were - they kind of cascaded from a $0.01 to $0.02 last year, that's purely a function of growth and rate base.

So, if a change in ROE is going to be what your rate base is times your ROE, you're going to see a bigger effect as you step through time and as you have more rate base. So, we probably had some pennies that are on a heavy side last year. We have some $0.02 that are on the lighter side and as you step through to 2019, you got a good round, $0.02 per share for a 20 BP change in the ROE. So, just a little bit of sensitivities for you to take a look at there.

So, in summary, if you take a look at 2016, we delivered on our original and revised earnings commitments. We have a more regulated profile into 2017. The capital program is going to grow the Utility. It's going to make Power more efficient and in the end of the plan, have Power with a more free cash flow.

We do have our eyes on the opportunity for continued growth in the business that's going to help our customers as well and the prospects for our dividend growth remain strong.

So, with that, I think Ralph is going to come up. We'll be happy to answer some questions.

Q&A

Chris Turner - Good morning. Chris Turner, JPMorgan. Regarding your comment on FFO to debt at Power. I think you said it was going to be consistent at about 40% for the

next couple of years. Could you tell us the exact kind of timeframe underlying that the other assumptions that might be moving around within calculation and if there's anything on the sources and uses slide that we might be missing that's embedded in that as well in terms of flows up or down?

Dan Cregg - Yes. So, I provided the numbers that were there. Maybe the way to think about it is some of the sensitivities that we show, most of those would be purely impactful to cash flow. Our debt balances are fairly steady at Power as you step through the '17, '18, '19 timeframe. So, with a fairly steady 40% FFO to debt, that can give you some indication on that front.

Sources and uses, I think the pieces that we showed there, there was nothing that was missing. You have all the elements across the five years. S,o I don't know that I have a whole lot more to add other than what we've shown.

Praful Mehta - Hi. Prahful Mehta from Citi. So, firstly on ZECS or whatever support you're looking for for the nuclear assets. Given that support, you're still going to look for legislative most like at the state level. I'm assuming it will put the restriction from a strategic perspective if you're looking to do something around what the generation business if you would, let's say, try to spin or something else, it's probably better to keep it at a consolidate business level to try and achieve some of those legislative objectives. Is that a fair way to think about it or no?

Ralph Izzo - I don't think so. I mean, the case we would make at the federal level and at the state level would be that those assets are important to customers and to society in general. We, as a for-profit investor-owned entity are going to keep and operate assets that are returning their cost of capital and retire assets much like we did our FP4 engines and our HEDD units and Hudson and Mercer when they don't achieve their capital.

So, whether one's operating it or somebody else is operating it or some reincarnation of us is operating it, I think the owner is going to make an economic choice. The policy implications are for someone else to make and I don't think they would care as long as they know that they're being well managed, who the owner or operator is. But we haven't gotten to any kind of conversation like that.

Praful Mehta - Got you, but your scale does not, you think, give any benefit that a smaller IPP probably struggles to get the same voice?

Ralph Izzo - No, because it's the same amount of air emissions, it's the same number of jobs, it's the same impact on the market from a supply and demand point of view. I mean, I'd like to think from your question that maybe we have a higher degree of credibility and people will believe us when we say, you know, we're trying our best to keep them operating and when we say Uncle, that they will believe that as opposed to, perhaps, how's some others might behave and if that's the case, that's great. But I think the assets speak for themselves regardless of who has the title to them.

Praful Mehta - And secondly, in terms of the cost of capital point, I just wanted to understand, if the goal is to try and get some subsidy or whatever else, right, that gives the 16.50 cost of carbon calculation, if you get that level, would you be exceeding your cost of capital requirement? And in that case, are you getting subsidized all in above what your cost of capital requirement is?

Ralph Izzo - We're not looking here to get any kind of unfair handout or be greedy. What I'd love to see is just the market pay for the attributes that these plans possess that so many documents that we value, right, whether it's the state energy master plan, whether it's comments made by federal regulators and we've talked to policymakers about, hey, just put a need to test them there and we're not - we're not trying to pull a wool over anybody's eyes, I'm just telling you that it's not a difficult decision for us as a company to retire the assets if they're not achieving their cost of capital.

But if there are broader implications of that, we all ought to make sure we do that with eyes wide open. So, put a needs in there. And that's absolutely fine whatever the mechanism is to continue your support.

Praful Mehta - Thanks so much. Just a quick followup, on the incremental capacity, in terms of financing capacity, is there any intent by the signal of holding company leverage, is there a goal - a target level of holding company debt that you would like to have to kind of support that investment that you put in equity down at the Utility level?

Dan Cregg - No, I mean, we're going to support the business needs and we're going to make the capital opportunity - make the capital investments where we see opportunities to get a good return so there's not a target for saying no.

Andy Levi - Hi. It's Andy Levi from Avon Capital. Just a couple of questions. Maybe just focusing on the balance sheet first. Where do you see the equity ratio at parent growing by '19, '20, as a kind of mid to high mid 50s?

Dan Cregg - Yes. It would be - it would be kind of low to mid 50s. that's right.

Andy Levi - Low to mid 50s at the parent or would it be --

Dan Cregg - Across Enterprise.

Andy Levi - Across Enterprise. So, it'd be like 55 or lower? Is that where you're trying to --

Dan Cregg - Yes.

Andy Levi - Okay. I thought it was maybe a little higher, though. But even at 55%, just wondering kind of to thinking, I guess, just as far as modelling, Ralph, just either we put that capacity to work whether it's at the Utility or a Power or we, at the very least, because the balance sheet is in good shape, if we don't have the investments maybe to

plug in and we buy back stock and then kind of take the buyback out when the capital comes, is that kind of the way to look at it?

Dan Cregg - Yes. So, we've talked for quite some time and it hasn't changed. We have three priorities. Reinvesting the business, providing a little bit of the cushion for that sustain and consistent growth from the dividend, and lastly, and the third priority would be the buyback to the --

Part of the reason why we asked Ralph to show some of the blue sky thinking that we do is just to give you an assurance that we don't run out of ideas for things that are of value to the customer that's been articulated by policymakers so they're important in terms of ways to use their balance sheet.

Andy Levi - And then, just back to kind of the whole legislation possibilities in New Jersey. So, if you kind of look at what's going on at Connecticut, which, obviously, is a much different state, Dominion is actually making money on their plans, maybe not as much as they used to but one of the things that's kind of holding back my opinion, and legislation's (technical difficulty) lack of willingness to open up their books and show kind of what they're making or what they're not making and probably that's maybe one of the main reasons, it doesn't get past, in my opinion.

But in your case, I think you've articulated in the past that basically, the money that you're putting in to the nukes are earning a very low single-digit return which doesn't justify continuing to put hundreds of millions of dollars over a period of time into those plants. But are you also willing to open your books and kind of demonstrate to the --

Ralph Izzo - Yes. So, it depends on the definition of open because we all have different perspectives on that but I personally went through an exercise -- and had Dan check my arithmetic and I almost got it right -- where I took out 10-K and you can very easily, from the information in there, calculate what the current year equity returns are on our nuclear plants in the aggregate right now in a plant by plant basis.

So, I think we would love to walk people through that calculation, explain it better to them if they need that kind of help. But for competitive reasons, we're not going to go through what our day-to-day-ahead bidding strategy is in things of that nature. But it would be sort of annualized numbers of opening the books. That would be absolutely fine.

Julien Dumoulin-Smith - Guys, back here. Julien, UBS, again. Let me take that conversation at cost of capital on individual nukes and bring it out back to the Power level and talk with you about, I supposed, the other - the bigger strategic question of the business congruent, one against the other. Does this greater focus and conversation on cost of capital shift your thinking and when and how?

Ralph Izzo - No, not in the least, Julien. I mean, our thinking on that hasn't changed. You know, the conversation for this is so often, I've actually once gone back to my notes

when I was vice president of strategy and we were asking ourselves in 1998 whether or not to stay integrated or not in the grid.

So, we talked about this at the board level all the time. In fact, you know, the tactical reasons we've talked in the past is staying that the cashflow generation, the ability to move people around, the sharing of expense, the synergy on the bill, the offsetting effect on the customer bill, all those remains front and center in terms of good tactical reasons to stay together.

Right now, what I'd like to do is just make sure we get the portfolio in really good shape, By that, I mean, let's make sure that we treat the 200 people at Hudson and Mercer well, let's make sure the policy makers have open eyes on what the future for nuclear may look like if current forward-prices are realized but no change in our strategic thinking about the longer term value of Power and what it might mean to staying integrated or separate.

Julien Dumoulin-Smith - And perhaps just as a follow-up over that, you know, obviously, you guys have tax capacity in comparison or contrast to your peers, have you thought about scaling up some of the tax absorbing renewable tax credit solar investments that you have?

Ralph Izzo - Yes. So, we have. I'll let Dan talk about the tax appetite because I know it varies from year to year and there are some things we're bumping into.

Dan Cregg - Yes, I mean, I think I've said recently that we're going to be out for a year and then we kind of work our way back to a positive position but it'd be close. I think that the other thing to think about is you got a pretty dynamic situation from an overall tax perspective that's in front of you. So, I think that some of that needs to work its way through before you add any kind of a major strategic shift to understand what the tax landscape was if it was based upon the tax landscape.

Julien Dumoulin-Smith - All right.

Michael Lapides - Ralph, Dan, Michael Lapides of Goldman. On emerging Power markets in general, do the economic signals you're seeing, do they imply new build economics or in a return that's above a cost of capital for new combined cycles? In the market in general and I know your Bridgeport unit is very different because it's got the seven-year lock, that I totally get, we're just - we keep seeing announcements of new builds, we keep seeing new builds happening, whether in Pennsylvania, whether in Ohio, we see assets by private companies, we see assets by public companies who might be cannibalizing themselves, I'm just trying to get your broader view of the economics of new Power generation in the - in the eastern Power markets.

Ralph Izzo - Well, I guess the fact that we said - probably within 24 hours after announcing Bridgeport that we were not going to build any additional supply, might give you some pretty clear understanding of where we think the markets are right now in

terms of the supply. Asia, three projects have some - that where involvement has some unique aspects that we continue to test and they come out positively from that test.

Having said that, we have no plans, as I've said now, for probably a better part of a year and a half to introduce - to introduce additional supply, we think the markets - in Eastern MAC, for example, last RPM auction, no new capacity cleared. I think we've seen some slight compression in Spark spreads. So, if you - if the two components of any investment or energy and capacity and last year's capacity price was insufficient and Sparks have compressed further, if you're going to build new supply that would suggest to me that you think that'd be a significant change in capacity process.

We're not gamblers. So, we won't be - we won't be adding to that mix. So, I guess, my thesis would be if you're a rational investor, new supply, above and beyond certain special situations, it don't make sense, we don't have any more of those special situations but I can't speak for others.

Dan Cregg - We'll find that a little bit more in May.

Leslie Rich - Leslie Rich, JPMorgan Asset Management. I'm sorry if you've already said this but looking ahead to after Hudson and Mercer are closed, what happens to your O&M Power in '18? Like how big a drag are those units?

Dan Cregg - Yes, I think we have said earlier that there was about a $50 million O&M in total now in '17. We're still operating for a chunk of the year so some of that will sustain and as Bill referenced in some of his comments, the increments that will come in in part because of retail, in part for some training and readiness for Keys and Sewaren and then as you step into '19, for Bridgeport, you will see some moderations. So, you don't see a full step change for that amount for a couple of reasons, partial operation, retail and then combined cycle coming in but the combined cycle will come in with some margin that will upset. So, I think those are the pieces that make of that lesson.

Kathleen Lally - Okay. I think that's the last questions. So, Ralph, you have any --

Ralph Izzo - So, you know, hopefully - excuse me, the key takeaway today is that we have some real opportunities looking at us as we move ahead. So, I love working with this group because as soon as we try to give you some insights into a more generic thinking, you immediately want us to fill in some of the cells in the spreadsheet with some precise numbers and that wasn't what we intended to do today with the 10-year outlook that Ralph painted for you.

But that 10-year outlook doesn't include converting the grid and so superconducting cables, it doesn't include taking the overheard system, putting it underground. These are real opportunities, right, these are 80-year-old substations. These are technologies that have been deployed widely in other parts of the country be it AMI or enhanced [data] opportunities.

And really, the opportunity set isn't the limiting factor. The balance sheet isn't the limiting factor. The regulatory relationship isn't the limiting factor. The limiting factor that we will pay attention to is the customer bill. And that was - that was the main reason for giving you the kind of expanded beyond the five-year horizon view.

The other thing I hope that you - that you took away from today is that there had been some talk in times past that there might be a strategic shift with the construction of three Power plants and we've - what we said when we announced the third Power plant was, no, we don't intend to build their supply and now we're showing a capital program that matches that and you see, actually, an even greater emphasis on the Utility than we had seen in the past.

So, I would be remiss if I didn't finish today's meeting by point out just a couple of things. None of these gets down without the work of 13,000 tremendous employees and the leadership team that you saw just a subset of, say, who I can't be thankful enough in terms of all that they do, many of them were in the back of the room but the presenters of that were upfront, all included. I won't go name by name except to just mention two names that I'd ask you to join me in thanking them.

Number one, as we have announced that Bill Levis will be retiring sometime in the third quarter, I can tell if somebody's been with the company for 25 years, I am hard-pressed to think of one person who, on an individual basis, brought more value to the company in terms of what he was able to do for our nuclear operations in the beginning of his tenure with us and then as you took on broader responsibilities, what has been able to do with our fossil operations. So, if you would just please join me and thanking Bill for all he's done for PSEG.

And then also, last but not least, if you join me in thanking our IR department, Carlotta and Kathleen, this is Kathleen's 11th conference and counting and we're going to just - I can't say thank you enough to her and her team for pulling this together. If it were up to me, we would have been in a basement at Newark today, that's a true story, that's where I had slated it because I was so concerned, shall I say, with that - with the bills we have charged by some of the fine New York hotels but Kathleen did a marvelous job of getting us here today and all the presentation and the material she and the team put together, hopefully, provides clarity to you and thank you, Kathleen.

Thank you for joining us today. We'll see you again.

2017 PSEG Investor Conference

NEW YORK – MARCH 6, 2017

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-14082

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

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GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-14084

2017 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
Regulatory & Policy Overview	Tamara Linde
PSE&G	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Q&A Session	
Financial Review & Outlook	Dan Cregg
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-14085

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-14086

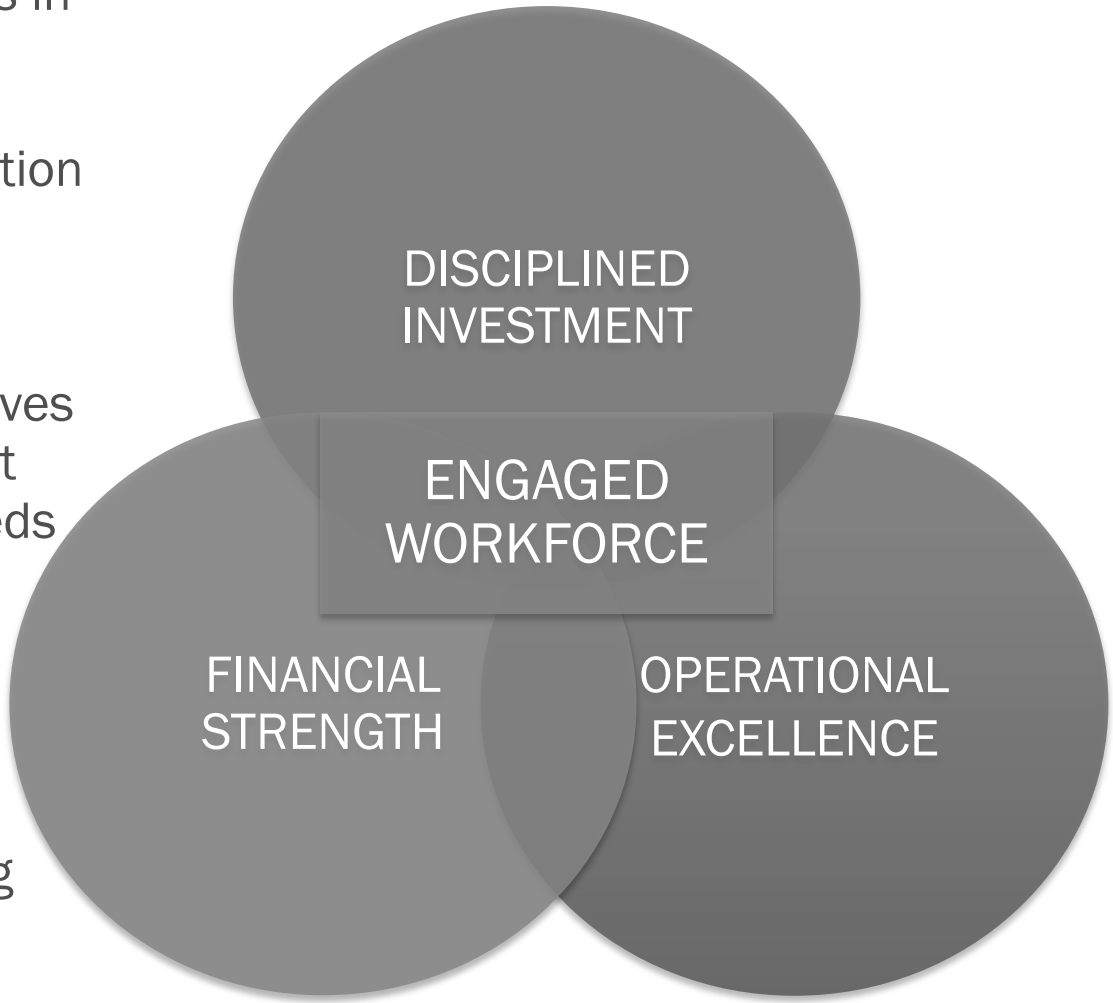
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



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Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-14088

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

Focus on building a reliable, efficient, clean energy infrastructure

2012	2013	2014	2015	2016

Selected Accomplishments

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity*

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 nuclear unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Program (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation

2016
- Solar 4 All Extension Approved
- Continued new generation build and transforming fleet to be more efficient, clean, and higher quality
- Solar Source grew to 396 MW_{DC} **

Cost Control

SI-SSA-0015-14089

PSEG

*KEARNY AND NEW HAVEN. ** AS OF FEBRUARY 2017; INCLUDES 70 MW_{DC} OF PV SOLAR GENERATION IN CONSTRUCTION.

Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

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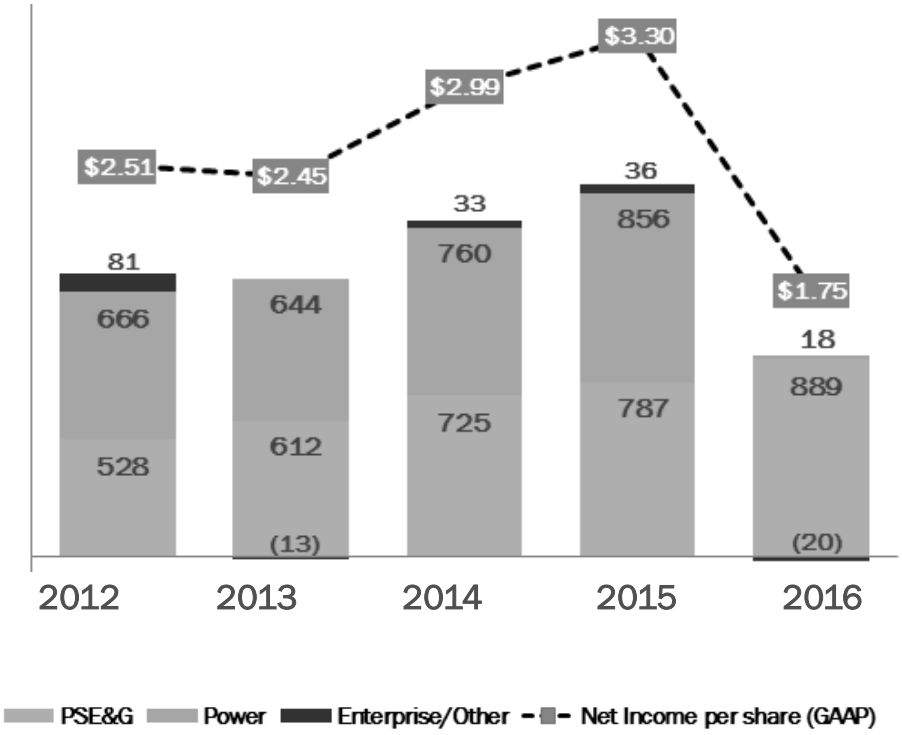
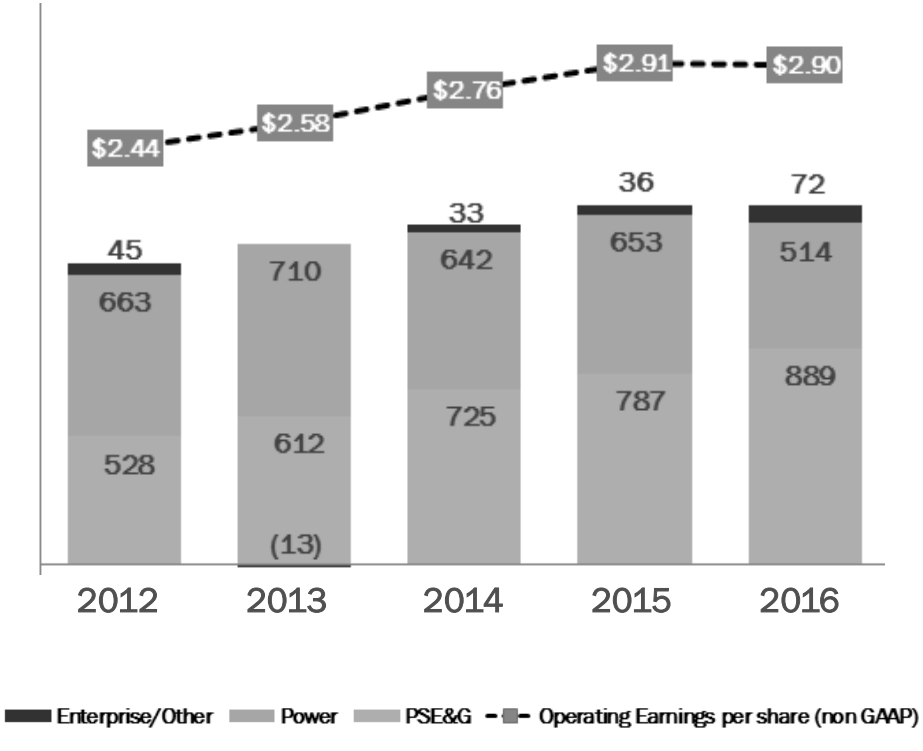
PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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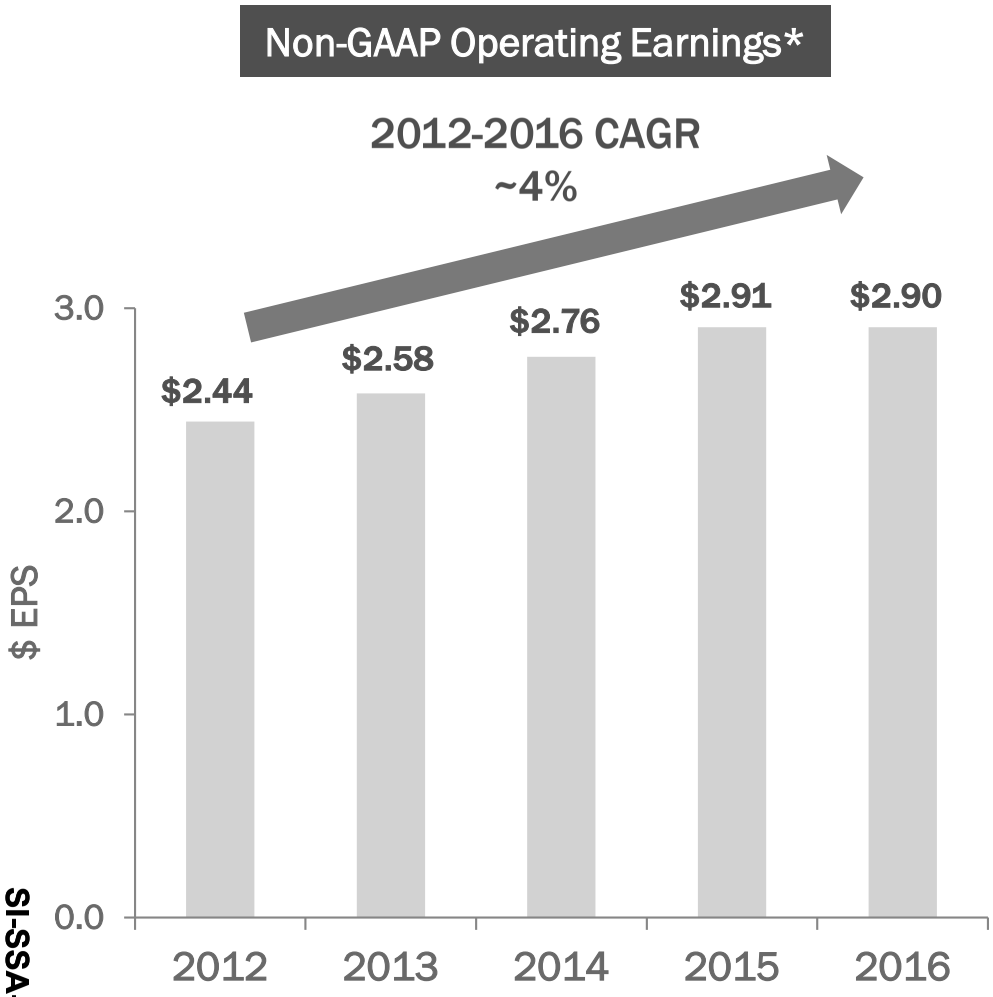
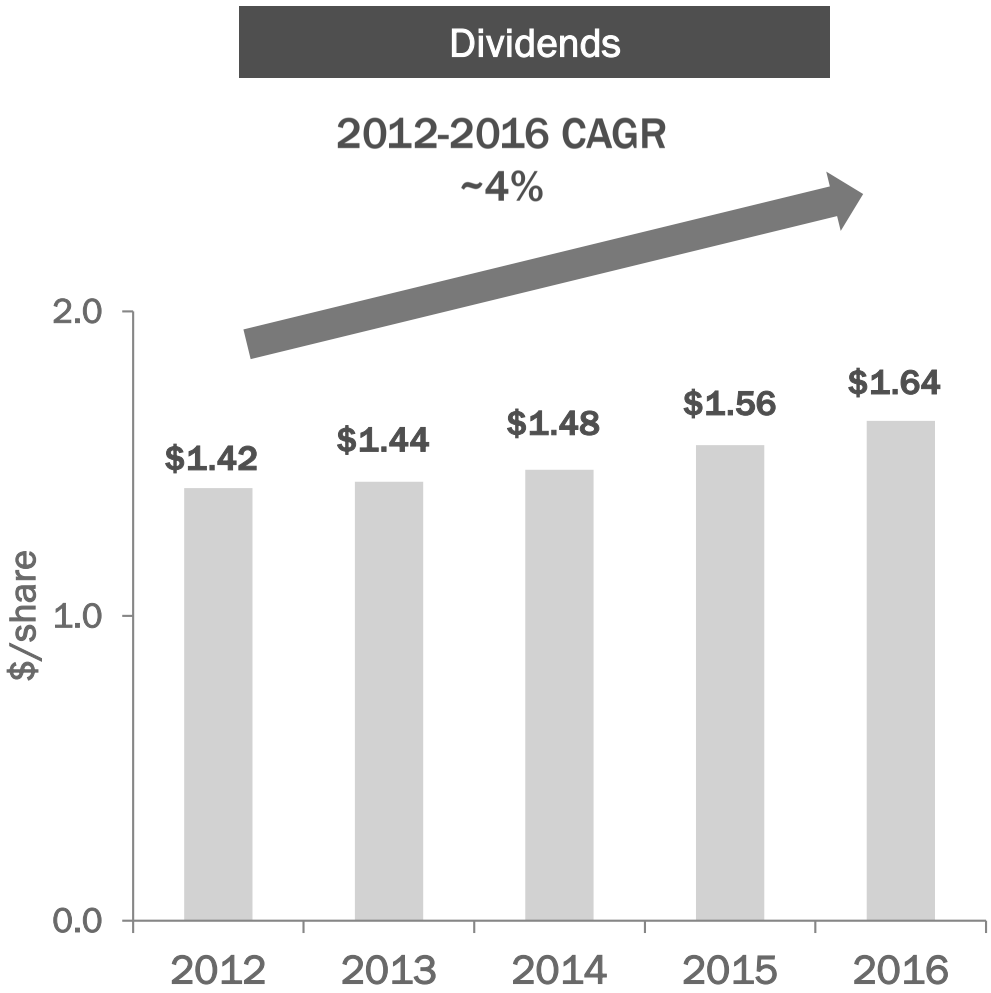
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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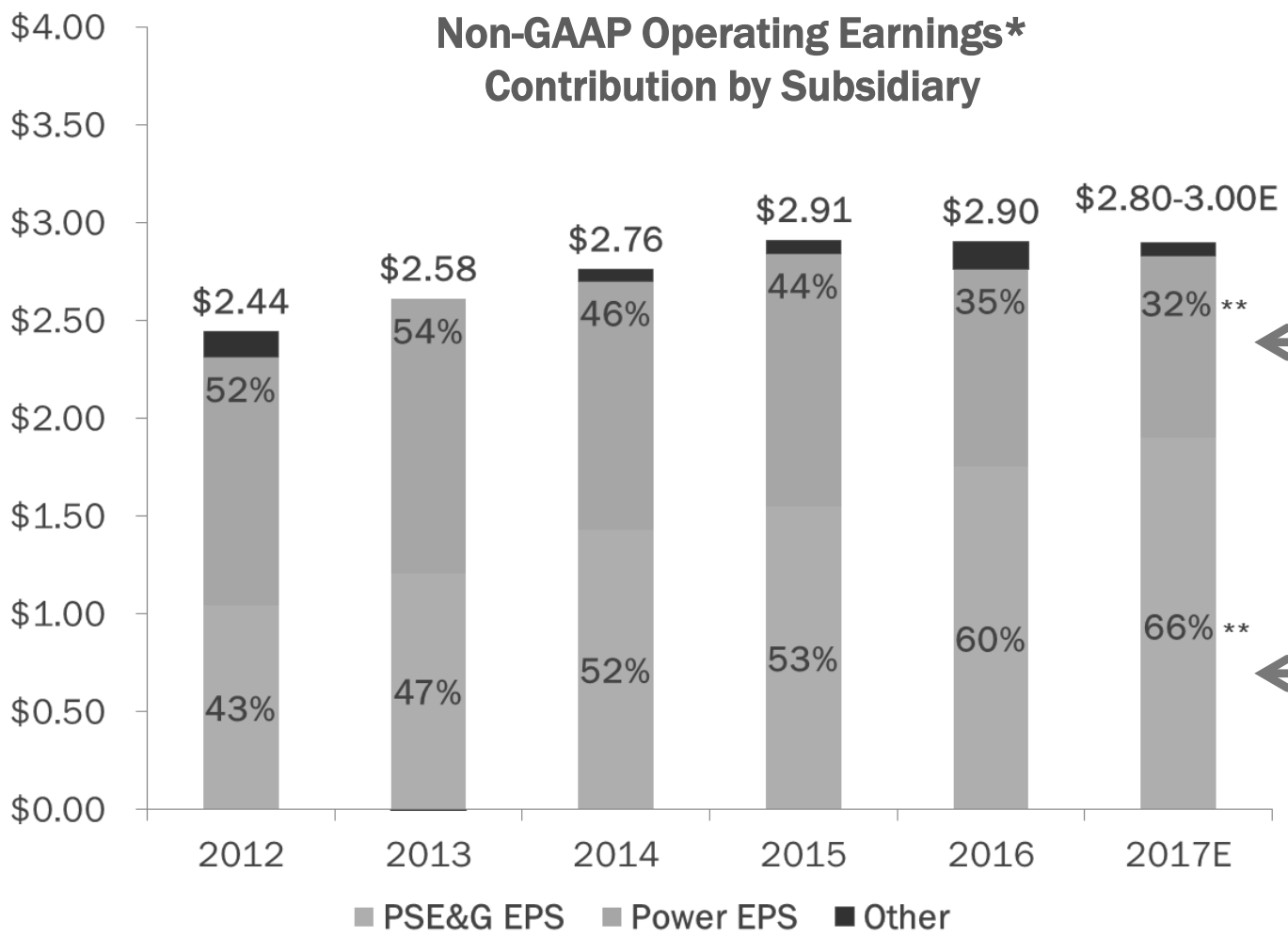
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Earnings profile with growth at PSE&G has been transformed



Power's locational and fuel cost advantage generate free cash flow in low price environment

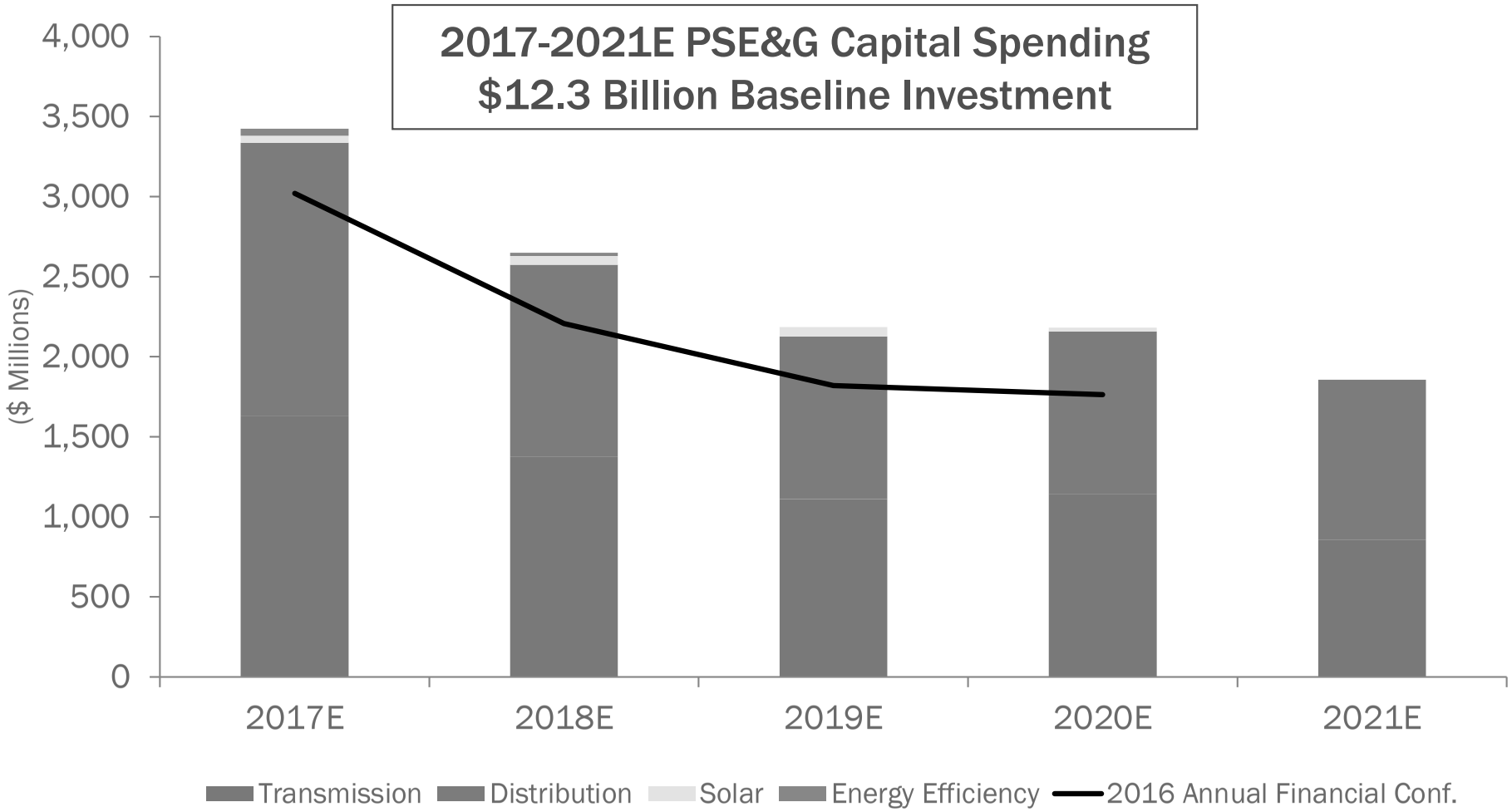
PSE&G's earnings contribution has increased with growth in capital program

SI-SSA-0015-14093

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSEG POWER AND ENTERPRISE/OTHER. E=ESTIMATE.
** 2017 PERCENTS USE MID-POINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80–$3.00 PER SHARE.

Baseline programs yield 7% compound annual growth in rate base



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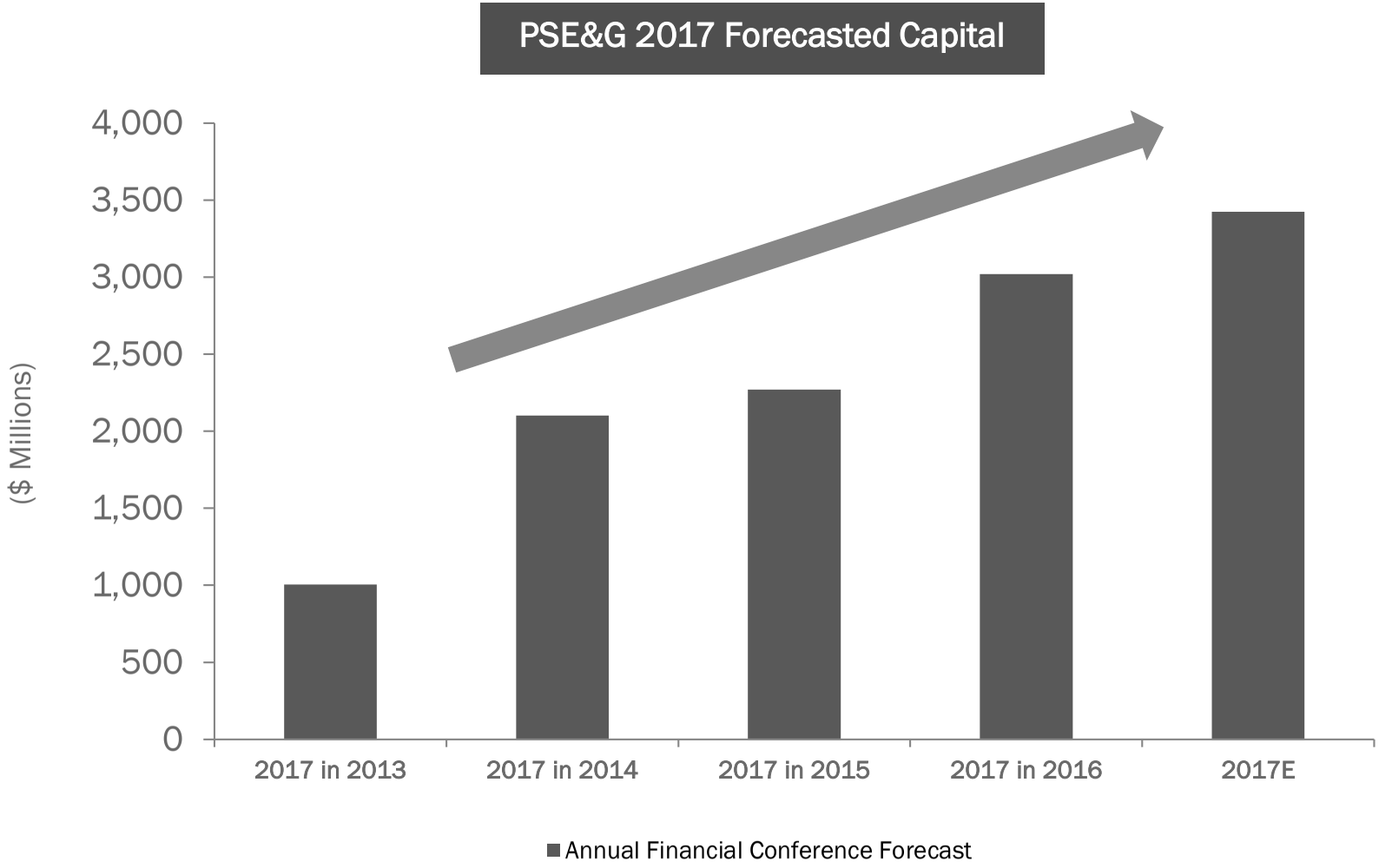
PSEG

E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

PSE&G has a track record of identifying opportunities for capital investment



E = ESTIMATE.

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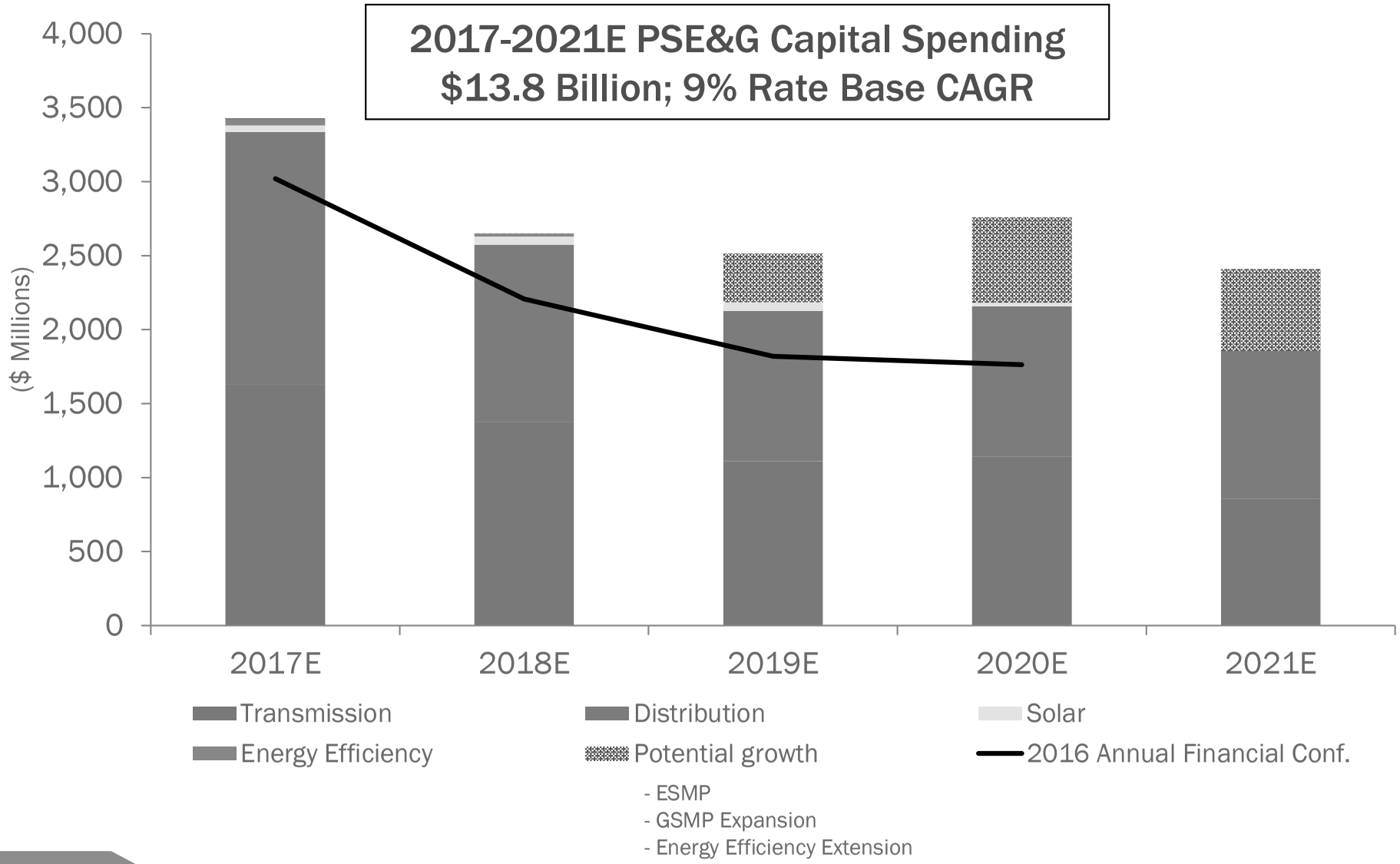
Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

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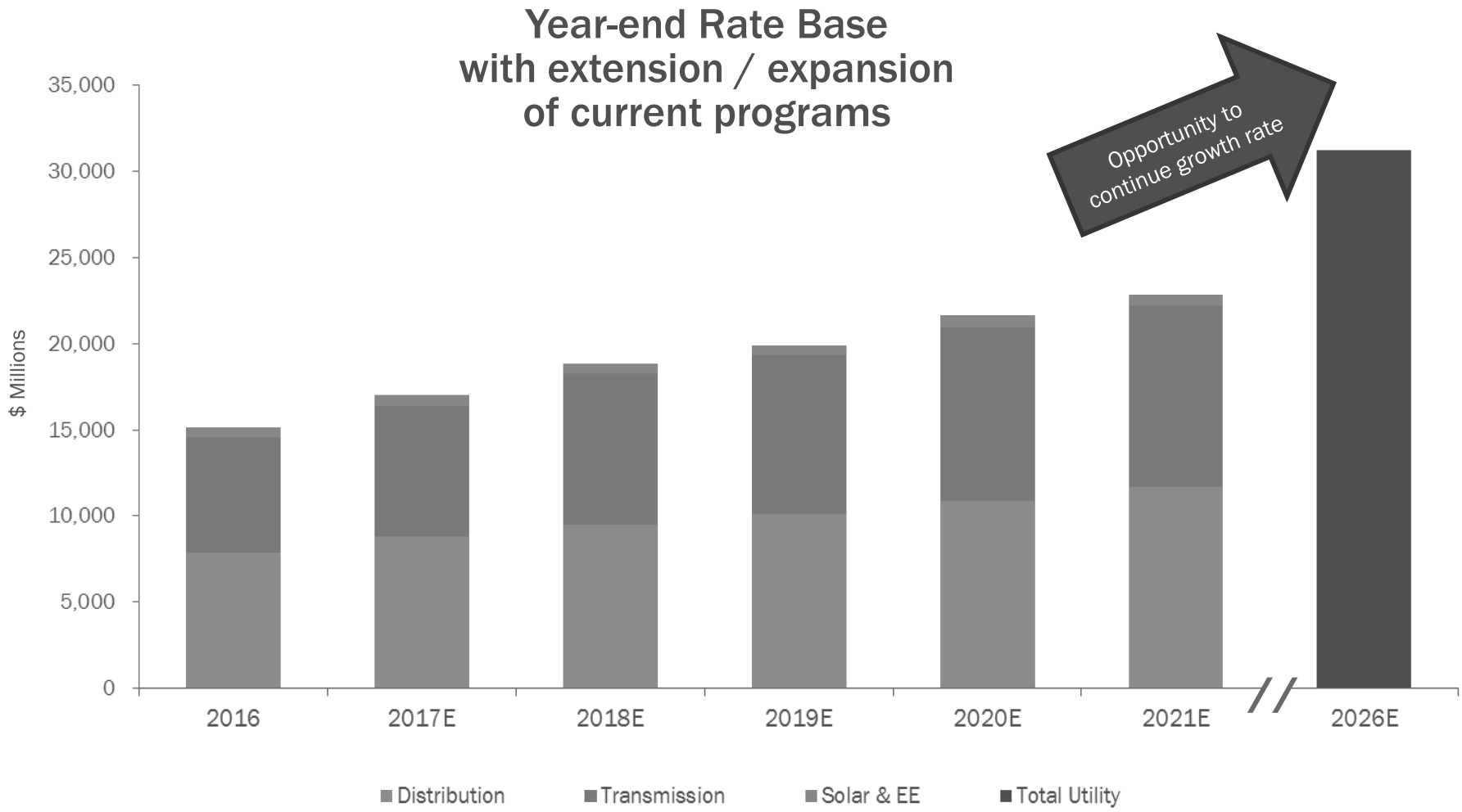
PSE&G's investment program provides for 7%–9% growth in rate base



E = ESTIMATE.

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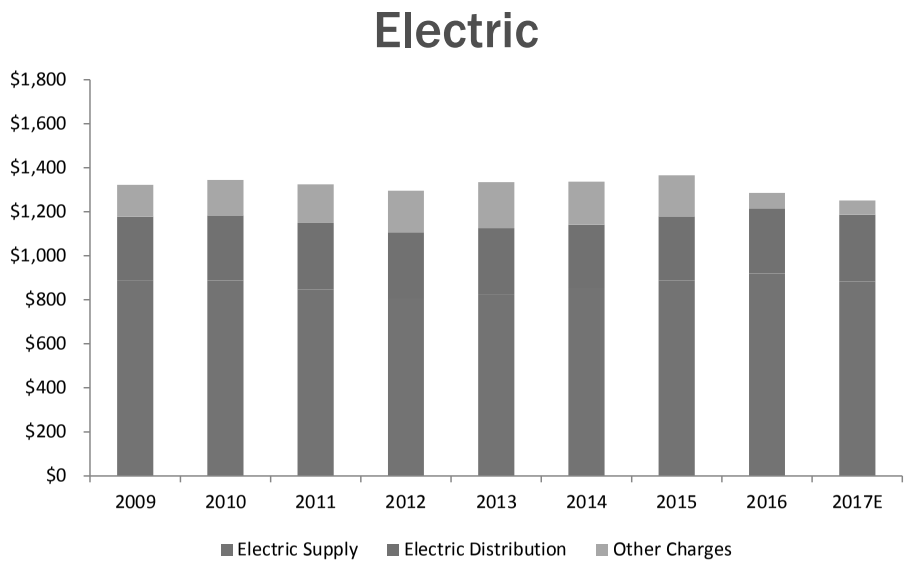
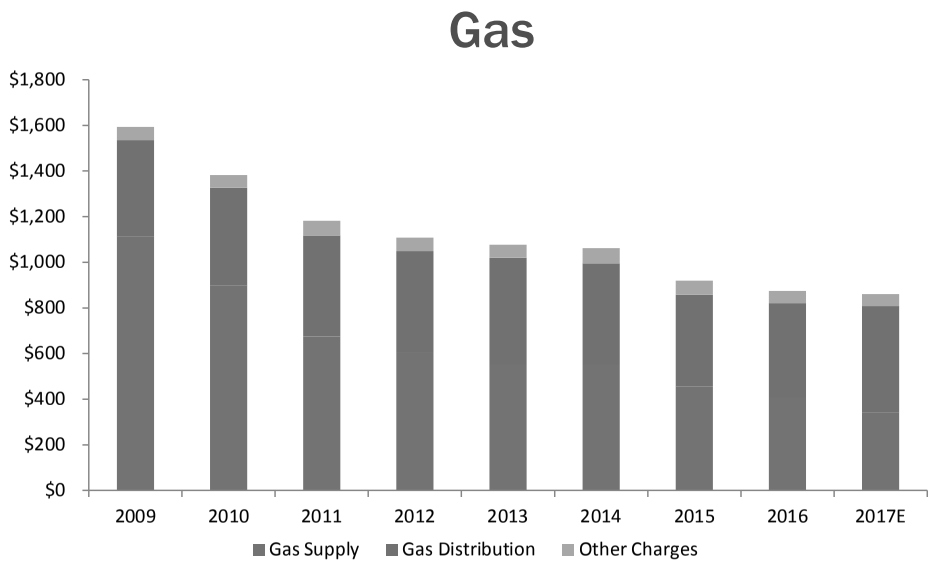
Executing on investment program and continuing to manage the total costs to customers

PSE&G Typical Residential Customer Bills 2009-2017E*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases
- Continued recent bill reductions include 2017 gas credits and recent BGS auction results
- Tax reform has the potential to reduce rates further

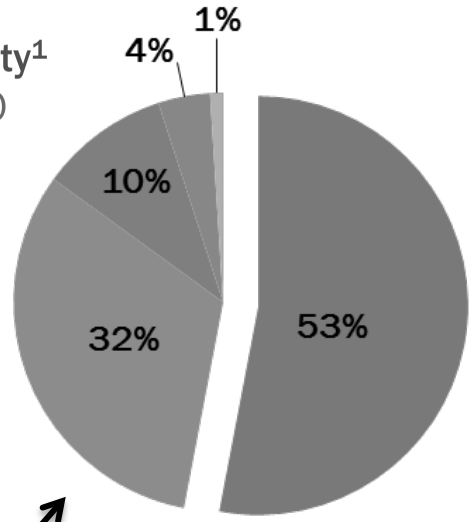
SI-SSA-0015-14098

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

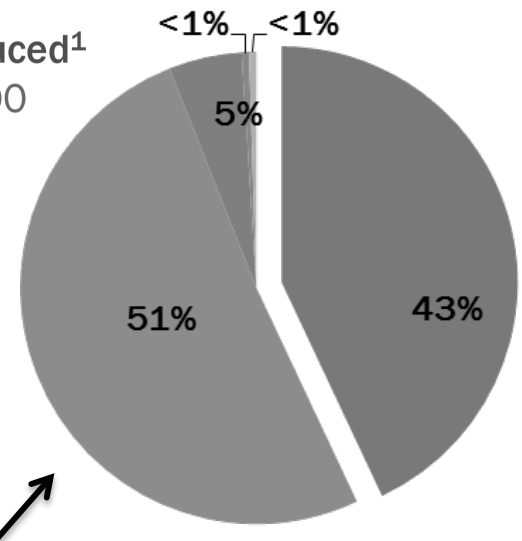
Power's fleet to be transformed with new investment and improvement in efficiency

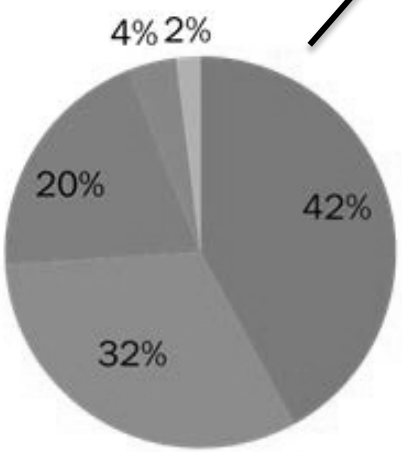
Projected Fleet Comparison 2016 to 2021E

2021E Fuel Diversity[1]
Total MW: 11,900



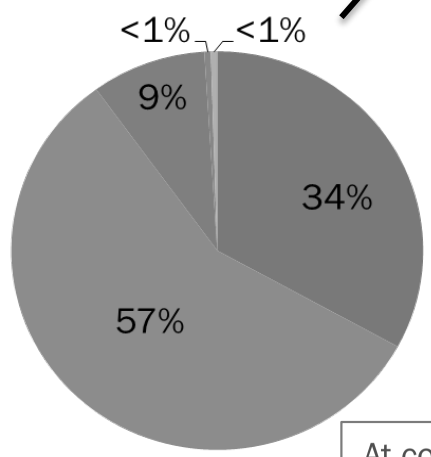
2021E Energy Produced[1]
Total GWh: 61,000





2016 Fuel Diversity
Total MW: 11,577

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage



2016 Energy Produced
Total GWh: 51,510

At conclusion of Power's construction program in 2018, capital to maintain the business declines to ~$200M per year

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017
ALL PERIODS EXCLUDE SOLAR (326 MW_{DC}/257MW_{AC}) CAPACITY AND KALAELOA (104MW) CAPACITY / ENERGY PRODUCED
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-14099

PSEG

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
Legislation pending in CT
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

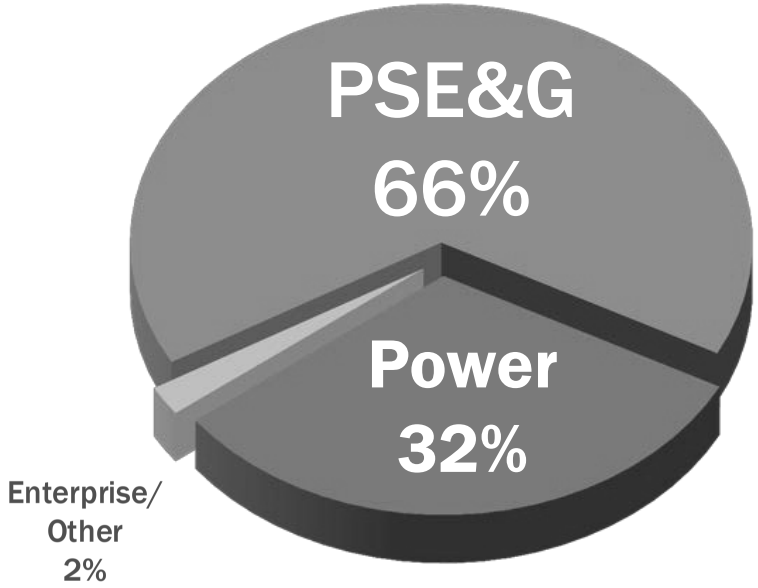
Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-14100

Investment programs provide opportunity for growth

2017E Non-GAAP Operating Earnings Guidance Contribution*



2017-2021E Total Capital**

~$13.8B

9% annual growth in rate base with expansion/extension of existing programs

~$2.6B

~18% GWh growth from efficient, low cost capacity

SI-SSA-0015-14101

*BASED ON THE MIDPOINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $2.80 TO $3.00 PER SHARE.
**INCLUDES ALL PLANNED AND POTENTIAL SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

SI-SSA-0015-14102

Our commitment to customers, community, employees, the environment, innovation and operational excellence is widely recognized

Industry

POWER
Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 15th consecutive year (2016)

ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Star of Energy Efficiency Award (2015)

ENERGY STAR PARTNER

Partner of the Year Award - PSEGLI (2015)

2016 UTILITY CUSTOMER CHAMPION RESIDENTIAL
COGENT REPORTS™

Utility Customer Champion for Second Year (2016)

ELECTRIC LIGHT & POWER

Utility of the Year (2015)

Employer

MILITARY FRIENDLY EMPLOYERS MF'16

Top 100 military-friendly employers, ranked # 19 (2016)

CIANJ

Commerce & Industry Association of NJ award recognizing commitment to veterans, PSEG Foundation's STEM program, and other volunteer programs (2016)

2015 READERS' CHOICE EQUAL OPPORTUNITY MAGAZINE A TOP 50 EMPLOYER

Equal opportunity employers, ranked # 40 (2015)

Forbes | 2015 AMERICA'S BEST EMPLOYERS POWERED BY STATISTA

America's Best Employers List (2015)

Business

PUBLIC UTILITIES FORTNIGHTLY "In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 9th consecutive year (2016)

FORTUNE WORLD'S MOST ADMIRED COMPANIES 2013

Ranked 8th among electric and gas companies in the United States (2017)

Forbes AMERICA'S MOST JUST COMPANIES JUST 2016

America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-14103

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-14104

PSEG REGULATORY & POLICY REVIEW

Tamara Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

SI-SSA-0015-14105

PSEG

We make things work for you.

Regulatory & Policy Review - Agenda

- PSE&G Investment Program Recap
- PSE&G 2017 Base Rate Case Filing
- Regulatory Reform in NJ
- Preserving Nuclear Generation
- Federal Regulatory Framework
- Summary

SI-SSA-0015-14106

PSE&G has received approval for 15 multi-year investment programs that advance state energy goals

2008/ 2009	2011	2013	2014	2015	2016

Selected Accomplishments

- Capital Infrastructure I
- Energy Efficiency
- Solar Loan I
- Carbon Abatement
- Solar Loan II
- Solar 4 All
- Demand Response

- Energy Efficiency Extension
- Capital Infrastructure II

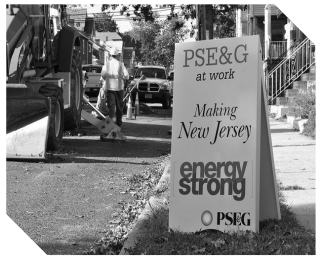
- Solar Loan III
- Solar 4 All Extension

- Energy Strong

- Energy Efficiency Extension II
- Gas System Modernization

- Solar 4 All Extension II

Infrastructure investment programs with near contemporaneous recovery mechanisms



SI-SSA-0015-14107

PSE&G plans to file Distribution Base Rate Case proceeding no later than November 1, 2017

Support

- Requirement of 2014 Energy Strong settlement
- Update for known changes in sales growth forecast, O&M and taxes since 2010 rate case
- Get recovery of distribution investment not covered by clause mechanisms
- Get recovery of approved storm costs

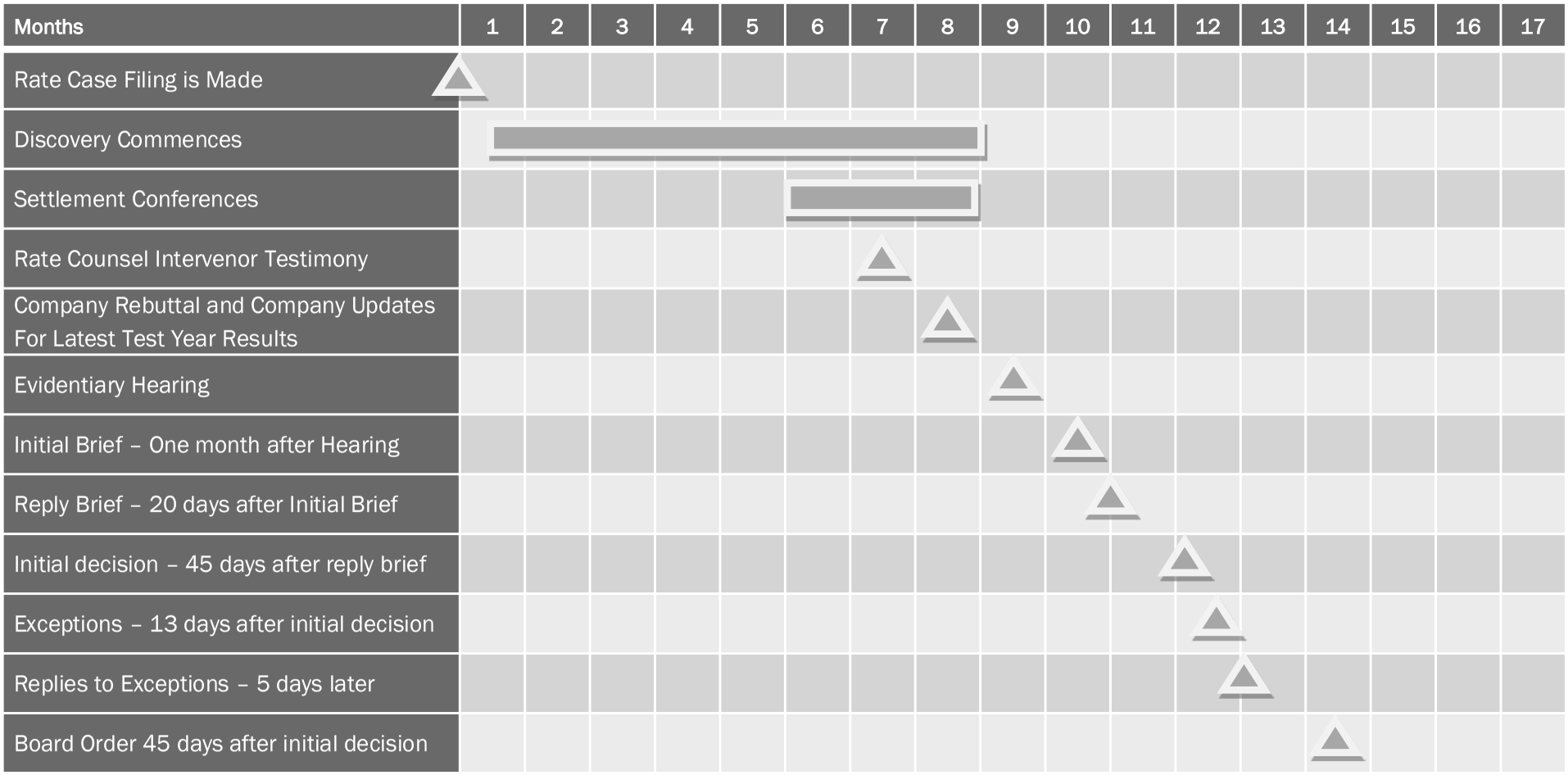
Opportunity

- Establish/update rate design, capital structure and depreciation
- Pursue decoupling
- Pursue interim rates
- Improve alignment with customer
- New E&G rates effective at start of 2019, or earlier

Supports need for moderate base rate increase

SI-SSA-0015-14108

NJ Distribution Base Rate Case Timeline



SI-SSA-0015-14109

New Jersey – Long-term Infrastructure Regulatory Reform with Customer Focus

Support

- Alignment with community and customer needs
- NJ Energy Master Plan
- Support extension of investment program horizon from 3 to 7 years using review process established by the BPU in Energy Strong and Gas System Modernization Program as template

Opportunity

- PSE&G will be seeking approval of multi-year programs that extend existing efforts to improve our system resiliency and broaden investment focus on Energy Efficiency and Utility of the Future services at the lowest cost to our customers

SI-SSA-0015-14110

Preserving Existing Nuclear Power Plants as Part of a Resilient Energy System

Support

- Generation from Power's nuclear units produces ~40% of NJ supply and provides 97% of NJ's carbon free energy
- Preservation of nuclear energy consistent with NJ policy goal: 70% clean resources by 2050
- Competitive wholesale markets not designed to value fuel diversity, resiliency and desirable attributes of nuclear generation

Opportunity

- Preserve highly reliable, clean resources as part of a diverse energy portfolio
- Preserve local jobs and economic base
- Keep prices lower than they otherwise would be, as current replacement options are more expensive
- Maintain system reliability

SI-SSA-0015-14111

What are other states doing to preserve at-risk nuclear generation?

New York April 2016	Illinois November 2016	Connecticut 2017?	Ohio 2017?
Clean Energy Standard approved by NYPSC provides support for at-risk nuclear. Zero Emission Credit standard established. Contract payments available for up to 12 years	Future Energy Jobs Bill enacted establishing a Zero Emission Credit (ZEC) portfolio standard. ZEC contract payments available for 10 years	Connecticut Legislature currently debating clean energy procurement process in recognition of nuclear capacity role as provider of clean energy	Legislative action under consideration to preserve at-risk nuclear generation

State Regulatory/Legislative actions recognize value of nuclear energy in meeting clean energy standards and supporting local economy

SI-SSA-0015-14112

Federal Regulatory Framework – Ensuring market structures recognize the value of reliable, diverse and clean dispatchable generation

Support

- FERC is driving ISOs to improve market constructs and rules on energy pricing
- Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held by PJM in May 2017

Opportunity

- Advocate for market solutions that fairly compensate generators for the cost of meeting demand
- Seek recognition of environmental attributes of existing resources
- Seek integration of state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-14113

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-14114

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

SI-SSA-0015-14115

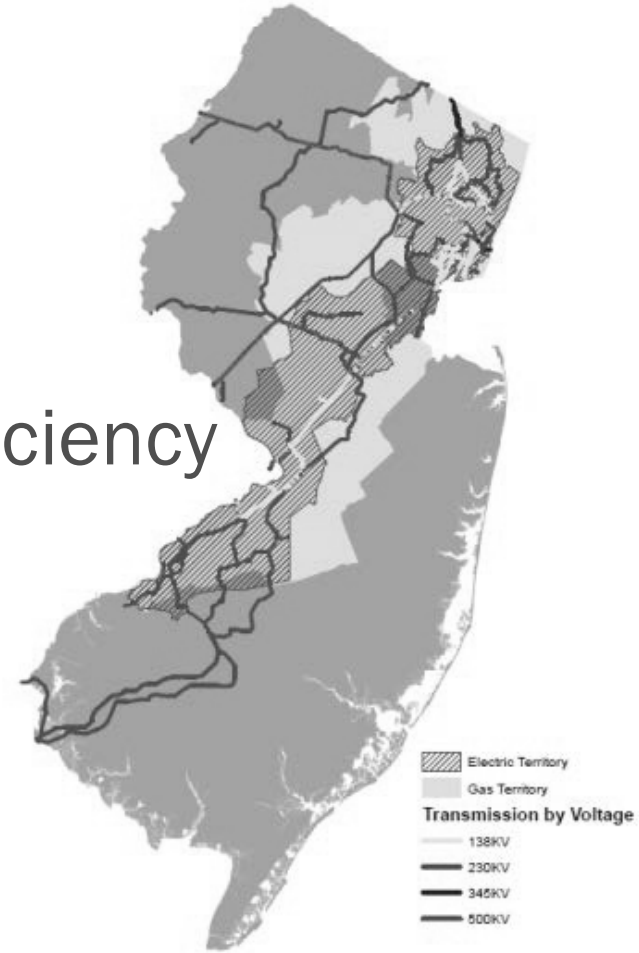
Discussion topics

- Overview of PSE&G - Strategy and delivering results
- Operational excellence
- Capital investment program
- 2017 Distribution rate case filing
- Customer rates

SI-SSA-0015-14116

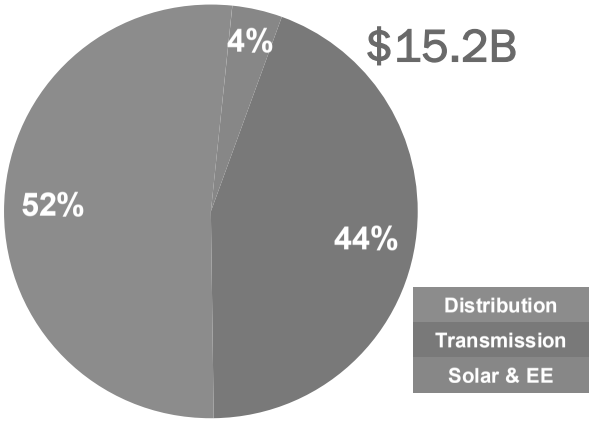
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider



	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%

PSE&G 2016 Rate Base



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PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-14118

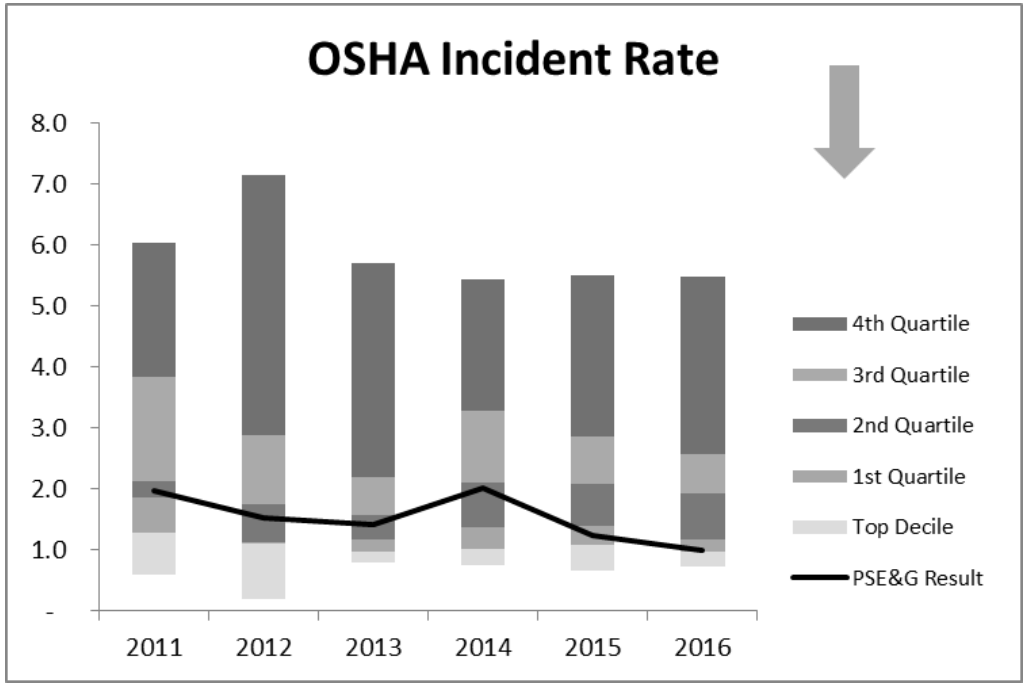
Delivering on Our Promises

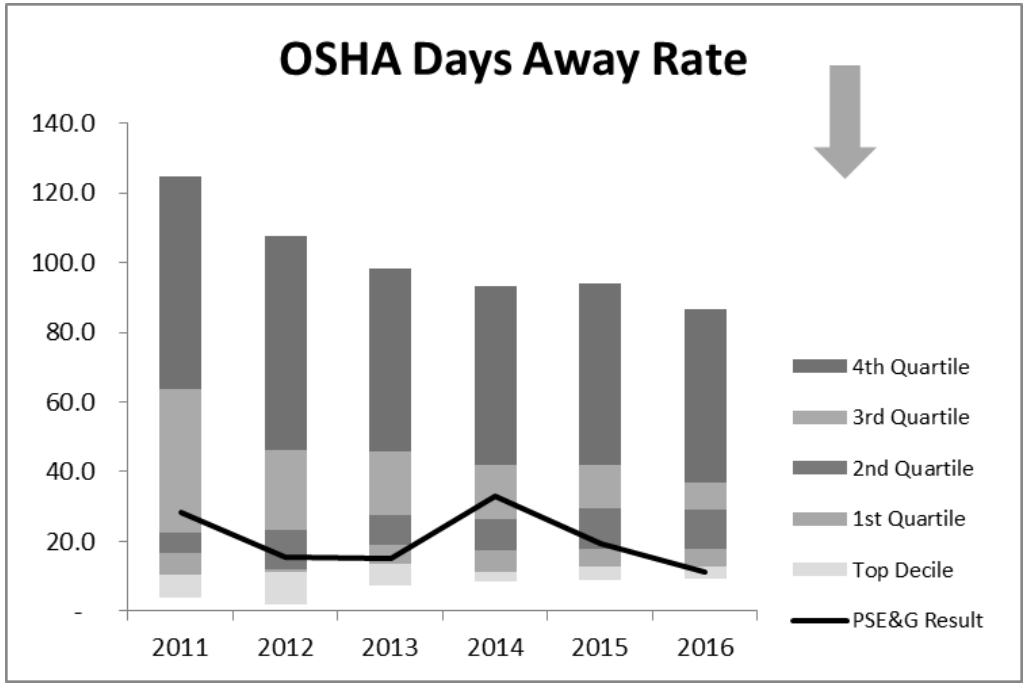
Operational Excellence	• Strong safety, reliability and customer service record • Cost control efforts have led to flat O&M
Financial Strength	• Achieved 5-year annual growth in net income of 11% • Achieved 5-year annual growth in rate base of 13% • Maintaining solid investment grade credit ratings
Disciplined Investment	• 15 investment programs approved over past eight years ✓ Infrastructure focused ✓ Supportive regulatory mechanisms providing for clause recovery ✓ Policy alignment – across administrations – Solar and Energy Efficiency • Programs creating jobs and providing environmental benefits, in a low-rate environment benefiting from low commodity prices and federal tax benefits from current bonus depreciation rules

SI-SSA-0015-14119

Operational Excellence - Safety

- Management focus and collaboration with unions resulted in top decile safety performance in 2016





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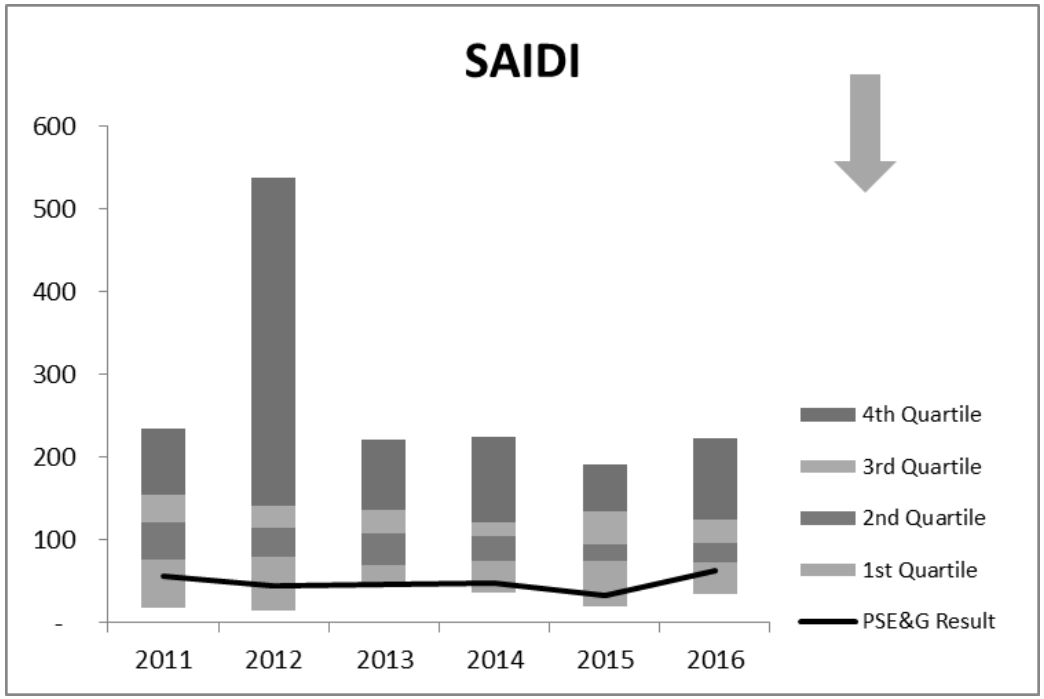
SOURCE: PSE&G

Operational Excellence - Reliability

Consistently recognized for customer reliability



Our system performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been among the best performers

Named most reliable electric utility in the Mid-Atlantic region for **15th consecutive year**

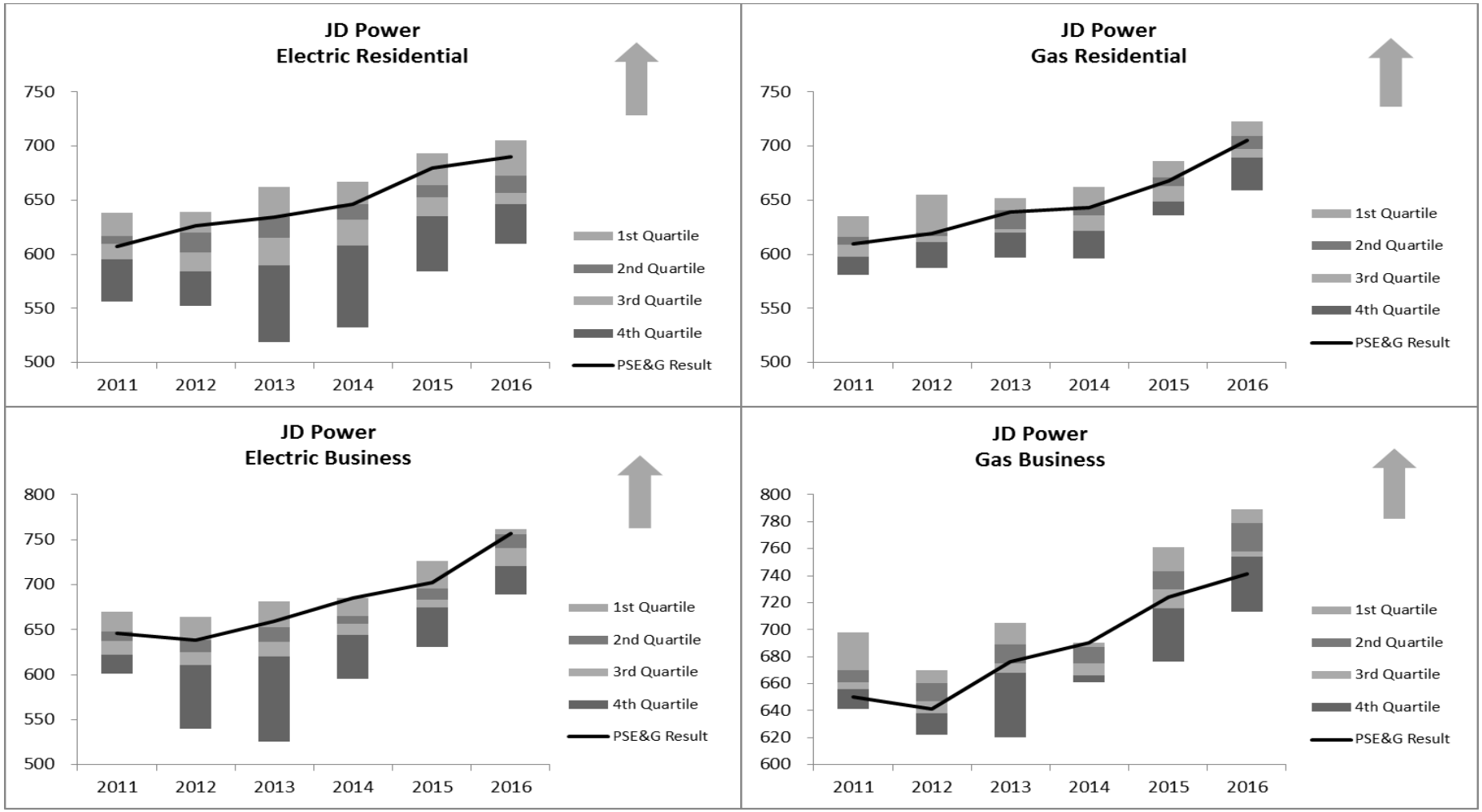
SI-SSA-0015-14121

SOURCE: PSE&G

Operational Excellence - Customer satisfaction

PSE&G has improved on an absolute and relative basis compared to its peers over the past five years

JD Power Residential and Business Scores



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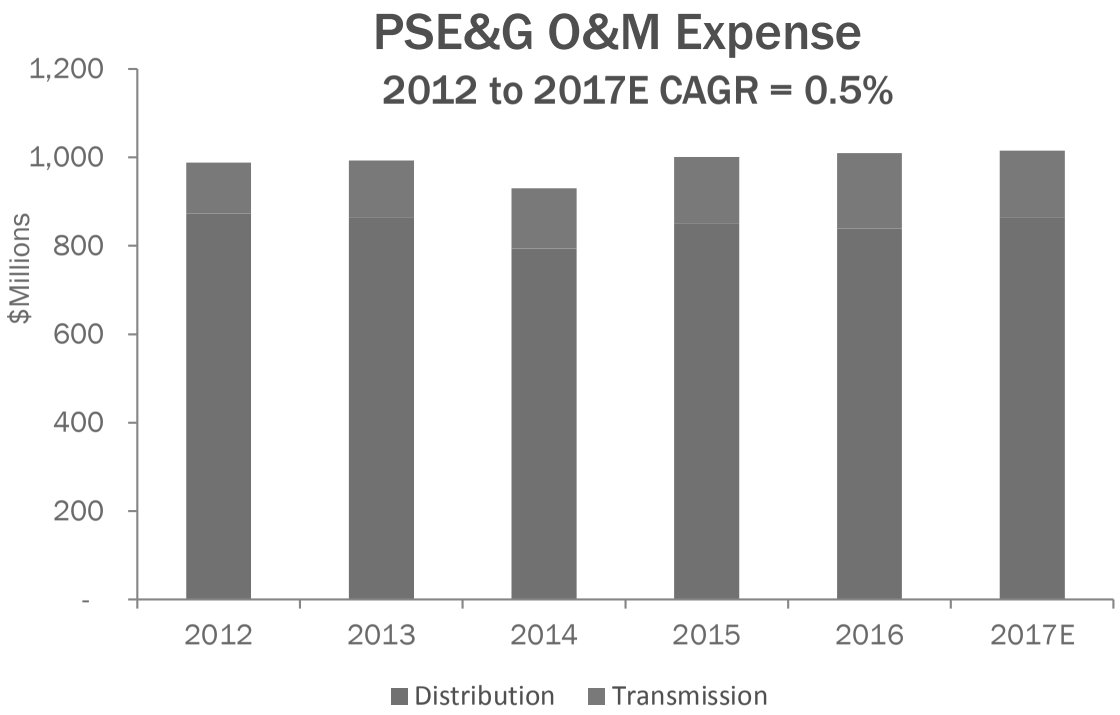
Operational Excellence – O&M costs



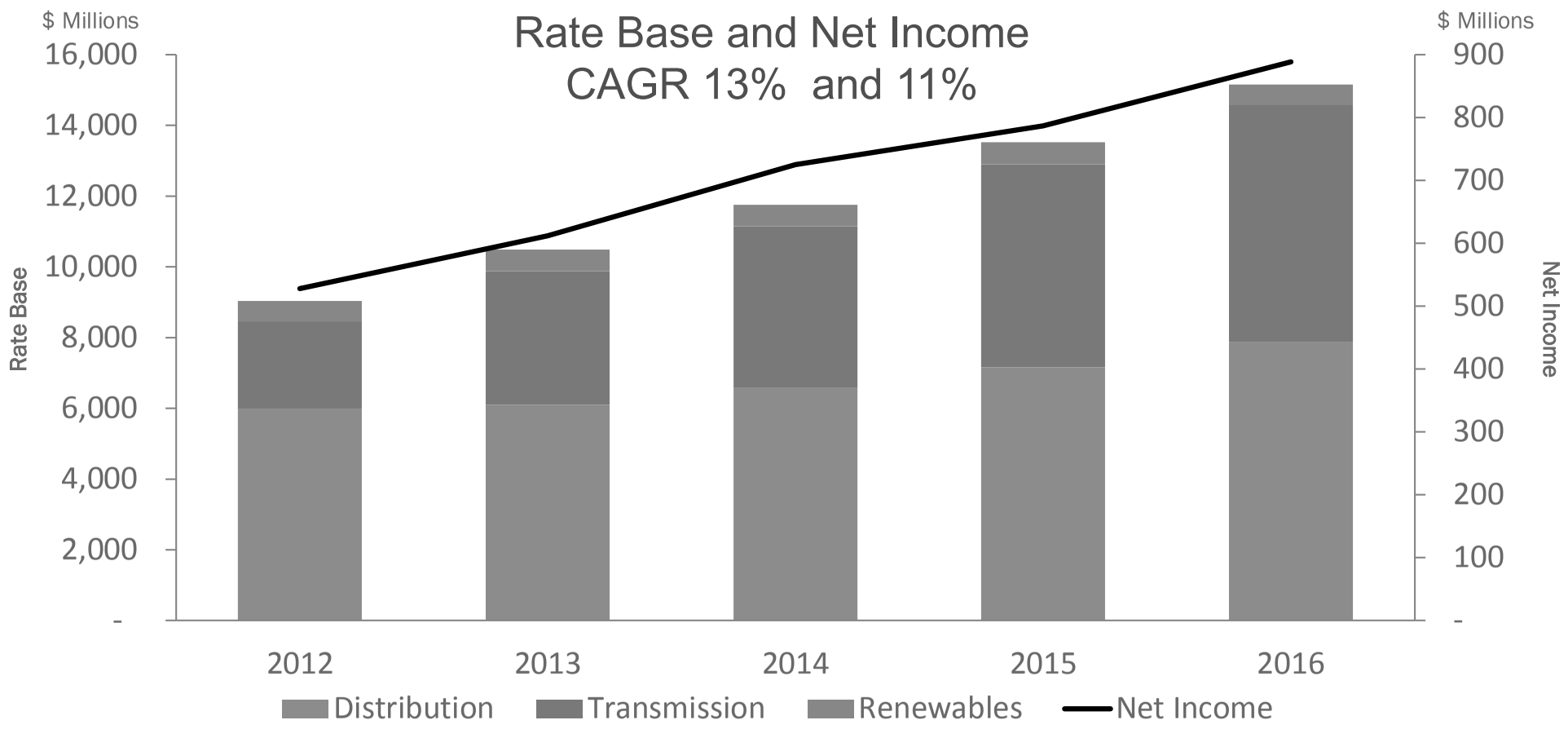
Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E = ESTIMATE.

Disciplined Investment – Delivering annual growth



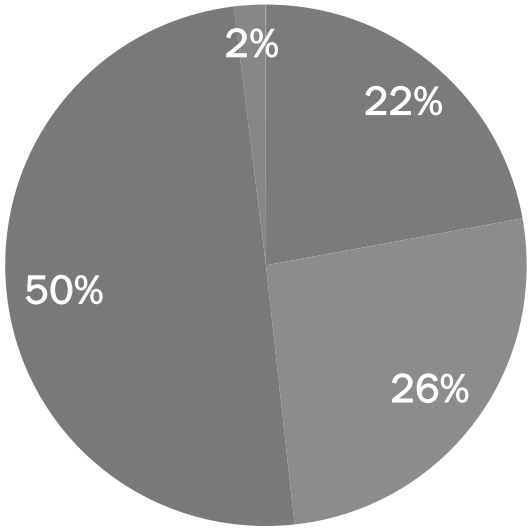
Our rate base is now roughly balanced between federal and state jurisdictions

SI-SSA-0015-14124

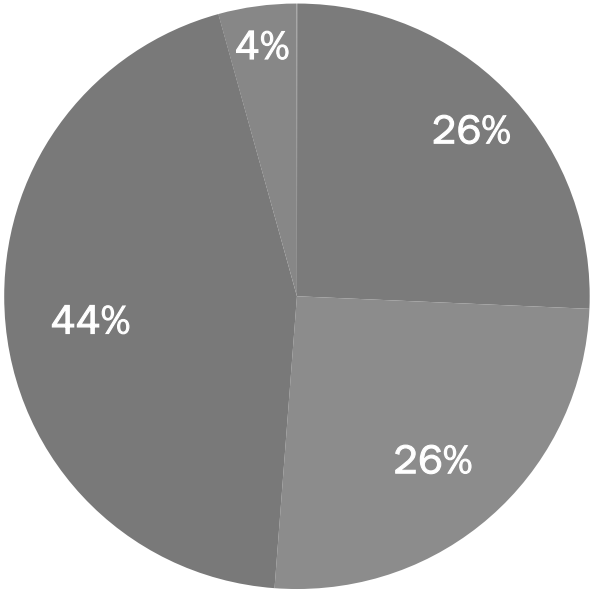
Disciplined Investment – Continued growth in robust capital program

2017-2021E PSE&G Capital Spending

Base Capital,
including GSMP extension
$12.3B
Rate Base CAGR 7%



with extension / expansion of current programs
$13.8B
Rate Base CAGR 9%



Transmission | Gas Distribution | Electric Distribution | Solar and Energy Efficiency

With current returns on ~70% of capital investments

. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-14125

Transmission - ~$6 billion, 5-year investment program focusing on reliability and replacing aging infrastructure

- **Formula rate** recovery of capital and expenses
- **PJM's Regional Transmission Expansion Plan** (RTEP) identifies system enhancements needed for reliability
- **Portfolio transitioning –** completing remaining major lines and moving to steady state investments to maintain reliability and stay ahead of asset end of life
  - **69kV system upgrades** improve system reliability and add capacity for future growth
  - **Transmission Lifecycle** to manage asset life and improve system integrity and reliability
  - **Transmission Hardening** projects focus on increasing system resiliency

SLSS-V 5-14126

Electric Distribution – ~$3 billion, 5-year investment program focused on reliability and resiliency

- **Energy Strong** - Completion of currently approved program
- **Future growth efforts**
  - **Hardening** – Extend program for critical system infrastructure
  - **Aging infrastructure** – Life cycle investments to ensure continued top quartile reliability performance
    - Over 65 substations > 60 years old; Over 30 substations > 80 years old
    - ~115 substations 26kV to 4kV
    - Risk assessment model to eliminate/replace
  - **Technology** – Next generation to enhance grid performance

SI-SSA-0015-14127

Electric Distribution - Technology

- **Making the grid smarter**
  - Deployment of hundreds of microprocessor relays
  - A new state of the art distribution SCADA system to facilitate full communication and control
  - Ability to integrate Distributed Energy Resources into the grid while enhancing grid reliability and resiliency

- **Improving customer service - continue to enhance delivery of information and communication**

SI-SSA-0015-14128

Gas Distribution – ~$3 billion, 5-year investment program focused on modernizing and upgrading cast iron and unprotected steel main

- **Cost efficiency** of broad replacement approach
- **Customer service** – conversion from low pressure to high pressure
- **Environmental Collaboration** with EDF and Google to consider methane leaks in work prioritization
- **Replaced** >200 miles in 2016
  - Exceeding run rate of 30 year program, demonstrating ability to accelerate program
  - ~4,800 miles of cast iron and unprotected steel main remaining in the system
  - More cast iron than any other US utility

SI-SSA-0015-14129

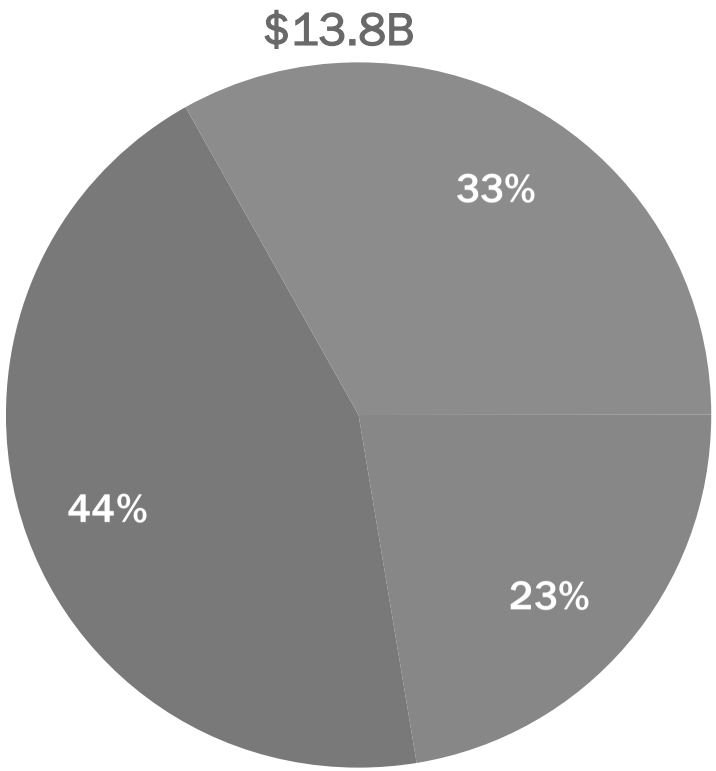
Solar and Energy Efficiency – ~$250 million, 5-year investment supports New Jersey policy objectives

- **Solar –**
  - Grid-connected solar on landfills and brownfields provides clean energy for all customers
  - 210 MW installed of the 300 MW total approved programs
- **Energy efficiency** – Continuing programs with a focus on hospitals, multi-family housing and our direct install program which includes municipalities, non-profits and small businesses in Urban Enterprise Zones
- **State Policy** - Programs are aligned with policy goals
- **Opportunity to expand** – Potential for significant opportunity to expand energy efficiency and related customer services in the future

SI-SSA-0015-14130

Developing investment opportunities with near-contemporaneous recovery mechanisms

2017-2021E PSE&G Capital with Program extensions by Recovery Method



Plan to increase current five year, $12.3B capital plan by ~$1.5B through program extensions and expansions:

- GSMP acceleration
- Electric distribution – hardening extension and modernization investment program
- Energy Efficiency and Solar programs – extensions and expansion

With broad opportunity set of additional investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

SI-SSA-0015-14131

E = ESTIMATE. DATA AS OF MARCH 2017. INCLUDES AFUDC.

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

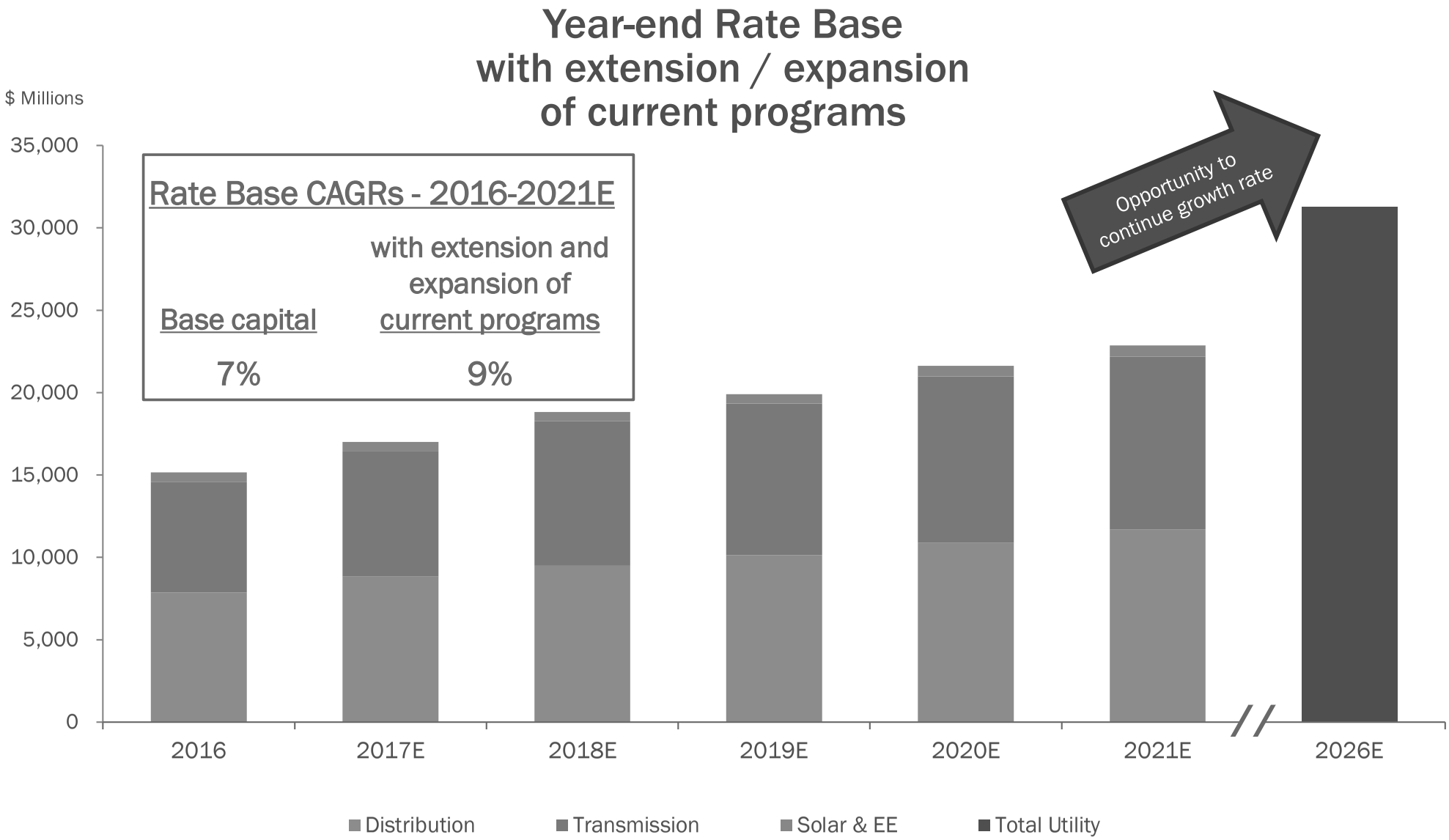
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-14132

Investment program supports strong rate base growth – off a higher base



E = ESTIMATE.

SI-SSA-0015-14133

Distribution – 2017 base rate case filing

- Obligated to file rate case no later than November 1, 2017
- Last rate case – 2009 test year, settled in 2010

Since last rate case

- **Sales growth** – flat, customer growth offset by energy efficiency
- **O&M** – held flat, with increased regulatory requirements
- **Capital Investments** – Growth in rate base beyond clauses, consists of:
  - GSMP annual stipulated base
  - Energy Strong
  - Other Distribution base investments beyond depreciation levels
- **Customer rates** since last rate case
  - Electric decreased 5%; Gas decreased 46%

Supports need for moderate base rate increase

SI-SSA-0015-14134

Optimal time for extension and expansion of investment programs

- 2017 investment program filings
  - **GSMP** - extension and acceleration
  - **Electric infrastructure** - resiliency and modernization
  - **Energy efficiency** – extension, potential future expansion
  - Seeking **long-term** programs to optimize planning and cost
- Programs improve system reliability and meet customer expectations
  - System need as infrastructure reaches end of life
  - Increasing customer and public policy expectations
- Optimal timing

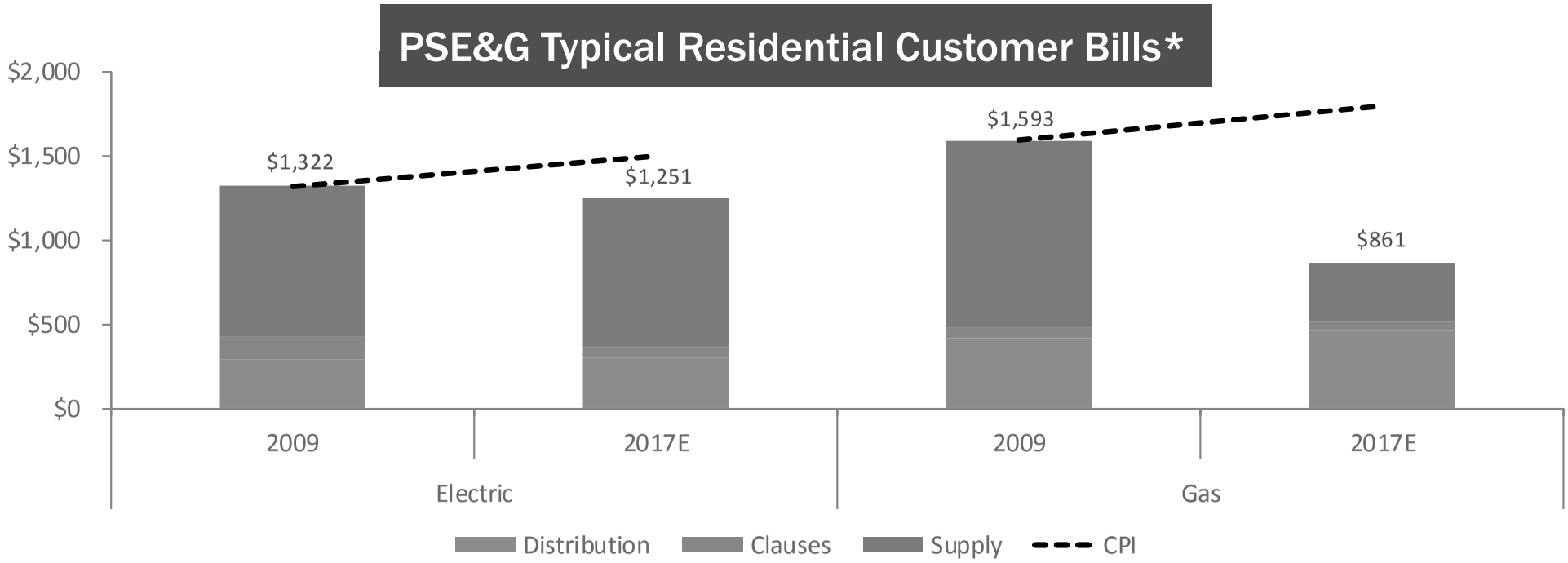
Job creation	Environmental benefits	Federal tax benefits	Low commodity prices
√	√	√	√

- Potential rate impact of program extensions - ~2%/year*

SI-SSA-0015-14135

*ASSUMES TYPICAL COMBINED RESIDENTIAL CUSTOMER WITH 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.

Customer's bills are materially lower, supporting needed investment in the system



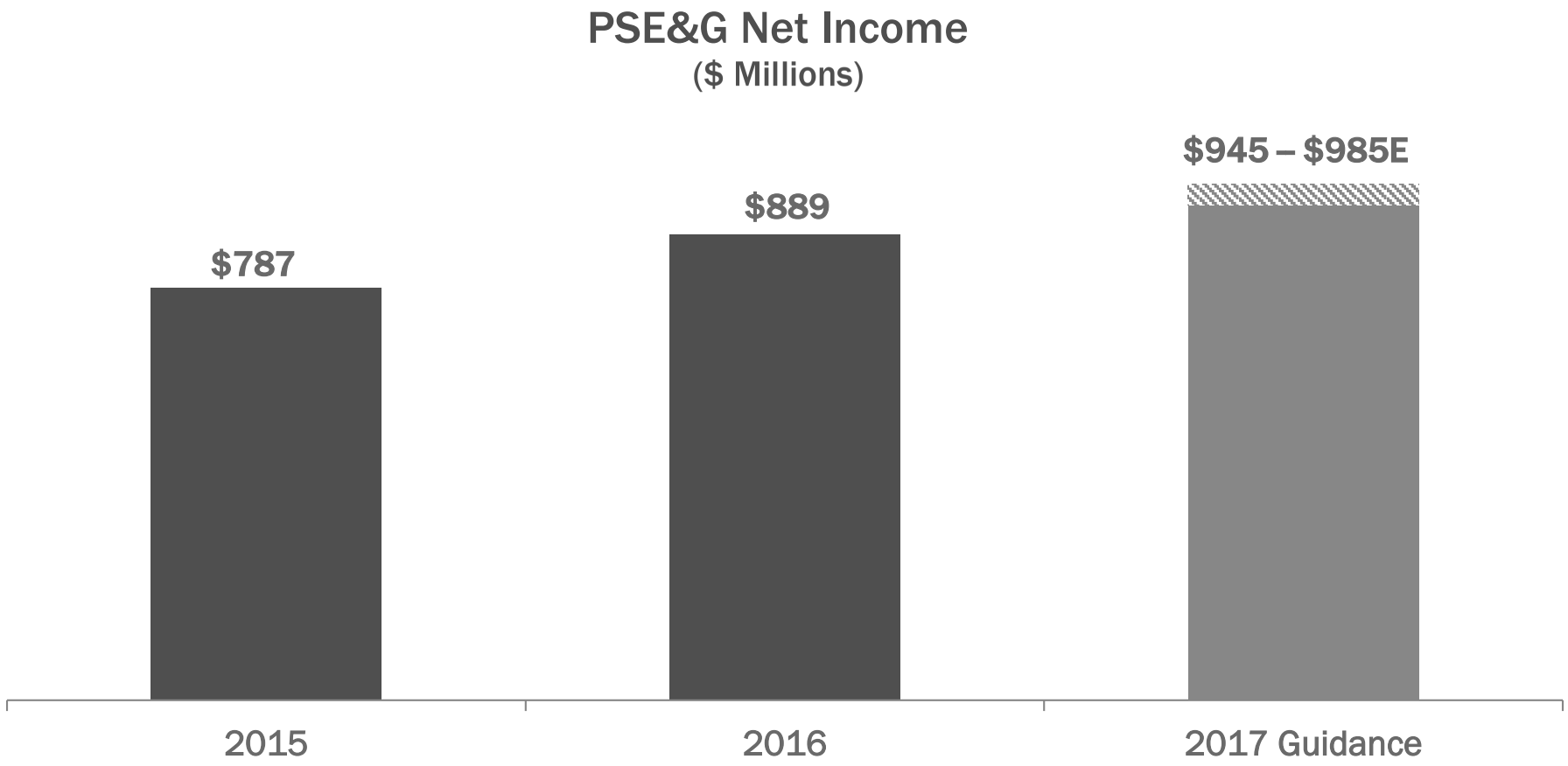
- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-14136

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2017 net income to benefit from investment programs and cost control



E =ESTIMATE.

SI-SSA-0015-14137

PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-14138

PSEG Long Island - Focused on improving customer service and reliability while managing costs

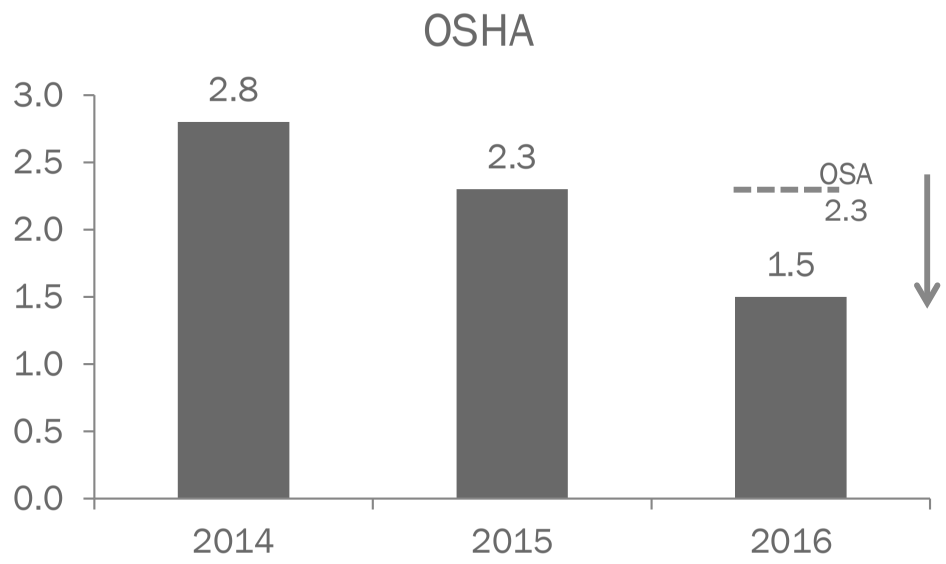
- 4th year of 12 year contract (with option to extend 8 years)
- 2016 - Earned $0.08 per share*
  - Fixed fee of $65 million / year, escalated for CPI
  - Incentive opportunity of 15%
  - Power has $20 million / year energy management and fuel supply contract

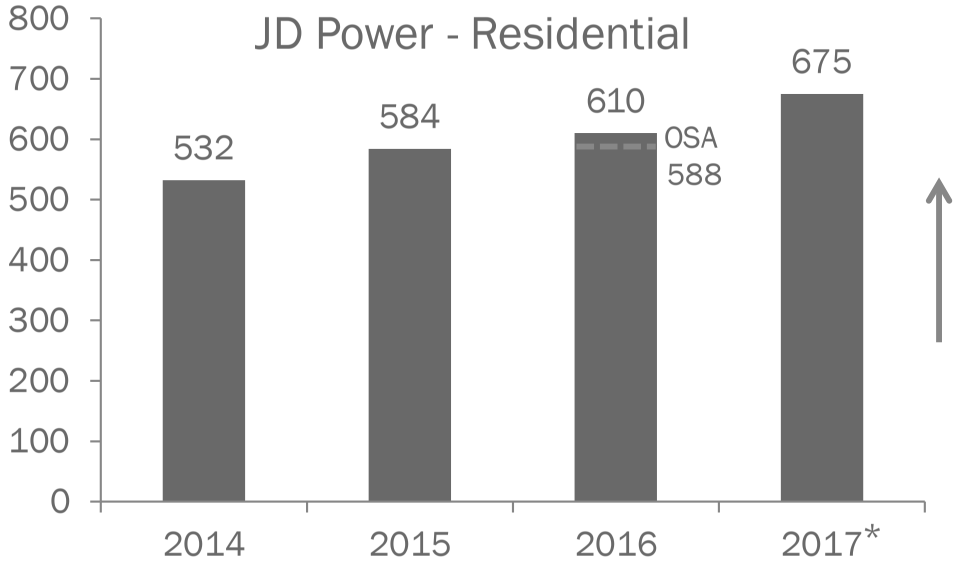
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting Operational and Financial expectations
- Realized >95% of incentive payment in 2014, 2015 and 2016

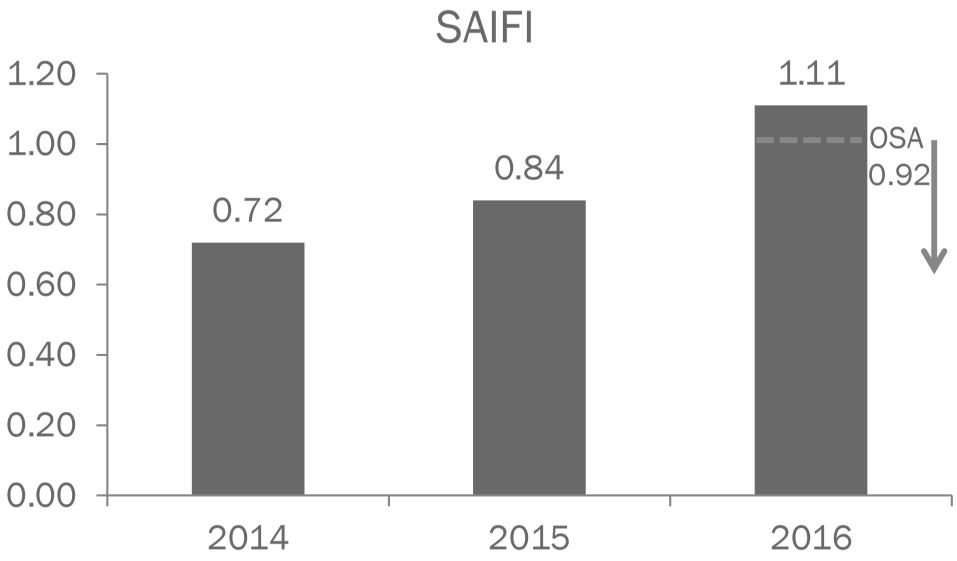
SI-SSA-0015-14139

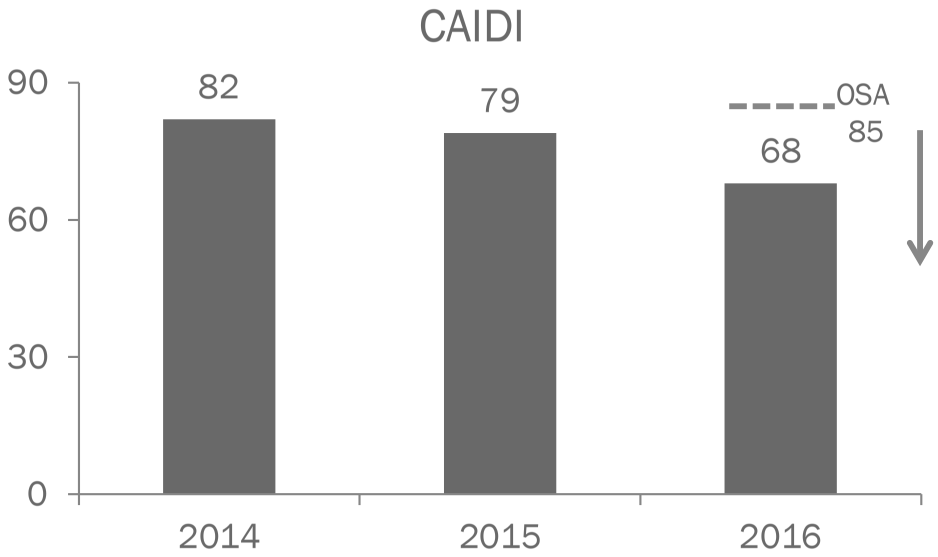
*OVERALL ENTERPRISE IMPACT.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-14140

PSEG

OSA = AMENDED OPERATING SERVICES AGREEMENT BETWEEN PSEG-LI AND LIPA SETTING BENCHMARK INCENTIVE LEVELS
* JD POWER 2017 REPRESENTS FIRST WAVE DATA

2017 PSEG Power and ER&T Business Review & Outlook

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-14141

PSEG POWER

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

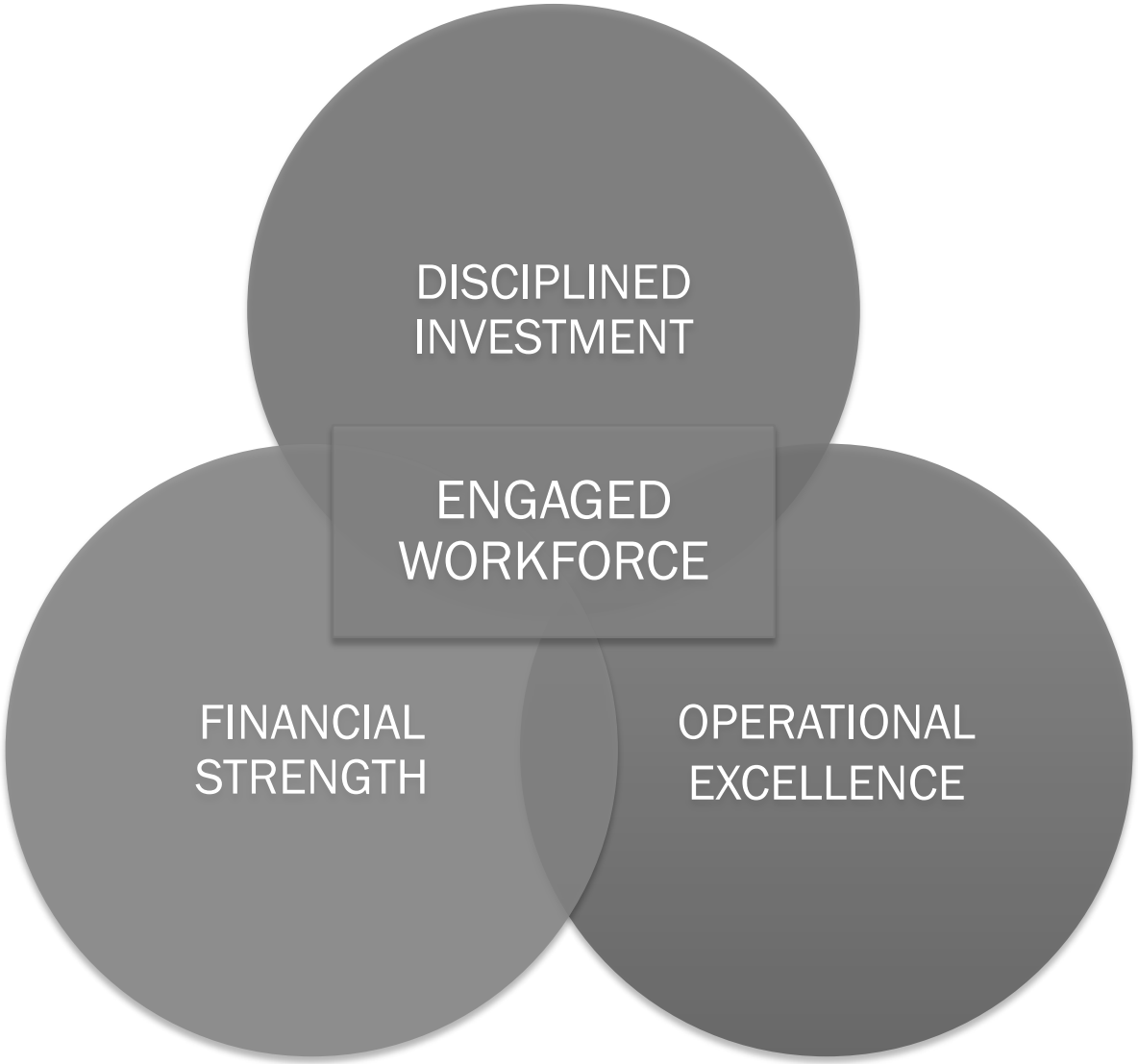
SI-SSA-0015-14142

PSEG

We make things work for you.

PSEG Power
strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally responsible manner



SI-SSA-0015-14143

Power is transforming its portfolio to be newer, more efficient and flexible

2012 → 2013 → 2014 → 2015 → 2016

Selected Accomplishments Towards Transformation

Cost Control

2012

- Additional **400** MW of new peaker capacity at Kearny and New Haven

2013

- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- CCGT Advanced Gas Path (AGP) uprate completed at Linden 1 & 2, **63** MW
- Energy / Fuel management contract for LIPA

2015

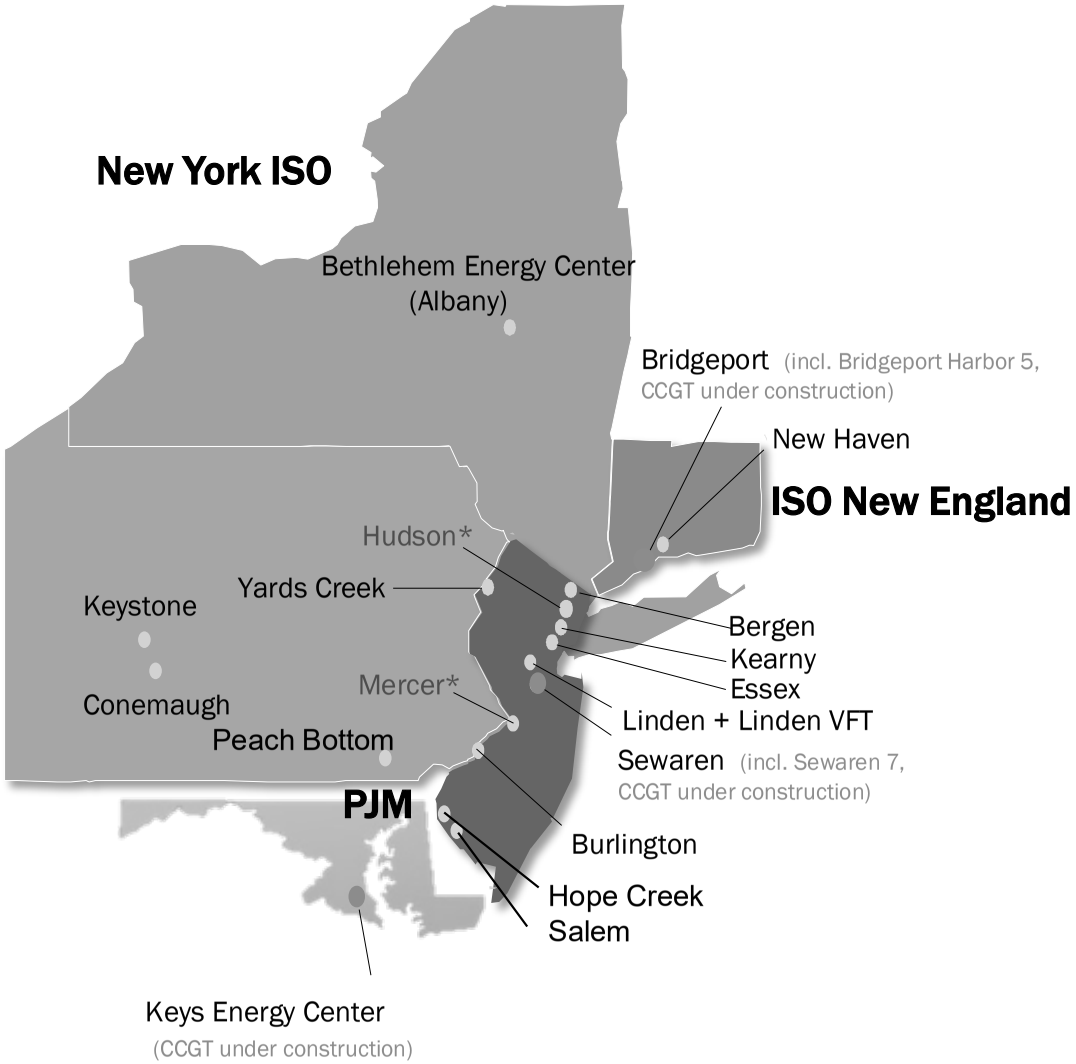
- Continued growth with **1,300** MW new CCGT's announced
  - Keys
  - Sewaren 7
- Projects Completed:
  - Peach Bottom EPU, **130** MW
  - Bergen 2 AGP uprate, **31** MW
- Retired HEDD Units
- Solar portfolio reaches **277** MW_{DC}
- Initiated Hope Creek uprate, **18** MW

2016

- Bridgeport Harbor 5 **485** MW CCGT cleared ISO-NE auction
- Hudson & Mercer early retirement announced
- Kearny 13 & 14 uprate, **14.5** MW increased capacity
- Initiated electric & gas retail business in NJ, PA
- Solar reaches ~**326** MW_{DC} in operation

SI-SSA-0015-14144

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

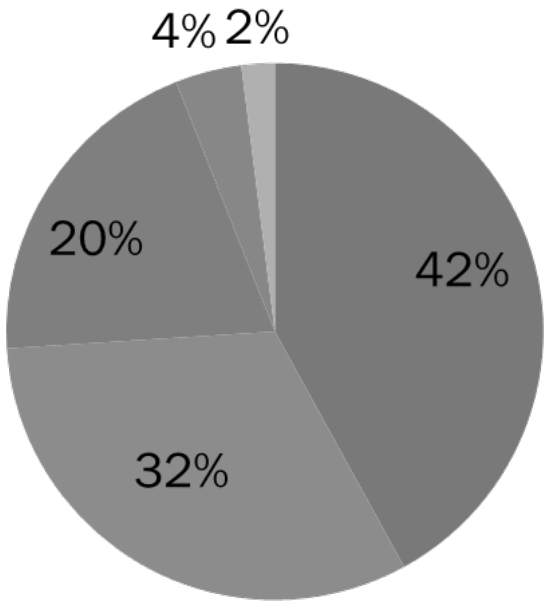
SI-SSA-0015-14145

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Power has a diverse fleet of generating assets which enables it to respond to market needs

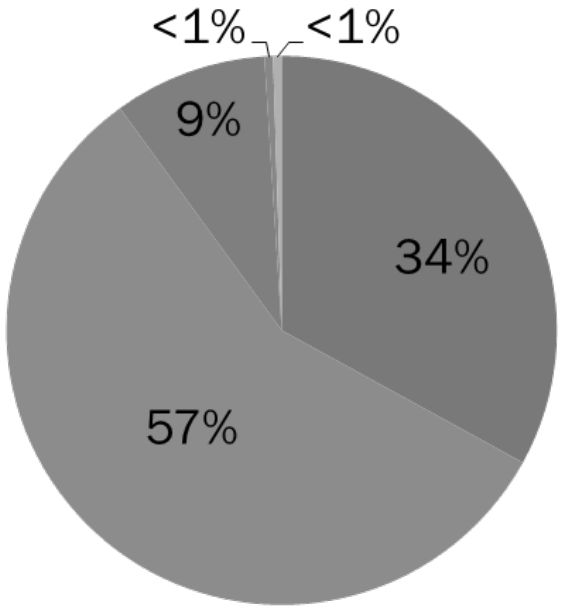
Fuel Diversity 2016*

Total MW: 11,577



Energy Produced 2016*

Total GWh: 51,510



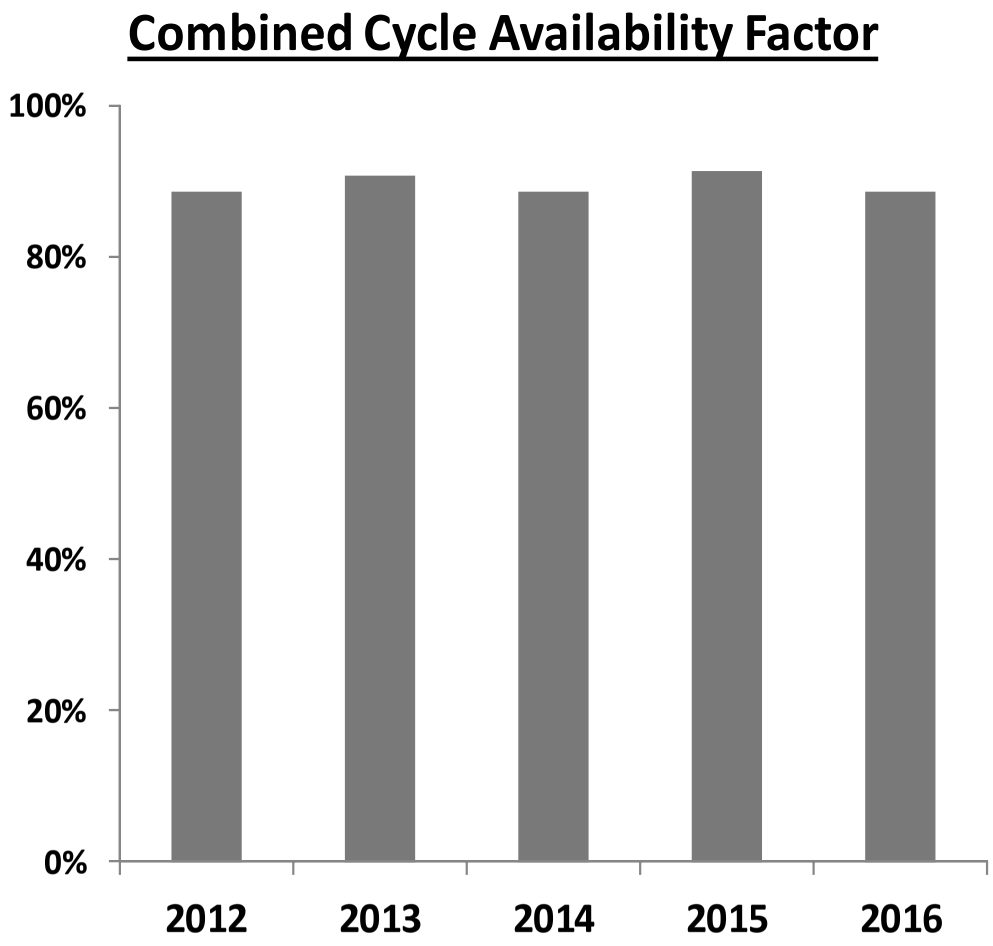
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-14146

PSEG

* EXCLUDES SOLAR (326MW$_{DC}$ /257MW$_{AC}$) AND KALAELOA (104MW).
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's Fossil Fleet maintains solid performance in a challenging environment



- Generation records at BEC and Bergen 2 combined-cycle units
- Combined-cycle EFORd* and EFORp lowest in five years
- Start Success Rate:
  - Peaking: 99.7%
  - Coal/Steam: 93%

SI-SSA-0015-14147

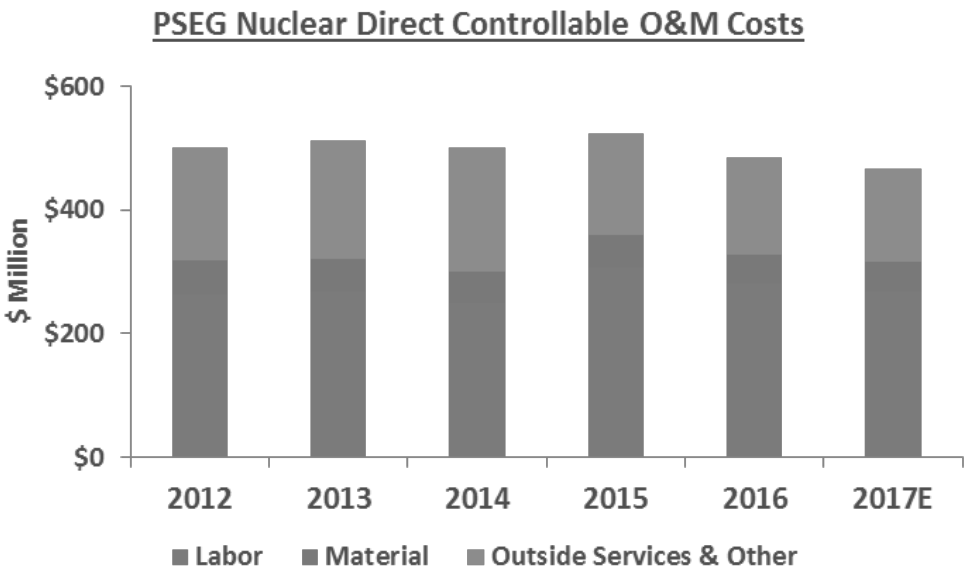
*EFORd EXCLUDES EVENTS OUTSIDE OF MANAGEMENT CONTROL.

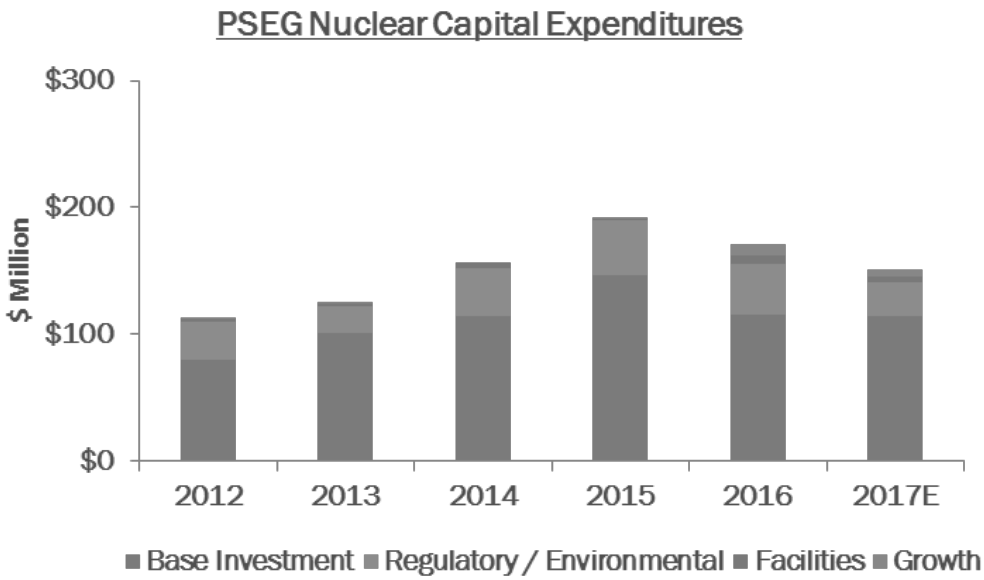
Nuclear is vital to New Jersey with Salem and Hope Creek providing ~40% of the State's energy consumption

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Boiling Water Reactor • Total Capacity: 1,172 MW • Owned Capacity: 1,172 MW • License Expiration: 2046 • 18 MW Uprate Spring 2018 • Next Scheduled Refueling ➢ Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Pressurized Water Reactor • Total Capacity: 2,296 MW • Owned Capacity: 1,318 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Boiling Water Reactor • Total Capacity: 2,450 MW • Owned Capacity: 1,225 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2018 ➢ Unit 3 – Fall 2017

SI-SSA-0015-14148

PSEG Nuclear has been addressing the economic challenges in the current low gas price environment





- 2012 to 2017E CAGR: –1.4%
- The 2015 Labor increase / outside services decrease is due to bringing security force employees in-house
- Material and outside service cost reductions CAGR: – 4%

- Fukushima-related compliance drove $198 M of Regulatory/Environmental spend
- 2016 and 2017E capital driven by Baffle Bolt replacement
- Going forward capital approximately $100M/year to maintain reliability to end of license life

SI-SSA-0015-14149

PSEG

NOTE: LABOR INCLUDES BASE WAGES, OVERTIME AND FRINGE BENEFITS. ALL YEARS EXCLUDE EXPENDITURES FOR NUCLEAR FUEL (APPROXIMATELY $6.50/MWH). E=ESTIMATE

PSEG Nuclear is leading the industry in efforts to ensure economic viability of fleet

Goals

- Industry goal to achieve reductions in O&M, fuel and capital costs by 2018
- The three-year program to examine and implement opportunities to:
  - ✓ Advance safety,
  - ✓ Improve operations, and
  - ✓ Prevent premature reactor closures
- Concurrently, we continue to work with NEI and other industry partners to gain greater compensation for nuclear plants in competitive market policies

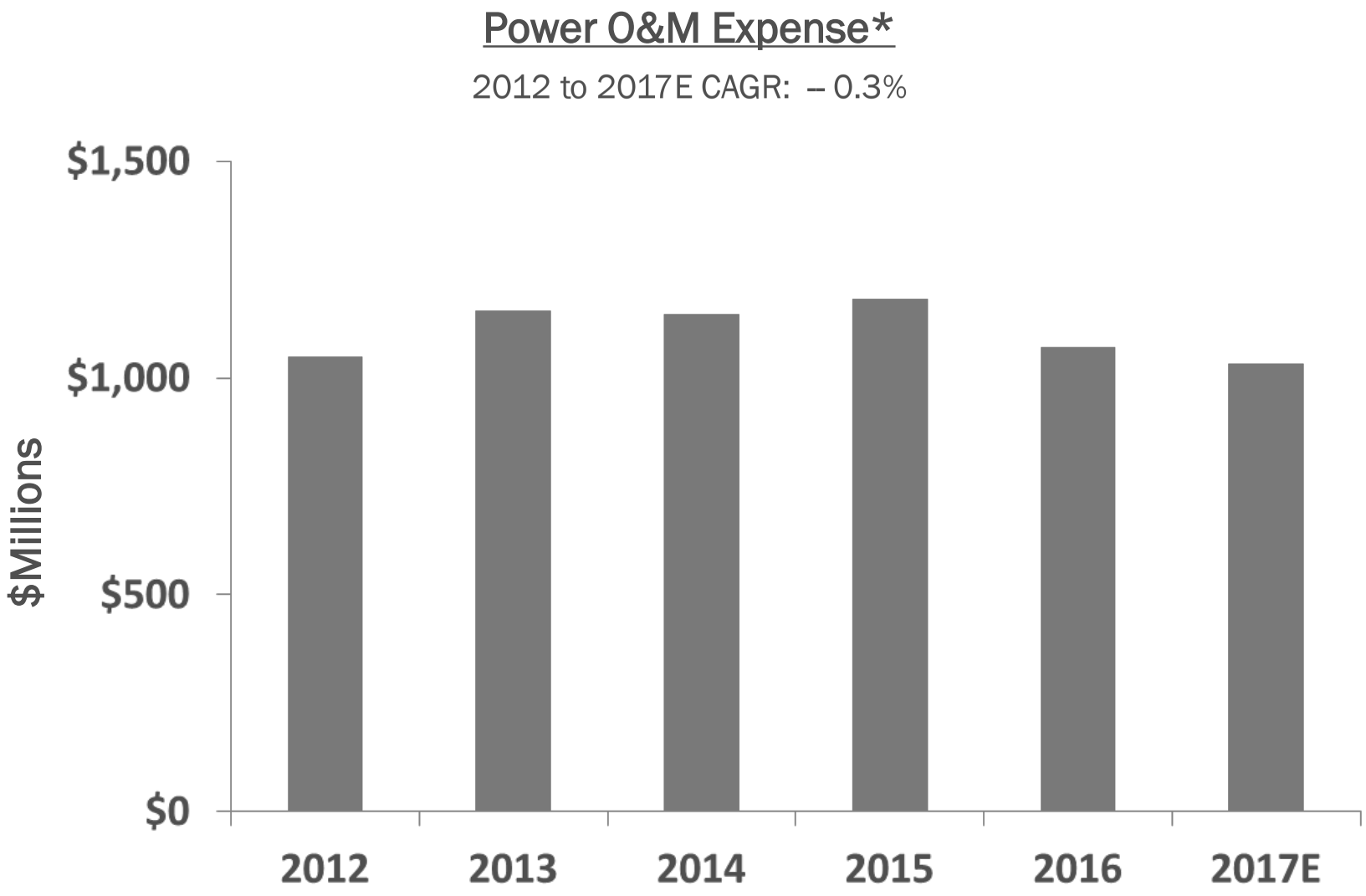
PSEG Nuclear progress to date

- 46 Efficiency Bulletins issued, 21 implemented to date
- Cost reductions achieved: 185 FTE reduction; 2017 direct O&M reduction of 5% from plan target while funding equipment reliability improvement
- Implemented changes to focus on eliminating vs. mitigating equipment reliability issues to ensure generation is not negatively impacted

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-14150

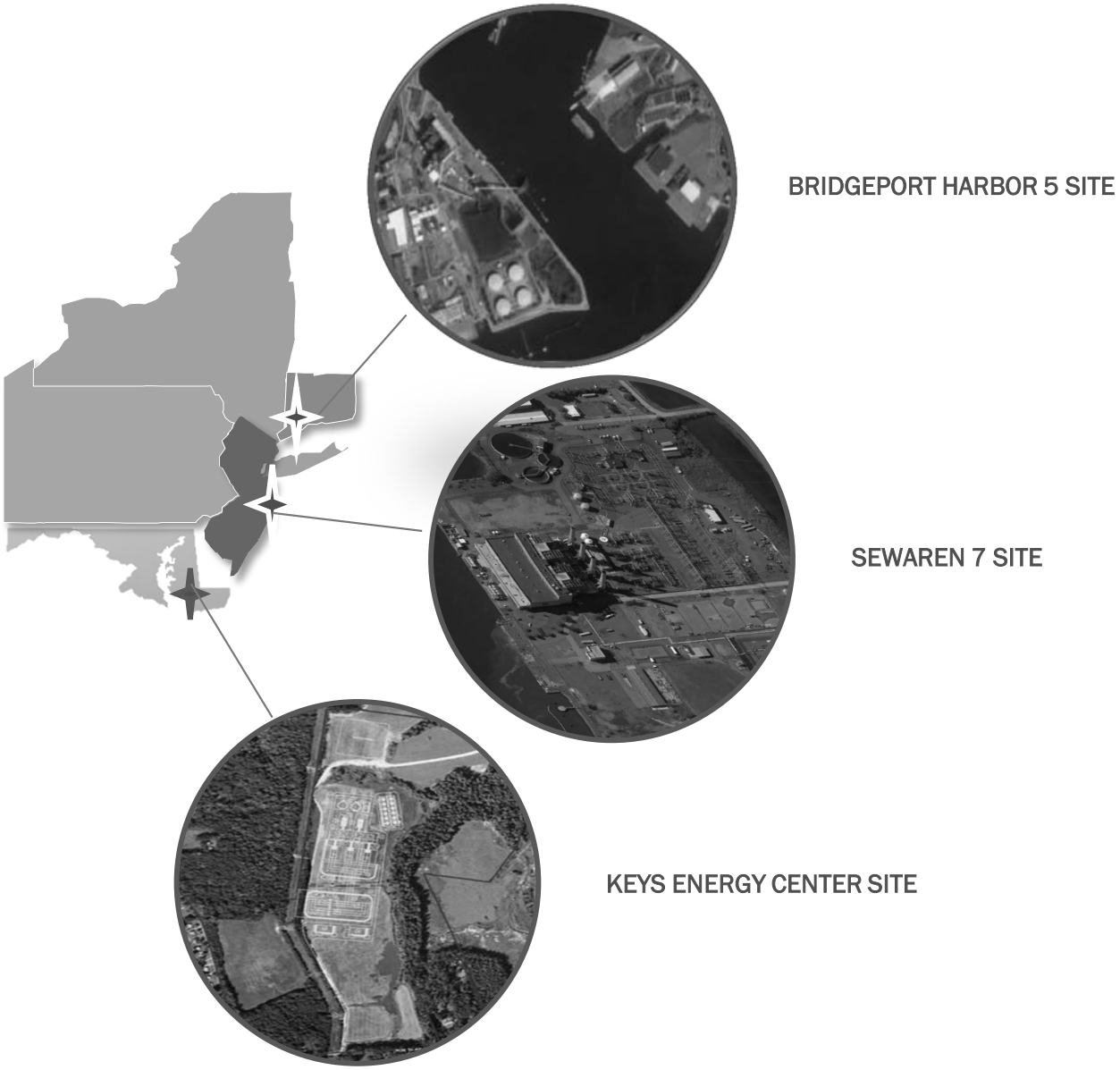
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.
E=ESTIMATE

SI-SSA-0015-14151

Power is developing ~1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



SI-SSA-0015-14152

Growth Project Update - Keys Energy Center

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas-fired combined cycle
  - Greenfield site
- **Estimated Costs $825 to $870 million**
- **Major Milestones**
  - Combustion turbines and generators, steam turbine and generator and all three generator step-up transformers have been set in place
  - Construction is 35% complete as of February 2017
  - Commence training / start-up support in 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket

Keys Energy Center – Aerial View

*SWMAAC – SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
E = ESTIMATE

SI-SSA-0015-14153

Growth Project Update – Sewaren 7

- **540 MW plant in Sewaren , New Jersey**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $625 to $675 million**
- **Major Milestones**
  - Combustion steam turbine generator, combustion turbine and main transformers have been set in place
  - Construction is 29% complete as of February 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Leverages existing infrastructure
  - Existing Sewaren units will retire upon completion
  - Located in the PS Zone load pocket

Sewaren 7 – Aerial View

SI-SSA-0015-14154

E = ESTIMATE

Growth Project Update – Bridgeport 5

- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $525 to $575 million**
- **Major Milestones**
  - New Source Review Air Permit is expected to be issued by April 15, 2017
  - Expected to be in-service in mid-2019
- **Outlook**
  - To be constructed on the existing PSEG Bridgeport Harbor site; Bridgeport Harbor 3 will retire in 2021
  - Located in the SW Connecticut load pocket
  - Seven year capacity price lock

Bridgeport 5 – Aerial View

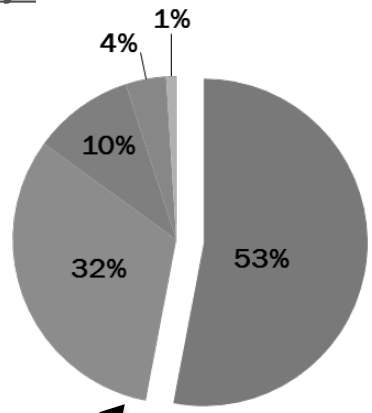
E = ESTIMATE

SI-SSA-0015-14155

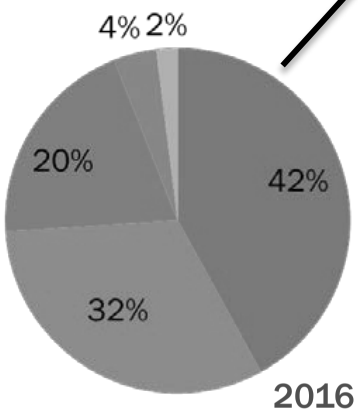
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

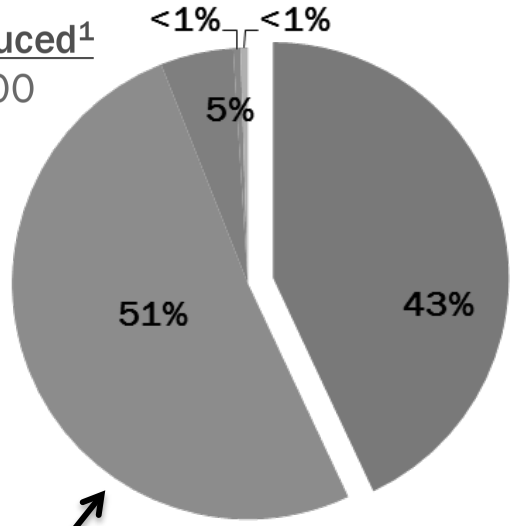
2021E Fuel Diversity[1]
Total MW: 11,900



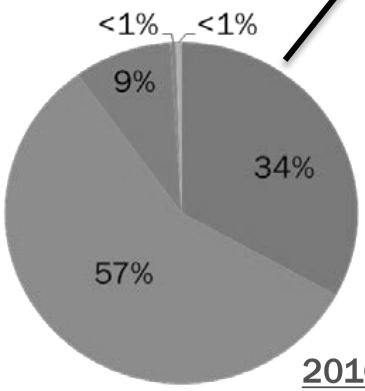
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510

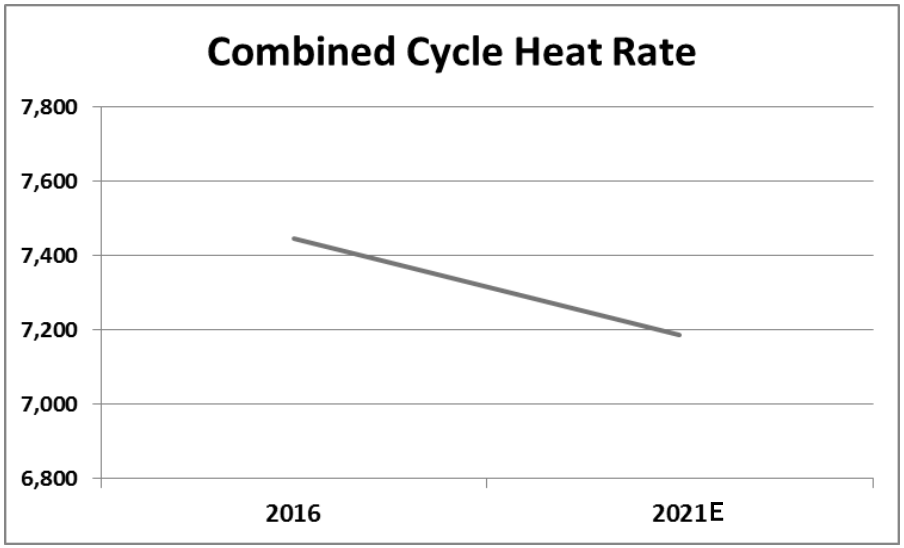


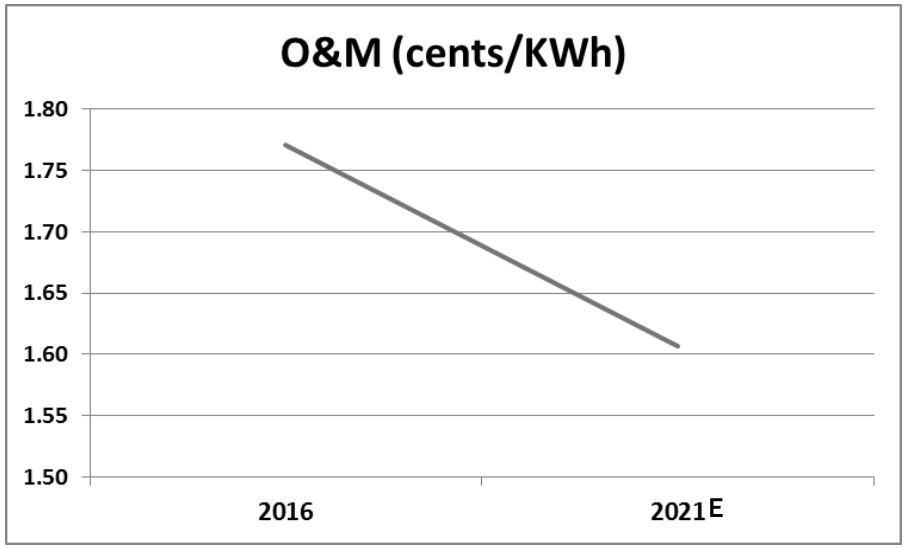
Energy Produced increases by >18%

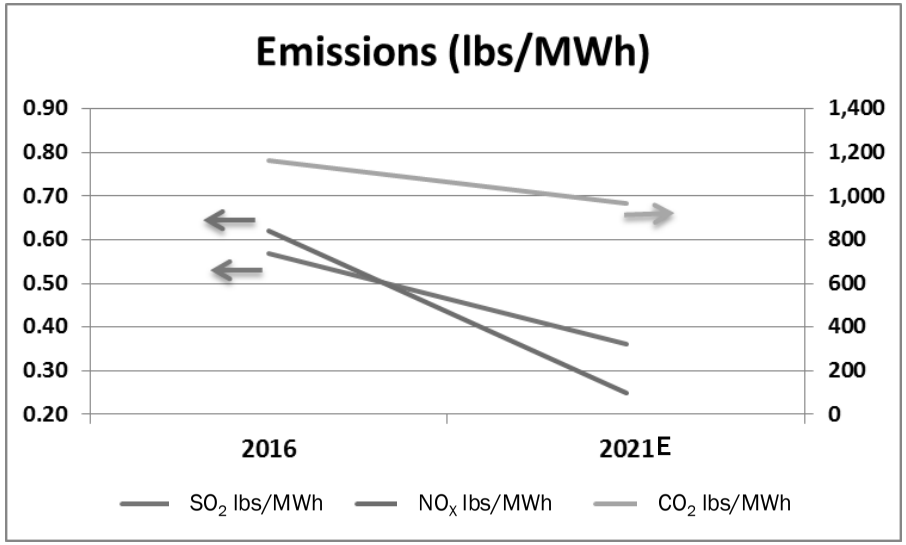
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

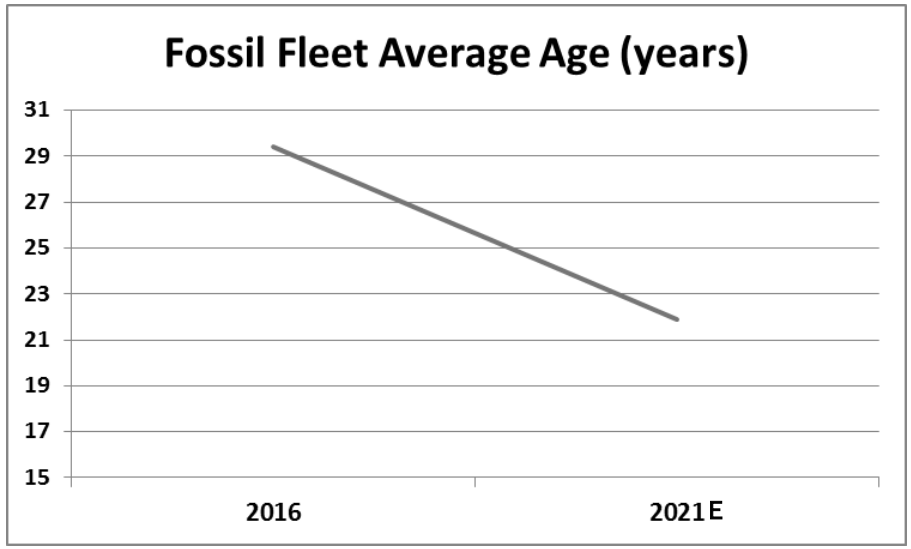
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

Power's fleet is transitioning to become more efficient, productive and clean



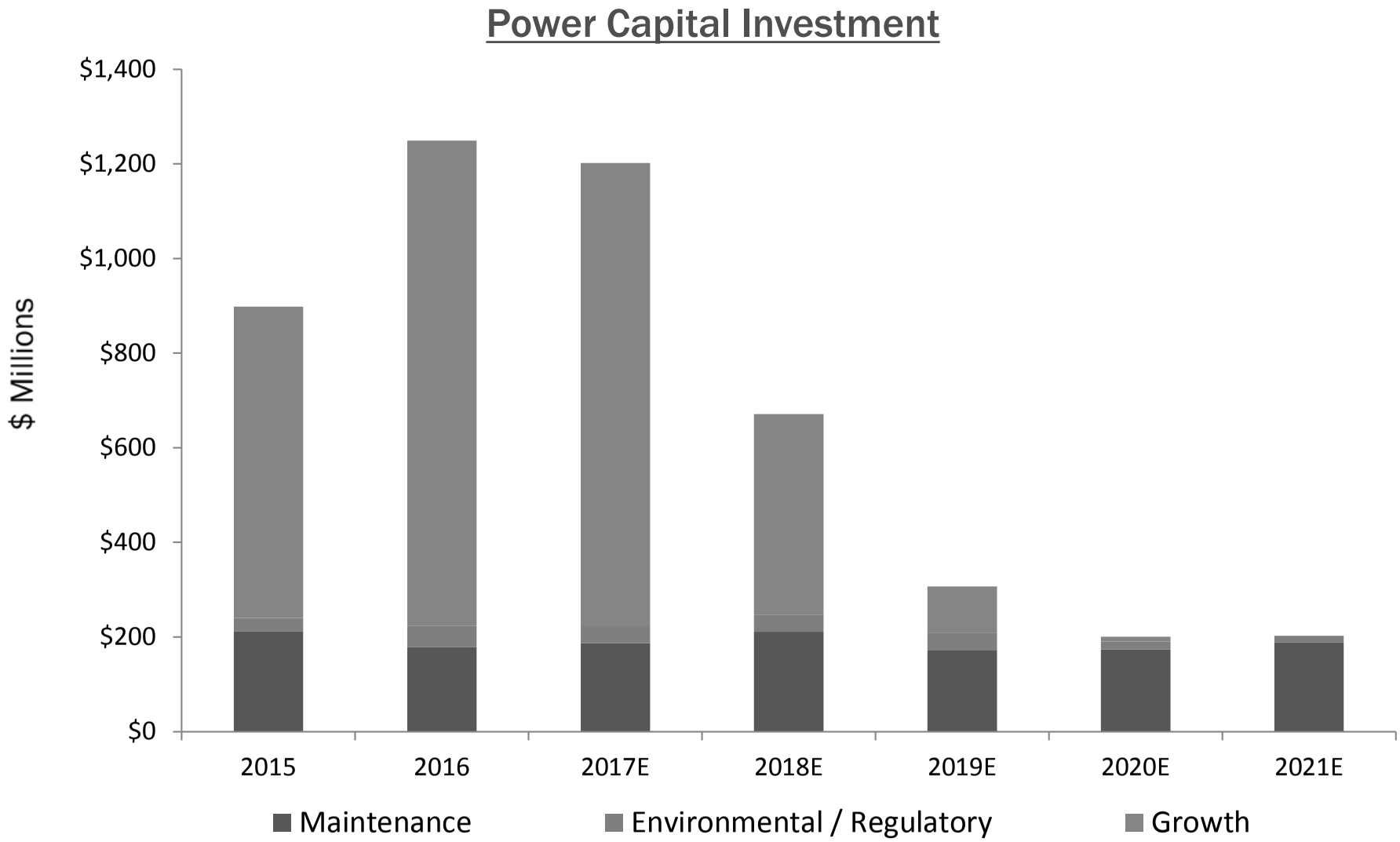






E = ESTIMATE.

Power's capital needs decline following construction of new capacity, enhancing free cash flow

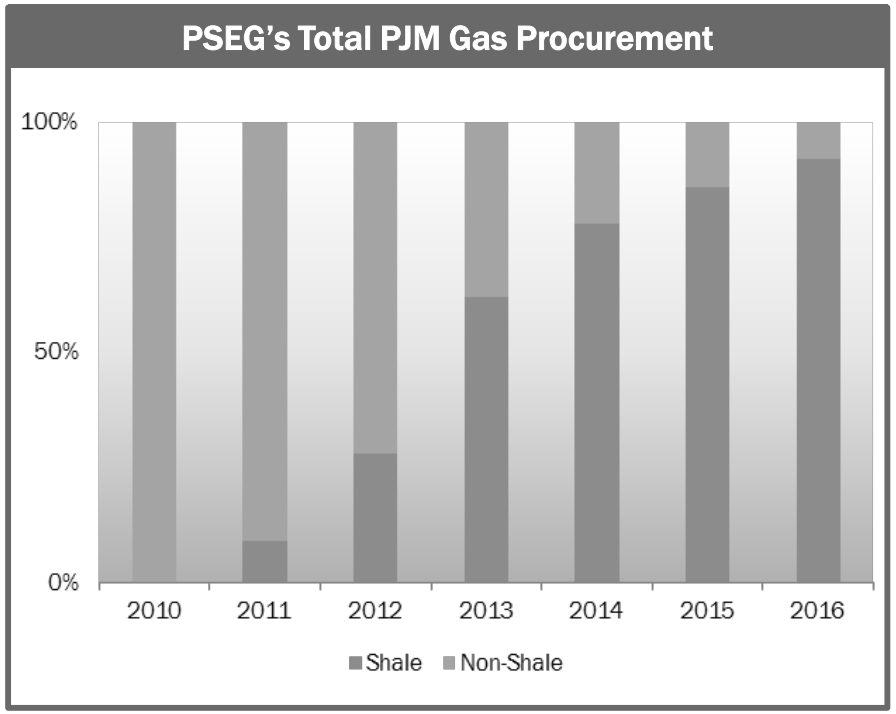


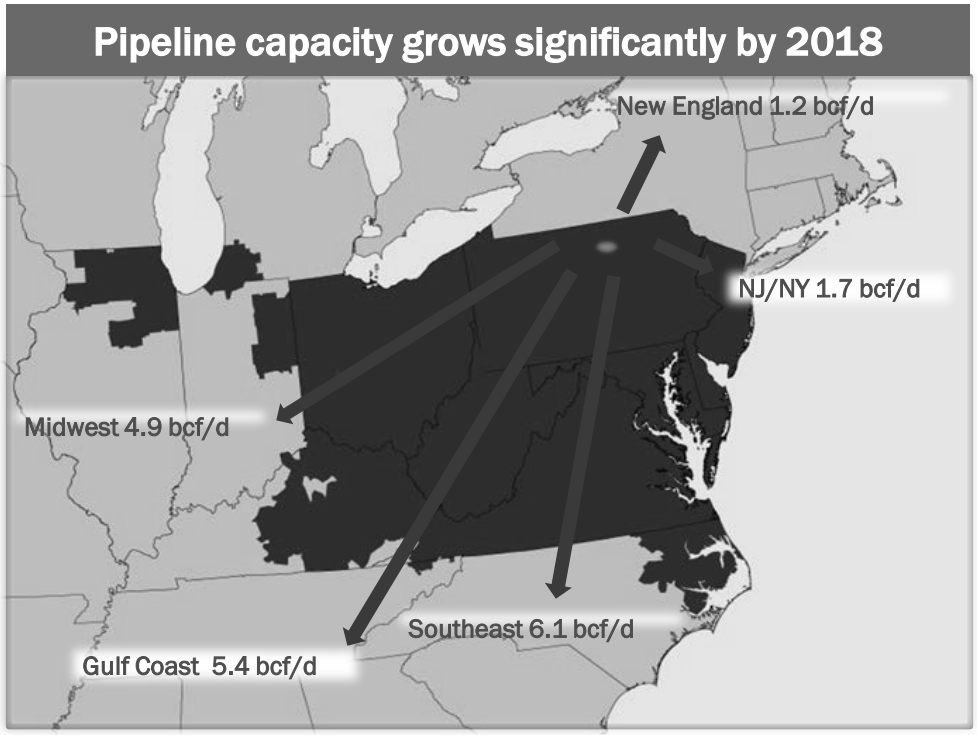
SI-SSA-0015-14158

PSEG

E=ESTIMATE. DATA AS OF FEBRUARY 2017.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Power's fleet is well-located with access to shale gas production



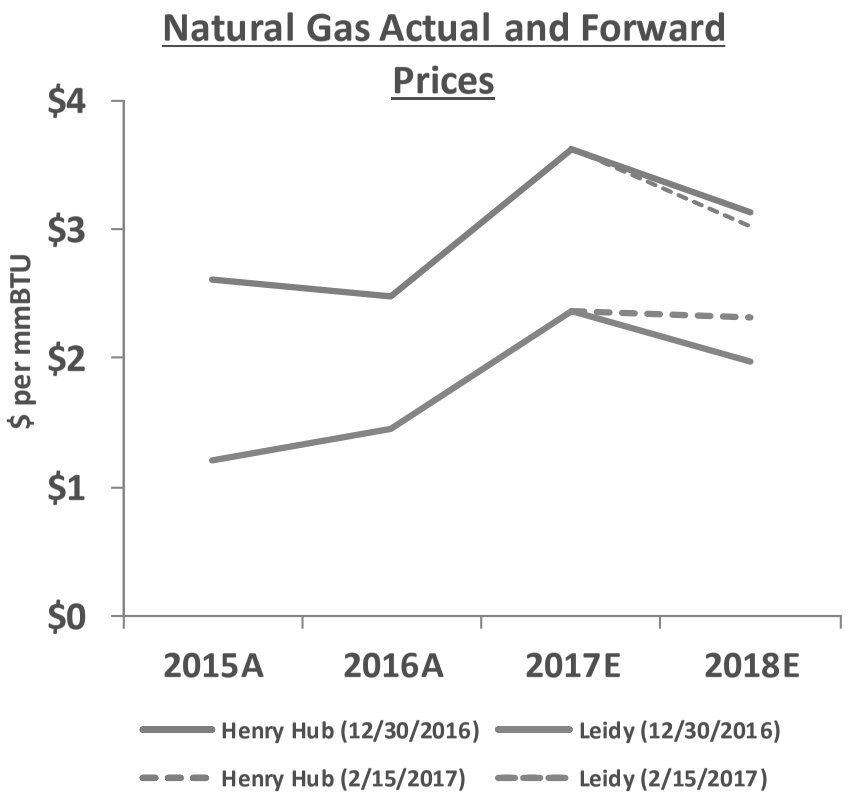


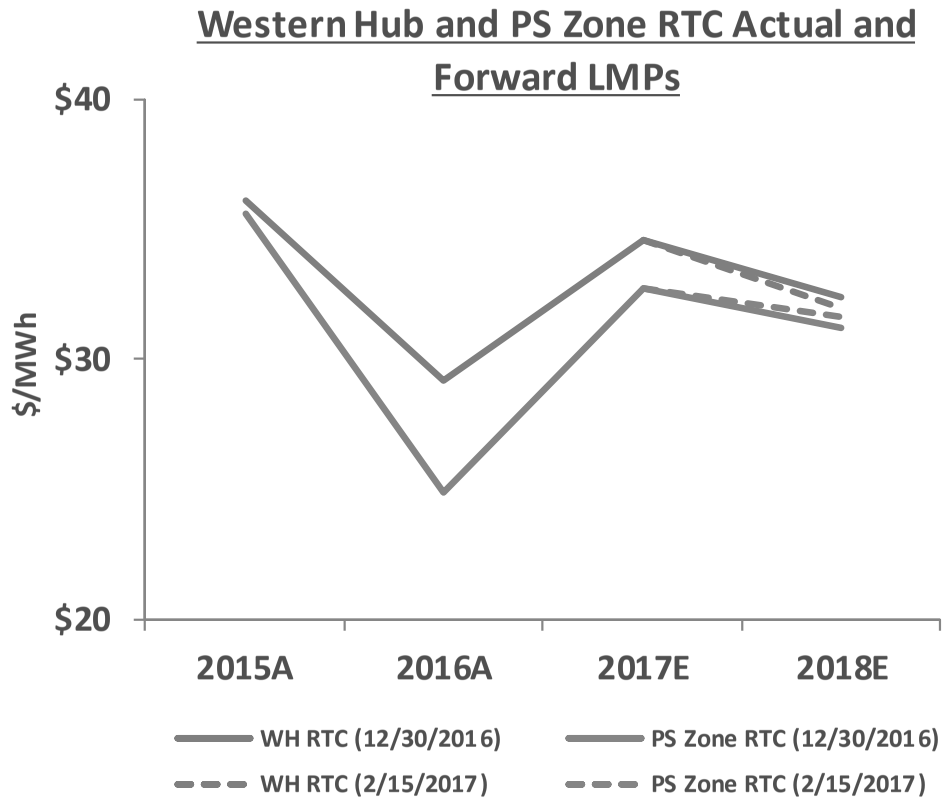
- PSEG Power procured approximately 400 BCF in 2016 with almost 50% going to PSE&G's utility gas customers
- PSEG Power's gas for PJM generation was ~100 BCF in 2016, of which >80% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-14159

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





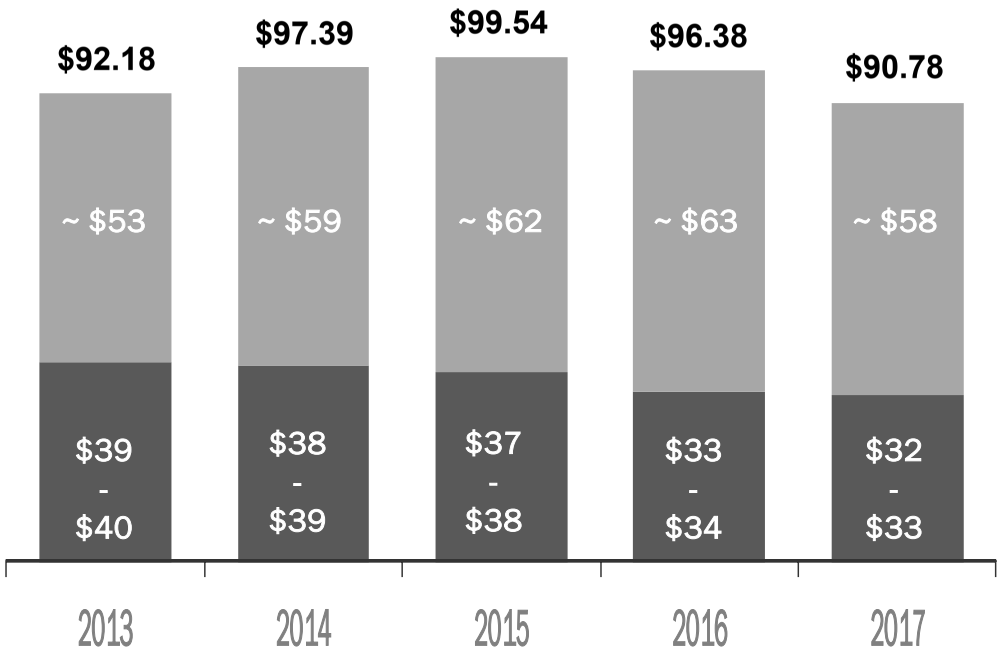
Electric basis for the PSEG Zone is also showing improvement in the forward markets

SI-SSA-0015-14160

E = ESTIMATE.

New Jersey BGS accounts for ~11 TWh of our hedging – Retail marketing will complement BGS

NJ BGS RSCP Supply Pricing

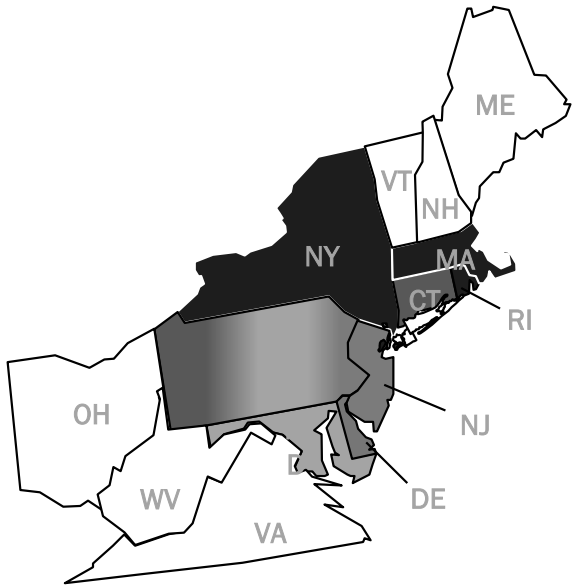


3 Year Average Round the Clock PJM West Forward Energy Price

+

- Capacity
- Load shape
- Transmission
- Congestion
- Ancillary services
- Risk premium
- Green

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial and Industrial customers
- Target:
  - Year 3: ~4 - 5,000 GWh
  - Year 5: ~8 - 10,000 GWh

SI-SSA-0015-14161

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2015-2017 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2017.

Our Hedging Strategy is designed to secure gross margin while leveraging the portfolio

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	-	-
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-14162

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

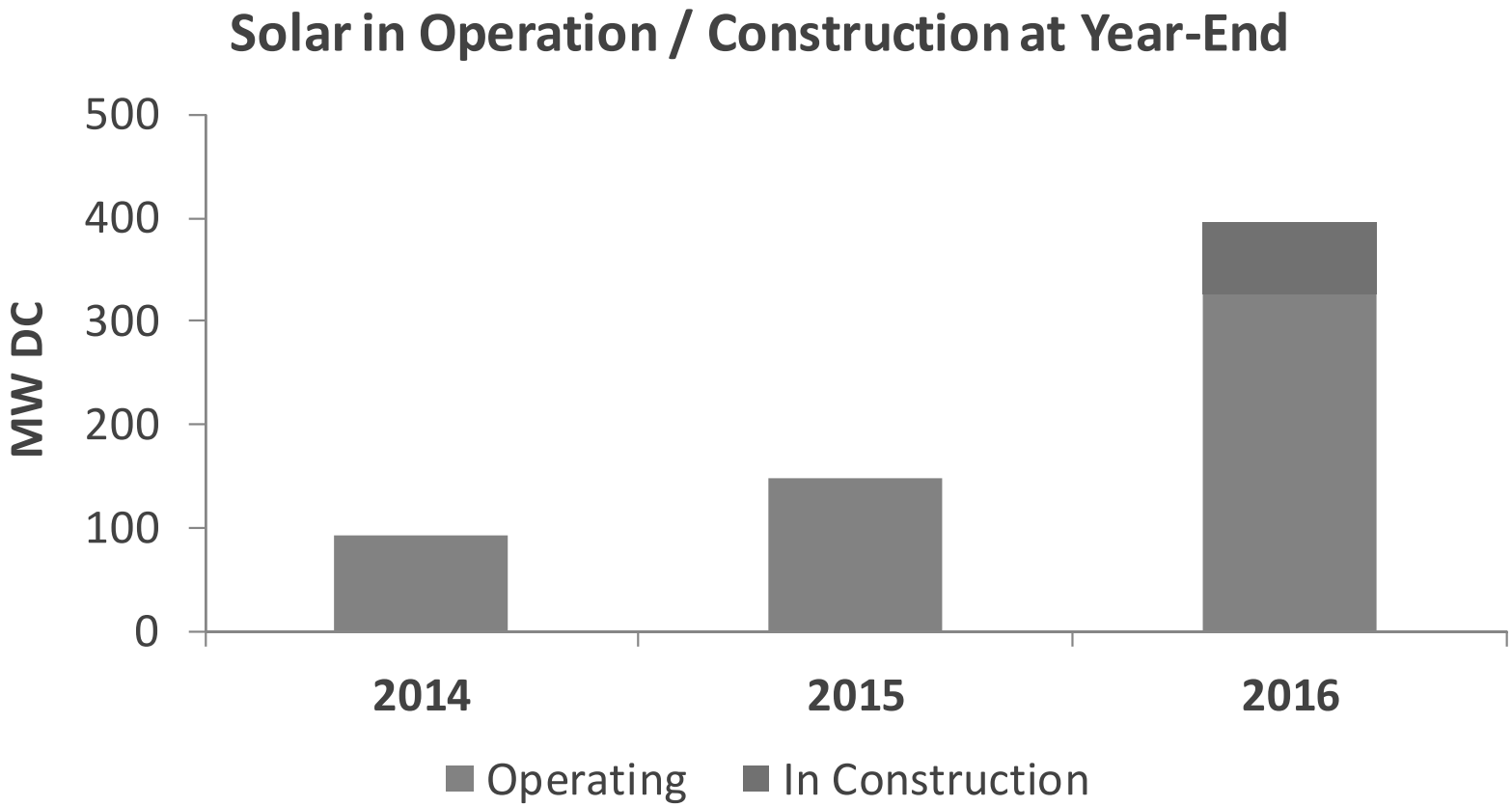
Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-14163

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Solar has grown to 326 MW_{DC} in operations with 70 MW_{DC} under construction



SI-SSA-0015-14164

PSEG

PORTFOLIO CONSISTs OF 326 MW_{DC} /257 MW_{AC} IN OPERATIONS, 70 MW_{DC}/55 MW_{AC} IN CONSTRUCTION.

Other attractive sources of revenues
round out a robust portfolio

Gas Supply and Asset Optimization

- Wholesale provider to PSE&G and others
  - Storage capacity of approximately 78 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA Fuel and Energy Dispatch Management – contract through 2024

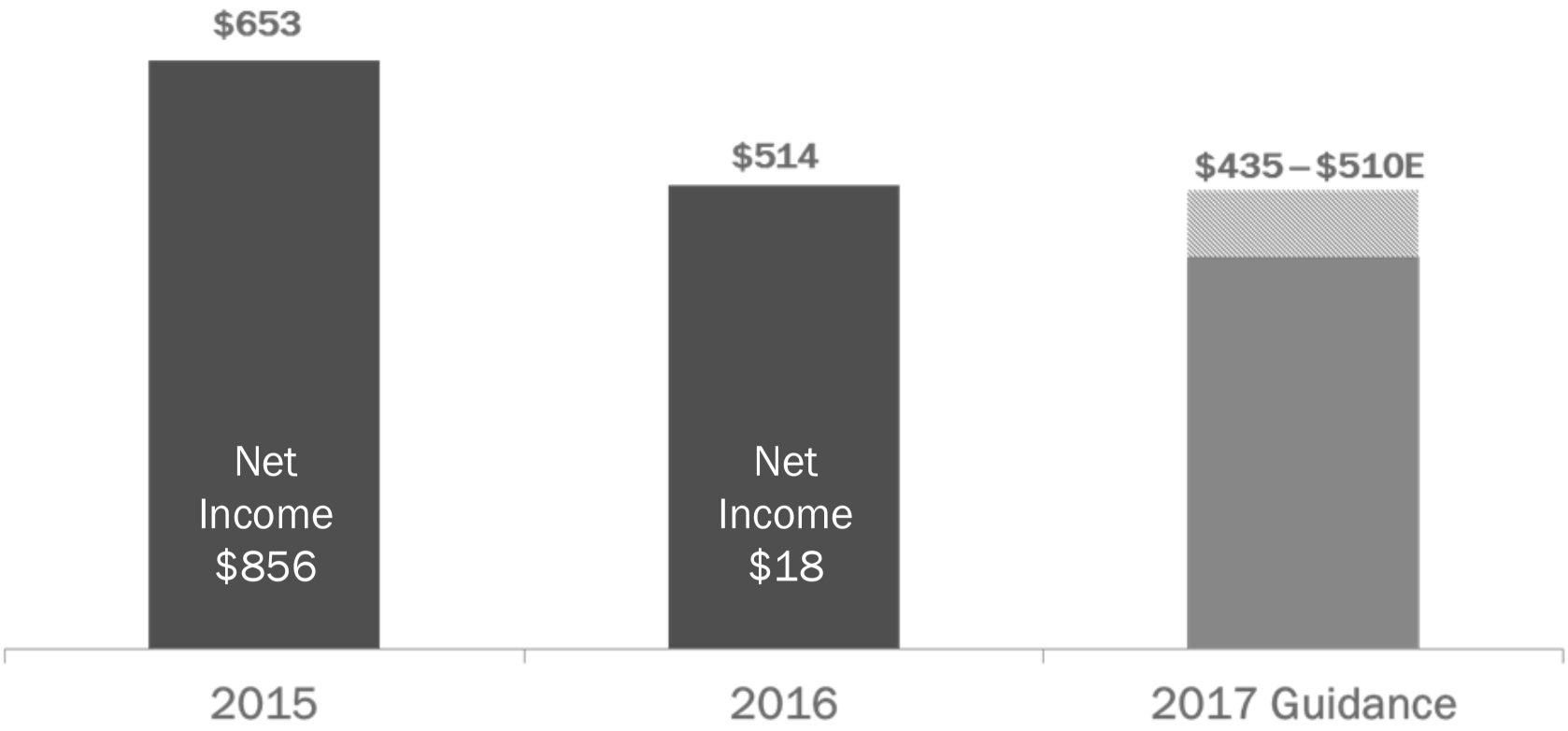
Kalaeloa, HI – 50% equity interest in a 208 MW oil-fired combined cycle unit

SI-SSA-0015-14165

Power's 2017 non-GAAP Operating Earnings

reflect efforts being taken in challenging market conditions

PSEG Power non-GAAP Operating Earnings*
($ Millions)



SI-SSA-0015-14166

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
E = ESTIMATE.

PSEG Power's Value Proposition

Efficient fleet	Advantaged locations	Investing to grow

- Well-positioned, well-run fleet of merchant generating assets in competitive markets
- Early retirement of Hudson and Mercer coal stations in mid-2017 improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Low capital requirements post-construction
- Hedging strategy to protect value of assets in declining price environment and provide stable returns and cash flow

SI-SSA-0015-14167

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-14168

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

SI-SSA-0015-14169

We consistently deliver our earnings guidance by executing our growth plans, managing O&M, and optimizing assets

PSEG Non-GAAP Operating Earnings*					
$ Millions (except EPS)	2012	2013	2014	2015	2016
Initial Operating Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95	$2.80 – $3.00
*Non-GAAP Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.90
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance	Mid-Point of Guidance

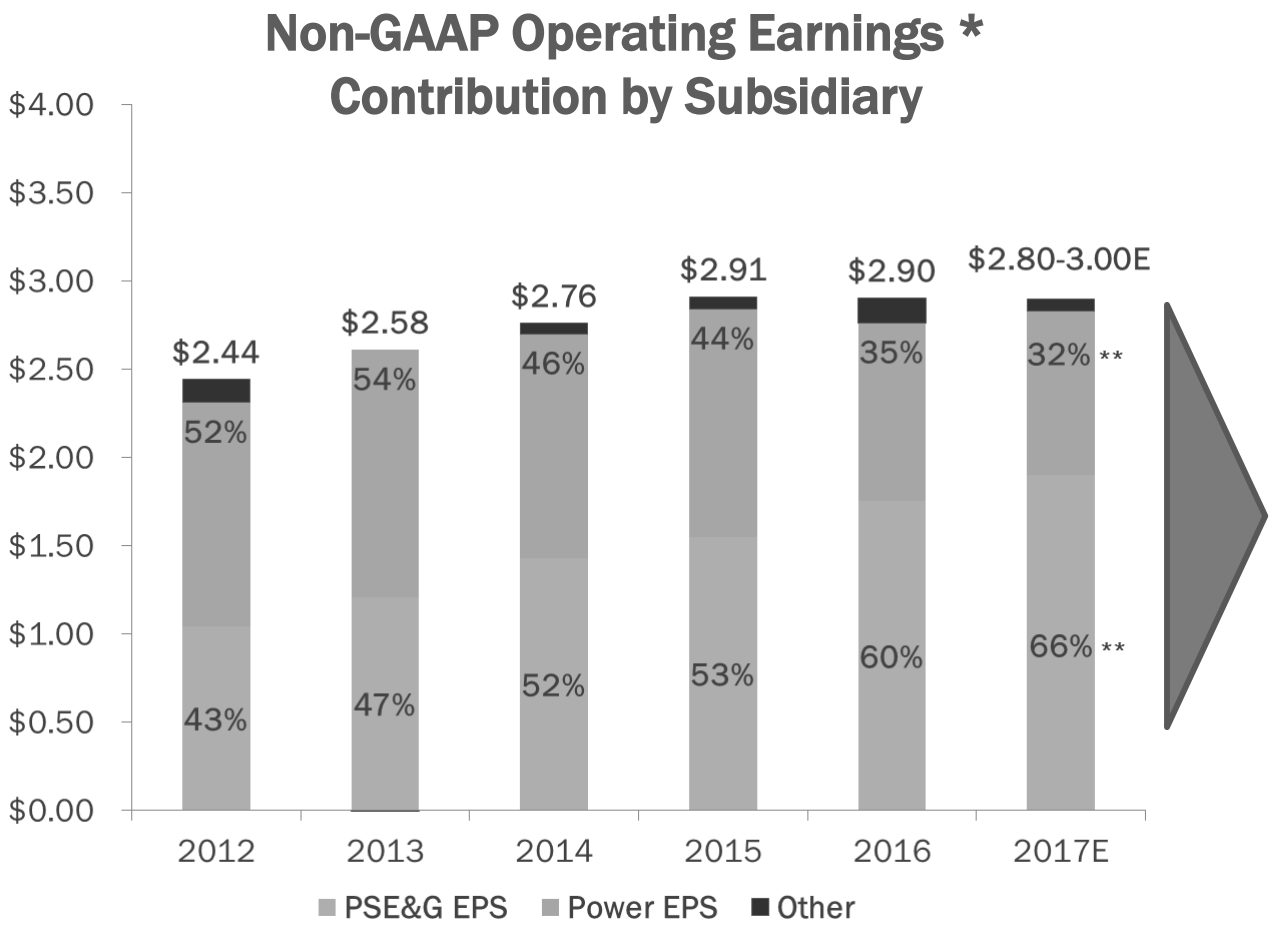
Producing strong results in challenging conditions, including a low commodity price environment and unfavorable weather

SI-SSA-0015-14170

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E= ESTIMATE.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



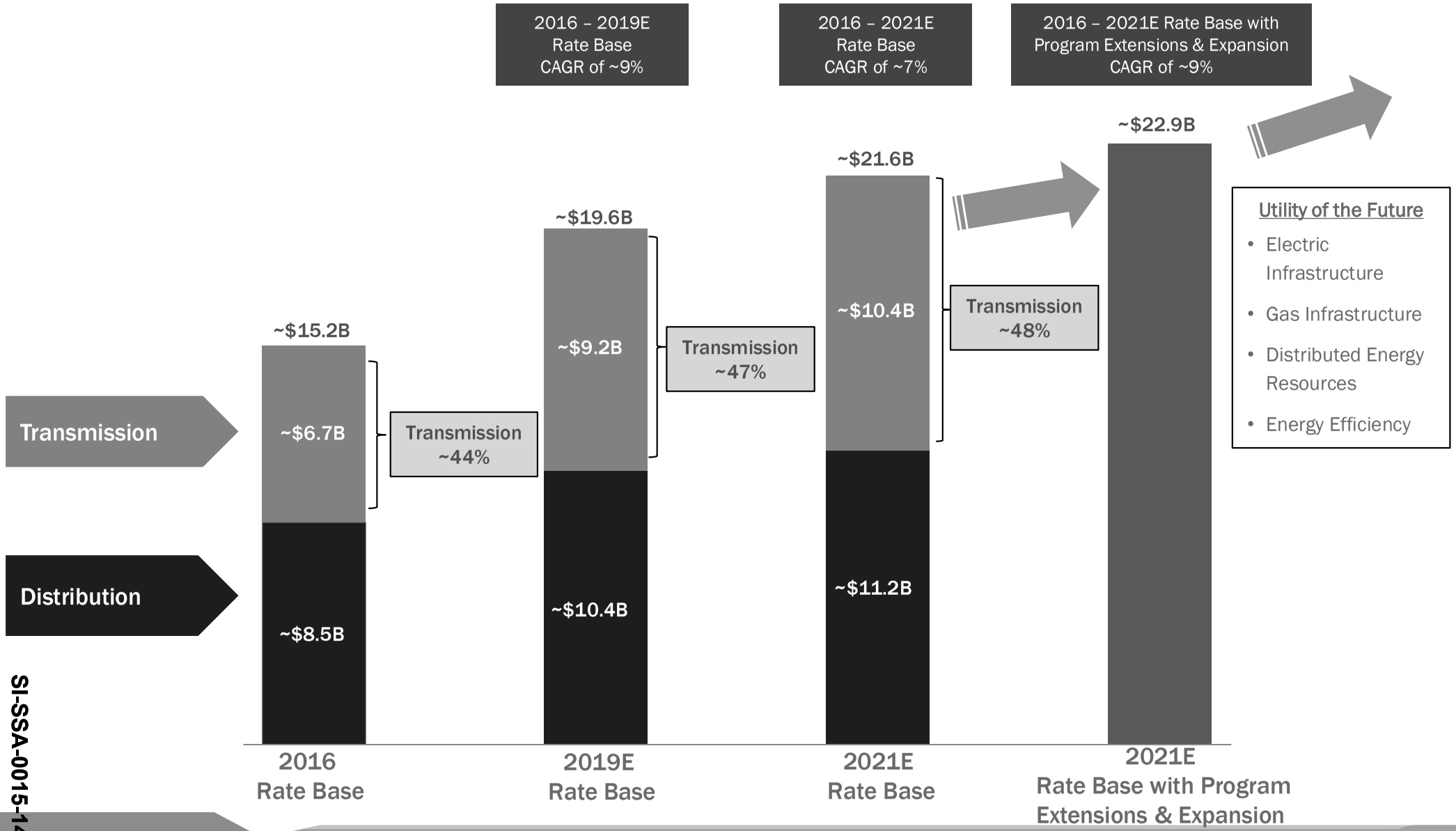
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-14171

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's capital spending drives high single-digit growth in rate base

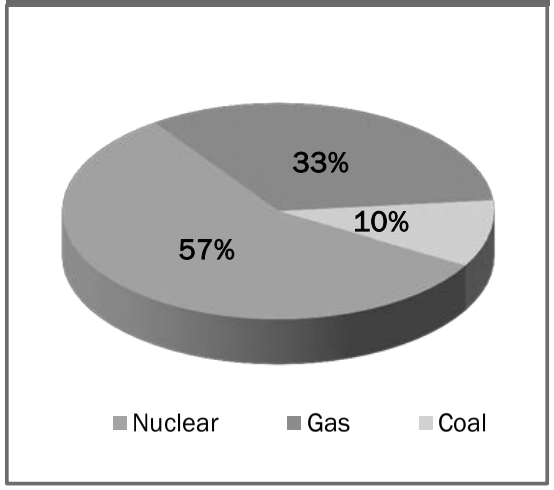


E = ESTIMATE.

SI-SSA-0015-14172

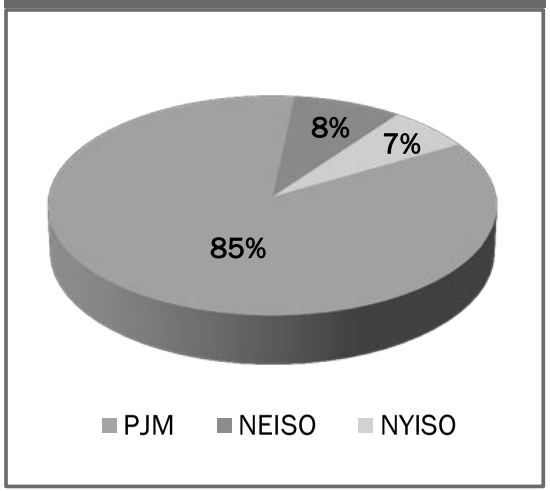
Power's hedging program has secured 55% - 60% of its estimated gross margin for the next 3 years

Energy Produced in 2016



51,510 GWh

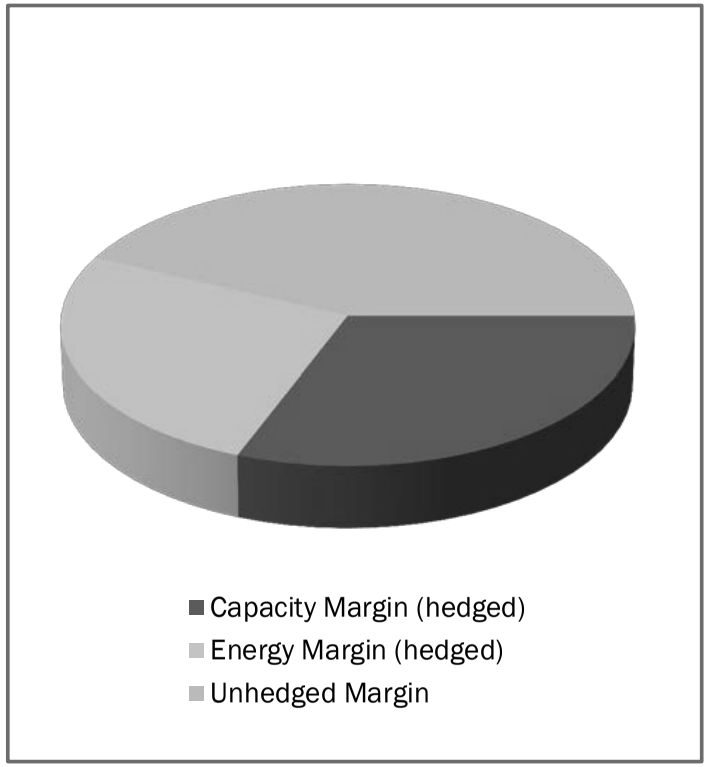
Capacity Available in 2016



11,577 MW

3 Year Average - Gross Margin (%)

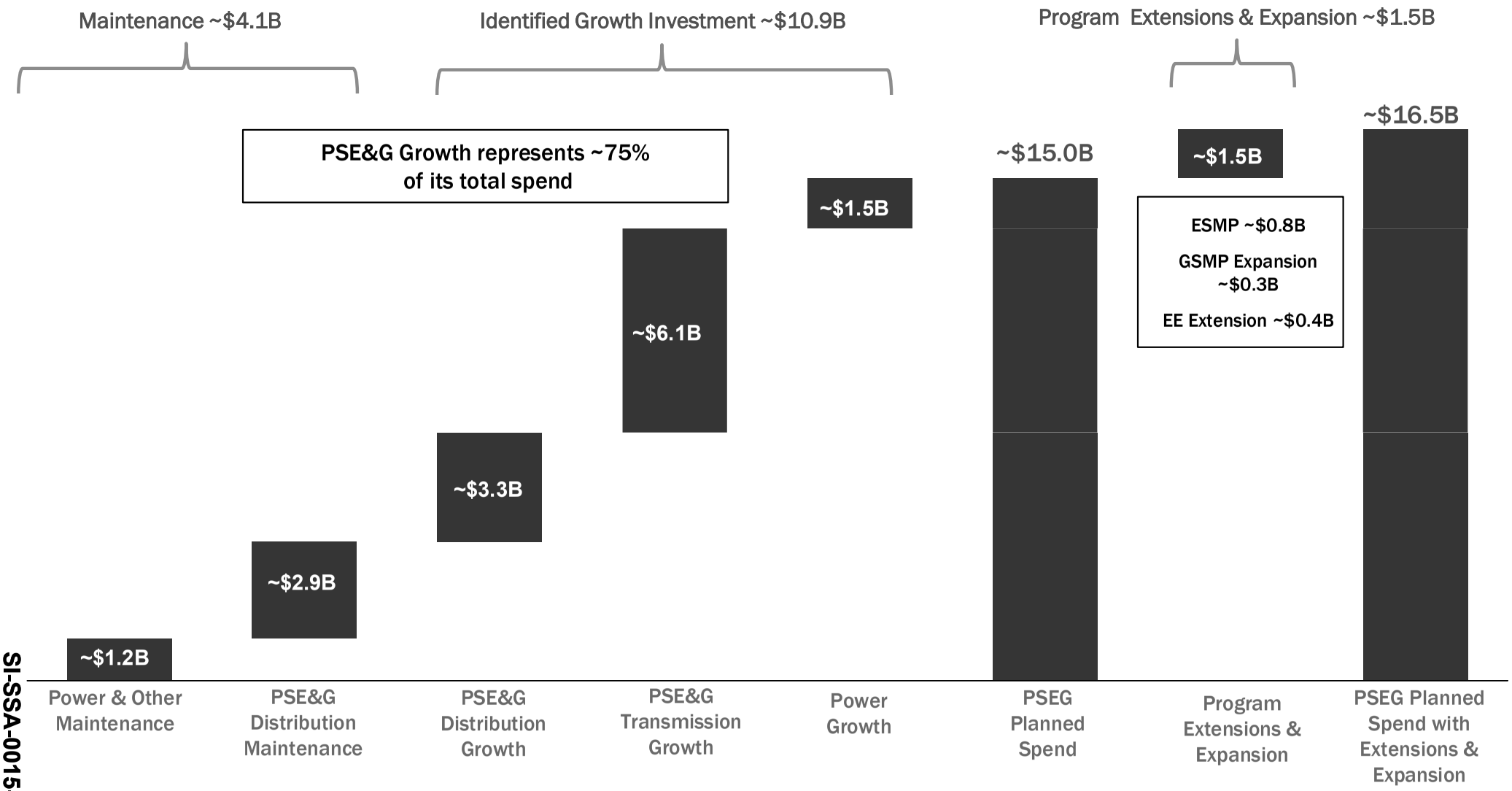
2017E-2019E



. E = ESTIMATE.

PSEG capital program focused on growth

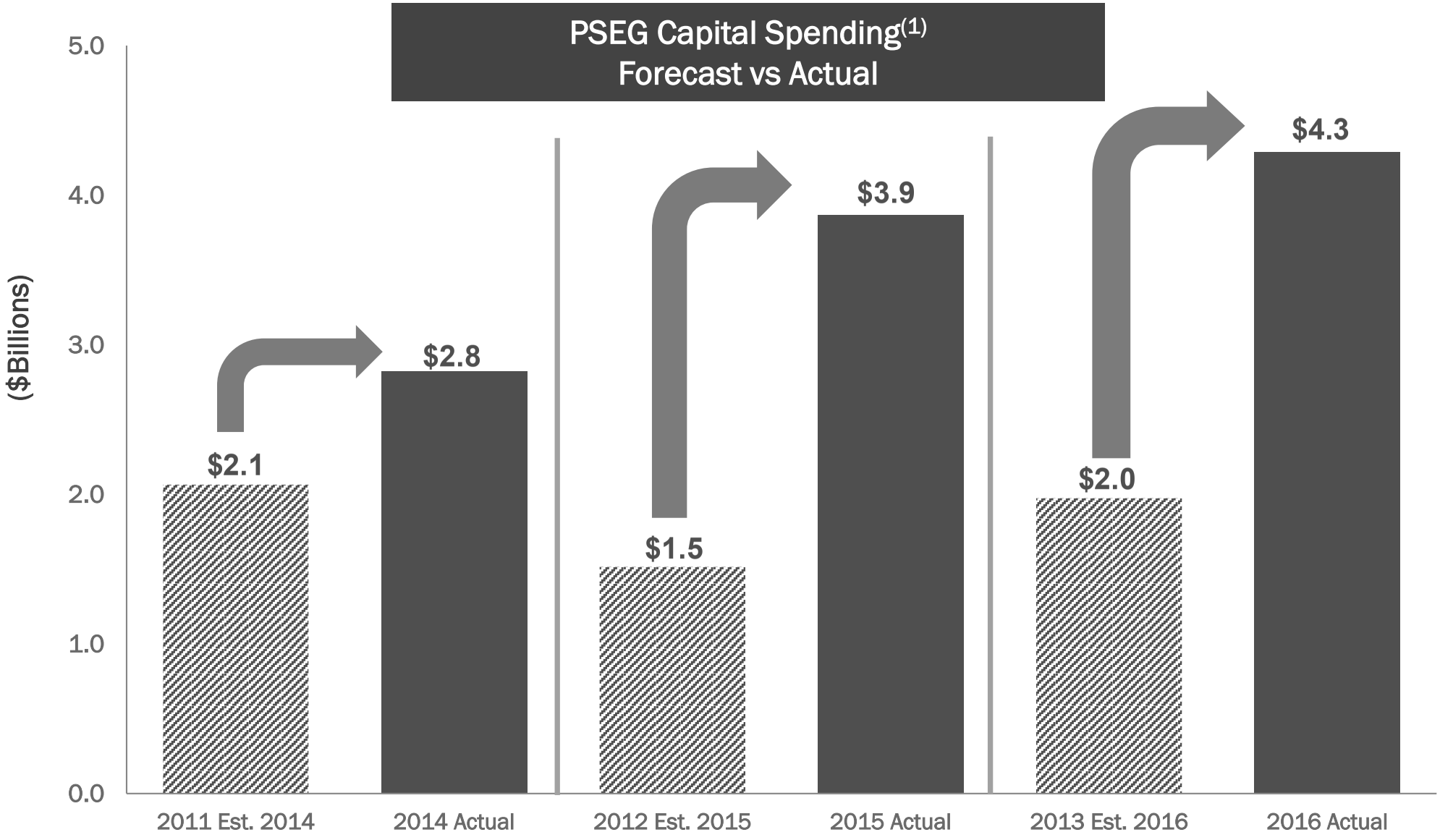
PSEG 2017E – 2021E Capital Investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

SI-SSA-0015-14174

We have demonstrated an ability to identify opportunities to deploy our balance sheet

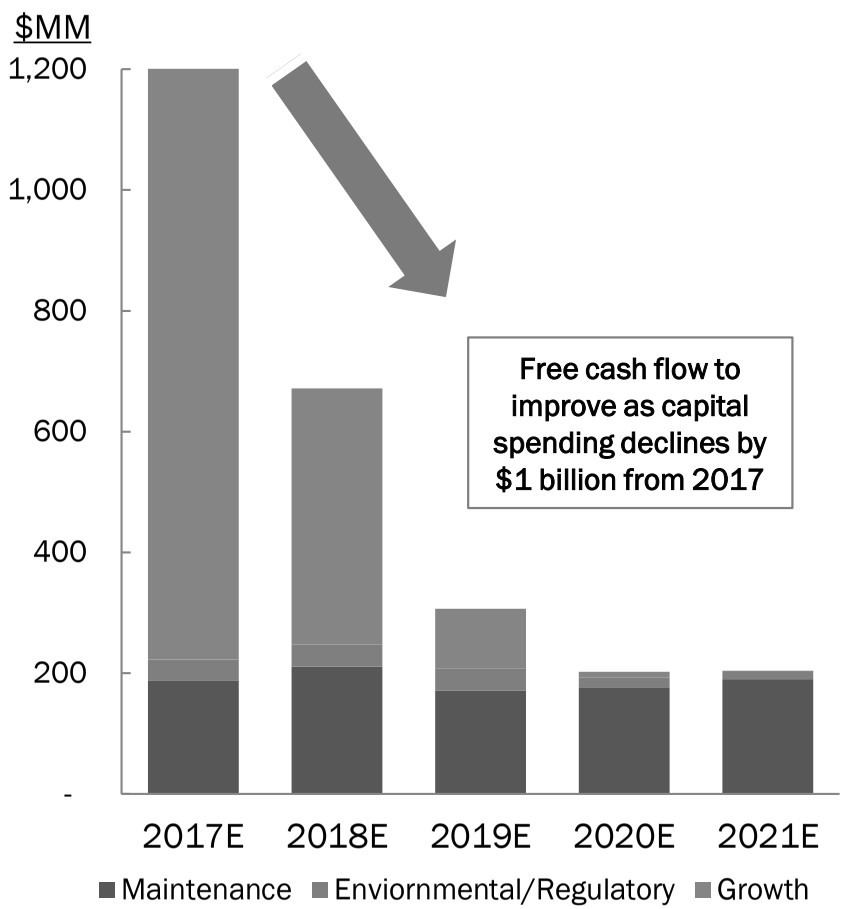


(1) CAPITAL INCLUDES IDC AND AFUDC.

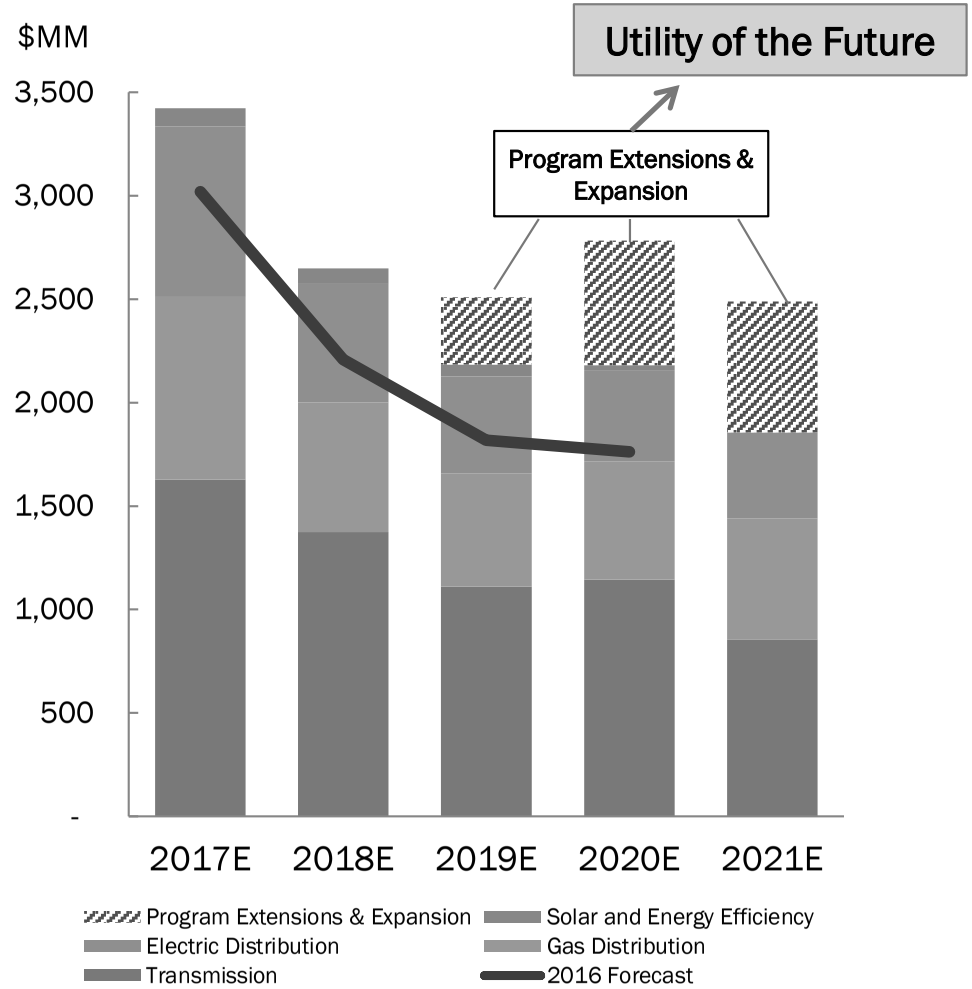
SI-SSA-0015-14175

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)



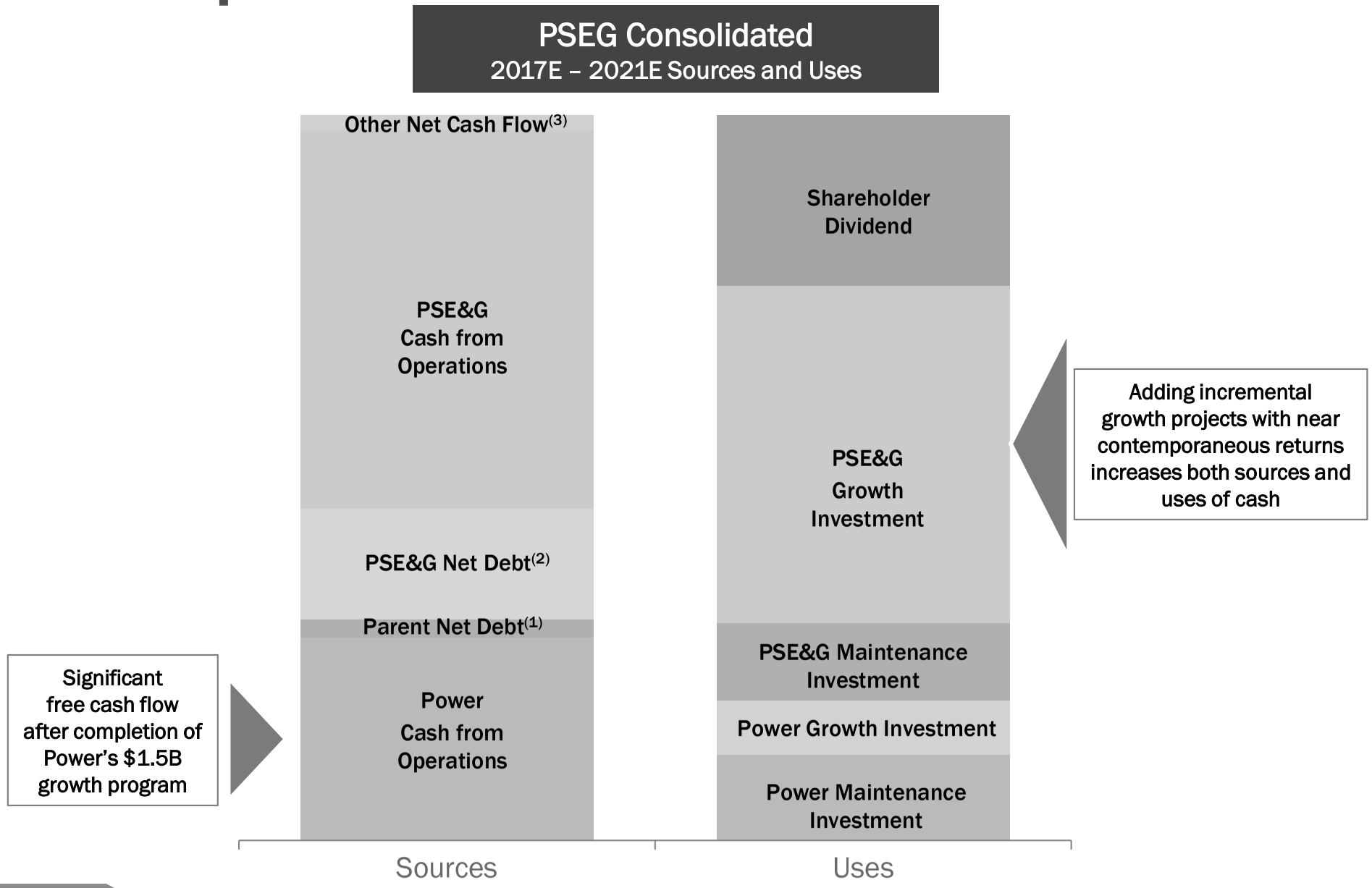
PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

SI-SSA-0015-14176

Growth in PSE&G results in a more regulated cash flow profile



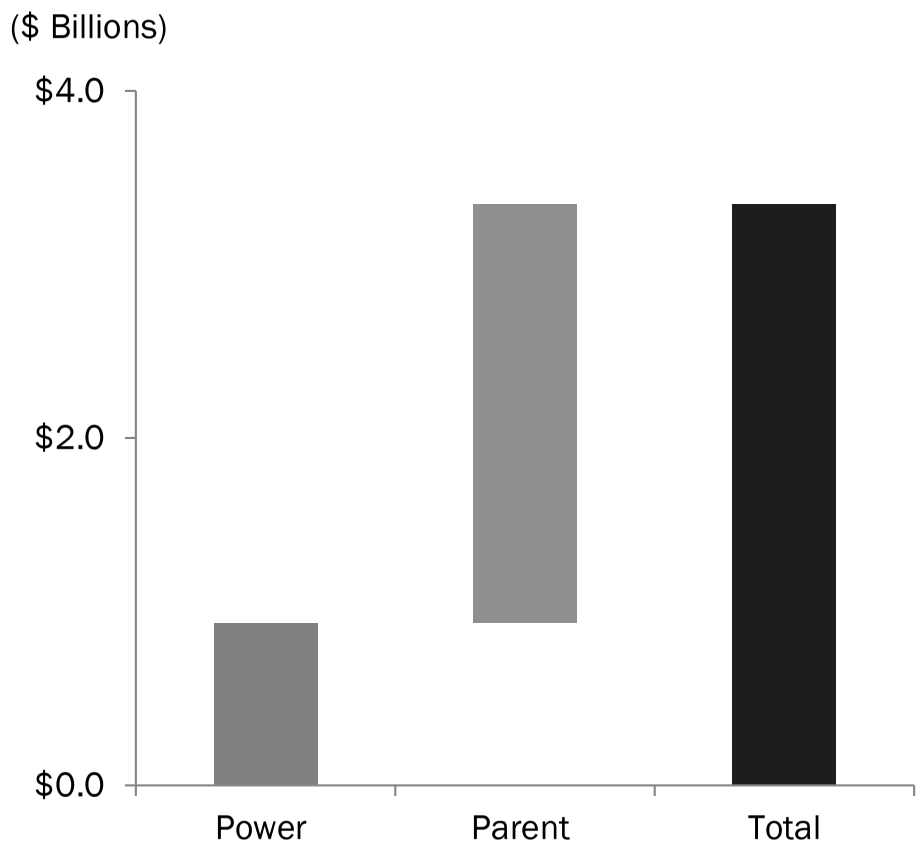
1) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES OTHER PSEG NET CASH FLOW E = ESTIMATE

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



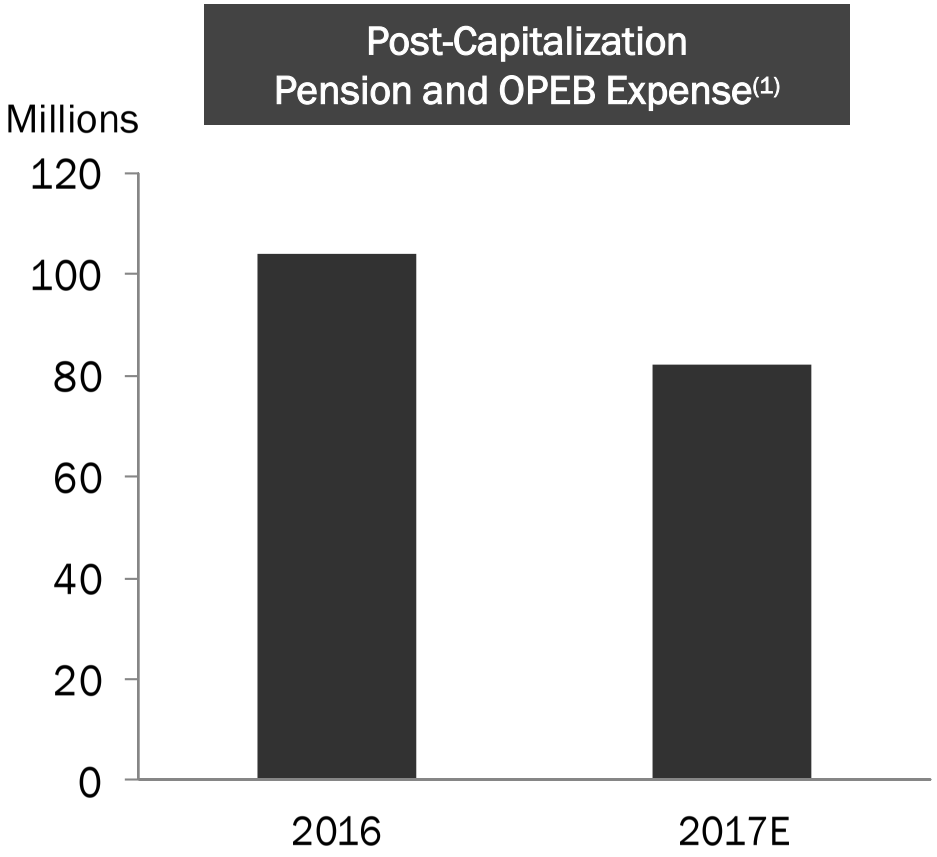
Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-14178

E=ESTIMATE.

Manageable Pension and OPEB Expense

with a reduction of ~$22 million in 2017

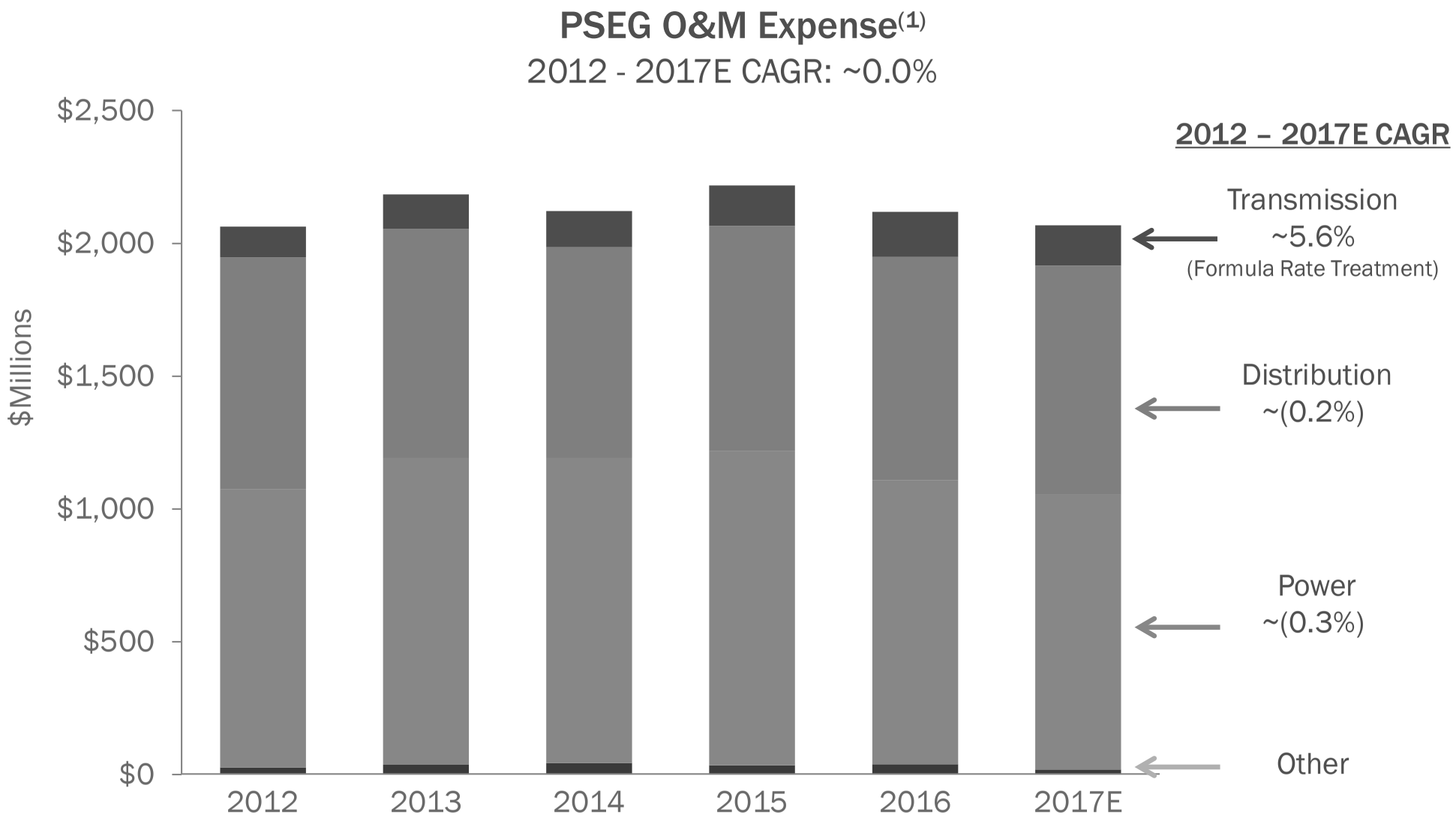


- 2016 Pension funded ratio ~90%
- Historical 5-year annualized pension returns exceeded 10%
- No qualified pension contributions planned
- Merger of three pension plans contribute to reduction in pension expense
- Pension expense expected to decline beyond 2017

(1) Post-Capitalization and Pre-tax expense

SI-SSA-0015-14179

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-14180

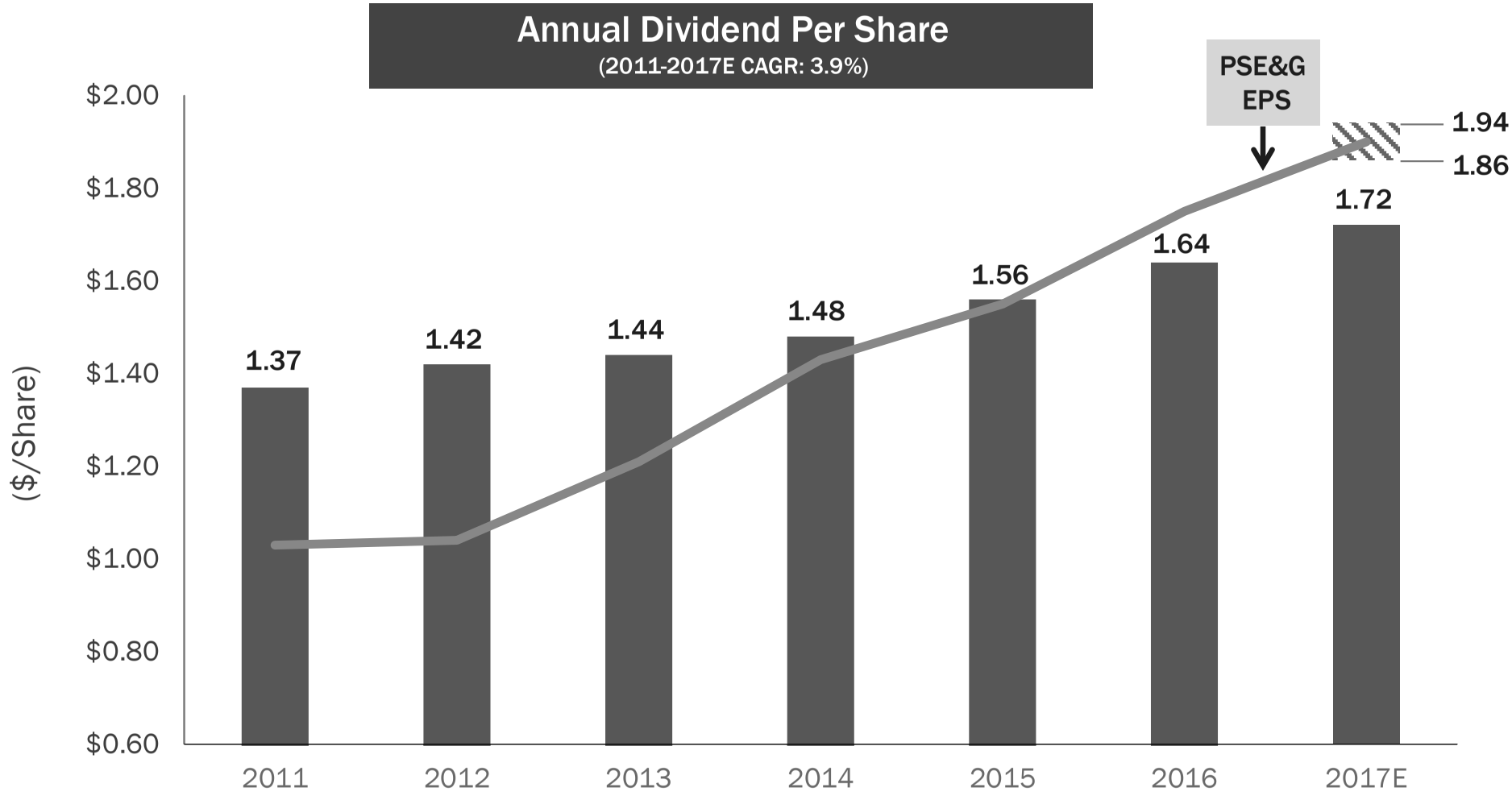
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-14181

Opportunity for meaningful and sustainable dividend growth



Payout Ratio	50%	58%	56%	54%	54%	57%	59%(1)

(1) THE 2017 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80-$3.00 PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

SI-SSA-0015-14182

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2017E	2018E	2019E
Each $0.75/mcf Change in Natural Gas	$0.00 - $0.02	$0.02 - $0.05	$0.08 - $0.12
Each $2/MWh Change in Spark Spread	$0.03	$0.05	$0.06
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.02
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2016 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-14183

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- 2017 guidance for Operating Earnings (non-GAAP) of $2.80 to $3.00 per share supported by PSE&G growth
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-14184

PSEG EXECUTIVE PROFILES

SI-SSA-0015-14185

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo serves as nominating committee chairman of the New Jersey Chamber of Commerce, and is on the board of directors for the New Jersey Utilities Association, the Edison Electric Institute (EEI), and the Nuclear Energy Institute (NEI). He is also a member of the Board of Trustees of Peddie School, Columbia University School of Engineering Board of Visitors and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the board of directors of The Williams Companies. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-14186

Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She currently serves on the Board of the PSEG Foundation, the Community Foundation of New Jersey and the Mater Dei Prep High School Board. In addition, Ms. Linde is a member of the General Counsel Steering Committee of the National Association of Corporate Directors (NACD). She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-14187

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G) in October 2006. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. Prior to this position he was vice president - electric delivery for PSE&G.

In addition, on January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways. PSEG Long Island serves 1.1 million customers.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for the New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC) and Montclair State University, for which he is past chair of the university. Mr. LaRossa is also the immediate past chair of the American Gas Association (AGA).

SI-SSA-0015-14188

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 11,681 MWs represent a diverse fuel mix with different plant types.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis is a member of the Executive Committee of Nuclear Energy Institute's (NEI) Board of Directors, the Nuclear Electric Insurance Limited (NEIL) Board of Directors, and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. He is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and is a member of the CEO Council for Growth based in Philadelphia.

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SI-SSA-0015-14189

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-14190

Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, the Board of the Military Park Partnership and is currently a co-chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.

SI-SSA-0015-14191

Shahid Malik

PRESIDENT
PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed President of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for Business Development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies in the US and Europe. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum.

SI-SSA-0015-14192

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is immediate past chair of the Children's Specialized Hospital Board, a former member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-14193

Peter P. Sena III

PRESIDENT &
CHIEF NUCLEAR
OFFICER

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016 and Chief Nuclear Officer in July 2016. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

SI-SSA-0015-14194

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	**$ 887**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 1,475**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	**$ 1.75**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 2.90**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

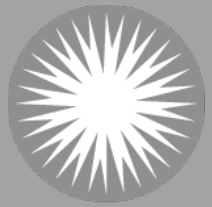
PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

2017 PSEG Investor Conference

NEW YORK – MARCH 6, 2017



PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-14197

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: http://www.pseg.com. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-14198

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last two slides in this presentation (Slides A and B) include a list of items excluded from Net Income to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com , under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss .

SI-SSA-0015-14199

2017 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
Regulatory & Policy Overview	Tamara Linde
PSE&G	Ralph LaRossa
Q&A Session	
Break	
PSEG Power	William Levis
Q&A Session	
Financial Review & Outlook	Dan Cregg
Summary and Q&A	
Conference Conclusion	

SI-SSA-0015-14200

PSEG STRATEGY: GROWING A HIGH-QUALITY, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

SI-SSA-0015-14201

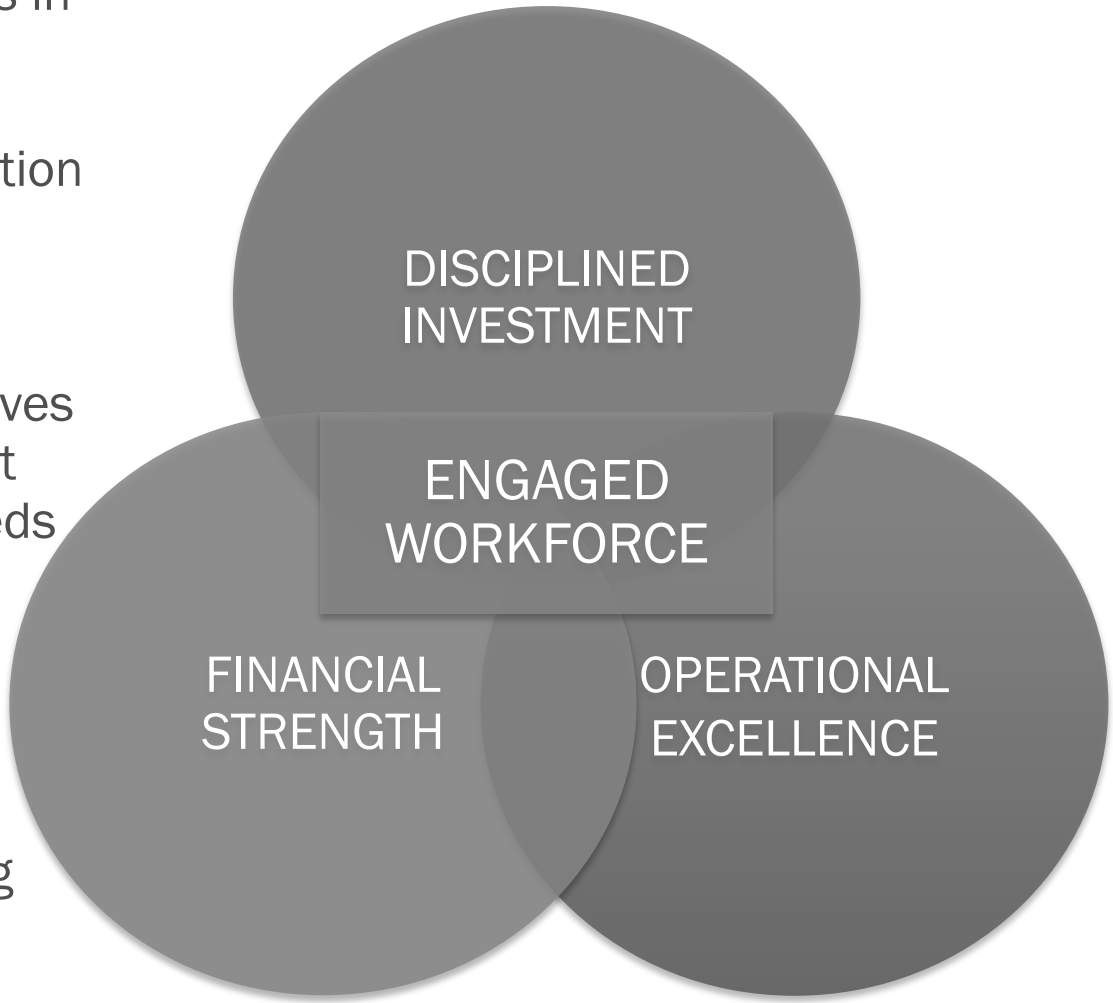
PSEG Strategy - Delivering Value

Operational Excellence: Improving reliability and customer service as we control costs in a low price environment

Financial Strength: Strong financial position supports investment program

Disciplined Investment:
- Program focused on achieving objectives through infrastructure investment that meets customer and shareholder needs
- Robust pipeline of opportunities

Results:
- Double digit growth in rate base and net income at PSE&G
- Reconfiguration of Power's generating fleet: higher quality, more efficient
- Annual growth in common dividend
- Strong credit metrics



SI-SSA-0015-14202

Two strong businesses

A stable platform, each with growth opportunities

PSEG

PSE&G	PSEG Power LLC
Electric & Gas Delivery and Transmission	**Regional Competitive Generation**
Strategy: Investments aligned with public policy and customer needs **Value Proposition:** A $12 - $14 billion infrastructure program with opportunities to expand, producing high single digit rate base growth through 2021	**Strategy:** Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity **Value Proposition:** Provides substantial free cash flow and upside from market rule improvements
2016 — Assets $26B Net Income $889M	2016 — Assets $12B Net Income $18M Non-GAAP Operating Earnings* $514M

SI-SSA-0015-14203

ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2016. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSEG POWER AND ENTERPRISE/OTHER.

Focus on building a reliable, efficient, clean energy infrastructure

2012	2013	2014	2015	2016

Selected Accomplishments

2012
- Award winning Superstorm Sandy storm response restoring 2.1M customers
- Final federal approval for Susquehanna-Roseland transmission project
- 400 MW of new peaker capacity*

2013
- Expanded Solar investment
- 90% nuclear capacity factor for 9th straight year
- Record output from Linden CCGT and Salem 2 nuclear unit

2014
- Energy Strong program approved
- Advanced Gas Path uprates (through 2018)
- PSEG Long Island management contract effective

2015
- Gas System Modernization Program (GSMP) and Energy Efficiency Extension II approved
- New generation build starts Power fleet transformation

2016
- Solar 4 All Extension Approved
- Continued new generation build and transforming fleet to be more efficient, clean, and higher quality
- Solar Source grew to 396 MW_{DC} **

Cost Control

SI-SSA-0015-14204

PSEG

*KEARNY AND NEW HAVEN. ** AS OF FEBRUARY 2017; INCLUDES 70 MW_{DC} OF PV SOLAR GENERATION IN CONSTRUCTION.

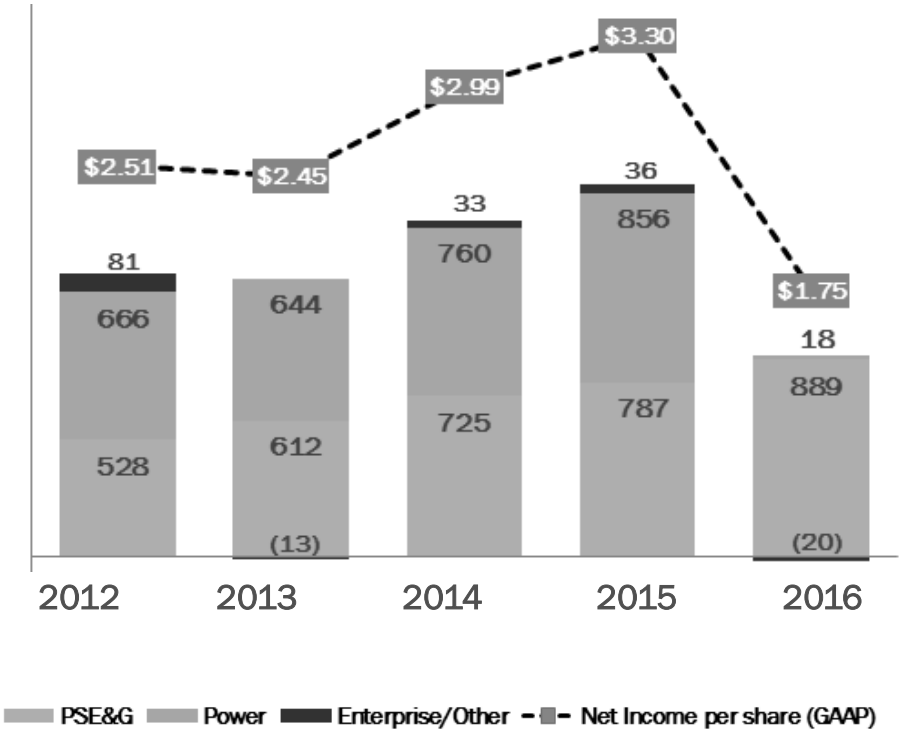
Delivering on commitments and realizing growth

Operational Excellence	• PSE&G: 15 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region • PSEG Power: Lowest CCGT EFORd in last 5 years, while moving the fleet towards improved efficiency and environmental position • PSEG Long Island: Improved customer service and reliability while managing costs • PSEG: Maintaining focus on efficiency, resiliency, and customer satisfaction
Financial Strength	• Non-GAAP Operating Earnings for 2016 at midpoint of original guidance range and upper end of revised guidance range • Cash flows and business mix support strong credit ratings and ability to fully fund robust investment pipeline without issuing new equity • Increased dividend in February 2017 – 13th increase in last 14 years
Disciplined Investment	• PSE&G capital program drives continued rate base growth over the 5-year period (2017-2021) with increased investment in Gas System Modernization Program, Electric and Gas distribution, and Energy Efficiency • Potential for additional investments in Renewables, Expanded Energy Efficiency and integration of Infrastructure with Customer Access • Power capital program focusing on growth investments including Keys Energy Center, Sewaren and Bridgeport Harbor

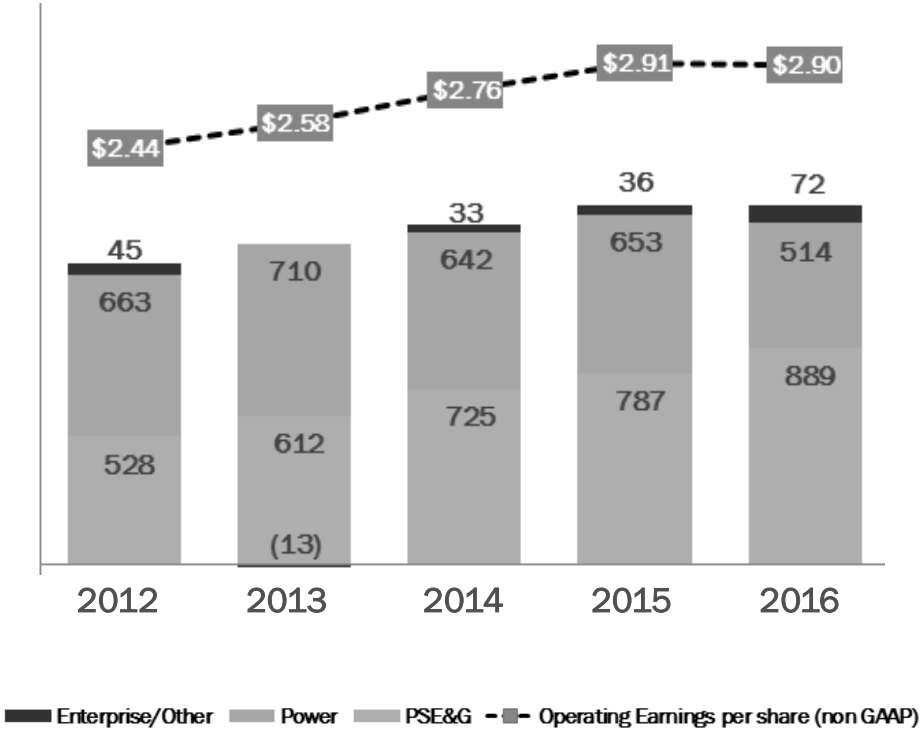
SI-SSA-0015-14205

PSEG 5 – Year Results

GAAP: Contribution to
PSEG Net Income ($ Millions)
and Net Income per share ($/Share)



Non-GAAP*: Contribution to
PSEG Operating Earnings ($ Millions)
and Operating Earnings per share ($/Share)



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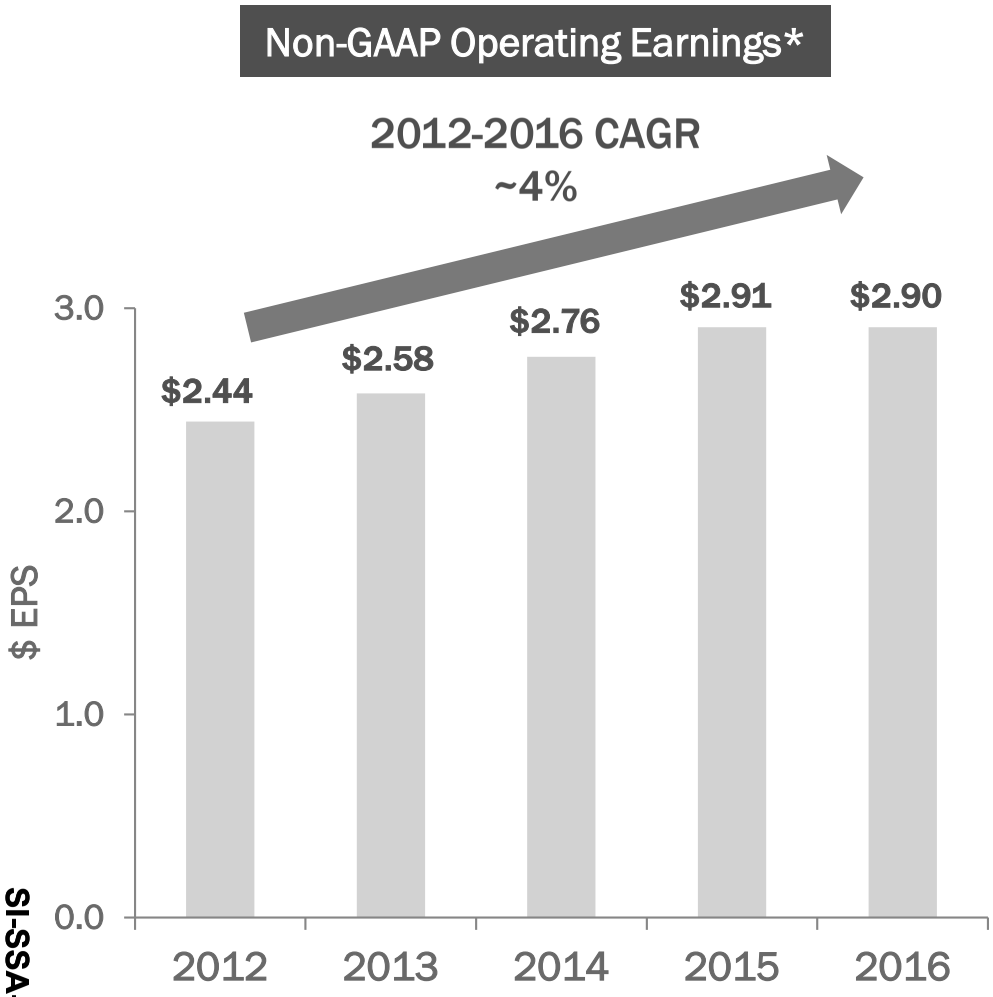
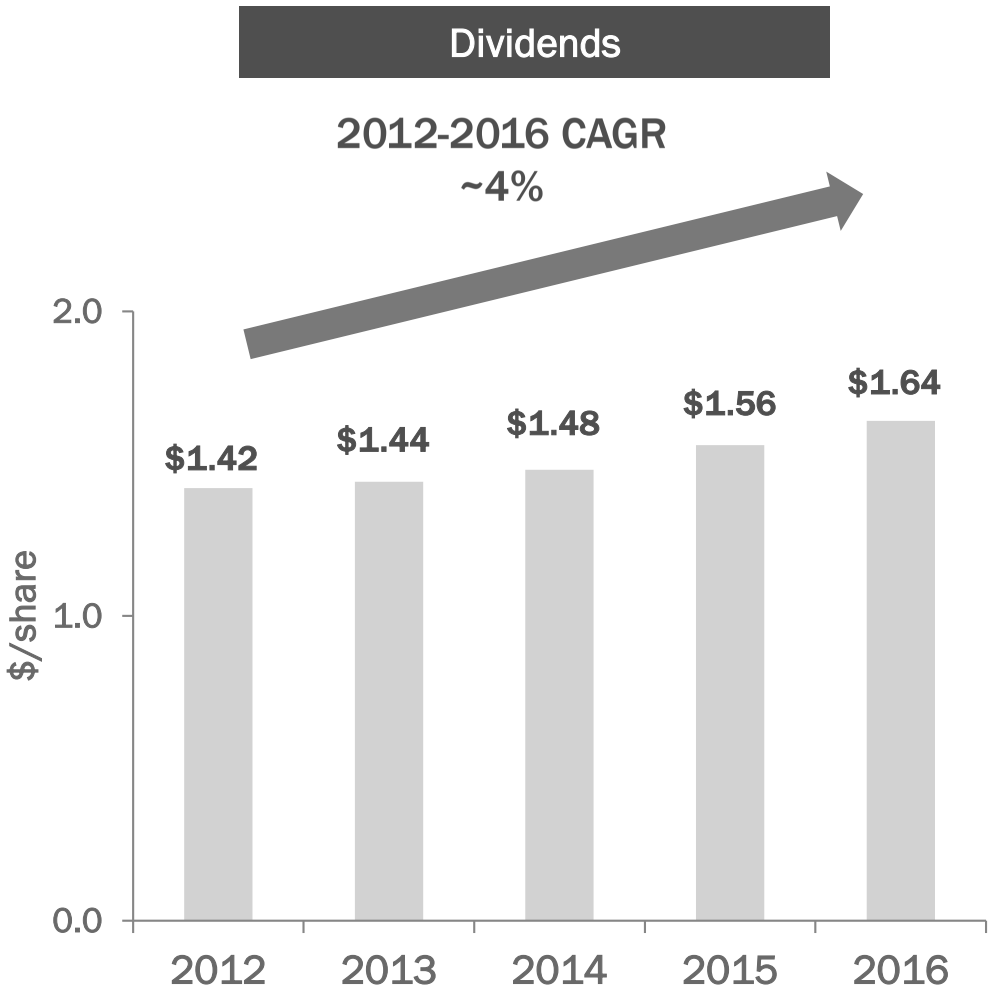
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Focus on earning our cost of capital has provided for growth in operating earnings* and dividends





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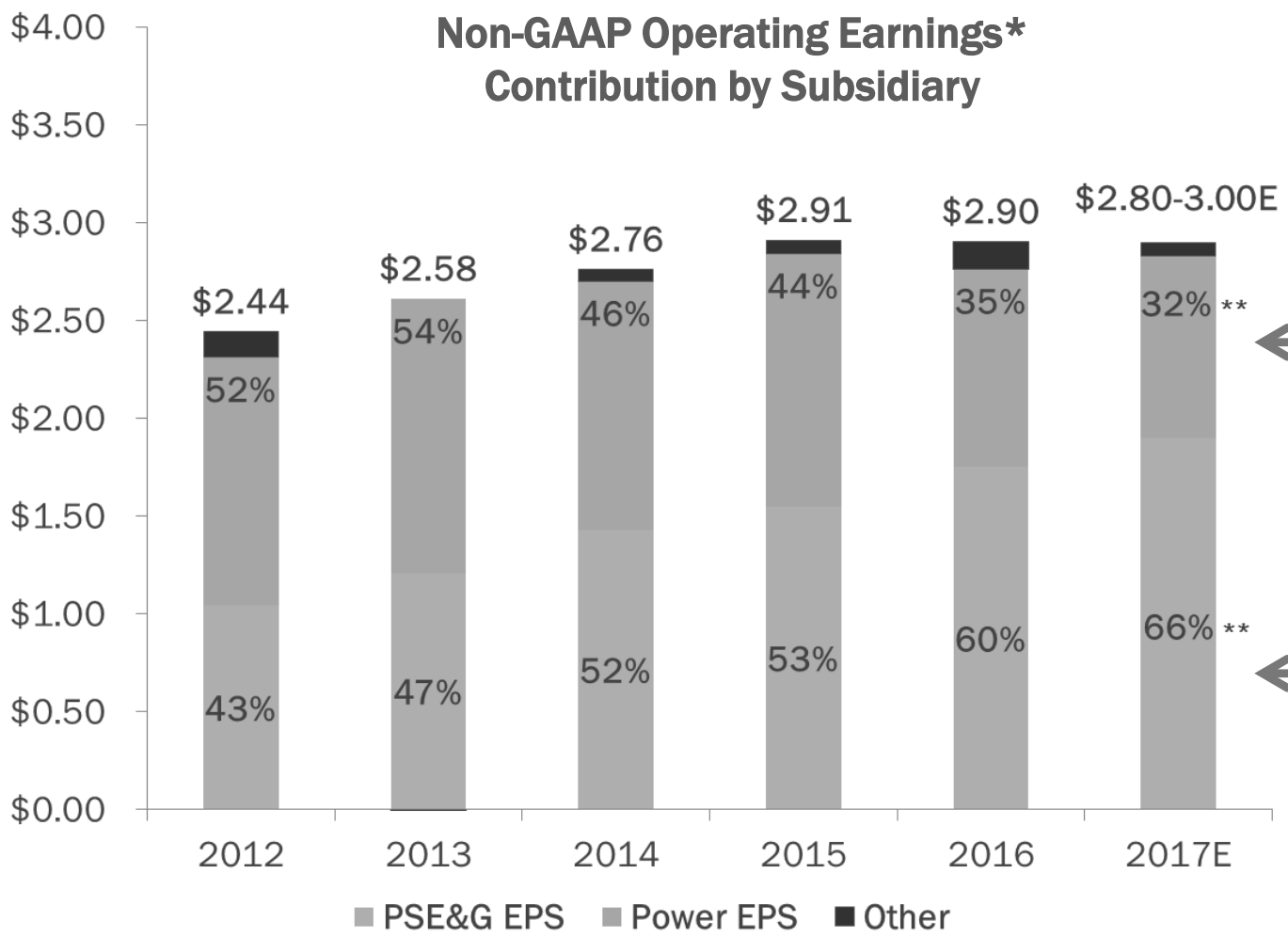
*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.

Earnings profile with growth at PSE&G has been transformed



Power's locational and fuel cost advantage generate free cash flow in low price environment

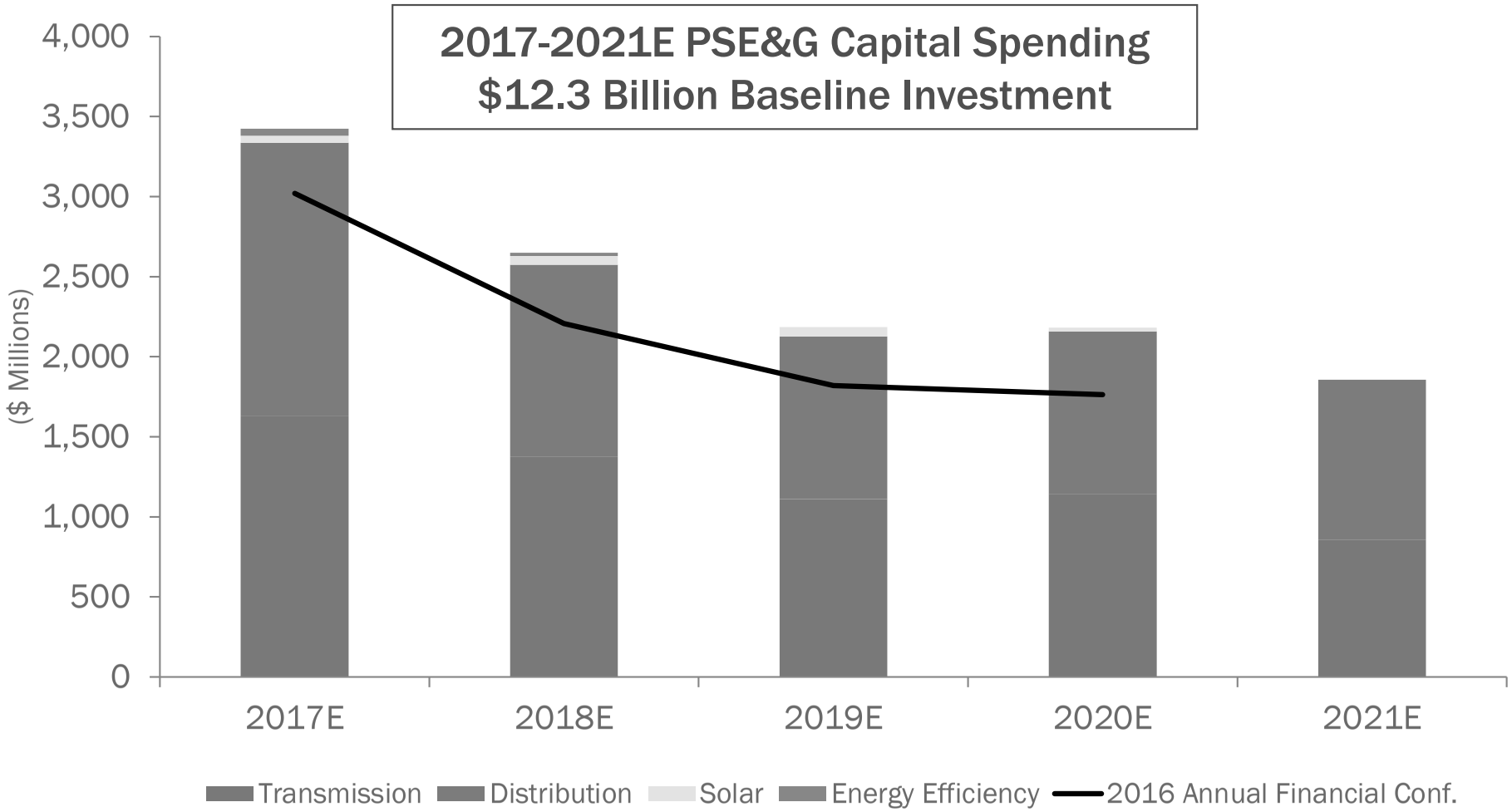
PSE&G's earnings contribution has increased with growth in capital program

SI-SSA-0015-14208

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSEG POWER AND ENTERPRISE/OTHER. E=ESTIMATE.
** 2017 PERCENTS USE MID-POINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80–$3.00 PER SHARE.

Baseline programs yield 7% compound annual growth in rate base



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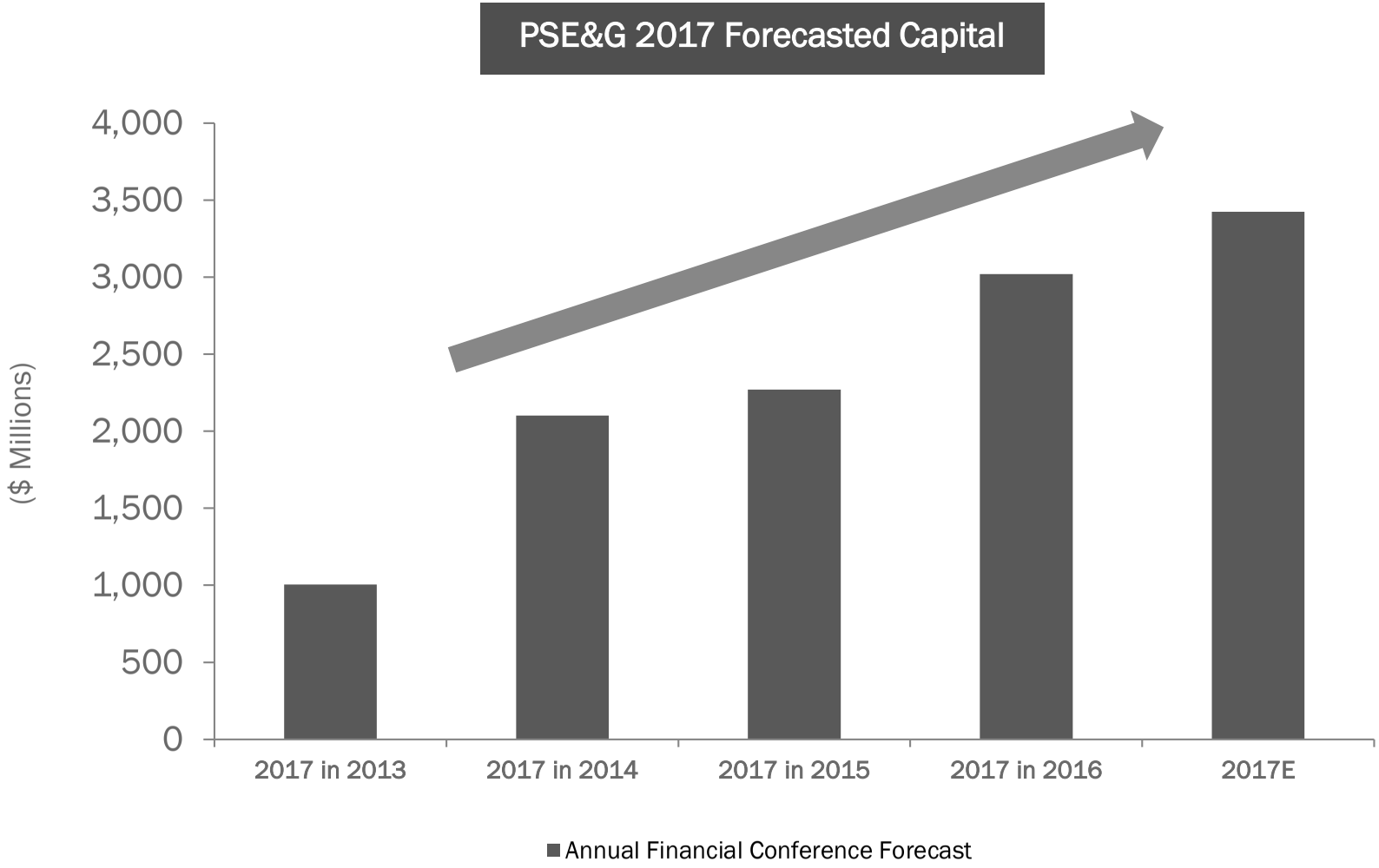
E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

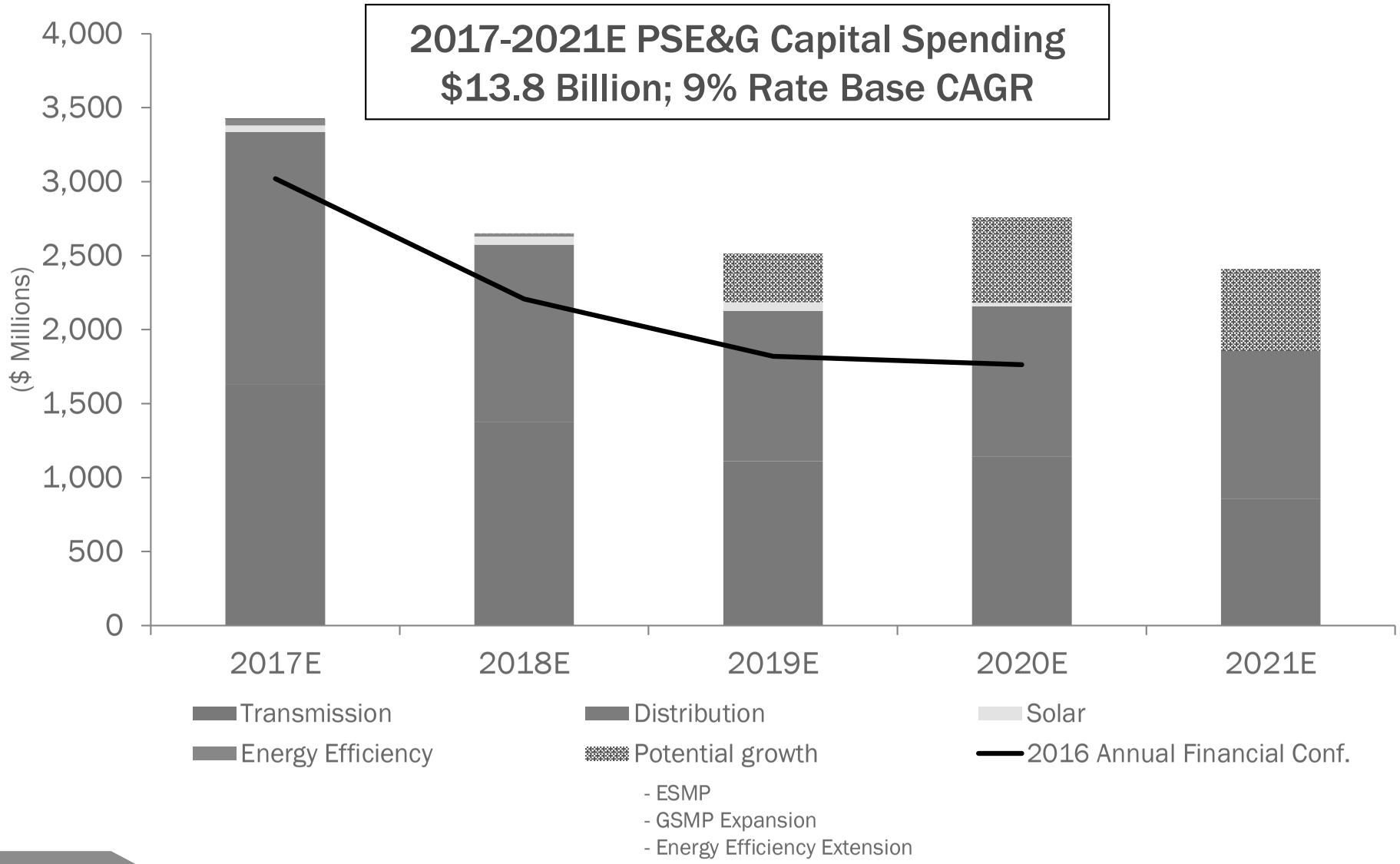
PSE&G has a track record of identifying opportunities for capital investment



E = ESTIMATE.

SI-SSA-0015-14210

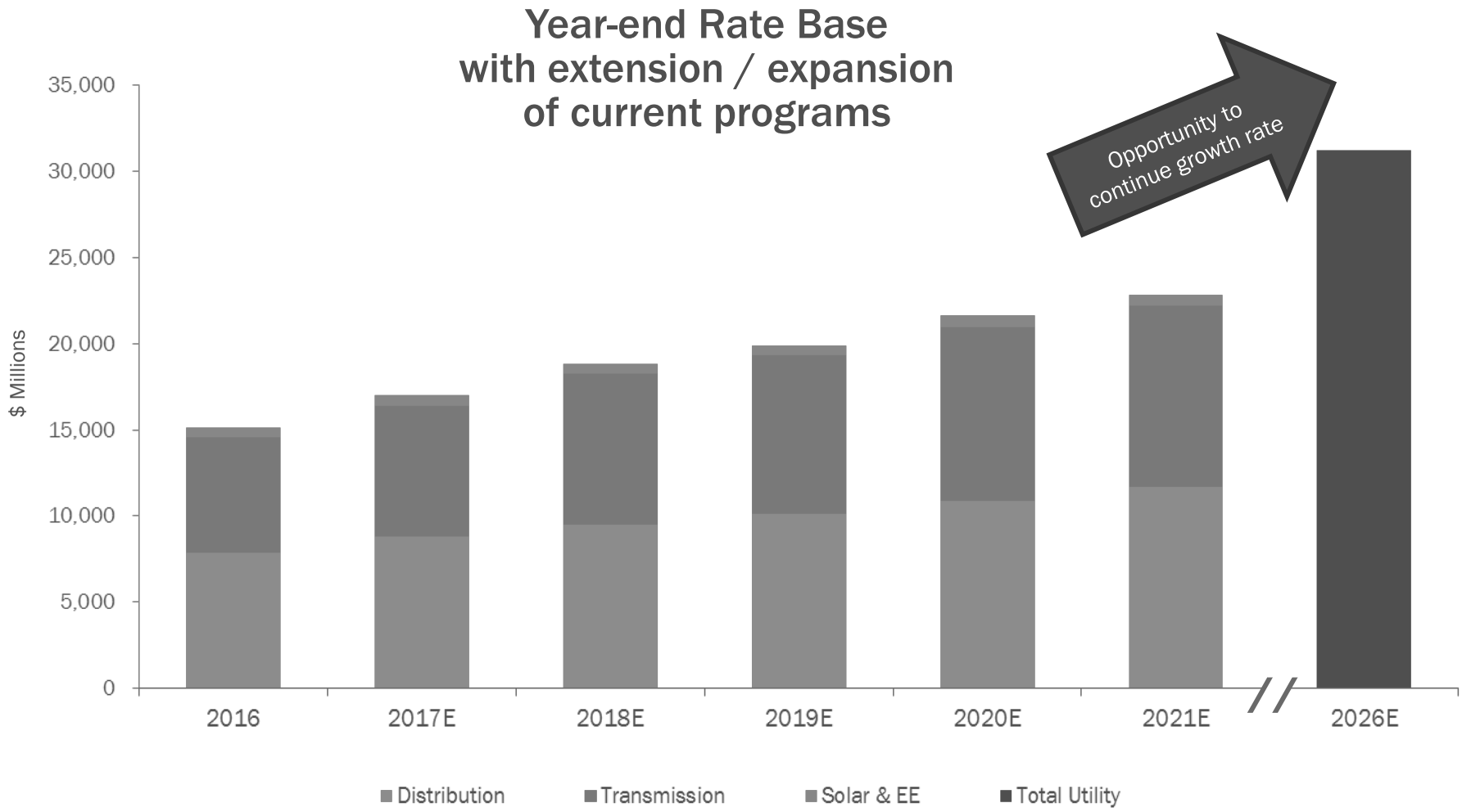
Expansion/Extension of existing baseline programs enhances reliability for our customers



E = ESTIMATE. DATA AS OF MARCH 2017. CAGR = COMPOUND ANNUAL GROWTH RATE. INCLUDES AFUDC.

SI-SSA-0015-14211

PSE&G's investment program provides for 7%–9% growth in rate base

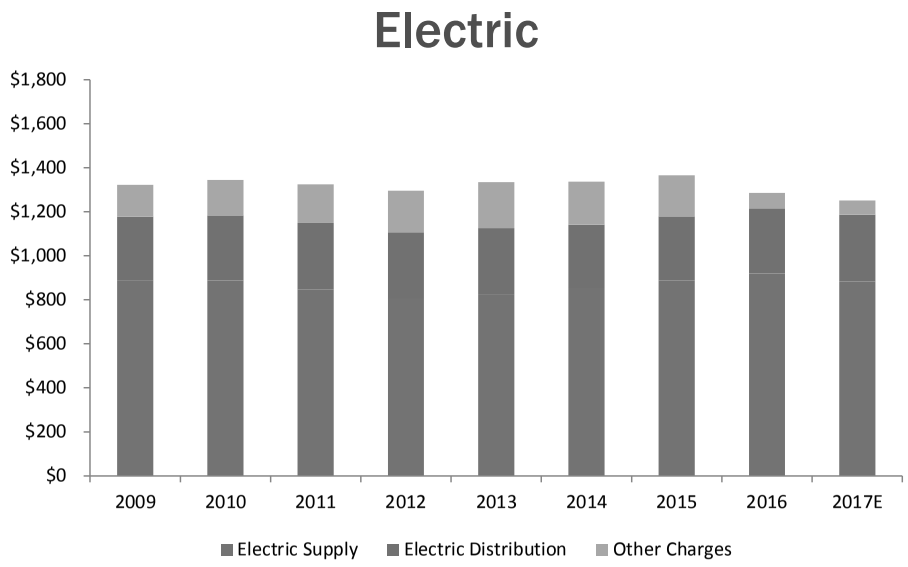


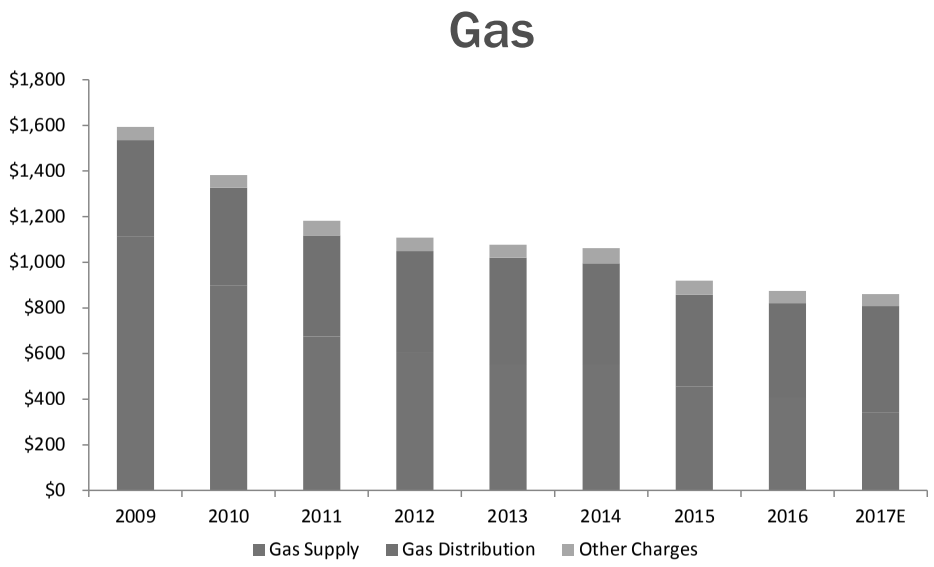
E = ESTIMATE.

SI-SSA-0015-14212

Executing on investment program and continuing to manage the total costs to customers

PSE&G Typical Residential Customer Bills 2009-2017E*





- PSE&G customers' combined electric and gas bills declined 28% over the period
- Low gas prices and elimination of transition charges drove rate decreases
- Continued recent bill reductions include 2017 gas credits and recent BGS auction results
- Tax reform has the potential to reduce rates further

SI-SSA-0015-14213

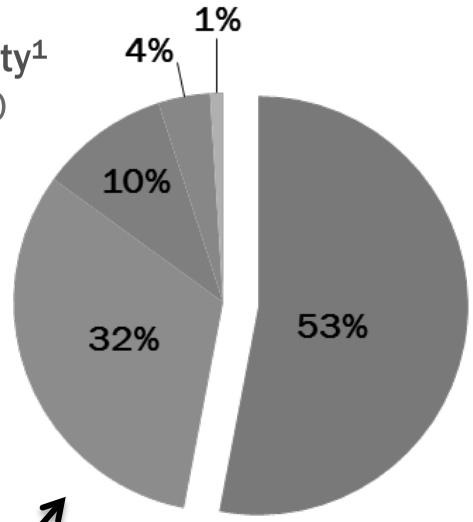
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE

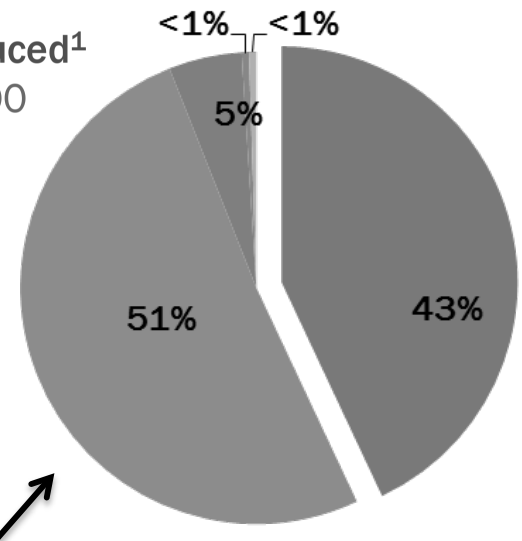
Power's fleet to be transformed with new investment and improvement in efficiency

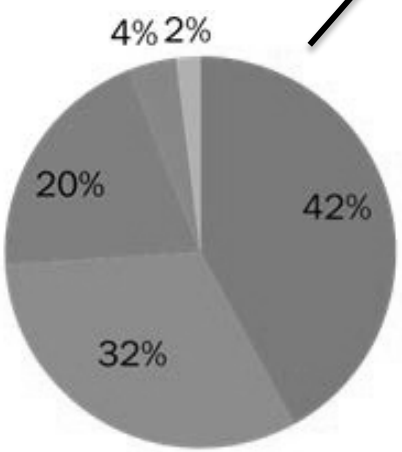
Projected Fleet Comparison 2016 to 2021E

2021E Fuel Diversity[1]
Total MW: 11,900



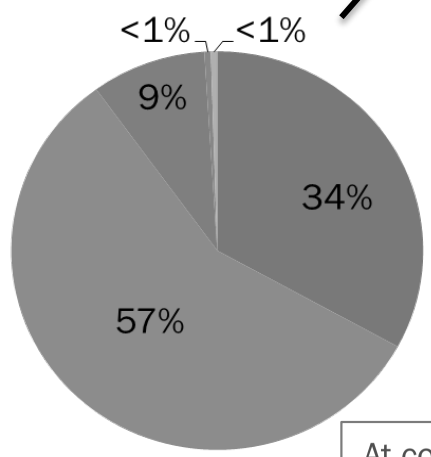
2021E Energy Produced[1]
Total GWh: 61,000





2016 Fuel Diversity
Total MW: 11,577

- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage



2016 Energy Produced
Total GWh: 51,510

At conclusion of Power's construction program in 2018, capital to maintain the business declines to ~$200M per year

[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017
ALL PERIODS EXCLUDE SOLAR (326 MW_{DC}/257MW_{AC}) CAPACITY AND KALAELOA (104MW) CAPACITY / ENERGY PRODUCED
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

SI-SSA-0015-14214

PSEG

Nuclear outlook is increasingly challenged

National

6 plant closures
2 state interventions
Legislation pending in CT
PJM Grid 2020 study

New Jersey

No sustainable wind resource
Lack of open space for solar fields; RPS Standards; Marcellus gas supply

New Jersey Impacts

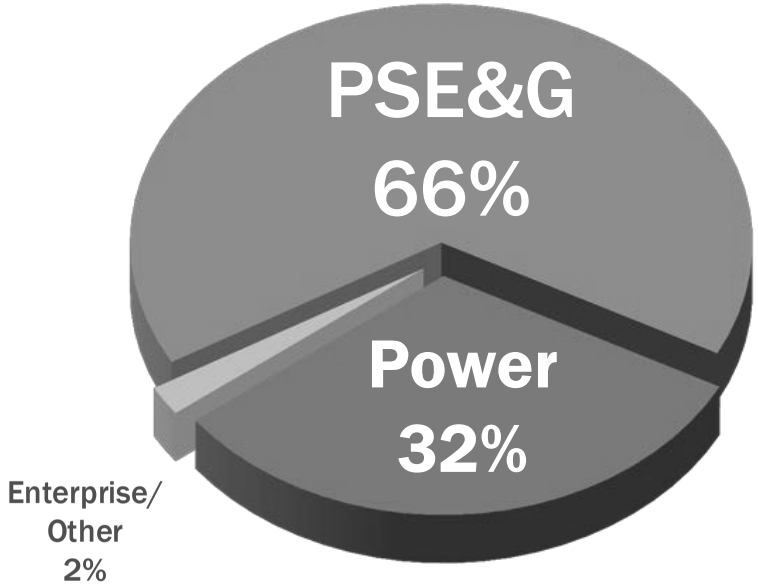
Economy/Jobs
Emissions
Cost to replace
Fuel diversity
Reliability

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-14215

Investment programs provide opportunity for growth

2017E Non-GAAP Operating Earnings Guidance Contribution*



2017-2021E Total Capital**

~$13.8B

~$2.6B

9% annual growth in rate base with expansion/extension of existing programs

~18% GWh growth from efficient, low cost capacity

SI-SSA-0015-14216

*BASED ON THE MIDPOINT OF NON-GAAP OPERATING EARININGS GUIDANCE OF $2.80 TO $3.00 PER SHARE.
**INCLUDES ALL PLANNED AND POTENTIAL SPENDING. E = ESTIMATE. INCLUDES AFUDC AND IDC.

Long-term opportunities to invest in the grid supports performance and enables customer access

2012-2016

Transmission Expansion

Storm Hardening

Resiliency

Efficient Generation

13% rate base growth

2017-2021

Upgrade of Aging Infrastructure

7% - 9% rate base growth

Utility of the Future

Integration of Infrastructure with Customer Access

Renewables

Expanded Energy Efficiency

Opportunity for a continuation of PSE&G's rate of growth

SI-SSA-0015-14217

Our commitment to customers, community, employees, the environment, innovation and operational excellence is widely recognized

Industry

POWER
Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 15th consecutive year (2016)

ALLIANCE TO SAVE ENERGY
Creating an Energy-Efficient World

Star of Energy Efficiency Award (2015)

ENERGY STAR PARTNER

Partner of the Year Award - PSEGLI (2015)

UTILITY CUSTOMER CHAMPION
2016
RESIDENTIAL
COGENT REPORTS™

Utility Customer Champion for Second Year (2016)

ELECTRIC LIGHT & POWER

Utility of the Year (2015)

Employer

MILITARY FRIENDLY EMPLOYERS MF'16

Top 100 military-friendly employers, ranked # 19 (2016)

CIANJ

Commerce & Industry Association of NJ award recognizing commitment to veterans, PSEG Foundation's STEM program, and other volunteer programs (2016)

2015 READERS' CHOICE · EQUAL OPPORTUNITY MAGAZINE · A TOP 50 EMPLOYER

Equal opportunity employers, ranked # 40 (2015)

Forbes | 2015
AMERICA'S BEST EMPLOYERS
POWERED BY STATISTA

America's Best Employers List (2015)

Business

PUBLIC UTILITIES FORTNIGHTLY
"In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 9th consecutive year (2016)

FORTUNE WORLD'S MOST ADMIRED COMPANIES® 2013

Ranked 8th among electric and gas companies in the United States (2017)

Forbes
AMERICA'S MOST JUST COMPANIES
JUST 2016

America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-14218

PSEG's Value Proposition

- A stable platform with a robust investment pipeline providing opportunity for growth
- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- Strong balance sheet – Financial strength supported by stable credit rating and investment profile supporting the potential for consistent and sustainable dividend growth

SI-SSA-0015-14219

PSEG REGULATORY & POLICY REVIEW

Tamara Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

SI-SSA-0015-14220

PSEG

We make things work for you.

Regulatory & Policy Review - Agenda

- PSE&G Investment Program Recap
- PSE&G 2017 Base Rate Case Filing
- Regulatory Reform in NJ
- Preserving Nuclear Generation
- Federal Regulatory Framework
- Summary

SI-SSA-0015-14221

PSE&G has received approval for 15 multi-year investment programs that advance state energy goals

2008/ 2009	2011	2013	2014	2015	2016

Selected Accomplishments

- Capital Infrastructure I
- Energy Efficiency
- Solar Loan I
- Carbon Abatement
- Solar Loan II
- Solar 4 All
- Demand Response

- Energy Efficiency Extension
- Capital Infrastructure II

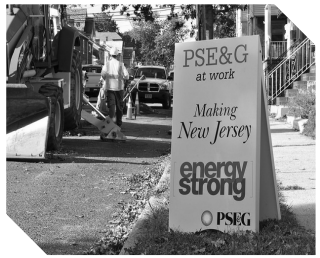
- Solar Loan III
- Solar 4 All Extension

- Energy Strong

- Energy Efficiency Extension II
- Gas System Modernization

- Solar 4 All Extension II

Infrastructure investment programs with near contemporaneous recovery mechanisms



SI-SSA-0015-14222

PSE&G plans to file Distribution Base Rate Case proceeding no later than November 1, 2017

Support

- Requirement of 2014 Energy Strong settlement
- Update for known changes in sales growth forecast, O&M and taxes since 2010 rate case
- Get recovery of distribution investment not covered by clause mechanisms
- Get recovery of approved storm costs

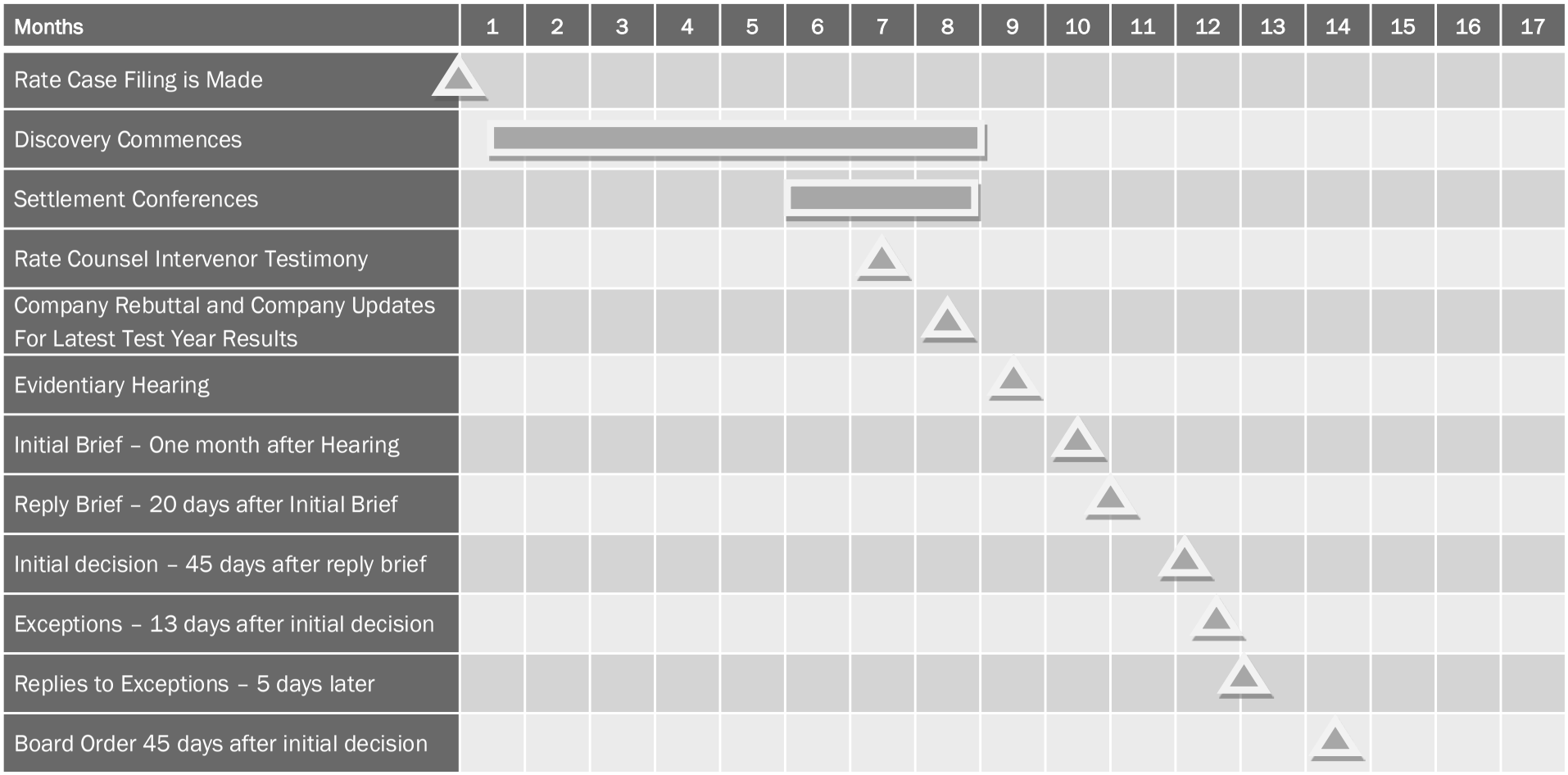
Opportunity

- Establish/update rate design, capital structure and depreciation
- Pursue decoupling
- Pursue interim rates
- Improve alignment with customer
- New E&G rates effective at start of 2019, or earlier

Supports need for moderate base rate increase

SI-SSA-0015-14223

NJ Distribution Base Rate Case Timeline



SI-SSA-0015-14224

New Jersey – Long-term Infrastructure Regulatory Reform with Customer Focus

Support

- Alignment with community and customer needs
- NJ Energy Master Plan
- Support extension of investment program horizon from 3 to 7 years using review process established by the BPU in Energy Strong and Gas System Modernization Program as template

Opportunity

- PSE&G will be seeking approval of multi-year programs that extend existing efforts to improve our system resiliency and broaden investment focus on Energy Efficiency and Utility of the Future services at the lowest cost to our customers

SI-SSA-0015-14225

Preserving Existing Nuclear Power Plants as Part of a Resilient Energy System

Support

- Generation from Power's nuclear units produces ~40% of NJ supply and provides 97% of NJ's carbon free energy
- Preservation of nuclear energy consistent with NJ policy goal: 70% clean resources by 2050
- Competitive wholesale markets not designed to value fuel diversity, resiliency and desirable attributes of nuclear generation

Opportunity

- Preserve highly reliable, clean resources as part of a diverse energy portfolio
- Preserve local jobs and economic base
- Keep prices lower than they otherwise would be, as current replacement options are more expensive
- Maintain system reliability

SI-SSA-0015-14226

What are other states doing to preserve at-risk nuclear generation?

New York April 2016	Illinois November 2016	Connecticut 2017?	Ohio 2017?
Clean Energy Standard approved by NYPSC provides support for at-risk nuclear. Zero Emission Credit standard established. Contract payments available for up to 12 years	Future Energy Jobs Bill enacted establishing a Zero Emission Credit (ZEC) portfolio standard. ZEC contract payments available for 10 years	Connecticut Legislature currently debating clean energy procurement process in recognition of nuclear capacity role as provider of clean energy	Legislative action under consideration to preserve at-risk nuclear generation

State Regulatory/Legislative actions recognize value of nuclear energy in meeting clean energy standards and supporting local economy

SI-SSA-0015-14227

Federal Regulatory Framework – Ensuring market structures recognize the value of reliable, diverse and clean dispatchable generation

Support

- FERC is driving ISOs to improve market constructs and rules on energy pricing
- Higher payments for enhanced reliability (Capacity Performance); first purely CP capacity auction to be held by PJM in May 2017

Opportunity

- Advocate for market solutions that fairly compensate generators for the cost of meeting demand
- Seek recognition of environmental attributes of existing resources
- Seek integration of state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-14228

PSEG Regulatory and Policy focus

on mechanisms that provide customers clean, affordable, resilient energy supply

NJ Distribution Base Rate Proceeding

- True-up data from 2010 base rate case for known changes in customers usage, taxes, O&M and investments

Long-Term Infrastructure Investment Platform

- Seek extension of existing infrastructure programs, e.g., GSMP, and broaden investment platform

Preserve the Value of Nuclear Supply

- Pursuing legislative strategy to recognize the value of nuclear energy under terms and conditions that are affordable for customers and provide the proper incentives for long-term operation

Ensure Federal Regulatory and Policy Framework

- Advocate for rules that preserve benefits of competitive markets while also recognizing the value of clean energy, supply diversity and grid reliability

SI-SSA-0015-14229

PSE&G

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

PSEG

We make things work for you.

SI-SSA-0015-14230

Discussion topics

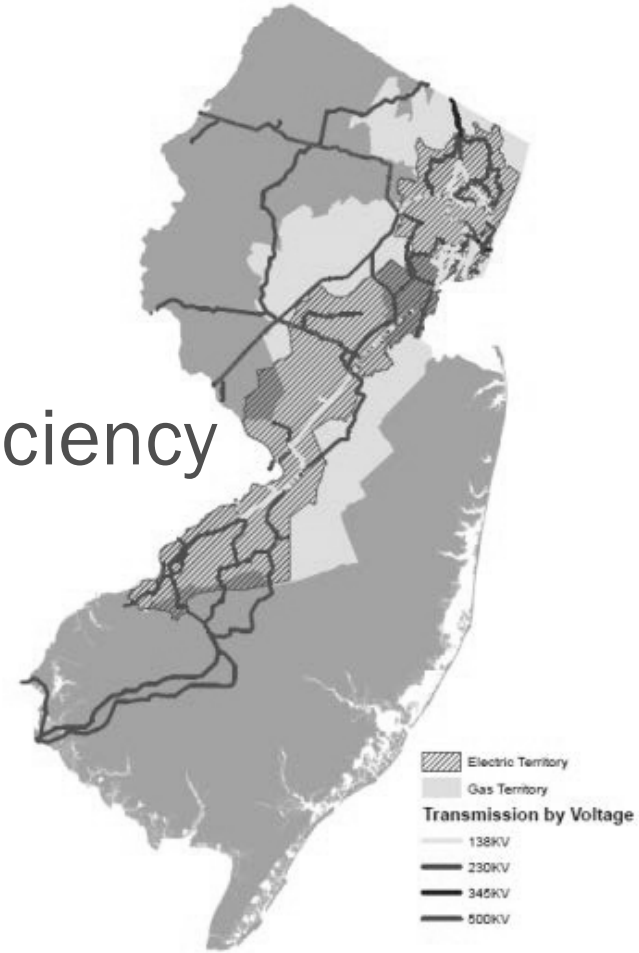
- Overview of PSE&G - Strategy and delivering results
- Operational excellence
- Capital investment program
- 2017 Distribution rate case filing
- Customer rates

SI-SSA-0015-14231

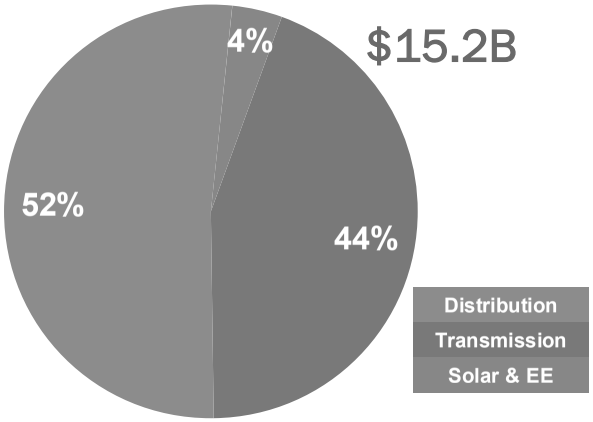
PSE&G –New Jersey's largest:

- Electric and Gas Distribution utility
- Transmission business
- Investor in renewables and energy efficiency
- Appliance service provider

	Electric	Gas
Customers Growth (2012 – 2016)	2.2 Million 0.5%	1.8 Million 0.4%
2016 Electric and Gas Sales	41,580 GWh	2,360M Therms*
Projected Annual Sales Growth (2017 – 2019)**	0.3%	0.7%
Sales Mix (2016)		
Residential	33%	59%
Commercial	58%	37%
Industrial	9%	4%



PSE&G 2016 Rate Base



SI-SSA-0015-14232

PSEG

* GAS FIRM SALES ONLY.
** ESTIMATED ANNUAL GROWTH PER YEAR, ASSUMES NORMAL WEATHER.

PSE&G strategy

Building a sustainable platform that balances reliability, customer rates and public policy to ensure growth at reasonable returns

SI-SSA-0015-14233

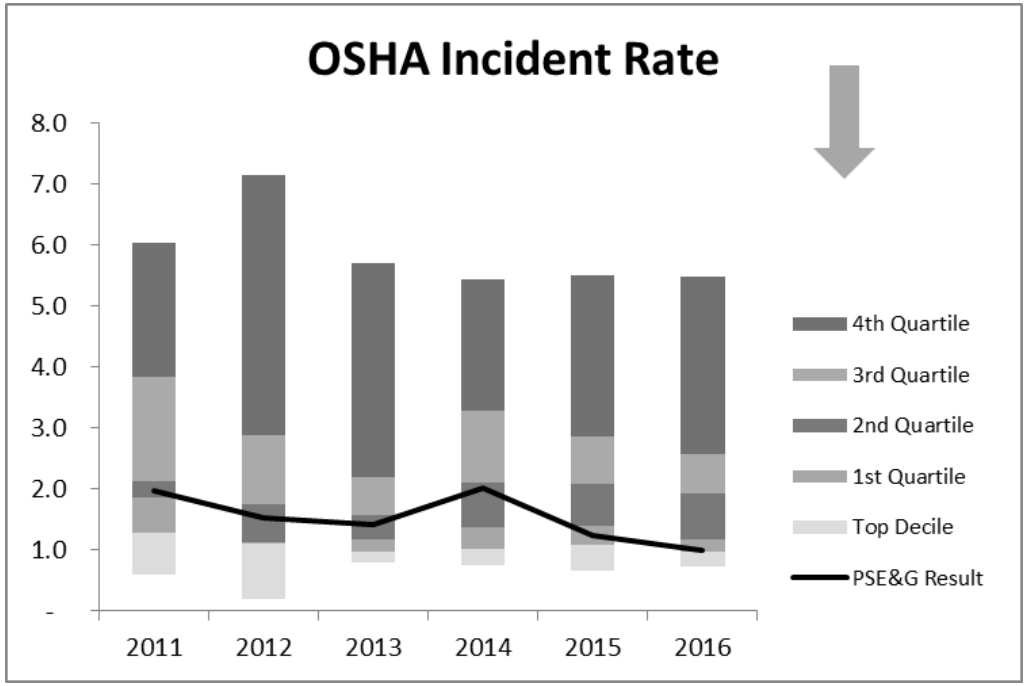
Delivering on Our Promises

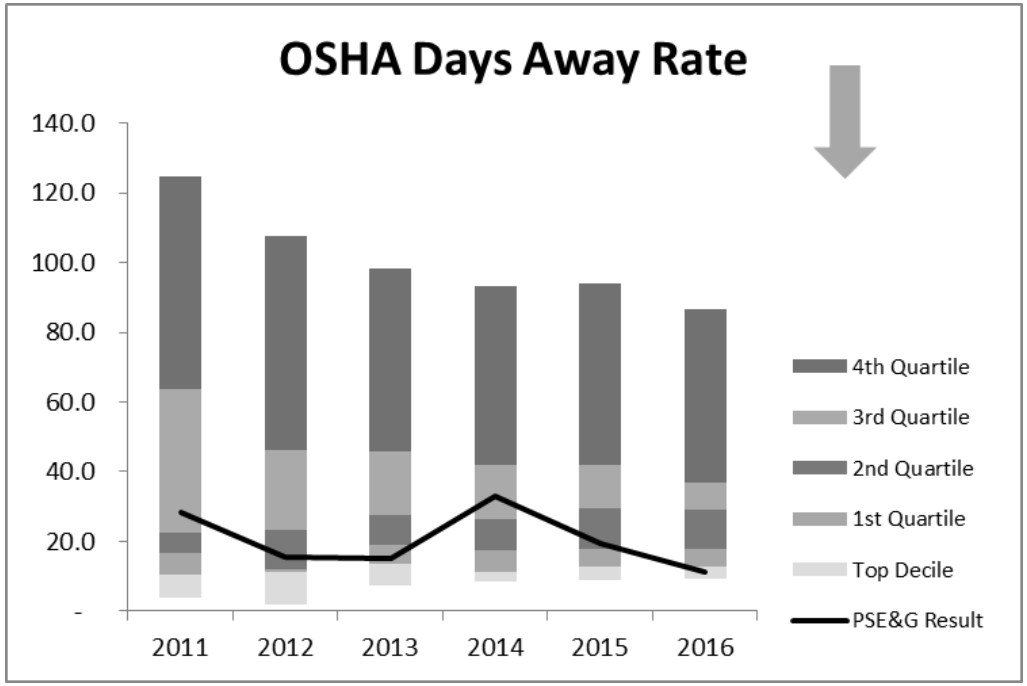
Operational Excellence	• Strong safety, reliability and customer service record • Cost control efforts have led to flat O&M
Financial Strength	• Achieved 5-year annual growth in net income of 11% • Achieved 5-year annual growth in rate base of 13% • Maintaining solid investment grade credit ratings
Disciplined Investment	• 15 investment programs approved over past eight years ✓ Infrastructure focused ✓ Supportive regulatory mechanisms providing for clause recovery ✓ Policy alignment – across administrations – Solar and Energy Efficiency • Programs creating jobs and providing environmental benefits, in a low-rate environment benefiting from low commodity prices and federal tax benefits from current bonus depreciation rules

SI-SSA-0015-14234

Operational Excellence - Safety

- Management focus and collaboration with unions resulted in top decile safety performance in 2016



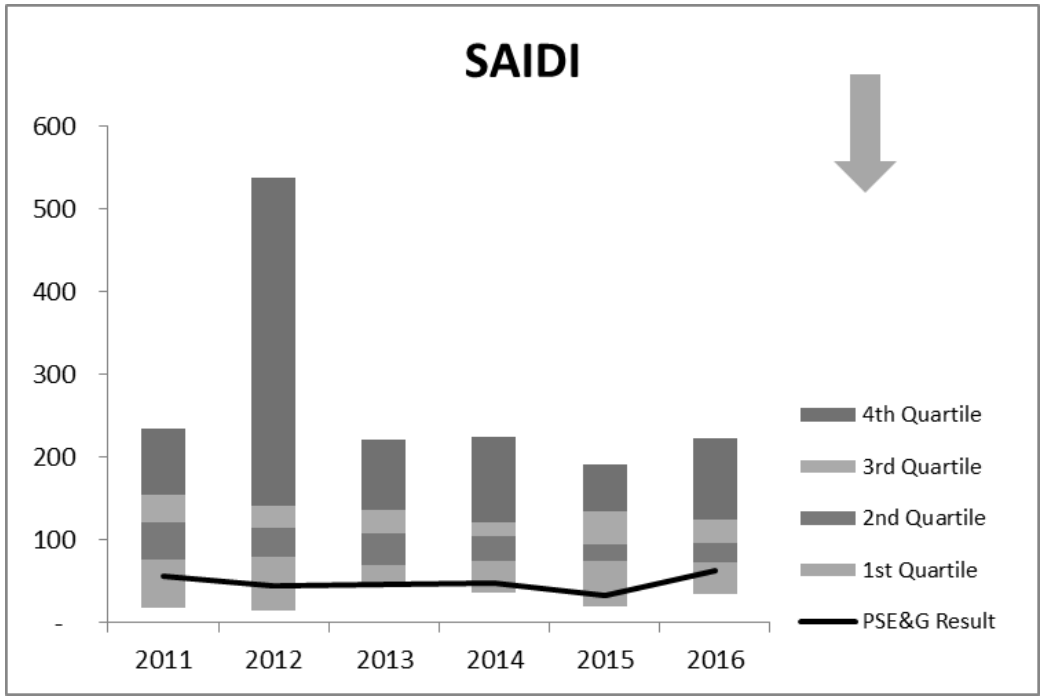


SI-SSA-0015-14235

SOURCE: PSE&G

Operational Excellence - Reliability

Consistently recognized for customer reliability



Our system performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been among the best performers

Named most reliable electric utility in the Mid-Atlantic region for **15th consecutive year**

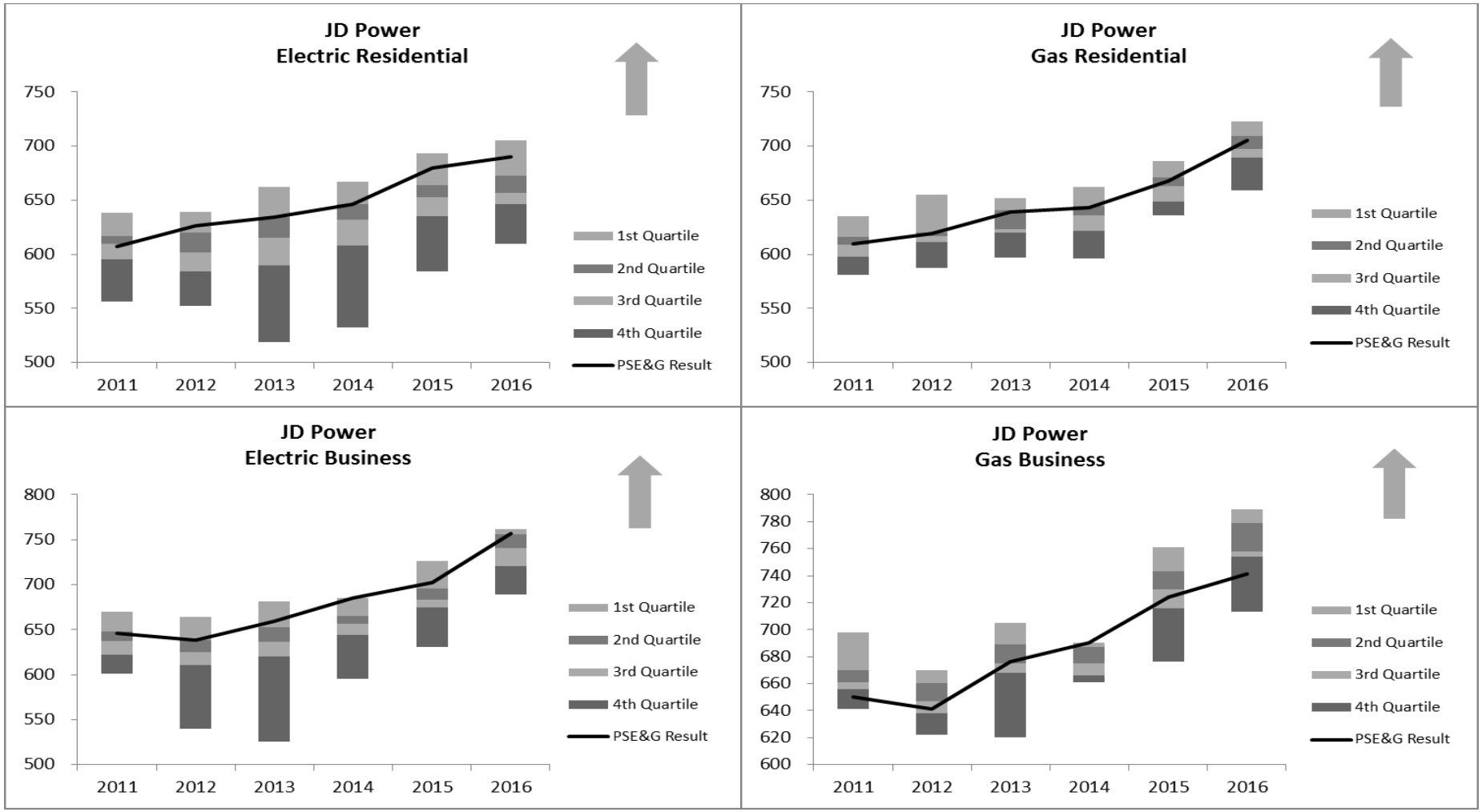
SI-SSA-0015-14236

SOURCE: PSE&G

Operational Excellence - Customer satisfaction

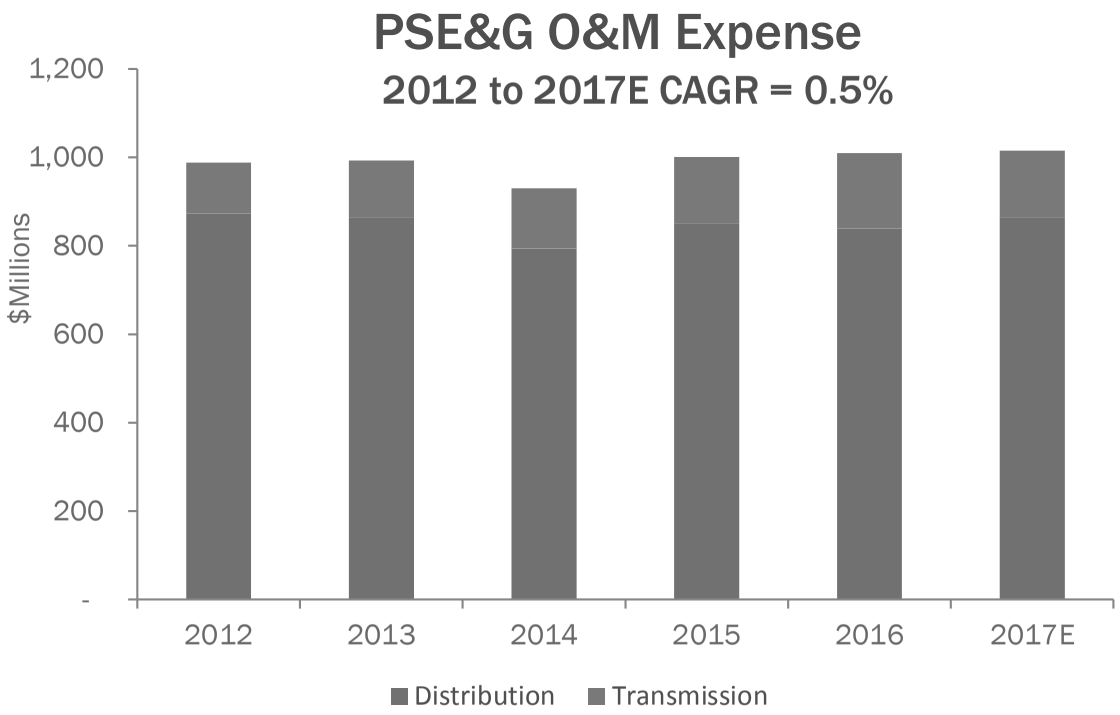
PSE&G has improved on an absolute and relative basis compared to its peers over the past five years

JD Power Residential and Business Scores



SI-SSA-0015-14237

Operational Excellence – O&M costs



Demonstrated ability to control O&M, preserving earnings and returns in a low sales growth environment

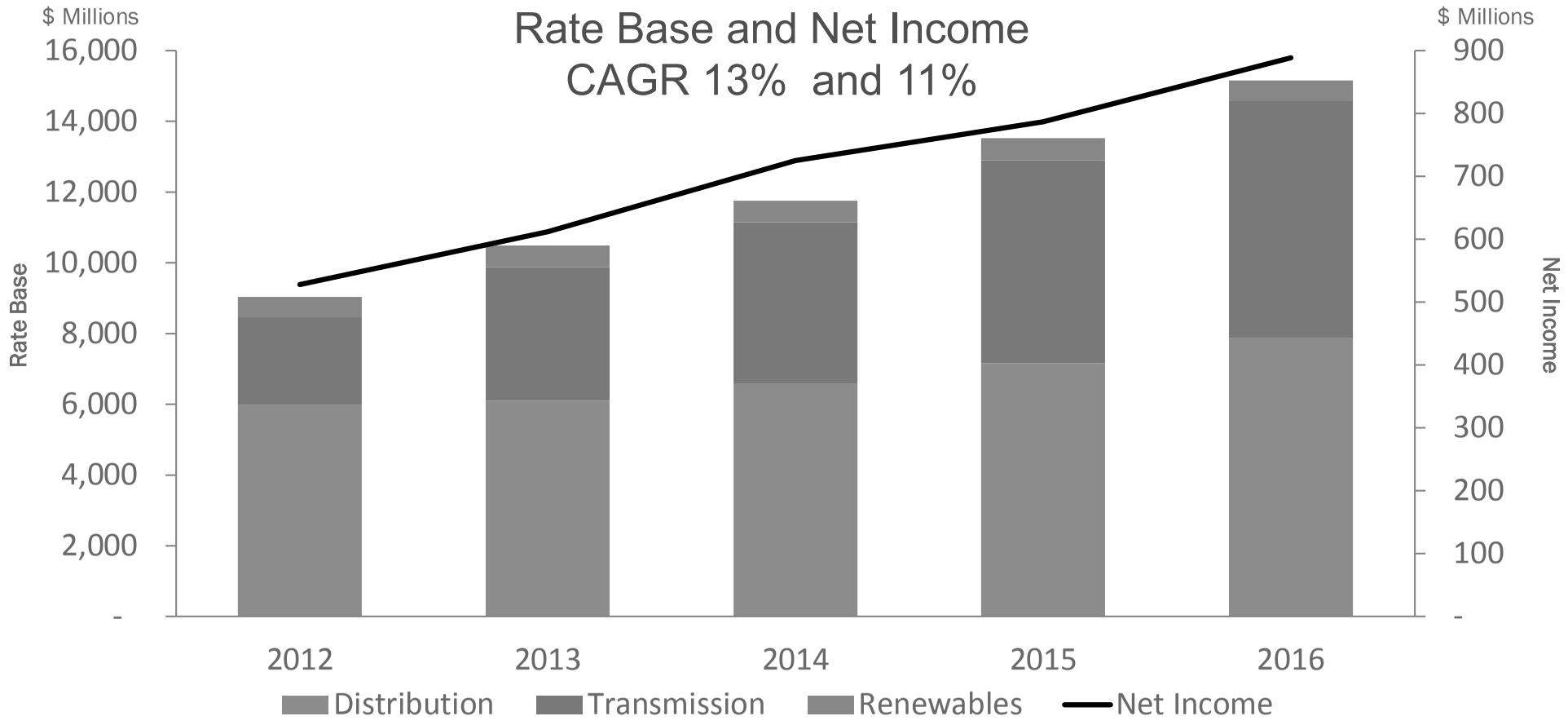
Cost control actions:

- PSE&G is utilizing the Lean Six Sigma discipline to achieve costs savings and process improvements
- Regular organizational refinement to streamline processes
- Continued focus on vendor and inventory practices ensuring maximum value
- Successful management of pension

E = ESTIMATE.

SI-SSA-0015-14238

Disciplined Investment – Delivering annual growth



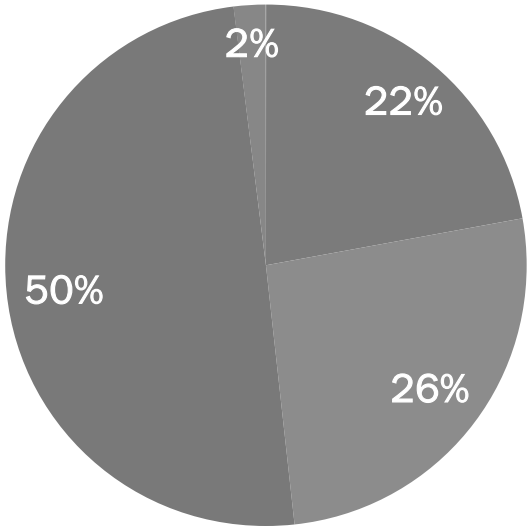
Our rate base is now roughly balanced between federal and state jurisdictions

SI-SSA-0015-14239

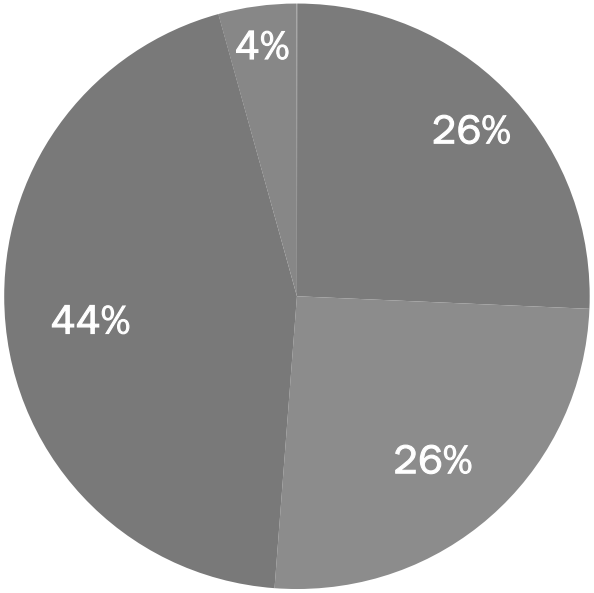
Disciplined Investment – Continued growth in robust capital program

2017-2021E PSE&G Capital Spending

Base Capital,
including GSMP extension
$12.3B
Rate Base CAGR 7%



with extension / expansion of current programs
$13.8B
Rate Base CAGR 9%



Transmission | Gas Distribution | Electric Distribution | Solar and Energy Efficiency

With current returns on ~70% of capital investments

. E = ESTIMATE. INCLUDES AFUDC

SI-SSA-0015-14240

Transmission - ~$6 billion, 5-year investment program focusing on reliability and replacing aging infrastructure

- **Formula rate** recovery of capital and expenses
- **PJM's Regional Transmission Expansion Plan** (RTEP) identifies system enhancements needed for reliability
- **Portfolio transitioning –** completing remaining major lines and moving to steady state investments to maintain reliability and stay ahead of asset end of life
  - **69kV system upgrades** improve system reliability and add capacity for future growth
  - **Transmission Lifecycle** to manage asset life and improve system integrity and reliability
  - **Transmission Hardening** projects focus on increasing system resiliency

SLSS-V 5-14241

Electric Distribution – ~$3 billion, 5-year investment program focused on reliability and resiliency

- **Energy Strong** - Completion of currently approved program
- **Future growth efforts**
  - **Hardening** – Extend program for critical system infrastructure
  - **Aging infrastructure** – Life cycle investments to ensure continued top quartile reliability performance
    - Over 65 substations > 60 years old; Over 30 substations > 80 years old
    - ~115 substations 26kV to 4kV
    - Risk assessment model to eliminate/replace
  - **Technology** – Next generation to enhance grid performance

SI-SSA-0015-14242

Electric Distribution - Technology

- **Making the grid smarter**
  - Deployment of hundreds of microprocessor relays
  - A new state of the art distribution SCADA system to facilitate full communication and control
  - Ability to integrate Distributed Energy Resources into the grid while enhancing grid reliability and resiliency

- **Improving customer service - continue to enhance delivery of information and communication**

SI-SSA-0015-14243

Gas Distribution – ~$3 billion, 5-year investment program focused on modernizing and upgrading cast iron and unprotected steel main

- **Cost efficiency** of broad replacement approach
- **Customer service** – conversion from low pressure to high pressure
- **Environmental Collaboration** with EDF and Google to consider methane leaks in work prioritization
- **Replaced** >200 miles in 2016
  - Exceeding run rate of 30 year program, demonstrating ability to accelerate program
  - ~4,800 miles of cast iron and unprotected steel main remaining in the system
  - More cast iron than any other US utility

SI-SSA-0015-14244

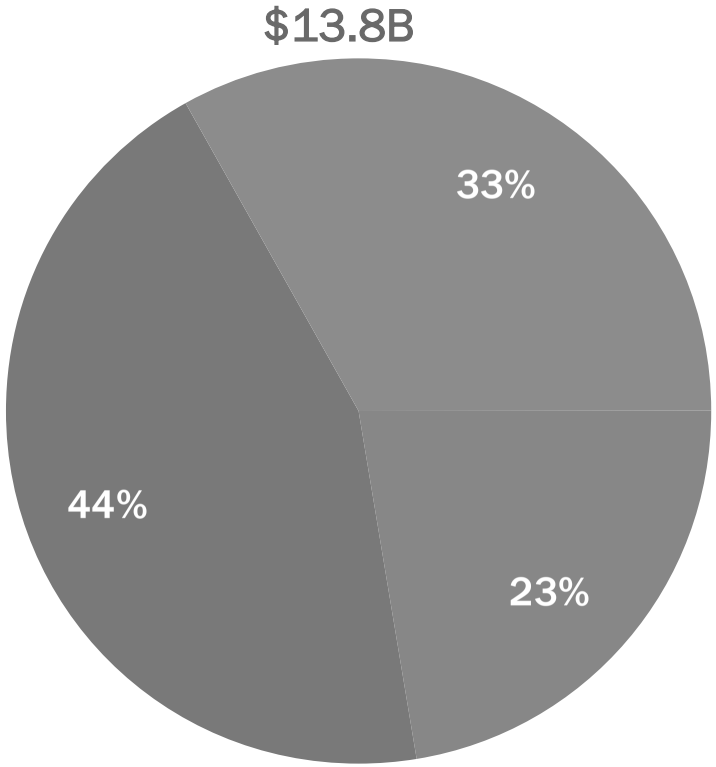
Solar and Energy Efficiency – ~$250 million, 5-year investment supports New Jersey policy objectives

- **Solar –**
  - Grid-connected solar on landfills and brownfields provides clean energy for all customers
  - 210 MW installed of the 300 MW total approved programs
- **Energy efficiency** – Continuing programs with a focus on hospitals, multi-family housing and our direct install program which includes municipalities, non-profits and small businesses in Urban Enterprise Zones
- **State Policy** - Programs are aligned with policy goals
- **Opportunity to expand** – Potential for significant opportunity to expand energy efficiency and related customer services in the future

SI-SSA-0015-14245

Developing investment opportunities with near-contemporaneous recovery mechanisms

2017-2021E PSE&G Capital with Program extensions by Recovery Method



Plan to increase current five year, $12.3B capital plan by ~$1.5B through program extensions and expansions:

- GSMP acceleration
- Electric distribution – hardening extension and modernization investment program
- Energy Efficiency and Solar programs – extensions and expansion

With broad opportunity set of additional investment potential driven by customer expectations and public policy

FERC Formula Rates	Traditional Recovery Mechanisms	Clause Recovery Mechanisms
Transmission	Distribution Base Rates	Infrastructure / Solar / Energy Efficiency

E = ESTIMATE. DATA AS OF MARCH 2017. INCLUDES AFUDC.

SI-SSA-0015-14246

PSE&G Investment Evolution: System needs, customer expectations and public policy objectives drive need for continued and increasing Distribution investments

2012 - 2016

Infrastructure Clauses focused on hardening and resiliency

Solar 4 All and Solar loans

Energy Efficiency

2017-2021E

Complete hardening, begin system modernization expand efficiency program

Transition from Energy Strong to Life cycle and automation work

Accelerate GSMP

Solar landfills

Extend and broaden Energy Efficiency

Utility of the Future

Electric Infrastructure

Life cycle programs, distribution automation, EV Charging

Gas Infrastructure

GSMP Acceleration and Resiliency

CNG Charging

Distributed energy resources

Solar 4 All, Microgrids, Batteries, Fuel Cells

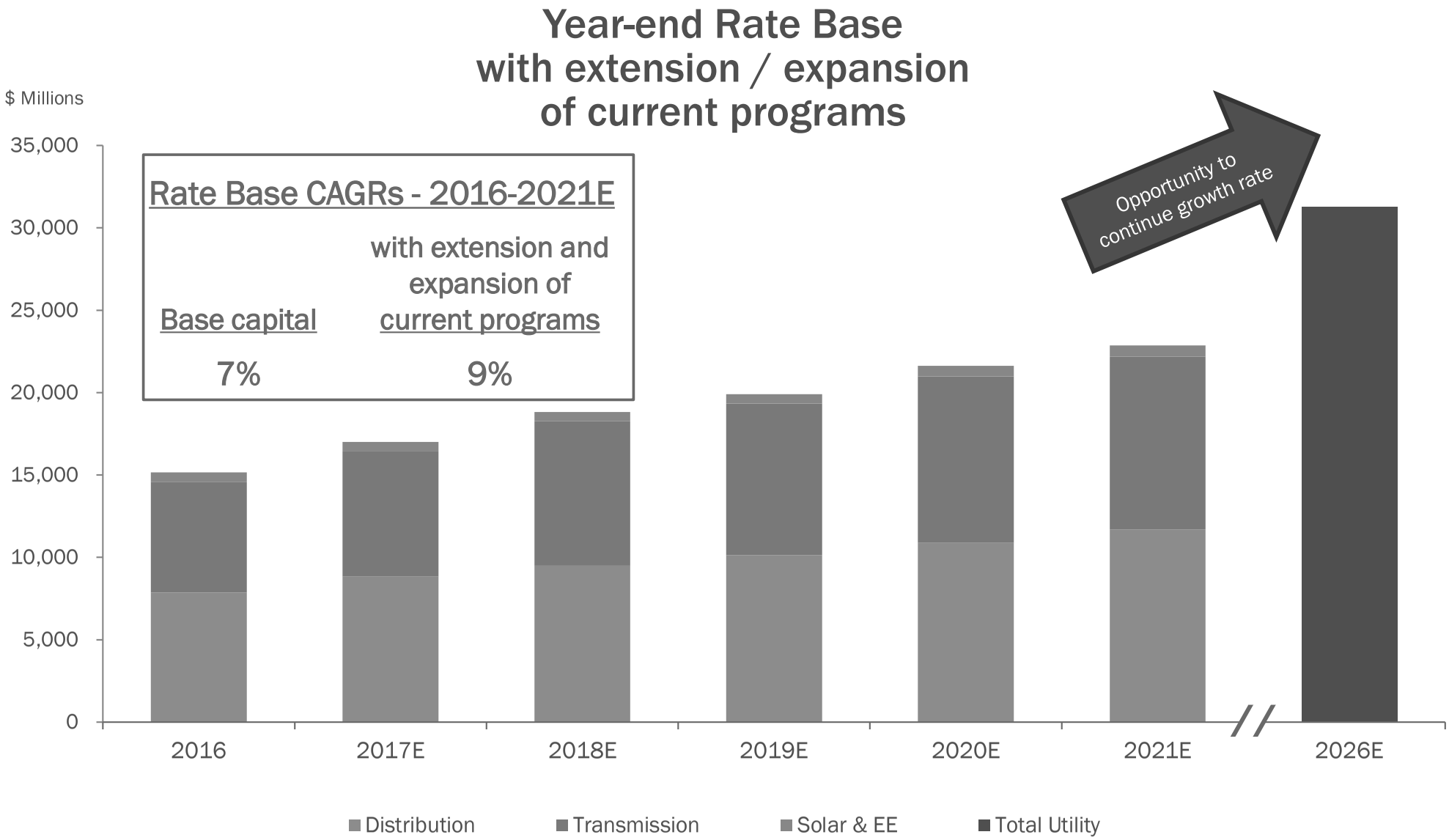
Energy Efficiency

Hospitals, Municipalities, Universities, Low Income Programs, EE for All (Residential, Small C&I), AMI, Bill Education

Utility of the Future represents potential investment opportunity to sustain annual rate base growth rate

SI-SSA-0015-14247

Investment program supports strong rate base growth – off a higher base



E = ESTIMATE.

SI-SSA-0015-14248

Distribution – 2017 base rate case filing

- Obligated to file rate case no later than November 1, 2017
- Last rate case – 2009 test year, settled in 2010

Since last rate case

- **Sales growth** – flat, customer growth offset by energy efficiency
- **O&M** – held flat, with increased regulatory requirements
- **Capital Investments** – Growth in rate base beyond clauses, consists of:
  - GSMP annual stipulated base
  - Energy Strong
  - Other Distribution base investments beyond depreciation levels
- **Customer rates** since last rate case
  - Electric decreased 5%; Gas decreased 46%

Supports need for moderate base rate increase

SI-SSA-0015-14249

Optimal time for extension and expansion of investment programs

- 2017 investment program filings
  - **GSMP** - extension and acceleration
  - **Electric infrastructure** - resiliency and modernization
  - **Energy efficiency** – extension, potential future expansion
  - Seeking **long-term** programs to optimize planning and cost
- Programs improve system reliability and meet customer expectations
  - System need as infrastructure reaches end of life
  - Increasing customer and public policy expectations
- Optimal timing

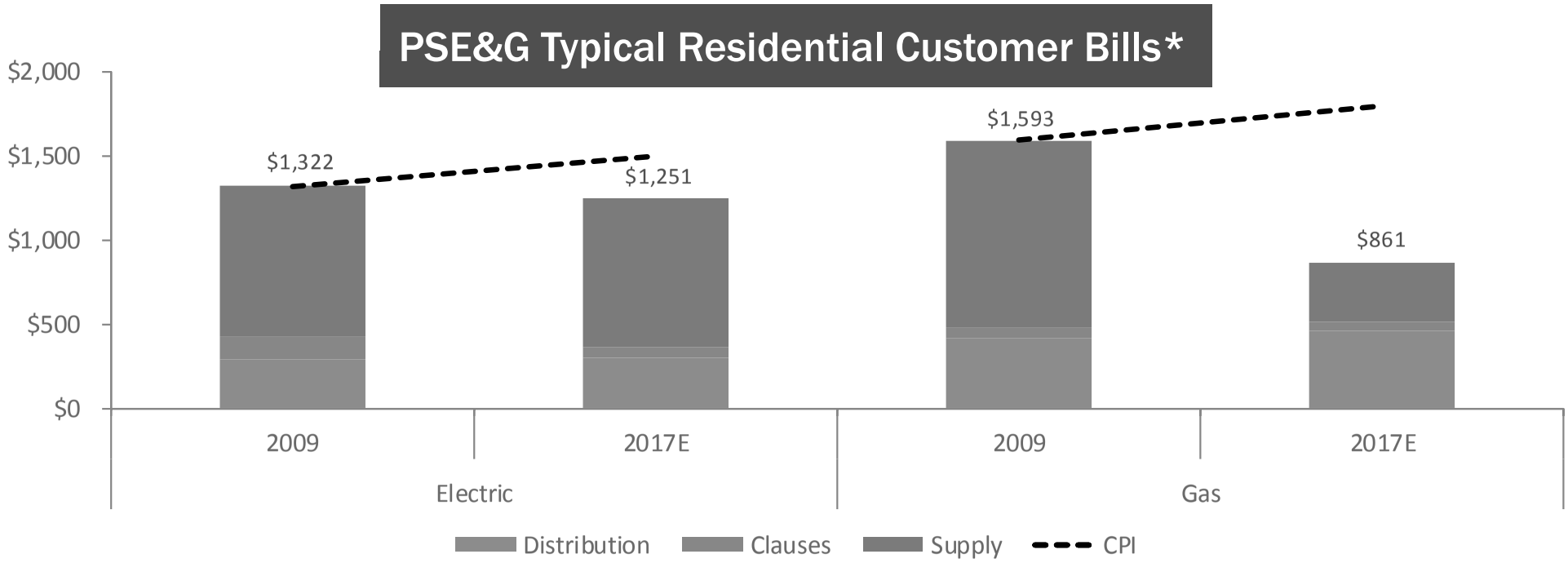
Job creation	Environmental benefits	Federal tax benefits	Low commodity prices
√	√	√	√

- Potential rate impact of program extensions - ~2%/year*

SI-SSA-0015-14250

*ASSUMES TYPICAL COMBINED RESIDENTIAL CUSTOMER WITH 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.

Customer's bills are materially lower, supporting needed investment in the system



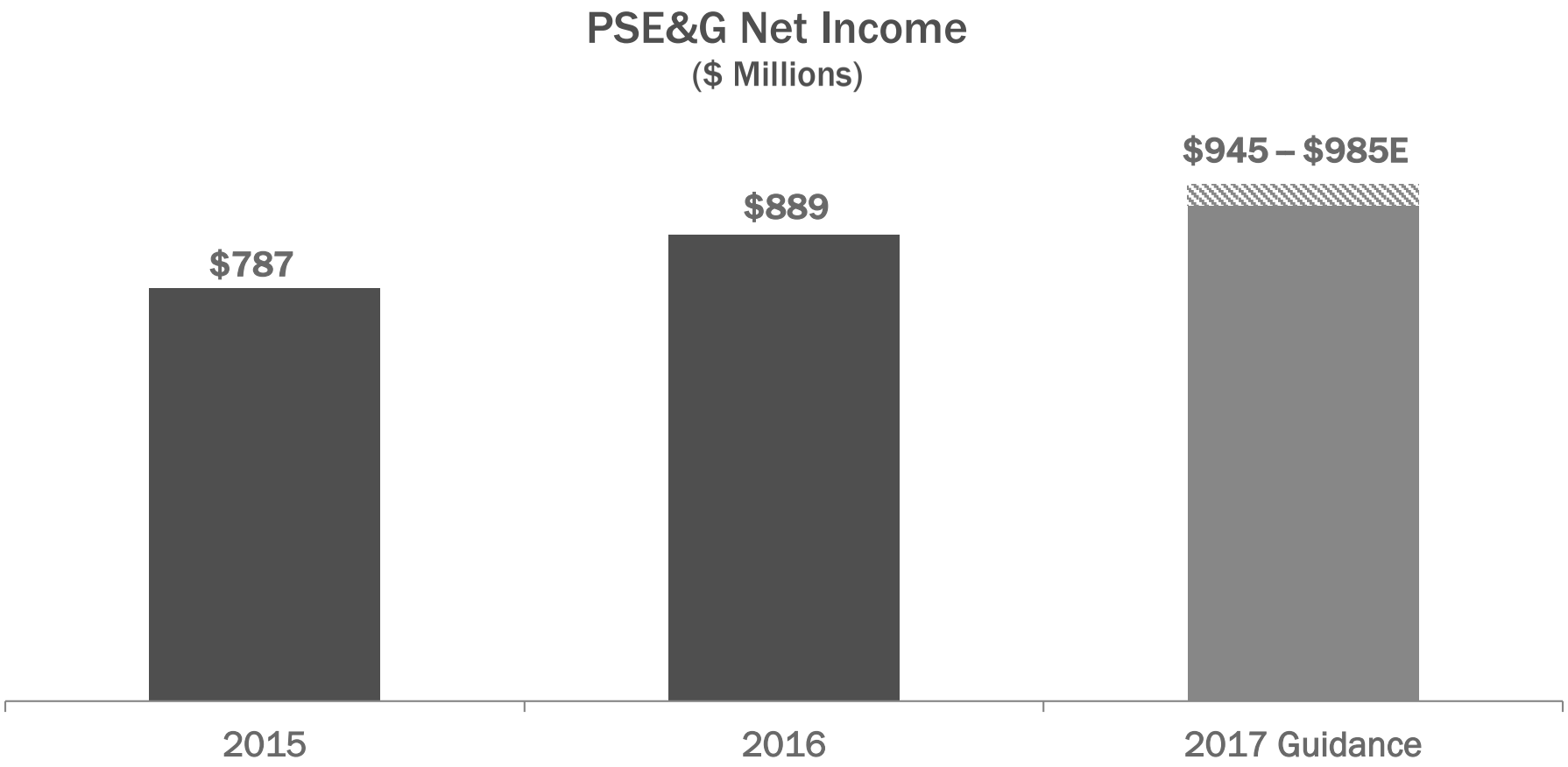
- Combined electric and gas bills declined ~28% over the 2009-2017 period
  - Also provided BGSS bill credits totaling ~$590 per customer since 2012
  - Low gas prices and elimination of transition charges drove rate decreases
- Regional price comparison** Gas is 2nd lowest and Electric is lower than average
- Investing at the Utility of the Future level – would take about a decade to equal the 2009 bill rates (adjusted for growth in CPI/disposable income)

SI-SSA-0015-14251

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF SEPTEMBER 1, 2016, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2017 net income to benefit from investment programs and cost control



E =ESTIMATE.

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PSEG LONG ISLAND

PSEG

We make things work for you.

SI-SSA-0015-14253

PSEG Long Island - Focused on improving customer service and reliability while managing costs

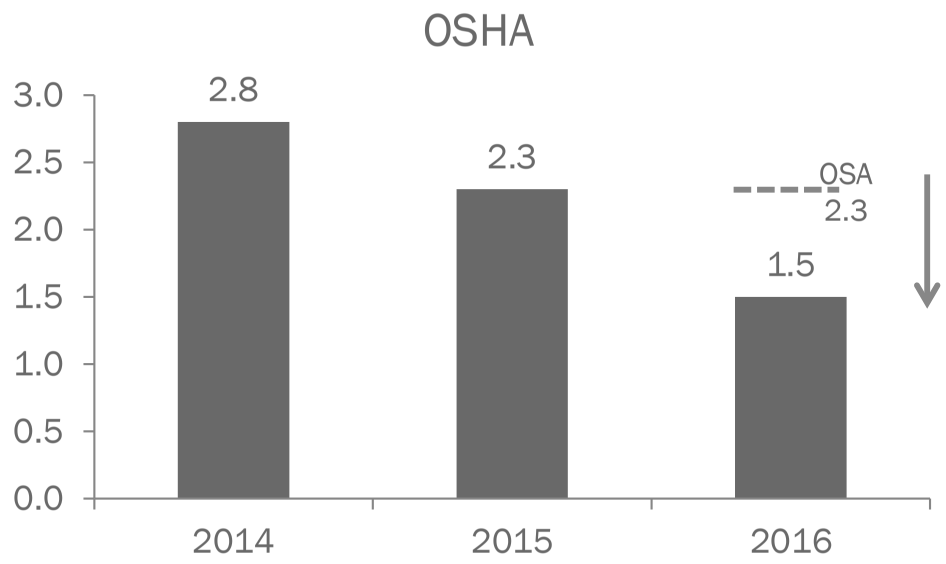
- 4th year of 12 year contract (with option to extend 8 years)
- 2016 - Earned $0.08 per share*
  - Fixed fee of $65 million / year, escalated for CPI
  - Incentive opportunity of 15%
  - Power has $20 million / year energy management and fuel supply contract

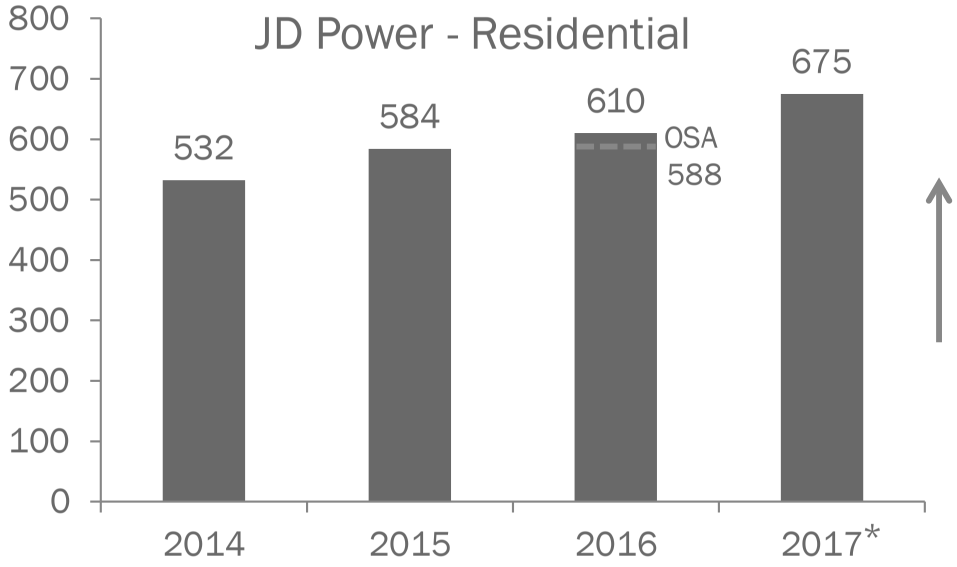
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting Operational and Financial expectations
- Realized >95% of incentive payment in 2014, 2015 and 2016

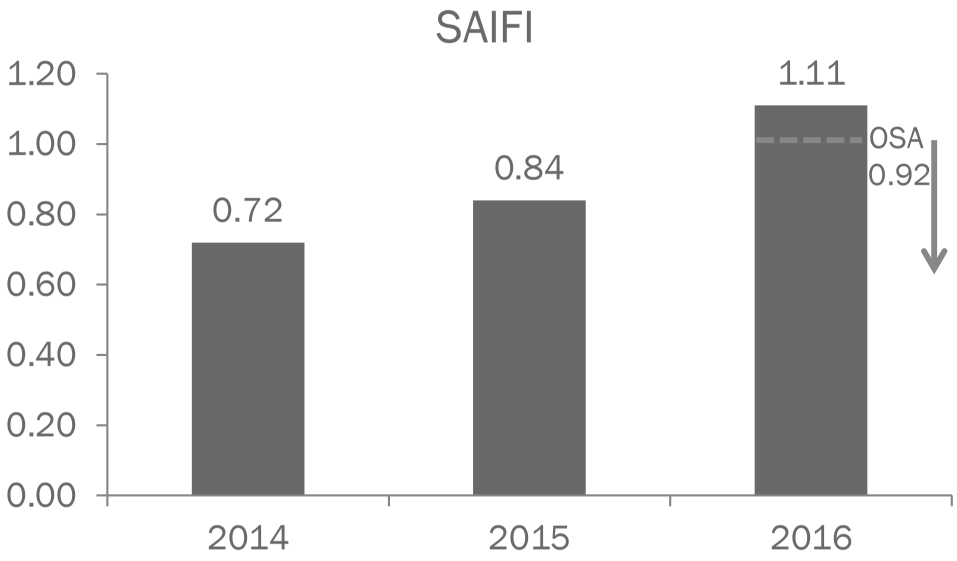
SI-SSA-0015-14254

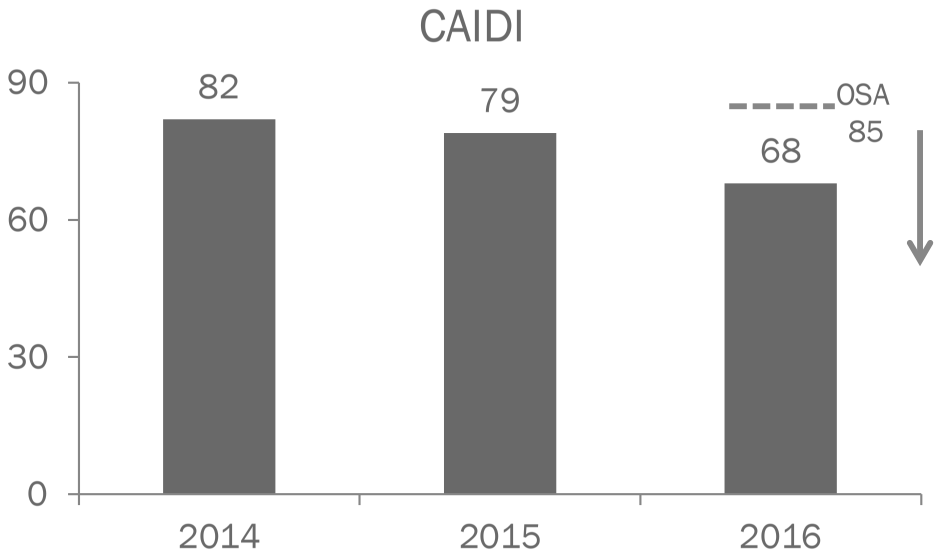
*OVERALL ENTERPRISE IMPACT.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-14255

PSEG

OSA = AMENDED OPERATING SERVICES AGREEMENT BETWEEN PSEG-LI AND LIPA SETTING BENCHMARK INCENTIVE LEVELS
* JD POWER 2017 REPRESENTS FIRST WAVE DATA

2017 PSEG Power and ER&T Business Review & Outlook

PSEG

We make things work for you.

We have the
energy
to make things better
... for you, for our investors
and for our stakeholders.

SI-SSA-0015-14256

PSEG POWER

William Levis

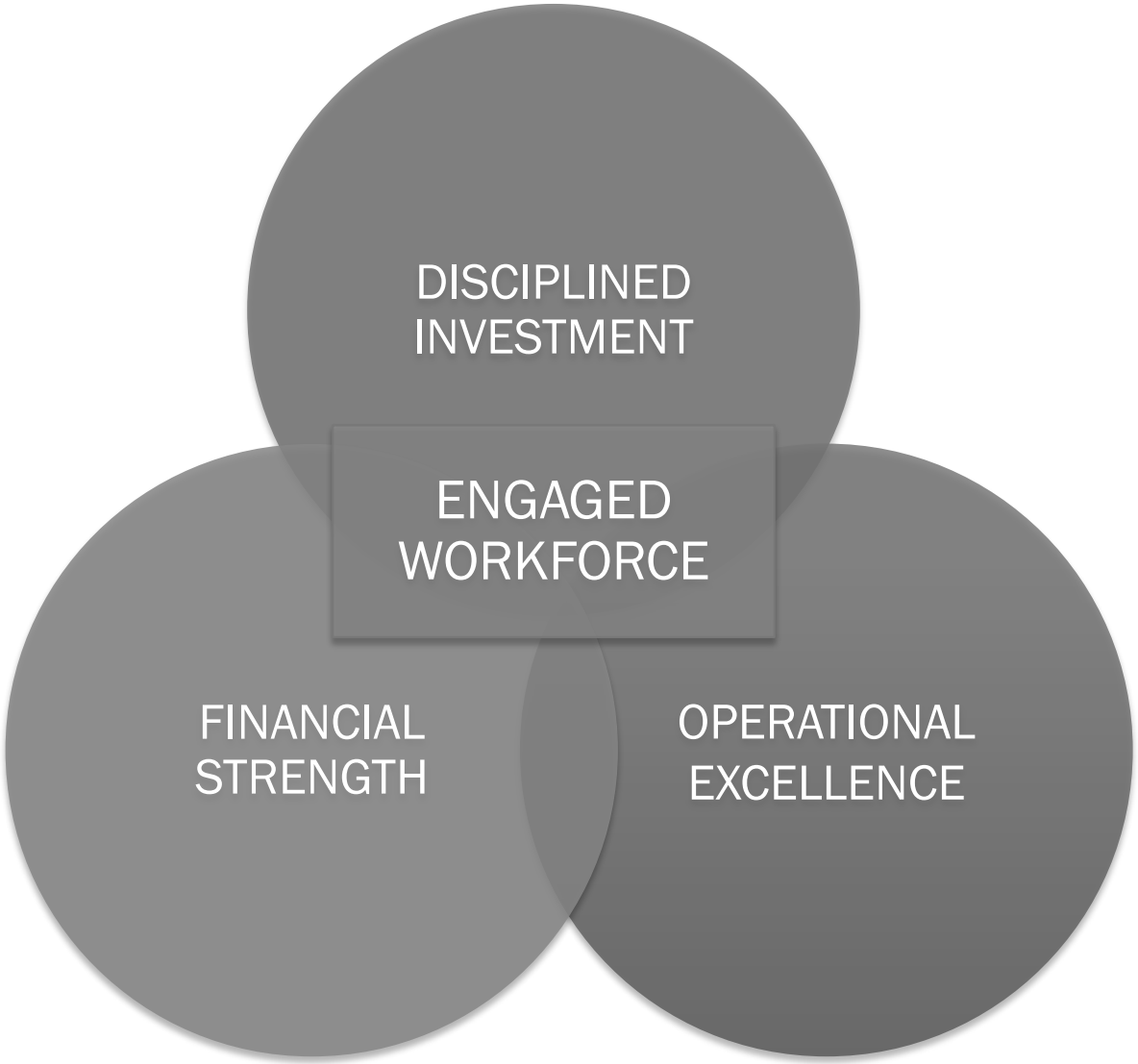
PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

PSEG
We make things work for you.

SI-SSA-0015-14257

PSEG Power
strategy

Excellence in operating our units safely, reliably, cost-competitively and in an environmentally responsible manner



SI-SSA-0015-14258

Power is transforming its portfolio to be newer, more efficient and flexible

2012 → 2013 → 2014 → 2015 → 2016

Selected Accomplishments Towards Transformation

Cost Control

2012

- Additional **400** MW of new peaker capacity at Kearny and New Haven

2013

- Bethlehem Energy Center, 2nd gas pipeline connection added

2014

- CCGT Advanced Gas Path (AGP) uprate completed at Linden 1 & 2, **63** MW
- Energy / Fuel management contract for LIPA

2015

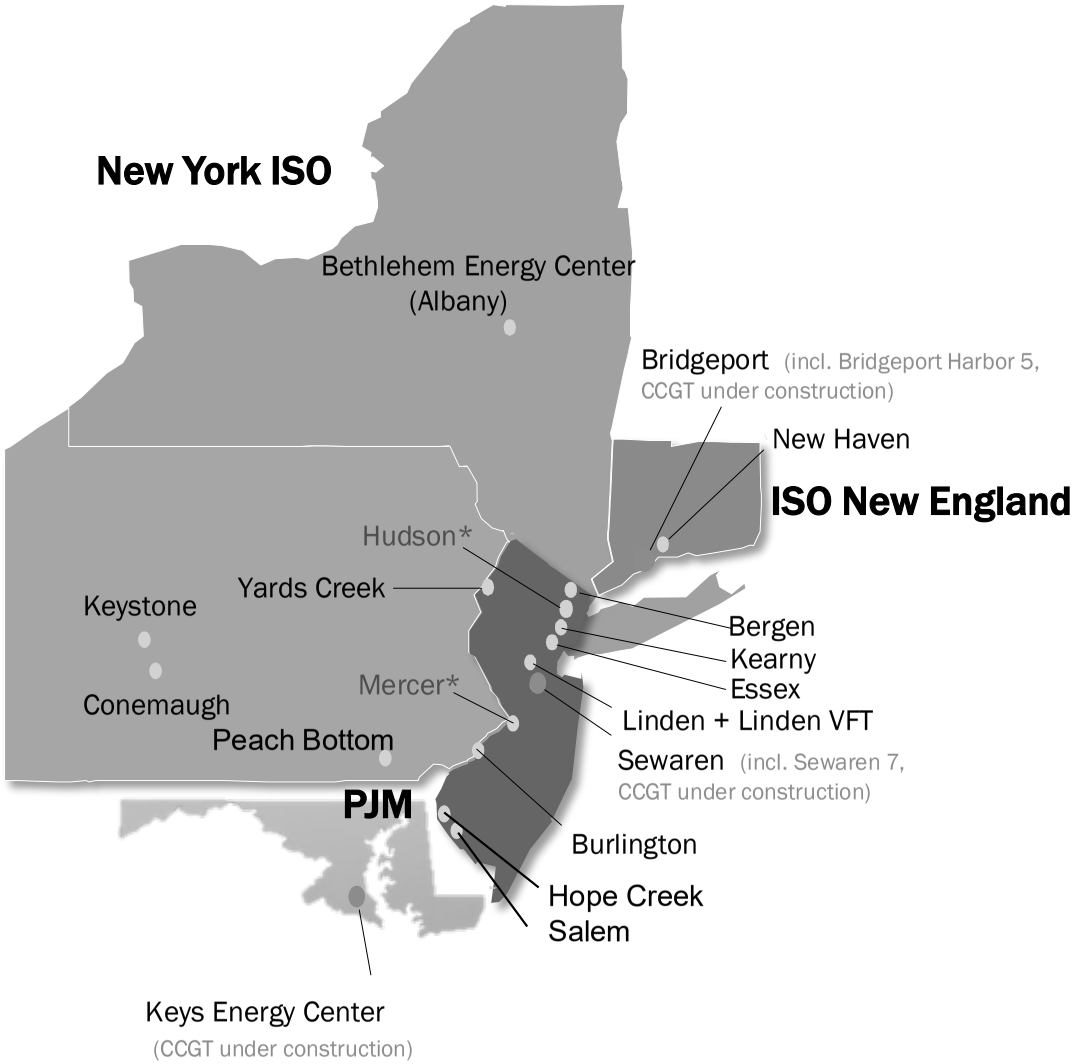
- Continued growth with **1,300** MW new CCGT's announced
  - Keys
  - Sewaren 7
- Projects Completed:
  - Peach Bottom EPU, **130** MW
  - Bergen 2 AGP uprate, **31** MW
- Retired HEDD Units
- Solar portfolio reaches **277** MW_{DC}
- Initiated Hope Creek uprate, **18** MW

2016

- Bridgeport Harbor 5 **485** MW CCGT cleared ISO-NE auction
- Hudson & Mercer early retirement announced
- Kearny 13 & 14 uprate, **14.5** MW increased capacity
- Initiated electric & gas retail business in NJ, PA
- Solar reaches ~**326** MW_{DC} in operation

SI-SSA-0015-14259

Power has generating assets in three competitive markets



- Major assets located near key load centers
- Constructing three new, efficient combined-cycle units
- Positioned to benefit from market volatility
- Additional generation assets:
  - Solar (326 MW_{DC}/257 MW_{AC})
  - Kalaeloa, HI (104 MW)

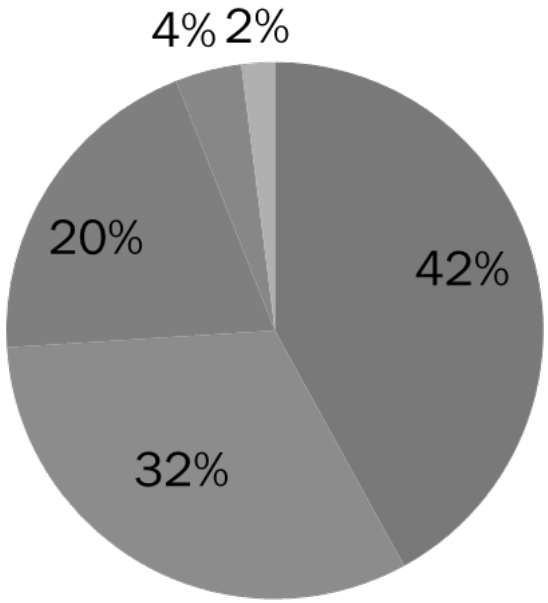
SI-SSA-0015-14260

*POWER ANNOUNCED RETIREMENTS OF HUDSON AND MERCER GENERATING STATIONS AS OF JUNE 1, 2017.

Power has a diverse fleet of generating assets which enables it to respond to market needs

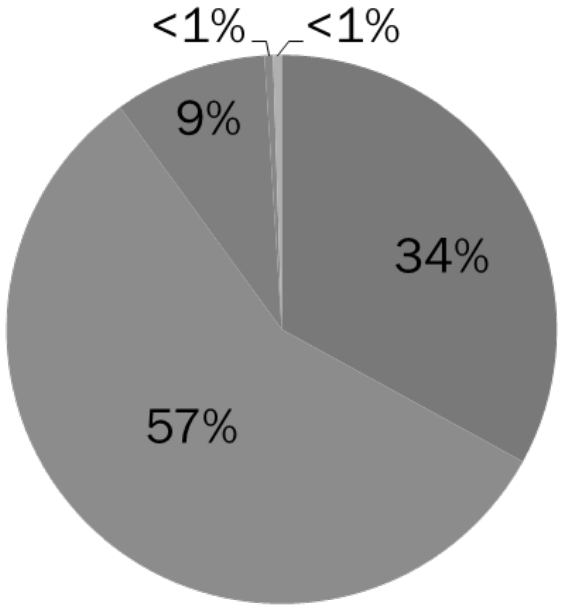
Fuel Diversity 2016*

Total MW: 11,577



Energy Produced 2016*

Total GWh: 51,510



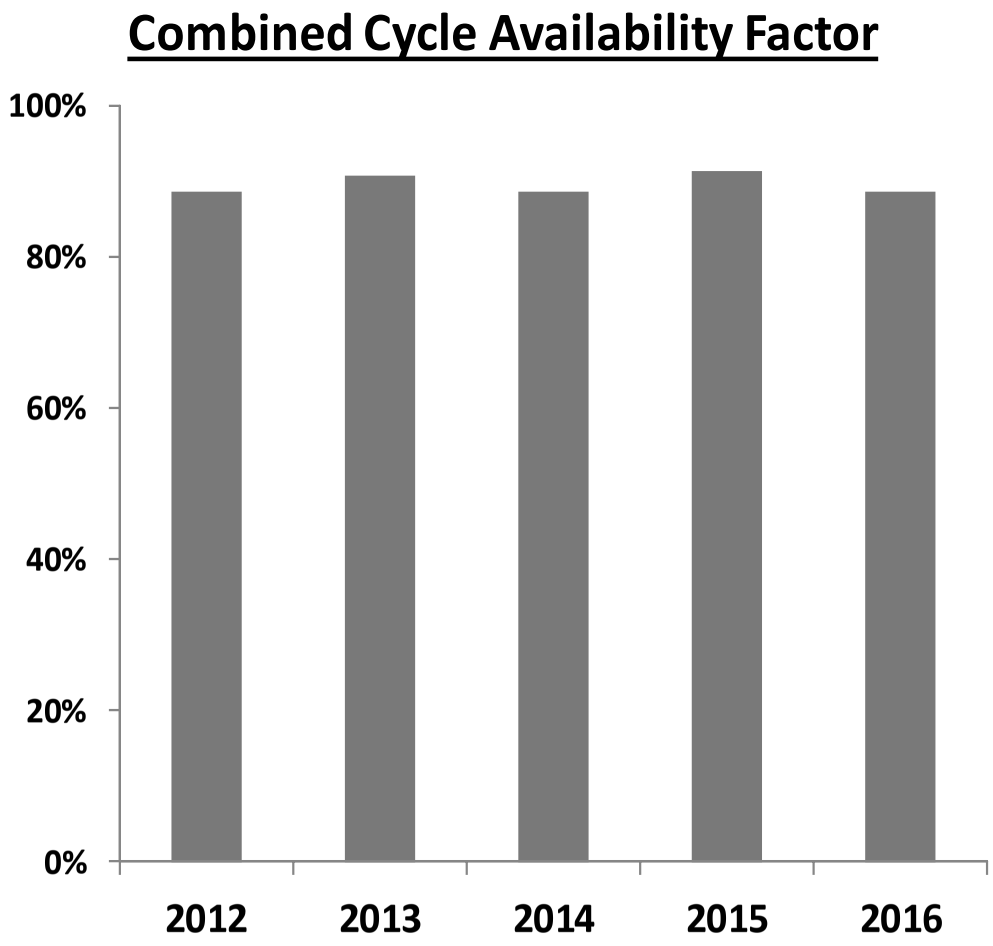
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

SI-SSA-0015-14261

PSEG

* EXCLUDES SOLAR (326MW$_{DC}$ /257MW$_{AC}$) AND KALAELOA (104MW).
**INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS.

Power's Fossil Fleet maintains solid performance in a challenging environment



- Generation records at BEC and Bergen 2 combined-cycle units
- Combined-cycle EFORd* and EFORp lowest in five years
- Start Success Rate:
  - Peaking: 99.7%
  - Coal/Steam: 93%

SI-SSA-0015-14262

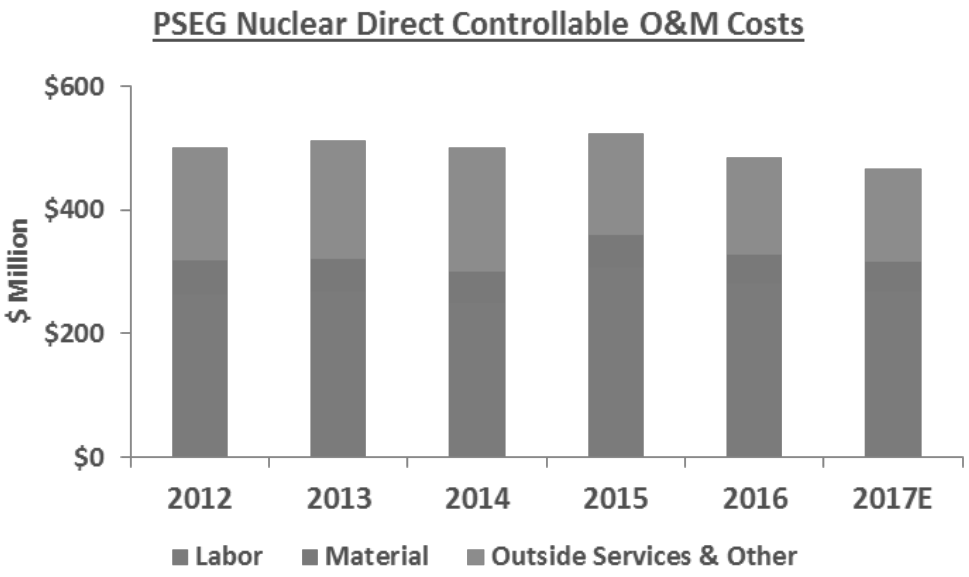
*EFORd EXCLUDES EVENTS OUTSIDE OF MANAGEMENT CONTROL.

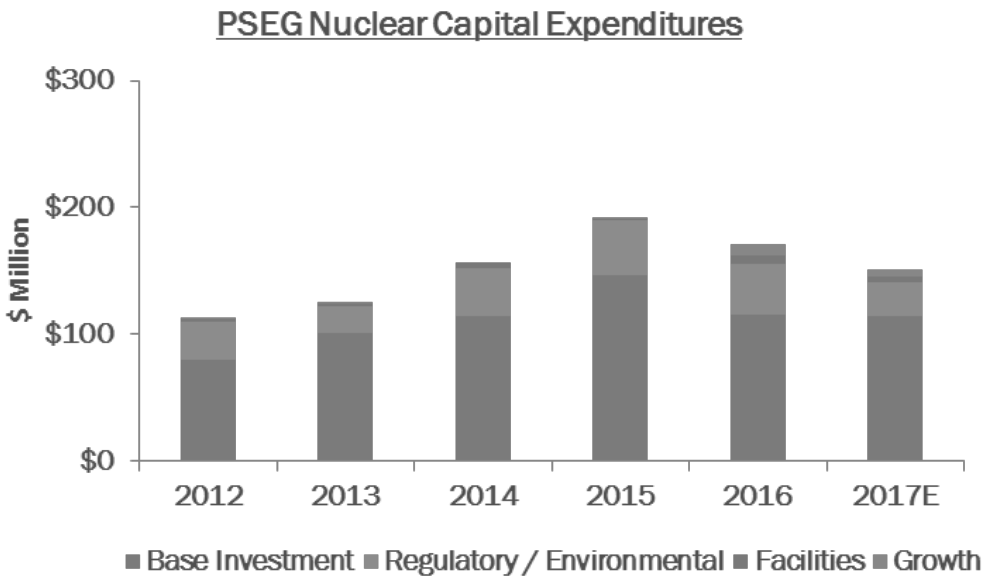
Nuclear is vital to New Jersey with Salem and Hope Creek providing ~40% of the State's energy consumption

Hope Creek	Salem Units 1 and 2	Peach Bottom Units 2 and 3
• Operated by PSEG Nuclear • PSEG Ownership: 100% • Boiling Water Reactor • Total Capacity: 1,172 MW • Owned Capacity: 1,172 MW • License Expiration: 2046 • 18 MW Uprate Spring 2018 • Next Scheduled Refueling ➢ Spring 2018	• Operated by PSEG Nuclear • PSEG Ownership: 57% • Pressurized Water Reactor • Total Capacity: 2,296 MW • Owned Capacity: 1,318 MW • License Expiration: 2036 and 2040 • Next Scheduled Refueling ➢ Unit 1 – Fall 2017 ➢ Unit 2 – Spring 2017	• Operated by Exelon • PSEG Ownership: 50% • Boiling Water Reactor • Total Capacity: 2,450 MW • Owned Capacity: 1,225 MW • License Expiration: 2033 and 2034 • Next Scheduled Refueling ➢ Unit 2 – Fall 2018 ➢ Unit 3 – Fall 2017

SI-SSA-0015-14263

PSEG Nuclear has been addressing the economic challenges in the current low gas price environment





- 2012 to 2017E CAGR: –1.4%
- The 2015 Labor increase / outside services decrease is due to bringing security force employees in-house
- Material and outside service cost reductions CAGR: – 4%

- Fukushima-related compliance drove $198 M of Regulatory/Environmental spend
- 2016 and 2017E capital driven by Baffle Bolt replacement
- Going forward capital approximately $100M/year to maintain reliability to end of license life

SI-SSA-0015-14264

PSEG

NOTE: LABOR INCLUDES BASE WAGES, OVERTIME AND FRINGE BENEFITS. ALL YEARS EXCLUDE EXPENDITURES FOR NUCLEAR FUEL (APPROXIMATELY $6.50/MWH). E=ESTIMATE

PSEG Nuclear is leading the industry in efforts to ensure economic viability of fleet

Goals

- Industry goal to achieve reductions in O&M, fuel and capital costs by 2018
- The three-year program to examine and implement opportunities to:
  - ✓ Advance safety,
  - ✓ Improve operations, and
  - ✓ Prevent premature reactor closures
- Concurrently, we continue to work with NEI and other industry partners to gain greater compensation for nuclear plants in competitive market policies

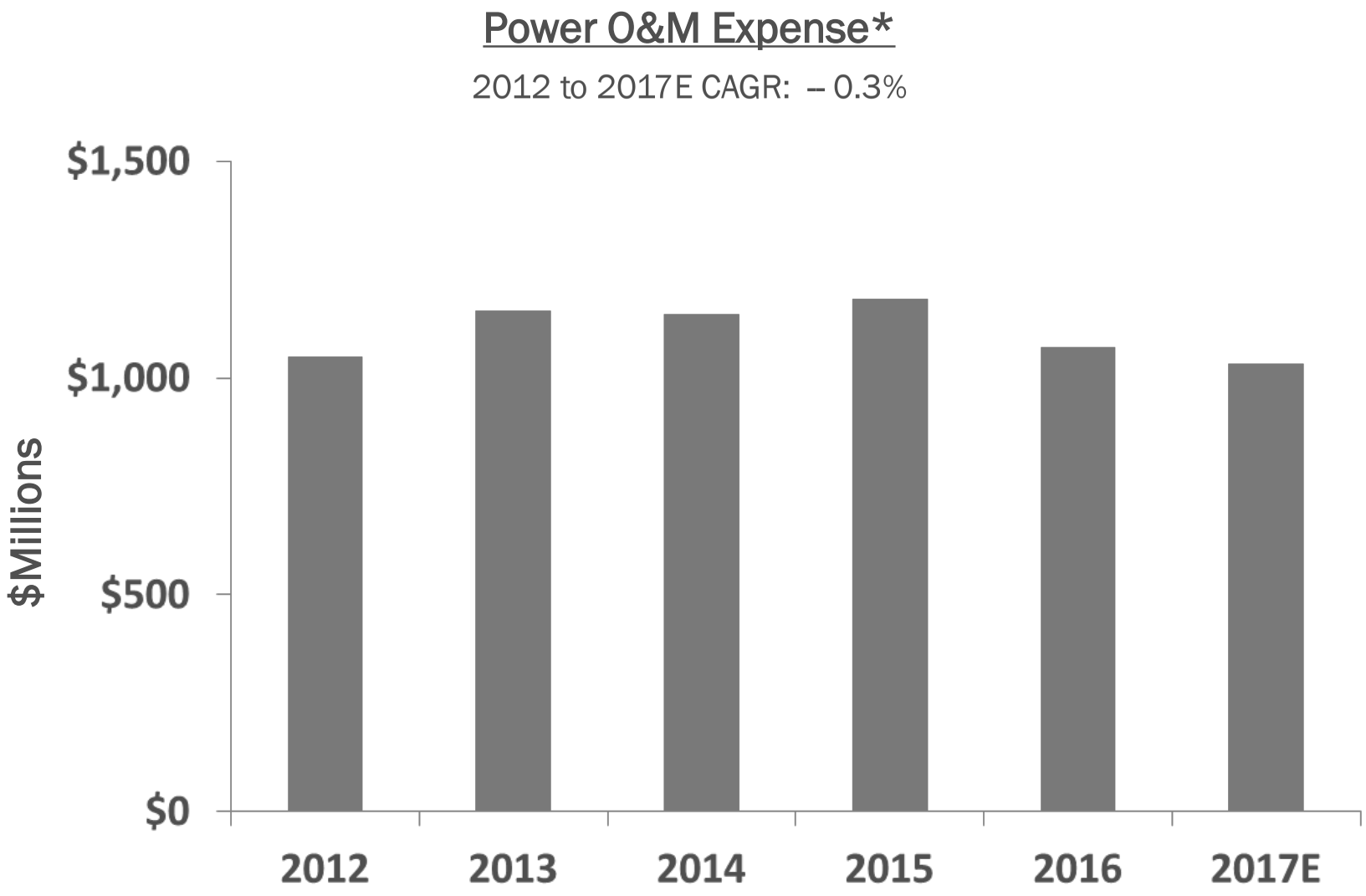
PSEG Nuclear progress to date

- 46 Efficiency Bulletins issued, 21 implemented to date
- Cost reductions achieved: 185 FTE reduction; 2017 direct O&M reduction of 5% from plan target while funding equipment reliability improvement
- Implemented changes to focus on eliminating vs. mitigating equipment reliability issues to ensure generation is not negatively impacted

PSEG Nuclear is not currently earning its cost of capital

SI-SSA-0015-14265

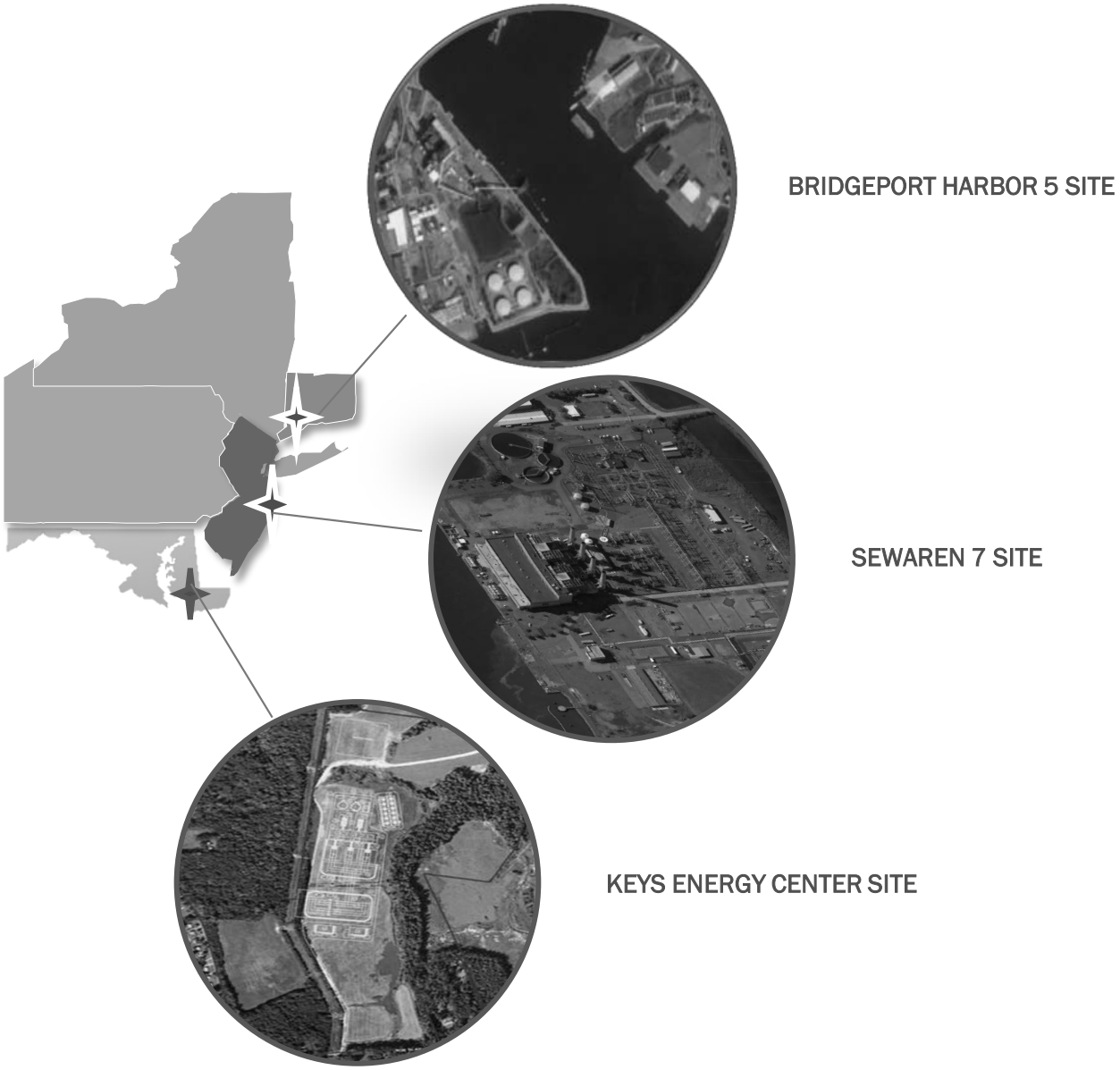
Power has demonstrated its ability to control O&M



*EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT.
E=ESTIMATE

SI-SSA-0015-14266

Power is developing ~1,800 MW of new, efficient CCGT capacity in MD, NJ and CT



SI-SSA-0015-14267

Growth Project Update - Keys Energy Center

SNC Notice to Proceed 6/18/15	Commence Site Clearing 8/25/15	Full Site Mobilization 3/2/16	Begin HRSG Erection 11/10/16	Back Feed Switchyard 8/3/17(E)	First Fire 2/9/18(E)	Target Substantial Completion 4/30/18(E)	Guaranteed Substantial Completion 5/1/18(E)

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas-fired combined cycle
  - Greenfield site
- **Estimated Costs $825 to $870 million**
- **Major Milestones**
  - Combustion turbines and generators, steam turbine and generator and all three generator step-up transformers have been set in place
  - Construction is 35% complete as of February 2017
  - Commence training / start-up support in 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket

Keys Energy Center – Aerial View

*SWMAAC – SOUTHWEST/EMAAC = EASTERN MID-ATLANTIC AREA COUNCIL
E = ESTIMATE

SI-SSA-0015-14268

Growth Project Update – Sewaren 7

- **540 MW plant in Sewaren , New Jersey**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $625 to $675 million**
- **Major Milestones**
  - Combustion steam turbine generator, combustion turbine and main transformers have been set in place
  - Construction is 29% complete as of February 2017
  - Expected to be in service in mid-2018
- **Outlook**
  - Leverages existing infrastructure
  - Existing Sewaren units will retire upon completion
  - Located in the PS Zone load pocket

Sewaren 7 – Aerial View

SI-SSA-0015-14269

E = ESTIMATE

Growth Project Update – Bridgeport 5

BHS Unit 5 Clears Auction	Commence Site Prep	Full Site Mobilization	Begin HRSG Erection	Backfeed Plant Substation	CTG First Fire	Target Substantial Completion	Plant Commences Operations
2/10/16	10/17/16	4/1/17(E)	1/2/18(E)	3/1/18(E)	11/15/18(E)	5/1/19(E)	6/1/19(E)

- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra low sulfur diesel) combined cycle
- **Estimated Costs $525 to $575 million**
- **Major Milestones**
  - New Source Review Air Permit is expected to be issued by April 15, 2017
  - Expected to be in-service in mid-2019
- **Outlook**
  - To be constructed on the existing PSEG Bridgeport Harbor site; Bridgeport Harbor 3 will retire in 2021
  - Located in the SW Connecticut load pocket
  - Seven year capacity price lock

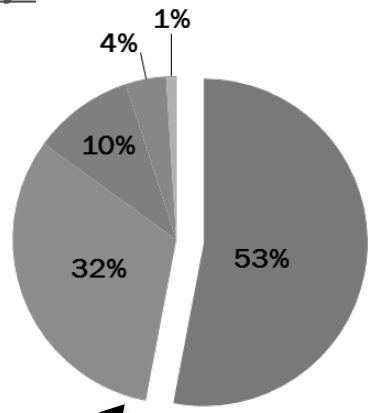
Bridgeport 5 – Aerial View

SI-SSA-0015-14270

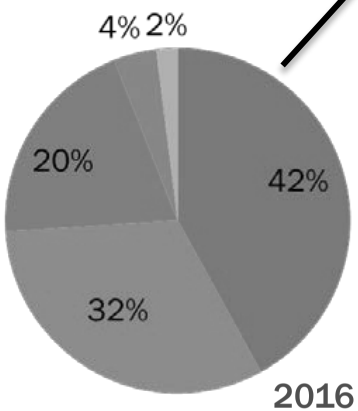
Power's fleet is being **transformed** with focus on improvement in efficiency

Projected Fleet Comparison 2016 to 2021E

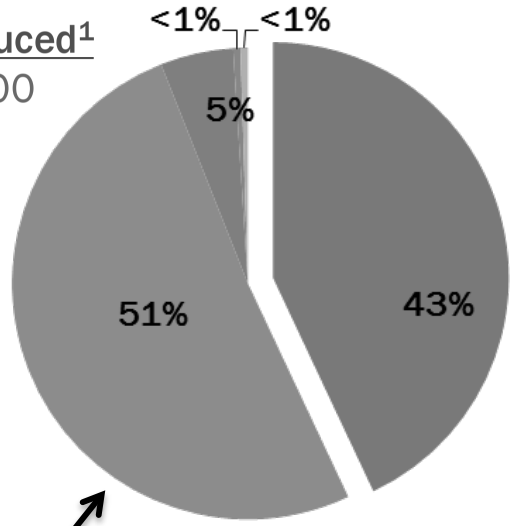
2021E Fuel Diversity[1]
Total MW: 11,900



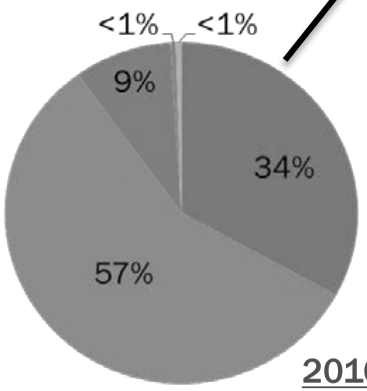
2016 Fuel Diversity
Total MW: 11,577



2021E Energy Produced[1]
Total GWh: 61,000



2016 Energy Produced
Total GWh: 51,510



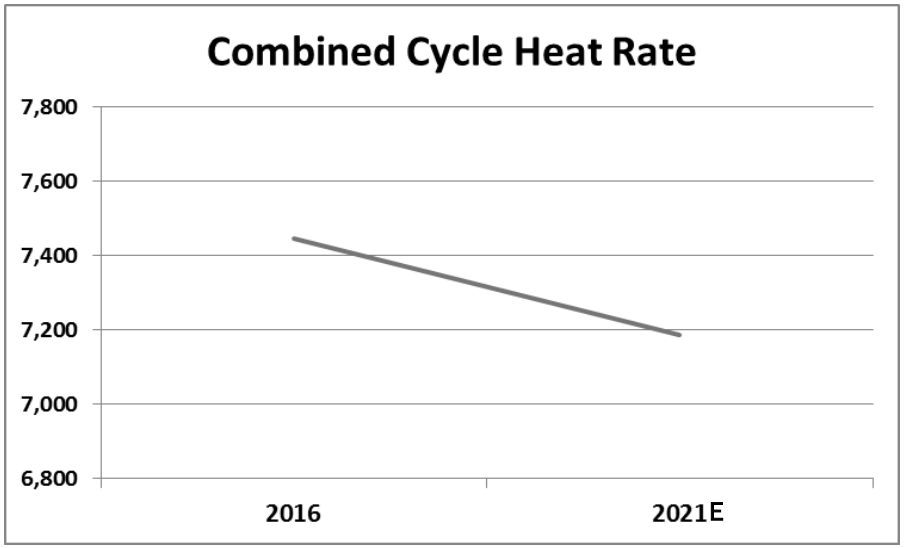
Energy Produced increases by >18%

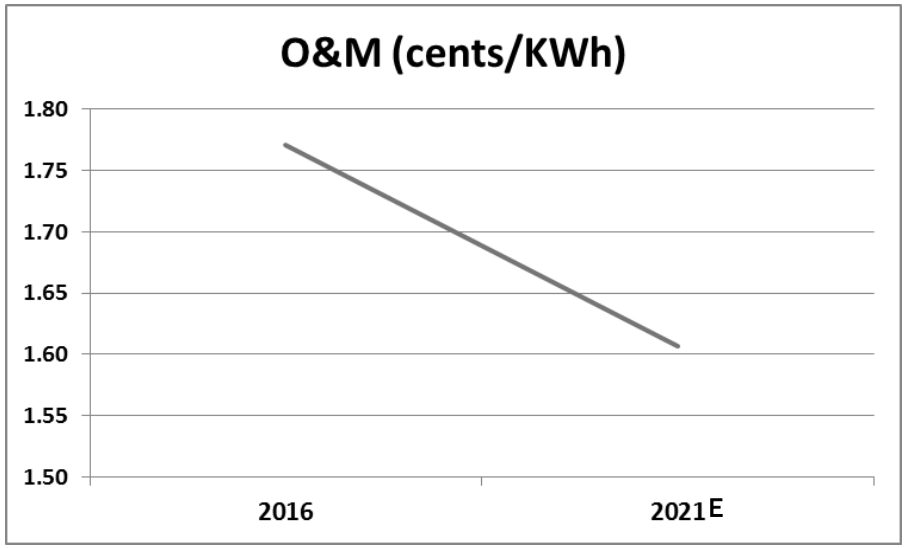
- Gas
- Nuclear
- Coal**
- Oil
- Pumped Storage

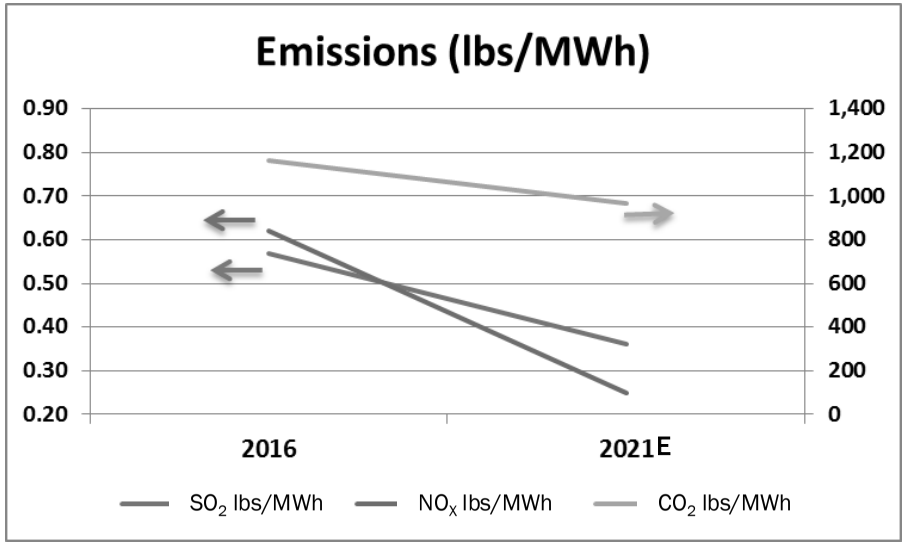
[1] REFLECTS ANNOUNCED EARLY RETIREMENT OF HUDSON AND MERCER UNITS IN MID-2017.
ALL PERIODS EXCLUDE SOLAR (257 MW_{AC}) CAPACITY AND KALAELOA (104 MW) CAPACITY / ENERGY PRODUCED.
**2016 COAL INCLUDES NEW JERSEY UNITS THAT FUEL SWITCH TO GAS. E= ESTIMATE.

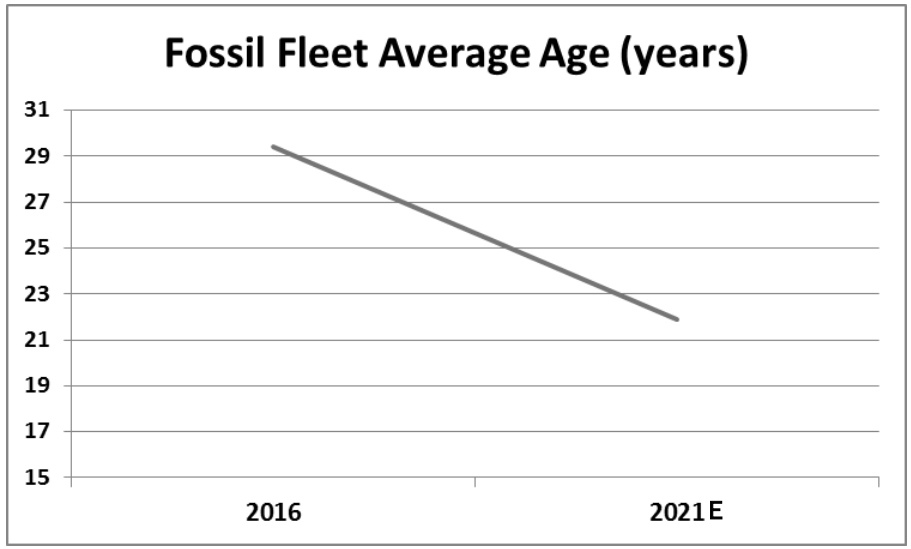
SI-SSA-0015-14271

Power's fleet is transitioning to become more efficient, productive and clean



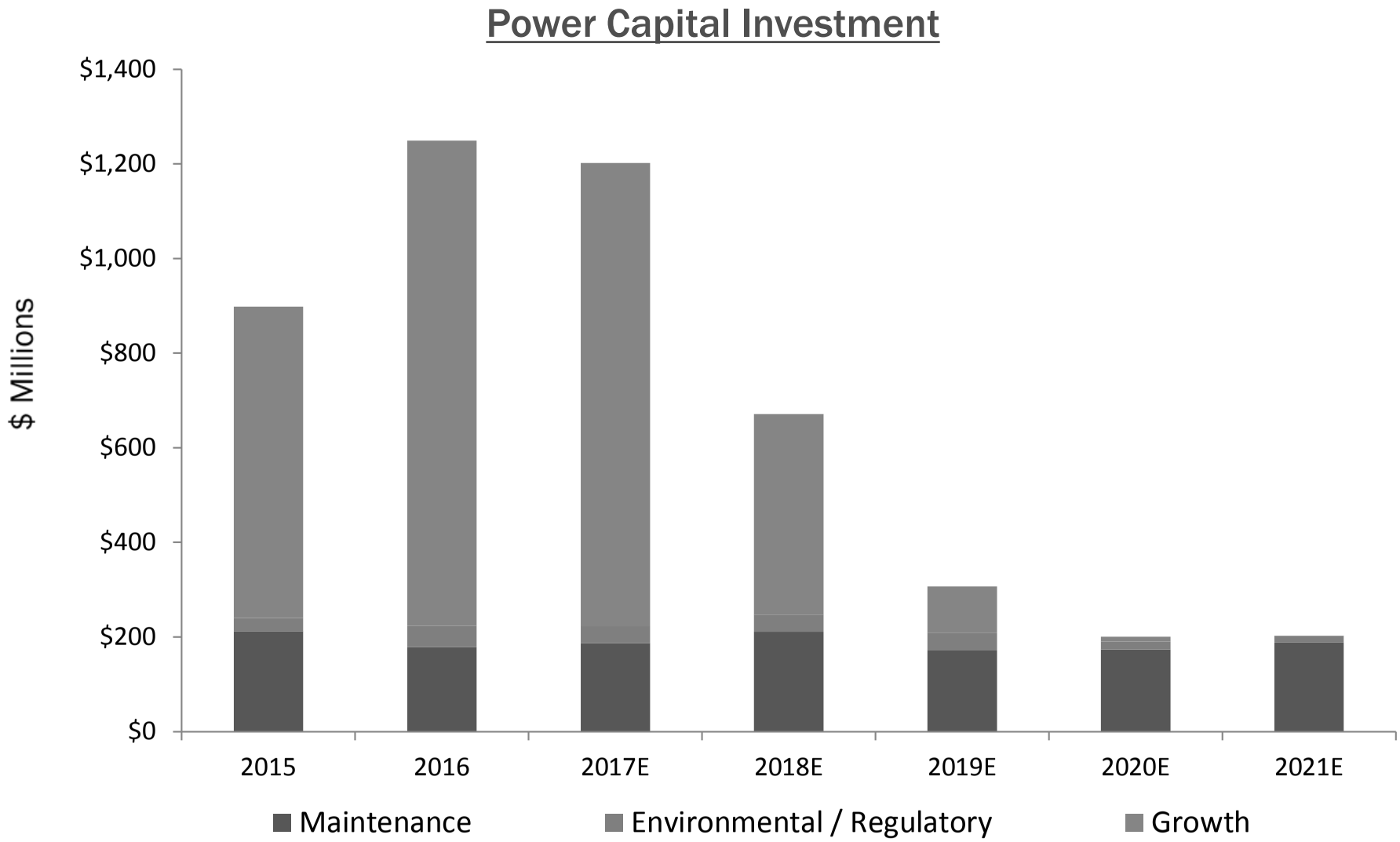






E = ESTIMATE.

Power's capital needs decline following construction of new capacity, enhancing free cash flow

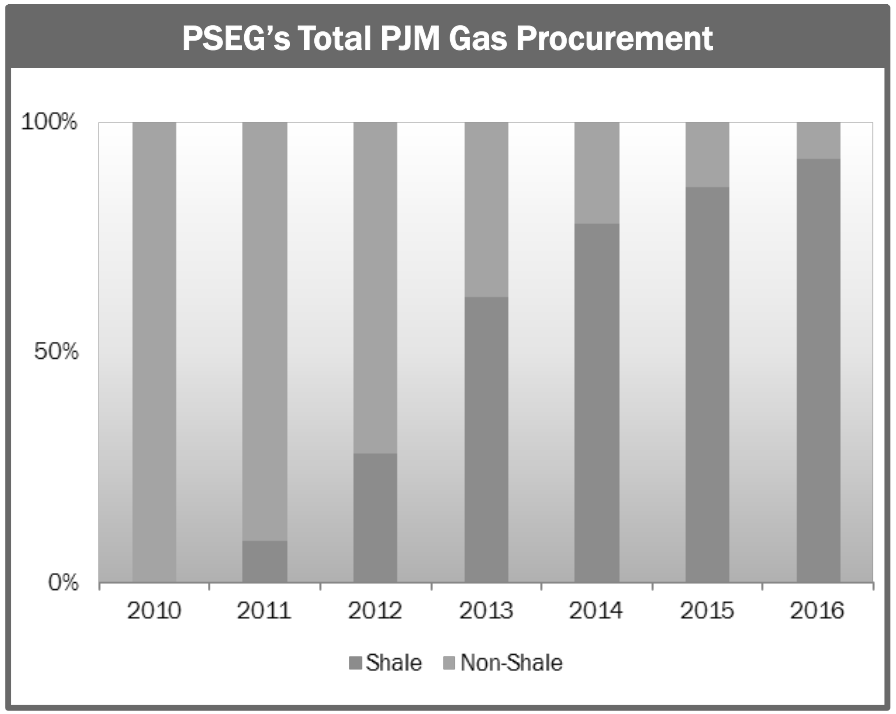


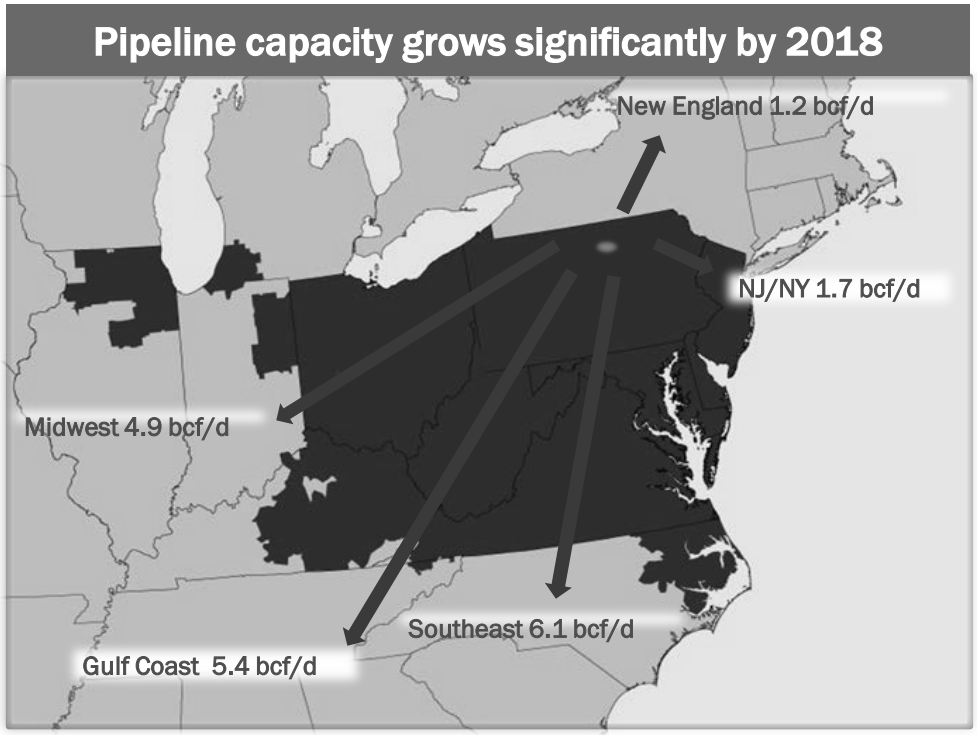
SI-SSA-0015-14273

PSEG

E=ESTIMATE. DATA AS OF FEBRUARY 2017.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Power's fleet is well-located with access to shale gas production



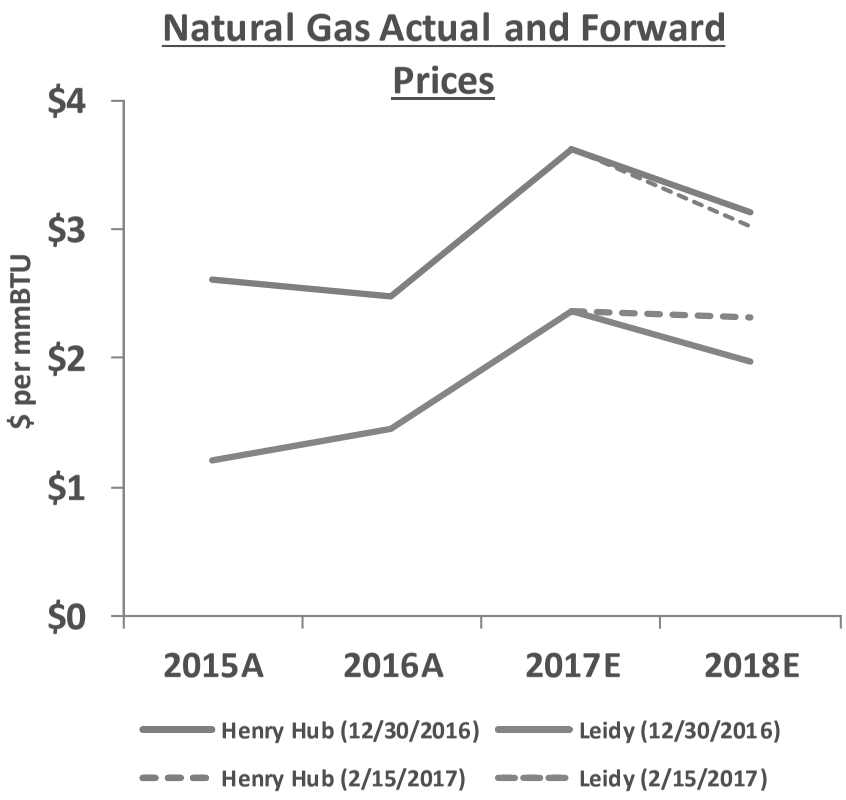


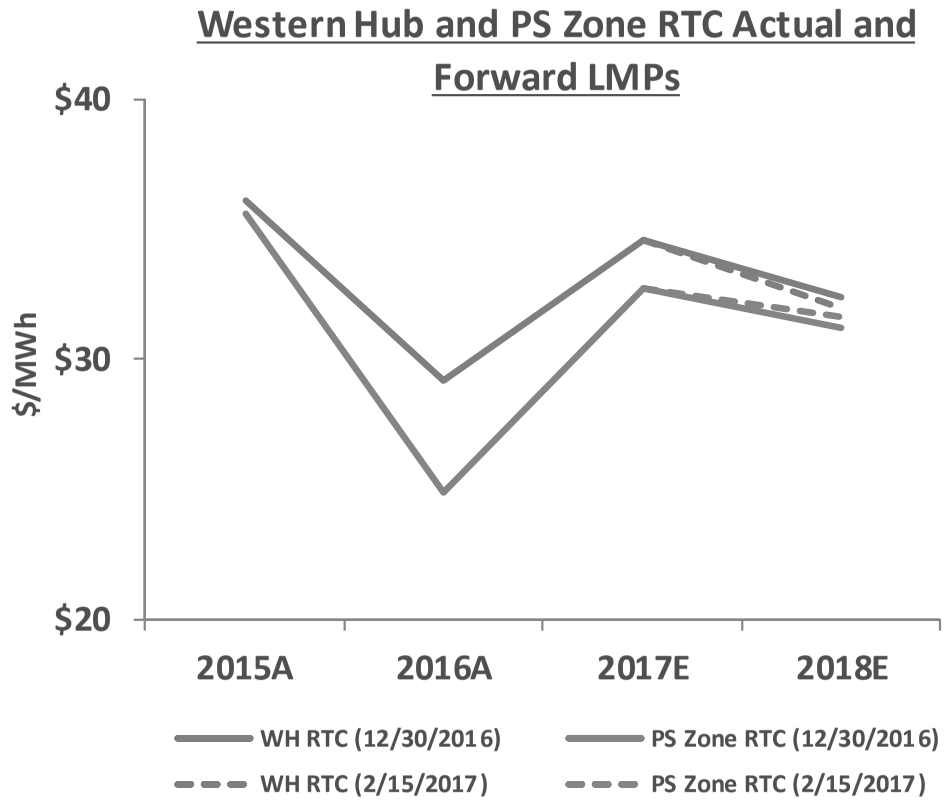
- PSEG Power procured approximately 400 BCF in 2016 with almost 50% going to PSE&G's utility gas customers
- PSEG Power's gas for PJM generation was ~100 BCF in 2016, of which >80% was supplied by Northeast Shale gas

- Significant amount of new pipelines have already been built and more are in construction / development
- Gas production and pipeline takeaway capacity expected to be more balanced in 2018 timeframe

SI-SSA-0015-14274

With additional pipeline capacity, some price convergence is beginning to appear in the gas markets





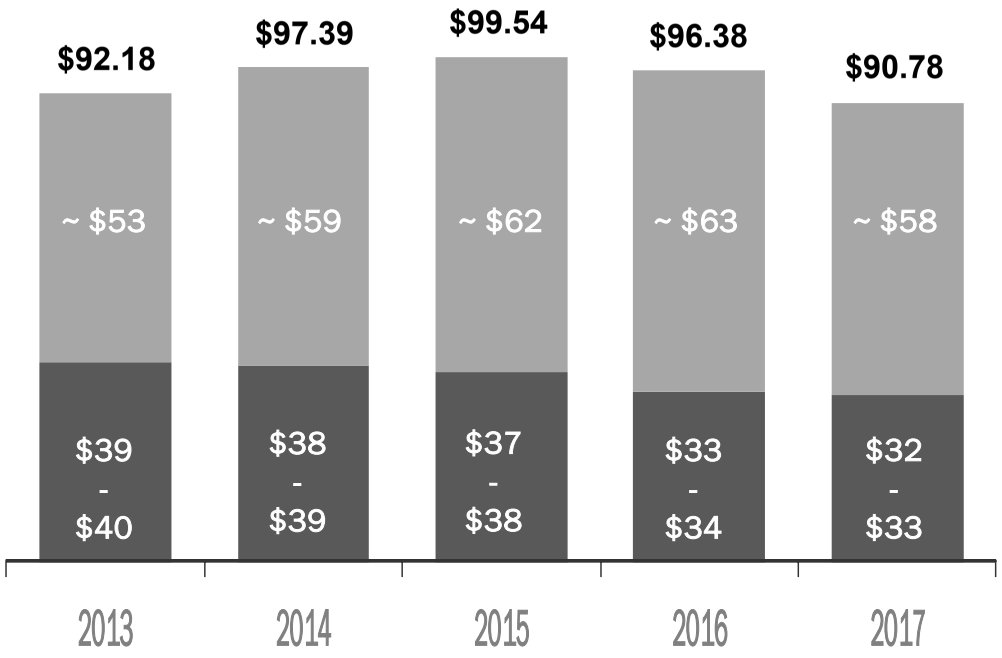
Electric basis for the PSEG Zone is also showing improvement in the forward markets

SI-SSA-0015-14275

E = ESTIMATE.

New Jersey BGS accounts for ~11 TWh of our hedging – Retail marketing will complement BGS

NJ BGS RSCP Supply Pricing

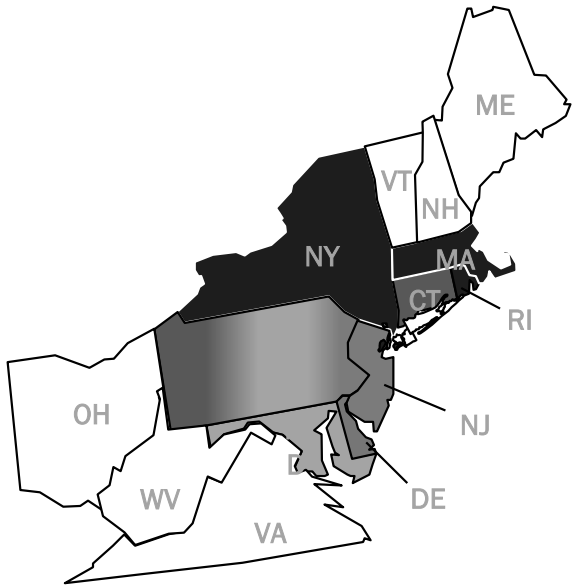


3 Year Average Round the Clock PJM West Forward Energy Price

+

- Capacity
- Load shape
- Transmission
- Congestion
- Ancillary services
- Risk premium
- Green

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial and Industrial customers
- Target:
  - Year 3: ~4 - 5,000 GWh
  - Year 5: ~8 - 10,000 GWh

SI-SSA-0015-14276

PSEG

$/MWH; BGS PRICES REFLECT PSE&G ZONE; RESULTS FOR 2015-2017 WILL BE THE NEW BLENDED PRICES BEGINNING JUNE 1, 2017.

Our Hedging Strategy is designed to secure gross margin while leveraging the portfolio

		2017	2018	2019
Base Load (Nuclear and Base Load Coal)	Volume TWh	34	34	34
	% Hedged	100%	80-85%	35-40%
	Price $/MWh	$46	$43	$43
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	16	21	26
	% Hedged	45-50%	0%	0%
	Price $/MWh	$46	-	-
Total	Volume TWh	49-51	54-56	59-61
	% Hedged	80-85%	50-55%	15-20%
	Price $/MWh	$46	$43	$43

SI-SSA-0015-14277

PSEG

HEDGE PERCENTAGES AND PRICES AS OF FEBRUARY 9, 2017, UPDATED WITH 2017 BGS AUCTION RESULTS. REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

Capacity Markets provide a solid and continuing revenue stream

PJM's RPM Auction Results*					
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Power's Average Prices ($/MW-day)	$168	$172	$177	$215	$116
Rest of Pool Prices ($/MW-day)	$136	$59	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)
Power's Cleared Capacity (MW)	8,750	8,700	8,700	8,650	8,900

2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

ISO New England's Forward Capacity Market Auction Results						
Delivery Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Power's Average Prices ($/MW-day)	$113	$104	$232	$315	$231	$195
Power's Cleared Capacity (MW)	773	777	848	831	1,333	1,333

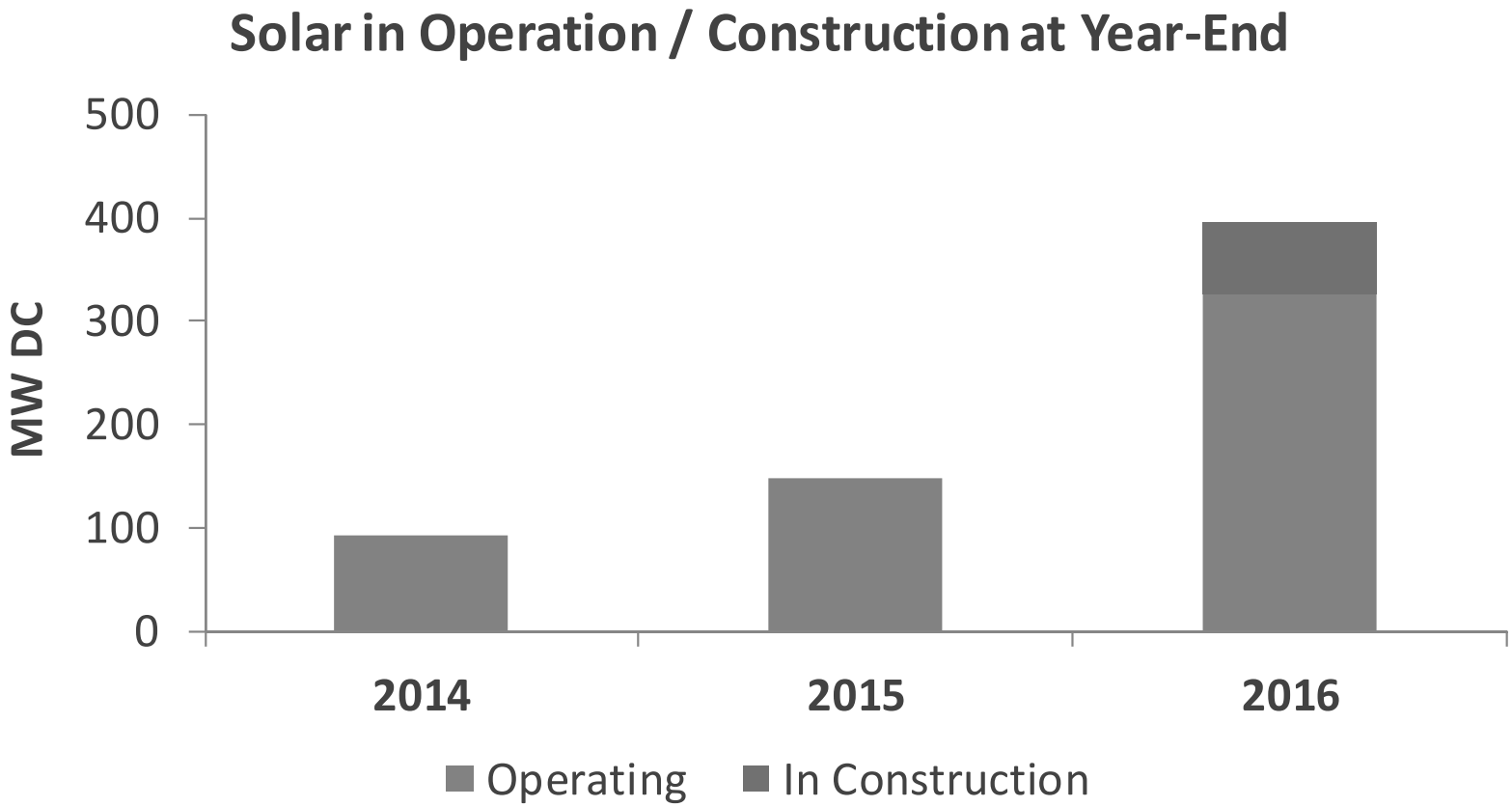
Bridgeport Harbor 5 cleared the 2019/2020 auction and receives $231/MW-day for seven years

SI-SSA-0015-14278

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR.

Solar has grown to 326 MW_{DC} in operations with 70 MW_{DC} under construction



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PSEG

PORTFOLIO CONSISTs OF 326 MW_{DC} /257 MW_{AC} IN OPERATIONS, 70 MW_{DC}/55 MW_{AC} IN CONSTRUCTION.

Other attractive sources of revenues
round out a robust portfolio

Gas Supply and Asset Optimization

- Wholesale provider to PSE&G and others
  - Storage capacity of approximately 78 Bcf (in the Gulf and market regions)
  - Firm transportation of 1.3 Bcf/day on seven pipelines
- Off-system sales margins shared with residential customers
- Commercial & Industrial gas sales

Ancillary Services – Black start, reactive power, area regulation

LIPA Fuel and Energy Dispatch Management – contract through 2024

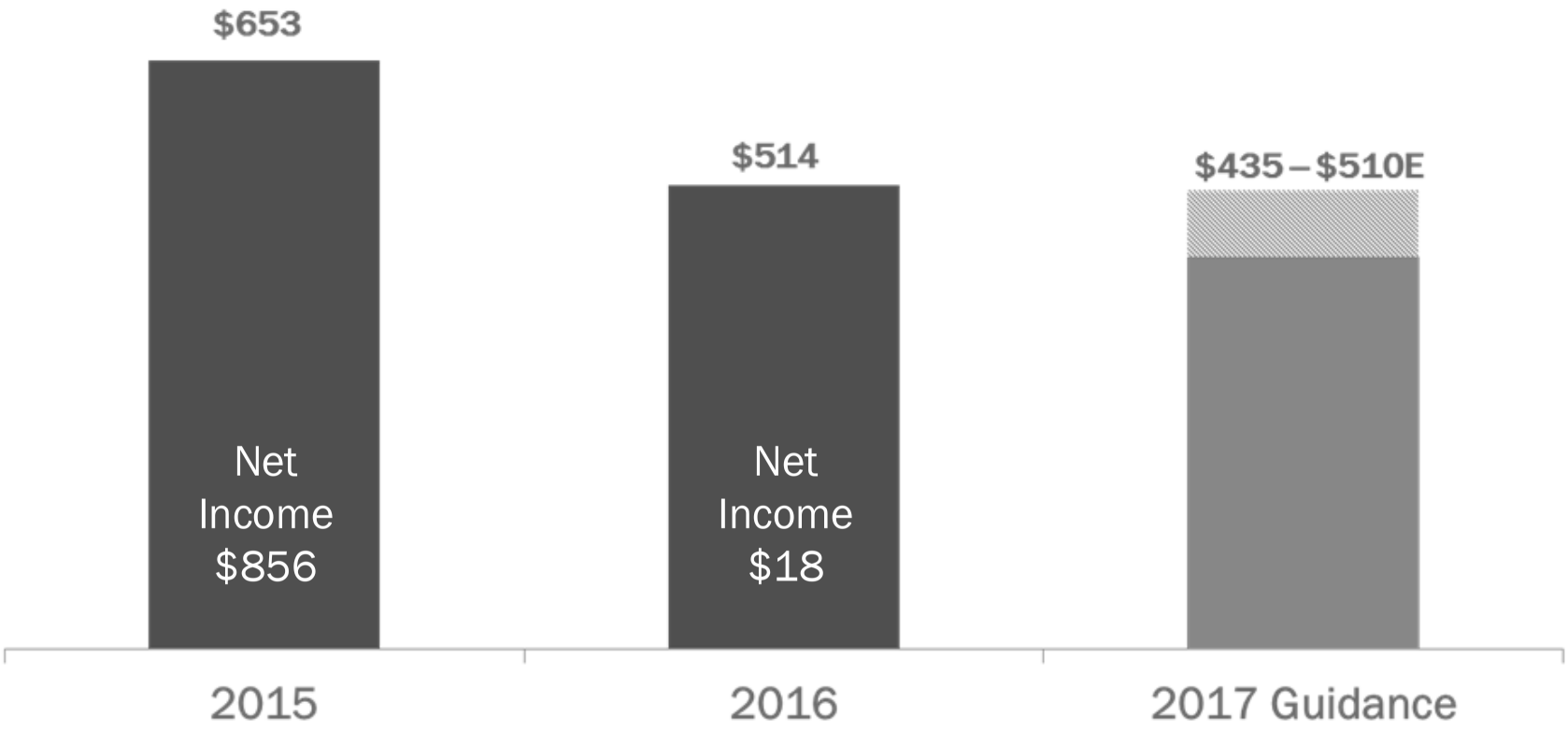
Kalaeloa, HI – 50% equity interest in a 208 MW oil-fired combined cycle unit

SI-SSA-0015-14280

Power's 2017 non-GAAP Operating Earnings

reflect efforts being taken in challenging market conditions

PSEG Power non-GAAP Operating Earnings*
($ Millions)



SI-SSA-0015-14281

PSEG

*SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO OPERATING EARNINGS (NON-GAAP).
E = ESTIMATE.

PSEG Power's Value Proposition

Efficient fleet	Advantaged locations	Investing to grow

- Well-positioned, well-run fleet of merchant generating assets in competitive markets
- Early retirement of Hudson and Mercer coal stations in mid-2017 improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Low capital requirements post-construction
- Hedging strategy to protect value of assets in declining price environment and provide stable returns and cash flow

SI-SSA-0015-14282

PSEG FINANCIAL REVIEW & OUTLOOK

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG

We make things work for you.

SI-SSA-0015-14283

Strong financial position driven by PSE&G with meaningful contribution from Power

	2016 Financial Position
Earnings	✓ Delivered on 2016 guidance under challenging conditions ✓ Increased PSE&G earnings contribution
Investment	✓ Executed major PSE&G capital program balanced between Transmission and Distribution ✓ Focused on optimizing Power's generation portfolio
Cash Flow and Credit Metrics	✓ Produced stable and strong PSE&G cash from operations ✓ Generated significant cash flow at Power to fund growth investments ✓ Maintained strong credit metrics
Dividends	✓ Increased common dividend by 5% or $0.08 per share

SI-SSA-0015-14284

We consistently deliver our earnings guidance by executing our growth plans, managing O&M, and optimizing assets

PSEG Non-GAAP Operating Earnings*					
$ Millions (except EPS)	2012	2013	2014	2015	2016
Initial Operating Earnings Guidance	$2.25 – $2.50	$2.25 – $2.50	$2.55 – $2.75	$2.75 – $2.95	$2.80 – $3.00
*Non-GAAP Operating EPS**	$2.44	$2.58	$2.76	$2.91	$2.90
	Upper End of Guidance	Exceeded Guidance	Exceeded Guidance	Upper End of Guidance	Mid-Point of Guidance

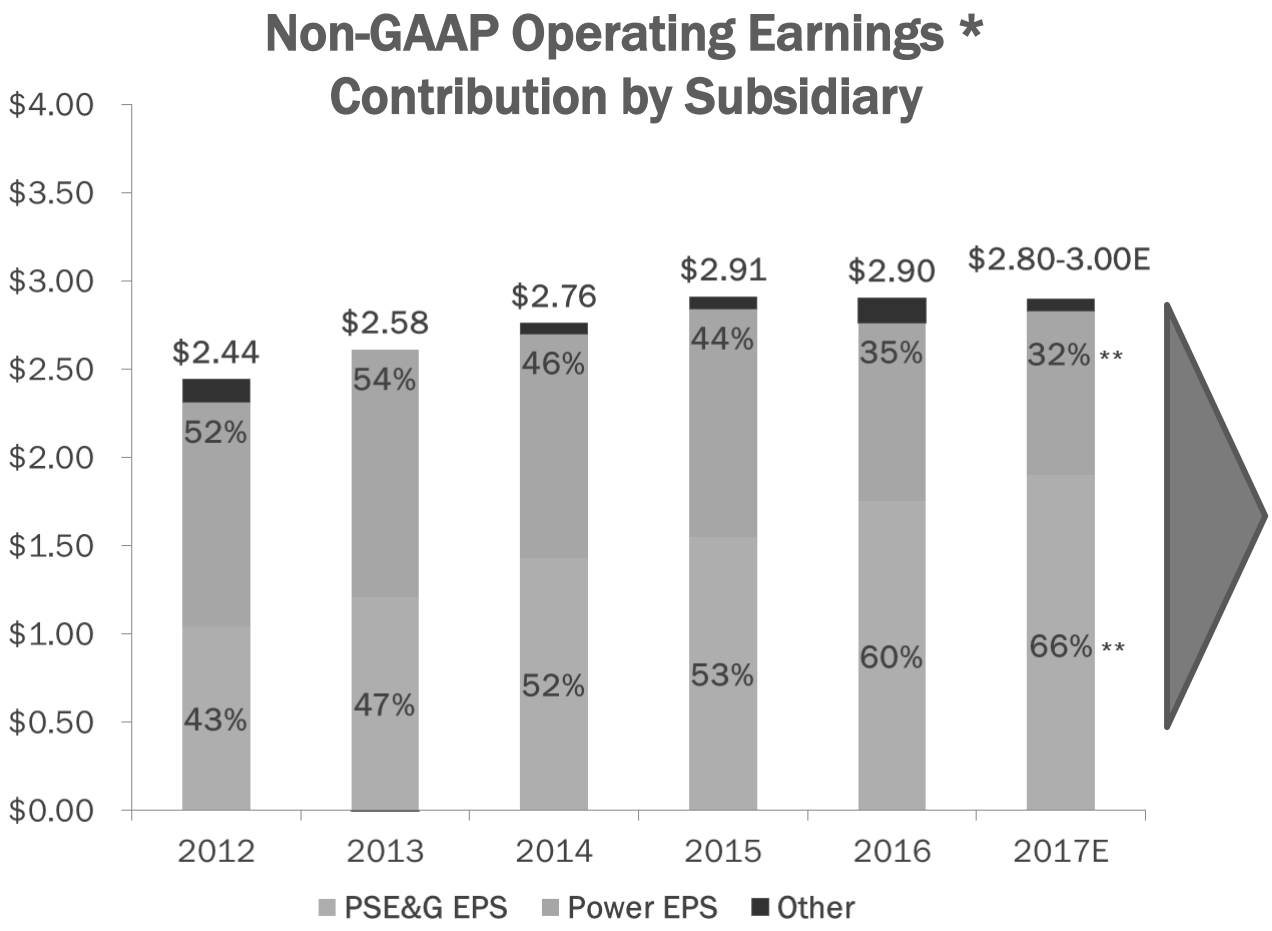
Producing strong results in challenging conditions, including a low commodity price environment and unfavorable weather

SI-SSA-0015-14285

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E= ESTIMATE.

PSE&G forecasted to be 66% of PSEG's 2017 non-GAAP Operating Earnings



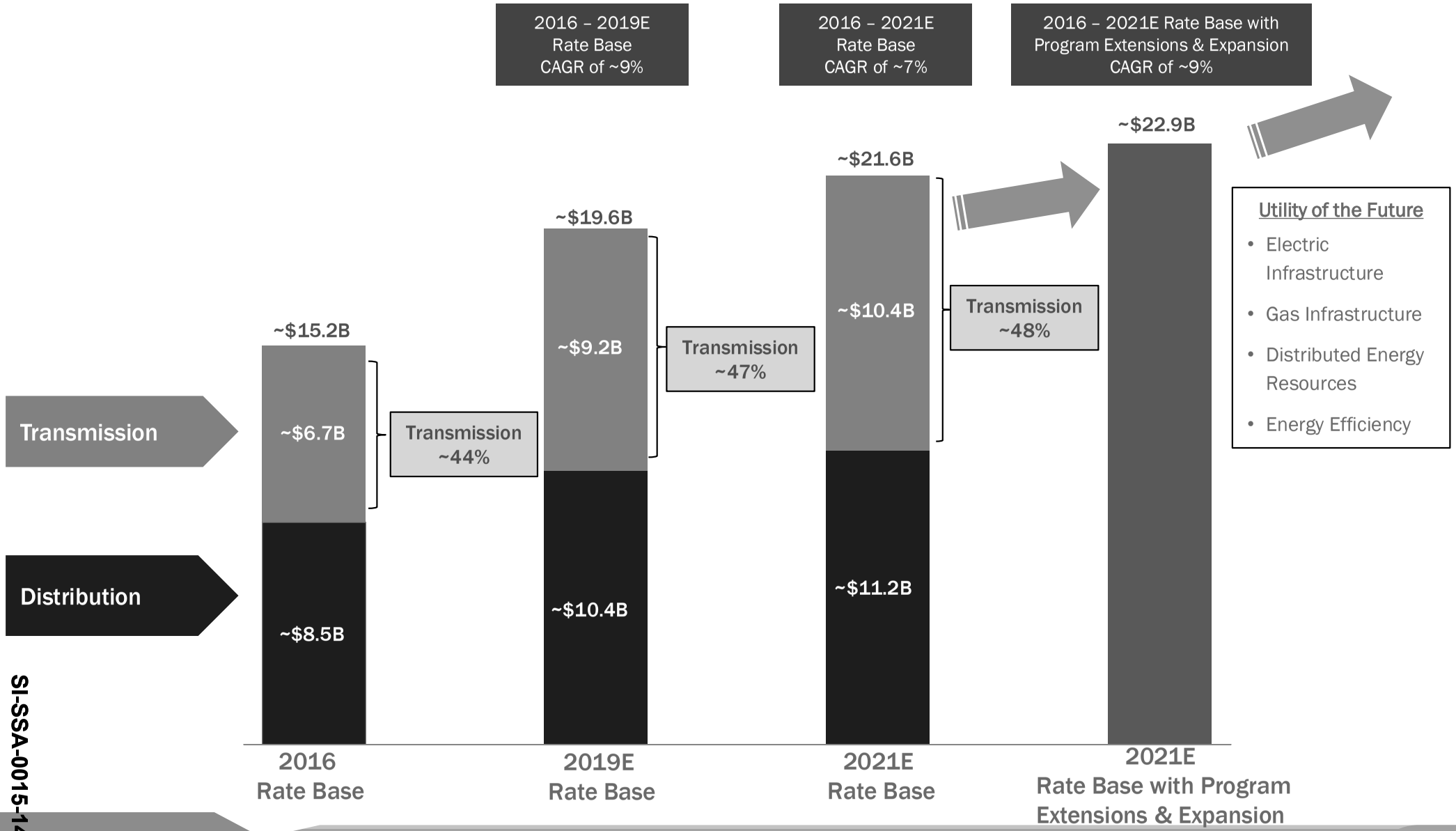
PSEG Non-GAAP Operating Earnings	
$ Millions (except EPS)	2017E Guidance
PSE&G	$945 - $985
PSEG Power	$435 - $510
Enterprise/Other	$35
Operating Earnings*	$1,415 - $1,530
*Operating EPS**	$2.80 - $3.00E

SI-SSA-0015-14286

PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS. **BASED ON MIDPOINT OF 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80 - $3.00 PER SHARE. E= ESTIMATE.

PSE&G's capital spending drives high single-digit growth in rate base

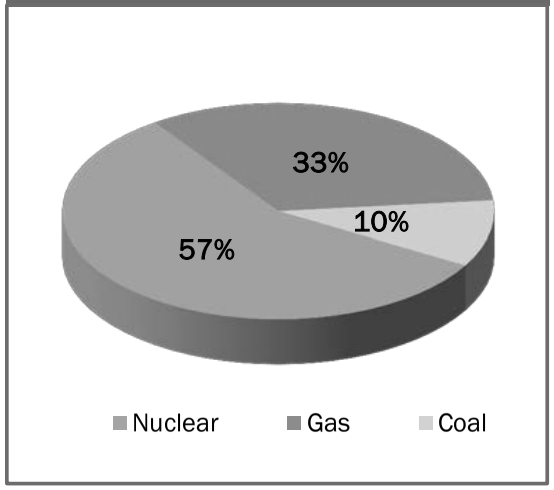


E = ESTIMATE.

SI-SSA-0015-14287

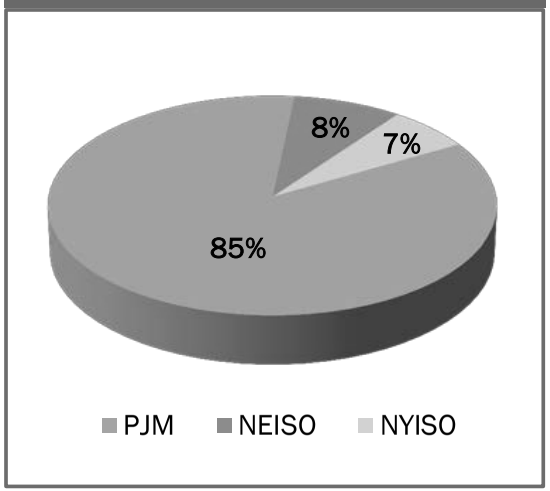
Power's hedging program has secured 55% - 60% of its estimated gross margin for the next 3 years

Energy Produced in 2016



51,510 GWh

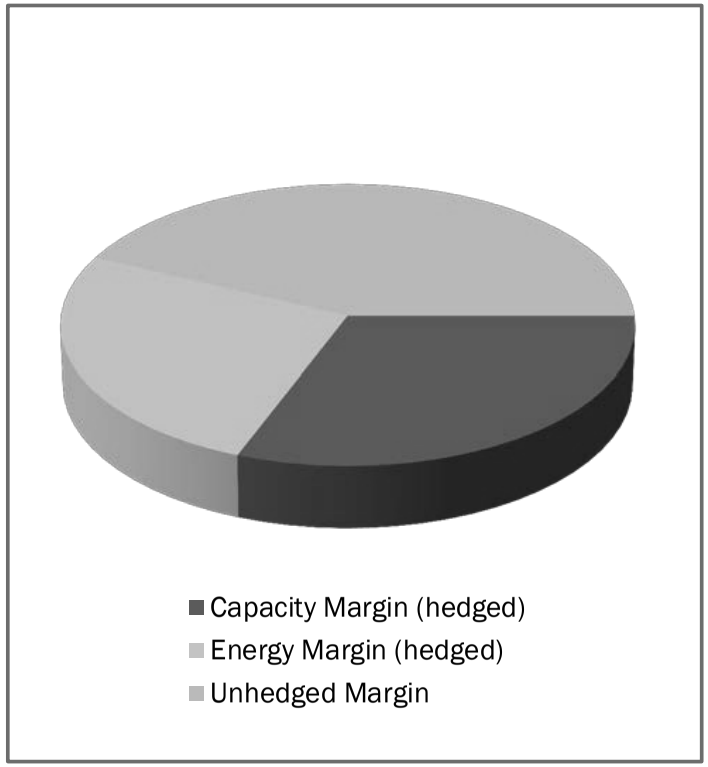
Capacity Available in 2016



11,577 MW

3 Year Average - Gross Margin (%)

2017E-2019E

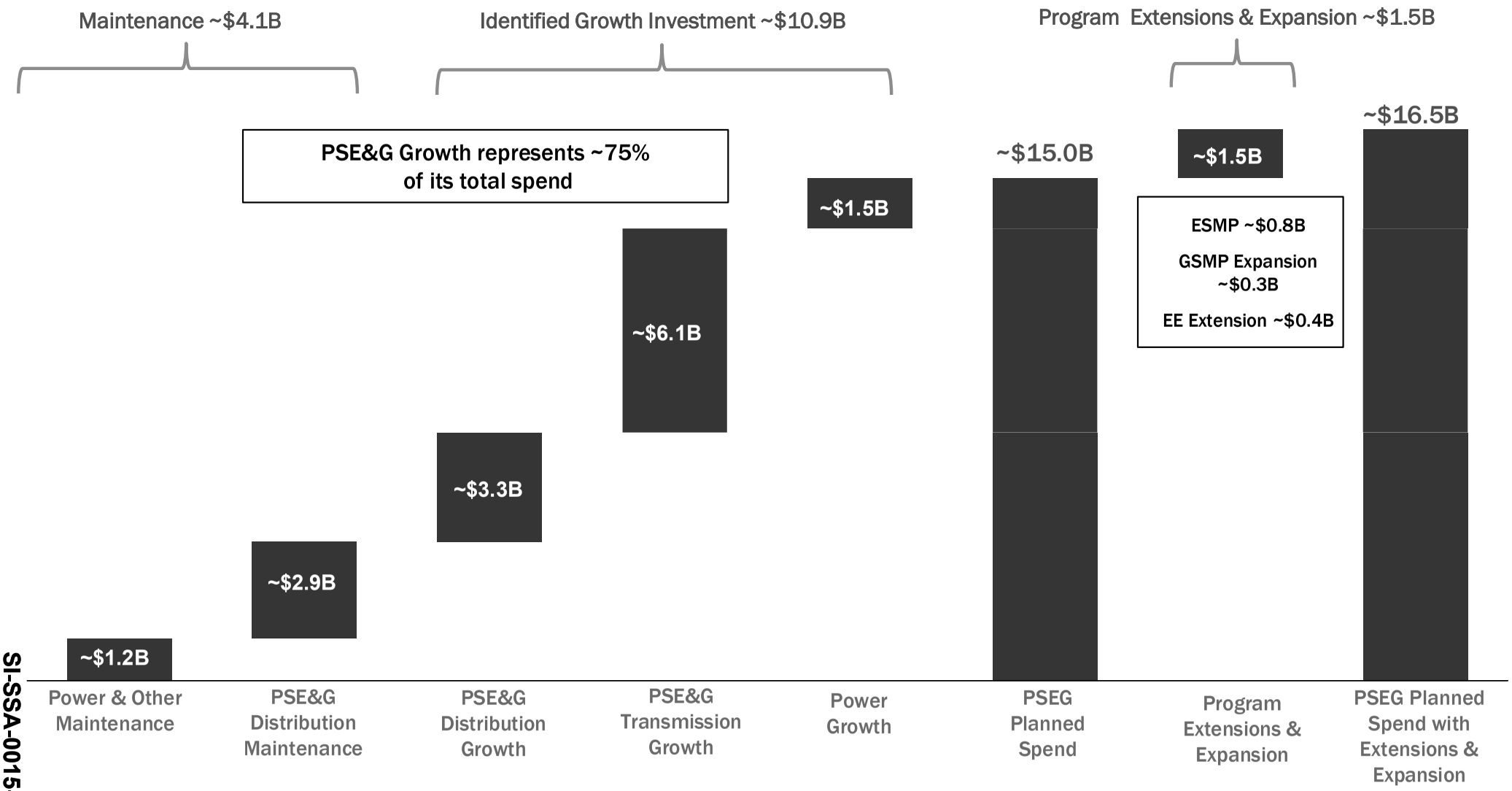


. E = ESTIMATE.

SI-SSA-0015-14288

PSEG capital program focused on growth

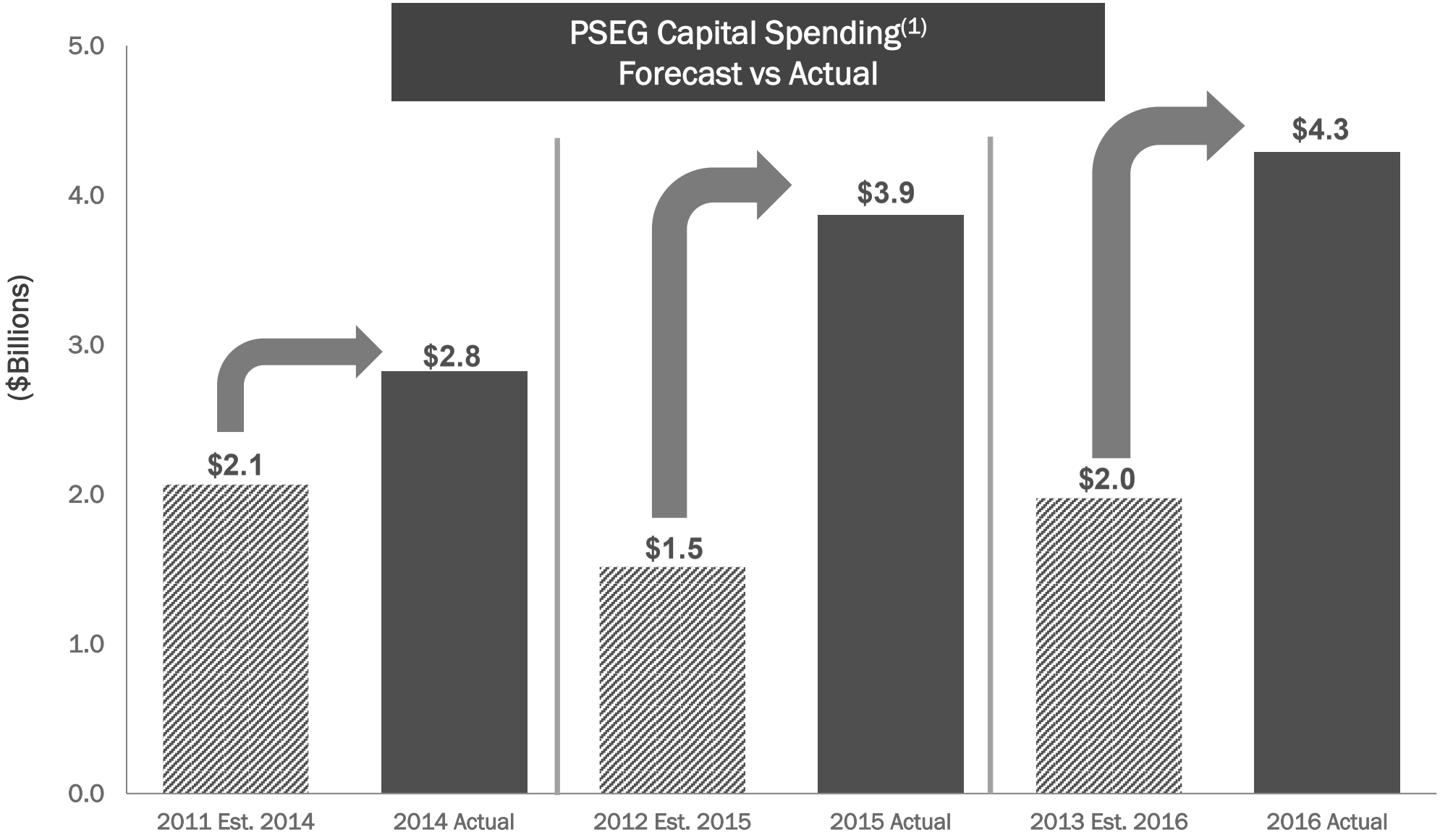
PSEG 2017E – 2021E Capital Investment



E = ESTIMATE; CAPITAL INCLUDES AFUDC AND IDC

SI-SSA-0015-14289

We have demonstrated an ability to identify opportunities to deploy our balance sheet

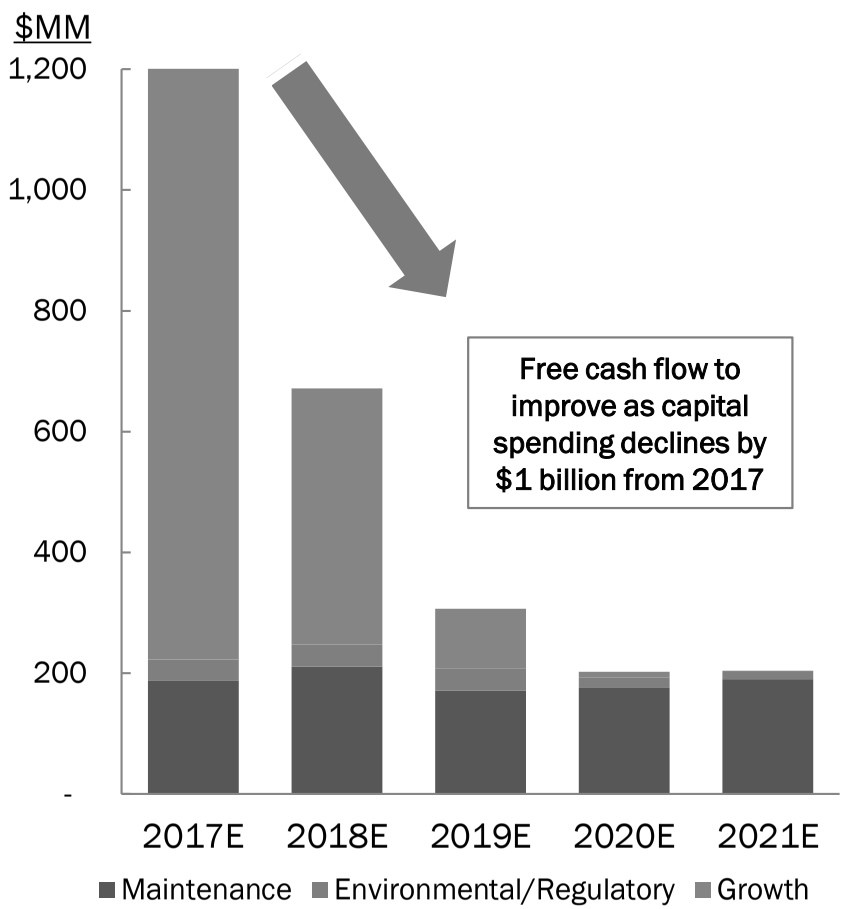


(1) CAPITAL INCLUDES IDC AND AFUDC.

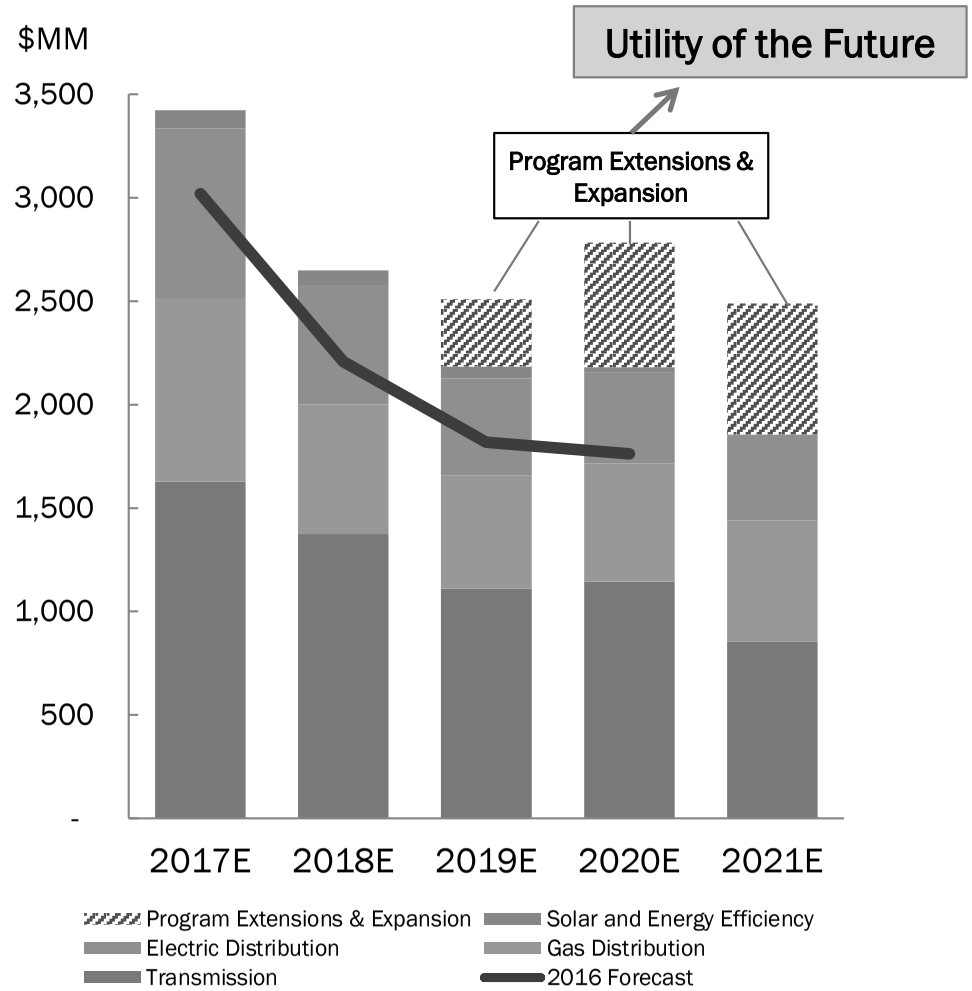
SI-SSA-0015-14290

Power's free cash flow improves as construction program ends, providing funding for growth

PSEG Power
2017E – 2021E Capital Spending (1)

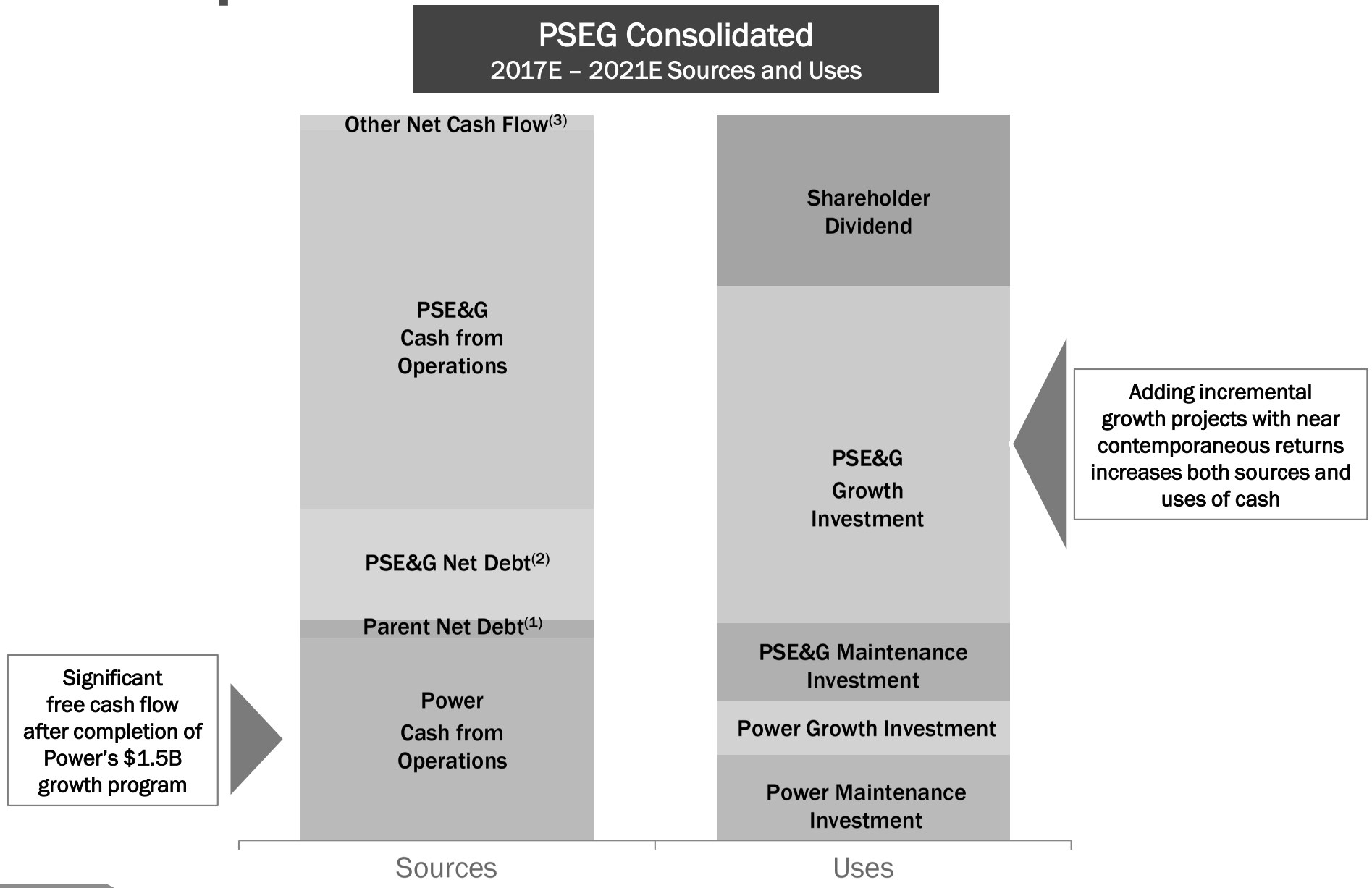


PSE&G
2017E – 2021E Capital Spending (1)



(1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE.

Growth in PSE&G results in a more regulated cash flow profile



1) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES OTHER PSEG NET CASH FLOW E = ESTIMATE

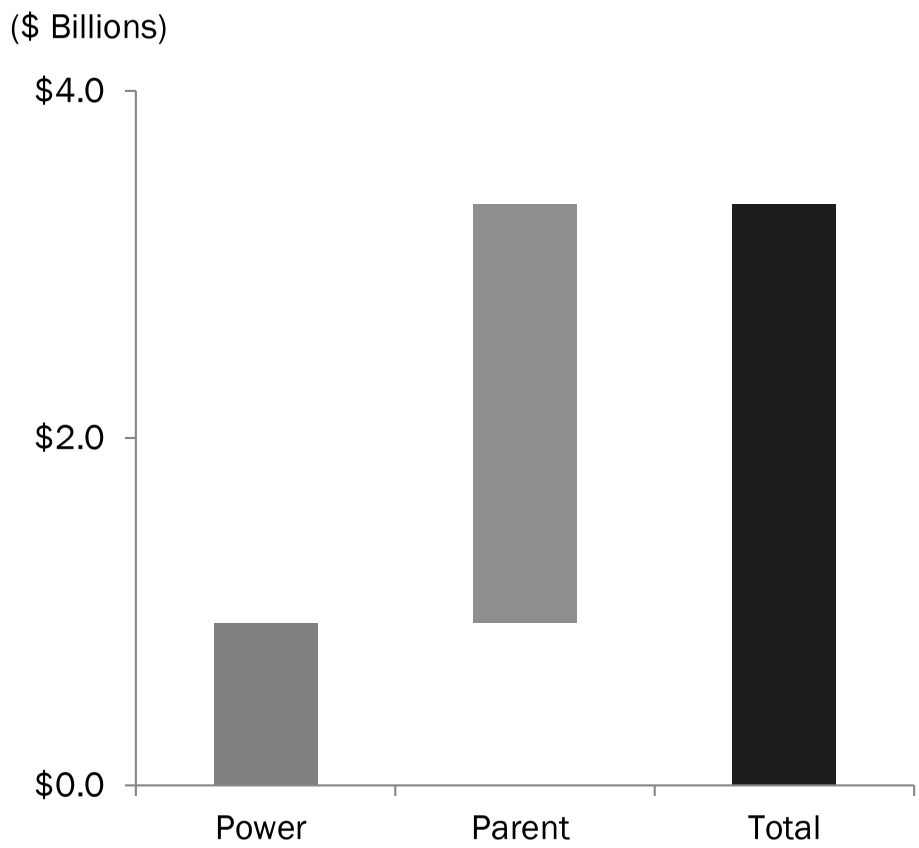
SI-SSA-0015-14292

Strong credit metrics provide substantial investment capacity for increased utility investment

Average Funds From Operations / Debt
2017E – 2019E

	Power	PSEG
Estimate	~40%	Low – 20's
Minimum Threshold	30%	High - teens

Total Incremental Investment Capacity



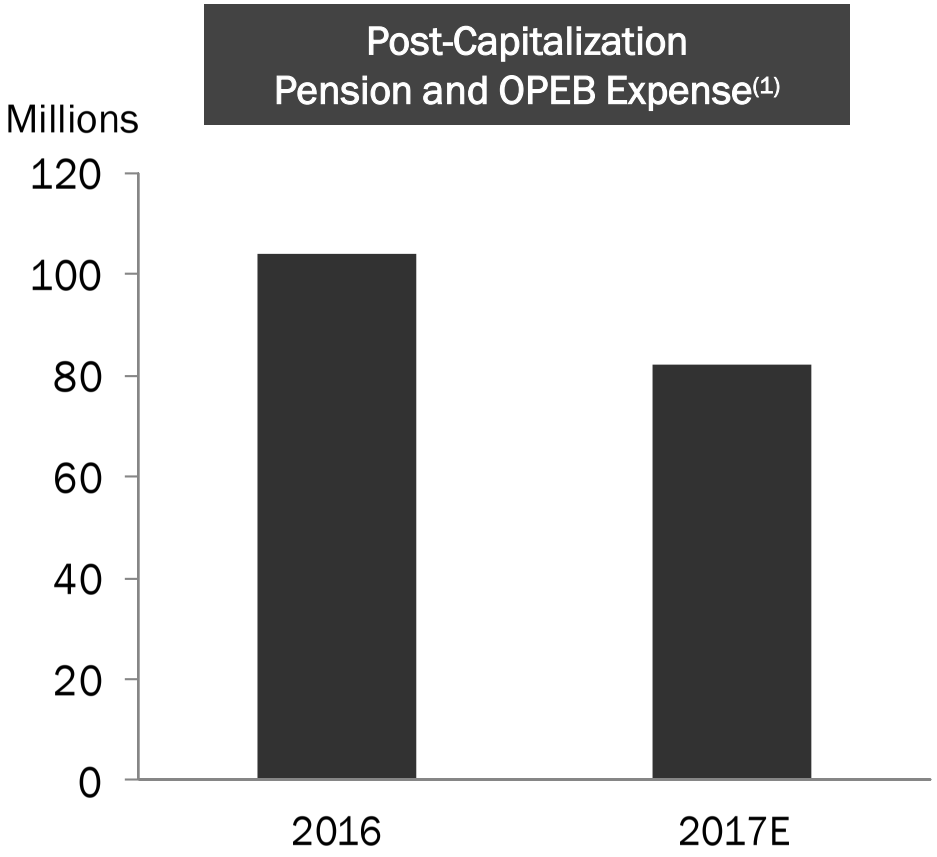
Incremental capacity invested in utility would be matched with utility debt

SI-SSA-0015-14293

E=ESTIMATE.

Manageable Pension and OPEB Expense

with a reduction of ~$22 million in 2017

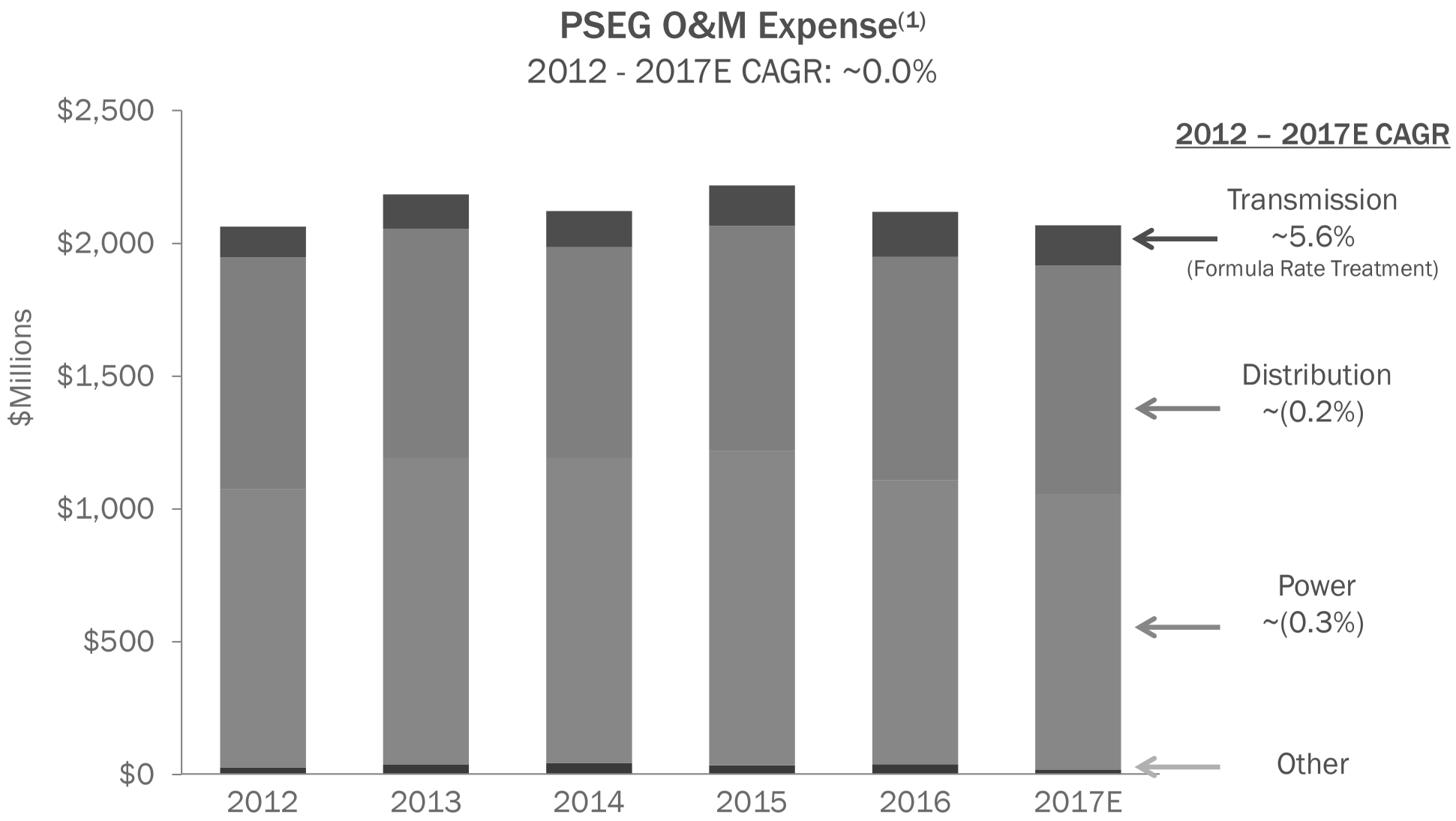


- 2016 Pension funded ratio ~90%
- Historical 5-year annualized pension returns exceeded 10%
- No qualified pension contributions planned
- Merger of three pension plans contribute to reduction in pension expense
- Pension expense expected to decline beyond 2017

(1) Post-Capitalization and Pre-tax expense

SI-SSA-0015-14294

PSEG has demonstrated an ability to control O&M, with plans to reduce in 2017



(1) POWER EXCLUDES IMPACTS FROM STORM RECOVERY COSTS AND THE HUDSON / MERCER EARLY RETIREMENT WRITE-DOWN, DISTRIBUTION EXCLUDES ELECTRIC AND GAS BAD DEBT. E = ESTIMATE.

SI-SSA-0015-14295

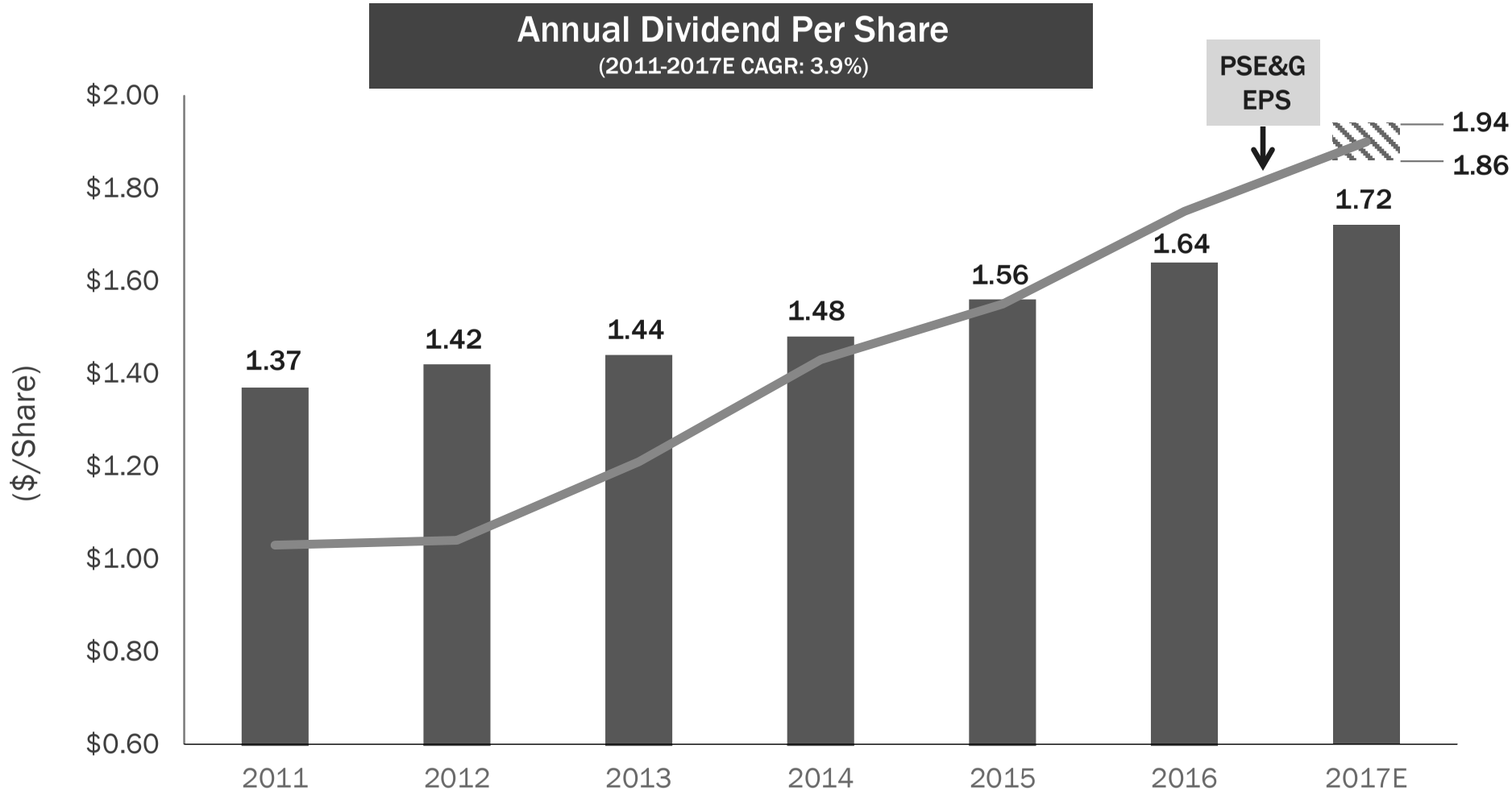
2017 Federal Tax Reform – PSEG is well positioned

Given positive non-utility contribution to earnings and a strong balance sheet, PSEG is well positioned for potential tax reform

Assumption	PSE&G	PSEG Power	PSEG Parent
Reduction of Corporate Tax Rate	Customer rates lowered with reduction in tax rate Return of excess deferred tax liability – impact on cash and rate base growth dependent on payback period	After-tax earnings and cash flow increase One-time non-cash earnings benefit from reduction in deferred tax liability	After-tax earnings and cash flow improve
100% Expensing of Capital Expenditures	Impact on rate base growth comparable to existing bonus depreciation rules	Cash flow improves	
Elimination of Deductibility of Interest Expense and Border Adjustment Tax	Change in cost anticipated to be passed through to customers	Well positioned given low debt balance Uncertainty on Border Adjustment Tax	Well positioned given low debt balance

SI-SSA-0015-14296

Opportunity for meaningful and sustainable dividend growth



Payout Ratio	50%	58%	56%	54%	54%	57%	59%(1)

(1) THE 2017 PAYOUT RATIO IS BASED ON THE MIDPOINT OF PSEG'S 2017 NON-GAAP OPERATING EARNINGS GUIDANCE OF $2.80-$3.00 PER SHARE. SEE SLIDE A FOR ITEMS EXCLUDED FROM INCOME FROM CONTINUING OPERATIONS/NET INCOME TO RECONCILE TO OPERATING EARNINGS. E=ESTIMATE

SI-SSA-0015-14297

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2017E	2018E	2019E
Each $0.75/mcf Change in Natural Gas	$0.00 - $0.02	$0.02 - $0.05	$0.08 - $0.12
Each $2/MWh Change in Spark Spread	$0.03	$0.05	$0.06
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.02
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

E = ESTIMATE. POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2016 PRICE CURVES.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP.

SI-SSA-0015-14298

PSEG Summary

- 2016 Operating Earnings (non-GAAP) at upper end of revised guidance of $2.80 - $2.95 per share
- 2017 guidance for Operating Earnings (non-GAAP) of $2.80 to $3.00 per share supported by PSE&G growth
- PSE&G capital spending provides high single-digit rate base growth for foreseeable future balanced between Transmission and Distribution
- Power expected to generate significant free cash flow following CCGT construction program and transformation to a more efficient generation fleet
- Strong balance sheet and cash flow support current capital program and new investment opportunities without the need for equity
- Our indicative $0.08 dividend per share increase for 2017 demonstrates meaningful and sustainable dividend growth given significant contribution from PSE&G earnings and Power's strong financial profile

SI-SSA-0015-14299

PSEG EXECUTIVE PROFILES

SI-SSA-0015-14300

PSEG

We make things work for you.

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992, Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo serves as nominating committee chairman of the New Jersey Chamber of Commerce, and is on the board of directors for the New Jersey Utilities Association, the Edison Electric Institute (EEI), and the Nuclear Energy Institute (NEI). He is also a member of the Board of Trustees of Peddie School, Columbia University School of Engineering Board of Visitors and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the board of directors of The Williams Companies. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-14301

Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She currently serves on the Board of the PSEG Foundation, the Community Foundation of New Jersey and the Mater Dei Prep High School Board. In addition, Ms. Linde is a member of the General Counsel Steering Committee of the National Association of Corporate Directors (NACD). She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-14302

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

Ralph A. LaRossa was named president and chief operating officer of Public Service Electric and Gas Company (PSE&G) in October 2006. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. Prior to this position he was vice president - electric delivery for PSE&G.

In addition, on January 1, 2014, Mr. LaRossa became Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which manages the electric transmission and distribution systems on Long Island and in the Rockaways. PSEG Long Island serves 1.1 million customers.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for the New Jersey Utilities Association (NJUA), New Jersey Performing Arts Center (NJPAC) and Montclair State University, for which he is past chair of the university. Mr. LaRossa is also the immediate past chair of the American Gas Association (AGA).

SI-SSA-0015-14303

William Levis

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

William Levis is president and chief operating officer of PSEG Power, a position he's held since June 2007. PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (based load units, load following units and peaking units). Its low-cost, load following fleet is geographically well positioned in competitive markets. Its 11,681 MWs represent a diverse fuel mix with different plant types.

Before coming to PSEG, Mr. Levis was Exelon Nuclear's vice-president – Mid-Atlantic operations. Prior to joining Exelon, Mr. Levis worked at Ontario Hydro's Pickering Plant and held several positions over a five-year period with Carolina Power and Light's Brunswick facility.

Mr. Levis has a Bachelor of Science degree in marine engineering from the U.S. Naval Academy and holds an SRO (senior reactor operator) certification. He retired as a commander in the Naval Reserves and attained his professional engineer license in 1985.

Mr. Levis is a member of the Executive Committee of Nuclear Energy Institute's (NEI) Board of Directors, the Nuclear Electric Insurance Limited (NEIL) Board of Directors, and serves as a member of the Institute of Nuclear Power Operations (INPO) National Nuclear Accrediting Board. He is a member of the Philadelphia Archdiocese Catholic Charities Appeals Board and is a member of the CEO Council for Growth based in Philadelphia.

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SI-SSA-0015-14304

Daniel Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-14305

Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, the Board of the Military Park Partnership and is currently a co-chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.

SI-SSA-0015-14306

Shahid Malik

PRESIDENT
PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed President of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for Business Development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as President & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included Executive Leadership positions with several energy companies in the US and Europe. In addition, he served on the Board of Directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum.

SI-SSA-0015-14307

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is immediate past chair of the Children's Specialized Hospital Board, a former member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

SI-SSA-0015-14308

Peter P. Sena III

PRESIDENT &
CHIEF NUCLEAR
OFFICER

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016 and Chief Nuclear Officer in July 2016. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

SI-SSA-0015-14309

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated -- Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	**$ 887**	**$ 1,679**	**$ 1,518**	**$ 1,243**	**$ 1,275**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(391)	150	104	(27)	42
Operating Earnings (non-GAAP)	**$ 1,475**	**$ 1,476**	**$ 1,400**	**$ 1,309**	**$ 1,236**
Fully Diluted Average Shares Outstanding (in millions)	**508**	**508**	**508**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)				
Net Income (Loss)	**$ 1.75**	**$ 3.30**	**$ 2.99**	**$ 2.45**	**$ 2.51**
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(0.78)	0.31	0.21	(0.06)	0.09
Operating Earnings (non-GAAP)	**$ 2.90**	**$ 2.91**	**$ 2.76**	**$ 2.58**	**$ 2.44**

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Power and Enterprise/Other

PSEG Power Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[b]	(336)	150	104	(27)	17
Operating Earnings (non-GAAP)	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other Reconciliation

Reconciling Items	Year Ended December 31, 2016	2015	2014	2013	2012
	($ millions, Unaudited)				
Net Income (Loss)	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[a]	(55)	-	-	-	25
Operating Earnings (non-GAAP)	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Public Service Enterprise Group Inc.

Moderator: Kathleen Lally
April 30, 2018

OPERATOR: This is Conference #9399818

Operator: Ladies and gentlemen, thank you for standing by. My name is Nicole and I will be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group First Quarter Earnings 2018 Earnings Conference Call and Webcast.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session for members of the finance community. At that time, if you have a question, you may press the star and the number one on your touchtone phone. To withdraw your question, please press the pound key. As a reminder, this conference is being recorded, Monday, April 30th, 2018, and will be available for telephone replay beginning at 1:00 p.m. Eastern today until 11:30 p.m. Eastern on Tuesday, May 8th, 2018.

It will also be available for audio webcast on PSEG's corporate website at www.pseg.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally: Thank you, Nicole. Good morning, everyone. Thank you for participating in our earnings call. As you are aware, we released first quarter 2018 earning statements earlier this morning.

The release and attachments are posted on our website at www.pseg.com under the investor section. We also posted a series of slides that detail operating results by company for the quarter, a 10-Q for the period ended March 31st, 2018 is expected to be filed shortly.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and adjusted EBITDA and GAAP results, but I do ask that you all read those comments contained in our slides and on our website. The disclaimer statement regarding forward-looking statements details a number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein. And although we may elect to update forward-looking statements from time to time, we specifically disclaimed any obligation to do so even in light of new information or future events, unless required by applicable security's loss.

We also provide commentary with regard to the difference between non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA. And net income reported in accordance with generally accepted accounting principles in the United States.

PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provided consistent and comparable measure of performance to help shareholders understand operating and financial trends, but should not be considered an alternative to our correspondent GAAP measure net income.

I would now like to turn the call over to Ralph Izzo, chairman, president and chief executive officer at Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, executive vice president and chief financial officer.

At the conclusion of their remarks, there will be time for your questions. We ask that you limit yourself to one question and one follow up to provide enough time for everyone. Thank you. Ralph.

Ralph Izzo: Thank you, Kathleen. And thank you everyone for joining us today. Earlier this morning, we reported non-GAAP Operating Earnings for the first quarter of 2018 of $0.97 per share versus non-GAAP Operating Earnings of $0.92 per share in the last year's first quarter.

Our GAAP results for the first quarter of $1.10 per share reflect solid operating and financial contributions from both businesses. This compares to

GAAP results of $0.22 per share in last year's first quarter, which included expenses associated with our decision to retire the Hudson and Mercer generating stations.

Details on the results for the quarter can be found on slide five. Non-GAAP Operating Earnings for the first quarter benefited from an increase in earnings at both PSE&G and Power. On the operating front, our service area experienced four consecutive nor'easters in March that wreaked havoc on the trees and power lines.

The repeated battering of freezing rain, heavy snow and high winds caused widespread service outages to over 500,000 customers during two of the back-to-back storms. PSEG employees, once again, rose to the challenge.

Beginning with comprehensive storm preparation and then efficiently and safely completing PSE&G and PSEG Long Island customer restorations, the utility then offered assistance to neighboring utilities.

The diversity of PSEG Power's generating fleet was also responsive to the extremes in weather, that range from the near zero temperatures experienced in January to the very mild weather in February.

Eight days of severe weather in January, however, demonstrated again the importance of fuel diversity. Power's high nuclear availability and greater use of oil was able to meet weather-related demand.

(For) the quarter, PSEG's nuclear plants achieved the near perfect capacity factor of 99.5 percent, anchored by a record setting, 517 consecutive day run at the Hope Creek generating station.

We have successfully advanced many policy and regulatory initiatives during the quarter. Last week, PSE&G reached a settlement to expand and extend its Gas System Modernization Program.

The settlement, which is awaiting approval by the Board of Public Utilities, would allow PSE&G to invest approximately $1.9 billion over five years beginning in 2019.

This next phase of GSMP will replace approximately 875 miles of gas (mains) and make other improvements that will reduce methane emissions and ensure we have the critical infrastructure needed to grow New Jersey's economy.

PSE&G has also implemented transmission and distribution rate reductions to pass through the benefits of recently enacted lower federal corporate tax rate to our customers.

In addition, PSE&G filed with the BPU this past January its first base rate case since 2010. PSEG Power made significant progress in its continuing efforts to ensure the economic viability of its nuclear plants.

With broad bipartisan support, the New Jersey legislature passed the zero emissions certificate bill in early April. Key provisions of the ZEC bill as we referred to it are outlined on slide six.

We are hopeful that this safety net mechanism to be implemented by the BPU upon Governor Murphy's signature will secure Power's nuclear fleet as a major source of New Jersey's carbon-free energy supply and acts as a bridge to a cleaner energy future as the state implements companion legislation to further promote renewable energy.

The major energy policy goals of the new clean energy bill are outlined on slide seven. PSEG has been incorporating climate change considerations into its business planning and investment decisions for many years.

We look forward to working with the Murphy administration as New Jersey pursues energy policies which recognize the value of existing carbon-free energy resources and promotes new opportunities to advance New Jersey's clean energy goals.

Also in the category of good news, we have reached the full and final resolution of the longstanding FERC investigation into Power's cost-based bidding matter. PSEG continues to focus on its strategic investment program of $13 to $15 billion over the 2018 to 2022 period.

Earnings for PSE&G are expected to grow by 5 percent in 2018 to represent 65 percent of our full year 2018 non-GAAP Operating Earnings.

The previously mentioned $1.9 billion settlement providing for the second phase of PSE&G's Gas System Modernization Program is aligned with our investment goals and supports annual growth in PSE&G's rate base at the upper end of our forecasted rate of growth of 7 percent to 9 percent for 2022.

PSEG Power continues to operate its assets safely and efficiently and remains focused on the cost discipline essential in today's power market.

Construction of two of Power's three combined cycle gas turbines under construction is expected to conclude around midyear and will add 1,300 megawatts of clean, highly efficient gas fire generating capacity in favorable locations.

This significant list of accomplishments could not have been achieved without the tireless effort of many talented teams across PSEG. From the utility's line (crews) and Power's plant operations to state government affairs, communications, regulatory, legal and finance, I'd like to recognize their exceptional contributions to our progress.

Today, we are reaffirming our non-GAAP Operating Earnings for the full year of $3 to $3.20 per share. At the midpoint, this represents a 6 percent increase over 2017's full year non-GAAP results of $2.93 per share.

With the support of our 13,000 dedicated employees, we expect to be able to successfully deliver on the promise of our investment programs that should provide growth for our shareholders and a sustainable energy future for our customers. With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Dan Cregg: Thank you, Ralph. And good morning, everyone. As Ralph said, PSEG reported non-GAAP Operating Earnings for the first quarter of 2018 of $0.97 per share versus non-GAAP Operating Earnings of $0.92 per share in last year's first quarter.

On slide five, we provided you the reconciliation of non-GAAP Operating Earnings to net income for the quarter. And we provided you with information on slide 10 regarding the contribution to non-GAAP Operating Earnings by business for the quarter.

Slide 11 contains a waterfall chart that takes you through the net changes quarter over quarter in non-GAAP Operating Earnings by major business. I will now review each company in more detail starting with PSE&G.

PSE&G, as shown on slide 13, reported net income for the first quarter of 2018 of $0.63 per share compared to $0.59 per share for the first quarter of 2017. PSE&G's first quarter results reflect continued successful execution of our infrastructure investment programs.

Growth in PSE&G's investment and transmission added $0.03 per share for the first quarter. And recovery of investments made under the Gas System Modernization Program improved net income by $0.02 per share.

And favorable weather comparisons added $0.01 per share versus the year ago quarter. PSE&G experienced higher cost associated with restoring service to customers following four storms that occurred over a 30-day period.

The increase in storm costs, when combined with the change in pension accounting standards for non-service costs increased O&M by $0.01. In addition, the higher depreciation expense reflecting the utilities expanded asset base, reduced net income by $0.01 per share versus the first quarter of 2017.

Weather-normalized electric sales to residential and commercial customers rose by four tenths of a percent compared to the first quarter of 2017. Weather-normalized gas sales were higher by 1.6 percent in the quarter led by increased residential and commercial usage. Residential customer growth continues to trend higher at eight tenths of a percent per year.

PSE&G implemented a revised $64 million annual increase in transmission revenue under the company's, FERC-approved formula rate effective January

1st after factoring in the $148 million decrease in its revenue requirement associated with the lower federal tax rate.

PSE&G also reduced its distribution revenue by $114 million, in response to the BPU's order to accelerate returning the benefits of federal tax reform to customers effective April 1st. Combined that's $262 million of benefit to customers.

As Ralph mentioned, PSE&G settled the GSMP II filling with the staff of the New Jersey BPU, Rate Counsel and other parties, which remains subject to BPU approval. The details of the agreement are summarized on slide 16.

Modeled after the BPU's recently enacted Infrastructure Investment Program or IIP initiative, the agreement will allow PSE&G to invest $1.9 billion over five years beginning in 2019 to continue and accelerate the replacement of cast iron and unprotected steel main in addition to other improvements to the gas system.

The settlement provides five-year project visibility to efficiently plan labor, materials, vendors and permitting. Approximately $1.6 billion of the total program will be eligible for semi-annual rate roll-in, with the remaining $300 million to be addressed in a future base rate case.

The return on equity for the GSMP II investment will be determined in PSE&G's pending base rate case. And as part of the settlement, PSE&G agreed to file a base rate case no later than five years from the commencement of GSMP II.

We are maintaining our forecast of PSE&G's net income for 2018 of $1 billion to $1,030 million. Moving on the Power. PSEG Power reported non-GAAP Operating Earnings for the first quarter of $0.33 per share and non-GAAP Adjusted EBITDA of $313 million.

This compares to non-GAAP Operating Earnings of $0.30 per share and non-GAAP Adjusted EBITDA of $359 million for the first quarter of 2017. Non-GAAP Adjusted EBITADA includes the same items as our non-GAAP

Operating Earnings measure as well as income tax expense, interest expense, depreciation and amortization expense.

The earnings release and slide 21 provide you a detailed analysis of the (earnings) having an impact on Power's non-GAAP Operating Earnings relative to net income quarter over quarter. And we've also provided you with more detail on generation for the quarter in slide 22.

Power's net income comparison for the first quarter reflection increased in capacity prices of $0.01 per share. Re-contracting and lower market demand reduced results by $0.06 per share versus the first quarter of 2017.

Planned maintenance increased O&M expense and reduced net income comparisons by (one penny) per share. And lowered depreciation associated with the early retirement of Hudson and Mercer generating stations in June of '17 along with lower interest expense added $0.02 per share versus the year ago quarter.

A reduction in the corporate tax rate from recently enacted federal tax reform and other tax items improved first quarter net income comparisons by $0.07 per share. Gross margin in the first quarter declined to $35 per megawatt hour from $37 per megawatt hour in the year ago quarter.

Although power prices were higher on average driven by extreme temperatures in early January, lower market demand experienced in February lowered dispatch of Power's intermediate fleet.

Compared to last year's first quarter, Power experienced a $4 per megawatt hour decline in the average hedge price. This decline is lower than the anticipated annual reduction of $6 per megawatt hour forecasted for the full year as results in the first quarter benefited from the cold weather experience in January.

We forecast average hedge prices for the remainder of the year to decline by more than $6 per megawatt hour resulting in an average decline for the full year of $6 per megawatt hour.

Capacity revenues, by comparison, are expected to increase throughout the remainder of the year with the average price received scheduled to increase on June 1st, 2018 to $205 per megawatt hour in PJM and to $314 per megawatt day in ISO New England, that's 205 per megawatt day in PJM.

Now, let's turn to Power's operations. Generation output declined modestly compared to the first quarter of 2017. Output was affected by severe winter weather at the start of the year.

And in conjunction with an unseasonably warm February and higher planned outage hours at the Bergen and Linden combined cycle units, Power's gas-fired CCGT fleet operated at an average capacity factor of 37 percent and produced 2.7 terawatt hours of output. A higher price for gas in the quarter favored a shift to more production from coal, which generated 1.5 terawatt hours, and a doubling of peaking output.

Power's nuclear fleet operated on an average capacity factor of 99.5 percent for the quarter, producing 8.4 terawatt hours, representing 66 percent of total generation for the fleet.

And of note, Hope Creek's strong performance was evident by a breaker-to-breaker run of 517 consecutive days of production before entering its planned refueling and maintenance outage on April 13.

Power continues to forecast an improvement in output for 2018 to 55 to 57 terawatt hours. For the remainder of 2018, Power has hedged 80 percent to 85 percent of total forecast production at an average price of $38 per megawatt hour.

For 2019, Power has hedged 60 percent to 65 percent of forecast production of 59 to 61 terawatt hours at an average price of $37 per megawatt hour. And for 2020, output is forecast to be 63 to 65 terawatt hours with 35 percent to 40 percent of forecast output hedge in an average price of $36 per megawatt hour.

The forecasted increase in output for 2018 to 2020 includes generation associated with the mid-2018 commercial startup of 1,300 megawatts of

combined cycle capacity at the Keys Energy Center in Maryland and at Sewaren in New Jersey, and the mid-2019 commercial startup of the 485 megawatt combined cycle unit at Bridgeport Harbor, Connecticut that will also mark the conclusion of Power's construction program.

I'd also like to update you on the conclusion of the FERC investigation for Power's cost-based bidding matter that has been pending since 2014. Last week, FERC issued an order fully resolving this issue.

Financially, Power has recorded an incremental $5 million pretax charge to income in accordance with the order, which included an $8 million non-tax deductible penalty. So a $0.02 impact from that item.

And operationally, we do not believe that the order will have any material impact on Power's ongoing business operations. We continue to forecast Powers non-GAAP Operating Earnings for 2018 and non-GAAP Adjusted EBITDA at $485 million to $560 million and $1, 075 billion to a $1,180 billion respectively.

Now, let me briefly address the operating results from Enterprise and Other. And for the first quarter, Enterprise and Other reported Net Income of $5 million or a penny per share versus a Net Loss of $15 million or $0.03 cents per share in the first quarter of 2017.

Net Income for the first quarter of 2018 reflects the absence of tax benefits in the year-ago quarter at PSEG Energy Holdings and higher interest expense at the Parent.

The Net Loss in the first quarter of 2017 included the $55 million pre-tax charge related to the continuing liquidity issues facing NRG REMA, partially offset by tax benefits at PSEG Energy Holdings. And the forecast for PSEG Enterprise and Other Net Income remains unchanged at $35 million.

PSEG close the quarter with $118 million of cash on the balance sheet with debt at the end of March representing 49 percent of our consolidated capital, and debt at Power representing 28 percent of its capital at the end of the quarter.

Based on our strong balance sheet and credit metrics, we are able to fund our five year capital investment program without the need to issue equity. We continue to forecast on non-GAAP Operating Earnings for the full year of $3 to $3.20 per share. That concludes my remarks. I'll now turn the call back to (Nicole) for our question and answer session.

Operator: And ladies and gentlemen, we will now begin the question and answer session for members of the financial community. If you have questions, please press the star and the number one on your telephone keypad.

If your question has been answered and you wish to withdraw your polling request, you may do so by pressing the pound key. If you're on a speaker phone, please pickup your handset before entering your quest.

One moment please for the first question. And the first question is from Julien Dumoulin-Smith from Bank of America, Merrill Lynch. Please proceed with your question.

Julien Dumoulin-Smith: Hey, good morning.

Ralph Izzo: Good morning Julien.

Julien Dumoulin-Smith: Hey, I wanted to follow up on the latest clean energy bill at the Legislature. Can you define a little bit more specifically the energy efficiency opportunity at the utility? And just how think about the Net Income impacts at the end of the day?

And then separately related, Power's ability of pursuing offshore wind giving its risk profile and giving your current position, I mean, how do you think about approaching or tackling that opportunity? Or at is at all?

Ralph Izzo: Yes, no – so, Julien, thanks for the question. We're genuinely excited by the Murphy Administration's stated energy policies. As I think, you know, we've been strong advocates of energy efficiency.

We've done it in kind of small bytes. So, I think total over the past 10 years or maybe a little bit more for $400 million worth of energy efficiency programs.

And the clean energy bill anticipates a 1.5 or two percent reduction and, you know, where there's a lots for gas. I think it's two percent on electric and that 0.75 percent on gas.

And the BPU is going to come up with rules, but suffice to say we've been thinking about this for a good long time, the legislation also talks about recovering that utilities have the right to file annually to recover that cost including return on and of capital and lost revenues as well.

So, this is great news. And we will jump into this feet first and deliver a universal access to energy efficiency for all New Jerseyans.

On the offshore wind piece, we don't have a track record on offshore wind but we do have a lease offshore and we do have a partner and that's part of the (J.V.) that we have in place.

So, I would say that whether it's a participant in the transmission aspects or in the offshore wind aspects of the farm itself, that's probably not quite as mature in our own thinking as the energy efficiency, but overall this notion of a sustainable energy future as one we've been talking about for a decade or more and we're excited by the prospects that are created.

Julien Dumoulin-Smith: But just to clarify the EE for this, I mean how do you think about that in the context of decoupling specifically? And maybe that's more of a rate case question.

And then separately, if I can recharacterize a little bit how you described that you talked about sort of initial $400 million of accumulative spending. I mean, how do that compare versus what prospects of what you're talking about even order magnitude?

Ralph Izzo: Yes. No, I'd say that's right, in order magnitude different. We – I don't think we've released our planned number for filing. But we have said that we anticipate filing before the middle of the year and we still are on track to do that.

I'd rather not give a specific number because there's a pre-filing meeting we need to go through with the Board of Public Utilities and they deserve to hear that before we start blurting it out in the quarterly earnings call. But it is an order of magnitude difference in terms of the opportunity.

Den Cregg: And then to your point, Julien, related to the rate case we did file a decoupling mechanism as part of the rate case.

Julien Dumoulin-Smith: OK. Exactly, thank you.

Operator: Our next question comes from line of Praful Mehta from Citigroup. Please proceed with your question.

Praful Mehta: Great. Thanks so much. Hi, guys.

Male: Hi, Praful.

Praful Mehta: Hi. So, on the GSMP and the settlement and the distribution rate case, I just want to understand were you saying that if you achieve both you would be at the upper end of the seven percent to nine percent? I just want to confirm that.

Ralph Izzo: So, it's a combination multiple factors Praful. There's the rate case which includes various tax givebacks that have to do with both the change and federal tax policy and deferred tax balances. There's GSMP II which takes up $300 million per year prior GSMP program up to about a $375 million per year program.

There's still the number one investment area that we will be focused on which is transmission and our expectations there. And then there's some expectation for a continuation of energy strong and energy efficiency, but not at numbers that we have completely disclosed yet.

But when you add all of that together, at least just to think that we're bias towards the higher end of the seven percent to nine percent range, but then you may want to tell the real story.

Dan Cregg: Yes. We said we're on the higher end of that and we anticipate being there. And, Praful, I guess if you think about the rate case, the rate base element of that is a couple of things. One, it's the end of some remaining portion of some prior clauses, but it's also rolling in the giveback on some of the tax effects.

So, but the way we characterize that earlier in the year was that we always talk about our growth rate, and as we continue the capital program that we have the existing rate base goes up.

So, you're jumping off of a higher base. And last year we were at about seven percent to nine percent growth rate, this year we at about seven percent to nine percent growth. But that higher base was really offset by some of the tax flow back that we would anticipate.

So, that is what, basically, the rate case and that flow back (we told) you about, and then with the existing GSMP settlement plus energy strong too which we've talked a little bit about and plus the clean energy filing we would anticipate moving higher up within that range.

Praful Mehta: Right. And so just to clarify, I think you had said 600 million was the unprotected deferred tax balance on I think previous calls. Is that refund expected to happen pretty soon and is that part of like the growth for this kind of flowing in to the rate (base)?

Dan Cregg: That'll ultimately be determined in the rate case. So, I think that the (bulk) of the excess deferred are going to be through the average rate assumption method which will be a longer term period.

But some of that, in addition to some of the excess deferred is going to be worked through the rate case related to some other items. So, we'll know more about that as we move towards the end of the year.

Praful Mehta: Fair enough. And then, just quickly on ZEC, congratulations to where it's kind of come out so far. I just want to understand in terms of the three year extension, it sounds like it is that price change -- don't change meaningfully.

But I just wanted to understand from your perspective, how do you see that extension discussion going? Because if you do get the three year, what does it take to kind of have that next three-year extension?

Ralph Izzo: So, first of all, it's important to realize that the ZEC price is not tied to a market price. So, the ZEC price is an attribute payment for the carbon and fuel diversity dimensions of nuclear power.

There is a consumer protection putting the bill that goes to simply the affordability of ZEC when viewing the context of overall energy prices that customers have to pay. As well as provision in the bill that anticipates a review by the BPU as to whether or not the plans are in any kind of economic duress.

So, that's what the three-year review is for, right. Can New Jersey continue to afford to pay for a zero emissions energy? And that's sort of a question that make sure you will have to answer on behalf of customers.

We will always be mindful. Both on behalf of customers, but on behalf of our shareholders leads as to whether or not the plants are making it cost to capital on a risk adjusted basis. And if they are not, then we will close the plants.

So it's not saber rattling, that's not threatening, that's just our fiduciary responsibility and we will always work extra hard to make sure New Jersey is aware of those situations and what that means.

So, I just think it's a – and as you know in nuclear space, nothing happens in less than a year anyway. And in RPM and PJM world, things tend to happen in three year increment. So, just checking in every three years as to affordability, economic viability seem like a very natural rhythm to put in to public policy.

Praful Mehta: Fair enough. Thanks so much guys.

Dan Cregg: (Nicole), do we have any other questions?

Operator: Your next question comes from the line of Jonathan Arnold from Deutsche Bank. Please proceed with your question.

Jonathan Arnold: Good morning guys.

Ralph Izzo: Hey, Jonathan.

Dan Cregg: Hi Jonathan.

Jonathan Arnold: Just – so on the energy efficiency and I hear you comment about filing by the middle - you know, middle of the year and then needing to go through pre-file with the BPU. Is it a reasonable expectation that you'd be through that and able to give us a little more flavor by the time of the analyst day?

Ralph Izzo: Yes. So, we should definitely have the pre-file done before the analyst day, Jonathan. And then, we'll tell you everything that we plan to file at that point, correct.

Jonathan Arnold: So, the filing itself might not have been made, but you'll have a better sense of the scope of it.

Ralph Izzo: It (won't) be because the pre-file meeting is – there's a 30 clock that starts from then. And as you know, the analyst day is on the 31st and we haven't had the pre-file meeting yet, (although) we're going close.

Jonathan Arnold: Right. I'm hearing you would tell us a bit more than you've told us today.

Ralph Izzo: Yes, yes. We'll tell you a lots, but we're just too excited not tell you a lot more. So, this is a favorite, so

Jonathan Arnold: Switching to something a little different, slide 22 on power generation measures. And I just wanted to understand a little better the coal cost up to 9 million, it's about 20 – over 25 percent and the generation was up more like, you know, mid-single digits.

So, is that just the fact that you're (left) hedge than you'd been in the past and, you know, buying some spot to cover the extreme weather? Or is it a contract

rolling off or how should we think about that as we're trying to calibrate coal cost, you know, for the rest of the year?

Dan Cregg: I don't think I would put too much weight into that, Jonathan. I think that – especially if I think about it from an overall component of the generation. I think what we saw really was a little bit more reliance on coal because of the weather. And I think on an ongoing basis, I don't anticipate it to be much of an impact as we go through to the rest of the year.

Ralph Izzo: Yes. I didn't do the number, Jonathan. But if you look at that slide, you'll see that Pennsylvania's down a little bit and Connecticut's up quite a bit, and Connecticut's has got more expensive coals.

Jonathan Arnold: OK. That's helpful, thank you. But then on the oil piece, presumably the denominator for those fuel – that 25 million of cost is in the gas segment.

Ralph Izzo: That's correct.

Dan Cregg: Yes.

Jonathan Arnold: And again, I mean, is that – I mean is there any – I'm trying – well, I guess what I'm trying to get a feel for is to what extent the weather may have actually, you know, hurt you in Power this quarter?

Dan Cregg: Well, I think it had a lot to do with what you're seeing on the delta quarter versus quarter from the standpoint of oil. That number under normal situation would be much, much lower.

And what you saw was prices moving up and gaps getting a little bit tighter and gas prices going to extreme level sort of quarter. So, I think what you saw was much more an anomaly with respect to oil burn for the quarter. And that…

Jonathan Arnold: But did you make that up in price? So, is that – was that really just, you know, loss margin?

Dan Cregg: If it – we were economic when we were running on oil. So, the – if we weren't economic we wouldn't have been running.

But if you take a look where a gas prices were, I mean gas prices during that part of the year, the very early part of the year, we're dressing up looking like a very healthy age old power prices as oppose to gas prices while up into the double digits.

Jonathan Arnold: So, those – you don't feel that there was a net-net. This was of drag on the quarter. It's just the moving pieces within the revenue and cost lines?

Dan Cregg: Yes. I think that's right. And I think, you know, some anticipated spark for earlier. January wasn't quite where we would've wanted to be because gas prices basically puts into oil which our lower margin.

But it was a fairly short term phenomenon in January and anomaly. But it really does drive all the oil burn that you see there for the quarter.

Jonathan Arnold: Right. Thank you.

Operator: Your next question comes from the line of the Greg Gordon from Evercore ISI. Please proceed with your question.

Greg Gordon: Thanks. Good morning. Well, we're on a subject of PSEG Power, there's several initiatives that PJM that are certain independency, whether it's a capacity market design updates, ORDC pricing, Fast-Start pricing.

I believe Andy Ott put out a letter recently indicating that he hope those three things would get done this year. Can you review what your expectation is for the timing on those and the potential impacts on Power?

And then there's one thing extant which is while the management PJM still seems to support of overall price reform, there hasn't been much progress there so you can give us an update on your expectations on that front.

Ralph Izzo: Sure Greg. So, on capacity market reform we've been public that we prefer the two phase approach which is the PJM preferred approach even though they've submitted the IMM's MOPR based approach as well.

I think we have a reason to believe that we're going to effect by May of 19, obviously that won't have impact on the current RPM. So, I think that's the timing there.

I would view Fast-Start as yet another piece of the transformation puzzle. I know that many people including ourselves talk about the inflexible unit dimension of transformation.

But Fast-Start thus have a now propose zero threshold element to it which is a characteristic of inflexible units, right, that they can't move over the timeframes of PJM to see things.

We've been never one to "whether or not the four price curve has these numbers in it", nor have we (do one), to "what these changes will mean to the four price curve". We just say the market is the best determinant of that and our own internal views will influence whether we hedge a little bit to the high side or to low side of our own internal disciplined approach.

I think, (Andy) himself has said that this should go into – should be able – the energy price fixes should be able to be put in place by a little bit more than a year from now. But some time in this summer of nineteen.

So, that is the delay I think that once upon a time there was talk of fall of '18 for some of these reforms, but I think the combination effect does introduce that bit of delay.

I think the good news if I might is that, you know, the PJM board appears to be willing to undertake what's called a liaison process as oppose to a full pledge stakeholder process which can put a little bit more of a limitation on the amount of time.

I should, by the way, point out that in terms of RPM we prefer the status quo, but the (submittals) that PJM has made we think that that two phase approach is better than one phase approach.

I don't think PJM has given up on the full inflexible unit pricing. They see that as part of their resiliency discussion which continuous with comments

due back from, I think, the rest of us. The (RTS) had already made their comments, ours do back I think in the middle of June or in the middle May. Middle May (so to speak).

So, it's still working process not over by any stretch and some things that have a bit more of a date certain. And (here's) the capacity of market reforms and energy market reforms we think will still creep into the market.

Greg Gordon: Thank you for the update.

Operator: Your next question comes from the line of Travis Miller from Morningstar. Please proceed with your question.

Travis Miller: Thank you.

Male: Hi Travis.

Travis Miller: Bring to the ZEC, It sounds like there could be out of state plants that would be eligible and I'm most interested in your thoughts on Peach Bottom Plant if that is true, if I'm in fact reading that ZEC correctly.

Ralph Izzo: Yes. So, Travis, you absolutely are reading it correctly. The bill simply says that New Jersey wants 40 percent of its power supplied by nuclear energy, and it does not limit geographically.

In terms of (they're) being more than 40 percent of New Jersey's electricity being deliverable by a nuclear power plants whether it's Salem, Hope Creek, Peach Bottom or a variety of others, then there's a ranking system that the BPU is encouraged to say that is really driven off of the greatest impact on New Jersey from an air quality point of view and various other parameters that are detailed in the legislation.

But to short answer your question is, yes, out of state plants would be eligible, but New Jersey would not support according to legislation more than 40 percent of its energy being supplied by nuclear power.

Travis Miller: OK, with the thought that Peach Bottom would rank at the bottom, just given us not New Jersey.

Ralph Izzo: No, no, no and I don't want to – I don't want to predetermine what the BPU will do, you know, Peach Bottom will compete with Salem and Hope Creek and Susquehanna and Limerick.

Travis Miller: Yes, sure. So, and second question on the clean energy bill, what component specifically could generate rate base growth if any, just clarifying a couple in previous?

Ralph Izzo: Oh my guess is there's multiple, right. So, the utility has done grid-connected solar where utility has done rooftop solar. The utility has done energy efficiency. It has done pilot programs and battery storage technology.

So, there is no shortage of opportunities that are expanded in the clean energy we're all – throughout, you know, there's a transmission components to offshore wind, there's offshore wind itself.

So, I think you just have to really – remember, what the governor said is he sees nuclear powers an important bridge to renewable future. And the renewable future he has in that bill which he has not signed yet is a 50 percent renewable target in 2035 and we (expected to the) participants in every aspect of that sustainable energy agenda.

Travis Miller: OK. And then those investments you foresee could go on the rate base, not just the kind of earnings in neutral type collection. OK.

Ralph Izzo: That's correct. Yes, well I mean, yes, the – look, the reality is in New Jersey just given our geographic and natural resource profile, you're not going to be able to do merchant solar or merchant offshore wind.

Those will have to be supported through some type of regulatory revenue stream. That’s either in a form of a renewable credit and / or some other mechanism. And, again, on the offshore wind piece I just want to emphasize that what we have at least we – you know, we've never done that before.

So, we would be interested in the transmission component probably as much as not more than the actual wind farms and we are – as I said a moment ago, we are all in on the energy efficiency piece.

Travis Miller: OK, great.

Dan Cregg: And I think some elements of the legislation, Travis, (talk) specifically about utilities investing and having recovery on and of like the energy efficiency.

Offshore wind, very different situation, not specifically laid out as to how that will work out. And in fact the legislation really calls for a study for that to be determined, things like that to be determined.

Travis Miller: OK, great yes, that's helpful. Thank you very much.

Operator: Your next question comes from the line of Paul Patterson from Glenrock Associates. Please proceed with your question.

Paul Patterson: Hey, good morning.

Ralph Izzo: Hi Paul.

Paul Patterson: Just a – sorry if I missed this, but when is the governor expected to sign the nuclear legislation?

Ralph Izzo: Paul, so he's – so a New Jersey the governor has 45 days to act on legislation, and that action could be either a veto which would require two-thirds majority of the legislation's override.

Something called a conditional veto, which is, hey, like this except for, and then he sends it back to a legislature to change the piece that he liked except for, or to sign into law. In addition, if he doesn't act for 45 days it then automatically goes into law. So, those are the options for the governor.

Paul Patterson: OK, and – OK. So let me ask you this, if we don't get him signing it by the RPM auction which isn't that far from now, how should we think about how that might affect how you guys would be bidding into the capacity auction?

Ralph Izzo: Well, you know, we never comment about bidding plants prior to the auction. But – what I'd say is (just) that we would view things differently if he were to veto the legislation versus simply not getting around to signing it yet. And so those are two …

Paul Patterson: I see. OK, I got you. So, OK, absolutely, you know, you guys are sort of are expecting that this bill would be enacted.

Ralph Izzo: You know, I think he's – the governor – you never ever want to pretend to be constraining your governor, right?

Paul Patterson: Sure, I got you.

Ralph Izzo: He's a very important person and he is a talented person and one that we admire. So, I'm not going to try to tell him what to do on an earnings cal.

But having said that, I mean, he has been outspoken and supportive of nuclear as a bridge to a renewable energy in the future and he is – he's also been outspoken in support of the importance of those jobs to South Jersey. So, you know, I feel pretty good about those public statements on his part.

Paul Patterson: OK, awesome. And then the energy efficiency program, just how should we think about how that impacts the demand forecast longer term and just in general, how we should think about how you see energy demand or electricity demand working in the state.

Ralph Izzo: You know, Paul, we've been working hard to try to remind investors that the utility growth story is really independent of demand growth. Demand growth or the actions of it has significant implications for how regulation needs to be rethought to avoid the compounding of inevitable (O&M) growth and regulatory lag on investment returns.

But PSE&G's growth over the past 10 years and its continued future growth really is about an aging infrastructure that needs replacement and a higher degree of customer service and customer demands for a clean energy future.

And I am absolutely convinced that we can continue to invest in a resilient grid, cleaner energy and more efficient use of energy which would help – that their piece would help lower customers bills and put better smiles on our shareholders.

So – you know, I think that energy efficiency is an important part of controlling the bill from the point of view of the extra class associated with renewable energy and making the grid more resilient.

Paul Patterson: And you got to demonstrate that too. So, you guys have been ahead of a curve on that, but I guess I'm sort of wondering though it does have an impact perhaps on non-regulated generation, not just in your state but all over.

So, what you guys might be doing could have an impact? And I'm just sort of curious as to what you guys think, you know, just roughly speaking all these – what do you see the demand forecast kind of being?

Ralph Izzo: I see. You know, well, I mean, you know, I think RPM is a good example demand forecast is down yet again. I don't know that's nth consecutive year where N is some large single digit number, but that's been the case.

We've obviously made that decision in our own service territory that Power has a much bigger market in which you can play and therefore to the extent that our own efforts is accountable on Power. We've been willing and continue to be willing to do that.

I do think that the primary supply demand economics in the wholesale market are going to be determined as much by the shrinkage of supply as it's going to be determined by any changes in demand.

Paul Patterson: Okay. Thank you very much.

Operator: Your next question comes from the line of Michael Lapides of Goldman Sachs. Please proceed with your question.

Michael Lapides: Hey, guys, thank you for taking my question. One easy one, you have talked about this prior earnings calls or analyst day haven't circle back on this in a

bit. Can you just talk about how much extra balance sheet capacity that you think the company has right now?

Meaning, either to fund incremental rate base growth or incremental renewable growth at (P.S.) Power, just kind of when you think about your credit metrics in a post-catch reform world and the balance sheet strength. How big is that balance sheet strength?

Dan Cregg: Yes, Michael and I think you'd want to think about it really in two steps, right. We've talked about the ability to fund the capital plan such as we have without the need for any additional equity.

And then as you mentioned consistent with that, we've talked about it in the past. If you take a look at our existing credit statistics and you take a look at where some of the threshold points are, you've got somewhere in the order of a billion dollars of excess at PSEG Power, which then can be utilized at the utility and within the existing regulatory capital structures.

So that can be matched with that and so you'd come up within that double at if you think about it from a utility overall investment incremental spend standpoint without having any impact on the existing ratings.

Michael Lapides: Got it. And increment for potential holding – incremental holding company leverage, or do you just think about it as, if opportunities came up for incremental investment at Power or at E&G, you would simply make the leverage down at Power.

Dan Cregg: Well, I think that the leverage could happen at Power or at the parent company. I think we've had some parent company (debt) ugly and we tend to take a look at what makes the most sense from an economic standpoint when looking to source of that.

So, I think that it could be at either location, but I think you're in the same ballpark when I talk about the numbers that I just referenced.

Michael Lapides: Got it. Thank you Dan, much appreciate it.

Dan Cregg: Yes.

Operator: Your next question comes from the line of Paul Fremont from the Mizuho. Please proceed with your question.

Paul Fremont: Thanks. I guess first question would be on the clean energy bill. When I think of the seven percent to nine percent rate base growth target and the fact that you guys are seeing yourselves sort of at the upper end, does – do the investment opportunities under the clean energy bill keep you within that seven percent to nine percent band or would that potentially put you outside of that band?

Ralph Izzo: So, I'd rather give more detail on the band at the upcoming investor conference call right now, because I think we'll have more information coming out at our pre-filing meeting with the board staff. And so, hopefully I have resolution but we'll definitely have resolution of the nuclear bill by that point in time.

Paul Fremont: OK. And then sort of a quick question on Hope Creek, the 60 megawatt upgrade that was approved, when would that take effect?

Ralph Izzo: It was a 60 megawatt or 16 megawatt?

Kathleen Lally: Sixteenth.

Ralph Izzo: Sixteenth. It was much more and I, you know, I have to get back to you on that. I don't know the answer. We – a nuclear had been jammed with broader issues than 16 out of the 1100.

It wasn't equipment, I mean, this is a – this was a change I believe in our probabilistic risk assessment that allow us to run the plant at different numbers. But I am tempted to say it will be available when it comes back from refueling

Dan Cregg: I think coming out of this outrage is the right answer, but we can confirm that for you.

Paul Fremont: OK.

Ralph Izzo: Any questions we can answer for you Paul?

Paul Fremont: No, that's good. Thank you and congratulations.

Operator: You next question comes from the line of Angie Storozynski from Macquarie, your line is open.

Angie Storozynski: Thank you. So, my only question is it is in the past you mentioned that you might try to pursue electric retail in the mid-Atlantic, we haven't actually had much – we haven't heard much about it.

And, you know, do you think that this is still something you would be interested in? And if so, do you think that this would be done organically or would you need to (acquire) a retail book? Thank you.

Ralph Izzo: Yes, Angie. So thanks for the question. We're still at work. It is exclusively an organic effort. We did look at the potential for acquisitions, but given the purely defensive nature of this effort and our desire for it to basically help us improve our margins based on our own assets, you know, there's been no book that kind of fit that to a high enough degree of accuracy that the transaction cost would've have swamped the benefits of – because whatever book we bought we have to sell off a piece of it and that would be suboptimals. So, we're continuing to pursue an organic road strategy there.

Angie Storozynski: Cool. And my other question on the regulated side. So, even if your rate base were to grow at nine percent, would you consider acquisitions of other regulated under invested systems in your – around your services territory or in the same state?

Ralph Izzo: So, we always – there aren't too many left in our state, I don't know if any that are available in our state that are part of a bigger entity. So, we always look at those, right. But we've been very public that we are quite enamored with our organic growth strategy.

And without any disrespect to our colleagues in the industry, sometimes are puzzled by the premiums that others are willing to pay and we've not been

able to pencil those in a way that it works. But we always look at those possibilities.

Angie Storozynski: OK, thank you.

Operator: And your next question comes from the line of Steve Fleishman from Wolfe Research. Please proceed with your question.

Steve Fleishman: Yes, hi, good morning. Sorry to bug you with some clarifications. But just on the rate base growth comment, could you clarify if the – what the base of your growth forecast is? Has that changed due to some of the tax reform adjustments, or is it the same kind of base level period 2007 to 2009?

Ralph Izzo: Hi Steve, I think I'll let Dan dive into that.

Dan Cregg: Yes. If it's just the year-end 2016 number, so the 2017 number which is $17 billion.

(Steve Watson): OK. So, the base is still the same base?

Dan Cregg: Yes.

Steve Fleishman: And then, in the same way, you might be toward the high-end that is including the GSMP agreement, but nothing else different?

Dan Cregg: It would include as we look forward the opportunity – some opportunity related to future filings, right. So, I would say that if we had nothing beyond the GSMP filing, we'd be more middle of the road within that range. And with the opportunity for future filings, we could see the opportunity if we go higher than the middle of the range.

Steve Fleishman: OK. So, it may include some of these clean energy investments or?

Dan Cregg: Yes. And any other adjustments as we step forward through time, yes, yes.

Steve Fleishman: OK. And then – Yes, I'm good, thank you.

Operator: Your next question comes from the line of Michael Weinstein from Credit Suisse. Please proceed with your question.

Michael Weinstein: Hi Ralph. Hey, it's Mike Weinstein. Hey, a quick question, you said before that you prefer the status quo for current capacity market reforms, I believe.

I'm just wondering what is it about the status quo that's better than any of the proposals that's to put out there?

Ralph Izzo: It's just that the status quo has new plants for being MOPR'd as suppose to existing plants being MOPR'd, and it doesn't interfere with the state's ability to price attributes that the market isn't currently pricing. So, we just don't see a need for this kind of modification at the current time.

Michael Weinstein: I mean, do you think it need, you know…

Ralph Izzo: OK.

(Michael Weinstein): You know, do you think the modifications won't have an effect at all or?

Ralph Izzo: No, no, no. I mean, they'll have different effects. I think that the two phase approach at least continues to allow states to recognize the value of renewables and carbon free energy sources.

You know, the market monitors approach is this protracted administrative battle over what constitutes the appropriate minimal offer price which as you know can be moved quite a bit depending upon whether you believe something has a 30-year life or 40-year depreciable life across the capital was x or 1.1 x or 0.9 x.

And so it's – if you characterize that as a correction to ensure the market is working properly, I think is inaccurate. I think it's just a correction to ensure administrative power reverts to people who want to have an administrative power and that's not necessarily consistent with markets.

I mean, look, we're all dancing around here is we need a price on (carbon) and then let the market pick the technology. And then I think you'd see every participant in the market signup for that. Well, except for me to a (carbon) and how many participants, I guess.

Michael Weinstein: Is that more handled better on the energy side basically …

Ralph Izzo: Yes, absolutely.

Michael Weinstein: Do you think – yes. So, the capacity market reforms are kind of destruction of some sort maybe?

Ralph Izzo: Yes, you've got to collapse in intramarginal revenues because there's no carbon price in energy markets. And because of that collapse in intramarginal revenues, high fixed clause participants are getting crushed. And that's – and yet, people are saying they want the attributes of this high fixed cost participants up.

You know, you have the decoder, right? The high fixed cost participant is the nuclear plant. And yet people are paying record prices of anywhere from $5 to $200 per ton of carbon. And so the market just got these inherent inconsistencies built into it.

So, if we could get a single price on carbon and energy markets, then the intramarginal revenues will increase and the fixed cost recovery would be mitigated and then capacity markets could do what they were supposed to do in reliability mechanisms and nothing more.

Michael Weinstein: Got it. OK, thank you.

Ralph Izzo: Sure. So, (Nicole) I think we have time for one more question and then we'll – I think let folks have their day back.

Operator: Mr. Izzo and Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo: It's always magic, no matter where you are, whether it's a teleconference or public speaking, if you say one more question, there's no more questions. But that's great.

So, anyway, so thank you folks for joining us today and I hope you heard from Dan and I that there's a lot of good things happening at PSEG.

And they range from the continuation of our $13 billion to $15 billion investment program which 90 percent of which is going to utility and leaves us to be biased towards the upper end of that seven percent to nine percent rate base growth looking out to 2022 off of the higher base in, at the end of 2017.

Again, we've got to give kudos to the great work done by our utility crews and power plant operations doing what was a very, very, difficult circumstances certainly in January.

And kudos to our regulatory team and all of our support functions for the strive they've made on some of the policy of fronts with the settlement of GSMP II and the legislation that recognizes the value of Power's nuclear generation.

I mean, getting 60 out of 80 votes in the Assembly and 30 out of 40 votes in the Senate from a bipartisan basis. I think it validates what we have been saying all along that New Jersey will recognize the importance of these plants to our environment, to our cost of energy, to our economic well-being and that they are much cheaper to keep than they are to let shutdown.

And then of course our ongoing commitment to maintain our financial strength which gives us flexibility to support the growth in the dividend, fund this rate base growth investments. No need to issue equity and still some balance sheet capacity leftover.

So, hopefully we'll see all of you on May 31st. I know that's the weekend after. That's Memorial Day. So, you know, come in your two piece or whatever other beachwear you have.

That's – and we'll host you and we'll have a great conversation about the rate base growth in detail and where we are with RPM. And I think that's a brand of clothing is with this – that's all we have. And we'll see you soon. Thanks a lot everyone. Take care.

Kathleen Lally: Very good.

Operator: Ladies and gentlemen, this does conclude your conference call for today. You may disconnect and thank you for your participation.

END

For further information, contact:

- Kathleen A. Lally, Vice President – Investor Relations Phone: 973-430-6565
- Carlotta Chan, Manager - Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2018 FIRST QUARTER RESULTS

$1.10 PER SHARE OF NET INCOME

Non-GAAP Operating Earnings of $0.97 Per Share

Re-Affirms Non-GAAP Operating Earnings Guidance $3.00 - $3.20 Per Share

PSE&G $1.9 Billion Settlement of GSMP II Program Aligned with Forecast Growth

(April 30, 2018 – Newark, NJ) Public Service Enterprise Group (NYSE: PEG) reported today Net Income for the first quarter of 2018 of $558 million, or $1.10 per share as compared to Net Income of $114 million, or $0.22 per share, in the first quarter of 2017. Non-GAAP Operating Earnings for the first quarter of 2018 were $492 million, or $0.97 per share, compared to non-GAAP Operating Earnings for the first quarter of 2017 of $466 million, or $0.92 per share. Prior year results included costs related to the early retirement of the Hudson and Mercer generating stations and a reserve for the impairment of leveraged leases.

Ralph Izzo, chairman, president and chief executive officer, commented that "we have begun 2018 with solid results. Our service area experienced four consecutive Nor'easters in March that wreaked havoc on trees and power lines. PSEG employees, once again, rose to the challenge, efficiently and safely completing PSE&G and PSEG-Long Island customer restorations and then assisted neighboring utilities with their restoration efforts. The diversity of PSEG's generating fleet was also responsive to the extremes in weather that ranged from the near-zero temperatures experienced in January to the very mild weather in February."

The table below provides a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the first quarter. See Attachment 8 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings.

PSEG CONSOLIDATED RESULTS (unaudited)
First Quarter Comparative Results
2018 and 2017

	Income ($ millions)		Diluted Earnings Per Share	
	2018	**2017**	**2018**	**2017**
Net Income	$558	$114	$1.10	$0.22
Reconciling Items*	(66)	352	(0.13)	0.70
Non-GAAP Operating Earnings	**$492**	**$466**	**$0.97**	**$0.92**
		Avg. Shares	**507M**	**508M**

*See Attachment 8

Ralph Izzo went on to say, “We are re-affirming our non-GAAP Operating Earnings guidance for 2018 of $3.00 - $3.20 per share. PSEG continues to focus on its strategic investment program of $13 billion to $15 billion over the 2018 to 2022 period. The recent settlement of the second phase of PSE&G’s Gas System Modernization Program (GSMP II) is aligned with our investment goals. PSEG’s financial flexibility will enable it to fund its capital program over the 5-year period without the need for equity issuance.”

The following table outlines PSEG’s expectations for non-GAAP Operating Earnings by subsidiary for 2018.

2018 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	2018E
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
PSEG Enterprise/Other	$35 - $35
Non-GAAP Operating Earnings	$1,520 - $1,625
Non-GAAP EPS	$3.00 - $3.20

E = Estimate

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachment 4 for detail regarding the quarter-over-quarter reconciliations for each of PSEG’s businesses.

PSE&G

PSE&G reported Net Income of $319 million ($0.63 per share) for the first quarter of 2018 compared with Net Income of $299 million ($0.59 per share) for the first quarter of 2017.

PSE&G’s first quarter results reflect continued successful execution of its infrastructure investment programs and costs related to winter storm activity and higher depreciable plant. Growth in PSE&G’s investment in Transmission added $0.03 per share to quarter- over-quarter Net Income comparisons. Recovery of investments made under the Gas System Modernization Program (GSMP) improved quarter-over-quarter Net Income comparisons by $0.02 and weather added $0.01 per share. PSE&G experienced higher costs associated with restoring service to customers following four separate storms that occurred over a 30-day period. The increase in storm costs, when combined with a change in pension accounting standards for non-service costs, increased O&M by $0.01 per share. In addition, higher depreciation expense reflecting the utility’s expanded asset base, reduced Net Income by $0.01 per share versus the first quarter of 2017.

Weather-normalized electric sales to Residential and Commercial customers rose by 0.4% compared with Q1 2017. Weather normalized gas sales were higher by 1.6% in the quarter,

led by increased Residential and Commercial usage. Residential customer growth continues to trend higher at 0.8% per year.

PSE&G implemented a revised $64 million annual increase in transmission revenue under the company's FERC-approved formula rate effective January 1, 2018 after incorporating a $148 million decrease in its revenue requirement associated with the reduction in the Federal corporate tax rate. Transmission revenues are adjusted each year to reflect an update of the company's investment program for the coming year.

PSE&G has reached a settlement of its GSMP II filing with the Staff of the New Jersey Board of Public Utilities (BPU), Rate Counsel and other parties, which remains subject to BPU approval. Modeled after the BPU's recently enacted Infrastructure Investment Program (IIP) initiative, the agreement will allow PSE&G to invest $1.9 billion over five years beginning in 2019 to continue and accelerate the replacement of cast iron and unprotected steel mains in addition to other improvements to the gas system. The settlement provides five-year project visibility to efficiently plan labor, materials, vendors and permitting. Approximately $1.6 billion of the total program will be eligible for semi-annual rate roll-ins, with the remaining $300 million to be addressed in a future base rate case. The return on equity for GSMP II investment will be determined in PSE&G's pending base rate case. As part of the settlement, PSE&G agreed to file a base rate case no later than five years from commencement of GSMP II, as well as maintain a base level of gas distribution capital spending of $155 million and achieve certain leak reduction targets.

PSE&G's pending electric and gas distribution base rate case filed in January 2018 is progressing. The company is scheduled to provide a routine update to its filing with the BPU in May. In response to the BPU's recent order regarding the Tax Cut and Jobs Act of 2017, PSE&G filed to lower its electric and gas revenue requirement by $114 million annually effective April 1 to reflect the reduction in the federal corporate tax rate from 35% to 21%. Overall, tax reform has reduced PSE&G's transmission and distribution revenue requirements by approximately $262 million per year, providing customers with rate savings as the utility continues to invest in improving the reliability and resiliency of its T&D system and advancing the state's clean energy goals.

Earlier in April, the New Jersey Legislature passed a Clean Energy bill requiring the state's utilities to implement energy efficiency programs that would achieve annual savings of 2% and 0.75% for electric and gas usage, respectively. Once the Clean Energy bill is signed by Governor Murphy, PSE&G expects it will make a filing with the BPU to outline a broader range of planned investments and proposed programs to achieve the state's targeted energy savings goals in a cost efficient manner to benefit the most customers.

PSE&G's forecast of Net Income for 2018 is unchanged at $1,000 million - $1,030 million.

PSEG Power

PSEG Power reported Net Income of $234 million ($0.46 per share) for the first quarter of 2018 compared with a Net Loss of $170 million ($0.34 per share) for the first quarter of 2017. PSEG Power's non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA for the first quarter of 2018 were $168 million ($0.33 per share) and $313 million, respectively, compared to non-GAAP Operating Earnings of $150 million ($0.30 per share) and non-GAAP Adjusted EBITDA of $359 million for the first quarter of 2017.

PSEG Power's Net Income comparison for the first quarter reflects an increase in capacity prices of $0.01 per share. Re-contracting and lower market demand reduced results by $0.06 per share versus first quarter 2017. Planned maintenance increased O&M expense and reduced Net Income comparisons by $0.01 per share. Lower depreciation from cost savings associated with the early retirement of Hudson and Mercer generating stations last June along with lower interest added $0.02 per share versus the year-ago quarter. A reduction in the corporate tax rate from the recently enacted Tax Cut and Jobs Act and other tax items improved first quarter Net Income comparisons by $0.07 per share.

Generation output declined modestly compared with Q1 2017. Output was affected by severe winter weather at the start of the year. In conjunction with an unseasonably warm February and higher planned outage hours at the Bergen and Linden CCGTs, Power's gas-fired CCGT fleet operated at an average capacity factor of 37% and produced 2.7 TWh of output. A higher price for gas in the quarter favored a shift to more production from coal, which generated 1.5 TWh, and a doubling of peaking output. Power's nuclear fleet operated at an average capacity factor of 99.5% for the quarter, producing 8.4 TWh representing 66% of total generation. Of note, Hope Creek achieved a breaker-to-breaker run of 517 continuous days of production before entering its planned refueling and maintenance outage on April 13.

Power continues to forecast an improvement in output for 2018 to 55 – 57 TWh. For the remainder of 2018, Power has hedged 80% - 85% of total forecast production at an average price of $38 per MWh. For 2019, Power has hedged 60% - 65% of forecast production of 59 – 61 TWh at an average price of $37 per MWh. For 2020, output is forecast to be 63 – 65 TWh at an average price of $36 per MWh. The forecasted increase in output for 2018 – 2020 includes generation associated with the mid-2018 commercial start–up of 1,300 MWs of gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 MW gas-fired CCGT at Bridgeport Harbor, Connecticut.

The Federal Energy Regulatory Commission (FERC) has issued an order resolving the Power cost based bidding matter that has been pending at FERC since 2014. In accordance with the order, Power has recorded an incremental $5 million pretax charge to income in the first quarter that will conclude the issue.

The forecast of Power's non-GAAP Operating Earnings for 2018 and non-GAAP Adjusted EBITDA remain unchanged at $485 million - $560 million and $1,075 million - $1,180 million, respectively.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income of $5 million ($0.01 per share) for the first quarter of 2018 compared to a Net Loss of $15 million ($0.03 per share) for the first quarter of 2017.

Net Income for the first quarter of 2018 reflects the absence of tax benefits in the year-ago quarter at PSEG Energy Holdings and higher interest expense at the Parent. The Net Loss in the first quarter of 2017 included a $55 million pre-tax charge related to continuing liquidity issues facing NRG REMA, LLC, partially offset by tax benefits at PSEG Energy Holdings.

For 2018, the forecast of PSEG Enterprise/Other Net Income remains unchanged at $35 million.

#######

About PSEG:

Public Service Enterprise Group (NYSE:PEG) is a publicly traded diversified energy company with annual revenue of $9.1 billion. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

Non-GAAP Financial Measures

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

Management believes the presentation of non-GAAP Adjusted EBITDA for Power is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization.

See Attachments 8 and 9 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;

- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- an inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The “Email Alerts” link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

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Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended March 31, 2018

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,818	$ (430)	$ 1,845	$ 1,403
OPERATING EXPENSES				
Energy Costs	952	(576)	782	746
Operation and Maintenance	754	117	391	246
Depreciation and Amortization	280	8	190	82
Total Operating Expenses	1,986	(451)	1,363	1,074
OPERATING INCOME	832	21	482	329
Income from Equity Method Investments	2	-	-	2
Net Gains (Losses) on Trust Investments	(22)	-	-	(22)
Other Income (Deductions)	32	1	20	11
Non-Operating Pension and OPEB Credits (Costs)	19	-	15	4
Interest Expense	(103)	(15)	(81)	(7)
INCOME BEFORE INCOME TAXES	760	7	436	317
Income Tax Expense	(202)	(2)	(117)	(83)
NET INCOME	**$ 558**	**$ 5**	**$ 319**	**$ 234**
Reconciling Items Excluded from Net Income [b]	(66)	-	-	(66)
OPERATING EARNINGS (non-GAAP)	**$ 492**	**$ 5**	**$ 319**	**$ 168**
Earnings Per Share				
NET INCOME	**$ 1.10**	**$ 0.01**	**$ 0.63**	**$ 0.46**
Reconciling Items Excluded from Net Income [b]	(0.13)	-	-	(0.13)
OPERATING EARNINGS (non-GAAP)	**$ 0.97**	**$ 0.01**	**$ 0.63**	**$ 0.33**

Three Months Ended March 31, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,591	$ (504)	$ 1,826	$ 1,269
OPERATING EXPENSES				
Energy Costs	868	(586)	762	692
Operation and Maintenance	717	115	370	232
Depreciation and Amortization	828	7	171	650
Total Operating Expenses	2,413	(464)	1,303	1,574
OPERATING INCOME (LOSS)	178	(40)	523	(305)
Income from Equity Method Investments	3	-	-	3
Net Gains (Losses) on Trust Investments	28	7	2	19
Other Income (Deductions)	32	(1)	22	11
Non-Operating Pension and OPEB Credits (Costs)	-	-	(2)	2
Interest Expense	(98)	(7)	(75)	(16)
INCOME (LOSS) BEFORE INCOME TAXES	143	(41)	470	(286)
Income Tax Benefit (Expense)	(29)	26	(171)	116
NET INCOME (LOSS)	**$ 114**	**$ (15)**	**$ 299**	**$ (170)**
Reconciling Items Excluded from Net Income (Loss) [b]	352	32	-	320
OPERATING EARNINGS (non-GAAP)	**$ 466**	**$ 17**	**$ 299**	**$ 150**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.22**	**$ (0.03)**	**$ 0.59**	**$ (0.34)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.70	0.06	-	0.64
OPERATING EARNINGS (non-GAAP)	**$ 0.92**	**$ 0.03**	**$ 0.59**	**$ 0.30**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 8 and 9 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	March 31, 2018	December 31, 2017
DEBT		
Commercial Paper and Loans	$ 594	$ 542
Long-Term Debt*	13,072	13,068
Total Debt	13,666	13,610
STOCKHOLDERS' EQUITY		
Common Stock	4,946	4,961
Treasury Stock	(816)	(763)
Retained Earnings	10,385	9,878
Accumulated Other Comprehensive Loss	(411)	(229)
Total Stockholders' Equity	14,104	13,847
Total Capitalization	$ 27,770	$ 27,457

*Includes current portion of Long-Term Debt

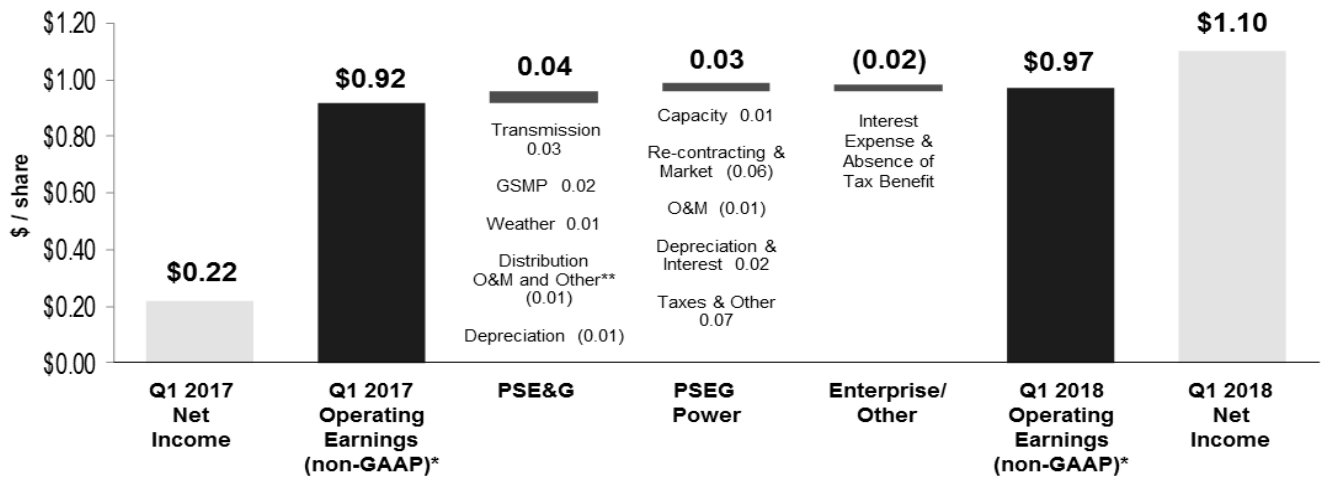
Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Three Months ended March 31, 2018	Three Months ended March 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 558	$ 114
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	582	1,083
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,140	1,197
NET CASH USED IN INVESTING ACTIVITIES	(1,073)	(1,079)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(248)	(347)
Net Change in Cash, Cash Equivalents and Restricted Cash	(181)	(229)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	315	426
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 134	$ 197

Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
March 31, 2018 vs. March 31, 2017
(Unaudited)



*See Attachment 8 and 9 for Items excluded from Net Income to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales
(Unaudited)
March 31, 2018

Electric Sales

Sales (millions kWh)	Three Months Ended	Change vs. 2017
Residential	3,093	3.2%
Commercial & Industrial	6,709	-1.2%
Street Lighting	99	2.4%
Interdepartmental	3	4.4%
Total	9,904	0.1%
Weather Data		
THI Hours - Actual	46	196.1%
THI Hours - Normal	32	

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2017
Firm Sales		
Residential Sales	735	10.1%
Commercial & Industrial	480	7.9%
Total Firm Sales	**1,215**	**9.2%**
Non-Firm Sales		
Commercial & Industrial	215	-35.0%
Total Non-Firm Sales	**215**	
Total Sales	**1,430**	**-0.9%**
Weather Data		
Degree Days - Actual	2,483	8.0%
Degree Days - Normal	2,521	

*CSG rate included in non-firm sales

Attachment 6

PSEG POWER LLC
Generation Measures[1]
(Unaudited)

	GWhr Breakdown Three Months Ended March 31,	
	2018	**2017**
Nuclear - NJ	5,524	5,514
Nuclear - PA	2,864	2,842
Total Nuclear	**8,388**	**8,356**
Fossil - Coal[2]	**1,523**	**1,432**
Fossil - Natural Gas &Oil - NJ	1,708	2,102
Fossil - Natural Gas & Oil - NY	1,079	950
Fossil - Natural Gas & Oil - CT	16	(6)
Total Natural Gas & Oil[3]	**2,803**	**3,046**
	12,714	**12,834**

	% Generation by Fuel Type Three Months Ended March 31,	
	2018	**2017**
Nuclear - NJ	43%	43%
Nuclear - PA	23%	22%
Total Nuclear	**66%**	**65%**
Fossil - Coal[2]	**12%**	**12%**
Fossil - Natural Gas &Oil - NJ	13%	16%
Fossil - Natural Gas & Oil - NY	9%	7%
Fossil - Natural Gas & Oil - CT	0%	0%
Total Natural Gas & Oil[3]	**22%**	**23%**
	100%	**100%**

[1]Excludes Solar and Kalaeloa
[2]Includes Pumped Storage which accounted for <1% of total generation.
[3]Include several units that are dual fuel for oil.

Attachment 7

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Weighted Average Common Shares Outstanding (millions)		
Basic	504	505
Diluted	507	508
Stock Price at End of Period	$ 50.24	$ 44.35
Dividends Paid per Share of Common Stock	$ 0.45	$ 0.43
Dividend Yield	3.6%	3.9%
Book Value per Common Share	$ 28.00	$ 25.78
Market Price as a Percent of Book Value	179%	172%

Attachment 8

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	*Year-Ended December 31, 2017*
	($ millions, Unaudited)		
Net Income	**$ 558**	**$ 114**	**$ 1,574**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	24	(17)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	(118)	(10)	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	4	564	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	55	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	24	(240)	(427)
Tax Reform	-	-	(745)
Operating Earnings (non-GAAP)	**$ 492**	**$ 466**	**$ 1,488**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	**$ 1.10**	**$ 0.22**	**$ 3.10**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	0.04	(0.03)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	(0.23)	(0.02)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.01	1.10	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.11	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax reform[c]	0.05	(0.46)	(0.84)
Tax Reform	-	-	(1.47)
Operating Earnings (non-GAAP)	**$ 0.97**	**$ 0.92**	**$ 2.93**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).

(b) Includes the financial impact from positions with forward delivery months.

(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income	**$ 319**	**$ 299**	**$ 973**
Tax Reform	-	-	(10)
Operating Earnings (non-GAAP)	**$ 319**	**$ 299**	**$ 963**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	**$ 234**	**$ (170)**	**$ 479**
(Gain) Loss on NDT Fund Related Activity, pre-tax[(a)]	24	(17)	(133)
(Gain) Loss on MTM, pre-tax [(b)]	(118)	(10)	167
Hudson/Mercer Early Retirement, pre-tax	4	564	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(c)]	24	(217)	(395)
Tax Reform	-	-	(588)
Operating Earnings (non-GAAP)	**$ 168**	**$ 150**	**$ 505**
Depreciation and Amortization, pre-tax [(d)]	80	92	333
Interest Expense, pre-tax [(d) (e)]	6	16	48
Income Taxes [(d)]	59	101	286
Adjusted EBITDA (non-GAAP)	**$ 313**	**$ 359**	**$ 1,172**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

PSEG Enterprise/Other Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	**$ 5**	**$ (15)**	**$ 122**
Lease Related Activity, pre-tax	-	55	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[(a)]	-	(23)	(32)
Tax Reform	-	-	(147)
Operating Earnings (non-GAAP)	**$ 5**	**$ 17**	**$ 20**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**508**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Company Name: PSEG
Company Ticker: PEG US
Date: 2018-08-01
Event Description: Q2 2018 Earnings Call

Market Cap: 25,452.85
Current PX: 50.38
YTD Change($): -1.12
YTD Change(%): -2.175

Bloomberg Estimates - EPS
Current Quarter: 0.881
Current Year: 3.102
Bloomberg Estimates - Sales
Current Quarter: 2636.600
Current Year: 9796.545

Q2 2018 Earnings Call

Company Participants

- Carlotta Chan, Senior Director of Investor Relations
- Ralph Izzo, Chairman, President and Chief Executive Officer
- Daniel Cregg, Executive Vice President and Chief Financial Officer

Other Participants

- Claire Zeng, Analyst
- Praful Mehta, Analyst
- Jonathan Arnold, Analyst
- Greg Gordon, Analyst
- Steven Fleishman, Analyst
- Paul Patterson, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Leeway, I'm your event operator today. I would like to welcome everyone to today's conference Public Service Enterprise Group Second Quarter 2018 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session for members of the financial community. (Operator Instructions)

As a reminder, this conference is being recorded Wednesday, August 1st, 2018 and will be available for a telephone replay beginning at 1 o'clock PM Eastern Time today until 11:30 PM Eastern Time on Thursday, August 9th, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to the Carlotta Chan. Please go ahead.

Carlotta Chan, Senior Director of Investor Relations

Thank you, Leeway. Good morning everyone and thank you for participating in our earnings call. Earlier today PSEG released earning statements for the second quarter of 2018. These materials including the release, financial attachments and accompanying slides, detailing operating results by company are posted on the IR website at investor.pseg.com. Our 10-Q for the period ended June 30 has been filed with the SEC.

The earnings release and other matters we will discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. We also discuss non-GAAP operating earnings and non-GAAP adjusted EBITDA, which differ from net income as reported in accordance with Generally Accepted Accounting Principles in the United States. Reconciliations of our non-GAAP financial measures and a disclaimer regarding forward-looking statements are posted on our IR website and are included in today's slides and in our earnings release.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the

conclusion of their remarks, there will be time for your questions.

Ralph Izzo, Chairman, President and Chief Executive Officer

Thank you, Carlotta and thank you everyone for joining us today. PSEG reported net income for the quarter of $0.53 per share versus $0.22 in the second quarter of 2017. We also reported non-GAAP operating earnings of $0.64 per share, versus $0.63 in last year's second quarter. Non-GAAP operating earnings for the second quarter rose 3%, compared with the year ago period reflecting continued strong performance at PSE&G and effective cost control and the lower corporate tax rate at PSEG Power.

Solid results for the quarter bringing non-GAAP operating earnings for the first half of 2018 to $1.61 per share, a 4.5% increase over operating earnings of a $1.54 per share earned in 2017's first half. For the first half of 2018, we have made substantial progress in meeting our objectives for the full year. On slide six and seven, we summarize the results for the quarter and the first half of 2018.

At PSE&G, earnings increased by $0.05 per share, up 12% over second quarter 2017 results. Continued investment in PSE&G's transmission and distribution programs was the primary driver of earnings growth for the quarter and year-to-date periods. PSE&G has made over $3 billion in electric and gas infrastructure investments in the past 12 months, including increased distribution spending as we continuously strive to upgrade New Jersey's aging infrastructure and to maintain high levels of customer reliability and achieve high customer satisfaction scores.

PSE&G reach many significant milestones during the second quarter, successfully executing on its capital programs. PSE&G recently finished construction of the third and final phase of the $1.2 billion 345 kV Bergen-Linden Corridor or BLC as we refer to it. This project improve reliability was one of the larger and more complex projects we've built and was finished safely, on time, and on budget. After completion of the BLC line, our transmission project portfolio will focus on our 69 kV upgrade program, enhance storm hardening, as well as life cycle replacement to maintain reliability, increase grid resilience and modernize aging plant.

Turning to our ongoing distribution programs, PSE&G is completing the first phase of its gas system modernization program or what we refer to is GSMP. And this has replaced approximately 500 miles of gas mains in the last three years. We will begin work on GSMP 2 in 2019. This next phase, a five-year $1.9 billion program was recently approved by the New Jersey Board of Public Utilities and will enable us to replace an additional 875 miles of aging gas mains.

In early June PSE&G filed for an extension of its energy strong infrastructure program or ES2 with the BPU. The key components of the $2.5 billion five-year program are outlined for you on Slide 17. The request this progressing at the BPU and will enable us to continue investments to harden our system against storms, replacing aging or end of life infrastructure and incorporate advanced technology to improve grid management. PSE&G's pending distribution base rate case is proceeding according to the schedule, including early stage settlement meetings with the parties held in July, which will continue into August. Three public hearings across the state were recently completed in early July and the next week we will file a scheduled update with financial data for the full test year ended June 30th. We also expect the BPU staff and others to file their initial testimony in the coming weeks.

As a reminder, in the absence of the settlement, we have the ability to self-implement interim rates this November consistent with regulations issued by the BPU last December. The BPU recently released their investigative report conducted in response to the multiple March 2018 nor'easters that left many customers throughout the state without power. PSE&G is reviewing the BPUs report and its recommendations for improving storm response protocols to ensure that our procedures are continually aligned with industry best practices.

Among the BPUs recommendations, each utility is to submit within 180 days a plan with an accompanying cost benefit analysis for the implementation of Advanced Metering Infrastructure or AMI. Focusing on the use and benefits of AMI, for the purpose of reducing the number of customer outages, as well as outage durations during major storm events.

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Also, as we discussed during our recent investor conference this past May, New Jersey Governor Murphy signed into law clean energy legislation, which adopted significant new standards for energy efficiency, and the use of renewable energy. PSE&G plans to submit our clean energy future or CES filing, a $2.9 billion six-year proposal aligned with New Jersey's energy policy goals that details a broad range of planned investments in energy efficiency, electric vehicle infrastructure and battery storage. The CEF program sets targets for energy efficiency savings for electric and gas usage in a cost efficient manner to broadly benefit customers by helping to lower bills and better manage energy use. PSEG's focus remains on providing customers enhanced reliability, a resilient system supported by green energy and bills that are affordable. We look forward to making this filing in the near-term, supporting the state's energy policy goals and bringing value to our customers.

New Jersey's legislation enabling zero emission certificates or ZECs was also signed into law by Governor Murphy in May. The legislation calls for the BPU within 330 days to establish a process for ZECs including determining eligibility and certification of need and ultimately selecting nuclear plants to receive ZECs starting in April 2019. The BPU will rank nuclear plant applicants based on considerations that include fuel diversity, air quality and other environmental attributes. PSEG Power estimates that if all three of its nuclear -- of its New Jersey nuclear units are selected, it could be eligible to receive ZEC revenues of approximately $200 million per year.

PSEG Power placed into service the Keys Energy Center and Sewaren 7 combined cycle units, adding 1,300 megawatts of clean efficient gas-fired generating capacity. Construction activities are ongoing at Bridgeport Harbor 5, which we expect to bring online in mid of 2019. Once Bridgeport Harbor is in service, it will complete a reconfiguration of Power's merchant generation fleet that will improve its competitiveness in the marketplace.

In June of 2018, the Federal Energy Regulatory Commission issued an order finding that PJMs current capacity market is unjust and unreasonable, because it allows resources supported by out of market payments to suppress capacity prices. FERC established a new proceeding to address an alternative approach, in which PJM would; one, modified its minimum offer price rule, so that it would apply to new and existing resources that receive out of market payments, regardless of resource type. And two, establish an option that would allow on a resource specific basis, resources receiving out of market support to be removed from the PJM capacity market along with a commensurate amount of load for some period of time. We are participating in this proceeding and we'll continue advocating for policies at the federal levels to correct flaws in wholesale market design that suppressed prices, while striving to obtain adequate recognition of the value that fuel diversity brings to the secure, resilient and well-functioning electric grid.

We expect that the growth prospects for PSE&G, the reconfiguration of our merchant generating fleet and successful execution of our policy initiatives will allow PSEG to extend its track record of delivering value for our customers and growth for our shareholders. We intend to maintain our strong balance sheet and credit metrics that enable us to fund PSEG's projected capital investment program of $14 billion to $17 billion over the 2018 to 2022 period without the need to issue equity and continue providing shareholders with the opportunity for consistent and sustainable dividend growth.

Our non-GAAP operating earnings for the first half of 2018 are supportive of our outlook for the full year and we are maintaining our full year guidance for 2018s non-GAAP operating earnings of $3 to $3.20 per share.

With that, I'll turn the call over to Dan, who will discuss our financials in greater detail and then will join Dan at the end of the call for your questions.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Thank you, Ralph and thanks everybody for joining us today. As Ralph said, PSEG reported non-GAAP operating earnings for the second quarter of 2018 of $0.64 per share versus non-GAAP operating earnings of $0.62 per share in last year's second quarter. And a reconciliation of non-GAAP operating earnings to net income for the quarter can be found on slide six.

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We've also provided you with the waterfall chart on slide 11, that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on slide 13, that provides you with the changes in non-GAAP operating earnings by each business for the first half of 2018.

I will now review each company in more detail, starting with PSE&G. PSE&G reported net income of 231 million or $0.46 per share for the second quarter of 2018, compared with net income of $208 million or $0.41 per share for the second quarter of 2017. Results for the quarter is shown on slide 15. PSE&G second quarter results reflect continued successful execution of our infrastructure investment programs and ongoing control of operating expenses. Growth in PSE&G is investment in transmission improved second quarter net income comparisons by $0.03 per share. Revenue recovery of investments made to enhance system resiliency under the energy strong and gas system modernization programs, drove improved margin in second quarter net income comparisons by $0.02 per share.

Distribution OEM savings added a $0.01 per share over the second quarter of 2017 results. Changes to the accounting treatment of the non-service component of pension and OPEB expenses resulted in a favorable $0.02 per share comparison over 2017 second quarter. Partially offsetting the favorable margin items were higher expenses related to depreciation, interest and taxes that had a combined impact of $0.03, compared to 2017s teens second quarter.

As a reminder, transmission revenues are adjusted each year based on the Company's investment program. PSE&Gs investment and transmission is expected to grow to approximately 8.6 billion of rate base at the end of 2018 or 45% of the Company's year-end consolidated rate base. Under Energy Strong, electric rates were adjusted twice during the year in March and September and gas rates were adjusted each year in September.

Under the gas system modernization program, gas rates which are now adjusted each year in January to reflect the investment made during the prior year will move to a semi-annual recovery schedule when we began the GSMP 2 program in 2019. The combined annual revenue increase in 2018 over 2017 from both the Energy Strong and GSMP programs as forecast to be approximately $53 million.

Economic indicators for New Jersey continues to be generally positive, supported by gains in employment and housing data. Quarterly gas sales were higher influenced by cold April temperatures. On a trailing 12-month basis, which provides longer term trending data, weather normalized electric sales were relatively flat, while gas sales were 2.7% higher led by demand from the commercial sector.

Residential, electric and gas customer growth continues to trend higher at approximately 1% per year. And our forecast of PSE&Gs net income for 2018 is unchanged at $1 billion to $1.30 million.

Now let's start to Power. PSEG Power reported net income for the quarter of $41 million or $0.08 per share, compared with a net loss of $97 million or $0.19 per share for the second quarter of 2017. 2017 include an incremental depreciation and other expenses related to last June's retirement of the Hudson and Mercer coal-fired generating stations.

Non-GAAP operating earnings for the second quarter of 2018 were $0.16 per share, compared to $0.19 per share in 2017, and Non-GAAP adjusted EBITDA for the second quarter of 2018 was 210 million, compared to 261 million in 2017. And non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense and depreciation, amortization.

The earnings release in slide 21 provide you with a detailed analysis for the impact on Power's non-GAAP operating earnings quarter-over-quarter. And we've also provided you the generation statistics for the quarter and for the first half of the year on slides 22 and 23. Power's non-GAAP results for the second quarter of 2018 reflect the impact of lower market prices on re-contracting of our hedges, which reduced operating earnings by $0.08 per share. Power experienced a $6 per megawatt hour decline in its average hedged energy prices during the second quarter and this is consistent with our expectations for the full year. Lower volumes of $0.01 per share and higher O&M of $0.02 per share reflect the impact of Power's Hope Creek nuclear refueling outage, compared to the year-ago outage of our 57% owned Salem unit.

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In increasing capacity prices in both PJM and New England, starting on June 1st, improved quarter-over-quarter results by $0.03 per share and higher gas send out as a result of cold April temperatures added a $0.01 per share. The decline in depreciation expense related to the Hudson and Mercer coal requirements, together with lower interest expense and a lower corporate income tax rate combined to improve quarterly comparisons by $0.04 for the quarter.

Now, let's turn to Power's operations. Generation output declined by 5%, compared with the second quarter of 2017, reflecting the planned refueling outage at Hope Creek and other scheduled maintenance. Power's gas-fired combined cycle fleet operated at an average capacity factor of 46% and produce 3.5 terawatt hours of output during the second quarter of 2018, down by a 11% over the year ago quarter, reflecting outages and lower market demand. PJM coal generation output remained constant at 1.4 terawatt hours and operated at an 81% capacity factor in the quarter.

And for the year-to-date period Power's nuclear fleet operated at an average capacity factor of 92.9% producing 15.8 terawatt hours and representing 63% of Power's total generation. Gas prices were flat year-over-year and an improvement in power prices was offset by lower market demand. Power has adjusted its forecast for expected 2018 through 2020 output to reflect current market conditions and now expects 2018 output of 53 terawatt to 55 terawatt hours, 2019 output of 57 terawatt to 59 terawatt hours and 2020 output of 62 terawatt to 64 terawatt hours, down slightly from our earlier forecast volumes of 55 terawatt to 57 terawatt hours for 2018, 59 terawatt to 61 terawatt hours for 2019 and 63 terawatt to 65 terawatt hours for 2020.

An update to Power’s hedge position is provided on slide 25. For the remainder of 2018 Power has hedged 90% to 95% of total forecasted production of 28 terawatt to 30 terawatt hours at an average price of $38 per megawatt hour. For 2019, Power is hedged at 65% to 70% of forecast of production of 57 terawatt to 59 terawatt hours at an average price of $37 per megawatt hour, and for 2020 Power has hedged 35% to 40% of output forecasted to be at 62 terawatt to 64 terawatt hours at an average price of $36 a megawatt hour.

Earlier this year in July the State of New Jersey made changes to its income tax laws, including imposing a temporary surtax on corporate taxable income of 2.5% effective January 1st, 2018 through 2019, and declining to 1.5% in 2020 and 2021. The surcharge provides an exemption for public utilities and as such PSE&G will not be impacted by this change. But for the full year 2018, the tax surcharge is expected to have a modest negative impact our results of Power and to a lesser extent on enterprise and other as each begins to accrue the surcharge starting July 1st 2018.

Our forecast of Power’s full-year 2018 non-GAAP operating earnings and non-GAAP adjusted EBITDA remains unchanged at $485 million to $560 million and a $1.75 billion to $1.180 billion respectively.

Now let me turn to PSEG Enterprise and Other, which reported a net loss of $3 million or $0.01 per share for the second quarter of 2018, compared to a net loss of $2 million for the second quarter of 2017. Non-GAAP operating earnings for the second quarter 2018 were $11 million or $0.02 per share, representing no change versus the second quarter of 2017. The net loss for the second quarter of 2018 includes a pre-tax charge of $20 million related to the ongoing liquidity challenges facing NRG REMA, compared to a similar pre-tax charge of $22 million in the year ago quarter.

Results this quarter also reflect higher parent interest expense offset by the lower federal tax rate at PSEG and ongoing contributions from our PSEG Long Island contract. For 2018, the forecast the PSEG enterprise and other non-GAAP operating earnings remains unchanged at 35 million.

Now I'd like to take a moment just to recap our 2018 to 2022 capital spending plan of $14 billion to $17 billion, with approximately 90% directed to regulated growth initiatives at PSE&G. As we detailed in our Investor Day presentation in May, PSE&Gs five year $12 billion to $15.5 billion capital spending program supports our expected compound annual growth in rate base of 8% to 10% over the 2018 to 2022 period. The recent five-year expansion of GSMP 2 and approximately $1.9 billion is incorporated into the lower end of the spending and growth range, at an average annual spend of approximately $350 million to $400 million, which is an increase over GSMP 1 of approximately $75 million per year beginning in 2019.

The upper end of the range adds the full investment positions contained in our pending $2.5 billion Energy Strong 2 program and our anticipated $2.9 billion Clean Energy Future program that when combined totaled approximately $3.5 billion through 2022. The timeframes for both Energy Strong 2 and our Clean Energy Future program extend beyond

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the 2022 horizons. So the tail end of both programs is beyond PSE&Gs 2018 to 2022 capital spending window.

PSEGs financial position remains strong. Power's free cash flow is expected to improve in 2018 with the decline in capital spending following the completion of construction of Keys and Sewaren and overall we expect an improvement in PSEG's cash flow in 2018 versus 2017. PSEG close the quarter ended June 30th, 2018 with $95 million of cash on its balance sheet and debt representing 50% of consolidated capital.

Power's debt at the end of the quarter represented 34% of its capitalization providing a debt to equity -- debt to EBITDA ratio of 2.7x at the midpoint of Power's 2018 non-GAAP adjusted EBITDA forecast. And well within Power solid investment grade credit metrics. And I would note that in May Standard & Poor's affirmed the credit ratings of PSEG, PSE&G and PSEG Power retaining each rating outlook at stable.

We continue to expect that Powers improving cash flow beginning in the second half of 2018, will be directed to supporting regulated growth investments. PSEG continues to expect no new equity to fund our current capital spending program over the 2018 to 2020 timeframe. And we stand firm in our commitment to providing our shareholders with the opportunity for consistent and sustainable dividend growth, it has averaged nearly 5% annually over the last few years. As Ralph mentioned, we are maintaining our forecast of non-GAAP operating earnings for the full year of $3 to $3.20 per share.

And Leeway, we are now ready to take some questions.

Questions And Answers

Operator

Thank you so much. Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. Your first question comes from the line of Julien Dumoulin-Smith from Bank of America. Please proceed with your question.

Claire Zeng, Analyst

Hey, good morning. This is actually Claire Zeng.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Claire.

Claire Zeng, Analyst

Hi, thank you for taking my questions. So I appreciate the update on the rate case settlement negotiations, just if you could provide a little more color on. Maybe progress on some of the critical issues and just any more color you can give there?

Ralph Izzo, Chairman, President and Chief Executive Officer

Clarie, it's really difficult to reveal the details of the negotiation publicly it doesn't seem fair to the other parties, but there's a bunch of issues that we had resolved even prior to this discussion in terms of storm cost and recovery of that, but we are under confidentiality agreement with the other parties to not discuss the negotiations at this point. I think we just stick with what we've said in the script that we're engaged in the dialog has been constructive, summer vacations are now interfering a little bit and at the end of the day, everything is on schedule and we always have recourse to

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interim rates nine months after the filing date of January. So as much as I'd like to share with you, we do have these confidentiality limitation.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yeah, from a scheduled standpoint we will provide the latest update as we step through time, so the 12+0 will be submitted on the 8th of August and things are moving according to schedule.

Claire Zeng, Analyst

Got it.

Ralph Izzo, Chairman, President and Chief Executive Officer

Just a reminder that our ask is net of the tax give back of 1% rate increase and we'll still be 20% below where rates were in our last rate case, even if we got 100% of our ask.

Claire Zeng, Analyst

Got it. I appreciate the confidentiality aspect. Well, in that case my second question here is broadly, could you give a little more color on how you see New Jersey, the BPUs complaints on transmission cost allocation and cost inflation and how you might address that?

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure. Well, first of all, let's make sure everybody understands that the issue is who pays, not whether we get paid, right. So, PSE&G will get fully compensated for it's transmission investments as per our FERC transmission rates. And there has been some back and forth between who the beneficiaries are of things like the artificial islands stability improvements, the Bergen-Linden Corridor and its impact on New York ISO teams and we have been working with the BPU to obviously advocate for a fair treatment of New Jersey customers. So we are completely aligned and what we want to see happen there. So we obviously had a couple of -- not the best of outcomes from a New Jersey perspective, it's FERC recently, but there is no gap between what we want and what the New Jersey BPU wants. And again, I'll end where I started, which is there's no issue in terms of shareholder recovery of what's been invested.

Claire Zeng, Analyst

Got it. Could you give -- possibly one more color on some of the discussions at PJM to lower transmission cost or if there's anything you can reveal at this time there?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah. I mean, I think that there are two types of transmission projects the PJM has presented to with us, stuff that comes out of the RTEP Regional Transmission Expansion Program and that is generated by PJM. And then, there are additional non-RTEP projects that have more of a local reliability component to it, that the company's generate. And there's been a movement at PJM, which we've been supportive of to make the visibility of the justification for those projects more consistent with each other. That hasn't been the case always in the past, primarily because the RTEP projects are bigger.

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So, if you have one $750 million project like Susquehanna-Roseland, you kind of understand why you want to treat that different, then 10 $75 million projects like a 69 kV upgrade. But, recognizing that customers and load-serving entities and suppliers and all of the stakeholders at PJM have the right information, PJM has been moving towards a passive greater and greater upfront disclosure. We just have to make sure that we don't get to the point where diminishing returns with literally the eight-figure project is or seven-figure project is getting the same amount of upfront time and disclosure that the 9 and 10 figure projects demanded, because that will just paralyze the whole process.

Claire Zeng, Analyst

Thank you.

Operator

Thank you so much. And your next question comes from the line of Praful Mehta from Citigroup. Please proceed with your question.

Praful Mehta, Analyst

Thanks very much. Hi guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Praful.

Praful Mehta, Analyst

Hi, so Ralph, wanted to get your view on this whole capacity reform and the FERC proposal. It sounds like if you're going to remove both demand and supply from the capacity market, it probably has a negative impact or at least not a positive impact on capacity prices. So, first you wanted to get your view on that. And secondly, what does that mean for resources that are getting support like zero emission credits. Does that mean they have to go to the state to kind of get that refund for the capacity that they lost? Just some color on that I would really appreciate it.

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure, Praful. So, I don't think, I'm being pollyannaish, when I say that I'm quite optimistic about what could come out of this, although we don't know, what will come out of this. Let me explain why. It's first of all, let's level set the calendar right now. Barring an unusual action by FERC to call back prior RPM auctions. For the next three years, we know what our financial situation is, right. We have three auctions that took place and those capacity prices are set and it's by no means coincidental that the first phase of the ZEC program in New Jersey will coincide with that, right. We deliberately talked about three year horizons for the ZEC program, because of the visibility of capacity prices and the fairly high visibility of energy prices, although not deterministic the way capacity prices are. So for three years, I think we understand our financial situation pretty well provided our New Jersey units, are selected for the ZEC payments, which I don't want to presume to be the case.

Now, let's take a look at what FERC has said is the reason for doing what they're doing. Number one, they said that they want to allow state flexibility in choosing their own resources. Well, when you get 60 out of 80 votes in the assembly and 28 out of 40 votes in the senate and a Governor who signs the bill, you got to feel pretty good about this

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14368

state wanting to support its nuclear plants. And whether that's through an FRR or some other mechanism, I have a very high degree of confidence that the state recognizes the energy, capacity and environmental attributes of our nuclear plants.

Now, the devil is in the details as to how that will be actually designed and recovered, but again from a policy point of view, that feels pretty good to me. And then when you think about who brought the complaint and why they brought the complaint, the claim is that out of market payments which by the way is not limited to ZECs, it's ZECs, it's RECs it's regulated generation in the market today, that these out of market payments were serving to suppress capacity prices.

So, if the goal is to correct for that, I feel pretty good about what that means for our fossil units. So, somewhere between the goals and Ralph is also feeling good about the goals and getting the details right, is a fair amount of wood to chop obstensibly over the next four months by January 4th, which has all sorts of other probations that are associated with in terms of how many FERC commissions are there, who's filing for rehearing, it wasn't filing for rehearing, et cetera, et cetera.

So, I don't want to suggest that there isn't uncertainty, but there is clearly. But I think, if you hold onto the stated goals to eliminate price oppression for the things that are receiving out of market payments, check that box for our fossil units; and number two, allow states to support those resources if they want to support, check that box for our nuclear units. There's no other boxes for us to check, so that's where I come out of Praful right now. And again, we are actively engaged in the details of how one achieves that and that's the part that no one is able to predict at this point. Dan, I don't know if you want to add anything?

Daniel Cregg, Executive Vice President and Chief Financial Officer

The only other thing I would add, if you think about the mechanics of it as well, Praful, you talked about taking out the load and taking out generation there's a reserve aspect that would come with the load and how that gets worked through would also have an effect. But, that would serve if it was megawatt for megawatt load in generation you absolutely would have the effect you're talking about to the extent, the reserves are going to turn any kind of an FRR alternative into a smaller version of what you're seeing in the market, meaning it would be with reserves you would have a lesser impact or maybe no impact based upon and how that math would work.

Ralph Izzo, Chairman, President and Chief Executive Officer

And not to solve the problem here, but if they remove supply and it’s a small subset and presumably the reserve margin needed for that smaller market would have to be comparable, if not higher than what you have for a 168,000 megawatt 13 state region so --

Praful Mehta, Analyst

Yeah, that's super helpful color. I mean almost the depth of your answer also suggests the complex job here and as you've said, do you really think that it can get done in that January time frame or do you think this is kind of going to take more time?

Ralph Izzo, Chairman, President and Chief Executive Officer

Instinctively, I'd say probably will take more time, but I don't want to second-guess the FERC and the stated schedule, but yeah, I mean we'd be kidding ourselves, if history wasn't some sort of teacher about how long these things take and something is -- complicated is this.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14369

Praful Mehta, Analyst

Got you. Thanks so much guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

You're welcome.

Operator

Thank you so much. And your next question comes from the line of Jonathan Arnold from Deutsche Bank. Please proceed with your question.

Jonathan Arnold, Analyst

Good morning guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hey, Jonathan.

Jonathan Arnold, Analyst

A question on -- I was just curious what's -- the Analyst Day, Ralph, you had said that on the CEF filing you'd already held the 30-day pre-filing and that was kind of ready to go and your slides today say later in the year, I think you said in the near-term, but either way, it seems to have been held off a little bit. Can you give us any color of why that is?

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure, Jonathan. It's very simple, we've got a wonderful opportunity here with Governor Murphy's passion for the types of things that are in that filing and we just want to work very closely with the front office in terms of policy alignment and you may or may not be aware of this, but June 30th is the end of the fiscal year for New Jersey. So until June 30th arrive, it's just impossible to think of anything, but State budget conversations, right. So, even though energy is important, it doesn't step in front of the state budget. So, then you run into vacations, it's really just a question of being completely in sync with the policy of the administration and having a couple other things step in front of us for that. But nothing more than that. I would be surprised if it's much delayed at this point. Once we get some people back from vacation to look.

Jonathan Arnold, Analyst

Well, you're saying seems to imply it might evolve a little bit versus what you showed us, is that a fair?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, the program elements, but I wouldn't expect -- I mean we are determined to go in with this dollar amount, if anything, you know, this interesting BPU comment on the importance of AMI for outage restoration could affect what

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14370

we submit, and that obviously would have the effect too, if anything increase it, somewhat as opposed to decrease it.

Jonathan Arnold, Analyst

So that's what I was going to ask as you. So do you have an early sort of feel of what a full deployment would cost and -- yeah, and it sounds like you're saying that would be incremental rather than displacing something else the wonderful words from you.

Ralph Izzo, Chairman, President and Chief Executive Officer

You are correct, it would be incremental, I'd rather I not give that number Jonathan, because we're just starting that conversation with BPU staff and I'd rather not have them hear it for the first time in one of your reports, even though they're well written and wonderful reports, yeah.

Jonathan Arnold, Analyst

Okay. But you would -- but to the point of being incremental or sort of -- instead of what's the --

Ralph Izzo, Chairman, President and Chief Executive Officer

I would think it will be more incremental, rather then we don't want to take away from the other side.

Jonathan Arnold, Analyst

Okay.

Daniel Cregg, Executive Vice President and Chief Financial Officer

From dollar amount standpoint as well, Jonathan. If you look at the spend that's been identified and then what have been talking about that does aligned with the EE savings objectives that are laid out within the legislation. So that should hold fairly steady to get the savings that we need and having the spend that we've talked about.

Jonathan Arnold, Analyst

Okay, thanks. Just one other topic if I may. Dan, you mentioned the lower forecast for output power. Just curious, if you could give us a little more color behind why the change is in '19 and '20?

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yeah, and I think Jonathan, it's a little bit of what we're seeing from a market demand perspective right now and also a little bit related to whether or not the units are running through the night and whether there is some dubfire and that's going on. So just they moved from time-to-time and they remain estimates, and as we step through 2019 and 2020, we'll continue to keep an eye on it, but the early indications now is that there's a little bit more downward pressure than up, so we're just providing that from the standpoint of our forecasted output.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14371

Jonathan Arnold, Analyst

Okay, thank you.

Operator

Thank you so much. And your next question comes from the line of Greg Gordon from Evercore. Please proceed with your question.

Greg Gordon, Analyst

Hey, good morning.

Ralph Izzo, Chairman, President and Chief Executive Officer

Good morning, Greg.

Greg Gordon, Analyst

Not to layer uncertainty upon uncertainty, but in addition to the 206 related to the capacity market ahead, your Power markets are -- was sort of articulated in the last answer to last question, you know, pretty low and more about pricing wise, but we've got this has our pricing decision pending there also seems to be a continued desire around the part of PJM leadership to address the overall pricing model from an energy perspective. So would seem to me that, you know, the revenue model for Power does have a lot of uncertainty on both sides of the equation, capacity and energy. But it would seem to me that they're both bias to the upside, but I don't want -- I'd rather than bias or answer, I'd like to hear what you think about the momentum for energy price reform as well both fast-start and if the momentum can be reestablished on low power price reform?

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yes, I think what we're hearing is a fast-start can and should be implemented beginning of '19 and then the broader inflexible unit aspects of price formation PJM has committed to filing something at the end of this year. So I would agree with you, Greg my sense and this is not -- is just that is, that there has been enough delays and false starts that it's hard to believe that either or both of those are fully baked into the forward price curve at this point. So that would suggest that there is more upside, I mean if a fast-start unit is allowed to set price, that's a good thing, right. And if an inflexible unit allowed to surprise that's a good thing. But I would be less than wholly accurate, if I didn't say that when we last met at EEI, I thought that it would happen around this time, because that's what PJM was saying, yet we are not there yet.

So there's got to be some degree of discounting going on -- in the forward price curve, but we don't outguess the forward price curve view, we do have a range of hedging that we allow ourselves to gravitate up or down within some boundaries, but so short answer, yes, I would agree there is some upside, but the delays of the past fully account for I think some of the skepticism that might not have fully priced this into the forward curve.

Greg Gordon, Analyst

Okay. Thank you, Ralph. Have a good day.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14372

Operator

Thank you so much. And your next question comes from the line of Steven Fleishman from Wolfe Research. Your line is now open.

Steven Fleishman, Analyst

Hi, Ralph good morning. So just to kind of get a better understanding of scenarios from the FERC structure, I get where you say that you kind of have a protection for non-subsidized generation and a path forward on subsidized generation. I guess the only issue would be you would -- I assume need to get a new legislative structure then, if this now, it can be done within the current one?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, well, I mean, of course it depends on what FERC says, but we have every reason to believe that the state could designate resource requirements that it -- that, you know, for example, it got legislation right now that's been signed by the Governor saying about 40% of its energy to come from nuclear plants, so that legislation exists. There is renewable energy legislation that exists in terms of our renewable portfolio standards. So the approach we would think could work is that the BPU would simply say that based upon that statutory authority using a couple of mechanisms that we've already started talking about, but I'd rather not go into detail here, it could be purely done through regulation without any need for additional legislation fully supportive of the 3,500 megawatts of nuclear, 1,400 megawatts of solar and whatever else is running out there right now, which I'm not counting.

Steven Fleishman, Analyst

Okay. So the fact that there was a $300 million cap on the ZECs is not relevant for that aspect?

Ralph Izzo, Chairman, President and Chief Executive Officer

No it is, right, because the ZEC was not a payment for energy or capacity, the ZEC was the payment for fuel diversity and environmental attributes, so to supply the load in New Jersey there has to be an energy and a capacity payment and that's wholly separate from the ZEC payment that's -- that was abundantly clear in the legislation and --

Steven Fleishman, Analyst

Okay, okay. And then just -- I'm just curious if, you know, in trying to figure out this full picture. If you've heard any updates on potential DOE, fuel stability plan and just where that might be and how that might fit into this?

Ralph Izzo, Chairman, President and Chief Executive Officer

I have not -- we one could conclude that if price suppression has been eliminated that could solve DOE's concern about the units that are suffering from that price suppression becoming viable again, but that's really an extrapolation that you'd have to judge for yourself. The DOE issues been out there for a while now, there is a resiliency technical workshop going on at FERC, I think there was a meeting yesterday, if I'm not mistaken or two days ago, but I don't have any other information then what you probably have already surmised or read it in the press.

final
Bloomberg Transcript
Bloomberg

SI-SSA-0015-14373

Steven Fleishman, Analyst

And then just on the AMI potential program you mentioned when are we going to -- what is the date from one will get an update on that?

Ralph Izzo, Chairman, President and Chief Executive Officer

So, if we file it with the clean energy filing it would literally be within a couple of weeks, if not -- the outset maybe a month or two. If it's done separately that could be a little longer date, if that could spill into the end of this year.

Steven Fleishman, Analyst

Okay. Thank you.

Ralph Izzo, Chairman, President and Chief Executive Officer

You're welcome.

Operator

Thank you so much. And your next question comes from the line of Paul Patterson from Glenrock. Your line is now open.

Paul Patterson, Analyst

Good morning, guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Paul.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Hi, Paul.

Paul Patterson, Analyst

So just to sort of follow-up on this capacity, just make sure I understand Praful and Greg's and other questions. The -- and your answers I guess, it seems to me that if I understand you correctly, you expect to see some additional form of mitigation measures to address the impact of essentially through the self supply FRR specific resource alternative. Is that correct and am I understanding that correctly?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, that's right Paul, I show what we understand FERC has said and it's second step of the process was that, okay states, if you want to assure your own resource adequacy consisting of various components then you can do that and

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14374

we'll let you remove them from the market, as well as the load associated with that. And I think we're profitable and we were talking about was in the second half of that sentence, what is the load associated with that, right. So if resource adequacy and a 168,000 megawatt market is 16% or 15.8%. What's an adequate reserve margin, when the market is 3,000 megawatts, is it higher, is it lower, I would argue it's much higher, because if you lose one nuclear unit out of 3,000 you've got a big problem, so may be resource adequacy then says the you've got to have -- you are only taking, your reserve margin needs to be 35%. I'm making stuff up here with you. So the state wants that nuclear unit it's paying for the environmental attributes, it's going to collect an energy price in the PJM market, it's then going to set a capacity price presumably through a market proxy that RPM would be a great duplicate for, and then it's going to leave behind a lot more load and it took out and a lot less supply, then it took out, well that works nicely for the residual market, we just have to make sure that, that everyone else sees it that way.

Daniel Cregg, Executive Vice President and Chief Financial Officer

At a minimum if you think about, if you do have that hypothetical situation, that Ralph just talks about and there's a shortfall with respect to the load and the resources that we're taking out, what's going to happen is that, that load is going to rely upon the balance of the market and the reserve that sits within the balance of that market. So, a very strong reserve within the balance of that market is going to, inures to the benefit of the load that was taken out for an FRR. So absent some kind of ability to ensure that, that's compensated for there's a bit of a free rider issue. So logic would tell you that there should be a reserve that's going to be appropriate for the smaller amount of load that's come out.

Paul Patterson, Analyst

I hear you, but that really hasn't been done with regulated assets, right. I mean, we don't see that, I mean PJMs, IRM has been done sort of on a footprint or regional specific area, it doesn't seem like they've said, okay, this muni and this co-op if they have right, I mean that's why it seems a little bit, seems little novel to me. I mean, I understand the logic and, but I appreciate that, that will be interesting to see how it all works out. Just on NRG REMA, how much more do we have left there, what's the net investment after all this?

Daniel Cregg, Executive Vice President and Chief Financial Officer

There's an aggregate total of $20 million that's there. So, and those are the more acute area, so there's very little that remains in that regard.

Paul Patterson, Analyst

Okay. So we're pretty much finished with all, I think?

Daniel Cregg, Executive Vice President and Chief Financial Officer

I mean we'll see what happens. Ultimately, there could be some timing aspects to the extent that there is a process that goes forward within a bankruptcy scenario there could be a write-down in the aggregate, to be followed at a later date by a recovery in the aggregate. So from the accounting conservative standpoint, you could see more down before there is a recovery and they could be separated as opposed to net it. That would be the other element that I would point out here.

Paul Patterson, Analyst

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14375

Okay. Great, thanks so much.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Sure.

Operator

Thank you so much. Mr. Izzo, Mr. Cregg, there are no further questions at this time, so please continue with your presentation and closing remarks.

Ralph Izzo, Chairman, President and Chief Executive Officer

Right. Yes, so thank you all for joining us. I know that Dan and Carlotta will be on the road next week, if I'm not mistaken and then for sure we'll see everyone at EEI in San Francisco in November and once again we are pleased with where we are in terms of the Power portfolio and the construction of the new units going into service and the ongoing growth of the utility with no shortage of opportunities that continue to surface, the strength of the balance sheet and security of the dividend and look forward to seeing you on the road in San Francisco. Thanks everyone.

Operator

Ladies and gentlemen, this does conclude your conference call for today. You may now disconnect and thank you for participating.

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final
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SI-SSA-0015-14376

For further information, contact:

- Carlotta Chan, Senior Director – Investor Relations Phone: 973-430-6565
- Brian Reighn, Manager – Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2018 SECOND QUARTER RESULTS

$0.53 PER SHARE OF NET INCOME

Non-GAAP Operating Earnings of $0.64 Per Share

Reaffirms Non-GAAP Operating Earnings Guidance $3.00 - $3.20 Per Share

PSEG Power Places Keys Energy Center and Sewaren 7 in Service

Progress Continues on PSEG's $14 Billion to $17 Billion Capital Spending Program; Supports PSE&G's Rate Base Growth Projection of 8%-10% per year over 2018-2022

(August 1, 2018 – Newark, NJ) Public Service Enterprise Group (NYSE: PEG) reported today Net Income for the second quarter of 2018 of $269 million, or $0.53 per share as compared to Net Income of $109 million, or $0.22 per share, in the second quarter of 2017. Non-GAAP Operating Earnings for the second quarter of 2018 were $325 million, or $0.64 per share, compared to non-GAAP Operating Earnings for the second quarter of 2017 of $316 million, or $0.62 per share. Prior-year results included costs related to the early retirement of the Hudson and Mercer generating stations.

Ralph Izzo, chairman, president and chief executive officer, said "PSEG's second quarter earnings benefited once again from expanded investment at PSE&G and ongoing focus on cost containment across PSEG. We recently reached several significant milestones, including obtaining final New Jersey Board of Public Utilities (BPU) approval of PSE&G's $1.9 billion, 5-year Gas System Modernization Program II (GSMP II); filing the utility's Energy Strong II infrastructure program; and completing construction of Power's newest generating stations at Keys and Sewaren. PSEG was also an active participant as New Jersey shaped its energy policy with the enactment of a wide ranging clean energy law that sets ambitious targets on energy efficiency, off-shore wind, battery storage and renewable portfolio standards that would require use of 50% of renewable energy by 2030. Governor Murphy also signed zero emission certificate (ZEC) legislation that will help preserve the benefits nuclear generation provides to New Jersey."

The table below provides a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the second quarter. See Attachment 10 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings.

PSEG CONSOLIDATED RESULTS (unaudited)
Second Quarter Comparative Results
2018 and 2017

	Income ($ millions)		Diluted Earnings Per Share	
	2018	**2017**	**2018**	**2017**
Net Income	$269	$109	$0.53	$0.22
Reconciling Items*	56	207	0.11	0.40
Non-GAAP Operating Earnings	**$325**	**$316**	**$0.64**	**$0.62**
		Avg. Shares	**507M**	**507M**

*See Attachment 10

Ralph Izzo went on to say, "With solid financial results in the first half of 2018, we are re-affirming our non-GAAP Operating Earnings guidance for the year of $3.00 - $3.20 per share. The approval of PSE&G's GSMP II combined with two recently outlined investment programs (Energy Strong II filed in June, and Clean Energy Future (CEF) expected to be filed later in 2018) support PSEG's projected capital investment program of $14 billion to $17 billion over the 2018 to 2022 period. PSEG's strong balance sheet and financial flexibility will enable funding of this expanded capital program over the 5-year period without the need to issue equity."

The following table outlines PSEG's expectations for non-GAAP Operating Earnings by subsidiary for 2018.

2018 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	2018E
PSE&G	$1,000 - $1,030
PSEG Power	$485 - $560
PSEG Enterprise/Other	$35 - $35
Non-GAAP Operating Earnings	$1,520 - $1,625
Non-GAAP EPS	$3.00 - $3.20

E = Estimate

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 5 and 6 for detail regarding the second quarter and year-to-date reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $231 million ($0.46 per share) for the second quarter of 2018 compared with Net Income of $208 million ($0.41 per share) for the second quarter of 2017.

PSE&G's second quarter results reflect continued, successful execution of its infrastructure investment programs and ongoing control of operating expenses. PSE&G's growth in Transmission investment added $0.03 per share to quarter-over-quarter Net Income comparisons. Recovery of investments made to enhance system resiliency under Energy Strong and GSMP drove improved

SI-SSA-0015-14378

margin comparisons of $0.02 per share. Distribution O&M savings added $0.01 per share over second quarter 2017 results. Changes to the accounting treatment of the non-service component of pension and other post-retirement benefit (OPEB) expenses resulted in a favorable $0.02 per share comparison over 2017's second quarter. These favorable items were offset by an increase in depreciation expense of $0.01 per share, higher interest expense of $0.01 per share, and an increase in taxes and other items of $0.01 versus the second quarter of 2017.

Economic indicators for New Jersey continued to be generally positive, supported by gains in employment and housing data. Quarterly gas sales were higher, influenced by cold April temperatures. On a trailing 12-month basis, which provides longer-term trending data, weather normalized electric sales were relatively flat while gas sales were 2.7% higher, led by demand from the commercial sector. Residential electric and gas customer growth continues to trend higher at approximately 1% per year.

PSE&G received approval of its GSMP II from the BPU in May, and expects to begin this infrastructure replacement program in 2019 to invest $1.9 billion over five years. In early June, PSE&G filed with the BPU the second stage of its Energy Strong Program that proposed a $2.5 billion investment in New Jersey's infrastructure to further strengthen the utility's distribution systems to withstand storms, improve reliability, and significantly enhance grid resiliency and modernize an aging infrastructure.

PSE&G's pending electric and gas distribution base rate case filed in January 2018 is progressing. PSE&G expects to provide another routine update to its filing with the BPU in August. In addition, three public hearings were recently completed, and initial testimony from the BPU staff and intervenors is expected in early August.

In support of New Jersey's clean energy legislation enacted in late May, PSE&G continues to develop its CEF program, a $2.9 billion, six-year proposal aligned with NJ's energy policy goals. The CEF details PSE&G's broad range of planned investments in energy efficiency, electric vehicle infrastructure, and battery storage focused on achieving required savings in electric and gas usage in a cost efficient manner to broadly benefit our customer base.

PSE&G's forecast of Net Income for 2018 is unchanged at $1,000 million - $1,030 million.

PSEG Power

PSEG Power reported Net Income of $41 million ($0.08 per share) for the second quarter of 2018 compared with a Net Loss of $97 million ($0.19 per share) for the second quarter of 2017. PSEG Power's non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA for the second quarter of 2018 were $83 million ($0.16 per share) and $210 million, respectively, compared to non-GAAP Operating Earnings of $97 million ($0.19 per share) and non-GAAP Adjusted EBITDA of $261 million for the second quarter of 2017.

PSEG Power's Net Income comparison for the second quarter reflects an increase in capacity prices of $0.03 per share. Re-contracting and lower market demand reduced results by $0.08 per share compared with the second quarter of 2017. Higher gas send out in response to cold April weather added $0.01, but was offset by $0.01 per share of lower generation volume. Higher O&M expense of $0.02 per share reflects Power's full ownership share of the Hope Creek nuclear refueling outage in

SI-SSA-0015-14379

Q2 2018 compared with its co-ownership share of the Salem nuclear refueling outage in Q2 2017, along with other planned fossil maintenance. Lower depreciation from cost savings associated with the early retirement of Hudson and Mercer generating stations along with lower interest added $0.01 per share versus the year-ago quarter. A reduction in the corporate tax rate from the Tax Cut and Jobs Act and other tax items improved Net Income comparisons by $0.03 per share in the second quarter.

Generation output declined by 5% compared with Q2 2017 reflecting the planned refueling at Hope Creek and other scheduled maintenance outages. Power's gas-fired CCGT fleet operated at an average capacity factor of 46% and produced 3.5 TWh of output during the second quarter of 2018, down by 11% over the year-ago quarter, reflecting the outages and lower market demand. Coal generation output remained constant at 1.4 TWh and operated at an 81% capacity factor in the quarter. For the year-to-date period, Power's nuclear fleet operated at an average capacity factor of 92.9%, producing 15.8 TWh representing 63% of total generation.

Power's forecast of total output for 2018 is now slightly lower at 53 – 55 TWh from its prior estimate of 55 – 57 TWh. For the remainder of 2018, Power has hedged 90% - 95% of total forecasted production of 28 – 30 TWh at an average price of $38 per MWh. For 2019, Power has hedged 65% - 70% of forecasted production of 57 – 59 TWh at an average price of $37 per MWh. For 2020, Power has hedged 35% - 40% of output forecasted to be 62 – 64 TWh at an average price of $36 per MWh. The forecasted output for 2018 – 2020 includes generation associated with 1,300 MW of new, gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren 7 in New Jersey, as well as the mid-2019 commercial start-up of the 485 MW gas-fired CCGT at Bridgeport Harbor, Connecticut.

In May, New Jersey legislation enabling zero emission certificates was signed into law by Governor Murphy in an effort to preserve the economic viability of nuclear power resources that produce over 90% of the state's carbon free generation. The legislation calls for the BPU (within a 330-day period from enactment) to establish a collection process for a customer charge, determine eligibility and certification of need, and ultimately select nuclear plants to potentially receive ZECs starting in April 2019. The BPU will rank nuclear plant applicants based on considerations that impact fuel diversity, air quality, and other environmental attributes. Power estimates that if all of its New Jersey nuclear units are selected, it could be eligible to receive ZEC revenues of approximately $200 million per year during each 3-year cycle.

In June 2018, the Federal Energy Regulatory Commission (FERC) issued an order finding that PJM's current capacity market is unjust and unreasonable because it allows resources supported by out-of-market payments to suppress capacity prices. FERC established a new proceeding to address an alternative approach in which PJM would: (1) modify PJM's minimum offer price rule (MOPR) so that it would apply to new and existing resources that receive out-of-market payments, regardless of resource type; and (2) establish an option that would allow, on a resource-specific basis, resources receiving out-of-market support to be removed from the PJM capacity market, along with a commensurate amount of load, for some period of time. We intend to continue to participate in this proceeding.

In July 2018, the State of New Jersey made significant changes to its income tax laws, including imposing a temporary surtax on corporate taxable income of 2.5% effective January 1, 2018 and 2019, and 1.5% in 2020 and 2021. The surcharge provides an exemption for public utilities; as such PSE&G is not expected to be impacted by this change. For the full-year 2018, the tax surcharge is

SI-SSA-0015-14380

expected to have a modest negative impact on results at Power, and to a lesser extent on Enterprise/Other, as each begins to accrue the surcharge starting July 1, 2018.

The forecast of Power's non-GAAP Operating Earnings for 2018 and non-GAAP Adjusted EBITDA remain unchanged at $485 million - $560 million and $1,075 million - $1,180 million, respectively.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Loss of $3 million ($0.01 per share) for the second quarter of 2018 compared to a Net Loss of $2 million for the second quarter of 2017.

Non-GAAP Operating Earnings for the second quarter of 2018 were $11 million ($0.02 per share) compared to non-GAAP Operating Earnings of $11 million ($0.02 per share) in the second quarter of 2017.

The net loss for the second quarter of 2018 includes a pre-tax charge of $20 million related to ongoing liquidity challenges facing NRG REMA compared to a similar pre-tax charge of $22 million in the year-ago quarter. Results this quarter also reflect higher parent interest expense, offset by tax benefits at PSEG.

For 2018, the forecast of PSEG Enterprise/Other non-GAAP Operating Earnings remains unchanged at $35 million.

#######

About PSEG:

Public Service Enterprise Group (NYSE:PEG) is a publicly traded diversified energy company with annual revenue of $9.1 billion in 2017. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

Non-GAAP Financial Measures

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

SI-SSA-0015-14381

Management believes the presentation of non-GAAP Adjusted EBITDA for Power is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization.

See Attachments 10 and 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;

SI-SSA-0015-14382

- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "Email Alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

***Visit PSEG at**: www.pseg.com*; PSEG blog, Energize!; PSEG My Alerts!

TO FOLLOW AND CONNECT WITH PSEG VIA SOCIAL MEDIA, CLICK ON THE LINKS BELOW:

PSEG Social Media Channels: PSEG on Facebook; PSEG on Twitter; PSEG on LinkedIn; PSEG on YouTube; https://www.youtube.com/user/PSEGvideo

SI-SSA-0015-14383

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended June 30, 2018

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,016	$ (137)	$ 1,386	$ 767
OPERATING EXPENSES				
Energy Costs	600	(261)	488	373
Operation and Maintenance	725	104	353	268
Depreciation and Amortization	280	9	187	84
Total Operating Expenses	1,605	(148)	1,028	725
OPERATING INCOME	411	11	358	42
Income from Equity Method Investments	5	-	-	5
Net Gains (Losses) on Trust Investments	8	-	-	8
Other Income (Deductions)	34	1	20	13
Non-Operating Pension and OPEB Credits (Costs)	19	1	15	3
Interest Expense	(111)	(18)	(82)	(11)
INCOME (LOSS) BEFORE INCOME TAXES	366	(5)	311	60
Income Tax Benefit (Expense)	(97)	2	(80)	(19)
NET INCOME (LOSS)	**$ 269**	**$ (3)**	**$ 231**	**$ 41**
Reconciling Items Excluded from Net Income (Loss) [b]	56	14	-	42
OPERATING EARNINGS (non-GAAP)	**$ 325**	**$ 11**	**$ 231**	**$ 83**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.53**	**$ (0.01)**	**$ 0.46**	**$ 0.08**
Reconciling Items Excluded from Net Income (Loss) [b]	0.11	0.03	-	0.08
OPERATING EARNINGS (non-GAAP)	**$ 0.64**	**$ 0.02**	**$ 0.46**	**$ 0.16**

Three Months Ended June 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,142	$ (169)	$ 1,393	$ 918
OPERATING EXPENSES				
Energy Costs	588	(286)	488	386
Operation and Maintenance	718	103	359	256
Depreciation and Amortization	641	10	166	465
Total Operating Expenses	1,947	(173)	1,013	1,107
OPERATING INCOME (LOSS)	195	4	380	(189)
Income from Equity Method Investments	5	-	-	5
Net Gains (Losses) on Trust Investments	25	1	-	24
Other Income (Deductions)	33	-	21	12
Non-Operating Pension and OPEB Credits (Costs)	1	-	(1)	2
Interest Expense	(91)	(9)	(69)	(13)
INCOME (LOSS) BEFORE INCOME TAXES	168	(4)	331	(159)
Income Tax Benefit (Expense)	(59)	2	(123)	62
NET INCOME (LOSS)	**$ 109**	**$ (2)**	**$ 208**	**$ (97)**
Reconciling Items Excluded from Net Income (Loss) [b]	207	13	-	194
OPERATING EARNINGS (non-GAAP)	**$ 316**	**$ 11**	**$ 208**	**$ 97**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.22**	**$ -**	**$ 0.41**	**$ (0.19)**
Reconciling Items Excluded from Net Income (Loss) [b]	0.40	0.02	-	0.38
OPERATING EARNINGS (non-GAAP)	**$ 0.62**	**$ 0.02**	**$ 0.41**	**$ 0.19**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 10 and 11 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Six Months Ended June 30, 2018

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 4,834	$ (567)	$ 3,231	$ 2,170
OPERATING EXPENSES				
Energy Costs	1,552	(837)	1,270	1,119
Operation and Maintenance	1,479	221	744	514
Depreciation and Amortization	560	17	377	166
Total Operating Expenses	3,591	(599)	2,391	1,799
OPERATING INCOME	1,243	32	840	371
Income from Equity Method Investments	7	-	-	7
Net Gains (Losses) on Trust Investments	(14)	-	-	(14)
Other Income and (Deductions)	66	2	40	24
Non-Operating Pension and OPEB Credits (Costs)	38	1	30	7
Interest Expense	(214)	(33)	(163)	(18)
INCOME BEFORE INCOME TAXES	1,126	2	747	377
Income Tax Benefit (Expense)	(299)	-	(197)	(102)
NET INCOME	**$ 827**	**$ 2**	**$ 550**	**$ 275**
Reconciling Items Excluded from Net Income [b]	(10)	14	-	(24)
OPERATING EARNINGS (non-GAAP)	**$ 817**	**$ 16**	**$ 550**	**$ 251**
Earnings Per Share				
NET INCOME	**$ 1.63**	**$ -**	**$ 1.09**	**$ 0.54**
Reconciling Items Excluded from Net Income [b]	(0.02)	0.03	-	(0.05)
OPERATING EARNINGS (non-GAAP)	**$ 1.61**	**$ 0.03**	**$ 1.09**	**$ 0.49**

Six Months Ended June 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 4,733	$ (673)	$ 3,219	$ 2,187
OPERATING EXPENSES				
Energy Costs	1,456	(872)	1,250	1,078
Operation and Maintenance	1,435	218	729	488
Depreciation and Amortization	1,469	17	337	1,115
Total Operating Expenses	4,360	(637)	2,316	2,681
OPERATING INCOME (LOSS)	373	(36)	903	(494)
Income from Equity Method Investments	8	-	-	8
Net Gains (Losses) on Trust Investments	53	8	2	43
Other Income (Deductions)	65	(1)	43	23
Non-Operating Pension and OPEB Credits (Costs)	1	-	(3)	4
Interest Expense	(189)	(16)	(144)	(29)
INCOME (LOSS) BEFORE INCOME TAXES	311	(45)	801	(445)
Income Tax Benefit (Expense)	(88)	28	(294)	178
NET INCOME (LOSS)	**$ 223**	**$ (17)**	**$ 507**	**$ (267)**
Reconciling Items Excluded from Net Income (Loss) [b]	559	45	-	514
OPERATING EARNINGS (non-GAAP)	**$ 782**	**$ 28**	**$ 507**	**$ 247**
Earnings Per Share				
NET INCOME (LOSS)	**$ 0.44**	**$ (0.03)**	**$ 1.00**	**$ (0.53)**
Reconciling Items Excluded from Net Income (Loss) [b]	1.10	0.08	-	1.02
OPERATING EARNINGS (non-GAAP)	**$ 1.54**	**$ 0.05**	**$ 1.00**	**$ 0.49**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 10 and 11 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	June 30, 2018	December 31, 2017
DEBT		
Commercial Paper and Loans	$ 270	$ 542
Long-Term Debt*	14,060	13,068
Total Debt	14,330	13,610
STOCKHOLDERS' EQUITY		
Common Stock	4,955	4,961
Treasury Stock	(813)	(763)
Retained Earnings	10,426	9,878
Accumulated Other Comprehensive Loss	(410)	(229)
Total Stockholders' Equity	14,158	13,847
Total Capitalization	$ 28,488	$ 27,457

*Includes current portion of Long-Term Debt

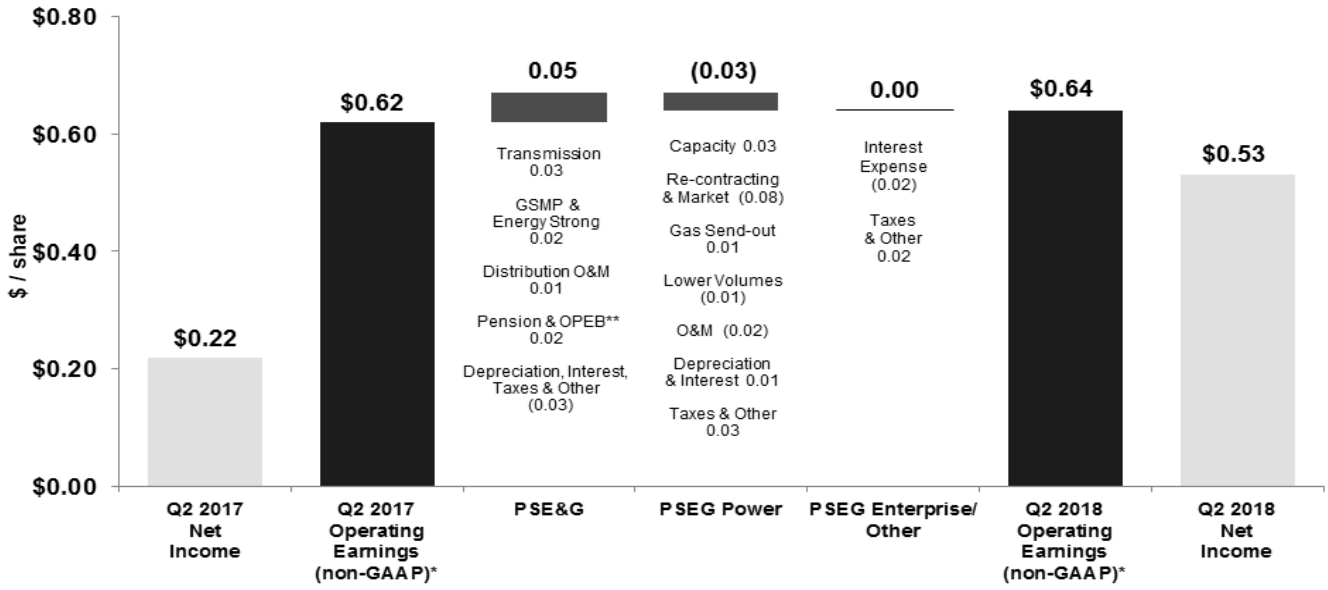
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Six Months ended June 30, 2018	Six Months ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 827	$ 223
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	806	1,532
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,633	1,755
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,027)	(1,989)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	190	240
Net Change in Cash, Cash Equivalents and Restricted Cash	(204)	6
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	315	426
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 111	$ 432

Attachment 5

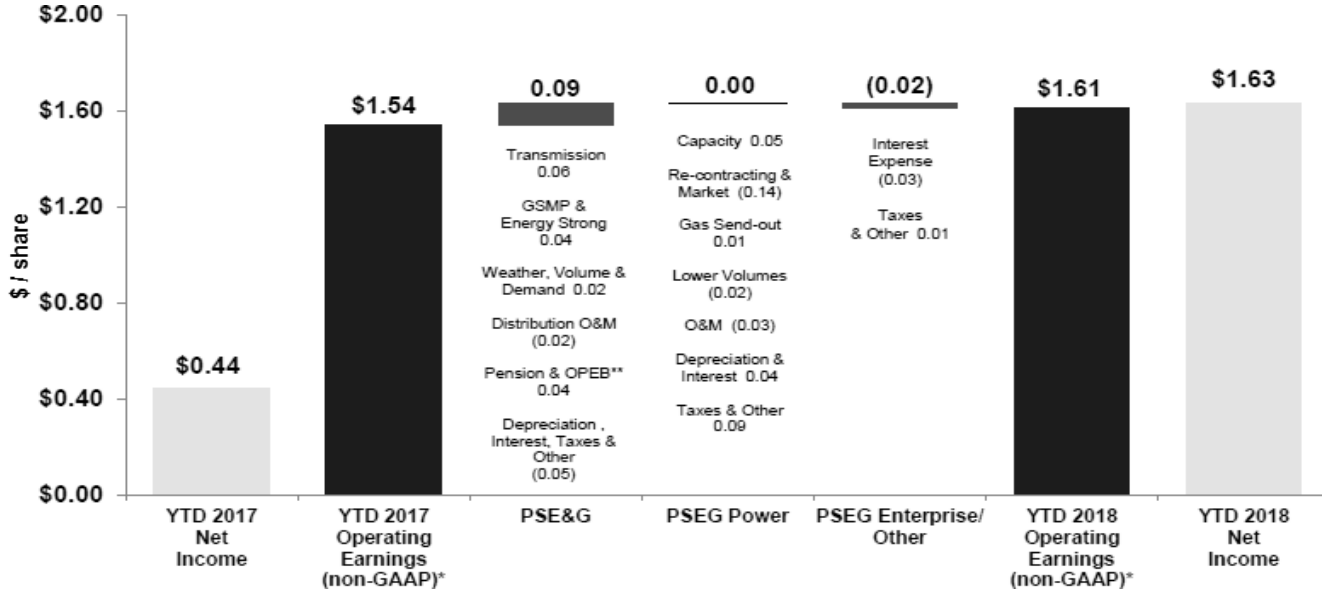
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
June 30, 2018 vs. June 30, 2017
(Unaudited)



*See Attachments 10 and 11 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
June 30, 2018 vs. June 30, 2017
(Unaudited)



*See Attachments 10 and 11 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales
(Unaudited)
June 30, 2018

Electric Sales

Sales (millions kWh)	Three Months Ended	Change vs. 2017	Six Months Ended	Change vs. 2017
Residential	3,042	2.2%	6,135	2.7%
Commercial & Industrial	6,668	2.0%	13,378	0.4%
Street Lighting	71	4.0%	170	3.1%
Interdepartmental	2	-1.8%	5	1.5%
Total	9,783	2.1%	19,688	1.1%
Weather Data				
THI Hours - Actual	4,166	-4.6%	4,212	-3.9%
THI Hours - Normal	4,051		4,083	

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2017	Six Months Ended	Change vs. 2017
Firm Sales				
Residential Sales	226	21.8%	962	12.6%
Commercial & Industrial	192	28.4%	673	13.1%
Total Firm Sales	**418**	**24.8%**	**1,635**	**12.8%**
Non-Firm Sales				
Commercial & Industrial	272	-23.7%	487	-29.1%
Total Non-Firm Sales	**272**		**487**	
Total Sales	**690**	**-0.2%**	**2,122**	**-0.7%**
Weather Data				
Degree Days - Actual	561	18.7%	3,044	9.8%
Degree Days - Normal	499		3,020	

*CSG rate included in non-firm sales

Attachment 8

PSEG POWER LLC
Generation Measures[1]
(Unaudited)

	GWhr Breakdown Three Months Ended June 30,		GWhr Breakdown Six Months Ended June 30,	
	2018	2017	2018	2017
Nuclear - NJ	4,527	4,800	10,050	10,314
Nuclear - PA	2,839	2,766	5,704	5,607
Total Nuclear	**7,366**	**7,566**	**15,754**	**15,921**
Fossil - Coal[2]	**1,383**	**1,360**	**2,907**	**2,794**
Fossil - Natural Gas & Oil - NJ	2,166	2,526	3,874	4,628
Fossil - Natural Gas & Oil - NY	1,411	1,495	2,490	2,445
Fossil - Natural Gas & Oil - CT	1	4	16	(2)
Total Natural Gas & Oil[3]	**3,578**	**4,025**	**6,380**	**7,071**
	12,327	**12,951**	**25,041**	**25,786**

	% Generation by Fuel Type Three Months Ended June 30,		% Generation by Fuel Type Six Months Ended June 30,	
	2018	2017	2018	2017
Nuclear - NJ	37%	37%	40%	40%
Nuclear - PA	23%	21%	23%	22%
Total Nuclear	**60%**	**58%**	**63%**	**62%**
Fossil - Coal[2]	**11%**	**11%**	**12%**	**11%**
Fossil - Natural Gas & Oil - NJ	18%	19%	15%	18%
Fossil - Natural Gas & Oil - NY	11%	12%	10%	9%
Fossil - Natural Gas & Oil - CT	0%	0%	0%	0%
Total Natural Gas & Oil[3]	**29%**	**31%**	**25%**	**27%**
	100%	**100%**	**100%**	**100%**

[1]Excludes Solar and Kalaeloa
[2]Includes Pumped Storage which accounted for <1% of total generation.
[3]Include several units that are dual fuel for oil.

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Weighted Average Common Shares Outstanding (millions)				
Basic	504	505	504	505
Diluted	507	507	507	507
Stock Price at End of Period			$ 54.14	$ 43.01
Dividends Paid per Share of Common Stock	$ 0.45	$ 0.43	$ 0.90	$ 0.86
Dividend Yield			3.3%	4.0%
Book Value per Common Share			$ 28.10	$ 25.60
Market Price as a Percent of Book Value			193%	168%

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income	**$ 269**	**$ 109**	**$ 827**	**$ 223**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(9)	(30)	15	(47)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	67	(36)	(51)	(46)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	(1)	387	3	951
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	20	22	20	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(21)	(136)	3	(376)
Operating Earnings (non-GAAP)	**$ 325**	**$ 316**	**$ 817**	**$ 782**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	**$ 0.53**	**$ 0.22**	**$ 1.63**	**$ 0.44**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.01)	(0.06)	0.03	(0.09)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.13	(0.07)	(0.10)	(0.09)
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.77	0.01	1.87
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.03	0.04	0.03	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(0.04)	(0.28)	0.01	(0.74)
Operating Earnings (non-GAAP)	**$ 0.64**	**$ 0.62**	**$ 1.61**	**$ 1.54**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income (Loss)	**$ 41**	**$ (97)**	**$ 275**	**$ (267)**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(9)	(30)	15	(47)
(Gain) Loss on MTM, pre-tax [b]	67	(36)	(51)	(46)
Hudson/Mercer Early Retirement, pre-tax	(1)	387	3	951
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(15)	(127)	9	(344)
Operating Earnings (non-GAAP)	**$ 83**	**$ 97**	**$ 251**	**$ 247**
Depreciation and Amortization, pre-tax [d]	82	87	162	179
Interest Expense, pre-tax [d] [e]	11	12	17	28
Income Taxes [d]	34	65	93	166
Adjusted EBITDA (non-GAAP)	**$ 210**	**$ 261**	**$ 523**	**$ 620**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income (Loss)	**$ (3)**	**$ (2)**	**$ 2**	**$ (17)**
Lease Related Activity, pre-tax	20	22	20	77
Income Taxes related to Lease related activity[a]	(6)	(9)	(6)	(32)
Operating Earnings (non-GAAP)	**$ 11**	**$ 11**	**$ 16**	**$ 28**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

Company Name: PSEG
Company Ticker: PEG US
Date: 2018-10-30
Event Description: Q3 2018 Earnings Call

Market Cap: 27,595.71
Current PX: 54.61
YTD Change($): +3.11
YTD Change(%): +6.039

Bloomberg Estimates - EPS
Current Quarter: 0.606
Current Year: 3.104
Bloomberg Estimates - Sales
Current Quarter: 2638.600
Current Year: 9655.727

Q3 2018 Earnings Call

Company Participants

- Carlotta Chan, Head of Investor Relations
- Ralph Izzo, Chairman of the Board, President & Chief Executive Officer
- Daniel Cregg, Executive Vice President & Chief Financial Officer

Other Participants

- Praful Mehta, Analyst
- Julien Dumoulin-Smith, Analyst
- Greg Gordon, Analyst
- Jonathan Arnold, Analyst
- Christopher Turner, Analyst
- Michael Lapides, Analyst
- Paul Fremont, Analyst
- Shahriar Pourreza, Analyst
- Angie Storozynski, Analyst
- Andrew Weisel, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Natalia, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2018 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. (Operator Instructions) As a reminder, this conference is being recorded, Tuesday, October 30, 2018, and will be available for telephone replay beginning at 1:00 p.m. Eastern today until 11: 30 p.m. Eastern on Thursday, November 8, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Carlotta Chan. Please go ahead.

Carlotta Chan, Head of Investor Relations

Thank you, Natalia. Good morning and thank you for participating in our earnings call. Earlier today PSEG released earnings statements for the third quarter of 2018. These materials including the release attachments and accompanying slides detailing operating results by company are posted on the IR website at investor.pseg.com. Our 10-Q for the period ended September 30, 2018, will be filed shortly.

The earnings release and other matters we will discuss during today's call contains forward-looking statements and estimates that are subject to various risks and uncertainties. We will also discuss non-GAAP operating earnings and non-GAAP adjusted EBITDA, which differ from net income as reported in accordance with generally accepted accounting principles in the United States. Reconciliations of our non-GAAP financial measures and a disclaimer regarding forward-looking statements are posted on our IR website, and are included in today's slides and in our

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earnings release.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President & Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Ralph?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Thank you Carlotta, and thank you all for joining us today.

PSEG reported solid results for the third quarter and through nine months. We are updating full year non-GAAP operating earnings guidance by narrowing the range to $3.05 to $3.15 per share, with an increased contribution from PSE&G, balancing lower expected results at PSEG Power and the Parent. The midpoint of our guidance remains unchanged and continues to represent a 6% increase above 2017 full year results.

This morning we reported net income for the third quarter of $0.81 per share, and non-GAAP operating earnings of $0.95 per share versus net income of $0.78 per share, and non-GAAP operating earnings of $0.82 per share in the year-ago period. Third quarter net income and non-GAAP operating earnings improved by 4% and 16% respectively over 2017's third quarter comparables. Our results for the quarter bring non-GAAP operating earnings for the nine months to $2.56 per share, an 8% increase over the $2.36 per share earned in the nine months ended September 30, 2017.

Slides 6 and 7 summarize the results for the quarter and the year-to-date periods. Throughout a very hot summer, both PSE&G and Power performed well. Therefore our financial results reflect solid contributions from both businesses. PSE&G's earnings increased by $0.05 per share, up 10% over third quarter 2017 results, driven primarily by continued investment in transmission and distribution programs, focused on increasing system resiliency and reliability. Warmer than normal weather increased electric demand for air conditions throughout an extended summer that was the second hottest in nearly half a century. Expanded investment in transmission and distribution infrastructure continues to benefit customers and have a favorable impact on PSE&G's rate base and earnings.

We are on pace to spend $2.8 billion for the year and the utility's rate base is forecasted to grow to almost $19 billion at year-end. Based on our various investment programs, we remain comfortable with PSE&G's ability to achieve growth in rate base within our forecasted 8% to 10% per year for the 5-year period ending in 2022. We have made significant progress to date in our regulatory and policy partnerships. PSE&G recently filed several Clean Energy Future investment programs totaling $3.6 billion over six years. These filings continue the alignment of PSE&G's capital investment plans with New Jersey's energy policy goals by advancing a broad range of programs in Energy Efficiency, Electric Vehicle Infrastructure and Energy Storage. The inclusion of what we are calling Energy Cloud or AMI is consistent with the BPU's recommendations for improving storm response following the March 2018 nor'easters in which they directed each utility to submit a plan and cost benefit analysis for the implementation of AMI, focusing on reducing customer outages and outage duration.

PSE&G's filing is designed to create an advanced technology network and upgrade 2.2 million electric meters to smart meters by the year 2024. In addition, Energy Strong II, the proposed $2.5 billion 5-year extension of our infrastructure reliability and resiliency investment program is pending at the BPU. Inclusive of the AMI initiative, PSE&G's 2018 to 2022 capital spending forecast range is $12 billion to $16 billion.

I now want to bring you up-to-date on PSE&G's distribution base rate case proceeding. As you may be aware at its regular meeting yesterday, the New Jersey Board of Public Utilities approved the settlement agreement between PSE&G, BPU staff and Rate Counsel. This concludes the utility's first distribution rate review since 2010, and is expected to provide PSE&G's customers with rate stability while allowing us to achieve three important outcomes: First, to recover investments made outside of clause mechanisms since 2010; second, to recover deferred storm costs; and third, to set revenues which reflect our current sales and O&M levels.

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The terms of the agreement provides for an additional $212 million in annual revenue, and a flow back to customers of $225 million in tax savings largely due to tax reform, resulting in a net $13 million revenue reduction. When new distribution rates go into effect on November 1, a typical combined residential customer build will be at levels that are 30% lower than they paid in 2008 in nominal terms and 40% lower in real terms.

The updated revenue requirements based upon the distribution rate base of $9.5 billion, a return on equity of 9.6% and a 54% equity ratio, all of PSE&G's distribution investment programs will adopt the new ROE of 9.6% and equity percentage of 54% going forward. PSE&G's decoupling proposal was not adopted in the settlement. Decoupling of electric and gas distribution revenue from sales volumes and demands remains an essential element of larger scale energy efficiency investments. New Jersey's energy efficiency savings goals outlined in legislation passed last May require utilities to reduce customers annual electric and gas consumption by 2% and 0.75% respectively, and also provides for lost revenue recovery. We refiled our decoupling proposal as part of our Clean Energy Future filings, but we are open to other forms of timely lost revenue recovery.

Now let me turn my attention to PSEG Power. The Power's non-GAAP operating earnings increased 23% to $0.39 per share over 2017's third quarter comparable results, largely reflecting its lower corporate income tax rate and other tax benefits as well as a step up in capacity pricing this past June that will extend through May of 2019.

Despite favorable weather, higher natural gas prices rose more than electric prices, which negatively impacted Power's results. These changes in market conditions have contributed to a reduction in Power's expected 2018 non-GAAP operating earnings. Power continues to anticipate completion of its combined cycle gas turbine construction program with Bridgeport Harbor 5 expected online in 2019. Moreover, the addition of 1,300 megawatts of highly efficient capacity at Keys and Sewaren 7 earlier this year, leads the reconfiguration of Power's merchant suite as demonstrated by this quarter's CCGT production. The design of wholesale energy and capacity markets and with the current policies and mechanisms provide adequate recognition of the cost per generation to be available, continues to attract needed attention. We are proactively engaged with the Federal Energy Regulatory Commission and PJM on several fronts. PJM energy price formation proposals continue to be evaluated as part of a comprehensive solution to the challenges facing baseload units. FERC is expected to issue an order by year end on its pending fast start proceeding and PJM anticipates implementation in 2019. We await other price reform filings at PJM such as the operating reserve demand curve enhancements and the spending reserves. But we don't expect PJM will reprioritize those efforts until after it implements fast start. Getting energy prices right is critical to ensuring efficient investment and market exit for generation assets.

Power continues advancing efforts to preserve its nuclear asset base. The BPU has begun implementation of New Jersey's Zero Emissions credits law signed by Governor Murphy this past May. We recently filed comments and responses to the BPU on the application and selection process for the New Jersey's ZEC as we refer to them. The BPU held three public hearings early in October, and an order establishing the ZEC application process is expected in November. In December, Power anticipates submitting applications for all three of its New Jersey nuclear plants, and we'll make the certification that the units will shut down within three years in the absence of a material financial change.

In June 2018 FERC issued an order of finding that PJM's current capacity market is unjust and unreasonable and establish the proceeding to evaluate potential reforms. PSEG submitted comments in early October recommending the status quo remain in place. Within the alternatives, we support PJM's capacity redesign proposals of a minimum offer price rule with few or no exemptions, which is consistent with FERC's direction and the resource carve-out option for supported resources subject to the MOPR.

The ZEC law recognized that energy and capacity payments -- again I'm referring to the New Jersey's ZEC law, were not sufficient to compensate nuclear units for the carbon attributes they provide, and that ZEC were additive to energy and capacity payments. We have initiated discussions on how the state can put in place a structure under existing laws to support nuclear resources in a redesigned PJM capacity market using the existing BGS mechanism. We continue to believe that this option requires no new legislation, and equally importantly places no additional burdens on customers. We will continue to advocate our views to establish a market design that satisfies FERC and that

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accommodates state interest in resource procurement with key attributes, while ensuring that price suppression is addressed.

A strong legal foundation has been established for state action to preserve generating assets critical to meeting a state's initial and related goals. New York and Illinois have recently received appellate court affirmations from the Second and Seventh Circuit Court of Appeals, respectively, concluding that those states have the authority to implement their ZEC program setting a positive legal precedent for New Jersey. We remain focused on the successful execution of our key policy and regulatory initiatives to provide our shareholders with greater assurance of PSEG's ability to meet our financial objectives for returns and growth. PSEG continues to perform at high levels, safely operating the system throughout a very hot summer, which is a testament to the dedication of our 13,000 associates in New Jersey, New York, Maryland and Connecticut.

With that, I will turn the call over to Dan to discuss our financial results in greater detail, and I'll rejoin for your questions after he is finished.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Great. Thank you, Ralph and thank you everyone for joining us on the call today.

As Ralph said, PSEG reported net income for the third quarter of 2018 of $0.81 per share, and that's versus net income of $0.78 per share in the last year's third quarter. Non-GAAP operating earnings for the third quarter of 2018 were $0.95 per share versus non-GAAP operating earnings of $0.82 per share in last year's third quarter. And reconciliation of non-GAAP operating earnings to net income for the quarter and nine months can be found on slides 6 and 7.

We've also provided you with a waterfall chart on slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by each business, and a similar chart on slide 13 provides you with the changes in non-GAAP operating earnings by each business on a year-to-date basis. And I'll now review each company in more detail, starting with PSE&G.

PSE&G reported net income of $0.54 per share for the third quarter of 2018, that's compared with $0.49 per share for the third quarter of 2017. Results for the quarter are shown on slide 15. Net income growth in the third quarter was driven by continued investment in transmission and electric and gas distribution facilities, as well as the impact on sales of weather conditions which were substantially warmer than both the year-ago quarter as well as normal conditions.

Returns on PSE&G's expanded investment in transmission added $0.02 per share to net income in the quarter. Incremental revenue associated with recovery of PSE&G's Energy Strong and the Gas System Modernization Program added $0.02 per share. Favorable weather comparisons year-over-year added $0.03 per share, and higher volume and demand added $0.01 per share. Changes to the accounting treatment of the non-service component of pension and other post-retirement benefits or OPEB expenses, resulting in a favorable $0.02. And these positive items were partially offset by an increase in operating and maintenance expense of $0.02 per share, driven by higher corrective maintenance work, higher depreciation expense of $0.02 per share reflecting higher plant balances and higher interest taxes and other of $0.01 per share.

As Ralph mentioned, electric sales reacted favorably to hot summer weather, and actual sales increased by 6% over 2017's mild third quarter. The THI or temperature-humidity index was 35% greater than in the year-ago quarter, and 25% warmer than normal. PSE&G reached the 2018 system peak of 9,978 megawatts compared to 2017 system peak of 9,567 megawatts. On a trailing 12-month basis, weather normalized electric sales were flat year-over-year. And gas sales on a similar basis increased 1.9%, led by the commercial sector and strong second quarter results.

The conclusion of PSE&G's distribution rate review achieved several regulatory priorities, mainly the recovery of non-investments made since 2010 outside of the programs with cost base recovery. In addition to the recovery of deferred storm cost dating back to 2011 and a true-up of sales end cost estimates. New rates are based upon the distribution rate base of $9.5 billion, a return on equity of 9.6% and a 54% equity ratio. We are pleased that the settlement recognized the need to maintain solid utility credit metrics, following the negative cash impacts that resulted

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from tax reform in 2017 as PSE&G's financial flexibility is essential to providing reliable service at the lowest cost. Going forward, PSE&G's distribution investment programs will adopt a new ROE rate and equity percentage established in the settlement agreement. As Ralph mentioned, the net $13 million revenue reduction takes into account an additional $212 million in annual revenues, including storm cost recovery and an increase in depreciation expense, as well as a flow back to customers of $225 million in tax savings, largely due to tax reform. PSE&G customers will benefit from $262 million in annualized rate reductions to reflect savings from federal tax reform enacted in 2017.

PSE&G filed two updates earlier this month to its Formula Rate for transmission at the Federal Energy Regulatory Commission. The first was an annual update reflecting our planned capital improvements with a focus on system reliability, and that provides for a $100 million increase in annual transmission revenues. The second filing adjusts our Formula Rate to provide a refund of our excess deferred income taxes due to federal tax reform, resulting in a refund of over $150 million. Both of these changes are expected to be effective January 1, 2019.

Our distribution infrastructure programs, Energy Strong and GSMP continue to perform as expected. The combined annual revenue increase for the full year 2018 from these two programs is forecasted to be approximately $53 million as we near completion of the first GSMP in Energy Strong programs. Once GSMP II begins, gas rates will adjust in December and June of each year. PSE&G has invested approximately $2.3 billion for the nine months ended September 30 in electric and gas distribution and transmission capital projects. For the full year, PSE&G expects to invest approximately $2.8 billion on increasing system reliability and resiliency, upgrading critical infrastructure, and supporting New Jersey's energy policy goals. We continue to expect rate base growth at a CAGR of 8% to 10% over the 2018 to 2022 period. For the full year we've increased PSE&G's forecast of net income for 2018 to reflect the impact of higher sales margins largely due to weather with the range now forecast to be $1,055 million to $1,070 million, up from a $1 billion to $1,030 million.

Now let's turn to Power. PSEG Power reported net income of $125 million or $0.25 per share for the third quarter of 2018 compared with net income of $136 million or $0.27 per share in the year-ago quarter. Non-GAAP operating earnings were $0.39 per share for the third quarter of 2018 compared to non-GAAP operating earnings for the third quarter of 2017 of $0.31 per share. Non-GAAP adjusted EBITDA for the third quarter of 2018 was $360 million versus non-GAAP adjusted EBITDA for 2017 of $356 million. Non-GAAP adjusted EBITDA excludes the same items as on non-GAAP operating earnings measure as well as income tax expense, interest expense and depreciation and amortization.

The earnings release and slide 21 provide you with detailed analysis of the impact of Power's non-GAAP operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter and the first nine months of the year on slides 22 and 23. Power's net income in the third quarter was impacted by a decline in average energy hedged prices and lower realized margins despite the effect of warmer-than-normal weather on demand and output. During the quarter, non-GAAP operating earnings comparisons increased $0.05 per share as a result of the higher capacity prices in New England and PJM. The increase in capacity prices occurred on June 1, 2018, and will run through May 31st of next year.

Recontracting of hedges at lower prices and the market impact of lower spark spreads in PJM East reduced results by $0.10 per share compared with the third quarter of 2017. Power experienced a $7 per megawatt hour decline in its average hedged energy price during the third quarter, which is consistent with our expectations for the full year. The impact of placing the Keys and Sewaren combined cycle stations and service along with higher demand boosted generation volumes by $0.06 per share. Higher O&M expense of $0.01 per share reflects new units start up expenses at Keys and Sewaren, and higher depreciation of $0.02 per share and a higher interest expense of $0.02 per share, both relate to the new combined cycle units placed in service versus a year-ago quarter. And these impacts will continue to affect year-over-year comparisons in coming quarters given the in-service of Keys, Sewaren and ultimately Bridgeport Harbor 5 next year.

A reduction in the corporate tax rate from federal tax reform combined with the impact of less taxes due year-over-year from lower pretax income, improved net income comparisons by $0.07 per share. The anticipated benefit from the re-measurement of tax reserves associated with the nuclear carryback claim and the closure of IRS

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audits for the year 2011 and 2012 added $0.06 per share compared to year earlier results. These tax benefits were slightly offset by a $0.01 per share impact related to a newly enacted New Jersey surtax.

Now let's turn to Power's operations. Output of Power's generating stations increased 24% in the quarter, reflecting the higher output of the combined cycle fleet with Keys and Sewaren in commercial operation. Power's gas-fired combined cycle fleet operated at an average capacity factor of 68% and produced 7 terawatt hours of output during the third quarter of 2018, up by 88% over the year-ago quarter, primarily reflecting the production of the two new units. Pennsylvania coal generation output also improved to 1.3 terawatt hours and operated at 79% capacity factor in the quarter. For the year-to-date period, Power's nuclear fleet operated at an average capacity factor of 93%, producing 23.7 terawatt hours and representing 57% of Power's total generation.

Gas prices improved in the third quarter on low storage levels and weather-driven demand, but Power prices didn't move up in conjunction with gas putting pressure on Power's spark spreads. Power's forecast of total output for 2018 has been raised modestly to 54 terawatt hours to 56 terawatt hours from last quarter's reduced estimate of 53 terawatt hours to 55 terawatt hours. For the remainder of 2018, Power has hedged 80% to 85% of total forecasted production of 13 terawatt hours to 15 terawatt hours at an average price of $37 per megawatt hour. For 2019, Power has hedged 70% to 75% of forecasted production of 58 terawatt hours to 60 terawatt hours at an average price of $36 per megawatt hour. For 2020, Power has hedged 40% to 45% of output forecasted to be 62 terawatt hours to 64 terawatt hours at an average price of $36 per megawatt hour. The forecasted output for 2018 to 2020 includes generation associated with Keys and Sewaren, as well as the mid-'19 commercial startup of the 485 megawatt gas powered combined cycle units at Bridgeport Harbor.

In addition, Power has decided to exit the retail electric marketing business after determining it would not provide a material enhancement to its hedging activity. Power has therefore ceased taking on new customers but will continue to meet all obligations to existing customers through the end of their contracts. Our forecast of Power's non-GAAP operating earnings for 2018 and non-GAAP adjusted EBITDA has been updated to $465 million to $500 million, and $1,045 million to $1,100 million respectively, from $485 million to $560 million, and $1,075 million to $1,180

million, respectively.

Now turning to PSEG Enterprise and other. Reported net income of $9 million or $0.02 per share for the third quarter of 2018 compared to net income of $13 million or $0.02 per share for the third quarter of 2017. The decrease in net income year-over-year reflects higher interest expense at the Parent, partially offset by lower taxes and other items. The forecast of PSEG Enterprise and other's full year 2018 non-GAAP operating earnings has been reduced to $25 million from $35 million reflecting those higher interest costs.

PSEG closed the quarter ended September 30th with $88 million of cash on its balance sheet with debt at the end of the quarter representing approximately 51% of consolidated capital. And Power's debt at the end of the quarter represented 34% of capital. In September, PSE&G issued $325 million of five-year 3.25% medium term notes and $325 million of 10-year 3.65% medium term notes. And PSE&G also retired $315 million of 2.3% medium term notes at maturity. And as Ralph mentioned, we narrowed our guidance for full year 2018 non-GAAP operating earnings to $3.05 to $3.15 per share, while maintaining the midpoint of guidance at $3.10 per share.

And with that, Natalia, we are now ready to take questions.

Questions & Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. (Operator Instructions) And your first question is from the line of Praful Mehta from Citigroup.

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Praful Mehta, Analyst

Hi guys.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Praful.

Praful Mehta, Analyst

Hi. So may be a specific question on the quarter for us and then we'll get to all the market reforms that taking place. But starting with slide 24 where you highlight gas prices went up and that's what pushed up your fuel costs. I wanted to understand why that didn't drive up Power prices as well? I mean, really that implies some reduction in the spark spread and wanted to understand why heat rates have been coming down? So some color on that that would be helpful.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Right. So there is a strong correlation, obviously, Praful, between gas and electric prices, but it's not perfect. One can only assume that there was some dispatching of coal that took place that keep a little bit of lid on those power prices from moving perfectly in tandem. Dan, I don't know if you want to add to that?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I also think that the sourcing of gas matters as well and Leidy has been a very low cost source of gas for us and we saw a little bit of an uptick in Leidy prices, and Leidy doesn't necessarily drive all of the electric prices that we end up seeing. So depending upon what units are running, where the source of the gas is, you can see some different gas prices coming through. And I think the magnitude of gas that was used during the summer for gas generation as well as coming out of a winter where storage levels were low, it pushed gas up a little bit more for some of our units compared to what we saw from an electric pricing standpoint.

Praful Mehta, Analyst

Got you. That's helpful. And so do you see this as a permanent kind of issue or is this something that happened more this quarter but it's not more of a permanent issue?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

We never try to out guess the price curve, Praful, but we are seeing that with the opening of some pipelines that are taking Marcellus gas to regions other than the Eastern region that the basis differential between Leidy and Henry Hub is changing with prices coming up in the region. Stronger pricing in M3, and if you believe historic correlations that should ultimately be reflected in Power prices, but -- and forward curve is predicting -- whatever it's predicting right now.

Praful Mehta, Analyst

Got you. Understood. And then quickly just going onto the market reform side, especially around capacity prices and capacity reforms, given all the different proposals out there, Ralph, where do you see capacity -- this whole capacity

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reform process going? Do you see any downside risk to capacity prices through all this? And how do you see the BGS auction kind of fitting in from a legal perspective?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So again, what we keep anchoring ourselves to is what FERC has filed in terms of their policy objectives, which is, A, to remove price suppression; and B, to allow states to do what they want to from a point of view of resource designation. As I think I mentioned, our preference is the status quo but not withstanding an ability to preserve that status quo we think that PJM's offered an intelligent alternative. There are some things we would quarrel with perhaps their cutoff at the 20 megawatt level versus FERC's guidance that any at all subsidized units should be subject to reform. But if you look at the approach PJM has suggested, it does point to higher capacity prices for unsubsidized units, all other things being equal. And as you know, Praful, there are many other factors to consider. There's transmission transfer capability, there's demand management, there is how different local delivery areas breakout, but nonetheless when you remove supply, which is what PJM is proposing to do, from the setting of price, that should -- that without changing demand, as I said, all the things being equal, that should remove the price suppression for unsubsidized units. And that will set a different market price. It’s hard for me to see how that will be a lower market price.

And as we pointed out, the ZEC legislation in New Jersey has recognized that the zero emission credit payment was for the carbon attributes of nuclear and was additive to the energy and capacity price, and the BGS auction clearly states that energy -- electricity will be secured at prevailing market rates for both energy and capacity. So we think -- and certainly the output from 30 terawatt hours of nuclear, which is what the New Jersey ZEC law targets, is well within the capacity of the overall need of BGS. I use the word capacity in the generic sense not in the industry sense of the word.

So I do think BGS can use up or consume or call for the 30 terawatt hours of nuclear at prevailing market prices for energy and capacity without any need for legislation, which would just be a win all around, right? And FERC get its way, New Jersey get its way, and nobody -- the customers are not burdened any more than was originally envisioned in the legislation, and in fact will achieve the savings that were envisioned in the legislation if the plants were tonot operate.

Daniel Cregg, Executive Vice President & Chief Financial Officer

And just one reminder as well, Praful, as you think about, it's the next three capacity auctions have -- the next three years I should say, the capacity auctions have happened already. And what we will anticipate this coming April will be determination related to ZEC for those same three years. So this all that we're talking about is an important effort that's got to go on, and the next thing to look forward, reply comments are due on the 6th of November, but this will all impact the period after those three years.

Praful Mehta, Analyst

Got you. Very helpful color guys. Thanks so much.

Operator

Your next question is from the line of Julien Dumoulin-Smith with Bank of America.

Julien Dumoulin-Smith, Analyst

Hey, good morning.

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Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Good morning, Julien.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Good morning, Julien.

Julien Dumoulin-Smith, Analyst

Hey, so Ralph to follow-up on Praful's question. Just going back to the forward hedges that you all disclosed in your slides, I mean obviously you had some impacts on sparks here in the latest quarter. Can you elaborate? Is that reflected in your expectations of realized energy prices in the hedges at this point? Or is it too much of noise?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah. I mean, to the extent that hedges were put on during that period, you would see it in the hedges. And as you know, we have kind of a mix within the intermediate combined cycle section of the overall fleet of some elements that are open and some that are hedges. But to the extent that those hedges are put on, I'd say, the only difference really is that, you're going to see the effect coming through the forward markets as opposed to just in the real-time and day ahead markets, but it's been a consistent phenomenon across both.

Julien Dumoulin-Smith, Analyst

Got it. But may be to be clear about it, your expectations going forward with respect to what you saw transpire and spark spread in the latest quarter, I mean is this more of an acute issue that you saw during the quarter or how do you think about that from an ongoing impact?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Well, I think they are both shorter term and longer-term impacts, right? So if you think about a couple of things that Ralph and I already talked about, I've talked about having some more extreme weather in the summer, having some lower inventory levels that need to be bought in, which is going to have upward pressure on pricing. And Ralph talked about on the longer term that you see some takeaway capacity coming into the market that's going to have a longer-term effect. So I think you will continue to see both shorter term and longer term impacts -- impacting market prices.

Julien Dumoulin-Smith, Analyst

Got it. And did that have any bearing on the decision on the retail side at this point?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No. The retail side was -- as you know Julien, always defensive on our part primarily targeted and trying to reverse some of the losses we've been realizing on -- from the point of view of wholesale market basis differentials.

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Bloomberg
SI-SSA-0015-14403

With the start of the Keys plant, with the strengthening of gas prices in the M3 zone, we've seen some decreased harm from basis to our fleet. And the margins were so thin on the retail business, as you know, I've never been a huge fan of it and we just decided that was not in our best interest to continue to pursue it.

Julien Dumoulin-Smith, Analyst

Got it. And then if could clarify the comments on capacity, it seems that you're thinking there is no need for legislation. Can you talk about timing for any potential, I suppose it would be a BPU-led effort to change BGS procurement relative to the implementation of MOPR. It would seem as if and you tell me if this is correct that there would not be application of MOPR for New Jersey next year and that would give you some runway to be able to implement for a 2020 auction?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So remember, BGS typically follows the RPM auction in terms of the energy applicability. So the RPM auction that would have taken place in April but is now going to take place in August is input to the BGS auction that will take place in 2020. So we have plenty of time. And as Dan pointed out, for the next three years capacity prices are known, BGS has been layered in to the tune of 100% next year, two-third the year after, one-third the year after that, so the timing of all this is that the PJM proposal would only apply if we did get the ZEC. We will find out if you get the ZEC in April. And at that point in time, assuming we get the ZEC and assuming that the PJM proposal goes in as accepted, we have a full 10 months to get the BGS auction right. Of course we would do it much in advance, so that typically the LDCs put that comments in the fall for what BGS rule changes should take place if any in the following winter. So the way to think of this is, January FERC rules on the PJM proposal, we make comments shortly thereafter, FERC finalizes the RPM auction in the April time frame, we find out whether or not we get a ZEC in the same time frame, the auction takes place in August. In the fall. We -- if we are a ZEC recipient and if the auction has taken place, the MOPR approach we would file with other LDCs for BGS to be the entity that secures the nuclear energy and capacity for the following February. So that was a long-winded way of saying, I think the timing will work just fine.

Julien Dumoulin-Smith, Analyst

Excellent. Thank you all.

Operator

Your next question is from the line of Greg Gordon with Evercore ISI.

Greg Gordon, Analyst

Thanks. Good morning all.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Greg.

Greg Gordon, Analyst

final
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Bloomberg
SI-SSA-0015-14404

I'm sorry to circle back to Power. But I just wanted to see if maybe we could get a clarification on why we saw you lower the guidance range now, because to the extent that you knew you were hedged at lower prices, right, that was a known factor that impacted the guidance range, and there was only a small portion of your combined cycle and peaking generation that was open to the market. And even though we know spark spreads were lower, it doesn't seem like there's enough volume there on an open basis to swing your numbers by the magnitude that the guidance range was reduced. So can you just -- is it possible for you to be a little bit more granular on just how much of this was known and how much of this was unknown? Because going into the second quarter -- going into the third quarter from the second quarter, realized spark spreads were not very different from what the forward curve was telling us.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah Greg, and you're right. So if you think about it as just a pure open volume and the delta on the open volume, you can have some impact, but it's not going to be as much as what you saw. I think that there's a couple other factors that are coming into play. One is that, just our volume amounts are down a little bit. So if you think about where we have them pegged at the beginning of the year and where they ended up, they are down about 1 terawatt hour. So we're down a little bit on volume.

And then the other factor is, some of the basis differentials that we end up seeing. And we have seen some lower eastern basis, we've talked about that a fair bit of late, and that comes through an awful lot of our hedges or not perfect hedges at the exact generator buzz where the generator is generating. To the extent that our hedges are at the West Hub, there is a little bit of an openness on that basis and we've seen some deterioration of the basis as well within the hedges. So I would point to those other factors as well to think about in addition to just the pure open position times at delta spark and the accumulation of those factors would get you to the delta that we're talking about.

Greg Gordon, Analyst

Okay. So that basis exactly what it caused you to move the Power to the Hub where you are hedged?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Right. So for instance if you think about our nuclear facilities, you got a lot of volume coming out of there but you don't have a lot of ways to transact at the nuclear location. So if you're going to put a forward sale on, for example, you might put in on at the Western Hub. And to the extent that you saw basis differential move between the Western Hub where your hedge was put on and where the actual generation is at nuclear, you're going to have some openness within a hedged amount of volume.

Greg Gordon, Analyst

Great. One last follow-up. The $0.06 that you booked on the mark-to-market associated with -- well I forgot exactly what it was, it was a pension or associated with the Nuclear Trust, was that an expected item or was that something that was an unexpected benefit in the quarter, the tax reserves?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yes. So what that is, that's not on the NDT, because you mentioned Trust, really what that is, is just a more generic tax issue, generic meaning that it's on the company's taxes as opposed to the NDT. And it's a carry back of losses back to an earlier year with higher tax rates. But the direct answer to your question was, yes that was expected.

final
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Bloomberg
SI-SSA-0015-14405

Greg Gordon, Analyst

Okay. So that was an unexpected gift that was in the guidance already?

Daniel Cregg, Executive Vice President & Chief Financial Officer

That's right.

Greg Gordon, Analyst

Thank you guys. Take care.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

And Greg, just to go back to your question about the quarter versus -- and Dan's accurate answer about some of the cumulative impacts. I mean at the risk of stating the obvious that when we initially give guidance at the beginning of the year, we give a range and we expect to be somewhere in the middle, otherwise we would bias them one way or another. And typically, within the second quarter we try not to change that, because it's still early, it's a half year to go. It's not unreasonable to assume that we saw some creep of Power, as Dan mentioned, in terms of the volume reduction towards the lower end of that range but still within the range and utility towards the upper end of that range but still in the range, and then the third quarter just resulting in the need to re-designate the ranges. So long-winded way of saying, I wouldn't assume that all of the movement in Power or for that matter utility occurred in the third quarter. That's not the case.

Greg Gordon, Analyst

Okay. Yeah, that was my intuition. I just wanted to make sure I understood it. I appreciate you clarifying. Thank you.

Operator

Your next question is from the line of Jonathan Arnold with Deutsche Bank.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Jonathan.

Jonathan Arnold, Analyst

Hi, good morning guys.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Good morning, Jonathan.

Jonathan Arnold, Analyst

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14406

Great. So just, I wanted -- along the lines of just where Greg was going. When we look at the fourth quarter guidance now for Power and where you were through the nine months, the low end suggest that you might have as low a quarter as a $20 million quarter in Q4. It just seems that that would be unusually low for you. So I'm just curious, is that some of the same issues that are working into Q4 as well or is there something else back Q4 that's kind of in the plan that we may be need to remember?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No, I think you can just kind of do the math over where we are now and what the range would imply. And I think you'd be north of the number that you gave. But maybe one thing to keep in mind, there was some tax benefits that came through more of a onetime in the last year's fourth quarter. So if you just go against that as a comparison, you would have to carve out some of the one-time items as you look at the two quarters compared to one another. So it's something to keep in mind in that regard. But you do have a couple of shorter months in the fourth quarter and you also have a lot of the outages that are going during some of those shorter months. So you can some variability as you go year-to-year.

Jonathan Arnold, Analyst

Okay. And then on just -- could I ask on investment capacity? That slide was in the Analyst Day deck at somewhere sort of between I guess in the sort of high single hundreds of millions. And it was also in the September deck. And I guess with the rate case settlement and the transmission rate adjustments now in hand, is that still a good number or is there some -- is there an update there?

Daniel Cregg, Executive Vice President & Chief Financial Officer

So we'll update that at EEI in a week or so, Jonathan rather than trying to give that piece here today.

Jonathan Arnold, Analyst

Okay. Well I guess we'll see you then. Thank you guys.

Operator

The next question is from the line of Christopher Turner with JP Morgan.

Christopher Turner, Analyst

Good morning. I think Ralph in your prepared remarks you mentioned the importance of decoupling to your long-term plan and New Jersey customers. Can you give us a sense as to what kind of might have been missing from the negotiations with intervenors, and if there's any kind of partial agreement heading into your energy future filing?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah, Chris. First of all, I can't give you the details, there's a settlement discussion, because those are all confidential. We can give you details on the outcome of that. However, it's not -- it won't come as a surprise to you to know that the principles in a base rate case are different than the principles, and I'm referring to participants here than in a strictly energy-efficiency conversation. So the Clean Energy Future filings will have a greater percentage of people who are

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14407

interested in seeing that the green energy agenda of Governor Murphy being advocated and pushed forward, and that will therefore have the kind of center stage that's appropriate to it which may not have been more expected in the base rate filing.

Christopher Turner, Analyst

Okay. That's helpful. And could you give us a sense as to what some of the other mechanisms might be there if it's not an outright decoupling that mechanism?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

I'd rather not go into that now since we haven't even sat down and gotten discovery questions from the other parties. But there's all sort of stuff that one can do to get contemporaneous type recovery of both investments being made as well as trueing up for what might have been anticipated to the revenues versus what's realized in revenues either in six months or annual filings or things of that nature.

Christopher Turner, Analyst

My second question was on weather versus normal on the utilities side. Can you quantify that for the quarter or the year-to-date? And then just related on the corporate side, anything changed versus your original plan there other than just the interest rate on new debt?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. So I can point you to the slides. If you take a look, you've got a breakout both of weather in particular as well as on volume, and demand sometimes can come into play there. So on the weather for the year-to-date for the utility, you can see we had about $0.04 delta, three of that in the quarter, and volumes and demand about $0.02 year-to-date and about $0.01 in the quarter. So you can see it broken out pretty cleanly within the slides that we provided.

And then your question on interest, basically what we're seeing mainly at the Parent is just the increase in some of the shorter term debt that exists up there as we've stepped through the year, which has put a little bit of pressure on the aggregate numbers at the Parent.

Christopher Turner, Analyst

Okay. And then just on those weather numbers, where those year-over-year or where those versus normal?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Those were year-over-year.

Christopher Turner, Analyst

Okay. Any sense as to versus normal or is that something we could take offline?

final
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Bloomberg
SI-SSA-0015-14408

Daniel Cregg, Executive Vice President & Chief Financial Officer

It's pretty close. I think you might have seen just a little bit of an uptick because 2017 summer was a little bit milder, but they are almost the same if you take a look at versus last year versus looking at normal.

Christopher Turner, Analyst

Okay. Thank you.

Operator

Your next question is from the line of Michael Lapides with Goldman Sachs.

Michael Lapides, Analyst

Hey guys, thanks for taking my question. Real quick, if I go back to the Analyst Day and look at the PSE&G forecast capital spend, and then I think a little bit about some of the filings that you made in the last few months, how should we think about where you're tracking and whether you think you're likely above? What do you kind of highlighted back at the Analyst Day? I mean, the filings you've made are pretty large scale capital projects. Are you above where that would be if all of those come through? Are you kind of somewhere in that range? Just kind of walk us through how you're thinking about that right now.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I mean, Mike I think that we have GSMP II approved in April and we had our conference in May, so that was a account for. And I think if you really look at the major areas that we were talking about, one was Energy Strong -- Energy Strong II I should say. In Energy Strong II, we talked about putting forth a $2.5 billion filing, and in June we put forth a $2.5 billion filing. And we said in May that we were going to put forth the Clean Energy filing of $2.9 billion, and those programs and the magnitude of those programs is -- were filed as we talked about with one exception, and Ralph talked about a little bit earlier today is the inclusion of AMI which was not in the filing at the time. So the programs that we filed aggregate to a capital investment of $3.6 billion versus the $2.9 billion, and you can attribute the full amount of that delta to the AMI component of that filing.

Now it's a 6-year program. So if you're trying to look at it within a 5-year horizon that we normally talked about -- that we talked about, you're going to have two issues, one six years is more than five, but number two, you're going to have some of that capital spill over the back end because it would not have been started at the beginning of 2018. And then similarly for Energy Strong II, it's a 5-year program. And since it was filed in 2018, then we won't see an approval of that until the process runs. You're going to have some more spill over there. But I think that's how you would think about the magnitude of the capital programs. And as we talked about at the time, the 8% to 10% CAGR on rate base growth really is simply with and without those two programs.

Michael Lapides, Analyst

Meaning the 10% assumes you get full approval of both of those of Energy Strong II and the Clean Energy filing? Or does that assume some -- something in the middle of what you asked for versus often where you see intervenor request come in at a slightly lower number?

final
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Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. It assumes approved as filed for the periods within that five-year period. And it also assumes that there is no other incremental programs for the balance of the five years. So if nothing else were to happen, but -- and we were to get every dollar as filed, we'd be at the 10%. Any reduction from as filed would lower that amount, and then anything else between now and then that is identified as incremental capital would be additive.

Michael Lapides, Analyst

Got it. And then one last one. How are you looking at the potential changes to transmission spend over the next three to five years versus what you laid out? I mean, if I go back over time, what you laid out in the Analyst Day for years three and years four and beyond, the number is actually usually as you rolled for a year or two came in higher as PJM recognized incremental needs or as you recognize an incremental needs as you kind of got closer to those years occurring. How are you thinking about it now relative to what you put out back in at the Analyst Day?

Daniel Cregg, Executive Vice President & Chief Financial Officer

So is the question how does our forecast differ from our forecast?

Michael Lapides, Analyst

Well, little bit of -- are you seeing incremental opportunities that may not have been embedded in the forecast?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I think we're a few months away from when we put that forward and it's still how we are characterizing the five-year capital plan at this time.

Michael Lapides, Analyst

Okay. Last item, a little bit housekeeping. O&M at the utility year-over-year and sequentially it was up a double-digit percentage. How much of that drops to the bottom line, meaning I'm just looking at the quarter.

Daniel Cregg, Executive Vice President & Chief Financial Officer

So you're talking about for the quarter for PSE&G, the $0. 02 incremental O&M?

Michael Lapides, Analyst

Yes.

Daniel Cregg, Executive Vice President & Chief Financial Officer

All of that $0.02 drops to the bottom line, if that's your question.

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Michael Lapides, Analyst

Okay. Got it. Thanks guys.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Thanks.

Operator

Your next question is from the line of Paul Fremont with Mizuho.

Paul Fremont, Analyst

Thanks. Looking at fast start, I guess Exelon I think has put out estimates that would imply may be less than $2 per megawatt hour. And at your Analyst Day I think you were in the $1 to $3 range. Are you still at the same level in terms of where your -- what you're expecting in terms -- if fast start is adopted?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So there's two schools of thought on this, right? Paul, one is that, in the aggregate fast start reserve margins in flexible units could be $3 to $5 with fast start being a significant down payment on that -- possibly in that $1 to $3 range. But the question is, what is the degree of at which the forward price curve already has incorporated that, if we believe that FERC is going to be issuing that decision fairly soon and PJM will be incorporating it in Q1. I don't know the answer to that, but that's the two considerations you have to make, right? So should fast start result to an increase? Absolutely. Is it already in the forward price curve? Depends on your confidence in the timing of the FERC decision.

Paul Fremont, Analyst

Great. Thank you very much.

Operator

Your next question is from the line of Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza, Analyst

Hey, good morning guys.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Good morning, Shar.

Shahriar Pourreza, Analyst

final
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Bloomberg
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You guys touched on most of the questions. Just real quick on the Clean Energy legislation versus what you proposed on slide 17. The storage mandate versus what you're proposing, correct me if I'm wrong, has incremental upside versus what your plan is?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yes. I think the storage goal is like 600 megawatts by 2025 or something like that. And it's a big number. And we proposed 35 megawatts. So yes, there is upside there.

Shahriar Pourreza, Analyst

Would that be within -- is that a backend loaded or when do you think you will figure that out as far as how we should

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

One of the conversations we've been having with the policy leaders is that, most of these technologies and battery storage is a great example, is something that we do believe has a healthy trajectory in terms of prices coming down in the future. So you want to both stimulate the market price, same token, you don't want to pay for that market in its entirety upfront. So there's a little bit of a delicate timing of how much you do and when you do it, that is in iterative conversation that we do have with policy leaders both in the BPU and within the Governor's office on the legislation.

Shahriar Pourreza, Analyst

And then Ralph just on -- one of your peers is out talking about $5 to $10 per megawatt hour of incremental cost when you layered in with wind or sort of solar on two to four hours of sort of storage. Are you seeing figures like that or seeing higher figure? Because if you use two to four, it seems like you could probably get something that's economically viable, right?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah. On the -- I'm used to coating it in terms of capacity. And the number we use is $2 million to $3 million per megawatt. I'd have to work it backwards to see if I get to that $3 to $5 per megawatt hour, and I'd rather not do that in real time, which is, Shar, but I will take that as a homework assignment.

Shahriar Pourreza, Analyst

Okay. Great. I'll bother again later. And then just lastly, what's your -- no problem. What drove the lower capacity factors on your new gas assets for the third quarter?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Was it a Hope Creek outage? Was it the 100% ownership of Hope Creek?

Daniel Cregg, Executive Vice President & Chief Financial Officer

final
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SI-SSA-0015-14412

Nuclear capacity factor was at 93%, it was nothing more than a Peach outage that's all.

Shahriar Pourreza, Analyst

Okay, got it. Okay. Thanks guys. Sure I think Dan I'll follow-up with you after the call.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Thank you.

Operator

Your next question is from the line of Angie Storozynski with Macquarie.

Angie Storozynski, Analyst

Thanks. So two questions. One, FERC has just updated its ROE -- its transmission ROE methodology now, but there also seems to be some discussion about may be changes to transmission ROE adders. What they should be actually related to? And I mean, what are your expectations about how those ROEs will be trending and if your existing projects will be impacted?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So Angie, we're following the discussion -- as we understand it ROE adders and incentives have not been ruled on yet. We do have a rising interest rate environment, and the three methodologies that FERC are using, all due then lead to a discussion about how does each specific company and its risk profile sit within the range predicted by those three methodologies. So I'd say that, the ingredients to the stew are getting a little bit better known, but what the stew comes out tasting like still remains to be understood going forward.

Angie Storozynski, Analyst

Okay. And then for the equity layer at the utility under the rate case settlement or decision is now going to be 54%. I think you mentioned at the end of the quarter, it was 51%. So I mean, should I expect that there's going to be additional equity injection into the utility? And is it going to come from basically corporate level debt?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No Angie, our 51.2 percent was the stated rate from the last rate case, and our existing equity percentage was somewhere between 53%, 53.5%. So that delta is not as big as you might otherwise think, and just general corporate funds would fund that delta.

Angie Storozynski, Analyst

That's great. Thank you.

final
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Daniel Cregg, Executive Vice President & Chief Financial Officer

You're welcome, Angie.

Operator

Your next question is from the line of Andrew Weisel with Scotia Howard Weil.

Andrew Weisel, Analyst

Hey, thanks for squeezing me in. And I guess, good morning or past the hour here. Quick first one, on the PSE&G guidance for the year, the midpoint essentially went up by $0.10 on an EPS basis. When I look at the year-to-date weather benefit versus normal, that was only about $0.03. So what else is taking you ahead of the plan? And would any of that be sustainable to benefit future years?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I think in addition to the area that just labeled whether you've also got some volumes and demands which will give you probably another $0.02 or $0.03 or so. And then there's a couple of other modest items that would end up moving it north of that. So I think two things for you. One is, layer in the volume and demands incrementally to the weather amounts, which also tend to be fairly weather-related. And then you think about a couple of other smaller adjustments and you can get to that range.

Andrew Weisel, Analyst

Okay. The smaller adjustments should we think of that a sort of one-time or would that carry through?

Daniel Cregg, Executive Vice President & Chief Financial Officer

I think more of one-time than not.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

I think one of the most -- I was just, there is maybe a little bit conservative on the timing of the rate case.

Andrew Weisel, Analyst

Oh, I see. Okay. Good. Then the other question I had on the AMI. You mentioned there is a reaction to the March storms and improving reliability. My question is, can you remind us the history in the state? I believe the BPU chose not to continue a pilot program at one of your neighbors and they instead asked you to the utility to file for cost benefit analysis. I guess my question is, is it a little premature to file for the $700 million program now? And how comfortable are you that it will be approved as part of the CEF filing?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

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We definitely do not think it's premature. There is a moratorium as you correctly pointed out Andrew, and -- but we think that there's a couple of factors that are materially different. One is the BPU announcement seeking the cost-benefit analysis and the concern over outages. You are right. But the second is this huge initiative that the Governor has embarked upon to really push forward on a Clean Energy agenda. And the value of information that one can extract from Advanced Metering Infrastructure to help customers use their energy more intelligently, translation, reduce their energy consumption is I think an important consideration for policymakers in achieving what the Governor has outlined as his priorities.

Andrew Weisel, Analyst

Okay. And just to clarify, I believe this is the case, but it's certainly possible that the CEF could be approved without that. In other words it's not a package deal. The pieces could be treated individually, so it might end up looking like what you had talked about at the Analyst Day. Is that right? Is that a possibility?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yes. That's correct. We didn't go into details, but we did -- the CEF is really three separate filings that were all put in at the same time. But that's correct.

Andrew Weisel, Analyst

Okay. Thanks everyone.

Operator

We have reached the allotted time for questions. Mr. Izzo or Mr. Cregg, please continue with any closing remarks.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Okay. Well thank you there. So hopefully the take away from this call was that the Utility and Power both have had some solid operating performance in terms of our traditional hallmark attributes, our reliability, our availability. The financial performance is on track albeit with a much stronger performance at the Utility and weaker performance at Power than had been anticipated at the start of the year. And I would say that we look forward to seeing you in San Francisco in 10 days where we can discuss these and other issues more fully and enjoy Halloween. New Jersey has a famous Mischief Night coming up, hopefully none of you are victims of that. But with that, we'll see you in about 12 days. Thanks all.

Operator

Ladies and gentlemen, that does concludes your conference call for today. You may disconnect, and thank you for participating.

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For further information, contact:

- Carlotta Chan, Senior Director – Investor Relations Phone: 973-430-6565
- Brian Reighn, Manager – Investor Relations Phone: 973-430-6596

PSEG ANNOUNCES 2018 THIRD QUARTER RESULTS

$0.81 PER SHARE OF NET INCOME

Non-GAAP Operating Earnings of $0.95 Per Share

Updating Full-Year Non-GAAP Operating Earnings Guidance to $3.05 - $3.15 Per Share and Adjusting Subsidiary Contribution Ranges

NJBPU Approves PSE&G's Distribution Rate Case Settlement Agreement

(October 30, 2018 – Newark, NJ) Public Service Enterprise Group (NYSE: PEG) reported today Net Income for the third quarter of 2018 of $412 million, or $0.81 per share as compared to Net Income of $395 million, or $0.78 per share, in the third quarter of 2017. Non-GAAP Operating Earnings for the third quarter of 2018 were $481 million, or $0.95 per share, compared to non-GAAP Operating Earnings for the third quarter of 2017 of $417 million, or $0.82 per share.

Ralph Izzo, chairman, president and chief executive officer, said "PSEG's third quarter earnings benefited from continued investment in PSE&G capital programs and from lower corporate income taxes at PSEG Power. We have made significant progress to date in our regulatory and policy partnerships. PSE&G achieved several milestones including the recent Board of Public Utility Commission (BPU) approval of our distribution rate case settlement agreement. The BPU's approval of the rate case settlement concludes the utility's first distribution rate review since 2010, and is expected to provide PSE&G's customers with long-term rate stability. In addition, PSE&G filed three Clean Energy Future investment programs totaling $3.6 billion over six years -- Energy Efficiency, Electric Vehicle Infrastructure and Energy Storage, and Energy Cloud initiatives including Advanced Metering Infrastructure (AMI), all continuing the alignment of PSEG's capital investment plans with New Jersey's energy policy goals. Power placed the Keys Energy Center and Sewaren 7 power plants into service mid-year, and continues to target completion of the CCGT construction program with Bridgeport Harbor 5 in mid-2019. In addition, the BPU process to implement the Zero Emission Certificate (ZEC) program legislated in May is underway, with three public hearings concluded earlier this month."

The table below provides a reconciliation of PSEG's Net Income to non-GAAP Operating Earnings for the third quarter. See Attachment 10 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings.

PSEG CONSOLIDATED RESULTS (unaudited)
Third Quarter Comparative Results
2018 and 2017

	Income ($ millions)		Diluted Earnings Per Share	
	2018	**2017**	**2018**	**2017**
Net Income	$412	$395	$0.81	$0.78
Reconciling Items*	69	22	0.14	0.04
Non-GAAP Operating Earnings	**$481**	**$417**	**$0.95**	**$0.82**
		Avg. Shares	**507M**	**507M**

*See Attachment 10

Ralph Izzo went on to say, "throughout a very hot summer, both PSE&G and Power performed well and our results reflect solid contributions from both businesses. We are updating our non-GAAP Operating Earnings guidance for the year to $3.05 - $3.15 per share and adjusting the contributions from each of the businesses. Stronger sales mostly due to warmer than normal summer weather have lifted the utility's results above PSE&G's original guidance range to $1,055 million - $1,070 million, while power pricing has negatively impacted our forecast for Power's results, which are now expected to be in the range of $465 million - $500 million.

The following table outlines PSEG's updated expectations for non-GAAP Operating Earnings by subsidiary for 2018.

2018 Non-GAAP Operating Earnings Guidance
($ millions, except EPS)

	Original 2018E	**Updated 2018E**
PSE&G	$1,000 - $1,030	$1,055 - $1,070
PSEG Power	$485 - $560	$465 - $500
PSEG Enterprise/Other	$35 - $35	$25 - $25
Non-GAAP Operating Earnings	$1,520 - $1,625	$1,545 - $1,595
Non-GAAP EPS	$3.00 - $3.20	$3.05 - $3.15

E = Estimate

Non-GAAP Operating Earnings Review and Outlook by Operating Subsidiary

See Attachments 5 and 6 for detail regarding the third quarter and year-to-date reconciliations for each of PSEG's businesses.

PSE&G

PSE&G reported Net Income of $278 million ($0.54 per share) for the third quarter of 2018 compared with Net Income of $246 million ($0.49 per share) for the third quarter of 2017.

The improvement in PSE&G's net income for the third quarter reflects increased revenue from the ongoing transmission and distribution infrastructure investment programs and warmer summer weather that increased sales volumes over last year's mild third quarter. PSE&G's growth in Transmission investment added $0.02 per share to quarter-over-quarter comparisons. Recovery of

SI-SSA-0015-14418

investments made to enhance system resiliency under Energy Strong and Gas System Modernization Program I improved comparisons by $0.02 per share. Favorable weather comparisons year over year added $0.03. Changes to the accounting treatment of the non-service component of pension and other post-retirement benefit (OPEB) expenses resulted in a favorable $0.02 per share comparison over 2017's third quarter. These positive items were offset by an increase in operating and maintenance expense of $0.02 driven by higher corrective maintenance work, and higher depreciation expense of $0.02 per share reflecting higher plant balances.

The New Jersey economy continues to be positive, supported by improved employment and housing data. Electric demand benefited from warmer than normal temperatures and actual sales rose by 6.4% over last year's mild third-quarter results. PSE&G reached a 2018 system peak of 9,978 MW compared to 2017's system peak of 9,567 MW. The temperature-humidity index (THI) was 35% greater than in the year-ago quarter. Weather normalized electric sales for the trailing 12 months, which provides longer-term trending data, remained relatively flat while gas sales were 1.9% higher, led by demand from the commercial sector and strong second quarter results. Residential electric and gas customer growth continues to trend higher at approximately 1% per year.

PSE&G filed two updates to its Formula Rate for transmission at the Federal Energy Regulatory Commission (FERC) this past month. The annual update filing reflects our planned capital improvements with a focus on increasing system reliability, which results in a $100 million increase in annual transmission revenues. The second filing is to adjust our formula rate to provide a refund of our excess deferred income taxes due to federal tax reform, resulting in a refund of over $150 million in 2019. Both of these changes are expected to be effective January 1, 2019.

The BPU recently approved a settlement agreement between PSE&G and key participants in its distribution rate case, concluding the company's first base rate review in eight years. New rates go into effect on November 1. The terms of the agreement provide for an additional $212 million in annual revenues, including recovery of deferred storm costs, and a flow back to customers of $225 million in tax savings largely due to tax reform, resulting in a net $13 million revenue reduction. The updated revenue requirement is based upon a distribution rate base of $9.5 billion, a return on equity (ROE) of 9.6 percent and a 54 percent equity ratio. All of PSE&G's distribution investment programs will adopt the new ROE rate established in the settlement agreement. Thus far in 2018, PSE&G customers have benefited from $262 million in annualized rate reductions to reflect savings from federal tax reform enacted in 2017. As part of this settlement, PSE&G will provide a $28 million credit to customers covering the period prior to the April 1 BPU directive to flow through the benefits of a lower corporate tax rate. PSE&G's decoupling proposal was not adopted in the settlement, and has been refiled as part of the Clean Energy Future filings.

PSE&G also filed its Clean Energy Future programs (CEF) with the NJBPU. These filings will advance a broad range of investments in energy efficiency, electric vehicle infrastructure, energy storage, and the energy cloud, designed to create an advanced technology network and upgrade 2.2 million electric meters to smart meters. These proposed CEF investments total $3.6 billion over a six-year period. The filings are aligned with New Jersey's progressive energy policy goals. The centerpiece of CEF is the $2.5 billion energy efficiency program that would provide customers with access to savings opportunities from 22 energy efficiency programs, and supports the goals of Clean Energy legislation signed into law in May of this year, which requires utilities to reduce customers' annual electric and gas consumption by 2 percent and 0.75 percent, respectively.

SI-SSA-0015-14419

PSE&G invested approximately $2.3 billion for the nine months ended September 30 in electric and gas transmission and distribution capital projects. For the year, PSE&G currently expects to invest $2.8 billion of capital in its infrastructure.

PSE&G's forecast of Net Income for 2018 has been updated to reflect the impact of weather, with the range now forecast to be $1,055 million - $1,070 million.

PSEG Power

PSEG Power reported Net Income of $125 million ($0.25 per share) for the third quarter of 2018 compared with Net Income of $136 million ($0.27 per share) for the third quarter of 2017. Power's non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA for the third quarter of 2018 were $194 million ($0.39 per share) and $360 million, respectively, compared to non-GAAP Operating Earnings of $158 million ($0.31 per share) and non-GAAP Adjusted EBITDA of $356 million for the third quarter of 2017.

Power's Net Income comparison for the third quarter reflects a reduction in income tax expense as a result of tax reform and a step up in capacity prices in PJM and ISO-New England that was largely offset by increases in fuel costs, higher depreciation and interest expense.

The increase in the average capacity price realized by the PJM and New England fleet added $0.05 per share. The impact of placing the Keys and Sewaren CCGT stations in service, and higher demand boosted generation volumes by $0.06 per share. Re-contracting and market impact of lower spark spreads in PJM East reduced results by $0.10 per share compared with the third quarter of 2017. Higher O&M expense of $0.01 per share reflects new unit start-up expenses at Keys and Sewaren. Higher depreciation of $0.02 per share and higher interest expense of $0.02 per share both relate to the new CCGTs placed in-service versus the year-ago quarter. A reduction in the corporate tax rate from federal tax reform improved Net Income comparisons by $0.07 per share and the anticipated benefit from the re-measurement of tax reserves associated with a nuclear carryback claim and an IRS audit of 2011 and 2012 added $0.06 per share compared to year-earlier results. These tax benefits were slightly offset by the $0.01 per share impact related to a newly enacted New Jersey surtax.

As anticipated, total generation output improved as compared to the third quarter of 2017, reflecting the higher output of the combined cycle fleet with Keys and Sewaren in commercial operation. Power's gas-fired CCGT fleet operated at an average capacity factor of 68% and produced 7.0 TWh of output during the third quarter of 2018, up by 88% over the year-ago quarter primarily reflecting the production of the two new units. Pennsylvania coal generation output also improved to 1.3 TWh and operated at a 79% capacity factor in the quarter. For the year-to-date period, Power's nuclear fleet operated at an average capacity factor of 93%, producing 23.7 TWh and representing 57% of Power's total generation.

Power's forecast of total output for 2018 has been raised to 54 – 56 TWh from last quarter's reduced estimate of 53 – 55 TWh. For the remainder of 2018, Power has hedged 80% - 85% of total forecasted production of 13 – 15 TWh at an average price of $37 per MWh. For 2019, Power has hedged 70% - 75% of forecasted production of 58 – 60 TWh at an average price of $36 per MWh. For 2020, Power has hedged 40% - 45% of output forecasted to be 62 – 64 TWh at an average price of $36 per MWh. The forecasted output for 2018 – 2020 includes generation associated with Keys

SI-SSA-0015-14420

and Sewaren, as well as the mid-2019 commercial start-up of the 485 MW gas-fired CCGT at Bridgeport Harbor.

Power recently decided to exit the retail electric marketing business, having entered the business two years ago to complement its wholesale trading business and provide additional hedges for its generation. Power has concluded that retail electric marketing will not provide a material enhancement to its hedging activity. Energy Solutions has therefore ceased taking on new customers but will continue to meet all obligations to existing customers through the end of their current contracts.

The BPU has begun implementation of New Jersey's ZEC law. An order establishing the ZEC application process is expected to be issued in November. In December, Power anticipates filing its ZEC application for its three New Jersey nuclear units. Power estimates that if all three of its New Jersey nuclear units are selected, it could be eligible to receive ZEC revenues of approximately $200 million per year during each 3-year cycle.

In June 2018, the Federal Energy Regulatory Commission (FERC) issued an order finding that PJM's current capacity market is unjust and unreasonable and established a proceeding to evaluate potential reforms. Power submitted comments in early October largely supporting the PJM capacity redesign proposals, and will continue to participate in this proceeding.

The forecast of Power's non-GAAP Operating Earnings for 2018 and non-GAAP Adjusted EBITDA has been updated to $465 million - $500 million and $1,045 million - $1,100 million, respectively, reflecting lower realized margins from Power's portfolio.

PSEG Enterprise/Other

PSEG Enterprise/Other reported Net Income of $9 million ($0.02 per share) for the third quarter of 2018 compared to Net Income of $13 million ($0.02 per share) for the third quarter of 2017. The decrease in Net Income year over year reflects higher interest expense at the Parent partially offset by lower taxes and other items.

For 2018, the forecast of PSEG Enterprise/Other Net Income has been updated to $25 million, reflecting higher interest expense at the Parent.

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About PSEG:

Public Service Enterprise Group (NYSE:PEG) is a publicly traded diversified energy company with annual revenue of $9.1 billion in 2017. Its operating subsidiaries are: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC, and PSEG Long Island.

SI-SSA-0015-14421

PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving nearly three-quarters of the state's population. PSE&G is the winner of the ReliabilityOne Award for superior electric system reliability.

PSEG Power LLC is an independent power producer that generates and sells electricity in the PJM, New York and New England wholesale power markets.

Non-GAAP Financial Measures

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

Management believes the presentation of non-GAAP Adjusted EBITDA for Power is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization.

See Attachments 10 and 11 for a complete list of items excluded from Net Income in the determination of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe,"

SI-SSA-0015-14422

“expect,” “plan,” “should,” “hypothetical,” “potential,” “forecast,” “project,” variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G’s ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- risks associated with our ownership and operation of nuclear facilities, including regulatory risks, such as compliance with the Atomic Energy Act and trade control, environmental and other regulations, as well as financial, environmental and health and safety risks;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review

SI-SSA-0015-14423

new postings. The “Email Alerts” link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or Really Simple Syndication (RSS) feeds regarding new postings.

***Visit PSEG at**: www.pseg.com*; PSEG blog, Energize!; PSEG My Alerts!

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SI-SSA-0015-14424

Attachment 1

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Three Months Ended September 30, 2018

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,394	$ (69)	$ 1,595	$ 868
OPERATING EXPENSES				
Energy Costs	804	(220)	593	431
Operation and Maintenance	742	122	389	231
Depreciation and Amortization	294	8	192	94
Total Operating Expenses	1,840	(90)	1,174	756
OPERATING INCOME	554	21	421	112
Income from Equity Method Investments	5	-	-	5
Net Gains (Losses) on Trust Investments	45	1	-	44
Other Income (Deductions)	33	(2)	21	14
Non-Operating Pension and OPEB Credits (Costs)	19	1	14	4
Interest Expense	(127)	(15)	(83)	(29)
INCOME BEFORE INCOME TAXES	529	6	373	150
Income Tax Benefit (Expense)	(117)	3	(95)	(25)
NET INCOME	**$ 412**	**$ 9**	**$ 278**	**$ 125**
Reconciling Items Excluded from Net Income [b]	69	-	-	69
OPERATING EARNINGS (non-GAAP)	**$ 481**	**$ 9**	**$ 278**	**$ 194**
Earnings Per Share				
NET INCOME	**$ 0.81**	**$ 0.02**	**$ 0.54**	**$ 0.25**
Reconciling Items Excluded from Net Income [b]	0.14	-	-	0.14
OPERATING EARNINGS (non-GAAP)	**$ 0.95**	**$ 0.02**	**$ 0.54**	**$ 0.39**

Three Months Ended September 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 2,254	$ (122)	$ 1,530	$ 846
OPERATING EXPENSES				
Energy Costs	616	(257)	543	330
Operation and Maintenance	693	107	357	229
Depreciation and Amortization	252	7	169	76
Total Operating Expenses	1,561	(143)	1,069	635
OPERATING INCOME	693	21	461	211
Income from Equity Method Investments	3	-	-	3
Net Gains (Losses) on Trust Investments	18	(1)	-	19
Other Income (Deductions)	33	-	22	11
Non-Operating Pension and OPEB Credits (Costs)	-	-	(2)	2
Interest Expense	(100)	(9)	(79)	(12)
INCOME BEFORE INCOME TAXES	647	11	402	234
Income Tax Benefit (Expense)	(252)	2	(156)	(98)
NET INCOME	**$ 395**	**$ 13**	**$ 246**	**$ 136**
Reconciling Items Excluded from Net Income [b]	22	-	-	22
OPERATING EARNINGS (non-GAAP)	**$ 417**	**$ 13**	**$ 246**	**$ 158**
Earnings Per Share				
NET INCOME	**$ 0.78**	**$ 0.02**	**$ 0.49**	**$ 0.27**
Reconciling Items Excluded from Net Income [b]	0.04	-	-	0.04
OPERATING EARNINGS (non-GAAP)	**$ 0.82**	**$ 0.02**	**$ 0.49**	**$ 0.31**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 10 and 11 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 2

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidating Statements of Operations
(Unaudited, $ millions, except per share data)

Nine Months Ended September 30, 2018

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 7,228	$ (636)	$ 4,826	$ 3,038
OPERATING EXPENSES				
Energy Costs	2,356	(1,057)	1,863	1,550
Operation and Maintenance	2,221	343	1,133	745
Depreciation and Amortization	854	25	569	260
Total Operating Expenses	5,431	(689)	3,565	2,555
OPERATING INCOME	1,797	53	1,261	483
Income from Equity Method Investments	12	-	-	12
Net Gains (Losses) on Trust Investments	31	1	-	30
Other Income and (Deductions)	99	-	61	38
Non-Operating Pension and OPEB Credits (Costs)	57	2	44	11
Interest Expense	(341)	(48)	(246)	(47)
INCOME BEFORE INCOME TAXES	1,655	8	1,120	527
Income Tax Benefit (Expense)	(416)	3	(292)	(127)
NET INCOME	**$ 1,239**	**$ 11**	**$ 828**	**$ 400**
Reconciling Items Excluded from Net Income [b]	59	14	-	45
OPERATING EARNINGS (non-GAAP)	**$ 1,298**	**$ 25**	**$ 828**	**$ 445**
Earnings Per Share				
NET INCOME	**$ 2.44**	**$ 0.02**	**$ 1.63**	**$ 0.79**
Reconciling Items Excluded from Net Income [b]	0.12	0.03	-	0.09
OPERATING EARNINGS (non-GAAP)	**$ 2.56**	**$ 0.05**	**$ 1.63**	**$ 0.88**

Nine Months Ended September 30, 2017

	PSEG	PSEG Enterprise/ Other [a]	PSE&G	PSEG Power
OPERATING REVENUES	$ 6,987	$ (795)	$ 4,749	$ 3,033
OPERATING EXPENSES				
Energy Costs	2,072	(1,129)	1,793	1,408
Operation and Maintenance	2,128	325	1,086	717
Depreciation and Amortization	1,721	24	506	1,191
Total Operating Expenses	5,921	(780)	3,385	3,316
OPERATING INCOME (LOSS)	1,066	(15)	1,364	(283)
Income from Equity Method Investments	11	-	-	11
Net Gains (Losses) on Trust Investments	71	7	2	62
Other Income (Deductions)	98	(1)	65	34
Non-Operating Pension and OPEB Credits (Costs)	1	-	(5)	6
Interest Expense	(289)	(25)	(223)	(41)
INCOME (LOSS) BEFORE INCOME TAXES	958	(34)	1,203	(211)
Income Tax Benefit (Expense)	(340)	30	(450)	80
NET INCOME (LOSS)	**$ 618**	**$ (4)**	**$ 753**	**$ (131)**
Reconciling Items Excluded from Net Income (Loss) [b]	581	45	-	536
OPERATING EARNINGS (non-GAAP)	**$ 1,199**	**$ 41**	**$ 753**	**$ 405**
Earnings Per Share				
NET INCOME (LOSS)	**$ 1.22**	**$ (0.01)**	**$ 1.49**	**$ (0.26)**
Reconciling Items Excluded from Net Income (Loss) [b]	1.14	0.08	-	1.06
OPERATING EARNINGS (non-GAAP)	**$ 2.36**	**$ 0.07**	**$ 1.49**	**$ 0.80**

(a) Includes activities at Energy Holdings, PSEG Long Island and the Parent as well as intercompany eliminations.
(b) See Attachments 10 and 11 for details of items excluded from Net Income/(Loss) to compute Operating Earnings (non-GAAP).

Attachment 3

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Capitalization Schedule
(Unaudited, $ millions)

	September 30, 2018	December 31, 2017
DEBT		
Commercial Paper and Loans	$ 419	$ 542
Long-Term Debt*	14,359	13,068
Total Debt	14,778	13,610
STOCKHOLDERS' EQUITY		
Common Stock	4,966	4,961
Treasury Stock	(811)	(763)
Retained Earnings	10,611	9,878
Accumulated Other Comprehensive Loss	(407)	(229)
Total Stockholders' Equity	14,359	13,847
Total Capitalization	$ 29,137	$ 27,457

*Includes current portion of Long-Term Debt

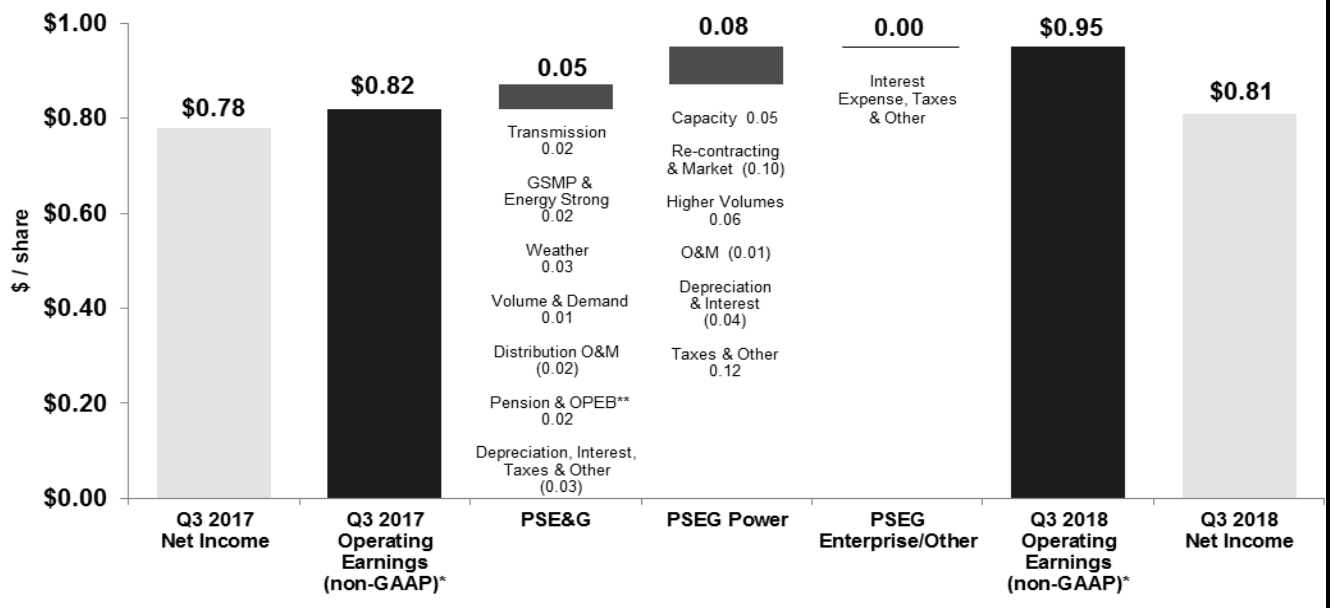
Attachment 4

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, $ millions)

	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,239	$ 618
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities	1,253	2,115
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,492	2,733
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,113)	(3,104)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	412	225
Net Change in Cash, Cash Equivalents and Restricted Cash	(209)	(146)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	315	426
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 106	$ 280

Attachment 5

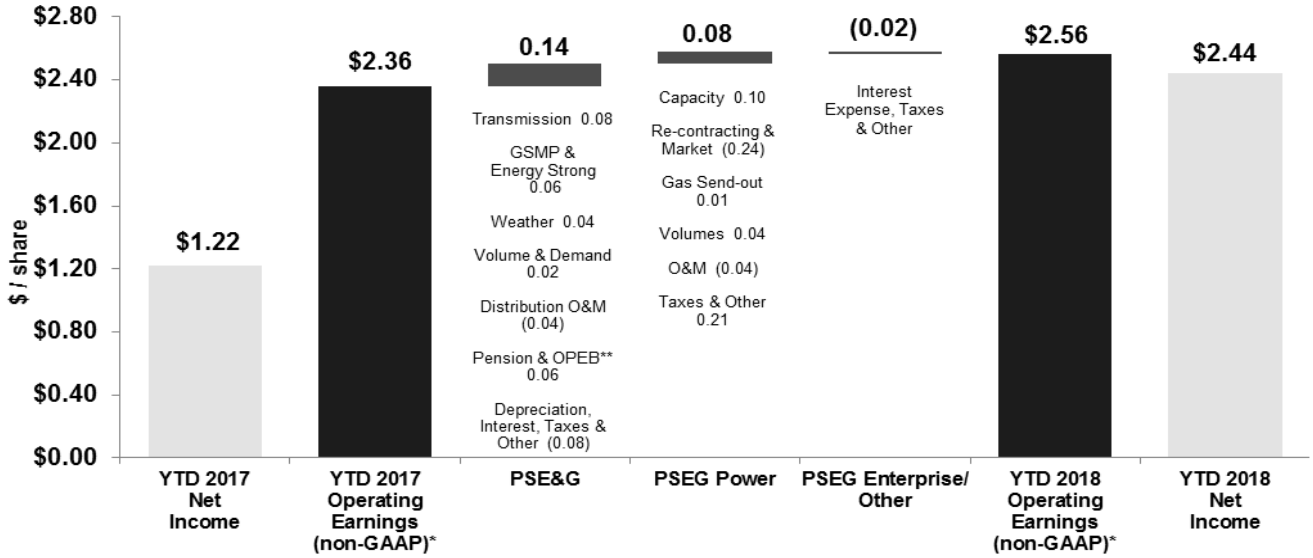
PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Quarter-over-Quarter EPS Reconciliation
September 30, 2018 vs. September 30, 2017
(Unaudited)



*See Attachments 10 and 11 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

Attachment 6

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Year-over-Year EPS Reconciliation
September 30, 2018 vs. September 30, 2017
(Unaudited)



*See Attachments 10 and 11 for Items excluded from Net Income/(Loss) to reconcile to Operating Earnings (non-GAAP).
**Reflects the impact of new accounting guidance effective January 1, 2018 which no longer allows capitalization of non-service components of pension and OPEB costs and requires the reclassification of these costs below Operating Income.

Note: Prior quarter results may not add to year-to-date totals due to rounding

PUBLIC SERVICE ELECTRIC & GAS COMPANY
Retail Sales
(Unaudited)
September 30, 2018

Electric Sales

Sales (millions kWh)	Three Months Ended	Change vs. 2017	Nine Months Ended	Change vs. 2017
Residential	4,772	12.6%	10,907	6.8%
Commercial & Industrial	7,645	2.9%	21,023	1.3%
Street Lighting	72	8.9%	241	4.7%
Interdepartmental	2	-1.1%	7	0.7%
Total	12,491	6.4%	32,178	3.1%
Weather Data				
THI Hours - Actual	14,959	34.8%	19,171	23.8%
THI Hours - Normal	12,003		16,086	

Gas Sold and Transported

Sales (millions therms)*	Three Months Ended	Change vs. 2017	Nine Months Ended	Change vs. 2017
Firm Sales				
Residential Sales	85	-5.5%	1,046	10.8%
Commercial & Industrial	101	2.3%	774	11.4%
Total Firm Sales	**186**	**-1.5%**	**1,820**	**11.1%**
Non-Firm Sales				
Commercial & Industrial	458	57.2%	945	-3.4%
Total Non-Firm Sales	**458**		**945**	
Total Sales	**644**	**34.1%**	**2,765**	**5.7%**
Weather Data				
Degree Days - Actual	25	46.4%	3,068	10.1%
Degree Days - Normal	26		3,046	

*CSG rate included in non-firm sales

Attachment 8

PSEG POWER LLC
Generation Measures[1]
(Unaudited)

	GWhr Breakdown Three Months Ended September 30, 2018	GWhr Breakdown Three Months Ended September 30, 2017	GWhr Breakdown Nine Months Ended September 30, 2018	GWhr Breakdown Nine Months Ended September 30, 2017
Nuclear - NJ	5,315	5,500	15,365	15,814
Nuclear - PA	2,676	2,709	8,379	8,316
Total Nuclear	**7,991**	**8,209**	**23,744**	**24,130**
Fossil - Coal[2]	**1,342**	**1,242**	**4,249**	**4,036**
Fossil - Natural Gas & Oil - NJ	4,456	2,262	8,330	6,889
Fossil - Natural Gas & Oil - NY	1,516	1,582	4,007	4,027
Fossil - Natural Gas & Oil - MD	1,216	-	1,216	-
Fossil - Natural Gas & Oil - CT	20	9	36	8
Total Natural Gas & Oil[3]	**7,208**	**3,853**	**13,589**	**10,924**
	16,541	**13,304**	**41,582**	**39,090**

	% Generation by Fuel Type Three Months Ended September 30, 2018	% Generation by Fuel Type Three Months Ended September 30, 2017	% Generation by Fuel Type Nine Months Ended September 30, 2018	% Generation by Fuel Type Nine Months Ended September 30, 2017
Nuclear - NJ	32%	41%	37%	41%
Nuclear - PA	16%	21%	20%	21%
Total Nuclear	**48%**	**62%**	**57%**	**62%**
Fossil - Coal[2]	**8%**	**9%**	**10%**	**10%**
Fossil - Natural Gas & Oil - NJ	27%	17%	20%	18%
Fossil - Natural Gas & Oil - NY	9%	12%	10%	10%
Fossil - Natural Gas & Oil - MD	8%	0%	3%	0%
Fossil - Natural Gas & Oil - CT	0%	0%	0%	0%
Total Natural Gas & Oil[3]	**44%**	**29%**	**33%**	**28%**
	100%	**100%**	**100%**	**100%**

[1]Excludes Solar and Kalaeloa
[2]Includes Pumped Storage which accounted for <1% of total generation.
[3]Include several units that are dual fuel for oil.

Attachment 9

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Statistical Measures
(Unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Weighted Average Common Shares Outstanding (millions)				
Basic	504	505	504	505
Diluted	507	507	507	507
Stock Price at End of Period			$ 52.79	$ 46.25
Dividends Paid per Share of Common Stock	$ 0.45	$ 0.43	$ 1.35	$ 1.29
Dividend Yield			3.4%	3.7%
Book Value per Common Share			$ 28.50	$ 26.01
Market Price as a Percent of Book Value			185%	178%

Attachment 10

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income	**$ 412**	**$ 395**	**$ 1,239**	**$ 618**
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(43)	(22)	(28)	(69)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	133	46	82	-
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	9	3	960
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	20	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(21)	(11)	(18)	(387)
Operating Earnings (non-GAAP)	**$ 481**	**$ 417**	**$ 1,298**	**$ 1,199**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	**$ 0.81**	**$ 0.78**	**$ 2.44**	**$ 1.22**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.08)	(0.05)	(0.05)	(0.14)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.26	0.09	0.16	-
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.02	0.01	1.89
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	0.03	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(0.04)	(0.02)	(0.03)	(0.76)
Operating Earnings (non-GAAP)	**$ 0.95**	**$ 0.82**	**$ 2.56**	**$ 2.36**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income (Loss)	**$ 125**	**$ 136**	**$ 400**	**$ (131)**
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(43)	(22)	(28)	(69)
(Gain) Loss on MTM, pre-tax [b]	133	46	82	-
Hudson/Mercer Early Retirement, pre-tax	-	9	3	960
Income Taxes related to Operating Earnings (non-GAAP) reconciling items[c]	(21)	(11)	(12)	(355)
Operating Earnings (non-GAAP)	**$ 194**	**$ 158**	**$ 445**	**$ 405**
Depreciation and Amortization, pre-tax [d]	91	77	253	256
Interest Expense, pre-tax [d] [e]	29	12	46	40
Income Taxes [d]	46	109	139	275
Adjusted EBITDA (non-GAAP)	**$ 360**	**$ 356**	**$ 883**	**$ 976**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	($ millions, Unaudited)			
Net Income (Loss)	**$ 9**	**$ 13**	**$ 11**	**$ (4)**
Lease Related Activity, pre-tax	-	-	20	77
Income Taxes related to Lease related activity[a]	-	-	(6)	(32)
Operating Earnings (non-GAAP)	**$ 9**	**$ 13**	**$ 25**	**$ 41**
PSEG Fully Diluted Average Shares Outstanding (in millions)	**507**	**507**	**507**	**507**

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

NYSE:
PEG

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Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-14437

GAAP Disclaimer

PSEG presents Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings and Adjusted EBITDA are non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. Non-GAAP Adjusted EBITDA excludes the same items as our non-GAAP Operating Earnings measure as well as income tax expense, interest expense and depreciation and amortization. The last three slides in this presentation (Slides A, B and C) include a list of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA with a reference to those slides included on each of the slides where the non-GAAP information appears.

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Management believes non-GAAP Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across companies and across periods. Management also believes that non-GAAP Adjusted EBITDA is widely used by investors to measure operating performance without regard to items such as income tax expense, interest expense and depreciation and amortization, which can vary substantially from company to company depending upon, among other things, the book value of assets, capital structure and whether assets were constructed or acquired. Non-GAAP Adjusted EBITDA also allows investors and other users to assess the underlying financial performance of our fleet before management's decision to deploy capital. The presentation of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings and non-GAAP Adjusted EBITDA guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss

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2018 PSEG Conference Agenda

Presentation	Presenter
Welcome and Introductions	Kathleen Lally
PSEG	Ralph Izzo
Regulatory & Policy Overview	Tamara Linde
Q&A Session	
PSE&G	Dave Daly
Q&A Session	
Break	
PSEG Power	Ralph LaRossa
Q&A Session	
Financial Review & Outlook	Daniel Cregg
Summary and Q&A	
Conference Conclusion	

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PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PSEG
We make things work for you.

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PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

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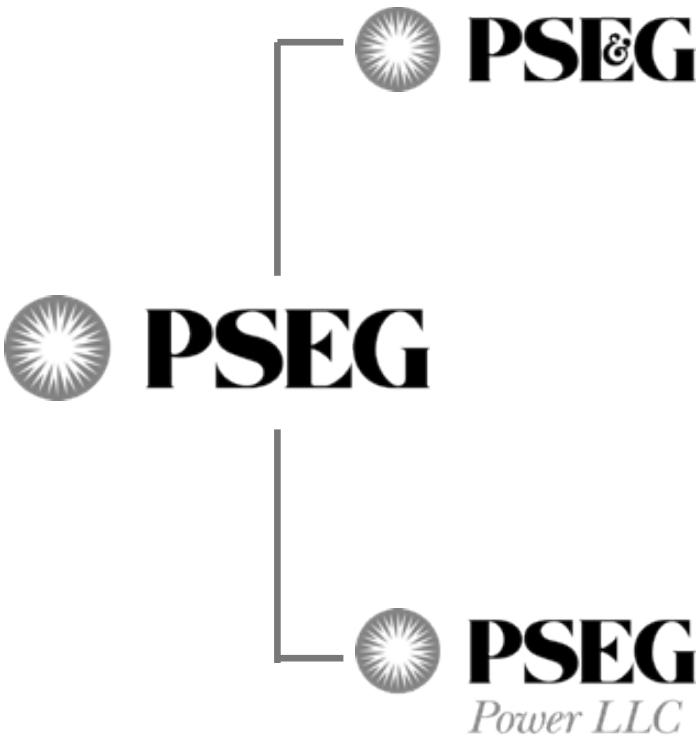
Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $15.5 Billion infrastructure program expected to produce **8%-10%** annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. *SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Delivering on commitments, realizing growth

Operational Excellence

- PSE&G: 16 consecutive years of recognition as the most reliable utility in the Mid-Atlantic region
- PSEG Power: Improved nuclear capacity factors to ~94% in 2017; Fleet moving towards improved efficiency and environmental position
- PSEG Long Island: Improved customer service and reliability while managing costs
- PSEG: Maintaining focus on efficiency, resiliency, and ESG (environmental, social and governance)

Financial Strength

- 2018 non-GAAP Operating Earnings guidance of $3.00-$3.20 per share, +6% from $2.93 in 2017*
- Cash flows and business mix support credit ratings and ability to fully fund robust investment pipeline without the need to issue new equity
- PSEG is a net beneficiary of recent tax legislation
- Increased indicated common dividend by 4.7% to $1.80 per share in February 2018 – the 14th increase in the last 15 years

Disciplined Investment

- PSE&G capital program drives continued rate base growth over 2018-2022 with investments in Transmission, Electric & Gas Distribution, and Clean Energy
- Plans for additional investment in Energy Efficiency and increased use of technology to improve communication between Distribution Infrastructure and customers
- Power capital program, focused on completing construction at Keys, Sewaren and Bridgeport Harbor, improves fleet efficiency and geographic diversity

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PSEG

* BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE. SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS, SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER, AND SLIDE C FOR ENTERPRISE/OTHER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

2018	PSEG 5-Year Capital Investment Program $14B - $17B

- ✓ Investing $12 Billion-$15.5 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

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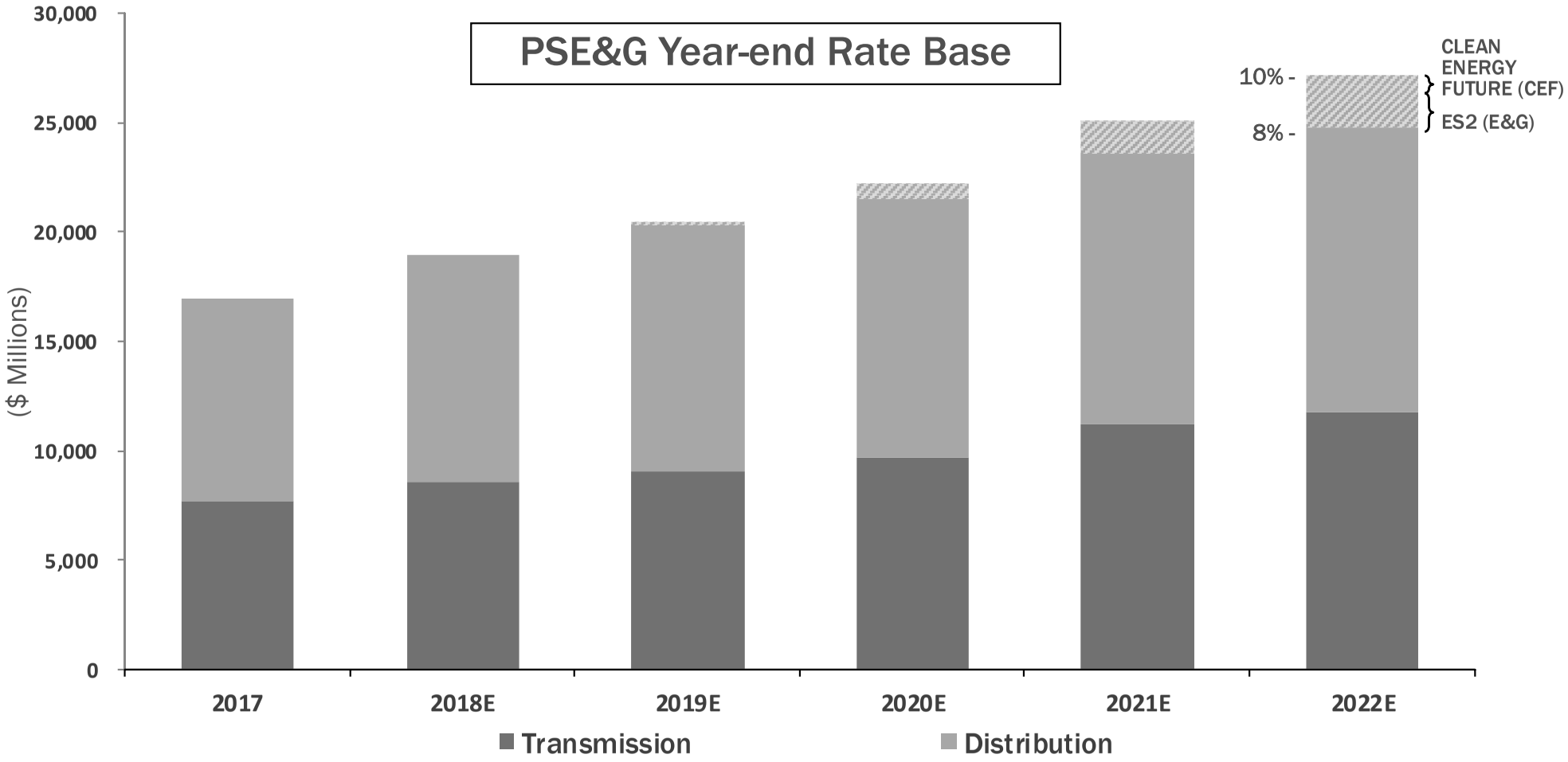
Expanded utility investment program of $12B - $15.5B provides opportunity for rate base growth of 8% - 10%



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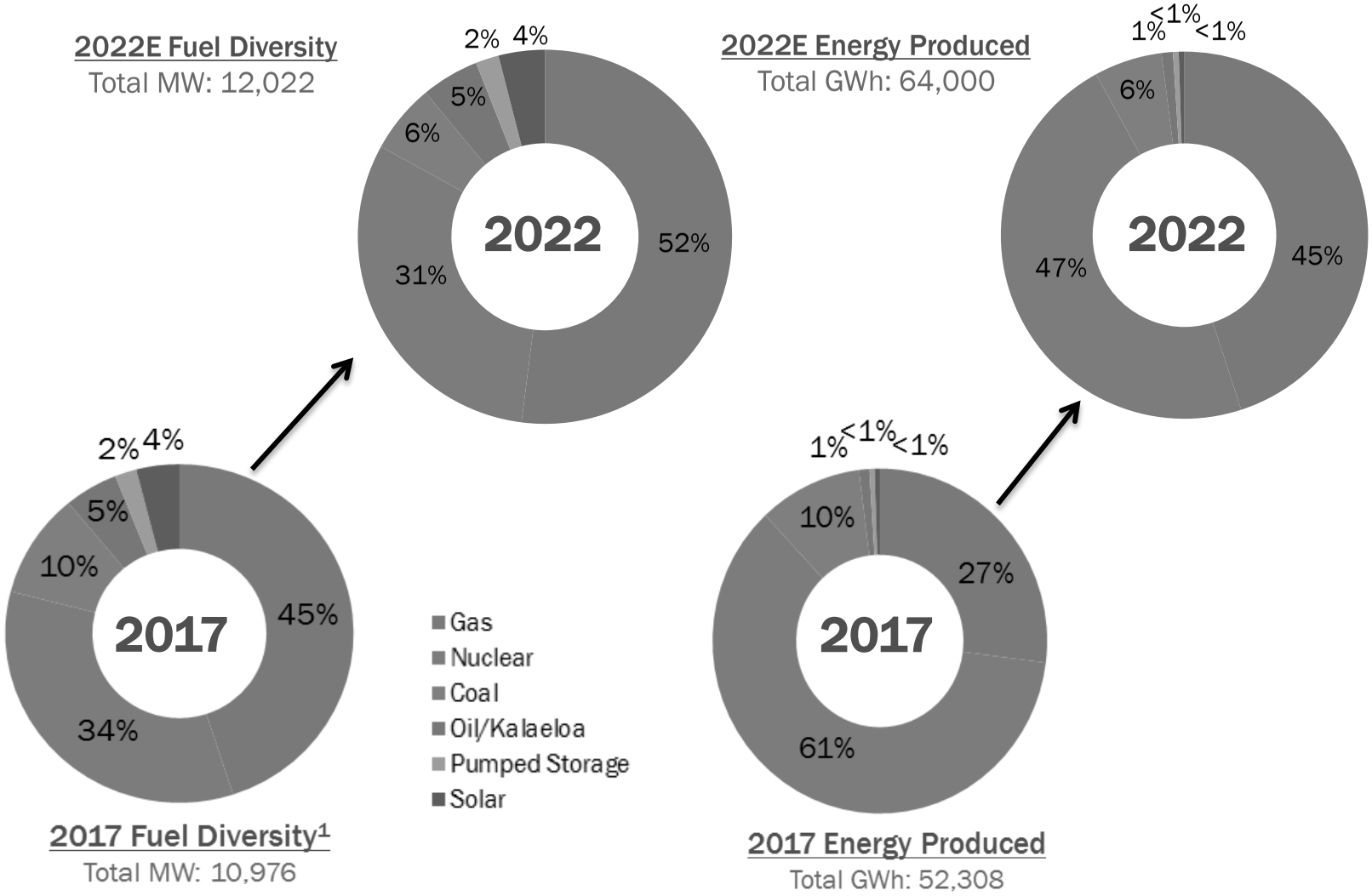
E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

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NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ Starts a 330-Day process – NJ Board of Public Utilities to determine eligibility and selection of nuclear plants eligible for ZECs
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-14448

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication; AMI Regulated Renewables

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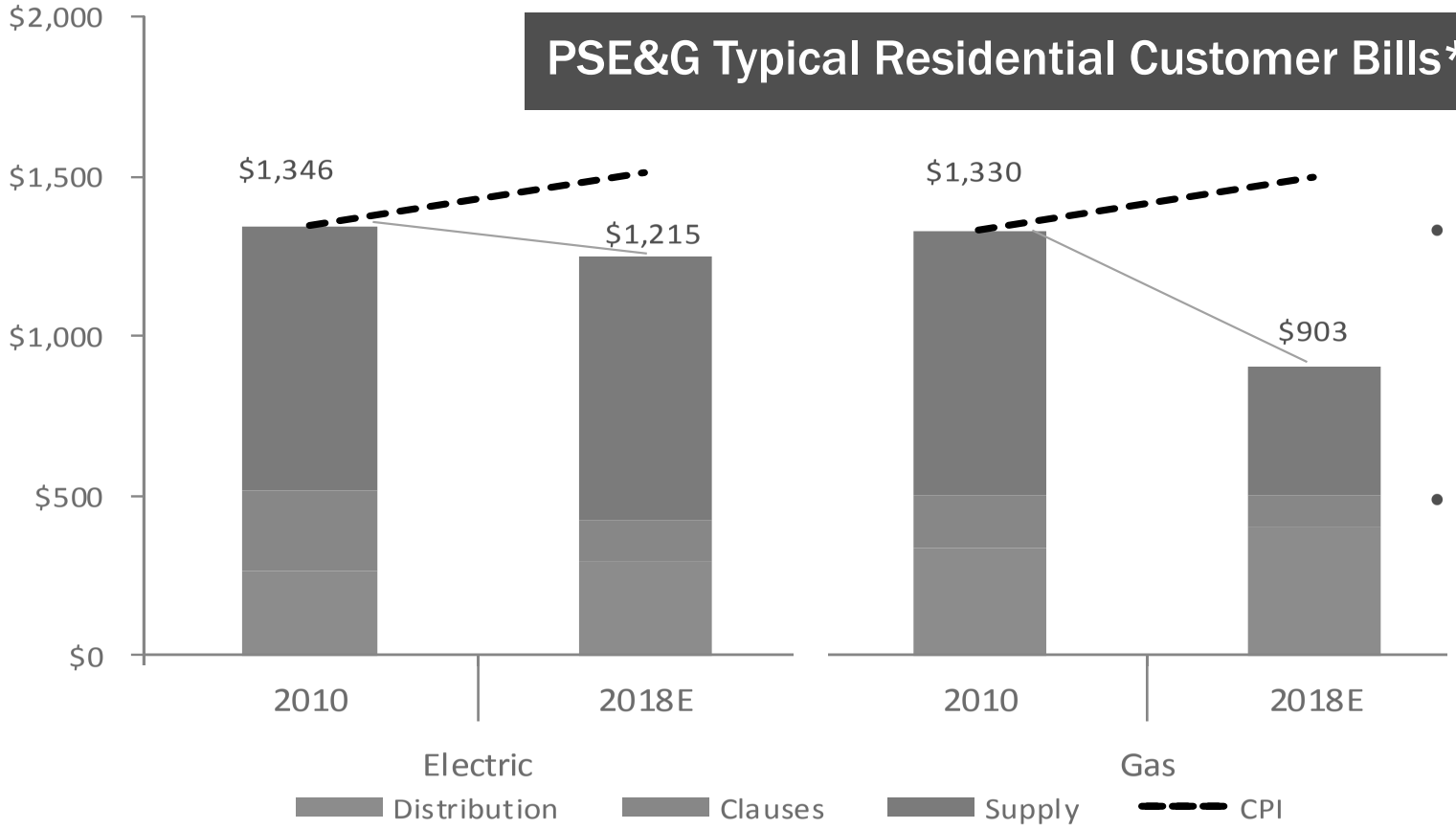
Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

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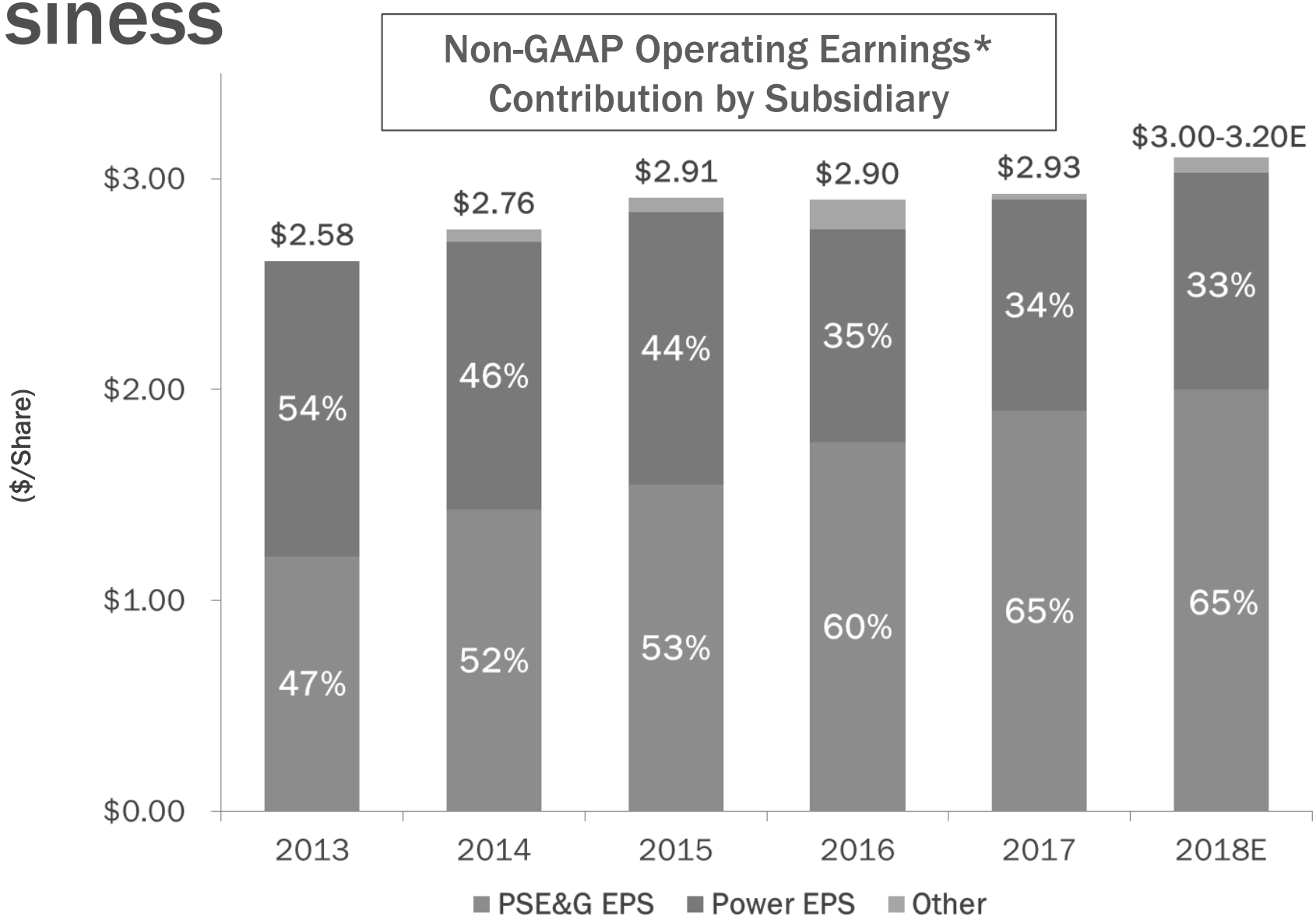
PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Strategic focus generating growth in earnings with increased contribution from regulated business



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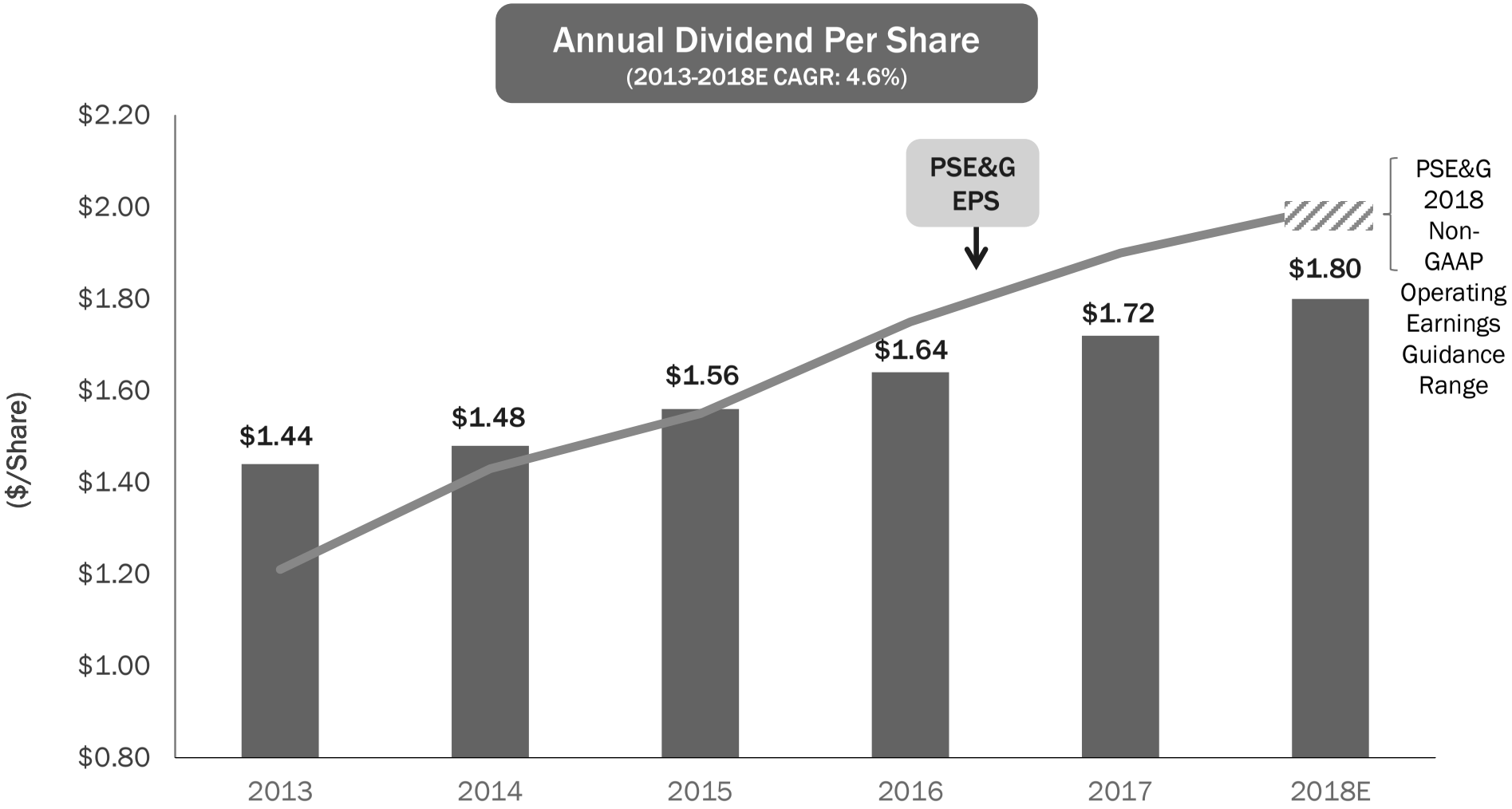
*SEE SLIDES A, B AND C FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO NON-GAAP OPERATING EARNINGS FOR PSEG, PSE&G, PSEG POWER AND ENTERPRISE/OTHER. E= ESTIMATE.

Opportunity for consistent and sustainable dividend growth



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E=ESTIMATE.

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels
- ✓ Named to the Dow Jones North America Sustainability Index for over a decade
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-14453

PSEG's commitment to its many stakeholders is widely recognized

Industry

POWERGRID INTERNATIONAL

Grid Optimization Project of the Year
Energy Strong - Advanced Technologies
D-SCADA Program - PSE&G (2018)

Long Island BusinessNEWS

Corporate Citizen of the Year, Large Business – PSEGLI (2017)

ReliabilityOne™

PA Consulting Mid-Atlantic Region award – for the 16th consecutive year (2017)

POWER

Top Plant Awards

Linden CCGT for embracing advanced digital monitoring and analytics (2016)

Smart Electric Power Alliance

Utility of the Year by SEPA - Solar 4 All (2017)

Employer

American Cancer Society®

Breast Cancer Walk Highest # of Participants PSEG LI - (2017)

20% BY 2020 2020 WOMEN ON BOARDS

Recognized for Diversity by 2020 Women on Boards (2017)

Forbes | 2018 THE BEST EMPLOYERS for DIVERSITY POWERED BY STATISTA

America's Best Employers List (2018)

CIANJ

Commerce & Industry Association of NJ award Approved Employer by STEM Jobs (2017)

MARCH OF DIMES

March of Dimes Corporate Hero (2017)

MILITARY FRIENDLY® MF'18 AWARD EMPLOYER

Military-friendly employer (2018)

Business

PUBLIC UTILITIES FORTNIGHTLY "In the Public Interest"

PSEG ranked #1 in financial performance (2016)

Dow Jones Sustainability Index

Named to DJSI North America for the 10th consecutive year (2017)

FORTUNE WORLD'S MOST ADMIRED COMPANIES® 2017

Ranked 8th among electric and gas companies in the United States (2017)

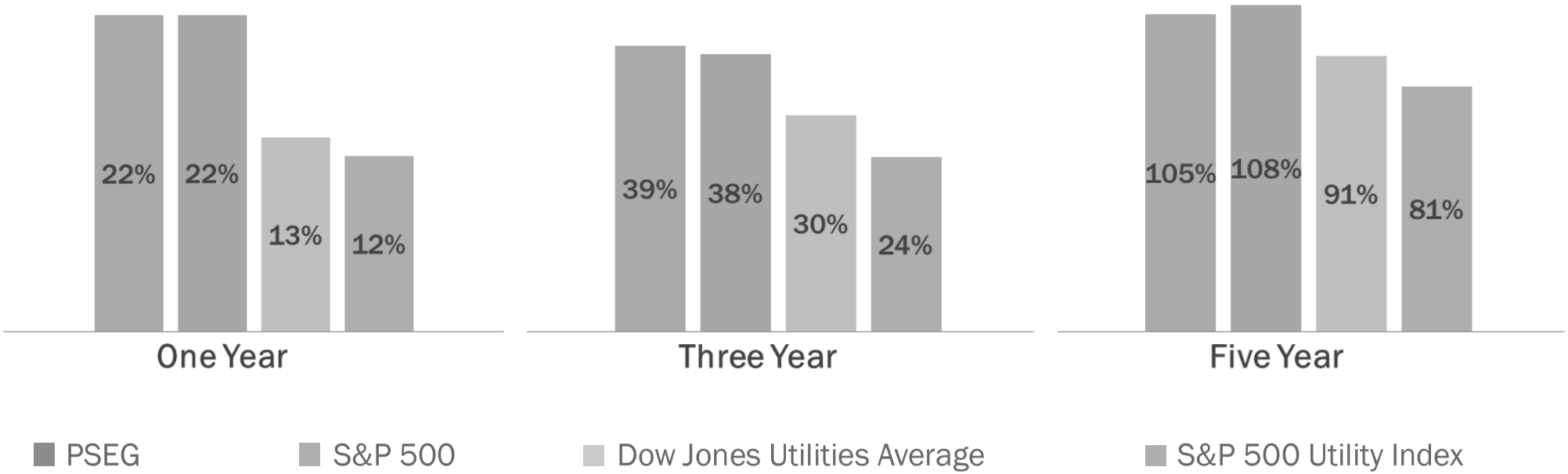
Forbes AMERICA'S MOST JUST COMPANIES JUST 2016

America's 100 Best Corporate Citizens (2016)

SI-SSA-0015-14454

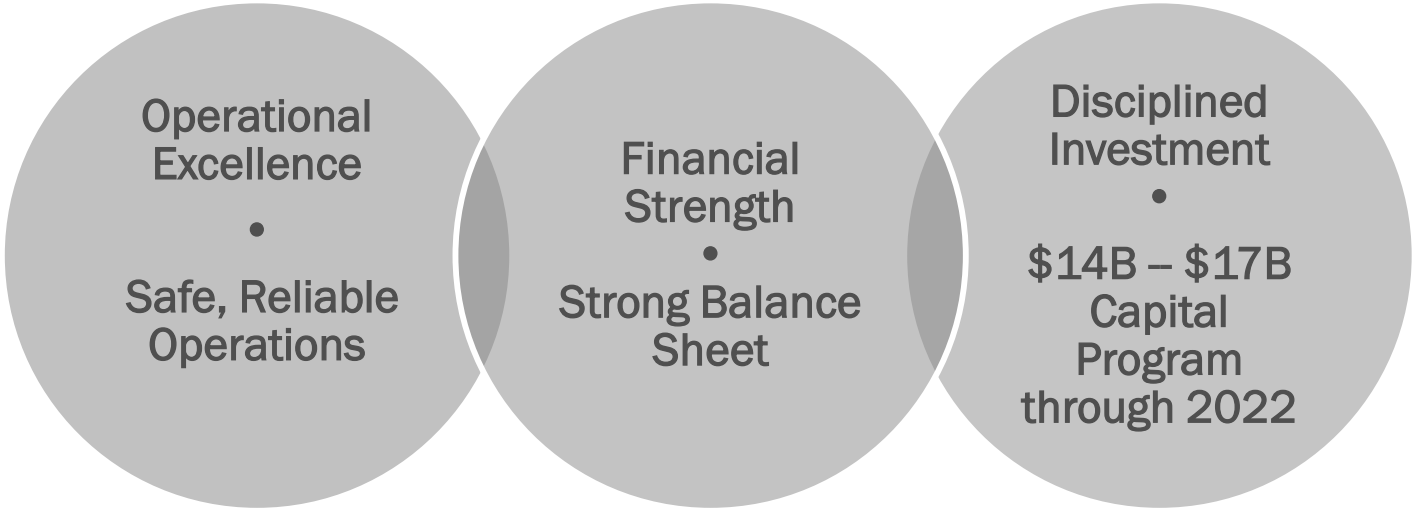
Successful execution of PSEG strategy recognized by the market

PSEG Comparative Market Performance
1/3/5 year Total Shareholder Returns
(For the periods ended December 31, 2017)



SI-SSA-0015-14455

PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through safe operations, customer satisfaction, and disciplined investment
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-14456

PSEG STRATEGY: REVIEW OF REGULATORY AND POLICY INITIATIVES

Tammy Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PSEG

We make things work for you.

SI-SSA-0015-14457

Pursuing Critically Needed Market Reforms

Supporting NJ's Energy Agenda

Preserving NJ's Nuclear Energy

Infrastructure Investment Program Supports PSE&G Reliability & Resiliency

NJ Base Rate Case First Since 2010 has Modest 3% Request

PSEG

SI-SSA-0015-14458

Pursuing regulatory policies supporting investment and delivery of clean, affordable and resilient energy supply

What We Discussed in 2017		Results to Date 2018
NJ Distribution Base Rate Case	→	Progressing on filing schedule
Long-Term Infrastructure Regulatory Reform	→	Adopted January 2018; Model for GSMP II and future filings
Properly Value Nuclear Supply	→	Governor Murphy signed bill on May 23; Regulatory process now begins
Pursuit of Price Reform in Wholesale Energy Market	→	Underway at FERC and PJM

SI-SSA-0015-14459

PSE&G Base Rate Filing: A path to long-term rate stability

Base rate case filed January 2018 and updated in May 2018, calls for an overall increase in electric and gas revenue of 3%

Requested Amounts	Electric	Gas
Revenue Increase	$134 Million	$108 Million
Rate Base	$5.7 Billion	$4.2 Billion

- First base rate request since 2010
- Filing updated to reflect the April 1, 2018 rate reduction associated with decline in the federal corporate tax rate; Net of tax benefits, request is 1%
- Seeks return on and of increased levels of investment in rate base
- Incorporates an electric revenue de-coupling mechanism to support investments in energy efficiency
- Requests a change in depreciation
- Effect of Tax Reform on cash flow further supports capital structure request
- Schedule calls for Rate Counsel and other intervenors to file testimony July 2018; Hearings are scheduled for September - October 2018; Expect a decision in Q4 2018

SI-SSA-0015-14460

NJ addresses investment in energy infrastructure; Streamlined process reduces regulatory lag

Infrastructure Investment Program (IIP) Recovery Mechanism

- Adopted by NJBPU January 2018, streamlines regulatory planning process for long-term infrastructure programs related to safety, reliability and/or resiliency
- Endorses accelerated recovery of investment over and above baseline spend levels, reducing regulatory lag
- Program term not to exceed 5 years with nexus to base rate case at the end of the term

Gas System Modernization Program II

- NJBPU approved agreement May 22
- Provides $1.9 Billion to be invested over five years beginning 2019
- Clause mechanism provides semi-annual recovery of 84% ($315M) of annual spend
- ROE to be set in pending base rate review
- PSE&G will file a base rate case within five years of starting GSMP II

Energy Strong II Filing

- Expect to file with NJBPU shortly
- Extension and expansion of $1.2 Billion Energy Strong program
- Upgrading/hardening of substations
- Strengthen Gas system resiliency
- Grid modernization

SI-SSA-0015-14461

Broad based benefits from properly valuing nuclear…

- Seeks fair compensation for the environmental attributes of at-risk nuclear generating plants
- Bill approved by NJ Legislature on April 12, and signed by NJ Governor on May 23; NJBPU has 330 days to determine eligibility and select which nuclear power plants have been chosen to receive Zero Emission Certificates (ZEC)
- Would require NJ utilities to purchase ZECs from eligible nuclear plants at $0.004 per KWh on retail distribution customers (approximately $300 Million/year)
- NJBPU will rank nuclear plants based on assessment of financial need in addition to its impact on fuel diversity, air quality, and other environmental attributes to determine ZEC eligibility
- Eligible nuclear plants must be licensed to operate beyond 2030 and be located in PJM
- Opportunity to preserve a highly reliable, zero carbon generation resource as part of a diverse energy grid

SI-SSA-0015-14462

...As NJ advances a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

SI-SSA-0015-14463

PSEG Engaged in Wholesale Energy Market Reform … process moving slowly

Federal Energy Regulatory Commission (FERC)

- PSEG Power is an active participant in dialogue at FERC to expand the definition of resiliency to incorporate the impact on the bulk electric system from a loss of fuel diversity associated with the potential retirement of nuclear generation
- FERC is examining ISO efforts to ensure resilience of the bulk electric system

PJM Independent System Operator

- PSEG Power is an active participant in PJM discussions to improve price recognition of the cost of meeting demand and PJM stakeholder process on resiliency/ valuing fuel security
- FERC is pushing ISOs to improve market constructs and rules on energy pricing

  → Fast start pricing reform expected in 2018
- PSEG Power is an active participant in capacity market proceedings at PJM/FERC that integrate state public policy objectives for clean energy with grid reliability and efficient market signals

SI-SSA-0015-14464

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filing Shortly

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage and EVs

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform expected in 2018

SI-SSA-0015-14465

PSEG Value Proposition

- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividend with opportunity for consistent, sustainable growth

SI-SSA-0015-14466

PSE&G

Dave Daly

PRESIDENT AND CHIEF OPERATING OFFICER
PUBLIC SERVICE ELECTRIC & GAS

CHAIRMAN OF THE BOARD, PSEG LONG ISLAND

PSEG

We make things work for you.

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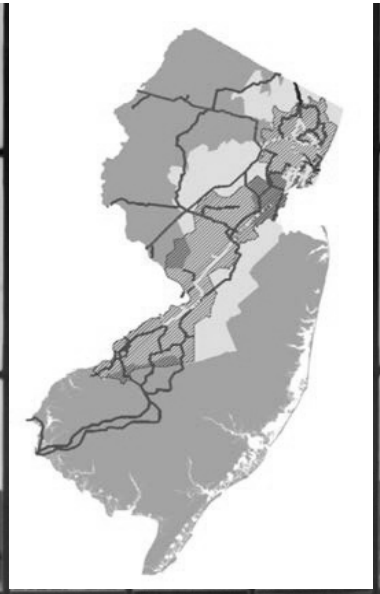
Named Most Reliable Electric Utility in The Mid-Atlantic Region for **16th** Consecutive Year



$6.2B of 2017 Revenue

~$1 Billion of 2017 Net Income

Supportive State Regulatory Environment

Approved **17** Programs Over Past **9** Years

5-Year Compound Annual Growth of **13%** in Net Income and Rate Base

Leader in NJ Clean Energy Investment

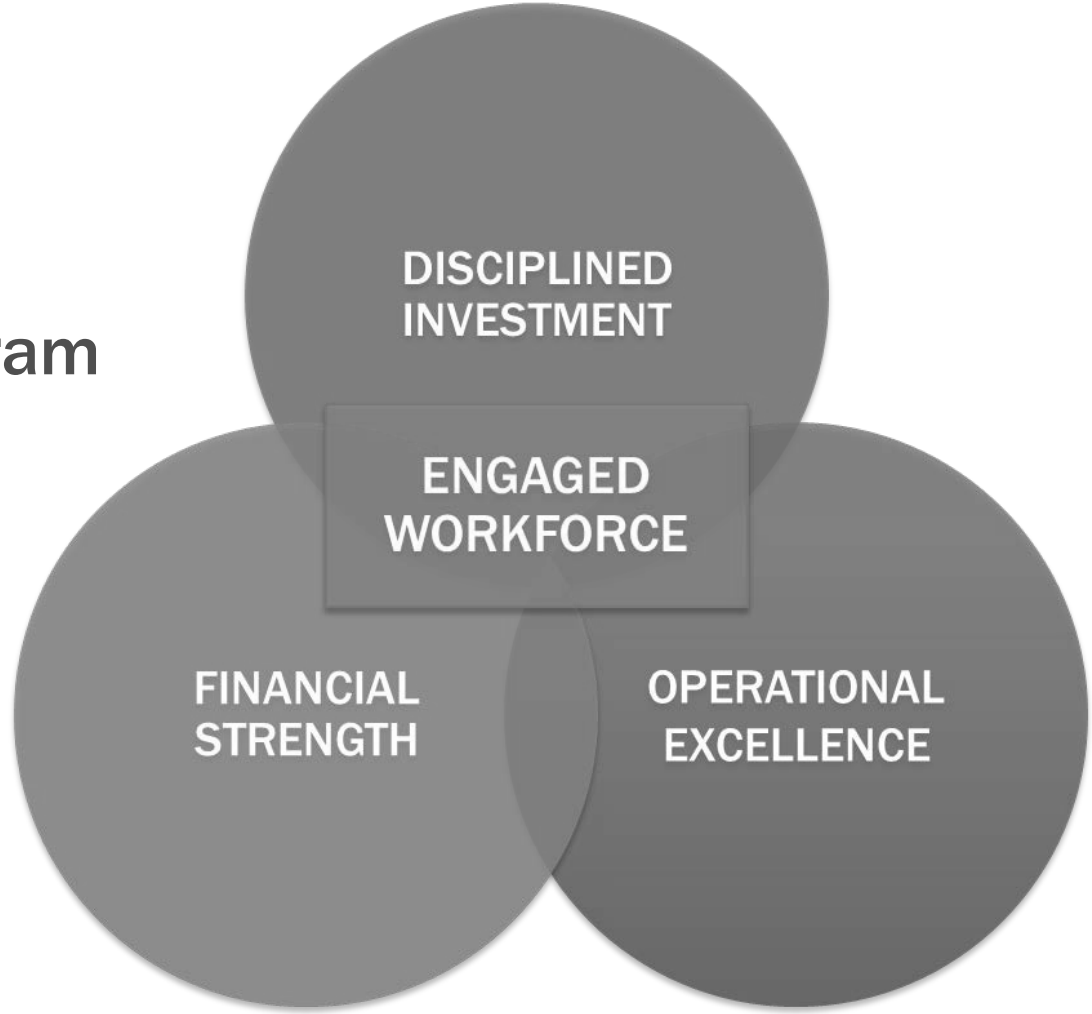
PSEG

SI-SSA-0015-14468

PSE&G Strategy: Building a sustainable platform that balances reliability, customer rates and public policy, realizing growth at reasonable returns

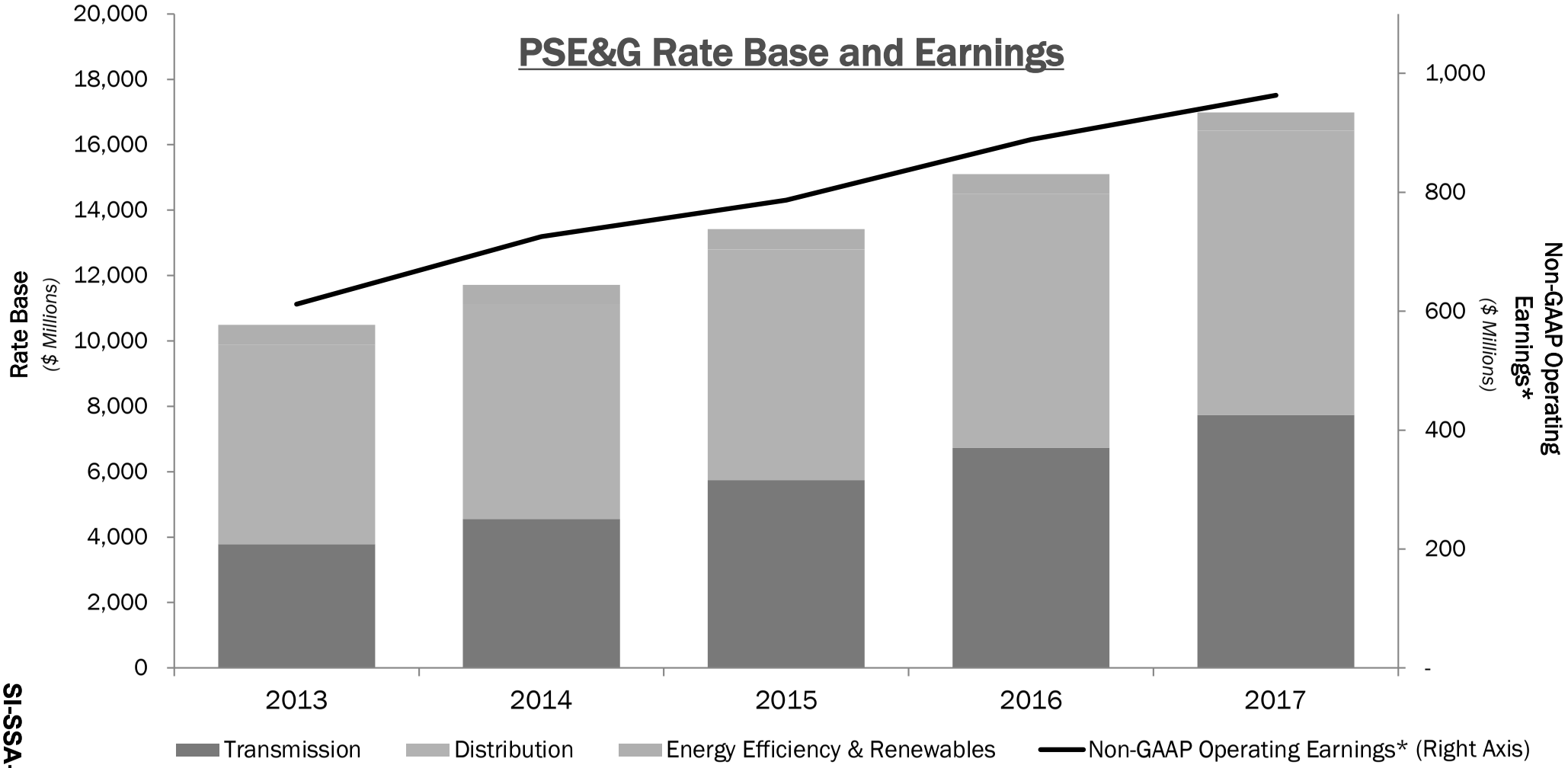
Discussion Topics

- Capital investment program
- Operational excellence
- Customer rates



SI-SSA-0015-14469

~$14B investment program delivered benefits to New Jersey and delivered 13% annual compound growth of rate base and earnings

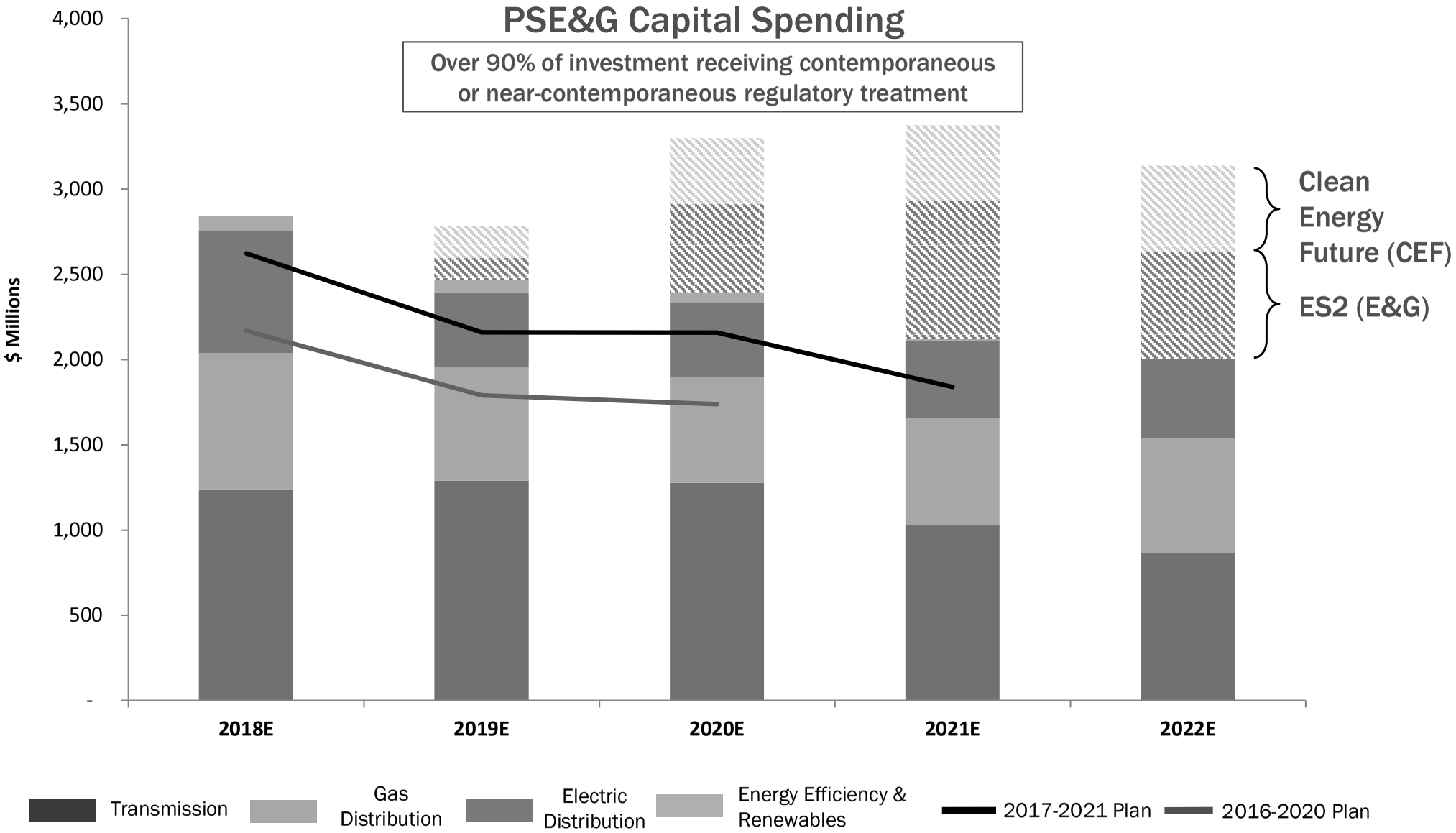


Our rate base is roughly balanced between federal and state jurisdictions

SI-SSA-0015-14470

* SEE SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSE&G

$12B-$15.5B investment program focused on grid modernization, reliability and clean energy



E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-14471

Transmission: ~$6 Billion investment program focused on enhancing reliability and resiliency, and replacing aging infrastructure

Forward-looking Formula Rate recovery of capital and expenses

PJM's Regional Transmission Expansion Plan (RTEP) identifies system enhancements needed for reliability

- **Reliability Criteria Violations:** upgrades to relieve network overloads
- **Transmission Hardening:** enhancements to system resiliency
- **Transmission Lifecycle:** asset end-of-life replacements to maintain system integrity
- **69kV System:** upgrades for system reliability and capacity for future load growth

SI-SSA-0015-14472

Gas Distribution: ~$3 Billion investment program focused on modernizing and replacing cast iron and unprotected steel main

GSMP I Program Delivered

- **Customer service**
  - Conversion from low to high pressure
  - Relocate inside meter sets outside
- **Environmental Collaboration** to consider methane leaks in work prioritization
- **Replaced >200 miles** in both 2016 and 2017

GSMP II program provides for replacement of 875 miles over five years

- $1.9 Billion investment beginning in 2019
- $1.6 Billion recovered through clause
- Improved terms, includes semi-annual recovery

Base capital and new business >$1 Billion over five years

SI-SSA-0015-14473

Electric Distribution and Energy Strong:

$3–$4 Billion of investments focused on reliability and resiliency

Energy Strong Program delivered reliability improvements through remote automation, communication and control; elevated sub-stations

- $1 Billion program will be completed in 2018

Energy Strong II program will request to invest ~$2.5 Billion

- **$1.5 Billion Electric:** Continuation of infrastructure programs
  - **Hardening** – raise 16 stations in flood zones, pole and circuit upgrades, and smart grid reclosers
  - **Aging Infrastructure** – lifecycle projects at 84 substations with an average age of 73 years
  - **Technology** – advanced distribution management system (ADMS) and fiber/mesh communication network
- **$1 Billion Gas:** Resiliency and lifecycle projects

Base capital and new business ~$2 Billion over five years

Before

After

SI-SSA-0015-14474

Partnership for a Clean Energy Future:

~$2.9 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

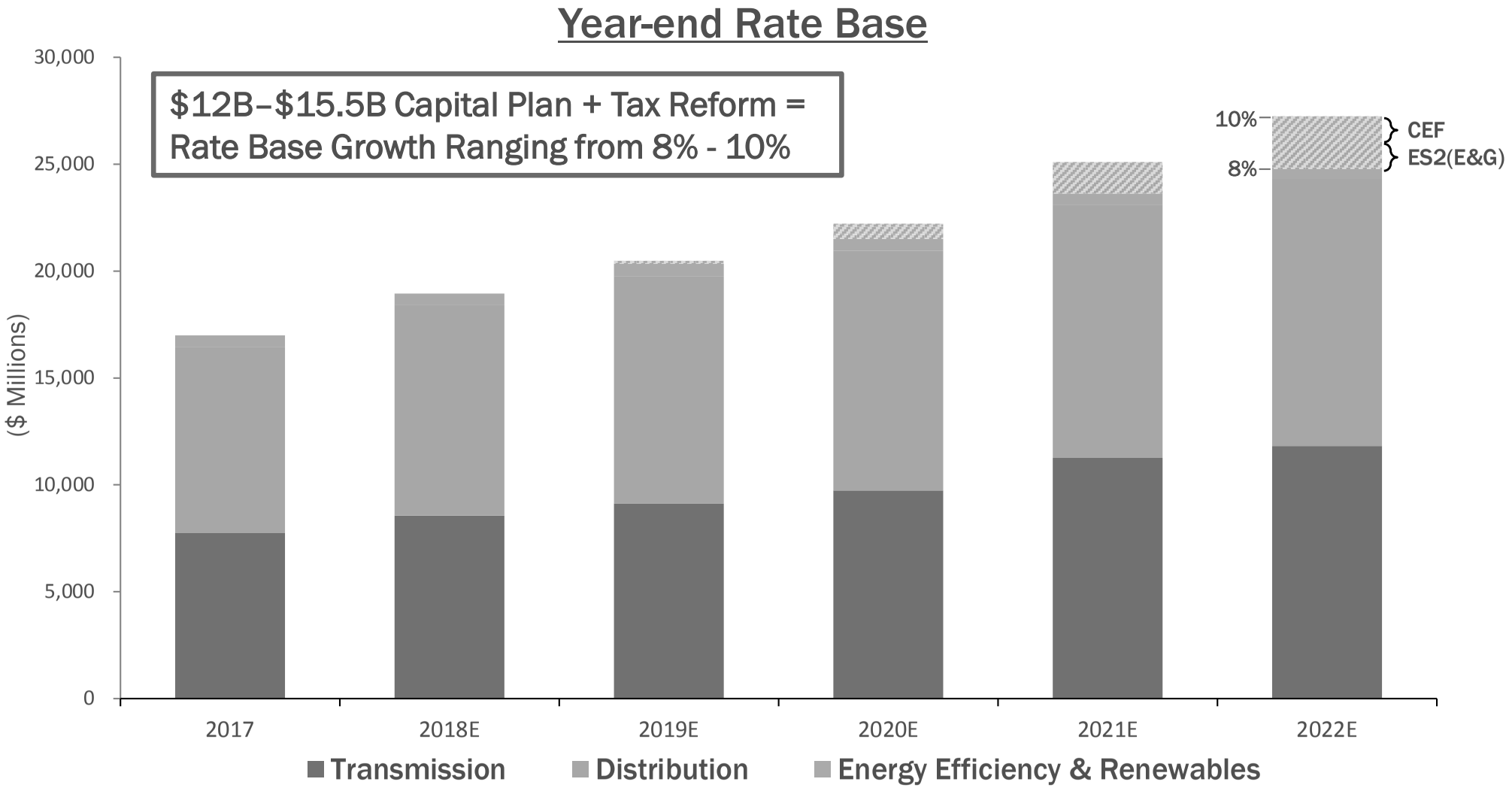
- **Energy Efficiency**: Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
- **Electric Vehicles**: "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Battery Storage**: Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency

Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Battery Storage	$0.1
Investment Total	$2.9

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of decoupling
- Expect to file in the near-term

SI-SSA-0015-14475

Investment programs provide opportunity for rate base growth

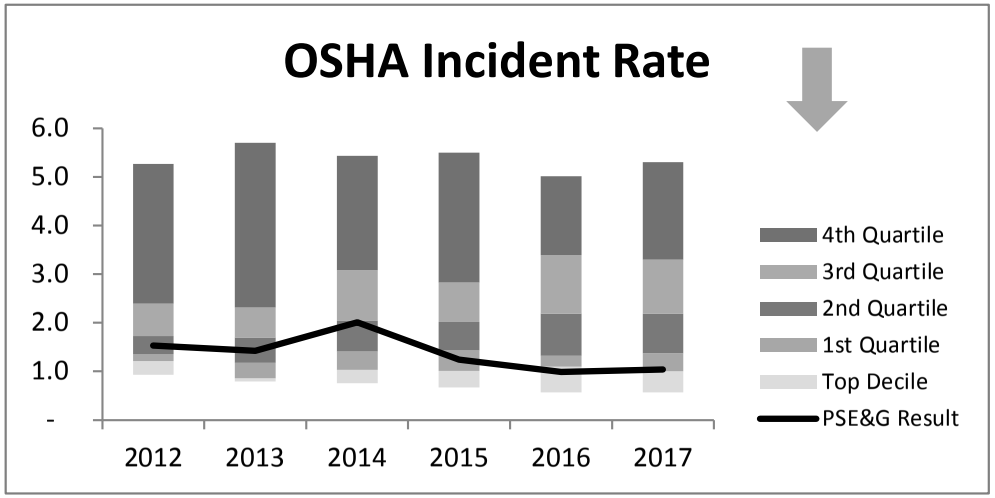


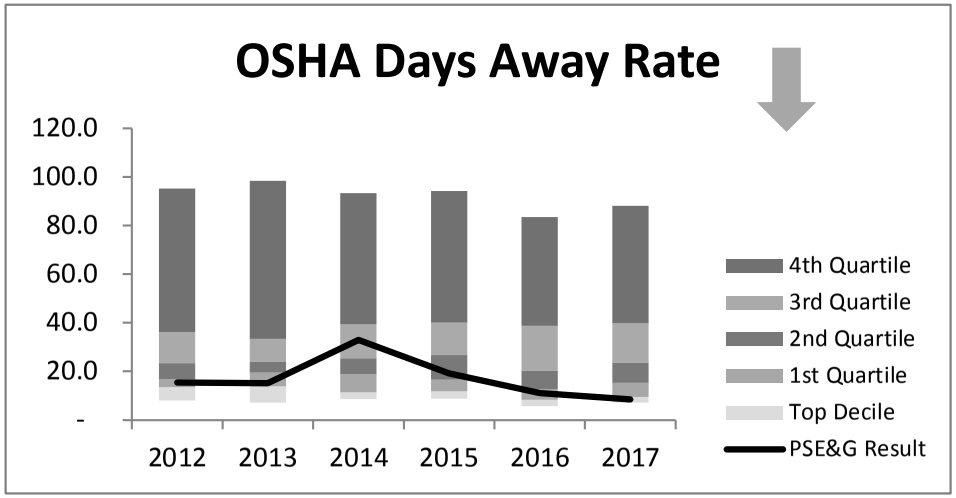
E = ESTIMATE.
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

SI-SSA-0015-14476

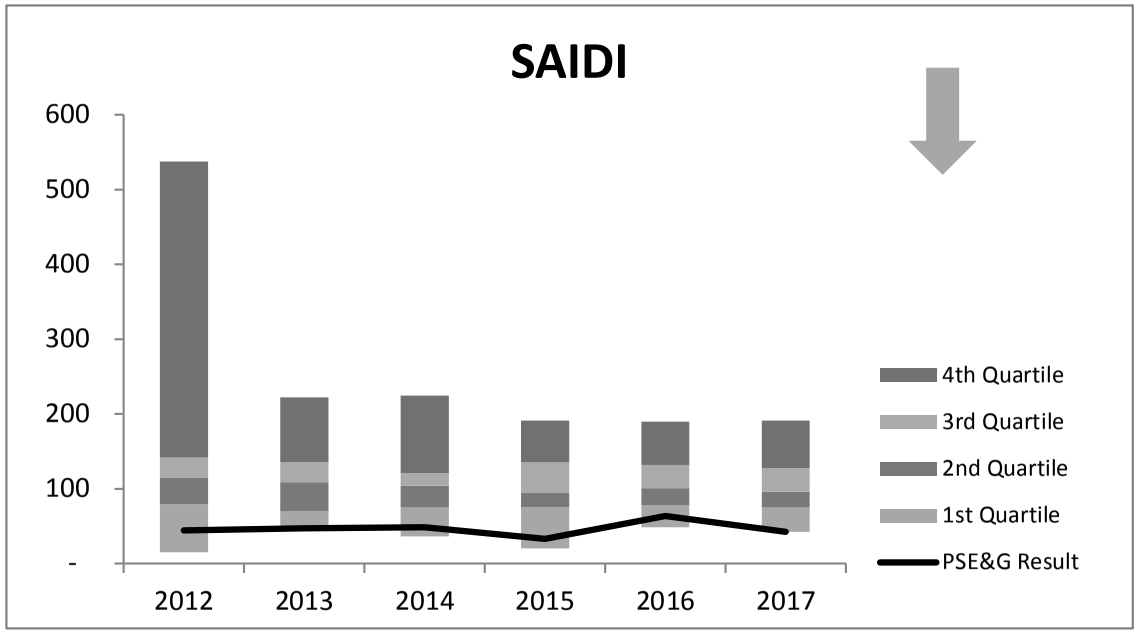
Operational Excellence: Safety & Reliability

Top decile safety performance in 2016 & 2017





PSE&G's System performance, as measured by System Average Interruption Duration Index (SAIDI), has consistently been ranked among the best performers



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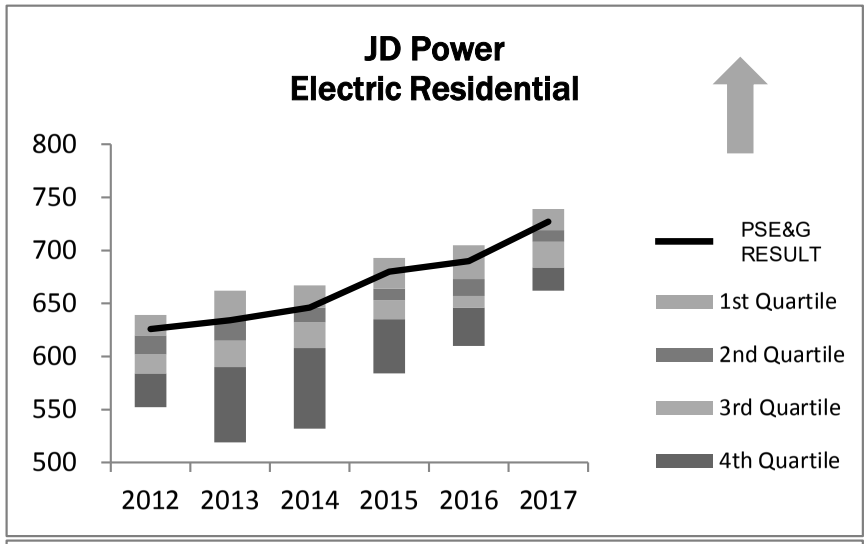
PSEG

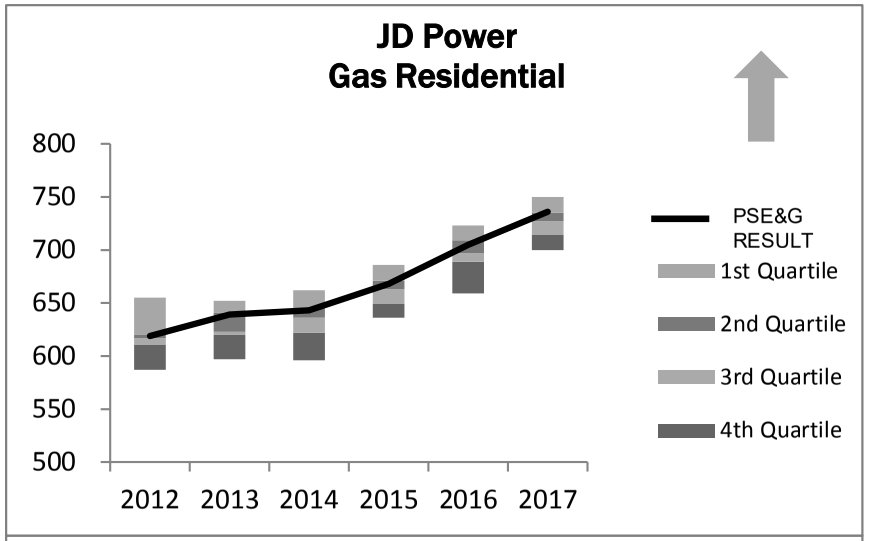
SOURCE: PSE&G

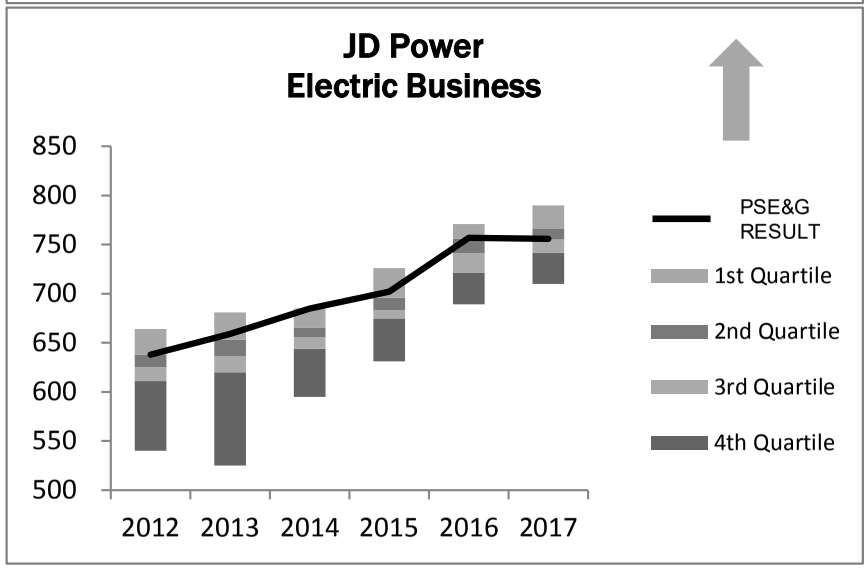
Operational Excellence: Customer Satisfaction

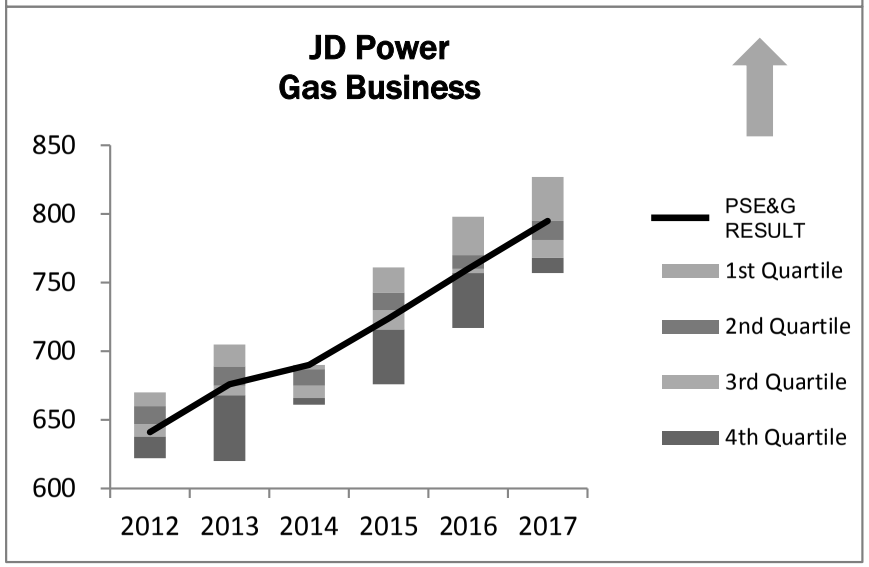
Achieved top quartile performance in 2017

JD Power Residential and Business Scores



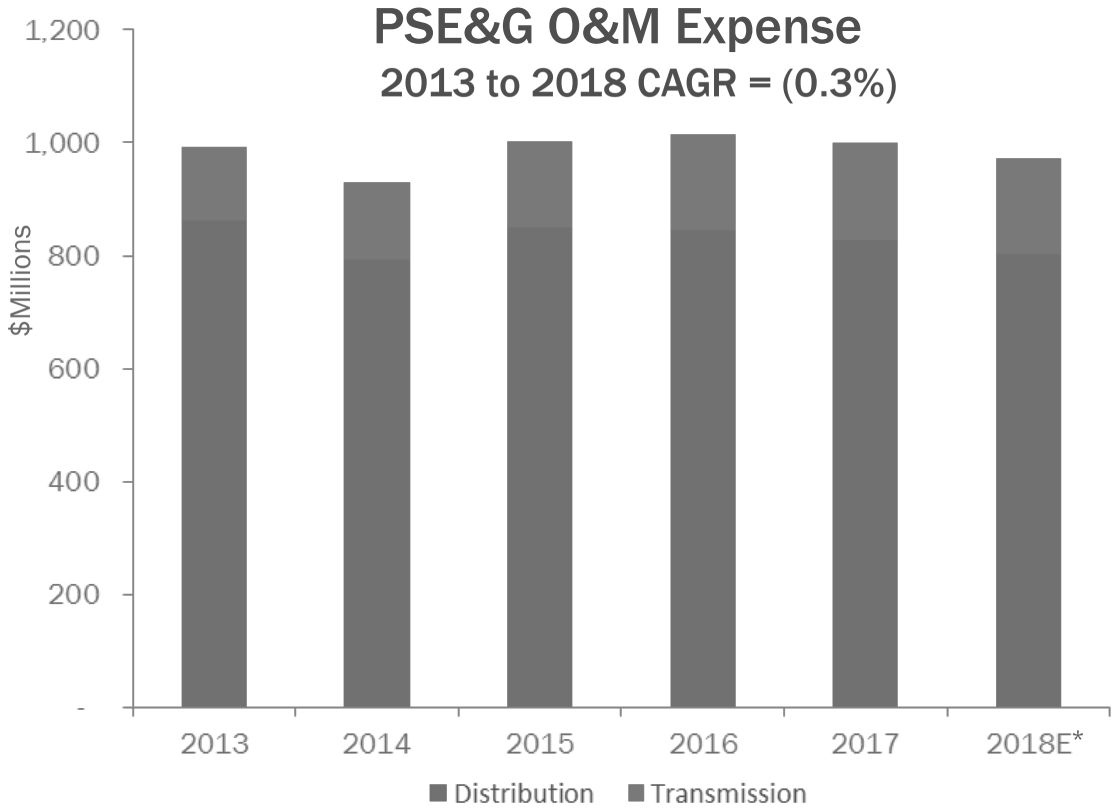






SOURCE: PSE&G

Operational Excellence: Demonstrated ability to contain growth in O&M



Ongoing focus on controlling costs:

- Keeps customer rates down
- Preserves earnings and returns

Cost control actions:

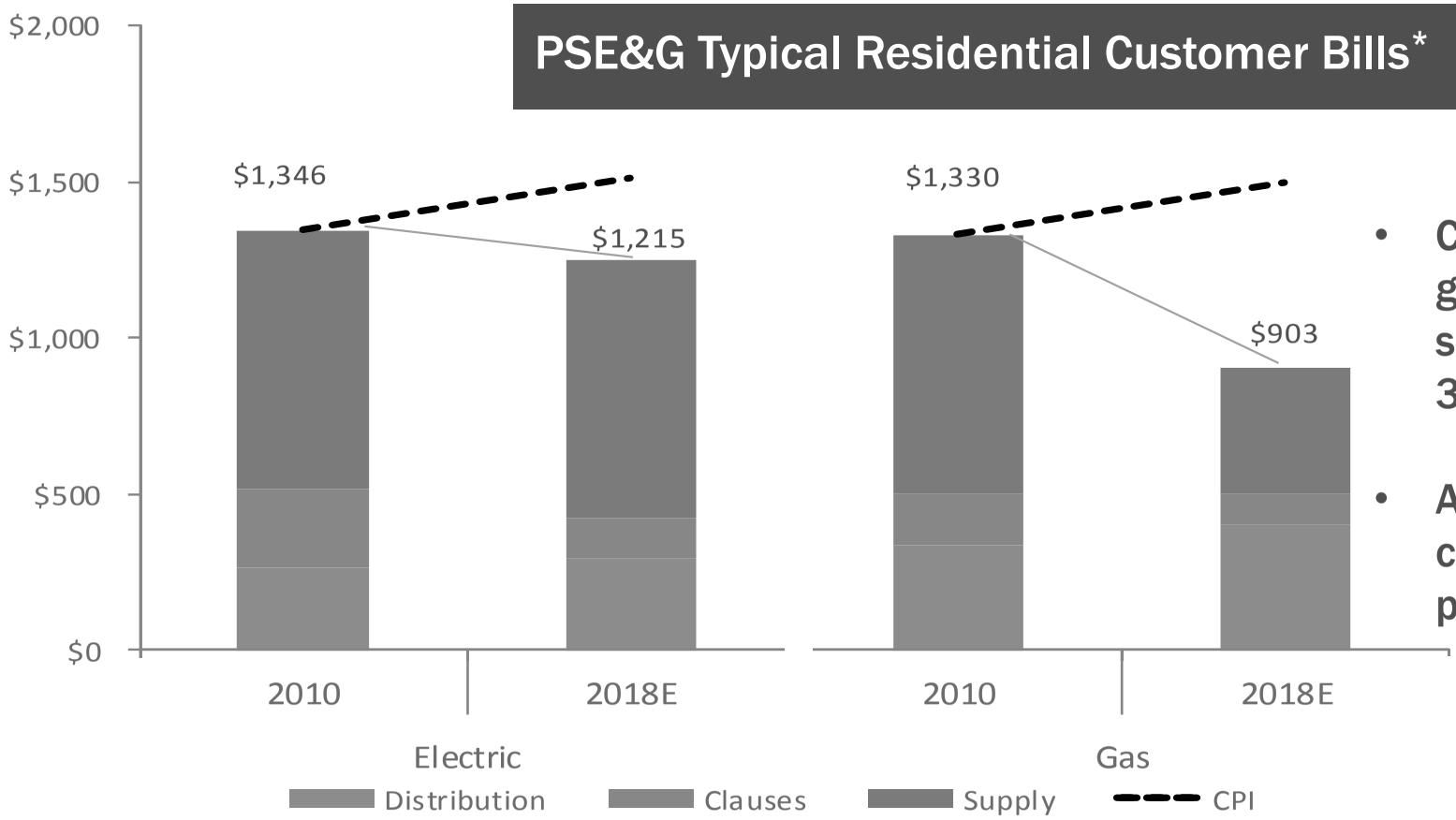
- 'Best practices' teams focused on improving performance while managing costs
- Regular organizational refinement to streamline processes
- Continued focus on vendors to ensure maximum value
- Successful management of pension

SI-SSA-0015-14479

PSEG

E = ESTIMATE
*2018 INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS.

Customer's bills are materially lower, supporting needed investment in the system



- Combined electric and gas bills declined ~20% since our last rate case, 30% adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

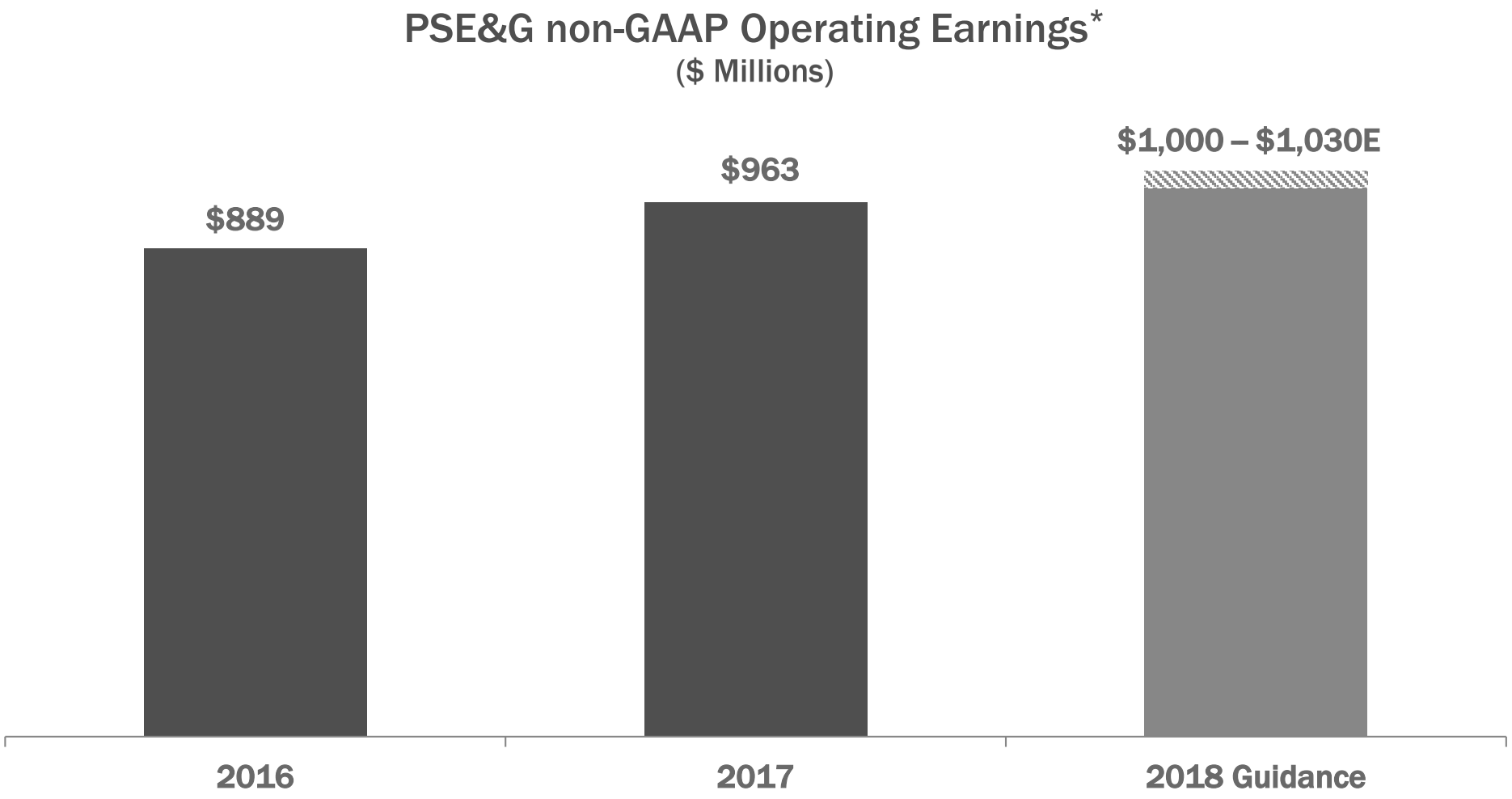
- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Distribution revenue component is the lowest in the state for Gas and second lowest for Electric
- Investing at the filing levels of the infrastructure extension and clean energy future programs will keep rates under 2010 levels for over a decade (adjusted for growth in CPI)

SI-SSA-0015-14480

PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY. E = ESTIMATE
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

PSE&G's 2018 non-GAAP Operating Earnings* benefit from investment programs and cost control

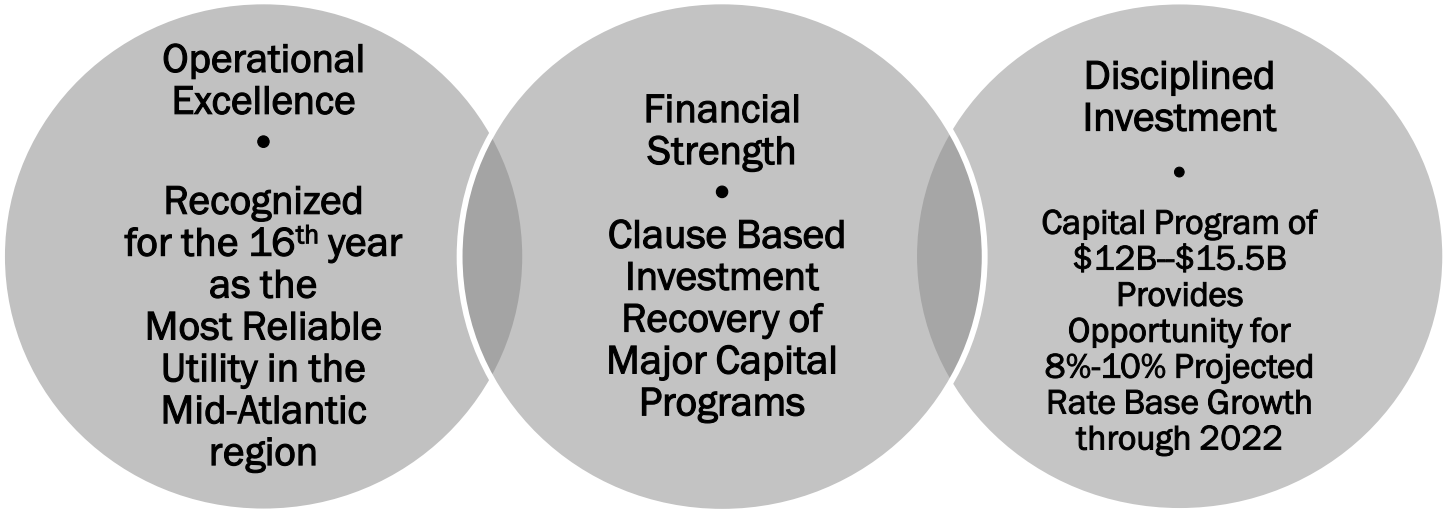


SI-SSA-0015-14481

PSEG

*SEE SLIDE B FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS FOR PSE&G.

PSE&G Value Proposition



- Highly reliable, electric and gas distribution utility
- Infrastructure investment programs focused on reliability and resiliency to meet customer requirements
- Rate base diversified between state and FERC jurisdictions
- Supportive regulatory mechanisms consisting of formula rate and clause based investment recovery
- Opportunity for double-digit, five-year annual growth in Net Income and Rate Base
- Solid, investment grade credit ratings

SI-SSA-0015-14482

PSEG LONG ISLAND

PSEG

We make things work for you.

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PSEG Long Island: Focused on improving customer service and reliability while managing costs

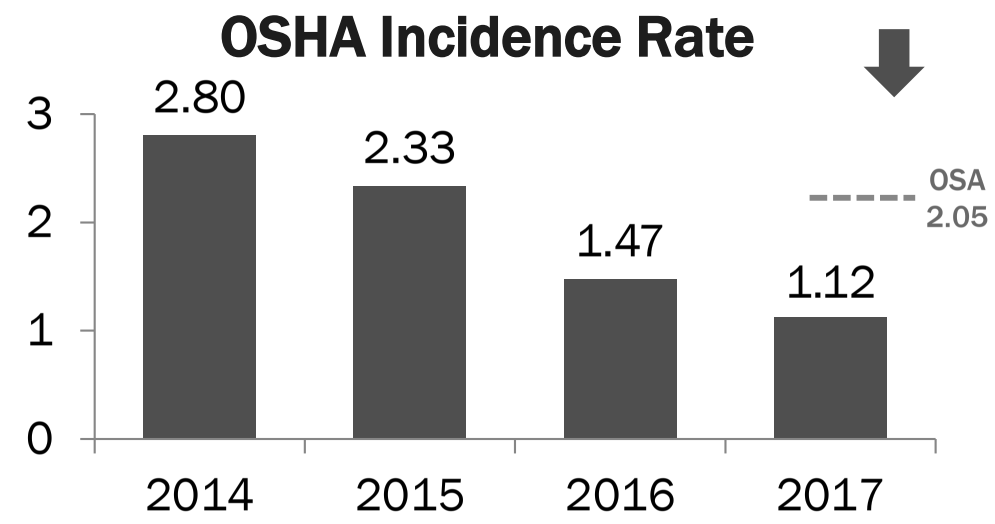
- 5th year of 12-year contract (with option to extend 8 years)
- 2017: Earned $0.08 per share*
  - ✓ Fixed fee of $65 Million/year, escalated for CPI
  - ✓ Incentive opportunity of 15%
  - ✓ PSEG Power has $20 Million/year energy management/fuel supply contract

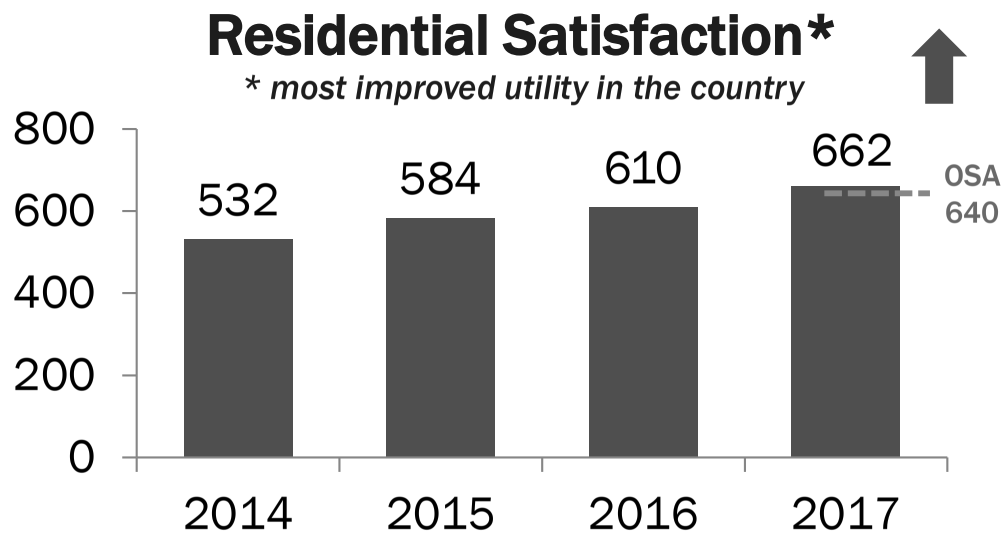
- Focused efforts on safety, reliability, customer satisfaction and stakeholder relationships
- Meeting operational and financial expectations
- Realized >95% of incentive payment from 2014-2017

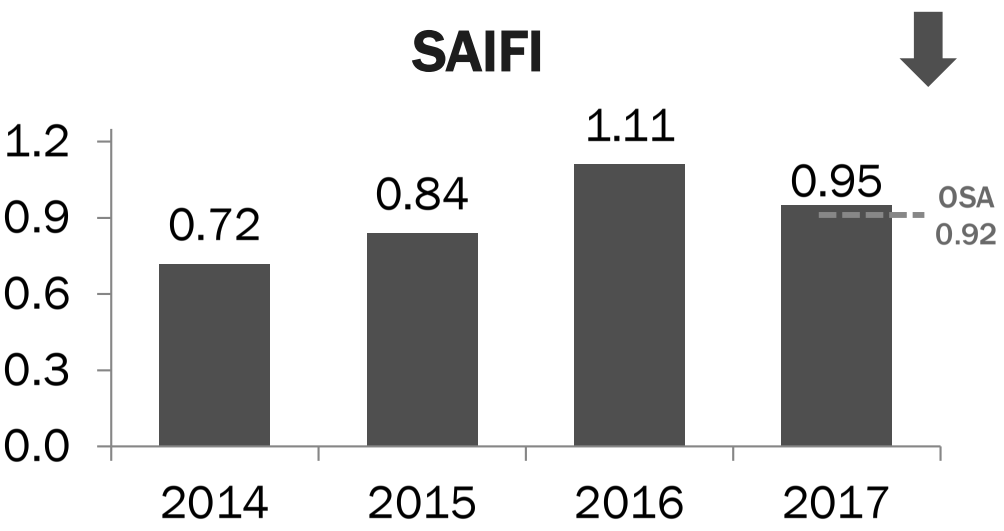
SI-SSA-0015-14484

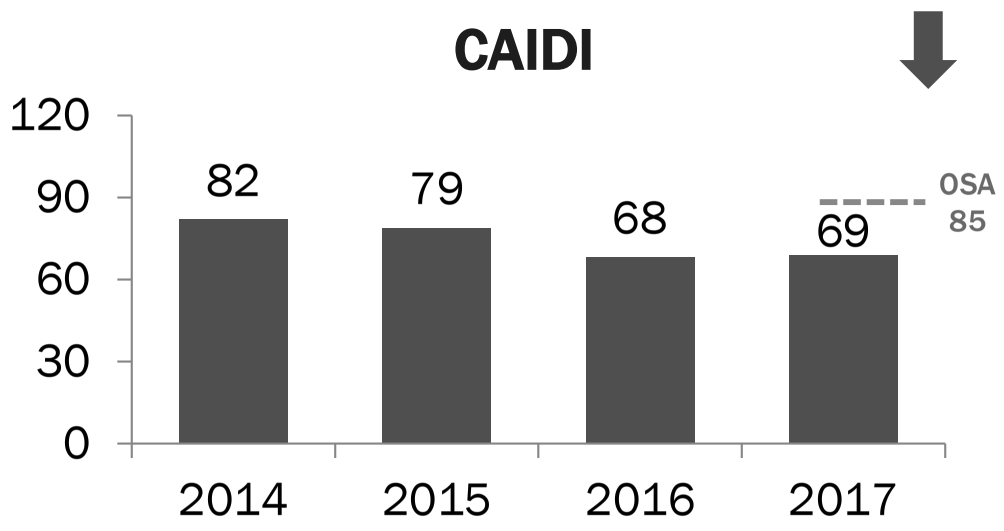
*INCLUDES RESULTS FOR PSEG LI OSA AND MANAGEMENT OF FUEL SUPPLIES BY PSEG POWER.

PSEG Long Island continues to drive improvement in performance metrics









SI-SSA-0015-14485

PSEG

OSA = OPERATING SERVICES AGREEMENT BETWEEN PSEG LONG ISLAND AND LIPA SETTING BENCHMARK INCENTIVE LEVELS. SOURCE: PSEG LONG ISLAND.

PSEG POWER

Ralph LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER
PSEG POWER

SI-SSA-0015-14486

PSEG

We make things work for you.

Cleaner, More Efficient Fleet of Flexible Assets

Free Cash Flow Improves with Completion of Construction Program

414 MW of Solar Under Long-Term Contracts

Preserving Nuclear Generation as a Zero-Carbon Resource

12,022 MW
2022E Generating Capacity

PSEG

SI-SSA-0015-14487

Power's portfolio is efficient and flexible

Asset Profile

- Focused on safe and reliable operations
- Completing construction of 1,800 MW of efficient, Combined Cycle Gas Turbine (CCGT) generation
- From 2012 through 2017, retired 3,197 MW of un-economic capacity

O&M

- History of controlling growth in O&M
- More efficient operations with new capacity

Free Cash Flow

- Seeking fair compensation for zero-carbon and fuel diversity attributes of nuclear capacity
- Capital spending declines after CCGT construction projects conclude in mid-2019
- Optimizing value with focus on efficiency, earnings and free cash flow

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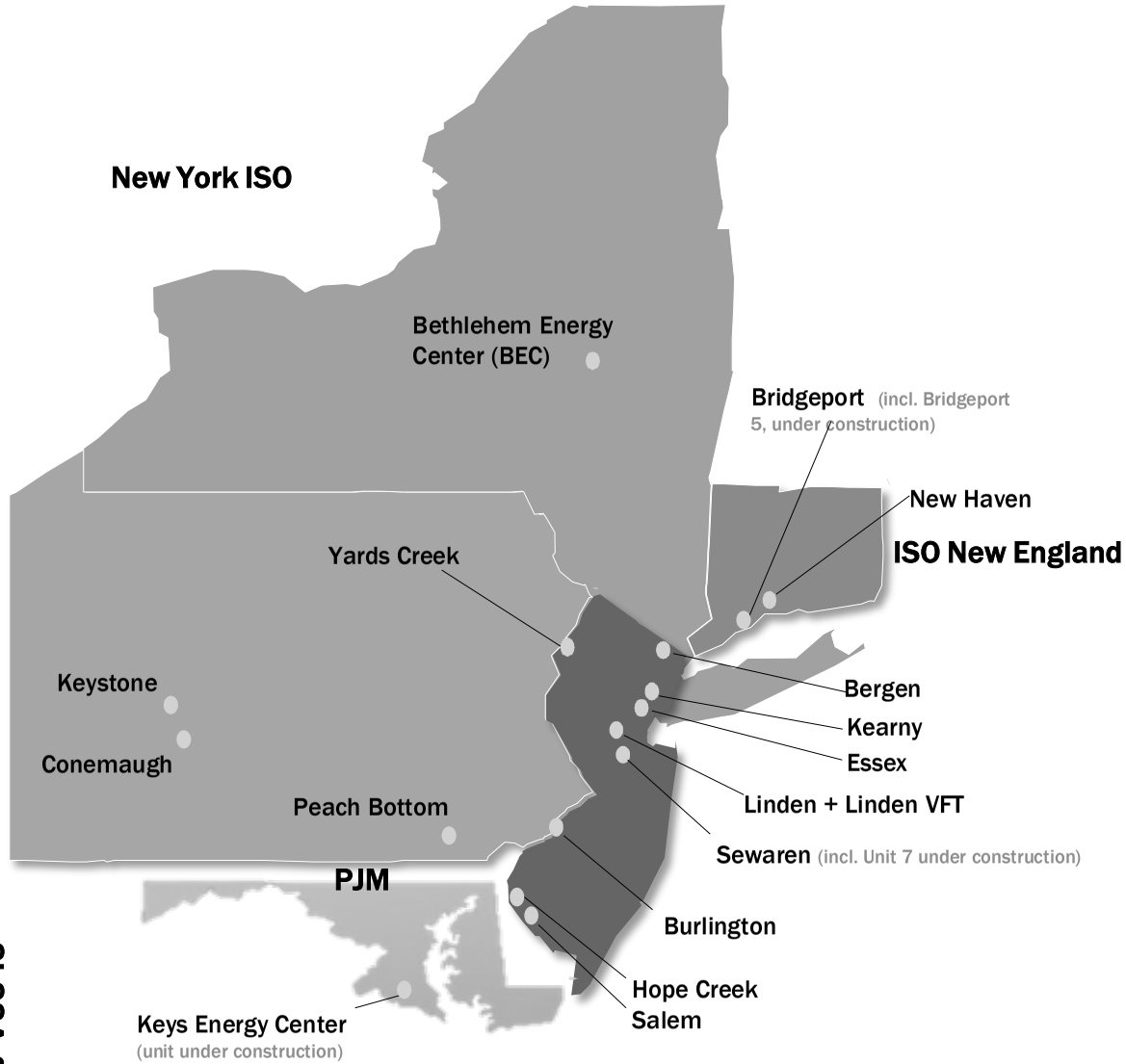
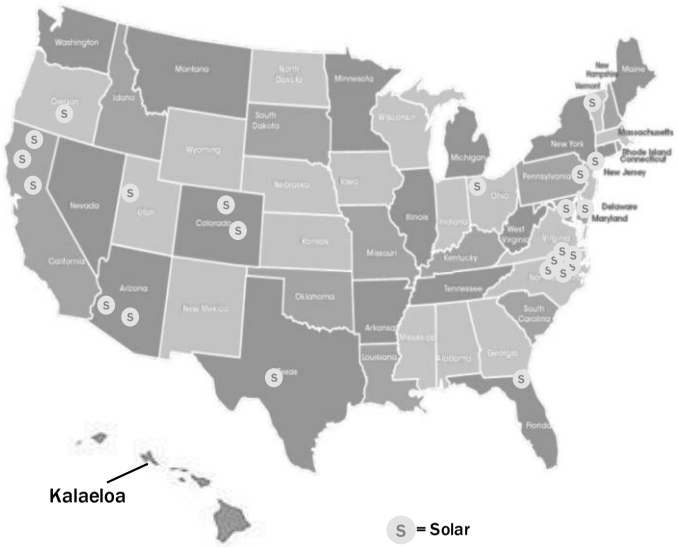
Power's generating assets mainly located in three competitive markets





- Power Ventures assets:
  - Solar (414 MW_{DC}/325 MW_{AC})
  - Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Constructing three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

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Power nearing completion of ~1,300 MW of new, highly efficient CCGT capacity in PJM

- **755 MW plant in Prince George's County, MD**
  - 2x1 natural gas combined cycle
- **Outlook**
  - Expands geographic footprint to the SWMAAC* load pocket
  - Pricing proximity to PJM West
  - Heat rate: 6,930 Btu/KWh

Keys Energy Center

2017 Average Spark Spread SWMAAC: ~$15/MWh

- **540 MW plant in Sewaren, New Jersey**
  - 1x1 dual fuel (natural gas & ultra-low sulfur diesel) combined cycle
- **Outlook**
  - Leverages existing infrastructure
  - Located in the PS Zone load pocket
  - Existing Sewaren units to retire upon completion
  - Heat rate: 6,510 Btu/KWh

Sewaren 7

2017 Average Spark Spread PS Zone: ~$17/MWh

*SWMAAC – SOUTHWEST MID-ATLANTIC AREA COUNCIL

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Bridgeport Harbor 5 CCGT under construction, on schedule for mid-2019 addition to ISO-NE

- **485 MW plant in Bridgeport, Connecticut**
  - 1x1 dual fuel (natural gas & ultra-low sulfur diesel) combined cycle
- **Outlook**
  - Under construction on the existing PSEG Bridgeport Harbor site
  - Leveraging existing infrastructure
  - Bridgeport Harbor 3 (383 MW Coal) will retire in 2021
  - Located in SW Connecticut load pocket
  - Seven year capacity price lock
  - Heat rate: 6,530 Btu/KWh

Bridgeport Harbor Unit 5

2017 Average Spark Spread ISONE: ~$14/MWh

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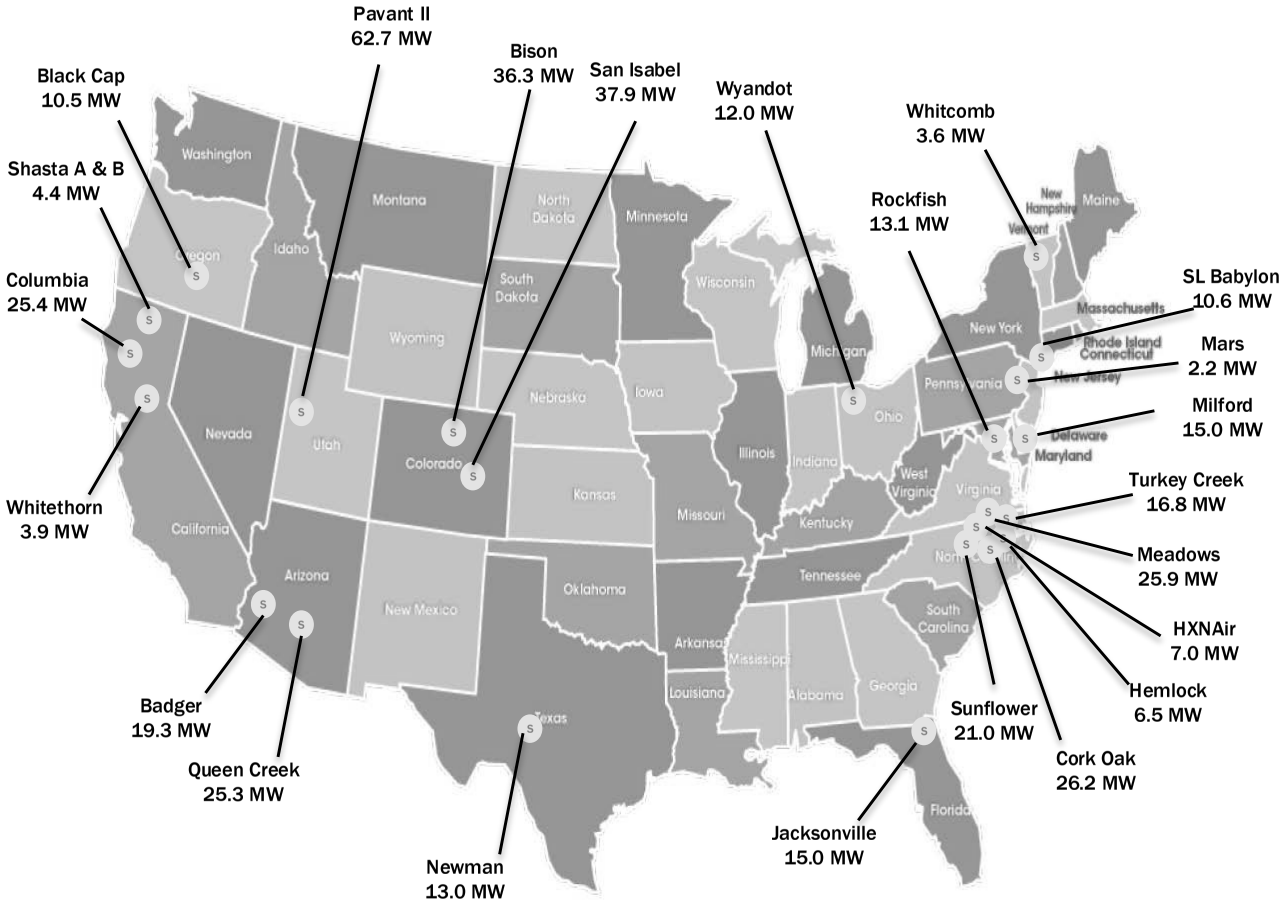
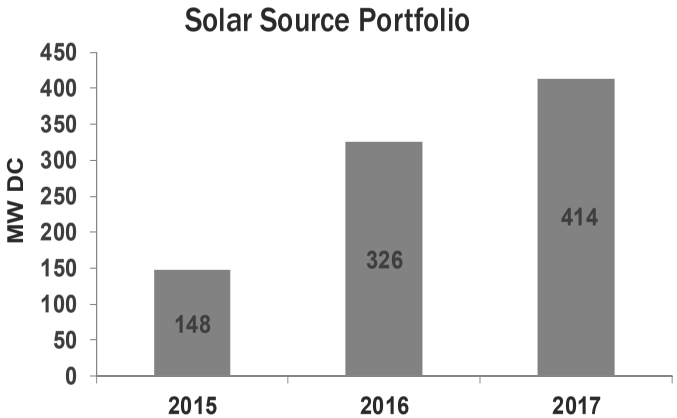
Solar Source has developed 414 MW_{DC} in the US

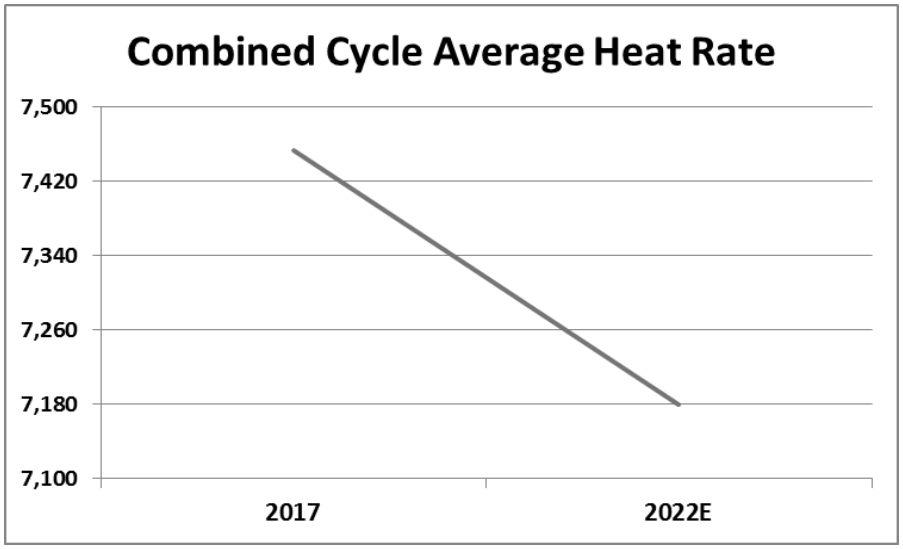


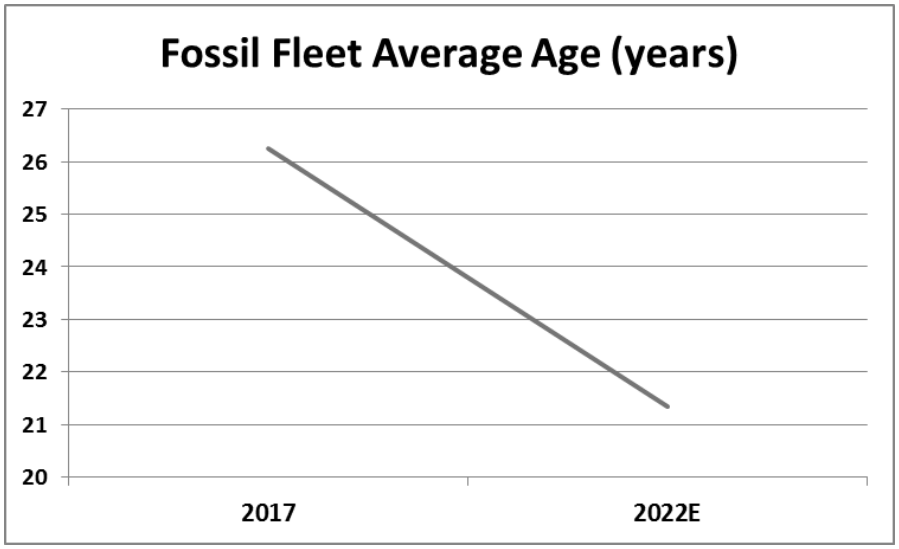
Solar capacity located in 14 States

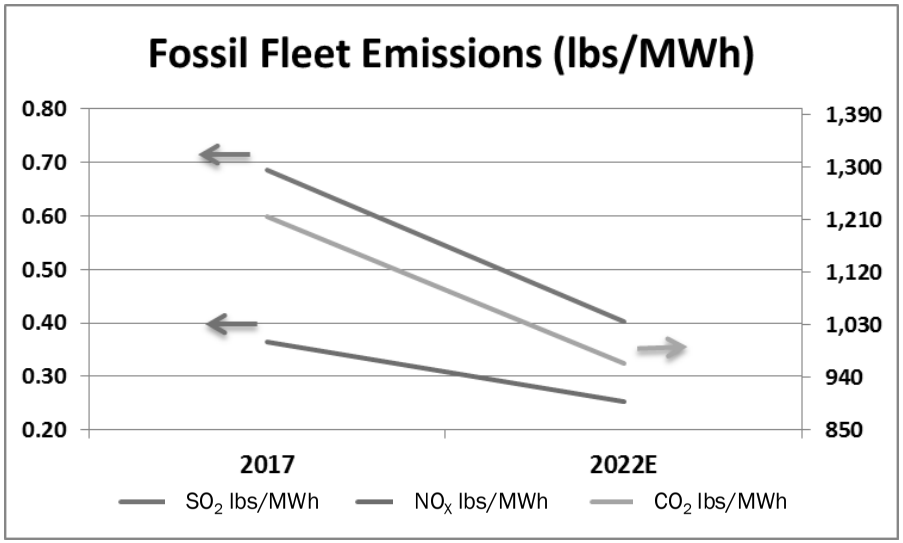


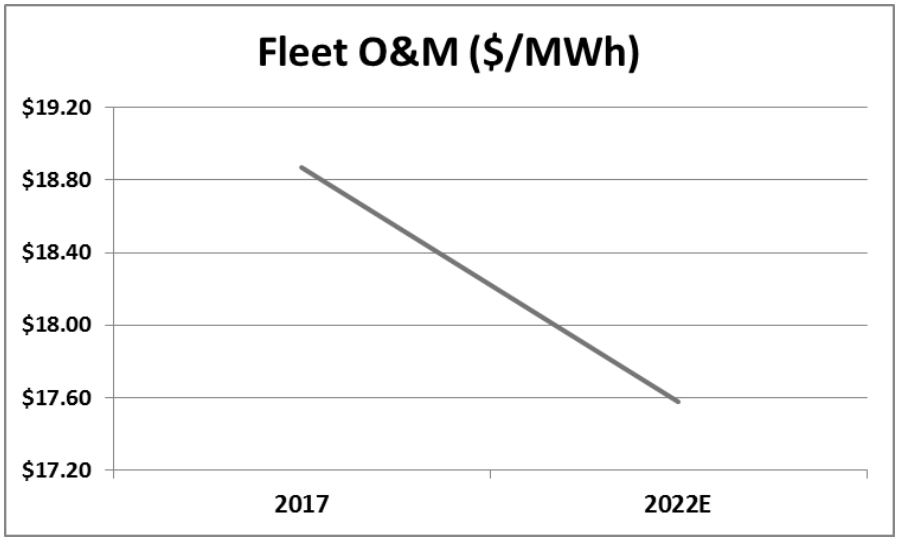
SI-SSA-0015-14492

Power's fleet is transitioning to be more efficient, productive and clean



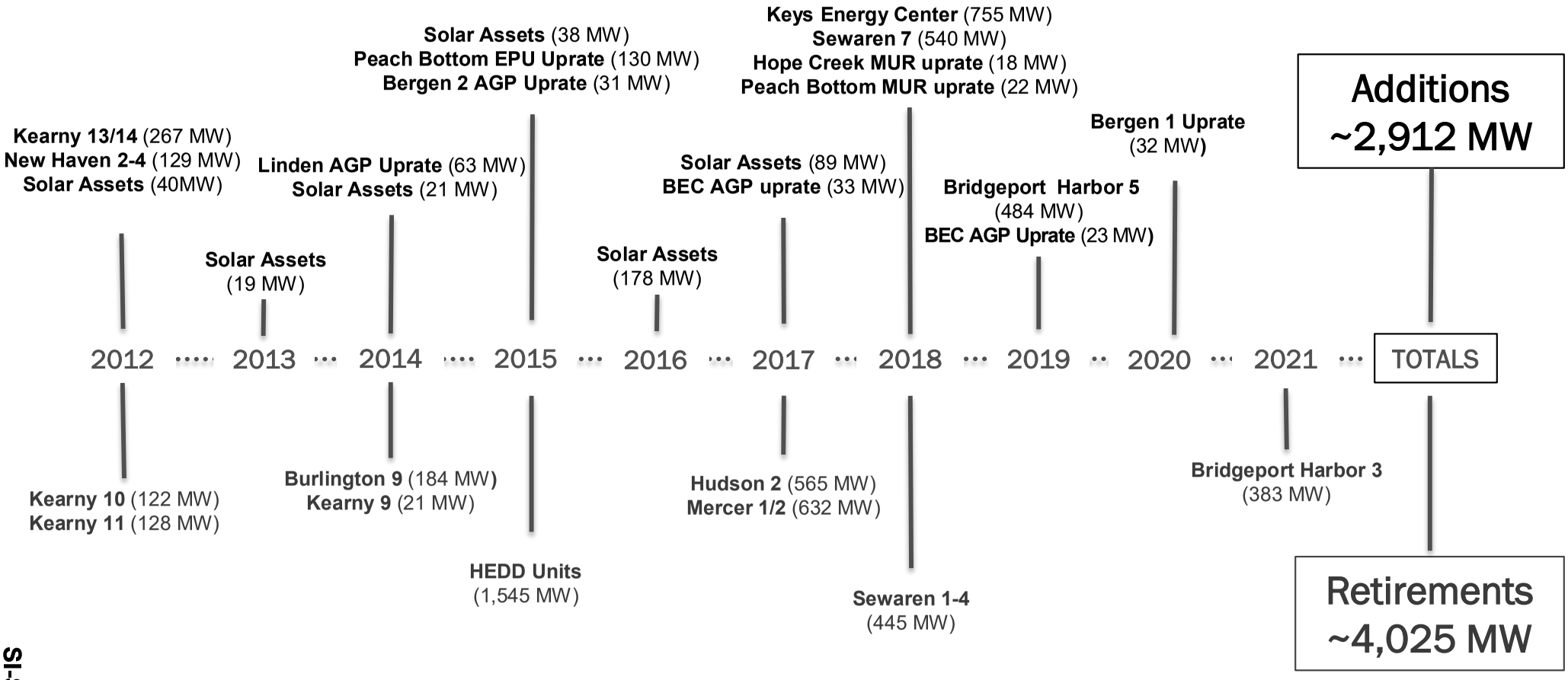






E = ESTIMATE.

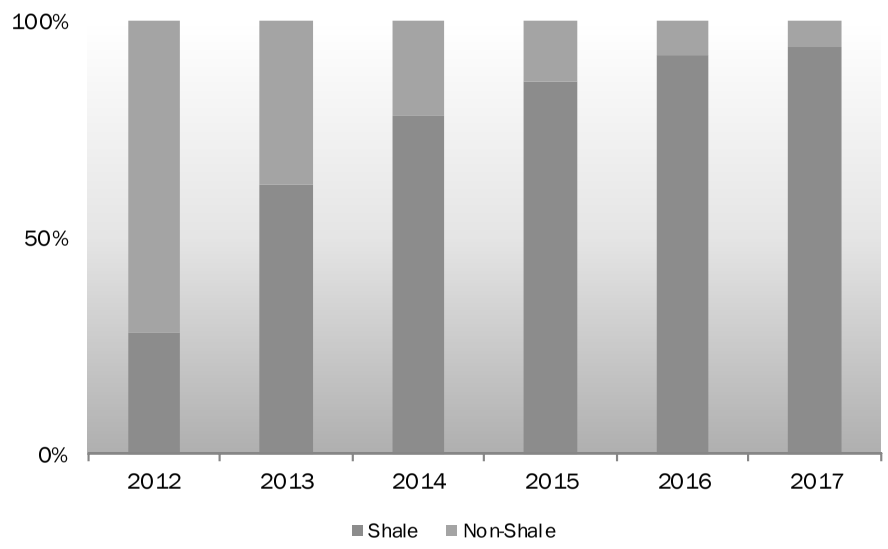
Power's fleet transformed with focus on improvement in efficiency



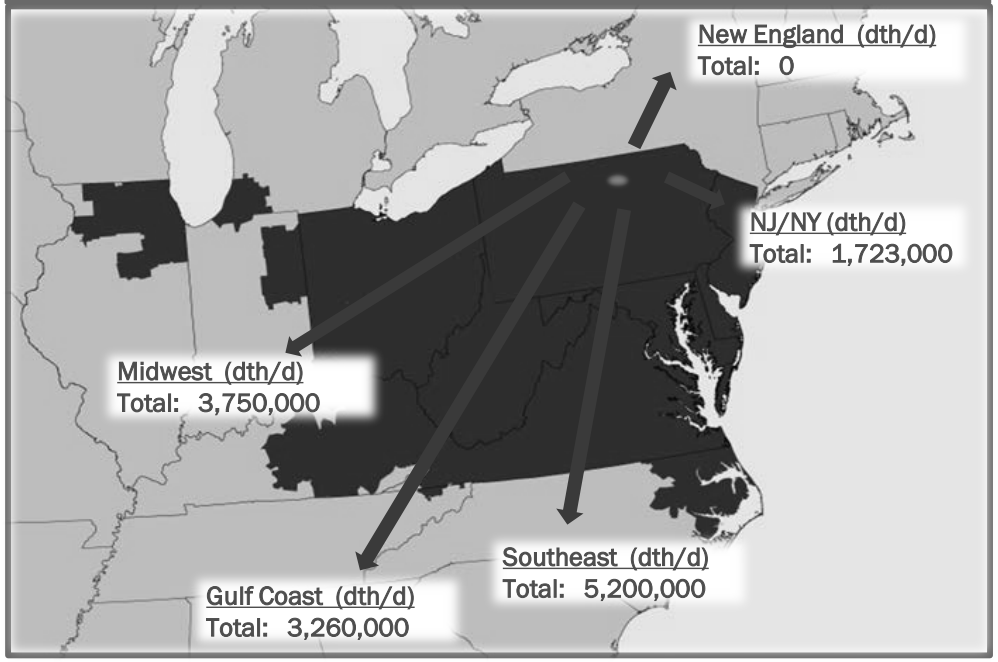
SI-SSA-0015-14494

Power's PJM gas fleet is well-located with access to shale gas production

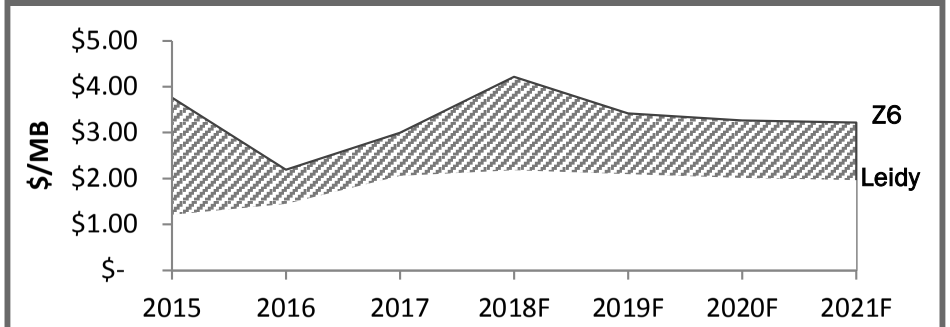
PSEG's Total PJM Gas Procurement



Additional Pipeline Takeaway Capacity (2018-2019)



Transco Z6 vs. Leidy Gas Prices



- PSEG Power's PJM gas fleet consumed ~65 BCF in 2017, of which >85% was supplied by Northeast shale gas
- Addition of new pipeline takeaway capacity over 2018-2019 expected to bring market closer to balance
- Spark spreads of New Jersey-based combined cycle generating fleet benefit from access to Leidy gas

F = FORWARDS AS OF 5-1-2018. 2018 IS AN AVERAGE OF FOUR MONTHS ACTUAL AND FORWARDS AS OF 5-1-18.

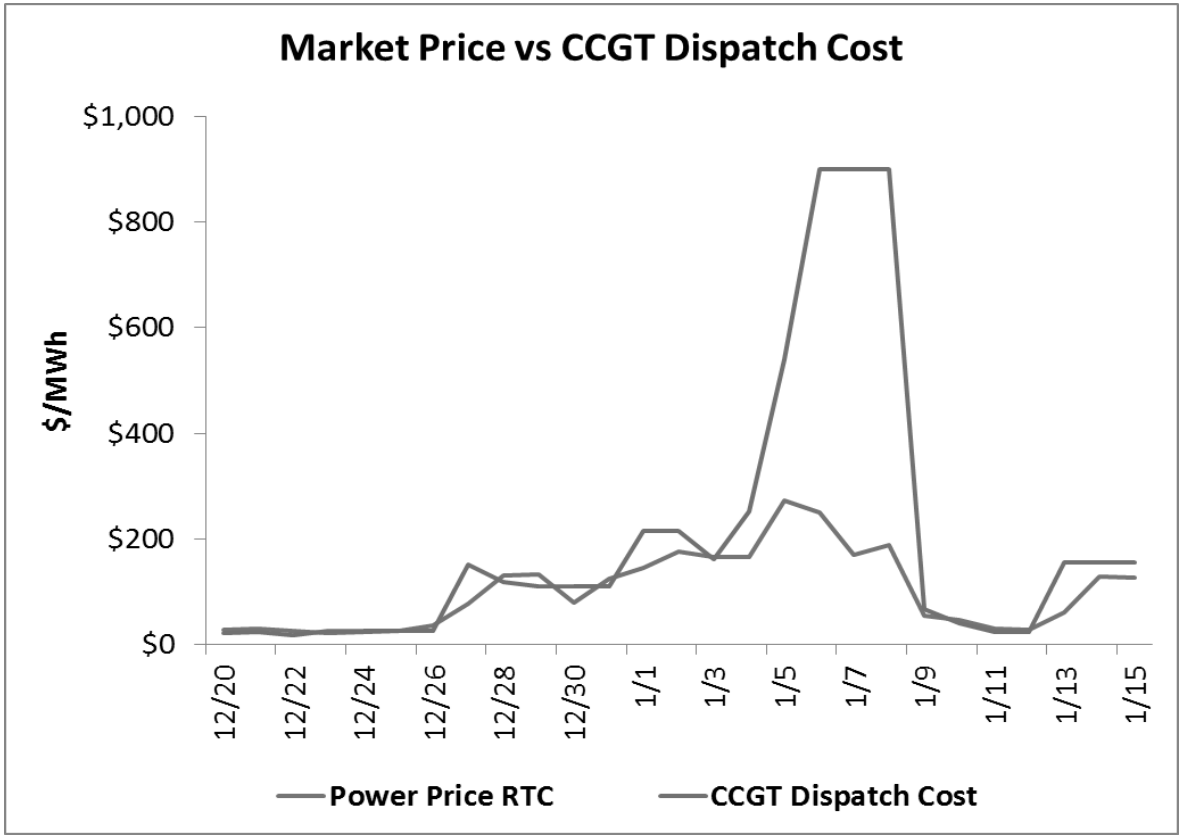
SI-SSA-0015-14495

PSEG Nuclear is vital to New Jersey; Salem and Hope Creek represent >90% of the State's zero carbon energy

Plant	Operator	PSEG Ownership	Total Capacity / PSEG Owned (MW)	License Expiration Year	Next Scheduled Refueling	Historical Average Capacity Factor (2014 - 2017)
Hope Creek	PSEG Nuclear	100%	1,180	2046	Fall 2019	94.1%
Salem 1	PSEG Nuclear	57%	2,282 / 1,310	2036	Spring 2019	83.9%
Salem 2	PSEG Nuclear	57%		2040	Fall 2018	82.0%
Peach Bottom 2	Exelon	50%	2,450 / 1,225	2033	Fall 2018	92.9%
Peach Bottom 3	Exelon	50%		2034	Spring 2019	95.1%

SI-SSA-0015-14496

Market response to severe winter weather in Q1 2018 demonstrates the importance of fuel diversity and the preservation of nuclear generation to New Jersey

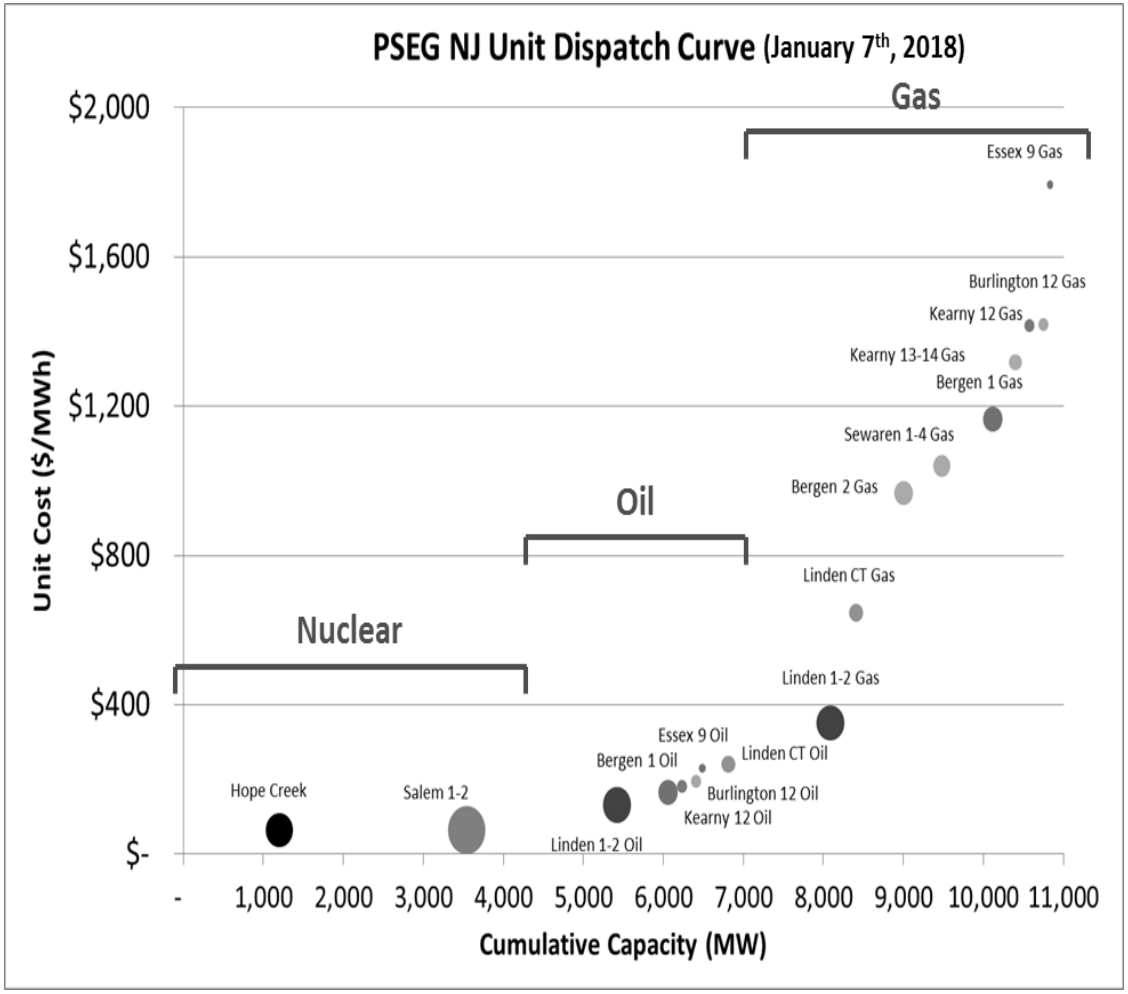


- As temperatures plummeted, gas prices rose faster than power prices
- This made even the most efficient combined cycle units uneconomic on gas
- Oil displaced gas

SI-SSA-0015-14497

DISPATCH COST SHOWN BASED ON GAS PRICES.

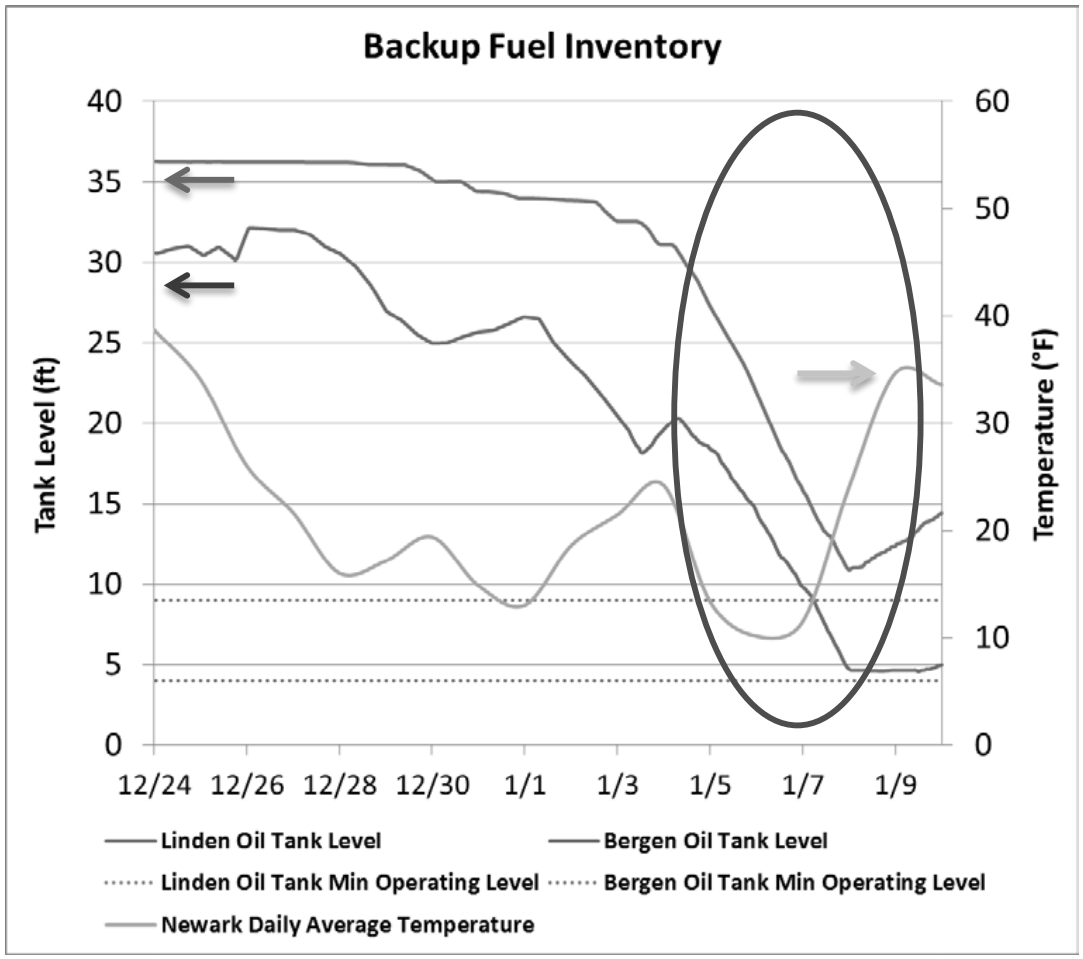
Had nuclear units not been available or had combined cycle units run out of their secondary fuel…



- Power prices would likely have skyrocketed
- Meeting demand would have been dependent on availability of gas
- Uncertain if sufficient gas for generation would have been available

SI-SSA-0015-14498

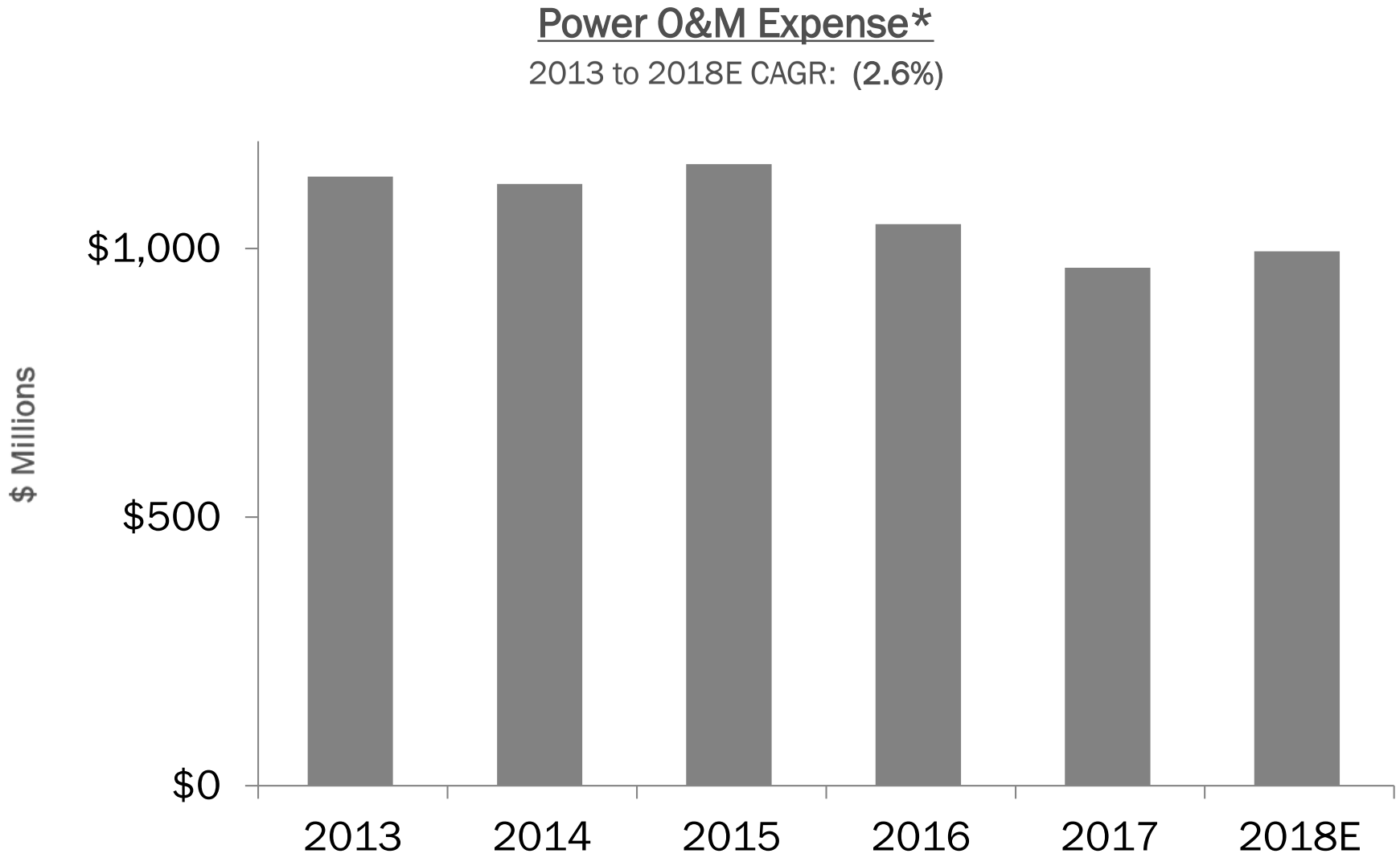
Available oil volumes were being depleted rapidly at the largest PSEG oil burning units despite ongoing oil deliveries at maximum capacity



- Cold snap in early January quickly depleted oil supply
- Delivery could not keep up with demand
- Reliable, low cost nuclear generation provided the bulk of the supply
- A change in the weather pattern averted a potential crisis

SI-SSA-0015-14499

Power has successfully controlled O&M

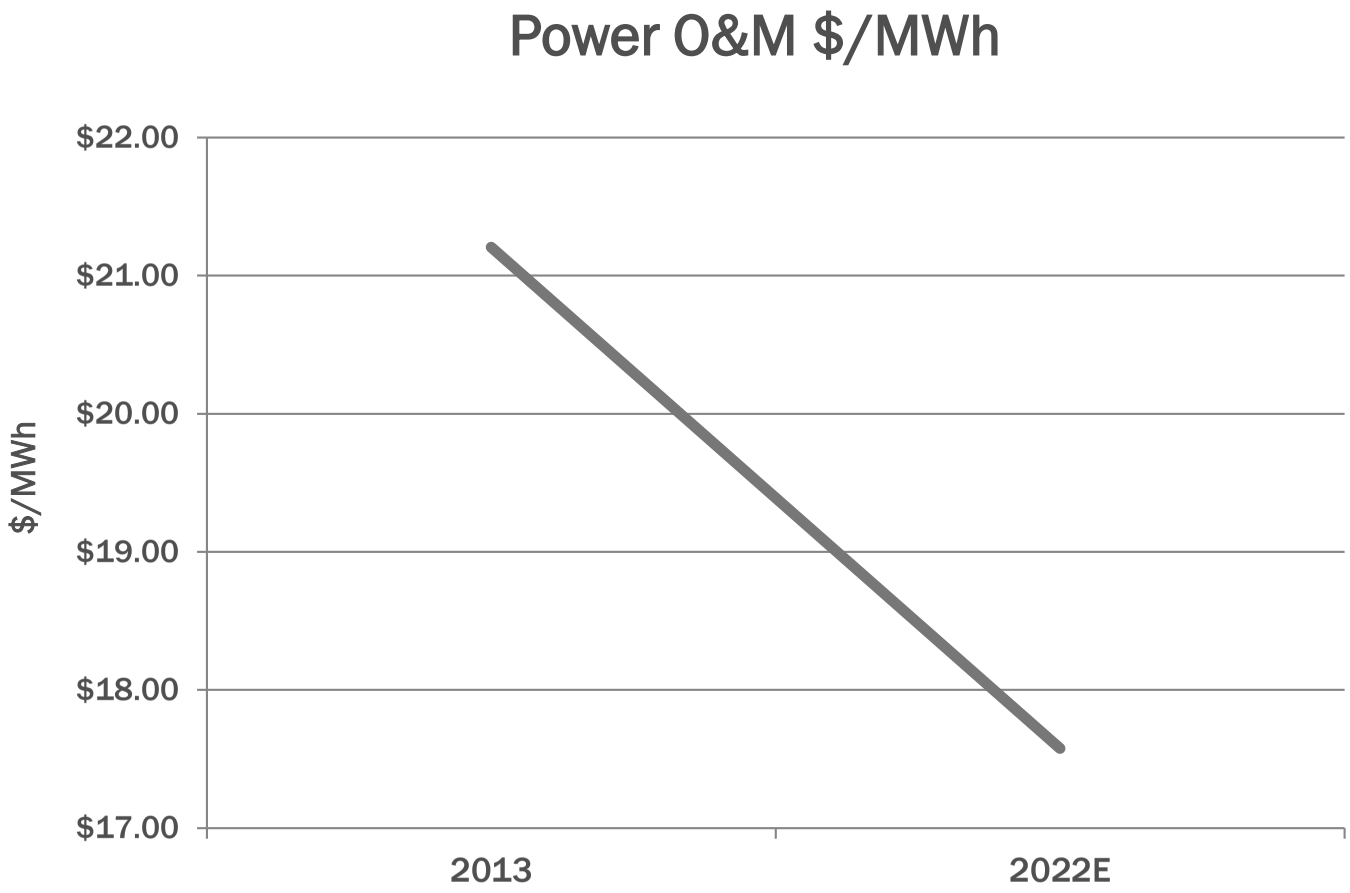


SI-SSA-0015-14500

PSEG

*EXCLUDES NUCLEAR ARO, IMPACTS FROM SANDY STORM RECOVERY COSTS AND THE HUDSON/MERCER EARLY RETIREMENT AND INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE

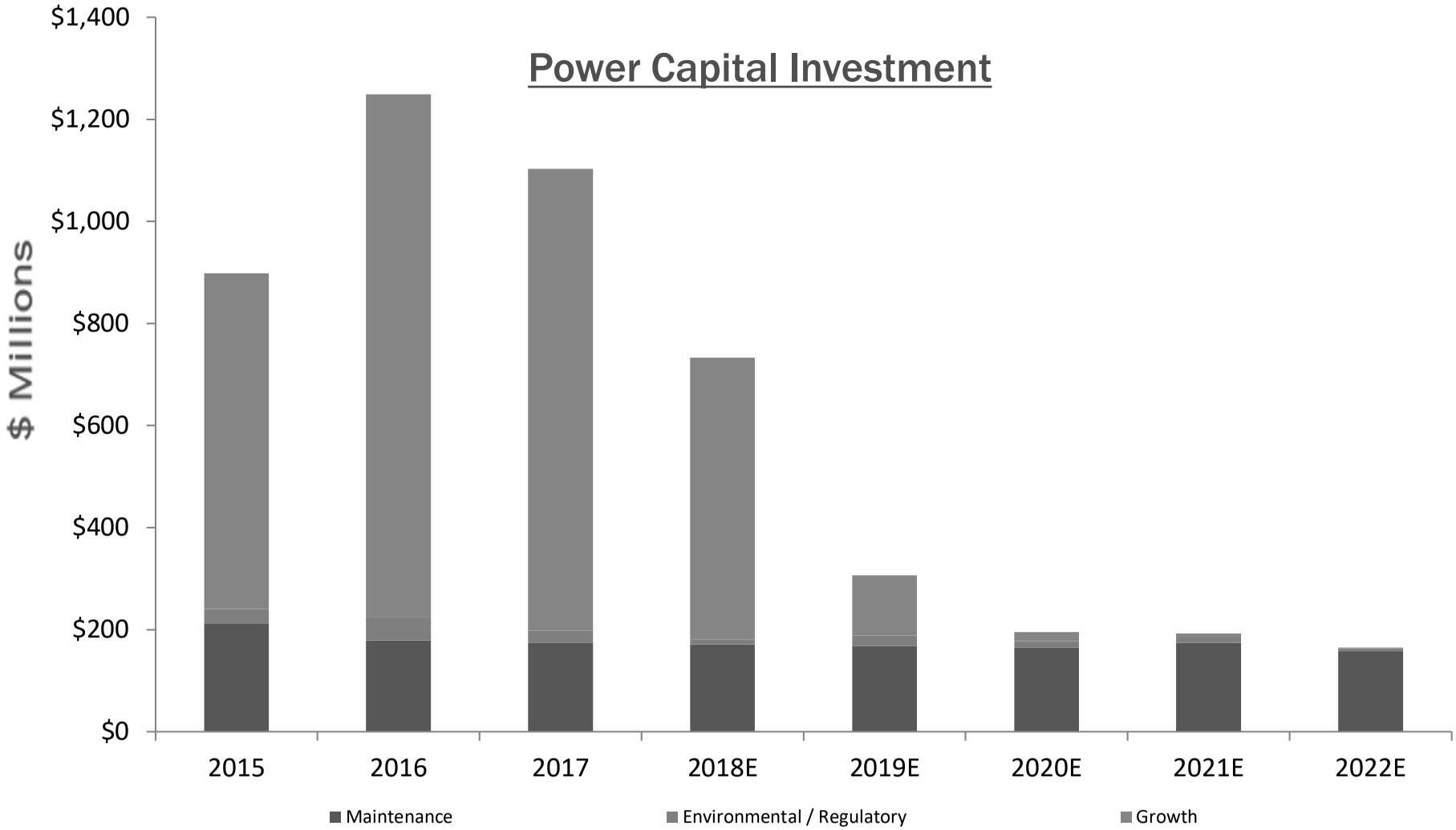
Power intends to continue to drive cost efficiencies to optimize free cash flow



E = ESTIMATE.

SI-SSA-0015-14501

Power's capital needs decline following construction of new capacity, enhancing free cash flow



SI-SSA-0015-14502

E=ESTIMATE. DATA AS OF MAY 2018.
EXCLUDES NUCLEAR FUEL. INCLUDES IDC.

Hedging Strategy is designed to mitigate risk and secure free cash flow

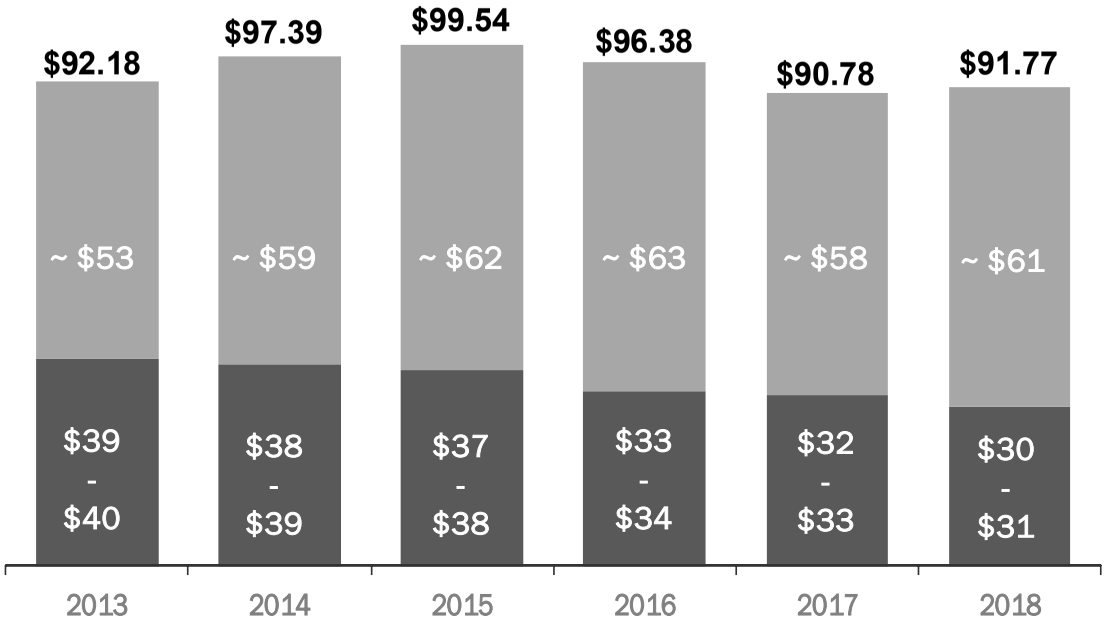
		(Apr - Dec) 2018	2019	2020
Base Load (Nuclear and Base Load Coal)	Volume TWh	25	34	35
	% Hedged	100%	100%	65-70%
	Price $/MWh	$38	$37	$36
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	18-20	25-27	28-30
	% Hedged	60-65%	10-15%	0%
	Price $/MWh	$38	$37	-
Total Generation	Volume TWh	43-45	59-61	63-65
	% Hedged	80-85%	60-65%	35-40%
	Price $/MWh	$38	$37	$36

* HEDGE PERCENTAGES AND PRICES AS OF MARCH 31, 2018 AND REFLECT REVENUES OF FULL REQUIREMENT LOAD DEALS BASED ON CONTRACT PRICE, INCLUDING RENEWABLE ENERGY CREDITS, ANCILLARY, AND TRANSMISSION COMPONENTS BUT EXCLUDING CAPACITY. HEDGES INCLUDE POSITIONS WITH MTM ACCOUNTING TREATMENT AND OPTIONS.

SI-SSA-0015-14503

New Jersey BGS accounts for ~10 TWh of our hedging

NJ BGS RSCP Supply Pricing

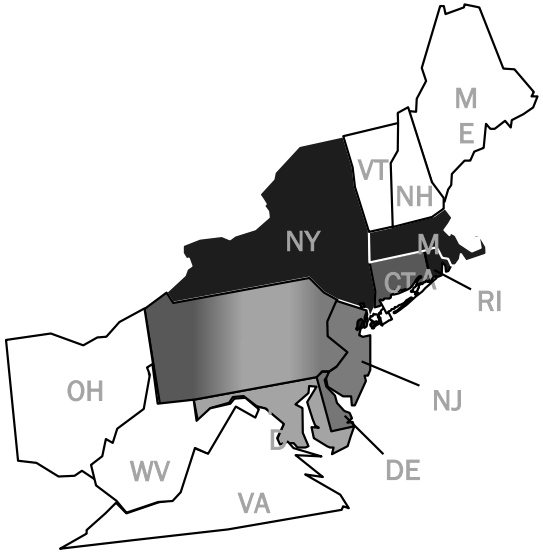


3 Year Average
Round the Clock PJM West
Forward Energy Price

+

- Ancillary services
- Capacity
- Congestion
- Green
- Load shape
- Risk premium
- Transmission
- Zonal Basis

Retail Electric / Gas Marketing



- Retail sales to support generation
- Focus on Commercial & Industrial customers
- Remains focused on organic growth, but progress has been slow

$/MWH; BGS PRICES REFLECT PSE&G ZONE

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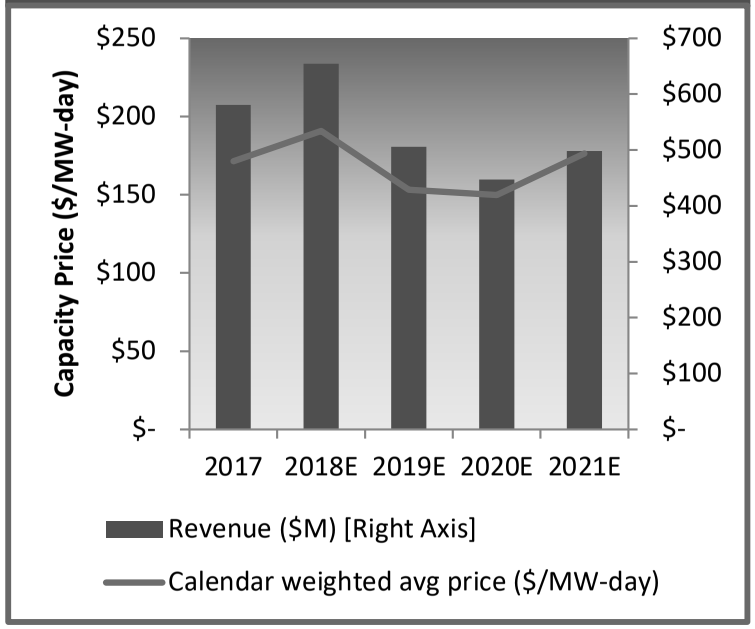
Capacity markets provide a solid and continuing revenue stream in PJM

PJM's RPM Auction Results*

Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$171	$205	$116	$174	$178
RTO Prices ($/MW-day)	$120	$165/$150 (CP/Base)	$100/$80 (CP/Base)	$77 (CP)	$140 (CP)
Power's Cleared Capacity (MW)	9,700	9,200	8,900	7,800	7,700

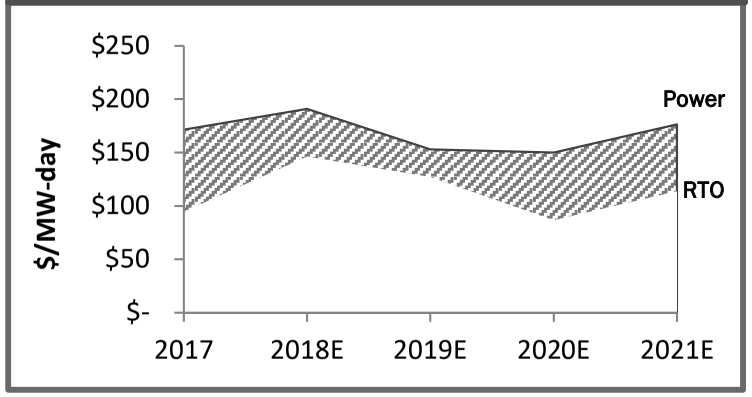
PJM Capacity Revenue



2020 Onward, RPM Auctions include 100% Capacity Performance and will be impacted by changes in:

- Net CONE
- PJM Parameters
- Load Forecasts
- Demand Response Rules
- Environmental Retirements

PJM Calendar Weighted Average Price



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PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BASE AND INCREMENTAL AUCTIONS. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

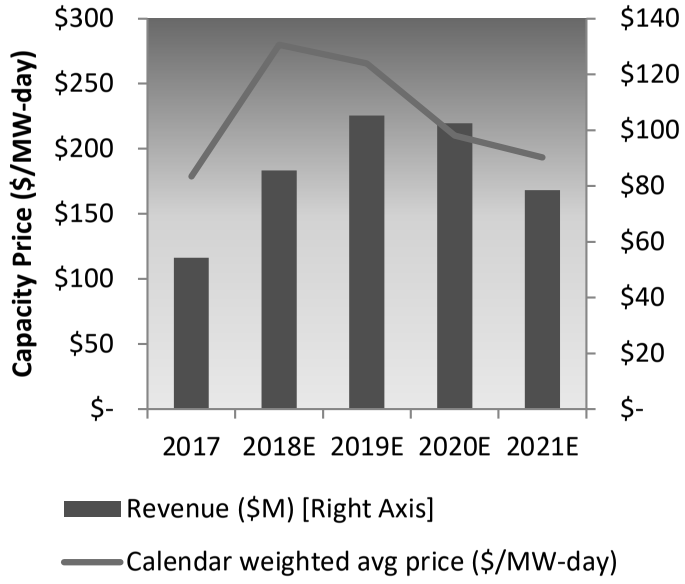
Capacity markets provide a solid and continuing revenue stream in ISO NE

ISO New England's Forward Capacity Market Auction Results

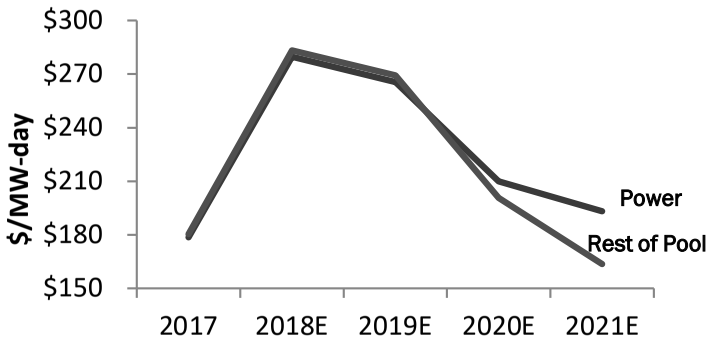
Delivery Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Power's Average Prices ($/MW-day)	$231	$314	$231	$195	$192
Power's Cleared Capacity* (MW)	850	830	1,330	1,330	940

Power's average price reflects Bridgeport Harbor 5, which cleared the 2019/2020 auction at $231/MW-day for seven years, with escalations based on Handy-Whitman Index

ISO NE Capacity Revenue



ISO NE Calendar Weighted Average Price

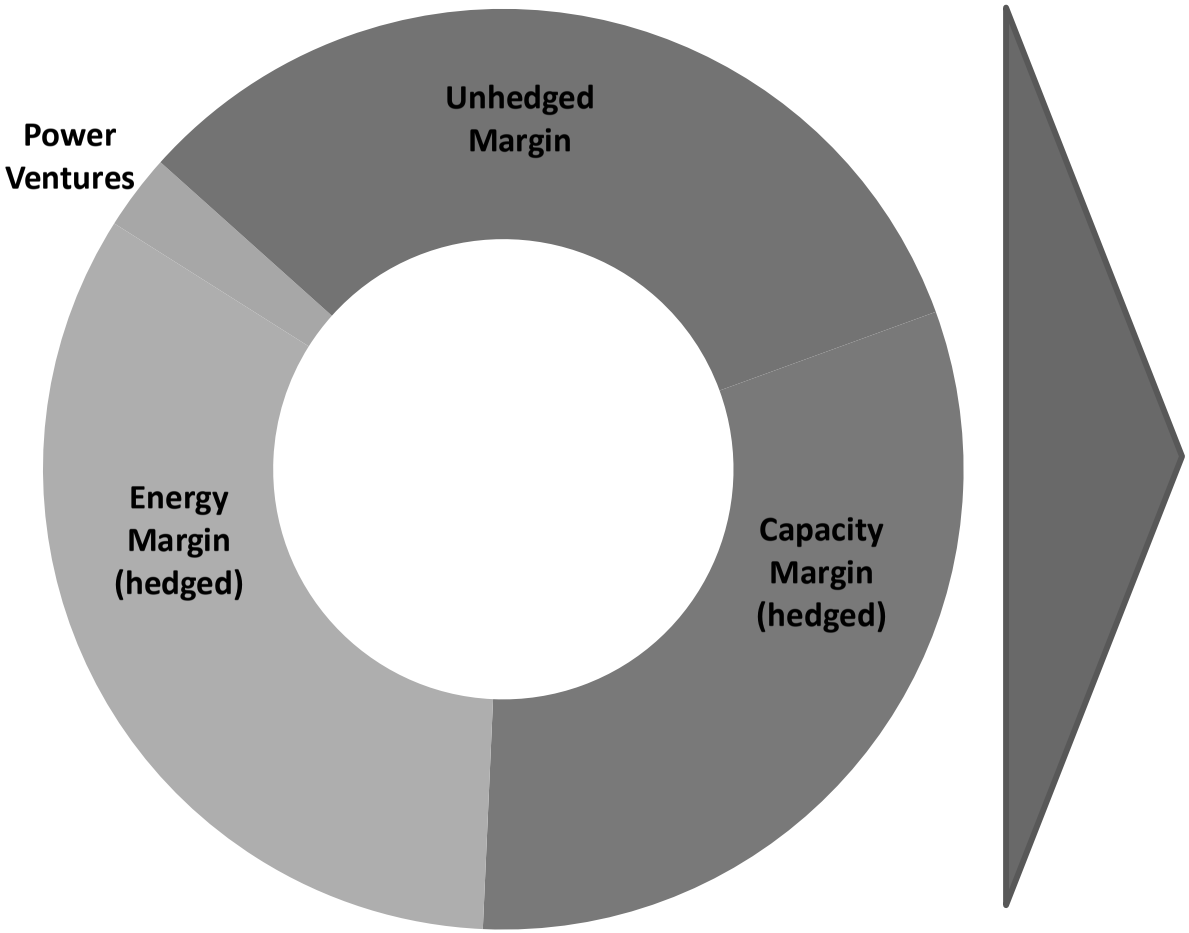


SI-SSA-0015-14506

PSEG

*PSEG POWER'S AVERAGE PRICES AND CLEARED CAPACITY (MW) REFLECT BRIDGEPORT HARBOR 5 TARGETED ADDITION IN MID-2019 AND THE ANNOUNCED RETIREMENT OF BRIDGEPORT HARBOR 3 IN THE SUMMER OF 2021. DELIVERY YEARS RUN FROM JUNE 1 TO MAY 31 OF THE NEXT CALENDAR YEAR. E=ESTIMATE

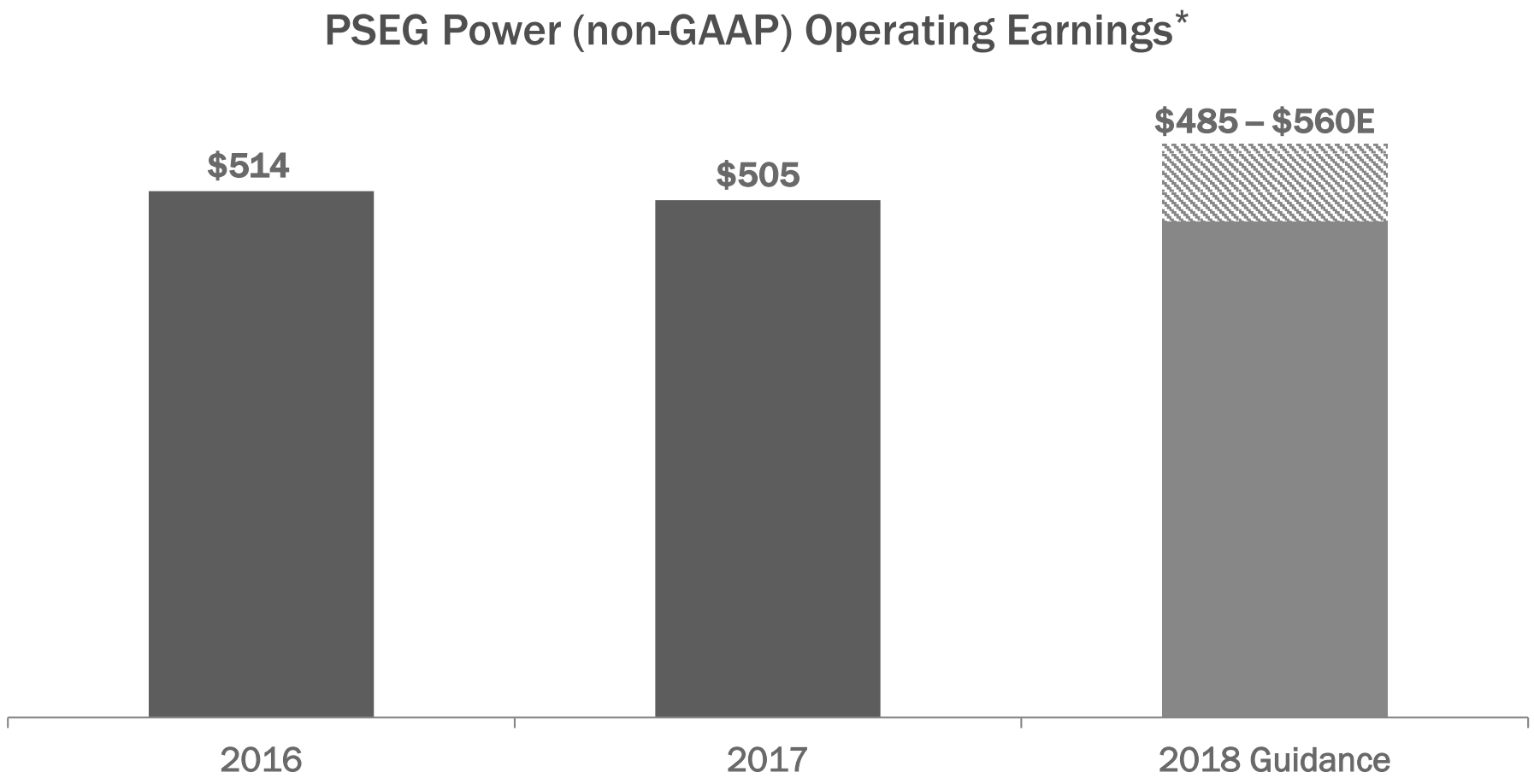
PSEG Power provides a stable return and free cash flow



- Expected three year cumulative gross margin over $6 billion from 2018 to 2020
- 65% - 70% of gross margin hedged over next three years
- Approximately $2 billion locked in through capacity auctions
- Completion of growth investment reduces capital requirement
- Free cash flow to Enterprise

SI-SSA-0015-14507

Power's 2018 non-GAAP Operating Earnings expected to benefit from tax reform

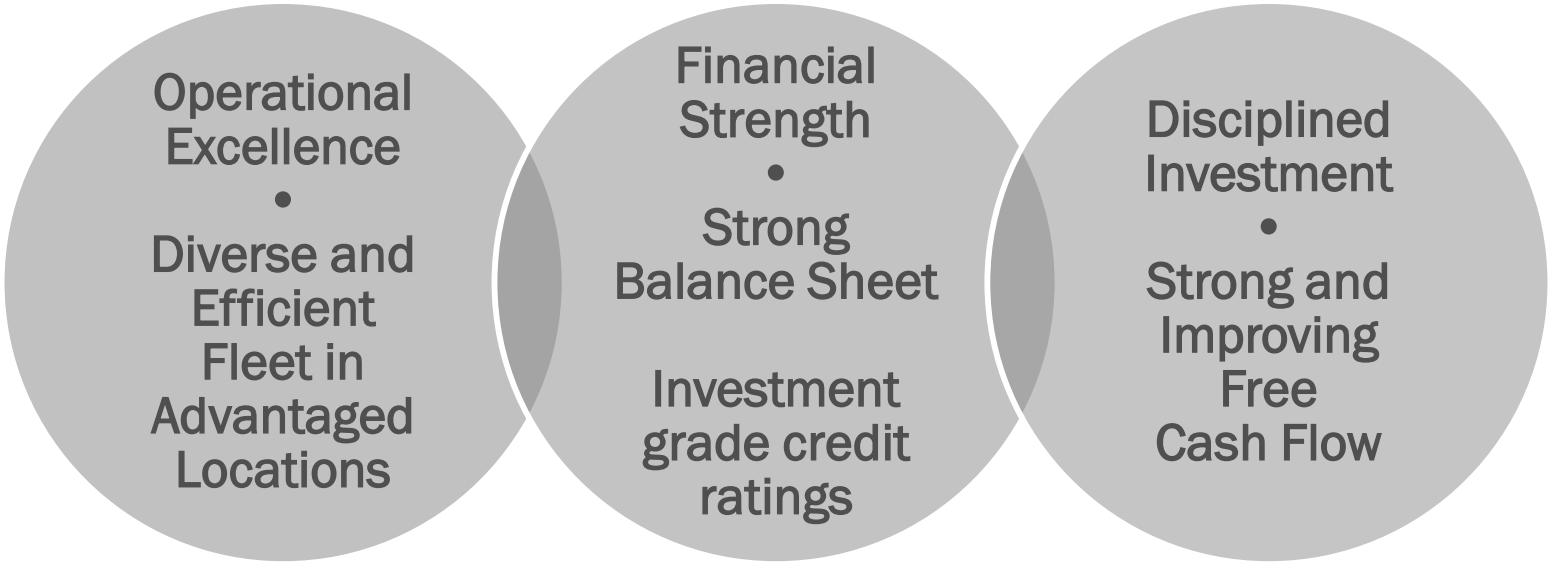


SI-SSA-0015-14508

PSEG

* SEE SLIDE B FOR ITEMS EXCLUDED FROM NET INCOME/(LOSS) TO RECONCILE TO OPERATING EARNINGS (NON-GAAP)
E =ESTIMATE.

PSEG Power Value Proposition



- Well-positioned fleet of merchant generating assets in competitive markets
- Retirement of un-economic assets improves fleet efficiency and returns
- Addition of 1,800 MWs of new, efficient, flexible CCGTs transforms the portfolio
- Promoting sound energy policy and market reforms
- Low capital requirements
- Hedging strategy protects value of assets, provides stable returns and free cash flow

SI-SSA-0015-14509

PSEG FINANCIAL REVIEW & OUTLOOK

Daniel J. Cregg
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

PSEG
We make things work for you.

SI-SSA-0015-14510

111
Years
of Paying a
Common
Dividend

PSE&G Represents **65%**
Of Non-GAAP Operating
Earnings

4.7% Increase in
2018 Common
Dividend

Free Cash Flow Improves
Following Completion of
CCGT Construction

Strong Free Cash
Flow Enables
Funding of Capital
Program Without
Need To Issue
Equity

5–Year Investment
Program Provides
Opportunity for
8%-10%
CAGR in PSE&G
Rate Base

PSEG

Strong financial position driven by PSE&G with meaningful contribution from Power

Earnings

- 2018 non-GAAP earnings guidance up 6% over 2017*
- Increased investment and the impact of tax reform expected to drive growth in 2018 non-GAAP Operating Earnings

Investment

- PSE&G investment continues with contemporaneous and near contem-poraneous returns for the majority of capital spending
- Power construction program nearing completion

Cash Flow and Credit Metrics

- Financial strength supports our current investment program with no need to issue equity
- Excess investment capacity enables funding of a broad set of PSE&G opportunities

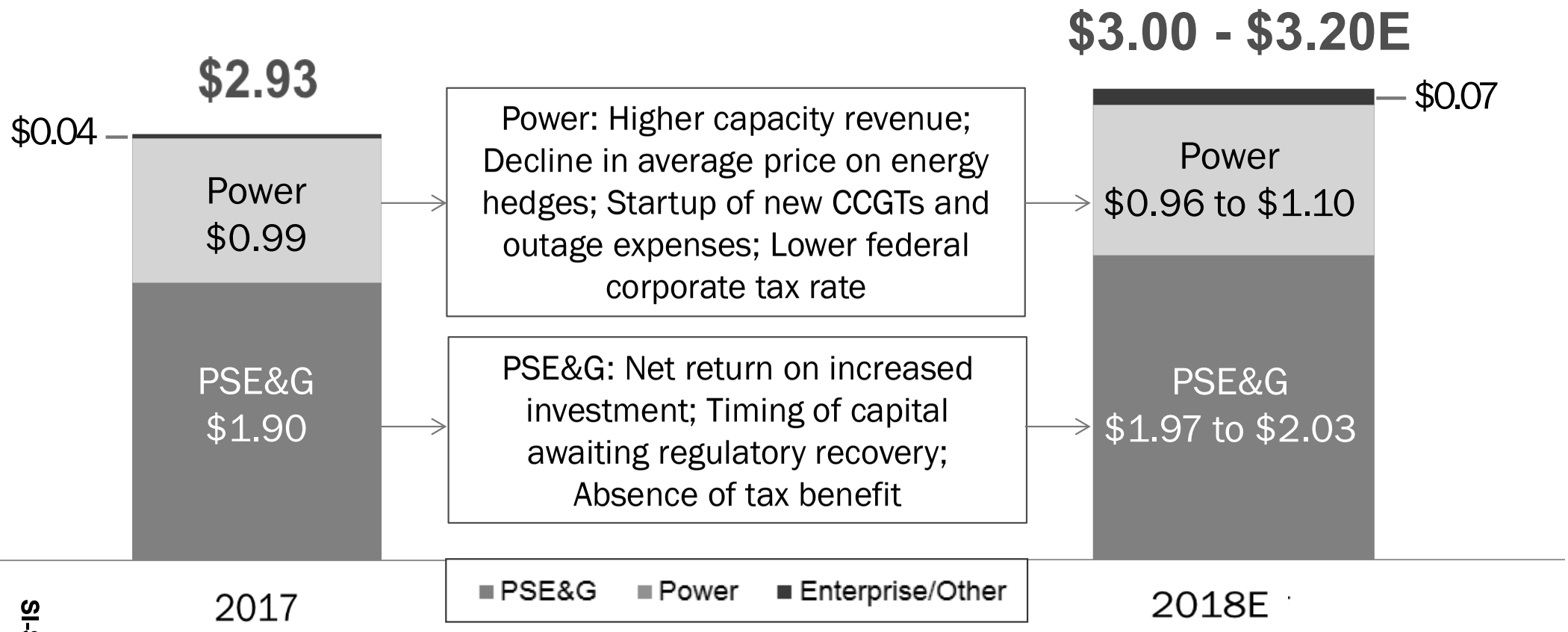
Dividends

- Increased 2018 indicative annual dividend by 4.7%
- Opportunity for consistent and sustainable dividend growth

SI-SSA-0015-14512

*BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS; SLIDE B FOR A RECONCILIATION OF NET INCOME TO OPERATING EARNINGS FOR PSE&G AND PSEG POWER; AND SLIDE C FOR PSEG/OTHER . E= ESTIMATE.

Growth in utility infrastructure investment and tax reform expected to drive 6% increase in 2018 non-GAAP Operating Earnings*



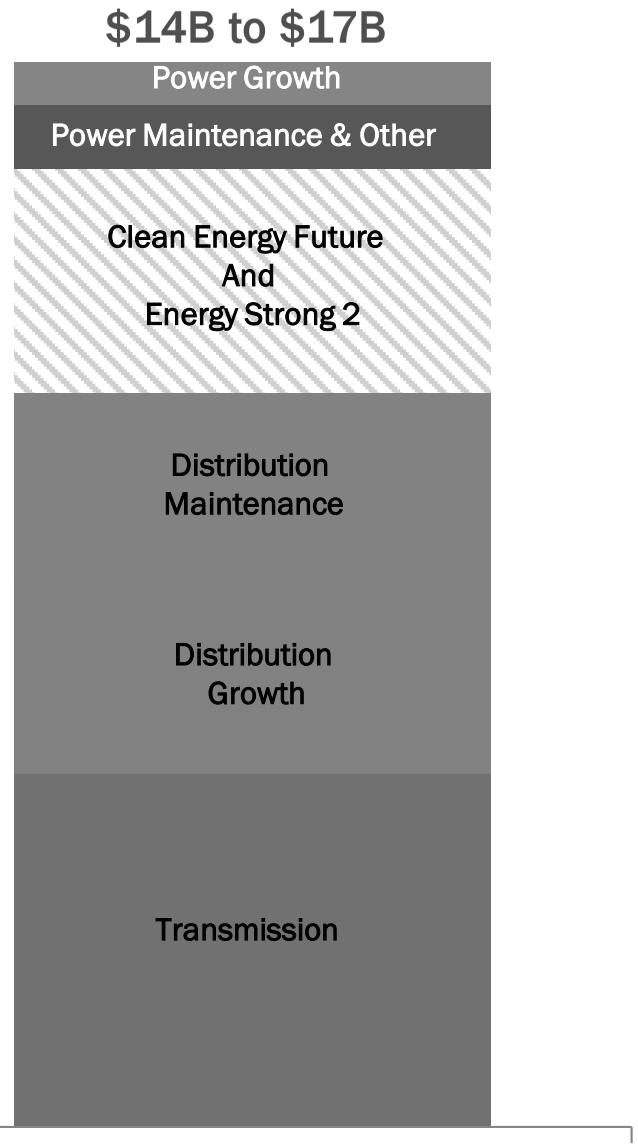
SI-SSA-0015-14513

PSEG

*BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS; SLIDE B FOR A RECONCILIATION OF NET INCOME TO OPERATING EARNINGS FOR PSE&G AND PSEG POWER; AND SLIDE C FOR PSEG ENTERPRISE/OTHER . E= ESTIMATE.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

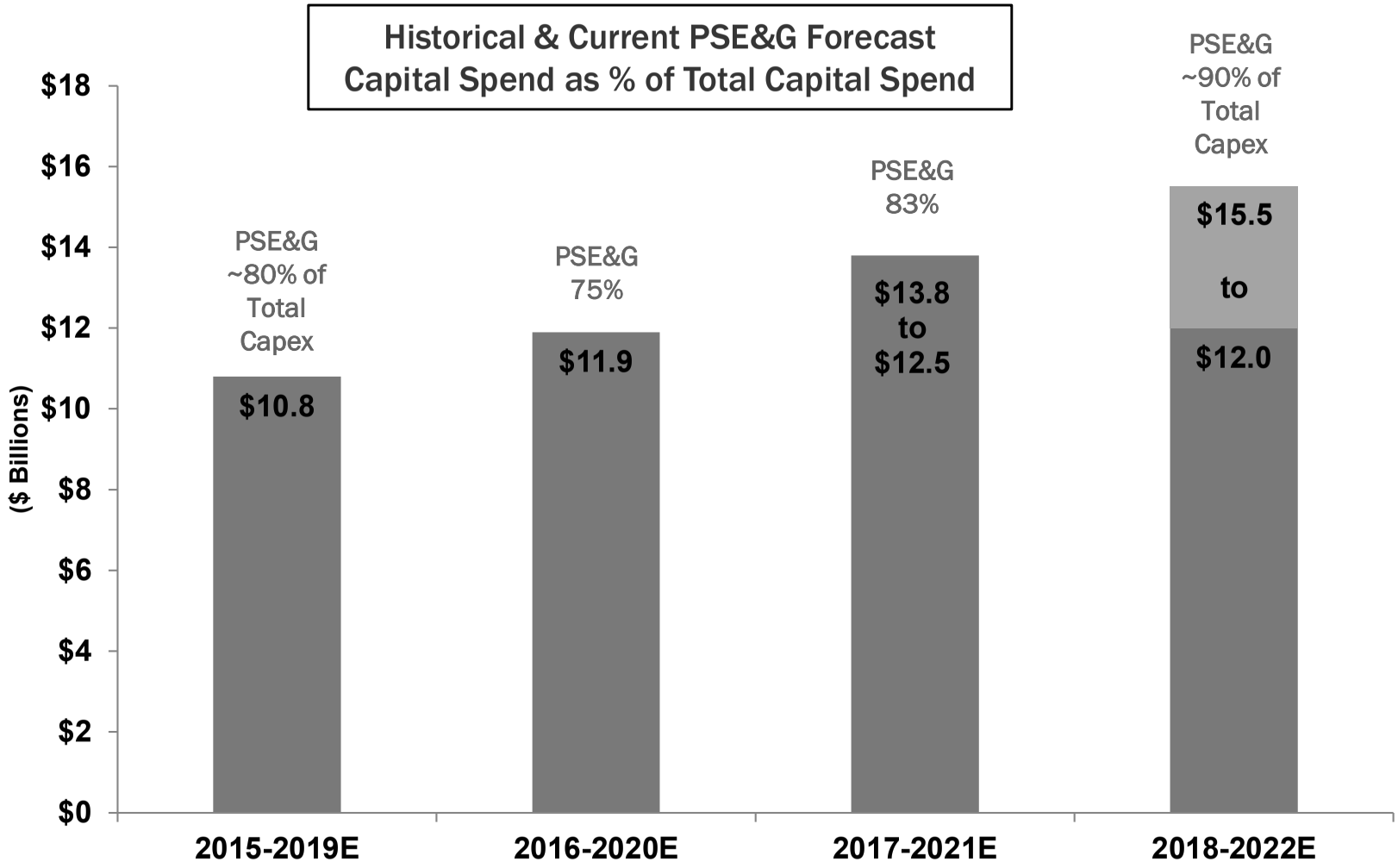


Investment in regulated business represents ~90% of capital program

CAPITAL INCLUDES IDC AND AFUDC
HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E=ESTIMATE

SI-SSA-0015-14514

PSE&G's increased capital investment is growing consolidated results

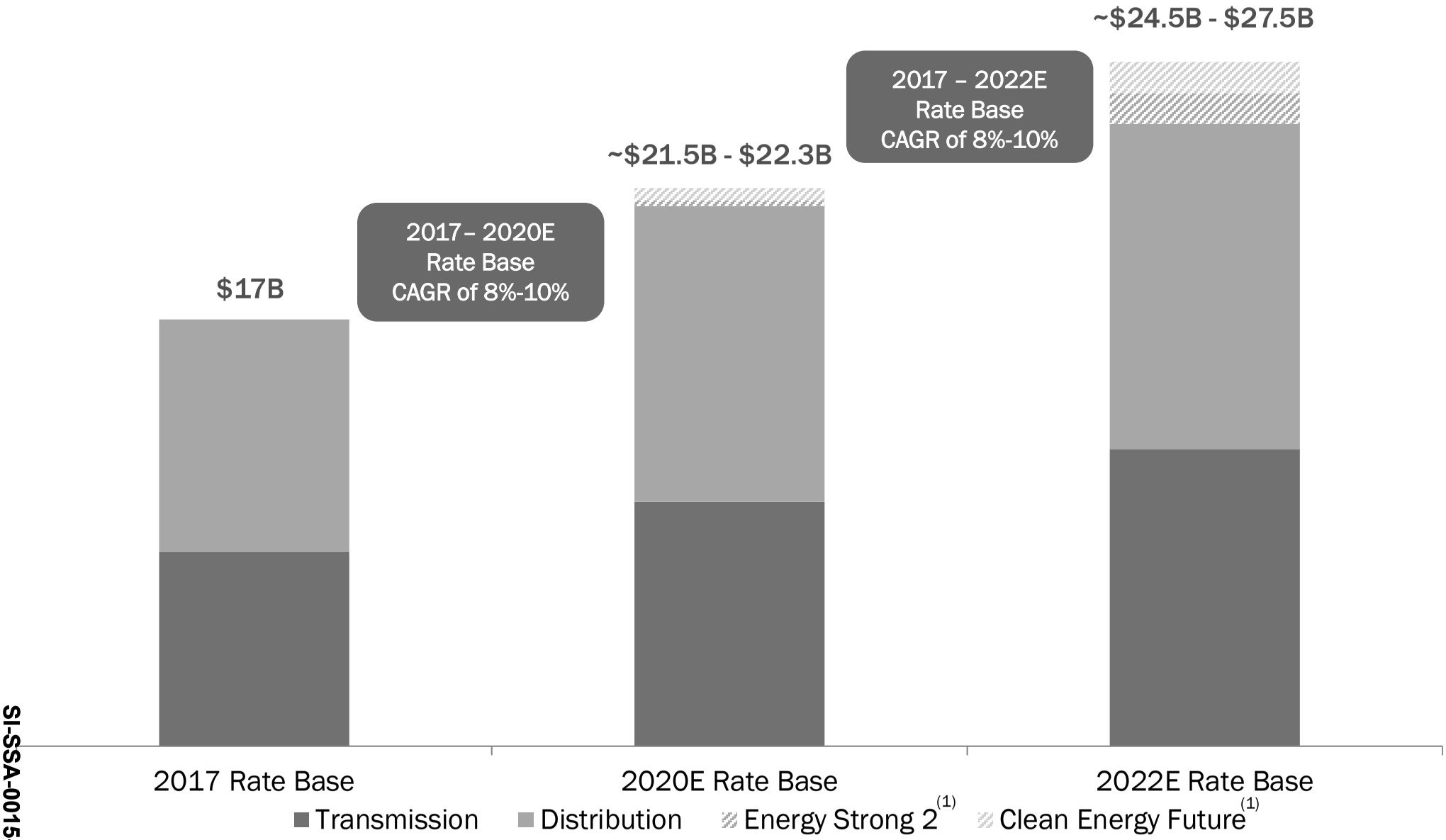


5-Year PSE&G Capital Spending Forecasts Provided at Annual Investor Conferences

SI-SSA-0015-14515

E=ESTIMATE

Five-year annual growth of 8%–10% expected in PSE&G's rate base



E = ESTIMATE.

1) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSION OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM.

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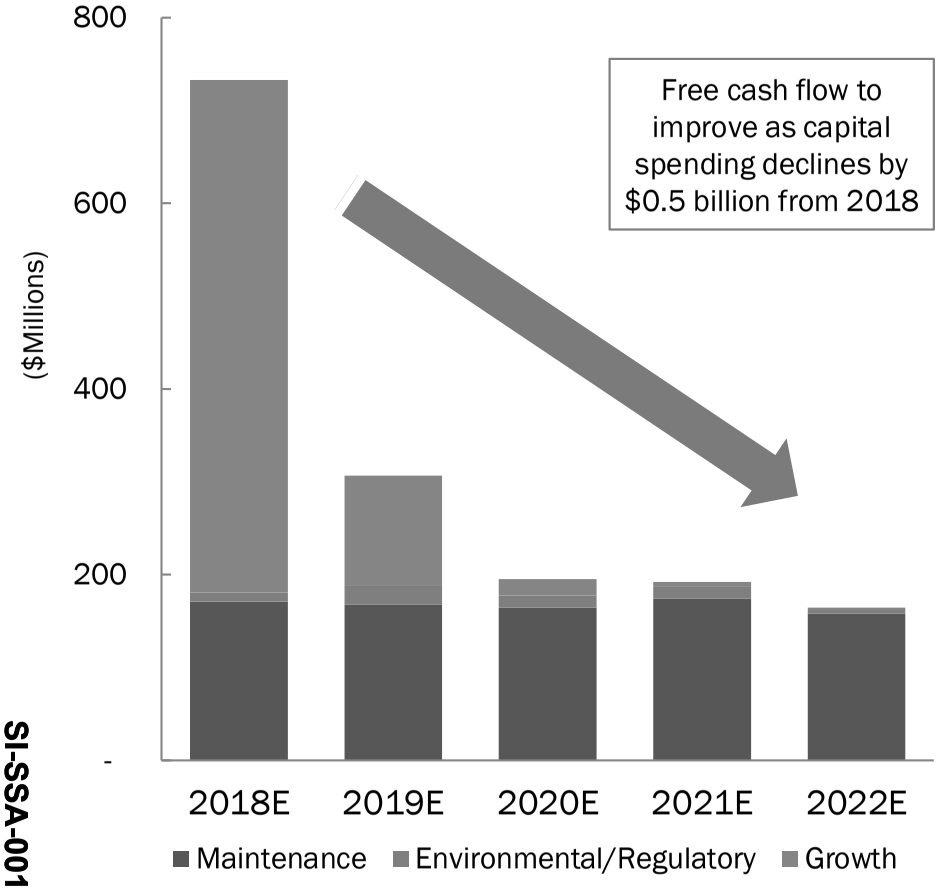
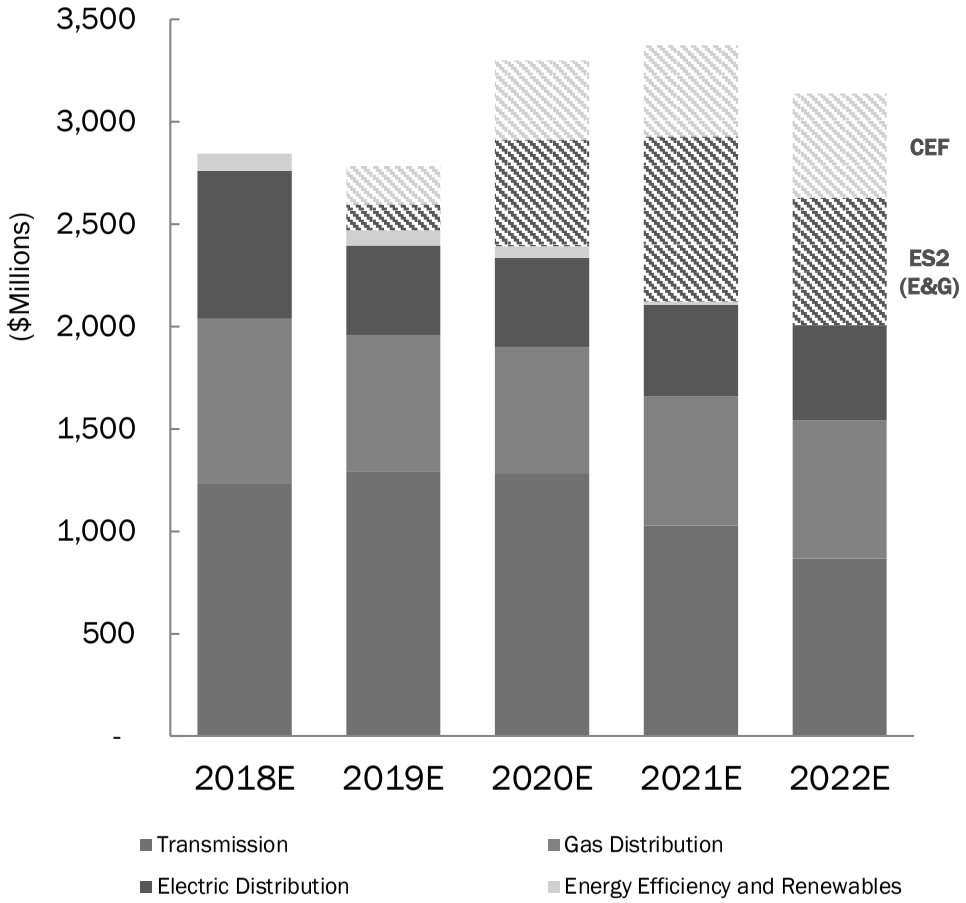
Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1) CAPITAL INCLUDES IDC AND AFUDC. E = ESTIMATE
2) HASHED PORTION OF THE CHART REPRESENTS PLANS FOR EXTENSIONS OF ENERGY STRONG (ES2) AND A CLEAN ENERGY FUTURE (CEF) PROGRAM. E = ESTIMATE.

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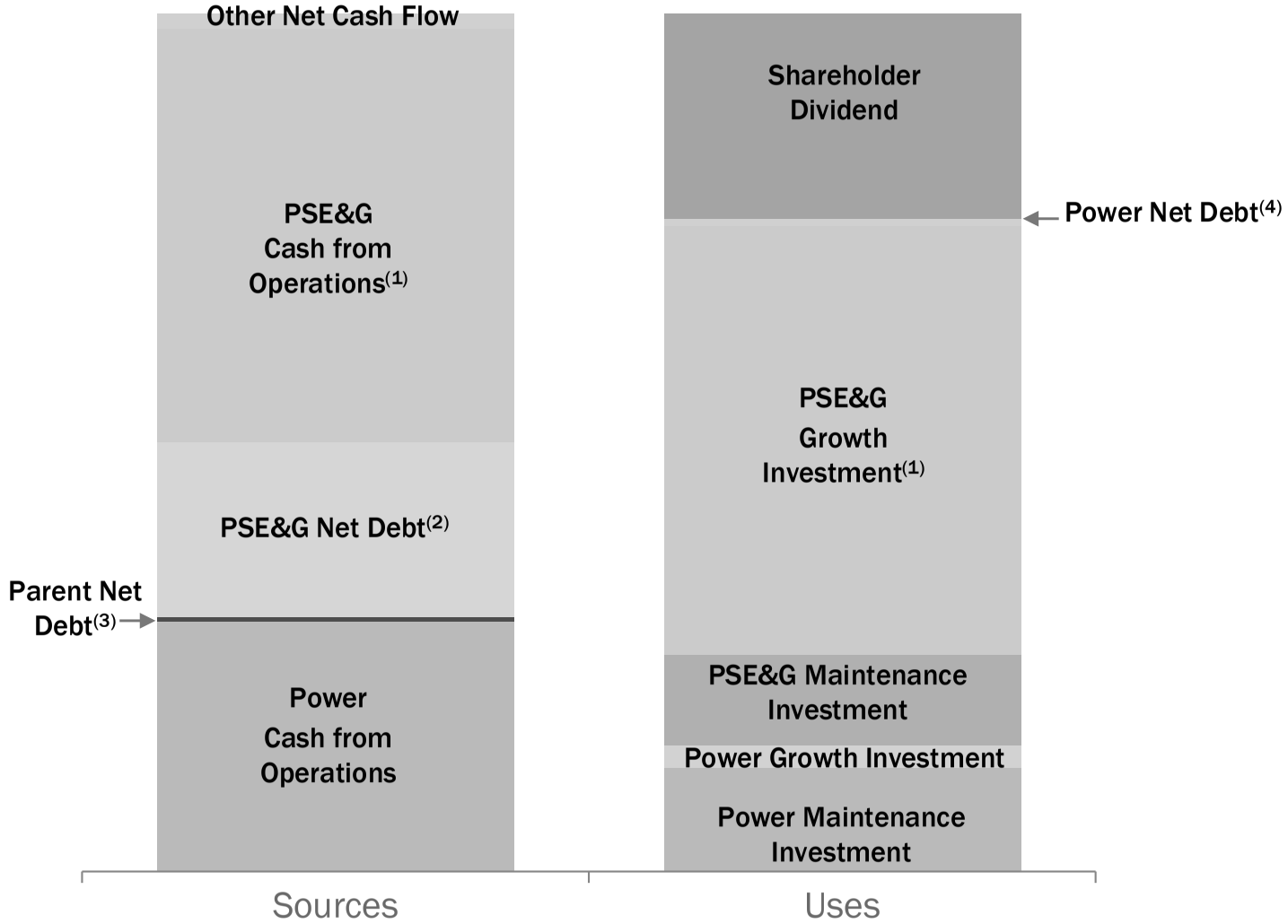
PSEG Cash from Operations exceeds investment

PSEG Consolidated
2018E – 2022E Sources and Uses of Cash



1) ADJUSTED TO SHIFT CUMULATIVE CLEAN ENERGY CAPITAL SPEND FROM CASH FROM OPERATIONS (PER GAAP) TO GROWTH INVESTMENT
2) INCLUDES ISSUANCES, REDEMPTIONS, AND CASH POSITION
3) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING, AND TREASURY SHARES
4) INCLUDES ISSUANCES, REDEMPTIONS, INTERCOMPANY LENDING

E = ESTIMATE

SI-SSA-0015-14518

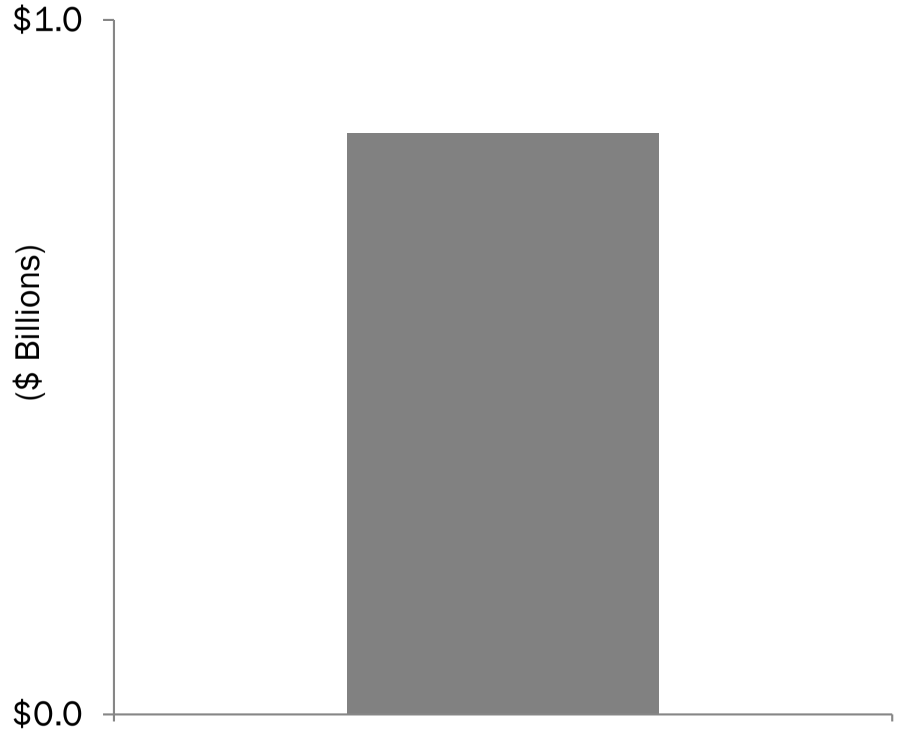
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

SI-SSA-0015-14519

Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

SI-SSA-0015-14520

Tax Reform benefits customers and PSEG

- ✓ Benefiting PSE&G customers with $262 million of annual rate reductions in 2018, expected to grow with return of excess deferred taxes
- ✓ Estimated to provide PSEG with uplift to earnings, including $0.16 per share in 2018

PSE&G Tax Impacts

- Lowers customer bill
- Increases 5-year rate base growth for same capital spend by ~1% per year
- Average earnings increase by $20M/year growing to $30M/year over 2019-2022
- Cadence of future rate reductions related to return of excess deferred taxes to be determined in base rate case

PSEG Power Tax Impacts

- After-tax earnings improve through lower federal corporate tax rate
- Cash flow increases with 100% expensing of capital
- Retains full interest expense deductibility based upon low debt balance

- ✓ After tax reform, PSEG retains investment capacity, has ability to grow the common dividend, with no need to issue equity to fund its investment program
- ✓ Lower customer bills extend opportunity to invest in system while minimizing rate impact

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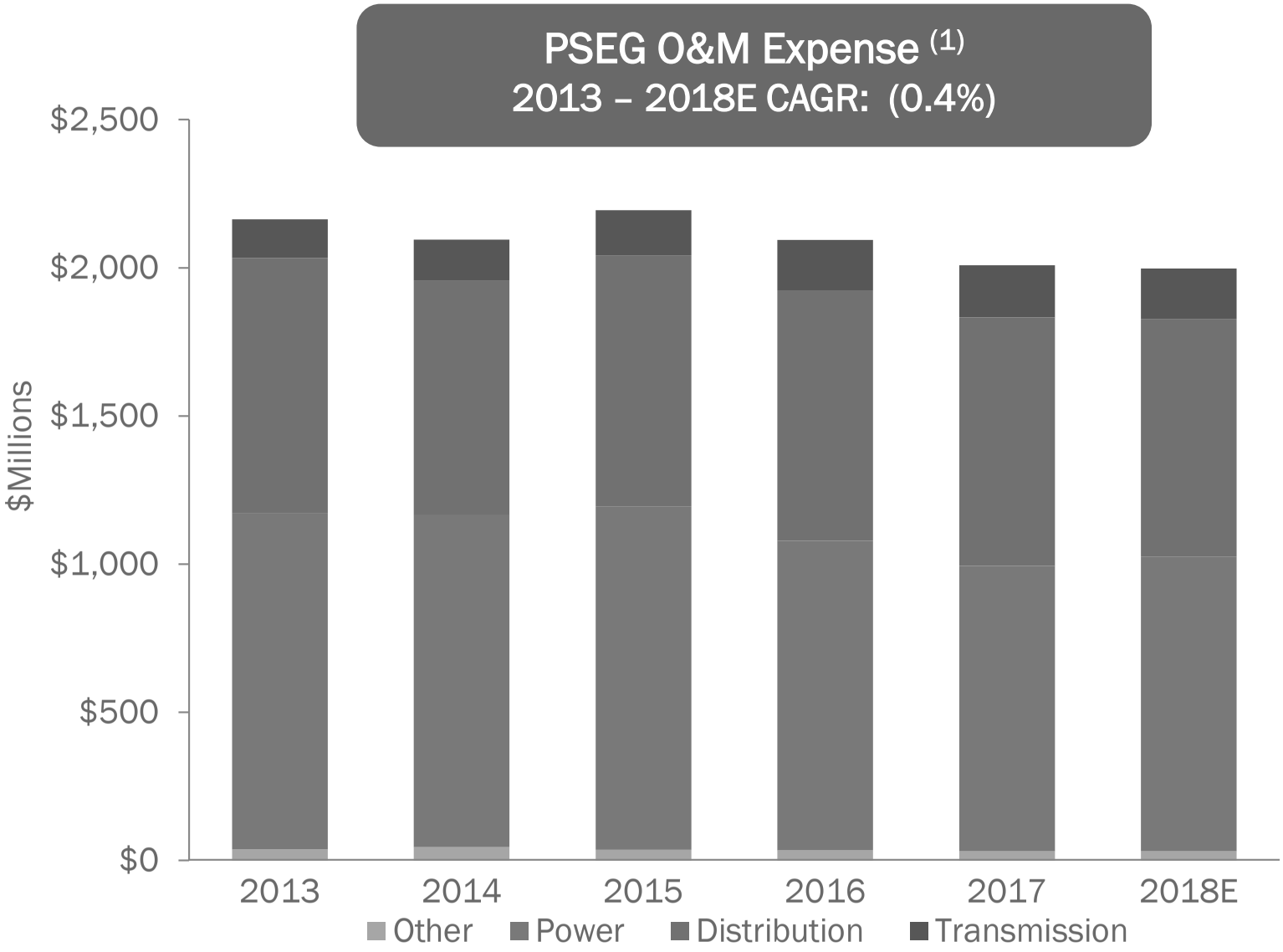
PSEG has controlled O&M



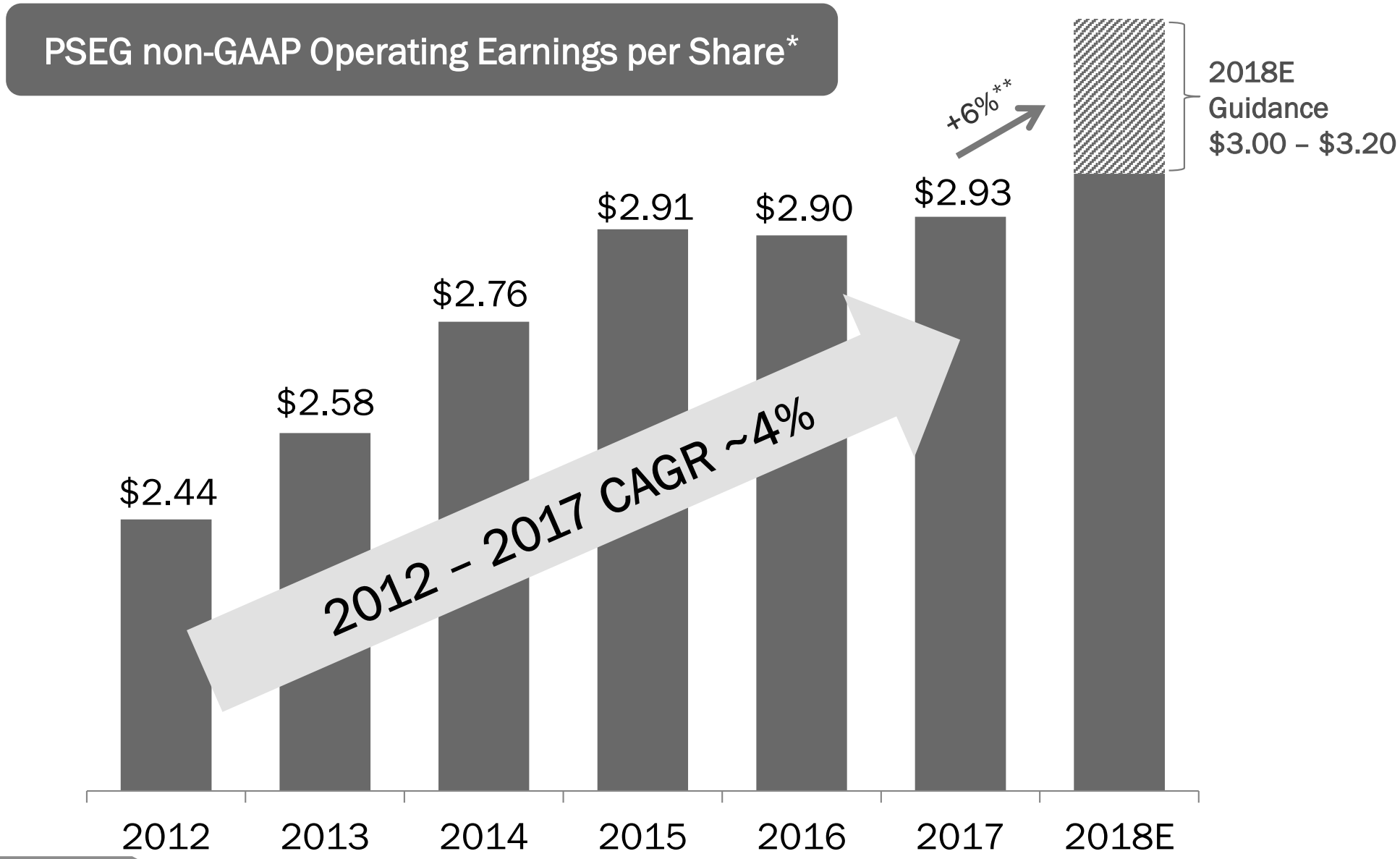
Cost Control Actions

- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

SI-SSA-0015-14522

Strategic focus continues to deliver solid results



*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
**BASED ON THE MID-POINT OF 2018 NON-GAAP OPERATING EARNINGS GUIDANCE OF $3.00 TO $3.20 PER SHARE.
E= ESTIMATE.

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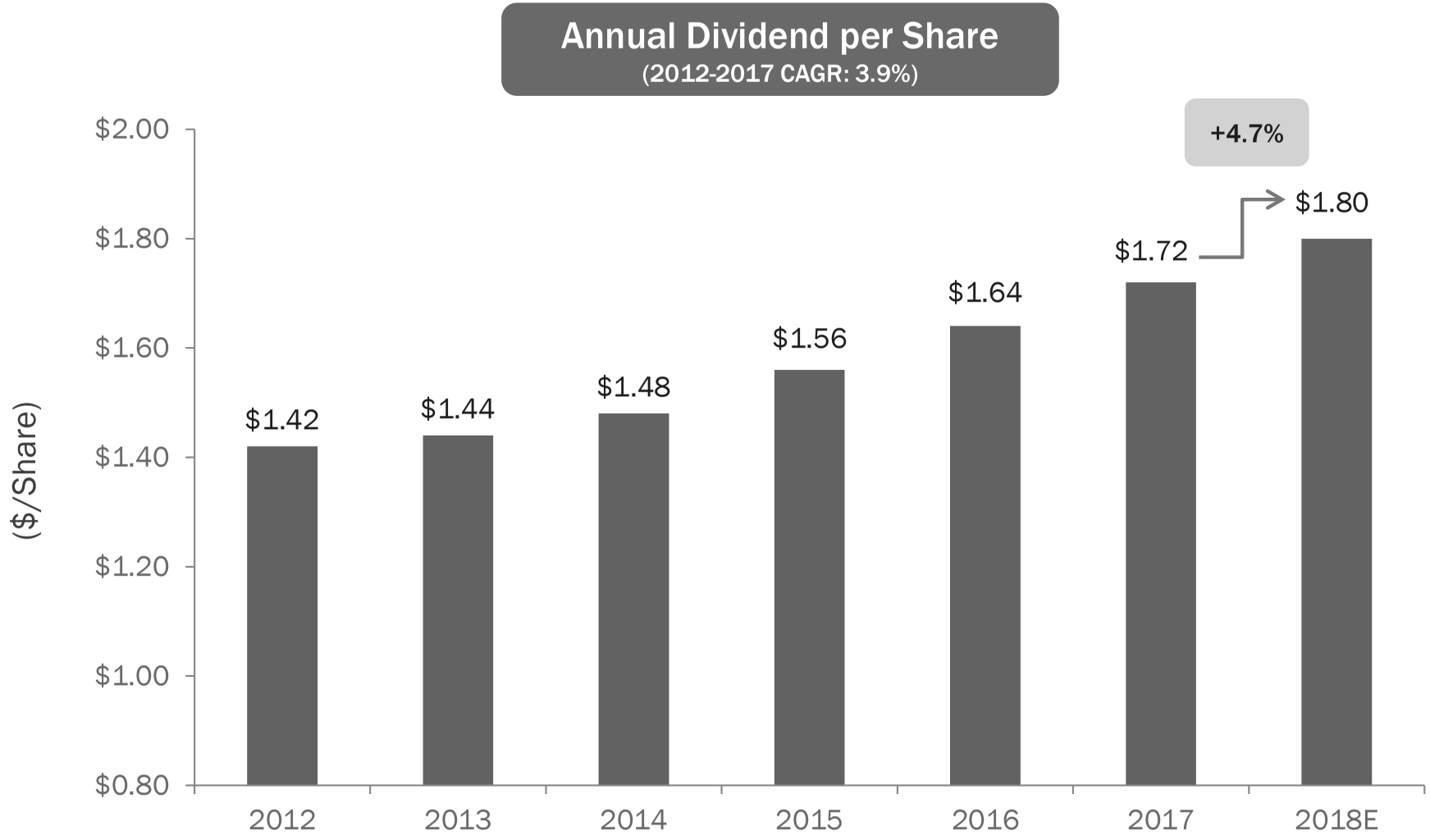
Opportunity for consistent and sustainable dividend growth



E=ESTIMATE

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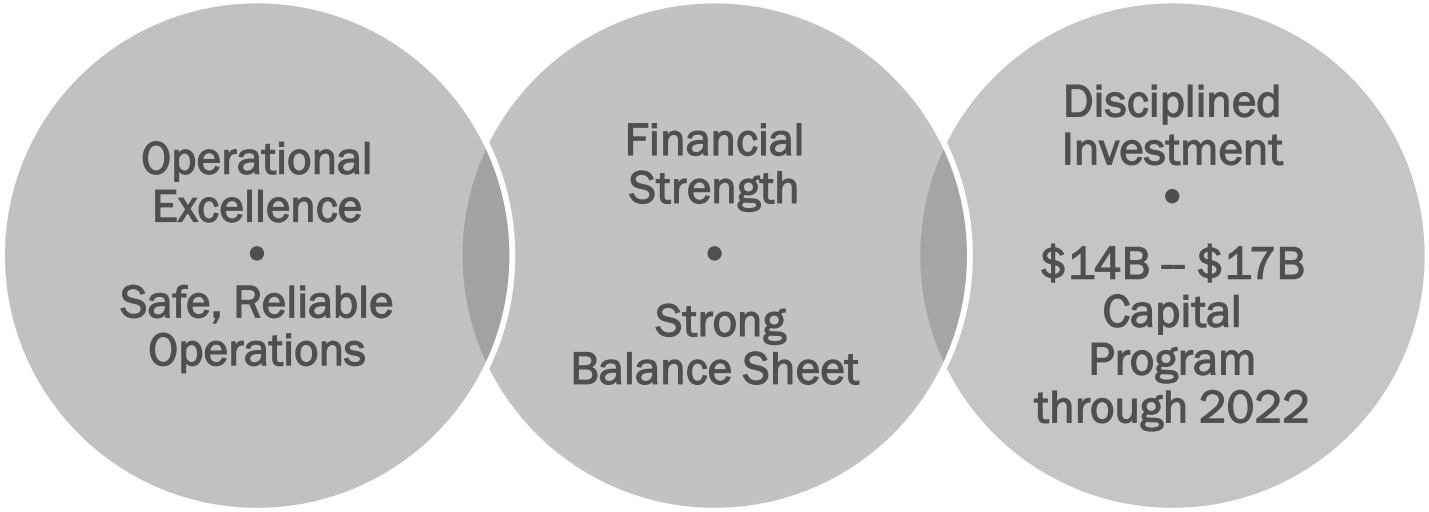
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-14525

PSEG APPENDIX

SI-SSA-0015-14526

PSEG

We make things work for you.

PSE&G Distribution Base Rate Case Filing

- **Dockets** ER 18010029 (Electric) and GR 18010030 (Gas)
- **Filed** January 12, 2018; **Anticipate new rates** Fourth Quarter 2018
- **Test year** – July 1, 2017 through June 30, 2018 (with certain pro forma adjustments)
- **Rate base** of $9.9B ($5.7 Billion Electric; $4.2 Billion Gas) as of December 31, 2018
- **ROE** request of 10.3%; **Capitalization structure** with 54% equity
- **Requested Increase:** ~3% relative to overall revenue, 1% net of tax benefits
- **O&M and Sales** are roughly flat to last rate case eight years ago
- **Capital recovery** beyond clauses and $125M increase in Depreciation rate
- **Decoupling** of revenues from sales volumes
- **Taxes** – lower federal tax rate and flow back of deferred taxes to offset storm costs and reduce impact on customer bills
- **Filing Updates:**
  - ✓ **Taxes:** Lowered rates effective April 1 to accelerate savings planned in rate case; update for other tax impacts such as loss of bonus depreciation
  - ✓ **9x3 update** filed May 14

Overall bill for the typical PSE&G residential customer, would remain ~20% lower than bills after last base rate case

SI-SSA-0015-14527

PSEG's longer-term outlook is influenced by Power's hedge position and investment at PSE&G

PSEG Power LLC

Segment EPS Drivers

Sensitivities derived from typical annual market variability	2018E	2019E	2020E
Each $0.75/mcf Change in Natural Gas	$0.02	$0.04	$0.13
Each $2/MWh Change in Spark Spread	$0.04	$0.08	$0.09
Each $5/MWh Change in Dark Spread	$0.00	$0.02	$0.03
Each 1% Change in Nuclear Capacity Factor	$0.01	$0.01	$0.01

PSE&G

Each $100 Million of Incremental Investment	$0.01	$0.01	$0.01
Each 1% Change in Sales			
Electric	$0.01	$0.01	$0.01
Gas	$0.01	$0.01	$0.01
Each 1% Change in O&M	$0.01	$0.01	$0.01
Each 20 basis point Change in Distribution ROE	$0.02	$0.02	$0.02
Each 20 basis point Change in Transmission ROE	$0.02	$0.02	$0.02

SI-SSA-0015-14528

POWER EARNINGS SENSITIVITIES UPDATED FOR DECEMBER 31, 2017 PRICE CURVES AND EPS IMPACT ASSUMES NORMAL MARKET COMMODITY CORRELATION AND DEMAND.
PSE&G DISTRIBUTION ROE SENSITIVITIES EXCLUDE ENERGY STRONG AND GSMP. E = ESTIMATE.

2018 PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-14529

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-14530

John Paul Cowan

SENIOR VICE PRESIDENT - OPERATIONS

PSEG FOSSIL, LLC

John Paul Cowan was named Senior Vice President Operations in February 2011. Mr. Cowan joined PSEG in January 2009 as Director-Fossil Programs and Efficiency. In August 2009 he assumed the position of Vice President Operations. Prior to joining PSEG as an employee, Mr. Cowan provided Consultant Services to PSEG Fossil, LLC and PSEG Power, LLC. In these roles, Mr. Cowan served as the Executive Director for PSEG's New Nuclear Plant Development reporting to Bill Levis. Mr. Cowan also consulted to the President, PSEG Fossil, LLC for initial implementation of the Fossil Operational Excellence Model (OEM).

Prior to joining PSEG, Mr. Cowan held several executive positions including Executive Vice President and Chief Nuclear Officer-Nuclear Management Company, Vice President and Chief Nuclear Officer-Florida Power Corporation, Vice President Environmental Services-Carolina Power and Light, and Vice President-Operation Services for Carolina Power and Light. Mr. Cowan has worked for the Institute of Nuclear Power Operations (INPO) as a department head, assistant to the Chief Executive Officer and Secretary to the Board of Directors. He also spent 10 years with General Electric in technical, operational, and management positions.

Mr. Cowan is a graduate of the University of Wisconsin- Madison with a Bachelor's Degree in Nuclear Engineering. He has a Master's Degree in Business Management from Rensselaer Polytechnic Institute, and a Juris Doctor's Degree from Georgia State University. He is currently an active member of the Georgia State Bar Association and the American Bar Association. He is a recipient of the University of Wisconsin's Distinguished Service Award and has been a member of several electric industry groups including the Institute of Nuclear Power Operations, Nuclear Electric Institute, and Electric Power Research Institute.

SI-SSA-0015-14531

Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-14532

David M. Daly

PRESIDENT AND CHIEF OPERATING OFFICER

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

David M. Daly was elected president and chief operating officer of Public Service Electric and Gas Company (PSE&G) effective October 2017. PSE&G is New Jersey's oldest and largest regulated gas and electric delivery utility, serving approximately 2.4 million customers, nearly three-quarters of the state's population. In addition, Mr. Daly will assume the role of Chairman of the Board of PSEG Long Island, a subsidiary of Public Service Enterprise Group (PSEG), which has been managing the electric transmission and distribution systems on Long Island and in the Rockaways since January 2014. PSEG Long Island serves 1.1 million customers.

Prior to his current position, Mr. Daly served as president and chief operating officer of PSEG Long Island. Previously he served as vice president and lead of the transition to PSEG Long Island.

Prior to his appointment to PSEG Long Island, Mr. Daly served as vice president - asset management and centralized services at PSE&G. Since joining PSE&G in 1983, Mr. Daly has held a variety of positions in utility operations and support services, including vice president of energy acquisition and technology, division manager - merger integration, director of utility operations services, director of corporate strategy, and general manager of transmission planning.

Earlier in his career, Mr. Daly held various first and second line supervisory positions in fossil generation plant operations, and was a senior consultant at Metzler & Associates and UMS Group. He has an electrical engineering degree from the State University of New York Maritime College, and a Master of Business Administration from Rutgers University.

SI-SSA-0015-14533

Derek M. Di Risio

PRESIDENT

PSEG SERVICES CORPORATION

Derek M. Di Risio was named President, PSEG Services Corporation, in July 2014. He is responsible for the coordination and delivery of several centralized services currently residing within PSEG Services Corporation including corporate communications, corporate citizenship, corporate real estate, information technology, procurement, payroll and other transactional services.

Prior to his current role, Mr. Di Risio was vice president and controller of Public Service Enterprise Group (PSEG), Public Service Electric and Gas Company (PSE&G), PSEG Services Corporation, PSEG Energy Holdings (Holdings) and PSEG Power, a position he assumed in December 2006. He was previously vice president and assistant controller, since July 2004.

Mr. Di Risio had been vice president – planning and analysis of Holdings since March 2004, and vice president – controller for Holdings since July 1998. Prior to that he was director – accounting services and responsible for several accounting and planning functions for Holdings, including overall coordination of the business planning process, accounting research and policy development, financial forecasts and analysis.

Mr. Di Risio was also responsible for the budgeting, analysis and reporting process for PSE&G.

Mr. Di Risio joined PSE&G in September 1991 and has held a variety of positions, including assignments with the internal auditing, electric business, and corporate planning departments. He was instrumental in reengineering the Enterprise business planning process, and advancing the use of performance metrics and balanced scorecard measures to improve business results. Prior to joining PSE&G he worked for several firms, including Chase Manhattan Bank.

Mr. Di Risio graduated from Rutgers University with a degree in accounting/computer science, and received a Master of Business Administration degree from the same university. He is a certified public accountant (inactive). Mr. Di Risio also completed the Program for Management Development at the Graduate School of Business Administration of Harvard University. He serves on the Drumthwacket Foundation Board of Trustees, The Board of the Military Park Partnership, the All Stars Project National Board, and is currently chairman of the Board of Directors of the New Jersey All Stars Project Inc. In addition, Mr. Di Risio previously served on the Drew University Board of Trustees.

SI-SSA-0015-14534

Kim C. Hanemann

SENIOR VICE PRESIDENT – DELIVERY PROJECTS AND CONSTRUCTION

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

Kim C. Hanemann is Senior Vice President, Delivery Projects and Construction (DP&C), at Public Service Electric and Gas Company (PSE&G). Headquartered in Newark, New Jersey, PSE&G is one of the largest combined electric and gas companies in the United States and is also New Jersey's oldest and largest publicly owned utility. PSE&G is the largest subsidiary of Public Service Enterprise Group Incorporated (PSEG).

At PSE&G, Ms. Hanemann is responsible for ensuring the on time, on scope and on budget execution of the company's large transmission construction projects, which includes overseeing project management, project controls, licensing and permitting, and commissioning. Her organization also includes a mobile construction workforce. During the period 2017 through 2021, the portfolio under Ms. Hanemann's management will command a budget of approximately $6.0 billion.

Ms. Hanemann is also responsible for managing key components of PSE&G's Energy Strong program to increase the resiliency of 29 switching and substations, and to protect gas metering and regulating stations affected by Superstorm Sandy or located in flood zones. She also oversees a $630 million FEMA grant for hardening projects on facilities operated by PSEG Long Island.

Ms. Hanemann joined PSE&G as an engineer in 1986 and has held numerous leadership positions in both electric and gas field operations and in utility support operations. She was named a director in 2007, promoted to vice president in 2010, and to senior vice president in 2014. Under her leadership, DP&C has grown from a startup team of 40 in 2007 to a still growing team of over 800 today.

Ms. Hanemann is a member of the board of directors of Middlesex Water Company and Children's Specialized Hospital.

Ms. Hanemann is a graduate of Lehigh University, where she earned a bachelor's in mechanical engineering, and the Rutgers Graduate School of Management, where she earned a Masters of Business Administration.

SI-SSA-0015-14535

Ralph A. LaRossa

PRESIDENT AND CHIEF OPERATING OFFICER

PSEG POWER

Ralph A. LaRossa was elected president and chief operating officer (COO) of PSEG's merchant generation business, PSEG Power, effective October 2017.

PSEG Power is a major, unregulated independent power producer in the U.S. with four main subsidiaries: PSEG Nuclear, PSEG Fossil, PSEG Energy Resources and Trade (ER&T) and PSEG Power Ventures.

PSEG Power operates one of the most balanced portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units). Its low-cost, load-following fleet is geographically well-positioned in competitive markets. Its approximately 12,000 megawatts represent a diverse fuel mix with different plant types.

Before being elected to his current position, Mr. LaRossa served as president and chief operating officer of Public Service Electric and Gas Company (PSE&G). In addition, Mr. LaRossa served as Chairman of the Board of PSEG Long Island. Previously he was vice president - electric delivery for PSE&G.

Mr. LaRossa joined PSE&G in 1985 as an associate engineer and advanced through a variety of management positions in the utility's gas and electric operations. In 1998, he received Gas Industry Magazine's Outstanding Manager of the Year Award.

He is a graduate of Stevens Institute of Technology and has completed the Harvard Business School's Program for Management Development.

Mr. LaRossa is Chairman of Choose New Jersey, Inc. and serves on its board of directors. In addition, he is a member of the board of directors for Montclair State University and is also the immediate past chair of the American Gas Association (AGA).

SI-SSA-0015-14536

John R. Latka

SENIOR VICE PRESIDENT – ELECTRIC AND GAS OPERATIONS

PUBLIC SERVICE ELECTRIC AND GAS COMPANY (PSE&G)

John R. Latka was named Senior Vice President – Electric & Gas Operations in July 2014. He is a member of PSEG's Executive Officer Group. John is responsible for Transmission & Distribution of all electric and gas operations, safety and emergency preparedness initiatives. He is also responsible for implementing the natural gas pipe replacements in the GSMP Program and the electric system resiliency upgrades included in PSE&G's Energy Strong program.

Under his leadership, PSE&G has been named the most reliable utility in the nation five times, and the most reliable in the Mid-Atlantic region for the past 16 years.

In 2015, J.D. Power ranked PSE&G highest in business customer satisfaction for both electric and gas service. This is the first time in PSE&G's history to rank highest in business customer satisfaction for both electric and gas service.

Prior to his current role, Mr. Latka was Vice President-Electric Operations for PSE&G. Since joining PSE&G in 1982, Mr. Latka has held a variety of management positions in the utility.

Mr. Latka is a graduate of Tennessee Technological University. He is currently a board member for the Commerce and Industry Association of New Jersey. He is a Board of Trustee of the Partnership for a Drug-Free New Jersey and a member of the National Response Executive Committee. In 2014, he was appointed to the NJ Infrastructure Advisory Committee (IAC) as co-chair of the Energy Sector.

SI-SSA-0015-14537

Tamara L. Linde

EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER, PSEG SERVICES CORPORATION

Tamara Linde was named executive vice president and general counsel for Public Service Enterprise Group Incorporated (PSEG) in July 2014. She is also the executive vice president and general counsel of Public Service Electric and Gas Company (PSE&G), PSEG Power and PSEG Services Corporation.

As PSEG's chief legal officer, Ms. Linde has responsibility for all legal and regulatory functions, and has general supervisory responsibilities for the office of corporate secretary, business assurance and resilience and federal affairs and sustainability. Ms. Linde is a member of PSEG's Executive Officer Group.

Previously Ms. Linde was vice president – regulatory, PSEG. She has led the company's federal and state regulatory functions, as well as managed corporate, environmental and labor/employment practices within the company. Ms. Linde has served as regulatory counsel on many of the company's most important initiatives in recent years.

Ms. Linde joined the law department of Public Service Electric and Gas Company (PSE&G), as an attorney in 1990 handling a variety of natural gas and electric regulatory and transactional matters. After holding several other legal positions at PSE&G she became general solicitor, in 2000. In that position she was responsible for the regulatory affairs of the PSEG companies including electric, gas and nuclear matters.

She has had significant experience working on regulatory matters before various state and federal regulatory agencies on industry issues relating to electric transmission and distribution and energy markets.

Ms. Linde is a member of the New Jersey, New York, District of Columbia and Texas bars. She currently serves on the Board of the PSEG Foundation, the Community Foundation of New Jersey and the Mater Dei Prep High School Board. In addition, Ms. Linde is a member of the General Counsel Steering Committee of the National Association of Corporate Directors (NACD). She is past President of the Northeast Chapter of the Energy Bar Association and served as chair of the Energy Bar Association Electricity Regulation and Compliance Committee. Ms. Linde graduated from Seton Hall University School of Law with a Juris Doctorate and from Seton Hall University with a bachelor's degree.

SI-SSA-0015-14538

Shahid Malik

PRESIDENT

PSEG ENERGY RESOURCES & TRADE

Shahid Malik was appointed president of PSEG Energy Resources & Trade (ER&T) in 2011. PSEG operates one of the most balanced generation and marketing portfolios in the country, both in terms of fuel mix and market segment (base load units, load following units and peaking units), and Mr. Malik is essentially responsible for managing these assets and taking them to market. He oversees PSEG's generation portfolio and the purchase, sale and risk management of all energy commodities. He is also responsible for business development of new power generation projects.

Mr. Malik has an extensive background in the energy industry across the oil, gas, electric and renewable energy sectors in Europe and the United States. Previously, he was with Pittiglio, Rabin, Todd & McGrath (PRTM) in Pittsburgh, PA and was responsible for all aspects of the global energy business, with a primary focus on the North American utility sector. Prior to that he served as president & CEO of Strategic Energy, Great Plains Energy's retail marketing subsidiary and a provider of energy and services to business clients in North America. He was accountable for the company's strategy and operations and led a successful turnaround of the company, achieving significant growth in products and services while reducing costs.

Mr. Malik's career has included executive leadership positions with several energy companies in the U.S. and Europe. In addition, he served on the board of directors of South Jersey Industries (NYSE: SJI) immediately prior to joining PSEG.

Mr. Malik has been in the energy business for more than 20 years, since receiving his Economics degree from Manchester University in England and an MBA from Rice University, Houston. He sits on the Executive Committee of the Board of Trustees of Newark Museum .

SI-SSA-0015-14539

Margaret M. Pego, SPHR

SENIOR VICE PRESIDENT – HUMAN RESOURCES AND
CHIEF HUMAN RESOURCES OFFICER

PSEG SERVICES CORPORATION

Margaret M. Pego was named senior vice president – human resources and chief human resources officer of PSEG Services Corporation in December 2006. Prior, she had been vice president – human resources. Ms. Pego joined PSEG in 1974, and has held a variety of management positions in the human resources department.

Ms. Pego holds a Bachelor of Arts degree in business administration from William Paterson College, and a Master of Business Administration degree with a concentration in management and labor relations from Seton Hall University. In addition, she holds a certificate in EEO studies from Cornell University, and has completed the Human Resources Executive Program at the University of Michigan. She is also certified as a senior professional in human resources.

Ms. Pego was named one of 2013's HR Top 10 Breakaway Leaders by Evanta, a leading organization that fosters leadership development and collaborative exchange among North America's top executives.

Ms. Pego is active in several local and national organizations, including the EEI Chief HR Executive Advisory Committee; the American Gas Association HR Policy Committee; the Conference Board Advisory Council of HR Management – Council of HR Executives; and the Society for Human Resources Management. In addition, she is Immediate Past Chair of the Children's Specialized Hospital Board, a former member of the Children's Specialized Hospital Foundation Board and RWJ Health Care Corporation Board. She is the former Chair of the Center for Energy Workforce Development (CEWD) Executive Council and is currently a board member. She is a former member of the Supreme Court of New Jersey Attorney Ethics Committee. Ms. Pego is a 2002 Leadership New Jersey fellow, 1997 TWIN Honoree, 2006 Executive Woman of New Jersey Honoree and 2008 NJ Best 50 Women in Business Honoree.

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Peter P. Sena III

PRESIDENT &
CHIEF NUCLEAR
OFFICER

PSEG NUCLEAR

Peter P. Sena III was named president of PSEG Nuclear (Nuclear) in February 2016 and Chief Nuclear Officer in July 2016. Most recently, he was Senior Vice President of Operations, Chief Operating Officer at NextEra Energy.

Mr. Sena was named Chief Nuclear Officer of First Energy in 2012, having held a variety of leadership roles at First Energy nuclear operations spanning 15 years. Mr. Sena joined First Energy in 1996 as a control room supervisor and obtained his first SRO license at Beaver Valley Power Station Unit 2. His second SRO license was obtained in 1999 for Beaver Valley Unit 1. Following a rotational assignment with the Institute of Nuclear Power Operations, Mr. Sena was named the Operations Manager and helped lead the station to the "Most Improved Plant" Award in 2003. In 2005, he was named the Director of Engineering and the station completed the first extended power uprate for a Westinghouse 3 Loop Pressurized Water Reactor. As the Site Vice President of Beaver Valley, Mr. Sena led the station to its first INPO Excellence Award in 2009. The Davis Besse Nuclear Power Plant returned to the Excellence category under Mr. Sena's watch as the Chief Operating Officer in 2011.

Prior to joining FirstEnergy, Mr. Sena was employed by the Nuclear Regulatory Commission as a resident inspector in Region 1. Mr. Sena's nuclear training began as an officer with the US Naval Nuclear Propulsion program and he served on board a ballistic missile submarine during the Cold War.

Mr. Sena earned a Bachelor of Science degree with high honors in Fuel Science from the Pennsylvania State University in 1985. He currently serves on the advisory board for the Penn State Nuclear Engineering Program and is a member of EPRI's research advisory committee. He currently serves on the Auburn University's Advisory Board. In addition, he has recently served on the INPO Executive Advisory Committee and the Nuclear Energy Institute (NEI) Nuclear Strategic Issues Advisory Committee where he was the Industry Executive Sponsor of the NEI post Fukushima flooding response initiative.

SI-SSA-0015-14541

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for PSEG Enterprise/Other

PSEG Enterprise/Other - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 122	$ (20)	$ 36	$ 33	$ (13)	$ 81
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(32)	(55)	-	-	-	25
Tax Reform	(147)	-	-	-	-	
Operating Earnings (non-GAAP)	$ 20	$ 72	$ 36	$ 33	$ (13)	$ 45
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

SI-SSA-0015-14544

PSEG

PLEASE SEE PAGE 3 FOR AN EXPLANATION OF PSEG'S USE OF OPERATING EARNINGS AS A NON-GAAP FINANCIAL MEASURE AND HOW IT DIFFERS FROM NET INCOME.

Investor Conference

Thursday, May 31st, 2018

Welcome and Introductions

Kathleen Lally

Vice President, Investor Relations, PSEG

Welcome

Good morning. I am Kathleen Lally, Vice President of Investor Relations for Public Service. Thank you all for attending our annual financial conference with the executive management of Public Service Enterprise Group.

Agenda

We have a full morning prepared for you today. We are going to start, as usual, as is our norm, with Ralph Izzo, Chairman, President and CEO of Public Service, who will outline the company's strategic plans and goals for growth. Ralph will be followed by Tammy Linde, Executive Vice President and General Counsel for the company, who is going to outline the regulatory and legislative policy issues that help inform our strategic goals.

Following Tammy, there will be time for questions. Then, after that Q&A session, Dave Daly, President and Chief Operating Officer of Public Service Electric and Gas will outline the utility company's outlook and programs and basically, its major capital program which we are announcing today. Following Dave, there will be an opportunity for questions.

We will take a break right after that Q&A session. Following that, Ralph LaRossa, President and Chief Operating Officer of PSEG Power will outline the initiatives underway at Power. Then, there will be time for questions of Ralph following his presentation. That will be followed by Dan Cregg, who is going to wrap up the financial picture for the company. Following Dan, there will be time for Q&A of he and Ralph Izzo.

So, it is a very full morning, as we have normally provided to you over the past 12 years. I hope you get the information that you need to properly value our securities. With that, I will turn it over to Ralph.

PSEG Strategy: Building a Sustainable, Financially Sound Energy Infrastructure Company

Ralph Izzo

Ralph Izzo, Chairman, President and Chief Executive Officer

Opening Remarks

Thank you, Kathleen, and thank you to the New York Stock Exchange for once again hosting us at this terrific facility. I noticed Kathleen did not advance the slides, so she is expecting me to read the forward-looking statements and to read the GAAP disclaimer. So, if you want to come back in ten minutes, I will be done reading those.

Here is the agenda she already laid out. Let me just offer a few highlights. As was mentioned, Dave and Dan and Tammy and Ralph will fill you in on the details of each of these. But as has so often been the case, we are focused on making sure that we are partners with public policymakers and our customers in achieving the objectives that they

SI-SSA-0015-14546

have articulated both explicitly in terms of legislation and energy master plans and implicitly in terms of the voice of the customer that we hear as we speak to them.

Overall Highlights

With that in mind, we have continued to grow the utility. It has now achieved 65% of the operating earnings of the overall parent. It is a bigger piece of an increasing pie, which we like to talk about. We again raised the dividend almost 5% in 2018. That is 14 out of the last 15 years, and 111 years in a row. Most importantly, though, today we are informing you that the 7-9% growth in rate base looks like an 8-10% growth in rate base over the next five years. We will give you a little bit more detail. To the extent that maybe some of the numbers have changed a little bit, the themes have not changed. In fact, they have not changed for 115 years.

Two Strong Businesses

Let us talk about what I consider to be two very healthy companies.

Utility

At the utility, we are looking at anywhere from a $12-$15.5 billion capital program that will produce that 8-10% growth in rate base.

Power

At Power, I think we have an underappreciated business here. I am extremely proud of the way in which we have repositioned this business. I will show you one or two slides as to what I mean about that, but Ralph will go into much greater detail in terms both the operational performance of the fleet and the financial performance of the fleet in terms of its cash flow generation and its competitive position.

Delivering on Commitments, Realizing Growth

For those of you who have been here before, I am going to once again emphasize the three-part simple model that we adhere to on a daily basis.

It all begins with the operations, making sure we are best-in-class in everything we do. We summarize that as operational excellence. We have been convinced, and I think our track record has demonstrated, that as long as we achieve those levels of operational excellence that we set for ourselves, our financial condition is strong. We are rewarded by our regulators. We are rewarded by our customers. Also, we are rewarded by the market.

With that financial strength, I think you will agree that we have been disciplined in our pursuit of investments, making sure that the return on every dollar of invested capital is above and beyond our cost of capital and that we are creating value in every one of our decisions.

I am not going to read every one of the items underneath each of those three categories, but I think there is an abundance of evidence that we have adhered to that model, whether it is the 16 consecutive years of being the most reliable utility, the 94% capacity factor in nuclear, the improvement in JD Power scores, the track record in terms of increasing the dividend, hitting our earnings targets, and so forth. So, the model remains the same in terms of start with operational excellence. That will produce financial strength, and then use that financial strength to invest wisely.

SI-SSA-0015-14547

Last Five Years

If I look back at the prior five years, before stepping ahead and looking into the next five years, a lot has taken place.

Capital investment

We did invest $18 billion across the enterprise. That was inclusive of three combined-cycle gas turbines plants that will yield about 2,000 new megawatts. That program is almost over. It will be completed with the Bridgeport facility next June. Two facilities are going in to service this year – one at Sewaren, one at Keys.

Rate base

Over the prior five years, the rate base growth was 13%. Yes, 13% is bigger than 8-10%. However, the denominator is a lot bigger now. So, keeping pace with the low double-digit is just a very challenging thing to do.

Transmission & O&M

Transmission – FERC regulated, not New Jersey regulated – is nearly half of the rate base. Throughout this period, despite doing all this work on the capital side, we have been able to hold O&M flat. Dan, Ralph and David will have some statistics on that.

Customer bill

The key here has been, and we will talk a little bit more about it, that there are no limits essentially in terms of the needs of the infrastructure for either expansion or replacement or enhancement. We can define each of those terms in turn. However, our limitation is the customer bill. Because we want to make sure that the customer who is demanding cleaner, more reliable energy, but also wants it at a reasonable price, is not aggrieved in this expansion process.

In fact, overall, that bill is down 20% since 2010, and even more since 2008. Now, that is not the result of our actions. That is obviously the result of low gas prices. But we have had a great partnership with policymakers and recognition of the fact that in the face of low gas prices and low interest rates, now is the time to make these critical infrastructure investments.

Other measures

We have watched the operating earnings grow by 4% every year. We have watched the utility, as I said before, grow to be an ever-increasing part of this increasing pie, going from about 40% to two-thirds. Also, we have watched the dividend grow over 4% per year. Last year it was at $1.72. This year it is at an indicative rate of $1.80.

Looking Ahead

Capital investment

Looking ahead to the next five years, the capital program is $14-17 billion. The range there is due to some filings that are just going into the BPU now that we do not have decisions on. 90% of that capital program will be at the utility, with over 90% of that getting contemporaneous returns. So, all of this is focused on publicly-stated goals of New Jersey policymakers.

SI-SSA-0015-14548

Minimizing risk/volatility of merchant generation

The repositioning of the fleet by eliminating the HEDD units years ago, by eliminating the coal units that had become basically peakers and investing more in highly efficient natural gas and getting the market imperfections corrected for our nuclear plants, has really reduced the risk in our generation fleet to a very low-cost, environmentally-friendly set of assets.

Other measures

The cost discipline in the operations just continues. We are not announcing any new cost reduction program. It is something we pay attention to every day, just as we do customer satisfaction. Dan will talk to you a little bit about the benefits of tax reform, because it was a good news story for both our customers and our shareholders. Of course, keeping that healthy balance sheet, which has served us so well, remains a priority for us.

We will look forward to that 8-10% growth in rate base. We will look forward to the fact that we believe we have the opportunity for consistent and sustainable growth in the dividend, and a line that I will never tire of saying, 'All of this without the need for additional equity.' So, no new equity in the plan for the next five years.

Expanded utility investment

How is the rate base growing?

Transmission

The bottom part of the slide in red from my point of view is the transmission growth. That moves more from a transmission expansion program, which had to take place both in terms of PJM's RTEP and debottlenecking some of the east/west flows to more of an aging infrastructure replacement. We have some switching stations that are 80 years old. These things have done their time and then some.

Distribution

The green is the expansion of both the electric and gas distribution system, which includes GSMP-II, that $1.9 billion program that was recently approved by the BPU.

Combined

That gives us the 8%. So, all those programs have been approved. You may recall in the past we have then added to those bars two types of possibilities. This year, we have only added one type of possibility, which are filings that we are about to make, some of them days away and some of them a couple weeks away. So, if we were to achieve the filed positions in terms of energy efficiency, which we are calling 'The Clean Energy Future' and 'Energy Strong II,' the 8% becomes 10%.

It is safe to assume, just as in the past, that there are things that we are talking about and discussing that are not on those stack bars at this point and time. It is also safe to assume that we will not get 100% of our ask. So, the 8-10% is what we are comfortable guiding towards in terms of rate base growth now for those additional reasons.

Power's Fleet Transformed

Power's repositioning. If I direct your attention to the left part of this slide, I would suggest that the two graphics do not look all that different. Yes. There is a little bit more blue, and there is a little bit less orange. There is about a 9-10% increase in terms of nameplate

SI-SSA-0015-14549

capacity as you go from 2017 to 2022, and that is what the left side is showing you – the nameplate capacity of our fleet. If we were to show 2014 instead of 2017, you would see probably a 15% reduction in the nameplate capacity, because many of our retirements preceded 2017.

But let me suggest that the right side of the slide is quite a bit different, notwithstanding the fact that the colors may not be that different. First of all, you do see an appreciable increase in the amount of gas output, and you see what looks like a decrease in the amount of nuclear output. But that is not the case. The nuclear fleet is expected to produce at the low 90% capacity factor as in the past. What you see is a 24% jump in the net output of the fleet, as we take our average heat rate down from its current level to about 7,700 Btu/KWh, with three new plants, all of which are below 7,000 Btu/KWh, therefore highly dispatchable and highly efficient.

Therefore, it is a really clean fleet. In fact, I think we have a lower carbon footprint than 80% of the generators in the United States today.

NJ Zero Emission Certificates (ZEC)

Let's talk a little bit about our zero-emission credit legislation that was passed in New Jersey. The bill was passed early in April. The governor signed it into law last week. This then is a critical safety net. It basically empowers the BPU to do something it could not do before, which is to issue these zero-emission credits, if it believes that in the absence of these credits, nuclear plants would be retired, and if it values the attributes, and particularly the attributes being zero emissions – thus the name of the bill – and to a certain extent the fuel diversity of the nuclear fleet. It would be incumbent upon the applicant for these zero-emission credits to certify that the plants will be retired in the absence of these zero-emission credits. That is a 330-day process. I think Tammy walks you through a little bit of it in her presentation.

So, the value as we have communicated to you in the past of these fleets cannot be overstated in terms of what they mean to New Jersey. Even at these price points, several analyses that were done both by us and by folks independent of us, have clearly demonstrated that it is cheaper from a New Jersey consumer point of view to keep these plants than it is to retire them. I mean that just in terms of what shows up on the customer bill. If you start layering on top of that the environmental benefits – pick any price you want on carbon, pick market prices for mercury, SO_2, NOx, and fine particulate matter – you layer on top of that the economic multiplier associated with the 1,800 direct jobs, 6,000 indirect jobs and the tax receipts that would be lost, you literally get a six-times multiplier in terms of the wisdom of implementing this particular piece of legislation.

Notwithstanding – quite candidly – some of the questionable reporting on the contents of the legislation, this one was a no-brainer and reflected in the votes of the legislature in terms of 60 out of 80 and 29 out of 40 in the Assembly and the Senate respectively.

Future Aligned with NJ's Clean Energy Agenda

2012-2017

If I look back again, repeating some of the concepts I mentioned a moment ago, the prior five years was expanding the transmission system, debottlenecking, enhancing reliability, responding to Superstorm Sandy by performing some storm hardening and improving the

SI-SSA-0015-14550

resiliency, building some gas peakers at Kearny and up in New Haven, Connecticut, doing some advanced gas retrofits on some of our older combined-cycle units, some modest expansion of our nuclear units, and then some modest efforts in terms of unregulated renewables and about $1 billion.

2018 - 2022

As I look ahead five years, there is a modest modification to that. The single biggest area of expansion will look at the $400 million that we have done over the last ten years in energy efficiency – you will see when David presents some numbers – that is going to turn into a $2.5 billion program as we look ahead in terms of expanded energy efficiency. Also, our first foray into electric vehicle infrastructure and battery storage in a meaningful way to the tune of about $300 million on EV infrastructure and $100 million battery storage.

As I said a moment ago, the transmission program is less about expansion and more about replacing an aging infrastructure. We still have lots of storm hardening to do. You may recall our original Energy Strong proposal was a $3.9 billion number and we got $1.2 billion. So, there is much more to do in storm hardening as we look ahead.

2022 - future

As we look beyond the five-year – this is in the category of stuff that we have not quantified, and we are not guiding about today – there is a lot that we have not done in terms of the catch phrase that you hear so often, 'the digitalization of the operations', both in terms of at the customer premise and in terms of our upstream assets. That could be an advanced metering platform. It could be a variety of other things that can help the customer make choices and help us manage a more distributed set of supply options.

Customer Bills Materially Lower

Let us talk about that customer bill, because it is something that we pay attention to on a daily basis. Here, we are showing what customers were paying in 2010. The footnotes show what we define as a typical customer.

You can see largely as a result of the reduction in gas bills – we are a combination utility at the risk of stating the obvious – that the customer bill is down about 20% from 2010. I forget what the number is exactly, but, if I look at this back from 2008, it is shy of 30% but greater than the 20% number. What that means is if I look at our current predictions of rate base growth, that in a decade the customer will be paying in the year 2028 what they were paying in 2010, in real terms.

That candidly is not something that the customer will remember, and it is not something that the customer will applaud as they see their bill inch up, basically keeping pace with CPI. But it is a rational conversation one can have with the regulator when they see 100-year old gas pipes that are made out of cast iron and leaking and need to be replaced and when they see 80-year old transmission switching stations that need to be replaced, that now is the time in terms of the consumer dividend that was afforded to us as a result of reduced gas prices to make these investments. So, we are absolutely paying attention to making sure that our customers remain satisfied, both in terms of the quality of service that they receive and the cost of the service that we deliver to them.

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Growth in Earnings

If I look at the non-GAAP operating earnings of the company over the past five years, you can see the 4% growth rate that I spoke to earlier. The mid-point this year would take us at $3.10, which is about a 6% increase over where we were last year. You can see the utility going from 47% to 65% of the increased earnings of the company.

Consistent and Sustainable Dividend Growth

Regarding the dividend, we have gone from a point where the dividend represented 120% of the utility earnings, to now, it represents approximately 90% at the mid-point of the utility earnings guidance. I am not suggesting that Power is not a cash generator and not a contributor to the dividend. It is. But to the extent that there obviously is volatility in the commodity markets in which Power participates, and the utility represents a much more stable earnings picture, we grow in confidence in the security of the dividend as a result of this reversal of the pattern where the utility did not cover the dividend to now where it comfortably does cover the dividend. You can see the 4.0% growth rate that took place over the prior five years.

Sustainability is the Hallmark of 115 Years of Public Service

One of the questions we are getting with increased frequency as we meet with our investors is, 'What are our efforts in terms of sustainability?' Without question, sustainability at large has been something we have paid attention to for many years: the sustainability of our dividend; the sustainability of our customer satisfaction; the sustainability of our service; the sustainability of our financial health. I think increasingly, this has come to mean the sustainability from the point of view of social issues, diversity and inclusion and environmental issues.

While we have not trumpeted this in the past, we do pay a lot of attention to these issues. That is why we have been on the Dow Jones North American Sustainability Index for over a decade. That is why Forbes named us one of the 150 Best Corporate Citizens in America in 2016. That is why we continue to invest in things like solar energy and energy efficiency, as well as sustainability programs at our local universities and science, technology, engineering and math programs at those local universities.

In addition to having a lower carbon footprint than 80% of the generators in America today, we have made an additional commitment to eliminate 13 million tons of carbon from our current emissions profile by 2030.

PSEG's Commitment to Stakeholders is Widely Recognized

So, the accolades keep coming in from a variety of sources. I mentioned just a couple of them a moment ago. I will not read this to you. You have it in your notes.

An equally important set of accolades is how the market has voted. You can see here over the one, three and five-year period, we have kept pace with the Standard & Poor's 500, and we have outperformed both the Dow Jones utility average and the S&P utility average. That is obviously important to you, as it is to us in addition to all that we do for our customers, and policymakers and employees. I think we have – hopefully you will agree – delivered in terms of our commitments to you as our owners of the company.

SI-SSA-0015-14552

PSEG Value Proposition

I will summarize here, ending up where I started. The model remains the same. Start with operational excellence, produced financial health and be good stewards of that financial strength in terms of how one goes ahead and makes investment. That operational excellence is simply safe, reliable operations, keeping that balance sheet strong, deploying that capital to the tune of $14-17 billion at the parent, 90% of which will be at the utility. So, strong rate base growth at the utility, a highly-competitive, well-positioned, environmentally-friendly, PSEG power fleet and strong sustainable returns on capital and every one of those investments, which gives us confidence to be able to say to you that we believe we have the opportunity to sustain that dividend growth.

I am going to end with my favorite tagline once again: all of that without the need for new equity at this point. I will be back later for questions. Right now, I am going to turn it over to Tammy, who is going to walk you through all of the exciting stuff we have going on at the BPU and all the fun stuff we just finished in the legislative process.

PSEG Strategy: Review of Regulatory and Policy Initiatives

Tammy Linde

Executive Vice President and General Counsel

Opening Remarks

Good morning. I have the pleasure to speak with you today about the good progress that we have made and continue to make on achieving PSEG's regulatory and policy agenda. I am going to be discussing today five topics. Number one, I am going to give you an update on our distribution rate case that is pending before the BPU, our first rate case on the distribution level since 2010. I am going to update you on some really important new regulations that went into effect in New Jersey earlier this year and how those regulations work and how we have seen good progress under those regulations with our GSMP filing.

I am going to talk to you about the very exciting nuclear bill in New Jersey that became law last week and what is up next under that law and what we expect to happen. As you know, at the same time that New Jersey passed the zero-emission credit bill, they also signed a comprehensive clean energy bill that will significantly change the clean energy agenda in New Jersey. I am going to talk to you about that bill and the opportunities that we believe exist as a result of that agenda for our customers and our investors. Lastly, I am going to update you on the ongoing efforts to improve the much-needed improvements in the market design at PJM and to improve price formation.

Pursuing Regulatory Policies

Let me first remind you of what I talked to you about as far as our policy and regulatory agendas when I spoke here at the conference last year. I covered four topics, and I am pleased to say that we have made significant progress on delivering on those topics.

SI-SSA-0015-14553

NJ distribution base rate case

Number one, I told you that we were going to be filling PSE&G's distribution rate case. We have done that. It is moving on schedule. Later on in the presentation, I will provide you more details about where we are in that schedule, and what is expected to happen next.

Long-term infrastructure regulatory reform

I also talked to you about the need for more certainty on the infrastructure programs in New Jersey. We have had great success in the past on getting approval for much-needed infrastructure programs in New Jersey for distribution pipes and wires. However, there was always a lack of clarity about how long those programs could be, what type of rate recovery we could obtain, and it took a lot of time in those proceedings to fight over those issues. So, we were very pleased when earlier this New Jersey put into effect two new regulations that I will talk about in detail. But, those regulations provide significant improvements in predictability and clarity on what the State's policies are on investments that are for safety, reliability and resilience on the distribution side of the business.

Properly value nuclear supply

Last year, I talked to you about our ongoing efforts to get value appreciation for the under-appreciated nuclear generation assets that day-in and day-out provide significant benefits to customers and to the environment. Last year, we were on a parallel track to focus both to try to convince the federal government and the state government to appreciate the value that nuclear generation has in the current fleet. I am very pleased to stand here today that the conference was scheduled after the governor signed the zero-emission credit bill. So, that is great news for New Jersey, great news for the environment and the customers. We believe that our assets will have a reasonable chance of being selected in that process. I am going to talk to you about that.

Price reform in wholesale energy market

Lastly, I talked to you about our ongoing efforts to improve price formation to have the energy market prices truly reflect the cost of serving load. We are continuing on that effort. I do not have great news to report. It is a slow and very contentious process. I will talk to you about some of the proceedings that are ongoing in that front.

Base Rate Filing

Let me start with some details on PSE&G's base rate case. Just to remind you, this is distribution only. This rate case does not cover transmission. That is a separate rate filing.

In January of this year, we submitted this gas and electric distribution rate case. The rate case is a very modest request. Currently at the BPU, the request is for about a 3% increase. We just recently updated the information and data in that case in May to reflect a few more months of actual data. As you know, New Jersey has a historic test year. So, when we make our filing, we start with quite a bit of forecasted data. Then, as the case proceeds, we update that forecasted data with actual data. Dave Daly will talk to you during his presentation about some of the really significant cost containment efforts that have occurred at PSE&G since our last rate case that have allowed us to make sure this filing has as small an impact on our customers as possible. The change in the tax laws also helped us keep these costs down and have a very modest increase.

SI-SSA-0015-14554

Key components

The key components of our rate case that is currently pending are – if you recall, we had storms since our last rate case, including Superstorm Sandy and several storms since then. The majority of the expenses and the investments that we had to make during or as a result of those storms have already been reviewed by the BPU from a prudency standpoint, but this will be the time where we actually get the recovery of those dollars in our rates. We also have included in this rate case the additional capital investments that we have made that were not covered by clause mechanisms, and that is included in this case.

Depreciation changes

We have updated our depreciation schedules and extended some of the lives of the assets, but also made some adjustments to what we include in those depreciation and make sure that we have the cost of removal for the end of the life of those assets properly spread out into the costs that customers are paying today.

We have included the benefits of tax reform and flowed those back to our customers. We also have proposed a slight increase in our equity level, up to 54% in line with what we are seeing in other utilities and what we believe is a reasonable level in today's environment and regulatory context.

Decoupling mechanism

And, like you have seen with many utilities across the country, we have proposed a decoupling mechanism, something we called a 'Green Enabling Mechanism.' That decoupling mechanism is important from the perspective of enabling future investment in energy efficiency. So, all of the energy efficiency programs that we have invested in in the past, we have been able to work out something in the proceeding to ensure that there is not a loss of revenues on the distribution side of the assets.

As you know, when utilities come out of base rate cases, their rates are set and there is a natural incentive to try to increase the volume of usage, because the per unit charge that we collect for those rates increases as people use more of the units of our product. This mechanism is really aimed at trying to better de-link that disincentive and better align the incentive that our rates provide with the State's goals of reducing consumption, reducing emissions and keeping customers' bills as low as possible. So, we are very excited about hat green enabling mechanism. Again, it is not something that is the first time that it is being proposed either in the State of New Jersey or elsewhere in the country.

Process forward

On the process going forward, we are about half-way done with the rate case. We have submitted, as I said, updated data. Now the parties have a very good feel for the actual test year data. We have been handling a lot of discovery back and forth – nothing out of the ordinary. The next steps are that we will have public hearings where parties and non-parties get an opportunity to come into these public hearings later in June and the beginning July to talk about service and any questions they have.

After those public hearings, we will be receiving testimony of the State of New Jersey BPU staff and rate counsel, as well as other intervenors. That is when you will see other parties

SI-SSA-0015-14555

put forward their litigation positions, what they think the ROE should be, what they think we should get recovery on. That is just part of the process.

After that testimony is filed, there will be more discovery and hopefully some settlement meetings, because as you know, it is very common in rate cases in New Jersey for the cases to be resolved in settlement. It is part of the traditional process for parties to try to work things out. We never enter these cases expecting that we are going to settle. We prepare to go through the entire process, and we are always prepared to do that. But of course, if there is an opportunity to settle on reasonable terms, we will be looking for that opportunity.

Whether we end up in a settlement or a fully-litigated outcome, we do expect this case to be coming to a close in the fourth quarter of this year.

NJ Addresses Investment in Energy Infrastructure

Let me move to these new regulations that I referred to earlier. These two new regulations became effective in January of this year, and they are very significant as far as streamlining and providing clarity on what goes on once a filing is made and what the utility can expect. Essentially, the regulations fall into two categories.

Infrastructure investment program

The first set of regulations provide for more certainty about certain non-revenue producing investments. Non-revenue producing investments are essentially investments that you make in order to provide safe and reliable service. So, it is not something that you are putting in and that you are going to be charging the customer for directly. It is the pipes and the wires and all of the things that are required in order to provide the service that we need to provide to our customers.

These types of investments – these traditional utility distribution investments – now have this special regulation in New Jersey that never existed before that make it clear that they are entitled to accelerated rate recovery, including semi-annual roll-ins into our rates, which is a very significant improvement to reduce regulatory lag when we put in these investments. The regulation spells out the exact type of investments that we can make. It spells out how we go about proceeding with the regulatory process. It talks about the type of rate recovery we are allowed and the type of base investment that you have to make in these types of infrastructure.

Then, it also provides clarity on something that has been unclear in New Jersey for many, many years and that is how long should the BPU approve these programs. As I noted before, we have had great success over the years in working with the State in obtaining approval for these infrastructure programs, whether it was Energy Strong or GSMP-I or the many, many infrastructure clause mechanisms before that. We always spent a lot of time talking in these proceedings and a lot of inefficiencies about could we have a longer-term program, rather than coming back every couple of years and convincing the parties again that it is a good idea to replace aging steel, bare steel and cast-iron pipes. Come up with a program that makes it more efficient, that we can get a longer-term trajectory for those approvals.

This regulation, for the first time, says, that the BPU can approve up to five-year programs, which is very important. It also says that the nexus with the rate case only has to be at that

SI-SSA-0015-14556

five-year increment. That is, again, a very significant improvement. From a regulatory perspective, it really does provide a lot of clarity.

Interim rates

The other set of regulations deal with a slightly different topic. That is interim rates. So, there is now a regulation in New Jersey that went into effect that provides clarity for utility companies that are in base rate cases for how they can put those filed rates, or a lower level if they choose to, in effect, before the rate case is over. Of course, it would be subject to refund and if you end up settling or litigating the results of the case in a way that you put in effect rates that were higher, you have to refund the difference, plus interest back to the customers. So, it provides a consumer protection. However, it provides a great benefit to utilities to not have to wait the entire length of a rate case, because sometimes rate cases can be contentious and sometimes the pressure of wanting to put in effect your rates, can cause utilities to settle sooner than they otherwise would.

We are really excited about these two new regulations, and we think they represent a balance of protecting customer interests, but also providing great efficiency and certainty to the regulatory process and probably most importantly, reducing regulatory lag on these utility infrastructure programs.

Gas system modernization program II

We have already seen the benefits of these regulations. Our Gas System Modernization Program II (GSMP-II) filing was the first infrastructure program to work through this new regulation. We filed it before the regulation became effective, but we knew that these regulations were being worked on. So, in our application, we modeled the petition based upon the pending regulations. The BPU on 22nd May approved our settlement of this GSMP-II with all the benefits of this reduced regulatory lag.

Now, we have semi-annual roll-ins of the rates for this program. We have a five-year program that will start in 2019. We asked for it to start in 2019, because we are still finishing up the GSMP-I program that had been approved before with a three-year period. Now, that GSMP-I was a very good program, but it had annual roll-ins. But this is even better, because it has semi-annual roll-ins. So, reduced regulatory lag and improved efficiency, and it provides for that continuity of the investment in the replacement of these bare steel and cast-iron pipes.

Energy strong II filing

The other thing I want to talk to you about under these new regulations is what is next. Dave Daly will go into some of the specifics of what we plan on investing in. I will focus only on the regulatory context and how we get approval for those. But, I can tell you that we are very close to filing an Energy Strong II program under these new regulations. We have been working on that program for a while closely with PSE&G to make sure that it is consistent with the State's goals and consistent with these new regulations. It will be an extension as well as an expansion of the Energy Strong Program that we had approved back in 2014. I will leave it to Dave to talk about some of the details of what we are going to be investing in if we get approval of that program.

SI-SSA-0015-14557

Nuclear

Let me turn to nuclear, a topic that I have been spending a lot of time over the last year on and something that we are very excited that finally the State of New Jersey has taken a very important step to value the attributes that come from these nuclear power plants.

New bill

As Ralph said, the bill is focused on zero-emission credits, but the bill also talks about the benefits to New Jersey from other environmental attributes from these plants, as well as having a diverse fuel generation mix out there to rely upon, as well as the resilience that comes from having that diverse fuel system. So, it is a comprehensive recognition that nuclear is important to New Jersey, important to the environment and will be important going forward.

Safety net

The bill provides a safety net. What does that mean? It provides a lot of detail on what the State's policy is. The State's policy, as I read it in this new law, is essentially that they want nuclear to continue to be an important part of their energy mix into the future. It does not provide a check right over to nuclear plants, but instead it provides a very, very detailed process for how the Board of Public Utilities will ensure that nuclear continues to be at least 40% of the supply in New Jersey.

BPU actions

So there is a lot for the BPU to do. In 330 days, they have to – and all of the details of these subtasks are spelled out. They have to determine the process that they are going to use. They have to have the utilities in New Jersey update all of their tariffs to start collecting this $0.004 on every kilowatt hour in New Jersey. They have to review the applications that will be filed by nuclear plant owners for these ZECs. Once they review all these applications, they have to rank them, because under the bill, the BPU can choose up to three nuclear plants to give zero emission credits to. They do not have to choose any if they feel that the nuclear plants are not going to retire without the ZECs. But they can choose zero, one, two or three. They cannot choose more than three, and because there is a chance that more than three nuclear plants will apply and that will meet the basic eligibility requirements of being a licensed nuclear power plant in PJM with a license that goes out to 2030.

The new law specifies that this ranking will be very important and that the top ranked plants will receive the zero emission credits. These zero emission credits will then be authorized to these selected plants for three years. The first cycle is a little bit longer than three years, just because of the timing of the bill and the alignment with the PJM energy market time period. But the law essentially approves these ZECs once the BPU selects the nuclear plants for three-year periods.

In that first three-year period, the price that the selected generator will receive is fixed. It cannot change. There is one provision in the law that provides that if the State decides they are not going to select any new generators for the second three-year period, then they can reduce that last-year period, but they would have already had to have made the decision that they are not going to continue selecting generators because they have determined that the generators are not going to be shutting down. So, the bill does provide that opportunity in that last year of the three-year period, but only in a very limited circumstance.

SI-SSA-0015-14558

As Ralph said, there has also been a lot of press that we read on the nuclear bill about what it does and what it does not do. Now that it is signed, I am very glad to be able to clear up some of that confusion. I have been doing that since the bill was signed with many, many stakeholders to make sure they understand what it really means.

Consumer protections

The bill does provide a tremendous amount of consumer protection. As part of this application process, from the very beginning, we expected there to be a thorough review of the financials of the nuclear plants that apply. Of course, the BPU has to have the ability to do that, and not only do they have that opportunity, but each of the applicants have to submit a $250,000 application fee. So, we will be submitting applications for three nuclear plants – the two Salem plants and Hope Creek. With each of those, we will pay a $250,000 application fee. Why is that important? Well, it is important that the BPU who will be doing a lot of things during this time period have the resources to hire and have on their side to help them review and do a thorough job of executing on this important legislation.

The consumer protections do not end there with a thorough review. They also provide for annual certifications by the nuclear plant owners. The purpose of these annual certifications is that the nuclear plant owners have to describe whether they are receiving from any other source, whether federal, regional or state, a payment for these same attributes that the nuclear plants are being paid for in New Jersey. So, if there is a carbon tax that is passed – which we do not think is likely – then this mechanism would take a look at that carbon tax and determine if that was an overlapping payment for the ZEC. If it was, there is a mechanism to address that.

The other thing that the bill does to protect consumers is that it has a repayment obligation. There are many carve-outs for this in the bill where the nuclear plant shuts down because it had no other choice, during the three-year period, but if it had a choice and it shuts down anyway after it is receiving the zero-emission credit, the law spells out exactly what happens as far as repaying the collection during that three-year period. It is a very fair and reasonable mechanism.

A lot to happen in the next 330 days, and we are hard at work back at PSEG preparing our applications. We are very hopeful that at the end of this process, our nuclear plants are selected. We think we will present very strong applications. Hopefully, this time next year I will be up here updating you on our great success under that law.

NJ Advances New Clean Energy Agenda

I want to switch to the other legislation that was passed by the governor last week, because it is very much tied to nuclear. The State has embarked on a very aggressive, forward-leaning, clean energy agenda. We are really excited about that, because it creates opportunities. It created an opportunity for nuclear, because nuclear is part of that future.

It also provides opportunities in many of these other categories, which I will touch on. The Clean Energy agenda is just at its infancy. The governor indicated he would be issuing a new Energy Master Plan, and each one of these topics that is covered under the Clean Energy law has a proceeding or a review by the State that has to occur. So, there is going to be a lot of activity on this front in New Jersey over the next six months and a year. As we have been

SI-SSA-0015-14559

doing for the last 115 years, we will be working very closely with the State of New Jersey, with the stakeholders, and with the policymakers to work with them and support their efforts.

Great opportunities

We do think all of these initiatives are great opportunities for the State. We think they are great opportunities for utilities. I will give you a couple of examples.

On the energy efficiency front, we have been looking to do more energy efficiency investment for many, many years. There just really has not been a strong appetite for it. Now, we have an administration in New Jersey who sees the value of energy efficiency, and right in the law it recognizes that utilities have a role to play. Exactly what that role is will be spelled out in great detail over the next year, but the law specifically talks about utility investment and the recovery of and on that investment to achieve these specific targets that the utilities will have to meet in reducing electric and gas consumption in the State.

We are really looking forward to the benefits that will come from that, coupled with our decoupling mechanism and the opportunity for energy efficiency investment. As Ralph said earlier, it really ties back to making the customer bill as low as possible, while still providing the great service and investment opportunity.

Solar

On the solar front, there will be some major changes in the New Jersey solar regulatory environment. We have continued to be very successful in investing in solar, both at the utility as well as on our merchant side. We think that there are opportunities there.

Offshore wind

On offshore wind, the BPU in New Jersey has already started a proceeding on offshore wind a couple of weeks ago, or maybe even months ago, in anticipation of this law. We have been actively participating in that proceeding, supporting the State, looking for opportunities to move forward with this offshore wind agenda in the most cost-effective and efficient way. We are engaged in that proceeding. We look forward to investment opportunities as a result of that proceeding, whether it is in the offshore wind itself, or in the transmission that will have to be built as a result of the offshore wind.

Energy storage

There is also quite a bit in the new law on energy storage. Up to 2,000 MW of energy storage that the State will study and look at the ability to move forward with that and the cost. We will be participating in that effort and that study.

EV infrastructure

On electric vehicle infrastructure, this is perhaps one of the most mature areas of the new bill. It is really quite mainstream now. I am sure many of you in this room actually probably drive electric vehicles, or someone in your family has electric vehicles. The mainstream nature of electric vehicles has just changed dramatically, and there is a need for investment. We believe that PSE&G – Dave will talk about a little bit of this later – is in a great position to help further those goals and help our customers and help our investors.

SI-SSA-0015-14560

Wholesale Energy Market Reform

I am going to turn to wholesale market design. Switching topics a little bit to an area that we have not made as much progress, but we are not giving up. So, the process at FERC and at PJM is very litigious and very contentious. But there are some proceedings still going on that could potentially lead to progress. It is fairly uncertain at this point.

FERC

At FERC, as you know, there was an effort to do something on a very expedited basis. That has turned into kind of a slower, more methodical look at resilience. We are actively involved in that proceeding. We do not know exactly where it is going to go. I think it could take quite a long time for the government at the federal level to really make significant movements. But we are engaged, and we are pursuing that avenue as much as we can. It is hard to predict what might happen at the federal government on that topic.

PJM

Price formation is another topic that continues to be a struggle. Price formation covers many, many different topics, but I think about it really as the objective of trying to have the energy prices reflect what it really costs to serve load. Unfortunately, on a lot of days, energy prices do not reflect that, because of the mechanism at PJM that certain units are not allowed to set the price and some detailed rules at PJM that prevent true, accurate, price formation. However, there is ongoing effort to look at that. It would be faster. It could be successful as far as regulatory outcomes, but again, we are continuing to engage.

Also, PJM has just started to kick off – I think they had one meeting so far – on their efforts to look at resilience. Their definition of fuel diversity and resilience really has morphed into something called fuel security. It is a little bit too early to determine what that will look like. Right now, it sounds like it is a physical constraint evaluation. More to come. We are actively involved in that stakeholder process, and we will continue to push for a broader view of resilience that ensures that we have fuel diversity and a resilient system to rely upon.

I am sure many of you are watching very closely the capacity market debates at PJM and whether there will be a MOPR – the often, I think, mistitled topic of reform to address state clean energy efforts really is very contentious. It is pending at FERC right now. Our view at PSEG is that there is no need for a Minimum Officer Price Rule (MOPR) to apply to existing generation. There never has been one, and we do not believe that there is a need for one. Whether it is an RPS that is providing support to a solar project or a ZEC that is providing support to a nuclear project, we do not think there is a difference from the market perspective, and we think that the status quo should be maintained.

We told FERC that. And FERC may not choose the status quo. So, we also made it very clear to FERC that under no circumstances should they adopt the MOPR-EX. The MOPR-EX, unfortunately, is aimed at making it more difficult for states to proceed with its clean energy objectives. That would be fine if the federal government was taking action, but with the lack of action to support clean energy and the lack of action to support nuclear at the federal government, it is important that the federal government respect the rights of the states and allow them to proceed with their efforts, as long as they are not aimed at suppressing wholesale market prices, which we do not believe the New Jersey ZEC is aimed at, at all.

SI-SSA-0015-14561

Regulatory/Legislative Policy Initiatives Strengthen Foundation

We have a busy agenda, and we have made I think truly strong progress over the last year on many of these really important initiatives. We have a lot ahead. We will continue to work through our base rate case. We do not expect anything very unusual to come from that rate case, but we are treating with the seriousness it deserves and will continue to work towards a good resolution. We will continue to pursue new programs under the new regulations that I have talked about in New Jersey which reduce regulatory lag, and which provide more clarity.

We will continue our nuclear journey in New Jersey, submitting our applications and working through that process at the BPU, hopefully at the end receiving ZECs for our three plants. Also, we will continue to work with the State as it forms its Clean Energy policy and its agenda, and we think there will be significant opportunities for us and for our customers in those programs. We will not give up on FERC or PJM. We will continue to work with those important parties, hopefully at the end to have much needed market reform put in place and improved price formation in the future.

PSEG Value Proposition

Just to close things out, our regulatory and policy agenda is very important to our value proposition. As Ralph indicated at the beginning, in the end, it is really all about how we operate and how we perform. We understand that the regulatory success that we have had is greatly influenced by our good customer performance, our customer satisfaction, our reliability and our ability and willingness to work very closely with stakeholders and policymakers as we have done over the last 115 years and as we will continue to do in the future. Thank you.

Q&A

Chris Turner (JP Morgan): Hi. Chris Turner, JP Morgan. You guys mentioned that you are going to be filing the Energy Strong program pretty soon. You just got done with GSMP-II. Can you give us more detail about the upcoming filings that are required, whether for those or energy efficiency, what the BPU has to do in terms of getting back to you, timing, spending dollars, etc.?

Tammy Linde: Sure. Dave Daly, during his presentation, will talk about the actual investments and programs that we are going to be seeking approval on. Let me talk about the process of the BPU. It depends on the type of investment and if we proceed with an investment that is behind the meter, whether it is energy efficiency or whether it is solar, that falls into a separate category in the BPU regulations and we have a mandatory prefiling meeting that is 30 days before we submit the filing.

Once we make that filing, there is a clock that ticks 180 days for the BPU once they have a completed application to review it and act on it. That has been in the law for quite a long time. I forget the actual year. It might have been 2000-and-something. We have successfully proceeded under that regulatory program with various solar filings and energy efficiency filings. It is very restrictive on their time.

When we look at the more traditional utility investments, the energy strong type programs, the GSMP type programs, they have never had a specified process at all. This new regulation

SI-SSA-0015-14562

does cover those investments. It does not do it exactly as the process is set forth for the solar and energy efficiency and it, for example, does not require a 30-day prefiling meeting. It does not put that 180-day clock on the review.

But instead what it spells out is that the state's policy is to accelerate these investments and to provide for accelerated up to semiannual late recovery and that the programs can be approved up to five years with a nexus to a rate case every five years. A lot of those more contentious issues in those proceedings now have been addressed by this new regulation. Those were the issues that we mostly got caught up on in the other filings. These proceedings will now focus on, are these utility infrastructure investments needed and appropriate for safety, reliability or resilience? I hope that answers your question.

Chris Turner: Yes, it does. It sounds like the BPU has some leeway there in terms of that they actually approve this as long as you are achieving those goals.

Tammy Linde: That is correct. It does. It is up to us to make our case as we always have as to what the right level investment is, what the impact on customers will be and why this is the right time to make those investments. I think we have been very successful in that regard in the past at the BPU. I do not see any reason why that would change going forward, but we have to take every case, every filing based upon the facts and what is going on at the time.

Speaker: This is super helpful so thanks for that. In terms of price formation, clearly it is going very slow and it is valued down maybe to fast-start. Where do you see the shape or form it takes right now and what kind of timing are you expecting?

Tammy Linde: On the fast-start pricing, we are very hopeful that FERC will act this year. They do not have to act on any particular schedule on that, but we do think that the case is far enough along that it is reasonable to expect FERC to issue a fast-start pricing decision this year. There are people who do not agree with the fast-start pricing mechanism that is before FERC so people could challenge that in court. Typically, those proceedings, once the FERC acts, the mechanism goes into effect and any challenge does not slow things down. That is just typically the way things are done at FERC.

As far as all of the other price formation efforts, unfortunately, they are a little bogged down in the stakeholder processes. There are just so many different opinions in the PJM stakeholder process on what they should look like, what the benefits are. As I said, we are not giving up; we are going to continue to pursue what we think are important price formation changes and we are not alone. There are many companies like us making those same arguments. But I do not have specific dates on when PJM will move forward or when they will be successful on that front.

Speaker: Is there a view in terms of pricing impact of the fast-start, if it gets done, of when you think that impact would be?

Tammy Linde: There is. I do not know that off the top of my head. Certainly, we have evaluated what we think – I do not know if we have talked about that yet. So, we can follow-up with you after. I do not know if we have made that public yet either. Why don't we talk afterwards? If we have, we can certainly point you to where we described that in the past.

SI-SSA-0015-14563

Speaker: Thank you. First of all, just on the bills. So, I know the bills have come down dramatically, but if you look forward from here with all the different rate mechanisms or the clean energy mechanisms with the ZECs capacity went up. Just if you took from these levels, are bills still kind of inflationary type growth?

Tammy Linde: As Ralph indicated, it is something we focus on every day. And Dave, president of PSEG, will be talking to you about our ongoing efforts to keep our costs down and that is one of many levers that could impact customer bills. One is how we run the utility and how we run it in a way that minimizes the O&M increases. And we have done a great job. I think we are going to continue to keep those costs down and keep the utility as lean as possible. We do not like to sacrifice needed investments. We always want to make the investments that keep the system strong and resilient, so when storms come or when customers want their electricity to come on, everything works as planned. We try to put those at the top of the hierarchy of what costs should be passed along to customers.

I think a significant benefit though in this clean energy agenda for customers will be energy efficiency. That is one area where we are really excited that the state is not just looking at adding more renewables or adding things to the system that cost customers money, but looking at ways that we can invest in a way that brings down the customer bill. So, that is a really important piece of how this all fits together and we will continue to be diligent about keeping our customers' costs at a reasonable level. We think that is important. How much that energy efficiency will keep customers' costs down depends on the programs and how it is moving forward. We will figure that out over the next year what the state's appetite is, but there is great opportunity there.

Steve Fleishman: One other quick question. If you look at the clean energy initiatives, a lot of them from our standpoint arguably are long-term pressurers; offshore wind, adding a lot of renewables and lowering demands for energy efficiency. I do not know if maybe Ralph wants to answer this. So, how should we think about what these things might mean for the other side of the business?

Ralph Izzo: We made a conscious decision that the PSEG sandbox is much smaller than the big power sandbox. The big power is looking at 168,000 megawatt sandbox and PSEG is looking at a 10,000 megawatt sandbox. So, they do put pressure on PEG Power. We are willing to do that. In terms of what it means for the customer, as Tommy said, we think that the combination of infrastructure placement, cleaner energy puts upward pressure on prices, energy efficiency puts downward pressure on prices. All of that, except for the transmission investment, reduces load opportunity for Power just given the size of the pool that it can play in.

The issue for Power, as you know, if you look over the last ten years has not been volume of output. It has been price per unit. We are going from 50 terawatt hours to 64 terawatt hours. The question is, are we going from 30 dollars a megawatt hour to 25 or to 35? So, we do not worry about the volumes that power faces as much as the price it faces.

Leslie Rich: Hi. I wondered if you could shed some light on how the BPU might go about doing the selection of nuclear plants for ZECs. Clearly, you three are going to apply, but there are some other ones in Pennsylvania, for example, that could also apply. So, just

SI-SSA-0015-14564

wondering what your understanding is of the lens through which they will judge the determination of need.

Tammy Linde: That is a very important question and one that is addressed by the law itself. We are pleased that it is directly addressed in the law. The BPU, based upon the law, is to identify and rank those units. So, once it identifies which units meet the binary, are they a risk of retirement and if they retire would they have an impact on New Jersey from an environmental, fuel diversity or resilience perspective. So, it is a yes or no on that and then if they have more than 40% of the energy in New Jersey then they rank them based upon the impact that the retirement would have on the state of New Jersey in those three categories.

So, they will be ranked on the environmental, fuel diversity and resilience perspectives looking at which one's retirement would have a bigger impact on the state.

Leslie Rich: Given that, do you sense that there could be some of the Peach Bottom or Susquehanna that are very closely tied into your zone that could potentially qualify?

Tammy Linde: I think that there are many plants that could qualify for that first screen; the yes or no lens. On the ranking, I believe that our plants have an advantage in the ranking. I do not know exactly how the analysis will end up that the BPU will conduct on determining which ones have a bigger impact on New Jersey if they retire, but I think there is a reasonable chance, based upon our analysis and our experts internally, that our plants have an advantage at the end of the day. Again, that will be determined and there are two step process. The first two is eligible and then the separate ranking of those eligible plants.

Abe Azar (Deutsche Bank): What role do you see for the utility to play in some of the other elements of the clean energy agenda? Mainly, the renewables and the solar and offshore wind, if any.

Tammy Linde: Sure. I think there are numerous opportunities yet to be spelled out in great detail; this law was just passed and the law spells out numerous steps that have to take place. Storage, for example, the law spells out that there needs to be a stakeholder process and study conducted of the benefits and opportunities for bringing up to 2,000 megawatts of storage. If the state decides to go ahead with storage, there is a reasonable chance that they could do so in a way that the utility has an investment opportunity. That detail is yet to be seen. On some of the others such as energy efficiency and electric vehicles, I think it is more obvious and more clear at this stage what role the utilities could play.

Energy efficiency, the law speaks directly about utilities in New Jersey being required to reduce consumption both on the electric side and the gas side and then specifically talks about the investments that the utilities make in order to achieve those reductions will be recoverable. Not only the recovery of the investments, but an earnings opportunity on top of that investment. I think energy efficiency is really clear. Some details still to be worked out on the proceeding about what type of energy efficiency and where and how quickly and important items like that, but I think there is a clear path for utility involvement. It is important for the utilities who are the ones responsible for achieving these reductions to have an active role in meeting those objectives.

On electric vehicles, I think there is an opportunity and Dave will be talking about those opportunities in his presentation about our proposed clean energy filing that will interest you.

SI-SSA-0015-14565

We do think there are some things that utilities can do, particularly as far as enabling some infrastructure for electric vehicles, and making electric vehicles easier to access for those who have a difficult time getting access to it.

On solar, we have had a long history of successful investments in solar, both on landfills in New Jersey as well as in other locations that are challenging to install. We believe it is important to continue utility scale solar. We think that is the most cost effective solar investment and we are very optimistic that the state will see an important role for utilities on all of these different initiatives.

PSE&G

David Daly

President and COO, PSE&G

Opening Remarks

Good morning, everybody. If you have been here for many years, you are probably used to Ralph LaRossa being up at this point, and he reminded me last night that he has been doing this for the utility for ten years. So, I am very honored to be here. I moved into Ralph's role this past October having been with the company over 30 years and having worked for Ralph for many years. Ralph has been a great leader of the utility teams and has been a mentor to me and really enjoying continuing to work with him in his new role.

Key Takeaways

Tremendous team

If there was three things that I would want you to take away from my presentation today it would be these. Number one, it would be kind of looking back at what I just said: that the utility has a tremendous team. It is a team of people that Ralph built, that I was honored to be a part of. We have two leaders here today; Kim Hanneman is sitting in the third row here on the right and John Latka. They are both senior VPs, members of our executive officer group part of that team. The utility team is one that delivers on its commitments. It is a group that delivers day-to-day. As the slide says, on reliability, 16 years in a row. It is a team that gets investment programs approved at the BPU. It is a team that delivers on those investment programs on time and on budget.

Tremendous opportunities

The second is that we have tremendous opportunities that I am going to describe on the following pages. Opportunities in investments in infrastructure on the gas and electric side and our transmission infrastructure. Those opportunities are not three or five-year opportunities. These are opportunities that have 20+ year runways on them: needed investments in the basic infrastructure that helps to grow the economy and over the long-term produces strong jobs. Winners all the way around. And opportunities on clean energy. Tammy just described, based on the question that Abe asked, about where our opportunities are. I am going to describe a very specific one we are moving forward with on energy efficiency, electric vehicles and energy storage for $2.9 billion. But every one of those other items that Tammy just went through are other opportunities that are before us and that we will be pursuing very aggressively.

SI-SSA-0015-14566

Policy alignment in NJ

Then, the third piece is the alignment that we have from a policy perspective in New Jersey. What we are proposing here in this business plan fits like a glove with New Jersey policy, coming from all branches of government, coming from the BPU. It is very, very consistent. On the infrastructure side, the infrastructure rules updates that Tammy described on the how infrastructure programs are implemented. The energy efficiency program that I am going to describe, a 2.9billion filing, is tailor-made for that legislation. We really do not have to do much work to implement that legislation. We have done it already.

So, as I said, a very strong team, tremendous opportunities over a long period of time and very, very strong alignment with New Jersey policymakers.

PSE&G Strategy

We put that all together. The business model that we use is in the bottom right, that Ralph described, and our strategy is to create a sustainable platform that balances reliability rates policy and produces strong financial returns over the long-term.

~$14 billion Investment Program Delivered

This slide gets into a little bit of that team. This is a little bit of history and this goes back five years. This is 2013 to 2017 and it is depicting rate base growth and earnings growth. $14 billion was invested. Earnings and rate base grew at around 13%. One of the things that is important on this slide is the fact that there is a very narrow bandwidth between the growth rate of rate base and the growth rate of earnings.

Earnings are slightly less, but not much. They are both right around that 13% rate and that is because of the contemporaneous or near contemporaneous of these returns that we have on well over 90% of these investments and some strong cost control by that team. The growth from 2013 on rate base was from about $10.5 billion to about $17 billion and earnings from about $600 up to just about $1 billion dollars.

Transmission business

The only other point I would make on this slide is the bottom section in the red, which is our transmission business, is the growth of that business. Growing from about a third of our business and about 3.8 billion in rate base to almost double that over that time period. By the time we get to the end of 2017 then, transmission is close to half of our business. That is important from the point of view of the regulatory diversity. Transmission of course regulated by FERC with the forward-looking FERC formula rate and the other half regulated by the BPU. So, over this time period, we have also developed a good diversity in terms of our regulatory structure. As I said, this gets back to the team that has been delivering over the last five years.

$12-15.5 billion Investment Program

Then, moving to the exciting part of this presentation, is the program going forward from 2018 on the far left to 2022. I just want to explain a few of the moving parts in this slide because I think there is a lot of fantastic information in this slide.

What you see in the header that it talks about $12 billion to $15.5 billion and what that is referring to there is if you look at the slide on the bars there is solid bars in the bottom and then there is hatched bars on the top. The solid bars are the programs that we have in place,

SI-SSA-0015-14567

approved or very, very high confidence for approved and we are not really focused on needing to get them in place. They are already in place. If you look at the aggregate amount of the capital spend of the solid section on the bottom, that is the $12 billion number over that five-year period. The abstractions are the two programs that we described we are going to be filing very soon. The first, the energy strong program, with a $2.5 billion program over five years, and the clean energy program, with a $2.9 billion program. If you take the bars and include both the solid on the bottom and the halves, that refers then back to the $15.5 billion. So, somewhere between those two.

Transmission business

If you just then look at the far-right bar and just to describe then what is in there, the bottom bar is the red. That is our transmission business, the one that you know about very well. The aggregate value of those bars going left to right is about $6 billion that will go into that business under the FERC formula rate. The green bar–again, programs that are already in place, includes about $3 billion in the aggregate in those green sections. About half of that is our base depreciation level spending on the base structure and new business. So, that is spending that is within our depreciation levels and therefore, are recovered in rate. That is about half of it.

GSMP-II

The other half of what is in that green section is the recently settled GSMP-II which, as Ralph had mentioned as well, is about $1.9 billion. Now, that program is a five-year program that starts in 2019. This is only showing four years of that.

So, GSMP-II component, depicted in the green section of this bar, is four of the five years. It is about $1.5 billion of the $1.9 billion. If we were showing 2023, there would be another 400 million or so of GSMP-II out there. The only other piece of the green is that all the way on the left, that green sliver in 2018 includes the last year of GSMP-I. GSMP-I was a $900 million program, about $300 a year, and we are spending $300 million on GSMP-I on 2018. Then, GSMP-II starts in 2019. So, the green is all about the gas and the GSMP-II program, having been approved by the BPU a week ago, is baked into the solid.

Base electric distribution

Then, the blue on top of that is our base electric distribution work. Base work within depreciation do business. That is going left to right about a $2 billion cost.

ES2 & Clean Energy

Then, the two programs. The Energy Strong 2. Energy Strong 2 is an electric and gas program. I will talk a little bit more about in a few moments. In total, it is $2.5 billion and once again, this is only showing four of the five years because the fifth year would be 2023. Now, think about that program at about $500 a year or so, that is showing about $2 billion. Four years of 500 and there would be another $500 million in 2023 if we were showing that far.

Then, the clean energy. The clean energy is a $2.9billion program. It is a six-year program. So, there is two more years of this program not depicted on this chart. The value of the abstraction here in the first four years is about $1.5 billion of the $2.9 billion, and if we showed the extra two years, it would be about $700 in each year. That is a program that

SI-SSA-0015-14568

ramps up and we assume we get approval, as you see, in 2019. So, that is just the way that the chart is constructed. If we got zero out of Energy Strong 2 and zero out of clean energy, we have a $12 billion investment program. If we got everything on those, we would have $15.5 billion.

Prior capital plans

The other point on this slide is what the two lines are talking about. The bottom line, going from left to right that goes from 2018 to 2020, was our 2016 to 2020 two years ago when we were here talking. That is what we thought the level of investments was going to be in those years. Then, the line just above that is last year's capital plan that shows what we thought last year. Of course, my job and the job of our team is to draw the third line which will be this year's and make sure that is intersecting through that hatched area. You do see we have this track record of improving on each year's plan on the capital and I am confident we will be able to do that. It is going to be about getting approval for those half areas.

Transmission

Then, just a little bit about some of the programs. First, is the transmission program. As you saw in the previous slide, that was in the solid section at the bottom. $6 billion. Ralph mentioned that this program in days past had more to do with solving reliability criteria violations. They still come up. PJM's goes through an annual process where they will identify where there are violations on the system and then local owners come up with projects. As more renewables get integrated into the grid, there may be more of them coming up, but right now the bigger driver of the $6 billion program over the five years is the transmission hardening, the lifecycle and the 69kV work.

Hardening

The hardening, for example, we have three projects going on now. The McCutcheon, Burlington, Trenton project is a $750 million lifecycle project that is replacing aged equipment, very old transmissions equipment. We have a substation, for example, in Newark. $350 million was just approved to change out old life-cycle, end of life equipment. Just very, very recently we had a $550 million program approved; the Roseland/Pleasant Valley upgrades. A 230kV upgrade. Those are the types of the projects that are in the lifecycle.

69kV program

Then, the 69kV system is a very robust program. We are one of the few utilities that has a sub transmission network at 26kV and we are upgrading that network at 26kV sub transmission up to transmission level. These are very, very valuable investments. They bring tremendous reliability. They bring tremendous flexibility in the grid and that is a big piece of what the transmission program is all about over the next five years.

Offshore wind

It is not shown here because it is not there yet, as Tammy said, but offshore wind is a potential opportunity for the future. The governor's platform calls for up 3,500 megawatts of offshore wind. At any level above 1,000 megawatts, but certainly at 3,500 megawatts, there would be a tremendous investment in transmission first to bring the power ashore and then once it landed, depending on where it landed, there would likely be significant upgrades particularly at 3,500 to upgrade the on-land system to get the power where we need to go.

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There are other things out in the future that we are looking forward to as well that are not yet mature enough to bake into the plan.

Gas Distribution

Then, the next is the gas distribution. That was the green section back on the previous slide. About $3 billion over the next couple of years. Just a couple of things that are depicted on this slide. One, the GSMP-I program. That was 2016, 2017 and 2018 so we are just finishing that program. There is about $300 million left to go in that program this year. That was a very successful program; was $900 million total over the three years. It did some of the same types of things. On the replacement of gas mains, it was replacing cast-iron, unprotected steel and so forth. That is really not playing into the next five-year picture very significantly.

GSMP-II

What comes next is the GSMP-II, approved last week, $1.875. Two components each year over the five years. The base amount of $315 million a year and stipulated base of 60 million so a total of $375 a year. One of the improvements in the infrastructure regulations that were approved was more flexibility to shape that step. So, we have $300 million over the life of that GSMP-II program. Out of the $1.9 billion, about $300 is flowing through step, but we can shape it and time it later in the period to better align it with rate recovery in our next rate case. That was a very significant improvement that allows us to minimize lag on that program.

Base capital

Then, there is the base capital on the new business that we talked about. Depreciation level capital spending in our gas business is about $150-160 million and we have new business that is probably in the range of $80-100 million a year. So, the gas business is in very good shape. Clause program for GSMP, depreciation spending and new business for the balance.

Electric Distribution & Energy Strong

Moving on to electric distribution, about $3-4 billion depicted here. Energy strong one is a program you may recall was a $1.2-billion- program and the arrangement in that program was the first billion dollars flowed through a clause with near contemporaneous return and the last $200 million was to be recovered in the next rate case. As that program has come to an end now this year, we spent just about one billion dollars. Just a little bit over.

So, all of that did flow through the clause and there is really not that much, maybe $30 or $40 million dollars above the billion-dollar amount, that would not be recovered in the rate case. We did not spend the additional $200. We did all the work. What we did was got better pricing; back to the team executing very, very well. So, we did all the work, but we were able to get it done for about $1 billion and that savings flowed right back to customers.

Energy Strong II

That program is coming to an end so that also does not really factor into the capital program going forward, but what it does is Energy Strong 2, it has two components and a lesser component in gas. The lesser component is about $1.5 billion and the gas component is about one billion. The $1.5 billion on the electric is the core infrastructure upgrades. Hardening, we are raising substations. We have 16 substations to raise in this program. We

SI-SSA-0015-14570

look at the FEMA 100-year flood maps and then we take that amount, we go one foot higher. There is aging infrastructure components to this. We have 85 stations we are going to be looking at that have an average age of 73 years. Within that subset of those 84 stations there is a group of 20 or 25 that have an average age of over 90 years. So, there is a lot of work to do in these substations and then there is some technology. So, that is what that program is about. $2.5 billion, five years, starting in 2019. We plan to file that very, very soon in the next week or so and we will get going on that very shortly.

Gas resiliency and life cycle

Then, on the gas side, about $1 billion of that $2.5 billion is really focused on resiliency. Our service territory in New Jersey is not about our gas system. It is fed by five major pipelines that come from the west, from the southeast and then from the southwest. What we have been doing, again, aligned it with the BPU policy, is looking at the impact on our system if one of those major pipelines was to fail.

What the $1 billion dollars is doing in this program is essentially as these pipelines come in, they come into what we call metering and regulating stations and their pressure is dropped and then they are fed into our distribution system. So, the transmission coming in through these stations and then into our distribution system. The biggest part of this gas program is taking the downstream side of our meter read stations and better interconnecting it so that if we have a problem with one of the major pipes coming in, up north for example, we can better move gas on the downstream side of the stations up to the north.

So, it is kind of like creating a gas sub-transmission system to better move gas on our side if we have a problem on the other side with the pipelines. It is something that has the attention of the BPU and is the vulnerability that we have to the reliability of those pipelines. There was an incident in 2015 involving one of the pipelines that really raised attention to this matter and so this work will allow us to better move gas around in the event we have any of those types of problems.

Then, on electric we have about $2 billion in over five years on base capital and new business.

Partnership for a Clean Energy Future

Then, I would say the most exciting part for me is the clean energy future. It is a tremendous opportunity. It says partnership there because, as I have said, this is a hand in glove alignment with New Jersey's policies. $2.9 billion investment. The biggest part of that is energy efficiency at $2.5 billion, $300 million on electric vehicles and $100 million on energy storage for a total of $2.9 billion.

Energy efficiency

The energy efficiency component is submitted as a filing. As Tammy described, we have a 30-day meeting. We have held that 30-day meeting. You cannot file any sooner than 30 days, but we did hold that meeting. This thing is ready to go. On these types of filings, they have cost benefit tests. Tammy had mentioned the fact that these actually help lower bills. It is exactly what they do. These tests basically look at you making these investments and you are doing an investment which is going to allow you to eliminate generating a kilowatt hour or sending through a thermogas and the question is, what is it costing you to save that therm versus if you had generated or flowed it through.

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These tests pass very, very strongly. The benefits of these programs outweigh the cost of these programs and they save customers money. The energy efficiency is precisely aligned, as it turns out. We were working on this before the legislation was finished, but the legislation calls for 2% electric savings, 0.5% gas savings. Our program, at the 2.5 billion energy efficiency, achieves basically that amount. So, it is very much aligned. We do not have to do much work to comply with the new regulation.

It involves residential and commercial/industrial energy efficiency options. Electric and gas, virtually everything that uses a kilowatt hour of electricity or uses a thermogas in a house, in a commercial environment, in a hospital, school or university. Whether it is an appliance, a refrigerator, gas water heater; in the industrial settings, motors, pumps, lighting; you name it, it is in there. In low income, new construction and a tremendous program. We are very, very excited about it.

Electric vehicles

The electric vehicles is $300 million and basically has a couple of components. A residential component to help get the level two chargers that need to be in place for electric vehicles to be viable into the residential area. Workplace, multifamily charging station, travel corridors; and there is a couple pilots associated with this program. One of the ones that we are very excited about is an electric school bus pilot that brings the benefits of clean energy particularly into areas that are underserved and in the summer time when those buses are not being used, they are basically sending power back, so it is kind of a pilot looking at how you can use batteries to flow power both ways. Everything we are doing on the electric vehicles infrastructure component is smart and we are learning. These programs involve understanding how people will behave. How we can best utilize and manage charging.

Battery storage

Then, battery storage is 35-megawatt battery, $100 million. Solar smoothing, distribution deferral, microgrid, applications, peak production. It is a six-year program, as I mentioned earlier, for all three. As Tammy mentioned, their legislation describes contemporaneous returns for the utilities that make these investments. The legislation mentions and supports decoupling for the folks that make these investments and we expect to file this very, very soon. A very exciting step into this arena. It makes economic sense, provides an offset to the bill pressure that the infrastructure has put on because it literally saves money. We show that with hard dollars and cents and support customers.

Opportunity for Rate Base Growth

So, we put that all together and we are back looking at rate base for the next five years and the construction of this chart is very similar to the one at the beginning with what we mean by the solid section versus what we mean by the hatched. The solid sections are the things that are in place that we know are approved and ready to go; the transmission business. The green is the electric and gas combined this time together in one section that includes the GSMP-II because that is improved. And the hatched section are the two programs that we are about to file.

Similarly, like the structure of the previous slide, if we have nothing from Energy Strong 2 and from clean energy, the rate base growth over this period would be 8%. If we got 100% of those two filings, the rate base growth would be 10%. 10% would be rate base at about

SI-SSA-0015-14572

$27 billion; $24.7 billion for the eight percent. As I have said, what our job is right now is to get those filings in and get them approved. We have a good track record for doing that and that is what we plan to do.

Operational Excellence:

Operational excellence, just a few thoughts here because our credibility, when we go in for these filings, it all hinges on the fact that we are running the business and we have shown we can get these things done on time, on budget.

Safety

The two top slides talk about safety which, in my opinion, safety is a leading indicator of how well a business is run. What that stock is showing there is depicting on the top left how many injuries we have and on the top right how severe those injuries are. We perform in the top 10%; the top decile of the industry. And there is no way, in my opinion, a company cannot perform at that level with safety without a tremendously strong culture, without engaged employees and without a discipline around process. So, when you look at safety, if you are not able to work safely you are never going to get there in the rest of your business. This is a very, very strong leading indicator. We saw this a little bit on Long Island. I am going to talk about it in a minute.

When we first started on Long Island there was a lot of problems with safety and what goes along with that is poor business processes. They go hand in glove. So, very, very strong performance on safety and very proud of that. It speaks to the discipline we have around process and procedure and employee engagement.

Reliability

On the bottom, SAIDI, the measure of reliability. I think it is the best measure. It basically says how often we route our power. How many outages you had and how long they lasted. You put the two together, it is your total outages. Once again, lower is better on that chart. The line on all of these charts is our performance and you see on the far right on the bottom chart, we are almost off the chart. Meaning very, very strong reliability. A good track record is there as well.

Customer satisfaction

Then, on customer satisfaction. We look at customer satisfaction and use JD Power. They were compared against a panel of about 20 companies, all in the northeast. We look at electric, residential and commercial. Gas, residential and commercial. Now, on this, the higher score is better. The color coding in the bars are the quartiles and you will see we are basically sitting in the top quartile in every one of those quadrants. Strong safety, strong reliability and strong customer satisfaction.

The other thing about this slide that I would like to point out is just take a look at the upper left chart and look at 2016, which is the second bar from the right. If you were in the top quartile in 2016, like we were, in the green, but you did not improve. One year later, just draw a straight line to the right and look where you are. You go from the top quartile to the third quartile if you do not improve. Look there on the far upper right, same thing. In fact, there, you could be in the top quartile in 2016; if your score did not go up, you are at the very bottom. That phenomena, of this improving trend, that to stay in the top quartile you

SI-SSA-0015-14573

need to continuously improve, is very evident here and that is what we have done. The team has improved and will continue to improve.

Demonstrated ability to contain growth in O&M

O&M, this is a very strong track record here of cost control over the last five years or so. Our job is and our intention is to keep it going at that rate. This allows us to keep rates down and allows us to earn our ROE. We have a lot of things going that are depicted on the bottom of the page and that is my job and our team's job is to control these costs so we can continue that trend.

Materially Lower Customer Bills

This slide was also in Ralph's presentation. A little bit about rates. So, the upper left-hand side is an electric customer and the right-hand side is a gas customer. If you take a combined customer, which most of our customers are combined customers, the rates are down, as Ralph had mentioned, 20%. Adjusted for inflation, they are down 30%. By the way, without changing the rate, we also gave back bill credits along the way as well of 680 dollars. It positions us very well. The point of this slide is that this is the time to make the investments: when we have this head room.

To make the investments in the critical infrastructure. To make the investments in energy efficiency which will help mitigate some of those costs and leverage this head room that we have in this situation over the last many, many years. That is what we are doing and I think, again, we have alignment in that thinking around leveraging this head room and making investments now, evidenced by the infrastructure upgrades, infrastructure regulation that came out and the support from the clean energy.

Non-GAAP Operating Earnings

Our operating guidance for 2018 is unchanged. We are on track to meet that performance for this year.

Value Proposition

So, to wrap up, PSE&G it is all about operational influence. It is about financial strength, recovery programs and it is about that capital program that is somewhere between $12 and $15.5 dependent on our success with Energy Strong 2 and clean energy. It is a very, very strong program driven by a strong team and the other things we talked about.

Long Island

Just real quick on Long Island. I led Long Island for the past four years prior to the opportunity to come back here to be a part of the New Jersey operation. Long Island is a management services contract. It is completely performance based. If we do a good job, we get paid. If we do a really good job, we get paid 15% extra on incentives. If we do a lousy job, we get thrown out and you will get a check on the way out the door. That is basically the model and that is what we have done. We have improved.

For the most part, when we started this operation four years ago, we were taking practices with New Jersey, lifted them up and bringing them over and replicating them. What has happened is the team out there has become more and more engaged and there has been very significant improvements. We have got to the point now where a lot of the practices are now flowing back and forth because we have a very strong team. The improvements have

SI-SSA-0015-14574

been made. We have hit 95% or better of all of those incentive targets and we are meeting all of our financial commitments.

Improvement in performance metrics

On this last page on Long Island, I had mentioned on the upper left hand the safety performance. I mentioned how if you do not have safety right, you are never going to get your processes right. So, we are improving that safety performance. To be in the top decile, we need to be below 1.0. So, you see on that chart in the upper left, we started at 2.8, down to 2.3 and then to last year at 1.1. We are almost getting there and that is really coincident with getting engaged culture, getting our processes in place and getting that discipline in place. We are on the right path. Satisfaction is up. Reliabilities are in good shape and improving and so it all speaks to the piece around the performance-based contract and we are doing what we need to do out there by leveraging the best practice between our companies.

So, with that, I will take any questions.

Q&A

Paul Fremont: Hi. Could you give some examples of the energy efficiency investments? $2.5 billion is a lot to spend so I am not sure if you are doing that inside the home or outside the home.

David Daly: So, I will give you a couple of examples. Inside the home, smart thermostats. Anything down in the basement on heater, water heaters, furnaces, electric and gas. Any appliance in the home, refrigerators and those types of things. Any of those types of lighting in the homes as well. Anything that is using gas or kilowatt hour where we would go in and put in a much more efficient appliance, light, so on and capture those savings. So, that would be an example in the home.

On the commercial/industrial end, you have bigger types of equipment. Motors and controllers, air compressors, food refrigeration. So, when you think about large commercial/industrial, any of those types of pumps, motors, fans, lighting as well inside that home there.

The program in the low-income area does the same type of thing more in multifamily type settings. Some weatherization type things. There is another aspect of it involving analytics. So, we put the smart thermostat in, but some of the other offerings are then to help customers analyze the data that is coming from smart devices in there and help them manage their bill. It is kind of like management services analytics type aspects to this as well. Those would be a couple of examples in the energy efficiency area.

Paul: I was just hoping to put some actual numbers on your slide 41. The total rate base in 2018, what would that be?

David Daly: At the end of 2017 it was $17 billion, so I can get you the number.

Paul: Then, is the 8-10 CAGR off a 2018 base or is it off the 2017 base?

David Daly: It is off end of year 2017. So, it is off that $17 billion number.

Paul: Great. Then, I know in the past you have provided sort of a detailed breakout of capital spend by category which normally would have appeared in 10-K. Are you going to

SI-SSA-0015-14575

provide sort of annual numbers/breakouts for your CAPEX or are you going to wait until the next 10-K.

David Daly: The breakout of the CAPEX for example on the slide in front it breaks out between transmission versus gas. You mean within those categories?

Paul: I think on an annual basis in your 10-K you have given the five years of spend for each of the buckets in numbers. Are we going to need to wait until the next year K to put these numbers to get the actual numbers, or are you going to put something in potentially before that?

Kathleen Lally: We have them Paul. We will get them for you. They are further back in Dan's presentation and so on, but we have them for you.

David Daly: Okay. I will ask Dan to think about that and maybe address that when he comes up.

Speaker: You said that part of the storm hardening was when you showed a picture of taking an old substation and raising it up. You said that you looked at the flood maps and are going a foot higher than what they say is the sort of expected maximum level of potential flooding. How do you get comfortable that that is actually adequate? The only reason I ask is because I remember during Sandy, [inaudible] said we did 15 different storm models and we thought that the East River was not going to go above x number of feet and we were wrong and one of their plants got flooded and the city got blacked out.

So, what does it cost to go an extra foot above the foot you are already going? How do you get comfortable that you are actually spending this money to the level of protection?

David Daly: First thing was, after Sandy, based on that experience, FEMA redid all of their flood maps and they made them much more, I'll say, conservative. So, the approach we use, if a station has been flooded particularly during Sandy, we compare the new FEMA standard plus one to what we actually observed. We saw a very good cushion. Now, we are doing stations now that were not flooded and so we are basically saying that, with the revisions that were done and the observations we made, that we have confidence in that formula which is the 100-year plus one.

Speaker: Understood. And that design configuration, if it performs as planned, even if there is flooding, there will still be power? As long as the lines are up?

David Daly: That is right. There is a lot of other factors of course. That if there is flooding at that level there probably was very high wind. Our electric system is 90% overhead outside plant running down streets with a lot of tress on them. When the winds blow at 130 miles per hour, the lines are coming down. So, you may have other issues going on, but the stations themselves without getting particularly the electronics flooded. We have estimated that, for example, in the first program, that 500,000 customers would not have seen an outage if we had done that work prior to Sandy, as an example.

Speaker: Great. Last question, you put a number up there on the age of some of your substations which was astounding to me; 70+ years. Are they really that old or are you making substantial – are you replacing components? How do they actually still work at that age and why are they actually still that old? Why have they not been replaced before?

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David Daly: Right and it is kind of funny to call it 'end of life' replacement, which we sometime call it. Do you ever travel around New Jersey?

Speaker: Yes, I am from New Jersey.

David Daly: Right. So, if you travel around New Jersey, we have over 300 of these stations, you will see some of our stations have a brick enclosure on them. Those are the older, they call them class A substations. That is the stuff that has the 90- to 100-year-old stuff and it is 4kV equipment. It was installed back in 1920 and it works fine. It has been inside all of this time, but it worked. This stuff that is 70 years old, it is outside and it has been outside in the weather for 70 or 80 years and it still works.

But it is time to replace it and it is good to get it replaced because we have reached that point. It absolutely is that old. Incredible. Then, the project I mentioned, for example the Roseland/Pleasant Valley which is $550 million we just had approved at PJM, that is an outside transmission line on the towers. A lot of these towers were put up in the 1920s and 1930s. That conductor, somebody 80 years ago climbed that tower and put that wire up there and it has been running. The foundations are becoming unstable and the hardware is becoming unstable, so it is time.

Speaker: Thank you for all of the detail. I was hoping you could clarify a little bit about the distribution or rate case filings strategy in the future? I know you are in the middle of one now, but a lot of these programs are five-year, six-year; and should we expect rate case filings on that sort of five-year schedule or is it going to depend on how the programs go? What gets approved with Energy Strong 2, and some of the clean energy stuff; high level thoughts on that please?

David Daly: So, the rate case we are filing now is required based on a settlement back two or three years ago. When we settled GSMP-II recently, we agreed to file a rate case in five years, and that was part of what the improvements were in the infrastructure regulation. First thing is we have a requirement that we cannot go any more than five years. The plan that we have in place, when we talk about well over 90% of these investments being contemporaneous or very near contemporaneous combined with cost control, is to file in five years. That is my goal and over time we need to be very, very aggressive in controlling costs. We need to implement that to hold the line on O&M particularly and we need to have discipline around the investments we make that we are not creating regulatory lag in those investments.

The piece I mentioned where, under the new regulation, we can shape the stipulation closer to year four. For example, in GSMP, the $300 million. We can spend as little as $20 or $30 million dollars in two years. So, if you do a lot of that stip work in year four and you have a case in year five, that almost looks like near contemporaneous return. It is a combination of managing the stip, that we have the ability to do now, having the discipline to not overspend depreciation level, maintain the system's reliability at depreciation level depending on the base program and control O&M. That is the plan and we would then have to be in for new rates that would be effective in 2024.

Speaker: Earlier in the presentation, you mentioned that if you do not get 100% of the clean energy or the energy strong asks there would be potential for some other spend. Could you just elaborate a little bit more on what some of the other programs potentially could be?

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David Daly: I was just simply doing math by saying that clean energy piece, which is $2.9 billion, was not in the capital of the lower end. It was not in the rate base. So, I was just kind of showing it is in or it is out. I do fully expect to get approval of both Energy Strong 2 and clean energy. We will work through that detail, but I think what I was referring to was there was a slide up when Tammy was here that said there is offshore wind. Under the new legislation, for example, the renewable portfolio standard has been raised from where it is today where it has to get to about 20% in the next year or two. It has been raised to get to 35% by 2025 to 50% by 2030. So, the renewable portfolio has been significantly raised. That presents opportunities to help achieve that that could be done in the utility. Depends on how it works.

So, those are opportunities that are associated with that increased portfolio standard that are not under my plant, number one. The energy storage is in our filing, but it is well short of the governor's goals. I had mentioned that $100 million filing is but 35 megawatts. The energy platform in place in New Jersey today is to get 600 megawatts. We are doing 35. To get 600 megawatts by 2020 and 2,000 megawatts by 2030.

So there is tremendous upside if that is where we are going there. The offshore wind transmission is not in any of this plan. I was just mentioning that under the policy, which is that much. It is these types of things that could have us investing more in solar to meet that RPS, for example, in offshore wind, in more energy storage. They are not in there yet, but they are opportunities. Thanks.

Praful: [Inaudible]. Hi, I wanted to just catch up on electric vehicles and storage.

Dave Daly: Yeah.

Praful: In the $300 million that you have here, what kind of assumption is there on the number of electric vehicles that this kind of investment can support? Is there a correlation that you build out and if that growth is further than what you expect, what kind of investment would that kind of…

Dave Daly: One example is residential charging. I drive a Chevrolet Volt; I have had it about 1.5 years now. When I got it, I loved the thing. I do not know how many people here drive electric vehicles. However, I had to put a level two charger on the side of my house because, although they advertise you can plug it in like a cellphone, it takes about 18 hours to charge. That cost me about $1,200. So, for example, the residential charging piece of this $300 million would put about 50,000 of those in. That is what that would enable: the charging at the workplaces, at the corridors, is seeding the market.

We do have projections. For example, our view of where electric penetration is going. Today it is, in New Jersey, about 16,000 vehicles. We are projecting it to get up between 275,000-300,000 vehicles by 2025. We do therefore have an idea of where we think it is going. However, the question is kind of like the cart and the horse. This is a program where we are stepping forward; this will have a significant impact on getting it seeded but then we have to see where it goes and what opportunities come from it.

Praful: Right, that is superb. Then, on storage a similar question. Firstly, what kind of pricing is assumed in terms of the cost of storage at this point in your $100 million investment and where do you see that going?

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Dave Daly: The storage batteries that are the most economic today and typically have the application when you are talking about grid scale are 4MWh batteries. They are about the size of an 18-wheeler tractor and they generate a megawatt for four hours. That is the most economic size. That size battery costs anywhere from about $2.7–3 million, for that 4MWh battery. That is the pricing today.

The pricing of these batteries has come down 60% in the last five years and the battery technology that we are talking about here is the same technology that is employed in the vehicles. There is tremendous investment being made today in battery technology. It is primarily driven overseas in electric vehicle facilities to support overseas demand for electric vehicles. But that technology R&D is directly impacting the cost curves on grid-scale batteries.

There is tremendous build of these factories and this R&D capability. So the question is going to be how fast that cost curve continues to come down. It has come down a lot but at $2.5-2.7 million for a 4MWh battery you can make certain projects work; if the stars align, if you have a site that could use a microgrid and could use a peak reduction, there is a circuit nearby that is overloaded that could be relieved for a couple of years. There are a few things but to do things on large scale the cost would have to continue to come down to make it economic.

Speaker: When you look at your cars rate base[?] per customer, it is actually pretty significantly higher than the vast majority of utilities in the country. I understand that there is some space on the bill to fund additional investment but how would you defend, for instance, against the skeptics that say that you are already gold-plating your systems, especially on the electric side, and that there are imported requirements but the level of investment is already pretty high?

Dave Daly: We are continuously looking, as we said, at the balance. We look at our metrics and our strategy is to be in the top quartile on reliability, for example. We measure reliability a couple of ways, I mentioned the SAIDI[?]. We target to have top-quartile customer satisfaction. Customer satisfaction is driven primarily by our customers' view of value, which is a combination of price and reliability, typically.

So we look at it, we balance it, we consider the headroom, we consider the need on the system and where reliability might go when you are not investing in a system that has aged 70 to 90 years. When we look at that whole balance and we look at it continuously we think we have a good balance between them. That may change over time; we have to see but right now, when I look at the plan, when I look at how we are delivering value to customers and what they are telling us, what our policy makers are telling us, there seems to be general alignment that we are doing the right thing right now for long-term growth. We do not want to end up like the New York City subway system, where you had significant underinvestment in needed, aged infrastructure. This is the time to do it within the context of that balance.

Speaker: Can you just quickly elaborate a little bit on potential rewards or penalties we could see as far as the clean energy mandates for PSE&G as the mandates start to form? Secondly, as we think about transmission opportunities for offshore wind, how should we think about the socialization of that cost and how the recovery could work, especially for part of the line that is offshore?

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Dave Daly: Right.

Speaker: Would that be something that New Jersey would bear or something that you could socialize among PJM?

Dave Daly: On your first one, if I heard you right, in the structure of the energy efficiency programs' penalties, we are not achieving the 2%, or 0.75%.

Speaker: Correct.

Dave Daly: These are going to be requirements and so it is one of the reasons why we feel very strongly we should be the ones implementing these programs. I think we recognize that, if we have this obligation, it comes with a duty to perform. I think the details on that are going to be worked out. That is what is going to happen. BPU has been charged with taking the broad outline of that legislation and putting some of those details in place. In discussions we have had so far, they are talking about, first of all, how you even measure the savings. There is a lot of flexibility in there in how you do it. There is analysis that has to be done to make sure that we are understanding what the true opportunities are.

But to your point, I do not mean to side step your question but that is a detail that is going to be worked out. It is expected, it is a requirement and if you are not meeting a requirement there is going to be some kind of consequence. That does not concern me at all. Our team is on time, on budget to get things done.

Speaker: Transmission.

Dave Daly: The offshore wind. I think Tammy mentioned they have started the proceeding; the BPU, again, is moving very aggressively and there are a lot of details that need to be worked out. I mentioned the fact that if you have all this wind power there is going to be a tremendous amount of transmission needed to bring it onshore. One of the questions would be: is that part of the investment that is included with the developer and that developer is responsible? Or do you separate that out and make that available? If you do it separately do you do it in the context of PJM or do you do it with some kind of state [inaudible]?

All these details need to be worked out. The fact is there is going to be a lot of it, if you put in that much. We are very engaged in that stakeholder process and we think we are uniquely qualified to build transmission, to do it right and do it well so that is what we are going to be keeping an eye on. It is very, very early but they are moving very, very quickly.

PSEG Power

Ralph LaRossa

President and Chief Operating Officer, PSEG Power

Welcome and Overview

Good morning everybody. My name is Ralph LaRossa. As Dave mentioned, in the last few years I have been up here I have been speaking mostly about the utility activities so today is a little bit different to me. As I explained to my family, the only real difference is I now go to work and try to figure out different ways to boil water, so it is not that much more complicated.

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It really has been a good opportunity to change businesses but still stay within the same company and I thank Ralph and the whole board for that. However, it was also very easy to make the adjustment because, as you saw, Dave and the entire team will continue the good work that we have put in place over the past ten years and I am really excited to see that continue.

I am going to focus on a few things here today and try to answer a couple of questions that have been raised, specifically how are we going to continue to feed the beast that is the utility from a cash standpoint and not have to issue equity? That is where this business really comes in. We are going to be focused on free cash flow and how we continue to improve that.

I guess the other question Steve Fleishman asked Ralph earlier: what is going to differentiate us when we continue to have the downward pressure on the volumes? That is really about transforming our fleet, making sure that the assets that we have are really the best assets and are ones that really can operate within the marketplace in a very efficient way.

Power's Portfolio is Efficient and Flexible

I will start off my presentation really just focused on the assets themselves. Everything starts with a focus on safe and reliable operations. That is not going to change in any way, shape or form. I will update you a little bit on the three plants that we are in the process of building, combined cycle plants and give you a quick run through of that. I will remind you a little bit about that transformation, the plants that we have retired and how that has worked out for us.

We continue to focus on O&M. We will talk a little bit about where we have been and where we expect to be on an O&M basis, not just from a fleet standpoint but from an overall Power standpoint and then what results from that from a free cash flow standpoint, leading right into Dan's presentation and what he will talk to, about some of the finances.

Power's Generating Assets Mainly Located in Three Competitive Markets

Let me start with our assets themselves and where they are. Again, for ten years I talked about a straight line up from the George Washington Bridge down to the Ben Franklin Bridge on the utility side. The scope is a little bit bigger and the footprint is a little bit bigger, but it is still focused in the North East, while we have a number of assets on the Power Venture side that are across the US. Those are specifically our solar plants, a little over 400MW of solar. We also have a 100MW plant in Hawaii, not anywhere near the lava or any of the risks that might be out there right now from the volcano but a very small plant that is under a PPA out there with HECO.

Most of our assets, as you know, are focused in the PJM region. In fact, I would say over 9,500MW of our generation capacity is focused in PJM, about 800MW up in New York ISO associated with our Bethlehem plant and then about 1,000MW in New England. It is focused in the North East and really in spots that are close to our load and really positioned well to handle anything that comes up from a market volatility standpoint.

Nearing Completion of New, Highly Efficient CCGT Capacity in PJM

Let me give you a little bit about what is going on with our three new plants. We are just in the final throws of completing construction this year on 1,300MW of combined cycle plants.

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Keys Energy plant

The top one is Keys Energy plant, which as you recall we purchased back in 2015. It was a developed project, a greenfield project, from Genesis developers. We are in the process of working through the last kinks on that.

I would say we are probably 4 to 8 weeks away from commercial operation on that plant. It is a plant that is being built by SNC-Lavalin; they are the constructors and really hold most of the construction risk on that project. Our risk really comes from just making sure the plant gets online on time. It is well positioned, as you know, South West MAAC has been a robust marketplace, especially around the PEPCO region; prices have been pretty high in that area and we really think this plant is going to perform well, with the high-efficiency heat rate that you see there as well as the positioning that it has within the load center.

Sewaren plant

The second plant is our Sewaren plant. This is a 540MW plant that is being built on our old site in Sewaren, New Jersey. Specifically, we have four units that were down at that site in the past and now we are upgrading that. Again, it is a much more efficient unit is in that spot than has been in there in the past. The good news about that plant is we are really in the final testing stages. Actually the plant is running right now at about 200MW. As of this morning, we have been up to 345MW on that plant and the gas unit itself has been running at its maximum output during that timeframe. We see that moving along pretty well. That asset has access to what we really like to see, which is our best fuel supply on the gas side of the house. I will go into a little bit of that in the future; we have access to low-priced Leidy gas at that location.

Bridgeport Harbor 5 CCGT under construction

The last unit is our Bridgeport Harbor plant. That plant will be completed in 2019. It is another combined cycle plant, one by one, that is being built on our existing Bridgeport site, which is home to our coal unit that will be retired in 2021. That plant again has a good heat rate, of about 6,500 and is one that has access to natural gas through the Connecticut Natural Gas Company. We have a contract there and again that has good pricing and access to a market that tends to be volatile over time. Therefore, between spot spreads[?] and its location, we think it will provide us with good efficiency as we move forward.

Solar Source Has Developed 414MW in the US

I will say a little bit about our Solar Source business. I mentioned that is across the country. You can see the growth that we have had in our Solar Source business from about 148MW back in 2015 to over 400MW in 2017. We do not expect any new solar farms to be brought online in 2018; there are none in our current business plan. However, we continue to have a small group of people who actually look for mostly acquisitions. We do not develop them from the ground up; they are mostly acquiring projects that have had some level of development that has been completed so far. We continue to look for that but, again, in 2018 we do not see any new plants coming online for us in that area.

Power's Fleet Transformed with Focus on Improvement in Efficiency

This summarizes what Ralph mentioned in the first part of his presentation and really talks about how this fleet has transformed over the years. If you look at the top bit, these are all

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the additions that we have had, including uprates that we have done at our nuclear facilities, some that we have done in our combined cycles, as well as the new assets that we are putting in place that I have been talking about, both at Bridgeport, Sewaren and down at Keys. We have added about 2,900MW that will be completed by 2021.

At the same time, we are eliminating some of the less economic and environmentally challenged units that have been in the fleet. This includes, again, the HEDD units were retired back in 2015, the two large coal units that we had in New Jersey in Hudson and Mercer and again, fast-forwarding to 2021, we will be eliminating that Bridgeport Harbor unit. That will just leave us with the 23% ownership that we have out of Keystone-Conemaugh on our coal assets out there.

This really is the summary of the answer to Steve's question which is: why do we think that we are going to be okay as the load continues to be challenged by energy efficiency programs? This is the short story of how we are going to be able to outrun the others in the forest if the bear is coming. We are just going to have better units and units that we believe will stay in the market.

Power's Fleet is Transitioning to be More Efficient, Productive and Clean

How do we get some of that competitive advantage that is so important to us? Let me go back one slide; this is where we get some of that advantage from. If you look over that transformation that is going to take place, look at what happens to our heat rate. We are currently around just over 7,400 on our heat rate. With the addition of Bridgeport Harbor it is 6,500; with Keys it is 6,800; Sewaren again at 6,500. When we fast-forward out to 2022 our heat rate gets into the 7,100 range, which is much more efficient from a heat rate standpoint.

At the same time we are cleaning up the fleet. You can see what happens to our emissions from a SOX, NOX and CO_2 standpoint. Again, we have probably short-changed ourselves a little bit because we have taken out some of the coal units in the prior years. If you looked at that profile, we have actually come down at a greater pace than what is shown there. However, we continue to move to a cleaner fleet.

At the same time, we are reducing the age. That is going to help us on the O&M side as we continue reduce expenses. You can see that up in the top-right-hand corner, where the average age of our fleet out in 2022 will be down to almost 21 years.

Put it all together, it is a much more efficient fleet, a newer fleet and we are going to operate that fleet at a lower cost on a per-megawatt-hour basis. I can give you a little bit more about the history there but you can see how we are dropping down into a range that is going to be very competitive in the marketplace.

Power's PJM Gas Fleet is Well-Located

Let’s fast-forward to a little bit about the combined cycle plant specifically and how we have access to low-cost fuels. You can see up on the top-left-hand corner our procurement group, which is really led through our ER&T department. Shahid Malik, who you have seen and heard from here in the past at these meetings, goes out and has done a great job of procuring fuel for us, specifically on the natural gas side. Our access to that low-cost shale shows up in a number of different ways and has given us that competitive advantage for those combined cycle units.

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Additional capacity

On the right-hand-side we have taken a look out and see what we think is going to happen with additional capacity take-aways from that region. We think that the overall story here is we will be in balance. We will continue to have additional use of natural gas, additional production that will be taking place. However, overall we think the natural gas prices will stay flat as you continue to take a look at what is going on in the marketplace there. With a pretty flat price curve that you see in the bottom left but an advantage by having access to the shale in the Leidy region, we think our units will, as I have been saying, be advantaged by access to that fuel.

Forward markets

You can see if you go out, those are just the forward markets there, the Leidy price will have about a 20–60% benefit to us over the Z6 price in the out years.

That all put together gives us why we have some comfort in our combined cycle plants and why they will be more advantaged than some of the others that we compete with on a day-in and day-out basis.

PSEG Nuclear is Vital to New Jersey

On the Nuclear side, I would say the biggest advantage that we are going to have here is twofold. One is the work that has been done. We heard a lot about that on the decks from Tammy and her team. Specifically, I just wanted to point out a couple of people in the back of the room, Rick Thigpen and Josie DiRienzo, who were really instrumental in getting us across the finish line on that standpoint. They did a great job for us on the governmental affairs side. Dan in his team and Tim Pellegrin spent a ton of time getting all the numbers together for us to get through the process as well. Tammy was up here before, but we will still give her credit for the work that was done on the legal front and there were a couple of people in her shop that were just fantastic.

That is who enable us to continue to compete. While we are able to compete, it is still about the operational performance that Ralph spoke about earlier. That really has improved dramatically over the last year and a half. Pete Sena is here, who is our Chief Nuclear Officer and I would encourage you to grab him at some point. They have just really done a nice job of working to improve the capacity factors down at the plant. Nowhere is that better seen than at Hope Creek, where we just completed our first ever, in the history of our company, breaker to breaker run between outages. As a result, if you look at the 2017 numbers, our capacity factor was 100% at Hope Creek.

We did that there; we also were better than the four-year average at Salem 1 and also better than the four-year average at Salem 2. We have seen good operational improvements down there. We have a long way to go, we still want to continue to improve but I feel very confident that that strong base has been enabled by the ZEC combined with the operational performance from Pete and his team will really enable us to move forward on the Nuclear side of our business for a long time to come.

Market Response to Severe Winter Weather

Why is it so important for Nuclear? We talked a little bit about the value that we have gotten from the environmental side. However, I thought I would take a second to show you

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three slides just to highlight why fuel diversity is so important and a little bit about what happened this past winter and what really could have happened in a marketplace without these plants, or other nuclear plants, being available.

I will take you back to the first week in January. If you remember, it got pretty cold in this region. As a result, you can see what happened to the market prices around the clock in PJM. They were spiked up to over $800/MWh. At that point, the gas units did not become economical any further because the price of natural gas had gone up so much, well over the place where oil would have been more economic. As a result, many of our units switched over to oil at that point. We therefore not only had a high usage of natural gas but we had a high price that showed up in the marketplace with natural gas.

What Would Have Happened Without Nuclear and Secondary Fuel?

What does mean? If we took a look at how the dispatch curve for our units looked for that day on January 7th, as you can see, our nuclear plants continued to run, producing about 3,500MW of power. Look at the steepness of that dispatch curve on the right-hand side and what would have happened but for those nuclear plants being there and our ability to access the oil reserves that we had at our combined cycle facilities.

Think about this very simply by just taking that 3,500MW. If, on the day that we had about $800 cost per megawatt hour and we needed about 8,000MW, if you drew a straight line there. If you move that over to the right, the price would have been well over $1,800. That is the value when you think about what nuclear plants bring to the table on days like we saw here, where those natural gas prices were spiked as much as they were.

Available Oil Volumes Were Being Depleted Rapidly

You cannot just say, 'Well that is a one-time and we could have run on oil,' because what also happened at the same time was we were running out of oil. You can take a look here at the tank levels there. Linden is one of our units that has dual-fuel capabilities. You can see where the tank level went down to; it was just over the limit of about 9ft where we could have continued to run that unit and we saw the same thing at our Bergen facilities. Our tanks were being depleted, we literally were just having round-the-clock deliveries from oil trucks at that point.

The take-away from this is really twofold. One, the value of nuclear really does exist from a fuel diversity standpoint. I know we are talking a lot about it from an environmental standpoint and that is what a lot of the ZEC is based upon. However, there is a tremendous value from a fuel diversity standpoint. It also points out a little bit about why we need some of that market, the price formation that takes place in PJM. This is one microcosm of what happened in PJM during that snap, but it is one that you can take away and extrapolate across the region on why PJM needs to do something to help us on the price formation standpoint.

There are some things going on with quick start we talked about; Dan and I were talking in the break. I think we have been seeing it the same way the rest of the marketplace has been: it is probably worth about $1–3; we do not see it any differently than that. However, that is a long way off and we really, again, are focused on getting this safety net in place from a state standpoint. If you want to look just at that fast start, there is maybe $1–3 that might take place there.

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Power Has Successfully Controlled O&M

That talks a little bit about what has happened and how our assets are a little bit advantaged over some of the others. Let me talk a little bit about O&M. If you look at this CAGR that has existed since 2013, the organization has done a really nice job of controlling costs: about a 2.6% reduction from 2013 back to 2018 up to where we are. You will see a little bit of an uptick in 2018 over 2017; that is not just because I loosened the reins a little bit, that is really based upon the fact that we have a Hope Creek outage in 2018. Any year that we have a Hope Creek outage the expenses for us, since we are 100% owner at that site versus a Salem outage, where we are not 100% owner, the price will tick up a little bit. However, over the overarching time you can see that the dollars continue to come down and we expect that to continue going forward.

Cost Efficiencies to Optimize Free Cash Flow

I showed you before the fleet costs for Power and how we have come down. This is the overall costs of Power, all in, including all the white collar and everything else that is involved in running the business. You can see that price has gone down just as well on an O&M per megawatt hour basis. We are controlling costs not only at the fleet level but also in the management ranks over time. We will continue to see that going forward in the out years.

This is driven by two factors. One is O&M itself, the actual expenditure but the other one is what Ralph alluded to earlier, which is we are just producing additional terawatt hours. That is going to go up from 53TWh to 62TWh over time. Again, we think that is going to happen because of the value of the plants that we have versus what we had in the past.

Power's Capital Needs Decline

This is probably the most important slide for today and that is how some of this cash flow gets created. This is as we are coming out of the back end of the construction programs. You should have some confidence that those programs are coming to an end. We are, as I mentioned, in those final throws of testing at Sewaren and getting into that at Keys.

You can see what is going to happen to the capital expenditure profile for Power in the out years. No large expenditures planned, small upgrades at a few plants and then the ongoing end-of-life expenditures that we need to take for any one of these assets going forward.

Hedging Strategy

Let me switch a little bit from that; I will talk a little bit about the top line and talk about two things. One is from the energy prices and two is the capacity price and the recent results.

First, on the energy side, we have talked about this a lot and Shahid has given you a ton of details in the past on it. We are not changing anything from a hedging standpoint in the strategy. We continue to focus on our base load, both nuclear and a little bit of coal that we have our in Pennsylvania. You can see again that we are 100% hedged for the rest of 2018; 100% hedged on those assets for 2019; then we are in the 65–70% range for 2020.

That price you see there is an all-in price; it is an average price. It is not just the energy price because we are also supplying full-requirements contracts for BGS and some of the other, I guess, tranches that we have at other locations, such as PECO and other utilities. That is an all-in price per megawatt hour, that is not just our energy price. But you can see

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from just a trending standpoint those prices are pretty flat and we see that continuing in those years.

Intermediate peaking

On the intermediate peaking in combined cycle plants that you see there again our hedging practice has been consistent. We stay a little bit open on those and for the rest of this year we are about 30–35% open and the same thing in 2019, where you can see where that number comes out to be for us.

Total generation

Total generation and our total hedging practice has not changed. We continue to be focused on that. Most of this is taking place at the West Hub.

New Jersey BGS Accounts for Around 10TWh of Our Hedging

When we focus on the West Hub that creates two risks for us. One is obviously the basis risk, the other being the operational risk. We take a big piece of that away when we have our actual hedging that we do in our BGS auction. About 10TW of that hedging that I just spoke about on the prior page is covered in that BGS auction. Again, you can see here, as we have shown you many years in the past, a consistent way of showing the price from the forward markets at the West Hub and then all of the ancillary services and other pieces that get built into that pricing to build up to the $90–100 price that we have had over the past few years.

That price has come down in 2017 and 2018. It ties right back into what Dave has talked about, from creating headroom on the bill. This is exactly for New Jersey and so again a good opportunity for the investments to continue from a utilities standpoint.

Retail electric/gas marketing

On the right-hand side I just wanted to touch a little bit on what we are also doing to try to eliminate some of that potential basis risk that we have. This is to get closer to our customers due through our retail position that we have taken and get it more into sales on the commercial and industrial side directly to customers. That has been a slow go. We have been at it for about, I would say, 12 to 18 months now. It has not really progressed as well as we expected it to do from an organic standpoint. However, we are going to continue on that path and see if we cannot make some additional progress over the next six to 12 months and then reassess where we are from a retail standpoint. The biggest challenge there is really getting directly to the customers. There are a lot of brokers in that process and we continue to look for other ways to gain access directly to those large customers.

Capacity Markets

Switching from the energy side to the capacity piece of the equation, from a revenue standpoint, you saw the results from the last auction at PJM. I think this is the first time we are letting you know exactly how much we have cleared in that capacity auction: 7,700MW. The revenues up on the top right-hand side are at the PJM level. Then you can see, on the bottom-right side exactly how we compared to the rest of the RTO. With that competitive advantage, that geographical location that we have for those assets, not only are we benefiting from the gas pipelines on the fuel side but also from the actual price that get on the capacity payments. You can see that we have continued to maintain that geographic advantage that we have had from prior years.

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Looking forward, obviously there are a few areas that we continue to be concerned about as we look to the prices in the out years. Obviously net CONE and how that plays out is going to be a challenge for us and the load forecast that you picked up on earlier and you continue to ask about. However, we continue to believe that the positioning and the repositioning of this fleet is going to have us in a better spot for that.

Solid and Continuing Revenue Stream in ISO NE

There is a similar story in New England. We can see the prices have come down. However, what we have enjoyed the benefit of is the fact that we have the Bridgeport Harbor unit, which has been cleared for seven years at a $231 price. That unit is well-positioned and has a nice advantage for us. You can see the revenues on the top-right side but the differential has been created by that bid that we made and the fact that we are now going to be outperforming the rest of the pool in New England as well on a capacity standpoint when you get out to 2021.

So a good story for us on both sides of the equation, both in New England and in PJM and obviously with the PJM market being much more important to us than the New England side based upon the amount of megawatts we have in each one of those locations.

Stable Return and Free Cash Flow

I put the pieces together and I thought a little bit about how we are in this more competitive environment, how concerned you have to be about the volatility. Working in the utility for 30 years it was a little bit different to try to figure out. This pie put things together for me in a context that I thought really made a ton of sense, which is that we are not as open as I may have thought and maybe we have left, sometimes, folks with the impression.

If you take a look at the energy margin that we have had there, a large portion of that has been hedged, a large portion being the capacity being hedged as well. Then we have a little bit of our margin on the energy side that is left open. It is therefore a portfolio that has really been well-managed over time. It provides a great opportunity for that cash flow to come back to feed the utility without having to issue the equity, as Ralph mentioned earlier and it is very stable over the next two to three years from a time horizon standpoint.

I think, as I looked at the business and saw where we are, it is something that is a much more stable business than people may actually think is in place.

2018 non-GAAP Operating Earnings Expected to Benefit From Tax Reform

The earnings that we have talked about are not new news; this is guidance we have given out before. However, I just wanted to reinforce we are still in that range there: $485–560 million for 2018.

Value Proposition

I will leave you with really just the major take-aways. The fleet itself is very well-positioned. We have upgraded that fleet, we have transformed it over the years. These new builds are coming in and will put us in a great position from a heat rate standpoint and from an efficiency standpoint. We have eliminated a lot of the old units that were driving higher O&M, as well as challenging us from an environmental standpoint.

We have continued to work towards improving the energy policy. Tammy walked through all of that again, but I cannot reinforce with you enough the great work that was done to get us

SI-SSA-0015-14588

that stability on the Nuclear side. A little bit of a thank you to my boss as well for taking some of the beatings that he took in the press. However, that was an effort that was a true team effort from a lot of folks and really has put us in a great spot going forward.

Take away the fact that there is low capital requirements going ahead, which should really leave you with an impression and the security that we have some positive free cash flow as we go forward.

So, it is an overall good story. It has been a great opportunity for me to transition to something new and I just want it to open up for any questions that you might have.

Q&A

Speaker: Assuming that you do get the support from the state for Nuclear, how, if at all, does that change your overall approach to the BGS auction?

Ralph LaRossa: I do not think it will change one bit our approach to the BGS auction. I think about that as just almost like a capacity payment, right, just making sure we keep the doors open. It will not change one bit our approach to the BGS auction. I would like to have more BGS auctions and take away that basis risk but no change.

Speaker: Looking at the slides that you put with regard to the weather event in January, it struck me to ask the question is battery storage actually a viable option for the fleet in circumstances like that? A lithium-ion battery today is, what, $400/MWh and it looks like you were in a situation where you could have theoretically been out of oil and having to buy at a lot higher prices than that. However, is that going to be dealt with in the context of the deployment of batteries on the utility side in a way that actually is going to clip those peaks prospectively?

Ralph LaRossa: I am not sure whether the battery piece is going to wind up playing in the wholesale market or not and how PJM thinks it through. The observation is not incorrect, that there is an opportunity for that there. But if you compare it to using nuclear plants at the prices that we have there, it is not even close in my mind. Yeah, there may be pockets of it where it might make sense for us but the point that we are trying to make there is if you are going to value at such a high price the batteries, it should be providing that same value to the other plants, such as nuclear, that are providing that same benefit.

Speaker: Understood, thank you.

Speaker: Ralph, on your comments on retail and it not going as quickly as you would have liked and then that you will reassess, are the options to buy something or partner with one of these brokers you are talking about? That came to mind. Is it possible that you will just strategically decide you do not really need to be there?

Ralph LaRossa: I think all of those things are being looked at, right? We just take it day by day. I think the first opportunity will be to continue to grow it organically. Then, if not, we look for an REP-type of arrangement with a broker. That is an opportunity that exists for us. Then, if all else fails, you just have to reassess where you are. However, I think over time we just wanted to be clear that it has not grown as much as we expected it to grow.

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Speaker: Hi. Your cleared capacity in the last auction was still fairly below your E4[?] capacity. Can you discuss why that is and maybe give us some color on the bidding strategies this time around?

Ralph LaRossa: I do not think we discuss the bidding strategies in too much detail. But we have discussed in the past that we basically have some sort of a layered approach to each one of our units. Based upon that is where we wound up with the clearing price, very similar to what we had last year, which you can see. We were 7,800MW last year and 7,700MW this year. We basically tier each one of the units and we bid it into the auction in that manner.

Speaker: Do you see any upside from the incremental auctions?

Ralph LaRossa: There is an opportunity in the incremental auctions. I am just not sure what is going to take place from a pricing standpoint. A lot of it will depend upon the excess capacity that exists at the FE[?] fleet and also at ZECs[?] fleet. Our units are in a different geographic area, so there will be some opportunities for us, maybe, that do not exist for others but that is to be determined.

Speaker: I just wanted to talk about the cold weather events and that combined with the hedging strategy that you guys have. If you guys had not been able to have the oil, or if it had extended longer and the oil had run out, do you have enough unhedged capacity that you would have been okay? Would the hedges have caused issues for you so that you would have ended up losing money, because you sold for much less then you had this high-cost gas to generate?

Ralph LaRossa: There were a lot of possibilities there in what you said. I was mostly discussing it from a customer standpoint, though, when I was presenting it here and the value that the nuclear units actually bring to the overall fleet when you look at it from a PJM standpoint. That is why some of these market reforms are required and the support for the ZECs is so important for the state, because the prices would have spiked way up from a customer standpoint.

From our hedging standpoint, the team does a great job and they always have a small position for that so, again, I will not get into a lot of details about the work that they do on a day-in and day-out basis. However, there is always a risk in some of the scenarios you laid out there.

Speaker: So you are not saying that you would have been having to generate something that you sold for $50, or something and you are having to generate for $900?

Ralph LaRossa: No.

Speaker: That is not going to be a situation that happens.

Ralph LaRossa: No, that was mostly from a customer perspective.

Speaker: Hi. I think in the past senior management has described PSEG Power[?] as maybe not being well-matched with the utility over the long term under, maybe, the same parent company. I was wondering, with the passage of the ZECs, if the management's stated view on that has changed at all?

Ralph LaRossa: I will certainly pass the buck on that at some point here. However, I would say to you, just from a newbie on the street standpoint, I think it makes a whole ton of sense

SI-SSA-0015-14590

for these businesses to be together. Maybe long-term things change but the value that we are bringing and the free cash flow that we are bringing to the table adds a lot of value for the utility.

I do not know if the boss wants to say anything else now or later. He will hit that one later. Do not leave; that is how you get to stay.

Speaker: I want to just touch back on the price formation point.

Ralph LaRossa: Yeah.

Speaker: You said up $3 in terms of the impact.

Ralph LaRossa: That is what the market is saying for the fast start, maybe $1-3, and we do not feel any differently than what you have been hearing from others.

Speaker: Gotcha. Then, secondly, in terms of capacity auctions, some of the impact, or the benefit, of capacity auctions this year was because energy prices have come down, so everybody's bidding strategy has reflected it and the demand curve has reflected it as well. How do you see that playing out? If energy prices stay at these levels, or go down further, where do you see the capacity auction playing out and how big a piece does that play in your view of the world, of how you look at PSEG Power?

Ralph LaRossa: We do not take a position on energy prices anything different than what the market has, right? If you just look at the forwards, that is the way we think about it and that will not change. From a capacity standpoint, I pointed out a few of the risks that exist on the slide there, specifically the load itself, what is going to happen there and then it was about four or five other items that could potentially create concerns from a capacity standpoint.

The bottom line, for any generator, is we need to have enough to cover the risks and to keep the doors open. Whether it is coming from the energy market, the capacity market or the ancillary markets, to throw another piece in there, black start and other things, you have to put the puzzle together to keep the plants open. We have seen that because so many plants have retired all the time.

Speaker: Sorry, one final thing about slide 72, where you laid out the pieces of the puzzle, or at least the hedged portion of your business being quite high over the next three years. That obviously then changes after the three years because the capacity auctions kind of roll off, your hedges roll off, so the volatility is really post the three-year period. How do you see that volatility post the three-year period?

Ralph LaRossa: We have feathered into this every year. If you look at what has happened, in the out years obviously we have less hedged but then as we get closer to that year we hedge more, right? This pie does not, therefore, change. The point that I was really trying to make here is that it is a very stable business. There is obviously some unhedged positions but it is not a completely open business for the marketplace. The policies and procedures that have been put in place have led us here so we are going to continue that.

Steve: Hey Ralph. What would be your interest in acquiring additional plants in your market? So, for example, Dominion has plants that they kind of saying they may put on in both PJM and New England; any thoughts on that?

SI-SSA-0015-14591

Ralph LaRossa: I do not have any plans to be diving into anything at this point, Steve. I think we are focused right now on getting those three plants up and running. We always look for opportunities; that is in Dan's wheelhouse and we continue to see if there is anything out there that we can get. If something popped up that made a ton of sense, you would look at it. However, that has not been our history and I do not think that is going to change.

I am focused really on getting these three plants up and running, making sure they are economical and they win in the marketplace.

Speaker: Given that you are so heavily hedged over the next three years, what is your projection for free cash flow for PSEG Power over the next three years, cumulative?

Ralph LaRossa: We do not go into that level of detail. You can try one more time with Dan when he gets up here but that is not something we get into the details on.

Speaker: Okay, thank you Ralph.

Ralph LaRossa: Alright, thanks.

Financial Review and Outlook

Daniel J. Cregg

Executive Vice President and Chief Financial Officer

Overview

Good morning everybody. No questions on our new artistic logo, really, which shows our headquarters in Newark and some of the key points that we will talk about.

I will pass through here, we will end up talking about a lot of the things that are on there and frankly a lot of the things I am going to talk about you have heard already. I will give you a sense as to the overall financial picture, pull together some of the pieces that you saw in Dave's presentation, some of the pieces that you saw in Ralph's presentation. I will pull them together, let you see them all together. I think what you are going to see is good opportunities for growth, strong financial position, good work done for the infrastructure and efficiency of the grid in New Jersey and an enhanced ability, frankly, for us to continue to provide returns to shareholders, including increasing the dividend.

Strong Financial Position

This first slide, does give you an indication of that strong financial position. It does create opportunities for growth. Some of that growth you can see even in what we have shown you for 2018's earnings guidance forecast versus 2017.

So, at the midpoint of that 2018 guidance of $3–3.20 were up 6% compared to 2017. Really that is driven by the continued investment that you have heard about at PSE&G and from some benefits from tax reform that we see at Power.

The investment opportunity is fairly evenly split between transmission and distribution. For transmission we do have the formula rate treatment, contemporaneous returns and on the distribution side, near-contemporaneous returns. I think we have made some improvements, which Tammy talked about, from the standpoint of the infrastructure investment programs that New Jersey has put in place and that template that has been put in place. We used it

SI-SSA-0015-14592

with GSMP really before it was in place but knowing it was coming and I think it has worked well there; the first one in the state to have the IIP work through the process and I think more to follow as we talk about Energy Strong going forward.

In Power the end of the combined cycle construction program is going to reduce the capital needs of power and provide that incremental cash flow. Ralph talked about it before, he kicked off the presentation with it, he closed off his presentation with the fact that we have no need for additional equity for the cash flow and credit metrics section. That is obviously a positive that we like a lot and goes to some degree to what Ralph LaRossa just answered on the one question about the value of having the companies together. This all works, again, for the benefit of New Jersey. There are a lot of advantages that we see. Dave made a reference before to some infrastructure challenges in other areas. We do not want to be in that place. Maybe 70 is the new 50 but we still do have work to do to ensure that our infrastructure is going to be where it needs to be on a go-forward basis. Those investments are going to create the opportunity for us to continue to provide returns to shareholders.

As we take a look, for 2018 the indicative rate was up 4.7% from a dividend perspective for shareholders. As we have said for a long time and continue to say, the opportunity to continue to provide growth in that dividend on a sustainable basis is what we are looking to do.

Growth in Utility Infrastructure Investment and Tax reform

This is a quick look just at 2017 versus 2018. What we have tried to do here is put together a slide that shows you a bridge as we have gone from 2017's results for each of the utility, Power, Enterprise and other into 2018. The obvious movement at PSE&G that we have talked a lot about is the results of the investments that we have been making. The return on that incremental investment gives a boost to PSE&G.

Energy Strong

However, one of the other things, as we look just year over year, 2017–2018, as we have led into this rate case there has been some capital that we have incurred over the last few years that has not yet gotten a recovery. The first of those that comes to mind is Energy Strong. You may recall $1.2 billion was approved across that five-year program. The last $200 million of that did not get a roll-in, yet we had agreed to a rate case, so that rate case essentially became the roll-in for that tail end of capital. The good news is that a lot of that capital is not going to be spent because we were able to do the work that we did as efficiently as we did. However, there is a little bit of that that awaits recovery on the revenue side, yet we will have some of the burden of the cost.

GSMP

Dave talked before about GSMP. The first GSMP program of about $300 million a year and about $85 million each year awaited recovery. That is another bucket of capital that was awaiting recovery in a rate case and then some other incremental spending that we had on a capital basis leading up to the rate case. That is a cost that is borne by the business right now still awaiting recovery in the rate case. As you go from 2017 to 2018, some of that brings down the bridge, the jump as you go from year to year, if you look at it on a capital versus a net income basis, as opposed to when we talked earlier about a 13% increase in net income, a 13% net increase in our rate base. One other item is we did have a small tax

SI-SSA-0015-14593

advantage last year that will not repeat, also just a year-over-year dip, that is a one-time item.

Power

In Power, the moving parts are the ones we have seen a lot of, right? Capacity price is up and Ralph showed year-by-year capacity numbers. We will see a benefit from capacity as we roll through from 2017 to 2018, the re-contracting impact, as I think we said on the first quarter call, will be down about $6/MWh. That will be a drag as we go from year to year. We will get the units running that we have, both Sewaren and Keys, in 2018. That will give a boost to 2018 and we will see about $0.16 benefit from tax reform. Those are the moving pieces as you go from 2017 to 2018.

Then, really, on the enterprise another biggish piece of that is the Long Island business that Dave talked about briefly. We also had a tax item in 2017 that we do not anticipate seeing repeating. All of this is consistent with the guidance that we provided earlier. There is no change to that guidance and it just gives you a little bit of an understanding, year over year, as we walk through the next three quarters of this year's results.

Capital Spending Focused on Regulated Growth

This is a more detailed look at the capital program. You have heard a little bit about each of it. This all just puts everything in one place. If you start at the bottom, Dave talked about $6 billion of transmission spend, a little bit of a change in the nature of it but still a consistent spend across the overall five-year period. The formula rate treatment: [Inaudible] jurisdictional at an 1,168 ROE. It is the resiliency, it is the replacing of some of that ageing infrastructure, lifecycle-type investments, as well as the replacing of the 69kV system. We have talked about that for a number of years as well: restringing the state to a higher voltage to enable the resiliency of the system that we need.

Distribution growth

As you move up the page, we show you the distribution spend. We show it in two buckets: in the green and in the blue, distribution maintenance and distribution growth. Very simply, distribution maintenance is the spending amount that we will incur that will offset the depreciation that we will see in the rate base. You have a rate base of X, you are going to drop down that amount from depreciation. It is the capital that restores that rate base back up to what you had come out of the late rate case on, considering maintenance distribution capital spend.

Hold your rate base steady; everything above that that you see is growth. The biggest component that you see within that distribution growth is the last year of GSMP I and the first four of the five years for GSMP II that will be put in place.

Clean Energy & Energy Strong

Above that we have separated out the two filings that will be pending and will come shortly: the Clean Energy filing that we have heard a lot about, as well as Energy Strong 2. Then we have talked a lot about the capital program at Power coming down over time. I will show you some more details as we go forward but you can see small slivers of Power capital at the very top.

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That gets you to your $14–17 billion. The orange-hatched area in the middle is the difference between the $14–17 billion of capital and about 90% of that being focused on the regulated side of the business. It is very consistent with what we have heard about in the past and with what you have heard today.

Increased Capital Investment is Growing Consolidated Results

This is a quick slide just to look back in time. If I were to come back to this podium each of the last three years, you would have seen the three bars on the left-hand side of this slide. That would be for PSE&G's capital. Ralph initially and now Dave has come forth and said that we anticipate spending at the utility $10.8 billion, $11.9 billion, $12.5–13.8 billion and this year, as we have talked about, $12–15.5 billion. So a growing profile of investments and as we have come every year we have also shown you the trajectory across the five years which dips down a little bit in the back. We always say that we are going to look to identify investments that will build up the back of that five-year trajectory. This is no different from our known investments. However, with Energy Strong 2 and the Clean Energy filing we seek to fill in the top.

What this tells you is, frankly, that there has been some success in doing that by virtue of the blue lines getting bigger as we step through time. I would also note that there is a notation on top of each bar which gives you the percentage of our overall capital plan attributable to PSE&G. And you can see we have grown from order magnitude 80% on up to the 90% that I just mentioned. So, incremental investment opportunities, incrementally on the regulated side of the business, especially as the CCGT program comes down. Overall, I think a good story and the right story for PSEG.

Five-Year Annual Growth Expected in PSE&G's Rate Base

So, for PSE&G, ultimately what this means is growth and rate base; so again, maybe just reiterating a little bit, the question was asked about where do we start when we think about the rate base, for 2017 year-end rate base of $17 billion, split between jurisdictions. Always an important thing to remember: as a single state utility, we are not concentrated with one regulator, we have two, right, because the fourth component of our overall rate base is a pretty sizeable component. So, that $17 billion grows to about $22 billion by the time we get to 2020 and as you move out to 2022, you are at $24.5 to $27.5 billion, depending on size, timing and approval of those two programs as we move through.

One other thing to talk about as well, so the 8% to 10% CAGR in our rate base over these five years is a new number, and so maybe just a minor and quick history of us, and if we go back in time and just think about last year, what did we say? Last year we said we had a 7% to 9% CAGR in our rate base, but we also caveated: we are spending a lot of capital that grows our rate base, that increases the base and the ability to sustain that 7% to 9%, may be challenged.

I think at first blush we did think that was the case, and if you just took the same numbers, you just jumped up from 2016's year end to 2017's year end, we would have come down to a 6% to 8% five year CAGR on rate base. Then tax reform happened, so the absence of those deferred taxes reducing rate base, work to right about a 1% delta in our rate base CAGR. So, that really brought our 7% to 9% which had moved to 6% to 8% because of the higher base, back up to 7% to 9%.

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Since then, I think you put two other building blocks on and you get up to the 8% to 10%, one is the $1.9 billion of GSMP, that was just approved. That steps us up as we have talked about being more to the higher end. That moves us to around 8% without any of Energy Strong 2 or GSMP II. You layer those on as filed and you will get up to that 10%. So, if it does not come in exactly as filed, it will be somewhere between that 8% and 10%, but that also presumes that nothing else transpires and Dave got a question before and answered about some other potential opportunities. So, that is the basis upon which and the history upon which we get to our 8% to 10% rate base growth.

Power's Free Cash Flow Improves as Construction Ends

Then this next slide, the rate base basically is funded without equity and this slide was shown in the past and this updates the slide, and somebody had asked the question earlier about capital over the five-year period by bucket, and there is some disclosure within the 10,000 that is really a capital commitment as opposed to anticipated spend, so there could be some spend that is not absolutely committed. This gives you, certainly an updated view, and gives an indication on the left-hand side as to what Power's capital spend looks like over the next five years, with just a split where you can take a look at the two major pieces, what the growth capital is far and away the biggest piece being the [inaudible] cycle program; you see that rolling off.

Then the baseline capital we expect to see at power for the next five years, under $200 million a year. So, the absence of that capital at power frees up incremental cash flow. You move to the right-hand side, you can see again by bucket within PSE&G from a transmission standpoint, from electric and gas distribution standpoint, and then energy efficiency and renewables.

The top area is the hatched area that we have already talked about; we have talked about it from a rate base perspective; this gives you a snapshot of what it looks like from a capital perspective. If you add up all those hatched areas, you will not get to the aggregate amount of the filings, again as Dave mentioned 2023, and I think even into 2024 for the six-year clean energy program is going to have a little bit more capital as you go out beyond that tail end.

We continue to plan really what we know within the solid areas, but we also identify ongoing areas to improve the system and the investments that we can make, and that is what you see within the hatched area.

Cash Sources

The funding of the capital program, you take a quick look at the five-year cash sources and uses and maybe in some way if you are thinking about Power's free cash flow, you can draw a little bit from this slide. If you start on the bottom side on the left-hand side, you see power's strong cash from us, in the green area on the bottom left. Moving over to the right, you see power's investments, so the excess of the left over the right obviously provides some free cash flow generation and that will grow as we go through the five-year component of the plan, so that will increase towards the out years.

Stepping up to the blue areas, we talk so much about Power's cash from operations and how strong that is, utility also has very strong cash from operations as well, they just have a big appetite to redeploy that capital, so you can see how both sides of the page in the blue

SI-SSA-0015-14596

shaded areas on the left side, PSE&G's cash from operations, we redeploy that into the maintenance and growth investments on the right-hand side. We get the positive mechanisms to be able to get cash back out of those investments, either from the formula rate at that transmission as well as from some of the favorable clause recoveries that help to be able to bring some of that cash flow back into the organization, and those ultimately are the bigger pieces of cash from operations as well as investments.

In between, on the left hand side, the cash from operations, from Power and the utility, we have PSE&G net debt, so the utilities regulated cap structure, Tammy talked about a 54%, it is a little bit higher than it has been in the past, but somewhere within that range, you are going to see an equity component coming into the business from Power's cash flow getting matched up with debt issuances for PSE&G. Those debt issuances are what is shown in that orange section on the left-hand side.

I think of note, apparent net debt on the left, Power net debt on the right, not a lot of activity, so basically holding steady from that perspective. All going as well to fuel on the upper right hand side, the shareholder dividend. So, I think this gives a picture as to the cash flows coming and going at Enterprise over the next five years.

Solid Credit Metrics

All that flows into the credit stats, this page, page 84, it gives an indication as to what they look like and what it means from the standpoint of incremental capacity. Left hand side of the page, we have shown this in the past as well, as it steps through time, we have updated the numbers obviously. On the Power side, from an FFO to debt perspective, we are currently in the low 40%, as you look at 2018, 2019, 2020.

With a minimum threshold of 30% that provides some excess capacity. We take the same look at Enterprise, based upon a mix of the two businesses that Enterprise is made up of, and as we have more regulated investments, have more regulated profitability, that part of the business ends up growing and improves the overall risk profile of the business. The minimum threshold we think about, call it high teens, maybe 18%, 19% FFO to debt.

So, to the extent those statistics are in excess of that, we have some excess debt capacity that is reflected on the right-hand side, less than $1 billion, to the extent that that is deployed in the utility, if you are harking back to that orange section of the sources and uses, it will be matched up with utility debt to be able to fund incremental investments.

This snapshot is based – we talked about a 14% to 17% capital program on about a 15 billion or so capital spend, so if you think about this excess capacity being deployed, matched up with debt, we do anticipate being able to get to the high end of our $17 billion program without any external equity.

Zero Emmission Certificate Process

So, a quick walk through as well; those numbers did not reflect any cash flow coming into the business for zero emissions credits, so it's obviously to the extent that they were to come forth, those would increase the numbers as you can see on the bottom left hand side, a dark blue box, annual revenue is estimated at about $200 million at $0.28 per share. If all three New Jersey units were chosen. So, Tammy showed a slide earlier, which correctly said that the ZECs could be about 300 million, recall that the three New Jersey units include two units

SI-SSA-0015-14597

of Salem which we co-own with Exelon. So the Exelon component, roughly 100 million, our component of Salem as well as all of Hope Creek, which we own 100% of. Which is why when Ralph referred to the Hope Creek outage cost being higher, because we have a bigger ownership, we pay the full [inaudible], that would get you to the $300 million number, so that is the difference between the $200 and the $300.

We have seen some of the numbers published back and forth, so those numbers for $200 million for our share, $300 million total for ZECs. But the process that got kicked off when the governor signed the bill on May 23rd is laid out here in some detail. We talked before about day 330, so signed in May, this would bring us to April of next year. Tammy mentioned that the eligible units that have come forth, seeking to get ZECs would be rank ordered and chosen.

But before that, there is a 180-day process, whereby the BPU is going to go off and determine how the process is going to work. They have not had a ZEC process in place in the past, so they have that timeframe to basically determine how the applications will be put forth and how the overall process will work. There will be hearings that will go on with that, so that whole proceeding will go out for 180 days at which point applications will come in and the ultimate determination made within 330 days.

In parallel, the BPU will ask the utilities to come forth with tariff updates, because I think an important part of this as well is that utilities are not going to be underwater cash flies as they are the purchaser of the ZECs, so they will be putting in place tariff increases overtime to get ahead of that payment for the ZECs. They will aggregate the cash, within 150 days they will go to the BPU, they will provide an update of their tariff within 210 days, both of those [inaudible]. The BPU will approve that tariff update, and cash will start to be collected so that when the ZEC payment is made, the cash is [inaudible]. That cash payment will be made, 90 days after the close of the energy – this is not a calendar year program, this is an energy year program.

In New Jersey, the energy year runs from June 1st to May 31st, so our first ZEC period in New Jersey will be from April to the end May of 2019, a sub period, and then 90 days after, a cash payment will be made to the nuclear generators. Then each year after that, the same will happen; it will be the full 12 months ending May 31st with a cash payment to follow 90 days thereafter.

So, that's the mechanism that will be put in place. Tammy also mentioned that it's $0.004/kWh charge, that is on all retail sales when you take that full bucket at 100% of retail sales and then those payments just go to the nuclear component of the energy mix in New Jersey that $0.004 or $4/MWh turns into $10/MWh and that is what each megawatt hour will see, as generated by a chosen nuclear unit.

Tax Reform Benefits Customers & PSEG

A very quick look at tax reform, this basically a good news story for customers and I think for us as well. Customers have already seen reductions in their bills and they have seen it in two different ways. Right away we had $148 million reduction on the transmission side of the business that we filed, and then we filed in April, an execution, I guess I should say, of $114 million on the distribution side. So $262 million went back to customers; we talked about the customer bill before, so that is helpful from that perspective, and as we step

SI-SSA-0015-14598

through time we will continue to see some excess deferred taxes going back to customers. So, more to follow.

And then for us, a $0.16 per share benefit that we saw just 2018 alone, and that will continue on as Power and the non-utility components of enterprise get to retain that benefit. At PSE&G, lower bills, that rate base change that I talked about before, about a 1% differential, and as time goes on and those deferred taxes get passed back, less deferred taxes, more rate base; more rate base, more earnings. To the tune of about $20 to $30 million for PSE&G, and then we have protected excess deferred taxes and unprotected excess deferred taxes will flow back based upon a mechanism that exists; it is what it is, and they will go back over a fairly long period of time, but the unprotected really will be determined how quickly they will go back within the upcoming rate case. So, more to follow as we finish up that rate case.

At Power we keep the benefit of the lower taxes; we do retain full expenses of capital. Mind you, we do not have as much capital of power, so I just went through the magnitudes from a cash flow basis. The loss of the bonus depreciation at PSE&G is more than the gains that we would get on the Power side of the business. One other element of some of the tax reform is some companies may well be limited on how much they can deduct their interest expense based upon where we are from a balance sheet perspective, we do not have that anticipation. We will not be limited from the standpoint of our interest deductibility for tax purposes.

That is a quick run through on tax reform.

PSEG Has Controlled O&M

O&M, Dave showed you the utility O&M, Ralph showed you Power's O&M; this really just puts everything together and a host of examples of the things that we have been doing on the right side to be able to get to this place, so whether it is working with our vendors to bring costs down, whether it is organizational changes, whether it is reduction in our overall pension expense which has come down quite a bit, and whether it is frankly retiring some uneconomic units, that O&M burdened from some of the units that Ralph showed you on that one slide, with all the units that we have retired over the years, in addition to benefiting us on a bottom line basis, also pulls out some higher O&M units like Hudson and [inaudible].

And also, we have best practices teams throughout the organization who, as we usually do, are looking for ways to provide a very, very disciplined approach to our O&M management. It is not a programmatic thing, it is something that we really do, on an ongoing basis, and even utilization of this fine facility for this event actually does not cost us anything, as being a member of the NYSE, so just one little example, we thank the NYSE for that.

Strategic Focus Delivers Solid Results

So, overall if you take a look at what the earnings have looked like, this goes back from 2012 out to 2018, maybe just one thing to talk about on the slide, in addition to the growth that you do see here, and Ralph gave you the components by PSE&G and Power. What I would say is, if you look back over these six years, the guidance that we provided at the beginning of the year, for one of these years we were at the midpoint of that guidance, for three of the years, we were at the upper end of that guidance and for two of those years we exceeded that guidance. I think an example of the commitments made, and then ultimately delivered on is as important as the growth that we do show within the overall earnings of enterprise.

SI-SSA-0015-14599

Consistent and Sustainable Dividend Growth

And by no means least, but lastly, the dividend, you can see here the trajectory that we have, again a very consistent story with what we have said in the past; consistent and sustainable increases in the dividend is our objective.

Last year's 4.7% increase from $1.72, to $1.82 indicative number is an indication of that. Ralph showed before, the ability for that to be covered by PSE&G's earnings, but by no means funded entirely from E&G given the cash flow of the overall business. An extremely important aspect of our business to our shareholders, which we completely understand and have that commitment to the dividend, I would say no less than we do to our employees, to our customers and to the environment. With that, the value proposition is frankly the same, as Ralph showed in the beginning, so maybe in that vein, I will ask Ralph to come up and we would be happy to take some Q&A.

Q&A

Speaker: Morning, a question on the financial headroom slide: Dan, you are obviously showing 65% regulated mix in 2018, but all the investments going into the utility, what is the level at which your earnings mix might sort of change the threshold and create some more headroom? and then how shall we think about the addition of the ZEC which would obviously add to power within that, but would not be typical power revenue?

Dan Cregg: Yes, and I think you are exactly right, so the business mix to the extent that 90% of the capital that we are deploying is going into the utility side of the business, is going to increase the overall favorability of the business mix from a rating agency perspective and from a debt capacity standpoint, so it will increment over time, I would say, no differently than we have thought about it in the past.

As more of that happens it will be more favorable. There is actually an interesting parallel between your second question and the first question, so how will ZECs impact it? Well they would help, right. It is obviously going to be some more free cash flow, but it is an interesting question. That is free cash flow, it is known free cash flow to the extent we operate it is going to be there, and Tammy talked about some of the timeframes earlier, so that is clearly a positive.

I think it is not subject to volatility other than being able to operate and run those megawatt hours to the extent that we ultimately are selected. But, if you think about the business mix and the results between the two companies it would lift up the power contribution, but it would do so with a fairly steady known stream. Ultimately the rating agencies will take a look at that and make a determination of it, but I think it will be a positive and I think that it will be looked at as a more positive component of Power's overall free cash flow.

Speaker: As you look at the plan, where do you see that percentage getting to, over the sort of – through 2022 timeframe, and do you think that is going to be enough to take you through a trigger on changing the 2018 and 2019 for example?

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Dan Cregg: We have not provided a number on percentage of earnings, to kind of back into the guidance by companies as you go out through time. But, I think it will help and it will either change the mix or it will strengthen the ability to meet the mix.

Speaker: Ralph, you got the question earlier which you tabled, and you are going to get it anyway, and no matter what you say, three different people are going to interpret it differently, but I have to ask, what are your short, medium and long term strategic ideas about the company, you know, every year someone walks out of here thinking, oh he is definitely going to spin off peg power and someone says, 'No, he did not say that.' give you an opportunity to be clear and concise in the way you are thinking about the strategic vision for the company as opposed to together or separate and then secondarily, there has been a tremendous amount of consolidation in the industry and is that on the table, off the table? You clearly have a tremendous amount of organic growth keeping you busy.

Ralph Izzo: Let me break that into two pieces, let me go specifically to the Power question, I think we have had a bunch of good news with power right, the ZEC program gives some comfort that the attributes of nuclear are so important that policy makers will figure out a way to keep those plants running, certainly for the rest of the license life.

We have had some improvements in the fleet in terms of the heat rates, and we have great access to shale gas, that puts us in a competitively fairly strong position. We have the end of the capital program that generates some nice free cash flow opportunities for us, so in many respects, I feel like we have much more flexibility in terms of what we can do with power, whereas in the past, I will be honest with you, as I have said, I felt like we were in this inexorable march down a certain path that said, 'I don't know when, but eventually these things are going to have to split.'

But now I feel like, 'Wow, we have a really healthy fleet, healthy from the point of view of its competitive position, its financial position, its environmental position and it's not a burden. The plants are running great; Pete [inaudible] has got those things running at 94% capacity factor. Ralph has done a great job of heading over there and managing the capital construction program to get these plants online.

I think we have a lot more flexibility than we had just two weeks ago, and certainly a lot more flexibility than we had a year ago. So, as I look at the company overall, there are some near-term, mid-term and long-term priorities. The near-term priorities are very clear, we have to get the two plants up and running that we are building, and we have to get the regulatory process well in hand in terms of nuclear ZEC payment, in terms of the rate case, in terms of the energy [inaudible], in terms of the clean energy filing.

In addition to I think longer term, I want to strongly position us to have the same potential rate base growth, on the customer side of the meter as we have had on our side of the meter. I think there is a lot of work that can be done in digitalizing the utility, in terms of managing distributed resources in terms of helping the customer control their bill. I think the combination of our traditional investments, the 90-year-old switching stations, the 70-year-old switching stations, and the opportunities on the other side of the customer bill, we have no AOI at PSEG, we have drive-by meter reading; that is the most sophisticated meter reading we have. We have no data analytics in terms of our customer usage pattern.

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We are great at restoring them, when they call us up and tell us they are out, but we do not know that before they do. So, I do think that longer term you are going to see a lot more of this utility of the future stuff, dominating the picture and what we will continue to pay attention to, is whether or not our investors are comfortable with these two entities being together. Right now, the signals are, they are; the signals are that our investors are comfortable with them being together. If we see a portfolio discount, if we see some valuation discount, then that will be motivational to rethink the integrated entity.

The question was, what about M&A? I love the organic growth store; we pay a dollar for a dollar of rate base. We do not pay $2 for a dollar of rate base. The premiums that other people are willing to pay, we just cannot pencil them in. If people want to pay us that premium, it is ralph.izzo@PSEG.com, but other than that, it has to be value-creating for the investor.

Speaker: I want to get a sense of the variability in the growth of the rate base going forward, I realize you have a track record of coming in here and upping up the capital budget every year, but it is rather remarkable that you have been able to grow the rate base when your customer base is growing 0.8% per year. Now you have the energy efficiency headwind where you are going to try to reduce that.

I realize the transmission is kind of a different dynamic and that gets you out from maybe a little bit of the traditional customer base that you have within the utility, but it also seems to me that commodity prices have played a role here and another remarkable thing that you have been able to accomplish this while customer bills have been going down. But, what would cause the growth rate and the rate base to change on the negative side, and how fast would that happen?

Ralph Izzo: Excellent question, so I think the specific answer to your question is you have a spike in commodity prices. I am not wishing this, but heaven forbid, seismic activity increases in western Pennsylvania and Ohio and people say we need to figure this out and gas prices blow out, so if you have a tremendous amount of pressure on the supply component of the bill and that puts a tremendous amount of pressure on the G part of our PSE&G then you would have to have a pause in the infrastructure development.

One of the things we have not talked about as yet, we have tremendous amount of benefits that we have made use of that we did not control; lower gas prices, lower taxes, expiration of charges on the bill. All that stuff we did not influence, we just said, 'Now is the time to replace this old stuff.' But, the one thing that we do not talk enough about, that I think is important for folks to recognize is we had three nor'easters in New Jersey in March; that was not particularly strange, it was not normal but it was not something that you would have to look 100 years to see what happened. BP launched an investigation on customer restoration times: the tolerance for outages is gone.

We happen to be a great performer, so we are not in the cross hairs or in the bullseye of that, but as you continue to see further electrification of transportation of the household, of the workplace, the demands and the value that people put in electricity are just going to continue to climb and you cannot do that with 90-year-old switching stations, with wires on wooden poles that are leaning a lot. So, I think that as long as people recognize the value of the service they are getting, the appetite for it will be enormous. In a side bar conversation

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before, somebody correctly pointed out, Ralph your customers are not going to remember that in 2008 they were paying the same in real terms that they are paying in 2028. Of course that is true, they will not remember that, but as they see the kind of statistics that Dave Dally put up there in terms of safety, CAIDI, SAIDI, and the kind of statistics that Ralph LaRossa put up there in terms of carbon per megawatt hour and overall traditional pollutant statistics, I think we will have policy support.

If we continue to do this on a gradual basis, another benefit of clause recovery, you do not wait five years to then say, oh the 3% compounded over each of those five years, we need an 18% rate increase, but you feather it in, all that works towards managing the customer bill rationally, and it is the customer that matters. Do they see the value? Are we managing our O&M? Are we investing in assets that matter to them? And then I think we have a nice long runway.

Speaker: So my question was first on capital allocation: clearly you have headroom coming in in terms of the 2018, 2022 timeframe and capital that you have excess, and you have ZECs incrementally that will come in. Is the signal right now that the key thrust in terms of allocation of all that excess capital is primarily to the regulated side or are there deleveraging or any other goals or renewables, anything else that we should be looking at on the horizon as things that you are focused on?

Ralph Izzo: That has not changed either. We have said many times, number one is organic growth investments, the utility has been averaging 80% to 82% of the capital program, now it has gone to 90%. I think that is going to be probably the new normal for us. We do have lots of ambitious things that we want to do in support of governor Murphy's clean energy agenda, we are 110% behind him on that and we want to help do that as economically as possible because doing it at scale is more economic than doing it in onesies and twosies.

Then what we have always said is that we like the strength of the utility growth to even further cover the dividend, so the dividend has to be tied to earnings growth over time but having a health balance sheet helps you on those years where things go flat and we boast about a nice 4% plus growth in earnings but we had a couple of years where it was zero. Lastly would be share repurchase but we seem to keep finding opportunities to grow the company organically.

Speaker: Thank you, and the second question, the deferred tax liabilities, you mentioned that almost giving you a 1% boost in rate base; I am assuming that is the unprotected because the protected is so slow it is probably not going to have benefit, but you also mentioned that the unprotected piece is going to be an outcome from the rate base proceedings itself. So, what is the assumption that is basically built in right now that is driving the 1% increase in unprotected?

Ralph LaRossa: Really, if you think about it, it is a couple of different things, so you have your excess that are going to go back, but even as you are taking your tax deductions year over year over the next five years, the deferred tax build-up from that is going to be at 21%, not 35%. So there is a piece that comes into play there, so if you look at the absence of bonus, if you take a look at what I just described to you and if you take a look at what gets flowed back, which I think is maybe two things to think about there, one is that there is some

SI-SSA-0015-14603

excess deferreds that are not protected that are going to go back and it is going to be determined within the rate case.

There is also, in between rate cases there was a change in one particular deduction we take around repairs, and that gave us a much faster write off, which built up some deferred, which some of which turned out to be excess because every deferred tax became somewhat excess when the rate went from 35 to 21, but also some of that is there to be flowed back as well and is not protected. So, those two components, plus the bonus, plus the 21% gets you about that billion-dollar delta in rate base over the next five years and so we will work our way through in the rate case and we will see how much of that will go back and how fast. So it is still to be determined, but if you take all those things in the bucket and you think of them over five years being about $1 billion, you have got it about right.

Speaker: Just finally, cash taxes, can you just remind us where your position is now with the deferred taxes kind of impact built in?

Ralph LaRossa: Cash taxes not currently but in the near term and the other thing I would say is if you think about ZECs, that could accelerate the near term, so maybe a year or two is kind of ball park.

Speaker: Any other questions? If not, I think we are…

Ralph Izzo: I think we have one more slide Dan do we not, that we want to just…

Dan Cregg: We talk all the time about operational excellence, we talk about finance strength, discipline investment and all that and everything everybody does in the business, that is all nice, that all works pretty well but there is another secret source in enterprise that we have had for the last 11 or 12 years and her name is Kathleen Lally, so during the Lally era, you can make your own determination as to how much of the upward slope of this line had to do with everything we talked about today and how much it had to do with Kathleen, but I would put a lot of it on Kathleen personally. Everything she has done for the organization, for us, for insights, absolutely her value is more than I can speak to, so from the bottom of my heart I would like to thank Kathleen for everything and wish her all the best going forward.

Ralph Izzo: As a matter of fact, we did some analysis, evidently every one of the dips were your vacations. Thank you so much Kathleen, thank you all for being here, there really is no finer way to end the meeting than just to recognize you for all the great work. Thank you all.

[END OF TRANSCRIPT]

SI-SSA-0015-14604

NYSE: PEG

PSEG Investor Update

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September 28, 2018

SI-SSA-0015-14605

Forward-Looking Statements

Certain of the matters discussed in this presentation about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used herein, the words "anticipate," "intend," "estimate," "believe," "expect," "plan," "should," "hypothetical," "potential," "forecast," "project," variations of such words and similar expressions are intended to identify forward-looking statements. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K. These factors include, but are not limited to:

- fluctuations in wholesale power and natural gas markets, including the potential impacts on the economic viability of our generation units;
- our ability to obtain adequate fuel supply;
- any inability to manage our energy obligations with available supply;
- increases in competition in wholesale energy and capacity markets;
- changes in technology related to energy generation, distribution and consumption and customer usage patterns;
- economic downturns;
- third-party credit risk relating to our sale of generation output and purchase of fuel;
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in funding requirements;
- changes in state and federal legislation and regulations, and PSE&G's ability to recover costs and earn returns on authorized investments;
- the impact of pending and any future rate case proceedings;
- regulatory, financial, environmental, health and safety risks associated with our ownership and operation of nuclear facilities;
- adverse changes in energy industry laws, policies and regulations, including market structures and transmission planning;
- changes in federal and state environmental regulations and enforcement;
- delays in receipt of, or an inability to receive, necessary licenses and permits;
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry;
- changes in tax laws and regulations;
- the impact of our holding company structure on our ability to meet our corporate funding needs, service debt and pay dividends;
- lack of growth or slower growth in the number of customers or changes in customer demand;
- any inability of Power to meet its commitments under forward sale obligations;
- reliance on transmission facilities that we do not own or control and the impact on our ability to maintain adequate transmission capacity;
- any inability to successfully develop or construct generation, transmission and distribution projects;
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers;
- our inability to exercise control over the operations of generation facilities in which we do not maintain a controlling interest;
- any inability to recover the carrying amount of our long-lived assets and leveraged leases;
- any inability to maintain sufficient liquidity;
- any inability to realize anticipated tax benefits or retain tax credits;
- challenges associated with recruitment and/or retention of key executives and a qualified workforce;
- the impact of our covenants in our debt instruments on our operations; and
- the impact of acts of terrorism, cybersecurity attacks or intrusions.

All of the forward-looking statements made in this presentation are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business, prospects, financial condition, results of operations or cash flows. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this presentation apply only as of the date of this presentation. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even in light of new information or future events, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this presentation are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

SI-SSA-0015-14606

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results.

Operating Earnings is a non-GAAP financial measures that differ from Net Income. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items. The last two slides in this presentation (Slides A and B) include lists of items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings with a reference to those slides included on each of the slides where the non-GAAP information appears.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility.

These materials and other financial releases can be found on the PSEG website at https://investor.pseg.com. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at https://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at https://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at https://investor.pseg.com/rss.

SI-SSA-0015-14607

PSEG STRATEGY: BUILDING A SUSTAINABLE, FINANCIALLY SOUND ENERGY INFRASTRUCTURE COMPANY

Ralph Izzo

CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Dan Cregg

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

SI-SSA-0015-14608

PSEG

We make things work for you.

PSE&G Represents **65%** of Non-GAAP Operating Earnings

4.7% Increase in 2018 Common Dividend

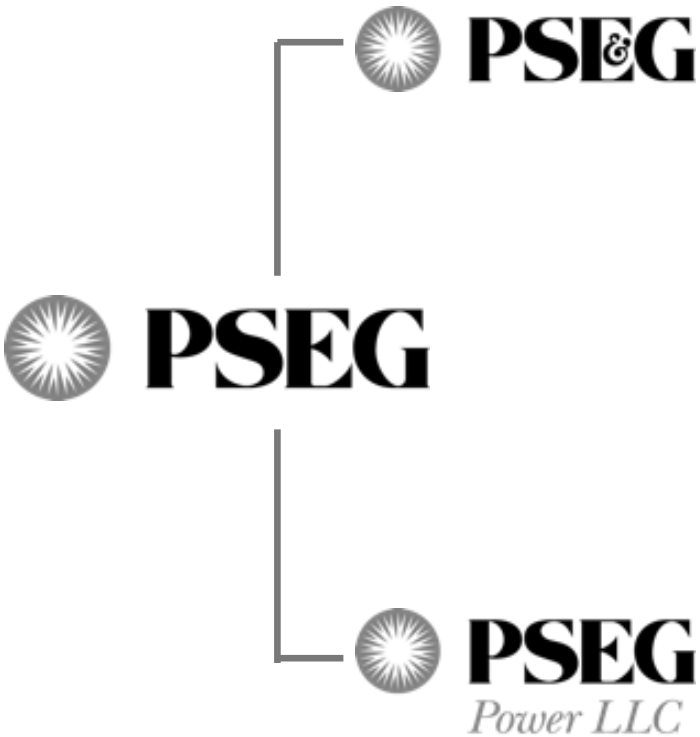
Promoting Sound Energy Policy

115 Years Investing in NJ's Critical Infrastructure

5–Year Investment Program Provides Opportunity for **8%-10%** CAGR in PSE&G Rate Base

PSEG

Two strong businesses with a track record of success



Electric & Gas Distribution and Transmission

Strategy: Investments aligned with public policy and customer needs

Value Proposition: A $12 Billion - $16 Billion infrastructure program expected to produce 8%-10% annual rate base growth through 2022

2017	Assets $29B Net Income $973M Non-GAAP Operating Earnings* $963M

Regional Competitive Generation

Strategy: Investment program enhances competitive position with addition of efficient, clean, reliable CCGT capacity

Value Proposition: Provides substantial free cash flow and upside from market rule improvements

2017	Assets $12B Net Income $479M Non-GAAP Operating Earnings* $505M

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ASSETS AND NET INCOME ARE FOR THE YEAR ENDED 12/31/2017. PSE&G AND POWER DO NOT ADD TO TOTAL DUE TO ENTERPRISE / OTHER ACTIVITY. PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

*SEE SLIDE A FOR A RECONCILIATION OF NET INCOME TO NON-GAAP OPERATING EARNINGS AND SLIDE B FOR RECONCILIATIONS FOR PSE&G AND PSEG POWER.

Strategic focus produced growth in non-GAAP Operating Earnings as regulated business contribution grew to ~65%

2012	PSEG 5-Year Capital Investment Program of $18 Billion*	2017

- ✓ Regulated annual Rate Base growth of 13% to $17 Billion
- ✓ Transmission has grown to 46% of Rate Base
- ✓ Efficient growth: O&M held flat
- ✓ Overall customer bill is down

$2.44	Non-GAAP Operating Earnings +4% per year	$2.93
43%	Regulated Net Income Contribution Increased	65%
$1.42	Common Dividend Per Share +4% per year	$1.72

*CAPITAL INCLUDES YEARS 2013-2017.

Next Steps: Building on a successful and sustainable platform that meets the needs of customers and shareholders

2018	PSEG 5-Year Capital Investment Program $14B - $17.5B

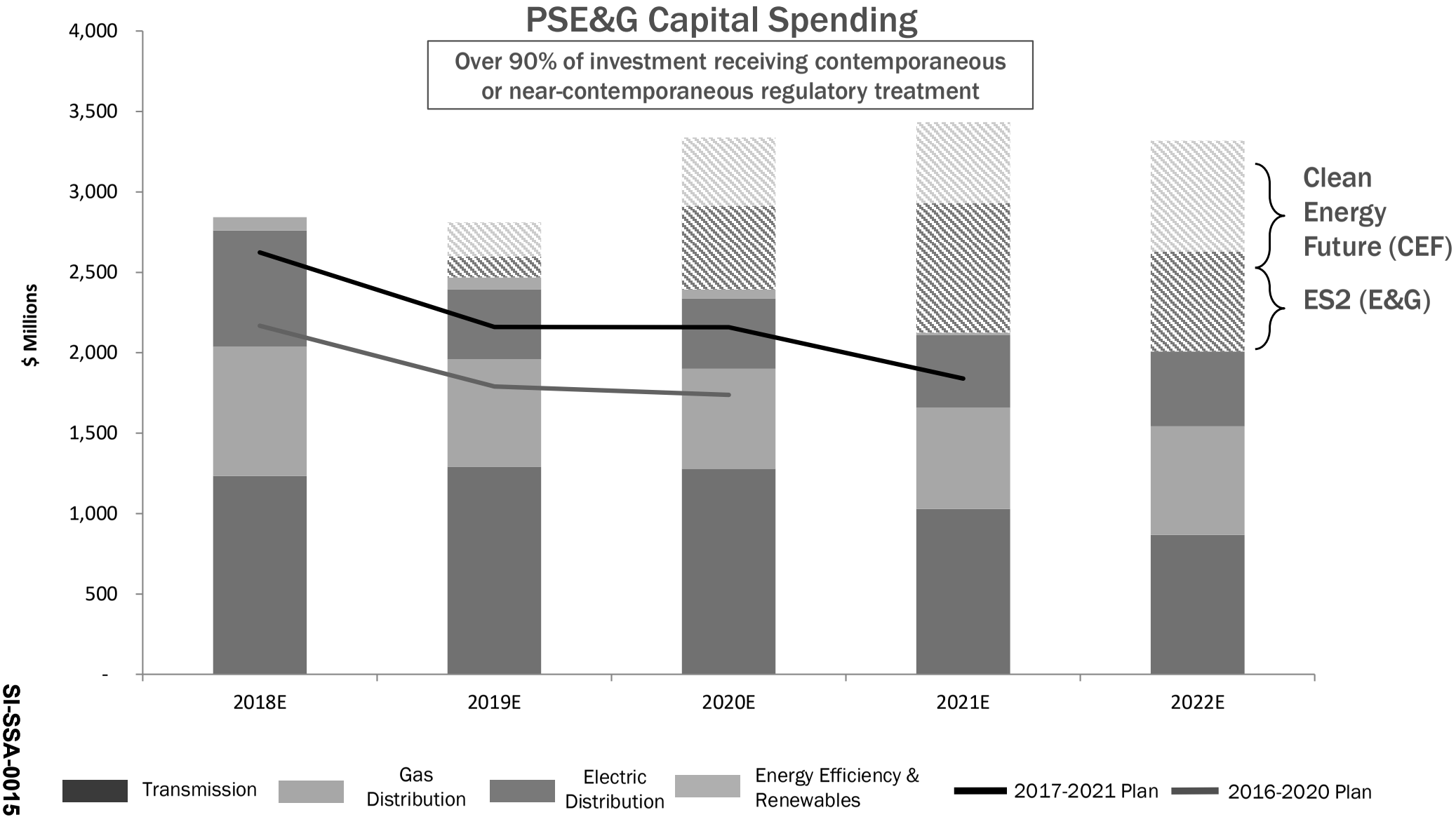
- ✓ Investing $12 Billion-$16 Billion to upgrade New Jersey infrastructure and meet NJ's Clean Energy goals
- ✓ Minimizing risk/volatility of merchant generation
- ✓ Continued cost discipline in operations
- ✓ Maintaining high customer satisfaction levels
- ✓ Tax reform benefits customers and shareholders
- ✓ Financial strength remains a core operating principle

Rate Base	Expected 8%-10% Compound Annual Growth in Rate Base through 2022
$1.80	Opportunity for Consistent and Sustainable Growth in Common Dividend

SI-SSA-0015-14612

NOTE: PSEG AND PSE&G 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

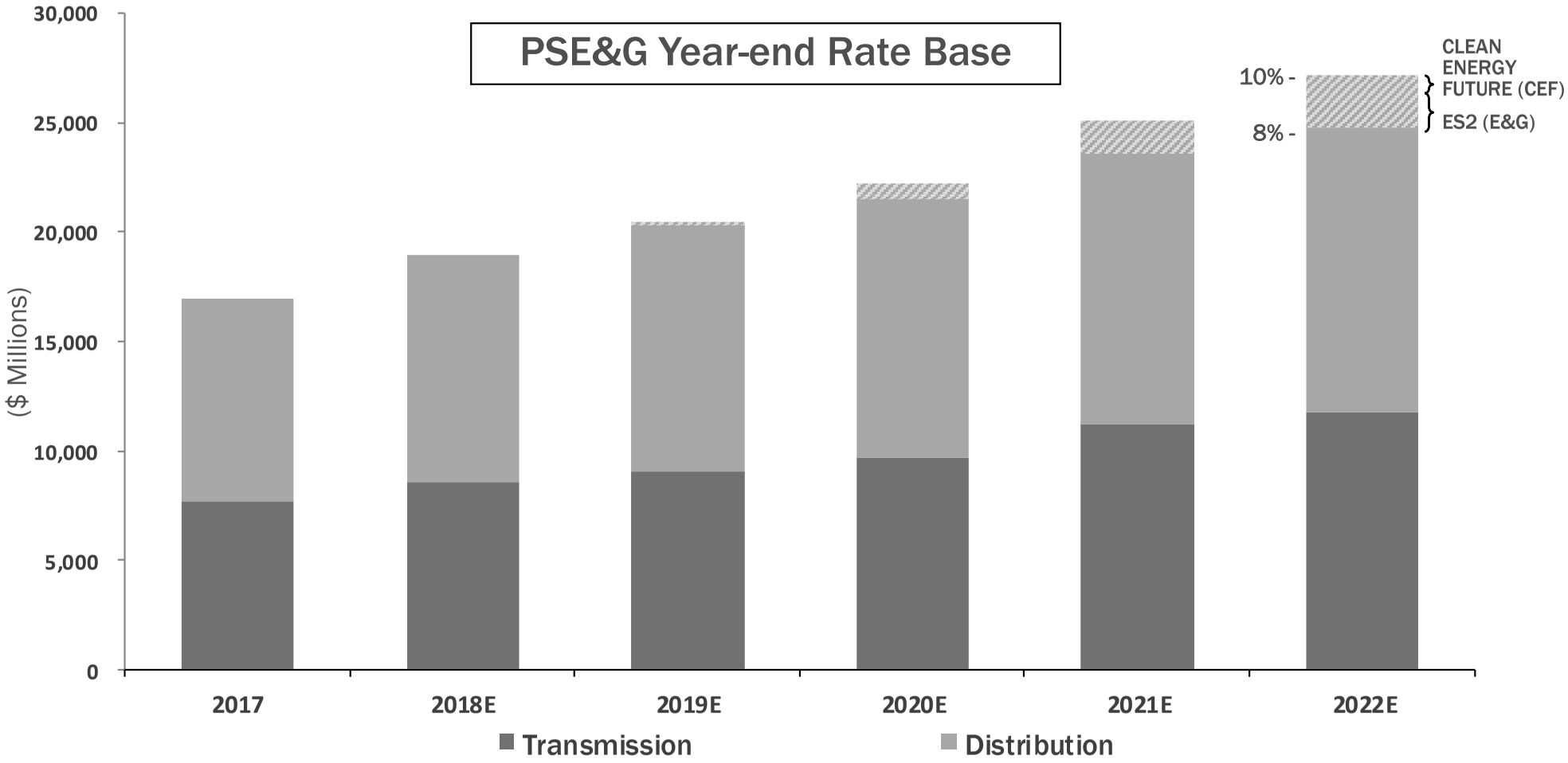
$12B-$16B investment program focused on grid modernization, reliability and clean energy



HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

SI-SSA-0015-14613

Expanded utility investment program of $12B - $16B provides opportunity for rate base growth of 8% - 10%



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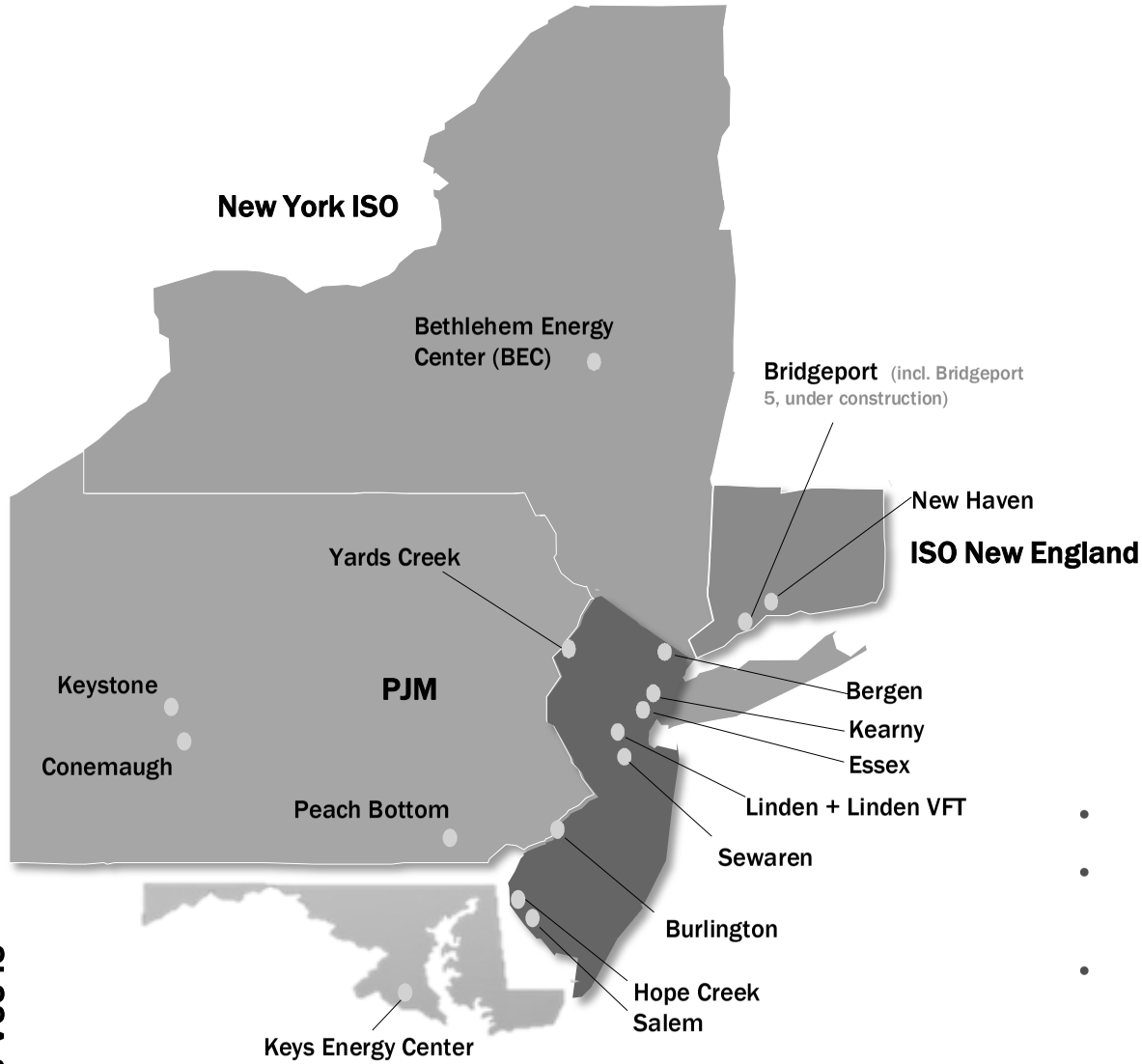
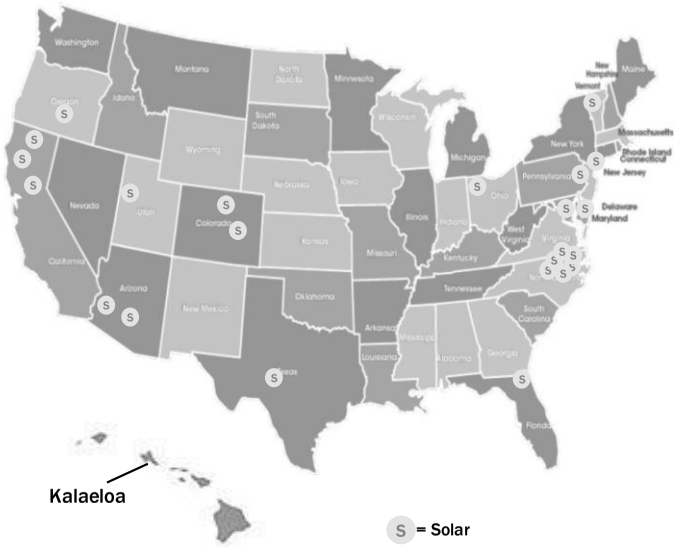
HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018 E = ESTIMATE.

Power's generating assets mainly located in three competitive markets





Power Ventures assets:

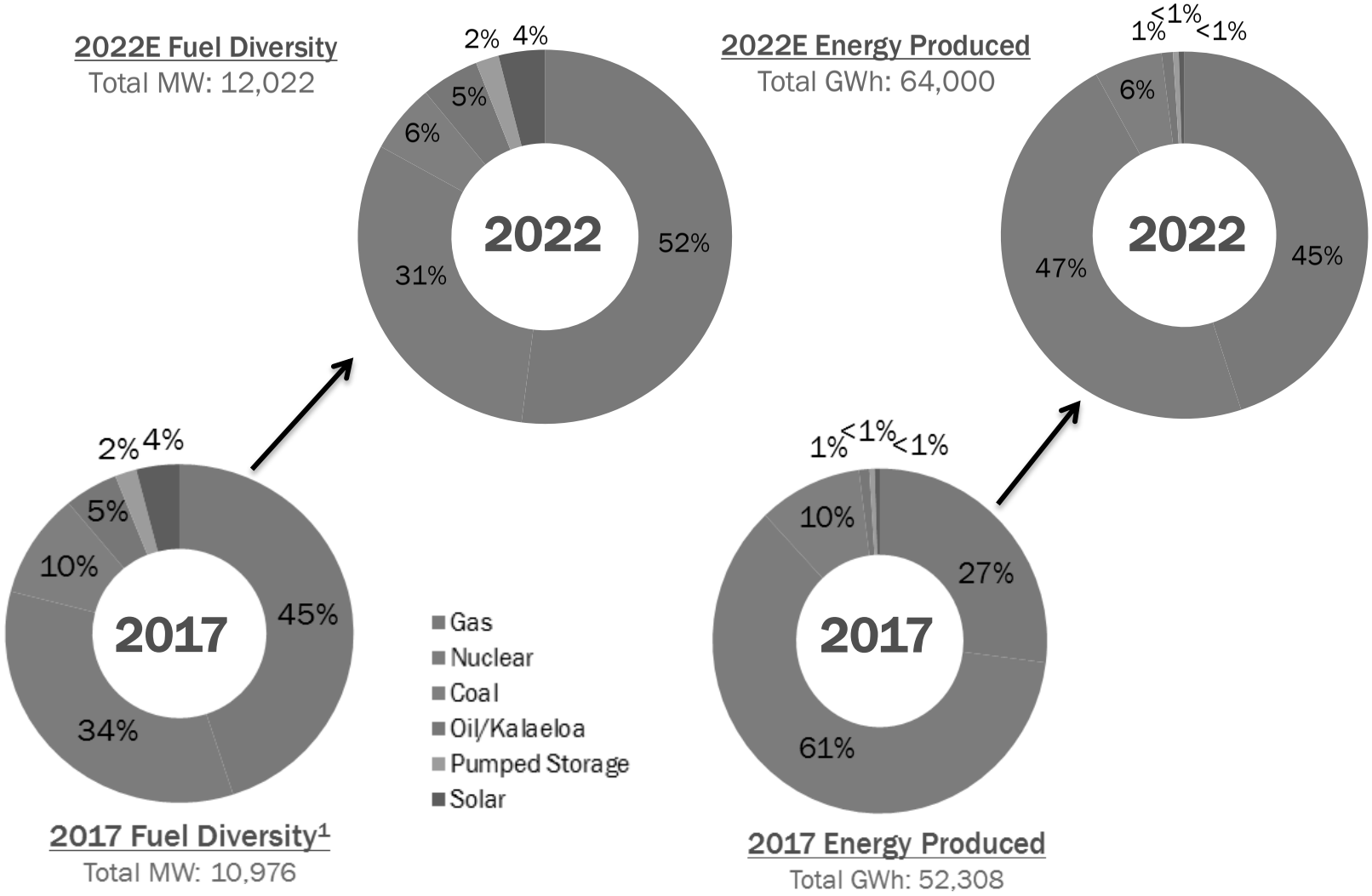
- Solar (414 MW_{DC}/325 MW_{AC})
- Kalaeloa, HI (104 MW)

- Major assets located near key load centers
- Completing construction program of three new, highly efficient combined-cycle units
- Positioned to benefit from market volatility

SI-SSA-0015-14615

Power's fleet transformed with focus on improvement in efficiency

Projected Fleet Comparison 2017 to 2022E



[1] REFLECTS RETIREMENT OF HUDSON AND MERCER UNITS IN JUNE 2017
E=ESTIMATE

SI-SSA-0015-14616

Regulatory/legislative policy initiatives strengthen foundation for providing clean, affordable and resilient energy supply

Base Rate Case Provides Opportunity for Long-Term Rate Stability

- Decision expected in Q4 2018

NJ regulators endorse streamlined process supporting long-term investment

- GSMP II Approved; ES II Filed in June 2018

NJ Advances Clean Energy Future

- PSEG Power will request NJBPU determination of eligibility for our NJ nuclear plants to receive Zero Emission Certificates
- PSE&G plans to accelerate investment in Energy Efficiency, Energy Storage, EVs and Energy Cloud - AMI

FERC/PJM Wholesale Market Reforms Underway

- Fast start pricing reform at PJM expected in 2019

SI-SSA-0015-14617

AMI = ADVANCED METERING INFRASTRUCTURE.

NJ Zero Emission Certificates (ZEC) support carbon free nuclear generation

- ✓ Legislation signed by New Jersey Governor Murphy on May 23
- ✓ 330-Day process underway – NJ Board of Public Utilities expected to determine eligibility and select nuclear plants to receive ZECs by mid-April 2019
- ✓ Hope Creek and Salem produce >90% of NJ's carbon free generation, support ~6,000 jobs, and benefit fuel diversity and grid reliability

SI-SSA-0015-14618

Zero Emission Certificate (ZEC) Process

2018	2019	2020

Enacted May 23 (Day One)

November 2018 (Day 180), BPU issues Order establishing ZEC program

April 19, 2019 (Day 330), BPU ranks applicants and selects plants to receive ZECs. Utilities begin purchasing ZECs for 'stub' period. Cash payment follows

During 'stub' period (end of energy year), ZECs earned through May 31

Within 90 days of May 31, cash payment occurs for ZECs earned during 'stub' period

June 2019, utilities purchase ZECs for new energy year, with cash payment within 90 days of the energy year ending May 31, 2020

Subsequent years work the same

Annual revenues estimated at ~$200 million, or ~$0.28 per share if all three NJ units are selected

SI-SSA-0015-14619

PSEG's future direction aligned with customer needs and NJ's Clean Energy agenda

2012-2017	2018 – 2022	Utility of the Future
Transmission expansion Storm hardening and resiliency New peaking generation and generation uprates Regulated & Unregulated Renewables	Upgrade aging infrastructure and Transmission Storm hardening and resiliency New, efficient CCGTs Clean Energy Legislation • Expanded Energy Efficiency • EV Infrastructure • Energy Storage • Energy Cloud – AMI Regulated & Unregulated Renewables	Clean Energy Legislation • Expanded Energy Efficiency • EV infrastructure • Battery storage Greater use of technology to enhance 2-way customer communication Regulated Renewables

AMI = ADVANCED METERING INFRASTRUCTURE.

NJ has advanced a new Clean Energy agenda

Energy Policy	Description	Investment Opportunity for PSEG
Energy Efficiency (EE)	• Requires electric utilities to reduce energy consumption by 2% and gas utilities to reduce energy consumption by 0.75% from average annual usage over prior 3-year period within 5 years • Allows utilities to recover "reasonable and prudent costs" including return of and on capital and revenue impact of lost sales	☑
Renewable Portfolio Standard (RPS)	• Increases percentage of energy to be supplied from renewable energy resources to 50% by 2030	☑
Solar	• Annual solar requirement increases to 4.8% in 2025 before declining to 4.5% in 2026 and 1.1% in 2033 as net metering cap increased to 5.8% from 2.9% • BPU must complete a study on how to modify/replace SREC program by 24 months after enactment	☑
Community Solar	• BPU must develop rules and regulations establishing a "Community Solar Energy Pilot Program"	☑
Offshore Wind (OSW)	• BPU to establish Offshore Renewable Energy Certificate (OREC) to support 3,500 MW by 2030 • Allows OSW projects to receive tax credits from the Energy Development Agency (EDA) • NJ Dept. of Labor directed to develop job training programs to support OSW development	☑
Energy Storage	• BPU to provide Governor and Legislature with analysis of "energy storage needs and opportunities" • BPU to initiate process within six months of delivering report that establishes a process and mechanism for achieving 600 MW of energy storage by 2021 and 2,000 MW by 2030	☑
EV Infrastructure	• Charging stations and related infrastructure for workplace, multi-family and travel corridors	☑

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Partnership for a Clean Energy Future:

~$3.6 Billion investment program to provide cost-effective and innovative solutions supporting NJ's clean energy goals

- **Energy Efficiency:** Residential and C&I programs to lower energy bills and combat climate change
  - Savings targeting 2% electric and 0.75% gas savings consistent with NJ Clean Energy Legislation
  - Customer benefits exceed costs
- **Electric Vehicles:** "Smart" electric vehicle infrastructure: residential, workplace, multi-family, travel corridors
- **Energy Storage:** Utility-scale systems to defer traditional distribution investment, enable additional solar, and enhance critical infrastructure resiliency
- **Energy Cloud: Advanced Metering Infrastructure (AMI):** Accelerated roll-out of 2.2 million electric meters and supporting infrastructure. Compelling customer benefits

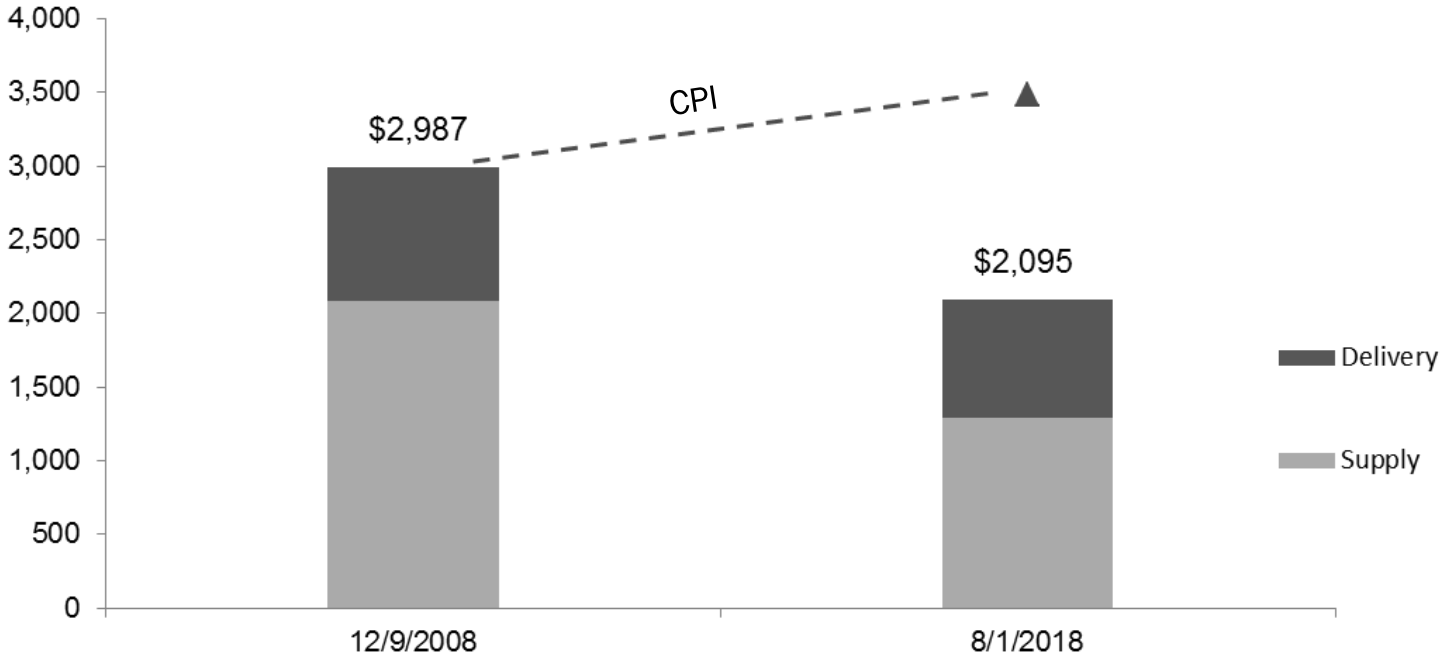
Program Investment	$ Billion
Energy Efficiency	$2.5
Electric Vehicles	$0.3
Energy Storage	$0.1
Energy Cloud – AMI	$0.7
Investment Total	$3.6

- 6-year investment program starting in 2019
- Seeking contemporaneous recovery
- Contingent on approval of lost revenue recovery mechanism

SI-SSA-0015-14622

Customer's bills are materially lower, supporting needed investment in the system

PSE&G Combined Typical Annual Residential Customer Bills*



- Combined, typical residential electric and gas customer bills are ~30% lower since the highpoint in 2008 and >40% lower when adjusted for inflation
- Also provided BGSS bill credits totaling ~$680 per customer since 2012

- Regional price comparison** - Gas is 2nd lowest and Electric is lower than average
- Delivery revenue component is the lowest in the state for Gas and second lowest for Electric
- PSE&G's infrastructure and clean energy investment programs would increase rates by approximately 2% - 3% annually, aligned with inflation

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PSEG

*FOR ALL YEARS THE BILLING ASSUMES 7,200 KWH FOR ELECTRIC AND 1,010 THERMS FOR GAS ANNUALLY.
** COMPARED AGAINST 12 REGIONAL UTILITIES AS OF DECEMBER 1, 2017, FOR A CUSTOMER THAT USES 500 KILOWATT-HOURS AND 100 THERMS IN A MONTH.

Capital spending focused on regulated growth

PSEG
2018E – 2022E Capital Spending

$14B to $17.5B

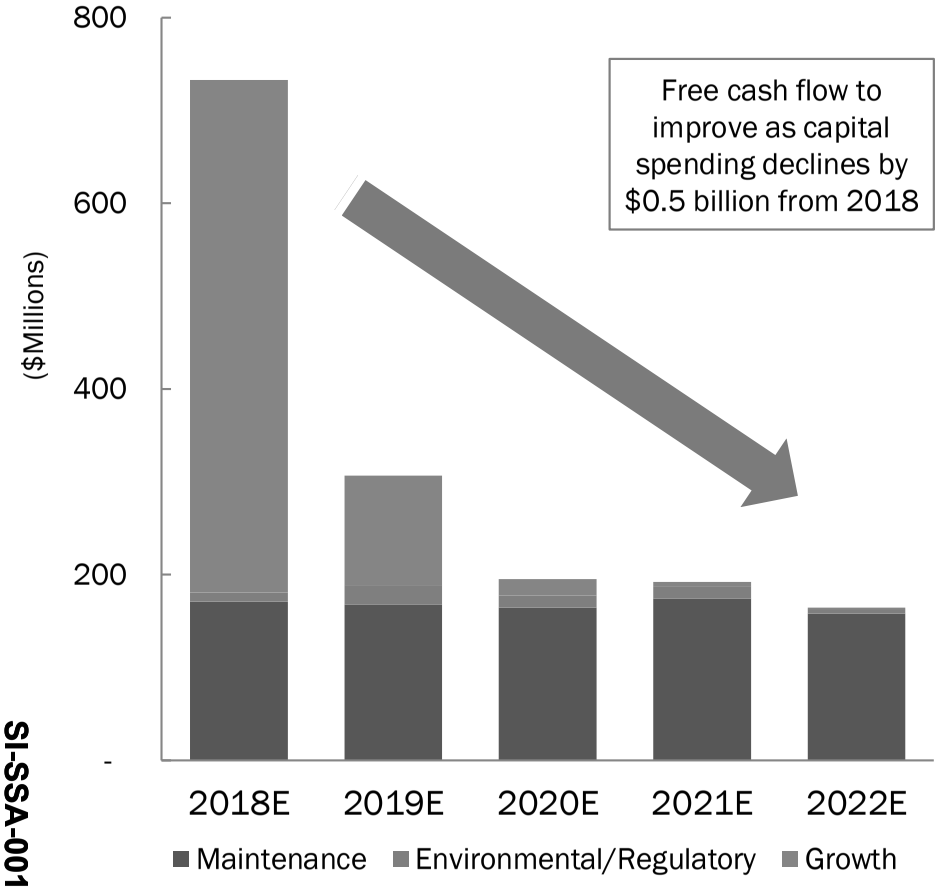
Investment in regulated business represents ~90% of capital program

.HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILING.
5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018
CAPITAL INCLUDES IDC AND AFUDC E=ESTIMATE

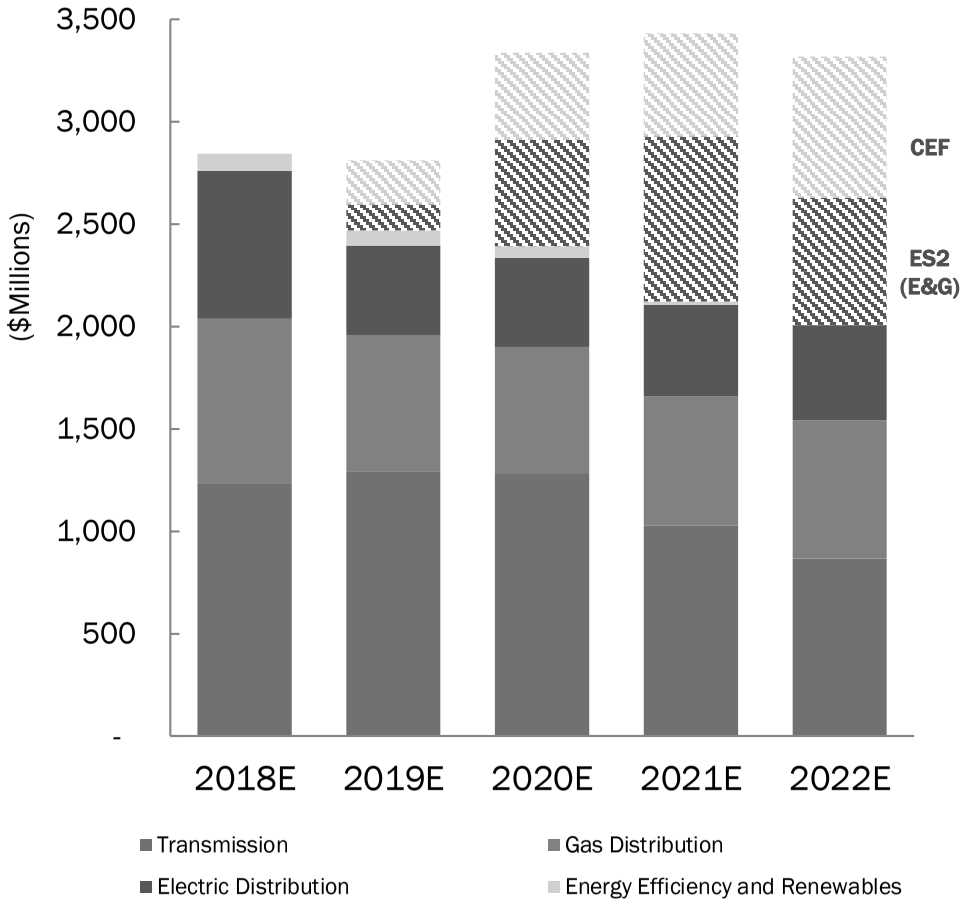
SI-SSA-0015-14624

Power's free cash flow improves as construction program ends

PSEG Power
2018E – 2022E Capital Spending [1]



PSE&G
2018E – 2022E Capital Spending [1] [2]



1)CAPITAL INCLUDES IDC AND AFUDC.
2)HASHED PORTION OF THE CHART REPRESENTS EXTENSION OF ENERGY STRONG (ES2) AND CLEAN ENERGY FUTURE (CEF) FILINGS.
E = ESTIMATE

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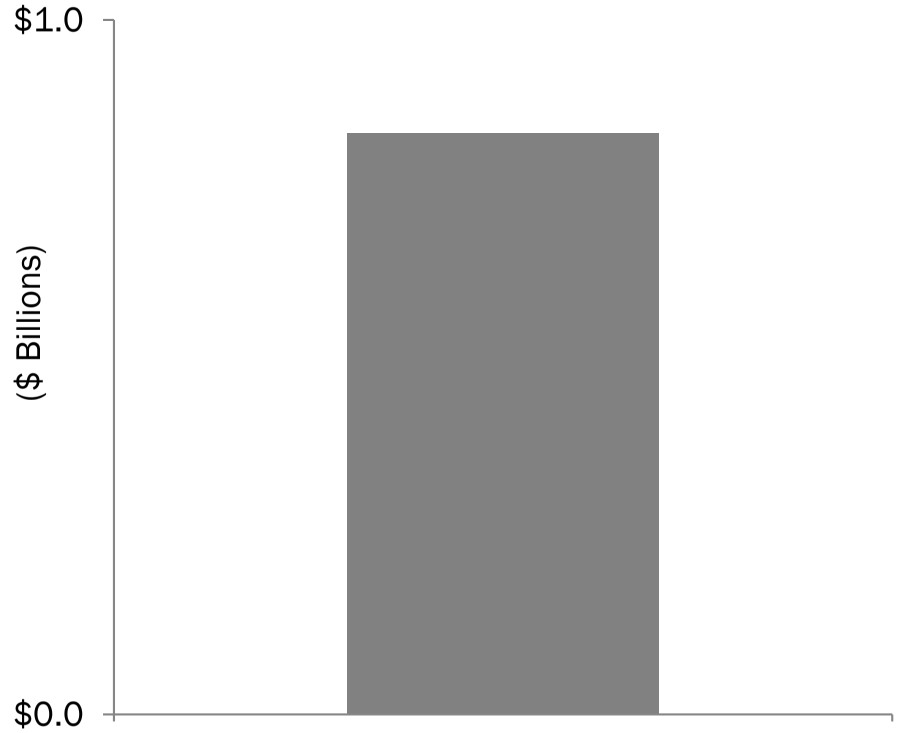
Solid credit metrics support additional investment capacity

Average Funds From Operations/Debt* 2018E – 2020E

	Power	PSEG
Estimate	Low - Forties	~20%
Minimum Threshold	30%	High - Teens

* Does not consider potential ZEC impact on estimated FFO/Debt

Total Incremental Investment Capacity 2018E – 2020E (PSEG and Power)



Incremental capacity invested in PSE&G would be matched with utility debt

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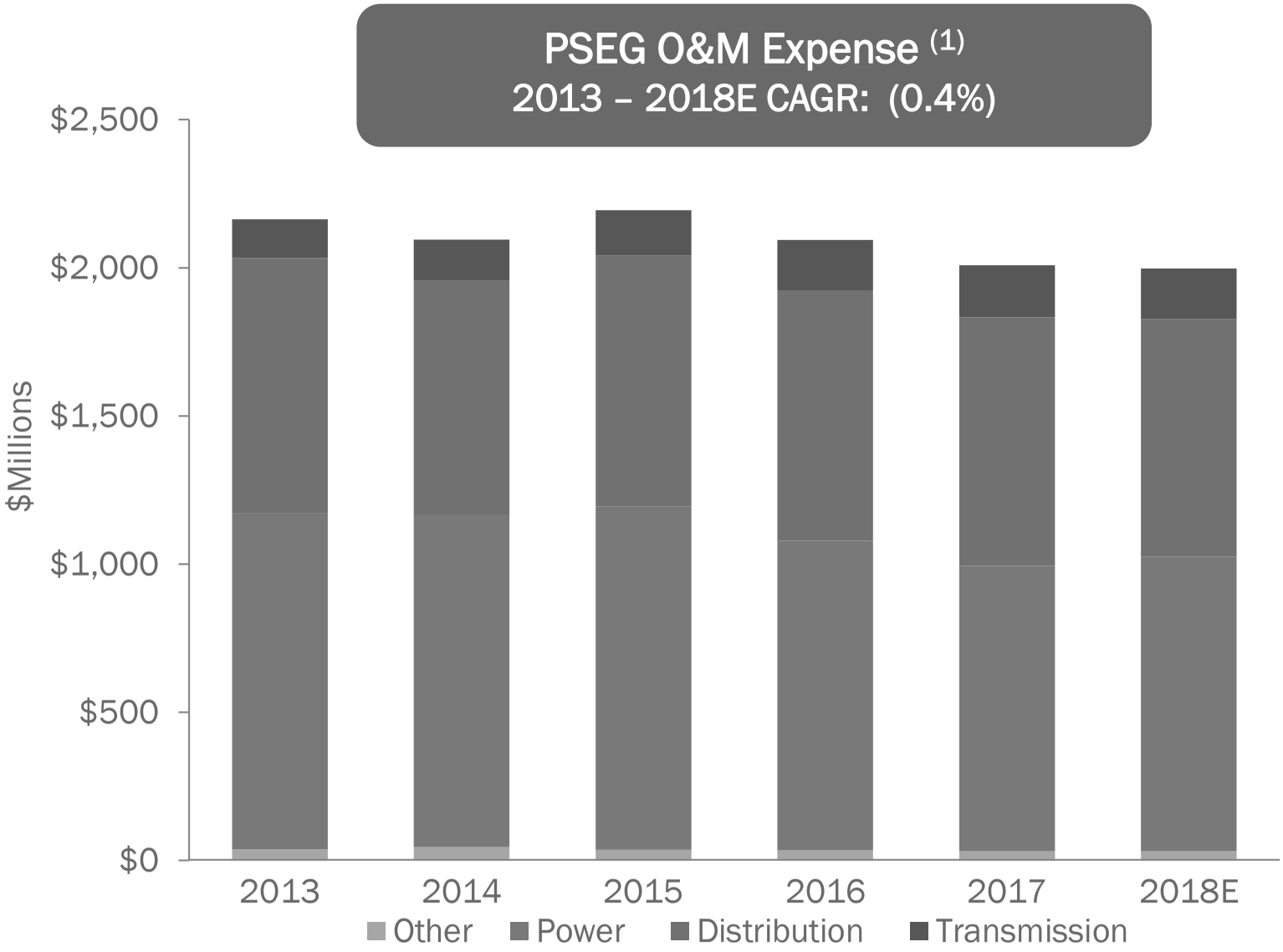
PSEG has controlled O&M



Cost Control Actions

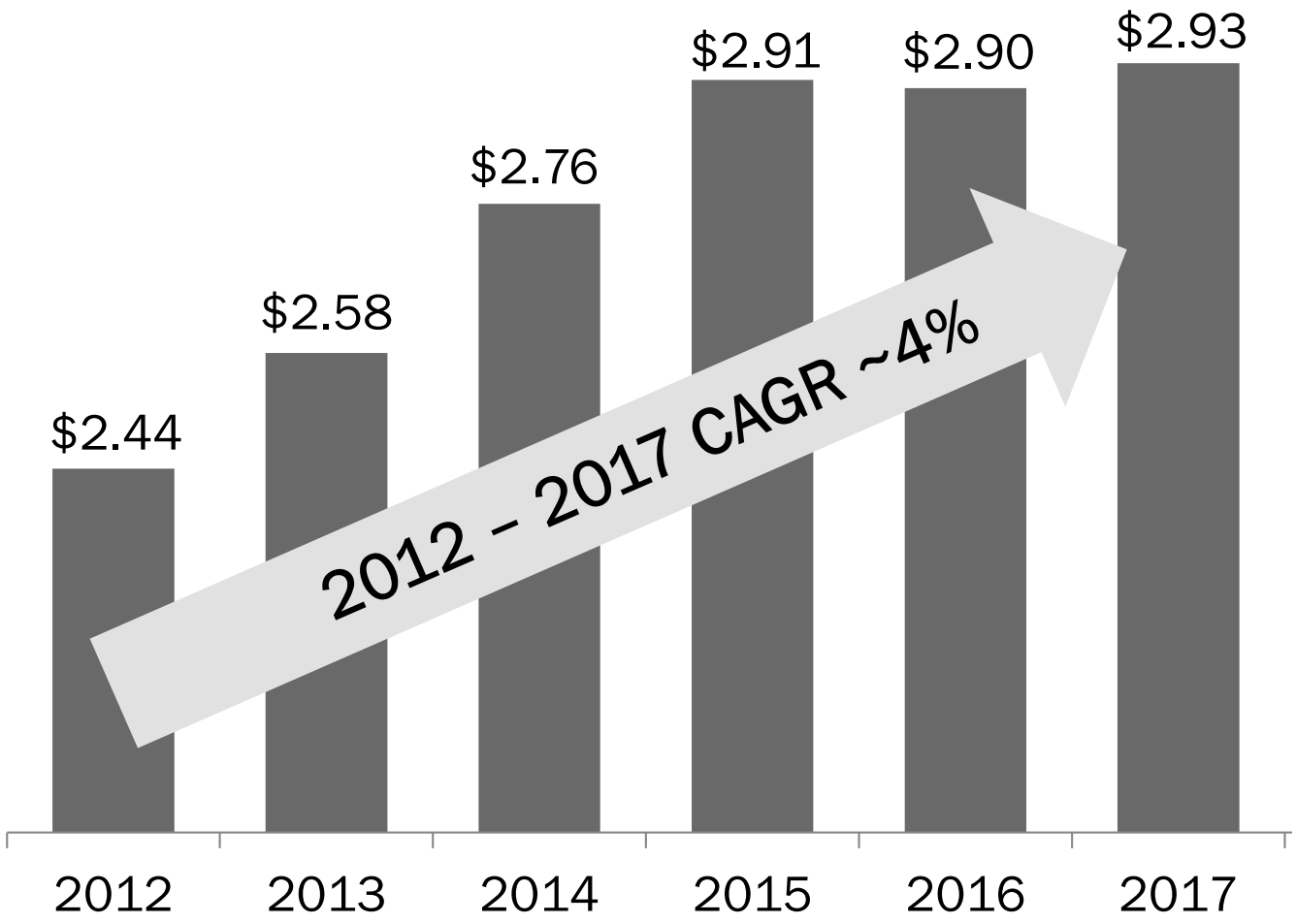
- Continued focus on vendors to ensure maximum value
- Regular organizational refinement to streamline processes
- Managed Pension & OPEB Expense
- Retirement of un-economic generating plants
- 'Best practices' teams focused on improving performance while managing costs

1) EXCLUDES REGULATORY BALANCING ACCOUNT ITEMS AND NUCLEAR ARO ACCRETION EXPENSE ; INCLUDES THE IMPACT OF THE CHANGE IN PENSION ACCOUNTING STANDARDS. E = ESTIMATE.

SI-SSA-0015-14627

Strategic focus continues to deliver solid results

PSEG non-GAAP Operating Earnings per Share*



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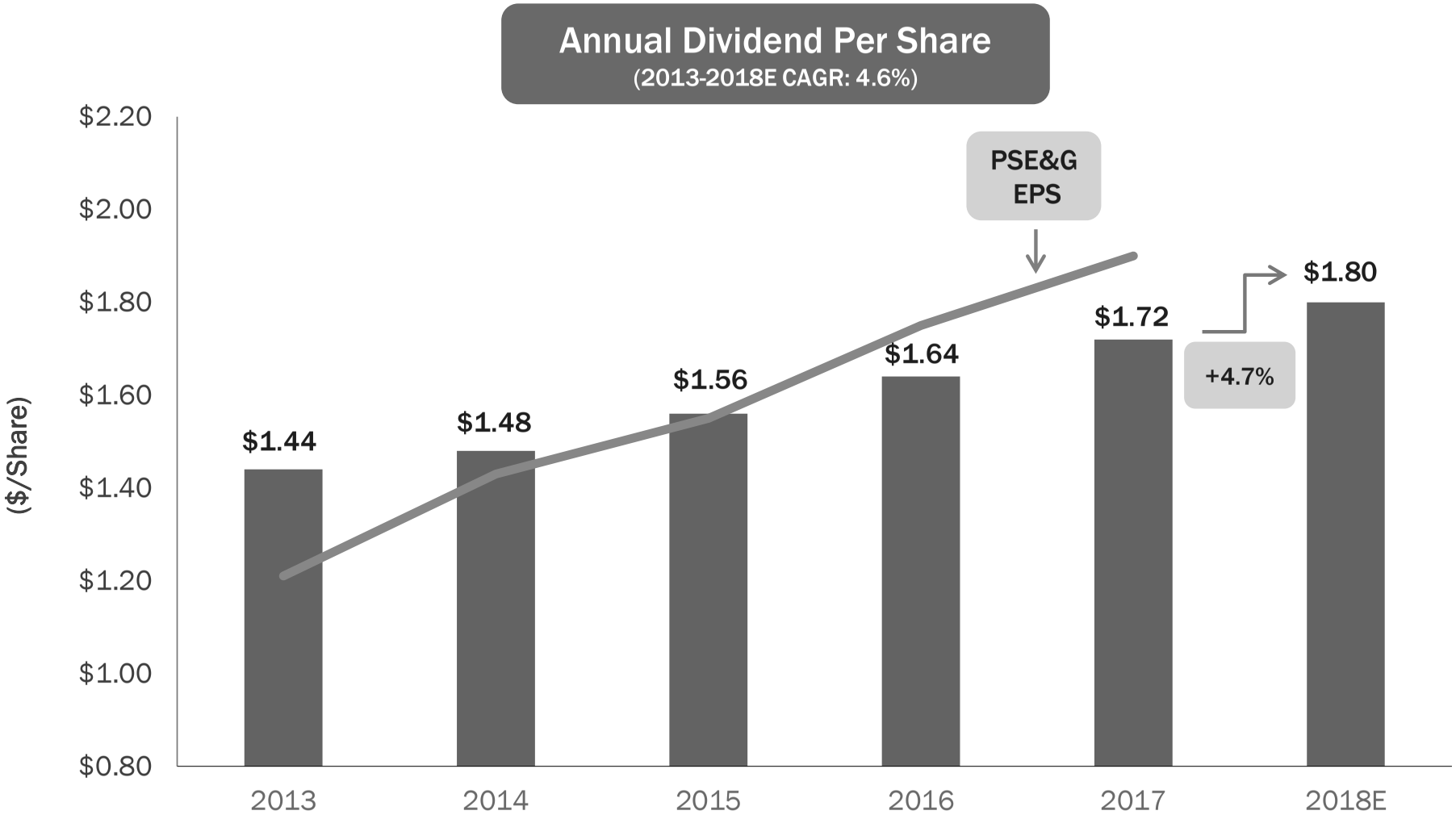
PSEG

*SEE SLIDE A FOR ITEMS EXCLUDED FROM NET INCOME TO RECONCILE TO NON-GAAP OPERATING EARNINGS.
E = ESTIMATE.

Opportunity for consistent and sustainable dividend growth



E=ESTIMATE; INDICATIVE ANNUAL RATE.

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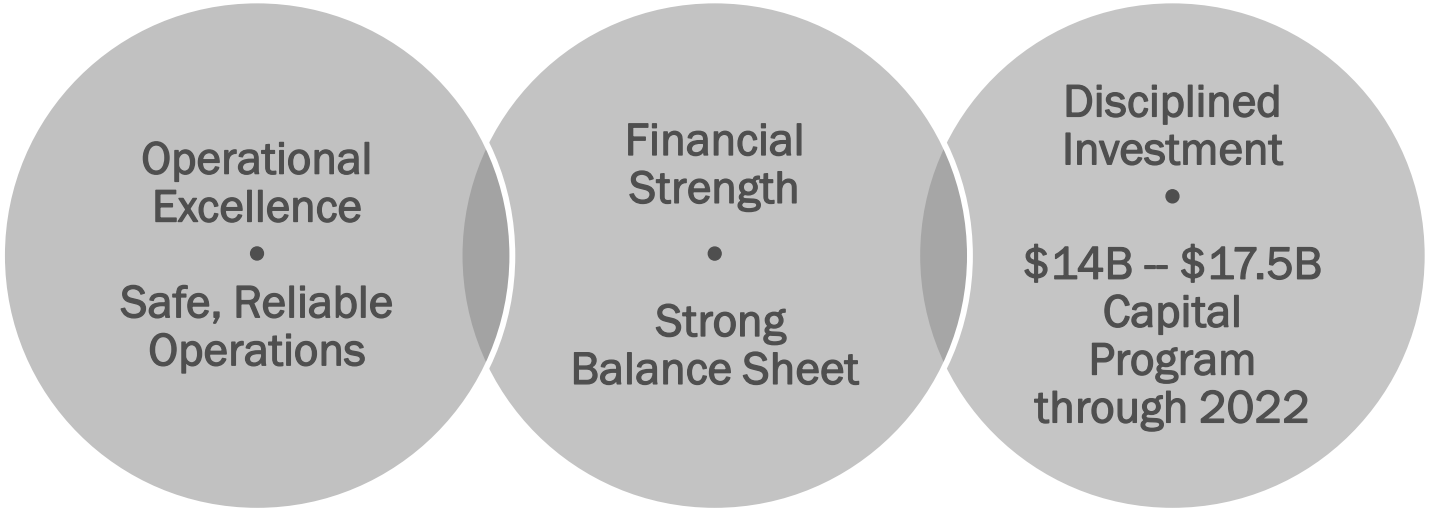
PSEG Value Proposition



- PSE&G – Delivering on promise for rate base growth through disciplined investment, customer satisfaction and safety
- PSEG Power – Efficient, low-cost, clean fleet advantaged by asset diversity, fuel mix and location
- Focus on providing strong, sustainable returns of invested capital through operational excellence, regulatory and legislative mechanisms
- 111-year record of paying common dividends with opportunity for consistent, sustainable growth

SI-SSA-0015-14630

NOTE: PSEG 5 YEAR CAPITAL SPEND FORECAST UPDATED FOR CLEAN ENERGY FUTURE PROGRAM FILED SEPTEMBER 26, 2018

Sustainability is the hallmark of our 115 years of Public Service

- ✓ PSEG's climate goal is to eliminate 13 million tons of CO_2 equivalent emissions by 2030 from 2005 levels
- ✓ Named to the Dow Jones North America Sustainability Index for the 11th year in 2018
- ✓ Working to secure the economic viability of PSEG Power's nuclear fleet, which generates >90% of New Jersey's carbon free energy
- ✓ Invested approximately $1.7 Billion in the development of solar energy
- ✓ Proud sponsor of several sustainability and STEM programs including Montclair State's Institute for Sustainability Studies; the Andlinger Center for Energy & the Environment at Princeton; and the Stevens Institute of Technology's SURE House

SI-SSA-0015-14631

PSEG EXECUTIVE PROFILES

PSEG

We make things work for you.

SI-SSA-0015-14632

Ralph Izzo

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Ralph Izzo was elected chairman and chief executive officer of Public Service Enterprise Group Incorporated (PSEG) in April 2007. He was named as the company's president and chief operating officer and a member of the board of directors of PSEG in October 2006. Previously, Mr. Izzo was president and chief operating officer of Public Service Electric and Gas Company (PSE&G).

Since joining PSE&G in 1992 Mr. Izzo was elected to several executive positions within PSEG's family of companies, including PSE&G senior vice president – utility operations; PSE&G vice president – appliance service; PSEG vice president - corporate planning; and PSE&G vice president - electric ventures. In these capacities he broadened his experience in the areas of general management, strategic planning and finance.

Mr. Izzo is a well-known leader within the utility industry, as well as the public policy arena. He is frequently asked to testify before Congress and speak to organizations on matters pertaining to national energy policy.

Mr. Izzo's career began as a research scientist at the Princeton Plasma Physics Laboratory, performing numerical simulations of fusion energy experiments. He has published or presented over 35 papers on magnetohydrodynamic modeling. Mr. Izzo received his Bachelor of Science and Master of Science degrees in mechanical engineering and his Doctor of Philosophy degree in applied physics from Columbia University.

He also received a Master of Business Administration degree, with a concentration in finance from the Rutgers Graduate School of Management. He is listed in numerous editions of Who's Who and has been the recipient of national fellowships and awards. Mr. Izzo has received honorary degrees from the New Jersey Institute of Technology (Doctor of Science), Thomas Edison State University (Doctor of Humane Letters), Bloomfield College (Doctor of Humane Letters), Rutgers University (Doctor of Humane Letters), and Raritan Valley Community College (Associate of Science).

Mr. Izzo is on the board of directors for the New Jersey Chamber of Commerce, the Edison Electric Institute (EEI), the Nuclear Energy Institute (NEI) and the New Jersey Performing Arts Center. He is also a member of the Board of Trustees of Peddie School and the Princeton University Andlinger Center for Energy and the Environment Advisory Council, as well as a member of the Visiting Committee for the Department of Nuclear Engineering at MIT. Mr. Izzo is a former member of the Columbia University School of Engineering Board of Visitors. In addition, he is a former chair of the Rutgers University Board of Governors and the New Jersey Chamber of Commerce.

SI-SSA-0015-14633

Daniel J. Cregg

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED, PUBLIC SERVICE ELECTRIC AND GAS COMPANY, PSEG POWER LLC AND PSEG SERVICES CORPORATION

Daniel J. Cregg was named executive vice president and chief financial officer for Public Service Enterprise Group Incorporated (PSEG) and its subsidiaries in October 2015.

Mr. Cregg is responsible for all financial functions, including Internal Audit Services, Investor Relations and Corporate Development. Given the array of financial instruments which serve as the primary means of selling wholesale energy to customers, Mr. Cregg also has responsibility for the Risk Management function, which provides independent oversight of the PSEG Power trading organization. In addition to finance, Mr. Cregg is responsible for the Strategy and Planning function. He is a member of PSEG's Executive Officer Group.

Prior to his current position, Mr. Cregg was vice president – finance for PSE&G, a role he assumed in June 2013. In 2006, Mr. Cregg was named vice president – finance for PSEG Power. In that capacity and in previous financial roles for Power, Mr. Cregg held leadership positions related to financial reporting and forecasting, investor communications, financings, rating agency interactions, external reporting, cash forecasting, financial valuations, competitive intelligence, and fundamental market modeling, with critical responsibilities in Power's development and strategic planning activities.

Previously, Mr. Cregg was director of PSEG corporate development. He joined PSEG in 1991 with overall responsibility for tax planning, strategy and compliance for PSEG Energy Holdings, including domestic and international tax structuring work for PSEG Global and PSEG Resources.

Before joining PSEG, Mr. Cregg spent five years with the accounting and consulting firm of Deloitte and Touche, providing consulting services to a wide range of clients with an emphasis on the energy industry.

Mr. Cregg holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania and is a graduate of Lehigh University, where he received a bachelor's degree in accounting.

SI-SSA-0015-14634

Reconciliation of Non-GAAP Operating Earnings

Public Service Enterprise Group Incorporated - Consolidated Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31, 2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 1,574	$ 887	$ 1,679	$ 1,518	$ 1,243	$ 1,275
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	77	147	-	-	-	(61)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(427)	(391)	150	104	(27)	42
Tax Reform	(745)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 1,488	$ 1,475	$ 1,476	$ 1,400	$ 1,309	$ 1,236
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507
	($ Per Share Impact - Diluted, Unaudited)					
Net Income (Loss)	$ 3.10	$ 1.75	$ 3.30	$ 2.99	$ 2.45	$ 2.51
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.26)	(0.01)	(0.05)	(0.27)	(0.17)	(0.21)
(Gain) Loss on MTM, pre-tax[a] (PSEG Power)	0.33	0.33	(0.31)	(0.22)	0.25	0.04
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(0.34)	0.05	0.11	0.13
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	1.92	1.32	-	-	-	-
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.15	0.29	-	-	-	(0.12)
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(0.84)	(0.78)	0.31	0.21	(0.06)	0.09
Tax Reform	(1.47)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 2.93	$ 2.90	$ 2.91	$ 2.76	$ 2.58	$ 2.44

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate and NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Reconciliation of non-GAAP Operating Earnings for Public Service Electric & Gas and PSEG Power

PSE&G Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 973	$ 889	$ 787	$ 725	$ 612	$ 528
Tax Reform	(10)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 963	$ 889	$ 787	$ 725	$ 612	$ 528
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

PSEG Power LLC - Operating Earnings (Non-GAAP) Reconciliation

Reconciling Items	Year Ended December 31,					
	2017	2016	2015	2014	2013	2012
	($ millions, Unaudited)					
Net Income (Loss)	$ 479	$ 18	$ 856	$ 760	$ 644	$ 666
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(133)	(5)	(24)	(138)	(86)	(104)
(Gain) Loss on Mark-to-Market (MTM), pre-tax[a] (PSEG Power)	167	168	(157)	(111)	125	18
Storm O&M, net of insurance recoveries, pre-tax (PSEG Power)	-	-	(172)	27	54	66
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	975	669	-	-	-	-
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[b]	(395)	(336)	150	104	(27)	17
Tax Reform	(588)	-	-	-	-	-
Operating Earnings (non-GAAP)	$ 505	$ 514	$ 653	$ 642	$ 710	$ 663
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	508	508	508	507

(a) Includes the financial impact from positions with forward delivery months.

(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

Company Name: PSEG
Company Ticker: PEG US
Date: 2018-11-13
Event Description: Edison Electric Institute Financial Conference

Market Cap: 27,041.56
Current PX: 53.50
YTD Change($): +2.00
YTD Change(%): +3.883

Bloomberg Estimates - EPS
Current Quarter: 0.567
Current Year: 3.101
Bloomberg Estimates - Sales
Current Quarter: 2720.400
Current Year: 9601.727

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

So you're at the Public Service Enterprise Group presentation, just to make sure you're in the place you want to be. I refer you to our forward-looking statements as well as our GAAP disclaimer. We will be making some projections and we will use the methodology that we think better reflects the ongoing financial condition of the company.

I am Ralph Izzo, the Chairman, President and CEO of PSEG. I'm joined today with three of my colleagues Dan Cregg, our Executive Vice President and Chief Financial Officer; Carlotta Chan, who's in-charge of our Investor Relations; and Brian Reighn also from our Investor Relations Group. And each of us will be available to answer your questions as they arise.

So some highlights that we'll spend a little more time on during the course of the presentation, but the major theme here is a long history of success and a long-term view of how to manage the company going forward. Each of these particular items will come up during the course of the conversation, so I won't dwell on them here, but it is an over 100 year – over a century of success in various operational as well as financial measures.

So those of you who are less familiar with Public Service Enterprise Group, we have two principal operating subsidiaries. About two-thirds of the company's earnings comes from our regulated utility, it's an electric and gas utility in New Jersey. Its primary area of focus is an aging infrastructure investment program that has allowed us to grow the rate base over the past decade by low double-digits and over the next five years expects to invest between $12 billion and $16 billion to continue an 8% to 10% growth rate in that rate base, down from the prior 12% to 13% as the rate base has expanded.

PSEG Power, making up the bulk of the remaining one-third of the earnings of the company, characterized by a highly efficient natural gas fleet of approximately 7,200 average heat rate, producing a little bit under half of the electricity of power and then a low cost nuclear fleet of about 3,500 megawatts, producing a little bit over half of the remaining output from power. So we're well-positioned fleet from the point of view of economic efficiency, of environmental footprint as well as geographic location being primarily in Eastern PJM.

Another minute or two on the utility, we basically serve the north, south, central corridor of the State of New Jersey. A little bit over 2 million electric customers, a little bit under 2 million gas customers, essentially zero load growth over the past few years, modestly up in gas, modestly down in electric. So, load growth is not the correlating factor to the utility's growth. At the risk of repeating myself, it's all about an aging infrastructure replacement that is the primary impetus behind the past decade and future five years of growth, with the additional caveat now of an interest and an excitement around the Clean Energy Future being resurrected in New Jersey with the incoming new Governor Murphy administration.

Also worthy of note is the pie chart in the lower right hand corner. As you can see, we are approximately one-half transmission rate base and, therefore, FERC formula rate regulated, with the other half the distribution component being New Jersey Board of Public Utilities regulated.

A fairly busy year and a somewhat successful year from the point of view of 2018, our first base rate case in eight years having been successfully concluded just this past month successfully from the point of view of we didn't get everything

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we wanted and our regulators didn't get everything that perhaps they may have wanted. A 9.6% allowed return on equity and a 54% equity ratio being the highlights of that rate case outcome. We also received approval for a Gas System Modernization Plan. We have the dubious distinction of owning the largest cast-iron gas main system in America. It is fortunately a low pressure, low utilization pressure system and just sort of represents both an O&M and public nuisance from the point of view of occasional breaks and cracks that require correction.

At our current pace of expenditure, under the GSMP II, forgive me for using the acronym, but it just makes it easier, it will take us anywhere from 20 to 25 years to fully replace that program. That's a $400 million a year spend. In addition, legislation was enacted that preserves the life of our nuclear fleet by recognizing both their environmental benefits through a zero-emission credit as well as the fuel diversity they provide the state in terms of minimizing our exclusive dependence on natural gas. Also this year, the passage of Clean Energy legislation, which creates a framework for the utility to participate in a whole range of beyond-the-meter services, which we had been participating in, in the past, but now gives an explicit mandate, things like energy storage, energy efficiency and the like and we'll talk a little bit more about that Clean Energy Future program as we continue.

To be sure, some activity underway at FERC as it pertains to PJM capacity markets. There too, while there's no question that there's some uncertainty associated with that. We do believe that given the stated objectives of FERC in redesigning the capacity market that we are extremely well-positioned: number one, through the elimination of, to the extent that exists, price suppression on unsubsidized units that could potentially – should potentially support and help our fossil fleet; and number two, through FERC's stated desire to not interfere with state's abilities to designate various technologies in particular as it pertains to carbon limitations and continue to support the operation of those technologies, which should benefit our nuclear fleet.

Let's spend a little bit of time talking about that 8% to 10% growth rate in the rate base of the utility. What do you see here is the rate base for transmission at the bottom half of the bar and the rate base for distribution the green part of the bar. Those are approved and existing programs. The projects are in engineering, they're in design, they're in construction and that produces the 8% growth rate. The additional potential for 2% is if the two filings that we have made this year, one for something called Energy Strong II, which brilliantly follows on the heels of Energy Strong I, which was completed just this past year, which is an attempt to harden and make more resilient our electric grid. We have filed for $2.5 billion over the next five years. Here we show the first three years of that five-year program. And on top of that, our Clean Energy programs that I referred to briefly a moment ago, which is $3.6 billion filing for the next six years. Here we show the first three years of that.

If the as-filed programs are approved in the as-filed condition, the first three years of them would produce the 10% growth rate. That 10% growth rate could be achievable in other ways by either additional transmission projects, additional distribution projects, or even if the programs are not fully approved, if the first three years of the as-filed programs are approved, that 10% would be real. So somewhere between 8% and 10%.

My favorite slide of the whole deck, one that I'll spend a few minutes on, the stacked solid colored bars reflect known and approved capital programs that contribute – that provides the 8% growth in rate base. So here we break that out in terms of transmission, electric and gas distribution and Clean Energy. So that would be the solid bars. And if you look at the tops of the solid bars, you see a roughly $12-plus billion program that is declining over the five years.

We have shown this graph every year for the past 11 to 12 years. We don't have to change it at all except for the numbers on the Y axis and the years on the X axis. To emphasize that point, if you look at that dark line that's on the bottom, that's somewhat short, that shows years three, four and five of what would have been the solid bars that I showed two years ago in 2016. So you see the same declining pattern.

The equally dark line, but I think it's black if you look close to it, our years two, three, four and five of what the tops of the solid bars would have been in 2017, same declining pattern, but about $0.5 billion higher in each year. If we were not to show stacked bars but instead were to simply show you a solid line, for the current solid bars you could see that it is the same declining pattern but about $300 million higher in each year.

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So every year we talk about the declining capital program and every year we come back and show you the increased capital program. And it suffices to say that the crosshatched region on top are the two current filings Energy Strong II and Clean Energy Future. We will not get 100% of what we request, even though we think every penny of it is worth doing. To the extent that we get some of it, it is very likely that I will repeat the last three minutes of this presentation when I speak to you next year.

So notwithstanding the growth in the rate base, the emphasis has shifted. So some of the transmission projects we did five years ago were all about decongesting and making more reliable the East-West Interchange and PJM East. Now we are spending more money not so much on big transmission projects, but on hardening the transmission system, replacing literally 70-year-old assets, 60-year-old assets to make sure they're more reliable. Prior five years, we spent a fair amount of money in building some small peakers in our generation fleet one in Connecticut, one in New Jersey and in the last year and then into the next year, we've built a few combined cycles. That program will wind down and we will deemphasize our construction in the generation fleet.

We have spent a fair amount of money the prior five years on distribution resiliency. That will continue in the current five years and we are just beginning to ramp up our Clean Energy spending. We had spent about $700 million in solar over the past 10 years, $400 million on energy efficiency over the past 10 years. But if you just look at that Clean Energy filing, $3.6 billion over the next six years, you can see an order of magnitude shift in that emphasis.

Let me spend a little bit of time again on the base rate case settlement. So, the $17.5 billion rate base, about half of that, as I mentioned a moment ago, a little bit more than half of that, $9.5 billion is in distribution. The last five settled cases in New Jersey have yielded a 9.6% allowed ROE. That was the ROE we settled for. We were given a 54% equity layer, which also applies to our transmission system as a result of that being the capital structure of the single legal entity known as PSE&G. But through the miracles of tax reform, we are actually able to improve our earnings while lowering the customer bill by $13 million. And Dan during the Q&A can walk you through the deferred tax impacts of tax reform as well as some of the flow-back issues that allowed us to both increase the earnings of the company and lower customer bills.

At the conclusion of this case, our customers' bills, not their rates, but the bill for the average residential customer is 30% lower than what it was 10 years ago in nominal dollars and 40% lower if you were to escalate for the Consumer Price Index. I have to remind customers of that every so often because they don't seem to recall what their bill was back in 2008.

Energy Strong program, by way of reminder, back in the 2011, 2012 timeframe, we had some very strange events. We had a snowstorm in New Jersey around Halloween then the subsequent August we had Hurricane Irene, not such an unusual event. But then October 28, 2012, we had Superstorm Sandy and that resulted in literally a resetting of the Federal Emergency Management Agency maps for where the flood plains reside. New Jersey being an old industrial state where electrification followed the industrialization of the state, primarily in transportation corridor, in the old days transportation corridors were rivers and rail lines. Those happened to be coincidental with low-lying areas and flood-prone areas. We have a lot of assets that were susceptible to floods not just from rain, but from tidal surges.

At that time, we went to the Board of Public Utilities and said to fix those assets that were affected by each of those three events. I'm not predicting any future climate change calamities, but just to fix what was affected will cost us $3.9 billion and we need to spend that over the next 10 years. The Board of Public Utilities said here – we then asked for $2.6 billion over five years. The Board of Public Utilities said you're right, something needs to be done. Here's $1.2 billion and get it done in the next three or four years. And by the way, we're going to assign somebody to monitor your activity. I think with complete pride on behalf of our employees, I can say that that monitor gave us an A-plus on our report card. We did the work that we thought would take $1.2 billion and used only $1 billion and now we've gone back and said $3.9 billion minus $1.2 billion is not $2.7 billion, it's $2.5 billion. And by the way, we think we can do a few more things here and a few less things there, but [ph] give us the second-half of energy shown (00:14:20) given how well we did.

You can see a before and after picture here of a particular switching station that was modified as a result of Energy Strong. And if you can't see the detail, I'd encourage you to pick up one of the slides in the back. It's pretty impressive

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how different the facility is both in terms of just being lifted off the ground and being protected from inclement weather.

The partnership for Clean Energy Future, as I mentioned a moment ago, really comes on the heels of Clean Energy legislation that was enacted and signed into law by Governor Murphy in May of this past year. The primary component of that is an energy efficiency program that seeks to reduce electricity demand by 2% per year and gas demand by 0.75% per year. The legislation clearly articulates that those ought to be the targets for the electric and gas utilities in the state and the BPU should enact rules that allow us to recover the costs for running the program, to recover the investment of the equipment we put in, to earn a return on the investments we put in as well as to recover the loss revenues from the foregone sales as a result of the energy efficiency.

So the legislative language we are very supportive of. The actual rules to implement that is something that will be discussed during the course of the Clean Energy Future filing. Theoretically, the laws are written in a way where the Board of Public Utilities has 180 days to act on that after they've deemed the application complete. This is webcast, but nonetheless [ph] I will guard on a limb (00:15:50) and remind the Board of Public Utilities that today is the 30-day expiration of the clock for completeness. It's a three-hour time zone, I wish I was speaking at 1:00 PM instead of 9:00 AM, but nonetheless hopefully that application will be deemed complete. Even if it's not, we will work with the staff to get them the information they need. So, that's the [indiscernible] (00:16:10) of the $2.5 billion.

If you look at New Jersey from the point of view of conditions that blend it to be a place for electric vehicle penetration, third highest per capita income in the nation, among the worst air quality, densely populated state, short travel distance, high traffic congestion. Nonetheless, we lag – I think we're 48th in the state in electric vehicle charging stations. So all we've said here is we recognize it's not a natural monopoly service, but there is a strong mismatch between how much electric vehicle penetration should exist in New Jersey and how much does exist in New Jersey. Let us help you get the market started. Similarly, if one were to look at the Governor's articulated and then legislated goals for energy storage, a target of 600 megawatts of energy storage by the year 2021, which is about 26 months away. And we are proposing to do 35 megawatts of that once again to get the market underway.

And last but by no means least, in the latter years of the six-year filing to install about 2 million smart meters and to move forward where New Jersey has lagged the rest of the nation. I believe I've seen estimates of 50% to 60% of the nation now has smart meters and we do not have any appreciable number of those in New Jersey and to provide the data analytics to really improve the customer experience from a point of view of affordability, from a point of view of energy efficiency and a whole variety of basic daily operational services – outage detection, remote reconnect and disconnect and things of the sort.

Moving over to Power, we show here the location of our assets on the left hand side in terms of our fossil and nuclear fleet. On the right hand side, we also have about 400 megawatts DC of solar farms, sprinkled around I think 15 or 16 states. The largest installation is somewhere in the low 50 megawatt range, the smallest installation being a couple of megawatts. So we don't do rooftop, we don't do large scale installations, all of them are supported by long-term power purchase agreements, which creditworthy counterparties usually [ph] end up at (00:18:22) utility. As you can see, our fossil and nuclear fleet is in PJM East with one power plant in New York ISO and then one power plant in [ph] NEPOOL (00:18:32) in the Bridgeport area.

The fleet is undergoing quite a transformation. The charts on the left are the nameplate capacity of our assets. So, as you can see that we are primarily a gas fleet in terms of the blue being slightly larger than the orange, which is the nuclear component in terms of nameplate capacity. But as we step forward in time, the completion of three combined cycle gas turbines, one in Maryland, one in Connecticut, one in New Jersey will further expand the gas nameplate capacity of that fleet.

But more importantly, in terms of the output of the fleet, the lower right shows you that we are predominantly a nuclear generator, nowadays close to 60% of the output. However, given any efficiency of the new combined cycle fleet that we are just finishing the construction of, two of them actually finished, one will be complete in June, you see quite a bit of an increase in the amount of output from natural gas. The small piece of coal that remains is our partial ownership of a mine mouth coal facility in Western Pennsylvania known as Keystone Conemaugh. I think we own about 25%, 27%

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of that, something like that.

If we look at Power's capital construction program, as I mentioned a moment ago, we just finished the construction of two combined cycle units this past year, one in New Jersey, one in Maryland. We will finish the third and final piece of that construction program in Bridgeport, Connecticut by June of next year. That will take Power's capital construction program down to a maintenance level of about $200 million a year, freeing up $800 million of funds from operation to be available as free cash flow over to the insatiable appetite of the utility to improve the aging infrastructure that we talked about a few minutes ago.

So that capital program in the utility can be performed without the need for additional equity. It is internally self-funded plus the debt capacity of the utility. So the equity needs of the utility is provided by the internal cash flow generation, the debt capacity of Power and then the 46% debt component of the utility capital structure as its own debt capacity.

O&M has been something that we pay attention to every day, every week, every month, every year. We can never come to EEI, I am almost sad, but – I can't actually cross that line to actually being said and announce a major cost reduction program. We obsessed over this all the time. Dan got to fly out here in economy plus seating next to a service dog that evidently [ph] shed (00:21:07) all over, his eyes are still red from doing that. I had one analyst scold me over the fact that we put Dan in that seat. I said I don't feel sorry for him. He builds character. I had the same seat coming up, but without the service dog. I have nothing against service dogs. I know I'm going to get in trouble for joking about that, but that's a true story. I've completely forgotten what I wanted to tell you about that. That wasn't part [indiscernible] (00:21:31) the fact that O&M over these five years at the parent level has decreased by about a little less than 0.5% per year. Yet we did manage to give people on average a 3% wage increases, we did manage on average to invest a tremendous amount of money in capital construction at the utility.

That's significant because when you're doing that amount of work at the utility, there is a fair amount of O&M that goes along with it, right. You can't start working on the system and take substations at a service without being dispatching people to other substations to make sure the system is in a stable configuration. So the capital program does incur a fair amount of [ph] volume (00:22:07). So that just means that we found ways to save money in other areas.

If I take a look at the current condition of the balance sheet, our cash metrics, what we find is that we tend to pick minimum thresholds that would keep the company at a solid investment-grade credit rating. For us, that's typically BBB+. So with the capital program, as I've described, with our expectations for dividend growth, which I'll speak to in a moment, without the need for additional equity, we still have about $1.4 billion in unutilized debt capacity. And what that means if we were to do something in the unregulated business, that debt capacity equals the investment capacity. However, that capital program that I described to you a moment ago, 90% is targeted towards the utility. That ratio has gone anywhere from 80% to 90% over the next five years whenever you look back in time, right. So if you look back in time and then look forward five years, we spent between 80% and 90% on the utility and that will continue to be the overwhelmingly majority part of our capital program.

With that in mind, that $1.4 billion in debt capacity could yield an additional $2.8 billion in utility investment – that being the equity component and then the utility being able to access the debt markets on its own. So we have a pretty strong 8% to 10% rate base growth, we have some fairly solid credit metrics and we have additional capability for further investment, never with the need to issue additional equity.

We just recently narrowed our guidance without changing the midpoint, so I believe we're now at $3.05 to $3.10 a share. Over the last five years, we've been growing earnings at 4%. The utility's double-digit growth being offset by the recontracting of Power and therefore the decline in profitability in merchant generation business.

We have paid a dividend every year for 111 years and that – we didn't do that by occasionally cutting it down to $0.01 a year and no cheap shots intended there. But nonetheless, you do see that the utility more than covers the dividend and the utility growth rate more than covers the growth rate in the dividend, therefore, further increasing the security of that dividend. We don't give a formulaic guidance in terms of dividend policy. We do offer these qualitative words that you can fairly easily translate into what you've seen recently is what you should expect to continue to see certainly over the predictable near term. So that's that opportunity for consistent and sustainable dividend growth.

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The value proposition hasn't changed. We run the business by obsessing over operational excellence. Being named to the Dow Jones Sustainability Index for 11 years in a row, being the most reliable electric utility in the Mid-Atlantic region 17 years in a row, a series of accolades that range from diversity and inclusion to being in the Forbes' Most Trustworthy Lister, some such crazy designation I don't even know what to call it. But that operational excellence is what leads to very strong regulatory relations and therefore solid financial performance and then we invest that money wisely in things that are consistent with public policy or meet the needs of our customers, even if it's not yet quite reflected in public policy, all the while making sure that that financial strength is intact.

If there is a takeaway from this EEI Meeting that we're sharing with investors, and I'd like to share with you today, it's summarized here, it talks about the recent regulatory derisking that's undertaken. It talks about the fleet in terms of the merchant generation de-risking that's taken place both in terms of the expanded geographic footprint by putting an actual asset at the PJM West Hub in Maryland and in terms of improving the overall heat rate of the fleet while all the time looking at what is possible for the future in terms of now moving down to the smaller projects in transmission, accelerating the gas pipe replacement, finishing the distribution hardening, moving into a Cleaner Energy Future and all the while protecting the strength of that balance sheet.

So, with that, I do believe I've left more than enough time for some questions. I'm not getting the nasty card from the back that says your time is up. So Dan and I are here to answer any questions you might have. Thank you.

Q&A

<A - Ralph Izzo>: We have a question here.

<Q>: I don't need the mic. I'm loud. I loved your comments. Great story. [ph] We can see (00:26:41) growth nationwide in renewables [indiscernible] (00:26:45)

<A - Ralph Izzo>: Yeah. Yeah, I do. I mean, most states are following some sort of renewable portfolio standard. I think it's a sub-optimal approach. We're a company that explicitly has said climate change is real and the preferred approach would be a national price on carbon, preferably economy-wide, but certainly industry-wide and then let the market pick and choose the best approach for achieving those outcomes. The way in which you get the price on carbon are many and varied. You can do a carbon tax, you can do cap and trade, you can do a variety of things. But there are some regions of the country that will survive the decrease in the ITC and the elimination of the PTC. There are some areas of the country that will not and you'll have to rely on the renewable portfolio standard to achieve continued investment.

New Jersey has opted to do most of its in-state renewables through rooftop solar. It's been a very expensive way to do renewables. The Solar Renewable Energy Credit, which is the regulated subsidy [ph] stream (00:27:53) that is on top of the investment tax credit and on top of net metering, nowadays trades [ph] for $220 (00:27:59) a megawatt-hour in New Jersey. That's a pretty steep price for an SREC.

So I do see it continuing. The technology is getting better. There are some parts of the nation where it's already competitive – wind in the Greater Plains, solar in the Southwest, but there are other parts that I think will slow down in the absence of any kind of robust renewable portfolio [indiscernible] (00:28:19). It's funny how a question that simply merits a yes or no can be stretched out for five minutes.

<Q>: Thanks. I know in the last rate cases, the decoupling didn't go through, so you're going to apply to get that.

<A - Ralph Izzo>: Yeah.

<Q>: What's the importance there? Are you conservation or efficiency or is it rooftop solar or why is it so important to you guys?

<A - Ralph Izzo>: Yeah. So decoupling is important to us as a foundation for the energy efficiency filing. So energy efficiency, as you know – we're not trying to do signal processing of refrigeration consumption of electricity, right. We're trying to get people to replace their light bulbs, their thermostats, their HVAC systems. So there is a significant

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component. It varies by customer class and you can think of it as 30% to 50% of what a customer pay us [ph] then is (00:29:10) a fixed cost. So to the extent that we can help customers by helping them avoid consumption, we can eliminate our variable costs, that could be customer savings, but we don't want to lose the fixed cost recovery. So decoupling would help us avoid that fixed cost recovery. One could go in for frequent rate cases, but for a short-lived asset, the regulatory lag associated with a frequent rate case would be such that you would really underachieve the allowed return on that light bulb investment.

So what we said to the regulators back when we filed the rate case is we are going to file a Clean Energy program in the not too distant future and we won't be able to do it without a recovery of that fixed cost component. 28 other states do it by decoupling, why don't we be number 29. We essentially have it in natural gas in New Jersey. So we put it as part of the base rate case knowing full well that that was not the optimal forum for discussion of decoupling, but hoping that we could do something proactively. Therefore, we were willing to settle and concede that we would not decouple in the base rate case knowing that the Clean Energy filing would bring a whole different set of parties into the discussion who had much deeper experience, knowledge and candidly support for decoupling. And that's where it more naturally resides. So that will be the policy debate that will take place.

To us, energy efficiency is a quadruple when you can literally improve the environment, you can allow the shareholder to earn some money, you can lower the customer bill and candidly these are low skill jobs that you can now employ people that perhaps have long-term unemployment challenges. If everyone is willing to accept a quarter of the pie, everyone can win. But if somebody wants a half of the pie and the other people have to have a third each, I think I did my fractions right, then there are some losers and we're just trying to set the stage for that.

<Q>: [indiscernible] (00:31:18)

<A - Ralph Izzo>: Yeah, [ph] Frank (00:31:21). So the Long Island business I believe is doing fabulously well. So we are the operators of the Long Island Power Authority's electric distribution and transmission system. We have a12-year contract. We're just about to begin year five. Our J.D. Power scores are greatly improving. But more important than that, my sister-in-law who lives on Long Island who's legally insane, who I adore and otherwise I wouldn't say that, is telling me that her service is better. So that seems to be going fabulously well. We have a great team out there that's doing a good job in storm response. Now candidly, in all fairness to our predecessor operator, we've not been challenged by Superstorm Sandy, we've not been challenged by Hurricane Irene. So it's easier to perform well under less dire circumstances.

We have something called an operating services agreement, which fixes the fee that we get paid for operating that system. And then it's varied over time, but typically about 30 operating statistics that we have to achieve and we get bonuses if we achieve a certain percentage and we get penalized if we achieve a smaller percentage. And every year of the first four years of the contract, we've achieved bonuses. I think this year we're literally on track to hit 20 out of the 30 metrics. So I think that's going quite well. Anyone here who live on Long Island? How is it going, [ph] Helen (00:32:43), don't tell me you have an outage last week.

<Q>: [ph] We had a fewer hours (00:32:47).

<A - Ralph Izzo>: That's good. Thank you. I literally used to get Newsday clippings from my sister-in-law like the first month that we were out there. I was like I begged my brother tell her to stop please, I'm not coming out there to fix this.

Okay. Well, I don't see other hands. Oh, I see one hand there.

<Q>: [indiscernible] (00:33:10-00:33:17)

<A - Ralph Izzo>: Yeah. No, so New Jersey has one of the most diverse populations in the nation. And I fundamentally don't understand why any business would say to itself, I really want to recruit from only half this population. We're 85% male. Or I'd only want to recruit from 45% of the population. We're 80% Caucasian. So, to me, whether it's suppliers, whether it's labor, one needs to make available to oneself 100% of what is out there. So we are actively going to schools that have a highly diverse population to try to attract a diverse set of engineers. We have a

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Chief Diversity Officer who's got me as part of the CEO network. I think Thursday I'm going to a meeting to learn better what others are doing.

If you look at our Board of Directors, it's fairly diverse. Our officer core is not diverse. I've not penetrated that level. The tension is I believe that employees want to get promotional opportunities. And so that's right. I have a bias towards promoting from within, oh, that pipeline is not diverse. So that means to improve your diversity, you have to recruit from these schools, you have to change the look of the leadership on the top that then takes away opportunities from people from within. So that's the constant balance that we undergo.

We have created an innumerable amount of employee business resource groups to create forums where people, whether it's alternate lifestyle, whether it's LBGT, whether it's disability, whether it's [indiscernible] (00:34:59) can meet together and work together and provide a shared support network for each other. So, not only do I think it's a business imperative, I also think it's the right thing to do. So, to the extent that we can allow our diverse population who are there today they feel good about the place. That enhances our prospect to attract and recruit people into the future. But we really have no choice. One-third of our employees are related to each other. So that's both a blessing and a curse, right, I mean, it's a blessing when I go to union meetings and they start swearing at me and saying, hey, what I do wrong and I say, well, then why is it that you have your nephew working here [indiscernible] (00:35:41). So it's a multifaceted challenge, but one that is front and center for us.

I'm getting the yellow card. Yes, [ph] Helen (00:35:48).

<Q>: [indiscernible] (00:35:50-00:35:59)

<A - Ralph Izzo>: No. I love all my children. We pruned assets in many different places over many years. We had big assets in South America, we had some sociopolitical challenges that we weren't the best at managing. We had some assets in Texas that seemed to be subject to low barriers to entry and short commodity cycle. So, no, I think we've done the pruning that we want to do. I would say that there are some parts of the business that have more uncertainty and difficulty in terms of explaining than other parts of the business. I mean, try to have a conversation about the reliability, pricing model and capacity reform for subsidized plants and not have people their hair catch fire and then [indiscernible] (00:36:53) But, no, I mean, I think what we do is we just make sure that we retire inefficient units and we build efficient units and we put them in places where we think the demand will grow strong. So I think we've done the pruning that we wanted to do.

What do you think?

<Q>: [indiscernible] (00:37:14)

<A - Ralph Izzo>: Are you business class going back? Are you?

<Q>: [indiscernible] (00:37:18)

Ralph Izzo

Thank you for joining us, everyone.

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-11-13
Event Description: Edison Electric Institute Financial Conference

Market Cap: 27,041.56
Current PX: 53.50
YTD Change($): +2.00
YTD Change(%): +3.883

Bloomberg Estimates - EPS
Current Quarter: 0.567
Current Year: 3.101
Bloomberg Estimates - Sales
Current Quarter: 2720.400
Current Year: 9601.727

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-05-31
Event Description: Investor Meeting

Market Cap: 26,766.42
Current PX: 52.98
YTD Change($): +1.48
YTD Change(%): +2.874

Bloomberg Estimates - EPS
Current Quarter: 0.648
Current Year: 3.107
Bloomberg Estimates - Sales
Current Quarter: 2342.200
Current Year: 10065.333

Investor Meeting

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Tamara Louise Linde
- Unverified Participant
- Dave Daly
- Ralph A. LaRossa

MANAGEMENT DISCUSSION SECTION

Kathleen A. Lally

Just ask that you all take your seat, so we can get started on close to time, close to schedule.

[audio gap] (00:00:19-00:01:35)

So good morning. I'm Kathleen Lally, Vice President of Investor Relations for Public Service. And thank you all for attending our Annual Financial Conference with the Executive Management of Public Service Enterprise Group. We have a full morning prepared for you today. We want to start as usual as is our norm with

Ralph Izzo, Chairman, President and CEO of Public Service who will outline the company's strategic plans and goals for growth. Ralph will be followed by Tammy Linde, Executive Vice President and General Counsel for the company, who's going to outline the regulatory and policy, legislative policy issues that help inform our strategic goals.

Following Tammy, there'll be time for questions. And then after that Q&A session, Dave Daly; President and Chief Operating Officer of Public Service Electric and Gas will outline utility companies' outlook and programs. Basically it's a major capital program which we're announcing today. And following Dave, there will be an opportunity for questions. And we'll take a break shortly after the, right after that Q&A session.

Following that Ralph LaRossa, President and Chief Operating Officer of PSEG Power will outline the initiatives underway at Power. And then there'll be time for questions of Ralph following his presentation. And then that will be followed by Dan Cregg, who's going to wrap up the financial picture for the company. And following Dan, there will be time for Q&A if he and Ralph Izzo. So it's a very full morning as we've normally provided to you over the past 12 years and I hope you get the information that you need to properly value our security.

So with that, I'll turn it over to Ralph.

Ralph Izzo

Thank you.

Thank you, Kathleen and thank you to the New York Stock Exchange for once again hosting us at this terrific facility. I noticed Kathleen did not advance the slide. So she is expecting me to read the forward-looking statements here and to read the GAAP disclaimer. So if you want to come back in 10 minutes, I'll be done reading those.

Now, so here is the agenda she already laid out and let me just offer a few highlights. As was mentioned, Dave and Dan and Tammy and Ralph will fill you in on the details of each of these, but as so often been the case, we are focused on making sure that we are partners with public policy makers and our customers and achieving the objectives that they

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have articulated both explicitly in terms of legislation and energy master plans and implicitly in terms of the voice of the customer that we hear as we speak to them. With that in mind, we continue to grow the utility. It is now achieved 65% of the operating earnings of the overall panel. It's a bigger piece of an increasing pie which we like to talk about. We again raised the dividend almost 5% in 2018. It's 14% over the last 15 years and 111 years in a row. But most importantly, I think today we're informing you that the 7% to 9% growth in rate base looks like an 8% to 10% growth in rate base over the next five years and we'll give you a little bit more detail.

To the extent there maybe some of the numbers have changed a little bit, the themes haven't changed. And in fact, they haven't changed for 115 years. So let's talk about what I consider to be two very healthy companies. At the Utility, we're looking at anywhere from a $12 billion to $15.5 billion capital program that will produce that 8% to 10% growth in a rate base. And at Power, I think we have an underappreciated business here. I'm extremely proud of the way in which we repositioned this business. I'll show you one slide or two slides as to what I mean about that, but Ralph will go into much greater detail in terms of the – both the operational performance of the fleet and the financial performance of the fleet

and the financial performance of the fleet in terms of its cash flow generation and its competitive position.

So, for those of you who've been here before. I'm going to once again emphasize the three part simple model that we issue to on a daily basis. So, it all begins with the operations making sure we are best-in-class in everything we do. We summarize that as operational excellence. We have been convinced and I think our track record has demonstrated that as long as we achieve those levels of operational excellence that we set for ourselves, our financial condition is strong. We are rewarded by our regulators, we're rewarded by our customers and we are rewarded by the market. With that financial strength, I think you'll agree that we've been disciplined in our pursuit of investments making sure that the return on every dollar of invested capital is above and beyond our cost of capital and we are creating value in every one of our decisions.

I'm not going to read every one of the items underneath each of those three categories, but I think there's an abundance of evidence that we've adhered to that model whether it's the 16 consecutive years of being the most reliable utility with 94% capacity factor in nuclear or the improvement in JD Power scores, the track record in terms of increasing the dividend, hitting our earnings targets and so forth. So, the model remains the same in terms of start with operational excellence that will produce financial strength and then use that financial strength to invest wisely. So, if I look back at the prior five years before stepping ahead and looking into the next five years, a lot is taking place. We did invest $18 billion across the enterprise that was inclusive of three combined cycle gas turbine plants that will yield about 2,000 new megawatts that program is almost over. It will be completed with the Bridgeport facility next June. Two facilities are going into service this year one at C-1, one at Keys that over the prior five years, the rate base growth was 13%. Yes, 13% is bigger than 8% to 10%

but the denominator is a lot bigger now, so keeping pace with that low double-digit is just a very challenging thing to do. Transmission, FERC regulated, not New Jersey regulated is nearly half of the rate base. And throughout this period despite doing all this work on the capital side, we've been able to hold O&Ms flat. And both Dan, Ralph, and David will have some statistics on that.

The key here has been and we'll talk a little bit more about it is that there are no limits essentially in terms of the needs of the infrastructure for either expansion or replacement or enhancement. And we can define each of those terms in turn. The limitation is the customer bill, right because we want to make sure that the customer who is demanding cleaner, more reliable energy, but also wants at a reasonable price is not aggrieved in this expansion process. And in fact, overall that bill is down 20% since 2010 and even more since 2008.

Now, that's not the result of our actions. That's obviously the result of low gas prices. But we've had a great partnership with policymakers in recognition of the fact that in the face of low gas prices and low interest rates, now is the time to make these critical infrastructure investments. We've watched operating earnings grow by 4% a year. We've watched the utility, as I said before, grow to be an ever increasing part of this increasing pie going from about 40% to two-thirds, and we've watched the dividend grow over 4% per year. And it's – last year, it was at a $1.72. This year, it had an indicative rate of a $1.80.

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So looking ahead to the next five years, the capital program is $14 billion to $17 billion and the range there is due to some filings that are just going into the BPU now that we don't have decisions on, but 90% of that capital program will be at the utility with over 90% of that getting contemporaneous returns. So, all of this is focused on publicly stated goals of New Jersey policy makers. The repositioning of – in the fleet by eliminating the HEDG units years ago by eliminating the coal units that have become basically peakers and investing more in a highly efficient natural gas and getting the market imperfections corrected for our nuclear plants has really reduced the risk in our generation fleet to a very low cost environmentally friendly set of assets. The cost discipline in the operations just continues we're not announcing any new cost reduction program, it's something we pay attention to every day just as we do customer satisfaction.

Now I'll talk to you a little bit about the benefits of tax reform, because it was a good news story for both our customers and our shareholders. And of course keeping that healthy balance sheet which has served them so well remains a priority for us. So, we'll look forward said 8% to 10% growth and in rate base. We look forward to the fact that we hit, we believe we have the opportunity for consistent and sustainable growth and in a dividend and a line that I never tire of saying all of this without the need for additional equity. So, no new equity in the plan for the next five years.

So, how is the rate base growing? So, that the bottom part of the slide is red – read from my point of view is the transmission growth that moves is more from a transmission expansion program, which was involved in terms of which has to take place both in terms of PEGM's our tap and the bottlenecking some of the east, west flows, so to more of an aging infrastructure replacement. We have some switching stations that are 80 years old. I mean these things have done their time and then some. The green is the expansion of both the electric and gas distribution system which includes GSMP II – 2 that's a $0.9 billion program that was recently approved by the BPU – BP – I'm sorry $1.9 billion, I get that right four times, five times is close to $1 billion, $2.9 billion. We'll get it right eventually $1.5 billion of program

that was approved by the BPU. Now so that gives us the 8%. So all those programs have been approved. Now you may recall in the past we've then added to those bars two types of possibilities. This year we've only added one type of possibility which are filings that we are about to make. Some of them days away, some of them are a couple of weeks away. So if we were to achieve the final positions in terms of energy efficiency, which we're calling the clean energy feature and in terms of energy strong too, the 8% becomes 10%. It is safe to assume just as in the past, that there are things that we are talking about and discussing that are not on those stacked bars at this point in time. It is also safe to assume that we won't get our 100% of our ask right. So the 8% to 10% is what we're comfortable guiding towards in terms of rate-based growth now for those additional reasons.

Now power is repositioning. If I direct your attention to the left part of the slide, I would suggest that the two graphics don't look all that different. Yes, there is a little bit more blue, there is a little bit less orange. There is about a 9% to 10% increase in terms of nameplate capacity as you go from 2017 to 2022 and that's what the left side is showing is a nameplate capacity of our fleet. If we were to show 2014 instead of 2017, you'd see probably a 15% reduction in the nameplate capacity because many of our retirements precede at 2017. But let me suggest that the right side of the slide is quite a bit different. Notwithstanding the fact that the colors may not be that different, first of all you do see an appreciable increase in amount of gas output. And you see what looks like a decrease in the amount of nuclear output, but that's not the case. The fleet is expected to produce at the low 90% capacity factor as in the past. But what you see is a 24% jump in the net output of the fleet as we take our average heat rate down from its current level to about 70 to 100 BTU used for kWh with three new plants all of which are below

with three new plants all of which are below 7,000 BTUs per kWh, therefore, highly dispatchable and highly efficient. So, a real clean fleet in fact, I think we have a lower carbon footprint in 80% of the generators in the United States today. Yeah.

Let's talk a little bit about our zero emissions credit legislation that was passed in New Jersey, so the bill was passed early in April, the governor signed into law last week. This then is a critical safety net. It basically empowers the BPU to do something it could not do before, which is to issue the zero emission credits, if it believes that in the absence of these credits, plants, nuclear plants would be retired. And if it values the attributes and particularly attributes being the zero emissions, that's the name of the bill, and to a certain extent, the fuel diversity of the nuclear fleet. It would be

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incumbent upon the applicant for these zero emission credits to certify that the plants will be retired in the absence of the zero emission credits. And that's a 330-day processing. Tammy walks you through a little bit of it in her presentation. So, the value as we have communicated to you in the past of these fleets cannot be overstated in terms of what they mean to New Jersey, even at these price points, several analyses that were done both by us and by folks independent of us, have clearly demonstrated that it is cheaper from a New Jersey consumer point of view to keep these plants than it is to retire them. And I mean that just in terms of what shows up on the customer bill, if you start layering on top of that the environmental benefits pick any price you want on carbon, pick market prices for mercury, So2, NOX and fine particulate matter you layer on top of that the economic multiplier associated with the 1,800 direct jobs, 6,000 indirect jobs, the tax receipts that would be lost and you literally get a six times multiplier in terms of the wisdom

you literally get a 6 times multiplier in terms of the wisdom of implementing this particular piece selection. So notwithstanding some of that quite candidly questionable rewarding on the contents of the legislation this one was a no brainer and reflected in the votes in the legislature in terms of 60 out of 80 and 29 out of 40 in the Assembly and the Senate respectively.

So if I look back again using some of the – repeating some of the concepts I mentioned a moment ago, the prior five years was expanding the transmission system, debottlenecking, enhancing reliability, responding to Superstorm Sandy by performing some storm hardening and improving the resiliency, building some guest speakers at Kearny and at up in Connecticut and New Haven, doing some advanced gas retrofits on some of our older combined cycle units, some modest expansion of our nuclear units and then some modest efforts in terms of unregulated renewables and about $1 billion in terms of regulated renewables.

As I look ahead five years, there's some modest modification to single biggest area of expansion, we'll look at that $400 million that we've done over the last 10 years in clean – in energy efficiency and you'll see David will present some numbers that's going to turn into a $2.5 billion program as we look ahead in terms of expanded energy efficiency and our first foray into electric vehicle infrastructure and battery storage in a meaningful way to the tune of about $300 million is the infrastructure and $100 million on battery storage.

As I said a moment ago the transmission program is less about expansion and more about replacing an aging infrastructure. We still have lots of storm hardening to do, you may recall our original energy strong proposal was a $2.9 billion number and we got $1.2 billion of that $2.9 billion and was at $3.9 billion, it was a $3.9 billion number and we got $1.2 billion. So there's much more to do in a storm hardening as we look ahead. And as we look to

as we look ahead and as we look to beyond the five year and so, this is in the category of stuff that we haven't quantified and we're not guiding about today. There is a lot that we haven't done in terms of the catch phrase that you hear so often, the digitalization of the operations, both in terms of – at the customer premise and in terms of our upstream assets and that that could be an advanced metering platform. It could be a variety of other things that can help the customer make choices and help us manage a more distributed set of supply options.

So let's talk about that customer bill because it is something that we pay attention to on a daily basis. So here we're showing what customers were paying in 2010 and the footnote show what we define as a typical customer. And you could see largely as a result of the reduction in gas bills and we are a combination utility at the risk of stating the obvious, that the customer bill is down about 20% from 2010. If I did look at this back from 2008, I forget what the number is, but it's shy of 30. But it's greater than 20% number. What that means is, if I look at our current predictions of rate based growth that in a decade, the customer will be paying in a year, 2028 what they were paying in 2010 in real terms.

Okay, so that candidly is not something that the customer will remember and it's not something that the customer will applaud as they see their bill inch up basically keeping pace with CPI. But, it is a rational conversation one can have with the regulated 100 year old gas pipes that are made of cast iron and leaking and need to be replaced when they see 80-year old transmission switching stations that need to be replaced. That now, is the time in terms of the consumer dividend that was afforded to us so as a result of reduced gas prices to make these investments.

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So we are absolutely paying attention to making sure that our customers remain attention to making sure that our customers remain satisfied both in terms of the quality of service that they receive, and the cost of the service that we deliver to them.

So, if I look at the earnings of the – again this is a non-GAAP operating earnings of the company over the past five years. You could see the 4% growth rate that I spoke to earlier, the midpoint this year will take us at 310, which is about a, I think, a 5% or so percent increase of where we were last year. And you can see the utility going from 47% to 65% of the increased earnings of the company. But then, we've gone from a point where the dividend would represent a 120% of the utility earnings. So now, it represents approximately 90% at the midpoint of the utility earnings guidance. I am not suggesting that Power is not a cash generator and not a contributor to the dividend, it is, but to the extent that there is some volatility and there obviously is volatility in the commodity markets in which Power participates and the utility represents a much more stable earnings picture. We grow in confidence in the security of the dividend as a result of this reversal of the pattern where the utility did not cover the dividend to now where it comfortably does cover the dividend. And you could see the 4.6% growth rate that took place over the prior five years.

One of the questions we're getting with increased frequency as we meet with our investors is what are our efforts in terms of sustainability? And without question, sustainability writ large has been something that we paid attention to for many years, the sustainability of our dividend, the sustainability of our customer satisfaction, the sustainability of our service, the sustainability of our financial health, but I think increasingly this has come to mean the sustainability from the point of view of social issues, diversity and inclusion, and environmental issues. And while we haven't trumpeted this in the past, we do pay a lot of attention to these issues. That's why we've been on the Dow Jones North America Sustainability Index for over a decade. That's why Forbes named us

one of 150 best corporate citizens in America in 2016. And that's why we continue to invest in things like solar energy and energy efficiency as well as sustainability programs in our local universities and science technology engineering and math programs at those local universities. So, in addition to being – to having a lower carbon footprint than 80% of the generators in America today, we've made an additional commitment to eliminate 13 million tons of carbon from our current emissions profile by 2030.

So, the accolades keep coming in from a variety of sources, I've mentioned just a moment ago I won't read this to you, you have it in your notes, but an equally important set of accolades how the market has voted and you could see here over the one, three and five year period we've kept pace with the Standard & Poor's 500 and we've outperformed both the Dow Jones Utility Average and the S&P Utility Average. And that's obviously important to you and as it is to us in addition to all that we do for our customers and policymakers and employees. Hopefully, you'll agree delivered in terms of our commitments to use our owners of the company.

<A>: So, I'll summarize here, end up – ending up where I started. The model remains the same start with operational excellence produces financial health and be good stewards of that financial strength in terms of how one goes ahead and makes investment. That operational excellence is simply safe reliable operations, keeping that balance sheet strong, deploying that capital to the tune of $14 billion to $17 billion as the parent, 90% of which will be at the utility.

So, as with the utility are highly competitive well-positioned environmentally friendly PSEG Power fleet and strong sustainable returns on capital and every one of those investments which gives us confidence to be able to say to you that we believe we have the opportunity to sustain sustained that dividend growth and I'm going to end with my favourite tag line once again. All of that without the need for new equity

at this point.

So, I will be back later for questions. But right now, I'm going to turn over to Tammy, who is going to walk you through all of the exciting stuff we have going on at the BPU and all the fun stuff we just finished in the legislative process. Tammy?

Tamara Louise Linde

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Good morning. I have the pleasure to speak with you today about the good progress that we've made and continue to make on achieving PSEG's regulatory and policy agenda. I'm going to be discussing today five topics. Number one, I'm going to give you an update on our distribution rate case that is pending before the BPU, you are first rate case on the distribution level since 2010. I'm going to update you on some really important new regulations that went into effect in New Jersey earlier this year and how those regulations work and how we've seen good progress under those regulations already with our GSMP filing.

I'm going to talk to you about the very exciting nuclear bill in New Jersey that became law last week and what's up next under that law and what we expect to happen. And as you know at the same time that New Jersey passed the Zero Emission Credit Bill, they also signed a comprehensive Clean Energy Bill that will significantly change the Clean Energy agenda in New Jersey. I'm going to talk to you about that – that bill and the opportunities that we believe that exist as a result of that agenda for our customers and our investors.

And lastly, I'm going to update you on the ongoing efforts to improve the much needed improvements in the market design at PJM and to improve price formation. But let me first remind you

of what I talked to you about as far as our policy and regulatory agendas when I spoke here at the conference last year. I covered four topics, and I'm pleased to say that we've made significant progress on delivering on those topics.

Number one, I told you that we are going to be filing PSE&G's distribution rate case. We've done that, it's moving on schedule. And later on in the presentation I'll provide you more details about where we are in that schedule and what is expected to happen next. I also talked to you about the need for more certainty on the infrastructure programs in New Jersey. We had great success in the past on getting approval for a much needed infrastructure programs in New Jersey for distribution pipes and wires but there was always a lack of clarity about how long those programs could be, what type of rate recovery we could obtain, and if a lot of time in those proceedings to fight over those issues.

So we were very pleased when – earlier this year New Jersey put into effect two new regulations, that I will talk about in detail, but those regulations provide significant improvements in predictability and clarity on what the states policies are on investments that are for safety, reliability and resilience on the distribution side of the business.

And last year I talked to you about our ongoing effort to get value or value appreciation for the underappreciated nuclear generation assets that day in and day out provide significant benefits to customers and to the environment. And last year we were on a parallel track to focus both to try to convince the federal government and the state government to appreciate the value that nuclear generation has

appreciate the value that nuclear generation has in the current fleet. And I'm very pleased to be able to stand here today that the conference was scheduled after the Governor signs a Zero-Emission Credit bill. So that is great news for New Jersey, great news for the environment and the customers. And we believe that our assets will have a reasonable chance of being selected in that process. I'm going to talk to you about that.

And then lastly I talked to you about our ongoing efforts to improve price formation to have the energy market prices truly reflect the cost of serving load. We are continuing on that effort. I don't have great news to report. It's a slow process, a very contentious process and I'll talk to you about some of the proceedings that are ongoing in that front.

So, let me start with some details on PSE&G's base rate case. Just remind you that this distribution only. This rate case does not cover transmission. That is a separate rate filings. And in January of this year, we submitted this gas and electric distribution rate case. The rate case is a very modest request, currently at the BPU, the request is for about a 3% increase. And we just recently updated the information, the data in that case in May to reflect a few more months of actual data. As you probably know, New Jersey has a historic test year. So, when we make our filing we start with quite a bit of forecasted data. And then as the case proceeds, we update that forecasted data with actual data. So, Dave Daly will talk to you during his presentation about some of the really significant cost containment efforts that have occurred at PSE&G since our last rate case that have allowed us to make sure this filing has a small and impact on our customers as possible on our customers as possible. The change in the thought also helped us keep these costs down and have a very modest increase.

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So the key components of our rate case that's currently pending are if you recall we had storms, since our last rate case including super storm Sandy and several storms since then. The majority of the expenses and the investments that we had to make during or as a result of those storms have already been reviewed by the BPU from a prudency standpoint. But this will be the time where we actually get the recovery of those dollars in our rates. We also have included in this rate case the additional capital investments that we've made that were not covered by clause – clause mechanism and that is included in this case. We have updated our depreciation schedule and extended some of the lives of the assets, but also made some adjustments to how – what we include in those depreciation and make sure that we have the cost of removal for the end of the life of those assets properly spread out into the cost that customers are paying today.

We have included the benefits of tax reform and flow those back to our customers. We also have proposed a slight increase in our equity level, up to 54% in line with what we're seeing in other utilities and what we believe is a reasonable level in this – in today's environment and regulatory context. And like you've seen with many utilities across the country, we have proposed a decoupling mechanism something we called a green enabling mechanism. And that decoupling mechanism is important from the perspective of

enabling future investments in energy efficiency. So, all of the energy efficiency programs that we've invested in in the past, we've been able to work out something in the proceeding to ensure that there's not a loss of revenues on the distribution side of the assets. And as you know when utilities come out of base rate cases their rates are set and there is a natural incentive to try to increase the volume of usage, because the that the per unit charge we collect for those rates increases as people use more of the units of our product. And this mechanism is really aimed at trying to de-link and better de-link that disincentive and better align the incentives that are raised to provide with the states goals of reducing consumption, reducing emissions and keeping customers' bills as low as possible. So we're very excited about that green enabling mechanism. And again, it is not something that is the first time that it's being proposed either in the State of New Jersey or elsewhere in the country.

And on the process going forward, we are about halfway done with the rate case. We have submitted as I said updated data, so now the parties have a very good feel for the actual test year data. We've been handling a lot of discovery back and nothing out of the ordinary. And the next steps are we will have public hearings where parties and non-parties get an opportunity to come into these public hearings later in June and the beginning of July to talk about service and any questions they have. After those public hearings, we will be receiving testimony of the State of New Jersey

testimony the state of New Jersey the BPU rates – BPU staff and rate council, as well as other interveners. So that's when you'll see other parties put forward their litigation position. What they think the ROA should be, what they think we should recovery on and that's just part of the process.

After that testimony is filed, there'll be more discovery and hopefully, some settlement meetings because as you know, it's very common in rate cases in New Jersey for the cases to be resolved in settlement. And it's part of the whole process for parties to try to work things out. We never enter these cases expecting that we're going to settle. We prepare to go through the entire process. And we're always prepared to do that, but of course if there is an opportunity to settle on reasonable terms, we'll be looking for that opportunity. And whether we end up in a settlement or a fully litigated outcome, we do expect this case to be coming to a close in the fourth quarter of this year.

So, let me move to these new regulations that I referenced earlier. They're – these two new regulations became effective in January of this year and they are very significant, as far as streamlining and providing clarity on what goes on once a filing is made and what the utility can expect, essentially the regulation categories. The first set of regulations provide for more certainty about certain non-revenue producing investments and revenue – non-revenue producing investments are essentially investments that you make in order to provide safe and reliable service. SO, it's not something that you are putting in and that you're going to be charging the customer for directly.

that you're going to be charging the customer for directly. It is the pipes and the wires and all of things that take that are required in order to provide the service that, that we need to provide to our customers. So these types of investments, these traditional utility distribution investments now have the special regulation in New Jersey that never existed before that make it clear that they are entitled to accelerated rate recovery, including semi-annual roll-ins into our rates, which is a very significant improvement to reduce regulatory lag when we put in these investments.

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The regulation spells out the exact type of investments that we can make. It spells out how we go about proceeding with the regulatory process. It talks about the type of rate recovery we're allowed the type of base investments that you have to make in these types of – in these types of infrastructure. And then it also provides clarity on something that has been here in New Jersey for many, many years and that is how long should the BPU approve these programs for us. As I noted before we've had great success over the years in working with the state in obtaining approval for these infrastructure programs, whether it was energy strong or GSMP I or the many, many infrastructure clause mechanisms before that. But we always spent a lot of time talking in these proceedings and a lot of inefficiencies about could we have a longer term program rather than coming back every couple of years and convincing the parties again that it's a good idea to replace aging steel and bare steel pipes and cast iron pipes. Come up with a program that makes it more efficient that we can get a longer term trajectory for those

approvals. And this regulation for the first time says that the BTU can approve up to five-year programs, which is very important. And that it also says that the nexus with the rate case only has to be at that five-year increment. And that is again very significant improvement from a regulatory perspective, it really does provide a lot of clarity.

The other set of regulations deal with a slightly different topic and that is interim rate. So there is now a regulation in New Jersey that went into effect, that provides clarity for utility companies that are in base rate cases, for how they can put those rates, those filed rates or a lower level if they choose to raise in effect before the rate case is over. And of course, it would be subject to refund. And if you end up settling or litigating the result of the case in a way that you put in effect rates that were higher, you have to refund the different fund trust back to the customers. And it also – so it provides a consumer protection. But it provides a great benefit to utilities to not have to wait the entire length of a rate case, because sometimes rate cases can be contentious and sometimes the pressure of wanting to put in affect to your race can cause utilities to settle sooner than they otherwise would.

So we're really excited about these two new regulations. And we think they represent a balance of protecting customer interests, but also providing great efficiency and certainty to the regulatory process and probably most importantly, reducing regulatory lag on these utility infrastructure programs. And we've already seen the benefits of these regulations. Our GSMP II Gas System Modernization II filing was the first infrastructure program to work through this new regulation. We filed it before the regulation became effective, but we knew that these regulations were being worked on. So in our application we've modeled it, modeled the petition based upon the pending regulations and the BPU on May 22 approved our settlement of this GSMP II with all the benefits of this reduced regulatory lag. So now we have semiannual roll-ins of the rates for this program.

We have a five-year program that will start in 2019 and we asked for it to start in 2019, because we're still finishing up the GSMP I program that had been approved before with the three-year period. Now that GSMP I was a very good program, but it had annual roll-ins, and this is even better because they're semiannual roll-ins, so reduce regulatory lag and improve efficiency and it provides with that continuity of the investment in these replacement of these bare steel and cast iron pipes.

The other thing I want to talk to you about under these new regulations is what's next. So, Dave Daly will go into some of the specifics of what we plan on investing in. I will focus only on the regulatory context and how we get approval for those, but I can tell you that we are very close to filing an Energy Strong II program under these new regulations and we've been working on that program for a while closely with PSE&G to make sure that it is consistent with the states goals and consistent with these new regulations and it will be an extension as well as an expansion of the Energy Strong program that we

had approved back into 2014 and I'll leave to Dave to talk about some of the details of what we're investing in, if we get approval of that of that program.

So let me turn to nuclear, a topic that I've been spending a lot of time over the last year on and something that we are just very excited that finally the State of New Jersey has taken a very important step to value the nuclear – the attributes that comes from these nuclear power plants. As Ralph said bill is focused on zero emission credits, but the bill also talks about the benefits to New Jersey from other environmental attributes from these plants, as well as having a diverse

Bloomberg Transcript
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SI-SSA-0015-14653

fuel, generation fuel mix out there to relax as well as the when it comes from having that diverse reverse fuel system.

So with a comprehensive recognition that nuclear is important to New Jersey and important to the environment and will be important going forward. So the bill provides a safety net and so what it [audio gap] it's provide a lot of detail on what the state's policy is and the states policy as I read it in this new law is essentially that they want nuclear to continue to be an important part of their energy mix into the future. It doesn't provide a check right over to nuclear plants, but instead it provides a very, very detailed process for how the Board of Public Utilities will ensure that nuclear can use to be at least 40% of the supply in New Jersey. And so there's a lot for the BPU to do and

And so, there is a lots of the BPU to do. In 330 days, they have to and all the details of these sub-tasks are spelled out but they have to determine the process that they're going to use. They have to have the utilities in New Jersey, update all of their tariffs to start collecting this $0.004 on every kilowatt hour in New Jersey. They have to review the applications that will be filed by nuclear plant owners for these Zacks. And then once they review all of these applications they have to rank them because under the bill, the BPU can choose up to three nuclear plants to give zero emission credits to. They don't have to change if they feel that the nuclear plants are not going to retire without the zacks. But they can choose one or they can choose zero, one, two or three. They can't choose more than three. And because there is a chance that more than three nuclear plants will apply and that will meet the basic eligibility requirements of being a licensed nuclear power plant in PJM with a license that goes out to 2030.

This regulation and for the new law specifies that this ranking will be very important and the top ranked plants will be eligible for what will receive I shouldn't say just eligible they will receive the zero emission credits and the zero emission credits then will be authorized to these selected plants for three years. The first cycle is a little bit longer than three years just because of the timing of the bill and the alignment with the PJM energy market time period. But the bill – the law essentially approves these zacks once if you select the nuclear plants

for a three year period and that first three year period, the price that the generator -- the selected generator will receive is fixed. It cannot change.

There is one provision in the law that provides that if the state decides they are not going to select any new generators for the second period, the second three year period then they can reduce that last year period but they would have already had to have made the decision that they are not going to continue selecting generators because they have determined that the generators are not going to be shutting down.

And so the bill does provide that opportunity in that last year of the three year period but only in a very limited circumstance. As Ralph said there's also been a lot of press that we read on the nuclear bill about what it does and what it doesn't do and now that it's signed I'm very glad to be able to clear up some of that confusion and I've been doing that since the bill has signed with many, many stakeholders to make sure they understand what it really means.

So the bill does provide a tremendous amount of consumer protection as part of this application process from the very beginning we expected there to be a thorough review of the financials of the nuclear plants that apply. Of course that if you have to have the ability to do that and not only do they have that opportunity but each of the applicants have to submit a $250,000 application fee. So we will be submitting applications for three nuclear plants, the two Salem plants and Hope Creek and with each of those we will pay a $250,000 application fee. And why is that important? Well, it's important that the BPU who will be doing a lot of things during this time period have the resources to hire and have on their side to help them

review and do a thorough job of executing on this important legislation.

The consumer protections don't end there with a thorough review. They also look for annual certifications by the nuclear plant owners and the purpose of these annual certification is that the nuclear plant owners have to describe whether they are receiving from any other source whether federal, regional, or state, a payment for the same attributes that the nuclear plants are being paid for in New Jersey. So if there is a carbon tax that is passed, which we don't think is likely. But, if it were to be passed, then this mechanism would take a look at that carbon tax, and determine if that was a overlapping payment for the ZEC. And if it was, there's a mechanism to address that.

SI-SSA-0015-14654

The other thing that the bill does to protect consumers is that, it has a repayment obligation. If during those – that three-year period, the nuclear plant just goes ahead and shuts down, and there are many carve outs for this in the bill where the nuclear plant shuts down because it has no other choice. But, if it had a choice and it shuts down anyway after it is receiving the zero emission credits, the law spells out exactly what happens as far as repaying the collection during that three-year period. And it's a very fair and reasonable mechanism.

So a lot to happen in the next 330 days and we are hard at work back at PSEG, prepare applications and we are very hopeful that at the end of this process, our nuclear plants are selected. We think, we will present very strong applications and hopefully, this time next year I'll be up here updating you on our great success under that law.

updating you on our great success under that law. The – I want to switch to the other legislation that was passed by the governor last week because it is very much tied to nuclear and the state has embarked on a very aggressive forward leaning clean energy agenda and we're really excited about that because it creates opportunities – it create an opportunity for nuclear because nuclear is part of that future. It also provides opportunities in many of these other categories which I will touch on. The clean energy agenda is just at its infancy. The governor indicated he would be issuing a clean – a new energy master plan and each one of these topics that is covered under the Clean Energy Law has a proceeding or a review by the state that has to occur.

So there is going to be a lot of activity on this front in New Jersey over the next six months and a year. And as we have been doing for the last 115 years, we will be working very closely with the New Jersey, with the stakeholders, with the policymakers to work with them and support their efforts. We do think all of these initiatives are great opportunities for the states. We think they are great opportunities for utilities. And I'll give you a couple of examples. So on the energy efficiency front we have been looking to do more energy and efficiency investment for many, many years. So there just really hasn't been a strong appetite for it, and now we have an administration in New Jersey who sees the value of energy efficiency and right in the law recognizes this that utilities have a role to play and exactly what that role is will be spelled out in great detail over the next

year, but the loss specifically talked about utility investment and the recovery of in and on that investment to achieve these specific targets that the utilities will have to meet in reducing electric and gas consumption in the state. So we're really looking forward to the benefits that will come from that coupled with our decoupling mechanism and the opportunity for energy efficiency investments.

As Ralph said earlier it really ties back to making the bill as our customer bill as low as possible while still providing the great service and investment opportunity.

On the solar front, there will be some major changes in the New Jersey solar regulatory environment. We have continued to be very successful in investing in solar both at the utility as well as on the on our merchant side. And we think that there are opportunities there.

On offshore wind, the BPU in New Jersey has already started a proceeding on offshore wind a couple of weeks ago and maybe even months ago in anticipation of this law. And we have been actively participating in that proceeding, supporting the state, looking for opportunities to move forward with this offshore wind agenda in the most cost effective and efficient way. And so we're engaged in that proceeding, we look forward to investment opportunities as a result of that proceeding whether it's in the offshore wind itself or in the transmission that will have to be built as a result of the offshore wind.

There's also quite a bit in the new law on energy storage, up to 2,000 megawatts of energy storage that the state will study and look at the ability to move forward with that. And,

that and the cost and we will be participating in that effort and that study.

And then, on energy or electric vehicle infrastructure. This is perhaps, one of the most mature areas of the new bill. It's really quite mainstream now. I'm sure many of you in this room actually probably drive electric vehicles or someone in your family has electric vehicles and the mainstream nature of electric vehicles has just changed dramatically and there is a need for investment and we believe that PSE&G and Dave will talk about a little bit of this later, is in a great

SI-SSA-0015-14655

position to help further those goals and help our customers and help our investors.

So I'm going to turn to wholesale market design. Switching topics a little bit to an area that we have not made as much progress, but we're not giving up. So the process at FERC and at PJM is very litigious, very contentious, but there are some proceedings still going on that could potentially lead to progress. It's really uncertain at this point. So at FERC, as you know there is – there was an effort to do something on a very expedited basis and that has turned into kind of a slower more methodical look at resilience and we are actively involved in that proceedings. We don't know exactly where it's going to go. I think, it could take quite a long time for the government at the federal level to really make significant movements, but we're engaged and we are pursuing that avenue as much as we can. And it's hard to predict what might happen at the federal government on that topic.

Price formation is another topic that continues to be a struggle. Price formation covers many, many different topics. But I think, about it really as the objective

of trying to have the energy prices reflect what it really cost to serve load and unfortunately on a lot of days energy prices don't reflect that because of the mechanisms at PJM that certain units are not allowed to accept the price and some detailed rules at PJM that prevent true accurate price formation. But there is ongoing effort to look at that. It could be faster, it could be more successful as far as regulatory outcomes but again we are continuing to engage. Also at PJM, PJM has just started to kick off I think they had one meeting so far on first to look at resilience and their definition of fuel security – of fuel diversity and resilience really has morphed into something called fuel security.

It's a little bit too early to determine what that will look like. Right now it sounds a lot like it's a physical constraint evaluation, but more to come. We're actively involved in that stakeholder process and we'll continue to push for a broader view of resilience that ensures that we have fuel diversity and a resilient system to rely upon.

And I'm sure many of you are watching very closely the capacity market the base that PJM and whether there will be a moper. The Often I think mistitled topic of reform to address state's clean energy effort really is very contentious and it is pending right now. Our view at PSEG is that there is no need for a minimum offer price rule to apply to existing generation. There never has been one

and we don't believe that there is a need for one. Whether it's an RPS that is providing support to a solar project or a Zech that's providing support to a nuclear project, we don't think there is a difference from the market perspective and we think that the status quo should be maintained and we told FERC that.

Now, FERC may not choose the status quo. So we also made it very clear to FERC that under no circumstances should they adopt the MOPR Act. The MOPR Act's unfortunately is aimed at making it more difficult for states to proceed with its clean energy objective and that would be fine if the federal government was taking action. But with the lack of action [Technical Difficulty] 00:57:54 strategy and the lack of action to support nuclear after federal government, it's important that the federal government respect the rights of the state and allow them to proceed with their efforts as long as they are not aimed at suppressing wholesale market prices which we do not believe the New Jersey's Act is aimed at, at all.

So we have a busy agenda and we have made I think truly strong progress over the last year are many of these really important initiatives. We have a lot ahead. We will continue to work through our base rate case. We don't expect anything very unusual to come from that rate case but we are treating it as though it is treating it with the seriousness it deserves and we'll continue to work towards a good resolution. We will continue to pursue new programs under the new regulations that I talked about in New Jersey which reduced regulatory lag and which provide more clarity We will continue our nuclear journey in New Jersey submitting our applications and working through that process at the BPU, hopefully at the end receiving regs for our three plants. And we will continue to work with the state as it forms its energy – clean energy agenda, we think there will be significant opportunities for us and for our customers in those programs. And we won't give up on FERC and PJM, we'll continue to work with those important parties hopefully at the end to have much needed market reform put in place, and improve price formation in the future. So just to close things out, our regulatory and policy agenda is very important to our value proposition. And as Ralph indicated at the beginning and in the end, it's really all about how we operate, and how we perform. And we understand that the

SI-SSA-0015-14656

regulatory success that we have had is greatly influenced by our good customer performance, our customer satisfaction, our reliability and our ability and willingness to work very closely with stakeholders and policymakers as we have done over the last 115 years, and as we will continue to do in the future. Thank you.

Q&A

<A>: We have time for a question.

<Q>: Okay. Hi, Chris Turner, J.P. Morgan. And you guys mentioned that you're going to be filing the energy strong program pretty soon. You just got done with GSMP-2. Can you give

you're going to be filing the energy strong program, pretty soon. You just got done with GSMP II. Can you give us more detail about the upcoming followings that are required whether for those or energy efficiency? What BPU has to do in terms of getting back to you, timing, spending dollars et cetera.

<A>: Sure. So, Dave Daly during his presentation will talk about the actual investments and programs that we're going to be seeking approval on. But let me talk about the process at the BPU, so it depends on the type of investment. And if – if we proceed with a an investment that is behind the meter, so whether its energy efficiency or whether it's solar that falls into a separate category in the BPU regulations. And we have a mandatory pre-filing meeting, that's 30 days before we submit the filings.

And once, we make that filings, there is a clock that tics 180 days for the BPU, once they have a completed application to review it and act on it. So that has been in the law for quite a long time, I forgot something, successfully proceeded under that – program that regulatory program with variable filings and energy efficiency filings, it's very risk upon their time.

When we look at the more traditional utility investments and strong type programs – type programs, so they have never had a specified process at all. This new regulation does cover those investments. It doesn't do it as the process, the solar and the energy efficiency. And it's for example does not require a 30-day pre-filing meeting. And it does input that 180 day clock on the review, but instead what it spells out is, that the state's policy is to accelerate these

[ph] investments and to provide for accelerated up to semi-annual rate recovery and that the programs can be approved up to five years with a in excess to a rate case every five years. So a lot of those more contentious issues in those proceedings now have been addressed by this new regulation. And those were the issues that we mostly got caught up on in the other filings. So these proceedings will now focus on, are these investments these utility infrastructure investments needed appropriate for safety, reliability or resilience. So I hope that answers your question.

<Q>: Yeah, it doesn't, it sounds like BPU has some lever there and that they actually able to achieving those goals.

<A>: That's correct, it does. So it's up to us to make our case as we always have as to what the right level investment is, what the impact on customers will be and why it's the right time to make those investments? And I think we've been very successful in that regard in the past at the BPU any reason whatever change going forward, but we have to take every case, every filings on -- based upon the facts and what's going on at the time.

<Q>: Okay.

<Q>: Hi, this is super helpful, thanks for that. In terms of price formation clearly it's going very financially diluted down maybe Fast. What do you see the shape when it takes right now and what kind of timing are you expecting?

<A>: So on the Fast start pricing we are very hopeful that FERC will act this year. They don't have to act on any particular schedule on that, but we as far as along that it is reasonable to expect FERC to issue a Fast start pricing decision this year. There are people who don't agree with the Fast start pricing mechanism that is before FERC. So people could challenge that in court, but typically those points once the FERC acts

the mechanism goes into effect, and any challenge doesn't slow things down. And that shows typically the way things are done at FERC. As far as all of the other price formation efforts, unfortunately they're a little bogged down in the

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stakeholder processes. There are just so many different opinions in the PJM stakeholder process, on what they should look like, what the benefits are?

As I said, we're not going to [Technical Difficulty] – we're going to continue to pursue, what we think are important price formation changes and we're not alone. There are many companies like us making those same arguments, but I don't have specific dates on when PJM will move forward or when they will be successful on that front?

<Q>: Got you. And is there a view in terms of pricing impact of the fast start, if it gets done, what do you think that impact would be?

<A>: There is, I don't know that off the top of my head, so certainly we have evaluated what – what we think the – I don't know if we've talked about that yet. So I can follow up with you after, I don't know if we've made that public yet either. So why don't we talk afterwards if we have, we can certainly point you to where we've described that in the past.

<Q>: Thank you. First of all just on the bills, so you know, it doesn't come down dramatically. But if you look forward from here with all the different rate merging mechanisms with the [ph] Zacks capacity went up, just if you took these levels, are bills still kind of inflationary type growth?

<A>: As Ralph indicated, it's something we focus on every day. And Dave, President of PSE&G will be talking to you about our ongoing efforts to keep our costs down and that's there were many levers that could impact customer bills. One is, how we run the utility and how we run it in a way that

minimizes the O&M increases and we've done a great job and I think we're going to continue to keep those costs down and keep the utility as lean as possible. We don't like to sacrifice needed investment, so we always want to make the investments that keep the system strong and resilient so when storms come or when customers want their electricity to come on they – that everything works as planned. So we try to put those at the top of the hierarchy of what cost should be passed along to customers.

I think a significant benefit though in this clean energy agenda for customers will be energy efficiency. So that's one area where we are really excited that the state is not just looking at adding more renewables or adding things that to the system that cost customers money, but looking at ways is that we can invest in a way that brings down the customer bill. So that's a really important piece of how this all fits together and we will continue to be diligent about keeping our customers cost at a reasonable level, we think that's important. And so, how much that [Technical Difficulty] (01:08:08) will keep customer cost down, it depend on the programs and how it's moving forward. I'll figure that out of over next year, appetite is but there is great opportunity there.

<Q>: One other quick question. Just maybe this is on, if you look at the clean energy initiatives, a lot of them from a PEG power standpoint, arguably are long-term pressure as you know offshore wind and...

<A>: Yes.

<Q>: ...adding a lot of renewables, lowering demand through energy efficiency, so just, maybe I don't know if Ralph wants to answer this. Just how should we think about what these things right mean for the other side of the business?

So we made a -- so we made a conscious decision that the PSE&G sandbox is much smaller than the PEG Power sandbox. So PEG Power is looking at 168,000 megawatt sandbox and PSEG is looking at a 10,000 megawatt sandbox. So they do put pressure on PEG power, we're willing to do that in terms of what it means for the company.

As Tami said we think that the combination of infrastructure replacement, cleaner energy puts upward pressure on prices, energy efficiency puts pressure on prices. All of that except for the transmission investment reduces load opportunity for power. But just given the size of the pool that it can plan the issue for power as you know if you look over the last 10 years has not been volume of output [Technical Difficulty] per unit. So we're going from 50,000 from 50 terawatt hours to 64 terawatt hours. The question is are we going from $30 a megawatt hour to $25 megawatt hour or to $35 megawatt hour. So I'm not worried about the volumes that power faces I am as much as I'm worried about the price of face.

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SI-SSA-0015-14658

<Q>: Thanks.

<Q>: Hi. I wondered if you could shed some light on how the BPU might go about doing the selection of nuclear plants for Zacks. So clearly your three year going to apply but there are some other ones in Pennsylvania for example that could also apply. So just wondering what your understanding is of the lens through which they will just judge the determination of need.

<A>: So it's a very important question and one that is addressed that we're pleased that it is directly addressed in the law. [Technical Difficulty] based upon identify and rank those units once it select -- identifies which unit meets the threshold a binary threshold are they at risk of retirement and they retire would they have an impact on New Jersey from an environmental

field diversity or resilience perspective. So it's a yes or no on that. And then if they have more than 40% of the energy needed or energy in New Jersey that so they select more – that they more than three plants are eligible, then they rank them based upon the impact that the retirement would have on this in those three categories. So they will be ranked on the environmental, fuel diversity, and resilience perspective. Looking at which one's retirement would have a bigger impact on the state.

<Q>: So given that do you sense that there be of the like Peach Bottom or Susquehanna that are very closely tied into your zone that could potentially qualify?

<A>: So I think that there are many plans that could qualify for that first screen, the yes or no lens. On the ranking, I believe that our plants have an advantage in the ranking. I don't know if the analysis that EPU will conduct on determining which have a bigger impact on New Jersey if they retire. I don't know exactly how that will end up but I think there is a reasonable chance based upon our analysis and our experts internally that our plants have an advantage at the end of the day. But again that will be determined and there are two-step process, first who is eligible and then the separate ranking of those eligible plants.

<A>: We have time for one more question.

<Q>: Thanks. It is with FERC, do you see for the utility to play in some of the other elements of the clean energy agenda, mainly the renewables and the solar

the renewables and the solar and offshore wind if any.

<A>: Sure. I think there are numerous opportunities, yet to be spelled out in great detail. This law was just passed and the law spells out numerous steps that have to take place. Storage for example, the law spells out that there needs to be a stakeholder process and study conducted of the benefits and opportunity for bringing up to 2,000 megawatts of storage. If the states decides to go ahead with storage there is a reasonable chance that they could do so in a way that the utility has an investment opportunity that detail is yet to be seen.

And some of the others such as energy efficiency and electric vehicles I think it's more obvious and more clear at this stage what role the utilities could play. Energy efficiency as the law speaks directly about utilities in New Jersey being required to reduce consumption both on the electric side and the gas side and then specifically talks about the investments that the utilities make in order to achieve those reductions will be recoverable. And not only the recovery of the investment, but are earnings opportunity on top of that investment. So I think energy efficiency really clear, some details still to be worked out on the preceding about what type of energy efficiency and where and how quickly and important items like that. But I think there is a clear path for utility involvement. And it's important for the utilities who are the ones responsible for achieving these reductions to have an active role in meeting those objectives.

On electric vehicles I think there is an opportunity and Dave will be talking about those opportunities in our – in his presentation about our

proposed clean energy filing that will interest you. We do think there are some things that utilities can do, particularly as far as enabling some infrastructure for electric vehicles and making electric vehicles easier to access for those who have a difficult time getting access to it.

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SI-SSA-0015-14659

On solar, we have had a long history of successful investments in solar both on landfills in New Jersey as well as in other locations that are challenging to install. We believe it's important to continue utility scale solar. We think that is the most cost effective solar investment and we are very optimistic that the state will see an important role for utilities on all of these different initiatives.

So, thank you very much.

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Thanks. We'll move to Dave Daly, President and COO of PSE&G.

Dave Daly

Good morning, everybody. And if you've been here for many years probably used to have Ralph LaRossa being up at this point. He told me – reminded me last night that he's been doing this for the Utility for 10 years, and so I'm very honored to be here. Moved into Ralph's role this past October of having building the company over 30 years and having worked for Ralph for many years. Ralph's been a

having worked for us for many years. Ralph has been a great leader of the utility team and had been a mentor to me and looking and really enjoying continuing to work with him in his new role. If there was three things that I would want you to take away from my presentation today, it would be these. Number one, it would be, kind of linking back to what I just said is that the utility has a tremendous team. It's a team of people that I was honored to be a part of.

We have two leaders here today, Kim Hanemann. He is sitting in the third row here in the right. And John Latka, they're both senior VPs, Members of our Executive Officer group, part of that team. And the utility team is one that delivers on its commitments. It's a group that delivers day to day, as the slide says on reliability 16 years in a row, the team that gets investment programs approved at the BPU, it's a team that delivers on those investment programs on time and on budget.

Second is that, we have tremendous opportunities that I'm going to describe on the following pages. Opportunities in investments in infrastructure on the gas and electric side in our transmission infrastructure and those intra opportunities are not three-year or five-year opportunities. These are opportunities that have 20 plus here runways on them. Needed investments in the basic infrastructure that helps to grow the economy over the long term produces strong jobs.

Winter is all the way around. And opportunities on clean energy, Tammy just described based on the question that Abe asked about where our opportunities are? I'm going to describe a very specific one we're moving forward with on energy efficiency, electric vehicles and energy storage for $2.9 billion but every one of those other items that Tammy just went through are other opportunities that are before us, and that will be pursuing very aggressively. And then the third piece is the alignment that we have from a policy perspective in New Jersey We're proposing here in this business plan fits like a glove with New Jersey policy coming from all branches of government, coming from the BPU. It's very, very consistent.

On the infrastructure side, the infrastructure rules, updates that Tami described on the how the infrastructure programs are implemented, the energy efficiency program that I'm going to describe a $2.9 billion filing is tailor-made for that legislation. We really don't have to do much work to implement that legislation, we've done it already. So as I said a very strong team, tremendous opportunities over a long period of team and very, very strong alignment with New Jersey policymakers.

So we put that altogether, the business model that we use is in the bottom right that Rob described and our strategies platform balances reliability rate policy and produce strong financial returns over the long-term.

So this slide gets into a little bit of that teams, that's a little bit of history, it's going back five years it's since 2013 to 2017 and it is depicting rate base growth and earnings growth. $14 billion was invested, earnings and rate base grew at

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SI-SSA-0015-14660

around 13%. One of the things that is important on this slide is the fact that there is a very narrow width between the growth rate of rate base and the growth rate of earnings. Earnings are slightly less, but not much, they are both running around that 13% rate. And that's because of the contemporaneous or near contemporaneous returns that we've on well over 90% of this investment and some strong cost control by the team. The growth from 2013 on rate base about $10.5 billion to about $17 billion and earnings from about $600 million up to just about a $1 billion

And only the other point I would make on this slide is the bottom section in the red which is our Transmission business is the growth of that business growing from about a third of our business and about $3.8 billion in rate base to almost double of that over that time period. And by the time we get to the end of 2017 then transmission is close to half of our business and that's important from the point of view of the regulatory diversity. Transmission of course regulated by FERC in the – with the forward looking for the FERC formula rate and the other half regulated by the BPU. So over this time period, we've also developed a good diversity in terms of our regulatory structure.

And as I said, this gets back to the team that's been delivering over the last five years. So let's move to the exciting part of the presentation, exciting for me anyway is the program going forward from 2018 on the far left to 2022. And I just want to explain a few of the moving parts in the this slide. I think there's a lot of fantastic information in this slide. What did you see in the header is that it talks about $12 billion to $15.5 million. And what that's referring to there is if you look at the slide or the bars there are solid bars in the bottom and then there's 01:22:03 [indiscernible] spots on the top. And the solid bars are the programs that we have in place approved are very, very high competence were approved and we're not really focused on needing to get them in place, they're are already in place. And if you look at the aggregate amount of the capital spend of the solid section on the bottom, that's the $12 billion number over that five year period. The hatch sections are the two programs that we describe we're going to be filing very soon. The first the energy strong program which is a $2.5 billion program over five years and the clean energy program which is a $2.9 billion program

And if you take the bars and include both the solid on the bottom and the hatched that refers then tied back to the $15.5 billion, so somewhere between those two. And if you just then look at the far right bar and just to describe then what's in there, the bottom bar is the red, that's our transmission business. The one that you know about very well.

The aggregate value of those bars going left to right is about $6 billion, that will go into that business under the first formula rate. The green bar again programs that are already in place includes about $3 billion in the aggregate in those green sections. About half of that is our base depreciation level spending on the base structure and new business. So that spending that's within our depreciation levels and therefore already covered in rate, that's about half of it. And the other half of what's in that green section is the recently settled GSMP2 which as Ralph had mentioned is well is about $1.9 billion.

Now that program is a five year program starts in 2019. So this is only showing four 4 years of that. And so the GSMP2 component depicted in the green section of this bar is four of the five years. It's about $1.5 billion of the $1.9 billion. If we were showing $23 million there would be another $400 million or so of GSMP2 out there. And the only other piece green all the way on the left, that green sliver in 2018 includes the last year of GSMP1. GSMP1 was a $900 million program about $300 million a year. And we're spending $300 million on GSMP1 in 2018 and then GSMP2 starts in 2019. So the green is all about the gas and the GSMP1 program having been approved by BP a week ago, it's baked into the solid. And then the blue on top of that is our base electric distribution

then the blue on top of that is our base electric distribution work, base work within depreciation new business. That's about going left or right about $2 billion cost.

And then you have the two programs. The Energy Strong 2, Energy Strong 2 is an electric and gas program. I'll talk a little bit more about it in a few moments. In total, it's $2.5 billion. And once again, this is only showing four of the five years because the fifth year would be 2023. I think about that program about five years at about $500 a year or so. That's showing about $2 billion for year as a $500 and there would be another $500 million in 2023 if we were showing that bar.

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And then the Clean Energy. The Clean Energy is a $2.9 billion program. It's a six-year program. So, there's two more years of this program not depicted on this chart. The value of the hatched section here in the first four years is about $1.5 billion of the $2.9 billion. And if we show the extra years, it'd be about $700 billion, and ramps up. And we assume we get approval as you see in 2019.

That's just the way that the chart is constructed. If we got zero out of Energy Strong 2 and zero out of Clean Energy, we have a $12 billion investment program. And if we got everything on those, we'll have $15.5 billion.

The other point I will just make in the slide is what the two lines are talking about. The bottom line going from left to right that goes from 18 to 20 was our 2016 to 2020, two years ago when we were here talking. That's what we thought the level of investment was going to be in those years. And then the line that's above that is last year's capital plan that shows what we thought last year.

And of course, my job and the job of our team is to draw the third line, which would be this year's and make sure that's intersecting through that hatched area and – but you do see we have this track record of improving on each year's plan on the capital. I'm confident we'll be able to do that but it's going to be about getting approval

confident we'll be able to do that but it's going to be about getting approval for those hatched areas.

So then, just a little bit about some of the programs that I just went through. First is the transmission program. As you saw on the previous slide that was in the solid section of the bottom, $6 billion. Ralph mentioned that this program in days past had to do with solving reliability criteria violations. They still come up. PJM goes through an annual process where they'll identify where there are violations on the system and the local owners come up with projects. As more renewables get integrated into the grid, there may be more of them coming up, but right now, the bigger driver of that $6 billion program over the five years is the transmission hardening the life cycle and the 69 kV work. The hardening, for example, we have three projects going on now, the Metuchen, Burlington, printing project is a $750 million lifecycle project that is replacing aged equipment's, very, very old transmissions equipment. We have a sub-station for example in New York. $350 million was just approved to change out all lifecycle, end of life equipment.

And just, very, very recently, we had a $550 million program approved, the Roseland Pleasant Valley, upgraded to 230 kV upgrade. So those are the types of the projects that are in the lifecycle and then, the 69 kV system is a very robust program. We're one of the few utilities that has a sub-transmission program network at 26 kV and we are upgrading that network at 26 kV sub-transmission up to transmission level. These are very, very valuable investments. They bring tremendous reliability. They bring tremendous flexibility in the grid and that's a big piece of what the transmission program is all about over the next five years.

And then, it's not shown here because it's there yet as Tammy said, but there yet as Tammy said, but offshore wind is a potential opportunity for the future. The governor's platform calls for up to 3,500 megawatts of offshore wind. At that level in fact, at any level above 1,000 megawatts but certainly at 3,500 megawatts there would be a tremendous investment in transmission first to bring the power shore, and then once it landed depending on where it landed there would likely be significant upgrades particularly at 3,500 megawatt to upgrade the on land system to get the power where it would need to go.

So there's other things out in the future that we're looking forward to do well there are not yet mature enough to bake into the plan.

So, then the next is the gas distribution, green section back on that previous slide, about $3 billion over the next couple of years and just couple of things that are depicted on this slide, one is the GSMP I program, that was 2016, 2017 and 2018. So we're just finished on this year, that was a very successful program. It was $900 million in total over the three years. It did some of the same types of things, it – on the replacement of gas mains that was replacing cast iron unprotected steel, that's very, very successful at the end of the year.

So that's really not playing into the next five year picture, very, very significantly. What's playing, what is coming next this is the GSMP II approve last week 1.875, two components each year over the five years but based on the $315 million a year and stipulated base of $60 million. So a total of $375 million a year. One of the improvements though in

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the infrastructure regulations that were approved was more flexibility to shape that step. So, we have $300 million over the life for that GSMP II program, $0.9 billion about $360 million is flowing through step, but we can shape it and time it later

through step, but we can shape it and time it later in the period to better align it with rate recovery in our next rate case. So that was a very, very significant improvement that allows us to minimize lag on that program. And then there's the base capital on the new business that we talked about. Depreciation level capital spending in our gas business is about $150 million, $160 million and we have new business that's probably in the range of $80 million to $100 million a year. So, the gas business is in very good shape. Clause program for GSMP, depreciation level spending and new business for the balance.

Then we move on to electric distribution. About $3 billion to $4 billion depicted here, Energy Strong I is a program you may recall was a $1.2 billion program and the arrangement in that program was the first $1 billion flowed through a Clause with near contemporaneous return and the last $200 million was to be recovered in the next rate case. As that program has come to an end now this year, we've spent just about $1 billion, just a little bit over. And so all of that did flow through the Clause and there is really not that much, maybe $30 million or $40 million above the billion dollar amount that will be recovered in the rate case. But we didn't spend the additional $200 million. We did all the work. What we did was it got better pricing, back to the team executing very, very well. So, we did all the work, but we were able to get it done for about $1 billion, about $1.30 billion and that savings flowed right back to customer. So that program is coming to an end.

So, that also doesn't really factor into the capital program going forward, but what does to Energy Strong II, it has two components, an electric component and a gas. The electric component is about a $1.5 billion and the gas component is about $1 billion. The $1.5 billion on the electric is the core infrastructure upgrades hardening, we're raising substation. We have 16 substations to raise in this program.

We have 16 substations to raise in this program. We look at the FEMA 100-year flood maps and then we take that amount. We go one foot higher. There's aging infrastructure components to this. We have 84 stations. We're going to be looking at that have an average age of 73 years. And within that subset of those 84 stations, there's a group of 20 or 25 that have an average age of over 90. So, there's a lot of work to do in the substations.

And then there's some technology. So that's what that program is about, $2.5 billion, five years starting in 2019. We plan to file that very, very soon in the next week or so. And we'll be get going on that very shortly.

And then on the gas side, about $1 billion of that $2.5 billion is really focused on resiliency, our service territory in New Jersey, I think about our gas system, it's set by five major pipelines that come from the west from the shale up to the Western Pennsylvania, from the southeast and the from the southwest.

And what we've been doing a lot is that very, very again alignment with the BPU, policy is looking at the impact on our system, if one of those major pipelines was to fail. And what the $1 billion is doing in this program is essentially same, as these pipelines come in, they come in to what we call metering and regulating station.

And their pressures drop and then they're fed into our distribution system, so transmission coming in through these stations and then into our distribution system. And the biggest part of this gas program is taking the downstream side of our metering station and better interconnecting it. So that if we have a problem with one of the major pipes coming in, up north for example, we can better move gas on the downstream side of the stations up to the north. So, it's kind of like creating a gas sub-transmission system, the better move gas our side, if we have a problem on the other side with the pipelines.

And it's something that has the attention to BPU, the vulnerability that we have to the reliability of

attention of the BPU, the vulnerability that we have to the reliability of those pipelines, there was an incident in 2015 involving one of the pipelines that really raised attention to this matter. And so, this work will allow us to better move gas around in the event we have those types of problems. And then on electric, we have about $2 billion over five years on base capital and new business.

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And then I would say the most exciting part for me, I've been spending at great deal time on this over the last eight months is the clean energy future. It's a tremendous opportunity. It says partnership there, because as I said, this is a hand in glove alignment with New Jersey's policy. A $2.9 billion investment, the biggest part of that's energy efficiency $2.5 billion, $300 million on vehicles, electric vehicles and $100 million on energy storage totaled $2.9 billion.

The energy efficiency component is submitted as a filing as Tammy described, where we have a 30-day meeting, we've held that 30-day meeting. You can't file any sooner than 30 days so we did hold that meeting. This thing is ready to go. It – on these types of filings, they have cost benefit tests. Tammy had mentioned the fact that these actually help lower bills, which is exactly what they do. These tests basically look at you're making these investments and you're asking – you're doing an investment which is going to allow you to eliminate generating a kilowatt hour or sending through a therm of gas and the cost – question is what's it costing you to save that therm versus if you have generated or floated through and these pass very, very strongly these tests. The benefits of these programs outweigh the cost of these programs and they save customers money.

The energy efficiency is precisely aligned, as it turns out. We were working on this before the legislation is finished, but the legislation calls for 2%, electric savings 0.5%, gas savings

our program at the $2.5 billion energy efficiency achieves basically that amount. So it's very much aligned. We don't have to do much work to comply with the new regulation. It involves residential and commercial industrial energy efficiency options, electric and gas. Virtually everything that uses a kilowatt hour of electricity or uses a therm of gas in a house, in a commercial environment, in a hospital, school, university, whether there is an appliance, refrigerator, gas water heater in industrial settings, motors, pumps, lighting, you name it, it's in there, in low income, new construction and tremendous program, and we're very, very excited about it.

The electric vehicles is $300 million, basically has couple of components or residential component to help get there's the Level 2 chargers that need to be in place for electric vehicles to be viable into the residential area. Workplace, multifamily charging station, travel corridors, and there's a couple of pilots associated with this program. One of the ones that, we are very excited about is a school, electric school bus pilot that's used brings the benefits of clean energy, particularly into areas that are under-served. And in the summertime, when those buses aren't being used, they are basically sending power back. So it's kind of a pilot looking at, how you can use batteries to flow power both ways, everything we're doing on the electric vehicles, infrastructure component is smart.

And we're learning, and these programs involve understanding, how people will behave, how we can best utilize and manage charging. And then battery storage, there's 35-megawatts of battery, $100 million volt solar smoothing, distribution deferral, micro-grid, applications peak reduction. The – it's a six year program as I mentioned earlier for all three. As Tammy mentioned the legislation described contemporaneous returns for the utilities to make these investments. The legislation I forget if you mentioned this with Tammy, but it mentions and supports decoupling for the folks that make these investments and we expect to file this very, very soon. So a very exciting step into this arena, makes economic sense [Technical Difficulty] that provides an offset to the bill pressure that the infrastructure is put on because it literally saves money. We show that with hard dollars and cents for customers.

So we put that all together. Now we're back looking at rate base for the next five years and the construction of this chart is very similar to the one at the beginning with what we mean by the solid section versus what we mean by the hatched. So the solid sections are the things that are in place that we know are approved and ready to go the transmission business, the greenness, the electric and gas combined this time together into one section that includes the GSMP II because that's improved. And the hatched section of the two programs that we are about to file.

And similarly, if like the construction of the previous slide if we got nothing from Energy Strong to and from clean energy, the rate base growth over this period would be 8%. If we got 100% of those [Technical Difficulty] rate base growth would be 10% – 10% would be rate base and at about $27 million 24x7 for the aid. And as I said what our job is right now is to get those filings in and get them approved. And we have a good track record for doing that and that's what we plan to do.

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So operational excellence just a few thoughts here, because our credibility when we go in for these filings, it all hinges on the fact that we're running the business and we've shown we can get these things done on time

on budget.

The two top slides talk about safety which in my opinion safety is a leading indicator of how well a business is run. What that's not is showing there is depicting the top left, how many injuries we have and on top right how severe those injuries are. And we perform in the top 10% the top 10 – top decile of the industry. And there's no way in my opinion a company can perform at that level with safety, without a tremendously strong culture, without engaged employees and without a disciplined around process. And so when you look at safety, if you're not able to work safely, you're never going to get there in the rest of your business. So this is a very, very strong leading indicator. We saw this a little bit on Long Island. I'm going to talk about in a minute where, when we first started on Long Island, there's a lot of problem with safety and what goes along with that is, and so very, performance we're very proud of that and it's really – it's speaks to the disciplined we have around process and procedure and employee engagement.

On the bottom, is 01:41:28[indiscernible] it's a measure of reliability, I think it's the best measure, it basically says how many – how often we were out of power, it's a function of how many outages you had and how long they lasted and you puts two together it's your total outages. Once again lower is better on that chart the line – the line on all of these charts is our performance and you see on the far right on the bottom chart, we're almost off the chart low, meaning very, very strong reliability. So, good track record is there as well.

And then one customer set. We look at customer set, we used J.D. Power. We were compared against a panel of about 20 companies all in the Northeast. We look at electric, resident, residential and commercial and this a higher scores better than the color coding the bar is the

and the color coding in the bar is the other quartiles, and you see we're basically sitting in the top quartile in every one of those quadrants, strong safety, strong reliability, strong customer satisfaction. The other thing about this slide that I'd like to point out is just take a look at the upper left chart and look at 2016, which is the second bar from the right. If you were in the top quartile in 2016 like we were, we were in the green, but you didn't improve.

One year later, just draw a straight line to the right and look where you are. You go from the top quartile to the third quartile, if you don't improve. Look at on the far upper right, same thing in fact there you can be in the top quartile in 2016, if your score didn't go up you're at the very bottom. And that phenomena of this improving trend that to stay in the top quartile you need to continuously improve is very, very evident here, and that's all we've done. The team has improved and we'll continue to improve.

O&M, this is a very strong track record here of cost control over the last five years or so. Our job is and our intention is to keep it going at that rate. This allows to keep us allows us to keep rates down and allows us to earn our ROEs. We've got a lot of things got depicted on the bottom the page. And that's my job and our team's job is to control these costs, so we can continue that trend.

This slide was also in Ralph's presentation, a little bit about rates. So the upper – the left hand side is an electric customer, right hand side is the gas customer. If you take a combined customer which most of our customers our combined customer, the rates are down as Ralph had mentioned 20% adjusted for inflation they're down 30%, along that way by the way we also gave back without changing the rate you payback Bill credits along the way as well of $618. And so

along the way as well to $680. And so it positions us very well, the point of this slide is that this is the time to make the investments when we have this headroom to make the investments in the critical infrastructure, to make the investments in energy efficiency, which will help mitigate some of those costs and leverage this headroom that we have on this – in this situation over the last many, many years.

And that's what we're doing and I think again, we have alignment in that thinking around leveraging this headroom and making the investments, now it's evidenced by the infrastructure upgrade, it's tougher regulation that came out and the support for the Clean Energy. Our operating guidance for 2018 is unchanged, to the pattern there we're on track to meet

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that performance for this year.

Sort to wrap up, PSE&G is about operational excellence, it's about financial strength, clause-based recovery programs and it's about that capital program that is somewhere between 12% and 15.5% depending on our success with Energy Strong II and Clean Energy and it's a very, very strong program driven by a strong team and the other things we talked about.

Just for a quick on Long Island, I was led Long Island for about four years prior to getting the opportunity to come back here to our New Jersey operation. Long Island is a services contract, it's a management services contract, it's completely performance based. If we do a good job, we get paid. If we do a really good job we get paid 15% extra on incentives. If we do a lousy job, we get thrown out and we don't get a check on the way out the door. And that's basically the model and that's what we've done.

We've improved for the most part when we started this operation four years ago. We were taking this from New Jersey, lifting them up and bringing them over and replicating them. And what's happened is the team out there has become

more and more engaged and there's been very significant improvements and we got to the point now where a lot of the practices are now flowing back and forth because we've got a very strong team. The improvements have been made. We've hit 95% or better of all of those incentive targets and we're meeting all of our financial commitments.

I'm sorry – I didn't – that page turned at the time. Last page on [ph] Long Island (01:46:39) I mentioned on the upper left the safety performance and I mentioned how – if you don't have safety right you're never going to get your proxies right. So we're improving that safety performance. To be in the top decile, we need to be below 1.0. So you see in that chart in the upper left, you started 2.8 down to 2.3. We ended last year at 1.1 we're almost getting there. And that's really coincident with getting engaged – calls are getting our processes in place, getting that discipline in place. So we're on the right path. Satisfaction is up, reliabilities are in good shape and improving itself. It all speaks to the piece around it's the a performance based contract and we're doing what we need to do out there by leveraging the best practices between our company.

So with that I'll take any questions.

Q&A

<Q>: Hi. Could you give some examples of the energy efficiency investments $2.5 billion is a lot to spend, so I'm not sure if you're doing that inside the home or outside the home or sort of...

<A>: Yeah.

<Q>: ...categories.

<A>: So I'll will give u couple of examples. So inside the home, smart thermostats, anything down in the basement on heat or water heaters, furnaces, electric gas, any appliance in the home, refrigerators, those types of things. Anything – any of those – lighting in the homes as well, anything is using gas per kilowatt hour, where we would go in and put in a much more efficient appliance light so on and capture those, those savings. So that would be an example for example in the home. On the commercial and industrial end you have bigger types of equipment motors and controllers, air compressors, food refrigeration much, much bigger refrigeration types of units. So when you think about large commercial and industrial any of those types of pumps motors, fans, I think as well inside that home there. The program in the low income area does the same type of thing in more in like multi-family type of settings, some weatherization type things when you particularly in that particular program. Another [indiscernible] 01:49:08 analytics, so we put the smart thermostat in, but some of the other offerings are then to help customers analyze the data that's coming from smart devices in there and help them manage their bills, so like management services, analytics types aspect to this as well. So those would be a couple of example in the energy efficiency area.

<Q>: I'm just hoping to put some actual numbers on I guess it's your slide 41, so the rate base in 2018 – the total rate base in 2018 what would that be?

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<A>: What slide did you refer to?

<Q>: Slide – I think it's slide 41, it's just the rate base for 2018.

<A>: The rate base in 2018, about [Technical Difficulty] I can get you the numbers.

<A>: He will get you those numbers.

<Q>: And then is the half of an 2018 base or is that half of 2017 base?

<A>: It's half of end of year 2017, so half of that $17 billion.

<A>: Okay. Great. And asked you have provided sort of a detailed break out of capital spend by category, normally that would have appeared in your 10-K. Are you going to provide sort of annual numbers, breakouts for your CapEx or are you going to wait until the next year 10-K?

<A>: So the breakdown on the CapEx in the [Technical Difficulty] (01:50:39) breaks it out between T versus gas D, ED you mean within those categories? Yeah.

<Q>: Well, I think on an annual basis in your K, you've given like the five years of spend for each of the buckets in numbers. Are we going to need to wait until the next year K to just sort of put these numbers to get the actual numbers or are you going to put something out potentially before that?

<A>: Right. Yeah. We have them, Paul. We'll get them for you. They further back in the invitation and so on. But we read them [indiscernible] 01:51:11

<A>: Okay. I'll ask Dan to think about that and maybe address that one when it comes up.

<Q>: Thank you. Any other...

<Q>: Thanks. Thanks, Kathleen. So, yeah, you said that the part of the storm was when you showed a picture of taking it all substation and raising it up and you said that you looked at the those flood maps and it got higher than what they say is the sort of the expected maximum level of potential flooding.

<A>: Right.

<Q>: How do you get comfortable that, that's the adequate, and the only reason I ask as I remember during Sandy, you kind of Ed said we did 15 different storm models and we hope that East River wasn't going to above and we were wrong and one of their plans got flooded and the city got blocked out. So, as you – I mean what the cost to go an extra foot above the foot you already

So as you – I mean what is the cost to go an extra foot above the foot you're already going? I mean, how do you get comfortable which you're actually spending this money to the right level...

<A>: Yeah. There is – first thing was after Sandy, based on that experience, FEMA redid all their flood maps, and they made them much more, I'll say, conservative. And so the approach we use – if a station has been flooded, particularly during Sandy compare the new FEMA standard plus one to what we actually observed and we saw a very good cushion. And so now we're doing stations now that weren't flooded, and so we're basically saying that with the revisions that were done and the observations we made that we have confidence in those – in that formula which is the 100 year plus one.

[indiscernible] (01:52:56) judgment that's being [ph] burden in and some analysis what we saw.

<Q>: Understood. And that design configuration if it performs as planned if – when if there's flooding but still be power as long as the lines are up because that's...

<A>: That's right. Right. There is a lot of other factors of course that there is flooding, at that level there probably was very high wind. And our electric system is 90% overhead outside plant running down streets with a lot of trees on them. And when the winds blow at 130 miles an hour [indiscernible] may have other issues going on but the stations

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themselves without getting the particularly the electronics flooded we've estimated that, for example, in the first program that 500,000 customers would not have seen an outage if we had done that work prior to Sandy as an example.

<Q>: Great. And last question, you put a number out there on the age of some of your substations which was...

<A>: Yeah.

<Q>: ... astounding to me, 70 plus years -

<A>: Actually 90 also [indiscernible] we got that. Yeah.

<Q>: Yeah. I mean, are they really...

<A>: And they're that. Yes.

I mean are they really...

<A>: They are that, yes.

<Q>: Yes, you know you've been replacing components as they, I mean how do they actually work and why are they actually still that old. Why and they've been report?

<A>: And it's kind of funny all the 01:54:15[indiscernible], which some call. We usually call lifecycle. Do you ever travel around New Jersey?

<Q>: Yeah, I'm from New Jersey.

<A>: Right so. If you travel around New Jersey we have over 300 these stations, you'll see sometimes even the station, some of them brick building on them. Those are the old class A substations. That's the stuff that's got the 90 to 100 year and it's 01:54:34[indiscernible]. It was installed in 1920 and it worked, it worked first time. But work this stuff that's 70 years old, it's outside. And it's been outside in the weather for 70 years or 80 years and it still works. But it is time to replace it. And it's good, good to get it replaced, because we've reached that point. But yeah, it is absolutely so incredible. And then the – the projects I mentioned for example the [ph] roseline, Pleasant Value, which is $550 we just had approved the PJM. That's an outside transmission line on the towers. And you know a lot of these towers they were put up in the ninth year ago, climb that tower, put that wire. It's been becoming cable and the hardware is becoming on [indiscernible].

<Q>: Thank you.

<Q>: Thank you for all the detail. I was hoping if you can to clarify distribution rate case filing strategy in the future, and I know you're in the middle of one now, but a lot of these programs are five years, six years. Should we expect rate case filings on that sort of five years sched, It depend on how the programs go, what gets approved with energy strong too and some of the clean energy stuff. High-level thoughts on that please?

<A>: Yeah. So, the rate case we're filling now is required based on settling back two years to three years ago, when we settled GSM case in five years and that was part of what the paperwork and the infrastructure regulation. So I think we have a requirement that we can't go any more

than five years. The plan that we have in place, what percent of these investments being contemporaneous or very near contemporaneous combined with cost control is to file in five years. That's my goal. And over time, we need to be very, very aggressive in controlling costs. We need to implement best practice to hold the line on O&M particularly, and we need to have discipline around the investments we made [Technical Difficulty] (01:56:32) we're not going to be regulatory eminent.

The key function where regulation we can shape the stipulation [Technical Difficulty] (01:56:40) closer to [Technical Difficulty] (01:56:42) in that, for example in GSMP, we can spend $1 million in the initial year. So that, if you do a lot of that step work in year four, and you have a case in year five, that almost looks like your contemporaries return. So the combination of managing the step that we have the ability to do now, having the discipline to not overspend

SI-SSA-0015-14668

depreciation level, get -- maintain the system's reliability at depreciation level spending on the BAIT program and control O&M. And that's the plan. And we would then have to be in – for new rates that would be effective in 2024.

<Q>: Hi. Earlier in the presentation, you mentioned that if you don't get a 100% of the Clean Energy or the Energy Strong asks, there'd be potential for some other spend. Could you just elaborate a little bit more on some -- what some of these other programs potentially could be?

<A>: Yeah, and I certainly didn't mean -- I was simply doing math by saying that Clean Energy with this [ph] $2 billion wasn't in the capital of the lower end, it wasn't in the right base. So I was just kind of like showing it in or it's out. So I do fully expect to get approval of both Energy Strong and Clean Energy. We'll work through that detail. But I think what I was referring to was, there was a slight up when Tammy was here that says, there's offshore wind, there's -- under the new legislation for example the renewable portfolio stay from where it is today. We're out to get to about 20% in the next year or two. It's been a raise to get to 35% by 2025, to 50% by 2030. So, the renewable portfolio standard has been significantly raised. That presents opportunities to help achieve that. That could be done in the utility, spent how it works. So, those are opportunities that are associated with that increased portfolio standard, that are on my plan number 1.

The energy storage is in our filing, but it's well short of governor's goals. I mentioned that $100 million filing is for 35 megawatt. The platform, the energy platform in place in New Jersey today is to get 600 megawatts. We're doing 35 to get 600 megawatts by 2020 and 2,000 megawatts by 2030. So, a tremendous upside if that's where we're going there. The orphaned transition is not in any of the [indiscernible] (01:59:07), which is that much. So, it's these types of things that could have us investing more in solar to meet that RPS. For example, in offshore wind, more energy have been stored. They're not in there yet, but there are opportunities.

<Q>: Thanks.

<A>: Thank you.

<Q>: Hi. I wanted to just catch up on electric vehicles and storage.

<A>: Yeah.

<Q>: The $300 million that you have here, what kind of presumption is there on the number of electric vehicles that this kind of investment can support? Is there like a correlation that you build out. And if that growth is further than what you expect, what kind of investment would that kind of...

<A>: For example, the residential charging, I have a, I drive a Chevrolet Volt for about a year and a half now, and when I got it, I loved the thing. I don't know that many people here drive electric vehicle. But I did put a level to charge

drive electric vehicles but I put a level 2 charge. Although, [indiscernible] you can plug it in like a cell phone. It's about an hours to charge. It cost – that cost me about $1,200. And so for example, the residential charging piece of this $300 million would put about 50,000 of those in. And so that's what that would enable, the charging at the workplaces at the corridors is seeding the market. We do have projections for example, our view of where electric vehicle penetration is going, today it's about in New Jersey about 16,000 vehicles, we're projecting it to get up between 275,000 and 300,000 vehicles by 2025. So we do have an idea of where we think it's going but the question is, it's kind of like the cart and the horse. This is a program where we're stepping forward, this will have a significant impact on getting it seeded, but then we got to see where it goes and what opportunities come from it.

<Q>: Got you. That's super helpful. And then on storage...

<A>: Yeah.

<Q>: A similar question firstly, what pricing is assumed in terms of the cost of storage at this point in your $100 million investment and where do you see that going?

<A>: Yeah. The batteries, the storage batteries that are the most economic today and typically have the application you're talking about grid scale, our 4 megawatt hour batteries, there are battery. They are about the size of an 18

initial
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wheelers tractor, and they generate a megawatt for four hours. That's the most economics, and that size battery cost anywhere from about $2.7 million to about $3 million for that 4 megawatt hour battery, that the pricing today. The pricing of these batteries has come down 60% in the last five years. And the battery technology is the same that we're talking about here, it's the same technology that's employed in the vehicles. And so, there is tremendous investment being made today in battery technology. It's primarily driven overseas in electric vehicle facilities to support

overseas demand for electric vehicles, but that technology R&D is directly impacting the cost curve on grid scale battery. So – and there's a tremendous build of these factories and this R&D capability. So, the question is going to be how fast that cost curve continues to come down, it's come down a lot, but at $2.5 million to $2.7 million for a 4 megawatt-hour battery, you can make certain projects [Technical Difficulty] (02:02:27) site that you got a site that could use a micro-grid and could use a peak reduction, there is a circuit nearby that's overloaded that could be relieved for a couple of years. There's a few things, but to do things on large scale the cost would have to come down, they continue to come down to make it economic.

<Q>: Any other questions? Okay.

<Q>: Yeah. So, thank you. So when you look at your current rate base per customer, it's actually pretty significantly higher than the vast majority of utilities in the country. And I understand that there is some space on the bill to fund the additional investment, but how would you defend for instance, the skeptics that say that you're already gold plating your systems especially on the electric side and that there is positive requirements but the level of investment is already pretty high?

<A>: Right. So, we're continuously looking at it as we've said as a balance and metrics, and our strategy is to be in the top cortile on reliability for example and we measure reliability a couple of ways I mentioned in this [ph] steady. We target to have top cortile customer satisfaction, customer satisfaction is driven primarily by a customer's view which is a combination of price and

and reliability typically. And so we look at it and we balance it and we consider the headroom, we consider the need on the system and where reliability might go when you're not investing in the systems that's aged, 70 years to 90 years and so when we look at that whole balance and we look at it continuously. We think we've got a good balance between them and that may change over time, we have to see, but right now when I look at the plan, I look at how we're delivering value to customers and what they're telling us what our policy makers are telling us. There seems to be general alignment that we're doing the right thing, right now for long-term growth. We don't want to end up. Like the New York City Subway System, where you had significant under-investment in needed aged infrastructure and this is the time to do it within the context of that balance.

<Q>: Hi. Can you just quickly elaborate a little bit on potential rewards or penalties we could see as far as the clean energy mandates for PSCNG as the mandates start to form? And then secondly, as we think about transmission opportunities for offshore wind, how we should think about sort of the socialization of that costs? And how the recovery could work especially for part of the line that is offshore?

<A>: Right.

<A>: Right.

<Q>: So would that be something that New Jersey would bear or something that he could socialize among PJM?

<A>: So, on your first one, if I heard you right, it was in the structure of the energy efficiency programs. Penalties we're not achieving the 2% or 0.75%.

<A>: Correct.

<A>: Yeah, and so that's you know the BPU is, these are going to be requirements. And so it's one of the reasons why we feel very strongly we should be the ones implementing these programs. And I think we recognize that if we have this obligation it comes with

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it comes with a duty to perform. I think the details on that are going to be worked out, and that is what's going to happen to you. BPU has been charged with taking the broad outline of that legislation and putting some of those details in place and in discussions we've had so far, they are talking about how do we think about – first of all, how you can measure the savings? There's a lot of flexibility in there, and how you do it? There's an analysis that has to be done to make sure that we're understanding what the true opportunities are, but to your point, I don't mean to sidestep the question, but that's a detail it's going to be worked out, but it's expected, it's a requirement, and if you're not meeting your requirement there's going to be some kind of consequence, that doesn't concern me though. You know like, I said our team is on time, on budget to get things done.

Your second piece, I'm sorry was on ...

<Q>: Transmission ...

<A>: ... of the offshore wind.

<Q>: Yeah.

<A>: I think they're Tammy mentioned they've started, the proceedings the BPU again is moving very aggressively and just a lot of details that need to be worked out. I mentioned the fact that if you have all this wind power, there's going to be a tremendous amount of transmission needed to bring it onshore. One of the questions will be is that part of the investment that is included with the developer or and that developers are responsible? Or do you separate that out and make that available? If you do it separately, if do you do it in the context of PJM or do you do it with some kind of state, so all of these details need to be worked out. The fact is there's going to be a lot of it. If you put in that much we're very engaged in that stakeholder process and we think we are uniquely qualified to build transmission and to do it right, do it well. And so that's what we're going to be keeping an eye on, but it is very, very early, but they are moving very, very quickly.

<A>: So we're at that time for a break. We're going to take a 15 minute break, and come back [indiscernible] at 10:30. Thank you. [Music]

[Break]

[Break] (02:11:46-02:13:46)

[Break] (02:13:44-02:15:44)

[Break] [music]

[Music]

[Break] 02:21:36 – 02:23:36

[Music]

Hello. I'm going to ask that you take your seats and we'll resume the program. Thank you.

Seats, we'll resume the program. Thank you.

[audio gap] (02:25:36-02:25:55)

Ralph A. LaRossa

Well, we're at the beginning; I got to go through all these slides.

[audio gap] (02:26:00-02:26:17)

All right. I'll get started, and good morning everybody. My name is Ralph LaRossa and as Dave mentioned in the last two years I've been up here, I've been speaking mostly about the utility activities. So today is a little bit different for

SI-SSA-0015-14671

me. As I explained to my family, the only real differences I now go to work and try to figure out different ways to boil water. So it's not that more, it's not that much more complicated.

But it is a – it's really has been a good opportunity to change businesses, but still stay within the same company and I think Ralph and the whole board for that but it was also very easy to make that adjustment because as you saw Dave and the entire team will continue the good work that we've put in place over the past 10 years and I'm really, really excited to see that continue.

So I'm going to focus on a few things here today and try to answer a couple of questions that have been raised, typically how are we going to continue to feed that is the utility from a cash standpoint and not have to issue equity. And that's where this business really comes in, we're going to be focused on free cash flow and how do we continue to improve that.

And I guess the other question that Steve asked earlier, Steve Fleishman asked Ralph earlier which was what's going to differentiate us when we continue to have the downward pressure on the volumes and that's really about transforming our fleet making sure that the assets that we have are really the best assets and are ones that really can operate within the marketplace in a very efficient way.

And so, I'll start off my presentation really just focused on the assets themselves. Everything starts with that when I'm focused on safe and reliable operations that's not going to change in one -- anyway shape or form. I'll update you a little bit on the three plants that we are in the process of building combined cycle plants give you a quick run through of that. Remind you a little bit about that transformation on how the plants that we've retired in and how that's worked out for us. Continue to focus on O&M, we'll talk a little bit about where we've been and where we expect to be on an O&M basis not just from a fleet standpoint but from an overall power standpoint. And then what results from that from a free cash flow standpoint and kind of lead right into Dennis presentation and what he'll talk to about some of the finances.

So, let me start with our assets themselves and where they are, again for 10 years I talked about a straight line up from the George Washington Bridge[indiscernible] Ben Franklin Bridge on the utility side. Well, the scope is a little bit bigger and the footprints a little bit bigger, but still focused in the northeast while we have a number of assets on the power venture side that are across the U.S. and those are specifically our solar plants about a little over 400 megawatts of solar. We also have 100 megawatt plant in Hawaii not in the area of – anywhere near to [indiscernible] or any of the risk that might be out there right now from the volcano but a very small plant that's under a PPA out there with Hiko. Most of our assets as you know are focused in the PJM region. In fact I'd say over

9,500 megawatts of our generation capacity is focused in PJM, about 800 megawatts up in New York ISO, associated with Bethlehem plant and then about a 1,000 megawatts in New England. So its focused in the northeast and you know really in spots that are close to our load centers and really positioned well to handle anything that comes up from a market volatility standpoint.

So let me give you a little bit about what's going on with our three new plants. We're just in the final throes of completing construction in this year on 1,300 megawatts of combined cycle plants and the top one is our – is Keys Energy plant, which as you recall we purchased back in 2015 which was a developed project, greenfield project from Genesis developers. And so we're in a process of working through the last kings on that I'd say we're probably four to eight weeks away from commercial operation on that plant. It's a plant that has been built on a by SNC-Lavalin. They are the constructors and really hold most of the construction risk on that project. Risk really comes from just making sure the plant gets online, on time and on budget – on time not on the budget side. And it's well-positioned as you know Southwest MAC has been a robust marketplace especially around the Pepco region, prices have been pretty high in that area. And we really think this plants going to perform well with the high efficiency heat rate that you see there as well as the positioning that it has within the load center.

The second plant is our Sewaren plant, 540 megawatt plant, that's being built on our old site in Sewaren, New Jersey and specifically we had a four units that were down at that site in the past and now we're upgrading that and again much more efficient unit that

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was in that spot business has been in there in the past. The good news about that plant is we are really in final testing stages, actually the plans running right now at about 200 megawatts as of this morning. We've been up to 345 megawatts on that plant and the combined cycle the guests, the guests unit itself has been running at its maximum output during that timeframe. So, we see that moving along pretty well. That asset has access to what we really like to see, which is our best fuel supply on the guest side of the house, and I'll go into a little bit of that in which we have access to low price light gas at that location.

The last unit is our Bridgeport Harbor plant, that plan will be completed in 2019. It is another combined cycle plant one by one that's being built on our existing Bridgeport site which is home to our coal unit that will be retired in 2021. That plant again good heat rate about 6,500 on that and is one that has access to guess through Connecticut Natural Gas Company, we have a contract there and again has good pricing and has access to some market that is – that tends to be volatile over time. So, one is between the sport spreads and its location we think will provide us with good efficiency as we move forward.

A little bit of our Solar Source business, again I mentioned that's across the country, you can see the growth that we've had in our Solar Source business from about 148 megawatts back in 15 to 20 to over 400 in 2017. That business we do not expect any new power plant, any new solar farms to be brought online

in 2018. There's none in our current business plan. But we continue to have a small group of people there, who actually look for mostly acquisitions, we don't develop them from the ground up. They're mostly acquiring projects that had some level of development that's been completed so far. So, we continue to look for that. But again in 2018, we don't see any new plants coming on line for us in that area.

We're going to skip ahead one slide and then come back. This kind of summarizes what Ralph had mentioned in the first part of his presentation, and really talks about how this fleet has transformed over the years. If you look at the top bit, these are the all the additions that we've had, both freights that we've done at our nuclear [Technical Difficulty] (02:34:15) cycle as well as new assets that we're putting in place that I've been talking about both at Bridgeport, Seawater and [Technical Difficulty] 2,900 megawatts that will be complete. At the same time, we're eliminating the less economic and really those that have been environmentally challenged unit. Again, the [indiscernible] retired back in 2015 with large coal units that we had in New Jersey, [indiscernible] fast forwarding to 2021 will be eliminating number of units. That will just leave us with the 23% ownership that we have out of Keystone Canada on our coal that's out there.

So, this really is the summary of the answer to Steve's question, which is why do we think that we're going to be okay as the load continues to be challenged by energy efficiency programs. This is the short story of how we're able to outrun the others in the forest that the bear is coming. So, we just [Technical Difficulty] better units and the units that we believe will stay in the market.

So, how do we get some of that competitive advantage

that's so important to us? Well, a big piece [indiscernible] And that's – and that's, this is where we get some of that advantage from. If we look over that transformation that's going to take place, look at what happens to our heat rate. We're currently around just over 7,400 and with the addition of [indiscernible] 68 Sewaren again at 65. We fast forward out to 2022, our heat rate is going up to the 7,100 range so a much more efficient from a heat rate standpoint.

Same time, we're cleaning up the fleet. You could see what happens to our missions from SOx and NOx and CO2 stamp. Again that we've probably shortchange ourselves a little bit because we've taken out some of the coal units in the prior years. And if you look at that profile we've actually come down at a greater pace than what's shown there. But we continue to move to a cleaner fleet.

At the same time, we're reducing the age that's going to help us on the O&M side as we continue to reduce expenses. And you can see that up in the top right hand corner where the average age of our fleet out in 2022 will be down to almost 21 years.

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Put it all together, much more efficient fleet, a newer fleet, and we're going to be able to operate that fleet at a lower cost on a [audio gap] a little bit more about the history there. But you can see how we're dropping down into a range that's going to be very competitive marketplace.

So let's fast forward to a little bit about combined-cycle plant specifically and how we have access to low cost fuels. You can see up on the top left hand corner, our procurement group which has really led to our ER&T department Shahid Malik who you have seen and heard from here in the past at these meetings. Those guys has done a great job of procuring fuel force or access to that low coast shale has been, shows up in a number of different ways, but given us that competitive advantage for those combined cycle units.

On the right hand side, we'll take a look out and see what we think is going to happen with additional capacity take ways from that region and we think that it's at the -- we'll continue to have with the use of that of natural gas additional production that will be taken place. But in overall we think that natural gas prices will stay flat as you continue to take a look at what's going [indiscernible] play there.

So combined with a flat price curve as you see in the bottom left, but in advantage by [indiscernible] natural to the shale and the [ph] lighty region we've [indiscernible] as well as I've been saying the advantage by access to that fuel. If you see, if you go out, and those are just the foreign markets there, the [ph] lighty price will have about a $0.20 to $0.60 benefit to us over the Z6 price in the out years. So that all put together gives us why we have some comfort in our combined cycle plants and why there'll be – there'll be more advantage than some of the others that we compete with on a day-in and day-out basis.

[indiscernible] I say the biggest advantage that we're going to have here is twofold. One is the work that's been done and we've heard a lot about that on the [indiscernible] from Tammy and her team, specifically I wanted to point out a couple of people in the back room Rick Thigpen and Josie DiRienzo, who were really instrumental in getting us across the finish line on that standpoint and did a great job for us on the governmental affairs side. Dan and his team and Tim Pellegrin has spent a ton of time getting us all than all the numbers together for us to get through the process as well.

And then Tammy was up here before, but we'll still give her credit for the work that she has done on the legal front. And there are a couple of people in her shop that were just fantastic. That – that will enable us to continue to compete. While we are able to compete, it's still about the operational performance that Ralph spoke about earlier and that really has

improved dramatically over the last year year-and-a-half, [Technical Difficulty] (02:39:24) year was our Chief Nuclear Officer and encourage you to grab him at some. They have just really done a nice job of working to improve the capacity factors down at the plant. And nowhere is that better seen than in Hope Creek where we just completed our first ever in the history of our company breaker-to-breaker run between outages and as a result you know if you look at the 2017 numbers our capacity factor was a 100% in Hope Creek.

We did that there. We've also were better than the four year average at Salem 1 and also better than the four your average at Salem 2. So good operational improvements, [Technical Difficulty] (02:40:02) long way to go. We still like continue to improve, but I feel very confident that that strong base has been enabled by the ZEC combined with the operational performance from Pete and his team will really enable us to move forward on the nuclear side of our business for a long time to come.

Why is it so important for nuclear? A little bit about the value the environmental side. But I thought I'd take a second to show you three slides just to highlight why fuel diversity is so important, and a little bit about what happened this past winter, and what really could have happened in the marketplace without these plants available. I'll take you back to the first week in January if you remember it got pretty cold in this region, and as a result you can see what happened to the [indiscernible] to the market prices around the clock in PJM, they were spiked up to over $800 a megawatt hour. So we've – the candidates did not become economical any further, because the price of natural gas has gone up so much somewhere well over the place where oil would have been more economic and as a result many of our units switched over through oil at that point. So we not only had a high usage of natural gas but we had a high price

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that showed up in the marketplace for natural gas. So what does that mean if we took a look at how the dispatch curve for our units. I looked and you can see our nuclear plants continue to run producing about 3,500 megawatt hour and look at the steepness of that dispatch curve on the right hand side. And what would have happened, what four of those nuclear plants being there and our ability to access the oil reserves that we had in the – in our combined cycle facilities.

I think about this very simply by just taking at 3,500 megawatts and if on the data we had about $800 plus per megawatt hour. We had a capacity we needed about 80 – I'd say about 8,000 if you draw a straight line there. Move that over to the right the price would have been well over $1,800 value when you think about what brings – what nuclear plans bring to the table on day like [Technical Difficulty] 02:42:18 one-time and we could have because also happens at the same time was we were running out of oil.

So you can take a look here and see, I guess I can't use a pointer here but I'll just point out to you. The tank levels there Lynden is one of our 02:42:33 and you can see where the tank level went down to is just over the limit of about 9 feet where we could have continued to run that unit and the same thing at our Bergen facilities. So our tanks were being depleted. Clearly we're just having round the clock deliveries from world. So the takeaway from this is really two-fold. One the value of nuclear really does exist from a fuel diversity standpoint and we're talking a lot about it from an environmental standpoint and that's what a lot of the ZEC is on there's a tremendous value from a fuel diversity standpoint. It also points out a little bit about what needs to take place [Technical Difficulty] 02:43:10. There's one microcosm of what happens in PJM during that snap, but it's one that you could takeaway

and extrapolate across the region and why PJM needs to do something to help us on the price formation standpoint. There's something [indiscernible] (02:43:24) talked about, Dan and I were talking in the break. Since we've been seeing it the same way the rest of the marketplace has been it's probably worth about a $1 dollar and or $3 three dollars. We don't see it any differently than that, but that's a long way really again are focused on get a safety net in place from a state standpoint. But if you were to – if you were to look just that fast start maybe a $1 dollar or $3 that might take place there.

So that kind of talks a little bit about what's happened and how our assets are a little bit advantaged over some of the others, little about O&M. If you look at this CAGR that's existed since 2013. The organization has done a really nice job of controlling costs, about a 2.6% reduction from 2013 back to 2018 to where we are. You'll see a little bit of an uptick in 2018 over 2017, that's not just because I loosen the reins a little bit. That's really based upon the fact that we don't – we have a Hope Creek outage in 2018. Any time – any year do we have a Hope Creek outage, the expenses for us, since we're 100% owner at that site versus a Salem outage where we're not 100% owner the price will tick take up a little bit. But over the overarching time you can see that the dollars continue to come down and we expect that to continue going forward.

I showed you before the fleet costs for power and how we've come down. This is the overall cost of power all in, including all the white collar and everything else that's involved in running the business. Those you can see that – that price has gone down just as well on a O&M per megawatt hour basis. So controlling costs not only at the fleet level, but also in the management ranks over time and we'll continue to see that going forward in the out years. This is driven by two factors. One is O&M itself the actual expenditure but the other one is

what Ralph alluded to earlier, which is, we're just producing additional terawatt hours. And so that's going to go up from 53 to 62 over time, and again we think that's going to happen because of the value of the plants we have now versus what we had in the past.

This is probably the most important slide for today, and that's how some of this cash flow gets created. This is as we're coming out at the backend of the construction programs, we should have some confidence that those programs are coming to an end. We are as I mentioned in those final close of testing at C. Warren and getting into that keys, you can see what's going to happen to the capital expenditure profile for power in the out years, no large expenditure plans, small upgrades at a few plants and then the ongoing end of the life expenditures that we need to take for any one of these assets going forward.

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So let me switch a little bit from that to talk a little bit about the top line and talk about two things. One is from the energy prices, and then two, being the capacity in the recent results. First on the energy side, we've talked about this a lot and Shiv given you a ton of details in the past on it. We are not changing anything from a hedging standpoint from a strategy. We continue to focus on our baseload both nuclear and a little bit of coal that we have out of Pennsylvania. And you can see again that we are 100% hedged for the rest of 2018, 2019, a 100% hedged on those assets and then we're in the 65% to 70% range, that price that you see there is in all the prices, it's an average prices, not just the energy price because we're also supplying full requirements contracts for BGS and some of the other I guess trenches that we have in other locations such as [indiscernible] and other utilities.

locations such as [indiscernible] another utilities. So that's an all in price per megawatt hour, that's not just our energy price, but you can see from a just the trending standpoint those prices are pretty flat and we see that continuing in those years.

The intermediate peaking and combined cycle plants that you see there those price again our hedging practice has been consistent, we say a little bit open on those in for the rest of this year for about 30% to 35% open and the same thing in 2019 where you can see that where that number comes out to be for us. So total generation in our total hedging practice hasn't changed, we continue to be focused on that and most of this is taking place at the West Hub.

Now when we when we focus on the West Hub that creates two risk force, one is obviously the basis risk and the other being the operational risk and we take a big piece of that away. When we have our actual hedging that we do in our BGS auction. So about 10 terawatts of that hedging that I just spoke about on the prior page is covered in that BGS auction. And again you can see here as we've shown you many years in the past the consistent way of showing the price from the forward markets, the West Hub and then all of the ancillary services and other pieces that get built into that pricing to build up to the $90 to $100 price that we've had over the past few years. That price has come down in 2017 and 2018, ties right back into days talked about from creating headroom on the bill. This is exactly for New Jersey and so again a good opportunity for the investments to continue from a utility standpoint.

The right hand side I just wanted to touch a little bit on what we're also doing to try to eliminate some of that potential basis risk that we have and that's to get closer to our customers due to retail, a retail position that we've taken and get it more into sales on the commercial and industrial side directly to customers that has been a slow go.

We have been at for about I'd say 12 months to 18 months now, hasn't really progressed as well as we expected it to do from an organic standpoint, but we continue on that – on that path and see if we can't make some additional progress over the next six months to 12 months, and then we assess where we are from a retail standpoint. The biggest challenge here is really getting directly to the customers there's a lot of brokers in that process and we continue to look for other ways to – to gain access directly to those – to those large customers.

Switching from the energy efficiency, piece of the equation from a revenue standpoint, you saw the results from the last auction at PJM, and I think this is the first time that we'll let you know exactly how much we've cleared in that capacity auction 7,700 megawatts. The revenues up on the top right hand side. Our – but at the PJM level and then you can see on the bottom right side exactly how we compared – compared to the rest of the RTL. So that competitive advantage, the geographic location that we have for those assets not only are benefiting from the gas pipelines on fuel side, but also from the natural price that we get the capacity payments. So you can see we've – we've continued to maintain that that geographic advantage that we've had for prior years.

Looking forward obviously there's a few – few areas that we continue to be concerned about as we look to the prices in the out years, obviously net cone and how that plays out and that would be challenge for us, and the load forecast that that you picked up on earlier and you continue to ask about, but we continue to believe that the positioning and reposition it is fleets going to have us in a better spot for that.

Similar story in New England

if you see the prices have come down, what we've enjoyed the benefit of is the fact that we've got the Bridgeport Harbor unit which has been cleared for seven years at a $231 price. So that unit is well-positioned and has a nice advantage for us. You can see the revenues on the top right side but the differential has been created by that bid that we

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made and the fact that we're now going to be outperforming the rest of the pool in New England as well on a capacity standpoint when you get out to 21.

So a good story for us on both sides of the equation, both in New England and in PJM, and obviously with the PJM market being much more important to us than based upon the amount of – [Technical Difficulty] (02:51:52) each one of those locations.

So I'll put the pieces together and I thought a little bit about well, you're in this more competitive environment and how concerned you have to be about the volatility and working in the utility for 30 years, it was a little bit different to try to figure out, while this pie put things together for me in a context that I thought really made a ton of sense which is that we're not as open as – as I may have thought and maybe we've left sometimes folks with the impression. If you take a look at the energy margin that we've had there it's hedged, a large portion of that has been hedged, a large portion being the capacity of being hedged as well. And then we have a little bit of our margin on the entry side that's left open, so it's a portfolio that is really been well-managed over time. It provides a great opportunity for that cash flow to come back to the [Technical Difficulty] (02:52:49) without having to issue of the equity as Ralph mentioned earlier, and it's very stable over the next two years to three years from the time horizon standpoint.

So I think, as I looked at the business and saw where we are that's something that is much more stable business than people may actually

think it is in place. The earnings that we've talked about, this is not new news, this is guidance that we've given out before, but I just want to reinforce, we're still in that range thereof 45 to 560 for 2018. And then I'll leave you with really just the – the major takeaways which is that the fleet itself is very well positioned. We've upgraded our fleet, we've transformed it over the years. These new builds are coming in and will put us in a great position from a from a heat rate standpoint and from an efficiency standpoint. We've eliminated a lot of the old units that with an higher OEM as well as challenges from the environmental standpoint. And we've continued to work towards improving the energy policy. Tamie will walk through all of that again, but I can't reinforce with the enough the great work that was done to get us that stability on the nuclear side.

A little bit of a thank you to my boss as well for taking some of the beatings that he took in the press, but that was – it was an effort that was a true team effort from a lot of folks and really has put us in a great spot going forward. Take away the fact that there's low capital requirements going ahead, that should really leave you with an impression and security that we have some positive free cash flow as we go forward. So it's an overall good story. It's a very great opportunity for me to transition to something new. And I just wanted to open up for any new questions. Any questions you might have.

Q&A

Operator

Harris and the first.

<Q>: Well, no, no, no, no. I was just.

<Q>: Assuming that you do get the support from the state in nuclear

how if at all does that change your overall approach to the BGS auction?

<A>: I don't think it will change one bit. Our approach to BGS auction, I mean that just I think about that it's just almost like a capacity payment, we're just making sure we keep the doors open. So it won't change one bit our approach to the BGS auction. We like to have more BGS auctions, and then take away our basis risk but no change.

<Q>: Looking at the slides that you put up with regard to the weather event in January. It struck me that to ask the question is – is the battery storage actually a viable option for the fleet in circumstances like that? A lithium ion battery today is worth $400 a megawatt hour and it looks like you're in a situation where you could have theoretically been out

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of oil and having to buy it a lot higher prices than that? Or is that going to be dealt within the context of the deployment of batteries on the utility side in a way that actually is going to clip those peaks prospectively and...

<A>: Yeah, I think the battery piece really is going to turn up -- I'm not sure where that's going to [indiscernible] in a wholesale market or not and how PJM thinks it through. But the observation is not incorrect that there's an opportunity for that there but if you compare it to losing nuclear plants at the prices that we have there it's not even close to my mind. So yeah, there may be pockets of it where it might make sense for us. But the point that we're trying to make there is if you're going to value at such a high price the batteries should be providing that same value to the other plants that are providing that same benefit.

<Q>: Understood. Thank you.

<Q>: Ralph on your comments on retail and it not growing as quickly as you would have liked. And then you'll reassess I mean, are the options to buy something or partner with one of these brokers you're talking about came to mind or is it possible that you're just strategically decide, you don't really need to be there?

<A>: No, I think there is, all of those things would been looked at, right, so we just take it day by day, I think the – with the first opportunity will be to continue to grow it organically and then if we [indiscernible] we look for REP, type of an arrangement with a broker, that's an opportunity that exist for us, and then the follow-ups fails and you just have to reassess where you are, but I think over time we just wanted to be clear that we hasn't grown as much as we expected it to grow.

<Q>: Hi, your clear capacity in the last auction was still fairly below the – your E4 capacity.

<A>: Yeah, it was.

<Q>: Yeah, probably saying the clear capacity in the last auction was still fairly below to your E4 capacity. Can you discuss the reason why that is and maybe give us some color on the bidding strategies this time around?

<A>: Well I don't think we discussed the bidding strategies in too much detail, but we do we have discussed in the past that we basically have some sort of a layered approach to each one of our units and based upon that is where we round up with the clearing price very similar to what we had last year which you can say, we're 7,800 megawatt last year and 7,700 megawatts this year. So we basically tier each one of the units and we put it into the auction in that manner.

<Q>: Do you see any upside from the incremental auctions?

<A>: There is not really an incremental auctions, I'm just not sure what's going to – what's going to take place from a pricing standpoint. A lot of it will depend upon the excess capacity exist with the FD Fleet and also at Exelon's fleet. Our units are in a different geographic area. So there will be some opportunities for us

maybe that don't exist for others, but that's to be determined.

<Q>: Okay. Just wanted to talk about, you know the cold weather event and that kind of combined with the hedging strategy that you guys have. If you guys hadn't been able to have the oil or if it expanded longer and the oil ran out, would do you have sort of enough un-hedged capacity that you're doing okay, or with the hedges have caused issues for you that you would have ended up losing money because you you know, sold for a much less and then you'd had this, you know, high cost gas to generate?

<A>: A lot of possibilities there in what you said, I was mostly discussing it from a customer standpoint though when I was presenting it here and the value that the nuclear units actually bring to the overall fleet, right. When you look at it from a PJM standpoint and why that some of these market reforms are required in the support for this [indiscernible] so important for the state, because the prices would have spiked way up from a customer standpoint. From our hedging standpoint, the team does a great job and they've always got us well-positioned for that. So I kind of walking into lot of details about [indiscernible] day in and day out basis, but there's, there's always a risk in some of the scenarios you laid out there.

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SI-SSA-0015-14678

<Q>: Yeah. So, you're not seeing that, you wouldn't have been having to generate something that you sold for you know 50 bucks or something and you're having to generate for 900, you wouldn't though...?

<A>: No.

<Q>: ...That's not going to situation happening on.

<A>: That was mostly from a customer perspective.

<Q>: Hi. I think in the past, senior management has described PEG has maybe not being well matched with the utility over the long-term [indiscernible] same parent company and I was wondering what the passage of the Zacks if the managements that be one that has changed all?

<A>: Well, I'm certainly pass the book and that at some point

Well. I'll certainly pass the buck on that at some point to you. But you know I would see it just with a newbie on the street standpoint. I think they make all stands for these businesses to be together right, maybe long-term things change, but the value that we're being and the free cash flow that we're bringing to the table adds a lot of value for, for the utility. And I don't know if boss wants to say anything else now or later but, yeah he'll, he'll hit that one later. So don't leave, that's how you get the stake.

<Q>: So I wanted to just touch back on the price formation point. You said [indiscernible] three bucks of the impact.

<A>: I guess it was the market saying for, for a fast start maybe a $1, $3 and we are not differently than their others.

<Q>: Gotcha. And then secondly in terms of capacity auctions, some of the impact of the benefit of capacity auctions this year was because energy prices have come down, so you've, everybody's bidding strategy is kind of reflected in you know the demand goes reflected to it as well. How do you see that playing out, do you see energy prices if they stay at these levels or go down further. Where do you see the capacity auction playing out and how big a piece does that play in your view of the world of how you look at big power?

<A>: So we don't take a position on energy prices, anything given the market as right, so we just look at the forwards that's the one kind I think that won't change. From a capacity standpoint, I've pointed out a few of the risks that exist on, on the slide there, specifically the load itself, what's going to happen there and then and then it was about four or five other items that that you know could potentially create concerns from a capacity standpoint. The bottom line for any generator is we need to have enough to cover the risks and to keep doors open. So whether it's coming from the big basket market or the ancillary markets for also in the, in the piece in their Blackstar and all the things, you have to puzzle together to keep the plants open and I know you've seen that because so many plants have retired over time.

<Q>: Sorry, and one final thing the slide 72 where you laid out you know that the piece of the puzzle or at least the hedged portion of your business being quite in the next three years,

But that obviously then changes after the three years because your capacity auctions kind of roll off, your hedges roll off. So the volatility is really post the three-year period. How do you see that volatility post the three-year period?

<A>: Well I think what this really tells you we have feathered into this every year. So if you look at what's happened in the out years, obviously, we have less hedged, but then as we get closer to that year we hedge more, right. So this pie doesn't change. And the point that I was really trying to make here is that is a very stable business. There's obviously some on edge positions here, but it's not completely open to the marketplace. And the policies and procedures have been put in place up until this point that lead us here. So we're going to continue that.

<Q>: Yeah. Hey, Ralph. Just a question on that what would be your interest in acquiring additional plants in your market, so for example Dominion has plants that there is kind of and may put on in both PJM and New England. So any thoughts on that?

<A>: I don't have any plans to be diving into anything at this point, Steve. I mean I think we're focused right now on getting those three plants up and running. There was look for opportunities and then Dan [indiscernible] (03:04:12) and

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SI-SSA-0015-14679

we continue to see if there's anything out there that we can get on something popped up that made a ton of sense you look at it but that's not been our history and I don't think that's going to change. So I'm focused really on getting these three plants up and running and making sure that they're economical and they win in the marketplace.

<Q>: We have time for one more question, Ralph.

<Q>: Given that you were so heavily hedged though the next three years, what is your projection for free cash flow for PSE&G Power for the next two years cumulative?

<A>: Yeah, we don't – we just don't -- we don't go into that level of detail and you can try one more time with Dan when he gets up here. But that's something

we get into the details.

<Q>: Great. Thank you, Ralph.

<A>: All right. Thanks.

Unverified Participant

All right, good morning, everybody. No questions on our new artistic logo, really which shows our headquarters in New York and some of the key points that we'll talk about. So I'll pass through here, we'll end up talking about a lot of the things that are on there and frankly a lot of things I'm going to talk about you've heard already.

I'll give you a sense as to the overall financial picture pulled together some of the pieces that you saw in Dave's presentation, some of the pieces that you saw in Ralph's presentation, pulling together let you see them all together and I think what you're going to see is good opportunities for growth, strong financial position, good work done for the infrastructure and efficiency of the grid in New Jersey and an enhanced ability frankly for us to continue to provide returns to shareholders, including increasing the dividend.

This first slide, slide 77 does give an indication of that strong financial position. It does create opportunities for growth and some of that growth you can see even in what we've shown you for 2018's earnings guidance forecast versus 2017. So at the midpoint of that 2018 guidance of $3 to $3.20 we're up 6% compared to 2017. And really that's driven by the continued investment that you've heard about at PSENG and some – from some benefits from tax reform that we see at power.

The investment opportunities fairly evenly split between transmission and distribution.

Transmission, we do have the formula rate treatment, contemporaneous returns. And on the distribution side, near contemporaneous returns. I think, we've made some improvements and Tammy talked about those from the standpoint of the infrastructure investment programs that – that New Jersey has put in place in that template that's been put in place. We used it with GSMP really before it was in place, but knowing it was coming and I think it's worthwhile. They're the first one in the state to have the – the IIP work through the process and I think more to follow, as we talk about energy strong going forward.

And in power, the end of the combined cycle construction program is going to reduce the capital needs of power and provide an incremental cash flow. Ralph talked about it before. He kicked off the presentation, although he closed off his presentation with the fact that no need for additional equity for the cash flow and credit metrics section. That's obviously a positive that we like a lot and goes to some degree to what Ralph and Rich have just answered on the one question about the value of having the companies together. And this all works again for the benefit of New Jersey, a lot of advantages that we see.

Dave made a reference before to the some infrastructure challenges in other areas. We don't want to be in that place. And maybe 70 is the new 50, but we still do have work to do to ensure that our infrastructure is going to be where it needs to be on a go forward basis. Those investments are going to create the opportunity for us to continue to provide

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returns to shareholders. So, as we take a look at for 2018, the indicative rate was up 4.7% from a dividend perspective for shareholders. And as we have said for a long time and continue to say the opportunity to continue to provide growth in that dividend on a sustainable basis is well to do.

So, a quick look just at 2017 versus 2018. What we try to do here is put together a slide that shows you a bridge, as we've gone from 2017 results for each of the utility and power and enterprise and other into 2018.

the obvious movement at PSEG that we've talked a lot about is the result of the investments that we've been making. So the return on that incremental investment gives a boost to PSE&G over one of the other things that as we look just year-over-year 2017 to 2018, as we have led into this rate case, there's been some capital that we've incurred over the last few years, that has not yet gotten the recovery. The first of those that comes to mind is energy strong. You may recall $1.2 billion was approved across that five year program. The last $200 million of that did not get a role in. Yet, we had agreed to a rate case. So that rate case essentially became the rolling for that tail end of capital.

And the good news is that a lot of that capital isn't going to be spent, because we were able to do the work that we did as efficiently as we did, but there's a little bit of that that awaits recovery, on the revenue side yet we'll have some of the burden of the cost. Dave talked before about GSMP. And so the first GSMP program of about $300 million a year and about $85 million each year, a weighted recovery, so that's another bucket of capital that was awaiting recovery in a rate case. And then some other incremental spending that we had on a capital basis leading up to the rate case. So, that's a cost that is borne by the business right now, still awaiting recovery in the rate case. As you go from 2017 to 2018, some of that brings down the bridge to jump as you go from year-to-year if you look at our capital versus the net income basis; as opposed to when we talked earlier about 13% increase in net income, 13% net increase in our rate base.

One other item we did have a small tax benefit last year that won't repeat also just a year-over-year dip, that's a onetime item. In power, the moving parts are the ones that we've seen a lot of, right, so capacity prices up and Ralph showed year-by-year capacity numbers. So, we'll see a benefit from capacity as we roll through from 2017 to 2018. The recontracting impact, I think we said on the first quarter call down about $6 a megawatt hour. So that will be a drag as we go from year-to-year.

year-to-year, we'll get the units running that we have those sea warning keys in 2018 that will give a boost to 2018, and we'll see about $0.16 benefit from tax reform. So those are the moving pieces as you go from 2017 to 2018. And then really the enterprise another biggest piece of that is the Long Island business that Dave talked about briefly and we had a tax item in 2017 that we don't anticipate seeing repeating. So all this consistent with the guidance that we provided earlier. No change to that guidance and just gives you a little bit of an understanding year-over-year as we walk through the next three quarters of this year's results. So more detailed look at the capital program and you've heard a little bit about each of it. This all just puts everything in one place and as Dave talked about $6 billion of transmission spend, a little bit of a change in the nature of it, but still consistent spend across the overall five-year period, formula rate treatments FERC jurisdictional at an 11.68% ROE and it's the resiliency, it's the replacing of some of that aging infrastructure lifecycle type investments as well as the replacing of the 69 KV system and we've talked about that for a number of years as well restringing the state to a higher voltage to enable the resiliency of the system that we need.

As you move up the page, we show you the distribution spend and we showed in two buckets in the green and in the blue, distribution – maintenance and distribution growth. Very simply distribution and maintenance is the spending amount that we will incur that will offset the depreciation that we'll see in the rate base. So you got rate base of X, you're going to drop down that amount from depreciation, the capital that restores that rate base back up to what you've come out of the last rate case on, we're considering maintenance distribution capital spend, holds your rate base steady, everything above that that you see is growth. So the biggest component that you see within that distribution growth is

the last year of the GSMP1 and four of – the first four of the five years for GSMP2 that will be put in place. Above that we separated out the two filings that [Technical Difficulty] 03:12:57 and will come shortly. The clean energy filing that we've heard a lot about as well as energy strong too. And then we've talked a lot about the capital program that power coming down over time, I'll show you some more details as we go forward. But you can see small slivers of power capital at the very top, that gets you to your $14 billion to $17 billion.

SI-SSA-0015-14681

The orange hatched area in the middle is the difference between the $14 billion and the $17 billion of capital, and about 90% of that being focused on the regulated side of the business, very consistent with what we've talked about in the past and with what you've heard today. So quick slide just to look back in time, and if I were to come back to this podium each of the last three years, you would have seen the three bars on the left hand side of the slide. And that would be for PSE&G's capital.

So Ralph initially and now Dave have come forth and said that we anticipate spending at the utility $10.8 billion, or $11.9 billion, $12.5 billion to $13.8 billion and this year as we talked about $12 billion to $15.5 billion, so – and a growing profile of investments, and as we have come every year we've also shown you the trajectory across the five years, which dips down a little bit in the back, and we always say that we're going to look to identify investments that will build up the back of that five-year trajectory.

This is no different from our known investments, but with energy strong too and the clean energy filing we seek to fill in the top. What this tells you is frankly that there's been some success in doing that by virtue of the blue lines getting bigger as we step through time. And I would also note that there's a notation on top of each bar, which gives you the percentage of our overall capital plan attributable to PSE&G. And you can see

we've grown from order of magnitude of 80% on up to the 90% that I just mentioned.

So incremental investment opportunities incrementally on the regulated side of the business especially as the CCGT program comes down overall I think a good story and the right story for PSEG. So if it is ENG ultimately what this means is growth in rate base, so again maybe just reiterating a little bit the question was asked about where do we start, when we think about the rate base for 2017 year-end rate base of $17 billion. Split between jurisdictions, always an important thing to remember as a single state utility we're not with one regulator, we have two, right, it is the component of a pretty sizable component.

So that $17 billion grows to about $22 billion by the time we get to 2020 and as you move out to 2022 you're at $24.5 billion to $27.5 billion depending upon size, timing and approval of those two programs as we move through.

One other thing to talk about is well, so the 8% to 10% CAGR in our rate base over these five years is a new number. And so maybe just a minor and quick history lesson if we go back in time just think about last year what do we say last year we said we had a 7% to 9% CAGR in our rate base, but we also caveated, we're spending a lot of capital that grows our rate base that increases the base and the ability to sustain that 7 to 9 maybe challenge. And I think at first blush we did think that was the case and if you just took the same numbers you just jumped up from 2016's year end to 2017's year-end we will come down to a 6% to 8% CAGR on rate base. Then tax reform happen, so the absence of those deferred taxes reducing rate base works to write about a 1% delta in our rate base CAGR, so that really brought our 7% to 9% So, that really brought our 7% to 9%, which had moved to 60 because the higher base back up to 7% to 9%. Since, then I think you put two other things, two of the building blocks on and you get up to the $10.1 billion is the $1.9 billion of GSMP, that was just approved that steps us up as we've talked about being more to the higher end, that moves us to around 8% without any of Energy Strong II or GSMP II. You layer those on as filed, and you'll get up to that 10%. So, if it doesn't commit exactly as filed, it will be somewhere between that 8% and 10%, but that also presumes that nothing else transpires, and Dave got a question before an answered about some other potential opportunities.

So, that's the basis upon which we get to our 8% to 10% rate-based growth. Then this next slide rate base basically is funded without equity. And this slide we shown in the past and this updates the slide, and somebody had asked the question earlier about capital over the five year period by bucket. And there is some disclosure within the 10-K that's really a capital commitment as opposed to an anticipated spend, so there could be some spend, that's not absolutely committed. This gives you certainly an updated view and gives an indication on the left hand side as to what powers capital spend looks like over the next five years with just a split where you can take a look at the two major pieces what the growth capital is, far and away the biggest piece being the combined cycle program, you see that rolling off. And then the baseline capital that we expect to see at Power for the next five years under $200 million a year. So the absence of that capital at Power frees up incremental cash flow. If you move to the right hand side, where you can see

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SI-SSA-0015-14682

again by bucket within PSE&G from a transmission standpoint, from an electric and gas distribution standpoint and then energy efficiency and renewables. The top area is the

hatched area that we've already talked about, we've talked about it from a rate based perspective this just gives you a snapshot of what it looks like from a capital perspective. If you add up all those hatched areas you will not get to the aggregate amount of the filings. Again as Dave mentioned 2023 and I think even if it's a 2024 for the six-year clean energy program is going to have a little bit more capital as you go out beyond that tail end. So we continue to plan really what we know within the solid areas, but we also identify our ongoing areas to improve the system and the investments that we can make. And that's what you see within the hatched area.

So the funding in the capital program, you take a quick look at the five year cash sources and uses. As you can – in some way if you're thinking about capitals retail you can power free cash flow rather you can draw a little bit from this slide if you start on the bottom side on the left hand side you see power strong cash from ops in the green area on the bottom left. Moving over to the right, you see powers' investments. So the excess of the left over the right obviously provides some free cash flow generation and that will grow as we go through the five-year components of the plan so that will increase towards the out years.

Stepping up to the blue areas we talked so much about Powers cash from operations and how strong that is. Utility also has very strong cash from ops as well. We just have a big appetite to redeploy that capital. So you can see on both sides of the page in the blue shaded areas on the left side PSE&G's cash from ops we redeploy that into the maintenance and growth investments on the right hand side with the positive mechanisms to be able to get cash back out of those investments either from the formula rate that transmission as well as from some of the favorable clause recoveries that help to be able to bring some of that cash flow back into the organization

and that ultimately are the bigger pieces of cash from ops as well as investments.

In between on the left hand side, the cash from ops from power and the utility [indiscernible] PSE&G net debt. So, the utilities regulated capture, Tami talked about a 54%, it's a little bit higher than it's been in the past but somewhere within that range, you're going to see an equity component coming into the business from Power's cash flow, getting matched up with debt issues or PSE&G [audio gap] (03:21:08) the issuances what's shown in that orange section on the left hand side.

I think of note, parent net debt on the left, power net debt on the [indiscernible] 03:21:17 activity. So basically holds from that perspective. All going is on the upper right hand side the shareholder dividend. So, I think this gives a picture as to the cash flows coming and going for the next five years.

All that flows into the credit stats, that's page, page 84 indication as to what they look and what it means from the standpoint of incremental capacity. Left hand side of the page we've shown this in the past as well as it steps through time we evaluated the numbers obviously. On the power side from an FFO to debt perspective, we're currently in the low 40%, as you look at 2018, 2019, 2020 with a minimum threshold of 30% that provides some excess capacity.

We take the same look at enterprise. Based upon mix of the two business that enterprises and as we have more regulated investments, have more regulated profitability that part of the business ends up growing and improves the overall growth of the business. Now we think about call it high teens maybe 18%, 19% FFO to debt. So we have the statistics also that we have some excess debt that's reflected on the right hand side, a little less than a billion dollars to the extent that's deployed in the utility if you hearken back to that orange [audio gap] sources and uses it will be matched up with utility debt to be able to fund incremental investments.

This snapshot is basically we talked about 14% to 17% capital program on about $15 billion or so capital spend. So if you think about this excess capacity being deployed matched up with that, we do anticipate being able to get to the high end of our $17 billion program without any external equity.

So a quick walk through as well those numbers did not reflect any cash flow coming into the business for zero emissions credits. So it's obviously to the extent that they [indiscernible] those would increase the number, you can see on the bottom left-hand side a dark blue box, annual revenues estimated at about $200 million or $0.28 per share, three

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SI-SSA-0015-14683

New Jersey units were chosen. So Tammy showed a slide early, which correctly said that this x could be about $300 million, recall that the three New Jersey units include two units at Salem, which we call in with Exelon. So the Exelon component roughly $100 million our component of Salem as well as all of Hope Creek, which we own a 100% of, which is why Ralph – when Ralph referenced the Hope Creek outage cost being higher because we have a bigger ownership we paid for freight that would get you to the $300 million number.

So that's the difference between the $200 million and $300 million and some of the numbers published back and forth. So those numbers [audio gap] $200 million or $300 million in total for ZEC. But the process that got kicked off when the Governor signed the bill on May 23 is laid out here in some detail. We talked $330 million. So signed in May this would bring us to April here. Tammy mentioned the unit – that the all units that have come forth seeking yet ZEC's would be rank order and [audio gap] But before that there's a 180-day process, whereby the DPU is – going to process is going to work. They have not had a ZEC process in place in the past. So they've got timeframe to basically determine how these will be put forth [audio gap] 03:24:29 how the overall process will work, there will be hearings that will go on with that. So that whole proceeding 180 days at which point

applications will come in and the ultimate determination made within 330 days. In parallel, the utility will ask the – the BPU will ask the utilities to come forth with tariff updates. Because I think an important part of this as well is that utilities are not going to be underlies as they are the purchaser of the ZECs. So they will be putting in place, tariff increases over time to get ahead of that payment for the ZECs. We'll aggregate the cash within 150 days, they'll go to the BPU, they will provide an update of their tariff within 210 days both of those of [indiscernible], the BPU will approve that tariff update and cash will start to be collected when the ZEC payment is made the cash tariff [indiscernible]

And that cash payment will be made 90 days after the close of the energy, this is not a calendar year program, this is an energy year program. In New Jersey, the energy runs from June 1 to May 31, so our first ZEC period in New Jersey will be from April to the end of May of 2019 a stub period and then 90 days after a cash payment will be made to the nuclear generators and then each year after that the same will happen but it won't – it'll be the full 12 months ending May 31 with a cash payment that fall in 90 days thereof.

So that's the mechan that will be put in-place Tammy also mentioned that it's a 4% per kilowatt hour charge, that's all retail sales. When you take that full bucket at a 100% of retail sales and then those payments just go to the nuclear component of the energy mix in New Jersey that $0.04 or $4 a megawatt hour to $10, and that's what each megawatt hour will see as generated by a chosen nuclear unit. So a very quick look at tax reform. This basically a good news story for customers and I think for us as well Customers have already seen reductions in their bills and they've seen it in two different ways. So right away we had a $148 million reduction on the transmission side of the business that we filed and then we filed in March, in April enactment or execution, I guess, I should say of a $114 million on the distribution side. So $262 million went back to customers. We talked about the customer ability for us, so that's helpful from that perspective. And as we step through time, we'll continue to see some excess deferred taxes going back to customers. So more to follow and then first a $0.16 per share benefit that we saw just 2018 alone and that will continue on as non-utility components of enterprise get to retain that benefit.

So at E&G lower bills, that rate base change that I talked about before about 1% differential. And as time goes on and those deferred tax get passed back, less deferred taxes, more rate base, more rate based earnings to the tune of about $20 million to $30 million a year for PSE&G. And then we have protected excess deferred taxes and unprotected excess deferred taxes, the protected excess deferred taxes will flow back based upon a mechanism that exists. It is what it is and they will go back over a fairly long period of time but the unprotected really will be determined how quickly they will go back within the upcoming rate case. So more to follow as we finish up that rate case. A power benefit of the lower taxes, we do retain full expensing of capital.

Now, mind you, we don't have as much capital at power, so I just went through the magnitudes from a cash flow basis. The loss of the bonus depreciation at PSE&G is more than the gains that we would get on the power side of the business. The one other element of some of the tax reform is some companies may well be limited on how much they can deduct their interest expense

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based upon our balance sheet perspective, we do not have that anticipation. So we will not be limited from the standpoint of our interest deductibility for tax purposes.

So that's a quick run through on tax reform. O&M, Dave showed you the utility O&M, Ralph showed you the Power's O&M, this really just puts everything together and a host of examples of the things that we have been doing on the right hand side to be able to get to this place. So whether it's working with our vendors cost down or the organizational changes whether it's a reduction in our overall pension expense, which has come down quite a bit and whether it's frankly retiring some uneconomic units that O&M burden from some of the units that Ralph showed you on that one – with all the units that we retire the year, in addition to benefiting us on a bottom line basis also pull out some higher O&M units like Hudson and Mercer

And also we are – we have best practice teams throughout the organization, who as we usually do are looking for ways to very, very disciplined to provide a very, very disciplined approach to our O&M management. It's not a programmatic thing it is something that we really do on an ongoing basis, even utilization of this fine facility for this event actually does not cost us anything, it's being a member of the NYSE, so just one little example we think the NYSE for that.

So overall, if you take a look at what the earnings have look like, this goes back from 2012 after 2018 maybe just one thing to talk about on this slide, in addition to the growth that you do see here and Ralph gave you the guidance by PSE&G and power. What I would say is if you look back over these six years, the guidance that we provided at the beginning of the year for one of these years we were at the midpoint of that guidance. For three of the years, we're at the upper end of that guidance and for two of those years we exceeded that guidance. So I think an example of the commitments made and then ultimately delivered on

is as important as the growth that we do show within the overall earnings of enterprise.

By no means of last, by no means least, but lastly the dividend. You can see here the trajectory that we have, again a very consistent story with what we said in the past, consistent and sustainable increases in the dividend is our objective. Last year's 4.7% increase from a $1.72 to $1.80 Indicative number is an indication of that. Ralph showed before the ability that to be covered by PSE&G's earnings but by no means funded entirely from E&G given the cash flow the overall business.

So an extremely important aspect of our business to our shareholders which we completely understand and have that commitment to the dividend, I would say no less than we do to our employees, to our customers, and to the environment.

And with the value proposition is frankly the same as Ralph showed in the beginning. So, maybe myself and Ralph would be happy to take some Q&A.

Q&A

<A>: Dan has a lovely hair, so he'll be able to stand off, I do not.

<Q>: Good morning. Question on the financial headroom slide, Dan you've obviously showing 65% regulated mix in 2018, but all the investments going into the utility. What was the level at which your earnings mix might sort of changed the threshold and create some more headroom and then how should we think about the addition of the Zack which would obviously add to power within that, but kind of not the typical power revenue.

<A>: Yeah. And I think you're exactly right, so the business makes sense that 90% of the capital that we're deploying is going to the utility side of the business, is going to increase the overall favorability of the business mix from a rating agency perspective and from a debt capacity standpoint. So it will increment over time, I would say no differently than we thought about it in the past. And so as more of that happens it will be more favorable. It is actually an interesting parallel between your second question and the first question.

So how will ZECs impact, will they would help, right. It's obviously going to be some more free cash flow, but it's an interesting question that's free cash flow is known free cash flow to the extent we operate. It's going to be there and

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Tammy talked about some of the timeframes earlier. So that's clearly a positive. I think it's not subject to volatility other than being able to operate and run those megawatt hours to the extent that we ultimately are selected.

But if you think about the business mix and the results between the two companies, it would lift up the power contribution, but it would do so with a steady known dream. So ultimately the rating agencies will take a look at that and make a determination of it, but I think it will be a positive and I think that it will be looked at as a more positive component of powers overall for cash flow.

<Q>: As you look at the plan where do you see that percentage getting to over the sort of 2022 timeframe and do you think that's going to be enough to take you through the trigger on changing the 2018 to 2019 for example?

<A>: We haven't provided a number on percentage of earnings, that's kind of back into the guidance by companies as you go out through time, but I think it will help and it will either change the mix or it will strengthen the ability to meet the mix.

<Q>: Ralph, you're going to get it, you got the question earlier which you tabled and you're going to get that anyway. And no matter what you say three different people are going to interpret it differently, but I have to ask.

[indiscernible]

<Q>: What are your short, medium and long term strategic ideas about the company? You know every year someone walks out of here thinking, oh! he's definitely going to spin off PEG Power and someone says no he didn't say that, give you an opportunity to be clear and concise in the way you're thinking about the strategic vision for the company as opposed to together or separate. And then, secondarily there's been a tremendous amount of consolidation in the industry and is that on the table, off the table you've clearly got a tremendous amount of organic growth keeping you busy?

<A>: Right. Yes, so let me break that into two pieces. Let me go specifically to the power question. Kerry did leave or she [indiscernible] – she did leave?

<A>: Yeah.

<A>: That's all what I said.

[indiscernible]

<A>: So I'll teach him. So I think we've got a bunch of good news at Power right, the ZEC program gives some comfort that the attributes of nuclear are so important that policymakers will figure out a way to keep those plants running certainly for the rest of the license life. We've had some improvements in the fleet in terms of this and we've got great shale gas – fairly strong position. We have the end of the capital program that generates some nice free cash flow opportunities for us. So in many respects I feel like we have much more flexibility in terms of what we can do with Power. Whereas in the past, I'll be honest with you, I've said, I felt we were in a – in kind of this inexhaustible march down a certain path. That said I don't know when, but eventually these things are going to have to split, but now I feel like wow we've got a really healthy fleet, healthy from a point of view of its competitive position, its financial position, its environmental position and we don't – it's not a burden. I mean the plants are running great feeds I know we've got those things running at 94% capacity factor. Ralph done a great job of heading over there and managing the capital construction program to get these plants online.

So I think we have a lot of more flexibility than we had just two weeks ago and certainly a lot more flexibility than we had a year ago.

So as I look at the company overall, there are some near-term, mid-term and long-term priorities. The near-term priorities are very clear, right. We got to get the two plants up and running that we're building and we've got to get the regulatory process well in hand in terms of the nuclear ZEC payment, in terms of the rate case, in terms of Energy Strong, in terms of the Clean Energy filing. In addition to that, I think longer term, I want to strongly position us to have the same potential rate base growth on the customer side of the meter as we've had on our side of the meter. I

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SI-SSA-0015-14686

think there's a lot of work that can be done and digitalizing the utility in terms of managing distributed resources in terms of helping the customer control their bill.

And I think that the combination of our traditional investments, the 90-year old switching stations, the 70-year old switching stations and the opportunities on the other side of the customer bill. We have no AOI at PSEG, no – we have drive-by metering, the most sophisticated metering we have. We have no data analytics in terms of our customer usage pattern. We're great at restoring them when they call us up and tell us they're out but we don't know that before they do. So I do think that longer term you're going to see a lot more of this utility at the future stuff dominating the picture and what we will continue to pay attention to Greg is whether or not our investors are comfortable with these two entities being together.

And right now the signals are they are, that our investors are comfortable with and being together. If we see portfolio discount, if we see some valuation discount then that will be motivational to rethink the integrated entity.

The premium, the question was what about M&A. I love the organic growth story, we pay a $1 for $1 rate base, we don't pay $2 for a $1 rate base

pay a $1 for a $1 rate base, we don't pay $2 for a $1 rate base. The premiums that the other people are willing to pay, we just can't [ph] pencil them in people want to pay us that premium, Ralph that is www.pseg.com. But other than that just it's got to be value creating for the investor.

<Q>: I want to get the sense of the variability in the growth of the rate base going forward. I realize you have a track record of coming in here and upping up the capital budget every year, but it's rather remarkable that you've been able to grow the rate base when your customer base is growing 0.8% per year. Now you've got the energy efficiency headwind where you're in try to reduce that. I realize that transmission is kind of a different dynamic and that gets you out from maybe a little bit of the traditional customer base that you have within the utility, but it also seems to me that commodity prices have played a role here and another remarkable thing that you've been able to accomplish this while customer bills have been going down. But what would cause the growth rate and the rate base to change on the negative side and how fast would that happen?

<A>: Yeah. Excellent question. So I think the specific answer to your question is if you had a spike in commodity prices. If I'm not wishing this, but haven't forbid seismic activity increases in western Pennsylvania and Ohio and people say we need to figure this out and guess this blowout. And I mean so if you have a tremendous pressure on the supply component of the bill and that puts a tremendous amount of pressure on our GE part of our PSE&G then you have to have a pause in the infrastructure development. But one of the things we haven't talked about yeah we've had tremendous amount of benefits that we have made use of that we didn't control lower gas prices, lower taxes

expiration of charges on the bill. All that stuff we didn't influence, we just said, now is the time to replace this old stuff, but the one thing that we don't talk enough about, I think it is important for folks to recognize is, we had three Nor'easters in New Jersey in March. It wasn't particularly strange. It was not normal, but it wasn't something that you'd have to look 100 years to see what happened.

The BP launched an investigation on customer restoration times. The tolerance for outages is gone. We happen to be a great performer, so we're not in the crosshairs or in the bull's eye of that. But as you continue to see further electrification of transportation, of the household, of the workplace, the demand and the value that people put in electricity are just going to continue to climb, and you can't do that with 90-year-old switching stations with wires on wooden poles that are leaning more than, moves away from the mic, but you get the idea, we're leaning a lot. So I think that as long as people recognize the value of service they're getting, the appetite for will be enormous. You know a sidebar conversation before somebody correctly pointed out, Ralph your customers are not going to remember that in 2008 they were paying the same in real terms they're paying in 2028.

<A - Ralph Izzo>: Of course that's true. They won't remember that. But if they see the kind of statistics that Dave Daly put up there in terms of saifi, caidi, saidi and the kind of statistics that Ralph LaRossa put up there in terms of carbon per megawatt hour, and the overall traditional pollutant statistics, I think will have policy support. So if we if we continue to do this on a gradual basis, another benefit of cost recovery. You don't wait five years to then say, oh! The

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3% compounded over each of five years, we need an 18% rate increase, but you feather it in, all that works

rate increase but you feather it in all that works towards managing the customer bill rationally and it is the customer that matters. Do they see the value are we managing our O&M, are we investing in assets that matter to them and then I think we've got a nice long runway.

<Q>: So my question was first on capital allocation. Clearly, you have headroom coming in terms of the 2018/2022 timeframe and capital that you have excess and you ZECs incrementally that will come in. Is the signal right now that the key trust in terms of allocation of all that excess capital is primarily to the regulated side or are there deleveraging or any other goals or renewables anything else that we should be looking at in the horizon as things that you're focused on?

<A>: Yeah. That hasn't changed either, as you know, we have said in many times number one is organic growth investments. The utility has been averaging 80%, 82% of the capital program now it's gone to 90%. I think that that's going to be probably the new normal for us and we do have lots of ambitious things that we want to do in support of Governor Murphy's Clean Energy agenda, we're 110% behind them on that and we want to help do that as economically as possible because doing it at scale is more economic than doing it in 1Zs and 2Zs. Then what we've always said is that we like the strength of the utility growth to even further cover the dividend right. So the dividend has to be tied to earnings growth over time but having a healthy balance sheet helps you on those years when things go flat and we boast about a nice 4-plus-percent growth in earnings but we had a couple of years where it was zero. Lastly, it would be a share repurchase but we seem to keep finding opportunities to grow the company organically.

<Q>: Okay. Got you. Thanks. And then the second part or second question. The deferred tax liabilities you mentioned that almost giving your 1% boost in rate base. I'm assuming that is the

unprotected, because the protected is so slow it's probably not going to have a benefit. But you also mentioned that the unprotected piece is going to be an outcome from the rate case procedure itself. So what's the assumption that's basically built in right now that's driving the 1% increase in unprotected?

<A>: Yeah. And it's really if you think about it, it's a couple of different things. You have your access that are going to go back. But even as you're taking your tax deduction year-over-year over the next five years deferred tax build up from that is going to be a 21%, not 35%, right. So there is a piece that comes into play there. So if you look at the absence of bonus, if you take a look at what I have just described to you and if you take a look at what gets flowed back, which I think is maybe two things to think about there.

One is that there is some excess defers and unprotected they're going to go back and it's going to be determined within the rate case. There is also in between rate cases, there was a change in one particular deduction we take around repairs. And that gave us a much faster write-off, which built up some defers which some of which turned out to be excess, because every deferred tax became somewhat access when the rate went from 35% to 21%. But also some of that is there to be flowed back as well and it's not protected. So those two components plus the bonus plus the 21% gets you about that $1 billion delta in rate base over the next five years. And so we'll work our way through in the rate case and we'll see how much of that will go back and how fast. So it's still to be determined, but if you take all those things in the bucket you think of them over five years being about a $1 billion you've got it about right.

<Q>: And just maybe the cash taxes can you just remind us where your [indiscernible] position is now with the deferred taxes kind of impact build in?

<A>: Cash tax is not currently but in the near-term and the other thing I would say is if you think about ZECs that could accelerate the near-term. So maybe year or two years is just kind of a ballpark.

Any other questions? No? If not I think we're...

<A>: Okay. We're seeing none. I think we have one more slide Dan, do we not that we want to just deal with these folks?

<A>: So..

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<A>: Oops! That's not yet.

Unverified Participant

Oops! Yeah. Yeah, so – we talk all the time about operational excellence, financial strategy, right, disciplined investment and all that. And with – everything, everybody does in the business, that's all nice. It's works pretty well. But there's another secret sauce in enterprise we've had for the last 11 years or 12 years, and [indiscernible] Kathleen Lally. So during the Lally era, you can make your own determination to hedge of the upward slope of this line had to do with everything we talk today and how much had to do with Kathleen. But I would put a lot of it on Kathleen, personally. So everything she has done for the organization for us, for the industry [indiscernible] is so vital. So from bottom of my heart, I'd like to thank Kathleen for things and wish her all the best going forward.

Unverified Participant

Thanks Kathleen. I'd say all the best.

Unverified Participant

As a matter of fact, we did some analysis and evidently ever [ph] did predictions. Thank you so much, Kathleen. Thank you all for being here. So there is no final way to end them and we need to recognize you for all of the work. Thanks all.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-11-07
Event Description: Edison Electric Institute Financial Conference

Market Cap: 25,570.14
Current PX: 50.53
YTD Change($): +6.65
YTD Change(%): +15.155

Bloomberg Estimates - EPS
Current Quarter: 0.550
Current Year: 2.913
Bloomberg Estimates - Sales
Current Quarter: 2546.800
Current Year: 9513.700

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

So I'm Ralph Izzo – Brandenburg gets away with all the time -- so I'm Ralph Izzo, President and CEO of PSEG. I'm joined today by Dan Cregg, our CFO; Kathleen Lally and Carlotta Chan – who is here somewhere, she's gone to get some handouts I think – of our Investor Relations department.

In front of presentation material are both our forward-looking Safe Harbor statements, as well as our GAAP disclaimer. We'll obviously be talking about some projections looking out into the future, which we believe to be correct, but can't guarantee, and we will describe some of our financial statements in terms of parameters that we think are more indicative of ongoing operations, but do not comport with GAAP.

And for those of you who are less familiar with PSEG, we have two principal operating subsidiaries, a regulated electric and gas distribution and transmission business in New Jersey – I'll give you little more details in a moment – as well as a PJM-centric merchant power generation business.

The primary characteristics of the two companies are; for PSE&G, a substantial aging infrastructure replacement program that allows us to grow the rate base in the past at low double digits, in the future at high single digits, just given the size of the overall rate base increase; and for PSEG Power, a fuel diverse fleet that is well-positioned in many dimensions, is well-positioned from an environmental point of view, well-positioned from a geographic point of view, and well-positioned from a technology and efficiency point of view.

Now for a little more detail on the utility. We run north-south corridor of Central New Jersey. That is the primary industrial corridor of the state. Having said that, as you can see, the load both through electric and gas businesses are characterized by the commercial and residential sector; the electric side having the commercial sector dominate, on the gas side having the residential sector dominate. Little more than 2 million customers on the electric business and a little less than 2 million customers in the gas business. De minimis load growth, the growth of the business is completely decoupled from the growth in number of customers or the growth in sales. At the risk of repetition, it is driven by an aging infrastructure that is in desperate need of replacement. Even though it's a single state utility, it's important to recognize that it is by jurisdictional, nearly half of the rate base is FERC regulated through a formulaic transmission approach.

As we step into power, you could see here pictorially that the vast majority of the assets are located in Eastern PJM. We have a piece of some base load coal plants in Western PJM, as well as a new construction going on in Maryland, which qualifies, believe it or not, as Western PJM. Some isolated assets in Southwestern Connecticut as part of New England ISO and just outside of Albany, New York as part of the New York ISO.

Lots of activity on the regulatory and policy front that merits your attention. First of all, we will be going in for a base rate case proceeding in New Jersey. The filing deadline is December 1 of this year. That will be our first base rate proceeding in seven years. Our last base rate case was 2010. In the intervening years, however, we've had a substantial amount of construction in our transmission business, which as I said is subject to FERC formula rates on an annual true-up basis.

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And we've had a significant amount of investment in our distribution business subject to trackers and various clause mechanisms, which you see highlighted here in the middle of the page and something that we will continue to do going forward. We have proposed and filed with the Board of Public Utilities an expansion of a gas pipe replacement program. We are in possession of the largest cast iron gas pipe maintenance system in the United States. It is at a low utilization pressure, so it's not a safety issue. However, cast iron and bare steel pipe does tend to be more vulnerable to cracks and fissures, which then incur – which results in a release of methane, which is a 30x to 35x contributor to greenhouse gas effect, as well as a problem from a point of view of O&M and nuisance odors that need attention.

The current spending level in our gas program is about $300 million to $400 million per year, which would take us about 30 years to replace all the cast iron main that is in our system. So we've proposed to the Board of Public Utilities that we accelerate that program to a 20-year timeframe by investing a little over $500 million a year over the next five years.

We recently were granted approval by the BPU to continue some incremental expansion of some energy efficiency work we've undertaken in the state targeted at lower income and public good. Public good we typically define as hospitals, schools, government buildings. And we will also expand some efforts that we began about three years ago to reinforce and harden our electrical system and distribution system to make it a bit more resilient in the wake of some significant storm events that we experienced five and six years ago in the form of Superstorm Sandy, Hurricane Irene, and something that we call the Halloween snowstorm that occurred between Hurricane Irene and Superstorm Sandy.

At the time we had proposed a $3.9 billion program to take the affected assets and physically elevate them or protect them from water infiltration. We proposed that for a 10-year period, but then actually filed only for $2.6 billion program for a five-year period and were granted $1.2 billion for three years, so we're just going back to finish up that program. We'll drop a few items that we thought were necessary when we originally filed and add a few items that we've learned since then would be money better spent.

On an ongoing basis, given the fact that we have had repeated success working with the Board of Public Utility staff on these various trackers and clauses, and I think to the tune of 14 over the past seven or eight years, we've both sort of fatigued each other and the board staff has recognized that perhaps it would be much better to come up with a template that would be used regardless of whether it's a gas or an electric infrastructure enhancement program to institutionalize the recovery mechanism, as well as the duration of the programs and the method by which the allowed ROEs would be determined.

That rule was proposed this past summer. We modeled our Gas System Modernization Program and the expansion of prior efforts on that proposed rule. We expect it to be made final – it being the proposed rule – to be made final in December and we will follow quickly on the heels of that with our Energy Strong too modeled after the final rule, which we don't expect to be materially different than the proposed rule.

Outside of the utility, there's a lot going on in regulatory and policy space as it pertains to the imperfections in the market, imperfections in the market that are resulting in uplift payments, out of market payments to preserve the reliability of the system. PJM, in particular, has had to dispatch the system, first and foremost, with an eye towards reliability, but that does result in some occasional payments that are referred to as uplift payments that are out of market – others have called this price formation and price transparency – that we hope to see put into effect in the near-term, certainly within calendar year 2018, that are fuel indifferent, that will make the market more efficient, and a more accurate reflection of the way in which the system is operated and will benefit all generators, ourselves, who have a blend of fuels, as well as any other participant in the PJM market.

Separate, and apart from that, specific to nuclear and base load power, we are engaged in conversations both with DOE and New Jersey to recognize the market imperfections that fail to compensate for various externalities. The externalities in particular that are the subject of conversation nowadays are the externalities associated with long-term fuel diversity, that the current market design [ph] will not (08:17) point towards in terms of ongoing new investment in assets and premature retirement of existing assets.

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So going back to the utility, a slide that we often show people once a year, slide that we show once a year and have done so for many years in the past is what we expect our capital program to be in the next five years. And the capital program always looks like it's going to decline and it tends to lead folks to ask the question, well, when will it end. And despite our best efforts to try to remind people that, the only limiting function on the replacement of an aging infrastructure base is what the customer can afford to pay, and the aging infrastructures constantly need a replacement.

So what we show in these five bars that anticipate what our spend will be going out to the future and we try to point out that the reason why the front year is higher, is because that's where we have the greatest visibility toward, right, so the out years we just know less about, and therefore it tends to drop off.

The line you see is what we thought the five bars look like in the prior year, and this is a slide that we've been able show for 10 years now, but the years on the bottom just change, right, so the pattern is always the same. We learn more as the year – as the calendar rolls forward. And as a result, based on what we know, we had predicted in March that we would have about a 7% percent CAGR growth in our rate base. And then we indicated at that time that there were things that we were working on that could take those blue and orange bars and add some additional necessary investments in the form of this great crosshatch. That had to do with a continuation of the gas program, as I've pointed out before, the current run rate would take 30 years to replace the gas and the incomplete efforts that related to Energy Strong, and in fact move that from a 7% growth rate to a 9% growth rate.

Well, in the ensuing eight months from March to today, we have, as I've mentioned, both filed a Gas System Modernization Program and intend to file an electric system enhancement. That give us a greater degree of confidence when coupled to the Board of Public Utility proposed rule for clause recovery mechanisms that will be much closer to the 9% than the rule to the 7% and fill in these crosshatch regions going forward.

So as I think back five years and I think to the current look ahead of five years, the lion's share of our efforts have been in core infrastructure, enhancing the transmission system for reliability, strengthening the electric distribution system from the point of view of storm hardening, strengthening the gas system from the point of view of old technology that – it was in need of replacement.

What that's left available to us, which we have not really spent much time on and are not in the current five year plan, are significant investments in what you often hear described as utility of the future. What is that more specifically? Advanced metering infrastructure, electric vehicle charging station support, micro-grids, battery storage and things that like, right? Important stuff. I'm not denigrating it in any way, shape, or form, but not an area of emphasis for us, and one that we will begin to engage in at some minimal level in the coming few years to begin to prepare ourselves to when we have the bulk of the aging infrastructure work behind us to position the asset base and the infrastructure more for that utility of the future.

Taken in sum, what that means is that the capital program has a robust future going out for many, many years to come, with again a limiting function being making sure that we don't unduly burden the customer. We are the beneficiary of having a PSE&G, and E&G, of course, stands for electric and gas. And the reduction in gas prices over the past 10 years are such that our total bill for a customer is 28% below where it was 10 years ago.

And, in fact, even with this 9% growth rate in the rate base for the next five years and some high-single-digit estimate of that continuation, we could find ourselves in a position where over a 20-year period, customers rates would be flat in nominal terms, having of course gone down, and then back up. So in a low interest rate environment, with a declining total bill, this is a critical time and opportunity to seize for necessary infrastructure improvements and we've had a great partnership with our regulators in doing so.

Moving from the utility over to PSEG Power. We are in the middle of a construction program, whereby we will be completing 1,800 megawatts of highly efficient natural gas combined cycles, one in Connecticut, one in New Jersey, one in Maryland. The Maryland and New Jersey facilities are due to come online this June, as in June of 2018. The Connecticut facility in June of 2019. All projects are on schedule, on budget.

And what it will do is substantially shift the makeup of the fleet. Coupled to some retirements you'll see on the left side, that the overall number of megawatts we will have in play and during this transition won't change much. But as you

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look to the right side, you will see a significant increase in the amount of energy that we put out, because the three units that we're building will be fairly low on the dispatch curve. And therefore, we do believe will be dispatched quite frequently, thereby increasing our expected energy output by well over 10%. And you'll see, as a result of them being primarily – exclusively natural gas, that they will eat into some of that nuclear output. That's not to say that the nuclear plants will run less often. It just means that as the denominator grows, most of that growth in the denominator will come from growth in the gas component of the numerator, and therefore increase the overall gas component of our output.

We have great access to Marcellus shale gas, and therefore enjoy some regional spark spreads that are more robust than one might calculate if one were to look at the Henry Hub price for natural gas. So highly a clean fleet and a well-positioned fleet, and one that we expect to be a significant contributor to the energy market and a significant recipient of energy margins.

Now that expansion program for power, that capital program for power – I shouldn't describe it as an expansion, because as I just said a moment ago, we have been retiring units that are not high in the dispatch queue and not meaningful contributors to the bottom line. That capital program will come to an end in 2019 and we will be more in a maintenance capital mode, which is a run rate of closer to $200 million a year. And what that will mean is that power will resume the position it had prior to this initiation of this capital program, which has been going on for a couple of years now, as a significant generator of cash for the utility's insatiable appetite for cash.

So power shown here on the left in terms of its capital program, you could see that coming down by $1 billion per year. And on the right – we're just repeating the slide I showed a moment ago, which is the utility's capital program going forward. So internally generated cash will be a significant part of the equity requirements of the utility.

As I take a look now at how well we've managed our O&M expense, we try to separate each of the major functions of the company here. And you could see that at the distribution level and at the power level, we've done, I think, a good job of maintaining fairly flat O&M expense. The large number at the transmission level is driven by the fact that inevitably when you have a massive capital program – and if you recall the slides I showed you just a moment ago, transmission was the single biggest component of the utility capital program. But whenever you have that kind of a large capital program in transmission, there is a lot of associated O&M work that goes along with that. It's always – reliability is always foremost in our thinking. We need to make sure that the system configuration is such that it can tolerate various perturbations, requires active field work on the part of our transmission team to make sure that we're switching lines in and out to support that capital work.

We pay careful attention to that transmission O&M, but the good news from a shareholder perspective is it is fully incorporated into our annual formula rate and all other parts of components of O&M we do an aggressive job of keeping a lid on them, both in terms of meeting the needs of our customers and our shareholders.

If I take a look at the strength of the balance sheet and our credit metrics, they remain strong. So you have an ambitious utility infrastructure replacement program and you have a fair amount of internal cash generation. The balance of the equity needs of the utility are achieved through the debt capacity of the parent and the power business. In addition to the 9% growth rate in the rate base that we have a high degree of confidence in, we have an additional incremental debt capacity that's shown here of about $3.5 billion to $4 billion, closer to the $3.5 billion than to the $4 billion, both at power and at the parent. That debt capacity becomes the equity that the utility needs – the utility has some separate debt capacity and it's roughly regulated at 50/50 debt/equity split. So therefore the standalone utility capability for additional financing would be double this amount.

Now, it's important that we point out something here that is common to the industry about – and we've talked about it for a few years, but we want to make it really explicit. We always give a three-year look ahead, and the three-year look ahead is 2017, 2018, and 2019. Now, what's significant about those three years, that is different from 2020 is that all other things being equal, so no comment on the possibility of tax reform and the various provisions that may or may not survive the current versions that have been put forth, is the expiration of bonus depreciation. And currently that bonus depreciation has been generating about $300 million a year in FFO for us.

final
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SI-SSA-0015-14693

If you just take at the parent level an 18% or a high-teens ratio of FFO to debt that that could support, that would result in a diminution of about $1.5 billion to $2 billion of debt capacity after 2019. So, just given that our stub year happens to coincide with the end of that bonus depreciation, we didn't think it was fair to leave you with the absence of information about what happens in 2020, which is probably a cut in half of the excess debt capacity available to the company, right? So we are still in an excess capacity situation, but it will be one that goes from 3.5-plus billion to something less than $2 billion with the expiration of bonus depreciation, all else being equal, assuming no change in the tax bill or current situation.

So still a strong balance sheet, still 2 times that amount available for utility investment, above and beyond the 9% growth rate in the rate base. And during the Q&A, since I just exhausted my knowledge of what all that means, Dan will be [ph] happy to answer (19:31). Did I do that okay, Dan?

Daniel J. Cregg

Perfect.

Ralph Izzo

Okay. But did he look like he was in pain while I was speaking?

[indiscernible] (19:38)

<<[0052TC-E Ralph Izzo]??

Thank you. I've been CEO long enough [ph] where (19:41) I can admit these things.

We are reaffirming our guidance for the year, right, somewhere between $2.80 and $3 a share. Here we just show you a little bit of our recent history. You see a combination of factors; one, some modest growth in the parent company earnings, flattening over the past two years as a result of declines in power prices. But equally important, you could see that even as the parent company earnings grew, the disproportionate growth in the utility earnings becoming an increasingly significant part of the overall mix of earnings that we put forth. And this year, just taking the midpoint of the guidance for both companies, the utility will be fully two-thirds of the overall earnings of PSEG.

That has a couple of ramifications, obviously, in terms of the predictability and stability of those earnings and the potential for future growth driven by this 9% CAGR. Here what we show you in the green line is the utility earnings growth, and in the blue bar the growth in the dividend, which isn't growing in recent years at about 5% a year. And you can see that, given the visibility to the utility rate base growth, we had confidence in growing the dividend, and now, in fact, the utility growth continues to outstrip the growth rate of the dividend and more than covers the dividend for us, which leads us to a dividend policy which is illustrative of the fact that there are multiple factors that we consider when thinking about the dividend, where are our earnings coming from, what are the cash needs of the business, where are we in the power cycle, what are our competitors doing. But it allows us to basically signal to you that we do think we have the opportunity for consistency and sustainability of this ongoing dividend growth that you've seen in the past few years.

So in sum, we have a stable platform. There's plenty of opportunities for investment and growth in the business. Most of that – about 80% of it is targeted at the utility. As the capital growth program in power comes down, that number will be even bigger than 80% in terms of the utility, where power begins to go into a maintenance capital mode. I think we've had a great partnership with our regulators in New Jersey. We do things that matter to them and they are a good proxy for things that matter to our customers. We're doing well. At our last quarterly call we talked about the fact that a $3.4 billion capital program in the utility this year has become a $3.1 billion capital program, largely because some of the work we plan to do, we've done better than we even thought we could do it. That doesn't mean that $300 million of work evaporated. It just means $300 million of work will be shifted into other things that need to be done.

final
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SI-SSA-0015-14694

Power has a great fleet. It has the largest, I believe, combined cycle fleet in PJM. Its aggregate heat rate will be close to 7,000 Btus per kWh. It's a highly efficient fleet, a very strong nuclear program that we think is going to get some recognition for some attributes that the market does not recognize today, and therefore we'll sustain that fleet into the future. We have, I think, one of three companies that can boast about 110-year record of paying the dividend each year for over a century. That balance sheet carries us into the future with the current program without the need for additional equity and the opportunity for further expansion.

So I think I'll stop there. I've tried to leave about 15 minutes for questions and, hopefully, answers, and we're ready for you. Yeah.

Q&A

<Q>: I came in late, so I apologize [indiscernible] (23:09). But could you just help me with [indiscernible] (23:12)?

<A - Ralph Izzo>: Yeah, sure. So we've been talking to people about kind of a range of four possible outcomes as it pertains to the DOE NOPR, and the FERC reaction to it. At the book-end, one is that FERC simply says, oh boy, you're right, we will take that. And the other book-end is FERC says, you're imagining things, there is no problem here. We think both are unlikely. And, in fact, probably zero chance.

Now, that's significant, because while most people are predicting the former, that FERC won't take the NOPR as is. I think in large measure, even though FERC has not said that there's no problem, they've been acting as if it's not a big deal, right? I mean, the [indiscernible] (23:57) rule, price formation, those have been going on for years now, depending upon how you define the start three or four years. And even though FERC was being deliberate, I do think that DOE's action has created a sense of urgency that something needs to be done. So more than likely, our belief, with no more information than you possess, is that one of two things will happen, and I'll take them in order of increasing likelihood.

We proposed that FERC take what DOE has proposed and implement it on an interim basis. And we point to the fact that fully – close to a third of the assets in PJM right now are on cost of service regulation, and they do not create havoc in the marketplace at all. That putting at risk premature [indiscernible] (24:47) in cost of service regulation would also not put the market at risk. And then FERC should enter into a parallel process, take hold the process to design mechanisms, whereby fuel diversity is explicitly recognized as an externality that has a value. And we've also put forward proposals to how to do that. It could be either an energy price, scarcity payment for fuels that are not dominating the supply stack, or it could be traunching of the capacity market to explicitly require different clearing prices in [ph] capacity (25:19) markets for fuel diversity.

So interim cost of service regulations [ph] take hold of (25:24) process for market mechanisms that recognize fuel diversity. Another possibility is simply to recognize that PJM has said, hey, there are some things that we do right now that are inconsistent with price being the determinant of what runs, namely these uplift payments for inflexible units that I mentioned a moment ago. And FERC can declare victory by simply saying, yeah, we know about that, we've been working on that for a few years. So, therefore, every RTO tell us what you've done to improve price formation, and what else you need to do, and therefore call the RTOs in. That can allow RTOs to say we don't have an issue, and it can allow PJM to confirm that they do have an issue. Get that fixed. Various folks have modeled that and have come up with their estimates of what that would mean in terms of around the clock energy prices. And then in parallel to correcting for those out of market uplift payments, initiate a stakeholder process to explicitly recognize fuel diversity, because price formation is independent of fuel. And so either of those two scenarios, we think, are possibilities and we'll know a little better on December 11 when FERC is due to respond. Yes?

<Q>: [indiscernible] (26:38-26:49)

<A - Ralph Izzo>: Yeah. So, when you're 110-year old company, you don't wear a party stripe, right, you wear a yellow stripe, and you go right down the middle of the road. And I think every governor I've worked with, and my predecessors told me the same thing, understands that we can't move out wires. So, as New Jersey goes, so goes our T&D expenses business, right? So we are a great partner.

final
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Bloomberg
SI-SSA-0015-14695

I mean, that does tend to mean that you're never in the inner circle, because you're not there in the early days when primary battles are going on, but you're there for them once they achieve office. So we have fully briefed both candidates for governor about what we think is smart and maybe not the brightest thing to do in terms of energy policy, and what matters and what doesn't matter, and both have been great supporters throughout the campaign – energy has not been a dominant issue – about the importance of an aging infrastructure and replacing that, the importance of job creation that results from that, both are very careful to talk about the affordability of the state of New Jersey. One is a little bit more green emphasis than the other. One is little bit more emphasis on affordability than the other. So at the end of today, we'll see who we're going to work with for the next four to eight years, and we'll work with them just fine. Our relationship with the governor has been terrific. He's been a big champion of infrastructure replacement, has been a big champion of clean air, hasn't been a major proponent of concerns over carbon. And that's okay. I mean, nuclear power doesn't emit NOx, doesn't emit SO2, doesn't emit mercury, and so therefore he's been a big supporter of nuclear even in the absence of concern over carbon.

<Q>: [indiscernible] (28:25-28:32)

<A - Ralph Izzo>: Yeah. So nuclear will benefit, as will oil generation, from fixing the flaws associated with price formation, Fast Track, things of that nature. In PJM East, it's important to realize that nuclear challenges that relate to inflexible units have nothing to do with wind. They have more to do with the fact that they are all – that there's a behavior at PJM that requires dispatch of some slow to ramp units that often results in uplift payments that are not reflected in the locational marginal price because of the way in which the tariff is designed in PJM. There's a white paper in the PJM published that's like six or seven pages long, very readable, very understandable that I did not just give great justice to. But that has nothing to do with the attributes of nuclear.

In New Jersey, our plants constitute 40% of the energy used in New Jersey, about 45% of the energy generated in New Jersey. The absence of those plants, we believe, does several things. First of all, just the way in which PJM dispatches, you don't have to be an economist to know that when you remove 40% of supply and you dispatch on a least cost basis, and you don't change demand, prices go up. Our estimates are about $400 million a year.

Number two, if you replace those plants with the current PJM dispatch, which is a blend of gas and coal, and you simply say, what does a pound of NOx cost, what does a pound of SO2 cost, what does a pound of mercury cost, you result in about $150 million a year of environmental impact.

Number three, you emit 15 million more tons of carbon if you do not replace the units with the current dispatch, but you're replacing with the most efficient natural gas combined-cycle units you can, so we're being very generous there. Now if you think carbon's worth zero, then that's not a big deal. If you think carbon is worth $30, that's $450 million a year, and you pick your number and do the arithmetic and it's pretty straightforward.

Number three, we employ 1,500 people at those plants. It's the second poorest county in the state of New Jersey. That's full time people. When you include refueling outages, it's closer to 3,000. If you make some estimates about what it costs to provide the food to the plants, the dry cask storage to the plants, various other things, you can get a number closer to 5,000. So pick your assumptions, it's definitely 1,500, it could be as much as 5,000. That results in sales tax, payroll taxes of anywhere from $150 million to $180 million, because of the range of number of people.

And last, but by no means least, if you replace those plants with natural gas, you would have 97% of your electricity coming from natural gas. You should worry about that, not because there's a meteor that's going to hit the natural gas plants or it's going to disrupt anything in Ohio that has to do with shale, but we as a combination of electric and gas utility during the polar vortex had to curtail gas to customers. That was with 40% of the electricity in state being generated by nuclear power.

If you don't have nuclear power, we will be doing a lot more than curtailing interruptible customers. You will basically be choosing between heating a home or illuminating a home. That's because you don't want to build an interstate pipeline capability for a polar vortex. It's not necessary, it's expensive, there's no need to do that. And candidly, I would say this right now, it's socially unacceptable to do that.

final
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SI-SSA-0015-14696

Similarly, a very well run, well managed – I'm not going to name them – interstate pipeline company had an issue with an East-West pipeline last year. Fortunately that issue occurred between the months of April and November. If it had gone past November, and we run into a cold spell, we would have been faced with the same issue. So those are two episodes of operational limitations that occurred in the past three years, and again at the risk of being flip, have nothing to do with some bizarre set of circumstances that will never ever happen again that would lead you to be concerned about 97% asset concentration in terms of natural gas powered electricity.

So with all of that in mind, we have simply begun a conversation in the state to say, did you know, if these plants aren't earning the cost of capital, we have a fiduciary responsibility to shut them down. That's a problem for New Jersey, and we've been real clear. We've retired 4,000 megawatts of power plants in the past few years. It wasn't a headline, it wasn't winding, it just needed to be done. Nobody noticed, nobody cared. This one people will notice, people will care. So we're trying to avoid that situation. And we've gotten great response in terms of the concerns about seeing those plants go away. [ph] Yes, Nick (32:54).

<Q>: Hi. Ralph, I guess you've made a very convincing argument about why you need [indiscernible] (33:01), so I appreciate that.

<A - Ralph Izzo>: Correction of the flaws in the market. We have to get the terminology right.

<Q>: Thanks. The future of the [indiscernible] (33:15) seems to be somewhat out of fashion these days [indiscernible] (33:23-33:29) given it's running by itself, but there is not so much growth opportunity there, [indiscernible] (33:37), how do you see that could be separated out or that could be sold to somebody or keep it intact?

<A - Ralph Izzo>: Yeah. So I remember when I took this job 10 years ago, people used to tell me about the fact that you've got these two businesses and they don't belong together. You've got this wonderful power business and this hideous slow-growing utility, why don't you get rid of it? And now people say, you've got these two companies that don't belong together, you've got this wonderful growing utility and this hideous power business.

Okay. Now having said that, I do think that given the amount of uncertainty in the regulatory world and in the marketplace, now is not a good time to be thinking about separating the companies, right? You can't have a conversation as a corporate citizen say, hey, these nuclear plants matter to you and expect people to wonder, well, who is it that I'm going to be speaking to the day after tomorrow. That's just – that's not fair to policymakers and we wouldn't do that.

Similarly, with price formation discussions with DOE NOPR, I don't know what the right valuation of these plants are. And while we're more than willing to earn our compensation by managing risk, I don't think we get paid to gamble. So to simply say, well, who knows what these things are worth, let me just sell them now and see what I can get on what basis.

Now over the long-term, as I've been quoted and as I still believe, the opportunity to grow the power business is inconsistent with keeping it inside an integrated company and we're not making buggy whips in power, we're making electricity, and as far as I can tell people like that and want more of that. But people seem to worry about it, where is capital going to be deployed, and is it in the slow steady grower called the utility. If you consider high single-digit slow, maybe not. Or is it in this more cyclical business called power that has a different investment profile. And I think over time that those are different investors and we will have to recognize that, but over the near-term I don't think that makes any sense. 5 minutes, thank you. Yes.

<Q>: [indiscernible] (35:40)

<A - Ralph Izzo>: About 6,500 Btus per kWh.

<Q>: Pardon?

<A - Ralph Izzo>: 6,500 Btus per kWh. Wow, I can actually give an answer in one sentence. I didn't think I could do that. [ph] Carl (35:59)?

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<Q>: Ralph, [indiscernible] (36:01) your ability to work with regulators, which you have done very well over the last 10 years, I guess, [indiscernible] (36:11) is it too early to say is there any names being floated for anybody [indiscernible] (36:17) or any of the critical positions like environmental or whatever.

<A - Ralph Izzo>: Oh, yeah, it is definitely too early to say.

<Q>: Okay. Do you think the campaigns are focusing [ph] on it at all (36:31)?

<A - Ralph Izzo>: Again, as I said, because we go down that yellow stripe in the middle of the road, we're not on the inside of any campaign to know that. We have in the past been asked to put forward a list of candidates. I've often wondered whether or not they ask us to do that so as they avoid those names. I almost had two questions in a row where I gave a one sentence answer, [ph] Carl (36:57), then you followed up. Yes.

<Q>: [indiscernible] (37:04-37:09)

<A - Ralph Izzo>: Absolutely. I'll tell you, knowing where we are today in LIPA and what we've achieved, if you had asked me four years ago when we began that to sort of set my aspirations for what the team could do and someone had [ph] touched (37:21) me, would you like to do this, I would say, sure, of course, I'd like to do that, I'd also like to pitch for the New York Yankees, but that's not likely to happen at this point in my life.

So the team has just done fabulous work there. I think we have an operating services agreement that has – it varies between 22 and 24 measures that we have to hit. We hit all but one or two of them every year. We've gone from literally dead last in J.D. Power to now being just, I think, one position out of the median company in terms of customer satisfaction. The team has done a fabulous job and the employees have responded well to us. It's been a very rewarding experience. I wish there were more of those opportunities out there, but they're not obvious to us.

Ralph Izzo

I'm going to just take one more question which – of course, whenever you say that there's never another question. But I'll say it anyway. We have time for one more question. Works like a charm every time. Thank you for joining us.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-09-06
Event Description: Barclays Global CEO Energy-Power Conference

Market Cap: 23,346.82
Current PX: 46.15
YTD Change($): +2.27
YTD Change(%): +5.173

Bloomberg Estimates - EPS
Current Quarter: 0.851
Current Year: 2.918
Bloomberg Estimates - Sales
Current Quarter: 2608.250
Current Year: 9663.400

Barclays Global CEO Energy-Power Conference

Company Participants

- Unverified Participant
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Unverified Participant

All right. So, next up we have Public Service Enterprise Group. Dan Cregg who is the Chief Financial Officer is going to take us through the PEG story. Dan?

Daniel J. Cregg

Thank you, Dan. Good afternoon, everybody. We'll walk through the forward-looking statements and GAAP disclaimer to get to the beginning of the proper presentation.

So, now I'll walking through our story. Really it is surrounded by and driven by a $15 billion infrastructure investment program and that is far and away the largest opportunity that we have for growth. And it spans both companies that we have within the group, PSE&G which is our regulated utility company in New Jersey. And I'll show a slide a little bit more about what that entity looks like geographically, which represents a fair bit of rate base growth. We'll go through some of those details in applying disciplined investment that really in conjunction with policy drivers in the State of New Jersey.

And PSEG Power, efficient, low-cost, clean fleet and getting more so from some changes that we've been making. We've seen a couple of retirements of coal facilities recently and build-out of combined cycle units, which is going to bring the overall fleet [ph] gate (01:22) rate down considerably as we step through time.

All hinging ultimately on operational excellence. So, in both entities, we really target the issues of running the business well, benchmarking considerably throughout both sides of the business and whether it's operating a nuclear facility, running the grid, or even in the accounting and payables areas making sure that everything is operated as efficiently as possible. And the third lever that we utilize is financial strength.

So, operational excellence, disciplined investment and financial strength. 110-year record of dividends, recently acknowledged at the New York Stock Exchange where we rang the closing bell to mark our 110th consecutive year of dividend payments and all supported by a very strong balance sheet and good credit statistics.

So, quick look at the two businesses that we do have. On the left hand side, PSE&G, if you take a look at the midpoint of our 2017 guidance, it would represent about two thirds of the overall contribution of the company with Power making up the balance. Again that first bullet that you see on in PSE&G, strategy, investments are line with public policy and customer needs. That has really been behind most of the investments that we have made on that part of the business, aligning our business with what the State wants to get accomplished, as opposed to fighting things that we think may or may not make more sense working in unison with the State to advance the capital program that we do have.

That results in a $12 billion to $14 billion capital plan at PSE&G, focused mostly on infrastructure and opportunities to expand our rate base. And I'll go through in some slides where you can see the overall compounded annual growth rate of that rate base somewhere between 7% to 9% over the next five years.

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On the Power side of the business, increased our competitive position through the build-out of our combined cycle program. So, we have a construction program in place. Three new combined cycles being built. They will be completed and in service in 2019, which will bring the efficiency of the fleet up considerably and enhance the overall competitive position.

In addition to that business, when you look at the value proposition, very strong cash flow is coming from that business. Those cash flows are used as a source of value and investment to meet the $14 billion program, that I talked about on the capital side at PSE&G. So, a good relationship between those two entities. And if you take a look at the capital program in the aggregate, a little over 80% of the capital that we will put to work goes to PSE&G, the regulated side of the business. So, as we step through time, more and more focused on the regulated side of the business and a higher contribution to the overall enterprise's growth.

So, a couple of slides to define each of the individual components. So on the utility side first. If you take a look at PSE&G, territory runs down the center of New Jersey, really from the George Washington Bridge to the Ben Franklin Bridge, expanded on both sides. 2.2 million electric customers, 1.8 million gas customers in place.

One thing to think about for a number of the transactions that have happened in this space off late, they were convergence, mergers, where electric and gas ended up coming together. PSE&G has electric and gas that are together and have been together for quite some time. So, the benefits of having those two companies together have been part of what we have been for many, many decades.

Also a sizeable transmission business, and I will show you some slides later on where we look at the total investment, as well as the total rate base. And a little less than half of the aggregate rate base at PSE&G, is on the transmission side. So we have a transmission formula rate in place with contemporaneous returns. And it is a considerable piece of the overall pie that you see for PSE&G and you can see it in the form of a pie-chart on the bottom right-hand corner of the slide with 52% distribution, 44% transmission and about 4% of rate base coming through solar and energy efficiency.

On the Power side of the business, very well-located assets. Again, in the same territory that I laid out largely. The investment program, adding those efficiencies, but also, I would point to the nature of the assets themselves and the ability to follow load. So, a good mix of base load, as well as load following units within the fleet as a whole.

If you also think about how we hedge that. We hedge over the three-year forward program and a big part of our hedging program is our BGS, or Basic Generation Service product that we have in New Jersey. It's the default supplier in New Jersey. It's about 11 terawatt hours of the roughly 50 terawatt hours that we do produce, and we're in the process of supplementing that with a retail business to supplement the BGS retail product. It's on the smaller side and growing, but will be growing organically as we continue to step through time.

Also a very modest solar business, you can see on the slide, 326 megawatts of solar assets as well as one asset that resides in Hawaii. So, we've been pursuing a number of policy and regulatory issues this year, and a number of them are listed on the slide. First and foremost, the first one listed there is a New Jersey distribution based rate proceeding.

So, on November 1st, we will file our first rate case since 2009. It will be a rate case that will deal with just the distribution side, but within the distribution space both the electric and the gas side of the business. So it'd be rate case dealing with both of those. As we think about, basically we're going to step forward and true up some of the numbers that we have in place. We don't see this as being a hugely dramatic rate case, but one of the things that we do anticipate that will be addressed in this rate case is decoupling.

Our two businesses, on the gas side, we have a weather-normalization cost for the gas side of the business, which does a pretty good job at mitigating some of the ups and down that we see as we step through time, due to weather events. But on the electric side of the business, we do not have decoupling and that's one of the things that we will be pursuing in this rate case. New Jersey has a fairly strong interest in energy efficiency and certainly decoupling would also be a hand and glove process to work through and move forward within this rate case to enable some incremental energy efficiency investments coming through that's been coming from PSE&G.

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Another avenue that we look to do a fair number of our investments have been through clauses with the State of New Jersey. And we have been to the BPU in New Jersey for a number of clauses over the last decade or so, somewhere in the order of 15 clauses that we've worked through, mainly infrastructure-oriented, but also on the energy efficiency and on the solar side.

And we've worked with some other utilities in the state during this past year with the BPU to try to simplify the process that we have gone through to enable some of those clauses to get, put in place. And it's been described by some as a Straw proposal in the State of New Jersey. And in August, it moved through the BPU and moved into a 60-day comment period. And that 60-day comment period will come and go and we would anticipate by the end of the year, that this infrastructure proposal would be in place. Now what it essentially will do is provide the template by which these types of clauses and incremental investments can be pursued.

And so, I think incremental transparency is an outcome that we would anticipate by virtue of having longer programs, and also a known ability to go through with a mechanism by which these investment programs would be recovered. So, we see this as simplifying the process, making it more transparent, and I think a good outcome for the capital needs that the State of New Jersey has across all the different utilities.

Next item on the list is preserving the value of nuclear supply. So we have been talking about this for the vast majority of this year, and taking a look at where the market is, and taking a look at where our nuclear facilities stand within that market. What we have said to folks is that we are not earning our cost of capital on our nuclear facilities.

And as we look forward into time and if some of those three-year hedges end up rolling off, and we step into forward prices, we would anticipate that this situation is more likely to get worse than better. So, we have been in conversations at the federal level, at the regional level, and at the state level to acknowledge and make sure that people can understand the value that comes from these facilities.

And we see that value in the form of environmental benefits, not only from a carbon perspective, but from other emissions standpoint. We see it from the standpoint of fuel diversity and resiliency of the grid. If you think about our nuclear facilities, they're about 40% of New Jersey's use and over 90% of New Jersey's emissions free energy. So from those perspectives, they are a very, very, important part of New Jersey's energy mix.

They also have the benefit of keeping energy prices lower given their low cost of dispatch, and also they're very important locally. If you think about where they are in the State, the jobs that they provide, and what they do for the local economy, we think for all those reasons, there's an awful lot of value of having them continue to be around.

But as we look at the economic situation of those facilities, there's no guarantee that they will be. So, those conversations have taken place as I said, at the federal, regional, and state level to ensure that the value that these plants provide can be identified, captured, and ultimately paid to the units.

And then lastly, we talk about ensuring federal regulatory and policy framework. There if we think about some of the rules that we have in place and some of the pricing elements that we have in place largely in PJM, there are improvements that have been identified by PJM and others that we feel do need to be made. And you can think about this largely in the form of the price formation efforts that are going on at PJM.

So, things like inflexible units, not being able to set a marginal price, can result in uplift payments to particular units, but no increase in the overall price points that all units see. And so, efforts that PJM is pursuing, which I would argue are fairly consistent with what we've seen from the recent DOE report and other efforts in other areas to try to get the markets to work better, I think, will serve all generators well and that's another effort that we are working towards as we move through the year.

And the results of these efforts and prior efforts have allowed us to grow earnings by 4%. If we take a look back at this slide, back through the last five years or so, back through 2012 to current. And also, if we take a look on the dividend side, vitally important to our shareholders and we acknowledge that importance with the 4% growth that we have seen on our dividends over the last five years.

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As we've talked about dividends, we've talked about our desire to have consistent and sustainable growth in those dividends, and I'll show you slide later on, which will give you an indication as to what the dividend policy overall looks like.

So, move back to the utility for just a couple of minutes, and if you take a look at PSE&G's investment program and what it does for our overall rate base growth, what we are planning now for the next five years, and if we look at from 2016 and running through to 2021, over that five-year period, we've identified 7% to 9% compounded annual growth in rate base. If we think about the first three years of our plan, we've got a 9% CAGR. And running out through five years, that declines down to 7%. And I'll give you a little indication as to what drives that.

The slide here also shows the split between transmission and distribution. So you can see there's a fairly good balance between the two. And if we think about a single state utility with a single state regulator, having FERC regulation on that rate base gives us a little bit of diverse regulatory risk as well.

And then you can see that there's – as we move into 2021, there's also a bar in the far right-hand side, which goes beyond 2021. And I'll talk in another couple slides about some of the growth opportunities that we think we have as we step beyond the planned years more generally. But on balance, the system that we have is an older system, New Jersey is in an older area and there is no shortage of infrastructure needs that we have, both on the gas, on the electric side. And I'll touch on those as we move forward.

So, moving from that slide of a rate base to this slide of capital expenditures, we say that our baseline programs yield 7% compounded annual growth rate. So, this represents $12.3 billion capital plan over the next five years. And if you take a look at the bars that are on the slide, that represents this year's plan. There's also a black line that runs through, that represents last year's plan.

So, we step forward a year, we've identified incremental investments in each of the four years that are in common to those plans for incremental investment across the utility. And I talked earlier about the way that we plan. We think about what is in our plan, largely it is what we know, as opposed to what we know, plus a host of different investments that might come to pass.

So, the trajectory of capital that you see in our five-year plan does decline over time. And what we have done, if you look at history, is identified more investments as we step into the out-years of that plan to lift the back-end of that plan. And as I move in from this slide into the following slide, it shows what is I would say most known within the out-years of the plan as to what additional investments are out there for us to make.

Those additional investments take the form of extensions and expansions of existing plans that are in place. So, for instance, we have the largest cast iron system of any gas utility in the U.S. We have 4,800 miles of cast iron pipe, that's in the ground. And we move forward with the plan – with the program last year called GSMP, it's a Gas System Modernization Program to replace that cast iron. That was at a rate of about $300 million a year and at that rate, we'd have about 30 years of investment to replace all of that cast iron.

So, as we step from our base plan, which includes $300 million to replace all that cast iron throughout the five years of a plan, we have proven through the work that we've been doing that we can do more than. So, part of what we get us from our $12.3 billion base plan up to what you see here is $13.8 billion incremental plan, which would serve to move us to 9% CAGR from 7% CAGR would be to upsize that Gas System Modernization Program or replacement of those pipes from a rate of $300 million a year to $400 million a year.

And the filing that we just made in July with our state regulator is for $2.7 billion over five years, so that rate is $540 million. So, there's the potential for incremental spend above this $13.8 million that you see to the extent that that would be approved in full.

A second component that would look to raise the overall capital spend that you see in this – in our base plan up to the $13.8 billion would be related to energy efficiency and solar. So, we are targeting to invest an incremental $400 million in energy efficiency and in solar over the last three years of the plan, that would also contribute to getting us up to the $13.8 billion target.

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And then, there's a third leg of that still which would increment further the plan up to the $13.8 billion and that would be the next phase of our Energy Strong program. So, prior to Harvey, prior to Irma, we had superstorm Sandy here in New Jersey and we came forth with $2.6 billion of $3.7 billion aggregate amount of spend that we thought was necessary to make improvements to add to the resiliency of our own grid. $1.2 billion was approved.

So, embedded within this back-end of our plan is three years and $800 million of spend that we would anticipate from a filing that would probably take place later this year to do the next stage of the resiliency of the grid in New Jersey. So, a couple of existing types of work that are being done to be extended out and/or expanded upon is what will drive us to a continuation of 9% growth in our rate base as we step forward over the next five years.

And then, this next slide gives a little bit of an indication as to what I talked about on an earlier slide when I look beyond 2021. And the way that I think about this says is, it lays out in the first two boxes the kind of work that has been done on the system over the last five years and what we see in front of us for the next five. And I will tell you that most of that work is very infrastructure-oriented, it is basically – basic blocking and tackling that's in front of us, things like replacing cast iron mains that are in the ground in New Jersey, which is going to go on for some period of time.

Above and beyond that different types of investments that we are calling Utility of the Future still await us. Items like AMI which we really have not moved into at all, like electric vehicle charging stations, like microgrids and anything that really is more expansive of the way the things are done really are not in the existing base plan as we look at it right now.

So, with that spend awaiting us, we see the ability to continue to invest at a similar rate as we have in the past as we go beyond the next five years. I'll move over to the Power side of the business. We gave a little bit of indication as to what the business looks like now on the bottom of the page and what it will look like on a go-forward basis on the top of the page.

So, on the bottom left-hand side, we give an indication of the aggregate capacity of the fleet right now at 11,600 megawatts. And as we step forward through time, we don't see an awful lot of megawatt growth based upon some retirements in place to Hudson and Mercer facility being replaced by new efficient gas combined-cycle units at our key facility in Maryland, at Sewaren in New Jersey and Bridgeport in New England.

But on the right-hand side, if you take a look at what those units will produce, we anticipate about an 18% increase in the aggregate output of the fleet. So, having the more efficient fleet, the more flexible fleet will enable us to increase our output and increase the amount of the output which is coming from natural gas.

And if we also take a look at what we've seen from the capacity market standpoint, very important for our fleet, in particular, especially with PJM in New England having a forward capacity auction, you can see the pricing that we are receiving in these markets which is north of what you see for the rest of pool. And basically, that transparency and the value that this has brought to our assets as a result of those payments is a big part of what Power relies upon as they step forward over the next three years.

There has also been a modest change that PJM has announced related to some of the measures that they use as they go into the next auction. And we talked a little about this last year about the Con Ed Wheel going away. So, Con Edison would wheel power down into New Jersey and then across the Hudson River into New York City as a way to make sure that there is sufficient power for New York City. That arrangement ended earlier this year, and as a result, the parameters that are put forth in advance of the capacity auction that were updated prior to this past year's capacity auction.

And we talked recently about the fact that that made up for some of what happened with the wheel, but there was likely to be some incremental changes that would happen to those parameters and to the CETO/CETL transfer limitations as you move from area to area within PJM.

And recently, PJM has put forth that in large part because of the non-firm nature of some of the flows of electrons between the different areas, there have been some changes that will look to tighten up the transfer limitations between some of the LDAs within MAAC, EMAAC, PS Zone and PS North. So, we'll see what those look like when they end

final
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up putting the parameters out for next year's auction, but we will see some changes as we step forward into the next auction.

And then, on the bottom of the page, you can see in New England, the Bridgeport Harbor station that I referenced earlier. When that cleared the auction, that was the beneficiary of a seven-year lock-on capacity prices. So, the bottom of the page lays out that $231 of megawatt day for seven years, that's what that unit will see, from a capacity standpoint. So, a healthy capacity stream that Bridgeport will see in its first seven years.

And if we look at Power as a whole and if we look in particular at the free cash flow that's coming from Power as a whole, you can see that it is dominated in the first couple of years by the construction program of the three combined-cycle units. So, the left-hand side of this page shows Power's five-year capital program, the orange bars represent the combined-cycle construction program.

As that comes to an end in 2019, we'll move to more of a steady state capital amount of about $200 million a year at Power. So, a sizeable decline in the overall capital spend, which will free up considerable cash flow for PSE&G. And if you take a look on the right-hand side, basically that lays out the $13.8 billion higher capital program, which will be funded by debt at PSE&G, but also from capital contribution which will be sourced from the free cash flow from Power.

And moving on to O&M, if you take a look in the aggregate at the enterprise level, a lot of focus on O&M at PSEG. We work extremely hard on an ongoing basis I would say less programmatically and more every day, every month, every year, as we step through our normal business operations to manage costs. And basically, the proof in the pudding is what you see here on this slide, as you look at 2012 to 2017's O&M, our O&M CAGR has been flat at 0.0% increase.

And the one item that you do see on the page, this is a higher O&M growth is within our transmission business. Frankly given the magnitude of construction that's gone on at transmission, some of the removal of the old transmission units ends up falling into O&M. So I'd say, by no means, it has had the result of any inefficiency related to how the transmission business is run. What I would say is much more about the removal of existing assets that end up working their way into O&M. So, O&M has been a focus, will continue to be a focus for the business as we step forward.

And then if you take a look right here what this next slide shows is the trajectory of our earnings over the last number of years, and maybe as importantly, the overall contribution to the earnings that we have seen over the last number of years. So, if you go back to 2012, PSE&G contributed 43% of our total earnings contribution and as you step in to the midpoint of 2017's guidance, as I mentioned earlier, 66% of the company's earnings contributions will come from the regulated side of the business. And as we step forward beyond that and take a look at the overall capital mix of the companies, you would expect to see that trajectory to continue to go in that direction.

And then one final slide on dividend. This also is a look back at the dividend that we have paid over the last number of years. That shown in the bars is also a line that is superimposed on top of those bars. What that line represents is the earnings of PSE&G-only, placed on top of the bars which is the dividend that is paid at Enterprise. So, what this serves to show is that the entire dividend of PSEG can be covered by the earnings of solely PSE&G, so the baseline of earnings that sits behind the dividends are very strong, very steady and growing from the standpoint of PSE&G's earnings contribution.

And our last slide is our first slide repeated. So, that kind of wraps up the story for PSEG. I'll be thrilled to take any questions anybody may have.

Q&A

<Q>: Terrific. So, there's a microphones in the room that will be going around and I'll start it off. So, couple of things on the policy front-end. There has been talk about New Jersey reengaging in RGGI and then also some talk legislatively about whether or not a zero emission credit program might be in order. Can you talk us through some of the – what are the steps to get those things done and what is the calendar look like the balance of this year and into next?

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<A - Daniel J. Cregg>: Yeah. Sure. So, maybe first on RGGI. And you may recall that RGGI is Regional Greenhouse Gas Initiative. It involves New England, New York and then a very little bit of PJM and our existing governor took us out of the RGGI program a number of years ago. The overall RGGI pricing was fairly low and the impact that it was having, it was kind of put in place initially as a bridge to a national carbon program.

There is interest in the state by both gubernatorial candidates or in a gubernatorial election year to come back into RGGI. And if we think about it, maybe if I think about it coupled with the other questions that's there from a standpoint of nuclear, nuclear is obviously not a carbon emitter, so RGGI would be on balance helpful for nuclear.

But if you take a look at where overall pricing is coupled with the fact that there is a leakage issue, what I mean by a leakage issues is if you take a look at PJM as a market and New Jersey being in RGGI or maybe being back in RGGI and as neighboring states not being there, then some of the impact on ultimate pricing will be watered down by virtue of the fact that you're going to have units that are burdened by a carbon price and instead are not burdened by a carbon price on the same market.

So, I think it will take the next governor for us to come back into RGGI, I think that the likelihood is probably high because both have expressed an interest in it. But if I think about the overall impact, given the fairly low prices and the existing leakage issue, which PGM has some plans to seek to correct, but nothing is in place right now. I would consider that probably a modest impact overall on nuclear and on the market as a whole.

More broadly, with respect to nuclear, we've talked a fair bit about the existing economic situation within nuclear. And I've worked at the federal level, I've worked at the regional level, and I've worked at the state level, really to get people to understand the nature of the problem and ultimately to work through some kind of a fix to provide the economic payment for the value that nuclear provides.

I think that there has been progress in all of those venues. But I think from a timing perspective, much as we have seen in Illinois and in New York, the most likely quick response, would be, or the fastest of the three jurisdictions, would be at the State much like in Illinois and in New York.

So in New Jersey, the fix would end-up being a legislative fix rather than a regulatory fix. And we don't have an existing legislative session. Our next legislative session would be [indiscernible] (30:52) session after the gubernatorial election. So, basically the months of November and December. So, that would be the next opportunity for legislation. Beyond that, you would be into 2018 and the first legislative session starts in January of 2018 after that.

<Q>: Thank you. Other questions for Dan? You have one there.

<Q>: Yeah. Hi. Can you talk a little more about the decoupling proposal that you're going to make in the case? And kind of how that's coming together, kind of the evolution of it?

<A - Daniel J. Cregg>: Yeah. So, I think the – maybe one way to think about it is that that there is some interest in the State, and I think about New Jersey's desire to have more of a green element within the overall power structure. It's limited somewhat by virtue of our renewable resources. So, we're not Arizona with deserts and as much sun profile. Our wind profile is not durably strong certainly on land, and the offshore wind has some economic challenges to it. So, I think that our best mechanism to ensure that we are as managing our environment as much as we can, can come from energy efficiency.

In energy efficiency, obviously, to the extent that you have the utilities involved in that, there's a disincentive to reduce load to the extent that that you were involved in the business. So, I think there's an acknowledgement that the decoupling aspect is more enabling of the energy efficiency. And if you take a look at aggregate load growth which is basically pretty flattish, it's a sensible approach for us to make. The details of that are not out, but they'll be part of the rate case filing that we'll do on November 1st.

<Q>: All right. The company has talked historically about potentially separating PSE&G and PEG Power (sic) [PSEG Power]. Can you update us on those talks?

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<A - Daniel J. Cregg>: Yeah. And I don't think that there really is much of an update on that front. We've basically talked about the fact that there are benefits of the company being together and frankly, the one slide that I showed really punctuated that. If you take a look at the overall cash flow availability from Power and the capital appetite of PSE&G, and Power being a source of value for investing the equity piece of our capital program at PSE&G.

I think the ability to share costs across both sides of the business is also there as well. And also, little bit of symbiotic bill relationship, right? So, as you have Power prices come off a little bit, it may be a time for you to be able to, for the build to absorb some of the capital that the system really does end up needing. And to the extent that those dynamics were to change and drift, you could see a little bit more of an interest in some separation. But, right now, I think what we see is it still supports us being together. It's something that we look at like a lot of different strategic aspects of what goes on with the business. But we see those advantages stand together as well.

Unverified Participant

All right. I don't see any other questions. So, we do have a breakout session in Liberty Five, that Dan will be at. But with that, thank you very much, Dan, for sharing your story with us.

Daniel J. Cregg

Thanks, Dan.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-06-07
Event Description:

Market Cap: 22,395.26
Current PX: 44.27
YTD Change($): +.39
YTD Change(%): +.889

Bloomberg Estimates - EPS
Current Quarter: 0.585
Current Year: 2.898
Bloomberg Estimates - Sales
Current Quarter: 2303.000
Current Year: 9696.800

Company Participants

- Kit Konolige, Senior Utility Analyst
- Stu Bresler, Senior Vice President of Operations and Markets
- Adam Keech, Executive Director of Operations and Markets

Other Participants

- Unidentified Participant

Presentation

Kit Konolige, Senior Utility Analyst

Good afternoon. This is Kit Konolige, I'm the Senior Utility Analyst at Bloomberg Intelligence and I have the pleasure of hosting a webinar today on the PJM Capacity Auction Results for '20/21.

With us today will be Stu Bresler, who's Senior Vice President of Operations and Markets at PJM, which as many of you know, is the largest competitive grid in the US and Adam Keech; Executive Director at -- with Stu at PJM and myself. And of course, anybody who wants to ask questions along the way, I can just mention to you will be able to type in a question on the side of your screen.

So here is some housekeeping notes before I turn it over to Stu. Today's presentation will be recorded. It will be available for playback. It will be available for potentially for reporters and (Technical Difficulty), so just be aware that this is a live event in every sense. And as it says here, you can adjust the volume and size of the screen. And the right of the slide is where you type-in the questions, you can type them at any time, and then I will compile them and present them to Stu as we move along, he will give a presentation and then we'll move to Q&A. And the copy of the slides and often I'll have to re-confirm this, a transcript will be available after the event.

Just briefly a commercial for BI. This is the part of Bloomberg, rapidly growing part of basically investment focused research. I'm focused on equities, we have fixed income people, we have people doing commodities, we have people doing litigation and legislation. So we have all kinds of analysts many from the sell-side, many developed internally, who cover a lot of industries, a lot of regions and the goal is to develop a really reliable source of insightful investment insight that you can work with many of you on the sell-side and buy-side.

And with that, I will turn things over to Stu Bresler. Stu, take it away.

Stu Bresler, Senior Vice President of Operations and Markets

Thank you, Kit, and hello to everyone on the phone. It is as always good to be with you today to talk about the results from our RPM Base Residual Auction for the 2020/21 Delivery Year. As I mentioned to Kit, before we started, it's been a sometime anyway since the results of the auction were posted I guess, it's going on two weeks here. So my assumption is that a lot of folks have had some time to at least partially digest the results maybe skim through our auction report. And so as a result, I'm not going to spend a whole lot of time on the high-level overview because I don't want this to be too redundant and it probably makes the most sense to get into a Q&A with your folks sooner rather than later to kind of hit the things that they'd like to hear about. But certainly, I will start out with just a few minutes of overview and kind of hit the highlights from our perspective, and then, like I said, we can go right into the Q&A.

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So if you take a look at sort of the graphical representation of the PJM footprint and you overlay the clearing prices from the Base Residual Auction, you can see what it looks like. That blue area in the center is what we refer to as sort of the rest of RTO in the parlance of our auction and the base clearing price in this auction was $76.53 per megawatt day.

I think that is safe to say was somewhat lower than most of the probably participants and analysts expectations going into the auction. And we'll go through some of the reasons as to why or what contributed to that supply and demand dynamic that resulted in that clearing price. But you can also see that we had a fair amount of constrained results as well moving out from that sort of center portion of the footprint. On the left side, ComEd bound again in the auction with their price of $188.12 per megawatt day. Duke Ohio/Kentucky had a somewhat lower price of $130 per megawatt day. And then to the East, MAAC bound by about $10 at a [ph] less than $10 at $86.04. And Eastern MAAC was up closer to where ComEd cleared at $187.87 per megawatt day.

So part of the contributing factor to the somewhat lower RTO clearing price was the fact that we did have binding constraints on both sides of the system. And as a result of clearing higher cost resources in those constrained areas, the price in the rest of the RTO does drop somewhat. This is the first year that the Duke Ohio/Kentucky LDA was binding in the RPM auction. It's the first year; we actually posted the potentially constrained LDA. And we posted both Duke Ohio/Kentucky, as well as Dayton, as a result of both -- a couple of announced retirements namely the Stuart and Killen generators on the Ohio River, as well as some at-risk generation as well that we thought might impact the auction. And as you can see, Dayton actually did not bind in the auction, but the Duke Ohio/Kentucky LDA did. So it's just a sort of a map again of sort of where the binding constraints were and the various clearing prices that we saw.

The next slide really just shows these in tabular form together with the offered and cleared megawatts. Start -- we are starting with the top-line with the whole RTO and then moving down to all the constrained LDAs basically in order of their size from the standpoint of offered and cleared resources. And you can see clearly that those LDAs that actually bound in the auction were tighter from a supply and demand viewpoint, namely Eastern MAAC and ComEd were sort of the tightest as far as offered versus cleared capacity, followed by Duke and then MAAC and then obviously the RTO had the most uncleared capacity given its lower clearing price.

The one nice thing, if you will about this auction, we are 100% now a homogeneous product just the capacity performance definition of capacity resources. So we don't have really for the first time in a long-time separation of prices by various product types like limited and extended summer, DR and base capacity like we had last year. It's one product defined the same way really across the entire footprint. And the only reason for price separation in this auction, which is a departure from many prior auctions; it's the locational aspect of capacity.

The next slide then sort of goes through the one sort of additional aspect of this auction that we have not had in the past and that is since we went to a single product definition, the capacity performance defined products were capacity. We did facilitate aggregation of resources to make up that annual capacity performance products in the auction. So in other words, we did allow resources to offer in as summer-only or winter-only and we would to the extent that we could offset summer and winter. In other words, clear and equal amount of summer and winter in the locations, where it was necessary, we did sell through the auction.

And you can see here that we cleared just under 400 megawatts of those aggregated resources in both the summer and the winter. And then you can see the breakdown as to what made those resources up. So the summer-only resources, very, very few, were generation, the majority were demand response and then some energy efficiency as well. And then the entirety of the winter resources that made up the aggregated, the facilitated aggregated products were generation. And I believe that was actually all wind generation that has additional capability in the winter, just given the way, the wind blows more steadily in the winter than it does over the peak in the summer.

So you can see that the annual generation -- I'm sorry, annual resources cleared were about 164,711 on the bottom left of this table. And then you add the 400 megawatts of aggregated resources together and you get the 165,109 on the bottom right for total cleared annual capacity.

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And then really just sort of the final slide as far as the high-level overview is concerned, just shows the intermittent and renewable participation in this auction. And you can see that, we had about 890 megawatt, 887.7 megawatts of wind, 504.3 of that was cleared as annual capacity and 383.4 was that winter -- winter-only resources. You can see, I was wrong a second ago that was actually 14.5 megawatts of winter resources that were hydro; it wasn't completely all wind units. And then, we had a 119.1 megawatts of solar that was willing to commit on an annual basis 6.2 of summer; and then, we had over 6,200 megawatts of hydro. So you can see just how the intermittent resources sort of broke down.

I'm going to back one slide, just to hit one other highlight here that we have on the slides. And that is the really strong continued participation of demand response and energy efficiency even in the face of the 100% annual capacity performance product in this auction. I know there was some feeling among stakeholders in general, market participants, regulators and so forth that we would see a precipitous drop in the participation of demand response in particular given the requirement of 100% annual resources.

And you can see that where we typically have somewhere on the order of 8,000 to 9,000 megawatts of demand response resources that wind up being committed and actually register and participate during a delivery year, we had over 7,500 megawatts of demand response that cleared as an annual resource in this auction. So yes, there was a decline, but I don't think it was of the magnitude that was anticipated or that caused some fairly significant concern going into this auction. So I think that's a -- at least from the standpoint of those that we are concerned about that a sort of a positive story out of this auction. And then obviously, if you add the summer-only resources, their participation gets even stronger. So I would point that out as a significant result from this particular auction.

I think the last thing I'll highlight as far as just introductory comments or concerns somebody always asks? Yes, we did have about 2,350 megawatts of new generation clear in this auction and it was in the form of three new natural gas-fired combined cycle generators that had not previously cleared in an RPM auction. So that's something that that folks always ask with respect to these auctions and so, we still -- we still continue to see brand-new generation clear in these auctions.

And as a result of kind of a combination of all of that, the relatively strong response from DR resources, the new generation that we are [ph] clearing, the aggregated resources, we did see a -- an effective reserve margin of just over 23% as a result of this auction, where our required installed reserve margin is about 16.7% or so some like that. So again, strong response by resources, really a great new story for load given the prices resulting from the auction and the significant reliability provided by that additional reserves.

So Kit, I think -- I think that's -- that's where I'll stop at least for now with respect to the overview and I'll turn it back over to you to start the Q&A.

Questions And Answers

Kit Konolige, Senior Utility Analyst

Very good. Thanks a lot, Stu. Very helpful introduction and insight into how the auction turned out. Let -- first, let me mention to people, please type in your questions and we'll be happy to pass them along. It's straightforward to do that and type them at any time during the upcoming discussion.

Stu let me just follow-up a little bit on your last point of discussion, the new generation that cleared, the 2,300 or so megawatts, the three new plants is about half or a little less than has cleared in the last two, three, four auctions, may be. Is -- in your view is the lower amount of new build clearing, obviously it has A) relationship to lower prices. Can you maybe give us some insight into which comes first, the lower price or the new generation and how the separation of the Eastern and the ComEd zones plays into that calculation? I assume that that's -- that was a part of the feedback loop that the new builders were looking at as they were bidding?

Stu Bresler, Senior Vice President of Operations and Markets

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Yeah, I mean it's tough for folks to really pinpoint what areas of the system are going to be constrained in a given auction. Now, I did see analyst reports indicating an expectation that ComEd was going to bind again, that Eastern MAAC was likely to bind, I think I saw some expecting that MAAC would bind. So I think from a transparency standpoint, it's actually good, if analysts can take all the information that's available out there and build a reasonable expectation as to what's likely to happen in the auction. So there is a sort of interplay between those expectations, I think, and then how various offers come into the auction.

As far as sort of what comes first, the lower prices or the new build. There's a lot of folks, I think out there that were surprised that we still have new build clearing given the relatively low prices for a lot of the PJM region. If you take the RTO and the MAAC region outside of Eastern MAAC, $76 and $86 per megawatt day, I think folks see that as a price they wouldn't maybe not expect to drive new entry, if you will.

So I think there is some rational to the interpretation that some of this new build had a lot of investment already accomplished. And at this point they're moving forward and so they're offering into an auction at the -- at a level, where they think they're going to clear because like I said they're pretty well along the development track.

Well, you know, to the extent that any of these resources are on the constrained areas, then I think there is the possibility that the higher prices in those areas would drive a decision to build. So I think it's probably a combination of those factors, Kit, and it's obviously difficult to put your finger on something specific because I'm not in the -- the conference room is where the analytics are being done by these folks to determine how they offer.

Kit Konolige, Senior Utility Analyst

Exactly. And I'm sure they wouldn't want to invite any outsiders in there because obviously bidding strategy is a pretty closely held secret for -- if you want to optimize your results. There is an interesting question that's been submitted here, Stu. I'll just read it the way it is and see what you think. Why do you think units that claim to be unprofitable are clearing the auction. Is there anything PJM can do about that?

Stu Bresler, Senior Vice President of Operations and Markets

I think the short answer to that question is, no. I think -- I think there is probably a phenomena out there that I will acknowledge with respect to these auctions that is what's been I think characterized as kind of a race to the bottom, if you will. And I think if you're on the demand side of the equation, you would say, well that's the benefit of a competitive approach to resource procurement. But some of these -- some resources I think out there are saying, look, I'm not ready to retire my generator and so I'm going to offer into these auctions at a price, I know, we will clear because it's better than offering at something higher and taking a chance on not getting anything.

So I think maybe some of these resources that are out there that were saying they're not profitable, well their owners are not ready to retire them at this point. And so they are offering into these auctions at something that will clear because like I said, they need some revenue out of the auction and offering at a price that takes a risk of not clearing the risks, not getting anything out of the auction. So that is really the only basis of explanation that I have. And like I said, I mean, this is intended to be a competitive approach.

So well, I think PJM certainly has expressed along with others concern about the efforts to subsidize resources that have indicated they are economically challenged because of the suppressive impacts they would have on market prices and the negative impacts, they would have on the ability for markets to continue to perform their intended function, outside of resources that are being subsidized in areas that are relying on the competitive markets, no, I don't -- I don't think there is anything PJM can do about a given resource, it decides to offer in a certain way given its own particular situation.

Kit Konolige, Senior Utility Analyst

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Fair enough. To follow-up a little bit on something you mentioned there, you said, aside from situations, where a subsidized unit is fitting into the auction or clearing the auction that actually occurred this time right that Quad Cities cleared in ComEd Zone. Did that have an impact on the clearing price by your analysis?

Stu Bresler, Senior Vice President of Operations and Markets

Well, I think actually and PJM never reveals this information, but I think Exelon has already announced that Quad Cities did not clear in this auction. So I guess my answer to you, Kit, is no.

Kit Konolige, Senior Utility Analyst

Okay.

Stu Bresler, Senior Vice President of Operations and Markets

The action in Illinois would not have appeared to have any impact on this auction.

Kit Konolige, Senior Utility Analyst

Right. That's right.

Stu Bresler, Senior Vice President of Operations and Markets

(Multiple Speakers) I think the resources that would assume is not definitive as far as I know, but would have -- would assume to be have benefited from that legislation did not clearing the auction.

Kit Konolige, Senior Utility Analyst

Right. My mistake. That is -- of course, you're right about that and not sure what I was thinking was subsidized, maybe I thought it was going to clear or should have cleared. Fair enough. So we don't really have, I guess it's fair to say, then we don't really have an example at this point of a -- an asset that's been subsidized participating or having an apparent impact on the auction as of now anyway although --

Stu Bresler, Senior Vice President of Operations and Markets

Well, I don't want to be argumentative with you, Kit. So please don't take it that way. But I think the point has been made by many in a lot of the discussions that are going on for -- probably the most obvious example that for technical conference that occurred back on May 1st and 2nd that there are myriad of subsidies out there both at the state and federal level and there have been for some time and I think probably some would make the argument that there were a lot of subsidized resources that cleared in this auction.

So that's part of the challenge that we have with respect to the issue that's in front of us and resource subsidization is, if something is going to be done to try to protect these markets from the impacts of resource subsidization in areas that are relying on the competitive markets to ensure resource adequacy at the lowest reasonable cost then what subsidies do we address and where do we draw that line.

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Kit Konolige, Senior Utility Analyst

Absolutely. And again to that point, one of the other questions we have here asks about the Department of Energy study that's going on and of course, as you said, FERC had those hearings, what do you anticipate might develop from those processes that are underway to examine how PJM deals with some subsidies or all subsidies, et cetera. How do you see that working out? What might a reasonable timeline be on that?

Stu Bresler, Senior Vice President of Operations and Markets

Well, I think from PJM's perspective, there is the Illinois legislations, everybody knows about that, of course it's been challenged by others in court. So want to see how that plays out. There are sort of discussions in other states as well that I'm sure folks are aware of. So while PJM do not see this as an issue that was burning so desperately that we needed to make hasty rule changes prior to this auction in May.

And frankly, I think the wisdom of that kind of was born and I'm not trying to toot our own horn, but given the way the auction played out, I think it was the right approach to take. However, like I said, given that there are discussions ongoing elsewhere and the potential for subsidies to become contagious, as was said by our Market Monitor in -- in the State of the Market Report for last year. We do think that it -- you -- that some action likely needs to be taken prior to our next auction, next May.

And so we have a stakeholder process in PJM that is -- that's working very hard to analyze this subsidy issues, specific to the capacity market and come up with where our stakeholders think that some changes might be beneficial in order to protect markets from those impacts. And from PJM standpoint, we really need to find a way to get something out of that stakeholder process by the end of the year to get it in front of FERC if anything is going to be enhanced by that May 2018 auction for '21/22.

So did that answer your question on timeframe? Because you started out with DOE study, and then I think you went into timeframe of any potential changes for PJM, I just want to make sure, I answered the question.

Kit Konolige, Senior Utility Analyst

Right. Is there a both, I mean obviously, I think folks are interested in any of these processes that might eventually work their way into how you operate the auction?

Stu Bresler, Senior Vice President of Operations and Markets

Yeah, I see that -- I see that question there about the DOE study. And to be perfectly frank, while I know there are opinions that go from soup to nuts on the validity of that study given the timeframe it was allotted and lot sort of stuff, I also know that there are opinions to the effect of the outcome of that study could be influential on any changes that are made in the organized market.

So it's hard to say sort of what impact the outcome of that study will have or how that impact will be effectuated. But certainly, I will tell you that the DOE has reached out to PJM for our input like I'm sure, they have reached out to many others and we are trying to be as helpful as we possibly can with respect to data and information and we will be as anxiously as anyone else awaiting for the outcome, you know that, so that we can make sure that we're monitoring any impact that that study has and hopefully having a hand in sort of the way it shapes any impacts on the wholesale markets given our goal to make sure these markets function as effectively as possible again, to ensure resource adequacy at the lowest reasonable cost.

Kit Konolige, Senior Utility Analyst

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Right. Let's move along to a question here about the reserve margin, as you mentioned 23%, well above what you and most folks would normally think as an adequate reserve margin. How does it get to 23%? I guess, is the point of this question. In other words, why didn't the price just go lower with that much being bid in, not that it wasn't and RTO price obviously was already down a fair amount, but with the 23% reserve margin, how did that sort of physically workout that you had that higher reserve margin?

Stu Bresler, Senior Vice President of Operations and Markets

Right. And it's a -- it's really just a function of that slope demand curve that we used in the auction. So the price did go down by virtue of the fact that we had more supply than was required to meet the minimum required reserve margin. And it goes -- the price goes down at the slope of the VRR curve, that demand curve that we used in the auction. So thinking about it very simply on a conceptual level, you take the supply curve that's offered into the auction, you bounce it up against the VRR curve, that demand curve and where the two cross is your price and your quantity.

And so that's how the price came about and that's how the committed quantity came about, and then obviously it gets a bit more complex when you throw in the fact that we have constrained areas of the system as well. But that is -- that's exactly what happens and as the increase in supply hits further out on that VRR curve, the total cost of load goes down. And so that's the result of that lower price at 70, whatever, $76 that we saw for the RTO.

Kit Konolige, Senior Utility Analyst

Very good. Here is a kind of similar high level question. Last year, PJM mentioned that they saw a change in bidding behavior from the prior year as one driver in the auction. Did you see anything similar in bidding behavior this year?

Stu Bresler, Senior Vice President of Operations and Markets

Trying to remember from a year ago what I meant by that. You know and exactly, in other words, exactly what I was -- what I was referencing in a change in bidding behavior. The only thing I can think of is last year we had both the base and CP products available. And so resources that offered as capacity performance were not required to submit a base offer necessarily. And so we had a relatively small discount between the CP price and the base price was when I think about $20 a megawatt day. So that might have been what I was referring to last year. This year, if I was to point to any change in bidding behavior, I guess what I would say is, we had on the demand response side more that was willing to commit as an annual product than we have ever had in the past. I think when we look back at last year, just to try to get some handle on what the impact on demand responses likely to be, once we went to a 100% capacity performance.

If we looked at demand response that was offered as either base or CP, in other words, had indicated through its offer that for a given price, it was willing to be annual. I think we only had about 5,500 megawatts or some like that. So we got 2,000 more than that that cleared this year as an annual resource. So -- so that I think is what I would point you probably from my own perspective as probably the biggest change in, if you want to call that bidding behavior that I saw in this auction compared to history.

Kit Konolige, Senior Utility Analyst

And on the DR portion, do you have any sense of what was going on there? Is it just a matter of folks have had several years to plan for the full CP auction and so, if you were in the DR space, you were working on it and came up with some answers or are there other even any color that you've heard for example, about why it was such a large participation by the DR folks?

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Stu Bresler, Senior Vice President of Operations and Markets

Yeah, I really think demand response has matured as a resource. It's been a decade since we introduced demand response, as an equal supply side participant that could compete directly against generation. And for a couple of years, it didn't really take off because we had another product and without going through all the history, it took off exponentially after a few years.

And like I said over time here, I think it's really matured as a product. And I think the curtailment service providers that represent end use customers and actually provide this service are very savvy from a technical perspective. They know their customers. They know the markets and I think there is enough money. And if want that they can apply all that technology and that expertise to provide an annual product when that's what's required.

So I have to rely on the fact that they're committing to provide a physical demand response reduction products and that result come forward with when the delivery year rolls around. So I think this is really a reflection of how mature the demand response product has become.

Kit Konolige, Senior Utility Analyst

Right. Stu, do you break down the fuel used by the winning participants since specifically our -- client wants to know if he can find out how much nuclear cleared in total in the capacity -- in the auction -- capacity auction?

Stu Bresler, Senior Vice President of Operations and Markets

Yes. I don't have the number off the top my head, Kit. I saw that question here and I apologize, I don't have those numbers in a spreadsheet in front of me. But we do post a spreadsheet after the auction and Adam is dutifully checking to see if it's up there yet. He said it is up there. We do -- he is just -- he's looking for exactly where it's out, but there is a spreadsheet out there that has offered and cleared by fuel types on the website. So interested folks can go and see that in relatively excruciating detail on the website.

Kit Konolige, Senior Utility Analyst

It is detailed and that's what it should be, obviously. Okay. And here is maybe as a wind up, a question that's very broad. What kind of changes are you expecting between this year's auction and next year's auction? As you say it's full CP now, so that part, I guess won't change, but maybe there are tweaks to that and/or other issues and so on that that might have to be addressed?

Stu Bresler, Senior Vice President of Operations and Markets

As always Kit, stability of these rules is very important to the market, it's very important to us, so I would love it if I could tell you that nothing is going to change between now and the next auction. I just don't think that that's practical at this point. Although, I certainly don't see anything from the standpoint of significant structural changes to the market. However, just hitting a few things that I think we do need to continue to evaluate this year that could present potentially result in changes what I would considered to be sort of around the edges for next year.

We do have this public policy, the subsidy issue that we need to work through. So there could be something that we propose like I said that's stakeholder process, we are working as hard as we can to get concluded by the end of the year. So that's one issue we need to address. The aggregation that I mentioned, there are some issues that are actually still outstanding in front of FERC, as a result of some protests that came in, when we filed those rules. FERC accepted the rules and suspended them for one day, so they allowed the auction to proceed under those rules even though there was no quorum. So there's a couple of details around that that I think need to be addressed that are down in the weeds like

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make whole payments and how they're allocated and that sort of thing. So that needs to be addressed.

The third one, I would hit and this is not a Base Residual Auction issue as much as it is an Incremental Auction issue, but we have another stakeholder group that's looking at the structure of our incremental auctions. And our Market Monitor and PJM shares is concerned, but the Market Monitor has continued to and expressed it a concern, that like I said we share about the volume of megawatts that are sold forward in the Base Residual Auction; and then for which replacement capacity is purchased in the incremental auctions and essentially those positions are bought out.

And we think that that speaks to the potential intent to arbitrage the Base Residual Auction price versus the Incremental Auction prices, which would have the suppressive effect on the BRA price. So we are actively discussing with our stakeholders potential structural changes to the incremental auctions, in order to, if there is a sort of a better way to form price in the incremental auction and decrease any incentive there is for that behavior.

So I think those are the -- the three things, it feels like I'm missing a fourth, but those are the three things that I would point to, as things that are undergoing discussion now for -- that could result in changes for next year.

Kit Konolige, Senior Utility Analyst

Sounds good. I don't -- if you would, can you just take a quick look through the questions. We have a good number of questions, some overlap a little bit and just take a look and see if there's anything in here that you think would be worthwhile addressing before we wrap things up?

Adam Keech, Executive Director of Operations and Markets

Yeah. This is Adam Keech. In response to the question about the capacity cleared by fuel type, I think the question was specific to nuclear.

Kit Konolige, Senior Utility Analyst

Right.

Adam Keech, Executive Director of Operations and Markets

So in the posting we have on pjm.com, if you navigate to the capacity market page, under the links that go for each delivery year, you'll see a link that says commitments by fuel type and delivery year 2017, 2018, 2019, 2020. The file that's linked to that actually contains the most recent auction results, so we can get the title of that change. But you'll see every auction year and every fuel type and how much has cleared and offered in terms of UCAP. And so for nuclear, in 2020/2021, if you calculate it out, it's 16.5%.

Kit Konolige, Senior Utility Analyst

Okay. Excellent.

Stu Bresler, Senior Vice President of Operations and Markets

Yeah. Kit, let me just -- let me just scroll through some of these questions, so I think some of them are ones that we can answer pretty, pretty quickly. So there's one here about the impact of fixed resource requirement load in that 23.3% reserve margin. If we look at just the RPM cleared resource that was higher than that, it was like 23.7% or some like that, but the FRR load only has to submit resources in its plan up to the required installed reserve margin and then there

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are some like buffer quantities and that sort of stuff. But the bottom line is when you include the FRR load because it's required reserve, which is why we call it a fixed reserve -- fixed resource requirement. It actually sort of reduces the overall reserve quantity, so that's how we end up with a sort of a weighted value of that 23.3%. We hit the changes for next year.

Unidentified Participant

We -- there is one here about can we see the offers from market participants.

Stu Bresler, Senior Vice President of Operations and Markets

The answer to that question is, no. We do not post all the offers. However, in a few months, we will post scenario analysis. So we will change quantities of supply and demand in both the RTO as well as various locations and then post the varying results of the auction so that people can get an idea of the supply and demand dynamics, if you will, but we can't post the unit specific offers.

Unidentified Participant

There's a question as well as to whether there is any kind of power plant that cannot participate in the auction?

Stu Bresler, Senior Vice President of Operations and Markets

Again, the basic answer to that question is, no. Hypothetically really any resource can participate as long as it can commit to the capacity performance requirements. But for example, a combustion turbine that is natural gas-fired that can't put in dual fuel, but is behind a local distribution company for its natural gas service and therefore can't get firm delivery may not be able to participate in the auction because it can't meet the delivery requirements in the winter time because it's likely to get curtailed as far as its fuel source. So there are some specific generators that just physically are unable to participate. But there is no class of resources that is prohibited, if you will.

Unidentified Participant

Do you have to physically be in PJM?

Stu Bresler, Senior Vice President of Operations and Markets

No, you can physically be outside of PJM, but we do have very stringent requirements for how you must be modeled. In other words, you have to be, what we call, pseudo-tied into PJM, which means we have to actually be able to dispatch you; we have to really sort of electrically move a resource into PJM for it to participate if it's physically located outside of PJM.

Unidentified Participant

I think we may wonder [ph] why so much demand response cleared.

Stu Bresler, Senior Vice President of Operations and Markets

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CETL changes for next year are difficult. I know there's transmission upgrades in the plant, so we are likely to see some increases in CETL and that sort of thing. So that that it's hard to predict exactly how they will change, already this early in the process.

Kit Konolige, Senior Utility Analyst

On that, specifically in the New York intertie that was changed in, I think in the updated parameters this year. And my sense was, you were suggesting that that is on -- the analysis is ongoing as the status of Indian point changes and what New York's do in response to that and so on. So should we just expect that CETO and CETL and -- will keep changing and EMAAC in that region?

Stu Bresler, Senior Vice President of Operations and Markets

Yeah. There's a -- there's a couple things that are the subject of ongoing evaluation, if you will. The state of the external system could potentially be an ongoing input. But we're also looking at whether or not we should even consider non-firm assistance from an external area in the capacity emergency transfer limit for a given LDA. And there is only two that we do right now, I think it's Eastern MAAC and MAAC.

And so the question is, if we count on non-firm imports to an LDA from an external area in the transfer limit for the -- that LDA, then how does that comport with the fact that from the standpoint of what's required to actually deliver during an emergency that we require the actual physical capacity resources that are committed. So we're -- like I said, it's a subject of ongoing discussion and we will be taking that to our stakeholder process well ahead of next year.

Kit Konolige, Senior Utility Analyst

There -- there is kind of a similar --

Stu Bresler, Senior Vice President of Operations and Markets

(Multiple Speakers) I guess it's down to the weeds pretty quickly.

Kit Konolige, Senior Utility Analyst

Well, speaking of -- there is some -- there is a somewhat similar question about Com -- the effect that you might be able to see for next year, or at least might be weighing new transmission into ComEd. And I guess, PSE&G and we discussed the wheeling in New York, but at ComEd, I guess since that's the other separated LDA is I'm sure reviewed consistently for transmission upgrades there?

Stu Bresler, Senior Vice President of Operations and Markets

Yeah, exactly. There is -- there is a transmission upgrade in the RTO [ph] that I think is scheduled to go in service sometime in '20, I think it's like the early part of '20/21, yeah, some like that. So -- so that could have an impact from the CETL for ComEd and since -- and when I say a transmission upgrade, it's a transmission upgrade to relieve the binding constraint that limited the CETL into ComEd in this auction. So all else being equal, one side upgrade is in the plan, which it would then be for next delivery year if things stay on schedule, I would expect an increase in the CETL for ComEd for the '21/22 auction that we execute next year. But again that depends on that -- although this remaining true.

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Kit Konolige, Senior Utility Analyst

Right. And here is -- here is a couple of big picture questions, I see. How do you like the three-year outlook versus the long-term. I think I've heard you discuss that issue in the past certainly and what about the two-part auction process that ISO New England is using now?

Stu Bresler, Senior Vice President of Operations and Markets

Well, they're not using it now, they proposed it given the same sort of public policy, yeah, same public policy concerns they have up there. They -- their concerns are stemming from a bit of a different angle because the subsidies that have been proposed in the PJM region are all two existing units. When I say that -- when I say all, the new ones, the new subsidies that have been proposed are two existing units.

In New England, the states are considering subsidizing the penetration of new resources from the standpoint of those that have not yet been committed as capacity in New England. For example, new offshore wind or hydro out of Canada that has not previously been committed and that sort of things. So they have a bit of a different problem, but the net impact is the same.

And so their proposal, the way I understand it from talking about it with -- talking about it with them is, what it would amount to sort of is a phase-in of those new resources, as other resources in New England that maybe on the edge, anyway are sort of incentivized to retire. And so it's a way to not allow the subsidized resources to have a material impact on the supply and demand balance and therefore not have a price suppressive effect.

In PJM like I said, we have a bit of a different issue because we're talking about subsidies to existing resources. So you may know, PJM has thrown out a concept for our own sort of two-tiered pricing structure. I would imagine, in the next few days here we're going to post an update to that sort of thought piece of that work paper, if you will, for the purposes of kind of injecting that idea into the stakeholder process I mentioned before. So certainly more discussion here in PJM and that's one idea that we're advancing for at least for a consideration.

On the short-term outlook, I don't think it's really any secret that I think PJM feels that a longer, somewhat longer outlook might actually be better. And the reason I say that is because that's what we originally posed -- proposed back in 2007. I think we've started out was like five years and then I think through stakeholder discussion came down to four and then through the first settlement process round up with three.

So there is a balance to be struck for sure. Obviously, the longer out you go, the less, I should say the more uncertainty there is with respect to some of your input parameters, primarily the load forecast probably have a credit and collateral implications as well. But on the other hand, the benefits of the longer outlook would be greater certainty for certain types of resources, as well as more ability to offer earlier in the development process for resources that are unsure whether they're going to be economic or not.

So there are certainly are pluses and minuses, certainly from PJM standpoint that's not one of the items that's currently on the table for discussion. Like I said, because we -- I think feel that there is some real value to the stability and these rules and even if they're not perfect, changing something that is -- that fundamental to the structure might be more disruptive to the function of these markets than maybe getting to the perfect.

Kit Konolige, Senior Utility Analyst

Fair enough. I think -- I think we have gone through a lot of the questions and you have certainly addressed many of the main issues clearly that are on peoples' minds. So with that, I'd like to thank Stu Bresler and his team and thank everyone on the phone. I can just remind people that, you should be getting an email that will enable you to get, I think copies of slides and potentially a transcript in the future. If you have any issues with that, give me a call or be in touch with one of our folks at Bloomberg. Stu, thanks again, we look forward to incremental auctions and more to come.

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Stu Bresler, Senior Vice President of Operations and Markets

All right. Kit, thank you for the opportunity; and I hope this was useful and beneficial for your audience. Appreciate the opportunity.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-05-22
Event Description: American Gas Association Financial Forum

Market Cap: 22,294.08
Current PX: 44.07
YTD Change($): +.19
YTD Change(%): +.433

Bloomberg Estimates - EPS
Current Quarter: 0.580
Current Year: 2.900
Bloomberg Estimates - Sales
Current Quarter: 2247.750
Current Year: 9620.091

American Gas Association Financial Forum

Company Participants

- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Daniel J. Cregg

Okay. Good morning, everybody. I appreciate the opportunity to talk to you this morning a little bit about Public Service Enterprise Group. We have our forward-looking statements and GAAP disclaimer, which will bring us to our first slide. Really the company is made up of two strong businesses. On the left hand side you can see description of Public Service Electric & Gas Company, our regulated utility, it's electric and gas delivery, as well as transmission, New Jersey's largest utility.

And our growth really is fairly considerable at this point through infrastructure spend. We have the next five years a $12 billion to $14 billion infrastructure program. And as you take a look and roll that through from a rate base perspective, we anticipate that that will bring us high single-digit rate-base growth in the range of 7% to 9% over the next five years. And really our objective there is aligning with public policy goals, identifying especially in New Jersey what the state is looking to accomplish and working hand in glove with them to put capital to work to be able to address the customer needs that we have in New Jersey.

On the right hand side of the slide, PSEG Power. It's a regional competitive generation company, undergoing some changes really to improve our efficiency and competitive position. We're in the midst of a construction power to build out three combined cycle units, one in Maryland, one in New Jersey and one in Connecticut. In aggregate, over the next five years, about a $2.6 billion capital program at PSEG Power and that will roll off as we get to 2019, and I'll show you a little bit of color as to what that means from the standpoint of overall cash flow for the business. And whether it's that $12 billion to $14 billion growth plan and capital spend plan at the utility and about $2.6 billion at PSEG Power, about a 5:1 ratio of capital on the utility versus what we see on the Power side of the business.

Take a closer look at the two businesses, and we'll start with the utility. PSE&G really running down the center part of the state from the George Washington Bridge to the Ben Franklin Bridge if you will, electric and gas utility, so we are converged already, and have been for quite some time with a sizeable transmission business as well. For a single state utility, there is a fair bit of regulatory diversity because of magnitude of transmission spend that we have as regulated by the Federal Energy Regulatory Commission.

We also have some investments in renewables and energy efficiency, again working hand in glove with what the state is looking to accomplish from a policy perspective. You take a look at the bottom right hand side of this slide, slide 6, it gives you a pie chart as to what at the end of the last year, our overall rate base was made up of. About $15.2 billion in the aggregate. And on the distribution side, about 52% and 44% coming from transmission with the balance coming from solar and energy efficiency.

Let's step over to Power for a moment or two. We have generation in three competitive markets in New York, in New England, and the largest of our markets with the assets that we have is in PJM. We are close to load. We think we have generation in very good locations. And as I said, really positioned to improve our efficiency and competitive position with some newbuild that we're working on right now. The portfolio is rounded out as well, with some other interest – we have the solar business on the Power side as well, about 326 megawatts DC in that business and in other facility in Hawaii that rounds out the portfolio.

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We've been paying a fair bit of attention of late to a number of policy and regulatory issues, really all with a focus to improve quality service to customers. And really there're different assets and different means as part of some of these different elements that I'll speak to, but the same purpose really, which is to drive reliable, clean and affordable power for our customers. There is four listed on the page and I'll step through a little bit of details for each of them.

First being a rate case. So on our distribution business in New Jersey, we fought our last rate case in 2009 and came out of that case in 2010. So, it's been about seven years since we've been in a rate case in New Jersey on the distribution part of the business. As we think about the rate case, it'll be on the distribution side, and really will be all about updating the data that we have. So, it's been a while since we've been in. One of the elements that will come about within this rate case is there are some capital roll-ins that are scheduled to transpire within the rate case.

And in particular, if you think about some of the spend that we did for Superstorm Sandy back in 2012, the state had a generic proceeding to go through the prudency of that spend shortly after the spend was incurred, but that spend still awaits regulatory treatment. So that will be one component that will go into the rate case. In addition, two of our more recent clauses, one also related to Superstorm Sandy, but what came out of that was an energy strong program. So, that was a $1.22 billion program to enhance the resiliency of the grid in New Jersey, both on the electric and on the gas side. So, a good example of that was raising substations to avoid the impact of any flood conditions. That $1.22 billion program in the aggregate had about a $1 billion of clause roll-ins as that money was spent, but anything beyond that $1 billion awaits rate recovery until this next rate case. So, we'll see that come into the rate case.

And similarly the following program that we did which is a Gas System Modernization Program, which was replacing cast iron and bare steel pipes in the ground. There was a component of that spend as well, about $85 million a year that awaits rate treatment. So, knowing we have this rate case coming up, it was timely for us to take on that kind of capital spend and put some of that capital spend into rate treatment during this rate case. So, all spend that's been acknowledged and understood that was to be done and in the case of Superstorm Sandy, spend that has already been deemed prudent through a generic proceeding, but spend that will roll into this rate case.

And we'll also look to explore some rate design treatment during this rate case and the one example of that is decoupling. If you think about our business on the gas side of the business, we have a weather normalization clause on the gas side of the business, which works to moderate some of the weather impacts that we have on the gas side. On the electric side, we do not have a decoupling mechanism in place and we anticipate as we step into this rate case having discussions about decoupling, which has been a topic of discussion in the state especially related to some energy efficiency objectives that the state is looking to pursue. So, we'll file that rate case in November of 2017 and if history has any indication, it may take about a year's time until we come to a final determination on that case.

Separate and apart from that, in New Jersey, there is some activity that's going on to enhance the programs that we have for long-term infrastructure. So, if you go back to the 2008-2009 timeframe until where we are today, it's been about 15 programs that we have put in place related to infrastructure, related to solar development, related to energy efficiency that we have worked through on a clause-by-clause mechanism with the state. Those mechanisms have worked well to enable us to do some of the things that the state is trying to accomplish and that we need to accomplish for our own infrastructure within the system, but they've ended up being, I would say maybe more effort and work that has needed to be done to get to the point where the work can actually be done.

So instead of going through a series of shorter term clauses, we think it makes sense to try to put something in term of the longer term – put something in place for the longer term, so that we can have more line of sight on what needs to be done, avoid any demobilization and remobilization of the work, be able to take on full-time employees and acquire equipment as opposed to do some of this work through contractors and have better line of sight on the work.

So, there has been a strong proposal that's been put forth just within the last month or so by the BPU in New Jersey, looking to extend the length of time by which we can do some of these infrastructure programs and we think that makes a whole lot more sense. So, instead of going into two or three-year bites, we could go into more of a five-year horizon to do some of the work that we all agree needs to be done. So, that effort is progressing along, comments are continuing to be worked through that process, and I think within the next couple of months, we'll have a little bit more certainty there.

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In addition, preserving the value of nuclear supply is an item that's on the list. And I think folks are pretty well aware of the economic challenges that are being faced by nuclear facilities, we've had nuclear facilities that have closed in various places around the country. And we think that there are a lot of very important attributes that nuclear brings to the overall grid, from fuel diversity and resiliency as a result of that from the standpoint of being an emissions-free resource, also from being a low-cost unit within the overall dispatch. And then finally on a more localized basis, the economic engine that a nuclear plant brings to the area that's it's in brings some very considerable benefits. And in New Jersey in particular if you think about the amount of energy that is produced in New Jersey, nuclear is about 40% of it and it's about 97% of the emissions-free energy in New Jersey.

So, a lot of very important attributes that come from the facilities and we've had a number of discussions at the federal level, at the regional level and at the state level to make sure that folks understand, A, the economic challenges that these units are facing, and B, the attributes that they actually do bring to the grid.

In addition, separate and apart from that, we are working with the industry to try to do everything we can to ensure that these facilities are as efficient as they can be. And Bill Levis who runs our Power company is headed up within the industry something called Delivering the Nuclear Promise to ensure that everything we are doing within the facilities are being done as efficiently as we can and the rules that are imposed upon us allow us to do that.

So, as much effort as we can do to make the plants as efficient as they can be, while at the same time working with stakeholders to make sure they understand the importance of the attributes that are brought to bear by these facilities has been ongoing. Increasingly, if we take a look at where traction may happen in the nearer term, we think it's more likely on the state level, but over the longer term, the recognition of these attributes at the regional level, at the PJM level and at the federal level is something that we're also working towards.

And then finally from a market perspective, we're very actively involved in advocating for some market reforms, and maybe a good example of that in PJM are the efforts going on around price formation. And if you take a look at the way those markets are working, there is a host of different improvements that we think can be made and that are underway in discussions throughout a stakeholder process within PJM to try to enhance how those markets are working, how they are pricing electricity and how as a result the different participants in the markets are viewing those prices and moving forward.

So, we think in the near term, some improvements can be made from the standpoint of price formation. In the longer term, there is the potential for some of the attributes that I referenced before, and really in the interim trying to work through what could be the impact of some of the state actions that we have seen in Illinois, in New York, and how they can interplay within the markets.

So, moving on to look at PSE&G's rate base growth. This is a slide we've shown before that projects our rate base growth out into the future. I referenced earlier in 2016 the $15.2 billion aggregate rate base that we have at the utility. As we step through time, you can see how we anticipate that how much that will grow. And by 2019, within our base plan, we anticipate a 9% compounded annual growth rate in our rate base growing to $19.6 billion. Our base plan then steps into 2021, which would enable a 7% growth over that five-year period in total, growing to $21.6 billion. And you can see, as we step through time, there is a moderate increase in the amount of transmission that makes up the overall components of rate base for us.

You also see a fourth bar on this page, which shows what the rate base growth could look like with some expansion and extension of some programs that we have in place. And I'll spend just a minute to talk about what that entails. One element that entails is an expansion of our Gas System Modernization Program. So, I mentioned before what's in place, is for three years from 2016 to 2018 about a $300 million per year investment in replacing those cast iron and bare steel pipes. As we have been doing this work, we've identified that we can do an amount more than $300 million, and we will go in for an extension of this program later in the year to continue the work that would leave us on a pace to replace all those pipes over about a 30-year horizon, so that we have the largest cast iron and bare steel system in the country.

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As we have been doing that work and seeing that we can do more, taking that number from $300 million a year to $400 million a year would provide an increase over what's in that base plan that takes us to a seven-year – 7% CAGR as we move through 2021. So that's one component of that increase.

Another component of that increase would be the extension of our Energy Strong program. So again that was a $1.22 billion program that we put in place that is starting to come to an end of that existing program. But you may recall when we put that filing in initially it was for a $2.6 billion program, and we have about half of that, $1.22 billion approved. So there is incremental work that we see that gets us to that $2.6 billion amount, and that's compared to a backdrop of an aggregate amount of about $3.7 billion that were identified on the heels of Superstorm Sandy. So we think more work is available there to be done and we will go back and have that discussion with the BPU as we step forward later into the end of this year. That could be an amount of about $800 million, call that, $200 million to $300 million a year for the tail end of the plan. Not approved, but identified as incremental work that can be done.

And then lastly within the energy efficiency and solar area, there is call it $300 million or so that if we continue to do the nature of the work that we have been doing on the solar and on the energy efficiency front, that could be additive as well as we step into 2021. Those three areas combined would lift that 7% five year compounded annual growth rate up to about a 9% compounded annual growth rate. So, if the past is any indication as we have stepped forward into our plan and moved into the five year period that we talk about, we plan what we know and then we identify incremental capital spend as we step into that plan. These are the kind of things that would tend to lift that number up to what we anticipate being about a 9% compounded annual growth rate over the five year period.

A quick look at Power, this slide provides a look at really how the transformation of Power's fleet will take place over time. And what you see here on the left hand side is a megawatt snapshot of the Power fleet. On the bottom left looking at 2016 and on top of that looking at 2021. So, you don't see a very large growth in the number of megawatts between those two pies. And if you think about the nature of it, we've got about 2,000 megawatts that we're building in new combined cycle units, but we also have two of those locations at Sewaren as well as Bridgeport units that will be retiring as those units go in. So, that's replacement capacity at two of the three locations where we're building combined cycles. And in addition to earlier last year, we announced the closure of our Hudson and Mercer coal plants. So, really a change out of capacity as we go from 2016 and look out into the future.

On the right side of the page, those megawatts will be more efficient and will be more productive. So, we anticipate on a megawatt hour of output basis on the right side, an increase of about 18% of total production as we step through time and you can see from the blue component of that pie chart, we end up growing on a gas component from about 34% of our output up to about 43% of our output. So, increasingly a efficient and clean fleet as we step into the future and look at what our total output will be growing by in an amount of 18% as we step through to 2021.

And then a quick snapshot in looking at what the overall capital plan looks like for the two sides of the business and we can start on the left-hand side and take a look at Power's overall capital plan for the next five years. So, the left-hand side is really dominated by that orange sections – those orange parts of the bars that you see, that is the combined cycle, construction program that is currently in place. So, with two units going into service in 2018, that would be Keys and Sewaren and one unit going into service in 2019 that would be Bridgeport. That component of our capital plan declines as we step through 2019 and leaves us with a run rate of about $200 million of capital for the balance of Power across the five-year period. So, going from the high point of 2017 at $1.2 billion of capital spend down to a run rate of $200 million of capital spend, considerable cash flow comes off of the Power business. And I would say on that left side of the page, we're highly confident that that is what our capital plan will look like.

The right side of the page shows PSE&G. And if past is any indication, maybe we have a little less confidence in those numbers. And what I mean by that is as we have stepped into the out years of our plan, we have always identified incremental capital spend much like what I just described to you that fills in, if you will, the back part of our capital plan. And you can see that depicted here by the last three years have a hatched grey area and those are the programs that I referenced before that could bring us from that five-year rate base CAGR of 7% up to 9%.

So, PSE&G has considerable appetite for capital. The system has been around a very long-time and needs for replacement of existing older infrastructure. And so in taking a look at how the cash will flow as Power's program

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comes down and the cash needs decline there, the opportunity for Power to fuel growth through the equity component of [audio gap] (20:25) plant to be matched from the overall standpoint about one-to-one, if you think about a regulatory cap structure being roughly 50-50, the balance of that capital program will be funded by debt at PSE&G. So, good cash flow coming of the Power and good utilization at PSE&G for infrastructure growth.

And on the O&M side, we continue to focus on the efficiency of our operations. It is something that we do on a daily basis. It is a mantra, it is not a program oriented thing for us. It is something that we focus on every single day. And I think it – ultimately it shows in the results. If you take a look at our overall PSEG O&M, as you go back to 2012 and you look at where we are in 2017, the compounded annual growth rate in O&M across all those years is 0.0%.

And you can take a look in all areas. On the right-hand side we show what the CAGRs are for the different components of the business. Frankly, the only area that has a more sizeable growth is the transmission part of the business [audio gap] (21:35) comes from the fact that as we are doing some of this capital work, there are O&M components or components of those cost that fall into O&M, so it is by no means coming from any kind of an inefficiency of operation on the transmission part of the business, really it's a function of the nature of the capital work that we are doing.

So if you take a look at the overall earnings profile of the company, this shows a breakdown on the left-hand side of the page. And as we've moved through time, you will notice that we have an increasing regulatory contribution to our earnings mix. So we show in 2012, we had a 43% contribution coming from the regulated part of the business. As we look at the midpoint of 2017's guidance we're up to 66% of [audio gap] (22:25) regulated part of our business. And if you think about what we have been discussing and how we have been investing that really should be no surprise, it is very consistent with the capital mix we have been talking about as we move through 2017 and similarly as we talk about the 5:1 ratio that I referenced earlier as we step through the next five years on our capital plan, very consistent with the investment focus and also consistent with those investments having good regulatory recovery. So a little less than half of our overall rate base being on the transmission part of our business, our FERC formula rate has a contemporaneous return component to it. And as we have gone through a host of the different clauses that we have gone through since our last rate case, that has had [audio gap] (23:10) through time, all helping contribute to the earnings picture that you see there.

So the utility in particular has grown at a 11% earnings CAGR as we've moved through this period of time through 2016 and an 8.5% growth as we move from 2016 into 2017, and Power as well does continue to provide a considerable earnings contribution to the business, $514 million was Power's earnings in 2016. So a good cash flow generator, an important part of the overall earnings mix.

And then on the right side, we provide the components of guidance that we have for 2017, those are consistent with when we issued guidance earlier this year at $2.80 to $2.90 per share in the aggregate. [audio gap] (24:00) dividend that we have provided to our shareholders for years. If you go back and take a look through 2011 through today, a 3.9% CAGR on that dividend and in the last two years, a 5% increase at $0.08 per share for each of the last two years.

One of the things that we also have talked about of late, if you take a look at [audio gap] (24:25) that is PSE&G's earnings per share. So [audio gap] (24:30) dividend and our PSE&G earnings per share being north of that, the dividend can be thought of as being fully covered by PSE&G's earnings in 2016. And we see the increase into 2017 [audio gap] (24:48) increase in our earnings, and a 5% indicative dividend increase that should continue into the future. [audio gap] (24:58) dividend, it is not a formulaic approach but absolutely understand the importance of that dividend to shareholders and do anticipate continuing to have meaningful and sustainable dividend growth.

So in summary, if you take a look at our value proposition as a whole, I think our platform remains very stable, including a $15 billion infrastructure investment pipeline, which does enhance the ability for us to grow the business. At PSE&G, where most of that capital is going to take place it will provide for a rate base growth, and all again targeted towards state objectives, and ultimately customer satisfaction, safety and affordability.

At PSEG Power, we continue to advance the efficiency and competitive position of that business and having a low-cost and clean fleet. And again, the intense focus on our operational excellence, both from an O&M perspective, as well as delivering on this capital plan. 2017 will be the highest capital amount at $4.7 billion that we have spent as a company.

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So, delivering on that is vitally important, and is a part of what we're doing on a day-to-day basis as we at the same time, work through some of our regulatory issues that I mentioned earlier.

And for 110 years, we have been paying that [audio gap] (26:24) keep that dividend secure and growing, all while keeping a very strong balance sheet. So, that $12 billion to $14 billion at the utility and $2.6 billion at Power is all funded without the need for external equity, and balance sheet strength is an extremely important part of what we are all about and is an important part of the business.

So, with that, I'll be happy to take any questions everybody has.

Q&A

<Q>: Hi. Could you just comment a little bit on the prospects for revenue decoupling in the state and how open do you think commission will be in that regard? And you characterized it as discussions, I am just wondering what the process would be if you have success?

<A - Daniel J. Cregg>: Yeah. And I guess I would maybe start the answer by saying that we'll file the rate case on November 1 of 2017. So, in that regard their discussions as opposed to a formal process that's going on, and it'll be part of that rate case as we have those discussions.

I guess the other thing I would say is that, New Jersey has had an interest in energy efficiency and will continue to have an interest in energy efficiency. And I think from some of the legislators' actions as well, there is an understanding that as a good vessel to bring some energy efficiency spend to the state there is an understanding that energy efficiency obviously has an impact on aggregate volumes. So, it more incentivizes utilities to move forward on energy efficiency to the extent that you have decoupling.

So, I think we have not had a formal decoupling in New Jersey as yet. But I do think that given the interest in energy efficiency, there is a symbiotic relationship between moving forward with energy efficiency and moving forward with decoupling.

Daniel J. Cregg

All right, if there's no further questions, thank you very much.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-04-19
Event Description:

Market Cap: 22,638.04
Current PX: 44.72
YTD Change($): +.84
YTD Change(%): +1.914

Bloomberg Estimates - EPS
Current Quarter: 0.849
Current Year: 2.888
Bloomberg Estimates - Sales
Current Quarter: 2578.200
Current Year: 9737.909

Company Participants

- Kit Konolige, Senior Utilities Analyst
- Frederick S. Stu Bresler III, Senior Vice President
- Jeffrey Bastian, Manager, Capacity Market Operations

Presentation

Kit Konolige, Senior Utilities Analyst

Good afternoon, everyone, and thank you for joining us today. We have a very interesting and hopefully useful webinar with several folks from PJM, the major unregulated marketplace in the US in power. I'm Kit Konolige; I'm the Senior Utility Analyst at Bloomberg Intelligence. And my guest is Stu Bresler, who is the Senior Vice President for markets at PJM, and he has several folks assisting him as well. We'll turn to Stu in a minute.

Let me first just mention a couple of housekeeping notes. The presentation will be recorded. It will be available immediately after we finished talking live. You can adjust the volume, maximize your screen. To ask a question, you can submit one on the right side of the slides. And then, what I propose to do is, we will go through the questions and ask them after the full presentation. And a copy of these slides will be available for download in the post-event email. In addition to the questions that I'm turning to in a minute, we will -- we have a number of charts and graphs that explore some of the aspects of the PJM structure and the PJM auction coming up.

Just one brief commercial; Bloomberg Intelligence, which I'm a member of now is approaching about 300 members, workers and -- hard workers, and it's -- we're obviously part of a much larger Bloomberg organization, but in some ways, we're quite separate. We are focused on investment considerations, so we're not news. On the other hand, we are not strictly a sell side operation, but we do a lot of the same things that the sell side does.

Basically, we publish research on equity, debt. We have people who are specialized in law of various kinds, litigation, policy, et cetera. So we think it's a very interesting, and ideally it's a very helpful platform to be able to communicate with a lot of our clients.

And with that I will move along to a list of the key topics that I jotted down and I shared with Stu prior to this call and we went through them a little bit and I think these are to my mind questions that clients ask, the questions that I ask and the questions that Stu has heard about. So I know from the past that Stu is very straightforward and thorough in discussing issues that come up such as these and obviously wants to be communicative and transparent about the PJM situation, the PJM auction, capacity auction in particular.

So, with that, let me turn over to Stu Bresler and as I say, if as he is speaking, if you have questions, you can type-in in real time on the right hand side type in a question, and then we'll get to those questions when he's finished his discussion. With that, Stu?

Frederick S. Stu Bresler III, Senior Vice President

Well, thank you, Kit, and good afternoon, everyone. As always it is a pleasure to have the opportunity to speak with you and exchange information regarding the upcoming May RPM Base Residual Auction. We certainly recognize that for our market participants the investor community it's certainly is a significant event during the year with respect to for procurement of capacity in the PJM market, so again, it's our pleasure to be able to have the opportunity to speak to you.

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With me today, Kit mentioned that I had some -- some of my colleagues with me, I have Adam Keech, who is our Executive Director of Market Operations and Jeff Bastian, who manages our Capacity Market Operations Group, his folks actually have the awesome responsibility of clearing the capacity auctions in PJM. So, you may hear their voices as well during the conversation this afternoon to the extent that they have detailed information that they can supplement and that sort of thing.

So, as Kit indicated, when he had sent me what his thoughts were on what we could cover today, I thought it was a pretty comprehensive list of the kinds of things I would talk about with respect to the factors impacting the upcoming May auction. So, I thought I would hit those topics, because it's -- like I said what I would have talked about anyway and certainly we should have plenty of time for Q&A either as we go along or once I finish with these topics.

So, as you all know the sort of the first step and preparing for the auction in May, at least the first major step that it involves publicly posting information is posting the auction parameters, the planning parameters for the May auction. And we published an initial set of planning parameters by February 1st, leading up to the May auction and then it just about every year -- based on every year so far prior to RPM auctions. We have posted an updated set of planning parameters about a month out and that update occurred last Thursday, April 13th. So you can find if you haven't already, the most up-to-date set of planning parameters for the upcoming auction on our website on the RPM page. I do not expect at this point another update to be necessary before the May auction. Those parameters you see should be the final ones that are posted up there on our website.

But looking at sort of what changed from last auction to this one with respect to those planning parameters, is the major factor that really basically drive the results. We have seen yet another reduction in the forecast peak load for PJM. The forecast peak for 2020-2021, which is the delivery year fullish [ph] well on the basis we do auction in May, decreased about 3,273 megawatts, or about 2.1% from the forecast peak load that was used for the 2019-2020 delivery year.

And again this is a -- surely the result of increased penetration of behind-the-meter solar installations as well as the continued incorporation of energy efficiency efforts. I think the major factors behind the peak load forecast change from one year to the next, and then obviously the underlying econometrics effected as well.

There was a bit of a change in the system-wide forced outage rate. So the reduction in the reliability requirement that we need to meet was slightly less, it was about 2% reduction from last year to this year, about 3,400 megawatts or so from last year to this year.

From the standpoint of the locational deliverability areas, the LDAs, those potentially constrained areas of the PJM system that we will model in this auction, we posted two additional LDAs this year. So all of the LDAs for which we posted a separate VRR curve last year, we did so again this year, but we also added the Dayton and the Duke, Ohio, Kentucky LDAs. And the primary reason for doing so was the potential for at risk generation in those LDA's given some of the public statements we had seen made by market sellers in those areas about the potential to retire certain resources, namely Stuart and Killen in that -- in those areas. I think they're actually in the Dayton zone.

And so with that publicly announced information and then we actually have since received an official retirement request for those resources. We felt it prudent to model those additional LDAs. The updated planning parameters that I mentioned that were posted on April 13th, include adjustments to the transfer limits for really any LDA, but I think those primarily affected were those two based on the removal of those Stuart and Killen units from the network model.

So, again, there is no necessarily requirement or expectation that those LDAs will actually bind and be constrained in the auction does not automatically mean that when we post them, but we felt that again prudent that we model them and they have the potential to do so given the fact that that we saw that potential for that generation retiring before the 2020-2021 delivery year.

We are for the first time this year have had some registration price responsive demand for the upcoming auction, again, we posted that with this latest for the most up-to-date value with its latest set of planning parameters. It is on the order about 600 megawatts that has registered, that does not guarantee necessarily that again it will clear in the auction depends on what the prices were indicated or for that price responsive demand, but again that's a first for this auction compared to prior auctions.

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SI-SSA-0015-14727

Let me cover with respect to the transfer limits the CETL value, that stands for Capacity Emergency Transfer Limits for the LDAs, because there were some fairly significant changes, both in what was posted initially and then the updates we posted on April 13th, and I thought it might be beneficial to provide some rationale there. Primarily that we're talking about, here are the some of the Eastern LDAs, there is the PS and PS-North LDAs as well as Eastern MAAC.

Those two LDAs and the CETL values, the transfer limit values, which really are in expectation of how much energy could be transferred into an area during a capacity emergency are impacted somewhat by the assumptions on the emergency assistance we could receive from New York ISO. And we have a transmission service contract affectionately [ph] known as the PS-Con Ed Wheel that is ending actually at the end of this month. And between last year and this year we got that final notification that that transmission contract is being canceled, and that change the way we sort of model things up with the Northeastern interface between PJM and New York ISO. And so to make a very long story short, we were a bit optimistic in the emergency assistance that we assumed, we could receive from New York during a capacity emergency when we posted the initial values for PS, PS-North and Eastern MAAC. And as we continue to refine the modeling assumptions -- I'm sorry, because we were optimistic the CETL values we posted for those three LDAs, PS, PS-North and Eastern MAAC were significantly higher than they were for the last RPM auction, last (technical difficulty).

As we refine those assumptions and really model something much more realistic for the amount of energy that would likely be available from the Eastern part of New York ISO in a capacity emergency. We significantly reduced that, again, previously optimistic assumption. And the final values we posted last week on the 13th for Eastern MAAC was much closer to what we actually had for the 2019-2020 auction. I think it's within 15 megawatts or some like that.

The PS, PS-North values came down a lot as well from an initial posting, but they are still a few hundred megawatts higher than what we use last year, because there are some transmission upgrades in the Eastern part and Northeastern part of New Jersey that help the CETL values for PS and PS-North. But again, not nearly the increase we had initially posted with those optimistic assumptions about emergency assistance from New York.

The last one I'll hit is -- actually there is two more. The MAAC LDA, we posted a value for this auction that actually is fairly significantly reduced from last auction, and that is due to a constraint towards the Southwest portion of the MAAC LDA that is affected by a change in really the sort of system configuration in that area. We have seen a change in retirement notifications where resources that were previously retiring, now intend to repower and so therefore back in the model and as a result of the -- sort of the flow changes from that reconfiguration we had a limit down there in the Southwestern portion of MAAC, that reduced that MAAC import capability, that emergency transfer limit.

And then finally there was a reduction in the transfer limit into ComEd of about 900 megawatts or so, and that was due to some increased flows on our transmission constraint AEP feeding into ComEd that caused that that lower transfer capability into the ComEd LDA. So from the standpoint the transmission system modeling, I think that's -- the changes that I would highlight from -- again from last auction to this one.

From the standpoint of potential for new capacity in this auction, what we post out there on the website, which you can go have a look at is the generation that has requested an exception from the minimum offer price rule, which is a pretty good indication of the quality of megawatts that may decide to offer into the auction and that value it's about 12,200 megawatts or so, something like that, is roughly the same as what we've seen in the aggregate for the last several auctions. There is not much of a change to that number. The split is little different between the competitive entry, exception and the self-supply exception, but the aggregate number is about the same.

I would say just from a back of the envelope standpoint, we typically see maybe about half or so of that value that actually request exceptions offer into the auction and then something less than that typically clear. So again, no guarantees whatsoever as to what would happen with this auction, just trying to give you a feel for what we have seen in the past.

As far as generation retirements, what we -- if you go to the retirement page on the PJM website, and you take a look at the next several delivery years, I think we have maybe 3,000 plus megawatts or so, that is already scheduled to retire

final
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SI-SSA-0015-14728

between now and the end of the 1920 delivery year. We don't have anything else out really past that timeframe, as far as already requested future de-activations, but obviously that can change given the results of an RPM auction sometimes. And so it's possible some markets always out there waiting to see the results from 2021 in this instance. But, again, it gives you a decent guidance to what we're seeing between now and then.

This is, as Kit indicated in his PowerPoint, this is the first year where we will require the procurement of 100% capacity performance resources. Last year we cleared to somewhere on the order of 27,000 megawatts or so of base capacity, which has the requirement to perform only during that summer peak period. A lot of that was or some of that anyway was demand response, energy efficiency, others was generation. It remains to be seen obviously what the impact of the 100% CP requirement is. A lot of the generation, not all going to -- lot of the generation that cleared as base capacity last year, submitted offers for both base and capacity performance. And the base capacity offer was simply the more economic one to take, given the fact that we could accept up to a certain cap of base capacity. So, my message I guess is that, a lot of the generation that previously cleared as base has probably CP capability, but didn't clear based on a CP offer last year. So, what CL -- the unavailability if you will of an offer as base capacity affects offer behavior this year to see what impact that 100% CP requirement has.

I probably should hit this before, so I apologize for not doing that. I did mention already the new transmission, I think the major upgrades I would point to that affected this year are those in New Jersey. There's a couple of 345-kV lines that were added in New Jersey that I think affected the PS and PS-North CTEL.

But the impact of the Indian Point closing really had no impact on our transmission modeling for this year's auction, because New York ISO has not yet actually received an official retirement notification from Indian Point and PJM's practice would be not to remove an -- a unit from our transmission model until we receive that official retirement notification. And so we applied our same methodologies to Indian Point from the standpoint of calculating again CTEL values for any LDA that might impact.

Again, we did consider that potential when we look at the potential availability of emergency assistance from New York given the fact that we would likely peak around the same time.

So that was considered, I don't really think it affected it much because we probably would have been able to get much assistance even without Indian Point's closing. But, I guess that from a transmission modeling standpoint, there was no effect.

I already hit the ComEd import capacity, and the next bullet was the -- again the increase in Eastern MAAC and PS-North, those were really reset back to about last year's levels with the exception of the (technical difficulty) PS-North because of the transmission upgrades. So Eastern MAAC again is about the same as it was last year.

The only thing I'll hit as far as the last bullet on, I believe, come back to the second last bullet. The only thing I'll hit on the last bullet; solar, wind, demand response and energy efficiency is we do have the new rules for aggregation of resources where FERC approved PJM's filing of its aggregation proposal, so that resources could offer on a summer only, or winter only basis and we could aggregate them through the auction to make 100% annual CP across the board. And we did post the total value of winter capability that has applied for the ability to submit a winter only offer. They were -- with all wind resources.

And the total winter capacity and connection rates that we essentially awarded for this upcoming auction was about 1,700 megawatts and that 1,700 megawatts was the winter CIR capability already had an annual capacity and connection rates of about 500 megawatt. So the net change, I would say that between what was -- what could already be annual versus what could be winter only was about 1,200 megawatts or so.

So that means that, that would be, I think the amount that would be likely to be able to aggregate winter only resources to make summer only resources, primarily I would think demand response capable of clearing in this auction. But we will only clear those resources to the extent that we can match up equivalent quantities of summer only and winter only, and also dependent on their offer prices compared to obviously where the market clears given their locations. So just to give you again some aggregate indication as to the numbers we're looking at there.

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SI-SSA-0015-14729

I think that's about it on solar, wind, DR and EE, but again we can go into the Q&A in just a minute here and see if there's anything else you'd like to know there.

That second-last bullet, I know it's a bit of an elf in the room these days, it's the nuclear subsidies and really kind of the issue of subsidies in general. It's very difficult to judge what if any impact that will have on this auction. And I say that for several reasons; number one, the subsidies aren't even in effect yet, we're talking about the Illinois subsidies to the Exelon nuclear units at this point. They actually go into effect on June 1st. And obviously [ph] that's a long time before the 2021 delivery year, but I make that point because they are the subject of a court challenge at this point similar to the -- this AAC [ph] program in New York as well.

So it's -- like I said, it's difficult for me to guesstimate if you will, how that might affect offer behavior we're just going to have to see how things turn out. If you want doing a Q&A, we can get into to the larger discussion on the impact of subsidies to the markets in general, but keeping it to sort of the expectation for this upcoming auction, I like -- don't have anything definitive, I can say there simply because the status of those subsidies, I think still remains a bit up in the air, given the fact that not even effective yet. So. again, from the standpoint of this is auction specifically I just -- I think I just this far as we can go.

So, Kit, I think with that, I'll wrap up hopefully within here is less than 30 minutes from our start time, which leaves us plenty of time for Q&A. I'll turn it back over to you to moderate that.

Questions And Answers

Kit Konolige, Senior Utilities Analyst

Excellent. Okay, that's great. Thank you. As I mentioned before, folks, if you have a question, type it in on the right hand side and it pops up here and we can review those with Stu, you know, the ones that are most interest and we have about half a dozen now.

First, there is one that -- it's a question about the load forecast and basically questions how come it goes down every year. In other words the curve gets redrawn each year that a lower level, is it reasonable to expect that that's going to stabilize at some point or what either particular factors there that we're missing that create that that difference every year or is the modeling biased upwards and has to be adjusted?

Frederick S. Stu Bresler III, Senior Vice President

Yeah, it's a great question, Kit. And I would say that unbeknownst to us at PJM. I would say that several years ago, yes, the forecast was -- was too high, and I think there's several reasons behind that. And remember, now this is a 15-year forward-looking load forecast and several years ago we saw that for several years in a row, we had forecast that were percentage points -- multiple percentage points higher than what we actually saw come in and will be back as it based on our models.

And so we undertook a significant effort a few years ago to make significant enhancements to our load forecasting models. And we started with the relationship between the econometrics and the load and a lot of work on sort of better correlating those with a lot of back-casting to get that relationship closer. And then we also worked to incorporate things like energy efficiency, behind-the-meter, resource integration and I think it's primarily lower voltage solar installations, smaller solar installations. And beyond that, I just think there is a lot going on out there in the retail space that is resulting in less load in aggregate for the same other types of system conditions like weather. And I guess I think there's a lot of energy efficiency efforts that are going on and conservation efforts and all sorts of things.

So, we think based on our most recent back-casting that we have squeezed out a significant amount of the area that we had in the past to the extent that our back-casting now actually floats around either over or under forecasting, because I think we've got an handle on some of these dynamics that we have been changing in the industry. Now where it goes in

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the future, it remains to be seen sort of how the industry dynamics continue to change.

We could -- we can see continued energy efficiency efforts in those types of things, which would continue to result in lighter loads for the same like I said, other types of suited conditions. We could see via all of a sudden a revolution with respect to the technology behind electrification of transportation and see huge increases in load again based on the load requirements to support that particular industry.

So I think it could go either way and even more difficult is predicting what that timing of that would be. In other words, even if we did see a significant increase in electric vehicles would that be necessarily an increase to peak load consumption as opposed to off peak consumptions, but more energy consumption.

So, it really depends on how things continue to evolve. Kit, I think the best I can say is that I think we've gotten a pretty good handle now on the new interplay of the various things that go into the long-term load forecast.

Kit Konolige, Senior Utilities Analyst

Okay, great, Stu, thanks. Question pretty specific to one of your discussions about exceptions to MoPar [ph]. Does a generator need to apply for an exception each year, so that the 12,200 is kind of current year starting from zero kind of number or once you get an exception, can you really look forward to the next year, so there going to be a backlog of plants that didn't bid previously who are still able to bid.

Jeffrey Bastian, Manager, Capacity Market Operations

Yeah, once a resource clears, it no longer need a MoPar exception. So, to answer your question directly, I think resources that in the past have applied for a MoPar exception and either didn't offer or offered but didn't clear would need to apply again the next year, if they wanted to get an exception in the next year. The only ones that don't need to re-apply are the ones that clear in a particular year.

Kit Konolige, Senior Utilities Analyst

Right. Okay, fair enough. On the decline in the CETL [ph] tip from Intren ComED, I think you mentioned it was AEP to ComEd primarily, but in any case, can you discuss a little further what was leading to that and I know you can't predict pricing outcomes and so on, but is it fair to say that that is a significant tightening that in the past as indicated some pretty serious potential for different outcomes?

Frederick S. Stu Bresler III, Senior Vice President

Well, I mean it's about an 18% reduction in the transfer limit into ComEd, and yes, I did say, it was based on the -- an increase loading in the AEP area on a 345-kV transmission facility, that was the actual reliability violation. Now we do have an RTEP upgrade in the works to relieve that that transmission constraint. But for now, it did -- I guess it did result in a reduction in the CETL, it's 926 megawatts for the upcoming BRA. So, yeah, I mean all other things being equal, which is I think is the key, all other things being equal, you might expect ComEd to create a little bit higher than it had in the past. But again, that depends heavily on the offer behavior that we see from resources inside and outside of ComEd as well.

Kit Konolige, Senior Utilities Analyst

Right. Fair enough. Different arena, there has been a proposal in ISO New England, that addresses subsidized generation. Have you guys looked at that proposal with any kind of thought towards what PJM might do. And maybe

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SI-SSA-0015-14731

this is a good time because I think as you mentioned, the question of what and "open market does with generation that subsidized" and so presumably changes its behavior because of that is obviously has to be a very significant issue if that's going to be the direction things go and maybe you can just discuss broadly if the New England proposal is relevant that you mentioned that if there are other thoughts that you and the team have -- you know, are considering on where PJM goes if everybody starts subsidizing a significant part of the generating fleet, a very useful outlook kind of discussion.

Frederick S. Stu Bresler III, Senior Vice President

Sure. And I fully expected this topic to come up. I agree, it's an important one. So important that FERC is holding a two-day Technical Conference on May 1st and 2nd in which we'll be obviously an active participant. But I think PJM has heard sort of the complete gamut of opinions on the impacts of subsidies to the wholesale markets.

We hear from some market participants that there is threat of state subsidies is in existential concern with respect to their business model and the markets as a whole because as Dr. Bowering [ph] put it in his latest data, the market report subsidies are contagious and one subsidy suppresses prices and leads to more subsidies, which further surprises prices, which leads to more subsidies and pretty soon you have nothing but state sponsored RMRs and no market left.

Then you hear the complete opposite opinion which is there our subsidies all over the place, this is just one more, it's not even that many megawatts, you're already along and so why would you want to do anything that would counter those subsidies and prop up the price and incentivize additional new entry when you're already clearing at a reserve margin of over 20%. So those are your two south poles.

I think from PJM standpoint, yeah, I think, while it may be the case that yes, we have had subsidies in the past, certainly there are the federal production tax credits for renewables, there are state renewable portfolio standards, which can act similarly to subsidy. There is a local tax abatements and the list goes on and on.

These state actions to preserve resources that may otherwise be economic, maybe significant enough to warrant a serious look at whether or not the markets need to adjust in order to handle the impact of those subsidies and the potential action stands and equally large range as the opinions on the impacts, because those who are in that camp are the real threat to the markets would say the only rationale response here is a minimum offer price rule that applies to any subsidized resource thereby protecting the markets and the price formation in the markets for long-term price formation. The other end of that spectrum by the way is, this is already in the markets, you don't need to do anything and really all the market should procure the residual that is necessary once all these subsidies cause the entry those resources that extremely low offers.

Those again are the two poles. From PJM standpoint, well, we are searching for is a way to recognize that states have legitimate public policy initiatives and objectives that they're looking to achieve, but harmonize the markets, so that they still perform the function that I think everybody agrees, they have been successful in performing which is long-term reliability at lowest reasonable cost to the consumer.

And for PJM's perspective, in the long term, we understand the concerns around efficient price formation, because so much of what the RPM capacity construct is built around is considering the long-term impacts of the year-by-year execution of the market. So that's why we think it is our serious consideration.

Getting to your question finally about the ISO New England proposal -- from just to state at the outset, New England is coming from a very different starting points. New England is really concerned mostly about new entry and subsidized new entry, subsidized -- sorry, suppressing the prices in the four capacity market.

PJM's concern at least what has been presented most recently with respect to state actions has to do more with subsidization of existing resources. New England already has a new unit minimum offer price rule, a new resource minimum offer price rule, there are some renewable exceptions for that rule, but they already have an existing rule. PJM does not have an existing unit minimum offer price rule.

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So, again, they're coming out from a different starting point, but having said that, I find their proposal very intriguing, I think it's worth a lot of discussion. I think it's very innovative and I think is a real effort to for lack of a better characterization sort of phase in. The new resources has other resources are willing to exit the market and retire, thereby, sort of, again, the intent being to maintain the supply and demand balance, even as subsidized resources come in and I think it's a fairly elegant way to go about it. I don't pretend to have thought through every potential implication. In fact, I know there are some opinions around this very table as to what those implications might be that frankly we did have to wrestle to the ground. So, like I said, more to discuss, but I think it's a innovative proposal that is very worthwhile that discussion.

PJM put out a sort of a capacity repricing proposal last August at a stakeholder form that we had. We've continued to kind of refine that. We will probably post a revision to it fairly soon here. That I think, again, there is additional discussion again, the idea being that we recognize the quantity of resources that are coming into the market are staying in the market by virtue of state actions, but at the same time try to insulate the price signal that comes out of the capacity market from the suppressive effects of that -- that state action.

So that's it, so what I'd think from a capacity market standpoint, it's looking at various ways to sort of get the right quantity, but maintain the right competitive price at the same time. I think maybe it's possible that the bigger impact here of these state actions are actually in the energy market and the suppressive effect that megawatts that would not otherwise be there are still there around the clock due to state action, and that's a much tougher enough to crack, but we're trying to kick around potential ways we might be able to facilitate things like a sub region of PJM states that wish to recognize carbon price, if you will, and their portion of the region and how we could actually make that fit within to the PJM market construct.

Those kinds of ideas, again, certainly nothing that I would consider a well-formed fully yet but those are the kinds of things we've been working on. So it's a pretty long-winded answer to your question Kit, but it's a big topic right now. We're spending a lot of time on it.

Kit Konolige, Senior Utilities Analyst

Well, no question, I was aware of that meeting and impact there was a kind of lunch panel in DC earlier this week, you may have been familiar with where the -- one of the two FERC members was there and other folks as well. And somebody were saying something to the effect of, well, you're just kind of what you said in describing one view of what could evolve namely everything, it's the potential is therefore a slow motion re-regulation that and, you know, one state gives what's in effect the PPA or a subsidy et cetera to one type of assets and then the next state does the same thing and pretty soon everybody is paying for all their capacity and energy through bilateral contracts or whatever. So it's obviously, if that -- even if we move in that direction at all obviously that can affect the outcome of the remaining merchant plants, so interesting, very interesting topic. Well, you guys have the complex models, so you can just punch it in and do it right?

So, okay, I just want to -- here is a specific question which I personally have wondered about this a little bit, but can you briefly describe determining NetCONE, what's the technology that's modeled there? Is that just a new gas plant for NetCONE?

Jeffrey Bastian, Manager, Capacity Market Operations

Hi, Kit. It's Jeff Bastian. Yeah the NetCONE is the combustion turbine cost that's the reference resource that we use -- I'm sorry, combustion turbine, yes.

Frederick S. Stu Bresler III, Senior Vice President

Yes. Not combined-cycle, combustion turbine.

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SI-SSA-0015-14733

Kit Konolige, Senior Utilities Analyst

Combustion turbine. Fair enough. Okay. And then I think you described how that's done, right?

Frederick S. Stu Bresler III, Senior Vice President

Yes. What we do there, Kit, is every four years we go back and do sort of a bottoms-up, if you will, reconstruction of the gross cost of new entry for various locations on the PJM system. And then, we do an annual evaluation of the net energy and ancillary service revenues for that reference unit for those various locations on the system. And then that gives us a net cost of new entry for each of those reference units in each of those areas. And the gross CONE is adjusted by WEGF and CPIs, remember. It's some sort of inflationary index.

Jeffrey Bastian, Manager, Capacity Market Operations

Yeah. It's a combination of --

Frederick S. Stu Bresler III, Senior Vice President

Right, so lot of the -- if I should have mentioned this in my overview, a lot of the -- I mean, since a lot -- a few of the NetCONE values were reduced somewhat substantially, 12%, 17% in a couple of cases. That was not a result of the -- any change in the gross cost of new entry because those went up slightly, but there was a fairly significant increase in the energy and ancillary service offset in a couple of locations in PJM, for example in Southwest MAAC that caused a reduction in the NetCONE value.

Kit Konolige, Senior Utilities Analyst

Right. Right. How that -- you obviously have a projected reserve margin for this next auction, the upcoming auction, do you project it out for the years ahead as well?

Frederick S. Stu Bresler III, Senior Vice President

No. We do that on an annual basis. So and it's not a projection, really it's a requirement. We have an installed (technical difficulty) this is a requirement. And if we were to calculate that every year on the basis of updated input parameters like forced outage rates and load forecast there and those types of things and then once a year we reset it.

Kit Konolige, Senior Utilities Analyst

Great. Requested, just reviewing once more the demand response, bidding rule changes, I think this probably addresses the potential for, well, DR has to address the 100%. It has to be a CP and I guess it has to be or may have to be associated with other types of supply, right?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. Demand response as a standalone resource must be annual in order to offer in next auction. In order to offer as a seasonal resource like summer only [ph], for example, it can do that in this auction, but it won't clear unless it can be

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married up with a winter only resource on the basis of location megawatts and offer prices.

Kit Konolige, Senior Utilities Analyst

And do you expect any, well, there is always some impact, but what do you expect the impact to be on demand response and on renewables of the 100% CP requirement. I know -- you know, when you first started talking about it a lot of parties had objections on the ground that it would disadvantage these types of generation, what are you expecting as an actual outcome at this point. Is there going to be any kind of drop off, do you think in those sources or are suppliers adapting to it?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. I mean, like anything else, we'll have to wait and see but I'm happy just to tell you what my thoughts would be or what a reasonable expectation might look like for -- for demand response, it's hard to see how we would get an increase and clear demand response last year to this year, where last year the base capacity category was available. This year it's not everything has to be annual except what can be aggregated or I think can be fairly certain that there is not going to be enough winter only to marry up with what might want to be summer only from a demand response perspective. So again, all things being equal, I would expect to see some level of reduction in clear demand response this year. It's very difficult to estimate by how much until we see how things come in.

With respect to renewables, I don't know that I would expect necessarily a reduction in wind, because of the 100% CP requirement. The requirement for wind to be 100% annual, the hardest -- harder period of the year for winter performance is summer. They actually perform better during the winter peak than they do during the summer peak. So as far as what can qualify as annual versus what can qualify as summer only base, I don't see there -- I don't see necessarily a reason to expect a drop-off there. We may actually see an increase in wind if there is some that actually does aggregate with summer only demand response by being the winter only, but again we want to see how that turns out.

And then, energy efficiency, the majority of the energy efficiency that I cleared before was already CP, because, again energy efficiency is largely a permanent reduction in consumption. So I'm not sure I see much of a reason for a drop-off there either.

Solar; right, solar might be a different story, because, again, it's very difficult for solar to be 100% annual, because it's actually more difficult for solar to perform during a winter peak before the sun comes up than during a summer peak, where it's in the heat of the afternoon.

(Multiple Speakers) So at least directionally those of you, my expectations --

Kit Konolige, Senior Utilities Analyst

Right.

Frederick S. Stu Bresler III, Senior Vice President

-- can be difficult to predict.

Kit Konolige, Senior Utilities Analyst

And to stick with the CP requirement for a second, my impression was in the last auction that there was some general, I don't know if I'd call it surprise, but some folks took note that many generators seem to not have to spend the whole lot

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of money to harden themselves, if you will, to approach -- to be comfortable with CP requirements. In other words, the backup systems whether it was a committed supply of gas or tanks on on-site et cetera were able to be put into place at a reasonable enough cost that that many generators see and seem to able to bid, you know, not at massively higher prices to recover their costs in that situation. Is that a correct characterization as -- are the fossil generators doing okay as far as complying with CP at a relatively small percent of their prior costs?

Frederick S. Stu Bresler III, Senior Vice President

Yeah. Again, it's difficult for us to really get a whole lot of visibility into what generators might be spending in order to achieve the CP requirements. And we asked the question, we've asked it multiple times and certainly we collectively get back and I think we've actually published in various forms. We've gone back and it's -- certainly it's in the hundreds of millions of dollars of investment that has taken place.

Again, just from what we're able to get back, but I certainly would not claim that is the full story or the full spend, because like I said there is no requirement for us -- for them to tell us what they're spending necessarily.

Having said that, it's going to be very interesting to see what the offer behavior looks like this year. I mean, I mentioned that there were some probably 20,000 plus megawatts of generation that classified [ph] not quite that much, but, you know 1,000 certainly make a -- thousands of megawatts of generation that cleared as base last year.

And a lot of that offered as either CP or base, but the base offer was the more economic one for us to take. Now that has to be 100% capacity performance, it will be interesting to see whether or not they still offer at a higher price for CP or whether -- the raise to the bottom that some of the generators have, I think offered experience with before where they just want to offer some that make sure that they clear kind of takes over.

So it's very difficult, Kit, to get a really good handle on whether the offers we get are really reflective of what costs might be experienced in order to manage CP risks because there is the competitiveness of the market, right, which is they are submitting an offer that they think is going to be competitive with other resources because in some cases, we just want to make sure they get a commitment.

Kit Konolige, Senior Utilities Analyst

Okay. I think that brings us to the end of the questions that I see here, so, and you've certainly answered all my questions. So Stu and team from PJM, really like to thank you on behalf of myself and all the clients we've had on the phone. I think this has been a great, really great (inaudible) position of what's coming up in the ever exciting RPM auctions. So, thanks again and look forward to talking to you soon.

Frederick S. Stu Bresler III, Senior Vice President

Okay. Thank you. And thank you everybody who was on the phone. It's, like I said, always a pleasure to have this opportunity.

Kit Konolige, Senior Utilities Analyst

Take care.

Frederick S. Stu Bresler III, Senior Vice President

All right. Bye-bye.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-03-06
Event Description: Financial Community Meeting

Market Cap: 22,681.07
Current PX: 44.805
YTD Change($): +.925
YTD Change(%): +2.108

Bloomberg Estimates - EPS
Current Quarter: 0.881
Current Year: 2.920
Bloomberg Estimates - Sales
Current Quarter: 2739.400
Current Year: 10001.818

Financial Community Meeting

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Tamara Louise Linde
- Ralph A. LaRossa
- William Levis
- Shahid Malik
- Daniel J. Cregg

Other Participants

- Andrew Stuart Levi
- Julien Dumoulin-Smith
- Stacy Nemeroff
- Jonathan Philip Arnold
- Praful Mehta
- Michael Lapides
- Gregg Orrill
- Paul Patterson
- Michael Weinstein
- Christopher J. Turnure
- Leslie Best Rich

MANAGEMENT DISCUSSION SECTION

Kathleen A. Lally

Good morning, everyone. Please take your seats. We're going to start momentarily. Good morning. It's nice of you all to be here with us at the New York Stock Exchange on this very cold winter morning. I'm Kathleen Lally, Vice President of Investor Relations for Public Service Enterprise Group, and I welcome you here with us at the stock exchange or listening to us via webcast.

We have, as normal, a very full morning prepared for you. Intend to start Ralph Izzo, Chairman, President and Chief Executive Officer of the company, who will provide an overview of the company's strategy. Ralph would be followed by Tammy Linde, Executive Vice President and General Counsel, who will review our regulatory and policy initiatives that we're focused on for the next 12-plus months.

And then, Tammy will be followed by Ralph LaRossa, President and Chief Operating Officer for Public Service Electric and Gas. And following Ralph LaRossa's presentation, there will be time for you to question he and Tammy on utility-related matters, both capital and regulatory issues.

And then after that Q&A, we'll take a short break. And then following the break, Bill Levis, President and Chief Operating Officer of PSEG Power, will present his view of the power company where it stands today. And there will be a Q&A following Bill's presentation. He'll be accompanied by Shahid Malik, President of Energy Resources & Trade.

Following that Q&A, Dan Cregg will conclude the conference with a very full overview of the company's financial position and outlook. And then following Dan's presentation, there'll be time for – ample time for Q&A with he and Ralph Izzo and, of course, any other subjects that may come to mind throughout the day. But with that, I'm going to turn it over to Ralph Izzo.

Ralph Izzo

Thanks, Kathleen, and thanks, everyone, for joining us. If you haven't had a chance, the stock exchange has just done a wonderful job of putting out some memorabilia and interesting documents from our 100-plus year history out in the area where the food is being served. So, I encourage you to have a look at that.

So, our forward-looking statement is as usual, we will be making some projections for you today both three, five and, in some cases, a longer dated projections. And we will be sharing with you both some GAAP numbers as well as some non-GAAP operating earning numbers and a few other statistics that we think are quite representative of the company's future financial prospects. Kathleen already went through the agenda for you, it is flexible. We're here to answer your questions and to provide you with as much information as we can and feel appropriate.

So, the company strategy has not changed. Those of you who've been with us before are familiar with this slide. It all begins at PSEG with operational excellence, the foundation of everything we do without which we don't think anything else will follow. So, based upon that operational excellence whether it's at our nuclear plants, our call centers, or in our accounting department, we provide ourselves the opportunity to build a financially strong company.

And then we view ourselves as good stewards of that financial strength in the way in which we go ahead and invest. And the results hopefully speak for themselves: 10 years of double-digit growth rate at the utility, 15% for the last five years, compound annual growth; a complete shift in power's generating fleet that we'll talk a little bit more about; 13 of the last 14 years growing the common dividend, paying it for well over 100 years, each year for over 100 years; and still in possession of strong credit metrics and the ability to fund the growth in the business without the need for new equity.

So, some of the highlights that we'll be sharing with you today, the utility capital program continues to grow. We'll talk about a $12 billion to $14 billion capital program today. And we'll also talk about progress that power is having in terms of its construction program, which should come to an end in the middle of 2018 and power will then resume its very, very strong free cash flow position and support for the equity needs of the utility.

You'll see that the CapEx ratio between the utility and power is now 5:1, typically have been more of a 3:1 or 4:1 ratio. And the five-year program, as we look ahead, shows heavy skewing towards the regulated entity and important investments that we're making to serve the needs of customers.

I know you don't want us to dwell on the past, but if you'll just indulge me for a moment. We work pretty hard so I'd like to give the team credit for some of the outcomes they've achieved. I won't read every one of these items. But if you look back over the past five years, we've had some enormous successes from major construction programs in our transmission department, projects delivered on budget, on time with the cooperation of the community, and the timing of that is perfect, you can even see some of the construction got – actually is that picture behind me? No.

Okay. I'm looking at a screen behind me that's showing a major installation using helicopters at our Susquehanna-Roseland [ph] across Township Boonton (5:44) . It's really great that I can see it and you can't. I'm not quite sure why we're doing that, but that's fine. And you'll see a range of improvements at power from primarily [ph] upgrades (5:54) to more recently announcements of brand new construction, repowering of existing sites, and one greenfield site in the Keys area and, of course, the never ending day-to-day victories that result in customer satisfaction scores improving both in Long Island and in New Jersey.

So, rather than dwell too long on the past, let's talk a little bit about the present and the future in terms of those parameters that I laid out in the first slide. We continue to get the accolades for our reliability measures. We're watching PSEG Long Island move up the J.D. Power from the customer sat scores.

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Our operations on our Fossil fleet, which have become so critically important just given gas prices are better than they've ever been before. Hopefully, you will agree that we tell you what we're going to do and then we do it and probably the best example of that is 10 consecutive years of either arriving within guidance or beating our initial guidance.

The cash flows remain strong at both companies. The credit metrics are robust. We just did another 4.8%, 4.9% growth in the dividend. You'll see that we'll talk about a utility rate base growth that is, as a baseline, that we expect to be 7% more likely be closer to 9% for the next five years and then beyond. We'll talk some more about that. And then there's some potential we'll do even more just given the strength of the balance sheet and some dry powder that remains.

So, here on the left side we are showing you our GAAP earnings and, on the right, our non-GAAP operating earnings. The difference between the two in four out of the five years is simply mark-to-market accounting as well as our Nuclear Decommissioning Trust. The fifth year is the one year where there's an additional item in the GAAP that is not in the non-GAAP, and that's the removal in the non-GAAP of the expenses associated with the early retirement of our two New Jersey coal, gas – both dual-fuel coal and gas plants that we refer to as Hudson and Mercer. There's also a component of a write-down for the residual value of a lease that we own with REMA a subsidiary of GenOn, a subsidiary of NRG.

In general, we do not like to remove items from our GAAP earnings when we quote for you our operating earnings and we've had a pretty consistent track record of only removing the NDT and the mark-to-market accounting. But this time, we thought it was not indicative of the future earnings prospects of the company to keep the Hudson and Mercer retirement and accelerate the depreciation in there.

So, if I then compare our non-GAAP operating earnings to the dividend growth, you see that we are – this is not formulaic, so the little tilde, the squiggly line in front of the 4% is intended to demonstrate that we're not looking in lockstep. That if earnings grow at 4.2% then the dividend would grow at 4.2% But they are roughly in balance in terms of how these two are moving. And we continue to maintain that we have the opportunity for consistent and sustainable growth in that dividend. We are quite confident of that.

So, while the top line for the company is showing this 4%-ish growth over the past five years, what's probably equally, if not more important, to the way in which we view the financial stability of the company is what's going on below the parent. And here you could see that over the past five years, we've experienced quite a shift between the utilities contribution and power's contribution. In fact, if we were to take this slide back to 2008, I think that ratio would be more at 75-25. And if you just do the arithmetic here and take 43% of $2.44 and 66% of $2.90, just using the midpoint, you'll see the 15% CAGR that I referred to a moment ago in terms of PSE&G. And throughout this period, power has just been a tremendous cash generator and, as I said already, has said the utility equity needs over that period of time.

So, a lot of this is familiar stuff too. I am going to slow down now a bit as we talk about the utility capital program. Ralph will give you far more detail in terms of what we'll be doing and where we'll be doing it and Dan will make a – will put it all together from a financial point of view.

But I want to spend some time with you talking about it from the point of view of how long can this go on? What is it that will help everyone in this room feel that the one and only gating function to the needs of the utility are respect for the customer bill? That we are not in a situation where our growth is driven by customer – new customer demands, and new customer growth patterns. They are driven by new customer needs and those needs are for a level of reliability and resiliency that we haven't seen before. Those needs are reflected in an aging infrastructure that has really done a great job for 100 years, but can't continue to do that job as we look out the next 10 or 15 years. And they're driven by public policy decisions that we choose to be supportive of to help people.

So, the slide that you see here is one that we've shown, I've got to believe for 10 or 11 years. I glanced at Kathleen and see if that's probably right. I know we've been showing it for quite a bit of time. And we started out with this [ph] slide view here (11:30) thinking that folks would appreciate seeing the line. The line reflects what we thought the capital program would be last year when we were standing in front of you and how we thought it was going to grow in the five-year period from last year which, therefore, gives you the four years shown here. And invariably, we would come

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back the next year and show you the five-year projection using a stack bar and the bars would exceed the line, which meant the capital program was growing. And I think folks recognize that it's a little tough to predict the future and that future is even tougher when it's five years out versus when it's five months out. But consistently, we would get the question, well, that drop-off that you see, will that continue and is it all going away? And that question would usually surface around transmission because there was an area of new and rapid growth.

So, this year once again, we have baseline spending that exceeds what we thought we would have last year. Baseline spending is stuff that's already approved or we have very, very strong feedback from the Board of Public Utilities that a program can be basically our Gas System Modernization Program has a long way to go and can be extended at its current rate. Don't have approvals for it yet but a high degree of confidence.

So, then we try to explain that the reason why we have this drop-off – so this is a slide we introduced I think two years ago, so now we're showing it three years in a row. So, when we look out five years, we don't get it right. But what tends to happen is that needs don't go away. We recognize additional needs as we get closer to the five years – to that five-year point. So, here we're showing you in 2013 we thought the capital program for the utility would be about $1 billion. Now, we didn't really think it was going to be $1 billion but that's what we knew at the time. And then in 2014, we thought it's going to be about $2 billion. In 2015, I don't know, Ralph LaRossa must have been on a vacation for a while. We thought it was going to be maybe $2.1 billion. And then in 2017, we thought, no, no, no, we've got some things that we need to do. it's $2.6 billion. And it turns out, this year it's going to be closer to $3.4 billion. So, a tripling of the capital program from the first time we mentioned it to you, so what we realized needs to be done today. And all this stuff is important things that needs to be done to meet those customer needs and public policy needs that we talked about before, right. So, nobody is replacing meters that work just fine, these are investments that are critical for customer satisfaction and reliability.

Now, I don't want to suggest that every time we show you a number that three years from now, it's going to triple, but the trend is a very consistent one, one in which they increase. So, that's a slide that we have been showing for a couple of years. Then last year, because people kept saying, well, is that what you think is likely to happen for the next three or four years? Is there room for anything else?

So, we started showing you things that were in progress, that we had a high degree of confidence in. So, you may recall last year we talked about 8% to 10% rate-based growth. Now, we obviously have a larger base. So, we're talking this year about a 7% to 9% rate-based growth. And here, what we showed last year and what we're repeating now are those programs that we believe have a very high probability of being approved by the Board of Public Utilities as we introduce them. Why do we believe that? Because they are either extensions of existing programs or expansions of existing programs.

What's the definition of extension and expansion? Extension just means to do more of the same, but do it for a longer period of time. Expansion is do more of the same, but do 30% more of it. So, a good example of that is on the prior slide. I showed you our Gas System Modernization program assuming a continued $300 million a year run rate. The team has done a fabulous job in managing the work. We now believe we can increase that number, and Ralph will talk more about what that increase looks like.

So, if you put these gray cross-hatched components on the last three bars, because more than likely we would file for some of these late in 2017, it takes 6 to 12 months for the BPU to work on it, because they have other things that they need to work on besides PSEG. And then, by the time we get the engineering work done and the construction crew is underway, we figure it will have more of an effect in 2019 and beyond. Then we can achieve this 9% CAGR, and feel once again quite confident that that is an achievable number. So, that's the slide you've seen two years in a row in terms of what do we know, and what do we have a high degree of confidence.

So, in trying to feed your insatiable appetite for a never-ending predications of the future, what we're adding this year is stuff that is not baseline, not high degree of confidence, but is on the drawing board. And Ralph will go into details to what some of these items are. I'll mention a few of them right now, and then again later on. But because we've had to spend so much time doing things like making sure the transmission system can handle a new merchant generation paradigm in PJM, because we've had to spend so much time improving our low-lying areas given the demographics of

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our service territory being an old style quite candidly industrial geography.

We have been more involved in infrastructure replacement and the rest of the country has done other things like AMI, modernizing transportation through compressed natural gas, electric vehicles. So, we haven't participated in that part of kind of the Utility of the Future. So, we are now beginning to turn our attention to some of those investment opportunities. And that in combination with as you know what is a 30-year run-time for our Gas System Monetization, will cut back that 30 years once we are able to engage the regulators to realize that we can do more than [ph] $300 million a year (17:38).

That leads us to believe that really over the next 10 years, we have the opportunity to continue that growth rate in the utility. And the gating function that I mentioned before is the customer bill and we continue at times to surprise even ourselves. Last October, 7% reduction in the supply portion of the customer bill. This January and February, like a $15 a month bill credit, I'm not 100% sure of that number, I think that was about it. This June, a 2.7% decrease in the customers' electric bill because of the BGS results.

So, you could see, over the past few years, since – I guess that's right around 2009, we've lowered customer bills 28%. Now, they are combination customers and we're taking the advantages of low gas prices and the reduction in the gas bill to primarily fund the construction program in the electric side. But nonetheless, we think that that is something that makes enormous sense to do. And fortunately, our regulators are enlightened to the point where they realize that in a low interest rate environment with declining bills, if you don't start replacing an aging infrastructure now, you never ever will.

So, we have another charge expiring from the bill in April of this year. It's a modest charge. It's a leftover from once again, I think this is either a corporate charge or a tax charge from when we deregulated. We do have the BGS rate resulting in a reduction in electric bill in June and we do have these credits that will continue to flow to customers on their gas bill. So, we still have additional headroom that we're creating and can allow us to support the construction program and the rate-based growth I alluded to a moment ago.

Let's take a minute now and turn our attention to power. A different story here, right. So, power is probably solidly midway through its construction program, Bill will talk about that. It pretty much winds down in the middle of next year. And once that is finished, we are going to see a very different supply stack and output that comes from PSEG Power. So, at the bottom of this chart, what we're showing is power today. And the left side is power from a nameplate capacity point of view, and on the right side is power from the point of view of energy produced, and this shouldn't come as any surprise that power produces a disproportionately large amount of our performance nuclear plants compared to its coal plants or its oil-fired plants. So, you see the 32% nuclear from a nameplate point of view, grows to 57% nuclear from a energy point of view.

But look at what happens to power as we go from 2016 to 2021. And again this is based on current forwards. We then bolt-on our fundamental model beyond the three-year period where the forwards are not as visible. We don't take a view, we don't say that the market has got it all wrong. We simply say we can't out-guess the markets. And then based upon the efficiency of the combined cycle units we will be building, you see about a 15% to 18% growth in the number of megawatts being produced and you see a shift from the nuclear output to natural gas. It's not because the nuclear plants which are running at 90% capacity factors are expected to cycle, but it's just because we have more combined cycle gas turbines in the fleet at that point with an average sheet rate of I think about 7,100 BTUs per KWH just for the combined cycles.

Now, we had some conversations with the press a week or so ago on nuclear that's created a little bit of interest in the subject and there's probably nothing more important to me in my presentation today in terms of making sure that we get the facts clear and straight about our nuclear plants. So first of all, at the national level, I doubt that I need to remind you several plants have closed, some for economic reasons, just in the face of operating conditions. Others were a combination of capital investment reasons that – in the face of the economic conditions that makes sense to go forward. And different responses have occurred in policy circles in a couple of cases in Illinois and New York. The states intervene and said no, these plants are too important for a variety of reasons. And other states there were no interventions whether that was Vermont, Massachusetts, Wisconsin, and other places.

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PJM is in the process of a study they call Grid 2020. I believe it's due to be completed late this month if not early next month or at least a draft. And they are looking at some things that are important for those of us who take very seriously the obligation to keep the lights on, but that the market may not be recognized, so the things like fuel diversity, reliability of operations and service, not from the point of view of a single power plant, but from the point of view of the system. Can fuel be supplied in the winter in the face of a significant event on the pipeline?

Now, in New Jersey, some of the challenges that others have experienced, we do not face. So, we don't have a sustainable wind resource and the negative dispatch price that occur sometimes as a result of the – of the production tax credit. We don't have space for huge solar installations. Our solar – utility grid connected projects are 5 and 7 megawatts, not 200 and 300 megawatts.

We do have renewable portfolio standards and there are subsidy streams that have virtually guarantee the capital recovery of solar, which does result in solar being able to bid and be a pure price taker in energy markets. And we do have our number one threat which is proximity to Marcellus gas.

So, as we look at our current nuclear plants, even with the benefit of hedges in place, those plants are not earning what we believe it to be their cost of capital. They are cash flow positive. So, we are not trying to be alarmist, but we will not operate those plants over the long-term if they are not earning their cost of capital. I've told people many times, that is a very painful thing to say, because I believe the nation should care about nuclear plants, and we care about nuclear plants and, equally important, we care about the 1,600 employees and their families down there. So, while that's a painful thing to say, it's not a difficult thing to say. The numbers are what the numbers are. And we understand our responsibility to earn our cost of capital and we will, plain and simple.

As those hedges roll off and we give you our hedge profile, yes, we do blend nuclear with Keystone and Conemaugh, but you can pretty easily back the numbers out. If we were to replace those hedges with what the current forward price curve predicts, those plants will go cash flow negative. That is a much more serious situation. And we are simply having a discussion with regulators and policymakers at the federal level, at PJM, and in the state, just to tell them that we will not allow ourselves to operate plants in those conditions. That may not happen, hopefully it doesn't happen. Bill Levis is leading the national effort to deliver on the nuclear promise to reduce our costs. I have no idea what RPM is going to do in two months that could help the situation. So, there are things that can and will change over the time to make the situation better or worse.

The only message I want to leave you today is we are not saber-rattling. We're not bluffing. We're not trying to be alarmist. Just believe me when I say that we fully respect the need to be good stewards of your capital, and as much as we think these assets are critically important to the nation and to our company, if they are not economically wise to continue to operate, we won't operate them. And right now, the forward price curve says, they should not be operated pass the three-year period.

So, as we look to growth in utility and in power, this year, if you look at the midpoint of our non-GAAP operating earnings, the utility is two-thirds of the entity, and power is one-third – power is about 32%, Long Island contributes about 1% of the – about 2% of the earnings. And you could see that the next five years we have this $14 billion growth program at the utility which would give us a 9% rate base growth rate. And power's total capital program is $2.6 billion, which would yield 18% growth in the number of gigawatt hours that it produces.

So, you could see the ratio of utility growth to power growth is now closer to 5:1, than the historic 3:1 that we've operated over the past five years. If I look at the utility back in time, that 13% rate base growth that we saw the past five years is mostly driven by a transmission expansion and our Energy Strong Program which was all about storm hardening, you may recall that in Energy Strong, we only were granted one-third of the dollars we believe we needed to simply take care of the damage that had occurred in Hurricane Irene, and Superstorm Sandy. So, we weren't even saying, let's apply those lessons to the broader infrastructure which we know for a fact, we have some low lying assets here and they need to get our attention and we only received one-third of what we thought we needed to fix that.

In the near-term, we'll continue primarily on an aging infrastructure set of investments, but as we look to longer term, there are some lessons to be learned from what has gone on in other places in the country and in fact, what is

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anticipated and is clearly articulated in New Jersey's own Energy Master Plan and in terms of technologies and installations of those technologies that the marketplace simply is not going to bring to bear and we believe we can make a very strong and credible argument that the utility has an important role to play in that.

So, the awards keep rolling in. I'm going to read every one of these in detail to you so that – we couldn't fit them all on the page. I asked people to make it a collage, they said, no, then you can't read it. So, I said I'll just scroll on this page for a few minutes and let folks realize that we're quite proud of the recognition we received from others.

So, the stability of the platform remains. There is this robust pipeline in terms of the utility growth in particular. We've looked at the power investments that we proposed to make and are marking. They still look like very smart investments to us based upon the current forward price curve, and our fundamental model going forward. That's a function both of the location of the assets and the hardware that already existed on the sites. I think we've delivered on what we promised from the point of view of customer satisfaction and the outcomes from these utility investments.

Power's fleet, as I mentioned before, is going from something that was largely nuclear-driven to one that now has a significant component coming from a highly efficient combined cycle fleet with a tremendous decrease in the amount of power coming from coal with the retirement of Hudson and Mercer this year, the retirement of Bridgeport Harbor in 2021. We will simply be a partial owner of the Keystone, Conemaugh facility. And we're going to continue to focus on the sustainability of these returns, strong returns that exceed the cost of capital and the balance sheet that allows us the flexibility to do more of the same or some different things if policymakers give us the opportunity to do so, supporting the dividend on a sustainable basis and not needing any additional equity.

So, given the fact that we have some interesting regulatory issues in front of us, in particular one thing I did not mention that I'm sure you'll want to know more about is our base rate case that we've know about for three years now, that we will have to file in November of this year. We're doing something a little bit different, rather than stand up here and have several speakers tell you about the fact that we don't out-guess the forward price curve, and that the market is what the market is, we're going to have Tammy Linde, our General Counsel, come up and speak to you a bit about what is happening in the regulatory world, both in New Jersey and at FERC and how it pertains to our rate case, some of our infrastructure plans and nuclear considerations. And then I'll be back later on with Dan to answer any questions you might have.

Tamara Louise Linde

Good morning. It's a pleasure to be here this morning. Ralph and Kathleen both invited me to join the discussion today and provide an update on some of our key regulatory and policy matters, and also to share my perspective on where we're heading on some of those matters. I'll turn to the agenda. As you can see, I'm planning on covering a quite a variety of topics. I will, as Ralph indicated, focus on where we are as far as planning for our 2017 base distribution rate case. I'll also talk to you about regulatory reform and the opportunity that brings and has brought to us, to invest in our distribution system on the electric and gas side, as well as Utility of the Future type programs, and I will talk about where we are on the early stage of the process of having policy makers and regulators, understand the importance of nuclear plants, and valuing their attributes appropriately. And then I'll also focus on the broader wholesale market and some key initiatives that are underway at FERC and at PJM.

So let me start first with the New Jersey regulatory environment. PSE&G has a long history of good regulatory relationships with the New Jersey Board of Public Utilities. I have personally worked with the board for most of my 26 years at the company. And the relationship has been and continues to be very strong. And that has translated into very good, reasonable and fair outcomes in rate proceedings.

As you can see here, we highlighted the multiyear rate programs that we've received approval from the New Jersey Board of Public Utilities starting in about the 2008 timeframe. And it's actually been 15 multiyear rate approvals that we have worked closely with the state, identifying the types of investments and programs that align with state policy goals, and that are good for our customers. These programs have received approval in advance of the investment and have provided for near contemporaneous recovery of these investments.

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These have covered a variety of important state policy matters, including investment in our electric and gas distribution system as well as programs to help the environment through renewables and help customers use energy more efficiently on the energy efficiency side. And from a PSE&G perspective, these programs have allowed investment, investment that helps our customers, helps us provide good service to our customers.

It has allowed Ralph LaRossa and his team to accelerate replacement of older cast iron and bare steel pipes that are under our streets, throughout our service territory, and has also allowed us to invest in what we refer to as Utility of the Future type investments, community solar investments where we have installed, for example, solar on everything from pole-tops along our distribution – in our distribution system to large landfill and brownfield sites in our service territory, as well as building resiliency into our grids and preparing the system for future storms and preparing our customers to use their energy wisely.

The programs, I think, are of note, because each one of these is almost like a mini rate case. Each one involves preparing a proposal with the state and working through whether that type of investment is appropriate, whether the state has an interest in it, and agreeing to the terms and conditions that will govern that particular set of investments in that program. And it also involves going back to the BPU periodically, after those investments have been made and reviewing the spend and reviewing how we have implemented those programs to allow the recovery on the terms that were agreed to. And all of these programs were done outside of a traditional base rate proceeding.

I also want to note that during this timeframe, PSE&G did have a base rate proceeding, that was filed in 2009 and settled in 2010. And that was separate and apart from these programs.

So, let me turn to our next distribution base rate case. As Ralph indicated, we will be filing our next distribution base rate case with the New Jersey Board of Public Utilities no later than November 1 of this year. That is the result of a commitment we made as part of the settlement of Energy Strong, one of the programs that I referred to on the last slide, and it has been eight years since we filed our last base rate case. But as you noted, we've been – in the last slide, we have been in with the BPU working on a variety of rate matters for that entire eight-year period. So, our team is ready. We have the relationships, we have the skills, and I believe that we are well positioned to prepare a rate case and present one that supports all of the terms that are required for PSE&G.

And preparation of that case is well underway. We have been working on the case for some time period, and we are not finalized with all of the terms and conditions that we plan to provide and ask the BPU for approval for, but we are well underway in deciding exactly what that case would look like.

So, what will that case look like? Well, I think it's most important to say that a base rate case is very much about updating data. It is generally a historic-looking type case, looking at what has already happened since the last rate case, and updating a variety of information, everything from the load growths that was predicted in the last rate case. Where are we? Where are we today as far as sales of our product? That goes into creating the volumetric charge. Where are we as far as the O&M spending since the last base rate case? And it also covers a variety of other topics including, in base rates, the investment in our distribution system that has been made since the last rate case and that's not already being recovered somewhere else.

So, for example, the traditional spend that we make on a day-to-day basis, that Ralph referred to, since our last base rate case, that spend has been accumulating to – and will be included in this case. It does not include the type of spending that we have, for example, on transmission. It does not include the spending that we've been making on clause recovery mechanisms, on solar energy efficiency or other things that are already in our base rate case.

We do also plan to obtain recovery of the costs that we have incurred for storm, storm damage as well as responding to storms. As you most likely know, the BPU has a mechanism to allow utilities to defer costs incurred during major storms and then to obtain recovery of those storm costs in a future rate case.

We also see opportunity to update and change our rate design, update our capital structure, update our depreciation schedules. And also, we are considering other options, including pursuing decoupling that would be incorporated into our rate design, to allow our rates to adapt to changes in load going forward. All of these efforts in a rate case are

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focused on ensuring that our rates reflect the cost that it takes to serve our customers and are aligned with cost causation principles.

And as far as timing, we anticipate that the rate case outcome will result in new rates going into effect in the end of 2018 or the beginning of 2019. And I do anticipate that our filing will support a modest rate increase on our base distribution rates.

So, let me turn to this rate schedule. This provides a picture of the timeline and activities in the traditional New Jersey distribution rate proceedings. And as you note, the rate filing starts and then there is a lot of activity back-and-forth as far as the regulators and other parties trying to understand our request. This schedule provides for what a fully litigated case in the New Jersey regulatory environment would look like, starting for example in November of this year, and ending at the end of 2018 or the beginning of 2019.

It is our experience that many New Jersey rate cases settle. We don't go into a rate case anticipating that it will settle, we plan our rate cases assuming that it will go for the entire length of a case, and we just think that's good planning. We make a decision on whether to settle based upon the facts and the circumstances that we have at the time during the case.

And I should also note that even if we take the course that is described in this schedule, that takes us all the way to the end of a fully litigated case, there's always opportunities to settle all the way up until the very end of the case. And we will take that into consideration and settle, if appropriate, or proceed to a fully litigated outcome, if appropriate, and in the customer and in our best interest.

At the same time that we are preparing for our base distribution case, we are also working on filings to be submitted to the Board of Public Utilities on future investment programs. For example, this past Friday, we submitted to the BPU a request to extend our energy efficiency program. There will be other filings that I would anticipate over the 2017 calendar year and during the rate case, potentially, that will seek approval of additional utility investment programs, much like the multiyear investment programs that I referred to on the earlier slide.

And with 15 of those multiyear programs approved, one would certainly be reasonable in concluding that the process has been working well, and has continued to allow us to make the investments that help our customers and help us meet our customer needs. But we do think that there's an opportunity for improvement. Many of these programs have had very limited timeframes. The 15 programs, for the most part, had a limited duration of about three years. There's some exceptions to that, where the BPU allowed us to go out beyond the three years, but for the most part, these programs have provided for pre-approval of investments to be made over a three-year period with review and true-up of those investment costs.

So we do believe that, through regulatory reform, that it would be possible and certainly in our customers' best interest to allow for longer term approval of investments. And we are in discussions with other key stakeholders and the State of New Jersey about lengthening out that time period that they are comfortable approving those investment programs. And that would apply to a variety of investment program types, whether it be replacement of gas pipes or building resiliency into the electric system, or whether it's for programs like community solar or the host of other programs that Ralph LaRossa and his team believe would be helpful to customers and that would fit within the state's energy policy.

The important part about these programs is also that they don't need to be part of a base rate proceeding. In New Jersey, we have seen that there is a willingness and an ability to work with the regulators and the stakeholders to get approval of the types of programs that are needed and are in customers' best interest. But with that, we understand that there have to be checks and balances, and we have worked very successfully with the state and the stakeholders – a variety of stakeholders to ensure that we provide that comfort in the programs to have checks and balances.

And what I mean by checks and balances are a variety of tools that can be used to provide comfort and to demonstrate that we are investing consistent with the program that we have had approved. For example, Energy Strong had a agreement to have an independent [ph] monitor (44:53) work with PSE&G and provide visibility into our planning and implementation of the Energy Strong program.

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That was an idea that was introduced in settlement and we welcomed it. And it has worked very well to ensure that the regulators and the consumer advocate has an opportunity to see, firsthand, what we are doing to implement these programs. There's also a variety of other opportunities to demonstrate that we're meeting our commitment in these forward-looking approvals. It can be reporting, it can be various update filings, and we are comfortable that we can provide the certainty and the visibility that once we get these programs approved, that we are implementing them consistent with the state's objective, and consistent with the terms and conditions that we agreed to.

So, let me turn to nuclear. We are in the very early stages of discussions with both federal and state regulators and policymakers on the value that nuclear provides. We do believe that preserving existing nuclear plants that are well run is important to both the nation and to the states, because they have become such an integral part of a reliable, clean and resilient energy system.

If you look at the value in New Jersey alone, our nuclear plants in New Jersey contribute about 40% of the energy supply currently relied upon in the State of New Jersey. There's an additional nuclear plant that also operates and that is scheduled to retire, and this is not included in that 40% number.

So, preservation of these nuclear plants is something that not only is consistent with the energy master plan, which has identified nuclear as critical to New Jersey's clean and reliable energy supply, but it is also very consistent with the objective of regional and federal policies of maintaining a diverse and reliable and clean energy supply.

We don't believe that preserving nuclear plants through programs, whether it's states or at the federal level are inconsistent with competitive wholesale markets. In fact, we anticipate that the competitive wholesale markets should ultimately change to value these attributes, the environmental attributes, the fuel diversity attributes and reliability attributes of nuclear power. But currently, they're not designed to support those attributes. And as a result, there is a gap that is occurring and nuclear plants are, as we see, at risk for not achieving their financial needs.

There is an opportunity to work with both federal and state policymakers to ensure that these attributes are valued. And while it's too early to anticipate where the solution for our nuclear plants will come from, I do believe that it is more likely that state outcomes and state legislative and policy matters programs are more likely to be the solutions we will see in the near term.

Then initial reaction that we have received from stakeholders that we have had discussions with regarding our nuclear plants has been widespread support for retaining the nuclear plants. In fact, I haven't spoken with anyone who has told us that they want to see the nuclear plant shut down. And the challenge is where do we find the solution? Does it come from the federal markets? Does it come from the state markets? And our conclusion is that in the near term, it's most likely to come from a state initiative.

And we are watching closely what is going on in other states. As Ralph indicated, some states have decided to allow their at-risk nuclear plants to shut down. And that was a decision made by those states, based upon the factors that existed and they considered.

Other states such as Illinois and New York have taken very strong steps to preserve the nuclear plants in those states and surrounding areas. And we're watching also very closely what's happening in some states, such as Connecticut and Ohio, and a few others as they start down the path of making the decision whether to take action.

We are working in parallel with PJM and the wholesale market participants, as well as making visits to FERC and talking to them about the challenge. There is a long-term path that could be achieved at the wholesale level where these attributes are valued. And as Ralph indicated, PJM has started to look at, through its Grid 20/20 program, and conducting a study on the long-term planning needs of the liability of the system, whether there is some action it should take. But in the near term, state regulatory and legislative action valuing nuclear plants is something that we are watching closely and we anticipate having more discussions in the State of New Jersey.

If New Jersey does decide to act, it will be required to adopt legislation. The legal framework that exists in New Jersey would not promote a regulatory solution to nuclear support, it would require legislation and it would require that legislation to be implemented by a state agency, most likely the Board of Public Utilities. So it's important that as we

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start this early dialogue that we work with all of the key stakeholders, ensure that they understand the challenge, that we understand how they want to go about, if they choose to, preserving the nuclear plants through state legislative action.

Let me turn to the broader wholesale market. PSEG is actively involved in working with stakeholders and RTOs and ISOs as well as FERC to ensure that we have well run and well designed wholesale markets. The FERC is taking strong action to drive ISOs and RTOs to continue to improve their market design.

On the energy side, we are very encouraged to see FERC issue some rulemaking to look further into improving energy price formation. As a owner of generation in Eastern PJM, we see that price formation continues to need improvement. We don't always see the units that are called to operate and to run when needed, we don't always see them setting price. They are paid but they're often paid outside of the wholesale market price, not sending a clear market signal through energy prices when these units are called on.

We're very pleased and encouraged, as I said, that FERC has now directed the region to take a look at these situations and to dig in further to see what improvements can be made. And, we'll be participating in those proceedings and continuing to put pressure in the regulatory environment towards improved and transparent energy price formation.

On the capacity side, as you know, this coming auction will be the very first that does not have a [ph] base (53:31) product, but that is purely a capacity performance model, and we think that is a big step in the right direction. Those capacity performance rules were designed and took quite a bit of time to get in place, but they were designed to better value the reliability expectations that exist for generators that are being relied upon by customers and the system to be there when needed. And that is a very positive step.

And while the wholesale energy markets, from my perspective, are generally working as designed and providing good value to our customers, there's still a lot that can be done to make them better. And if I were to identify the three areas where improvements could be made in the short term, it would be price formation. This is one of those very detailed technical areas that requires FERC to really dig in to see how the operators of the RTOs and the ISOs are calling on units and making sure that when they call on units, they really are allowed to set the price; and providing visibility to generators and customers on what type of actions and what types of circumstances trigger certain units to be called out of merit and when those actions might replicate themselves.

The second category, I would say, is a little bit longer-term, and that is trying to work to change the drivers of wholesale markets. So they're not just about providing reliability at the lowest cost. But ultimately, that they also incorporate environmental attributes, fuel diversity attributes and resiliency. And I don't want to suggest those are easy changes or that they will be smooth stakeholder discussion, but it is important. And I think the nuclear experience, the fact that we're seeing nuclear plants become at-risk nuclear plants, when they have a long future under their license still remaining. And when they're still well run and providing reliability – supporting reliability of the grid every day that, that is a red flag to market operators and to FERC that, longer term, we really do need the markets to value and to plan for both diversity of supply, both environmental attributes, which are becoming more and more important to consumers and to our state policymakers.

And then lastly, something that fits into that middle category, not tremendously long term, not really short term, but we do need to see changes to the market design that allow for – and have smooth integration of state and federal action. There is not a bright line in many of the scenarios that we're seeing today between where the federal government's role begins and where the state government's policy initiatives end. And so, we're seeing a lot of state interaction and taking steps by themselves to pursue their policy goals.

Some of those state actions are purely legitimate. And I would say that support of nuclear plants, in my opinion, falls into that category. There are other state actions that we've seen that, I would say, are not legitimate state actions, and that are intended more to interfere with the market. So it's important that FERC evaluate where is that line and what action do they want to take. FERC has scheduled a technical conference that was just announced this past Friday. That will hopefully start to look into that question about where is this line and what type of integration should we see between state policy and well-functioning wholesale markets. And that will be something I anticipate having a lot more

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involvement at the federal and state level over the next 12 months.

So in summary, I think it's important to remember that all of our regulatory actions are focused on what can we do to provide quality service to our customers? And that involves a variety of different tasks, it involves a variety of different assets, but our customers want reliable, clean and resilient power, and they don't want to know what happens to get that. But we have to constantly plan and Ralph and his team, and Bill and his team are constantly looking at not just what are we doing today, but what are we doing down the road.

And that also has to be affordable. As Ralph Izzo said, we watch very closely what is happening with our customer bill to ensure that we can provide these objectives and do it in a way that's affordable to customers. For now, it means we're focusing on getting ready for our rate case for 2017. It means we're focused on having regulatory reform that improves the already good environment in New Jersey, and allows for extensions of programs and longer term of pre-approvals. It also means that we have to tackle this nuclear challenge and work with policymakers to try to come to a solution that is good, not only for the nuclear plants, but for the grid and for customers.

And then lastly, we have to continue to work to improve our wholesale competitive markets to ensure that they continue to operate to provide our customers with reliable and affordable power when they need it. So thank you.

I want to introduce Ralph LaRossa, who is up, and he doesn't need much of an introduction, you all know who he is.

Ralph A. LaRossa

Good morning, everybody. Still awake out there? I'm going to go over a few things today, just kind of put a finer point on some of the comments that Tammy made and Ralph made and I really hope that you take three things away from today's presentation. One, I would say that we have a team that has delivered over multiple administrations in the State of New Jersey, Republican and Democratic, multiple administrations at the federal level, again Republican and Democratic, and we've done so over a timeframe where we've been challenged quite a bit with some real severe weather events that have put us to the test.

So I think if you just take that as a background of what we've delivered and hopefully we'll give you a little more insight into what we believe is a true growth plan from the capital side, and I really think that's being driven by, one, the increased reliance on our T&D system that's taken place time-and-time again. The fact that we have aging infrastructure, which is something we're blessed with, we didn't create, but there's a real need to go back and replace that infrastructure, and I'll give you some facts and figures about that. And then the overall changing role of the utilities Ralph referenced a little bit, and how we're going to get – continue to get closer and closer to the customer, provide products that we may not have in the past. So that's the second item.

And then, finally a little bit about what Tammy said, just now which is that the time is right for these investments. They're right because they're aligned with what policymakers are asking us for, and are also right because of the headroom that we have and the bill that's been created through the commodity cost. So those are the three big takeaways, and I'll try to walk you through that over the next little bit of time here.

So I'll start out with the old slide, which is really just to give everybody a reminder, I do this every year, about our service territory. And I tell you to take a straight line between the George Washington Bridge and the Ben Franklin Bridge, go 30 miles on each side, and we pack in all those customers.

The thing that I haven't said in the past, which was kind of interesting. Scott Jennings and I were just sitting in the back and looking at some of the documents. If you go outside during one of the breaks on the right-hand side of the table, you'll see the 1924 map, which is exactly the same as the map that you see up here of our service territory.

But it's been a service territory that has provided us some great opportunities in the State of New Jersey, and you really see those on the top four things that we have listed there. We are the largest electric and gas distribution utility. We've got a robust transmission system. It's given us the ability to invest in things that we had never dreamed about back in 1924, [ph] which are (01:02:52) renewables and energy efficiency. And we've also built out an appliance service

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business, which is really second to none, not only in the state, but if you compare us to the utilities across the country.

I will tell you to stop and look at the top right-hand picture. Because not only does that show you the service territory, but the other takeaway there is the transmission system. And I really haven't pointed this out in the past, but the blue is the 500,000 volt lines, the red being the 230,000 volt lines and the yellow being the 138,000. Basically, back in the 1920s and 1930s, it was all 138,000 and lower voltages, and we've continued to upgrade and make those highways from two lane highways to five lane highways.

And so, what you see there that I wanted to point out to you is really some continued opportunity for us to reinforce that transmission system. I'll talk a little bit about a line that's been approved just recently by PJM, which goes from Edison – I'm sorry – yeah, Edison to Metuchen to Trenton and then down to Burlington, which basically takes that yellow line that you see coming down the middle part of the state and upgrades that, 230,000 volts. You also note what we're doing quite a bit up in the Northeast corner of the state, which is our BLC line, we're also making a lot of upgrades to that part of the system. But what's not on here is the potential impact that we think is going to happen, because of all the changes that are happening in the topology of that transmission system.

You've heard Ralph and Tammy and everyone talk about what's happening with nuclear. Well, the biggest thing that's happening to our system that we know from a nuclear standpoint is the announced closure of Indian Point. How is that going to affect us? How is that going to affect that Northeast corner of the state where there still are a number of 138,000 volt lines. Not only how is the closure of Indian Point going to affect the transmission system, but what's going to happen as the wheel, the ConEd Wheel, that's been referenced quite a bit rolls off this April, and what reinforcements will be required to support the city of New York as a result. All of those are to be determined and are not in our plans, if you look forward to them.

How is that generation going to be backfilled? Will it be through more natural gas that's going to come in from the West, which will need more import capabilities or will it be offshore wind that will be off of Long Island that we're going to continue to build out at very expensive prices. Each one of those things will come back with a different solution for us on the transmission system. So take a good look at that and understand why we think there is a lot of upside in that part of our business.

And then on the bottom right, we talk about quite a bit over the last 10 years, how we've morphed the utility, but look at the difference in the regulation that we now have with the amount of – our rate base is going to be regulated by the federal government versus state of New Jersey. That's been the change that's happened over time, but it also reduces quite a bit of the risk from a single regulatory standpoint. So two good pieces of takeaway from the chart that I haven't spoken about in the past.

So our strategy, it really remains the same as it has in the past. We were out there trying to develop programs that are supported by the great employees that we have and all the pictures that are rolling in the back of the room here today. We've aligned those skills of the employees that we have with the policies of the state and as a result of that, we've been able to put these programs in place that we've spoken about, whether it be our gas system replacement program, the transmission build that we've had, or some of the energy efficiency and renewables that we've done, that we never dreamed of doing in the past.

So put those two pieces together, and now I'm going to trying to transition into what we've done, and why you should believe in our team to a big degree.

Let's start with operational excellence. From my standpoint, this is all about keeping the lights on and the houses warm for our customers. And you need to do that not just on a blue sky day, but be able to do that during storms. And again, I think our history has proven itself out from an operational standpoint, but I'm going through some metrics here that could give you a little more confidence in our ability to achieve the good results that are required by our regulators.

I think from a financial standpoint, the results speak for themselves. Our net income over the last five years has gone from $521 million to $889 million. It's been a nice growth plan and we've talked about that quite a bit. And at the same time, we've grown our rate base from just over $8 billion to just over $15 billion. So again, a good, nice program that we've had in place that's continued to show that growth.

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And [ph] take and put all of that (01:07:25) and Tammy has the timeline up there, but we had five programs approved back in 2008 – 2009 and then just about every year since then, we've worked with the board to continue to put those programs in place to allow us to recover the capital that we're putting to work above and beyond our depreciation expenses that are built into our base rate. So, working together, we've come up with those programs and been able to make those disciplined investments that we've spoken about so many times.

So, I'm going to dive into our operational metrics just a bit here, and I'm going to start with safety. This obviously has its benefits for just the reasons that it has there, which is to make sure our employees go home safely and sound the way that they came in. But I'll tell you, the other thing you should take away from slides like this from a safety standpoint, this gives you a good indication of how engaged your employee base is. You cannot have an engaged employee base if they're not working safely. This is the first thing, if they're not taking care of themselves and they're not [ph] returning (01:08:28) and watching each other on a job site, that you'll never be able to have a workforce that's pulling in the same direction to deliver the results that you're asking them to do from a company standpoint.

So, we look at this on a regular basis. And you can see there that we've been in the top quartile for many years, but really last year, for the first time, we've gone into the top decile from a safety standpoint, so it's something we're very, very proud of.

I'd say no metric, in and of itself, means more to our customers then SAIDI numbers. And for those of you that are not familiar with SAIDI, it's basically a multiplication of SAIFI and CAIDI. And for those of you that don't know what SAIFI and CAIDI means, that's all about SAIFI means how many times have the lights gone out and CAIDI means after they've gone out, how long does it take you to get them back on. And our metrics there again have produced excellent results over the long term, and we've been in the top quartile and have been recognized for 15 years as most reliable utility in the Mid-Atlantic region by PA Consulting. So another really good story that we have from an operational standpoint.

So you put some of those other pieces together and what is our – what do our customers think about us? And these are J.D. Power results. And the J.D. Power results for the utility not only have improved on an absolute basis but they've also improved from the standpoint of how we stacked up against the other utilities that are in that panel. And so you can see that growth that we've had there, obviously, increasing your scores are better, and we've been in the top quartile for most of the metrics.

But one area that we have a challenge in is our gas business metric. And while we actually won that award in 2014 for being number one in the J.D. Power results, we've trailed off in the last few years. And it's all been driven by a perception from our gas business customers that prices aren't cheap enough, when we look at the data that's in there. A little bit of that is the access to the Marcellus Shale, we, the state of New Jersey, haven't been able to really build out the pipelines the way we might have wanted to, so there's an expectation from those business customers which are smaller and smaller, by the way.

Our industrial load continues to go down a little bit on the gas side, but their expectation is that they have access to that really, really cheap natural gas that they see in Marcellus Shale just across the border in Pennsylvania. So it's a little bit of the challenge that we have there and we continue to advocate for access to that low cost commodity.

So, keeping the metrics going, making sure from an operational standpoint we're delivering. And then I'd say, keeping your costs down for your customers is something that's also very important, something that we have a very good track record of doing. Again, going back to 2012, here you see we've kept our compound annual growth rate under 1%, and it's a really driven by three different areas on our operations team. One is we continue to look for process improvements through Six Sigma efforts, and you've heard that from a number of different folks.

We streamline our organization and continue to morph that based upon where the workload is. So as an example, when our FEMA work picked up on Long Island, we were able to shift some of the people working on projects out to support that effort. Our gas distribution system management team has been changed quite a bit as a result of our Gas System Modernization Program. So that continues to change in ways that we can move people around to maximize their value.

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The one piece of the puzzle – and I have to give a little shout out – Dan here and his team, they've done a fantastic job of managing the pension and the interest expenses and that's also buried in these numbers here and really has enabled us to keep those costs down. So thanks to Dan and his team for that.

I'm going to go back – I'm going to take a chance here if I don't shut this off – but I do want to point out one thing on O&M side before we do move on, and I'll tie this in a little bit on a rate case conversation. You see those costs have been flat, but they started to creep up a little bit in 2017, and that's a direct reflection on three different regulatory changes that have taken place in New Jersey.

One, there's a push on cyber. And again rightfully so, we're starting to look at cyber efforts that are more down at the distribution level, that's increased some of the O&M costs for us. Second, there's been a real push on meter inspections that have taken place and so we're out inspecting our gas meters in a way that we haven't in the past, which have increased some of our costs. And third, and most importantly, is the tree trimming changes that have taken place in regulations on tree trimming. In fact, when we look at numbers – when we look at 2017 and out to 2018, those numbers are going to have to increase even more dramatically to keep up with the full year program and that the state would like us to have from a trimming standpoint. So more to come on expenses associated with trees and O&M, but that is part of the driver that you'll see when we talk about why does it make sense in the rate case and some of the questions that you may have from an expense standpoint there.

So just to summarize what we've done and why you should believe [ph] in this sort of team (01:13:27), this is probably the number the two numbers that mean the most to you from an investment standpoint. We've been able to deliver that rate base growth, and we've been able to deliver that net income. And I would challenge, when you look at most utilities across the country, to have a story where you've delivered the operational excellence that we've had at the same time that we've been able to grow the business the way that we have. And just a lot of thanks to the team that we have in place.

So let me transition now from what we've done in the past to what we are planning to do in the future. And we've got two numbers for you here in two separate charts. One is our base capital plan is what we're referring it to, which is the $12.3 billion plan and then the $13.8 billion plan, what we think is reasonable, and I'll go through the differences between each one of those.

First on the left hand side, those are programs that are either been approved by the Board of Public Utilities or transmission projects that have been approved by PJM or are in the queue to be approved by PJM, replacement of transformers, those types of things at the PJM level, RTEP programs as well. And then on the distribution side, all the programs that Tammy mentioned and how they roll out, both from a base capital expenditure and from a clause recovery capability. And again GSMP is probably our best example of that.

But one thing that we have included, on the left hand side, in your base capital is an extension of the GSMP program into 2018, 2019 and 2020. That program is scheduled to end. If you recall, back it was a three-year program. We have got nothing but positive feedback from the Board of Public Utilities, not only since we started the program, but when we actually proposed the program that they expected us to come back in. And we do expect later this year to make a filing to continue that program, and I'll dive into a little more detail about that in a few slides.

On the right hand side, there's really three things that we're expecting that we could be able to move on. First, not only do we expect to continue the GSMP program, but we think we can increase the spend associated with that program on an annual basis. And we've done that, and I'll show you a little bit about that in some of our slides, but we've actually been able to install more feet of main on a regular basis than was previously thought. And again, I think that tells a good story and we've gotten good feedback not only from the regulator but from our customers on that.

Second, we think, as Ralph mentioned, that there's more to do on the electric front, on the Energy Strong pipe of investments. So more of replacements of our substations and our switching stations in some of the low lying areas, but also the reinforcement and resiliency that's needed for the last mile, and I'll talk a little bit about that on that last mile from a T&D standpoint.

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And finally, the one that probably we bring the most attention to internal – in the building but also as we try to convince regulators about is the movement into energy efficiency and renewables, and again, I'll give you a little more detail on that. So, that's what makes the difference between the left hand side and the right hand side about what we expect from a capital standpoint.

So let me dive into the programs just a little bit. Transmission. I think most of the last four or five years I've gotten up here and talked about transmission and giving you four or five different slides on transmission. The fact that we have one slide on it is not because it's any less important to us, but in fact because it's become more of a normal process for us to go in and have these efforts to go on, on the transmission side.

There's no less focus on it from our standpoint, we still have $6 billion of investment coming. And they come in three buckets on our transmission side. First, the large projects that we have, there's two of them that we have ongoing right now, the BLC line, the Bergen-Linden Corridor, which again, we talked about quite a bit in prior years. That involves us bringing lines into the Newark and the Essex load pocket area, coming down from the northern part of New Jersey.

And what we've just accomplished, which is kind of a neat little thing, and I was trying to convince Kathleen to put some pictures in here, but we decided we'd bore everybody to death, we actually drilled the line, and completed last week two of them, underneath the Newark Bay. And so we're starting that process and really being successful, and Kim Hanemann and her team [ph] Kim's here, who's (01:17:54) responsible for those helicopters flying towers in and everything else, really have done a fantastic job. And just a no never mind at this point, but from our standpoint, it's a lot more than a no never mind for the work that they complete on a regular basis.

So that's some of our big projects. And the other large project that we have is that one line that I mentioned going from Edison to Metuchen, and then down into the Trenton and Burlington areas, which again is going to upgrade that 138,000 volt corridor that we have. So those are two approved launch projects.

In addition to that, we have other RTEP projects, which you can all find on the PJM website. All the details are there, the number of those projects, what they are. They're everything from breaker replacements to new capacitor banks that are required. And then we have our ongoing subtransmission to transmission system upgrades, which accounts for about $1 billion to $2 billion of the number here, and that's where we're taking our system that was 26,000 volts and upgrading it to 69,000 volts. So for those of you that live in New Jersey, those are the big poles that you see everywhere. Especially in Bergen County, if you go up Route 17, you'll see that that's just a good example of what we have on an ongoing basis.

I'm going to move ahead a little bit here to the electric distribution side and some of the opportunities that we continue to have here. This to me is really two-fold. And one is this slide, which really talks about the core infrastructure. So, we need to do more with some of the stations that I mentioned that are in the low lying areas, the resiliency, the efforts that we've had from an Energy Strong standpoint. But I point out to you the aging infrastructure section there, 65 substations that are 60 years of age or older, 30 substations that are older than 80 years, those are assets that need to be replaced on a regular basis.

Now is the time to do that. We've talked about the commodity prices so on and so forth. And it's not just because they're old, it's because technology is also passing them by. And I'll show you a little bit about the examples on that on the next slide. So we've got to focus on those substations and those switching stations, but take it out from the substation and the switching stations and start to get closer to the homes.

For those of you that may be down – may have been down in Florida recently, you've seen all the work that Florida Power & Light has done to build out the resiliency of their last mile, their infrastructure. There are concrete poles everywhere, along their right-of-ways, along their streets, the concrete poles are there, much more reliant than the wood poles that we have. There are some tradeoffs that are required from the traveling public, but those are types of things that we're going to be taking a look at to see what we should be doing and having conversations with our regulators and say, hey, are these programs that we should be moving forward with. How do we get that last mile into the customers' home more reliant and more resilient than it ever has been before, because they demand it from us, and you see that in all of the conversations that take place over storms.

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I happened to be down in Florida during the last hurricane that came through. And I think FPL had like 20 customers out and they were having a big press conference about it in the middle of a hurricane. It was amazing though, because they really didn't get hit and it really was due to the fact that they had all of this work that they did ahead of the storms to be prepared for future effort. So kudos to them and hopefully we can copy and see what we can do to upgrade our infrastructure in that same manner.

While you do all of that, you also have to go ahead, as Ralph mentioned, and upgrade the technology and move forward a little bit from this standpoint. And that's really – to give you a little bit more detail here than we have in the past, that comes in a couple of different ways. One is you upgrade the way the T&D system speaks to itself. So you upgrade your relays, you upgrade your different SCADA system, so that you can operate the transmission and distribution system.

We have started a lot of that associated with our Energy Strong work. We've got our new SCADA system at the distribution level that's in the process of being installed and actually has rolled out. We're continuing to work out some of the kinks out of that system. But that allows us to put the lights back on much faster than we would have in the past, because we have remote access to just about all of our system now as a result of these upgrades. So a station breaker trips, we go in and operate that station breaker remotely, where in the past, we would have to send someone out to the station of closing the breakers. So some big upgrades that are happening there.

Not only do you do it there though, but you have to start to move to the customer. And there's a pretty robust conversation going on in New Jersey right now about AMI. What do we want to do with automatic metering? Do we want to deploy that everywhere? How is it deployed? I think Orange & Rockland just had a case that was in front of the Board of Public Utilities, and they're still going through whether or not that's going to move forward. But it's something that we're going to tee up again as part of this next rate case. Because we think, from a customer experience standpoint, we can't bring all the value that we know customers are demanding unless we have that ability to touch that customer and be able to communicate to the customer directly.

So, all opportunities are out there. You could go past the meter and actually control the thermostats. And in fact, in our EE filing that we just made, we've also proposed that as another way for us to help the customer and to try to actually communicate to see whether or not their lights are on. And if they are on, what kind of usage they have and so on. So, we think about all different ways that we can touch the customer and that's part of this technology upgrade that we're going to have and again, all conversations that we need to have with our regulator to see how they want to move forward with it.

Now for my favorite slide, the most boring, but my favorite. Just the replacement of our old cast iron gas system. Just last year, we replaced over 200 miles of the cast iron that we have in the system. We have the largest cast iron system in the country, no doubt about it, and there's a need to replace it. And in fact, just last – two weeks ago, a 16 inch, 60 pounds pressure gas main [ph] let go (01:24:06) on my – about two blocks from my house, and was quite the event and got everyone stirred up, and it just reminded me once again, the importance of what we're trying to do to make these upgrades. These pipes have served us well, but it's time to replace them.

And again, I think if you talk to our regulator and our policymakers, everyone would say the same thing, it's time to get ahead of this curve and make the replacement. It's an efficient way to do it because we're – it's programmatic. And so we're hiring our contractors and they have a full set of plans, work for years ahead, but it still is only a five-year program, and I'll talk a little more about why we think a longer program makes sense in a few slides.

From a customer standpoint, we were concerned that how many miles could we actually do. We'd not only disrupt the traffic flows in towns, when we go in to do this work, but we also have to get into every single customers' home to change out the meter, to upgrade the service and to relight all the appliances. How is that going to go? We have had fantastic results and the team has done a great job of really keeping down – if you look at our complaints, you won't even know that we had a new program in place. So great work is going on. And again, I think it's all important because it proves to the regulator that we can do the work and we can do more of the work that we have out there. So again, kudos to our team.

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The last piece of this, which was rather unique, was we also worked, from an environmental standpoint, where we're the EDF. And the reason we did that was because while you can – there's a lot of 4-inch cast iron maintenance that's in the system, and it's certain pressures, and so you want to upgrade all the 4-inch cast iron, and it's all 50 feet away from a building, there's also then a different way to prioritize that work based upon methane leaks and maybe a little different impact on the environment.

So we worked with EDF, they've mapped the system for us. And by doing that, again, we've got more [ph] buying (01:25:55) from a bigger audience than we ever had in the past. Now the environmental community is using us as an example around the country, as to how I a gas main replacement program like this should be done. So again, that's the funnest and the sexiest type of project that you might have, but it's really, really effective and again, the team has done a fantastic job.

So solar and energy efficiency, I'll steel a line from Ralph, this is the most mind boggling thing to us, as you look forward, is to why we really haven't been able to do more of this. It just make sense. We are the only entity that can provide universal access to these services to all customers. We being the utility, not just PSE&G but anyone of the utilities in the country. If you want to provide universal access to energy efficiency solutions and to renewables, the utilities are the only way that you can do that. And we've talked in the past about the difference in the income of households who has access to solar and who doesn't, well it's the same story from an energy efficiency standpoint, because you're going to go in and buy a cheaper light bulb if you can versus a more expensive one. So how do you provide that universal access? You use utilities for it.

By us doing it, we've proven time and time again, it's the lowest cost, probably half, from a renewable standpoint, to put a solar panel on a landfill then it is to put it on top of someone's home. So again, from a consumer standpoint or from a society standpoint, we're the right solution for that. And at the end of the day, we are the best channel for the customers, because we have access to every one of the customer.

So I'll talk a little more about it, but this is one of the areas that probably frustrates us the most, and we're going to continue to take incremental approaches like we did with the $76 million program that we proposed on Friday. In that one, we're just going to continue what we've done in the past, focused on our hospitals and some of our municipal buildings, as well as low income folks, and then a little bit more in the thermostat area and some education for customers that we haven't done in the past, again, to show the regulator that we can add value in this area in a way that most others can't.

So think about the different ways that we've talked and the different places that we've got to invest in, we think the $13.8 billion program is very reasonable. Although we're only really in our plans talking about the $12.3 billion. What's the difference in the $1.5 billion? About another $300 million or $100 million a year on gas main replacements, we think again, that makes sense because of the history and the results that we've achieved.

On the electric distribution side, an expansion of the Energy Strong program and continuation of it. Again, that built into our base plan, but about $800 million that we think makes sense there, and about another $350 million or so on additional energy efficiency/renewables provide that universal access to customers that they so dearly need. So that's the story from that standpoint [ph] to us (01:28:56).

Look past that initial five-year plan, and what is out there that could be done? And we're going to tee up many of these issues in the timing of the rate case. How we do that, Tammy and her team will come up with the best way to have those conversations with the regulator. But I want to take you to the right hand side and really look at Utility of the Future and tick down those pieces.

From an electric infrastructure standpoint, lifecycle programs. We do not – I talked about those concrete poles – we do not proactively replace any wood poles in the state of New Jersey today. There is no proactive replacement program. So what can we do working with the regulators to put a program in place, to replace that infrastructure, that's just one example. You could take that to the wires, you could take that to the substations that I talked about that were 80 years old. What are we going to do to have those lifecycle programs put in place?

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From a customer standpoint, what do we want to do from an automation? How far do we want to automate the system? I'll talk a little bit about AMI at the bottom, when we get into the energy efficiency side, but what other controls do we want to put in place for some of our industrial and commercial customers? How much access do we want to have for them? How do we want to automate some of our networks that we have in some of our inner cities? There's other opportunities that we have to automate that distribution system.

And then, one of the big items that's out that's really not clear is EV charging stations. Now where is that going to be? Is that going to be an asset that's going to be put in place and rate based by utilities, or are we going to continue to see Tesla put out their stations and [ph] Harry (01:30:31) put out his stations and [ph] Larry (01:30:33) put out his stations, and then the customer's not going to know what he's plugging into. So how do we provide, again, universal access? Get back to that same message from a utility standpoint. And we believe, again, it makes sense for us to be involved in that and to get out there from an electric vehicle charging station standpoint.

Now I'm not even sure how Tesla gives away free electricity right now, I don't know if they're a retail provider, I'll let our lawyers figure that out. But right now, they've got that built in somehow and they're giving away electricity, but they're not retail provider. That will get played out over time and we'll see how it is once they start charging for it, or somebody realizes it's built into the cars already. Right, Tammy? So let's see where that goes.

On a gas infrastructure side, GSMP, I've talked about that a number of times, I won't repeat that, but CNG, compressed natural gas opportunities that we have in the state. New Jersey is perfectly positioned from a port standpoint to become a major transportation provider. We just raised the Bayonne Bridge. The reason we raised the Bayonne Bridge was so that we could get big tanker trucks – tanker ships to come underneath. Once those tankers come in, they have to offload; once they offload, they need to have a way to get out to the general public, perfect fleet operation opportunity for us. How do we get CNG vehicles out there? It could not only be just for the big trucks, but absolutely for the tugs and the other equipment that work around the port and for us to put those types of CNG charging locations in.

We have not done anything, really, from a CNG standpoint, over the years, and it's for one simple reason. We had a contract to take refinery gas from some of the refineries along the New Jersey Turnpike, that contract expires this year. So we're going to have the ability to start to propose some of these CNG stations. Because if you take refinery gas, it's a different quality gas than most of the engines can take. So the [ph] Cummins (01:32:28) and all those other ones that have the natural gas engines wouldn't allow you to mix that type of fuel and now we have that opportunity. So, we're going to move ahead with that and again have those conversations as we get into the rate case timing.

Distributed energy resources. Well, you've seen what we've done from a Solar 4 All standpoint, that's gone on for many years, and again, the cheapest way to deploy solar in the state of New Jersey that we found so far. We're starting to have conversations about microgrids, we're working with Hoboken, we're working with New Jersey Transit right now on two microgrid projects. Those are ongoing conversations, the state has started a stakeholder process on microgrids to see where they want to go from a policy standpoint. Again, we're going to tee that up, universal access to microgrids. We can't be picking winners and losers. Who has access to the microgrids or how are we going to provide that service to customers on a regular basis? Universal access, same message again.

Batteries. What are we going to be doing from a battery standpoint? We've actually started some trials with batteries on some of our Solar 4 All sites, specifically at some of our schools, so we're testing that technology. We're going to be coming back and proposing some of that, where we can use batteries to offset maybe some T&D investments. Our system doesn't really lend itself very well for that, but there might be specific pockets and specific customers that see some value, and we're going to be pursuing the batteries as well.

And then there's the Holy Grail of fuel cells, which are out there. And again, I put that on your more for the long term, there's really nothing in the near term that we see that's going to make sense. But that clean gas that we have now, and not having refinery gas, provides some additional opportunities for us there.

Energy efficiency. We just continue to bang the drum. This is what you want us to do. And if you really don't want us to provide retail to all of our customers, we should be doing it for the customers that have provided benefit to all of the folks in the state of New Jersey. And that's really the hospitals, the municipalities, the state universities, and again,

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some of the low income folks that we have. We're going to play around with this a little bit and see where we can go, but I would expect that again, as we get into the right case, you're going to see some large proposals that we're going to make to move these programs forward.

So that's the long term, that's where we see to go, and that should take you out well beyond the five years. And, again, if you look at those programs and you look at our track history, you could see that we think we're going to be spending and deploying about the same amount of capital year-over-year in the future, and that [ph] back end of that dip (01:35:02) that Ralph talked about and showed you there, you should have some confidence that we're going to continue to fill that up as a result of what we've talked about here.

All right. That just basically summarizes what I just spoke to and some of the ability that we have. Just again, take away the facts we have – more dependent on our system than we have ever been in the past, more resiliency and reliability required. We have old assets that need to be replaced and we're moving it to a new age for the utility as far as our interaction with customers.

Okay. Let me talk a little bit about the base rate case and a little finer touch, what Tammy mentioned. We really see this as a moderate increase that we're going to be proposing, very moderate increase when we look at it going forward. But why is it something that you [ph] shouldn't (01:35:56) have a concern is going to have a negative impact on us? One, the sales have been flat. We showed you that in the past, we really have not outstripped ourselves over the last – outstripped 1% on our sales over the years, so that's been flat. While we've held O&M flat, we have these three major regulatory requirements that are starting to drive up costs from an O&M standpoint and we're starting to roll that in and you're starting to see that in our numbers, as we're doing that, that's clearly happening.

And finally, as Tammy mentioned, there are a lot of the capital programs that we had, have additional capital requirements that were not being recovered as part of the contemporaneous return that were required as base expenditures. And as those are in there, they'll also drive some of the requirements for base rate increases. So I think if you'd step back and look at it with that lens on, you clearly see that there's a need for a rate case, but a moderate one that we project going forward.

One last thing, and again to put a little finer point on something Tammy mentioned, there are some additional roll-ins that we have, and the biggest one being the roll-in – and you'll read about this – of our costs associated with Sandy. That long ago, we have deferred all those costs, but I would just remind everybody that there was a proceeding that took place, where the costs associated with Sandy were found to be prudent. So now we're just going to be talking about the timing of how we get that money back. I think there was some [ph] food (01:37:17) that was disallowed in the proceeding, but that was it. So we'll have that going forward.

So why does regulatory reform make sense? And we've talked a little bit about these programs and the fact that we've been very successful with it, [ph] all are true (01:37:36). But I want to draw an analogy for you. The state of New Jersey just made a decision to provide certainty for customers, the contractors that work on these assets, and the people that use the assets by implementing the TTF, the Transportation Trust Fund. That was something that was decided and pushed for by the users of the roadways, because they wanted to have certainty in good roadways as they went forward, so there was advocates for that. The policymakers agreed and they decided to put it for a vote. And the customers wanted certainty for long term projects.

So, if you used the parallel from our TTF experience that we just had in the state, this makes a ton of sense. Our customers want it, our policymakers want it and certainly the users of our system want it on a regular basis, and know that this system is going to be there for them when they call on it, from a T&D standpoint.

So, we're going to continue to have those conversations. It's good to have three-year programs, it's better to have five-year programs, it's even better, as we've just seen, for there to be an infinite program, based upon certain amount of dollars that are going to be invested above and beyond the costs that are being covered by the customer right now. And that's what the state of New Jersey has done, and that's what we're proposing. So, just draw that same parallel and see why it makes sense.

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In addition to that, we've got the job creation and all the points that we put on the slide here. But we feel pretty confident that it's the right time, and it is going to be very, very little impact on a customer bill, and I'll show you that here next, which is why I think no matter how you cut it, Ralph showed the bigger – the longer term impact on bills, but from our standpoint, if you look at what's gone on for a typical residential customer, there is tremendous headroom in the bill.

So, why wouldn't you have some of these long-term programs? Why wouldn't you have some of this long-term capital that's going to be laid out [ph] to come back in? (01:39:47). I think if we took it out, it would take us 10 to 20 years for us to roll in all of the programs and actually even get [ph] caught back up (01:39:55) to where we would have been in 2009 from a price standpoint.

And you're not only just looking from an absolute standpoint, but one of the things that we're very concerned about is not just, hey, are we getting $10? And we used to get $10 in the past. No, we got to also look at the amount of disposable income that our customers have, because that's also a part of it. Because if they have other burdens that they might have, that they're trying to pay for, they'll also be upset about paying the utility bill and how that impacts them. And so, we even take a look at the percentage of disposable income that we might have, and we look at that on an ongoing basis, and again, try to take that into account as we lay these programs out.

So there's a need for this infrastructure, there's a desire for the customers to have certainty about their bills, and there's headroom in the bill, It's the perfect storm for us to continue to move ahead with the programs that we've developed.

I think you've seen this before in some of the conversation and about the range that we have. So we continue to produce the ongoing positive results from a net income standpoint and again, it's all based on the positive story that we have, that I just walked you through. So let's take two seconds to talk about something that we're really proud of, which is the work that we've done on Long Island. While it is not a large impact, as Ralph showed you on the pie chart, to our total EPS, the team has delivered everything and more than we expected.

Dave Daly and his group out there have done a fantastic job of operating the system, hopefully somebody that might be customers out there have seen the difference in the way we're providing information to customers, the way we're keeping the lights on, I'll show you a couple metrics on that in a second, but they've really done a fantastic job. And as a result, they've received over 95% in their incentive payment that was built into our contract in each of the years [ph] that we're (01:41:43) out there. So a good testament to the operating experience that Dave and his team have brought and the way they've been able to deploy it.

In addition to that, Shahid and his team have done a fantastic job of trying to keep the costs down for customers from a commodity standpoint, the input to the tolling generation that exists on Long Island, so they've done a really nice job. And that they've, as a result, been able to have a $20 million contract that's in place. So it's two pieces in a puzzle, it's Dave and his team, and Shahid and his team, and they've really done a nice job of delivering the results. So a good story all around.

Just looking at the metrics again, customers – from an employee standpoint, the employees are much more engaged than they were in the past. Customers think more of us from a J.D. Power standpoint and for some reason on this slide, we didn't multiply SAIFI and CAIDI together, so you don't have the SAIDI number, but we have a little bit of a difference in some of the results, the lights have gone out a little bit more in Long Island, but they've been planned to go out. Because that's all associated with safety initiatives that we've had in place to try to reduce some of the exposure that our employees have while they're working on some of the live lines. And as a result, if you multiplied the SAIFI and CAIDI together, we still have some positive results out there, which is why Dave's been able to get his incentive compensation returns.

So with that, I went red on our timer, but not by much, only by a few minutes. So I'm going to have Tammy come back up and we'll answer a few questions.

Tamara Louise Linde

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Feels like we're going to have a TED Talks now.

Ralph A. LaRossa

Yeah.

Q&A

<Q - Andrew Stuart Levi>: Hey, Ralph, it's Andy Levi at Avon Capital. What's the average cost of a substation, do you think?

<A - Ralph A. LaRossa>: Oh, they're so different, Andy. I wouldn't even try to venture to guess. I mean, there's – some of them are what we call Class A, which are only servicing 10,000 customers, there's others that are servicing 100,000 customers. And as an example, Newark Switch [Newark Switching Station] is one of the big other transmission projects that's in the queue if you look at some of the TEAC proceedings. And that project, in and of itself, for one substation is going to be over $100 million. There's others that we're going to do where we'll be upgrading and will be $50,000. So I mean, $5 million [ph] that even will be close (01:44:09).

<Q - Andrew Stuart Levi>: Okay. But how big do you think the opportunity is on the substations?

<A - Ralph A. LaRossa>: Well, again, we haven't portrayed any specific number for any one of these substation replacements. But, if you take the Energy Strong numbers that we've had and understand that we only did one-third of what we proposed, I think you can figure out what the potential CapEx is in some of those areas.

<Q - Andrew Stuart Levi>: Okay. And then for the concrete poles, is there any way to kind of quantify cost for concrete poles?

<A - Ralph A. LaRossa>: I was – I happen to be in Florida a little more than I like the last few months, and so I'm taking a look at a few of the concrete poles, and that's again a replacement program that would be ongoing, and it just would be one of the opportunities that we have in there.

<Q - Andrew Stuart Levi>: [ph] But wait, (01:44:52) there's no way to figure out what the cost is for...

<A - Ralph A. LaRossa>: I wouldn't even want to guess what that is.

<Q - Andrew Stuart Levi>: ...how many poles or – okay. And then, the last question is on the $1.5 billion increase in the CapEx, is most of that contemporaneous?

<A - Ralph A. LaRossa>: We would only do it if it was contemporaneous, right. So, we've, just as Ralph mentioned, from a power standpoint, we're not going to put capital work at less than our cost of capital. And the regulators understand that, we've had those conversations. While we are blessed with older systems, the problem that we have is that our depreciation expense in our base rates is very low. So, the only way to do it and still achieve your allowed ROE, which is what the regulatory compact is, is to put these clause mechanisms in place.

<Q - Julien Dumoulin-Smith>: Hey guys, back here. Julien Dumoulin-Smith, UBS. Maybe to just follow on Andy's question just a little bit more to be specific, on the gas main replacement program, what is reflected in the current program versus that $300 million, I think we talked about a week or so in the call, just kind of apples-to-apples? And then, also I think you're alluding to the potential to ramp that up further. So, just kind of give us a sense of where we put it at now, and then what the potential is there.

<A - Ralph A. LaRossa>: Yeah. Kathleen, I don't know if you've got those numbers of Tammy. I want to say that we had $800 million in our original program.

<A>: It was $905 million in the original program.

<A - Ralph A. LaRossa>: $905 million in the original program.

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SI-SSA-0015-14759

<A>: [ph] It just went through (01:46:14) this year. And then what Ralph indicated, [indiscernible] (01:46:19) additional $100 million over 2018, 2019 and 2020 [indiscernible] (01:46:29)

<A - Ralph A. LaRossa>: Julien, I have the numbers right there. So let us go back here with the specifics on those. But there's – [ph] it continued at $900 million (01:46:37) program, so basically call it another $300 million a year, but we...

<A - Ralph Izzo>: [indiscernible] (01:46:42)

<A - Ralph A. LaRossa>: [ph] 321? (01:46:41)

<A - Ralph Izzo>: [ph] Through 2021. (01:46:41)

<A - Ralph A. LaRossa>: [ph] Through 2021 (01:46:43) and then we're going to – then what we're proposing is to increase that to $400 million based upon the fact that we've been able to deliver that level, and we've been able to do it safely and meeting the customer's needs.

<Q - Julien Dumoulin-Smith>: And then subsequently same kind of direction, CapEx-related. You allude to AMI here, what's the timing of making that filing? Specifically, is it in tandem with the rate case? And obviously, it doesn't seem to be reflected in the case at all. And [ph] there too (01:47:07), maybe to use Andy's framework, how do you think about the potential cost of an AMI program per meter, any kind of initial metrics to think about what deployment would look like [ph] fully (01:47:17) across your [ph] capital costs (01:47:18)?

<A - Ralph A. LaRossa>: So it'd be premature to say, but I think if you just multiply the number of meters we have, we'd probably be in $1 billion or above to roll out a true AMI program. But again, there's different levels of that, depends upon what meter you buy, how you put the mesh network out, different ways that that you would approach that. But we are not sure yet, we're going to have conversations with the regulator in advance. We're going to see how we want to do that. Do we want to roll that into one case? Do we want to have multiple cases? I think right now, based upon what we've seen done, they've separated those types of requests from the base rate proceeding. They did that in the Orange & Rockland case and we would expect that same type of thing to happen when we have our conversations.

<A - Tamara Louise Linde>: The only thing I'll add on the AMI is it is that pre-discussion with the regulators that's important. We're not – we don't have any plan to go and install AMI and then come back and look for recovery. So, what you've seen is it's just a history – a successful history of going ahead with investments that are needed to meet our obligations, but where we're going doing something on an accelerated basis or whether we're doing something that is not required to meet our obligation but we think is good for the customers, we meet with the policymakers and then only go ahead if they agree that it's something we should do.

<Q - Julien Dumoulin-Smith>: Right. So, perhaps just to clarify, this would be subsequent to the rate case contemplated. So therefore, i.e., 2019 onwards that you'd be making the filing?

<A - Ralph A. LaRossa>: No.

<A - Tamara Louise Linde>: We haven't decided yet, and that's something that we're currently looking at whether that would be part of the rate case or whether it would be filed separate from the rate case.

<A - Ralph A. LaRossa>: But at the same time.

<Q - Julien Dumoulin-Smith>: Okay.

<A - Tamara Louise Linde>: At the same time, or within a month or so. Those details really depend on a variety of factors and we just haven't gotten to the point where we have finalized the timing of that.

<Q - Julien Dumoulin-Smith>: But CapEx could start in 2019 [indiscernible] (01:49:13)?

<A - Ralph A. LaRossa>: Again, and Julien, I would say it's not just AMI, right? I talked about a number of other things that we should be doing to upgrade our SCADA systems and our relays. So, there's multiple things that we could be doing on a technology front.

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Bloomberg
SI-SSA-0015-14760

<Q - Stacy Nemeroff>: Hi. This is Stacy Nemeroff from Bloomberg Intelligence. I have a couple questions about basically these growth opportunities that you've mentioned. One is related to the AMI and the automation. I would think PSEG is actually, from a profit earnings perspective, more exposed than a regulated utility to a potential cyber attack. And as you automate and increase access to the system, you're exposing more entry points. So, what is – how are you working on this? How are you considering it? Do you have analog backup plans for the system?

And then also, you mentioned helping to potentially help New York deal with potential supply constraints related to the closure of Indian Point, but how would that work in terms of – from a regulatory perspective, between PJM and New York ISO? And then finally, is PSE&G uniquely positioned to capture synergies from acquisitions of other New Jersey electric or gas utilities?

<A - Ralph A. LaRossa>: So the last one's easy, we usually don't comment on that. So that's the easiest one to kick. I'll go back to the cyber security. I think – the question is posed quite a bit as does AMI provide another entry point? And I think that a lot of it has to do with how those systems are designed, right. So you can have one-way communication, two-way communication. And I apologize for those of you that have heard this story before, but when we had the Super Bowl here a few years back, we went completely manual for that exact reason. So we had those backup plans to be manual and analog and different ways to operate the system.

The easiest way to eliminate the threat is to disconnect from the Internet, and we did that during the Super Bowl where we took all of the stations that fed that area and just disconnected them from the SCADA systems and put individuals out there. I've said in a number of different place places, we know the exact number of – the cost number that it would be, that if IT costs get to a certain point, it's a lot cheaper to then go back and put those blue collar workers in those stations. And so we know what it is, and if the prices go up, we'll go back that way, because there's always that fallback plan.

The other thing that we're blessed with is the compact service territory. If there was an incident, the ability for us to deploy our folks quickly is much better than it is for other utilities. And again, I think you can go back to the 2003 blackout, and that was part of the reason that we were able to restore [ph] to (01:52:24) customers before many of the other utilities, because we had folks that were able to go out there quickly and start to bring the system back remotely rather than depend on the [ph] Verizon (01:52:34) system, which was a challenge that day. So those are all the pieces.

As far as the New York-PJM Interconnection that [indiscernible] (01:52:44) made and identification made through those Regional Transmission Expansion Plan in New Jersey and a similar plan that the NYISO has. So PJM and NYISO will continue to look at that, a lot of it will be driven by what the parameters are and criteria that each one of them have built into their planning criteria, and we'll see how it plays out. Right now, what we do know is that Indian Point is closing. We do know there are multiple proposals as to how to backfill for that, I don't know which one will be selected. And each one of those proposals could have a different impact on our grid up in the Northeast part of the state.

<Q - Jonathan Philip Arnold>: Ralph, Jonathan Arnold from Deutsche Bank. Just wanted to just return to the spending numbers just to make sure I've got this 100% clear. So this $300 million of extension of the GSMP at the current rate included in the base plan, that wasn't previously in the base plan. Is that correct?

<A - Ralph A. LaRossa>: Yes. And then if you move to the right hand side, there's an additional $300 million that we think makes sense.

<Q - Jonathan Philip Arnold>: Which is [indiscernible] (01:53:55) 2019, 2020, 2021 of $100 million a year higher rate.

<A - Ralph A. LaRossa>: Right.

<Q - Jonathan Philip Arnold>: So that piece – that $300 million is part of the $1.5 billion of upside over the base.

<A - Ralph A. LaRossa>: Correct.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14761

<Q - Jonathan Philip Arnold>: So, could you then sort of break down how the rest of the – how does the rest of that, I guess, the $1.2 billion split between the electric distribution hardening and then the EE and solar?

<A - Ralph A. LaRossa>: Yeah, I think I mentioned it all, but just to repeat, it's a little over $800 million on electric. So that's again a continuation of the ES – the Energy Strong type of work, and then a little over $300 million that we think makes sense on energy efficiency and renewables.

<Q - Jonathan Philip Arnold>: Great. And then – and just to be clear, in the transmission base, some of these new RTEP plans that were just announced like a few days ago, are those in the [ph] base? (01:54:41)

<A - Ralph A. LaRossa>: Those are in our numbers.

<Q - Jonathan Philip Arnold>: And then, [ph] artificial item. I think there was something new that (01:54:44) came out on Friday, is that an upside or is that...

<A - Ralph A. LaRossa>: It's about $100 million haircut as it's currently proposed...

<Q - Jonathan Philip Arnold>: Right.

<A - Ralph A. LaRossa>: But there are other things that may be required that are not in the current project scope. So to get into the weeds a little bit, there was an SVC that was designed on the original program, that they have now pulled out, but will be required down the road. So I would expect that there would be another project that would come back in to backfill for that and find the solution, either with the SVC or with some other transmission solution there.

<Q - Jonathan Philip Arnold>: Okay. And then all the other things like AMI, [ph] basically about (01:55:24) Utility of the Future, the green box, that's all sort of part of that 2026 rate base that's outside of both base and upside.

<A - Ralph A. LaRossa>: Correct.

<Q - Jonathan Philip Arnold>: Okay. Great. Thank you.

<Q - Praful Mehta>: Hey, Ralph. This is Praful from Citi. Coming back to retail customer rates and all of this CapEx plan [ph] with (01:55:46) load growth, wanted to just understand how you're kind of matching the two, right. Load growth looks like it's pretty low this year, going forward as well, I'm assuming your plans would be for load growth to be relatively flat. With that and with this current CapEx and with the incremental CapEx plan, where do you see rates going, and then where do you see customer bills going?

<A - Ralph A. LaRossa>: So, two things. On the load growth, I think we had 0.5% and 0.7% on the gas. So it's 0.5% on electric, 0.7% on the gas. So, it is low. And it's going to – there's no increase in sight really when you look in the outyears. But if you – that last slide that we had, I think we had 2% is what we expect, the annual impact if we got all the programs that we had identified. So, if you layered in 2% into the headroom that exists in the bill, it's going to take us out well past 10 years before we even get back to where we were in 2009.

<Q - Praful Mehta>: Got you. So, this 2% is rates or is it bills, just to be clear?

<A - Ralph A. LaRossa>: That's the bill impact.

<Q - Praful Mehta>: Got you. So...

<A - Ralph A. LaRossa>: [ph] From our (01:56:49) rates.

<Q - Praful Mehta>: No. Got you. But then, are you assuming some reduction in usage or are you holding customer [indiscernible] (01:56:55)

<A - Ralph A. LaRossa>: Usage is flat – everything was flat.

<Q - Praful Mehta>: Flat. Got you. Thank you.

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<Q>: Hey Ralph. Question I guess for Tammy maybe on the – I guess, this is in the context of the [indiscernible] (01:57:09) Just when would you plan to address this with the New Jersey Legislature? How does the session play out this year? I'm not sure when they meet. I think it's a governor election year. Does that get in the way of them doing stuff? Maybe just a little more color on process in New Jersey?

<A - Tamara Louise Linde>: Certainly. So, we are in early discussions with all key stakeholders, both in New Jersey and at the federal level, and exploring on a parallel track what can be done on both fronts. And as I indicated, I do think it's more likely that if there is an action taken that it will be state-driven. As far as timing, I don't want to predict when something will happen. I think it's just fair to say that we are involved in active discussions at this point with all key stakeholders. And we don't want to wait until we have a situation where we're saying we're shutting down the plant. We think it's appropriate and useful to have these discussions at this stage and explore what options people have an appetite to take on.

<Q>: And just logistically though, when does the legislature meet this year?

<A - Tamara Louise Linde>: Sure. There is a legislative session that goes into this summer. And then there is a lame-duck legislative session. As you noted, there is a gubernatorial election in New Jersey in 2017. So, there are two periods this year where legislation could be introduced and of course beyond that. But there are two this year; one that goes up through the primary and then after the primary and after when there's a lame-duck between the November election and through the end of the year.

<Q>: Okay. And then one other question I guess on the rate case is just, should we – the one other piece in a rate case is obviously what kind of returns are you earning. So, should we assume going in with this additional spend in sales growth and the lack of sales growth and the like, that you're underearning your allowed return right now on the jurisdictional piece that's related to the base rates or no?

<A - Tamara Louise Linde>: I think it's fair to say that when we make this filing, we'll be asking for a moderate rate increase, and that we are constantly focused on earning our allowed return. So, it's a balance every day looking at what the investment needs are, what the spending is and managing all of that so we are as close to earning our allowed return as possible. And we do anticipate filing for a moderate rate increase.

<Q - Michael Lapides>: Hey, Ralph. Michael Lapides of Goldman here. We've seen throughout the country and are starting to see more in PJM FERC Section 206-related filings, related to transmission ROEs. Just curious how you're looking at the potential risk of this for your transmission business.

<A - Ralph A. LaRossa>: I'll tee it up for Tammy, because Tammy's a little bit closer to some of those than I am. But I think at a high level, you would say that there's enough need, as you see in our plans, for ongoing transmission that the regulators at the FERC really are not trying to disincent that investment at this point. So, the whole reason that we got to where we are is because there was a desire by the regulators to incent investment. And as long as we have continued to do that and continued to keep the rate [ph] spend (02:01:02), the total bill for the customer down, we have not seen a challenge to our rates. [ph] Giving to (02:01:10) Tammy from a regulatory...

<A - Tamara Louise Linde>: And as you know, we have a base ROE at the transmission level of 11.68% and there's a lot of activity still at FERC and in the courts looking at when transmission rates are still within that zone of reasonableness, but not at the median or the average of the proxy group. So, we're watching those cases closely.

As Ralph said, we don't have any complaint pending. Your rates are good and your ROE is good until a rate is – or a complaint is filed at the FERC and a refund effective date is established. So, the ROE that we're earning right now and until that happens, if it were to happen, remains in place. And we don't have any reason to believe anyone is concerned with our ROE at this time. I certainly would expect that at one of our annual customer meetings on transmission, if there was some activity, they would alert us to that. But it certainly could happen, a complaint could happen and we would be looking to demonstrate that our ROE is still within the zone of reasonableness.

<Q - Michael Lapides>: And then one follow-up, totally unrelated. Ralph, how are you – when you think out to that 2025, 2026 rate base opportunity, where does offshore wind fit into this, given New Jersey, along with a handful of

final
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SI-SSA-0015-14763

other East Coast states or probably some of the more viable states when it comes to the potential for offshore wind in the U.S.?

<A - Ralph A. LaRossa>: Well, I certainly hope from a customer standpoint, it doesn't factor in much. At $160 a megawatt hour, which is what we saw – that's the information that's out there right now in the press from the recent Long Island PPAs that were put in place – that's a pretty high number. So I don't have anything in the plan that accounts for that. Obviously, if that took place, you'd have a pretty dramatic impact not only on the customer bill from a commodity standpoint, but you'd have a lot from a transmission standpoint, because that is just to deliver to the land and then you have to figure out how you're getting all those electrons in all the places. So, our plan is not based upon that, it's based upon the commodity price staying about what we expect in the forward prices, and not being impacted by a much higher price associated with offshore wind.

<A - Kathleen A. Lally>: We have time for one more question and then we're going to go into a break.

<Q - Gregg Orrill>: Yeah. Thank you. Gregg Orrill at Barclays. Is there a up case on transmission CapEx that you could share with us? I guess, you didn't flex that.

<A - Ralph A. LaRossa>: Yeah. We don't really have anything in there that's an "upside" but what I was trying to allude to is that there's a lot of things changing which will impact the transmission system. So, again, whether it's driven by Indian Point, some other changes that might be happening because of additional generation that's being placed in Pennsylvania on top of Marcellus Shale or other things that are going on, that's going to continue to take place. And we really think the Wheel is going to have a big impact on the Northeast portion of our transmission system. But I don't want to speculate on any of that because I'll let the RTEP process play out.

Kathleen A. Lally

We're going to have a 10, 15-minute break and we'll be back for Bill Levis to talk about PSEG Power. Thank you.

MANAGEMENT DISCUSSION SECTION

William Levis

Well, good morning, everybody. Appreciate you coming back for what I think is the most exciting part of the program. I can say that because my boss isn't here right now. But we'll start much like you see the other presentations with our strategy in Power, which frankly is no different than the strategy you heard Ralph Izzo describe for the corporation and Ralph Izzo (sic) [LaRossa] (02:20:40) for the utility and it's excellence in operating our units safely, reliably in a cost effective fashion, all driven by an engaged workforce.

I did want to take the chance today to let the audience know there's two key members of the Power leadership team here today. Shahid Malik, who's here, the President of the Energy Resources and Trading organization. He will join me afterwards for the Q&A session. And also here today is Pete Sena, President and Chief Nuclear Officer of our Nuclear operations. Pete has been with us for about a year now and doing just a great job of improving operational performance and mindful of the competitive environment we are in, and having the right balance on both of those.

So you can read the headline here, we're transforming the portfolio to be newer, more efficient and flexible. Flexible is key because it's a matter of being able to take what the market dictates. And if you looked over the last decade what we have done simply is we knew we had good sites, locations were good, and so it was about making the most of those assets that we had at those sites. And making the most of those assets meant operating them more reliably, increasing the output where we could and extend the life. And extend the life could be with that existing technology or a change in technology.

And so what you see over that span of time is there were some very modest investments that would do that. Something as simple as 2013, adding a second gas pipeline to our Bethlehem Energy Center, modest investment. However, what

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SI-SSA-0015-14764

that had resulted in is BEC allowing to have a record generation year this past year. And with Indian Point going away, that site becomes more valuable in the future.

Other modest investments were simple things such as adding black start capability and area regulation to our peaking fleet, recognizing that those services will be more valuable in the future [ph] as a (02:22:46) renewable penetration and the like. And investments such as peakers in 2012, some of which were done in a competitive environment and others which were done under rate base. So we took what the market would give us in those cases. And that works its way up to operating our combined-cycle units to make them more efficient to the large project investments [ph] in (02:23:07) three combined-cycles that we'll talk about a little later today.

Also when the market says it's time to retire plants, we have done that. In 2011, we retired Hudson 1. In 2014, we retired Bridgeport Harbor 2. In 2015, we retired our HEDD units, and in 2016 announced the closure of Hudson and Mercer that we planned to retire in 2017. So we'll take what we can get from the market and when that's done, then we're done and we'll move on to the next opportunity.

So our generating assets as you know are in three competitive markets and what I like to call the most energy-intensive part of the world, that's from Boston to Richmond. And so, they're load pockets, which helps us quite a bit. And in fact, the new combined-cycle we're building now gives us access to a load pocket we didn't have access before in the Southwestern MAC, that's a D.C. Pepco area, and designed to benefit from volatility when it comes. We haven't seen much of that with warm weather, but when the winter comes, and it does come occasionally, we'll see that again.

We also have additional generation assets in the solar area, I'll talk a little bit more about that later. And our combined-cycle plant at Kalaeloa in Hawaii, an interesting case where this only combined-cycle in the island has become more and more valuable, [ph] as (02:24:33) its optionality has more value in the marketplace with renewable penetration there.

So we use the word diversity and you've heard the fuel diversity piece and you know Ralph had a similar picture up before. The other thing I would comment on, diversity is different plant types, and that plant types are base load, mid-merit and peaking plants, although the market is telling us those are morphing somewhat, where our mid-merit plants were typically combined cycle, sometimes operate more or like base load plants. And our peaking plants, we're outfitting them, so they can operate more like mid-merit plants. So, in fact, some of our peaking plants had capacity factors last year in the 20% range.

Well, the Fossil fleet continues to perform well in a challenging environment. So, what you see on the left here is availability factor and that's just one. The plants are available and not in any type of outage. I mentioned before generation record we had set at BECAUSE. We had also set one at Bergen 2, a plant that we had actually installed or operated in the previous year, so that was helpful to us.

Our combined-cycle EFORd rate that is when you were supposed to be in the market and you're out for forced outage purposes, the lowest in the last five years. And our EFORp, that's the forced outage rate during peak periods, 0.17% last year. So, the units are available when they are needed the most. That is more and important as ISOs are placed more reliance on, or reliability moving forward.

You see our start success rate in peaking, 99.7%. Our peaking plants were called on to run 4,650 times last year and met that call 99.7% of the time. And even our steam and coal units, which are older units met the bell 93% of the time.

So, Nuclear is vital to New Jersey, as you heard Tammy talked about before. It provides 40% of the State's energy consumption, so critical to the state and to us. So, a couple of things I would point out here. About 3,700 megawatts total capacity that we own and/or operate. And all five of the stations that we have an ownership share have had their licenses renewed. We refuel our units every spring and every fall. And the Peach Bottom units get refueled one unit each fall.

And we'll point out for the scheduled 2017 outages that we will be dealing with the baffle bolt issue on Salem in the spring of 2017. So, we're expecting a similar sort of repair effort that we did on Unit 1 last year. And on Unit 1 in the fall are expected to just to be able inspect in order to find any additional repairs that we need to do. We're in much

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Bloomberg Transcript
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SI-SSA-0015-14765

better shape, obviously, knowing that those repairs are coming in the spring than we were last year when we found the issue when the outage was already underway.

So, Nuclear has nothing standing still, and in the short-term recognizing the economic challenges that are out there and moving become more efficient. And if you look at our controllable direct cost from the 2012 period through 2017, you see we've actually reduced costs almost 1.5%. I would point out 2015 is you see in increase in O&M. That was when we brought our security force in-house, an important step for us, because security had been growing at the fastest rate of any of our expenses in this category, so it was important to bring them in-house, so that we can improve their performance and also put in place many efficiencies that we thought we could. And in fact, that process has started.

And it's as simple as being able to use technology for how we deploy our security force. It was not uncommon that essentially when you determine the security force need, you use a three-dimensional chess board, and tell you would play against your opponent in figuring out what the best strategy was. Obviously, in day and age of technology in computers and simulations and the like, we've been able to take advantage of that and putting in place efficiencies in our security force and actually reduced the numbers while improving the performance.

You also see the material and cost reductions have occurred over this period of time. And on the right hand side, you can see what have been spent from a capital perspective. I would tell you that the 2014, 2015 numbers driven primarily by the Fukushima efforts that are behind us currently, and the 2016 and 2017 by the baffle bolt issue I previously talked about. Going forward, capital needs of the plant are about $100 million a year.

So, and I call this is an umbrella that we have to operate on to help improve the cost structure of nuclear plants as to delivering the nuclear promise initiative, taken industry-wide. And what's helpful in this regard is it's an opportunity to learn from one another, leverage from one another, and move the industry collectively together to make changes at our power plants, along with the appropriate oversight of groups like INPO and our insurers to make sure that everything is still in the best interest of safety.

Not much different quite frankly than what our industry did in the 1990s, when we had some economic challenging facing us and we pulled together, putting in place of efficiencies in our processes and the like. And essentially, what's happened since that period of time, there was 9/11, there's some excitement about new nuclear plants in Fukushima that frankly stalled those efforts. So, this is going back and really examine what those best practices are, the efficiencies that we can put in place. And then quite frankly, using technology that has been absent fairly from a lot of what we've done to this point.

So, I've also found that it is served as a security or as an opportunity to share best practices in security, because there really was not a forum for that before. INPO, which serves as the sounding board for sharing best practices does not have security under its umbrella. So, this opportunity has allowed the various operators to talk about what are the best practices there and just start to employed those.

So, you can see 46 efficiency bulletins issued to-date from an industry perspective. You would hear $600 million of savings advertized. We've implemented 21 of them so far at our station. And in the last year, we reduced head count by 185 people and the corresponding reduction in O&M moving forward. The important part is that as we move out these inefficiencies, we are actually improving safety and its focus on it. And what's fundamental for this and the key learnings from the 1990s was really understanding why we do, what we do, and then engaging the workforce to make sure we're doing it in the most efficient fashion possible moving forward.

We will also have the support of the regulator here, too, as they're under some similar mandates from Congress to improve their efficiency. And so, I would say, it's collaborative on that part. But folks understand what we're doing and why we're needing to do it. Despite those efforts and the improvements, as you heard Ralph say before, we're not currently earning that cost of capital in Nuclear. So, significantly, more needs to be done, not only on the cost front, but also on the market and policy side that Tammy had talked about it earlier.

So, from a Power perspective, we've been unable to control our O&M also not just in the Nuclear. And you can see from 2012 to 2017, actually, minus 0.3% for O&M growth. And there have been a number of activities that have allowed for this. Some of it was as simple as, let's take over the maintenance of our combined cycle plant service that

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SI-SSA-0015-14766

we had contracted out. We took that work in-house, we then expanded it, and we talked to our union, so that our union members from New Jersey could travel to other states and provide maintenance to the other plants that we owned outside of the state.

We put in place some maintenance in our monitoring and diagnostic center for our combined cycle plant. So, one of the reasons we're able to improve EFORp and the like is we're more closely monitoring key parameters at our operating plants. This past year, we also put that in place for our nuclear plants. So, now, we have more lifetime monitoring of critical systems and components in our nuclear facilities. These items have saved us numerous plant trips and the like.

And those O&M savings aren't limited to the faults of the nuclear folks, but in our energy resources and training operation, we've been able to take some technology improvements and process improvements, and take three systems and replace that with just one. So, I think it improves our cost accounting and bidding practices and also allows us to be more efficient, so that when we can take on the Long Island work, we don't have to add on that many more people through, because we've got a significant process improvement going on at the same time.

And likewise, getting help from our service company in the IT area, HR, and the like. And as you heard Ralph talk about the finance [indiscernible] (02:34:26) helping us with the pension and benefits and the like. So, significant effort enterprise-wise. It didn't just start last year. And we are doing a good job, controlling our expenses there. And you can see it in 2017, this assumes that the staffing of the Keys facility, the staffing with Sewaren facility, and the staffing of our retail operation.

So, we are developing 1,800 megawatts of new, efficient combined cycle capacity. And you see the three states in Maryland, New Jersey and Connecticut. In the case of Connecticut and New Jersey, it's replacing existing generation. And in the case of Maryland, it is going to a new location, because it's closer to a load pocket and helped as you know manage our bases with existing generation.

So, a little bit on the Keys site. So, if you look at the picture in the bottom right, you can see that construction is well underway there. This is a greenfield site, actually nice to work on, a lot of space and the like, a 2x1 natural-gas plant, with 755 megawatts. So, construction is actually going well for us. That's one good thing about good weather, people can work in it. Doesn't do much for the other part of business, but it helps this part quite a bit. And you can see from a major milestone standpoint, essentially the engineering is complete. Major procurement is complete, and all contracts are in place to be able to support a startup in mid-2018. So, we are staffing the facility now.

And the interesting part about this and maybe unique for our company relative to others is we're already a valuable member of the community in that area. So, our plant manager has knocked on doors, many neighbors. We're funding a scholarship program for local folks to be able to work at the plant. And that's all working well for us. So, we're not seeing permit delays and the like. Good cooperation from the people in that area and expect to be a viable member to that community for years to come. We have about 600 people working on site currently on this project.

Sewaren 7. This is going to replace four of our older units. One of the older units, about 65 years old in Sewaren area and a load pocket in New Jersey. Engineering is nearly complete here. Major procurements are done here, well out of the ground. And you can see the picture there, and major components have been set in place.

Construction's about 29% complete. What you don't see here is we're actually doing construction of some of these pieces offside in New York to help with the schedule and costs. So, our HRSGs and air-cool condensers are actually being built in New York, and we'll take them down the Hudson River to the site when they are needed here. We find that helpful, because this site is not quite as big as the Keys facility that aided in construction. So, we've about 400-plus workers on this plant site and another 100-plus in New York, putting those major components together for us. And then, when we put this unit in service in mid-2018, the other four units from Sewaren will retire.

And our last combined cycle is the Bridgeport 5 plant, very, very similar to the Sewaren, in fact, the contracts we're letting essentially the same people that are building the Sewaren for us. And we will also be doing off-site build of those major components in New York for this plant.

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February 28, we had the last hearing of in pursuit of our air permit, non-adjudicatory, so that means that essentially, the DEP in that area just needs to answer the questions that were provided by the public, which we don't see as an issue at all and do expect to get the permit by April, and then we'll begin construction. This is also been a terrific example of how public outreach and being a member of the community was helpful, because the people that were testifying for us, for the most part, were the local agencies and public officials and the like, because they recognize the importance of this plant to the area and our contribution to their community.

So, you saw this slide before. And I think you'll see it one more time. So, in case you don't see all the important facts on here, but our fleet has been transformed with an improvement in efficiency. And efficiency is important and vital as dispatch curves become flatter and flatter, those that win are the ones that are more efficient. And every bit of efficiency helps there.

So, you can see the comparison from where we were in 2016 to where we expect to be in 2021, and from a generation standpoint where we actually plan to produce. So, with just about the same capacity numbers, we expect to produce 18% more energy moving forward, with the mix being fundamentally nuclear and gas, and the coal contribution going down. And then 2021 is critical that's the year, where we'll retire Bridgeport Harbor 3, the last coal plant that we will operate which will leave us just an ownership share and the keystone on our [indiscernible] (02:40:14) facilities in the coal area going forward.

So, here's the statistics of what this transformation looks like from an operational perspective. So, combined cycle heat rate 3.5% improvement; O&M and the cent per KW, 10% improvement; emissions that meet the requirements of the clean power plant, in its current state whether it might look like in the future. And in the bottom right, what you see is the average age of the Fossil Fleet. So, we tremendously improved the efficiency and lowered the average age of the fleets, which sets us up very well for the future for whatever that competitive environment may look like.

This is a capital picture as a result of that. And you can see obviously the large spend last year and this year, in building these combined cycle units and some spend in 2018 as we complete the Bridgeport Harbor facility. But in the end, we have $200 million run rate in Power. And the previous slide showed $100 million of that in the Nuclear operations, so $100 million for the remainder of fossil and trading and the like moving forward. Obviously, that enhances the cash flow and then provides cash for various investment opportunities in the whole enterprise.

So, if I shift a little bit to the market area, we've talked about our location and access to Marcellus Shale. That has been both a benefit and a curse for us, curse for the lower price of electricity and impact to nuclear plants, but a blessing for the corporation and Power's combined cycle plants.

As you can see in 2010, none of our gas from the Marcellus Shale to where just last year where we got 90% of our gas needs from Marcellus Shale area. We have one of the largest procurement and trading gas operations in the country. And you can see how much we procured last year, over 400 BCF. Half of that goes to the utility customers. And that reduction in price over the years has helped provide a lot of that headroom for the construction efforts that Ralph and his team talked about before.

So, we get about 100 BCF of that 400 BCF for our own generation. And you can see 80% of that comes from Marcellus, so that does give us some price advantage from our gas supply for our combined cycle plants. And the remainder of that is a combination of all system sales and C&I customer use.

On the right-hand side, you can see what we've been talking about for some time, but what is finally starting to come to fruition. And we don't expect the Marcellus Shale to back off at production at all, but we do expect it to start going other places to kind of equalize the supply and demand mismatch that we have seen. And so, what you see just depicted here is a number of pipelines that are going out of the Marcellus Shale area to other areas, where there's a higher priced gas. In all total by 2018, that's about 20 bcf a day. And this is where there are either certificates or construction actually happening. And about half of that we expect to occur by the end of 2017.

So, what does that mean for prices going forward? So, what you see on the left hand is essentially the basis converging them between Henry Hub prices and Leidy prices, a trend that we think will continue into the future. And the resultant increase in that has resulted in the change in the electric power prices and an improvement in the basis between PS and

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the Western Hub for PJM.

As you know, we don't leave our generation open, and we do a fair amount of hedging. And one of those big areas we hedge is through BGS. We can see it's about 11 terawatts hours or 20% of our expected generation. This past year, we saw a reduction in price. Once again, it's more headroom from the customers as you heard Ralph describe before. The primary areas were this price drop was in capacity and the green chart merges with some uptick in the transmission charges. Slight decrease you can see in the energy prices. We like this product for a number of different reasons.

One is the full services requirement. It suits the fleet that we have. It's good for liquidity, and matches our generation to load strategy. So, we can now protect our basis with this product. That said, if you were here, probably five, six years ago, that was about 20 terawatt hours of generation. So, as that load has been lost to others, we expect to get that back with the formation of our retail organization. We do have licenses now in Pennsylvania and New Jersey for this operation. You could see in years three and five what we're expected to gain back, and we will be in a position actually [audio gap] (02:45:33) the second quarter to be able to be able to start our first sale for PSEG Energy Solutions LLC.

We also hedge in other areas, and so typically, we have two-thirds of our generation hedged over three-year period. 100% of our base load coming into the year, and then two-thirds, one-third as we move forward. So, what you see on this slide here is total volume for 2017. We have a 80% to 85% of that hedged that are hedge price of $46 a megawatt hour. We will be filling in 2018 and 2019, as the year goes on to maintain these ratios. So, we do have a ratable hedge program. That said, we opportunistically do this and look for our periods of volatility, where we can lock in prices into the future.

Capacity market is also a good source of revenue for us. So, a couple of things, I would point out here. Obviously, the high watermark there is 2018 and 2019 or the capacity performance really hit the marketplace for the first time, also incented some new generation, including our own Sewaren 7 plant. But fundamentally, we clear about 9,000 megawatts in each of the capacity auctions.

In the middle, we've listed some of the parameters that will impact the upcoming auction. I'm not going to predict the price, other than tell you some of those things help us and some of those things hurt us in the middle, and with some big discussions here on things like the [indiscernible] (02:47:09) and how that might impact us going forward is important. The bottom of the slide shows, the New England capacity market. And just a reminder that for our Bridgeport Harbor 5, the auction price which is locked in for seven years at the $231 per megawatt there that you see in years 2019 and 2020.

So, our Solar business has essentially doubled in the last year, 17 plants, 13 states and expect by the end of 2017 to have four more plants in operation. Our next steps there are not all that different in how I described our other operations and that is how do we get the most out of these assets moving forward. So, we are exploring several opportunities of things like doing our own maintenance on these plants like we do our maintenance on our combined cycles or looking at the opportunities in order to pair them up with batteries and the like.

And so, obviously, it's a business that's growing at a good clip. And we will pursue this, where we can. And when we have, essentially, power purchase agreements with credit-worthy counterparties that'll still be the AMO that we operate under. So, that this contract of energy will provide in our earnings stream for years to come.

So, there are other sources that we make money. And I mentioned our gas supply business. This is BGSS, where we saw wholesale provider the PSEG. You can see the contracts that we have for storage capacity and firm transportation. Essentially, we provide to the PSEG customers first, usually our power plant second, and off-system sales third. And for off-system sales we share a portion of that profitability with the utility – actually a large portion of that, 75%, 25%.

There are other ancillary services that are units provide, black start, reactive power, area regulation. We manage the LIPA fuel contract that you heard before. And I mentioned the Kalaeloa investment. All pooled, these normally add up to about $250 million a year in the summer, vary plus or minus, depending on the winter or no winter, which has been the big impact on our BGSS business, but these other also provide a steady revenue stream for us for our business.

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So, going forward you can see that we are in $514 million in operating earnings last year. And our guidance for 2017 is $435 million to $510 million coming from the sources that I described on the previous pages. So, our value proposition is as simple as we have good assets in good locations that are highly efficient and are able to take advantage of whatever the market can give us. We've demonstrated this for the very beginning since our company was founded and recognize that we have a tough environment that we operate in. But with these kind of advantages we have, I think we're well positioned for the future and face whatever competition can bring us here.

I'd mentioned the hedging program we do it to protect it and the fact the capital needs going forward also set us up pretty well for the future with the major investments really behind us at this point.

And with that, I'd like to bring Shahid up. And we welcome to take any questions you might have.

Q&A

<A - Kathleen A. Lally>: State your name and the company.

<Q - Praful Mehta>: Hi, guys. I'm Praful Mehta from Citigroup. My question was on O&M, and O&M expense. And cutting costs seems to be a theme that many IPPs are going through right now, and sounds like on the generation side, you're talking about that as well. But on slide 70, where you talk about O&M expense going down by I think 0.3%, wanted to understand, on a dollar per megawatt basis, how should we think about that? And also, as you change your generation profile over time to becoming more natural gas generation at least with the new plants coming online, how do you expect that profile to move?

<A - William Levis>: When combined cycles don't place their actually improvement there for two reasons. One is there is increased generation and frankly fewer people need to operate the plants. So, our Hudson and Mercer facilities employ about 200 people. Our Sewaren 1 through Sewaren 4 plants employ about 50 people. The Sewaren 7 plant will employ 26 people, as well the Keys facility and the Bridgeport Harbor. So, those expenses will go down as those plants come into service. I'd have to think about the math there. The Power number [indiscernible] (02:52:30) I get to figure of my Nuclear megawatt hours and my Fossil ones to get those numbers. But you saw the Fossil side was a 10% reduction in O&M costs on a megawatt hour basis going-forward.

<Q - Praful Mehta>: Got you. And that's helpful. And I see that on slide 76 that shows the reduction. Just another quick question follow-up on the CapEx side, on the maintenance CapEx. Run rate maintenance CapEx, 2019, 2020, 2021, it's about $200 million. This is even after the new plants have come online. So, the maintenance CapEx of the plants is minimal effectively with – is that how now I should think about that?

<A - William Levis>: Yes.

<Q - Praful Mehta>: Thank you.

<Q - Paul Patterson>: Paul Patterson, Glenrock Associates. On the Nuclear side, you've mentioned and a couple of other people about the cost of capital. I was just wondering, could you tell us what the cost of capital is for the nuclear plants, roughly speaking, and how much of the subsidy you guys are perhaps projecting? Also, one of the slides in the previous presentation said that, it would lower prices over the long-term, or have a lower impact on prices. So, I'm wondering whether or not that will be a one-for-one, or how we should think about level of subsidy that you guys are looking at to get to your cost of capital, and what that impact might be?

<A - William Levis>: Yeah. Cost of capital is not a number that we publish. It's something we use as our investment hurdle. But as Tammy described, if you saw the numbers that are being talked about in New York and Illinois and the like, I think those numbers would be very helpful for you to be able to achieve that same level in New Jersey.

<Q - Paul Patterson>: Okay. So, in that neighborhood. So, the other thing is that what we saw in New York and Illinois was basically wait to like at the last moment. It does make sense obviously, what you guys are saying to have these discussions into obviously not wait till the last moment. But just seeing how politics sometimes unfolds, it seems that, that seems to be something that happened. When should we think about when the situation would begin to get

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critical for the nuke plants?

<A - William Levis>: We haven't set a timeframe. What we've said time and time again is the current pathway is not sustainable. So, the challenge for Tammy and her team is let's create a crisis without creating a crisis.

<Q - Paul Patterson>: Okay.

<A - William Levis>: And so that we can address this sooner rather than later, because there's a lot of good reasons to do that. The one thing we forget is, we got 1,600 people working there. And I want their heads, minds, and hearts working on making sure that plant runs well every day and worried about if they're going to come to work tomorrow or not.

<Q - Paul Patterson>: Okay. And then just finally, the NEI made goals, aspirational or not, very substantial reductions in cost in operating nuclear plants. Could you address what you think of those goals, and how they might apply to PEG?

<A - William Levis>: Yeah. So the number I was referring to is a $3 billion reduction in total operating costs over three years. I would tell you, I believe that they are achievable. And that was breaking down the cost into three buckets. So, that's the the O&M cost, fuel cost, and capital cost.

And as we meet monthly on this effect, our next meeting is on Monday to go where we are from a progress standpoint. Every day, we find more opportunities here to save cost. That said, the 30%, I don't know if it's enough or not going forward, but if nothing else, it is a start. And more importantly, and you will find that as we – and I'd like to use the words, improve efficiency instead of reduced cost, because it helps send the right message to people is by improving efficiency will improve safety at the same time.

So, one of the big initiatives for example, this spring is, we hire contractors for an outage. And there's a series of test and exams and qualifications you have to undergo before you can get a badge. That was taking anywhere from three days to five days. Well, the three days to five days, we're paying for and not getting productive work. That's millions of dollars. So, one of the initiatives here is, okay, let's get this folks badged in 15 minutes. So, they come to our sites, and they get to work, millions of dollars of savings with just getting people to work sooner.

There are number of initiatives like that. The security area, we found a number of different opportunities. So, that 185 member you saw, about one-third of that is reduction in security force numbers, that we've been able to achieve. And I think we're just seeing the starts of that. So, it is important that we do this. Is it going to be enough? That still remains to be seen.

<Q - Jonathan Philip Arnold>: Jonathan Arnold, Deutsche Bank. In the slides on CapEx, it looks like versus the [indiscernible] (02:57:6) the $100-odd million for PennEast, might not be there anymore. Can you speak about what the status of the project is, and if I'm right about that?

<A - William Levis>: I can't add anything more that you read in the public on PennEast.

<Q>: Hey, guys. Is potential policy moves in New Jersey impact how you're going to hedge the nuclear fleet?

<A - William Levis>: I'm sorry, the potential what?

<Q>: Policy moves as far as nuclear legislation? Does it impact how you're going to hedge that fleet post-2019?

<A - William Levis>: Not currently. No, I mean, it would depend how things will got there, but we're going to continue to hedge program as we have laid it out thus far.

<Q - Julien Dumoulin-Smith>: It's Julien Dumoulin-Smith, UBS again. Just a follow-up in terms of the conversation on Nuclear, just to be very clear about it. It looks like the CapEx requirements for the Nuclear business are kind of declining over time actually, so I just wanted to be very clear about this. Given it may not meet necessary your cost of capital hurdles, is there a point in time, which you'll need to see that CapEx step-up and make kind of a decision around investments. Is there some kind of generator investment or something like that out in the early 2020s that you are

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thinking about in making this decision, yay or nay, for instance?

<A - William Levis>: Actually, there are not any big items out there. Most items are behind us. I mean power transformers, digital feeds, voltage regulators, if all investments have been made in the last half a dozen years so. Steam generator replacement if you recall was done 2008, 2009. So, it's not like 15 generators waiting outside. We're trying to make a decision on. So, the capital needs in that $100 million is inclusive of what we believe will be made in...

<Q - Julien Dumoulin-Smith>: And then a further follow-up on the retail side, obviously you just talked about Pennsylvania, New Jersey. Why go the organic route versus the acquisitive route? One. And then secondly, how meaningful of a scaling are we talking about and how meaningful to overall margin composition and maybe this is...

<A - William Levis>: I'll give Shahid a chance here.

<Q - Julien Dumoulin-Smith>: Yeah.

<A - Shahid Malik>: Yeah. So, thank you, Julien for that question. A couple of things, firstly, it's a defensive play for us as opposed an offensive. So, in the grand scheme of things, scale isn't really what we're looking for. Typically, the retail companies make a lot of money when they scale up and nationwide. That's not the game we have here. So, while it's important to try and get good sales in our footprint to reduce costs, we do expect that the integrated margin that we have from generation as the customer will be satisfactory and raise our overall hedges. And we view it as a different way of hedging. And as Bill showed on his slide, it's complementary to our existing BGS.

Your second question was about why we're building organically rather than buying. We've looked at buying. And frankly, some of the prices that we've seen, some of the companies that have been available and books that have been available might have been wrong place, wrong type of customer, wrong type of business for the business we're trying to build. So, the way I'm thinking about it is, look, let's go ahead and get started.

We will build out a good platform, bringing the systems and the folks that we meet to have a base. We believe that we can grow that organically ourselves. But if we see some nice tuck-in acquisitions as we've talked about publicly, we'll look seriously at them. And maybe that will help increase our penetration in our chosen markets. No, it's not a one or the other. It's certainly one for now and maybe we'll do some additional book tucking-in as well.

<Q - Julien Dumoulin-Smith>: Just a quick clarification on that. Is it predominantly C&I effort, rather than a mass market?

<A - Shahid Malik>: That's correct, it's all C&I.

<Q - Julien Dumoulin-Smith>: It's all C&I.

<A - Shahid Malik>: It's the plan for now. Yes. And we'll be looking at gas as well.

<Q - Julien Dumoulin-Smith>: Great. Thank you.

<Q - Michael Weinstein>: Hi. Mike Weinstein from Credit Suisse. Just a follow up on Julien's question. What kind of retail margins do you expect to make on that, I mean, as part of that the green bucket?

<A - Shahid Malik>: Yeah. It's a great question. This is what my boss keeps asking me as well. And we haven't started selling yet, planning to start selling in the second quarter. If you look at what the competition is doing and the numbers that they're reporting, it's anywhere from $2 to $6 is the kind of price range, what will depend on the size of the customer and the risk you take on. Clearly, the larger the customer, the smaller that margin is; the smaller the customer is, the higher that margin is. And as you increasingly move into the residential space, as plenty of companies are, those risks are higher but the margins are higher, too. That's not a place we intend to go right now and tends to have in C&I.

<Q - Michael Weinstein>: Just to clarify on the residential side, the rules, for BGS rules, do they prohibit you from participating in that market or no?

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<A - Shahid Malik>: No. It's personal preference. We have decided for what we think are good reasons for now, not turn to the residential space and the start off from the CNI.

<Q - Michael Weinstein>: Okay.

<Q>: Yeah. Hey, Shahid, question over here, [ph] Steve(03:02:47).

<A - Shahid Malik>: Yes. Hey, [ph] Steve (03:02:48).

<Q>: How are you doing? Just could you maybe touch on the ConEd Wheel issue for this upcoming auction, and just explain what it is. Will it definitely get updated prior to the auction and potential impact on your key zones?

<A - Shahid Malik>: Yeah. So I'll talk what's available publicly, as opposed to some of the internal discussions that we've been having. And you should recognize that, PSEG is two entities, as the regular utility, which will have lot of information that I'm not privy to; and then there's a competitive business, which we look at, and we're trying to manage too. So, I can talk quite a lot about the latter, not so much the former.

But generally, the ConEd Wheel was a mechanism, whereby ConEd was able to bring power into, effectively, PJM and then out again, supply this will be through different transmission lines. It's been in business for many years. And last year, ConEd gave notice that they would terminate that agreement for a variety of reasons, principally, related to cost. They felt that they had most cost-effective ways of getting the power to their customers.

So, PJM and the New York ISO and the two utilities, ConEd and PSE&G have engaged in discussions about what are the impacts and the implications of that will. As we've come through the process, ConEd and the New York ISO have had one set of perspectives, and we've had PSE&G and PJM have had another set of perspectives. And there's been ongoing dialog, and that's still continuing between now, between these four entities.

And you've already saw that PJM announced its parameters for this upcoming auction last month. And in this parameters, they said that, they expected some additional information to be forthcoming about what the impact of that will go in a way would mean to the import capability or one of the ways they describe it is the [indiscernible] (03:04:48) ratio, which effectively is a way of defining the ability of reaching to import and to export.

In the parameters that they put forward, there was some impact from this ConEd Wheel going away. We and PSEG, on the competitive side, we certainly think that there is still some more impact to come. I'm not privy to what the utility is saying or doing about it, but I do know there's active discussions going on.

And Tammie or Ralph, if you want to comment on that, but that's pretty much what we're able to share right now.

Kathleen A. Lally

I'm going to ask that we hold off on any other questions until the end of the morning after Dan's presentation. Thank you.

MANAGEMENT DISCUSSION SECTION

Daniel J. Cregg

All right. Good morning everybody. I'll close things out today. I'll pull together an overall financial picture for the company, and kind of tie together a lot of the things that you've heard this morning and put them all in one place financially. And I think you'll walk away with an understanding that we're well-positioned for the continued investments that we've talked about. It will enhance the quality service that we have, that our customers deserve and kind of expected at this point, and be able to grow business results, and provide an opportunity to grow the dividend that we talk an awful lot about with you all.

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If I take a look at the first slide, slide 90. So, looking back at 2016, we reported operating earnings of $2.90. It's the midpoint of our original guidance, the upper end of our revised guidance, and a lot of great work done as we went through the year especially towards the end of the year to get to that point. Once again, we increased our regulated contributions to those earnings in 2016 to 60%.

We successfully executed our investment program in 2016. It was the highest capital investment that we had made as a company. Over $4 billion in infrastructure to benefit our customers, both on the transmission side and on distribution and in generation. And continue to generate significant cash flow, and that's on both sides of the business. And I'll show you some sources and uses later on. In both sides of the business, very strong cash generators, which will help fund some of the future opportunities that we have without the need to issue any equity.

And then lastly, the dividend in 2016, we grew the dividend by $0.08 or just over 5% and earlier this year with our announcement of another $0.08. We're just under 5% as to what we're doing in 2017, bringing the dividend from $1.64 to $1.72 indicatively.

So, on this next slide, we show a story basically of delivering our commitments. This shows back five years. Ralph Izzo talked a bit earlier about a 10-year history. And it's the earnings guidance that we provided at the beginning of the year and essentially how we have delivered on that guidance. And we've consistently met or exceeded that guidance, operating the business well, managing it efficiently, identifying and executing on our investment plans. And frankly, we've done so through some fairly turbulent times.

And 2016, really no exception there. If you think about the winter that we had, an extremely mild weather. It was the fifth mildest winter on record in New Jersey. We saw a fairly challenging market environment as well. And some unusual events at Salem that we worked our way through, I think, extremely efficiently. And we identified the challenges in front of us and ways to overcome them, and ultimately found ways to working more efficiently. And O&M at Power was a big part of how we got through this past year. And we are very pleased to say that we were able to deliver on our commitments again.

And so you saw the left side of this slide earlier today, when Ralph showed it. It's basically the earnings breakdown by business and the continuing shift in business between PSE&G and Power. And it's very consistent with the investment message that we talked about. Ralph also showed our overall service area at the utility, and really the growth we have had is from growth in infrastructure. And the increases that you see at the utility really are aided by a contemporaneous recovery mechanism through our formula rate and the clause mechanisms that we have on the distribution side of the business as well. We get the improvements that we've had in resiliency and the good results that we showed, and the 5 year 11% CAGR from operating earnings that Ralph have also mentioned earlier today. And as we move from 2016 into 2017, utility will show an 8.5% increase to the midpoint of that guidance range that Ralph laid out.

And you also see, throughout this period really considerable earnings contributions from Power, which contributed $514 million last year, in the midst of those challenging market conditions I talked about. So, the aggregate makeup that you can see that percentages inside the bar is 43% and 2012, growing to 66% in 2017, all that part of our earnings guidance of $2.80 to $3 in 2017.

So, on the utility side, the driver behind those increased contributions comes from the growth in rate base. And this is a slide that we have shown you in the past, very similar layout, provides a build through time of our rate base from our current levels, $15.2 billion at the end of 2016. And it rolls through to where we see ourselves at the end of our 2021, five-year business planning period.

So, if you start by looking at 2016, the split of distribution and transmission. We're currently about 44% transmission. So, when Tammy and Ralph LaRossa talk a little bit about our upcoming rate case, really that's applying to roughly half of the business as the transmission part of the business obviously has a different regulatory regime.

Moving through 2019, the first three years that we talked about where we have a 9% CAGR in our rate base, growth both on the transmission and distribution sides of the business to aggregate us to $19.6 billion in total rate base. And transmission will grow from 44% to 47% of that total rate base. And then extending out to 2021, continued investment brings us to a $21.6 billion estimated rate base at that point in time. And there's little bit less visibility, and we've talked

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a little bit about that, and I'll show some numbers as well as to how we grow that over time. You see a moderate decline, so we have a 7% CAGR as you start in 2016 and run through the 2021 time period.

And then, we've also captured the additional potential capital spend that both Ralph talked about a little bit earlier that could bring us up to $22.9 billion. That would restore us over the five-year period to a 9% rate base. And again as we've talked about that would expand the GSMP program another $100 million a year, and also add-on the ESMP or the extension of the Energy Strong Program that's in the works, but again, not part of our base line plan.

And then beyond that, we've talked a little bit about some of the things that are on the drawing board, a little further out, and that's what I referenced on the far right side of the slide, the Utility of the Future spend that we've been thinking about. And the way we think about that is the ability to continue to be within that kind of a rate of growth to 7% to 9% out for the foreseeable future for the next five years or so. So bottom line, a lot of line of sight into continued growth to enhance reliability and resiliency of the system, and the ability to pay for it.

On the Power side of the business, really it's all about operational excellence. And you heard Bill talk a lot about that. It's for being ready when the market calls. It's for delivering when the market calls and putting in place a hedging program to solidify some of those results.

So, we show on the left side of this slide is our energy produced in 2016, little over 51 terawatt hours, mostly from Nuclear and combined cycle. And that will grow over time closer to about 60-terawatt hours by we get out to 2019. And then below that on the capacity side, having over 90% of our capacity in PJM and New England, where there is a three or four-year capacity market. It helps to solidify the overall margin that we can count on in those periods as well. So, you take those two, the three-year hedging program and the three or four-year capacity market, and net-net, if we look at where we are from the gross margin perspective over the next three years is about 55% to 60% of that gross margin that has been secured through those two mechanisms. So, provides a fairly solid financial base and very strong cash flow coming out of the Power business, with good line of sight as to what that amounts are.

And then, the rate base growth at the utility and the improved efficiency of Power really are all supported by the capital program that we have. And this is a build kind of like the rate base slide that we show, but it's capital and the aggregate across enterprise for the $15 billion capital program that we have. It starts with our baseline capital for the five years and then shows some incremental opportunities as you move from left to right.

So, we start with some maintenance capital. And if you take a look over the five-year period, Power runs at a moderate run rate of capital. Bill gave an indication of that number, about $200 million a year, basically just taking care of the existing fleet such as it is.

And then at the utility, $2.9 billion over those same five years of maintenance capital. Really, the way to think about that is it's spending basically at depreciation levels. So, your rate base is moving along, your rate base goes year to year and depreciates to the extent that you're restoring that rate base up to its original balance. You have maintenance capital, but you're not actually growing the aggregate rate base, you're just keeping it to where it was.

Following in the center of the page, beyond that, there's $10.9 billion of indentified growth capital. And the lion's share of that is we've been talking about those come from the utility. It's about three quarters of the utility's overall spending during the five-year period. And it consists of transmission about two-thirds of the total, but also on the distribution side some new business spending. So, when we have either somebody new coming into the territory or frankly somebody moving within the territory, their spend to connect them. And that all goes into a new business component, which is incremental to the depreciation spend, as is the completion of the Energy Strong program and the expansion out of the gas system monetization program.

At Power, the spending on the growth basis really is Keys, Sewaren and Bridgeport. And beyond that it drops off. And I'll show you another slide on that which gives you an indication as to what that means from an availability of free cash flow.

So in total, PSE&G is about 82% of total capital spend, and 86% of the growth capital. We've identified and are pursuing an extra $1.5 billion of investment at the utility. Again, really what that amounts to is the ESMP expansion of

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Energy Strong $250 million to $300 million a year, that aggregates to $800 million that we talked about. GSMP for 2019, 2020, 2021, more of it, so you could bring yourself from $300 million up to $400 million. And then extension of energy efficiency programs and a little bit of renewables, that could get you another $400 million.

So, the expansions and extensions Utility of the Future that we've talked about, really, that's indicative of the nature of the system and the nature of our planning process. The age of our system is such that it's got a pretty healthy appetite for capital. We plan what we know, and then we identify things over time. And Ralph walked you through, I think a real good example of just looking at 2017. And what I do hear as we step through time, I also just gave a little bit of an example as to what the last three years have looked like, from a period three years earlier than the end of that year.

So, starting on the left side using 2014 as an example. We had planned in 2011 that our 2014 spend was going to be $2.1 billion. And when we got to the end of 2014, we had spent $2.8 billion so that's based up on the types of things, that we've been talking about to "fill in the back of our capital plan as investments get identified through time".

Same in the middle of the page, if you look at 2015's capital $3.9 billion. Three years earlier in 2012 we had anticipated that would be a $1.5 billion. So, as we step through time and that was the magnitude of the growth. And then just last year, if you look at what 2013 forecast of 2016 was going to be, it was $2 billion. And when we finish the year we were in excess of $4 billion. So again it's just an example of how we have planned for what we know, how we have identified investments to make during the intermittent periods between the original forecast, and as we step through time to a higher balance.

And then this really just shows you components of two slides you have seen earlier in the day. It's a capital plan at Power on the left, and the utility on the right. But as we look at these, we look at maybe two slightly different situations. And what I mean by that is at Power, if you take a look at where we are, the three new combined cycle facilities, really dominates that picture. It's all of the [indiscernible] (03:18:50) section of those bars. And it rolled through 2019, where we would complete Bridgeport Harbor. And beyond that, the growth capital that we see at power in 2020 and 2021 really are negligible. So, the beneficiary of the reduction of all that capital is free cash flow at enterprise.

On the right-hand side, if you take a look at the utility, $3.4 billion spend is anticipated in 2017, which together with Power spend will once again be the highest amount of capital that we have spent. And then you see a decline with the reduction in our known projects. But again, if history is of any indication, in that five-year period, we will find opportunities to build that backup, either from the shaded area that you see on top for the program extensions and expansions that we talked about on the last slide, for the utilities of the future items such as AMI and some of the other things that we talked about earlier.

So, certainly opportunity to grow the business. And I would say, that we would tend to have a higher confidence in the left side of this page that, that's what it's going to look like when all said and done than we would on the right side. So, most of that growth that we showed from 2011 to 2014 and on over in the slide I just showed and then what Ralph showed earlier in 2017 is growth related to the utility part of the business.

And what that ends up looking like from a sources and uses perspective is shown here. We show the five year sources and uses. Maybe start bottom left, you can see in the green section, you have Power's cash from us, which has been strong over time, remain strong. And then the bottom right you can see Power's overall five-year capital program. So, the maintenance investment stacked on top, you see the growth investments, so a lot of free cash flow as the growth program declines that will become available to enterprise.

If I go back to the left-hand side and higher up, you can see the utilities cash from ops, which in its own right, is extremely strong, and frankly, continues to grow, as we invest in the business. We talked about a contemporaneous return mechanism at transmission and the clause mechanisms on the distribution side. So, that growth investment that you see on the right side has a feedback loop over into the utilities cash from ops on the left-hand side.

So, again, utility. Though we talked a lot about Power's cash flow generation, but the utility on its own right have very strong generator of cash from ops that it uses within its own business as well. And then the remainder of what you see here, change in debt at the utility, we try to keep a regulated cap structure at the utility, a little over 51% equity. So, to

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the extent that we're investing there, we match those investments and keep that regulated cap structure in place and then a very modest amount of parent that is removed through the five years. And then on the upper right-hand side, the very important dividend payment. So, again, the $15 billion capital program worked its way through here and all funded without any incremental equity.

And then the sources and uses flows into our credit stats, and we show a slide related to that here that gets us to this standpoint of what we have from an investment capacity. We're showing you from 2017 to 2019, based upon the fact that we have FFO here and we have more known results as I talked about at Power especially, related for the next few years. And then across the board, if you take a look at Power, our credit position remains extremely strong. Our average FFO to debt is well above what we consider a minimum threshold of 30%. And we keep that threshold based upon what our investment grade rating is. And it stays fairly steady across those years at a 40% FFO to debt amount.

And then at the parent, the threshold minimum really is dependent upon the mix of the business. But we call it in here the minimum threshold of high teens, to think about that as 18%, 19% or so. So, the minimum threshold that's shown on the bottom left, and then above that you have the estimate of where we think we're going to be over the next three years. And the excess of where we think, we're going to be versus what we have as a minimum threshold really becomes our excess investment capacity. And you can see that on the right hand side of the page.

So, it aggregates to around $3 billion and more likely than not, based upon what we've told you about today and the way the direction of the business has gone, more of that would go to the utility than not. Just stepping back and thinking about that utility cap structure, and thinking about it roughly 50-50, it's a little bit more equity within the regulated cap structure. The funds available here that would go into the utility would go in as equity, and then that would be matched with utility debt. So, if there is $3 billion here and every dollar of it were to be used at the utility, and it were to be matched with that at the utility, that would imply $6 billion available investment capacity at enterprise to be used at the utility without any incremental equity.

To the extent that Power used its own investment capacity on an asset acquisition and basically the remaining $2-or-so billion that you see, the parent would move over and it would be matched with debt to get to about $4 billion. So, considerable dry powder to be used for the investment opportunities that we talked about earlier today.

I'll shift over briefly related to pension and OPEB. And we are in very good shape here. Pension is very well funded. We ended the year with a funded ratio of about 90%. And if you think about what we have done and how we have managed the pensions funds over the last five years, our returns have exceeded 10%. So, the upside of that is that the asset side of the equation is well funded, no cash contributions are needed as we look forward into our five-year planning horizon.

And we mentioned on the earnings call, a couple of weeks back that we had done a merger of our pension plan. So, we had a couple of different plans, some were our more senior associates, and some were more recent associates to the company. We merged those plans together into one plan for simplicity of administration. The benefits are unchanged for any of the participants that are in the plan, but by pulling those three plans together did streamline the administration, but it had another effect as well. And when you aggregated all the plans together, we have an unamortized gain or loss balance that gets amortized over the remaining service life of the employees. And we had a shift between the average service life in some of the plants versus other and the unamortized balance in one plant versus the other. When you pull them together, we essentially extended the active service life remaining, which extended the amortization period.

So, unamortized losses will be amortized over a longer period of time, which does provide a benefit. It's about $48 million this year. And that amount is not a one year event, it will continue through time, but will start to moderate somewhat because whatever wasn't amortized this year will need to be amortized into the future. So, benefits into the future from that as well. Net-net as we look at this year versus last year, about a $22 million decline in pension and OPEB.

And that pension falls into our O&M. O&M control is a hugely important part of what we do on a day to day basis. You've heard Bill talk about, you've heard Ralph talk about it. It's not a program, it's really a mindset in how we run the

final
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business.

One brief stop, and if you take a look at what we show on the page here, on transmission, it shows a 5.6% increase, really in addition to some [indiscernible] (03:26:42) Ralph talked about there as well, some of that is part of the nature of the work that we are doing in transmission and by sometimes removing the old equipment that goes to O&M as opposed to capital. And it was so much capital going on that does have a bigger impact on the O&M. It is by no means a sign of inefficiency, it's just the nature of the work and it does get recovered through the formula rate. So, you see higher percentage there than in some of the areas, which should not be alarming. But really just what you see here from 2012 being flat all the way through to 2019, I think is a credit to the discipline of the employees that we have and how much importance we put on managing the business efficiently.

And then quick walk through on tax reform, lot of talk been had about tax reform. And Washington is extremely early within this process, details are really not known, but concepts are, and I think the concepts are big enough that it's drawing the attention that it's gotten. And on balance, we do feel that like we're well-positioned, I think we feel like we're well-positioned given the contribution that we get to the business from Power, as well as strength of balance sheet.

Utility side of the business, we kind of layer out here some of the key elements that are involved in the discussions thus far. Stepping quickly through the utility, the reduction in the tax rate, obviously, would pass through to customers and we would also have excess deferred taxes. So, depending upon what they bring the rate to, our existing balance of deferred taxes would no longer be needed in the magnitude that it's there and that would go back to rate payers over some as unknown today, some period of time. If you think about our balance sheet strength, we feel like we have a very comfortable ability to pass those back. And the excess deferreds, if you assume a 20% rate on the order of $2 billion. So we will wait to see what comes up that from the standpoint of timeframe to pass back.

Expensing a capital would reduce customer bills. And one way to think about the effects, it would look a lot like the existing 50% bonus depreciation, right. So if you got 50% and 35% instead of 100% and 20%, you'd have a number that look pretty much the same, although, it would be on a more permanent basis. And then we do have a rate case that we will be going in for on November 1. We don't know what we'll know by that time, but to the extent that we do know what's going on. These factors including interest deductibility and the impact on the bills to the extent that we know something at that point would be layered into that rate case.

At Power, rate reductions, we will retain them, as there is no regulatory agency to go back to that helps our after tax earnings and cash flow. And that same excess deferred balance that we talked about would be retained. It would be a one-time, non-cash benefit to Power again at a 20% rate around $700 million or so, non-cash. It would become cash as we step through time and those timing difference were to roll back to the benefit of the company.

With such low levels of debt, the interest expense impact would be moderate to us versus our peer both at Power and the parent company. And we also take fairly low property taxes in New Jersey. For those residents of New Jersey that's a little different for what we see individually and what we see on the Power side of the business, but Power's property taxes, I think – if you think about it from an overall standpoint compared to peers is on the lower end. So, to the extent of that's in play, I think on a relative basis, we're pretty well served.

And then we do build a risk of a boarder adjustment tax on nuclear fuels about $200 million a year spend. It's a fairly complicated way that the Nuclear field comes to us from uranium and conversion, enrichment and fabrication. So, some of that is to be determined as to how it would be implemented. I think on the earnings call, we said a little more than half would be foreign based, but a finer point on that number, it's probably closer to three quarters of the aggregate amount on Nuclear fuel. But again, a lot to be determined as to how that would be calculated.

And frankly, another thing that I haven't heard much discussion about and probably will come down the road, is transition rules. So, how these major changes to the tax code, where they land on them is going to be important, but how they get transitioned in, I think is going to be equally important, and is equally unknown right now. So a lot of uncertainty, but I think for some of the macro concepts that we see here, I think we're in pretty good step.

final
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SI-SSA-0015-14778

And then we'll take a look at the dividend here. And we've said for a long time, and we've acted on it for a long time that the opportunity for meaningful and sustainable growth in the dividend is here for the company, and we have delivered upon that. You see a 3.9% increase in the dividend on a CAGR from 2011 through 2017. And I mean, we take this commitment to our shareholders really as important as reliability services we do on an everyday basis. We understand the importance of the dividend to our shareholders.

In fact, we were here on Friday afternoon, recognizing 110 years of consecutive years of paying a dividend by the company. We were honored with the ability during the closing bell on the exchange. The stock exchange was great. The event was extremely lower on it. We think the exchange for that. And we just again, last month, we were pleased to bump up another 5%, another 0.8 on the dividend.

So as we do go forward, we take a look and what this graph shows you is, it compares our dividend at enterprise to the earnings of PSE&G and shows that we can cover the enterprise dividend with the earnings of PSE&G. That's not a formula, that's not how it is determined, we use a whole host of factors, but we do take some comfort from the fact that that part of the business is able to cover the dividend, and it gives us a good ability to say that we have the opportunity for meaningful sustainable growth and the dividend going forward.

And then lastly, just a couple quick looks at earning sensitivities and Power on top and utility on the bottom. You see some of the numbers increase as you step through time, that's purely a function of our hedging program. So, with base load, generation really hedged in 2017, not much of an impact of a change in gas prices, could be some market nuances, but we're hedged in 2017. And then as you step through time, we'd be more open and more subject to moves and gas prices.

SPARKs as well, a little bit of volume locked up in 2017. And then as you step through time you can see a bigger impact both from more of the SPARKs being open and having more facilities online as we step into 2018 and 2019. And then moderate impacts on dark spreads and nuclear capacity factor.

Maybe on the PSE&G side, again, similar to what we have shown in the past with one exception, if you take a look at the bottom two rows, which shows any kind of a delta in the distribution or transmission ROE number, those numbers are a little bit bigger. They kind of cascaded from the $0.01 to $0.02 last year. That's purely a function of growth in rate base. So, the change in ROE is going to be what your rate base is times your ROE. You're going to see a bigger effect as you step through time, and as you have more rate base. So, we probably had some pennies that were on the heavy side last year. We had some $0.02 that are on the lighter side. And as you step through the 2019, you got a good round $0.02 per share for 20 bps change in the ROE, so just a little bit of sensitivities for you to take a look at there.

So, in summary, if you take a look at 2016, we delivered on our original and revised earnings commitments. We have a more regulated profile into 2017. The capital program is going to grow, the utility's going to make Power more efficient, and in the end of the plan have Power throw up more free cash flow. We do have our eyes on the opportunity for continued growth in the business that's going to help our customers as well and the prospects for our dividend growth remain strong.

So, with that, I think Ralph's going to come up. We're going to answer some questions.

Q&A

<A - Kathleen A. Lally>: Chris.

<Q - Christopher J. Turnure>: Good morning. Chris Turnure, JPMorgan. Regarding your comment on FFO to debt at Power, I think you said it was going to be consistent at about 40% for the next couple of years. Could you tell us the exact kind of timeframe underlying that, the other assumptions that might be moving around within that calculation, and if there's anything on the sources and uses slide that we might be missing that's embedded in that as well in terms of flows up or down?

<A - Daniel J. Cregg>: Yeah. So I provided the numbers that were there. Maybe the way to think about it is some of the sensitivities that we show. Most of those would be purely impactful to cash flow. Our debt balances are fairly

final
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steady at Power, as you step through to 2017, 2018, 2019 timeframe. So, with a fairly steady 40% FFO to debt, that can give you some indication on that front. Sources and uses, I think the pieces that we've showed there, there was nothing that was missing. You have all the elements across the five years. So, I don't know that I would have a whole lot more to add other than what was shown.

<Q - Praful Mehta>: Hi, Praful Mehta from Citi. So, firstly, on the ZEX or whatever support you're looking for, for the nuclear assets, given that support, you still going to look for legislative most likely at the state level. I'm assuming it will put a restriction from a strategic perspective, if you're looking to do something around what the generation business. If you were to, let's say, try to spin or something else. It's probably better to keep it at a consolidated business level to try and achieve some of those legislative objectives. Is that a fair way to think about it or no?

<A - Ralph Izzo>: I don't think so. I mean, the case we could make at the federal level and at the state level would be that those assets are important to customers and to society in general. We as a more profit investor owned entity are going to keep and operate assets that are returning the cost of capital and retire assets much like we did our FT4 engines and our HEDD units and Hudson and Mercer, when they don't achieved their cost of capital. So whether we're the ones operating it or somebody else is operating it or some reincarnation of us is operating it, I think the owner is going to make an economic choice that the policy implications for someone else make and I don't think they would care as long as they know they're being well managed who the owner or operator has been. But we haven't gotten any kind of conversation like that.

<Q - Praful Mehta>: Got you. But your scale does not you think give any benefit that a smaller IPP probably struggles to get the same voice?

<A - Ralph Izzo>: No, because it's the same amount air machines, it's the same numbers of jobs, it's the same impact on the market from a supply and demand point of view. I mean, I'd like to think from your question that maybe we have a higher degree of creditability and people will believe us when we say it, you know we're trying our best to keep them operating, and when we say that they will believe that as opposed to perhaps how some others might behave, and if that's the case, that's great. But I think the assets speak from themselves regardless of who has the title to them.

<Q - Praful Mehta>: Got you. And secondly in terms of the cost to capital point, just wanted to understand if the goal is to try and get some subsidy or whatever, right, the 1650 cost of carbon calculation, that if you get that level, would you be exceeding your cost of capital requirement, and in that case are you getting subsidized over and above or what your cost of capital requirement is?

<A - Ralph Izzo>: We're not looking here to get any kind of unfair handout or be greedy, what I'd love to see is just the market pay for the attributes, that these plants posses that some many documents that we value, right. Whether it's the state energy master plan, whether it's comments made by federal regulators, we've talked to policy makers but, hey, just put a needs test in there. We're not trying to pull the wool over anybody's eyes, we're just telling you that it's not a difficult decision for us as a company to retire the assets if they're not achieving their cost of capital. But if there are broader implications that, then we all ought to make sure we do that with eyes wide open. So, put a needs test in there, and that's absolutely fine, whatever the mechanism is to continue to support them.

<Q - Praful Mehta>: Got you. Thanks so much. Just a quick follow-up on the incremental capacity in terms of financing capacity, is there any intent by this signal of like holding company leverage, is there a goal to a target level of holding company debt that you would like to have to kind of support that investment that you put an equity down at the utility level?

<A - Daniel J. Cregg>: No, we're going to support the business needs and we're going to make the capital investments where we see opportunities to get a good return. So there is not a target per se, no.

<Q - Andrew Stuart Levi>: Andy Levi from Avon Capital. Just a couple of questions. Maybe just focusing on the balance sheet first, where do you see the equity ratio at parent growing by 2019, 2020s that kind of in the mid to high-mid 50s?

<A - Daniel J. Cregg>: Yeah. It would be kind of low-to-mid 50s, that's right.

final
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SI-SSA-0015-14780

<Q - Andrew Stuart Levi>: And low-to-mid 50%s at the parent, or would it be...

<A - Daniel J. Cregg>: Across the enterprise.

<Q - Andrew Stuart Levi>: Across the enterprise, so it'd be like 55% or lower, is that what you're...

<A - Daniel J. Cregg>: Yeah.

<Q - Andrew Stuart Levi>: Okay. I thought it was maybe a little higher though. But even at 55% just wondering kind of the thinking, I guess, just as far as modeling, Ralph, just either we put that capacity to work, whether it's at the utility or power or we at the very least because balance sheet is in such a good shape, if we don't have the investments maybe to plug-in we buy back stock and then kind of take the buyback out when the capital comes is that kind of the way to look at it?

<A - Ralph Izzo>: Yeah. So we've talk for quite some time, and it hasn't changed repriorities or reinvesting in the business, providing a little bit of a cushion for that sustained and consisting growth from the dividend. And lastly, third priority would be to buy back stock. Part of the reason why, yes, Ralph, to show some of the kind of the blue sky thinking that we do, there is just to give you an assurance that we don't run out of ideas for things that are value to the customer and then articulate by policy makers, but the important, in terms of ways to use their balance sheet.

<Q - Andrew Stuart Levi>: And then just back to kind of the whole legislation possibilities in New Jersey, so, if you kind of look at what's going on in Connecticut, it's obviously a much different state, I mean it's actually making money on their plans, maybe not as much as they used to. But one of the things that's kind of holding back my opinion is the legislation, I mean there's a lack of willingness to open up their books and show kind of what they're making, or what they're not making, and probably that's maybe one of the main reasons it doesn't get past in my opinion.

But in your case, I think you've articulated in the past that basically you're – the money that you're putting into the nukes are earning a very low-single digit return, which doesn't justify continuing to put hundreds of millions of dollars over a period of time into those plans. But are you also willing to open your books and kind of demonstrate to the, say kind of where you're at?

<A - Ralph Izzo>: So it depends on the definition of open, because we all have different perspectives on our book, I personally went through an exercise. And I had Dan check my reference, and I almost got it right, where I took our 10-K. And you can very easily from the information in there calculate what the current year equity returns are on our nuclear plants in the aggregate right now on a plant-by-plant basis. So, I think we would love to walk people through that calculation, explain it better to them if they need that kind of help. But for competitive reasons, we're not going to go through what our day ahead bidding strategy is and things of that nature, but it would be sort of annualized numbers of opening the books, that would be absolutely fine.

<Q - Julien Dumoulin-Smith>: Hey, guys. Back here, Julien, UBS again. Let me take that conversation of cost of capital on the individual nukes, and bring it up back to the Power level, and talk with you about, I spoke the bigger strategic question of the business congruent one against the other. Does this greater focus in conversation on cost of capital shift your thinking in when and how?

<A - Ralph Izzo>: No, not in the least, Julien, I mean our thinking on that hasn't changed, the conversation comes up so often, I have actually once more gone back to my notes when I was Vice President of Strategy and we were asking ourselves in 1998 was not just integrated or not integrated.

So we talk about this at the board level all the time. In fact, the tactical reasons we've talked on the past are the same. The cash flow generation, the ability to move people around, the sharing of O&M expense, the synergy on the bill, the offsetting effect on the customer bill, all those remain front and center in terms of good tactful reasons to stay together.

Right now what I'd like to do just make sure we get the portfolio in really good shape, but that I mean let's make sure that we treat the 200 people at Hudson and Mercer well, let's make sure the policymakers have opened eyes on what the future for nuclear may look like if current forward prices are realized, but no change in our strategic thinking about the longer term value of power and what it might mean to staying integrated or separate.

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<Q - Julien Dumoulin-Smith>: And perhaps just as a follow-up real quickly, I mean, obviously you guys have tax capacity in comparison or contrast to your peers. Have you thought about scaling up some of the tax absorbing renewable tax credit, solar investments that you have?

<A - Ralph Izzo>: Yeah. So, I'll let Dan talk about the tax effort, Chuck, I know it varies from year-to-year and there are some ceilings we'll bumping into it.

<A - Daniel J. Cregg>: Yeah. I think I said recently that we're going to be out for a year and then we kind of work our way back to a positive position, but it'd be closed. I think that the other thing to think about is, you got a pretty dynamic situation from an overall tax perspective that's in front of you. So I think that's some of that needs to work its way through before you had any kind of a major strategic shift to understand what the tax landscape was if it was based upon the tax landscape.

<Q - Julien Dumoulin-Smith>: All right.

<A - Michael Weinstein>: Ralph, Dan, Michael Lapides of Goldman.

<A - Ralph Izzo>: Hi, Mike.

<Q - Michael Lapides>: On the merchant power markets in general, do the economic signals you're seeing, do they imply new build economics earn a return that's above the cost of capital for new combined cycles in the market in general and I know your Bridgeport unit is very different because it's got the seven-year lock, that I totally get. We keep seeing announcements of new builds, we keep seeing new builds happening whether in Pennsylvania, whether in Ohio, we see assets by private companies, we see assets by public companies who might be cannibalizing themselves. I'm just trying to get your broader view of the economics of new power generation in the Eastern power markets?

<A - Ralph Izzo>: Well, I guess the fact that we said, probably within 24 hours if they're announcing Bridgeport that we were not going to build any additional supply might give you some pretty clear understanding of where we think the markets are right now in terms of new supply. Each of the three projects have some – that we're involved in have some unique aspects that we continue to test and they come out positively from that test. Having said that, we have no plans as I've said now for probably a better part of the year-and-a-half to introduce additional supply. We think the markets in Eastern Mac, for example, less RPM option, no new capacity cleared.

I think we're seeing some slight compression in spark spreads, so if the two components of any investment are energy and capacity and last year's capacity prices are in position and sparks have to press further. If you're going to build new supply that would suggest the need which you think that to be a significant change in capacity prices. We're not gamblers. So, we won't be adding to that mix. So I guess, my thesis would be if you are rational investor new supply above and beyond certain special situations that will make sense, we don't have any more of those special situations, but I can't speak for others.

<A - Daniel J. Cregg>: We'll find out a little bit more in May?

<Q - Michael Lapides>: All right.

<Q - Leslie Best Rich>: Leslie Rich, JPMorgan Asset Management. I'm sorry, if you've already said this, but looking ahead to after Hudson and Mercer are closed, what happens to your O&M at Power in 2018, like how big a drag are those units?

<A - Daniel J. Cregg>: Yeah. I think we've said earlier that there was about a $50 million O&M in total, now in 2017 we're still operating for a chunk of the year. So some of that will sustain. And as Bill referenced in some of his comments, the increments that will come in, in part because of retail, in part for some training and readiness for keys in sea-worn and then as you step into 2019 for Bridgeport, you will see some moderation. So you don't see a full step change for that amount for a couple of reasons, partial operation, retail, and then combined cycle coming in, but the combined cycle will come in with some margin that will offset. So I think those are the pieces to think about it.

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Kathleen A. Lally

Okay. I think, that's it for questions. So, Ralph you have any...

Ralph Izzo

Sure. So, hopefully, the key takeaway today is that we have some real opportunities looking at us, as we move ahead. So, I love working with this group because as soon as we try to give you some insights into our more generic thinking, you immediately want us to fill in some of the cells in the spread sheet with some précised numbers and that wasn't what we intended to do today with the 10-year outlook that Ralph painted for you, but that 10-year outlook doesn't include converting the grid into super conducting cables, it doesn't include taking the overheads just and putting them on the ground. These are real opportunities, right, these are 80-year old substations. These are technologies that have been deployed widely in other parts of the country be it AMI or enhanced data opportunities and really the opportunity set isn't the limiting factor. The balance sheet isn't the limiting factor, the regulatory relationship isn't the limiting factor, the limiting factor that we will pay attention to is the customer build and that was the main reason for giving you the kind of expanded beyond the five-year horizon view.

The other thing I hope that you took away from today is that there had been some talk in times past that there might be a strategic shift with the construction of three power plants and what we said when we announced the third power plant was, no, we don't intend to build new supply and now we're showing a capital program that matches that and you see actually an even greater emphasis on the utilities than we had seen in the past. So, I would be remiss if I didn't finish today's meeting by pointing out just a couple of things. None of this gets done without the work of 13,000 tremendous employees and the leadership team that you saw just a subset of them who I can't be thankful enough in terms of all that they do, many of them were in the back of the room, but the presenters that were up front, all including – I won't go name by name except to just mentioned two names and I would ask you to join me in thanking them.

Number one is we have announced that Bill Levis will be retiring sometime in the third quarter. I can tell you if somebody has been with the company for 25 years, I'm hard pressed to think of one person who on an individual basis brought more value to the company in terms of what he was able to do for our nuclear operations in the beginning of his tenure with us and then as he took on broader responsibilities, what he's been able to do with our Fossil operations, so if you would just please join me in thanking Bill for all he's done for PSEG.

And then also, last but not least, if you join me in thanking our IR Department, [ph] Carlota (03:52:24) and Kathleen. This is Kathleen's 11th conference and counting. And we're going to just, I can't say thank you enough to her and her team for pulling this together. If it were up to me, we would've been in a basement in New York today, that's a true story. That's where I'd slated it because I was so concerned I shall say with the bills we had been charged by some of the fine New York hotels. But Kathleen did a marvelous job of getting us here today and all the presentation and the material she and the team put together hopefully provides clarity to you, and thank you, Kathleen for all.

Thank you for joining us today. We'll see you again.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-11-08
Event Description: EEI Financial Conference

Market Cap: 20,554.56
Current PX: 40.63
YTD Change($): +1.94
YTD Change(%): +5.014

Bloomberg Estimates - EPS
Current Quarter: 0.542
Current Year: 2.874
Bloomberg Estimates - Sales
Current Quarter: 2891.250
Current Year: 9975.818

EEI Financial Conference

Company Participants

- Ralph Izzo

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

Good morning, everyone. Hopefully, you're here to listen to presentation by Public Service Enterprise Group. I'll begin with our forward-looking statement, which I won't read here in detail but it obviously has the usual guidance around some of the cautionary statements regarding some of the information we'll be displaying as predictive in nature nor will I read here our GAAP disclaimer. Some of the data we'll be presenting does not conform to GAAP, but we do believe is helpful and complementary in illustrating the financial performance of the company.

I am Ralph Izzo, the Chairman, President and CEO of Public Service Enterprise Group. I'm joined on the stage by Dan Cregg, our Chief Financial Officer and Executive Vice President. In the audience with me are Kathleen Lally and Carlotta Chan of our Investor Relations Department. And again, thank you for being with us this morning.

For those of you who are less familiar with PSEG, we operate with two primary subsidiaries. On your left, you will see a little dialogue box describing Public Service Electric and Gas. It's a regulated combination electric and gas utility thus the name at the risk of being a bit trivial. Operating in New Jersey with over 2 million electric customers, a little under 2 million gas customers. The financial data you see recorded there is accurate for 2015.

The hallmark of PSE&G is a very robust capital program, which I'll describe in a little further detail in a moment that seeks to replace an aging infrastructure with a quality of service consistent with the high regard in which we've been held by our customers for over 100 years.

To the right, we have brief description of PSEG Power, a regional independent power business – merchant power business with primary operations in New Jersey and Pennsylvania. Once again, I will describe in a moment with some plant operations in Connecticut and New York State as well. Power is over 50% nuclear in its operations. So, we do consider ourselves to be a nuclear power company.

Our operating strategy has been the same for as long as one can remember. It all begins with an engaged workforce. We fully realize that the equipment which we operate is common throughout the industry. We think that the unique aspect of our company is all related to the quality of our employees, their training, their commitment to our customers, our shareholders, and other stakeholders. So, no one can be in front of me for more than 30 seconds without them hearing me mutter the two words, operational excellence. It's our fervent belief that if we provide safe, reliable, economic and environmentally-friendly energy services, that yields an outcome of – a desirable outcome for our investors. Good husbanding of those resources yields a financially strong entity. And by financial strength, our definition is the ability to not only produce the results that our shareholders expect today, but produce an outcome that allows us to invest wisely in the future.

And some of those wise investments, we'll go through in a moment but we have had successive years of growth in operating earnings, which is one of the non-GAAP measures I alluded to a moment ago. And over 100-year history of paying dividends every year, a recent history of dividend growth of 5% for the past couple of years, close to 4% for the last 10 years. And candidly, some improvements in our power production fleet that will give us a fleet that has enviable environmental profile and enviable efficiency profile.

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If I take a look at the capital program that we expect and compare it to the capital program that we've just finished, you can see here an illustration of a $14 billion capital program in the prior five years heavily, heavily weighted towards the utility. In fact, about 78% of the capital program were utility investments; 70% of that, which received contemporaneous return treatments either at the FERC or at the New Jersey Board of Public Utilities.

That $14 billion program is now morphing into a $16 billion capital program for the next five years, and a 78% spending at the utility is now 74% spending of utility. So, a strategy that has been pretty consistent for the prior five years and remains consistent for the next five years of heavy organic growth at our regulated entity. The 70% contemporaneous return expectations persists out into the future as well, largely driven by the single-biggest component of the program being transmission investment.

Let's break down some of these components in a little more detail now going forward. You can see this large portfolio of projects in transmission are primarily born out of a process at PJM known as the Regional Transmission Expansion Program (sic) [Regional Transmission Expansion Plan) (05:12), most often referred to as RTEP, by people familiar with PJM governance.

The RTEP process is PJM's annual look over the next 10 to 15 years at the reliability requirements of the bulk power system across the PJM region given the competitive nature of generation in the PJM region and the absence of the traditional integrated planning for transmission and generation in that region.

Every year, there are new requirements that come forward to account for unexpected retirements, unexpected new build that may come out of the various PJM wholesale power market mechanisms that encourage either retirement or new build. So transmission has been and continues to be the single largest component of the utility capital program going forward.

Second to that would be our investments in electric distribution. New Jersey, like many other states, has an increasingly electrified customer base, which is to say that despite the absence of load growth, our load growth numbers have typically been on the weather-adjusted basis low-single digit tenth of a percent, so 0.1 percentage. Given the vagaries of weather normalization, one could say that's pretty close to zero obviously.

Nonetheless, the reliance on electricity is spiraling upward, thus the need for ever increasing reliability and in fact bridging over from reliability to resiliency, where resiliency to us simply means having blue sky reliability on stormy occasions.

This was never more apparent coming out of Superstorm Sandy which is, hard to believe, four years ago just last week. And that has resulted in infrastructure improvements, storm hardening throughout our electric system. The program that we launched two-and-a-half years ago to do this was known as Energy Strong. We will see a continuation of that that we will refer to us Electric System Modernization Program.

So, these are a combination of Board of Public Utility approved capital improvement programs that receive tracker treatment in addition to our base spending in maintenance capital. We just recently filed with the New Jersey Board of Public Utilities a special project for $270 million substation improvement to serve one particular customer, the New Jersey Transit, which is the public transportation system in the State of New Jersey.

So, in addition to the transmission build-out for bulk system reliability, the electric distribution build-out for storm hardening and electric resiliency, we have some increased investment opportunities in our gas distribution business in addition to the normal base spending that's associated with service connection and new load.

We have a major undertaking in the area of cast iron main replacement. PSE&G has the largest cast iron main and bare steel system in the nation that comes along with being one of the oldest and largest gas utilities in the nation.

At our current investment rate in our Gas System Modernization Program of $300 million a year, our needs would last for the next 30 years before we would be able to fully replace the cast iron and bare steel system.

And we recently, last year, received approval for a three-year contemporaneous return clause recovery mechanism in that program. And our expectations are that since we've asked permission for special trackers on this type of program

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four times and received approvals four times, that this program will continue out into the future.

Lastly, New Jersey's Energy Master Plan, a policy document that guides energy policy in the State of New Jersey is ambitious in its aspirations for solar energy, as well as energy efficiency. We have been an active participant in that. We have invested over $700 million in regulated solar projects, and we're recently able to achieve an agreement with third parties and interveners in a filing we had made for an additional 33 megawatts or $80 million of solar investment dedicated to sites that are characterized as brownfields. Brownfields would be inclusive of landfills or old industrial sites that are underutilized.

Last year, we received an additional approval for $95 million in energy efficiency projects geared primarily towards hospitals, multi-family dwellings, low-income housing opportunities. So, the utility capital program as you can see is rather comprehensive, in dollars is primarily driven by the top part of this slide, the transmission, electric and gas distribution components. But in terms of policy implications and non-traditional services, there's a small complementary piece as well that we would expect to continue.

The growth rate in the utility rate base is known to be 8% per year for the next five years, with the potential for close to 10%. To go from that 8% to 10% would require $2 billion in additional investment over the forecasted numbers that you saw earlier. And over the last few weeks, we announced $650 million of opportunities that are fairly visible to us and are in front of the BPU today for approval, making up fully one-third of the additional $2 billion in opportunity set that we anticipate realizing over this period.

The story is somewhat different at PSEG Power. Over the near term, we are seizing on some investment opportunities in the construction of some combined-cycle units that I'll describe more fully in a moment, but Power's opportunity set is one that we would view looking forward as more in the potential of acquisition. However, we are historically conservative in our offerings for asset acquisitions and have, I like to boast, about a 96% failure rate in our ability to consummate transactions. But that's a good thing. That just means that we're not the victim of the winner's curse. It's probably not a bad thing, given the slow growth in demand and equally slow growth – slow decline in supply stack that many of us have anticipating would occur at a faster pace.

So we typically show a slide like this for the utility where the headline is: don't believe it, because the out-years, which show a decline in capital spending, are always gets filled in. This slide, however, for Power should have as a headline: you should believe this. Because what it illustrates clearly is that 2018, we begin a restoration of Power's role as a free cash flow generator, able to feed the equity needs of the utility, and in 2019 that it becomes a very robust free cash flow generator feeding the equity needs of the utility.

The slide is just ever so slightly out-of-date because we just recently announced the closing – that we will be closing two coal units that we operate in New Jersey. They are referred to as the Mercer and Hudson units. So, in the out-years of this chart, in 2019 and 2020, there's about $100 million each year of capital that was intended for those units that will now not be spent. So you can see Power's capital needs in 2019 and 2020 look to be just south of $300 million per year and a business that's generating in the neighborhood of a $1 billion plus in funds from operations. So, a tremendous free cash flow generator to meet the equity needs of the utility.

In the short term, however, Power is in a construction mode, replacing some aging assets in Bridgeport, Connecticut and in Sewaren, New Jersey. Sewaren is a subzone of the Township of Woodbridge, New Jersey with highly efficient combined-cycle gas turbines. And a wholly new construction program in Maryland at the Keys Energy Center, which has some attractiveness to us, not so much for its replacement value, because it's not replacing anything here, but this part of PJM is a load pocket with some fairly strong growth and also allows us to do a better job of managing our portfolio, given the fact that the PJM West zone is the liquid hub and we are lacking in assets around that liquid hub. Most of our assets are in PJM East, but Keys will give us an ability to better manage the portfolio and hedge profile of our system of plants.

Most importantly, however, the combination of the construction of these three units and the closing of the Hudson and Mercer units really continues the transformation of the PSEG Power fleet. What we're trying to illustrate here is if you take a snapshot of our fleet in 2015 and what we expect it to look like in 2020, on the left side of this chart, the pies are

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a little bit misleading. The change in nameplate capacity is a little less than 2%. So the vagaries of PowerPoint here, yielding a bigger pie, one should not take literally.

You can see, however, the shift in the fuel of choice that's being used, going from one pie to the next. So the slight increase in capacity of 2% is very different when one moves to the right of the slide and takes a look at the energy output that's expected from the fleet, which is nearly 20%, and this just reflects the fact that we will have 5,000 megawatts of combined-cycle gas turbines with an average heat rate of 7,200 Btus per kWh. That will be complemented by an existing nuclear fleet that for 10 of the last 11 years has run at a capacity factor north of 90%. That's 3,500 megawatts of nuclear, spread across the Salem, Hope Creek, and Peach Bottom units, four of which are co-owned by us and Exelon, complemented by about 3,000 megawatts of peaking capacity at an average heat rate of a little north of 9,000 Btus per kWh, anchored by some pretty efficient units that we've newly built in New Haven, Connecticut and Kearny, New Jersey.

So we're positioning Power not as a larger fleet – once again, the reason for that is because demand is not growing – but as a far more efficient, cleaner, and flexible fleet, which we are convinced will meet the demands of a very competitive, challenging marketplace going on into the future.

Beyond the capital program, the ability to control O&M is something we obsess about every day. It's a byproduct and an offshoot of having that engaged workforce I spoke about before. You can see here that Power's O&Ms had some years of slightly up and slightly down. But over the last six years, the compound annual growth rate has been zero.

The puts and takes are a function of whether or not our 100% owned Hope Creek unit is in a refueling outage that might lead to a slightly up year in O&M, whether or not there's an absence of major maintenance at some of our fossil fleets that would result in a down year in O&M. But overall, very good cost control at the Power business.

You can see similar strong cost control at the Electric and Gas distribution business, an annual CAGR of 1.5%. There's a misleading 10% CAGR on the transmission business. It's misleading for two reasons. Number one, when you start at zero, it doesn't take much to have a high percentage growth rate. But also, given the very strong capital program in the transmission business, obviously, for system stability, when one is doing work at one transmission location, there is related work that has to take place at another transmission switching station. That related work is not capital work. That becomes O&M work, and that drives the O&M expense. However, given the FERC formula rate treatment that we receive, we are able to earn our allowed return across the transmission business in each of these years.

So the robust capital program at Power and at the Utility coupled with the strong O&M cost control yields a set of financial credit metrics that we are quite proud of. Our emphasis is on maintaining strong investment grade credit ratings across all three entities: the parent, the merchant business, and the utility. Our minimum thresholds in our key measures are FFO to debt.

As you can see here, we set that target at PSEG Power at 30%. Over the next three years, the average will be somewhere in the mid-40%s. At the parent, given our current mix of about two-thirds, 60% to 66% regulated earnings and the balance unregulated earnings, we think our parent FFO to debt ratio can remain anywhere from the high teens and above and it currently is in the low 20%s.

What that implies is that we have additional investment capacity just through the debt markets that Power are somewhere in the neighborhood north of $1 billion and at the parent north of $1.5 billion. Given the regulated capital structure of the utility and given the predominance of utility type investments, the utility itself has access to the debt markets. Our allowed equity ratio is, just think of it as 50% debt, 50% equity. So, this $2.5-ish billion additional investment capacity in terms of debt yields a $5 billion unutilized investment capacity at the utility on top of the numbers I've already spoken about.

The strength in the balance sheet, the growth in the utility, the efficiency of the Power fleet gives us confidence to continue speaking about our growth that we've not only experienced but expect to experience. You can see here the transition that we've undergone over the past five years, not only have we grown our operating earnings, but the utility has grown as a percentage of that operating earnings. So the utility is the primary earnings driver of the business today, as I mentioned a moment ago. If one is just to look at the midpoint of our guidance, the utility would be slightly more

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than 60% of the earnings of the company.

This combination of factors, the increasing importance of the utility, the expectation of future growth of the utility, the continued O&M control, the efficiency of the Power fleet allows us to continue to embrace a dividend guidance that is qualitative and not formulaic, that speaks about the opportunity for meaningful and sustainable growth in that dividend. Here, you see the utility earnings now north of the dividend payout ratio this year of $1.64 on an indicative basis. Of course, our Board of Directors determines this on a quarterly basis and it's solely at their discretion.

So, hopefully, in summation, what you've heard me say is that we have a truly stable platform in terms of the combination of a regulated utility making up the majority of our earnings, a PSEG Power business, and an efficient, highly liquid power market at PJM, one which through the combination of our hedging of energy contracts and our combination of participation in PJM capacity auctions gives clear visibility to the next three years of top line revenue streams at Power business.

We are of the opinion that PSE&G certainly through its service history and its customer satisfaction scores and growth profile would be ranked certainly among top-tiered growth and performing utilities throughout the nation. Power's fleet, the combination of nuclear, and combined-cycle natural gas turbines make it not only efficient and clean from today's standpoint, but well-positioned for a future of carbon constraints. And the balance sheet continues to support growth across these businesses, sustains the dividend, and gives us the opportunity for further investments that we fully expect to identify in the months and years to come.

So, with that, I'll stop. I think we have plenty of time for questions if I'm not mistaken. That was certainly our intent. And I'll join Dan at the table and be open to your questions. Thank you.

Q&A

<Q>: [ph] It's working, Dan (22:39). Ralph, given your excellent outline of where things are and what you're looking for, bring to mind the fact that the earlier presentation that I went through this morning was by FirstEnergy, they're going to have some nuclear plants that will be available that they'd like to dispose them. Will you have a look at those? Do you believe that there's a price for everything? And at the right price, yes, you could look?

<A - Ralph Izzo>: Thanks, [ph] Karl (23:12). So, I guess, there's kind of two answers to that. One is you're absolutely right. At the right price, things can be of interest. But second is I've got a lot of respect for FirstEnergy. They have a long history of successfully operating nuclear plants and if they think economically they're not supportable, it sort of – it stretches my imagination to wonder how we could do anything different to make them economically viable. So, I would think that's a low probability event that we would be able to do something different than they could.

On the broader topic of nuclear, separate and apart from FirstEnergy, as you know, this is a challenge across competitive markets, and my only hope is that the nation realizes this is extraordinarily shortsighted to sacrifice what is, without question, one of our cleanest sources of energy from not only a carbon point of view but from traditional pollutant point of view and the short-term dislocation being caused by natural gas, compounded by the subsidization of renewables is something we're going to greatly regret if we don't start pricing some of the externalities associated with nuclear into those plants.

We are not in the same position with some of these challenged plants just because of the location, the size of our plants. The location has a twofold benefit for us. Number one, we have better pricing. And number two, we don't have the same pressure from renewables. But nonetheless we are out there shoulder-to-shoulder with people like Exelon and FirstEnergy saying: policymakers better figure this out because it doesn't make sense to have negative dispatch prices caused by wind, shutting down nuclear plants only to be replaced by natural gas. It's just policy insanity.

So I thank you for the question. But, no, my guess would be that we would have limited interest in those assets only because I think FirstEnergy is a good company. And if they can't make them work, I don't how somebody else could.

<Q>: Given the strength of the balance sheet, could you comment on the types of investments that might be attractive opportunities going forward?

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<A - Ralph Izzo>: Yes. So, I mean, our primary emphasis is going to be continuing to grow the regulated utility. If you just think about the Gas System Modernization Program, which we have just about universal acceptance in New Jersey needs to be done, we're pushing the run rate from $300 million a year up to $400 million a year. We think that's probably going to be the natural limit for the foreseeable future. That will take us from a 30-year program to maybe a 25-year program, 20-year program. By the time we're done with that, the pipe that we laid 40 years ago will need some replacing, right?

So, our growth story in utilities is not about load growth. It's about an aging infrastructure that people rely on every day that just constantly needs refreshment. The value of being a combination utility is that even while we're doing this major overhaul of the infrastructure, we're lowering bills. Now, this is water, it's not vodka. The reason why I'm able to say that is because as gas prices have come down as a combination utility, we're able to lower the bill while making these investments in the utility.

So, my prediction is that we'll continue to have the vast majority of our investment in the utility. But as I said a moment ago, we'll keep poking at existing power plants to see whether or not they fit into our portfolio. I don't want to overstate the likelihood of being successful there, thus the 96% failure rate. But I don't want to have one land in our lap and then have people say, well, you never mention that, so.

<Q>: With regard to your plans for growth in transmission investment, is there a limit to future needs in PJM? And we noticed in the RTEP process, things keep getting pulled out of the RTEP, pull – are pushed further out because of declining power demand or changing directions of flows or whatever?

<A - Ralph Izzo>: Yes. And we are seeing a decline in the big projects, right? So we had a period of time in the past decades where some major, major projects needed to be built to debottleneck the East/West flows of the powers and that worked. I mean, it helped free up some congestion. It was done for reliability. But obviously, electrons don't follow paths because of reliability or economic conditions. They follow path because of Dr. Kirchhoff of years ago. So most of the big projects have decreased. We have one that remains. It's corrective seam issue between PJM East and New York ISO.

However, I will remind you that long gone are the days when utility engineers looked at load distribution, transmission and generation in one fell swoop. And given the slow-moving nature of load changes and given their ability to control where generation was built and where it was it was retired, you can have a fairly stagnant transmission system that would meet the reliability needs.

PJM did not know we were going to retire Mercer and Hudson until literally two weeks ago. Nobody knew that developer A, B, and C was going to build a combined-cycle gas turbine in RTO, six months ago. So as PJM addresses these changes, these major perturbations in the bulk power system, there's an ongoing need for projects. They're just not as big as they were before. So, I don't see the need for transmission going away, but I do see it as sort of more isolated programs than I do see kind of the mega projects that are going to decongest major systems.

A big part of that program also, if I might go on just for another moment or two is in an effort to enhance reliability, which I think we've been successful at. We're upgrading our 26kV loop system, which is a distribution level system to a 69kV system. So, we're still anticipating a very robust transmission program.

<Q>: Yes, [ph] Barry (29:03).

<Q>: Well, about one year from now, there'll be an election in New Jersey for Governor, and what would you like to see in terms of policy changes that would come in with the new administration that might create the opportunities for investment in energy beyond what is now allowed by the current policies?

<A - Ralph Izzo>: I can't think of any changes that I'd like to see, [ph] Barry (29:32), in terms of the areas in which we've been allowed to invest. We've been upgrading our traditional infrastructure and we've been allowed to participate at very active level in some non-traditional areas, in solar and in energy efficiency.

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The one policy change – so in terms of areas of investment, no change. I think we've been welcomed into all areas that we've asked to be allowed to participate in. The policy change I'd like to see is, the duration of the programs that receive approval. So, I'll refer to the gas system program as hopefully with a little bit of humor.

It's a 30-year program. We'd like a 30-year approval. The regulatory [indiscernible] (30:15), stop whining, you've come in four times and we've said year four times. And I turn back and say yeah, but the first two times you said yes, for 18 months, the last two times you said yes for 36 months. And they say, well, you should be very confident that we'll say yes the next time. And I say yeah, there's a difference between confidence and certainty. So, unfortunately, they win. So, what I'd like to see is changes in the duration of the program, but I don't think we've been denied any opportunities in terms of where we can invest.

The banter is not quite that pleasant when it actually takes place.

<Q>: What are the prospects for PSEG Long Island.

<A - Ralph Izzo>: Yes. So, there's really two dimensions for PSEG Long Island. We thought there could be a third, but I'll get to that in a moment. Number one is, we operate their transmission and electric system. And that's under a contract. It's a 12-year contract. It has, I think, another nine years to run. And secondly, we dispatch the generation fleet, as well as contract with other generation.

In my opinion, both are going exceedingly well. They've gone far beyond my expectations in terms of how well we've performed. In the former case, we had 21 performance metrics we needed to meet as part of the contract. We've consistently met 18 and 19 of them, which resulting in slight bonus payments. It's a modest bonus payment. And in the case of managing the generation and their fuel supply, we've been able to pass on strong savings to them as a result of that.

So, I think we've done well. We're the student. The teacher would be the Long Island Power Authority. They give us the grade and I think they've been happy. That's contributing about $0.07 a share. It's indexed to inflation, so it will creep up over the course of next nine years.

The part that's been a disappointment, quite candidly, there was a vague reference in the contract to our ability to participate in something called Utility 2.0. It was not defined in terms of what it would be. We had hoped it would be a very ambitious program of kind of distributed generation energy efficiency that we could deploy our own capital.

But we've not been able to come to an agreement with life about what that really means. They would like to see us sort of manage other people's efforts in that area and our response is no, that's not what the core contract was. If you want us to do it as opposed to manage others, then here's what we'd like to do. So, it's unfortunate I think, but it doesn't keep me awake at night.

That's what I like. We're a very clear company, no confusing questions. Everyone's good. So we'll give back the balance of our time. Thank you all very much for joining us today.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-09-07
Event Description: Barclays CEO Global Energy Power Conference

Market Cap: 20,808.35
Current PX: 41.13
YTD Change($): +2.44
YTD Change(%): +6.307

Bloomberg Estimates - EPS
Current Quarter: 0.879
Current Year: 2.866
Bloomberg Estimates - Sales
Current Quarter: 2819.400
Current Year: 10095.750

Barclays CEO Global Energy Power Conference

Company Participants

- Unverified Participant
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Unverified Participant

All right. Our next presentation is Public Service Enterprise Group. We've got Dan Cregg, who is Executive Vice President and Chief Financial Officer, who's going to take us through the [ph] page. So, Dan? (0:12)

Daniel J. Cregg

Thank you, [ph] Dan, (0:14) good afternoon, everybody. I'll work swiftly through our forward-looking statements and GAAP disclaimer to get to – me to the presentation. And I think in summary, if you think about PSEG, I think you really think about two strong businesses. I think we have PSE&G, a New Jersey-based electric and gas regulated utility, both distribution and transmission. It's got about a $12 billion infrastructure program over the next five years, which will generate high single-digit rate base growth through 2020. I'll give you a little bit of color on that as we move forward.

And then on the other side of the ledger, PSEG Power. We're changing a few things at PSEG Power with respect to the fleet. We've seen some change out of some older units in the last few years, what we call our HEDD units, some older peaking units, and have an investment program to replace that with some combined cycle units, I'll also talk about in a little bit. Very strong cash flow generator at PSEG Power, which help support the business in the aggregate.

But think about the overall operating philosophy of the company, it's a philosophy that we have used for many years, three parts, and it all starts with operational excellence and that all starts with our employees. And the thought process frankly is very simple, to the extent that we can operate what we operate with excellence that will earn us financial strength. So, operating units that we know how to operate and operating them well will generate financial strength. And with that strong financial position, we will deploy that on a disciplined basis back into the business. And in doing so, we have seen positive results over the years.

The last three years we've seen increases in our operating earnings on an EPS basis. Our dividend growth, extremely important to our shareholder base, has continued to grow over the years, and I'll touch on that a little bit in a couple of slides, and really, best-in-class utility rate base growth, and like I talked about the increase in the efficiency of the fleet as a whole with our construction program around a couple of combined cycle units that we are currently building.

So, this gives you a snapshot of the overall capital spending of the business through two pie charts. On the left-hand side we look backwards, and over the last five years, we invested $14.3 billion in the business. And on the right-hand side, looking forward, $16 billion prospectively over the next five years. A couple of things jump out as you look at the pie charts, both the past and the future, same – relative proportion of spend between the two businesses. So, roughly a 3:1 basis utility versus Power spend both looking backwards and forwards. And within the utility side of the business, you can see that light blue area, transmission, $7 billion over the last five and a forecasted $7.1 billion over the next five. That equates to about 60% of our utility investment in both of those time frames. So fairly consistent investment profile.

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As you look forward in the next five years, investments in some clauses or trackers that we have ongoing both related to GSMP, or Gas System Modernization Program. What that program does is replace a host of cast iron pipe that's in the ground and we – the magnitude of cast iron pipe that we have in the ground that equates through about a 30 year run to replace all that pipe. So, it's one of the largest cast iron systems that's in the country that has a need of an overhaul. And on the Power side of the business, you can see there is a $3.9 billion investment over the next five years. A little over half of that relates to the new combined cycle units that we're building; one in Maryland, one in New Jersey, and one in Connecticut.

So, if you take a look first at the utility side of the business and you look at the rate base growth, strong rate base growth looking back over the last five years. The compounded annual growth rate of our rate base growth has been about 11%, and the depiction that you see also plays out pretty clearly where most of that growth has come from over the last five years is investment in transmission. You can see that from the dark blue component of the bar charts that you have.

Also, you see an orange line that moves through that, that is a PSE&G EPS number over the last five years, tracking closely to rate base growth. And the way we think about that is from the standpoint of the moderate load growth that we have seen, there needs to be a very strong control on the O&M side of the business. So, those two have offset one another pretty closely to let us grow by our utility earnings at a rate that's very close to what we've seen from the rate base growth as well.

Thinking more on a forward look with the same type of information. Looking at 2011 rolling out to 2016, again, this is rate base growth and our forecasted rate base growth on a compounded annual growth rate is 8%. So, those are the numbers we have put forth. We have also talked about the potential for incremental investments that could move that 8% rate base growth up to 10%. Those items in particular would include the continuation of that Gas System Modernization Program that I talked about. So, continuing to replace the cast iron that's in the ground.

Also, we have a program that we have implemented in response to Superstorm Sandy and that was a $1.2 billion program that was put in place based upon a $2.6 billion initial ask. So, additional work that follows on from that initial request is another area where we could see some potential upside to that rate base growth. And then, in addition, we have a renewable filing that's in right now with the BPU earlier in the year. We filed for a $275 million filing with the BPU for solar, and also opportunities within energy efficiency.

So, this gives you a little bit of an indication as to the overall make-up of our rate base, and the components that are there as well as the overall net income picture that has come from it. And by 2020, incremental growth anticipated beyond what we have shown in our baseline numbers.

Moving to Power. We have seen incremental growth on the Power side of the business through three particular opportunities that we are investing in over the next couple of years. In particular, to walk through each of them, we are constructing a 755 megawatt combined cycle facility in Maryland, the Keys Energy Center. It is in Southwest MAAC, and at an estimated cost of $825 million to $875 million.

That facility is in an area where we feel that there is the potential for stronger load growth than most areas within PJM. Also brings to us the value of having the output of that plant very close to PJM West. So, the correlation between that liquid hub at PJM West and the output of the facility gives us a good place to hedge the output of the Keys Energy Center. And that facility will go into service in 2018.

In addition in New Jersey, at Sewaren, we've had a facility there that's been in place for 70 years and really has run its course, and last year, we bid into the capacity auction to clear a new unit at Sewaren. So, that would be replacement capacity at the Sewaren site in EMAAC, a 540 megawatt unit. That unit would also go into service in 2018.

And then lastly, at Bridgeport, in Connecticut, a 485 megawatt combined cycle unit that cleared in the most recent New England capacity auction. That auction – the way that the New England capacity market works is that new capacity into that auction would see a seven-year lock on capacity prices. So, with that stable capacity price rolling out for the first seven years of operation gives a good stable base to work off of. That unit would go in service in 2019 and there are conditions in place that as that unit goes forward and gets its permits, it would anticipate that a coal unit on that same

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site would shut down in 2021. So, also replacement capacity in the Connecticut market for that unit.

What that means from the standpoint of overall capital spend at Power, you can see on this next graph. And what it shows you really in two pieces is a fairly steady run rate of capital across the Power business of about $200 million to $300 million a year to run the business. And on top of that, over the next couple of years, that light blue area that you see is the spend that we have for the construction of these three units.

This unit – this capital spend would be covered by operating cash flow. So during this construction period, we are free cash flow positive with no need for any equity issuance throughout the entire five years of our business planning period. And then, this next slide gives a little bit of an indication as to what the new fleet would look like on the other side of this capacity build. So, two parts to this slide, on the left-hand side, gives you the megawatts that we have in our fleet.

And if you look on the bottom, there's a small pie chart, shows you the 2015 pie chart of the fuel diversity that we have within our existing capacity. And as you move northeast on that left-hand side of the graph, you see what it will look like in 2020. So, an increase in the blue part of that graph which really represents the combined cycle capacity within the total Power fleet; a moderate decrease on the nuclear side, not from any decrease in nuclear, but from an overall increase in the size of the fleet as a whole; and then a small contribution from the coal part of the fleet.

And on the right side, we go more to 1 gigawatt hour energy produced snapshot. So, same concept, looking at 2015 moving into 2020, how the output from the fleet will change over time, and we'll see an increase from about 35% to an estimated 42% of the output coming from the combined cycle units. And our nuclear units will stay at about 50%, the forecast is 49% there. And a fairly small contribution coming from the coal part of our fleet, really only 8% of the output.

Touching on that coal part of the fleet, we announced today through an 8-K that last week we had submitted to both PJM and the PJM Market Monitor a request for an exception to the must-bid requirements into the upcoming May of 2017 reliability pricing model auction that will take place. Those two stations have not cleared in each of the last two capacity auctions within PJM and what will happen is that the Market Monitor will take a look at that submission and make a determination where they will get back to us by December 1 for an exception to the must-bid requirement within PJM. And in parallel, during that timeframe, we will be making an evaluation of the path forward for those two units.

Again, they have not cleared the last two auctions and you can see here a fairly low capacity factor over the last couple of years. So, the thought process is that as PJM tries to make a determination as to what capacity will come to market in the upcoming auction, this kind of indication will give them a sense as to those units who are looking to have a choice with respect to what they do with the units. So, we will know more by December 1 or before about what the path forward is as we move into next year's capacity auction.

And then, one final slide looking at Power. If you take a look at the total energy produced in 2015 of 55 gigawatt hours and try to think about how much of what that output is in addition to capacity has been secured on a go forward basis, really there are two functions that help to get us to what it shows on the right-hand side of the page. And the right-hand side of the page basically reflects in the green that the three-year forward capacity market in PJM, plus what we see from the standpoint in New England and New York, would secure about 32% of our revenue for the 2016 to 2018 timeframe. And in addition, our three-year ratable hedging program would secure about 40% of the energy margin that we have.

So, if we take a look at that as a whole, about two-thirds of the revenue for Power is secured for the next three years, and as we step forward and continue to hedge and continue to enter into capacity auctions, that number will continue to move as we forward. So, a fairly stable base to move off of prospectively for Power.

A quick look at the balance sheet and really looking at sources and uses for 2016 to 2018, this is for PSEG as a whole. Taking a look for 2016 to 2018, the biggest source of cash for the business really is cash from operations and you see that on the left side, far and away the biggest magnitude of the sources of cash, but also supplemented this year and during 2016, 2017, and 2018 by the extension of bonus depreciation. So, we saw about $1.2 billion at the utility come

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to us from bonus depreciation in our forecast, as well as about a $0.5 billion on the Power side of the business from the spend we have there. All contributing to sources of cash for the business.

PSE&G's net debt, you can get a sense as to what we're going to see incrementally on the debt side. If you think about the capital program that we have at PSEG (sic) [PSE&G] (14:27) for over five years, $12 billion, for 2016 through 2018 we will match that roughly dollar for dollar, we have about a 51% equity percentage on the regulatory basis at PSE&G. So, we will match our debt with our equity at PSE&G. And then a fairly small component of Power and parent debt, which round out the overall cash from the business in the next three years.

On the right side, the uses of that cash. Most of the investment that we're making is growth investment. If you think back to those two pie charts that we showed you it's the combined cycle units that we are building, it is also the transmission spend that we have, and most of the spend on the distribution side of the business.

And then finally the shareholder dividend. So, none of this reflecting any equity issuances and no equity issuances in the five years of the business plan. That gives you a little bit of a sense as sort of sources and uses of cash. What that translates into from an operating earnings perspective, you see an increasing contribution to the overall operating earnings from the utility part of the business. So, regulated moves from a 43% contribution to a 62% contribution as we move from 2012 into 2016. Continuing contributions come from those clauses that I talk about from the transmission business that we have and the contemporaneous nature of the formula rate on the transmission business helping to grow the overall earnings of the business from a regulated perspective.

Those earnings translate themselves into dividends. If you take a look at the growth in the dividend, we've been over 3% growth since 2012 and last year we saw a 5.1% increase in our dividend from 2015's indicative dividend into 2016. That represents a 57% payout ratio if you look at it from an enterprise perspective and that dividend can be covered in its entirety from the utility earnings. And what we said on a go-forward basis with respect to the dividend is that we do expect to have the potential for consistent and sustainable growth in the dividend going forward. We don't do it on a formulaic basis; we don't provide exactly how we get to that number. We have the two businesses that we put together and look at what makes sense from the overall standpoint of the business mix for a dividend policy and we look at that every year.

So, looking forward, continuing to operate well is critical to both sides of the business as you can see on this slide. Executing on the capital program at both businesses. So, $16 billion in the aggregate over the five years related to the clauses in transmission and the combined cycle units on the Power side of the business. We look for continued improvements in the regulatory framework and I would say that on the regulated side of the business, on the distribution side, we've continuously moved forward with clauses and trackers with the regulated business.

And as we look forward to the extent that that can be simplified and moved into more of a longer-term infrastructure program, we think that that works better from the standpoint of the continuity of the work that needs to be done from the employment capability of the folks that we are hiring to have a better long-term view as to what we're doing from the business perspective. So, the regulatory framework that we talk about really referencing the potential to have more long-term infrastructure programs is an objective that we have.

And then continuing to look for growth opportunities. One thing that we always note is that our capital program as we go through our five years reflects what we know, and we know more about the next few years than we do about the tail-end of our plan. So, we tend to forecast a capital program that looks like it dips down over time. And as we step in to the next couple of years, we have historically tended to find ways to fill the back as opportunities have come up. And that will be a component that we will continue to look for from the standpoint of reliability for our customers.

And obviously, running the units well and touching on advocacy of constructive market rules. And maybe there, the most important element is the new price formation rules that PJM is looking at and trying to make sure that the elements of how the market is priced, how start-up costs, how load is forecasted, the periodicity with which payments are made compared to how units are bid becomes a fairly important component to make sure that units are getting the right price signals that they should.

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And then lastly just to touch on Long Island, we do have the operating agreement for the Long Island Power Authority that has been in place for a few years, and I will say that folks have done a great job to execute on that. And that transition has been well executed, and I think the results that we're seeing in that business are exactly what we had hoped that they would be.

So, in summary, a stable platform between the two companies with predictable earnings and a robust investment pipeline. PSE&G, I think easily called a best-in-class utility with a very strong growth profile; and Power increasingly an efficient fleet. If you take a look at some of the units that have done their time and moved on, and with some of the new units that are coming on, we will be a very clean fleet and a very efficient fleet. And lastly, a very strong balance sheet, strong credit ratings, and the ability to execute on a $16 billion capital program without the need for any equity.

So with that, I'll be happy to take your questions.

Q&A

<Q>: And there is a microphone. There is a question in the back there.

<Q>: I missed your comment about those three new units, three newbuilds. Are those contracted power or they will be sold in the market on a competitive basis?

<A - Daniel J. Cregg>: They're merchant facilities and they are not contracted on a long-term basis but for the fact that there is a seven-year capacity lock in New England. So, those will work their way into our normal hedging program as we step forward.

<Q>: So, to follow-up, what kind of returns can you get from that investment of $1.8 billion or so on those units?

<A - Daniel J. Cregg>: So, we don't provide what our hurdle rate or anything would be, but I will say that, that as we've gone through those analysis, they met our requirements.

<Q>: Are they more in line with the existing assets, or are they better or they're worse?

<A - Daniel J. Cregg>: I would say that they met our requirements as we went through our analysis.

<Q>: [indiscernible] (21:25)

<Q>: When you look at price formation rules and thoughts on PJM, what are your thoughts on price formation rules around assets with environmental qualities like nuclear?

<A - Daniel J. Cregg>: I think that's a secondary aspect of what I've seen from some of the price formation elements within PJM. I think part of the disjoint between the nature of the duration of the bids, be they hour long or five-minute settlement, it's more of those kind of elements for units that are on and off, for units that are ramping up and ramping down, that's more where the focus has been I think with respect to trying to tighten up those rules, and make sure that the right signals are out there, so that the market can work more efficiently.

<Q>: Two follow-up questions. Sort of [ph] process ahead (22:33) on getting approval for the $275 million renewable spending, and then, any outstanding approvals you need for moving ahead with the new CCGT plants?

<A - Daniel J. Cregg>: Yeah. So on the – with respect to the solar filing, there are requirements in New Jersey for those types of filings, for once a filing is deemed complete, that they would be completed within – a decision would be made within 180 days. So, I think that's a reasonable timeframe to expect and they were deemed complete around mid-year. So, I would say around the turn of the year is the right time for when we would hear back on the solar projects.

And then with respect to the combined cycles, various plants in various stages of the permitting, so I think we will continue to step our way forward in that process over the next year or so, and then the rest will just be the construction side of things. So, more permitting going on in Connecticut, and the other two plants which are a year ahead from the standpoint of a service date are a little bit ahead on the permitting as well.

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All right. Okay. There are no other questions. Thanks very much, Dan. I appreciate it.

Daniel J. Cregg

Thank you.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-05-16
Event Description: AGA Financial Forum

Market Cap: 23,242.39
Current PX: 45.94
YTD Change($): +7.25
YTD Change(%): +18.739

Bloomberg Estimates - EPS
Current Quarter: 0.586
Current Year: 2.881
Bloomberg Estimates - Sales
Current Quarter: 2285.667
Current Year: 10068.923

AGA Financial Forum

Company Participants

- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

Daniel J. Cregg

...PSEG presentation gave just a high level overview of the company. My name is Dan Cregg. I am EVP and CFO of the company. Of course, we start with the forward looking statements and the GAAP disclaimer. And there is a page – the last page of your document will go through the differences between the GAAP results and the operating earnings results.

So, at the highest level, if you think about PSEG, two main subsidiaries of the company. On the left-hand side, you see a depiction of PSE&G that is our regulated company, Electric and Gas. So we are converged already, and by virtue of the name, Public Service Electric & Gas, have been so for a very, very long time.

Single-state regulation from the distribution part of our business and FERC-regulated on transmission. Is about a $12 billion infrastructure program over the next five years that will continue our strong rate base growth, and I'll show you a little picture of what that looks like.

And then complementing that business, PSEG Power, a merchant generation company. Some changes going on with that company to make us more efficient, and I'll go into a little bit of that detail as we go forward.

So some improvements there. And you can see the relative size of the business. Our regulated side from an operating earnings perspective exceeds our generation side. We'll also show you a slide where that dynamic has changed over time. We've gotten a little bit more regulated as time has gone on.

And when we think about the companies, one of the basic tenets that we live by is seen by this depiction on the right-hand side of this slide here. It all starts with operational excellence. Absolutely key to what we do. I'll go through a couple of instances where you can see some indications of that. But the thought process is that if we can operate our assets excellently, it will build financial strength. That financial strength in turn can lead to disciplined investments that we will make and those investments are in assets that we will be able to operate excellently. And that circle can go on forever. And all backed up by a workforce that is engaged and we think one of the best in the industry.

From a results perspective, it's resulted in earnings growth over the last three years. Our EPS has grown. Dividend growth over time. And I'll give you a picture what that has looked like and a little bit about what that will look like on a go-forward basis. And strong rate base growth and a new combined cycle gas turbine fleet that will be coming online in the next couple of years as well.

So continuing on the same theme, we've delivered. And on the operational excellence side, PSE&G this year, for the 14th consecutive year has been named the Mid-Atlantic's Most Reliable Electric Utility, Electric Light & Power's Utility of the Year, just real strong response to Superstorm Sandy. I mean, that was a enormous impact to the business and to the customer to this day, and I think our results that we had against that backdrop, very, very strong and has changed the company. We are making some changes to our infrastructure as a result of that event.

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We continue to see increased output on the Power side of the business, both at nuclear and also on our combined cycle fleet. More and more of our output comes from there. And with the changeover and the incremental construction program that you see in the next couple of years, we'll continue to see that move forward.

And then a smaller part of our business, PSEG Long Island. So we have a contract to run LIPA's operations. And we have seen in that operation, improved customer service, which has been a big focus for that operation, and improved reliability. So that's an area where we step into a situation that needed some help and have really worked with the team at LIPA to improve that business, improve results and make things better in our neighboring state.

From a financial strength perspective, last year's earnings of $291 were at the upper end of our guidance. Both of our businesses throw up very strong cash flows, which enables the dividend policy that you see and we'll talk a little bit about that. And maybe more importantly, over the next five years we have a $16 billion capital program and we will move through that capital program without the need to issue equity. So that's a credit to the strength of the cash flows from both of the businesses that we have.

And then lastly from an investment perspective, capital programs both at PSE&G and at Power. At PSE&G, driving rate base growth 8% to 10% over the next five years and investments really across the board in Transmission. Energy Strong that you see referenced on the bottom of the page, that was the response to Superstorm Sandy. And also the Gas System Modernization Program; that's a more recent program, was approved last year and started at the beginning of this year. $300 million a year to replace one of the largest cast iron and bare steel gas systems in the country. That program at its current pace will continue for about 30 years or has a need for about 30 years' worth in investment to replace all that cast iron and bare steel that we have in our system. So that's an area where we expect to see continued investments for a long time to come.

And then on the Power side, we have in the past few years moved mainly with respect to the growth of the business at Nuclear with some uprates and Fossil also with some incremental uprates around the edges to improve the fleet as well as a single pipeline investment of PennEast and a Solar Source business which is a solar business on the Power side of our business responding to PPAs. And that capital program will change over time and be more focused on new build programs.

And that's what you see here in the following slide. So on the left-hand side of this next slide, it shows you the last five years from 2011 to 2015, and it shows the capital spending across PSEG. And it gives an indication of the mix of our spend and where our investments have gone between our two businesses. So the blue – the different shades of blue represent PSE&G and the orange represents Power. So you can see, there was roughly a 3:1 ratio of spend at the utility versus spend on the Power side of the business.

Moving to the right-hand side, from 2016 to 2020, a comparable business mix if you think about the investments that we are putting into the business. So about $12 billion going into PSE&G and about $4 billion going into Power. So while we are investing in a little bit of a different mix across the business, the general investments between the two companies has remained fairly constant across the last five years and as we look forward to the next five years. And, again that $16 billion investment program will be funded without any need for equity.

And just a quick look back at the last five years. And keeping with those same timeframes, we really simplified the business from 2011 to 2015. There was a third company that if we went back five years or so, we would have talked a little bit more about, PSEG Energy Holdings. Those investments have been largely monetized. It's thrown off incremental cash flow. And we've simplified the business really to just the two businesses that we are talking about now with PSE&G and Power.

The balance sheet strength also helps us to fund the dividend. And if you see on a go-forward basis, in 2016, we've continued the dividend growth. The dividend growth between 2015 and 2016 is up 5%. And the investments really are focused on reliability, resiliency and efficiency on both sides of the business.

So PSE&G, if we look at the utility, what you see here is the rate base growth that we have seen over the last five years. It's a stacked bar visual. And on the bottom, you see the distribution rate base; on top, you see the transmission rate base. So the growth in our business has been on both sides, but more pronounced on the transmission side of the

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business, a FERC-regulated business. So, again, while we are a one-state utility, two regulators have jurisdiction over the investments that we are making.

And as we move out to 2015, you can see that that balance between FERC regulation and New Jersey regulation has come closer in balance and is almost half and half. And again, these investments will move us to the – or these investments in the past will continue. And again, the rate base growth on a compounded annual growth rate is expected to be 8% to 10% as we move through the next three to five years.

The impact that that has on the customer bill is something that we always take into mind as well and being cognizant of what that's going to look like. What you see here is going back from 2008 to the current state of what the customer bill looks like on the electric side of the business on the left and the gas side of the business on the right. And largely due to the commodity price declines that we've seen in gas, but also due to some transition charges that have come off of the bill, you see that a combined customer has a 28% reduction in their bill from 2008 to 2016, and that's on a nominal basis. So that's not cost-adjusted for the years that are involved.

So as we move forward and pursue this rate base growth that we have, the impacts on the bill are manageable. And if we were to see a 2% increase on the bill over the next 14 years, we would get back to where we were 8 years ago. So that's just an indication of, 14 years from now somebody is going to know that they've had an increase of 2% every year as opposed to what happened in 2008. That's understood. But I think we have – we work off of the base of a declining bill, which gives us some headroom to do the investments that we do need for an aging infrastructure in New Jersey.

Then on the Power side of the business, three recent announcements for growing the business, all three combined cycle gas turbine investments that we are making, two in PJM and one in New England. So the first that you see here is a 755 megawatt combined cycle unit at the Keys Energy Center in Maryland. The second is a 540 megawatt combined cycle unit at Sewaren, New Jersey. Both of those units will be online in June of 2018.

And then complementing that in 2019, in New England we have our Bridgeport Harbor 5 unit, which would be just under 500 megawatts which will come online in 2019, and that Bridgeport unit just recently cleared last year's capacity auction in New England. By clearing that auction has a 7-year lock on its capacity revenue. And all three of these units will benefit from bonus depreciation as well.

And all in all, these new units will come on, will be very efficient new technology there. They are not repowerings of old units; they are new construction. And in two of the instances, both at Sewaren and at Bridgeport, we will be taking out older capacity to replace it with newer capacity. So from a supply-demand perspective, there's a netting of the two as we go forward.

What that looks like as a fleet overall is, on the left-hand side you see megawatts and on the right-hand side you see gigawatt hours. And you see what the fleet mix will look like as we go from 2015 on the bottom of the page to 2020 on the top of the page.

So, incremental megawatts, and as we look at the right-hand side from a gigawatt hour perspective, the gas contribution to the fleet will go from 35% to 42%, so a 20% increase in the efficient gas part of our fleet, balanced of course by a large nuclear output from the balance of the portfolio. And we'll go from roughly 55-terawatt hours to 65-terawatt hours as a fleet as a whole, so incremental production from those units coming online.

So, if you had looked back five years, we had a bunch of units which were nearing the end of their life; we often refer to those as the HEDD, High Electric Demand Day units. Those are some older peaking units that were still around. They would run on those days when absolutely needed, but generally not more than that. And they had served their time, and it was time for them to drift off into the sunset as may have seen outside yesterday. But as we move forward, we will have a more efficient fleet and a construction program that's underway that's going to serve us well for years to come.

So I talked a little bit earlier about the earnings contribution from each of the businesses, and this gives a depiction of exactly that. So if you go back to 2012, you can see on the bottom of the page, there's the PSE&G contribution to earnings per share and sitting on top of that is Power's contribution. So from 2012 to 2016, you'll see an increase in the

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regulated contribution to our business from 43%, growing based upon the earnings guidance that we've given by company to 61% as we move into 2016, providing a stable base for the business and representing the rate base growth that we talked about.

And again, both sides of the business generating very strong operating cash flows. That helps support the dividend that we have paid over the last few years. And just briefly here on page 15, you can see the growth in the dividend over that same timeframe as we've gone from 2012 at a $1.42 and grown by 2016 the indicative dividend of $1.64. That $1.64 is less than PSE&G's standalone guidance midpoint for 2016. So that dividend can – you can think about it as being covered solely by the regulated earnings of PSE&G. And what we said on a go-forward basis is that we feel very comfortable that we have the potential for consistent and sustainable growth in the dividend on a go-forward basis.

So, on both sides, again, operational excellence. Execution of the investment plans will be vital over the next few years as we go forward. And maybe just one other thing to touch on on this slide for each of the businesses. At PSE&G, we are looking to optimize the business environment by advocating for a regulatory framework that provides support for long-term infrastructure programs.

This is consistent with some of the other companies in our state as well. And as we have gone through the years, looking back maybe the past six, seven, eight years, there has been a host of infrastructure programs that we have put in place in working with the state and trying to align with state policy. And we have been successful in doing that.

But as we go forward, the ability to do that on a longer term basis as opposed to a series of shorter term programs, it seems like it's in the best interest of everybody. It helps the company plan a little better. It helps the workforce be developed a little better. It stops a demobilization, remobilization of the business. So one of the things that we think would be an advantage to the business is to enable a longer-term infrastructure program. And so, there's some discussions going on to pursue that on the Jersey side.

And then, at PSEG Power, continuing to advocate for constructive market rules. And there certainly have been some challenges there in the recent past. We've seen them years ago with the [ph] LCAP (16:06) rule in New Jersey. And then more recently further west from us there's been some activity that have challenged the market rules as well. So one of the things that we are trying to do is work in that direction to enhance the market rules and to maintain competitive markets as we step forward.

And then lastly, again, in Long Island, continued execution of a small but very good business where I think we've proven our ability to run another operation extremely well and make some much needed improvements in that business.

So in summary, a great platform, strong earnings and a very strong investment profile. I think clearly easy to say a best-in-class utility, and I would say a best-in-class power generation business as well. And a very strong balance sheet with very strong credit stats and the ability to finance a $16 billion, five-year investment program without equity.

So that in brief is our story. And I'd be happy to take any questions.

Q&A

<A - Daniel J. Cregg>: [ph] Frank (17:19).

<Q>: [Question Inaudible] (17:21 – 17:50).

<A - Daniel J. Cregg>: Yeah, the question is about the growth of Power and where it may come from on a go forward basis. And I would say that from what we have in front of us, it's a fairly ambitious program over the next couple years. So three major construction projects that we will work our way forward. My sense is that you will not see three more construction projects or really anything significant beyond what's there.

And I would say on the growth front, it would lead us more to an acquisition-based growth, but probably not big fleets. I think your areas that you mentioned of New England and New York and PJM, provided it's not very close to where our assets are right now, because sometimes we can have some [ph] worker (18:36) concentration issues there. Would be where we would go. I mean, we've always been a PJM-and-up focused company. So that's the geographic area. And

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as we look to asset acquisitions, probably on the smaller side, but we continue to look and pursue that. Yes.

<Q>: [Question Inaudible] (18:56 – 19:07).

<A - Daniel J. Cregg>: Yeah. And that's more of a state-oriented comment. And right now, I think for the immediate term, we will be watching as much as talking. There are others in our state who are in for regulatory re-ups. And as part of those filings, they are seeking the ability to go a little bit longer with some of their infrastructure builds. And again, I think it makes sense from the standpoint of being able to plan your work. I mean, just a simple example is that rather than hiring folks from the outside for short-term durations, we can hire employees, train them, and give people careers instead of giving folks jobs. That's just one simple example of why it seems to make sense. And maybe another example of the type of program where it fits so well is that Gas System Modernization Program I talked about earlier.

So we know we have over 4,000 miles of cast iron and bare steel in the ground. We know that they all need to come out of the ground and be replaced. And we know that at the current pace, it's going to take us about 30 years to do that.

So why are we planning for it in shorter bites rather than trying to put something in place on a longer-term basis? – So, to acquire the right equipment and the right people and it just – it seems to make sense to let that have a little bit of a longer view as to where we're going, and it would enable us to plan it and be more efficient with it. And I think everybody wins in that regard.

[ph] Frank (20:38).

<Q>: [Question Inaudible] (20:39 – 20:53).

<A - Daniel J. Cregg>: Yes. So the solar program has been a – the question is the solar program in New Jersey. And it's been a focus of the state for quite some time. We are not Arizona, right, so it is not nearly as – it doesn't naturally fit as well. But from an environmental perspective, it's an interest of the state and it's something that's been pursued by us in the past and by others. In fact, just recently, a couple days ago, we filed for a $275 million program called Solar 4 All. So it's a solar program where our utility-scale solar will be built on landfills and brownfields. So we are a little bit of a compressed state. So to take farmland and turn it into a solar farm doesn't work quite as well as to take a landfill and turn it into a solar farm.

So that's been the focus of that program. And we also think that utility-scale [indiscernible] (21:50) is the best cost-efficient manner to get solar in the state as well. So there definitely is an interest in the state. And like I said before, we've been trying to align with state policy and work with what they want to get done with respect to some of our filings. And what you saw the other day is a perfect example of that.

Any other questions? [ph] Frank (22:23).

<Q>: [Question Inaudible] (22:25 – 22:40).

<A - Daniel J. Cregg>: Yeah. So with respect to financing of the capital plan that we have, so you heard a couple times that there's no equity that's involved in it. On the PSE&G side, a pretty simple way to think about it; our regulated cap structure is [ph] 51 and change and 48 and change (22:58). So we'll kind of step forward that way, leveraging the cash flows of the business for the equity side of things and then going outside for the debt piece.

Power's program also has a element of debt that we anticipate going out for. We haven't given any specifics about it. But I would say that if you would look back historically to the way that we have financed the business, it's been fairly traditional. And I would expect that we would probably be in that same vein as we step forward.

So we will have some financing needs – some debt financing needs as we go forward with the program that we have. And it would be more along the traditional means that you've seen us do in the past. Yes.

<Q>: [Question Inaudible] (23:39 – 23:46).

<A - Daniel J. Cregg>: Yeah.

<Q>: [Question Inaudible] (23:47 – 23:59).

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<A - Daniel J. Cregg>: Yeah. So the question is really about net metering and what's going in the state in that front. I would say there are discussions around net metering more than there are advanced discussions about major changes to it right now. Our – the overall solar penetration in the state is fairly moderate from a net metering perspective. I think certainly, those customers that are net metered, it does create a little bit of an imbalance and it can be a little bit regressive.

So if you have those that have solar panels on their house, if they tend to be on the higher income side and they are going to benefit from an ITC and from a Solar REC which is upwards of $300 a megawatt hour and net metering takes their whole bill down on a full retail basis until they eclipse their own usage. So as a result, the balance of the grid is being funded by everybody else. And I think in time that will continue to be discussed and developed. But I would say, again, we are not as acute with respect to the magnitude of the effects in New Jersey. But I think as time moves on, that conversation probably rises a little [ph] bit (25:21).

You're welcome. Yes.

<Q>: [Question Inaudible] (25:29 – 25:41).

<A - Daniel J. Cregg>: Yeah. Great question. So it's a question about our Gas System Modernization Program. What's in the plan right now is $300 million a year for each of 2016, 2017, 2018. And the original ask with respect to that program was the same run rate, but five years. So I think it was $1.6 billion, so pretty close to that same run rate.

And when we talked before, I mentioned that over the next three to five years we would see 8% to 10% rate base growth. That five-year plan from identified investments is 8%, but we've identified some other investments that are not yet approved that we would anticipate could bring us up to 10%. And as a perfect example, those – a part that gets you there is years four and five at $300 million a year.

So, this is – we have done replacement of these pipes through a series of other infrastructure clauses that we've had in place. A piece of the Energy Strong program was really about targeting those pipes that needed to be more water-resistant. And in earlier programs, our capital infrastructure one, capital infrastructure two also had some elements to it.

But in those five years, you see about $300 million a year. That's probably the run rate that we would expect to have on an ongoing basis as well, just from the standpoint of labor sufficiency and infrastructure disruption. So you are digging up roads, there's a certain magnitude that you can do there. So it could be a little bit larger, but it's a good ballpark number to think about for that program.

Daniel J. Cregg

All right. Well, thank you very much for your time and attention and enjoy the rest of the conference.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-11-10
Event Description: Edison Electric Institute Financial Conference

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo
- Daniel J. Cregg

MANAGEMENT DISCUSSION SECTION

Ralph Izzo

Morning, everyone. Thanks for joining us. I'm Ralph Izzo, Chairman, President and CEO of PSEG. I'm joined today by – seated up front with me here is Dan Cregg, our Executive Vice President and Chief Financial Officer. Also in the audience are Kathleen Lally and Carlotta Chan, our Vice President and Director of Investor Relations, who will also be available to answer any questions you might have.

So, as is usually the case, I'll begin with our forward-looking statements, just of course cautioning you that some of what I'll be talking about are predictions. I won't read it for you in detail. And also, we'll be talking a little bit about operating earnings, which are not GAAP numbers. And we do have a reconciliation for you in the back of the presentation.

So I'll start with an overview of the company. For those of you who are little less familiar with Public Service Enterprise Group, we consist primarily of two operating companies, Public Service Electric and Gas, which is a regulated electric and gas transmission and distribution system, serving New Jersey. It's the largest regulated utility in New Jersey.

Primary characteristics that I'll feature and describe for you today is a pretty ambitious $12 billion capital program in the next five years that will result in a compound annual growth rate of its regulated rate base of approximately 11%. Posted here for you some numbers in terms of how we ended the year 2014, which are available for your reading.

Operating alongside PSE&G is PSEG Power, our unregulated competitive generation business. Its hallmark and value proposition is its advantaged environmental and geographic location as well as an asset mix, a portfolio of assets that are characterized by fuel diversity and technological diversity. By that I mean a combination of peaking load following and highly reliable base load generation.

As I look at the strategy we've deployed over the past few years, it really does begin with our employees by setting clear expectations, making sure they have the ability to succeed and explain why we do the things that we do. We produce a very engaged workforce, focused purely on two words, operational excellence. And that excellence is demanded, whether it's in our nuclear plants, our fossil plants, our field operations in the utility; or our support functions, IT, accounting, and a whole myriad of others.

We absolutely believe and we've demonstrated that with that operational excellence comes solid financial performance, and with that solid financial performance comes the opportunity to redeploy capital in a disciplined manner. The result of that strategy has been three years of earnings per share growth, an increased rate of growth of our dividend, and what we believe is a best-in-class utility growth story, as well as increased competitiveness of our fossil fleet through the expansion of some of our combined-cycle gas turbines and, more recently, plans to build new combined-cycle gas turbines.

As I take a look at the capital program, both past, present and future, you'll see that over the past five years, we deployed a little over $12 billion in capital, approximately 78% of that at the utility, with the lion's share of the utility investment in transmission. The significance of that is that the transmission investment is FERC-regulated and

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recovered through a formula rate proceeding, which minimizes the degree of regulatory lag. We basically file for our rates in October. And three months later, in January, those rates are made actual for us, subject to prudency review of course, but not subject to ROE review.

As we look ahead for the next five years, we've expanded that capital program by about 20% for both the Utility and PSEG Power. And you can see the utility capital program now approaching $12 billion, still with the lion's share being in transmission at about 60% and Power now having some growth opportunities as well, that I'll go into in a few moments, mostly in the form of new gas-fired power capability.

Approximately 70% of the utility's capital program receive some form of contemporaneous return. So the 60% due to transmission and an additional 10% through various clauses that have been negotiated with the state of New Jersey through regulatory proceedings. The remaining 30% of the utility capital program is modestly in excess of depreciation, and the result of which means that we have very little capital that's deployed that's subject to regulatory lag.

And the most recent approval that we received in the form of a contemporaneous return mechanism in New Jersey, I need to qualify that, the most recent program that we have come through an agreement with the staff on and we expect to have approved in six days next Monday, it is on the Board of Public Utility docket, is a Gas System Modernization Program, which has been approved for $900 million in expenditures over the next three years.

PSE&G has what we believe is the largest cast iron main system in the nation. It is a low pressure system, so safety is not the issue. However, chronic leaks, methane emissions, contribution to greenhouse gases and simply excess of O&M expense associated with needing to repair those leaks warrant the replacement of the system. At a $300 million per year run rate, it'll take 30 years to replace this system. So it's an ongoing program, it's one which we've had three prior approvals for a special clause/tracker recovery, this being the most recent one.

And as is listed here, the return mechanism is identical to what we had in an Energy Strong filing that we received approval for in May of 2014. And in this particular case, we're being allowed a return on equity of 9.75%. A little over $600 million of the $900 million will be subject to that clause and tracker return, and a little bit over $250 million is expected to be recovered through a standard base rate case that we must file no later than November of 2017, and that has been planned for the prior year-and-a-half.

If I look at the utility's overall capital program, this is the $12.6 billion that I referred to two slides ago. You could see at the bottom of each bar chart is a significant amount of transmission investment. Just above that is a combination of some special clause mechanisms, but mostly maintenance capital on the gas and electric distribution system, inclusive of some modest amount of new business.

Above that is our Energy Strong tracker mechanism, which for those of you who don't recall, Energy Strong was born out of the consequences of Superstorm Sandy, and the recognition that many of our legacy assets were built in industrial areas, which were low-lying areas with respect to possible flood and storm surge consequences and needed to be either elevated or protected from such future events.

The piece above the lighter shade of blue is our new Gas System Modernization Program, which you see is scheduled to start January 1 of 2016, and then run for three years. And we've been quite active at PSE&G in some non-traditional programs, which are largely a combination of rooftop solar, grid connected solar and energy efficiency.

And just prior to the approval of the $900 million for the gas program, we received approval for a $95 million energy efficiency program, inclusive of the opportunity to recover fixed costs associated with the distribution system and the lack of throughput resulting from an energy efficiency program.

I will point out that, as often been the case in the past, this six-year profile, current year plus five future years, has been pretty consistent over the last eight years. It just keeps shifting out in terms of the expectations for future growth. That's not a guarantee that we'll continue to add 20% to the capital program with each annual revision of the five-year plan.

However, I do think that one should expect that the out years, where there's a forecasted decline, is really more reflective of the fact that it is difficult to predict what the needs will be out there. But suffice to say, in a fairly mature infrastructure such as ours, infrastructure replacement for preservation of reliability is something that is likely to

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continue.

If I switch over now to PSEG Power, you can see that we've had some good news in terms of market design and market rules. The best example of that has been the most recent capacity auction run by PJM, otherwise known as the RPM BRA for reliability pricing model, base residual auction, in which PJM has modified the rules, whereby the penalties for a asset that is the recipient of capacity revenues are great, much increased if the capacity asset does not perform at critical points in times. The rich premium associated with that greater penalty was reflected in the fairly robust price realized by market participants, inclusive of PSEG Power.

We're also encouraged by the fact that FERC is now giving much needed attention to the issue, not so much prevalent in capacity markets, but in energy markets around price formation. And this is merely the fact that there have been a substantial number of cases where, for reliability sake, units have been dispatched with specific uplift payments that have not been available to all market participants, and we believe this is part of the well discussed and well-known hidden money problem that FERC is stepping up to address.

And I'm sure you're all aware of the ongoing interest at the Supreme Court of the United States revolving the proper location for the regulation of demand response, where most recent court decisions have, we believe, correctly suggested that these are retail services and not the purview of FERC, and therefore, more than likely not eligible for wholesale power capacity or energy pricing opportunities.

In addition to just those kind of progressive or positive outcomes in terms of market design, we've had some good news specific to PSEG Power. We have been adding capacity at our Hope Creek and Peach Bottom nuclear units. We have been adding capacity at our existing combined-cycle units, notably Linden, Bergen, and we'll do Bethlehem Energy Center I believe in the coming year-and-a-half.

And most recently, we've announced the acquisition of a to-be-built plant in Prince George County, Maryland known as the Keys Energy Center, as well as having cleared in the most recent PJM auction a new combined-cycle unit known as the Sewaren unit in Woodbridge, New Jersey.

So, some combination of recent brownfield site newbuilds, primarily in the form of simple-cycle gas turbines at carbon and Carney. These upgrades at our nuclear plants and these planned construction at Keys and at Sewaren have taken an already competitive fleet and truly enhanced its competitive position, particularly with access to low-cost Marcellus Shale gas.

A little bit more color on the 1,300 megawatts of combined-cycle gas turbine plants for Maryland and New Jersey. The Keys facility is 755 megawatts, but expected to be in operation in 2018. The Sewaren facility are 540 megawatts that will replace an existing 550 megawatts of an old steam unit in the Sewaren at the Sewaren site, which quite candidly was not a candidate for bidding into a CP-type market, just given the age and reliability of the unit. So these two plants will both be quite efficient units with heat rates in the 6,500 Btu per kWh to 6,700 Btu per kWh and therefore jump pretty much to the front of the dispatch queue.

As we look at earnings for this year, we recently adjusted the lower-end of our guidance and took it up $0.05. We're now forecasting earnings in 2015 of $2.85 to $2.95. If one were simply to look at the midpoint of that earnings range, you would see a third year of consecutive growth in earnings per share.

In addition to the earnings growth that we've realized, you see a continued growth in the proportion of the earnings coming from the regulated utility. And with the capital program designed, as I've tried to describe to you, you should continue to expect an increasingly regulated component of the total earnings of the company.

In addition to being a solid earnings producer at PSEG Power, it enjoys a very healthy free cash flow component, which is used to provide the equity needs of the utility in its $12 billion-plus capital program over the next five years.

With that, I'm going to turn the podium over to Dan Cregg, and then I'll rejoin Dan later on for any questions you might have.

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Daniel J. Cregg

Thank you, Ralph, and good morning. I'll touch a little bit on some of the financial aspects of the business in my remarks, and I'll start with our operating earnings. So our recent earnings call we reported earnings year-to-date of $2.41 versus $2.27 in the year-ago period. So, about a 6% increase.

And I'll touch more on the individual company contributions to that in a slide in a minute, but what that means from a year-end operating earnings forecast is the following.

For PSE&G, we see an increase. So we were previously at $760 million to $775 million of operating earnings, and that number has been increased to $785 million to $805 million of operating earnings at year-end. And Power has slid down to the lower end of its prior range, and their current year-end guidance is $620 million to $650 million of operating earnings for the year.

And as Ralph mentioned, we're at $2.85 to $2.95 of operating earnings for PSEG, the parent company, and that's an increase from where we were earlier in the year, as Ralph mentioned.

Related to the capital program, it's been a pretty busy year for identifying opportunities. And Ralph talked about the major elements that we see on both sides of the business, both on our Gas System as well as the Power. So I won't go further into those.

But, further down the slide, other elements worth mentioning and repeating here are PJM's capacity performance market. So, first time, we've had that change in the market at PJM. It's been a longstanding capacity market. But more rigorous expectations, and I think that it was a well done auction. It completed in August of this year, and I think there is both discipline on the market generator side as well as a good structure that was put in place.

And also the FERC NOPR on price formation, more to come there, but I think really good focus on the energy side of the business. So, good to see both the capacity side and the energy side being addressed and improved as we walk forward.

And last point here is the Reliability One Award for PSE&G. So this is the fourteenth straight year that PSE&G has been named the most reliable utility in the mid-Atlantic region. So, something we're very proud of and the result of a lot of good hard work from the people at the utility side of the business.

So, a little more color on the results year-to-date, and I'll start on the left-hand side at the utility. $0.13 increase year-over-year, and the first piece that you see there is transmission. You previously saw from Ralph's slide all the CapEx that has gone into that business, and the continued investment there worked its way into our earnings stream through that $0.10 of earnings that we saw through the first three quarters of the year. A big important part of our growth program, and it has served this one, has been a pretty consistent provider of earnings increases over the year.

Next, both on the electric and gas side, we have seen increases in volumes and demand adding $0.07 throughout the year. Some of that weather and some of it the programs that Ralph talked about as well coming through from an earnings perspective.

On the O&M side, we see about $0.03 of downdraft, about $0.01 a quarter for pension. So, that is almost entirely the pension expense going through the utility side of the business. We'll see something similar on the Power side. And then, finally, that last item, $0.01 down, that's just the absence of an uptick from last year related to taxes.

Moving over to the Power side, $0.01 to the good. $0.22 of re-contracting and lower cost to serve. So, gas prices coming down, some of our hedges coming into play have increased our results by $0.22, largely offset, if you go down that column a little bit, by a 21% reduction in capacity.

Now recall, in PJM, where most of our assets are, that capacity market is a three-year forward market. So we know three years in advance what those prices are going to be. So this impact that you see here is the effect of prices that have come through, as we've gone year-over-year in the auction and then, frankly, an uplift that we had seen in the prior period coming back to more regular capacity prices.

Beyond that, some help from gas send out in the winter and some higher volumes in the summer helped us to the tune of $0.06. And then the O&M, I mentioned a little bit about the pension earlier, some of that is pension coming through, roughly half, and then the other is mainly outage timing. So some of our nuclear outages can bridge different quarters depending upon the timing of that outage. So we would expect to see that reverse out as we go to the fourth quarter, and that is not a uptick in a run rate O&M spend. And then, finally, just $0.01 on D&A.

So, moving on to the balance sheet. I think, if you look at this slide, it tries to lay out two different timeframes. And during the 2010 to 2014 timeframe, we talk about transforming our business mix, and I might say even simplifying our business mix. So we had some non-core assets at our Energy Holdings portfolio. Those had been monetized. And we put $12.6 billion to work towards investments. At the same time, we were able to improve our credit ratings, and during a low price environment, increased the dividend.

So, a little bit of a simplification of the business over that timeframe, which sets us up for the bottom of the slide where we talk about the following five years. So, continued dividend growth. If you look at 2015, I'll talk a little bit more about the dividend that we saw there. And Ralph showed in those pie charts, there's a $15.6 billion investment program that we are embarking on through 2019.

So, good growth opportunities for the business, and the financial capacity to support further expansion. And I'll touch on that on the next couple of slides.

The slide here is a five-year look at sources and uses. So, if I start on the left-hand side of this page, the cash from ops at the Utility has eclipsed Power's cash from ops, as you take a look at where we've been. And that's not because of Power's cash from ops going down. That's because Utility's cash from ops coming up. So, a good answer in that regard.

And Ralph talked about the contemporaneous return we have on the utility side of the business. So 70% of that capital that we're putting to work is providing a return on a contemporaneous or near-contemporaneous basis, either from transmission or from the clause recovery mechanisms that are in place. So, real important for the Utility from that perspective when you look at cash from ops that it's getting a return on its investments on a fairly quick basis.

On the debt side, you see on the bottom of the left-hand side PSE&G's net debt. So, that just supports the growth that we're seeing at PSE&G, and again, think about that regulatory cap structure, 51.2% equity on the PSE&G side of the business. So we will match the 48.8% debt with that 51.2% and we'll have the debt issuances that you see there.

And then last, at Power, you see a slice in the middle of parent long-term debt. So we currently do not have parent long-term debt, but would intend to move in that direction in the future. Power, seeing incremental investment opportunities, we'll have more of a use for its cash. So the opportunity to invest at the parent level and the investment capacity that I'll talk about again in just a second is there to help the business as a whole.

And on the right-hand side, you can see the strong investment opportunities that we have in place for both companies. And at the top, very, very important is our dividend obligation that we will make to our shareholders.

So I'll talk a little bit about the source of funding, and we'll start on the Power side of the business and take a look at Power's credit metrics. So we seek to maintain a floor of FFO to debt of 30% at the Power business. That's consistent with the ratings that we have. And as you can see from the bars on the left-hand side here, we have comfortably exceeded that in each of the last couple of years.

And the last bar shows that, from 2015 to 2017, we would intend to be at roughly 50% FFO to debt. So, still comfortable margin there and that's derived from a $1.6 billion funds from operation at the Power part of the business. So, Power, very good cash generator and very strong credit metrics.

Now what that means from an investment capacity standpoint is that there is incremental headroom above our credit stats that we can utilize at the Power level. And so, looking at the blue bar on the left-hand side of the sheet, you can see that with a 50% current FFO to debt forecasted for the next three years and with a 30% floor, we have incremental headroom and that headroom shows up on the right side of this graph in the green bar. So, room to invest on the Power side and debt capacity to do so.

Also at the Power side, on the parent side of the business, a similar phenomenon happens as well. So our FFO to debt at 27% at the parent, as compared to a minimum threshold given the regulatory mix that we have as well as the credit ratings that we have. So, more room at the parent to borrow as well to create investment capacity, and that manifests itself on the right-hand side in the gray bar.

So, all in all, if you look on the right-hand side, about $2 billion of investment capacity that we see coming out of the excess headroom that we have. Layering that in, it could be spent on the Power side of the business and that's really on a dollar-for-dollar basis.

But recall, at utility, I talked about a roughly 50-50 cap structure. So, that funding can be used at the utility as equity in the utility, and that equity can and will be matched by borrowing at the utility to maintain that cap structure. So, to the extent that the funding is used at the utility, it's a 2:1 ratio that would increase that investment capacity further.

So, in summary, what we see is another year of growth in 2015. Operating earnings guidance, as you can see on the bottom of the slide, began the year $2.75 to $2.95. And we've pulled $0.05 off the bottom of that range twice. So we stand today at $2.85 to $2.95, which will be the third year of operating earnings growth for the company.

Another slide that we wanted to talk about as we look forward into 2016 is the sensitivity of different elements that can impact the business. And as you go across the top of this slide, these are a lot of sensitivities that we have shown in the past. There's not a lot of new information here. Just trying to give an indication as to what different elements would mean from either a market change or from incremental investment at the utility.

But I'll call your attention just to the bottom for a second, as we get to this time of year, when we think about the pension expense moving from year-to-year, and different companies have different exposures in that regard. With us, we did a calculation in the third quarter and we looked at our year-over-year pension expense, and we estimated somewhere in the range based upon that third quarter timeframe of about a $0.02 to $0.03 increase on the pension expense.

You can see three elements of building blocks, if you will, that will impact that expense; one is a return that we will see from the pension funds, the second is the discount rate that we would use in discounting the liability that we have, and the third is a series of actuarial assumptions that come into play as well.

So, that actuarial assumption, looks like it will add about $0.02 to the good year-over-year. But, again, thinking about the third quarter and where the financial markets are, we saw a downturn in our returns. So, for every 1% of a change in our return on our investment base, there's about $0.01 down. And the discount rate is $0.01 up for about every 15 basis point change.

So the sum of those at the third quarter resulted in about a $0.02 to $0.03 downdraft. We've seen some improvement as we've gone through the year since then. But, obviously, that discount rate and those returns will all be finalized at year-end. And we'll manage all of that against the backdrop of a larger O&M program.

And last but by no means least, the dividend. So you can see, we've had a growing dividend over the last number of years and we're currently at $1.56. It's a very, very important part of our value proposition to our shareholders. And I think what we've said here is exactly what we need to say. It's a consistent, sustainable dividend growth, given contributions from both sides of the business.

We've overlaid here for you the utility EPS, just to give a frame of reference. It is by no means the only thing we look at in determining what the dividend is going to be for next year. But taking a look at what the green line shows, we are about at a payout ratio that's equivalent to our utility earnings and about a 54% payout ratio across all of enterprise.

So, a host of factors goes into that look every year. As we move into February of this year with our board of directors, we will discuss what our dividend will be on a go-forward basis. But we anticipate consistent and sustainable dividend growth.

And with that, I think we'll open up to questions.

Q&A

<A - Ralph Izzo>: I think we have another few minutes available to us. If there are any questions, Dan and I'd be happy to try to answer them. I believe, we also have some – we have the slideshow available for folks in terms of booklets that can be handed out and we do have some thicker books if folks want more detail in the rear. Yes, there's a question here. Hi, [ph] Frank (27:12)

<Q>: Yeah, Ralph. How do you think about the investment decision to buy new assets in Power? And will you look to buy additional assets in Power, and what type of geographic focus will you have?

<A - Ralph Izzo>: Yes. Thanks, [ph] Frank (27:27). So we have consistently looked for purchasing existing or newbuild opportunities. We deploy the same valuation technique. We don't have a price curve for new build and a price curve for existing assets. There are some differences obviously. Typically, the new assets have a better heat rate. Therefore, a lower operating cost, and they have a longer life. So there's a few years of value creation when you do the discounted cash flow calculation.

But I think what was unique in terms of our ability to succeed in making the Keys acquisition versus our consistent inability to succeed in making other acquisitions is there was probably a smaller pool of competitors, given that there was construction risk associated with this. And whether it's our transmission program or our upgrades at the nuclear units or our simple-cycle gas turbine builds, we have a lot of confidence in our team's ability to manage the construction.

The interest in the Keys facility was a longstanding interest that we've had in having an asset in the PJM West region to give us a little bit more flexibility in managing basis risk differentials between the PS Zone and PJM West. That has been a evolving relationship over the past five years from the heady days of the 2008 year where PS enjoyed a $20 to $25 basis differential to now, on an annualized basis, it looks kind of flat. But that's a very misleading characterization because, as you know, in the winter, it tends to blow out positive. And then, in the other nine months of the year, gets somewhat negative.

So Keys will give us an opportunity to have a physical presence in PJM West, which is actually geographically located in Maryland, but somehow that gets scooped into PJM West. And we like that portfolio management aspect of it. And we've been looking to purchase assets down there. I think, we hit on this one because of the construction risk did not intimidate us the way it may have intimated others.

Sewaren, it's quite a different story, and that's a case where there isn't enough duct tape in the world that could have kept the old unit viable for the new CP market. So we were faced with the retirement there. You're familiar with the PS Zone, which is where Sewaren is. It's a fairly tight zone. Extracting 550 megawatts would have tightened that zone further. When we ran the numbers, we said, wow, attractive regional spark spreads due to Marcellus gas, nice capacity prices, somebody is going to build here. That'll cannibalize some of our older combined-cycle units. It's one of those pills that you have to just say, okay, who's going to do the cannibalizing, somebody else or us, and we said, it's going to be us.

So, in general though, we're not fans of introducing new supply, given paltry demand growth that we see, but these were two special situations that made sense. We have been public about the fact that we bid, and did not succeed at building a new unit in Bridgeport, and we will bid that new unit again in February. That's really borne out of the fact that you have some supply retirements in the New England region.

Yes, [ph] Carl (30:35).

<Q>: Ralph, in talking about the Power during your presentation, you talked about potential rule changes that you would like. And I've put that in the category of devinely to be wished for. And I assume that there are some things in the same category, as far as the DPU is concerned and the rate case that you won't file for another two years. And I wonder if you could elaborate overall, because predicting ahead is something that you all are known for and have done very successfully? Thank you.

<A - Ralph Izzo>: Thank you, [ph] Carl (31:12). Yes. So, in Power's case, as you correctly pointed out with capacity markets and price formation, feel pretty good about capacity markets, price formation yet to be determined. In the case of the utility, there is a very clear direction we'd like to encourage regulators to head.

As I think about the three things that have huge financial and operational implications at the utility, it's capital deployment, load growth and O&M. The reality is, load growth is going to be less than 0.5%. We're a very service economy-oriented part of the nation, a highly matured service territory. There's only so many additions you can put on the house. So, load growth combined with appliance efficiencies and various other things is going to be modest.

I am so proud of our team's O&M cost control, but their ability to keep that O&M cost control to 1% to 2% is probably a best-in-class type of thing we can do on a compound annual rate, which means your load growth is not going to make up for your O&M growth, which means you have to go in for rate cases, depending upon what you do with your capital. We're not a believer in shrinking the rate base. We have an ageing infrastructure that needs reinvestment in order to preserve the reliability people are accustomed to.

So I'd like to get to a future where we simply agree in advance. We will come in for a rate case every seven years, every five years. That will make up for the disconnect between load growth and O&M. But in the intervening years, we're not going to deploy capital and let it be subject to a seven-year lag. What we'd like to do is have programmatic approval of where we would deploy capital and then have trackers applied to it, so that everybody has predictability.

And there's so many benefits to that, not only from an investor point of view, but from a workforce point of view. We have a 30-year gas pipe replacement challenge ahead of us, getting approved 18 months at a time. It's been approved four times. But even though it's been approved four times, we use contractors. We're not training people to be permanent employees. We're not training kids in community colleges. Even though they could have a 30-year career doing this, when you're getting yes every 18 months, we're just not willing to make that kind of long-term commitment to people.

So I think if you have trackers that say, okay, during these five years here are the things we want you to do, raise your substations, replace your gas pipe, improve your scale, all those things are reliability-focused. Every five years you're coming in here, so we're going to take a closer look, maybe every year we'll take a light look through some sort of performance standards. And I just think you enhance the predictability, you enhanced our ability to invest in people, and everyone is better off. So, that's the kind of discussion we want to have with the regulators.

We'll come back to you in a second, [ph] Carl (33:54). Is there a question right behind?

<Q>: Yeah. It's always good to hear a little bit about regulation. I'm the Former Chair of the Pennsylvania Commission. I want to make sure I understood the good news that you just say that you want to come in about every five years, which is good. And second, to also understand you to say that returns on equity are somewhere in the 9.7%, 9.8% range in New Jersey?

<A - Ralph Izzo>: Yeah. So our most recent rate case was 2010. So our base allowed return is 10.3%. But, as interest rates had come down from that time, as we went in for separate clauses, the allowed return we agreed to for those clauses varied from the 10.3%. So we have a couple of clauses that are at 10%, and the most recent one was at 9.75%.

Yeah, [ph] Carl (34:46).

<Q>: I think you more or less answered what my next question was going to be. Just as a follow-up on what you devoutly hope for in the next few years. 9.75%, as the interest rates climb, will probably climb or should probably climb. Do you think that the board is likely to recognize that or is there something you can do to have them recognize that?

<A - Ralph Izzo>: I think the answer to that is yes. Of course, we know that there's not a 1 basis point correlation between rising rates and rising allowed ROEs. And that's a good thing, right, because if there had been – as the rates come down, I don't want to conjecture what the ROEs might have done either. So, historically, we've looked at anywhere from 600 basis point to 800 basis point differential between the 10-year Treasury and allowed ROEs.

So we have to file no later than November 17 between now and – if we did file, the last allowable data rates would be effective January 1 of 2019. I can't predict what's going to happen next week, let alone what's going to happen over the next three years. So I do think that they would recognize and increase any interest environment. I just wouldn't want people to think that the 10-year Treasury just moved 25 basis points, so we're guaranteed at 10% ROE right now. I don't think that's the case.

<Q>: Thank you.

Ralph Izzo

And our hostess is very efficient at flashing all sorts of threatening signs at me in terms of how much time we have. And knowing how long-winded I am with answers, we were under five minutes. So I'll simply thank you for your participation today and hope to see you soon.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-09-28
Event Description: Wolfe Research Power & Gas conference

Market Cap: 21,059.57
Current PX: 41.63
YTD Change($): +.22
YTD Change(%): +.531

Bloomberg Estimates - EPS
Current Quarter: 0.824
Current Year: 2.917
Bloomberg Estimates - Sales
Current Quarter: 2538.200
Current Year: 10608.583

Wolfe Research Power & Gas conference

Company Participants

- Unidentified Speaker
- Shahid Malik, President

Other Participants

- Unidentified Participant
- Steve Fleishman, Analyst

Presentation

Shahid Malik, President

Good morning, everyone. Thank you, Steve for inviting us to your conference again. Appreciate the opportunity to just come across the Hudson rather than fly all the way down to Texas. This is good for us. Before I start, I just like to remind you of the forward-looking statements, let's see. Okay. Here we go.

And then, so I'm here today really to talk about our de-regulated business that we call PSEG Power. Our strategy is very simple; actually is to operate regionally focused highly efficient generation fleet in -- hopefully the nation's premium power markets. We have approximately $12 billion worth of assets, consisting primarily of 12,000 megawatts of power generation in the northeastern part of the US. And we're in the process right now upgrading our generation fleet. We have investment schedule of approximately $3.5 billion over the next five years, investing in those existing as well as in the new generation.

And like others in the industry, we've retired all the units to comply with some of the environmental regulations out there. But we're also investing to grow our existing nuclear and our existing and new gasified generation. And in addition, we own about 6 utility -- sorry 12 utility scale solar facilities in six states, that's totally about 150 megawatts.

So I mentioned that we're originally focused and really we think that's the one distinguishing factor that we have -- one of the distinguishing factors that we have; the primary one of those is location, and we said next to -- its really big electric demand region in North America with New York City and Philadelphia in one side; and on the other side, as you mentioned -- as you heard, the previous panelist talk about the largest natural gas supply region in North America, the Marcellus. So benefit from that cheap gas and we also have that consistent load and volatility as a result of being close to New York and Philadelphia, and those other Northern New Jersey Power markets.

It's very important these days to have a well performing and flexible gas fired assets, especially with the SEP product that Joe just talked about. We've a solid base of high performance nuclear units too, and that allows us to cover our base load sales with those nuclear assets, while having our gas assets really take advantage of the volatility, that's inherent in being the constrains that ends up in the Northeast.

So with respect to additional investments, what we plan to do is, upgrade our existing fleet with more efficient combined cycles, and I'll talk about that in just a second. And you'll see that our mix will be changing a little bit over the next few years. And principally, however, you'll note that our megawatt output despite the slightly lower owned capacity, megawatt generated will still be a little bit -- or little bit higher than we are currently between the 54 to the 58, 59 terawatt hour range. That's principally because we are replacing some of our older, less efficient megawatts with new efficient combined cycles, which will run on one of the base-load basis.

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I mentioned gas earlier on and our fuel costs, among the lowest in the US. We have also fortunately one of the largest gas trading and procurement operations in this region. And last year we bought over 400 bcf of gas, but the largest leverage to those prices further down and benefit our utility customers. The orange and the blue slices show that we've bought over 60% of our gas directly from the Marcellus and from the Utica, and the green slice, which is what we bought at delivered basis -- from other customers and producers, that would -- a lot of that comes from the Marcellus as well.

So we are getting lot of gas at cheap prices, and because of our extensive network of gas contracts on the pipelines, we're able to get the gas delivered to our assets at a pretty good price, certainly better than we think a lot of our competitors.

On the development side, we've been naturally seeking ways to grow our portfolio and to improve our efficiencies, as I mentioned earlier. So we're very happy than to be building two new combined cycle power plants, both of which are targeted to come online in the 2018 timeframe. As the Keys Energy Center is close to Washington DC and it's located in the constrained PEPCO itself, we believe that strong load growth in the region and also easy access to Marcellus gas, that really is a nice growth story for us we believe.

The Sewaren plant in New Jersey that we've also announced is the redevelopment of an existing site. So essentially we're trading old and inefficient megawatts for new efficient megawatts. And since it's a brown field site, we have the ability to lower our cost by using existing infrastructure, as well as benefiting from the strong local natural gas position that we have. Importantly, these new plants will improve our overall heat rate or our efficiency, and in a competitive market, as you heard the panelists talked about earlier, pennies matter. And if we can share lot of few cents from cost of production by having those most efficient power plants in the marketplace, then we'll get dispatched first.

We've additional growth investments going on right now. I mentioned the combined cycles and some uprights that we have on the gas side, that will cost us about 1.6 billion over the next five years. And as you can see from this profile, our capital spend for new investments in blue will peak next year, and then we'll see the earnings impact from 2018 onwards. We've a small amount of spend that's required for environmental reasons, which is the orange segment there, and the gray segments reflect capital for maintenance and for improvement. But even after these investments, our intention is to have a very strong balance sheet until the strong credit rating and we will retain that strong balance sheet and that will allow us to keep looking for additional high value opportunities as this market goes through a period of consolidation.

And our capital investments are being made to increase our OPEB, but also to reduce -- to increase the efficiency and as you can see, the average heat rate of the fleet is going down. We believe that leading technology these days is between 6,500 [ph] to a 7,000 heat rate, and we are investing that fleet to get down to those levels as well, so we can be the cheapest unit on the block.

Just briefly, Joe also talked about capacity markets, so we have two additional advantages by virtue of being where we are. The first is the capacity market, that's present in each of the three Northeastern markets that we operate in. This chart shows you how the last full capacity cycles stretching through May of 2019. Our assets have generally enjoyed a significant premium over the rest of the RTO in PJM. And I guarantee capacity revenue of $540 million to $630 million each year, really allows us to invest in existing and new units to improve the reliability, and to improve their effectiveness.

And the second advantage is our ability to sell long term electricity to New Jersey's customers. This forward sales construct is available for pretty much all of our generation in that part of the world, and it's very helpful at a time when forward liquidity is lower than in prior years, and also provides us a visible stream of earnings for the next three years. So you compare -- you add the energy visibility we have with the capacity market visibility, we've a pretty good benefit from our locations in the northeast.

Just quickly then on the regulatory side. Although we can't control our influence energy prices, which by the way, Steve, a latter [ph] than we would like, as you pointed out, we do have the ability to influence the regulatory environment, which we're actively doing. And I might add that the industry is such in considerable success actually the

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last couple of years, in improving both capacity and energy markets from a regulatory standpoint and a market development standpoint. And we've already seen significant uplift from improved capacity markets, and we also expect improvements in capacity -- in energy market price signals as well.

And you may have heard that last week, FERC signed off on -- and issued a NOPR, Notice of Proposed Rulemaking, and they challenge the RTOs to address the two issues that I have on this slide here, and they indicated the other items such as operated transparency are also in the works. And that's very encouraging for those of us in this industry, because it will help the industry obtain fair and more accurate pricing we believe for our assets.

So to wrap up, in summary, we've been very active in helping shape and improve goals in the markets that we operate in -- whether it's in new capacity market, construct in New England or in PJM, a stricter rules on how demand response, participate, as well as those recent moves I mentioned to improve price signals in the market by FERC. We think we've been a leading player together with Exelon and others in this marketplace. And this regulatory backdrop for PSEG coupled with our stronger balance sheet has really allowed us to start growing our footprints again, but we're doing in a highly selective manner. We're doing with where we anticipate strong projected financial returns in a very disciplined way. So we believe we have a good story, that gives us the ability to be successful now and in the future.

So with that, I'll wrap up, and I'll be happy to take any questions with Joe in a bit.

Steve Fleishman, Analyst

Great, thanks guys. We're solidly back on schedule. So, maybe just to kickoff the questioning, I guess, first for Joe on -- you mentioned very much that NiHUB is very cheap, you don't really mention PJM West. So maybe kind of view the differences there. And if -- I guess if the issue is a kind of -- lack of forward liquidity, why is that, okay, PJM West and NiHUB I guess that's a bigger hub, but maybe just some views there?

Unidentified Speaker

I think, Steve, there's a couple of things. First is, PJM West Hub is, we think, is more favorably priced than NiHUB. I would add though there is tremendous amount of seasonality associated with that. And what I mean by that is, we believe the winter periods are probably, favorably priced there and carry the right premiums, and some periods in the off peak hours in the non-winter months of West Hub actually -- still, we still see upside relative to market, relative to our fundamental view.

I think the big thing now is, you do have more market liquidity at West Hub, but as you go beyond the year, two years, let's say 2017, now the liquidity falls off quite substantially. I think the other thing to notice, most of the new generation that's being built is more impactful to West Hub than it would be, for example, the NiHUB.

And I think, what we see is more of the coal retirements have happened to our -- are happening in the western part of PJM. So when you overlay the new generation on the eastern side with the retirements on the western side, we actually see the basis between those two locations becoming closer together and the market currently is reflecting that, that's part of the region we see the increased value at NiHUB.

And then we just have less liquidity on the forward curve at NiHUB, compared to West Hub. So I think all of those things factor together drives what we're saying, it's not just one variable.

Steve Fleishman, Analyst

Okay. And Shahid just maybe a question on the new build question. So in the panel before which you weren't listening to, but one of the comments was just that don't see the economics for a new build, but then you just bought a new build plant, and so do you see that differently or was that just a kind of a special situation in terms of opportunity, and that generally you don't see that the new build economic.

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Shahid Malik, President

That's always preferable if you can buy a combined cycle or unit that's been operating for a while, you have less construction risk, and we're able to earn earnings from day one. Those assets are pretty competitive. So then you prepare that with building new, and you look for specific opportunities. For us, we felt -- we've been looking for some time frankly to grow our portfolio and we haven't found the right assets to do that.

This one came along, we're very excited about it because actually we think there is a good load growth in that area, it's a constrained zone. We believe it will have a strong spot spread because of the cheaper Marcellus gas and the load growth that we expect in that region. And so actually, we do think it's a good asset. We think we'll be successful in constructing it, and we think it's going well located. Plus, it also helps in how we manage our portfolio with respect to the other parts of our business. So we feel pretty good about that Steve.

Steve Fleishman, Analyst

Let me ask that question just another way, which is just that kind of at a high level, would you be interested in doing more of those, let's say, the same rough valuation?

Shahid Malik, President

So when we look at our investments, we clearly look at what are the alternatives for those dollars do we spend on the regulated side, the deregulated side, do we give money back to our shareholders. So we have a very stringent internal hurdle metrics that we look at, you know, just to make the investments. As you can tell, for the last couple of years we haven't made a lot of investments in the power side.

We've had a lot of upgrades, we've had some improvements in our base rate, but having stepped out to build new generation, these circumstances look very favorable to us. They passed on our internal hurdles and our internal metrics and so, yeah, if the right opportunity come along, Steve, we certainly look at it.

As I mentioned, we are now in the process of building two new combined cycles; Sewaren power plant in New Jersey is a slightly different animal for us and it's replacing old megawatts with new efficient megawatts; it's replacing megawatts on an existing Brownfield site, which makes it cheaper from an infrastructure standpoint. And so that's a different animal.

So yes, I would say that we would look at them, but generally, our preference right now, would be to look at those assets that have been that are being currently running, probably offer another discount in new build.

Steve Fleishman, Analyst

Okay. I will ask one more question and then I'll kind of -- I'll open up to the audience. So I think as you guys know, we put out a report last week that talked about kind of supply/demand work that we do. And in PJM, I guess, one of the more controversial conclusions we came to was that supply/demand is loosening. And I'm just curious -- I'm not sure how much you've had a chance to look at what we did. But just overall, would you agree that's true, or not? And if you had views that were different than ours, what would they -- what would they be?

Unidentified Speaker

Yeah, I did look at it briefly, Steve, and I think like I said, I think in general, when you look at it, we expect a fair amount of new generation to be built as well. We saw, I think, in the previous three capacity auctions about 5 gigawatts

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of new combined cycle point is clear each year, I think, this year will -- little less than that. So call it close to 20 gigawatts in total that we expect, we've retired about 25 gigawatts of coal, we're re-powering some assets. There's continued -- I would say continued development of renewables and load growth is probably somewhere, it's less than 1% clearly when you look at it.

So I think when we put all that together, I think the big driver is, you are getting -- you have a change in composition of the dispatch stack. I think this summer, quite frankly was a little bit of an anomaly. We had obviously very, very low M3 gas prices, and if gas prices were sustained to the $1.15 in perpetuity, we are going to be having a very different conversation obviously. I think also we didn't see, let's call it the peak loads that we would have expected, and the coincident peaks across the power pool that we've seen in years past. So I think some of the volatility got masked.

I think it's fair to say that when you put all that together, as we said, we think the West Hub is generally, fairly priced with the seasonality I mentioned, and there is upside in NiHUB. But I think the other relevant point is, with that, you're going to get an increased volatility, and we serve a pretty big book of load in PJM, as you saw in the slide represented, and we're comfortable with that given our generation backstop, and our ability to do that. And I think you're going to see that, and I think there is opportunity to capture value both when the market is volatile for the high side, like it was in the winter of '14, but also to the downside like we saw this past summer.

Shahid Malik, President

And I would just add a little to what Joe said. And I wouldn't dream of contradicting my friend here; but Steve we did look at your report yesterday, and the one previously, and I think you fairly accurately represent potential new builds and then spot splits are very strong, particularly, if you have access to that cheap gas, which I think is very helpful.

Perhaps, there might be some more retirements, not necessarily because of environmental, but also because of economics. And they got the previous plan that talk about some of the pressure on some of the base load units, the old nuclear, the small single side nuclear units that are out there, as well as some of the disadvantage coal that frankly we don't expect to be around that much longer. So, maybe on the retirement side, you might see some more of those primarily for economic reasons.

Steve Fleishman, Analyst

Any questions from the audience? Making it very easy on me. Maybe just on capacity. Obviously the auctions overall, I think, were a success. And whatever has gone on with supply/demand, the capacity side obviously gives you a lot of cash visibility. What do you see beyond this? It seems like next year we go to more full CP, and demand response still a question. Do you think this is just beginning -- continue of higher auction pricing?

Shahid Malik, President

I think one thing, you know is, expect the unexpected. We've seen a lot of volatility in capacity results. But I think the point you made is a relevant one. As we transition from -- into the 80% procurement for the recently completed '18-'19 auction, by the time we get out to (inaudible) 2021.

I think there is a lot of puts and takes that will be associated with that. There's talk of how PJM is going to forecast load in the future, it's changes to the DRR curve. I think the jury is out on how demand response is going to be able to participate with the capacity performance product, I'm not sure that it will be quite the quantity we've seen in years past.

But I think at the end of the day, there's two elements that are really important. I think the first is, recognizing to ensure reliability, the penalty structures needed to change. And I think folks recognized that, and we saw that new prices that cleared in '18-'19. And then, the second element is the bidding behavior of the participants really matters. And I think

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they recognize that with the increased volatility or the risk of higher penalties, and associated with non-performance, you have to prepare your plans to perform in those hours when they are most needed, and I think the prices need to reflect that, and we would expect that to continue.

So So, I was a little surprised in the 2018-2019 auction frankly, that there was such a small discount between the base products and the premium products, the CP products. And I would attribute that to being a relatively the new market construct, and I believe, I think others in the company believe that, some folks in the industry that did bid underpriced risk relative to the base, and we could see some continued widening of that spread over the next few years.

I'm not sure what it means price for the absolute price of capacity, and I wouldn't want to predict that. But I would say that's one element that we should keep an eye on. The other element, in addition to the puts and takes that Joe mentioned is that if energy prices -- electric prices stay low, then, the way the formula in PJM works, is that capacity prices have to rise. Because the net of the two adds up to a number of that provides incentives for generators to maintain that power plants and to build new power plants. So there is a constant dynamics between energy price and capacity price, strictly in these northeastern markets. So one is weak, then the other one should be strong.

Generally I feel pretty good about the construct. I think it took some more learning that participants will have to go through to get comfortable with it, maybe some refinements of people's bidding tactics. But I think its -- PJM made a good start, and I think the industry responded.

Steve Fleishman, Analyst

Okay. Questions in the audience?

Questions And Answers

Unidentified Participant

(inaudible)

Shahid Malik, President

Yeah, it was a pretty good side move for us. And as you know, over the last two years, it took a lot of our attention and development dollars on our utility business, which has performed pretty well. But we still have a pretty strong balance sheet, good opportunities on the power side. It's not that we haven't wanted to spend on the power side; we haven't found the opportunities that really worked for us.

So to answer your question and to follow up on Steve said, unlikely that we want to build a whole bunch more right now, we're assuming lot more selective assets that we could pick up to add to our portfolio, either to improve our diversity, to improve the efficiency, or to increase the amount of base capacity that we have.

With respect to consolidation, the reason I mentioned that is, because I believe that the economics of industries today are closing some companies with financial problems, strictly those companies that have high debt, and highly leveraged, and the cash flow which is coming in, as we might have expected since tar prices are relatively low. So I think some companies are going to be forced to make decisions, do want to continue funding the leverage that I put on with the lower cash flows? Or do I exit? And I think we're seeing signs of folks, particularly smaller portfolios, smaller power plants, looking to exit.

And Paul Farr mentioned that in the previous panel, that they're seeing every opportunity that's out there, and so are we; and there does seem to be quite lot out in the market right now.

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Whether we'd be interested in buying another portfolio our size or not, I guess probably not, but we'd certainly look for selective assets rather than a big portfolio. Does that answer your question?

Unidentified Speaker

I would just echo similar comments. I mean, we have seen consolidation on the power generation side, and I would expect that we continue to see consolidation. I think another important element for Exelon is, in 2014, we acquired two retail companies, and I think you're going to see continued consolidation on that side of the business as well. And I think that would be an area where we would have interest in acquiring assets on the retail side, given the nice match with our generation output.

Steve Fleishman, Analyst

On that topic, I know, Shahid, that Ralph almost gave a little bit of a hint to potentially having interest in the retail business. So be curious kind of where your thoughts are there right now, because that was definitely new for PEG.

Shahid Malik, President

Right. So I have run a retail company, I'm comfortable with the retail business and operational risks, I believe, and there are operational risks around retail businesses -- and I am sure Joe will be happy to describe -- principally for companies in our space, it's critical risk, and getting your bills out on time and getting paid. So generally, PSEG has always considered different vehicles for getting its output to market. And one that's what best for us in the past has been the wholesale market.

As you -- as the market and the industry develops, you're seeing less liquidity in the out years, and you are definitely seeing more and less liquidity out there. And as a result of that, whatever vehicles working in order to get your megawatts out would be a good potential option.

So we considered in the past, we are considering it right now, and we'll see whether it makes sense for us in the future.

If we do it, it would be defense strategy, something that basically helps us sell megawatts in our territory. I don't expect it to be significant in anyway, what moves the needle from a learning standpoint. It's more about vehicle for us to move megawatts from our power plants.

Steve Fleishman, Analyst

Okay. Want to make sure we had a chance, since Jack is here, to maybe talk a little bit about Exelon's news last night with PEPCO. So maybe, Jack, if you could just address that and --

Unidentified Speaker

Certainly. So, as many of you saw, we have had, we (inaudible) based on the new merits of (inaudible) comment on that and the commission will make a move on whether we have to reclear the merchant filing, we also note that we had a communication from the mayor of the district, will ask a few things that (inaudible) force settlement and that profit. So with that regard, that is the first indication from the mayor of support for the transaction and (inaudible)

Steve Fleishman, Analyst

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Well, maybe just to use on -- the chances that a settlement can get done; are there other important parties involved, like the Public Council, which is in opposition? And how long would you let this -- if there's not something happening -- how long would you let this go before you'd kind of say it's over?

Unidentified Speaker

So, maybe I will start with the last question, that has the (inaudible) which we are trying to admit it to pursue (inaudible). Obviously, it's a transaction we like as long as we believe (inaudible) company, (inaudible) to a more regulated footprint (inaudible) rating agencies.

To the extent that we were able to secure settlements (inaudible) parties, we will seek an (inaudible). That said, again, we believe this transaction (inaudible) for our shareholders. We will need substantial support as part of the settlement from the (inaudible) stakeholders, but (inaudible) stakeholders are, but fairly (inaudible) is a major driving force, that will work for (inaudible).

To the extent that we are able to get a settlement and we see a pathway on a (inaudible) basis, (inaudible) transaction (inaudible).

Steve Fleishman, Analyst

Okay. Anybody else have questions for Jack on this, before we go back? You guys are being easy. Okay, maybe just one more question for the panel on just -- Joe, you touched on this a little bit on natural gas prices, because obviously those are very important, that you expect it to get better. And it sounds like you expect gas basis to moderate as well. Could maybe each of you give your views there, and a little more define why you expect it to get better? And how do you know the LNG is actually going to leave the country, for example, in your view?

Unidentified Speaker

Yeah, I think, I'll start with what the I think the easier one is. First, I think from a gas basis perspective, and I'm talking about M3, we see the market improving already. When you look at like 2016, you had a slight discount to Henry Hub, and by the time you get out to '18-'19, you are at a premium, and I think that's really predicated on -- the build out of takeaway capacity from that area to other parts of the country. I don't think we differ from that in anyway, I think, we think the market structure the way it's priced is right.

When I talk about our upside fundamentally, on the power side at NiHUB, we're using market fuel prices. So we're now adding to that anything that overlays a view. I do -- we do believe though, on the Henry Hub side of it, there is some upside to natural gas prices, and I don't think anyone can debate we continue to get more and more efficient on the supply side. The technology is getting better and better, increasing the efficiency.

I think the cost of drilling, given all the capital cuts both on the oil and gas side come down. But I do think when you look at the prices, you see that there will be a supply -- a small supply response to that, and I think if you dial back to clock, call 12 to 24 months, you would have expected to continue to grow production. And I know, I think just given where prices are, we think that that may flatten some.

But more importantly, I think it's on the demand side. I think the LNG, the 7.5 to 8 bcf that is being contracted will get exported. We've seen a pickup of power generation as a consumption of natural gas with the turnover, the more of gas stack. You're seeing increased exports to Mexico and we think that will continue. And when you look at it over the four or five-year horizon, there's probably an additional somewhere between 16, 20 bcf of additional demand in all these different buckets. And we think that will be a driver, and we're not talking about material upside here in the near term, but as you go out through time I don't think it's unreasonable, I think we could see some upside to price. And that would be an addition to what we're saying on the power side.

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Shahid Malik, President

I would echo a lot of what Joe said, I think, the wild card, frankly, though, is what are producers going to do? And you probably have a good handle on that. Other panelists are going on tomorrow, Steve. As I was preparing for this presentation and the conference today, I looked back at, last time I did this, a year and a bit ago, in Houston, and at the time, the predictions for -- Marcellus production for 2015 were about 16 bcf a day, well, today we're 20 bcf, and so the production guide really gone on binge in the last couple of years.

And the question we have is, when the hedges roll off, what will they do with production and will they reduce production, not just because gas prices are low, but because oil prices are low, and certainly we've seen signs of that. And Joe alluded to the supply side being important as well. So I think that's bit of wild card. But I think the trends, both domestically and internationally, are for less drilling, less production at these low prices. So on the demand side, though -- which I think is, something that we have a reasonably handle on, as a utility, we're seeing a lot more are used by our customers for natural gas as a result of low prices, so they are switching from oil, they're switching from electricity, they are using more gas. So customers are using -- or power companies are using a lot more gas to generate than they were previously. So there is demand growth there as well.

We're seeing industry come back in a significant way, particularly in the South, but also increasingly here in Mid-Continent and the Northeast. And chemicals industry in particular are big consumers of natural gas. We expect that to happen. The other wild card of course is exports and contracts have indeed been signed to export gas, LNG, and then the question is, will those physically leave these shores, or will they be replaced by purchases elsewhere to cover those short sales? And I think the jury is out on that. It depends a lot on what the world crude oil prices do. If OPEC has its way, and is able to take some producers out of business and then rise the price and I think you could see LNG prices and gas prices rise as well.

And we're at this -- this business is cyclical and I remember 10 years ago, when gas prices were 2 bucks? Guess what, we're at 2 bucks again and the power industry hasn't gone out of the business. In fact, the power industry in many ways has gotten better and better. And so I think that you will see these cycles and the challenge for companies like ours is, how do you manage through these cycles and how do you have the most efficient machines, how do you have the lowest cost, and how do you invest that you can be successful in the markets that its used to be in.

Steve Fleishman, Analyst

I'm going to ask one more question to close it up. So, in our panel before, I guess Bob Flexon talked about -- with a 20% free cash flow yield, I'd rather buy my stock than necessarily buy other companies right now. Both of your stocks, at least relative to the pure independent generators, have held up relatively well. So, given that there's a lot of assets and portfolios out on the markets, do you have interest in growing the generation side of your businesses, still? Do you have room to do it? You are both pretty big in PJM, at least and do you see maybe more of a competitive advantage to actually win these days?

Shahid Malik, President

Steve, I think we are investing in two new state-of-the-art efficient combined cycle plants in Texas. And they are being built on -- both being built on existing sites. We think that provides a competitive advantage, match very well to our load business. I think from our perspective though, we would have to think long and hard about adding additional merchant generation.

I think you mentioned in PJM, lot of the instances, it's going to be difficult for us to do that. To the extent, we can keep our book of business balanced between our load and power generation business, we may have some interest. But, I think right now where we are, we're very comfortable with the portfolio we have, and we will continue to look to consolidate retail entities and acquire retail entities, and to the extent, then, we need it to backstop that with generation

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we would look that as necessary.

Unidentified Speaker

I think that from PSEG standpoint, we would like to grow the company. We would like to grow it on the regulated side as well as the deregulated side. The alternative of course is to give money back to our shareholders in the form of dividends or share buybacks, or whatever companies like that, do with that their cash.

Firstly, we intend to maintain a strong balance sheet, intend to maintain a very strong credit rating, because we think it helps us. And actually I think we're able to take advantage of that. In periods like this, we see -- start seeing some assets coming to market, that a good strong asset that you previously wanted to own, but didn't want to pay the price for.

So we think that there will be opportunities, Steve. We will certainly look at them all, whether we execute on them, really depends on the situation at the time and the particular asset. But we have room to grow. As I said, I think we prefer existing generation, unless there is a unique situation, such as in New England, where there's a seven-year capacity lock [ph], we might think differently. But we did evaluate each asset, for each portfolio of assets likely not big, probably very small -- in the context of, how does that fit our portfolio and it can add value or return for our shareholders.

But we're in this business for the long haul. It's not like we intend to come out of it in the next two to three years. So we have to figure out how we deploy our capital. Letting our fleets to run down and be inefficient and ineffective is not an option for us. We're going to figure out how we invest smartly to improve our efficiency, so we can be effective in the marketplace.

Steve Fleishman, Analyst

Great. Well. Joe, Shahid, thank you very much. Great panel. Appreciate it.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-11-13
Event Description: Edison Electric Institute Financial Conference

Market Cap: 19,995.54
Current PX: 39.52
YTD Change($): +7.48
YTD Change(%): +23.346

Bloomberg Estimates - EPS
Current Quarter: 0.474
Current Year: 2.730
Bloomberg Estimates - Sales
Current Quarter: 2719.250
Current Year: 10780.800

Edison Electric Institute Financial Conference

Company Participants

- Ralph Izzo, Chairman, Chief Executive Officer and President

Other Participants

- Unidentified Participant

Presentation

Ralph Izzo, Chairman, Chief Executive Officer and President

Good morning all. This is the PSEG presentation and thank you for joining us today. We've set things up, so that should [ph] we shift ample time for question-and-answer at the end of presentation. I will refer you to our forward-looking statements and not read it, but suffice to say we will be looking into some prospects for future factors that are influential in our business and similarly I will refer you to our GAAP disclaimer as we will be reporting some financial performance that we think is reflective of the ongoing earnings capability of the company, but that do not concile with GAAP.

I am Ralph Izzo, the Chairman, CEO and President of PSEG. I am joined here at the front with Ms. Carolina Dorsa, our Chief Financial Officer. Also with me today is Kathleen Lally, our Vice President of Investor Relations; Carlotta Chan also of Investor Relations; and John Scarlata, our Vice President of Gas Supply. All will be available for questions at the end of the presentation.

So for those of you who are not familiar with PSEG, on an extremely higher level, it all begins for us with operational excellence. We take enormous pride in being outstanding stewards of an asset base that include both regulated gas and electric distribution and transmission as well as unregulated merchant generation.

It's only by operating those assets with excellence, whether it's our nuclear plants or our customer call center that we believe we have a chance of creating a financially strong company and then we look to deploy that capital in a way that we describe as disciplined. And for us, discipline means those areas those products and services in those markets that are core to our region that will provide value to customers and are consistent with the policy objectives of our primary regulators. And at the center of all of that of course is an engaged workforce who make it all happen.

The two primary subsidiaries of the company are Public Service Electric and Gas, PSENG, regulated electric and gas distribution and transmission company in New Jersey. Its primary thesis today is a very robust $11 billion plus capital program where we are looking at the years 2014 to 2018 as has been our habit, we will update that number for an additional year in March of the coming year at our normal investor conference.

Side-by-side with that, producing roughly half of the earnings of the company equal to the PSENG earnings is our unregulated competitive generation business with assets primarily in the PJM region and to a lesser extent in NYISO and (inaudible) region and the key aspect of characterization of this particular part of our operation is the robust diversity and competitive advantages associated with our fleet, which I'll describe in little further detail in subsequent slides.

So just a minute on some of the primary characteristics of PSE&G; a little bit more than 2 million electric customers, a little bit less than 2 million gas customers, load growth of about 0.5% to 1%, primarily a residential and commercial customer base. As you can see here the electric sales were primarily driven by the commercial sector, secondarily by

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the residential sector. And when we look at the gas business, the story is exactly the opposite. But in both cases, a minor contribution from the industrial sector.

A lot of returns in New Jersey for the regulated distribution business are approximately 10.3%. I'd say approximately only because there is a small component in a recent capital construction rider [ph] program that we have approved that was -- the allowed return is 9.75%. However, our single biggest construction program is our transmission program and they are because we are part of the PJM ISO, our allowed return is 11.68%, which includes a 50 basis points adder on our base return of 11.18%.

I'll talk a little bit more about this later on, but in addition to our traditional services i.e. gas pipes, electric distribution system, electric transmission system, we've been very active over the past six years in developing some non-traditional products and services primarily in the area of renewable grid connected energy supply and energy efficiency, totaling a little over $1 billion in construction.

So PSEG Power, the primary characteristics are reflected here in terms of the asset base. Starting from the left just from the nameplate capacity point of view, as you can see, we have a very rich diversity in terms of available fuels, nuclear, natural gas, coal, and oil. I'll point out for you that all of the non-nuclear, all of the fossil fuel as such dual fuel, our gas units can run on oil, our coal units can run on gas, in fact our coal units most often run on natural gas. And just recently we've crossed the 1% mark in solar capacity.

However, if you look at how the capacity factors of these assets result in the energy produced, the pie chart in the left looks quite different when one looks to the center of the slide and not surprisingly, you can see nuclear is the workforce of the fleet, producing over 50% of our electricity while natural gas in second at 30% and coal at 13%. That coal of 13% doesn't include the times of the coal units run on natural gas.

And lastly as you look to the far right on the slide, you can see once again a fairly diverse blend of the types of assets from peaking to load following to base load. It is interesting to us at least that if I were to show you the slide from five years ago, the left slide -- the left pie chart and the right pie chart would look essentially identical. The solar having been a new entrant to the pie chart on the far left. And the center slide would look identical in terms of the colors. What would be different is the fact that that 30% that is now showing for gas would have been 30% for coal and the 13% for coal would have be 30% for gas, and that's just reflecting the change in price associated with natural gas coming from the Marcellus and Utica regions, which are accessible to us.

In terms of what we've been doing in the recent past, it's -- our primary emphasis has been on growing the regulated rate base. Our investment programs in PSE&G are not driven by load growth, but they're driven by an aging infrastructure that is in need of replacement. We are proud of our reliability track record by one organization, the ReliabilityOne organization, we've been named the most reliable electric utility in the Mid-Atlantic region for I think 13 or 14 years in a row and the most reliable in nation's five out of the last nine years. And that doesn't come without significant investment in the capital infrastructure of the utility.

We've been able to do this while maintaining flat to declining bills for customers, really driven by the fact that gas prices have come down as hard as they have over the same timeframe. So here you see six years of 23% compounded annual growth rate in the capital program of the utility. The green line is an annual number, the blue bar seeks to smooth out some of the years of higher growth and lower growth by just taking a three-year average with the third year being the base year shown on the slide. But program of $600 million or so a year growing to one that's nearly $2 billion a year in just six years.

If we take a look at what things look like from 2009 to 2013, there was about $11 billion in spent at the overall company that was inclusive of PSE&G as well as PSEG Power. As we look to the future between 2014 and 2018 that number goes up by about 20%. That increase while seemingly modest, has matched [ph] a little bit by the fact that in the 2009 to 2013 era, there were sizeable investments, nearly $1 billion that were dedicated to environmental permits of PSEG Power. This is in preparation of expected regulations on acid rain, gases and mercury, SO2, NOX, mercury acid gases in the like and that environmental CapEx of Power is now behind us.

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We are fully compliant with our units and that nearly $1 billion is on the right chart has been diminished to little under $200 million and you could see that most of the capital being deployed at PSEG is in the area of transmission, making up nearly $7 billion over the next five years.

So speaking about transmission, you can see that from 2009 to 2013, essentially, very strong growth, growing from a little bit over $200 million program to last year being $1.6 billion. A lot of that in large projects that are listed at the bottom of the slide. I won't read all them to you, however, not to be missed is the fact that there is a significant portion of upgrades to existing transmission lines, reconductoring, taking 26 KV distribution systems and turning them into 69 KV transmission systems providing network protection for critical customers, that makes up about half of the transmission program and that too has been increasing over the years.

Equally interesting and that we tried to point in this slide is, if we were having this conversation in March of 2013, our expectations for the next four years would be that dark blue line that you see on the right side of the slide, which shows a significant drop-off in transmission, we only present to investors our known and approved projects.

So these projects will be projects that would be designated in the PJM Regional Transmission Expansion Plan, often refer to as RTEP for short. And given the dynamic nature of the deregulated power generation market and PJM's mandate to ensure reliability, the fact that power plants do not necessarily forecast foreign events when they're going to be retired or when they're going to be built and given the major changes in the generation mix expected as a result of the 2015 deadlines associated with the Clean Air Act rules pertained to acid gases and mercury, we had a major change in our transmission plant spend when we went from March of 2013 to March of 2014.

And that dark line, which shows some leveling, some decline and then leveling off became the blue bars, and that's the $6.8 billion in transmission projects that we now are planning and fully expect to implement over coming now four years. And these projects remain on schedule and on budget, terrific bit of work by our construction team.

Here is a little bit more detail on the issue that I hinted out earlier on where we started to move into areas that are little bit non-traditional. We've received approval for $700 million of solar projects that are all in rate base. They tend to fall into two categories. You'll see words here like Solar Loan and Solar 4 All. We sell little loan program as our roof-top solar program in which customer petitions us for a loan, we provide up to 50% of the project funding in the form of cash and that customer then pays us back in the form of a solar renewable energy credit. That renewable energy credit is valued at a level that allows us our 10.3% return on the investment that we've made i.e. the loan. We monetize that solar REC. If the monetization of that solar REC provides a revenue stream that's in excess of that 10.3% allowed return, then we would fund the access to the rest of the customer base. If it falls short of that, then we collect and make up the difference from the rest of the customer base. So it's basically a roof-top program with an allowed return of 10.3%.

The Solar 4 All program is great connected program. We own the land, we own the assets, we construct them, we operate and we maintain them, largely dedicated towards brownfield sites in New Jersey, that might be an old industrial site, that might be a landfill site, just for calibration purposes reconnected solar in New Jersey typically is 3 to 7 megawatts, we're not talking 10s nor 100s of megawatts, we are talking single digits, and the roof-top systems are exactly what you'd expect several kilowatts.

In addition to the 700 million solar, we have received approval and have deployed about $300 million in energy efficiency projects. And these are largely projects that go to either multi-family dwellings, typically lower income hospitals, municipal build schools, and things of that sort. This is not rocket science, it's is not sophisticated sensors, and complicated to a customer communication devices, these are lighting systems, upgraded chiller systems, upgraded heating systems.

On top of that we've had the opportunity to get riders, clauses, trackers, whatever terminology you want to use that you're comfortable with for some major capital infrastructure improvement in the States, starting in 2009 and then refreshed in 2011, mostly directed at our gas infrastructure, we have the largest cast iron and bare steel systems in the nation. And we've been trying to accelerate the replacement of them, however, there have been some electric distribution programs associated with this.

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And most recently, we've had a $1.2 billion approval for program that we call Energy Strong, which is less about the need to replace aging infrastructure and more about the need to adjust for the redrawing of flood claims and strong threatened assets coming on the heels of super storm Sandy. So that Energy Strong program is just underway. The first part of it that we've been deploying is $350 million worth of gas pipeline replacement and then the other $850 million are geared more towards the electric system and that's more in engineering and design stage right now.

So all total well over a couple billion dollars and riders and clauses that allow us to achieve contemporaneous returns as we deploy the capital in the interest of our customers. So in fact when you look at PSE&G's $11 billion program between 2014 and 2018, so much of the solar and much of the energy efficiency was earlier and there is some residual underway now, but as we look forward we have quite a fair and reasonable regulatory system that allows us to recover about 70% of that on a reasonably contemporaneous basis. It's not real time, I don't want to suggest that. Certainly the formula rate treatment at FERC is as real-time as one gets, it's an annual formula rate with true-up for the assumptions that are made going into the year, assumptions that are made regarding how much of the asset base will go into service, what the throughput will be and therefore what the rate structure needs to be to compensate us for that as are allowed 11.68% return.

Then we do have a maintenance capital program in our distribution system that is slightly above our depreciation rate. And then we have these additional programs that I've mentioned just a moment ago, showing up here at 12% in terms of Energy Strong and the Residual of the solar in the energy efficiency programs. So that 60 plus 12, we round to 70%, all receive is free if the regulatory lag, that horns [ph] the distribution base rates and the typical capital programs that we are subject to as utilities.

Okay. And so we take a look at the financial strength at PSEG Power, PSEG Power is solid BBB plus that's where we like to operate it. Given the amount of regulated, unregulated mix within the family, we've said as a floor, not as a target, but as a floor, 30% FFO to debt coverage ratio at PSEG Power. You can see for the past two years that number has actually been 70%. Our forecast for this year, next year and 2016 on average is a number that's close to 50% and that will be driven by a little over $1 billion per year and FFO coming out of PSEG Power, all the combination of O&M control, hedging of our energy sales, locking in the capacity markets.

I believe in 2013, cash, what I'm [ph] seeking, the free cash flow is about $700 million at PSEG Power and that being because most of the environmental permits, as I said before, behind us there, so that's not a consumer of cash. To great extent, we are just incrementally building out PSEG Power. So things like operating our nuclear plants, improving some of the technologies are combined cycles to get a little bit more output from them.

We've tucked in some peaking units here and there, some in Kearny, New Jersey, some in New Haven, Connecticut. And we're proposing to do build a combined cycle gas turbine unit at our Bridgeport site in Connecticut, a contingent upon successfully bidding and clearing the New England capacity auction this coming February. But the capital needs of Power have not been large and they have generated a fair amount of free cash flow available to the rest of the business to use in ways that you see describes here on this slide. Just summarizing for you, three-year period of sources and uses of capital and you can see that based upon the fact that we do have this reasonable treatment from a regulatory perspective about transmission investments and some of the expanded distribution investments, but the cash from operations at PSE&G now actually exceed the cash from operations at Power.

Having said that, the capital requirements of PSE&G dwarf the capital requirements of PSEG Power. We issued debt at PSE&G consistent with this regulated capital structure, which is 51.2% equity and 48.8% debt. And then I used the leverage capability of Power to fund the equity needs of the utility. We currently have no debt at the parent company. So we have investment capacity both in terms of the free cash flow of Power as well as the debt capacity at the parent, but we like to think of the debt capacity of the parent as available for regulated uses.

So here are some of the investment opportunities. I argued with Kathleen about putting nearly 1.5 billion, but she insisted upon putting exceeding $1 billion, so we don't give you a single digit precision on these numbers. But since we announced our $13 billion capital for the next five years, people have been asking us what else is in the pipeline, and here is a bunch of projects that we're working on. None of these are approved as yet, they are opportunities that we think are very real and are quite possible. So I mentioned a moment ago, our Bridgeport Harbor combined cycle. Yes,

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turbine, I won't dwell on that.

We are also the operators of the Long Island Power Authority assets on Long Island. In that regard, as part of kind of being the petri dish, so the New York State REV project, which I won't go into detail, but more than happy to expand upon in the Q&A.

We've been asking to propose something that's called the Utility 2.0 project, it's part of our contractual obligations, it's a 10-year contract that we have to operate those assets and then I think it was July 1 or early in July was our obligation to submit a program. We submitted a $200 million program. It consisted of the types of things I spoke about a moment ago in terms of distributed generation, energy efficiency and then went through a series of public hearings, a little bit of mix bit of testimony given, but by in large the prevailing voice was that we weren't ambitious enough.

So when we re-filed our proposal early in the fall, we put in a program that said we would be willing doing up to $345 million worth of Utility 2.0 type of work. And right now, that's with the Long Island Power Authority for their decision as to: A, how much?; B, where to spend it? and C, how that compensates us? In fact there is every reason to believe that we have the potential and again these projects are not approved to R&D equivalent of regulated ROE on these investments, even though we don't deploy our own capital. The logic behind that being that tax refinancing is available to the Long Island Power Authority and that would really reduce the cost of debt associated with any investment programs, but we would still -- we allowed our equity type returns albeit on a performance basis. So lots of discussion is going on. We're hopeful to get a decision by the end of December, but there's no hard and fast rule that that decision would be forthcoming in the December. That would not be a one-year program, whatever the number turns out to be would be a multi-year program.

We are a participant in the FERC Order 1000 project coming out of Artificial Island. Artificial Island is the name that's used to describe the location. We have three of our nuclear power plants are selling, more than selling two unit as well as our Little Creek unit, some voltage and stability issues coming out of there that PJM seeks to resolve and opened up this project to FERC Order 1000. We are one of the four named finalists in that solicitation and outcome will be known sometime in the first quarter of 2015.

We recently announced that we signed up for 10% interest in a 1 Bcf per day pipeline running from the Marcellus region into the New York-New Jersey region actually ending in New Jersey, that's another $100 million contribution. The target date for being in service is November of 2017, however, it is a greenfield site. And today we are in front of Board of Public Utilities seeking an expansion of our energy efficiency programs by about 100 million. So I noticed we wrote 100 million to 100 million on this one exactly [ph].

So what is here is the fact that as a result of having lowered our customer gas bills by an additional 9% on October 1 and in anticipation of crediting our gas customers another $160 million over the next three months, because of declining cost of natural gas, if you look back to, I think the 2009 timeframe, we've lowered customer gas bills over 45%.

We are probably going to once again try to accelerate the gas infrastructure improvement program in the range of $50 million that was approved in Energy Strong, we'll probably run its course by the end of 2015. So just given the time it takes to file an application and get approval from the Board of Public Utilities, we will probably go in sometime in the early part of the second quarter for an expansion of our gas pipeline replacement program.

We can manage about $250 million a year in work. So depending on what we file for one-year extension or two-year extension that could be $250 million to $500 million to be determined. So $1.5 billion worth of opportunities are in front of us now, it [ph] assume to be additional $250 million to $500 million of capital infrastructure improvement.

So 2014 has been an eventful year. Our earnings are up 9% from where they were at this time in 2013. The utility is on track to get double-digit earnings growth again as a result of its capital improvement program. I think over the last five years or six years I forget we've grown the earnings per share of utility by 18% per year that was actually declining load growth over that timeframe now reversing, it's often slightly growing.

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We've guided in our third quarter call that we expect PSEG Power to earn at the upper level of its expectations for the full year and we did take $0.05 off the bottom of our consolidated earnings expectations and now we're guiding to 260 to 275 with expectations being towards the upper-end as well.

As I mentioned a moment ago, the transmission capital program is on schedule and on budget. We've started the cast on in main replacement that is $315 [ph] million component of the $1.2 billion Energy Strong, and we are eagerly awaiting resolution of some of the proposals in PJM to modify the capacity markets where there are multiple considerations that worked at we think will provide a solution to the missing money problem that exists for those of us who are incumbents with assets very essential in terms of their operational capabilities during times of high demand, but for which the capacity markets have not provided inadequate incentive to ensure the maintenance practices that on rare occasions.

But nonetheless on occasions are needed to make sure they operate with an acceptable degree of liability.

And we are referring here to the change in what's called the demand curve variable response resource. The removal of 2.5% holdback in the RPM auctions. The court's actions and decisions on demand response not being a wholesale power products, and of course the capacity of performance product that PJM is describing.

On that last item, I think we are especially well positioned to perform well in that regard for three reasons. Number one, we have a set of units, namely our nuclear units, which are highly reliable and their value really comes through in times when other units may have difficulty getting access to fuel. Which leads me to the second reason why I think we're well positioned as I mentioned a moment ago, all of our fossil units are dual-fuel, we can run the coal units on gas, we can run the gas units on oil.

And last but not least, we have a fleet and that fleet allows us to backstop and manage the risks associated with any of the assets that does get capacity payments in the inevitable cases they don't perform and is subject to penalties being able to backfill that asset with an asset that perhaps did include the auction, but it's nonetheless available to provide supply at that point in time.

So the past three years, we've seen some earnings growth from 244 in 2012 to this year guiding towards the upper-end of the 260 to 275 range. I can't show three years without candidly contrasting to the prior three years where we had peaked out in 2010 at $3.12 a share, but (inaudible) of commodity prices curved down as gas and power prices were reduced.

However, what is important to note here is the way in which the company has really shifted in terms of the earnings generation and you could see that we went from a factor of 3 to 1 power to the utility as recently as 2009 and this year, at the midpoint of our guidance, we would expect utility contribute a little bit more than half of the earnings of the company. And here you see my quoting the 5-year, 18% growth compounded annually at the utility. All driven by the aggressive investment program targeted towards either reliability or public policy objectives in the State of New Jersey to see solar grow and to see energy efficiency expand.

Having said that, as we look at the dividend, we are one of the few companies in America, we use to say one of the three, but we're not quite sure if that number is accurate, maybe two or maybe four, I'm not 100% sure, who have paid the dividend every year for over a 100 year. So we take great pride in that. We've grown at about 3% a year over the last 10 years.

And you can see here what I'm showing is that the utilities earnings per share of the green line, this year given the guidance that we put forth would just about cover the annual dividend. And that's not to suggest that that's the only thing we think about when deciding dividend policy. We are forecasting double-digit growth in utility earnings between 2014 and 2016. We look at where the earnings are coming from, we look at what the cash needs of the businesses are and we also look at where we are in power cycle and what the expectations are for the allowed returns in the regulated business and then decide our dividend policy.

What we've told people is that given our five-year outlook, we believe we have the opportunity for modest and sustainable growth in that dividend and we specifically stick with a very qualitative description and formally revisit

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what the number is, which I know is what matters the most folks in the February timeframe at our February Board meeting. You could see our payout ratio is at very, very comfortable level when compared to the overall payment earnings.

Oops, I went the wrong way. Sorry about that. So I think I'll stop there and open up to questions for either Carol and myself or other team members are here. This slide, I've already spoken few moment ago, but it's just a summary of the two main subsidiaries that exist for PSEG.

So I believe that Kim has a microphone if there are questions, and we'll take them now.

Questions And Answers

Ralph Izzo, Chairman, Chief Executive Officer and President

I was perfectly clear somebody has to break the ice.

Unidentified Participant

The roof-top solar program sounds like a real win-win. Congratulations on that. Just curious that since the loan, are they buying the panels in the roof-top system from you guys or they have choice to go?

Ralph Izzo, Chairman, Chief Executive Officer and President

They have a choice, they can purchase where ever they like.

Unidentified Participant

Okay.

Ralph Izzo, Chairman, Chief Executive Officer and President

In case of the Solar 4 All, we determine (inaudible).

Unidentified Participant

Of course, okay. Thank you.

Ralph Izzo, Chairman, Chief Executive Officer and President

Do you live in New Jersey? Are you going to apply for loan? Okay. Other questions? Okay. Well, we thank you for joining us today. Have a great day.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-09-03
Event Description: Barclays CEO Energy-Power Conference

Market Cap: 18,550.87
Current PX: 36.67
YTD Change($): +4.63
YTD Change(%): +14.451

Bloomberg Estimates - EPS
Current Quarter: 0.781
Current Year: 2.709
Bloomberg Estimates - Sales
Current Quarter: 2683.200
Current Year: 10472.154

Barclays CEO Energy-Power Conference

Company Participants

- Unverified Participant
- Caroline D. Dorsa

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Okay. Our next presentation is going to be from Public Service Enterprise Group. We have Caroline Dorsa, who is Executive Vice President and Chief Financial Officer to present the company's story. Caroline?

Caroline D. Dorsa

Thank you, [ph] Dan. (0:00:18) Good afternoon everyone, happy to be here with you this afternoon. As we've done in prior presentations, I want to give you a little bit of an overview about the PSEG story, some of the key things that we're focusing on for this year. I will do a little bit of a quick top-side overview, then talk a little bit about the utility, a bit about power and some of our financial key metrics and hopefully leave some time to answer any questions that you might have.

So, hit the clicker, here we go. As normal we always start with the forward-looking statement derived from our 10-K as you would expect and also our GAAP disclaimer, keep in mind that some of the numbers that I'll be discussing with you today are non-GAAP metrics like operating earnings that we believe are a good way to think about our business on a long-term basis and keep in mind the reconciliations to GAAP, which always appear at the end of our presentation.

So strategy, just to start at the very top in terms of our strategy, our strategy has been consistent for the last few years, and it focuses on those three key parameters that you see in the circles; operational excellence, disciplined investment and financial strength. We really do look to see our business reliably deliver cash flow from each of our businesses, and from those businesses we look for incremental growth-oriented investments, and on the power side with an environmentally friendly fleet; and on the utility side, investments that enhance the reliability and service delivery from our customers.

We do so by working with a balance sheet that we believe continues to give us the strength to pursue new opportunities, the opportunity to raise capital in the capital markets. Because of the strength of our balance sheet, raising debt has been easy for us in the capital markets. All of our ongoing investment opportunities that we see in the long-term and they are significant, and we'll talk about those, none of those require the issuance of equity. We don't see any investment opportunity scenarios that we can handle that would require us to issue equity because of the strength of the balance sheet.

So let me talk a little bit more then about our businesses. Let's just do the top side overview of PSE&G and PSEG Power, our two primary subsidiaries that comprise our holding company PSEG. So PSE&G, Public Service Electric and Gas, is our delivery and transmission company. You can see the 2013 data at the bottom of the slide, assets of about $20 billion and operating earnings in excess of $600 million last year. As I said, our strategy is to position this company to deliver good reliability to our customers both from an electric and a gas perspective, and support the state's energy policy goals and, of course, economic growth objectives for the state as well.

We have an $11.3 billion infrastructure program over the next five years that I'll talk about in a little more detail as we go forward, but that is where most of the investment is going at PSEG because there is a great opportunity to both

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return for our shareholders and provide value and service and reliability to our customers.

For PSEG Power, that's our competitive generation business. You can see assets in that business of about $12 billion, and operating earnings last year of slightly in excess of $700 million. You'll note that the power company was a little bit more than half of the earnings last year versus the utility. And this year, you will see from our guidance, you'll see that start to flip as we talk about guidance for our company for 2014.

In terms of the guidance overall for the company, here you can see our progression from 2012, 2013, and 2014. Our 2013 results $2.58 per share on an op earnings basis and our guidance this year of $2.55 to $2.75. At the end of the second quarter, we announced that our anticipation was to be at the upper end of the current guidance range. We did not change the range, but we did guide to be at the upper end of the range assuming normal weather and normal unit operation.

So if you look at the progression of where we have been to the upper end of the guidance range that we're talking about now, you would see potential for two consecutive years of growth in our operation earnings. And as you will see those have been driven significantly by growth in our regulated utility.

So in terms of the capital program for the company overall, you can see if you take a comparison and I think, this is an interesting comparison to look at for the business. When you compare the capital program of the company in the aggregate over the last five years, 2009 to 2013, you can see an $11.3 billion capital program of which $8.4 billion was the regulated utility. And you can also see the capital pieces for power and then you can see the piece that relates to transmission was over $4 billion. You can also see that maintenance CapEx in the shading, but the environmental CapEx in that blue shading, about $800 million over that period.

Now, if you look over to the right pie, these are the five years upcoming, including this year. And you see some interesting things in the overall investment program for the company in the next five years. First of all, you can see that the total program is $13.1 billion. The piece that is PSE&G is actually now over the next five years the same size as the entire company capital program over the past five years.

So ramped up the utility capital investment program very significantly. And when you look at the piece that is transmission, which is the blue shaded portion, you can see that over the next five years that is $6.8 billion out of the total utility $11.3 billion. So transmission continues to be a very important part of our capital program and a significant portion of our capital program going forward.

In addition to that, you can see solar and energy efficiency at the utility in orange and you can see the newly approved Energy Strong at $1.2 billion for the utility over the next five years as well. When you look down on the power side, you can see that for power, the investments are smaller, power does not need remediation for an environmental reason, so you see the environmental piece of power investment over the five-year period is about $200 million, so not that much is needed environmentally.

So most of what you see we're spending on is growth, and most of what you see we're spending on is at the regulated utility, where we have nice regulatory returns without a lot of regulatory lag, in fact very little has lagged at all on – or on the transmission side for formula rate returns. So a robust capital program that we look forward to delivering, and I think you can see from our history of delivering over $4 billion in transmission over the last five years, this is clearly a capability we have built and one that we really do know how to execute.

One of the questions that we've often gotten about our regulated utility profile is how we think about the future in terms of capital expenditures for the utility as the current things that we are planning start to become executed and go in service. One of the things that we've always done in our capital forecast, all the time, including the prior slide that I just showed you on the five-year, is we never forecast things on our utility capital program that are speculative. We only put things in our capital program, our capital forecast here that have been identified and assigned to us, so you can look at that five-year projection as what you should expect us to do.

This slide is actually a very interesting slide, I think, because what it is looking at is the picture of as we've stood in each year and we've looked at what our forecast has been from three years prior, two years prior and a year prior of

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what the capital spend will be in the relevant year that you see in each column. What we've shown here is actually what's happened for PSE&G is every year we've identified new things as we get closer to the year that we're thinking about for capital spend, such that, as we get to that year, it typically turns out to be higher than even our projections of the prior two years and three years.

And so that's really a discussion about the fact that we don't speculate in our capital program forecast. We've put in what we know and what's been assigned to us, but that we're always continuing to look for new opportunities to make those kinds of contemporaneous return or formula rate return regulated investments. And we've had some pretty significant success in driving up that utility capital program over the past years even from what our near-term forecasts have turned out to be.

So one of the things that we're quite proud of, in addition to all the work that we have done in growing transmission is that we have really enhanced our regulatory diversity both by having state regulated investment opportunities complemented by FERC transmission, formula rate investment opportunities. But although, we spend a lot of time talking about the size of the pie that relates to our transmission opportunities, I don't want you to lose sight of the fact that we have done a significant amount of investment and gotten a significant number of clauses over the past few years from the BPU at the state level.

And these have really been things that help support some of the state's goals, particularly around things like energy efficiency and renewables and also support economic growth and development in our state by things like gas main replacement or incremental infrastructure accelerator replacement.

And so when you look at the three categories here, we've had the opportunity to get incremental clause recovery, in addition to base rate for, if you add up the three pieces, about $2 billion worth of incremental clause recovery. So we think a very good track record of success in identifying, identifying those things that are valuable for our customers and valuable for our regulators; getting approval for those and doing so with good reasonable contemporaneous return approaches; and then of course executing, because if you don't execute well on the programs you previously have approved, you're a lot less likely to get new programs approved.

And all of these things we do think assist what we're trying to do as good citizens in the state, whether it's incremental solar to help the state meet its renewable goal, whether it's energy efficiency or demand response to help the state managing its overall energy footprint or whether it's things that have enhanced job growth like our capital infrastructure programs, the SIP 1 and SIP 2 or Energy Strong, which is the $1.22 billion program we recently had approved that responds to some of the challenges that we saw as a result of Superstorm Sandy and things that can give even enhanced reliability over our base reliability. And we're just in the process of getting started in spending that Energy Strong $1.22 billion.

In addition to that, we recently filed, just in August of this year, an additional $100 million in energy efficiency extension with the BPU to provide some additional energy efficiency opportunities for investments in our service territory as well. So one of the things we always said post Energy Strong is that we would still continue to look at more opportunities to make investments. And we certainly were not precluded from coming back to the BPU to propose other programs that could provide benefits to our bottom line, but also to our customers. And I think the evidence of that is the fact that we stepped up in August and made this incremental energy efficiency filing.

So a lot to do, I think a lot of success that we're very happy about in terms of our ability to deliver on many of these programs, and the opportunity to spend a lot more with this most recent Energy Strong filing, which really should give our customers enhanced reliability for the sort of challenges that we all – many of us experienced in this region with Superstorm Sandy.

If you look at our transmission spend, just one other view of it that I think is valuable, so as you think about this regulatory diversity and think about the federal aspects of our regulation, that $6.8 billion in transmission spend is what you see rolling out in the light blue. The historical bars from 2009 through 2013, we've broken them out by project in the various colors, you can see the amount spent on the various projects.

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But I think the interesting thing about this picture is you can see that we are well in excess of the $1 billion a year in transmission spend for each of the next few years. And importantly is the line. The line that cuts through the bars, as you go out from 2013 through 2017, that line represented – represents the height of the bars, if I had drawn this chart for you, when I was – we were here last year.

And so I think the interesting thing about it is another way to reinforce even on the transmission side as you see those bar heights start to come down at the backend, that line represented where the bars were last year and since then everything above the line is new things that we have identified that we're adding in transmission since last year. So PJM open windows, RTEP processes, identified reliability needs, things that have been assigned to us. We continue to find them. And I think if we took this back two years and drew the same line, the shape would be somewhat similar but again with the transmission kinds of needs in our area there seem to always be new things that we can capitalize on that we can execute and our track record of putting things in service, I think, has served us well, and the ability to step up for these incremental investments. So a lot to do. And I think the opportunities to continue to identify more things as we go forward.

Let me turn now for a few minutes to the power side of the business. I think many of you are aware that we have a very diverse fleet of assets at PSEG Power, about 13,000 megawatts, 13,400 megawatts. And you can see how those break out by capacity relative to gas being the largest from a capacity perspective and then nuclear a little bit more than a quarter. And you can see coal and the rest. Of course, by energy produced, the nuclear units run as base load as to the share we have in our KeyCon units, the Keystone and Conemaugh units in Pennsylvania.

And so you can see, of course, that nuclear has continued over the last few years to be over half of the generation that we've actually produced from the 54 terawatt hours that we generally have produced over the last few years.

And then in terms of the markets served, the way we describe it, we have a full suite of assets and I'll show you how that works up the dispatch curve. But we do have base load as well as load following and peaking across this suite of assets in our fleet. And we really do like having that full suite of assets. We think it gives us opportunities to bid on low contracts and things like that. And we spend a lot of time making sure that we run these assets very well.

So here is the diversity in terms of heat rate and dispatch diversity. You can see for PJM so this would not include our New York combined cycle nor our New England combined cycle or coal plants. But just in PJM you can see how our assets array across the dispatch curve all the way up through peaking assets with the nuclear as base load, the load following units, and then the peakers. So, we've always retained this full suite of assets. And as I said, we think that provides us a lot of opportunity and advantage and we see that advantage as something that is quite sustainable.

One of the other things that we also have is a gas asset portfolio – and I think this should click, there it is – which we think gives us a nice advantage. This is something we've had for quite a long time, but it's become a bit of focus in the last few years, because these capacity rights that we own, which are the bright green lines that you can see going both south and west, these are contracts for evergreen capacity right that Power owns, and it provides us with just a little less than half of our access for capacity from the Marcellus Shale, slightly more than half from the Henry Hub direction. And that has provided incremental reliability for our customers because one of the things that Power also is, is the supplier for the gas business for PSE&G, and the priority of this gas, both the pipeline and the storage, is for the residential customers. But after serving the residential customers and off system sales, which are shared between the customers and Power, then Power has access to use this gas for its units.

So we have seen benefits come as the differential, obviously as we all know, between the Leidy Hub and the prices in the East has widened and that started about a year-ago June, that having this access from both sources has both provided reliability and economics. We actually have given our customers gas price reductions for many years and actually we did as well give them a credit this winter when many people were having challenges providing fuel, we were actually giving our customers credit. So it's worked out very well for our residential customers, but it has also provided the opportunity for benefits for Power, because Power gets a portion, about 25%, over the entire year, but it's not a smooth distribution, it's bit of a lumpy distribution, again with residential customers first in the winter, but Power uses about 25% of its gas from the Leidy Hub. And last year that was worth about $0.05 a share to us. We've not disclosed our results obviously for the third quarter, but having access to both sources of gas is both reliability and

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economic benefit for Power.

And these contracts are evergreen rights that we have for Power, and so we look forward to seeing this continue in terms of Power's access. How long that basis differential will continue, nothing is permanent, but if you look at the forwards that are out on Bloomberg, you know that there is an anticipation for the next few years to continue to see some benefit from having this kind of Leidy pipeline access as well as Henry Hub.

So in terms of how we think about putting those assets into the market, one of the things that Power has always had is a very consistent, not always, but for the past few years, a very consistent hedging approach. And we look at this by taking our fleet, the dispatch curve that I just showed, breaking it out between the base load and the intermediate combined cycle and peaking. And we hedge the base load on a ratable basis over a three-year period, such that in the current year you would anticipate that we would be at a 100% of the base load hedge before we come into the current year and then we start to hedge a little bit of the intermediate.

We'd never be 100% hedged. We typically are about 75% to 80% hedged total for the year when we come into a new year. And then as the winter and the shoulder quarter drop off and you've got a bigger representation of the summer, which is what you see here in the current year. You'd see that percentage go down because the summer is the period with the peakers that would naturally be most open on a weighted average basis.

So you can see our numbers now for 2014, 2015, and 2016 and you can see the hedged percentages here. We are about 70% to 75% because this is starting from July through the rest of the year, so again, a heavier representation of the summer month. And then for 2015, we're about 65% to 70% hedged, a little bit more than the mid-point of our target, a little bit more to the upper end of the ranges that we allow our traders to put on for hedges, took advantage a little bit in the second quarter of incremental opportunities to hedge just a little bit more, again within the parameters of our targets. And then about 30% to 35% hedge for 2016. You'd generally see the picture look like this on a consistent basis.

Again, we're a little more to the top end of our bands for 2015 and pretty much on target for 2016. For 2016 and certainly if you look out for three years, the markets are less liquid. So as we – if we moved up in our bands a little bit, it wouldn't always be for the current year or the prompt year. It would never be for few years out because the markets are less liquid. But we like to approach because we think it takes some risk off the table.

So we're not speculating on trying to guess the top and the bottom particularly in a multiyear basis. And then in the intermediate, the combined cycle of the peaking, that's where our traders really have incremental knowledge as they look at what's happening in the market either because of the weather or transmission outages and can position the portfolio most optimally to take advantage of opportunities in the near term.

The other piece, obviously, of Power's margin that is very important that we often talk about is what's going on with capacity prices. What I show you here, in the top line, is Power's average prices for the entirety of our fleet, and our fleet, of course, has no assets in the rest of pool, as you're probably well aware. And, so you can see the prices for our fleet. We came off the highest capacity price that we had for Power's fleet of $242 per megawatt per day, that ended on May 30 of this year, and we now come into the $166, which you can see $166, $165, we have very consistent capacity prices for the next four years based on the clears that are already known, which of course is distinct from the kind of prices you see in rest of pool, which have moved around quite a bit.

So, we had a lot of conversations about capacity prices over the past few years and where are they going. I think the thing that I want to emphasize for you as you look at this slide is, they're pretty steady, in fact they're very steady. We probably have the steadiest capacity prices of anyone because of the heavy representation in Eastern Mac, PSE&G Zone and PS North and that has worked out to mean really, really stable capacity prices.

You see some movements around relative to the size of our cleared capacity. The biggest delta you see there in our cleared capacity numbers between 2014-2015 and 2015-2016 are the HEDD units that we said we would be retiring the very older peakers in New Jersey. So, those pieces have moved around a bit. And then with some incremental auctions sometimes those numbers might move up as we come into closer to the current year.

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So in terms of the numbers then for each our businesses, just to give you some sense of where we are and what our forecast looks like, not just for the entire company, but also by business, you can see the $2.55 to $2.75, that I just mentioned earlier is the current guidance for 2014 with the expectation of being at the upper end of the guidance range, assuming the normal weather and unit ops. But I think it's also useful to take a look at the two businesses comprising the primary sources of our earnings.

And you can see that switch now happening with PSE&G relative to PSEG Power, you can see that the numbers for PSE&G and the numbers for power now start to switch that power being more than 50% to having utility being more than 50% of our earnings as we come into this year. And that's really driven by the double-digit earnings that the utility had delivered last year, and we forecasted out for the next two years. You're really seeing that come to fruition as those transmission spend gets put into service, as we earn on that, as we implement those cost programs, the utility has become a bigger and bigger piece of the total earnings of the company. And of course, while power has come down from what it was a number of years ago, and you can see that last year actually power ended up having more earnings than it did in the prior year. And of course enterprise/other really kind of captures all else that's going on in the business to get us to that picture of the $2.55 to $2.75 with regulated being somewhere from 53% to 55% of earnings.

So, we've really changed the picture around from what it was a few years ago. While power has come down, the utility has absolutely grown, so it's been not just a relative piece with power, it's definitely been an absolute because of the growth that we had in the regulated utility.

In terms of what the balance sheet looks like, in terms of our cash generation and where the monies are going, I like this slide because I think it's a really good way to see two really important things. First of all, on the cash sources, we used to always talk about power as the source of incremental cash flow and the source of free cash flow, because of this low capital needs. But I think, if you just look at cash from operations, you now see something that we started to see last year and has become more stark this year. And that is that the regulated utility is now the biggest piece of the cash from operations. So again the things that we've put into service, the contemporaneous return, the regulated utility is a significant cash flow generator, power still continues to generate cash flow. And then, we've raised debt consistent with PSE&G's capital structure, which is 51.2% equity and that's to support where the investments are going, which are so significantly into PSE&G.

So when you look at this picture, you can see that after the investment opportunities for PSE&G, power's capital investment, which is generally small and in this view, which is more aligned with our cash flow statement. power's capital investment here includes purchase of nuclear fuel. That's really to line up with the normal conventions, it's really not a capital investment. But you can see that power's cash is well in excess of what its capital needs are, which provides significant extra room and therefore room to support the dividend and support incremental investment without the need to issue equity. You see we have power's net debt going up slightly over the period from very strong perspective and power's debt-to-cap ratio ended last quarter about 32%. So we have a lot of room in power.

And that's really to support all the incremental investment we have in the regulated utility and of course, supports the shareholder dividend with absolutely no pressure on the balance sheet of the overall company or either of the subsidiaries.

Here's power's credit metrics. We showed earlier this year, you can see the key credit metric we look at consistent with power's credit rating is FFO to debt, and you can see we ended last year with FFO to debt in excess of 60% and our estimates over the 2014 through 2016 period still put us well in excess of the floor that we set consistent with our rating, which is 30% FFO to debt. So, what that means that means lots of room to consider incremental investment opportunities. That means we can continue to look long and hard as we have, and I think you've seen with some success for new investment opportunities that can drive good things for our customers, as well as results for our bottom line.

Operating earnings mix, as I mentioned earlier, you can really see that progression. And this is scaled to the size of the bar being 100%, so you're seeing that mix change. And you can PSE&G being such a significantly higher portion of the mix from 20% in 2009, and that's come from PSE&G's growth of over 18% – about 18% over that five-year period, Power has come down, but the utility has, on an absolute basis, gone up, which has been a great change in the mix of our business, given the current opportunities we have on the regulated side.

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And then, I can't end any presentation without some discussion about where we are on the dividend. You can see our dividend progression in terms of our 10-year progression of dividend growth of about 3.8%. And we did just about that in this year's $0.04 increase from $1.44 to $1.48. Payout ratio in terms of where we are this year, just taking the midpoint of our guidance is about 56%, so we're in great shape relative to payout ratio, no pressure there. You can see from the cash flow and the credit metrics, obviously no challenges to the current dividend.

We also put in PSE&G EPS again to midpoint of guidance, and you can see the guidance range in the shaded. We show that because a lot of investors have interest in understanding kind of on a theoretical basis how much of your dividend is actually supported by your regulated utility earnings. And you can see for us it's almost all of it this year, given the strength of the growth of PSE&G's earnings per share. And of course, while we don't have a particular target for our payout ratio, our dividend policy is noted on the top, not changed. We have the opportunity for consistent and sustainable dividend growth. Take a look at our long-term history, our current-year history and obviously the strength of the dividend and where we're going in terms of our investment opportunities providing the ability to continue to look to that as an important source of our shareholder return.

So that completes my prepared remarks. And with that, I'll be happy to open it up to any questions from the audience or from [ph] Dan (0:31:27) and thank you all very much for your attention.

Q&A

<Q>: Great. Thanks very much Caroline. Questions from the room we have a microphone coming around. But I guess first I'd like to start it off just by asking about some of the debate that's going on at PJM around capacity changes for next year, the new product, and what your thoughts are around both the motivation and what the outcome of those changes might be?

<A - Caroline D. Dorsa>: Sure. Great question. Thanks [ph] Dan. (0:31:54) It's something we've been talking about a lot today in the one-on-ones and the breakout. So we think that the motivation and the goal which is to provide that incremental reliability given that near but not issues but the near to issues that we saw with the polar vortex and also with the impending retirements of some of the coal units which appear to be real that many folks are looking to retire that there is value in considering how we address incremental reliability needs for PJM so that they can continue to deliver for the customers. So we think that makes a lot of sense and those units that provide that kind of base load reliability and can step up for incremental performance parameters, getting incremental value with penalties that go along with not performing that, it's fair, is the right kind of conversation to have.

In terms of where we are, of course, these are comment period in September. We are part of a stakeholder process. There will be a management board meeting in November, don't know how this will progress or what speed it will progress with. I think the right issues that we're all talking about, I'm sure, others among the generators are talking about as well, relate to what are the performance standards, how firm is firm fuel supply, how will that be addressed, what will count, what kinds of outages like transmission-related outages won't count toward the penalty, what about other outages, the ability to have capacity generation that isn't collecting capacity payments substitute, if you have an outage on an incremental reliability unit. And then that balance between what you might need to do to qualify versus what the penalties are, and what you would get as the incremental payment to make sure that that balance is fair, so that you're incented to make whatever investments you might need to enhance your reliability and be able to count on that stream of value for a number of years, so that that investment is worth making.

So all of those parameters, I think PJM was trying to address in its – in what they put out in draft. And there will, I'm sure, be lots of comments and lots of discussions. So we like the theory, we like the approach, it's now all about the balance among those very many factors to get the balance right, so that the units that really can provide more are incented to do it, are measured to do it, get pay to do it, with, of course, the offset on penalties if they don't.

<Q>: All right. Thank you.

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<Q>: As the growth rate of the PSEG is outperforming the Power's, what do you expect the mix will be, say, two years, three years from now? Will that continue to change from what the current ratio?

<A - Caroline D. Dorsa>: Yeah. So it's a good question. We don't forecast Power other than the current year, because of the issues of, obviously the changes in the forward curve and not being a 100% hedged as we go out.

We're pleased to see the utility grow to be more than half this year. You may remember, last year, we were actually forecasting the utility and Power to be closer to 50%-50%, but then Power did really well, that we raised the guidance last year, because of Power and that was really resulting of the things that we were able to do in Power and the prices.

So can't really forecast it, I think, you should consider that you'll still see the utility be this robust portion of our earnings and still has lots of growth opportunity ahead of it with its capital program. So I don't want to give a particular number, but I think you should think about just continuing to see the regulated being not more than half [ph] the units. (0:35:37)

Unverified Participant

And with that, I think we'll have to move to our breakout session, which will be in Liberty 5 where we will have time for more questions. Thank you very much, Caroline.

Caroline D. Dorsa

Thank you, [ph] Dan. (0:35:46)

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-10-30
Event Description: Q3 2018 Earnings Call

Market Cap: 27,595.71
Current PX: 54.61
YTD Change($): +3.11
YTD Change(%): +6.039

Bloomberg Estimates - EPS
Current Quarter: 0.606
Current Year: 3.104
Bloomberg Estimates - Sales
Current Quarter: 2638.600
Current Year: 9655.727

Q3 2018 Earnings Call

Company Participants

- Carlotta Chan, Head of Investor Relations
- Ralph Izzo, Chairman of the Board, President & Chief Executive Officer
- Daniel Cregg, Executive Vice President & Chief Financial Officer

Other Participants

- Praful Mehta, Analyst
- Julien Dumoulin-Smith, Analyst
- Greg Gordon, Analyst
- Jonathan Arnold, Analyst
- Christopher Turner, Analyst
- Michael Lapides, Analyst
- Paul Fremont, Analyst
- Shahriar Pourreza, Analyst
- Angie Storozynski, Analyst
- Andrew Weisel, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Natalia, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2018 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. (Operator Instructions) As a reminder, this conference is being recorded, Tuesday, October 30, 2018, and will be available for telephone replay beginning at 1:00 p.m. Eastern today until 11: 30 p.m. Eastern on Thursday, November 8, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Carlotta Chan. Please go ahead.

Carlotta Chan, Head of Investor Relations

Thank you, Natalia. Good morning and thank you for participating in our earnings call. Earlier today PSEG released earnings statements for the third quarter of 2018. These materials including the release attachments and accompanying slides detailing operating results by company are posted on the IR website at investor.pseg.com. Our 10-Q for the period ended September 30, 2018, will be filed shortly.

The earnings release and other matters we will discuss during today's call contains forward-looking statements and estimates that are subject to various risks and uncertainties. We will also discuss non-GAAP operating earnings and non-GAAP adjusted EBITDA, which differ from net income as reported in accordance with generally accepted accounting principles in the United States. Reconciliations of our non-GAAP financial measures and a disclaimer regarding forward-looking statements are posted on our IR website, and are included in today's slides and in our

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earnings release.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President & Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Ralph?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Thank you Carlotta, and thank you all for joining us today.

PSEG reported solid results for the third quarter and through nine months. We are updating full year non-GAAP operating earnings guidance by narrowing the range to $3.05 to $3.15 per share, with an increased contribution from PSE&G, balancing lower expected results at PSEG Power and the Parent. The midpoint of our guidance remains unchanged and continues to represent a 6% increase above 2017 full year results.

This morning we reported net income for the third quarter of $0.81 per share, and non-GAAP operating earnings of $0.95 per share versus net income of $0.78 per share, and non-GAAP operating earnings of $0.82 per share in the year-ago period. Third quarter net income and non-GAAP operating earnings improved by 4% and 16% respectively over 2017's third quarter comparables. Our results for the quarter bring non-GAAP operating earnings for the nine months to $2.56 per share, an 8% increase over the $2.36 per share earned in the nine months ended September 30, 2017.

Slides 6 and 7 summarize the results for the quarter and the year-to-date periods. Throughout a very hot summer, both PSE&G and Power performed well. Therefore our financial results reflect solid contributions from both businesses. PSE&G's earnings increased by $0.05 per share, up 10% over third quarter 2017 results, driven primarily by continued investment in transmission and distribution programs, focused on increasing system resiliency and reliability. Warmer than normal weather increased electric demand for air conditions throughout an extended summer that was the second hottest in nearly half a century. Expanded investment in transmission and distribution infrastructure continues to benefit customers and have a favorable impact on PSE&G's rate base and earnings.

We are on pace to spend $2.8 billion for the year and the utility's rate base is forecasted to grow to almost $19 billion at year-end. Based on our various investment programs, we remain comfortable with PSE&G's ability to achieve growth in rate base within our forecasted 8% to 10% per year for the 5-year period ending in 2022. We have made significant progress to date in our regulatory and policy partnerships. PSE&G recently filed several Clean Energy Future investment programs totaling $3.6 billion over six years. These filings continue the alignment of PSE&G's capital investment plans with New Jersey's energy policy goals by advancing a broad range of programs in Energy Efficiency, Electric Vehicle Infrastructure and Energy Storage. The inclusion of what we are calling Energy Cloud or AMI is consistent with the BPU's recommendations for improving storm response following the March 2018 nor'easters in which they directed each utility to submit a plan and cost benefit analysis for the implementation of AMI, focusing on reducing customer outages and outage duration.

PSE&G's filing is designed to create an advanced technology network and upgrade 2.2 million electric meters to smart meters by the year 2024. In addition, Energy Strong II, the proposed $2.5 billion 5-year extension of our infrastructure reliability and resiliency investment program is pending at the BPU. Inclusive of the AMI initiative, PSE&G's 2018 to 2022 capital spending forecast range is $12 billion to $16 billion.

I now want to bring you up-to-date on PSE&G's distribution base rate case proceeding. As you may be aware at its regular meeting yesterday, the New Jersey Board of Public Utilities approved the settlement agreement between PSE&G, BPU staff and Rate Counsel. This concludes the utility's first distribution rate review since 2010, and is expected to provide PSE&G's customers with rate stability while allowing us to achieve three important outcomes: First, to recover investments made outside of clause mechanisms since 2010; second, to recover deferred storm costs; and third, to set revenues which reflect our current sales and O&M levels.

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The terms of the agreement provides for an additional $212 million in annual revenue, and a flow back to customers of $225 million in tax savings largely due to tax reform, resulting in a net $13 million revenue reduction. When new distribution rates go into effect on November 1, a typical combined residential customer build will be at levels that are 30% lower than they paid in 2008 in nominal terms and 40% lower in real terms.

The updated revenue requirements based upon the distribution rate base of $9.5 billion, a return on equity of 9.6% and a 54% equity ratio, all of PSE&G's distribution investment programs will adopt the new ROE of 9.6% and equity percentage of 54% going forward. PSE&G's decoupling proposal was not adopted in the settlement. Decoupling of electric and gas distribution revenue from sales volumes and demands remains an essential element of larger scale energy efficiency investments. New Jersey's energy efficiency savings goals outlined in legislation passed last May require utilities to reduce customers annual electric and gas consumption by 2% and 0.75% respectively, and also provides for lost revenue recovery. We refiled our decoupling proposal as part of our Clean Energy Future filings, but we are open to other forms of timely lost revenue recovery.

Now let me turn my attention to PSEG Power. The Power's non-GAAP operating earnings increased 23% to $0.39 per share over 2017's third quarter comparable results, largely reflecting its lower corporate income tax rate and other tax benefits as well as a step up in capacity pricing this past June that will extend through May of 2019.

Despite favorable weather, higher natural gas prices rose more than electric prices, which negatively impacted Power's results. These changes in market conditions have contributed to a reduction in Power's expected 2018 non-GAAP operating earnings. Power continues to anticipate completion of its combined cycle gas turbine construction program with Bridgeport Harbor 5 expected online in 2019. Moreover, the addition of 1,300 megawatts of highly efficient capacity at Keys and Sewaren 7 earlier this year, leads the reconfiguration of Power's merchant suite as demonstrated by this quarter's CCGT production. The design of wholesale energy and capacity markets and with the current policies and mechanisms provide adequate recognition of the cost per generation to be available, continues to attract needed attention. We are proactively engaged with the Federal Energy Regulatory Commission and PJM on several fronts. PJM energy price formation proposals continue to be evaluated as part of a comprehensive solution to the challenges facing baseload units. FERC is expected to issue an order by year end on its pending fast start proceeding and PJM anticipates implementation in 2019. We await other price reform filings at PJM such as the operating reserve demand curve enhancements and the spending reserves. But we don't expect PJM will reprioritize those efforts until after it implements fast start. Getting energy prices right is critical to ensuring efficient investment and market exit for generation assets.

Power continues advancing efforts to preserve its nuclear asset base. The BPU has begun implementation of New Jersey's Zero Emissions credits law signed by Governor Murphy this past May. We recently filed comments and responses to the BPU on the application and selection process for the New Jersey's ZEC as we refer to them. The BPU held three public hearings early in October, and an order establishing the ZEC application process is expected in November. In December, Power anticipates submitting applications for all three of its New Jersey nuclear plants, and we'll make the certification that the units will shut down within three years in the absence of a material financial change.

In June 2018 FERC issued an order of finding that PJM's current capacity market is unjust and unreasonable and establish the proceeding to evaluate potential reforms. PSEG submitted comments in early October recommending the status quo remain in place. Within the alternatives, we support PJM's capacity redesign proposals of a minimum offer price rule with few or no exemptions, which is consistent with FERC's direction and the resource carve-out option for supported resources subject to the MOPR.

The ZEC law recognized that energy and capacity payments -- again I'm referring to the New Jersey's ZEC law, were not sufficient to compensate nuclear units for the carbon attributes they provide, and that ZEC were additive to energy and capacity payments. We have initiated discussions on how the state can put in place a structure under existing laws to support nuclear resources in a redesigned PJM capacity market using the existing BGS mechanism. We continue to believe that this option requires no new legislation, and equally importantly places no additional burdens on customers. We will continue to advocate our views to establish a market design that satisfies FERC and that

accommodates state interest in resource procurement with key attributes, while ensuring that price suppression is addressed.

A strong legal foundation has been established for state action to preserve generating assets critical to meeting a state's initial and related goals. New York and Illinois have recently received appellate court affirmations from the Second and Seventh Circuit Court of Appeals, respectively, concluding that those states have the authority to implement their ZEC program setting a positive legal precedent for New Jersey. We remain focused on the successful execution of our key policy and regulatory initiatives to provide our shareholders with greater assurance of PSEG's ability to meet our financial objectives for returns and growth. PSEG continues to perform at high levels, safely operating the system throughout a very hot summer, which is a testament to the dedication of our 13,000 associates in New Jersey, New York, Maryland and Connecticut.

With that, I will turn the call over to Dan to discuss our financial results in greater detail, and I'll rejoin for your questions after he is finished.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Great. Thank you, Ralph and thank you everyone for joining us on the call today.

As Ralph said, PSEG reported net income for the third quarter of 2018 of $0.81 per share, and that's versus net income of $0.78 per share in the last year's third quarter. Non-GAAP operating earnings for the third quarter of 2018 were $0.95 per share versus non-GAAP operating earnings of $0.82 per share in last year's third quarter. And reconciliation of non-GAAP operating earnings to net income for the quarter and nine months can be found on slides 6 and 7.

We've also provided you with a waterfall chart on slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by each business, and a similar chart on slide 13 provides you with the changes in non-GAAP operating earnings by each business on a year-to-date basis. And I'll now review each company in more detail, starting with PSE&G.

PSE&G reported net income of $0.54 per share for the third quarter of 2018, that's compared with $0.49 per share for the third quarter of 2017. Results for the quarter are shown on slide 15. Net income growth in the third quarter was driven by continued investment in transmission and electric and gas distribution facilities, as well as the impact on sales of weather conditions which were substantially warmer than both the year-ago quarter as well as normal conditions.

Returns on PSE&G's expanded investment in transmission added $0.02 per share to net income in the quarter. Incremental revenue associated with recovery of PSE&G's Energy Strong and the Gas System Modernization Program added $0.02 per share. Favorable weather comparisons year-over-year added $0.03 per share, and higher volume and demand added $0.01 per share. Changes to the accounting treatment of the non-service component of pension and other post-retirement benefits or OPEB expenses, resulting in a favorable $0.02. And these positive items were partially offset by an increase in operating and maintenance expense of $0.02 per share, driven by higher corrective maintenance work, higher depreciation expense of $0.02 per share reflecting higher plant balances and higher interest taxes and other of $0.01 per share.

As Ralph mentioned, electric sales reacted favorably to hot summer weather, and actual sales increased by 6% over 2017's mild third quarter. The THI or temperature-humidity index was 35% greater than in the year-ago quarter, and 25% warmer than normal. PSE&G reached the 2018 system peak of 9,978 megawatts compared to 2017 system peak of 9,567 megawatts. On a trailing 12-month basis, weather normalized electric sales were flat year-over-year. And gas sales on a similar basis increased 1.9%, led by the commercial sector and strong second quarter results.

The conclusion of PSE&G's distribution rate review achieved several regulatory priorities, mainly the recovery of non-investments made since 2010 outside of the programs with cost base recovery. In addition to the recovery of deferred storm cost dating back to 2011 and a true-up of sales end cost estimates. New rates are based upon the distribution rate base of $9.5 billion, a return on equity of 9.6% and a 54% equity ratio. We are pleased that the settlement recognized the need to maintain solid utility credit metrics, following the negative cash impacts that resulted

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from tax reform in 2017 as PSE&G's financial flexibility is essential to providing reliable service at the lowest cost. Going forward, PSE&G's distribution investment programs will adopt a new ROE rate and equity percentage established in the settlement agreement. As Ralph mentioned, the net $13 million revenue reduction takes into account an additional $212 million in annual revenues, including storm cost recovery and an increase in depreciation expense, as well as a flow back to customers of $225 million in tax savings, largely due to tax reform. PSE&G customers will benefit from $262 million in annualized rate reductions to reflect savings from federal tax reform enacted in 2017.

PSE&G filed two updates earlier this month to its Formula Rate for transmission at the Federal Energy Regulatory Commission. The first was an annual update reflecting our planned capital improvements with a focus on system reliability, and that provides for a $100 million increase in annual transmission revenues. The second filing adjusts our Formula Rate to provide a refund of our excess deferred income taxes due to federal tax reform, resulting in a refund of over $150 million. Both of these changes are expected to be effective January 1, 2019.

Our distribution infrastructure programs, Energy Strong and GSMP continue to perform as expected. The combined annual revenue increase for the full year 2018 from these two programs is forecasted to be approximately $53 million as we near completion of the first GSMP in Energy Strong programs. Once GSMP II begins, gas rates will adjust in December and June of each year. PSE&G has invested approximately $2.3 billion for the nine months ended September 30 in electric and gas distribution and transmission capital projects. For the full year, PSE&G expects to invest approximately $2.8 billion on increasing system reliability and resiliency, upgrading critical infrastructure, and supporting New Jersey's energy policy goals. We continue to expect rate base growth at a CAGR of 8% to 10% over the 2018 to 2022 period. For the full year we've increased PSE&G's forecast of net income for 2018 to reflect the impact of higher sales margins largely due to weather with the range now forecast to be $1,055 million to $1,070 million, up from a $1 billion to $1,030 million.

Now let's turn to Power. PSEG Power reported net income of $125 million or $0.25 per share for the third quarter of 2018 compared with net income of $136 million or $0.27 per share in the year-ago quarter. Non-GAAP operating earnings were $0.39 per share for the third quarter of 2018 compared to non-GAAP operating earnings for the third quarter of 2017 of $0.31 per share. Non-GAAP adjusted EBITDA for the third quarter of 2018 was $360 million versus non-GAAP adjusted EBITDA for 2017 of $356 million. Non-GAAP adjusted EBITDA excludes the same items as on non-GAAP operating earnings measure as well as income tax expense, interest expense and depreciation and amortization.

The earnings release and slide 21 provide you with detailed analysis of the impact of Power's non-GAAP operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter and the first nine months of the year on slides 22 and 23. Power's net income in the third quarter was impacted by a decline in average energy hedged prices and lower realized margins despite the effect of warmer-than-normal weather on demand and output. During the quarter, non-GAAP operating earnings comparisons increased $0.05 per share as a result of the higher capacity prices in New England and PJM. The increase in capacity prices occurred on June 1, 2018, and will run through May 31st of next year.

Recontracting of hedges at lower prices and the market impact of lower spark spreads in PJM East reduced results by $0.10 per share compared with the third quarter of 2017. Power experienced a $7 per megawatt hour decline in its average hedged energy price during the third quarter, which is consistent with our expectations for the full year. The impact of placing the Keys and Sewaren combined cycle stations and service along with higher demand boosted generation volumes by $0.06 per share. Higher O&M expense of $0.01 per share reflects new units start up expenses at Keys and Sewaren, and higher depreciation of $0.02 per share and a higher interest expense of $0.02 per share, both relate to the new combined cycle units placed in service versus a year-ago quarter. And these impacts will continue to affect year-over-year comparisons in coming quarters given the in-service of Keys, Sewaren and ultimately Bridgeport Harbor 5 next year.

A reduction in the corporate tax rate from federal tax reform combined with the impact of less taxes due year-over-year from lower pretax income, improved net income comparisons by $0.07 per share. The anticipated benefit from the re-measurement of tax reserves associated with the nuclear carryback claim and the closure of IRS

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SI-SSA-0015-14842

audits for the year 2011 and 2012 added $0.06 per share compared to year earlier results. These tax benefits were slightly offset by a $0.01 per share impact related to a newly enacted New Jersey surtax.

Now let's turn to Power's operations. Output of Power's generating stations increased 24% in the quarter, reflecting the higher output of the combined cycle fleet with Keys and Sewaren in commercial operation. Power's gas-fired combined cycle fleet operated at an average capacity factor of 68% and produced 7 terawatt hours of output during the third quarter of 2018, up by 88% over the year-ago quarter, primarily reflecting the production of the two new units. Pennsylvania coal generation output also improved to 1.3 terawatt hours and operated at 79% capacity factor in the quarter. For the year-to-date period, Power's nuclear fleet operated at an average capacity factor of 93%, producing 23.7 terawatt hours and representing 57% of Power's total generation.

Gas prices improved in the third quarter on low storage levels and weather-driven demand, but Power prices didn't move up in conjunction with gas putting pressure on Power's spark spreads. Power's forecast of total output for 2018 has been raised modestly to 54 terawatt hours to 56 terawatt hours from last quarter's reduced estimate of 53 terawatt hours to 55 terawatt hours. For the remainder of 2018, Power has hedged 80% to 85% of total forecasted production of 13 terawatt hours to 15 terawatt hours at an average price of $37 per megawatt hour. For 2019, Power has hedged 70% to 75% of forecasted production of 58 terawatt hours to 60 terawatt hours at an average price of $36 per megawatt hour. For 2020, Power has hedged 40% to 45% of output forecasted to be 62 terawatt hours to 64 terawatt hours at an average price of $36 per megawatt hour. The forecasted output for 2018 to 2020 includes generation associated with Keys and Sewaren, as well as the mid-'19 commercial startup of the 485 megawatt gas powered combined cycle units at Bridgeport Harbor.

In addition, Power has decided to exit the retail electric marketing business after determining it would not provide a material enhancement to its hedging activity. Power has therefore ceased taking on new customers but will continue to meet all obligations to existing customers through the end of their contracts. Our forecast of Power's non-GAAP operating earnings for 2018 and non-GAAP adjusted EBITDA has been updated to $465 million to $500 million, and $1,045 million to $1,100 million respectively, from $485 million to $560 million, and $1,075 million to $1,180

million, respectively.

Now turning to PSEG Enterprise and other. Reported net income of $9 million or $0.02 per share for the third quarter of 2018 compared to net income of $13 million or $0.02 per share for the third quarter of 2017. The decrease in net income year-over-year reflects higher interest expense at the Parent, partially offset by lower taxes and other items. The forecast of PSEG Enterprise and other's full year 2018 non-GAAP operating earnings has been reduced to $25 million from $35 million reflecting those higher interest costs.

PSEG closed the quarter ended September 30th with $88 million of cash on its balance sheet with debt at the end of the quarter representing approximately 51% of consolidated capital. And Power's debt at the end of the quarter represented 34% of capital. In September, PSE&G issued $325 million of five-year 3.25% medium term notes and $325 million of 10-year 3.65% medium term notes. And PSE&G also retired $315 million of 2.3% medium term notes at maturity. And as Ralph mentioned, we narrowed our guidance for full year 2018 non-GAAP operating earnings to $3.05 to $3.15 per share, while maintaining the midpoint of guidance at $3.10 per share.

And with that, Natalia, we are now ready to take questions.

Questions & Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. (Operator Instructions) And your first question is from the line of Praful Mehta from Citigroup.

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SI-SSA-0015-14843

Praful Mehta, Analyst

Hi guys.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Praful.

Praful Mehta, Analyst

Hi. So may be a specific question on the quarter for us and then we'll get to all the market reforms that taking place. But starting with slide 24 where you highlight gas prices went up and that's what pushed up your fuel costs. I wanted to understand why that didn't drive up Power prices as well? I mean, really that implies some reduction in the spark spread and wanted to understand why heat rates have been coming down? So some color on that that would be helpful.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Right. So there is a strong correlation, obviously, Praful, between gas and electric prices, but it's not perfect. One can only assume that there was some dispatching of coal that took place that keep a little bit of lid on those power prices from moving perfectly in tandem. Dan, I don't know if you want to add to that?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I also think that the sourcing of gas matters as well and Leidy has been a very low cost source of gas for us and we saw a little bit of an uptick in Leidy prices, and Leidy doesn't necessarily drive all of the electric prices that we end up seeing. So depending upon what units are running, where the source of the gas is, you can see some different gas prices coming through. And I think the magnitude of gas that was used during the summer for gas generation as well as coming out of a winter where storage levels were low, it pushed gas up a little bit more for some of our units compared to what we saw from an electric pricing standpoint.

Praful Mehta, Analyst

Got you. That's helpful. And so do you see this as a permanent kind of issue or is this something that happened more this quarter but it's not more of a permanent issue?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

We never try to out guess the price curve, Praful, but we are seeing that with the opening of some pipelines that are taking Marcellus gas to regions other than the Eastern region that the basis differential between Leidy and Henry Hub is changing with prices coming up in the region. Stronger pricing in M3, and if you believe historic correlations that should ultimately be reflected in Power prices, but -- and forward curve is predicting -- whatever it's predicting right now.

Praful Mehta, Analyst

Got you. Understood. And then quickly just going onto the market reform side, especially around capacity prices and capacity reforms, given all the different proposals out there, Ralph, where do you see capacity -- this whole capacity

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14844

reform process going? Do you see any downside risk to capacity prices through all this? And how do you see the BGS auction kind of fitting in from a legal perspective?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So again, what we keep anchoring ourselves to is what FERC has filed in terms of their policy objectives, which is, A, to remove price suppression; and B, to allow states to do what they want to from a point of view of resource designation. As I think I mentioned, our preference is the status quo but not withstanding an ability to preserve that status quo we think that PJM's offered an intelligent alternative. There are some things we would quarrel with perhaps their cutoff at the 20 megawatt level versus FERC's guidance that any at all subsidized units should be subject to reform. But if you look at the approach PJM has suggested, it does point to higher capacity prices for unsubsidized units, all other things being equal. And as you know, Praful, there are many other factors to consider. There's transmission transfer capability, there's demand management, there is how different local delivery areas breakout, but nonetheless when you remove supply, which is what PJM is proposing to do, from the setting of price, that should -- that without changing demand, as I said, all the things being equal, that should remove the price suppression for unsubsidized units. And that will set a different market price. It’s hard for me to see how that will be a lower market price.

And as we pointed out, the ZEC legislation in New Jersey has recognized that the zero emission credit payment was for the carbon attributes of nuclear and was additive to the energy and capacity price, and the BGS auction clearly states that energy -- electricity will be secured at prevailing market rates for both energy and capacity. So we think -- and certainly the output from 30 terawatt hours of nuclear, which is what the New Jersey ZEC law targets, is well within the capacity of the overall need of BGS. I use the word capacity in the generic sense not in the industry sense of the word.

So I do think BGS can use up or consume or call for the 30 terawatt hours of nuclear at prevailing market prices for energy and capacity without any need for legislation, which would just be a win all around, right? And FERC get its way, New Jersey get its way, and nobody -- the customers are not burdened any more than was originally envisioned in the legislation, and in fact will achieve the savings that were envisioned in the legislation if the plants were tonot operate.

Daniel Cregg, Executive Vice President & Chief Financial Officer

And just one reminder as well, Praful, as you think about, it's the next three capacity auctions have -- the next three years I should say, the capacity auctions have happened already. And what we will anticipate this coming April will be determination related to ZEC for those same three years. So this all that we're talking about is an important effort that's got to go on, and the next thing to look forward, reply comments are due on the 6th of November, but this will all impact the period after those three years.

Praful Mehta, Analyst

Got you. Very helpful color guys. Thanks so much.

Operator

Your next question is from the line of Julien Dumoulin-Smith with Bank of America.

Julien Dumoulin-Smith, Analyst

Hey, good morning.

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Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Good morning, Julien.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Good morning, Julien.

Julien Dumoulin-Smith, Analyst

Hey, so Ralph to follow-up on Praful's question. Just going back to the forward hedges that you all disclosed in your slides, I mean obviously you had some impacts on sparks here in the latest quarter. Can you elaborate? Is that reflected in your expectations of realized energy prices in the hedges at this point? Or is it too much of noise?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah. I mean, to the extent that hedges were put on during that period, you would see it in the hedges. And as you know, we have kind of a mix within the intermediate combined cycle section of the overall fleet of some elements that are open and some that are hedges. But to the extent that those hedges are put on, I'd say, the only difference really is that, you're going to see the effect coming through the forward markets as opposed to just in the real-time and day ahead markets, but it's been a consistent phenomenon across both.

Julien Dumoulin-Smith, Analyst

Got it. But may be to be clear about it, your expectations going forward with respect to what you saw transpire and spark spread in the latest quarter, I mean is this more of an acute issue that you saw during the quarter or how do you think about that from an ongoing impact?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Well, I think they are both shorter term and longer-term impacts, right? So if you think about a couple of things that Ralph and I already talked about, I've talked about having some more extreme weather in the summer, having some lower inventory levels that need to be bought in, which is going to have upward pressure on pricing. And Ralph talked about on the longer term that you see some takeaway capacity coming into the market that's going to have a longer-term effect. So I think you will continue to see both shorter term and longer term impacts -- impacting market prices.

Julien Dumoulin-Smith, Analyst

Got it. And did that have any bearing on the decision on the retail side at this point?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No. The retail side was -- as you know Julien, always defensive on our part primarily targeted and trying to reverse some of the losses we've been realizing on -- from the point of view of wholesale market basis differentials.

final
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SI-SSA-0015-14846

With the start of the Keys plant, with the strengthening of gas prices in the M3 zone, we've seen some decreased harm from basis to our fleet. And the margins were so thin on the retail business, as you know, I've never been a huge fan of it and we just decided that was not in our best interest to continue to pursue it.

Julien Dumoulin-Smith, Analyst

Got it. And then if could clarify the comments on capacity, it seems that you're thinking there is no need for legislation. Can you talk about timing for any potential, I suppose it would be a BPU-led effort to change BGS procurement relative to the implementation of MOPR. It would seem as if and you tell me if this is correct that there would not be application of MOPR for New Jersey next year and that would give you some runway to be able to implement for a 2020 auction?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So remember, BGS typically follows the RPM auction in terms of the energy applicability. So the RPM auction that would have taken place in April but is now going to take place in August is input to the BGS auction that will take place in 2020. So we have plenty of time. And as Dan pointed out, for the next three years capacity prices are known, BGS has been layered in to the tune of 100% next year, two-third the year after, one-third the year after that, so the timing of all this is that the PJM proposal would only apply if we did get the ZEC. We will find out if you get the ZEC in April. And at that point in time, assuming we get the ZEC and assuming that the PJM proposal goes in as accepted, we have a full 10 months to get the BGS auction right. Of course we would do it much in advance, so that typically the LDCs put that comments in the fall for what BGS rule changes should take place if any in the following winter. So the way to think of this is, January FERC rules on the PJM proposal, we make comments shortly thereafter, FERC finalizes the RPM auction in the April time frame, we find out whether or not we get a ZEC in the same time frame, the auction takes place in August. In the fall. We -- if we are a ZEC recipient and if the auction has taken place, the MOPR approach we would file with other LDCs for BGS to be the entity that secures the nuclear energy and capacity for the following February. So that was a long-winded way of saying, I think the timing will work just fine.

Julien Dumoulin-Smith, Analyst

Excellent. Thank you all.

Operator

Your next question is from the line of Greg Gordon with Evercore ISI.

Greg Gordon, Analyst

Thanks. Good morning all.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Greg.

Greg Gordon, Analyst

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14847

I'm sorry to circle back to Power. But I just wanted to see if maybe we could get a clarification on why we saw you lower the guidance range now, because to the extent that you knew you were hedged at lower prices, right, that was a known factor that impacted the guidance range, and there was only a small portion of your combined cycle and peaking generation that was open to the market. And even though we know spark spreads were lower, it doesn't seem like there's enough volume there on an open basis to swing your numbers by the magnitude that the guidance range was reduced. So can you just -- is it possible for you to be a little bit more granular on just how much of this was known and how much of this was unknown? Because going into the second quarter -- going into the third quarter from the second quarter, realized spark spreads were not very different from what the forward curve was telling us.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah Greg, and you're right. So if you think about it as just a pure open volume and the delta on the open volume, you can have some impact, but it's not going to be as much as what you saw. I think that there's a couple other factors that are coming into play. One is that, just our volume amounts are down a little bit. So if you think about where we have them pegged at the beginning of the year and where they ended up, they are down about 1 terawatt hour. So we're down a little bit on volume.

And then the other factor is, some of the basis differentials that we end up seeing. And we have seen some lower eastern basis, we've talked about that a fair bit of late, and that comes through an awful lot of our hedges or not perfect hedges at the exact generator buzz where the generator is generating. To the extent that our hedges are at the West Hub, there is a little bit of an openness on that basis and we've seen some deterioration of the basis as well within the hedges. So I would point to those other factors as well to think about in addition to just the pure open position times at delta spark and the accumulation of those factors would get you to the delta that we're talking about.

Greg Gordon, Analyst

Okay. So that basis exactly what it caused you to move the Power to the Hub where you are hedged?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Right. So for instance if you think about our nuclear facilities, you got a lot of volume coming out of there but you don't have a lot of ways to transact at the nuclear location. So if you're going to put a forward sale on, for example, you might put in on at the Western Hub. And to the extent that you saw basis differential move between the Western Hub where your hedge was put on and where the actual generation is at nuclear, you're going to have some openness within a hedged amount of volume.

Greg Gordon, Analyst

Great. One last follow-up. The $0.06 that you booked on the mark-to-market associated with -- well I forgot exactly what it was, it was a pension or associated with the Nuclear Trust, was that an expected item or was that something that was an unexpected benefit in the quarter, the tax reserves?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yes. So what that is, that's not on the NDT, because you mentioned Trust, really what that is, is just a more generic tax issue, generic meaning that it's on the company's taxes as opposed to the NDT. And it's a carry back of losses back to an earlier year with higher tax rates. But the direct answer to your question was, yes that was expected.

final
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SI-SSA-0015-14848

Greg Gordon, Analyst

Okay. So that was an unexpected gift that was in the guidance already?

Daniel Cregg, Executive Vice President & Chief Financial Officer

That's right.

Greg Gordon, Analyst

Thank you guys. Take care.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

And Greg, just to go back to your question about the quarter versus -- and Dan's accurate answer about some of the cumulative impacts. I mean at the risk of stating the obvious that when we initially give guidance at the beginning of the year, we give a range and we expect to be somewhere in the middle, otherwise we would bias them one way or another. And typically, within the second quarter we try not to change that, because it's still early, it's a half year to go. It's not unreasonable to assume that we saw some creep of Power, as Dan mentioned, in terms of the volume reduction towards the lower end of that range but still within the range and utility towards the upper end of that range but still in the range, and then the third quarter just resulting in the need to re-designate the ranges. So long-winded way of saying, I wouldn't assume that all of the movement in Power or for that matter utility occurred in the third quarter. That's not the case.

Greg Gordon, Analyst

Okay. Yeah, that was my intuition. I just wanted to make sure I understood it. I appreciate you clarifying. Thank you.

Operator

Your next question is from the line of Jonathan Arnold with Deutsche Bank.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Hi, Jonathan.

Jonathan Arnold, Analyst

Hi, good morning guys.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Good morning, Jonathan.

Jonathan Arnold, Analyst

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14849

Great. So just, I wanted -- along the lines of just where Greg was going. When we look at the fourth quarter guidance now for Power and where you were through the nine months, the low end suggest that you might have as low a quarter as a $20 million quarter in Q4. It just seems that that would be unusually low for you. So I'm just curious, is that some of the same issues that are working into Q4 as well or is there something else back Q4 that's kind of in the plan that we may be need to remember?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No, I think you can just kind of do the math over where we are now and what the range would imply. And I think you'd be north of the number that you gave. But maybe one thing to keep in mind, there was some tax benefits that came through more of a onetime in the last year's fourth quarter. So if you just go against that as a comparison, you would have to carve out some of the one-time items as you look at the two quarters compared to one another. So it's something to keep in mind in that regard. But you do have a couple of shorter months in the fourth quarter and you also have a lot of the outages that are going during some of those shorter months. So you can some variability as you go year-to-year.

Jonathan Arnold, Analyst

Okay. And then on just -- could I ask on investment capacity? That slide was in the Analyst Day deck at somewhere sort of between I guess in the sort of high single hundreds of millions. And it was also in the September deck. And I guess with the rate case settlement and the transmission rate adjustments now in hand, is that still a good number or is there some -- is there an update there?

Daniel Cregg, Executive Vice President & Chief Financial Officer

So we'll update that at EEI in a week or so, Jonathan rather than trying to give that piece here today.

Jonathan Arnold, Analyst

Okay. Well I guess we'll see you then. Thank you guys.

Operator

The next question is from the line of Christopher Turner with JP Morgan.

Christopher Turner, Analyst

Good morning. I think Ralph in your prepared remarks you mentioned the importance of decoupling to your long-term plan and New Jersey customers. Can you give us a sense as to what kind of might have been missing from the negotiations with intervenors, and if there's any kind of partial agreement heading into your energy future filing?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah, Chris. First of all, I can't give you the details, there's a settlement discussion, because those are all confidential. We can give you details on the outcome of that. However, it's not -- it won't come as a surprise to you to know that the principles in a base rate case are different than the principles, and I'm referring to participants here than in a strictly energy-efficiency conversation. So the Clean Energy Future filings will have a greater percentage of people who are

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14850

interested in seeing that the green energy agenda of Governor Murphy being advocated and pushed forward, and that will therefore have the kind of center stage that's appropriate to it which may not have been more expected in the base rate filing.

Christopher Turner, Analyst

Okay. That's helpful. And could you give us a sense as to what some of the other mechanisms might be there if it's not an outright decoupling that mechanism?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

I'd rather not go into that now since we haven't even sat down and gotten discovery questions from the other parties. But there's all sort of stuff that one can do to get contemporaneous type recovery of both investments being made as well as trueing up for what might have been anticipated to the revenues versus what's realized in revenues either in six months or annual filings or things of that nature.

Christopher Turner, Analyst

My second question was on weather versus normal on the utilities side. Can you quantify that for the quarter or the year-to-date? And then just related on the corporate side, anything changed versus your original plan there other than just the interest rate on new debt?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. So I can point you to the slides. If you take a look, you've got a breakout both of weather in particular as well as on volume, and demand sometimes can come into play there. So on the weather for the year-to-date for the utility, you can see we had about $0.04 delta, three of that in the quarter, and volumes and demand about $0.02 year-to-date and about $0.01 in the quarter. So you can see it broken out pretty cleanly within the slides that we provided.

And then your question on interest, basically what we're seeing mainly at the Parent is just the increase in some of the shorter term debt that exists up there as we've stepped through the year, which has put a little bit of pressure on the aggregate numbers at the Parent.

Christopher Turner, Analyst

Okay. And then just on those weather numbers, where those year-over-year or where those versus normal?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Those were year-over-year.

Christopher Turner, Analyst

Okay. Any sense as to versus normal or is that something we could take offline?

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14851

Daniel Cregg, Executive Vice President & Chief Financial Officer

It's pretty close. I think you might have seen just a little bit of an uptick because 2017 summer was a little bit milder, but they are almost the same if you take a look at versus last year versus looking at normal.

Christopher Turner, Analyst

Okay. Thank you.

Operator

Your next question is from the line of Michael Lapides with Goldman Sachs.

Michael Lapides, Analyst

Hey guys, thanks for taking my question. Real quick, if I go back to the Analyst Day and look at the PSE&G forecast capital spend, and then I think a little bit about some of the filings that you made in the last few months, how should we think about where you're tracking and whether you think you're likely above? What do you kind of highlighted back at the Analyst Day? I mean, the filings you've made are pretty large scale capital projects. Are you above where that would be if all of those come through? Are you kind of somewhere in that range? Just kind of walk us through how you're thinking about that right now.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I mean, Mike I think that we have GSMP II approved in April and we had our conference in May, so that was a account for. And I think if you really look at the major areas that we were talking about, one was Energy Strong -- Energy Strong II I should say. In Energy Strong II, we talked about putting forth a $2.5 billion filing, and in June we put forth a $2.5 billion filing. And we said in May that we were going to put forth the Clean Energy filing of $2.9 billion, and those programs and the magnitude of those programs is -- were filed as we talked about with one exception, and Ralph talked about a little bit earlier today is the inclusion of AMI which was not in the filing at the time. So the programs that we filed aggregate to a capital investment of $3.6 billion versus the $2.9 billion, and you can attribute the full amount of that delta to the AMI component of that filing.

Now it's a 6-year program. So if you're trying to look at it within a 5-year horizon that we normally talked about -- that we talked about, you're going to have two issues, one six years is more than five, but number two, you're going to have some of that capital spill over the back end because it would not have been started at the beginning of 2018. And then similarly for Energy Strong II, it's a 5-year program. And since it was filed in 2018, then we won't see an approval of that until the process runs. You're going to have some more spill over there. But I think that's how you would think about the magnitude of the capital programs. And as we talked about at the time, the 8% to 10% CAGR on rate base growth really is simply with and without those two programs.

Michael Lapides, Analyst

Meaning the 10% assumes you get full approval of both of those of Energy Strong II and the Clean Energy filing? Or does that assume some -- something in the middle of what you asked for versus often where you see intervenor request come in at a slightly lower number?

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14852

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. It assumes approved as filed for the periods within that five-year period. And it also assumes that there is no other incremental programs for the balance of the five years. So if nothing else were to happen, but -- and we were to get every dollar as filed, we'd be at the 10%. Any reduction from as filed would lower that amount, and then anything else between now and then that is identified as incremental capital would be additive.

Michael Lapides, Analyst

Got it. And then one last one. How are you looking at the potential changes to transmission spend over the next three to five years versus what you laid out? I mean, if I go back over time, what you laid out in the Analyst Day for years three and years four and beyond, the number is actually usually as you rolled for a year or two came in higher as PJM recognized incremental needs or as you recognize an incremental needs as you kind of got closer to those years occurring. How are you thinking about it now relative to what you put out back in at the Analyst Day?

Daniel Cregg, Executive Vice President & Chief Financial Officer

So is the question how does our forecast differ from our forecast?

Michael Lapides, Analyst

Well, little bit of -- are you seeing incremental opportunities that may not have been embedded in the forecast?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I think we're a few months away from when we put that forward and it's still how we are characterizing the five-year capital plan at this time.

Michael Lapides, Analyst

Okay. Last item, a little bit housekeeping. O&M at the utility year-over-year and sequentially it was up a double-digit percentage. How much of that drops to the bottom line, meaning I'm just looking at the quarter.

Daniel Cregg, Executive Vice President & Chief Financial Officer

So you're talking about for the quarter for PSE&G, the $0. 02 incremental O&M?

Michael Lapides, Analyst

Yes.

Daniel Cregg, Executive Vice President & Chief Financial Officer

All of that $0.02 drops to the bottom line, if that's your question.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14853

Michael Lapides, Analyst

Okay. Got it. Thanks guys.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Thanks.

Operator

Your next question is from the line of Paul Fremont with Mizuho.

Paul Fremont, Analyst

Thanks. Looking at fast start, I guess Exelon I think has put out estimates that would imply may be less than $2 per megawatt hour. And at your Analyst Day I think you were in the $1 to $3 range. Are you still at the same level in terms of where your -- what you're expecting in terms -- if fast start is adopted?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So there's two schools of thought on this, right? Paul, one is that, in the aggregate fast start reserve margins in flexible units could be $3 to $5 with fast start being a significant down payment on that -- possibly in that $1 to $3 range. But the question is, what is the degree of at which the forward price curve already has incorporated that, if we believe that FERC is going to be issuing that decision fairly soon and PJM will be incorporating it in Q1. I don't know the answer to that, but that's the two considerations you have to make, right? So should fast start result to an increase? Absolutely. Is it already in the forward price curve? Depends on your confidence in the timing of the FERC decision.

Paul Fremont, Analyst

Great. Thank you very much.

Operator

Your next question is from the line of Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza, Analyst

Hey, good morning guys.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Good morning, Shar.

Shahriar Pourreza, Analyst

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You guys touched on most of the questions. Just real quick on the Clean Energy legislation versus what you proposed on slide 17. The storage mandate versus what you're proposing, correct me if I'm wrong, has incremental upside versus what your plan is?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yes. I think the storage goal is like 600 megawatts by 2025 or something like that. And it's a big number. And we proposed 35 megawatts. So yes, there is upside there.

Shahriar Pourreza, Analyst

Would that be within -- is that a backend loaded or when do you think you will figure that out as far as how we should

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

One of the conversations we've been having with the policy leaders is that, most of these technologies and battery storage is a great example, is something that we do believe has a healthy trajectory in terms of prices coming down in the future. So you want to both stimulate the market price, same token, you don't want to pay for that market in its entirety upfront. So there's a little bit of a delicate timing of how much you do and when you do it, that is in iterative conversation that we do have with policy leaders both in the BPU and within the Governor's office on the legislation.

Shahriar Pourreza, Analyst

And then Ralph just on -- one of your peers is out talking about $5 to $10 per megawatt hour of incremental cost when you layered in with wind or sort of solar on two to four hours of sort of storage. Are you seeing figures like that or seeing higher figure? Because if you use two to four, it seems like you could probably get something that's economically viable, right?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Yeah. On the -- I'm used to coating it in terms of capacity. And the number we use is $2 million to $3 million per megawatt. I'd have to work it backwards to see if I get to that $3 to $5 per megawatt hour, and I'd rather not do that in real time, which is, Shar, but I will take that as a homework assignment.

Shahriar Pourreza, Analyst

Okay. Great. I'll bother again later. And then just lastly, what's your -- no problem. What drove the lower capacity factors on your new gas assets for the third quarter?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Was it a Hope Creek outage? Was it the 100% ownership of Hope Creek?

Daniel Cregg, Executive Vice President & Chief Financial Officer

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Nuclear capacity factor was at 93%, it was nothing more than a Peach outage that's all.

Shahriar Pourreza, Analyst

Okay, got it. Okay. Thanks guys. Sure I think Dan I'll follow-up with you after the call.

Daniel Cregg, Executive Vice President & Chief Financial Officer

Thank you.

Operator

Your next question is from the line of Angie Storozynski with Macquarie.

Angie Storozynski, Analyst

Thanks. So two questions. One, FERC has just updated its ROE -- its transmission ROE methodology now, but there also seems to be some discussion about may be changes to transmission ROE adders. What they should be actually related to? And I mean, what are your expectations about how those ROEs will be trending and if your existing projects will be impacted?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

So Angie, we're following the discussion -- as we understand it ROE adders and incentives have not been ruled on yet. We do have a rising interest rate environment, and the three methodologies that FERC are using, all due then lead to a discussion about how does each specific company and its risk profile sit within the range predicted by those three methodologies. So I'd say that, the ingredients to the stew are getting a little bit better known, but what the stew comes out tasting like still remains to be understood going forward.

Angie Storozynski, Analyst

Okay. And then for the equity layer at the utility under the rate case settlement or decision is now going to be 54%. I think you mentioned at the end of the quarter, it was 51%. So I mean, should I expect that there's going to be additional equity injection into the utility? And is it going to come from basically corporate level debt?

Daniel Cregg, Executive Vice President & Chief Financial Officer

No Angie, our 51.2 percent was the stated rate from the last rate case, and our existing equity percentage was somewhere between 53%, 53.5%. So that delta is not as big as you might otherwise think, and just general corporate funds would fund that delta.

Angie Storozynski, Analyst

That's great. Thank you.

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Daniel Cregg, Executive Vice President & Chief Financial Officer

You're welcome, Angie.

Operator

Your next question is from the line of Andrew Weisel with Scotia Howard Weil.

Andrew Weisel, Analyst

Hey, thanks for squeezing me in. And I guess, good morning or past the hour here. Quick first one, on the PSE&G guidance for the year, the midpoint essentially went up by $0.10 on an EPS basis. When I look at the year-to-date weather benefit versus normal, that was only about $0.03. So what else is taking you ahead of the plan? And would any of that be sustainable to benefit future years?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yeah. I think in addition to the area that just labeled whether you've also got some volumes and demands which will give you probably another $0.02 or $0.03 or so. And then there's a couple of other modest items that would end up moving it north of that. So I think two things for you. One is, layer in the volume and demands incrementally to the weather amounts, which also tend to be fairly weather-related. And then you think about a couple of other smaller adjustments and you can get to that range.

Andrew Weisel, Analyst

Okay. The smaller adjustments should we think of that a sort of one-time or would that carry through?

Daniel Cregg, Executive Vice President & Chief Financial Officer

I think more of one-time than not.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

I think one of the most -- I was just, there is maybe a little bit conservative on the timing of the rate case.

Andrew Weisel, Analyst

Oh, I see. Okay. Good. Then the other question I had on the AMI. You mentioned there is a reaction to the March storms and improving reliability. My question is, can you remind us the history in the state? I believe the BPU chose not to continue a pilot program at one of your neighbors and they instead asked you to the utility to file for cost benefit analysis. I guess my question is, is it a little premature to file for the $700 million program now? And how comfortable are you that it will be approved as part of the CEF filing?

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

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We definitely do not think it's premature. There is a moratorium as you correctly pointed out Andrew, and -- but we think that there's a couple of factors that are materially different. One is the BPU announcement seeking the cost-benefit analysis and the concern over outages. You are right. But the second is this huge initiative that the Governor has embarked upon to really push forward on a Clean Energy agenda. And the value of information that one can extract from Advanced Metering Infrastructure to help customers use their energy more intelligently, translation, reduce their energy consumption is I think an important consideration for policymakers in achieving what the Governor has outlined as his priorities.

Andrew Weisel, Analyst

Okay. And just to clarify, I believe this is the case, but it's certainly possible that the CEF could be approved without that. In other words it's not a package deal. The pieces could be treated individually, so it might end up looking like what you had talked about at the Analyst Day. Is that right? Is that a possibility?

Daniel Cregg, Executive Vice President & Chief Financial Officer

Yes. That's correct. We didn't go into details, but we did -- the CEF is really three separate filings that were all put in at the same time. But that's correct.

Andrew Weisel, Analyst

Okay. Thanks everyone.

Operator

We have reached the allotted time for questions. Mr. Izzo or Mr. Cregg, please continue with any closing remarks.

Ralph Izzo, Chairman of the Board, President & Chief Executive Officer

Okay. Well thank you there. So hopefully the take away from this call was that the Utility and Power both have had some solid operating performance in terms of our traditional hallmark attributes, our reliability, our availability. The financial performance is on track albeit with a much stronger performance at the Utility and weaker performance at Power than had been anticipated at the start of the year. And I would say that we look forward to seeing you in San Francisco in 10 days where we can discuss these and other issues more fully and enjoy Halloween. New Jersey has a famous Mischief Night coming up, hopefully none of you are victims of that. But with that, we'll see you in about 12 days. Thanks all.

Operator

Ladies and gentlemen, that does concludes your conference call for today. You may disconnect, and thank you for participating.

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-08-01
Event Description: Q2 2018 Earnings Call

Market Cap: 25,452.85
Current PX: 50.38
YTD Change($): -1.12
YTD Change(%): -2.175

Bloomberg Estimates - EPS
Current Quarter: 0.881
Current Year: 3.102
Bloomberg Estimates - Sales
Current Quarter: 2636.600
Current Year: 9796.545

Q2 2018 Earnings Call

Company Participants

- Carlotta Chan, Senior Director of Investor Relations
- Ralph Izzo, Chairman, President and Chief Executive Officer
- Daniel Cregg, Executive Vice President and Chief Financial Officer

Other Participants

- Claire Zeng, Analyst
- Praful Mehta, Analyst
- Jonathan Arnold, Analyst
- Greg Gordon, Analyst
- Steven Fleishman, Analyst
- Paul Patterson, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Leeway, I'm your event operator today. I would like to welcome everyone to today's conference Public Service Enterprise Group Second Quarter 2018 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session for members of the financial community. (Operator Instructions)

As a reminder, this conference is being recorded Wednesday, August 1st, 2018 and will be available for a telephone replay beginning at 1 o'clock PM Eastern Time today until 11:30 PM Eastern Time on Thursday, August 9th, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to the Carlotta Chan. Please go ahead.

Carlotta Chan, Senior Director of Investor Relations

Thank you, Leeway. Good morning everyone and thank you for participating in our earnings call. Earlier today PSEG released earning statements for the second quarter of 2018. These materials including the release, financial attachments and accompanying slides, detailing operating results by company are posted on the IR website at investor.pseg.com. Our 10-Q for the period ended June 30 has been filed with the SEC.

The earnings release and other matters we will discuss during today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. We also discuss non-GAAP operating earnings and non-GAAP adjusted EBITDA, which differ from net income as reported in accordance with Generally Accepted Accounting Principles in the United States. Reconciliations of our non-GAAP financial measures and a disclaimer regarding forward-looking statements are posted on our IR website and are included in today's slides and in our earnings release.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the

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conclusion of their remarks, there will be time for your questions. Ralph?

Ralph Izzo, Chairman, President and Chief Executive Officer

Thank you, Carlotta and thank you everyone for joining us today. PSEG reported net income for the quarter of $0.53 per share versus $0.22 in the second quarter of 2017. We also reported non-GAAP operating earnings of $0.64 per share, versus $0.63 in last year's second quarter. Non-GAAP operating earnings for the second quarter rose 3%, compared with the year ago period reflecting continued strong performance at PSE&G and effective cost control and the lower corporate tax rate at PSEG Power.

Solid results for the quarter bringing non-GAAP operating earnings for the first half of 2018 to $1.61 per share, a 4.5% increase over non-GAAP operating earnings of a $1.54 per share earned in 2017's first half. For the first half of 2018, we have made substantial progress in meeting our objectives for the full year. On slide six and seven, we summarize the results for the quarter and the first half of 2018.

At PSE&G earnings increased by $0.05 per share, up 12% over second quarter 2017 results. Continued investment in PSE&G's transmission and distribution programs was the primary driver of earnings growth for the quarter and year-to-date periods. PSE&G has made over $3 billion in electric and gas infrastructure investments in the past 12 months, including increased distribution spending as we continuously strive to upgrade New Jersey's aging infrastructure and to maintain high levels of customer reliability and achieve high customer satisfaction scores.

PSE&G reach many significant milestones during the second quarter. Successfully executing on its capital programs. PSE&G recently finished construction of the third and final phase of the $1.2 billion 345 kV Bergen-Linden Corridor or BLC as we refer to it. This project improve reliability was one of the larger and more complex projects we've built and was finished safely on time and on budget. After completion of the BLC line, our transmission project portfolio will focus on our 69 kV upgrade program, enhance the storm of hardening, as well as life cycle replacement to maintain reliability, increase grid resilience and modernize aging plant.

Turning to our ongoing distribution programs, PSE&G is completing the first phase of its gas system modernization program or what we refer to is GSMP. And this has replaced approximately 500 miles of gas mains in the last three years. We will begin work on GSMP 2 in 2019. This next phase, a five-year $1.9 billion program was recently approved by the New Jersey Board of Public Utilities and will enable us to replace an additional 875 miles of aging gas mains.

In early June PSE&G filed for an extension of its energy strong infrastructure program or ES2 with the BPU. The key components of the 2.5 billion five-year program are outlined for you on slide 17. The request this progressing at the BPU and will enable us to continue investments to harden our system against storms, replacing aging or end of life infrastructure and incorporate advanced technology to improve grid management. PSE&G's pending distribution base rate case is proceeding according to the schedule, including early stage settlement meetings with the parties held in July, which will continue into August. Three public hearings across the state were recently completed in early July and the next week we will file a scheduled update with financial data for the full test year ended June 30th. We also expect the BPU staff and others to file their initial testimony in the coming weeks.

As a reminder, in the absence of the settlement, we have the ability to self-implement interim rates this November consistent with regulations issued by the BPU last December. The BPU recently released their investigative report conducted in response to the multiple March 2018 nor'easters that left many customers throughout the state without power. PSE&G is reviewing the BPUs report and its recommendations for improving storm response protocols to ensure that our procedures are continually aligned with industry best practices.

Among the BPUs recommendations each utilities to submit within 180 days a plan with an accompanying cost benefit analysis for the implementation of Advanced Metering Infrastructure or AMI. Focusing on the use and benefits of AMI, for the purpose of reducing the number of customer outages, as well as outage durations during a major storm of that.

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Also, as we discussed during our recent investor conference this past May, New Jersey Governor Murphy signed into law clean energy legislation, which adopt significant new standards for energy efficiency, and the use of renewable energy. PSE&G planned to submit our clean energy future or CES filing. A $2.9 billion six-year proposal aligned with New Jersey's energy policy goals that details a broad range of planned investments in energy efficiency, electric vehicle infrastructure and battery storage. The CEF program sets targets for energy efficiency savings for electric and gas usage in a cost efficient manner to broadly benefit customers by helping to lower bills and better manage energy use. PSEG's focus remains on providing customers enhanced reliability, a resilient system supported by green energy and bills that are affordable. We look forward to making this filing in the near-term, supporting the state's energy policy goals and bringing value to our customers.

New Jersey's legislation enabling zero emission certificates or ZECs was also signed into law by Governor Murphy in May. The legislation calls for the BPU within 330 days to establish a process for ZECs including determining eligibility and certification of need and ultimately selecting nuclear plants to receive ZECs starting in April 2019. The BPU will rank nuclear plant applicants based on considerations that include fuel diversity, air quality and other environmental attributes.

PSEG Power estimates that have all three of its nuclear -- of its New Jersey nuclear units are selected, it could be eligible to receive ZEC revenues of approximately $200 million per year. PSEG Power placed into service the Keys Energy Center and Sewaren 7 combined cycle units, adding 1,300 megawatts of clean efficient gas-fired generating capacity. Construction activities are ongoing at Bridgeport Harbor 5, which we expect to bring online in mid of 2019. Once Bridgeport Harbor is in service, it will complete a reconfiguration of Power's merchant generation fleet that will improve its competitiveness in the marketplace.

In June of 2018, the Federal Energy Regulatory Commission issued an order finding that PJMs current capacity market is unjust and unreasonable, because it allows resources supported by out of market payments to suppress capacity prices. FERC established a new proceeding to address an alternative approach, in which PJM would; one, modified its minimum offer price rule, so that it would apply to new and existing resources that receive out of market payments, regardless of resource type. And two, establish an option that would allow on a resource specific basis, resources receiving out of market support to be removed from the PJM capacity market along with a commensurate amount of load for some period of time. We are participating in this proceeding and we'll continue advocating for policies at the federal levels to correct flaws in wholesale market design that suppressed prices, while striving to obtain adequate recognition of the value that fuel diversity brings to the secure, resilient and well-functioning electric grid.

We expect that the growth prospects for PSE&G, the reconfiguration of our merchant generating fleet and successful execution of our policy initiatives will allow PSEG to extend its track record of delivering value for our customers and growth for our shareholders. We intend to maintain our strong balance sheet and credit metrics that enable us to fund PSEG's projected capital investment program of $14 billion to $17 billion over the 2018 to 2022 period without the need to issue equity and continue providing shareholders with the opportunity for consistent and sustainable dividend growth.

Our non-GAAP operating earnings for the first half of 2018 are supportive of our outlook for the full year and we are maintaining our full year guidance for 2018s non-GAAP operating earnings of $3 to $3.20 per share.

With that, I'll turn the call over to Dan, who will discuss our financials in greater detail and then will join Dan at the end of the call for your questions.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Thank you, Ralph and thanks everybody for joining us today. As Ralph said, PSEG reported non-GAAP operating earnings for the second quarter of 2018 of $0.64 per share versus non-GAAP operating earnings of $0.62 per share in last year's second quarter. And a reconciliation of non-GAAP operating earnings to net income for the quarter can be found on slide six.

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We've also provided you with the waterfall chart on slide 11, that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on slide 13, that provides you with the changes in non-GAAP operating earnings by each business for the first half of 2018.

I will now review each company in more detail, starting with PSE&G. PSE&G reported net income of 231 million or $0.46 per share for the second quarter of 2018, compared with net income of $208 million or $0.41 per share for the second quarter of 2017. Results for the quarter is shown on slide 15. PSE&G second quarter results reflect continued successful execution of our infrastructure investment programs and ongoing control of operating expenses. Growth in PSE&G is investment in transmission improved second quarter net income comparisons by $0.03 per share. Revenue recovery of investments made to enhance system resiliency under the energy strong and gas system modernization programs, drove improved margin in second quarter net income comparisons by $0.02 per share.

Distribution OEM savings added a $0.01 per share over the second quarter of 2017 results. Changes to the accounting treatment of the non-service component of pension and OPEB expenses resulted in a favorable $0.02 per share comparison over 2017 second quarter. Partially offsetting the favorable margin items were higher expenses related to depreciation, interest and taxes that had a combined impact of $0.03, compared to 2017s teens second quarter.

As a reminder, transmission revenues are adjusted each year based on the Company's investment program. PSE&Gs investment and transmission is expected to grow to approximately 8.6 billion of rate base at the end of 2018 or 45% of the Company's year-end consolidated rate base. Under Energy Strong, electric rates were adjusted twice during the year in March and September and gas rates were adjusted each year in September.

Under the gas system modernization program, gas rates which are now adjusted each year in January to reflect the investment made during the prior year will move to a semi-annual recovery schedule when we began the GSMP 2 program in 2019. The combined annual revenue increase in 2018 over 2017 from both the Energy Strong and GSMP programs as forecast to be approximately $53 million.

Economic indicators for New Jersey continues to be generally positive, supported by gains in employment and housing data. Quarterly gas sales were higher influenced by cold April temperatures. On a trailing 12-month basis, which provides longer term trending data, weather normalized electric sales were relatively flat, while gas sales were 2.7% higher led by demand from the commercial sector.

Residential, electric and gas customer growth continues to trend higher at approximately 1% per year. And our forecast of PSE&Gs net income for 2018 is unchanged at $1 billion to $1.30 million.

Now let's start to Power. PSEG Power reported net income for the quarter of $41 million or $0.08 per share, compared with a net loss of $97 million or $0.19 per share for the second quarter of 2017. 2017 include an incremental depreciation and other expenses related to last June's retirement of the Hudson and Mercer coal-fired generating stations.

Non-GAAP operating earnings for the second quarter of 2018 were $0.16 per share, compared to $0.19 per share in 2017, and Non-GAAP adjusted EBITDA for the second quarter of 2018 was 210 million, compared to 261 million in 2017. And non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense and depreciation, amortization.

The earnings release in slide 21 provide you with a detailed analysis for the impact on Power's non-GAAP operating earnings quarter-over-quarter. And we've also provided you the generation statistics for the quarter and for the first half of the year on slides 22 and 23. Power's non-GAAP results for the second quarter of 2018 reflect the impact of lower market prices on re-contracting of our hedges, which reduced operating earnings by $0.08 per share. Power experienced a $6 per megawatt hour decline in its average hedged energy prices during the second quarter and this is consistent with our expectations for the full year. Lower volumes of $0.01 per share and higher O&M of $0.02 per share reflect the impact of Power's Hope Creek nuclear refueling outage, compared to the year-ago outage of our 57% owned Salem unit.

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In increasing capacity prices in both PJM and New England, starting on June 1st, improved quarter-over-quarter results by $0.03 per share and higher gas send out as a result of cold April temperatures added a $0.01 per share. The decline in depreciation expense related to the Hudson and Mercer coal requirements, together with lower interest expense and a lower corporate income tax rate combined to improve quarterly comparisons by $0.04 for the quarter.

Now, let's turn to Power's operations. Generation output declined by 5%, compared with the second quarter of 2017, reflecting the planned refueling outage at Hope Creek and other scheduled maintenance. Power's gas-fired combined cycle fleet operated at an average capacity factor of 46% and produce 3.5 terawatt hours of output during the second quarter of 2018, down by a 11% over the year ago quarter, reflecting outages and lower market demand. PJM coal generation output remained constant at 1.4 terawatt hours and operated at an 81% capacity factor in the quarter.

And for the year-to-date period Power's nuclear fleet operated at an average capacity factor of 92.9% producing 15.8 terawatt hours and representing 63% of Power's total generation. Gas prices were flat year-over-year and an improvement in power prices was offset by lower market demand. Power has adjusted its forecast for expected 2018 through 2020 output to reflect current market conditions and now expects 2018 output of 53 terawatt to 55 terawatt hours, 2019 output of 57 terawatt to 59 terawatt hours and 2020 output of 62 terawatt to 64 terawatt hours, down slightly from our earlier forecast volumes of 55 terawatt to 57 terawatt hours for 2018, 59 terawatt to 61 terawatt hours for 2019 and 63 terawatt to 65 terawatt hours for 2020.

An update to Powers hedge position is provided on slide 25. For the remainder of 2018 Power has hedged 90% to 95% of total forecasted production of 28 terawatt to 30 terawatt hours at an average price of $38 per megawatt hour. For 2019, Power is hedged at 65% to 70% of forecast of production of 57 terawatt to 59 terawatt hours at an average price of $37 per megawatt hour, and for 2020 Power has hedged 35% to 40% of output forecasted to be at 62 terawatt to 64 terawatt hours at an average price of $36 a megawatt hour.

Earlier this year on July the State of New Jersey made changes to its income tax laws, including imposing a temporary surtax on corporate taxable income of 2.5% effective January 1st, 2018 through 2019, and declining to 1.5% in 2020 and 2021. The surcharge provides an exemption for public utilities and as such PSE&G will not be impacted by this change. But for the full year 2018, the tax surcharge is expected to have a modest negative impact our results of Power and to a lesser extent on enterprise and other as each begins to accrue the surcharge starting July 1st 2018.

Our forecast of powers full-year 2018 non-GAAP operating earnings and non-GAAP adjusted EBITDA remains unchanged at 485 million to 560 million and a 1.75 billion to 1.180 billion respectively.

Now let me turn to PSEG Enterprise and other, which reported a net loss of $3 million or $0.01 per share for the second quarter of 2018, compared to a net loss of 2 million for the second quarter of 2017. Non-GAAP operating earnings for the second quarter 2018 were 11 million or $0.02 per share, representing no change versus the second quarter of 2017. The net loss for the second quarter of 2018 includes a pre-tax charge of $20 million related to the ongoing liquidity challenges facing NRG REMA, compared to a similar pre-tax charge of 22 million in the year ago quarter.

Results this quarter also reflect higher parent interest expense offset by the lower federal tax rate at PSEG and ongoing contributions from our PSEG Long Island contract. For 2018, the forecast the PSEG enterprise and other non-GAAP operating earnings remains unchanged at 35 million.

Now I'd like to take a moment just to recap our 2018 to 2022 capital spending plan of 14 billion to 18 billion, with approximately 90% directed to regulated growth initiatives at PSE&G. As we detailed in our Investor Day presentation in May, PSE&Gs five year $12 billion to $15.5 billion capital spending program supports our expected compound annual growth in rate base of 8% to 10% over the 2018 to 2022 period. The recent five-year expansion of GSMP 2 and approximately $1.9 billion is incorporated into the lower end of the spending and growth range, at an average annual spend of approximately $350 million to $400 million, which is an increase over GSMP 1 of approximately $75 million per year beginning in 2019.

The upper end of the range adds the full investment positions contained in our pending $2.5 billion Energy Strong 2 program and our anticipated $2.9 billion Clean Energy Future program that when combined totaled approximately $3.5 billion through 2022. The timeframes for both Energy Strong 2 and our Clean Energy Future program extend beyond

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the 2022 horizons. So the tail end of both programs is beyond PSE&Gs 2018 to 2022 capital spending window.

PSEGs financial position remains strong. Power's free cash flow is expected to improve in 2018 with the decline in capital spending following the completion of construction of Keys and Sewaren and overall we expect an improvement in PSEG's cash flow in 2018 versus 2017. PSEG close the quarter ended June 30th, 2018 with $95 million of cash on its balance sheet and debt representing 50% of consolidated capital.

Power's debt at the end of the quarter represented 34% of its capitalization providing a debt to equity -- debt to EBITDA ratio of 2.7x at the midpoint of Power's 2018 non-GAAP adjusted EBITDA forecast. And well within Power solid investment grade credit metrics. And I would note that in May Standard & Poor's affirmed the credit ratings of PSEG, PSE&G and PSEG Power retaining each rating outlook at stable.

We continue to expect that Powers improving cash flow beginning in the second half of 2018, will be directed to supporting regulated growth investments. PSEG continues to expect no new equity to fund our current capital spending program over the 2018 to 2020 timeframe. And we stand firm in our commitment to providing our shareholders with the opportunity for consistent and sustainable dividend growth, it has averaged nearly 5% annually over the last few years. As Ralph mentioned, we are maintaining our forecast of non-GAAP operating earnings for the full year of $3 to $3.20 per share.

And Leeway, we are now ready to take some questions.

Questions And Answers

Operator

Thank you so much. Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. (Operator Instructions) Your first question comes from the line of Julien Dumoulin-Smith from Bank of America. Please proceed with your question.

Claire Zeng, Analyst

Hey, good morning. This is actually Claire Zeng [ph] sitting in for Julien here.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Claire.

Claire Zeng, Analyst

Hi, thank you for taking my questions here. So I appreciate the update on the rate case settlement negotiations, just if you could provide a little more color on. Maybe progress on some of the critical issues and just any more color you can give there?

Ralph Izzo, Chairman, President and Chief Executive Officer

Clarie, it's really difficult to reveal the details of the negotiation publicly it doesn't seem fair to the other parties, but there's a bunch of issues that we had resolved even prior to this discussion in terms of storm cost and recovery of that, but we are under confidentiality agreement with the other parties to not discuss the negotiations at this point. I think we just stick with what we've said in the script that we're engaged in the dialog has been constructive, summer vacations are now interfering a little bit and at the end of the day, everything is on schedule and we always have recourse to

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interim rates nine months after the filing date of January. So as much as I'd like to share with you, we do have these confidentiality limitation.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yeah, from a scheduled standpoint we will provide the latest update as we step through time, so the 12+0 will be submitted on the 8th of August and things are moving according to schedule.

Claire Zeng, Analyst

Got it.

Ralph Izzo, Chairman, President and Chief Executive Officer

Just a reminder that our ask is net of the tax give back of 1% rate increase and we'll still be 20% below where rates were in our last rate case, even if we got 100% of our ask.

Claire Zeng, Analyst

Got it. I appreciate the confidentiality aspect. Well, in that case my second question here is broadly, could you give a little more color on how you see New Jersey, the BPUs complaints on transmission cost allocation and cost inflation and how you might address that?

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure. Well, first of all, let's make sure everybody understands that the issue is who pays, not whether we get paid, right. So, PSE&G will get fully compensated for it's transmission investments as per our FERC transmission rates. And there has been some back and forth between who the beneficiaries are of things like the artificial islands stability improvements, the Bergen-Linden Corridor and its impact on New York ISO teams and we have been working with the BPU to obviously advocate for a fair treatment of New Jersey customers. So we are completely aligned and what we want to see happen there. So we obviously had a couple of -- not the best of outcomes from a New Jersey perspective, it's FERC recently, but there is no gap between what we want and what the New Jersey BPU wants. And again, I'll end where I started, which is there's no issue in terms of shareholder recovery of what's been invested.

Claire Zeng, Analyst

Got it. Could you give -- possibly one more color on some of the discussions at PJM to lower transmission cost or if there's anything you can reveal at this time there?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, no, I mean, I think that there is two types of transmission projects the PJM has presented to with us, stuff that comes out of the RTEP Regional Transmission Expansion Program and that is generated by PJM. And then, there are additional non-RTEP projects that have more of a local reliability component to it, that the company's generate. And there's been a movement at PJM, which we've been supportive of to make the visibility of the justification for those projects more consistent with each other. That hasn't been the case always in the past, primarily because the RTEP projects are bigger.

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SI-SSA-0015-14866

So, if you have one $750 million project like Susquehanna-Roseland, you kind of understand why you want to treat that different, then 10 $75 million projects like a 69 kV upgrade. But, recognizing that customers and load-serving entities and suppliers and all of the stakeholders at PJM have the right information, PJM has been moving towards a passive greater and greater upfront disclosure. We just have to make sure that we don't get to the point where diminishing returns with literally the eight-figure project is or seven-figure project is getting the same amount of upfront time and disclosure that the 9 and 10 figure projects demanded, because that will just paralyze the whole process.

Claire Zeng, Analyst

Thank you.

Operator

Thank you so much. And your next question comes from the line of Praful Mehta from Citigroup. Please proceed with your question.

Praful Mehta, Analyst

Thanks very much. Hi guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Praful.

Praful Mehta, Analyst

Hi, so Ralph, wanted to get your view on this whole capacity reform and the FERC proposal. It sounds like if you're going to remove both demand and supply from the capacity market, it probably has a negative impact or at least not a positive impact on capacity prices. So, first you wanted to get your view on that. And secondly, what does that mean for resources that are getting support like zero emission credits. Does that mean they have to go to the state to kind of get that refund for the capacity that they lost? Just some color on that would be really appreciate it.

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure, Praful. So, I don't think, I'm being pollyannaish, when I say that I'm quite optimistic about what could come out of this, although we don't know, what will come out of this. Let me explain why. It's first of all, let's level set the calendar right now. Barring an unusual action by FERC to call back prior RPM auctions. For the next three years, we know what our financial situation is, right. We have three auctions that took place and those capacity prices are set and it's by no means coincidental that the first phase of the ZEC program in New Jersey will coincide with that, right. We deliberately talked about three year horizons for the ZEC program, because of the visibility of capacity prices and the fairly high visibility of energy prices, although not deterministic the way capacity prices are. So for three years, I think we understand our financial situation pretty well provided our New Jersey units, R&D selected for the ZEC payments, which I don't want to presume to be the case.

Now, let's take a look at what FERC has said, is the reason for doing what they're doing. Number one, they said that they want to allow state flexibility in choosing their own resources. Well, when you get 60 out of 80 votes in this assembly and 28 out of 40 votes in the senate and a Governor who signs the bill, you got to feel pretty good about this

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SI-SSA-0015-14867

state wanting to support its nuclear plants. And whether that's through an FRR or some other mechanism, I have a very high degree of confidence that the state recognizes the energy, capacity and environmental attributes of our nuclear plants.

Now, the devil is in the details is to how that will be actually designed and recovered, but again from a policy point of view, that feels pretty good to me. And then when you think about who brought the complaint and why they brought the complaint, the claim is that out of market payments which by the way is not limited to ZECs, it's ZECs, it's RECs it's regulated generation in the market today, that these out of market payments were serving to suppress capacity prices.

So, if the goal is to correct for that, I feel pretty good about what that means for our fossil units. So, somewhere between the goals and Ralph is also feeling good about the goals and getting the details right, is a fair amount of wood to chop are sensibly over the next four months by January 9th, which has all sorts of other probations that are associated with in terms of how many FERC commissions are there, who's filing for rehearing, it wasn't filing for rehearing, et cetera, et cetera.

So, I don't want to suggest that there isn't uncertainty, but there is clearly. But I think, if you hold onto the stated goals to eliminate price oppression for the things that are receiving out of market payments, check that box for our fossil units; and number two, allow states to support those resources if they want to support, check that box for our nuclear units. There's no other boxes for us to check, so that's where I come out of Praful right now again for the third time, we are actively engaged in the details of how one achieves that and that's the part that no one is able to predict at this point. Dan, I don't know if you want to add anything?

Daniel Cregg, Executive Vice President and Chief Financial Officer

No, I mean, just the only other thing I would add, if you think about the mechanics of it as well, Praful, you talked about taking out the load and taking out generation there's a reserve aspect that would come with the load and how that gets worked through would also have an effect. But, that would serve if it was megawatt for megawatt load in generation you absolutely would have the effect you're talking about to the extent, the reserves are going to turn any kind of an FRR alternative into a smaller version of what you're seeing in the market, meaning it would be with reserves you would have a lesser impact or maybe no impact based upon and how that math would work.

Ralph Izzo, Chairman, President and Chief Executive Officer

And not to solve the problem here, but if they remove supply is a small subset and presumably the reserve margin needed for that smaller market would have to be comparable, if not higher than what you have for a 168,000 megawatt 13 state region so --

Praful Mehta, Analyst

Yeah, that's super helpful color. I mean it almost the depth of your answer is also suggest to vote the job here and as you've said, do you really think that it can get done in that January time frame or do you think this is kind of going to take more time?

Ralph Izzo, Chairman, President and Chief Executive Officer

Instinctively, I'd say probably will take more time, but I don't want to second-guess the FERC and the stated schedule, but yeah, I mean we'd be kidding ourselves, if history wasn't some sort of feature about how long these things take and something is -- complicated is this.

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Bloomberg
SI-SSA-0015-14868

Praful Mehta, Analyst

Got you. Thanks so much guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

You're welcome.

Operator

Thank you so much. And your next question comes from the line of Jonathan Arnold from Deutsche Bank. Please proceed with your question.

Jonathan Arnold, Analyst

Good morning guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hey, Jonathan.

Jonathan Arnold, Analyst

A question on -- I was just curious what's -- the Analyst Day, Ralph, you had said that on the CEF filing you'd already held the 30-day pre-filing and that was kind of ready to go and your slides today say later in the year, I think you said in the near-term, but either way, it seems to have been held off a little bit. Can you give us any color of why that is?

Ralph Izzo, Chairman, President and Chief Executive Officer

Sure, Jonathan. It's very simple, we've got a wonderful opportunity here with Governor Murphy's passion for the types of things that are in that filing and we just want to work very closely with the front office in terms of policy alignment and you may or may not be aware of this, but June 30th is the end of the fiscal year for New Jersey. So until June 30th arrive, it's just impossible to think of anything, but State budget conversations, right. So, even though energy is important, it doesn't step in front of the state budget. So, then you run into vacations, it's really just a question of being completely in sync with the policy of the administration and having a couple other things step in front of us for that. But nothing more than that. I would be surprised if it's much delayed at this point. Once we get some people back from vacation to look (Multiple Speakers)

Jonathan Arnold, Analyst

Well, you're saying seems to imply it might evolve a little bit versus what you showed us, is that a fair?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, the program elements, but I wouldn't expect -- I mean we are determined to go in with this dollar amount, if anything, you know, this interesting BPU comment on the importance of AMI for outage restoration could affect what

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SI-SSA-0015-14869

we submit, and that obviously would have the effect too, if anything increase it, somewhat as opposed to decrease it.

Jonathan Arnold, Analyst

So that's what I was going to ask as you. So do you have an early sort of feel of what a full deployment would cost and -- yeah, and it sounds like you're saying that would be incremental rather than displacing something else the wonderful words from you.

Ralph Izzo, Chairman, President and Chief Executive Officer

You are correct, it would be incremental, I'd rather I give that number Jonathan, because we're just starting that conversation with BPU staff and rather not have them here for the first time in one of your reports, even though they're well written and wonderful reports, yeah.

Jonathan Arnold, Analyst

Okay. But you would -- but to the point of being incremental or sort of -- instead of what's the --

Ralph Izzo, Chairman, President and Chief Executive Officer

I would think it will be more incremental, rather then we don't want to take away from the other side.

Jonathan Arnold, Analyst

Okay.

Daniel Cregg, Executive Vice President and Chief Financial Officer

From dollar amount standpoint as well, Jonathan. If you look at the spend that's been identified and then what have been talking about that does aligned with the e-savings objectives that are laid out within the legislation. So that should hold fairly steady to get the savings that we need and having the spend that we've talked about.

Jonathan Arnold, Analyst

Okay, thanks. Just one other topic if I may. Dan, you mentioned the lower forecast for output power. Just curious, if you could give us a little more color behind why the change is in '19 and '20?

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yeah, and I think Jonathan, it's a little bit of what we're seeing from a market demand perspective right now and also a little bit related to whether or not the units are running through the night and whether there is some dubfire and that's going on. So just they moved from time-to-time and they remain estimates, and as we step through 2019 and 2020, we'll continue to keep an eye on it, but the early indications now is that there's a little bit more downward pressure than up, so we're just providing that from the standpoint of our forecasted output.

final
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SI-SSA-0015-14870

Jonathan Arnold, Analyst

Okay, thank you.

Operator

Thank you so much. And your next question comes from the line of Greg Gordon from Evercore. Please proceed with your question.

Greg Gordon, Analyst

Hey, good morning.

Ralph Izzo, Chairman, President and Chief Executive Officer

Good morning, Greg.

Greg Gordon, Analyst

Not to layer uncertainty upon uncertainty, but in addition to the 206 related to the capacity market head your Power markets are -- was sort of articulated in the last answer to glass question, you know, pretty low and more about pricing wise, but we've got this has our pricing decision pending there also seems to be a continued desire around the part of PJM leadership to address the overall pricing model from an energy perspective. So would seem to me that, you know, the revenue model for Power does have a lot of uncertainty on both sides of the equation, capacity and energy. But it would seem to me that they're both bias to the upside, but I don't want -- I'd rather than bias or answer, I'd like to hear what you think about the momentum for energy price reform as well both fast-start and if the momentum can be reestablished on low power price reform?

Daniel Cregg, Executive Vice President and Chief Financial Officer

Yes, I think what we're hearing is a fast-start can and should be implemented beginning of '19 and then the broader inflexible unit aspects of price formation PJM has committed to filing something at the end of this year. So I would agree with you, Greg my sense and this is not -- is just that is, that there has been enough delays and false starts that it's hard to believe that either or both of those are fully baked into the forward price curve at this point. So that would suggest that there is more upside, I mean if a fast-start unit is allowed to set price, that's a good thing, right. And if an inflexible unit allowed to surprise that's a good thing. But I would be less than wholly accurate, if I didn't say that when we last met at EEI, I thought that it would happen around this time, because that's what PJM was saying, yet we are not there yet.

So there's got to be some degree of discounting going on -- in the forward price curve, but we don't outguess the forward price curve view, we do have a range of hedging that we allow ourselves to gravitate up or down within some boundaries, but so short answer, yes, I would agree there is some upside, but the delays of the past fully account for I think some of the skepticism that might not have fully priced this into the forward curve.

Greg Gordon, Analyst

Okay. Thank you, Ralph. Have a good day.

final
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Bloomberg
SI-SSA-0015-14871

Operator

Thank you so much. And your next question comes from the line of Steven Fleishman from Wolfe Research. Your line is now open.

Steven Fleishman, Analyst

Yeah, hi. Hi, Ralph good morning. So just on the -- just to kind of get a better understand of scenarios from the FERC structure, I get where you say that you kind of have a protection for non-subsidized generation and a path for per subsidized generation. I guess the only issue would be you would -- I assume need to get a new legislative structure then, if this now, it can be done within the current one?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, well, I mean, of course it depends on FERC says, but we have every reason to believe that the state could designate resource requirements that it -- that, you know, for example, it got legislation right now that's been signed by the Governor saying about 40% of its energy to come from nuclear plants, so that legislation exist there is renewable energy legislation that exists in terms of our renewable portfolio standards. So the approach we would think could work is that the BPU would simply say that based upon that statutory authority using a couple of mechanisms that we've already start talking about, but I'd rather not go into detail here, it could be purely done through regulation without any need for additional legislation fully supportive of the 3,500 megawatts of nuclear, 1,400 megawatts of solar and whatever that helps, we are running around out there right now, which I'm not counting.

Steven Fleishman, Analyst

Okay. So the fact that there was a $300 million cap on the ZECs is not relevant for that aspect?

Ralph Izzo, Chairman, President and Chief Executive Officer

No it is, right, because the ZEC was not a payment for energy or capacity, the ZEC was the payment for fuel diversity and environmental attributes, so to supply the load in New Jersey there has to be an energy and a capacity payment and that's wholly separate from the ZEC payment that's -- that was abundantly clear in the legislation and --

Steven Fleishman, Analyst

Okay, okay. And then just -- I'm just curious if, you know, in trying to figure out this full picture. If you've heard any updates on potential DOE, fuel stability plan and just where that might be and how that might fit into this?

Ralph Izzo, Chairman, President and Chief Executive Officer

I have not -- we one could conclude that if price suppression has eliminated that could solve DOE's concern about the units that are suffering from that price suppression becoming viable again, but that's really an extrapolation that you'd have to judge for yourself. The DOE issues been out there for a while now, there is a resiliency technical workshop going on at FERC, I think there was a meeting yesterday, if I'm not mistaken or two days ago, but I don't have any other information then what you probably have already surmised or read it in the press.

final
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Bloomberg
SI-SSA-0015-14872

Steven Fleishman, Analyst

And then just on the AMI potential program you mentioned when are we going to -- what is the date from one will get an update on that?

Ralph Izzo, Chairman, President and Chief Executive Officer

So, if we file it with the clean energy filing it would literally be within a couple of weeks, if not -- the outset maybe a month or two. If it's done separately that could be a little longer date, if that could spill into the end of this year.

Steven Fleishman, Analyst

Okay. Thank you.

Ralph Izzo, Chairman, President and Chief Executive Officer

You're welcome.

Operator

Thank you so much. And your next question comes from the line of Paul Patterson from Glenrock. Your line is now open.

Paul Patterson, Analyst

Good morning, guys.

Ralph Izzo, Chairman, President and Chief Executive Officer

Hi, Paul.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Hi, Paul.

Paul Patterson, Analyst

So just to sort of follow-up on this capacity, just make sure I understand Praful and Greg's and other questions. The -- and your answers I guess, it seems to me that if I understand you correctly, you expect to see some additional form of mitigation measures to address the impact of essentially through the self supply FRR specific resource alternative. Is that correct and am I understanding that correctly?

Ralph Izzo, Chairman, President and Chief Executive Officer

Yeah, that's right Paul, I show what we understand FERC has said and it's second step of the process was that, okay states, if you want to assure your own resource adequacy consisting of various components then you can do that and

final
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SI-SSA-0015-14873

we'll let you remove them from the market, as well as the load associated with that. And I think we're profitable and we were talking about was that second half of that sense is, what is the load associated with that, right. So if resource adequacy and a 168,000 megawatt market is 16% or 15.8%. What's an adequate reserve margin, when the market is 3,000 megawatts, is it higher, is it lower, I would argue it's much higher, because if you lose one nuclear unit out of 3,000 you got a big problem, so may be resource adequacy then says the you've got to have -- you are only taking, your reserve margin needs to be 35%. I'm making stuff up here with you. So the state wants that nuclear unit it's paying for the environmental attributes, it's going to collect an energy price in the PJM market, it's then going to set a capacity price presumably through a market proxy that RPM would be a great duplicate for, and then it's going to leave behind a lot more load and it took out and a lot less supply, then it took out, well that works nicely for the residual market, we just have to make sure that, that everyone else sees it that way.

Daniel Cregg, Executive Vice President and Chief Financial Officer

At a minimum if you think about, if you do have that hypothetical situation, that Ralph just talks about and there's a shortfall with respect to the load and the resources that we're taking out, what's going to happen is that, that load is going to rely upon the balance of the market and the reserve that sits within the balance of that market. So, a very strong reserve within the balance of that market is going to, in order to the benefit of the load that was taken out for an FRR. So absent some kind of ability to ensure that, that's compensated for there's a bit of a free rider issue. So logic would tell you that there should be a reserve that's going to be appropriate for the smaller amount of load that's come out.

Paul Patterson, Analyst

I hear you, but that really hasn't been done with regulated assets, right. I mean, we don't see that, I mean PJMs, IRM has been done sort of on a footprint or regional specific area, it doesn't seem like they've said, okay, this muni and this co-op if they have right, I mean that's why it seems a little bit, seems little novel to me. I mean, I understand the logic and, but I appreciate that, that will be interesting to see how it all works out. Just on NRG REMA, how much more do we have left there, what's the net investment after all this?

Daniel Cregg, Executive Vice President and Chief Financial Officer

For Q Starcom, there's been aggregate total of $20 million that's there. So, and those are the more acute area, so there's very little that remains in that regard.

Paul Patterson, Analyst

Okay. So we're pretty much finished with all, I think?

Daniel Cregg, Executive Vice President and Chief Financial Officer

We do, I mean we'll see what happens. Ultimately, there could be some timing aspects to the extent that there is a process that goes forward within a bankruptcy scenario there could be a write-down in the aggregate, to be followed at a later date by a recovery in the aggregate. So from the accounting conservative standpoint, you could see more down before there is a recovery and they could be separated as opposed to net it. That would be the other element that I would point out here.

Paul Patterson, Analyst

final
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SI-SSA-0015-14874

Okay. Great, thanks so much.

Daniel Cregg, Executive Vice President and Chief Financial Officer

Sure.

Operator

Thank you so much. (Operator Instructions) I'm sorry. Yes, Mr. Izzo, Mr. Cregg, there are no further questions at this time, so please continue with your presentation and closing remarks.

Ralph Izzo, Chairman, President and Chief Executive Officer

Right. Yes, so thank you all for joining us. I know that Dan and Carlotta will be on the road next week, if I'm not mistaken and then for sure we'll see everyone at EEI in San Francisco in November and once again we are pleased with where we are in terms of the Power portfolio and the construction of the new units going into service and the ongoing growth of the utility with no shortage of opportunities that continue to surface, the strength of the balance sheet and security of the dividend and look forward to seeing you on the road in San Francisco. Thanks everyone.

Operator

Ladies and gentlemen, this does conclude your conference call for today. You may now disconnect and thank you for participating.

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Company Name: PSEG
Company Ticker: PEG US
Date: 2018-04-30
Event Description: Q1 2018 Earnings Call

Market Cap: 26,347.09
Current PX: 52.15
YTD Change($): +.65
YTD Change(%): +1.262

Bloomberg Estimates - EPS
Current Quarter: 0.677
Current Year: 3.114
Bloomberg Estimates - Sales
Current Quarter: 2363.250
Current Year: 9767.600

Q1 2018 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Julien Dumoulin-Smith
- Praful Mehta
- Jonathan Arnold
- Greg Gordon
- Travis Miller
- Paul Patterson
- Michael Lapides
- Paul Fremont
- Angie Storozynski
- Steve Fleishman
- Michael Weinstein

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Nichole, and I will be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group First Quarter Earnings 2018 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions]

As a reminder, this conference is being recorded Monday, April 30, 2018, and will be available for telephone replay beginning at 1 PM Eastern today until 11:30 PM Eastern on Tuesday, May 8, 2018. It will also be available for audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Nichole. Good morning, everyone. Thank you for participating in our earnings call. As you are aware, we released first quarter 2018 earnings statements earlier this morning. The release and attachments are posted on our website at www.pseg.com under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2018, is expected to be filed shortly.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and adjusted EBITDA and GAAP results. But I do ask that you all read those comments contained in our slides and on our website. The disclaimer statement regarding forward-looking statements details a number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein. And

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although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even in light of new information or future events unless required by applicable securities laws.

We also provide commentary with regard to difference between non-GAAP operating earnings and non-GAAP adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in the United States. PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provide a consistent and comparable measure of performance to help shareholders understand operating and financial trends, but should not be considered an alternative to our corresponding GAAP measure net income.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group; and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. We ask that you limit yourself to one question and one follow-up to provide enough time for everyone. Thank you. Ralph?

Ralph Izzo

Thank you, Kathleen, and thank you, everyone, for joining us today. Earlier this morning, we reported non-GAAP operating earnings for the first quarter of 2018 of $0.97 per share versus non-GAAP operating earnings of $0.92 per share in the last year's first quarter. Our GAAP results for the first quarter of $1.10 per share reflect solid operating and financial contributions from both businesses. This compares to GAAP results of $0.22 per share in last year's first quarter, which included expenses associated with our decision to retire the Hudson and Mercer coal-fired generating stations.

Details on the results for the quarter can be found on slide 5. Non-GAAP operating earnings for the first quarter benefited from an increase in earnings at both PSE&G and Power. On the operating front our service area experienced four consecutive Nor'easters in March that wreaked havoc on trees and power lines. The repeated battering of freezing rain, heavy snow and high winds caused widespread service outages to over 500,000 customers during two of the back to back storms. PSEG employees once again rose to the challenge. Beginning with comprehensive storm preparation and then efficiently and safely completing PSE&G and PSEG-Long Island customer restorations, the utility then actually offered assistance to neighboring utilities.

The diversity of PSEG Power's generating fleet was also responsive to the extremes in weather that ranged from the near-zero temperatures experienced in January to the very mild weather in February. Eight days of severe weather in January, however, demonstrated again the importance of fuel diversity. Power's high nuclear availability and greater use of oil was able to meet weather-related demand. For the quarter, PSEG's nuclear plants achieved a near-perfect capacity factor of 99.5%, anchored by a record setting 517 consecutive day run at the Hope Creek generating station.

We have successfully advanced many policy and regulatory initiatives during the quarter. Last week PSE&G reached a settlement to expand and extend its Gas System Modernization Program. The settlement, which is awaiting approval by the Board of Public Utilities would allow PSE&G to invest approximately $1.9 billion over five years beginning in 2019. This next phase of GSMP will replace approximately 875 miles of gas mains and make other improvements that will reduce methane emissions and ensure we have the critical infrastructure needed to grow New Jersey's economy.

PSE&G has also implemented transmission and distribution rate reductions to pass-through the benefits of recently enacted lower federal corporate tax rates to our customers. In addition, PSE&G filed with the BPU this past January, its first base rate case since 2010. PSEG Power made significant progress in its continuing efforts to ensure the economic viability of its nuclear plants, with broad bipartisan support the New Jersey legislature passed the Zero Emissions Certificate Bill in early April. Key provisions of the ZEC Bill as we refer to it are outlined on slide 6.

We are hopeful that this safety net mechanism to be implemented by the BPU upon Governor Murphy's signature will secure Power's nuclear fleet as a major source of New Jersey's carbon-free energy supply and acts as a bridge to a cleaner energy future as the state implements companion legislation to further promote renewable energy. The major energy policy goals of the new Clean Energy bill are outlined on slide 7.

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PSEG has been incorporating climate change considerations into its business planning and investment decisions for many years. We look forward to working with the Murphy administration as New Jersey pursues energy policies which recognize the value of existing carbon-free energy resources and promotes new opportunities to advance New Jersey's clean energy goals. Also in the category of good news, we have reached the full and final resolution of the longstanding FERC investigation into Power's cost-based bidding matter. PSEG continues to focus on a strategic investment program of $13 billion to $15 billion over the 2018 to 2022 period.

Earnings for PSE&G are expected to grow by 5% in 2018 to represent 65% of our full year 2018 non-GAAP operating earnings. The previously mentioned $1.9 billion settlement providing for the second phase of PSE&G's Gas System Modernization Program is aligned with our investment goals and supports annual growth in PSE&G's rate base at the upper end of our forecasted rate of growth of 7% to 9% through 2022.

PSEG Power continues to operate its assets safely and efficiently and remains focused on the cost discipline essential in today's power market. Construction of two of Power's three combined cycle gas turbines under construction is expected to conclude around mid-year and will add 1,300 megawatts of clean, highly-efficient gas-fired generating capacity in favorable locations. This significant list of accomplishments could not have been achieved without the tireless effort of many talented teams across PSEG, from the utilities line crews and Power's plant operations to state government affairs, communications, regulatory, legal and finance. I'd like to recognize their exceptional contributions to our progress.

Today, we are re-affirming our non-GAAP operating earnings guidance for the full year of $3.00 to $3.20 per share. At the midpoint, this represents a 6% increase over 2017's full year non-GAAP results of $2.93 per share. With the support of our 13,000 dedicated employees, we expect to be able to successfully deliver on the promise of our investment programs that should provide growth for our shareholders and a sustainable energy future for our customers.

With that, I'll turn the call over to Dan, who will discuss our financials in greater detail.

Daniel J. Cregg

Thank you, Ralph, and good morning everyone. As Ralph said, PSEG reported non-GAAP operating earnings for the first quarter of 2018 of $0.97 per share versus non-GAAP operating earnings of $0.92 per share in last year's first quarter.

On slide 5, we've provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter. And we've provided you with information on slide 10 regarding the contribution to non-GAAP operating earnings by business for the quarter. Slide 11 contains a waterfall chart that takes you through the net changes quarter-over-quarter in non-GAAP operating earnings by major business.

I will now review each company in more detail starting with PSE&G. PSE&G, as shown on slide 13, reported net income for the first quarter of 2018 of $0.63 per share compared to $0.59 per share for the first quarter of 2017. PSE&G's first quarter results reflected continued successful execution of our infrastructure investment programs, growth in PSE&G's investment in transmission added $0.03 per share for the first quarter. And recovery of investments made under the Gas System Modernization Program improved net income by $0.02 per share and favorable weather comparisons added $0.01 per share versus the year-ago quarter.

PSE&G experienced higher costs associated with restoring service to customers, following four storms that occurred over a 30-day period. The increase in storm costs when combined with a change in pension accounting standards for non-service costs, increased O&M by $0.01. In addition, higher depreciation expense reflecting the utility's expanded asset base, reduced net income by $0.01 per share versus the first quarter of 2017.

Weather-normalized electric sales to Residential and Commercial customers rose by 0.4% compared to the first quarter of 2017. Weather-normalized gas sales were higher by 1.6% in the quarter, led by increased Residential and Commercial usage. Residential Commercial (sic) [Residential customer] (00:12:33) growth continues to trend higher at 0.8% per year. PSE&G implemented a revised $64 million annual increase in transmission revenue under the

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company's FERC-approved formula rate effective January 1 after factoring in the $148 million decrease in its revenue requirement associated with a lower federal tax rate.

PSE&G also reduced its distribution revenue by $114 million in response to the BPU's order to accelerate returning the benefits of federal tax reform to customers effective April 1. Combined that's $262 million of benefit to customers. As Ralph mentioned, PSE&G settled the GSMP II filing with the Staff of the New Jersey, BPU, Rate Counsel and other parties, which remains subject to BPU approval. The details of the agreement are summarized on slide 16. Modeled after the BPU's recently enacted Infrastructure Investment Program or IIP initiative, the agreement will allow PSE&G to invest $1.9 billion over five years beginning in 2019 to continue and accelerate the replacement of cast iron and unprotected steel mains in addition to other improvements to the gas system. The settlement provides five-year project visibility to efficiently plan labor, materials, vendors and permitting.

Approximately $1.6 billion of the total program will be eligible for semi-annual rate roll-ins, with the remaining $300 million to be addressed in a future base rate case. The return on equity for the GSMP II investment will be determined in PSE&G's pending base rate case. And as part of the settlement, PSE&G agreed to file a base rate case no later than five years from the commencement of GSMP II. We are maintaining our forecast of PSE&G's net income for 2018 of $1 billion to $1.30 billion.

Moving on to Power. PSEG Power reported non-GAAP operating earnings for the first quarter of $0.33 per share and non-GAAP adjusted EBITDA of $313 million. This compares to non-GAAP operating earnings of $0.30 per share and non-GAAP adjusted EBITDA of $359 million for the first quarter of 2017. Non-GAAP adjusted EBITDA includes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization expense.

The earnings release and slide 21 provide you with detailed analysis of the earnings having an impact on Power's non-GAAP operating earnings relative to net income quarter-over-quarter. And we've also provided you with more detail on generation for the quarter in slide 22.

Power's net income comparison for the first quarter reflects an increase in capacity prices of $0.01 per share. Re-contracting and lower market demand reduced results by $0.06 per share versus the first quarter of 2017. Planned maintenance increased O&M expense and reduced net income comparisons by $0.01 per share. And lower depreciation associated with the early retirement of Hudson and Mercer generating stations in June of 2017 along with lower interest expense added $0.02 per share versus the year-ago quarter. A reduction in the corporate tax rate from recently enacted federal tax reform and other tax items improved first quarter net income comparisons by $0.07 per share.

Gross margin in the first quarter declined to $35 per megawatt-hour from $37 per megawatt-hour in the year-ago quarter. Although, Power prices were higher on average, driven by extreme temperatures in early January, lower market demand experienced in February, lower dispatch of Power's intermediate fleet. Compared to last year's first quarter, Power experienced a $4 per megawatt-hour decline in the average hedge price. This decline is lower than the anticipated annual reduction of $6 per megawatt-hour forecasted for the full year as results in the first quarter benefited from the cold weather experienced in January. We forecast average hedge prices for the remainder of the year to decline by more than $6 per megawatt-hour resulting in an average decline for the full year of $6 per megawatt-hour.

Capacity revenues by comparison are expected to increase throughout the remainder of the year with the average price received scheduled to increase on June 1, 2018, to $205 per megawatt-day in PJM and to $314 per megawatt-day in ISO New England.

Now, let's turn to Power's operations. Generation output declined modestly compared to the first quarter of 2017. Output was affected by severe winter weather at the start of the year and in conjunction with an unseasonably warm February and a higher planned outage hours at the Bergen and Linden combined cycle units. Power's gas-fired CCGT fleet operated at an average capacity factor of 37% and produced 2.7 terawatt hours of output. A higher price for gas in the quarter favored a shift to more production from coal, which generated 1.5 terawatt hours, and a doubling of peaking output. Power's nuclear fleet operated at an average capacity factor of 99.5% for the quarter, producing 8.4 terawatt hours representing 66% of total generation for the fleet. And of note, Hope Creek's strong performance was evidenced

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by a breaker-to-breaker run of 517 consecutive days of production, before entering its planned refueling and maintenance outage on April 13.

Power continues to forecast an improvement in output for 2018 to 55 terawatt hours to 57 terawatt hours. For the remainder of 2018, Power has hedged 80% to 85% of total forecast production at an average price of $38 per megawatt hour. For 2019, Power has hedged 60% to 65% of forecast production of 59 terawatt hours to 61 terawatt hours at an average price of $37 per megawatt hour. And for 2020, output is – output is forecasted to be 63 terawatt hours to 65 terawatt hours with 35% to 40% of forecast output hedged at an average price of $36 per megawatt hour.

The forecasted increase in output for 2018 to 2020 includes generation associated with the mid-2018 commercial start-up of 1,300 megawatts of combined cycle capacity at the Keys Energy Center in Maryland and at Sewaren in New Jersey, and the mid-2019 commercial start-up of the 485 megawatt combined cycle unit at Bridgeport Harbor, Connecticut that will also mark the conclusion of Power's construction program.

I'd also like to update you on the conclusion of the FERC investigation for Power's cost-based bidding matter that has been pending since 2014. Last week, FERC issued an order fully resolving this issue.

Financially, Power has recorded an incremental $5 million pre-tax charge to income in accordance with the order, which included an $8 million non-tax deductible penalty saw a $0.02 impact from that item. And operationally, we do not believe that the order will have any material impact on Power's ongoing business operation.

We continue to forecast Power's non-GAAP operating earnings for 2018 and non-GAAP adjusted EBITDA at $485 million to $560 million and $1.75 billion to $1.80 billion, respectively.

Now let me briefly address the operating results from Enterprise and Other. And for the first quarter Enterprise and Other reported net income of $5 million or $0.01 per share versus a net loss of $15 million or $0.03 cents per share in the first quarter of 2017.

Net income for the first quarter of 2018 reflects the absence of tax benefits in the year-ago quarter at PSEG Energy Holdings and higher interest expense at the parent. The net loss in the first quarter of 2017 included a $55 million pre-tax charge related to the continuing liquidity issues facing NRG REMA, partially offset by tax benefits at PSEG Energy Holdings. And the forecast for PSEG Enterprise and Other net income remains unchanged at $35 million.

PSEG closed the quarter with $118 million of cash on the balance sheet with debt at the end of March representing 49% of our consolidated capital and debt at Power representing 28% of its capital at the end of the quarter. Based on our strong balance sheet and credit metrics, we are able to fund our five-year capital investment program without the need to issue equity. We continue to forecast our non-GAAP operating earnings for the full year of $3 per share to $3.20 per share.

That concludes by remarks. And I'll now turn the call back to Nicole for a question-and-answer session.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] And the first question is from Julien Dumoulin-Smith from Bank of America Merrill Lynch. Please proceed with your question.

<Q - Julien Dumoulin-Smith>: Hey, good morning.

<A - Ralph Izzo>: Good morning, Julien.

<A - Daniel J. Cregg>: Good morning.

final
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Bloomberg
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<Q - Julien Dumoulin-Smith>: Hey, I wanted to follow up on the latest Clean Energy bill cited the legislation that passed. Can you define a little bit more specifically the Energy Efficiency opportunity at the utility, and just how to think about the net income impacts at the end of the day? And then separately related just the palatability of pursuing offshore wind given its risk profile and given your current position. I mean, how do you think about approaching or tackling that opportunity here, or if at all?

<A - Ralph Izzo>: Yeah. No. So, Julien, thanks for the question. I mean, we're genuinely excited by the Murphy administration's stated energy policies. As I think you know, we've been strong advocates of Energy Efficiency. We've done it in kind of small bites though, I think total over the past 10 years maybe a little bit North of $400 million worth of Energy Efficiency Programs, and the Clean Energy bill anticipates a 1.5% or 2% reduction depending on whether it's electric or gas. I think it's 2% on electric and about 0.75% on gas, and the BPU is going to come up with rules, but suffice to say we've been thinking about this for a good long time, the legislation also talks about recovering, that utilities have the right to file annually to recover their costs, including return on and of their capital and loss revenues as well. So, this is great news and we will jump into this feet first and deliver universal access to Energy Efficiency for all New Jerseyans.

On the offshore wind piece, we don't have a track record in offshore wind, but we do have a leased offshore and we do have a partner, and that's part of a JV that we have in place. So, I would say that whether it's a participant in the transmission aspects or in the offshore wind aspects of the farm itself that's probably not quite as mature in our own thinking as the energy efficiency, but overall this notion of a sustainable energy future is one we've been talking about for a decade or more, and we're excited by the prospects that are created.

<Q - Julien Dumoulin-Smith>: But just to clarify on the EEP for this, I mean, how do you think about that in the context of decoupling specifically, and maybe that's more of a rate case question? And then separately, if I can re-characterize a little bit how you describe that you talked about sort of initial $400 million of cumulative spending. I mean, how does that compare versus what prospectively you're talking about even order of magnitude?

<A - Ralph Izzo>: Yeah, I'd say that's right, an order of magnitude different. We – I don't think we've released our planned number for filing, but we have said that we anticipate putting a filing in before the middle of the year. And we still are on track to do that. I'd rather not give a specific number because there's a pre-filing meeting we need to go through with the Board of Public Utilities, and they deserve to hear that candidly before we start blurting it out in a quarterly earnings call. But it is an order of magnitude different in terms of the opportunity.

<A - Daniel J. Cregg>: And to your point Julien, related to the rate case we did file a decoupling mechanism as part of the rate case, and that really fits hand in glove with what's going on from an Energy Efficiency standpoint.

<Q - Julien Dumoulin-Smith>: Right. Exactly. Thank you.

Operator

Our next question comes from the line of Praful Mehta from Citigroup. Please proceed with your question.

<Q - Praful Mehta>: Great. Thanks so much. Hi, guys.

<A - Ralph Izzo>: Hi, Praful.

<A - Daniel J. Cregg>: Hey, Praful.

<Q - Praful Mehta>: Hi. So, on the GSMP and the settlement and the distribution rate case, just want to understand were you saying that if you achieve both, you would be at the upper end of the 7% to 9% just wanted to confirm that?

<A - Ralph Izzo>: So, it's a combination of multiple factors, Praful. There is the rate case which includes various tax givebacks that have to do with both the change in federal tax policy and deferred tax balances. There is GSMP II, which takes our $300 million per year prior GSMP program up to about $375 million per year program. There's still the number one investment area that we will be focused on, which is transmission and our expectations there.

final
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Bloomberg
SI-SSA-0015-14881

And then there's some expectation for a continuation of Energy Strong and energy efficiency, but not at numbers that we have completely disclosed yet. But when you add all that together that leads us to think that we're biased towards the higher end of the 7% to 9% range. But Dan, you may want to tell him the real story.

<A - Daniel J. Cregg>: Yeah. We said we're on the higher end of that and we anticipate being there. And Praful, I guess, if you think about the rate case, the rate base element of that is a couple things. One, it's the roll-in of some remaining portion of some prior clauses, but it's also rolling in the giveback on some of the tax effects. So, the way we characterized that earlier in the year was that, we always talk about our growth rate and as we continue the capital program that we have, the existing rate base goes up. So, you're jumping off of a higher base. And last year, we were at about 7% to 9% growth rate. This year we're at about 7% to 9% growth, but that higher base was really offset by some of the tax flow back that we would anticipate. So, that is what – basically the rate case and that flow back would hold you about steady. And then with the existing GSMP settlement, plus Energy Strong too, which we've talked a little bit about and plus a clean energy filing we would anticipate moving higher up within that range.

<Q - Praful Mehta>: Got you. That's super helpful. So just to clarify, I think you had said $600 million was the unpredicted DTL, on I think previous calls, is that refund expected to happen pretty soon? And is that part of like the growth that's kind of flowing into the rate base?

<A - Daniel J. Cregg>: That'll ultimately be determined in the rate case. So, I think that the bulk of the excess deferred are going to be through the average rate assumption method, which will be a longer term period. But some of that, in addition to some of the excess deferred is going to be worked through the rate case related to some other items. So, we'll know more about that as we move towards the end of the year.

<Q - Praful Mehta>: Fair enough. And then, just quickly on ZECs. Congratulations to where it's kind of come out so far, just want to understand, in terms of the three year extension, it sounds like it is if prices don't change meaningfully, you have a shot at continuous extensions, but just wanted to understand from your perspective how do you see that extension discussion going, because if you do get the three-year, what does it take to kind of have that next three year extension?

<A - Ralph Izzo>: So, first of all it's important to realize that the ZEC price is not tied to a market price, right. The ZEC price is an attribute payment for the carbon and fuel diversity dimensions of nuclear power. There is a consumer protection put in the bill that goes to simply the affordability of ZECs when viewed in the context of overall energy prices that customers have to pay, as well as a provision in the bill that anticipates a review by the BPU as to whether or not the plants are in any kind of economic duress. So, that's what the three-year review is for, right. Can New Jersey continue to afford to pay for zero emissions energy? And that's a question that BPU will have to answer on behalf of customers.

We will always be mindful both on behalf of customers, but on behalf of our shareholders as to whether or not the plants are making their cost of capital on a risk adjusted basis, and if they are not, then we will close the plants. That's not saber-rattling, that's not threatening, that's just our fiduciary responsibility and we will always work extra hard to make sure New Jersey is aware of those situations and what that means in terms of the loss of attributes. So, I just think – it's a – and as you know in nuclear space nothing happens in less than a year anyway. And in RPM and PJM world, things tend to happen in three-year increments. So, just checking in every three years as to affordability, economic viability seem like a very natural rhythm to put into public policy.

<Q - Praful Mehta>: Fair enough. Thanks so much, guys.

<A - Ralph Izzo>: Nicole, do we have any other questions?

Operator

Your next question comes from the line of Jonathan Arnold from Deutsche Bank. Please proceed with your question.

<Q - Jonathan Arnold>: Oh, good morning, guys.

final
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SI-SSA-0015-14882

<A - Ralph Izzo>: Hey, Jonathan.

<A - Daniel J. Cregg>: Hi, Jonathan.

<Q - Jonathan Arnold>: Just – so on the Energy Efficiency and I hear you comment about filing by the middle of the year and then needing to go through a pre-file with the BPU. Is it a reasonable expectation that you'd be through that and able to give us a little more flavor by the time of the Analyst Day?

<A - Ralph Izzo>: Yeah. So, we should definitely have the pre-file done before the Analyst Day, Jonathan. And then, we'll tell you everything that we plan to file at that point. Correct.

<Q - Jonathan Arnold>: So, the filing itself might not have been made, but you'll have a better sense of the scope of it?

<A - Ralph Izzo>: It won't be because the pre-file meeting is – there's a 30-day clock that starts from then. And as you know, the Analyst Day is on the 31st and we haven't had the pre-file meeting yet [ph] although we are booked (00:31:57).

<Q - Jonathan Arnold>: Right, I'm hearing you'll tell us a bit more than you've told us today?

<A - Ralph Izzo>: Oh, yeah, yeah. No, we'll tell you lots more. We're just too excited not to tell you a lot more. So, this is the favorite.

<Q - Jonathan Arnold>: Switching to something a little different, slide 22, on the power generation measures. And I just wanted to understand a little better the coal cost is up $9 million, it's about – over 25% and the generation was up more like mid-single digits. So, is that just the fact that you're less hedged than you've been in the past and you're buying some spot to cover the extreme weather or is it a contract rolling off or how should we think about that as we're trying to calibrate coal costs for the rest of the year?

<A - Daniel J. Cregg>: I don't think I would put too much weight into that, Jonathan. I think that – especially if I think about it from an overall component of the generation, I think what we saw really was a little bit more reliance on coal because of the weather. And I think on an ongoing basis, I don't anticipate it to be much of an impact as we go through the rest of the year.

<A - Ralph Izzo>: Yeah. No. I don't – I didn't do the numbers, Jonathan. But if you look at that slide, you'll see that Pennsylvania is down a little bit and Connecticut is up quite a bit and Pennsylvania [ph] has got (00:33:18) more expensive coal.

<Q - Jonathan Arnold>: Okay. That's helpful. Thank you. But then, on the oil piece, presumably the denominator for those fuels – that $25 million of cost is in the gas segment?

<A - Ralph Izzo>: That's correct.

<A - Daniel J. Cregg>: Yeah.

<Q - Jonathan Arnold>: And again, I mean is there any – I'm trying to – well, I guess what I'm trying to get a feel for is, to what extent the weather may have actually hurt you in Power this quarter?

<A - Daniel J. Cregg>: Well, I think it had a lot to do with what you're seeing on the delta quarter versus quarter from the standpoint of oil, that number under normal situations would be much, much lower, and what you saw was prices moving up and gas getting a little bit tighter and gas prices going to extreme levels for the quarter. So, I think what you saw was much more an anomaly with respect to oil burn for the quarter, and that's all...

<Q - Jonathan Arnold>: Did you make that up in price so is that – was that really just lost margin?

<A - Daniel J. Cregg>: If it – we were economic when we were running on oil. So, if we weren't economic, we wouldn't have been running, but if you took a look at where gas prices were I mean, gas prices during that part of the

final
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SI-SSA-0015-14883

year, the very early part of the year were drifting up looking like very healthy, age-old power prices as opposed to gas prices well, well up into the double-digits.

<Q - Jonathan Arnold>: So, it's – you don't feel that there was a net-net, this was a drag on the quarter, it's just the moving pieces within the revenue and cost lines?

<A - Daniel J. Cregg>: Yeah, I think that's right. I think some anticipated spark for earlier January wasn't quite where we would have wanted to be because gas prices basically push you into oil which had lower margin, but it was a fairly short-term phenomenon in January and an anomaly, but it really does drive all the oil burn that you see there for the quarter.

<Q - Jonathan Arnold>: Great. Thank you.

<A - Daniel J. Cregg>: Yeah.

Operator

Your next question comes from the line of Greg Gordon from Evercore ISI. Please proceed with your question.

<Q - Greg Gordon>: Thanks. Good morning. Well, we're on the subject of PSE&G Power, there are several initiatives that PJM that are sort of in their pendency, whether it's the capacity market design updates, [ph] ORDC (00:35:37) pricing, fast-start pricing. I believe [indiscernible] (00:35:41) put out a letter recently indicating that he hoped those three things would get done this year. Can you can you review what your expectation is for the timing on those and the potential impacts on Power? And then there's one thing extent, which is well the management of PJM still seems supportive of overall price reform. There hasn't been much progress there. So you can give us an update on your expectations on that front?

<A - Ralph Izzo>: Sure. Greg. So, on capacity market reform, we've been public that we prefer the two-phase approach, which is the PJM-preferred approach, even though they've submitted the Market Monitor's MOPR-based approach as well. I think we have every reason to believe that will go into effect by May of 2019, obviously that won't have any effect on the current RPM. So, I think that's the timing there. I would view fast-start as yet another piece of the price formation puzzle. I know that many people including us have talked about the inflexible unit, dimension of price formation, but fast-start does have now a proposed zero threshold – zero threshold element to it, which is characteristic of inflexible units right, that they can't move over the timeframes that PJM is seeking. We've never been one to quote whether or not the forward price curve has these numbers in it nor have we been one to quote what these changes will mean to the forward price curve, we just say the market is the best determinant of that and our own internal views will influence whether we hedge a little bit to the high side or to low side of our own internal disciplined approach.

I think, Andy himself has said that these should go into – should be able to – the energy price fixes should be able to be put in place by a little bit more than a year from now, but sometime in the summer of 2019. So that is a delay, I think that once upon a time there was talk of fall of 2018 for some of these reforms. But I think a combination of factors has introduced that bit of delay. I think the good news if I might is that the PJM Board appears to be willing to undertake what's called the liaison process as opposed to the full-fledged stakeholder process, which can put a little bit more of a limitation on the amount of time.

I should by the way point out that in terms of RPM, we prefer the status quo, but of the submittals that PJM has made, we think that the two-phase approach is better than one-phase approach. I don't think PJM has given up on the full inflexible unit pricing. They see that as part of their resiliency discussion, which continues with comments due back from I think the rest of us. The RTU has already made their comments, ours' is due back I think in the middle of June or in the middle of May, middle of May, I forgot to say. So, it's still a work in process, not over by any stretch and some things have a bit more of a date certain i.e., the capacity market reforms and the energy market reforms we think will still creep in to the market.

final
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<Q - Greg Gordon>: Thank you for the update.

Operator

And next question comes from the line of Travis Miller from Morningstar. Please proceed with your question.

<Q - Travis Miller>: Thank you. Hi, Izzo.

<A - Ralph Izzo>: Hi, Travis.

<Q - Travis Miller>: Reading to the ZEC, It sounds like there could be out-of-state plants that would be eligible and I'm most interested in your thoughts on Peach Bottom plant if that is true if I'm in fact reading that ZEC correctly?

<A - Ralph Izzo>: Yeah. So, Travis, you actually are reading it correctly. The bill simply says that New Jersey wants 40% of its power supplied by nuclear energy and it does not limit it geographically in terms of there being more than 40% of New Jersey's electricity being deliverable by nuclear power plants whether it's Salem, Hope Creek, Peach Bottom or a variety of others. Then there's a ranking system that the BPU is encouraged to undertake that is really driven off of the greatest impact on New Jersey from an air quality point of view and various other parameters that are detailed in the legislation. But the short answer to your question is yes, out-of-state plants would be eligible, but New Jersey would not support according to legislation more than 40% of its energy being supplied by nuclear power.

<Q - Travis Miller>: Okay. With the thought that Peach Bottom would rank at the bottom, just given it's not New Jersey.

<A - Ralph Izzo>: Well, no, no, no, I don't want to, I don't want to predetermine what the BPU will do, Peach Bottom will compete with Salem and Hope Creek and Susquehanna, and Limerick. If probably doesn't have to worry about [indiscernible] (00:41:03) much, but it does, so...

<Q - Travis Miller>: Yeah, sure. So, the second question on the Clean Energy bill, what components specifically could generate rate base growth if any just clarifying a couple [ph] of your previous... (00:41:22)

<A - Ralph Izzo>: Oh, my goodness, well there's multiple, right? So, the utility has done a grid-connected solar, the utility has done rooftop solar, the utility has done energy efficiency, it has done pilot programs in battery storage technology. So, there is no shortage of opportunities that are expanded in the clean energy world. There's a transmission component to offshore wind, there's offshore wind itself. So, I think you just have to – remember what the governor said is, he sees nuclear power as an important bridge to renewable future and the renewable future he has in that bill, which he has not signed yet is a 50% renewable target in 2035, and we expect to be participants in every aspect of that sustainable energy agenda.

<Q - Travis Miller>: Okay. And then those are investments you foresee could go into rate base then not just...

<A - Ralph Izzo>: Oh, yes, yes, yes.

<Q - Travis Miller>: ...earnings neutral type collection?

<A - Ralph Izzo>: That's correct. Yeah, well I mean, you just – look the reality isn't in New Jersey just given our geographic and natural resource profile, you're not going to be able to do merchant solar or merchant offshore wind those will have to be supported through some type of regulatory revenue stream. That's either in the form of a renewable energy credit and/or some other mechanism. And again, on the offshore wind piece, I just want to emphasize that while we have a lease, we've never done that before, so we would be interested in the transmission component probably as much if not more than the actual wind farms. And we are, as I said a moment ago, we are all in on the Energy Efficiency piece.

<Q - Travis Miller>: Okay. Great.

final
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<A - Daniel J. Cregg>: I think some elements of the legislation, Travis, talk specifically about utilities investing and having recovery on and off like the energy efficiency. Offshore wind very different situation, not specifically laid out as to how that will work out. In fact, the legislation really calls four-day study for that to be determined, things like that to be determined.

<Q - Travis Miller>: Okay. Great. Yeah. That's helpful. Thank you very much.

Operator

Your next question comes from the line of Paul Patterson from Glenrock Associates. Please proceed with your question.

<Q - Paul Patterson>: Hey, good morning.

<A - Ralph Izzo>: Hi, Paul.

<Q - Paul Patterson>: Just a – sorry if I missed this, but when is the governor expected to sign the nuclear legislation?

<A - Ralph Izzo>: Paul, so, he has – so the New Jersey governor has 45 days to act on legislation, and that action could be either an outright veto, which would require two-thirds majority of the legislature to override, something called a conditional veto, which is, hey, like this except for and then he sends it back to the legislature to change the piece that he liked except for, or to sign into law. In addition, if he doesn't act for 45 days it then automatically goes into law. So, those are the options for the governor.

<Q - Paul Patterson>: Okay. And I – okay, so, let me ask you this. If we don't get him signing it by the RPM auction, which isn't that far from now, how should we think about how that might affect, how you guys would be bidding into the capacity auction?

<A - Ralph Izzo>: You know we never comment on our bidding plans prior to the auction, but what I would say is this, that we would view things differently if he were to veto the legislation versus simply not get around to signing it yet. And so those are two [ph] things (00:45:14).

<Q - Paul Patterson>: I see. Okay, I got you. So, if he – so, okay, absent a veto, you guys sort of are expecting that this bill will be enacted?

<A - Ralph Izzo>: I think he's the governor – look you never ever want to pretend to be constraining your governor, right?

<Q - Paul Patterson>: Sure, I got you.

<A - Ralph Izzo>: He's a very important person and he's a talented person and one that we admire. So, I'm not going to try to tell him what to do on an earnings call. But having said that, I mean, he has been outspoken and supportive of nuclear as a bridge to renewable energy in the future and he's also been outspoken in support of the importance of those jobs to south New Jersey, so I feel pretty good about those public statements on his part.

<Q - Paul Patterson>: Okay. Awesome. And then, the Energy Efficiency Program, just how should we think about how that impacts the demand forecast, longer term and just in general, how we should think about how you see energy demand or electricity demand working in the state?

<A - Ralph Izzo>: You know, Paul, we've been working hard to try to remind investors that the utility growth story is really independent of demand growth. Demand growth or the actions of it has significant implications for how regulation needs to be rethought to avoid the compounding of inevitable O&M growth and regulatory lag on investment returns. But PSE&G's growth over the past 10 years and its continued future growth really is about an aging infrastructure that needs replacement and a higher degree of customer service and customer demands for a clean energy future and I am absolutely convinced that we can continue to invest in a resilient grid, cleaner energy and more efficient use of energy, which would help – that third piece would help lower customer bills and put bigger smiles on

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our shareholders. So...

<Q - Paul Patterson>: Okay.

<A - Ralph Izzo>: ...I think that Energy Efficiency is an important part of controlling the bill from the point of view of the extra cost associated with renewable energy and making the grid more resilient.

<Q - Paul Patterson>: And you guys have demonstrated that too. So you guys have been ahead of the curve on that, but I guess I'm sort of wondering though, it does have an impact perhaps though on non-regulated generation, not just in your state but all over. So, what you guys might be doing could have an impact there. I'm just sort of curious as to what you guys think, just roughly speaking all these – what you see the demand forecast kind of being?

<A - Ralph Izzo>: I see, oh yeah, well I mean, I think RPM is a good example, demand forecast is down yet again. I don't know that's the nth consecutive year, where n is some large single-digit number, where, that's been the case. We've obviously made the decision in our own service territory that Power has a much bigger market in which it can play, and therefore to the extent that our own efforts cannibalize Power, we've been willing and continue to be willing to do that. I do think that the primary supply-demand economics in the wholesale market are going to be determined as much by the shrinkage of supply as it is going to be determined by any changes in demand.

<Q - Paul Patterson>: Okay. Thank you very much.

Operator

Your next question comes from the line of Michael Lapides from Goldman Sachs. Please proceed with your question.

<Q - Michael Lapides>: Hey guys, thank you for taking my question. One easy one, you have talked about this at prior earnings calls or Analyst Day, haven't circled back on this in a bit. Can you just talk about how much extra balance sheet capacity that you think the company has right now, meaning either to fund incremental rate base growth or incremental renewable growth at PS Power (sic) [PSEG Power] (00:49:07). Just kind of when you think about your credit metrics in a post-tax reform world and the balance sheet strength, how big is that balance sheet strength?

<A - Daniel J. Cregg>: Yeah, Michael, and I think you'd want to think about it really in two steps, right? We've talked about the ability to fund the capital plan, such as we have without the need for any additional equity. And then, as you mentioned consistent with how we've talked about it in the past, if you take a look at our existing credit statistics and you take a look at where some of the threshold points are, you have somewhere in the order of a billion dollars of excess at PSEG Power, which then can be utilized at the utility within the existing regulatory capital structure so that can be matched with debt and so you'd come up with about double that if you think about it from a utility overall investment incremental spend standpoint without having any impact on the existing ratings.

<Q - Michael Lapides>: Got it. And any increment for potential incremental holding company leverage or do you just think about it as if opportunities came up for incremental investment at Power or at E&G, you would simply make the leverage down at Power?

<A - Daniel J. Cregg>: Well, I think that the leverage could happen at Power or at the parent company. I think, we've had some parent company debt of late and we tend to take a look at what makes the most sense from an economics standpoint when looking to source that debt. So, I think that it could be at either location, but I think you're in the same ballpark when I talk about the numbers that I just referenced.

<Q - Michael Lapides>: Got it. Thank you, Dan. Much appreciate it.

<A - Daniel J. Cregg>: Yeah.

Operator

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Your next question comes from the line of Paul Fremont from Mizuho. Please proceed with your question.

<Q - Paul Fremont>: Thanks. I guess, the first question would be on the Clean Energy bill. When I think of the 7% to 9% rate base growth target and the fact that you guys are seeing yourselves sort of at the upper end. Does – do the investment opportunities under the Clean Energy bill keep you within that 7% to 9% band or would that potentially put you outside of that band?

<A - Ralph Izzo>: So, I'd rather give more detail on the band at the upcoming Investor Conference, Paul, right now, because I think we'll have more information coming out of our pre-filing meeting with the Board Staff and we'll hopefully have resolution – we'll definitely have resolution of the nuclear bill by that point in time.

<Q - Paul Fremont>: Okay. And then sort of a quick question on Hope Creek, the 60 megawatt upgrade that was approved, when would that take effect?

<A - Ralph Izzo>: It was a 60 megawatt or 16 megawatt...?

<A - Kathleen A. Lally>: 16 megawatt.

<A - Ralph Izzo>: 16 megawatt, it was much smaller. I'd have to get back to you on that, Paul. I don't know the answer. Our nuclear has been jammed with broader issues than 16 megawatt out of the [ph] 1,100 megawatt (00:52:12). It wasn't equipment. I mean this was a change I believe in our probabilistic risk assessment that allow us to run the plant at different numbers. But I'm tempted to say it's coming back.

<A - Daniel J. Cregg>: I think coming out of this outage is the right answer, but we can't confirm that for you.

<Q - Paul Fremont>: Okay.

<A - Ralph Izzo>: Any questions we can answer for you, Paul?

<Q - Paul Fremont>: No, that's good. Thank you very much and congratulations.

<A - Ralph Izzo>: Thank you.

Operator

Your next question comes from the line of Angie Storozynski from Macquarie. Your line is open.

<Q - Angie Storozynski>: Thank you. So, my only question is you guys in the past mentioned that you might try to pursue electric retail in the Mid-Atlantic; we haven't actually had much – haven't heard much about it. And do you think that this is still something you will be interested in and if so do you think that this will be done organically or would you need to acquire a retail book? Thank you.

<A - Ralph Izzo>: Yeah, Angie. So, thanks for the question. We're still at work. It is exclusively an organic effort. We did look at the potential for acquisitions, but given the purely defensive nature of this effort and our desire for it to basically help us improve our margins based on our own assets there has been no book that kind of fit that to a high-enough degree of accuracy that the transaction costs wouldn't have swamped the benefits, so – because whatever book we bought we'd have to sell off a piece of it and that would be suboptimal. So, we're continuing to pursue an organic growth strategy there.

<Q - Angie Storozynski>: Cool. And my other question on the regulated side. So, even if your rate base were to grow at 9%, would you consider acquisitions of other regulated underinvested systems in your – around your service territory or in the same state?

<A - Ralph Izzo>: So, we always – there aren't too many left in our state, I don't know if any that are available in our state that are part of a bigger entity. So, we always look at those, right. But we have been very public that we are quite enamored with our organic growth strategy. And without any disrespect to our colleagues in the industry, sometimes are puzzled by the premiums that others are willing to pay and we've not been able to pencil those in the way that

final
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SI-SSA-0015-14888

works, but we always look at those possibilities.

<Q - Angie Storozynski>: Okay. Thank you.

Operator

Your next question comes from the line of Steve Fleishman from Wolfe Research. Please proceed with your question.

<Q - Steve Fleishman>: Yeah. Hi. Good morning. Sorry to bug you with some clarifications, but just on the rate base growth comment, could you clarify if what the base of your growth forecast is? Has that changed due to some of the tax reform adjustments or is it the same kind of base level period 2007 to 2009?

<A - Ralph Izzo>: Hi, Steve. I think I'll let Dan dive into that.

<A - Daniel J. Cregg>: Yeah. It's just the year-end 2016 number...

<A - Ralph Izzo>: $17 million.

<A - Daniel J. Cregg>: ...2017 number, which is $17 billion.

<Q - Steve Fleishman>: Okay. So the base is still the same base?

<A - Daniel J. Cregg>: Yeah.

<Q - Steve Fleishman>: And then, in the same way, you might be toward the high-end that is including the GSMP agreement, but nothing else different?

<A - Daniel J. Cregg>: It would include as we look forward, the opportunity – some opportunity related to future filings, right? So, I would say that if we had nothing beyond the GSMP filing, we'll be more middle of the road within that range, and with the opportunity for future filings, we could see the opportunity if we go higher than the middle of the range.

<Q - Steve Fleishman>: Okay. So, it may include some of these clean energy investments or...

<A - Daniel J. Cregg>: Yeah and any other adjustments as we step forward through time, yes, yes.

<Q - Steve Fleishman>: Okay. And then, yeah, I'm good. Thank you.

<A - Ralph Izzo>: Yeah.

Operator

Your next question comes from the line of Michael Weinstein from Credit Suisse. [indiscernible] (00:56:49). Please proceed with your question.

<Q - Michael Weinstein>: Hi, Ralph. Hey, it's Mike Weinstein. Hey, a quick question. You said before that you prefer the status quo for the current capacity market reforms I believe.

<A - Ralph Izzo>: Yeah.

<Q - Michael Weinstein>: And I've heard some similar sentiment over Exelon. I'm just wondering what is it about the status quo that's better than any of the proposals that's been put out there?

<A - Ralph Izzo>: It's just that it – the status quo has new plants being MOPARd as opposed to existing plants being MOPARd and it doesn't interfere with the state's ability to price attributes that the market isn't currently pricing. So, we just don't see a need for this kind of modification at the current time.

<Q - Michael Weinstein>: I mean, do you think any – yeah...

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SI-SSA-0015-14889

<A - Ralph Izzo>: Okay.

<Q - Michael Weinstein>: Is it do you think the modifications won't have an effect at all or?

<A - Ralph Izzo>: No, no, no, I mean they'll have different effects. I think that the two-phase approach at least continues to allow states to recognize the value of renewables and carbon-free energy sources, the Market Monitor's approach is this protracted administrative battle over what constitutes the appropriate minimal offer price, which as you know can be moved quite a bit depending upon whether you believe something has a 30-year life or 40-year depreciable life across the capital was x or 1.1x or 0.9x.

So, to characterize that as a correction to ensure the market is working properly I think is inaccurate. I think it's just a correction to assure administrative power reverts to people who want to have administrative power, right? And that's not necessarily consistent with markets. I mean look what we're all dancing around here is, we need a price on carbon, and then let the market pick the technology. And then I think you'd see every participant in the market sign up for that, except for maybe the carbon-heavy participants I guess.

<Q - Michael Weinstein>: Is that more handled better on the energy side basically and then....

<A - Ralph Izzo>: Yeah, absolutely.

<Q - Michael Weinstein>: Do you think? Yeah, so the capacity market reforms are kind of a distraction of some sort maybe?

<A - Ralph Izzo>: Yeah, you've got a collapse in inframarginal revenues because there's no carbon price in energy markets and because of that collapse in inframarginal revenues high-fixed cost participants are getting crushed and that's – and yet people are saying they want the attributes of these high fixed cost participants out. You know you have the decoder ring, right? The high fixed cost participant is a nuclear plant. And yet people are paying record prices of anywhere from $5 per ton to $200 per ton of carbon. And so, the markets just got these inherent inconsistencies built into it. So, if we could get a single price on carbon in energy markets then the inframarginal revenues will increase and the fixed cost recovery would be mitigated and then capacity markets could do what they were supposed to do, the reliability mechanisms and nothing more.

<Q - Michael Weinstein>: Got it. Okay. Thank you.

<A - Ralph Izzo>: You're welcome. So Nicole, I think we have time for one more question and then we'll, I think let folks have their day back.

Operator

Mr. Izzo and Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

It's always magic no matter where you are, whether it's a teleconference or a public speaking, if you say one more question, there's never more questions, but that's great. So anyway, so thank you folks for joining us today and I hope you heard from Dan and I that there's a lot of good things happening at PSEG. And they range from the continuation of our $13 billion to $15 billion investment program, which – 90% of which is going to the utility and leaves us to be biased towards the upper end of that 7% to 9% rate base growth looking out to 2022 off of the higher base in, at the end of 2017.

Again, we've got to give kudos to the great work done by our utility crews and our power plant operations during what were some very, very difficult circumstances certainly in January. And kudos to our regulatory team and all of our

final
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support functions for the strides they've made on some of the policy fronts with the settlement of GSMP II and the legislation that recognizes the value of Power's nuclear generation I mean, getting 60 out of 80 votes in the assembly and 30 out of 40 votes in the Senate on a bipartisan basis. I think validates what we've been saying all along that New Jersey will recognize the importance of these plants to our environment, to our cost of energy, to our economic well-being, and they are much cheaper to keep than they are to let shut down.

And then of course, our ongoing commitment to maintain our financial strength, which gives us flexibility to support the growth in the dividend, fund these rate base growth investments, no need to issue equity and still some balance sheet capacity leftover. So, hopefully, we'll see all of you on May 31. I know that's the weekend after – that's Memorial Day. So, come in your Chubbies whatever other beachwear you have that's – and will host you, and will have a great conversation about the rate base growth in detail, where we are with RPM and I think there's a brand of clothing as well, I'm sorry and we'll see you soon. Thanks a lot everyone. Take care.

Kathleen A. Lally

Very good.

Operator

Ladies and gentlemen, this does conclude your conference call for today. You may disconnect and thank you for your participation.

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PEG - Q4 2017 Public Service Enterprise Group Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2018 / 4:00PM GMT

OVERVIEW:

Co. reported 2017 GAAP EPS of $3.10 and 4Q17 non-GAAP operating EPS of $0.57. Expects 2018 consolidated non-GAAP operating EPS to be $3.00-3.20.

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CORPORATE PARTICIPANTS

Daniel J. Cregg *Public Service Enterprise Group Incorporated - CFO and EVP*

Kathleen A. Lally *PSEG Services Corporation - VP of IR*

Ralph Izzo *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

CONFERENCE CALL PARTICIPANTS

Angieszka Anna Storozynski *Macquarie Research - Head of US Utilities and Alternative Energy*

Ashar Khan

Christopher James Turnure *JP Morgan Chase & Co, Research Division - Analyst*

Gregory Harmon Gordon *Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst*

Jonathan P. Arnold *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Josephine Moore *BofA Merrill Lynch, Research Division - Associate*

Michael Jay Lapides *Goldman Sachs Group Inc., Research Division - VP*

Paul Basch Michael Fremont *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Praful Mehta *Citigroup Inc, Research Division - Director*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. My name is Shelby, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Fourth Quarter 2017 and Year-End Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded today, February 23, 2018, and will be available for telephone replay beginning at 2:00 p.m. Eastern Time today until 11:30 p.m. Eastern Time on Friday, March 2, 2018. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally - *PSEG Services Corporation - VP of IR*

Thank you, Shelby. Good morning, everyone. Thank you for participating in our earnings call. As you are aware, we released our fourth quarter and full year 2017 earnings results earlier today. The release and attachments, as mentioned, are posted on our website at www.pseg.com under the Investor section.

We also posted a series of slides that detail operating results by company for the quarter and year. Our 10-K for the period ended December 31, 2017 is expected to be filed early next week.

I'm not going to read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slides and on our website.

The disclaimer statement regarding forward-looking statements details the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein.

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Client Id: 77

And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so even if our estimates change, unless required by applicable securities laws. We also provide commentary with regard to the difference between operating earnings and adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in the United States.

PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provide a consistent and comparable measure of performance to help shareholders understand operating and financial trends, but should not be considered an alternative to our corresponding GAAP measure net income.

I'm now going to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. (Operator Instructions) Thank you.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Thank you, Kathleen, and thanks, everyone, for joining us today. This morning, we reported non-GAAP operating earnings for the fourth quarter of 2017 of $0.57 per share versus non-GAAP operating earnings of $0.54 per share earned in the fourth quarter of 2016.

Non-GAAP operating earnings for the full year of $2.93 per share versus 2016's non-GAAP operating earnings of $2.90 per share were above the midpoint of our guidance range, which was $2.80 to $3 per share.

Our GAAP results for the full year of $3.10 per share include one-time noncash benefits associated with the revaluation of deferred tax liabilities at Enterprise and PSEG Power associated with the reduction in the federal tax rate and expenses associated with our decision to retire the Hudson and Mercer coal-fired generating stations in June of '17.

Details on the results for the quarter and the full year can be found on Slides 5 and 6.

Successful execution of our capital program at PSE&G and increased output, coupled with strong cost control at PSEG Power, offset earnings weakness experienced earlier in the year from abnormal weather conditions.

Non-GAAP operating earnings from our regulated utility business grew 8.6% in 2017 as PSE&G's investment program expanded rate base by 12.5% to $17 billion at the end of the year.

The utility's earnings have grown at an annual rate of approximately 13% over the past 5 years, which is in line with its growth in rate base over this time frame.

While the growth in earnings occurred with PSE&G maintaining cost discipline and successfully implementing infrastructure programs that upgraded its electric and gas systems to make them both more reliable and resilient.

Importantly, PSE&G has achieved these results as customer bills have declined. This past January, the utility filed its first distribution base rate case since 2010. The filing, which was required by the 2014 Energy Strong settlement, calls for a 1% increase in revenue as it incorporates a reduction in revenue associated with the decline in the federal tax rate.

Also in January, PSE&G updated its 2018 annual transmission formula rate with the Federal Energy Regulatory Commission. The update, reflecting a lower federal corporate tax rate, reduced the transmission revenue requirement by $148 million.

The timing of the reduction in the federal tax rate and the base rate filing places us in a position to pass along tax savings to our customers and keep rates low, allowing us to continue to improve our aging infrastructure.

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As important, PSE&G's achievements allowed us to maintain our best-in-class reliability. For the 16th year in a row, PSE&G worked to protect and strengthen the system, yielded recognition as the most reliable electric utility in the Mid-Atlantic region.

Also during the year, the New Jersey Board of Public Utilities approved PSE&G's plan to expand its investment in energy efficiency by $69 million. PSE&G also filed with the BPU plans to extend its innovative Gas System Modernization Program. The extension, otherwise known as GSMP II, would accelerate the pace of replacement of aging cast iron and unprotected steel. The program would entail replacing 250 miles of pipe per year over 5 years at a total cost of $2.7 billion. We hope to have a decision on this program in the second quarter.

The GSMP II filing is modeled on the process outlined in the Infrastructure Investment Program -- and as I'll refer to that in the future, I'll just say IIP -- which was approved by the BPU in January. The board's approval of IIP provides for our rate recovery mechanism that encourages and supports the continued safety, reliability and resiliency of utility infrastructure, which is essential for economic growth in New Jersey.

In the coming months, you should expect PSE&G to seek approval, once again, under the IIP process, to extend this Energy Strong-related programs. We also expect to make a filing to broaden our investment in energy efficiency. An expansion of energy efficiency is one of the best means of achieving the state's clean energy goals and simultaneously limiting growth in the customer bill.

Now let me turn my attention to PSEG Power. Power's non-GAAP operating earnings for the full year of $505 million or $1 per share were at the upper end of our guidance range. Cost discipline across the fleet and strong operations from Power's nuclear generating assets supported the better-than-forecast results.

Power's nuclear fleet operated at a 93.9% capacity factor for the year, generating record electric output of 31.8 terawatt hours. PSEG Power has also made progress on construction activities related to its 3 new natural gas combined-cycle generation stations. Two plants, the Keys and Sewaren stations, are expected to be operational during the second quarter of this year. And Bridgeport Harbor 5 is expected to achieve commercial operation during the second quarter of 2019.

Together, these units represent 1,800 megawatts of efficient, clean, gas-fired capacity that will improve Power's competitive position. The cold weather experienced early in 2018 reinforced the importance of Power's diverse fleet and, of course, making sure the assets were available when needed to meet demand. The nuclear plants ran at full power, providing baseload capacity for everyday demand as the shortage of natural gas required some of Power's stations to operate on oil.

Power's management team has continued to drive efficient operations at its fossil stations, which include the early retirement of the Hudson and Mercer coal-fired stations as well as at nuclear. Controlling cost is vital, but we face continued challenges in maintaining operations, particularly at our nuclear plants, as the average price for Power's energy hedges is expected to decline by $5 per megawatt hour in 2018 from $45 per megawatt hour in 2017 with even further erosion foreseen in '19.

On the policy front, as you know, we have been focusing on raising awareness of the financial condition of our nuclear generating assets and communicating to the State of New Jersey the detrimental impact closure would have on the state's cost of electricity, its air quality and overall economy. The loss of the approximately 32 terawatt hours of clean electric energy produced by Power's nuclear generation in 2017 would represent a severe setback to the state's ability to meet its clean energy goals and result in crushing economic impact due to resulting increases in electricity prices and major job losses. We remain involved in discussions with key stakeholders here in New Jersey and with those in charge of the wholesale energy market at FERC and PJM to secure the long-term viability of our nuclear generation assets.

A bill, as proposed in the New Jersey Legislature, would value the attributes of nuclear and create a safety net for our at-risk nuclear capacity. The bill also addresses the state's path toward a clean energy future. We're pleased that the legislature is giving this issue the careful attention it deserves and hope for timely resolution. But the risk of closure remains without a change in the financial condition of nuclear.

To that end, Power recorded a $276 million increase in its asset retirement obligation liabilities at the end of 2017 to take into account a higher assumed probability of early retirement of its nuclear units.

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Our financial condition is strong given the focus we have placed on maintaining a healthy balance sheet that supports our investment goals. Our balance sheet continues to provide us with a competitive advantage as we adapt to recently enacted changes in the federal tax code.

We ended 2017 with strong credit metrics, which support continued growth in our regulated investment program without the need to issue equity. And this position is unchanged with tax reform. Our capital program for the 5-year period ending in 2022 has expanded to $13 - $15 billion from the $13 billion level outlined a year ago. And it remains focused on investments that improve the reliability and efficiency of our operations, which also advance the state's plans to a clean energy future.

The utility's investment program of roughly $11.5 billion to $13.2 billion, which accounts for 90% of the total PSEG program, addresses customers' desires for reliable, efficient and clean energy and provides for a continuation of our projected 7% to 9% compound annual growth rate for rate base off a higher 2017 base. Also, given the impacts of tax reform, we feel comfortable achieving the midpoint of that range.

PSEG Power's major capital program will be complete in 2019 following the commercial operation of Bridgeport Harbor 5. The startup of that 485-megawatt gas-fired combined-cycle unit will represent the conclusion of Power's $2 billion capital investment in 3 new gas-fired combined-cycle stations, including the previously mentioned Keys Energy Center and Sewaren, which, as I said, are scheduled to start up by the middle of this year. Power's focus will be on efficient operations, improving the returns on generating assets and resolving the fate of its nuclear units.

PSEG's strategy implemented a decade ago has transitioned our business mix to one that is more reliant on regulated earnings. PSE&G, our regulated company, has grown to represent 2/3 of consolidated non-GAAP operating earnings. PSEG Power, focused on improving its operational efficiency and maintaining a strong balance sheet, continues to provide strong cash flow in support of our investment program.

The growth in our investment program and the disciplined approach to O&M have overcome a decline in energy prices over the past 5 years and produced annual growth in consolidated non-GAAP operating earnings of approximately 4% during that time.

Despite the challenges we continue to face in the wholesale markets, especially at our nuclear units, the continued successful investment in regulated programs that provide reliability and quality service to our customers and the benefits of a reduction in the federal tax rate are expected to support continued growth in earnings.

For 2018, we are forecasting consolidated non-GAAP operating earnings of $3 to $3.20 per share, which at the midpoint represents 6% growth in earnings over 2017.

The Board of Directors' recent decision to increase the company's common dividend 4.7% to the indicative annual rate of $1.80 per share is an acknowledgment and expression of confidence in our strategy and outlook. It needs to be said that our success is the result of the outstanding effort of our dedicated workforce, and we are positioned to continue to execute on our strategy to provide long-term value to our shareholders as we meet the needs of our customers and the communities we serve.

I'll now turn the call over to Dan for more details on our operating results and will be available for your questions after his remarks.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Great. Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported non-GAAP operating earnings for the fourth quarter of $0.57 per share versus $0.54 per share for the fourth quarter of 2016.

Our earnings in the quarter brought non-GAAP operating earnings for the full year to $2.93 per share, a 1% increase over 2016's non-GAAP operating earnings of $2.90 per share and at the upper end of our non-GAAP operating earnings guidance for 2017 of $2.80 to $3 per share.

And on Slide 5, we have provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter.

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We've provided you with information on Slide 11 regarding the contribution to non-GAAP operating earnings by business for the quarter. Slides 12 and 14 contain waterfall charts that take you through the quarter-over-quarter and year-over-year net changes in non-GAAP operating earnings by major business. I will review each company in more detail starting with PSE&G.

PSE&G reported net income for the fourth quarter of 2017 of $0.43 per share compared with $0.38 per share for the fourth quarter of 2016. PSE&G's full year 2017 net income was $973 million or $1.92 per share compared with net income of $889 million or $1.75 per share in 2016.

Non-GAAP operating earnings for the full year were $963 million or $1.90 per share, an 8.5% increase over 2016 non-GAAP operating earnings of $1.75 per share.

As shown on Slide 16, PSE&G's net income in the fourth quarter continue to benefit from a return on its expanded investment in transmission and distribution infrastructure, which more than offset an increase in O&M.

Growth in PSE&G's investment in transmission improved quarter-over-quarter net income comparisons by $0.03 per share. Recovery of investment made in gas distribution under PSE&G's Energy Strong and Gas System Modernization Programs increased quarter-over-quarter net income by $0.01 per share.

Colder-than-normal weather, as compared to more normal weather conditions in the year-ago quarter improved net income by $0.01 per share. An increase in O&M expenses associated with preventative and corrective maintenance reduced quarter-over-quarter net income by $0.02 per share.

Electric sales, on a weather-normalized basis, modestly declined 0.4% for the year as energy efficiency and solar net metering offset growth in a number of customers. Weather-normalized gas sales for the year increased 1.2%, led by growth from commercial and industrial customers.

PSE&G's distribution rate base filing provides it with an opportunity to reflect current estimates of electric and gas sales growth and proposes improvements in its rate design, including de-coupling and higher monthly fixed charges offset by lower volumetric rates to minimize the impact of sales variability. This aligns our interest with achieving greater energy efficiency results.

Details of the base rate filing are outlined on Slide 18. The filing is based on a test year ending June 30, 2018, with some adjustments for the following months, including a rate base of $9.6 billion as of December 31, 2018. And as Ralph mentioned, PSE&G filed for a 1% increase in revenue or $95 million. In keeping with maintenance of PSE&G's credit metrics, the request is based on a cap structure consisting of 54% common equity and reflects a 10.3% return on equity.

PSE&G's filing took into account approximately $130 million reduction in its annual revenue requirement as a result of the federal corporate income tax rate reduction from 35% to 21%. And in addition, provides for a one-time credit for estimated excess income tax collected from January 1, 2018 to the time rates go into effect.

PSE&G is also proposing to increase the amount of tax credits flowed back to customers in subsequent years. This would result in rate decreases, which would have the effect of offsetting the impact on the customer bill associated with investments, such as the GSMP II capital program.

Pursuant to a recent BPU order, we expect to make a filing to lower our rates sooner by April 1 to account for the lower federal tax rate, and we'll update our rate case filing accordingly. A decision on the base rate filing is anticipated in the fourth quarter.

PSE&G has separately updated its transmission formula rate filing for 2018 to incorporate the lower federal tax rate. The update reduced its annual revenue requirement by $148 million from the original filing which called for an increase in revenue of $212 million. This adjustment has no impact on earnings expectations.

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PSE&G's investment of $3.1 billion in its transmission and distribution infrastructure in 2017 provided for approximately 13% growth in rate base to $17 billion. Of this amount, PSE&G's investment in transmission has grown to represent 46% or $7.8 billion of the company's consolidated rate base at the end of 2017.

Supported by the ongoing transmission and distribution investment program, we are forecasting continued growth in PSE&G's net income to a range of $1 billion to $1,030,000,000 in 2018.

Now let's turn to Power. As shown on Slide 21, PSEG Power reported non-GAAP operating earnings of $0.20 per share compared with non-GAAP operating earnings of $0.13 per share a year ago.

The results for the quarter brought Power's full year non-GAAP operating earnings to $505 million or $1 per share compared to 2016's non-GAAP operating earnings of $514 million or $1.01 per share. Power's adjusted EBITDA for the quarter and the year amounted to $196 million and $1,172,000,000, respectively, and this compares with adjusted EBITDA for the fourth quarter of 2016 of $155 million and adjusted EBITDA for the full year 2016 of $1,201,000,000.

We provided you with more detail on generation for the quarter and for the year on Slides 22 and 23. The earnings release as well as the earnings slides on pages 12 and 14 provide you with detailed analysis of Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and cost.

Power's earnings benefited from an increase in capacity prices in New England and PJM, which improved quarterly net income comparisons by $0.02 per share. A 2% increase in output improved net income comparisons by $0.01 per share, as colder-than-normal weather resulted in higher gas send-out, which increased net income by $0.01 per share.

A decline in the average price received on energy hedges of $4 per megawatt hour was partially offset by an increase in market prices on unhedged output, which combined to reduce quarterly net income by $0.01 per share.

A decline in O&M expense improved net income comparisons by $0.03 per share. A decline in depreciation expense associated with the retirement of Hudson and Mercer as well as the decline in interest and taxes combined to improve fourth quarter net income comparisons by $0.01 per share.

Gross margins in the fourth quarter increased to $38 per megawatt hour from $37 per megawatt hour and power prices held up vis-à-vis gas prices in response to the colder-than-normal weather. For the year, gross margins declined to $38 per megawatt hour from $40 per megawatt hour given a decline in average hedge prices for energy.

Now let's turn to Power's operations. Output from Power's generating facilities decreased 2% in the fourth quarter and quarterly comparisons were influenced by the timing of nuclear plant refueling outages and increased demand in response to colder-than-normal weather during the month of December. Based on results for the fourth quarter, output for the year of 51 terawatt hours was stronger than the forecast we provided you at the end of the third quarter, which called for full year output of 49 to 50 terawatt hours.

The nuclear fleet operated at an average capacity factor of 89.9% in the fourth quarter. And the fleet's performance in the quarter resulted in a full year capacity factor of 93.9%, producing record electric output for the year of 31.8 terawatt hours.

The fleet's output was aided by strong performance from Power's 100%-owned Hope Creek nuclear plant, which operated at 100% capacity factor for the year. And based on our normal 18-month refueling cycle, Hope Creek is scheduled for refueling this spring, in the spring of 2018.

Power's gas-fired combined-cycle fleet operated at an average capacity factor of approximately 40% for the quarter and approximately 47% for the year, producing 13.6 terawatt hours of electric energy for the year.

Output from the coal fleet declined slightly as the quarter -- during the quarter as the result of outage work at Keystone. But for the year, output from the coal fleet increased 12% as the fleet's competitiveness benefited from an increase in gas prices.

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For 2018, with the addition of Keys and Sewaren combined-cycle units, Power is forecasting an increase in output to 55 to 57 terawatt hours. Following completion of the recent basic generation or BGS auction in New Jersey, approximately 80% to 85% of production for the year is hedged at an average price of $40 per megawatt hour.

Power is forecasting a further increase in output for 2019 to 59 to 61 terawatt hours with the full year of Keys and Sewaren in operation and a partial year from the new combined-cycle unit at Bridgeport Harbor.

And for 2020, Power is forecasting output of 63 to 65 terawatt hours. Approximately 55% to 60% of 2019's expected output has been hedged at an average price of $38 per megawatt hour, and approximately 25% to 30% of 2020's expected output has been hedged at an average price also of $38 per megawatt hour.

An update of Power's hedge position is provided on Slide 26. As you can see, Power has hedged its baseload nuclear and coal output for 2018 and is mostly hedged in 2019. The gas-fired combined-cycle assets remain more open to the market during those years and will be available to take advantage of spark spread opportunities that have improved based upon recent fluctuations in commodity prices.

The outlook for 2018 and 2019 has improved since our last update based on an increase in sparks in the region and power prices have not declined to the same degree as gas.

Power's non-GAAP operating earnings for 2018 are forecast at $485 million to $560 million. And the forecast represents non-GAAP adjusted EBITDA for the full year of 2018 of $1.075 billion to $1,180,000,000.

PSEG Enterprise and Other reported net income for the fourth quarter of 2017 of $126 million or $0.25 per share compared to net income of $11 million or $0.02 per share for the fourth quarter of 2016.

For the full year, PSEG Enterprise and Other reported net income of $122 million or $0.24 per share, which compares to a net loss in 2016 of $20 million or $0.04 per share. And the results for 2017 include a one-time, non-cash earnings benefit of $147 million related to the reduction in the federal corporate tax rate, resulting in a decrease in Energy Holdings' deferred tax liabilities, partially offset by an after-tax charge taken earlier in the year related to on-going challenges facing NRG REMA.

For the fourth quarter of 2017, PSEG Enterprise and Other reported a non-GAAP operating loss of $21 million or $0.04 per share compared to non-GAAP operating earnings of $17 million or $0.03 per share in the year-ago quarter. The results for the fourth quarter brought PSEG Enterprise and Other non-GAAP operating earnings for the full year to $20 million or $0.03 per share versus $72 million or $0.14 per share in 2016.

The decline in non-GAAP operating earnings in the fourth quarter reflects the impact of a $15 million after-tax contribution to the PSEG Foundation as well as certain tax items at the parent and PSEG Energy Holdings and the absence of certain tax items in the fourth quarter of 2016 at PSEG Energy Holdings.

For 2018, non-GAAP operating earnings for PSEG Enterprise and Other, which are driven by PSEG Long Island, and partially offset by parent interest expense, are forecast at $35 million.

I want to spend just a moment on the subject of tax reform. PSEG is a net beneficiary under the Tax Cuts and Jobs Act of 2017 and our financial flexibility remains strong. PSE&G, as mentioned, will be returning 100% of the benefit from the decline in the federal tax rate to its customers. And the recently filed distribution base rate request reflects a $130 million annual reduction in revenue associated with the lower federal tax rate. And as mentioned, we amended our 2018 transmission formula rate to incorporate the decline in revenue of $148 million associated with the lower federal tax rate.

Net income from PSEG Power and Enterprise is expected to benefit from the decline in the federal tax rate. And our estimate of 2018's non-GAAP operating earnings reflects an improvement in earnings of approximately $0.16 per share.

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PSE&G's cash flow will be negatively impacted by the elimination of bonus depreciation and lower tax rates for ongoing tax depreciation.

PSEG Power's cash flow, on the other hand, is expected to benefit from its ability to expense 100% of its capital expenditures. PSEG Power's cash flow in 2018 will also benefit from the reduction in the federal tax rate as well as the decline in capital spending in 2018 of about$400 million with the mid-2018 completion of construction of both Keys and at Sewaren.

Given our strong balance sheet and low debt balance, we estimate that interest expense at PSEG Power and Enterprise will remain fully deductible for tax purposes.

The reduction in the federal tax rate under the Tax Act also reduced the deferred tax liability of PSEG Power and Enterprise, which was originally recorded based upon the higher 35% rate.

At PSEG Power and Energy Holdings, we recorded onetime, non-cash earnings benefits in the fourth quarter of 2017 of $588 million and $147 million, respectively, resulting from this reduction in deferred tax liabilities.

PSE&G has excess deferred taxes of approximately $2.1 billion as of December 31, 2017, and has recorded the impact of these excess deferred taxes as a regulatory liability. Approximately 70% of PSE&G's excess deferred taxes are deemed protected under the IRS normalization rules, which requires the protected deferred taxes be returned to customers over the remaining life of the assets that generated the taxes in the first place. Given the long-lived nature of utility assets, it will take many, many years for all of these protected taxes to be returned to customers.

The remaining 30% or about $600 million, some of which were included in our distribution base rate filing, will be returned to customers over a time frame that will be determined in discussions with the BPU and with FERC. Of course, as you know, the loss of bonus depreciation and the reduction of PSE&G's deferred tax balance serves to increase its rate base. We estimate that these 2 items combined will increase the annual growth in PSE&G's rate base by approximately 1% through 2022.

The net result of the change in federal tax law on PSEG's consolidated cash flow and credit metrics is manageable given our business mix and the strength of our balance sheet. We do not anticipate the need to issue equity to finance our capital program. And we continue to have excess balance sheet capacity to finance further growth.

As Ralph mentioned, our financial condition remains strong. We closed 2017 with $313 million of cash on hand and debt representing 49.6% of our consolidated capital position, and debt at Power approximating 29% of its capital base.

At year-end, Power's debt position was just over 2.1x the midpoint of our forecasted 2018 adjusted EBITDA. We are guiding to a non-GAAP operating earnings at PSEG for 2018 of $3 to $3.20 per share, which is a 6% increase over 2017. And the common dividend was recently increased 4.7% to the indicative annual level of $1.80 per share. This represents a 58% payout of earnings at the midpoint of our 2018 guidance and builds on the 3.4% annual rate of growth in the dividend over the last 10 years.

Shelby, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from Julien Smith of Bank of America Merrill Lynch.

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Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

It's Josephine here. I just was wondering, could you provide a little bit commentary on your outlook of the ongoing PJM price formation reform discussion as well as the potential for comprehensive energy legislation in New Jersey?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Sure, Josephine. So as you know, there's a due date of -- I believe it's sometime in the first week of March, where each RTO is supposed to get back to FERC on -- with respect to the FERC decision to close the DOE NOPR and to ask the question about fuel diversity and resiliency of the grid. There have been very public conversations and statements by PJM that they believe, in particular, their inflexible unit challenges are things that need to be corrected in the market. These showed up in abundance during -- the cold spell.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

Cold snap.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Where Andy testified in front of the Senate Energy and Natural Resources Committee that there had to be $4 million to $5 million in daily uplift payments. So without having control over the pen, I fully expect PJM management to submit comments to FERC as they have some improvements to make in their current tariff if price is, in fact, going to be the way in which the market is reliably dispatched because there continues to be out-of-market payments that are relied upon to achieve that. Switching gears on you and moving over to New Jersey, we've had some very good conversations. We had a good day yesterday with a comprehensive energy bill, which included our nuclear concerns reported out of the Senate Budget Committee and the Assembly Telecommunications and Utilities Committee getting further reference in the assembly through its budget committee, its Appropriations Committee, if you will. And I think the encouraging news there is that everyone who has testified, and we've now have 4 hearings on this, I think. With the exception of our competitors, have said they don't want to see those plants closed. And our competitors obviously want to see those plants closed because that means higher prices. I just have a high degree of confidence that New Jersey policymakers understand the value of those plants and will do the right thing. But of course, one cannot guarantee any outcome.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

Great. And then just one follow-up here. You talked about a roughly $80 million benefit from tax reform at the -- at Power, but increased guidance by only $50 million. Are there any headwinds that limit the ability to fully recognize that tax reform benefit?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think if you think about the overall impact year-over-year, we referenced the $0.16 related to tax reform. But of course, there's other impacts as you step from year-to-year. We'll see changes in capacity prices, which will help, but we also have a reduction in the average price that we sold our power. So that's a headwind that we have been fighting, and as you mentioned.

Josephine Moore - *BofA Merrill Lynch, Research Division - Associate*

That's a $5 million reduction -- $5 reduction? Okay.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Per megawatt hour. So you think about that across the fleet and then you compare that to an uplift in capacity and a benefit from tax reform. Those are your biggest pieces.

Operator

Your next question comes from Angie Storozynski of Macquarie Capital.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

So I understand that you have a pending rate case for your utility, but your guidance for '18 seems to imply a relatively low pickup in earnings power of the utility versus what we have seen in the past. Is this just because you are waiting for your rates to be trued up in the rate case?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, Angie, if you think about the timing of the rate case, we are essentially saying that we would expect to see rates at the end of the year. I think we referenced fourth quarter in our prepared remarks. So I think a big part of it is just related to the rate increase on the distribution side being --coming at the end of the rate case, which is towards the end of the year.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

But how about your previous expectations that there would be a rate base growth of around -- I forget -- 8% or 9% and a commensurate increase in earnings. Is that -- does this still hold? I mean, granted that we're still waiting for the outcome of the rate case.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think -- if you think about the 2 sides of the business, Angie, on transmission, that's going to move along by virtue of the formula rate, which is always the norm, but when we take a look at the distribution side of the business, I wouldn't expect to see anything different. We have a 6% increase to the midpoint of the range and with a rate case following on later in the year. And as we move into '19, I think that would bridge the gap for you.

Angieszka Anna Storozynski - *Macquarie Research - Head of US Utilities and Alternative Energy*

Great. On the Power side, so it seems like you've marginally reduced your expectations of volumes for the BGS auction. There's been also some news or press coverage of your interest in the retail business. How should we think about it, how you're trying to shape up the merchant power earnings given the weakness in the forward curves?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. So I think, Angie, we've been pretty consistent that retail business is a defensive play. It's primarily targeted at improving the negativity and basis differentials that we've experienced. We're looking at it as a nice supplement, if you will, to diminution of the BGS load contract that we have seen occur over the years. What did change probably about a year or so ago was our recognition that we would not find an acquisition opportunity to just kind of step into a New Jersey-focused, PJM-centric opportunity. So we're building it organically. And that is -- that's going fine, but when you do something organically, it's a little bit more gradual than just stepping into it. So no change in strategy there at all.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

And Angie, as we step from year to year, we will have a BGS auction roll off, right. So the state goes out to auction 1/3 of the load each year. So over 3 years, they auction everything. And so as we step from year to year to year, there could be some modest differences within volumes of the number of tranches that we would have as we go from auction to auction to auction.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Angie, I just want to supplement something that Dan mentioned before. So the rate base growth, we're still saying 7% to 9% and comfortable with the midpoint. But remember, we had a fair amount of capital that was deployed coming at the back end of GSMP I and Energy Strong that is part of the rate case proceeding we're in now. So the 12% growth in rate base that you saw last year, by necessity, as Dan correctly pointed out, is awaiting rate relief at the end of the year. And when you get it at the end of the year, you just -- and now Dan and I are repeating ourselves, it doesn't give you the full 12 months of impact. So I think we're okay there.

Operator

Your next question comes from Praful Mehta of Citi Investment.

Praful Mehta - *Citigroup Inc, Research Division - Director*

So just, firstly, wanted to just clarify, in terms of tax reform, what is exactly built into the forecast? I know on the power side, it sounds like you've incorporated the lower taxes. On the utility side, it didn't sound like it was. So I just wanted to clarify specifically what is currently built in, in tax reform and what is more left in terms of regulatory outcomes that you're waiting to see?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Praful, I think if you think about the utility side of the ledger, it's much more a cash story, especially right away. So it's about the pass back of taxes because, frankly, you're not going to end up paying taxes. So if you think about what we did, we proactively, in January, went to FERC knowing that there was going to be a rate change. And we knew we were going to pay less tax in 2018. So we proactively went to FERC to get that money back in customers' hands. Revenues come down, taxes come down, ends up being a wash. There will be some modest benefit as we step through time because if you have less deferred taxes on your books and you pass that back to customers, so your rate base will grow as you step through time with that reduction in deferred taxes. But that will grow over time and does not have really much of a P&L impact as you look at 2018, in particular, for the utility.

Praful Mehta - *Citigroup Inc, Research Division - Director*

I got you. Yes, I was, again, more focused on the cash impact specifically like, for example, the DTL refund. Is that currently incorporated within the forecast or no?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, yes. And further to the prepared remarks as well, Praful, if you think about -- some of those are protected deferred taxes. That's the lion's share of our deferred taxes. And that will get passed back over what's called the average rate assumption method. That's over the remaining life of the asset. And I think it's a true statement to say that we are still passing back some deferred taxes from the 1986 Tax Act when it happened because we got such long-lived property. So that will go on for a period of time as those different lives end up turning. But yes, we've incorporated what we know and estimates of what we don't know into our numbers.

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Praful Mehta - *Citigroup Inc, Research Division - Director*

Got you. Perfect. And then secondly, in terms of the New Jersey bill, it's helpful. And yes, the conversations clearly were productive from what we heard yesterday. How do you see that playing out from here in terms of timing? And when does it reach the governor's desk and all of that? How do you see that playing out from here?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

My high degree of confidence in the ultimate outcome is matched by my uncertainty over timing. So what I can tell you is the bill is posted for one day in the state Senate. The assembly doesn't have a voting session. I don't think at present scheduling until the end of March. So we're a 115-year-old company, Praful. Salem is 40 years old. Hope Creek is 30 years old. I'm not going to sweat a couple of weeks one direction or another, but I feel pretty good about the nature of the conversation and the clearly earnest desire on the part of all stakeholders to preserve those plants, but timing is not something I can predict.

Operator

Your next question comes from Jonathan Arnold of Deutsche Bank.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

My question has to do on tax reform and your comments that I think you said, obviously, that you're not planning any equity, but you said you also still have excess balance sheet capacity. And I know you don't normally update that until the Analyst Day. But if I recall, at EEI, you gave us a slide which showed something like a $1.8 billion reduction or roughly halving of what it had been without tax reform. So my -- I guess my question is, is that still a good number? Or as you further refine your inputs and outputs, is that at least somewhere else?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

No. I think you're still very much in that range, Jonathan. I think that what we tried to do at that point is highlight that a number that we have provided was based in large part on FFO to debt and there was a lot of FFO that came from bonus depreciation. So by either the passage of time or by tax reform -- because at EEI, we had not had tax reform at that point in time. Unless bonus was extended, the FFO was going to come down. And so that was kind of a temporal aspect. And what we tried to do, to your good memory, was to give some indication that, that was going to come down. So the order of magnitude numbers was about $3 billion at that point, and we were highlighting that about $1.8 billion or so would go away with bonus depreciation. So that's still in the right ballpark, and I think the right way to think about it. And when I referenced before the strength of the balance sheet and the ability to fund further investments, it's still that order of magnitude.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

And so that was, if I remember, the math was like a $300 million FFO divided by your 18% target effectively is how you got there.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes.

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Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So presumably that means -- as you've put all this together, you see FFO degradation roughly in that $300 million range still?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. As you step out into -- I think our numbers were targeted around a 2020 or so time frame, right. So you kind of come off of those bonus years, but that's -- you're thinking about it exactly right, Jon.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

Okay. Great. And then just on the guidance for Holdings is -- and the increase in '18 over '17, is that all tax-reform related or is this -- and I guess an uptick in the Long Island contract or is there anything else driving that?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

No. It's not a lot. I mean, if you have a little bit lower taxes, you'll have a little bit higher income, and $35 million is kind of a normal range. Last year, we had some tax issues coming through, and we had made a contribution to the foundation. So I think you can look at '18 as being a more normal year.

Jonathan P. Arnold - *Deutsche Bank AG, Research Division - MD and Senior Equity Research Analyst*

So it's more that '17 was a little skewed low and '18 is more normal?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's exactly right.

Operator

Your next question comes from Greg Gordon of Evercore ISI.

Gregory Harmon Gordon - *Evercore ISI, Research Division - Senior MD, Head of Power & Utilities Research and Fundamental Research Analyst*

A lot of my questions have been answered, and this one you may not be able to answer, but I'll try. In terms of your observation from the outside looking in at how PJM gets to the answer on implementing their price reform initiatives, it appears that there's a bit of a cart/horse issue here in that one path is to wait for the FERC to potentially order a 206 proceeding and say that their rates are unjust and unreasonable. So my first question is, are we on a path in the current FERC docket where you believe at the end of the initial filings and the responses that the FERC could look at the evidence that PJM files to show that their rates are not appropriate? Can they actually get to a place at the end of this proceeding where they could legally say, yes, you've proven your rates are unjust and unreasonable and allow them to go ahead and change the rate? Or are we realistically on a path here where they have to make a decision on whether they're going to go through the stakeholder process and then it's whether they go through a truncated process with a board vote or a more elongated process with a stakeholder vote, knowing -- understanding that the former was what they used when they did capacity performance. It's a long question, but hopefully you get the gist.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes, we get the gist. But you were right at the start. Greg, I'm sorry, there's no way to predict that. I would point out to you though that there's multiple things going on at FERC that matter, right, from PJM. There's the capacity market reform. There's fast-start pricing. There's price formation. So there's multiple issues. There's multiple degrees of freedom. Is it a 205? Is it a 206? Is it a truncated process? Is it not? So it's just -- I think we're all visiting with the commissioners and telling them how important it is. And I think we're all seeing the same comments out of PJM. So I don't know what else to say at this point about it.

Operator

Your next question comes from Christopher Turnure of JPMorgan Securities.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

The only question that I have left is on the New Jersey nuclear support. You've answered a couple of questions on it already, of course. But I'm wondering if there's a couple of potential hurdles to getting across the finish line this session that you're concerned about. It seems like the governor could potentially further his environmental kind of effort and the emission-free power effort long term through this. And there's some other stakeholders that seem to have come in line here, but what might we be missing that could scuttle the entire operation?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Chris, so it's always nice to have quarterly calls where we're trying to explain the past, but now you guys are really pushing us to predict the future. It is so hard. I mean, the good news is, the governor has publicly stated on numerous occasions that those plants have to continue to operate as a bridge to a long-term renewables future. And as I said before, everyone who has testified, other than our competitors, have begun their testimony by saying, "We don't want these plants to close, but" and then they each have a but that they put in there. So are there hurdles? Yes, there are. But I stay grounded on the support, the articulated support of consumer groups, environmental groups and the governor and the legislature itself. And we have made progress in terms of the schedule and in terms of going through the committee process. So we'll just keep making sure people know what it means if they go away. And then, of course, at the risk of stating the obvious, all of our shareholders know that we will do what is right by our fiduciary responsibility in terms of those plants, regardless of New Jersey's actions.

Operator

Your next question comes from Michael Lapides of Goldman Sachs & Co.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

On PSE&G, I just want to make sure I understand the puts and takes in rates or revenue requirements that are happening this year. So on a year-over-year basis, is what you're saying is that transmission is actually down year-over-year and that's just all tax-related?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

From a pure revenue perspective, but completely neutral from an earnings perspective.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then the distribution revenue reduction for tax is going to happen in April of this year?

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SI-SSA-0015-14906

Client Id: 77

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Correct.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Okay. And that's not a full year number, that's an annualized number? So it's as if it were April this year through March of next year?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes, yes, right, right.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Okay. And the rate increase won't happen for -- well, let me rephrase that. Anything tied to rate change is tied -- from the rate case won't happen until the end of the year?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

That's right. Yes.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Are there any other -- what about like tracker or GSMP I or even GSMP II-related revenue changes, are you still getting those in 2018? Or does that get -- or does -- do the things we've talked about kind of supersede that or incorporate that?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

The only thing that ends up superseding that, Michael, is when the rate case is done. And they kind of -- so they roll in as we work our way forward. They'll be done, I think, by the time we get to the rate case and sort of kind of wrap up at about the same time. But until then, we'll have roll ins as we always have.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Hold on, I want to make sure I follow this. So in 2018, you'll have the transmission revenue decline, obviously, offset by tax. You'll have the distribution revenue decline offset by tax. And then whatever you'll have in the rate case, none of the other trackers or anything will flow in, in '18, but they'll kick back in, in '19?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. So you'll have our continuing roll ins as they are from the standpoint of Energy Strong and GSMP. And then we'll have the rate case as it comes in at the end of the year. So I don't think it's any different than the norm. The only thing different than the norm, the way to think about it, really, is the 2 tax return -- tax rate -- the return of the taxes at both the distribution and the transmission side, which has no P&L impact, revenues go down and taxes go down.

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Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Also, I think our solar and energy efficiency filings are not part of rate case proceedings. They'll continue to have their trackers.

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Right.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. And then finally, what tax rate are you assuming at both E&G and Power this year, like what's in guidance?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

It's the statutory move to 21% and then we'll have some modest moves like we normally do. So for instance, the update to taxes has eliminated a production deduction, a manufacturing deduction that Power would take to the tune of a couple of pennies. But other than that, it's still modest adjustments off of the statutory rate.

Michael Jay Lapides - *Goldman Sachs Group Inc., Research Division - VP*

Got it. Okay. And no significant state tax level added on top of that?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Yes. I mean, we do have, what is it, 9% in New Jersey?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

True, but no different and other than the fact that the federal benefit you get from states is going to change by virtue of the federal tax rate change.

Operator

(Operator Instructions) Your next question comes from Paul Fremont of Mizuho.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Does your GRC filing and the rate base numbers that are in there, does that reflect the rate base numbers after tax reform or would there be a further adjustment that we need to make?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

The -- so what we have filed within the rate case assume that we did have the tax rate -- the tax changes come through. We had also, within our base rate case filing, had a pass back of some deferred taxes within that rate case. And we will continue to do so as we make our prospective filings. Now what may end up happening in our prospective filings is some of the pass back of deferred taxes that were embedded within the filing may get swapped out compared to some of the excess taxes that we will ultimately pass back to customers. So part of the -- I guess I would say the --

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as we step through the next steps of this rate case, we will have overlaid on top of it the BPU order to provide back the tax rate change, which was in our base rate case. So we will adjust the base rate case in our next filing to adjust for the fact that a separate filing will be made by virtue of the BPU order outside of the rate case.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Okay. And then can you at all discuss what the retail contribution was in 2017?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

We don't break that out, Paul. It would have been very, very modest at this point.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

And I mean, can you give us maybe a metric, like how many megawatt hours did you sell?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

It was so small, I don't have the number. I just don't have that number. I don't think -- we've not broken that out. We were really -- what I can tell you is how many people we were hiring to get going, but not in megawatts we sold.

Paul Basch Michael Fremont - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

So when would be sort of the first year that you would expect any type of material contribution out of that business?

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

Depends on your definition of material, really. I mean, we don't break out a lot of the sub numbers in Power. We don't do power plant by power plant. We don't give you gas versus electric. So I don't think you should expect us to break out something that is purely an organically grown defensive mechanism -- obviously, changes in revenue recognition portrayals in the SEC documents that may be a little bit more illuminating but...

Operator

And your final question comes from Ashar Khan of Verition Fund Management.

Ashar Khan

Can I just ask one question? Is that -- you kind of referred to it that the utility growth is a little bit muted this year, but then can we expect -- what the inference I got from your comments is that we make it up in '19 because of the back-end loaded nature of the rate case. That's my one question. And the second question I had was that you mentioned the 7% to 9% growth rate in the utility rate base. And that's the same number you mentioned at your Analyst Day, but now you also mention that you have an additional $1 billion of rate base because of the tax reform. Is that $1 billion rate base included in that 7% to 9% or no? Just a clarification on those 2 issues.

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Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Yes. I think the way to think about it is that we jump off as we do every year from a higher base by virtue of the prior year's investment in rate base. So as rate base steps up, the ability to grow at the same rate kind of presupposes a incremental increase to rate base from a pure dollar amount. And if you take a look at the incremental rate base by virtue of the lower deferred taxes, and if you take a look at the bump up in the starting point year-over-year, it's a bit of an offset. So I think that's the -- if you think about us going from 7% to 9% on a lower base to 7% to 9% on a higher base, basically, it's tougher to do, but some of the deferred tax impacts of tax reform provides that offset and leave us at comparably the same place.

Ashar Khan

Okay. And what base are you using? Can you just mention?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

End of '17.

Ashar Khan

End of '17. Do you...

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

Right.

Ashar Khan

Okay. And then on the utility earning question?

Daniel J. Cregg - *Public Service Enterprise Group Incorporated - CFO and EVP*

I think it's essentially what we referenced before. If we have incremental spend that Ralph referenced from both GSMP and Energy Strong and that was going to roll into the rate case, and we have rates that come in towards the end of the year, you would anticipate seeing maybe a little bit of a modest shave off of rate of growth. What comes in 2019, we'll end up giving you the details on it this time next year from the standpoint of total '19 earnings guidance.

Ralph Izzo - *Public Service Enterprise Group Incorporated - Chairman, CEO and President*

So I guess that was our last question. Thank you, all. Dan and Kathleen will be on the road, hopefully, seeing many of you next week. Three of us will be on the road a couple of weeks after that. Maybe we'll see many of you then. One thing that's a little different this year, you may have noticed that we moved our analyst and investor conference to June. Please read nothing into that other than bad scheduling on my part that required some coordination of family calendars and business calendars. But nonetheless, I think we have some good things to talk to you about. And we'll know a lot more then about the New Jersey nuclear situation. We'll know a lot more about RPM, comments will be in the FERC from PJM and other folks. And so I think we have a lot of opportunities ahead of us in the next few months. With that, thank you for participating in the call, and we look forward to seeing you soon. Take care.

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Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect, and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-10-31
Event Description: Q3 2017 Earnings Call

Market Cap: 25,053.98
Current PX: 49.51
YTD Change($): +5.63
YTD Change(%): +12.830

Bloomberg Estimates - EPS
Current Quarter: 0.554
Current Year: 2.916
Bloomberg Estimates - Sales
Current Quarter: 2540.200
Current Year: 9545.300

Q3 2017 Earnings Call

Company Participants

- Kathleen Lally, Investor Relation
- Ralph Izzo, Chief Executive Officer
- Daniel Cregg, Chief Financial Officer
- Unidentified Participant

Other Participants

- Julien Smith, Analyst
- Praful Mehta, Analyst
- Kevin Hogan, Analyst
- Christopher Turnure, Analyst
- Travis Miller, Analyst
- Paul Patterson, Analyst
- Michael Lapides, Analyst
- Jonathan Arnold, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Shelbie and I'll be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2017 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. (Operator Instructions)

As a reminder, this conference is being recorded Tuesday, October 31, 2017, and will be available for telephone replay beginning at 1:00 PM Eastern Time today until 11:30 PM Eastern Time November 7, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen Lally, Investor Relation

Thank you, Shelbie. Good morning. Thank you for participating in PSEG's call this morning. As you are aware, we released our third quarter 2017 earnings statements earlier today. The release and attachments as mentioned are posted on our website at www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended September 30, 2017, is expected to be filed today.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, unless required to do so.

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Our release also contains certain non-GAAP operating information. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations, and for a reconciliation of our non-GAAP operating information to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group; and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo, Chief Executive Officer

Thank you, Kathleen, and thank you, everyone for joining us today. PSEG reported results for the third quarter having executed well on major operational and policy initiatives. Despite the impact of abnormally cool weather on sales and earnings, we remain within our non-GAAP operating earnings guidance for the full year of $2.80 to $3 per share.

Earlier this morning, we reported net income for the quarter of $0.78 per share. Non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share, compared with net income of $0.64 per share and non-GAAP operating earnings for the third quarter of 2016 of $0.88 per share. For the nine-month period, non-GAAP operating earnings were $2.36 per share, which is the same as non-GAAP operating earnings for 2016's first nine months.

Slides five and six contain the detail on the results for the quarter and the nine months. At PSE&G, earnings per share declined $0.01 per share from the prior year comparable quarter. The results for the third quarter were affected by cooler than normal weather, which reduced demand for electricity from air conditioning. The weather comparisons to last year are stark. For instance, the measure of average temperature and humidity was 27% below the year-ago quarter and the number of hours at temperature equal to or greater than 90 degrees was 69% below the year-ago quarter.

PSE&G's expanded investment in transmission and distribution continue to benefit customers and had a favorable impact on PSE&G's earnings. PSE&G's rate base is forecasted to grow 12% in 2017, reaching $17 billion. The forecast is based on a continuation of PSE&G's investment program to upgrade its transmission and distribution infrastructure. The upgrades will entail full year capital expenditures of approximately $3.1 billion. This figure is slightly less than our original budget of 3.4 billion and it's the result of some projects being moved to 2018 and improved efficiency related to the cost of other projects.

Based on further development of our various investment programs, we are increasingly comfortable with PSE&G's ability to achieve growth in rate base at the upper end of our forecast of 7% to 9% per year for the five-year period ending in 2021. Our updated forecast assumes reasonable reception by the New Jersey Board of Public Utilities to PSE&G's proposal to invest $540 million per year over five years to accelerate the pace of replacement of aging cast iron and unprotected steel mains and their associated services. Approval would support expansion and extension of the work currently being performed under the gas system modernization program. This filing was made in July and we expect the BPU to take action during the first half of 2018.

We also intend to request the multi-year extension of Energy Strong in the near term. PSE&G is in the final stages of work previously approved as part of Energy Strong to strengthen and harden infrastructure damaged during Hurricane Irene and Superstorm Sandy. The extension will address the remaining electric substations that need to be raised or protected in addition to other much needed work that enhances the resiliency of our system and reduces the risk of outages. That request similar to GSMP2 will be consistent with the BPU's draft regulation supporting multi-year capital investments under its infrastructure investment program. If the draft regulations are approved as we expect before year-end, utilities will be able to proceed with five-year investment programs that will allow more certainty in staffing and planning of work.

Now I want to bring you up to date on PSE&G's distribution base rate proceeding. As you may be aware following discussions with BPU Staff and Rate Counsel and as approved by the BPU at its October 20th meeting, the deadline for filing our distribution rate case was deferred from November 1st to no later than December 1st of this year. The change in the filing date is simply an administrative procedural matter. We will now be providing the BPU with three months

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of actual data and nine months of forecast data for the same test year that will end on June 30th 2018.

The review of PSE&G's distribution rates, which is expected to result in a modest change in revenue, is primarily driven by the need to recover investments made outside of clause mechanisms since the last rate case, to recover storm costs and to allow PSE&G to reset assumptions for growth in sales and O&M. As part of the filing, PSE&G will also be seeking approval to decouple electric and gas distribution revenue from sales volumes and demand, which would support larger scale energy efficiency investments. We believe that with the right regulatory policies, the state's utilities can provide the energy infrastructure that meets customer requirements and creates a stronger and more efficient New Jersey.

Now let me turn to PSEG Power. At PSEG Power, non-GAAP operating earnings declined by 9% to $0.31 per share from the prior-year comparable quarter. A lower average price on energy hedges was partially offset by Power's continued efforts to lower its costs and Power's favorable gas supply position. PSEG Power also made progress on construction activities related to its three new natural gas combined cycle generation stations.

The new stations will add 1,800 megawatts of efficient capacity over 2018 and 2019, and represent a reconfiguration of Power's merchant fleet that will improve its efficiency and competitive position in the market.

The design of the wholesale energy market and whether current policies provide adequate recognition of the cost for generation to be available is getting the attention it needs. The Department of Energy issued a notice of proposed rulemaking at the end of September regarding the need to properly value base load generation with robust onsite fuel characteristics. We hope their interest in this important issue will jumpstart efforts by the Federal Energy Regulatory Commission to implement improvements in the market. It is encouraging to see that FERC has acted quickly. To meet the DOE's 60-day requirement for a response, FERC requested comments on the DOE NOPR to be filed by October 23rd with reply comments due on November 7th. A response by the FERC to the DOE NOPR is anticipated by December 11th of this year.

PSEG filed comments in support of DOE's initiative to immediately address the erosion occurring and the resiliency of our electric grid due to the risk of premature retirements of base load generation, and the subsequent trend towards greatly reduced fuel diversity. We believe that the DOE NOPR is necessary to address the challenges facing distressed yet valuable resources such as nuclear in the absence of a market solution that recognizes the attributes of fuel diversity and resilience. We recommend that measures adopted in response to the DOE NOPR should be viewed as interim until effective mechanisms can be developed that recognize these attributes in the market. The current market design distorts efficient outcomes due to the disharmony between price signals, public policies, and generation dispatch.

Implementing the DOE measure as an interim step would stabilize the earnings for qualified units until a comprehensive market-based solution can be integrated into RTO and ISO market designs. It is worth mentioning that a significant amount of generation that competes in the PJM market already falls under cost of service regulation. We believe that DOE NOPR also provides the necessary impetus to push for further action by FERC to address longstanding price formation reforms that would avoid some of the continued distortions of competitive market results that disadvantage base load resources.

The PJM energy price formation proposal should be evaluated as part of the comprehensive solution to the challenges facing base load units. As part of our response, we have requested that FERC promptly finalize the fast start pricing reforms and direct PJM through the commission's Federal Power Act Section 206 authority to submit its energy price formation proposal, especially as it pertains to inflexible units. Getting energy prices right is critical to ensuring that the correct signals are sent to incent efficient investment as well as market exit.

PSEG Power is making every effort to preserve its nuclear asset base, working in concert with the industry to identify means of improving operating efficiency without sacrificing safety, PSEG Power is on track in 2017 to reduce the all-in cost per megawatt hour of its nuclear operations by 10% from the average cost experienced during the prior three years. But energy prices influenced by the availability of natural gas have declined by a greater degree during this time frame.

State action also remains critical to prevent the loss of these units. We believe state action can be done in a way that both maintains the integrity of the wholesale market and serves as a bridge until a regional or federal solution is in

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place. A strong legal foundation has been established for state action to preserve generating assets critical to meeting a state's emission related goals and to maintain the benefits to the state's economy that comes with the safe, reliable operation of nuclear power.

Successful execution of PSEG's key policy and regulatory initiatives would assure the company's ability to provide customers with the service, reliability and resiliency that they have come to expect, that is also affordable. Successful execution of our key policy and regulatory initiatives would also provide our shareholders with greater assurance of PSEG's ability to meet our objectives for returns and growth.

With that, I'll turn the call over to Dan to discuss our financials in greater detail.

Daniel Cregg, Chief Financial Officer

Thank you, Ralph, and thanks everyone for joining us today. As Ralph said, PSEG reported net income for the third quarter of 2017, of $0.78 per share versus net income of $0.64 per share in last year's third quarter. Non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share versus non-GAAP operating earnings of $0.88 per share in last year's third quarter.

The reconciliation of non-GAAP operating earnings to net income for the quarter and nine months can be found on slides five and six. We've also provided you with a waterfall chart on slide 11, that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on slide 13 provides you with the changes in non-GAAP operating earnings by major business on a year-to-date basis. I'll now review each company in more detail.

Starting with PSE&G. PSE&G reported net income of $0.49 per share for the third quarter of 2017 compared with $0.50 per share for the third quarter of 2016. Results for the quarter are shown on slide 15. Net income growth in the third quarter associated with PSE&G's expanded investment in transmission and electric and gas distribution facilities was offset by the impact on sales of weather conditions which were substantially cooler than experienced in the year ago quarter and cooler than normal.

Returns on PSE&G's expanded investment in transmission added $0.04 per share to net income in the quarter. Incremental revenue associated with the recovery of PSE&G's Energy Strong investment infrastructure program, which added $0.02 per share to net income was offset by a decline in weather normalized electric sales and in electric demand related revenues. Demand-related revenues were impacted by the significantly lower peak temperature hours, which as Ralph mentioned were 69% lower than the year-ago quarter and 47% below normal.

Net income comparisons were also hurt weather conditions, which were approximately 27% cooler than conditions experienced during 2016 in the third quarter and 5% cooler than normal. Electric sales, as a result of the cooler summer weather, declined 8.3% in the quarter. The decline was led by an approximate 14% decline in sales to residential customers. On a trailing 12-month basis, weather normalized electric sales were flat year-over-year and gas sales on a similar basis increased 1.5%, led by the commercial sector. The decline in electric residential sales reduced third quarter net income comparisons by $0.03 per share. An increase in depreciation expense of $0.01 per share associated with PSE&G's expanded capital base was offset by a decline in O&M expense. An absence of tax credits available in the year-ago quarter and other items reduced net income comparisons in the third quarter by $0.02 per share.

PSE&G's five-year capital investment plan includes approximately 6 billion to upgrade and expand transmission related facilities and investment. PSE&G filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission in October of 2017 and the update, which reflects an increase in the level of PSE&G's investment in transmission and a true-up of prior year results, provides for a $212 million increase in annual transmission revenues effective January 1st of 2018.

PSE&G under Energy Strong and the clause mechanism therein adjust electric rates two times per year in March and September and gas rates are adjusted each year in September. Under the clause mechanism for the gas system modernization program, PSE&G adjusts gas rates in January of each year to reflect the investment made during the

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prior year. The combined annual revenue increase for the full year in 2017 for these two programs is forecasted to be approximately $56 million.

As Ralph mentioned, PSE&G has agreed to delay the filing of its distribution rate case by one month to no later than December 1st of 2017. This filing as you recall was agreed to as part of the Energy Strong settlement and provides the opportunity for PSE&G to recover capital investments made outside of existing clause mechanisms and update for other factors such as storm costs and changes in sales growth in O&M. The distribution base rate filing will be based on a test year ending June 2018 and a 10.3% return on equity and provide for a mid-single-digit increase in revenues, still leaving overall rates below the level coming out of our last distribution base rate case in 2010. The one month delay in the filing hasn't changed any of the economics associated with the request as the test year is unchanged, but allows one incremental month of actual results to be included in the filing.

PSE&G invested approximately $2.1 billion for the nine months ended September 30th and electric and gas distribution and transmission capital projects designed to provide more reliable safe and resilient service to it's 2.2 million customers. For the year, PSE&G currently expects to invest 3.1 billion on upgrading it's infrastructure. And this is slightly lower than the 3.4 billion we originally forecast for 2017. A delay in timing on some projects and greater cost related efficiencies on others are the primary reasons for the decline in the forecasted spending for the full year.

As Ralph mentioned, as a result of identifying incremental investments, we now expect PSE&G's investment program for the five years ended 2021 will provide growth in rate base off 2016 year-end amounts at the upper end of our 7% to 9% per year growth rate. This is driven by incremental investments in our GSMP2 filing relative to what is reflected in our base capital plan and a planned expansion of our Energy Strong filing. These important initiatives build confidence in PSE&G's ability to extend it's growth beyond the end of this decade. For 2017, we are maintaining our forecast of PSE&G's net income at $945 million to $985 million.

Now let's turn to Power. PSEG Power reported net income of 136 million or $0.27 per share for the third quarter of 2017, compared with net income of 139 million or $0.27 per share for the year-ago quarter. Non-GAAP operating earnings were $0.31 per share for the third quarter of 2017 compared to non-GAAP operating earnings for the third quarter of 2016 of $0.34 per share. Non-GAAP adjusted EBITDA for the third quarter of 2017 was 356 million versus non-GAAP operating EBITDA for 2016 of 387 million. Our non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure as well as income tax expense, interest expense and depreciation and amortization.

The earnings release and slide 19 provide you with detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. And we've also provided you with more detail on generation for the quarter and the first nine months of the year on slide 20 and 21. Power's net income in the third quarter was impacted by a decline in average energy hedge prices and the effect of cooler than normal weather on demand and output, which offset a decline in operating and maintenance expense.

During the quarter, non-GAAP operating earnings comparisons increased $0.01 per share, as a result of higher capacity prices in New England and PJM. This increase in capacity prices occurred on June 1st of 2017 and will run through May 31st of 2018. Lower average prices on energy hedges and a decline in market prices combined to reduce non-GAAP operating earnings comparisons by $0.05 per share. A 6% decline in output associated with the impact of cooler than normal weather on demand reduced non-GAAP operating earnings comparisons by an additional $0.02 per share.

Power's focus on improving operational efficiencies helped mitigate the impact of the decline in energy prices. The June 1st 2017 retirement of the Hudson and Mercer coal stations and a decline in nuclear plant related O&M improved non-GAAP operating earnings by $0.02 per share and a decline in depreciation expense associated with the retirement of Hudson and Mercer combined with a decline in interest expense and taxes improved non-GAAP operating earnings comparisons by $0.01 per share.

Now let's turn to Power's operations. Output of Power's generating stations declined 6% in the quarter. The nuclear fleet's output increased 20% in the third quarter to 8.2 terawatt hours as the fleet's capacity factor improved to 96%

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SI-SSA-0015-14916

from 80%. The quarter-over-quarter improvement was due to strong performance at Hope Creek, which operated at an average capacity factor of 98.4% and the absence of an extended refueling outage and repairs at the Salem Station in the year-ago quarter, which addressed the repair and replacement of baffle bolts at Salem 1 and repair of a transformer at Salem 2.

The nuclear fleet's performance for the third quarter brought the capacity factor for the nine months ended September 30th to 95%. As mentioned, cooler than normal weather limited energy pricing, peak demand requirements, and utilization of the gas-fired combined cycle and peaking fleet. Power's combined cycle fleet experienced a 29% decline in output to 3.7 terawatt hours, while an increase in the price of gas improved the competitive position of the base load coal fleet.

As we indicated earlier this year, average hedge prices during the second, third and fourth quarters of the year were expected to decline by less than what we experienced in the first quarter and by less than the average decline of $5 per megawatt hour we anticipated for the full year. This reflects the absence of weather related risk premium during the winter months that was experienced in prior years. Gas prices improved in the third quarter, but since power prices didn't move in conjunction with gas, spark spreads declined relative to year-ago levels.

Power's realized spark spreads held up better than the market declining $1 per megawatt hour quarter-over-quarter given its beneficial gas supply position. And Power's beneficial gas supply position also held gross margins in the quarter to a decline of a $1.50 per megawatt hour to $40 per megawatt hour. Power continues to forecast output for 2017 of 49 terawatt hours to 50 terawatt hours, approximately 86% of production for the remainder of the year of approximately 11 terawatt hours. It's hedged at an average price for $45 per megawatt hour.

Power has hedged approximately 70% to 75% of 2018's forecast output of 52 terawatt hours to 54 terawatt hours at an average price of $41 per megawatt hour. And for 2019, Power has hedged 30% to 35% forecast output of 58 terawatt hours to 60 terawatt hours at an average price of $39 per megawatt hour. The average price for energy hedge in 2019 is $2 per megawatt hour lower than our prior forecast and the reduction reflects a decline in market prices. The forecast of output for 2018 and 2019 remains unchanged from prior estimates.

The forecast increase in output in both 2018 and '19 reflects the commercial startup in mid '18 of 1,300 megawatts of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and at Sewaren in New Jersey. And the forecast increase is also supported by the commercial start-up in mid 2019 of the 485 megawatt gas-fired combined cycle facility in Bridgeport Harbor, Connecticut. Our forecast Power's full-year 2017 non-GAAP operating earnings remains unchanged at $435 million to $510 million. The forecast represents non-GAAP adjusted EBITDA of $1.80 billion [ph] to $1.210 billion.

Now let me turn briefly to PSEG Enterprise and Other, which reported net income of $0.02 per share for the third quarter of 2017 compared with a net loss of $0.13 per share for the third quarter of 2016. Results for the third quarter of 2016 were impacted by the impairment of the REMA leases. Non-GAAP operating earnings for the third quarter of 2017 were $0.02 per share compared with non-GAAP operating earnings of $0.04 per share for the third quarter of 2016. The decrease in non-GAAP operating earnings quarter-over-quarter reflects the absence of certain tax items recognized in the third quarter of 2016 as well as higher interest expense at the parent. And the forecast for Enterprise and Other for the full year of 2017 non-GAAP operating earnings remains unchanged at $35 million.

PSEG also closed the quarter ended September of 2017 with $287 million of cash on its balance sheet and with debt at the end of the quarter representing approximately 49% of consolidated capital. PSEG power had debt at the end of the quarter representing 31% of capital. And as Ralph mentioned, we are maintaining our guidance for 2017 non-GAAP operating earnings of $2.80 to $3 per share.

And Shelby, we are now ready to take questions.

Questions And Answers

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Bloomberg
SI-SSA-0015-14917

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. (Operator Instructions) Your first question comes from Julien Smith from Bank of America Merrill Lynch.

Julien Smith, Analyst

Hey. Good morning.

Ralph Izzo, Chief Executive Officer

Hi, Julien. Welcome back to the fray.

Julien Smith, Analyst

Thank you so much. I appreciate it. So perhaps just to kick it off a little bit here on the New Jersey and some of the background of the politics there, I'd be curious. One, do you think there's potential for reform in New Jersey just given what's already going on at the FERC level? And then secondly, in that same vein of thinking, how do you think about the potential for a more comprehensive review of energy next (inaudible) you see there is some considerations with respect to solar in addition to the nuclear issues that you addressed as well as just your ongoing utility spend in the extension and expansion of those programs, so to the extent to which that legislation might be a fix for all would be curious, how that might be shaping up?

Ralph Izzo, Chief Executive Officer

Sure, Julien. Yeah, I do think that depending on what happens at the federal level, there remains the opportunity for our New Jersey to recognize certain attributes that perhaps are not explicitly identified at the federal level. To the extent that the federal level does recognize the same attributes, then you would not have redundant programs. So an example of that might be, you could have price formation, improvements at the federal level just to make the market more efficient sort of along the lines of what PJM has talked about with flexible units.

And that doesn't do anything explicitly for fuel diversity or resiliency and therefore New Jersey could have an overlay on top of that. Similarly, fuel diversity versus carbon would be mutually exclusive. But if both jurisdictions recognize carbon, then you would not have two programs overlapping each other. Those are just those types of examples I would think about in terms of state and federal programs being complementary versus redundant.

To your second question, whenever you have a change in administration and as you implied the Governor Christie is term limited now finishing his second term. There is a desire on the part of the new incoming administration to establish themselves in various ways, it could be environmental, it could be the economy, it could be education, and both candidates have talked about their desire to look at things a little bit differently when it comes to energy policy, discussions about REGI and green energy targets. And we absolutely, as we've done for 110 years, we absolutely will work with the incoming administration to understand their policy objectives and inform them as the implications both positive and negative whatever wants to be done, because as we know things cost money to do. But if the benefits outweigh the costs, then we're eager to help them pursue it. So yes, we will work closely with whoever the new Governor is to help them formulate and execute their energy policy.

Lastly, I think you're correct in your -- if I could say implicit remark that ongoing investment in infrastructure is something that no matter who comes into office will probably be supportive of and I do think that's correct. There is a widespread recognition on the part of regulators and policy makers that we have an aging infrastructure that's not perfectly suited for the growing dependency that people have on electricity now-a-days and the improvements we're

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SI-SSA-0015-14918

making will certainly continue to propose them and I think we'll be well received.

Julien Smith, Analyst

Excellent. Thank you for that. Just a follow-up again, congratulations on moving higher within your range here at the top end on the rate base side. Can you talk about reconciling that against earnings and some of the key factors that might be relevant in the current rate case and/or through the current period just an attempt to reconcile the rate base trajectory against kind of hitting the upper end of that earnings, perhaps items might include like an authorized equity ratio or other deferred items in the context of this case that we should be paying attention to, once it's filed?

Ralph Izzo, Chief Executive Officer

Yeah, so our last base rate case was in 2010 and we've done a very good job of controlling O&M expense. But circumstances have conspired against us by having complete absence of low growth over that time. So even a very good job of controlling O&M expense loses out to no load growth. We've also, as you know, had some of our clauses anticipate this rate case, so we had some unrecovered CapEx. And then we had some modest investment levels above depreciation that served to build the rate base to levels that were not commensurate what was in the 2010 rate case. That's a really long winded way of saying we need some rate relief, but we've managed our overall portfolio well enough that we are describing this is kind of middle single-digit type of rate increase, which will be far below the compounding of CPI over the last seven years that one might otherwise would have expected. So I think it will be something that is easily explained.

Now, the 7% to 9% CAGR in rate base is more prospective conversation. My last three minutes was really looking in the rearview mirror, but now as I look at the windshield basically, we have -- as you know in our 7% number programs that were wholly approved. Then the 7% to 9% number anticipated some fairly high degree of confidence in some program extensions. And I think what you're hearing in our voices today is that confidence has grown, as we've been able to put our engineers to work and understand some of the parts of the system both gas and electric that needs strengthening. So as you think ahead to earnings, as you know, we don't forecast earnings beyond the current year, the three levers you have in the regulated utility are earnings grow with load, I think, Kathleen, again, we're seeing 0.4%, 0.5%. Is that forecasted?

Kathleen Lally, Investor Relation

Within the last 12, that's about right. Yeah.

Ralph Izzo, Chief Executive Officer

And, then you subtract from that O&M, we've been pretty good at controlling that. And you add to that the clauses that we expect to get recovery of. So it's two additions and one subtraction and you'll get pretty close to what utility should look like in the coming five years.

Julien Smith, Analyst

Got it. So let me just make sure I mean what I'm hearing you say is, it shouldn't be all that different notwithstanding any kind of uncertainties with respect to the case.

Ralph Izzo, Chief Executive Officer

final
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Bloomberg
SI-SSA-0015-14919

Yeah, I think that's correct. Within the limitation of, as you know, we don't smooth for pension, so some massive change in pension funding, which we don't expect, we're 92% funded right now, but the equity ratio could be adjusted in the case. We're probably going to ask for scouch more, a better word -- a bit more than we used to have in the past. So it's a yeah, the case could set a new base from which that upper end of the 7% to 9% can grow.

Julien Smith, Analyst

Excellent. All right, I'll leave it there. Thank you all very much. Good luck.

Ralph Izzo, Chief Executive Officer

Thanks, Julien.

Operator

Our next question comes from Praful Mehta of Citigroup.

Praful Mehta, Analyst

Thanks so much. Hi, guys.

Ralph Izzo, Chief Executive Officer

Hi, Praful.

Praful Mehta, Analyst

So, I got the point on the (inaudible) and the DOE being mutually exclusive. Just wanted to understand given Ralph your initial comments on the DOE initiative. How do you see it playing out, like do you see it as $1 per megawatt, $1 per megawatt hour. How do you see that actually playing out and do you see that how much in terms of benefit you expect for your facilities?

Ralph Izzo, Chief Executive Officer

So of course, I wish I could answer that definitively, but let me answer it with the way which we proposed that it be played out, which may or may not have any bearing with what actually happens. In our comments, we basically said, first of all, bringing PJM in under Section 206 to do what PJM says needs to be done, is a no brainer. So the inflexible unit treatment, the fast start reforms that is long overdue and needs to be done and that is the easy part. Others have estimated that could be anywhere from $2 megawatt hour to $4 per megawatt hour, others have estimated that.

Secondly, as it specifically pertains to the DOE recommendation put forth in a NOPR, we have pointed out that there is a substantial portion of PJM that is competitively positioned in the market, but yet receives cost of service rates from their state regulators. And on an interim basis that can be replicated at the federal level through a version of RMR type reliability must run type contracts for the units that are at risk of premature retirement. And that would be an interim solution until one comes up with a market-based solution that values the diversity associated with these different fuel types. We had proposed one method that relates to tranching of the capacity markets, others have proposed methods that relate to scarcity pricing in energy markets for different fuels, but that permanent solution will involve a longer

final
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Bloomberg
SI-SSA-0015-14920

discussion with affected stakeholders.

So really, it's three steps, there is plenty of evidence already that fast start and inflexible unit price formation needs to be fixed now and can happen now. An interim solution for at risk premature retirement using a cost to service methodology can be put in place very easily. And then the longer term market-based solution, there are known solutions and options that people can pursue, but a more fulsome discussion would not be inappropriate in that regard.

Praful Mehta, Analyst

Got you. That's very helpful color, Ralph. And secondly, in terms of long-term views, I know you've talked about long-term the generation business probably not being a part of the consolidated business over the long term. Now given what's happening with the IPP space and either companies going public or shrinking given the mergers, how do you see that playing out? Do you see -- has that changed in any way? Do you now see PEG power being more part of the business going forward or has that view on separation still hold at this point?

Ralph Izzo, Chief Executive Officer

No, the view still holds, but I think it's pretty obvious to us at least that right now in the short term with all of the conversations taking place at FERC, at DOE, at the state with new entrants being formed and anticipating the Vistra-Dynegy combination with old entrants exiting in terms of public markets anticipating the Calpine going private. I think it's a -- this is a good time to just sort of wait and let something settle out a bit, right? So we're in great shape. Power is a cash generator, earnings producer. In about 15 months, Power will be healthy free cash flow generator.

The utility has an insatiable appetite for that cash. So, we're not in any hurry during this period of tremendous -- yeah, we'll change -- all healthy, all very healthy given the dialogues taking place at FERC and given the dialogue taking place in the state to let it kind of play out while we enjoy the benefits of the two companies being together. That doesn't change the fact that we continually assess our strategic flexibility going forward on whether these two businesses belong together or not. And I stand by my prior belief that I think over the long term, they do diverge.

Kathleen Lally, Investor Relation

Praful, and just to be clear that time of change is what a two- to three-year period, while all of this kind of settles down, you see it--

Ralph Izzo, Chief Executive Officer

Yeah. I did make that mistake about three or four years ago. And I may not be the smartest person in the world, but I do learn from those mistakes. I am not going to give you a time frame. Nice try therefore.

Praful Mehta, Analyst

All right. Thanks, guys.

Ralph Izzo, Chief Executive Officer

Kathleen started like choking me. So my voice broke a little bit, that's the reason.

final
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SI-SSA-0015-14921

Praful Mehta, Analyst

Thank you, guys.

Operator

Your next question comes from Greg Gordon of Evercore ISI.

Kevin Hogan, Analyst

Hey, it is Kevin [ph] here. Good morning.

Ralph Izzo, Chief Executive Officer

Good morning.

Kevin Hogan, Analyst

I just wanted to see if you could quantify the uplift in PJM price reform as it's currently being contemplated.

Ralph Izzo, Chief Executive Officer

So Kevin, what we quoted is what other sources have talked about. If you just take Dan's comments about 55 terawatt hours every $1 worth $55 million pre-tax. So if it's $2 to $4 I just thrown three if statements in there. So please be aware of that, you come up with the impact on us. Dan, did you want to add some color to that?

Daniel Cregg, Chief Financial Officer

I mean, I think that's right. I think there's been an awful lot of people that have put out some numbers on it. They've actually coalesced around that range pretty tightly. So we'll see as these different initiatives get done, what it ends up looking like, but I think that seems to be a reasonable place a lot of (inaudible) happened. Now, we think it's a pretty reasonable, as well Kevin.

Kevin Hogan, Analyst

Okay. So now, how would that impact your hedging, would you like hedge less or stop hedging '19, if you start to see progress or how would you think about that?

Ralph Izzo, Chief Executive Officer

So we have constantly disciplined ourselves to staying within a certain range in terms of how much we hedge. We have various parameters, gross margin at risk standard of VAR calculations. We do allow our ER&T folks, our trading organization to float high and low in that range depending upon what's going on. To the extent that the whole market anticipates price formation, you should start seeing that in the forward price curve and therefore our hedging approach would stay the same.

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Bloomberg
SI-SSA-0015-14922

We do challenge ourselves if we think the market is missing something to make darn sure, that we can figure out why the market would be missing it before we would push one boundary or another. But in general, we will run the place the way we always have, which is to not assume we're smarter than the market and to just stay within those limits. But again those limits are range and we do let our folks have some flexibility within that range.

Kevin Hogan, Analyst

Okay, great. Thanks a lot.

Operator

(Operator Instructions) Your next question comes from Christopher Turnure of JPMorgan.

Christopher Turnure, Analyst

Good morning, guys. I wanted to get, maybe a little bit more detail on the rate case, the test year, and in particular kind of the true-up and what's included in that? I guess that would kind of be a third quarter event after the test year ends on June 30th. But I'm just trying to get a sense as to on how next year will shape up there and what the rate case will ultimately include in terms of timing coming out of the gate?

Ralph Izzo, Chief Executive Officer

Yeah so Chris, so we had originally planned to file November 1 per the agreement we made back in May of 2014 coming out of Energy Strong. There was widespread recognition that, that would be a two in ten and there was preference for three months of actuals and nine months of forecast as opposed to two months of actuals and ten months of forecast and that was the primary driver behind the one month delay, if you will. So there is no, nothing mystical or profound going on there. So the test year still ends in June of '18. As I've mentioned before, we're expecting a mid-single digit requested increase that we'll still keep rates below where they were in 2010 when we had our last base rate case.

And remember, we have $250 million of GSMP stipulated rate base that was not covered by GSMP. We have about $100 million of Energy Strong above the $1 billion that was in the clause. And we have storm recovery cost that's I think $200 million something that was deemed prudent, but hasn't been returned to us yet. We have some new business that added to the CapEx. And candidly, we had some additional capital that was above depreciation levels that accumulated over the course of the years. So we would anticipate rates going into effect October, November of next year. And I don't want to front run the filing. We owe it to the Board staff to let them be the first ones to read the details, but, Dan if you want to add any color?

Daniel Cregg, Chief Financial Officer

Yeah. Just one thing, Chris. It sounded like your question was implying there would be a rate case and then there would be a true-up afterwards. And the way that we described the rate case is basically it is a trueing up of a host of the things that Ralph's just talked about. So we will come out of the rate case with the rates that are set within that case. And historically, we've seen a settlement in these cases in the state and that may well be where it ends up going, but we'll see.

We would look for rates next fall. Usually, these have taken about a year and we would hope to anticipate that we could get rates maybe in like the October range. But it's a little different than our transmission formula rate which is filed those rates going into effect for the following year. And then there is a separate true-up that happens the year after that.

final
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So just for clarity sake, there is no true-up after the rate case. Rate case itself will true up our distribution rates and we would anticipate the new rates would be in effect say October of next year.

Ralph Izzo, Chief Executive Officer

And just for -- I think most of you know this, but our rate base is roughly half transmission and half distribution right now. So tiny bit more distribution.

Christopher Turnure, Analyst

Okay. That was all very helpful context, and everything, but that's kind of what I was driving out there towards the end Dan. And just that the distribution rate case itself would have a nine-month forecasted test year, but that itself would never be trued up during the rate case process.

Daniel Cregg, Chief Financial Officer

Yeah. So the nine months, it will be a 12 year -- 12-month test year. And it will start with three months of actuals and nine months of forecast and then as we step through we will update those as we go forward.

Christopher Turnure, Analyst

Okay. So you would have some update --

Daniel Cregg, Chief Financial Officer

Yeah.

Christopher Turnure, Analyst

On O&M or little bit something during the process?

Daniel Cregg, Chief Financial Officer

Yeah.

Christopher Turnure, Analyst

Okay. Gotcha. And then just on the request for decoupling, can you help put that into context for me, just kind of understanding your motivation for that and maybe how you think it may or may not be perceived by interveners?

Ralph Izzo, Chief Executive Officer

Yeah, Chris. So we've had a series of energy efficiency filings approved for the past seven or so years. I think total amounted to about $400 million, most recently with $69 million this past summer. And we have basically worked around this issue of fixed cost recovery with the stakeholders in these processes. It's kept us from doing something in a much grander scale and we've simply decided that with the prospect of a new administration coming in and ongoing

final
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SI-SSA-0015-14924

indication that there are market imperfections that keep customers from investing in energy efficiency, despite the compelling economics of that, that we would like to do this in a much, much more significant way. But we're not going to do it and suffer fixed cost losses at the absence of recovery of fixed costs.

So given the tariff free design involved with decoupling, we thought well, since we're going in for rate case, now it's a good time to raise the issue and that's the motivation. The motivation really is not so much of this rate case, but the rate case is an opportunity to pave the way for significant energy efficiency proposals early next year.

Christopher Turnure, Analyst

Okay, great. Thanks, Ralph.

Operator

Our next question comes from Travis Miller of Morningstar, Inc.

Travis Miller, Analyst

Good morning. Thank you.

Ralph Izzo, Chief Executive Officer

Hi, Travis.

Daniel Cregg, Chief Financial Officer

Hi, Travis.

Travis Miller, Analyst

I was wondering if, we could boil down all of these power market tissues into two buckets, the price formation bucket and the fuel diversity bucket. How do you think about the next two to three years perhaps even more of capital investment based on what happens in either of those two buckets. So what happens to capital investment depending on the outcome of price formation? What happens to capital investment based on an outcome in fuel diversity?

Ralph Izzo, Chief Executive Officer

I can tell you what it means for us, Travis. We are not deploying additional capital into the power generation business. We have 1,800 megawatts of 6,000 to 6,500 [ph] heat rate power plants coming online and we're quite happy with that. At the risk of speaking for others, which is always going to be wrong, you know that PJM in particular and many other markets are in an oversupply situation and there has been reasonable demonstration of capital discipline in the most recent auctions that have taken place.

So I think that the supply-demand imbalance that exists is a separate issue that will continue to impart that capital discipline and the price formation issue is just the recognition that if you want to market to be efficient, then price should determine who runs and who doesn't and you can't keep having uplift payments and sidebar out of market payments guiding the dispatch of the system, which is what PJM has going on right now. Price is not the sole determinant of how the system is dispatched, then that's not a market, so that needs to be fixed. So two separate issues I

final
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guess , is what I'm saying.

Travis Miller, Analyst

Okay. And could I read into that, that you don't think there would be much capital investment in general across certainly the PJM region however this turns out?

Ralph Izzo, Chief Executive Officer

I think you could without question read into that, that's our point of view. Again, I don't want to -- I don't want to speak for others, but I know what our capital plans are. It's to finish these three projects and generate some healthy free cash flow for the utility.

Travis Miller, Analyst

Sure. Okay. All my other questions were asked and answered. Thank you.

Operator

Your next question comes from Paul Patterson of Glenrock Associates.

Paul Patterson, Analyst

I'm sorry. Can you hear me?

Ralph Izzo, Chief Executive Officer

Sure, Paul. Yeah we can.

Paul Patterson, Analyst

Sorry about that. So just to follow-up on Travis' question, what we often see with these market reforms is that others seem to deploy capital and I'm just wondering, when you see this $2 to $4 price increase in -- with price formation, or potentially seeing that, how long term do you think that would be? Or is the proposal, it's hard for me to really completely get my arms around it, is it such that you would still see locational marginal pricing being set by inflexible units even with new entry showing up in the gas-fired area, if you follow me? I mean, how should we think about sort of the sustainability of something like price formation, given what we've seen quite frankly with the capacity markets and other "market reforms" to change the price, if you follow me?

Ralph Izzo, Chief Executive Officer

All right. So Paul, I mean that's fair. I think that one has to realize that there are -- there is cyclicality in these markets that have different periodicity associated with them, right? The cyclicality in fuel prices, the cyclicality in boom bust cycles associated with oversupply and undersupply. The cyclicality in oversupply and undersupply is determined by power plants being built that is determined by pipelines being built. So to simply say that price formation will drive prices up $3 picking the midpoint in the range that Dan and I've talked about which we don't attest to, but simply quote

final
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Bloomberg
SI-SSA-0015-14926

from others.

And then automatically concluding that that's going to lead to people running their numbers and assuming that, that number stays there and, after, they'll build plants, could be a bit risky, right? I mean what does it mean for the timing of pipelines that may change the basis differential of gas in Western PJM versus Eastern PJM? What does it mean for future carbon constraints that may or may not be part of a subsequent administration in Washington? I think all of us want to -- some people on this call may want to go see their children in their Halloween parades, otherwise I'd list 1,000 other factors that should be going into people's thought process before making those kind of investment decisions.

Daniel Cregg, Chief Financial Officer

I think -- the price that you have on market that is working better by virtue of some of the changes that need to be made is going to get you to a better answer.

Paul Patterson, Analyst

Okay. And then, with respect to the DOE proposal, I know this is kind of sort of moonshot question, I guess maybe. I mean, how much assets should we think about as being potentially, if it were to be enacted for you guys, I mean, how should we think about what the potential impact might be there? I mean, how many units -- just how do we sort of quantify that if that were to -- I mean, I know it's kind of hard question maybe to answer, but I mean, how would you suggest we think about it?

Daniel Cregg, Chief Financial Officer

I think Paul the way I'll break it down is based upon how the DOE describe the eligibility so and one of the main ones is having 90 days of fuel onsite. And if you think about what that means, that means our nuclear facilities certainly and it means our small interest in Keystone and Conemaugh.

Paul Patterson, Analyst

So all those units would theoretically be able to get rate of return, rate base or what you're getting at the utility kind of thing?

Ralph Izzo, Chief Executive Officer

We will see where the -- ultimately where the NOPR goes with it, but certainly from an eligibility standpoint those are the units that would come to mind.

Paul Patterson, Analyst

Okay. And I guess, we don't have -- do we have like a -- what the asset, what the rate base number, would be, kind of, if you follow me, associate with that. Do you follow what I'm saying? I mean --

Ralph Izzo, Chief Executive Officer

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Yeah. I mean, but there is a little bit of data related to some of the nuclear facilities in the Q, but it's not on an asset-by-asset basis from a book value perspective.

Paul Patterson, Analyst

Okay. Well, I'll follow up afterwards. I mean I just was just wondering I was just curious if you had some sort of idea there, but I don't want to hold it up. Thank you so much. Have a great one.

Operator

(Operator Instructions) Your next question comes from Michael Lapides of Goldman Sachs.

Michael Lapides, Analyst

Hey, guys. A easy question on your 2017 CapEx guidance, the reduction of 300 million, can you give a little more detail about what's moving and does that get put back into a future year's CapEx and if so how far out in the future?

Daniel Cregg, Chief Financial Officer

Yeah, Michael. So it's always a bit of a split. I think we had referenced there were couple things that were going on related to the total some is frankly just doing some work more efficiently and I think there is the majority of that is on Energy Strong. You heard Ralph talk a little bit earlier about $1 billion going through the clause and about a $100 million that will await the rate case and you remember, it's about a $1.2 billion program.

So frankly, some of that work was done more efficiently and I think that's a great outcome and it's great for customers and we're pleased to be able to do it that way. And we had a little bit of the same on transmission, not a whole lot. And then the balance really is timing and the timing is not anything that's going to move dollars out three, four, five years. It's a just living '17 out into '18. So in the aggregate of -- you think of it maybe about half and half, half being just efficiencies that we've brought to the process and about half being some capital that will move into next year.

Michael Lapides, Analyst

So when you think about efficiencies, if I did half and half, do you think CapEx over the cycle by about 150 million and pushing out 150 million into the next year, is kind of that ballpark?

Daniel Cregg, Chief Financial Officer

Yeah. If you think about the 3.1 versus 3.4 [ph] that we talked about. That's about right, yeah.

Michael Lapides, Analyst

Okay.

Ralph Izzo, Chief Executive Officer

That trend towards the upper end of the rate base growth through 2021 includes all of that.

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Daniel Cregg, Chief Financial Officer

Right.

Michael Lapides, Analyst

Got it. Okay. And then one other, just thinking about transmission rate base growth and transmission capital needs and kind of how you're thinking about whether there is any lumpiness in some of what PJM is trying to plan around, given what's happened with the Con Ed wheel [ph] . How are you thinking about just whether there any lumpy or larger scale projects coming down the pike with transmission or is it all going to be just lots and lots and lots of kind of small and mid-sized ones?

Daniel Cregg, Chief Financial Officer

Yeah. It's more the latter than the former. I think if you had gone back three or four years, you would have found more bigger lumpier projects. A fair bit of what we are spending now is on 69 KV upgrades of 26 KV systems and that actually moves capital from the distribution area into transmission as it goes up in voltage. And those are smaller, now a lot of them are still sizable projects, but smaller than for instance the Susquehanna-Roseland type of project that we've talked about in the past. So there are more smaller projects as opposed to fewer larger projects that we've seen in the past that will move us forward.

And in fact, as we think about our 2018 revenue number that we talked about even within our prepared remarks, some of what you see there it's a step-up from what we have seen in some prior years. Even if you look back to last year, there's a pretty sizable step-up in the amount, some of that is incremental capital year-over-year in both the return on that capital and the depreciation, the return of that capital will contribute to some of that increase. But you may recall last year, part of the number that we had from a revenue increase was inclusive of a true-up and that true-up was related to bonus depreciation.

So a couple of years back, the bonus depreciation extension took place. I don't think it was December 31st, but it was awfully close to that and it was certainly after we had filed our October formula rate filing. So the impact of bonus depreciation in 2015 getting it approved, moved into 2016 after we had set our rates and a true-up in 2017 included the reduction in rate base for those excess deferred taxes for bonus depreciation. So on a year-over-year basis, you'll see a jump and a lot of that had to do with the fact that 2017 had a true-up reducing revenues for transmission related to that late enactment of bonus depreciation back in 2015.

Michael Lapides, Analyst

Got it, guys. Thank you, much appreciated. Maybe one last one, O&M at the utility has been very strong meaning you've reduced O&M this year, how much of that is just one-off stuff related to maybe storms in 2016 and how much of that is kind of active O&M management?

Daniel Cregg, Chief Financial Officer

It is the latter, it's active O&M management and we've kept O&M to a very manageable rate over frankly the last number of years and we would look to continue to do so going forward.

Michael Lapides, Analyst

Got it. Thanks, Dan. Much appreciated.

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SI-SSA-0015-14929

Daniel Cregg, Chief Financial Officer

Thanks, Michael.

Operator

Your next question comes from Jonathan Arnold of Deutsche Bank.

Jonathan Arnold, Analyst

Hi. Good morning, guys.

Ralph Izzo, Chief Executive Officer

Hi, Jonathan.

Jonathan Arnold, Analyst

So one on the hedging data, you mentioned that you've had a $2 downtick in the average price to 39 for 2019 and the hedge amount only ticked up by 5%. Can you just remind us, does that include an estimate of the pricing on the open position or is that just the average price on the hedge piece?

Daniel Cregg, Chief Financial Officer

It's the latter, Jonathan.

Jonathan Arnold, Analyst

Okay. So then I guess following from that between over the last four quarters it's ticked down from 43 to 39, the hedging has gone from 15 to 30, how do we kind of reconcile that math?

Daniel Cregg, Chief Financial Officer

I think if you take a look at what 2019 forwards look like over that period, you've been in $29, $30 rate. And what you're doing is you're pulling down from a BGS price in those out years which is exclusive of the capacity components but inclusive of the others. So it's not an unusual trend that we start in the out year of our three-year cycle, with BGS and then we layer on flat block hedges, as well as some other load deals in those flat block hedges tend to come in at lower prices in part because the curve has come down, but also because they're energy only hedges.

Jonathan Arnold, Analyst

Okay. So there is sort of those two things going on there. And then, but also the curve has sort of traded off in the quarter and then recovered a couple of dollars since, is it fair to say these were down in the heart of the third quarter or can you give us any sense there?

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Daniel Cregg, Chief Financial Officer

Yeah. During the quarter, since our last update.

Jonathan Arnold, Analyst

Okay. And then one other thing, just on the enterprises, in your guidance for '17, this 35 million number, is that still the right ballpark going forward?

Daniel Cregg, Chief Financial Officer

Yeah. That's right.

Jonathan Arnold, Analyst

Okay. I think that's it. Thank you.

Daniel Cregg, Chief Financial Officer

Excellent, thanks Jonathan.

Kathleen Lally, Investor Relation

I'm sorry, we have one more question. Otherwise, I know, we've gone over allotted hours' time, but I don't want to cut anybody off with significant question, so we'll allow one more question.

Operator

Okay. Your final question comes from Ashar Khan of (inaudible).

Unidentified Participant

Hi. How are you guys doing? Can I just ask you a rough -- can you just talk a little bit about the legislation, if when we should kind of expect it or what should we expect in the last two months starting tomorrow I guess, November starts works in? And then I just had a one more question from Cregg was that, could you remind us how much of the transmission increase went into effect on January 1 of this year? You said you were going to request something like 212 million right January 1 of 2018. Could you remind us what the amount was for January 1 of 2017?

Ralph Izzo, Chief Executive Officer

So Ashar, we are just in a series of conversations with people right now. We're just making sure they understand what our nuclear plants mean to New Jersey. And yes, it is true that if New Jersey were to build a safety net, so as to guarantee or assure the continued operation of those plants, it would have required legislation, but anything more than that will be premature to discuss, right? So just a lot of conversations that we're having with folks to say. If those plants weren't here, here's what happens. So and then we have, 2017 Dan?

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SI-SSA-0015-14931

Daniel Cregg, Chief Financial Officer

Yeah 2017 was 121 million and that was down off of the last couple years, which was 146 and 182, so it's moved around a fair bit, a lot of that is the bonus depreciation item that I talked about earlier.

Unidentified Participant

So from 121 we are not going to like 212 right, am I correct?

Daniel Cregg, Chief Financial Officer

That's right.

Unidentified Participant

Thank you so much.

Ralph Izzo, Chief Executive Officer

So just to summarize what hopefully you heard from me and Dan this morning, our power plant construction is on budget and on schedule, three power plants we hope to have online in June of next year and the subsequent June. We have a very healthy dialogue that we are active participants and going on underway on wholesale power market design and reform taking place at FERC, at DOE and at the state level. For the utility, we're now pointing toward the upper end of rate base growth that's 7% to 9% range. We're now thinking we'll be able to hit that upper end of the range between now and 2021.

We have a very busy, but a constructive regulatory agenda coming up for PSE&G, we have GSMP in play. We have a rate case, we'll have Energy Strong 2 in the near term and longer term some energy efficiency. And we're happy to go over all of that and then some with you at EEI next week, I know we have a full set of meeting set up and if you're not on the meeting schedule, I'm sure you can corner one of us in the hallway. They wouldn't let me say it at the beginning of the script, but I wish everybody have a happy Halloween now. And have a great holiday and a safe day. Thank you. We'll see you all next week.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-10-31
Event Description: Q3 2017 Earnings Call

Market Cap: 24,897.11
Current PX: 49.20
YTD Change($): +5.32
YTD Change(%): +12.124

Bloomberg Estimates - EPS
Current Quarter: 0.541
Current Year: 2.915
Bloomberg Estimates - Sales
Current Quarter: 2424.600
Current Year: 9576.000

Q3 2017 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Julien Dumoulin-Smith
- Praful Mehta
- Kevin Prior
- Christopher James Turnure
- Travis Miller
- Paul Patterson
- Michael Lapides
- Jonathan Philip Arnold
- Ashar Hasan Khan

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Shelby, and I'll be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2017 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session for members of the financial community. [Operator Instructions]

As a reminder, this conference is being recorded, Tuesday, October 31, 2017, and will be available for telephone replay beginning at 1:00 PM Eastern Time today until 11:30 PM Eastern Time, November 7, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Shelby. Good morning. Thank you, for participating in PSEG's call this morning. As you are aware, we released our third quarter 2017 earnings statement earlier today. The release and attachments as mentioned are posted on our website, at www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended September 30, 2017 is expected to be filed today.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, unless required to do so.

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Our release also contains certain non-GAAP operating information. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations. And for a reconciliation of our non-GAAP operating information to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you, Kathleen and thank you everyone for joining us today. PSEG reported results for the third quarter having executed well on major operational and policy initiatives. Despite the impact of abnormally cool weather on sales and earnings, we remain within our non-GAAP operating earnings guidance for the full year of $2.80 per share to $3 per share.

Earlier this morning, we reported net income for the quarter of $0.78 per share. Non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share compared with net income of $0.64 per share and non-GAAP operating earnings for the third quarter of 2016 of $0.88 per share. For the nine month period, non-GAAP operating earnings were $2.36 per share, which is the same as non-GAAP operating earnings for 2016's first nine months. Slides 5 and 6 contain the detail on the results for the quarter and the nine months.

At PSE&G, earnings per share declined $0.01 per share from the prior year comparable quarter. The results for the third quarter were affected by cooler than normal weather which reduced demand for electricity from air conditioning. The weather comparisons for last year are stark. For instance, the measure of average temperature and humidity was 27% below the year ago quarter. And the number of hours that temperature equal to or greater than 90 degrees, was 69% below the year ago quarter.

PSE&G's expanded investment in transmission and distribution continue to benefit customers and had a favorable impact on PSE&G's earnings. PSE&G's rate base is forecasted to grow 12% in 2017, reaching $17 billion. The forecast is based on a continuation of PSE&G's investment program to upgrade its transmission and distribution infrastructure. The upgrades will entail full year capital expenditures of approximately $3.1 billion. This figure is slightly less than our original budget of $3.4 billion, and it's the result of some projects being moved to 2018 and improved efficiency related to the cost of other projects.

Based on further development of our various investment programs, we are increasingly comfortable with PSE&G's ability to achieve growth in rate base at the upper end of our forecast of 7% to 9% per year for the five year period ending in 2021. Our updated forecast assumes reasonable reception by the New Jersey Board of Public Utilities to PSE&G's proposal to invest $540 million per year over five years to accelerate the pace of replacement of aging cast iron and unprotected steel mains and their associated services. Approval would support expansion and extension of the work currently being performed, under the Gas System Modernization program. This filing was made in July and we expect the BPU to take action during the first half of 2018.

We also intend to request the multi-year extension of Energy Strong in the near term. PSE&G is in the final stages of work previously approved as part of Energy Strong to strengthen and harden infrastructure damage during Hurricane Irene and Superstorm Sandy. The extension will address the remaining electric substations that need to be raised or protected. In addition to other much needed work that enhances the resiliency of our system and reduces the risk of outages, that request similar to GSMP II will be consistent with the BPU's draft regulations supporting multi-year capital investments under its Infrastructure Investment Program. If the draft regulations are approved as we expect before year-end, the utilities will be able to proceed with five-year investment programs that will allow more certainty in staffing and planning of work.

Now, I want to bring you up to date on PSE&G's distribution base rate proceeding. As you may be aware following discussions with BPU Staff and Rate Counsel and as approved by the BPU at its October 20 meeting, the deadline for

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filing our distribution rate case was deferred from November 1 to no later than December 1 of this year. The change in the filing date is simply an administrative procedural matter. We will now be providing the BPU with three months of actual data and nine months of forecast data for the same test year that will end on June 30, 2018.

The review of PSE&G's distribution rates, which is expected to result in a modest change in revenue is primarily driven by the need to recover investments made outside of clause mechanisms since the last rate case, to recover storm cost and to allow PSE&G to reset assumptions for growth and sales in O&M. As part of the filing, PSE&G will also be seeking approval to decouple electric and gas distribution revenue from sales volumes and demand which would support largest scale energy efficiency investments. We believe that with the right regulatory policies, the state's utilities can provide the energy infrastructure that meets customer requirements and creates a stronger and more efficient New Jersey.

Now, let me turn to PSEG Power. At PSEG Power, non-GAAP operating earnings declined by 9% to $0.31 per share from the prior year comparable quarter. A lower average price on energy hedges was partially offset by Power's continued efforts to lower its costs and Power's favorable gas supply position. PSEG Power also made progress on construction activities related to its three new natural gas combined cycle generation stations. The new stations will add 1,800 megawatts of efficient capacity over 2018 and 2019 and represent a reconfiguration of Power's merchant fleet that will improve its efficiency and competitive position in the market.

The design of the wholesale energy market and where the current policies provide adequate recognition of the cost for generation to be available is getting the attention it needs. The Department of Energy issued a notice of proposed rulemaking at the end of September, regarding the need to properly value base load generation with robust on-site fuel characteristics. We hope their interest in this important issue will jumpstart efforts by the Federal Energy Regulatory Commission to implement improvements in the market. It is encouraging to see that FERC has acted quickly to meet the DOE's 60-day requirement for a response, FERC requested comments on the DOE NOPR to be filed by October 23, with reply comments due on November 7. A response by the FERC to the DOE NOPR is anticipated by December 11 of this year.

PSEG filed comments in support of DOE's initiative to immediately address the erosion occurring and the resiliency of our electric grid due to the risk of premature retirements of base load generation. And the subsequent trend towards greatly reduced fuel diversity.

We believe that the DOE NOPR is necessary to address the challenges facing distressed, yet valuable resources such as nuclear, in the absence of a market solution that recognizes the attributes of fuel diversity and resilience. We recommend that measures adopted in response to the DOE NOPR should be viewed as interim until effective mechanisms can be developed that recognize these attributes in the market.

The current market design distorts efficient outcomes due to the disharmony between price signals, public policies and generation dispatch. Implementing the DOE measure is an interim step, which stabilize the earnings for qualified units until a comprehensive market based solution can be integrated into RTO and ISO market designs.

It is worth mentioning that a significant amount of generation that competes in the PJM market already falls under cost of service regulation. We believe the DOE NOPR also provides the necessary impetus to push for further action by FERC to address longstanding price formation reforms, that would avoid some of the continued distortions of competitive market results that disadvantage base load resources. The PJM energy price formation proposal should be evaluated as part of the comprehensive solution to the challenges facing base load units. As part of our response, we've requested that FERC promptly finalize the fast start pricing reforms and direct PJM through the commission's Federal Power Act Section 206 authority to submit its energy price formation proposal especially as it pertains to inflexible units.

Getting energy prices right is critical to ensuring that the correct signals are sent to incent efficient investment as well as market exit. PSEG Power is making every effort to preserve its nuclear asset base, working in concert with the industry to identify means of improving operating efficiency without sacrificing safety. PSEG Power is on track in 2017 to reduce the all-in cost per megawatt hour of its nuclear operations by 10% from the average cost experienced

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during the prior three years. But energy prices influenced by the availability of natural gas have declined by a greater degree during this timeframe.

State action also remains critical to prevent the loss of these units. We believe state action can be done in a way that both maintains the integrity of the wholesale market and serves as a bridge until a regional or federal solution is in place. A strong legal foundation has been established for state action to preserve generating assets critical to meeting a state's emission related goals and to maintain the benefits to the state's economy that comes with the safe, reliable operation of nuclear power.

Successful execution of PSEG's key policy and regulatory initiatives would assure the company's ability to provide customers with the service, reliability and resiliency that they have come to expect, that is also affordable. Successful execution of our key policy and regulatory initiatives would also provide our shareholders with greater assurance of PSEG's ability to meet our objectives for returns and growth.

With that, I'll turn the call over to Dan to discuss our financials in greater detail.

Daniel J. Cregg

Thank you, Ralph, and thanks everyone for joining us today. As Ralph said PSEG reported net income for the third quarter of 2017 was $0.78 per share, versus net income of $0.64 per share in last year's third quarter.

Non-GAAP operating earnings for the third quarter of 2017 were $0.82 per share versus non-GAAP operating earnings of $0.88 per share in last year's third quarter. A reconciliation of non-GAAP operating earnings to net income for the quarter and nine months can be found on slides 5 and 6. We've also provided you with a waterfall chart on slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business, and a similar chart on slide 13 provides you with the changes in non-GAAP operating earnings by major business on a year-to-date basis.

I'll now review each company in more detail. Starting with PSE&G. PSE&G reported net income of $0.49 per share for the third quarter of 2017 compared with $0.50 per share for the third quarter of 2016.

Results for the quarter are shown on slide 15. Net income growth in the third quarter associated with PSE&G's expanded investment in transmission and electric and gas distribution facilities was offset by the impact on sales of weather conditions, which were substantially cooler than experienced in the year ago quarter and cooler than normal.

Returns on PSE&G's expanded investment in transmission added $0.04 per share to net income in the quarter. Incremental revenue associated with the recovery of PSE&G's Energy Strong investment infrastructure program, which added $0.02 per share to net income, was offset by a decline in weather normalized electric sales and in electric demand-related revenues.

Demand related revenues were impacted by the significantly lower peak temperature hours, which as Ralph mentioned were 69% lower than the year ago quarter, and 47% below normal. Net income comparisons were also hurt by weather conditions, which were approximately 27% cooler than conditions experienced during 2016 in the third quarter and 5% cooler than normal. Electric sales as a result of the cooler summer weather declined 8.3% in the quarter. The decline was led by an approximate 14% decline in sales to residential customers.

On a trailing 12-month basis, weather-normalized electric sales were flat year-over-year and gas sales on a similar basis increased 1.5%, led by the commercial sector. The decline in electric residential sales reduced third quarter net income comparisons by $0.03 per share. An increase in depreciation expense of $0.01 per share associated with PSE&G's expanded capital base was offset by a decline in O&M expense. An absence of tax credits available in the year ago quarter and other items reduced net income comparisons in the third quarter by $0.02 per share.

PSE&G's five-year capital investment plan includes approximately $6 billion to upgrade and expand transmission related facilities and investment. PSE&G filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission in October of 2017 and the update, which reflects an increase in the level of PSE&G's

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investment in transmission and a true up of prior year results provides for a $212 million increase in annual transmission revenues effective January 1 of 2018.

PSE&G under Energy Strong and the clause mechanism therein adjusts electric rates 2 times per year in March and September, and gas rates are adjusted each year in September. Under the clause mechanism for the Gas System Modernization Program, PSE&G adjusts gas rates in January of each year to reflect the investment made during the prior year. The combined annual revenue increase for the full year in 2017 for these two programs is forecasted to be approximately $56 million.

As Ralph mentioned, PSE&G has agreed to delay the filing of its distribution rate case by one month to no later than December 1 of 2017. This filing, as you recall, was agreed to as part of the Energy Strong settlement, and provides the opportunity for PSE&G to recover capital investments made outside of existing clause mechanisms, and update for other factors such as storm costs and changes in sales growth and O&M.

The distribution base rate filing will be based on a test year ending June 2018, and a 10.3% return on equity and provide for a mid-single digit increase in revenues, still leaving overall rates below the level coming out of our last distribution base rate case in 2010. The one-month delay in the filing hasn't changed any of the economics associated with the request, as the test year is unchanged, but allows one incremental month of actual results to be included in the filing.

PSE&G invested approximately $2.1 billion for the nine months ended September 30 in electric and gas distribution and transmission capital projects designed to provide more reliable, safe and resilient service to its 2.2 million customers. For the year, PSE&G currently expects to invest $3.1 billion on upgrading its infrastructure, and this is slightly lower than the $3.4 billion we originally forecast for 2017. A delay in timing on some projects and greater cost related efficiencies on others are the primary reasons for the decline in the forecasted spending for the full year.

As Ralph mentioned, as a result of identifying incremental investments, we now expect PSE&G's investment program for the five years ended 2021 will provide growth in rate base off 2016 year-end amounts at the upper end of our 7% to 9% per year growth rate. This is driven by incremental investments in our GSMP II filing relative to what is reflected in our base capital plan, and a planned expansion of our Energy Strong filing. These important initiatives build confidence in PSE&G's ability to extend its growth beyond the end of this decade. For 2017, we're maintaining our forecast of PSE&G's net income at $945 million to $985 million.

Now let's turn to Power. PSEG Power reported net income of $136 million, or $0.27 per share for the third quarter of 2017, compared with net income of $139 million, or $0.27 per share for the year ago quarter. Non-GAAP operating earnings were $0.31 per share for the third quarter of 2017, compared to non-GAAP operating earnings for the third quarter of 2016 of $0.34 per share.

Non-GAAP adjusted EBITDA for the third quarter of 2017 was $356 million, versus non-GAAP operating EBITDA for 2016 of $387 million. Our non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense and depreciation and amortization. The earnings release and slide 19 provide you with detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. And we've also provided you with more detail on generation for the quarter and the first nine months of the year on slide 20 and slide 21.

Power's net income in the third quarter was impacted by a decline in average energy hedged prices, and the effect of cooler than normal weather on demand and output, which offset a decline in operating and maintenance expense. During the quarter, non-GAAP operating earnings comparisons increased $0.01 per share as a result of higher capacity prices in New England and PJM. This increasing capacity prices occurred on June 1 of 2017, and will run through May 31 of 2018.

Lower average prices on energy hedges and a decline in market prices combined to reduced non-GAAP operating earnings comparisons by $0.05 per share. A 6% decline in output associated with the impact of cooler than normal weather on demand reduced non-GAAP operating earnings comparisons by an additional $0.02 per share. Power's focus on improving operational efficiencies helped mitigate the impact of the decline in energy prices.

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The June 1, 2017 retirement of the Hudson and Mercer coal stations and a decline in nuclear plant related O&M improved non-GAAP operating earnings by $0.02 per share. And a decline in depreciation expense associated with the retirement of Hudson and Mercer combined with a decline in interest expense and taxes improved non-GAAP operating earnings comparisons by $0.01 per share.

Now let's turn to Power's operations. Output of Power's generating stations declined 6% in the quarter. The nuclear fleet's output increased 20% in the third quarter to 8.2 terawatt hours as the fleet's capacity factor improved to 96% from 80%. The quarter-over-quarter improvement was due to strong performance at Hope Creek which operated at an average capacity factor of 98.4%. In the absence of an extended refueling outage and repairs at the Salem station in the year ago quarter which addressed the repair and replacement of baffle bolts at Salem 1 and repair of a transformer at Salem 2. The nuclear fleet's performance for the third quarter brought the capacity factor for the nine months ended September 30 to 95%.

As mentioned, cooler than normal weather limited energy pricing peak demand requirements and utilization of the gas-fired combined cycle and peaking fleet. Power's combined cycle fleet experienced a 29% decline in output to 3.7 terawatt hours, while an increase in the price of gas improved the competitive position of the base-load coal fleet.

As we indicated earlier this year, average hedge prices during the second, third and fourth quarters of the year were expected to decline by less than what we experienced in the first quarter and by less than the average decline of $5 per megawatt hours we anticipated for the full year. This reflects the absence of weather related risk premium during the winter months that was experienced in prior years.

Gas prices improved in the third quarter, but since power prices didn't move in conjunction with gas, spark spreads declined relative to year ago levels. Power's realized spark spreads held up better than the market declining $1 per megawatt hour quarter-over-quarter given its beneficial gas supply position. And Power's beneficial gas supply position also held gross margins in the quarter to a decline of $1.50 per megawatt hour to $40 per megawatt hour.

Power continues to forecast output for 2017 of 49 terawatt hours to 50 terawatt hours, approximately 86% of production for the remainder of the year of approximately 11 terawatt hours. It's hedged at an average price of $45 per megawatt hour. Power is hedged approximately 70% to 75% of 2018's forecast output of 52 terawatt hours to 54 terawatt hours at an average price of $41 per megawatt hour. And for 2019, Power has hedged 30% to 35% forecast output of 58 terawatt hours to 60 terawatt hours at an average price of $39 per megawatt hour.

The average price for energy hedged in 2019 is $2 per megawatt hour lower than our prior forecast and the reduction reflects a decline in market prices. The forecast of output for 2018 and 2019 remains unchanged from prior estimates.

Forecasted increase in output in both 2018 and 2019 reflects the commercial startup in mid-2018 of 1,300 megawatts of new gas-fired combined cycle capacity at the Keys Energy Center in Maryland and at Sewaren in New Jersey. And the forecast increase is also supported by the commercial start-up in mid 2019 of the 485 megawatt gas-fired combined cycle facility in Bridgeport Harbor, Connecticut.

Our forecast of Power's full year 2017 non-GAAP operating earnings remains unchanged at $435 million to $510 million. The forecast represents non-GAAP adjusted EBITDA of $1.080 billion to $1.210 billion.

Now let me turn briefly to PSEG Enterprise and Other, which reported net income of $0.02 per share for the third quarter of 2017, compared with a net loss of $0.13 per share for the third quarter of 2016. Results for the third quarter of 2016 were impacted by the impairment of the REMA leases. Non-GAAP operating earnings for the third quarter of 2017 were $0.02 per share, compared with non-GAAP operating earnings of $0.04 per share for the third quarter of 2016.

The decrease in non-GAAP operating earnings quarter-over-quarter reflects the absence of certain tax items recognized in the third quarter of 2016, as well as higher interest expense at the parent, and the forecast for Enterprise and Other for the full year of 2017 non-GAAP operating earnings remains unchanged at $35 million.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14938

PSEG also closed the quarter ended September of 2017 with $287 million of cash on its balance sheet, and with debt at the end of the quarter representing approximately 49% of consolidated capital. PSEG Power had debt at the end of the quarter representing 31% of capital. And as Ralph mentioned, we're maintaining our guidance for 2017 non-GAAP operating earnings of $2.80 to $3 per share.

And Shelby, we're now ready to take questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] Your first question comes from Julien Smith from Bank of America Merrill Lynch.

<Q - Julien Dumoulin-Smith>: Hey, good morning.

<A - Ralph Izzo>: Hi, Julien. Welcome back to the fray.

<Q - Julien Dumoulin-Smith>: Thank you so much. I appreciate it. So, perhaps just to kick it off a little bit here on the New Jersey and some of the background of the politics here, I'd be curious, one, do you think there is potential for reform in New Jersey just given what's already going on at the FERC level. And then secondly in that same vein of thinking, how do you think about the potential for a more comprehensive review of energy next year. Obviously, there is some considerations with respect to solar in addition to the nuclear issues that you've addressed as well as just your ongoing utility spend and the extension and expansion of those programs. So to the extent to which that legislation might be a fix for all, I'd be curious how that might be shaping up?

<A - Ralph Izzo>: Sure, Julien. Yeah. I do think that depending on what happens at the federal level there remains the opportunity for New Jersey to recognize certain attributes that perhaps are not explicitly identified at the federal level, to the extent that the federal level does recognize the same attributes, then you would not have redundant programs. So, an example of that might be you could have price formation improvements at the federal level just to make the market more efficient sort of along the lines of what PJM has talked about within flexible units, and that doesn't do anything explicitly for fuel diversity or resiliency and therefore, New Jersey could have an overlay on top of that.

Similarly, fuel diversity versus carbon would be mutually exclusive. But if both jurisdictions recognized carbon, then you would not have two programs overlapping each other, those are just types of examples I would think about in terms of state and federal programs being complementary versus redundant.

To your second question, whenever you have a change in administration and as you implied, Governor Christie is term limited, now he's finishing his second term, there's a desire on the part of the new incoming administration to establish themselves in various ways, it could be environmental, it could be the economy, it could be education and both candidates have talked about their desire to look at things a little bit differently when it comes to energy policy, discussions about RGGI and green energy targets. And, as we've done for 110 years, we absolutely will work with the incoming administration to understand their policy objectives and inform them as to the implications, both positive and negative, of whatever wants to be done, because as we know things cost money to do. But if the benefits outweigh the cost, then we're eager to help them to pursue it. So, yes, we will work closely with whoever the new Governor is to help them formulate and execute their energy policy.

Lastly, I think you're correct in your, if I could say, implicit remark that an ongoing investment in the infrastructure is something that no matter who comes into office will probably be supportive of. And I do think that's correct. There's a widespread recognition on the part of regulators and policymakers that we have an aging infrastructure that's not perfectly suited for the growing dependency that people have on electricity nowadays, and the improvements we're making we'll certainly continue to propose them and I think we'll be well received.

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<Q - Julien Dumoulin-Smith>: Excellent. Thank you for that. Just a follow-up. Again, congratulations on moving higher within your range here at the top end on the rate base side. Can you talk about reconciling that against earnings and some of the key factors that might be relevant in the current rate case and/or through the current period just in an attempt to reconcile the rate base trajectory against kind of hitting the upper end of that earnings? Perhaps items might include like an authorized equity ratio or other deferred items in the context of this case that we should be paying attention to once it's filed?

<A - Ralph Izzo>: Yeah. So our last base rate case was in 2010, and we've done a very good job of controlling O&M expense, but circumstances have conspired against us by having a complete absence of load growth over that time. So even a very good job of controlling O&M expense loses out to no load growth. We've also, as you know, had some of our clauses anticipate this rate case. So we had some unrecovered CapEx and we've had some modest investment levels above depreciation that serve to build the rate base to levels that were not commensurate with what was in the 2010 rate case.

That's a really longwinded way of saying we need some rate relief, but we've managed our overall portfolio well enough that we are describing this as a kind of middle single-digit type of rate increase, which will be far below the compounding of CPI over the last seven years that one might otherwise have expected. So I think it'll be something that is easily explained.

Now the 7% to 9% CAGR in rate base is more a prospective conversation. My last three minutes was really looking in the rearview mirror, but now as I look out the windshield, basically we have, as you know, in our 7% number programs that were wholly approved and the 7% to 9% number anticipated some fairly high degree of confidence in some program extensions.

And I think what you're hearing in our voices today is that that confidence has grown as we've been able to put our engineers to work and understand some of the parts of the system, both gas and electric, that need strengthening. So as you think ahead to earnings, and as you know we don't forecast earnings beyond the current year, the three levers you have in the regulated utility are, earnings grow with load. I think, Kathleen or Dan, we're seeing 0.4%, 0.5% is the forecast...

<A - Daniel J. Cregg>: Within the last 12 months, that's about right, yeah.

<A - Ralph Izzo>: And then you subtract from that O&M, we've been pretty good at controlling that, and you add to that the clauses that we expect to get recovery of. So it's two additions and one subtraction and you'll get pretty close to what the utility should look like in the coming five years.

<Q - Julien Dumoulin-Smith>: Got it. So let me just make sure what I'm hearing you say is it shouldn't be all that different, notwithstanding any kind of uncertainties with respect to the case...

<A - Ralph Izzo>: Yeah, I think that's correct within the limitation of – as you know, we don't smooth for pension. So some massive change in pension funding – which we don't expect. We're 92% funded right now, but the equity ratio could be adjusted in the case to – we're probably going to ask for a skoch more – is that a word? – a bit more than we used to have in the past. And so – yeah, the case could set a new base from which that upper end of the 7% to 9% can grow.

<Q - Julien Dumoulin-Smith>: Excellent. All right. I'll leave it there. Thank you all very much. Good luck.

<A - Ralph Izzo>: Thanks Julien.

Operator

Our next question comes from Praful Mehta of Citigroup.

<Q - Praful Mehta>: Thanks so much. Hi, guys.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14940

<A - Daniel J. Cregg>: Hi, Praful.

<A - Ralph Izzo>: Hey, Praful.

<Q - Praful Mehta>: So I got the point on the SEGS and the DOE being mutually exclusive. Just wanted to understand given, Ralph, your initial comments on the DOE initiative, how do you see it playing out? Like do you see it as a $1 per megawatt, $1 per megawatt hour? How do you see that actually playing out and do you see that – how much in terms of benefit do you expect for your facilities?

<A - Ralph Izzo>: Yeah. So, Praful, so of course – boy, I wish I could answer that with definitiveness, but let me answer it with the way which we proposed that it be played out, which may or may not have any bearing with what actually happens. In our comments to FERC, we basically said, first of all, bringing PJM in under Section 206 to do what PJM says needs to be done is a no-brainer. So the inflexible unit treatment, the fast-start reforms, that is long overdue and needs to be done. And that is the easy part. Others have estimated that could be anywhere from $2 to $4 per megawatt hour. Others have estimated that.

Secondly, as this specifically pertains to the DOE recommendations put forth in NOPR, we have pointed out that there is a substantial portion of PJM that is competitively positioned in the market but yet receives cost of service rates from their state regulators. And on an interim basis that can be replicated at the federal level through a version of RMR type – Reliability Must-Run type – contracts for the units that are at risk of premature retirement. That would be an interim solution, until one comes up with a market-based solution that values the diversity associated with these different fuel types.

We have proposed one method that relates to tranching of the capacity markets. Others have proposed methods that relate to scarcity pricing in energy markets for different fuels, but that permanent solution will involve a longer discussion with affected stakeholders. So really it's three steps. It's 'hey, there is plenty of evidence already that fast-start and inflexible unit price formation needs to be fixed now and can happen now. An interim solution for at risk of premature retirement using a cost-of-service methodology can be put in place very easily. And then the longer term market-based solutions. There are known solutions and options that people can pursue, but a more fulsome discussion would not be inappropriate in that regard.

<Q - Praful Mehta>: Got you. That's very helpful color, Ralph. And secondly, in terms of long-term views, I know you've talked about long-term, the generation business probably not being a part of the consolidated business over the long-term. Now given what's happening with the IPP space and either companies going public or shrinking given the mergers, how do you see that playing out? Has that changed in any way? Do you now see PEG Power being more a part of the business going forward or has that – the view on separation still hold at this point?

<A - Ralph Izzo>: No. The view still holds, but I think it's pretty obvious to us at least that right now in the short-term with all of the conversations taking place at FERC, at DOE, at the state, with new entrants being formed and anticipating the Vistra-Dynegy combination, with old entrants exiting in terms of public markets, anticipating Calpine going private, I think this is a good time to just sort of wait and let some things settle out a bit, right.

So we're in a great shape. Power is a cash generator and earnings producer, and in about 15 months Power will be a healthy free cash flow generator. The utility has an insatiable appetite for that cash. So we're not in any hurry during this period of tremendous change. All healthy, all very healthy, given the dialogs taking place at FERC and given the dialog taking place at the states to let it kind of play out while we enjoy the benefits of the two companies being together. That doesn't change the fact that we continually assess our strategic flexibility going forward on whether these two businesses belong together or not, and I stand by my prior belief that I think over the long-term they do diverge.

<Q - Praful Mehta>: Got you. And just to be clear, that time of change is what a two year, three year period while all of this kind of settles down? You see ...

<A - Ralph Izzo>: You know, I did make that mistake about three years or four years ago, and I may not be the smartest person in the world, but I do learn from those mistakes. I'm not going to give you – nice try though, Praful.

<Q - Praful Mehta>: All right. Thanks, guys.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14941

<A - Ralph Izzo>: Kathleen started like choking me, so my voice broke a little bit. That's sort of the reason.

<Q - Praful Mehta>: Thank you, guys.

<A - Ralph Izzo>: Cool.

Operator

Your next question comes from Greg Gordon of Evercore ISI.

<Q - Kevin Prior>: Hey it's, Kevin, good morning.

<A - Ralph Izzo>: Hey, Kevin, good morning.

<Q - Kevin Prior>: I just wanted to see if you could quantify the uplift in PJM price reform as it's currently being contemplated?

<A - Ralph Izzo>: So, Kevin, what we quoted is what other sources have talked about. If you just take Dan's comments about 55 terawatt hours, every dollar's worth, $55 million pre-tax. So if it's $2 to $4, yeah. But I just strung three if statements in there, so please be aware of that. You come up with the impact on us. Dan, did you want to add some color there?

<A - Daniel J. Cregg>: No, I mean, I think that's right. I think there's been an awful lot of people that have put out some numbers on it, and they've actually coalesced around that range pretty tightly. So we'll see as these different initiatives get done, what it ends up looking like, but I think that seems to be a reasonable place a lot of the components are at and we think it's pretty reasonable as well, Kevin.

<Q - Kevin Prior>: Okay. So now how would that impact your hedging? Would you like hedge less or stop hedging '19, if you start to see progress? Or how do you think about that?

<A - Ralph Izzo>: So we have constantly disciplined ourselves to staying within a certain range in terms of how much we hedge. We have various parameters, gross margin at risk, standard VAR calculations. We do allow our ER&T folks, our trading organization to float high and low in that range depending upon what's going on. To the extent that the whole market anticipates price formation, you should start seeing that in the forward price curve and therefore our hedging approach would stay the same. We do challenge ourselves if we think the market is missing something to make darn sure that we can figure out why the market would be missing it before we would push one boundary or another. But in general, we'll run the place to where we always have, which is to not assume we're smarter than the market, and to just stay within those limits. But again, those limits are a range and we do let our folks have some flexibility within that range.

<Q - Kevin Prior>: Okay, great. Thanks a lot.

Operator

[Operator Instructions] Your next question comes from Christopher Turnure of JPMorgan.

<Q - Christopher James Turnure>: Good morning, guys. I wanted to get maybe a little bit more detail on the rate case, the test year, and in particular kind of the true-up and what's included in that. I guess that would kind of be a third quarter event after the test year ends on June 30. But I'm just trying to get a sense as to how next year will shape up there, and what the rate case will ultimately include in terms of timing coming out of the gate?

<A - Ralph Izzo>: Yeah, so, Chris, so we had originally planned to file November 1 per the agreement we made back in May 2014 coming out of Energy Strong. There was a widespread recognition that that would be a two and ten, and there was preference for three months of actuals and nine months of forecast as opposed to two months of actuals and

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14942

10 months of forecast, and that was the primary driver behind the one-month delay, if you will. So there is nothing mythical or profound going on there.

So the test year still ends in June '18.As I've mentioned before, we're expecting a mid-single digit requested increase that will still keep rates below where they were in 2010 when we had our last base rate case. Remember we have $250 million of GSMP stipulated rate base that was not covered by GSMP. We have about a $100 million of Energy Strong above the $1 billion that was in the clause. We have storm recovery cost that's I think $200 something million that was being prudent but hasn't been returned to us yet. We have some new business that added to the CapEx. And candidly we had some additional capital that was above depreciation levels that we've accumulated over the course of the year.

So we would anticipate rates going into effect October, November of next year, and I don't want to front-run the filing, we owe to the board's staff, so let them be the first front-run the filing. We owe it to the board staff to let them be the first ones to read the details. But Dan, if you want add any color to that?

<A - Daniel J. Cregg>: Yeah, just one thing, Chris. It sounded like your question was implying there would be a rate case and then there would be a true-up afterwards. And the way that we've described the rate case is basically it is a truing up of a host of the things that Ralph just talked about. So we will come out of the rate case with the rates that are set within that case. And historically, we've seen a settlement in these cases in the state, and that may well be where it ends up going, but we'll see.

We would look for rates next fall. Usually these have taken about a year, and we would hope to anticipate that we could get rates maybe in like the October range. But it's a little different than our transmission formula rate, which is filed. Those rates go into effect for the following year, and then there is a separate true-up that happens the year after that. So just for clarity sake, there is no true-up after the rate case. The rate case itself will true-up our distribution rates, and we would anticipate the new rates would be in effect, say, October of next year.

<A - Ralph Izzo>: And just for clarity, I think most of you know, our rate base is roughly half transmission and half distribution right now. So a tiny bit more distribution.

<Q - Christopher James Turnure>: Okay. That was all very helpful context and everything, but that's kind of what I was driving out there towards the end, Dan, just that the distribution rate case itself would have a nine-month forecasted test year, but that itself would never be trued-up during the rate case process?

<A - Daniel J. Cregg>: Yeah. So the nine months, so it'll be a 12-month test year, and it will start with three months of actuals and nine months of forecast. And then as we step through, we'll update those as we go forward.

<Q - Christopher James Turnure>: Okay. So you would have some update on...

<A - Daniel J. Cregg>: Yeah.

<Q - Christopher James Turnure>: ... on O&M or load or something during the process?

<A - Daniel J. Cregg>: Yeah, yeah.

<Q - Christopher James Turnure>: Okay, got you. And then just on the request for decoupling, can you help put that into context for me just kind of understanding your motivation for that and maybe how you think it may or may not be perceived by interveners?

<A - Ralph Izzo>: Yeah, Chris, so we've had a series of energy efficiency filings approved over the past seven or so years. I think they've in total amounted to about $400 million, most recent one was $69 million this past summer. And we have basically worked around this issue of fixed cost recovery with the stakeholders in these processes. And it's kept us from doing something in a much grander scale, and we've simply decided that with the prospect of a new administration coming in, an ongoing indication that there are market imperfections that keep customers from investing in energy efficiency, despite the compelling economics of that, that we would like to do this in a much, much more significant way. But we're not going to do it and suffer fixed cost losses in the absence of recovery of fixed costs.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14943

So given the tariff redesign involved with decoupling, we thought, well, since we're going in for rate case, now is a good time to raise the issue. And that's the motivation. The motivation really is not so much this rate case but the rate case as an opportunity to pave the way for significant energy efficiency proposals early next year.

<Q - Christopher James Turnure>: Okay, great. Thanks, Ralph.

Operator

Your next question comes from Travis Miller of Morningstar, Inc.

<Q - Travis Miller>: Good morning. Thank you.

<A - Ralph Izzo>: Hi, Travis.

<A - Daniel J. Cregg>: Hi, Travis.

<Q - Travis Miller>: I was wondering if we can boil down all of these power market issues into two buckets, the price formation bucket and the fuel diversity bucket, how do you think about the next two years to three years, perhaps even more, of capital investment based on what happens in either of those two buckets. So what happens to capital investment depending on the outcome of price formation, what happens to capital investment based on the outcome in fuel diversity?

<A - Ralph Izzo>: I can tell you what it means for us, Travis. We're not deploying additional capital into the power generation business. We have 1,800 megawatts of 6,000 to 6,500 heat rate power plants coming online, and we're quite happy with that. At the risk of speaking for others, which is always going to be wrong, you know that PJM in particular and many other markets are in an oversupply situation and there's been reasonable demonstration of capital discipline in the most recent auctions that have taken place.

So, I think that the supply/demand imbalance that exists is a separate issue that will continue in part by capital discipline, and the price formation issue is just the recognition that if you want a market to be efficient, then price should determine who runs and who doesn't, and you can't keep having uplift payments and sidebar out of market payments, guiding the dispatch of the system, which is what PJM has going on right now. I mean price is not the sole determinant of how the system is dispatched, then that's not a market, so that needs to be fixed. So two separate issues that I guess is what I am saying.

<Q - Travis Miller>: Okay. Then could I reason that that you don't think there would be much capital investment in general across certainly the PJM region, however this turns out?

<A - Ralph Izzo>: I think you could without question read into it that that's our point of view, again I don't want to speak for others. But I know what our capital plans are, and it's to finish these three projects and generate some healthy free cash flow for the utility.

<Q - Travis Miller>: Sure. Sure. Okay. All my other questions are asked and answered. Thank you.

Operator

Your next question comes from Paul Patterson of Glenrock Associates.

<Q - Paul Patterson>: I'm sorry, can you hear me.

<A - Ralph Izzo>: Sure, Paul. Yeah we can...

<Q - Paul Patterson>: Sorry about that. So just to sort of follow up on Travis' question. What we often see with these market reforms is that others seem to deploy capital. And I'm just wondering when you see this $2 to $4 price increase with price formation, we're potentially seeing that, how long term do you think that would be or is the proposal – it's

final
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hard for me to really completely get my arms around it, is it such that you would still see location marginal pricing being set by inflexible units even with new entry showing up in the gas-fired area if you follow me. I mean how should we think about sort of the sustainability of something like price formation given what we've seen quite frankly with the capacity markets and other "market reforms" to change the price if you follow me?

<A - Ralph Izzo>: Paul, I mean that's fair. I think that one has to realize that there is cyclicality in these markets that have different periodicity associated with them, right. The cyclicality in fuel prices, the cyclicality in boom-bust cycles associated with oversupply and undersupply, the cyclicality in oversupply and undersupply is determined by power plants being built, as determined by pipelines being built. So to simply say that price formation will drive prices up $3 picking the midpoint in the range that Dan and I talked about, which we don't attest to, but simply quote from others. And then automatically, concluding that that's going to lead to people running the numbers and assuming that that number stays there in and after they build plants could be a little bit risky, right? I mean what does it mean for the timing of pipelines that may change the basis differential of gas in Western PJM versus Eastern PJM?

What does it mean for future carbon constraints that may or may not be part of a subsequent administration in Washington? I think some people on this call may want to go see their children in their Halloween Parades, otherwise I'd list a 1,000 other factors that should be going to people's thought-process before making those kind of investment decisions.

<Q - Paul Patterson>: Okay.

<A - Daniel J. Cregg>: It's just a matter of how you place it ahead of that market that is working better by virtue of some of the changes that need to be made is going to get you to a better answer.

<Q - Paul Patterson>: Okay. And then with respect to the DOE proposal, I know this is kind of sort of a moon shot question, I guess maybe, but I mean how much assets should we think about it being potentially – if it were to be enacted for you guys, I mean how should we think about what the potential impact might be there? I mean just how do we sort of quantify that, if that were to – I mean I know it's kind of a hard question maybe to answer, but I mean how would you suggest we think about it?

<A - Daniel J. Cregg>: I think Paul the way I will break it down is based upon how the DOE describe the eligibility. And one of the main ones is having 90 days of fuel onsite. And if you think about, what that means that means our nuclear facilities certainly, and it means our small interest in Keystone and Conemaugh.

<Q - Paul Patterson>: So, all those units would theoretically be able to get a rate of return, rate base of what you're getting at the utility kind of thing?

<A - Daniel J. Cregg>: We'll see ultimately where the NOPR goes with it, but certainly from an eligibility standpoint, those are the units that would come to mind.

<Q - Paul Patterson>: Okay. And, I guess, we don't have – do we have like what the asset or what the rate base number would be kind of, if you follow me, associated with that, do you follow what I'm saying?

<A - Daniel J. Cregg>: Yeah. I mean there's a little bit of data related to some of the nuclear facilities in the Q, but it's not on an asset-by-asset basis from a book value perspective.

<Q - Paul Patterson>: Okay. Well, I'll follow up afterwards, I mean I just was wondering, I was just curious if you had some sort of idea there, but I don't want to hold it up. Thank you so much. Have a great one.

<A - Daniel J. Cregg>: Yeah.

Operator

[Operator Instructions] Your next question comes from Michael Lapides of Goldman Sachs.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14945

<Q - Michael Lapides>: Hi. Hey, guys. Easy question, on your 2017 CapEx guidance, the reduction of $300 million. Can you give a little more detail about what's moving and does that get put back into a future year's CapEx, and if so how far out in the future?

<A - Daniel J. Cregg>: Yeah, Michael. So it's a little bit of a split. I think we had referenced there were a couple of things that were going on related to the total, some is frankly just doing some work more efficiently and I think the majority that is on Energy Strong. You heard Ralph talk a little bit earlier about $1 billion going through the clause and about $100 million that will await the rate case, and you remember it's about a $1.2 billion program. So frankly some of that work was done more efficiently and I think that's a great outcome and it's great for customers, and we're pleased to be able to do it that way. And we've had a little bit of the same on transmission, not a whole lot.

And then the balance really is timing and the timing is not anything that's going to move dollars out three, four, five years. It's just moving 2017 out into 2018. So, in the aggregate, if you think of it maybe about half and half, half being just efficiencies that we brought to the process, and about half being some capital that will move into next year.

<Q - Michael Lapides>: So, when you think about efficiencies, if I did half and half, reducing CapEx over the cycle by about $150 million and pushing out $150 million in the next year, kind of that ballpark?

<A - Daniel J. Cregg>: Yeah. If you think about the $3.1 billion versus $3.4 billion that we talked about, that's about right. Yeah.

<Q - Michael Lapides>: Got it. Okay.

<A - Ralph Izzo>: But that trend towards the upper end of the rate base growth for 2021 includes all of that thinking.

<A - Daniel J. Cregg>: Right.

<Q - Michael Lapides>: Got it. Okay. And then one other, just thinking about transmission rate base growth and transmission capital needs, and kind of how you're thinking about whether there is any lumpiness in some of what PJM is trying to plan around, given what happened with the Con Ed wheel. How are you thinking about just whether there are any lumpy or larger scale projects coming down the pike for transmission or is it all going to be just lots and lots and lots of kind of small and mid-sized ones?

<A - Daniel J. Cregg>: Yeah, it's more the latter than the former. I think if you had gone back three or four years you would have found more bigger, lumpier projects; a fair bit of what we are spending now is on 69kV upgrades of 26kV systems and that actually moves capital from the distribution area into transmission as it goes up in voltage. And those are smaller – now a lot of them are still sizable projects, but smaller than for instance a Susquehanna-Roseland type of project that we've talked about in the past. So, there are more smaller projects as opposed to fewer larger projects that we've seen in the past that will move us forward.

And in fact as we think about our 2018 revenue number that we talked about even within our prepared remarks, some of what you see there, it's a step up from what we have seen in some prior years, even if you look back to last year, there's a pretty sizable step up in the amount. Some of that is incremental capital year-over-year, and both the return on that capital and the depreciation, the return of that capital will contribute to some of that increase. But you may recall last year, part of the number that we had from a revenue increase was inclusive of a true-up, and that true -up was related to bonus depreciation. So a couple of years back, the bonus depreciation extension took place – I don't think it was December 31, but it was awfully close to that, and it was certainly after we had filed our October formula rate filing. So the impact of bonus depreciation in 2015, getting it approved, moved into 2016 after we had set our rates. And a true-up in 2017 included the reduction in rate base for those excess deferred taxes for bonus depreciation. So on a year-over-year basis, you'll see a jump and a lot of that had to do with the fact that 2017 had a true-up reducing revenues for transmission related to that late enactment of bonus depreciation back in 2015.

<Q - Michael Lapides>: Got it, guys. Thank you, much appreciated. Maybe one last one, O&M at the utility has been very strong, meaning you've reduced O&M this year, how much of that is just one-off stuff related to maybe storms in 2016? And how much of that is kind of active O&M management?

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<A - Daniel J. Cregg>: It's the latter, it's active O&M management, and we've kept O&M to a very manageable rate over, frankly, the last number of years, and we'd look to continue to do so going forward.

<Q - Michael Lapides>: Got it. Thanks Dan. Much appreciated.

<A - Daniel J. Cregg>: Thanks, Michael.

Operator

Your next question comes from Jonathan Arnold of Deutsche Bank.

<Q - Jonathan Philip Arnold>: Hey, good morning, guys.

<A - Ralph Izzo>: Hi, Jonathan.

<A - Daniel J. Cregg>: Good morning, Jonathan.

<Q - Jonathan Philip Arnold>: Just one on the hedging data. You mentioned that you'd had a $2 downtick in the average price to $39 for 2019 and the hedge amount only ticked up by 5%. Can you just remind us, does that include an estimate of the pricing on the open position or is that just the average price on the hedge piece?

<A - Daniel J. Cregg>: It's the latter, Jonathan.

<Q - Jonathan Philip Arnold>: Okay.

<Q - Jonathan Philip Arnold>: So, then, I guess, following from that, over the last four quarters, it's ticked down from $43 to $39, and the hedging has gone from $15 to $30. How do we reconcile that math?

<A - Daniel J. Cregg>: I think if you take a look at what the 2019 forwards have looked like over that period, you've been in a $29, $30 rate, and what you're doing is you're pulling down from a BGS price in those out years, which is exclusive of the capacity components, but inclusive of the others. So it's not an unusual trend that we start in the out year of our three-year cycle with BGS and then we layer-on flat block hedges as well as some other low deals and those flat block hedges tend to come in at lower prices in part because the curve has come down.

<Q - Jonathan Philip Arnold>: Right.

<A - Daniel J. Cregg>: But also because they're energy only hedges.

<Q - Jonathan Philip Arnold>: Okay. So, sort of two things going on there. And but also the curve is sort of traded off in the quarter, and then recovered a couple of dollar cents. Is it fair to say these were sort of down in the heart of the third quarter or can you give us any sense there?

<A - Daniel J. Cregg>: Yes, during the quarter, since our last update.

<Q - Jonathan Philip Arnold>: Okay. And then one other thing, just on Enterprises, and your guidance for 2017, this $35 million number, is that still sort of the right ballpark going forward?

<A - Daniel J. Cregg>: Yep, yep. That's right.

<Q - Jonathan Philip Arnold>: Okay. I think that's it. Thank you.

<A - Daniel J. Cregg>: Excellent. Thanks, Jonathan.

<A - Ralph Izzo>: Thanks, Jonathan.

<A - Kathleen A. Lally>: I'm sorry, we have one more question, otherwise, I know we've gone over our allotted hour's time, but I don't want to cut anybody off with the significant questions. So we'll allow one more question.

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Operator

Okay. Your final question comes from Ashar Khan of Veratan (sic) [Visium].

<Q - Ashar Hasan Khan>: Hi. How are you guys doing?

<A - Ralph Izzo>: Great, Ashar.

<Q - Ashar Hasan Khan>: Can I just ask you Ralph, can you just talk a little bit about the legislation, when we should kind of expect it or what should we expect in the last two months starting tomorrow, I guess, November starts works in? And then, I just had one more question from Cregg was that, could you remind us how much of the transmission increase went into effect on January 1 of this year. You said you are going to request something like $212 million, right, January 1 of 2018. Could you remind us what that amount was for January 1 of 2017?

<A - Ralph Izzo>: So, Ashar, we are just in a series of conversations with people right now. We're just making sure they understand, what our nuclear plants mean to New Jersey. And yes, it is true that if New Jersey were to build a safety net, so as to guarantee or assure the continued operation of those plants that would require legislation, but anything more than that would be premature to discuss, right. So there's just a lot of conversations that we're having with folks to say, if those plants weren't here, here is what happens, so. And in 2017, Dan?

<A - Daniel J. Cregg>: Yeah, 2017 was $121 million and that was down off of the last couple of years, which is $146 million and $182 million, so it's moved around a fair bit, a lot of that is the bonus depreciation item that I talked about earlier.

<Q - Ashar Hasan Khan>: So from $121 million we are now going to like $212 million, right, am I correct?

<A - Daniel J. Cregg>: That's right.

<Q - Ashar Hasan Khan>: Thank you so much.

Ralph Izzo

So just to summarize what hopefully you heard from me and Dan this morning, our power plant construction is on budget, and on schedule, three power plants that we hope to have online in June of next year and the subsequent June. We have a very healthy dialog that we are active participants and going on underway on wholesale power market design and reform, taking place at FERC, at DOE and at the state level. For the utility, we're now pointing towards the upper end of rate base growth at 7% to 9% range, we're now thinking we'll be able to hit that upper end of the range between now and 2021. We have a very busy, but a constructive regulatory agenda coming up for PSE&G. We have GSMP in play, we have a rate case, we'll have Energy Strong 2 in the near term and longer term some energy efficiency. And we're happy to go over all of that and then some with you at EEI next week. I know we have a full set of meetings set up and if you're not on a meeting schedule, I'm sure you can corner one of us in the hallway. They wouldn't let me say it at the beginning of the script, but I wish everybody a Happy Halloween now and have a great holiday and a safe day. Thank you. We'll see you all next week.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-07-28
Event Description: Q2 2017 Earnings Call

Market Cap: 22,744.81
Current PX: 44.96
YTD Change($): +1.08
YTD Change(%): +2.461

Bloomberg Estimates - EPS
Current Quarter: 0.879
Current Year: 2.909
Bloomberg Estimates - Sales
Current Quarter: 2641.667
Current Year: 9757.909

Q2 2017 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Neel Mitra
- Jonathan Philip Arnold
- Praful Mehta
- Paul Patterson
- Michael Lapides
- Steve Fleishman
- Travis Miller

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Jamie, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Second Quarter 2017 Earnings Conference Call and Webcast. [Operator Instructions]

As a reminder, this conference is being recorded, Friday, July 28, 2017, and will be available for telephone replay beginning at 1:00 PM Eastern Time today until 11:30 PM Eastern on Friday, August 4, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Jamie. Good morning. Thank you, everyone, for participating in our earnings call this morning. As mentioned, PSEG released earnings statement for the second quarter 2017 earlier today, and you will find the release and attachments on our website, www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended June 30, 2017 is expected to be filed shortly.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes unless required to do so.

We also provide commentary with regard to the difference between non-GAAP operating earnings and non-GAAP adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in the United States. We won't go through the full disclaimer statements or the comments we have on the difference between

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non-GAAP financial measures, but I do ask that you read those comments contained in our slides and on our website.

PSEG believes that the non-GAAP financial measures providing information on operating earnings and adjusted EBITDA offers a consistent and comparable measure of performance to help shareholders understand the operating and financial results.

Now I'd like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Thank you.

Ralph Izzo

Thank you, Kathleen, and thank you, everyone, for joining us today. PSEG delivered solid results to the second quarter and has had a good first half, putting us on a solid path to meeting our full-year objectives. Earlier this morning, we reported net income for the quarter of $0.22 per share. PSEG's non-GAAP operating earnings for the second quarter of 2017 increased 9% against the prior-year comparable quarter, reflecting strong performance at both PSE&G and PSEG Power.

The results for the quarter bring non-GAAP operating earnings for the first half of 2017 to $1.54 per share, which is a 4% increase over non-GAAP operating earnings of $1.48 per share earned in 2016's first half.

Slides 5 and 6 contain the detail on the results for the quarter and the first half. At PSE&G, earnings increased $0.06 per share from the prior year comparable quarter. Continued infrastructure investment was the primary driver of this growth. PSE&G's focus remains on providing customers with what they want in terms of enhanced reliability, resiliency and green energy, while keeping bills affordable.

PSE&G continues to make progress in its 2017 plan to invest approximately $3.4 billion in transmission and distribution upgrades. The investment will allow PSE&G to meet its commitment to provide customers with high quality service.

Yesterday, PSE&G filed for continuation and acceleration of its Gas System Modernization Program. PSE&G is proposing to invest $540 million per year over a five-year period beginning in 2019. The program would allow PSE&G to shorten to within 20 years the replacement of its aging cast iron and unprotected steel mains and associated services. The filing is consistent with the draft regulations that the BPU issued in June regarding infrastructure investment programs. We applaud the BPU's efforts in this regard.

While PSE&G has received approval from the BPU for several multiyear investment programs in recent years, they have generally been two to three years in duration, limiting the opportunity to expand as efficiently as we could with longer term programs. The BPU's infrastructure investment proposal would address this, encouraging needed infrastructure investment through timely recovery of investments and providing increased predictability by expansion of the investment time horizons of five years. The longer timeframe provides for better planning with contractors, vendors, municipalities where the work takes place, our own workforce, and of course, helps to promote economic growth in the state of New Jersey.

PSE&G has made progress advancing its investment initiatives. Earlier this week, PSE&G reached an agreement in principle with the BPU Staff and Rate Counsel, which provides for a $69 million extension of its investment in energy efficiency equipment for hospitals, multifamily housing and other sectors. The agreement represents more than 90% of PSE&G's original request and will bring PSE&G's cumulative investment in energy efficiency to approximately $400 million. We believe an investment in energy efficiency programs is a cost-effective tool to lower air emissions and control the growth in customer bills.

The work PSE&G has done in promoting solar energy in New Jersey was recently acknowledged by the Smart Electric Power Alliance, also referred to as SEPA, which named PSE&G the 2017 Investor Owned Utility of the Year. The award honors PSE&G for its ongoing commitment to increasing the amount of solar power in New Jersey and

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specifically for its work to build solar farms on landfills and brownfield sites in the state.

PSE&G, as you know, will be filing a distribution base rate case with the New Jersey BPU no later than November 1 of this year. The timing of this filing was agreed to in the settlement of the Energy Strong Program. The case will provide PSE&G with the opportunity to reset assumptions on sales and O&M growth, as well as provide the opportunity to recover investments not recognized in various clauses since our last base rate proceeding, which was settled in 2010.

It will also give us the opportunity to recover prior approved storm costs. PSE&G, as part of the filing, will request approval for a decoupling of distribution revenue from sales volume to support larger-scale energy efficiency investments. We believe strongly that this latter action will incentivize continued investment in energy efficiency and help lower participating customer bills.

We expect PSE&G's initiatives to provide value for the customer and our shareholders. For the five-year period ending 2021, PSE&G's successful execution of its investment program is expected to result in compound annual growth in rate base of 7% to 9%.

At PSEG Power, non-GAAP operating earnings increased by 6% to $0.19 per share as ongoing programs to reduce operating expenses supported earnings. PSEG Power retired its Hudson and Mercer coal-fired generating stations on June 1 and made good progress on construction activities related to its three new natural gas combined cycle generation stations. The new stations will add 1,800 megawatts of efficient capacity over 2018 and 2019 and represents a reconfiguration of Power's merchant generation fleet that will improve its competitiveness in the market.

We've seen some improvement in energy pricing in the PS zone relative to the PJM West Hub. A higher gas price with the opening up of more outlets for gas supply and the completion of work on transmission lines has released congestion and improved energy prices in the East. Power's primary market in PJM has also experienced an improvement in capacity prices.

In May of this year, PJM announced the results of the RPM capacity auction for the 2020 and 2021 delivery year. Power cleared approximately 7,800 megawatts of its generating capacity at an average price of $174 per megawatt day. The average price received by Power was higher than prior auctions and continues to represent a premium to the price per capacity in the RTO. However, the number of megawatts, which cleared the auction, declined from the amount we have cleared in the past. Our results reflect the higher price resulting from the increased risk in the market associated with PJM's move to 100% capacity performance requirements, and the absence of available capacity to meet emergency situations following the retirement of Hudson and Mercer.

The results of the latest auction provide stability in Power's capacity revenue through calendar year 2020. The energy markets, on the other hand, continue to be impacted by a slight demand and excess capacity which has hurt the return on our base load resources, as the average price on energy hedges declines.

Power continues to advocate for policies at the federal level that would correct flaws in the wholesale market design that suppressed prices, and provide adequate recognition of the value that fuel diversity brings to a competitive wholesale market.

We believe that state action is also critical and can be done in a way that both maintains the integrity of the wholesale market, and serves as a bridge until a regional or federal solution is in place. A strong legal foundation for state action appears to have been set with recent district court rulings upholding the legislative and regulatory actions in Illinois and New York.

We continue to educate stakeholders at the state level about the need to preserve the diversity and resiliency of our electric generating mix. Successful execution of PSEG's key policy and regulatory initiatives would assure the company's ability to provide customers with the service, reliability and resiliencies they want and need at an affordable price in today's technologically-advanced society.

Our non-GAAP operating earnings for the first half of 2017 are solidly within our outlook for the full year. So, we are maintaining our guidance for 2017's non-GAAP operating earnings of $2.80 to $3 per share. We expect the growth prospects of PSE&G, the reconfiguration of our merchant-generating fleet and successful execution of our policy

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initiatives will allow PSEG to extend its track record of delivering value for our customers and growth for our shareholders while we maintain a strong balance sheet and credit metrics.

With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Daniel J. Cregg

Thank you, Ralph and thanks, everybody for joining us today. As Ralph said, PSEG reported non-GAAP operating earnings for the second quarter of 2017 of $0.62 per share versus non-GAAP operating earnings of $0.57 per share in last year's second quarter. A reconciliation of non-GAAP operating earnings to net income for the quarter can be found on slide 4.

We've also provided you with a waterfall chart on slide 11 that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on slide 13, which provides you the changes in non-GAAP operating earnings on a year-to-date basis.

I'll now review each company in more details starting with PSE&G. PSE&G reported net income for the second quarter of 2017 of $0.41 per share, compared with $0.35 per share for the second quarter of 2016. And results for the quarter is shown on slide 15.

PSE&G's operating results for the second quarter reflected benefits of revenue growth associated with its expanded investment and the continued control of growth and operating expenses. Growth in PSE&G's investment in transmission improved the second quarter net income comparisons by $0.04 per share. And revenue recovery from investments made to enhance system resiliency under the Energy Strong and Gas System Modernization Programs, GSMP, drove improved margin and second quarter net income comparisons by $0.02 per share. And an increase in depreciation expense is offset by a reduction in O&M and other expenses.

Recall the transmission revenues are adjusted each year to reflect an update of the company's investment program. PSE&G's investment in transmission is expected to grow to represent approximately $7.6 billion of rate base at the end of 2017, which will be 45% of the company's year-end consolidated rate base.

Under Energy Strong, electric rates are adjusted two times during the year in March and September and gas rates are adjusted each year in September. Under the Gas System Modernization Program, gas rates are adjusted each year in January to reflect the investment made during the prior year. The combined annual revenue increase in 2017 from these programs is forecasted to be approximately $56 million.

Economic conditions in New Jersey continue to show steady growth, particularly in the level of employment. On a trailing 12-month basis, weather-normalized electric sales were flat year-over-year due to the impact of increased deficiency in solar net metering, which offset customer growth.

Gas sales on the same basis were slightly higher with growth and demand from the commercial sector. PSE&G has had significant advances on a number of fronts. As mentioned by Ralph, the company filed earlier this week for an extension of the Gas System Modernization Program. This program, which calls for an average investment of $540 million per year, would accelerate the pace of replacement of aging cast iron and unprotected steel mains to 250 miles per year from the current GSMP pace of 170 miles per year.

In addition, PSE&G reached an agreement in principle with BPU Staff and Rate Counsel, which provides for $69 million increase in the company's investment in energy efficiency equipment for hospitals and multi-family housing, as well as for new residential energy efficiency offerings for smart thermostats and data analytics. The agreement calls for a 9.75% allowed ROE and is subject to review by the BPU in the near future.

PSE&G continues to advance its five-year $12.3 billion program in transmission and distribution, and continues to identify incremental investments. We expect to see growth in rate base through 2021 of 7% to 9% per year.

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Assumed within that $12.3 billion capital program is the extension of our existing GSMP program at the current rate of $300 million per year. Our filing yesterday reflecting investment of $540 million per year would increase our forecast capital program by investments made in excess of that $300 million per year amount. These important service quality-related initiatives build confidence in PSE&G's ability to extend its growth through its five-year capital cycle. Based on results for the first half of the year, the forecast of PSE&G's net income for 2017 remains unchanged at $945 million to $985 million.

Now let's turn to Power. PSEG Power reported a net loss for the quarter of $97 million or $0.19 per share compared with a net loss of $11 million or $0.02 per share for the year-ago quarter. Non-GAAP operating earnings was $0.19 per share and non-GAAP adjusted EBITDA was $261 million in the quarter, compared with non-GAAP operating earnings of $0.18 per share and non-GAAP adjusted EBITDA of $250 million for the second quarter of 2016. Non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense and depreciation and amortization.

The earnings release and slide 20 provide you with a detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter and the first half of the year on slides 21 and 22.

Power's non-GAAP operating results for the second quarter of 2017 reflect the benefit of ongoing programs to reduce operating expenses and an increase in output, which offset a decline in average energy hedge prices.

PSEG Power's net loss for the second quarter reflects the impact of incremental depreciation and other expenses of $387 million pre-tax associated with the June 1, 2017 retirement of the Hudson and Mercer coal-fired generating stations. This incremental depreciation expense associated with the retirement of these units is now complete and will not continue into the second half of the year.

An increase in capacity prices in both PJM and New England on June 1 for the 2017/2018 energy year improved quarter-over-quarter non-GAAP operating earnings by $0.01 per share. Growth in output improved second quarter non-GAAP operating earnings comparisons by $0.01 per share, and a reduction in O&M associated with fewer nuclear and fossil unit outage-related days in the quarter and the June 1 retirement of the Hudson and Mercer coal stations improved non-GAAP operating earnings by $0.02 per share.

A decline in the average price received on energy hedges reduced non-GAAP operating earnings by $0.03 per share. And an increase in depreciation expense was offset by a decline in interest expense.

Power's O&M for the remainder of 2017 is expected to compare favorably against 2016. And this reflects the absence of a refueling outage at Power's 100%-owned Hope Creek nuclear station, a decline in major maintenance expense at the fossil stations and, of course, the retirement of Hudson and Mercer coal-fired generating stations.

Now let's turn to Power's operations. Output of Power's generating facilities increased 4% in the second quarter. The improvement reflects a 30-day reduction in nuclear refueling outage days in 2017 relative to the year-ago quarter, which improved the nuclear fleet's capacity factor to 89.6% from 82.7%.

And you may recall Salem 1 underwent an extended refueling outage in 2016 to inspect and replace that unit's baffle bolts. The outage lasted through the month of July and the work required during Salem 2's recent refueling outage to inspect and replace baffle bolt was less extensive and has been completed. And no further work associated with this issue at Salem is currently contemplated.

An increase in the price of gas improved the economic competitiveness of our base load coal fleet during the quarter. And during the quarter, that fleet saw an improvement in its capacity factor to 32.6% from 18.4%. Conversely, the gas-fired CCGT fleet operated at an average capacity factor of 55.3% versus 62.3% last year. As we indicated earlier this year, we experienced a more modest decline in our hedged energy pricing in the second quarter than in the first quarter, as weather related risk has not been priced into the market to the same extent as was experienced in prior years.

Gas prices have improved year-over-year, but we have not seen a similar improvement in Power prices, which has led to a compression in Western hub spark spreads. In the PS zone, spark spreads have held up relative to what we

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experienced a year ago with an improvement in basis.

Power continues to forecast the output of 49 terawatt to 50 terawatt hours for 2017 and approximately 90% of production for the remainder of the year's hedge at an average price of $46 per megawatt hour. Power has hedged approximately 65% to 70% of 2018's forecast production of 52 terawatt to 54 terawatt hours at an average price of $41 per megawatt hour.

And for 2019, Power has hedged up to 30% of forecast production of 58 terawatt to 60 terawatt hours at an average price of $41 per megawatt hour. Power continues to assume deliveries in 2017 under the Basic Generation Service or BGS contract will represent approximately 11 terawatt hours of hedged volume. The forecast increase in output in both 2018 and 2019 reflects the commercial start-up in mid-2018 of 1,300 megawatts of gas-fired combined cycle capacity at the Keys Energy Center in Maryland and Sewaren facility in New Jersey, and the mid-2019 commercial startup of the 485-megawatt gas-fired combined cycle generation unit in Bridgeport Harbor, Connecticut.

Our forecast of Power's full year 2017 non-GAAP operating earnings remains unchanged at $435 million to $510 million and the forecast represents non-GAAP adjusted EBITDA of $1.80 billion to $1.210 billion.

Now, turning to PSEG Enterprise and Other, we reported a net loss of $2 million for the second quarter of 2017 versus net income of $19 million or $0.04 per share for the second quarter of 2016. Non-GAAP operating earnings for the second quarter of 2017 were $11 million or $0.02 per share compared to $19 million or $0.04 per share for the second quarter of 2016.

The net loss for the second quarter includes a pre-tax charge of $22 million related to ongoing liquidity challenges facing NRG REMA and deterioration in market conditions affecting the residual value of the leveraged lease portfolio. The decrease in non-GAAP operating earnings quarter-over-quarter reflects the absence of certain tax related items at PSEG Energy Holdings and higher parent interest expense.

Lastly, discussing our financial position. Our financial position remains strong. Moody's recent upgrade of PSEG's senior unsecured rating to Baa1 stable from Baa2 positive, a test to the strength of the balance sheet and the changing composition earnings with PSE&G forecast represent two-thirds of 2017's non-GAAP operating earnings.

PSEG closed the quarter ended June 30, 2017 with $430 million of cash on its balance sheet, with debt representing 49% of consolidated capital. PSEG Power's debt at the end of the quarter represented 31% of its capitalization, providing a debt-to-EBITDA ratio of 2.1 times at the midpoint of 2017's Power's non-GAAP adjusted EBITDA forecast.

As Ralph mentioned, we are maintaining our forecast of operating earnings for the full year at $2.80 to $3 per share. And Jamie, we are now ready to take your questions

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] One moment please for the first question. First question is with Neel Mitra with Tudor Pickering. Please go ahead with your question.

<Q - Neel Mitra>: Hi. Good morning. I was wondering if you could comment on the dispute against the transmission ROE with the 11.68% base level. And then, basically, how it was redacted and how that process went. And if you anticipate any conflicts in the future, how we should kind of interpret that?

<A - Ralph Izzo>: Neil, I mean, three New Jersey towns did file and then they withdrew a couple of weeks later. We're not at liberty to disclose anything other than that. As you know, large customers always can challenge a lot of ROEs. But at this point, those are the only chance we've had.

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Operator

The next question is from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan Philip Arnold>: Hi, guys.

<A - Ralph Izzo>: Hi, Jon.

<A - Daniel J. Cregg>: God morning, Jon.

<Q - Jonathan Philip Arnold>: Just checking if it's still morning. Feels later than that.

<A - Ralph Izzo>: What have you been doing, Jon?

<Q - Jonathan Philip Arnold>: Always not much. Waiting for your call. Ralph, I missed a little bit of this, I think you made some generic comments about support for nuclear-friendly market reforms and legislation. I'm curious whether you could just give us some insight into what you believe the prospects might be for moving something like that in New Jersey this fall. And also, from your perspective, what is the most effective format for something like that to take?

<A - Ralph Izzo>: Yeah. So, I don't want to put any kind of timing stuff, Jonathan. But I did comment that the court decisions that came out of Illinois and New York Federal Districts relevant to the states have solidified the fact that the states have the ability to act in these matters, and that's good news. We've been maintaining this is both a local and national issue, and it's good to see that it's getting national attention. But the problem, according to the forward price curve, is at New Jersey's doorstep, and there's no denying it.

So, we've continued an education campaign, and I am pleased that actually in those conversations we've received just about, not exactly, but just about universal support for the continued operation of those plants. But we're going to work at all levels, primarily at the state, but also with PJM and FERC to do what we can to just make sure those plants are continuing their operation, that they don't prematurely retire and they do so with economics that is satisfactory to customers and shareholders. So, we don't have specific solutions. We're just really right now in a kind of education mode and we're pleased with the kind of feedback we're getting.

Operator

The next question is from the line of Praful Mehta with Citigroup. Please proceed with your question.

<Q - Praful Mehta>: Thanks so much. So, I wanted to follow up a little bit on the strategic direction, I guess, and we've talked about this before but with the [ph] Zek and the Zen (28:10) discussion happening in New Jersey, obviously, is something around the nuclear support, how do you think about strategic direction of PEG Power? And also, given what IPPs are going through in terms of a number of them either merging or going private, how do you see the long-term vision of this business? Do you still see separation as a possibility or now you are thinking of it more as an integrated platform?

<A - Ralph Izzo>: So, Praful, I think the best way to look at strategic direction is to look at how we're allocating our investment dollars. And if you look back over the past 10 years, you'll probably see a 75/25 split utility PSEG Power. And if you look ahead five years, that ratio has changed a little bit. Now, it's 82% PSE&G at the utility and 18% at Power.

So, the strength of the company and its growth is clearly at PSE&G, but we are not making VCRs or buggy whips, right? We're producing electricity and power and people still need that, so we're constantly optimizing that portfolio. We retired 4,000 megawatts of uncompetitive assets. We're now building 1,800 megawatts of competitive assets and we're warning people about 3,500 megawatts that are in some parallel that, actually, is a greater parallel to the customer and policymakers than it is to our shareholders, that being nuclear.

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If there is a strategic opportunity to do something different, we'll entertain it. But right now, we're quite happy with the cash being generated by Power and the utility's ability to deploy it very, very productively, which gives us extremely healthy balance sheet, one that rating agencies are looking more favorably upon, and robust growth of the utility without any need for additional equity and solid support for dividend that continuously grow with 4% a year. So, we're in a good place.

Operator

The next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Good morning.

<Q - Paul Patterson>: On the new rules at the BPU that they filed with New Jersey or they're going to file with the New Jersey register, I was wondering if you could just – is there any flavor you can give us in terms of what that means quantitatively in terms of earnings or where your CapEx prospects or what have you?

<A - Ralph Izzo>: So, Paul, I don't think of it necessarily as increase or decrease in earnings prospects. I think of it as greater predictability of those earnings. So, for example, we talk about GSMP and the expansion we're filing – that we filed yesterday and the reality is that our filing follow those proposed new rules. So, that makes life a little bit simpler in terms of the discussion.

But, think about this for a second, GSMP-2 is a bit of a misnomer. We could just have easily have called it GSMP-4 or GSMP-5 because it's prior incarnation it was called Capital Infrastructure Program, and then, it was called Capital Infrastructure Program 2 and then it was the Gas Improvement within Energy Strong. And so we've had great dialogue with the board's staff and consistent recognition of the need to replace this aging infrastructure. But it's been going on in 18-month increments and more recently in 36-month increments.

And from an operational point of view, it just makes life difficult. And I think the board realized it. Okay, we've got a 100 years and then we got it down at 30 years, now hopefully we get down to 20 years of this pipe that needs to be replaced. Why are we doing this in such small increment?

So, as you can see, we filed for 9.75% on the GSMP program. It's similar to what – it's exactly the same as what we've been getting on other programs. The mechanism is what's anticipated in the rule, in the proposed rule.

So it's not a question of how much more or how much less the earnings will be, but just greater predictability, greater clarity, longer duration.

<Q - Paul Patterson>: Okay. Thanks.

Operator

The next question is from Michael Lapides with Goldman Sachs. Please proceed with your question.

<Q - Michael Lapides>: Hey, guys. An easy one. Just trying to think about PSE&G's capital spending over the next three to four years, three to five years. And a little bit what's changed since your March analyst conference? If I go back and look at like that slide 13 I think or one of the other CapEx slides, how should we think about how different the CapEx level is today going forward for the next few years versus what you discussed three or four months, or four or five months ago?

<A - Daniel J. Cregg>: Michael, this is Dan. I don't think about it as being very dramatically different. I think that one of the things that we sought to address and as we talked about a 7% to 9% rate base growth, and identifying things that weren't necessarily in the base plan, but were on our radar screen to layer into the back end of the plan because of the

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nature of how we put forth our capital plan based upon what we know.

I think what you've seen is very, very consistent with that as we moved from a 7% rate base CAGR over five years and targeted a 9% rate base CAGR. One of the things we identified to be able to fill that gap was energy efficiency, and we talked today about $69 million being approved for energy efficiency.

Another is GSMP. And embedded within our base plan was $300 million a year on GSMP, which is the consistent run rate, but we thought that we could expand that. And we talked about maybe another $100 million or more that we could put into that plan to be able to get us from 7% to 9%. And what you saw us file was very consistent with that.

So I don't think that I would describe the capital plan as being very different. I think I would describe it as us executing on the upsides that we saw within it and being able to achieve the higher end of that range, and we will continue to look for opportunities to do exactly that same thing.

<Q - Michael Lapides>: Okay. But if I go back and look at the Analyst Day deck, and I think it was actually slide 15, that's maybe the most appropriate one or so, you kind of showed a roll-off or a roll-down of CapEx from close to $3.5 billion at E&G this year, going at $2.5 billion or even less in 2018 and beyond. Do you still think you're at that $2.5 billion level in 2018 and beyond? Or do you think the run rate might look a little bit more something closer to the 2017 level?

<A - Daniel J. Cregg>: Well, I think I would say that, directionally, it's not inconsistent with how we have talked about it in the past. And as we step forward into these years, we have been able to find appropriate investments that the system needs to have done. And as we step through time, that number has tended to grow. So 2017 is a high year for us with respect to capital. But I do think what we represented then through some historical data and how the years have progressed through time and what we anticipated on a go-forward basis was an opportunity to grow that capital program. And I think that's what we conveyed then and, I think, we still believe that now.

<Q - Michael Lapides>: Got it. Thanks, Dan. Much appreciated.

<A - Daniel J. Cregg>: Fair enough.

Operator

[Operator Instructions] The next question is from Steven Fleishman with Wolfe Research. Please proceed with your question.

<Q - Steve Fleishman>: Yeah. Hey, good morning, Ralph. You talked about the different avenues that you're watching for your nuclear generation [ph] stake (36:18), but also PJM and FERC. Could you maybe focus a little more on the PJM, FERC and DOE side and just kind of how much progress do you think is occurring there? And really, can they do enough, I guess?

<A - Ralph Izzo>: So I think if you look at DOE, first. It's just good that from a policy point of view DOE recognizes a challenge with base load generation and fuel diversity. As you know, Steve, they don't have day to day regulatory authority. They have some emergency powers and various things of that sort. But most of the attention, I think, needs, from our point of view, to be at FERC than PJM.

And there we've been talking about price formation for quite some time. The recent PJM proposals on how to deal with inflexible units is potentially quite helpful to the market overall in terms of the missing money issues associated with the fixed cost component of energy that it's not recovered as clearly the market design is to drive towards short run variable costs. I think that could benefit all power generators from the point of view of more accurate pricing.

This bifurcated capacity market or different approaches to the capacity market can also be helpful in terms of mitigated units. At the end of the day, there are some policy objectives that states and others have sought to pursue, typically environmental, but there may be resiliency policy objectives that unless they are explicitly targeted by FERC and PJM, the states will continue to reserve that right to go forward.

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So, I guess what I'm saying is that we're encouraged by the reception at DOE and the administration at the importance of this reliability, national security, fuel diversity issues. It's going to be up to FERC to translate that into a price. And there is a recognition that price formation has not delivered on the workshops of two years ago, all the benefits it can.

What is missing in everything I just described is the national levels of price on carbon. We don't anticipate that being made explicit in the near term. And that's probably going to be the domain that states will continue to probably add incremental value in terms of the environmental benefit.

So, to me, Steve-

<Q - Steve Fleishman>: Thanks.

<A - Ralph Izzo>: -as I said, we're not shy of our retiring plants. Hopefully, we've proved that. But in the case of nuclear, that's a state, local and national disaster in the making and we're just working double time every way we can to point that out to people that this is something that they don't want to let happen, and then say, 5 years or 10 years now, oops, what were we thinking?

<Q - Steve Fleishman>: Okay. Thank you.

Operator

[Operator Instructions] Your next question is from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan Philip Arnold>: Thank you for the follow-up. Just at the Analyst Day, in addition to the incremental items you've added, you had the expansion of ESMP or a continuation. Is that still something you see as possible? What should we be thinking around timing there and size-wise? Anything you can give us on that.

<A - Ralph Izzo>: Yeah. Sure, Jonathan. So, that one is more of a fourth-quarter event. This year, it'll be after the rate case is filed. The rate case will be over by then. You should think of that in terms of the balance of Energy Strong. If you remember back to Energy Strong, we asked for close to $3 billion. And because we had never done anything like that before, the board staff suggested that we just do the most critical components first and see how it goes. The board then actually hired a third-party consultant to oversee our work, and that's gone very, very well. So, I would say it could be an additional $200 million to $300 million per year nominally in terms of electric system modernization that we would be filing in Q4.

Well, probably in Q1 of next year, file our large – much larger energy efficiency program. So, there is no shortage of things that need to be done, some – continue the aging infrastructure replacement, for further enhancement of the grid, and balanced by the energy efficiency to help those participating customers control their bill.

<Q - Jonathan Philip Arnold>: Would that be a five-year type program, Ralph, the $200 million to $300 million you just-

<A - Ralph Izzo>: Yeah. No. You should expect in all of these cases we will comply with the infrastructure program rule – proposed rule. So, I keep stumbling on my word. So, yes. It would be a five-year for the current proposed rule.

<Q - Jonathan Philip Arnold>: Okay. So, we may see more about that in 4Q?

<A - Ralph Izzo>: Yes. You will.

<Q - Jonathan Philip Arnold>: May I just ask one other thing while I'm on?

<A - Ralph Izzo>: Sure.

<Q - Jonathan Philip Arnold>: You're up 4% in the first half. But your guidance is still midpoint. It's kind of flat in the year. Are there other specific drivers in the second half that you can point to that would sort of tamper things back

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down?

<A - Ralph Izzo>: There's two things going on. Number one is that I think was only one year being the exception that we changed our numbers after Q2. It's also 72 degrees in New Jersey today on July 28, so the third quarter although not a big pricing event for Power is still a big volume event for Power. And Dan is waving at me. He may want to add to that.

<A - Daniel J. Cregg>: Yeah. Just last year there was a little bit of tax help that we saw towards the end of the year that we may not end up seeing for this year. So, that and just some of the pricing and what we'll see over the summer, and we talked a little bit within the prepared remarks about how prices are coming down. So, I would point to that and some tax help we got at the end of last year.

<Q - Jonathan Philip Arnold>: Okay. Great. Thank you.

<A - Daniel J. Cregg>: You got it, Jon.

Operator

The next question is from Travis Miller with Morningstar. Please proceed with your question.

<Q - Travis Miller>: Thank you. I was wondering if we look out a few years and if you get the nuclear support that you're thinking about, wherever that comes from, what would you think about upgrades and investments in upgrades at your existing plants?

<A - Ralph Izzo>: So, Travis, good morning. We are actually looking at a very modest upgrade [indiscernible] (43:17). And it's mostly, I don't mean to diminish this paper exercise, it's the way in which one can measure, monitor, and calculate operational risk associated with different operating parameters. So, at the risk of stating the obvious, you're not going to see any major equipment investments at the same time that I'm talking about the forward price curve coming down and putting tremendous economic pressure on the plants. But, to the extent that we have the same staffing levels and the same overhead costs and we can squeeze out a couple more megawatts by doing better probabilistic risk assessment, we're going to do that.

We do have a couple of up rates going on at our fossil plants that we've announced in the past at both our Bergen and our Bethlehem plants and those are a bit more meaningful in terms of their size. But at the nuclear plants right now at Salem and Hope Creek, we're just looking at Hope Creek and it's about 18 megawatts, I think, is the exact amount.

<A - Daniel J. Cregg>: Yeah, that's right. And so, the incremental benefit that you would get versus the incremental cost is very favorable given the fact that you have the base plant running as Ralph mentioned.

<Q - Travis Miller>: Sure. Okay. Could up-rates and promises to expand nuclear power? Do you think [ph] considerably (44:33) be part of some kind of negotiation state legislative level?

<A - Ralph Izzo>: So, from the point of view that as we just try to suggest getting a few more megawatt hours without increasing the cost is helpful. Let me be 1,000% clear. We are working our tails off to make sure we don't need any help from anybody, right. The most important thing is to control what we can control and make sure we run those plants as well as we can, as at low a cost structures as we can so that even with the flaws in the market, they can still win. And if that means paper up-rates, then we'll do that. If it means more staff optimization, we'll do that. And so that's job number one, two and three.

The comment I made before about near universal desire to see those plants operate is accurate. Obviously, our competitors don't want to see those plants operate. And that's a very rational position on their part. But I don't think we get the same universal reaction to new nuclear or building additional plants and not that we would have even considered that in the current gas price environment.

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So, I think to the extent that getting more out of the plant is something that helps make the more competitive answers, yes, but no one has talked to us about we'll build another plant and we'll let you keep these running. I mean that's not part of anybody's calculus right now.

<Q - Travis Miller>: Yeah. Okay. Great. Thanks so much.

Operator

Mr. Izzo and Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

Thank you, Jamie. So, thanks everyone for joining us and we hope you- we genuinely hope you're as pleased as we are with the results we've had here today, and also hope you're as encouraged as we are with the growth prospects that we have, anchored by the agility with programs such as GSMP. As Dan said, it's just a few months ago, we thought that was probably going to be a $300 million a year program and maybe winding down in 2019, and now we have some good hopes that it could be a $500-plus million program and have five years of life after 2019.

So, as always, Kathleen and Carlotta and the rest of the team are available to you for follow up. And with that, I'll just wish you a very happy and pleasant rest of the summer and we'll see you I'm sure on various different venues. Thanks everyone. Take care.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-04-28
Event Description: Q1 2017 Earnings Call

Market Cap: 22,298.87
Current PX: 44.05
YTD Change($): +.17
YTD Change(%): +.387

Bloomberg Estimates - EPS
Current Quarter: 0.583
Current Year: 2.888
Bloomberg Estimates - Sales
Current Quarter: 2254.750
Current Year: 9756.273

Q1 2017 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Jonathan Philip Arnold
- Antoine Aurimond
- Greg Gordon
- Praful Mehta
- Angie Storozynski
- Daniel Yu
- Christopher James Turnure
- Paul Patterson
- Steve Fleishman

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Dennis and I will be your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group First Quarter 2017 Earnings Conference Call and Webcast. [Operator Instructions]

As a reminder, this conference is being recorded today, Friday, April 28, 2017, and will be available for telephone replay beginning at 2:00 PM Eastern Time today until 11:30 PM Eastern Time on May 5, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Dennis. Good morning, everyone. Thank you for participating in PSEG's call this morning. As you are aware, we released our first quarter 2017 earnings statements earlier today. The release and attachments are posted on our website, www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2017 is expected to be filed shortly.

The disclaimer statement regarding forward-looking statements details the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein. And although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even in light of new information or future events unless required by applicable Securities laws.

We also provide you with commentary with regard to the difference between non-GAAP operating earnings and non-GAAP adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in

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the United States.

I am not going to read to full disclaimer statement or the comments we have on the difference between non-GAAP operating earnings and GAAP results, but I do ask that you read those comments contained in our slides and on our website.

PSEG believes that the non-GAAP financial measures providing information on operating earnings and adjusted EBITDA offers a consistent and comparable measure of performance to help shareholders understand operating and financial trends.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service. And joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Thank you. Ralph?

Ralph Izzo

Thank you, Kathleen, and thank you everyone for joining us today. As you saw earlier this morning, we reported non-GAAP operating earnings for the first quarter of 2017 of $0.92 per share versus non-GAAP operating earnings of $0.91 per share in last year's first quarter.

Our GAAP results for the first quarter of $0.22 per share reflect the decision we made last year to retire the Hudson and Mercer coal-fired generating units, which will happen in June of this year. Results also reflect an increase in the reserve for the impairment of our leveraged lease investment in the Keystone, Conemaugh generating stations.

Non-GAAP operating earnings for the first quarter benefited from the ongoing successful execution of our investment program. Growth of our regulated utility business and effective cost management offset the impact on Power's earnings of a continued decline in energy prices. Our regulated utility business is expected to grow 8.5% in 2017 to represent two-thirds of our full year 2017 non-GAAP operating earnings of $2.80 to $3 per share.

We're off to a good start for the year by maintaining our usual focus on operational excellence, disciplined investment and financial strength. We've also increased our attention on achieving a few key policy objectives. First among these is getting recognition for the value of our nuclear-generating assets. As you know, nuclear generation is facing challenges that are real and serious. We've initiated discussions with key stakeholders at the federal and regional levels and here in New Jersey to improve awareness of the importance of nuclear power.

Nuclear is a clean energy resource that provides nearly 97% of the energy that is free of air emissions and is generated in New Jersey. Nuclear supports resiliency of the electric grid by adding to a diverse fuel mix and avoiding the potential reliability problem of putting all of our eggs in one fuel basket. And nuclear provide significant benefits to the regional economy.

We've been working on many fronts to secure the long-term viability of our nuclear generation assets. We've reduced staffing and cut expenses at our nuclear facilities. We've also advocated for change in wholesale market price formation that more accurately recognizes the value that these and other generation resources bring to the customer.

The common sense reality is that these plants are valuable for a variety of reasons. Nuclear-generating facilities have unique characteristics that enhance the resiliency of the system and support public policy objectives that are not recognized or priced in current markets.

While we commend the efforts that FERC is taking on price formation, time is running out for a wholesale market solution. We believe progress in recognizing the value that nuclear brings to the environment, the resiliency of the grid, and the economy of the region has been and will take place at the state level.

Enhancing the resiliency of the power system has become an important issue for our company. Superstorm Sandy was the wakeup call that affected our thinking about what is important to our 2.2 million electric customers and 1.8 million gas customers. PSE&G's $12.3 billion base capital investment program over the next five years is focused on ensuring

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continued reliability and on anticipating, preparing for, and recovering from high-impact, low-frequency events.

PSE&G's investment program includes $6 billion dedicated towards transmission system improvements. $3 billion of electric distribution investment is focused on lifecycle investments to ensure continued top quartile reliability performance and even better customer service. Another $3 billion is focused on modernizing and upgrading cast iron and unprotected steel gas mains. And lastly, $250 million is directed to investments in solar and energy efficiency programs that support New Jersey energy policy objectives.

PSE&G's base capital program provides the opportunity for annual growth in rate base of 9% through 2019 and annual growth in rate base of 7% for the five years ending 2021. The expansion and/or extension of existing capital programs could lift PSE&G's five-year capital program by up to $1.5 billion and raise the growth in rate base from 7% to 9% per year over the five-year period.

At the beginning of March 2017, PSE&G filed for approval to extend its investment in energy efficiency. This request represents a capital investment of $74 million and you should expect to see PSE&G request an extension of its existing program to replace gas mains and to modernize its electric distribution system later this year.

PSEG Power's construction of 1,800 megawatts of new efficient combined cycle gas-fired capacity within PJM and New England markets is underway at a total cost of $2 billion. Earlier this month, the Connecticut Department of Energy and Environmental Protection issued the last set of regulatory permits necessary to begin construction of Bridgeport Harbor 5.

The Keys Energy Center in Maryland and the Sewaren Station in New Jersey are scheduled to begin operation in mid-2018. The Bridgeport facility is scheduled to begin operation a year later in mid-2019.

The retirement of Hudson and Mercer, and the commercial operation of the new gas-fired, combined-cycle gas turbine capacity repositions Power's portfolio more toward efficient, cleaner assets. Our company-wide investment program is focused on building an infrastructure that improves system reliability. We will update you throughout the year on our efforts to preserve the value of nuclear energy for New Jersey and to secure approval for regulatory mechanisms that provide customers clean, affordable, resilient energy supply.

As mentioned, we are maintaining our non-GAAP operating earnings guidance for the full year of $2.80 to $3 per share. With the support of our dedicated 13,000-plus employees, we expect to be able to successfully deliver on the promise of our investment program that should provide growth for our shareholders and a sustainable energy future for our customers.

With that, I'll turn the call over to Dan, who will discuss our financials in greater detail.

Daniel J. Cregg

Thank you, Ralph, and good morning, everyone. Thanks for joining us this morning. As Ralph said, PSEG reported non-GAAP operating earnings for the first quarter of 2017 of $0.92 per share versus non-GAAP operating earnings of $0.91 per share in last year's first quarter.

On slide 4, we've provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter. We've also provided you with information on slide 8 regarding the contribution to non-GAAP operating earnings by business for the quarter. And in addition, slide 9 contains a waterfall chart that takes you through the net changes quarter-over-quarter in non-GAAP operating earnings by major business.

I'll now review each company in more detail, starting with PSE&G. PSE&G, as shown on slide 11, reported net income for the first quarter of 2017 of $0.59 per share compared with $0.52 per share for the first quarter of 2016. PSE&G's first quarter results reflect the ongoing successful execution of its growth initiatives and control of operating expenses. Growth in PSE&G's investment in transmission improved quarter-over-quarter net income comparisons by $0.03 per share.

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Revenue recovery of investments made to replace gas distribution mains under the Energy Strong and Gas System Modernization Programs improved quarter-over-quarter net income comparisons by $0.02 per share, and the reduction in O&M expense also improved quarter-over-quarter net income comparisons by $0.02 per share.

PSE&G implemented a $121 million increase in transmission revenue under the company's FERC-approved formula rate on January 1, 2017. Our transmission revenues are adjusted each year to reflect an update of the company's investment program.

PSE&G's investment in transmission is expected to grow to represent approximately $7.6 billion of rate base at the end of 2017 or 45% of the company's year-end 2017 consolidated rate base. Gas distribution revenue increased by $16 million, with the completion of gas main replacement work approved under Energy Strong and GSMP.

Under Energy Strong, electric rates are adjusted two times during the year in March and September and gas rates are adjusted each year in September. And under the Gas System Modernization Program, gas rates are adjusted each year in January to reflect the investment made during the prior year. Annual revenues in 2017 under both of these programs are forecasted to increase by approximately $55 million.

Actual and weather-normalized electric sales increased about 1.5% in the first quarter compared to the year-ago period. The increase is due to a spike in industrial use from one customer that use PSE&G service in 2017, while the dedicated generation plant that normally serves the customer was out in an outage.

So, the improvement in sales to this customer did not lead to an improvement in margin and actual and weather-normalized from gas sales increased about 3% on the quarter, and the high volatility of the weather experienced over the last few winters challenges the weather normalization calculations. But over the trailing 12-months period, we view weather-normalized electric and gas sales as essentially flat.

As Ralph mentioned, PSE&G filed with the New Jersey Board of Public Utilities in March of 2017 for approval to increase its investment in existing and new energy efficiency programs. The programs, if approved, would represent a capital investment of $74 million. As part of the petition, PSE&G is also seeking recovery of additional administrative and other costs, including costs associated with the enhancement of the information technology system. The petition has been deemed complete, which starts a 180-day clock to complete a decision on the filing. And this is expected during the third quarter.

PSE&G invested $752 million in capital expenses during the first quarter of 2017 and is on track to invest $3.4 billion in 2017 on transmission and distribution infrastructure. And we are maintaining our forecast of PSEG net income for 2017 of $945 million to $985 million.

Moving to Power, PSEG Power reported non-GAAP operating earnings for the first quarter of $0.30 per share and adjusted non-GAAP EBITDA of $359 million. This compares to non-GAAP operating earnings of $0.36 per share and non-GAAP adjusted EBITDA of $409 million for the first quarter of 2016. Non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization expense.

The earnings release and slide 17 provide you with detailed analysis of the items having an impact on Power's non-GAAP operating earnings relative to net income quarter-over-quarter. And we have also provided you with more detail on the generation for the quarter on slide 18.

PSEG Power's net loss for the quarter reflects the impact of incremental depreciation and other expenses of $564 million pre-tax associated with the decision to retire the Hudson and Mercer coal-fired generating stations on June 1 of this year. Power's results in the second quarter will also be impacted by incremental depreciation expense associated with the early retirement of these units.

A decline in the average price received on energy hedges reduced Power's quarter-over-quarter non-GAAP operating earnings by $0.09 per share. The non-GAAP quarterly operating earnings comparisons are also lower by $0.01 per share due to a decline in generation output and by $0.01 per share increase in the reserve-related to a FERC investigation of Power's cost-based bids that began in 2014.

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The impact on non-GAAP operating earnings from these two items was offset by a $0.02 per share improvement in off-system gas sales. A reduction in O&M as a result of cost control efforts at the nuclear stations improved non-GAAP quarter-over-quarter operating earnings comparisons by $0.03 per share.

Power's O&M for the remainder of 2017, particularly the second half of the year, is expected to compare favorably into 2016, given a reduction in pension expense, a decline in major maintenance expense at fossil, the absence of a refueling outage of Power's 100% owned Hope Creek nuclear station, and of course, the June 1 retirement of Hudson and Mercer, as I previously mentioned.

Now, let's turn to Power's operations. Output from Power's generating stations declined 2.8% in the first quarter from year-ago levels. Quarterly comparisons were affected by one fewer day of operation this year versus last year, due to leap year, and also reflect the adverse impact on energy pricing and volatility from above normal temperatures during the first two months of the year.

The nuclear fleet operated at an average capacity factor of 100% in the quarter, producing 8.4 terawatt hours of energy. Power's combined cycle fleet experienced a decline in its average capacity factor during the quarter to 41.8% from 51.7%. For the quarter, the combined cycle fleet produced 3 terawatt hours of energy as the coal-fired fleet produced 1.4 terawatt hours of energy.

During the first two months of the year, the power markets were characterized by warmer than normal weather, reducing overall demand and lowering price volatility. The impact on realized energy pricing from the decline in our average price on energy hedges was notable in the first quarter of 2017 versus 2016.

As previously disclosed, our average hedge price on energy for 2017 is expected to decline from $51 per megawatt hour in 2016 to $46 per megawatt hour in 2017. The impact on realized energy prices in the first quarter of 2017 reflected a larger decline than the average for the year, contributing to the $0.09 per share impact from recontracting I mentioned earlier.

This quarter-over-quarter decline was related to higher seasonal pricing on contracted basis in the eastern PJM region realized in the first quarter of 2016. For the remainder of 2017, we anticipate a more modest decline year-over-year in energy pricing than what we experienced in the first quarter and a lower decline than what we are forecasting for the full year.

Although Power's access to low-cost shale gas continued to provide a benefit to its margins relative to the market, power did experience a compression in spark spreads during the quarter, which had an impact on output from the gas-fired combined cycle fleet. The market has sustained higher prices since the end of February and the improvement can be attributed to higher gas prices and a reduction in congestion with the completion of some transmission work in the area.

Based on the milder weather to-date, Power's forecasting output for 2017 of 49 terawatt hours to 50 terawatt hours and the forecast is modified slightly from our prior forecast of output for the year of 49 terawatt hours to 50 terawatt hours. The change in output is primarily the result of a mild winter and the impacts on output on the combined cycle fleet. The nuclear fleet's full year forecasted capacity factor is unchanged at 92%.

Salem 2 is currently in a refueling outage that's forecasted to be longer than normal, given the decision to proactively address any needs related to the unit's baffle bolts. Approximately 90% of production for the remainder of 2017 is hedged at an average price of $46 per megawatt hour. Power has hedged approximately 55% to 60% of its forecasted production for 2018 of 52 terawatt hours to 54 terawatt hours at an average price of $41 per megawatt hour. And for 2019, Power has hedged 20% to 25% of its forecasted production of 58 terawatt hours to 60 terawatt hours at an average price of $42 per megawatt hour.

Power continues to assume BGS volumes will represent approximately 11 terawatt hours in 2017, which is consistent with 2016 volumes. Power's average hedge prices don't include any anticipated future benefit from its retail marketing efforts. We continue to forecast non-GAAP operating earnings for Power in 2017 of $435 million to $510 million. And the forecast of non-GAAP operating earnings represents an adjusted EBITDA of $1,080 million to $1,210 million for

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the full year.

Now, I'll briefly address the operating results from Enterprise and Other. For the first quarter, Enterprise and Other reported a net loss of $15 million or $0.03 per share for the first quarter of 2017 compared to net income of $17 million or $0.03 per share for the first quarter of 2016. The net loss for the first quarter of 2017 reflects the impact of a pre-tax charge of $55 million associated with the continuing liquidity issues facing NRG REMA. The charge reflects our current assessment of the ongoing matter.

Non-GAAP operating earnings for the first quarter of 2017 of $17 million or $0.03 per share were unchanged quarter-over-quarter from the first quarter of 2016 and reflect contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings. And we continue to forecast full-year 2017 non-GAAP operating earnings from Enterprise and Other of $35 million.

With respect to financings, PSE&G closed the quarter with $193 million of cash on the balance sheet and with debt at the end of March of 2017, representing 47% of our consolidated capital. Debt at PSEG Power represented 30% of its capital at the end of the quarter.

In March 2017, PSEG Power and PSE&G extended the expiration dates on $4 billion of credit facilities to March of 2022. At the end of March, total available credit capacity was $3.6 billion. We remain in a position to finance our five-year base capital program of $15 billion without the need for the issuance of equity. And we remain in a position to finance an expansion of our investment program also without the need to issue equity.

Power's cash flow is forecasted to improve following the completion in 2018 and 2019 of construction of the three new combined cycle units, with the decline in annual capital spending at Power to $200 million a year from 2017's capital budget of $1.2 billion. PSE&G's internal generation of cash is expected to remain strong throughout the forecast period. We continue to forecast non-GAAP operating earnings for the full year at $2.80 to $3 per share.

That concludes our prepared remarks and now I'll turn the call back over to the operator for questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] And your first question is from the line of Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan Philip Arnold>: Hi. Good morning, guys.

<A - Ralph Izzo>: Good morning, Jonathan.

<A - Daniel J. Cregg>: Good morning, Jonathan.

<Q - Jonathan Philip Arnold>: I was curious about the REMA item. When I look back to the Analyst Day, I think you had said, when you were talking about guidance, you'd highlighted this as a write-down of what you described as the residual value. So, is it safe to assume that you have no further exposure?

<A - Daniel J. Cregg>: Jonathan, I think we're in a good place right now. The best information that we have is what we have booked to, really based upon what we know about the liquidity issues at REMA, the issues surrounding the facilities themselves, and basically the alternative outcomes through our discussions with them. So, we think based upon what we know right now, to the best of our information, we've recorded to where we think things will be when all is said and done.

<Q - Jonathan Philip Arnold>: Can you share sort of how much still on the books?

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SI-SSA-0015-14967

<A - Daniel J. Cregg>: Yeah. Between Keystone and Conemaugh, there's about $55 million of total investment that remains on the books.

<Q - Jonathan Philip Arnold>: So, you've written off basically half of what was there?

<A - Daniel J. Cregg>: That's correct. Yes.

<Q - Jonathan Philip Arnold>: Okay, great. Thank you. And then just on the $0.01 charge you took for the FERC investigation, not much happened on that recently. And can you just clarify what's going on with that given the situation at FERC at the moment, and what led to that charge?

<A - Daniel J. Cregg>: Yeah. So, as you know, this has been an issue that's been around for a while and 2014 is when it began, and there was that $25 million charge that was taken in 2014. We are moving forward with it. There's still a fair bit of uncertainly that remains, but based upon where we are right now within the investigation and discussions, the lower end of the range of our exposure as we've seen it has raised to $35 million from that $25 million number that we had. And that was the driver behind the reserve that we know.

<Q - Jonathan Philip Arnold>: So, you were still booking the low end and that's up $10 million.

<A - Daniel J. Cregg>: That's exactly right.

<Q - Jonathan Philip Arnold>: Okay, great. That's all I had. Thank you.

<A - Daniel J. Cregg>: Okay.

Operator

Your next question is from the line of Julien Dumoulin-Smith with UBS. Please proceed with your question.

<Q - Antoine Aurimond>: Hey, guys. This is Antoine Aurimond calling for Julien. How are you?

<A - Ralph Izzo>: Good, Antoine. How are you?

<Q - Antoine Aurimond>: Good. First, after this quarter, how do you see BGSS margins trending for the full year? And more generally, how do you see gas basis in PJM is evolving in light of the recent pipeline delays?

<A - Daniel J. Cregg>: Your first question was on BGS or BGSS?

<Q - Antoine Aurimond>: BGSS. The margins for the full year.

<A - Daniel J. Cregg>: Yeah. So frankly, as we look that product in particular, most of what we'll see throughout the year takes place in the first three months of the year. So, I would say that the BGSS component of our business really will have minimal impact until we get into December, so not a whole lot of variability that we would anticipate until we get adjusted to the fourth quarter there. We have seen some delay in pipelines. I agree on that front, but we have seen some movement within the basis as well. I think that over time as we continue to see more takeaway capacity built, we will see some levelization of gas prices over time.

<Q - Antoine Aurimond>: Okay, got it. And lastly, with regards to the Con Ed wheel, given that Con Ed has been dropped out and that NYPA could possibly follow, do you see any risk of the transmission carving allocated to your utilities customers?

<A - Ralph Izzo>: So, that's a subject of ongoing dispute at FERC. I think the bottom line for us is that there's no question about recovery of investments that we make. But you're right, Antoine, there will be some healthy debate over who pays that. But at the end of the day, we are getting paid.

<Q - Antoine Aurimond>: Okay, got it. Thank you very much.

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SI-SSA-0015-14968

Operator

Your next question is from the line of Greg Gordon with Evercore ISI. Please proceed with your question.

<Q - Greg Gordon>: Thanks. One in the weeds question and one higher level question. It looks like you have slightly lower – not just slightly lower from output for this year, but also slightly lower projected output in the subsequent years. It doesn't look like it would impact margin much, but I'm just wondering is that a function of sort of your dispatch model just being updated for current forwards?

<A - Daniel J. Cregg>: Yeah. That's all it is, Greg. I'd say the most solid impact is what we've seen year-to-date on the winter. So, the lower end of that range stay the same. We just took the top-end down by 1 terawatt hour.

<Q - Greg Gordon>: Okay, great. And then, I know that you obviously have state level activity with regard to what you believe to be the right infrastructure agenda for your customers. But at the same time, you've got this federal move with Rick Perry at DOE opening up a process. And my understanding is that FERC may consider a stakeholder process that ultimately develops into potentially a 205 proceeding to amend their tariffs to deal with the proliferation of subsidies. Can you comment on all those on whether you believe that – how you think those tensions ultimately get resolved and whether or not that's accurate.

<A - Ralph Izzo>: Hi, Greg. Yeah. We're following the DOE studies through EEI, which is we're paying very careful attention to what the future prospects are for base load generation, primarily in organized markets, but in general around the country. And the discussions we've had at every level, right, so we've been talking to people at federal levels, we've been talking to people at PJM, we've been talking to people at state, is that regional and national solutions are preferred, but given the time that's required for naming of FERC commissioners, getting your arms around the value of fuel diversity, getting your arms the value of the environmental impacts of NOx, SO2, carbon, et cetera, that states should be in the lead on those attributes that they value and those programs should go away as regional and federal programs take over. So, it's not a question of holding off on everything until we get clarity from DOE by any means.

<Q - Greg Gordon>: Okay. Do you think it's plausible that there could be a stakeholder process that ultimately results in a request for a tariff change at FERC...

<A - Ralph Izzo>: Yeah. I think it's possible. Sure.

<Q - Greg Gordon>: ... for the PJM auction in 2018?

<A - Ralph Izzo>: It's possible. Sure. We all know what the time frames are at PJM and at FERC, but, yes, it is possible.

<Q - Greg Gordon>: Okay. Thank you, guys.

Operator

Your next question is from the line of Praful Mehta with Citigroup. Please proceed with your question.

<Q - Praful Mehta>: Hi, guys. Just following up the nuclear discussion, wanted to understand what kind of timeframe do you have in your mind around getting some resolution on this? If there is no support or no exact or any other form of nuclear support, how long are you willing to wait before you take a decision on the nuclear assets?

<A - Ralph Izzo>: We haven't drawn a line in the sand, Praful. I mean, our units are hedged. And as we've said publicly that our – because of those hedges generating positive cash flow, however, as one looks at the forward price curve, as those hedges roll off, that cash flow becomes more and more challenge. And in fact, if you believe the forward price curve out three years, those cash flows turn negative. One then has to ask, well, what do you think will happen to the price curve beyond that?

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So, rather than draw a line in the sand, what we've said is we ought to work collectively with people to make sure that the attributes of nuclear are being compensated in the market. And that to the extent that those attributes are not being compensated, they should look at providing a needs tests for nuclear plant to say, okay, if they are in fact not profitable and are at high risk of going away and we will regret losing those attributes, then we want to make sure they don't go away.

So, I think what we've tried to go out of our way to say is the day we announce a date, we are in a mode that is a place that nobody ought to want to be, because these assets are too valuable to the state of New Jersey for us to announce a date. So, we're doing all we can to avoid having to do that.

<Q - Praful Mehta>: Fair enough. And secondly, just a detail question. On the hedges, it look like the percentage hedge obviously comes down over time, but the price also is down, which you would expect from the forward curve down from 46% to 42%. I guess the question is, generally when you're hedging in the forward market, or hedging better periods of time, peak periods or peak hours, what do we take away from the hedge price? Does that mean that the average is actually even lower than that? Just trying to get a sense for what the 42% really means in terms of forward achievable prices for 24/7?

<A - Daniel J. Cregg>: Yeah. Maybe two ways to think about that, Praful. One is – I don't know that I would say that we are necessarily hedging the highest prices earlier and then moving down the scale. There's on-peak and off-peak hedges that get put on without a particular pattern necessarily. So, I would diffuse you of your first thought that it's definitely the higher prices. That said, as we look to the outer years of our disclosed hedge prices and into 2019, given that we've had some BGS auctions that have rolled through, some of that 2019 volume is based upon BGS and we decomposed the BGS price and pull out the capacity components, but there are some other non-energy components that are in there that give a little bit of a lift to that price. So, maybe not so much the fact that it's the higher price or the on-peak prices that have been hedged, but more so that some of the BGS volume that rolls into 2019 shows that price to be what it is. But that's the makeup of it.

<Q - Praful Mehta>: Got you. That's very helpful color. Thank you.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie. Please proceed with your question.

<Q - Angie Storozynski>: Thank you. I just – I don't know if you're willing to give us a sense what would be the potential construct of that support for nuclear plants in New Jersey. It's my understanding that it wouldn't resemble the one from New York or Illinois. Would it be more like what we're seeing in Connecticut or something completely unrelated? Thank you.

<A - Ralph Izzo>: Angie, I would say right now we're in what I would call an education phase. And the only thing that we know for a fact in New Jersey is that if New Jersey were to agree to the importance of nuclear from an environmental point of view, from a regional economy point of view, from a fuel resiliency point of view is that it would require legislation. And I just have a lot of confidence that New Jersey will give it serious thought. I mean, the issues are pretty clear here. If those assets are not earning their cost of capital over the long term or if they turn cash flow negative, we'll retire them. That will be a very painful decision given the impact it has on New Jersey, but, unfortunately, it's a very clear decision for us from a shareholder point of view. So, now, the question is how do policymakers feel about the increased emissions of NOx, SO2, CO2, single-fuel dependency.

And I thank you for your question. This is not a slam against natural gas. This is not a projection that natural gas won't be abundant for decades to come. It's not a slam against renewables. This is the case for the value of fuel diversity, the value of not putting all your eggs in one basket, the value of something that does not have air emissions, the value of something that has, candidly, really good jobs, and obviously the laws of economics, supply and demand. You cannot remove 40% of the supply without having an increase in prices in New Jersey. And that's something New Jersey consumers should not like. So, once the plants become quote uneconomic, they still have enormous value to New

final
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SI-SSA-0015-14970

Jersey. So that's what we're doing right now. We're just educating people about that. To us right now, they are still positive cash flow generators.

<Q - Angie Storozynski>: So, just following this line of thinking. So, basically, the plants become free cash flow negative come 2020?

<A - Ralph Izzo>: Well, if the forward price curve is realized, the answer is yes.

<Q - Angie Storozynski>: Okay. And so -

<A - Ralph Izzo>: And we do not try to outguess the forward price curve. As you know, we run this company in accordance with a hedging program that feathers in the forward price curve. Now, we're working hard to lower our cost at nuclear and try to fight against that stream, that current.

<Q - Angie Storozynski>: Okay. But in light of that, right, you said that it's still a discussion phase in New Jersey. We're going into a capacity auction, which will cover the summer of 2020 and beyond. You have a set of assets that based on observable curves is free cash flow negative. So, what do you do going into the auction?

<A - Ralph Izzo>: Of course, we discuss that all the time and you know us well enough, Angie, to know that we're not going to disclose that. You're really asking how we we're going to bid the units in RPM and we just never talk about things like that.

<Q - Angie Storozynski>: Okay. I had to try. Thank you.

<A - Ralph Izzo>: But it's worth trying though.

<Q - Angie Storozynski>: Thank you.

<A - Ralph Izzo>: Thank you.

Operator

Your next question is from the line of Daniel Yu with Goldman Sachs. Please proceed with your question.

<Q - Daniel Yu>: Hi. Good morning.

<A - Ralph Izzo>: Good morning, Daniel.

<A - Daniel J. Cregg>: Good morning.

<Q - Daniel Yu>: Two parts to my question on Power and market fundamentals. First, are there major supply changes in New Jersey that we should keep in mind in addition to the retirement of Hudson and Mercer and the elimination of the Con Ed wheel? And second, in your view, what are the impacts of these supply changes on the energy and capacity markets?

<A - Daniel J. Cregg>: I mean, I think the one that we would point to is we have our Sewaren plant that's coming in, but maybe I would say you have the RPM auction that has happened for the past couple years. You can see what has come forth from the standpoint of new capacity there. And in the last auction, there was nothing that was in EMAAC. But that's your best indication as to what's going to happen in the near term, near term being three years out coming out of the capacity auction given indication. So, you'll be able to see what supply and demand has committed to the market three years out. And then, the other thing that we look at that we talked about briefly before is just overall supply of gas and pipeline capacity in the region.

<Q - Daniel Yu>: Great. Thank you.

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final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-14971

Your next question is from the line of Chris Turnure with JPMorgan. Please proceed with your question.

<Q - Christopher James Turnure>: Good morning. I know that you had a couple specific things that you wanted to see changed or things that you thought were, I guess, unjust or unreasonable in regards to the PJM parameters in the transmission capacity in the eastern region. Given the changes that were announced a couple of weeks back, did they fully reflect those changes or partially reflect those changes or can you give us some color there?

<A - Ralph Izzo>: Yes, Chris, partially only. We're still confused and our technical people have a different point of view than what was published by PJM, in particular on the CETL/CETO parameters as it pertains to the PS Zone, and in particular, PS North. So, we are going to follow the appropriate communication channels to PJM. And I'm sure that they will post our communications with them on Oasis or whatever other mechanisms they choose. So, it was better the second time around, but we still either need to be educated or PJM needs to make some further changes.

<Q - Christopher James Turnure>: And when you say that, are you referring to changes for future auctions or something that could impact this year?

<A - Ralph Izzo>: Yeah, think it's more than likely for future auctions, Chris. I've lost track of time. I think today's April 28 and the auction starts in two and a half weeks. So, I think we're talking about future auctions.

<Q - Christopher James Turnure>: Okay. And then, I know you don't have that much capacity up there, but the ISO-New England proposal from I think last week was pretty interesting. Do you have any preliminary thoughts on what the impact of that might be over time and the next steps that would be required to get that in place there?

<A - Ralph Izzo>: So, as you know, the most important thing we have up in ISO-New England is the construction of a new combined-cycle gas turbine unit, which has a seven year lock on prices. So, we're good to go for the foreseeable future. So the changes that you're referring to are not of a big consequence to us.

<Q - Christopher James Turnure>: Okay. We'll have to wait and see. Thanks.

Operator

[Operator Instructions] Your next question is from the line of Paul Patterson with Glenrock Associates. Please proceed with your question.

<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Hi, Paul.

<A - Daniel J. Cregg>: Hi, Paul.

<Q - Paul Patterson>: A few quick ones. First of all, on the DOE examination, et cetera, just in general, are you hearing anything about perhaps something more dramatic coming out of Washington to deal with nuclear or coal plant retirement, base load retirements outside of the sort of normal stakeholder process sort of approach? Anything that would lead you to think that there'd be something outside of the stakeholder approach that we've been seeing for so many years now? Have you heard anything perhaps more dramatically happening more quickly to address some of the more imminent closures that might be happening?

<A - Ralph Izzo>: No. Paul, we haven't. I mean, the reality is last congressional stab at tax reform has some phasing out of both the production and investment tax credits. I suppose Congress could revisit that and try to further accelerate those phase-outs. The real issue is what happens in organized markets to price the attributes of fuel diversity and/or environmental attributes. And I think that's less about doing away with something and creating something and that, as the earlier questions pointed out, really lends itself more to a stakeholder process or a discussion that would play itself out over the coming months, if not, years, which is why we would say that state action is likely going to front run any federal consensus on these issues. But to be blunt, Paul, we're reading the same stuff you are and just getting feedback through EEI on what this all means.

final
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Bloomberg
SI-SSA-0015-14972

<Q - Paul Patterson>: Okay, great. And then – and I apologize. I was interrupted just briefly during the call. There was this infrastructure strong proposal at the New Jersey BPU and another one of payments of it, a disc sort of setup. And I was wondering if you guys – if you've already talked about it, I apologize. But if you haven't, I was wondering if you could elaborate a little bit more about what you see happening potentially there and how could it impact you.

<A - Ralph Izzo>: Sure, yes. No, we haven't discussed it. I describe it as a step in the right direction on an issue that we and the board staff and others have been talking about now for a well over a year. You may remember, we have filed 14 trackers/clause programs over the past 10 years and had all 14 approved, not exactly as we had filed them, but with modifications.

And it's become abundantly clear to us and to the board staff that many of these programs that we've initiated have many, many years ahead of them. I mean, we have an aging infrastructure that needs replacement. And to constantly go back in because of an 18-month program's expiration is just suboptimal in terms of how much work you can do efficiently. So, things like training programs for long-term employees, permanent hires versus contractors are things that we don't do now because we don't know whether our capital program is going to end in 18 or 36 months. So, what the board has come out with, all right, we'll give things a kind of a standard recovery mechanism in a five-year life, but in exchange you have to come in for rate case every five years.

And given the actions to load growth, that seems like a very, very reasonable thing to do. Now, the devil's in the details, and based upon the straw man that was put out, there's a couple of significant improvements that we think we need to be made. I'm sure that maybe some other folks who have a different point of view. But we think it's a good step in terms of realizing that long-term ongoing infrastructure replacement should not be done in 18-month increments.

And giving us five years of clarity will help us hire the people, train the people, invest in new equipment that can help us replace miles of pipe more efficiently and reinforce circuits more efficiently and do things that customers are expecting from us. So, to be continued but certainly a constructive first step.

<Q - Paul Patterson>: Okay.

<A - Daniel J. Cregg>: And then, Paul, this all will be a public process. So, as it progresses over time, you will be able to see the discussions that are going on and how it is going.

<Q - Paul Patterson>: Any sense on the timing? I mean some of these things can – I don't know, I mean the consolidated tax seems to take forever. Do you have any idea when this might be resolved?

<A - Daniel J. Cregg>: Not resolved. Next week is the beginning of the process. I believe there's – you may see some more discussion around it next week that would give more of an indication. But I think as far as when it would end is we don't know right now.

<A - Daniel J. Cregg>: I'm going to hope that it's done this year, but we don't have a control over that schedule.

<Q - Paul Patterson>: Okay. Appreciate it.

Operator

[Operator Instructions] Our next question is from the line of Steve Fleishman with Wolfe Research. Please proceed with your question.

<Q - Steve Fleishman>: I'm sorry. It's been answered. Thank you.

Operator

And at this time, there are no further questions. Please continue with any closing or prepared remarks.

final
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Ralph Izzo

Sure. So, thank you all again for joining us. As is often the case, we're greatly appreciate it. As is always the case indicates, we're greatly appreciate of you spending your time with us. So, hopefully, the main messages you heard is that the utility investment program is on track. We're doing things that are valuable to customers and hopefully provide a fair risk-adjusted return to our investors. We certainly view them as being such.

Dan briefly mentioned, but it's worth repeating that the Power construction program is on schedule and on budget, so all looks okay there. We continue to realize the benefits of careful cost control in the utility, in PSEG Power and that commitment is a daily one and you can rest assure that will continue out to the future.

And lastly, we are engaged in some policy discussions that we believe can be helpful to our customers and our shareholders whether it's energy efficiency, recognizing the value of nuclear or putting in place predictable long-term infrastructure programs, all of which will help us run our system more efficiently and in a way that's safe, reliable and affordable for all involved.

I'm sure Kathleen and Dan and I will see you at various venues in weeks and months ahead, and we look forward to chatting with you at that time. Thank you.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2017-02-24
Event Description: Q4 2016 Earnings Call

Market Cap: 23,088.57
Current PX: 45.61
YTD Change($): +1.73
YTD Change(%): +3.943

Bloomberg Estimates - EPS
Current Quarter: 0.877
Current Year: 2.935
Bloomberg Estimates - Sales
Current Quarter: 3123.750
Current Year: 10439.667

Q4 2016 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Travis Miller
- Michael Lapides
- Paul Patterson
- Praful Mehta
- Anthony C. Crowdell
- Angie Storozynski
- Ashar Hasan Khan
- Andrew Levi

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I'm your event operator today. I would like to welcome, everyone, to today's conference, Public Service Enterprise Group Fourth Quarter 2016 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions]

As a reminder, this conference is being recorded today, Friday, February 24, 2017, and will be available for telephone replay beginning at 2:00 PM Eastern today until 11:30 PM Eastern on March 3, 2017. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brent. Good morning, everyone. Thank you for participating in our earnings call today. As you are aware, we released our fourth quarter and full year 2016 earnings results earlier this morning. The release and attachments are posted on our website www.pseg.com under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-K for the period ended December 31, 2016, is expected to be filed early next week.

I'm not going to read the full disclaimer statement, or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slides and on our website. The disclaimer statement regarding forward-looking statements details a number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made therein.

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And although, we may elect to update those forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimates change unless required by applicable securities laws.

We also provide commentary with regard to the difference between operating earnings and adjusted EBITDA and net income reported in accordance with generally accepted accounting principles in the United States. PSEG believes that the non-GAAP financial measures of operating earnings and adjusted EBITDA provide a consistent and comparable measures of performance to help shareholders understand our operating and financial trends.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions and we ask that you limit yourself to one question and one follow-up. Thank you.

Ralph Izzo

Thank you, Kathleen, and thanks, everyone, for joining us today. This morning, we reported non-GAAP operating earnings for the full year of 2016 and as you saw we reported that the non-GAAP operating earnings for the fourth quarter were $0.54 per share versus non-GAAP operating earnings of $0.50 per share earned in the fourth quarter of 2015.

Our GAAP results for the full year of $1.75 per share reflect the impact of our decision last year, to retire the Hudson and Mercer coal-fired generating units in June of this year. The non-GAAP operating earnings for the full year of $2.90 per share were closely aligned with 2015's non-GAAP operating earnings of $2.91 per share. And they were solidly within our revised guidance of $2.80 per share to $2.95 per share, as well as within our original guidance.

Our results reflect the benefits of growth through organic investment and control of O&M expense, this helped to offset the impact on earnings from low energy prices and record mild temperatures experienced during the first quarter of the year. Actions we have taken to transition our business mix in response to changing market conditions have supported PSEG's earnings and will continue to have a positive impact. For 2017, we're focusing on our non-GAAP – forecasting, our non-GAAP operating earnings of $2.80 per share to $3 per share.

Now, let me just describe a few highlights in 2016. First off, PSE&G was named by the ReliabilityOne organization, as the most reliable utility in the mid-Atlantic region for the 15th consecutive year. The utility invested $2.8 billion during 2016 to upgrade and expand its transmission and distribution system. As part of this work to enhance the system's resiliency and its reliability, PSE&G placed into service the 345 kV northeast grid transmission line. The utility upgraded 177 miles of gas pipe in more than 80 towns under its three year, $905 million gas system modernization program.

As part of this work, PSE&G collaborated with Environmental Defense Fund to help detect methane emissions. This collaborative effort helped determine which gas pipes to replace first and that led to a greater reduction in emissions at less cost. In addition, upgrades to PSE&G's electric distribution system continue under the $1.2 billion energy strong infrastructure program. The utility also received approval during the year to expand its Solar 4 All program. The decision by the New Jersey Board of Public Utilities allows PSE&G to build an additional 33 megawatts, that's DC, of solar farms on landfills and brownfield sites in the utility serviced territory.

Solar 4 All with this latest approval grows to represent a 150 megawatt program, that's also DC. PSE&G's investment program, its supportive revenue recovery mechanisms, and tight control of O&M provided for growth of 12.9% in its net income from 2015 to 2016, increasing its contribution to 60% of consolidated non-GAAP operating earnings.

This continues PSE&G's track record of 16% compound annual growth in earnings since 2009. And we also made strides in 2016 at PSEG Power. Despite the continuation of difficult power markets, PSEG Power reported non-GAAP operating earnings for the full year within original guidance, and in excess of our revised guidance.

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Management's ability to control expenses in response to market and operating conditions helped to offset the impact on earnings of lower volume and pricing, and speaks to the capability of our management team. Power invested $1.3 billion in capital in 2016, construction of 1800 megawatts of new, efficient combined cycle gas-fired turbine capacity within the PJM and New England markets at a total project cost of $2 billion remains on time and on budget. Also during the year, Power invested approximately $300 million, a nearly double the size of its portfolio of solar projects to 400 megawatts DC. During the year, Power announced it would be retiring the Hudson and Mercer coal-fired generating stations on June 1 2017, given the outlook for energy prices and the cost of operating these older stations. Retirement of these facilities will improve the outlook for Power's cash flow and income going forward.

The addition of the new gas-fired capacity and the retirement of Hudson and Mercer will transform Power's generation mix. Coal-fired generation is expected to represent 7% of our fuel mix in 2017. As energy produced from natural gas represents 30% and nuclear fuel generation provides 63% of our energy output. An improvement in the fleets' economic efficiency with a decline in the average heat rate will also benefit the dispatch of Power's assets.

We continue to focus on safe efficient operation of our base load nuclear fleets. Power's management team has implemented cost reduction measures in coordination with industry groups to help assure these assets operate in a safe and reliable manner. Controlling cost is vital in the current energy price environment, but even with stringent measures, these units faced continued challenges.

A key element of PSEG strategy has been to maintain a strong financial position that supports our investment goals. Our balance sheet continues to provide us with competitive advantage. We ended 2016 with strong credit metrics, which allow us to pursue investment opportunities for growth. For 2017, we intend to invest $4.7 billion to enhance the efficiency and reliability of our businesses at PSE&G and at Power. This represents a record amount for PSEG to invest in any one year. We continue to have the ability to use our financial strength to improve returns. This includes an increase in our capital program, primarily in our regulated utility. Our investment program at PSE&G for the three years ending 2019, will provide for 9% annual growth in rate base.

We plan on providing you with an update of our five-year outlook for capital spending, and our Annual Financial Conference on March 6, when we will use our time together to describe what is known and what else maybe possible. I truly believe the investment program is exciting for shareholders and customers as it is focused on meeting their needs with the platform that provides reliable, efficient clean energy at an attractive return.

The strategy we implemented over the recent past has transitioned our business mix, as it provided annual growth in earnings. Over the past four years, we have achieved annual growth in earnings at PSEG of 4.4% albeit inclusive of a flat 2016. We want to outperform our recent past and to do so we must remain focused on our principles of operational excellence, financial strength and disciplined investment.

Of course meeting our objectives would not be possible without the significant contribution made by PSEG's dedicated workforce. The continued successful deployment of free cash flow into regulated investment programs that meet customer needs, is expected to support 8.5% growth in our utility company's net income, at the midpoint of our 2017 guidance. This then would represent 66% of enterprise's forecasted 2017 non-GAAP operating earnings of $2.80 to $3 per share.

The board of directors' recent decision to increase the common dividend by nearly 5%, or $0.08 per share on an annual basis to the indicative annual level of a $1.72 per share, is an expression of confidence in our outlook, and an acknowledgment of our strong financial condition.

We do see the potential for consistent and sustainable growth in the dividend as an important means of returning cash to our shareholders.

I will now turn the call over to Dan for a more details on our operating results and will be available for your questions after his remarks.

Daniel J. Cregg

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Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported non-GAAP operating earnings for the fourth quarter of $0.54 per share versus $0.50 per share for the fourth quarter of 2015. Our earnings in the quarter brought non-GAAP operating earnings for the full year to $2.90 per share, in line with 2015's non-GAAP operating earnings of $2.91 per share, and at the upper end of our revised non-GAAP operating earnings guidance for 2016 of $2.80 per share to $2.95 per share.

On slide 4, we've provided you with a reconciliation of non-GAAP operating earnings to net income for the quarter. I'll be providing you with information on slide 10, regarding the contribution to non-GAAP operating earnings by business for the quarter.

Slides 11 and 13 contain waterfall charts, that take you through the quarter-over- quarter and year-over-year changes in non-GAAP operating earnings by major business. And I'll review each company in more details starting with PSE&G. PSE&G reported net income for the fourth quarter of 2016 of $0.38 per share and that's compared with $0.31 per share for the fourth quarter of 2015, as shown on slide 15.

PSE&G's full year 2016 net income was $889 million, or $1.75 per share compared with net income of $787 million, or a $1.55 per share in 2015 for year-over-year growth of 12.9% PSE&G 's net income in the fourth quarter continued to benefit from return on its expanded investment in transmission and distribution infrastructure. Net income for the quarter improved by $0.06 per share based on growth in PSE&G's investment in transmission and the absence of an adjustment for bonus depreciation in the year-ago quarter.

More normal weather conditions relative to unseasonably mild weather in the quarter a year ago, improved net income by a $0.01 per share. And a decline an O&M of $0.03 per share and other expenses was offset by an increase in depreciation and taxes. At the start of 2017, PSE&G implemented a $121 million increase in revenue under the company's transmission formula rate. Transmission revenues are adjusted each year, to reflect an update of the company's investment program. PSE&G's investment in transmission has grown to represent 44%, or $6.7 billion of the company's consolidated rate base of $15.2 billion at the end of 2016.

Economic conditions in the service territory are stable. During the quarter, weather-normalized electric sales were flat compared to the year ago period as an increase in demand from the commercial sector offset a decline in sales to residential and industrial customers. For the year, continued decline in the industrial sector and increases in efficiency offset the positive impact on sales from growth in residential customers.

The experience in 2016 is representative of our long-term forecast for electric sales of under 0.5% per year. Weather-normalized firm gas sales declined slightly during the fourth quarter, compared to the year ago quarter, and declined 1.9% for the full year. We believe the decline in weather-normalized gas sales for the year is due to the extreme weather conditions experienced over the past two years, starting some in precision in the weather adjustments and over the long-term we forecast annual growth of a 0.5% to 1% in firm gas sales.

PSE&G invested $2.8 billion on its transmission and distribution system in 2016 and has forecasted to invest an additional $3.4 billion in 2017. We're forecasting growth in PSE&G's net income for 2017 to a range of $945 million to $985 million. And at the midpoint of that range, the forecast represents 8.5% growth in net income for the year.

Now, let's turn to Power. As shown on slide 20, PSEG Power reported non-GAAP operating earnings of $0.13 per share, compared with non-GAAP operating earnings of $0.19 per share a year ago. The results for the quarter brought Power's full-year non-GAAP operating earnings to $514 million, or $1.01 per share, compared to 2015's non-GAAP operating earnings of $653 million, or $1.29 per share.

Power's adjusted EBITDA for the quarter and the year amounted to $155 million and $1.201 billion respectively. This compares with adjusted EBITDA for the fourth quarter of 2015 of $218 million and adjusted EBITDA for the full-year of 2015 of $1.435 billion. And as of this reporting, the calculation of Power's adjusted EBITDA no longer excludes costs associated with major maintenance activities at Power's fossil generating stations.

The earnings release as well as the earnings slides on pages 11 and 13, provide you with the detailed analysis of Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and cost. We've also

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provided you more detail on generation for the quarter and for the year on slides 22 and 23.

PSEG Power's net income for the fourth quarter reflects the impact of incremental depreciation and some other expenses of $555 million and that's associated with the decision to retire the Hudson and Mercer coal-fired generating units effective June 1 of 2017. The company's fourth quarter results also reflect the impact of a decline in energy prices on output and margins.

The decline in the average price received on energy hedges reduced Power's quarter-over-quarter net income by $0.05 per share and improvements in our system gas sales partially offset the impact of reduced output, resulting in a net reduction of a $0.01 per share in quarterly net income comparisons.

During the quarter, an increase in O&M expense of $0.03 per share, associated with the planned refueling outage of Power's 100% owned Hope Creek nuclear station, was offset by a decline in taxes and other items and for the full-year, lower O&M improved Power's net income by $0.13 per share.

Let's turn to Power's operations and the output from Power's generating facilities was 7.6% lower in the fourth quarter, compared to a year ago levels. Quarterly comparisons were affected by the planned refueling outage at Hope Creek by major maintenance on the Bergen 1 gas-fired combined cycle gas turbine unit during the quarter and by market conditions. For the year, output was 6.7% lower than the amount of energy produced in the prior year.

The nuclear fleet operated at an average capacity factor for the year of 86.9%, producing 29.6 terawatt hours of energy representing 57% of Power's total energy output for 2016. If you recall, the refueling outage at Salem 1 in the spring was extended to replace baffle bolts in the reactor and Salem 2 was removed from service during a portion of the third quarter to repair a main power transformer.

The Salem units each operated at capacity factors in excess of 98% in the fourth quarter. Power's gas-fired combined cycle fleet operated at an average capacity factor of 57% for the year, producing 16.4 terawatt hours of energy, representing 32% of Power's 2016 energy output. The coal-fired fleet primarily Keystone and Conemaugh generated 4.8 terawatt hours of energy during the year, producing 9% of Power's 2016 energy output, with the remaining output produced from our peaking assets.

Operation of our gas-fired combined cycle fleet, for the year has been affected by the timing of outages and market conditions. Although a compression in markets spark spreads could continue to influence output from the combined cycle fleet in the upcoming year, we don't forecast the deterioration in the spark spread earned by the fleet given the availability and pricing of shale gas.

We've seen an improvement in forward zonal market prices over the quarter, particularly for 2018 and 2019 pricing. The improvement stems from an increase in pipeline capacity moving gas from the Marcellus basin, as well as transmission repair work, which has supported movement of electricity. Over the long-term, however the market prices do remain backward dated.

Overall, Power's gross margin declined slightly to $37 a megawatt hour in fourth quarter, versus $38.83 per megawatt hour in the year ago quarter. For the year, Power's gross margin was $40.40 per megawatt hour versus $42.25 per megawatt hour last year. And slide 25, provides detail on Power's gross margins for both the quarter and for the year.

Power's forecasting output for 2017 of 49 terawatt hours to 51 terawatt hours, a slight reduction from the 51.5 terawatt hours of energy produced in 2016. Following completion of the BGS auction in New Jersey earlier this month, Power enters the year with a 100% of its 2017 baseload generation hedged and approximately 80% to 85% of anticipated annual production hedged, at an average price of $46 a megawatt hour.

The percent of output hedged is higher than what we've typically hedged at this time a year, and the difference is the result of a slightly lower generation forecast for the year. For 2018, we forecast annual production of 55 terawatt hours, approximately 50% to 55% of 2018's forecast generation is hedged at an average price of $43 a megawatt hour, and for 2019, Power has hedged 15% to 20% of forecasted production of 60 terawatt hours at an average price of $43 per megawatt hour.

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And Power assumes BGS volumes will continue to represent approximately 11 terawatt hours in 2017, which is consistent with 2016's deliveries of 11.1 terawatt hours under the BGS contract. Forecast increase in output in 2018 and 2019 reflect a commercial startup in mid-2018 of 1,300 megawatts of new gas-fired combined cycle facilities at Keys, in Maryland and at Sea Warren in New Jersey, and the mid 2019 commercial startup of the 485 megawatt gas-fired unit at Bridgeport Harbor in Connecticut.

Moving to retail, Power has received approval to operate as a third-party supplier of retail electric energy in both New Jersey and in Pennsylvania. The forecast for 2017 doesn't assume meaningful contribution from retail sales, the Power's team will begin its marketing efforts.

Power's non-GAAP operating earnings for 2017 are forecast at $435 million to $510 million. The forecast represents non-GAAP adjusted EBITDA for the full year of 2017 of $1.080 billion to $1.210 billion.

Moving to Enterprise and Other. Enterprise and Other reported net income for the fourth quarter of $11 million, or $0.02 per share, which compares to net income of $4 million for the fourth quarter of 2015. For the full year, Enterprise and Other reported a net loss of $20 million, or $0.04 per share compared to net income in 2015 of $36 million, or $0.07 per share. Net income in the fourth quarter and the full year 2017 included pre-tax charges of $10 million and a $147 million respectively, related to impairment of leveraged lease residual values and an estimated loss as a result of liquidity issues currently facing NRG REMA.

Non-GAAP operating earnings for Enterprise and Other in the fourth quarter were $17 million, or $0.03 per share compared to $4 million in the year ago quarter. The results for the fourth quarter brought full year 2016 non-GAAP operating earnings from Enterprise and Other to $72 million, or $0.14 per share compared to $36 million, or $0.07 per share in 2015. Excluding the issues related to the leases, the improvement in non-GAAP operating earnings reflects the absence of certain corporate expenditures, as well as contractual payments associated with the operation of PSEG Long Island and certain tax items. And for 2017, non-GAAP operating earnings for Enterprise and Other are forecasted at $35 million.

I'd now like to spend a moment on the subject of tax reform, and as you all know it's very early in the process, but that said, we've evaluated the impact on PSEG of key changes to the tax code that are being discussed that you've, no doubt, familiarized yourself with over the past quarter.

Slide 31 provides an overview of these key issues, and overall we believe PSEG is well-positioned and would benefit from a decline in the federal tax rate due to Power's contribution to earnings and our strong balance sheet. We anticipate any reduction in federal taxes at PSE&G would be passed through to our utility customers, and we also anticipate the customer rates would decrease as excess deferred income taxes are returned to customers. The payback period as you know is unknown at this point. But our strong balance sheet puts us in a position to comfortably manage that return of cash to customers.

And you should also expect that our November 2017 distribution base rate filing at PSE&G would reflect any changes in federal taxes that would be known at that time.

The first changes in federal taxes are expected to improve PSEG's and Power's after-tax earnings and cash flow. And we estimate that given our low debt levels, the impact of deductibility of interest expense would be moderate to us versus our peers, as with potential loss of deductibility of our relatively low property taxes paid by Power. We do bear the risk of a boarder adjustment tax on our nuclear fuel, but on balance we believe, we are well-positioned for the elements of tax reform that are currently being discussed.

Next I'd like to provide a brief update on our pension, pension and OPEB expense in 2017 is expected to be $22 million lower than our 2016 level of expense. Contributing to that reduction was a merger of our three qualified defined benefit pension plans and the assets of those plans into a single plan. As a result, total pre-tax net periodic benefit costs are expected to decrease by $48 million in 2017 from what they would have been, but for the merger of the plans. And this is due to a change in the amortization period for gains and losses for the merged plan, resulting in a lower amortization expense than that of the individual plans.

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Returns on our pension fund in 2016 exceeded our targets and at year end, the pension plan was well-funded with no anticipated funding required over our five-year planning horizon. With respect to financing as Ralph mentioned, our financial condition remained strong. We closed 2016 with $423 million of cash on hand and debt representing 47% of our consolidated capital position. Debt at Power represents approximately 29% of its capital base and at year-end Power's debt position was just over 2.1 time to the midpoint of our forecast for Power's non-GAAP adjusted EBITDA for 2017. During the fourth quarter, PSEG issued $700 million of three-year and five-year senior notes at favorable interest rates, and we plan to provide you with an updated five year view of capital spending at our Annual Financial Conference on March 6.

We're guiding to non-GAAP operating earnings for 2017 of $2.80 to $3 per share, in line with our 2016 operating results, as forecast growth at PSE&G offsets lower energy prices on Power's income.

The common dividend was recently increased 4.9% to the indicative annual level of a $1.72 per share, which represents the 13th increase in the last 14 years, and builds on a 3.9% average annual growth in the dividend over last 10 years.

And with that, we're ready to take your questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] Your first question comes from the line of Greg Gordon with Evercore. Please go ahead.

<Q - Greg Gordon>: Hey, good morning, thank you.

<A - Ralph Izzo>: Good morning, Greg.

<Q - Greg Gordon>: Please correct me if I'm wrong, but I just was looking at the guidance that you last gave on a segment basis on the Q3 call versus the actual results. And it looks like PSE&G net income came in slightly below the low end of the higher articulated guidance range, but PSE&G Power had a phenomenal year, at least relative to what you thought at the end of the third quarter. Can you compare your last articulated segment guidance against the year-end results and explain where things were consistent with or inconsistent with where you thought you were going to end up the year?

<A - Ralph Izzo>: So, I'll give it to Dan, Greg, good morning, but I think basically we had a pretty cold December and great O&M control and a tax issue with the utility, but Dan do you want to...

<A - Daniel J. Cregg>: Yeah. That's exactly it, Greg. There was a tax issue that's not an ongoing issue, it's a one-time tax item at the utility that brought them just below and Power just did a great job of controlling costs as we went through the balance of the year.

<Q - Greg Gordon>: Okay, great. So when we think about the guidance for 2017 then, whatever that – and I can go over it with Kathleen offline, whatever tax issue you had is normalized in terms of expectations?

<A - Daniel J. Cregg>: Yeah. That's exactly right, Greg.

<Q - Greg Gordon>: Okay, fantastic. And when you talk about the – sorry to focus on the tax stuff because who knows three months from now, we may wind up not having any tax bill at all, but one of your other competitors that's a large nuclear generator did point out that they thought that there was a significant exposure on border tax on uranium costs since we now unfortunately import the majority of our uranium. Is that theoretically true? But in the longer term if that were the case, are there domestic sources of uranium that would be quickly brought online to mitigate that?

<A - Daniel J. Cregg>: Yeah. I mean, Greg as we think about it, we spend about $200 million a year on nuclear fuel and a little more than half of that is sourced outside of the U.S. So we show that issue, obviously, not to a major extend from the standpoint of the overall impact on Enterprise. But if you think about a border tax trying to encourage

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domestic production, I don't know that it would – there is any way it would get you all the way there from the ability to source what the industry needs domestically. That said that doesn't mean that you would necessarily have it as part of tax reform. So, we're aware of the issue, watching the issue, and that would be an area, where it would have an impact on us.

<A - Ralph Izzo>: And Greg, just the risk of getting into too much detail, remember when we say nuclear fuel, that's a complicated noun to use right, because there is a whole bunch of processing that goes along with it. So, when the answer is half of it is outside, it doesn't mean that from uranium cake to fuel rod, we do half of that in the country, and half of that outside of the country, all parts of it are touched outside of the country. So, as you point out, this is an attempt to bring this product into the nation, that we don't know, how that's going to be doable.

<Q - Greg Gordon>: Okay. Thank you, guys. Take care.

<A - Daniel J. Cregg>: Thanks.

Operator

Your next question comes from the line of Julien Dumoulin-Smith with UBS. Please go ahead.

<Q - Julien Dumoulin-Smith>: Hey, good morning, guys.

<A - Ralph Izzo>: Hi, Julien.

<A - Daniel J. Cregg>: Hi, Julien.

<Q - Julien Dumoulin-Smith>: Hey, just to finalize that question, just to make sure I heard you right on the nuclear fuel piece. You should assume the vast majority of the fuel CapEx is subject to the border adjustability tax?

<A - Daniel J. Cregg>: Since the laws aren't written it's going to be tough to say, but there is different components going from uranium to enrichment to fabrication along the way, and those steps are more external than internal to the U.S. So, however they would make the determination to apply any kind of a border tax that doesn't – that isn't written as yet, we would apply that against the components of how that comes together, so we're grasping a little bit at trying to define, a number around something that doesn't exist, but if we think about it little more than half of the aggregate cost seems like it might qualify to be non-domestically resourced.

<Q - Julien Dumoulin-Smith>: Right, got it. And then vis-a-vis your cash taxes, can you remind us exactly where do you stand today and what your effective and cash tax rates would be as you look at the forecasted future?

<A - Daniel J. Cregg>: So, future would not include any tax reform, I presume. But as we think about overall tax profile, we are a taxpayer and get a little close to not being one into this year, depending upon where the results go and then move back into a tax paying position?

<Q - Julien Dumoulin-Smith>: Got it, all right. Then turning to the CapEx bucket, your GSMP program, do you have plans to increase that going into the rate case? And can you remind us of the potential upside there as you see it in terms of the next filing?

<A - Ralph Izzo>: Sure. Julien, [indiscernible] (34:20) that's a $300 million a year run rate adjusted for inflation going forward, we think that's a 30-year program, so that means we have 27 more years after this first tranche of GSMP and you remember we were operating at a $300 million a year run rate and we have gained confidence that we can push that number up higher. I'd rather leave the details of that discussion for March 6, but it will be – we certainly have the capability to do more than $300 million a year, which would of course shorten the 27 years proportionally.

<Q - Julien Dumoulin-Smith>: Got it. Thank you very much.

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Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

<Q - Travis Miller>: Good morning. Thank you.

<A - Ralph Izzo>: Hi, Travis.

<A - Daniel J. Cregg>: Hi, Travis.

<Q - Travis Miller>: I was wondering if you could update us, Ralph, on your thoughts about the retail business? The speed at which you would like to ramp that up, the extent to which you might ramp that up relative to the generation output?

<A - Ralph Izzo>: So our philosophy hasn't changed, remember this is primarily a defensive move on our part. We did make clear that we were looking at possibly trying to find a couple of tuck-in niche acquisitions, but we have not, and so we've opted to pursue this organically building the capability in house. We still are targeting between 5 terawatt hours and 10 terawatt hours at its maturity. We have received licenses to market in Eastern Pennsylvania and in New Jersey.

We have a head of the operation on board that we've hired and a couple of support folks and are talking to people about some of the back-office fundamentals that we don't want to build on our own. Don't forget we still have BGS, which is the 11 terawatt hours of our 50 terawatt hours round numbers that is essentially retail product. And what we're looking to do here is to basically claw back some of the BGS that over years had gone away by some combination of migration or changing of thresholds for the BGS customer. And we think that it will help us capture some loss margin and improve our management of basis differentials. So I think from the point of view of organic growth, I'm pleased with the approach it makes it harder, but it does make it more profitable if done this way.

<Q - Travis Miller>: Yeah. Got it, thanks. And then within that retail business, would you think about doing anything unique like energy services or C&I energy management, anything like that or are we just talking plain retail?

<A - Ralph Izzo>: This is plain retail capturing better margin for our hardware that exist.

<Q - Travis Miller>: Got it. Okay. Thanks so much.

Operator

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

<Q - Michael Lapides>: Hi, guys. Congrats on a good 2016. I want to come back to the utility and the commentary about CapEx. I think if I read the release correctly, you said $10.2 billion of total CapEx for the entire company over the next three years and 77% of that is the utility. So that's kind of roughly $7.8 billion of utility CapEx. But then, and I may have misheard this, I thought you said that 2017's CapEx at the utility is going to be $3.4 billion. So that would leave $4.5 billion for 2018 and 2019, which implies $2.2 billion a year roughly.

That's a pretty big step down in PSE&G's CapEx. a) I want to make sure I heard that correctly. b) could you walk us through whether that's the number you're likely to lay out at the Analyst Day, or at the Analyst day are you going to update that number? What are the things that are not included that could wind up in there when we think about the next couple of years?

<A - Ralph Izzo>: Okay, Michael. Well, first of all good morning, thanks for the nice words. Yes, you heard the numbers correctly. This is our age-old problem, that you now have grown accustom to, where the out years have in the past grown beyond, what we predict them to be in the current timeframe. So, what we'll do at the Analyst Day is try to explain to you, what's been approved, what's about to be filed, what we've confidence in, in terms of being a mere extension of existing programs, and we're actually going to expand a little bit at the Analyst Day to kind of give you a little bit more insights into what I would just call our opportunities set, our drawing board things which we were always working on, but we normally don't bake into our bar charts showing five-year growth.

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But at the risk of sort of doing the preview with details on the news at 11 you are once again going to see a five-year set of numbers that are higher than what we thought they were going to be last year at this time and that just seems to be the natural trend. And I wish I could always get it right in terms of the prediction, but the out years are always less certain. So – yes, you heard it correctly.

<Q - Michael Lapides>: Right. It just seems in this – and I want to make sure I understand. The CapEx you're likely to layout at the Analyst Day will differ from the $10.2 billion total number that you put in today's release, or will those two, for just the next three years, be the same number and you'll give a lot more detail about drivers and what could change it?

<A - Ralph Izzo>: Yeah. So, in terms of three years, what we'll show you is stuff that we didn't include and why didn't include it, and then we'll expand the five-year view for you.

<Q - Michael Lapides>: Got it. The only reason I ask is that when I go back over the last decade, it's really years three through five, where you would show a cliff in the slide deck at the Analyst Day, and then as we got closer to year three and year four those numbers would come up. And the only thing that differs from the detail this time is now it's [ph] FY 2002 (40:53), meaning it's the 2018 number where you kind of assume a $2.2 billion if you just assumed 2018 and 2019 were the combined equal amount of what's left over. And so I'm just wondering, are we reaching a point where CapEx at PSE&G is starting to moderate?

<A - Ralph Izzo>: So I think, I think that your observations are accurate that the turnover generally occurred in years – it slightly occurred in year three and turnover in year four and year five. The other observation I would offer those that this year is a record breaking year for PSE&G CapEx. So, I think it's a combination of kind of GSMP and ESM and Energy Strong in tandem and Solar 4 All in tandem with still some major transmission work going on in the Bergen-Linden Corridor that's feeding a record breaking year. So, that year four and year five is coming up a little bit earlier this time, but that won't change the 9% growth in rate base, which is off of a higher base, and a larger capital program than we've had in the prior years and the prospects for even more to come.

<Q - Michael Lapides>: Got it. And one thing, in thinking about rate base calcs, what is the bonus D&A impact on rate base over the next couple of years?

<A - Ralph Izzo>: It's in the numbers that we're providing, I don't have a separate breakout of what the implications of that were, we can get you a little bit color on those numbers, but we broken out with the total cash flow aspect is and then that will ripple through based upon timing.

<Q - Michael Lapides>: Got it, thanks. I can follow up with Kathleen. Much appreciated, Ralph, Dan. Much obliged.

<A - Ralph Izzo>: Thank you, Michael.

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates. Please go ahead.

<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Good morning, Paul.

<Q - Paul Patterson>: Really quickly. The leases, they were, as I understand, last quarter they were all being paid. Is that still the case?

<A - Daniel J. Cregg>: Yes, everything is still current on them, Paul.

<Q - Paul Patterson>: Okay. And what is the earnings impact associated with these leases for 2017? Is it anything significant?

<A - Daniel J. Cregg>: Not a significant contribution to the ongoing earnings, no.

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<Q - Paul Patterson>: Okay. That's my only question. Everything else has been asked. Thanks.

<A - Daniel J. Cregg>: Okay. Thanks, Paul.

Operator

Your next question comes from the line of Praful Mehta with Citigroup. Please go ahead.

<Q - Praful Mehta>: Hi. Thanks, so much.

<A - Ralph Izzo>: Good morning.

<Q - Praful Mehta>: So, my first question was on the O&M operation. You said the Q4 PSEG Power costs were low and were run efficiently. I wanted to understand, is that a one-time thing? What drove that, and can that be replicated going forward or is that already reflected in your guidance?

<A - Daniel J. Cregg>: Yeah. So, our O&M forecast for 2017 is clearly included within the guidance for 2017 and we continue to manage as efficiently as we can within the facilities that we have it. I guess the items that I would think about it, as you move through time and Ralph referenced, maybe some of the operational aspects as supposed to cost specific. But you'll see Hudson and Mercer coming off from the standpoint of those units retiring, and you'll see as time moves on with some new units coming on into retail operation, coming together, you will see some cost come back on from more productive purposes.

But we have operated the Power business at an extremely efficient O&M trajectory and if you look over the last five years or so, our O&M is basically dead flat.

<Q - Praful Mehta>: Got you. And that's helpful. Any perspective on PJM capacity prices? How do you see all the supply that could impact the upcoming auction, any view on that at all?

<A - Ralph Izzo>: Yeah, we never forecast what that is going to be, largely because we don't know what that's going to be. I think, what we are paying careful attention to and I suspect everyone on the call is as well as this first of a kind footnote by PJM that they may have to revisit some of the reliability parameters in the PS Zone and PS North in particular, that's something we all expect to see updated prior to May, I know that we have launched some questions with PJM about some of the reliability assumptions made, these seem to emanate from the change in the wheeling circumstances associated with the New York ISO. So, no we don't forecast, we don't predict to the outside world, we obviously do a lot of analysis inside about what we think may happen, but right now I believe the parameters unfortunately are in a bit of flux, and they need to be fixed sooner rather than later.

<Q - Praful Mehta>: Got you. And just finally quickly on the tax reform side, you said with the reduction of corporate tax rate, obviously the excess deferred tax liability, whatever you revalue, you'll have to refund back to customers. Can you give us a sense of what that size is and what do you expect in terms of timeframe if you had to refund that?

<A - Daniel J. Cregg>: Yeah, the second question is the harder one to answer, because it is not determined yet, where that's necessarily going to come from, so that could be legislated as part of what ultimately may come out or be left to the regulatory agencies to make that determination. So, we don't know if you look back to 1986, there was something called the average rate adjustment method, which was painfully complex, and pushed the excess back on a unit-by-unit or a class-by-class as the timing difference has changed.

So it was very structured, and very complex and pushed them back over a long period of time. So as it stands right now, we don't know what that message is going to be, because nothing is in place as yet, but that's just an eyeball to history. And if you take a look, you can see just by going through the overall tax footnotes and looking at the aggregate deferred taxes that we have and grossing up at 35% and pulling down at whatever rate you think the rate is going to go to. So you'll have to determine whether you had a 15% or 20% rate or something else based upon what gets legislated. But if you're in that range, you're probably approaching about $2 billion of excess deferreds, just by doing that math off the footnotes of the 10-K.

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SI-SSA-0015-14985

<Q - Praful Mehta>: Got you. Thanks so much, guys.

<A - Daniel J. Cregg>: You're welcome.

Operator

Your next question comes from the line of Anthony Crowdell with Jefferies. Please go ahead.

<Q - Anthony C. Crowdell>: Good morning. I just have hopefully one quick question. The midpoint of the utility guidance $945 million to $985 million, what's the assumption on earned ROE?

<A - Ralph Izzo>: Yeah, that's not changing this year for any reasons that we can think of Anthony. We're looking at each other right now say, does somebody knows something that we don't. The rate case filing for base distribution will go in November my guess is those rates will be effective sometime either late in 2018 or January 1 of 2019. Our FERC formula rate has already gone through for January 1. Our clauses are all baked in already at varying degrees from 9.75% to 10.0% So, there is no ROE – there is no allowed ROE impact this year that I can think off...

<A - Daniel J. Cregg>: Yeah. I mean ultimately it becomes the sum product of all of those different rates and programs.

<Q - Anthony C. Crowdell>: I guess, have you provided what that sum product is that you're assuming for 2017 or no?

<A - Daniel J. Cregg>: No.

<A - Ralph Izzo>: No.

<Q - Anthony C. Crowdell>: Okay. Thank you.

<A - Daniel J. Cregg>: You're welcome.

Operator

Your next question comes from the line of Angie Storozynski with Macquarie. Please go ahead.

<Q - Angie Storozynski>: Thank you. Just a quick question on the Enterprise and Other. Can you help me with modeling of the future earnings power of this segment?

<A - Daniel J. Cregg>: Yeah. Far and away the biggest component there is PSEG Long Island and that's about a $0.07 to $0.08 benefit in the aggregate. Beyond that there is a little bit of corporate expenses and a little bit of interest, but mainly if you think about that, as just being PSEG Long Island it will be pretty close.

<Q - Angie Storozynski>: So why was there a step-down between – why is there a step-down between 2016 and 2019 – 2017? I'm sorry.

<A - Daniel J. Cregg>: Yeah. So there is – we had a tax benefit that came through this year, which is a onetime item, which would not be replicated on a go forward basis.

<Q - Angie Storozynski>: Okay. And then for Long Island, should I just keep it flat? Is there any growth embedded in the contract?

<A - Daniel J. Cregg>: Yeah, that there is growth basically on a kind of a CPI oriented growth. So there is no step change that you should expect from that business.

<Q - Angie Storozynski>: Okay. Thank you.

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<A - Daniel J. Cregg>: You're welcome.

Operator

Your next question comes from the line of Ashar Khan with Visium. Please go ahead.

<Q - Ashar Hasan Khan>: My questions have been answered. Thank you so much.

<A - Ralph Izzo>: Hi, Ashar.

<A - Daniel J. Cregg>: Good job.

Operator

Your next question comes from the line of Andy Levi with Avon Capital Advisors. Please go ahead.

<Q - Andrew Levi>: Hey, guys. How are you doing?

<A - Ralph Izzo>: Hi, Andy.

<Q - Andrew Levi>: Hey, just two quick questions. Just on 2019 on your hedges, the $43 on the baseload, seems like a very attractive price relative to kind of what shows up on various different – like Bloomberg for example. Just wondering the timeframe when you hedged that and how you were able to get a $43 price, which is very attractive.

<A - Daniel J. Cregg>: Nothing new there Andy, what we have always done and continue to do is as we try to capture items like a full requirements contract like BGS, we, we strip-out the capacity component of it and it leaves you with some of the actual non-energy elements that remain in there. So, as you look that far out that's a bigger proportion of what the hedged amount is. So that's what it gets you to.

<A - Ralph Izzo>: And it's consistent with what we've done, whenever we give you our hedge profile.

<Q - Andrew Levi>: Okay, so that, just make sure I understand it because I'm not that smart at times. So that percent that you show there, that's mainly from BGS? Is that what you're saying?

<A - Daniel J. Cregg>: About half of it is BGS.

<Q - Andrew Levi>: Half of it is BGS, got it. Okay. And the second question is, and I don't know if you had disclosed this already, but what is the PSE&G, the utility's, CapEx for 2017?

<A - Ralph Izzo>: That was the $3.4 billion.

<Q - Andrew Levi>: $3.4 billion, okay. I did hear that correctly, okay. And then I guess I can discuss the rest with Kathleen afterwards. Okay. Thank you very much.

<A - Ralph Izzo>: But she is not going to tell you how we hedged so smartly, she is not going to give away those trade secrets to you.

<Q - Andrew Levi>: Okay. Thanks.

<A - Daniel J. Cregg>: See you, Andy.

Operator

[Operator Instructions] Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

final
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<Q - Michael Lapides>: Hey, guys. Real quick follow-up on the balance sheet. You've talked previously about how much balance sheet capacity, or excess balance sheet capacity you maintain. Can you give an update on that? And if CapEx does start to moderate at the utility some, and we know that once the gas plants come online at Power we'll start seeing CapEx moderate, and probably early, mid next year there as well. How do you think about utilizing that balance sheet?

<A - Ralph Izzo>: Yeah. So thanks for the follow-up question Michael. And your arithmetic was right before, I just, I wanted to be cautious about the use of moderation for the utility capital program as a general characterization because it's anything but, and we'll talk in greater detail about that. And we'll also give you some specifics on residual investment capacity and there is a healthy amount of residual investment capacity that we'll expand about.

That is the primary reason, why we planned to do something a little bit new on following Monday and talk about the opportunity set. Albeit with a heavy dose of qualifying that opportunity set as, yeah, so this is the stuff that's on the drawing board that oftentimes never gets to a filing and then even after filing oftentimes gets trimmed, right. So, but we just want to show you the reason why we like having that investment capacity because we're always thinking of things that are important to customers that we can do for them.

<Q - Michael Lapides>: Got it. Thank you, Ralph. Much appreciated.

Operator

Mr. Izzo or Mr. Cregg there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

Great. So, thanks, Brent. So thanks, everyone, for being on the call. And we hope the results for 2016 and the outlook for 2017 help you understand that our strategy is successful in meeting the challenges of the market today. We will be in New York on March 6th at the stock exchange and hope you'll join us for our annual review of our business both the three year and five year look going forward.

Presumably your takeaway say at least what we tried to communicate to you is that our balance sheet remains strong. As we just discussed with Michael and with the rest of you, our capacity for growth exists beyond the 9% rate base that we've talked about and the completion of the projects of Power that are going to add 1,800 megawatts of efficient combined-cycle. We will give you a little bit more information on the range of utility opportunities and what our ongoing efforts will be to position Power's portfolio for maximum returns. In the meantime, as much as it pains me to say, please enjoy this wonderful weather. And hopefully, we'll see it bundles up in Manhattan in about seven-day. Take care, everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. Thank you for your participation. You may now disconnect.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-10-31
Event Description: Q3 2016 Earnings Call

Market Cap: 21,288.11
Current PX: 42.08
YTD Change($): +3.39
YTD Change(%): +8.762

Bloomberg Estimates - EPS
Current Quarter: 0.537
Current Year: 2.865
Bloomberg Estimates - Sales
Current Quarter: 2570.000
Current Year: 10018.818

Q3 2016 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Neel Mitra
- Travis Miller
- Angie Storozynski
- Praful Mehta
- Gregg Orrill
- Mitchell Frederick Moss

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Ginger and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's Third Quarter 2016 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session from members of the financial community.

[Operator Instructions] As a reminder, this conference is being recorded today, Monday, October 31, 2016, and will be available for telephone replay beginning at 2:00 PM Eastern Time today until 11:30 PM Eastern Time on November 7, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I will now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Ginger. Good morning. Thank you for participating in PSEG's call this morning. As you are aware, we released third quarter 2016 earnings statements earlier this morning. The release and attachments as mentioned are posted on our website at www.pseg.com under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended September 30, 2016, is expected to be filed later today.

As you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update those forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes unless required to do so.

Our release also contains non-GAAP operating earnings. Please refer to today's 8-K or our other investor filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of non-GAAP operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Dan Cregg, Executive Vice President, Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Thanks. Ralph?

Ralph Izzo

Thank you, Kathleen, and thank you, everyone, for joining us today. PSEG reported strong results for the third quarter. Earlier this morning, we reported net income for the quarter of $0.64 per share versus $0.87 per share last year. Non-GAAP operating earnings for the third quarter of 2016 were $0.88 per share compared with non-GAAP operating earnings for the third quarter of 2015 of $0.80 per share.

For the nine months, we reported net income of $1.94 per share versus $2.70 per share, but non-GAAP operating earnings for the nine months ended September 30, 2016, are $2.36 per share, which compares with non-GAAP operating earnings of $2.41 per share earned during the nine months ended September 30, 2015.

Slides 4 and 5 contain the details on the results for the quarter and the nine months. We remain committed to our core operating philosophy of operational excellence, investing in a disciplined manner and maintaining a strong financial position to support the growth expected by our shareholders.

PSE&G continues to earn its return on an expanded capital investment program. PSEG Power continues to manage through very difficult energy markets, and we continue to take strong actions to optimize both businesses in this environment. PSEG Power has decided to retire the Hudson and Mercer coal-fired generation stations in 2017. This is sooner than we would have forecasted just a few short years ago, but became inevitable in the face of changes in the energy market, which were amply demonstrated this summer. While we experienced very warm weather conditions, the abundance of low cost gas supply, which is a benefit for our customers, kept energy prices low and is expected to keep power prices lower for longer.

Careful analysis indicated that it would be uneconomic to invest the capital necessary to assure the units would comply with PJM's new capacity performance reliability standards. Although the units have been dispatched infrequently, we expect the retirement of Hudson and Mercer to result in a further reduction in the fleet division's profile.

These retirements continue the evolution of PSEG Power's fleet into a portfolio of reliable, low cost, flexible assets, capable of competing in today's market. To be clear, retirement will also aid Power's future cash flow and return profile. The addition of 1,800 megawatts of new gas-fired capacity at Keys, Sewaren and Bridgeport Harbor over 2018 through 2019 will further the transformation of the fleet.

From a supply/demand standpoint, I want to remind you the capacity at Sewaren and Bridgeport Harbor will replace older steam and coal-fired capacity that we will retire. The new capacity will improve the fleet's efficiency and lower its cost structure.

The new units remain on time and on budget. These new units remain profitable even with the recent declines in market pricing, and continue to meet our hurdles for returns, which of course are in excess of our return expectations that we placed on new utility investments.

By the end of this decade, our nuclear and gas-fired generation facilities will provide more than 90% of our electric output. Our nuclear fleet represents our cleanest energy resource for the foreseeable future and our gas-fired combined cycle fleet represents an efficient flexible resource.

We remain committed to operating the fleet in a safe, reliable manner and assuring their availability over the long term. Power continues to focus on running the business efficiently and has made target reductions in its workforce and continues to identify measures to improve availability and margin in today's market.

New investment opportunities for Power do not involve the construction of additional new capacity. But we continue to look for opportunities to diversify the fleet.

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PSE&G also continues to identify new opportunities for growth. PSE&G is on track to invest $3 billion in 2016 as part of its five-year $12 billion capital program. In addition, PSE&G has recently reached the settlement with key parties that provides for an extension of its existing innovative landfill and brownfield solar program subject to BPU approval.

The settlement allows PSE&G to expand its investment in solar by approximately $80 million to construct 33 megawatts of grid-connected solar facilities over three years. We believe PSE&G's involvement in grid-connected solar extends the benefit of solar to all of its customers at a lower cost. We anticipate a decision from the New Jersey Board of Public Utilities by year-end. PSE&G is also requesting approval from the BPU to partner with New Jersey Transit in the development of a new $270 million substation that both would utilize and would enhance the reliability and resilience of facilities damaged by Superstorm Sandy. The new substation would enter service by the end of 2020.

For me it's hard to believe, but there's been four years since Superstorm Sandy struck. It touched all of our customers. And to-date, we've invested more than $900 million under electric and gas programs approved by the BPU to improve our systems' resilience through raising substations, building redundancy, replacing gas pipe and even trimming trees. The collaboration with New Jersey Transit on construction of a new substation represents a continuation of this type of work.

The agreement to increase our investment in solar, our announced $300 million increase in base capital spend, and PSE&G's anticipated collaboration with New Jersey Transit represent a greater than $600 million increase in PSE&G's capital program. PSE&G's ability to earn its authorized return on investment continues to drive our forecast for double-digit growth in PSE&G's 2016 earnings.

Based on our forecast for the year, PSE&G is expected to represent more than 60% of 2016's consolidated non-GAAP operating earnings. Its investment program continues to drive annual growth and rate base of 8% for the end of the decade with the potential for up to 10% with additional programs that we have planned.

We have met significant challenges to our forecast presented by the lack of winter weather and low energy pricing. Even so, consistent with our comments on the second quarter earnings call in mid-summer, we're making a slight adjustment to the upper end of our full year guidance. We are now guiding toward 2016 non-GAAP operating earnings of $2.80 to $2.95 per share, which represents a small reduction from our prior forecast of non-GAAP operating earning earnings of $2.80 to $3 per share. We are confident that the investments we're making along with a focus on operational excellence and a strong balance sheet will drive long-term success.

With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Daniel J. Cregg

Great. Thank you, Ralph, and thank you everybody for joining us on the call this morning. As Ralph mentioned, PSEG reported net income for the third quarter 2016 of $0.64 per share versus net income of $0.87 per share in last year's third quarter.

Non-GAAP operating earnings for the third quarter of 2016 were $0.88 per share versus non-GAAP operating earnings of $0.80 per share in last year's third quarter. And a reconciliation of non-GAAP operating earnings to net income for the quarter and year-to-date can be found on slides four and five.

We've also provided you with a waterfall chart on slide nine that takes you through the net changes in quarter-over-quarter non-GAAP operating earnings by major business and a similar chart on slide 10 provides you with the changes to non-GAAP operating earnings by each business on a year-to-date basis.

And I'll now review each company in more detail, starting with PSE&G. PSE&G reported net income of $0.50 per share for the third quarter of 2016 compared with $0.44 per share for the third quarter of 2015 for 14% improvement. Results for the quarter are shown on slide 12. The improvement in PSE&G's net income for the third quarter reflects growth from its expanded investment in electric and gas transmission and distribution facilities.

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Returns on PSE&G's expanded investment in transmission added $0.03 per share to net income in the quarter. And incremental revenue associated with PSE&G's Energy Strong infrastructure program added $0.02 per share to net income in the quarter. Third quarter net income comparisons also benefited by an increase in electric demand associated with weather conditions, which were approximately 30% warmer than normal and 9% warmer than conditions experienced in the third quarter of 2015. The increase in demand associated with the warmer than normal weather added $0.01 per share to third quarter net income.

An increase in depreciation and O&M and other expense was offset by a decline in taxes and other items. Retail electric sales increased 3.6% in the quarter, reflecting the much warmer summer weather that occurred in 2016. And on a weather normalized basis, total sales were slightly positive versus the third quarter of 2015. Higher sales to residential and industrial customers offset by a decline in sales to commercial customers.

As Ralph mentioned, PSE&G's capital program led by an investment in transmission is on schedule. PSE&G is expected to invest $1.8 billion in transmission during 2016 as part of a five-year $7.1 billion investment program to upgrade and expand the transmission network. PSE&G's investment in transmission is expected to grow to represent approximately 45% of year end 2016's rate base.

PSE&G recently filed an update of its formula rate for transmission at the Federal Energy Regulatory Commission. And the update which reflects an increase in the level of PSE&G's investment and transmission would provide for $121 million increase in annual transmission revenues effective January 1, 2017, subject to FERC approval. We are maintaining our forecast for PSE&G's non-GAAP operating earnings for 2016 of $900 million to $935 million.

Now let's turn to Power. PSEG Power reported net income of $139 million or $0.27 per share for the third quarter of 2016 compared with net income of $206 million or $0.40 per share for the year ago quarter. Our non-GAAP operating earnings were $0.34 per share for the third quarter of 2016 compared to non-GAAP operating earnings for the third quarter of 2015 of $0.33 per share, and non-GAAP adjusted EBITDA for the third quarter of 2016 was $397 million versus non-GAAP adjusted EBITDA for 2015 of $401 million.

Non-GAAP adjusted EBITDA excludes the same items as our non-GAAP operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization and major maintenance at Power's fossil generating facilities. And the earnings release on page 18 provides you with detailed analysis of the impact on Power's non-GAAP operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter and for nine months of the year on slide 19 and slide 20.

Power's net income in the third quarter includes one-time pre-tax charges amounting to $114 million pre-tax, $67 million after-tax with $0.13 per share related to the early retirement of the Hudson and Mercer generating stations. These one-time charges which were excluded from Power's non-GAAP operating earnings mainly relate to the write-down of excess coal inventory and materials and supplies, as well as some other smaller items.

Power's non-GAAP operating earnings for the third quarter, reflect a decline in the average price on energy hedges, which is partially offset by lower cost to serve load, which combined to reduce quarter-over-quarter operating earnings by $0.02 per share. Decline in output during the quarter reduced operating earnings by $0.01 per share and a reduction in O&M expense improved the results by $0.03 per share. An increase in depreciation expense associated with Power's capital program was more than offset by a decline in interest expense and other items, which combined to improve quarter-over-quarter net income by a $0.01 per share.

As I mentioned, Power's third quarter results benefited from a reduction in O&M expense which added $0.03 per share to net income quarter-over-quarter. Year-to-date, a reduction in Power's O&M expense has improved net income comparisons by $0.15 per share. Management's proactive response to lower energy pricing has been a major contributor to the decline in O&M and the timing of outages and major maintenance related work has also influenced comparisons. For example in 2015, refueling outage at Hope Creek occurred in the spring and this year Hope Creek's refueling outage is currently underway in the fourth quarter.

O&M expense in 2015 was also elevated due to major maintenance related work at some of the fossil stations. Although we expect O&M expense in 2016 to decline year-over-year, we should anticipate an increase in O&M for the

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fourth quarter given the costs associated with the refueling of our 100% owned Hope Creek nuclear station. Over the long term, you can expect constant diligence in controlling the growth of O&M.

Now let's start with Power's operations. Output at Power's generating facilities declined 4% in the quarter and the nuclear fleet operated at an average capacity factor of 80% in the third quarter versus an average capacity factor of 95% in the year ago quarter, as output declined 12% to 6.9 terawatt hours from 7.8 terawatt hours. The decline in output reflects the impact of extended outages at the two Salem units and as we mentioned in our second quarter earnings call, output in the third quarter would be impacted by the extension of the refueling outage at Salem 1 through July, the complete repair work on the unit's baffle bolts and repair work at Salem 2 to repair an electrical fault.

Both units have since returned to service and are operating at full capacity. Output from Power's gas-fired combined-cycle fleet declined slightly to 5.2 terawatt hours from 5.4 terawatt hours last year. The warmer than normal weather conditions spurred an increase in demand for Power's coal-fired generating stations and peaking fleet, which together experienced an increase in output during the quarter to 2 terawatt hours from 1.6 terawatts hours.

Power markets in the third quarter benefited from hotter than normal weather, which had a favorable influence on the market, and Power was less hedged going into the quarter than a year ago, allowing the fleet to capture some upside in pricing. That said, a decline in Power's gross margin in the quarter to $41.74 per megawatt hour from $42.07 per megawatt hour reflects the impact of lower average prices on energy hedges.

As we've indicated, we continue to expect basis to be seasonal that is positive in the winters, assuming normal weather and neutral to negative at other times of the year until more gas pipeline takeaway capacity goes into operation. Power continues to forecast the output for 2016 of 50 terawatt hours to 52 terawatt hours. The forecast takes into account the extended outage at Salem, as well as refueling outage at Hope Creek which is currently underway.

Power has reduced its forecast of generation output for 2017 and 2018 by approximately 3% to 4%. The revised forecast recognizes the impact of low gas prices on the potential dispatch of the Keystone and Conemaugh coal-fired generating stations, with also some impact coming from the retirement of Hudson and Mercer's coal-fired generating stations in mid-2017. Approximately 75% to 80% of anticipated production in the fourth quarter of 2016 of 11 terawatt hours to 12 terawatt hours is hedged on an average price of $48 per megawatt hour. The average price for energy hedges for the full year approximates $50 per megawatt hour.

And for 2017, Power has hedged 65% to 70% of its revised forecast of 51 terawatt hours to 53 terawatt hours of output at an average price of $47 per megawatt hour. And for 2018, Power has hedged approximately 25% to 30% of its revised forecast of 56 terawatt hours to 58 terawatt hours of output at an average price of $45 per megawatt hour. The hedge data continues to assume BGS hedges will cover 11 terawatt hours to 12 terawatt hours of output.

The forecast of Power's non-GAAP operating earnings for 2016 has been revised to $460 million to $500 million, and the forecast represents non-GAAP adjusted EBITDA for the full year of $1.270 billion to $1.335 billion. I'd also like to point out that the retirement of Hudson and Mercer will continue to have an impact on Power's net income in the fourth quarter.

In addition to the one-time charges recognized in the third quarter, Power expects to recognize incremental depreciation and amortization during the remainder of 2016 of $568 million pre-tax, and then 2017 Power expects to recognize incremental depreciation and amortization of $946 million pre-tax due to the shortening of the expected economic useful lives of Hudson and Mercer.

Until the units are retired, we will continue to record normal O&M and deprecation in our non-GAAP operating earnings. On an annual basis, these expenses amount to an estimated $60 million and $50 million pre-tax, respectively. We should also see a reduction in Power's planned capital spending beyond 2017 of approximately $200 million to reflect the elimination of previously planned capital improvements at Hudson and Mercer.

Now I'll turn to PSEG Enterprise and Other, where we reported a net loss of $0.13 per share for the third quarter of 2016 compared to net income of $0.03 per share for the third quarter of 2015. Our non-GAAP operating earnings for the third quarter of 2016 were $0.04 per share compared to non-GAAP operating earnings of $0.03 per share for the

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third quarter of 2015.

During the third quarter of 2016, Energy Holdings completed its review of estimated residual values embedded in the NRG REMA leveraged leases. As a result of current and expected future market conditions, an impairment of $86 million after-tax related to the residual value of these leases was recorded in net income. The increase in non-GAAP operating earnings quarter-over-quarter results reflects certain tax items at PSEG Energy Holdings and contractual payments associated with the operation of PSEG Long Island.

The forecast of PSEG Enterprise and Other full year 2016 non-GAAP operating earnings remains $65 million. PSEG also closed the quarter ended September 30, 2016, with $450 million of cash on its balance sheet with debt at the end of the quarter representing approximately 45% of consolidated capital. PSEG Power had debt at the end of the quarter representing 28% of capital. As Ralph mentioned, we've adjusted our forecast for non-GAAP operating earnings for the full year to $2.80 to $2.95 per share from $2.80 to $3 per share.

And, with that, we are ready for your questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] Your first question is from Neel Mitra from Tudor, Pickering. Please go ahead with your question.

<Q - Neel Mitra>: Hi. Good morning.

<A - Ralph Izzo>: Good morning, Neel.

<Q - Neel Mitra>: Just based off of some of your peers' commentary. Could you comment if you're seeing any cost inflation at your nuclear plants or any upwards pressure on pricing which you're having to contain?

<A - Ralph Izzo>: Yes, Neel. So, we have been commenting and participating in industry efforts to reverse the trend of some of the escalations in both O&M and capital being driven by the considerations emanating from the NRC. So we're part of an effort called Delivering the Nuclear Promise to take the average industry cost structure of $35 a megawatt hour down to $30 a megawatt hour. We haven't released our specific cost structure, but suffice to say that we operate slightly below the industry average. So yes there are cost pressures but there's an active industry effort that we are front and center and participating to both control that escalation and reverse it.

<Q - Neel Mitra>: Got it. And then just moving to the Keys Center, some of your recent commentary is based off of fact that you like the location in Southwest MAAC within PJM. Could you comment on why that's a good location compared to some other locations in PJM for a new build?

<A - Ralph Izzo>: Sure. It's a couple reasons. First of all, it's closer to the – it is part of the PJM West Hub where we do all of our hedging. So, it does lend some balance to the portfolio which is primarily PJM East, where most of our assets are located. It is a load pocket that is experiencing some modest degree of growth. There have been years where it looked like it was going to be about 4% and it's been consistently the strongest pricing region from an energy market point of view in PJM for the past few years.

<Q - Neel Mitra>: Okay. Perfect. Thank you.

Operator

Your next question is from Travis Miller from Morningstar. Please proceed with your question.

<Q - Travis Miller>: Good morning. Thank you.

final
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SI-SSA-0015-14995

<A - Ralph Izzo>: Good morning, Travis.

<A - Daniel J. Cregg>: Hi, Travis.

<Q - Travis Miller>: Looking at a high level, I know you guys would like to have a strong balance sheet, where you are right now with the growth projects that you have over the next two years to three years especially on the Power side. How do you see that leverage changing? And to the extent that it stays in this kind of range, what's the opportunities that add leverage perhaps over the parent co or some other place on the balance sheet?

<A - Ralph Izzo>: So, I think that numbers – I'll let Dan fill in – remained on average above 40% for the next three years given current market expectations. Our floor at Power is an FFO to debt of 30% and yeah, as been the case in the past, Travis, our top priority is reinvesting in the business. That predominantly means reinvesting in regulated utility assets, although we continue to look for opportunities to acquire assets in Power that fill out our portfolios in competitive markets that we're interested in, that being New York, New England and PJM.

But number one use of the balance sheet is reinvesting in the business. Number two is, given the cyclicality of the merchant generation business to provide support for the dividend and some of those ups and downs, so that we can provide a consistent growth rate in that dividend.

And last would be to repurchase shares, if we were not seeing those growth opportunities, primarily in utility or had earnings that just dwarf the growth in the dividend, but, Dan, I don't know if you want to add some color to some of those specifics?

<A - Daniel J. Cregg>: Yeah, what I would say, Travis, is, we have had a lot of success in finding opportunities to deploy capital, and we even referenced today in excess of $600 million at the utility. So rough reference is, reinvesting the capital in the businesses is opportunity number one and that's what we have been able to do, and having a strong cash flow coming from the Power side of the business, and the ability to provide financing there at the parent is enabling of that growth that we have throughout the business.

<Q - Travis Miller>: Okay. And then on those generation projects, would you expect to have a higher percentage share of debt or leverage there, such that your entire balance sheet, certainly in a small way given the relative size, would move toward more leverage. Is it a question there, simply is, is there going to be extra leverage at those projects as you go through the construction phase?

<A - Daniel J. Cregg>: Yeah, I think, if you take a look at what we're investing into the business on the Power side of the business, and you take a look at what our cash flow is coming from the business, it pretty well supports the ability to build that, a, without any equity at the parent, but without growing that leverage capacity, that leverage utilization at Power.

<A - Ralph Izzo>: And to Dan's point, Travis, both Power and the utility can support that capital program without any equity issuance in any of the forecasts that we're able to come up.

<Q - Travis Miller>: Okay. Great. Thanks a lot.

Operator

So our next question is from Angie Storozynski from Macquarie. Please proceed with your question.

<Q - Angie Storozynski>: Thank you. So, first on the Power side. Can you comment on what you're seeing on the power basis, not the gas basis, but on the power basis for your combined type of gas, it seems like the output from your New York and New Jersey units have come down slightly over year despite this hot summer. And we are hearing from other power producers, gas-fired producers in PJM that they're seeing some expansion in the negative power basis due to some congestion on transmission line, as well as the gas plants are running now, well often 24x7, is this a phenomenon you're actually seeing in your units?

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SI-SSA-0015-14996

<A - Ralph Izzo>: Yes, Angie. That is correct. So as you know, the basis differentials are very seasonal in nature, they tend to be so much strongly negative in the shoulders – in the off-seasons, the spring and the fall, less negative in the summer and they turn positive in the winter. It's driven by two factors, you've identified both of them; one is gas basis differentials and transmission congestion. I forget the name of the transmission asset down in the BG&E area that is undergoing some renewal. It's Bagley...

<A - Daniel J. Cregg>: Bagley-Graceton yeah.

<A - Ralph Izzo>: ...Bagley-Graceton, which I believe according to PJM is scheduled for completion sometime next spring, that's all public information you should check the PJM OASIS Board for confirmation that in case I have the date wrong.

And then obviously from a gas point of view, there's a much healthier degree of infrastructure that's bringing gas from the Marcellus to the New York, New Jersey region than there is going to the PJM West region which is a bit of a misnomer, it's actually south of here. And until the infrastructure corrects that arbitrage opportunity you'll continue to see a gas-based generation being less expensive to operate up here than it is down there.

But we remain confident that over time the market does correct any anomalies that exist and arbitrage opportunities that exist and there's no shortage of projects that are up either in permitting or in construction to move gas to the south, and as I said there is a specific transmission project underway to correct the congestion that we're seeing in the BG&E area.

<Q - Angie Storozynski>: Great. And now on the utility side, in your prepared remarks, you mentioned the double-digit growth rate and then you mentioned something about 8%, can you actually or just remind me of at least your comments about the...

<A - Ralph Izzo>: Sure.

<Q - Angie Storozynski>: ...was it about the rate base growth, or was it about the longevity of the current double-digit earnings growth?

<A - Ralph Izzo>: Yeah. So as you know, we don't forecast earnings growth, and what we've been forecasting is that for the next five years the utility capital program for approved programs which support an 8% rate base growth, and for programs that are fairly straightforward extensions of existing programs that 8% becomes 10%, but they've not been approved by the BPU yet.

Of course as you know, rate base growth is a good indicator of earnings growth, but then one has to add load growth and subtract O&M growth, and those are two parts that are tougher to predict. We do good job of controlling O&M, but I would not want to promise that we will be able to control O&M at a level of zero which is about a little low than it's been growing. It's like 0.1%, 0.2%. So, it's suffice to say that the earnings growth would probably be a net subtraction from that rate base growth, but we don't give an exact number what that is.

<Q - Angie Storozynski>: Okay. Thank you.

<A - Ralph Izzo>: Welcome.

Operator

Your next question is from Praful Mehta from Citigroup. Please proceed with your question.

<Q - Praful Mehta>: Thank you. Hi, guys.

<A - Ralph Izzo>: Hi, Praful.

<Q - Praful Mehta>: Hi. First question was on the generation separation side, the PEG Power side. I know we've talked about this before, but given how ITPs are trading today, they really seem to struggle and was wondering in that market context, does it make sense to think about PEG Power being separated, or do you now reconsider and think

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more of keeping the PEG Power as part of the whole PSEG family?

<A - Ralph Izzo>: I really don't have a lot new to say about this subject. If we may – if and when or we would make such a decision it would not be a market timing decision, it would have to do with the strength of the strategic arguments in favor of separation dwarfing the tactical benefits that we continue to believe dominate the picture today in terms of staying together.

So, sure, you wouldn't try and do something in the middle of economic instability or major macroeconomic disruptions, but we're not market timers, the real question is, do we still have the financial synergies between the businesses, do we still have the build synergy between the businesses, do we still have long-term investors who see the attractiveness of both. That's kind of strategic flexibility questions that we've talked about before.

<Q - Praful Mehta>: Fair enough. Thank you. And then, going ahead with the nuclear discussion that we were having earlier, there is obviously discussion in New York to support nuclear through this X program. Do you see other states looking to implement something like this or do you see that as a possibility in New Jersey or Pennsylvania in terms of support from nuclear or carbon free generation?

<A - Ralph Izzo>: I do. I think that a lot of states are realizing that these are long-lived assets, these being nuclear plants that provide enormous benefits both from a carbon point of view, from a skill diversity point of view, from a reliability point of view. And most of our markets are fairly short-term in nature, even three-year capacity prices now capture the full benefit of what I expect to be a fairly extensive debate on how carbons should be priced in the future. So, they may – every state may not come up with its own remedy and regrettably the right remedy would be a national remedy, but we don't seem to have a lot of traction in that regard right now. So, I do see most of the action focused at state-by-state level.

<Q - Praful Mehta>: Okay. I appreciate it. Thank you.

Operator

[Operator Instructions] Your next question is from Gregg Orrill from Barclays. Please proceed with your question.

<Q - Gregg Orrill>: Yeah. Thank you. I guess two questions. First, are you able to provide what your transmission rate base is for year-end 2016 and 2017? And then what are your thoughts around acquiring nuclear and/or coal asset?

<A - Ralph Izzo>: Good morning, Gregg. Good to hear from you. So, I'm going to do. People scurry around to find the rate base number. I do know that by 2018 it's 50% of the rate base, by the end of 2018, but I don't know what it is. So, Dan has the magic numbers, where he's going to take you to.

<A - Daniel J. Cregg>: I think we are – I think what we've done historically is we put out numbers for particular years and then given some ranges in between those years. So I think you're heading towards about $7 billion as you approach 2016 and then with the overall growth in capital you'd see increases there, but we will provide kind of our normal set of numbers within our next update, [ph] like we did, yes (37:47).

<A - Ralph Izzo>: I knew you're going to make it up, Dan. That's why I referred to. I think, Gregg, your second question, interest in acquiring coal, we are believers in nuclear, but at the right price, of course, we would be interested. But we're not – we have no interest in adding coals roughly, nor would you see us be a large fleet acquirer. I do think that in general, we've signaled to our investors that our primary investment is in the regulated utility and that's where we continue to put our emphasis.

<Q - Gregg Orrill>: Thank you.

Operator

Your next question is from Mitchell Moss from Lord Abbett. Please proceed with your question.

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<Q - Mitchell Frederick Moss>: Hey, guys, just a couple of questions on, first just a follow-up on Angie's question regarding the combined cycle, how they're running with – due to transmission gas supply issues. Do you see some of these issues being resolved by 2017 in terms of just gas takeaway in transmission or do you see it longer term sort of a 2018 and beyond type of an issue?

<A - Ralph Izzo>: Yeah. So, Mitchell, of course we're operating with the same crystal ball you are which without being too critical of your crystal ball, ours is pretty cloudy. Having said that, it's more of an 2018 to 2019 timeframe that these projects we think will have a takeaway capacity impact.

<Q - Mitchell Frederick Moss>: And regarding the REMA leases that you mentioned you took a charge on. Have you been involved in any of the negotiations that NRG has mentioned with bondholders or with leaseholders as part of any, I guess, restructuring discussions?

<A - Ralph Izzo>: No, we haven't, Mitchell. I mean, we are obviously aware as you are of where the current situations are and certainly ready for discussions when the time is right, but not as yet.

<Q - Mitchell Frederick Moss>: Do you guys have a view on whether or not the REMA lease could be broken or restructured in a bankruptcy or is a bankruptcy proof, I guess?

<A - Daniel J. Cregg>: I think we're going to let that play out, but time will tell what's going to happen. I think it's a fairly complicated situation and we'll let time become our best estimate. We got some disclosures within our 10-Q which give you a little bit of sense as to, some thoughts on it, but I think where it ends is ahead of us, yeah.

<Q - Mitchell Frederick Moss>: Okay, great. Thanks so much.

Operator

[Operator Instructions]

Ralph Izzo

Thanks, Ginger. We can give back 15 minutes to the folks, if there are no further questions.

Operator

Yes. There are no further questions, presenters, please – for any closing remarks.

Ralph Izzo

Sure. So just to summarize, hopefully what you heard is that our Power capital program remains on budget, on schedule, and based on current prices is still expected to create strong value for us. The utility continues to identify new customer-driven investment opportunities that fuel its growth.

Lastly, there's no question we have a relentless focus on cost control. It's part of everyday life at PSEG. So, with that, I'll just wish everyone a Happy Halloween. I guess we look forward to seeing you next week in Phoenix and thanks for joining us this morning. Take care, everyone.

Operator

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Ladies and gentlemen, that does conclude your conference call for today. Thank you for participating. You may now disconnect.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-07-29
Event Description: Q2 2016 Earnings Call

Market Cap: 22,963.55
Current PX: 45.39
YTD Change($): +6.70
YTD Change(%): +17.317

Bloomberg Estimates - EPS
Current Quarter: 0.882
Current Year: 2.876
Bloomberg Estimates - Sales
Current Quarter: 2869.800
Current Year: 10229.167

Q2 2016 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Travis Miller
- Julien Dumoulin-Smith
- Praful Mehta
- Brian J. Chin
- Shar Pourreza
- Michael Lapides
- Jonathan Philip Arnold
- Anthony C. Crowdell

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent and I am your event operator today. I'd like to welcome everyone to today's conference, Public Service Enterprise Group's Second Quarter 2016 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session from members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, Friday July 29, 2016 and will be available for telephone replay beginning at 2:00 p.m. Eastern today until 11:30 p.m. Eastern on August 5, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I will now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brent. Good morning. Thank you all for participating in PSEG's call this morning. As you are aware, we released our second quarter 2016 earnings statements earlier today. The release and attachments are posted on our website, www.pseg.com under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended June 30, 2016 is expected to be filed shortly.

I won't read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our estimate changes unless of course we are required to do so. Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

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I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. Joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you, Kathleen and thank you, everyone for joining us today. PSEG's results for the second quarter were characterized by a tough environment for power markets but also with continued growth associated with PSE&G's expanded capital program. Earlier this morning, we reported net income for the quarter of $0.37 per share. Operating earnings for the second quarter of 2016 were $0.57 per share. Operating earnings were in with the $0.57 per share earnings in 2015 second quarter. The results for the quarter bring operating earnings for the first half of 2016 to $1.48 per share which compares with operating earnings of $1.61 per share earned in 2015's first half. Slides four and five contain the detail on the results for the quarter and the first half.

PSE&G's execution on its expanded capital investment program continues to provide a growing source of earnings and Power's prudent management of reductions in O&M, minimize the impact of the extended outage at Salem 1 earnings. PSE&G is on track to invest $3 billion in 2016 as part of its five-year, $12 billion capital program. PSE&G's ability to earn its authorized return on investment continues to drive out forecast for double-digit growth in PSE&G's 2016 earnings.

We continue to look for opportunities to grow in a manner that meets customer demand for reliable, efficient and clean energy and provides the risk-adjusted return demanded by shareholders. In the past quarter, we have identified more than $500 million of additional investment opportunities at our regulated utility company, PSE&G. During the past quarter, PSE&G requested an extension from the New Jersey Board of Public Utilities of its existing landfill/brownfield solar program. The program would add 100 megawatts of grid-connected solar facilities over a five-year period at a cost of approximately $240 million. The program would also create 575 direct jobs in New Jersey during the construction period and allow all customers to share in the benefits of solar. We hope to see a decision on this request during the fourth quarter of this year.

In addition, PSE&G has increased its estimate of distribution capital expenditures over 2016 through 2018 by $300 million to address what is commonly referred to as new business requests and to replace certain aging equipment and infrastructure. As I mentioned, these programs together would represent an increase of more than $500 million over PSE&G's current plans to invest $12 billion over the five-year period ended 2020. PSE&G's robust investment program will ensure that it remains one of the most reliable utilities in the nation as was demonstrated during periods of intense heat and thunderstorm activity experienced over the past two weeks. The investment program will also improve on PSE&G's growth in rate base, currently forecasted at 8% per year for the five-year period ending 2020.

The Power's capital program is also an important response for the needs of today's market, which requires that we operate at greater levels of reliability and efficiency. The planned replacement of older generating capacity at the Sewaren and Bridgeport station and new capacity at Keys amounts to 1,800 megawatts of new, clean and efficient gas-fired capacity over the next three years. This will transform Power's fleet and enhance its competitive position. We will see an increase in capacity. We will see an increase in reliability. We will see an increase in efficiency and we will see a reduction in carbon emissions.

Although Power has focused on the construction of the new combined cycle units, Power's also committed to improving the efficiency of existing capacity and ensuring its long-term availability. This can be seen through completion of a small uprate at its peaking stations which added 14 megawatts to capacity. Power also plans to increase the efficiency and capacity of the Bethlehem Energy Center through advanced gas path uprates of the turbines over 2017 and 2018. When completed, this work is expected to add 58 megawatts to BEC's capacity. And the recent issuance of the final renewal permit for the Salem station that meets the requirements of Section 316(b) of the Clean Water Act helps to ensure the long-term availability of this zero carbon generating resource.

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Finally, Power has made targeted reductions in its workforce and continues to identify additional means of reducing its cost structure to ensure the availability and dispatch of the fleet in the current low-price environment. The power market over the short-term continues to be characterized by an over-supply of gas. The market, however, has shown signs of improvement as gas prices have respondent to a decline in production. The improvement in the supply picture and the development of more outlets for supply has also led to an improvement in forward basis. As we've indicated in the past, we continue to expect basis to be seasonal that is positive in the winter and neutral to negative in the summer until more takeaway capacity goes into operation.

In May 2016, PJM announced the results of the RPM auction for the 2019, 2020 delivery year. Power cleared approximately 8,900 megawatts of its generating capacity at an average price of $116 per megawatt day. The average price received by Power, while lower than prior auctions, continues to represent a premium to the average price for capacity in the RTO. Prices in the most recent auction reflect PJM's downwardly revised demand forecast, changes in the emergency transfer limits due to transmission expansion and the effects of both new generation and uncleared generation from the prior year's auction.

However, the results for the RPM auction were in line with our expectations. Nearly all of Power's cleared capacity in the latest auction complies with PJM's capacity performance requirements and the fleet is expected to be in a position to meet PJM's requirement that 100% of capacity for the 2020 to 2021 delivery year must meet those CP requirements.

On the regulatory front, FERC has approved two of the five recommended steps to improve energy price formation. Further efforts to address transparency in the scheduling of capacity could lead to an improved alignment of prices with costs. The year has presented challenges, looking forward to the second half of the year. We're maintaining operating earnings guidance for 2016 of $2.80 to $3 per share. But it will be difficult to reach the upper end of the guidance even with an improvement in the power markets, expectations for warm summer weather, restoration of normal operations at Salem and ongoing cost control and management of O&M. Our highly skilled workforce has met the market's challenges through the right-sizing of resources and by identifying investments that meet customer needs. Our dedication to customer service, a strong balance sheet, and our ability to invest in the future of the company are expected to drive long-term value creation.

With that, I'll turn the call over to Dan who will discuss our financials in greater detail and then I'll be available for your questions.

Daniel J. Cregg

Thank you, Ralph, and thank you for everyone for joining us today. As Ralph said, PSEG reported operating earnings for the second quarter of 2016 of $0.57 per share, the same as operating earnings of $0.57 per share in last year's second quarter. The reconciliation of operating earnings to net income for the quarter can be found on slide four. We've also provided you with a waterfall chart on slide 10 that takes you through the net changes in the quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 provides you with the changes in operating earnings by business on a year-to-date basis.

I'll now review each company in a little bit more detail, starting with PSE&G. PSE&G reported net income for the second quarter of 2016 of $0.35 per share, compared with $0.33 per share for the second quarter of 2015, for a 6% improvement in earnings. And results for the quarter are shown on slide 14. PSE&G's operating results for the second quarter reflect the impact of revenue growth associated with an expansion of the company's capital investment program. Returns on PSE&G's expanded investment in transmission added $0.03 per share to earnings for the quarter.

An increase in depreciation and O&M expense of $0.02 per share was partially offset by a decline in taxes and other items. The higher level of depreciation is related to the growth in capital spending, and higher levels of O&M reflect increased spending on vegetation management. The New Jersey economy continues to show steady growth, and employment levels have shown improvement from a year ago. The variability in quarterly data for weather-normalized electric and gas sales has been high, given extreme weather comparisons.

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Weather-normalized electric sales reflect growth in residential and commercial customers, which is offset by the continuing decline in the industrial sector and increased energy efficiency measures. So on a trailing 12-month basis, weather-normalized electric sales were essentially flat. PSE&G's capital program remains on schedule. PSE&G invested approximately $1.4 billion during the first half of the year as part of its planned 2016 capital program of $3 billion. And as Ralph mentioned, PSE&G has identified investment opportunities which, if approved, will increase PSE&G's five-year capital program by approximately $500 million, to $12.5 billion. And you should expect the majority of this increase in spending will occur between 2016 and 2018.

Once again, all of this growth will be funded without the need to issue new equity. As you may recall, PSE&G implemented $146 million increase in annual transmission revenue under the company's transmission formula rate filing, which took effect this past January. This increase in revenue, adjusted to reflect the impact of bonus depreciation and updates of spending in prior years, will be reflected in PSE&G's earnings throughout the year. But I'll also remind you that the quarter-to-quarter earnings comparisons associated with PSE&G's investment in transmission are not expected to be even during the second half of the year.

The recognition of bonus depreciation for 2015 and some other expenses at the end of the year reduced PSE&G's fourth quarter 2015 earnings by about $0.04 per share. The contributions to earnings from the Energy Strong capital program will also be more evident during the second half of the year, given growth in the Energy Strong-related spending and the shape of the rate structure, which places more emphasis on demand charges during the third quarter. We are increasing our forecast of PSE&G's operating earnings for 2016 to $900 million to $935 million, from $875 to $925 million and the change incorporates cost-control efforts and a strong start to summer weather.

Now let's turn to Power. PSEG Power reported a net loss for the quarter of $11 million or $0.02 per share, compared with net income of $166 million or $0.33 per share for the year-ago quarter. Operating earnings were $0.18 per share for the second quarter of 2016 and adjusted EBITDA was $272 million, as compared with operating earnings of $0.22 per share and adjusted EBITDA of $301 million for the second quarter of 2015. And our adjusted EBITDA excludes the same items as operating earnings, as well as income tax expense, interest expense, depreciation, and amortization, and major maintenance at Power's fossil generating facilities.

The earnings release and slide 20 provide you with detailed analysis of Power's operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter and the first half of the year on slides 22 and 23. Power's operating results for the second quarter reflect the impact of the known decline in PJM capacity revenues and average prices on energy hedges, in addition to the effect of an extended refueling outage at Salem 1. Declining capacity revenue associated with the June 2015 retirement of peaking capacity in PJM reduced quarter-over-quarter income by $0.02 per share and capacity revenue during the second half of 2016 should approximate the revenues received during the last six months of 2015.

Earnings comparisons in the quarter were also impacted by decline in the average price received on energy hedges as well as lower market prices and gas volumes which together reduced Power's quarter-over-quarter income by $0.03 per share. A decline in output reduced income by $0.01 per share. Reduction in O&M expense improved Power's quarter-over-quarter income by $0.07 per share. This improvement reflects the absence in 2016 of costs incurred during the second quarter of 2015 for the refueling outage at the Hope Creek nuclear plant which is 100% owned by Power, and major maintenance work at our combined cycle units. And the quarterly comparisons also benefited from targeted reductions in O&M at Power's nuclear and fossil stations as well as from changes in the management of work schedules associated with the Salem 1 refueling outage which minimized the overall cost of the outage.

As we mentioned during the first quarter earnings call, the Salem 1 refueling outage which began on April 14 would be extended to repair degraded baffle bolts. The bolt replacement has been completed and the unit is in the process of returning to service. During the quarter, an increase in depreciation expense was offset by declining interest expense. However, an absence in 2016 of tax credits received in the year-ago quarter and other tax items contributed to a reduction in quarter-over-quarter income of $0.05 per share.

Turning to Power's operations, output at Power's generating facilities declined 6% in the quarter as a result of lower wholesale market prices and reduced demand. Output from the gas fired combined-cycle fleet declined slightly to 4.4

terawatt hours from 4.6 terawatt hours given mild weather conditions relative to the year-ago quarter. Low gas prices impacted the dispatch of Power's coal-fired fleet and during the quarter the output from the coal fleet declined to 0.9 terawatt hours from 1.3 terawatt hours.

Output from the nuclear fleet was largely unchanged in the quarter with 7 terawatt hours in this quarter versus 7.1 terawatt hours in the year-ago quarter. The impact of the extended outage at Salem was largely offset by an increase in output at Peach Bottom and completion of the extended power uprate at Peach Bottom, added 130 megawatts in the aggregate to Power's interest in the station. Salem 2 was out of service for three days at the end of the quarter and remains out of service. The unplanned outage at Salem 2 is a result of an electrical fault in the reactor's non-nuclear balance of plant. The extension of the outage at Salem 1 into July and the unplanned outage at Salem 2 will have a continuing effect on performance in the third quarter.

Power's gross margin in the second quarter declined to $38.54 per megawatt hour from $40.15 per megawatt hour. Power's margin in the quarter experienced only a modest benefit from the gas fired combined-cycle fleet's access to low-cost gas. A lack of demand and low volatility in the market, given an excess supply of gas, pressured spark spreads.

The power markets over the last month have seen prices move to higher levels, given the impact on gas supply from hotter than normal weather and declines in production. An improvement in load and prices will help margins on base-load units as an increase in regional gas prices, but also support margins at the gas fired combined-cycle fleet. For the year, Power is revising its forecast of output to 50 terawatt hours to 52 terawatt hours from the prior forecast of 52 terawatt hours to 54 terawatt hours. And the updated forecast incorporates the results for the first half of the year and takes into account the extension of the outage of both units at Salem.

As shown on slide 26, approximately 75% to 80% of anticipated production for the second half of 2016 of 25 terawatt hours to 26 terawatt hours is hedged at an average price of $50 per megawatt hour. For 2017, Power has hedged 55% to 60% of its forecast generation of 53 terawatt hours to 55 terawatt hours at an average price of $48 a megawatt hour. And for 2018, Power has hedged approximately 25% to 30% of forecast generation of 58 terawatt hours to 60 terawatt hours at an average price of $46 per megawatt hour.

The forecasted increase in output for 2018 reflects the commercial start-up by the new gas fired combined cycle capacity at the Keys and Sewaren stations. The percentage of energy hedge for 2017 and 2018 is slightly greater than what we communicated to you earlier this year and in line with our practice. We've adjusted our forecast to Power's full year 2016 operating earnings to $460 million to $525 million from $490 million to $540 million, to incorporate the results of the first half of the year. The revised forecast represents an adjusted EBITDA of $1.27 billion to $1.375 billion.

I'll turn to PSEG Enterprise and Other. The net income for PSEG Energy Holdings and Enterprise in the second quarter of 2016 was $19 million or $0.04 per share versus net income of $12 million or $0.02 per share for the second quarter of 2015. The increase in quarter-over-quarter income reflects contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings. We've raised our forecast for the full year of operations to $65 million.

Our financial position remains strong. PSEG closed the quarter ended June 30, 2016 with $648 million of cash on its balance sheet with debt at the end of the quarter representing 45% of consolidated capital. During the quarter, Power issued $700 million of 3% five-year senior notes due in the year 2021. We do not foresee the need to issue equity to finance our expanded capital program. And as Ralph mentioned, we are maintaining our forecast of operating earnings for the full year of $2.80 to $3 per share.

And with that, we'll be happy to take any questions.

Q&A

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Operator

Ladies and gentlemen, we will now begin the question and answer session for members of the financial community. [Operator Instructions] Your first question comes from the line of Jonathan Arnold with Deutsche Bank. Please go ahead.

<A - Ralph Izzo>: Hi, Jonathan. Are you there?

Operator

Mr. Arnold, please make sure your line is not on mute.

<A - Ralph Izzo>: Power is still working in this building so...

Operator

Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

<Q - Travis Miller>: Good morning. Thanks.

<A - Ralph Izzo>: Hey, Travis.

<A - Daniel J. Cregg>: Good morning.

<Q - Travis Miller>: I was wondering if we look ahead more generally to 2019, 2020 when you guys have your new plant online, and PJM in your region South and the other plants that are proposed, what are your thoughts on spark spreads? Obviously, we've seen what's happened in the capacity markets. But what are your thoughts on what happens to spark spreads?

<A - Ralph Izzo>: Well, so Travis, I mean, by that point, we will have three plants up. We will have one in Connecticut, one in New Jersey and one in Maryland. And it really will depend upon the infrastructure that's being built in each of those locations. As you know, all of those sites do have gas on the property. But we're seeing an increased importance in regional spark spreads. Right now in our region, we're seeing spark spreads given our access to natural gas of about $20 down at Pepco. It's pretty close to that, the forward of this thing, it could be as high as $23. So I mean, we certainly made these investment decisions on the expectation that the combination of either locked in or anticipated capacity prices plus those spark spreads would allow us to recover our cost of capital and then some.

So, as you know, our history is we don't usually pick numbers that are different than what the market is telling us. So right now, the local spark spreads as defined region by region is in the $20 range.

<Q - Travis Miller>: Okay so pretty flat type of curve that you think?

<A - Ralph Izzo>: I think so. The dynamic will be modified as the infrastructure gets built.

<Q - Travis Miller>: Okay.

<A - Ralph Izzo>: But it's [ph] peak (24:59) now for a good six months or so.

<Q - Travis Miller>: Great. And then on the – you guys have been benefiting for quite a while on that Marcellus gas basis at Power, when does that cycle often turn to incremental growth? When does it stop being on net benefit, I suppose, relative to the previous years?

<A - Ralph Izzo>: So, therein lies the value of a diversified fleet. One would expect that as infrastructure gets built from the region to mostly southeastern markets that you'll see an a decrease in price in other parts of the country which don't have that access, and an increase in price here which will diminish our regional spark spread advantage, but that should also then help our nuclear plants. So, it's been an ongoing source of pride for us that diversity of technology and

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fuel allows us to deliver some consistency in terms of the margins that we're able to capture. And then of course, one cannot ignore the seasonal variations that will persist even once the infrastructure gets built.

<Q - Travis Miller>: Sure. Okay. Thanks. I appreciate the thoughts.

Operator

Your next question comes from the line of Julien Dumoulin-Smith with UBS. Please go ahead.

<Q - Julien Dumoulin-Smith>: Hi. Good morning. Can you hear me?

<A - Ralph Izzo>: Yes, Julien. Good morning.

<Q - Julien Dumoulin-Smith>: So, I wanted to ask kind of a bigger picture strategic question about the fate of nuclear in New Jersey, if you can think through that with us. What is your current positioning on the need for support and then price for carbon in New Jersey specifically? Perhaps not just with respect to RGGI, but kind of looking at parallels for New York, how are you positioned in [ph] the state (26:50)?

<A - Ralph Izzo>: Yeah. Now, Julien, thank you for asking the question because I want to make sure that there's clarity of understanding around that. There's a lot going on in the nation around nuclear. I don't know the latest numbers. I think 10 plants to 15 plants are rumored to be at risk of retiring. Half a dozen have retired. Our dilemma is that, as active industry participants, frustrated by an absence of carbon value given to nuclear plants and seeing what's happening around us is, we're trying to engage policy makers in a conversation that nuclear is not getting the credit it deserves.

Our challenge is, our plants are quite healthy economically, so notwithstanding the importance of carbon, I think the motivation in other markets are some of the near-term economic consequences of shutting those plants, given their lack of profitability. So, we don't have that situation. We're glad we don't have that situation. But it does sort of impair our ability to have the same level of interest and participation in the discussion.

So, we've been talking about fuel diversity. We've been talking about 90%-plus capacity factors and what it would mean should long-term forces require the replacement of that, whatever those long-term forces might be. But it is kind of a difficult conversation to have, given how many pressing problems are staring policy makers in the face right this minute. So, on the one hand, yeah, I don't want to go on ad nauseam. We feel strongly that nuclear is not getting the credit, i.e., price it deserves, but we cannot and we do not make the claim that our plants are at any kind of economic risk in the near-term the way others are.

<Q - Julien Dumoulin-Smith>: So, perhaps let me expand on that, no specific efforts in New Jersey and/or thoughts on kind of nascent efforts at PJM to perhaps more appropriately price in diversity?

<A - Ralph Izzo>: Oh, no, no, no, no, no, no, no. We are having early conversations that – in both forms – about what that kind of more accurate representation of the value could look like. And we're informing people who don't study this stuff as much as we do about what's being proposed in New York State and what's been discussed in Connecticut and what didn't happen in Vermont and Massachusetts and Wisconsin and what that led to, and what doesn't appear to be happening in Illinois.

So we're not just walking around saying, boy, I wish the world was different. We're talking to people who care about these things, about what the consequences have been in places where nothing took place and what would happen – what's being proposed in other places. At PJM, I think there's much more of a focus on reliability associated with such large quantities of [ph] baseload (30:06) power that don't have the seasonal challenges of access to gas and back-up fuels. But I think that historically PJM, of course, has not viewed itself, nor should it, as an implementer of environmental policy. So the conversation can be broader at the state level than the stakeholder process at PJM.

<Q - Julien Dumoulin-Smith>: Got it. And then completely separate question, just in terms of Power. Are you guys still thinking about expanding the footprint there? Obviously, you guys have been through the different diversification

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efforts. Where do you think you are with respect to having adequate scale in that business and/or desirability of further investments? I'll leave it there.

<A - Ralph Izzo>: Yeah. No, no. So I think Power has stated its desire to expand in New England, New York and PJM. We think that those are the most efficient markets, given the combination of energy and capacity value in all three of them. We have also said that we do not anticipate any new build. We felt we had three very unique situations, but in the flat demand world with pretty much an over-supply condition, arguably all three locations, but certainly in two of them, injecting new supply does not appear to be a winning proposition. From the point of view of Power's scale, I mean, in terms of its reach, I'd like to see it have a little bit more of a robust portfolio outside of PJM than it currently has, but it certainly would be one of the largest, if not the largest, independent power producer on its own if that's where you're headed with that question.

Power doesn't have a lot of megawatts, but its financial strength and its profitability, I think, are quite unique. And something that we're very proud of and we work hard to preserve that in making our operating and investment decisions. So the way we'd intend, in the near-term, to grow Power is the way we've been trying to, which is through selective acquisitions of existing supply. As you know, we've not been successful at doing that. The one project we landed was the Keys project and there, probably because our perception of construction risk management was different than others. So, hope that answers your question.

<Q - Julien Dumoulin-Smith>: Absolutely. Thank you very much.

Operator

Your next question comes from the line of Praful Mehta with Citigroup. Please go ahead.

<Q - Praful Mehta>: All right. Thank you. So just following up on that question on the future of big Power, there looks to be clearly some Texas generation that will be in the market soon. Is there any interest in partnering up with Texas or is Texas not a market that you look to enter?

<A - Ralph Izzo>: No, probably you may recall was just a few years ago that we exited Texas. And it's not a market that we would want to re-enter at this time.

<Q - Praful Mehta>: Fair enough. All right. And secondly, in terms of capacity prices, I know you mentioned in your prepared remarks that you weren't surprised by the current capacity trends. Wanted to get a sense for how you're looking at long-term capacity prices in PJM, and also what was driving or what is like the minimum threshold that you look at when you were making your investment decisions, as in, is there a particular capacity prices you need to stay at to hit your IRR?

<A - Ralph Izzo>: So in terms of longer-term, as you know, we don't forecast prices. What we think will be different about next year's auction than this year's are a couple of factors. Number one is the requirement that 100% of the assets be CP compliant. Number two, we will have a market effect due to a recent announcement, an April announcement by Con Edison that a wheel that they were party to – they will no longer make use of and that wheel has the effect of net transfer into our region of about 400 megawatts which will now no longer be the case.

Also, we don't anticipate the kind of step change in PJM's demand forecast that took place prior to the last auction. We have been the primary builder of major transmission and while we still have a very, very robust transmission program, most of those projects are not involved in significant transfer capability, they're more at the 69 KV to 230 KV level within the zone.

The second half of your question, what did we look at? So we do have an internal rate of return expectation. That is obviously well-above our utility return expectations, and we look at the combination of energy margin and capacity margin when making that decision. Suffice it to say, obviously the fact that we're going ahead and building the prices that we realized last year in the auction and this year in Connecticut were sufficient for us to go ahead.

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So there's no one magic number in terms of capacity that says go ahead and build. It's the combination of capacity and energy together over the long term that we look at.

<Q - Praful Mehta>: Fair enough. Thanks so much guys.

<A - Ralph Izzo>: You're welcome.

Operator

[Operator Instructions] Your next question comes from the line of Brian Chin with Bank of America. Please go ahead.

<Q - Brian J. Chin>: Hi. Good morning.

<A - Ralph Izzo>: Good morning, Brian.

<A - Daniel J. Cregg>: Good morning, Brian.

<Q - Brian J. Chin>: We've seen a number of your peers announce greater investment in utility-scale renewables and while I appreciate your earlier comment that you're not looking to expand in Power, I was wondering if you could comment on renewable outlook in the northeast given just how quickly renewable costs have been declining and how improvements in technology have changed the landscape over the last couple of years?

<A - Ralph Izzo>: Sure, Brian. Well, first of all, we don't have any peers. That's number one. I'm sorry. It's just a personal point of view. Number two, in terms of renewables, you know we've been active on two fronts. On the unregulated side, we have about 300 megawatts that are in 12 or 14 states, I've lost track. And we specifically embarked on a crawl, walk, run strategy. I'd say right now we're jogging. And those projects have done well. Every one of them have met their pro formas. In fact, most one of them have slightly exceeded their pro formas.

Most of our solar investment, however, has been concentrated in PSE&G and that's been a blend of rooftop funded solar where we don't own the assets, but we have regulatory assets that support the rooftop and then grid connected. As you know, in New Jersey, grid connected is measured in single digit megawatts as opposed to a double or triple digit megawatts.

Notwithstanding the impressive price improvements of these installations, they still are substantially above conventional technology power prices. So our estimates right now are that, in New Jersey, people pay anywhere from $4 to $6 a month for solar energy and that's typical residential homeowner obviously, the average homeowner means that there's a bunch of people who pay more, a bunch of people who pay less.

And all of our customer survey information suggest that that is at or above the level that people are comfortable paying. So our pursuit of solar in PSE&G is really driven by the RPS and the desire to achieve those policy-mandated targets at as low a price as possible and doing things 3 megawatts and 4 megawatts at a time on landfills is a lot less expensive than doing them 2 kilowatt to 3 kilowatt hours at a time on rooftops, but one has to be careful, even 3 megawatts and 5 megawatts at a time as to what the bill impact is.

So, we're long-standing fans of solar. We are not apologists for it, but we do have to balance the bill impact. And so we pursued those opportunities in state in accordance with the RPS, and in other states in accordance with those utilities need to meet their RPS and secure those investments through power purchase agreements.

<Q - Brian J. Chin>: Got it. Thank you very much. That's all I got.

Operator

Your next question comes from the line of Shar Pourreza with Guggenheim. Please go ahead.

<Q - Shar Pourreza>: Hey, Dan and Ralph.

final
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<A - Ralph Izzo>: Hey. Good morning.

<Q - Shar Pourreza>: So most of my questions were answered, but just curious, Ralph, you've, you know, historically, on the Power side, you've talked about still having potentially, let me know if I'm putting words in your mouth, of an interest in sort of the U.S. nuclear business given sort of your diversified fleet at PEG Power but sort of, you know, one of the curtailments of that business has sort of been the mechanisms or a lack of mechanisms or the constructs haven't been appropriate. But now that you're sort of looking at some of what's happening in your surrounding states, that sort of environment could be potentially improving.

So when you look at Power, you look at its balance sheet and you look at selective acquisitions to increase scale, what you're seeing around you, does it sort of open up the doors that may be looking at nuclear?

<A - Ralph Izzo>: No, Shar. I mean, let me make sure I interpreted the question correctly. In terms of new nuclear power, the economics just aren't there. Every indication of the availability of natural gas and the duration of that availability, and the likely price range that we would see, would suggest that new nuclear and emerging company would not be an economically wise thing to do.

<Q - Shar Pourreza>: No. I think what I'm relating to is pre-existing nuclear assets that could potentially have contracted cash flows for the next few years.

<A - Ralph Izzo>: Yeah. I mean, if you had contracted cash flows and they met the hurdle rate, then we certainly think that nuclear has a long-term future. But as we were saying just a few minutes ago with Julien and Paul, others seemed so [ph] invariable (41:11) when we show up to buy an existing asset, they add a couple dollars to the forward price curve and we don't tend to win. So in terms of purchasing existing assets, so much is driven by a kind of the winner's curse and your view of where forward prices are going and now this is I think more disciplined approach of saying that we are not smarter than the market. So I would think that the practicality of that would be somewhat limiting.

<Q - Shar Pourreza>: Got it. Thanks.

Operator

Your next question comes from are the line of Michael Lapides with Goldman Sachs. Please go ahead.

<Q - Michael Lapides>: Hey guys. You know, question on the regulated side. On E&G. And it's actually a handful of questions. First of all, the $300 million increase in distribution CapEx, can you talk a little bit about how you get cost recovery on that and whether – if it's not being tracked, does that increase the potential for regulatory lag at E&G over the next couple of years?

<A - Ralph Izzo>: Michael, thanks for the question. Two things, number one, part of $300 million is what's called new business. So there's new revenue that comes with new business. But equally, if not more importantly, as you know, we have to go in for a rate case in November of 2017, so we are doing some things that need to be done, and we are timing them as such that they will fit into the rate base for the test year. So they will be covered by the rate case with minimal – if any regulatory lag at all.

<Q - Michael Lapides>: Got it. Another thing. How are you thinking about the ability to manage O&M at E&G over the next – really what's in 2016 guidance but also how you're thinking about it over the next one year to two years, maybe 2017, 2018, both core O&M and then when you think about what's happened with interest rates, discount rates and what it means for the pension component of your O&M and E&G.

<A - Ralph Izzo>: Yeah. So, I'll let Dan talk about the pension. But we don't look at O&M on a – oh, it's time to check out O&M perspective. We look at it every day. So we just extended contracts with six out of our eight unions. Not all of them were in the utility. But our three largest utility unions were included in that six out of eight, and those were all at reasonable escalation. There were wage increases of 3% per year, but benefit trade-offs that reduced the overall O&M growth. So we kept utility O&M growth to a little bit over CPI, I think it's been 2%-ish, thereabouts. I don't remember exactly CPIs, but I know what our O&M growth rate has been. It's been just a little bit over 2%. And we just

final
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pay attention to that every day. We are not believers in getting inefficient before rate case and then taking cost out of the business right after it. First of all, it is not a great way to build confidence with regulators, and it's not a good way to manage the operation.

In terms of the pension, yeah, lower interest rates are not going to be great for the PBO, but strong market performance, which we've seen, will be. But Dan, you may want to add some more color to that.

<A - Daniel J. Cregg>: No, I mean, I think that's exactly right and it's a little bit of a wait and see. I think a lot of the, on the PBO side, exactly what Ralph referenced, the discount rate is going to be determined really when we get to the end of the year. So that is uncertain until we get there. And returns have been doing pretty well. So I think, keeping an eye on those things as we move towards year end will track where we go on the pension. And in the interim, just try to manage overall O&M spend, whether it's storms, whether it's any new requirements we have for inspections or [ph] veg (44:48) management and trying to manage it as a whole, which I think we've done successfully in the past and we would intend to do into the future, is how we'll go forward.

<Q - Michael Lapides>: Dan, have you all ever talked about what the sensitivity is to every like 25 basis points change in the interest rate? For pension O&M. Sorry.

<A - Daniel J. Cregg>: Oh, yeah. Ultimately, it's just going to have an impact, both on what the obligation turns out to be and the component of what your returns are. And, yeah, we do look at that internally, to try to see where it goes. But fact of the matter is, at the end of the day, the discount rate is going to be the discount rate. So it's something that we need to manage having come at us, because we can't control that as a rate itself.

<Q - Michael Lapides>: Got it. Thanks, guys. I'll follow up offline. Much appreciated.

<A - Ralph Izzo>: Thanks, Mike.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsch Bank. Please go ahead.

<Q - Jonathan Philip Arnold>: Good morning, guys. Sorry I was offline when you called before. Ralph, you've mentioned a sort of some level of interest in the retail business as a way of – path to market, I believe. Can you update us on your thoughts there, and obviously a large book that one would imagine would have had some sort of geographic interest to you just transacted with someone else, was that a bigger type of portfolio than you might be interested in? Or any perspective there would be great.

<A - Ralph Izzo>: Sure, Jonathan. First of all, it's good to hear you. I was a little concerned when you disappeared on us before. No. We remain interested in retail for defensive purposes, managing basis risk, and not as a significant growth opportunity by any stretch of the imagination. We've looked at some boutique shops, including the transaction you just referenced right now. I suspect that we're going to run into the same issues in looking at those types of potential tuck-in acquisitions as we do with power plants, that our discipline, some would say considered approach to pricing these things, will result in us perhaps not being able to roll up what we need to roll up from an acquisitive point of view.

So we're starting to turn our attention to just building some capability in-house because again, our ambitions here are modest. They're defensive ,and it's conceivable that an organic approach could be quite a bit more profitable from a point of view of return expectations. Sorry, Jonathan. I seem to have left a deafening silence.

<Q - Jonathan Philip Arnold>: Sorry. I had the mute button on again. What stage would you describe that sort of internal look at? Have you started to put a team together, or are you just thinking about it?

<A - Ralph Izzo>: We've hired some folks and we've started looking around at kind of systems that we would need, that are a little different than the systems we have now. We're preparing to file the necessary documents that one needs to be certified or licensed, I forget the exact terminology to engage in this business – be a separate and different

final
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function than our current wholesale trading arm.

<Q - Jonathan Philip Arnold>: Okay. So it's actually something you're – it's beginning to move on, but starting small.

<A - Ralph Izzo>: Correct.

<Q - Jonathan Philip Arnold>: Okay. Thank you very much.

<A - Ralph Izzo>: You're welcome.

Operator

[Operator Instructions] Your next question comes from the line of Anthony Crowdell with Jefferies. Please go ahead.

<Q - Anthony C. Crowdell>: Good morning. I just had a quick question on I guess the hedge volumes, slide 26. If I look at the 2018 hedge volumes, it doesn't look like there was a big change in the percentage hedge from the first quarter announcement, but the price change went from $54 to $46. Could you provide any clarity on that?

<A - Ralph Izzo>: Yeah. Anthony, I think we were up at the midpoint of those range split up about 5% from the first quarter until now. And there's a piece that's not a huge move – a piece of it is, as well, that earlier in our overall hedging trajectory, more of the volume is BGS-oriented. So if you think about what that price is, it includes some other non-pure energy items. As we step further through our hedging, we end up with a little bit more just kind of block pure energy trades, which tends to have a more moderating effect on the price itself.

<Q - Anthony C. Crowdell>: Okay. Great. So you're saying earlier in the year when you hedged, I guess, the first hedges you put on a more BGS-oriented hedges, and as you move throughout the year and layer on more hedges, that's more of just an energy market price?

<A - Daniel J. Cregg>: Exactly. So if you think about when the BGS auction happens in February of 2015, you'll have that stub in going into 2018, and then 2016 will have the same effect on 2018. So that accounts for a higher percentage of the volume earlier on and as we step into some of the energy hedges, that number tends to go down a little bit by virtue of the nature of the hedge that we're putting on.

<Q - Anthony C. Crowdell>: It's like the wedding of Cana, I guess; the better wine first. Thanks for your help.

<A - Daniel J. Cregg>: Good one, Anthony.

<A - Ralph Izzo>: Thanks, Anthony.

<A - Daniel J. Cregg>: That's great.

Operator

[Operator Instructions] We will pause for just a moment.

<A - Ralph Izzo>: Brent, that was probably a great note to end on if there are no further questions.

<A - Daniel J. Cregg>: Nobody wants to follow that comment.

Operator

Okay. Mr. Izzo, Mr. Cregg, there are no further questions at this time. Please continue with your presentation.

Ralph Izzo

final
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SI-SSA-0015-15012

So I'm told by Kathleen that many of you folks had a very busy morning with some other calls, so I always am grateful for your participation, with a special thank you today given how much was going on prior to us.

So in keeping with prior practices, let me just summarize what I hope were the key takeaways for you. The utility growth driven by customer needs and policy maker priorities is really continuing unabated rather than showing up a year after each investor meeting and telling you about what we found, we're trying to do a better job of keeping you apprised of things as we locate them. So we have about a little bit over $500 million of new stuff that we'll be doing, $300 million which we're definitely going to do and a couple hundred million of which we're waiting for BPU feedback on.

Power remains quite focused on markets managing its cost, its performance and its investment decisions with a real disciplined adherence to what the market is telling us. So some challenging price environments, some great O&M control. And then third and final take away is that this balance sheet remains strong. There's no change in our dividend policy. We continue to have the belief or the opportunity for sustained growth in that dividend that continues and yet these expanding investment needs at the utility and opportunities at the utility can be met without any new equity.

So I think we're on a little hiatus for a couple weeks and we'll be back on the road in September and certainly see all of you early in November at EEI. So thanks very much for joining us. Have a great rest of summer, folks.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect. Thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-04-29
Event Description: Q1 2016 Earnings Call

Market Cap: 23,361.85
Current PX: 46.13
YTD Change($): +7.44
YTD Change(%): +19.230

Bloomberg Estimates - EPS
Current Quarter: 0.597
Current Year: 2.883
Bloomberg Estimates - Sales
Current Quarter: 2393.600
Current Year: 10255.538

Q1 2016 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Neel Mitra
- Paul Patterson
- Michael Weinstein
- Travis Miller
- Greg Gordon
- Jonathan Philip Arnold
- Gregg Orrill
- Michael Lapides
- Praful Mehta
- Ashar Hasan Khan
- Shahriar Pourreza
- Michael Goldenberg
- Benjamin Budish

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's First Quarter 2016 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions]

As a reminder, this conference is being recorded today, Friday, April 29, 2016, and will be available for telephone replay beginning at 2 o'clock PM Eastern today until 11:30 PM Eastern on May 6, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brent. Good morning, everyone. Thank you for participating in PSEG's call this morning. As you are aware, we released our first quarter 2016 earnings statements earlier today. The release and attachments are posted on our website at www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2016, is expected to be filed shortly.

Please read the full disclaimer statement and the comments we have on the difference between operating earnings and GAAP results. As you know the earnings release and other matters that we will discuss in today's call contain

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forward-looking statements and estimates that are subject to various risks and uncertainties, and although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimates changes, unless of course we're required do so.

Our release also contains adjusted non-GAAP operating earnings, as well as adjusted EBITDA for PSEG Power. Please refer to today's 8-K for our other filings for a discussion of the factors that may cause results to differ from management's projects, forecast and expectations and for a reconciliation of operating earnings and adjusted EBITDA to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. Thank you.

Ralph Izzo

Thank you, Kathleen and good morning everyone and thank you for joining us today. PSEG delivered solid results for the first quarter in the face of rather mild winter temperatures and low prices for natural gas and energy.

Earlier this morning, we reported operating earnings for the first quarter of 2016 of $0.91 per share versus operating earnings of $1.04 per share in last year's first quarter. Extreme temperature differences between the first quarter of this year and the first quarter of last year provides the backdrop for this quarter's operating results.

The first quarter of 2016 was 10% warmer than normal and the fifth warmest on record. The month of March in particular was extremely mild with heating degree days 25% lower than normal. Weather for the first quarter was also 27% warmer than the first quarter of 2015, but last year was the coldest on record.

Our results were strong in the face of this headwind. PSE&G's execution on its expanded capital investment program continues to provide a growing source of earnings. PSE&G is expected to invest $3 billion in 2016 as part of its five-year $12 billion capital program. Transmission is the largest part of PSE&G's effort representing 60% of planned spending. PSE&G's investment program and the continued focus on controlling costs will help drive our forecast for double-digit growth in PSE&G's 2016 operating earnings.

PSE&G's execution of our capital program is expected to yield best-in-class growth rate in rate base of 8% per year for the five-year period ending 2020. PSE&G continues to develop a pipeline of investment opportunities that also meet New Jersey's policy objectives and have customer support.

Now as for PSEG Power, it has been focused on operating in an environment of low gas prices for years. The availability and low price of gas and the need to meet more stringent reliability requirements has added new urgency to the company's efforts to improve its cost structure and efficiency. Power's capital program also represents an important response to today's market. Power's $2 billion of investment in three new combined cycle gas turbines will add approximately 1,800 megawatts of clean, reliable and efficient capacity to its fleet. Construction of the Keys plant in Maryland and the Sewaren Unit in New Jersey are on schedule to meet their 2018 operating dates. Bridgeport Harbor is expected to be available for 2019 commercial operation date.

The addition of this new capacity will transform Power's fleet. Power's base load nuclear capacity will be complemented by a flexible low cost fleet of combined cycle gas units capable of responding to the market. The fleet's carbon footprint is also expected to decline with the addition of the new clean gas fired capacity as nuclear generation continues to represent approximately 50% of the fleet's output. As I said, we remained focused on operating efficiently and safely. PSEG Power has made judicious reductions in its nuclear workforce and is working closely with the industry to identify additional means of reducing its cost structure, to assure the availability of this clean nuclear resource well into the future. Our goal is to capture these savings for the year to help offset the impact of low gas prices on earnings.

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Separately from operations, we were very pleased with some recent actions in defense of competitive markets. In particular we were delighted with the U.S. Supreme Court's unanimous decision affirming the Fourth Circuit's decision in Hughes v. Maryland. Since that decision, the U.S. Supreme Court also dismissed New Jersey case allowing to stand the lower court ruling that the so called LCAP contracts are unconstitutional. A recent action at FERC is also constructive. I am referring to the orders issued by FERC earlier this week granting the complaints filed by EPSA and others which called into question some approvals granted by the Public Utility Commission of Ohio.

A separate complaint brought by a number of generating companies regarding the scope of the minimum offer price rule under RPM is still pending at FERC. While owners of existing assets with out-of-market contracts will not be directly restricted in the upcoming base residual auction regarding how they can bid the affected units, the lack of certainty regarding FERC approval of such contracts should at least neutralize some if not all of the incentives under the contracts to bid without regard to the unit's actual cost of operations. We believe that a competitive market is the best approach for ensuring that there is a supply of electric capacity to meet customer demand at the lowest cost.

Our companywide efforts are focused on building an infrastructure that improves system reliability, reduces emissions and supports the needs of customers. Our strategy is working and it is made possible by the contribution from our dedicated employees who support our efforts in countless ways. Their focus on the mission of providing safe, reliable energy has allowed us to meet the needs of customers and shareholders.

We are maintaining our operating earnings guidance for the full year of $2.80 to $3.00 per share. Our guidance assumes normal weather for the remainder of the year. As we move forward the weather and market conditions during the third quarter will be important for both PSEG Power and PSE&G. Current market conditions and the complete absence of a winter require that we maintain our relentless focus on identifying cost efficiencies and maintaining strong operating performance.

With that, I'll turn the call over to Dan who will discuss our financials in greater detail.

Daniel J. Cregg

Thank you Ralph and good morning to everyone. As Ralph said, PSEG reported operating earnings for the first quarter of 2016 of $0.91 per share versus operating earnings of $1.04 per share in last year's first quarter.

On slide four, we've provided you with a reconciliation of operating earnings to net income for the quarter and we've provided you with information on slide eight regarding the contribution to operating earnings by business for the quarter. Additionally, slide nine contains a waterfall chart that takes you through the net changes quarter-over-quarter and operating earnings by major business and now I'll walk through each company in more detail.

For PSE&G, shown on slide 11, we reported operating earnings for the first quarter of 2016 of $0.52 per share compared with $0.47 per share for the first quarter of 2015. PSE&G's first quarter results reflect the impact of revenue growth associated with an expansion of its capital investment program, which more than offset the effective unfavorable weather conditions on electric and gas demand.

Returns on PSE&G's expanded investment in transmission added $0.04 per share to earnings in the quarter and the first quarter also benefited from the recovery of revenue on PSE&G's distribution investment under its Energy Strong program. This increase in revenue improved quarter-over-quarter earnings comparisons by a $0.01 a share.

As Ralph mentioned, weather in the first quarter was warmer than normal and significantly warmer than conditions experienced last year. The negative impact of the extreme differences in weather on gas demand on revenue quarter-over-quarter was largely offset by the gas weather normalization clause. A decline in electric sales in revenue, however, as a result of the extreme differences in weather reduced quarterly earnings comparisons by $0.02 per share.

Lower taxes more than offset an increase in O&M expense due to the absence of insurance recovery of storm costs received in the year ago quarter. These items together added $0.02 per share to quarter-over-quarter earnings.

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Economic indicators continued to improve. Employment in New Jersey has increased for 28 consecutive months, as the unemployment rate has declined to 4.3% and the housing market has also experienced an improvement. However, this improvement in economic growth was outweighed during the quarter by a mild weather. The variability in quarterly data for weather normalized electric and gas sales has been high given the extreme weather conditions making it difficult to discern a trend in demand when analyzing just the quarterly data, but data for the trailing 12-months indicates weather normalized electric sales were flat for the period ended March of 2016.

And in terms of weather normalized gas demand, a 0.3% decline in sales in the first quarter was led by a 1.5% decline in heating demand from the residential sector, which also is influenced by the large weather adjustment quarter-over-quarter. But on a trailing 12-month basis gas sales increased by 1.8% year-over-year.

PSE&G's capital program remains on schedule and PSE&G invested approximately $725 million in the first quarter as part of its planned $3 billion capital investment for 2016. Also as you may recall PSE&G implemented $146 million increase in annual transmission revenue under the company's transmission formula rate filing, which took effect this past January. This increase in revenue adjusted to reflect the impact of bonus depreciation and updates of spending in prior years will be reflected in PSE&G's earnings throughout the year. We're maintaining our forecast of PSE&G's operating earnings for 2016 of $875 million to $925 million.

Moving to Power, as shown on slide 18, PSEG Power reported operating earnings for the first quarter of $0.36 per share, and adjusted EBITDA of $416 million, compared with $0.55 per share and adjusted EBITDA of $626 million for the first quarter of 2015. Adjusted EBITDA excludes the same items as our operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization and major maintenance expense at Power's Fossil Generating facilities.

The earnings release in slide 19, provides you with a detailed analysis of the impact on Power's operating earnings quarter-over-quarter. We've also provided you with more detail on generation for the quarter on slide 21.

PSEG Power's first quarter results were impacted by the extremely mild weather conditions experienced this year in comparison to the year ago period. A decline in capacity revenue associated with the June 2015 retirement of the HEDD or High Electric Demand Date peaking units PJM reduced quarter-over-quarter earnings by $0.04 per share.

Lower output due to the mild weather conditions coupled with lower average prices on energy hedges reduced quarter-over-quarter earnings by $0.09 per share. And a weather related decline in total gas send out to commercial and industrial customers and lower prices combined to reduce quarter-over-quarter earnings on gas sales by $0.12 per share. Lower O&M expense improved quarter-over-quarter earnings by $0.05 per share and a reduction in interest expense added $0.01 to earnings per share.

Now, let's turn to Power's operations. Output from Power's fleet declined 9% in the quarter as a result of the reduced demand and lower wholesale market prices. Output from the coal fleet reduced during the first quarter, a decline of 1 terawatt hour from 2.5 terawatt hours in the year ago quarter, as low gas prices affected the dispatch of coal. Output from the combined cycle fleet declined 0.2 terawatt hours to 3.7 terawatt hours with the decline in demand.

The nuclear fleet, however, experienced a 0.6 terawatt hour improvement in output to 8.4 terawatt hours for the quarter. The fleet operated at an average capacity factor of 99.7% in the quarter and the nuclear fleets' performance benefited from an improvement in availability at Salem as well as an increasing capacity at Peach Bottom. You may recall that the extended power upgrade work was completed at Peach Bottom last year and this work added 130 megawatts to our share of the station's capacity.

Power's gas fired combined cycle fleet has access to low cost gas which continues to provide it with an advantage relative to market prices. However, the lack of demand and a lack of volatility in the market given the mild weather and an excess supply of gas pressured spark spreads which were significantly lower compared to last year's levels. Overall Power's gross margin declined to $43.80 per megawatt hour from $47.32 in the year ago quarter.

Power is revising its forecast of output for 2016 to 52 terawatt hours to 54 terawatt hours from its prior forecast of 54 terawatt hours to 56 terawatt hours. The updated range for output incorporates the impact of the abnormally warm

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weather in the first quarter. This range also incorporates an anticipated expansion of the Salem 1 refueling outage.

A visual inspection during the current refueling outage at Salem 1 which began on April 14 revealed damage to a series of bolts located inside the reactor vessel. The need to conduct further testing to repair and replace the bolts is expected to expand the refueling outage.

To provide some context as a rule of thumb, a delay in Salem's refueling outage of 30 days would reduce generation by approximately 0.5 terawatt hour. And under this scenario nuclear fleets' capacity factor for the year would be reduced by about 1.5% to 91% from the current forecasted capacity factor of 92.5% for the year. And the actual outage duration will be determined after ongoing inspection work is completed.

As shown on slide 24 approximately 70% to 75% of anticipated production for the April to December period of 40 terawatt hours is hedged at an average price of $49 per megawatt hour. Our open position for the remainder of 2016 is more than adequate to cover the potential for a decline in output at Salem from our original forecast.

For 2017, Power's hedged 50% to 55% of its forecast generation of 54 terawatt hours to 56 terawatt hours at an average price of $49 per megawatt hour. And for 2018, approximately 20% to 25% for the forecast generation of 59 terawatt hours to 61 terawatt hours is hedged at an average price of $49 per megawatt hour. The forecast increase in generation in 2018 reflects the commercial operation of the Keys and Sewaren combined cycle units. The hedge data for 2016 continues to assume BGS hedges representing 11 terawatt hours to 12 terawatt hours.

As we mentioned to you last quarter, there are items included in our average hedge price which influence Power's revenue but don't support Power's gross margins. Our average hedge price for the remainder of 2016 reflects an increase in cost elements such as transmission and renewables associated with serving our full requirement hedge obligations. The increase year-over-year in these non-margin revenue items is approximately 1 megawatt hours to 2 megawatt hours.

We continue to forecast operating earnings for Power in 2016 of $490 million to $540 million and the forecast for operating earnings represents adjusted EBITDA of $1.320 billion to $1.4 billion for the full year which compares to $1.563 billion of adjusted EBITDA in 2015.

I'll briefly address as well Enterprise and Other's operating results and for the first quarter we reported operating earnings of $0.03 per share compared with operating earnings of $0.02 per share recorded last year in the first quarter. The increase in operating earnings quarter-over-quarter reflects contractual payments associated with the operation of PSEG Long Island and certain tax items at PSEG Energy Holdings and we continue to forecast full year operating earnings for 2016 from PSEG Enterprise and Other of $60 million.

And finally with respect to financings and other, PSEG closed the quarter with $592 million of cash on the balance sheet with debt at the end of March representing 44% of our consolidated capital. During the quarter, PSE&G issued $850 million of securities consisting of $300 million of five year notes at 1.9% and $550 million of 30 year notes at 3.8% while redeeming a $171 million of long-term debt. And we remain in a position to finance our current capital program without the need for the issuance of equity. We continue to forecast operating earnings for the full year of $2.80 to $3 per share.

That concludes my comments and I will now turn the call back over to the operator for your questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for the members of the financial community [Operator Instructions] Your first question comes from the line of Neel Mitra with Tudor, Pickering. Please go ahead.

<Q - Neel Mitra>: Hi, good morning.

final
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SI-SSA-0015-15018

<A - Ralph Izzo>: Good morning, Neel.

<Q - Neel Mitra>: I just had a quick question on the lower generation in the first quarter from the milder weather, is that actually a net negative or a positive because you could not run your fleet and then procure the Power at a lower cost to fulfill the financial hedges?

<A - Ralph Izzo>: So the hedges are supplied at a lower cost even though we've locked in the price, so that's good news. But as you know, we're naturally long, so whenever demand is down that creates a drag for Power. There is a more modest drag on the utility, it has a weather normalization on the gas business, but no such thing on the electric business. So reduced demand due to mild weather, which [indiscernible] (22:05) a slight drag there, Neel.

<Q - Neel Mitra>: So the open position on Power is hurt just because it's not running as much, is that the way to look at that?

<A - Daniel J. Cregg>: Yeah.

<A - Ralph Izzo>: That's right. So you have lower dispatch prices, you have lower – less amount of run time.

<Q - Neel Mitra>: Okay. And second question, I know you have a small stake in the PennEast Pipeline. Can you remind us when you have that going into service and then there has been recent reports on a possible delay, what your thoughts are on that?

<A - Ralph Izzo>: So we have 10% position and we are now forecasting late 2018.

<Q - Neel Mitra>: And what were you forecasting earlier?

<A - Ralph Izzo>: Late 2017.

<Q - Neel Mitra>: Okay, great, thank you.

<A - Ralph Izzo>: You're welcome.

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates. Please go ahead.

<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Good morning Paul.

<A - Daniel J. Cregg>: Good morning Paul.

<Q - Paul Patterson>: On the Salem plant and I apologize, I heard you talk about it, but I just want to make sure I understood it. How long is the extended outage that you guys are now expecting?

<A - Ralph Izzo>: So we don't know yet Paul, the outage started I think it was April 14 and that would have been a fairly standard refueling outage. We normally don't give dates on that for obvious reasons due to market sensitivity. But we are in the middle right now of doing some testing to see how many of the bolts are damaged. And so until we finish that we won't know exactly how long the outage is. But I should point out even when we know we typically don't announce that to the marketplace.

<Q - Paul Patterson>: Okay. And you are still looking at how many bolts or what percentage of bolts have problems?

<A - Ralph Izzo>: That's right.

<Q - Paul Patterson>: And is there any read through to any other units do you think or any other sort of sense about this?

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<A - Ralph Izzo>: Yeah, I mean so clearly Salem 2, but we did inspect Salem 2 in 2015, because I mean, this is an industry problem that's been around since I think 1998. So this is not something that is unique to us or unheard of before. But Salem 2 passed visual inspection in 2015 and Salem 1 was scheduled to have the more intrusive inspection in 2019, but we're a couple of years ahead of schedule there. I will just remind you Salem 2 is six years younger than Salem 1. To the extent that this is a degradation over time, that should have an influence.

<Q - Paul Patterson>: Okay. Thanks so much.

<A - Ralph Izzo>: No problem.

Operator

Your next question comes from the line of Michael Weinstein with UBS. Please go ahead.

<Q - Michael Weinstein>: Hi, Ralph, how are you doing? Hey, recently we saw ConEd enter into agreements to purchase gas storage and pipeline assets in Pennsylvania and New York and we've also seen other large utilities making large acquisitions of gas assets and utilities and given the PennEast interest that you have already, what is your view on the current market for gas related acquisitions and what's your own interest in expanding further?

<A - Ralph Izzo>: Yes, so I would say that our interest in expanding further is low to zero. In terms of our position in PennEast, quite candidly every gas LDC in New Jersey has a position in that and we just thought that it was important to help participate in bringing those consumer benefits to our gas customers, as you know PSE&G has almost two million gas customers.

It's a really different business, Michael. I serve on a board of a company that's involved in the pipeline business and I just think we're really good at the knitting that we do, and I'd like to stick to that. So, I'm not second guessing others, please don't misinterpret. I mean, they have their own unique reasons for moving in that direction. But typically the corporate structure is different. They're mostly MLPs. They have a fairly different financial proposition and they are not without their challenges nowadays as well. So that may be a great time to go in to buy in. There is a raft of siting challenges associated with this, we're experiencing that in PennEast. There was a major pipeline, and I'm sure you are aware of in New York State that recently had an unpleasant surprise, so it's a very challenging business with fairly different DNA than what we have in our company and I like the DNA and the match that our company has with the operations that we are responsible for.

<Q - Michael Weinstein>: Does the current PEs in the gas utility space on the LDC space, does that also put you off in terms of future opportunities?

<A - Ralph Izzo>: Yeah, so that's a different subject, but the short answer to that is yes. I mean, I understand that debt is fairly inexpensive. Dan hopefully impressed you with the numbers he reported for our utility and you can make acquisitions accretive at very, very attractive premiums to the target, but the question we always ask ourselves is just because money is relatively inexpensive what are the alternative uses for that and simply paying a very, very rich premium and still having accretion may not be your best choice and we've been very clear. Our priorities are number, one organic growth and number two supporting the dividend, and then number three will be share repurchase. As I have said to many people paying a 20 plus PE to someone seems to me to be a bad idea, when I know a great company that's trading at a 14 or 15 PE that has the ticker symbol PEG, so again I've hopefully done it, but this is not second guessing or critical of other's decisions, but those are the ones I'm comfortable for us.

<Q - Michael Weinstein>: Okay, one last question, in terms of the partnership with Vectren for competitive transmission in MISO, do you see any other opportunities to partner with other local utilities for similar type of partnerships?

<A - Ralph Izzo>: Yes, so I can't disclose any that we haven't publicly disclosed, but that is an approach that we are eager to pursue. I think that there is lot of value to be had by combining forces with someone who understands the local transmission grid and system with our expertise now having put over $2 billion to work on an annual basis for a good

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number of years in terms of cost and schedule management on transmission construction. I am very proud of our team and the work that they have done, but we don't know the system everywhere in the country, so to the extent that we can combine our project management skills and our construction management knowhow with people systems knowledge, that's a win-win for everyone.

Operator

Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

<Q - Travis Miller>: Hi, thanks.

<A - Ralph Izzo>: Hi, Travis.

<Q - Travis Miller>: I wanted to think a little bit more about this $0.12 on the lower gas send out and fixed cost recovery business, how much is that just pure volume and how much is there something else there, either margin contractions there or some other factor there that might not be directly weather related?

<A - Ralph Izzo>: I'll ask Dan, if he knows the split between the two of them, my short answers is it's a combination of both. But...

<A - Daniel J. Cregg>: And that's right. I mean, Travis, I guess the way to – maybe the best way to try to think about where we are from the $0.12 impact that we saw this quarter is if you were to look at each of the last couple of quarters, you would have seen last year and the year before there was a $0.05 and a $0.04 benefit that we picked up additively over the last two quarters. So, it's very much the absence of a winter which has impact both on pricing and on volumes. I think, the volumes were down about a third and when you have that impact as well as a margin compression we really also didn't see much volatility which doesn't help in that market, so they all were contributions to the delta that you saw for this quarter.

<Q - Travis Miller>: Okay, great, that's helpful. And then Ralph without too much a dissertation here, you guys have put a lot of eggs in the transmission baskets certainly, previously and for the next three years to five years. What are your thoughts on storage and how that might disrupt the transmission plans or alternatively offer you guys investment opportunities that wouldn't be in transmission but could be in storage?

<A - Ralph Izzo>: Sure, I'm a still sort of smarting from your suggestions that I am a bit longwinded.

<Q - Travis Miller>: I am interested in the dissertation, just not this morning.

<A - Ralph Izzo>: As luck would have it, I literally just came from a presentation two weeks ago by a director of Lawrence Berkeley Labs on storage and his claim, don't ask me his name because I don't remember, but he's probably easily – easy to look up, is that we're at least a factor of two away from grid connected storage that makes economic sense and what he has found is that that translates into anywhere from a 10 to 20-year timeframe. Of course when you're talking about material science research event it's difficult to put up with precision, but we're agnostic Travis about what hardware one puts in place to serve customers. So I don't care if it's copper wires, super conducting ceramic wire, lead acid batteries, lithium batteries, flow batteries, I am running out of technologies to stop lathering, and I am starting to tread on dissertation timeframes, but yeah, we were more than happy to pursue things that have economic merits that provides the reliability our customers are demanding.

<Q - Travis Miller>: Okay, good Cliff's notes version.

<A - Ralph Izzo>: Thanks.

<Q - Travis Miller>: Thank you very much.

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Your next question comes from the line of Greg Gordon with Evercore ISI. Please go ahead.

<Q - Greg Gordon>: Thanks, my questions have been asked and answered, thank you.

<A - Ralph Izzo>: Thanks, Greg.

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank. Please go ahead.

<Q - Jonathan Philip Arnold>: Thanks same here. Thank you though.

Operator

Your next question comes from the line of Gregg Orrill with Barclays. Please go ahead.

<Q - Gregg Orrill>: Yeah thank you. Just around the hedges at Power, you increased some of the hedges over the last quarter and just wondering where you stand with where you would normally be at this point. How you are thinking about that?

<A - Ralph Izzo>: So Gregg as you know we try not to outguess the forward market. We do, however, we've said in the past there is a tendency of the market to take a data point from 48 hours ago and a data point from 24 hours ago, and extrapolate it for the next three years, and sometimes that emotional response is not as well informed by fundamentals as we'd like, but we always stay within certain guidelines. We allow our team to drift up a little bit if we think the market is begin a bit bullish and we allow them to drift down if we think the market is begin overly bearish and you will recall in April 14, and it was the former, we said we can go ahead and edge a little bit towards the upside since the market is being somewhat bullish and it's pretty safe to conclude that right now we are drifting towards the bottom of our guidepost just given the anomalously warm winter we had and the bearishness that's crept into the market. Now having said that that bearishness is not totally unjustified given where gas storage levels are.

<A - Daniel J. Cregg>: And then just the other thing to think about too, Gregg, is that for the BGS auction to the extent that that's a contribution across our hedge horizon. That auction usually – it takes place every year in February. So, you see a little bit of a pickup in that regard in the first quarter's change.

<Q - Gregg Orrill>: Fair point. Okay, thanks.

<A - Ralph Izzo>: Thank you.

Operator

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

<Q - Michael Lapides>: Hey, Ralph thanks for taking my question and congrats on a good start to the year. Can you on the Salem issue, can you talk a little bit about other plants over the years that have seen similar issues and whether any of those turned into any more major related items or is having issues with kind of baffle bolts, some very standard, very common occurrence. I have to be very honest as a non-nuclear engineer that the word baffle bolts is a little baffling to me?

<A - Ralph Izzo>: Thanks Michael for the question. I'm glad you asked this. So, to my knowledge, DC Cook had an issue in 2010, Indian Point had an issue starting a month or so ago. There have been a handful, I think, like six or eight European plants. These are not – to my knowledge, these are not life threatening issues, they're literally 800 bolts typically that secure these metal plates we call them baffles to the reactor vessel and they're under pressure. There is a pressure grade in because of the hot high temperature steam that flows through the holes in these baffles and you just

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get a mechanical stress, in our case I think we have 832 bolts. They are typical pressurized water reactors, so that's why I mentioned earlier it's a false question that we would have to look at Salem 2, again it is extra refueling outage although it passed visual inspection in 2015. It would not be an issue for Hope Creek because that's a boiling water reactor. So, I don't want to suggest anything other than we have to complete the inspection, but none of the prior instances has this been an issue that has threatened the plants going forward integrity or anything of that nature.

<Q - Michael Lapides>: Got it, and coming to your regulated side, the ENG, as you guys do most years at your Analyst Day, you lay out a CapEx forecast that obviously shows in year three through five somewhat of a decline from years one through two, can you talk about the things, your goals in 2016 in terms of actually, I don't want to call it back filling but the types of projects that you could see showing up in the 2018 to 2020 timeframe that might keep CapEx at a more similar level to 2016 and 2017 or even at a higher level, what are the types of projects what you have to do from the regulatory construct process to get those approved?

<A - Ralph Izzo>: Sure, so there is a whole host of them, Michael; there is ongoing renewable portfolio standard commitments that could result in some additional solar work. There are a couple special projects that we haven't named publically on the distribution system that involve major customers that would benefit the entire customer base that we will be pursuing. There is always new and additional work that comes out of the PJM RTEP and that's the kind of stuff you will see us looking at and potentially announcing in 2016. However, the major backfill in the out years of the plan won't be announced in 2016 because they are pretty new and that will be continuation of our gas system monetization plan and a continuation of Energy Strong. And the reason why we won't announce those in 2016 is because we are only a year and half since Energy Strong and we are only six months into GSMP and those were both three-year programs give or take a few months on some unique aspects. So you're right to say that we have historically backfilled the years four and five. I think there is a very high probability we'll do the same this time. But I think that in terms of the goals for 2016, it will be more some significant distribution projects that we have and potentially some solar work that to keep the state on its RPS targets, you'll see as a process in the near-term.

<Q - Michael Lapides>: Got it. Thank you, Ralph. Much appreciated.

<A - Ralph Izzo>: Sure.

Operator

Your next question comes from the line of Praful Mehta with Citigroup. Please go ahead.

<Q - Praful Mehta>: Thank you. Hi, guys.

<A - Ralph Izzo>: Hi.

<A - Daniel J. Cregg>: Hi, Praful.

<Q - Praful Mehta>: So quickly on the storage point, I know it was an interesting debate and you've made a bunch of relevant points, so that was really thoughtful. I just want to understand you were mentioning storage more from a transmission perspective. But just take it back to storage more from a generation feed perspective. If you did have the 10 year to 20 year window horizon as you talked about, how would you think of the implications for your gas fleet and just generally for the markets in general? If you did think storage was coming, whenever, 10 years, 20 years down the road, how do you see the implications for the power generation for your fleet and just generally in the U.S.?

<A - Ralph Izzo>: I think there are three uses for storage, right. One is to the extent that one has some localized distribution reinforcement that can be more economically achieved through storage rather than substation enhancement. Second would be your classic arbitrage between peak and off-peak power which has become less of an economic driver nowadays just given the abundance of natural gas. Third could be sort of a similarity to that which is to offset the intermittency associated with renewables, but in terms of using batteries as peakers I mean I think that you just have to take a look again at the dollars per KW and my goodness, gas engines just keep getting more and more efficient and storages seems to be losing in that race to keep up with them.

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So I think that there are multiple applications, I didn't mean to suggest that we'd only consider the one. What I was trying to point out is whether the application is a supply side or whether it's a customer reliability side, whether it's providing peaking services, other ancillary services, we don't have a religious fervor around one technology or another. We look at all, all the time.

<Q - Praful Mehta>: Fair enough, that's really helpful. And then secondly, from a M&A perspective there is number of generation assets clearly in the market and potentially more coming and you've talked about at some point a separation as well. So how do you fit all that in, are you looking to get to critical mass, is there opportunity here to acquire some assets and then get to critical mass where you think you can at some point separate? How are you thinking about that opportunity right now?

<A - Ralph Izzo>: Yeah, I mean that's pretty much what we've told the world, right, that we see three very changeable tactical reasons for remaining integrated. It's the financial synergies between Power's cash generation and utility's cash needs. It's the customer build synergies between the customers that Power serves and the customers that PSE&G serves and Power prices go down, PSEG's distribution rates go up, quite candidly. And then last but not least is the benefits of scale associated with the corporate support functions.

And as Power continues to pursue growth opportunities outside PJM East, the first two issues become less important, right. You have more customers that are not PSE&G customers that we will be serving in New England and in New York State. You have more need for Power's funds from operations going to Power as opposed to going over to the utility, and as both companies get bigger, then the corporate support synergies become less on a percentage basis. And the reason why I say outside of PJM East is because we're pretty much preempted from making any acquisitions within PJM East, and given the slow growth in demand, we're not big fans of greenfield development in PJM East, it's just you quickly run into an oversupply situation.

Having said all of that, we have demonstrated that we're pretty bad at acquiring assets. By that I mean we seem to have a more conservative view of where the market is going and are consistently outbid, Keys being the one exception to that, which I believe was largely because of our confidence in our ability to manage construction risk that perhaps others did not posses and also some of the portfolio benefit it brought to us in terms of PJM West.

So, we look all the time at generation assets, we have an – I was not saying anti-coal bias, that sounds very political and I didn't mean it that way. But just given the direction of environmental regulation, you won't see us taking a look at any coal expansions in terms of new assets. But we do look in our target markets which would be the rest of PJM, New England and New York State. We just have to get it at the right price and we're going to remain disciplined in what that means for us.

<Q - Praful Mehta>: Got you. That's very helpful color, Ralph. Thank you so much.

Operator

Your next question comes from the line of Ashar Khan with Visium Asset Management. Please go ahead.

<Q - Ashar Hasan Khan>: Good morning and good results. Can I just ask you one thing which Entergy mentioned why their outage is lasting a little bit longer, is that they didn't have the equipment onsite, and I didn't know what that meant exactly, but I just wanted to ask you, Ralph, you guys, do you have the stuff on site to replace and everything, so it won't cause a longer outage?

<A - Ralph Izzo>: No, it was – hi, Ashar. So the equipment is not routinely onsite, but we are in the process right now of securing that equipment while we do the ultrasonic testing. This is a highly radiated area. It's inside the reactor vessel, but we are in conversations with at least two vendors who claim to be able to help us do the work, and we're confident we'll be able to bring them onsite. I mean as I said there is at least 10 other reactors that had this issue in the past and...

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<Q - Ashar Hasan Khan>: No, I understand that. I was just trying to understand whether – they were saying their delay was caused by equipment not being on site, so I was just mentioning it...

<A - Ralph Izzo>: I think there's a robotic device that needs to go in and change out the bolts and replace those that fail the ultrasonic testing, right. It's not something you could send a person into the vessel.

<Q - Ashar Hasan Khan>: Okay.

<A - Daniel J. Cregg>: From a critical task perspective too, the inspections that are ongoing now needs to take place first, so we have some time off the critical task to be able to secure that kind of equipment.

<Q - Ashar Hasan Khan>: Equipment, okay, I appreciate it. Thank you.

Operator

Your next question comes from the line of Shar Pourreza with Guggenheim Partners. Please go ahead.

<Q - Shahriar Pourreza>: Hi, questions were answered. Thanks.

<A - Ralph Izzo>: Thanks Shar.

Operator

Your next question comes from the line of Michael Goldenberg with Luminus. Please go ahead.

<Q - Michael Goldenberg>: Good morning.

<A - Ralph Izzo>: Hey, Michael.

<A - Daniel J. Cregg>: Good morning.

<Q - Michael Goldenberg>: Hi, I just wanted to ask a question about your 2018 hedging. I wasn't clear. If I just looked at previous quarters and this quarter's, it seemed like you hedged very little, about 5% of your output, if I do the math I get about $30 or $31 incremental hedging price. I'm not understanding if that's the price or I'm doing something wrong there.

<A - Daniel J. Cregg>: And your comparison is what Michael.

<Q - Michael Goldenberg>: Versus Q4, sorry, Q4 you were a certain percentage at $54 and now you're a certain percentage $49, so if I just do the simple math I get incremental hedging down at $31?

<A - Daniel J. Cregg>: We'd have to go through the individual math which maybe we could follow up with you on, but you've also got a range of output where you're within a high or low band. So, it's going to vary, I know that some of that 2018 output is going to come from BGS which tends to have a higher price and then we are in a lower price environment as well, so it's going to be some mix of that.

<Q - Michael Goldenberg>: Got it. Thank you.

Operator

[Operator Instructions]. Your next question comes from the line of Ben Budish with Jefferies. Please go ahead.

<Q - Benjamin Budish>: Hey, everybody good morning.

<A - Ralph Izzo>: Hi, Ben.

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<Q - Benjamin Budish>: Just I'm wondering if I'm maybe reading into your comments you made at the beginning of the call too much about kind of the importance of Q3, it seems like maybe you're sort of guiding us to the low end of the range and I'm curious if like a strong Q3 might get us back to the midpoint or maybe we're looking at sort of below the bottom end and the strong Q3 gets us back within, is there anymore color you can kind of give on that?

<A - Ralph Izzo>: Yeah, so Ben, the range is the range and historically what we do is after Q1 we really don't modify our numbers or push people up or down, and just live with the range. After Q2 sometimes we may move a nickel one way or another if we think that there is a definitive bias one way or another in terms of verbally guiding, and then typically after Q3 is when we, if there's a need, tighten the range one way or another. So we're $2.80 to $3, it was a tough winter and we've got a lot of focus on our operations and our cost efficiencies and the range always assumes that the rest of year is normal weather. We never assume that the weather is going to suddenly do something different than what the weather service predicts is normal...

<Q - Benjamin Budish>: Okay. Great, thank you.

Operator

Mr. Izzo and Mr. Cregg, there no further questions at this time. Please continue with your presentation or any closing remarks.

Ralph Izzo

Sure, thank you Brent. So thanks everyone for being on the call and the main message I hope you took away is my favorite message, which is steady as she goes. We have a utility capital program that's proceeding as planned, Power construction program with three combined cycle units is on schedule and on budget. Our operations are strong throughout the Enterprise and the balance sheet is as solid as ever. I know Kathleen and Dan have some travels coming up in the next couple of weeks and then the three of us have some travels coming up in the next couple of months. So hopefully we'll get to you see most if not all of you during those travels. Thanks a lot and we'll talk soon.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect. Thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2016-02-19
Event Description: Q4 2015 Earnings Call

Market Cap: 21,741.18
Current PX: 42.97
YTD Change($): +4.28
YTD Change(%): +11.062

Bloomberg Estimates - EPS
Current Quarter: 0.903
Current Year: 2.924
Bloomberg Estimates - Sales
Current Quarter: 3042.000
Current Year: 10538.231

Q4 2015 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Jonathan Philip Arnold
- Keith Stanley
- Julien Dumoulin-Smith
- Praful Mehta
- Michael Lapides
- Gregg Orrill
- Travis Miller
- Stephen Calder Byrd

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's Fourth Quarter 2015 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions]

As a reminder, this conference is being recorded today, Friday, February 19, 2016, and will be available for telephone replay beginning at 2 O'clock PM Eastern today until 11:30 PM Eastern on February 26, 2016. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brent. Good morning, everyone. Thank you for participating in our earnings call this morning. As you are aware, we released fourth quarter and full-year 2015 earnings results earlier this morning. The release and attachment as mentioned are posted on our website www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-K for the period ended December 31, 2015, is expected to be filed shortly.

I'll now go through the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you all read those comments contained in our slide and on our website.

The disclaimer statement regards forward-looking statements, detailing the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements may therein, and although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our

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estimates change, unless of course, required by applicable securities laws.

We also provide commentary with regard to the difference between operating earnings and net income reported in accordance with Generally Accepted Accounting Principles in the United States. PSEG believes that the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends.

I'm now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group, and joining Ralph on the call is Dan Cregg, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. Given the interest in the call, we ask that you limit yourself to one question and one follow-up. Thank you.

Ralph Izzo

Thank you, Kathleen and thanks everyone for joining us today. This morning, we reported operating earnings for the full-year 2015 and I'm pleased to report that it was a year of significant accomplishments. As you saw this morning, we reported operating earnings for the fourth quarter of $0.50 per share, versus $0.49 per share earned in the fourth quarter of 2014, despite the unseasonably mild weather this past December.

Results for the full-year were $2.91 per share or 5% greater than 2014's operating earnings of $2.76 per share. This is at the upper half of our guidance of $2.85 to $2.95 per share and it was also higher than the midpoint of our original guidance of $2.85 per share.

Our results reflect the benefits of excellent performance and robust organic growth, which offset the impact of low energy prices on earnings. We've continued to successfully deploy our strong free cash flow into customer-oriented investment programs that have supported growth. 2015's operating earnings represented a third year of growth in earnings. Now, let me just mention a few of the year's highlights.

PSE&G was named Electric Light & Power's Utility of the Year and was named the most reliable utility in the mid-Atlantic for the 14th consecutive year. But we're not resting on those laurels. PSE&G invested approximately $2.7 billion during 2015 on programs to further enhance the system's resiliency and its reliability.

During the year, PSE&G placed into service key backbone transmission lines, such as the Susquehanna-Roseland line as well as the Mickleton-Gloucester-Camden line, which are designed to meet the needs of customers today and well into the future.

PSE&G invested over $550 million on programs under its $1.2 billion Energy Strong initiative. These programs are designed to strengthen and protect the electric and gas distribution system from the impacts of extreme weather.

During the year, PSE&G also received approval from the New Jersey Board of Public Utilities to invest an additional $95 million in its award-winning energy-efficiency programs and to continue the work begun under Energy Strong, replacing aging cast iron natural gas pipes.

The $905 million Gas System Modernization Program represented the 14th multi-year investment program approved by the BPU since PSE&G's last base rate case and this speaks to the state's support of infrastructure investment that meets the needs of customers.

PSE&G's investment program, supportive revenue recovery mechanisms and tight control of O&M expenses have provided growth in PSE&G's operating earnings of approximately 13% per year for the five-year period ended 2015.

During this period, PSE&G's rate base expanded at a rate of 11% per year; and importantly, we have been able to support this growth as customer builds have declined. But 2015 was not just a year of PSE&G accomplishments. PSEG Power's strong operating performance supported earnings in line with guidance for the full-year, despite very difficult market conditions.

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The nuclear fleet operated at a capacity factor of greater than 90% for the year and accounted for 54% of the fleet's output. Power's gas fired combustion turbine fleet set a new record for output. This improves on the prior record established in 2014. The fleet's performance is benefiting from investments that have improved its efficiency, increased its capacity and provided greater access to low cost gas supply.

The flexibility and diversity of Power's fleet have allowed us to provide approximately $500 million of positive free cash flow in 2015, even during soft energy market conditions. Power also plans to invest $2 billion over the next three years to four years to add approximately 1,800 megawatts of new, efficient combined cycle gas fired turbine capacity.

The Keys Energy station, which is located in Southwestern MAAC will extend Power's footprint in this core PJM market, a new efficient unit at the Sewaren station in New Jersey will replace old, inefficient steam capacity. And after clearing the most recent capacity auction in New England, Power will construct a new 485 megawatt combined cycle unit at its existing Bridgeport Harbor station site, giving us an enviable and growing position in both energy and capacity markets in Southwestern Connecticut.

The addition of these units will transform Power's generation mix as its ownership of efficient reliable gas-fired capacity will grow to exceed 5,000 megawatts in 2019. At that time, the combined cycle gas turbine fleet will surpass the size of Power's ownership in nuclear capacity and secure Power's position as a low cost generator with modern, flexible, clean assets that remain capable of meeting the demands for reliability in today's markets.

Power also grew its investment in contracted solar energy. In 2015, Power added two projects, representing an investment of approximately $75 million in utility scale grid connected solar energy. And earlier this year, Power announced that it will invest an additional $150 million in three new projects that bring its portfolio of solar projects to 240 megawatts DC of clean and renewable energy.

All projects in this portfolio are under long-term contracts with credit-worthy customers. So, as you can see, we continue to explore opportunities to expand and optimize Power's fleet, although I will add that we do not see any new generation build in the foreseeable future, although you never say never, but we don't plan any at this point in time.

Our balance sheet continues to provide us with a competitive advantage to finance our capital program without the need to access the equity markets. We ended 2015 with strong credit metrics and the extension of bonus depreciation through 2019 is expected to provide enterprise with an additional $1.7 billion of cash during this period.

Our investment program calls for a 21% increase in capital spending to $11.5 billion for the three years ended 2018 from capital invested during the three year period ended 2015. Approximately 72% of that amount or $8.3 billion over this timeframe will be invested by PSE&G on transmission and distribution infrastructure programs that customers will require for reliability. This level of investment is expected to yield growth in PSE&G's rate base for the three years ended 2018 of 10% per year, even after taking into account the impact of bonus depreciation on rate base.

The remaining approximate 27% or $3.2 billion of expected capital investments will be made at Power. The majority of Power's investments will be devoted to expanding its position in new, efficient, clean gas-fired generating capacity, as I mentioned already, all of which, Keys, Sewaren and Bridgeport Harbor are expected to exceed our longstanding and unchanged financial returns expectations.

With our strong balance sheet, we remain in a position to increase our capital investment across the company. We have a robust pipeline of opportunities and plan on providing you with an update of our five-year outlook for capital spending at our Annual Financial Conference on March 11.

In total, the investment programs at PSE&G and Power are focused on meeting customer needs and market requirements, with an energy platform that is reliable, efficient and clean. The strategy we implemented has yielded growth for our shareholders as we have met the needs of our customers. The continued successful deployment of strong free cash flow into customer-oriented regulated investment programs is expected to support 14% growth in utility's earnings to 60% of enterprise's 2016 operating earnings as the results for the full-year are forecast at $2.80 to $3 per share. Our guidance for 2016 takes into account the impact on demand from the continuation of unseasonably mild weather conditions in January and early February.

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The board of directors' recent decision to increase the common dividend by 5.1% to the indicative annual level of $1.64 per share is an expression of our confidence in our outlook, the continued growth of our regulated business and an acknowledgement of our strong financial position.

We see the potential for consistent and sustainable growth from the dividend as an important means of returning cash to our shareholders. Of course, none of our success would be possible without the contribution made by PSEG's dedicated workforce. I look forward to discussing our investment outlook in greater detail with you at our March 11 Annual Financial Conference.

But for now, I'll turn the call over to Dan for more details on our operating results and we'll be available to answer your questions after his remarks.

Daniel J. Cregg

Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported operating earnings for the fourth quarter of $0.50 per share versus $0.49 per share for the fourth quarter of 2014. Our earnings in the quarter brought operating earnings for the full-year to $2.91 per share, or 5.4% greater than 2014's operating earnings of $2.76 per share and at the upper half of our guidance of $2.85 to $2.95 per share.

And on slide four, we provided you with a reconciliation of operating earnings to net income for the quarter. We've also provided you with information on slide 10 regarding the contribution to operating earnings by business for the quarter. And slides 11 and 13 contain waterfall charts that take you through net changes, and quarter-over-quarter and year-over-year changes in operating earnings by major business, and I'll review each company in more details starting with PSE&G.

PSE&G reported operating earnings for the fourth quarter of 2015 of $0.31 per share compared to $0.32 per share for the fourth quarter of 2014 and that's shown on slide 15. PSE&G's full-year 2015 operating earnings were $787 million or $1.55 per share compared with operating earnings of $725 million, or $1.43 per share for 2014, reflecting a growth of 8.6%.

PSE&G's earnings for the fourth quarter benefited from return on its expanded capital program, which partially offset the impact of earnings from unseasonably mild weather conditions and an increase in operating expenses.

PSE&G's return on an expanded investment in transmission and distribution programs increased quarter-over-quarter earnings by $0.03 per share. Mild weather conditions relative to normal and relative to last year, reduced electric sales and lowered earnings comparisons by $0.01 per share.

Recovery of gas revenue under the weather normalization clause, offset the impact on earnings of the abnormally warm weather on sales of gas. And higher expenses including pension, and other items reduced quarter-over-quarter earnings comparisons by $0.03 per share.

Economic conditions in the service area continued to improve. On a weather normalized basis, gas deliveries are estimated to have increased 2.1% in the quarter and 2.2% for the year. Demand continues to benefit from an improving economy and also from the impact of lower commodity prices on customer's bills. Electric sales on a weather normalized basis, are estimated to have increased by 0.8% and 0.5% for the fourth quarter and for the year, respectively. The estimated year-over-year growth on electric sales is more representative of our long-term expectations for growth.

PSE&G implemented $146 million increase in transmission revenue under the company's transmission formula rate for 2016 on January 1. PSE&G's investment and transmission grew to $5.7 billion at the end of 2015 or 43% of the company's consolidated rate base of $13.4 billion at year-end.

As you know, transmission revenues are adjusted each year to reflect an update of data that was estimated in the transmission formula rate filling. The adjustment for 2016, which we will file in mid-2017 will include the impact of the extension of bonus depreciation, which was executed after our transmission formula rate filing. This adjustment

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will reduce transmission revenue as filed by about $27 million, but we will approve that for accounting purposes in anticipation of the reduction in revenue as we report our 2016 results.

We are forecasting growth in PSE&G's operating earnings for 2016 to a range of $875 million to $925 million, and the forecast reflects the benefits of continued growth in PSE&G's rate base and a decline in pension expense.

Turning to Power, as shown on slide 19. Power reported operating earnings for the fourth quarter of $0.19 per share compared to $0.18 per share a year ago. Results for the quarter brought Power's full-year operating earnings to $653 million or $1.29 per share compared to 2014's operating earnings of $642 million or $1.27 per share.

Power's adjusted EBITDA for the quarter and the year amounted to $235 million and $1.563 billion respectively, which compares to adjusted EBITDA for the fourth quarter of 2014 of $271 million, and adjusted EBITDA for the full-year of 2014 of $1.584 billion.

The earnings release as well as the earnings slides on pages 11 and 13 provides you with a detailed analysis of the impact on Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and costs. And, we've also provided more detail on generation for the quarter and for the year on slides 21 and 22.

Power's operating earnings in the fourth quarter reflect the impact of strong hedging and tight control on operating expenses, which offset an anticipated decline in capacity revenue, and the impact of unseasonably warm weather on wholesale energy prices.

A decline in capacity revenues associated with the May 2015 retirement of the high electric demand day or HEDD peaking capacity in PJM reduced quarter-over-quarter earnings comparisons by $0.04 per share. An increase in the average price received on energy hedges coupled with a decline in fuel costs more than offset the impact on earnings from a reduction in gas sales. And, these two items together netted to a quarter-over-quarter improvement in earnings of $0.02 per share.

Power's O&M expense for the quarter was unchanged relative to year-ago levels. And an increase in depreciation expense and other miscellaneous items was more than offset by the absence of a charge in the year-ago quarter, resulting in net improvement in quarterly earnings comparisons of $0.03 per share.

Turning to Power's operations. Power's outputs during the quarter was in-line with year-ago levels. For the year, output increased 2% to 55.2 terawatt hours and the level of production achieved by the fleet in 2015 represented the second highest level of output in the fleet's history as a merchant generator. Growth was supported by improvements in the fleet's availability and efficiency.

The nuclear fleet operated at an average capacity factor of 90.4% for the year, producing 30 terawatt hours or 54% of total generation. Efficient combined cycle gas turbine capacity was rewarded in the market with an increase in dispatch levels. And Power's CCGT fleet set a generation record during the year at each of the Linden station and Bethlehem Energy Center set individual records. Output from the combined cycle fleet grew 11% to 18.4 terawatt hours or 33% of total output during the year.

Lower market demand for our coal units, reduced output from those stations to 5.8 terawatt hours for the year or 11% of output. And lastly, the fleet's peaking capacity produced just under one terawatt hour or 2% of the output for the year.

Power's gas-fired combined cycle fleet continues to benefit from its access to lower priced gas suppliers in the Marcellus region; and for the year, gas from the Marcellus supplied 75% of the fuel requirements for the PJM gas-fired assets. This supply supports how to spark spreads and implied by market pricing and allowed Power to enjoy fuel cost savings in the fourth quarter similar to the levels that enjoyed in year ago quarter, despite weak energy prices. And for the full-year, Power enjoyed positive spreads relative to the market, but year-over-year realized spark spread in 2015 were lower than what was realized in 2014, given the decline in energy prices.

Overall, Power's gross margin improved slightly to $38.83 per megawatt hour in fourth quarter versus $37.40 per megawatt hour in the year ago quarter. And for the year, Power's gross margin amounted to $42.25 per megawatt hour

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versus the $42.41 per megawatt hour last year. And slide 24 provides detail on Power's gross margins for the quarter and for the year.

Power is expecting output for 2016 to remain unchanged at 54 terawatt hours to 56 terawatt hours. And following the completion of the basic generation service for BGS auction in New Jersey earlier this month, Power has 100% of its 2016 base load generation hedged.

Approximately 70% to 75% of Power's anticipated total production is hedged at an average price of $51 per megawatt hour. And Power has hedged approximately 45% to 55% of its forecast generation in 2017, a 54 terawatt hours to 56 terawatt hours at an average price of $50 per megawatt hour.

Looking forward to 2018, Power is forecasting an improvement in output to 59 terawatt hours to 61 terawatt hours with the commercial startup in mid-2018 of the Keys and Sewaren stations that Ralph mentioned earlier.

Approximately 15% to 20% of 2018's output is hedged at an average price of $54 per megawatt hour. And Power assumes BGS volumes will continue to represent approximately 11 terawatt hours to 12 terawatt hours of deliveries. And this number is very consistent with the 11.5 terawatt hours of deliveries we saw in 2015 under the BGS contract.

Our average hedge position at this point in time, represents a slightly smaller percentage of output hedged versus what you saw a year ago; and at that time, Power was able to take advantage of market prices influenced by the colder than normal weather conditions of last winter.

Average hedge pricing includes the impact of recently concluded BGS auction. And the auction for the three-year period beginning June 1, 2016 ending May 31, 2019, was priced at $96.38 per megawatt hour in the PSO. This contract for one-third of the load will replace to 2013 contract for $92.18 per megawatt hour, which expires on May 31, 2016.

And we do remind you from time-to-time that there are items included in the average hedge price, which influence Power's revenue, but don't support Power's gross margin. Our average hedge price for 2016 of $51 per megawatt hour reflects an increase in the cost developments such as transmission and renewables associated with serving our full requirements hedge obligations. And based on our current hedge position for 2016, each $2 change in spark spreads would impact earnings by about $0.04 per share.

Power's operating earnings for 2016 are forecasted at a range of $490 million to $540 million, that forecast includes an adjusted EBITDA of $1.32 billion to $1.40 billion. Forecast reflects a year-over-year decline in capacity revenues associated with the May 2015 retirement of the HEDD peaking capacity.

Operating earnings for the year will also be influenced by the re-contracting of hedges at lower average price and a decline in gas sales. And most of the decline in Power's operating earnings forecast for the full-year 2016 is expected to be experienced in the early part of 2016.

With respect to Enterprise and Other, we reported operating earnings in the fourth quarter of $4 million, which compares to a loss in operating earnings of $4 million or $0.01 per share for the fourth quarter of 2014. And results for the fourth quarter brought full-year 2015 operating earnings to $36 million or $0.07 per share, compared with 2014's operating earnings of $33 million or $0.06 per share. The difference in quarter-over-quarter operating earnings reflects the absence of prior-year tax adjustments as well as other parent-related expenses in 2015.

For the year, PSEG Long Island's earnings contributions of $0.02 per share was in line with expectations. And looking forward to 2016, operating earnings for PSEG Enterprise and Other are forecasted at $16 million.

Next, I want to provide an update on our pension. Beginning with 2016, PSEG has elected to measure service and interest costs for pension and other post-retirement benefits, by applying the specific spot rates along the yield curve to the plan's liability cash flows rather than the prior use of a single weighted average rate.

We believe the new approach provides a more precise measurement of service and interest costs by aligning the timing of the plants liability cash flows to the corresponding spot rates on the yield curve.

final
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Bloomberg
SI-SSA-0015-15032

The change does not affect the measurement of the plant obligations, and we estimate this change will reduce 2016 pension and OPEB expense by approximately $34 million and $13 million, respectively, net of amounts capitalized for what it would have been without this change.

On a year-over-year basis, the pension expense is expected to decline – pension and OPEB expense is expected to decline by $25 million from 2015's level of expense. We ended 2015 with 91% of our pension obligations funded and minimal need for cash funding of obligations over the next several years.

With respect to our financial condition, it remains strong. We closed 2015 with $394 million of cash on hand and debt representing 43% of our consolidated capital position, and debt at Power representing 27% of our capital base.

PSEG's capital program for the three years ended 2018 is currently expected to approximate $11.5 billion, this represents a 21% increase over the level of capital invested over the prior three year period, as PSE&G and Power focus on modernizing their infrastructure to meet the needs of today's marketplace.

We have ample capacity to finance our current capital program. In addition, we estimate that the change in bonus depreciation, as Ralph mentioned, will provide an additional $1.7 billion of cash through 2019, most of this cash received over the three years ending 2018, and of this amount $1.2 billion of the cash will be at PSE&G and $500 million will be at Power.

And as mentioned, our forecast for double-digit growth in PSE&G's rate base through 2018, does take into account the impact of bonus depreciation on rate base, and we plan to provide an updated five-year view of capital spending at the Annual Conference on March 11.

We're guiding to earnings for 2016 of $2.80 to $3 per share, in line with our 2015 operating results, as forecast growth at PSE&G offsets the impact of lower energy prices on Power's operating earnings. The company remains on solid footing, and we continue to focus on operational excellence, we remain disciplined in our approach to investment strategy, and maintain our financial strength. Common dividend was recently increased 5.1% to the indicative annual level of $1.64 per share, and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward.

And with that, we are ready to answer your questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] One moment please for the first question. And we'll pause for just a moment.

<A - Ralph Izzo>: Dan, we've never been so clear.

Operator

Your first question comes from the line of Jonathan Arnold with Deutsche Bank. Please go ahead.

<Q - Jonathan Philip Arnold>: Good morning, guys.

<A - Ralph Izzo>: Good morning, Jonathan.

<Q - Jonathan Philip Arnold>: A couple of questions on the change in pension accounting methodology, could you just give – is this designed to bring you more into line with standard practice or something – could you just give us some perspective around what drove that change?

final
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Bloomberg
SI-SSA-0015-15033

<A - Ralph Izzo>: Yeah, I think it will probably increasingly look more like standard practice. In applying an interest rate, we have normally done a weighted average rate, which is across all of the cash flows and some recent determination has been made that in looking at the yield curve and the timing of your actual payments and the timing of the interest by virtue of the shape of the yield curve, the more accurate method was to apply the nearer-term interest rates to the nearer-term cash flows and the longer term interest rates to the longer term cash flows. So, we've been looking at this for a while and in addition to being a more accurate method, I think you'll start to see this more and more in others.

<A - Daniel J. Cregg>: I mean...

<Q - Jonathan Philip Arnold>: Your sense is that others have not adopted this yet, but you think will go that way, is that what you're saying?

<A - Ralph Izzo>: Yeah. So, our intel from talking to our advisors is, we're probably somewhere between 30%, 40%, 50% or so companies are pursuing and a bunch of the others are investigating the same. We've seen some of this from some of the releases that we've seen from others as well.

<Q - Jonathan Philip Arnold>: Okay. And can you give us a sense, is the change we're seeing in 2016 something that would all else equal will just persist into 2017 just a change of basis one piece? And then secondly, can you parse out the impact to the utility versus power?

<A - Ralph Izzo>: Yeah. On the second piece, it's about half and half is a general way to think about it. And with the yield curve that rises over time, you will see a moderation of the benefit of this method over time, but remaining positive, based upon all the current assumptions in place through the balance of the five year plan period. It remains positive, but declines over time.

<Q - Jonathan Philip Arnold>: Okay. And could I just add one other topic, Enterprises, the uptick in 2016 is that mostly the Long Island contract, or...

<A - Daniel J. Cregg>: That was correct, Jonathan. Some of you heard.

<Q - Jonathan Philip Arnold>: Yeah, we missed the answer. Great. Thank you.

Operator

Your next question comes from the line of Keith Stanley of Wolfe Research. Please go ahead.

<Q - Keith Stanley>: Hi, good morning. The $11.5 billion of CapEx over 2016 to 2018, if you take 72% of that at the utility, it seems like utility CapEx for 2016 to 2018 is, about maybe I don't know, $750 million higher than what you showed in a chart at EEI. Can you just confirm if I'm reading that right? And if so, in what areas are you investing more money now over the next three years?

<A - Ralph Izzo>: So Keith, the answer is, you're correct. And we'll detail not only that, but the full five years on March 11, but it's the same areas we have been. It's largely transmission-related, and there's an element of Energy Strong in there as well, but we'll give you the details of that as well as any new initiatives that we plan to pursue in the five-year time horizon on March 11.

<Q - Keith Stanley>: Okay. And one other one, just what ROE are you assuming at the distribution business at PSE&G in 2016 and what ROE did you earn at distribution last year?

<A - Daniel J. Cregg>: So remember, ROEs are a blend of an allowed base, ROE of 10.3%, and then myriad 14% to be exact of various programs that we have had approved since then, that range from 9.75% to 10.3%, but with a couple of them also the beneficiary, I think that's the tax credit in some of the solar programs. So, we are earning on our allowed return, but you have to do the – some of the parts, so to speak, of each of those programs.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15034

<Q - Keith Stanley>: So, netting out some of those programs you earned 10.3% on call it core distribution last year, and I mean, are you just assuming that you're earning precisely your allowed return and that's what you're saying you earned last year?

<A - Daniel J. Cregg>: So, on the core distribution, yes, the 10.3%, and on Energy Strong, we're going to earn the 9.75% and on solar for all, we're going to earn 10%, and on energy efficiency, we're going earn 9.75% and so that's what I'm trying to point out, and because of to varying degrees contemporaneous nature of the returns we do stick to those, we do accomplish those objectives.

<Q - Keith Stanley>: Okay. Thank you.

Operator

Your next question comes from the line of Julien Dumoulin-Smith with UBS. Please go ahead.

<Q - Julien Dumoulin-Smith>: Hi, good morning, can you hear me?

<A - Ralph Izzo>: Yes, Julien.

<A - Daniel J. Cregg>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: Excellent. So, I wanted to go back a little bit to the latest BGS auction, and ask you, if you can elaborate a little bit on what exactly drove the year-over-year results? And perhaps at least our perception of a reduction in the risk premium, can you elaborate kind of what the dynamics you saw?

<A - Ralph Izzo>: Yeah, I mean, some of the bigger pieces, Julien, I think are fairly transparent from what you can see from a market perspective. I think we saw a little bit of a decline in the energy prices, which is kind of where you start as a baseline for the auction.

And then probably the couple of other areas where you've seen the biggest change is against that decline, as you've seen a bump on the transmission side and you've seen a bump related to some of the green costs that are involved. So, you can track the green cost soon in New Jersey, SRECs and you can track the transmission in fact, I think the BPU even sends out some of the transmission costs that ultimately get embedded in.

And then finally, the last big piece, which is also fairly transparent is the capacity piece and those auctions take place in advance of – by virtue of their three-year forward market and the BGS three-year forward market. They place in advance of the BGS auction. So, those are your biggest movers. And there is other pieces obviously in there, there is ancillary, and different components, but those are the biggest pieces that you see related to the changes.

<Q - Julien Dumoulin-Smith>: But just coming back, clearly some of those big changes move in year-over-year, but at least from our calculations, it seems that even adjusting for that there might have been a little bit less of a premium there, just be curious.

<A - Ralph Izzo>: I mean, we don't really talk necessarily about what kind of a premium you would see in the product, but I think you can – most of those pieces are transparent enough that you can build out and see what the elements of them are. And I think, on balance, you're seeing a bit of a decline on the energy side, and you're seeing a bit of a roll-up coming off in the other direction related to both transmission agreement.

<Q - Julien Dumoulin-Smith>: Got it. Okay. Fair enough. And maybe going back to the last question a little bit more about the utility regulatory, how are you thinking about trackers in a post-rate case scenario as you think about rolling at least the legacy programs in the base rate et cetera? Can you kind of talk about perhaps what the subsequent role might look like?

<A - Ralph Izzo>: Sure. While we are pleased with the success we've had, Julien over these past several years with these programs, we have been talking to staff about – in particular, the gas program, which clearly has a multi-decade run that it would need to do all of the work that the system requires of it, I'm talking about replacing the cast iron, that

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15035

we'd like to break away from this incremental approach and into more of a longstanding approach. For no other reason that it would be beneficial to develop the infrastructure, primarily people, that one needs to sustain these programs, right.

So, right now, the way we run the programs is we work for contractors and we bring in the folks that are needed and we enter into this conversation six months before the program expires. But will we need more? I'm not quite sure.

Well, we have to wait for the BPU, so when can you find out? I'll get back to you as soon as possible, and that's not the way we typically run 110-year old company. We like to have training programs, bring people in as an apprentice and have them climb the technical ladder and have a nice long career and that's a much more efficient way to use customer rates. So, I think that program, in particular, could be a template for the type of ongoing things we want to do, we're close second to that.

As you may recall, Energy Strong, we had put forth the 10-year plan that got approved for three years. And some of the cleaner technologies, whether it's solar or energy efficiency that will be needed to meet the state to own a renewable portfolio standard or what eventually becomes of CPP and whatever carnation takes, reincarnation that takes. I think all lend themselves to more programmatic and longstanding programs that we can anticipate and rationally equip ourselves to execute.

So, those conversations are going on with the board staff now; and to their credit, their responses well, you should have confidence, you have come in 14 times, and 14 times we said, yes. And that's true. So, the question is, how much of an investment risk are you willing to make in equipment and training programs and people, when the yes, is pretty much assured, but has different forms, right, half the programs, half the duration and maybe three quarters of the run rate. So, it's a very constructive dialog right now to be continued.

<Q - Julien Dumoulin-Smith>: Great. Thank you so much, guys.

<A - Ralph Izzo>: Sure.

Operator

Your next question comes from the line of Praful Mehta with Citigroup. Please go ahead.

<Q - Praful Mehta>: Hi, guys.

<A - Ralph Izzo>: Good morning.

<A - Daniel J. Cregg>: Good morning.

<Q - Praful Mehta>: Morning. My question firstly, you guys sit in a very interesting spot where you own all three assets, coal, gas and nuclear and it's interesting the trends you highlight with gas capacity factors increasing, coal reducing. My question is, how are you thinking about asset lives of these three classes of assets, given the market conditions you see now? And what does that mean in terms of leverage levels that you're comfortable with for the Power business?

<A - Ralph Izzo>: So, one of the things that's equally important to the fuel diversity of our assets is the technology diversity and performance features of our assets. So, obviously, gas, we have some combined cycle gas turbines, which once upon a time, we called load following, which we're looking more and more like base load. But, we also have a pretty robust and healthy peaking fleet.

And similarly in our coal assets, we have Keystone Conemaugh which are rightfully described as base load and candidly our Hudson, Mercer, and Bridgeport stations have become more peaking with Hudson and Mercer having the additional flexibility to be able to run on gas. So, it's not just a question of fuel diversity, it's what part in the dispatch queue, the asset can play and whether it starts, stops features and in that respect our diversity serves us well.

final
Bloomberg Transcript
Bloomberg

Now, you probably picked up that we would anticipate retiring the Bridgeport Harbor coal unit in five years, provided that we are successful at securing the permits for the new 500 minus combined cycle units at Bridgeport Harbor, which we don't anticipate any difficulties in doing so, given the community benefits agreement we've achieved with some important stakeholder groups in Bridgeport.

And I'll let Dan finish up on the leverage of Power; but once again, our base FFO to debt expectations are 30% and I'll give you more details when we see you in March, but we were well north of that prior to bonus depreciation, and with bonus depreciation that number has gotten even bigger. But Dan, you may want to fill in?

<A - Daniel J. Cregg>: Yeah, I mean, the only thing I would add is, obviously from a credit perspective, Power's FFO to debts are well above the 30% threshold that we have with the rating agencies to hold our existing rating. So, that's not something that we get concerned about at all. We have an awful lot of financial strength there. But I think as you do look forward, we will see a shift in the fleet and maybe that's kind of what's your question is getting at.

We've got three new efficient combined cycle plants. And if you look backwards, I said in my remarks that we have some of our HEDD units, those were older peaking units that were retired for environmental purposes and they are going to be replaced by new efficient combined cycle clean gas units. So, the fleet really will take out a different look into the future and we'll be more efficient and we'll have a better profile and be more competitive in the market.

<Q - Praful Mehta>: Got you. So, as you see that fleet profile changing, are you seeing leverage levels kind of match that in terms of increasing, given the quality of the new gas fleet that you're kind of bringing on?

<A - Daniel J. Cregg>: I think we'll see some leverage increase by virtue of the spend that will have, but I think we will remain well above where we need to from the rating agency perspective. That capacity at Power is extremely strong and is expected to remain that way, and bonus depreciation helps on that side too. On the Power side of the business, we have the benefits of bonus depreciation without the detriments of any rate base reduction.

<Q - Praful Mehta>: Yeah. Absolutely. Got it. And just secondly, is a more philosophical question. As you think about the fate of Power with the consolidated business, is there at any point a view that this business needs to be a stand-alone entity or do you kind of see this more as part of the consolidated business in the next two year, three year timeframe as well?

<A - Ralph Izzo>: Yeah. So, as I've said before, I do see over time, you're not going to get me to pick a timeframe, no. I see these businesses separating, the strategic flexibility of both would be enhanced by doing that. Some of the tactical benefits is keeping them together right now, which is the financial synergy – the financial complement that Power provides to the utility, we've talked about Power's new plants, but for the past five years and for the next five years, it looks like the utility will be out-spending Power almost 3:1 and Power is a great source of equity for that with its funds from operation.

Secondly, the complement that Power and utility provide on the customer bill, is a huge advantage to us. And the support cost synergies that exists with two companies are a big advantage to us as well. But, as Power grows in New England, as it grows in New York State and other places, it will need to use its own FFO for investment opportunities and that free cash flow that remains to help the utility will be decreased.

There'll be more customers that it will be serving outside of the utilities territory so, that complementary nature will decrease. And as they both grow, the corporate overhead vital functions that corporate support groups provide, will be a smaller piece of the overall operating budget. So, I think, over time, the tactical benefits of staying together decrease, and the strategic advantages of separating will increase. But, we're not there today. So, yet again – continue.

<Q - Praful Mehta>: Much of that's really helpful. And I know you're not talking timing, but I guess the benchmark or at least the milestones as we look for it is, those three factors in terms of that strategic benefits as that I guess reduces in terms of the fit then the probability or likelihood of some timing of separation kind of increases. Is that a fair way of thinking this?

<A - Ralph Izzo>: Yes. So, qualified yes to that. I mean, there is no magic date. There are a host of parameters one looks at, what are the market dynamics, what's the composition of the shareholder base, are there other triggering

final

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events that could accelerate one's point of view of where the tactical benefits are now greatly reduced. So, I don't mean to be long-winded on it, but you ask a very complicated question albeit wrapped in some shroud of simplicity that the board of directors looks at on a regular basis. And so, I'm just giving you kind of a general point of view on that. But it's fraught with detailed analysis on a pretty regular basis by us.

<Q - Praful Mehta>: Got you. Very helpful. Thank you so much.

Operator

Your next question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

<Q - Michael Lapides>: Yeah. Hey, guys, congrats on a good year. A couple of questions and these may be for Dan, because some of them are kind of a little bit down in the weeds or in the nitty-gritty. Can you talk to us about the earnings or EBITDA contribution that maybe Power gets from things like trading or doing some of the optimization as part of the LIPA deal? And can you talk to us about the overall earnings power you expect to get over time from the broader LIPA O&M services contract?

<A - Ralph Izzo>: Even though Dan can answer it, Michael, I just want to point out that I try to pay attention to these things.

<Q - Michael Lapides>: I totally understood, Ralph.

<A - Ralph Izzo>: So, Power's trading group is about $0.01 a share for LIPA and all-in LIPA is going to grow to about $0.07 or $0.08, so I think the share will probably be closer to the $0.05 and then stepping up $0.07 or $0.08, $0.05 or $0.06 this year, close to $0.07 or $0.08 next year. But, Dan, go ahead and tell him I'm wrong if I am.

<A - Daniel J. Cregg>: That's the right order of magnitude.

<A - Ralph Izzo>: Order of magnitude.

<A - Daniel J. Cregg>: It will be at $0.07 next year across the enterprise, but there is just a small piece of that, I'll call it $0.01 or so that's at the Power side of the business, where that's coming from.

<Q - Michael Lapides>: Got it. And do you get a significant margin from things like ancillary revenues or ancillary services in PJM or ISO-New England? Just trying to think about the components not just within BGS but within your broader margin at Power?

<A - Daniel J. Cregg>: Yeah. And I don't have an ancillary number in front of me, Michael, and I don't know that we've kind of provided the breakdown of all the different components of how Power makes money. I mean, far and away the biggest pieces are your capacity margin and your energy margin. There is a host of different elements that we work our way through as we manage a portfolio as a whole.

I mean if you're kind of talking somewhere in the bucket of $0.05 a share or something like that on the ancillaries, that's probably an order of magnitude number. But we haven't broken out a lot of the pieces beyond – the biggest pieces, which I think gets folks most of the way home, if you look at your capacity margins, we're very transparent about that math and provide that within the Investor Relations decks that we end up pulling together and the same with respect to the energy side of the business.

<Q - Michael Lapides>: Got it. And finally, when we think about the combined cycle fleet at Power, I mean, you've seen a significant uptick in terms of how much they can run. Just curious from a physical standpoint, what do you think the – I guess I'll use the word the maximum output level – like how high do you think they can physically run from a capacity factor standpoint versus where they've been running for the last 12 months to 24 months?

<A - Daniel J. Cregg>: I don't think that there is a physical limit to what they can do; I mean they are ultimately going to be taking off line for maintenance just like any other facility would, but there is nothing that stops those plants from running as long as they are called. And there's not a refueling outage like you would see at a nuclear plant, where you

final
Bloomberg Transcript
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SI-SSA-0015-15038

have to shut the unit down to refuel it; but periodically, there is major maintenance that goes on at these facilities, where the unit needs to be worked on, but I think we'll have the advantage as well within the new units that we have of having a kind of clean and new unit that won't have that effect over a period of time when it starts up.

<A - Ralph Izzo>: And then, Michael, we've also had a couple of significant improvement programs on our combined cycles, we've improved the gas path, which has actually allowed us to stretch out the major maintenance cycles and modestly improve the heat rates. And I'll double check the numbers, we'll certainly show them in March, but I think our forced outrage rates have dropped even while our capacity factors have gone up, which is always a great sign, and that just means that we are taking better care of the machines. So, they're running at about 65%, 66% capacity factor now. You never want to promise 100% on any mechanical device, but I have not picked up from any of our team that worried about us over taxing these units.

<Q - Michael Lapides>: Got it. And then last one, Ralph, just a little curious, your thoughts on the impact if any of the Ohio PPA contracts and what that means for that competitive market dynamics and design in PJM?

<A - Ralph Izzo>: Yeah. So, it depends on how that's structured right, I mean, you're clearly – there was a situation in New Jersey under what we call the LCAPP law there, their statute mandate is that winners of those contracts bid at zero and clear the auction and that was a just an egregious attempt to crush artificially capacity prices in the region.

So, we are participating in an industry group in Ohio to make sure that whatever is agreed upon doesn't artificially move the market in a way that disadvantages participants who don't have the protection of these contracts.

I'd like to think that Ohio has been a long-standing supporter of competitive markets and whatever gets structured out there gets structured in that way. But what I'd like to think that we're going to carefully monitor what actually is decided to maximize the chances that is indeed what happens.

<Q - Michael Lapides>: Got it. Thanks, Ralph. Thanks, Dan. Much appreciated, guys.

<A - Ralph Izzo>: Okay.

<A - Daniel J. Cregg>: Yeah, Michael.

Operator

Your next question comes from the line of Gregg Orrill with Barclays. Please go ahead.

<Q - Gregg Orrill>: Yeah. Thank you. I was wondering if you could revisit the topic of bonus depreciation.

<A - Daniel J. Cregg>: Sure.

<Q - Gregg Orrill>: I think you said that $1.3 billion at PSE&G and $1.7 billion overall was that 2015 to 2018, first of all?

<A - Daniel J. Cregg>: Yeah. The $1.7 billion total is $1.2 billion to the utility and $500 million to Power. And that runs you out through 2019.

<Q - Gregg Orrill>: Okay.

<A - Daniel J. Cregg>: Most of the cash comes in through 2018.

<Q - Gregg Orrill>: Okay. So, part of that you were – at the utility, you were going to be accruing into the next case, is that generally the way you're going to deal with the bonus depreciation accounting at the utility?

<A - Daniel J. Cregg>: Yeah. I think the way to think about it Gregg is that to the extent of transmission, the impact of that will come through on a contemporaneous basis. So, we will, while bonus was approved after we filed our formula rate for the 2016 year, we know that it's there and we'll accrue that from an accounting perspective and we'll do that true-up in future filings. But as we go forward, you'll see that true-up every year with respect to the transmission piece

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15039

of the bonus.

Similarly, with elements related to Energy Strong, with elements related to GSMP, all the clause-related updates will take place as we file those contemporaneous and near contemporaneous filings. And then the balance of what's left which really sits with the base amount or PSE&G that will await the next rate case.

<Q - Gregg Orrill>: Got it. Thank you.

<A - Daniel J. Cregg>: Got it, Gregg.

Operator

Your next question comes from the line of Travis Miller with Morningstar. Please go ahead.

<Q - Travis Miller>: Hi, thank you. I was wondering if you guys look across your entire CapEx program both Power and PSE&G, what parts of that make you most nervous? And either nervous that you would not meet the budget that you've set out or nervous that you wouldn't meet either the allowed returns or the hurdle rates that you've set out for those projects?

<A - Ralph Izzo>: All right. If we're nervous about anything Travis, we make sure we take action to fix it, so that we don't stay nervous, but I know you know that. I guess I'd say the biggest things that we pay attention to are regulatory and environmental mandates that don't add to the return expectations of our shareholders and then quite candidly on occasion don't really benefit customers commensurate with the costs that need to be put into it.

But other than that, as you well know, we show up at a lot of places to make acquisitions and to expand our asset base and invariably lose. So, I don't think anyone would ever accuse us of being bullish or undisciplined in how we spend our money.

And the good news is that most of that environmental spending is behind us. So, we've talked a lot about, hey we're building three combined cycle units and let's make sure we have the team in place to manage those, because they're not all within a city block of each other, we've got one in Maryland, one in New Jersey, one in Connecticut, and I probably spent an hour-and-a-half yesterday with our Head of Fossil talking about what his needs are and how we can make sure that those are met.

So, I'd say, in general, its mandates that don't produce the customer or shareholder benefit that the regulator thinks they do. Fortunately most of those are behind us and to the extent that if we didn't respond to the expanded construction program in Power, I would be nervous about that, but we are responding and I guess the proof that I put forth for you on that is, we have quadrupled in the past five years that transmission program and we've delivered those projects on schedule and on budget. So...

<Q - Travis Miller>: Okay. That's great. And then a couple more, you mentioned the word retail in the past and just wondering if you could update if that's still in the Lexicon...

<A - Ralph Izzo>: Yeah, still it is.

<Q - Travis Miller>: ...strategy?

<A - Ralph Izzo>: But it remains in the Lexicon as a defensive move to help us make sure we can be more effective in managing our basis risk and key is going to go a long way to that and it's not a retail place so there are things we can do other than retail. But we are disciplined and cautious as you know I'm not a big fan of the retail business, I think everybody falls in love with it in a declining price environment that's typically when you can make a lot of money in retail, it's when prices rise and people are caught short for whatever reason, that life isn't quite so pleasant. So, we would look at it purely as a small part of our output truly for defensive purposes in managing basis risk and we're still looking at that and working on that.

<Q - Travis Miller>: Great. Right. Thank you so much.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15040

Operator

Your next question comes from the line of Stephen Byrd with Morgan Stanley. Please go ahead.

<Q - Stephen Calder Byrd>: Hi. Good morning.

<A - Daniel J. Cregg>: Good morning, Stephen.

<Q - Stephen Calder Byrd>: I wondered if you could lay out what the year-end rate base was for transmission and then for the utility overall?

<A - Ralph Izzo>: I don't have that number, yeah. Transmission is 40 something. $13.4 billion is the number we provided for the utility and I think 43% of that was transmission.

<Q - Stephen Calder Byrd>: Got it. Thanks very much. And you've been – on solely, you've been continuing to grow there, how do you see sort of the overall market opportunity there, ability to achieve further growth in solar?

<A - Ralph Izzo>: So, Stephen we've seen as I think you're aware we have carved out for ourselves kind of a modest sized portfolio really it's the 250 megawatts DC, I think consists of 14 or 15 projects. So, these things range in size like five megawatts to 50 megawatts and many more closer to five megawatts to 50 megawatts. And we have very rigid return expectations, they're also supported by 25 to 30 year PPAs and they meet those return expectations.

So, generally those returns are not available in some of the larger projects and we've developed a couple of partners who are really good about bringing those opportunities that they know we can execute on. So, they're willing to work with us.

I do see that continuing to grow, it's mostly driven by state RPSs and I don't think we have baked in a number in terms of what size that will be. So, when we talk about our capital program, there isn't a dollar of those projects in there yet. If I look back over the past three years or four years, we've been pretty consistently doing anywhere from $100 million to $200 million of projects.

<Q - Stephen Calder Byrd>: Great. Thank you very much.

<A - Kathleen A. Lally>: Operator?

Operator

Ladies and gentlemen. I'm sorry. Please go ahead.

<A - Kathleen A. Lally>: I was going to say I think that brings us to the end. I'm going to turn the call back over to Ralph at this time.

Ralph Izzo

Thanks, Kathleen. So, looking forward to see you all hopefully in two weeks; but really I hope there are three key points you take away from what Dan and I talked about today. First of all, we are genuinely excited about Power's positioning. We've long had low cost nuclear and we've had a pretty good highly efficient combined cycle fleet, but in three years, we're going to have just an outstanding highly efficient combined cycle fleet.

And all of our assets are going to be well positioned and I mean well positioned in a broader sense of the word, they'll be near load, they'll be clean, they'll be diverse fleet. And we'll continue to look at opportunities to improve upon that fleet, but you really should recognize that we've talked for a long time now about these three new units and I don't foresee any circumstances at present that would suggest any additional new build on the horizon for us.

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Second point is the utility growth continues, I mean we averaged 13% growth over the last five years and if you just take our 2015 results and the midpoint of the utility guidance for 2016, we're going to grow at 14%. And yet, utility bills will go down yet again this year, because of the expiration of some charges.

So, the utility will represent 60% of earnings at the midpoint and it's doing stuff that is very important to customers and we'll just continue marching along that path. So, we had a good year is the final point and I think you'll find that when we get together on March 11 that the next five years look even better. So, look forward to explaining that further when we see you in New York. Thanks everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-10-30
Event Description: Q3 2015 Earnings Call

Q3 2015 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Daniel J. Cregg

Other Participants

- Paul Patterson
- Travis Miller
- Michael J. Lapides
- Sophie K. Karp
- Gregg Gillander Orrill

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Kelly, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Third Quarter 2015 Earnings Conference Call and Webcast. [Operator Instructions] As a reminder, this conference is being recorded today, Friday, October 30, 2015, and will be available for telephone replay beginning at 1:00 PM Eastern Time today until 11:30 PM Eastern Time on November 6, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com. I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Kelly. Good morning. Thank you all for participating in our earnings call this morning. As you are aware, we released third quarter 2015 earnings statements earlier today. As mentioned, the release and attachments are posted on our website at www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended September 30, 2015 is expected to be filed shortly.

As you know, the earnings release and other matters that we discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update those forward-looking statements from time-to-time, we specifically disclaim any obligation to do so even if our estimate changes unless, of course, we are required to do so.

Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Group. And also joining Ralph on the call today is Dan Cregg, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions, and we ask that you limit yourself to one question and one follow-up to give everyone opportunity to join us on the call. Thank you.

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Ralph Izzo

Thanks, Kathleen, and thank you, everyone, for joining us today. Earlier this morning, we reported operating earnings for the third quarter of 2015 of $0.80 per share. That's a 4% improvement over the $0.77 earned in 2014's third quarter. The results for the third quarter bring PSEG's operating earnings for the nine months ended September to $2.41 per share, which represents a 6% increase over the $2.27 per share earned during the first nine months of last year.

Slides four and five contain the detail on the results for the third quarter and for the nine months. We delivered solid earnings in the third quarter and year-to-date, and we made excellent progress on our objectives for growing our business.

PSE&G continues to deliver on the earnings promise of its expanded capital program, and PSEG Power achieved solid operational and financial results, driven by improved performance from its nuclear and combined cycle fleet.

During the quarter, PSE&G reached an agreement with the Staff of the New Jersey Board of Public Utilities and the New Jersey Division of Rate Counsel that provided for PSE&G to invest $905 million over a three-year period beginning next year to replace aging cast iron gas mains. Approval by the BPU later this year will allow PSE&G to continue the work begun under Energy Strong, supporting a clean, safe and reliable gas system well into the future.

This agreement follows upon BPU's support earlier this year for a $95 million expansion of PSE&G's investment in energy efficiency programs. PSE&G's focus on improving the resiliency of the grid and increasing operational efficiency has translated once again into PSE&G being recognized as the most reliable utility in the mid-Atlantic region for the 14th consecutive year.

PSE&G's responsiveness was also recognized with receipt of the Outstanding Outage Response Time award for restoring customers 30% faster than any other large investor-owned utility. But this is, by no means, the end of the infrastructure replacement needs for PSE&G and its customers.

Turning to PSEG Power, it is increasing its investment in clean, efficient gas-fired capacity. Power cleared the new 540-megawatt combined-cycle gas plant at the Sewaren Station as part of PJM's Reliability Pricing Model Base Residual Auction. The new unit represents an investment of about $625 million to $675 million. The development of new capacity at Sewaren is an addition to Power's announced plans to construct and operate a new 755-megawatt combined-cycle unit at the Keys Energy Center in Maryland for between $825 million and $875 million. Both units are expected to achieve operational status in 2018.

PSEG Power's $1.5 billion investment will expand its gas-fired combined-cycle capacity in its core PJM markets to approximately 3,800 megawatts as Power's overall gas-fired combined-cycle capacity, which includes facilities in Bethlehem, New York grows to represent 4,600 megawatts.

PJM's Capacity Performance initiative under RPM provided the correct incentives for investment. PSEG Power cleared approximately 8,700 megawatts at an average price of $215 per megawatt day. Auction prices reflected the increased risk of non-performance associated with the auction's new rules. Power adjusted its bidding strategy to reflect this new reality with an emphasis on availability and reliability under Capacity Performance. And we believe Power's fleet is well positioned to perform, given its dispatch flexibility, diverse fuel mix and anticipated improvement in efficiency.

The new paradigm underlying PJM's capacity market is one sign of a more constructive regulatory environment for wholesale-generating assets. The Federal Energy Regulatory Commission's Notice of Proposed Rulemaking on energy price formation issued in September is further recognition that rule changes may be required to appropriately compensate generation for the true cost of operation.

Our total planned investment program covering PSE&G and Power for the five-year period ending in 2019 has expanded by 20% since the start of the year and now totals $15.6 billion. Our investments in PSE&G are expected to improve the resilience of the grid as we replace aging equipment and meet customer needs for reliability. Our investment program is projected to result in annual double-digit growth in PSE&G's rate base for the coming five-year period. Our investment in PSEG Power should enhance our market position with improvements in the fleet's efficiency

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and reliability. In a word, we're executing well in a dynamic market.

Based on the strength of our results, we are updating our guidance for 2015's operating earnings. We've narrowed our range for guidance as we've increased the lower end. For 2015, we are now forecasting operating earnings of $2.85 to $2.95 per share, which is different from our prior $2.80 to $2.95 per share. PSE&G has grown to represent more than half of our operating earnings as Power continues to provide strong free cash flow. We've maintained a disciplined approach to investing as our strong financial position supports growth without the need to issue equity. We intend to utilize our financial strength to meet the high standards for reliability expected by our customers and enhance the returns required by our shareholders.

I'll now turn the call over to Dan to review our operating results in greater detail.

Daniel J. Cregg

Thank you, Ralph, and good morning everybody. I'll review our quarterly operating earnings as well as the outlook for full-year results by subsidiary company. As Ralph noted, PSEG reported operating earnings for the third quarter of 2015 of $0.80 per share versus $0.70 per share in the third quarter of last year. For the nine months ended September 30, we reported operating earnings of $2.41 per share versus $2.27 per share last year.

We've provided you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 that provides you with the changes in operating earnings by each business on a year-to-date basis. I'll now review each company in more detail starting with PSE&G.

As shown on slide 14, we reported operating earnings for the third quarter of $0.44 per share compared with $0.39 per share a year ago. PSE&G's earnings in the third quarter reflect a benefit of warmer than normal weather and an increase in revenue associated with PSE&G's expanded capital program. The improvement in revenue more than offset a moderate increase in operating expenses.

Returns from PSE&G's expanded investment in transmission added $0.03 per share to earnings in the quarter. Weather conditions, which were much warmer than normal and warmer than a year ago, improved PSE&G's earnings by $0.02 per share. Earnings comparisons also improved by $0.01 per share due to an increase in electric demand, coupled with revenue recovery and infrastructure related investment programs. And consistent with the first half of the year, PSE&G experienced an increase in pension expense, resulting in a reduction in the quarter-over-quarter earnings of $0.01 per share.

Electric sales grew 7% during the third quarter, as residential customers responded to temperatures, which produced 38% higher temperature humidity index than levels experienced in the year-ago period and 19% higher than normal. And on a weather-normalized basis, electric sales advanced 0.8% in the quarter and 0.4% for the nine months ended September. Growth for the nine-months period is in line with our long-term expectations for weather-normalized electric sales growth.

As Ralph mentioned, PSE&G reached a settlement in principle with the staff of the BPU and the New Jersey Division of Rate Counsel on the company's Gas System Modernization Program or GSMP. The settlement provides for an investment of $905 million over a three-year period beginning in 2016. And under the settlement, we would invest $650 million in the program at a 9.75% return on equity, with the remaining $255 million investment recovered as part of our next base rate case.

And you may recall that we agreed as part of our Energy Strong program to file a base rate case no later than November 1, 2017. PSE&G, with the additional programs approved and pending has increased its investment program for the five-year period ending in 2019 to $11.8 billion. And this represents a 10% increase in PSE&G's capital investment plan since the start of the year, and should support estimated annual double-digit growth in PSE&G's rate base over this timeframe.

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And PSE&G has also filed an update of its Formula Rate for transmission at the Federal Energy Regulatory Commission. The update supports PSE&G's ability to earn its authorized return on an expanded capital base and would increase transmission revenues in 2016 by $146 million. Remember PSE&G's investment in transmission is expected to grow to about 50% of its rate base by the end of 2019 versus approximately 40% at the end of 2014.

We've increased our forecast of PSE&G's operating earnings for 2015 given strong year-to-date results and are now forecasting operating earnings of $785 million to $805 million versus $760 million to $775 million previously.

Now turning to Power. Power reported operating earnings for the third quarter of 2015 of $0.33 per share and adjusted EBITDA of $401 million, and that's compared with operating earnings of $0.34 per share and adjusted EBITDA of $386 million for the third quarter of 2014. Power's results for the quarter reflect the impact of strong hedging, an increase in operation from the gas-fired combined cycle fleet and an improvement in spark spreads, which offset the effect of an expected decline in capacity prices.

Higher averaged prices on energy hedges, coupled with a reduction in the cost of supply, more than offset the impact on earnings of lower wholesale market prices for energy. And these items combined to increase Power's quarter-over-quarter earnings comparisons by $0.07 per share. This improvement in margin in the quarter was partially offset by an expected decline in PJM's capacity revenues, which reduced Power's quarter-over-quarter earnings by $0.03 per share. The reduction in capacity revenues reflects the retirement of 1,800 megawatts of older, inefficient peaking capacity that was no longer compliant with environmental requirements. The average price received on PJM's capacity in the third quarter was in line with year-ago levels at $186 per megawatt-day.

An increase in O&M expense reduced quarter-over-quarter earnings by $0.03 per share. This increase in operating expenses primarily reflects differences in timing of outages at PSEG Power's nuclear facilities, and is not an indicator of a higher embedded level of expenses. And lastly, the absence of prior-year tax benefits reduced quarter-over-quarter earnings by $0.02 per share.

As Ralph mentioned, in August, PJM completed the RPM capacity auction for the 2018-2019 year. More than 98% of Power's capacity that cleared the auction met the new Capacity Performance or CP standards. The price Power will receive for capacity is expected to grow to $215 per megawatt-day on average, with the capacity year beginning June 1, 2018 from the $168 per megawatt day for the current year.

And on slide 28, we have detail and results of the latest capacity auctions, including the number of megawatts that cleared the auction as well as the average price Power expects to receive for its capacity.

Power cleared a new efficient combined cycle unit at Sewaren and plans to retire a similar amount of older inefficient steam units at that cycle. With the results of the latest auction, Power should see growth in its capacity revenues through 2018.

Generating fleet's operational flexibility continues to be demonstrated during this period of low energy pricing. Improved performance from the nuclear fleet and increased production from the gas-fired combined cycle fleet offset a decline in production at the coal-fired stations.

Our nuclear fleet operated at an average capacity factor of 95% for the quarter, producing 7.8 terawatt hours of output, representing 53% of total generation. This also represents a 3% increase in output. Performance of the nuclear facilities benefited from the absence of repair work at Salem 2 in 2014 and showed improvement year-over-year in spite of an early start to the refueling outage at Peach Bottom 3.

Production from the gas-fired combined cycle fleet increased 7% to 5.4 terawatt hours for the quarter, representing 36% of total generation. The fleet operated extremely well, running at an average capacity factor of 73% during the quarter in response to market demand. Output also benefited from the completion of capacity enhancement work at the Linden and Bergen Stations, which added 94 megawatts to the two stations over the past year.

Warmer than normal summer weather had a favorable impact on the dispatch of our peaking fleet, as dispatch of our coal-fired assets was affected by lower wholesale energy prices. Wholesale market energy prices during the quarter continue to reflect the decline in the price of gas based on an overabundance of gas supply in the region. Strong

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production of gas from the Marcellus Basin, coupled with insufficient takeaway pipeline capacity, has not unexpectedly resulted in lower prices for gas.

The Power's combined cycle fleet benefited from its access to low cost gas supply in the summer and enjoyed strong spark spreads as Power prices held up better than the price of gas. Power's fleet is expected to produce energy at the lower end of its forecasted range of output for 2015 of 55 terawatt hours to 57 terawatt hours, reflecting reduced expectations for output from our coal-fired stations. This is slightly less than our prior forecast and would provide a nominal increase in output year-over-year. Approximately 80% to 85% of anticipated production for the fourth quarter is hedged at an average price of $52 per megawatt hour.

Moving to 2016, Power has hedged 65% to 70% of its forecasted generation of 55 terawatt hours to 57 terawatt hours, at an average price of $51 per megawatt hour. For 2017, Power has hedged 35% to 40% of its forecasted generation of 55 terawatt hours to 57 terawatt hours, at an average price of $49 per megawatt hour.

The percent of energy hedged in 2016 and 2017 is consistent with, but at the lower end of the range for, Power's prescribed ratable hedging policy. And the forecast for 2016 and 2017 continues to assume that 11 to 12 terawatt hours of annual output are hedged at BGS prices. The forecast range for Power's operating earnings for 2015 has been narrowed to $620 million to $650 million from the $620 million to $680 million prior range. This forecast of operating earnings represents adjusted EBITDA for the full year in the range of $1.545 billion to $1.595 billion.

Now, turning to Enterprise and Other, where we reported operating earnings of $11 million or $0.03 per share for the third quarter of 2015 versus operating earnings of $22 million or $0.04 per share in the third quarter of 2014. And the decline in operating earnings reflects the absence of prior-year tax benefits at Energy Holdings, partially offset by lower expenses and higher interest income at the parent. And the forecast for Enterprise and other full-year operating earnings for 2015 remains $40 million to $50 million.

And lastly, relating to financing, PSEG closed the quarter with $271 million of cash on its balance sheet, with debt at the end of the quarter representing 41.5% of consolidated capital. PSEG's five-year capital program has increased to $15.6 billion, with the announced agreements for PSE&G and Power's plans to develop new capacity.

PSE&G's capital program represents 75% of our planned capital expenditures with Power's capital program representing 25%. And given our strong balance sheet and expectations for Power's free cash flow generation, we're able to finance our capital requirements without the need to issue equity.

So as mentioned, we are pleased to update our guidance for 2015's operating earnings to $2.85 to $2.95 per share and the results in this range would represent a third year of growth in operating earnings.

And we are now ready for your questions.

Kathleen A. Lally

Operator?

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] Your first question will come from the line of Paul Patterson with Glenrock Associates.

<Q - Paul Patterson>: Can you hear me?

<A - Ralph Izzo>: Yes, Paul.

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<Q - Paul Patterson>: Last quarter, you were discussing potentially exploring the retail market. And I was wondering if you had any update on that or any thoughts given the third quarter and what have you.

<A - Ralph Izzo>: Yeah, so Paul, it's Ralph. We did talk about it. We still are considering different options. Again, to the extent that we think about retail, it's only in the context of the effectiveness of our hedges, right? This is not an offensive play, this is how do we make sure that assets that we own and operate in places like PS-zone and in places like Eastern MAAC and places like Bethlehem, New York are effectively hedged when the liquid hub is at PJM West. So, it's really just about the effectiveness of hedging and how to make sure that we optimize that. So, one thing we did to make sure that we hedge effectively is by purchasing the Keys Energy Center, right, so that's not retail, but that's a way to get at managing basis differentials and effective hedges. So, we are still looking at it, but nothing imminent to announce.

<Q - Paul Patterson>: Okay. And then on the re-contracting and lower cost of service, again, a good quarter for that. Given where you see things heading into 2016, any thoughts about how things look with respect to that?

<A - Ralph Izzo>: Yes, so, that was definitely explicitly stated in Dan's point of view, right. So, we don't out-guess the market. We have a very clear set of guidelines that we give our trading organization in terms of how much they can hedge in terms of max and mins, all based upon characteristics of VAR and gross margin at risk. And we allow them to use their judgment in terms of how market sentiment might be affecting near-term prices that may be slightly out of whack with respect to fundamentals. And we allow them to lean a little bit heavier in their hedging as they did last year, which benefited us because prices did kind of come up pretty strong after last winter.

And as Dan pointed out right now, we're a little bit lighter than we would typically be hedged in 2017, but still within our normal range, not taking a strong point of view that the market has this all wrong, but you can infer from that that we think maybe there's a little bit more bearishness in the market than is normally the case.

<Q - Paul Patterson>: Okay. Thanks a lot.

Operator

Your next question will come from the line of Travis Miller with Morningstar.

<Q - Travis Miller>: Good morning. Thank you.

<A - Ralph Izzo>: Hi, Travis.

<Q - Travis Miller>: Real quick one, I want to clarify, do you guys expect the BPU to decide on that gas replacement program later this year? Is that right?

<A - Ralph Izzo>: Yes. We're told it's going to be on the November agenda.

<Q - Travis Miller>: November agenda. Okay. Great. And then thinking more broadly here, those plants that you retired, what did you see during the summer in terms of how that capacity and, ultimately, energy at the peak levels was replaced? Were you guys picking out some of that or were there other areas where you were seeing that replaced?

<A - Ralph Izzo>: Yes. Our Kearny peaking units did run during the summer. We did have to run our Hudson unit on gas during the summer, but C-1, the units that we replaced, did not run during the summer.

<Q - Travis Miller>: Okay. So you're picking up that mostly with your other facilities. Is that?

<A - Ralph Izzo>: That's right. So as Dan pointed out, we had some expansion in some of our combined-cycle units which ran, our LM6000s ran, but the old steam units that sometimes in the past we've had to turn on, we did not have to turn on this year.

<Q - Travis Miller>: Okay.

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<A - Ralph Izzo>: Yeah. I referenced as well, a little bit of the peaking units were up as well; there the coal units were where our volume was down. So I would say our peakers picked up some of that volume.

<Q - Travis Miller>: Okay. And then more strategically, how do you think now about Enterprise and what you can do there, what investments might go there, just that segment in general?

<A - Ralph Izzo>: Well, we see really two primary operating subsidiaries in Power and in Utility, Travis. The earnings that you see at Enterprise really are borne out of some residual legacy leases on real estate that are very, very small, and then, of course, LIPA, which is on a exactly-as-planned trajectory of starting out at $0.03 going to $0.08 by 2017; this year, I think it's about $0.03 or $0.04; next year, that will go up $0.06 or $0.07 and then $0.07 or $0.08 two years as per the contract. So there are no plans to put a lot up at the parent level in terms of new businesses.

<Q - Travis Miller>: Okay. Great. Thank you very much.

Operator

Your next question will come from the line of Michael Lapides with Goldman Sachs.

<Q - Michael J. Lapides>: Hey, Ralph. Thank you, guys, for taking my question. I want to know if we should see what your investment in Power is for the next couple of years as a bit of a strategy shift or a bit of a view in the market.

And the reason why I ask that is if I go back over the prior six years or seven years, six years or eight years, a lot of what you've done in Power is actually more of the harvest mode, meaning once you've finished the environmental CapEx on Hudson and Mercer, a lot of what you had done at Power had either been divesting assets or realizing the significant cash flow, the free cash flow that the remaining assets the large portfolio created.

We're now seeing a little bit of a shift and now you're becoming much more of an investor in new assets, whether it's building on existing sites or buying development projects. Is that a, you think, the market has changed type of view? Or is there some other structural view that you're trying to express in utilizing the cash flow that way versus other particular methodology? It's either allocating it to the balance sheet or allocating it even more investment at E&G, just curious.

<A - Ralph Izzo>: Yeah, no, that's a very good question, Michael. We do get that from a lot of our investors. I thank you for giving us the chance to answer it. It is definitely not a strategy shift. We believe that both businesses are quite viable, quite strong and need to be tended to in terms of their investment and growth opportunities. I think if you look at a short enough period of time, you could create whatever strategy you want to from a short enough period of time.

But if I just take you back over the last five years, PSE&G made up about 80% of the capital program versus Power being 20%. And if I look ahead five years, based on what I know today, that 80/20 becomes 75/25, and it's no more than that. So, if you think about Power in the last five years, we spent $400 million operating nuclear units, we spent a couple of hundred million dollars on peakers, we spent a couple hundred million dollars on advanced gas path upgrades.

So. now we're not doing that. Instead, we're going to take an old steam unit that has 550 megawatts of capacity, that really there was no way it could survive in a CPE future, and said okay, instead of just retiring that and leaving nothing there and losing the injection rights, let's build a combined cycle unit because we like the way those numbers look. And so, instead of upgrading and instead of expanding, we're going to build a new natural gas combined cycle unit.

As I mentioned before when I was answering Paul's questions, there are some changes going on in bases and want to know how can we manage that better. We saw a great opportunity in handling that through the Keys investment.

But at the same time, we've announced $1 billion in new utility investments between gas system maintenance, modernization and energy efficiency. And as we pointed out, that Gas System Modernization Program at $300 million a year run rate has 30 years to go. We only have three years of approval.

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So, what we have is two very strong businesses, both worthy of investment, both which we look at where we can maximize the benefit for our customers and achieve the return expectations of our shareholders. So, really nothing has changed. Absolutely understandable why people would ask the question. If you just looked at a three-month window, all of a sudden you see, wow, Power is investing $1.6 billion and Utility is investing $1 billion. But I don't think you should look at narrow, short windows like that.

<Q - Michael J. Lapides>: Got it. And one other question. You talk about rate-based growth at the Utilities meaning double-digit rate-based growth. Do you expect earnings growth to match rate-based growth over time?

<A - Ralph Izzo>: So it will be close, but it can't match it. So the reason for that is quite simple. I am so proud of our Utility folks for controlling costs. But even in the best of years, you have labor escalation in our Union contracts that are like 2.5%. You just look at sort of management wage growth of 2.5% to 3%. And then, you look at load growth on the weather normalized basis of 0.4% on the Electric side, and I think it's like 0.8% on the Gas side. So, if you just do the arithmetic and the O&M expense outstrips the growth in load, so that bit of a drag peels away at some of the contemporaneous returns that you get from the rate-based growth. So that's why these things don't match perfectly.

<Q - Michael J. Lapides>: Got it. Thank you, Ralph. I appreciate you taking my questions.

<A - Ralph Izzo>: No problem. You're welcome.

Operator

[Operator Instructions] You have a question from the line of Sophie Karp with Citigroup.

<Q - Sophie K. Karp>: Hi. Can you hear me?

<A - Daniel J. Cregg>: Yes. Yes.

<A - Ralph Izzo>: Yeah. We can hear you. Good morning.

<Q - Sophie K. Karp>: Good morning. And thank you for taking my question. I wanted to ask you about the nuclear economics. And as we continue to see very little gas environment obviously and this prevails, do you see any meaningful change in the nuclear economics for your assets and does that change your view of their long-term strategy with respect to those assets?

<A - Daniel J. Cregg>: No, Sophie. I mean, it's an excellent question. Each of our units is over 1,000 megawatts. I think if you look at both fixed and variable O&M, I don't know if we've published the operating costs of them, but it's $37 a megawatt hour, both fixed and variable. If you look at nuclear fuel costs, it's far, far, far less than that.

So, given our capacity prices, given our variable O&M costs, our units are absolutely fine. They'd be a lot finer if gas was at $8 and $10 an MMBtu. But as you well know, some of the challenges that other units have had is number one, their size in terms of their ability to spread their fixed cost, and number two, some of the distortions that are created by the production tax credit, in particular from wind farms. That's not to minimize the competitive pressures associated with natural gas. But what we're seeing is margin compression and we're nowhere near a point of operating in anything but positive margins for those units.

So I think that there'll be a period, I don't know how long that will be, of competitive pressure on them, but eventually, there's going to be a price on carbon. I don't know if that's going to be under CPP or some other paradigm, and these units will be able to ride through these a little bit more difficult times without any problem and then really benefit from that carbon regime in the future.

<Q - Sophie K. Karp>: Thank you. And my other question was about transmission investments. Are you looking at any incremental transmission investment opportunities right now, maybe through FERC Order 1000 or any other transmission investments that are not currently in your plan or have not been contemplated previously?

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<A - Daniel J. Cregg>: Yeah. So, I mean the FERC 1000 process has been around for a while and I guess I would say has been gaining traction for a while. We've been through the most recent and first opportunity here within PJM, with Artificial Island. So, yes, we are definitely involved in there. I think that a lot of the areas in the country are still formulating the best way to move into this new regime. So I would say that the prognosis for large investments in the very near term in that regard are probably less. But I think, over time, it is still an area where we think we have the skills and expertise that we can bring to it, and we think we can be very successful in that arena.

<A - Ralph Izzo>: And, Sophie, it's important to realize that the $12 billion in the utility's prospective five-year capital program, of which I think 60% or 70% is transmission, none of that is subject to FERC Order 1000 competition. That's all stuff that doesn't meet the criteria for FERC Order 1000. I guess the exception to that is, as Dan just implied, is the $120 million of Artificial Island project that we won, that's included in that number.

<Q - Sophie K. Karp>: Thank you.

Operator

Your next question will come from the line of Gregg Orrill with Barclays.

<Q - Gregg Gillander Orrill>: Yes. Thank you. Ralph, you've talked about having an excess balance sheet capacity of I guess $2 billion to $3 billion against your FFO to debt targets.

<A - Ralph Izzo>: Right, Gregg.

<Q - Gregg Gillander Orrill>: And where does stock buyback stand in the way you're thinking of using that money and has anything changed about your thinking?

<A - Ralph Izzo>: Sure. Thanks, Gregg, for your question. So nothing has changed, really. We have this sort of three-tiered prioritization on how to use the balance sheet. Number one is reinvesting in the business, and we've been public about the fact that we will bid Bridgeport Harbor combined cycle unit in the upcoming Forward Capacity Market in New England in February. I just mentioned a minute ago that the gas system needs $300 million per year. And we have a three-year program. If you subtract three from five, that means there is two years that are unfunded in the plan right now.

And you may recall, Gregg, when we originally filed for Energy Strong, goodness gracious, two-and-a-half years ago, we asked for $3.6 million as the first part of a five-year program and we got $1.2 million approved, then it was only put into a three-year program. So, that's halfway done already. And if we take one-and-a-half from five, that means three-and-a-half years of the five-year program is unfunded. So, there's a $1 billion-plus investment opportunity there. So, just looking at those three, Bridgeport Harbor Gas and Energy Strong, you're looking at anywhere from $2.5 billion to $3 billion of additional investment opportunity that we publicly discussed.

Second thing is, look, let's say, so we know the utility is a steady grower, but we know the powers and the commodities is cyclical business, and we know how important dividends are to our investors. And we've been promising consistent growth in our dividends. So, we'd like to make sure that balance sheet has a little bit of an ability to absorb some of the ebbs and flows of the commodity markets. So, that's a second priority for us.

And then third, but not one that we would never do, but something that we talk about all the time is our cost of capital is a little out of whack because the balance sheet is a little bit too robust, and the investment opportunities are kind of far off, then let's think about share repurchase as a way to get that cost of capital back in line. So, that really hasn't changed at all in terms of the three-tiered prioritization, but perhaps maybe a little more color on the details.

<Q - Gregg Gillander Orrill>: Thank you.

<A - Ralph Izzo>: You're welcome.

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Operator

Mr. Izzo, Mr. Cregg, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

Thank you very much. So, look, I hope your takeaway is the same as the message we were trying to deliver, which is the company is in great shape. Our fleet of plants, our nuclear units, our combined cycle units are running well. The utility is hitting all of its growth targets as it executes its capital program, and the balance sheet remains very healthy. So, we hope that you all come out to meet Dan if you haven't met him just yet. He's stepped right in and done a fabulous job for us. And we'll see you in Florida in two weeks at EEI. Great. Thanks, everyone. Have a good day.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect. And thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-07-31
Event Description: Q2 2015 Earnings Call

Market Cap: 20,831.92
Current PX: 41.18
YTD Change($): -.23
YTD Change(%): -.555

Bloomberg Estimates - EPS
Current Quarter: 0.841
Current Year: 2.918
Bloomberg Estimates - Sales
Current Quarter: 2529.000
Current Year: 10652.273

Q2 2015 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Dan L. Eggers
- Julien Dumoulin-Smith
- Travis Miller
- Jonathan P. Arnold
- Michael J. Lapides

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brandy, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Second Quarter 2015 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, Friday, July 31, 2015, and will be available for telephone replay beginning at 1 PM Eastern today until 11:30 PM Eastern on August 7, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brandy. Good morning. Thank you for participating in our earnings call this morning. As you are all aware, we released second quarter 2015 earnings statements earlier today. The release and attachments as mentioned are posted on our website at www.pseg.com, under the Investors section. We also have posted a series of slides that detail operating results by company for the quarter and the first half of the year. Our 10-Q for the period ended June 30, 2015, is expected to be filed shortly.

I won't go through the full disclaimer statement or the comments we have on the difference between operating, earnings, and GAAP results, however, as you know the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. Although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so even if our estimate changes unless, of course, we are required to do so.

Our release contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause results to differ from management's projections, forecasts and expectations and for a reconciliation of operating earnings to GAAP results.

I'm now going to like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you, Kathleen. And thank you, everyone, for joining us today. Earlier this morning, we reported operating earnings for the second quarter of 2015 of $0.57 per share, a 16% improvement over the $0.49 per share earned in 2014 second quarter. The results for the quarter bring operating earnings for the first half of 2015 to $1.61 per share, a 7% increase over operating earnings of $1.50 per share earned in 2014's first half.

Slides 4 and 5 contain the detail on the results for the quarter in the first half. Our business is performing well and meeting the challenges of today's low energy price environment. The results for the quarter and first half of the year demonstrate the importance of strong operations in providing our customers with safe, reliable, low cost energy.

PSE&G invested $1.3 billion during the first half of the year as part of its planned capital program for 2015 of $2.6 billion. This included upgrades to the electric and gas distribution and transmission system. PSE&G's focus on improving the resiliency of the grid and increasing operational efficiency has also translated into strong performance in a number of the areas of customer satisfaction including price, billing and payment, corporate citizenship and field service.

PSE&G was recently assigned a share of the transmission upgrade work at Artificial Island. PJM's decision will increase PSE&G's transmission-related capital spending by $100 million to $130 million over the next four years. This project will add to PSE&G's robust pipeline of projects that will drive high single-digit growth in PSE&G's earnings over the three-year period ending in 2017.

The New Jersey Board of Public Utilities has begun proceedings related to PSE&G's proposed $1.6 billion Gas System Modernization Program. The investment would provide for a continuation of the work underway to replace 800 miles of cast iron and bare steel pipe over five years to enhance reliability and reduce the potential for harmful emissions of methane gas. Approval would also provide a direct boost to New Jersey's economy.

We continue to believe that this is the right time to move forward with this work, given the sizeable savings customers continue to realize from low gas prices.

PSEG Power's earnings demonstrate the strength of its asset mix. Recent economic investments have increased the capacity of existing nuclear and fossil units and have improved the fleet's operating efficiency. The completion of upgrade work at the gas-fired Bergen combined cycle unit yielded an increase in capacity of 31 megawatts, just as the completion of the first phase of the Peach Bottom upgrade which achieved 100% output at the new rating in May provided an additional 65 megawatts per Power's share of this nuclear unit.

In addition, Power recently announced plans to construct and operate a new 755-megawatt combined cycle unit at the Keys Energy Center in Maryland at a cost of $825 million to $875 million. The investment is in keeping with Power's overall strategy of investing in efficient capacity in its core markets. All three investments will enhance Power's ability to perform on the PJM's recently approved capacity performance program.

Capacity performance, with its emphasis on performance, is an example of how customer demands for reliability are increasing. The size of PSEG Power's fleet, the diversity of the fleet's fuel mix and its dispatch flexibility should support performance under the new capacity standards. The real impact of the changes in the RPM capacity auction should result over time as the market recognized the need for increased investment to maintain system reliability, particularly in light of anomalous weather patterns.

We are focused on executing our investment strategies and expanding our infrastructure in a disciplined manner, a manner that supports the goals of customers and shareholders alike. PSE&G's investment program is expected to yield double-digit growth in rate base through 2019, as the earnings contribution from our regulated business should continue

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to exceed 50% of our consolidated earnings. PSEG Power's investment program is expected to enhance the fleet's efficiency and reliability as we continue to look for opportunities to expand that fleet.

The potential investment in Artificial Island, actually the recently approved investment in Artificial Island, the announced acquisition of the Keys Energy Center and the gas system modernization program, if approved, would expand our previously announced capital program for 2015 through 2019 by 15% to 20%, or $2.2 billion.

Based on the strength of our results for the first half of the year and the outlook for the remainder of the year, we are updating our earnings guidance for 2015. We have narrowed our range for guidance to $2.80 to $2.95 per share from its original $2.75 to $2.95 per share. Our financial position remains strong. The growth in capital spending can be financed without the need to issue equity. We intend to utilize our financial strength to pursue investments that enhance operating efficiency, support our market position, and seek to improve on the high levels of reliability expected by our customers as we increase shareholder value.

With that, I'll turn the call over to Caroline, who will discuss our financials in greater detail.

Caroline D. Dorsa

Thank you, Ralph, and thank you everyone for joining us today. As Ralph said, PSEG reported operating earnings for the second quarter of 2015 of $0.57 per share versus operating earnings of $0.49 per share in last year's second quarter.

We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide 4. And we've also provided you with a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business and a similar chart on slide 12 provides you with changes in operating earnings by each business on a year-to-date basis.

So, now I'll review each company in a bit more detail, starting with PSE&G.

PSE&G reported operating earnings for the second quarter of 2015 of $0.33 per share, compared with $0.30 per share for 2014's second quarter, a 10% improvement. Results for the quarter are shown on slide 14. PSE&G's operating results for the second quarter continued to benefit from the expansion of its capital program and the impact of warmer-than-normal weather on demand.

Returns from PSE&G's expanded investment in transmission added $0.04 per share to earnings in the quarter. An increase in revenue at the start of the year under its transmission formula rate provides PSE&G the opportunity to continue to earn its allowed return on its transmission investments.

Electric demand benefited from the more favorable weather conditions during the quarter, that is, the weather was hotter than normal and warmer than last year, as well as the recovery of costs associated with PSE&G's capital infrastructure programs. Together, these improved earnings comparisons in the quarter by a $0.01 per share.

Gas deliveries continued to grow in response to sustained low prices. The growth in gas deliveries also increased earnings comparisons by $0.01 per share. The improvement in earnings associated with this growth and revenue was partially offset by an increase in pension expense as well as higher storm-related expenses, with those increases totaling an impact of $0.02 per share. An increase in taxes and other items reduced quarter-over-quarter earnings by $0.01 per share.

Economic indicators in the service territories such as employment and housing are showing signs of improvement. Modest growth in electric demand is reflective of the improvement in economic conditions. On a weather-normalized basis, electric sales grew by 0.2% for the quarter and about the same year-to-date.

Growth in demand by residential and commercial customers was partially offset by a decline in demand from industrial customers, but weather-normalized deliveries of gas grew 2.7% during the first half of the year in response to sustained low prices, something you'll recall we saw last year as well.

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PSE&G, as part of its annual BGSS filing with the New Jersey BPU, requested a further reduction of $70 million in annual revenues, reflecting its lower cost of gas supply. When placed into effect, the BGSS rate will be reduced to $0.40 per therm from $0.45 per therm effective October 1 of this year. And including this reduction, the typical residential gas customer has experienced a reduction in his or her bill of $792, or 47%, since January of 2009.

PSE&G has maintained a steady level of capital expenditures, investing $1.3 billion in the first half of the year as part of its annual planned capital program of $2.6 billion in upgrades to the electric and gas distribution and transmission systems. The capital investment associated with PSE&G's share of recommended upgrades to the transmission system at Artificial Island will increase investment in the transmission by $100 million to $130 million during the 2016 to 2019 timeframe.

So, we are updating our forecast for PSE&G's operating earnings for the year from $735 million to $775 million, to $760 million to $775 million. Given year-to-date results, operating earnings for the full year will be influenced by the summer weather, and of course the recovery of costs associated with higher levels of capital spending.

Now, let's turn to Power. PSEG Power reported operating earnings of $0.22 per share for the second quarter of 2015, and adjusted EBITDA of $301 million, compared with operating earnings of $0.17 per share and adjusted EBITDA of $276 million for the second quarter of 2014. Power's operating results for the second quarter benefited from improved operations at its Nuclear and Fossil generating facilities, as well as higher prices on its hedged output and a decline in the cost of its gas supply. The benefit to earnings from the improvement in operations more than offset the impact on earnings from an expected decline in capacity revenue and the lower wholesale market prices for energy.

Higher average prices on energy hedges, coupled with a reduction in the cost of supply, more than offset the impact on earnings of lower wholesale market prices for energy. These items combined to increase quarter-over-quarter earnings comparisons by $0.10 per share. In addition, a 10% improvement in the output over the prior year increased quarterly earnings comparisons by $0.02 per share.

So this improvement in margin was partially offset by the expected decline in PJM capacity revenues, which reduced Power's quarter-over-quarter earnings by $0.08 per share. The reduction in capacity revenues reflects the impact, both of a lower average capacity price and the retirement of capacity that we've talked about before, the capacity that's no longer compliant with environmental regulations.

Higher levels of O&M and depreciation expense were offset by a decline in taxes of $0.03 per share, and other items, to net improve quarter-over-quarter earnings by $0.01 per share. The lower effective tax rate in the quarter of approximately 23% versus last year's 31% was anticipated, and we continue to estimate that the tax rate for the full year will approximate 38%, which is about the same rate as you saw in 2014.

The increase in adjusted EBITDA for the quarter is in line with the changes in earnings per share that I just went through on a quarter-over-quarter basis. The average price for capacity declined in the quarter to approximately $168 per megawatt-day from $217 per megawatt-day. In addition, the amount of capacity that cleared the PJM capacity auction for the 2015-2016 capacity year, which we've discussed over the past few years, was reduced by about 1,800 megawatts to 8,800 megawatts. And this reflects the retirement in May of this year of the HEDD peaking capacity that didn't meet New Jersey's nitrous oxide emissions standards.

As we move through the second half of 2015, the average price received on PJM capacity will remain stable, relative to the average price received during the second half of 2014 at about $168 per megawatt-day. However, we should continue to expect on a year-over-year basis a decline in capacity revenues during the second half of the year specifically related to that retirement of capacity under HEDD.

The fuel diversity and flexibility of Power's fleet of generating assets was demonstrated once again in the quarter. Our output increased 10% over a year-ago levels to 13.2 terawatt-hours. The nuclear fleet operated at an average capacity factor of 86%, producing 7.1 terawatt-hours of output, or about 54% of our generation. And this level of output represents a 9% improvement from year-ago levels. The performance on the nuclear fleet reflects the absence of some major repairs to Salem 2 in 2014, which led this year's fewer outage-related days in the second quarter.

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Production from the combined cycle gas fleet increased 26% this year to 4.6 terawatt-hours of generation or 34% of our total generation, as the fleet's capacity factor improved to 61% from 49% in the year-ago quarter.

Linden's availability improved versus 2014 as the result of upgrade and maintenance work that was occurring in the year-ago quarter. Dispatch of the combined cycle fleet was also supported by the availability of low-cost gas. Dispatch of the coal fleet, however, was hurt by a decline in the price of gas and lower wholesale energy prices.

Output from the coal fleet declined 1.3 terawatt-hours or 10% of generation during the quarter. Wholesale market energy prices have been affected by a decline in the price of gas and anomalies in the dispatch of generation associated with the volatility in pricing. Strong production of low-cost gas from Marcellus station and the lack of sufficient takeaway capacity, not unexpectedly, has resulted in a lower price for gas.

The impact on power prices from the lower cost of gas has been further compounded this summer by repair work on electric transmission lines in the Maryland-D.C. area and differentials on load, given warmer-than-normal weather in Southern PJM versus the more normal demand experienced in the northern part of PJM. That inability to dispatch energy to meet demand as a result of the transmission constraints hurt the wholesale market price for power in our region. This situation is alleviated during periods of more normal weather-related demand in the areas served by PSEG Power.

So the dynamics affecting the power markets were not wholly unexpected, given that lack of gas transmission takeaway capacity in the Marcellus basin and the work underway to alleviate the constraints on electric transmission to the south of us.

Power's combined cycle fleet continue to benefit from its access to this low-cost gas supply during the second quarter. And since power prices held up and we continue to access lower cost gas, the combined cycle fleet experienced an expansion of spark spreads and Power's fleet will continue to benefit from low gas prices and a somewhat open gas position.

As we look to the full year, the improvement in availability of Power's gas-fired and nuclear fleet combined with incremental operating capacity at the Peach Bottom 2 nuclear plant and the gas-fired Bergen Station should allow Power's fleet to produce energy at the upper end of our forecasted output for the year of 55 terawatt-hours to 57 terawatt-hours. This level of output represents a 1% to 5% increase over 2014's output of 54.2 terawatt-hours.

Approximately 70% to 75% of anticipated production for the second half of the year is hedged at an average price of $53 per megawatt hour. The average price on Power's energy hedges remains the same, approximately $4 per megawatt hour higher than the average price received on energy hedged during the second half of 2014. For 2016 and 2017, Power's forecast output will remain stable at approximately 55 terawatt-hours to 57 terawatt-hours. Of this, Power has hedged 55% to 60% of 2016's forecasted generation at an average price of $51 per megawatt-hour and about 30% to 35% of 2017's forecasted level of generation is hedged at an average price of $50 per megawatt-hour.

As Ralph mentioned, Power has acquired the rights to develop the 755-megawatt gas-fired combined cycle Keys Energy Center in Maryland. The addition of Keys, which represents an investment of approximately $825 million to $875 million, is targeted to enter commercial service in 2018. The plant's location, we believe, will complement Power's fleet in the core market and add to a fleet capable of meeting PJM's new capacity performance standards.

The forecasted range of Power's operating earnings for 2015, even with lower wholesale energy prices, remains $620 million to $680 million as guidance, and for adjusted EBITDA, it remains unchanged as well, at $1.545 billion to $1.645 billion. Results for the remainder of the year will be influenced by higher average hedge prices, that declining capacity revenue that I mentioned, and wholesale energy market prices.

Just a quick note on Enterprise and Other. Operating earnings for PSEG Energy Holdings and Enterprise in the second quarter of 2015 were $12 million, or $0.02 per share, versus operating earnings of $7 million, or a rounded $0.02 per share, for the second quarter of 2014. The improvement in the operating income for the second quarter reflects higher earnings from PSEG Long Island, lower O&M expense, and higher interest income at the parent. And we continue to forecast full-year operating earnings for PSEG Enterprise/Other of about $40 million to $45 million.

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PSEG closed the quarter ended June 30, 2015 with $597 million of cash on its balance sheet, with debt at the end of the quarter representing 41.9% of consolidated capital. During the quarter, PSE&G issued $350 million of 10-year secured medium term notes at an interest rate of 3% and $250 million of 30-year secured medium-term notes at an interest rate of 4.05%, and we also redeemed $300 million of maturing medium-term notes, yielding 2.7%.

As Ralph mentioned, we've updated our forecasted operating earnings for the full year to $2.80 to $2.95 per share, given the strong operating results at both businesses in the first half of the year. Estimates of PSEG Power's adjusted EBITDA remain unchanged at $1.545 billion to $1.645 billion.

Finally, just on a personal note, as you know, I announced a week ago my plans to retire from PSEG during the fourth quarter. I have really enjoyed working with all of you and, as I move on, I know that PSEG has an outstanding management team, led by Ralph Izzo, with a strong balance sheet and lots of opportunities to deploy it in the future, and possesses a really solid foundation for further growth.

With that, we're now ready for your questions and I'll turn it back to you, Brandy.

Q&A

Operator

[Operator Instructions] Your first question is from Daniel Eggers with Credit Suisse. Please proceed with your question.

<Q - Dan L. Eggers>: Hey, good morning, guys. Can we just talk a little bit about the Keys plant and just your thought process on the capital allocation on that front, given the fact that you've looked at a variety of other brownfield type projects in generation that haven't passed muster from your cost of capital perspective?

<A - Ralph Izzo>: Yeah, Dan. So I think in general, we're somewhat cautious about injecting new supply into a market where demand isn't growing much. So most of the investments you've seen us make have been kind of upgrades to existing units, and we've talked a lot about [indiscernible] (26:54) and replacement of existing units. This one is a little bit unique for us, in that A, it's not an existing asset, and B, it is a new development project. I think what makes this one a good fit for us is its location, it's in Southwestern MAAC, where we've seen some seasonal basis advantages.

Number two, I think we're ahead of the market in terms of the future delivery of gas to that region, which will put a 6,400 heat rate unit in a very, very strong competitive position. And number three, this one went beyond the usual forecasting of forward price risk, and included an element of construction risk that we believe ourselves particularly well-suited to manage, given the project work we've done, both in power and in the utility, and how well that has all worked out. So for a combination of reasons, we were able to see clear to some value creation here that was different from other opportunities, where I can't believe people outbid us.

So, I think what you hear me saying is that we remain cautious on injecting copious amounts of new supply in a market that's not growing, but this was a fairly special situation that we thought fit our portfolio rather nicely.

<Q - Dan L. Eggers>: And given kind of your history of being pretty conservative on using capital, is your view effectively that the energy value of the asset is going to make sense for it, since you don't have the lock on capacity that you would have had if you had done Bridgeport or something else?

<A - Ralph Izzo>: Yeah, that's right. I mean we did talk in the past about how we – we were attracted to the seven-year lock on capacity in New England. And this one obviously is more about sparks and energy margins than it is about a one-year price on capacity. But it will be clearly a CP-eligible unit.

<Q - Dan L. Eggers>: Okay. And I guess Caroline, what – you've talked in the past about how much balance sheet capacity you guys thought you had to redeploy. How much you think you have left with the Keys investment and because it is more merchant, does that lower the amount more meaningfully than just the dollars going into the project?

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<A - Caroline D. Dorsa>: No, Dan, so we still have plenty of capacity when I think about – remember the slide we showed in March and we know we've talked about before, we add capacity and multiple billions of dollars both at POWER and at parent, parent mostly for regulated. When I look at where we landed at the end of the second quarter, actually similar to what we've talked about before, Power ends with – does it cap at 31%, FFO to debt number is well above our floor level. So, we didn't relax any standards here in doing the analysis for Keys. We will be able to finance that on Power's balance sheet and that doesn't use it up, right? So, when we talk about those balance sheet capacities, remember I've mentioned before that that's the most conservative way to look at them because we look at them assuming they don't start contributing any FFO back and when this goes in service, it certainly will.

So, when we looked that Keys, we didn't look at it from the perspective of well, if we do Keys, we can't do anything else. We looked at it from the perspective of Keys is a really good project and by no means does it use up all of our balance sheet capacity. So, we can still continue to look at new opportunities for Power as well. So, I feel really comfortable that it's one balance sheet deployment, but it's not the only one we'll be able to do in either businesses.

<Q - Dan L. Eggers>: So, this wouldn't preclude the HEDD upgrades or something else then?

<A - Ralph Izzo>: No.

<A - Caroline D. Dorsa>: No, no, not at all. We'll not preclude other things that we may be considering, not at all.

<Q - Dan L. Eggers>: Okay. Well, Caroline, I trust we'll have you on the third quarter earnings call, so I won't say goodbye yet. And thank you guys.

<A - Caroline D. Dorsa>: Thanks, Dan. Next question.

Operator

The next question comes from Julien Dumoulin-Smith with UBS. Please go ahead with your question.

<Q - Julien Dumoulin-Smith>: Hi, good morning.

<A - Ralph Izzo>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: So, perhaps to follow-up on investment opportunities here. I'd be curious to – obviously we're moving forward or PJM is moving forward with Artificial Island at this point. I'd be curious to get your prospective on the future of FERC 1000 or FERC 1000-like investments in PJM. And specifically within that your views on the use of cost caps and just other mechanisms to be more "competitive," I suppose to what extent do you anticipate yourself and others continue to leverage those kinds of mechanisms to win as we saw with the Artificial Island example, and to what extent do you see that as impeding your ability or enhancing your ability to win, et cetera.

<A - Ralph Izzo>: So, it's interesting that I believe that PJM published an announcement that said that the identification of this project preceded the creation of Order 1000. So PJM did not feel obligated to achieve the strict terms of the tariff on Order 1000, which is a point that may be we would beg to differ on. Look, Julien, there is way to make this process look pretty. This was a painful process and I would like to chalk it up to the growing pains associated with Order 1000.

My concern, and I've expressed this to FERC and to PJM, is that we may be heading for a ubiquitous dumbing down of the transmission system as opposed to robust solutions that have advantages over the long term. The cheapest solution in the short-term may not be the cheapest solutions of long term and I don't want to do get into a full-fledged debate over how you make comparisons across two projects.

I still believe, based on everything that our engineering team has told us, that not only did we have a more robust solution, but we had a lower cost solution. So this is going to be challenging. I think efficient markets work when you have good information available to both suppliers and buyers and these are technically detailed, painful reviews done by a handful of assessors on the basis of a fairly robust set of bidders. It doesn't kind of lend itself to the transparency

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you see at the NYMEX on what's happening in gas markets. So I don't mean to give a speech, but it's showing some real challenges in terms of me having confidence that over the long term Order 1000 will yield a strong transmission system that won't be constantly second-guessed through a challenged – the quarters or more importantly over the long-term in the field as we head towards the least-cost solutions as opposed to the short-term least-cost solution.

<Q - Julien Dumoulin-Smith>: Got it. And the complement – to complement that last question a little bit, PJM is talking about reducing their load forecast this cycle, given some adjustments for efficiency and solar et cetera. I'd be curious, does that impact your – A, your current spending plans, with B, your prospective plans when you are thinking about transmission, and obviously you guys are on the both sides of power and the wires business. What do you – how does that change your business at all, if you can elaborate?

<A - Ralph Izzo>: Yes. So I think that PJM is still reviewing its re-forecasted load growth. And of course load growth is an important consideration in how one designs your delivery system. But don't underestimate this significant role played by the location of load and the location of supply in having to design the transmission system. I would contend, although I couldn't prove it to you in this call, that the reason why we've had such a strong need for transmission deployment is the fact that we no longer have an integrated system where utility planners go from generation all the way to the meter and PJM has had to respond to changes in supply, both in terms of unexpected retirements and unexpected injection of new supply. And that results in the need for an even more robust transmission system and one that you can plan from generation to user.

Now, for Power, we had nearly all of this forecast in our fundamental model – or fundamental model already. So when we looked at something like Keys and when we looked at whatever else we might be bidding into RPM, we do scenario analysis that includes diminished demand as well as more robust growth. But well, one way of saying it, it's not a single variable model, it's not just what's the demand, it's – where is the load, where is the supply and what's happening to the infrastructure that connects all the above.

<Q - Julien Dumoulin-Smith>: Excellent. Well, thank you.

<A - Caroline D. Dorsa>: Thanks, Julien. Next question.

Operator

Your next question is from Travis Miller with Morningstar Inc. Please proceed with your question.

<Q - Travis Miller>: Good morning, thank you.

<A - Ralph Izzo>: Hi, Travis.

<Q - Travis Miller>: Ralph, just a follow-up on that, the transmission discussion. When you think about the investments you're making, what's on the table, how close do those investments get us to kind of next generation grid, a grid where you can have distributable generation, smart type of grid? Is that kind of what you're talking about there, in terms of robustness and where we need to get to relative to the future?

<A - Ralph Izzo>: So I think it does get us a long way there Travis, but I think of it more as building a set of highways, so that no matter what happens on one highway you could switch over to another one and not get stuck in a traffic jam. Other people though I think talk about the future grid as being a more flexible grid so that you don't have to build big highways and you could just direct traffic flows along the back roads intelligently so that nothing gets clogged. And that's probably not the best analogy.

But I think the Internet of Things is what people speak about in terms of the ability to move power more flexibly. I'm not a big believer in that being an eventual outcome because of the connectivity that you need at the last mile, so to speak. And I'm more of a believer in the types of things that PJM is advocating, which is – look, the backhaul has to be robust, so that people can get on and off, people in the form of power plants can get on and off that backhaul system.

<Q - Travis Miller>: Okay.

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<A - Ralph Izzo>: It's a central station dispatch model on a robust high voltage system that I think is ultimately one that will be economically more efficient.

<Q - Travis Miller>: Sure. Okay. And then, more specifically on PSEG Power in the quarter, that re-contracting lower cost to serve, how one-time type of stuff is that? I'm guessing a lot of that was spark spread versus the BGS but the re-contracting part, what are you seeing on that part?

<A - Caroline D. Dorsa>: Sure, Travis. This is Caroline. So yes, remember that when we talk about re-contracting as well as lower cost to serve, we give you that hedging data, right, so we give you all the details on our hedging data. And as I just said, we've moved up our hedges a little bit and the prices are basically the same as where we are. So the hedges prove to be very valuable on a year-over-year basis. I remember last year at about this time we talked about the fact that we had taken advantage of some better pricing last year to put on some incremental hedges. Now hedging doesn't last forever, but when we see those opportunities we've layered on hedges as to beneficial prices and so re-contracting, that's kind of what that benefit is about.

The lower cost to serve, obviously there is lower cost to serve in terms of the wholesale market prices, but also as I mentioned in my remarks, $0.02 of that is our Leidy gas access. So, having that access to Leidy gas after the customers and PSE&G have the first call in that access, that contributed $0.02 of share in this quarter and you remember that's contributed pennies each quarters of the key quarters in the summer particularly and for each of the last two years.

Now that benefit is one that we've never said we expect to continue in perpetuity. But if you look at the delta of Leidy gas cost relative to Henry Hub, you'll still see benefit. And because we have that access, that's what gives us part of our lower cost to serve, is that Leidy access. And as I mentioned, we have higher spark spreads. We've talked about this last year in the summer, as well as starting in 2013 summer, that our spark spreads for our access to that low cost gas tended to be about 30% or more higher than the sparks seen in the overall market. So, some of the things are a hedge position, some things are a little more structural, but together, we think they give us a nice position, with a combined cycle fleet, obviously, that operates very well.

<Q - Travis Miller>: Okay. Got it. Thanks so much, and congratulations on the work that you've done while you're at PG – PSE&G.

<A - Caroline D. Dorsa>: Thank you, Travis. Next question?

Operator

The next question is from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan P. Arnold>: Yes, good morning, and my congratulations to Caroline. And thank you for all your help.

<A - Caroline D. Dorsa>: Thank you.

<Q - Jonathan P. Arnold>: But just firstly, could we get – maybe get an update on the gas main replacement program case? If I'm not wrong, the first round of settlement talks, which have happened in July; didn't seem there was a whole lot of opposition in the hearings. So, any updated thoughts on when we might see that come to a head?

<A - Ralph Izzo>: Yes, Jonathan. Thanks for your question. As you know, settlement discussions are confidential, so we can't give you a lot of detail. It's encouraging, though, that we've had them. And our hope really is that by year-end, or at the very latest early in 2016, we would have this resolved. As you correctly noted, it's something that the state recognizes needs to be done. The interventions in the case are not many, nor has there been any surprises. And I think lowering the supply tariff from $0.45 to $0.40 in October just once again points out the wisdom of doing this now. So, as I mentioned – as we've done visits with folks, I think that the debate and the arm-wrestling will be around the length of the program and the size, but we went out of our way to file conditions that were identical to what was approved at Energy Strong, and that was approved only 14 months ago.

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Interest rates are exactly where they were then, and return expectations are exactly where they were then. So right now, my number one nemesis is summer vacation schedules. So we'll – I think we have a couple more settlement dates that are on the calendar for the fall, and we're well on our way to spending the $250 million for gas that was in Energy Strong that goes through early 2016. So, we wouldn't be able – even if we had an agreement today, we wouldn't be able to add a bunch of new work in the next couple of weeks anyway.

<Q - Jonathan P. Arnold>: Is there – do you see a path, a route that – where it might wrap up before these fall dates, or is that unlikely?

<A - Ralph Izzo>: No, that's possible, I wouldn't want to bet anything that I hold near and dear to my heart on that. What we really want to do is make sure we get this done well in advance of running out of the Energy Strong money, so we don't have to demobilize the contractor workforce, so we don't put pencils down on the engineering. So we just have a continuous flow and so, if we got it done in the fall, that would certainly assure that. If we get it done by the end of the year, we should be able to do that. If it gets done early in 2016, then we create a bunch of inefficiencies that the customers end up paying for, which we'd rather avoid.

<Q - Jonathan P. Arnold>: Okay. Great. And then, one other topic, just strategically, you've always been of the view that the retail business is not somewhere you want to be. But we did notice one of your merchant power peers, who have been of a similar view, is evolving somewhat in that direction this quarter, and citing poor liquidity in the forecast. I was just wondering whether you're seeing similar challenges in terms of hedging, and whether there might be any change of thought on your part on the same?

<A - Ralph Izzo>: So, I don't want to send off shockwaves in a third quarter call, I'm not a big fan of retail, but my short answer to your question is a qualified yes. I do think that, given challenges in hedging and matching those hedges with asset locations and some of the basis challenges [ph] one has seen, (44:34) the effectiveness of hedges has to be taken into consideration, in terms of whether or not some consideration has to be given to that.

So, I don't know the details behind what Calpine did, but I can certainly understand why they would think of that, given the diminishing liquidity and the effectiveness of hedges in terms of where the consumption is and where the supply is, and where one hedges relative to those two. So – but again, please don't interpret this to expect any announcement in the next few days that PSEG is launching into the retail business, but it is something we are looking at now.

<Q - Jonathan P. Arnold>: That you're at least exploring some options on that front there.

<A - Ralph Izzo>: That's right.

<Q - Jonathan P. Arnold>: Okay.

<A - Ralph Izzo>: And mostly – absolutely from a defensive posture, about how do we maximize the effectiveness of our Power business, as opposed to retail being a new growth strategy or anything of that sort.

<Q - Jonathan P. Arnold>: Okay, that makes it. Thank you.

<A - Caroline D. Dorsa>: Next question?

Operator

The next question is from Michael Lapides with Goldman Sachs.

<Q - Michael J. Lapides>: Hey, guys. Congrats, and Caroline, congrats on your announcement.

<A - Caroline D. Dorsa>: Thank you, Michael.

<Q - Michael J. Lapides>: One question on CP. Everybody – most people have been pretty bullish in terms of what the impact of CP would be. From a contrarian standpoint, what's the bear case?

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<A - Ralph Izzo>: I have no idea. I'm sorry, Michael. Caroline and I are looking at each other and like, no, you take it. No, I don't – so well, I guess I will default to our usual we don't forecast bullish or bearish prices. I guess the good news is today is July 31 and in 21 days we'll know the outcome. But I don't mean to be flip, I mean the bear case would be massive injection of new supply with an economy growing at 2.3%, demand growing at fractions of that. You'd have to be pretty undisciplined to inject a whole bunch of new supply but I guess that would be the bear case [indiscernible] (46:49).

<A - Caroline D. Dorsa>: Maybe there is a bear case if you are just a single asset, but we're a fleet, right?

<A - Ralph Izzo>: Right, right.

<A - Caroline D. Dorsa>: So it feels like this is a good product from our perspective.

<A - Ralph Izzo>: Yeah, that would be more of a bear outcome in terms of penalties that you may incur...

<A - Caroline D. Dorsa>: Right, right.

<A - Ralph Izzo>: If you didn't perform, right.

<Q - Michael J. Lapides>: How do you think about – I means lots of people talk about the potential higher bid price because lots of assets – or portfolios have kept kind of "embed" the risk of having penalties into their bid price. How about the folks like you guys who have really well performing assets? How do you think about what the potential for rewards are? If you're on the other side, I mean this is going to be a balancing or settling type market just like New England. How do you think about preparing for what potential rewards could be, where you're not as focused on the penalty side, but maybe you're also focused on the – hey what's my upside, if I'm actually the better performing units in the market and able to deliver more megawatts than what I cleared.

<A - Ralph Izzo>: So that happens in two ways, Michael. We do think about that a lot and think about what it means for us. One is I set a UCAP of 90% of what my ICAP is and I get the other 10% out of that particular unit, which successfully clear the auction. That's candidly an asymmetric risk-reward relationship right, because the downside is the 90% that's strung out for you, upside is the 10% of overall performance.

But for somebody like us the more significant upside is in the units that don't clear and their availability to backstop in the event that somebody else underperforms within the LDA. So we never clear 100% of our units. And when we look at our nuclear plants, they have a very low forced outage rate, our combined cycle are slightly higher but still quite low and our LM6000s – our peaking units are also very low forced outage. And so we'll make some incremental investments in some of the units that don't have the same type of operating profile, but I think really for us we have not only that sort of even better performance than in the past, but probably more important is the fact that we have a bunch of units that don't clear the auction. Some of them with high forced outage rates, but will be great insurance policies going forward.

<Q - Michael J. Lapides>: Got it. Thank you, Ralph and Caroline, much appreciated.

<A - Caroline D. Dorsa>: Thank you. Next question?

Operator

[Operator Instructions] Your next question is from [ph] Ashar Khan with Visium (49:32). Please proceed with your question.

<Q>: I'm sorry, my questions have been answered. Thank you.

<A - Caroline D. Dorsa>: Thank you, [ph] Ashar. (49:43) Next question?

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Mr. Izzo, Ms. Dorsa, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

Okay. Thank you, Brandy. So, we tried to do a count – I think this is Caroline's 26th call. I've teamed up with her on 25, there was an August vacation I couldn't change if I remember correctly. She is going to tire of hearing me say these things, I'm not going to tire of saying these things and I'm going to do them for every one of the different audiences that we somehow manage to find ourselves in front of.

I know you've all met Caroline and have been impressed by what she has done for us as a company. I can only tell you that no matter how high your opinion is of her, you probably only know a fraction of what she's done for us as a company and what she's done for me as the leader of this company. Her presentation – preparation for these calls is just the tip of the iceberg. Her discipline, day in and day out, her knowledge of the business, her knowledge of financial markets, and while all of that isn't superstar category, all of that pales in comparison to just what a pleasure she is to work with. [indiscernible] (50:58) from the times when we've travelled around that people think that we actually like each other, but we really do like each other and I can remember the earliest days of those visits and in these calls, she would say, Ralph, you focus on the strategic issues, I'll answer the factual questions which was her delightfully professional way of saying, Ralph, you'll get it wrong [indiscernible] (51:19). So Caroline, I can't say thank you enough for our shareholders, for our investors and for me and I know I have many opportunities to repeat that in front of employees, in front of customers and various other folks.

Caroline D. Dorsa

Thank you.

Ralph Izzo

So, thank you and thank you for all you've done. With that, we'll wrap up the call. Hope for a hot, sticky humid weather for the balance of this summer, and we'll see you, I'm sure, at various conferences. Thank you all for joining us today.

Kathleen A. Lally

Thank you, Brandy.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for your participation.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-05-01
Event Description: Q1 2015 Earnings Call

Market Cap: 21,114.70
Current PX: 41.74
YTD Change($): +.33
YTD Change(%): +.797

Bloomberg Estimates - EPS
Current Quarter: 0.563
Current Year: 2.883
Bloomberg Estimates - Sales
Current Quarter: 2206.800
Current Year: 10625.667

Q1 2015 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Daniel Eggers
- Michael Weinstein
- Paul Patterson
- Travis Miller
- Shar Pourreza
- Jonathan Philip Arnold
- Michael J. Lapides

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Angela, and I'm your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's First Quarter 2015 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference call is being recorded today, Friday, May 1, 2015, and will be available for telephone replay beginning at 1 o'clock PM Eastern today until 11:30 PM Eastern on May 8, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Angela. Good morning. Thank you all for participating in our earnings call this morning. As you are aware, we released our first quarter 2015 earnings statements earlier today. The release and attachments are posted on our website as mentioned, www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended March 31, 2015, is expected to be filed shortly.

I won't go through the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although, we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimate changes unless, of course, we are required to do so.

Our release today also contains adjusted non-GAAP operating earnings, as well as a new non-GAAP disclosure of adjusted EBITDA for PSEG Power. Please refer to today's 8-K or the other filings for a discussion of factors that may

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cause results to differ from management's projections, forecasts and expectations for a reconciliation of operating earnings and adjusted EBITDA to GAAP results.

I'd now like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you, Kathleen. And thank you, everyone, for joining us today. PSEG performed extremely well in the first quarter. Earlier this morning, we reported operating earnings for the first quarter of 2015 of $1.04 per share, that's a 3% increase over the first quarter of 2014's operating earnings of $1.01 per share.

PSE&G continues to achieve best-in-class growth as we expand investments that are helping meet our customers' needs and helping New Jersey achieving important goals. PSE&G invested $599 million in the first quarter as part of its planned capital investment for 2015 of $2.6 billion in upgrades to the electric and gas distribution, and transmission systems.

PSE&G's capital program is on schedule and on budget. The Susquehanna-Roseland 500 kV transmission line is expected to be fully operational later this month. This will be a major achievement. SR's 2015 operational date is 12 years after the August 2003 blackout, and almost a decade after PJM identified the critical system needs required to upgrade aging infrastructure and relieve overloaded power lines. SR's completion is testament to the cooperative relationship between PSE&G and PPL Energy and the capability shown by PSE&G in navigating the lengthy permitting and licensing process at both the federal and state levels.

PSE&G's investment in transmission represented 39% of its yearend 2014 rate base. And it is forecast to grow to represent an excess of 50% of rate base in five years. The New Jersey Board of Public Utilities recently approved an expansion of PSE&G's successful energy efficiency programs. The investment of $95 million over the next three years will decrease energy costs for participants and lessen the environmental effects of energy supply. At the same time, given the structure of the program, PSE&G should be able to fully earn its authorized return of 9.75%.

In addition, the recommendation by PJM staff earlier this week to award PSE&G a share of the work required to upgrade reliability at Artificial Island would increase spending on transmission by anywhere from $100 million to $130 million. The AI investment, the Artificial Island investment was not included in our capital program as described in our March Investor Conference. So this is additive to our prior forecasting of utility investment opportunities.

We await the BPU's action later this year on PSE&G's request to invest $1.6 billion over the next five years to continue its long-term program to modernize its gas systems.

PSE&G's Gas System Modernization Program would support the replacement of approximately 160 miles of cast iron and unprotected steel gas mains per year. The replacement program would reduce the risk of leaks and it would reduce the release of methane gas.

PSE&G has been replacing and modernizing its gas pipe as part of the Energy Strong program. Approval of the Gas System Modernization program would support the extension of this work, and continue to provide a direct boost to New Jersey's economy with the creation of more than 500 jobs.

We continue to believe that this is the optimal time to move ahead with this work, given the sizeable savings customers continue to realize from low gas prices, spending on this program, which further enhanced PSE&G's already strong growth platform.

The first quarter results for Power demonstrate the quality of its asset mix. PSE&G's Power's earnings continue to benefit from strong operations and the capable management of its gas supply. The fleet's dispatch flexibility and diverse fuel mix supported operations during this past winter.

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The gas-fired combined cycle gas turbines fleet's availability improved quarter-over-quarter, following conclusion of work at Linden in 2014 to increase its capacity and with a continued focus on operations. This improvement in availability aided the fleet's ability to respond to market conditions. And Power continues to benefit from the management of its gas storage and transportation agreements, which also provide substantial savings to PSE&G's residential gas customers.

In a related development, the Federal Energy Regulatory Commission has granted PJM's request to delay the RPM capacity auction. The delay provides more time for the FERC to consider PJM's proposed changes to the auction structure. We believe PJM's original Net CONE offer cap proposal was just and reasonable, but we support PJM's proposed alternative offer cap, which the FERC agrees would allow for bids up to approximately 85% of Net CONE.

The FERC's approval of the proposed changes would recognize the need for increased investment to maintain system reliability. The weather conditions experienced over the past two years exposed the critical need to maintain and improve on the resiliency of our infrastructure, the need to replace aging equipment and maintain the level of service demanded by our customers.

On a separate matter, I'm pleased with the outcome of the settlement we reached with our insurers over claims related to Superstorm Sandy losses. It's been more than two years since the storm affected our operations, but in the end we have been fully compensated for the insurable spending we made on Sandy related repairs.

Our business model is working the way it should. Operational excellence produces the financial strength that allows us to invest in a disciplined way for growth. Our balance sheet is strong, the financial capability supports our current plans to invest $13 billion through 2019, and it is sufficient to support an expansion of this investment program without the need to issue equity.

PSE&G's investment program is expected to yield double-digit growth in rate base through 2019, as the earnings contribution from our regulated business exceeds 50% of our consolidated earnings. PSEG Power's investment program is expected to enhance the fleet's efficiency and reliability, as we continue to look for opportunities to expand Power's fleet. The successful implementation of our investment plans will provide PSEG with a strong foundation to deliver customer satisfaction and shareholder value.

Based on the strong start to the current year, both operationally and financially, 2015 would represent the third year of growth in PSEG's operating earnings. But given that it is still early in 2015, we are maintaining our forecast of operating earnings for the full year of $2.75 per share to $2.95 per share.

We have a proven strategy, and a key contributor to our success is the dedication of our employees to meeting the needs of customers in a safe, reliable manner. Their skills and talent are what will propel us to achieve our long-term goals.

With that, I'll turn the call over to Caroline who will discuss our financials in greater detail.

Caroline D. Dorsa

Thank you, Ralph, and good morning, everyone. As Ralph said, PSEG reported operating earnings for the first quarter of $1.04 per share versus operating earnings of $1.01 per share in last year's first quarter. We've provided you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide four.

As you can see on slide eight, PSEG Power provided the largest contribution to earnings. For the quarter, Power reported operating earnings of $0.55 per share compared with $0.58 per share last year. In addition, Power reported adjusted EBITDA of $626 million compared to $651 million last year. PSE&G reported operating earnings of $0.47 per share compared with $0.42 per share last year. PSEG Enterprise/Other or the parent contributed operating earnings of $0.02 per share compared with $0.01 per share for the first quarter of 2014.

The waterfall chart on slide nine takes you through the net changes in quarter-over-quarter operating earnings by major business, and I'll now review each company in a bit more detail.

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Let's turn to PSE&G. As shown on slide 11, PSE&G reported operating earnings for the first quarter of 2015 of $0.47 per share, compared with $0.42 per share last year.

PSE&G's earnings for the first quarter reflect the benefits of the increase in revenue associated with the expansion of its capital program, an increase in demand for gas, and the recovery of insurable storm costs from the settlement of Sandy-related insurance claims.

PSE&G's expanded investment in transmission added $0.03 per share to earnings for the quarter. PSE&G is expected to invest $1.6 billion on transmission in 2015, and under PSE&G's formula rate, an increase in transmission revenue of $182 million was effective at the start of the year. This increase in revenue provides for recovery of known costs and appropriate returns associated with PSE&G's expanded transmission investment.

The winter weather was significantly colder than normal and colder than a year ago. Of course, the gas weather-normalization clause negates the impact of weather on earnings from PSE&G's gas distribution business. However, growth in customer demand for gas normalized for weather added $0.01 per share to earnings.

Quarter-over-quarter earnings comparisons also benefited from a decline in operation and maintenance expense of $0.01 per share. Decline in O&M reflects the expensed portion of PSE&G share of the Sandy-related insurance settlement, and a decline in storm-related repair cost from the higher levels experienced in 2014's first quarter.

Together, these more than offset the impact on O&M from an increase in pension expense. Economic indicators in the service area are modestly better than a year ago. Employment and housing indicators show signs of slow, but steady improvement. Electric demand has also shown modest improvement. And I stress the word modest in characterizing demand growth. On a weather-normalized basis, electric sales are estimated to have improved by 0.2% in the quarter and the improvement was led by a 0.6% growth from the commercial and industrial sector, which offset a decline in demand from residential customers.

Gas deliveries on the other hand continue to benefit from sustained low commodity prices and the signals of recovery in the economy. Weather-normalized gas deliveries in the quarter grew by 0.4% based on a 1% improvement from the residential sector.

PSE&G extended bill credits that it had provided for residential gas usage for the prior five months through April. The April bill credit cut the average bill for the typical residential customer by 32%. PSE&G received approval from the New Jersey BPU in April 2015 to increase its investment in energy efficiency. PSE&G will invest an additional $95 million over a three-year period at an authorized return on equity of 9.75%. The approval will allow PSE&G to expand its energy efficiency initiatives under several popular programs, and the structure under the agreement for revenue and cost recovery should allow PSE&G to fully earn its authorized return.

We're maintaining our forecast of PSE&G's operating earnings for 2015 of $735 million to $775 million. PSE&G's earnings for the full year will be driven by the recovery of costs associated with higher levels of capital spending.

Let's now move to PSEG Power. As shown on slide 15, PSEG Power reported operating earnings for the first quarter of $0.55 per share and adjusted EBITDA of $626 million compared with $0.58 per share and adjusted EBITDA of $651 million for the first quarter of 2014.

Adjusted EBITDA excludes the same items as our operating earnings measure, as well as income tax expense, interest expense, depreciation and amortization, and major maintenance at Power's fossil generation facilities. PSEG Power's strong operating results from the first quarter reflect an improvement in availability of its gas-fired combined cycle fleet, higher prices on its hedged energy output, and the monetization of its gas supply. Together, these help to offset the impact on earnings from a declining capacity revenue and lower wholesale market prices for energy.

An increase in the average price received on energy hedges, coupled with an increase in the percent of energy hedged in the first quarter relative to a year ago, fully offset the impact of lower wholesale market prices on earnings. We expect a decline in average PJM capacity prices to $168 per megawatt day from $242 per megawatt day last year reduced Power's quarter-over-quarter earnings by $0.09 per share. Higher gas send out to commercial and industrial

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customers and strong margins on sales to the off system market in a response to the extreme weather conditions experienced throughout the quarter added $0.04 per share to quarter-over-quarter earnings. The absence of a charge in the prior year improved earnings comparisons by $0.03 per share.

And lastly, earnings comparisons were reduced by a $0.01 per share, due to an increase in O&M expense. The changes in adjusted EBITDA are directly parallel the changes in earnings per share on a quarter-over-quarter basis.

The earnings release on slide 16 provides you with detailed analysis on the impact of Power's – on Power's operating earnings quarter-over-quarter from changes in revenue and costs.

Let me now just take a moment to mention our inclusion of adjusted EBITDA, as both new disclosure and new guidance. We know that many of you track one or both operating earnings and EBITDA for Power. And we thought that by giving you our EBITDA on the same basis as operating earnings and adjusted for fossil major maintenance expenses, this would give you a better window into Power's cash flow generation potential and value over the long term.

We took out major maintenance at our Fossil plant, as this is a periodic cost versus the ongoing run rate. As I mentioned, the changes in operating earnings align with the changes in adjusted EBITDA. In other words, the reduction in EPS of $0.03 per share associated with lower wholesale energy market prices and slightly higher O&M equates directly to the $25 million reduction in adjusted EBITDA from $651 million in 2014's first quarter to $626 million in this quarter. I plan to talk about adjusted EBITDA every quarter as we go forward, to ensure we provide you with a consistent view as many of you use this for modeling purposes.

Now let's turn for a few minutes to Power's operations. Essentially, this is a tale of two winters. As you remember, the past winter was one of the coldest on record and actually colder than 2014's winter. But this past winter was also characterized by improved availability of gas supply and fewer days of extreme weather than the year-ago period, which resulted in dramatically lower wholesale energy prices than a year ago, when the market reflected scarcity pricing for a much longer period of time. The decline in wholesale energy prices in the first quarter of 2015 from the first quarter of 2014 affected the financial performance of Power's assets that were opened to the market.

The increase in the average price received on energy hedges of about $4 per megawatt hour on approximately 76% of generation hedged, help secure Power's margins during the first quarter. The net impact of the higher hedge price was offset somewhat by the need to meet increased demand under load-following contracts at fixed prices. The net impact on profitability of Power's load-following contracts however is not as severe as in the year-ago period for the reasons I just mentioned.

Once again, Power's ability to monetize gas supply position offset these market – energy market impacts, resulting in only a slight decline in adjusted EBITDA for the quarter as I mentioned, to $626 million from last year's $651 million. The flexibility and fuel diversity of Power's fleet supported strong operations in the cold weather conditions experienced in the first quarter. Output of 14.5 terawatt hours was in line with year ago level. The nuclear fleet operated at an average capacity factor of 95%, producing 7.8 terawatt hours of output or 54% of generation. This is just a slight decline from year ago levels. Production from the combined cycle fleet increased to 3.9 terawatt hours or 27% of generation, and this represents a 16% increase in output versus 2014's first quarter.

An improvement in the availability at Linden following work to increase the station's capacity, and the availability of the Bethlehem, New York facility with an increase in gas supply led to higher production from the combined cycle fleet.

The combined cycle fleet's operation was also aided by its use of oil as backup supply to maintain operations during important critical periods. The coal stations performed in line with prior period, producing about 2.5 terawatt hours of energy or about 17% of generation. Finally, output from the peaking fleet declined in response to fewer days of extreme weather.

Power is maintaining its forecasted output for 2015 of between 55 terawatt hours and 57 terawatt hours, a 1% to 5% increase over 2014's output of 54.2 terawatt hours. Approximately 70% to 75% of anticipated production for the April

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to December period of this year is hedged at an average price of $52 per megawatt hour.

For 2016, Power has hedged between 50% and 55% of its forecast production of 55 terawatt hours to 57 terawatt hours at an average price of $51 per megawatt hour. And for 2017, Power has hedged 25% to 30% of its forecast generation of 55 terawatt hours to 57 terawatt hours at an average price of $52 per megawatt hour.

The hedge data for 2015 and 2016 continues to assume volumes hedged under BGS represent approximately 11 terawatt hours to 12 terawatt hours for each year. We continue to forecast operating earnings for Power in 2015 of $620 million to $680 million. The forecast of operating earnings represents forecast of adjusted EBITDA of $1.545 billion to $1.645 billion for the full year, which compares to $1.584 billion of adjusted EBITDA in 2014.

Results for the remainder of the year will be heavily influenced by an increase in the average price of hedged energy and the expected decline in year-over-year capacity revenue. I want to remind you that the average price Power receives for its PJM capacity is expected to remain at 168 megawatt – $168 per megawatt day for the capacity year, which begins on June 1st of 2015. At the same time, the number of megawatts of capacity for which Power receives revenue in PJM is expected to decline by 1,800 megawatts, and this reflects primarily the retirement of the HEDD units, which we've talked about before.

Slide 17 provides more detail on generation in the quarter, as slide 21 provides detail on Power's hedged position.

Now let me briefly address the operating results from Enterprise/Other. For the first quarter, PSEG Enterprise/Other reported operating earnings of $0.02 per share compared with operating earnings of $0.01 per share last year. The difference in operating income is primarily the result of favorable interest and other income, the contribution to income from PSEG Long Island, and a lease portfolio was steady quarter-over-quarter. And we continue to forecast full year operating earnings for 2015 from PSEG Enterprise/Other of $40 million to $45 million.

Finally, just a word on the settlement of the Sandy insurance claims. As Ralph mentioned earlier, we're very pleased that we were able to reach a settlement of claims with our insurers for coverage of Superstorm Sandy-related losses. The settlement provides a total recovery of $264 million, an amount that fully compensates PSEG for insurable spending on Sandy-related repairs. PSEG received $50 million of this amount over the 2012-2013 period, which you probably remember our talking about. Of the remaining $214 million, PSEG recognized $159 million pre-tax in the first quarter's result under a partial settlement reached with insurers, and we will recognize an additional $54 million pre-tax in the second quarter.

Power's share of the settlement proceeds are not included in operating earnings or adjusted EBITDA in the first quarter. As you recall, those expenses, when incurred, were not included in Power's operating earnings at that time. And this settlement fully closes out the claim related to Sandy.

PSEG closed the quarter with $1 billion of cash on its balance sheet with debt at the end of March 31st of 2015 representing 41.5% of consolidated capital. The level of cash on the balance sheet is high relative to normal conditions, and this reflects the cash impact of bonus depreciation on taxes and includes the receipt of Sandy-related insurance proceeds, all both occurring, of course, at a time during the year when seasonal influences on demand have a favorable impact on cash balances.

We remain in a position to finance our current capital program without the need for the issuance of equity and we look forward to seeking additional growth investments. We continue to forecast operating earnings for the full year of $2.75 to $2.95 per share.

So that concludes my comments, and I'll now turn the call back over to Angela, our operator, to open up the line for questions.

Q&A

Operator

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Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] Your first question comes from Daniel Eggers with Credit Suisse. Please proceed with your question.

<Q - Daniel Eggers>: Hey, good morning, guys. Good morning. Ralph, I was wondering if you could share your thoughts on the Artificial Island outcome. It went back and forth quite a bit. You guys got part of the project, but not all of what was originally awarded. How is that affecting your thoughts about future investment in transmission outside of the standard footprint opportunity?

<A - Ralph Izzo>: Thanks, Dan. Good morning. We have a complaint pending at FERC on the way in which PJM followed the process. And I have met with – the FERC commission is telling them that, we're a little concerned with both the unevenness with which FERC Order 1000 is being implemented nationwide and the fits and starts with which it's being implemented specifically within PJM. And we specifically filed that before PJM staff recommendation came out, because we didn't want it to be viewed as a case of either potentially sour grapes if we didn't win or beating of our chest if we did win.

So I think the best face you could put on this is that, it's a nascent program and it's undergoing some growing pains. I have some broader concerns about it that the success of any market is in, the fact that you have multiple buyers and multiple sellers, and you have visibility to pricing and the needs of customers. And this thing has not had any of those characteristics associated with it and it's hard for me to imagine that it will be the case when it gets applied nationally that the recharge here through the separate rule license.

Having said that, we're going to proceed with the complaint that the PJM [ph] FERC (29:55) recommendation to just about $120 million of $260 million project or thereabouts of round numbers. So it doesn't change our enthusiasm for transmission investment and the importance of that as it pertains to customer reliability. But the FERC Order 1000 component transmission investment, I think, still has some significant work to be done.

<Q - Daniel Eggers>: Thanks. And I guess just one other question. With CP hopefully advancing at this point, how are you guys looking at maybe generation related investment opportunities, and is there something you could do prospectively with repowering some of the old HEDD sites, if you're getting paid more for reliability than you have in the past?

<A - Ralph Izzo>: Yes, Dan. That's definitely on the table. The FT4 engines, as you know, had problems with high energy delivery date [ph] KNOX (30:51) requirements. And with some SCR improvements, we believe that those would be economically viable. And our plan would be depending upon FERC's decision, if we think the auction could achieve the kind of prices that would [ph] eat down (31:03) justify those improvements, we would go ahead and make those improvements.

<Q - Daniel Eggers>: Do they seem more viable than maybe Bridgeport did earlier this year, because of lower capital dollars and maybe a little better visibility?

<A - Ralph Izzo>: The only thing they have in common is that they are both power plants. As you know, Bridgeport is a combination of spark spread and capacity markets. And HEDD upgrade for SCR -- sorry for the alphabet soup -- is 99.9% of our capacity payments. They're highly inefficient units, and you would only need them for reliability, you wouldn't expect any energy margin from them. So, I could better answer that question once FERC decides on the rules, but at this point in time I'd say just that, they're not directly comparable.

<Q - Daniel Eggers>: Got it. Thank you, guys.

<A - Kathleen A. Lally>: Next question?

Operator

Your next question comes from Michael Weinstein with UBS.

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<Q - Michael Weinstein>: Hi guys.

<A - Caroline D. Dorsa>: Good morning.

<Q - Michael Weinstein>: Real quick question about, wondering if you could talk about the possibility of getting a low carbon portfolio standard in New Jersey, and how that might impact CapEx?

<A - Ralph Izzo>: Yes. Thanks Michael. So, I don't see a separate and independent low carbon portfolio standard in New Jersey in the near term. I believe, if I'm not mistaken, the state's official response and comments to the EPA 111(d) proposal was questioning actually the legality of EPA's ability to implement the program. So looking at sort of the progress we've made on the RPS in the state, I believe New Jersey is intent to proceed along those lines, as opposed to doing something more comprehensive in the form of using an energy efficiency standard or a carbon standard.

As you know, we have consistently and still feel this way, believed that a nationwide carbon program is required, and that states going alone, creates all sorts of economic distortions. That doesn't change our point of view, however, that there is a need for the carbon standard nationwide.

<Q - Michael Weinstein>: Right. And have you guys specifically mentioned, what you're going to do with proceeds from Sandy insurance recoveries?

<A - Caroline D. Dorsa>: Sure. This is Caroline. Good morning, Michael. So no, we haven't – we haven't specifically earmarked them for things, of course money – I mentioned we're getting reimbursement, a lot of money was spent for Sandy recovery. So this fully compensates us. That money large part already spent. So the dollars that come in here really just support the strength of the balance sheet that we have and the reinvestment that we're making in new things at the utility and potential new opportunities at Power. So it just gives us more strength to pursue more growth opportunities and very pleased to have the settlement behind us.

<Q - Michael Weinstein>: Okay. Thank you very much.

<A - Kathleen A. Lally>: Sure. Next question?

Operator

Your next question comes from Paul Patterson with Glenrock Associates.

<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Good morning, Paul.

<A - Caroline D. Dorsa>: Good morning.

<Q - Paul Patterson>: Just a few quick things. I notice that the deficiency letter, that the response that PJM made to it, there was – they didn't seem to have a problem with stop loss limits on the penalties removed, and I think you guys and maybe Exelon – I'm not sure, and tell me if I'm wrong, are not opposed to that, whereas some generators are, and I was just wondering, if you could give us a feel as to what you think might happen if those limits are removed?

<A - Ralph Izzo>: If the limits are removed, in general, Paul, I think that the greater the potential for reward which comes along with greater risk, the better it is for us. We have a highly – a high performing fleet and what's important is both halves of that sentence, A, the first half being that they're high performing and second that it's a fleet.

So the interchangeability of assets that do clear the auction with assets that don't clear the auction, the fuel flexibility, the different technologies we have, all give us greater and greater confidence about the ability of the assets to perform. So to the extent that penalties become tougher, or limits get removed, one would only expect that the reward would be commensurate with that risk, and we would perform well in that market.

<Q - Paul Patterson>: Right, no, I can see that. I guess I'm wondering if you have any sense as to quantifiably, or just obviously approximate just general idea about how much that might impact?

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<A - Ralph Izzo>: No, we don't try. Even when the rules are clear, we don't predict the outcome of the auction.

<Q - Paul Patterson>: That's true.

<A - Ralph Izzo>: The rules aren't clear. [indiscernible] (35:45)

<Q - Paul Patterson>: Okay. I think that actually satisfies the second question that I had, then, and that's it, I guess. Thanks so much.

<A - Ralph Izzo>: Thanks.

<A - Caroline D. Dorsa>: Okay.

<A - Kathleen A. Lally>: Thanks. Next question?

Operator

Your next question comes from Travis Miller with Morningstar.

<Q - Travis Miller>: Good morning. Thank you.

<A - Kathleen A. Lally>: Good morning.

<A - Ralph Izzo>: Hi, Travis.

<Q - Travis Miller>: Looking at the slide 19, want to make sure I clearly understand this. The Power fuel costs, look at that oil and gas line. So generation in the quarter was up, and yet saw a substantial reduction there in that fuel cost. So I'm wondering if you could just go through that, and how sustainable that is? It's polar vortex related, or something else?

<A - Caroline D. Dorsa>: Yeah. So you're right, exactly right, Travis. I mean, you think about where gas prices were last year and where gas prices are this year, they are lower. And so, you see that come right through that line. Of course oil prices were lower too, but gas is the predominant – predominant fuel here. You're seeing that directly come into that line.

Remember, I also mentioned that the prices for wholesale energy were lower and that goes along with that, right. So get lower gas prices and lower power prices, preserves spark spread for us and that's what also commented on the value that our hedges provided this year on a year-over-year basis because of that reduction. That is directly related to the observable market price for gas versus last year.

<Q - Travis Miller>: Got it. Is any of that gas monetization benefit in that number, in terms of reducing the fuel costs?

<A - Caroline D. Dorsa>: No. This is just the pure fuel cost, and cost of goods sold.

<Q - Travis Miller>: Okay, and is it sustainable? Do you think you'd see trends like this over the next couple quarters? Is this a one-off...

<A - Caroline D. Dorsa>: So that's really gas price forecast question, right. So we really just use what's in the forward curve when we think about gas prices going forward. The important thing to keep in mind though is we've got the base load is hedged, right, in the current year. So we're really talking about what's happening in the combined cycle, and therefore their ability to preserve the spark spread because of how gas moves, protects us to an extent, but other than using the forward curve, it's really hard to predict gas prices.

<Q - Travis Miller>: Great. Thanks so much.

<A - Caroline D. Dorsa>: Sure.

<A - Kathleen A. Lally>: Next question?

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Operator

Your next question comes from Shar Pourreza with Guggenheim Partners.

<Q - Shar Pourreza>: Good morning.

<A - Ralph Izzo>: Good morning, Shar.

<A - Caroline D. Dorsa>: Good morning.

<Q - Shar Pourreza>: So if you take your energy strong program, combine it with gas modernization, sort of what is that – how many miles does that cover, as far as replacement of the cast iron steel pipes, and sort of where do you see that program expanding to?

<A - Ralph Izzo>: So I believe it's about 150 miles per year, and it would take us 30 years.

<Q - Shar Pourreza>: Okay. Got it.

<A - Ralph Izzo>: So the [indiscernible] (38:31) gas system is closer to 800 miles, but it would take us 30 years at that spending rate to replace everything.

<Q - Shar Pourreza>: Okay, got it. And one just reminder, what do you – as far as, your transmission ROE's right now? What are you earning on?

<A - Ralph Izzo>: So it varies. Shar, it's – our base ROE is 11.18%. We get a 50 basis points RTO membership adder for 11.68%. We had, I guess, we still have a couple of projects that get anywhere from 25 basis points to 125 basis points in addition. However, our last four or five projects that we filed for have not received any incremental ROE incentive component. So a long-awaited answer, but there is no one simple number. It starts at 11.18%, it goes up to 12.75% or something like that, that being the Susquehanna-Roseland project being the only one that got that big an adder.

<Q - Shar Pourreza>: Got it, and if you'd think about it from a weighted average, it's still within the range of reasonableness that you're seeing? [indiscernible] (39:34)

<A - Ralph Izzo>: It comes down to about 11.7%, which is just a fraction of a bit outside the range of reasonableness.

<Q - Shar Pourreza>: Perfect, thanks so much.

<A - Kathleen A. Lally>: Our next question?

Operator

Your next question comes from Jonathan Arnold with Deutsche Bank.

<Q - Jonathan Philip Arnold>: Well good morning, guys.

<A - Caroline D. Dorsa>: Good morning.

<A - Ralph Izzo>: Good morning, John.

<Q - Jonathan Philip Arnold>: Could you, I think you said that the amount of this Hurricane Sandy recovery that was left in the operating numbers of the utility was $0.03, roughly, in the first quarter, but there would be some amount in the second quarter, but I don't think you gave us a breakdown of how much was in Power and how much was Utility.

<A - Caroline D. Dorsa>: Right. So sure, Jonathan. So the impact to PSE&G's earnings for the first quarter benefited $0.01 to the benefit of O&M from the Sandy recovery that goes to PSE&G. The remaining piece of the settlement that

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we have – the remaining about $54 million, we have to go through the allocation process, and we will do that and we'll discuss how that will flow when we do the second quarter results. So a couple of things to remember. So on the Power side, we don't flow it through operating earnings, that's below the line, which you can see in the reconciliation. We don't do that because Power spend was below the line as well.

And on the Utility side, remember that the recoveries that we got, including a portion of the $50 million – a small portion of that was for PSE&G in the past, goes primarily to balance sheet because a lot of the spend for storm recovery that's recoverable under our policy's capital spend and that's on the balance sheet. So there is balance sheet or regulatory asset offset, and just $0.01 of impact for the P&L from the first quarter for Sandy at PSE&G, and we'll do the second quarter piece when we do the second quarter results.

<Q - Jonathan Philip Arnold>: Okay, but it sounds like it's unlikely to be that material to the year in the context of the guidance or what have you.

<A - Caroline D. Dorsa>: Yeah. I think that's right in the context of guidance, correct, right. So you've seen now we're almost done with the Sandy settlement being booked, with just $54 million to go and you've got a big piece already booked in the first quarter and the P&L impact for operating earnings purposes was just $0.01. So I think, proportionally you're thinking of it the right way.

<Q - Jonathan Philip Arnold>: Okay. Thank you. And then just on one other topic. We've obviously, it's very – just recently, we're seeing the change in the dispatch or at least the generation stack with some of the coal plants no longer there. What are you guys seeing in terms of just day-to-day, as you come into this front end of the summer? Are there noticeable changes in operations or the units of the [ph] shopping (42:19) just not really participating already? What are you seeing in the markets?

<A - Ralph Izzo>: No, Jonathan. I think one of our slides shows you the capacity factors, and we had a slight dip in nuclear capacity that was purely related to an outage at Salem that wasn't planned, for and otherwise the units would have been at or better than last year in terms of nuclear. Our gas units picked up the slack from some of that, as well as some of the lower prices that Travis paid attention to earlier, but the base load coal units Keystone, Conemaugh had a strong winter season. Prices weren't – gas prices were not below that fateful $1.90 number of 2012 that resulted in some of the dispatch of those, and of course our New Jersey coal units as well as our Connecticut coal units did run a little bit during the winter months because of the unavailability. The [ph] head unit saw peakers (43:15) using the demand at the level that they would be called upon. So really no change in terms of the numbers this year from any kind of a fundamental shift in the market that we haven't over the past four years or five years.

<Q - Jonathan Philip Arnold>: Ralph, I was actually a bit more curious about sort of post the mid-April date, where [ph] MAPS (43:38) went into effect. It's obviously not in the quarter, so whether there's anyone that could just talk about more real-time?

<A - Ralph Izzo>: No, I don't think so. I think if anything the forward price curve would suggest that we'll continue to see robust capacity factors for our combined cycle gas turbine units, and nuclear units will run flat out. I mean that's pretty much the same.

<Q - Jonathan Philip Arnold>: Okay. Well, thank you very much.

<A - Kathleen A. Lally>: Next question?

Operator

[Operator Instructions] And your next question comes from Michael Lapides with Goldman Sachs.

<Q - Michael J. Lapides>: Hey, guys. Congrats on a great start to the year. Two items. One on the regulated side. Can you just highlight for us what's different in CapEx known for the next few years at E&G today, versus what you talked about at the Analyst Day? Several moving parts, just want to make sure we have them all.

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<A - Ralph Izzo>: Sure, Michael. The one thing that's different that has been a – so what we like to show you in the March meeting is what's been approved. So, notwithstanding our complaint in front of FERC, there's $120 million – Caroline correctly described it as $110 million to $130 million in Artificial Island was not included in the March Investor Presentation as baked in. Similarly, so that's the only change of things that have been finalized and are now part of the plan.

The other piece that's significantly different is that, we filed, have not received approval for $1.6 billion over the next five years in this gas system modernization program, and that's not in the utilities capital program that we showed you in March.

<Q - Michael J. Lapides>: Got it. The other question, thinking about your coal plants in New Jersey, so moving over to Power. Not running a lot, haven't been for a year or two. Just where are you, if at all, in the process of thinking about whether these plants will remain economic? And if not, kind of how on the edge are they, or are they clearly economic? And when you look out for the next three to five, five to seven years, they're a core part of Power's fleet?

<A - Ralph Izzo>: Could you just hold on a second, Mike. I want to get my controller off the floor, he fell down. Obviously, those plants have – we made significant environmental commitments to them, and the capital requirements going forward on those plants from any kind of regulatory point of view are minimal. The real question will be, their age and their ability to perform in a CP market and the rules there are just aren't known. So to the extent that the risk reward profile of CP changes our thinking on those plants then we would – we have to address that issue. But as of now, we're happy to run them on coal in the winter and on gas in the summer, and they do just fine for us. They are part of an overall fleet, and that fleet has multiple dimensions to it that work well for us from [indiscernible] (46:49). But I said that the new factor in the calculus will be what does CP mean?

<Q - Michael J. Lapides>: Got it. Last question. Can you just remind us the amount of the HEDD units in terms of megawatts, that are going or went off line?

<A - Ralph Izzo>: 1500 megawatts.

<Q - Michael J. Lapides>: Got it. Thank you, Ralph, much appreciated.

<A - Ralph Izzo>: Well, thank you.

<A - Kathleen A. Lally>: Sure, next question.

Operator

Mr. Izzo and Ms. Dorsa, there are no further questions at this time. Please continue with your presentation or closing remarks.

Ralph Izzo

Perhaps, this is – we're finishing ahead of schedule. Thank you all for joining us. I really do hope you view this as kind of a quintessential quarter for us as opposed to anything special. I grant you we didn't have anything fancy to tell you about just steady progress in terms of new investment opportunities at the utility and solid operations all around the company. In other words, what we like to do is just deliver on our commitments, and then some. I know that Caroline and Kathleen and to a lesser extent I, will be on the road over the next couple of months and we look forward to seeing you until then just enjoy your spring. Thank you all.

Caroline D. Dorsa

Thank you.

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Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2015-02-20
Event Description: Q4 2014 Earnings Call

Market Cap: 21,066.59
Current PX: 41.63
YTD Change($): +.22
YTD Change(%): +.531

Bloomberg Estimates - EPS
Current Quarter: 0.823
Current Year: 2.755
Bloomberg Estimates - Sales
Current Quarter: 3207.500
Current Year: 10732.727

Q4 2014 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Julien Dumoulin-Smith
- Dan L. Eggers
- Paul Patterson
- Stephen Calder Byrd
- Travis Miller
- Jonathan Philip Arnold

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brandy, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Fourth Quarter Earnings Conference Call and Webcast.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, February 20, 2015, and will be available for telephone replay beginning at 1 PM Eastern Time today until 11:30 PM Eastern Time on February 27, 2015. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brandy. Good morning, everyone. Thank you for participating in our call today. As you are aware, we released our fourth quarter and full year 2014 earnings results earlier this morning. The release and attachments, as mentioned, are posted on our website, www.pseg.com, under the Investors section. We have also posted a series of slides that detail operating results by company for the quarter. Our 10-K for the period ended December 31, 2014 is expected to be filed shortly.

I don't typically read the full disclaimer statement or the comments we have on the difference between operating earnings and GAAP results, but I do ask that you read those comments contained in our slides and on our website. The disclaimer regards forward-looking statements, detailing a number of risks and uncertainties that could cause the actual results to differ materially from forward-looking statements made therein. And although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimates change unless, of course, we are required to do so by applicable securities laws.

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We also provide commentary with regard to the difference between operating earnings and net income reported in accordance with Generally Accepted Accounting Principles in the United States. PSEG believes that the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends.

But I would now like to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions. Ralph?

Ralph Izzo

Thanks, Kathleen. And thanks, everyone, for joining us today. This morning, we reported operating earnings for the full year 2014. I'm pleased to report – actually I'm more than pleased to report that 2014 was a year in which we continued to make progress on our plans to deliver for our customers and shareholders.

Operating earnings for the fourth quarter were $0.49 per share, which equaled the $0.49 per share earned in 2013's fourth quarter, bringing results for the full year to $2.76 per share or 7% greater than 2013's operating earnings of $2.58 per share. And it was above our guidance of $2.60 to $2.75 per share. Our results are benefiting from disciplined capital allocation. PSE&G, our utility, achieved double-digit growth in earnings, adding to our track record of five years of 18% compound annual growth. As a result of an expanded capital program, earnings from our regulated company grew to represent 52% of our consolidated operating earnings, as PSE&G's investment in transmission has grown to represent 39% of its $11.4 billion rate base.

PSEG Power's successful management of its operations, including its gas supply arrangements, supported earnings in excess of guidance for the full year and delivered substantial savings to PSE&G's customers.

In addition to being a successful year for delivering on earnings, we achieved success in many areas that will provide a lasting foundation for customer satisfaction and shareholder value. By way of a reminder, we received approval to invest $1.2 billion in Energy Strong, a program that will improve the resiliency of our electric and gas distribution systems. We have begun the work on replacing and modernizing 250 miles of gas pipe and have begun the engineering and scheduling associated with upgrading and enhancing our electric substation. The investments under the Energy Strong program, as you'll recall, will take place over a period of three years to five years.

We're also executing well on our transmission investment program. We completed construction of two 230 kilovolt transmission lines during the year, as well as the New Jersey portion of the 500 kV Susquehanna-Roseland line. We expect the full Susquehanna-Roseland line to go into service this year, when the Pennsylvania portion of S-R is completed. The investment in transmission will support the reliable service our customers have come to expect and provide an important boost to New Jersey's economy, as it also adds to PSE&G's growth.

PSE&G once again was named the Mid-Atlantic regions' Most Reliable Electric Utility. This is the 13th consecutive year that PSE&G's capabilities have been recognized. In addition to that, for the first time in its history, PSE&G received J.D. Power's award for highest customer satisfaction for both electric and gas business service among large utilities in the region. This recognition, while important in itself, we think recognizes that PSE&G has always kept the needs of its customers uppermost as we pursue our major growth initiatives.

But 2014 was not just a year of PSE&G accomplishment. PSEG Power's combined cycle fleet produced at record levels as Power's fossil fleet achieved the safety performance in a tough 10% of the industry. We successfully grew PSEG solar sources portfolio. In 2014, we added projects in three states that expanded solar sources portfolio to 123 megawatts of clean renewable energy. And we had a successful first year of operating the electric system of the Long Island Power Authority. I'm particularly pleased with the efforts of our PSEG Long Island team. We're rewarded with the major improvement in customer satisfaction scores. But let me be clear, this is only the beginning of a multiyear journey for us on Long Island.

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Our core strategy focused on operational excellence, financial strength, and disciplined investment is anticipated to yield a third year of growth in operating earnings over the coming year. For 2015, we are initiating operating earnings guidance of $2.75 to $2.95 per share.

PSE&G's expanded investment in transmission is expected to support continued growth in operating earnings in 2015, as PSE&G's results for the full year are expected to represent more than 50% of consolidated earnings.

PSEG Power is expected to report operating earnings in line with its strong 2014 results. The investments made by PSEG Power are expected to enhance the competitiveness of its environmentally well-positioned fleet, capacity upgrades at our gas-fired combined cycle fleet, and that our nuclear units will increase the fleets output as Power's investment in the PennEast Pipeline enhances its already strong access to low cost gas from the Marcellus region.

PSEG Power's fleet has the characteristics envisioned by PGM's proposed standards for capacity performance. Its diversity in dispatch and fuel mix as well as the alternative fuel capability mitigates operating risk. Power's investment program will be focused on improving its reliability during periods of stress on the system.

We also look to expand the fleet when it's financially attractive. We were disappointed that our bid to construct the new 475 megawatt combined-cycle plant at our Bridgeport Harbor site in Connecticut didn't clear the New England ISO's recent capacity auction. However, we haven't abandoned this work and we'll invest when the markets support its development.

The strategy we implemented has yielded growth. We have a robust pipeline of investment opportunities that will support further expansion of our capital program over the next five years. The program is expected to yield double-digit growth in PSE&G's rate base, as we maintain the operating strength of Power's generating assets. We will update you on our capital spending plans on March 2.

Our financial position remained strong. An acknowledgment of our success and the strength of our platform going forward was the recent decision by our Board of Directors to meaningfully increase the common dividend by 5.4% to the indicative annual level of $1.56 per share. We see the potential for consistent and sustainable growth in the dividend given our business mix. Our continued positive cash flow from our generation business and our strong financial position, all supports this dividend philosophy.

We've made significant strides in meeting our objectives for growth, as we also satisfy customer requirements and we're not done. Of course, none of this would be possible without the contribution made by PSEG's dedicated employees to our continued success. I look forward to discussing our investment outlook in greater detail with you at our March 2 Annual Financial Conference.

I will now turn the call over to Caroline for more details on our results and we'll be available to answer your questions after her remarks.

Caroline D. Dorsa

Thank you, Ralph and good morning, everyone. As Ralph said, PSEG reported operating earnings for the fourth quarter of $0.49 per share equal to operating earnings of $0.49 per share in last year's fourth quarter. Our earnings for the fourth quarter brought operating earnings for the full year to $2.76 per share versus operating earnings for 2013 of $2.58 per share, or 7% growth.

On slide 4, we have provided you with a reconciliation of operating earnings to net income for the quarter. And as you can see on slide 10, PSE&G provided largest contribution to earnings for the quarter. PSE&G reported operating earnings of $0.32 per share compared to $0.29 per share last year. For the quarter, Power reported operating earnings of $0.18 per share, compared with $0.23 per share last year.

Enterprise/Other reported a small loss in operating earnings for the fourth quarter of a $0.01 per share versus the operating loss of $0.03 per share reported in the fourth quarter of 2013.

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We've provided you with waterfall charts on slides 11 and 13 to take you through the net changes in quarter-over-quarter and year-over-year operating earnings by major business. So now, I will review each company in a bit more detail, starting with PSE&G.

As I mentioned, PSE&G reported operating earnings for the fourth quarter of 2014 of $0.32 per share, compared with $0.29 per share for the fourth quarter of 2013 as we show on slide 15. PSE&G's full year 2014 operating earnings were $725 million or $1.43 per share, compared with operating earnings of $612 million or $1.21 per share for 2013 for growth of 18%.

PSE&G's earnings in the fourth quarter benefited from lower operating expenses including pension and a return on its expanded capital infrastructure program, which more than offset the impact of mild weather on sales.

PSE&G's investment in transmission infrastructure increased this quarter-over-quarter earnings by $0.02 per share. The earnings improvement related to the investment in transmission in the fourth quarter was less than the earnings increases you've seen during each of the first three quarters of the year, and this reflects a reduction in PSE&G's rate base at year-end associated with the deferred tax impact of the expansion of bonus depreciation.

PSE&G's tight control of its operating expenses, including lower pension expense, resulted in a quarter-over-quarter increase in earnings of $0.04 per share. The continued improvement in weather normalized gas volume and demand, which improved quarter-over-quarter earnings by a $0.01 per share, was offset by a similar decline in electric volume and demand. And although you wouldn't think it on a day like today, weather was actually mild relative to normal and relative to the prior year on the net reduced earnings comparisons by about a $0.01 per share. Earnings comparisons were also affected by the absence of $0.02 per share to tax related change which benefited earnings in the prior year.

Economic conditions continued to exhibit signs of an improvement in the service area, which is good news. On a weather normalized basis, gas deliveries are estimated to have increased 1% in the quarter and 3.1% for the year. Demand continues to benefit from a decline in the cost of gas, which is passed on to our residential customers and an improvement in economic growth.

PSE&G announced earlier this month that it would extend through March of 2015 the credits against gas bills that it had already provided to residential customers for the months of November, December and January. A typical residential customer with these credits would experience savings on their total bill over the five months of approximately 31% or $210.

Electric sales on a weather normalized basis are estimated to have declined 2.3% in the fourth quarter. The decline in the quarter reflects a number of winter storms at the end of 2013, the increased residential consumption in that year, as well as decreases in demand this quarter from some large industrial customers.

By the way, weather normalization is generally good for temperature, but unfortunately there is not really a good way to adjust for storms. Overall, there was a 0.3% increase in weather normalized electric demand for the year, which we think is indicative of improving economic conditions, partially offset by continued customer conservation.

PSE&G implemented an increase in transmission revenue of $182 million effective on January 1 of this year. The increase in revenue under PSE&G's transmission formula rate will provide PSE&G with recovery off and a return on its forecast of transmission-related capital expenditures through the year. PSE&G's investment in transmission grew to $4.5 billion at the end of 2014 or 39% of the company's consolidated rate base of $11.4 billion, and transmission is forecasted to be well over 40% of rate base as we go forward.

Let me just mention the impact of bonus depreciation. The expansion of bonus depreciation has the effect of reducing PSE&G's transmission-related rate base with an increase in deferred taxes. We estimate PSE&G's transmission related rate base was reduced by approximately $150 million to $200 million from prior forecast levels, and this is reflected in PSE&G's yearend rate base of $11.4 billon.

The impact of this change on 2015 revenues is not reflected in the formula rate increase that I just went through, as that filing took place prior to the enactment of the extension of bonus depreciation. But our guidance for PSE&G reflects the impact on revenue associated with the extension of bonus depreciation and we estimate that impact to be

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approximately $21 million.

As you know, this is really a timing related issue. We get the benefit of an increase in cash over the short-term and see a decrease in the deferred tax balance over the long term.

PSE&G's operating earnings for 2015 are forecasted to grow to $735 million to $775 million. Our forecast for 2015 reflects the continued growth in PSE&G's transmission-related rate base and the expansion of PSE&G's investment and distribution through the Energy Strong program.

Earnings for the full year will also be affected by a forecast increase in pension expense that will affect O&M. And I'll go into a little more detail on that shortly. We expect PSE&G's rate of earnings growth to improve beyond 2015, as the impact of bonus depreciation will annualize and pension expense is expected to be lower under long-term return and interest rate assumptions.

PSE&G invested approximately $2.2 billion in 2014 on capital projects that improve the systems' resilience and maintenance its reliability. We currently forecast an increase in PSE&G's average capital spending for the next three years to about $2.4 billion per year. PSE&G's investment in transmission will represent more than 50% of this new spending. We will be providing you with an updated forecast of PSE&G's capital expenditures by year for the five-year period ending 2019 at our Annual Financial Conference on March 2 of this year, and I can tell you that spending plan remains robust.

Now let's turn to PSEG Power. As shown on slide 19, Power reported operating earnings for the fourth quarter, as I mentioned, of $0.18 per share, compared with $0.23 per share a year ago. The results for the quarter brought Power's full year operating earnings to $642 million or $1.27 per share, compared to 2013's operating earnings of $710 million, or $1.40 per share. The earnings release as well as slides 11 and 13 provide you with detailed analysis of the impact on Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and costs. We've also provided you with more detail on generation in the quarter and for the year on slides 21 and 22.

Power's operating earnings for the fourth quarter were influenced by the known declining capacity revenues that we've discussed in prior calls. The monetization of Power's gas supply position, and a reduction in operating and maintenance expense helped mitigate the effects of lower market prices for energy.

As you recall, the average price for our PJM capacity declined to $166 per megawatt day from $244 per megawatt day on June 1 of 2014. The decline in price reduced Power's quarter-over-quarter earnings by $0.09 per share. A decline in the average hedge price for energy that Power realized during the quarter relative to year-ago levels and lower market prices on Power's open position were more than offset by Power's ability to monetize its gas supply position. These items together led to an improvement in quarter-over-quarter earnings of $0.01 per share.

The decline in Power's O&M expenditures during the quarter improved quarter-over-quarter earnings by $0.05 per share and the decline in expense for the quarter was greater than what we've been forecasting at the end of the third quarter. Power's management of maintenance outages at fossil stations coupled with the absence of outage related expenditures in the prior year resulted in a better than forecast reduction in O&M expense for the fourth quarter and led overall to lower O&M expense in 2014 versus the full year of 2013.

Now let's turn to the operations. Power's output increased 3.1% in the quarter from year ago levels. For the year, output increased 1.3% to 54.2 terawatt hours. The fleet's flexibility in response to volatile market conditions was demonstrated in the quarter and throughout the year. The level of production achieved by the fleet in 2014 represented the third highest level of output in the fleet's history as our merchant generator. The nuclear fleet produced 29.1 terawatt hours or 54% of generation, operating at an average capacity factor of 89.3%. Hope Creek experienced its second best year, operating at 97.9% annual capacity factor, which helped to offset the impact of the extending refueling outage at Salem 2 earlier in 2014.

The market is clearly rewarding efficient combined-cycle gas units, and Power's combined-cycle fleet set a generation record during the year. The fleet produced 16.5 terawatt hours or 30% of our generation during the year with record levels of output from the Bergen Station and Linden Unit 1. The coal fleet produces 7.4 terawatt hours or 14% of

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generation and the peaking fleet's responsiveness to market conditions particularly the abnormally cold weather experienced at the start of 2014 led to full year production of 1.2 terawatt hours.

Power's gas-fired combined-cycle fleet continues to benefit from its access to lower price gas supplies in then Marcellus Basin. For the year, gas from the Marcellus Utica region supplied approximately 60% of the PJM assets fuel requirements. This represents the larger percentage of fleet's gas supply than was available in the past. Power's ability to step up its acquisition of gas from the Western Marcellus and Utica Basin in addition to the use of backhaul arrangements on existing pipe in the Eastern Marcellus improved its access to this low cost resource. This supply supports higher spark spreads than implied by market pricing and allowed Power to enjoy fuel cost savings similar to the levels it enjoyed in 2013 despite the decline in energy prices.

Overall Power's gross margin per megawatt hour in the fourth quarter was $37.40 versus $45.90 last year which was driven by the capacity price reset. For the year, gross margin amounted to $42.41 per megawatt hour versus $47.10 per megawatt hour last year. And slide 24 provides detail on Power's gross margin for the quarter and the year.

Power is forecasting a further improvement in output in 2015 to 55 terawatt hours to 57 terawatt hours. The increase is primarily the result of investments we have made to expand the capacity of our nuclear and combined cycle fleet. Following the completion of the Basic Generation Service auction in New Jersey earlier this month, Power has hedged 100% of its base flow generation in 2015 and has hedged approximately 75% to 80% of anticipated total production for 2015 at an average price $52 per megawatt hour which compares favorably to the average hedge prices in 2014 of $48 per megawatt hour.

Power has hedged approximately 50% to 55% of its forecast generation in 2016 estimated at 55 terawatt hours to 57 terawatt hours also at an average price of $52 per megawatt hour. And for 2017 Power has hedged 25% to 30% of forecast production of 55 terawatt hours to 57 terawatt hours at an average price of $52 per megawatt hour. The hedge data for 2015 and 2016 assumes BGS volumes represent approximately 11.5 terawatt hours of deliveries, about comparable to the 11.5 terawatt hours we delivered in 2014 under BGS.

Based on our current hedge position for 2015, each $2 change in spark spreads would impact earnings by only $0.04 per share. This modest impact on earnings is a result of a higher percentage of output from a intermediate and peaking fleet that is hedged at this time about 40% to 45% than we had hedged a year ago, when it was really about 35% to 40% of forecasted output for the intermediate and peaking fleet.

For 2016, a $1 change in natural gas pricing would impact earnings by $0.06 per share. And just for your reference, if we were fully open, the $1 change in natural gas pricing would impact earnings by about $0.24 per share.

The BGS auction for PSE&G customers for the three-year period beginning June 1 of 2015 and ending on May 31, 2018 was priced at $99.54 per megawatt hour. This contract for one third of the load will replace the contract for $83.88 per megawatt hour, which expires on May 31 of this year. This latest auction is based on an average price for energy at the PJM West Hub of about $37 per megawatt hour to $38 per megawatt hour, which is similar to the base price for energy seen in the last two auctions. The BGS auction continues to represent the key means for Power to hedge basis associated with baseload output.

Power's hedging strategy is consistent with what you've seen in the past. Power maintains open positions on a portion of its intermediate and load following assets and this allows Power to capture any benefits associated with weather-related demand in the summer months and contain the risks associated with fuller requirements contracts like BGS. Power took advantage of market strengths earlier in 2014 to hedge its output. And given favorable pricing, Power is also committed to serve a larger percentage of load under the BGS contract in this latest auction, which, of course, will have its proportional impact across the upcoming three years.

Power's operating earnings for 2015 are forecast at $620 million to $680 million. We're very pleased that our anticipated results are essentially in line with 2014's operating results. Comparative results for the full year will be affected by a decline in capacity revenues which will essentially be fully offset by an increase in the average price received on energy hedges and a modest increase in O&M.

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Turning to Enterprise and Other, PSEG Enterprise/Other reported an operating earnings loss for the fourth quarter of $4 million or about $0.01 per share, which compares to a loss in operating earnings of $11 million or $0.03 per share for the fourth quarter of 2013. The results for the fourth quarter brought full-year 2014 operating earnings to $33 million or $0.06 per share, compared with 2013's operating loss of $13 million or $0.03 per share. The difference in operating results quarter-over-quarter reflects primarily the absence of tax payments and other items which contributed $0.03 per share relative to the fourth quarter of 2013.

For 2015, operating earnings are forecasted to fall within the range of $40 million to $45 million and results will be influenced by the contractual payments associated with the operation of PSEG Long Island, income on the lease portfolio including the benefit from the renegotiation and extension of our lease on the Grand Gulf nuclear generating facility.

Let me now just add a word about pension expense. Last year, as you recall, we saw total pension income of about $0.02 per share as the success of our investments strategy created that pension income. In 2015, our funding level remains greater than 90%, but a lower discount rate and changes to mortality tables, offset the continued strong return we generated on the Trust resulting in net pension expense of slightly less than $0.07 per share, which is split about evenly between PSE&G and Power. Keep in mind, these are non-cash charges, and we anticipate to move back to pension income over the next two-year to three-year period given our solid funding and our long-term investment strategy. These impacts that I just mentioned are embedded in our financial plan and our guidance for growth at PSE&G and consistent performance in 2015 at Power. We still see a low-single digit growth in O&M across the company over the three-year horizon and we will talk more about that in greater detail on March 2.

Lastly, just a word on our financial position. We're in great shape to finance our capital program. At the end of 2014, we had $402 million of cash on hand and debt represented about 42% of our consolidated capital position, with debt at Power approximating 31% of its capital base and no parent debt. We'll be updating you on our capital program at our Annual Financial Conference but the message is the same. We can finance our robust long-term capital program and pursue a very healthy amount of growth opportunities without the need to issue equity, as we also provide our shareholders with a meaningful increase in the growth of the common dividend on sustainable basis.

We're pleased to be guiding to another year of anticipated growth in earnings for 2015 of $2.75 to $2.95 per share. Our forecast continues to reflect the benefits from PSE&G's expanded capital program and the dynamics of Power's fleet and access to low cost gas supplies.

As you know, the common dividend was recently increased 5.4% to the indicative annual level of a $1.56 per share, and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward.

With that, Brandy, I'll turn it back to you and we're now ready for your questions.

Q&A

Operator

Ladies and gentlemen, we will now begin the question and answer session for members of the financial community. [Operator Instructions] Your first question comes from the line of Julien Dumoulin-Smith with UBS.

<Q - Julien Dumoulin-Smith>: Hi. Good morning.

<A - Ralph Izzo>: Good morning, Julien.

<A - Caroline D. Dorsa>: Good morning, Julien.

<Q - Julien Dumoulin-Smith>: Hey. So, first quick question. Following the Bridgeport sort of back of clearing that asset, what's your thought about building out Power at present? I mean, are we going to look towards clearing potentially new assets in different markets or what's your overall thought about capital deployment at this point in time in Power or back at Public Service Utility?

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<A - Ralph Izzo>: So, Julien, our thinking on this hasn't changed. Our Power markets that we're interested in are PJM, New York and New England. We look for asset acquisitions, we look for opportunities to repower sites, we look for opportunities to extend or increase the output of our plants. As you all know, we've been much more successful on the later and not as successful on the former. So Peach Bottom uprate, advanced gas path improvements, a couple of peakers here and there have not been able to see the same price justification as others on asset acquisitions and similar thing happened in New England. In general, we like the New England markets from the point of view of newbuild because of the seven year. That's a bigger hurdle to overcome in PJM because of the one-year price.

On the regulated utility side, we'll give you more detail on March 2, but there is still very much a robust capital program that we'll be showing you for the five years, and not just in terms of transmission which has been our number one. But as we've talked about in the past, opportunities to accelerate the replacement of our cast iron mains system in the gas business, as well as some of the components of the Energy Master Plan that relate to energy efficiency and renewables.

You may recall, it's only been 10 months or so. So, I'm not suggesting we're done by any means but Energy Strong was a much bigger program than what was ultimately approved, so there will be more of that, but it's a little bit longer term than the next coming months.

So there is no shortage of opportunities to deploy the capital. We are disappointed at Bridgeport Harbor, I'm not going to deny that but we've reefed up things we can do.

<Q - Julien Dumoulin-Smith>: Great. And then perhaps moving on with what about the bidding inquiry? Any update there you can elaborate by chance where we stand?

<A - Ralph Izzo>: We're not giving any more detail on that than we have already, Julien. We don't have any new information to update our financials and we are actively involved which FERC. We meet with them on a regular basis in terms of their questions and giving them feedback. But right now we'd rather make sure that FERC has all the information before talking much more about that on our earnings call.

<Q - Julien Dumoulin-Smith>: Great. And then, if you will, I noticed PJM East just generally or specifically Public Service Zone, saw sort of a negative basis versus PJM West on a spot basis in the back half of the year. Could you talk about what dynamics you saw day-to-day in the market that would drive that and what your expectations are for forward basis East versus West hedging that specifically?

<A - Ralph Izzo>: Sure. So, Julien, as we said, the Power markets at least for the foreseeable future have been turned 180 degrees. The winter is where most of the volatility and earnings potential for Power is coming from and that hasn't changed since we started talking about that now almost two seasons ago. So when you look at basis for the year, that's a little bit of a misleading view of the world. It's a combination of moderate basis in the summer, very strong basis in the winter and weak basis, in fact, negative basis in the shoulder periods. But the flexibility of our fleet and the way in which we hedge it takes all that into account.

Over the longer term, I think what you are going to see is the market dynamic that's going to driven by significant infrastructure build of gas pipes from the Marcellus region to the Southeast and significant replacement of aging power plants that aren't able to meet environmental standards in the Southeast with highly efficient natural gas combined cycle. So we don't run the business saying that we are smarter than the market but to the extent that the market is viewed as an extend to that three-year to five-year timeframe, we still have lots of reasons to feel pretty confident in the location and quality of our asset base.

<Q - Julien Dumoulin-Smith>: Great. Thank you all very much.

<A - Kathleen A. Lally>: Next question.

Operator

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Your next question comes from the line of Dan Eggers with Credit Suisse.

<Q - Dan L. Eggers>: Hey, good morning, guys.

<A - Ralph Izzo>: Good morning, Dan.

<Q - Dan L. Eggers>: Just kind of on the Power side of the outlook for Power, can you just walk through or remind us all the hedging strategies you guys are using? Obviously, you got the nice price uplift in the hedge percentages going from 100% hedged to a 100% hedged. So can you just remind us how you got that upside?

<A - Caroline D. Dorsa>: Sure. Dan, it's Caroline. Sure. Thanks. Yeah, I cited the baseload and the total and, keep in mind, that intermediate and peaking, right? So if you look at what we told you on the third quarter call, we were still a 100% hedged on the baseload. But the differences really occurred as we've added hedges in that intermediate and peaking which was 5% to 10% for 2015 on the last call and is now 40% to 45%. Now, of course, piece of that would be BGS, but if you do the math on that, you'd see that's a little less than half of the total on an estimated basis.

And really what's going on, Dan, and if you look at the curves, just look at the forward price curve, you see this there were opportunities where the prices moved up during the last quarter before they came down right at the very end, and spark spreads have been pretty robust. And so, we took advantage of those opportunities to layer on incremental hedges. And by having that incremental flexibility and putting on a little bit more and capturing those price in spark spread opportunities, that's what's really increased the numbers.

Now, if you are asking about the change in the price of baseload, you know that we actually give one consistent price across. So even though baseload was 100%, the average price of the entirety of the book, we put that across all the hedges, but we give you the granularity of where we're hedged between baseload and intermediate and peaking. So we like the impact that we had in the fourth quarter by adding on hedges. You know that BGS, of course, being full requirements also has some pass-through costs. But even if you strip that out you'd find that the hedges are really higher than they were from our last report.

<Q - Dan L. Eggers>: Okay. And then – thank you for that answer. On the outlook for the utility this year, kind of if you look at the bridge or you think about mental bridge from 2014 to 2015, maybe not as much of an increase year-on-year as we would have previously modeled. Can I think of it as basically there is going to be a drag of $0.035 or $0.04 because of pension year-on-year maybe in nickel because you had some gains in 2014. And then you get a step down from what you would have expected at transmission because of the bonus depreciation. Is that the right way to think about the step year-to-year in simple terms?

<A - Caroline D. Dorsa>: That's exactly right, Dan. So you're exactly on the right math, because when you look at those key things which, of course, if you think about interest rate, actuarial tables and bonus depreciation really aren't in our control. But you've got your finger on the right things that take the utility growth rate perhaps lower than the expectation, but a nice growth rate nonetheless because the things that we do control, the things we're doing to put capital to work obviously continue. And as I said, when you think about going out beyond 2015, you'd see the annualization of bonus deprecation in terms of the base versus a subsequent year effect, and then pension obviously we think being more of a one-time and then going back to normal. So you're exactly right on how you're thinking about it.

<Q - Dan L. Eggers>: And I guess this is the last question. You talked about $2.4 billion of utility CapEx. Is that just for 2015? Or are you guys thinking that's going to be the new repeated number kind of for the five-year plan?

<A - Caroline D. Dorsa>: So we haven't given the five-year number, but the three-year number and you'll see this in our 10-K when we file it, the three-year number averages about $2.4 billion per year in total for PSE&G, so I'm talking 2015, 2016 and 2017. And when you do that and you look at that, keep in mind that, as I said, transmission will be more than half of that. So you're going to see transmission really carrying the weight of that growth. So we're really pleased to see that on average for the next three years, and then we'll talk more about the five years on March 2.

<Q - Dan L. Eggers>: Great. Thank you, guys.

<A - Caroline D. Dorsa>: Sure. Next question?

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Operator

Your next question comes from the line of [ph] Ashar Khan (42:04) with Visium.

<Q>: Good morning and congratulations.

<A - Ralph Izzo>: Thank you, [ph] Ashar Khan (42:10). Good morning.

<Q>: Well, I've been kind of attacking this I guess, Ralph, it's like – year-after-year it's like the best integrated company, and I hope we start getting discernible premium this year as we go forward.

<A - Ralph Izzo>: Thanks.

<Q>: But I wanted to go over a point that Caroline graced is that because of the all pension and all that and the hefty CapEx that you've mentioned, if I heard correctly Caroline, you expect the utility to then go back to somewhat closer to a 9% or 10% growth rate going forward if I do my math correctly based on the CapEx and everything for the next couple of years. Is that a fair thing which you referred to a little bit in your remarks because the growth got a little bit dampened this year from 2014 to 2015 from the pension and other things. But it should re-grow at a faster rate coming out of the blocks 2015 going forward, based on the CapEx and things which you have indicated. Am I on the right track?

<A - Caroline D. Dorsa>: Yeah. So, [ph] Ashar Khan (43:20), you are on the right track. I won't validate a particular number that you cited there. But, yes, think about one-time effects, when you have a year-on-year effect of something like bonus depreciation which you remember, was passed at the very, very end of 2014, that has its one-year effect and then it becomes part of the base. Pension same thing, right, lower interest rates and then mortality table, which as you probably know is once in about 10-year effect, those things come in. And so, we would expect utility growth to be higher as we go on a 2015 to 2016 basis and on a 2014 to 2015 basis for exactly the reasons you cite overlaid on the backdrop of what I just mentioned, which is a continued robust investment program averaging a little bit more on an annual basis than we actually spent last year. So the fundamentals are there to provide the driver for that opportunity and we've got these sort of one-year effects from the two items. That's the right way to think about it.

<Q>: And then, if I could just then if I'm thinking through it on an investment proposition, so it's now utility earnings with the LIPA contract and all that makeup like 55% of the earnings. And say, this is my number, if we're growing at around 9% or 10%, on the utility that would imply a consolidated growth rate of about 5% or so. And with the dividend now growing at 5%, I mean I think so we have a value proposition, which is equal to any utility or even better than the rest of the group.

<A - Caroline D. Dorsa>: So we certainly think we have a good value proposition, no doubt about that – and thank you for mentioning the dividend as well. Obviously, we don't give guidance beyond the current year, as you know, because of Power, although I think we're pretty pleased with what we've been able to deliver and the guidance we're giving for Power for this year. And frankly, going forward, expect us to do the same things we've been doing with Power for the past few years and I think relatively successfully layering in hedging, taking advantage of opportunities when we see them, and continuing to just take advantage of a well-positioned fleet. So we do think we have a good value proposition. I just mentioned and I think you were just doing the math separately. As you know, PSEG Long Island and our operating arrangement on Long Island is not part of PSE&G's results. It's part of the Enterprise, but you may have been just adding that back in your calculation.

<Q>: Okay. And if I can just end up, Ralph, we're happy on the dividend, but do you have a payout goal in mind for the consolidated entity earnings or on the utility earnings? I just wanted to get a sense. If not the board has a payout or no?

<A - Ralph Izzo>: Sure. No, we don't, [ph] Ashar (46:21). You may recall, a few years ago, maybe about five or so, we did have a number, and we found it too limiting. The dividend is something that we discuss all the time with the board, but we have a very robust conversation. We talk about where are the earnings coming from, what is the cash

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being generated, where are we in the power cycle – the power price cycle, what are the cash needs of the business, what are our competitors doing, competitors for capital, that is. So it's a very fulsome discussion and not one that lends itself to simply saying x% is the payout ratio. But we do try to guide you qualitatively recognizing that the dividend decisions are the purview of the board on a quarterly basis. But the number we put forth this time we believe is consistent with that view that we can provide a sustainable growth in the dividend.

<Q>: Thank you so much. Cracking results.

<A - Ralph Izzo>: Okay.

<A - Caroline D. Dorsa>: Next question?

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates.

<Q - Paul Patterson>: Good morning, guys.

<A - Caroline D. Dorsa>: Good morning.

<A - Ralph Izzo>: Good morning, Paul.

<Q - Paul Patterson>: Just really quick, I'm sorry if I missed it. The gas monetization in Q4, could you quantify that? And is there any sort of outlook of what the opportunity might be for stuff like that going forward?

<A - Caroline D. Dorsa>: Yeah. So I didn't quantify that specifically, Paul, in terms of a number on the quarter. What I did mention was that the gas monetization benefit was essentially similar to what we saw in 2013. So you may recall in 2013 – and I'm talking about this [indiscernible] (47:51) differential base in our supply. 2013, it was about $0.05 and in 2014 it was just about the same level.

In terms of thinking about it going forward, obviously, we don't control that differential, but two things good to keep in mind. If you look at forward curves, you still see that differential. And so that's valuable and we model everything on the forward curve, including thinking about that differential. What, of course, you can always think about for us that does sustain is that access. Right? So we have the access this year, given what the team has been able to accomplish in terms of providing even more access to [indiscernible] (48:33) Marcellus and Utica gas, we've been able to step up that percentage to a total of about 60%. And so, when you have the differential and we've got this long-term access, that's going to stay with us, can't say exactly what percentage every year, but long-term significant access. When that differential is there, you'd expect us to get it.

<Q - Paul Patterson>: Okay. And then the polar vortex? It looks like we have some similar conditions out there to what we saw on January 7 of last year and the performance of plant seems to be better. And I'm wondering whether or not you think that might impact the capacity performance proceedings going on right now at FERC? Or, just in general, what do you guys see or what are you hearing out of FERC or anywhere else with respect to how that process is going or your expectations with respect to it?

<A - Ralph Izzo>: So, Paul, you're right. I mean, temperatures have been averaging about 16 degrees below average the last few days and plants are operating. But I think I know for us and I suspect for others, there were some operational changes we're able to make to reduce the amount of forced outages. Just in light of the forecast, we moved our coal piles around a little bit more so that we make sure that we didn't face them freezing up. But what hasn't changed for us and I suspect for others, the amount of capital investment that's being made in the older units, which basically never run until you get six days averaging 16 degrees below zero. And I think FERC is very cognizant of that. So there's only so much you can get out of improved performance by doing some operational prep work and eventually frictional forces that these temperatures overcome, whatever you might do in terms of preparation and those capital improvements are needed.

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And so, I think FERC will be supportive. I don't want to predict any outcome. I don't want to guarantee an outcome. But suffice it to say that there's really two issues that are involved in making sure a power plant runs. It's what you physically have put into the asset and what you do to ready it. And in terms of physical preparation, it's not leaving coal piles exposed, putting buildings around them, so that they are protected from the elements, that's a capital investment and you're not going to do that unless you know that you're going to get paid in the capacity market, because those typically – in our case at least, aren't units that capture energy margin.

So we're still cautiously optimistic about what FERC will do. And we are very confident that whatever FERC does, we do have the type of fleet that will benefit from it.

<Q - Paul Patterson>: Okay, great. I appreciate it.

<A - Kathleen A. Lally>: Thank you. Next question?

Operator

Your next question comes from the line of Stephen Byrd with Morgan Stanley.

<Q - Stephen Calder Byrd>: Good morning.

<A - Ralph Izzo>: Good morning, Steve.

<A - Caroline D. Dorsa>: Good morning.

<Q - Stephen Calder Byrd>: Wanted to start on the utility. For 2014 and I guess going into 2015, what was the earned ROE at the utility in 2014 and what's the assumption going into 2015 that defines the guidance?

<A - Ralph Izzo>: We earned our allowed returns, Stephen, just you may recall that we have an 11.68% return at transmission, and a blend of 10.3% at the utility for the most – at the distribution level a blend of 10.3% and some of the more recent programs are at 9.75%.

<Q - Stephen Calder Byrd>: Okay. So the actual results of 2015 were right at your earned level or were they in excess of the earned level?

<A - Ralph Izzo>: They were right at the earned level.

<Q - Stephen Calder Byrd>: Okay. And...

<A - Ralph Izzo>: We're investing heavily in the utility to make sure that's the case.

<Q - Stephen Calder Byrd>: Okay. Understood. And what's the timing for the likely filing of the rate case?

<A - Ralph Izzo>: November of 2017.

<Q - Stephen Calder Byrd>: Is when you would file?

<A - Ralph Izzo>: Is when we would file for a test year that is three months to start and nine years prospective. Typically, we may seek to push it out even further.

<Q - Stephen Calder Byrd>: Okay. And then, looking over in terms of gas infrastructure, major theme we've seen is more investment in pipelines and we saw your investment there at the Power side. Do you see other potential need for gas infrastructure that looks interesting for you in your service territories, as you look at the growth of gas infrastructure?

<A - Ralph Izzo>: No, not in our service territory. It seems to me that most of the gas pipeline build that's been proposed nowadays for a variety of reasons is going from Marcellus and Utica to the Southeast and to the South. That's a much longer conversation that we can have. There is some very good economic fundamental reasons why that's taking place. I think we're ready for the next question, operator.

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Operator

Your next question comes from the line from Travis Miller with the Morningstar.

<Q - Travis Miller>: Good morning. Thank you.

<A - Ralph Izzo>: Hi, Travis.

<A - Caroline D. Dorsa>: Hi, Travis.

<Q - Travis Miller>: Hi. Wonder if you could talk about a little more of the incremental investments that you've discussed here over the last few months about Energy Strong where that stands, what filings we might see in the next three to six months opportunities, the incremental stuff, that's not been approved for Energy Strong?

<A - Ralph Izzo>: Sure, Travis. The pure Energy Strong filing, if you will, had multiple components to it. There were a series of substations, for example, that were a center piece of, I think there were 29 of them that have to be upgraded and there where we are is we're in the engineering and design phase of that work. So that work is probably going to be the longest dated one, and when we do file for additional help in that area that's likely to not be off for at least another year. Another big part of Energy Strong though was the $350 million program to replace some of the cast iron main system. And I think we've done over 200 miles of that already and that is one that is scheduled to pretty much wind down by the end of 2015.

So we'll talk more in detail about that on March 2, but that is a filing that we will be making in very, very short order to continue that program. That's important for a whole host of reasons, not the least of which is number one. You don't want to keep mobilizing and then de-mobilizing your workforce to do that. And as I said, that's winding down at the end of the year. But probably equally if not more important is the fact that we've continued to be able to pass these gas credits on to our customers. So this is the time to make the investment in infrastructure while the supply part of the bill is actually coming down, because it's something that the customer can afford to do right now. We're always mindful of the burden that we are putting on the customers.

But there are some other parts of Energy Strong that are smaller in magnitude, but those being the two biggest ones. Some of the other things we've talked about in terms of potential investments that we're still waiting to here on are the Utility 2.0 program out on Long Island. Candidly we thought that would be resolved by now, but that looks like it's going to go out a couple more quarters into this year. We had thought we were the winner of the FERC 1000 project at Artificial Island. As you know, PJM is reconsidering that, and I don't know exactly when a decision will be forthcoming there. We thought it would be Q1. But Q1 is now halfway gone and that decision isn't done. The PennEast Pipeline investment we've made is still underway. The energy efficiency filing that we made is still having very constructive dialogue with the staff on that. So, there are things in all manners, all different stages from disappointment in terms of Bridgeport Harbor, optimism in terms of energy efficiency and a whole bunch of stuff in between.

<Q - Travis Miller>: Okay. How much of all those programs that either haven't been approved or at development process are included in that $2.4 billion CapEx number?

<A - Caroline D. Dorsa>: None.

<A - Ralph Izzo>: Zero, zero.

<Q - Travis Miller>: Okay. So that's upside. Okay. Thank you very much.

<A - Caroline D. Dorsa>: Thanks, Travis. Next question?

Operator

Your next question comes from the line of Jonathan Arnold with Deutsche Bank.

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<Q - Jonathan Philip Arnold>: Good morning guys.

<A - Ralph Izzo>: Good morning, Jon.

<A - Caroline D. Dorsa>: Good morning.

<Q - Jonathan Philip Arnold>: Quick question on what you've said about the dividend, Ralph. You've been very clear you wanted to be, to grow consistently and sustainably. Does that mean we should anticipate similar percentage growth going forward to what you've just done or similar kind of share growth or how consistent are we talking?

<A - Ralph Izzo>: So, let's just put it this way, Jonathan, about 40 years ago or maybe, I think it was about then, we put a big increase into the dividend, I think it was about an $0.08 or $0.10 increase in the dividend. $0.12. Thank you, Jon. And we went out of our way to tell people that that was a significant resetting of the dividend and not to be expected as an ongoing change in the dividend. And we haven't used those words this time. So I really don't want to be tied to a specific number either from a cents per share or a percentage point of view, except to say that, we think this dividend increase is supportable and sustainable.

<Q - Jonathan Philip Arnold>: It seems you're growing it roughly in line with how you expect the utility earnings to grow this year, I mean, is that kind of the [ph] status policy (57:40)?

<A - Ralph Izzo>: Yeah. And again – that's a fair question, Jonathan. And I did say earlier that we look to see where the earnings in the company are coming from because, quite candidly, Power is more cyclical and the utility is more steady. But we don't have a – it's not formulaic. It's not 0.9 Utility plus 0.1 Power or 1.1 Utility plus 0.2 Power. It's clearly the fact that the utility will be well over 50% this year for the second year in a row. It depends on how you define well over. It'll be over 15% for the second year in a row, gives us more confidence in the size of the increase and the sustainability of the increase. But we absolutely know how important it is to the shareholders. We hear about it all the time.

<Q - Jonathan Philip Arnold>: Okay. And then on the credit metrics, I think you mentioned that Power's FFO-to-debt was [ph] 59% (58:33) at the end of the year. Is there anything about [indiscernible] (58:38) you're forecasting flattish earnings for 2015 in Power at the middle of the range. Is there any reason why FFO-to-debt wouldn't be similar in 2015 as in 2014?

<A - Caroline D. Dorsa>: No. So, good question, Jonathan. If you look at, you're right, where we landed the year. Power is going to continue to be in very good shape. So I think the way to think about it is FFO-to-debt will continue to be well in excess of our floor of 30% just continuing to provide a lot of investment capacity of Power for the things that Ralph has just been talking about and of course as you know we don't have any parent debt and so that provides us even more opportunity for regulated investments. So yeah, I continue to see Power a very robust and what I like about is it allows us to have that conversation of where else can we make incremental investments, because there is just a lot of room there and that's a nice way to start the conversation about extra capital investment, not talking about issuing equity.

<Q - Jonathan Philip Arnold>: So unless [ph] 2016 (59:39) is going to step down very significantly, it seems like mathematically there's no way you can be sub 50% for the 2014, 2015 average, which is I think what your EEI slide showed. Could those numbers be up by that much higher? Is that -- are we on the right track there?

<A - Caroline D. Dorsa>: Yeah. So, I won't give the specific numbers now on the call and we'll talk more about the long-term view of things on March 2, but I think the right takeaway is that balance sheet is in terrific shape and we look for as Ralph said lots of ways to deploy it. The numbers are in really, really good shape.

<Q - Jonathan Philip Arnold>: Did you come close on Bridgeport Harbor or was it...?

<A - Ralph Izzo>: Nice try, Jon.

<Q - Jonathan Philip Arnold>: All right.

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<A - Ralph Izzo>: We're not going to reveal close or not close, because as soon as I give you a qualitative answer, you'll try to narrow me further.

<Q - Jonathan Philip Arnold>: Thank you.

<A - Ralph Izzo>: Thank you.

Operator

Ralph is going to have some closing remarks and then we'll complete the call. Thank you.

Ralph Izzo

Thanks, Kathleen. So something just a little bit out of character. As many of you know – as all of you know, there is probably no bigger fan of our employees than yours truly here. There is one that I just want to make special mention of that, many of you probably have never met before, but after 40 years of service in the industry and 10 years with us, eight years as our chief nuclear officer. We did announce the retirement of Tom Joyce. Tom is just the quintessential professional, not only did he just create tremendous value for our customers and our shareholders, but he did what's expected of every strong leader and that is he leaves behind an incredibly solid team and groomed a talented successor. But I just can't thank Tom enough. And I thanked him yesterday in front of employees. So I want to make sure, I thank him today in front of our investors.

As for the rest of my comments, it's simply this, for those of you in the Northeast, I hope you stay warm, hang in there. Our plants are running, our gas pressures on the system are good if not only even Northeast but you are in our service territory. And I hope to see all of you a week from Monday at our annual meeting. So I hope you're as pleased as we are with that result, and the outlook for 2015 looks even stronger. See you soon. Thank you.

Kathleen A. Lally

Thank you, operator.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect. And thank you for your participation.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-10-30
Event Description: Q3 2014 Earnings Call

Market Cap: 20,901.21
Current PX: 41.31
YTD Change($): +9.27
YTD Change(%): +28.933

Bloomberg Estimates - EPS
Current Quarter: 0.474
Current Year: 2.730
Bloomberg Estimates - Sales
Current Quarter: 2719.250
Current Year: 10781.182

Q3 2014 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Kit Konolige
- Julien Dumoulin-Smith
- Neel Mitra
- Dan L. Eggers
- Paul B. Fremont
- Paul Patterson

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Brent and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group's Third Quarter Earnings Conference Call and webcast.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, October 30, 2014, and will be available for telephone replay beginning at 2 o'clock PM Eastern today until 11:30 PM Eastern on November 6, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Brent. Good morning. Thank you all for participating in PSEG's earnings call this morning. As you are aware, we released our third quarter 2014 earnings statements earlier this morning. The release and attachments, as mentioned, are posted on our website, www.pseg.com, under the Investor section. We have also posted a series of slides that detail the operating results by company for the quarter. Our 10-Q for the period ended September 30, 2014 is expected to be filed shortly.

I'm not going to read the full disclaimer statements or the comments we have on the difference between operating earnings and GAAP results. But, as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimate changes unless, of course, we are required to do so.

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Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of factors that may cause results to differ from management's projections, forecast, and expectations and for a reconciliation of operating earnings to GAAP results.

I'm now going to turn the call over to Ralph Izzo, Chairman, President, and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer.

At the conclusion of their remarks, there will be time for your questions. And I'm not going to limit you because [indiscernible] (2:49).

Ralph Izzo

Nice try, Kathleen. Thank you. And thank you, everyone, for joining us today. Earlier this morning, we reported operating earnings for the third quarter of 2014 of $0.77 per share, compared with operating earnings of $0.76 per share in 2013's third quarter. The results for the third quarter bring PSEG's operating earnings for the nine months ended September to $2.27 per share, which is a 9% increase over the $2,000.09 (sic) [$2.09] (3:23) per share earned during the first nine months of last year.

I'll refer you to slides four and five, as they contain the detail on the results for the third quarter and for the nine months. PSEG earnings continue to benefit from the expansion of our regulated utility capital program.

Our results also benefited from the focus placed on controlling the growth in operating expenses, which offset the impact of less favorable weather conditions on demand for electricity. Our major transmission projects are being completed on-time and on-budget. We completed construction of the $390 million North Central Reliability line and placed the $400 million Burlington-Camden line into service as well. These two 230-kilovolt lines will improve the system's power quality and voltage stability.

Construction on the New Jersey portion of the Susquehanna-Roseland line was also completed in the quarter. The work to connect the Western portion of this major 500-kilovolt project in Pennsylvania with New Jersey is underway. And it's planned to go into service around mid-2015.

We are in the midst of engineering, permitting and siting work on our remaining large projects as we also work on the upgrade and conversion of lower voltage lines. These projects are all part of our planned $6.8 billion capital investment in transmission, which provides for the double-digit growth in PSE&G's earnings in 2014, as well as the anticipated double-digit growth in rate base and earnings through 2016.

We hope to add the proposed 500-kilovolt line at Artificial Island to our stable of transmission projects. We supplemented our original proposal to meet the stability issues at Artificial Island and expect to have a decision from PJM during the first quarter of next year.

We have also accelerated the replacement of PSE&G's cast-iron gas-pipe system. Approximately $350 million of the $1.22 billion Energy Strong investment program approved by the BPU earlier this year is dedicated to this ongoing effort. This is an opportune time to pursue these investments. Major surcharges on customers' electric bills are scheduled to expire over the next two years. And the bills for PSE&G's gas customers continue to benefit from the capable management of the company's natural gas storage and transportation contracts.

The BPU approved, on a provisional basis, a 9% reduction in the gas rate paid by residential customers. The reduction, which was effective on October 1, just a few weeks ago, is the latest in a series of reductions, which have lowered customers' gas bills by 44% over the past five years. PSE&G has since indicated that it intends to implement an additional bill credit over the months of November, December and January that will return approximately $160 million to residential gas customers.

The earnings growth enjoyed by PSE&G in the quarter offset the impact on earnings from the well-known reset in Power's capacity revenues. Lower operating costs helped to offset the impact of mild weather on energy pricing and

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earnings.

We're in the midst of major change in the electricity markets. An unprecedented amount of capacity is expected to retire over the next two years in response to environmental requirements and market economics.

In addition, the availability of low-cost gas in the Marcellus and Utica Basins and the lag in development of infrastructure to move the gas to market has, and is expected to continue to be, a source of volatility in gas and electricity prices. The new dynamic implies that winter is as important to the power market as the summer, as demand in the winter season can heavily influence forward prices.

Power is well-situated, its fleet of base load, intermediate, and peaking-generating assets benefits from access to low-cost gas in the summer and from price volatility in the winter. The changing dynamic in the market creates a need to review maintenance practices to ensure availability of our units during critical peak condition.

The changing market dynamic appears to be recognized by PJM. The changes proposed by PJM to the Reliability Pricing Model, RPM, as we often refer to it, are designed to incent operations-related investments as much as they are meant to encourage new investments in light of the events in the winter of 2014 and known retirements of capacity over the next two to three years. PJM's proposals which provide for a change in the demand curve as well as its capacity performance proposal could provide greater visibility to much needed market-driven price formation.

Outside PJM, the potential to receive a seven-year contract for new capacity that clears the market in New England under its revised capacity construct, has encouraged us to consider bidding a new 450-megawatt gas fired combined cycle unit into next year's auction. The new unit, which would be located at our existing Bridgeport Harbor site, would represent a $600 million investment. I do want to emphasize, however, that we would only proceed with this project if it clears in the forward capacity auction.

The potential investment in Bridgeport Harbor would represent the latest of several opportunities for PSEG. Over the past quarter, Power has announced they plan to invest $100 million to $120 million for an equity interest in the PennEast Pipeline. This 105-mile pipeline would bring gas from Pennsylvania into New Jersey and provide PSEG and its customers with increased access to low-cost natural gas supply.

Similarly, PSEG-Long Island has updated its Utility 2.0 proposal. The revised proposal to spend up to $345 million meets the customers' desire for increased investment in energy efficiency, demand resources, and distributed generation. It also limits the impact on customer bills as the increased investment would be financed by LIPA, the Long Island Power Authority.

The inclusion of a performance incentive mechanism in the proposal provides PSEG-Long Island the opportunity to earn an increased return. If preferred, the proposal also reaffirms PSEG-Long Island's original approach to fund new rate base-like investments. So, PSEG-Long Island could benefit from the Utility 2.0 investments through either the use of its own capital or proving out the effectiveness of the programs and earning under the performance mechanism.

PSE&G is also waiting the BPU's response to its request to invest approximately $100 million in programs that would extend existing energy efficiency offerings here in New Jersey. Together, if my math is right, these programs represent an investment opportunity of over $1.2 billion and extend the growth associated with our existing $13 billion capital program. These investments also provide our customers with access to low-cost gas and cost-effective technologies that reduce emissions, as they also improve system reliability.

Based on the strength of our results for the quarter and year-to-date, we are raising the low end of our full-year operating earnings guidance to $2.60 from $2.55 per share. And as we indicated last quarter, we remain on track to achieve results at the upper end of our revised operating guidance of $2.60 to $2.75 per share. Our investments are meeting our expectations, our costs are under control, and we remain well positioned to deploy our balance sheet to meet shareholder objectives for long-term growth.

I'll now turn the call over to Caroline to review our operating results in greater detail.

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Caroline D. Dorsa

Thank you, Ralph, and good morning. I will review our quarterly operating earnings as well as the outlook for full-year results by each subsidiary company. As Ralph said, PSEG reported operating earnings for the third quarter of 2014 of $0.77 per share versus $0.76 per share in last year's third quarter. And for the nine months ending September 30, we reported operating earnings of $2.27 per share versus $2.09 per share last year.

Slides four and five provide a reconciliation of operating earnings to income from continuing operations and net income for the quarter and year-to-date. We've also provided you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business, and a similar chart on slide 12 that provides you with those changes in operating earnings by business on a year-to-date basis.

So, now, I'll review each company in more detail, starting with PSE&G. As shown on slide 14, PSE&G reported operating earnings for the third quarter of $0.39 per share compared with $0.33 per share a year ago. PSE&G's earnings in the third quarter continued to benefit from an increase in revenue associated with its expanded capital program, particularly in transmissions, and a decline in operating costs.

An approved increase in PSE&G's transmission revenue under its formula rate effective at the start of the year, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.04 per share, bringing the total transmission-related earnings increase to $0.10 per share on a year-to-date basis. And the roll-in of our second capital infrastructure program or CIP II into our rates this past July improved earnings comparisons from distribution during the quarter by $0.01 per share.

A decline in operating expenses, particularly pension expense, led to an improvement in earnings of $0.02 per share. PSE&G's revenue was affected by weather conditions during the third quarter, which were very mild relative to normal as well as relative to conditions in the year-ago quarter.

On average, weather in the third quarter was 14% cooler than normal and 18% cooler than 2013's third quarter. The impact on demand from the mild weather reduced quarter-over-quarter earnings by $0.02 per share.

PSE&G's earnings continue to benefit from a decline in financing costs, which more than offset an increase in the level of debt on the balance sheet associated with higher levels of capital spending. The reduction in interest expense and a lower tax rate more than offset an increase in depreciation expense and netted to an increase in quarter-over-quarter earnings of $0.01 per share in the distribution business.

Economic conditions in New Jersey, as evidenced by employment in the service territory, continue to show signs of improvement. Adjusting for the weather, electric sales in the quarter grew by 0.4%, and the improvement was led by an increase in demand from the residential sector and reflects some growth in the number of customers.

So, on a year-to-date basis, weather-normalized electric sales grew by 1.1%. Weather-normalized gas sales, while less impactful to results in the third quarter, advanced 1.9% in the quarter and 4% for the nine months ended September. Of course, demand for gas continues to benefit from a decline in commodity prices and economic conditions.

Customers will see a further decline in the commodity portion of their bills during the upcoming year. The BPU approved on a provisional basis an annual reduction of 9% in residential customer gas rates that went into effect on October 1 of this year.

And given the continued availability of low-cost gas under the company's long-term supply arrangements, PSE&G has since informed the BPU that it would be implementing an additional three months bill credit of 31%, which would return approximately $160 million to customers over the months of November, December and January of 2015.

On the transmission front, PSE&G has filed for an update to its formula rate for transmission at the FERC. The update, which provides for a return on PSE&G's forecasted increase in its capital investment in transmission, would increase 2015's annual transmission revenues by an estimated $182 million at the start of the new year.

final
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SI-SSA-0015-15097

You'll recall that in 2014, we added $171 million to our revenues, which has resulted in year-to-date growth earnings of $0.10 per share, something to keep in mind proportionally as you do your modeling for our filings for 2015.

The BPU also found that all but $400,000 of PSE&G's $366 million of storm costs are prudent and recoverable in a future base rate proceeding. The total spend breaks down as approximately $126 million of major storm capital expenditures and incremental O&M of approximately $240 million.

PSE&G is also awaiting a decision from the BPU on its request to invest approximately $100 million plus administrative costs on programs that would extend existing energy efficiency offerings in the residential, multifamily, hospital and self-install markets. This program is not expected to have a major impact on customer rates and we expect a decision during the first half of next year.

PSE&G is meeting its capital and operating benchmarks and earning its authorized return. For the year, we've made a slight modification to our forecast of PSE&G's operating earnings. The low end of the range has been increased to $710 million, bringing the range for operating earnings guidance to $710 million to $745 million from the prior $705 million to $745 million. Results for the remainder of the year will continue to reflect an increase in transmission and distribution revenue and a reduction in operating and maintenance expense including, importantly, pension costs.

With that, let's now turn to Power. Power reported operating earnings for the third quarter of 2014 of $0.34 per share, compared with $0.43 per share for the third quarter of 2013. Power's results reflect the full-quarter impact of the scheduled reset in the average price received on PJM capacity as well as lower market prices for energy. PJM capacity prices were reset to an average level of $166 per megawatt day on June 1 of 2014 from $242 per megawatt day in the prior-capacity year.

Recall that we now enter a period where Power's PJM fleet based on the results of past auctions is expected to experience stable capacity prices in the range of $165 to $166 per megawatt day through May 31 of 2018. Declining capacity revenues reduced Power's quarter-over-quarter earnings by $0.09 per share. Mild weather conditions relative to a year ago and lower gas prices resulted in a return to a more average spark spread for our region than those we experienced during the hot summer last year, and that reduced quarter-over-quarter earnings by $0.03 per share. A decline in Power's average hedge price for energy and lower market prices combined to further reduce quarter-over-quarter earnings by $0.04 per share.

Power's O&M expense was lower in the quarter relative to the level experienced in the year-ago quarter. The absence of major maintenance expense at the Bethlehem, New York, facility in 2014 compared to the year-ago quarter, and lower nuclear outage related costs even with the impact of Salem's extended outage in the quarter, combined with lower pension expense to improve Power's quarter-over-quarter earnings by $0.06 per share.

A reduction in the tax rate and other miscellaneous items more than offset an increase in depreciation in interest expense to improve quarter-over-quarter earnings by $0.01 per share. The availability of the Bethlehem, New York gas-fired combined cycle facility in 2014 led to a 4% improvement in the generating fleet output in the third quarter as production from the gas-fired combined cycle fleet increased 16% in the quarter to 5 terawatt hours or about 34% of output.

Output of the nuclear fleet improved slightly from year-ago levels. During the quarter, the fleet operated at a capacity factor of 92% and produced 7.6 terawatt hours or about 52% of output. Production from the coal-fired and peaking units declined 8% during the quarter to 2.1 terawatt hours, about 14% of output, due to planned outages as well as lower weather-related demand. Generation volumes in PJM, overall, were flat relative to year-ago level.

Power expects output for the full-year to be approximately 53 to 55 terawatt hours. The forecast represents a slight increase in output on a year-over-year basis, but is lower than our prior forecast for 2014, given year-to-date performance including the mild summer.

Keep in mind, we have scheduled fourth quarter outages at the Salem 1 and Peach Bottom 2 nuclear facilities. Salem 1 began a normal refueling outage earlier this month, and Peach Bottom is undergoing work associated with its planned uprate during a refueling outage.

final
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Approximately 80% to 85% of generation in the fourth quarter is hedged at an average price of $49 per megawatt hour. The average price for energy hedges in the full year is approximately $48 per megawatt hour versus the average hedge price for energy in 2013 of about $50 per megawatt hour.

Power is maintaining its forecast of economic generation for both 2015 and 2016 at 55 to 57 terawatt hours per year. This represents an increase in output from 2014's forecast. For 2015, Power has maintained its average hedge position at 65% to 70% of forecast generation at an average price of $50 per megawatt hour.

You'll recall that Power had increased its hedge activity earlier in the year in response to higher market prices. The current level of hedges is consistent with past practice and continues to assume BGS volumes represent about 11 terawatt hours of demand, in line with the 2014 forecast for BGS volumes.

In 2016, Power has increased its average hedge position to approximately 35% to 40% of its generation from 30% to 35%. Hedges in 2016 have been transacted at an average price overall of $49 per megawatt hour compared with our prior update, which indicated average hedge prices for 2016 of $51 per megawatt hour. The decline in the average hedge price for 2016 reflects an increase in non-BGS-related hedges, all done at market prices since our last update. And you'll recall, you've seen this pattern from us in prior periods.

As we increase the proportion of non-BGS hedges in the third year out, the weighted average math of putting in hedges at market prices, relative to the representation of BGS in that total, and remember BGS goes in at a full requirement's price less capacity, normally brings down the weighted average hedge price as we move through the year.

For example, in 2016, last quarter, BGS represented about 30% of the total amount that was hedged in our disclosures last quarter and now is closer to 25%. One thing to note is that the prices that the new hedges were put on, the market prices for the new hedges, are actually slightly higher than the energy component of BGS that cleared in February of 2014. So, again, our normal pattern as we layer in market hedges, post the clearing of BGS in February.

We've narrowed our range for Power's 2014 operating earnings guidance to $575 million to $610 million from the prior $550 million to $610 million with full-year operating results expected to be at the upper end of the range. Results for the remainder of the year are expected to be influenced by the reset in the average price received on PJM capacity that we just talked about and the decline in the average price of energy.

Power's O&M expense for the fourth quarter is expected to compare favorably with year-ago level, given a reduction in pension expense and the absence of major outage-related work. We anticipate O&M for the full-year will be flat versus 2013's level of expense, and this estimate, as always, assumes normal weather and normal operations.

As we notified you earlier this year, Power discovered errors in its cost-based bids for its New Jersey fossil-generating units in the PJM energy market, as well as additional pricing errors and differences between the quantity of energy that Power offered into the energy market and the amounts for which Power was compensated in the capacity market.

We have since been verbally notified by the FERC staff that they have initiated a preliminary, non-public staff investigation into matters discovered by Power. The investigation could result in the FERC seeking disgorgement of any over-collected amounts, civil penalties, and non-financial remedies.

Power has implemented procedures and continues to develop processes to mitigate the risk of similar issues occurring in the future, and as is usual in matters of this nature, FERC investigation may take an extended period of time to resolve. We have not, by the way, changed the reserve we took in the first quarter which still stands at $25 million.

Let me now turn briefly to the enterprise and all others. PSEG Enterprise/Other reported operating earnings of $22 million or $0.04 per share in the third quarter of 2014 versus an operating loss of $4 million or $0.01 per share during the third quarter of 2013. The results reflect the inclusion of earnings from the operating contract for PSEG-Long Island as well as a reduction in tax expense.

The conclusion of an Internal Revenue Service audit for the tax years 2007 through 2010 resulted in a $121 million cash refund and a reduction in tax expense. The reduction in taxes improved quarter-over-quarter earnings comparisons by $0.02 per share from the closure of the audit.

final
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In October, PSEG-Long Island updated its original Utility 2.0 proposal, which called for PSEG-Long Island to invest up to $200 million over four years in programs that would expand energy efficiency, demand resources, and distributed generation on Long Island.

The updated proposal calls for an increase in the size of the program to $345 million. As currently proposed, PSEG could fund all or some of the increased program and compensation for the part that is funded by LIPA could be performance based. We anticipate a decision on the Utility 2.0 proposal by year-end.

On the financing side, we ended the quarter with cash on hand of $703 million. The growth in PSE&G's earnings and cash flow and the cash generated by Power continue to support our financing requirements without the need to issue equity. Debt represented 41.6% of our consolidated capital structure and 31.6% of Power's capitalization at the end of September.

As Ralph mentioned earlier, we have narrowed the range of our 2014 operating earnings guidance to $2.60 to $2.75 per share and continue to expect earnings to fall at the upper end of that range. PSE&G remains on course to achieve double-digit growth and operating earnings during 2014 as its contribution to earnings is expected to exceed 50% of our forecasted earnings for the year. PSEG Power is expected to report earnings at the upper end of the forecast range for the year.

That concludes my remarks. And at this point, we're now ready for your questions, and I'll turn it back over to Brent.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session from members of the financial community. [Operator Instructions] One moment, please, for the first question. Your first question comes from the line of Kit Konolige with BGC. Please go ahead with your question.

<Q - Kit Konolige>: Good morning, guys.

<A - Caroline D. Dorsa>: Good morning.

<Q - Kit Konolige>: A couple of related areas. First of all, can you give us a sense of what kind of response you've seen in New Jersey so far to, as far as working with the commission and the authorities, in general, on 111(d)?

<A - Ralph Izzo>: Sure, Kit. We've had lots of communication staff-to-staff with New Jersey DEP. I think, it's pretty safe to assume that one of the areas that we're focusing on was the amount of credit or, candidly, the lack of credit, that's given for nuclear output and the feeling that the cleaner states, in our case, are being somewhat penalized.

The second area that I'd put – sort of lower priority, the opportunity to perhaps expand the purview of 111(d) to touch upon things that are electric-related, but not specific to power plants in New Jersey. Our leading cause of CO2 emissions is transportation, so the possibility of expanding 111(d) to include electric transport and the possibility of expanding 111(d) to include methane leakage, fugitive emissions [indiscernible] (31:31) that feed combined cycle units. But I put those two issues – electric transportation and methane leakage – as a distant second to the concern for the credit not given to nuclear.

<Q - Kit Konolige>: What, Ralph, do you have any sense so far, A, if there's been any responsiveness at the state level to crediting nuclear; and B, what kind of form would you like that to see, or can we reasonably expect that to see – to appear as?

<A - Ralph Izzo>: Yeah. So, I'd say that it's not much of an exaggeration to say that we are in lock-step with the state on their perspectives on 111(d). As you know, Kit, we have a clean fleet. Nuclear typically is 55%, 57% of our yearly output; the third quarter it was 52%. But as to the details of how that would manifest itself, I'm not sure I want to get into that on this call, we could certainly talk more about that hopefully in Dallas, if you're at EEI. But, there's no space

final
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Bloomberg
SI-SSA-0015-15100

that I'm aware of; I'd hate to be absolutely definitive and say that there isn't any at all between us and the state's position. But, I've been briefed on this a couple of times already and I think we're in lock-step with the state in terms of the issues [indiscernible] (32:57).

<Q - Kit Konolige>: Let me ask about one particular area. You used to be in ReGGIe [Regional Greenhouse Gas Initiative] and now you're not. So, is that something you'd like to see reinstated?

<A - Ralph Izzo>: No, it isn't. Because, as we've said many times, we thought ReGGIe was a good idea to serve as a template for a national emissions trading program, and appetite in Congress to begin a national program. It doesn't seem wise for the state to diminish its economic competitiveness with respect to nearby states in joining ReGGIe

<Q - Kit Konolige>: One other separate area. What -

<A - Ralph Izzo>: [ph] It's out of (33:34) our control. Go ahead, Kit. Go ahead.

<Q - Kit Konolige>: Yeah. All right. Last one. DR, how do you expect that to play out? Obviously, there are still legal issues pending and then one way or another, presumably, PJM and FERC have to figure things out and possibly states as well.

<A - Ralph Izzo>: Yeah. So, on DR, I mean, it's just what you and everyone else on the call knows about it, right, Kit? I mean, the court decisions were very comprehensive, very deterministic, dispositive on the issue. I'm guessing, I'm inferring that the recent stay is just out of a healthy degree of respect for FERC and it's in the desire of the judicial branch to allow the executive branch to weigh its options and it's not at all a reflection that the court decided that, what they'd previously ruled upon was any kind of backpedaling whatsoever. So, I think DR is likely to come out of energy and capacity markets in the future.

Now, PJM has gone on record saying that they're going to adjust for that, that they're going to look for ways to allow DR to affect the demand curve. But, I've got to believe that once that very transparent, efficient market whereby DR providers are paid a revenue stream goes away, that that's going to candidly diminish the amount of DR that's available.

And remember, RPM stands for reliability pricing model. That's PJM's number one responsibility, reliability. And if they don't control the asset, I don't know how much they're going to be able to count on that. So, you add that [ph] to a little over (35:02) 2.5% holdback, and I think all of that weighs very positively for people with iron in the ground and generation assets that are there when needed.

<Q - Kit Konolige>: Great. Thank you.

<A - Caroline D. Dorsa>: Kit, thanks a lot. Thanks.

<A - Kathleen A. Lally>: Next question?

Operator

Your next question comes from the line of [ph] Ashar Khan with Visium (35:31). Please go ahead with your question.

<Q>: Good morning. Congratulations. Can you just talk a little bit about the plant in Connecticut, if it gets into the auction when it comes online and also on the Power's investment in the pipe, when that comes into line as to when those would be helpful to earnings?

<A - Ralph Izzo>: Yeah. So...

<Q>: If you can just revise those date – remind us what the dates are on those things?

<A - Ralph Izzo>: Sure. Sure. So, the auction is in February, I believe. And it's a three-year forward. So, it comes into service in 2018. I'm not sure what month exactly, but early or first half of 2018.

final
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Bloomberg
SI-SSA-0015-15101

PennEast, we've been publicizing a target date of November of 2017. We've also been emphasizing that it's a greenfield project. You could take those two emphasisses – emphases? – what's the plural of emphasis? – and, for your own startup dates for PennEast. But it's a greenfield project and it will not be online before November of 2017. It wouldn't surprise me if it slips into 2018.

<Q>: Okay. And Ralph, any other transmission or any other projects, which – can you just talk about or anything which might be on the drawing board which is not in the CapEx plan?

<A - Ralph Izzo>: Yes. So, I listed about $1.2 billion worth of projects that are not in the CapEx plan and they range from Bridgeport Harbor to PennEast. And I mentioned Artificial Island, which is about $250 million and [indiscernible] (36:53). And I'm looking with a quizzical look at Kathleen and Caroline to see whether or not we've publicly announced what we've put in the open window for PJM.

<A - Caroline D. Dorsa>: No.

<A - Ralph Izzo>: We have not. Okay. So, there are other things we're working on right now. Nothing that's staggering or tilts the balance sheet, but we're always looking at ways to improve the system. And we'll definitely have an update for you on that in the not-very-distant future.

<Q>: Okay. Thank you, sir.

<A - Kathleen A. Lally>: Thank you. Next question?

Operator

Your next question comes from the line of Julien Dumoulin-Smith with UBS. Please go ahead with your question.

<Q - Julien Dumoulin-Smith>: Yeah. Perhaps to follow – well, first off, good morning.

<A - Ralph Izzo>: Good morning.

<Q - Julien Dumoulin-Smith>: But, perhaps to follow-up on the last question, I was curious, how are you thinking about the Power's strategy overall? I'd just be curious the extent to which that you're reinvesting potentially meaningful dollars in New England. Are there other markets, more broadly, other asset types? Again, you've done a few solar projects. Are we thinking about a scaling up of spend in this business at all just as a way to deploy dollars in your excess balance sheet?

<A - Ralph Izzo>: So, Julien, good morning. We like the integrated model. We love the regulated utility business. We love the power-generation business. We look at every project, whether it's a solar farm in California, – we closed on one recently, or bidding a combined cycle unit in New England or building more transmission on a discounted cash flow basis with different hurdle rates and make sure that they're NPV positive, that there is a near-term visibility to the accretion.

And the balance sheet gives us room to do both in both businesses, so there's no shortage of – us trolling around looking for these opportunities. And there's a long list of those we've walked away from, because others had a different point of view of what the future held. But no, you shouldn't interpret the Bridgeport Harbor project as any shift in our affection for the regulated utility or anything of that nature. I don't know, Caroline [indiscernible] (38:58).

<A - Caroline D. Dorsa>: Absolutely.

<A - Ralph Izzo>: Yeah.

<A - Caroline D. Dorsa>: And I think when we look at these kind of opportunities, as Ralph said, we're disciplined in looking at the NPV, using the right hurdle rates. I think the thing that makes us interested in considering Bridgeport, as you think about the capacity construct there and what they've put in place, giving a seven-year incentive, which really helps us think through how to make that work for a new investment. So, those kinds of constructs that truly can confer

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15102

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something really can encourage new investment, we think are very good.

<Q - Julien Dumoulin-Smith>: Excellent. And then turning to the BGS auction, can we talk briefly about the ability to pass through capacity – transitionary capacity increases as a result of the capacity performance scheme and any ability from a regulatory perspective to shift the BGS contracts to be able to allow that?

<A - Ralph Izzo>: So, that has not been decided formally at this point, Julien. I would point out that as Caroline mentioned a moment ago, we've received – we've put in for transmission a formula-rate adjustment of north of $180 million. And the BPU has made it a policy that transmission increases are passed through. I believe there was a similar ruling on SRAC issues a couple of years ago.

So, in general, I think the BPU has recognized that if they want to continue to have a fully competitive active BGS market, that things that are outside of the control of the BGS suppliers have to be adjusted on an as go basis. But, they have not opined specifically on an incremental capacity auction, change that could come out of PJM's most recent concern over asset performance.

<Q - Julien Dumoulin-Smith>: But presumably that's something you would be seeking?

<A - Ralph Izzo>: Absolutely. Absolutely.

<Q - Julien Dumoulin-Smith>: Right.

<A - Ralph Izzo>: Absolutely.

<Q - Julien Dumoulin-Smith>: And then, lastly, just a quick one. Energy efficiency and just the broad, call it LIPA plan, can you talk about the incentive, in terms of EPS, perhaps a more explicit range, just to give us some kind of a sense as what this could ultimately drive?

<A - Ralph Izzo>: Yeah. So, those details have yet to be worked out. But, it would be safe to assume that they would be in the same vicinity as what a regulated return would achieve, if the investment had delivered upon the promised operational performance, right? So, don't think of this as having an effective ROE of 20% or 30%, and don't think of it as something that would be south of 10%. It's just, okay, if we think this light bulb is going to do X, and it does X, then all right, then that seems to have been a prudent investment. But there's a slight increase in risk that's taken as a result of that kind of mechanism.

<Q - Julien Dumoulin-Smith>: Got you.

<A - Caroline D. Dorsa>: And just keep in mind as you're thinking about the modeling for Long Island. And I know you know this, so just to reinforce, right? We have $0.03 per share this year rising to $0.07 to $0.08 per share by 2016, and that does not include any potential uplift that we might get from these new proposals that we're making. So, that's the base contract that's currently enforced. Something here would be additional.

<Q - Julien Dumoulin-Smith>: And a clarification there. Presumably, you would achieve these targets over time, but that you would not necessarily immediately hit the first year on the $345 million of regulated return? Or is that...

<A - Ralph Izzo>: Yeah, the numbers we gave earlier, Julien, our original program of $200 million, the expanded program of $345 million, both of those were four-year programs. So, you would not see all that programmatic emphasis or capital deployment take place in the first year. It would be over four years.

<Q - Julien Dumoulin-Smith>: Right. Okay. Sorry. Thank you.

<A - Kathleen A. Lally>: Thank you. Next question?

Operator

Your next question comes from the line of Neel Mitra with Tudor Pickering. Please go ahead.

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<Q - Neel Mitra>: Hi. Good morning. I had a question about the PennEast Pipeline and the off-take agreements. How does that benefit you? Is it at the utility with lower gas prices for PSE&G? Or is it kind of lower gas prices to fuel your combined cycle plants?

<A - Ralph Izzo>: Good morning, Neel. So, it's the same exact sequencing of uses as we have today. So, it's either 125,000 or 150,000 bcf a day?

<A - Caroline D. Dorsa>: 125,000 bcf.

<A - Ralph Izzo>: 125,000 bcf a day. So, the priority customer would be the utility, regulated distribution gas customer. They get first dibs at that. Second would be off-system sales. And then lastly, would be power used for burning in its plants.

So, what tends to happen under those three tiered prioritizations is that Power really doesn't get to make a lot of use of that additional low-cost gas in the winter months. A little bit more, but not a lot in the spring as we start to refill for storage reasons, but gets to use a whole of bunch of it in the summer when storage is completed and there's no heating demand. Right now, Power is using about 25%. About 25% of the gas that Power burns is from the Leidy region. It could go up on a percentage basis from that.

<Q - Neel Mitra>: Got it. Great. Thank you. And then, secondly, with the CCGT expansion in New England, could you just generally give your thoughts on the New England market? It's obviously gone very quickly from an oversupply to an undersupply. And just wanted to get your thoughts on capacity in energy looking at that project?

<A - Ralph Izzo>: So, I think that there's two things that are important in New England market. Number one is what you just mentioned, that it went to an undersupply condition as it's announced and carried through in their retirement. But number two is really what Caroline pointed out, which is the – the risk reward profile has shifted to be a little bit saner when you're making an investment and you want to recover your long run marginal costs, not just your short run marginal costs. So, the seven-year capacity payment is extremely helpful there.

I think the big question is the one that you've hinted at in New England and that's around energy markets given the lack of infrastructure for natural gas into the region. You're going to find people looking at assets that are near existing infrastructure and have a dual-fuel capability. And I'm pleased to say that we have both of those in our Bridgeport Harbor site. We have both access to gas, and we will build it for dual-fuel.

Lastly, on the capacity [ph] marks (45:17), in addition to the seven-year construct, the change in the slope on the demand curve allowing for return of some of the missing money that has plagued that region.

<Q - Neel Mitra>: Okay. Great. Perfect. Thank you.

<A - Kathleen A. Lally>: Thank you. Next question?

Operator

Your next question comes from the line of Dan Eggers with Credit Suisse. Please go ahead.

<Q - Dan L. Eggers>: Hey. Good morning, guys.

<A - Caroline D. Dorsa>: Good morning, Dan.

<Q - Dan L. Eggers>: Caroline, I hate to bring up the numbers question on the call, but when I look at the fourth quarter guidance for Power, kind of filling in the range of what you guys have full-year guidance at, basically, it means you guys will earn somewhere between I think $0.05 and $0.12 or $0.13 which is down quite a bit from prior years. Can you kind of walk me through what are the big drivers that's going to lead to that much of a decline and then how we should think about that kind of for next year from a baseline perspective?

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15104

<A - Caroline D. Dorsa>: Of course. So, thanks for the question, Dan. Right. We took up the bottom end of the range, right, but we've also said that we expect to be at the high end of the range.

The one thing I think you should always keep in mind as you do the quarter-over-quarter comparisons, which you saw this quarter for the first time, it's a full quarter, right, last quarter it was just a month, is capacity, right, so capacity on a quarter-over-quarter basis. Just like you saw this quarter is a $0.09 impact. And so, you have to start there, right, that's significant dollars. But, of course, we knew that, right? We took that into account on our guidance all the way through the year. So, that's the number one thing I would suggest that you consider.

Of course, going the other direction is we do expect favorability in the O&M, as I mentioned. So, that's going to go a little bit in a positive direction, and then the normal kind of unit operations. Keep in mind, we have Salem 1 and Peach Bottom outages, which I mentioned during my remarks, that Peach Bottom outage is a good one for us, because it's the EPU going into one of the units that will give us more megawatts for the future. But, those things obviously have an impact in the expected generation.

So, if you think about the pushes and pulls, you've got Salem 1, you've got Peach Bottom, in near-term right before the winter period, of course. You've got capacity at $0.09 going the negative direction, fully anticipated. You've got O&M going in the positive direction, because full-year, we're guiding to about flat. So, you can pretty easily do the math. We were worse on O&M in the first two quarters, better in this quarter, anticipate to be better in the fourth quarter. And then, of course, there's just the normal operations and whatever the weather is at the beginning of the winter.

So, all-in, we still expect to be at that upper end of the range. We feel the bottom, but really haven't changed our thinking which is with normal operations, you'd see us be at the upper end, which is what drives the company to the upper end.

<Q - Dan L. Eggers>: Okay. So, the $0.23 or whatever it is, you take out the $0.09 of capacity revenues, which should get you to kind of $0.14, which is above the implied range right now. There are just some other maintenance issues that'll bring you down toward the high end. Is that the right way to think about it? [indiscernible] (48:20) what you said?

<A - Caroline D. Dorsa>: Well, that's right. Yeah. That's right. Think about the outages I just mentioned but still consider us, we're talking about the high end of the range.

<Q - Dan L. Eggers>: Okay. And then, could we talk a little bit on the gas basis side, 25% of gas generation came from Leidy or comes from Leidy. How does the benefit of the basis arbitrage look full-year or year-to-date 2014 versus 2013?

<A - Caroline D. Dorsa>: Yeah. Sure. So, year-to-date, not as strong as 2013. So, let's kind of wind back and remember what happen in 2013. We saw the Leidy differential really appear in 2013 at the end of the second quarter. And that Leidy differential became pretty wide as we got into the summer of 2013. Remember, we talked about differentials being as much as $2. And then, of course, there was that warm weather, and the warm weather is what drove and kept that differential from the Leidy price right to the actual market price for the energy.

This summer was quite different with the cooler weather right on the [ph] THI (49:35) basis depending on where you compare to last year or normal, 13% to 18% lower in terms of weather, right. It only makes sense if you cite [ph] THI (49:43). What we actually have is Leidy gas costs are still lower. The problem was for the summer with the lower demand and the cooler weather, the differential of Leidy to thinking about where energy is priced in our market looking at Z6 or TETCO M3, that brought those prices down. So, what happened was the differential really collapsed. Leidy was still cheaper than Henry Hub, but the differential moved together, as opposed to last summer when it's much more widely apart, because of the low demand for power.

Now, keep in mind, as we think about Leidy going forward, you think about Leidy for us, we have that access. It's about 25% of Power's overall gas use, as Ralph just mentioned. And I think what we're still expecting to see and you can see it if you look at monthly data going forward is the choppiness to the pattern of how to think about basis.

final
Bloomberg Transcript
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Just like we've seen actually now for the last two winters, the months make a difference. And so, as we come into 2015, we still expect to see benefit from having Leidy. It's really just about how that basis differential moves relative to power prices.

And so, the winter period and the strong summer period, we would still expect to see some basis differential in our favor. This was just a tough summer because the low demand led to the lower power prices. Not because Leidy prices came up, because power prices came down.

Last year, you may recall, we had $0.03 from the Leidy benefit in the third quarter, and that's the $0.03 negative year-over-year I'm citing in this year's third quarter that I attribute to weather. It's really the spark spread going back to a normal level versus that expanded spark we had given the differential last summer.

<Q - Dan L. Eggers>: Thank you for that. I appreciate it.

<A - Caroline D. Dorsa>: Sure.

<A - Kathleen A. Lally>: Next question?

Operator

Your next question comes from the line of Paul Fremont with Jefferies. Please go ahead.

<Q - Paul B. Fremont>: Thank you very much. I guess, my first question is, at a proposed cost of about $600 million, that works out to about $1,330 per kW. How confident are you in your ability to build at that level? And I know that others in the region have experienced problems building in the Northeast.

<A - Ralph Izzo>: Yes. So, good morning, Paul. We're obviously quoting round numbers. The team is running through details right now, filing permit applications. So, just think of that as one significant figure and not three significant figures in terms of the accuracy. I think the bigger challenges people had in terms of building has been access to gas. That's the number one concern. And that one we have well in hand. We don't want to give you an exact amount on what kind of bids we're getting from folks in terms of engines. It would just be too easy to back calculate what we might bid in an auction. And that wouldn't help anyone.

<Q - Paul B. Fremont>: And then, Caroline, just to follow up on that last question, what would be the – you, I think, provided the quarter contribution as being zero this quarter versus $0.03 in the third quarter last year. What would be the year-to-date numbers on Leidy?

<A - Caroline D. Dorsa>: Yeah. So, year-to-date numbers in terms of the gas benefit, we had about a $0.03 benefit in the first quarter – remember, it was a strong winter – so, it's about neutral on a year-to-date basis, about zero.

<Q - Paul B. Fremont>: And last year year-to-date?

<A - Caroline D. Dorsa>: So last year, when the Leidy differential really started to spread, it was the end of the second quarter, so there really wasn't a sort of a first quarter last year effect. So, last year, at this time, it was about $0.03, and for the full-year, it was $0.05. But that included the fourth quarter. So, we haven't gotten to the fourth quarter yet. So, $0.05 full-year, $0.03 to this point last year, and this year is about neutral.

<Q - Paul B. Fremont>: Great. And based on the modified CTA formula that was adopted by the NJ BPU, what type of adjustment should we assume for PSE&G rate base, if you were to use that methodology?

<A - Caroline D. Dorsa>: Yeah. So, we're very pleased, obviously, with the decision. We think it reflects the right balance, right, from the perspective of the company and the rate payers. Thinking about our rate filing, which would be made by November of 2017, and then the five-year look-back period, the impact for us is de minimis. So really, not something you really should be thinking too much about as we think about our rate case numbers going forward, because by that period, you take a five-year look back, you do the adjustment, you do 75%/25%, it's truly de minimis.

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<A - Ralph Izzo>: And you back out transmission as well.

<A - Caroline D. Dorsa>: And you back out transmission as well, right.

<Q - Paul B. Fremont>: Great. Thank you very much.

<A - Kathleen A. Lally>: Sure. Next question?

Operator

Your next question comes from the line of Paul Patterson with Glenrock Associates. Please go ahead.

<Q - Paul Patterson>: Hi. Can you hear me?

<A - Ralph Izzo>: Yes, Paul.

<A - Caroline D. Dorsa>: Yeah.

<Q - Paul Patterson>: You guys have sort of unique position in New York. And I was just wondering – with the stuff going on there with the REV, I mean, sort of, really kind of transformative potential for change in regulation – what you guys see as potentially happening to energy and power prices in the state?

<A - Ralph Izzo>: In New York State?

<Q - Paul Patterson>: Yeah. Well, I mean you guys have [indiscernible] (55:33), right? So, I assume you guys are pretty focused on it.

<A - Ralph Izzo>: No. No. No. Well yes, it depends -

<A - Caroline D. Dorsa>: We don't have it fully.

<A - Ralph Izzo>: That's a very complicated question, right?

<Q - Paul Patterson>: Okay. Well, I don't – I apologize then. Just sort of directionally maybe?

<A - Ralph Izzo>: Yeah. Well, I think that a lot of the distributed resources that are being advocated, they're going to put upward pressure on prices for customers, right? I mean, there are other reasons for doing things like rooftop solar, and offshore wind is being advocated just south of Long Island. And those are capturing some of the environmental benefits that are not baked in right now, the missing externalities, if you will.

Having said that, there are some other parts of the program, specifically energy efficiency, which while they will also serve to increase rates, they will bring overall bills down. So, I think a lot depends upon how aggressive people want to be in making inroads to capturing the benefits associated with the externalities. We're big advocates of this both on Long Island and New Jersey, but we never tell people that doing this stuff is going to lower their rates. You're getting a benefit, you're having to pay for it.

So, there are some things that we can do in terms of making sure that some of the reinforcements that would have to be made in the distribution system are foregone or delayed as a result of perhaps some peak shaving or some broader demand response programs that we can target. There are some parts out on Long Island, I think it's on the South Fork, where there's been a significant growth in peak demand that would otherwise command the need for some infrastructure that we'll be able to delay. But, it really is a much more complicated question than simply, gee, will doing this lower everyone's bills and lower everyone's rates. The answer really depends on what this is and how aggressive one wants to be on sort of a green agenda.

<Q - Paul Patterson>: Okay. Fair enough. And then just under the – as you know, RPM has been controversial in the past and New Jersey has been sometimes apprehensive about it. And I'm just wondering, we've had several changes with the BPU and we've had the potential for several changes happening with DR and capacity performance and

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everything else. How would you describe the political situation with the general regulatory environment vis-à-vis these issues now as it was in comparison to maybe when the MOPR and the LCAP issue was going on?

<A - Ralph Izzo>: So, good questions, Paul. So, we've had a bit of a change at the BPU with all due respect to the commissioners who've gone off. We now have two new commissioners who are quite, quite astute about both energy policy in the form of President Mroz and in terms of the technology strengths, weaknesses, limitations in the form of former assemblyman Chivukula. He's a electrical engineer by training. He spent 20 years at Bell Labs. This is a very, very intelligent man who understands the complexity of capital-intensive infrastructure. And Rick is a well known entity in policy circles in New Jersey and has actually worked in the energy sphere in the past. So, I think that those are two strong additions to a balance to BPU.

The world is very different now from what it was in LCAP. In the LCAP days, you had strong basis differentials West to East. You had a coal-dominated West, a gas-dominated East. And people were always scratching their heads, saying, we don't understand why we pay so much in New Jersey.

And sadly, last month basis was the other way, right? It was lower in the West than it was in the East. And gas has kind of changed that whole dynamic. And I think as a result, you'll see people realizing that the market is working. It's doing what it's supposed to do. And prices are going to be going up for everybody, I believe, in this the new RPM market as the missing money appropriately gets restored.

So, no one likes to pay high prices for energy. There's no ifs, ands, or buts around that, but no one likes to see the lights go out either, and we came dangerously close in 2014, and a similar winter in 2015 and they probably would go out. So, I think PJM is doing the right thing in trying to address that and New Jersey knows that PJM has done a better job than just about any place in the country in making sure those lights stay on.

<Q - Paul Patterson>: Great. Thanks a lot.

Kathleen A. Lally

I think, operator, that's all the time we have for questions. So, I'll turn it over to Ralph for just some closing comments. And see you at EEI.

Ralph Izzo

Thanks, Kathleen. So, I just want to reinforce three messages or comments made by Caroline and me earlier.

First of all, the utility growth story is very much intact. Not only is it doing what we said it would do this year, but our filing at FERC is very much exactly on where we said we would be for 2015.

Secondly, hopefully, you are as impressed by Power's diverse asset base as we are in terms of not only its strong performance in current markets, whatever gas prices are doing, whatever coal prices are doing, but also how strong a performer it is and how well positioned it is even as we look forward to the ever-changing environmental rules and market design parameters. All right, I mean we have dual-fuel capability, we have units that strong in high-capacity factors. All of them will have a great position in the CP market, if the risk-reward profile in the details, as we go forward, is done sensibly, and I've every reason to believe that PJM will do that sensibly.

So, growth story intact at the utility, Power's diverse asset base, once again, demonstrating its strength. And last, but by no means least, the balance sheet remains as strong as ever.

So, as Kathleen said, we look forward to seeing you in the days ahead. And hopefully, for most of us, that means at EEI in Dallas. Thank you for your time today.

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Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-07-30
Event Description: Q2 2014 Earnings Call

Market Cap: 18,258.96
Current PX: 36.09
YTD Change($): +4.05
YTD Change(%): +12.640

Bloomberg Estimates - EPS
Current Quarter: 0.781
Current Year: 2.738
Bloomberg Estimates - Sales
Current Quarter: 2612.200
Current Year: 10371.727

Q2 2014 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Kit Konolige
- Julien Dumoulin-Smith
- Paul Patterson
- Dan L. Eggers
- Travis Miller
- Jonathan P. Arnold
- Paul B. Fremont

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Kayla, and I am your event operator today. I would like to welcome everyone to today's conference, Public Service Enterprise Group Second Quarter 2014 Earnings Conference Call and Webcast.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, July 30, 2014, and will be available for telephone replay beginning at 1:00 p.m. Eastern standard time today until 11:30 p.m. Eastern standard time on August 8, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Kayla. Good morning, everyone. Thank you for participating in PSEG's earnings call this morning. As you are aware, we released our second quarter 2014 earnings statements earlier today. And as mentioned, the release and attachments are posted on our website at www.pseg.com under the Investor section. We also posted a series of slides that detail operating results by company for the quarter. Our 10-Q for the period ended June 30, 2014, is expected to be filed shortly.

I don't go through and read the entire disclaimer statements or the comments we have on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contain forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update those statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimate changes unless we, of course, are required to do so.

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Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or other filings for a discussion of the factors that may cause those results to differ from management's projections, forecast and expectations as well as for a reconciliation of operating earnings to GAAP results.

I'm now going to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. At the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you, Kathleen, and thank you everyone for joining us today. Earlier this morning, we reported operating earnings for the second quarter of 2014 of $0.49 per share and that's to be compared with $0.48 per share earned in 2013 second quarter. The results for the quarter bring operating earnings for the first half of 2014 to $1.50 per share compared with operating earnings of $1.33 per share earned in 2013's first half.

Slides 4 and 5 contain the detail on the results for the quarter and the first half. Several results for the quarter are noteworthy. We continue to see benefits to earnings from the increased deployment of capital into our regulated company. Now, that's primarily in the form of transmission infrastructure and we're completing major projects on time and on budget.

From our perspective, we're delivering on the promise both for earnings growth and improvement in reliability associated with this multi-billion-dollar investment program. We've been able to supplement that growth with a continued focus on controlling O&M costs, and supportive rate mechanisms have allowed us to earn the authorized return on our regulated company's investment program.

The improvement in earnings from our regulated company, PSE&G, offset the impact of mixed operating conditions during the quarter, on Power's results. The cost related to the extended outages at the Salem 2 nuclear facility and the gas-fired Linden combined cycle station masked the underlying strength of Power's operations. The downtime at Linden during the quarter was longer than planned and associated with extensive work being done to test and complete the installation of equipment, which has led to a 63-megawatt increase in the station's capacity.

During the recent refueling outage at Salem we discovered the need to make repairs to Salem 2's four reactor coolant pumps. The refueling outage was extended by approximately 60 days to complete the necessary repairs, and the unit was returned to service on July 14. The decision to keep the unit out of service is not made easily, however, only by taking the steps necessary in the short term in support of operational excellence will the key assets, such as Salem, be available on a reliable basis to provide substantial value for years to come.

I'm pleased to report that both Linden and Salem 2 have been operating essentially flawlessly since their return to service. Keeping the focus on operational excellence is the primary means of assuring our customers and regulators that we operate our assets in a safe and reliable manner.

We have begun the work recently approved by the New Jersey Board of Public Utilities to protect and strengthen PSE&G's electric and gas distribution systems against severe weather conditions. The $1.22 billion Energy Strong investment program represents an initial phase of work designed to upgrade and improve the resilience of our system and we intend to work with our regulators and other parties to consider additional measures at a later date. This is an opportune time to pursue these investments. Major surcharges on customers' electric bills are scheduled to expire over the next two years, and the bills for PSE&G's gas customers continue to benefit from the capable management of the company's gas supply, storage and transportation contracts.

In fact, PSE&G has filed for a further 9% reduction in the gas rate paid by residential customers. The reduction which will be effective in time for this year's heating season will be the latest in a series of reductions, which have lowered the customers' gas bills by 44% in the past five years. The availability of low-cost gas in the Marcellus Basin and the lack of infrastructure to move the gas to market has been a source of volatility in the Power markets. Power's combined-cycle assets in PJM enjoy an economic advantage given access to low-cost supplies in the Marcellus,

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particularly during the summer period.

As a practice, we don't, as you well know, forecast results for PSEG Power beyond the current year and outside of what is implied by market prices but we will make note of some consistent improvement in demand that is showing up here in our region.

The results of PJM's recent capacity auction point to an improving market environment with the retirement of older inefficient generating capacity as environmental rules take effect. Power's assets in PJM will also once again receive a price that continues to reflect our assets' value given their location relative to load. So, for the next four years, Power's assets will receive a price per capacity of approximately $166 per megawatt day.

The Power markets have gained greater clarity on another key environmental priority. We are pleased that the Environmental Protection Agency has issued its ruling on cooling water commonly referred to as Section 316(b). The Agency's ruling substantially addresses many of our concerns and we are working with the appropriate state environmental agencies on permitting of our affected units.

On another environmental matter, the EPA also released its proposed rules concerning a reduction in CO2 from existing generating units. We are supportive of the administration's efforts to enforce the Clean Air Act. Power has made the necessary investments to meet existing air quality environmental requirements and although we expect it may take some time to implement final rules regarding carbon, given the complexity of the proposal, Power's fleet should benefit given the generation profile that is almost 60% carbon-free.

Before I conclude, I want to bring you up to date on matters relating to Power's trading arm, Energy Resources & Trade, which we commonly refer to as ER&T. As you recall, we indicated with our release of first quarter results that Power informed FERC, PJM and the Independent Market Monitor of PJM that it found errors in some components of its cost-based bids for its New Jersey fossil generation units. We began an internal investigation and have since notified FERC, PJM and the IMM that we identified and corrected additional errors. We are working with the appropriate parties but cannot provide you with a timetable as to when this issue will be resolved or whether or not we'll be required to recognize another charge against Power's earnings. We take pride in our performance and candidly, we did not live up to our own standards of applying sufficient rigor in this area. But I can assure you that we corrected all identified errors and we are instituting new processes and controls to reduce the likelihood of a recurrence of the situation. This issue does not change the strong underlying operating performance of Power's fleet of assets that continue to provide solid earnings and good cash flow, given the fleet's favorable location, close to load, its dispatch flexibility and fuel diversity.

Despite Power's strengths, we've nonetheless changed the profile of our earnings over the past several years. Our investment program focused on improving reliability and expanding the transmission system, has yielded the anticipated outcomes. PSE&G remains on course to achieve double-digit growth in operating earnings during 2014 as its contribution to earnings is expected to exceed 50% our forecast for the year. The Energy Strong related capital investment provides further support for our forecast of double-digit growth in PSE&G's rate base and earnings over the next several years.

Given the strength of Power's operations in the first half of the year and the growth of PSE&G, we feel comfortable saying we expect operating earnings for the full year to be at the upper end of our range of guidance of $2.55 to $2.75 per share assuming normal weather and operations. The growth in our capital program doesn't diminish the strength of our financial position and our balance sheet. We remain well positioned to deploy that balance sheet strength to meet shareholder objectives for long-term growth

And with that, I'll turn the call over to Caroline who'll discuss our financials in greater detail.

Caroline D. Dorsa

Thank you, Ralph, and thank you, everyone, for joining us this morning. As Ralph said, PSEG reported operating earnings for the second quarter of 2014 of $0.49 per share versus operating earnings of $0.48 per share in last year's

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second quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide four. We've also provided you a waterfall chart on slide 10 that takes you through the net changes in quarter-over-quarter operating earnings by major business and a similar chart on slide 12 that provides you with the changes in operating earnings by each business on a year-to-date basis.

So I'll now review each company in more detail, starting with the PSE&G. PSE&G reported operating earnings for the second quarter of 2014 of $0.30 per share, compared with $0.24 per share for the second quarter of 2013 and results for the quarter are shown on slide 14.

PSE&G's operating earnings continue to benefit from an increase in revenue associated with an expansion of its capital program and tight control of operating cost. PSE&G's results for the quarter were also aided by a reduction in financing costs, as weather normalized sales growth, which remains consistent in the slowly improving economy.

FERC approved increase in PSE&G's transmission revenue under the company's formula rate was effective on January 1 of 2014. The increase supported a quarter-over-quarter improvement in the net earnings contribution from transmission of $0.03 per share. Weather conditions during the quarter were unfavorable relative to normal, and in comparison to conditions experienced in the year-ago quarter. And these conditions reduced quarterly earnings comparisons by $0.01 per share and offset the favorable impact on earnings from continued growth in demand for gas.

PSE&G's focus on controlling the growth in operating expenses, including a decrease in pension expense, led to an improvement in quarter-over-quarter earnings of $0.02 per share. And, although the level of debt on PSE&G's balance sheet has grown consistent with the expansion of its capital program, the actual overall cost of debt has declined as a result of the refinancing of higher-cost debt and a decline in interest rates. This reduction in financing costs improved earnings comparisons quarter over quarter by $0.01 per share.

The service area continues to experience a slow improvement in underlying economic conditions. Sales data for the first half of the year, which in general is more reflective of trends than quarterly data, indicate weather-normalized demand for gas grew by 4.4% as decline in prices and an improvement in the economy continue to support demand.

Weather-normalized electric sales increased by 1.6% during the first half. Demand from residential customers grew in line with customer growth of about 0.5% as demand from the commercial and industrial sectors improved by 2.1% and 1.7% respectively over the six-month period.

The New Jersey Board of Public Utilities, or BPU, approved PSE&G's Energy Strong settlement during May. The agreement calls for PSE&G to invest $1.22 billion over the next three to five years to improve the resiliency of its electric and gas grid. The addition of Energy Strong brings PSE&G's five-year capital program to approximately $11.3 billion versus our prior forecast of $10.1 billion in spending over the 2014 to 2018 time period and will provide further support for our double-digit earnings growth in PSE&G's rate base, as we've mentioned before.

PSE&G's operating earnings increased 22% during the first half of the year and supports maintenance of our forecast for growth in operating earnings for 2014 to $705 million to $745 million. Results for the remainder of the year will continue to reflect an increase in transmission revenue and a reduction in operating and maintenance costs, including pension expense.

Let's now turn to Power. PSEG Power reported operating earnings of $0.17 per share for the second quarter of 2014, compared with operating earnings of $0.24 per share for the second quarter of 2013. The decline in Power's results for the quarter is the result of the impact on production and O&M expenses associated with the extended outage at the Salem 2 nuclear facility and the maintenance outage at the Linden gas-fired combined cycle facility, during which we also upgraded the equipment to increase that station's capacity.

Power's quarterly earnings comparisons continue to benefit from a net increase in capacity revenue. Power received capacity prices of $242 per megawatt day during the first two months of the quarter versus $153 per megawatt day in the year-ago period before capacity prices reset to $166 per megawatt day effective June 1 of this year. This net increase in capacity prices improved quarter-over-quarter earnings by $0.04 per share.

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The capacity price benefit plus benefits from lower-cost gas offset a decline in average hedged prices and the negative impact from relatively lower market prices in the East, resulting from transmission and generation outages outside of our region. Incremental production at the coal-fired and peaking stations partly offset the lower production due to the outages at Salem 2 and the completion of the capacity upgrade work at Linden. The net reduction in output, however, reduced earnings quarter over quarter by $0.03 per share.

Operation and maintenance expense or O&M expense was higher than the year-ago quarter. Again, the cost associated with the outage and upgrade work at Linden and the repair at Salem more than offset the benefit from the lower pension expense, and altogether reduced quarter-over-quarter earnings by $0.04 per share. An increase in depreciation expense was offset by a reduction in the tax rate and other miscellaneous items.

Outputs from Power's fleet was 5% lower in the second quarter compared to year-ago levels. Power determined in mid-May at the conclusion of Salem 2's normal refueling outage that was necessary to extend the outage to inspect and repair the reactor's coolant pumps. The unit was returned to service on July 14. The extended outage reduced the nuclear fleet's output in the quarter by 9% to 6.5 terawatt hours, 54% of our generation, and lowered the nuclear fleet's average capacity factor in the quarter to 80.5%.

Production from the gas-fired combined cycle fleet declined 11% in the quarter to 3.6 terawatt hours, 30% of our production, as Linden was out of service early in the quarter to complete maintenance and the work associated with the 63-megawatt increase in the unit's capacity, which is now in place. Production from the coal-fired and peaking units increased 27% to 1.9 terawatt hours, or 16% of generation, with improved market economics.

Power was able to meet its hedged obligations from its own generation despite the decline in output, given the fleet's net long position and the availability of the coal-fired units. Power has reduced the upper end of its forecast of output for the full year to 56 terawatt hours to 57 terawatt hours from the previous 56 terawatt hours to 58 terawatt hours to take into account the results for the second quarter. Our forecast which represents an increase in output for the year of 4% to 6% continues to assume normal operations and weather. Approximately 70% to 75% of generation for the second half of the year is hedged at $50 per megawatt hour.

Power has slightly increased its forecast of economic generation for 2015 and 2016 to 55 to 57 terawatt hours per year from the previous 54 to 56 terawatt hours. To take into account, normal operations and our estimates of economic dispatch. Power has taken advantage of the strengths in market prices earlier this year to hedge the gas-fired combined cycle fleet into the third quarter and also increased percent of generation hedged in 2015 and 2016 to the upper-end of the normal limits that we would normally see at this time. That's in order to take advantage of some opportunities we saw to lock in heat rate and spark spread.

Liquidity has improved somewhat into 2016, but generally speaking, we can think of liquidity as poorer the further you get beyond 2015. Power's combined cycle fleet also benefits in the summer months from its access to low-cost Marcellus gas. Economics are particularly compelling as gas prices have declined more than power prices which has allowed Power to do that heat rate lock-in.

For 2015, Power has hedged 65% to 70% of its forecast generation at an average price of $50 per megawatt hour. For 2016, Power has hedged approximately 30% to 35% of its generation at an average price of $51 per megawatt hour. Hedge data for 2015 also reflects the change in our forecast for the BGS volumes. As a result of the extreme volatility in market prices for energy experienced earlier in the year, we have seen some return of customers to the BGS contract, but not a lot.

So our forecast for 2015 now assumes BGS volumes represent 11 terawatt hours of demand, more in line with the forecast volumes for 2014 and our prior forecast which had assumed BGS volumes of 10 terawatt hours as we move into 2015.

As Ralph mentioned, we are working with FERC, PJM and the Independent Market Monitor, or IMM, to determine the impact of identified errors in our bidding processes. We recorded a charge to operating earnings of $25 million, or $0.03 per share in the first quarter based on the information available at that time.

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Upon discovery of the errors, we initiated an investigation and identified additional errors in our bids and further determined that the quantity of energy that Power offered into the day-ahead energy market for its fossil peaking units differed from the amounts for which Power was compensated in the capacity market for those units. Based on information currently available to us, we've generally not seen an impact on our real-time operations for these units.

We informed the FERC, PJM and the IMM of these additional issues, and we have corrected these errors. We have not recorded an additional charge to income in the second quarter over the amount we reserved earlier this year. PSEG doesn't have access to PJM's proprietary data to determine if the differences in quantity had any impact and if so, the level of that impact. However, FERC has the authority to investigate the matter, which could result in FERC seeking disgorgement of any over-collected amounts, civil penalties, and non-financial remedies.

The forecast range of Power's operating earnings for 2014 remains unchanged at $550 million to $610 million with full-year operating earnings expected to be at the upper end of the range, assuming normal weather and normal unit operations.

Our forecast includes all of the issues we just discussed including the $0.03 per share charge in the first quarter related to the items I just discussed. Results for the remainder of the year will be influenced by a reset in the average price received on PJM capacity to $166 per megawatt day which started in June, from the $242 per megawatt day we've seen previously, as well as the decline in the average price of energy hedges.

O&M expenses expected to compare favorably in the second half of the year given a reduction in pension expense and the absence of major outage-related work in the year-ago period. For the full year, however, Power's O&M is expected to be flat against 2013's experience given the increased cost associated with the extended outages.

Let me now turn briefly to PSEG Enterprise and Other. Operating earnings for PSEG Energy Holdings/Enterprise in the second quarter of 2014 were $7 million or rounded about $0.02 per share versus operating earnings of $2 million, or basically breakeven results during the second quarter of 2013. The results for 2014 reflect the inclusion of earnings from PSEG Long Island's operating contract and the absence of some charges in the year-ago quarter.

PSEG Long Island filed its first Utility 2.0 proposal on July 1 of this year. The proposal calls for investing $200 million in energy efficiency, demand response programs, distributed generation and related programs over a four-year period, beginning in 2015. And we expect a response to our proposal by year-end. We continue to forecast full year operating earnings for PSEG Enterprise and Other of $35 million to $40 million.

Just a brief note on financing. During the quarter, PSE&G issued a total of $500 million of medium-term notes, consisting of $250 million of five-year notes at 1.8%, and 30-year notes of 4%. These funds will be used to make PSE&G's capital requirements.

PSE&G's capital budget is currently 15% to 20% greater than what we told you in the spring, and is now expected to approximate $11.3 billion over the five-year period from 2014 to 2018, which brings our plans for our consolidated PSE&G capital spending to $13 billion over that same period.

We ended the quarter with debt representing 42% of consolidated capital. The improvement in PSE&G's earnings and cash flow, as well as our continued strong earnings and cash generated by Power, support our financing requirements without the need to issue equity. And I think we've demonstrated with the growth in PSE&G's capital program, we continue to seek opportunities to deploy our investment capacity to drive growth.

We continue to forecast operating earnings for the full year of $2.55 to $2.75 per share, but we do anticipate the results for the full year to be at the upper end of our range, assuming normal weather and normal unit operations.

And with that, we're ready for your questions. So, Kayla, I'll turn it back to you.

Q&A

Operator

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SI-SSA-0015-15115

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] One moment please for the first question. Your first question is from Kit Konolige with BGC. Please proceed with your question.

<Q - Kit Konolige>: Good morning.

<A - Ralph Izzo>: Good morning, Kit.

<Q - Kit Konolige>: Caroline, you just mentioned that company continues to see opportunities to redeploy cash flow to drive growth. Can you – certainly, transmission investments are one major area there. Maybe you can outline for us. Are there other areas that you see – and Energy Strong, I guess, I should say as well. So those strike me as the two big buckets. What else should we be looking for? And are there other arenas that you're considering that may not be front and center now, but could be an afterburner effect later on?

<A - Ralph Izzo>: Kit, sorry to disappoint you, but Ralph will answer that instead of Caroline. So we only talk about things that are fully baked. But because this question comes up so often, I'll just give you a couple of examples. We have been in conversation with the BPU staff about a modest – by our definition, modest, $100 million energy efficiency program.

Ralph LaRossa is the incoming chair of the American Gas Association. He was in D.C. yesterday where he heard nothing but concern expressed by the Obama administration and many other attendees on methane emissions, fugitive methane emissions from gas pipes and our BPU has just really supported a gas cast iron maintenance infrastructure replacement program and you'll probably see that as the first thing in Energy Strong that we go in for an increase on. We had our first public hearing on Long Island over Utility 2.0, a $200 million program we put in, and I would say that if there was one message that came from that meeting, it was that we were being too timid, and it needed to be bigger. Now, that's only one of several hearings that we'll have on the subject. We'll get a chance to refresh that proposal in October.

So, the RCAP, I believe, came out just this past month, if I'm not mistaken. It usually comes out in June. I shouldn't say whether or not, that did come out in June this year, and we'll be looking at the PJM open window of some of the problems identified in there. I don't want to give a number there because I just heard it from Ralph only a day ago on that and that number moves around depending on the engineering analysis.

So, I just mentioned a few things that it all start at nine figures. And as Caroline mentioned, I think our five-year capital program increased by 50% from last year to this year, and it's now up by 23% between March and July. So, I don't want to guarantee that that's what'll happen in the next quarterly call, but we don't seem to be running out of infrastructure needs in this region.

<Q - Kit Konolige>: Excellent. And just to focus on one item of infrastructure, can you give us the outlook for the Artificial Island project with the reconsideration now and how we mark our scorecards to see this going forward?

<A - Ralph Izzo>: Well, I was hoping that you would have the answer for that. I mean...

<Q - Kit Konolige>: Yeah, sure.

<A - Ralph Izzo>: This is witnessing the making of sausage, the making of law and the making of everything else. I mean in defense of PJM and they don't need me to defend them, this is a brand-new tariff in response to a brand-new regulation and a first-time major process. So, we're seeing growing pains. I would be less than 100% candid if I didn't express disappointment at the board's action last week. Having said that, what the board said is they are inviting the finalists, and we are one of the four finalists, down from whatever the original number was, which is a number I think at least double that. And they want some more information. And I don't even know the exact nature of the additional information they want. I do know that we're going to do $2.2 billion of transmission this year on top of $1.6 billion of transmission last year. And we've got a great team who will be able to answer any one of their questions and outshine the competition. So I think it's just growing pains of a brand-new tariff and a brand-new program that PJM is experiencing right now.

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Bloomberg
SI-SSA-0015-15116

<Q - Kit Konolige>: Great. Okay. Thanks a lot.

<A - Kathleen A. Lally>: Next question?

Operator

The next question is from Julien Dumoulin-Smith with UBS. Please proceed with your question.

<Q - Julien Dumoulin-Smith>: Hi. Good morning.

<A - Ralph Izzo>: Hey, Julien.

<Q - Julien Dumoulin-Smith>: So, perhaps going back to the Energy Strong side of the equation, just following up there, I mean, obviously, there's a number of things that didn't ultimately get put into that package. Is there a potential to go back and pick up some of those last items and kind of reflect that in your CapEx here at some point?

<A - Ralph Izzo>: Yeah. So the answer to that, Julien, is yes, I think if I could steer you in certain directions, it's more likely that we'll go in first on the gas side because that work is expected to be complete in a two- to three-year timeframe. And just the fact that – notwithstanding that that'll be our fourth request for gas infrastructure improvement, these things take many months to get approved. So we wouldn't wait until we were running out of work, and – I'm sorry, running out of approval, because there's no chance that we'll run out of work.

On the substation work, that really is scheduled to go five years. And candidly, we are not convinced that given the amount of transmission work that we have and the 29 switching and substations that we plan to work on that we want to put the system much more in a configuration that is as tenuous as it would be with all of that electrical work going on.

Some of the stuff that went away was making the distribution system smarter. That one is a little tougher to predict. So a little bit of a long-winded answer, but the short answer is there's no doubt that before the three- to five-year period is up, we will be back in. And my prediction today would be that we would be back in on the gas pipe replacement first and foremost.

<Q - Julien Dumoulin-Smith>: Got you. Any sense of magnitude there or is it still too early here – ?

<A - Ralph Izzo>: We've tended to talk about $250 million to $300 million a year as about the size of the program that we can reasonably manage. If there were emergency issues, which we do not have, you'd somehow find a way to do more than that. But right now, the emergent issue that seems to be coming up is the order of magnitude increase in greenhouse gas effect that comes from fugitive methane emissions and the desire in the policy circles, fairly prominent policy circles to do more about that.

<Q - Julien Dumoulin-Smith>: Excellent. And then, going back to the Artificial Island side of the equation, just to be clear, is this really about capital costs and who can deliver the cheapest project, and is that where this is headed? I mean, it's tough to tell obviously. Or is this about terms, conditions ultimately indicating that you can partner with or someone else can get involved in your territory?

<A - Ralph Izzo>: No, I think it's more the former, but simply answering the question that way oversimplifies it, right. So, I mean, these are complicated engineering solutions to a sophisticated set of assets in the infrastructure. So it would be a mistake for anyone to assume that just because a project is less expensive than another, that it is preferred from a consumer point of view. That's the equivalent of saying, gee, I could buy that car for $10,000, and that car for $100,000, I should buy the $10,000 car. And then you fail to recognize, but, no, you needed that $100,000 crane because you're in the construction business, and the $10,000 Smart Car isn't going to quite help you be able to move equipment around. That's a – I'm sure I don't have the right brands and dollar amounts there, but you know my point that these are not commodity services. These are sophisticated engineering services.

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Bloomberg
SI-SSA-0015-15117

The terms-and-conditions issues that you allude to is – I think it's fairly well understood that some people have come in after the process and said, well, we'll guarantee a price. Well, a prudent buyer would say, well, let me understand that guarantee. Is it bumper to tailpipe? Is it just the drivetrain which doesn't fall apart but for 200,000 miles, and now you've extended the warranty from 50,000 to 75,000 miles? So there are some terms-and-conditions elements. There are some pricing elements. And I think that's why the PJM board simply said, gee, we're getting a little bit more noise in the system than we'd like to under first time in a project. And I don't mean to speak to the PJM board. I don't have that ability. But let's just ask more questions. They did not come out and say, you picked the wrong project by any stretch of the imagination. They just want more information on those issues that you implied would be front and center.

<Q - Julien Dumoulin-Smith>: Right. Excellent. Thank you.

<A - Kathleen A. Lally>: Next question?

Operator

The next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

<Q - Paul Patterson>: Good morning.

<A - Caroline D. Dorsa>: Good morning.

<A - Ralph Izzo>: Good morning, Paul.

<Q - Paul Patterson>: There was some discussion surrounding the Pepco acquisition. And of course you guys are located in New Jersey, and I'm sure you guys are aware of the press reports. I'm just wondering sort of philosophically, if you look at the potential amount of leverage that might be used in that transaction, and what you're seeing with respect to the discussion of the CTA in New Jersey, is there any change or thought that you guys might have in terms of leverage over the long term at public service?

<A - Caroline D. Dorsa>: Sure, Paul. It's Caroline. Thanks for the question. So yeah, we obviously saw what Exelon said in terms of how they were financing that acquisition. So part of that, I guess I'd characterize as not really surprising. We look at our own balance sheet, and we obviously are always in discussions with the rating agencies. Given the fact that we don't have any parent leverage, right, we have the occasional commercial paper, but our long-term debt is at our operating companies.

We talk about investment capacity, we tend to talk to you about Power and Power's debt-to-cap profile, where that stands at the end of a period, and what its investment capacity is. But we've always recognized that we do have incremental investment capacity at the parent that we could deploy. And in conversations with the rating agencies, the deployment for that to regulate it, right, investments is something that works very well.

So, the way I look at that is given where Power's performance has been, and we know where the company ended the quarter, and Power, of course, ended the quarter debt-to-cap at 32%, there's significant amount of capacity at Power, but there also is that parent-related investment capacity. And so when we talk about things internally in terms of opportunity, some of the things that Ralph was mentioning earlier, we look at that from the perspective of having a balance sheet that has a lot of room, not just the room for Power, but also the room for parent if it's oriented towards regulated. So, maybe that was the first largest announcement of use of that kind of capacity that we've seen, but we recognize that we have it as well and, of course, continuing to run our businesses appropriately and keeping the right capital structure of PSE&G, et cetera, and then seeking out regulated opportunities. So I look at that as just reinforcing the fact that we have ample room.

<Q - Paul Patterson>: Okay. And then with respect to this PJM Independent Market Monitor stuff, I wasn't completely clear exactly what you guys indicated happened. It suggested that there were some additional pricing areas in the cost base bids that were identified with the quantity of energy that Power offered into the energy market; that differed from the amount that Power was compensated in the capacity market for those units. I'm just trying to get an idea, what does that actually sort of mean in a more – for somebody who's a little bit less sophisticated on what actually

final
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SI-SSA-0015-15118

happened, I guess?

<A - Caroline D. Dorsa>: Yeah. So you had it right in terms of, in the first quarter, we talked about the cost-based bids and then the incremental information that we identified during this quarter was other errors but also this capacity issue. And so, sort of try to – say it again. So we had, we offer, of course, our units into the day-ahead energy market. We offered an amount of megawatts into the day-ahead energy market. And what we have seen is at times, we did not offer the capacity into the day-ahead energy market that was equivalent to the amount of capacity that we have, we were getting paid for from the capacity auction results.

So, as I said, generally speaking, what I'm talking about is offering into the day-ahead market that differential, not generally speaking impact on the real time operation of the units. So it's about the bidding in the day-ahead, generally speaking more than it is about the operation in the real time. So, it's a differential. As I said, we're in the process of investigating that, doing the analysis and working with the IMM and PJM and we've informed FERC. This day-ahead, this issue about the capacity difference, you may recall I mentioned in my remarks, this is about our peakers, so not about all of our units but our fossil peaking units in the day-ahead market.

<Q - Paul Patterson>: Okay. I got you. Okay, and then just finally, the methane emissions issue and the policy objective and the opportunity, you mentioned that, I think this might start with a nine figures, could you just – could you give us a little bit more of a flavor sort of the total opportunity that might be involved in that? I noticed this other stuff that was coming out yesterday from the DOE and I just suppose – I was thinking about this. Is there any more you can share with us about what that could possibly mean, these methane leaks, sort of plugging them up and the benefit there?

<A - Ralph Izzo>: We have – I think, I'm being told – 4,000 miles of cast iron main pipes that needs to be replaced. I don't know the amount of bare steel pipes that we have that needs to be replaced. And typically speaking, what Energy Strong had how much – for how many miles?

<A - Caroline D. Dorsa>: We're doing 350 miles for Energy Strong.

<A - Ralph Izzo>: 350 miles...

<A - Caroline D. Dorsa>: $1.4 million per mile.

<A - Ralph Izzo>: Yes. So, it's about $1.4 million per mile, Paul so, you could take that 4,000 miles and multiple by $1.4 million. That should give us really rough ballpark here. Yeah, it was $350 million in Energy Strong to replace 250 miles.

<Q - Paul Patterson>: But for the methane escape issue, wasn't that sort of a climate issue that's separate from Energy Strong, I thought that was an additional amount?

<A - Ralph Izzo>: Yes. Yes. Yes. That's correct, Paul. So, I was connecting two disparate thoughts. So, we've been on a longstanding program to replace our cast iron main, because it is the oldest part of our gas distribution system, it's the leakiest part of our gas distribution system. It doesn't have any safety consequences from the point of view of high pressure. It's a low-pressure, low-utilization system. But just from the point of view of good operational practices, you don't want leaky pipes. What's been added to the calculation of why it's important to do it is concern over of the greenhouse gas effect associated with methane, being I think I've read estimates of 30 to 35 tons more impactful per pound of CO_2. So that's just an added impetus for a program that's been underway for many years now to replace the cast iron main.

<Q - Paul Patterson>: So you don't have a dollar number sort of or...

<A - Ralph Izzo>: Yes, if you want to replace all 4,000 miles, you can multiply...

<Q - Paul Patterson>: Okay. Okay, I got you. Okay. Thanks so much.

<A - Kathleen A. Lally>: Thank you. Next question.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15119

Operator

The next question is from Dan Eggers with Credit Suisse. Please proceed with your question.

<Q - Dan L. Eggers>: Hey, good morning, guys.

<A - Caroline D. Dorsa>: Good morning.

<Q - Dan L. Eggers>: Just can you maybe give us an update, or is there a way to quantify how much benefit you guys saw in the second quarter, because of the advantaged gas supply contracts at Power, and how should we think about maybe the benefit in the third quarter this year versus last year, seeing how wide based this is today?

<A - Caroline D. Dorsa>: Yeah. Sure, Dan. Thanks for the question. So, not much impact in the second quarter. So, about $0.01, even that's rounded into the numbers I gave you relative to overall pricing impacts offsetting capacity upsides. That's not so surprising to us. Remember, we talked about last year in the second quarter was when we actually first saw this differential come into play.

And actually, it had a similar impact in last year's second quarter, again, rounding to about $0.01. You may remember with the third quarter that we actually talked more about it, because with the summer season, we had a nice warm summer last year, you had that supply-demand imbalance. More supply trying to get on to the pipe, right? And so the differential widened out and we got about $0.03 a share benefit in the third quarter. So, not surprising in the shoulder season and of course, this is the season where we haven't had as normal weather as we would normally have at the end of the second quarter. It's cooler than normal and cooler than last year. You're not seeing a lot of that benefit. Not surprising, we wouldn't see as much.

So differential for [ph] LIDE (45:43) is ranging and looking a little bit ahead, $0.50 to $1 right now just given supply-demand issues as people refill storage. And that's not surprising. We saw – depending on those supply-demand conditions, you can see that base has really moved around. So we still think obviously we're well positioned. And whenever we can capture that advantage, we will take it and you'll see it come through our numbers. Can't really forecast obviously the rest of this quarter, obviously, what the summer turns out to be. Cool in my house this morning. I don't know about yours. But we'll see how that goes.

But we still have that evergreen opportunity on the pipeline with those contracts that Power has. Residential customer of course gets the first claim. That's why you don't hear us talk about it in the winter, right, because the residential customer is using it for heating. But in the summer where there's obviously not as much heating demand, we can get that benefit.

So I still think it's something you should look to us to try to capture whenever we can. We'll report on how we do at the end of the summer in the third quarter. But as I said, not surprising the 2Q is about the same as last year's 2Q, and again a reminder that that advantage Power has is an evergreen advantage. Overall, you may remember last year we said about 25% of the gas that we use for our generation on a net basis, net 25% across the year, is [ph] LIDE (47:05) source, but it's peaky, right? It's peaky in that summer period. It's much less so in the winter.

<Q - Dan L. Eggers>: Thank you for that. And yes, it was cold in the city this morning, too. So it brings me to my next question, the guidance kind of pointing to the top end of the range. How is that reflecting kind of the absence of July weather so far?

<A - Ralph Izzo>: Yeah. So, Dan, whenever we give information, it's up to the minute. So, we obviously have taken into account July and we've looked at a 10 to 14-day forecast and all of that's factored in. By the way, I just saw yesterday that it is being called a Polar Vortex again. So, evidently in July, that's 74 degrees versus the negative 17. But yes, the recent weather and the near-term forecast is included in the upper end of the guidance. Thanks for asking that because beyond that range, we would assume normal weather.

<Q - Dan L. Eggers>: Okay. And then I guess it's the last question. Caroline, how should we think about tax rate for this year given the fact the rate came in lower in the second quarter, and what would be the expectations for next year.

final
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Bloomberg
SI-SSA-0015-15120

<A - Caroline D. Dorsa>: Yeah. So, I think in terms of tax rate, you should pretty much think of our tax rate as relatively steady for the businesses. Sometimes, we have small adjustments in the tax rate, just a little bit of benefit in Power for the tax rate this year. We've closed on audits. Obviously, sometimes that affects things, production deduction, you calculate that as you look at the overall, the amount of generation that you source from the market versus what you produce. Those kinds of things I think of just noise. So, I would say, think of your tax rate as basically consistent for Power and to the utility on a year-on-year basis. The only thing that might bounce your tax rate a little bit on a quarterly basis now that we have the solar source business in Power and solar source goes into as the unit comes into service. You see that a little bit of boost benefit, if you will, right, a little bit of benefit for the portion of the ITC that you see kind of run through the P&Ls as a permanent difference. Other than that, I think you should expect it to be pretty smooth.

<Q - Dan L. Eggers>: Okay. Thank you very much.

<A - Kathleen A. Lally>: Sure. Next question?

Operator

The next question is from Travis Miller with Morningstar. Please proceed with your question.

<Q - Travis Miller>: Morning. Thanks.

<A - Caroline D. Dorsa>: Morning.

<A - Ralph Izzo>: Morning, Travis.

<Q - Travis Miller>: Wondering about the outage at Salem. Was there anything in the works that you did there that perhaps, I guess, for lack of a better term, pulled ahead work or work that you would have done or had to do in a year or two years that you're able to do at this point? Is there anything in that...

<A - Ralph Izzo>: Nothing that would meaningfully change the duration of an extra fueling outage, Travis. But believe me, that topic was front and center often as we waited for the coolant pumps to come back from the refurbishment of the vendors. But by no means are we skipping outage or nor should you think about any material shortening of the next refueling outage. It should be 18 months from now.

<Q - Travis Miller>: Okay. And a different topic, but now that you have certainty on the Energy Strong investment needs, what are your thoughts around equity needs and use of balance sheet right now and use of retained earnings financing that?

<A - Ralph Izzo>: Yes. So we consistently and remain firm that, in our belief, that we do not have any need for outside equity for the fairly robust capital program we have. Caroline, you may want to add to it.

<A - Caroline D. Dorsa>: Yeah. Travis, as I mentioned just earlier, we closed the quarter with the debt-to-capital of the company at 42%, and for Power at 32%. We also talked about the fact that we know if we had more regulated investments to do, we even have parent debt capacity. So there's lot of room on the balance sheet, not to say that we haven't used it right, consistently identified things, as Ralph has mentioned, to put balance sheet to work. But when I look at this and then I look at the things that we were just talking about earlier, whether it's more on the gas side that we might be able to do on next round of something following Energy Strong, more transmission in the open window, potential for Artificial Island if it comes our way, potential for more things that we might identify on an infrastructure basis.

And I look at a lot of those kinds of things that we identify, and they do add up. But none of them add up to suggest that the balance sheet we have can't support that and more, and of course, for things like transmission, as you know, under our formula rates, it's a real time, we're not lagging, and so cash comes back as well. So I look at this and say we have our conversations and talk about opportunities. We have a balance sheet that can support that, and nothing gets close to equity issuance.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15121

<Q - Travis Miller>: Okay. Great. Thanks a lot.

<A - Caroline D. Dorsa>: Sure. Thank you.

<A - Kathleen A. Lally>: Next question?

Operator

And the next question is from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan P. Arnold>: Good morning, guys.

<A - Ralph Izzo>: Good morning, Jon.

<Q - Jonathan P. Arnold>: I just wanted to understand a little better the thought process behind the charge related to the cost-based bidding issues. So in the first quarter you identified the initial issue, you took a charge, you didn't tell us how much it was. And then this quarter, you are telling us how much that charge was. You've identified the issue might be broader and have some other aspects to it but you haven't added to the charge. So should we read into that that you feel that you took adequate reserve or you just have no way of estimating it? If that was the case, initially why did you come up with $25 million? So is there any context, if you can give that, Ralph?

<A - Caroline D. Dorsa>: Sure. I'll answer that, Jonathan. So thanks for asking the question. We should be clear here. So as you recall, we said we took a charge in the first quarter. We didn't identify what it was. So, obviously, that was a source of a lot of conversations. So we thought it was appropriate to tell you what we took in the first quarter, which was the $25 million, the $0.03 a share, it was all embedded into Power's operating earnings for the first quarter. And the standard on which we rely here in determining that charge is the accounting standard for contingencies. So you may be familiar with it, but if not, let me just be a little bit descriptive.

The accounting guidelines for the time for which we took the charge in the first quarter essentially work this way. You take a look at what a potential issue might be if you need to take a charge or a reserve. And if you identify a particular number that you think is the most likely number, then you book that. If you don't know a most likely number but you have a range of potential outcomes, all of which, given the level of uncertainty, you can't really ascribe differential probabilities to, then you book the low end of that range. And that's what we did in the first quarter. That's what the $25 million represented when we took the charge in the first quarter.

As I mentioned during the remarks and also in earlier question, we've identified some additional errors as well as this quantity matter that I was just describing before as well. And so, as we looked at the second quarter, we didn't have any basis on which to revise that number or change that number, and we determined that we would leave that number where it is. So that – what I'm saying here is you should not interpret that to say that is the best number. When we took the number, the charge in the first quarter, we were taking the low end of the range. And at this point, we don't have any sufficient additional information to change the value right now because we're in the process, as I mentioned, and that process could result in a change in the value.

<Q - Jonathan P. Arnold>: Okay. Thank you, Caroline. One other follow-up on that, too. Is there any aspect of this which is sort of ongoing, affecting your earnings power at Power that caused some of these changes in practice and systems you talked about? Do they – are we going to notice any of that?

<A - Caroline D. Dorsa>: No. So the guidance that we gave you and the upper end of the range guidance, we're really talking about Power's operational earnings power. And Power's operational earnings power is unchanged in how we bid the units and how the units run and the capacity factors and Salem getting back, and Linden having more megawatts. So we don't see this as changing the ability of Power to continue to garner the value it garners from its locations. So I would say no to that. This is something we need to work through, and we will update you as we go. And there may be more to say in subsequent quarters because we are just in the process now, but it doesn't change the fundamentals of how you should think about Power operating in the market.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15122

<Q - Jonathan P. Arnold>: Is this more a sort of retroactive thing, that there are either penalties or disgorgement or whatever that may occur, but the go-forward is not really affected.

<A - Caroline D. Dorsa>: So you're correct, this is something that may result in incremental charges. It may result in penalties. But we just don't know enough right now to give you any guidance in that regard.

<Q - Jonathan P. Arnold>: Okay. Do you have an update on when you think you might have some clarity on that? Apologize if you already said that.

<A - Caroline D. Dorsa>: No, that's okay, Jonathan. No, we actually – we don't. As I mentioned – or as we mentioned earlier and Ralph mentioned as well, we did inform FERC, we've been in discussions with PJM and the Independent Market Monitor. So there are many parties into this conversation, appropriately, and so we can't really give an estimate of the timeframe at this point. We're continuing to obviously work with all those parties.

<Q - Jonathan P. Arnold>: Thank you.

<A - Caroline D. Dorsa>: You're welcome.

<A - Kathleen A. Lally>: Next question?

Operator

The next question is from Paul Fremont with Jefferies. Please proceed with your question.

<Q - Paul B. Fremont>: Thank you very much. Really two things. One, can I get a reaction to the staff recommendation on the consolidated tax adjustment and what that might mean for Public Service Electric & Gas?

<A - Caroline D. Dorsa>: Sure. So, the CTA has recommended – of course, which is not final, right, it's just recommended – takes a view of taking a five-year look-back from the date of filing, also takes a view of separating out transmission from distribution, and then 75% to the company, 25% for the benefit of the customer. So we think that is a very good outcome, and we think if that were to be the final rule, we think that will be fine from a PSE&G perspective and would continue, we think, to appropriately reflect how to think about taxes and, therefore appropriately encourage incremental investment. So, if that were the outcome, which, as I said, is not the final outcome, that would be a good outcome from our perspective.

<Q - Paul B. Fremont>: And, I mean, are you able to sort of quantify the potential rate base impact if that recommendation were adopted?

<A - Caroline D. Dorsa>: Yeah. It would be de minimis. It would not be material.

<Q - Paul B. Fremont>: Okay. And then the second question I have is, you guys mentioned the 316(b) final rules at EPA. Where do you currently stand with the Salem water discharge permit?

<A - Ralph Izzo>: So, I believe our Salem water discharge permit expired some years ago, and it's been held in abeyance, waiting for the EPA rules to come out. So we have had some very preliminary meetings with DEP staff, not only on Salem but some of our fossil units that now can have their permits refreshed, given the promulgation of the rule. I'm pretty sure that the 316(b) rule as proposed by EPA named traveling Ristroph Screen as the best technology available for impingement. Entrainment is more of a site-specific determination. So what we – that rule was, the ink wasn't dry when we called the DEP and said, let's talk about these permits.

<Q - Paul B. Fremont>: So, you're essentially – you would like to see sort of a ruling that's consistent with the EPA standards then at the state level?

<A - Ralph Izzo>: Yes, yes, that's right, Paul. That's right.

<Q - Paul B. Fremont>: Okay.

final
Bloomberg Transcript
Bloomberg
SI-SSA-0015-15123

<A - Kathleen A. Lally>: Thank you. Operator, I think we're going to move to closing comments right now, given the fact we're at the noon hour. So I'm going to turn it back over to Ralph for closing comments before concluding.

Ralph Izzo

Thanks, Kathleen. So, just to recap, we obviously had some help from the weather in the markets earlier in the year, mostly weather early in the year, and a little more help from the markets early in the spring, which we were able to capitalize on with some of our hedging activity, as Caroline described to you.

We're not getting any help from the weather lately, and we didn't do ourselves a favor with some of our operational challenges in the spring. But when they add up all of those challenges, whether it's weather or operational, I am pleased to guide you to the upper end of the range, even having put all that into the stew. And I'm even more happy about the fact that all of those challenges are in the rear-view mirror and that the plants are running well now. And as Caroline's dialog with Jonathan alluded to, even the bidding issues at our trading group, we've corrected it in the – the areas that we were aware of have been corrected, and that's in the rear-view mirror.

The balance sheet remains strong. The investment program is on track. We don't need new equity. We can do all of that and still support growth in the dividend.

So, with that, I'll just say thank you for joining us on the call. We'll see you in various venues in the fall, and I'm sure at EEI late in the fall and that'll be it from here. Thank you all.

Kathleen A. Lally

Thank you, operator. With that, we're going to conclude today's call.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-05-01
Event Description: Q1 2014 Earnings Call

Market Cap: 20,479.43
Current PX: 40.46
YTD Change($): +8.42
YTD Change(%): +26.280

Bloomberg Estimates - EPS
Current Quarter: 0.563
Current Year: 2.722
Bloomberg Estimates - Sales
Current Quarter: 2329.600
Current Year: 10765.333

Q1 2014 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Jonathan P. Arnold
- Kit Konolige
- Daniel L. Eggers
- Travis Miller
- Paul A. Zimbardo
- Paul B. Fremont
- Paul Patterson
- Michael J. Lapides

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Ally, and I am your event operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group First Quarter 2014 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, May 1, 2014 and will be available for telephone replay beginning at 1 o'clock PM Eastern Time today until 11:30 PM Eastern Time on May 8, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, Ally. I appreciate that. Good morning, everyone. I apologize for the slight delay in our call this morning. I appreciate your patience with us, as there is a lot earnings calls this morning. We do appreciate your participation in our earnings call. And as you are aware, we released first quarter 2014 earnings statements earlier this morning. And the release and the attachments are posted on our website at www.pseg.com, under the Investors section. We also posted a series of slides that detail operating results by company for the quarter. The 10-Q for the period ended March 31, 2014, is expected to be filed shortly.

I'm not going to read the full disclaimer statement nor the comments we have made on the difference between operating earnings and GAAP results, but as you know, the earnings release and other matters that we will discuss in today's call contains forward-looking statements and estimates that are subject to various risks and uncertainties. And although we may elect to update forward-looking statements from time-to-time, we specifically disclaim any obligation to do so, even if our estimate changes, unless of course, we are required to do so.

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Our release also contains adjusted non-GAAP operating earnings. Please refer to today's 8-K or our other filings for a discussion of factors that may cause results to differ from management's projections, forecast and expectations, and for a reconciliation of operating earnings to GAAP results.

I would now like to turn the call over to Ralph Izzo, Chairman, President, Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. And at the conclusion of their remarks, there will be time for your questions.

Ralph Izzo

Thank you Kathleen, and thank you everyone for joining us today. Earlier this morning, we reported operating earnings for the first quarter of 2014 of $1.01 per share. That's a 19% increase over the first quarter of 2013's operating earnings of $0.85 per share. I'm extremely pleased with PSEG's result. We delivered on many fronts during the quarter.

For anyone on this call, listening, who resides on East Coast, I don't need to tell you how cold it was this winter. You experienced the polar vortex and we experienced it as well. The record low temperatures challenged our employees, our equipment and our markets. Our readiness was tested at a critical time, in the efforts that PSEG's employees put into secure the availability of our equipment and maintain the reliability of the system was evident and appreciated by customers.

The extreme cold weather caused stress around the system from freezing coal handling equipment at some facilities and playing havoc with other equipment, which resulted in force outages at some of our coal, gas and peaking units. And there was a need to respond to the stress, the weather placed on our electric and gas distribution system with additional repair work. Despite these challenges the strength that Power's fleet was demonstrated in the first quarter through its dispatch flexibility and diverse fuel mix.

Our dual-fuel coal units were able to run on gas and when necessary our peaking units with dual-fuel capability ran on fuel oil when gas wasn't available. And our nuclear fleet continued to perform at high level operating at a 100% capacity factor. Even though some of our gas generation was curtailed, we were able to get sufficient gas to operate our units at critical times.

Our coal and peaking stations responded to the improvement in market economics and given the responsiveness of our employees, the impact of outages was limited and the fleet was available to meet the strong demand. The extremes in weather created substantial volatility in the market, PSEG Power's diverse fuel mix and dispatch flexibility allowed Power to capture margin on its net long position as it responded to the increase in demand.

The strong interaction between our station managers and commercial teams resulted in the adjustment of scheduled outage work and assured the supply of energy and support of customer needs. We were also able to pull forward major work at our Linden units to upgrade with advance gas path technology in advance of the summer season.

Our access to low cost gas supplies continue to yield benefits for our customers. During the month of February and March, PSE&G's customers received bill credits amounting to $115 million, that's an important savings at any time of the year. Our operating earnings in the quarter also reflect the benefit of an increase in the capital invested in our stable regulated business. This increased investment continues to drive earnings growth and improvement in reliability of PSE&G, as it transforms the profiles of our company.

PSE&G's capital program remains on schedule. In 2014, PSE&G is expected to invest $2.2 billion in electric and gas infrastructure upgrades to its transmission and distribution facilities to maintain reliabilities part of a five year $10 billion capital program. We reached the milestone as part of our capital program that we are quite proud of. The first segment of the Susquehanna-Roseland 500-kV transmission line went into service during the month of April.

We expect to complete construction of the S-R towers and the lines heading West to the Delaware Water Gap this summer. Our section of the line and investment of approximately $790 million will eventually connect with PPL's portion, and Susquehanna-Roseland is expected to be fully operational in 2015, when PPL completes construction on

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the western portion of the line. This will be a major achievement. S-R's 2015 operational date would be 12 years after the August 2003 block out, and almost a decade as the PJM identify the critical system needs required to upgrade aging infrastructure and relieve overloaded Power lines.

PSE&G energies the Burlington-Camden 213-kV line this week, ahead of schedule. And it is on schedule to energize the North Central Reliability transmission line this summer. These projects represent a total investment of approximately $790 million and are designed to improve Power quality and system reliability.

All three lines are part of PSE&G's ongoing transmission program, representing $6.8 billion of the $10 billion capital program I mentioned a moment ago and providing double digit growth in PSE&G's operating earnings through 2016. As PSE&G's investment in transmission is expected to drive its earnings growth, it is also expected to further diversify PSE&G's asset base as transmission grows to represent more than 45% of PSE&G's rate base over the next three years.

Transmission lines and switching stations are the backbone of our electric grid, ensuring that we can transport Power to where it's needed safely and reliably. This will assume greater importance as we begin to experience growth, although still modest and weather-normalized electric demand.

The polar vortex exposed the critical need to maintain and improve on the resiliency of our infrastructure. The need to replace aging equipment and maintain the level of service demanded by our customers. And as highlighted the everyday truth that not investing in the system can have a real cause.

We expect the Federal Energy Regulatory Commission to rule on PJM's proposed changes for a demand response prior to the upcoming RPM Auction as a switch over to Power now. We're supportive of PJM's proposals, and believe the rule changes will be a good step in recognizing the need for a more level playing field among suppliers.

So as we look ahead, Power has also invested in necessary retrofits to its fossil units to meet existing environmental requirements. Earlier this week, the U.S. Supreme Court issued a ruling of holding the environmental protection agencies Cross-State Air Pollution Rule or CSAPR as we often refer to. As you may recall, this was vacated by the D.C. Circuit Court of Appeal. We're studying the ruling and await word from EPA on its intention with regard to implementing CSAPR. With this implementation, we would see reductions in NOx emissions in addition to the SO2 reductions achieved through the implementation of the Mercury and Air Toxic rule commonly refer to as MATS. The Supreme Court ruling validities the investments we made to satisfy environmental requirements and supports expectations for the retirement of plans that don't meet EPA requirements.

As I mentioned earlier, the first quarter represented a significant challenge. Through it, we demonstrated the strength of our assets and the talent of our employees. They are focused on the mission of providing safe, reliable energy allowed us to meet the needs of our customers and shareholders. The first quarter was very strong financially and operationally. Now, we are maintaining our operating earnings guidance for 2014 of $2.55 per share to $2.75 per share, given the importance of normal weather to third quarter earnings expectations for both the utility and for power.

We have a proven strategy and we continue to reap benefits from our robust business mix. Our strong financial position will allow us to meet our goals without the need to dilute shareholders through the issuance of equity and our employees provide me with a confidence in our ability to achieve our long-term goals.

With that, I'll turn the call over to Caroline, who will discuss our financials in greater detail.

Caroline D. Dorsa

Thank you, Ralph, and good morning everyone. As Ralph said, PSEG reported operating earnings for the first quarter of 2014 of $1.01 per share versus operating earnings of $0.85 per share in last year's first quarter. We provide you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter on slide four.

As you can see in slide eight, PSEG Power provided the largest contribution to earnings. For the quarter, Power reported operating earnings of $0.58 per share compared with $0.50 per share last year. PSE&G reported operating

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earnings of $0.42 per share compared with $0.35 per share last year and PSEG Enterprise/Other or the parent, contributed operating earnings of $0.01 per share compared with breakeven operating earnings during the first quarter of 2013. We've provided you with a waterfall chart on slide nine to take you through the net changes in quarter-over-quarter operating earnings by major business. And I'll now review each company in more detail.

First, let's turn to PSE&G. As shown on slide 11, PSE&G reported operating earnings for the first quarter of 2014 of $0.42 per share compared with $0.35 per share for the first quarter of 2013. PSE&G's earnings for the first quarter reflect the benefit of an increase in revenue associated with its expanded capital investment program and improvement in demand and a reduction in pension expense. Slide 12 provides a reconciliation of the items that influenced PSE&G's quarter-over-quarter earnings.

FERC authorized PSE&G's request for an annual increase in transmission revenue under the company's formula rate filing. The increase in revenue, which was effective on January 1 of this year, supported a quarter-over-quarter increase in the net earnings contribution from transmission of $0.03 per share.

Demand for electricity and gas in the quarter was influenced by weather, which was significantly colder than both normal weather and the weather of a year ago. The impact of the colder than normal weather on electric demand added a $0.01 per share to quarter-over-quarter earnings.

The impact of weather on gas demand as you would expect was recaptured in the weather normalization clause and didn't impact earnings comparisons. Apart from the weather, an improvement in the weather-normalized gas demand and volumes added $0.02 per share to quarter-over-quarter earnings.

Gas deliveries continue to benefit from sustained low commodity prices and slowly recovering economic conditions. On a weather-normalized basis, gas deliveries are estimated to have increased by about 3.4% in the quarter. Earnings also improved by $0.01 per share due to a reduction in the effective tax rate and all other items. And the reduction in PSE&G's pension expense was fully offset by some higher operating and maintenance expense associated with weather related repair costs, resulting in a flat O&M comparison quarter-over-quarter. Economic conditions in the service area, led by the housing market, are exhibiting slow but steady signs of improvement.

On a weather normalized basis, electric sales are estimated to have improved by 1.3% in the quarter, led by a 2.9% growth in sales to commercial customers. But this level of growth may be greater than the underlying improvement in economic conditions, given Sandy related adjustments to billings in the year ago quarter. And you'll recall, we mentioned last year that Sandy impacted normal billing patterns during that quarter and immediately after. Weather normalized electric sales to residential customers are estimated to have increased by a more modest 0.6% in the first quarter.

Turning to investments. Despite the extreme cold weather experienced in the quarter, PSE&G has been able to maintain its schedule for capital spending and remains on target to invest up to $2.2 billion on electric and gas infrastructure upgrades during 2014 to maintain reliability. As Ralph mentioned, a portion of the Susquehanna-Roseland transmission line was energized from the new Hopatcong switching station to Roseland earlier this year and the North Central reliability and Burlington-Camden 230-kV lines are on schedule to be in service to meet this summer's peak electricity demand.

PSE&G is earning its authorized ROE for the 12 months ended March 31, 2014. We're maintaining our forecast for double-digit growth in PSE&G's operating earnings for 2014 to $705 million to $745 million, as well as expectations for double-digit earnings growth through 2016.

Now, let's move to Power. As shown on slide 15, PSEG Power reported operating earnings for the first quarter of $0.58 per share compared with $0.50 per share a year ago. The earnings release and slide 16 provides you with detailed analysis of the impact on Power's operating earnings quarter-over-quarter from changes in revenue and costs. Power's first quarter results, which are $0.08 per share higher than last year benefited from an increase in revenue. Higher capacity prices and improvement in the economic dispatch of Power's fleet and an increase in output more than offset the impact of higher costs associated with the need to meet the increased demand as well as the need to undertake planned outages and the cost associated with completing the capacity upgrade work at Linden.

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Now let's turn to Power's operations. Power's output increased approximately 3% in the quarter from the year ago levels and Power's assets were well positioned to take advantage of market movements in the quarter given Power's hedging strategy, dispatch flexibility and diverse fuel mix. The base load nuclear fleet operated at an average capacity factor of 100% in the quarter as Ralph mentioned and it produced 55% of Power's total generation in the quarter or 8 terawatt hours.

Production from the combined cycle fleet declined 8% to 3.4 terawatt hours in the quarter or 23% of total generation. Output at the Bethlehem New York facility was hurt by a decline in gas availability and Linden's availability was affected by decision to extend an outage to complete the AGP capacity upgrade work actually ahead of schedule. An improvement in dark spread supported an increasing output from the cold stations, particularly from the Connecticut based Bridgeport Harbor Station. So production from the coal fleet increased 15% to 2.6 terawatt-hours or 18% of total generation. The cold weather and increased demand supported the economic dispatch of the steam and peaking units, which provided 4% of the fleet's output in the quarter.

Slide 17 provides more detail on the generation in the quarter. The combination of higher capacity prices and an increase in market prices on Power's un-hedged position, more than offset the impact of lower average prices on hedges and the need to meet the demand under the fixed price full-requirements BGS contract. For the quarter, Power's gross margins as shown on slide 19, expanded to $50 per megawatt-hour from $47.50 per megawatt-hour last year.

Lastly, impacting electric gross margins, Power has identified that it incorrectly calculated certain components of its cost base bids for certain generating units in the PJM energy market, with resulting over collection of revenues related to its fossil fleet. Power has self reported the issue to FERC, PJM and the PJM Independent Market Monitor on this issue. The issue is still under review and we're unable to estimate the ultimate impact or predict any resulting penalties or other costs associated with the matter at this time. The company recognized the liability in the quarter related to this matter, but this impact is included in our calculation of gross margin, which continues to show quarter-over-quarter improvement to the $50 per megawatt hour level that I just mentioned.

Turning to the gas side, the contribution from Power's burn gas transportation contracts improved quarter-over-quarter earnings by $0.05 per share. The contribution to earnings is from Power's traditional gas supply business and it reflects the positive impact on earnings from higher volumes and the ability to price gas sold to commercial and industrial customers at market.

Looking forward, Power has increased its forecast generation output for 2014 to 56 terawatt hours to 58 terawatt hours from the prior estimate of 53 terawatt hours to 55 terawatt hours. The revised forecast reflects the increase in output during the first quarter and an expected improvement in the economic dispatch of the fleet. As always, our forecast is based on normal weather conditions for the remainder of the year.

Approximately, 70% to 75% of anticipated production for the April to December period is hedged at an average price of $49 per megawatt hour. Power has also increased its forecasted economic generation in 2015 and 2016 to 54 terawatt hours to 56 terawatt hours from 53 terawatt hours to 55 terawatt hours in each year.

For 2015, Power has hedged between 50% and 55% of its forecast generation at an average price of $51 per megawatt hour. For 2016, Power has hedged 25% to 30% of its forecast generation at an average price of $51 per megawatt hour.

Hedge data, as we show on slide 20 for 2014 and 2015 continue to assume BGS volumes will represent about 11 terawatt hours in 2014 and about 10 terawatt hours in 2015. We continue to forecast full year operating earnings for Power of $550 million to $610 million. Results for the remainder of the year will be influenced by a decline in the average price received on our PJM capacity to $166 per megawatt-day on June 1 of this year from the historically high level we're currently enjoying of $242 per megawatt-day, as well as a decline in the average price of our energy hedges.

O&M is expected to compare favorably given a reduction in pension expense and the absence of major outage related works that occurred in the second half of last year for comparison purposes.

Now, let me briefly discuss the operating results from Enterprise and Other. For the first quarter, PSEG Enterprise/Other or the parent, reported operating earnings of $0.01 per share, which compares with essentially

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breakeven operating results during the first quarter of 2013. Results reflected a steady contribution to earnings from the lease portfolio and a contribution from PSEG Long Island. We continue to forecast full year operating earnings for 2014 for PSEG Enterprise/Other of $35 million to $40 million.

I want to point out that in April, PSEG and Power amended their credit agreements ending in 2017, which effectively does extend the expiration dates from March of 2017 to now April 2019.

Total credit capacity as of March 31, 2014 was $4.3 billion. PSEG has credit facilities amounting to $1 billion. Power's credit facilities totaled $2.7 billion. In addition, PSEG maintains a five-year credit facility amounting to $600 million. And a significant portion of our $4.3 billion of credit capacity expires post 2018, $2 billion matures in 2018 and $2.1 billion matures in 2019 with this recent extension.

As we said many times, we can finance our capital program without the need for the issuance of equity, given the strength of Power's cash flow and our already strong balance sheet with debt at the end of March 31 of this year representing 41% of our consolidated capital. And we ended the quarter with about $655 million in cash. We continue to forecast operating earnings for the full year of $2.55 to $2.75 per share.

With that, that concludes my comments and I'll now turn the call back over to the operator, and open the line for your questions. Ally?

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for members of the financial community. [Operator Instructions] And your first question comes from Jonathan Arnold with Deutsche Bank. Please proceed with your question.

<Q - Jonathan P. Arnold>: Thanks.

<A - Caroline D. Dorsa>: Good morning.

<Q - Jonathan P. Arnold>: Just on this reserve, Caroline you talked about in the quarter the cost based bidding et cetera, could you clarify was that just a first quarter item or did you reserve against something that relates to longer period of history? How long perhaps if that's the case?

<A - Caroline D. Dorsa>: Sure. So, thanks, Jonathan. So we booked a liability in this quarter based on errors that we identified and they're in certain bid adders, such as emissions historically. And we fixed all of the errors that we've identified in the bid adder arena that resulted in any over collection. So right now, we're assessing all other aspects of our model, any other identified and quantified errors will be fixed. We can't comment any further really at this point, other than to remind you that we have self reported and what we booked as a liability is reflected still in those numbers that I gave you that results in gross margin per megawatt hour increasing quarter-over-quarter to $50 per megawatt hour.

<Q - Jonathan P. Arnold>: Do you want to give us any sort of insight into what your – whether this is – there is some kind of historical liability kind of being booked against the first quarter?

<A - Caroline D. Dorsa>: Yes. It relates to errors we've identified historically. That's exactly right. But, since we're in this self report and the appropriate regulatory process, we can't get more detail of that at this time. And when the process is complete, we'll give the full information, but we can't do that quite yet.

<Q - Jonathan P. Arnold>: Okay. But is it safe to say that some element of – with un-quantified reserve that doesn't just relate to kind of retriggering how you presented first quarter, there is some costs stopping that too?

<A - Caroline D. Dorsa>: It relates to the past, correct.

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<Q - Jonathan P. Arnold>: Okay. All right. When do you think we might have a better sense of how much that affected the quarter?

<A - Caroline D. Dorsa>: Yeah. So we're in the self report process discussions with PJM and the Market Monitor and the self report we just made to FERC. We want to see that regulatory process of course through the completion and can't really predict what that timeframe would be, but when we get to that, end of that timeframe, we'll disclose it as appropriate on the final results.

<Q - Jonathan P. Arnold>: Okay. And then, I think as we've been – you've been on the phone, it looks like an 8-K has hit within the information about an Energy Strong settlement?

<A - Ralph Izzo>: Yes, Jonathan. So let me talk about that. I wanted to spell one room and confirm one room. The one room I wanted to spell is that we moved to call up an hour and I couldn't get here on time, so we started five minutes late, not accurate. But we did have some tremendous progress last night. I had discussions with all the intervenors and in particular the board staff and this morning we were just trying to dot our Is and cross our Ts and have signatures on the settlement agreement and then of course to comply with FD. We needed to make sure that information was released. The earnings release went out ahead of the dotting of Is and crossing of Ts and we now have done that.

So I'm pleased to tell you that we have a settlement agreement with the staff. We expect many of the other intervenors to join, but we don't have their signature yet. I'm okay with that, the staff who we had always want to make sure we had the agreement with. It's a $1.22 billion program, about $820 million of that is electric and $400 million of that is gas. The allowed ROE is $9.75 billion, $1 billion of that will be recovered through the accelerated recovery mechanisms. $200 million of that will be done in 2017 timeframe when we will then file a rate case in November of 2017 with a three-month historic, nine-month look ahead profile. So that will be seven years plus from our last base rate case.

We would expect the BPU to approve this. They have not as yet. The schedule for approving it will be announced shortly and that will be a partial function of how many other parties sign on, although as I said I do expect most of the participants to sign on. So I noted they are not on the phone right now, but I just have to thank the 100 plus municipalities and counties who have supported us, the unions who have supported us, the hospitals who have supported us, the other parties who are engaged in the dialog for 15 months and our regulatory team. They just did a great job and we're just pleased to get this thing going right now.

I would view this as an important start to hardening the system. There's nothing in the settlement that says we can do the full [ph] $3.9 billion (30:00), I don't mean to suggest that, but there's nothing that says we can't. So I just view this as an important start and we will be measured by our success and effectiveness in hardening the system, as we should be, but I'm glad that we can get underway.

<Q - Jonathan P. Arnold>: Thank you, Ralph. Yeah, I guess, given that it's my question, can I just ask one clarifier on this?

<A - Ralph Izzo>: Sure, sure.

<Q - Jonathan P. Arnold>: So when you say that the $1 billion will be under accelerated recovery and then the balance, $200 million will be – so the $1 billion is for 2015 and 2014 through is 2016, is that correct?

<A - Ralph Izzo>: Yeah. It's unfortunately not quite so simple, Jonathan. Some of the stuff will get done in two years, some will take three and some will take five. The five year has to do with the substations that were underwater in Irene and in Sandy. And all of those, even those that go out to five years will be under the accelerated recovery mechanism. So there is $200 million of the program that is going to be done just leading up to the rate case, so what we agreed is we would just make that part of the prudency review, since there's really not a lot of time lag between the prudency review and the capital program, because none of this stuff gets recovered until it goes into service. So, we thought that that would be okay, that there would be no lag on that $200 million.

<Q - Jonathan P. Arnold>: The rate case will be filed within nine months of 2016, three months of 2017 for 1/1/2017 rate?

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<A - Ralph Izzo>: No, no. The other way around, so when it goes in November 2017, it would be three months of actuals and nine months of forecast.

<Q - Jonathan P. Arnold>: So it will go in November of 2017. Okay. I got it. Three months...

<A - Ralph Izzo>: That's good because if I have to repeat it, I might not say it's the same way twice. It's three months of actuals and nine months forward; that's been our practice.

<Q - Jonathan P. Arnold>: Okay. Great. Thank you. I'll move along.

<A - Ralph Izzo>: Thank you, Jonathan.

<A - Caroline D. Dorsa>: Next question.

Operator

And the next question comes from Kit Konolige with BGC Financial. Please proceed with your question.

<Q - Kit Konolige>: Thank you. Good morning.

<A - Ralph Izzo>: Good morning, Kit.

<A - Caroline D. Dorsa>: Good morning.

<Q - Kit Konolige>: Just to follow a little on the Energy Strong, can you quantify how much this deal would be worth say in terms of EPS or...

<A - Ralph Izzo>: So Kit, we've pretty much given you a fairly consistent rule of thumb, that at our cap structure with these kind of returns it's about $0.01 for every $100 million of investment.

<Q - Kit Konolige>: Right.

<A - Ralph Izzo>: If that needs to be refined.

<A - Caroline D. Dorsa>: That's right.

<Q - Kit Konolige>: Right. And under this settlement, when would the investment start to be made and how would the rate base ramp up as a result of this?

<A - Ralph Izzo>: So I mean you should not expect a big impact in 2014. I don't have in front of me the exact capital program calendar, but most of it will be felt in 2015, 2016, 2017 and 2018.

<A - Caroline D. Dorsa>: And you may recall Kit, as we talked about in March, right, we forecast double-digit earnings growth, but also double-digit rate base growth even without Energy Strong as we talked about. So this enhances that to reinforce the strength of the rate base growth as double-digit and the earnings, but as Ralph said, not a material item at all for 2014.

<Q - Kit Konolige>: Right. Okay. And one other area to go back to, Ralph your comment on the auction, it sounds like – did I understand you correctly to say that you view the demand resources rule changes kind of the key change in the auction?

<A - Ralph Izzo>: So we do view it as a key change right, because the import issue is more of a Western, PJM issue than it is for us, so whether it's the limited DR resources or trying to address some of the arbitrage opportunities available between the base residual auction and the incremental auctions. We think all these are positive for creating more of a level playing field in the market now. I've been running around trying to find the settlement document. So I'm just looking around at my colleagues, make sure FERC hasn't acted on this yet, right? It's supposed to happen soon, but...

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<A - Caroline D. Dorsa>: That's right.

<A - Ralph Izzo>: We don't have a decision yet.

<A - Caroline D. Dorsa>: Not yet.

<Q - Kit Konolige>: Right. Okay. And so, can you give us any insight into what we should expect from the auction? Should we expect the PSEG zones to separate again? And could you give us an idea of what you're thinking is about where RTO settles?

<A - Ralph Izzo>: Yeah. So Kit, we would never do that. It's obviously a competitive auction process and so forecast or predictions would not be a good idea, and we've never done it in the past. But I will tell you though that we'll know by May 23, the bid's going on [May] 12, and from [May] 12 to [May] 16, and then PJM takes a week to assess them and so three weeks and two days from today we'll all have the answer.

<Q - Kit Konolige>: Okay. Well...

<A - Ralph Izzo>: I don't want to lead you to think that we don't analyze this and think about it.

<Q - Kit Konolige>: You're right. Right, right.

<A - Ralph Izzo>: We just don't publicize what we think is going to happen.

<Q - Kit Konolige>: Well, at least you confirm that we'll know by May 23, right?

<A - Ralph Izzo>: Yes, thanks, Kit.

<Q - Kit Konolige>: All right. Thank you.

<A - Caroline D. Dorsa>: Thank you. Next question.

Operator

And the next question comes from Dan Eggers with Credit Suisse. Please proceed with your question.

<Q - Daniel L. Eggers>: Hey, good morning, guys.

<A - Ralph Izzo>: Good morning, Dan.

<Q - Daniel L. Eggers>: With the settlement, can you just walk through maybe – because I don't have them side-by-side yet, I apologize. But walk through what were the big changes from maybe the $2.6 billion over the five years you had projected or requested, and what you guys settled today as far as where dollars weren't spent. And...

<A - Ralph Izzo>: Yeah.

<Q - Daniel L. Eggers>: How you think about the opportunity to spend those later?

<A - Ralph Izzo>: Yeah. So Dan, the most important part we viewed of the settlement was the electric substations. And all of that is covered and from the point of view of what was affected by Irene and Sandy. But there were a bunch of other areas that we thought would be beneficial. For example, we had the undergrounding of, I think, 30 miles of overhead circuits, and that was knocked out. We had some improvements to SCADA systems, data acquisition and analysis system that would help us restore those customers who were interrupted more promptly; that was knocked out.

On the gas side, we had I think 500 miles of cast iron that was affected or is in now FEMA – more at-risk areas and that 500 miles was cut back to 250 miles. We then had some movement of backyard services to the front of the home. Once again, our backyard service getting knocked out is just that much more difficult to restore, that was knocked out. We had some improvements in construction standards for some of our distribution system. And that was knocked out.

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Bloomberg
SI-SSA-0015-15133

So the heart, I just listed a whole bunch of stuff that was knocked out. I don't want to give the wrong impression. The heart of the program was the substations and that was fully funded. But we will go back, I mean, I think people are going to see that this has a benefit. We wouldn't have proposed it, if we didn't think so. And as we do the work and as we see the system perform, we'll go back and talk with staff and talk to the other parties. I really do take their reaction to this. Not as a no on the other stuff, but as a not yet. And just show me that, it's money well spent. And I think that that's perfectly legitimate and fair on their part and we will step up to that.

<Q - Daniel L. Eggers>: Do you have a ballpark, maybe of kind of by year, how that money is going to get spent over the next...

<A - Ralph Izzo>: We'll release further details. I don't – off the top of my head right now. And I just want to make sure the team has a chance to get the schedules all put together and then we can release that.

<Q - Daniel L. Eggers>: Okay.

<A - Ralph Izzo>: But as Caroline said in our March conference, we didn't bake into our growth projections, the utility, Energy Strong. And so, there is $1.2 billion over the next two to five years, it's really more like four will be incremental to that and we'll give you the specifics.

<Q - Daniel L. Eggers>: Okay. And I guess one other question, Ralph, been out in the market is, kind of views on you remaining in an integrated company with the distribution business on the regulated side and the competitive generation business. Can you just remind us how you guys think about combined company and what would be required and maybe how you revaluate that strategy?

<A - Ralph Izzo>: Yeah. So, Dan we talk about that often. And there is arguments on the both sides of the equation. By and large, though we don't think we're hampered from doing things on either side of the company by virtue of having the other company as part of the family. We kind of like the stable earnings growth of the utility, providing a really strong foundation for the dividend and its future growth.

We like the fact that Power is generating healthy amount of cash that could feed the equity needs of the utility. There are very obvious operational dissynergies to separating. You never say never, because we're always asking the question, but we obviously like the model right now and I just keep reminding myself that every once a while somebody says, gee, you have such a great utility, if only that was standalone and separate from that struggling Power company five years ago, we used to have the conversation, only the roles were totally reverse.

So it's not – we don't put our heads in the sand and not ask that question. We do talk about it regularly from the point of view of strategic clarity and being able to give a very specific message to our shareholders. But, right now, the cash from Power and the equity needs of the utility are really nice financial complement and the operational benefits of moving people from one organization to the other with complementary skill sets has been a big plus for us as well.

<Q - Daniel L. Eggers>: Great. Thank you, guys.

<A - Ralph Izzo>: Thanks.

<A - Caroline D. Dorsa>: Thank you. Next question?

Operator

And the next question is from Travis Miller with Morningstar, Inc. Please proceed with your question.

<Q - Travis Miller>: Thanks. Good morning.

<A - Caroline D. Dorsa>: Good morning.

<Q - Travis Miller>: Sort of back on the capacity auction, real quick. I was wondering if you could characterize how much demand response you would either expect or you've seen in the past show up in those potential impact on you

final
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Bloomberg
SI-SSA-0015-15134

guys, specifically of your Zone specifically?

<A - Ralph Izzo>: Yeah. Travis, the ability to forecast the DR is not an inconsequential part of getting the price right. So we really wouldn't want to put that number out. And the historic DR, I would rather have you, I don't mean to make you do extra work, but check the PJM website for that rather me quoting it. The numbers that I recall are high-single-digit percentages like 8 or so., but it's better to check the PJM website. But, the CETL and CETO numbers and the transfer capability in the known assets and the known demand numbers are all out there for PJM, so really a large part of the auction turns on what you expect for DR. I will say this that most DR does happen in the higher industrial zones and in the part of PJM that we operate, we don't have a large industrial load, so this is typically a lower DR component where we are.

<Q - Travis Miller>: Okay. Fair enough. Thanks. And then, secondly, I was wondering if you could characterize the hedging environment, as you saw from – essentially February at the Analyst Day to where we are today end of March period?

<A - Ralph Izzo>: I'll start that and let Caroline fill in. To be sure, we with some of the banks and financial players leaving the market, we have seen a little bit – well we have seen less liquidity in the out years, I don't want to qualify it as less. Also given some of the infrastructure challenges of moving low cost gas out of the Marcellus to other regions combined with some fairly extreme weather conditions have really introduced a tremendous amount of volatility in the market. So we benefited greatly with our naturally long position.

We have what I would just call corridors. They're upper and lower limits in terms of how much we want to hedge. And we play within those corridors in terms of that we think the market is oversold or maybe there is some potential for upside. So we'll lean one way or another, that's why we give you ranges in our hedge position. And suffice to say that we've been pleased by the way in which we've managed our book given the increase in Power prices of late. And we've seen a modest increase coming from the CSAPR rule, how sustainable that will be, we don't outguess the market but we do capitalize on those opportunities when they come up. Caroline, please go ahead and answer when they come up.

<A - Caroline D. Dorsa>: Sure. Just a few other points then looking at some of the numbers that you saw in our slide deck and comparing them perhaps to what you say when we were at the March 7 meeting. So we did continue to layer on hedges consistent with that layering and strategy that Ralph mentioned within the corridors. Keep in mind that the numbers that you have now in today's slide deck reflect an increase in the expected terawatt hour generation from our fleet based on the economics in the market. That's a good thing obviously for us. So what its impact would be is as we continue to layer on hedges, you wouldn't see the ranges move up quite as much of the hedge percentage because the denominator is moving up. That's great from our perspective.

Also if you look at the hedge percentage for the remainder of this year, it looks a little lower than the hedge percentage we gave you for the full year earlier this year. That's normally what you see because when the first quarter rolls of you've got a greater representation from the summer period and the summer period is where we have the mid-merit in peaking, which we'd never be hedging fully because of the weather. So you normally see that percentage looking like it's going down and then it kind of goes back up after it get through the summer. So we continue to layer on our hedges. It's kind of looks the same as the progression last year if you roll the tape back. The only other thing going on there is that increased generation expectations, which is just great from our perspective that changes a little bit how to think about the numbers, but it's all because of that denominator factors we are very pleased with.

<Q - Travis Miller>: Great. Thanks so much for all the detail.

<A - Ralph Izzo>: Sure. Thanks.

<A - Caroline D. Dorsa>: Next question.

Operator

And the next question is from Paul Zimbardo with UBS. Please proceed with your question.

final
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Bloomberg
SI-SSA-0015-15135

<Q - Paul A. Zimbardo>: Hi, good morning.

<A - Ralph Izzo>: Good morning, Paul.

<A - Caroline D. Dorsa>: Hi.

<Q - Paul A. Zimbardo>: I think pretty much all of my questions have been answered. But one question on Linden and that acceleration and some of the other cost acceleration. Do you see that having an impact on the remainder of the year, if some of the costs have been accelerated?

<A - Caroline D. Dorsa>: In terms of O&M do you mean or in terms of generation?

<Q - Paul A. Zimbardo>: In terms of outage and O&M of expenses that you moved forward?

<A - Caroline D. Dorsa>: Sure. So we moved them forward because we had a Linden outage that was ongoing. So we took the opportunity to extend it a little bit, so that we could add the AGP, the [ph] up rate (45:24). So now we have 63 extra megawatts at Linden, which will be available for us for the summer. That increment was about $0.02 for the quarter, but that would have happened later on as we continue to do Linden. So we're still forecasting to have the O&M be lower at Power on a full year basis than prior year, that's what we told you earlier this year and that hasn't changed. Again, some of this is timing, but a good timing to get the AGP done sooner. Remember, both businesses continue to benefit from pension expense and that's baked into the numbers. So little bit of timing difference, good thing for us from the generation side, still going to see that O&M reduction in our current forecast, actually in both businesses on a year-over-year basis.

<Q - Paul A. Zimbardo>: Okay. Great. And I'm sorry, if I missed it. But did you say a potential timeline on when we will get our next update potential review from the BPU on the Energy Strong settlement?

<A - Ralph Izzo>: So, Paul depending upon the expense, which the settlement is universal, if all parties agree then it's conceivable that the board would act on it in the May timeframe. If all the parties are not on board and there is a reason to believe that we have a good shot at getting all the parties, but I don't know that for fact. Then it's more likely that the board will schedule an opportunity for comment on these settlement and you're looking more of a June decision.

<Q - Paul A. Zimbardo>: Okay. Great. Thank you.

<A - Ralph Izzo>: You're welcome.

Operator

And the next question is from Anthony Crowdell with Jefferies. Please proceed with your question.

<Q - Paul B. Fremont>: Yeah, actually, it's Paul Fremont. What I'm struggling with a little bit is, when I compare the uplift in commodity margin that you guys realized, which is roughly, I guess, in PJM 50 million on close to 14.5 million megawatt hours. And I compare that to Calpine, which I think had only 3.5 million megawatt hours in their north region, but had an uplift of like a 125 million megawatt hours. What is it that you would point to as the biggest differences between their profit opportunity versus your profit opportunity when both companies were sort of in a similar hedge position going into the quarter.

<A - Caroline D. Dorsa>: Thanks Paul. So don't know their situation, so I certainly can't comment on that. Obviously you saw as we provided the data in the waterfall, right, part of what you have to keep in mind for us is not just the data on the incremental generation, which we said was 3% higher. But you've got to take into account the impact of the hedges right, the hedges that we have including the full requirements, BGS, right. So when BGS has stronger demand, because of the winter weather, and it was a strong winter this winter, that BGS is a fixed price. And so that reduces some opportunities for us in taking advantage of the market, because we have that cost-to-serve. So we were about 75% hedge, about 25% open to the market for the quarter, not too distant much where we've been before, but obviously the BGS prices relative to the market prices are lower now because of where the market moved in the first quarter.

final
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Bloomberg
SI-SSA-0015-15136

<Q - Paul B. Fremont>: So I mean, does that lead you to maybe, reconsider, whether the BGS is the best hedging vehicle for the company?

<A - Ralph Izzo>: No, no, not really, Paul. I mean it's – if you think about the reliance on Power's cash generation, BGS has nicely protected us in the down markets. Yes, it does create an opportunity cost on the up-markets, but it provides a nice stable platform. If you remember, the strength of a BGS is that it is full requirements and we are uniquely capable serving full requirements because of the breadth of our technologies; the breadth meaning base-load, load-following and peaking, which allows us to incorporate a load factor premium and a risk mitigation premium. So, no, I don't think you'll see us moving away. That's why we have the 10 terawatt-hours to 11 terawatt-hours of BGS all factored into future years.

<Q - Paul B. Fremont>: Thank you very much.

<A - Caroline D. Dorsa>: You're welcome. Next question.

Operator

And the next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

<Q - Paul Patterson>: Good morning guys.

<A - Caroline D. Dorsa>: Good morning.

<A - Ralph Izzo>: Good morning, Paul.

<Q - Paul Patterson>: Just I wanted to follow up back on this energy cost bid issue. Are you guys not disclosing the liability in the quarter? Did I get that correct?

<A - Caroline D. Dorsa>: Yeah, we're not disclosing the specifics for the liability in the quarter because, as I mentioned, we're in the regulatory process. We did the self report. We're in discussions with PJM, the Market Monitor and self report to FERC. We'd rather let that regulatory process go on and complete. So, as I mentioned to you, we did book something this quarter, but it's all rolled into that gross margin per megawatt-hour that increased and we'll give more details when we finish the process.

<Q - Paul Patterson>: Okay. And then you also said that it was historical in nature, could you give us just a little bit of a flavor, just roughly speaking, over what timeframe this was?

<A - Caroline D. Dorsa>: No, I won't go into that right now, same thing. We want to handle the regulatory process as appropriate, but it is historical in nature. It's things we identified looking at historical things, for example, as I mentioned, such bid adders like emissions. Those things have been fixed and those are the kinds of errors we've been reporting.

<Q - Paul Patterson>: Did it have an impact on market prices during that period of time or can you...?

<A - Caroline D. Dorsa>: That's not something we can comment on. As I said, we'll go through the regulatory process.

<Q - Paul Patterson>: Okay.

<A - Caroline D. Dorsa>: We'll complete all of that and then we'll give additional information.

<Q - Paul Patterson>: Okay. But this is something that you guys discovered and it didn't involve the Market Monitor or anybody else? You guys are self reporting that, correct?

<A - Caroline D. Dorsa>: We self reported. That's correct. We discovered it and we self reported it to all the agencies, correct.

final
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SI-SSA-0015-15137

<Q - Paul Patterson>: Okay. And then just finally there was some commentary about the replacement capacity case, I think the arbitrage and you guys have some insight as to what the outcome's going to be, is that correct or what were your thoughts...?

<A - Ralph Izzo>: No, no. Just that we, like others, have been curious about whether or not a DR actually is physically delivered or whether there's an arbitrage between the base residual auction and the incremental auction. And PJM has basically suggested some modifications to the way in which that incremental auction can take place and the physical delivery of demand response that we think will benefit the market, that's all. We have no insights other than the full public dialog on the subject.

<Q - Paul Patterson>: Okay. Well, all my other questions have been asked and answered. Thanks so much.

<A - Ralph Izzo>: Thank you, Paul.

<A - Caroline D. Dorsa>: Great. Thank you.

Operator

And the next question is from Michael Lapides with Goldman Sachs. Please proceed with your question.

<Q - Michael J. Lapides>: Hey guys, two questions actually. One, Caroline, when I look at O&M in the quarter at both Power and the E&G, up year-over-year at both places, up a good bit at E&G relative to first quarter 2013, but even a little bit at Power. Can you just walk us through the puts and takes and what of that, if any, would be recurring when we start thinking about 2015?

<A - Caroline D. Dorsa>: Okay, sure. So not really forecasting 2015 specifically, but if you look at the O&M for the quarter and you see a nice breakout I think on page nine of our deck. We've put the O&M in two pieces for you, which I think is helpful. So the lower pension expense for PSE&G is valued at about $0.02 a share on a favorable basis, right. And then there's distribution O&M, about $0.02 a share unfavorable. So the way to think about that is, we told you that pension expense for the whole company, right, would be $0.15 a share favorable, a little bit more than half is of PSE&G. So you'd see more like $0.08 for the year and [inaudible] (53:08) for the quarter.

The $0.02 on distribution O&M that was unfavorable year-over-year is primarily driven by some incremental cost from some of the storms that occurred in the winter. Can't really forecast that, right. We always forecast normal weather, sometimes we have storms in the winter; sometimes we have storms in the summer. And so, together that leads to a flat O&M on an operating earnings basis, the way we typically report it.

Keep in mind, if you're looking at the GAAP statements though, you wouldn't see the impacts I'm showing on the waterfall, because the O&M in the GAAP statements includes the O&M for clauses. We always take that out from a management perspective. But if you're looking at GAAP, you're going to see O&M that relates to the contemporaneous return clauses we have, for example, like solar and a number of other things. We've always excluded that because that's recovered within the ROEs that we get when we get those clauses. That's why we focus on the operating earnings waterfall that we show you on nine, because that's really what to think about in terms of what flows down to the bottom line without recovery.

So that's the utility piece. You should expect to see pension continue to benefit quarter-over-quarter and then the rest of the O&M really depends on the rest of our ongoing and control and whether there are any storms in the summer season, but can't be sure about that.

So in terms of Power, now if I go over to the other side, Power, we also breakout pensions, about $0.01 for the quarter, remember I said Power will be a little less than half. So Power gets on a rounded basis about $0.01 of benefit for the quarter. And then it has about $0.05 on a quarter-over-quarter impact for this quarter. And I mentioned the Linden outage, which was planned, but then extended and the extension was an impact of about an extra $0.02 this quarter for the AGP. That's a good thing because that gives us more generation. So on a year-over-year comparison, most of what you're seeing in the O&M negative is the impact of outages and outage extensions.

final
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Bloomberg
SI-SSA-0015-15138

For Power going forward, there's no Hope Creek outage in 2014, so that will be a favorable impact relative to prior year, because remember when we have outages at Hope Creek, we got 100% versus outages at Salem where we only get a portion. And also there was a BEC outage, remember I talked about last quarter for the end of the year, there won't be a BEC outage in the later part of this year.

Roll that all together, where does it all take us? We had some storms in the utility. We had to spend and couldn't anticipate. We had the extended outage for the AGP and Power that is a little negative. You've got then positive pension rolling through just the way you should expect to see it for the quarter. And when you pull all that together and you look at the rest of the year, on an operating earnings basis, setting aside utility clauses that get recovery, that's why we're still comfortable forecasting a decrease in the aggregate for each of our businesses year-over-year.

<Q - Michael J. Lapides>: Got it. And then, Ralph, just on the Energy Strong settlement, I want to make sure I followed the kind of the high level details. $1.22 billion, the bulk of the CapEx is really 2015 through 2017. There'll be a tiny bit at the end of 2014 and a tiny bit that kind of trickles after 2017, an ROE that's 30 basis points to 40 basis points lower or 30-ish basis points lower than kind of the last authorized level. And about 80% to 85% of the recovered via contemporaneous clause and the rest of it will be trued up in a rate case. Is that basically the high level just to the settlement, anything I'm leaving out?

<A - Ralph Izzo>: No, I think you got it Michael.

<Q - Michael J. Lapides>: Got it. Thanks, guys. Congrats on the settlement.

<A - Caroline D. Dorsa>: Thank you.

Operator

And the next question...

<A - Kathleen A. Lally>: I know there is another call that's about to begin, I don't want to interfere with. So we do appreciate, and turn the call back over to Ralph for any closing comments and available as well as Carlotta for any calls people will have.

Ralph Izzo

Yes. Thanks, Kathleen. So just a summary looking back at the quarter and then looking ahead, from my perspective, Power just continues to handle anything that comes its way. Now, we managed the polar vortex almost flawlessly. While that's going on, we ran 100% nuclear capacity factor and we managed to get our advanced gas path technology accelerated into the quarter at Linden to make sure it's ready for the summer.

And then looking ahead, please make note of the increase in our expectations for Power's output in the subsequent years. In utility, once again on track for double-digit earnings growth, capital program is on budget. You heard us mention a couple of transmission projects that are ahead of schedule, and of course, the good news that we've reached settlement on a $1.22 billion Energy Strong program. And last, but not least, as the weather normalize demand for gas continues to grow and we are now beginning to see growth in electric demand, and that's refreshing.

So thank you for joining us. I hope to see all of you at some point in near future on the road as we make our visits. Thanks, everyone.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may now disconnect and thank you for participating.

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Company Name: PSE&G-NJ
Company Ticker: PEG US
Date: 2014-02-20
Event Description: Q4 2013 Earnings Call

Market Cap: 18,600.52
Current PX: 36.77
YTD Change($): +4.73
YTD Change(%): +14.763

Bloomberg Estimates - EPS
Current Quarter: 0.792
Current Year: 2.466
Bloomberg Estimates - Sales
Current Quarter: 3217.667
Current Year: 10490.400

Q4 2013 Earnings Call

Company Participants

- Kathleen A. Lally
- Ralph Izzo
- Caroline D. Dorsa

Other Participants

- Travis Miller
- Brian J. Chin
- Kit Konolige
- Paul Patterson
- Jonathan P. Arnold
- Ashar Khan
- Julien Dumoulin-Smith
- Neel Mitra

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by. My name is Jennifer, and I am your event operator today. I would like to welcome everyone to today's conference call, Public Service Enterprise Group Fourth Quarter 2013 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session for members of the financial community. [Operator Instructions] As a reminder, this conference is being recorded today, February 20, 2014 and will be available for telephone replay beginning at 1:00 PM Eastern Standard today until 11:30 PM Eastern Standard on February 28, 2014. It will also be available as an audio webcast on PSEG's corporate website at www.pseg.com.

I would now like to turn the conference over to Kathleen Lally. Please go ahead.

Kathleen A. Lally

Thank you, operator. Good morning, everyone. We appreciate your participating in our call today. As you are aware, we released our fourth quarter and full year 2013 results earlier this morning. The release and attachments as mentioned are posted on our website, www.pseg.com, under the Investors section. We have also posted a series of slides that detail the operating results by company for the quarter. Our 10-K for the period ended December 31, 2013, is expected to be filed shortly, usually by the end of February.

I'm not going to read the full disclaimer statement nor the comments we have on the difference between operating earnings and GAAP results, but I do ask that you read these comments contained in our slides and on our website. The disclaimer statement regards forward-looking statements detailing the number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements. And although we may elect to update forward-looking statements from time to time, we specifically disclaim any obligations to do so even if our estimates change, unless required by applicable securities law.

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We also provide commentary with regard to the difference between operating earnings and net income reported in accordance with Generally Accepted Accounting Principles in the United States. PSEG believes the non-GAAP financial measure of operating earnings provides a consistent and comparable measure of performance to help shareholders understand trends.

I am now going to turn the call over to Ralph Izzo, Chairman, President and Chief Executive Officer of Public Service Enterprise Group. And joining Ralph on the call is Caroline Dorsa, Executive Vice President and Chief Financial Officer. And at the conclusion of their remarks there will be time for your questions. We ask that you limit yourself to one question and one follow-up. There's a lot of interest in today's call.

With that, Ralph?

Ralph Izzo

Great. Thank you, Kathleen, and thanks, everyone, for joining us today. This is a great day for us following a great 2013 and an even better 2014 and beyond, so now let's get into the details.

This morning we reported operating earnings for the full year of 2013 and operating earnings for the fourth quarter were $0.49 a share versus $0.41 a share in 2012 which brought results for the full year to $2.58 per share or 5.7%, almost 6% greater than 2012's operating earnings of $2.44 per share and actually was above our guidance range of $2.40 to $2.55 per share.

I hope you'll agree that PSE&G delivered outstanding results in 2013 on many levels, and let me tell you about a few of them. What made this success particularly notable is that we did it in the wake of the damage to our equipment and facilities that we sustained from Superstorm Sandy just a year earlier.

Well, first of all, PSEG was recognized for the 12th consecutive year as the Mid-Atlantic region's most reliable electric utility and was specifically recognized by EEI for excellence in its storm response during Sandy. It seems that we're tested every year and we excel in our response each and every time. We maintained that focus on improving reliability throughout the year, not just after the storm.

PSE&G invested $1.7 billion over the past year to upgrade its transmission network. The investment is part of a long-term program that has resulted in transmission growing to represent approximately 36% of PSE&G's rate base at the end of 2013. Let me remind you that'd been only 28% of the rate base at the end of 2012. This work includes work on five major transmission lines, each of which are scheduled to be operational during the course of 2014 and 2015 and each of which are on schedule and on budget.

But PSE&G's investment in transmission does not end in 2015. PSE&G was assigned construction by PJM of a new transmission project that is designed to maintain the reliability of the northeastern part of our electrical grid. This project, which has an expected in-service date of June 2018, has an estimated construction cost of up to $1.2 billion.

PSE&G has also started to invest in new solar capacity under the agreement we reached with the New Jersey Board of Public Utilities in 2013, which will allow us to spend up to $446 million over a multiyear period and result in about 143 megawatts of new renewable energy capacity through our Solar Loan and Solar 4 All programs.

We are still awaiting a response from the BPU on our Energy Strong proposal, and as you recall, we asked for approval to invest $2.6 billion over five years; the investments which strengthen PSE&G's distribution infrastructure provided with better intelligence on system outages and improve on the reliable service expected by customers.

Now, we're still in active discussion with parties to the proceeding even while evidentiary hearings are scheduled for next Tuesday, February 25, 2014. And I will give you fair notice that those negotiations are – we are required to not disclose the details of those negotiations.

Now, for the year, an increase in PSE&G's capital investment as well as sensible regulatory recovery mechanisms providing for contemporaneous return of our costs and return on our costs and PSE&G's ability to control growth in its

final
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SI-SSA-0015-15142

operating expenses all supported double-digit growth in PSE&G's operating earnings year-over-year.

Similarly, PSEG Power also did a superb job operating its power plants and especially bringing back units that were damaged by Superstorm Sandy. The Salem 2 nuclear unit operated at record levels and the nuclear fleet operated over 90% capacity factor for the ninth consecutive year.

Our fossil fleet achieved top decile safety performance in 2013 as the gas-fired Linden combined cycle generation plant had record-setting output and the coal fleet responded to an improvement in dark spreads. The fleet's fuel diversity allowed us to respond to changes in the market and its dispatch flexibility allowed it to overcome the impact of planned and unplanned outages and participate in the improvement in market prices throughout the year. And Power continues to benefit from its favorable location.

Power's earnings in 2013 benefited from the successful management of firm gas pipeline and storage contracts which provide it with access to low cost gas in the Marcellus Basin. The contracts primarily benefit PSE&G's residential customers who enjoyed a credit amounting to 33% against their gas bills in both November and December of 2013. And then they also enjoyed an additional credit of 25% against their February bills.

We'll be providing details later today about providing customers with an additional credit for the month of March. Power has become one of the largest shippers of gas in the Marcellus Basin and under our BPU approved agreement, is able to supply Power's generation fleet when capacity is not needed to meet the needs of residential customers. The availability of low-cost gas continued to provide a benefit to Power's earnings in the fourth quarter on top of the benefits seen earlier in the year.

Power is moving ahead with plans to increase the output and improve the performance of its existing gas-fired combined cycle generating capacity. Power will be investing $150 million at the Bergen-Linden and Bethlehem facilities over several years to increase the operating efficiency of the turbines at each station while adding approximately 150 megawatts of capacity. The investment should also lengthen the time between major maintenance programs and therefore yield attractive returns.

Power's approach to managing supply risk has been affirmed during the recent period of extreme weather and volatility in the Power markets. The fuel flexibility of our fleet enabled us to maintain output during this time. We successfully responded to record demand while our customers have benefited from our ability to pass along savings in gas costs.

In another area, we negotiated a new 12-year amended and restated operation services agreement with the Long Island Power Authority, which was effective at the start of this year. The new agreement will provide for an increase in our operating fee in 2016. And beginning in 2015, Power will provide LIPA with fuel procurement and power management services. The agreement is expected to add to our earnings, provide a platform of growth for our employees, and doesn't require the commitment of financial capital.

The team at PSEG Long Island hit the ground running, responding to several storms since we assumed operations and will I'm sure provide customers with the service they require and enhance our reputation for reliability. We literally had a snowstorm on January 2, 24 hours after taking over the operations, but the team is doing a fabulous job.

So we exceeded our expectations for earnings in 2013, and we expect earnings to remain strong in 2014. We're providing operating earnings guidance for 2014 of $2.55 to $2.75 per share. Now our outlook reflects the impact of the emphasis placed on the anchor principles of our strategy, first and foremost operational excellence, which yields financial strength, which we then deploy through a disciplined manner in new investments.

PSE&G is building on a strong platform and providing the opportunity for continuation of growth with an investment program that supports reliability and enhances resilience. PSE&G is expected to contribute more than half of 2014's estimated operating earnings.

PSEG Power continues to benefit from the flexibility of its fleet and a locational advantage. Recent structural changes in the gas market also favor Power, given our ability to take advantage of market volatility. Power's strong financial position also allows us to respond to changes in the market. We focus on improving operating efficiency and are investing in economically attractive capacity upgrades that add to our well-positioned fleet.

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We remain committed to containing the growth in our operating expenses. We will be aided in this regard by a reduction in pension expense, which provides an ongoing benefit. The commitment to funding our pension following the market decline in 2008 and an equity-oriented investment approach has brought the value of our pension at the end of 2013 to a level which is in excess of our obligations. The improvement in return on the portfolio and an increase in the discount rate will result in our pension adding modestly to income in 2014, a substantial improvement from our recent experience.

And not to be overlooked, a strong investment-grade credit rating and robust cash flow support our growth program without the need to issue equity. We look ahead with optimism, as demonstrated by the board's recent decision to increase the common dividend by 2.8% to the indicative annual level of $1.48 per share. This is the tenth increase in the dividend in the last eleven years, and we believe we are well positioned to provide our investors with consistent sustainable growth in the dividend.

The strong commitment and dedication shown by our employees to our customers has been a major contributor to our success and provides me with confidence in our ability to achieve our long-term goals.

I will now turn the call over to Caroline for more details on our results, and we'll be available to answer your questions after her remarks.

Caroline D. Dorsa

Thanks, Ralph, and good morning everyone.

As Ralph said, PSEG reported operating earnings for the fourth quarter of $0.49 per share versus operating earnings of $0.41 per share in last year's fourth quarter. Our earnings for the fourth quarter brought operating earnings for the full year to $2.58 per share versus operating earnings for 2012 of $2.44 per share. On slide four of our deck, we have provided you with a reconciliation of operating earnings to income from continuing operations and net income for the quarter.

As you can see on slide 11, PSE&G provided the largest contribution to earnings for the quarter. PSE&G reported operating earnings of $0.29 per share compared to $0.15 per share last year. For the quarter, Power reported operating earnings of $0.23 per share compared with $0.25 per share last year. PSEG Enterprise and Other reported a loss in operating earnings of $0.03 per share compared with operating earnings of $0.01 per share in the year-ago quarter.

We provided you with waterfall charts on slide 12 and slide 14 to take you through the net changes in quarter-over-quarter and year-over-year operating earnings by the major businesses. So I'll now go into more detail on each company, starting with Power.

As shown on slide 16, PSEG Power reported operating earnings for the fourth quarter $0.23 per share compared with $0.25 per share a year ago. The results for the quarter brought Power's full-year operating earnings to $710 million or $1.40 per share compared to 2012's operating earnings of $663 million or $1.31 per share. Power's full-year operating earnings exceeded the upper end of our guidance, even if we exclude the operating earnings associated with the asset transfer we undertook at year end from holdings to Power which I'll discuss a bit later.

The earnings release as well as the earnings slides 12 and 14 provide you with detailed analysis of the impact on Power's operating earnings quarter-over-quarter and year-over-year from changes in revenue and costs.

Power's fourth quarter operating earnings benefited from higher capacity revenues, an improvement in the market price of energy on a net long position, an increase in volume and a decline in the supply cost of gas.

The improvement in gross margin during the quarter nearly offset the impact on operating earnings from a larger than expected increase in O&M expense associated with both planned and unplanned outages. Note that part of that cost included the investment for the uprate work on the combined cycle capacity at Linden which is a source, as Ralph mentioned, of future additional earnings for Power.

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Let's now turn to operations. Power's output increased 6.2% in the quarter from year-ago levels. For the year, output increase 1.8% to 53.5 terawatt hours. You saw the fleet's fuel and dispatch flexibility during the quarter, and throughout the year. The nuclear fleet produced 29.5 terawatt hours or about 55% of total generation, operating at an average capacity factor of 90.3%.

Record production from Salem 2 helped offset the impact from a refueling outage related decline and output from our 100% owned Hope Creek nuclear facility. The gas-fired combined cycle fleet produced 15.9 terawatt hours in 2013 or about 30% of total generation.

Record setting output from the Linden station helped to partially offset the impact on production from planned major maintenance work at the Bethlehem Energy Center in New York in the second half of the year.

At the coal fleet, we saw an improvement in dark spreads, so production from the base load coal-fired stations in Pennsylvania increased 20% during the year. Bridgeport Harbor's output increased in response to higher market prices and the New Jersey station, Hudson and Mercer, primarily operated on gas throughout the year. Overall, the coal stations provided approximately 14% of the fleet's output in 2013 or 7.3 terawatt hours.

As Ralph noted earlier, the gas-fired combined cycle fleet continues to benefit from its access to lower price gas supplies in the Marcellus Basin. Power's fleet enjoys higher spark spreads than implied by observed market prices. And the quarter-over-quarter impact on earnings from our spark spread advantage was not as large as experienced earlier in the year, but recall this is in line with our expectations given the need to meet utility customer heating demand in the winter period.

Slides 18 and 19 provide more detail on generation in the quarter and for the year. The combination of higher capacity prices, lower fuel costs and an increase in market prices on Power's un-hedged position, more than offset the impact of lower average price on hedges, resulting in gross margins for the fourth quarter of $46 per megawatt hour; equivalent to the level experienced in the year ago period. And for the year, gross margins amounted to $47 per megawatt hour versus $45 per megawatt hour last year.

Slide 21 in our deck provides detail on Power's gross margin for the quarter and the year. Power's forecasting output for 2014 of 53 terawatt hours to 55 terawatt hours, in line with 2013's performance. Right now, approximately 75% to 80% of anticipated production for the year is hedged at an average price of $48 per megawatt-hour which compares with average hedge prices in 2013 of about $50 per megawatt-hour.

Power has hedged approximately 45% to 55% of its forecast generation in 2015 totaling 53 terawatt hours to 55 terawatt hours at an average price of about $51 per megawatt hour. Power's forecasted total output over 2014 and 2015 is up slightly from our prior guidance, and for 2016, Power has hedged 20% to 30% of forecast production of 53 terawatt hours to 55 terawatt hours at an average price of $53 per megawatt hour.

The increase in the percentage of generation hedged over 2014 and 2015 reflects the completion of the most recent basic generation service or BGS auction in New Jersey, and we assume that BGS volumes represent about 11 terawatt hours in 2014 and 10 terawatt hours in 2015 compared with volumes in 2013 of approximately 12 terawatt hours.

The BGS auction result for PSE&G customers for the three-year period beginning June of this year and ending May 31, 2017, was priced at $97 per megawatt hour. This contract for one-third of the load will replace the contract for $94 per megawatt hour, which expires on May 31, 2014. The latest auction is based on an average price for energy at the PJM West Hub of about $38 to $39 per megawatt hour, which is similar to the base price for energy seen in the past two auctions.

You can see from the hedge data that Power's maintained a consistent strategy. Base load units are fully hedged in the current year as Power maintains open position on its intermediate and peaking assets. This strategy allows Power to contain the risk associated with its load following contracts such as BGS while being able to participate in opportunities provided by the market.

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Power's operating earnings for 2013 and 2012 now reflect the inclusion of its 50% equity interest in a partnership that owns and operates the Kalaeloa generating facility in Hawaii and its wholly-owned interest in PSEG Solar Source, both of which were transferred from Energy Holdings in 2013. These assets provided $0.03 per share of operating earnings in 2013 and are included in Power's reported results compared with operating earnings in 2012 for these same assets of $0.04 per share.

So Power's operating earnings for 2013 of $710 million would have exceeded the upper the end of our guidance of $685 million even if these assets had not been included in our results. Power's operating earnings for 2014 are forecast at $550 million to $610 million. Results for the full year will be influenced by a $2 per megawatt hour reduction in the average price of energy hedges and a decline in our average PJM capacity price on June 1 of this year to $167 per megawatt day from the historically high level of $244 per megawatt day.

I'm sure you'll recall that Power's capacity price is essentially steady for the next three years given the results of already completed capacity auctions through mid-2017. Power's fuel costs should continue to benefit from firm gas transportation agreements providing access to low-cost Marcellus gas supply and O&M should compare favorably with the results of 2013 given the decline in pension expense and ongoing cost control.

Let me now turn to PSE&G. PSE&G reported operating earnings for the fourth quarter of 2013 of $0.29 per share compared with $0.15 per share for the fourth quarter of 2012 as we show on slide 26. PSE&G's full-year 2013 operating earnings were $612 million or $1.21 per share compared with operating earnings of $528 million or $1.04 per share for 2012, a growth rate of 16%.

Power's earnings for the fourth quarter reflect the benefit of an increase in revenue associated with a greater level of capital investment and a decline in O&M expense relative to the prior-year period which, as you recall, included Superstorm Sandy related restoration expenditures. An increase in transmission revenue improved the quarter-over-quarter earnings contribution by $0.04 per share. And for the year, PSE&G's investment in transmission increased earnings by $0.14 per share.

In 2013, our $1.7 billion investment in transmission increased the percentage of rate base in transmission from 28% last year to 36% at the end of 2013. PSE&G's O&M declined during the quarter given comparisons against the year-ago period which included Sandy-related restoration expenditures, and the decline in O&M increased quarter-over-quarter earnings comparisons by $0.04 per share.

Demand for electricity and gas during quarter was influenced by weather which was slightly colder than a year ago. Also, weather-normalized demand for gas continues to show improvement. The impact on quarter-over-quarter earnings from the improvement in demand in weather was about $0.01 share.

Earnings comparisons in the quarter also improved by about $0.04 per share due to a reduction in taxes and the absence of a tax related change in reserves recognized in the prior year. And all other items contributed about $0.01 per share to earnings.

Economic conditions in PSE&G's service territory appear to have stabilized and exhibit signs of slow recovery. On a weather-normalized basis, electric sales are estimated to have improved in the quarter by 2.7% and for the year, weather normalized sales declined by 1.5%.

It's too early to get excited about the improvement of weather-normalized sales in the quarter given the comparisons against the period impacted by Sandy-related outages. Gas deliveries, however, continue to point to improved demand, as a result of still low commodity prices and slowly recovering economic conditions. On a weather-normalized basis, gas deliveries increased 2.7% in the fourth quarter and now for the year total an increase of 2.2%.

PSE&G operating earnings for 2014 are forecast at $705 million to $745 million. And this implies that even at the low end of the range, we're forecasting at least 15% growth in PSE&G's operating earnings. PSE&G's growth in 2014 will continue to benefit from its ability to earn a return on its expanded investment in transmission.

The Federal Energy Regulatory Commission approved an agreement which provides for an annual increase in transmission revenue of $171 million under the company's formula rate filing, and this increase became effective on

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January 1 of this year.

Results will also reflect the recovery of capital costs associated with PSE&G's investment in Solar. And the reduction in pension expense as well as ongoing expense control is expected to result in a year-over-year reduction in O&M.

As Ralph indicated, PSE&G's significant transmission investment program is on time and on budget, and we'll be providing you with an updated forecast of PSE&G's capital expenditures for 2014 through 2018 at our annual financial conference on March 7 of this year.

Let me now turn to Enterprise and Other. Enterprise and Other reported a small operating loss for the fourth quarter of $11 million, or about $0.03 per share, compared to operating earnings of $6 million, or $0.01 per share, in the fourth quarter of 2012. The results for the fourth quarter brought the full year 2013 to an operating loss of about $13 million or $0.03 per share compared with 2012's operating earnings of $45 million or $0.09 per share.

The results for the quarter and the full year have been restated simply to reflect the distribution to PSEG Power of the 50% equity interest in the partnership that owns the Kalaeloa generating facility as well as the wholly-owned interest in Solar Source. Operating earnings on the remaining portfolio, however, were affected by a decline in lease income as well as an adjustment to the tax basis of the portfolio, which together reduced quarter-over-quarter earnings by $0.03 per share.

We'll no longer be reporting separately the results for Energy Holdings. The management team has successfully monetized non-core assets in the portfolio and significantly reduced financial risk. The focus going forward will be on managing the remaining assets in the lease portfolio.

For 2014, operating earnings are forecast to fall within the range of $35 million to $40 million. Going forward, the fee associated with the operating contract for PSEG Long Island will be reported as part of Enterprise along with the results for the remaining lease portfolio.

Next I'd like to spend just a minute talking about pension. We did close 2013 with the value of our pension assets in excess of our PBO obligations. The improved return and higher discount rate will, as Ralph mentioned, have a favorable impact on pension expense this year and going forward. In fact, we estimate there will be a positive impact on income in 2014 and in future years compared to the previous year's expense of $110 million. We will not need to make any cash contributions to our pension trust this year as well.

The benefit to earnings is essentially equally shared between PSE&G and PSEG Power, and we'll provide you with a deeper multiyear view of the impact on O&M from the improved outlook on pension at our March 7 Investor Meeting.

Lastly, a word on our financing capability; we remain in a strong position to finance our capital program. At the end of 2013, we had approximately $493 million of cash on hand. And debt represented approximately 42% of PSEG's consolidated capital, with debt at Power approximating 31% of its capital base.

Power's free cash flow remains strong and PSE&G's cash generation has improved from its ability to earn its authorized return on increased levels of capital investment. And of course, we'll provide you with an update of our capital program at our annual financial conference, but the message on equity issuance will be the same. We can finance our robust long-term capital program without the need to issue equity.

We're guiding to strong operating earnings for 2014 of $2.55 to $2.75 per share. This outlook is our best guidance for the full year, but I will note that it does not reflect any specific weather conditions related to January, consistent with our practice of not incorporating weather into our guidance until we go through the summer season.

The dividend was recently increased by 2.8% to the indicative annual level of $1.48 per share, and we believe we can provide shareholders with consistent and sustainable growth in the dividend going forward. And we'll provide more detail on our outlook at our annual financial conference on March 7.

So with that, I'll now turn it back to Jennifer and we'll be happy to take your questions.

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Q&A

Operator

[Operator Instructions] And your first question comes from Travis Miller with Morningstar.

<Q - Travis Miller>: Good morning, thanks.

<A - Ralph Izzo>: Good morning, Travis.

<A - Caroline D. Dorsa>: Good morning.

<Q - Travis Miller>: I was wondering real quick if you could give some thoughts on that dividend policy. You've obviously got a strong balance sheet. You've got some pretty good visibility into earnings, at least certainly for next year and perhaps the following year, good cash flow generation. I was wondering what the thought is in terms of using some more of that cash flow capacity to perhaps increase the dividend at a faster rate.

<A - Ralph Izzo>: Travis, as you know, we don't have a target number in terms of percentage payout or percentage growth rate. It's a variety of factors. It's where the earnings are coming from, how stable are they, how predictable are they, where are we in the commodity cycle. So the words that we continue to hold on to is looking at all of that, where power prices are, where the market predictions could be, where our capital program is at the utility, that investors do have the opportunity for consistent and sustainable growth in the dividend. And I'd rather not be held to a specific number at this point.

<Q - Travis Miller>: Okay, I understand.

<A - Ralph Izzo>: All right.

<Q - Travis Miller>: And then real quick, what's the LIPA contribution for the 2014 guidance?

<A - Ralph Izzo>: It's $0.02 to $0.03 for 2014. Then it steps up in basically $0.02 increments until we get to 2016, where it's about $0.07 or $0.08.

<Q - Travis Miller>: Great, thanks so much.

<A - Kathleen A. Lally>: Next question, please?

Operator

You next question comes from Brian Chin with Merrill Lynch.

<Q - Brian J. Chin>: Hi. Good morning.

<A - Caroline D. Dorsa>: Good morning.

<Q - Brian J. Chin>: Just a clarification on the ongoing pension question. The $110 million number you referenced as the year-over-year benefit from 2013 into 2014 that's included in guidance, is that right?

<A - Caroline D. Dorsa>: That's a great question, Brian. Let me clarify that. So the $110 million was our net of capitalization, so therefore it would impact the P&L. That was our pension expense in 2013. So in 2014, you're actually going to see pension income. Instead of having $110 million in expense, you're going to see pension income. And the turnaround on a year-on-year basis is a $0.15 improvement from the impact of pension going from expense last year of $110 million to income in the teens that you're going to see in this year's numbers, split evenly between the businesses, so a $0.15 year-on-year improvement. We expect to see pension income as we forecast out during the business plans. So you're going to see continuation of value driven from pension as opposed to the history we've had in the last few years of significant pension expense.

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SI-SSA-0015-15148

<A - Ralph Izzo>: So it's just a hedge to that account. So, Brian, it's not a step up and then a step back down in subsequent years. It's just a resetting of the level of pension, in this case no longer a burden on the income statement, but benefit. But we'll incorporate that in all of our other own and forecast in our March 7 meeting.

<Q - Brian J. Chin>: Okay, understood. And I understand that you're going to give more quantitative color on the ongoing effect of that at the Analyst Meeting. But in terms of just qualitatively, what's going on beyond 2014, the reason why there's an ongoing effect there is because presumably some degree of asset returns and adjustment in your discount rate. That would cost an ongoing pension income in the future years. Is that the right way to think about that or is there an amortization effect that's taking place?

<A - Caroline D. Dorsa>: No, so the right way to think about this, Brian, is we make long term assumptions for returns on our investment portfolio. We make the same long-term assumptions going forward that we've made prior, right. You know from our disclosures, we assume an 8% return on our asset investments. We just continue to assume that same return. We look at the discount rate from the forward curve. That's right the way everybody looks at it, right. So, you set it from wherever you land and when we look at it going forward, we're just looking at the forward curves.

So the discount rate went up for this year from last year, right. Last year was 4.2%. This year, it's 5%; just taken right off the curves at the end of 2013; so with a really steady-as-she-goes set of assumptions about rate of return, which we've set at 8%, and the discount rate, which we just used from the forward curve.

Very significant turnaround we see between 2013 and 2014 comes from the fact that in 2013, our trust returned 20%. And that comes from having that sustained, equity oriented allocation, about 70% equity. You'll see if you look at our historical, that's been the same for the past few years, we take a long-term view.

And because we don't smooth the year-end asset value, so you remember there's two types of smoothing in pension, right? There's the gain and loss smoothing. Everybody does that. But the ending assets, most companies smooth the ending asset value. In other words, what value you apply that 8% return to in your current year. Most companies use a five-year average. We use the actual value at the end of the prior year. So the fact that we had 20% return gives us that benefit as we come into 2014, purely from where the market put our assets at the end of 2013.

<Q - Brian J. Chin>: Thank you very much.

<A - Caroline D. Dorsa>: Sure.

Operator

Your next question comes from Kit Konolige from BGC.

<Q - Kit Konolige>: Good morning.

<A - Ralph Izzo>: Hi, Kit.

<Q - Kit Konolige>: So it would appear if I heard this correctly that the 2014 guidance benefits relative to 2013 actual by $0.15 from the pension, correct?

<A - Caroline D. Dorsa>: That's correct.

<Q - Kit Konolige>: Okay so, in other words basically all of the improvement in, let's say, the midpoint of 2014 versus 2013 is due to that pension improvement.

<A - Caroline D. Dorsa>: Well, there are a lot of obviously different dynamics going on in the businesses as well, so I wouldn't want you to just focus on one item and not focus on the others, right? We've got significant increases assumed in PSE&G, part of which comes from the year-on-year retention but it's much more than that, right?

<A - Ralph Izzo>: Well, and we also have huge benefits from the transmission investment offset by the decline in the hedge prices, so...

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<A - Caroline D. Dorsa>: Right.

<A - Ralph Izzo>: We just need to be careful, Kit, that we don't just pick one thing...

<A - Caroline D. Dorsa>: Right.

<A - Ralph Izzo>: ...that looks like a $0.15 change and for that to be only thing that isn't watched...

<A - Caroline D. Dorsa>: Exactly.

<Q - Kit Konolige>: Right, absolutely understood, a lot of moving parts. And the transmission improvement was $0.14 2013 versus 2012, is that – did I get that down right?

<A - Caroline D. Dorsa>: Yes, that's correct.

<A - Ralph Izzo>: Yes, that's correct.

<Q - Kit Konolige>: Okay. And can you give us a sense of at PSE&G 2014 versus 2013, is the transmission improvement going to be similar to that and what should we think of in terms of the benefit from the Solar investment year-over-year?

<A - Ralph Izzo>: What we've always told you so far is that we have a $171 million increase in transmission revenues. Now, the piece that you're missing was the increase in transmission O&M. We'll give a little bit more information on March 7. The Solar 440 is a three-year program and you should assume that that's pretty evenly distributed over the three years.

<Q - Kit Konolige>: Okay.

<A - Ralph Izzo>: And that's a contemporaneous return at a 10% ROE and a 51% equity ratio, 51.8%.

<Q - Kit Konolige>: Right. Okay, great. And then my final question, on Energy Strong, there was an article in New Jersey Spotlight about, their indication was that there seemed to be a bid asked of about $1 billion from the staff and $1.9 billion that you guys had come down to. Are you in a phase, let me just ask it this way, are you in phase of negotiating about a number for Energy Strong at this point and are other issues basically settled?

<A - Ralph Izzo>: So, Kit, when that article appeared, there was an appropriate and very stern letter that came out of the presiding officer of the BPU chastising all participants, but in particular whoever was responsible for that leak which was not us, that such conversations in public would not be tolerated and sanctions unnamed would be enforced afterward. So I really don't even want to come close to answering your question other than to say yes, there was an article.

<Q - Kit Konolige>: I knew that already.

<A - Ralph Izzo>: I know you did, Kit. [indiscernible] (42:28)

<Q - Kit Konolige>: Let me just follow on that. Ralph, you've been saying all along that you expect a settlement in Energy Strong. Are you still confident that there will be a settlement rather than a full proceeding on Energy Strong?

<A - Ralph Izzo>: Yes, I am. But I was clearly wrong on the date, right. I thought we'd have it done by the end of January and I obviously missed that timeframe. But I'm still optimistic; everyone recognizes the importance of the work that's being proposed but the devil is in the details.

<Q - Kit Konolige>: Great, thank you.

Operator

Your next question comes from Paul Patterson with Glenrock Associates.

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<Q - Paul Patterson>: Good morning.

<A - Ralph Izzo>: Good morning, Paul

<A - Caroline D. Dorsa>: Good morning.

<Q - Paul Patterson>: Just to follow up on the transmission, this Bergen to Linden line and just all the improvements that you guys have been doing there, should we think about any potential risks to the LDA breakout?

<A - Ralph Izzo>: No, Paul. So most of the transmission work that does have impact you've seen already in the way they've been reflected in the RPM auction. So the two biggest projects that had an effect were Susquehanna-Roseland in terms of its transfer capability from Eastern MAC into PS Zone and then, the overall PS Zone; and then the Northeast Grid and its transfer capability between PS Zone and PS North. I forget the exact number. I think I saw it was about 1,500 megawatts and I think Northeast Grid was 400 megawatts or 500 megawatts. I don't remember. It's 200 megawatts to 300 megawatts, Kathleen is telling me. So, those projects have had an effect and that's fully reflected in the price. This latest project is pretty much wholly within PS North and the NYISO seam. So, this is a stability issue across the PJM and New York ISO seam.

<Q - Paul Patterson>: Okay, so no KTU or anything else that you see out there as being a problem?

<A - Ralph Izzo>: No, I don't.

<Q - Paul Patterson>: Okay. And then just finally on taxes, for the 2014 guidance could you just tell us what we should be expecting there?

<A - Ralph Izzo>: I hope Caroline can.

<A - Caroline D. Dorsa>: So, we haven't given a specific effective tax rate, but I think it's fair to assume you'll see a tax rate similar to what we've seen in Power over the past period, close to 40%. In the utility, obviously as solar installations go into effect you have a little bit of an ITC. So, there's a little bit of a tax rate benefit. It won't be quite as high as Power, but pretty much steady, nothing really dramatically different going on there.

<Q - Paul Patterson>: Great, thanks a lot.

Operator

Your next question comes from Jonathan Arnold with Deutsche Bank.

<Q - Jonathan P. Arnold>: Good morning.

<A - Caroline D. Dorsa>: Morning.

<A - Ralph Izzo>: Good morning, Jon.

<Q - Jonathan P. Arnold>: Hi. Just first on the hedging. I know just the pricing on the 2015 had gone up a little bit. Can you give us some sense on – is that primarily BGS or is there something else going on in there? Is it peak weighted or just whatever you could give me there; and then any flavor on what the composition of the 2016 hedge is on the baseload.

<A - Caroline D. Dorsa>: Sure. So, you're right, Jonathan, on 2015, a big driver here from our prior disclosure is the impact of BGS. So BGS goes in at about a low-teens impact on the total hedge booked for 2015 because the most recent auction, of course, puts a full year of BGS in there. And so that's the biggest driver of the change in the hedge percentage and the change in the hedge price, because remember, we put BGS in there at the BGS price less capacity. So it has an impact as you go into 2015 on a full-year basis and then raise the price from $48 to $51 per our last quarter disclosure.

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SI-SSA-0015-15151

For 2016, BGS has an impact in there as well. And the book for 2016 per your question is about a third BGS and about two-thirds West Hub hedges. As we go out further, BGS is a heftier piece of the total hedge book than it is near term because it tends to be what you can really do on a long-term basis.

<Q - Jonathan P. Arnold>: Okay, great. And secondly can you give any insight how the portfolio behaved in this January and early February pricing blowouts? Was it a net positive? Was it neutral and how you've thought about that in the context of guidance?

<A - Ralph Izzo>: So we did not factor that into the guidance we've just given you for 2014, Jonathan. But I can tell you this, the units performed well. Our gas team was able to get the fuel we needed. There were times when we were running on kerosene and not on natural gas. But the assets were up and running. We had Linden down I think for a few days because we were finishing out the AGP, the advanced gas path. But, no, we had solid operational performance, managed the fuel situation very well and did not factor that into our 2014 guidance. We have, Kathleen reminded me this morning, I forgot already. There's only 51 days gone so far; 314 to go so she didn't want me to get ahead of myself.

<Q - Jonathan P. Arnold>: But you've just basically done it as of year end?

<A - Ralph Izzo>: That's correct.

<A - Caroline D. Dorsa>: That's right.

<A - Ralph Izzo>: That's exactly right, Jon.

<A - Caroline D. Dorsa>: Which is what we've done previously.

<Q - Jonathan P. Arnold>: Okay. And then just finally, as we think about this 2014 number and the pension and the other moving parts, I don't know if this is something you'll talk about now or not. But do you see 2015 and 2016 as flat to up type of trajectory, netting everything together, or is there still hedge roll-off headwind, et cetera, offsetting some of the positives you have on the other side of the business?

<A - Ralph Izzo>: So, Jonathan, we're not going to give guidance for the out years. We will at the conference remind folks, and I'll just do it at a high level here, of what the utility rate base growth will be and how that translates into earnings. We'll present to you data that I think most of you know about, RPM, because that does carry us certainly through 2016. We'll discuss the hedge book to the extent that further detail is needed.

So what we don't do is try to outguess the forward price curve, and that's the part that keeps us from giving you precision in the out years. We're going to give you and O&M growth rate. So other than the changes in the forward price curve and how we're able to dynamically hedge, which is something that I think we're all learning to understand is a real advantage of Power, those two limitations keep us from giving you even a plus or minus for the out years. And we're going to give you five years of utility capital this time around as well.

<Q - Jonathan P. Arnold>: But if you – I'm not asking you to second guess the curve. But if you assumed the curve, can you go there?

<A - Ralph Izzo>: The reason why I wouldn't want to do that is I think that that limits us to a bias of understating our potential. Our naturally long position with our diverse asset fleet, both in terms of fuel and in terms of dispatch ability, has allowed us to benefit from the volatility quite nicely, and the greater that volatility, the greater the benefit for us. And that's a theme we've been trying to educate the investor community about for the past 18 months or so and I think we want to make sure we don't shortchange ourselves by simply saying the current prediction is a spark of x, and therefore that's all you should bake into our numbers.

<Q - Jonathan P. Arnold>: Thank you, Ralph.

<A - Ralph Izzo>: Thank you, Jon.

Operator

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Your next question comes from Ashar Khan with Visium.

<Q - Ashar Khan>: Hi. How are you doing?

<A - Caroline D. Dorsa>: Good morning.

<Q - Ashar Khan>: What we should expect at the conference, would you be in a position at that time to give us – Ralph, I guess this is a question in terms of Energy Strong. Would that be done by then or not done by then? I'm just trying to see how you're going to address what is in rate base for the utility for the next five years.

<A - Ralph Izzo>: So, Ashar, I obviously did a mea culpa already on predicting it by the end of January, so I'm not going to invite a second opportunity to be wrong or beat my chest over being right by predicting a date and then not living up to it. We're in active negotiations. The hearings begin on Tuesday or Monday actually, yes, the 25th. So believe me, there's no one on this call who wants that done sooner, but not without the right terms and conditions for our shareholders and our customers. So I can't predict if we'll have more details for you. Suffice it to say that we will do what we've done in the past. We will tell you here's what has been approved and what is definitely happening. And to the extent that there are open questions, we'll tell you what those additional open questions could yield.

<Q - Ashar Khan>: Okay. And then, Caroline, just based on what you had provided earlier, and I know pensions has provided an uplift. But you had still said that going up to 2016 year-over-year, even starting from 2014 the way I understood it, that the utility company could still show double-digit EPS growth without Energy Strong. Am I fine and understanding that right? That should still be the case, from a 2014 to 2016 timeframe.

<A - Caroline D. Dorsa>: Yes, that's correct.

<Q - Ashar Khan>: Okay, thank you so much.

<A - Caroline D. Dorsa>: You're welcome.

Operator

Your next question comes from Julien Dumoulin-Smith with UBS.

<Q - Julien Dumoulin-Smith>: Hi, good morning.

<A - Ralph Izzo>: Good morning, Julien.

<A - Caroline D. Dorsa>: Good morning.

<Q - Julien Dumoulin-Smith>: So a quick first question. I'll try. In terms of at least the first 60 days here of the year, can we...

<A - Ralph Izzo>: 61 days, Julien.

<Q - Julien Dumoulin-Smith>: First couple months, can you give us any ballpark in terms of what that means for you versus plan?

<A - Ralph Izzo>: Caroline, I tried to say no. It's your turn.

<Q - Julien Dumoulin-Smith>: I tried, I swear.

<A - Caroline D. Dorsa>: No. We can't give you a ballpark, Julien, because we obviously just put out the guidance at all. But I think as Ralph said, we performed well, and we've had other periods where when opportunities present themselves, we capture them and we captured what was available to us here. But we'll be on the phone with you not too long from now doing the first quarter it seems, right, in April. But I think you should expect that we're able to do the kinds of things that our terrific ER&T group is able to do, which is take advantage of opportunities when they present themselves because our operations and our assets run really well. But beyond that, I think we'll just wait for the first

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SI-SSA-0015-15153

quarter results.

<A - Ralph Izzo>: Julien, I do respect the desire for that information. We have two nuclear refueling outages ahead of us. We have a summer season that is at least as important as the winter season. So there's a lot of territory ahead of us before we start taking something to the bank.

<Q - Julien Dumoulin-Smith>: Let me jump on to the last question a little bit and ask you. In terms of, you have $1 billion, you have the $2 billion. In terms of aggregate CapEx at the utility, you talked about earnings growth. But for the next few-year period, is there an ability to accelerate other spend that you would have otherwise put into Energy Strong, should it come out at the lower end, if you get what I'm saying? Is there some level of flexibility? And maybe let me just hit at this a little bit differently. How are you thinking about Energy Holdings spending in the context of perhaps greater balance sheet latitude and getting more involved o, let's say more contracted assets on that side?

<A - Ralph Izzo>: So we do continue to invest on contracted assets on the Energy Holdings side, but it is modest compared to what's going on in the utility. And while I do want Energy Strong for all the reasons we've articulated in the past, the critical issue in the utility has been and continues to be transmission. So whether it's the Bergen-Linden 345-kV line; that was a $1.2 billion add. Now that's a gross number. We will detail for you the net impact of that because some projects are being cancelled; whether it's the possibility of the Artificial Island bid that we've made along with six other bidders, so we don't know if we'll win that; the fact that PJM is going to have an open window in April on FERC Order 1000 projects.

So we have consistently been able to find important reliability-based investments to deploy our balance sheet in the utility. And I just think given the uncertainty in the market about where assets get built, power generation assets get built and where they can shut down, that those opportunities will continue here before us and Caroline will add to that now.

<A - Caroline D. Dorsa>: And one other thing, Julien. I think we have a robust capital program. We've talked about a lot going on including the potential for Energy Strong as filed and the other thing that we will talk about in March as we always do and you would expect from our results and our cash and balance sheet position is everything we've talked has the potential for going forward including Energy Strong. None of that takes away our entire investment capacity.

So, there's more investment capacity to put to work on either good projects at the utility, additional transmission, things like uprates at Power. There's opportunity to do even more because we've run the balance sheet and have so much free cash flow coming from both businesses. So, even the things that you know, we'll still have more room to do more things as these opportunities that Ralph identified potentially come forward to us.

<Q - Julien Dumoulin-Smith>: Got you, so I'll take that as a general yes.

<A - Ralph Izzo>: That's it, right.

<Q - Julien Dumoulin-Smith>: Great, thank you.

Operator

Your next question – I'm sorry. Go ahead.

<A - Kathleen A. Lally>: I'm going to say, we have time for one more question and then we'll have closing comments after that question. Thank you.

Operator

Your next question comes from Neel Mitra from Tudor Pickering.

<Q - Neel Mitra>: Hi, good morning.

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<A - Caroline D. Dorsa>: Morning.

<A - Ralph Izzo>: Morning, Neel.

<Q - Neel Mitra>: In the past, you guys have detailed a slide with the amount of exports that you have from New Jersey to New York and I think the last time you put one out was about 2,500 megawatts. Ralph, can you talk about maybe how that number has changed and maybe more specifically over the last year and what projects are perhaps in the backlog that could increase the exports out of New Jersey?

<A - Ralph Izzo>: Neel, we haven't broken that number out in a number of years. I'm trying to remember when the last time was that we did break that out. I know it's been at least three years, I'm being told. So I know we have some energy and capacity sales over a VFT line that goes over to New York. We do some spot transactions but I don't know that we break out our Power book to that level of specificity.

<Q - Neel Mitra>: I'm guessing more, in the utility side.

<A - Ralph Izzo>: On the utility side?

<Q - Neel Mitra>: You talked about....

<A - Ralph Izzo>: Oh, yeah.

<Q - Neel Mitra>: Right.

<A - Ralph Izzo>: Utility isn't building any transmission into New York City. I hope I didn't misspeak before. The 345 kV is a reliability issue that affects the seam but it's all inside New Jersey.

<Q - Neel Mitra>: It's all inside New Jersey. Okay, great. And then second, with the uprates, the 150 megawatts, are you considering any other expansions at Power? I know in the past you've talked about maybe Sewaren or Essex brownfield additions. Are those off the table right now or are you happy with the 150 megawatt?

<A - Ralph Izzo>: Right now we have two major projects underway. We have an uprate of about 140 megawatts at Peach Bottom and we have the advanced gas path. And right now, that's all that we have planned.

<Q - Neel Mitra>: Okay, great. Thank you.

Ralph Izzo

Okay, yes. So, thanks, everyone, for participating in the call. Look, we had a terrific 2013. I mean, it was terrific operationally, financially, meeting the needs of the New Jersey Energy Master Plan and we firmly expect that we're going to build on that in 2014 and beyond. So we'll share some more details with you on March 7. We hope you're able to join us then in New York.

I'm told by Kathleen in celebration of the winter we had, we may actually have some sleigh rides and hot chocolate for people, but hopefully we'll have the beginning of some spring weather when we see you on March 7. So thanks for being here today and we'll see you soon. That's it.

Operator

Ladies and gentlemen, that does conclude your conference call for today. You may disconnect and thank you for your participation.

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Q1 2018 Performance Update

NYSE: PEG

"We have begun 2018 with solid results. PSEG reported Net Income of 2018 of $558 million, or $1.10 per share as compared to Net Income of $114 million, or $0.22 per share, in first quarter 2017. Non-GAAP Operating Earnings were $492 million, or $0.97 per share, compared to non-GAAP Operating Earnings for first quarter 2017 of $466 million, or $0.92 per share. Our service area experienced four consecutive Nor'easters in March that wreaked havoc on trees and power lines. PSEG employees, once again, rose to the challenge, efficiently and safely completing PSE&G and PSEG Long Island customer restorations and then assisted neighboring utilities with their restoration efforts. We are re-affirming our non-GAAP Operating Earnings guidance for 2018 of $3.00 - $3.20 per share.

PSE&G reached a settlement of its Gas System Modernization Program II (GSMP II) filing with the Staff of the New Jersey Board of Public Utilities (BPU), Rate Counsel and other parties, which remains subject to BPU approval. Modeled after the BPU's recently enacted Infrastructure Investment Program (IIP) initiative, the agreement will allow PSE&G to invest $1.9 billion over five years beginning in 2019 to continue and accelerate replacement of cast iron and unprotected steel mains, in addition to other improvements to the gas system. The settlement is aligned with our investment goals and supports our forecast annual growth in PSE&G's rate base of 7%-9% through 2022.

Earlier in April, the New Jersey Legislature passed a Zero Emission Certificate bill that establishes a financial safety net for eligible nuclear plants. The Legislature also passed a Clean Energy bill requiring the state's utilities to expand the use of renewable energy and implement energy efficiency programs. These complementary legislative initiatives, awaiting the Governor's approval, support nuclear capacity and advance New Jersey's clean energy agenda. Last week, the Federal Energy Regulatory Commission (FERC) issued an order resolving PSEG Power's cost based bidding matter pending at FERC since 2014. Power has recorded an incremental $5 million pretax charge to income in the first quarter that will conclude the issue. PSEG continues to focus on its strategic investment program of $13 billion to $15 billion over the 2018 to 2022 period, and its financial flexibility will enable it to fully fund its capital program over the 5-year period without the need for equity issuance."

Ralph Izzo, Chairman, President & CEO - April 30, 2018

PSEG – Q1 2018

First Quarter Highlights

- Net Income of $1.10 vs. Net Income of $0.22 per share in Q1 2017
- Non-GAAP Operating Earnings* of $0.97 up 5.4% over $0.92 per share in Q1 2017
- Operational and Regulatory focus achieving objectives for growth as risk is managed
- PSE&G Earnings per share up 6.8% aided by growth in investment
- PSEG Power non-GAAP results up 10% aided by tax reform

Operational Excellence

- Nuclear fleet performance remains strong as Hope Creek experiences record 517 day run
- PSE&G responded to four major storms within 30 days in Q1 2018
- Power's fleet diversity/availability responsive to January cold snap

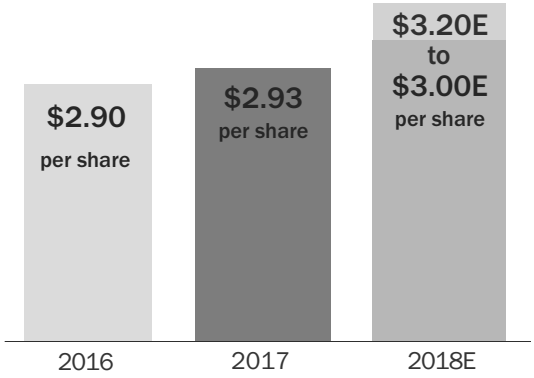
Disciplined Capital Investment Producing Results

- PSEG expected to invest ~$3.4 billion in 2018, consisting primarily of $2.7 billion at PSE&G and $0.6 billion at PSEG Power
- Regulatory/Legislative Focus: Legislative support for Nuclear and Clean Energy initiatives awaiting Governor's signature; GSMP II Settlement, subject to BPU approval, consistent with rate base growth objectives
- Major capital Initiatives: Keys Energy Center & Sewaren 7 in-service by mid-2018; Bridgeport Harbor 5 in-service mid-2019

PSEG–Re-affirming 2018 Full-Year Guidance

Growth in utility infrastructure investments and tax reform expected to drive increase in earnings

Non-GAAP Operating Earnings* and 2018 Guidance



Q1 2018 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2018**	**2017**	**2018**	**2017**
PSE&G (Net Income)	$319	$299	$0.63	$0.59
PSEG Power (Net Income/(Loss))	$234	$(170)	$0.46	$(0.34)
PSEG Power (non-GAAP Op. Earnings)*	$168	$150	$0.33	$0.30
Enterprise/Other (Net Income)	$5	$(15)	$0.01	$(0.03)
Enterprise/Other (non-GAAP Op. Earnings)*	$5	$17	$0.01	$0.03
PSEG (Net Income/(Loss))	$558	$114	$1.10	$0.22
PSEG (non-GAAP Operating Earnings)*	$492	$466	$0.97	$0.92

Key Performance Highlights

	as of 3/31/2018
Stock Price on 3/31/2018	$50.24
Dividends Paid per Share (*year-to-date*)	$0.45
Dividend Yield *(%)*	3.6%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$28.00

* See Items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings/(Loss) on page 2 or https://www.pseg.com/info/investors/forward.jsp

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

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GAAP Disclaimer

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of 4/30/2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31,		Year-Ended December 31,	
	2018	2017	2017	2016
	($ millions, Unaudited)			
Net Income	$ 558	$ 114	$ 1,574	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	24	(17)	(133)	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	(118)	(10)	167	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	4	564	975	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	55	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	24	(240)	(427)	(391)
Tax Reform	-	-	(745)	-
Operating Earnings (non-GAAP)	$ 492	$ 466	$ 1,488	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income	$ 1.10	$ 0.22	$ 3.10	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	0.04	(0.03)	(0.26)	(0.01)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	(0.23)	(0.02)	0.33	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.01	1.10	1.92	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.11	0.15	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax reform[c]	0.05	(0.46)	(0.84)	(0.78)
Tax Reform	-	-	(1.47)	-
Operating Earnings (non-GAAP)	$ 0.97	$ 0.92	$ 2.93	$ 2.90

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017 and 2016, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31,		Year-Ended December 31,
	2018	2017	2017
	($ millions, Unaudited)		
Net Income	$ 319	$ 299	$ 973
Tax Reform	-	-	(10)
Operating Earnings (non-GAAP)	$ 319	$ 299	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31,		Year-Ended December 31,
	2018	2017	2017
	($ millions, Unaudited)		
Net Income (Loss)	$ 5	$ (15)	$ 122
Lease Related Activity, pre-tax	-	55	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	-	(23)	(32)
Tax Reform	-	-	(147)
Operating Earnings (non-GAAP)	$ 5	$ 17	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended March 31,		Year-Ended December 31,
	2018	2017	2017
	($ millions, Unaudited)		
Net Income (Loss)	$ 234	$ (170)	$ 479
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	24	(17)	(133)
(Gain) Loss on MTM, pre-tax [b]	(118)	(10)	167
Hudson/Mercer Early Retirement, pre-tax	4	564	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	24	(217)	(395)
Tax Reform	-	-	(588)
Operating Earnings (non-GAAP)	$ 168	$ 150	$ 505
Depreciation and Amortization, pre-tax [d]	80	92	333
Interest Expense, pre-tax [d] [e]	6	16	48
Income Taxes [d]	59	101	286
Adjusted EBITDA (non-GAAP)	$ 313	$ 359	$ 1,172
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	508	507

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% and 40.85% statutory rate for 2018 and 2017, respectively, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
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We make things work for you.

Quarterly UPDATE

Q2 2018

Q2 2018 Performance Update

NYSE: PEG

PSEG reported today Q2 2018 Net Income of $269 million, or $0.53 per share as compared to Net Income of $109 million, or $0.22 per share, in Q2 2017. Non-GAAP Operating Earnings were $325 million, or $0.64 per share, compared to non-GAAP Operating Earnings for Q2 2017 of $316 million, or $0.62 per share. Non-GAAP Operating Earnings for the quarter rose 3%, reflecting continued strong performance at PSE&G, and effective cost control and the lower corporate tax rate at PSEG Power. We are reaffirming our non-GAAP Operating Earnings guidance for 2018 of $3.00 - $3.20 per share.

PSE&G's earnings reflect continued investment in our transmission and distribution programs. PSE&G's investment in transmission is expected to grow to represent approximately 45% of the company's 2018 year-end rate base. We are completing the first phase of our Gas System Modernization Program (GSMP) and will begin work on GSMP II, recently approved by NJ regulators, in 2019. In early June, PSE&G filed for an extension of our Energy Strong Infrastructure Program (or ES2). Later this year, we plan to submit our Clean Energy Future (CEF) filing, aligning with NJ's energy policy goals, to invest $2.9 billion over 6 years in energy efficiency, electric vehicle infrastructure, and battery storage that will broadly benefit our customers by helping to lower bills and better manage energy use.

PSEG Power placed into service the Keys Energy Center and Sewaren 7 combined cycle units, and construction activities are on-going at Bridgeport Harbor 5, which we expect to bring on-line mid-2019. Once in service, it will complete a re-configuration of Power's merchant generation fleet that will improve its competitiveness in the market and improve free cash flow, with the decline in capital spending. In May, NJ Governor Murphy signed Zero Emission Certificate (ZEC) legislation that will help preserve the benefits nuclear generation provides to NJ, Power estimates it could be eligible to receive ZEC revenues of approximately $200 million per year if all 3 of our NJ nuclear units are selected. We intend to maintain our strong balance sheet and credit metrics that enable us to fund PSEG's projected capital investment program of $14 billion to $17 billion over the 2018 to 2022 period without the need to issue equity and continue providing shareholders with the opportunity for consistent and sustainable dividend growth.

Ralph Izzo, Chairman, President & CEO - August 1, 2018

PSEG – Q2 2018 Highlights

Second Quarter Highlights

- Net Income of $0.53 vs. Net Income of $0.22 per share in Q2 2017
- Non-GAAP Operating Earnings* of $0.64, up 3% over $0.62 per share in Q2 2017
- PSE&G Earnings Per Share up 12% driven by growth in T & D investment
- PSEG Power results continue to benefit from tax reform and cost control

Operational Excellence

- PSEG Power placed into service Keys Energy Center and Sewaren 7, adding 1,300 MW of clean gas-fired CCGT capacity; Sewaren 1-4 retired 445 MW
- PSE&G completed the final phase of the 345 kV Bergen-Linden Corridor upgrade project

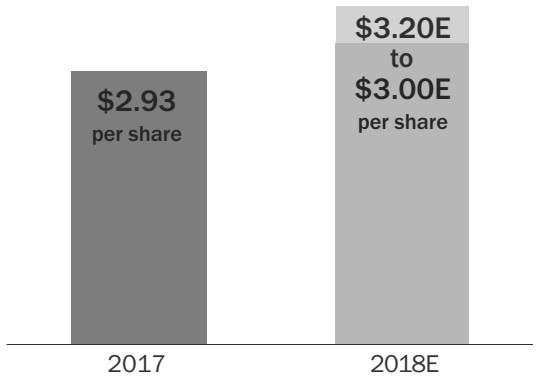
Disciplined Investment Producing Results

- PSEG on track to invest ~$3.6 billion in 2018: $2.8 billion at PSE&G, $0.7 billion at Power
- Regulatory/Legislative Focus: GSMP II approved by BPU; Energy Strong (ES2) infrastructure program extension filed; Governor Murphy signed Nuclear ZEC and Clean Energy legislation into law
- Major Capital Initiatives: PSEG Power completed construction of Keys Energy Center and Sewaren 7; Bridgeport Harbor 5 expected to be completed in mid-2019; PSE&G completing GSMP I and Energy Strong in 2018; GSMP II to begin in 2019

PSEG–Reaffirming 2018 Full-Year Guidance

Growth in utility infrastructure investment and tax reform expected to drive increase in earnings

Non-GAAP Operating Earnings* and 2018 Guidance



Q2 2018 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2018**	**2017**	**2018**	**2017**
PSE&G (Net Income)	$231	$208	$0.46	$0.41
PSEG Power (Net Income/(Loss))	$41	$(97)	$0.08	$(0.19)
PSEG Power (non-GAAP Op. Earnings)*	$83	$97	$0.16	$0.19
Enterprise/Other (Net Loss)	$(3)	$(2)	$(0.01)	$ -
Enterprise/Other (non-GAAP Op. Earnings)*	$11	$11	$0.02	$0.02
PSEG (Net Income)	$269	$109	$0.53	$0.22
PSEG (non-GAAP Operating Earnings)*	$325	$316	$0.64	$0.62

Key Performance Highlights

	as of 6/30/2018
Stock Price on 6/30/2018	$54.14
Dividends Paid per Share (*year-to-date*)	$0.90
Dividend Yield *(%)*	3.3%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$28.10

* See Items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings/(Loss) on page 2 or https://investor.pseg.com/non-gaap

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
https://investor.pseg.com

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GAAP Disclaimer

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of August 1, 2018.

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Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income	$ 269	$ 109	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(9)	(30)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	67	(36)	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	(1)	387	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	20	22	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(136)	(427)
Tax Reform	-	-	(745)
Operating Earnings (non-GAAP)	$ 325	$ 316	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	$ 0.53	$ 0.22	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.01)	(0.06)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.13	(0.07)	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.77	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	0.03	0.04	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.28)	(0.84)
Tax Reform	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.64	$ 0.62	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income	$ 231	$ 208	$ 973
Tax Reform	-	-	(10)
Operating Earnings (non-GAAP)	$ 231	$ 208	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	$ (3)	$ (2)	$ 122
Lease Related Activity, pre-tax	20	22	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	(6)	(9)	(32)
Tax Reform	-	-	(147)
Operating Earnings (non-GAAP)	$ 11	$ 11	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	$ 41	$ (97)	$ 479
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(9)	(30)	(133)
(Gain) Loss on MTM, pre-tax [b]	67	(36)	167
Hudson/Mercer Early Retirement, pre-tax	(1)	387	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(15)	(127)	(395)
Tax Reform	-	-	(588)
Operating Earnings (non-GAAP)	$ 83	$ 97	$ 505
Depreciation and Amortization, pre-tax [d]	82	87	333
Interest Expense, pre-tax [d] [e]	11	12	48
Income Taxes [d]	34	65	286
Adjusted EBITDA (non-GAAP)	$ 210	$ 261	$ 1,172
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
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Q3 2018 Performance Update

NYSE: PEG

PSEG reported today Q3 2018 Net Income of $412 million, or $0.81 per share, as compared to Net Income of $395 million, or $0.78 per share, in Q3 2017. Non-GAAP Operating Earnings were $481 million, or $0.95 per share, compared to non-GAAP Operating Earnings for Q3 2017 of $417 million, or $0.82 per share. Non-GAAP Operating Earnings for the quarter rose 16%, reflecting continued investment in PSE&G capital programs and lower corporate income taxes at PSEG Power.

PSE&G's earnings reflect continued investment in capital programs and warmer summer weather that increased sales volumes over last year's mild third quarter. PSE&G achieved several milestones including the recent Board of Public Utility Commission (BPU) approval of our distribution rate case settlement agreement and the filing of our Clean Energy Future (CEF) investment programs totaling $3.6 billion over six years – Energy Efficiency, Electric Vehicle Infrastructure and Energy Storage, and Energy Cloud initiatives including Advanced Metering Infrastructure (AMI).

PSEG Power placed the Keys Energy Center and Sewaren 7 power plants into service mid-year and continues to target completion of the CCGT construction program with Bridgeport Harbor 5 in mid-2019. In addition, the BPU process to implement the Zero Emission Certificate (ZEC) program is underway, with three public hearings concluded earlier this month.

Throughout a very hot summer, both PSE&G and Power performed well and our results reflect solid contributions from both businesses. We are updating our non-GAAP Operating Earnings guidance for the year to $3.05 - $3.15 per share and adjusting the contributions from each of the businesses. Stronger sales mostly due to warmer than normal summer weather have lifted PSE&G's results above its original guidance range, while power pricing has negatively impacted our forecast for Power's results.

We remain focused on the successful execution of our key policy and regulatory initiatives to provide our shareholders with greater assurance of PSEG's ability to meet our financial objectives for returns and growth. PSEG continues to perform at high levels, safely operating the system throughout a very hot summer, which is a testament to the dedication of our 13,000 associates in New Jersey, New York, Maryland and Connecticut.

Ralph Izzo, Chairman, President & CEO - October 30, 2018

PSEG – Q3 2018 Highlights

Third Quarter Highlights

- Net Income of $0.81 vs. Net Income of $0.78 per share in Q3 2017
- Non-GAAP Operating Earnings* of $0.95, up 16% over $0.82 per share in Q3 2017
- PSE&G Earnings per share up 10% driven by growth in T & D investment and weather
- PSEG Power non-GAAP Operating Earnings* per share improved driven by lower taxes
- Updating 2018 non-GAAP Operating Earnings guidance to $3.05-$3.15 per share

Operational Excellence

- Nuclear achieved an average capacity factor of 93% for Q3 and YTD; CCGT fleet's capacity factor was 68% in Q3
- PSE&G maintained high system reliability throughout second hottest third quarter on record

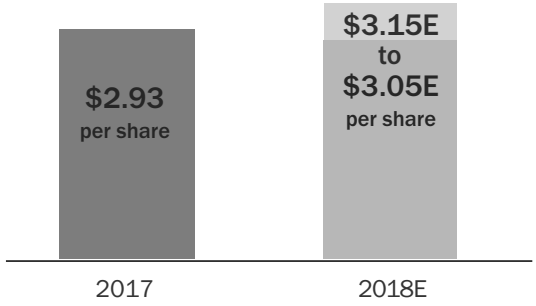
Disciplined Investment - Producing Results

- PSEG on track to invest ~$3.6 billion in 2018: $2.8 billion at PSE&G, $0.7 billion at Power
- Regulatory/Legislative Focus: PSE&G settled its distribution rate case in October; CEF programs filed; Energy Strong II pending before the BPU; ZEC public hearings concluded
- Major Capital Initiatives: PSEG Power CCGT construction program expected to conclude with Bridgeport Harbor 5 completion in mid-2019; GSMP II investments to begin in 2019

Updating 2018 Full-Year Guidance

Growth in utility infrastructure investment and tax reform expected to drive earnings ~6% higher than 2017

Non-GAAP Operating Earnings* and 2018 Updated Guidance



Subsidiary contributions adjusted to reflect an increased contribution from PSE&G, balancing lower expected results at PSEG Power and Enterprise/Other

Q3 2018 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2018**	**2017**	**2018**	**2017**
PSE&G (Net Income)	$278	$246	$0.54	$0.49
PSEG Power (Net Income)	$125	$136	$0.25	$0.27
PSEG Power (non-GAAP Op. Earnings)*	$194	$158	$0.39	$0.31
Enterprise/Other (Net Income)	$9	$13	$0.02	$0.02
PSEG (Net Income)	$412	$395	$0.81	$0.78
PSEG (non-GAAP Operating Earnings)*	$481	$417	$0.95	$0.82

Key Performance Highlights

	as of 9/30/2018
Stock Price on 9/30/2018	$52.79
Dividends Paid per Share (*year-to-date*)	$1.35
Dividend Yield *(%)*	3.4%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$28.50

* See Items excluded from Net Income to reconcile to non-GAAP Operating Earnings/(Loss) on page 2 or https://investor.pseg.com/non-gaap

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Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of October 30, 2018.

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Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income	$ 412	$ 395	$ 1,574
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)[a]	(43)	(22)	(133)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [b] (PSEG Power)	133	46	167
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	9	975
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(427)
Tax Reform	-	-	(745)
Operating Earnings (non-GAAP)	$ 481	$ 417	$ 1,488
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507
	($ Per Share Impact - Diluted, Unaudited)		
Net Income	$ 0.81	$ 0.78	$ 3.10
(Gain) Loss on NDT Fund Related Activity, pre-tax[a] (PSEG Power)	(0.08)	(0.05)	(0.26)
(Gain) Loss on MTM, pre-tax [b] (PSEG Power)	0.26	0.09	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	-	0.02	1.92
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	-	0.15
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(0.04)	(0.02)	(0.84)
Tax Reform	-	-	(1.47)
Operating Earnings (non-GAAP)	$ 0.95	$ 0.82	$ 2.93

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, and NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income	$ 278	$ 246	$ 973
Tax Reform	-	-	(10)
Operating Earnings (non-GAAP)	$ 278	$ 246	$ 963
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	$ 9	$ 13	$ 122
Lease Related Activity, pre-tax	-	-	77
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[a]	-	-	(32)
Tax Reform	-	-	(147)
Operating Earnings (non-GAAP)	$ 9	$ 13	$ 20
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSEG Power Operating Earnings (non-GAAP) and Adjusted EBITDA (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Year-Ended December 31, 2017
	($ millions, Unaudited)		
Net Income (Loss)	$ 125	$ 136	$ 479
(Gain) Loss on NDT Fund Related Activity, pre-tax[a]	(43)	(22)	(133)
(Gain) Loss on MTM, pre-tax [b]	133	46	167
Hudson/Mercer Early Retirement, pre-tax	-	9	975
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform[c]	(21)	(11)	(395)
Tax Reform	-	-	(588)
Operating Earnings (non-GAAP)	$ 194	$ 158	$ 505
Depreciation and Amortization, pre-tax [d]	91	77	333
Interest Expense, pre-tax [d] [e]	29	12	48
Income Taxes [d]	46	109	286
Adjusted EBITDA (non-GAAP)	$ 360	$ 356	$ 1,172
PSEG Fully Diluted Average Shares Outstanding (in millions)	507	507	507

(a) Effective January 1, 2018, unrealized gains (losses) on equity securities are recorded in Net Income instead of Other Comprehensive Income (Loss).
(b) Includes the financial impact from positions with forward delivery months.
(c) Income tax effect calculated at 28.11% for 2018 and 40.85% statutory rate for 2017, except for NDT related activity which is calculated at the statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(d) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(e) Net of capitalized interest.

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Q4 & Year-End 2017 Performance Update

NYSE: PEG

"We ended 2017 on a strong note with operating earnings for the year above the mid-point of our guidance. Successful execution of PSE&G's capital program and strong operations at PSEG Power contributed to our full year results. The successes of 2017 were the result of the outstanding effort of our dedicated workforce, and position us well as we seek to continue to execute on our strategy to provide long-term value to our shareholders by meeting the needs of our customers and the communities we serve. The recent action by the Board of Directors to increase the common dividend by 4.7% to the indicative annual rate of $1.80 per share is recognition of our financial strength and commitment to growth.

We enter 2018 from a position of financial strength aided by a strong balance sheet, continued execution of our strategic growth objectives and tax reform. For 2018, we forecast 6% growth in non-GAAP Operating Earnings at the mid-point of our guidance of $3.00 - $3.20 per share. This is possible, despite the challenges we continue to face in wholesale power markets especially at our nuclear plants, due to continued growth at PSE&G and a $0.16 per share benefit to the bottom line of our unregulated businesses from a reduction in the federal tax rate.

PSEG Power (Power) has made progress on construction activities related to its three new natural gas combined cycle generation stations, with Keys and Sewaren 7 projected to start commercial operation in mid-2018. We remain involved in discussions with key stakeholders in NJ and with those in charge of the wholesale energy market at FERC and PJM to secure the long-term viability of our nuclear generation assets. NJ legislators are considering a bill that would value the attributes of nuclear and create a safety net for our NJ at-risk nuclear capacity. The State of NJ is giving this issue the careful attention it deserves and we hope for timely legislative action, but the risk of closure remains without a change in the financial condition of nuclear."

Ralph Izzo, Chairman, President & CEO - February 23, 2018

PSEG – Q4 & FY 2017 Highlights

Exceeded mid-point of guidance in 2017, well positioned for 2018

- Net Income of $1.88 vs. Net Loss of $(0.19) per share in Q4 2016; Net Income of $3.10 in 2017 vs. $1.75 per share in 2016 – Tax reform and early retirement of Hudson & Mercer influenced results
- Non-GAAP Operating Earnings* results of $0.57 vs. $0.54 per share in Q4 2016; Full-year, non-GAAP Operating Earnings* of $2.93 vs. $2.90 in 2016 and 2017 guidance of $2.80 to $3.00 per share
- PSE&G non-GAAP per share results up 8.6%, from increased investment in electric and gas T&D
- Power results, at top end of guidance, were aided by cost control and improved nuclear performance

Operational Excellence

- PSE&G recognized for the 16th consecutive year as the Mid-Atlantic region's most reliable electric utility
- Nuclear fleet capacity factor (CF) improved to 94%; Hope Creek attained 100% (CF) & record output

PSEG Disciplined Capital Investment

- PSEG invested ~$4.2 billion in 2017: ~$3.1 billion at PSE&G and ~$1 billion at PSEG Power

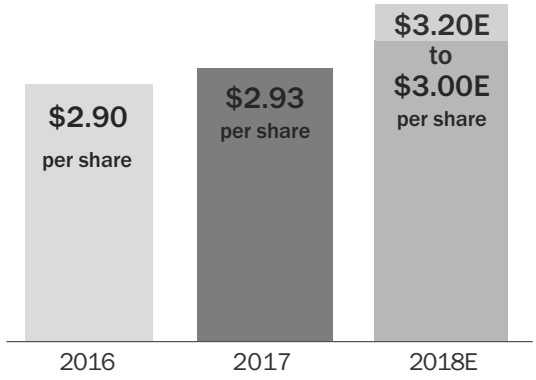
Regulatory and Policy Focus

- Filed PSE&G distribution base rate case seeking a modest, low-single digit revenue increase
- PSE&G to return ~$275 million of expected benefits to customers related to lower tax rates
- Power continues to work with key stakeholders in New Jersey on legislation supporting continued operation of nuclear capacity as part of a broader bill that aligns with the state's energy policy goals

PSEG – Initiating 2018 Full-Year Guidance

Growth in utility infrastructure investments continue to drive a higher regulated earnings contribution in 2018

Non-GAAP Operating Earnings* and 2018 Guidance



Q4 2017 Results by Subsidiary

	Financial Results		Earnings per Share (EPS)	
$ millions *(except EPS)*	**2017**	**2016**	**2017**	**2016**
PSE&G (Net Income)	$220	$193	$0.43	$0.38
PSE&G (non-GAAP Op. Earnings)*	$210	$193	$0.41	$0.38
PSEG Power (Net Income/(Loss))	$610	$(302)	$1.20	$(0.59)
PSEG Power (non-GAAP Op. Earnings)*	$100	$69	$0.20	$0.13
Enterprise/Other (Net Income)	$126	$11	$0.25	$0.02
Enterprise/Other (non-GAAP Op. Earnings)*	$(21)	$17	$(0.04)	$0.03
PSEG (Net Income/(Loss))	$956	$(98)	$1.88	$(0.19)
PSEG (non-GAAP Operating Earnings)*	$289	$279	$0.57	$0.54

Key Performance Highlights

	as of 12/31/2017
Stock Price on 12/31/2017	$51.50
Dividends Paid per Share (*year-to-date*)	$1.72
Dividend Yield *(%)*	3.3%
Total Shareholder Return (*year-to-date*)	21.8%
Average Shares Outstanding, Diluted *(in millions)*	507
Book Value Per Common Share	$27.45

* See Items excluded from Net Income/(Loss) to reconcile to non-GAAP Operating Earnings/(Loss) on page 2 or https://www.pseg.com/info/investors/forward.jsp

Public Service Enterprise Group (PSEG)
80 Park Plaza, Newark, NJ 07102
Investor Relations: **973.430.6565**
www.pseg.com

THIS DOCUMENT CONTAINS FORWARD-LOOKING INFORMATION. ACTUAL RESULTS MAY DIFFER FROM THOSE ANTICIPATED. INFORMATION DESCRIBING THE SIGNIFICANT FACTORS THAT COULD CAUSE RESULTS TO DIFFER FROM THOSE ANTICIPATED ARE DESCRIBED IN PUBLIC SERVICE ENTERPRISE GROUP'S FILINGS WITH THE SEC, WHICH ARE AVAILABLE ON OUR WEBSITE **WWW.PSEG.COM**. INFORMATION PROVIDED IS AS OF FEBRUARY 23, 2018. ANY FORWARD-LOOKING STATEMENTS INCLUDED HEREIN REPRESENT OUR ESTIMATES AS OF THIS DATE, AND WE DISCLAIM ANY OBLIGATION TO UPDATE THE INFORMATION PROVIDED. E=ESTIMATE

GAAP Disclaimer

Management uses non-GAAP Operating Earnings in its internal analysis, and in communications with investors and analysts, as a consistent measure for comparing PSEG's financial performance to previous financial results. Non-GAAP Operating Earnings exclude the impact of returns (losses) associated with the Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting and material one-time items such as the revaluation of deferred tax liabilities and the impact of the retirement of the Hudson and Mercer coal stations on Power.

The presentation of non-GAAP Operating Earnings is intended to complement, and should not be considered an alternative to, the presentation of Net Income, which is an indicator of financial performance determined in accordance with GAAP. In addition, non-GAAP Operating Earnings as presented in this release may not be comparable to similarly titled measures used by other companies.

Due to the forward looking nature of non-GAAP Operating Earnings guidance, PSEG is unable to reconcile this non-GAAP financial measure to the most directly comparable GAAP financial measure. Management is unable to project certain reconciling items, in particular MTM and NDT gains (losses), for future periods due to market volatility. Guidance included herein is as of 02/23/2018.

These materials and other financial releases can be found on the PSEG website at www.pseg.com, under the Investors tab. From time to time, PSEG, PSE&G and PSEG Power release important information via postings on their corporate website at http://investor.pseg.com. Investors and other interested parties are encouraged to visit the corporate website to review new postings. The "email alerts" link at http://investor.pseg.com may be used to enroll to receive automatic email alerts and/or really simple syndication (RSS) feeds regarding new postings at http://investor.pseg.com/rss.

Items Excluded from Net income to Reconcile to Non-GAAP Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED
Consolidated Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 956	$ (98)	$ 1,574	$ 887
(Gain) Loss on Nuclear Decommissioning Trust (NDT) Fund Related Activity, pre-tax (PSEG Power)	(64)	(9)	(133)	(5)
(Gain) Loss on Mark-to-Market (MTM), pre-tax [a] (PSEG Power)	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	15	555	975	669
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(40)	(256)	(427)	(391)
Tax Reform	(745)	-	(745)	-
Operating Earnings (non-GAAP)	$ 289	$ 279	$ 1,488	$ 1,475
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508
	($ Per Share Impact - Diluted, Unaudited)			
Net Income (Loss)	$ 1.88	$ (0.19)	$ 3.10	$ 1.75
(Gain) Loss on NDT Fund Related Activity, pre-tax (PSEG Power)	(0.12)	(0.02)	(0.26)	(0.01)
(Gain) Loss on MTM, pre-tax [a] (PSEG Power)	0.33	0.15	0.33	0.33
Hudson/Mercer Early Retirement, pre-tax (PSEG Power)	0.03	1.10	1.92	1.32
Lease Related Activity, pre-tax (PSEG Enterprise/Other)	-	0.02	0.15	0.29
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(0.08)	(0.52)	(0.84)	(0.78)
Tax Reform	(1.47)	-	(1.47)	-
Operating Earnings (non-GAAP)	$ 0.57	$ 0.54	$ 2.93	$ 2.90

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for lease related activity which is calculated at a combined leveraged lease effective tax rate, NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.

PSEG Enterprise/Other
Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 126	$ 11	$ 122	$ (20)
Lease Related Activity, pre-tax	-	10	77	147
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [a]	-	(4)	(32)	(55)
Tax Reform	(147)	-	(147)	-
Operating Earnings (non-GAAP)	$ (21)	$ 17	$ 20	$ 72
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

(a) Income tax effect calculated at a combined leveraged lease effective tax rate.

PSE&G Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income	$ 220	$ 193	$ 973	$ 889
Tax Reform	(10)	-	(10)	-
Operating Earnings (non-GAAP)	$ 210	$ 193	$ 963	$ 889
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

PSEG Power Operating Earnings (non-GAAP) Reconciliation

Reconciling Items	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2016
	($ millions, Unaudited)			
Net Income (Loss)	$ 610	$ (302)	$ 479	$ 18
(Gain) Loss on NDT Fund Related Activity, pre-tax	(64)	(9)	(133)	(5)
(Gain) Loss on MTM, pre-tax [a]	167	77	167	168
Hudson/Mercer Early Retirement, pre-tax	15	555	975	669
Income Taxes related to Operating Earnings (non-GAAP) reconciling items, excluding Tax Reform [b]	(40)	(252)	(395)	(336)
Tax Reform	(588)	-	(588)	-
Operating Earnings (non-GAAP)	$ 100	$ 69	$ 505	$ 514
PSEG Fully Diluted Average Shares Outstanding (in millions)	508	508	507	508

(a) Includes the financial impact from positions with forward delivery months.
(b) Income tax effect calculated at 40.85% statutory rate, except for NDT related activity which is calculated at the 40.85% statutory rate plus a 20% tax on income (losses) from qualified NDT funds.
(c) Excludes amounts related to Operating Earnings (non-GAAP) reconciling items.
(d) Net of capitalized interest.

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